Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Results of the JBIC FY2013 Survey:

- Outlook for Japanese Foreign Direct Investment (25th Annual Survey)-

November 2013

Research Division, Policy and Strategy Office for Financial Operations
Japan Bank for International Cooperation

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Survey Overview and Companies Surveyed

Survey Overview

- Survey targets: Manufacturing companies that have three or more overseas affiliates (including at least one production base)
- No. of companies questionnaires were mailed to: 992
- Responses returned: 625 (response rate:63.0%)
  (*) 180 companies are responded by WEB, 445 companies by mail.
- Period of survey: Sent in July, 2013
  Responses returned from July to September, 2013
  Face-to-face interviews and phone interviews conducted from August to October, 2013

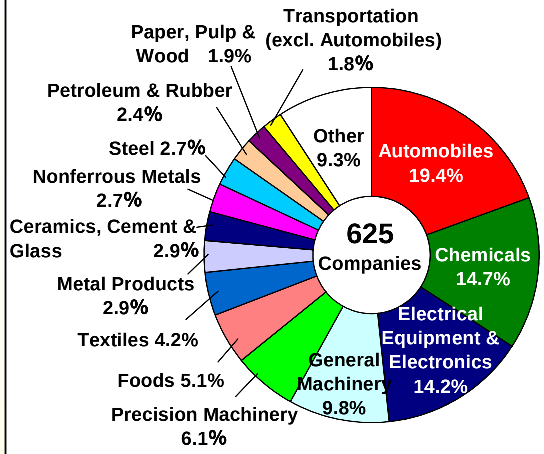
- Main survey topics:
  - Medium-term business prospects
  - Evaluations of overseas business performance
  - Promising countries or regions for overseas business operations

  - Business Prospects in China
  - Infrastructure Needs & Issues in Business Operation Countries
  - Global Management Issues and Future Strategies

- Note: "Overseas business operations" is defined as production, sales, and R&D activities at overseas affiliates, as well as outsourcing of manufacturing and procurement.

Note: The chemical industry shall cover chemicals (including plastic products) and pharmaceuticals while the general machinery industry, the electrical equipment & electronics industry, the automobiles industry, and the precision machinery industry shall cover corresponding assemblies and parts hereinafter unless otherwise specified.

Figure 1: No. of Respondent Companies by Industrial Classification



(companies)

Industry Type	FY2011	FY2012	Proportion
Automobiles	107	121	19.4%
Chemicals	89	92	14.7%
Electrical Equipment & Electronics	97	89	14.2%
General Machinery	51	61	9.8%
Precision Machinery	33	38	6.1%
Foods	30	32	5.1%
Textiles	28	26	4.2%
Metal Products	28	18	2.9%
Ceramics, Cement & Glass	14	18	2.9%
Nonferrous Metals	24	17	2.7%
Steel	19	17	2.7%
Petroleum & Rubber	15	15	2.4%
Paper, Pulp & Wood	10	12	1.9%
Transportation (excl. Automobiles)	14	11	1.8%
Other	54	58	9.3%
Total	613	625	100.0%

Figure 2: No. of Respondent Companies by Capital

(companies)

Paid-in Capital	FY2011	FY2012	Proportion
Less than ¥300 mn.	89	**97**	15.5%
¥300 mn. up to ¥1 bn.	72	**74**	11.8%
¥1 bn. up to ¥5 bn.	138	**152**	24.3%
¥5 bn. up to ¥10 bn.	87	**91**	14.6%
¥10 bn. or more	213	**197**	31.5%
Holding company	13	**12**	1.9%
No response	1	**2**	0.3%
Total	613	**625**	100.0%

Figure 3: No. of Respondent Companies by Net Sales

(companies)

Net Sales	FY2011	FY2012	Proportion
Less than ¥10 bn.	75	**82**	13.1%
¥10 bn. up to ¥50 bn.	211	**217**	34.7%
¥50 bn. up to ¥100 bn.	101	**112**	17.9%
¥100 bn. up to ¥300 bn.	111	**108**	17.3%
¥300 bn. up to ¥1 trillion	64	**56**	9.0%
¥1 trillion or more	41	**40**	6.4%
No response	10	**10**	1.6%
Total	613	**625**	100.0%

2. Trends of Overseas Affiliates

※Aggregate calculation regarding respondent companies

Q

While we surveyed a number of overseas affiliates of respondent companies by region/function every year, there were problems such as; 1) Difficulty in direct comparison with the previous year since respondent companies were not necessarily the same; 2) Difficulty in grasping the movements such as increased number of overseas affiliates by new establishment, and decreased number of overseas affiliates by merger or integration based on the present form of questioning. Therefore, questions have been revised to fill in the increased/decreased number by region/function in the event there was an increase/decrease in the number of overseas affiliates in FY2012 (From April 1, 2012 to March 31, 2013).

Figure 4: Increase/decrease in the Number of Overseas Affiliates (During FY2012)

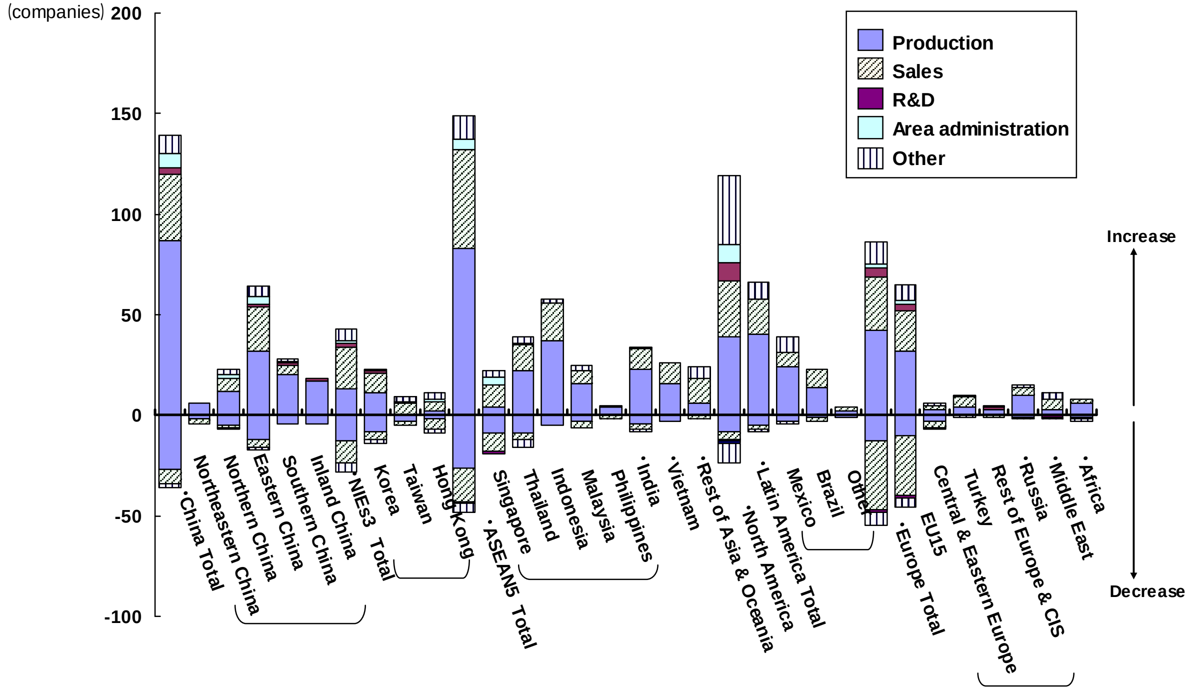


Figure 5: State of Holding of Overseas Affiliates

① One or more overseas affiliates for production

	Country/Area	No. of respondents (company)	Proportion
1	China	487	77.9%
2	Thailand	294	47.0%
3	North America	258	41.3%
4	Indonesia	189	30.2%
5	EU 15	152	24.3%
6	Taiwan	142	22.7%
7	Malaysia	136	21.8%
8	India	135	21.6%
9	Vietnam	131	21.0%
10	Korea	124	19.8%
11	Mexico	93	14.9%
12	Philippines	84	13.4%
13	Brazil	72	11.5%
14	Singapore	66	10.6%
15	Central & Eastern Europe	54	8.6%

②One or more overseas affiliates for sales

	Country/Area	No. of respondents (company)	Proportion
1	China	345	55.2%
2	North America	279	44.6%
3	EU 15	252	40.3%
4	Hong Kong	201	32.2%
5	Singapore	189	30.2%
6	Thailand	184	29.4%
7	Taiwan	168	26.9%
8	Korea	162	25.9%
9	India	113	18.1%
10	Indonesia	99	15.8%
11	Malaysia	95	15.2%
12	Brazil	82	13.1%
13	Vietnam	67	10.7%
14	Mexico	65	10.4%
15	Philippines	50	8.0%

Note: The percentage written in the table shows the proportion of respondent companies.

■The number of overseas affiliates continues to increase

- The number of overseas affiliates established by companies surveyed in FY2012 was 720 (Breakdown: Production: 368, sales: 219, R&D: 18, Area Administration: 24, others: 91), exceeding the number in FY2011 (688).

■The focus is on China and ASEAN when analyzing by region

- With respect to the regional number of affiliates established, China stands out with the highest increase (139 companies) but ASEAN 5 exceeds China with an increase of 149 companies. In particular, Indonesia's increase (58 companies) was the highest within the ASEAN region. In comparison to the previous survey, the number of overseas affiliates in North America increased by 119 (43 in the previous survey) which reflects the healthy North American economy and accelerated establishment of affiliates.

※Refer to Appendix 6 regarding values of Figures 7 and 8.

Figure 6: Ratios of Overseas Production※1 and Overseas Sales※2

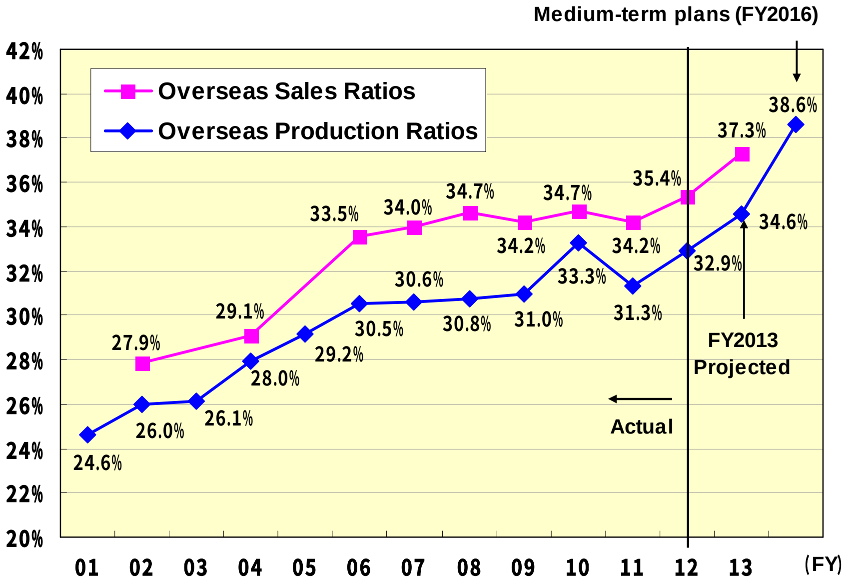


Figure 7: Ratios of Overseas Production※1 by Major Industry

	FY2011 (Actual)	No. of respondent companies	FY2012 (Actual)	No. of respondent companies	FY2013 (Projected)	No. of respondent companies	Medium-term plans (FY2016)	No. of respondent companies
Chemicals	24.2%	74	25.0%	82	26.8%	82	30.5%	74
General Machinery	24.3%	45	25.2%	56	26.5%	54	28.7%	49
Electrical Equipment & Electronics	45.2%	88	43.3%	78	44.9%	78	47.6%	73
Automobiles	33.4%	98	39.4%	114	42.0%	112	47.4%	108
All industries	31.3%	550	32.9%	559	34.6%	554	38.6%	521

Figure 8: Ratios of Overseas Sales※2 by Major Industry

	FY2011 (Actual)	No. of respondent companies	FY2012 (Actual)	No. of respondent companies	FY2013 (Projected)	No. of respondent companies
Chemicals	30.1%	86	31.1%	90	33.6%	88
General Machinery	43.2%	45	39.9%	59	41.0%	57
Electrical Equipment & Electronics	45.1%	94	42.8%	86	45.5%	85
Automobiles	36.0%	102	38.8%	117	41.4%	113
All industries	34.2%	586	35.4%	601	37.3%	589

■Overseas production ratios based on FY2012 performance have returned to pre-Thai flood crisis levels

- The actual FY2012 overseas production ratio was 32.9%, exceeding the actual FY2011 ratio (31.3%), which fell due to the impact of the Thai flood crisis, by 1.6%, and returning almost to the most recent peak value in FY2010 (33.3%).
- FY2013 performance estimates indicate new records for both the overseas sales ratio (37.3%) and the overseas production ratio (34.6%). There was no change in the expansion of overseas production ratios despite a brush with a weak yen in the latter half of the financial year (Figure 6).

■Overseas production ratios for automobiles are projected to increase even further

- Prospects for the overseas production ratio in medium-term plans (FY2016) is 38.6%.
- When analyzed by industry, overseas production is projected to expand even further, in particular for automobiles (FY2013 performance projected→medium-term plans: 5.4% increase) (Figure 7).

※1 (Overseas Production) / (Domestic Production + Overseas Production)
※2 (Overseas Sales) / (Domestic Sales + Overseas Sales)
※3 Ratios were calculated by simply averaging the values the respondent companies provided.

I. Summary and Key Findings

1. Indonesia, India, Thailand and China voting ratios balance out in promising countries over the medium term

- The rankings for the most promising countries have fluctuated greatly among promising countries over the medium term. For the first time since this survey began, China has fallen from 1st place to 4th place while Indonesia, for which market expansion expectations are high, took 1st place for the first time. India stayed in 2nd place but its voting ratio fell sharply. The voting ratios of the top 4 countries, including the 3rd ranked Thailand, balance out at around 40%. However, India and China remained in 1st and 2nd place as promising countries over the long term (the next 10 years or so) and both countries are recognized to be major destinations for business operations in the future. (→ Chapters II, IV and V)

2. Companies that don't choose China from as a promising country are most concerned about "increasing labour costs/difficulties in securing a workforce". On the other hand, companies that choose it as a promising country evaluate China by market size and growth potential

- The number of companies that named China as a promising country in both this survey and the previous survey fell by almost half. However, very few companies that don't choose China as a promising country in this survey respond that they will scale-back/withdraw their businesses in China. Further, more than 40% of companies that don't choose China as promising are most concerned about "increasing labour costs/difficulties in securing a workforce" while companies that choose China as a promising country evaluated it for its market size and growth potential, showing that the results for China are divided depending on its point of view. (→ Chapter IV)

3. Japanese manufacturing companies' overseas operations are on track to expand

- Overseas production ratios have started to expand again and over 80% of responding companies continue to have a stance of strengthening/expansion for overseas business. Just less than 90% of companies that will strengthen/expand overseas businesses have a stance of maintenance or expansion in their domestic businesses. Overseas business contributes to domestic business by providing overseas information for domestic development, improving organizational strength by increasing the number of people with experience in overseas business and streamlining domestic business, etc. (→ Chapters I and III)

4. Efforts of Japanese manufacturing companies in emerging markets have had certain results

- **Major customers in emerging markets will continue to be mostly Japanese manufacturers but there is a tendency towards a certain amount of expansion in sales to non-Japanese manufacturers. Approximately 15% of companies conduct consumer-oriented businesses such as B to C transactions but there are also many companies that include the middle-income band in their target customers. Japanese companies are evaluated as having higher product competitiveness in Asian emerging markets than Chinese, Korean and Indian companies. It was indicated that advances in transferring partial control of headquarter functions to emerging countries and introducing global IT systems will be made in the future. (→ Chapter VII)**

5. Many respondents noted that, among emerging countries, India has issues with its electricity infrastructure

- **Approximately 30% of companies that have business operations in emerging countries responded that there were issues with electricity infrastructure and India had the highest ratio out of the most promising countries at approximately 60%. Meanwhile, only approximately 10% of companies responded that there were issues with industrial water supply. With respect to transportation/communications infrastructures (roads, railways, ports and harbours, airports, communications networks), the greatest needs were for improvements in roads across the whole region. (→ Chapter VI)**

- **Japanese manufacturing companies' overseas business operations have a tendency towards strengthening over the medium term**
- The increase in local production affiliates (720 companies) exceeded that of the previous survey (688 companies). (→ Page 3) Overseas production ratios (FY2013 projected: 34.6%) have started to increase again and when analyzed by industry, there was a sharp rise in overseas production ratios for automobiles (medium-term plan: 47.4%). (→ Page 4) For the 4th consecutive year since the financial Crisis in 2008 ("Lehman Shock"), there has been a continued high level with over 80% of responding companies stating that they had a stance of strengthening overseas business operations over the medium term (82.5%). (→ Page 13)

- **Domestic business strengthening/expansion increased for the first time in three years**
- Activities to strengthen/expand domestic business increased across all industries (25.7%→28.0%). (→ Page 13) When analyzing by industry, continuing on from the previous survey, there was a sharp increase of contractive stances to 20% (14.6%→19.0%) in the automobiles industry. (→ Page 14)

- **Just less than 90% of companies strengthening/expanding overseas businesses have a maintenance/expansion stance in their domestic businesses**
- Just less than 90% (86.4%) of companies (500) that are expanding overseas businesses over the medium term have a stance of maintaining or expanding domestic businesses. (→ Page 15)
- The main reason for domestic business strengthening/expansion is "increase in demand in existing business" and the most negative factor in domestic business prospects is "the contraction of the domestic market" (80.2%). (→ Pages 16 and 17)
- Domestic business prospects in the case of a long-term weak Yen taking root were mostly "No impact on domestic business prospects" (56.2%). (→ Page 18)

- **The main effects of overseas business on domestic business were "provision of overseas information for domestic development", "improvements in domestic organizational strength" and "streamlining domestic business"**
- Approximately 85% of companies surveyed recognized that there is a positive synergetic effect between overseas business operations on domestic business. The main effects were "provision of overseas information for domestic development" (38.2%) , "improvements in domestic organizational strength" (36.0%) and "streamlining of domestic business" (33.5%). (→ Page 19)

- **The evaluation of overseas business operations is that degrees of satisfaction in both sales and profits are at the same level as in the previous survey**
- When analyzing by degree of satisfaction, there has been a large drop in the results for China due to intensified competition and difficulties in cost-cutting, etc. (2.44→2.25) but the results for North America (2.56→2.72) and ASEAN 5 (2.61→2.72) improved due to the weak Yen and market expansion, etc. and the total for the all regions is at the same level as the previous survey (2.54→2.56). (→ Pages 9 to 12)

- **In promising countries/regions for business operations over the medium term, China has fallen from 1st place to 4th place for the first time since this survey began. Indonesia held off India to take 1st place.**
- For the first time since this survey began, respondents who nominated China in the promising countries ranking was reduced by half and China fell from 1st place to 4th place. Indonesia took 1st place and Thailand was ranked 3rd but the number of respondents who nominated India fell greatly and it remained in 2nd place. The voting ratio for Indonesia, India, Thailand and China is around 40% and this balances out with other countries. (→ Pages 20 and 21)

- **Companies that removed China from the list of promising countries are most concerned about "rising labour costs/difficulties in securing a workforce"**
- The number of companies that nominated China as a promising country in both this survey and the previous survey reduced by almost half.
- Companies that don't choose China as a promising country are almost all conducting business in China and more than 40% (41.2%) are concerned over the medium term about "rising labour costs/difficulties in securing a workforce". (→ Page 22)

- **Approximately 30% of companies surveyed recognize that there are issues with electricity infrastructure in emerging countries where they conduct business. Only approximately 10% cite issues with industrial water supply. With respect to transportation/communications infrastructures, the greatest needs are for improvements in roads.**
  - Approximately 30% of companies surveyed recognize that there are issues with electricity infrastructure in emerging countries where they conduct business. When analyzing by region, the country with the highest ratio (57.7%) of concerning issues was India. Meanwhile, only approximately 10% of respondents had issues with industrial water supply. (→ Pages 42 to 44).
  - The highest demand for improvements in transportation/communications infrastructure was in roads (58.5%). The next highest demand was for communications networks (24.4%). (→ Pages 45 and 46)

- **Incentives based on FTA/EPA were most used in ASEAN-related transactions**
  - Approximately 20% of companies surveyed use incentives based on FTA/EPA but it was indicated that these are most used in the ASEAN region. (→ Pages 47 and 48)

- **The most used financial institutions in emerging markets are Japanese. Issues with local financial institutions are high interest rates and Japanese language support**
  - It was indicated that Japanese financial institutions are widely used in emerging markets from “deposits/remittances/settlement” and “finance in country of business (local currency) “ to “conferring/advice/consulting”. The second highest percentage went to local financial institutions. (→ Page 49)
  - Issues/dissatisfaction with local financial institutions were “interest rates are high” and “insufficient Japanese language support”. When analyzing by market, there are comparative issues such as “Difficult to build relationships” in China and “procedures take a long time” in India. (→ Page 50)

- **Progress is being made with transactions with non-Japanese manufacturers in emerging markets. Effort in emerging markets have had certain results.**
  - Currently, approximately ¼ of companies surveyed only conduct transactions with Japanese manufacturers in emerging markets. Future customers will mostly be Japanese manufacturers but there are prospects for a certain expansion in transactions with non-Japanese manufacturers. (→ Page 51)
  - Approximately 15% of companies surveyed focused on the middle- to high-income bands as targets for their consumer-oriented businesses (B to C transactions). Efforts in emerging markets are obtaining certain results. (→ Pages 52 and 53)

- **Japanese companies are evaluated as having higher product competitiveness in emerging markets than companies from emerging markets**
  - When analyzing companies surveyed overall, product competitiveness in emerging markets is evaluated as being higher for Japanese companies than for Chinese, Korean and Indian companies. Meanwhile, European/American companies are evaluated as having higher product competitiveness than Japanese counterparts and it appears that they are recognized as tough competitors. (→ Page 54)

- **Progress will be made with partially transferring control of headquarter functions to emerging countries in the future. Approximately 10% of companies have already introduced global IT systems and approximately 30% are considering introduction over the medium term.**
  - Currently, progress is being made with transferring partial control of headquarter functions to developed countries and, in the future, control of headquarter functions such as regional headquarters or design functions, etc. will also be transferred to emerging countries. (→ Page 55)
  - Approximately 10% of companies surveyed have already introduced global IT systems. Approximately 30% are considering introduction over the medium term. (→ Page 56)

II. Performance Evaluations (FY2012 Performance)

II. 1. Evaluations of Degrees of Satisfaction with Profits and Net Sales (by major country and region)

Q

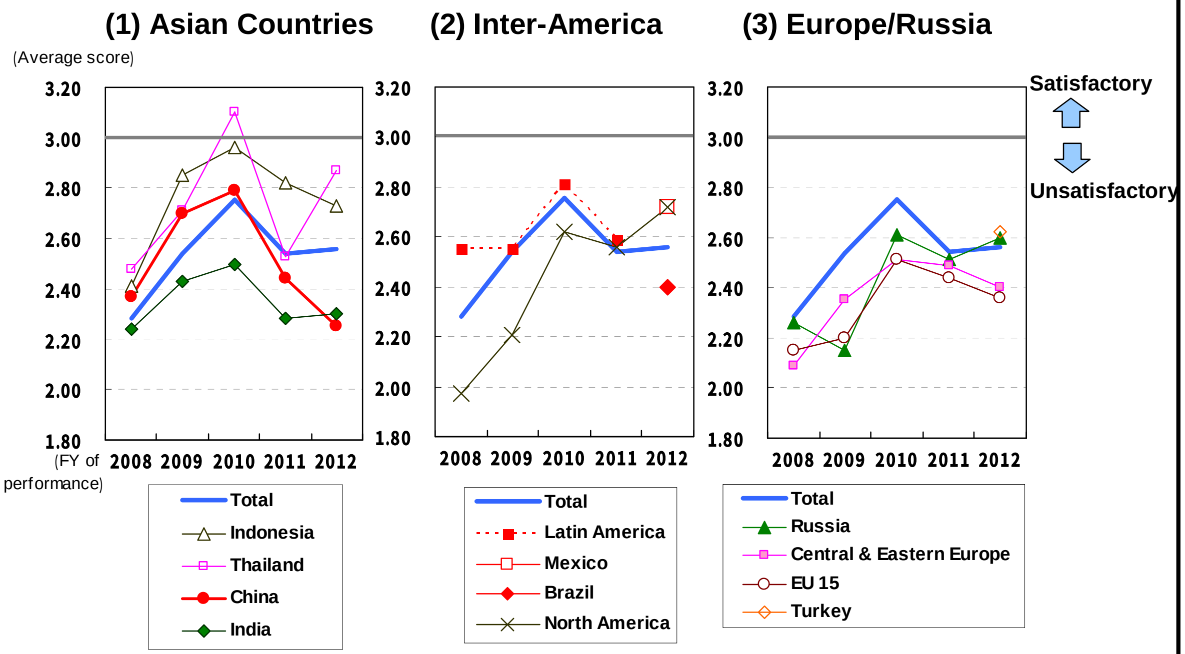
Which of the following applies concerning your company's FY2012 net sales and profits compared with initial targets in the countries/regions overseas you invested in?
⇒ 1: Unsatisfactory 2: Somewhat unsatisfactory
3: Can't say either way 4: Somewhat satisfactory 5: Satisfactory

Figure 9: Satisfaction with Net Sales/Profits (all-industry averages)

(FY of performance)	FY2010	FY2011	FY2012
Net Sales	2.85 (+0.30)	2.64 (▲0.21)	2.63 (▲0.01)
Profits	2.75 (+0.21)	2.54 (▲0.21)	2.56 (+0.02)

(Note 1) These figures are simple averages of assessments by country and region.
(Note 2) Numbers in parentheses indicate the increase/decrease over the previous year's assessments.

Figure 10: Satisfaction with Profits (By region)



(Note 1) ②Individual aggregation of Mexico and Brazil have been separated from Latin America since FY2012 results.
③Aggregation for Turkey has been added since FY2012 results.
(Note 2) See Appendix 7 for more detailed data collated by country/region.

Figure 11: Countries/Regions More Profitable than Japan (Descending order by ratio)

(Companies)

Country/Region	"More Profitable than Japan" responses (1)	Responses per region/countries (2)	Ratio: [(1)/(2)]
1. Thailand	129	363	35.5%
2. China	124	517	24.0%
3. NIEs3	60	267	22.5%
4. Indonesia	54	251	21.5%
5. Philippines	29	143	20.3%

(Note) When companies were asked about their profitability in FY2012 in countries/regions in which they had businesses, they were asked to respond regarding the country/region which had higher rates of profitability than Japan. "Total responses (2)" is the sum of the number of companies that responded to inquiries about satisfaction with profits and those that responded to the comparison of profitability with Japan.

■Evaluation of degrees of satisfaction with profits and net sales were almost the same as the previous year

・Degrees of satisfaction in FY2012 performance (overseas business) were 2.63 for net sales (▲ 0.01 on the previous year) and 2.56 for profits (+0.02), making both almost the same as last year. (Figure 9).

■Degrees of satisfaction in Thailand have increased but for China, they have decreased for the second consecutive year

・Degrees of satisfaction in Thailand have recovered now that the impact of the floods has dissipated, giving it the highest evaluation for FY2012 performance out of all countries/regions (2.87). Meanwhile, degrees of satisfaction in China are in a downward trend since their peak in FY2010 performance and this year, China had the lowest evaluation out of all countries/regions (2.25) (Figure 10 (1)).

■North America's evaluation increased

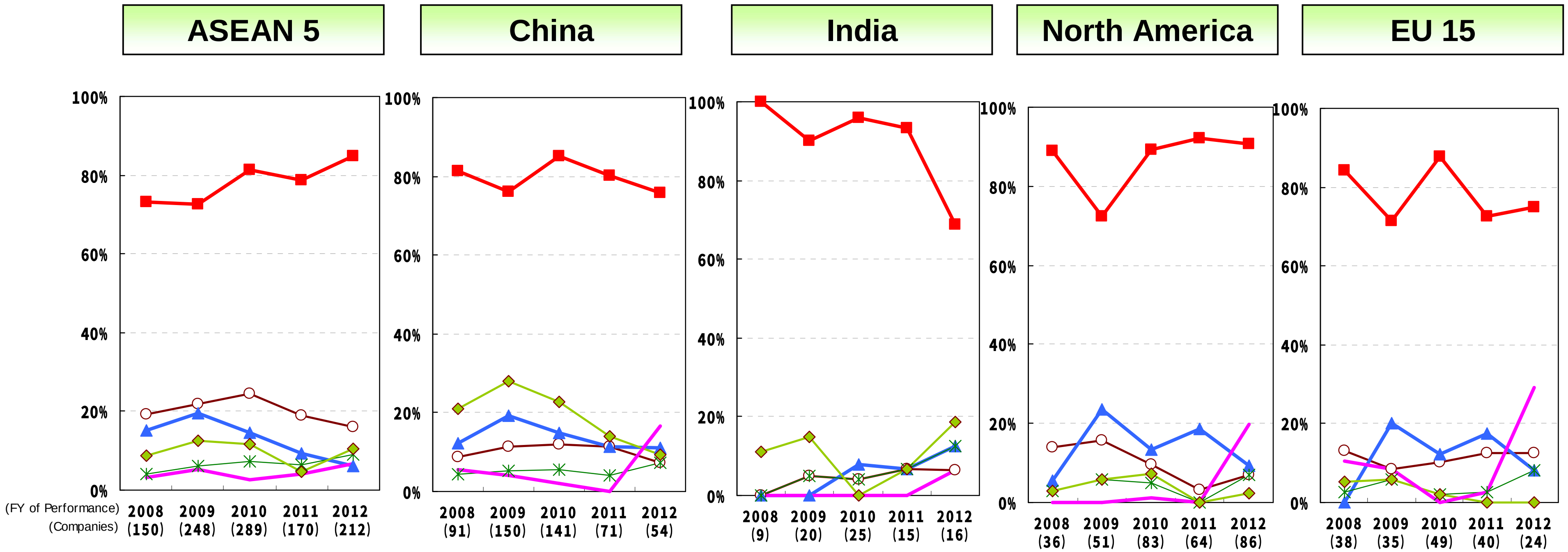
・Degrees of satisfaction in North America increased to almost the same level as degrees of satisfaction in profits in Indonesia (2.72). Mexico, which was included in the list of countries/regions this year, exceeded the overall average (2.72). On the other hand, reflecting the economic slowdown, the degrees of satisfaction in Brazil did not exceed the overall average (2.40) (Figure 10 (2)).

■The number of companies/response ratio for Thailand "having a higher profit ratio than Japan" increased but both decreased for China

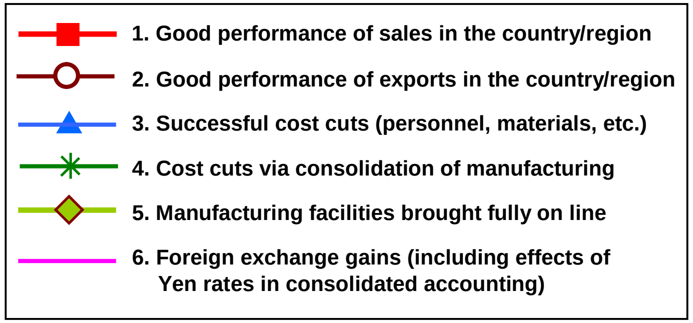
・129 companies (increase of 10 on FY2011 performance) that responded that Thailand had exceeded Japan in profit ratios and response ratio was 36.3% (a 2.5 point increase), taking 1st place among evaluated countries/regions. 124 companies responded China (down 31), putting it in 2nd place, and respondent ratio was 24.2% (a 6.1 point decrease) (Figure 11).

II. 2. Reasons for Satisfaction with Profitability (by major country and region)

Figure 12: Reasons for Satisfaction with Profitability over Time (Multiple responses)



(Note) Companies who responded with "4. Somewhat satisfactory" and/or "5 Satisfactory" regarding profitability were asked for the reasons on a region/country basis. The percentages represent the ratios of each choice to the total number of responses (shown in parentheses under the fiscal year of performance) for reasons given for the relevant region/country. Multiple choices were possible.



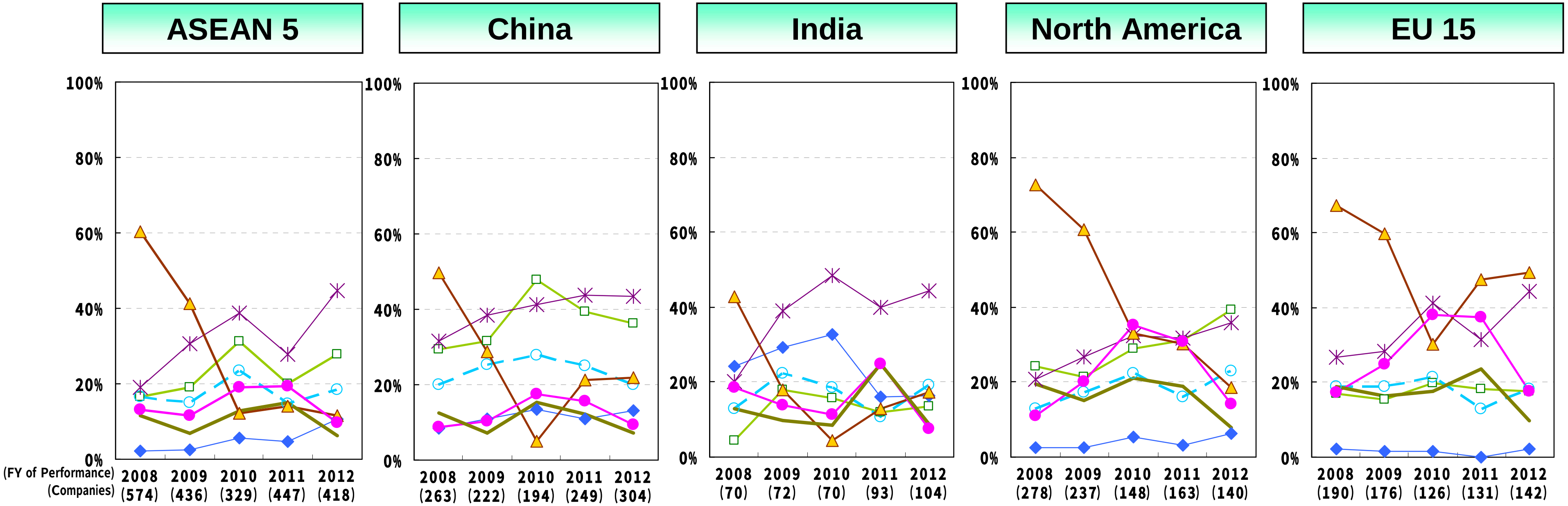
■Characteristic of reasons for satisfaction with profits in FY2012 performance was an increase in response ratio for "6. Foreign exchange gains"

・The reason for satisfaction with profits with the highest response ratio remained unchanged as "1. Good performance of sales in the country/region. " A difference compared to the previous year (FY2011 performance) was the increase in responses for "6. Foreign exchange gains (including effects of Yen rates in consolidated accounting) " as shown across the 5 major countries/regions in Figure 12.

■There was good performance in sales within the ASEAN 5 region

・The response ratio for "1. Good performance of sales in the country/region" increased from 78.8% last year to 84.9% (up 6.1%) in the ASEAN 5 with the number of responding companies rising from 134 to 180 (up 49). Meanwhile, the ratios for India and China fell for the second consecutive year to 75.9% (a 4.4 point decrease) and 68.8% (a 24.5 point decrease) respectively.

Figure 13: Reasons for Dissatisfaction with Profitability over Time (Multiple responses)



(Note) Companies who responded with “1. Unsatisfactory” and/or “2. Somewhat unsatisfactory” regarding profitability were asked for the reasons on a region/country basis. The percentages represent the ratios of each choice to the total number of responses (shown in parentheses under the fiscal year of performance) for reasons given for the relevant region/country. Multiple choices were possible.

- 1. Difficulty in cutting costs (personnel, materials, etc.)
- 2. Not brought fully on line right after establishment
- 3. Demand for discounts from customers
- 4. Difficulty in getting customers (intense competition)
- 5. Shrinking market due to economic fluctuations
- 6. Decreased competitiveness of products due to a strong Yen
- 7. Foreign exchange losses (including effects of Yen rates in consolidated accounting)

■“6. Decreased competitiveness of products due to a strong Yen” fell for all countries/regions

・Since FY2009 performance, a strong Yen has been a factor in the difficulties experienced by Japanese companies in overseas markets (2nd reason for dissatisfaction in the previous result) but there has been an impact from the weak Yen which began in the latter half of 2012 and the response ratio and the number of responding companies reduced by half in FY2012 performance.

■The biggest reason for dissatisfaction in Asia was “4. Difficulty in getting customers” whereas in the EU 15, it was “5. Shrinking market due to economic fluctuations”, continuing on from the previous year

・Over 40% of companies that responded with reasons for dissatisfaction with profits in ASEAN 5, China and India cited “4. Difficulty in getting customers” and observed stiff competition in the local markets.

・With the impact of the debt crisis, recovery of demand in the EU 15 is slow and half of responding companies cited “5.” Meanwhile, economic recovery in North America is noticeable and response ratio for “5. ”, which was 72.2% at its peak (FY2008 performance), was 18.6% in FY2012 performance.

