

日本の力を、世界のために。

Supporting Your Global Challenges



# Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

JBIC 35<sup>th</sup> Survey, 2023

Strategic Research Department

We would like to express our deep gratitude to all the companies who cooperated in this survey. We hope that the results of this survey will serve as a reference for future business activities.

This report is published to serve as a reference for research and discussions of JBIC. The views expressed in this report do not represent the official position of JBIC. The views expressed in this report do not represent the official position of JBIC. Copying of this report without consent of JBIC is strictly prohibited. JBIC shall not be held liable for any damages that may occur from the use of this report.

<b>1</b>	<b>Survey overview</b>	<b>p.4</b>
<b>2</b>	<b>Overseas Business Performance</b>	<b>p.8</b>
<b>3</b>	<b>Business Prospects for Medium-term</b>	<b>p.13</b>
<b>4</b>	<b>Promising Countries/Regions</b>	<b>p.17</b>
<b>5</b>	<b>Special Theme #1 Shape of Supply Chains under Fragmented Global Economy</b>	<b>p.35</b>
<b>6</b>	<b>Special Theme #2 Impact of Global Price Hikes on Business Development</b>	<b>p.44</b>
<b>7</b>	<b>Special Theme #3 Issues in Sustainability in Business Development</b>	<b>p.50</b>
	<b>(Appendix #1) Detailed data</b>	<b>p.57</b>
	<b>(Appendix #2) Supplementary Research of Text Mining</b>	<b>p.65</b>



## **1. Japanese manufacturers' overseas business development maintained a recovery trend from the Covid-19 pandemic, but their attitude toward strengthening and expansion slowed somewhat.**

Last fiscal year, companies showed signs of recovery from the pandemic, and this year, both the overseas production ratio (35.7%) and the overseas sales ratio (39.0%) in FY2022 increased from the previous year, maintaining the recovery trend. However, against the backdrop of the invasion of Ukraine, heightened geopolitical risks associated with the prolonged conflict between the U.S. and China, and the slowdown trend in the Chinese economy, the actual results for FY2023 are expected to remain almost flat in both the overseas production ratio (35.8%) and the overseas sales ratio (39.1%). Companies are also more cautious in their future domestic and overseas business development stance compared to the previous fiscal year.

## **2. In the ranking of promising countries, India maintains the top position, far ahead of the others. The U.S. and China dropped in the rankings, with Vietnam in second place for the first time.**

As for promising countries over the next three years, India maintained its top position by gaining support in a wide range of industries and leading the others in terms of the percentage of votes. China dropped to third place, against a backdrop of various growing concerns, including the prolonged conflict between the U.S. and the slowdown of the economy. Although the U.S. is highly rated as a market, the recent rise in labor costs and other factors are believed to have contributed to the decline in the vote share. The decrease in the U.S.-China vote share was distributed among the top ASEAN countries, Mexico, and other countries. Vietnam, which is expected to be the recipient of the ex-China vote share, came in second place for the first time.

## **3. While reviewing the supply chain, there was continued dependence on China. Increased geopolitical risk has led to a move to strengthen domestic investment.**

Although there is a move to review raw material procurement in the supply chain in response to rising geopolitical risks, such as the U.S.-China confrontation and the invasion of Ukraine, China continues to be a significant source of raw materials and parts that are difficult to replace. On the other hand, Japanese firms' sense of unease about doing business in China has grown significantly as China's domestic regulations are tightened and the investment environment deteriorates, and the tightening of U.S. regulations on China is having an actual impact on business operations. Although the transfer of production from overseas to Japan has been limited to a small number of companies primarily in the electrical and electronics industries, there was a positive attitude toward strengthening domestic investment, while also taking into account government subsidies and other preferential measures.

## **4. Global price hikes are driving cost reductions and other efforts, while at the same time, price shifting is underway.**

Approximately 90% of the companies indicated that they are affected by the global price hikes of energy, materials, parts, etc., and are under pressure to reduce energy use, cut costs, etc. About 70% of the companies have passed on the higher prices to their suppliers to varying degrees. However, some companies are unable to pass on the higher prices due to lack of understanding from their suppliers, competition with other companies, and other reasons.

## **5. Efforts to decarbonize have progressed mainly among large companies. Efforts to address biodiversity and human rights issues are limited due to difficulties in understanding.**

Approximately 65% of companies are making progress in their decarbonization efforts. Companies are taking into account the requirements of their customers, the initiatives of their competitors, and trends in decarbonization technologies in their efforts to decarbonize their operations, with some differences in progress depending on the size of the company and industry. Biodiversity and human rights issues, which were not widely addressed in last year's survey, were found to be difficult to understand, to have a lack of specialized human resources, and to have low awareness within industries.

日本の力を、世界のために。

Supporting Your Global Challenges



## 1. Survey Overview



## 1. Research Objective and Targets

This survey aimed to research and analyze the current status and future prospects for overseas business development of Japanese manufacturing companies. The companies targeted in this survey are Japanese manufacturing companies which have three or more overseas affiliates (including at least one production base).

## 2. Methodology

(1) Number of surveyed companies: 987  
 (2) Methods: The questionnaires were sent via post and email. Questionnaires were sent either through email or physical mail. During the survey period, supplemental online interviews were also conducted.

## 3. Responses

(1) Number of respondents: 534 (+3 respondents compared to last year)  
 (2) Response rate: 54.1% (-2.0 points compared to last year)

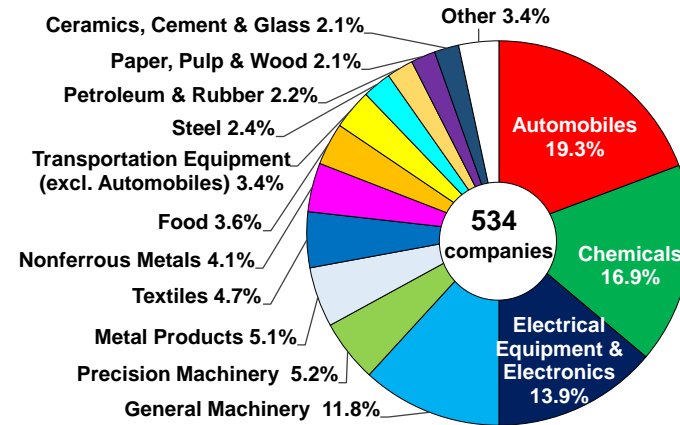
## 4. Survey Period

July 11, 2023, to September 1, 2023  
 (\*Responses received by September 11 were counted as valid)

## 5. Survey Items

- (1) Survey Overview
  - (2) Overseas Business Performance
  - (3) Business Prospects for Medium-term
  - (4) Promising Countries/Regions
  - (5) Shape of Supply Chain under Fragmented Global Economy\*
  - (6) Impact of Global Price Hikes on Business Development\*
  - (7) Issues in Sustainability (decarbonization, biodiversity, human rights) in Business Development\*
- (Items with asterisks (\*) indicate this year's independent topics)

### Figure 1.1 Responding Companies (by sector)



Industry Type	FY2022	FY2023	Proportion
Automobiles	109	103	19.3%
Chemicals	88	90	16.9%
Electrical Equipment & Electronics	74	74	13.9%
General Machinery	63	63	11.8%
Precision Machinery	28	28	5.2%
Metal Products	21	27	5.1%
Textiles	21	25	4.7%
Nonferrous Metals	24	22	4.1%
Food	21	19	3.6%
Transportation Equipment (excl. Automobiles)	17	18	3.4%
Steel	11	13	2.4%
Petroleum & Rubber	15	12	2.2%
Paper, Pulp & Wood	14	11	2.1%
Ceramics, Cement & Glass	10	11	2.1%
Other	15	18	3.4%
Total	531	534	100.0%

(Note) In this study, Automobiles, Chemicals, Electrical and electronics, and General machinery are collectively referred to as the "four major industries. The term "Chemical" refers to the total of "Chemicals (including plastic products)" and "Pharmaceuticals," while the terms "Automobiles," "Electrical equipment and electronics," "General machinery," and "Precision machinery" refer to the total of "Assembly" and "Parts" in the respective industry sectors.

### Figure 1.2 Number of Responding Firms (by Capitalisation, Non-consolidated)

Paid-in Capital	(companies)		
	FY2022	FY2023	Proportion
Less than ¥300 mn.	132	140	26.2%
¥300 mn. up to ¥1 bn.	77	70	13.1%
¥1 bn. up to ¥5 bn.	103	109	20.4%
¥5 bn. up to ¥10 bn.	62	58	10.9%
¥10 bn. or more	150	151	28.3%
Holding company	7	6	1.1%
No response	0	0	0.0%
Total	531	534	100.0%

(Note: For the purposes of this study, the definition of 'small and medium enterprises' is enterprises with a capital of less than 1 billion yen.

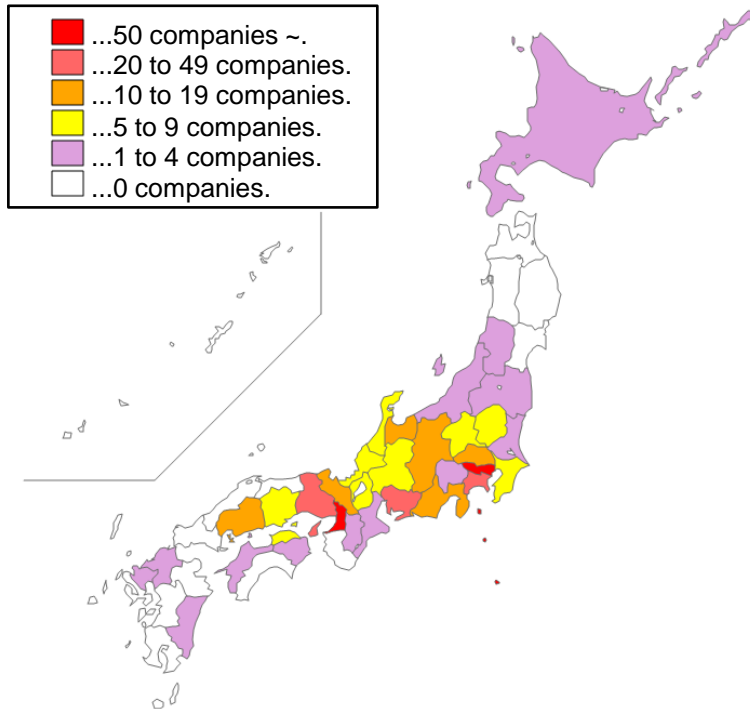


Figure 1.3 Profile of Responding Companies

## Headquarters Location

Tokyo 173, Osaka 77, Aichi 48, Kanagawa 31, Hyogo 29, Hiroshima 19, Kyoto 18, Shizuoka 17, Nagano 14, Toyama 12, Saitama 11, Gifu 9, Shiga 8, Okayama 8, Gunma 7, Fukui 7, Tochigi 6, Chiba 5, Ishikawa 5, Kagawa 5, Mie 4, Fukuoka 4, Yamagata 3, Niigata 3, Tokushima 2, Ehime 2, Hokkaido 1, Fukushima 1, Ibaraki 1, Yamanashi 1, Nara 1, Saga 1, Miyazaki 1

Note: The head office addresses of the respondent companies are plotted.



## Listed/Unlisted(This Year)

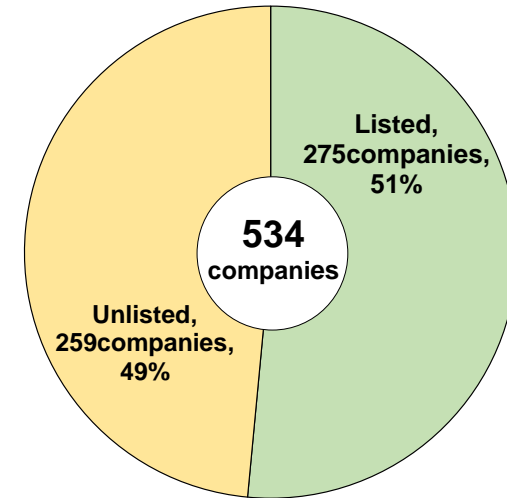
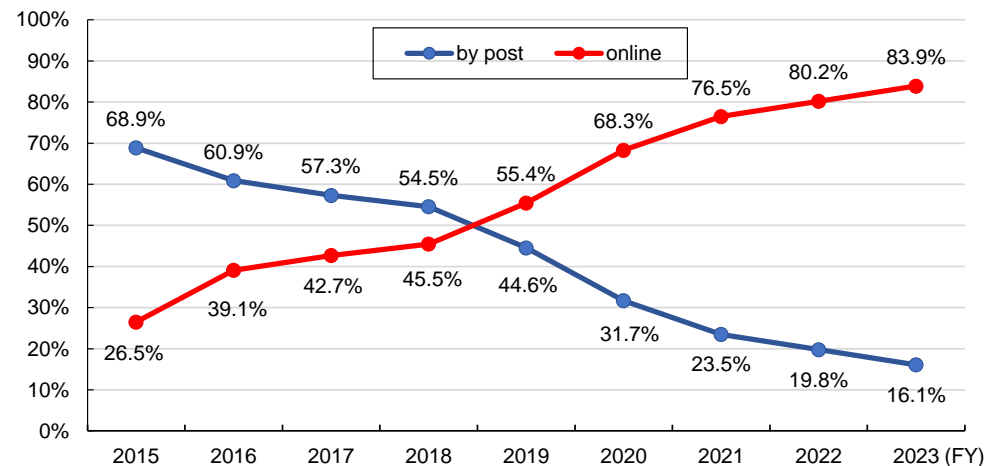


Figure 1.4 Transition of Survey Methods



(Note: 2015 includes 4.6% of responses from other electronic survey forms.)

Figure 1.5 Distribution of Overseas Affiliates

## (1) One or more overseas affiliates for production

	Country/Region	No. of respondents (company)	Proportion
1	China	387	73.9%
2	Thailand	257	49.0%
3	US	204	38.9%
4	Indonesia	163	31.1%
5	Vietnam	129	24.6%
6	India	123	23.5%
7	Mexico	106	20.2%
8	Malaysia	104	19.8%
9	Taiwan	97	18.5%
10	EU14	96	18.3%
11	Korea	82	15.6%
12	Philippines	77	14.7%
13	Brazil	51	9.7%
14	Central & Eastern Europe	47	9.0%
15	Singapore	46	8.8%

## (2) One or more overseas affiliates for sales

	Country/Region	No. of respondents (company)	Proportion
1	China	311	59.4%
2	US	244	46.6%
3	Thailand	193	36.8%
4	EU14	157	30.0%
5	Singapore	139	26.5%
6	Taiwan	134	25.6%
7	Hong Kong	126	24.0%
8	Korea	121	23.1%
9	Indonesia	116	22.1%
10	India	112	21.4%
11	Vietnam	94	17.9%
12	Mexico	87	16.6%
13	UK	85	16.2%
14	Malaysia	84	16.0%
15	Brazil	61	11.6%

Note: The total number of companies responding to this survey is 524.

## &lt;Definitions of regions in this survey

**NIEs3** Korea, Taiwan, and Hong Kong

**ASEAN5** Singapore, Thailand, Indonesia, Malaysia, and Philippines

**ASEAN 10** ASEAN 5, Vietnam, Myanmar, Cambodia, Laos, and Brunei

**North America** U.S. and Canada

**EU14** Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden, and Ireland

**Central and Eastern Europe** Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Slovenia, Albania, Croatia, Serbia, Montenegro, Bosnia, and Herzegovina, and Republic of North Macedonia

**Europe** EU14, UK, Central & Eastern Europe, and Turkey

\*Taiwan and Hong Kong are counted as NIEs3

## &lt;China's regional classification in this study&gt;.

**Northeast** (Heilongjiang, Jilin, and Liaoning provinces)

**North China** (Beijing, Tianjin, Hebei, and Shandong provinces)

**East China** (Shanghai, Jiangsu, Anhui, and Zhejiang provinces)

**South China** (Fujian, Guangdong, and Hainan provinces)

**Inland areas** (provinces and autonomous regions other than those listed above)



日本の力を、世界のために。

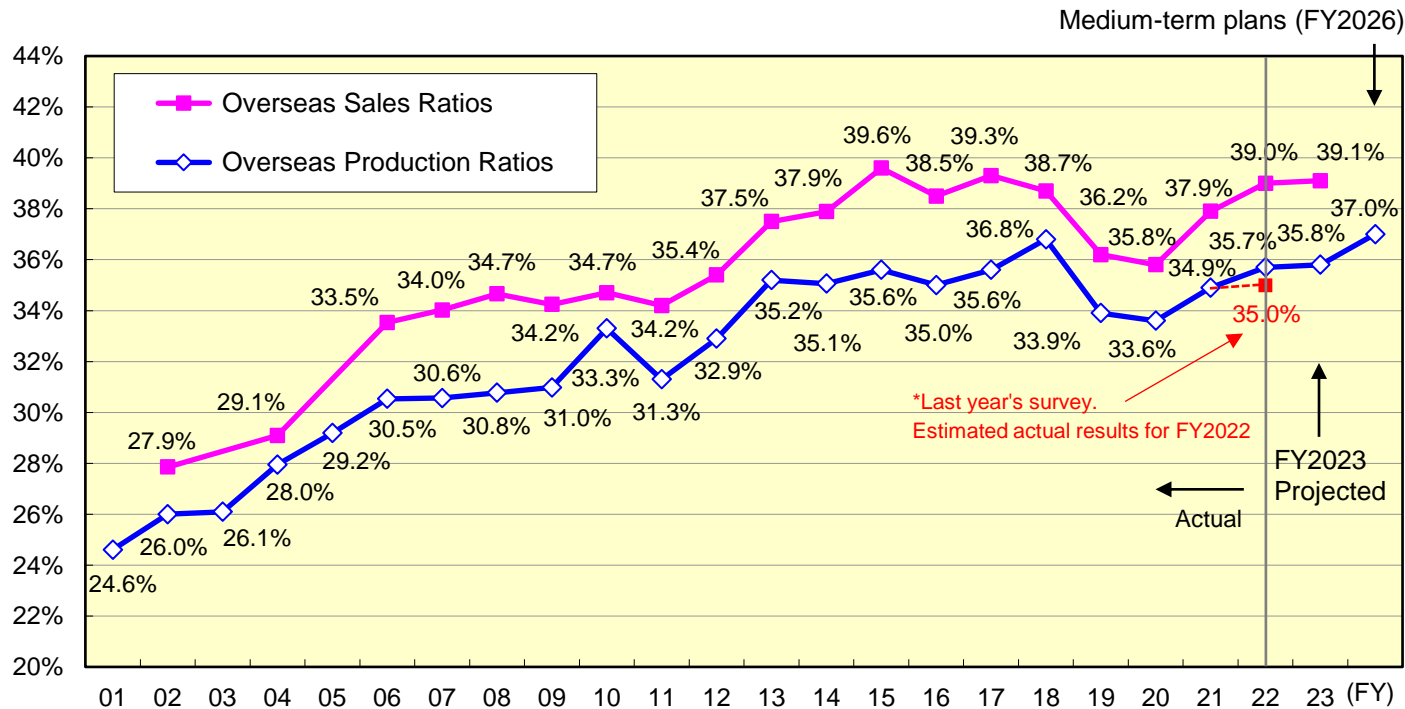
Supporting Your Global Challenges



## 2. Overseas Business Performance



## Figure 2.1 Trends in Overseas Production/Sales Ratios (FY2001 onwards, all industries)



Note 1: Calculation methods of various indicators (all consolidated basis)

$$\text{Overseas Production Ratio} = \frac{\text{Overseas Production}}{\text{Domestic Production} + \text{Overseas Production}}$$

$$\text{Overseas Sales Ratio} = \frac{\text{Overseas Sales}}{\text{Domestic Sales} + \text{Overseas Sales}}$$

Note 2: Each of the ratios in the graph is a simple average based on the values reported by responding companies.

Note 3: Surveys were not performed of overseas sales ratios in 2003 and 2005.

Reference: Contribution to the decline in overseas sales ratio (FY2021-2022 / by industry)

Industry Type	Contribution to the increase
Electrical Equipment & Electronics	-0.6
Nonferrous Metals	-0.2
Transportation Equipment	-0.1
Paper, Pulp & Wood	0.0
Metal products	0.0
Precision Machinery	0.0
Textiles	0.0
Ceramics, Cement & Glass	0.0
Steel	0.1
Food	0.2
Petroleum & Rubber	0.2
Other	0.2
General Machinery	0.2
Chemicals	0.5
Automobiles	0.8
<b>Total</b>	<b>1.1</b>

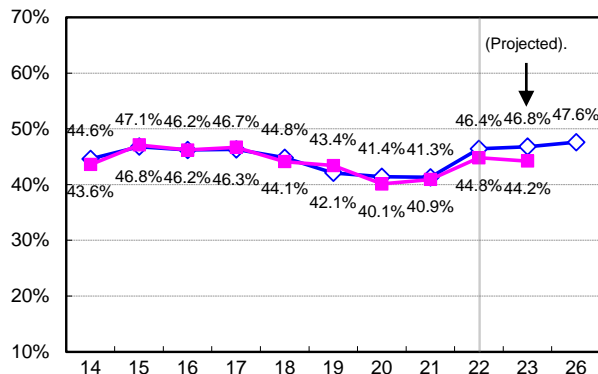
Note: This is calculated by weighting the rate of the decline from last year based on the number of companies responding to this year's survey.

### ■ The overseas sales ratio recovered to the level seen before the Covid-19 pandemic

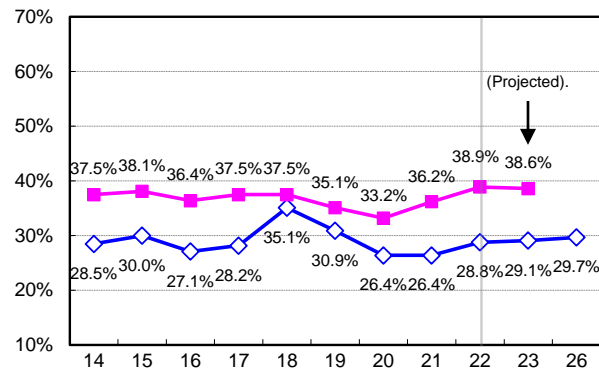
- The ratio of overseas production rose to 35.7% in FY2022, while the FY2023 forecast remains almost unchanged. It is currently slightly below the level seen before the Covid-19 pandemic, but is expected to rise to 37.0% in the mid-term plan (FY2026).
- The ratio of overseas sales has also continued to increase since the previous fiscal year, reaching 39.0%, above the level seen before the Covid-19 pandemic. Although the forecast for FY2023 remains almost unchanged at 39.1%, it is expected to remain high.

Figure 2.2 Trends in Each Index by Industry (FY2014 onwards)

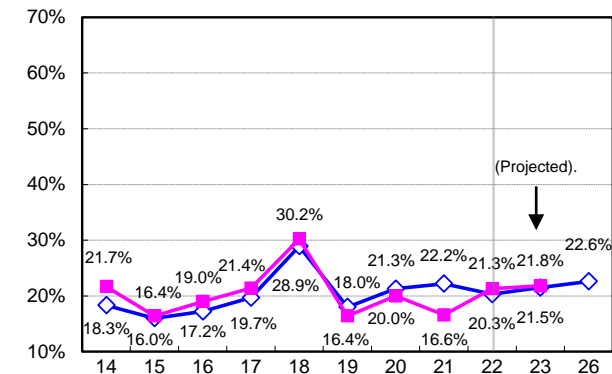
## (1) Automobiles



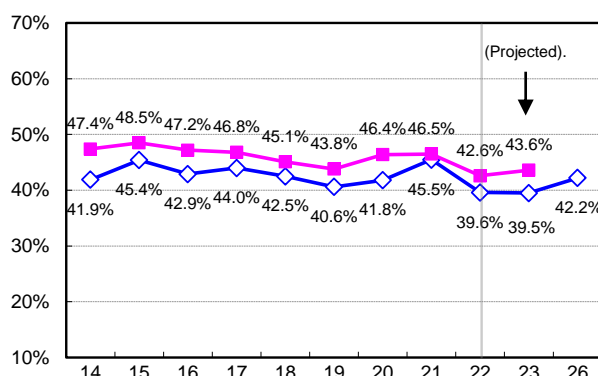
## (3) Chemicals



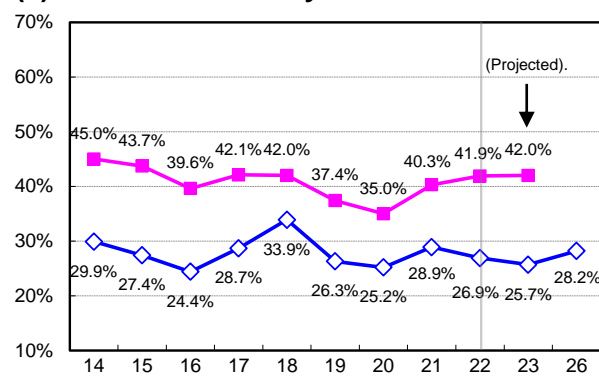
## (5) Food



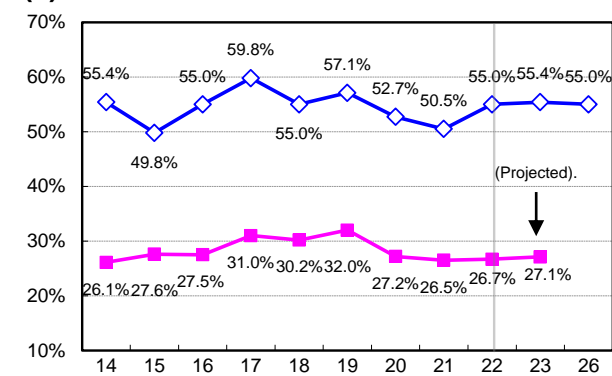
## (2) Electrical Equipment &amp; Electronics



## (4) General Machinery



## (6) Textiles



\*4 Major industries: Automobiles, Electrical equipment & Electronics, Chemicals and General Machinery

### ■ Electrical Equipment & Electronics showed a different trend while overseas sales ratio is on the rise in many industries.

- As for the overseas production ratios in FY2022, Automobiles (41.3%→46.4%), Chemicals (26.4%→28.8%), and Textiles (50.5%→55.0%) increased. In contrast, Electrical equipment & Electronic (45.5%→39.6%), General Machinery (28.9%→26.9%), and Food (22.2%→20.3%) decreased.
- In FY2022, the ratio of overseas sales continued to rise in the four major industries, with the exception of Electrical equipment & Electronic. For Electrical equipment & Electronic, both the overseas production and sales ratios decreased. In the interviews, it was pointed out that "Mobile-related equipment sold well until 2021, but not after 2022" (Electrical equipment & Electronic).

## Question

Please select the answer that best describes your company's FY2020 profits when compared with the initial targets (by countries/regions).

### Figure 2.3 Evaluation of Overseas Earnings Performance

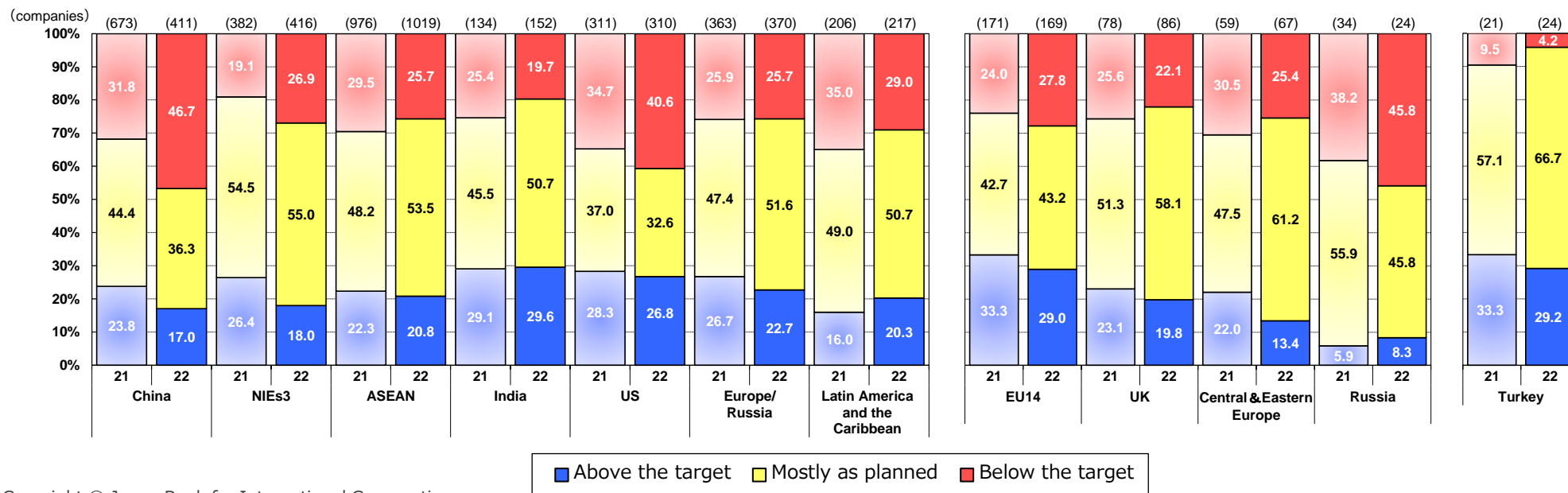
(FY)	2021	2022 (%)
Above the target	24.0	21.1(▲2.9)
Mostly as planned	47.5	49.0(+1.5)
Below the target	28.5	29.9(+1.4)

Note: This is a simple average of the evaluation scores for each destination region and country.

#### ■ Decrease in global demand affected overseas earnings performance.

- For FY2022, the percentage of companies (21.1%) choosing "above the target" was down 2.9 points from the previous year, and those who chose "below the target" (29.9%) was up 1.4 points.
- By country, the percentage of "above the target" decreased from the previous year in many countries except for India. In addition, the percentage of "below the target" increased in China, Russia, and other countries. China deteriorated for the second year in a row. The percentage of those who selected "above the target" in India, the U.S., and the EU14 remained high. In the interviews, one company said that "in India, petrol vehicles still have a larger market share than EVs. In addition, the demand for automobiles is on an upward trend" (Automobiles).
- It seems that negative factors, such as China's economy slowdown and soaring prices due to Russia's invasion of Ukraine and the prolonged the U.S.-China conflict, affected the results. One company said that "the market conditions in China deteriorated due to overstocking and oversupply as a result of the economic slowdown" (Chemical).

### Figure 2.4 Overseas Performance Evaluation (by Country/Region)

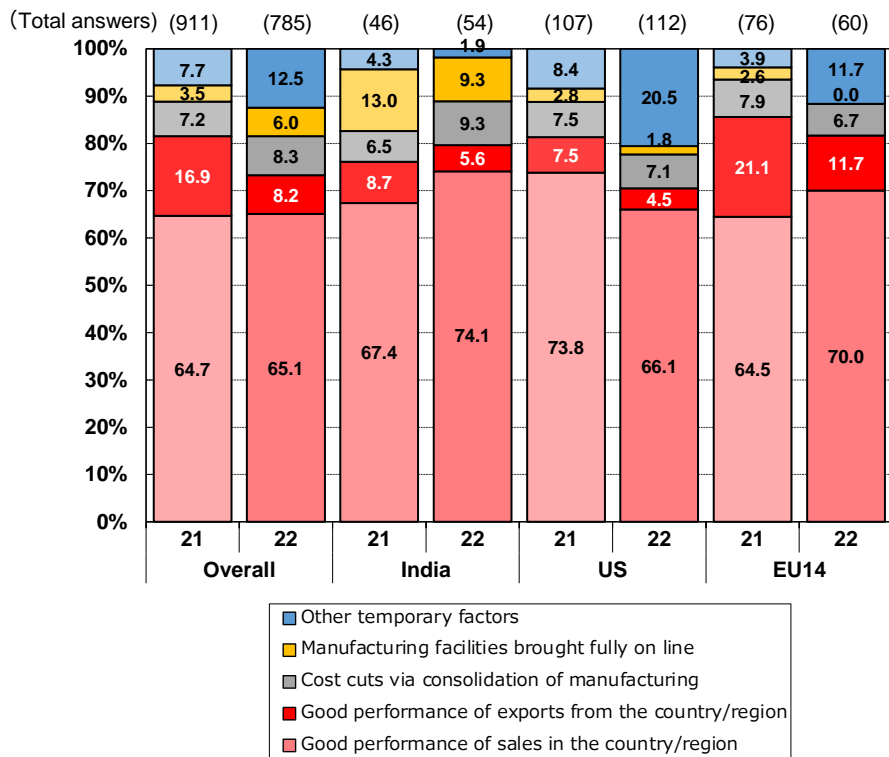


**India has strong domestic demand, while the U.S. is affected by a temporary slump in demand due to inflation.**

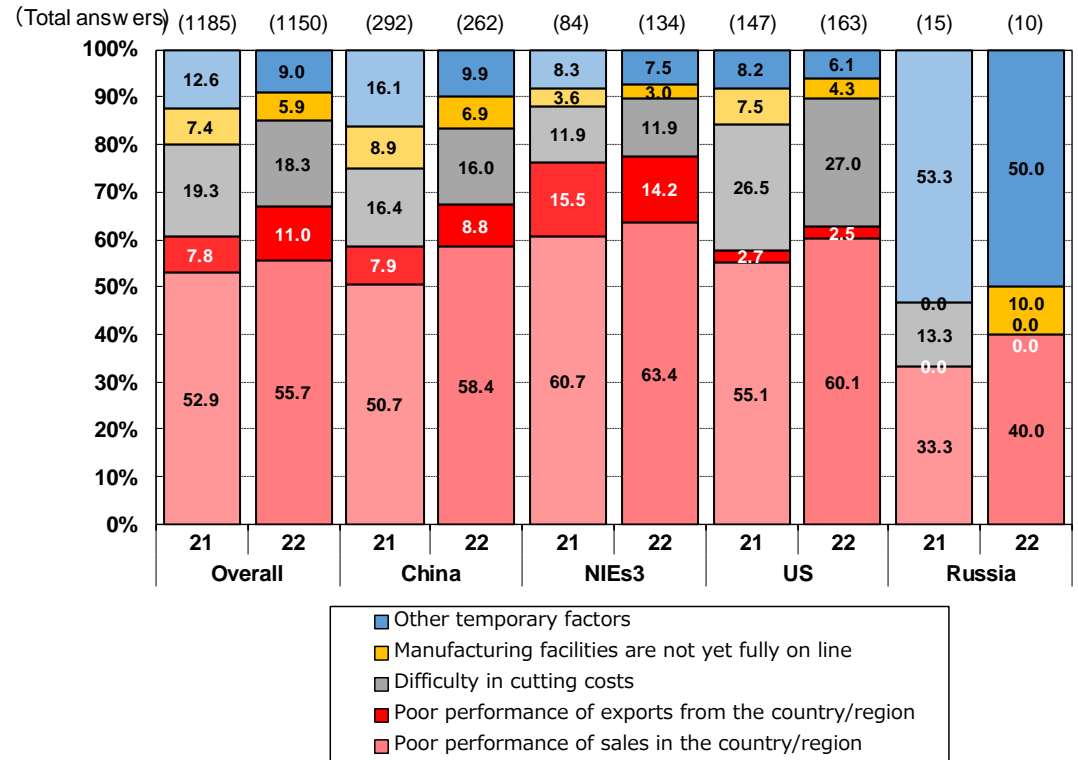
- As for the reasons for exceeding the target, the percentage of “Good performance of exports from the country/region” increased in India and EU14. In the U.S., the percentage of “Other temporary factors” increased. In the interviews, it was pointed out that the increase in the percentage of “other temporary factors” in the U.S. was due to “the impact of yen depreciation” (Precision Machinery) and “the petroleum-related business is strong in the U.S. and demand for related products is growing” (Construction Machinery).
- As for the reasons for falling below the target, the percentage of “Poor performance of sales in the country/region” increased in almost all regions except India. In addition, many companies selected “Difficulty in cutting costs” due to the backdrop of inflation. While many companies in the U.S. selected “Above the target,” the majority of Automobiles in the U.S. selected “Below the target.” One company pointed out that “the saturation of the U.S. automotive market and the inflationary increase in car prices make it difficult to sell cars.” (Automobiles).

**Performance Evaluations:**

**Figure 2.5 Reasons for Exceeding the Target**



**Figure 2.6 Reasons for Falling Below the Target**



Note: Percentages represent the percentage of each option in the total number of responses for the current year in the region/country concerned. Multiple answers allowed.



日本の力を、世界のために。

Supporting Your Global Challenges



### 3. Business Prospects for Medium-term

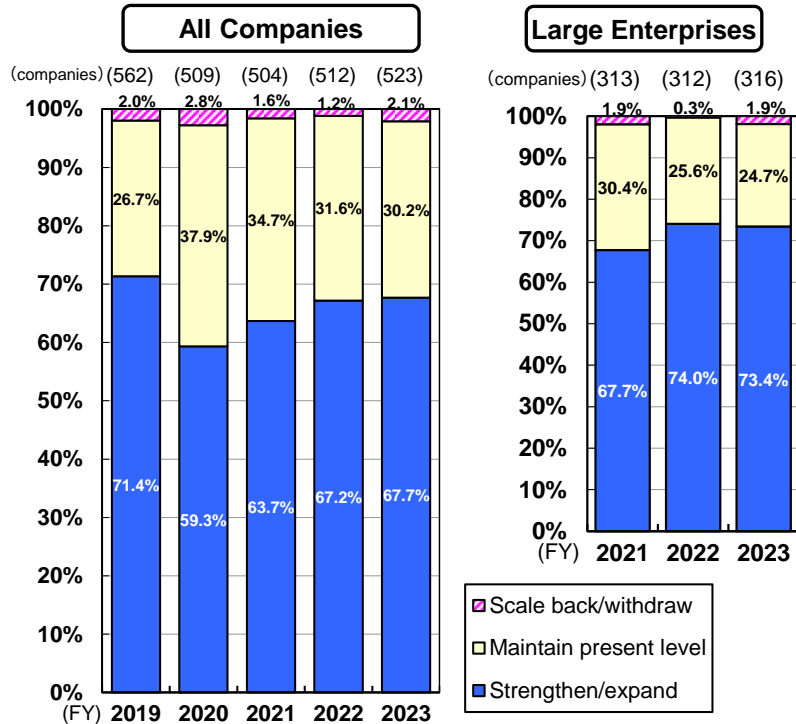




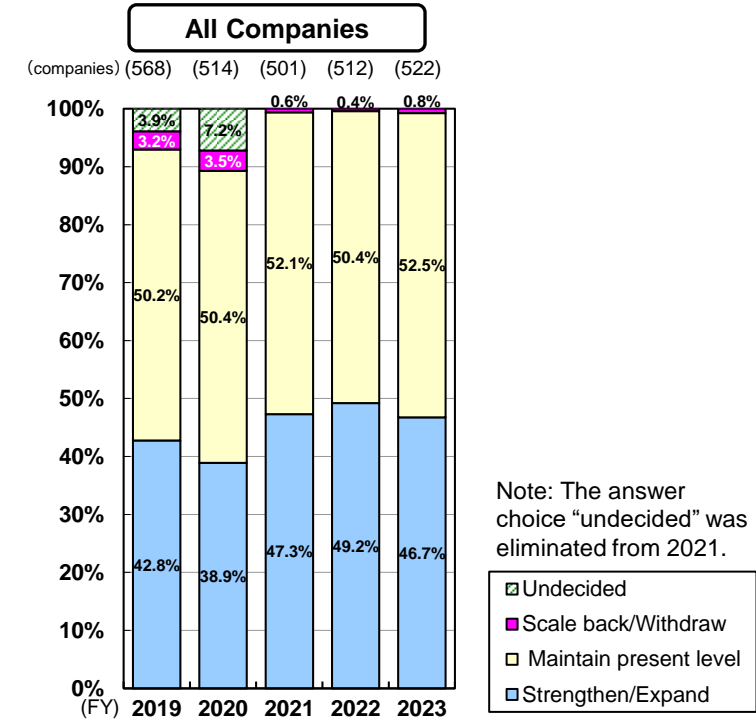
# (1) Future Business Expansions: Stance Toward Strengthening/Expanding Business (Overseas/Domestic)

Question What are your medium-term prospects (the next 3 years) for your overseas and domestic operations?

**Overseas** Figure 3.1 Medium-term (Next 3 Years) Prospects for Overseas Business Expansion



**Domestic** Figure 3.2 Medium-term (Next 3 Years) Prospects for Domestic Business Expansion



Note: The answer choice “undecided” was eliminated from 2021.

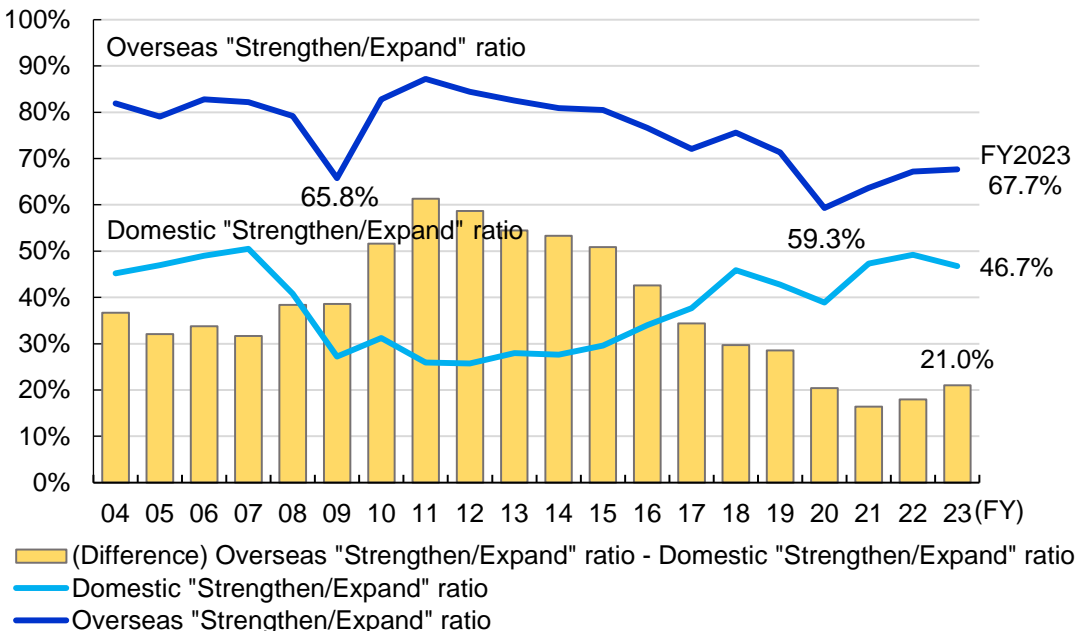
## ■ As for overseas business, “Strengthen/Expand” slightly increased from the previous year.

- The number of companies which chose “Strengthen/expand” increased slightly from the previous year’s survey but did not reach the level seen before the Covid-19 pandemic. By company size, large enterprises, which had been on a recovery trend, showed a slight decrease this year. On the other hand, SMEs, which had stagnated, started to rise in this year’s survey.

## ■ In domestic business, “Strengthen/Expand” decreased from the previous year.

- In the previous fiscal year, “Strengthen/expand” increased due to the resumption of domestic investments following the convergence of the Covid-19 pandemic, but this year the percentage decreased. In the interviews, one company said that “we do not intend to expand our domestic business as the Japanese market will not grow significantly in the future due to the declining birth rate” (Construction Machinery, Other).

### Figure 3.3 Shift in Intentions to Strengthen/Expand Business (2004-2023)

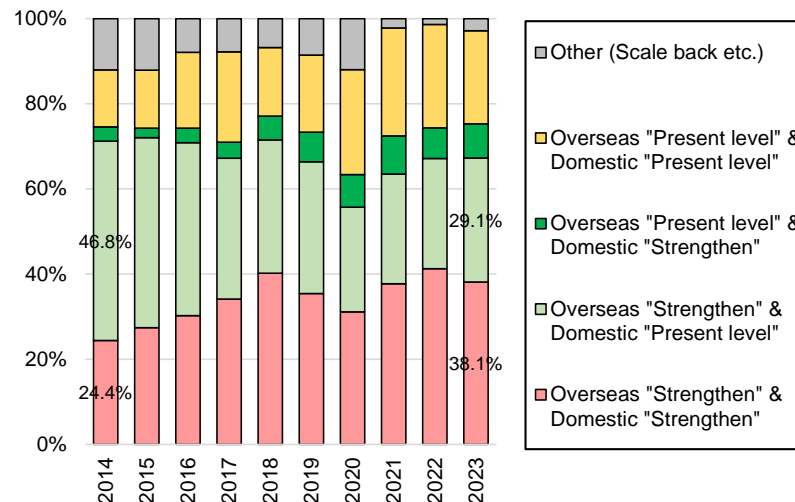


### Figure 3.4 Cross Analysis of Prospects for Overseas and Domestic Business

Medium-term Prospects (next 3 yrs. or so)			
Overseas business	Domestic business	No. of respondent companies	Percentage of all respondent companies
Strengthen/expand (353 companies)	Strengthen/Expand	199	38.1%
	Maintain present level	152	29.1%
	Scale back/Withdraw	2	0.4%
Maintain present level (158 companies)	Strengthen/Expand	42	8.0%
	Maintain present level	114	21.8%
	Scale back/Withdraw	2	0.4%
Scale back/withdraw (11 companies)	Strengthen/Expand	3	0.6%
	Maintain present level	8	1.5%
	Scale back/Withdraw	0	0.0%

Note: For data by industry, please refer to the Appendix. (n= 522 companies)

### Figure 3.5 Transition of outlook for Overseas and Domestic Business



#### Some companies are cautious about overseas business.

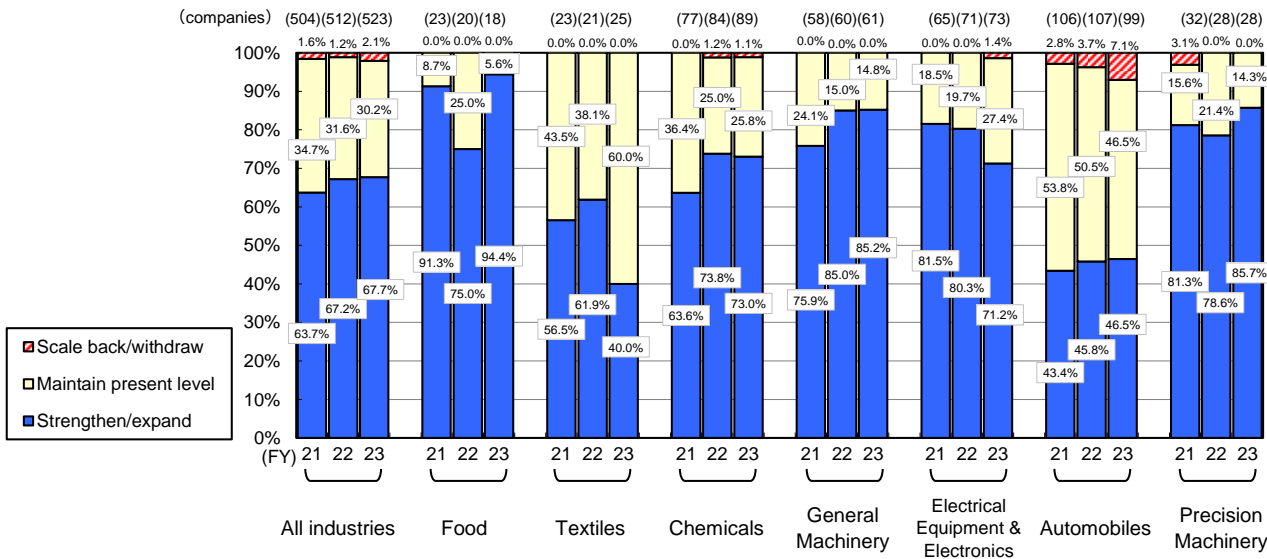
- As for overseas business, the "strengthen/expand" attitude remained on a recovery track, but the growth slowed. Considering the effect of Russia's invasion of Ukraine, the prolonged U.S.-China conflict and China's economic downturn, some companies seem cautious about the prospects for overseas expansion.

#### Many companies strengthen both overseas and domestic business.

- Of the 353 companies that intend to strengthen their overseas business in the medium term, 199 said they will also strengthen their domestic business. The number of companies working to "strengthen/expand" both overseas and domestic business remained high.

# (1) Future Business Expansions: Stances Toward Strengthening/Expanding Business by Industry

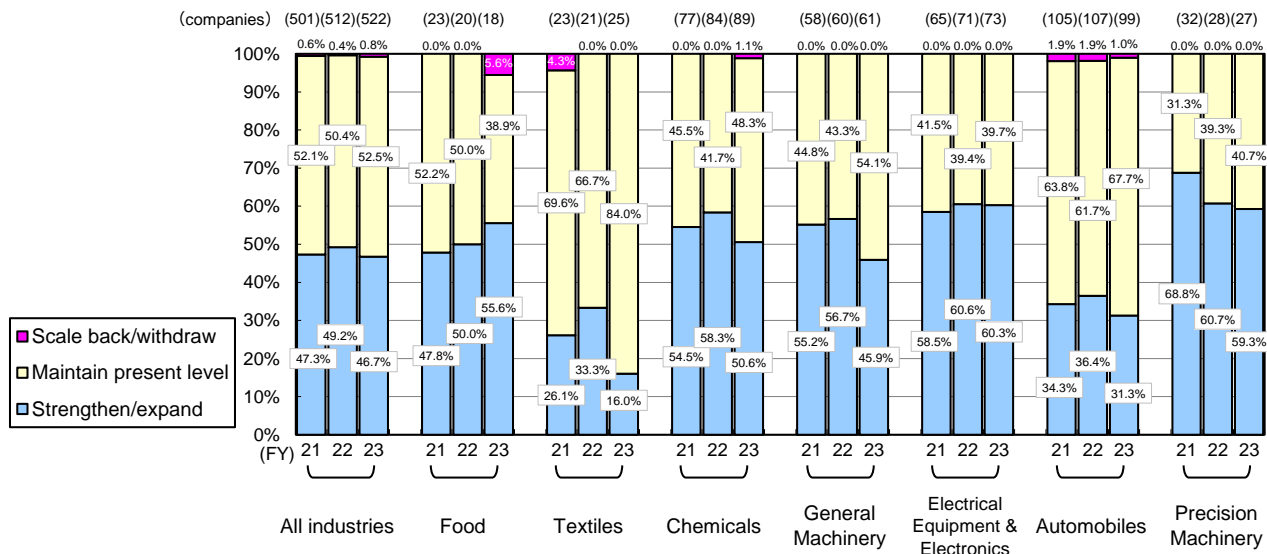
**Figure 3.6 Prospects for Medium-term Overseas Business Expansions**



**Automobiles are recovering slowly.**

- By industry, the strengthen stance has remained high in the three major industries, except for automobiles (see note 1).
- For automobiles, the strengthen attitude has not returned to the level seen before the Covid-19 pandemic (64.4% in FY18), despite a slight increase compared to the previous year. The “scale back/withdraw” attitude also increased, reaching 7.1%. One company said it is threatened by new Chinese brands trying to capture markets in China and abroad (Automobiles).
- For electrical equipment and electronics, the strengthen attitude weakened compared to the previous year, although it remained above the level seen before the Covid-19 pandemic (68.4% in FY18).

**Figure 3.7 Prospects for Medium-term Domestic Business Expansions**



**“Maintain present level” on the rise.**

- By industry, the maintaining present level stance has increased with the strengthen stance decreasing in all industries, except for food.
- For automobiles, there is no trend towards increasing “scale back/withdraw” in domestic business, as in the case of overseas business.
- For electrical equipment & electronics, contrast to the attitude in overseas, the strengthen attitude has remained high in domestic business for three consecutive years. It seems that some semiconductor-related companies strengthen their domestic investment.

Note 1: The trend in Textiles, Food and General Machinery fluctuated due to the relatively large number of respondent companies being replaced, etc.

Note 2: The option "undecided" was eliminated from the FY2021 survey

Note 3: For detailed data, please refer to Appendix #1

日本の力を、世界のために。

Supporting Your Global Challenges



## 4. Promising Countries/Regions



**Question** Please list up to five promising countries for business development in the medium-term (the next three years). (Multiple answers allowed, open-ended).

**Figure 4.1 Promising Countries for Overseas Business over the Medium-term (Next 3 Years)**

\*Percentage of votes (%) = Number of votes for country / Number of respondent companies

Ranking		Countries (Total)	No. of Companies		Percentage Share(%)	
2023	← 2022		2023 395	2022 367	2023	2022
1	← 1	India	192	148	48.6	40.3
2	↑ 4	Vietnam	119	106	30.1	28.9
3	↓ 2	China	112	136	28.4	37.1
4	↓ 3	US	107	118	27.1	32.2
5	↑ 6	Indonesia	97	77	24.6	21.0
6	↓ 5	Thailand	85	85	21.5	23.2
7	↑ 9	Mexico	42	27	10.6	7.4
8	← 8	Philippines	35	28	8.9	7.6
9	↓ 7	Malaysia	26	31	6.6	8.4
10	↑ 11	Germany	21	21	5.3	5.7
11	↓ 10	Taiwan	17	23	4.3	6.3
11	↑ 12	Korea	17	17	4.3	4.6
11	↑ 13	Brazil	17	15	4.3	4.1
14	← 14	Australia	13	13	3.3	3.5
15	↑ 16	Bangladesh	11	10	2.8	2.7
16	← 16	UK	7	10	1.8	2.7
16	↑ 19	France	7	8	1.8	2.2
16	↑ 27	Spain	7	3	1.8	0.8
19	↓ 18	Turkey	6	9	1.5	2.5
19	↑ 20	Cambodia	6	7	1.5	1.9
19	↑ 21	Canada	6	5	1.5	1.4
19	↑ 21	UAE	6	5	1.5	1.4
19	↑ 25	Myanmar	6	4	1.5	1.1
19	↑ 25	Netherlands	6	4	1.5	1.1

(Note 1) In the case of a tie, the ranking was based on the ranking in the previous survey.

(Note 2) For results prior to FY2022, see Appendix.

## ■ India topped the list for the second year in a row, with Vietnam in second place for the first time. China and the U.S. dropped one spot to third and fourth, respectively.

- India increased its vote share by 8.3 points to take first place for the second year in a row. Vietnam increased its vote share by 1.2 points, moving into second place for the first time. China lost its vote share, leaving it 80 votes behind India and in third place for the first time since 2014. The U.S., which had been in third place, dropped to fourth.
- India was far ahead of the second-place finishers in terms of percentage of votes (48.6%), due to its high assessment of the market's growth potential (Vietnam, China, and the U.S. were close behind in terms of percentage of votes).
- Although China continued to receive high marks for the size of its market, its vote share fell below 30% to a record lowest level ever because of the slowing economy, the U.S.-China conflict, and tightening of domestic regulations.
- The U.S. is believed to have lost its vote share due to the current inflation and rising labor costs, despite the high appreciation for the size of the market.
- While China's vote share has decreased, Vietnam's reputation as a production base for Japanese firms, backed by its inexpensive labor force and other factors, was likely a reflection of the country's popularity.

## ■ Mexico rises as a production base for the U.S. Germany ranked 10th place for the first time.

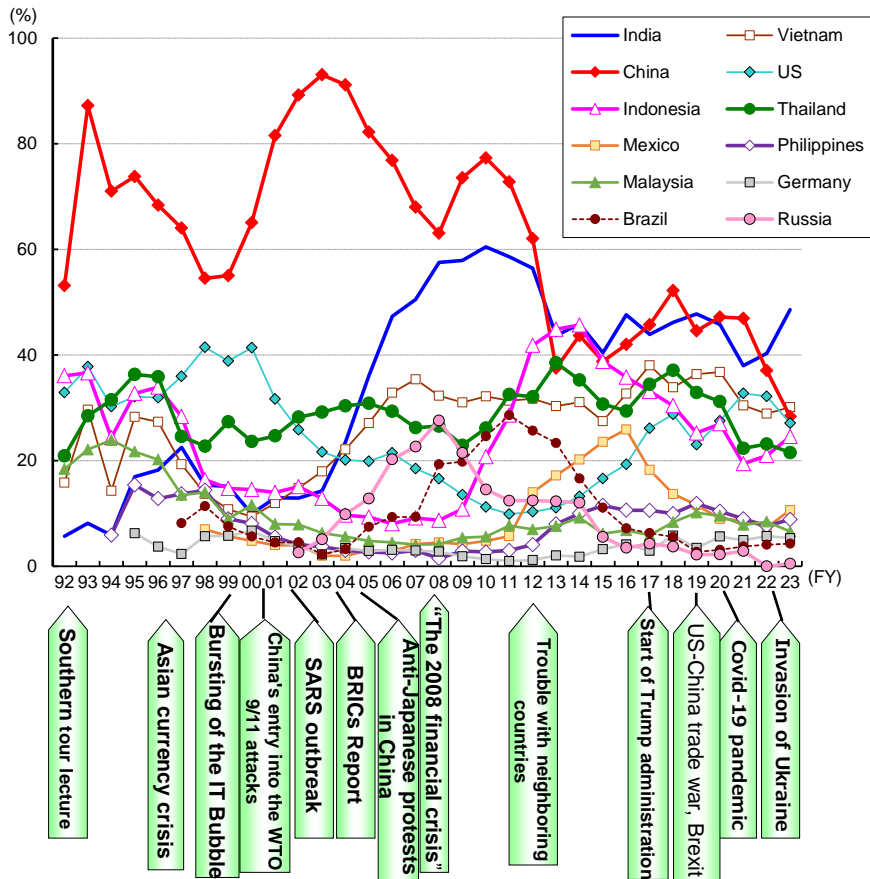
- Mexico increased its vote share by 3.2 percentage points, ranked seventh place for the first time since FY 2018. The result is a focus on the country as an overseas production base for Japanese firms amid a deteriorating investment environment in the U.S. due to inflation and other factors.
- Taiwan, which ranked 10th last year, saw its vote share drop by 2.0 points to 11th place due to rising geopolitical risks associated with the U.S.-China conflict and a slowdown in the Chinese economy. Germany moved up one place from last year to 10th place for the first time.

### <List of countries ranked 21st or lower

Ranking	No. of Companies	Countries
25	5	Singapore, South Africa, Saudi Arabia
28	4	Poland, Italy, Nigeria
31	3	Chile
32	2	Romania, Qatar, Russia
35	1	Czech, Egypt, Kenya, Laos, Japan, Morocco, Finland, Uzbekistan, New Zealand, Senegal, Slovakia, Tanzania, Mongolia, Argentine, Hong Kong, Oman, Pakistan, Paraguay, Sweden



Figure 4.2 Trends in Vote (1992-2023)



## ■ The gap between India and China widens. Vietnam took 2<sup>nd</sup> place for the first time and U.S.-China are close behind.

- The fact that India came in first by a wide margin in terms of percentage of vote share indicates a change in the structure of the competition between India and China for the 1<sup>st</sup> place in recent years.
- In addition to a large increase in the percentage of votes received, India's business planning ratio also increased significantly to 45.8%. India appears to be moving away from its "image-driven" evaluation as a promising country. On the other hand, Vietnam, whose vote share has remained stable, came in second place for the first time, but its business planning ratio was the lowest among the top 10 countries.
- Among the other top countries, Indonesia has steadily recovered its vote share since FY2021 and is in fifth place for the first time since FY 2019.
- The bipolar structure, in which the gap between the top six countries and the lower-ranked countries widens, remains unchanged this year, but the gap in votes between the top-ranked country, India, and the second-ranked country, Vietnam, and below, has widened significantly.

## ■ More firms choose India across a wide range of industries; China loses votes again this year (see next page)

- India ranked first in all four major industries and also increased its votes, with some saying, "India is embarking on business expansion amid the growth of the steel industry" (general machinery assembly). Vietnam also saw an increase in its number of votes in all four major industries, and it came in second in the electrical/electronics and general machinery sectors. On the other hand, China saw a decrease in its number of votes in all four major industries.
- In the U.S., the number of votes for "Automobiles" continued to drop from the previous year, and the number of votes for "General Machinery," which had increased in the previous year, also dropped.

<Notes on page 21 and following.

(Note 1) Source of data on direct investment: Ministry of Finance, Fiscal and Financial Statistics Monthly (Special Issue on Balance of Payments: Balance of Payments Statistics by Region) (1991-2004)

Bank of Japan, "Balance of Payments Statistics (Direct Investment by Industry and Region)" (2005-2014).

Bank of Japan, "Balance of Payments Statistics (Direct Investment Flows)" (2015-).

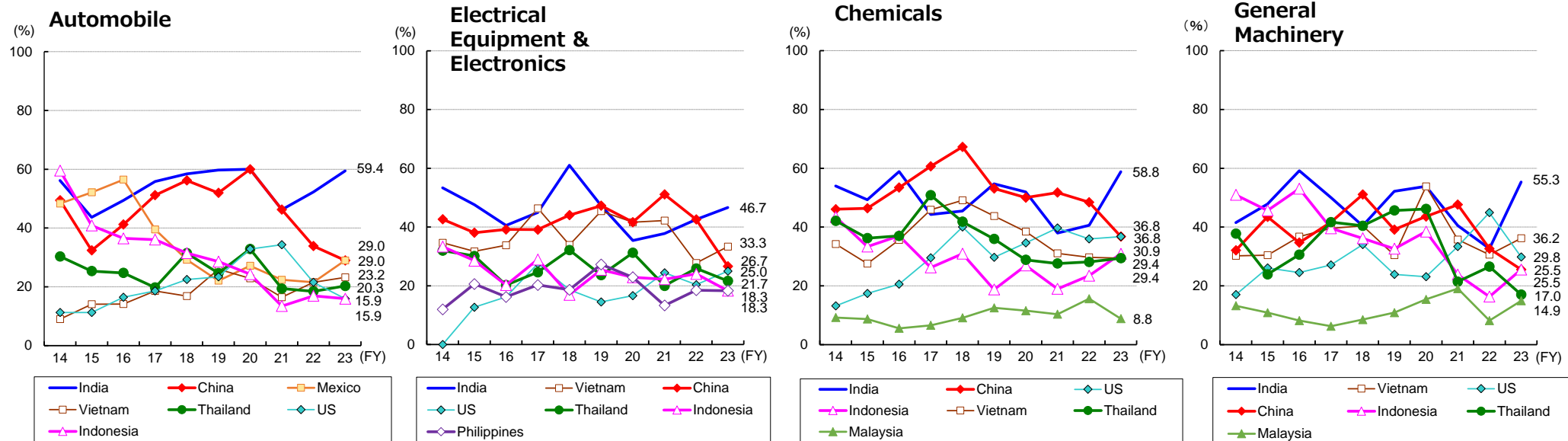
Prior to 2005, data by industry sector did not exist, so the total amount is shown.

(Note 2) "Number of responding companies" here indicates the number of companies that responded to "reasons for promising" and "issues" out of the total. Therefore, it is not necessarily the same as the number of responding companies in Figure 3.17.

(Note 3) "Ratio" is calculated by dividing the number of companies that responded to each item (multiple responses allowed) by the number of companies.



## Figure 4.3 Trends in Votes (4 Major Industries)



## Figure 4.4 Promising Countries for Overseas Business over the Medium-term (Next 3 Years) (4 Major Industries)

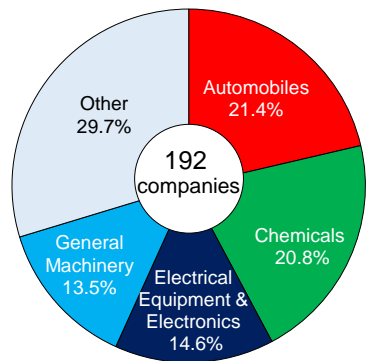
Automobile				Electrical Equipment & Electronics				Chemicals				General Machinery			
Rank	Country	FY2023 (Total 69)	FY2022 (Total 65)	Rank	Country	FY2023 (Total 60)	FY2022 (Total 54)	Rank	Country	FY2023 (Total 68)	FY2022 (Total 64)	Rank	Country	FY2023 (Total 47)	FY2022 (Total 49)
1	India	41	34	1	India	28	23	1	India	40	26	1	India	26	16
2	China	20	22	2	Vietnam	20	15	2	China	25	31	2	Vietnam	17	15
2	Mexico	20	14	3	China	16	23	2	US	25	23	3	US	14	22
4	Vietnam	16	14	4	US	15	11	4	Indonesia	21	15	4	China	12	16
5	Thailand	14	12	5	Thailand	13	14	5	Vietnam	20	19	5	Indonesia	12	8
6	US	11	14	6	Indonesia	11	13	5	Thailand	20	18	6	Thailand	8	13
6	Indonesia	11	11	6	Philippines	11	10	7	Malaysia	6	10	7	Malaysia	7	4
8	Philippines	6	3	8	Mexico	6	4	8	Taiwan	5	8	8	Mexico	6	3
9	Malaysia	3	3	9	Malaysia	5	7	8	Brazil	5	3	9	Germany	5	3
10	Korea	2	0	10	Germany	4	5	10	Korea	4	7	10	Taiwan	4	7
10	South Africa	2	0	10	Australia	4	2	10	Germany	4	3	10	Philippines	4	2
									Mexico	4	2				
									Philippines	4	1				
									Spain	4	0				

# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

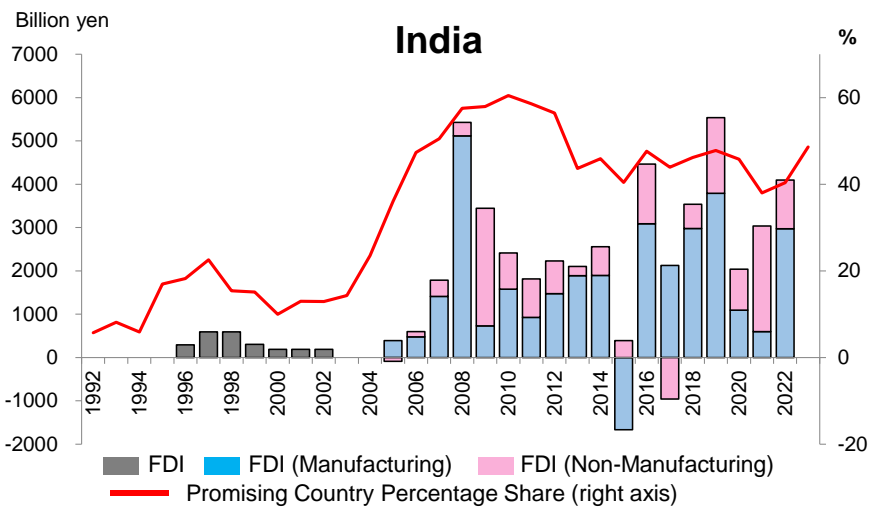
## No.1 India (→)

Vote share: 48.6% (+8.3 pt from last year)  
 Business Planning Ratio: 45.8%  
 Highest: 60.5% (2010)  
 Lowest: 5.7% (1992)

### Breakdown by Industries



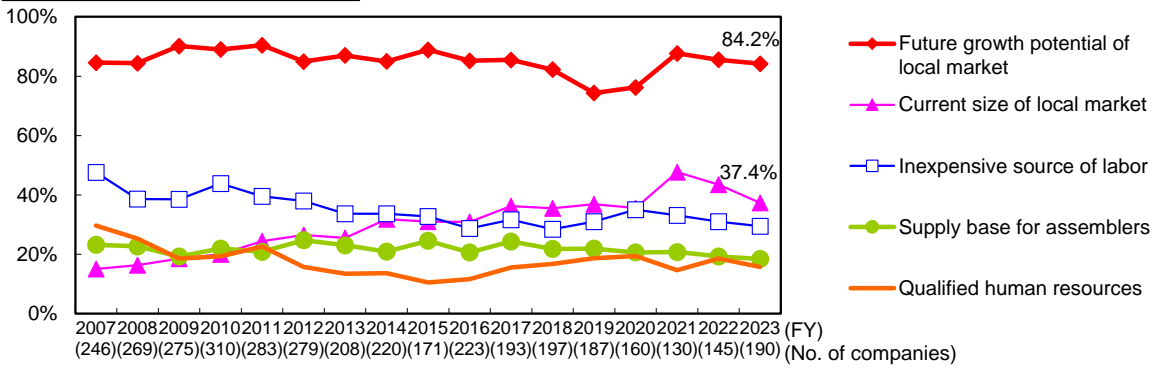
### Vote Share and Outward FDI of Japan



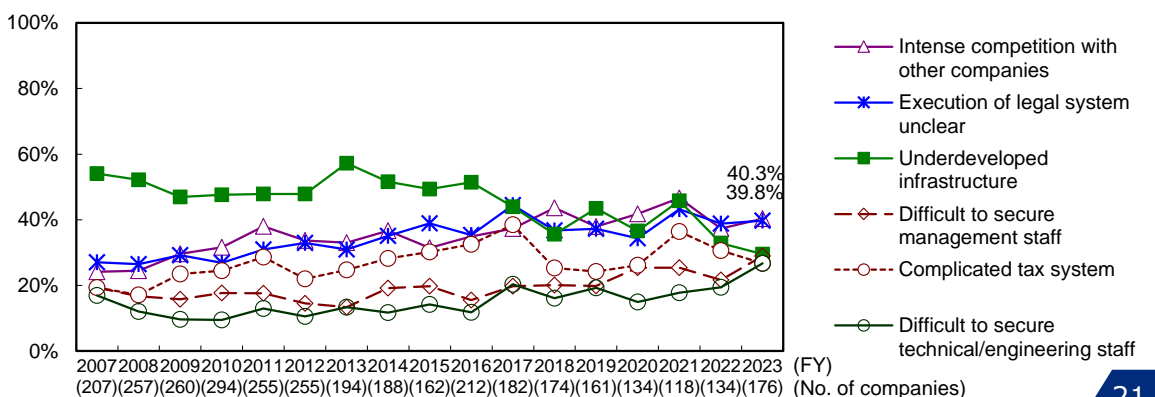
### Expectations for future growth potential, ranked first for the second year in a row. The business planning ratio has increased significantly.

- India's vote share increased 8.3 points from the previous year as the economy recovers from the pandemic and the amount of direct investment from Japan recovers. The country is supported by a wide range of industries in good balance. "Future growth potential of the local market" remained highly rated as a promising reason. Over the past two years, the planning ratio increased by 13.0 points (up 8 points from the previous year). This is seen as evidence that many companies are making concrete plans to expand their business in India.
- In terms of issues, many continue to point out "execution of legal system unclear" while the percentages for "intense competition with other companies" and "securing human resources" have also risen. The survey showed that competition for the market, including the need to secure human resources, is intensifying.

### Promising Reasons



### Issues

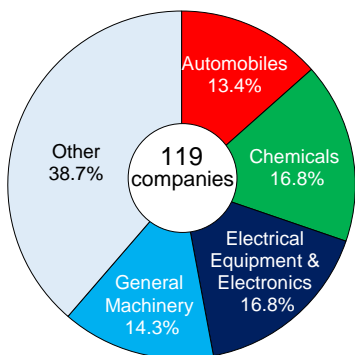


# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

## No.2 Vietnam (↑)

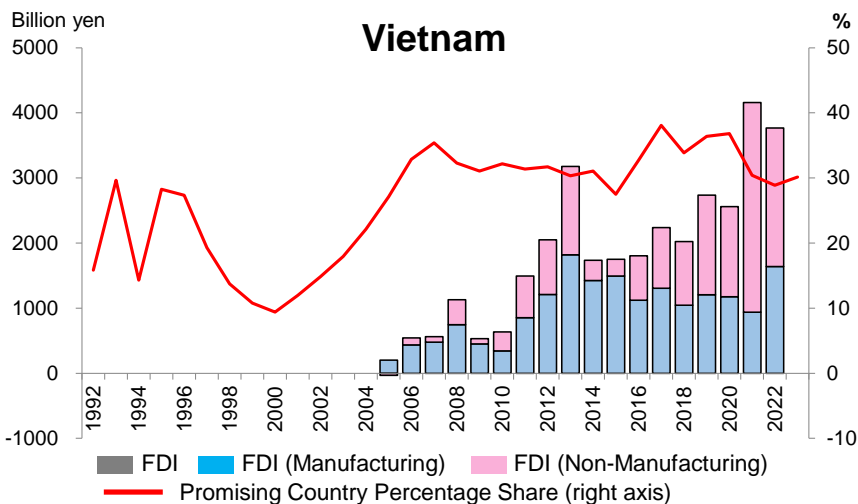
Vote share: 30.1% (+1.2 pt from last year)  
 Business Planning Ratio: 31.1%  
 Record high: 38.1% (2017)  
 Record low: 9.4% (2000)

### Breakdown by Industry



### Vote share and Outward FDI of Japan

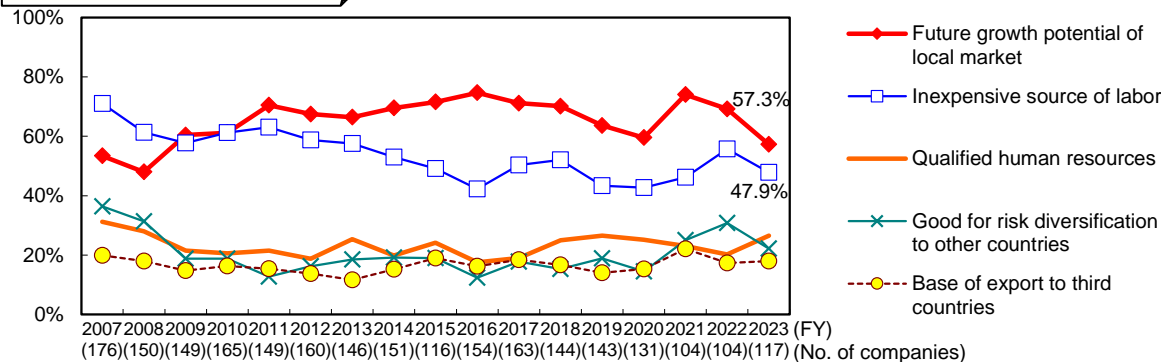
#### Vietnam



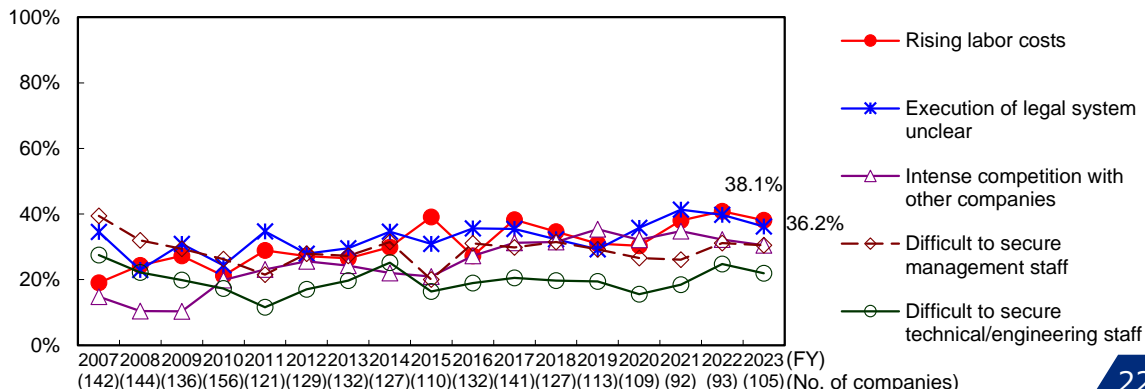
### ■ First time in second place, surpassed China and the U.S. No major issues, but low business planning ratio.

- Surpassed China and the U.S. to take second place for the first time. In terms of promising reasons, "inexpensive source of labor" continues to be supported, and the percentage of "qualified human resources" has increased. Some firms are positioning Vietnam as an alternative production base to China, with some saying "promising production base" (nonferrous metals) and "could be a transfer destination for Chinese bases" (general machinery parts).
- On the other hand, the business planning ratio is the lowest among the top-10 countries. While there are high expectations as a recipient of de-China, there is still a possibility that it is "image-driven."
- All of the issues are below 40%, and there are no outstanding issues. The percentage of "rising labor costs" did not increase, and the relative ease of acquiring qualified human resources is thought to be one of the reasons for the high evaluation of Vietnam.

### Promising Reasons



### Issues

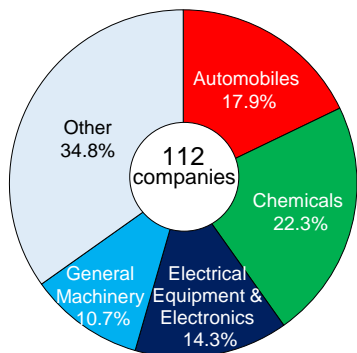


# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

## No.3 China (↓)

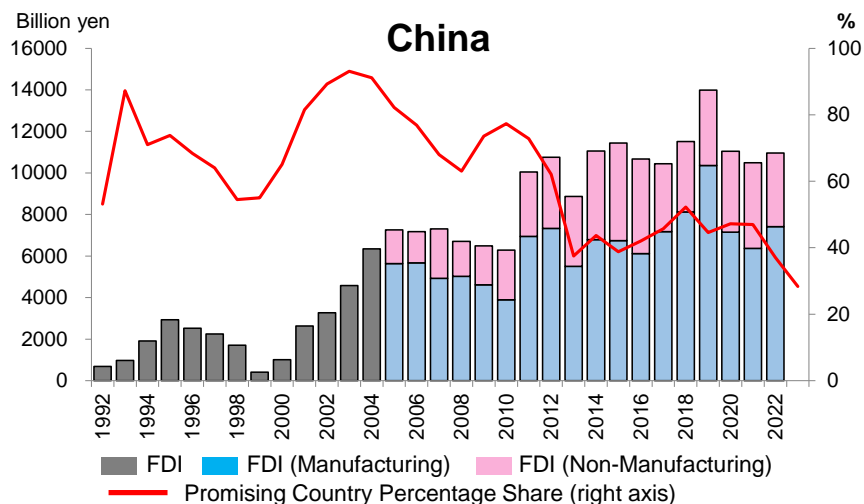
Vote share: 28.4% (-8.7 pt from last year)  
 Business Planning Ratio: 44.7%  
 Record high: 93.1% (2003)  
 Record low: 28.4% (2023)

### Breakdown by Industry



### Vote Share and Outward FDI of Japan

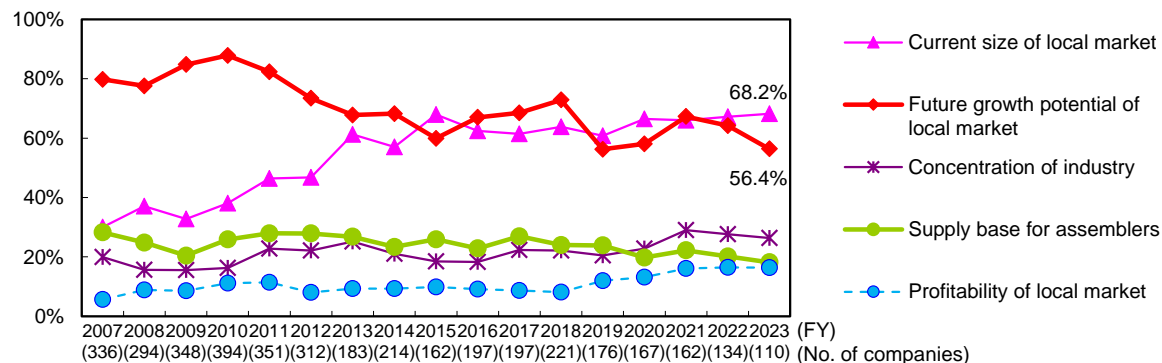
#### China



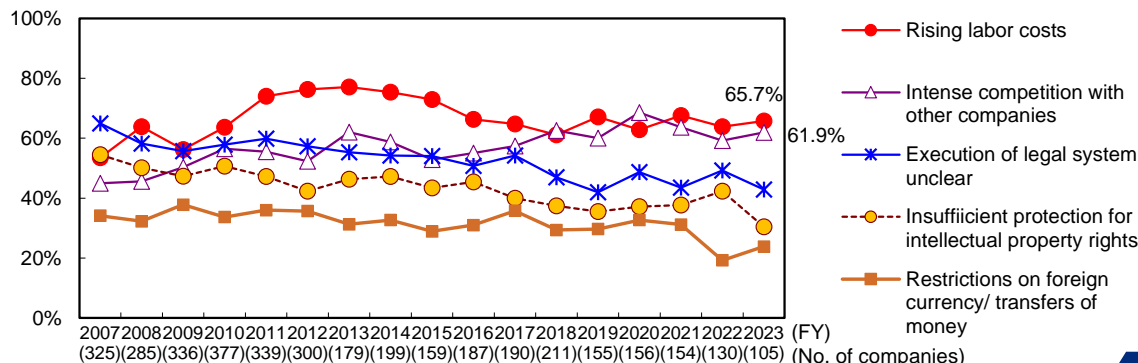
### Vote share was the lowest on record, ranked third for the first time since 2014.

- The vote share declined for three consecutive years (decreased by 8.7 points from the previous year), dropping the country to third place for the first time since 2014. The conflict with the U.S. and the tightening of regulations in both countries, as well as the slowdown of the Chinese economy, are believed to have contributed to the decline in support. As for promising reasons, the percentage of "future growth potential" decreased by 7.8 points.
- In terms of issues, the percentage of "Insufficient protection for intellectual property rights" is decreasing, partly due to the Chinese government's efforts to strengthen intellectual property protection. On the other hand, "Inability to beat local companies in price competition" (Electrical Equipment & Electronics) was mentioned in the interviews, indicating the severity of business in China.