II. 4. Evaluations of Degrees of Satisfaction with Net Sales and Profits (by industry)

Figure 14: Evaluating Satisfaction of Net Sales & Profits (FY2012 performance)

	Average by industry		Comparison with last FY		No. of respondent companies	Countries/regions with highest average in profits
	Net sales	Profits	Net sales	Profits		
1. Steel	2.71	2.85	▲0.29	+0.00	15	NIEs3 (3.60)
2. Chemicals	2.80	2.74	+0.16	+0.20	87	Philippines (3.22)
3. Transportation (excl. Automobiles)	2.74	2.71	▲0.16	▲0.11	10	Singapore/Malaysia (3.67)
4. Foods	2.73	2.71	▲0.15	▲0.04	30	NIEs3(3.43)
5. Petroleum & Rubber	2.67	2.66	▲0.40	▲0.08	15	Vietnam (3.29)
6. General machinery	2.57	2.60	+0.01	+0.04	59	Thailand (3.09)
7. Electrical Equipment & Electronics	2.55	2.58	+0.14	+0.21	81	Mexico (2.83)
8. Textiles	2.76	2.55	+0.52	+0.31	24	Singapore (3.67)
9. Metal Products	2.63	2.53	▲0.02	+0.03	14	North America (3.67)
10. Automobile	2.75	2.51	▲0.05	▲0.09	115	Turkey (3.13)
11. Nonferrous Metals	2.49	2.51	▲0.14	+0.08	16	North America (3.33)
12. Paper, Pulp & Wood	2.54	2.43	▲0.29	▲0.31	12	Thailand (3.50)
13. Other	2.48	2.43	▲0.18	▲0.20	49	Thailand (3.12)
14. Precision Machinery	2.46	2.36	▲0.16	▲0.16	35	Russia (2.80)
15. Ceramics, Cements & Glasses	2.32	2.16	▲0.04	▲0.19	17	Brazil (2.67)

(Note) The industries in the table above are ordered according to average values for Profits from highest to lowest.

■All industries fell below the evaluation "3" (as initially targeted)

- In a comparison of degrees of satisfaction with profits, with healthy market expansion in the Asian region in the background, steel took 1st place for 2 consecutive years, however, identical to the previous survey, no industry exceeded evaluation 3 (= as initially targeted) (Figure 14).

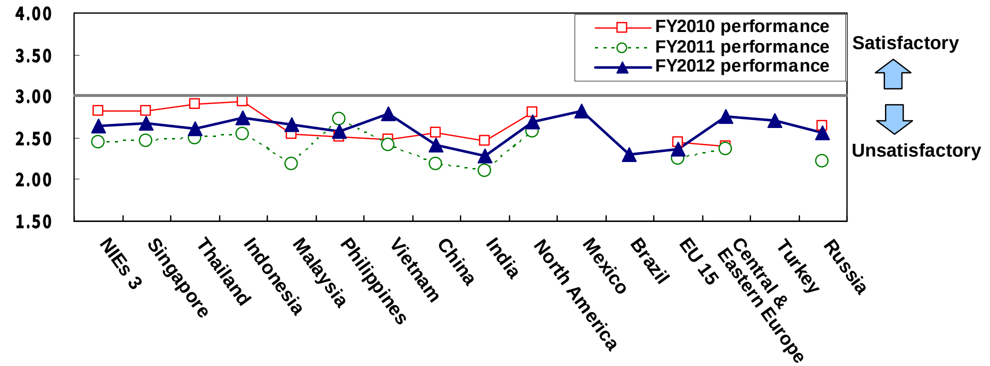
■Degrees of satisfaction with profits for automobiles in China have worsened

- Degrees of satisfaction with profits for automobiles fell slightly (2.60→2.51) and due to improvements in equivalent results in other industries, automobiles fell from 7th place to 10th place (Figure 14). When analyzing by country, Thailand improved from 2.42 to 2.86 after recovering from the impact of the floods. Meanwhile, degrees of satisfaction with profits for China worsened from 2.66 to 2.16 due to the impact of boycotts on Japanese products since last summer as well as rising costs and intensified competition, while other regions stayed at the same levels as the previous year.(Figure 15 ③).

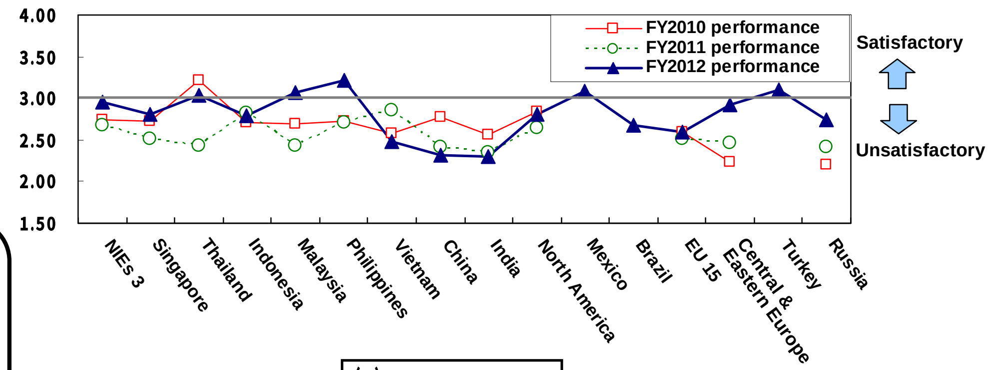
(Note) In Figure 15, Mexico and Brazil have been separated from Latin America since FY2012 performance. Turkey has been added since FY2012 performance.

Figure 15: Satisfaction with Profits by Country/Region (three key industries)

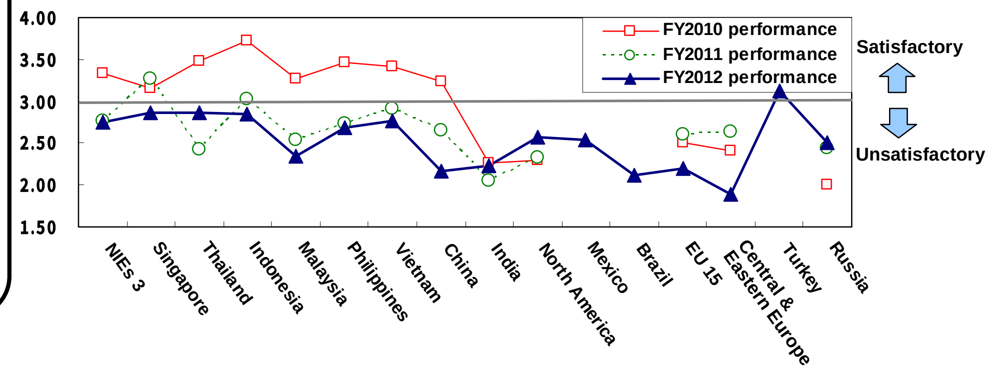
⑴ Electrical Equipment & Electronics



⑵ Chemicals



⑶ Automobiles

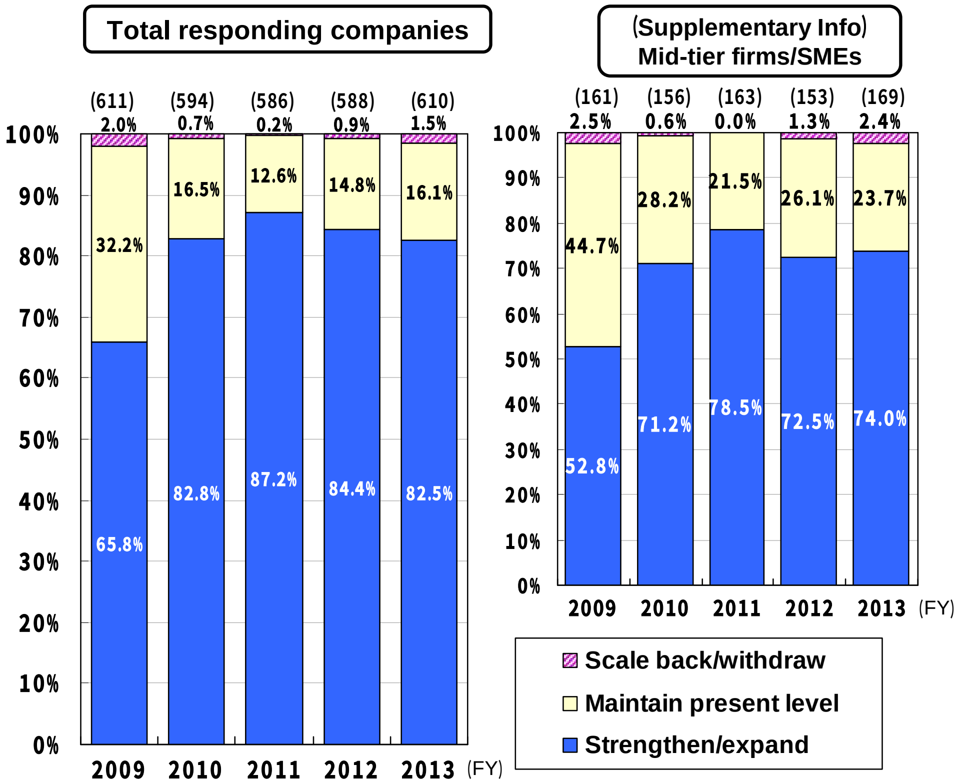


III. Business Prospects

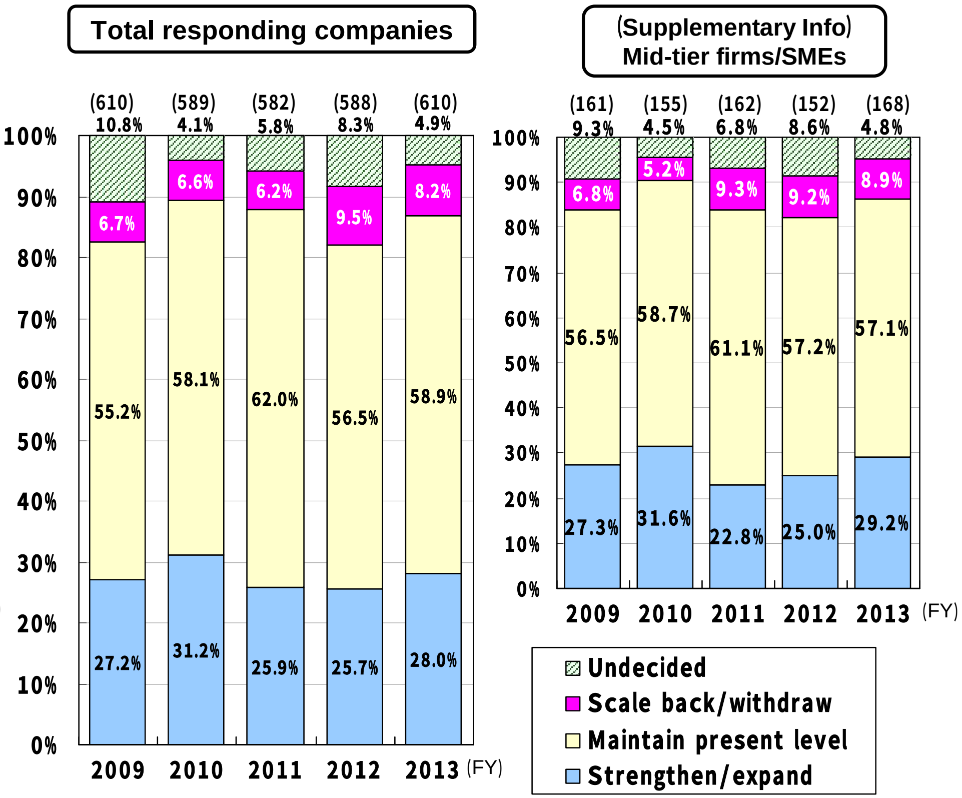
III. 1. Attitudes toward Strengthening Businesses (domestic & overseas)

Q. Question concerning medium-term (next 3 yrs. or so) overall prospects for overseas and domestic operations.

Overseas — Figure 16: Medium-term Prospects (next 3 yrs. or so) for Overseas Operations



Domestic — Figure 17: Medium-term Prospects (next 3 yrs. or so) for Domestic Operations



Note 1: "Overseas operations" is defined as production, sales and R&D activities at overseas bases, as well as the outsourcing of manufacturing and procurement overseas.
Note 2: The numbers in the parentheses above the bar graphs indicate the numbers of responding companies to the question.
Note 3: Mid-tier firms/SMEs are companies whose paid-up capital is less than 1 billion Japanese Yen.

■The stance of strengthening/expanding overseas business continues at a high level

- The number of companies that responded strengthen/expand overseas business over the medium term in this year's survey was 503, 82.5%. Ratios fell slightly (▲1.9%) in comparison to the previous survey but, in general, it can be said that the stance of expansion continued to be strong. Prospects for overseas business operations of mid-tier firms/SMEs with less than 1 billion Yen in paid-in capital also showed an increase of 1.5% for strengthening/expanding to 74.0%.

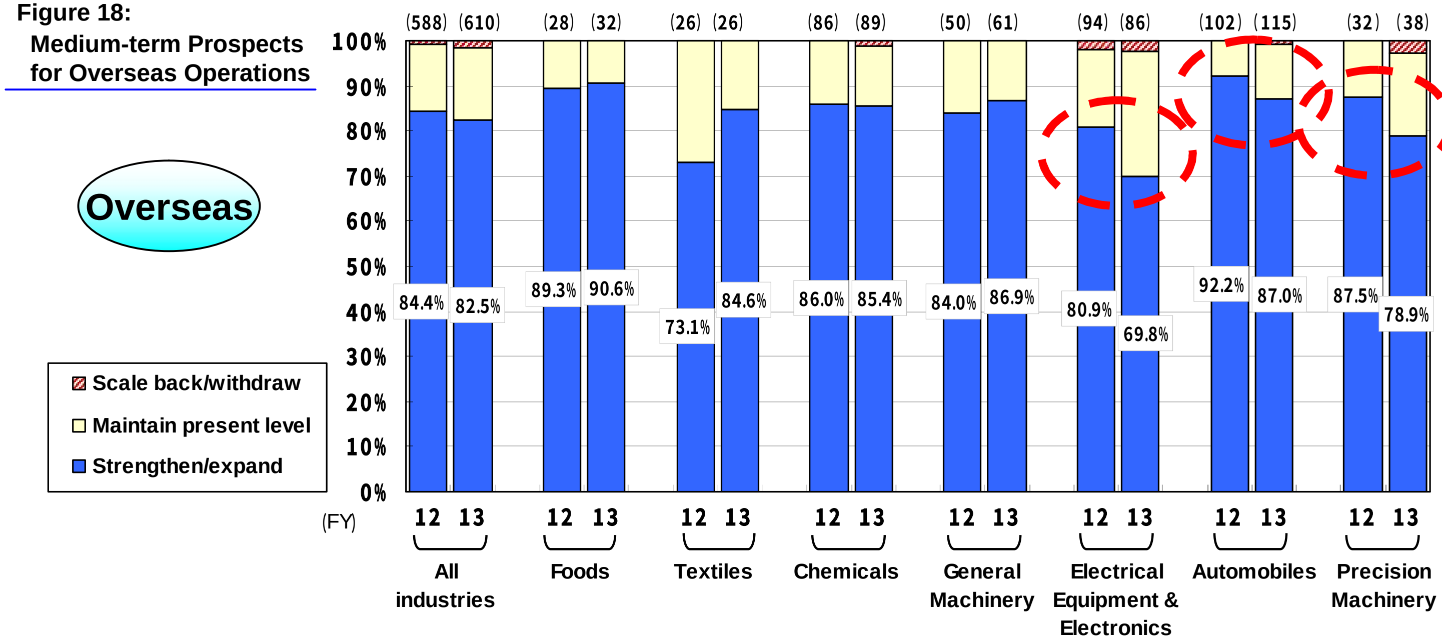
■Domestic business shifts to an increased stance of strengthening/expanding for the first time in 3 years

- With respect to domestic business prospects, 28.0% of responding companies (up 2.3% from the previous survey) selected strengthen/expand, marking the first increase in 3 years and the ratio of scaling-back reduced to 8.2%. 29.2% of responding companies selected strengthen/expand for mid-tier firms/SMEs, an increase of 4.2% in comparison with the previous survey. Medium-term business prospects have also changed for the better for a wide range of industries in the domestic market with a recovery in business confidence.

III. 2. Attitudes toward Strengthening Businesses (domestic & overseas, by industry)

※See Appendix 4 regarding data by industry of Figure 18 and 19.

Figure 18: Medium-term Prospects for Overseas Operations



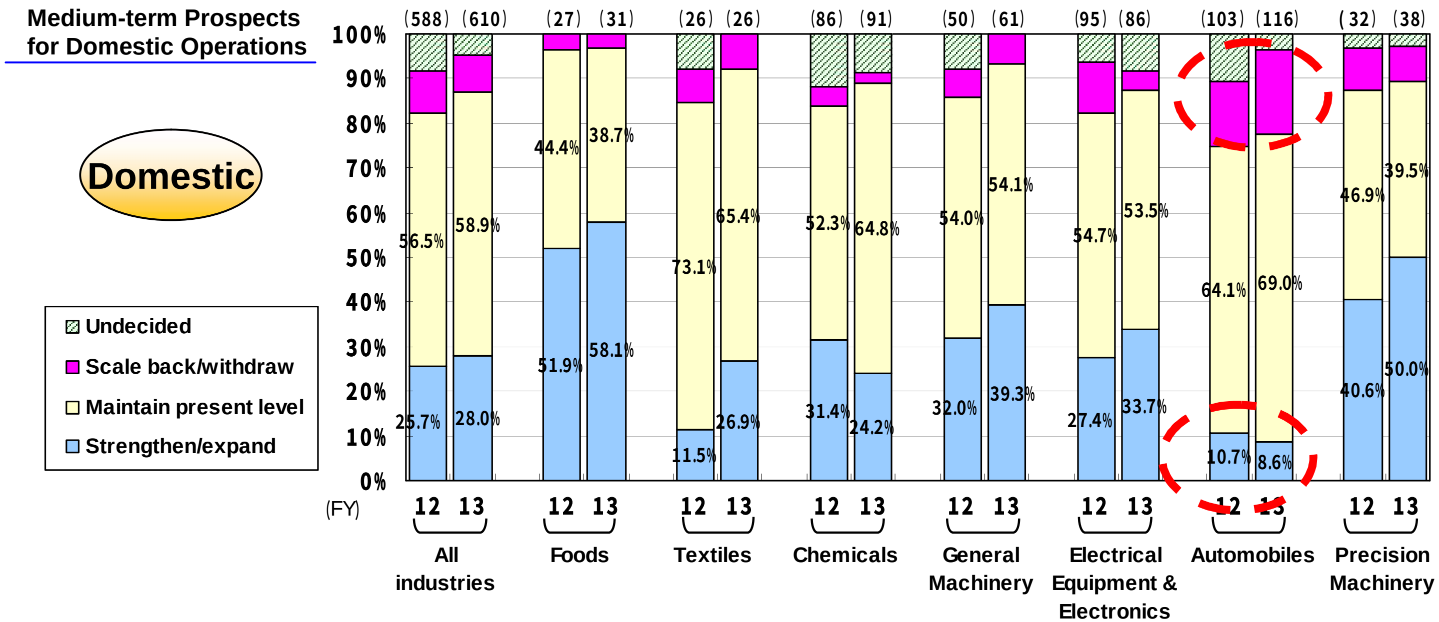
■Differences in stance of strengthening/expanding overseas business by industry grow more pronounced

- The stance of strengthening/expanding overseas business continues to be strong but the stance of maintaining the present level in electrical equipment & electronics, automobiles and precision machinery has increased.
- Meanwhile, in domestic demand industries such as foods, textiles and chemicals, the continued stance of strengthening overseas business is at a high level.

Note1: "Overseas operations" is defined as production, sales and R&D activities at overseas bases, as well as the outsourcing of manufacturing and procurement overseas.

Note 2: Numbers in parentheses above the bar graph indicate the number of companies that answered the question.

Figure 19: Medium-term Prospects for Domestic Operations



■Domestic business prospects stance shows more " strengthening/expanding" in many industries but the contractive stance for automobiles gets also stronger

- The stance of strengthening/expanding in a wide number of industries such as foods (58.1%), precision machinery (50.0%), general machinery (39.3%) and electrical equipment & electronics (33.7%) is strong in domestic business prospects.
- The stance of strengthening/expanding in automobiles has weakened with a simultaneous strengthening of a contractive stance at 19.0% (14.6% in the previous survey).
- This year's survey saw an increase in the stance of strengthening/expanding in domestic business prospects but the contractive stance in automobiles, which have a large knock-on effect on other industries, remained strong.

III. 3. Cross Analysis of Overseas Businesses and Domestic Business Prospects

■Just less than 90% (86.4%) of companies (500) that will expand overseas business over the medium term expect to maintain or expand domestic business

- Just less than 90% (86.4%, 432 companies) of companies (500) that will strengthen/expand overseas business over the medium term responded that they would maintain or expand domestic business. Compared to the previous survey, the number of companies that responded that they would expand overseas business and maintain or expand domestic business increased from 401 to 432. (Appendix)
- Meanwhile, 47 of the companies that will strengthen/expand overseas business responded that they expect to scale-back domestic business. Compared to the previous survey, there was a slight decrease in the number of companies that responded that they will expand overseas business and scale-back domestic business (53 →47 companies). When analyzing by industry type, approximately half of these companies (46.8%) were in the automobiles industry.

Figure 20: Cross Analysis of Overseas Businesses and Prospects of Domestic Businesses (n=608companies)

Medium-term Prospects (next 3 yrs. or so)			
Overseas business	**Domestic business**	No. of respondent companies	Proportion
Strengthen/expand (500 companies)	Strengthen/expand	151	30.2%
	Maintain present level	281	56.2%
	Scale back	47	9.4%
	Undecided	21	4.2%
Maintain present level (98 companies)	Strengthen/expand	18	18.4%
	Maintain present level	74	75.5%
	Scale back	1	1.0%
	Undecided	5	5.1%
Scale back/withdraw (10 companies)	Strengthen/expand	2	20.0%
	Maintain present level	3	30.0%
	Scale back	2	20.0%
	Undecided	3	30.0%

86.4%

Figure 21: Profile of Companies (47 companies) Which Selected to Expand Overseas Businesses, and Scale Back Prospects for the Number of Domestic Business

(1) Volume of net sales

	No. of companies choosing to decrease employees (A)	No. of respondent companies (B)	(A)/ (B)
¥1 trillion or more	2	40	5.0%
¥300 bn. up to ¥1 trillion	5	56	8.9%
¥100 bn. up to ¥300 bn.	11	108	10.2%
¥50 bn. up to ¥100 bn.	7	112	6.3%
¥10 bn. up to¥50 bn.	13	217	6.0%
Less than ¥10 bn.	9	82	11.0%
No Answer	0	10	–
Total	47	625	7.5%

(2) Volume of paid-in capital

	No. of companies choosing to decrease employees (A)	No. of respondent companies (B)	(A)/ (B)
Large Corporations	32	440	7.3%
Mid-tier firms/SMEs	15	171	8.8%
No answer/Holding company	–	14	–
Total	47	625	7.5%

(3) Industry

	No. of companies choosing to decrease employees (A)	No. of respondent companies (B)	(A)/ (B)
Automobiles	22	121	18.2%
Electrical Equipment & Electronics	3	89	3.4%
Chemicals	2	92	2.2%
General Machinery	4	61	6.6%
Precision Machinery	2	38	5.3%
Foods	1	32	3.1%
Textiles	2	26	7.7%
Metal Products	1	18	5.6%
Nonferrous Metals	3	17	17.6%
Steel	0	17	0.0%
Petroleum & Rubber	1	15	6.7%
Ceramics, Cement & Glass	1	18	5.6%
Transportation (excl.Automobiles)	1	11	9.1%
Paper, Pulp & Wood	1	12	8.3%
Other	3	58	5.2%
Total	47	625	7.5%

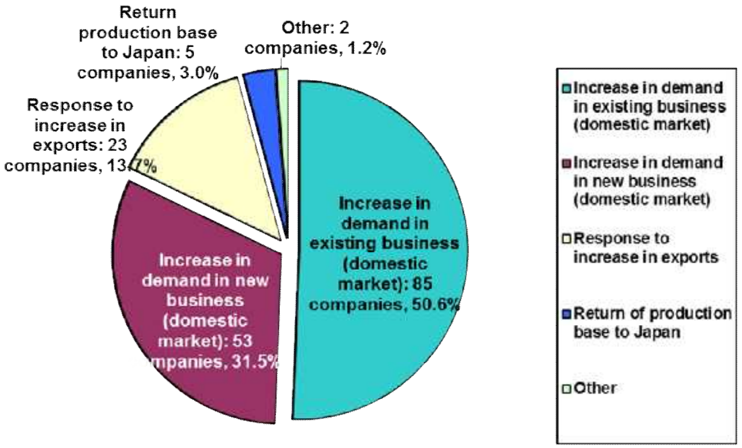
(Reference) Transition of the number of companies which will maintain or expand domestic business while expanding overseas business

Survey Year	FY2011	FY2012	FY2013
Ratio (%)	87.9	81.8	86.4
number of companies	445	401	432

Q. For companies who responded "strengthen/expand domestic businesses": Choose one main reason why you selected strengthen/expand for medium-term domestic business prospects.

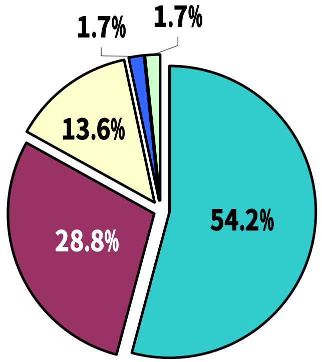
Figure 22: Reasons for Strengthening/Expanding Domestic Business

(1) All industries (No. of responding companies = 168)

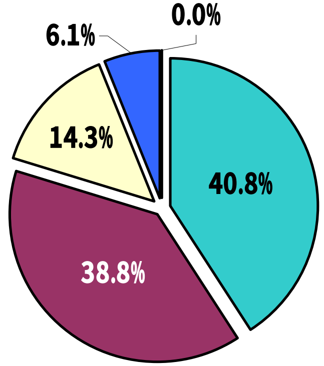


(2) Size of Company

① Large corporations (118)

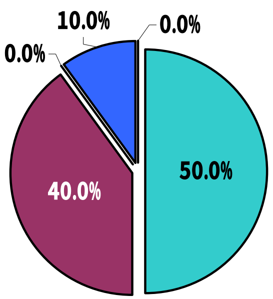


② Mid-tier firms/SMEs (49)

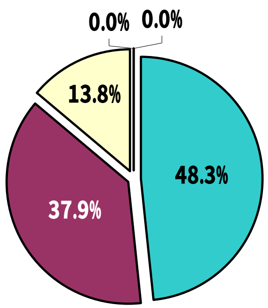


(3) Major Industries

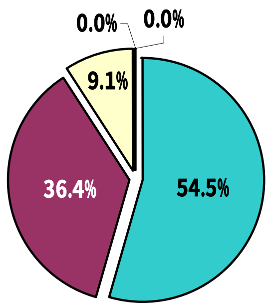
① Automobiles (10 companies)



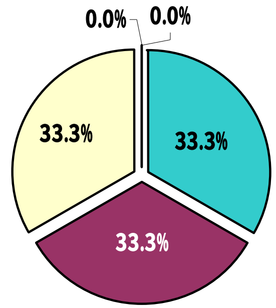
② Electrical Equipment & Electronics (29 companies)



③ Chemicals (22 companies)



④ General Machinery (24 companies)



■The main reason for strengthening/expanding domestic business is "increase in demand in existing business"

- Half of companies that responded that they will strengthen/expand domestic business gave their main reason as "increase in demand in existing business (domestic market)" (50.6%). The next most popular reasons were "increase in demand in new business (domestic market)" (31.5%) and "response to increase in exports" (13.7%) but only a few responded "return production base to Japan" (3.0%) with the background of the sharply weakening Yen in the second half of 2012. The main reason why domestic business prospects in this survey are slightly more favorable is to be considered to reflect the favorable business conditions of the domestic economy.

■Many mid-tier firms/SMEs also gave the reason for strengthening/expanding as "increase in demand in new business" (38.8%)

- Meanwhile, there was a comparatively strong trend of strengthening domestic business prospects among mid-tier firms/SMEs with the response of "increase in demand in new business" in comparison with large corporations. In interviews with companies, there were comments such as "despite the large reductions in parts orders from existing customers, the solar power-related business has strengthened due to the introduction of the feed-in tariff system and is currently favorable" (electrical equipment & electronics). It seems that mid-tier firms/SMEs are promptly responding to market transition.

III.5. Factors That Impact Domestic Business Prospects

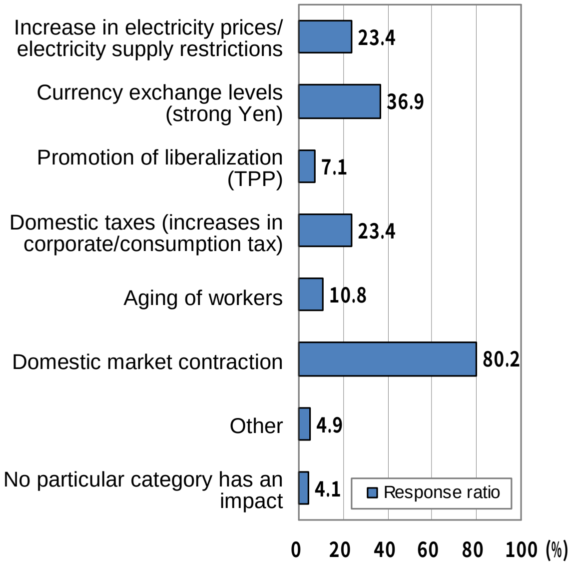
Q

What are the factors that impact domestic business over the medium term (the next 3 years or so)? Choose up to 3 reasons that you consider will cause a move to scale-back domestic business prospects.

Figure 23: Factors that impact Domestic Business Prospects

(1) All Industries

(No. of responding companies = 590)

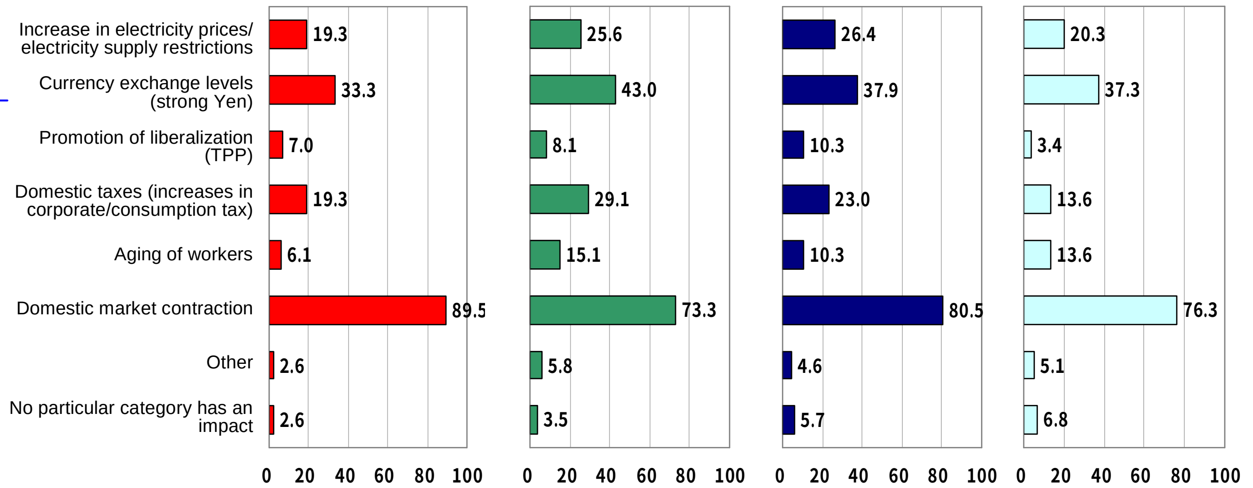


■The most negative factor for domestic business prospects is "domestic market contraction". Only a few responded "Promotion of liberalization of TPP, etc."

- When analyzed by all industry-type bases, 80% of responding companies chose "domestic market contraction", overwhelming all other choices. The next most popular choices were "currency exchange levels (strong Yen)" (36.9%) and "increase in electricity prices/electricity supply restrictions" (23.4%).
- When analyzing by industry type, both "domestic taxes" (29.1%) and "currency exchange levels (strong Yen)" (43.0%) in electrical equipment & electronics exceeded all industries.
- Increases in "domestic taxes" and "currency exchange levels (strong Yen)" were recognized to be more negative factors for companies with a domestic business prospects stance of strengthening/expanding (29.3% and 42.5% respectively).

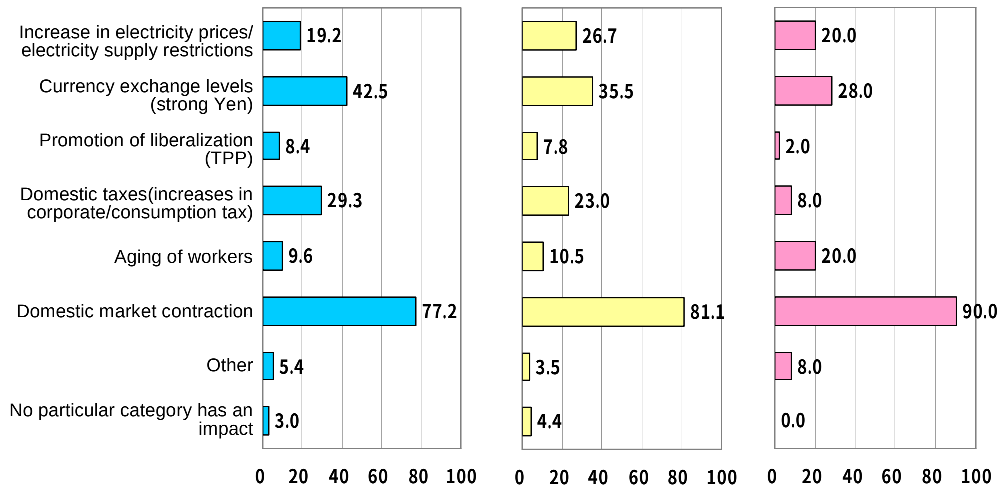
(2) Responses in Major Industries

① Automobiles (114 companies) ② Electrical Equipment & Electronics (86 companies) ③ Chemicals (87 companies) ④ General Machinery (59 companies)



(3) By Domestic Business Prospects

① Strengthen/Expand (167 companies) ② Maintain Present Level (344 companies) ③ Scale-back (50 companies)



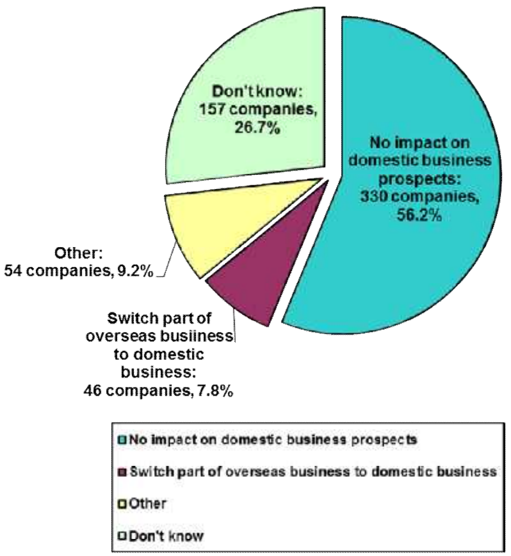
III.6. Domestic Business Prospects in the case of a Long-term Weak Yen

Q In a hypothesis where there is a long-term weak Yen, how do you see your domestic business prospects over the medium term (the next 3 years or so)?

Figure 24: Domestic Business Prospects in the case of a Long-term Weak Yen

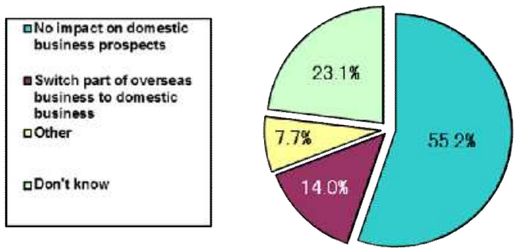
(1) All industries

(No. of responding companies = 587)

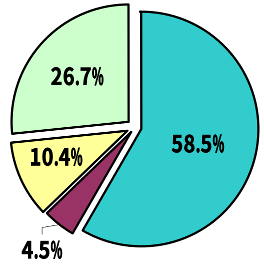


(2) Impact of a Weak Yen by Overseas Production Ratio

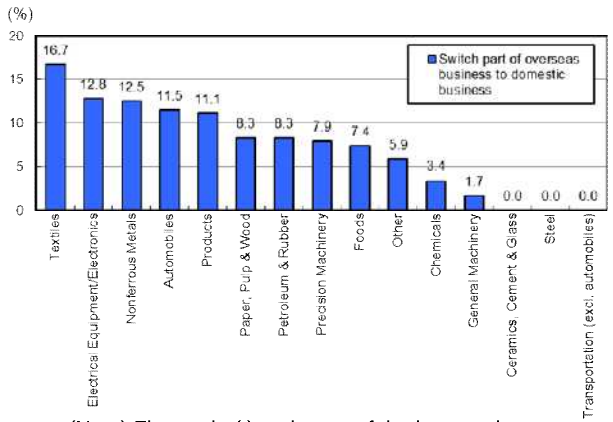
① Overseas Production Ratio of over 50% (143 companies)



② Overseas Production Ratio of less than 50% (337 companies)

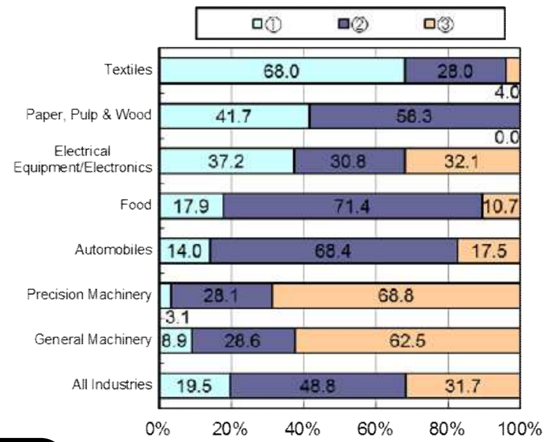


(3) Switch to Domestic Business by Industry Type



(Note) Figures in ( ) at the top of the bar graph = no. of responding companies for this question.