### Promising Reasons



### Issues

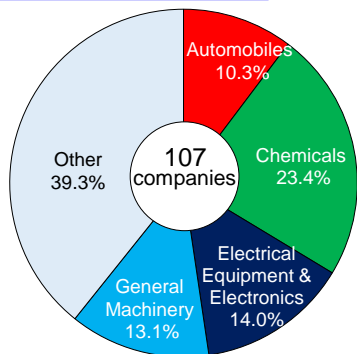


# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

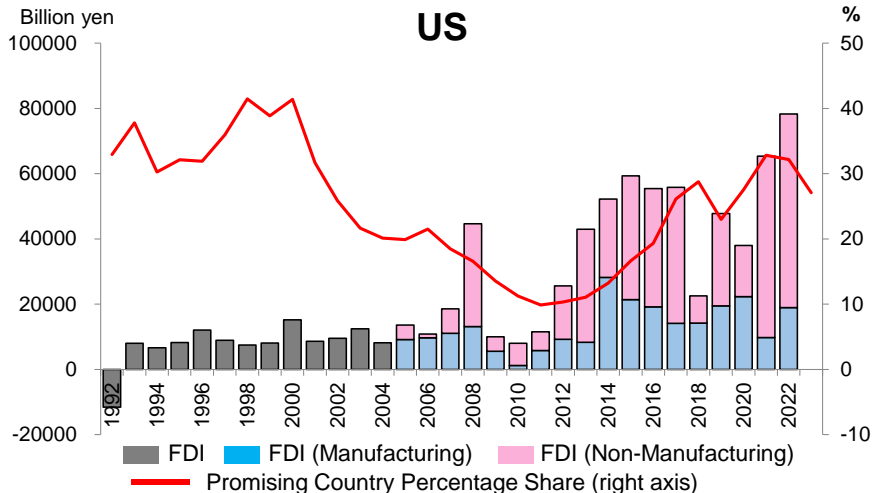
## No.4 U.S.A. (↓)

Vote share: 27.1% (-5.1 pt from last year)  
 Business Planning Ratio: 53.3%  
 Record high: 41.5% (1998)  
 Record low: 9.9% (2011)

### Breakdown by industry



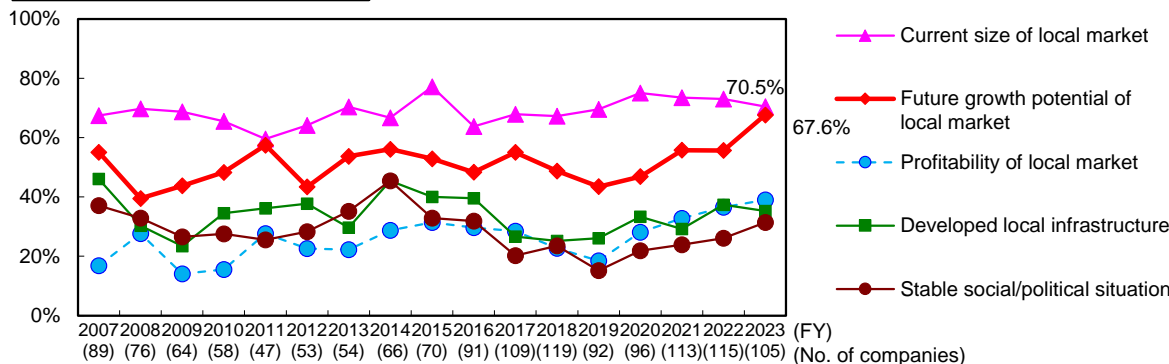
### Vote Share and Outward FDI of Japan



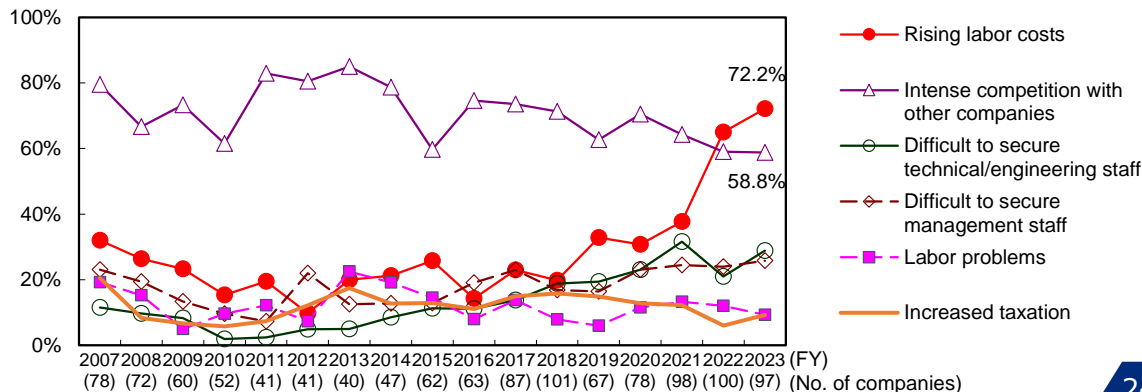
### High expectations for market growth, but ongoing inflation is a challenge

- This year's vote share decreased again, and as in China, Vietnam overtook the country in the rankings. In the interview, one respondent said, "U.S. is making progress in business advancement, such as the increase in semiconductor factories" (Chemicals). In addition, the business planning ratio remained high, at over 50%, indicating the firmness of the long-term outlook for the country.
- In terms of challenges, 72.2% of respondents pointed out "rising labor costs," and the percentage of "difficulty in securing technical and management staff" also increased from the previous year. In the interviews, some respondents said, "We are having a hard time because if we do not raise wages, we will lose human resources to other companies."
- The large impact of the current inflation is believed to have been reflected in the vote share.

### Promising Reasons



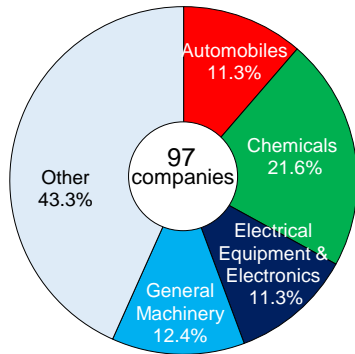
### Issues



## No.5 Indonesia (↑)

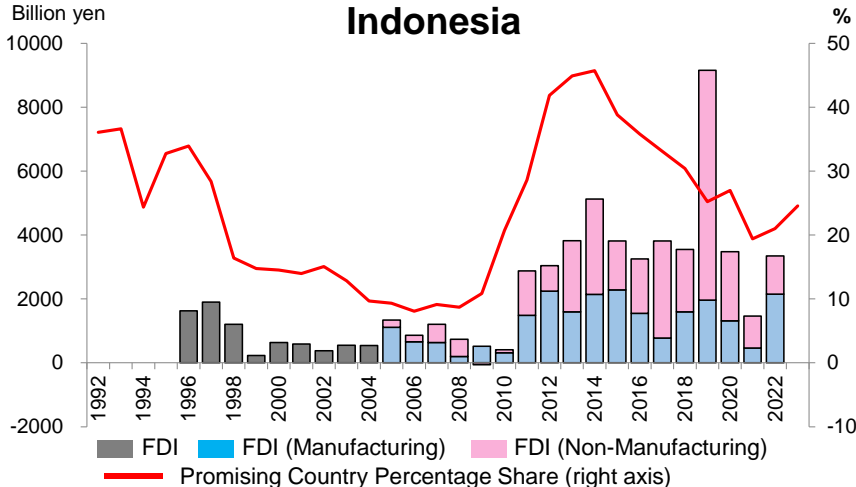
Vote share: 24.6% (+3.6 pt from last year)  
 Business Planning Ratio: 34.0%  
 Record high: 45.7% (2014)  
 Record low: 8.1% (2006)

### Breakdown by Industry



### Vote Share and Outward FDI of Japan

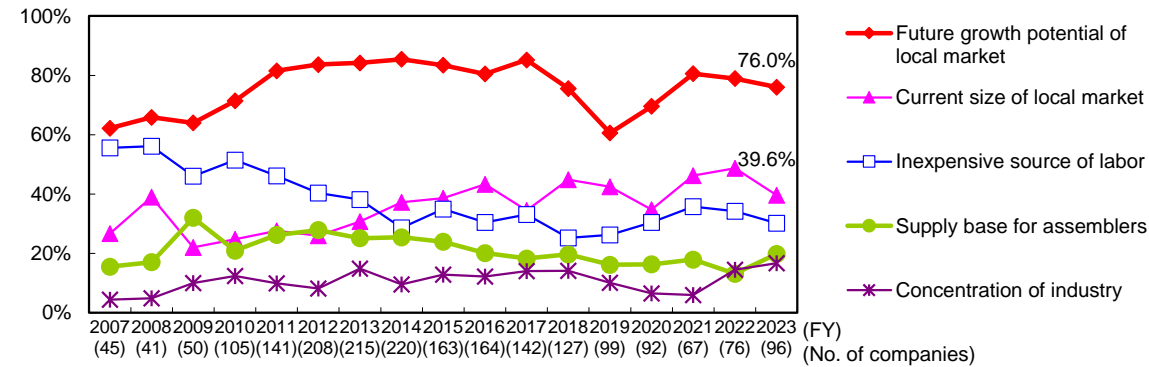
#### Indonesia



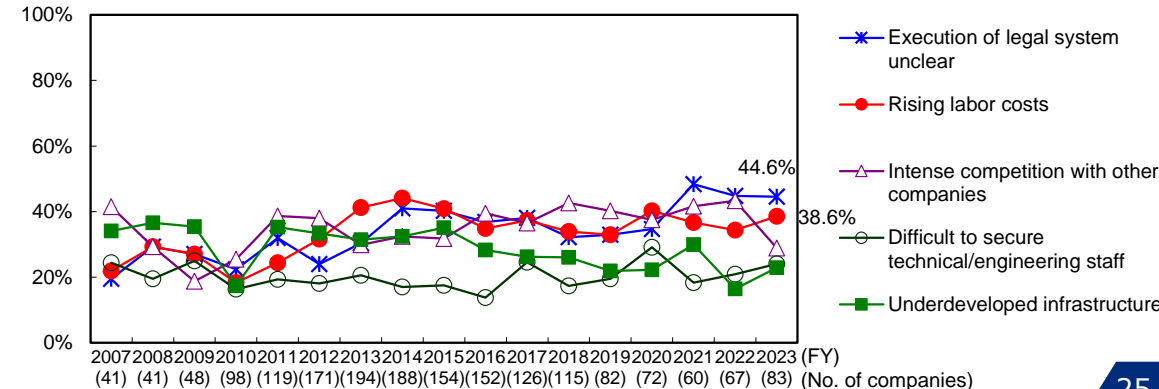
**Increasing attention as a base for diversifying business risks**

- In accordance with the 3.6 point increase in the percentage of votes received from last year, the ranking has moved up to fifth place for the first time since FY 2018. As for promising reasons, "future growth potential of local market" received the largest percentage of votes, backed by stable economic growth (maintaining 5% growth since last year) and other factors, while the percentage of "supply base for assemblers" also increased from last year.
- In terms of issues, the percentage of respondents who pointed out "execution of legal and tax systems unclear" remained high, and the percentage of respondents who said "rising labor costs" increased from the previous year.

### Promising Reasons



### Issues

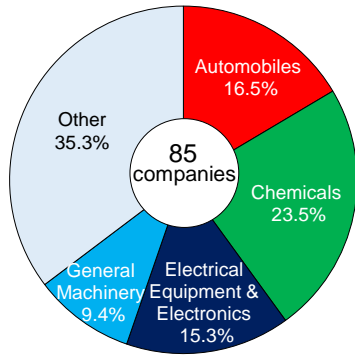




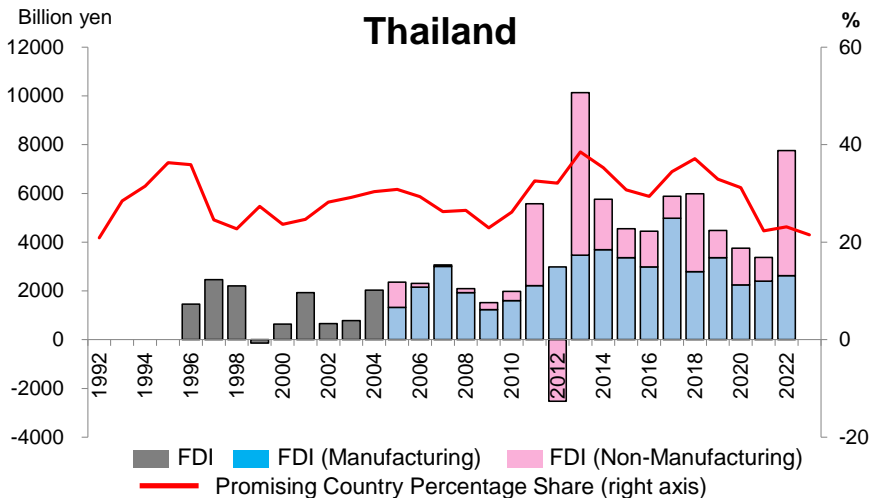
## No.6 Thailand (↓)

Vote share: 21.5% (-1.7 pt from last year)  
 Business Planning Ratio: 35.3%  
 Record high: 38.5% (2013)  
 Record low: 20.9% (1992)

### Breakdown by Industry



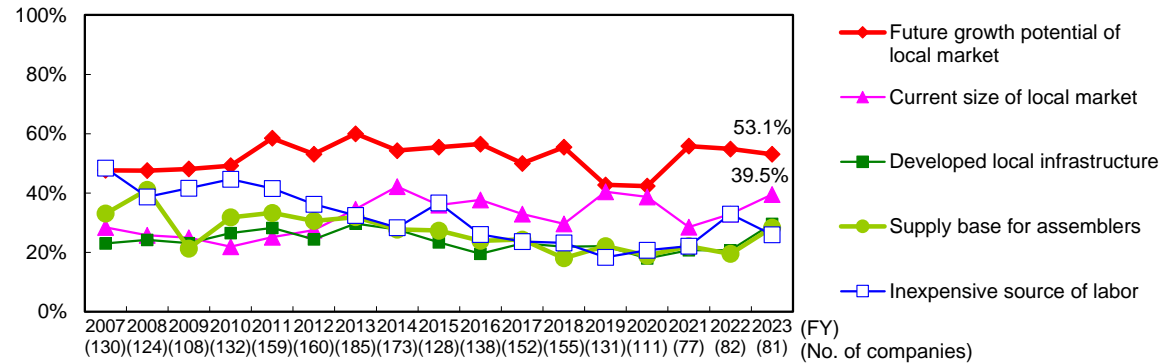
### Vote Share and Outward FDI of Japan



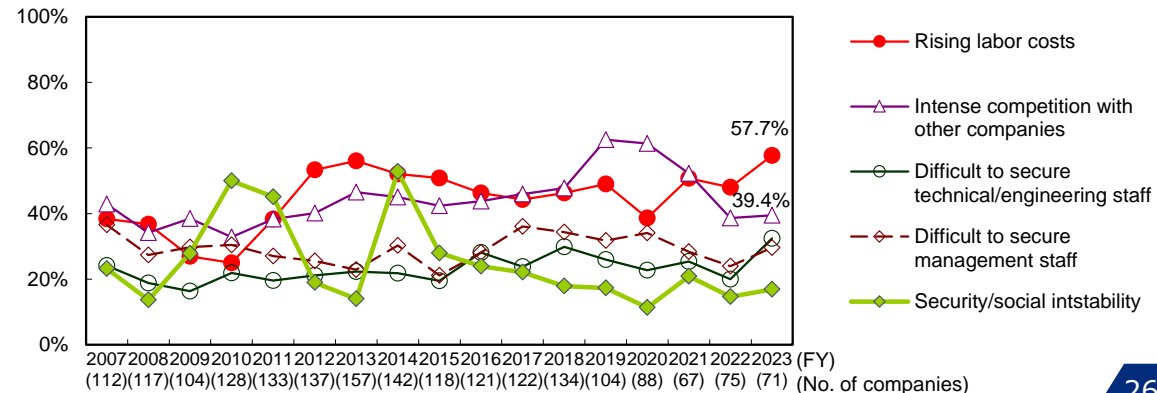
### ■ Maintains importance as an overseas production base, but currently faces the challenge of securing human resources.

- Thailand ranked 6th, with a decrease in vote share (1.7 points) from last year's result. As for promising reasons, many firms cited "future growth potential of the local market" and "current size of the local market." The ratio of "supply base for assemblers" also increased compared to last year.
- In terms of challenges, the percentages of "rising labor cost," "difficult to secure management staff" and "difficult to secure technical/engineering staff" increased. In the interviews, it was pointed out that "Labor costs for management staff are gradually rising" (Electrical Equipment & Electronics). It appears that the companies are exposed to competition for human resources from companies in other countries.

### Promising Reasons



### Issues

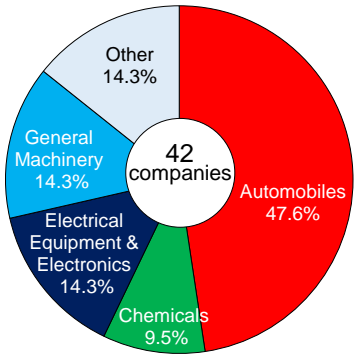


# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

## No.7 Mexico (↑)

Vote share: 10.6% (+3.2 pt from last year)  
 Business Planning Ratio: 50.0%  
 Record high: 25.9% (2016)  
 Record low: 2.0% (2003, 2004)

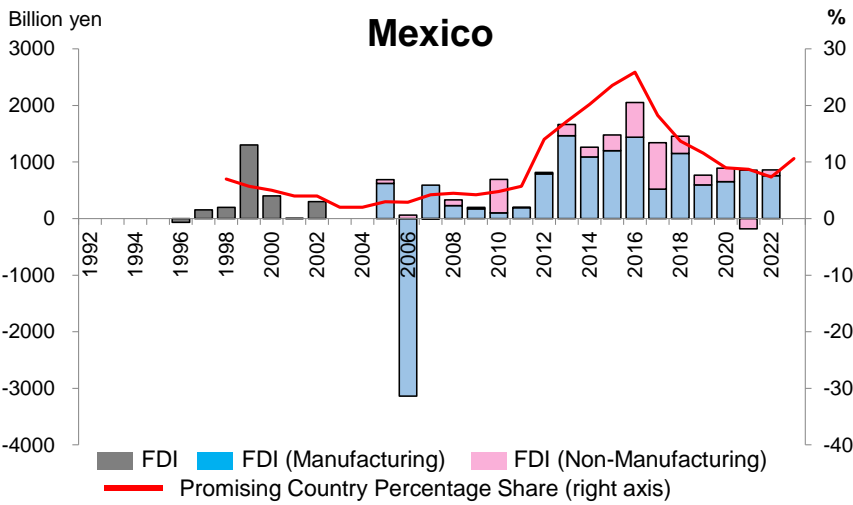
### Breakdown by Industry



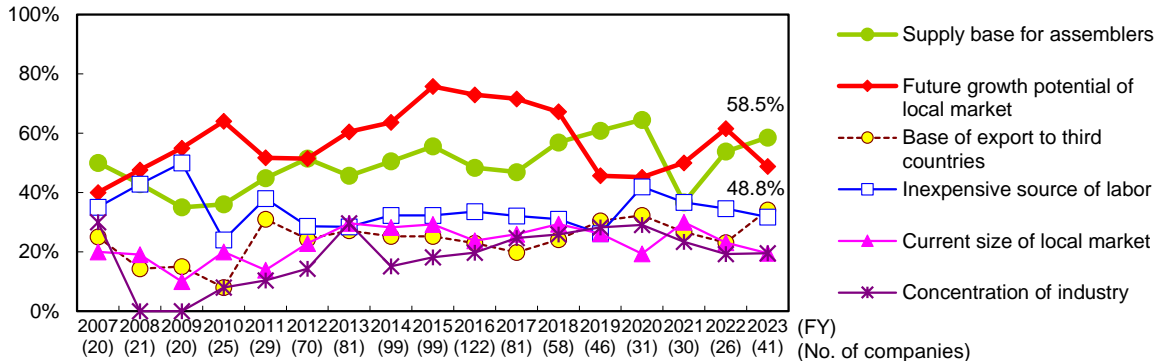
**■ Growing expectations as a supply base for the U.S. market, especially in the automobile industry**

- After a continuous decline in the percentage of vote share, this year increased by 3.2 points, moving up two places in the rankings. Mexico is characterized by high support from the automobile industry. The percentages of "supply base for assemblers" and "base of export to third countries" as promising reasons increased from the previous year. During the interview, some said, "EV manufacturers are moving into the area, and shipments of in-vehicle parts are increasing" (Electrical Equipment & Electronics).
- In terms of issues, the percentage of "execution of legal system unclear" increased. Half of the companies cited "security/social instability" as an issue. The percentage of "Rising labor costs" and "Difficult to secure management and technical staff" also remained high.
- The high expectations for Mexico as a near-shoring destination for the U.S., particularly in the automobile industry, were reflected in the vote share.

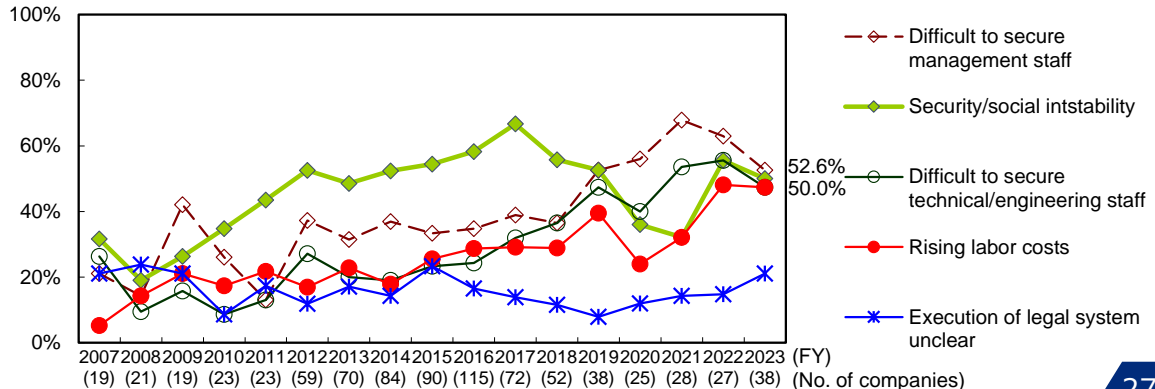
### Vote Share and Outward FDI of Japan



### Promising Reasons



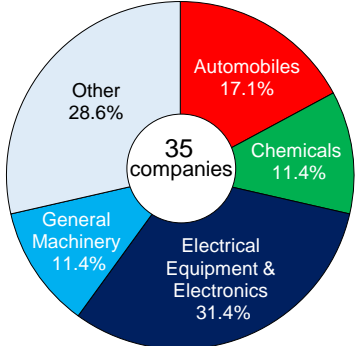
### Issues



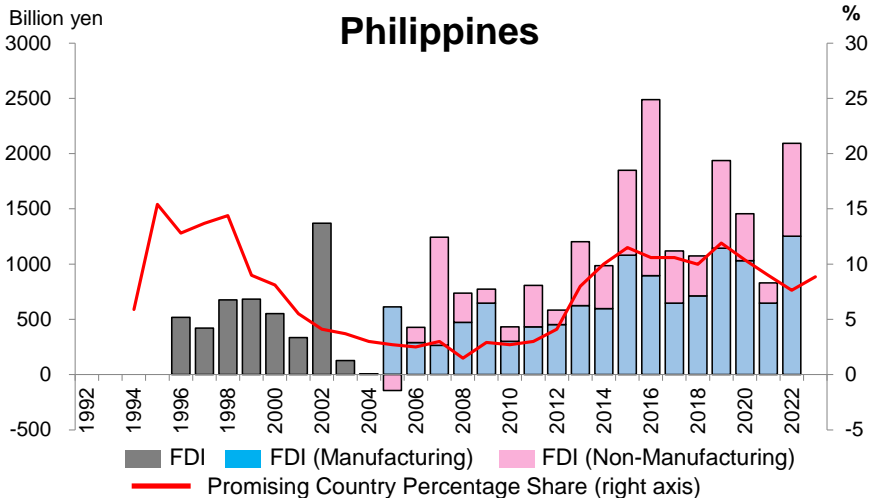
## No.8 Philippines (→)

Vote share: 8.9% (+1.3 pt from last year)  
 Business Planning Ratio: 31.5%  
 Record high: 15.4% (1995)  
 Record low: 1.5% (2008)

### Breakdown by Industry



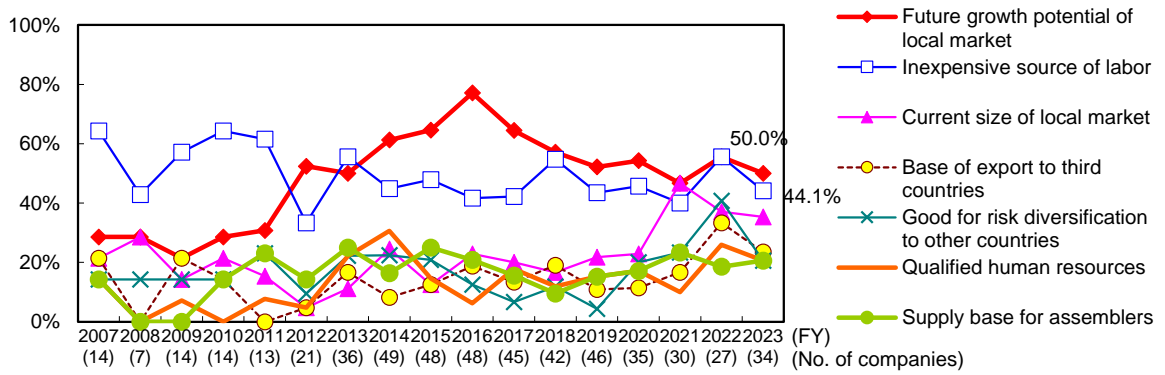
### Vote Share and Outward FDI of Japan



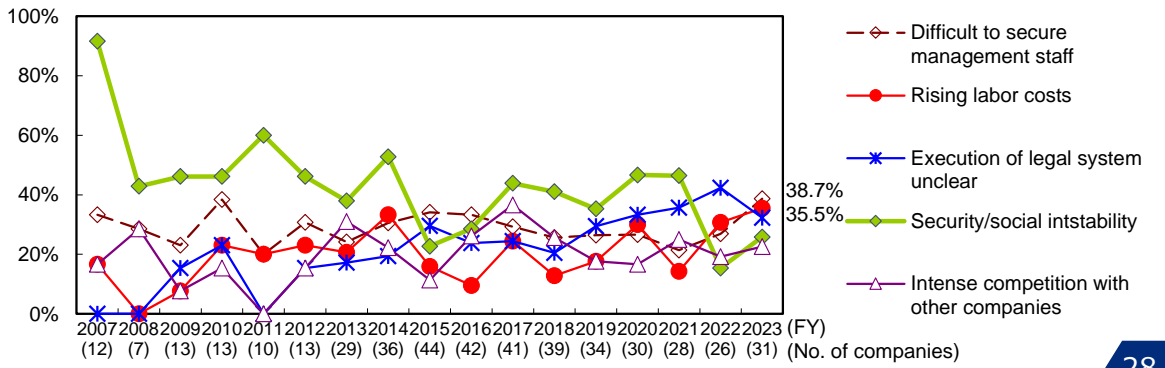
**■ The key to rise in the rankings is to overcome the challenges to become a risk diversification center.**

- Although the percentage of vote share increased from last year, the ranking was 8th, the same as last year. The percentage of respondents who chose "good for risk diversification to other countries," which had been on an upward trend since FY 2019, declined, leaving some issues to be addressed.
- In terms of issues, more respondents pointed to "insecurity in public safety and social conditions," which improved significantly last year, and the percentages for "rising labor costs" and "difficult to secure management staff" rose for two years, indicating the difficulty in securing human resources.

### Promising Reasons



### Issues

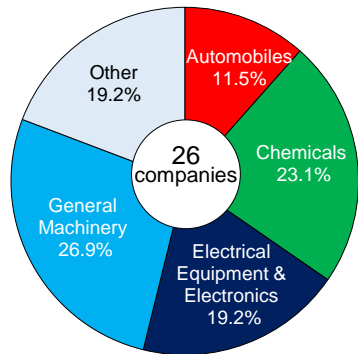


# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

## No.9 Malaysia (↓)

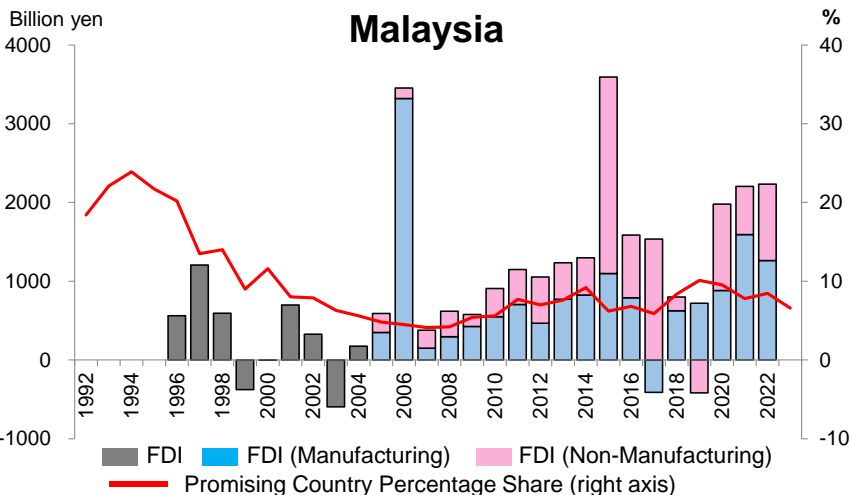
Vote share: 6.6% (-1.8 pt from last year)  
 Business Planning Ratio: 46.1%  
 Record high: 23.9% (1994)  
 Record low: 4.1% (2007)

### Breakdown by Industry



### Vote Share and Outward FDI of Japan

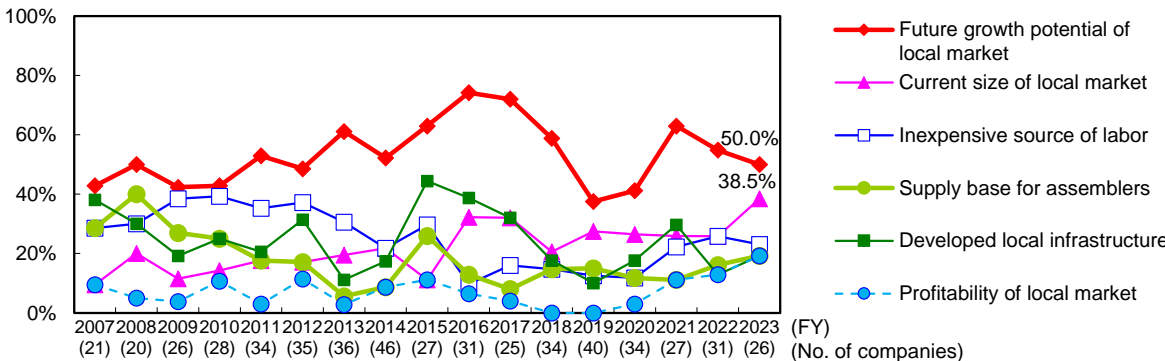
#### Malaysia



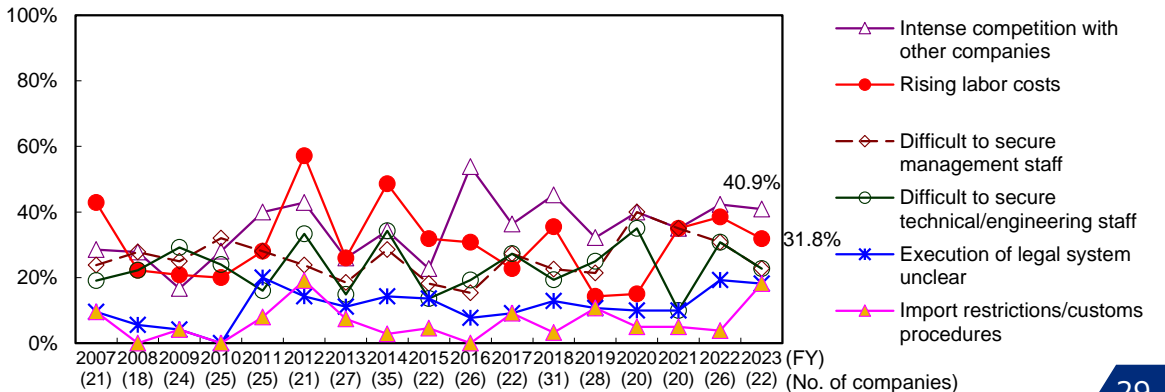
### High expectations for the market are becoming an attraction

- The percentage of vote share decreased from last year, and the ranking dropped by one place. "General Machinery" accounted for a large share of the votes. As for promising reasons, the size and growth potential of the local market is a major reason, but the percentage of "future growth potential of the local market" has declined, perhaps due to the slowdown in the Malaysian economy.
- In terms of challenges, as in the previous year, "intense competition with other companies" was cited by the largest number of firms. Although the percentage of companies that cited "fierce competition" decreased from the previous year, the most frequently cited challenges were human resource issues, such as "rising labor costs" and "difficult to secure management and technical/engineering staff."

### Promising Reasons



### Issues

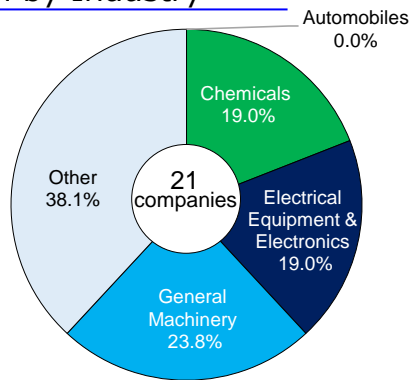


# (2) Promising Countries/Regions over the Medium-term: Promising Reasons and Issues (Top 10)

## No.10 Germany (↑)

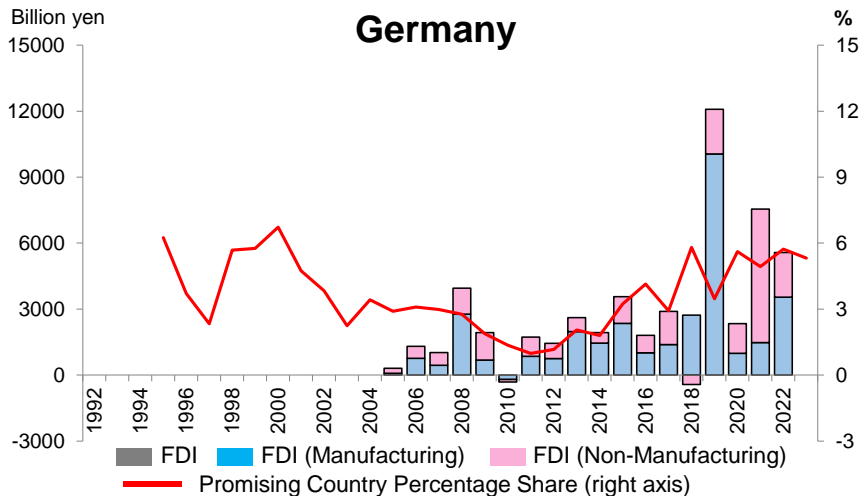
Vote share: 5.3% (-0.4 pt from last year)  
 Business Planning Ratio: 52.4%  
 Record high: 6.7% (2000)  
 Record low: 1.0% (2011)

### Breakdown by Industry



### Vote Share and Outward FDI of Japan

#### Germany

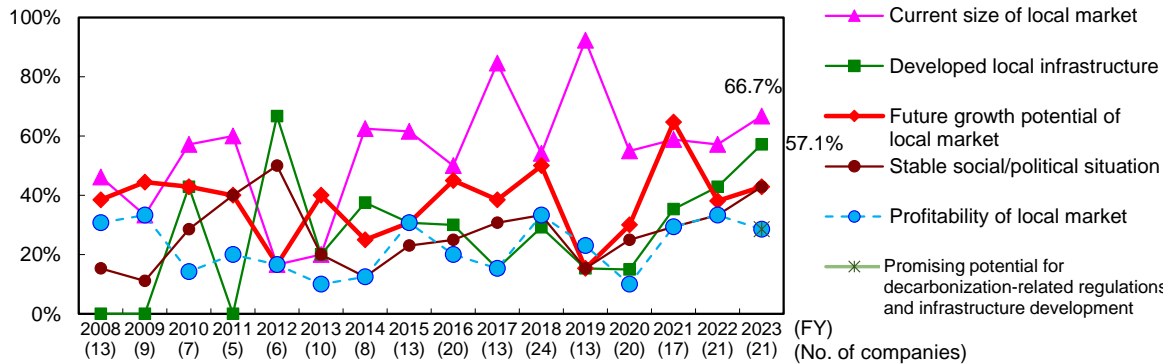


**Germany, a country that is gaining attention for its decarbonization efforts, is ranked in the top 10.**

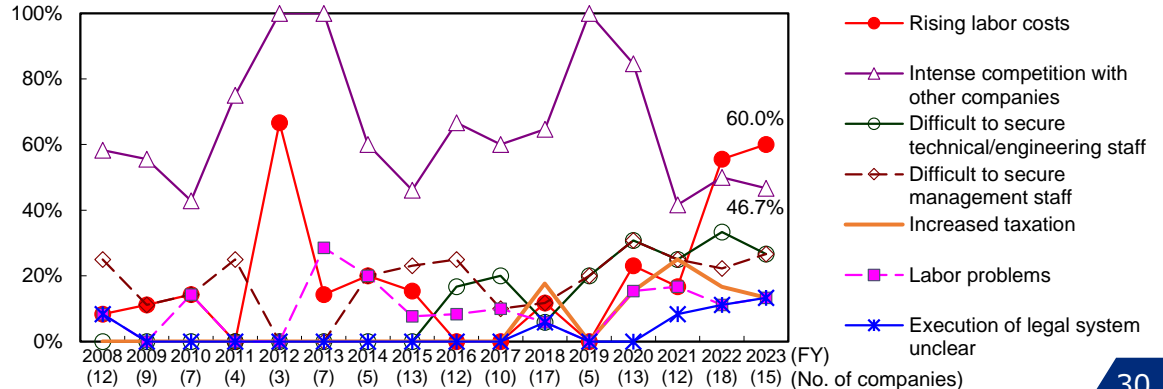
- Although the number of votes remained unchanged, the company moved up one place from last year to 10th place. Almost all of the percentage for promising reasons increased, with the exception of "profitability of the market." The percentage for "Promising potential for decarbonization-related regulations and infrastructure development," which was added this year, is also high, indicating that Japanese companies are paying attention to decarbonization efforts. Planning ratio was also high, at more than 50%, following the U.S.
- In terms of challenges, many pointed to "rising labor costs" and "intense competition with other companies."
- At the interview, some pointed out that "German customers are tolerant and sincere regarding price pass through" a statement that illustrates the solid popularity of Germany among Japanese companies.

### Promising Reasons

\*\*Promising potential for decarbonization-related regulations and infrastructure development" was added this year.