(Reference) Overseas Production Ratio and Overseas Sales Ratio Comparison



① Overseas Production Ratio ＞ Overseas Sales Ratio
② Overseas Production Ratio ＝ Overseas Sales Ratio
③ Overseas Production Ratio ＜ Overseas Sales Ratio

(Note) Figures in ( ) to the right of the bar graph = no. of responding companies for this question

■The response that a long-term weak Yen would have "no impact on domestic business prospects" dominates with approximately 60%

- Since the latter half of FY2012, the Yen has weakened rapidly but even if it weakens further, 56.2% of responding companies recognized that exchange rate fluctuations will have "no impact on domestic business prospects" when reviewing domestic business prospects.

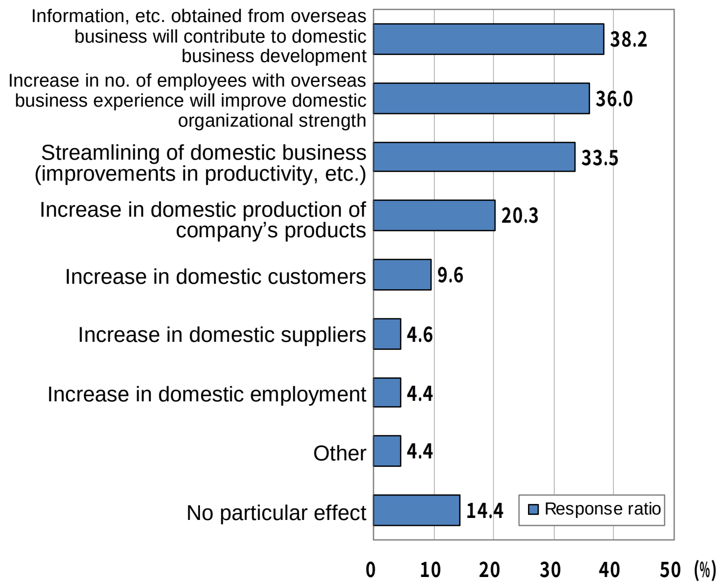
■Only a few companies responded that they would switch part of overseas business to domestic business

- Only a few companies (7.8%) responded that they would switch part of overseas business to domestic business. When analyzing by industry type, industries in which overseas sales ratio exceeds overseas production ratio such as textiles (16.7%) and electrical equipment & electronics (12.8%) obtained comparatively high response ratios.

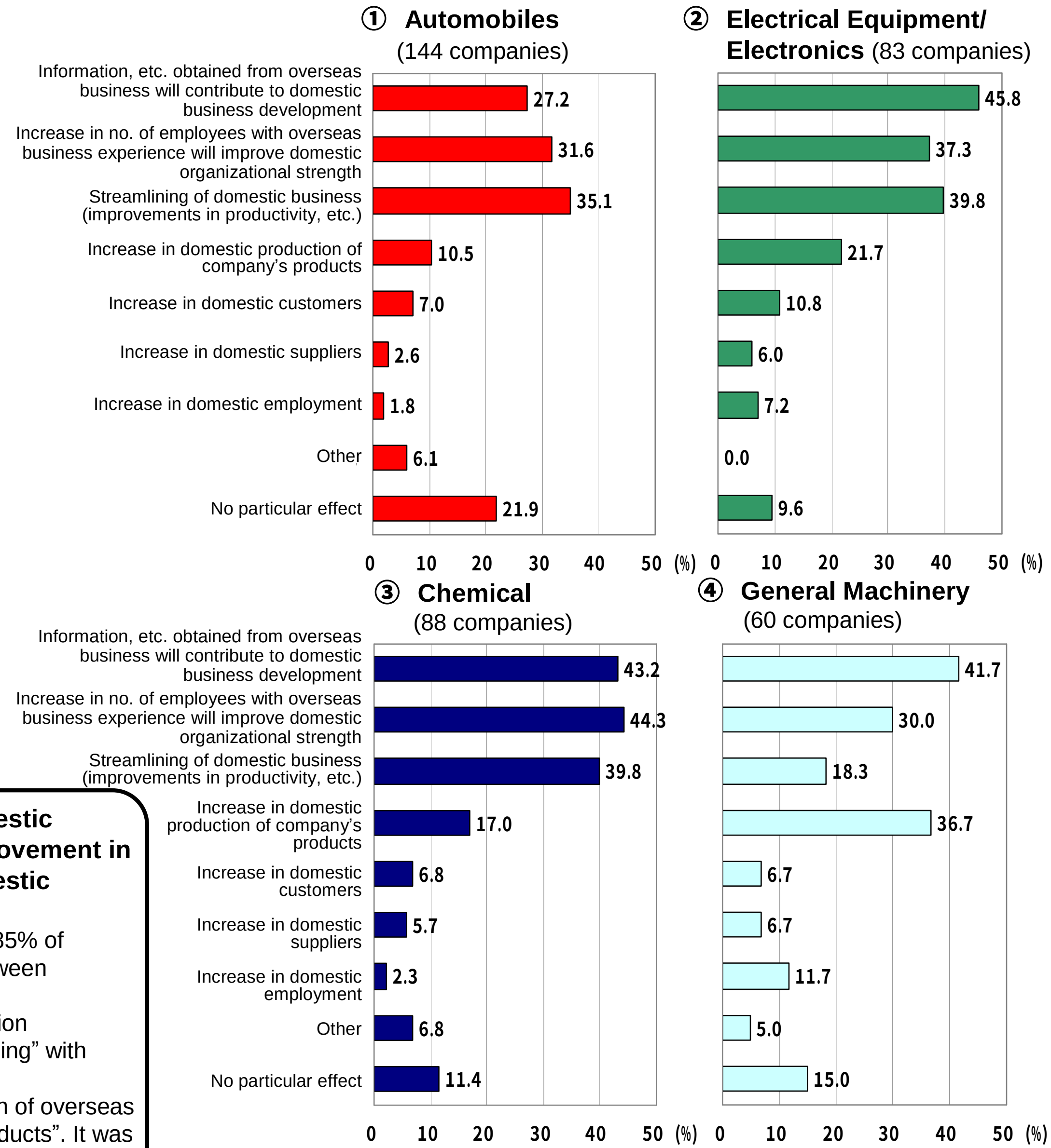
Q
How do think your domestic business prospects over the medium term (the next 3 years or so) will be affected by overseas business operations? (Multiple responses possible)

Figure 25: Effects of Overseas Business Operations on Domestic Business

(1) All industries (No. of responding companies = 591)



(2) Responses in Major Industries



■**The main effects of overseas business development on domestic business are "contribution to domestic development", "improvement in domestic organizational strength" and "streamlining of domestic business"**

- Disregarding the "no particular effect" response (14.4%), approximately 85% of responding companies recognized that there was a positive synergy between overseas and domestic businesses.
- In interviews, many companies stated that "a review of domestic production processes when constructing a global production system led to streamlining" with regards to "streamlining of domestic business".
- In general machinery, the second most popular response was "expansion of overseas business led to an increase in domestic production of the company's products". It was indicated that the expansion of overseas business contributes to quantitative expansion of domestic business.

IV. Promising Countries/Regions over the Medium-Term

IV. 1. Rankings of Promising Countries/Regions (Medium-term prospects)

Figure 26: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (multiple answers are possible)

※ See Appendix 1 for pre-FY2011 results of Figure 26 and for Promising Countries/Regions for Mid-tier firms/SMEs over the Medium Term)

Q

The respondents were each asked to name the top 5 countries that they consider to have promising prospects for business operations over the Medium-term (next 3 yrs. or so).

※ Percentage share = No. of respondents citing country/region / Total No. of respondent countries

Ranking 2013	←	Ranking 2012	Country/Region (Total)	No. of Companies 2013 (488)	No. of Companies 2012 (514)	Percentage Share(%) 2013	Percentage Share(%) 2012
1	↑	3	Indonesia	219	215	44.9	41.8
2	–	2	India	213	290	43.6	56.4
3	↑	4	Thailand	188	165	38.5	32.1
4	↓	1	China	183	319	37.5	62.1
5	–	5	Vietnam	148	163	30.3	31.7
6	–	6	Brazil	114	132	23.4	25.7
7	–	7	Mexico	84	72	17.2	14.0
8	↑	10	Myanmar	64	51	13.1	9.9
9	↓	8	Russia	60	64	12.3	12.5
10	↓	9	USA	54	53	11.1	10.3
11	↑	15	Philippines	39	21	8.0	4.1
12	↓	11	Malaysia	37	36	7.6	7.0
13	↓	12	Korea	28	23	5.7	4.5
14	–	14	Taiwan	23	22	4.7	4.3
14	↓	12	Turkey	23	23	4.7	4.5
16	–	16	Singapore	19	16	3.9	3.1
17	–	17	Cambodia	12	13	2.5	2.5
18	↑	20	Germany	10	6	2.0	1.2
18	↑	23	South Africa	10	3	2.0	0.6
20	↑	23	Laos	9	3	1.8	0.6

Note 1: In addition to the countries listed above, the following regions also gained responses: North America (26 companies, 5.3% of the total); Middle East /GCC (9 companies, 2.5% of the total); EU/Europe (8 companies, 1.6% of the total); ASEAN/Southeast Asia/other surrounding countries of Thailand (7 companies, 1.4% of the total).

Note 2: In case of the same ranking, listed by alphabetical order.

■Indonesia takes 1st place for the first time

- Indonesia took 1st place among promising countries/regions for the first time since 1992 when the survey questions took their current format. Indonesia obtained responses from a wide range of industries including automobiles and electrical equipment & electronics. The number of responding companies for China and India which were in 1st and 2nd place in the previous survey fell greatly and Indonesia beat 2nd place India by a hair's breadth to take 1st place.

■India took 2nd place but the number of responding companies fell greatly

- India took 2nd place as it did in the previous survey but showed a large decrease of 77 responding companies from 290 to 213.

■Thailand continues to be strong, rises to 3rd place

- The number of responding companies levelled out for Thailand due to the impacts of the floods, etc. but it rose to 3rd place in this survey with an increase of 18 companies based on no impact from the floods and a recently strong economy.

■China falls to 4th place. Interest in promising countries/regions reaches a turning point

- China has always maintained 1st place since this survey began but this time it lost a large voting ratio and a large number of responding companies to fall to 4th place. This showed that there are big changes afoot in the interests of Japanese manufacturing companies in promising countries/regions.

■The presence of ASEAN countries continues to be enhanced

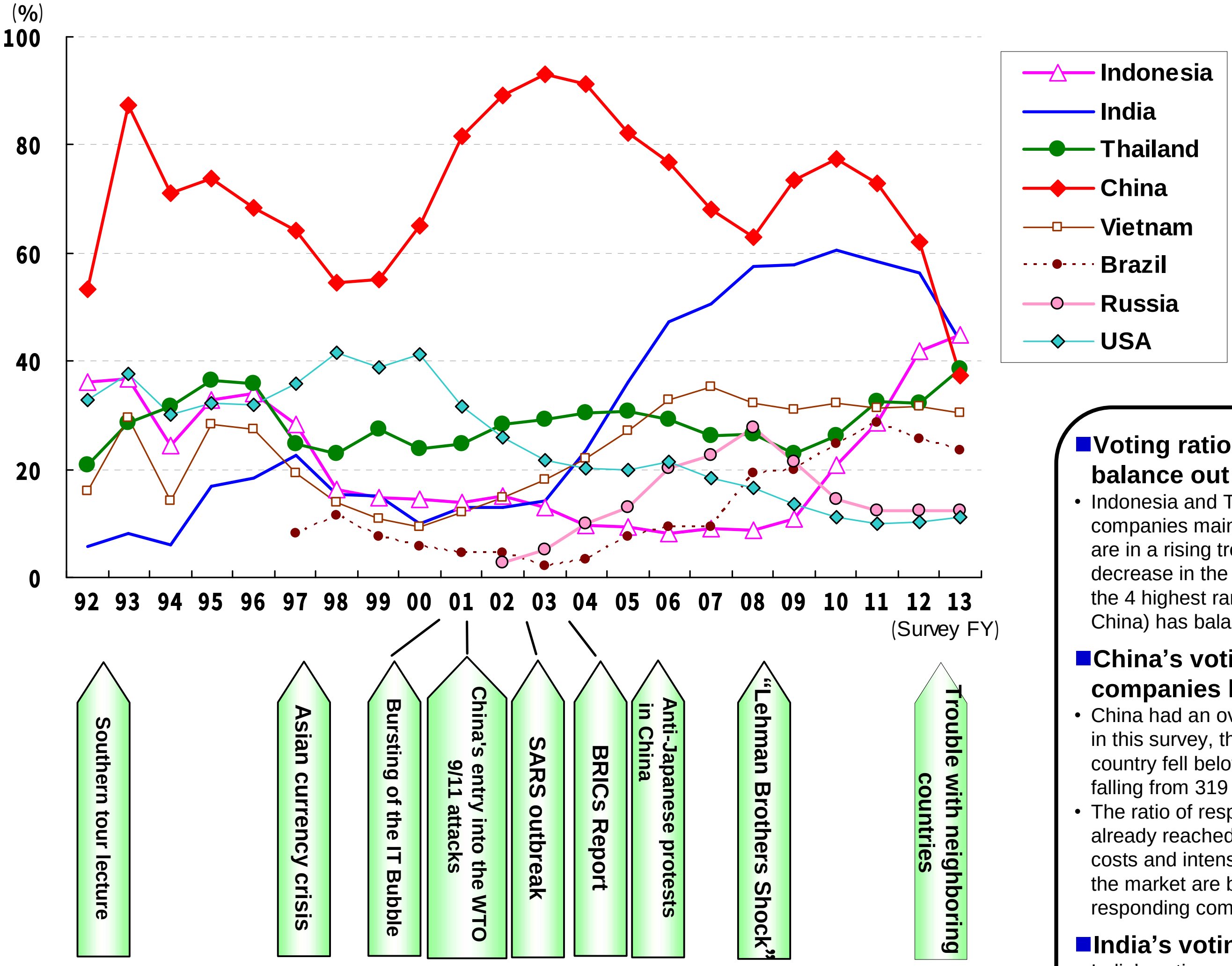
- A rise in rankings for ASEAN countries stood out in this survey with Indonesia, Thailand and Myanmar moving upwards as well as the Philippines rising to 11th place.
- Laos took 20th place in this year's survey and 9 of 10 ASEAN member countries were included in the top 20 promising countries/regions. The presence of ASEAN countries as promising countries/regions was further enhanced.

■South Africa recovered to take 18th place

- South Africa took up a place in the top 20 after an absence of 3 years. Taking advantage of TICADV which was held this year, higher interest in African countries as future promising countries/regions can be expected.

IV. 2. Promising Countries/Regions: Changes in Percentage Shares (8 main countries)

Figure 27: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares



(Reference) The Number of Companies Which Have One or More Overseas Affiliates of Production in China

Year of survey	No. of respondent	Proportion
FY2000	268	57.5%
FY2003	408	71.8%
FY2005	487	82.5%
FY2010	481	80.3%
FY2012	490	81.3%
FY2013	487	77.9%

Note: The ratio in the table shows the ratio of the number of companies which have one or more overseas affiliates of production in China to the number of responding companies to the question regarding the number of overseas affiliates.

■Voting ratios of highest placed promising countries balance out

- Indonesia and Thailand strongly increased the number of responding companies mainly due to local market expansion and their voting ratios are in a rising trend. Meanwhile, since China and India have had a large decrease in the number of responding companies, the voting share for the 4 highest ranking promising countries (Indonesia, India, Thailand and China) has balanced out at around 40%.

■China's voting ratio and number of responding companies hit an all-time low

- China had an overwhelming presence as a promising country/region but in this survey, the voting ratio that responded that China was a promising country fell below the 40% mark (37.5%) with responding companies falling from 319 to 183, an all-time low.
- The ratio of responding companies with production bases in China has already reached around 80% (Appendix). It can be inferred that rising costs and intensified competition as well as a break in new entries onto the market are behind the decrease in voting ratio and number of responding companies for China.

■India's voting ratio also fell dramatically

- India's voting ratio peaked in FY2010 and has been in a downward trend ever since but this year, it fell dramatically from 56.4% to 43.6%.
- However, the ratio of responding companies that had production affiliates in India was 21.6%, remaining at around the 20% mark and , in actual fact, few companies are currently moving into India.

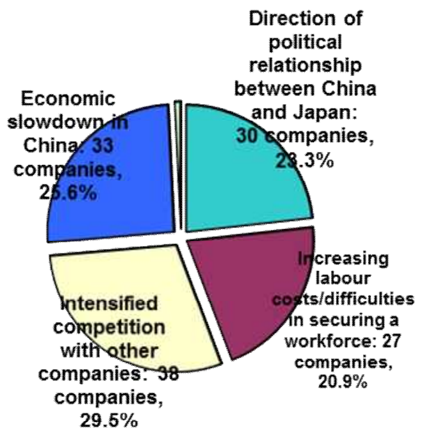
Figure 28: Detailed Analysis of Decrease in Number of Votes for China as a Promising Country

(1) Number of Votes for China as a Promising Country (common bases between previous survey and this year's survey)

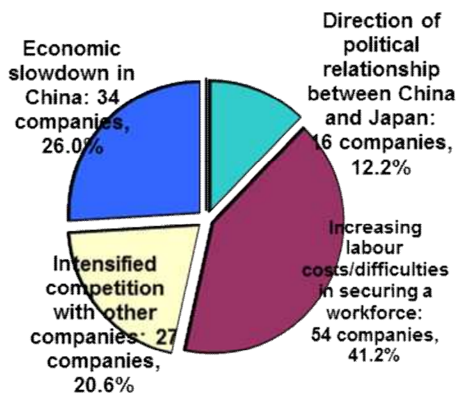
No. of companies that chose China as a promising country in previous survey (319) and that also respond to this survey	No. of companies that keep choosing China as a promising country in this survey (A)	No. of companies that stop choosing China as a promising country in this survey (B)
280	139	141

(2) Medium-term Concerns for Business in China

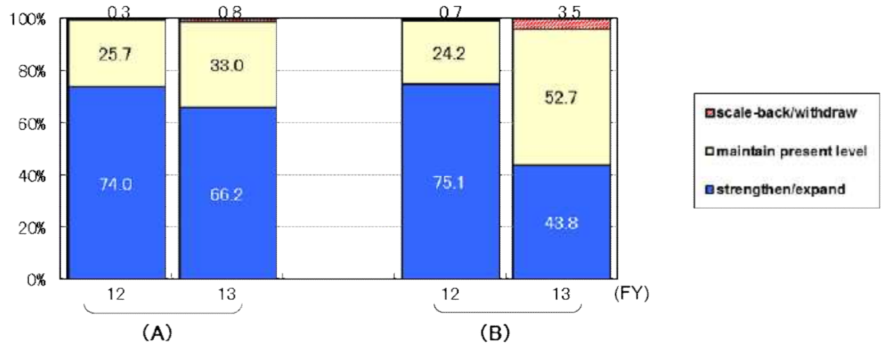
(A): 129 responding companies



(B): 131 responding companies



(3) Business Operation Prospects in China



■**The number of companies that chose China as a promising country in the previous survey and also choose China as a promising country in this year's survey decrease by half**

- 280 companies that chose China as a promising country in the previous survey respond this survey. Out of these, there are 139 companies that continuously choose China as a promising country in this survey and that is almost by half compared with the number above 280. (Figure 28(1))

■**The biggest concern for business in China among companies that don't choose China as a promising country in this survey is "rising labour costs/difficulties in securing a workforce" (41.2%)**

- Almost all companies that don't choose China as a promising country in this survey (B:141 companies) have businesses in China. The biggest concern of these companies for business in China is "rising labour costs/difficulties in securing a workforce" (41.2%). On the other hand, the response ratio for the concern for business in China among companies that choose China as a promising country in this survey (A:139 companies) is 20.9%. This indicates that companies that don't choose China as a promising country are even more seriously concerned about rising labour costs. (Figure 28(2))

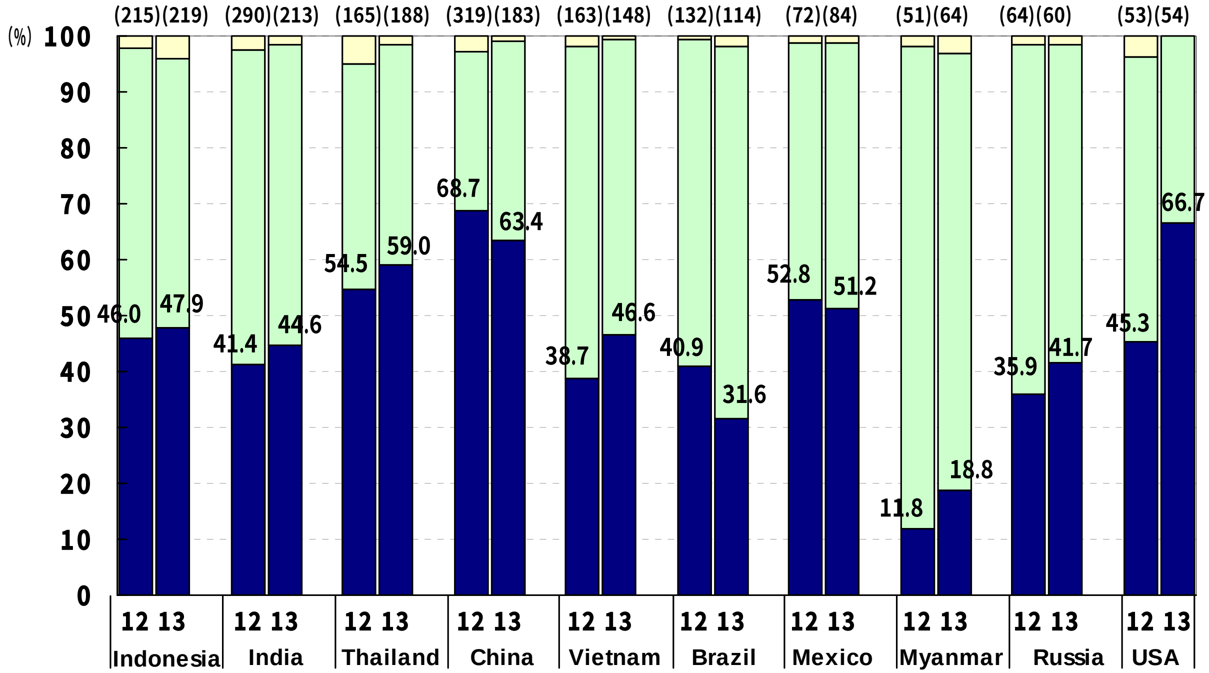
■**Business operations prospects for China for companies that don't choose China as a promising country shifted greatly to "maintaining present level"**

- The response ratio for "expand/strengthen" for business operations prospects in China for companies that don't choose China as a promising country in this survey falls from 75.1%→43.8% and "maintain present level" has a majority of 52.7%. However, only a very few companies choose "scale-back/withdraw" at 3.5% (10 companies). (Figure 28(3))

Q

Companies that named promising countries over the medium-term in Figure 26 were asked whether they had business plans for each of the countries they chose.

Figure 29: Existence of Real Business Plans in Promising Countries (FY2013 Survey)



Note 1: Each ratio in the graph was obtained by dividing each number of responding companies for "Plans exist", "No plans exist" and "No response" by the number of companies that responded as promising.
Note 2: The figures in parenthesis above the bar graph indicate the number of companies which responded to the countries as being promising.
Note 3: Refer to Appendix 8 regarding the number of responding companies for each choice.

■China continues in 1st place for number of companies that have business plans

- If the number of companies that have business plans is re-aggregated with the promising countries ranking in Figure 26, the result is Figure 30 and China takes 1st place again despite a decrease in responding companies in comparison with the previous survey.
- China also comes second in the ratio of "Plans exist" (63.4%) after the USA. It can be deduced that China is still placed as a promising country among companies that have specific plans.

■The number of countries with business plans balances out in China, Thailand, Indonesia and India

- The 4 top countries in accordance with aggregation of companies with business plans are: China (116 companies), Thailand (111 companies), Indonesia (105 companies) and India (95 companies) and interest in these 4 countries balanced out.

Figure 30: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) prospects

(Aggregated the number of companies which responded that "Plans exist")

Rank	Country	No. of respondent companies		Change from last survey Change (companies)
		2013	2012	
1	China	116	219	▲ 103
2	Thailand	111	90	21
3	Indonesia	105	99	6
4	India	95	120	▲ 25
5	Vietnam	69	63	6
6	Mexico	43	38	5
7	Brazil	36	54	▲ 18
7	USA	36	24	12
9	Russia	25	23	2
10	Korea	19	16	3

IV. 5. Rankings of Promising Countries/Regions (by industry, long-term prospects)

Figure 31: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) Prospects (by major industry)

Chemicals

Rank	Country	FY2013 (Total 71)	FY2012 (Total 71)
1	China	36	45
2	India	35	43
3	Indonesia	33	26
4	Thailand	30	25
5	Brazil	20	14
6	Vietnam	17	21
7	Mexico	12	7
8	USA	10	12
9	Malaysia	7	11
10	Philippines	5	3
10	Singapore	5	7

Automobiles

Rank	Country	FY2013 (Total 97)	FY2012 (Total 95)
1	Indonesia	56	54
2	India	54	66
3	Thailand	44	32
4	Mexico	39	37
5	China	33	60
6	Brazil	26	34
7	Russia	20	18
7	Vietnam	20	15
9	Myanmar	12	9
10	USA	9	6

Electrical Equipment & Electronics

Rank	Country	FY2013 (Total 67)	FY2012 (Total 81)
1	India	31	43
2	China	24	55
3	Brazil	22	25
4	Thailand	21	22
5	Indonesia	20	24
6	Vietnam	18	29
7	Philippines	8	8
8	Myanmar	7	5
8	Mexico	7	2
10	Korea	6	6
10	Russia	6	6

General Machinery

Rank	Country	FY2013 (Total 55)	FY2012 (Total 47)
1	India	27	26
2	Thailand	23	17
3	China	22	29
4	Indonesia	21	23
5	Brazil	18	13
6	Vietnam	15	17
7	Russia	11	9
8	USA	10	4
9	Mexico	8	5
10	Malaysia	5	1
10	Turkey	5	6

Figure 32: Promising Countries/Regions for Overseas Operations over the Long-term (next 10 yrs. or so) Prospects (by major industry)

Rank	Country	No. of respondent companies (Total 360)	Point gaining ratio	Change from last survey Change (companies)
1	India	191	53.1%	▲ 60
2	China	139	38.6%	▲ 79
3	Indonesia	135	37.5%	▲ 14
4	Brazil	114	31.7%	▲ 26
5	Thailand	99	27.5%	▲ 4
6	Vietnam	96	26.7%	▲ 14
7	Myanmar	75	20.8%	10
8	Russia	65	18.1%	▲ 13
9	Mexico	47	13.1%	1
9	USA	47	13.1%	13

Note: The number of responded companies in the previous survey (FY2012 Survey) was 387. Refer to Appendix 1 regarding ranking in the previous survey.

■Major industries: Instead of China, the attraction of other countries is relatively high

・In the previous survey, China was ranked 1st in 3 industries: chemicals, electrical equipment & electronics and general machinery but in this survey, it fell to 2nd place in electrical equipment & electronics and 3rd place in general machinery. Automobiles also fell quite far for China from 2nd to 5th place. Indonesia took 1st place in automobiles and India took 1st place in both electrical equipment & electronics and general machinery. These both rose in the rankings due to China's fall.

■Long-term promising countries: India has been in 1st place since the FY2010 survey

・Despite slight fluctuations in rankings, the top 10 countries are the same as those in the previous survey. The evaluation of degrees of satisfaction with profits that show that recent business performance is weak but the majority (53.3%) of responding companies nominate India as a promising country over the long term. This indicates that many companies have continued expectations concerning the economic potential of India.

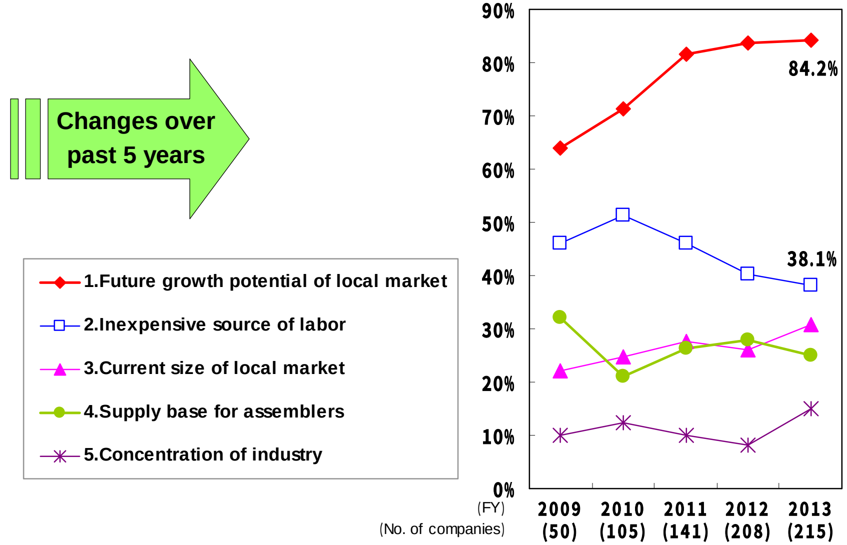
・It should be noted that with the decrease in the number of responding companies overall, the number of responding companies rose for 3 countries in the top 10: USA, Myanmar and Mexico.

No.1: Indonesia

※ Refer to Appendix 2, 3 for details of reasons for being promising for the top ten promising countries over the medium-term and issues.

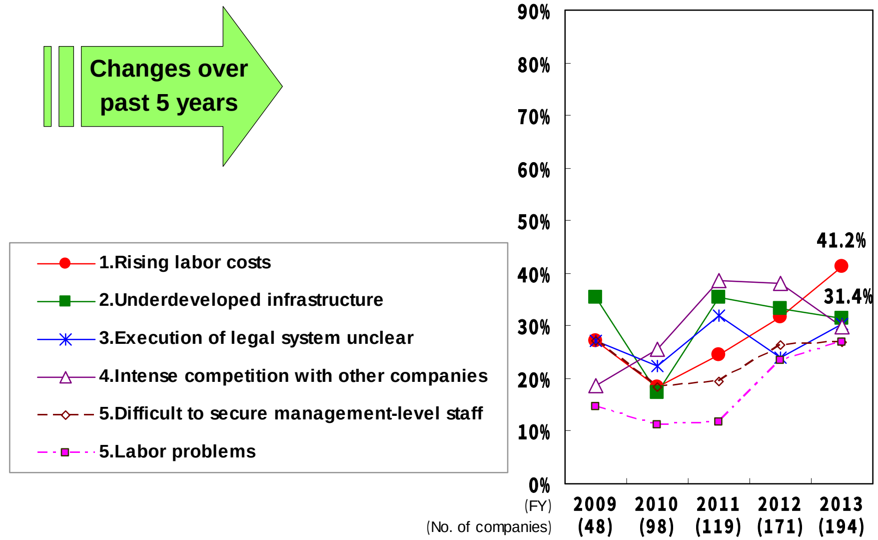
Reasons

(Total No. of respondent companies: 215)		No. of companies (Note 1)	Ratio (Note 2)
1	Future growth potential of local market	181	84.2%
2	Inexpensive source of labor	82	38.1%
3	Current size of local market	66	30.7%
4	Supply base for assemblers	54	25.1%
5	Concentration of industry	32	14.9%



Issues

(Total No. of respondent companies: 194)		No. of companies	Ratio
1	Rising labor costs	80	41.2%
2	Underdeveloped infrastructure	61	31.4%
3	Execution of legal system unclear	59	30.4%
4	Intense competition with other companies	58	29.9%
5	Difficult to secure management-level staff	52	26.8%
5	Labor problems	52	26.8%



- The top reason for being promising remained "future growth potential of local market" (84.2%). The 2nd ranked reason was "inexpensive source of labor" but the response ratio of 38.1% has continued its downward trend since its peak (FY2010). The result shows further recognition of the attractiveness of the Indonesian market with its population of 250 million.
- In this survey, "rising labor costs" (41.2%) took the top place in issues for the first time. The response ratio for 5th ranked "labor problems" is also gradually increasing. Approximately 30% of responding companies also recognized the 2nd ranked issue of "underdeveloped infrastructure". Indonesia took 1st place as the most promising country but it should be noted that there is also a gradual increase in issues.

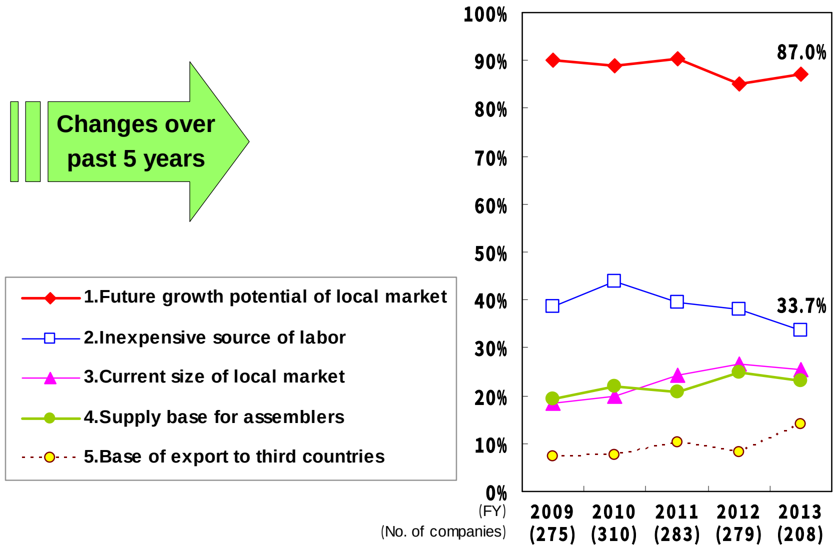
Note 1: The "No. of companies" here refers to the number of companies that responded to questions concerning "reasons for being a promising country" and "issues" out of the number of companies that listed the country/region in Figure 26. For this reason, the number of companies here may not be the same as in Figure 26.
Note 2: "Ratio" refers to the number of companies that cited "reasons for being a promising country" or "issues " divided by the total number of respondent companies.

No.2: India

Reasons

	(Total No. of respondent companies: 208)	No. of companies	Ratio
1	Future growth potential of local market	181	87.0%
2	Inexpensive source of labor	70	33.7%
3	Current size of local market	53	25.5%
4	Supply base for assemblers	48	23.1%
5	Base of export to third countries	29	13.9%

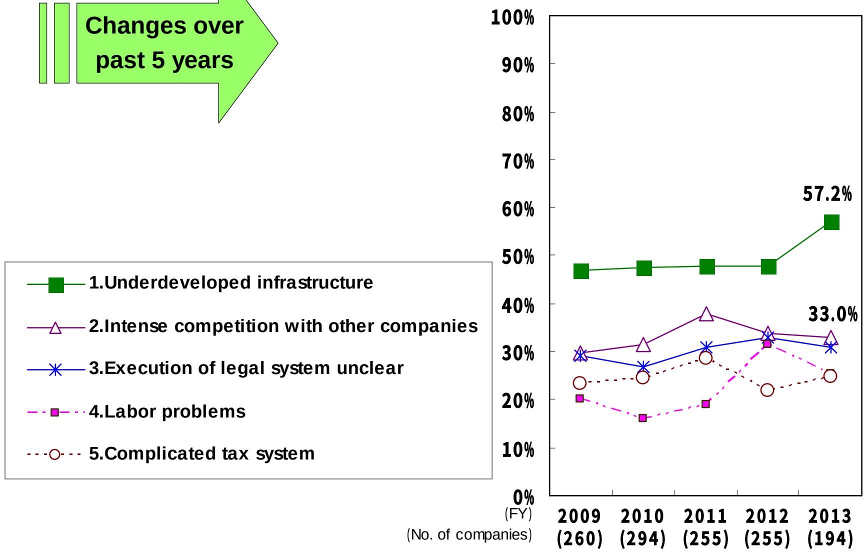
Changes over past 5 years



Issues

	(Total No. of respondent companies: 194)	No. of companies	Ratio
1	Underdeveloped infrastructure	111	57.2%
2	Intense competition with other companies	64	33.0%
3	Execution of legal system unclear	60	30.9%
4	Labor problems	49	25.3%
5	Complicated tax system	48	24.7%

Changes over past 5 years



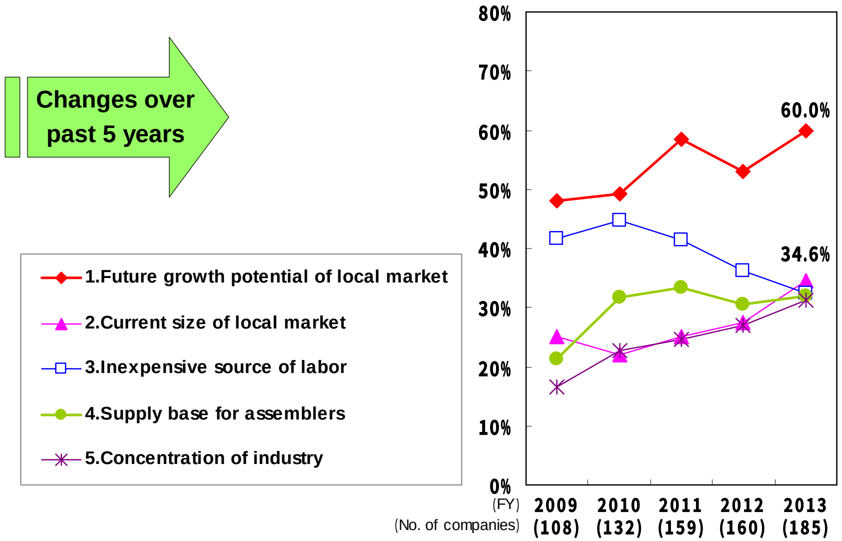
- The top reason for being promising remained “future growth potential of local market” (87.0%). In this survey, the number of companies that choose India as promising among medium-term promising countries/regions for business operations was observed to have fallen dramatically but it was indicated that approximately 90% of companies that responded that India was promising continue to have expectations of growth in the Indian market.
- The top issue remained “underdeveloped infrastructure” (57.2%) and the response ratio also increased. While there is a decrease in companies that continued to respond that India is promising, there is an indication that companies recognize even more strongly that the development of the infrastructure is an issue.