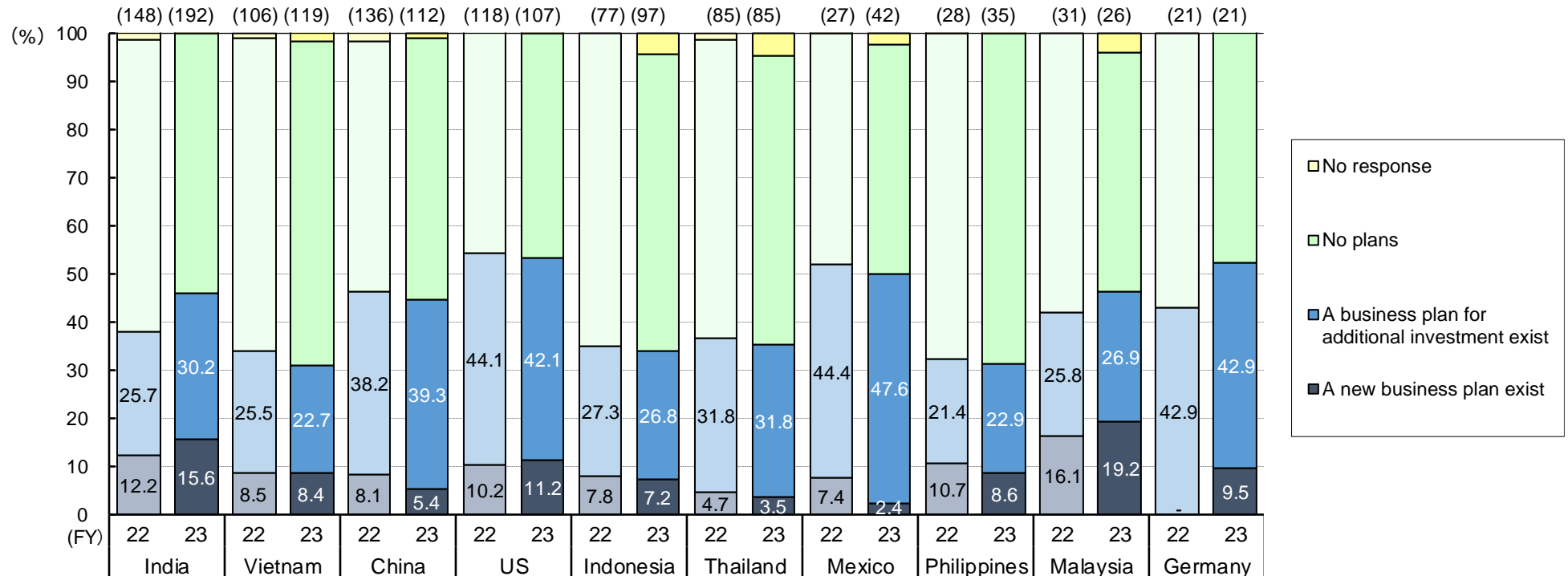


### Issues



**Question** Please select the answer that best describes your company's business plan in each of the countries/regions listed in the Promising Countries/Regions over the medium-term (next 3 years).

**Figure 4.5 Existence of Business Plans in Promising Countries/Regions**



Note 1: The ratio in the graph is the number of companies that answered that they have a business plan in a certain country divided by the number of companies that answered that the country was promising.

Note 2: The number in parentheses on the bar graph is the number of companies that answered that the country was promising in Figure 4.1.

**More than half of responding firms in the U.S., Mexico, and Germany have business plans. The rate of respondents with plans in India increased significantly.**

- The top five countries with the highest percentages of “have a business plan for new expansion” or “have a business plan for additional investment” (business planning ratio) were the U.S. (53.3%), Germany (52.4%), Mexico (50.0%), Malaysia (46.1%), and India (45.8%).
- The number of companies planning to do business in India has further increased from last year. Business plans in the U.S. and China both decreased, likely due to the prolonged conflict between the U.S. and China, the slowdown of the Chinese economy, and also inflation in the U.S. In contrast, Vietnam’s business planning ratio is low compared to its high vote share (2nd place) and is the lowest among the top 10 most promising countries. Vietnam's positioning as a promising country in the medium term is still partly based on its image.

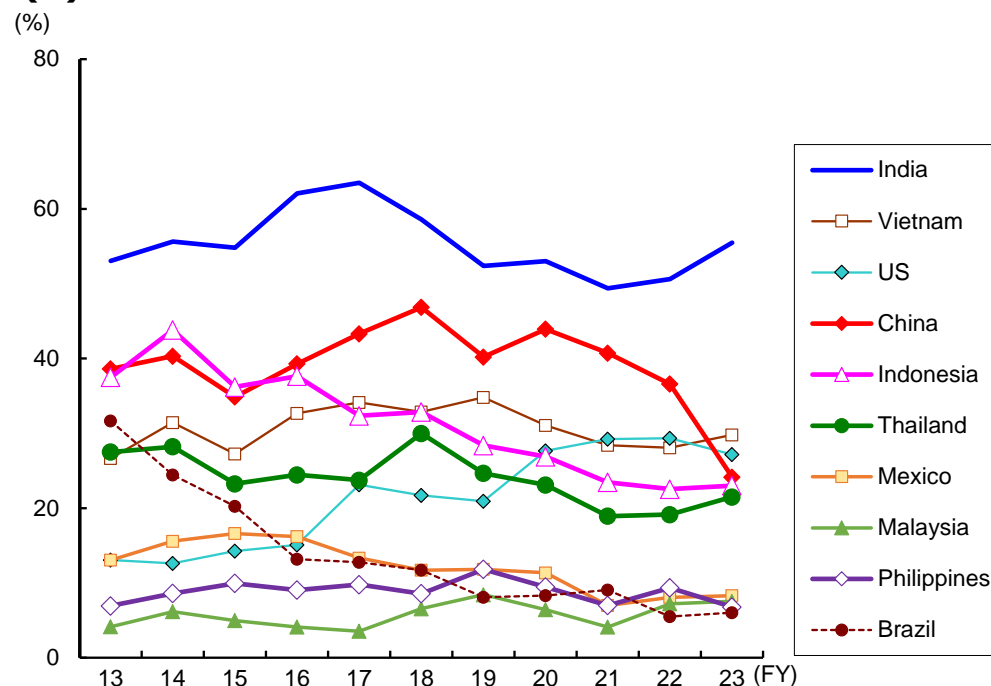


Figure 4.6 Promising Countries/Regions in the Long-term

## (1) Results for FY 2023

Ranking		Country/Region (Total)	No. of Companies		Percentage Share(%)	
2023	← 2022		2023	2022	2023	2022
2023	← 2022		265	235	2023	2022
1	← 1	India	147	119	55.5	50.6
2	↑ 4	Vietnam	79	66	29.8	28.1
3	← 3	US	72	69	27.2	29.4
4	↓ 2	China	64	86	24.2	36.6
5	← 5	Indonesia	61	53	23.0	22.6
6	← 6	Thailand	57	45	21.5	19.1
7	↑ 8	Mexico	22	19	8.3	8.1
8	↑ 9	Malaysia	20	17	7.5	7.2
9	↓ 7	Philippines	18	22	6.8	9.4
10	↑ 11	Brazil	16	13	6.0	5.5

## (2) Trends in Votes

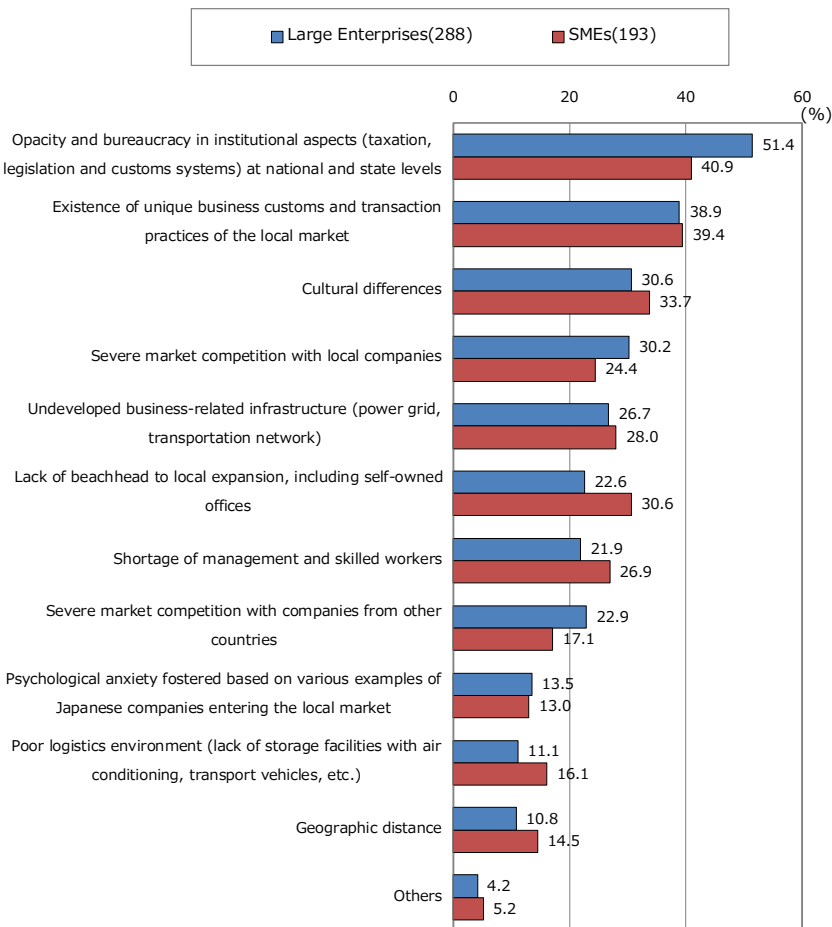


■ **India maintains the top in the Long-Term Promising Countries, with Vietnam moving up to second place. China's vote share has halved in three years.**

- Regarding the promising countries for the next 10 years or so, India topped the list for the 14th consecutive year. Again, the U.S. and China lost votes, with Vietnam moving into second place. China lost 22 votes, the most on a single-year basis, and saw its vote share halved over the past three years (down 40% in the last two years).
- Vietnam, Mexico, Malaysia, and Brazil all moved up in the rankings by increasing the amount of vote share. In terms of industry composition, Vietnam was led by chemicals, Mexico by automobile parts, Malaysia by general machinery, and Brazil by chemicals. Mexico saw an increase in its votes mainly in the automotive industry, which makes it unique.
- Taiwan, which was ranked within the top 10 last year, was ranked out of the list following the medium-term promising countries, indicating that companies are taking into account rising geopolitical risks and the economic slowdown in China, which has close economic ties with Taiwan.

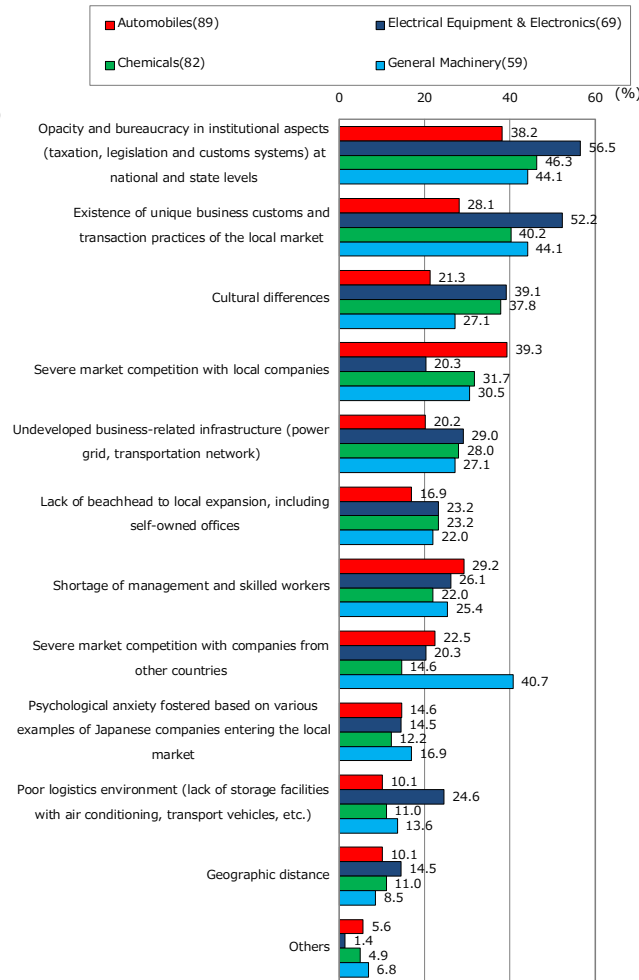
Question What barriers or challenges are impeding the feasibility of business expansion or investment in India? (Multiple responses allowed)

### Figure 4.7 Challenges in India (by size)



#companies: 481

### Figure 4.8 Challenges in India (by industry)



## ■ Institutional aspects and local business customs and practices are issues.

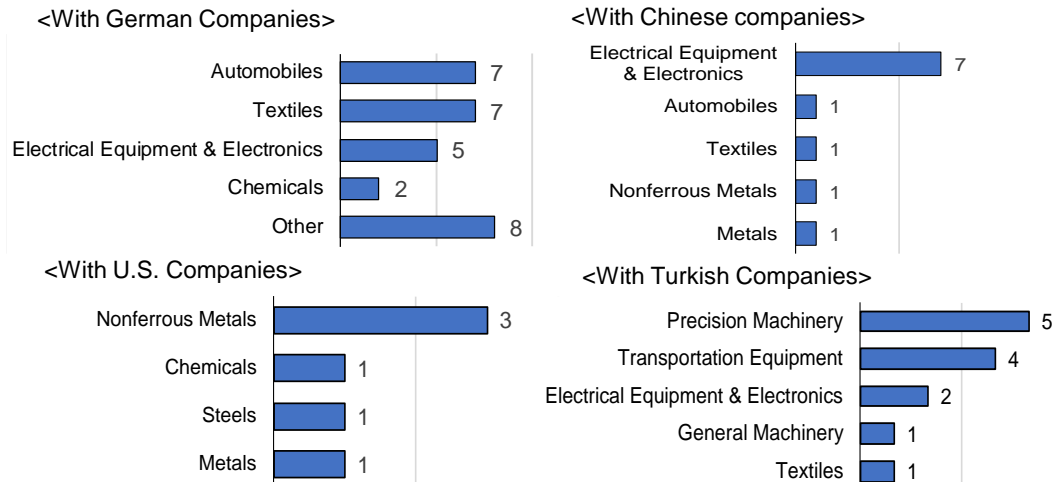
- Regarding issues hindering the feasibility of business expansion and investment in India, by size, large enterprises responded more than SMEs to the questions of "Opacity and bureaucracy in institutional aspects at national and state levels" and "Severe market competition with local and other countries' companies."
- SMEs responded more than large enterprises to such questions as "Shortage of management and skilled workers" and "Lack of beachhead to local expansion, including self-owned offices."
- By industry, "Opacity and bureaucracy in institutional aspects at national and state levels," "Existence of unique business customs and transaction practices of the local market," and "Cultural differences," which account for a large percentage of the total, are characteristics of issues in the three industries excluding automobiles from the four major industries.
- Automobiles account for a larger percentage of "severe market competition with local companies" than other industries. In the interviews, it was pointed out that "product prices of Indian local companies are about 30% of those of Japanese companies" (transportation equipment (excluding automobiles)), indicating that Japanese companies are struggling in the price competition.

**Question** Which countries are you implementing, considering, or seeking to implement entry through alliances with companies in third countries? Where is the headquarters of the company you are considering as a potential partner? (Multiple answers allowed)

**Figure 4.9 Business Destination in cooperation with Enterprise in a Third Country**

	Total	With which company							
		Korea Enterprise	China Enterprise	ASEAN Enterprise	Indian Enterprise	Turkish Enterprise	German Enterprise	US Enterprise	Others
Korea	3	0	0	0	0	0	3	0	0
Taiwan	2	0	0	0	0	0	2	0	0
China	14	1	0	3	1	1	4	0	4
Singapore	6	1	1	2	0	0	1	1	0
Thailand	13	1	1	8	1	0	1	0	1
Indonesia	20	0	1	13	0	1	3	0	2
Malaysia	8	1	2	3	1	0	1	0	0
Philippines	3	0	0	3	0	0	0	0	0
Vietnam	12	0	1	8	0	0	2	1	0
Other ASEAN	1	0	0	1	0	0	0	0	0
India	11	0	1	2	0	2	6	0	0
Bangladesh	1	0	1	0	0	0	0	0	0
Other South Asia	1	0	1	0	0	0	0	0	0
Australia	3	0	1	0	0	1	1	0	0
Other Pacific	0	0	0	0	0	0	0	0	0
US	6	0	1	0	0	2	2	0	1
Canada	0	0	0	0	0	0	0	0	0
Mexico	5	0	0	0	0	0	1	1	3
Brazil	4	0	0	0	0	1	1	0	2
Chille	3	0	0	0	0	1	0	1	1
Other Latin America	2	0	0	0	0	0	0	2	0
UK	2	0	0	0	0	1	0	0	1
Germany	1	0	0	0	0	0	0	0	1
France	3	0	0	0	0	0	1	0	2
Central/Eastern Euro	4	0	0	0	0	2	0	0	2
Turkey	1	0	0	0	0	0	0	0	1
Middle East	5	0	0	0	1	1	1	0	2
Africa	2	0	0	0	1	0	0	0	1
<b>Total</b>	<b>136</b>	<b>4</b>	<b>11</b>	<b>43</b>	<b>5</b>	<b>13</b>	<b>30</b>	<b>6</b>	<b>24</b>

**Figure 4.10 Sectoral breakdown by major countries**



**German, Turkish, and Chinese companies are the major partners for Japanese companies**

- Regarding collaboration with third-country companies in promoting overseas operations, the largest number of ASEAN companies (43 firms in total), nearly 90% of which (38 firms / 43 firms in total) are collaborating within the region.
- For German companies, which were the next most numerous, the destinations of their operations included countries outside of Asia. On the other hand, the majority of the destinations for cooperation with Chinese companies were in Asian countries.
- By industry, collaboration with German firms in the automotive field stands out, with the view that "European manufacturers are expanding their business globally, including in India, where demand for automobiles will grow in the future, and collaboration with German firms will help expand their sales channels" (automobiles (parts)). Next to India, there are many cases of collaboration in China and South Korea. On the other hand, the majority of partnerships with Chinese firms are from the Electrical Equipment & Electronics industry.
- Many companies raised "sharing information and knowledge about the country where the business is to be developed" as their expectations when collaborating with companies from third countries, but some also said they expect "provision of technology and licenses" and "participation in the business through joint investment and other means."
- Only limited cases of cooperation with start-ups in third countries were observed.

日本の力を、世界のために。

Supporting Your Global Challenges

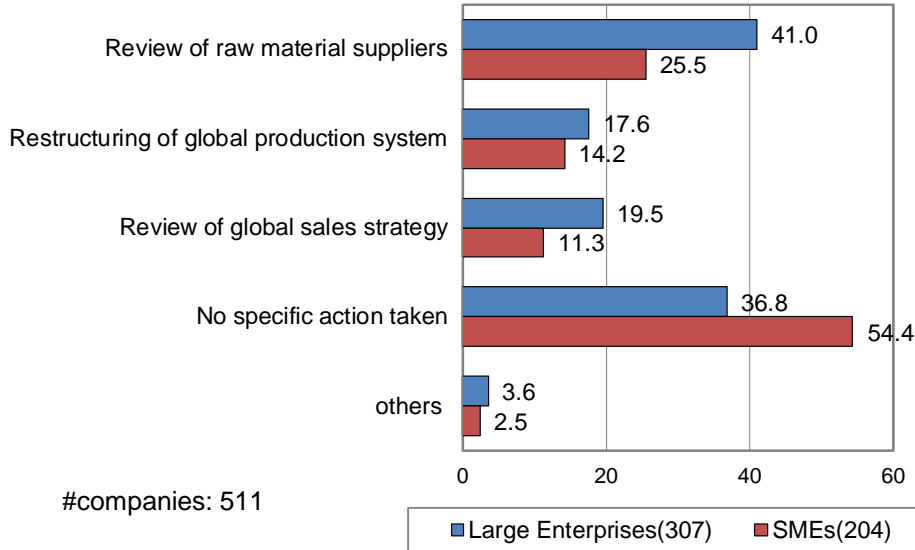


## 5. Shape of Supply Chains under Fragmented Global Economy

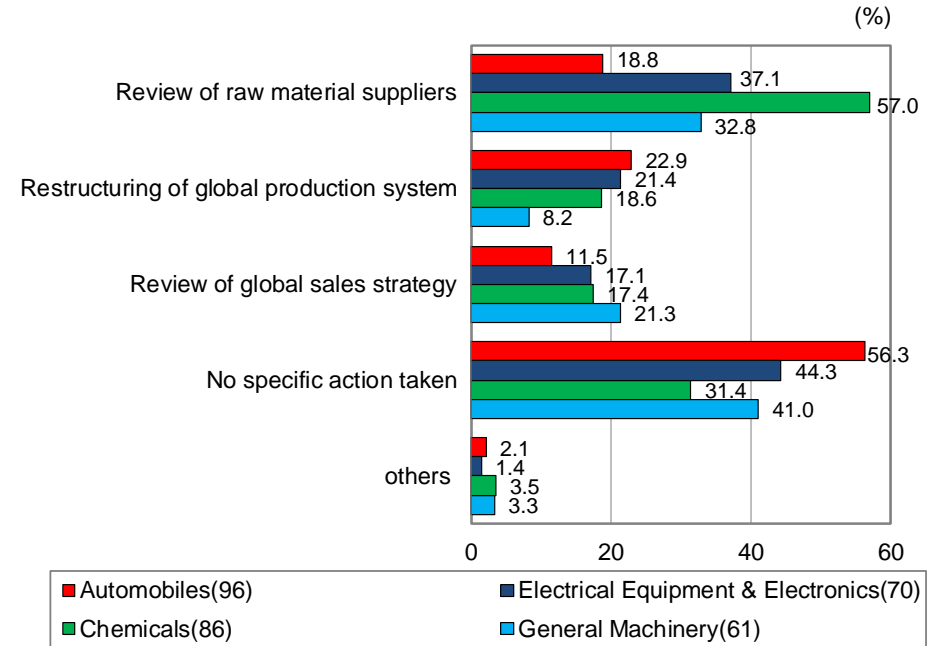


Question What specific measures are you implementing in your overseas business development strategy in the face of prolonged fighting due to the invasion of Ukraine?  
(Multiple responses allowed)

**Figure 5.1**  
Response to prolonged invasion of Ukraine (by size)



**Figure 5.2**  
Response to prolonged invasion of Ukraine (by industry)



## ■ Differences in the degree of countermeasures among company sizes and industries

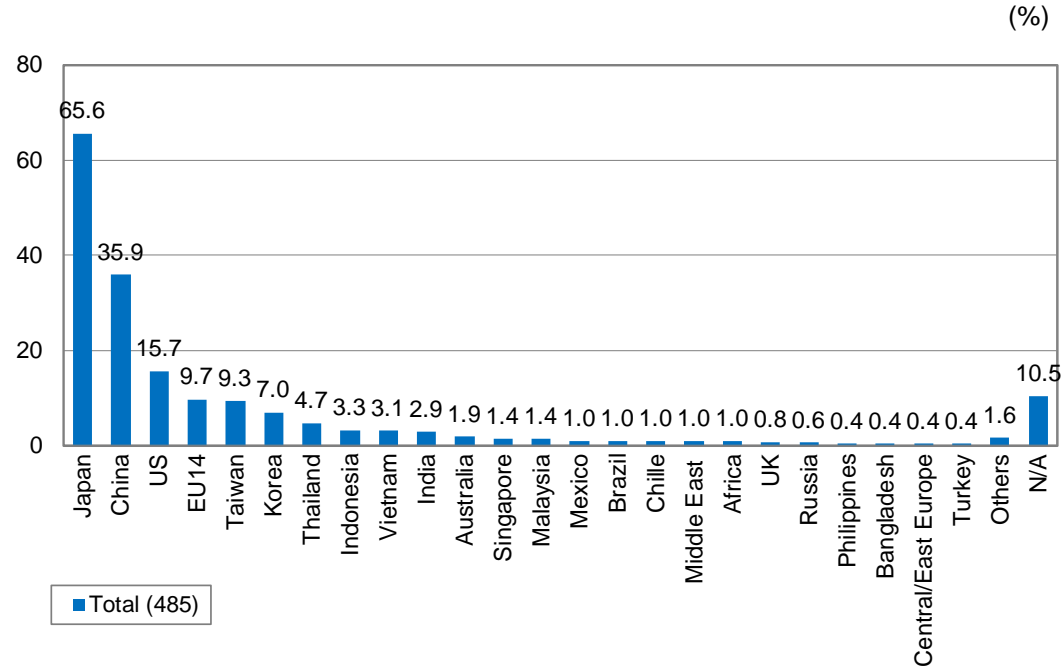
- Regarding the impact on business activities brought about by the prolonged invasion of Ukraine, "review of raw material suppliers" received a large number of votes, especially among large companies. More than half of the small and medium enterprises chose "no specific action taken," indicating that large firms are more advanced than SMEs in their efforts.
- By industry, 57.0% of chemical companies are reviewing "raw material procurement suppliers." In the interview, one of the chemical companies told us that it "switched procurement of ore used as raw material for products from Russia and Ukraine to Europe" (Chemical).
- Only 18.8% of the companies are working on reviewing suppliers in automobiles, while the largest percentage of 56.3% responded that they are not implementing any particular action. In the interviews, the respondents stated, "Reviewing raw material suppliers requires approval from the customer, and for this purpose, it is necessary to demonstrate to the customer whether the newly procured products are in line with safety standards. This process takes from six months to a year, so it is not easy to review" (Automobiles (parts)).
- Large companies are also ahead of SMEs in measures such as "restructuring of global production system" and "review of global sales strategy." In our interviews, we heard comments such as, "We have moved production bases that had been deployed around Russia to North Africa and other regions" (Electrical Equipment & Electronics).



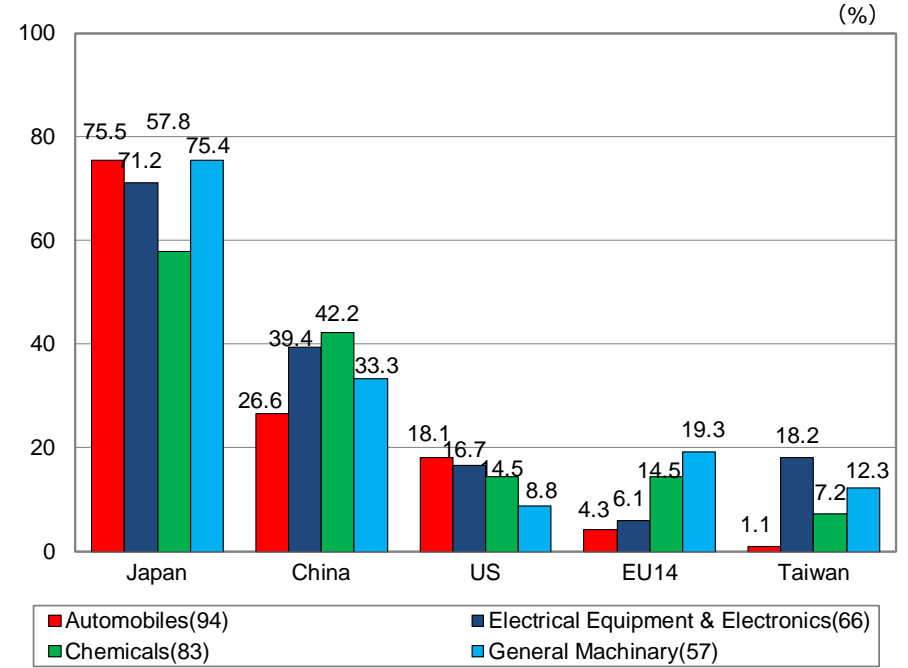
# 5 (2) Sources of raw materials, parts, and manufacturing equipment that are difficult to substitute

Question In which country/ region with headquarters functions do you receive raw materials, parts, and manufacturing equipment that are most difficult to substitute? (multiple answers allowed)

**Figure 5.3 Supply Sources of Raw Materials, Parts, and Manufacturing Equipment Difficult to Substitute**



**Figure 5.4 Sources of Raw Materials, etc. Difficult to Substitute (by industry)**

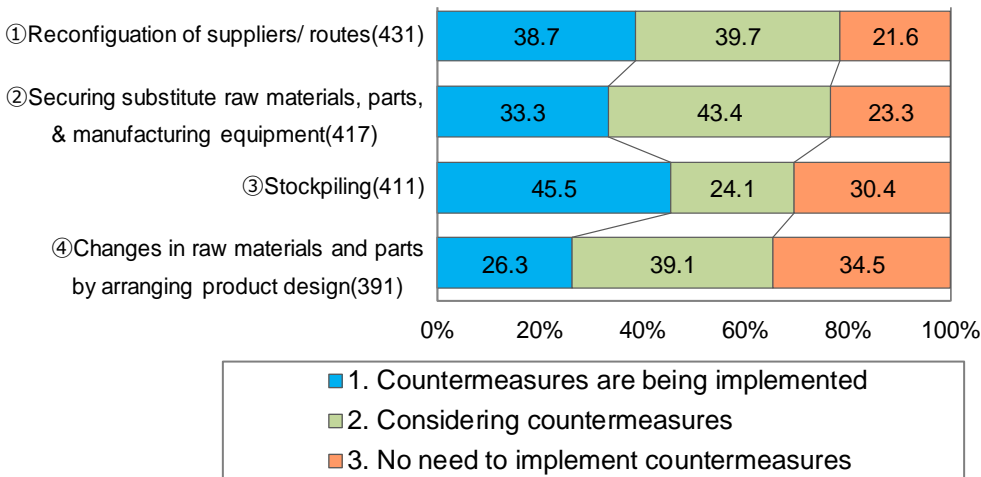


**Some companies continue to rely on China and the US for procurement of raw materials, parts, and manufacturing equipment that are difficult to substitute.**

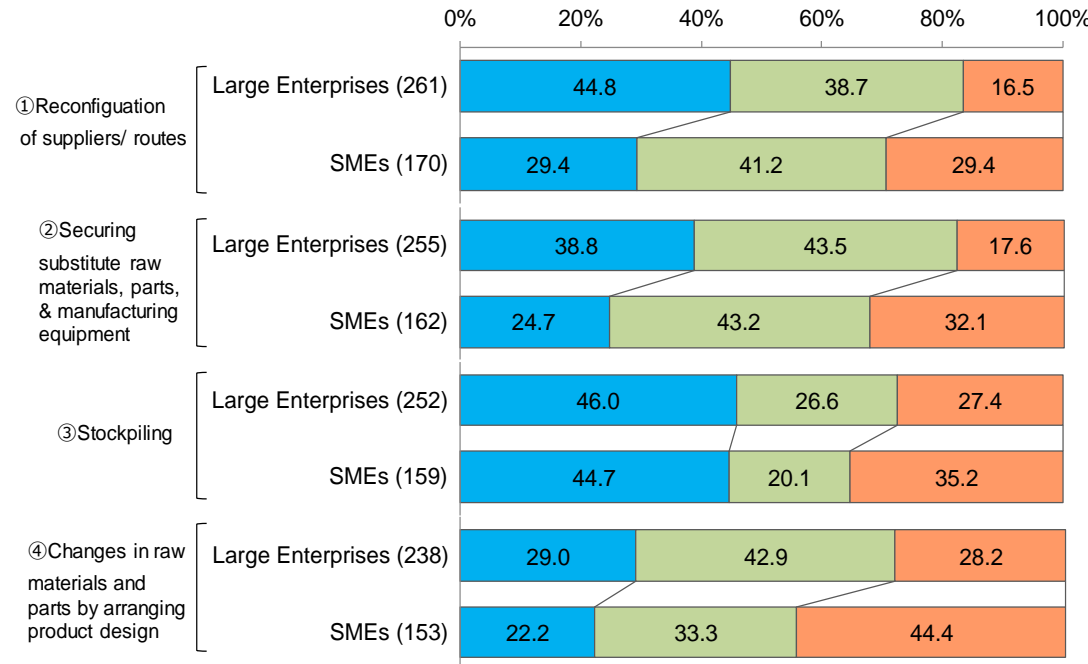
- As for suppliers of raw materials, parts, and manufacturing equipment that are difficult to substitute, the largest percentages were found in China, the US, the EU14, and Taiwan, in that order, except for Japan.
- Efforts to reduce dependence on China in the supply chain are underway, and some companies were interviewed about their risk reduction efforts, saying that “We are considering reorganizing the supply sources so that China will not become our main supplier” (Chemicals) and “We are seeking to change rare earth procurement to Europe, where political risks are low, as much as possible” (Ceramics, Cement & Glass).
- However, there are still many companies that depend on China, and some of those interviewed said, “We are looking into sources other than China, but it is difficult from a cost standpoint, including changing suppliers to Japan, and it is impossible to replace them” (Automobiles (parts)). This was a glimpse into the dilemma of Japanese companies that find it difficult to separate China from their supply chains even amid concerns about China risk.
- By industry, the dependence on China is relatively high in electrical equipment & electronics and chemicals, respectively. In Taiwan, which has a high share in semiconductor production, many respondents from the electrical equipment & electronics industry answered that they depend on China for procurement of semiconductors. It appears that they are dependent on Europe for procurement, especially for advanced technologies.

Question What measures have you considered or implemented to reduce risks associated with procurement of the most difficult to substitute raw materials, parts, or manufacturing equipment?

**Figure 5.5**  
Measures to reduce the risk of procurement of raw materials, parts, and manufacturing equipment that are difficult to substitute



**Figure 5.6**  
Measures to reduce procurement risk (by size)



**■ The results indicated that measures with relatively small costs have been taken the most.**

- Regarding "implementation" of "measures to reduce the risk of procurement of raw materials, parts, and manufacturing equipment that are difficult to substitute," the largest percentage of respondents chose "stockpiling," indicating a trend toward implementation of relatively low-cost measures first. This can be inferred from the fact that there is almost no difference in the response status between large enterprises (46.0%) and medium and small enterprises (44.7%). In the interview, one respondent (Electrical Equipment and Electronics) said, "We are concerned about the stable supply of rare metals from China, so we are responding by building up our inventories," which is also seen as an effective measure for securing raw materials and parts whose procurement regions are limited.
- Another commented, "We are trying to minimize the use of difficult-to-procure raw materials and parts as much as possible, starting from the product development stage" (Automobiles (assembler)).

Question If you are considering changing or reconfiguring the procurement of specific raw materials, parts, or manufacturing equipment, what factors do you consider important in selecting new suppliers? (Multiple answers allowed)

Figure 5.7 Factors Focused on When Reviewing Procurement Sources

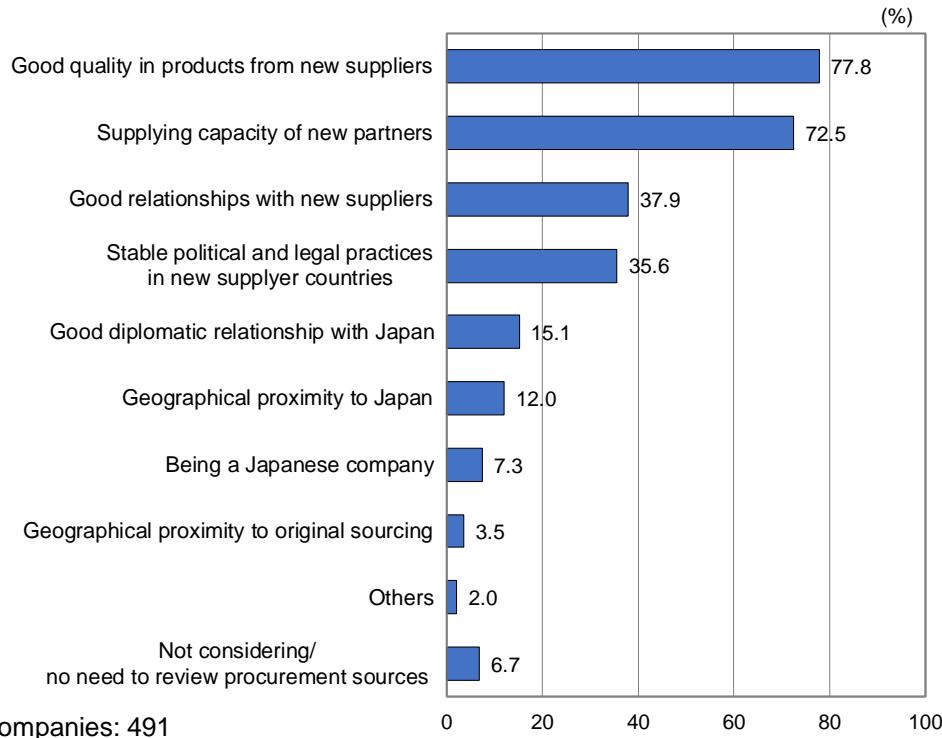
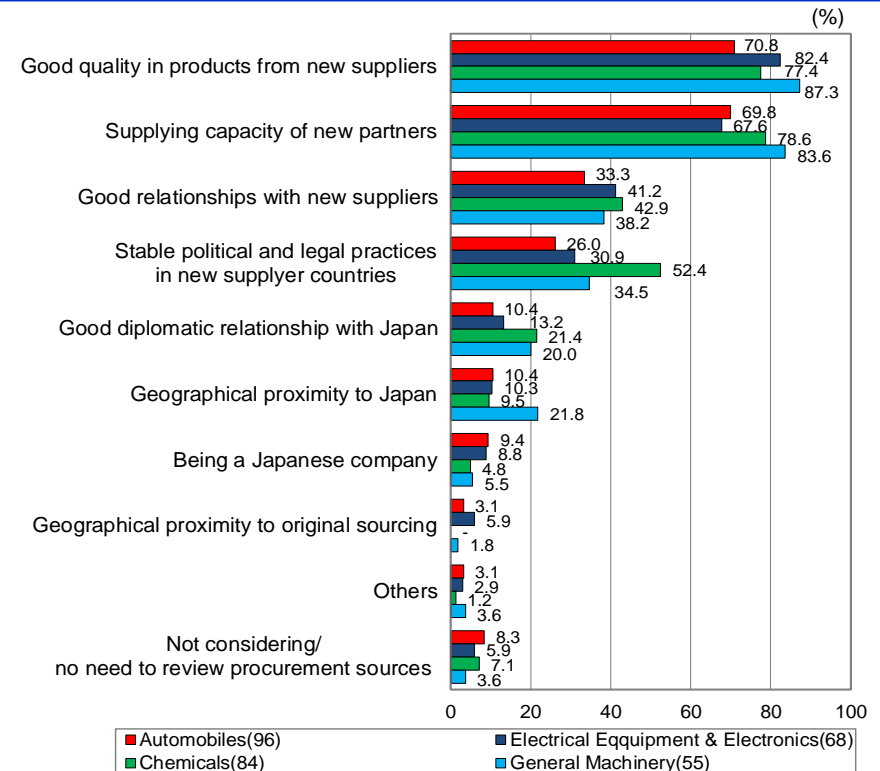


Figure 5.8 Factors Focused on When Reviewing Procurement Sources (by industry)

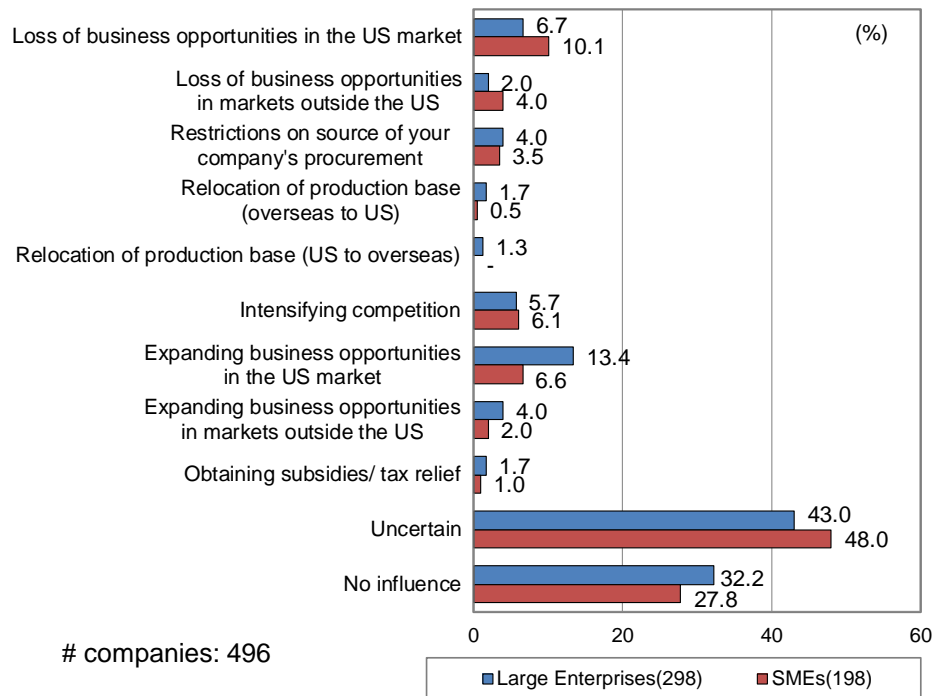


■ The “ability to source from new sources” is the most important factor when reviewing suppliers, but political stability in the country of the supplier is also considered.