No.3 : Thailand

Reasons

	(Total No. of respondent companies: 185)	No. of companies	Ratio
1	Future growth potential of local market	111	60.0%
2	Current size of local market	64	34.6%
3	Inexpensive source of labor	60	32.4%
4	Supply base for assemblers	59	31.9%
5	Concentration of industry	58	31.4%

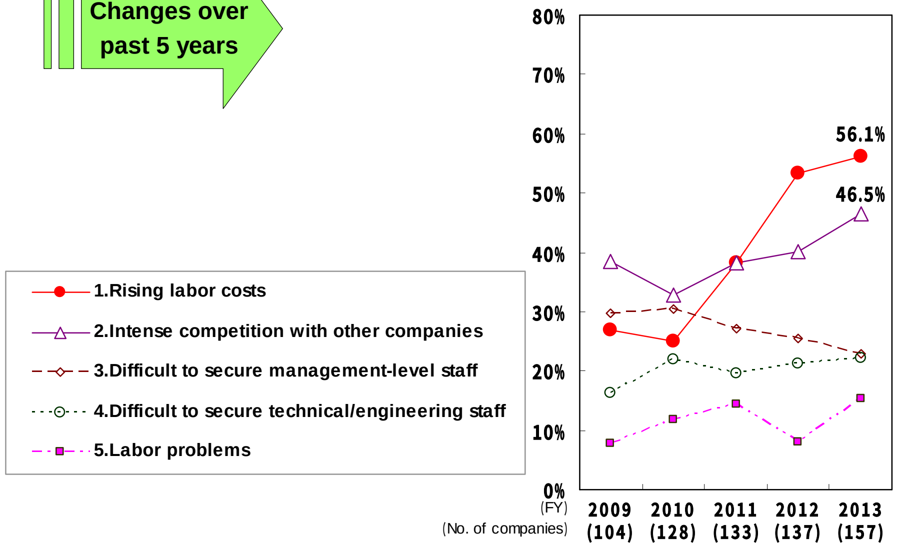
Changes over past 5 years



Issues

	(Total No. of respondent companies: 157)	No. of companies	Ratio
1	Rising labor costs	88	56.1%
2	Intense competition with other companies	73	46.5%
3	Difficult to secure management-level staff	36	22.9%
4	Difficult to secure technical/engineering staff	35	22.3%
5	Labor problems	24	15.3%

Changes over past 5 years



- The top reason for being promising remained "future growth potential of local market" (60.0%) and the expansion of the market was evaluated. Meanwhile, in the case of Thailand, "supply base for assemblers" (31.9%), "concentration of industry" (31.4%) were also high, and it is also very attractive as a production base. The evaluation is that diverse attractions pushed Thailand up to 3rd place in the rankings for promising countries.
- Meanwhile, there is a continued high level of "rising labor costs" (56.1%) from the aspect of issues. It is presumed that the impact of the minimum wage increase that was introduced in April, 2012 is behind this. In addition, the 2nd ranked "intense competition with other companies" increased to 46.5%. It is also recognized that another continued issue is the opinion that it is difficult to secure management-level staff and technical/engineering staff. Thailand has a lot of different attractions but it should be noted that there is a more difficult business environment with rising labor costs and intensified competition.

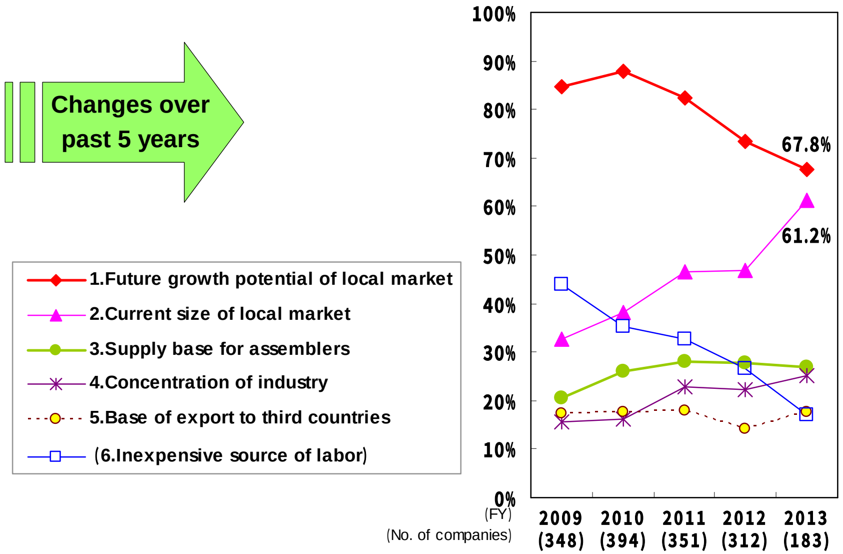
No.4: China

Reasons

(Total No. of respondent companies: 183)

		No. of companies	Ratio
1	Future growth potential of local market	124	67.8%
2	Current size of local market	112	61.2%
3	Supply base for assemblers	49	26.8%
4	Concentration of industry	46	25.1%
5	Base of export to third countries	32	17.5%

Changes over past 5 years

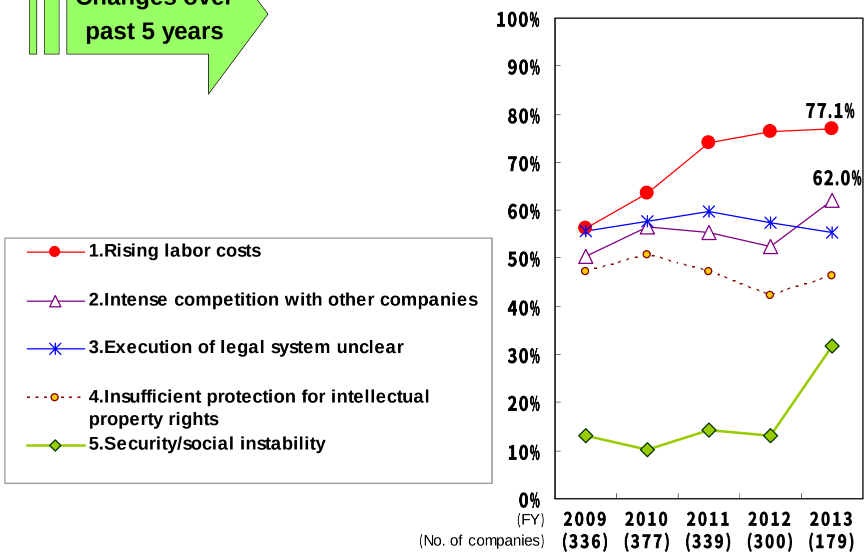


Issues

(Total No. of respondent companies: 179)

		No. of companies	Ratio
1	Rising labor costs	138	77.1%
2	Intense competition with other companies	111	62.0%
3	Execution of legal system unclear	99	55.3%
4	Insufficient protection for intellectual property rights	83	46.4%
5	Security/social instability	57	31.8%

Changes over past 5 years



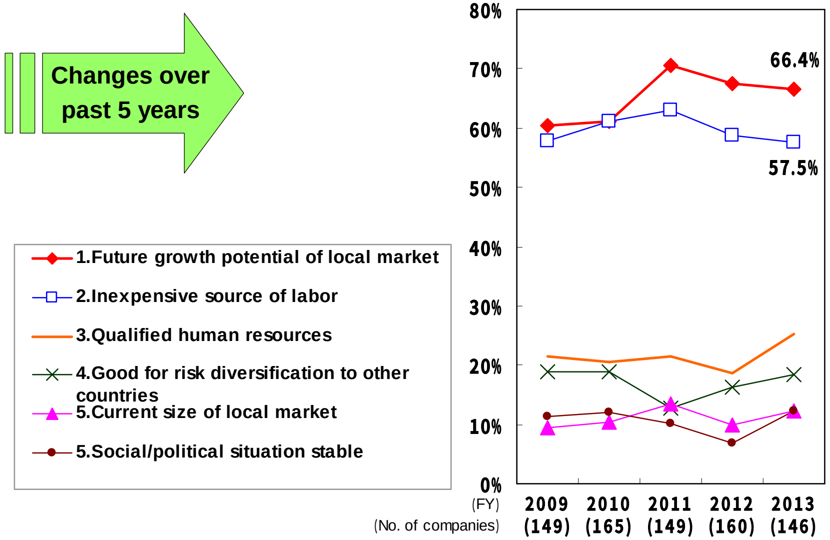
- The top reason for being promising remained "future growth potential of local market" (67.8%). It is in a downward trend since its peak in the FY2010 survey but this still continued to be the top reason for being promising. In addition, the response ratio for the 2nd ranked "current size of local market" rose dramatically to 61.2%. On the other hand, "inexpensive source of labor" (16.9%) fell to 6th place. It can be deduced that companies that choose China as promising are focusing on promise as a market rather than as an inexpensive source of labor.
- The top issue was "rising labor costs" (77.1%) followed by "intense competition with other companies" (62.0%), "execution of legal system unclear" (55.3%) and "insufficient protection for intellectual property rights" (46.4%) which are currently highlighted as issues by many companies. Furthermore, with the boycott of last summer, etc. there was a dramatic increase in "security/social instability" (31.8%).

No.5: Vietnam

Reasons

(Total No. of respondent companies: 146)		No. of companies	Ratio
1	Future growth potential of local market	97	66.4%
2	Inexpensive source of labor	84	57.5%
3	Qualified human resources	37	25.3%
4	Good for risk diversification to other countries	27	18.5%
5	Current size of local market	18	12.3%
5	Social/political situation stable	18	12.3%

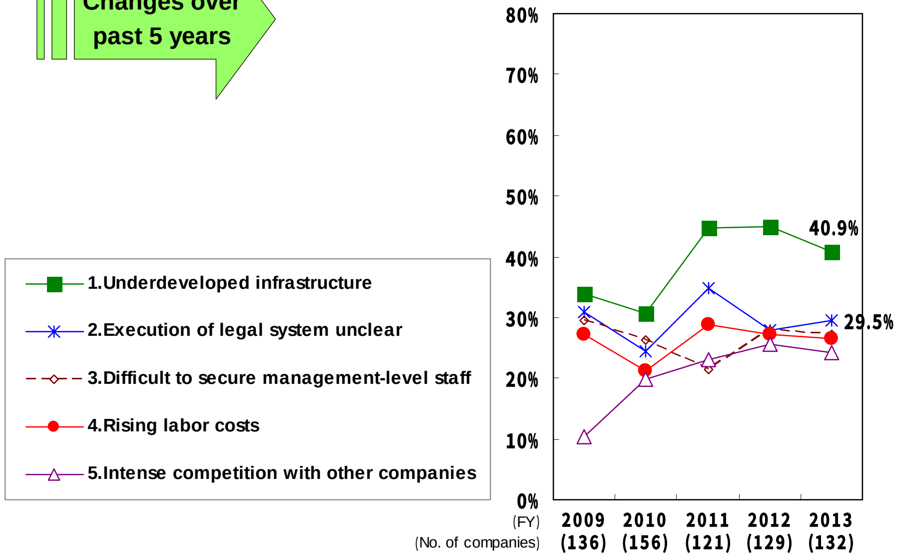
Changes over past 5 years



Issues

(Total No. of respondent companies: 132)		No. of companies	Ratio
1	Underdeveloped infrastructure	54	40.9%
2	Execution of legal system unclear	39	29.5%
3	Difficult to secure management-level staff	36	27.3%
4	Rising labor costs	35	26.5%
5	Intense competition with other companies	32	24.2%

Changes over past 5 years



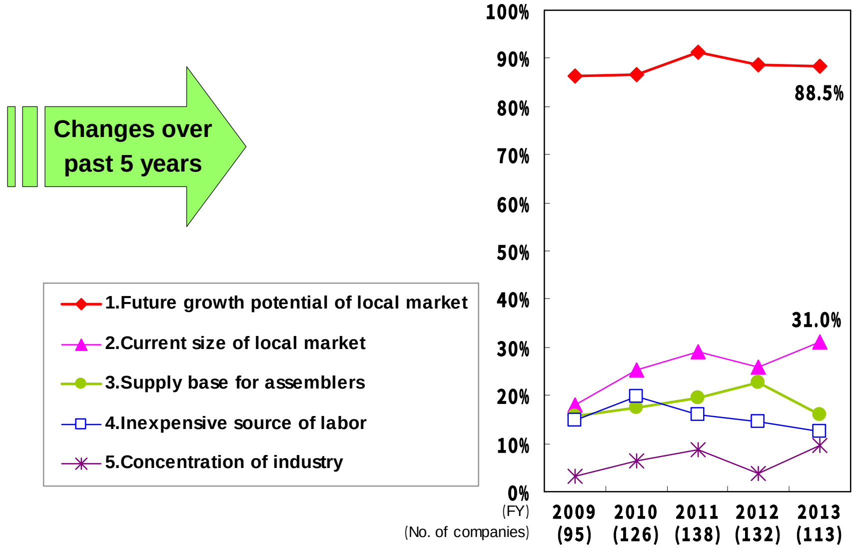
- The top reason for being promising remained "future growth potential of local market" (66.4%). 2nd place was "inexpensive source of labor" (57.5%) and 3rd place was "qualified human resources" (23.5%). A characteristic of Vietnam is that it is highly evaluated for labor costs and quality of personnel in comparison with other highly ranked promising countries. Another characteristic of Vietnam is that it is "good for risk diversification for other countries" (4th place, 18.5%) as a reason for being highly ranked as a promising country.
- The top issue remained "underdeveloped infrastructure" (40.9%). In company interviews, specific issues such as transportation time on major roads and power cuts were raised. Non-infrastructure issues are also recognized by around 30% of companies: "difficult to secure management-level staff" (27.3%), "rising labor costs" (26.5%), "execution of legal system unclear" (29.5%) and "intense competition with other companies" (24.2%).

No. 6: Brazil

Reasons

(Total No. of respondent companies: 113)

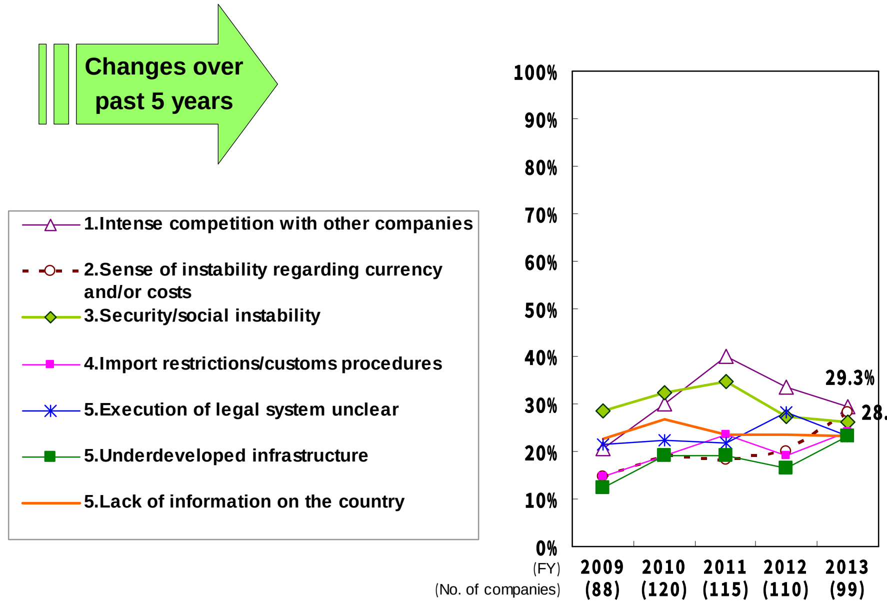
		No. of companies	Ratio
1	Future growth potential of local market	100	88.5%
2	Current size of local market	35	31.0%
3	Supply base for assemblers	18	15.9%
4	Inexpensive source of labor	14	12.4%
5	Concentration of industry	11	9.7%



Issues

(Total No. of respondent companies: 99)

		No. of companies	Ratio
1	Intense competition with other companies	29	29.3%
2	Sense of instability regarding currency and/or costs	28	28.3%
3	Security/social instability	26	26.3%
4	Import restrictions/customs procedures	24	24.2%
5	Execution of legal system unclear	23	23.2%
5	Underdeveloped infrastructure	23	23.2%
5	Lack of information on the country	23	23.2%



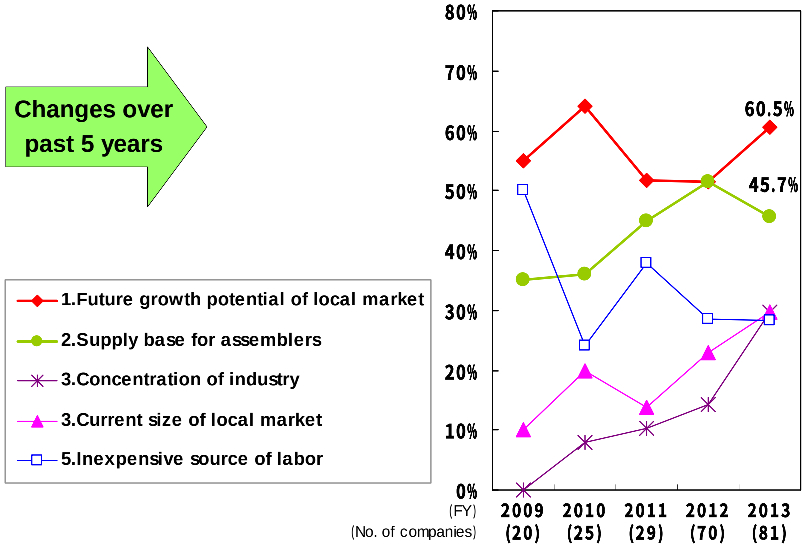
- When analyzing the number of responding companies for medium-term promising countries for business operations, there has been a decrease of 18 companies from the previous survey to 114 companies that see Brazil as a promising country and although it remained as a promising country for Japanese companies, Brazil has recently begun to drag its feet with a slowing of its economy. Approximately 90% of responding companies selected "future growth potential of local market" as a reason for Brazil being promising. By industry type, a wide variety of industries are gaining popularity: automobiles: 26 companies, electrical equipment & electronics: 22 companies, chemicals: 20 companies and general machinery: 18 companies.
- In keeping with the previous survey, the top issue was "intense competition with other companies" at 29.3% but this response ratio is in a downward trend. In addition, there was an increase in "sense of instability regarding currency and/or costs" to 28.3%. Brazil is the only country among those at the top of the rankings for which top-ranked issues were raised. Many other issues pertaining to the business environment were raised such as security/social instability, import restrictions/customs procedures, execution of legal system unclear, underdeveloped infrastructure and lack information on the country.

No. 7: Mexico

Reasons

	(Total No. of respondent companies: 81)	No. of companies	Ratio
1	Future growth potential of local market	49	60.5%
2	Supply base for assemblers	37	45.7%
3	Concentration of industry	24	29.6%
3	Current size of local market	24	29.6%
5	Inexpensive source of labor	23	28.4%

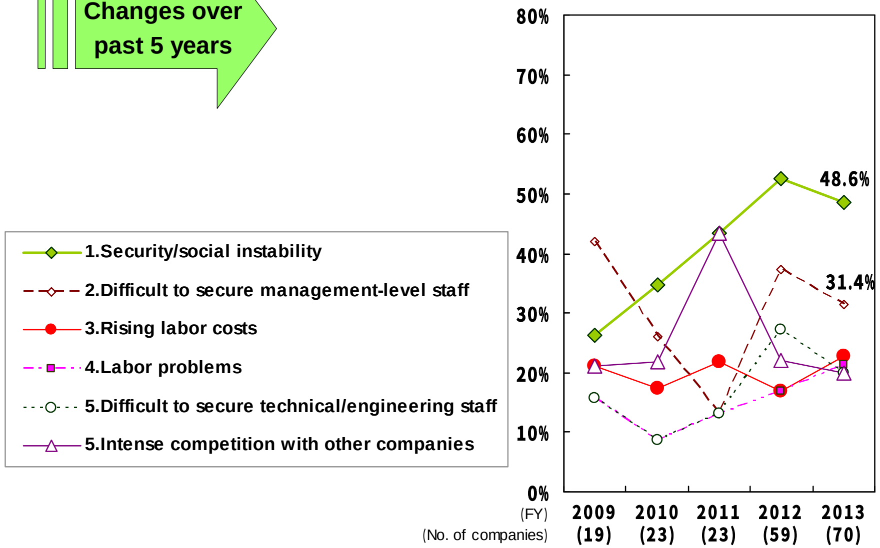
Changes over past 5 years



Issues

	(Total No. of respondent companies: 70)	No. of companies	Ratio
1	Security/social instability	34	48.6%
2	Difficult to secure management-level staff	22	31.4%
3	Rising labor costs	16	22.9%
4	Labor problems	15	21.4%
5	Difficult to secure technical/engineering staff	14	20.0%
5	Intense competition with other companies	14	20.0%

Changes over past 5 years



- When analyzing the 84 companies that responded that Mexico is a promising country by industry type, a characteristic that stood out is that 39 of these companies are automobile-related. Mexico has agreements with many FTAs and EPAs including NAFTA and in addition to the local market being attractive, it is highly popular as a supply base for North and South America. Japanese automobile assembly manufacturers are also moving into Mexico and parts manufacturers, etc. are actively making efforts to move to Mexico.
- “Future growth potential of local market” increased to 60.5% as a reason for Mexico being promising. In addition, “supply base for assemblers” had a high level at 45.7% as well as “concentration of industry” at 29.6%.
- Mexico’s top issue is “security/social instability” which was raised by half of the responding companies. Other issues are appearing on the labor front such as rising labor costs.

No. 8: Myanmar

Reasons

	(Total No. of respondent companies: 60)	No. of companies	Ratio
1	Inexpensive source of labor	42	70.0%
2	Future growth potential of local market	32	53.3%
3	Good for risk diversification to other countries	12	20.0%
4	Qualified human resources	6	10.0%
4	Base of export to third countries	6	10.0%

Issues

	(Total No. of respondent companies: 56)	No. of companies	Ratio
1	Underdeveloped infrastructure	36	64.3%
2	Underdeveloped legal system	27	48.2%
3	Lack of information on the country	18	32.1%
4	Execution of legal system unclear	15	26.8%
5	Difficult to secure management-level staff	14	25.0%
5	Security/social instability	14	25.0%

- The biggest attraction of Myanmar is "inexpensive source of labour" (70.0%), the highest ratio of the top 10 promising countries. In 2nd place was "future growth potential of local market" (53.3%) which showed that the majority of companies have expectations of the economic potential of Myanmar. As shown by an increase in the number of responding companies by industry type, a wide variety of industry types are showing an interest. There is also an increase in the number of companies that "have business plans" (6 →12 companies).
- The top issue is the same as in the previous survey, "underdeveloped infrastructure" (64.3%). 2nd place was "underdeveloped legal system" (48.2%). Meanwhile, the issue that was ranked 2nd in the previous survey, "security/social instability", fell to 5th place in this year's survey.

[Changes in Reasons as Promising/Issues]

(companies)

Reasons	FY2012		FY2013	
No. of respondent companies	48		60	
Inexpensive source of labor	35	72.9%	42	70.0%
Future growth potential of local market	24	50.0%	32	53.3%
Good for risk diversification to other countries	7	14.6%	12	20.0%
Qualified human resources	7	14.6%	6	10.0%
Base of export to third countries	6	12.5%	6	10.0%

(companies)

Issues	FY2012		FY2013	
No. of respondent companies	43		56	
Underdeveloped infrastructure	31	72.1%	36	64.3%
Underdeveloped legal system	21	48.8%	27	48.2%
Lack of information on the country	16	37.2%	18	32.1%
Execution of legal system unclear	14	32.6%	15	26.8%
Difficult to secure management-level staff	12	27.9%	14	25.0%
Security/social instability	22	51.2%	14	25.0%

[Number of responses by industry]

(companies)

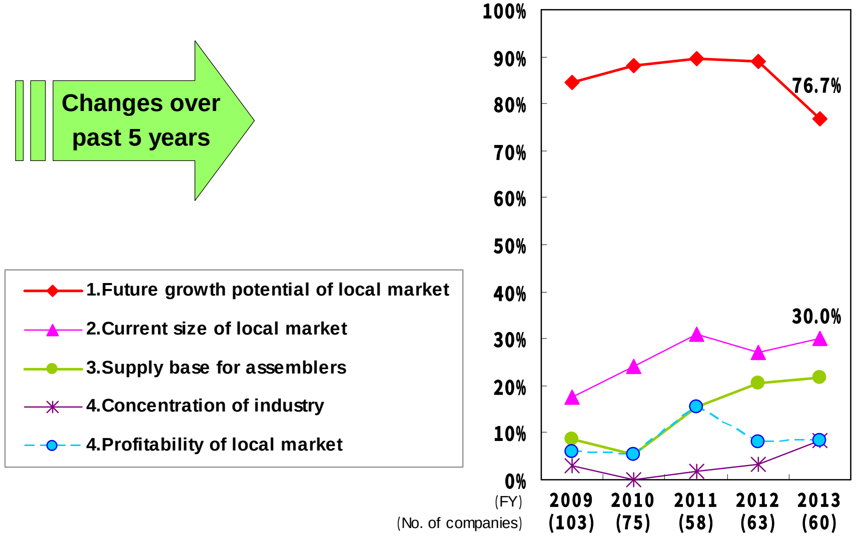
	FY2012	FY2013		
			year-on-year	Plans exist
Foods	5	4	-1	1
Textiles	10	6	-4	2
Paper, Pulp & Wood	3	5	+2	1
Chemicals	2	4	+2	1
Petroleum & Rubber	2	2	0	-
Ceramics, Cement & Glass	2	4	+2	-
Steel	4	4	0	1
Nonferrous Metals	0	3	+3	-
Metal Products	1	0	-1	-
General Machinery	1	2	+1	-
Electrical Equipment & Electronics	5	7	+2	1
Transportation (excl. Automobiles)	1	2	+1	-
Automobiles	9	12	+3	1
Precision Machinery	1	2	+1	-
Other	5	7	+2	4
Overall	51	64	+13	12

Note: 64 companies which is the total value of the above [Number of responses by industry] is the same number of companies that responded to the question for reasons for countries as being promising for overseas operations as shown in Figure 26. Take note that the figure is different from the number of respondent companies for reasons as being promising and with regard to the question.

No. 9: Russia

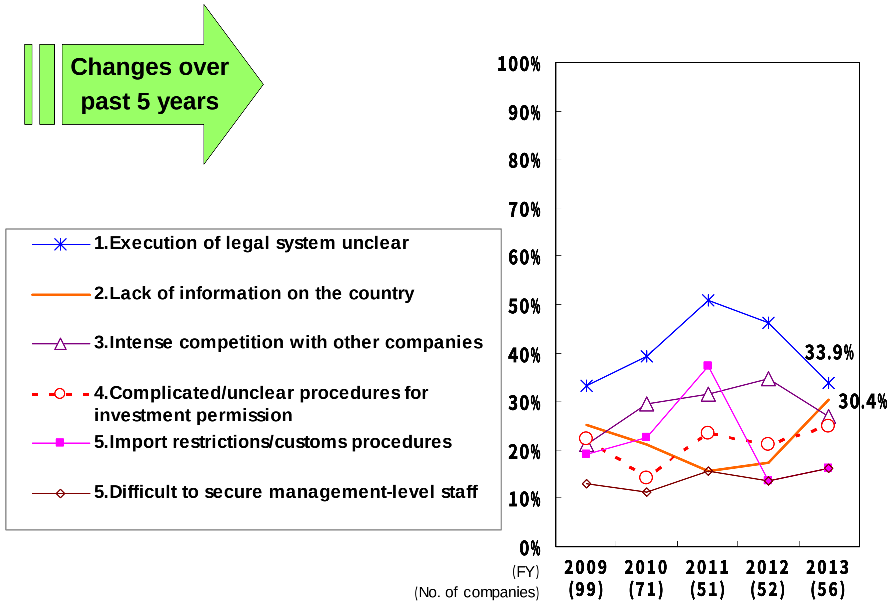
Reasons

	(Total No. of respondent companies: 60)	No. of companies	Ratio
1	Future growth potential of local market	46	76.7%
2	Current size of local market	18	30.0%
3	Supply base for assemblers	13	21.7%
4	Concentration of industry	5	8.3%
4	Profitability of local market	5	8.3%



Issues

	(Total No. of respondent companies: 56)	No. of companies	Ratio
1	Execution of legal system unclear	19	33.9%
2	Lack of information on the country	17	30.4%
3	Intense competition with other companies	15	26.8%
4	Complicated/unclear procedures for investment permission	14	25.0%
5	Import restrictions/customs procedures	9	16.1%
5	Difficult to secure management-level staff	9	16.1%



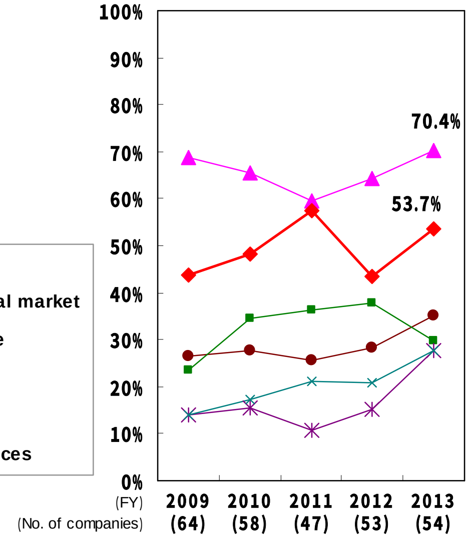
- When analyzing the number of responding companies for countries that are promising in business development over the medium term, this number decreased by 4 in comparison to the previous survey but despite the decrease in ranking by 1 place to 9th, Russia maintains a certain popularity with 60 responding companies. In addition, there was no change in the top 3 rankings for reasons for Russia being a promising country following on from the previous survey. The top reason for Russia being a promising country, "future growth potential of local market", fell to 76.7% but continued to maintain a high level. Furthermore, the 2nd ranked "current size of local market" stayed at 30.0%, the same level as the previous survey. By industry type, 20 automobile companies and 11 general machinery companies recognized Russia as being promising, showing that the focus is on automobiles and machinery.
- The top issue was the same as for the previous survey, "execution of legal system unclear" but the response ratio decreased to 33.9%. Meanwhile, the ratio for "lack information on the country" increased dramatically to 30.4%, exceeding "intense competition with other companies".

No. 10: USA

Reasons

(Total No. of respondent companies: 54)		No. of companies	Ratio
1	Current size of local market	38	70.4%
2	Future growth potential of local market	29	53.7%
3	Social/political situation stable	19	35.2%
4	Developed local infrastructure	16	29.6%
5	Concentration of industry	15	27.8%
5	Developed local logistics services	15	27.8%

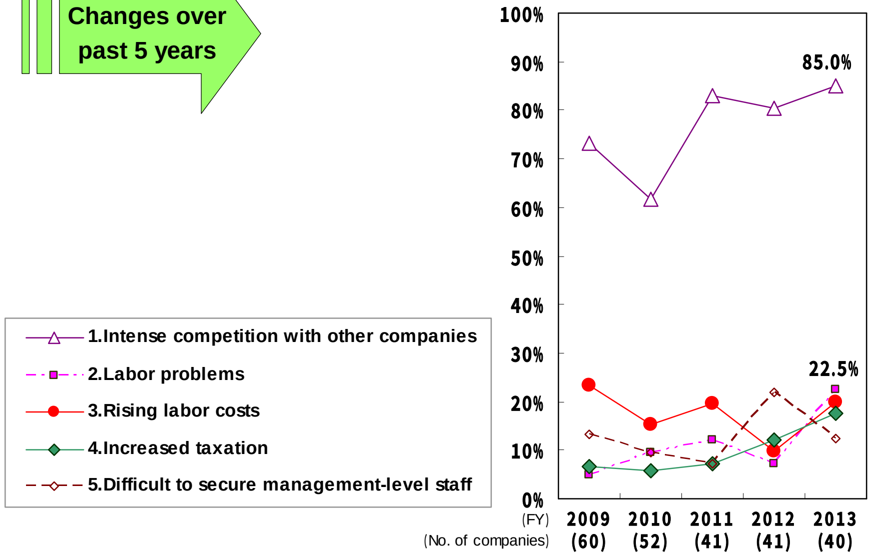
Changes over past 5 years



Issues

(Total No. of respondent companies: 40)		No. of companies	Ratio
1	Intense competition with other companies	34	85.0%
2	Labor problems	9	22.5%
3	Rising labor costs	8	20.0%
4	Increased taxation	7	17.5%
5	Difficult to secure management-level staff	5	12.5%

Changes over past 5 years

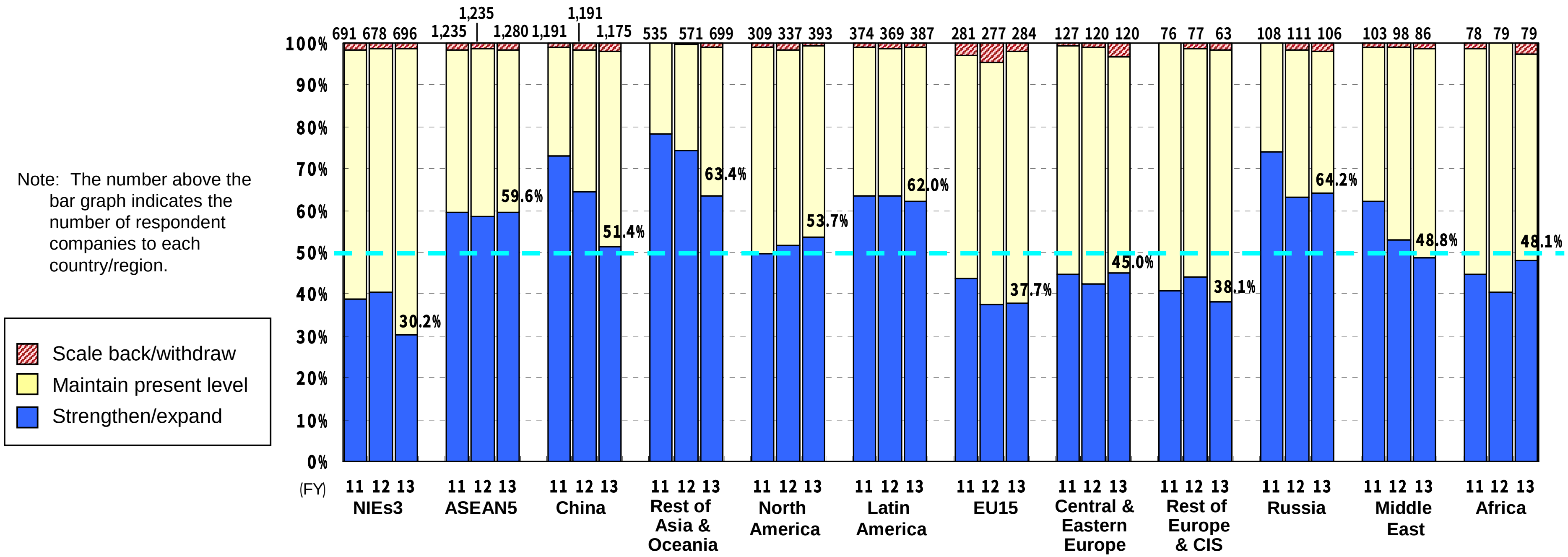


- Despite losing one ranking place and moving down to 10th place since the previous survey, the number of responding companies increased by 1 to 54 and interest in the USA is maintained at the level of the previous survey. By industry type, the highest number of responses came from chemicals (10 companies), general machinery (10 companies) and automobiles (9 companies).
- Reasons for being promising were “current size of local market” in 1st place at 70.4% and “future growth potential of local market” in 2nd place at 53.7%, both of which increased in this survey. This indicates the recent recovery of the USA economy and expectations for future growth.
- “Intense competition with other companies” took an overwhelming top place in issues at 85.0%. The next most selected issues were “labor problems” (22.5%), “rising labor costs” (20.0%) and “increased taxation” (17.5%).