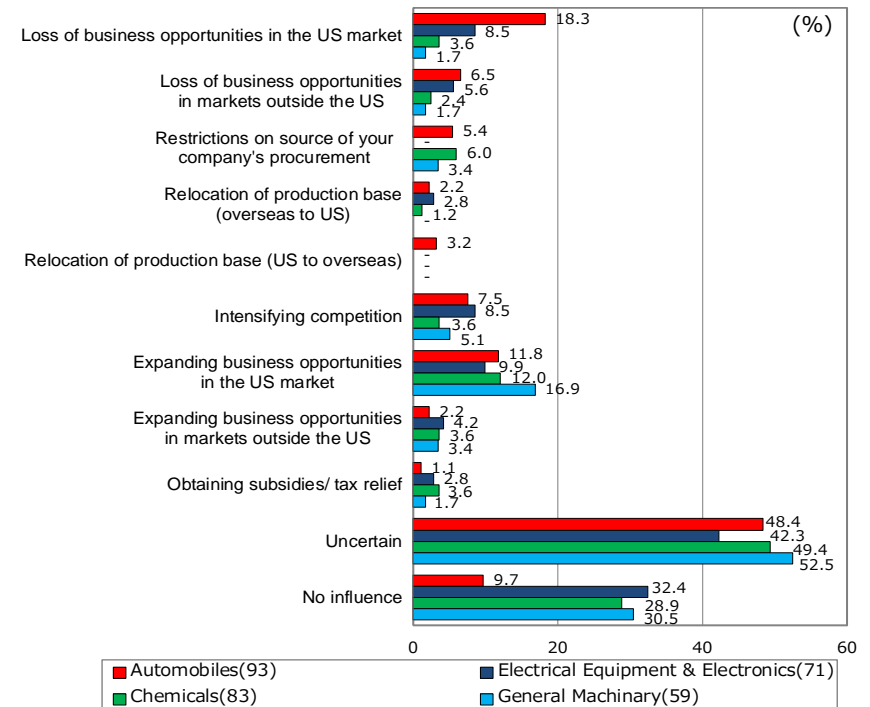
- More than 70% of the respondents chose “good quality in products from new suppliers” and “supplying capacity of new partners” as the most important factors when reviewing suppliers. This suggests that a prerequisite for switching suppliers is that the new supplier has the same level of manufacturing and supply capacity as the previous supplier.
- Many respondents also responded to “good relationships with new suppliers” (37.9%). During the interview, some said they were more concerned about “whether they could do business with a stable supplier in the future, such as a company that is not suffering from a lack of successors” (Automobiles (parts)).
- Regarding “stable political and legal practices in new supplier countries” (35.6%), one respondent at the hearing said, “It is necessary to consider re-sourcing to countries where both politics and laws and regulations are stable, rather than to countries where environmental regulations, etc. will change frequently in the future” (Chemicals).

Question How have the provisions of the Inflation Reduction Act (IRA), particularly those related to EVs, impacted your business operations, or how do you expect them to? (Multiple responses allowed)

**Figure 5.9**  
Impact of the Inflation Reduction Act (IRA) (by size)



**Figure 5.10**  
Impact of the Inflation Reduction Act (IRA) (by industry)



**■ Companies that see it as a business opportunity and companies that see it as a lost opportunity are split in their views.**

- Regarding the impact of the Inflation Reduction Act (IRA) on business operations, the largest percentage of both large enterprises and SMEs answered "uncertain." When combined with the "no influence" responses, about 75% of firms were unaware of the impact.
- Among the responses that indicated a specific impact, a larger percentage of large enterprises indicated "expansion of opportunities," while a larger percentage of small and medium enterprises indicated "loss of opportunities."
- The key factors in determining whether IRAs will lead to expanded business opportunities are considered to be: (1) the company has a business in North America that can benefit from IRAs, and (2) the nature of the business matches the new demand created by the IRAs. In the interviews, some companies said, "We hope that the expansion of EV demand will lead to more business opportunities related to power distribution" (Electrical Equipment & Electronics (assembler)).
- As for "loss of opportunities," some companies in the interview said, "There are no EV manufacturing bases in North America, so we will not benefit from this" (Automobiles (assembler)) and "The number of orders will decrease due to the decrease in the number of auto parts as EVs become more popular" (Automobiles (parts)), indicating that the impact differs from company to company.

Question How has the enactment of the CHIPS Act affected your business operations, or how do you expect it to? (Multiple responses allowed)

Figure 5.11 Impact of the CHIPS Act (by size)

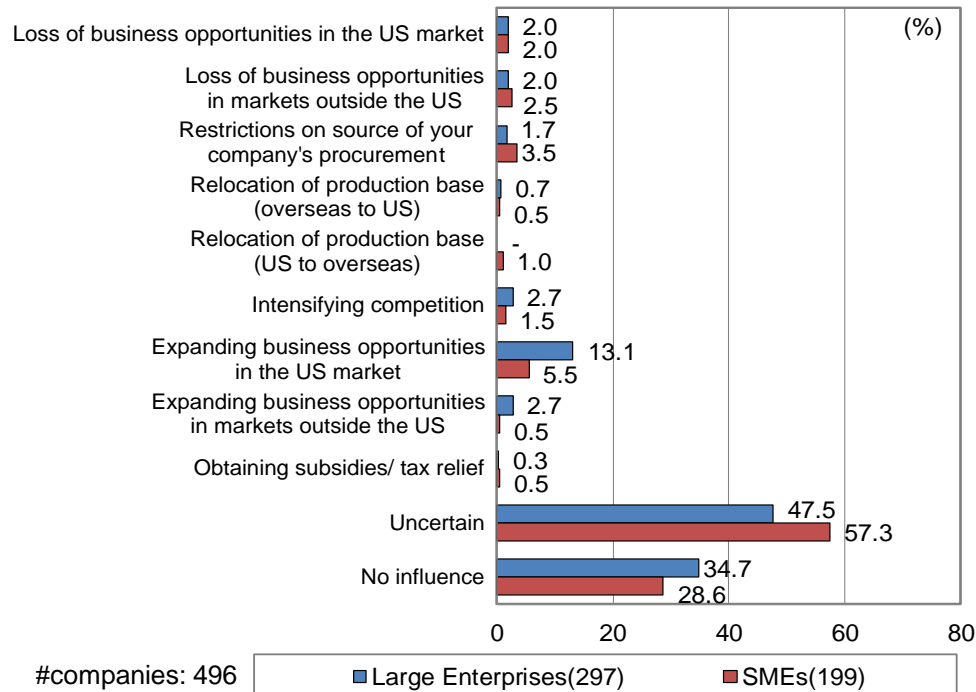
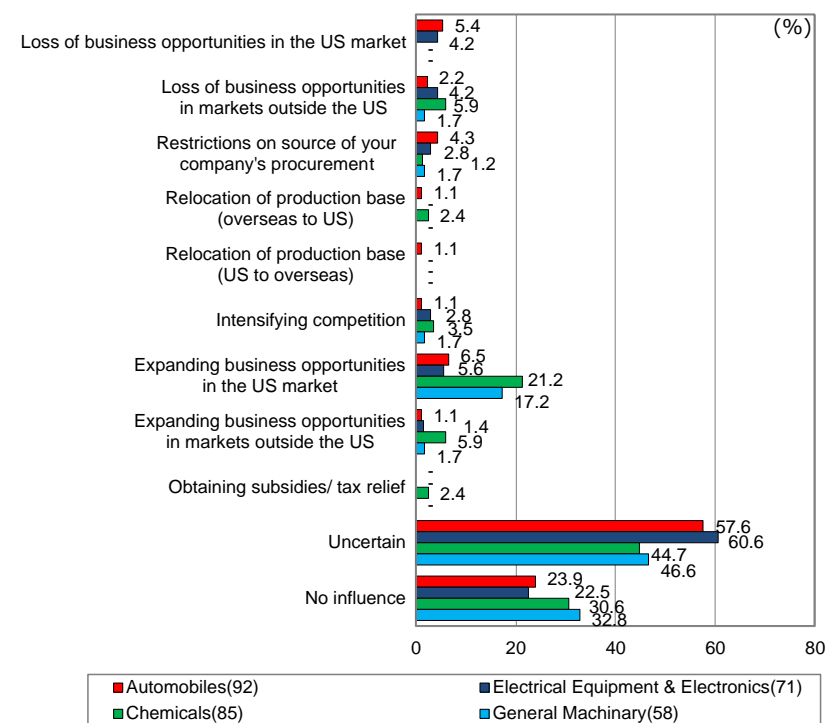


Figure 5.12 Impact of the CHIPS Act (by industry)



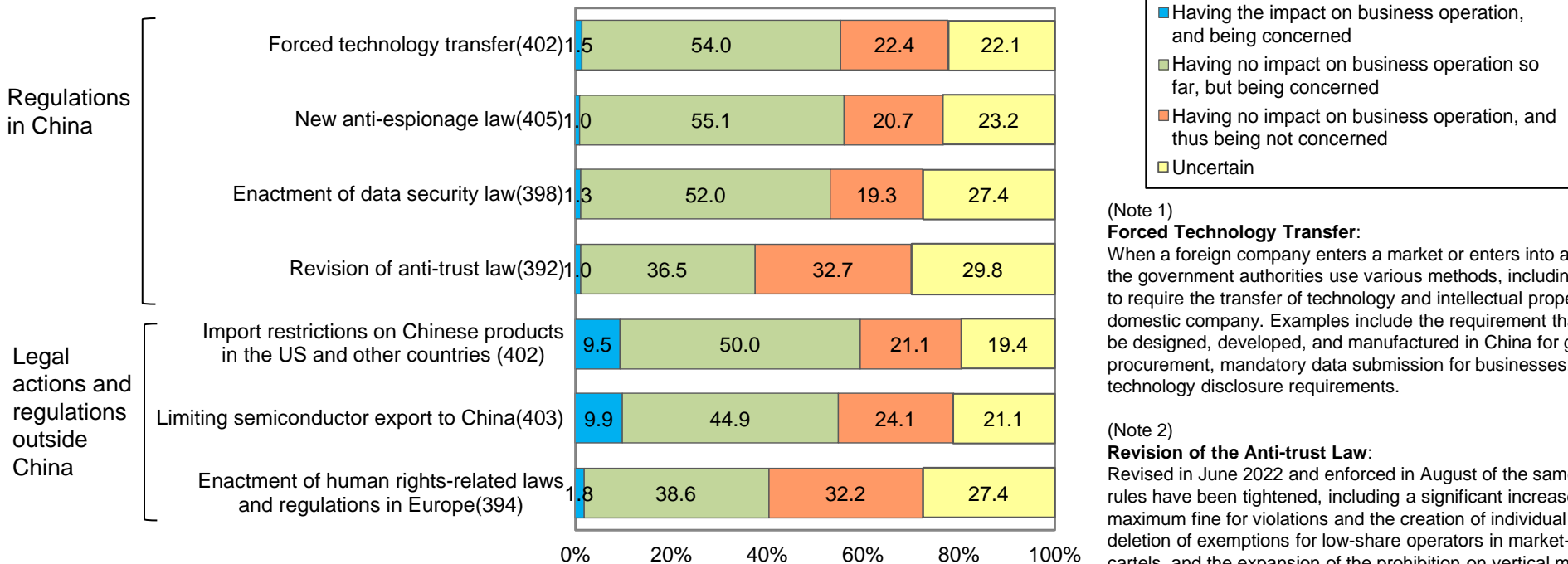
### ■ Many companies responded "uncertain" or "no influence," but the results were divided as to the impact.

- Regarding the impact of the August 2022 enactment of the CHIPS and Science Act in the U.S. on business, more than 80% of respondents answered "uncertain" or "no influence," a result similar to that of the IRA. Some parts suppliers said, "Parent company is more knowledgeable about detailed analysis of the U.S. legal system" (Automobiles (parts)), suggesting that awareness of the CHIPS and Science Act may not be widespread, especially among SMEs.
- Some of the companies that see the passage of the CHIPS and Science Act as an "expansion of opportunities" made statements including: "Acceleration of domestic semiconductor production in the U.S. will increase the ratio of U.S. procurement in the manufacture of our products, which will reduce transportation costs by promoting local production for local consumption" (Automobiles (assembler)); and "We manufacture chemicals used in the front-end process of semiconductor equipment manufacturing, and we expect to expand our business opportunities by joining the supply chain of a major semiconductor equipment manufacturer that has a plant in the U.S." (Chemicals). This indicates a sense of anticipation for business opportunities brought about by the acceleration of semiconductor production in the US, particularly in the chemical industry.
- Some companies that saw this as a loss of opportunity said, "In some cases, suppliers of semiconductor-related products do business with Chinese companies, so they cannot benefit from subsidies and other benefits provided by the CHIPS and Science Act" (Chemicals).



**Question** To what extent have the various regulations from the Chinese government and legal actions and restrictions from Western countries against China affected your company's business operations?

**Figure 5.13**  
Impact of legal measures and regulations inside/outside China (only for companies with offices in China)



(Note 1)

**Forced Technology Transfer:**

When a foreign company enters a market or enters into a joint venture, the government authorities use various methods, including regulations, to require the transfer of technology and intellectual property to a domestic company. Examples include the requirement that products be designed, developed, and manufactured in China for government procurement, mandatory data submission for businesses, and technology disclosure requirements.

(Note 2)

**Revision of the Anti-trust Law:**

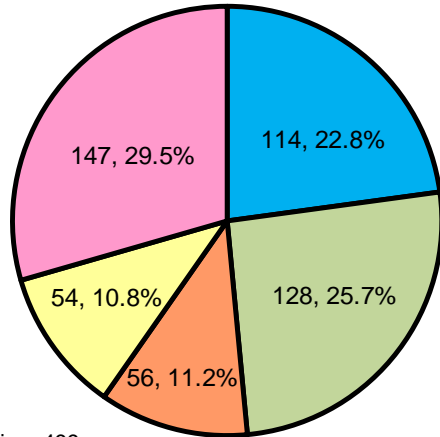
Revised in June 2022 and enforced in August of the same year. The rules have been tightened, including a significant increase in the maximum fine for violations and the creation of individual penalties, the deletion of exemptions for low-share operators in market-splitting cartels, and the expansion of the prohibition on vertical monopoly agreements (e.g., resale price maintenance).

**■ Although few companies have been affected by China-related regulations, widespread concern has been expressed.**

- Regarding the impact of each legal measure/regulation on business operations related to China, the largest percentage of companies based in China responded that “there has been no impact on business operations so far, but we are concerned” for almost all legal measures/regulations. Although the number of companies that have been affected in their business operations is not large as a whole at this time, there is a growing sense of concern, especially among companies with offices in China.
- Among the legal measures and regulations discussed in this report, “forced technology transfer” and “new anti-espionage law” were the most influential and causes for concern. One company commented, “We have been receiving technical cooperation from local companies in our sales activities for advanced technologies handled in China, but we are concerned that we may be in violation of the anti-espionage law” (Ceramics, Cement & Glass).
- More than half of the companies with offices in China expressed concern about the regulations in the U.S., and about 10% of the companies said that the regulations had affected their business operations.

**Question** In Japan, the Law for the Promotion of Economic Security was enacted, and measures to secure designated critical commodities, such as semiconductors, and support for related initiatives have been allocated. With the prolonged depreciation of the yen and other changes in the domestic investment environment, to what extent and for what purposes are you implementing or considering measures for new or additional domestic investment? In doing so, do you consider subsidies and other policy incentives?

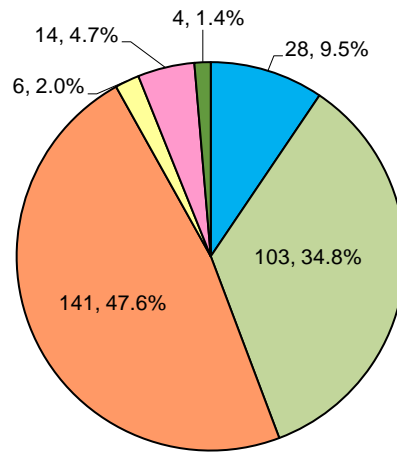
**Figure 5.14**  
Strengthening of domestic investment



#companies: 499

- Already made new/additional investments in domestic businesses
- Considering new/additional investments in domestic business
- Aspired to strengthen domestic businesses (wait-and-see)
- No need to make new or additional domestic investment
- Not fully discussed

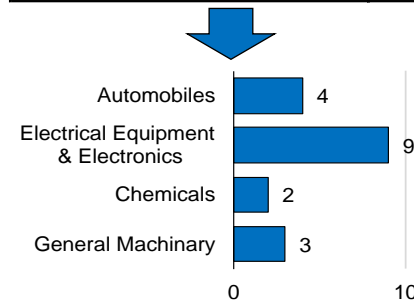
**Figure 5.15**  
Reasons for Strengthening Domestic Investment



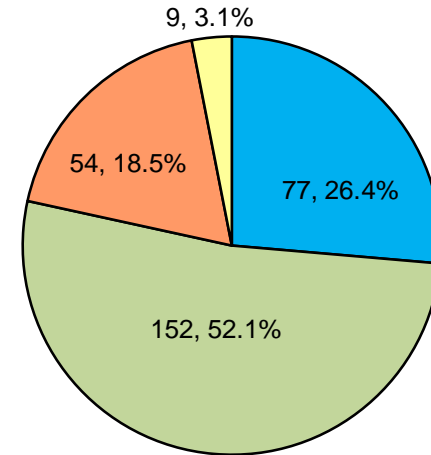
#companies: 296

- To establish a stable supply system for raw materials and parts
- For a purely domestic investment that maximizes profit
- To realize both profit maximization and a stable supply system
- To transfer production from overseas for both profit maximization and a stable supply system
- To transfer production from overseas to establish a stable supply system for raw materials and parts
- To implement domestic investment accompanying the transfer of production from overseas for profit maximization

Stable supply system	63.8%
Profit maximization	85.8%
<b>Production transfer from abroad</b>	<b>8.1%</b>
N/A	91.9%



**Figure 5.16**  
Utilization of subsidies



#companies: 292

- Seriously considering
- Considering
- Not fully considering
- No consideration

**■ About half of all companies are implementing or considering strengthening domestic investment. While only a small number of companies are transferring production from overseas, there are signs of a return to domestic production in the electrical and electronics fields.**

- About 50% of the responding companies have either "already done" or are "considering" strengthening their domestic investments. When "aspired to strengthen domestic businesses (wait-and-see)" is included, the percentage reaches approximately 60%. Of those companies willing to strengthen their domestic investments, approximately 50% answered that they would "maximize profits and improve supply systems." In the interviews, some companies said, "At domestic bases, there is less outflow of human resources, and it is easier to operate plants in a stable manner" (Automobiles (parts)).
- Although only 8.1% of all respondents selected "production transfer from abroad" in light of geopolitical risks and other factors, many of the respondents in the electrical equipment & electronics industry tended to select this option. It could be interpreted as a return to domestic semiconductor-related manufacturing, which is considered important from an economic security standpoint.
- In strengthening domestic investment, about 75% of all companies responded that they are "seriously considering" or "considering" subsidies and other policy incentives for critical goods, such as semiconductors. In the interviews, some firms indicated that they "would like to actively apply for semiconductor-related subsidies in the future." On the other hand, there were also comments such as, "We have a product development plan first, and then we will look for possible subsidies" (Automobiles (assembler)), indicating that the companies are not necessarily considering subsidies first.

日本の力を、世界のために。

Supporting Your Global Challenges

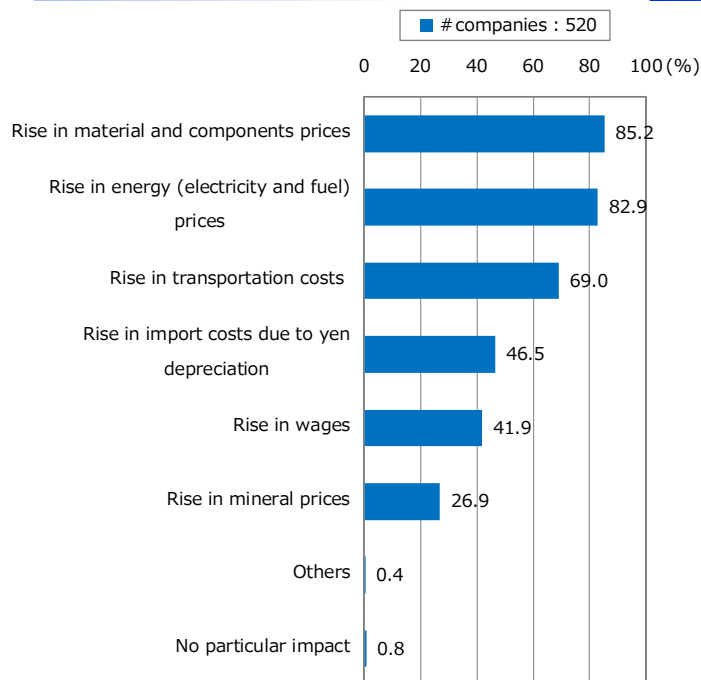
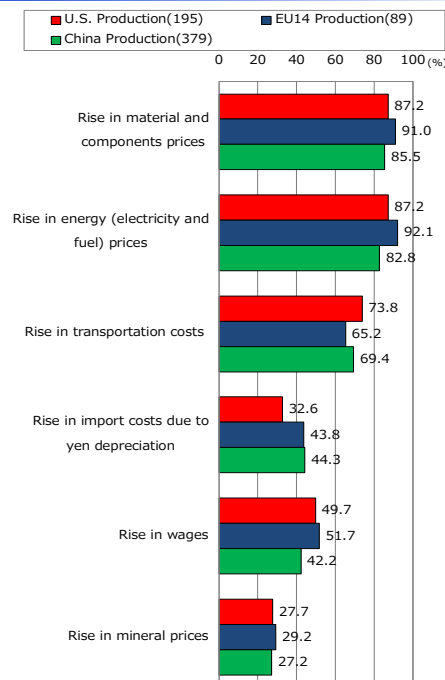
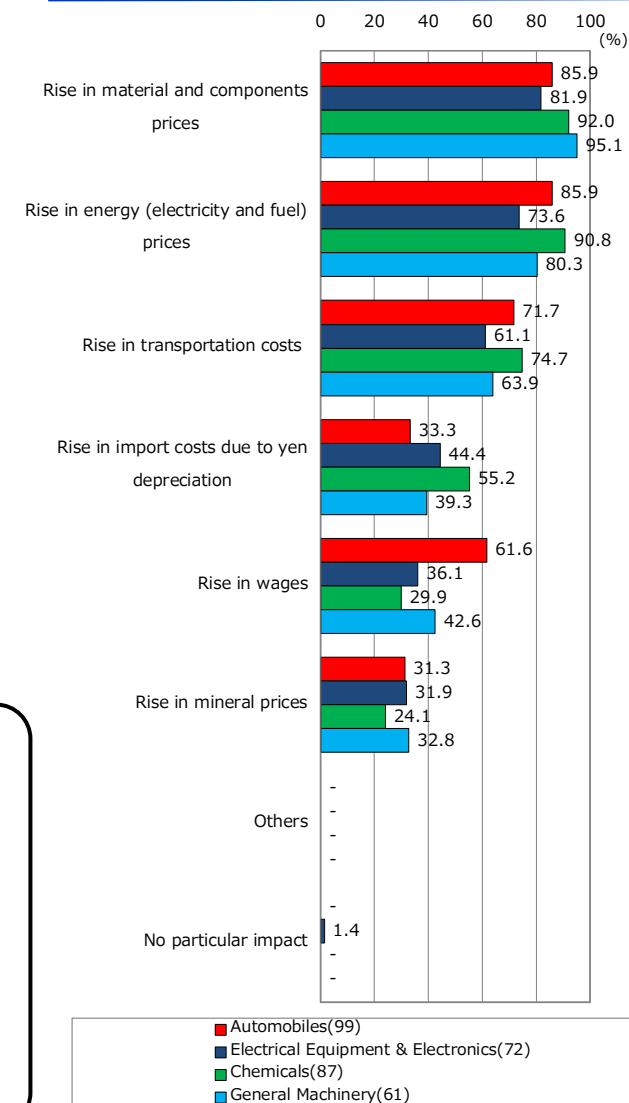


## 6. Impact of Global Price Hikes on Business Development



## Question

In which aspects of your business do you see price increases having a particularly significant impact on your global operations? (Multiple responses allowed)

**Figure 6.1 Factors influencing (overall)**

**Figure 6.2 Factors Influencing the Results (by region)**

**Figure 6.3 Factors influencing (by industry)**


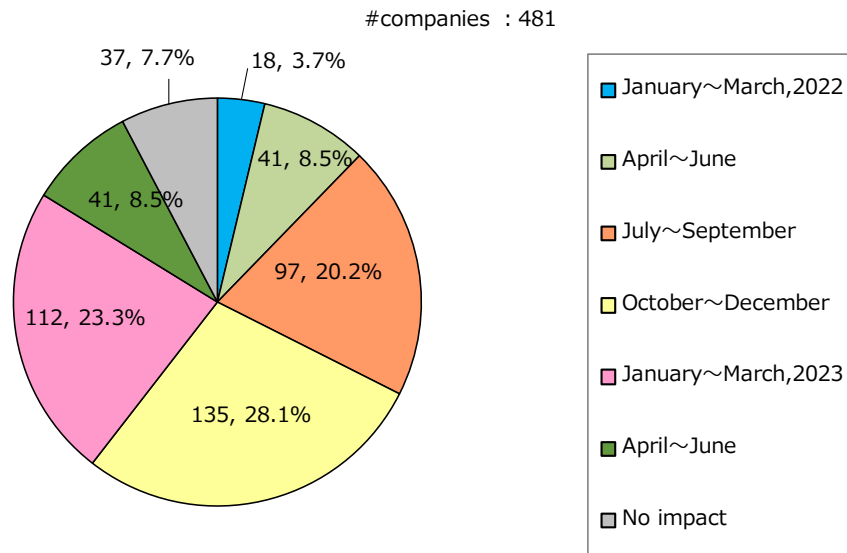
## Material and component prices and energy prices result in business impact

- As for the factors of price hikes that had a significant impact on business operations, "rise in material and components prices" and "rise in energy (electricity and fuel) prices" were found to be the most significant, each accounting for more than 80% of the total. In the interviews, one respondent said, "Prices of steel materials in particular have been raised in general." Energy and steel prices have increased due to the invasion of Ukraine and other factors, which have affected business operations.
- By major region of production, there were no major differences by overseas operation site, and all factors were found to be affected by price hikes regardless of region.
- By the four major industries, the percentage of the general machinery and chemical industries who selected "rise in materials and components prices" was larger than that of other industries, while in the automobile industry, "rise in wages" accounted for more than 60% of the responses, far exceeding those in other industries. In the interviews, one respondent said, "In the U.S., if you don't raise wages, you won't be able to attract workers" (Automobile). In the Chemicals, the percentage of respondents who cited "rise in import costs due to yen depreciation" was larger than in other industries. The percentage of "rise in import costs due to yen depreciation" was smaller in the automotive industry, and one interviewee said, "I rather welcome the weaker yen from the perspective of exports."

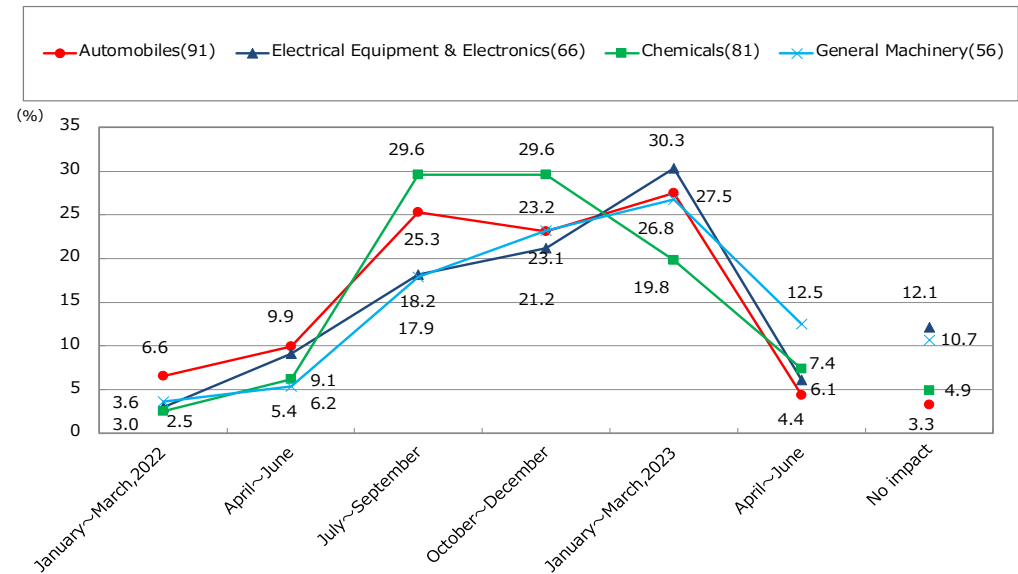
## (2) Electricity and fuel price hikes Period of adverse impact

**Question** In which period did your company's business operations experience the most negative impact due to the sharp rise in electricity and fuel prices?

**Figure 6.4 Time of adverse impact (overall)**



**Figure 6.5 Time of adverse impact (by Industry)**



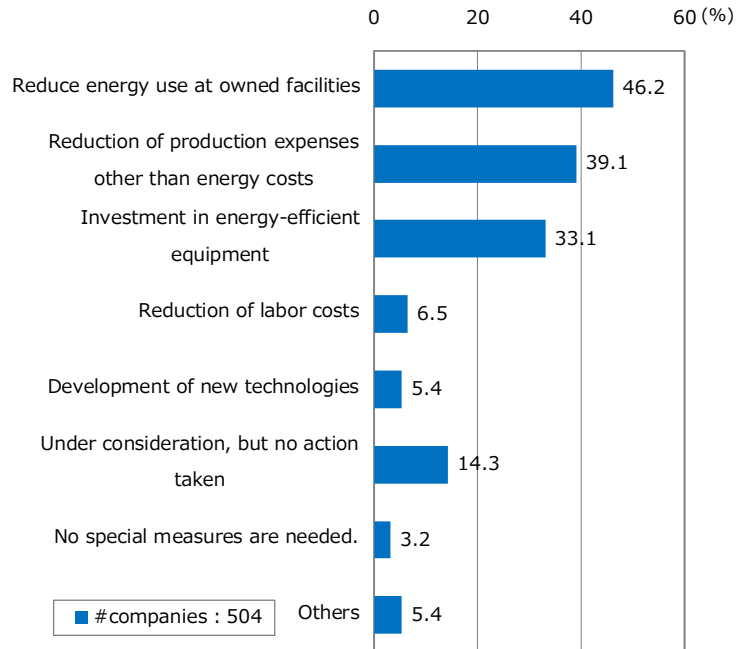
### Majority of companies were affected from July 2022 to March 2023

- The largest percentage of respondents, in relation to the period of time when they were most negatively affected as a result of the electricity and fuel price hikes, stated "October to December 2022," followed by "January to March 2023," and "July to September 2022," in that order. These three periods accounted for 70% of the total.
- By industry, the Automobile, Electrical Equipment & Electronics, and General Machinery industries showed the most adverse effects in the "January-March 2023" period, while the chemical industry showed the most adverse effects in the "July-September 2022" and "October-December 2022" periods. Only chemicals showed a different trend, and it was noted at the interview that "industries closer to upstream are more likely to be affected by energy prices."

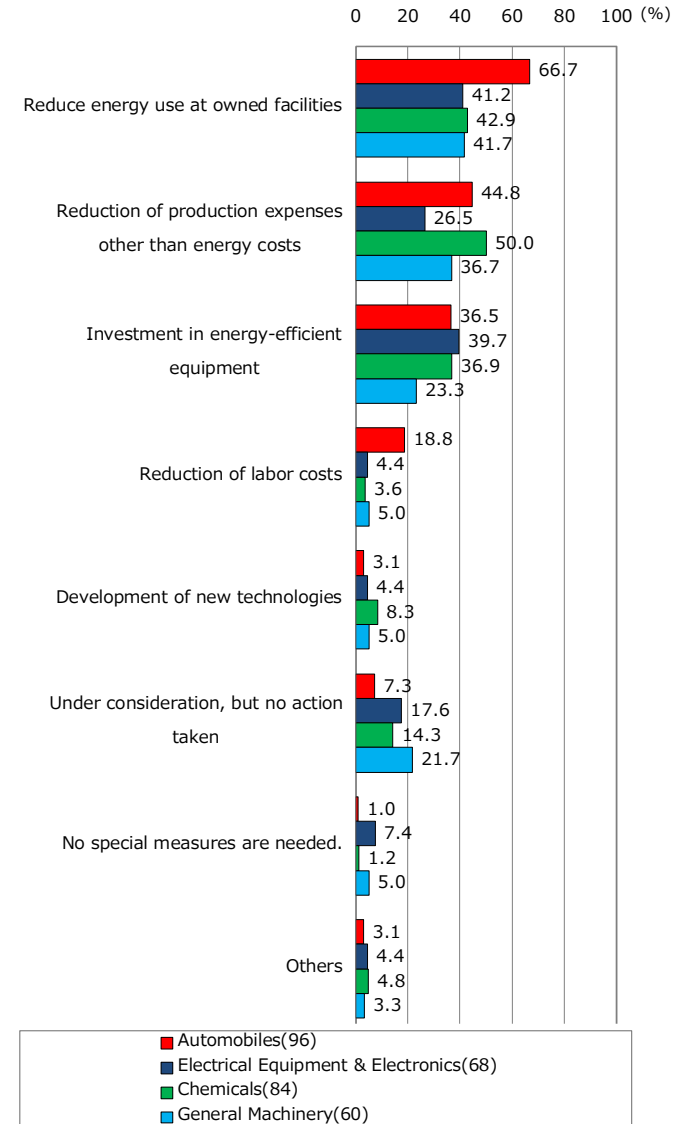


Question What measures are you taking to reduce costs in response to rising electricity and fuel prices? (Multiple answers allowed)

### Figure 6.6 Cost Reduction Measures (overall)



### Figure 6.7 Cost reduction measures (by industry)



#### A wide variety of cost-cutting measures implemented by various companies

- Major cost-cutting measures in response to the rise in electricity and fuel prices include "reduce energy consumption at owned facilities," "Reduction of production expenses other than energy costs," and "investment in energy-efficient equipment."
- As for specific measures, some said that they are working on "optimization of personnel allocation through IoT and DX" and "installation of solar panels." Regarding DX, it was pointed out at the interview that "this is not just a cost-cutting measure, but part of our efforts to address the shortage of human resources due to the decline in Japan's workforce."
- By industry, the automotive industry showed larger percentages of "reduce energy use at owned facilities" and "reduction of labor costs" than the other industries. Some companies have begun to automate their production lines.

Question To what extent do you think you are able to pass on prices in your business operations?

Figure 6.8 Degree of price pass-through (overall)

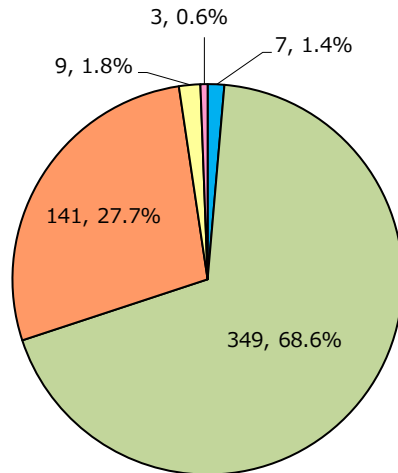


Figure 6.9 Degree of price pass-through (by size)

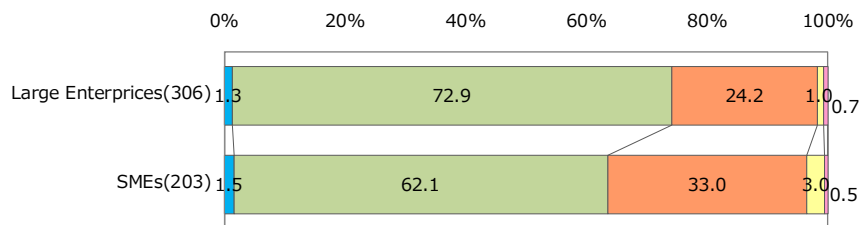
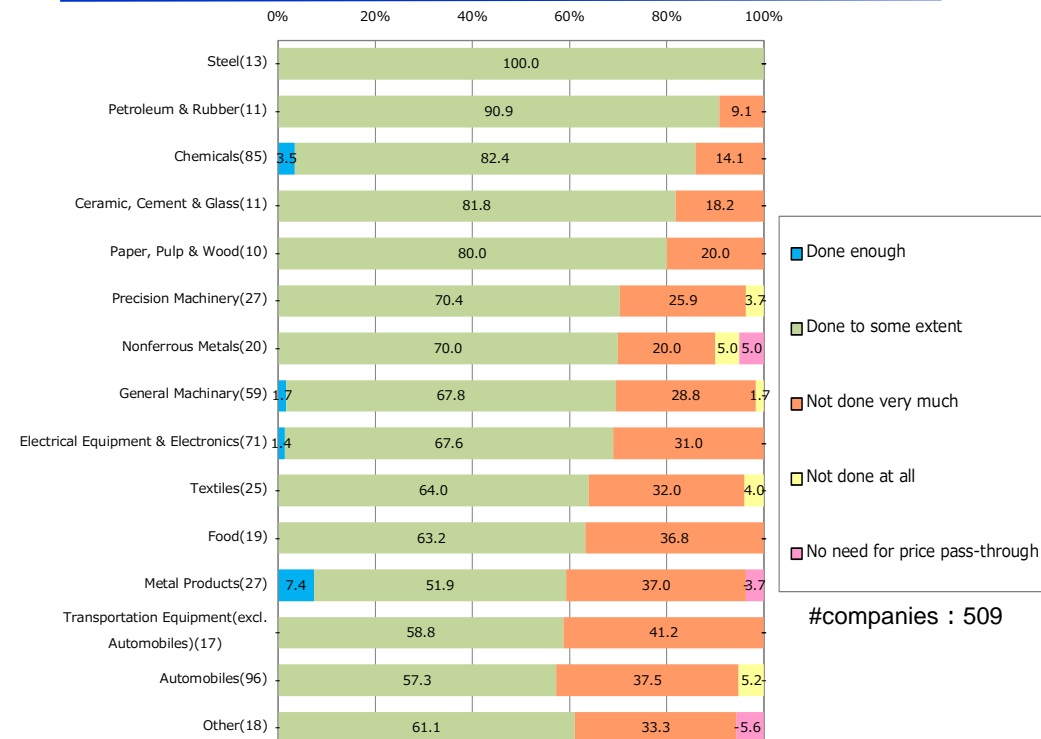


Figure 6.10 Degree of price pass-through (all industries)



■ Although more than half of the companies are able to pass on prices, the percentage of companies that are not able to pass on prices is relatively high.

- As for the progress of price pass-through, about 70% answered that they are able to pass on prices, with the answers of “done enough” or “done to some extent,” while about 30% answered “not done very much” or “not done at all.” In the interview, as “reasons for being able to pass on prices,” respondents answered that “materials reflect price hikes, so it is easy to understand if prices are passed through” (Chemicals) and “we think now is the time to raise prices” (Nonferrous Metals).

■ The degree of price pass-through differs depending on the size of the company and industry.

- By size, a larger percentage of large enterprises (74.2%) than SMEs (63.6%) indicated that they are able to pass on prices. By industry, the percentage of firms that have been able to pass on prices to their customers is relatively high for steel (100%), petroleum & rubber (about 90%), and chemicals (over 85%), which are located relatively close to the upstream of the supply chain, while the percentage for automobiles is below 60%, indicating that price pass-through is not progressing.