Figure 33: Medium-term Prospects for Overseas Operations (by region)

Q Companies were asked about medium-term (next 3 yrs. or so) prospects for businesses in countries/regions where they are currently operating or planning to operate.

Note: The number above the bar graph indicates the number of respondent companies to each country/region.



■Expansion of "maintain present level" in prospects for business operations in China

- The stance of strengthening business in China has decreased for two consecutive years since its peak in 2011 and in this survey in particular, it decreased dramatically by more than 10 points from 64.1% to 51.4%. 1 company in 2 with businesses in China has adopted the stance of "maintain present level".

■The stance of business expansion in ASEAN 5, Latin America and Russia continues to be robust

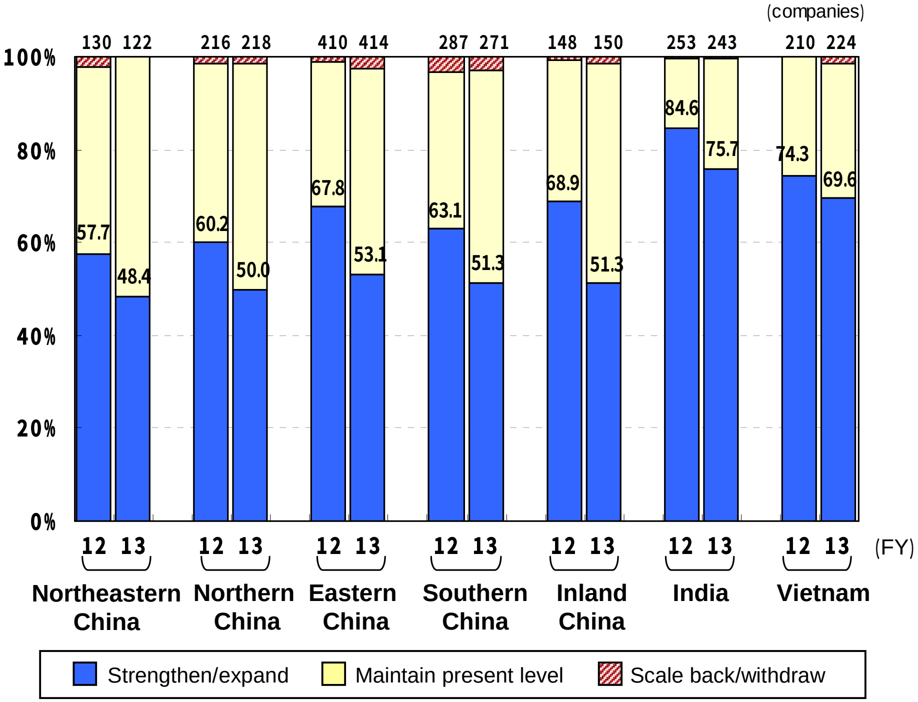
- The ASEAN 5 ratio for "strengthen/expand" was 59.6%, slightly more than the previous survey (58.5%), indicating a continued wide variety of industry types with a stance of business expansion. In the same way, despite the slight decrease in "strengthen/expand" in Latin America to 62.0% compared to the previous survey (63.4%), the ratio remained in the 60% range for automobile-related companies. The "strengthen/expand" ratio for Russia also maintained the level of the previous survey at 64.2%.

■6 regions fell below 50% in the stance of business strengthening: NIEs 3, EU 15, Central & Eastern Europe, Rest of Europe & CIS, Middle East and Africa

- In this year's survey, the stance of strengthen/expand in the Middle East fell below 50% to 48.1% and 6 out of the 12 regions fell below 50% in this category. When analyzing by region, it can be seen that there are large discrepancies in prospects for business operations. In particular, the main stance for the European region (EU 15, Central & Eastern Europe, Rest of Europe & CIS) continued to be maintaining the present level.
- The stance of business strengthening in Africa fell below 50% but increased to 48.1% in this year's survey.

IV. 17 Countries/Regions/Fields for Strengthening Businesses: (1) China, India & Vietnam

Figure 34： Medium-term Prospects for Overseas Operations (China, India & Vietnam)



Note 1: Figures in the graph are number of responding companies in each country/ region.
Note 2: The figures in the bar graph in Figure 34 are proportions of the companies responding "strengthen/expand" (unit: percentage).

■**Increase in the ratio of companies that will "maintain present level" in all regions in China**

・A break in the stance of business strengthening in China was also observed in the previous survey and the trend was further reinforced in this survey with a ratio decrease to around 50% for "strengthen/expand" in all 5 regions. Meanwhile, there was a rise in the ratios for "maintain present level".

・It should be noted that the overall ratio of "scale back/withdraw" for China was 2.0% (23 companies) which was almost the same as past levels. Among these 23 companies, there were only 10 that responded "transfer to a third country/separate". (Reference)

■**The stance of strengthening/expanding business in India is at a high level, second only to Indonesia**

・The ratio of "strengthen/expand" in India decreased from 84.6% to 75.7% but it retained a high level, second only to Indonesia (77.8%) when analyzing by country. From the aspects of both production and sales, the stance of responding companies is continued positive progression with business in India.

* Figures 35 and 36 summarize the specific efforts by the companies responding "strengthening/ expansion" in Figure 34 by production and sales. All applicable answers are included.

Figure 35： Areas in which to strengthen/expand (production)

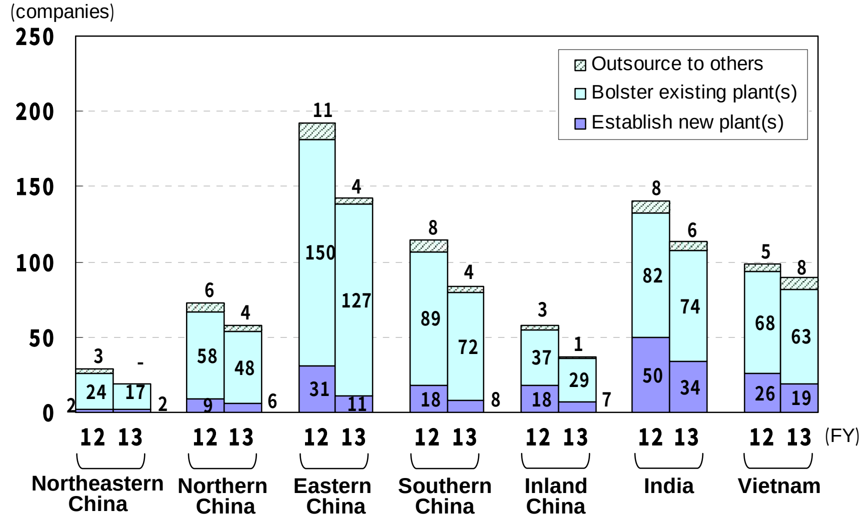


Figure 36： Areas in which to strengthen/expand (sales)

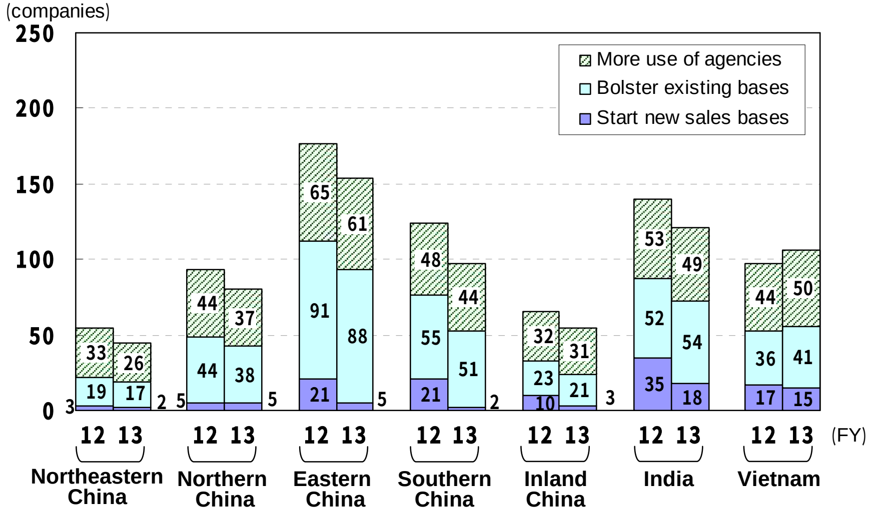
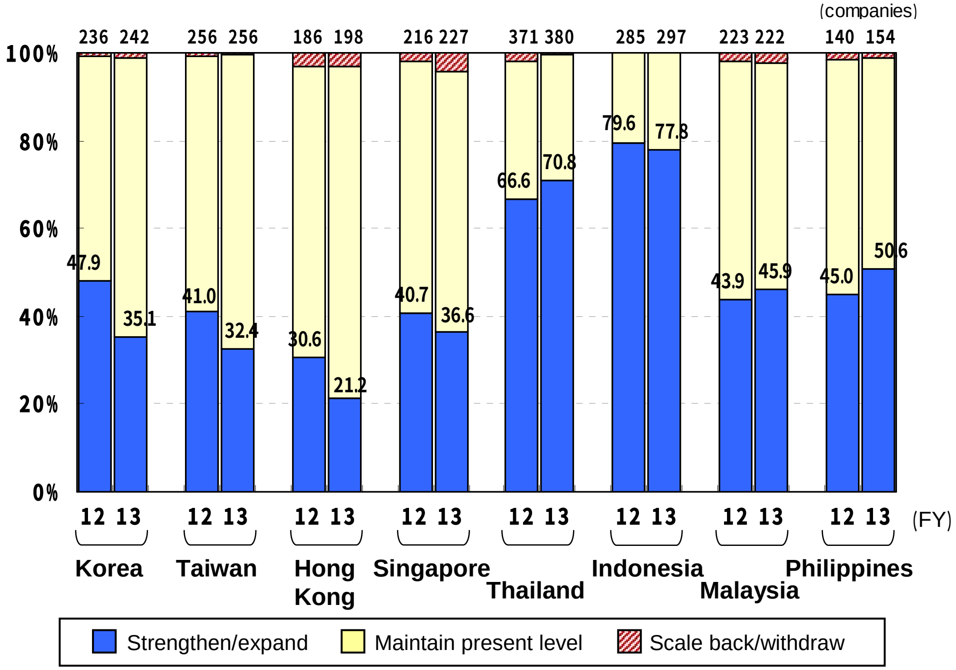


Figure 37： Medium-term Prospects for Overseas Operations (NIEs3･ASEAN5)



Note 1: Figures in the graph are number of responding companies in each country/ region.
Note 2: The figures in the bar graph in Figure 37 are proportions of the companies responding “strengthen/expand” (unit: percentage)

■When analyzing by strengthen/expand stance, Korea and Taiwan dropped into the 30s and Hong Kong into the 20s

･60 to 70% of companies that have businesses in Korea and Taiwan responded that they will “maintain the present level”. The “strengthen/expand” ratio fell to around 30%, the lowest level since the FY2009 results after the financial crisis in 2008 (i.e. the “Lehman Shock”). 75.8% of responding companies had the “maintain present level” stance for Hong Kong and with a 21.2% ratio for “strengthen/expand”, this was the lowest result for target countries in this question.

■Increase in strengthen business in Thailand, Indonesia and Philippines, to which expectation from Japanese manufacturers gather

･In the ASEAN countries, Thailand and Indonesia both exceeded the 70% ratio for “strengthen/expand” and many companies had a stance of strengthening business. The ratio of strengthening business in the Philippines has steadily increased since the FY2009 survey after the Lehman Shock (22.3%) to 50.6%.

* Figures 38 and 39 summarize the specific efforts by the companies responding “strengthening/ expansion” in Figure 37 by production and sales. All applicable answers are included.

Figure 38： Areas in which to strengthen/expand (production)

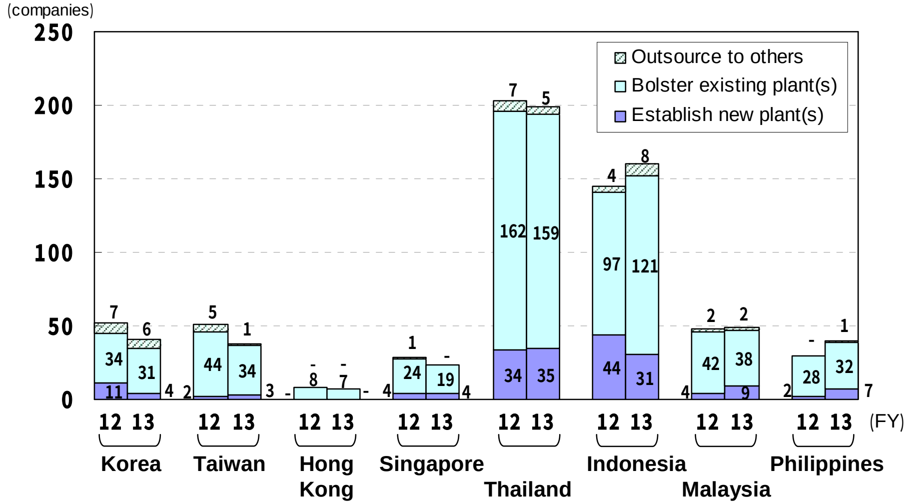


Figure 39： Areas in which to strengthen/expand (sales)

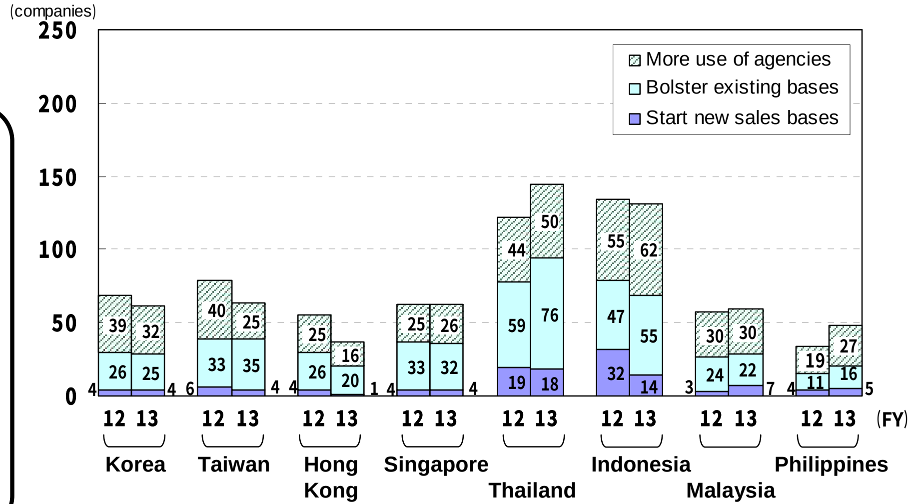
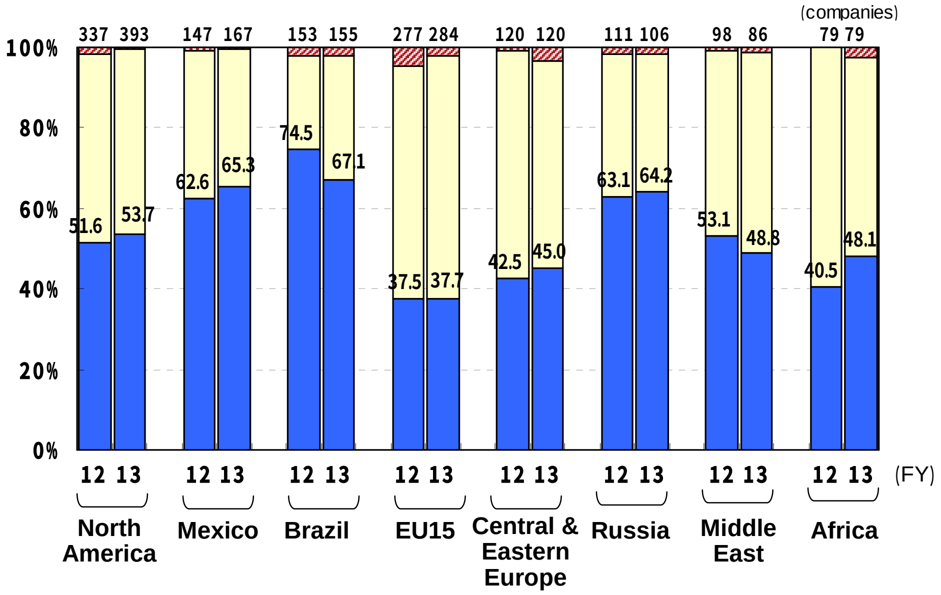


Figure 40： Medium-term Prospects for Overseas Operations (Americas, Europe, Middle East & Africa)



Note 1: Figures in the graph are number of responding companies in each country/ region.
Note 2: The figures in the bar graph in Figure 40 are proportions of the companies responding "strengthen/expand" (unit: percentage)

■The stance of strengthening/expanding business continues to increase in North America

・Continuing on from the previous survey, the stance of strengthening business increased in North America (51.6% →53.7%). Among companies that responded "strengthen/expand", there was a strong trend in strengthening existing bases in both production and sales.

■Mexico is very popular as a production base

・Continuing on from the previous survey, the stance of strengthening business increased in Mexico (62.6% →65.3%). Among companies that responded "strengthen/expand", there was a strong trend in strengthening existing bases in production.

■Increase in strengthening business in Africa

・The stance of strengthening business increase in Africa increased to 48.1%. Even though there were not many companies that responded "strengthen/expand", both the production and sales aspects increased in comparison to last year. It can be considered that this reflects the trends of growth in the African economy.

* Figures 41 and 42 summarize the specific efforts by the companies responding "strengthening/ expansion" in Figure 40 by production and sales. All applicable answers are included.

Figure 41： Areas in which to strengthen/expand (production)

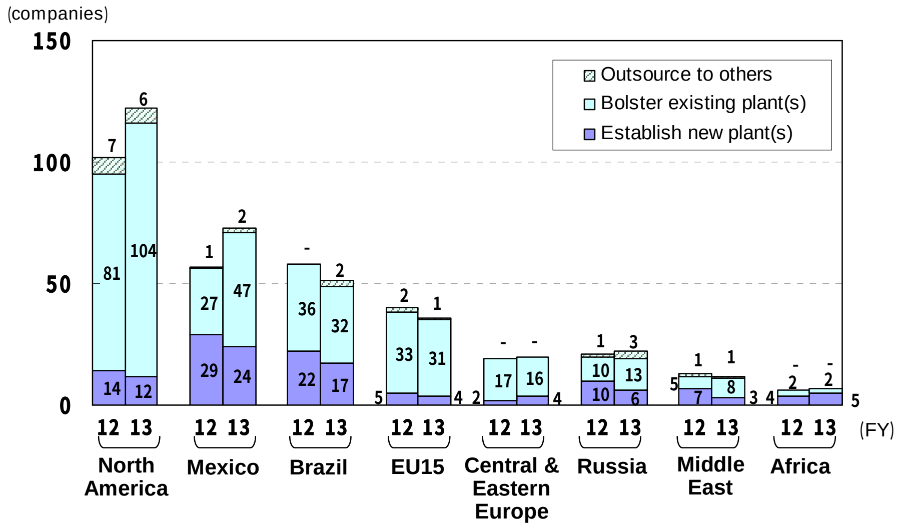
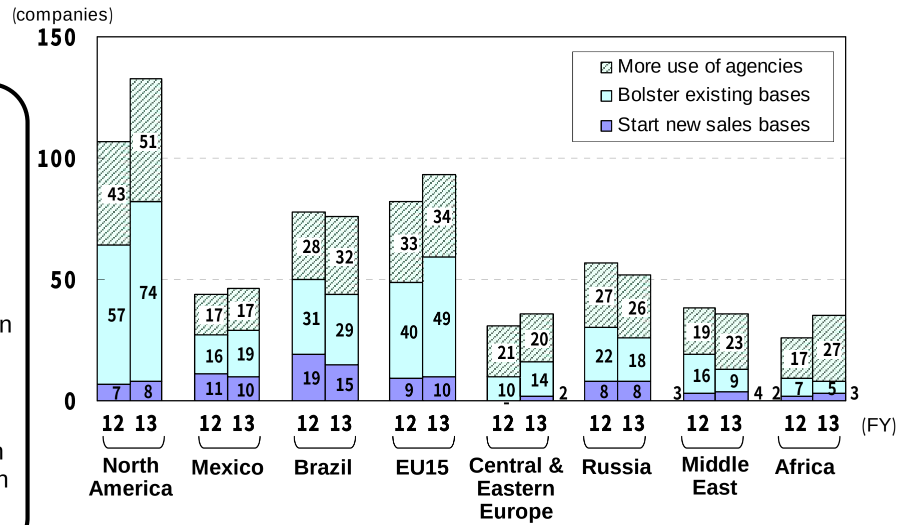


Figure 42： Areas in which to strengthen/expand (sales)



IV.18. (Reference) Impact of Shale Gas/Oil on North American Business Operations

Q

For companies that responded "1.strengthen/expand" for North American business operations (Figure 40) on the previous page: The recovery of North American manufacturing is expected from the utilization of shale gas/oil. When considering medium-term business prospects in North America, have you considered how shale gas/oil will make an impact? Choose the most appropriate response.

Figure 43: Impact of Shale Gas on North American Business

(No. of responding companies = 166)

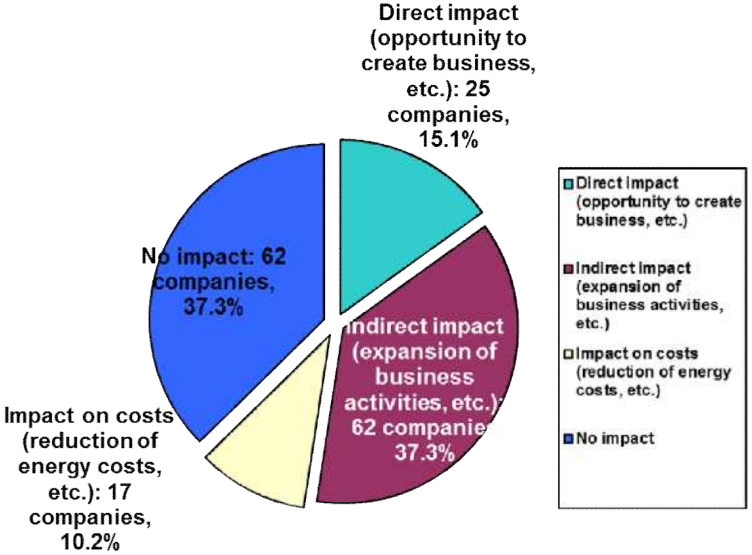
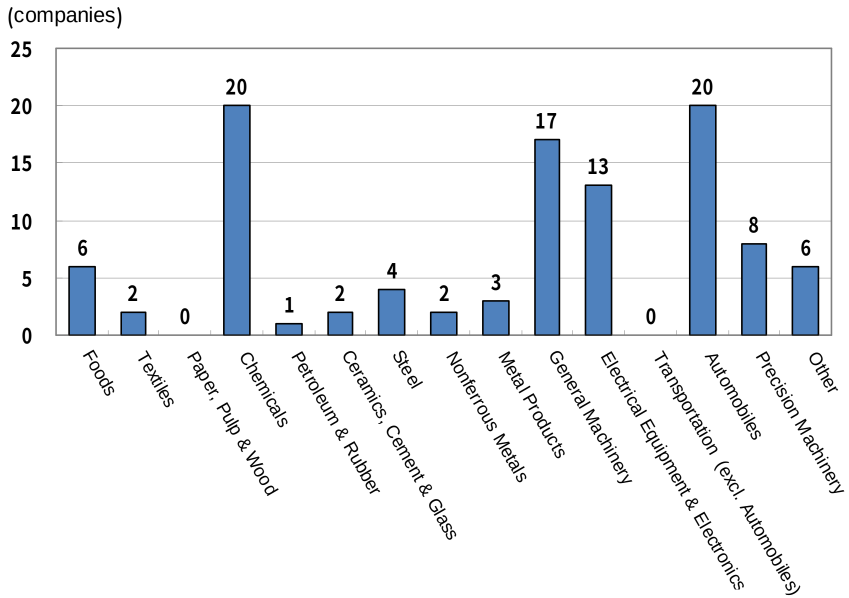


Figure 44: Impact of Shale Gas on North American Business by Industry

(no. of companies that responded that there would be an impact)



■Approximately 60% of companies that respond "strengthen/expand" for business in North America consider that there will be an impact from shale gas/oil

- Among companies that responded strengthen/expand for business in North America, 25 companies (15.1%) consider that there will be a "direct impact" from shale gas/oil, 62 companies (37.3%) consider that there will be an "indirect impact" and 17 (10.2%) companies consider that there will be an "impact on costs" giving a total of over 60% of companies that indicated that they will consider the impact of shale oil/gas when deciding to strengthen/expand business in North America.
- When analyzing the companies that responded that they will consider the impact of shale gas/oil by industry, 20 companies are in automobiles, 20 are in chemicals, 17 are in general machinery and 13 are in electrical equipment & electronics. In addition, among companies that responded they consider that there will be an "direct impact", the most numerous were in the chemicals and general machinery industries.

V. Business Prospects in China

V.1. Medium-term Concerns for Business in China

Q

What are you most concerned about from the point of view of maintaining your businesses in China in the medium term (the next 3 years or so)? Choose the most appropriate response.

Q

Choose the most appropriate response for your company's policy to deal with rising labor costs.

Figure 45: Medium-term Concerns for Business in China

(No. of responding companies: 534)

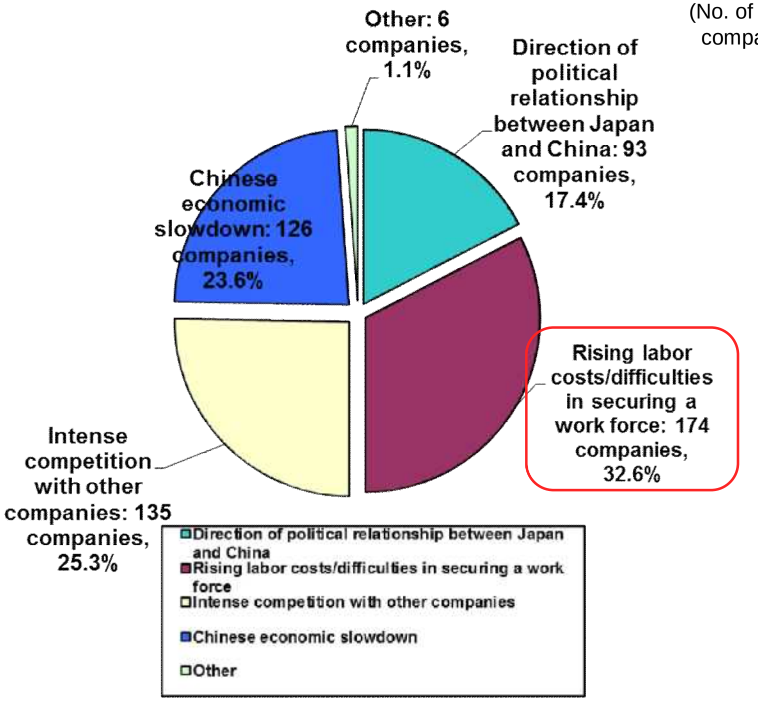
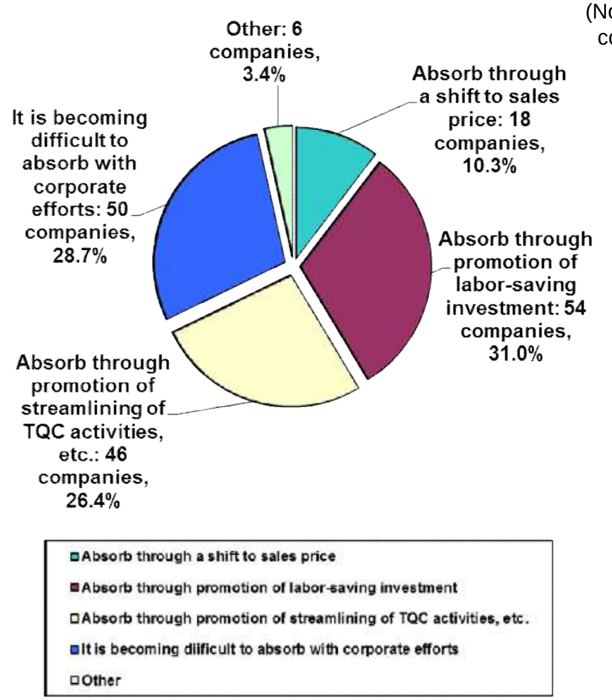


Figure 46: Policies for dealing with Rising Labor Costs

(No. of responding companies: 174)



■**Approximately 1/3 of responding companies chose "rising labor costs/difficulties in securing a work force" as their biggest medium-term concern about business in China**

- In this survey we asked companies (534) with businesses in China (including exports to China) to select one of the 5 choices above with respect to their biggest medium-term concern. In order of response ratio from high to low, these were: "rising labor costs/difficulties in securing a work force" (32.6%), "intense competition with other companies" (25.3%), "Chinese economic slowdown" (23.6%) and "direction of political relationship between Japan and China" (17.4%). This showed that approximately 1/3 of responding companies recognize rising labor costs as their biggest concern.

■**The main ways of dealing with rising labor costs are efforts in labor-saving and streamlining but approximately 30% of responding companies said that it is becoming difficult to absorb these costs**

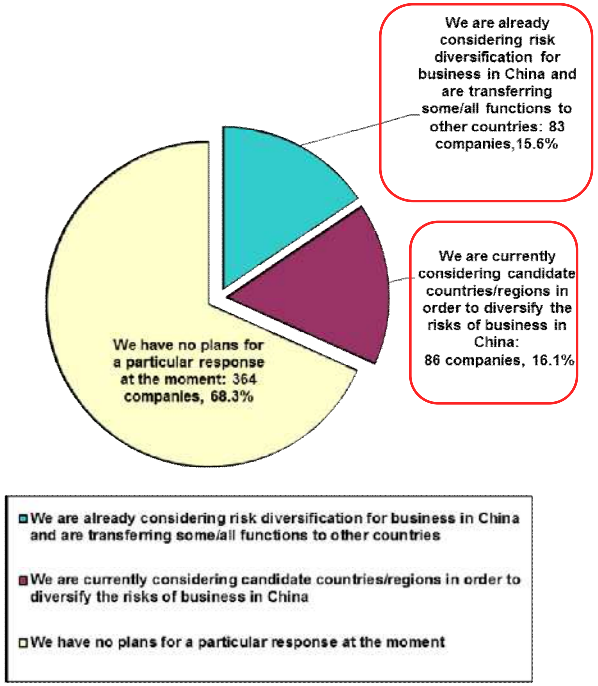
- The policies for dealing with rising labor costs for companies (174) that responded "rising labor costs/difficulties in securing a work force" are "labor-saving investment" (31.0%), and "streamlining activities such as TQC" (26.4%) but only a few cited "absorb through a shift to sales price". In addition, there were 50 responding companies that said "it is becoming difficult to absorb with corporate efforts", a total of 28.7%. In company interviews, there were opinions such as "we are starting to lose the advantages of producing in China due to the appreciation of the Yuan".

V.2. Risk Diversification for Business in China

Q Is your company taking measures to diversify risks for business in China? Choose the most appropriate response.

Figure 47: Risk Diversification for Business in China

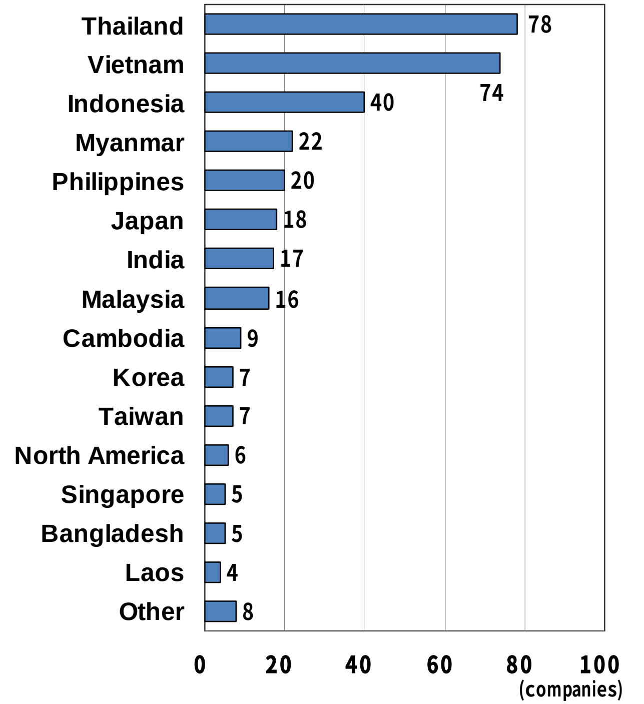
(No. of responding companies = 533)



Implemented/ considering risk diversification: 169 companies, 31.7%

Q Choose the 3 most applicable risk diversification destinations implemented or considered by your company.

(No. of responding companies = 167)



■Just less than 70% of companies responded "we have no plans for a particular response at the moment" with regards to risk diversification for business in China

- We asked companies (533) with doing businesses in China (including exports to China) about their responses to risk diversification in business in China and just less than 70% of companies said "we have no plans for a particular response at the moment". The number of companies that respond that they had already implemented or are considering measures such as "we have already transferred some functions to other countries" (15.6%) and "we are currently considering candidate countries/regions for risk diversification" (16.1%) does not exceed around 30%.

■Risk diversification destinations for business in China are mostly ASEAN countries

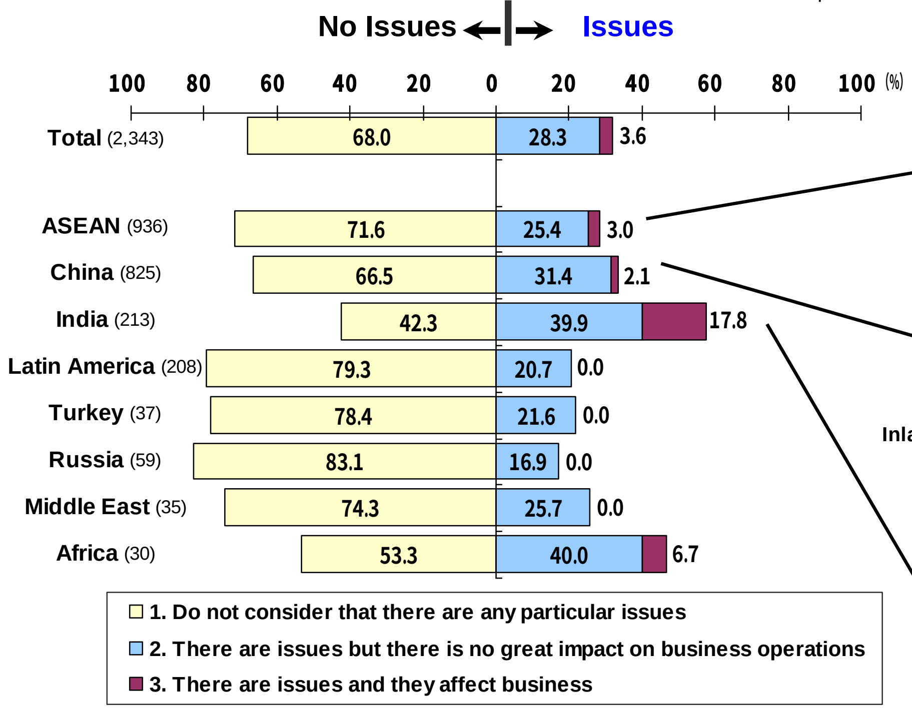
- Almost half of companies that have already implemented or are considering risk diversification selected Thailand (78 companies) or Vietnam (74 companies) as risk diversification destinations. The next most popular destination was Indonesia (40 companies). 7 out of the top 10 countries are ASEAN countries and many companies chose ASEAN countries as risk diversification destinations. Meanwhile, only a few companies (18) chose Japan as their risk diversification destination.