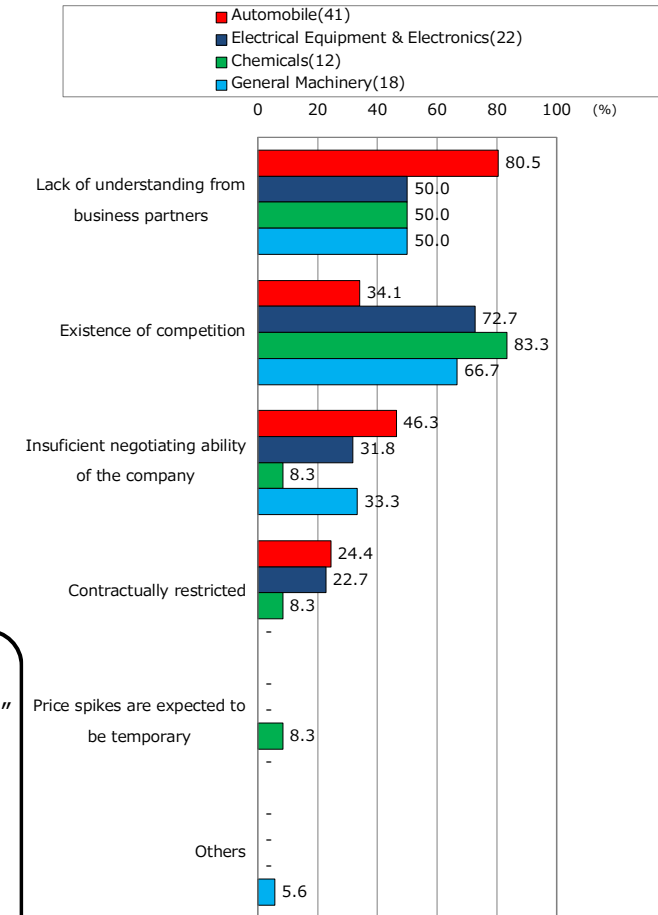
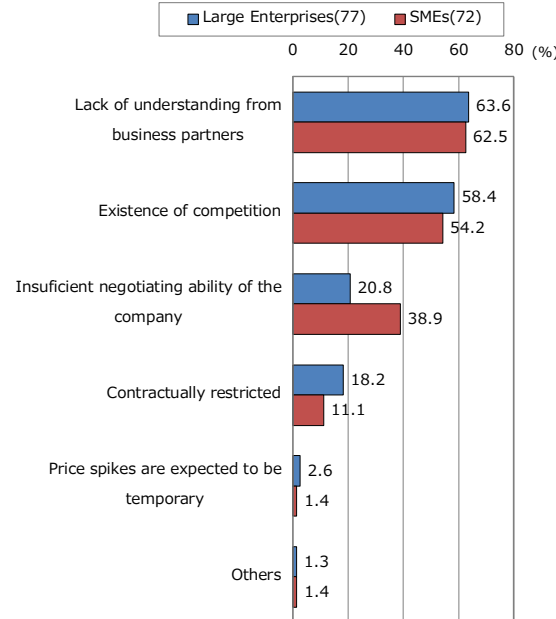
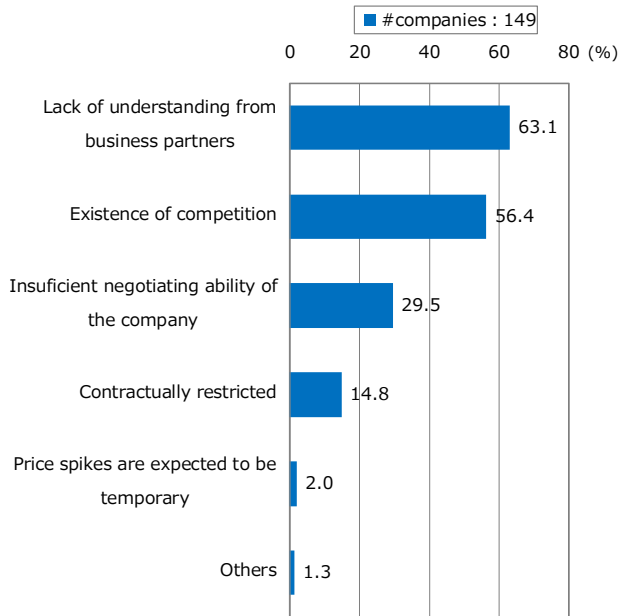
# 6 (5) Reasons for failure to pass on prices

**Question** If you selected "not done very much" or "not done at all" for price pass-through, what do you think are the reasons for this? (Multiple answers allowed)

**Figure 6.11 Reasons for not being able to pass on prices (overall)**

**Figure 6.12 Reasons for not being able to pass on prices (by size)**

**Figure 6.13 Reasons for not being able to pass on prices (by industry)**



**Results show that many companies are unable to pass on prices due to relationships with suppliers and competitors**

- As reasons for not being able to pass on prices, "lack of understanding from business partners" and "existence of competition" received a large percentage of responses. In the interviews, some mentioned, "Struggling with both pressures from upstream and lack of understanding of passing on prices downstream" (paper, pulp, and wood) and "Not able to pass on prices due to technological competition and cost competition with other countries." Some said, "We have not been able to pass on prices due to technological competition and cost competition with other countries" (transportation equipment (excl. automobiles)).
- By size, there was no significant difference in the top two items between large enterprises and SMEs, but SMEs had a higher response rate for "Insufficient negotiating ability of the company."
- By industry, "lack of understanding from business partners" and "insufficient negotiating ability of the company" accounted for a large percentage in the automobile sector. In the interviews, some said, "In the Japanese market, it is difficult to pass on 100% of the price. We have not been able to gain the understanding of dealers and users, and we have no choice but to do so gradually while observing how other companies are doing" (Automobile).

日本の力を、世界のために。

Supporting Your Global Challenges

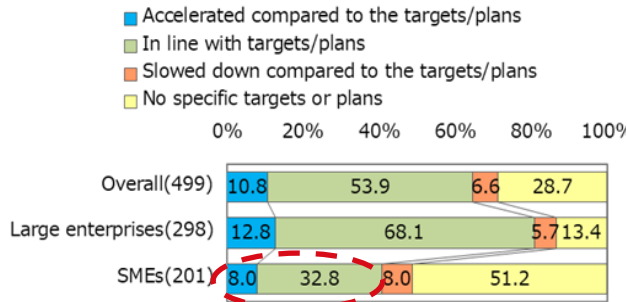


## **7. Issues in sustainability (decarbonization, biodiversity and human rights) in business development**

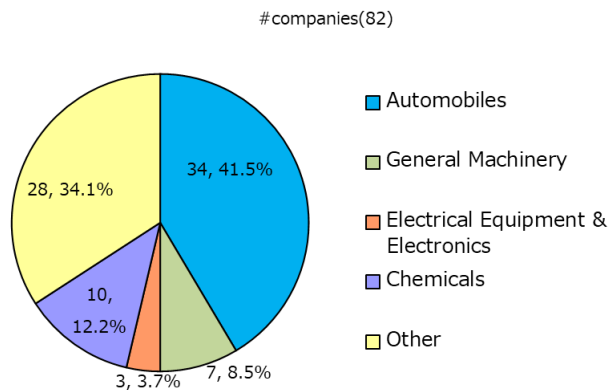


Question Please select one that best describes your view of the progress made over the past year in your goals and plans for decarbonization.

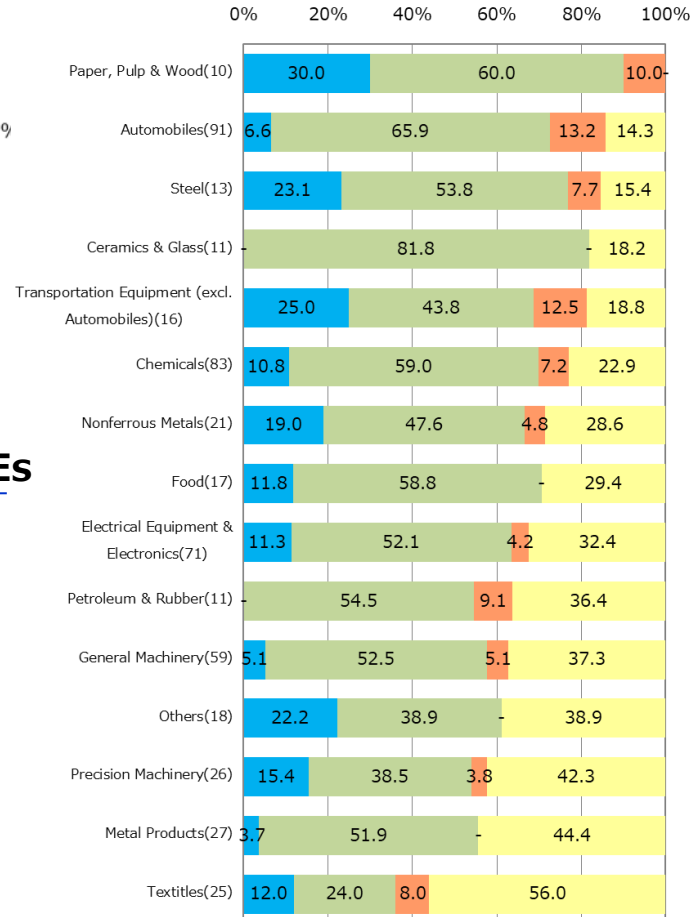
**Figure 7.1 Decarbonization Initiatives Progress (overall and by size)**



**Figure 7.3 Industry Sectors in Progress in Efforts among SMEs**



**Figure 7.2 Decarbonization Initiatives Progress (all industries)**

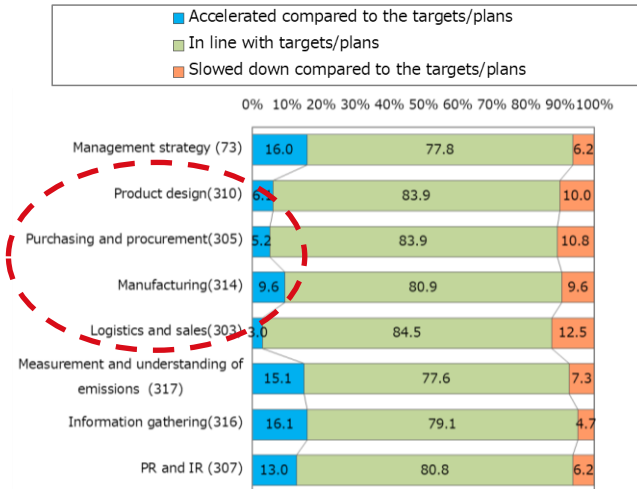


**■ Decarbonization efforts have progressed mainly in large companies. The automotive industry is focusing on initiatives throughout the supply chain.**

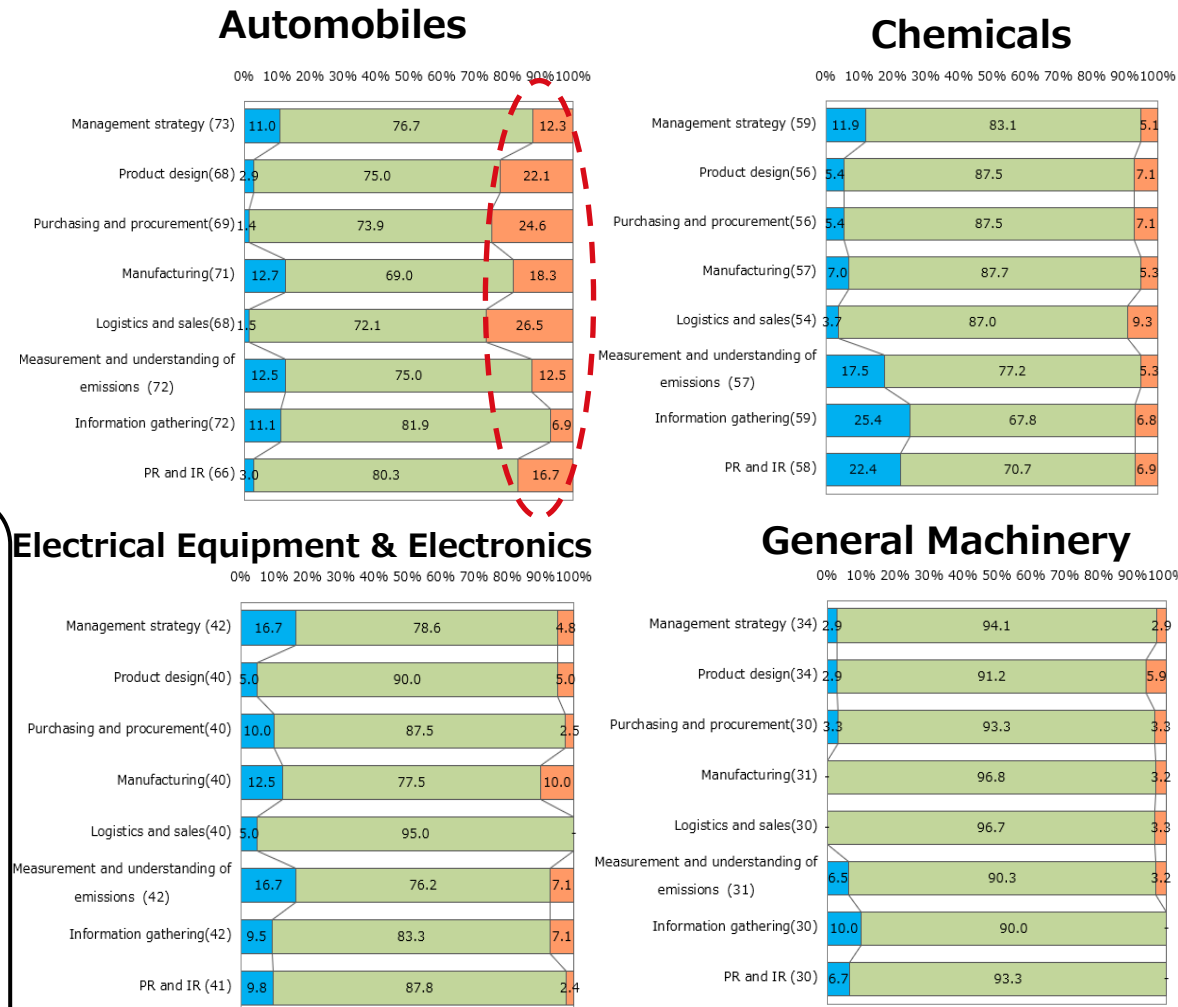
- Overall, the majority of companies (53.9%) responded that progress was "in line with targets/plans." 10.8% of companies responded "accelerated compared to the targets/plans". A total of 64.7% of the companies responded that their decarbonization efforts were progressing well.
- By size, the percentage of large companies "accelerated compared to the targets/plans" and "in line with targets/plans" totaled about 80%, while for small and medium enterprises only about 40% have done so, and the majority (51.2%) responded "no specific targets or plans", indicating that efforts are progressing mainly in large companies.
- By industry, industries that are generally considered to have high CO2 emissions, such as "paper, pulp, and wood," "automobiles," and "steel," are showing a proactive attitude toward setting targets and making efforts.
- Among small and medium enterprises, the largest share of "accelerated compared to targets/plans" and "in line with targets/plans" is "automobiles" (41.5%), suggesting that the efforts of automobile manufacturers have been spreading to the small and medium enterprises. In the interviews, one of the respondents said, "Automobile manufacturers are taking the initiative and involving their suppliers in decarbonization efforts."

**Question** Please select the number that best describes your view of the progress of your decarbonization efforts in each of the following areas.  
(Asked only of companies that have established targets and plans)

**Figure 7.4 Progress of Decarbonization by Area (whole)**



**Figure 7.5 Progress of decarbonization by Area(by industry)**



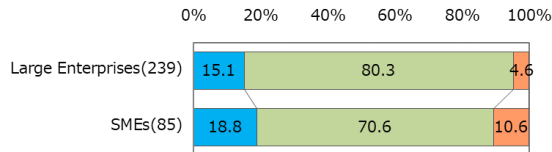
#### ■ Decarbonization efforts generally progressing well especially in the chemical sector

- Decarbonization efforts have generally progressed well regardless of sector, with relative progress in non-manufacturing areas such as "management strategy," "information gathering," and "PR/IR" in particular.
- On the other hand, about 10% of respondents reported a relative slowdown in the areas of manufacturing and sales. In the interviews, some respondents said, "Although targets are set, at the introduction stage, there are cases where introduction is postponed due to budget conflicts because of the actual costs involved" (automobile).
- By industry, many companies in the automotive sector "slowed down" their efforts. In the interviews, some firms said that they were "slowing down" in their efforts to decarbonize because of many other priorities, such as soaring energy prices and parts shortages. Of the "slowdown," the share of small and medium enterprises was 65% in the automotive sector, and 29% in the chemical, electrical and electronics, and general machinery sectors combined.



Figure 7.6 Progress of decarbonization by Area(by size)

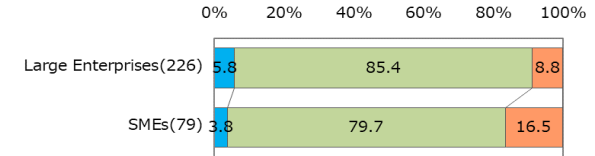
### Management strategy



### Product design



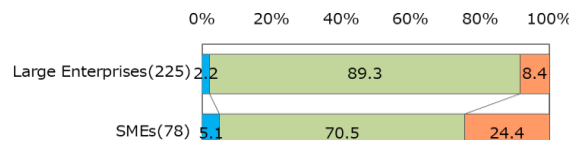
### Purchasing and procurement



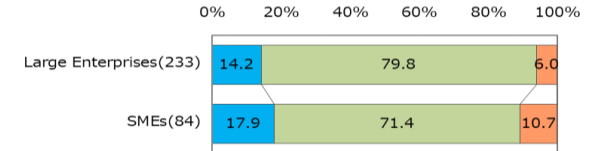
### Manufacturing



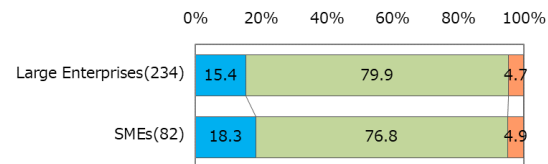
### Logistics and sales



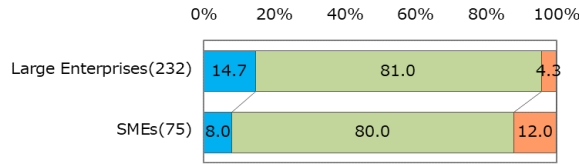
### Measurement of emissions



### Information gathering



### PR and IR



■ Accelerated compared to the targets/plans  
■ In line with targets and plans  
■ Slowed down compared to the targets/plans

■ The majority of companies responded that they "progressed as initially planned." Regardless of size, many companies accelerated their efforts in "management strategy" and "information gathering."

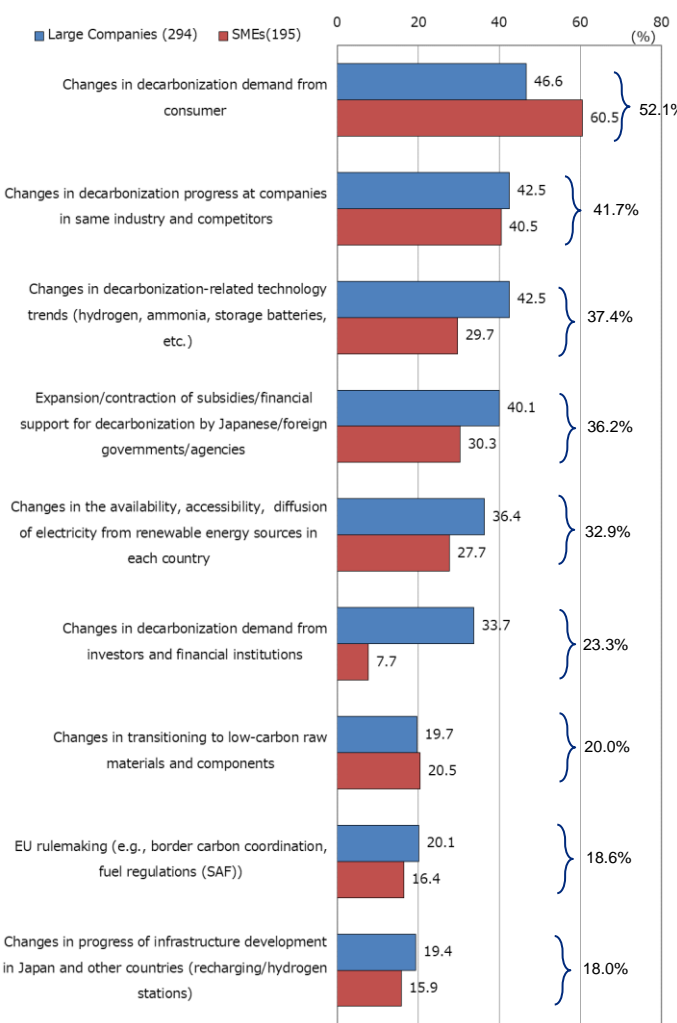
- ✓ Overall, the majority of companies responded that they are "progressing as planned." Large companies accelerated their efforts in "management strategy," "emissions measurement," "information collection," and "PR/IR." Many small and medium enterprises accelerated their efforts in "management strategy," "emissions measurement," and "information collection," while many companies slowed down in "product design" and "logistics/sales."
- ✓ While large companies have made more progress in "PR/IR" efforts than small and medium enterprises, the interviews also revealed that they are "actively publicizing their decarbonization efforts in light of requests from investors, shareholders, and others" (food, automobile, etc.).
- ✓ Among small and medium enterprises, those that accelerated their efforts in "management strategy" said, "While we are actively implementing decarbonization initiatives, requests from our customers are also a factor in the acceleration. Many companies slowed down in "product design" and "logistics/sales" because they "plan to strengthen decarbonization efforts, but when it comes to actual implementation, they may have to prioritize other issues from the perspective of manpower and budget allocation on site."

# 7 Sustainability: Factors Accelerating and Decelerating Decarbonization Efforts

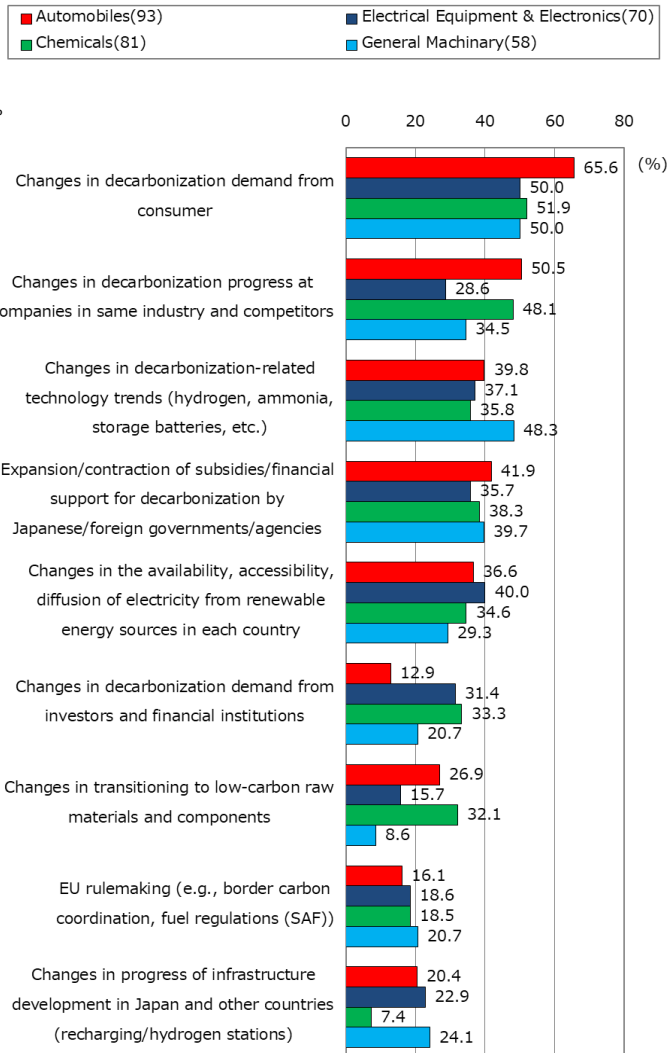


**Question** Please select up to five items from the following list that could influence (accelerate or decelerate) the progress of your company's decarbonization initiatives over the next three years or so.

**Figure 7.7 Main Factors (by size)**



**Figure 7.8 Main Factors (by industry)**



**Factors cited for acceleration and deceleration included changes in requests from customers, changes in initiatives by industry peers and competitors, and changes in related technologies.**

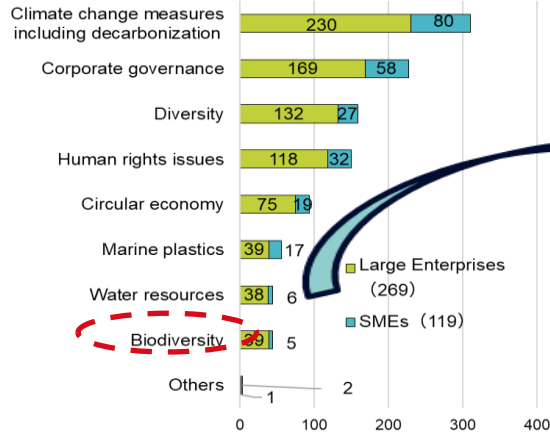
- ✓ By size, large companies significantly outperformed small and medium enterprises in the response rate for "changes in requests from investors, financial institutions, etc." and "changes in decarbonization-related technology trends. Among SMEs, 60% responded "changes in requests from customers," which was much higher than that of large companies.
- ✓ By sector, in the automobile category, the percentage of responses for "change in requests from customers" was particularly large, at 65.6%. Some respondents said, "When we make deliveries overseas, we are sometimes asked about our decarbonization initiatives by shareholders of the recipient companies" (nonferrous metals), and "I think we will see an increase in situations where we come in contact with changes in requests for initiatives from overseas recipients" (electronics and electrical machinery).
- ✓ Many of the companies interviewed said that they have established a department dedicated to sustainability, and it is possible that their efforts will be further accelerated in the future.
- ✓ In recent years, investors, asset managers, banks, and other financial institutions have been encouraging their lenders to take decarbonization initiatives, and it is possible that such trends could affect small and medium suppliers via large corporations.

(Note : Top 9 items are shown)  
(Number of responding companies: 489)

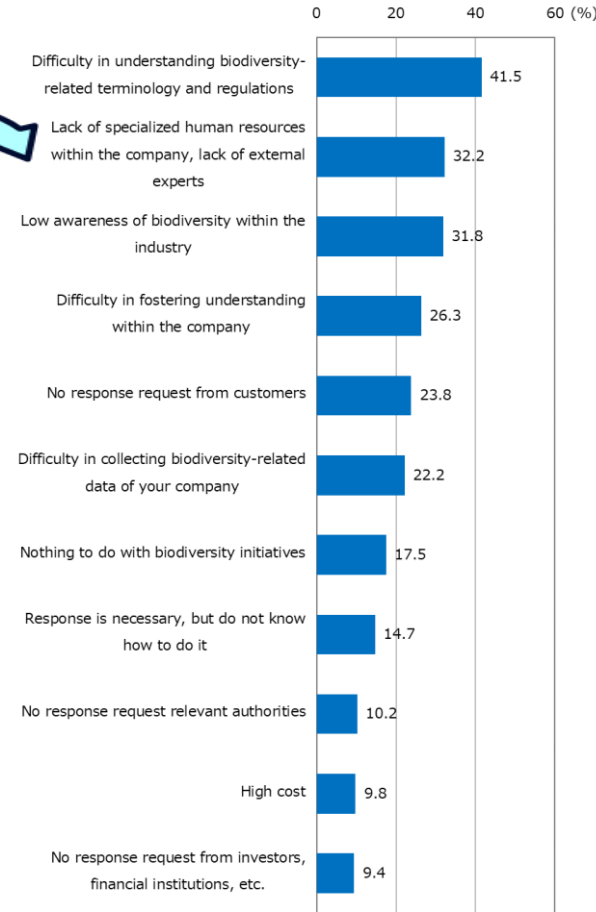
(Note : Top 9 items are shown)

**Question** Last year's survey results showed a relatively low level of interest in biodiversity in the Japanese manufacturing industry. What are the main reasons why interest in "biodiversity" has not increased or initiatives have not progressed at your company?

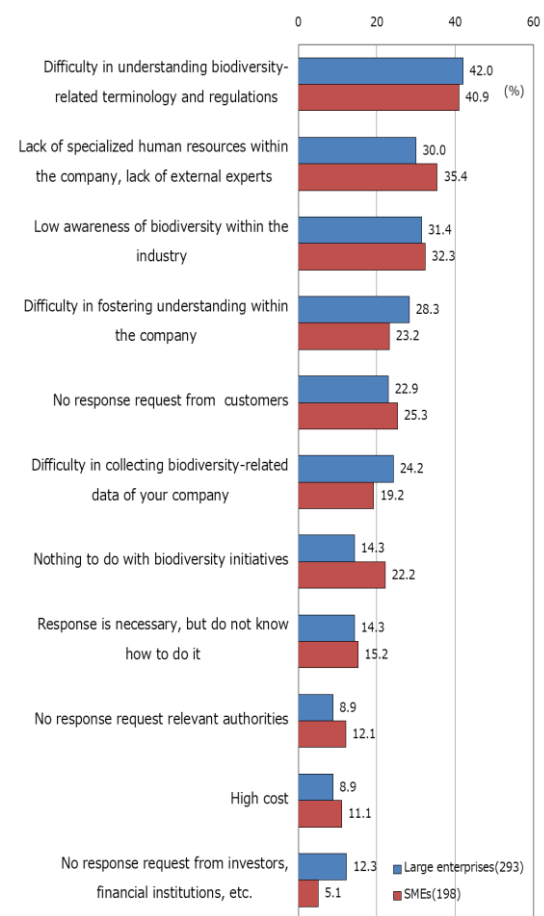
[Last year's survey] For companies that responded that they "consider" sustainability, what are the topics that they consider?



**Figure 7.9 Reasons for lack of interest in biodiversity (overall)**



**Figure 7.10 Reasons for lack of interest in biodiversity (by size)**



**A large percentage of respondents cited "terminology and difficulty in understanding," "lack of specialized/external human resources," and "lack of recognition within the industry."**

✓ Since last year's survey showed that interest in biodiversity was not growing, we confirmed the reasons for this in this year's survey, and the main responses were "difficulty in terminology and understanding," "lack of specialized and external human resources," and "low awareness in the industry."

✓ No significant differences were observed by size, suggesting that overall understanding and efforts have not progressed much. In the interviews, one respondent commented, "The concept is abstract, and I don't know what to do in concrete terms."

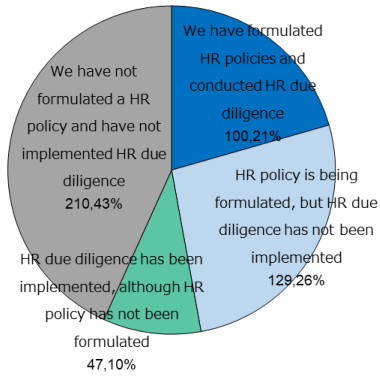
(Note) Top 11 items are shown.

(Number of responding companies: 491)

(Note) Top 11 items are shown.

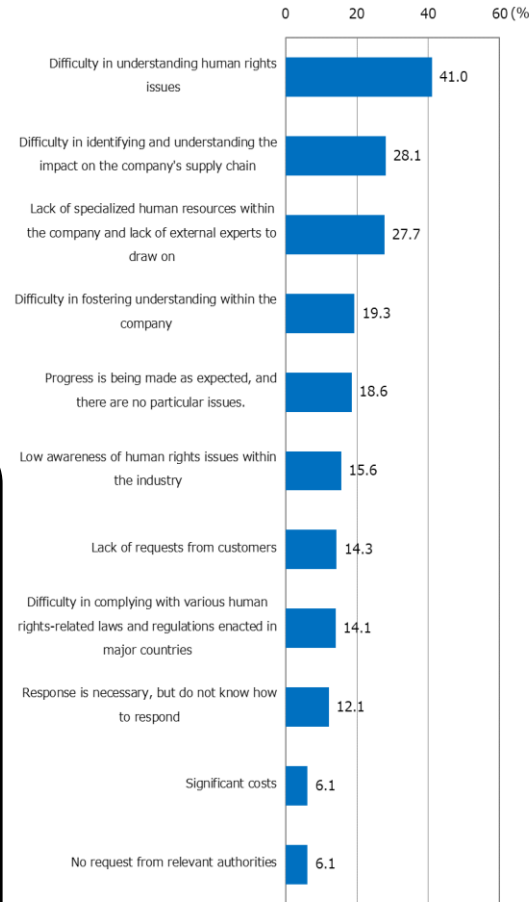
**Question** While last year's survey results showed that some progress has been made on human rights issues in the Japanese manufacturing industry, the previous (34th) survey showed that 40% of companies have not yet started to address "human rights issues. What are the main reasons for the current lack of progress or inability to address human rights issues in your company?

[Last year's survey] Please select one item that most closely matches your opinion regarding our efforts to address "human rights issues" in our supply chain.



Number of responding companies: 486

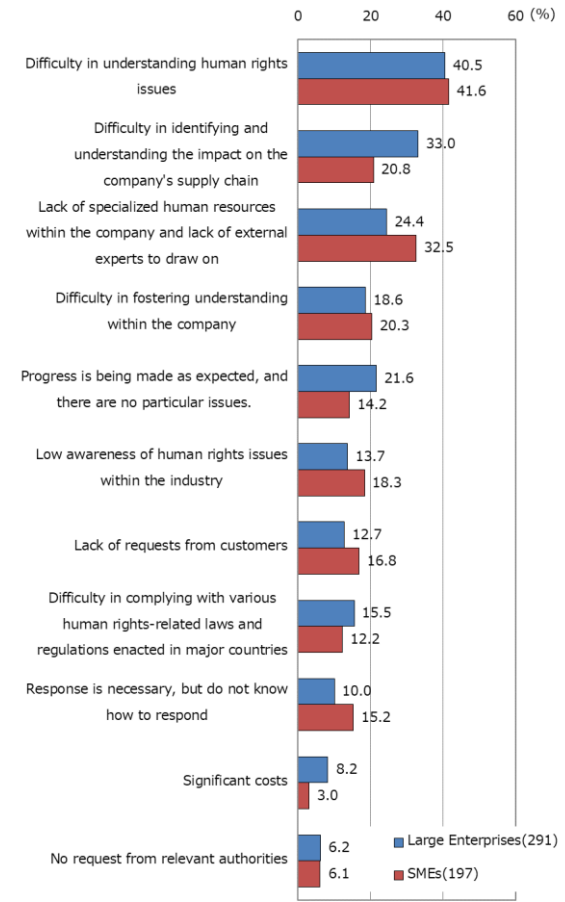
**Figure7.11 Reasons for lack of progress in human rights Initiatives (overall)**



(Note) Top 11 items are shown.

(Number of responding companies: 488)

**Figure7.12 Reasons for lack of progress in human rights Initiatives (by size)**



(Note) Top 11 items are shown.

**Reasons for the lack of progress in addressing human rights issues include "diversity and complexity (difficulty in understanding)," "difficulty in identifying and understanding the impact on SCs," and "lack of expert personnel."**

- ✓ Last year's survey confirmed progress in addressing human rights issues, but 40% of companies had neither formulated human rights policies nor conducted human rights DDs.
- ✓ When asked about the reasons for the lack of progress in human rights initiatives, the most common responses were "difficulty in understanding the issues," "difficulty in identifying and understanding the impact on SCs," and "lack of expert personnel."
- ✓ By size, a relatively large number of large companies cited "difficulty in identifying and understanding the impact on SCs." Small and medium enterprises were relatively more likely than large companies to cite "Lack of professional human resources."
- ✓ At the interviews, one respondent said, "Although we surveyed the situation of suppliers, it is difficult to ascertain the exact situation" (Chemicals).

日本の力を、世界のために。

Supporting Your Global Challenges



## (Appendix #1) Detailed Data





# 1 Overseas Production/Sales Ratios

Industry	Overseas Production Ratio ※1										Overseas Sales Ratio ※2							
	FY2020 (actual)		FY2021 (actual)		FY2022 (actual)		FY2023 (projected)		Medium-term plans(FY2026)		FY2020 (actual)		FY2021 (actual)		FY2022 (actual)		FY2023 (projected)	
		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies
Food	21.3%	19	22.2%	18	20.3%	17	21.5%	17	22.6%	17	20.0%	22	16.6%	19	21.3%	19	21.8%	19
Textiles	52.7%	22	50.5%	20	55.0%	24	55.4%	24	55.0%	23	27.2%	23	26.5%	20	26.7%	24	27.1%	24
Paper, Pulp & Wood	13.2%	11	15.8%	13	15.0%	11	15.0%	11	16.0%	10	16.8%	11	15.0%	14	15.0%	11	15.0%	11
Chemicals (total)	26.4%	70	26.4%	76	28.8%	74	29.1%	74	29.7%	70	33.2%	79	36.2%	86	38.9%	87	38.6%	85
Chemicals (incl. plastic products)	27.2%	65	27.0%	71	29.0%	73	29.2%	73	29.9%	69	33.9%	74	36.6%	81	39.1%	86	38.8%	84
Pharmaceuticals	17.0%	5	19.0%	5	15.0%	1	15.0%	1	15.0%	1	23.0%	5	29.0%	5	25.0%	1	25.0%	1
Petroleum & Rubber	43.2%	11	29.5%	11	36.3%	8	37.5%	8	36.3%	8	40.0%	12	32.3%	11	40.6%	9	40.6%	9
Ceramics, Cement & Glass	43.2%	11	41.0%	10	43.2%	11	43.2%	11	46.1%	9	41.7%	12	40.0%	10	40.5%	11	40.5%	11
Steel	27.0%	10	18.3%	9	29.5%	11	29.5%	11	31.4%	11	24.0%	10	29.0%	10	33.3%	12	31.7%	12
Nonferrous Metals	38.0%	20	35.0%	19	33.4%	19	33.4%	19	33.9%	19	34.0%	21	39.3%	21	35.5%	22	36.5%	20
Metal Products	30.0%	20	32.4%	19	32.8%	27	33.9%	27	34.3%	27	38.5%	20	36.1%	19	36.1%	27	36.1%	27
General Machinery (total)	25.2%	55	28.9%	59	26.9%	58	25.7%	57	28.2%	57	35.0%	57	40.3%	62	41.9%	61	42.0%	60
Assembly	23.8%	42	25.2%	42	24.1%	44	22.7%	43	25.5%	43	36.6%	44	39.2%	45	41.8%	47	42.2%	46
Parts	29.6%	13	37.9%	17	35.7%	14	35.0%	14	36.4%	14	29.6%	13	43.2%	17	42.1%	14	41.4%	14
Electrical Equipment & Electronics (total)	41.8%	56	45.5%	66	39.6%	69	39.5%	69	42.2%	65	46.4%	66	46.5%	72	42.6%	72	43.6%	71
Assembly	31.5%	23	34.5%	22	30.0%	26	30.0%	26	32.4%	23	34.6%	27	36.3%	24	35.0%	27	35.7%	27
Parts	48.9%	33	50.9%	44	45.5%	43	45.2%	43	47.6%	42	54.5%	39	51.7%	48	47.2%	45	48.4%	44
Transportation Equipment (excl. Automobiles)	30.8%	12	36.8%	17	29.4%	18	28.5%	17	32.1%	14	42.5%	12	42.6%	17	40.6%	18	39.7%	17
Automobiles (total)	41.4%	105	41.3%	101	46.4%	96	46.8%	94	47.6%	88	40.1%	108	40.9%	105	44.8%	101	44.2%	97
Assembly	40.0%	4	55.0%	4	65.0%	3	80.0%	2	85.0%	1	55.0%	5	73.0%	5	75.0%	4	71.7%	3
Parts	41.4%	101	40.8%	97	45.8%	93	46.1%	92	47.2%	87	39.4%	103	39.3%	100	43.6%	97	43.3%	94
Precision Machinery (total)	25.7%	29	38.1%	26	36.9%	27	38.0%	27	39.4%	27	37.0%	30	47.1%	28	47.2%	27	48.3%	27
Assembly	20.6%	18	29.7%	15	30.3%	17	31.5%	17	33.2%	17	35.6%	18	49.4%	16	47.4%	17	47.9%	17
Parts	34.1%	11	49.5%	11	48.0%	10	49.0%	10	50.0%	10	39.2%	12	44.2%	12	47.0%	10	49.0%	10
Other	23.1%	16	24.2%	12	31.1%	18	31.1%	18	31.9%	16	19.7%	17	23.6%	14	30.6%	18	30.6%	18
Overall	33.6%	467	34.9%	476	35.7%	488	35.8%	484	37.0%	461	35.8%	500	37.9%	508	39.0%	519	39.1%	508

Note 1: Overseas Production Ratio = Overseas Production / (Domestic Production + Overseas Production)  
 Note 2: Overseas Sales Ratio = Overseas Sales / (Domestic Sales + Overseas Sales)



Overseas	Strengthen / Expand		Maintain present level		Scale back / Withdraw	
	2022	2023	2022	2023	2022	2023
	All Industries	67.2%	67.7%	31.6%	30.2%	1.2%
Food	75.0%	94.4%	25.0%	5.6%	-	-
Textiles	61.9%	40.0%	38.1%	60.0%	-	-
Paper, Pulp & Wood	69.2%	72.7%	30.8%	27.3%	-	-
Chemicals (total)	73.8%	73.0%	25.0%	25.8%	1.2%	1.1%
Chemicals (incl. plastic products)	72.2%	72.7%	26.6%	26.1%	1.3%	1.1%
Pharmaceuticals	100.0%	100.0%	-	-	-	-
Petroleum & Rubber	61.5%	58.3%	38.5%	41.7%	-	-
Ceramics, Cement & Glass	60.0%	72.7%	40.0%	27.3%	-	-
Steel	54.5%	69.2%	45.5%	30.8%	-	-
Nonferrous Metals	65.2%	61.9%	34.8%	33.3%	-	4.8%
Metal Products	52.6%	63.0%	42.1%	33.3%	5.3%	3.7%
General Machinery (total)	85.0%	85.2%	15.0%	14.8%	-	-
Assembly	86.0%	87.0%	14.0%	13.0%	-	-
Parts	82.4%	80.0%	17.6%	20.0%	-	-
Electrical Equipment & Electronics (total)	80.3%	71.2%	19.7%	27.4%	-	1.4%
Assembly	79.2%	70.4%	20.8%	29.6%	-	-
Parts	80.9%	71.7%	19.1%	26.1%	-	2.2%
Transportation Equipment (excl. Automobiles)	76.5%	70.6%	23.5%	29.4%	-	-
Automobiles (total)	45.8%	46.5%	50.5%	46.5%	3.7%	7.1%
Assembly	75.0%	75.0%	25.0%	25.0%	-	-
Parts	44.7%	45.3%	51.5%	47.4%	3.9%	7.4%
Precision Machinery (total)	78.6%	85.7%	21.4%	14.3%	-	-
Assembly	75.0%	83.3%	25.0%	16.7%	-	-
Parts	83.3%	90.0%	16.7%	10.0%	-	-
Other	53.3%	77.8%	46.7%	22.2%	-	-