VI. Infrastructure Needs & Issues in Business Operation Countries

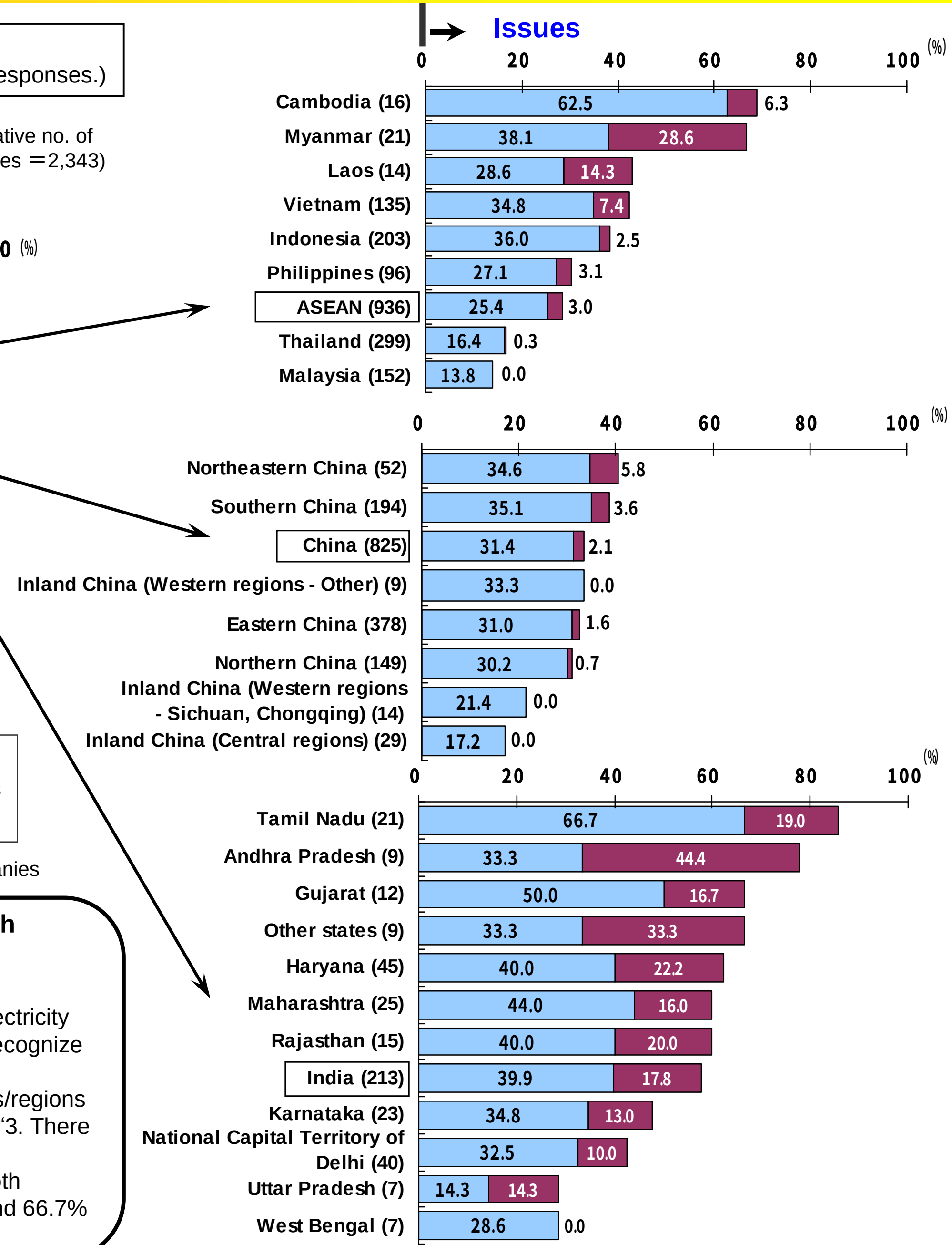
Q Please give your company's evaluation of the electricity infrastructure in the countries/regions in which you have business operations. (Choose 1 out of 3 responses.)

Figure 48: Evaluation of Electricity Infrastructure

(Cumulative no. of responses =2,343)



(Note) Figures in ( ) to the right of countries/regions = no. of responding companies



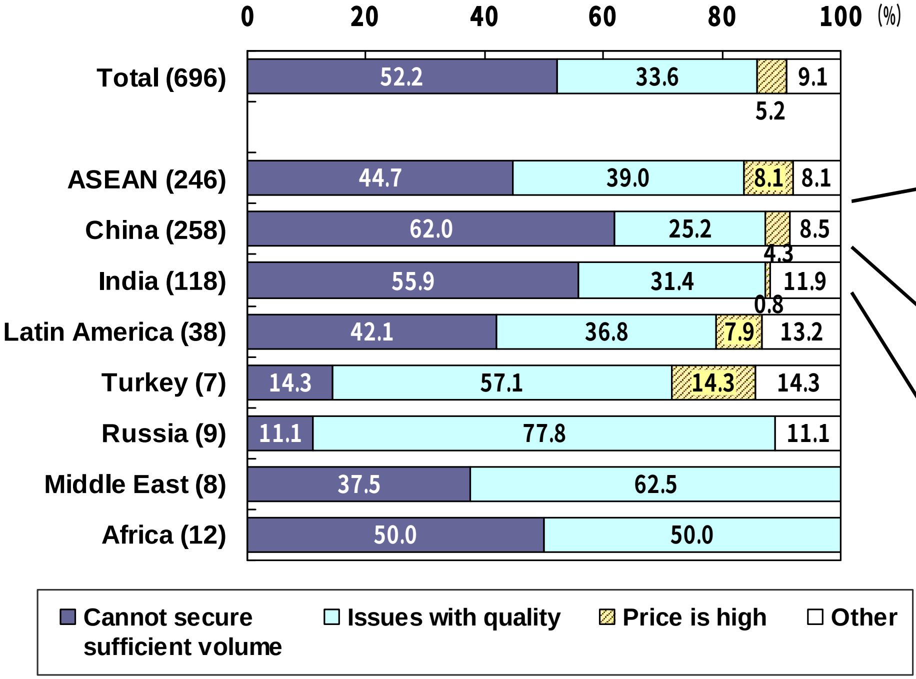
30% of responding companies recognize that there are issues with electricity infrastructures in countries where they have business operations

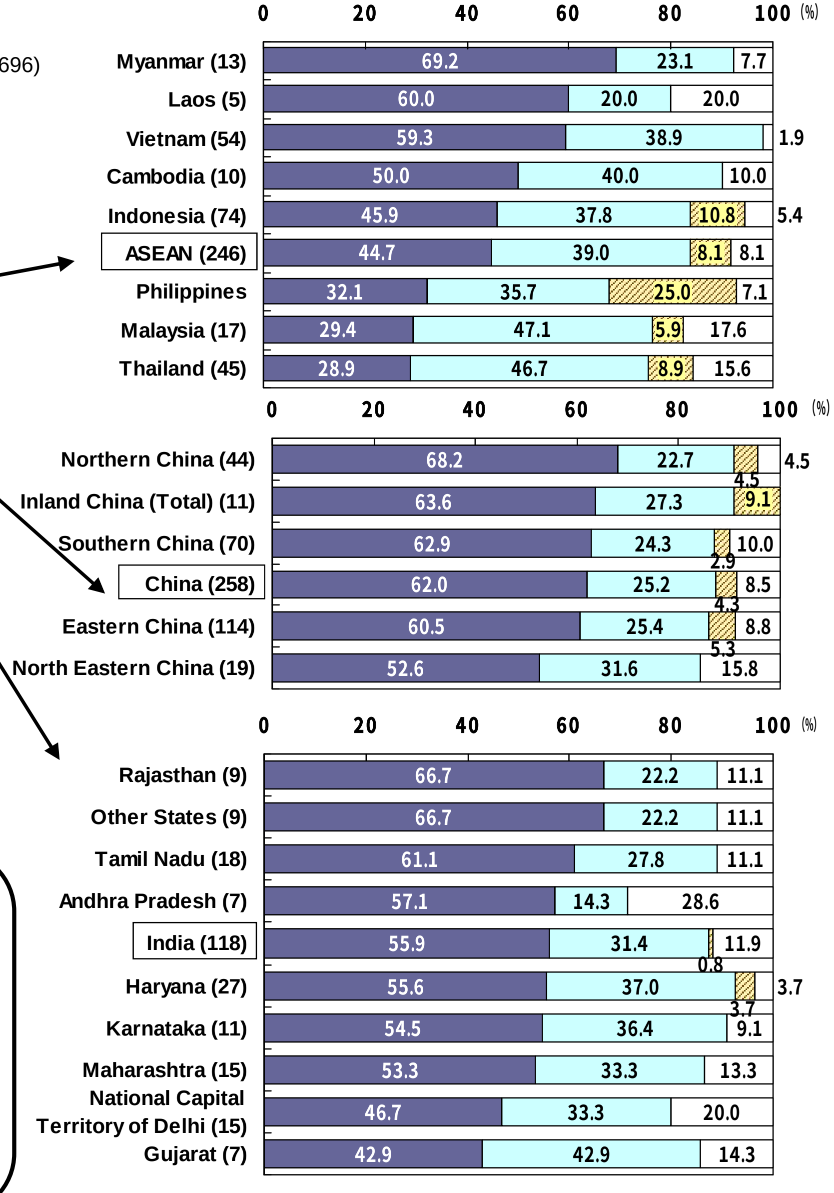
- 68.0% of responding companies said that they had no particular issues with electricity infrastructures in countries where they have business operations and 32.0% recognize that there are issues. (Totals of choices 2. and 3. in Figure 48)
- The response ratio for issues in India was 57.7%, the highest ratio for countries/regions targeted in this section. The highest results within this response ratio were for "3. There are issues and they affect business" at 17.8%. (Figure 48)
- The ratio for issues in ASEAN was quite far below the average at 28.4% but both Cambodia and Myanmar had fairly high response ratios for issues at 68.8% and 66.7% respectively.

Q For those who responded to 2. or 3. in Figure 48 on the previous page. Please choose the most appropriate responses from the following 4 choices ⇒ "Cannot secure sufficient volume", "Issues with quality", "Price is high", "Other"

Figure 49: Issues with Electricity Infrastructure

(Cumulative no. of responses ＝696)





(Note) Figures in ( ) to the right of countries/regions = no. of responding companies

■Power cuts need to be addressed in all regions

- "Cannot secure sufficient volume" was 52.2% of responses concerning issues with electricity, with the next problem being "issues with quality" at 33.6%. In company interviews, there were many opinions on issues with power cuts.
- In regions where power cuts are frequent, responding companies that have businesses there have their private power generation facilities but there were also opinions that measures against power cuts were not sufficient, even with private power generation facilities such as "the cost is very high so we try to use it as little as possible" (Japanese company in India) and "there is a limit to the capacity of private power generation facilities and it is not possible to supply electricity to the production line as a whole" (Japanese company in Eastern China).

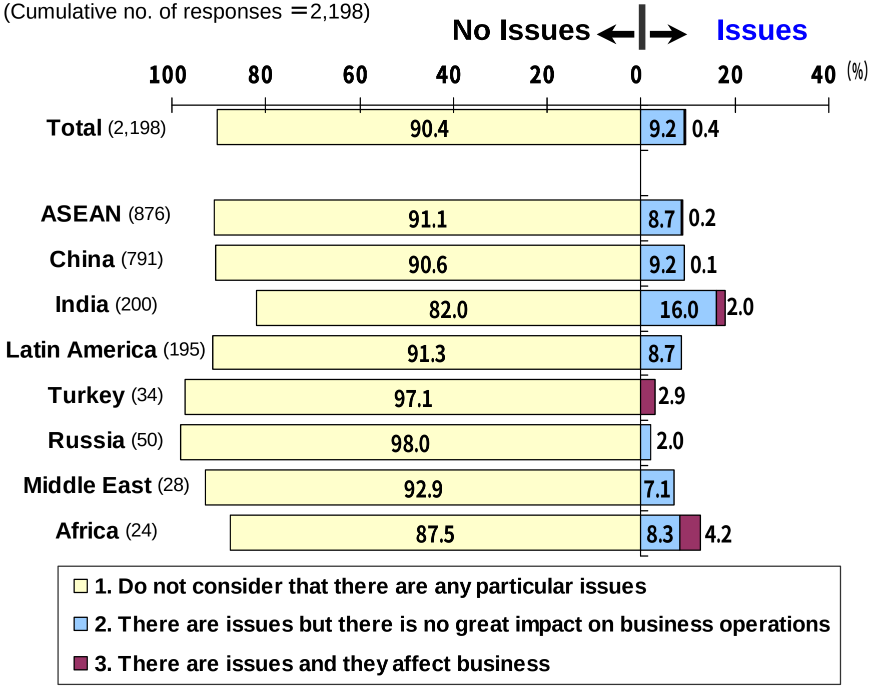
*See Appendix 9 for details of industrial water infrastructure by region.

Q Please give your company's evaluation of the industrial water infrastructure in the countries/regions in which you have business operations. (Choose 1 out of 3 responses.)

Q For those who responded to 2. or 3. in Figure 50. Please choose the most appropriate response for the issues that your company experiences. (Choose 1 out of 4 responses.)

Figure 50: Evaluation of Industrial Water Infrastructure

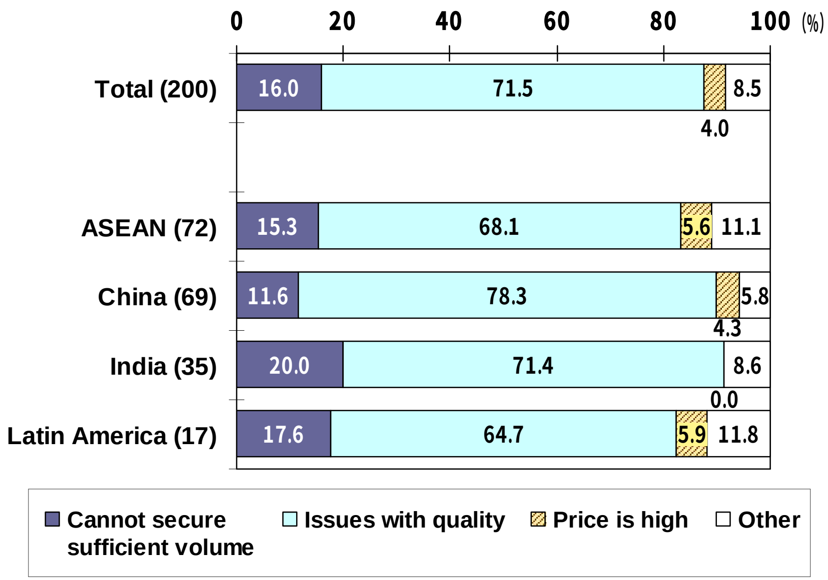
(Cumulative no. of responses ＝2,198)



(Note) Figures in ( ) to the right of countries/regions = no. of responding companies

Figure 51: Issues with Industrial Water Infrastructure

(Cumulative no. of responses ＝200)



(Note 1) Figures in ( ) to the right of countries/regions = no. of responding companies
(Note 2) Data is not shown for countries with 3 responding companies or less

■Around 10% of responding companies recognize that there are issues with industrial water

- Around 10% of responding companies recognize that there are issues with industrial water in the countries in which they have business operations (total of choices 2. and 3.). This response ratio is lower than that for electricity (around 30%).
- When analyzing by country/region, the highest response ratio for issues was for India (18.0%). (Figure 50)

■70% of companies state that the issue is "quality"

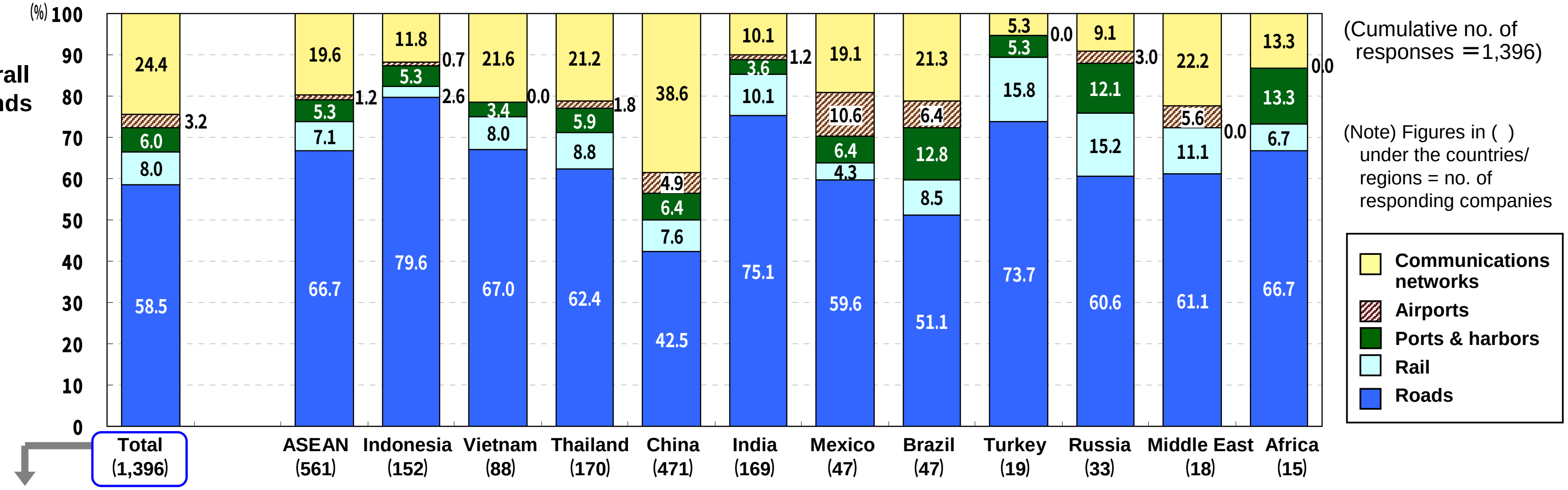
- When companies that responded that there were issues in Figure 50 were asked about issues with industrial water, the highest response ratio was for "quality" across all countries/regions with a total of 71.5% (143 out of 200 companies). (Figure 51)
- In company interviews, there were opinions about specific issues such as "there are impurities in the water which requires that the company purifies it and this increases costs."

Q

Choose the transportation/communications infrastructure that requires the quickest improvements in the countries/regions in which your company has business operations from the following 5 choices. ⇒ "roads", "rail", "ports & harbors", "airports" and "communications networks"

Figure 52: Transportation/Communications Infrastructure that requires the Quickest Improvement (all regions)

(1) Overall Trends

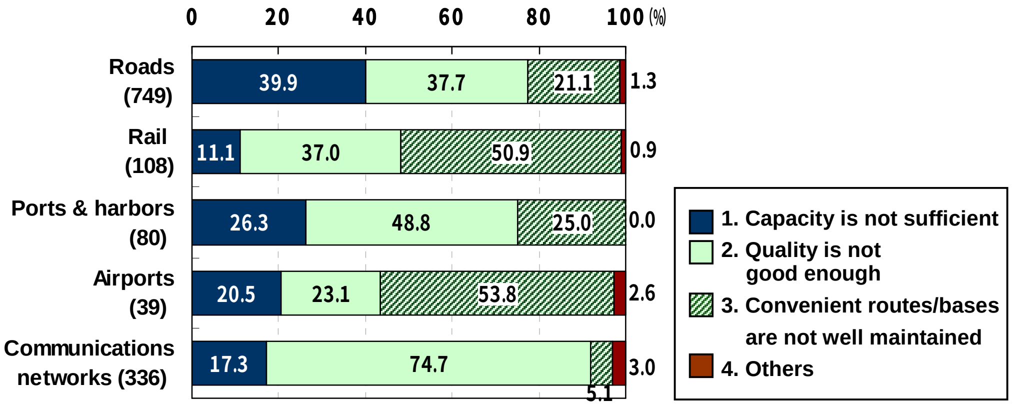


(Cumulative no. of responses ＝1,396)

(Note) Figures in ( ) under the countries/regions = no. of responding companies

(2) What do you think is the most important issue?

(Choose the most appropriate response)



(Note) Figures in ( ) under the infrastructure = no. of responding companies

■Roads requires the most improvement across all countries/regions

- 58.5% of responding companies stated that roads were the infrastructure that requires the most immediate improvements (Figure 52 (1)).
- By country/region, Indonesia has the highest ratio for roads (79.6%) followed by India (75.1%). There are many opinions that infrastructure is not keeping up with corporate penetration in Indonesia and many companies indicated in particular that there are traffic jams between Jakarta and industrial areas.

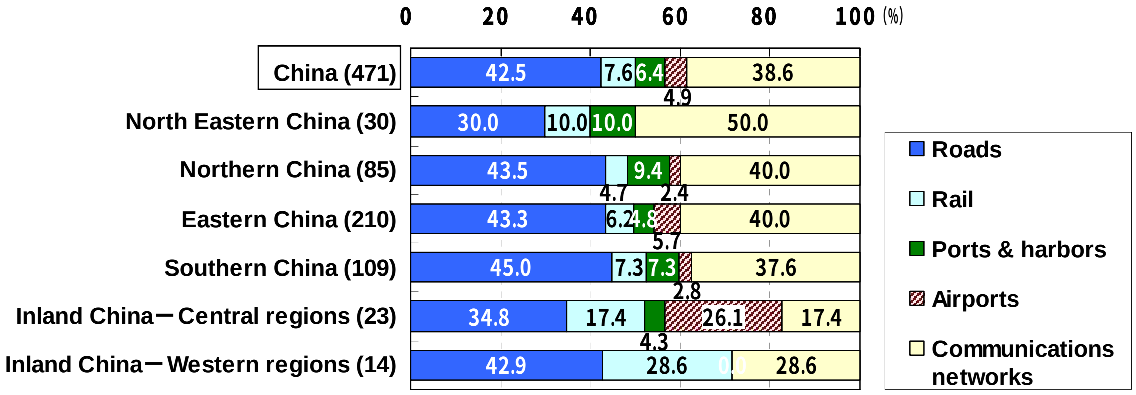
■The 2nd most required infrastructure is "communications networks" and three out of four companies want improvements in "quality"

- After "roads", the next most required infrastructure was "communications networks" (24.4%). 74.7% of responding companies want improvements in "quality" (Figure 52(2)). Company interviews indicated opinions such as "it is difficult to get an internet connection" and "there are problems with cell phone and e-mail communications depending on the area".

Figure 53: Transportation/Communications Infrastructure that requires the Quickest Improvement (China/India)

(1) Response Trends for China

(Cumulative no. of responses =471)



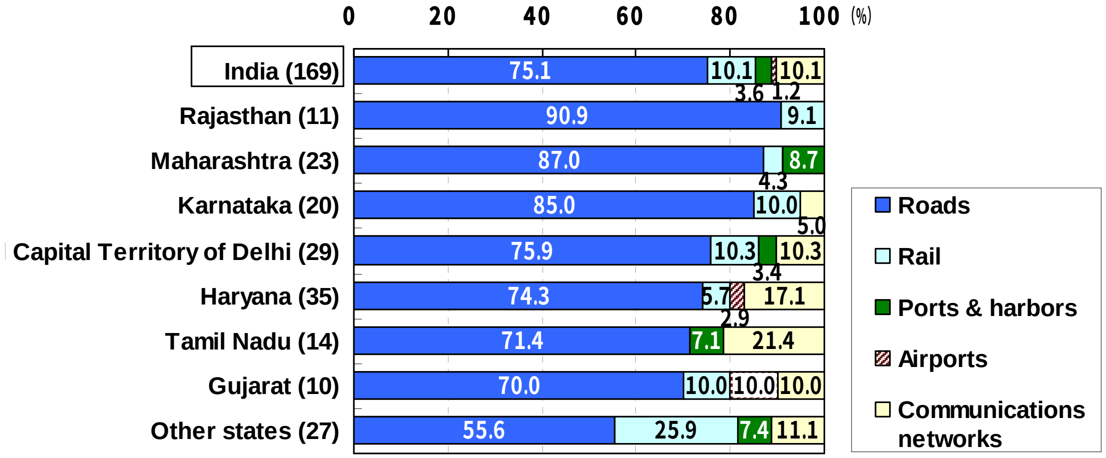
(Note) Figures in ( ) to the right of regions = no. of responding companies

■A comparatively high number of companies want improvements in "communications networks" in China

- The transportation/communications infrastructure that most companies want improved in China is "roads" (42.5%). Some companies gave evaluations such as "there have been great improvements compared to the past" but there were also opinions such as "it would be good if there were improvements in traffic jams due to expansion works and improvements in the convenience of diversions".
- In the case of China, the ratio of companies that chose "communications networks" (38.6%) was high in comparison with other countries. Specific issues such as "the connection is lost during data transmission" and "the screen freezes during video conferences between the local base and headquarters" were raised in company interviews.
- By area, the highest results for Inland China – Central regions were for "roads" followed by "airports".

(2) Response Trends for India

(Cumulative no. of responses =169)



(Note) Figures in ( ) to the right of states = no. of responding companies

■Three out of four companies most want improvements in "roads" in India

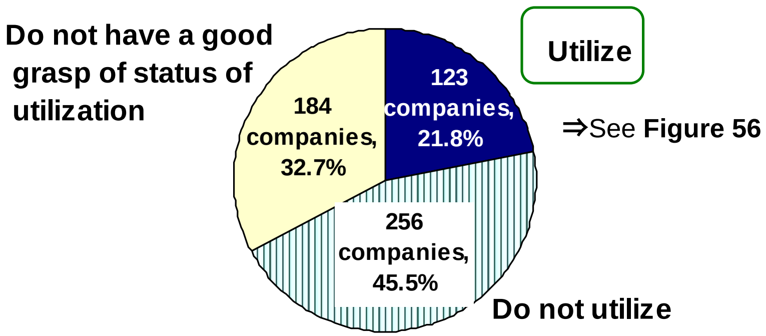
- The evaluation of "roads" in India is worse in comparison with other countries. In company interviews, there were many complaints such as "they are fine in the New Delhi area but road maintenance in the suburbs is behind" and "the level of paving is not very high".
- On the other hand, approximately 10% (10.1%) of companies responded "rail" for India. In company interviews, there were complaints such as "there is a lot of disorder in the operational system and this sometimes causes delivery delay" but there were also suggestions about the possibility of switching from road to rail if rail infrastructure was improved such as "rail is more cost effective and timely than road for long distance transportation (e.g. from factory in the north → customer in the south)".

Q

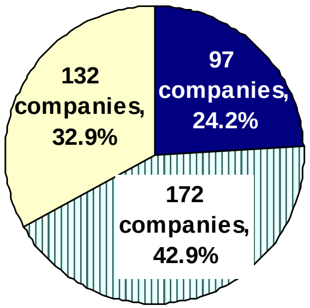
Please choose the most appropriate response concerning the status of utilization of incentives such as reduction/abolition of tariffs based on FTA (Free Trade Agreement) / EPA (Economic Partnership Agreement) (Figure 54). Further, please tell us whether your company takes advantage of incentives in the applicable countries when considering new establishment or expansion of overseas bases over the medium term (the next 3 years or so) (Figure 55).

Figure 54: Status of FTA/EPA Utilization

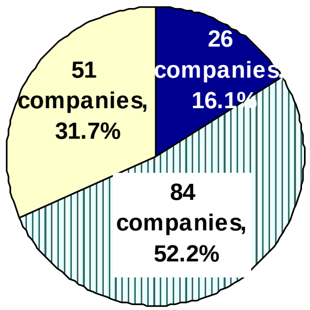
(1) Total (No. of responding companies ＝563)



(2) Large corporations
(No. of responding companies ＝401)



(3) Mid-tier firms/SMEs
(No. of responding companies ＝161)



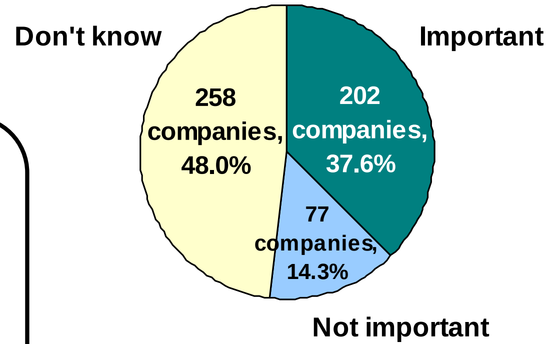
(Reference) By Holding of Production Bases

(company)

Holding of Production Bases (Note)	No. of Responding Companies	Utilize	Do not utilize	Do not have a good grasp of status of utilization
Less than 5 regions	424 (100.0%)	81 (19.1%)	207 (48.8%)	136 (32.1%)
More than 5 regions	139 (100.0%)	42 (30.2%)	49 (35.3%)	48 (34.5%)
Total	563 (100.0%)	123 (21.8%)	256 (45.5%)	184 (32.7%)

(Note) Aggregation of holding of production bases of a total of 11 countries/regions (Korea, Taiwan, China, India, ASEAN, North America, Latin America, Europe, Russia, Middle East and Africa) in Figure 56 (1) on the next page.

Figure 55: Prospects for Medium-term Utilization (over the next 3 years or so)



(No. of responding companies ＝537)

■Around 20% of responding companies "utilize" incentives based on FTA/EPA

- 21.8% (123 out of 563 companies) utilize incentives based on FTA/EPA. When analyzed by capital, 24.2% are large corporations, quite a bit higher than 16.1% for mid-tier firms/SMEs (Figure 54).
- The reason for this is that large corporations have many transactions between overseas bases within their companies in comparison with mid-tier firms/SMEs and because it is possible that the administration costs required in order to utilize incentives are a burden for mid-tier firms/SMEs.
- When asked whether it would be important to take advantage of incentives based on FTA/EPA in the applicable countries/regions when considering the expansion of overseas bases over the medium term (the next 3 years or so), 48.0% (258 out of 537 companies) responded "don't know" and only 37.6% (202) responded that they deemed these incentives important (Figure 55).

Q

For the 123 companies that responded "utilize" for incentives such as reduction/abolition of tariffs based on FTA/EPA in Figure 54 (1) on the previous page. Choose from the 13 countries/regions in which your company had transactions that utilize incentives for production/export bases (origin of exports) and delivery destinations (export destination). (Choose up to 3 countries/regions)

Figure 56: Transactions utilizing Incentives based on FTA/EPA

(1) Countries/regions in which incentives are utilized

Production/Export Base	No. of Response (cases)	Component Ratio (%)
ASEAN	89	43.8
Japan	76	37.4
China	19	9.4
Korea	6	3.0
Latin America	4	2.0
North America	3	1.5
Europe	3	1.5
India	2	1.0
Taiwan	1	0.5
Russia	0	-
Middle East	0	-
Africa	0	-
Other	0	-
Total	203	100.0

Destination	No. of Response (cases)	Component Ratio (%)
ASEAN	97	47.8
Japan	28	13.8
India	20	9.9
Latin America	17	8.4
Europe	17	8.4
China	10	4.9
North America	7	3.4
Korea	3	1.5
Taiwan	2	1.0
Russia	0	-
Middle East	0	-
Africa	0	-
Other	2	1.0
Total	203	100.0

(Note 1) Responding companies: 116
(Note 2) ASEAN refers to 10 ASEAN countries and Europe refers to the total of EU 15 and Central & Eastern Europe.

(2) Combined production/export bases and delivery destinations

	Production/Export Base	Destination	No. of Responses (cases)	Component Ratio (%)
1	Japan	ASEAN	53	26.1
2	ASEAN	ASEAN	29	14.3
3	ASEAN	Japan	25	12.3
4	China	ASEAN	13	6.4
5	Japan	India	10	4.9
5	Japan	Latin America	10	4.9
5	ASEAN	India	10	4.9
8	ASEAN	China	9	4.4
9	ASEAN	Europe	7	3.4
10	ASEAN	Korea	3	1.5
10	ASEAN	North America	3	1.5
10	Europe	Europe	3	1.5
	Other combinations		28	13.8
	Total		203	100.0
	(Reference) Transactions related to ASEAN		157	77.3

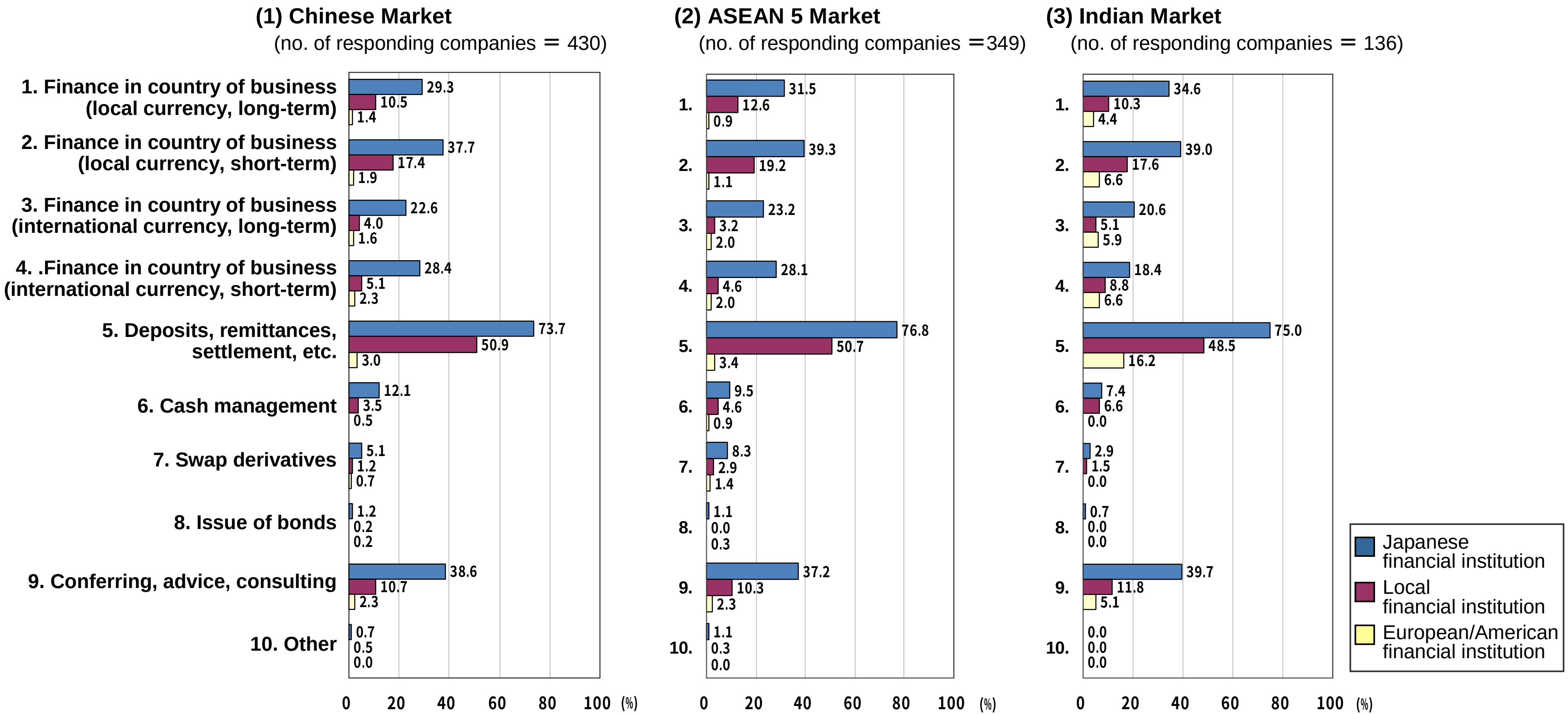
■**Just less than 80% of transactions that utilize incentives based on FTA/EPA are connected with ASEAN. They are also used between 3rd party countries**

- There were 203 responses from a total of 116 companies in connection with transactions that utilize incentives based on FTA/EPA. By region, ASEAN was the region with the highest number of responses and production/export bases (origin of exports) were at 43.8% and delivery destinations (export destination) were at 47.8% (Figure 53 (1)).
- If we look at transactions (combined production/export bases and delivery destinations) that utilize incentives based on FTA/EPA, the most common combination was exports from Japan to ASEAN with 53 out of 203 responses (component ratio 26.1%). The second most common combination was transactions within the ASEAN region with 29 responses (14.3%) (Figure 56 (2)).
- In the case of ASEAN, there are many companies that utilize FTA/EPA incentives in transactions other than those between Japan and countries in the region, for example, India, China, Europe, Korea, North America, etc. 157 responses (77.3%) were connected with ASEAN and when analyzing transactions with 3rd party countries which are not connected to Japan, transactions with the ASEAN region were the majority.

Figure 57: Financial Services in Country of Business

Q

Choose all appropriate answers from 1-10 concerning Japanese/local/European/American financial institutions from which your company is currently receiving services in the following 3 emerging markets.



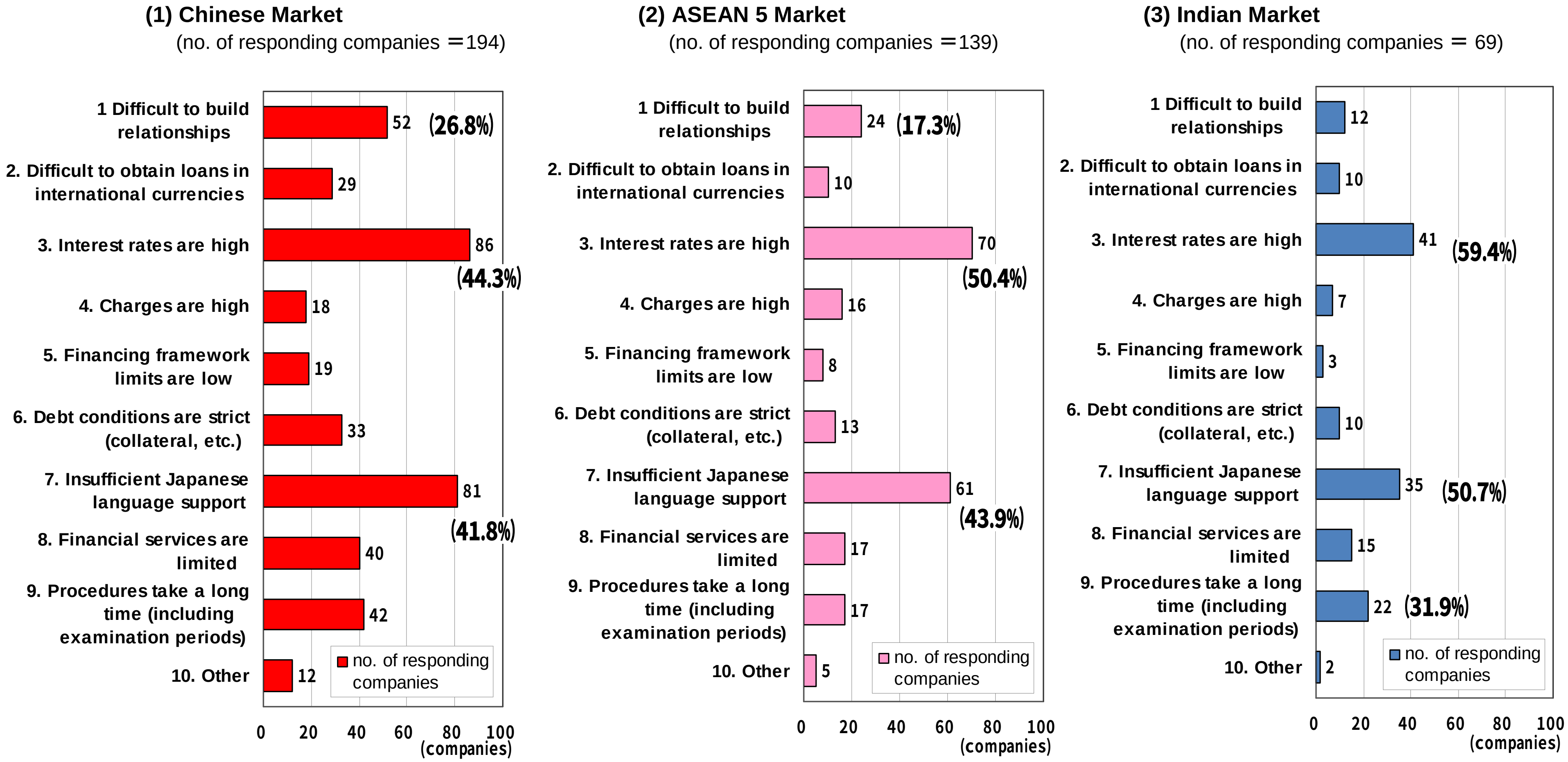
Japanese financial institutions are widely used in emerging markets

- Three out of four companies use Japanese financial institutions in China, ASEAN and India for deposit/remittance/settlement services. Usage ratios of Japanese financial institutions for conferring/advice/consulting services were also high.
- Usage ratios for deposit/remittance/settlement services of local financial institutions are at around 50% in each market, indicating that they are used most after Japanese financial institutions. In company interviews, there were opinions such as “local staff take care of affiliate capital management so we use local financial institutions” and “we are using the local financial institutions with which our merger partners have relationships”.
- Usage ratios for local currency-based financing by local financial institutions are at around 1/2 in the short term and 1/3 in the long term in comparison to Japanese financial institutions in each market. Usage ratios for local financial institutions in local currency-based financing are lower than those of Japanese financial institutions.
- Usage ratios for European/American financial institutions in India are comparatively high.

Q

If you have any issues/dissatisfaction with local financial institutions in the following 3 emerging markets, choose all appropriate answers from 1 to 10.

Figure 58: Issues/Dissatisfaction with Local Financial Institutions



Issues/dissatisfaction with local financial institutions are "interest rate are high" and "insufficient Japanese language support"

- Issues/dissatisfaction with local financial institutions are the same for all markets: "high interest rates" (Chinese market: 44.3%, ASEAN5 market: 50.4%, Indian market: 59.4%) and "insufficient Japanese language support" (41.8%, 43.9%, 50.7% respectively).
- The next most common issue characteristics of each market are "difficult to build relationships" in the Chinese market (26.8%) and "procedures take a long time" in the Indian market (31.9%).

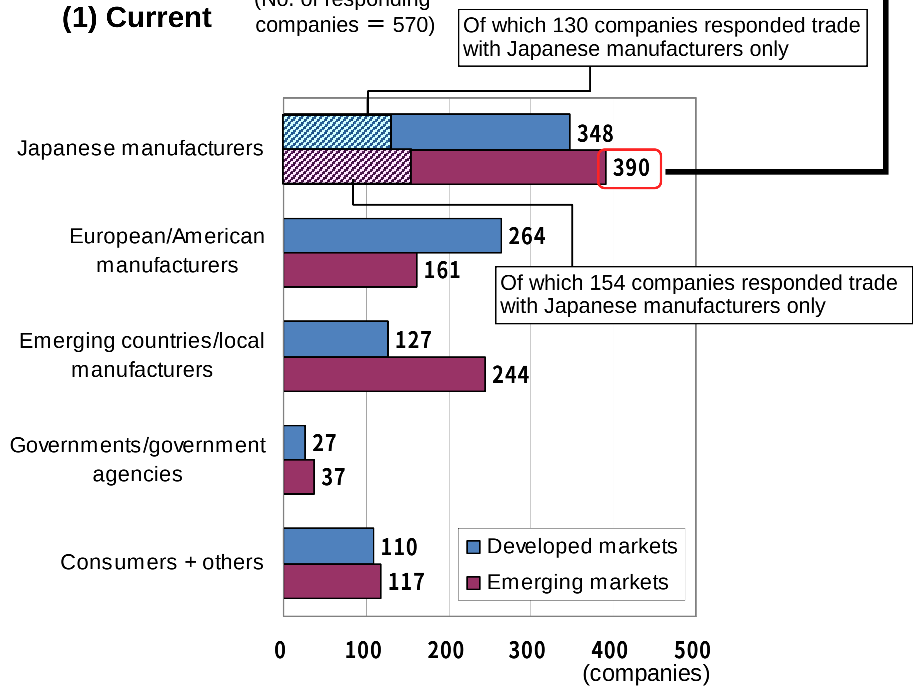
VII. Global Management Issues and Future Strategies

Q

Who are the current major customers for your company's main products in developed and emerging markets? Choose up to 3 responses for developed and emerging markets respectively.

Figure 59: Major Customers in Overseas Markets

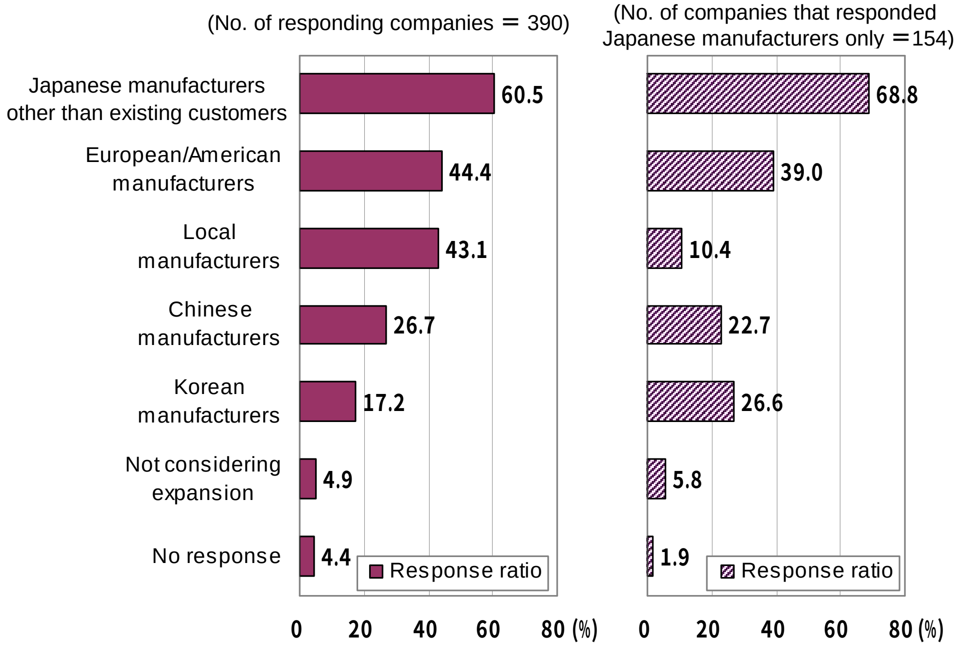
(1) Current (No. of responding companies = 570)



Q

If you are considering expanding sales in developed markets other than current customers over the medium term (the next 3 years or so), please select the target companies from the choices in Figure 59 (2). (multiple answers possible)

(2) Medium-term Sales Expansion Targets



■Major customers for responding companies in overseas markets are Japanese manufacturers

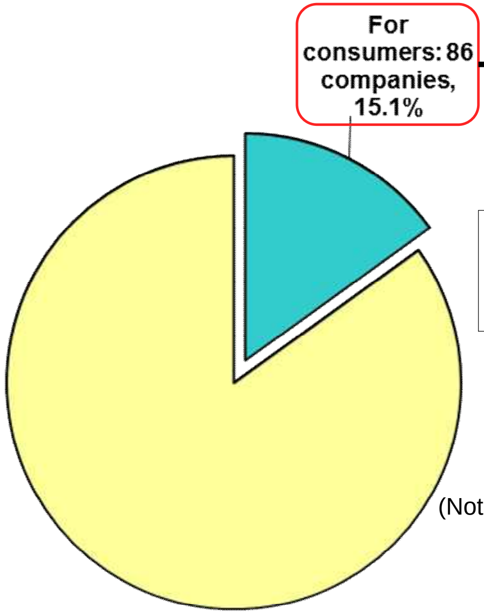
- When asked about current major customers in both developed and emerging markets, responding companies answered that transactions with local companies centered on sales to Japanese manufacturers with results for developed markets being Japanese manufacturers (348 companies) and European/American manufacturers (264 companies) and those for emerging markets being Japanese manufacturers (390 companies) and emerging/local manufacturers (244 companies). In addition, the result shows that there are 130 companies in developed markets and 154 companies in emerging markets which trade only with Japanese manufacturers.

■Transactions with non-Japanese manufacturers are increasing in emerging markets

- In the future, transactions in emerging markets with non-Japanese manufacturers such as European/American and local manufacturers will increase with a focus on Japanese manufacturers that are not existing customers (Figure 59 (2)).
- At present, no more than approximately ¼ of companies (154) that responded to the survey have transactions only with Japanese manufacturers. These companies are also expanding transactions to European/American manufacturers, etc. while focusing on Japanese manufacturers that are not existing customers.

Figure 60: Companies that responded that Customers are Consumers

(No. of responding companies ＝ 570)



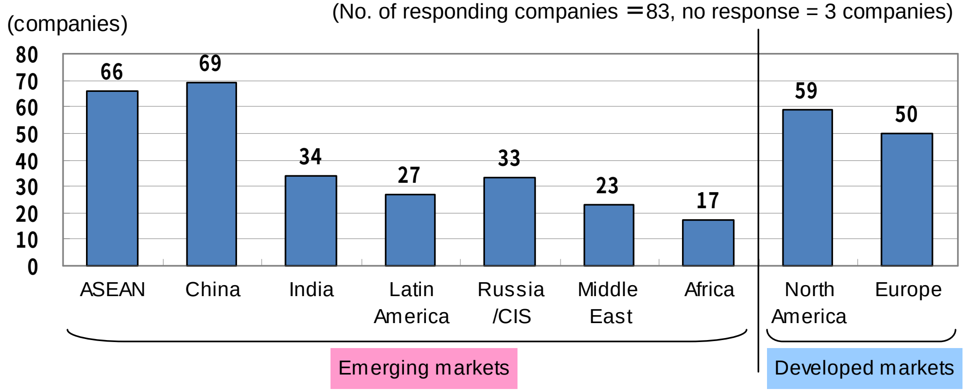
(Reference) Ratio by market
Developed markets: 14.2%
Emerging markets: 14.5%

(Note) Cumulative total of companies that chose consumers in either emerging or developed markets: 86

Q: Companies that chose "consumers" as their major customers were asked to choose the main overseas markets in which they are engaged from the regions in Figure 61. (multiple answers possible)

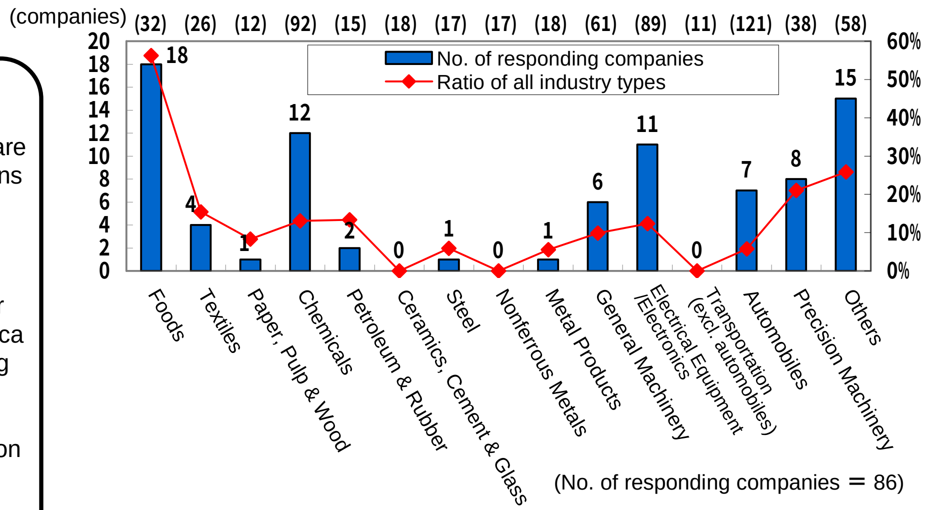
Figure 61: Main Overseas Markets in which Companies are Engaged

(No. of responding companies ＝83, no response = 3 companies)



(No. of responding companies ＝ 74)
(No. of responding companies ＝ 80)

Figure 62: Companies that chose Consumer-oriented Business (by industry type)



(No. of responding companies ＝ 86)

(Note) Figures in ( ) at the top of the bar graph are totals for each industry type

■Approximately 15% of companies responded that consumers are their major customers

- As shown in Figure 60, approximately 15% of companies responded that consumers are their major customer (B to C transactions). Many of responding companies' transactions are focused between companies such as delivery of parts to manufacturers, etc.

■Major destinations of consumer-targeted business in emerging markets are China and ASEAN

- Major destinations for companies involved in businesses that have consumers as their major customers are China (69 companies), ASEAN (66 companies) and North America (59 companies), showing the prominence of development in China and ASEAN among emerging markets in particular.
- By industry type, there results were: foods (18 companies), others (15 companies), chemicals (12 companies), electrical equipment & electronics (11 companies), precision machinery (8 companies) and automobiles (7 companies). It should be noted that the highest ratio of companies responding that consumers are their customers is foods, followed by others and precision machinery.

Q Please choose your income band (Note 2) target in emerging markets (Note 1) (multiple answers possible). How are your current business results (sales, profit) in overseas markets in comparison to when your company entered the market? Choose one response from "1. better than originally planned", "2. roughly the same as originally planned", "3. slightly worse than originally planned", "4. much worse than originally planned".

Q For companies that responded "1. better than originally planned" or "2. roughly the same as originally planned" when comparing current business results (sales, profit) in overseas markets with when the company entered the market. Please choose the most appropriate response concerning the reason why business development is going well in emerging markets. (multiple answers possible)

Figure 63: Income Band Targeted in Emerging Markets and Current Business Results

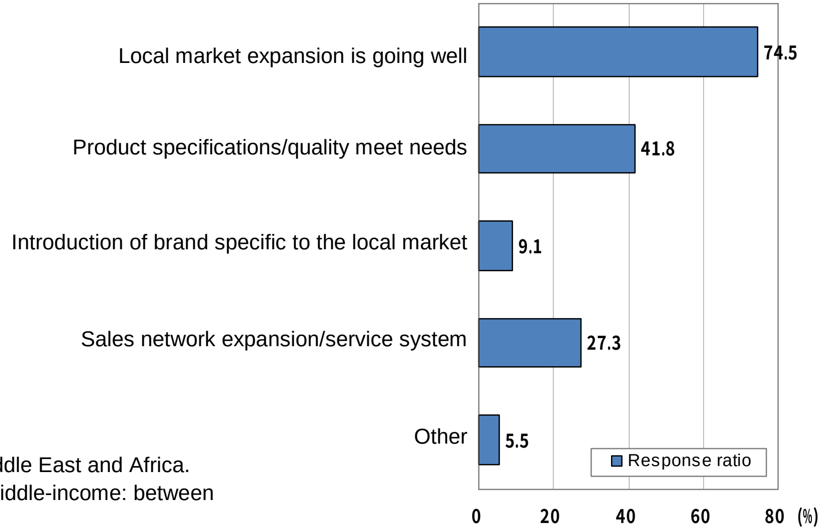
(companies)

	Over all	Target Income Band				Current Business Results in Overseas Markets		
		High-income Band	Middle-income Band	Low-income Band	Ratio of High- & Middle-income Bands	Better than originally planned	Roughly the same as originally planned	Ratio of good/same plans
ASEAN	66	39	52	9	86%	6	36	64%
China	69	40	52	6	91%	7	18	36%
India	34	14	26	6	82%	0	12	35%
Latin America	27	11	24	4	85%	4	7	41%
Russia/CIS	33	17	25	4	88%	7	10	52%
Middle East	23	12	18	4	83%	0	10	43%
Africa	17	7	14	4	76%	0	6	35%

(Note 1) Emerging markets on this page refers to ASEAN, China, India, Latin America, Russia/CIS, Middle East and Africa.
(Note 2) The definitions of target income bands are: high-income: yearly income of $35,000 or more, middle-income: between high-income and low-income, low-income: yearly income of $5,000 or less.

Figure 64: Reasons why Business Development is going well in Emerging Markets

(No. of responding companies = 55)



■Targeted bands for sales to consumers in emerging markets are high- to middle-income bands
- From markets in ASEAN to Africa, companies conducting sales to consumers (B to C transaction) mostly target the high- to middle-income bands and only a few companies responded that they target the low-income band.

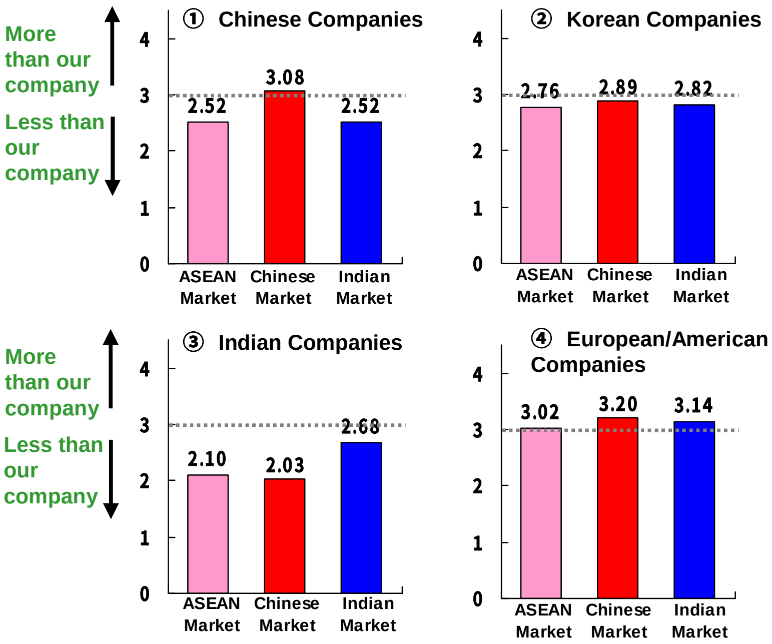
■Efforts in emerging markets are beginning to obtain certain results
- When analyzing the response ratio total for "1. better than originally planned" and "2. roughly the same as originally planned", the ratio for the ASEAN market was 64% and around 2 out of 3 companies achieved business results that equaled or exceeded the original plans.
- On the other hand, approximately 65% of companies responded that results were worse than originally planned in the Chinese market (36%), the Indian market (35%) and the African market (35%) and that performance was poor.
- The most popular reason for similar or better results than originally planned for emerging markets is "local market expansion is going well" (74.5%). The second most popular reason was "product specifications/quality meet needs" (41.8%).
- Despite variations by country including response to local market needs, transactions in emerging markets are beginning to obtain certain results.

Q If your company's competitors in emerging markets (China, ASEAN 5, India) are Chinese, Korean, Indian or European/American companies, rank their competitive strengths from 1 to 5 in comparison to your company on the premise that your company is ranked 3.

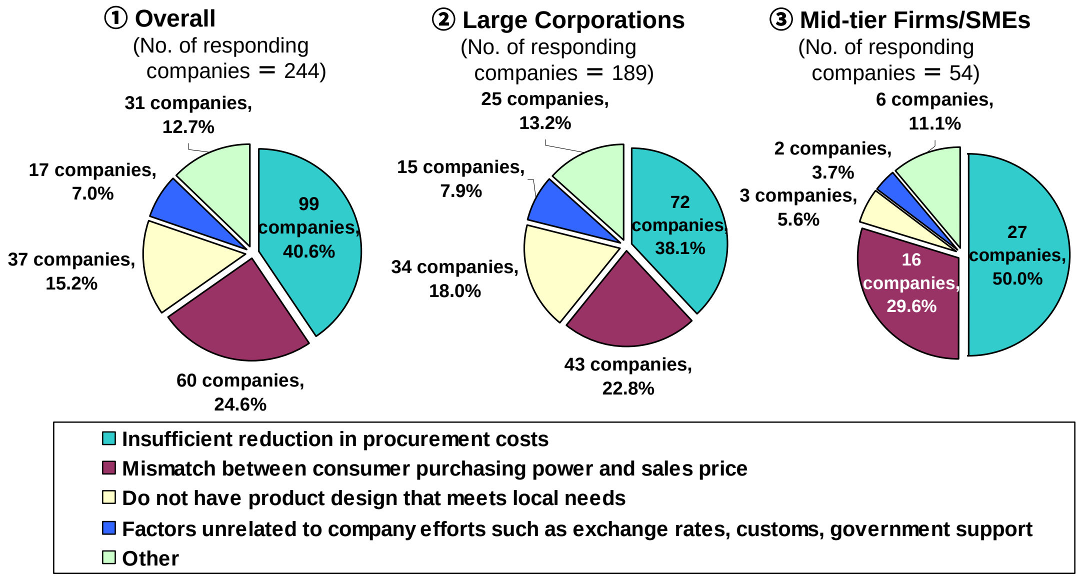
Q Choose the most appropriate reason why your company have inferior competitiveness to competitors (competitors ranked 4 or 5 in the previous question).

Figure 65: Product Competitiveness in Emerging Markets

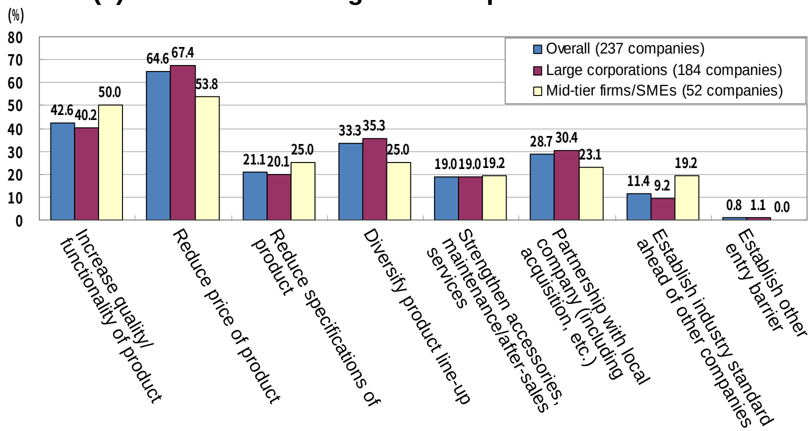
(1) Product Competitiveness



(2) Reasons why Product Competitiveness is Inferior



(3) Methods to strengthen Competitiveness



■Japanese companies recognize that they have higher competitiveness than Chinese, Korean and Indian companies in almost all markets with regard to product competitiveness in emerging markets

- Product competitiveness in emerging markets is evaluated as being higher for Japanese companies than for Chinese, Korean and Indian companies in almost all markets. Meanwhile, European/American companies are evaluated as having higher product competitiveness than Japanese companies and it appears that they are recognized as tough competitors
- In company interviews, there were opinions such as "since the Lehman Shock, we have worked hard on emerging markets and we are gradually obtaining results".

■The resolution of insufficient reductions in procurement costs is an issue in improving competitiveness

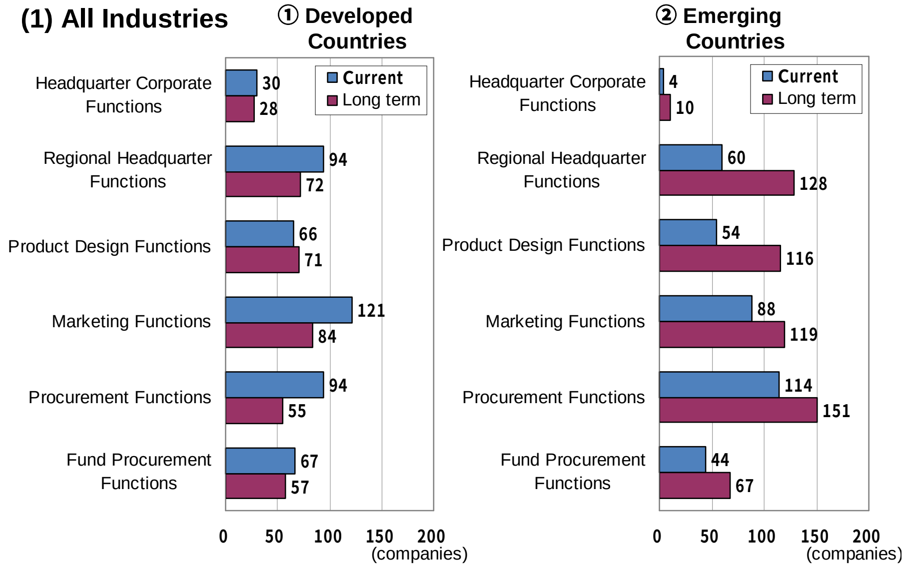
- According to companies that responded that their product competitiveness is lower than other companies, the reason for this inferiority in competitiveness is "insufficient reduction in procurement costs" for large corporations and mid-tier firms/SMEs alike and this ratio was particularly high for mid-tier firms/SMEs.

VII.4. Basis for Overseas Transfer of Headquarter Functions

Q

Tell us what you think about transferring your company's headquarter functions overseas. Of the following headquarter functions a. - f., select which functions have already been transferred overseas (developed/emerging countries) and which functions you consider it necessary to transfer over the long term (the next 10 years or so). (multiple answers possible)

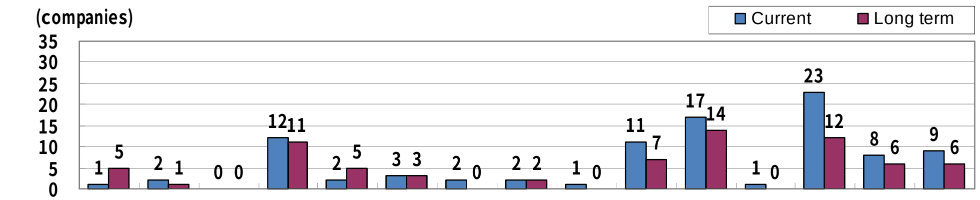
Figure 66: Basis for Transfer of Headquarter Functions Overseas



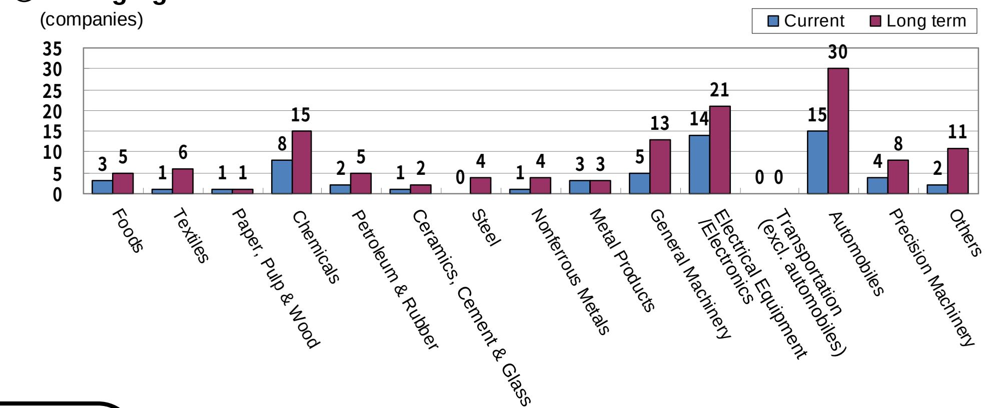
(Reference) No. of responding companies:
① Developed countries: current: 164 companies, long term: 147 companies
② Emerging countries: current: 172 companies, long term: 253 companies

(2) Trends by Industry in Regional Headquarter Functions Transfer

① Developed Countries



② Emerging Countries



■Some companies are currently transferring partial headquarter functions overseas, focusing on developed countries

- The partial transfer of headquarter functions focusing on marketing functions (121 companies) to developed countries is currently being implemented.

■Future transfers of regional headquarters and product design functions, etc. will be made to emerging countries

- At the present time, many companies responded that they are transferring marketing functions (88 companies) and procurement functions (114 companies) to emerging countries but, over the long term, there were also responses concerning the transfer of regional headquarters (128 companies) and product design functions (116 companies). From now on, in emerging markets, we can expect improvements in decision-making speed and product development responding to market needs.
- It was indicated that there is a stance of proceeding with the partial transfer of headquarter functions by industry type including automobiles, electrical equipment & electronics, general machinery and chemicals.

[Definitions of Choices]

	Headquarter Functions	Explanation
a.	Headquarter Corporate Functions	Functions that determine group management strategy planning and management resource distribution (i.e. headquarters as a whole)
b.	Regional Headquarter Functions	Functions of regional management in each region (regional strategy planning, etc.)
c.	Product Design Functions	Functions that conduct product design for sale in local markets based on information collected locally
d.	Marketing Functions	Functions for information gathering in order to understand local needs and planning local sales strategy
e.	Procurement Functions	Functions that determine the procurement of raw materials, parts, etc. that are required for local production
f.	Fund Procurement Functions	Functions that consider/determine fund procurement sources for the local company independently rather than just managing funds sent from the parent company

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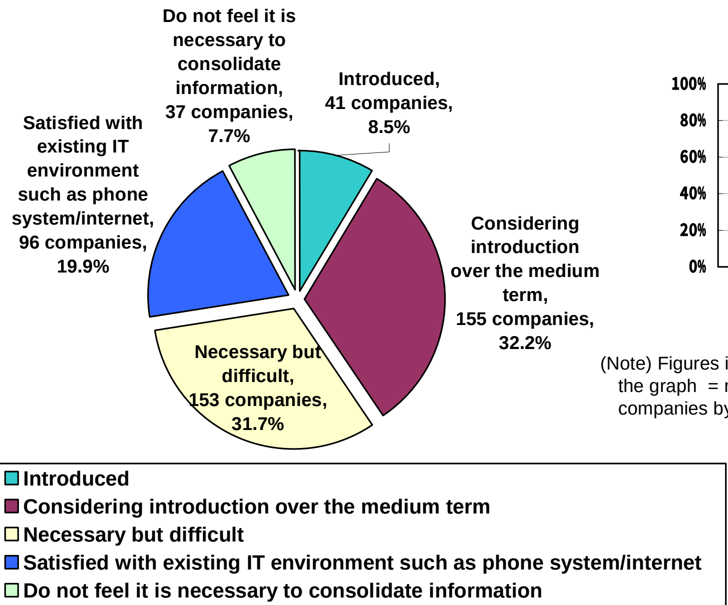
Choose the most appropriate response concerning initiatives that realize timely information sharing between headquarters and overseas affiliates for the facilitation of global management.

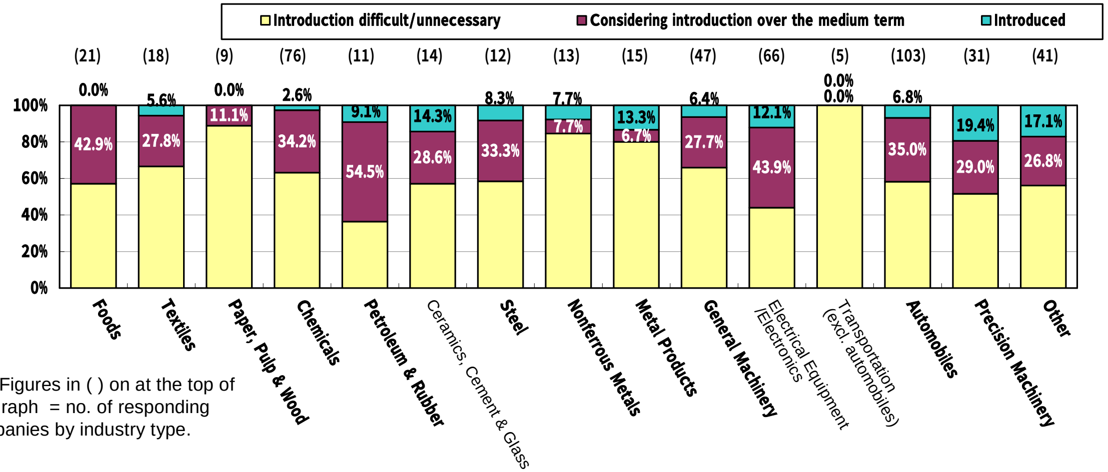
Figure 67: Current Status of Introduction of Global IT Systems

(1) All Industries

(No. of responding companies ＝ 482)



(2) Current Status of Introduction by Industry



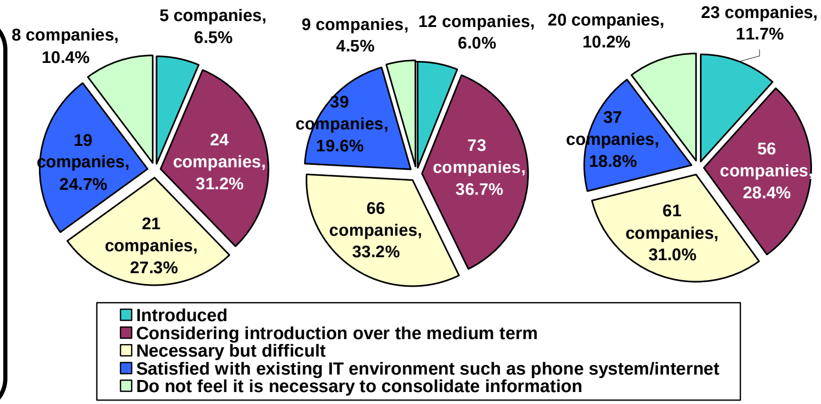
(Note) Figures in ( ) on the top of the graph ＝ no. of responding companies by industry type.

(3) Current Status of Introduction by Supply Chain

① Materials/raw materials manufacturers (No. of responding companies ＝77)

② Parts/intermediate materials suppliers (No. of responding companies ＝199)

③ Production/sales of finished products (No. of responding companies ＝ 197)



■Approximately 1/3 companies are considering to introduce global IT systems introduction, 8.5% have already introduced it

- Concerning a global IT systems to realize timely information sharing between headquarters and overseas affiliates for the facilitation of global management, 32.2% of companies are considering system introduction and 8.5% have already introduced it. It is likely that approximately 40% of companies will introduce a global IT system over the medium term. By industry, by ratio of introduction/considering introduction from high to low: petroleum & rubber (63.6%), electrical equipment & electronics (56.0%) and precision machinery (48.4%).

■No large discrepancies in response trends through supply chain

- There were no large discrepancies in response trends through supply chain. Approximately 40% of companies have already introduced a global IT system or are considering introducing one. It is understood that the introduction of a global IT system has shared issues with the supply chain overall.

Appendices

Appendix 1. Change and Details for Promising Countries/Regions for Overseas Business Operations

Promising Countries/Regions for Overseas Business Operations over the Medium-term

Note: "Medium-term" here means about the next three years or so.

Rank	FY2013 Survey	No.of Companies 488	Percentage share (%)	FY2012 Survey	No.of Companies 514	Percentage share (%)	FY2011 Survey	No.of Companies 507	Percentage share (%)	FY2010 Survey	No.of Companies 516	Percentage share (%)	FY2009 Survey	No.of Companies 480	Percentage share (%)
1	Indonesia	219	44.9	China	319	65.4	China	369	72.8	China	399	77.3	China	353	73.5
2	India	213	43.6	India	290	59.4	India	297	58.6	India	312	60.5	India	278	57.9
3	Thailand	188	38.5	Indonesia	215	44.1	Thailand	165	32.5	Vietnam	166	32.2	Vietnam	149	31.0
4	China	183	37.5	Thailand	165	33.8	Vietnam	159	31.4	Thailand	135	26.2	Thailand	110	22.9
5	Vietnam	148	30.3	Vietnam	163	33.4	Brazil	145	28.6	Brazil	127	24.6	Russia	103	21.5
6	Brazil	114	23.4	Brazil	132	27.0	Indonesia			Indonesia	107	20.7	Brazil	95	19.8
7	Mexico	84	17.2	Mexico	72	14.8	Russia	63	12.4	Russia	75	14.5	USA	65	13.5
8	Myanmar	64	13.1	Russia	64	13.1	USA	50	9.9	USA	58	11.2	Indonesia	52	10.8
9	Russia	60	12.3	USA	53	10.9	Malaysia	39	7.7	Korea	30	5.8	Korea	31	6.5
10	USA	54	11.1	Myanmar	51	10.5	Taiwan	35	6.9	Malaysia	29	5.6	Malaysia	26	5.4
11	Philippines	39	8.0	Malaysia	36	7.4	Korea	31	6.1	Taiwan			Taiwan	21	4.4
12	Malaysia	37	7.6	Korea	23	4.7	Mexico	29	5.7	Mexico	25	4.8	Mexico	20	4.2
13	Korea	28	5.7	Turkey			Singapore	25	4.9	Singapore	21	4.1	Philippines	14	2.9
14	Taiwan	23	4.7	Taiwan	22	4.5	Philippines	15	3.0	Philippines	14	2.7	Germany	9	1.9
15	Turkey			Philippines	21	4.3	Turkey	12	2.4	Australia	8	1.6	Australia		
16	Singapore	19	3.9	Singapore	16	3.3	Australia	8	1.6	Bangladesh			Saudi Arabia		
17	Cambodia	12	2.5	Cambodia	13	2.7	Bangladesh			Turkey			Turkey	8	1.7
18	Germany	10	2.0	Australia	11	2.3	Cambodia			Germany	7	1.4	Singapore	7	1.5
19	South Africa			Bangladesh	10	2.0	Myanmar	7	1.4	UK	6	1.2	Czech Republic	6	1.3
20	Laos	9	1.8	Germany	6	1.2	UK	6	1.2	Myanmar Poland Saudi Arabia South Africa UAE	5	1.0	Canada UK UAE	5	1.0

Promising Countries/Regions over the Long-term

Note: "Long-term" here means the next ten years or so.