Domestic	Strengthen / Expand		Maintain present level		Scale back / Withdraw	
	2022	2023	2022	2023	2022	2023
	All Industries	49.2%	46.7%	50.4%	52.5%	0.4%
Food	50.0%	55.6%	50.0%	38.9%	-	5.6%
Textiles	33.3%	16.0%	66.7%	84.0%	-	-
Paper, Pulp & Wood	71.4%	63.6%	28.6%	36.4%	-	-
Chemicals (total)	58.3%	50.6%	41.7%	48.3%	-	1.1%
Chemicals (incl. plastic products)	55.7%	50.0%	44.3%	48.9%	-	1.1%
Pharmaceuticals	100.0%	100.0%	-	-	-	-
Petroleum & Rubber	46.2%	58.3%	53.8%	41.7%	-	-
Ceramics, Cement & Glass	30.0%	54.5%	70.0%	45.5%	-	-
Steel	18.2%	38.5%	81.8%	61.5%	-	-
Nonferrous Metals	47.8%	38.1%	52.2%	61.9%	-	-
Metal Products	44.4%	59.3%	55.6%	40.7%	-	-
General Machinery (total)	56.7%	45.9%	43.3%	54.1%	-	-
Assembly	60.5%	47.8%	39.5%	52.2%	-	-
Parts	47.1%	40.0%	52.9%	60.0%	-	-
Electrical Equipment & Electronics (total)	60.6%	60.3%	39.4%	39.7%	-	-
Assembly	50.0%	51.9%	50.0%	48.1%	-	-
Parts	66.0%	65.2%	34.0%	34.8%	-	-
Transportation Equipment (excl. Automobiles)	47.1%	52.9%	52.9%	47.1%	-	-
Automobiles (total)	36.4%	31.3%	61.7%	67.7%	1.9%	1.0%
Assembly	50.0%	50.0%	50.0%	50.0%	-	-
Parts	35.9%	30.5%	62.1%	68.4%	1.9%	1.1%
Precision Machinery (total)	60.7%	59.3%	39.3%	40.7%	-	-
Assembly	56.3%	58.8%	43.8%	41.2%	-	-
Parts	66.7%	60.0%	33.3%	40.0%	-	-
Other	33.3%	44.4%	66.7%	50.0%	-	5.6%

## Promising Countries/Regions over the Mid-term (Next 3 Years)

Rank	FY2023 Survey	No. of Companies 395	Percentage share (%)	FY2022 Survey	No. of Companies 367	Percentage share (%)	FY2021 Survey	No. of Companies 345	Percentage share (%)	FY2020 Survey	No. of Companies 356	Percentage share (%)	FY2019 Survey	No. of Companies 404	Percentage share (%)
1	India	192	48.6	India	148	40.3	China	162	47.0	China	168	47.2	India	193	47.8
2	Vietnam	119	30.1	China	136	37.1	India	131	38.0	India	163	45.8	China	180	44.6
3	China	112	28.4	US	118	32.2	US	113	32.8	Vietnam	131	36.8	Vietnam	147	36.4
4	US	107	27.1	Vietnam	106	28.9	Vietnam	105	30.4	Thailand	111	31.2	Thailand	133	32.9
5	Indonesia	97	24.6	Thailand	85	23.2	Thailand	77	22.3	US	98	27.5	Indonesia	102	25.2
6	Thailand	85	21.5	Indonesia	77	21.0	Indonesia	67	19.4	Indonesia	96	27.0	US	93	23.0
7	Mexico	42	10.6	Malaysia	31	8.4	Philippines	31	9.0	Philippines	37	10.4	Philippines	48	11.9
8	Philippines	35	8.9	Philippines	28	7.6	Mexico	30	8.7	Malaysia	34	9.6	Mexico	47	11.6
9	Malaysia	26	6.6	Mexico	27	7.4	Malaysia	27	7.8	Mexico	32	9.0	Myanmar	41	10.1
10	Germany	21	5.3	Taiwan	23	6.3	Taiwan	19	5.5	Myanmar	25	7.0	Malaysia	18	4.5
11	Taiwan	17	4.3	Germany	21	5.7	Germany	17	4.9	Germany	20	5.6	Taiwan	15	3.7
12	Korea			Korea	17	4.6	Korea	16	4.6	Taiwan	18	5.1	Korea		
13	Brazil			Brazil	15	4.1	Brazil	13	3.8	Bangladesh	16	4.5	Singapore		
14	Australia	13	3.3	Australia	13	3.5	Australia	12	3.5	Australia	14	3.9	Germany	14	3.5
15	Bangladesh	11	2.8	Singapore	12	3.3	Singapore			Korea	12	3.4	Australia	13	3.2
16	UK	7	1.8	Bangladesh	10	2.7	Myanmar	10	2.9	Singapore	11	3.1	Cambodia	12	3.0
17	France			UK			Bangladesh			Brazil			Brazil	11	2.7
18	Spain			Turkey	9	2.5	Russia			UK	9	2.5	Russia	9	2.2
19	Turkey	6	1.5	France	8	2.2	Turkey			Russia	8	2.2	France		
20	Cambodia			Cambodia	7	1.9	Canada	7	2.0	Turkey	7	2.0	Turkey	8	2.0
	Canada														
	UAE														
	Myanmar														
	Netherlands														

## Promising Countries/Regions over the Long-term (Next 10 Years)

Rank	FY2023 Survey	No. of Companies 265	Percentage share (%)	FY2022 Survey	No. of Companies 235	Percentage share (%)
1	India	147	55.5	India	119	50.6
2	Vietnam	79	29.8	China	86	36.6
3	US	72	27.2	US	69	29.4
4	China	64	24.2	Vietnam	66	28.1
5	Indonesia	61	23.0	Indonesia	53	22.6
6	Thailand	57	21.5	Thailand	45	19.1
7	Mexico	22	8.3	Philippines	22	9.4
8	Malaysia	20	7.5	Mexico	19	8.1
9	Philippines	18	6.8	Malaysia	17	7.2
10	Brazil	16	6.0	Taiwan	14	6.0

### Promising Countries/Regions for Overseas Business over the Mid-term (Next 3 Years) (SMEs)

Question

Please provide us with the names of up to 5 countries that you consider to have promising prospects for business operations over the mid-term (next 3 years). (Multiple answers allowed)

Note: Percentage of votes (%)  
= Number of votes for country / Number of respondent companies

Ranking		Country/Region (Total)	No. of Companies		Percentage Share(%)		
2023	← 2022		2023 146	2022 129	2023	2022	
1	—	1	India	63	47	43.2	36.4
2	—	2	Vietnam	43	34	29.5	26.4
3	↑	5	Indonesia	42	30	28.8	23.3
4	↑	6	Thailand	35	29	24.0	22.5
5	↓	4	China	34	32	23.3	24.8
6	↓	2	US	29	34	19.9	26.4
7	—	7	Mexico	25	15	17.1	11.6
8	—	8	Philippines	19	13	13.0	10.1
9	—	9	Malaysia	10	9	6.8	7.0
10	—	10	Germany	6	6	4.1	4.7
10	↑	17	Brazil	6	2	4.1	1.6
12	↑	14	Bangladesh	4	3	2.7	2.3
12	↑	14	Korea	4	3	2.7	2.3
12	↑	17	Myanmar	4	2	2.7	1.6
15	↓	12	Cambodia	3	4	2.1	3.1
16	↓	10	Taiwan	2	6	1.4	4.7
16	↓	14	Australia	2	3	1.4	2.3
16	↑	17	Italy	2	2	1.4	1.6
16	↑	17	Spain	2	2	1.4	1.6
16	↑	17	UK	2	2	1.4	1.6
16	↑	25	Canada	2	1	1.4	0.8
16	↑	25	Turkey	2	1	1.4	0.8
16	↑	-	Russia	2	-	1.4	-
16	↑	-	Saudi Arabia	2	-	1.4	-
16	↑	-	South Africa	2	-	1.4	-

Note 1: The number of responding companies refers to the number of companies that cited reasons for a country being promising.

Note 2: The colored cell indicate the top three reasons most often cited for each country.

FY2023 Survey	1 India		2 Vietnam		3 China		4 US		5 Indonesia		6 Thailand		7 Mexico		8 Philippines		9 Malaysia		10 Germany	
	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio
	No. of responding companies	190	100%	117	100%	110	100%	105	100%	96	100%	81	100%	41	100%	34	100%	26	100%	21
1. Qualified human resources	30	15.8%	31	26.5%	13	11.8%	16	15.2%	8	8.3%	17	21.0%	4	9.8%	7	20.6%	2	7.7%	4	19.0%
2. Inexpensive source of labor	56	29.5%	56	47.9%	3	2.7%	2	1.9%	29	30.2%	21	25.9%	13	31.7%	15	44.1%	6	23.1%	-	0.0%
3. Inexpensive components/raw materials	17	8.9%	11	9.4%	12	10.9%	-	0.0%	6	6.3%	7	8.6%	1	2.4%	1	2.9%	1	3.8%	-	0.0%
4. Supply base for assemblers	35	18.4%	19	16.2%	20	18.2%	14	13.3%	19	19.8%	23	28.4%	24	58.5%	7	20.6%	5	19.2%	-	0.0%
5. Concentration of industry	17	8.9%	14	12.0%	29	26.4%	29	27.6%	16	16.7%	18	22.2%	8	19.5%	6	17.6%	3	11.5%	4	19.0%
6. Good for risk diversification to other countries	20	10.5%	26	22.2%	4	3.6%	7	6.7%	9	9.4%	8	9.9%	2	4.9%	7	20.6%	2	7.7%	-	0.0%
7. Base of export to Japan	10	5.3%	17	14.5%	4	3.6%	1	1.0%	6	6.3%	7	8.6%	-	0.0%	4	11.8%	-	0.0%	1	4.8%
8. Base of export to third countries	24	12.6%	21	17.9%	9	8.2%	4	3.8%	15	15.6%	20	24.7%	14	34.1%	8	23.5%	4	15.4%	2	9.5%
9. Current size of local market	71	37.4%	20	17.1%	75	68.2%	74	70.5%	38	39.6%	32	39.5%	8	19.5%	12	35.3%	10	38.5%	14	66.7%
10. Future growth potential of local market	160	84.2%	67	57.3%	62	56.4%	71	67.6%	73	76.0%	43	53.1%	20	48.8%	17	50.0%	13	50.0%	9	42.9%
11. Profitability of local market	21	11.1%	6	5.1%	18	16.4%	41	39.0%	9	9.4%	10	12.3%	4	9.8%	3	8.8%	5	19.2%	6	28.6%
12. Developed local infrastructure	1	0.5%	10	8.5%	16	14.5%	37	35.2%	3	3.1%	24	29.6%	4	9.8%	3	8.8%	5	19.2%	12	57.1%
13. Developed local logistics	-	0.0%	5	4.3%	9	8.2%	21	20.0%	1	1.0%	8	9.9%	1	2.4%	2	5.9%	2	7.7%	5	23.8%
14. Tax incentives for investment	4	2.1%	3	2.6%	5	4.5%	5	4.8%	1	1.0%	9	11.1%	3	7.3%	1	2.9%	4	15.4%	1	4.8%
15. Stable policies to attract foreign investment	7	3.7%	7	6.0%	3	2.7%	4	3.8%	2	2.1%	4	4.9%	1	2.4%	-	0.0%	1	3.8%	-	0.0%
16. Stable social/political situation	9	4.7%	17	14.5%	3	2.7%	33	31.4%	6	6.3%	15	18.5%	2	4.9%	2	5.9%	2	7.7%	9	42.9%
17. Promising potential for decarbonization-related regulations and infrastructure development	5	2.6%	4	3.4%	-	0.0%	10	9.5%	3	3.1%	2	2.5%	-	0.0%	1	2.9%	-	0.0%	6	28.6%

FY2022 Survey	1 India		2 China		3 US		4 Vietnam		5 Thailand		6 Indonesia		7 Malaysia		8 Philippines		9 Mexico		10 Taiwan	
	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio	# companies	Ratio
	No. of responding companies	145	100%	134	100%	115	100%	104	100%	82	100%	76	100%	31	100%	27	100%	26	100%	21
1. Qualified human resources	27	18.6%	22	16.4%	20	17.4%	21	20.2%	13	15.9%	8	10.5%	2	6.5%	7	25.9%	-	0.0%	3	14.3%
2. Inexpensive source of labor	45	31.0%	11	8.2%	1	0.9%	58	55.8%	27	32.9%	26	34.2%	8	25.8%	15	55.6%	9	34.6%	2	9.5%
3. Inexpensive components/raw materials	16	11.0%	13	9.7%	4	3.5%	14	13.5%	6	7.3%	5	6.6%	4	12.9%	1	3.7%	-	0.0%	-	0.0%
4. Supply base for assemblers	28	19.3%	27	20.1%	21	18.3%	16	15.4%	16	19.5%	10	13.2%	5	16.1%	5	18.5%	14	53.8%	4	19.0%
5. Concentration of industry	22	15.2%	37	27.6%	38	33.0%	19	18.3%	24	29.3%	11	14.5%	3	9.7%	3	11.1%	5	19.2%	7	33.3%
6. Good for risk diversification to other countries	17	11.7%	2	1.5%	5	4.3%	32	30.8%	13	15.9%	9	11.8%	5	16.1%	11	40.7%	2	7.7%	3	14.3%
7. Base of export to Japan	7	4.8%	12	9.0%	3	2.6%	15	14.4%	15	18.3%	5	6.6%	4	12.9%	3	11.1%	-	0.0%	2	9.5%
8. Base of export to third countries	18	12.4%	7	5.2%	4	3.5%	18	17.3%	19	23.2%	12	15.8%	7	22.6%	9	33.3%	6	23.1%	3	14.3%
9. Current size of local market	63	43.4%	90	67.2%	84	73.0%	22	21.2%	27	32.9%	37	48.7%	8	25.8%	10	37.0%	6	23.1%	12	57.1%
10. Future growth potential of local market	124	85.5%	86	64.2%	64	55.7%	72	69.2%	45	54.9%	60	78.9%	17	54.8%	15	55.6%	16	61.5%	12	57.1%
11. Profitability of local market	13	9.0%	22	16.4%	42	36.5%	11	10.6%	13	15.9%	13	17.1%	4	12.9%	2	7.4%	3	11.5%	2	9.5%
12. Developed local infrastructure	3	2.1%	22	16.4%	43	37.4%	11	10.6%	17	20.7%	2	2.6%	4	12.9%	5	18.5%	2	7.7%	6	28.6%
13. Developed local logistics	-	0.0%	12	9.0%	22	19.1%	6	5.8%	9	11.0%	3	3.9%	-	0.0%	5	18.5%	3	11.5%	3	14.3%
14. Tax incentives for investment	2	1.4%	5	3.7%	2	1.7%	9	8.7%	13	15.9%	4	5.3%	2	6.5%	2	7.4%	-	0.0%	-	0.0%
15. Stable policies to attract foreign investment	4	2.8%	4	3.0%	2	1.7%	9	8.7%	13	15.9%	3	3.9%	1	3.2%	-	0.0%	-	0.0%	1	4.8%
16. Stable social/political situation	5	3.4%	4	3.0%	30	26.1%	25	24.0%	10	12.2%	3	3.9%	2	6.5%	4	14.8%	-	0.0%	3	14.3%

Note 1: The number of respondent companies refers to the number of companies that cited issues.

Note 2: The colored cell indicate the top three reasons most often cited for each country.

FY2023 Survey	1 India		2 Vietnam		3 China		4 US		5 Indonesia		6 Thailand		7 Mexico		8 Philippines		9 Malaysia		10 Germany	
	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio
	companies		companies		companies		companies		companies		companies		companies		companies		companies		companies	
Respondent companies	176	100%	105	100%	105	100%	97	100%	83	100%	71	100%	38	100%	31	100%	22	100%	15	100%
1. Underdeveloped legal system	26	14.8%	13	12.4%	5	4.8%	1	1.0%	6	7.2%	2	2.8%	2	5.3%	4	12.9%	1	4.5%	-	0.0%
2. Execution of legal system unclear	70	39.8%	38	36.2%	45	42.9%	6	6.2%	37	44.6%	11	15.5%	8	21.1%	10	32.3%	4	18.2%	2	13.3%
3. Complicated tax system	47	26.7%	9	8.6%	10	9.5%	5	5.2%	9	10.8%	3	4.2%	3	7.9%	3	9.7%	-	0.0%	1	6.7%
4. Execution of tax system unclear	37	21.0%	19	18.1%	15	14.3%	1	1.0%	17	20.5%	8	11.3%	4	10.5%	5	16.1%	1	4.5%	1	6.7%
5. Increased taxation	16	9.1%	11	10.5%	14	13.3%	9	9.3%	14	16.9%	7	9.9%	2	5.3%	5	16.1%	1	4.5%	2	13.3%
6. Restriction for foreign investment	22	12.5%	8	7.6%	19	18.1%	-	0.0%	10	12.0%	5	7.0%	-	0.0%	3	9.7%	-	0.0%	-	0.0%
7. Complicated/Unclear procedures for investment permission	25	14.2%	15	14.3%	18	17.1%	1	1.0%	10	12.0%	3	4.2%	3	7.9%	3	9.7%	1	4.5%	1	6.7%
8. Insufficient protection for intellectual property rights	16	9.1%	12	11.4%	32	30.5%	-	0.0%	5	6.0%	3	4.2%	-	0.0%	5	16.1%	2	9.1%	-	0.0%
9. Restrictions on foreign currency/ transfers of money	23	13.1%	10	9.5%	25	23.8%	1	1.0%	4	4.8%	1	1.4%	1	2.6%	1	3.2%	1	4.5%	-	0.0%
10. Import restrictions/customs procedures	23	13.1%	13	12.4%	24	22.9%	4	4.1%	17	20.5%	7	9.9%	2	5.3%	4	12.9%	4	18.2%	1	6.7%
11. Difficult to secure technical/engineering staff	47	26.7%	23	21.9%	16	15.2%	28	28.9%	20	24.1%	23	32.4%	18	47.4%	6	19.4%	5	22.7%	4	26.7%
12. Difficult to secure management staff	51	29.0%	32	30.5%	15	14.3%	25	25.8%	16	19.3%	21	29.6%	20	52.6%	12	38.7%	5	22.7%	4	26.7%
13. Rising labor costs	32	18.2%	40	38.1%	69	65.7%	70	72.2%	32	38.6%	41	57.7%	18	47.4%	11	35.5%	7	31.8%	9	60.0%
14. Labor problems	29	16.5%	11	10.5%	13	12.4%	9	9.3%	15	18.1%	2	2.8%	5	13.2%	1	3.2%	-	0.0%	2	13.3%
15. Intense competition with other companies	71	40.3%	32	30.5%	65	61.9%	57	58.8%	24	28.9%	28	39.4%	7	18.4%	7	22.6%	9	40.9%	7	46.7%
16. Difficulty in raising funds	18	10.2%	10	9.5%	6	5.7%	1	1.0%	2	2.4%	1	1.4%	4	10.5%	2	6.5%	1	4.5%	-	0.0%
17. Underdeveloped local supporting industries	21	11.9%	19	18.1%	1	1.0%	2	2.1%	12	14.5%	4	5.6%	6	15.8%	5	16.1%	1	4.5%	1	6.7%
18. Underdeveloped infrastructure	52	29.5%	15	14.3%	1	1.0%	-	0.0%	19	22.9%	3	4.2%	4	10.5%	6	19.4%	-	0.0%	-	0.0%
19. Security/social instability	36	20.5%	4	3.8%	22	21.0%	4	4.1%	17	20.5%	12	16.9%	19	50.0%	8	25.8%	-	0.0%	-	0.0%
20. Lack of information on the country	28	15.9%	14	13.3%	5	4.8%	-	0.0%	8	9.6%	2	2.8%	4	10.5%	3	9.7%	3	13.6%	-	0.0%
21. Underdeveloped decarbonization-related regulations and infrastructure	12	6.8%	5	4.8%	2	1.9%	-	0.0%	3	3.6%	1	1.4%	1	2.6%	1	3.2%	1	4.5%	-	0.0%

FY2022 Survey	1 India		2 China		3 US		4 Vietnam		5 Thailand		6 Indonesia		7 Malaysia		8 Philippines		9 Mexico		10 Taiwan	
	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio	#	Ratio
	companies		companies		companies		companies		companies		companies		companies		companies		companies		companies	
Respondent companies	134	100%	130	100%	100	100%	93	100%	75	100%	67	100%	26	100%	26	100%	27	100%	20	100%
1. Underdeveloped legal system	23	17.2%	5	3.8%	-	0.0%	12	12.9%	3	4.0%	8	11.9%	-	0.0%	3	11.5%	2	7.4%	-	0.0%
2. Execution of legal system unclear	52	38.8%	64	49.2%	3	3.0%	37	39.8%	15	20.0%	30	44.8%	5	19.2%	11	42.3%	4	14.8%	1	5.0%
3. Complicated tax system	41	30.6%	11	8.5%	2	2.0%	10	10.8%	6	8.0%	6	9.0%	-	0.0%	1	3.8%	5	18.5%	1	5.0%
4. Execution of tax system unclear	35	26.1%	21	16.2%	1	1.0%	17	18.3%	7	9.3%	18	26.9%	3	11.5%	2	7.7%	4	14.8%	-	0.0%
5. Increased taxation	22	16.4%	26	20.0%	6	6.0%	10	10.8%	8	10.7%	10	14.9%	-	0.0%	2	7.7%	4	14.8%	2	10.0%
6. Restriction for foreign investment	23	17.2%	30	23.1%	1	1.0%	10	10.8%	12	16.0%	13	19.4%	2	7.7%	1	3.8%	1	3.7%	1	5.0%
7. Complicated/Unclear procedures for investment permission	18	13.4%	22	16.9%	2	2.0%	14	15.1%	5	6.7%	7	10.4%	3	11.5%	1	3.8%	3	11.1%	-	0.0%
8. Insufficient protection for intellectual property rights	18	13.4%	55	42.3%	-	0.0%	12	12.9%	5	6.7%	7	10.4%	2	7.7%	2	7.7%	1	3.7%	-	0.0%
9. Restrictions on foreign currency/ transfers of money	19	14.2%	25	19.2%	-	0.0%	13	14.0%	5	6.7%	6	9.0%	4	15.4%	2	7.7%	1	3.7%	1	5.0%
10. Import restrictions/customs procedures	21	15.7%	26	20.0%	3	3.0%	10	10.8%	4	5.3%	10	14.9%	1	3.8%	1	3.8%	5	18.5%	1	5.0%
11. Difficult to secure technical/engineering staff	26	19.4%	22	16.9%	21	21.0%	23	24.7%	15	20.0%	14	20.9%	8	30.8%	8	30.8%	15	55.6%	3	15.0%
12. Difficult to secure management staff	29	21.6%	23	17.7%	24	24.0%	29	31.2%	18	24.0%	20	29.9%	8	30.8%	7	26.9%	17	63.0%	3	15.0%
13. Rising labor costs	30	22.4%	83	63.8%	65	65.0%	38	40.9%	36	48.0%	23	34.3%	10	38.5%	8	30.8%	13	48.1%	7	35.0%
14. Labor problems	27	20.1%	14	10.8%	12	12.0%	10	10.8%	5	6.7%	11	16.4%	1	3.8%	2	7.7%	6	22.2%	1	5.0%
15. Intense competition with other companies	50	37.3%	77	59.2%	59	59.0%	30	32.3%	29	38.7%	29	43.3%	11	42.3%	5	19.2%	6	22.2%	12	60.0%
16. Difficulty in raising funds	11	8.2%	4	3.1%	-	0.0%	8	8.6%	2	2.7%	3	4.5%	2	7.7%	1	3.8%	1	3.7%	1	5.0%
17. Underdeveloped local supporting industries	15	11.2%	2	1.5%	2	2.0%	11	11.8%	2	2.7%	5	7.5%	1	3.8%	6	23.1%	6	22.2%	-	0.0%
18. Underdeveloped infrastructure	44	32.8%	3	2.3%	-	0.0%	20	21.5%	4	5.3%	11	16.4%	3	11.5%	4	15.4%	4	14.8%	-	0.0%
19. Security/social instability	33	24.6%	30	23.1%	6	6.0%	4	4.3%	11	14.7%	15	22.4%	3	11.5%	4	15.4%	15	55.6%	4	20.0%
20. Lack of information on the country	25	18.7%	2	1.5%	2	2.0%	11	11.8%	3	4.0%	9	13.4%	5	19.2%	3	11.5%	3	11.1%	-	0.0%

Note: Each ratio refers to the number of companies answering, "A new business plan exists," "A business plan for additional investment exists," "No plans," or "No response," divided by the total number of respondent companies for the respective countries.

## Existence of Business Plans in Promising Countries

	No. 1		No. 2		No. 3		No. 4		No. 5		No. 6		No. 7		No. 8		No. 9		No. 10	
	India		Vietnam		China		US		Indonesia		Thailand		Mexico		Philippines		Malaysia		Germany	
	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio
<b>Total</b>	192	100%	119	100%	112	100%	107	100%	97	100%	85	100%	42	100%	35	100%	26	100%	21	100%
A new business plan exist	30	15.6%	10	8.4%	6	5.4%	12	11.2%	7	7.2%	3	3.5%	1	2.4%	3	8.6%	5	19.2%	2	9.5%
A business plan for additional	58	30.2%	27	22.7%	44	39.3%	45	42.1%	26	26.8%	27	31.8%	20	47.6%	8	22.9%	7	26.9%	9	42.9%
No plans	104	54.2%	80	67.2%	61	54.5%	50	46.7%	60	61.9%	51	60.0%	20	47.6%	24	68.6%	13	50.0%	11	52.4%
No response	4	2.1%	3	2.5%	1	0.9%	2	1.9%	4	4.1%	4	4.7%	1	2.4%	1	2.9%	1	3.8%	0	0.0%

	No. 11		No. 11		No. 11		No. 14		No. 15		No. 16		No. 16		No. 16		No. 19		No. 19		No. 19		No. 19		No. 19		
	Taiwan		Korea		Brazil		Australia		Bangladesh		UK		France		Spain		Turkey		Cambodia		Canada		UAE		Myanmar		Netherlands
	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	
<b>Total</b>	17	100%	17	100%	17	100%	13	100%	11	100%	7	100%	7	100%	7	100%	6	100%	6	100%	6	100%	6	100%	6	100%	
A new business plan exist	1	5.9%	3	17.6%	2	11.8%	4	30.8%	3	27.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
A business plan for additional	7	41.2%	6	35.3%	5	29.4%	3	23.1%	0	0.0%	2	28.6%	3	42.9%	4	57.1%	0	0.0%	2	33.3%	3	50.0%	2	33.3%	0	0.0%	
No plans	9	52.9%	8	47.1%	10	58.8%	5	38.5%	8	72.7%	5	71.4%	4	57.1%	3	42.9%	5	83.3%	4	66.7%	3	50.0%	4	66.7%	6	100.0%	
No response	0	0.0%	0	0.0%	0	0.0%	1	7.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	1	16.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	

## Promising Countries/Regions (Number of Respondent Companies)

Rank	Country	No. of respondent companies		Change from last survey ('23-'22)
		FY2023	FY2022	
1	India	88	56	32
2	US	57	64	▲ 7
3	China	50	63	▲ 13
4	Vietnam	37	36	1
5	Indonesia	33	27	6
6	Thailand	30	31	▲ 1
7	Mexico	21	14	7
8	Malaysia	12	13	▲ 1
9	Philippines	11	9	2
9	Germany	11	9	2



日本の力を、世界のために。

Supporting Your Global Challenges



## **(Appendix #2) Complementary Analysis by Text Mining**



- We conducted a complementary analysis to the survey of Japanese companies using the questionnaire method (this volume) and attempted to evaluate the changes in the interests and approaches of Japanese companies from a bird's eye view and relative perspective by using text mining methods (Note 1) to analyze text data consisting of corporate disclosure data, newspaper articles, and other data.
- Specifically, under the analytical themes of (1) supply chain and (2) sustainability (natural capital, human rights), we visualized the transition of individual topics that Japanese companies are focusing on and compared them with European and US companies.
  - Data used in the analysis: Corporate disclosure data from EDINET (Japan) and EDGAR (U.S.) (for the past three years, a total of 9,852 companies in FY23 (including 4,228 in Japan, 5,413 in the U.S., 211 in Europe (Note 2)), articles from Dow Jones Factiva and Nikkei (for the past year, a total of 236, 438 articles)
  - Research structure: JBIC research department and Deloitte Analytics data scientists from Deloitte Touche Tohmatsu LLC work together.
  - Annual notation: The relationship between the annual notation and the data analyzed in this analysis is as follows
    - ✓ FY21: 4/2020 - 3/2021 (Japanese companies), 1/2020 - 12/2020 (U.S. and European companies)
    - ✓ FY22: 4/2021 - 3/2022 (Japanese companies), 1/2021 - 12/2021 (U.S. and European companies)
    - ✓ FY23: 4/2022 - 3/2023 (Japanese companies), 1/2022 - 12/2022 (U.S. and European companies)

Analysis Theme		Data-set	Analytical Method
Supply chain		EDINET (Annual Securities Report), EDGAR (Form 10-K, 20-F)	Perform the following analysis using Python Frequency analysis (search terms) Topic Analysis/Document Summarization (Generative AI Technology) Co-occurrence word analysis
Sustainability	Natural capital	EDINET, EDGAR (same as above)	Perform the following analysis using Python Frequency analysis (search terms)
	Human rights	Dow Jones Factiva, Nikkei Inc.	

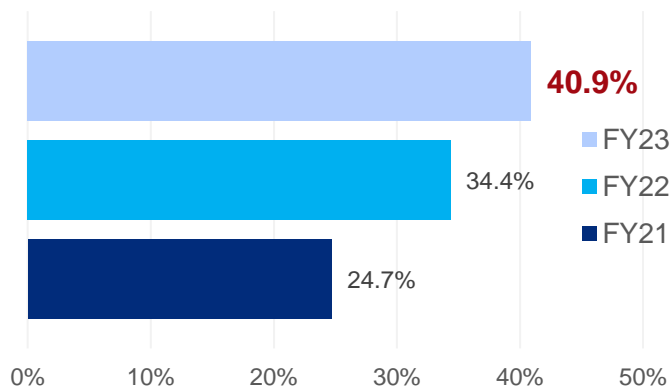
Note 1: Text mining is a method of using AI to analyze a data set consisting of a large amount of text. The results of this analysis were conducted mechanically using a method selected from among many available methods and may include misinterpretations and missing data due to machine processing.

Note 2: The number of European firms is limited because only firms that file Form 20-F are included in this analysis. In addition, many of these European companies are large companies with global operations. As a result, the coefficients of this analysis may be high due to the detailed descriptions in the disclosure documents.

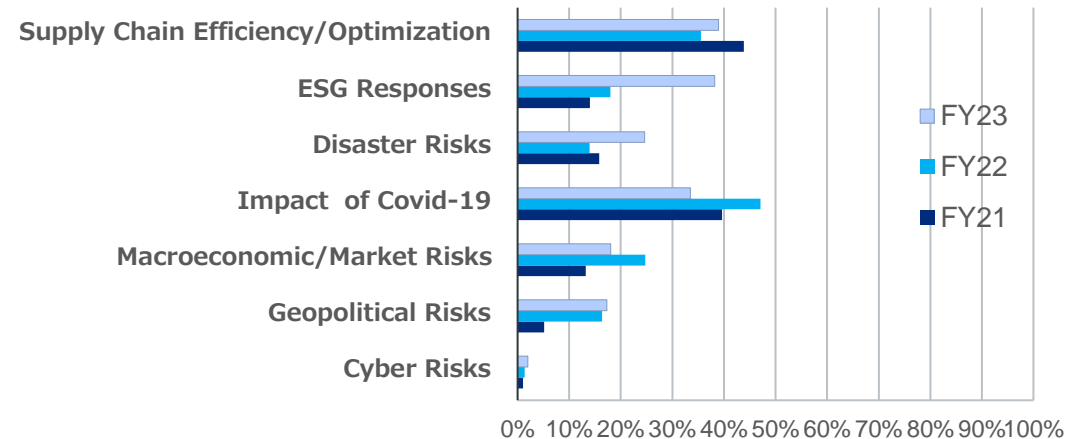
- Identified the percentage of companies that mention supply chain and extracted the topics that are being discussed.
- The results suggest a growing awareness of supply chain risk. Geopolitical risk rose significantly in FY22, when the Ukraine crisis erupted, and in FY23, references in the context of ESG responses and disaster risk increased. References to the impact of Covid-19 continue to be high, but there is a lull in FY23 as it has started to decline.

- As companies are required to further supply chain management, many companies are working on **business process efficiency** improvement, including the introduction of digital technology, in relation to "supply chain efficiency and optimization."
- The "impact of Covid-19" also contributes to "economic risks," such as raw material shortages and logistical disruptions in the manufacturing sector, and continues to attract attention in FY23, mainly in this context, although the **percentage of mentions has declined since its peak in FY22.**
- The percentage of companies mentioning "**geopolitical risks**" increased significantly in FY22, following Russia's invasion of Ukraine, but **only slightly in FY23.** By industry, the **Electric/Precision Machinery, Machinery, Electric/Gas, and Steel/Non-Ferrous Metals sectors had particularly large numbers of mentions.**

Supply chain was mentioned.  
Percentage of Japanese companies



Topics mentioned by companies that mentioned supply chain  
(Percentage of mentions)\*

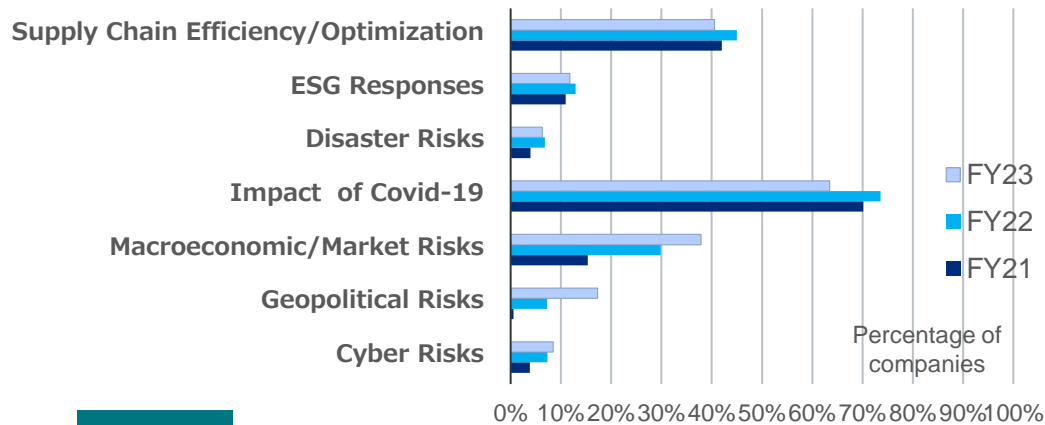


Percentage of companies that mentioned each of the above seven topics out of those that mentioned supply chain (same on next page)

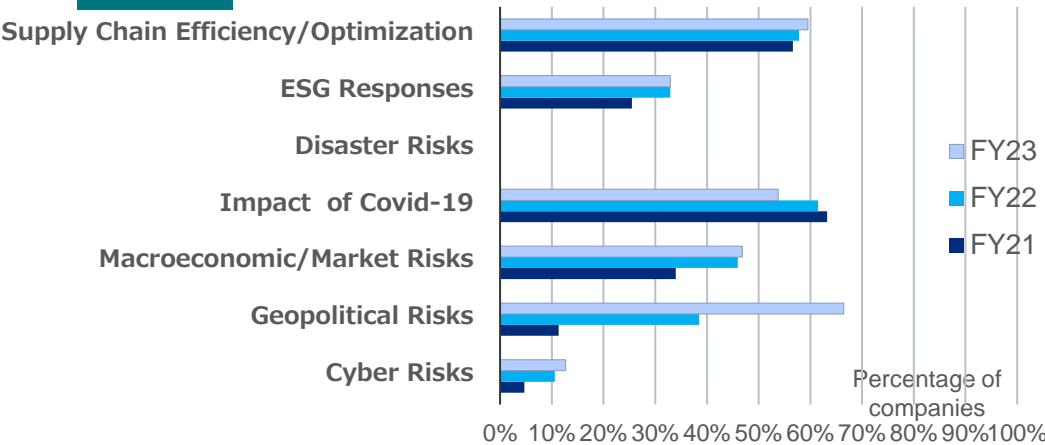
- ❑ The majority of European companies are aware of geopolitical risks, indicating a particularly high level of crisis awareness.
- ❑ In contrast to European and U.S. companies, Japanese companies make relatively more references to ESG responses and disaster risk. In addition to the impact of Covid-19, European and U.S. firms often refer to macroeconomic and market risks.

## U.S.

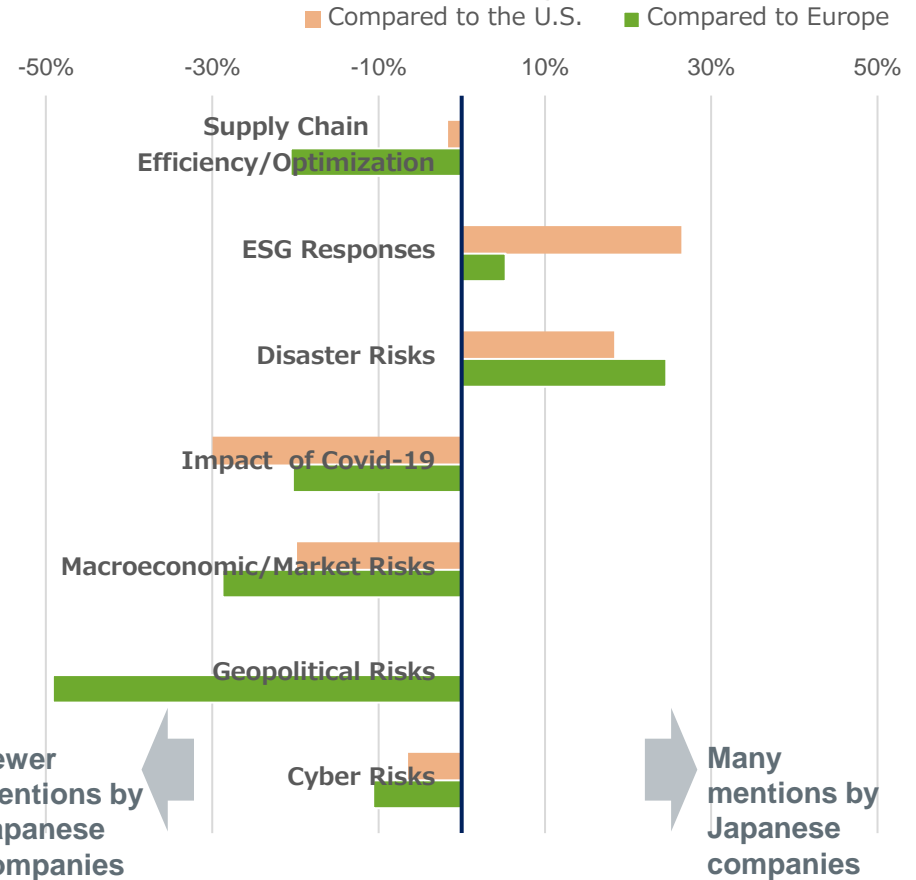
Topics touched on by companies that mentioned supply chain



## Europe



Contrast between Japanese and Western companies (difference in percentage of mentions)\*.

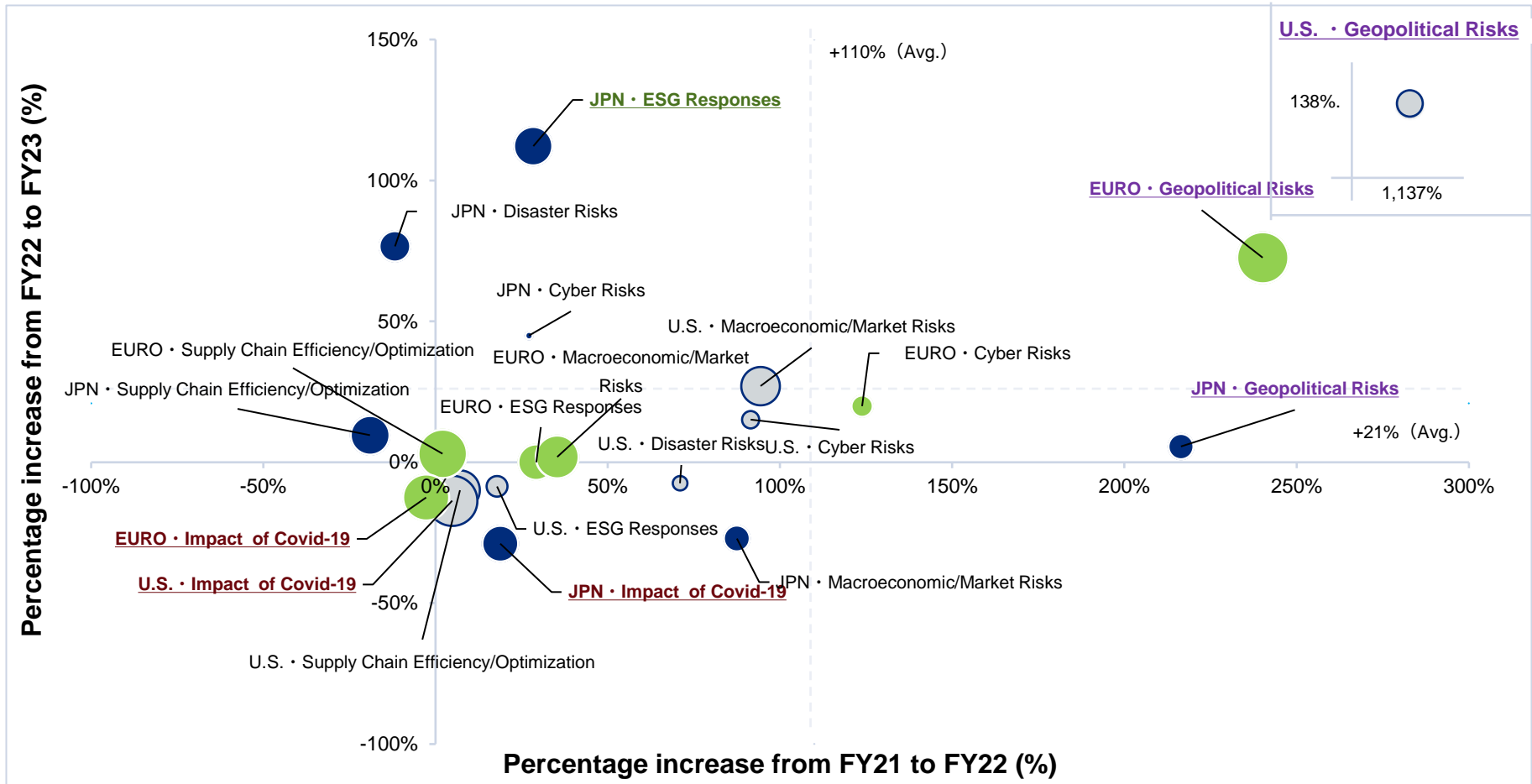


Fewer mentions by Japanese companies

Many mentions by Japanese companies

\* Calculate the difference between the percentage of mentions of each topic by Japanese companies and the percentage of mentions by European and U.S. companies.

- ❑ The three-year trend of the percentage of mentions of each topic is mapped. The percentage of mentions of the impact of Covid-19 declined from FY22 to FY23 for both Japanese, U.S. and European companies, indicating that a peak has been reached in Japan, the U.S., and Europe in common.
- ❑ On the other hand, the percentage of mentions of geopolitical risks continued to increase significantly in FY23 among European and the U.S. In contrast to the slowdown in growth for Japanese firms from FY22 to FY23, this suggests a continued increase in interest by Western companies.



The scatter plots show the percentage increase in the percentage of mentions of each topic for each company in each country (FY21→FY22, FY22→FY23). The size of the circle indicates the percentage of companies that mentioned each topic in FY23.

# Supply Chain: Most Recent Noteworthy Words (FY22→FY23 Increase Ranking)

- Visualize the words that are actually being spoken. Words related to inflation, interest rate hikes, etc. increased among U.S. and European firms. In geopolitical risk, words such as “military” and “conflict” are used frequently (while “near-shoring” etc. are limited).
- For Japanese companies, words such as “greenhouse gas emissions” and “human rights” increased, which can be seen as a technical aspect of the new sustainability disclosure items to be added from FY3/2023. On the other hand, while there are still only a few entries that go into scope 3 of climate change, it can also be seen as a trend to actively consider ESG in the context of supply chain as well.

	<u>Japanese Company</u>	stated amount	increment	<u>U.S. Company</u>	stated amount	increment	<u>European companies</u>	stated amount	increment
1	Emissions	499	376	interest rate	1,763	1,070	chain disruption	422	139
2	Greenhouse Effect	250	169	chain disruption	3,981	479	interest rate	196	139
3	Effect Gas	249	168	rise interest	411	348	global supply	413	60
4	Climate Change	307	167	product candidate	1,232	338	chain issue	122	48
5	CO2 emissions	188	140	inflationary pressure	915	316	commodity price	94	48
6	Sustainable	204	117	macroeconomic condition	377	270	economic condition	92	46
7	Gas Discharge	159	116	capital market	615	254	chain constraint	118	45
8	Business Activities	324	106	economic condition	1,121	252	global economic	92	38
9	Natural Disasters	335	90	portfolio company	260	236	capital market	70	37
10	Supply Chain Management	163	62	military conflict	436	217	raw material	257	36
11	Amount Reduction	79	62	global economic	575	198	inflationary pressure	111	35
12	GHG emissions	73	62	commodity price	423	195	adverse effect	145	33
13	intensification	80	60	high interest	201	184	rise interest	35	33
14	Human Rights Respect	93	56	chain issue	1,036	171	financial condition	170	32
15	Environmental load	91	54	public health	635	152	high inflation	39	32
16	Abnormal Weather	96	48	exchange rate	516	151	ongoing conflict	39	32
17	Decarbonized Society	80	47	high inflation	228	147	energy price	71	30
18	Financial condition	291	46	ongoing military	233	146	global economy	138	29
19	Human Rights Infringement	70	46	geopolitical event	215	146	climate change	101	29
20	Supply Chain Emissions	55	39	natural gas	410	141	chain interruption	50	28
21	Energy Prices	128	38	ongoing conflict	186	141	material adverse	97	27
22	Exchange rate fluctuations	52	38	foreign currency	426	139	exchange rate	78	27
23	Lock Down	107	35	market condition	467	129	HUMAN RIGHT	90	26
24	Financial Tightening	42	35	labor shortage (labour)	1,134	126	labor shortage (labour)	55	24
25	Amount Calculation	39	35	ukraine conflict	172	125	financial market	124	23

\*Sentences containing "supply chain" were extracted, and the frequency of 2-grams (two consecutive words) in the sentences was calculated and arranged in descending order of increase from FY22 to FY23.

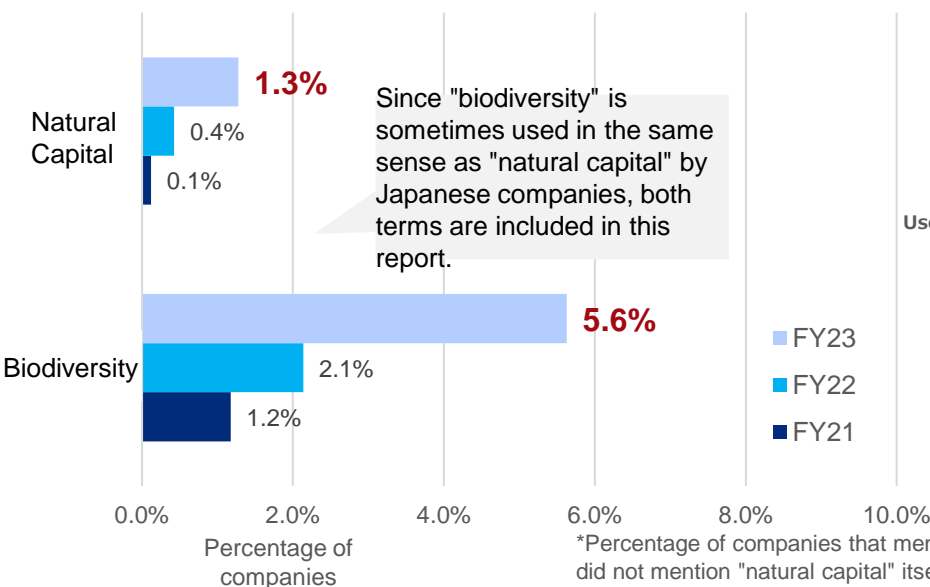


# Sustainability/Natural Capital: Changes in Attention and Interest of Japanese Companies

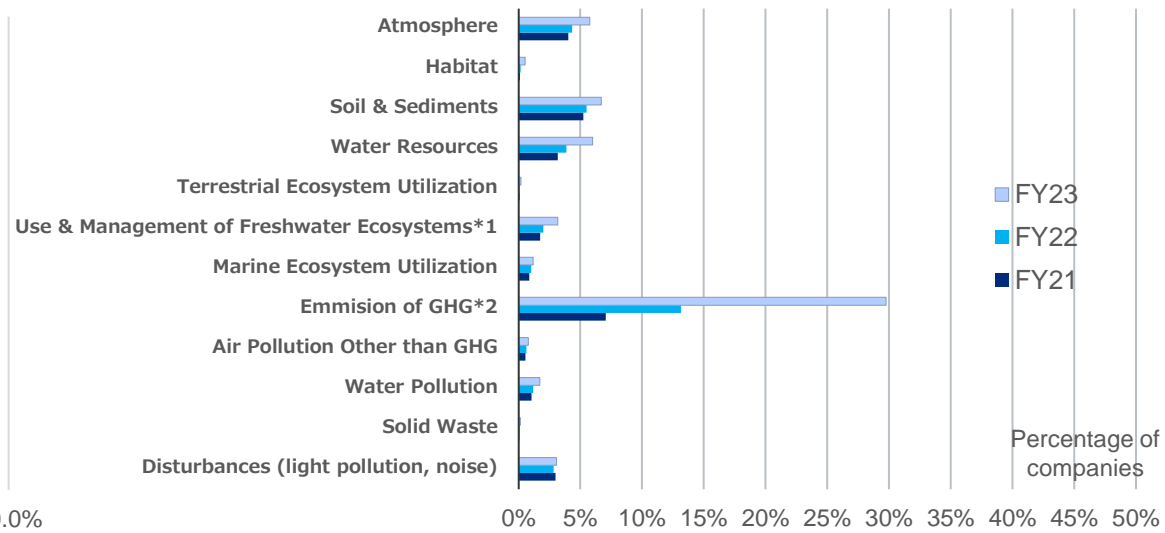
- Identification of the percentage of companies that mention natural capital, and analysis of individual themes mentioned.
- The number of companies referring to natural capital (including biodiversity) is still less than 10% but increased significantly in FY23. Companies mainly mention climate change and GHGs, for which assessment frameworks have already been established in their disclosures, but the number of companies mentioning other natural capital is gradually increasing.

- **“GHG emissions” was the most frequently mentioned** as individual theme related to natural capital, and **mid- to long-term reduction targets were also mentioned.** The increase in "GHG emissions" is thought to be particularly influenced by the establishment of new sustainability disclosure items in securities reports, while **references to soil and water resources are also becoming more frequent.** Soil is mentioned more frequently in the steel/non-ferrous metals and construction sectors, while water resources tend to be mentioned more frequently in the steel/non-ferrous metals, materials/chemicals, and food sectors (e.g., securing water resources, impact of climate change on water resources, etc.).
- A separate look at the percentage of references to the **"circular economy"** shows an **increasing trend of 4.8% in FY23** (FY21: 1.0%, FY22: 2.1%), suggesting that companies are strengthening their diverse activities to protect natural capital.

Percentage of Japanese firms mentioning natural capital



Percentage of mentions of individual themes of natural capital\*

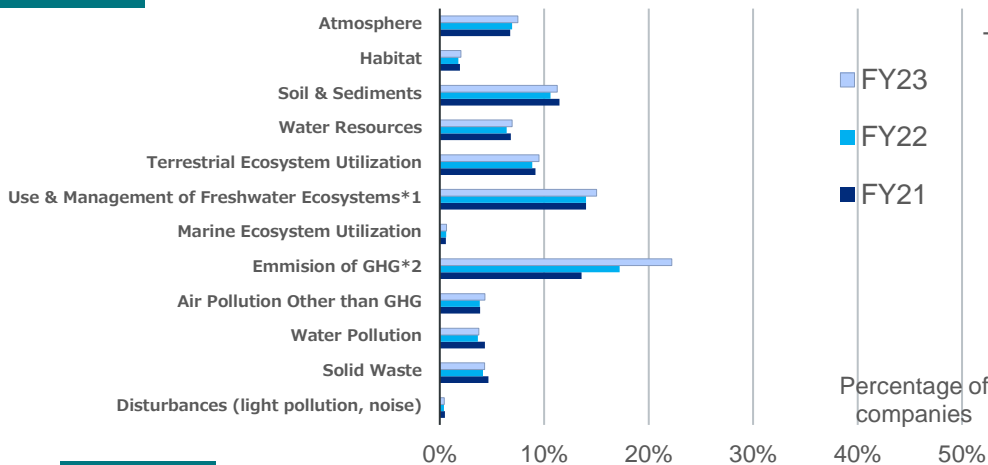


\*Percentage of companies that mentioned the search terms set for each individual theme to all companies in the analysis (including companies that did not mention "natural capital" itself) (same for the next page). The classification of themes was created with reference to ENCORE <https://encore.naturalcapital.finance/en/data-and-methodology/assets>

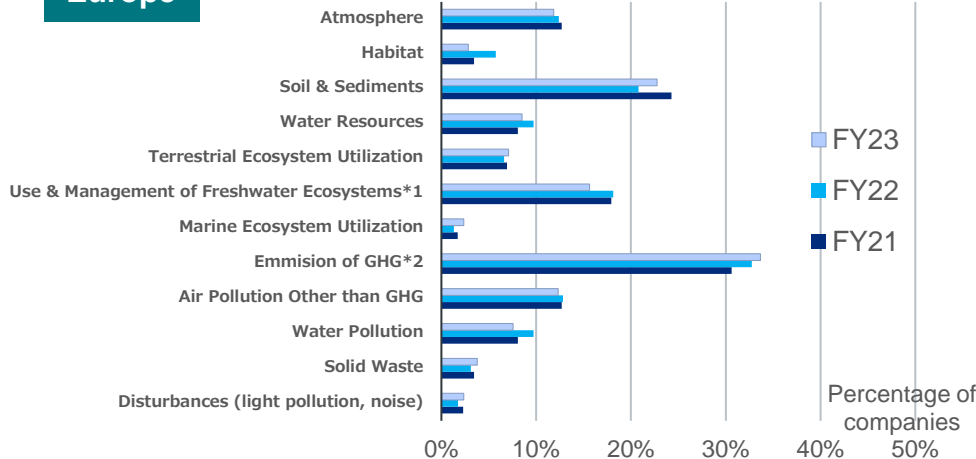
- A high percentage of European and U.S. companies mentioned a wide range of themes. While some of this may be attributable to differences in the business characteristics of companies in each country (e.g., the U.S. includes many energy development companies, etc., and each state has different environmental regulations), it is possible that European and U.S. companies are taking a more diverse range of natural capital into account in their business development.

**U.S.**

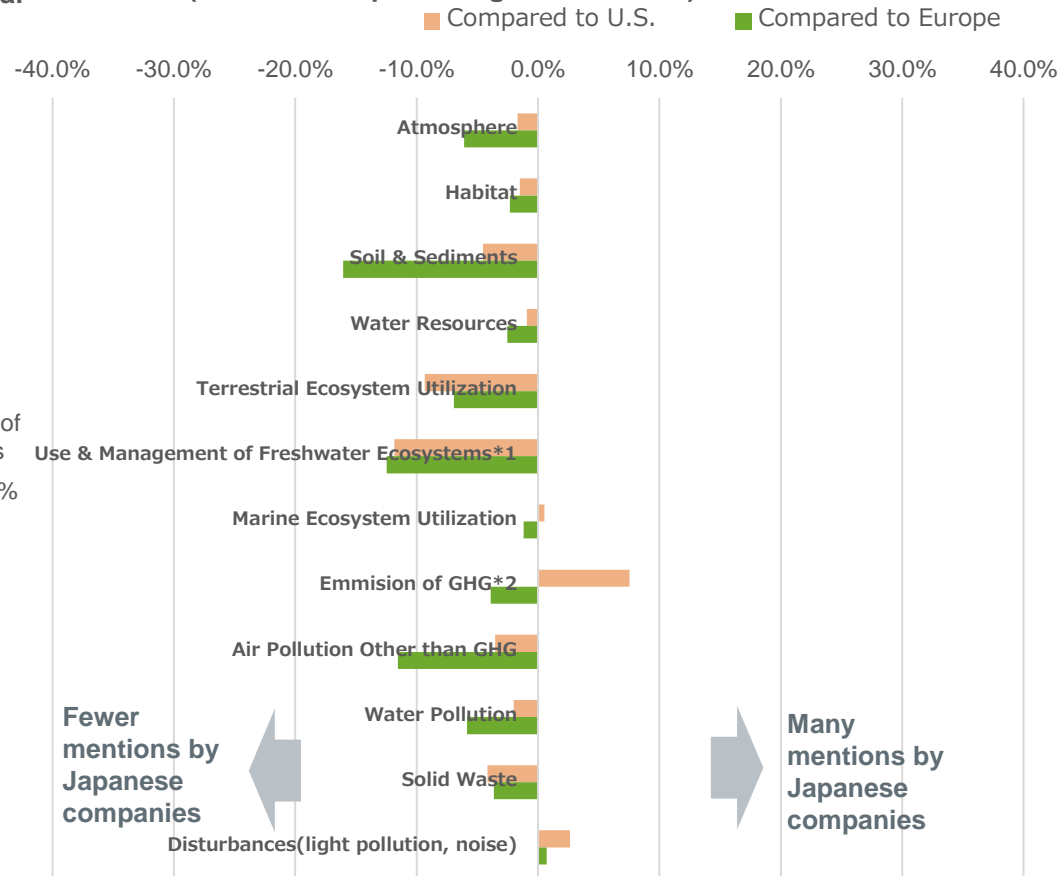
Percentage of mentions of individual themes of natural capital



**Europe**



Contrast between Japanese and Western firms (difference in percentage of mentions)\*



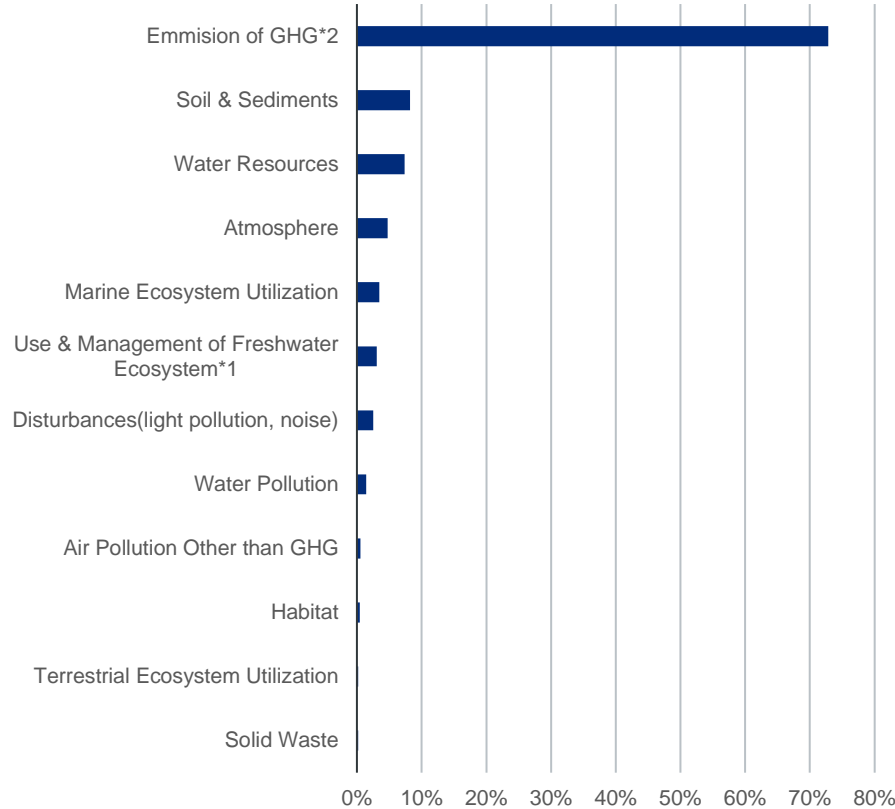
Fewer mentions by Japanese companies

Many mentions by Japanese companies

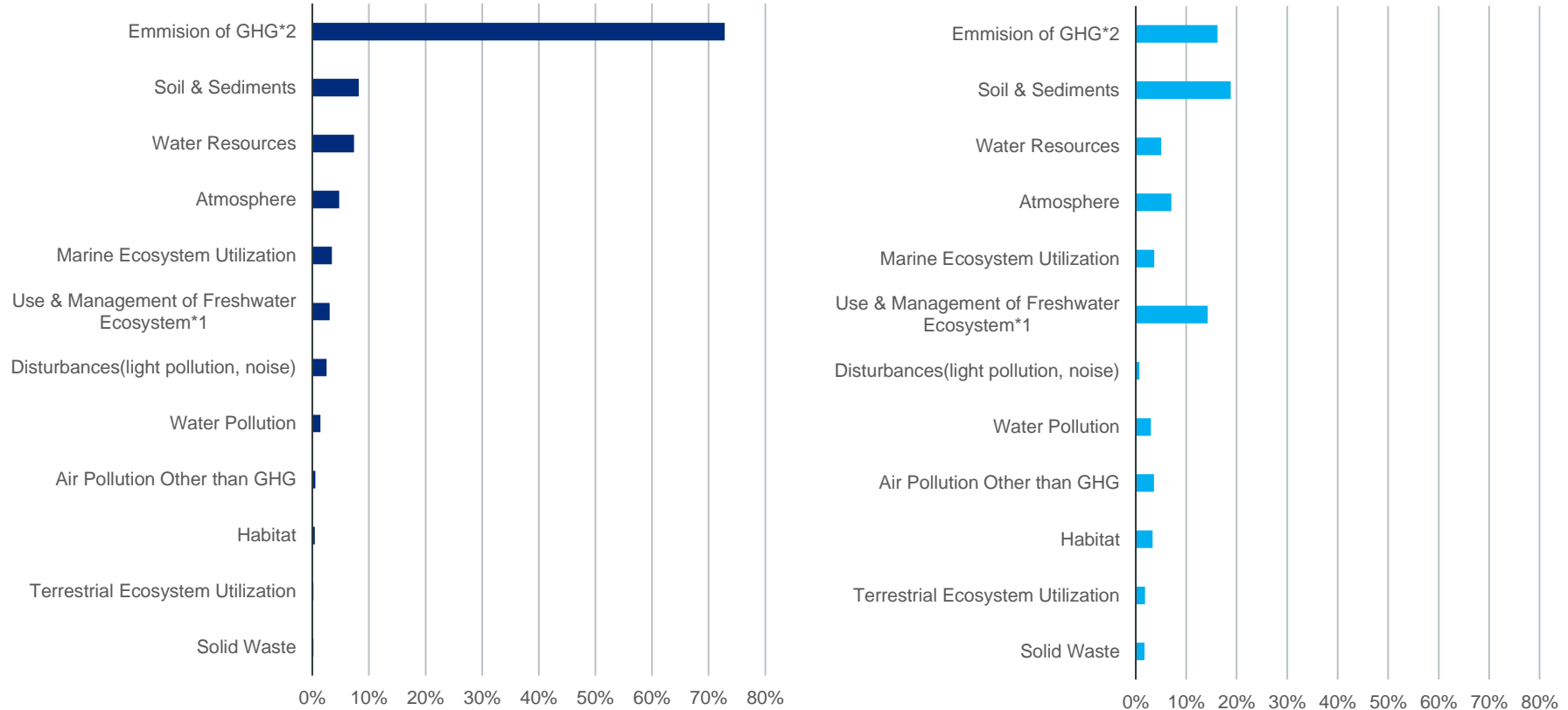
\*Calculate the difference between the percentage of mentions of each theme by Japanese companies and the percentage of mentions by European and U.S. companies.  
 \*1 Including disaster risk/measures, such as flooding \*2 Including measures to reduce GHG emissions, etc.

- We considered corporate disclosure data = matters of interest to companies and article data = matters of interest to society in general and made comparisons between the two.
- Although it is necessary to consider the impact of disclosure rules and other factors, the overwhelming majority of data disclosed by Japanese companies focuses on GHG emissions, while a certain amount of attention is paid to soil and sediments, freshwater ecosystems, and habitats in the article data, suggesting that they may be viewing topics related to natural capital with a broader awareness of the issues.

Japanese companies: Percentage of mentions of individual themes of natural capital (Percentage of all extracted sentences)\*



Article data: for individual themes of natural capital Percentage of mentions \*



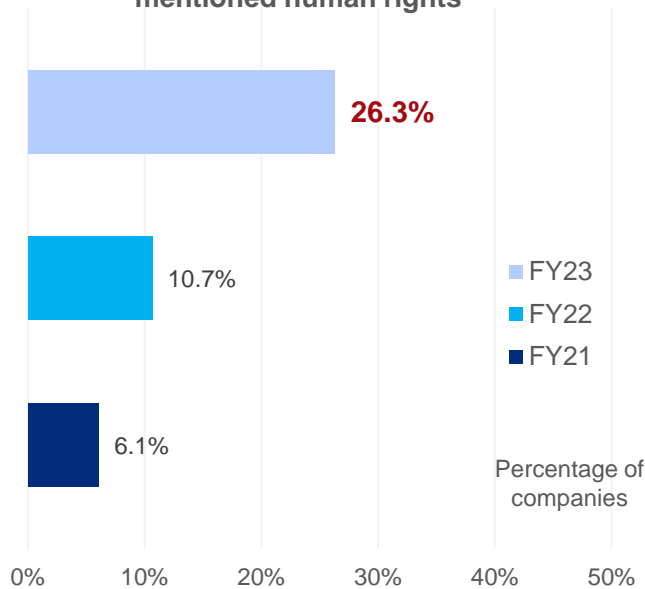
\*The percentage of each theme in the total number of sentences/total number of articles containing the search term set for each individual theme was calculated.

\*1 Including disaster risk/measures, such as flooding \*2 Including measures to reduce GHG emissions, etc.

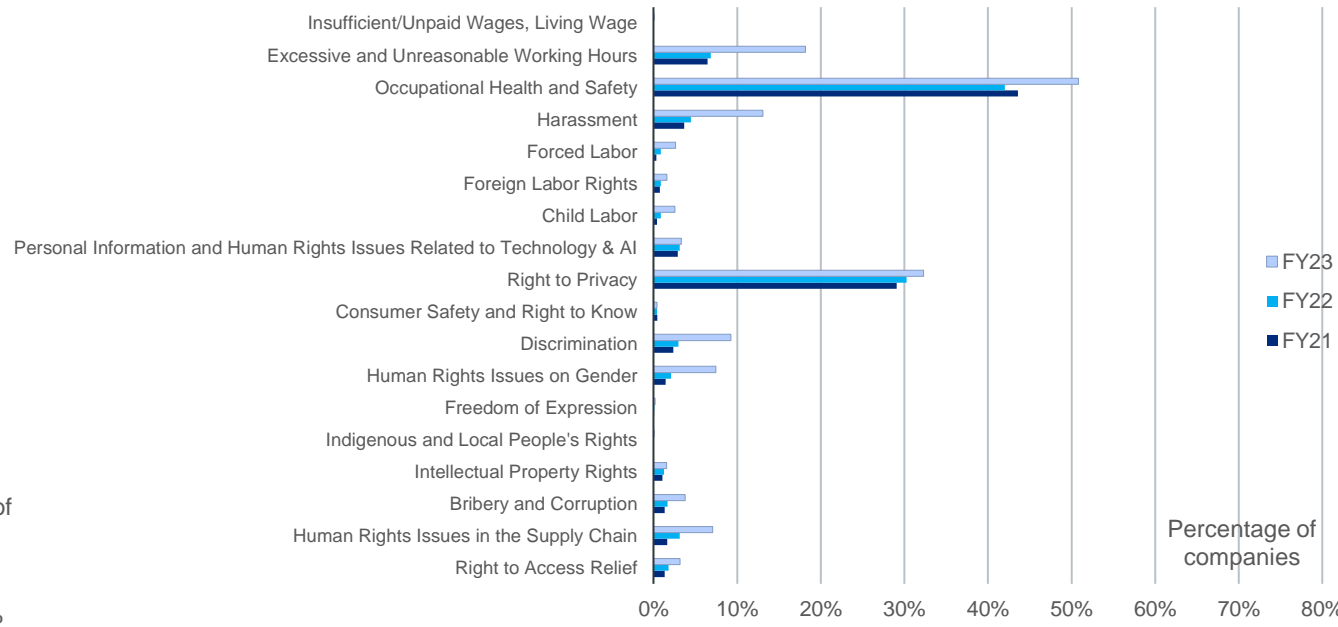
- ❑ Identification of the percentage of companies that mention human rights, and analysis of individual themes that are mentioned.
- ❑ The number of companies referring to human rights increased significantly. Although the focus is more on compliance with various regulations, such as mandatory sustainability information disclosure, reforms in work styles, and the Personal Information Protection Law, an increasing number of companies are also referring to human rights as a business risk from various perspectives.

- The percentage of companies mentioning human rights increased sharply from FY22 to FY23 due to the introduction of a new section for sustainability information in securities reports, which **requires companies to include policies for human resource development, including ensuring diversity in human resources, and policies for the development of the internal environment.**
- “Occupational health and safety” was the most frequently mentioned theme related to human rights, with some companies referring to the formulation of **management policies that emphasize human rights and employee health.** Regarding the "right to privacy," some companies mentioned measures to comply with personal information protection laws in Japan and abroad and to strengthen their information security systems.
- On the other hand, although still small in number, some companies have started to mention human rights risks in the supply chain and human rights risks related to technology and AI (including personal data protection), indicating a trend toward **viewing human rights risks from multiple perspectives in the context of business.** Forced labor and child labor are mentioned relatively more frequently in the banking sector, as well as in the steel/non-ferrous metals, electrical machinery/precision machinery, and electricity/gas sectors.

Percentage of Japanese companies that mentioned human rights



Percentage of mentions of individual themes of human rights \*

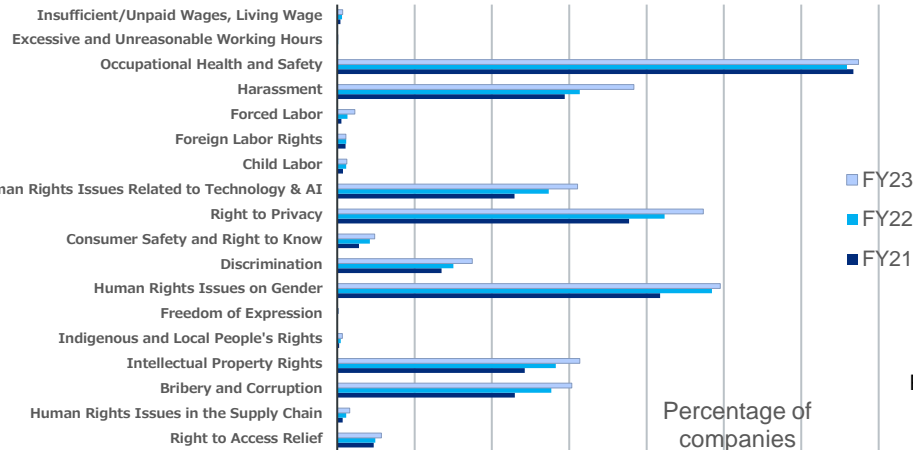


\*Percentage of companies that mentioned the search terms set for each individual theme to all companies analyzed (including companies that did not mention "human rights" per se) (the same applies to the next page). The classification of themes is based on the Ministry of Justice's "Research and Study on Business and Human Rights" report. <https://www.moj.go.jp/content/001346121.pdf>

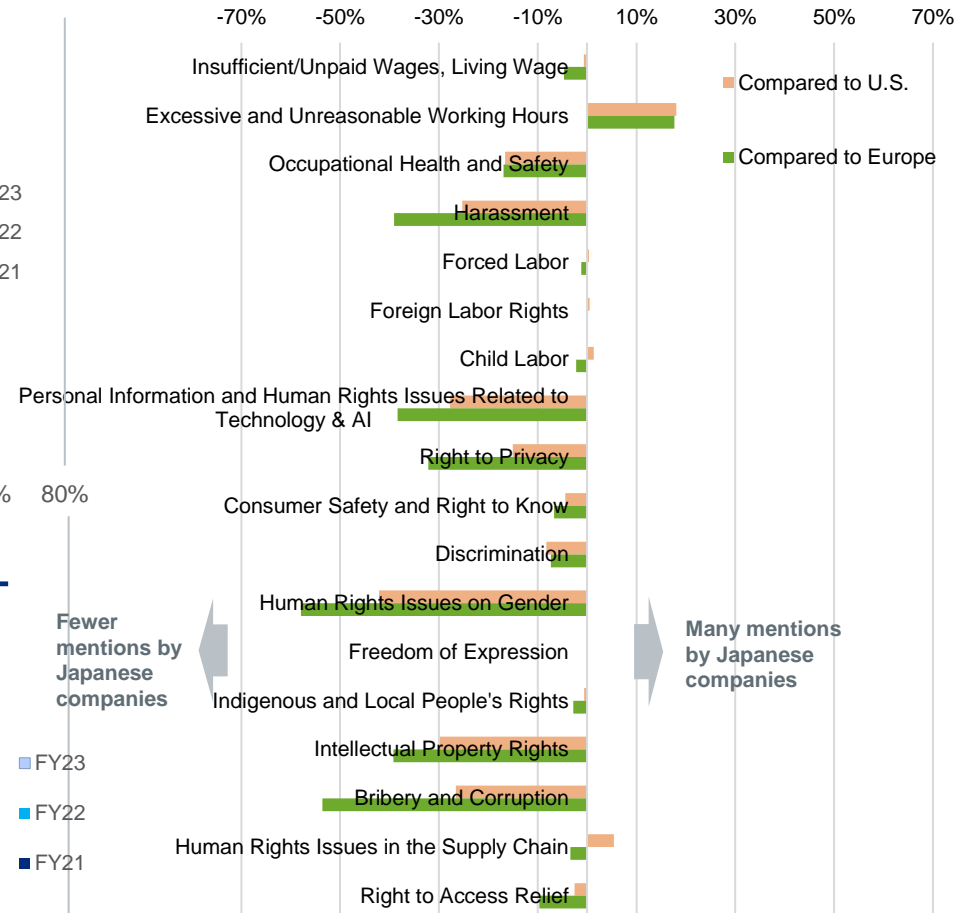
- In common with Japanese, U.S., and European companies, "occupational health and safety" and "right to privacy" were listed more frequently. In addition, Western companies are particularly likely to have a multifaceted view of human rights issues, with higher percentages for "gender," "harassment," "bribery/corruption," and other issues.

## U.S.

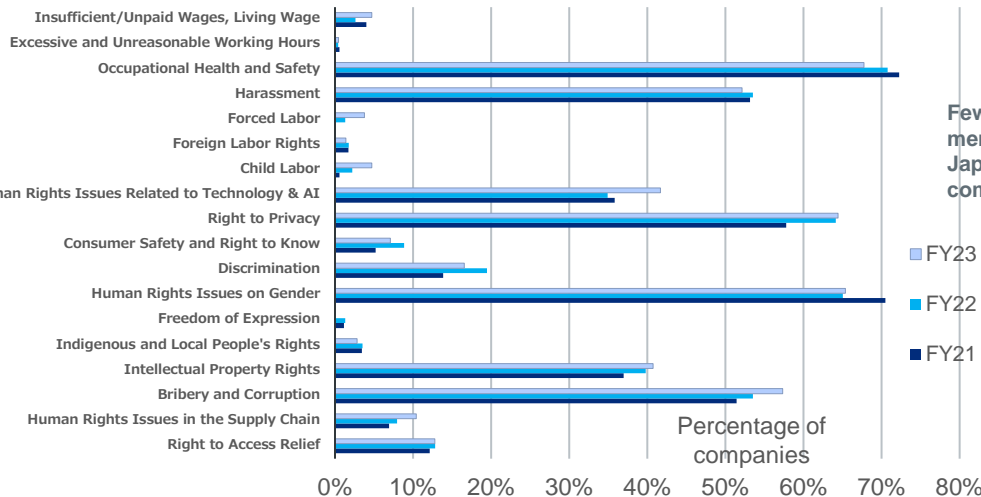
Percentage of mentions of individual human rights themes



Contrast between Japanese and Western firms (difference in percentage of mentions)\*



## Europe



Fewer mentions by Japanese companies

Many mentions by Japanese companies

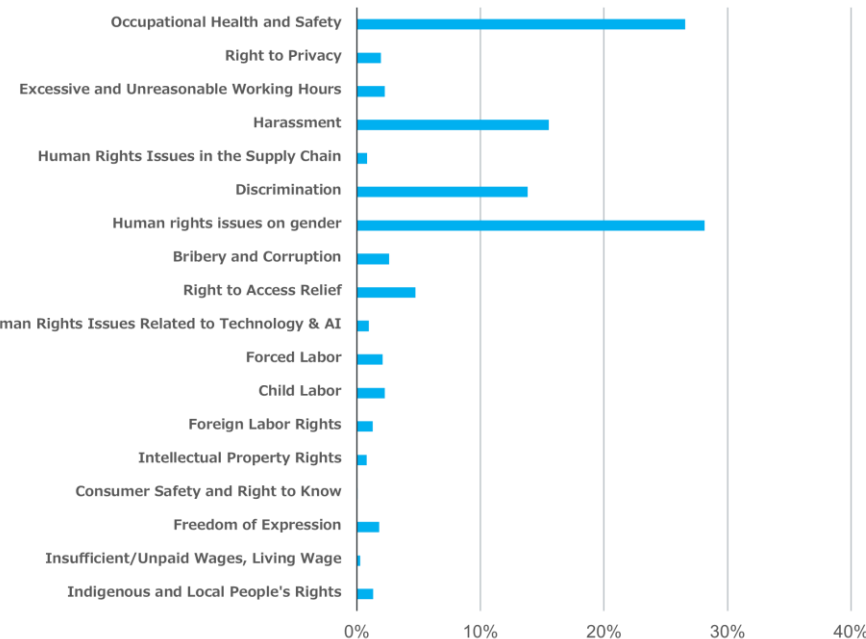
\*Calculate the difference between the percentage of mentions of each theme by Japanese companies and the percentage of mentions by European and U.S. companies.

- ❑ "Occupational health and safety" has a high percentage of entries in both corporate disclosures and article data.
- ❑ In the article data, "gender" and "harassment" were mentioned more frequently, which is similar to the characteristics of the disclosure data of European and U.S. companies mentioned earlier, and the relative low rate of Japanese companies is conspicuous. In addition, topics such as "discrimination" tend to be covered more frequently in the article data.

Japanese companies: Percentage of references to individual human rights themes  
(Percentage of all extracted sentences)\*



Article data: Percentage of mentions of individual human rights themes \*



\*The percentage of each theme in the total number of sentences/total number of articles containing the search term set for each individual theme was calculated.



# **Survey Report on Overseas Business Operations by Japanese Manufacturing Companies**

JBIC 35<sup>th</sup> Survey, 2023

---

ITAGAKI Shinichi (Supervisor, Summary)  
SHIMAMOTO Ken (Chapter 7)  
OGAWA Natsuka (Chapters 2 & 3)  
TSUKAMOTO Ryo (Chapter 5)  
NAKAJIMA Ryuji (Chapters 1, 4, & 6)  
TSUJI Nao (Proofread)  
HAZU Yoko (Proofread)

Date of issue / December 14, 2023 (first edition)

JAPAN BANK for INTERNATIONAL COOPERATION

---

©2023 Japan Bank for International Cooperation  
Website: <https://www.jbic.go.jp>

(For further information)  
JAPAN BANK for INTERNATIONAL COOPERATION (JBIC)  
4-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan  
Strategic Research Department, Corporate Planning Group  
Telephone: +81-3-5218-9244 (Group direct line)  
Facsimile: +81-3-5218-9696  
E-mail: [fdi@jbic.go.jp](mailto:fdi@jbic.go.jp)

If you have a request for some interview, lecture etc.,  
please contact the Press and External Affairs Division (+81-3-5218-3100)