Rank	FY2013 Survey	No.of Companies 360	Percentage share (%)	FY2012 Survey	No.of Companies 387	Percentage share (%)
1	India	191	53.1	India	251	64.9
2	China	139	38.6	China	218	56.3
3	Indonesia	135	37.5	Indonesia	149	38.5
4	Brazil	114	31.7	Brazil	140	36.2
5	Thailand	99	27.5	Vietnam	110	28.4
6	Vietnam	96	26.7	Thailand	103	26.6
7	Myanmar	75	20.8	Russia	78	20.2
8	Russia	65	18.1	Myanmar	65	16.8
9	USA	47	13.1	Mexico	46	11.9
10	Mexico			USA	34	8.8

Promising Countries/Regions for Mid-tier/SMEs over the Medium-term

Note: "Mid-tier firm/SMEs" here means companies with paid-in capital of less than ¥1 billion.

Rank	FY2013 Survey	No.of Companies 124	Percentage share (%)	FY2012 Survey	No.of Companies 128	Percentage share (%)
1	India	51	41.1	China	74	57.8
2	Indonesia			India	62	48.4
3	Thailand			Indonesia	53	41.4
4	Vietnam	44	35.5	Vietnam	45	35.2
5	China	36	29.0	Thailand	43	33.6
6	Brazil	26	21.0	Brazil	22	17.2
7	Myanmar	24	19.4	Myanmar	19	14.8
8	Mexico	20	16.1	Mexico	18	14.1
9	Philippines	15	12.1	Russia	14	10.9
10	Russia	13	10.5	USA	13	10.2

Appendix 2. Promising Countries/Regions for Overseas Business Operations
(details of reasons for countries being viewed as promising)

Note 1: The number of respondent companies refers to the number of companies that cited reasons for a country being promising.
Note 2: The colored cells indicate the top three reasons most often cited for each country.

FY2013 Survey	1 Indonesia		2 India		3 Thailand		4 China		5 Vietnam		6 Brazil		7 Mexico		8 Myanmar		9 Russia		10 USA	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
No. of respondent companies	215	100%	208	100%	185	100%	183	100%	146	100%	113	100%	81	100%	60	100%	60	100%	54	100%
1. Qualified human resources	11	5.1%	28	13.5%	29	15.7%	12	6.6%	37	25.3%	4	3.5%	2	2.5%	6	10.0%	2	3.3%	8	14.8%
2. Inexpensive source of labor	82	38.1%	70	33.7%	60	32.4%	31	16.9%	84	57.5%	14	12.4%	23	28.4%	42	70.0%	4	6.7%	1	1.9%
3. Inexpensive components/raw materials	11	5.1%	11	5.3%	15	8.1%	29	15.8%	9	6.2%	5	4.4%	6	7.4%	4	6.7%	2	3.3%	1	1.9%
4. Supply base for assemblers	54	25.1%	48	23.1%	59	31.9%	49	26.8%	16	11.0%	18	15.9%	37	45.7%	3	5.0%	13	21.7%	11	20.4%
5. Concentration of industry	32	14.9%	24	11.5%	58	31.4%	46	25.1%	12	8.2%	11	9.7%	24	29.6%	-	-	5	8.3%	15	27.8%
6. Good for risk diversification to other countries	20	9.3%	11	5.3%	22	11.9%	3	1.6%	27	18.5%	3	2.7%	9	11.1%	12	20.0%	3	5.0%	1	1.9%
7. Base of export to Japan	13	6.0%	6	2.9%	18	9.7%	12	6.6%	7	4.8%	1	0.9%	1	1.2%	5	8.3%	1	1.7%	2	3.7%
8. Base of export to third countries	29	13.5%	29	13.9%	53	28.6%	32	17.5%	17	11.6%	8	7.1%	22	27.2%	6	10.0%	1	1.7%	4	7.4%
9. Advantages in terms of raw material procurement	7	3.3%	9	4.3%	6	3.2%	13	7.1%	1	0.7%	5	4.4%	2	2.5%	1	1.7%	2	3.3%	3	5.6%
10. Current size of local market	66	30.7%	53	25.5%	64	34.6%	112	61.2%	18	12.3%	35	31.0%	24	29.6%	5	8.3%	18	30.0%	38	70.4%
11. Future growth potential of local market	181	84.2%	181	87.0%	111	60.0%	124	67.8%	97	66.4%	100	88.5%	49	60.5%	32	53.3%	46	76.7%	29	53.7%
12. Profitability of local market	17	7.9%	6	2.9%	16	8.6%	17	9.3%	10	6.8%	2	1.8%	7	8.6%	1	1.7%	5	8.3%	12	22.2%
13. Base for product development	1	0.5%	5	2.4%	6	3.2%	11	6.0%	1	0.7%	1	0.9%	2	2.5%	1	1.7%	-	-	8	14.8%
14. Developed local infrastructure	8	3.7%	3	1.4%	55	29.7%	18	9.8%	4	2.7%	4	3.5%	6	7.4%	-	-	2	3.3%	16	29.6%
15. Developed local logistics services	5	2.3%	2	1.0%	23	12.4%	7	3.8%	2	1.4%	2	1.8%	4	4.9%	-	-	1	1.7%	15	27.8%
16. Tax incentives for investment	6	2.8%	2	1.0%	39	21.1%	4	2.2%	10	6.8%	2	1.8%	6	7.4%	3	5.0%	2	3.3%	1	1.9%
17. Stable policies to attract foreign investment	7	3.3%	3	1.4%	25	13.5%	2	1.1%	4	2.7%	2	1.8%	5	6.2%	-	-	1	1.7%	1	1.9%
18. Social/political situation stable	14	6.5%	6	2.9%	30	16.2%	3	1.6%	18	12.3%	6	5.3%	5	6.2%	1	1.7%	1	1.7%	19	35.2%

FY2012 Survey	1 China		2 India		3 Indonesia		4 Thailand		5 Vietnam		6 Brazil		7 Mexico		8 Russia		9 USA		10 Myanmar	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
No. of respondent companies	312	100%	279	100%	208	100%	160	100%	160	100%	132	100%	70	100%	63	100%	53	100%	48	100%
1. Qualified human resources	37	11.9%	44	15.8%	15	7.2%	33	20.6%	30	18.8%	1	0.8%	1	1.4%	2	3.2%	7	13.2%	7	14.6%
2. Inexpensive source of labor	83	26.6%	106	38.0%	84	40.4%	58	36.3%	94	58.8%	19	14.4%	20	28.6%	3	4.8%	-	-	35	72.9%
3. Inexpensive components/raw materials	51	16.3%	19	6.8%	11	5.3%	16	10.0%	13	8.1%	3	2.3%	1	1.4%	1	1.6%	1	1.9%	6	12.5%
4. Supply base for assemblers	87	27.9%	69	24.7%	58	27.9%	49	30.6%	21	13.1%	30	22.7%	36	51.4%	13	20.6%	8	15.1%	2	4.2%
5. Concentration of industry	69	22.1%	22	7.9%	17	8.2%	43	26.9%	10	6.3%	5	3.8%	10	14.3%	2	3.2%	8	15.1%	-	-
6. Good for risk diversification to other countries	4	1.3%	9	3.2%	15	7.2%	14	8.8%	26	16.3%	3	2.3%	5	7.1%	-	-	-	-	7	14.6%
7. Base of export to Japan	33	10.6%	7	2.5%	9	4.3%	19	11.9%	15	9.4%	-	-	-	-	-	-	1	1.9%	6	12.5%
8. Base of export to third countries	44	14.1%	23	8.2%	25	12.0%	40	25.0%	22	13.8%	9	6.8%	17	24.3%	-	-	1	1.9%	6	12.5%
9. Advantages in terms of raw material procurement	22	7.1%	10	3.6%	5	2.4%	5	3.1%	5	3.1%	4	3.0%	-	-	1	1.6%	-	-	2	4.2%
10. Current size of local market	146	46.8%	74	26.5%	54	26.0%	44	27.5%	16	10.0%	34	25.8%	16	22.9%	17	27.0%	34	64.2%	4	8.3%
11. Future growth potential of local market	229	73.4%	237	84.9%	174	83.7%	85	53.1%	108	67.5%	117	88.6%	36	51.4%	56	88.9%	23	43.4%	24	50.0%
12. Profitability of local market	25	8.0%	11	3.9%	13	6.3%	17	10.6%	8	5.0%	6	4.5%	3	4.3%	5	7.9%	12	22.6%	-	-
13. Base for product development	17	5.4%	4	1.4%	2	1.0%	4	2.5%	1	0.6%	2	1.5%	-	-	-	-	4	7.5%	-	-
14. Developed local infrastructure	24	7.7%	4	1.4%	6	2.9%	39	24.4%	5	3.1%	3	2.3%	3	4.3%	-	-	20	37.7%	-	-
15. Developed local logistics services	12	3.8%	1	0.4%	-	-	18	11.3%	-	-	1	0.8%	-	-	-	-	11	20.8%	-	-
16. Tax incentives for investment	11	3.5%	4	1.4%	5	2.4%	34	21.3%	12	7.5%	5	3.8%	2	2.9%	-	-	-	-	3	6.3%
17. Stable policies to attract foreign investment	6	1.9%	3	1.1%	9	4.3%	26	16.3%	8	5.0%	4	3.0%	-	-	-	-	2	3.8%	2	4.2%
18. Social/political situation stable	5	1.6%	7	2.5%	13	6.3%	15	9.4%	11	6.9%	10	7.6%	2	2.9%	-	-	15	28.3%	-	-

Appendix 3. Promising Countries/Regions for Overseas Business Operations (details of issues)

Note 1: The number of respondent companies refers to the number of companies that cited issues.
Note 2: The colored cells indicate the top three issues most often cited for each country.

FY2013 Survey	1 Indonesia		2 India		3 Thailand		4 China		5 Vietnam		6 Brazil		7 Mexico		8 Myanmar		9 Russia		10 USA	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Respondent companies	194	100%	194	100%	157	100%	179	100%	132	100%	99	100%	70	100%	56	100%	56	100%	40	100%
1. Underdeveloped legal system	24	12.4%	29	14.9%	3	1.9%	19	10.6%	25	18.9%	10	10.1%	4	5.7%	27	48.2%	5	8.9%	-	-
2, Execution of legal system unclear	59	30.4%	60	30.9%	14	8.9%	99	55.3%	39	29.5%	23	23.2%	12	17.1%	15	26.8%	19	33.9%	-	-
3. Complicated tax system	17	8.8%	48	24.7%	5	3.2%	25	14.0%	6	4.5%	17	17.2%	5	7.1%	2	3.6%	3	5.4%	1	2.5%
4. Execution of tax system unclear	34	17.5%	37	19.1%	6	3.8%	46	25.7%	22	16.7%	22	22.2%	9	12.9%	3	5.4%	4	7.1%	-	-
5. Increased taxation	20	10.3%	16	8.2%	13	8.3%	44	24.6%	7	5.3%	9	9.1%	5	7.1%	2	3.6%	5	8.9%	7	17.5%
6. Restrictions on foreign investment	20	10.3%	25	12.9%	12	7.6%	42	23.5%	10	7.6%	11	11.1%	4	5.7%	9	16.1%	6	10.7%	-	-
7. Complicated/unclear procedures for investment permission	25	12.9%	31	16.0%	5	3.2%	47	26.3%	19	14.4%	11	11.1%	5	7.1%	6	10.7%	14	25.0%	-	-
8. Insufficient protection for intellectual property rights	8	4.1%	11	5.7%	5	3.2%	83	46.4%	8	6.1%	5	5.1%	6	8.6%	3	5.4%	2	3.6%	-	-
9. Restrictions on foreign currency/ transfers of money overseas	6	3.1%	22	11.3%	8	5.1%	56	31.3%	12	9.1%	14	14.1%	2	2.9%	9	16.1%	5	8.9%	-	-
10. Import restrictions/customs procedures	26	13.4%	27	13.9%	9	5.7%	35	19.6%	13	9.8%	24	24.2%	9	12.9%	5	8.9%	9	16.1%	1	2.5%
11. Difficult to secure technical/engineering staff	40	20.6%	26	13.4%	35	22.3%	20	11.2%	26	19.7%	12	12.1%	14	20.0%	9	16.1%	3	5.4%	2	5.0%
12. Difficult to secure management-level staff	52	26.8%	26	13.4%	36	22.9%	38	21.2%	36	27.3%	18	18.2%	22	31.4%	14	25.0%	9	16.1%	5	12.5%
13. Rising labor costs	80	41.2%	35	18.0%	88	56.1%	138	77.1%	35	26.5%	20	20.2%	16	22.9%	7	12.5%	8	14.3%	8	20.0%
14. Labor problems	52	26.8%	49	25.3%	24	15.3%	46	25.7%	12	9.1%	15	15.2%	15	21.4%	5	8.9%	2	3.6%	9	22.5%
15. Intense competition with other companies	58	29.9%	64	33.0%	73	46.5%	111	62.0%	32	24.2%	29	29.3%	14	20.0%	6	10.7%	15	26.8%	34	85.0%
16. Difficulties in recovering money owed	7	3.6%	14	7.2%	2	1.3%	43	24.0%	6	4.5%	8	8.1%	1	1.4%	2	3.6%	3	5.4%	-	-
17. Difficulty in raising funds	6	3.1%	13	6.7%	5	3.2%	12	6.7%	4	3.0%	3	3.0%	2	2.9%	6	10.7%	4	7.1%	-	-
18. Underdeveloped local supporting industries	25	12.9%	20	10.3%	7	4.5%	8	4.5%	25	18.9%	10	10.1%	8	11.4%	11	19.6%	4	7.1%	-	-
19. Sense of instability regarding currency and/or costs	24	12.4%	27	13.9%	2	1.3%	7	3.9%	16	12.1%	28	28.3%	6	8.6%	5	8.9%	2	3.6%	-	-
20. Underdeveloped infrastructure	61	31.4%	111	57.2%	12	7.6%	19	10.6%	54	40.9%	23	23.2%	9	12.9%	36	64.3%	5	8.9%	-	-
21. Security/social instability	41	21.1%	47	24.2%	22	14.0%	57	31.8%	6	4.5%	26	26.3%	34	48.6%	14	25.0%	8	14.3%	-	-
22. Lack of information on the country	15	7.7%	23	11.9%	4	2.5%	5	2.8%	13	9.8%	23	23.2%	9	12.9%	18	32.1%	17	30.4%	-	-

FY2012 Survey	1 China		2 India		3 Indonesia		4 Thailand		5 Vietnam		6 Brazil		7 Mexico		8 Russia		9 USA		10 Myanmar	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Respondent companies	300	100%	255	100%	171	100%	137	100%	129	100%	110	100%	59	100%	52	100%	41	100%	43	100%
1. Underdeveloped legal system	51	17.0%	48	18.8%	29	17.0%	4	2.9%	28	21.7%	11	10.0%	3	5.1%	12	23.1%	-	0.0%	21	48.8%
2, Execution of legal system unclear	172	57.3%	84	32.9%	41	24.0%	11	8.0%	36	27.9%	31	28.2%	7	11.9%	24	46.2%	-	0.0%	14	32.6%
3. Complicated tax system	44	14.7%	56	22.0%	12	7.0%	5	3.6%	9	7.0%	28	25.5%	8	13.6%	7	13.5%	2	4.9%	4	9.3%
4. Execution of tax system unclear	99	33.0%	51	20.0%	35	20.5%	7	5.1%	18	14.0%	18	16.4%	7	11.9%	7	13.5%	1	2.4%	7	16.3%
5. Increased taxation	74	24.7%	20	7.8%	18	10.5%	11	8.0%	5	3.9%	16	14.5%	3	5.1%	2	3.8%	5	12.2%	2	4.7%
6. Restrictions on foreign investment	81	27.0%	34	13.3%	14	8.2%	15	10.9%	9	7.0%	9	8.2%	-	0.0%	7	13.5%	-	0.0%	7	16.3%
7. Complicated/unclear procedures for investment permission	77	25.7%	48	18.8%	22	12.9%	8	5.8%	19	14.7%	13	11.8%	2	3.4%	11	21.2%	2	4.9%	9	20.9%
8. Insufficient protection for intellectual property rights	127	42.3%	12	4.7%	8	4.7%	3	2.2%	12	9.3%	5	4.5%	-	0.0%	2	3.8%	-	0.0%	-	0.0%
9. Restrictions on foreign currency/ transfers of money overseas	107	35.7%	30	11.8%	4	2.3%	5	3.6%	10	7.8%	13	11.8%	1	1.7%	4	7.7%	-	0.0%	8	18.6%
10. Import restrictions/customs procedures	70	23.3%	25	9.8%	20	11.7%	10	7.3%	7	5.4%	21	19.1%	5	8.5%	7	13.5%	1	2.4%	2	4.7%
11. Difficult to secure technical/engineering staff	37	12.3%	27	10.6%	31	18.1%	29	21.2%	22	17.1%	14	12.7%	16	27.1%	3	5.8%	2	4.9%	6	14.0%
12. Difficult to secure management-level staff	65	21.7%	37	14.5%	45	26.3%	35	25.5%	36	27.9%	15	13.6%	22	37.3%	7	13.5%	9	22.0%	12	27.9%
13. Rising labor costs	229	76.3%	56	22.0%	54	31.6%	73	53.3%	35	27.1%	28	25.5%	10	16.9%	5	9.6%	4	9.8%	4	9.3%
14. Labor problems	100	33.3%	80	31.4%	40	23.4%	11	8.0%	11	8.5%	18	16.4%	10	16.9%	2	3.8%	3	7.3%	5	11.6%
15. Intense competition with other companies	157	52.3%	86	33.7%	65	38.0%	55	40.1%	33	25.6%	37	33.6%	13	22.0%	18	34.6%	33	80.5%	5	11.6%
16. Difficulties in recovering money owed	80	26.7%	20	7.8%	11	6.4%	1	0.7%	8	6.2%	6	5.5%	1	1.7%	6	11.5%	-	0.0%	6	14.0%
17. Difficulty in raising funds	27	9.0%	17	6.7%	2	1.2%	-	0.0%	7	5.4%	3	2.7%	2	3.4%	2	3.8%	1	2.4%	3	7.0%
18. Underdeveloped local supporting industries	10	3.3%	39	15.3%	18	10.5%	7	5.1%	31	24.0%	9	8.2%	9	15.3%	4	7.7%	1	2.4%	4	9.3%
19. Sense of instability regarding currency and/or costs	10	3.3%	35	13.7%	23	13.5%	4	2.9%	22	17.1%	22	20.0%	8	13.6%	5	9.6%	1	2.4%	7	16.3%
20. Underdeveloped infrastructure	31	10.3%	122	47.8%	57	33.3%	10	7.3%	58	45.0%	18	16.4%	2	3.4%	8	15.4%	-	0.0%	31	72.1%
21. Security/social instability	39	13.0%	47	18.4%	30	17.5%	26	19.0%	6	4.7%	30	27.3%	31	52.5%	15	28.8%	-	0.0%	22	51.2%
22. Lack of information on the country	4	1.3%	44	17.3%	17	9.9%	7	5.1%	19	14.7%	26	23.6%	12	20.3%	9	17.3%	-	0.0%	16	37.2%

Medium-term Prospects for Overseas Business Operations (by industry)

Overseas	Strengthen /expand		Maintain present level		Scale back /withdraw	
	2012	2013	2012	2013	2012	2013
All Industries	84.4%	82.5%	14.8%	16.1%	0.9%	1.5%
Foods	89.3%	90.6%	10.7%	9.4%	-	-
Textiles	73.1%	84.6%	26.9%	15.4%	-	-
Paper, Pulp & Wood	80.0%	75.0%	20.0%	25.0%	-	-
Chemicals (total)	86.0%	85.4%	14.0%	13.5%	-	1.1%
Chemicals (incl. plastic products)	85.9%	86.4%	14.1%	12.3%	-	1.2%
Pharmaceuticals	87.5%	75.0%	12.5%	25.0%	-	-
Petroleum & Rubber	66.7%	92.9%	26.7%	7.1%	6.7%	-
Ceramics, Cement & Glass	92.9%	77.8%	7.1%	16.7%	-	5.6%
Steel	78.9%	100.0%	21.1%	-	-	-
Nonferrous Metals	86.4%	94.1%	9.1%	5.9%	4.5%	-
Metal Products	68.0%	61.1%	32.0%	38.9%	-	-
General Machinery (total)	84.0%	86.9%	16.0%	13.1%	-	-
Assembly	82.2%	91.5%	17.8%	8.5%	-	-
Parts	100.0%	71.4%	-	28.6%	-	-
Electrical Equipment & Electronics (total)	80.9%	69.8%	17.0%	27.9%	2.1%	2.3%
Assembly	94.6%	76.3%	5.4%	18.4%	-	5.3%
Parts	71.9%	64.6%	24.6%	35.4%	3.5%	-
Transportation (excl. Automobiles)	85.7%	81.8%	14.3%	18.2%	-	-
Automobiles (total)	92.2%	87.0%	7.8%	12.2%	-	0.9%
Assembly	87.5%	100.0%	12.5%	-	-	-
Parts	92.6%	86.4%	7.4%	12.7%	-	0.9%
Precision Machinery (total)	87.5%	78.9%	12.5%	18.4%	-	2.6%
Assembly	91.3%	80.8%	8.7%	15.4%	-	3.8%
Parts	77.8%	75.0%	22.2%	25.0%	-	-
Other	86.3%	78.9%	11.8%	15.8%	2.0%	5.3%

Domestic	Strengthen /expand		Maintain present level		Scale back /withdraw		undecided	
	2012	2013	2012	2013	2012	2013	2012	2013
All Industries	25.7%	28.0%	56.5%	58.9%	9.5%	8.2%	8.3%	4.9%
Foods	51.9%	58.1%	44.4%	38.7%	3.7%	3.2%	-	-
Textiles	11.5%	26.9%	73.1%	65.4%	7.7%	7.7%	7.7%	-
Paper, Pulp & Wood	20.0%	41.7%	40.0%	50.0%	30.0%	8.3%	10.0%	-
Chemicals (total)	31.4%	24.2%	52.3%	64.8%	4.7%	2.2%	11.6%	8.8%
Chemicals (incl. plastic products)	28.2%	21.7%	53.8%	67.5%	5.1%	2.4%	12.8%	8.4%
Pharmaceuticals	62.5%	50.0%	37.5%	37.5%	-	-	-	12.5%
Petroleum & Rubber	20.0%	14.3%	73.3%	71.4%	6.7%	7.1%	-	7.1%
Ceramics, Cement & Glass	14.3%	16.7%	57.1%	72.2%	7.1%	5.6%	21.4%	5.6%
Steel	21.1%	12.5%	78.9%	87.5%	-	-	-	-
Nonferrous Metals	21.7%	17.6%	52.2%	64.7%	13.0%	17.6%	13.0%	-
Metal Products	23.1%	27.8%	53.8%	61.1%	11.5%	5.6%	11.5%	5.6%
General Machinery (total)	32.0%	39.3%	54.0%	54.1%	6.0%	6.6%	8.0%	-
Assembly	33.3%	42.6%	55.6%	51.1%	2.2%	6.4%	8.9%	-
Parts	20.0%	28.6%	40.0%	64.3%	40.0%	7.1%	-	-
Electrical Equipment & Electronics (total)	27.4%	33.7%	54.7%	53.5%	11.6%	4.7%	6.3%	8.1%
Assembly	28.9%	31.6%	55.3%	57.9%	7.9%	5.3%	7.9%	5.3%
Parts	26.3%	35.4%	54.4%	50.0%	14.0%	4.2%	5.3%	10.4%
Transportation (excl. Automobiles)	14.3%	9.1%	64.3%	63.6%	21.4%	18.2%	-	9.1%
Automobiles (total)	10.7%	8.6%	64.1%	69.0%	14.6%	19.0%	10.7%	3.4%
Assembly	12.5%	16.7%	75.0%	66.7%	12.5%	-	-	16.7%
Parts	10.5%	8.2%	63.2%	69.1%	14.7%	20.0%	11.6%	2.7%
Precision Machinery (total)	40.6%	50.0%	46.9%	39.5%	9.4%	7.9%	3.1%	2.6%
Assembly	52.2%	53.8%	30.4%	30.8%	13.0%	11.5%	4.3%	3.8%
Parts	11.1%	41.7%	88.9%	58.3%	-	-	-	-
Other	35.4%	38.2%	47.9%	45.5%	6.3%	5.5%	10.4%	10.9%

Medium-term Prospects for Overseas Business Operation (by major countries/regions)

Major countries /Regions	NIEs3		ASEAN5		China		Rest of Asia & Oceania		North America		Latin America	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Strengthen/expand	40.6%	30.2%	58.5%	59.6%	64.3%	51.4%	74.3%	63.4%	51.6%	53.7%	63.4%	62.0%
Maintain present level	58.0%	68.4%	40.1%	38.9%	34.0%	46.6%	25.4%	35.8%	46.9%	45.8%	35.2%	37.0%
Scale back/withdraw	1.5%	1.4%	1.4%	1.5%	1.7%	2.0%	0.4%	0.9%	1.5%	0.5%	1.4%	1.0%

	EU15		Central & Eastern Europe		Rest of Europe & CIS		Russia		Middle East		Africa	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Strengthen/expand	37.5%	37.7%	42.5%	45.0%	44.2%	38.1%	63.1%	64.2%	53.1%	48.8%	40.5%	48.1%
Maintain present level	57.8%	60.2%	56.7%	51.7%	54.5%	60.3%	35.1%	34.0%	45.9%	50.0%	59.5%	49.4%
Scale back/withdraw	4.7%	2.1%	0.8%	3.3%	1.3%	1.6%	1.8%	1.9%	1.0%	1.2%	-	2.5%

Prospects for Medium-term Overseas Business Operation (Regions in Detail)

Regions in detail	NIEs3			ASEAN5					China				
	Korea	Taiwan	Hong Kong	Singapore	Thailand	Indonesia	Malaysia	Philippines	North-eastern China	Northern China	Eastern China	Southern China	Inland China
Strengthen/expand	35.1%	32.4%	21.2%	36.6%	70.8%	77.8%	45.9%	50.6%	48.4%	50.0%	53.1%	51.3%	51.3%
Maintain present level	63.6%	67.2%	75.8%	59.0%	28.7%	22.2%	51.8%	48.1%	51.6%	48.6%	44.4%	45.8%	47.3%
Scale back/withdraw	1.2%	0.4%	3.0%	4.4%	0.5%	-	2.3%	1.3%	-	1.4%	2.4%	3.0%	1.3%

	Rest of Asia & Oceania						Latin America		
	India	Vietnam	Cambodia	Laos	Myanmar	Others	Mexico	Brazil	Others
Strengthen/expand	75.7%	69.6%	52.5%	37.2%	63.9%	24.6%	65.3%	67.1%	41.5%
Maintain present level	23.9%	29.0%	47.5%	62.8%	36.1%	72.5%	34.1%	31.0%	58.5%
Scale back/withdraw	0.4%	1.3%	-	-	-	2.9%	0.6%	1.9%	-

Appendix 6. Overseas Production & Sales Ratios (details by industry)

Industry	Overseas Production Ratio										Overseas Sales Ratio							
	FY2010 (actual)	No. of Com-panies	FY2011 (actual)	No. of Com-panies	FY2012 (actual)	No. of Com-panies	FY2013 (projected)	No. of Com-panies	Medium-term plans	No. of Com-panies	FY2010 (actual)	No. of Com-panies	FY2011 (actual)	No. of Com-panies	FY2012 (actual)	No. of Com-panies	FY2013 (projected)	No. of Com-panies
Foods	20.6%	32	20.4%	28	18.6%	28	19.6%	28	23.9%	27	19.2%	33	18.4%	29	19.5%	29	21.2%	29
Textiles	46.9%	27	49.8%	25	48.2%	25	49.8%	25	51.5%	23	22.0%	30	18.8%	26	18.6%	25	20.6%	25
Paper, Pulp & Wood	23.3%	6	16.0%	10	25.8%	12	27.5%	12	30.8%	12	11.7%	6	11.7%	9	13.3%	12	15.8%	12
Chemicals (total)	23.0%	81	24.2%	74	25.0%	82	26.8%	82	30.5%	74	30.1%	92	30.1%	86	31.1%	90	33.6%	88
Chemicals (incl. plastic products)	23.9%	75	25.1%	67	25.8%	77	27.6%	77	31.5%	69	30.2%	83	30.3%	78	31.5%	82	33.9%	81
Pharmaceuticals	11.7%	6	15.0%	7	13.0%	5	15.0%	5	17.0%	5	29.4%	9	28.8%	8	27.5%	8	30.7%	7
Petroleum & Rubber	29.5%	11	34.3%	15	36.4%	14	39.3%	14	45.8%	13	23.6%	14	31.0%	15	32.9%	14	37.1%	14
Ceramics, Cement & Glass	28.8%	13	30.4%	13	35.0%	16	34.4%	16	41.7%	15	39.7%	15	40.7%	14	41.1%	18	41.7%	18
Steel	20.7%	14	20.0%	16	25.0%	15	27.0%	15	33.5%	13	28.3%	15	25.0%	17	28.8%	16	29.0%	15
Nonferrous Metals	37.0%	15	21.3%	19	28.1%	13	30.4%	13	36.5%	13	27.8%	18	25.0%	23	29.1%	17	30.3%	17
Metal Products	38.3%	18	31.3%	27	42.8%	18	43.3%	18	47.2%	18	38.3%	18	33.2%	28	43.3%	18	45.0%	18
General Machinery (total)	24.6%	50	24.3%	45	25.2%	56	26.5%	54	28.7%	49	40.0%	54	43.2%	45	39.9%	59	41.0%	57
Assembly	23.6%	42	24.3%	41	26.1%	45	27.8%	43	29.7%	38	42.4%	46	43.0%	41	41.1%	46	43.2%	44
Parts	30.0%	8	25.0%	4	21.4%	11	21.4%	11	25.0%	11	26.3%	8	45.0%	4	35.8%	13	33.5%	13
Electrical Equipment & Electronics (total)	48.2%	98	45.2%	88	43.3%	78	44.9%	78	47.6%	73	44.6%	101	45.1%	94	42.8%	86	45.5%	85
Assembly	41.6%	35	35.0%	34	42.1%	34	42.6%	34	45.3%	33	37.2%	36	36.1%	38	38.2%	38	40.5%	38
Parts	51.8%	63	51.7%	54	44.3%	44	46.6%	44	49.5%	40	48.7%	65	51.3%	56	46.5%	48	49.5%	47
Transportation (excl. Automobiles)	10.0%	10	17.1%	14	11.4%	11	13.0%	10	15.0%	9	33.0%	10	30.0%	14	26.8%	11	28.0%	10
Automobiles (total)	34.8%	89	33.4%	98	39.4%	114	42.0%	112	47.4%	108	35.9%	91	36.0%	102	38.8%	117	41.4%	113
Assembly	36.7%	6	30.0%	8	41.0%	5	43.0%	5	45.0%	2	46.3%	8	51.7%	9	46.7%	6	57.0%	5
Parts	34.6%	83	33.7%	90	39.3%	109	41.9%	107	47.5%	106	34.9%	83	34.5%	93	38.3%	111	40.6%	108
Precision Machinery (total)	33.5%	33	29.2%	31	28.4%	32	29.7%	32	34.4%	32	53.0%	35	48.0%	33	53.8%	34	55.9%	34
Assembly	31.0%	25	28.9%	23	27.6%	23	29.3%	23	34.6%	23	57.4%	25	50.0%	24	53.8%	24	56.3%	24
Parts	41.3%	8	30.0%	8	30.6%	9	30.6%	9	33.9%	9	42.0%	10	42.8%	9	54.0%	10	55.0%	10
Other	35.6%	47	31.0%	47	31.7%	45	32.3%	45	34.3%	42	28.4%	50	29.1%	51	30.1%	55	29.6%	54
Overall	33.3%	544	31.3%	550	32.9%	559	34.6%	554	38.6%	521	34.7%	582	34.2%	586	35.4%	601	37.3%	589

Evaluations of Degrees of Satisfaction with Net Sales and Profits (details)

(1) Net Sales

FY2009 Performance

	Average	2.55
1	China	2.73
2	ASEAN 5	2.70
3	Vietnam	2.65
4	Latin America	2.55
5	NIEs 3	2.54
6	India	2.53
7	Central & Eastern Europe	2.37
8	North America	2.24
9	EU 15	2.19
10	Russia	2.12
	ASEAN 5 breakdown	
1	Indonesia	2.90
2	Thailand	2.73
3	Malaysia	2.67
4	Philippines	2.62
5	Singapore	2.55

FY2010 Performance

	Average	2.85
1	ASEAN 5	2.98
2	NIEs 3	2.94
3	China	2.90
4	Latin America	2.89
5	Vietnam	2.79
6	North America	2.72
7	EU 15	2.63
8	India	2.60
9	Central & Eastern Europe	2.57
9	Russia	2.57
		2.57
	ASEAN 5 breakdown	
1	Indonesia	3.19
2	Thailand	3.17
3	Singapore	2.91
4	Philippines	2.74
5	Malaysia	2.69

FY2011 Performance

	Average	2.64
1	North America	2.74
2	Vietnam	2.71
3	NIEs 3	2.70
3	ASEAN 5	2.70
5	Latin America	2.61
6	Russia	2.58
7	China	2.57
8	EU 15	2.55
8	Central & Eastern Europe	2.55
10	India	2.40
	ASEAN 5 breakdown	
1	Indonesia	2.95
2	Singapore	2.72
2	Philippines	2.72
4	Thailand	2.61
5	Malaysia	2.51

FY2012 Performance

	Average	2.63
1	North America	2.94
2	Mexico	2.82
3	ASEAN 5	2.78
4	NIEs 3	2.71
5	Turkey	2.64
6	Vietnam	2.58
7	Russia	2.56
8	Central & Eastern Europe	2.49
9	Brazil	2.46
10	EU 15	2.45
11	India	2.35
12	China	2.26
	ASEAN 5 breakdown	
1	Thailand	2.97
2	Indonesia	2.77
3	Singapore	2.70
4	Philippines	2.69
5	Malaysia	2.60

(2) Profits

FY2009 Performance

	Average	2.54
1	Vietnam	2.76
2	ASEAN 5	2.70
2	China	2.70
4	Latin America	2.55
5	NIEs 3	2.51
6	India	2.43
7	Central & Eastern Europe	2.35
8	North America	2.21
9	EU 15	2.20
10	Russia	2.15
	ASEAN 5 breakdown	
1	Indonesia	2.85
2	Thailand	2.71
3	Malaysia	2.69
4	Philippines	2.65
5	Singapore	2.60

FY2010 Performance

	Average	2.75
1	ASEAN 5	2.91
2	NIEs 3	2.81
2	Latin America	2.81
4	China	2.79
5	Vietnam	2.67
6	North America	2.62
7	Russia	2.61
8	EU 15	2.51
8	Central & Eastern Europe	2.51
10	India	2.50
	ASEAN 5 breakdown	
1	Thailand	3.10
2	Indonesia	2.96
3	Singapore	2.91
4	Philippines	2.76
5	Malaysia	2.64

FY2011 Performance

	Average	2.54
1	Vietnam	2.63
2	NIEs 3	2.62
3	ASEAN 5	2.61
4	Latin America	2.59
5	North America	2.56
6	Russia	2.51
7	Central & Eastern Europe	2.49
8	China	2.44
8	EU 15	2.44
10	India	2.28
	ASEAN 5 breakdown	
1	Indonesia	2.82
2	Singapore	2.65
2	Philippines	2.65
4	Thailand	2.53
5	Malaysia	2.48

FY2012 Performance

	Average	2.56
1	ASEAN 5	2.72
1	Mexico	2.72
1	North America	2.72
4	NIEs 3	2.63
4	Vietnam	2.63
6	Turkey	2.62
7	Russia	2.60
8	Brazil	2.40
8	Central & Eastern Europe	2.40
10	EU 15	2.36
11	India	2.30
12	China	2.25
	ASEAN 5 breakdown	
1	Thailand	2.87
2	Indonesia	2.73
3	Singapore	2.66
4	Philippines	2.62
5	Malaysia	2.60

Note1: Data of companies which answered both sales and profits were summed up.

Note2: Individual aggregation of Mexico and Brazil have been separated from Latin America since FY2012 performance. Aggregation for Turkey has been added since FY2012 performance.

Countries/Regions More Profitable than Japan (Descending order by ratio)

(Companies)

Country/Region	"More Profitable than Japan" responses (1)	Total responses (2)	Ratio: [(1)/(2)]
1. Thailand	129	363	35.5%
2. China	124	517	24.0%
3. NIEs3	60	267	22.5%
4. Indonesia	54	251	21.5%
5. Philippines	29	143	20.3%
6. North America	80	400	20.0%
7. Vietnam	33	185	17.8%
8. Malaysia	36	210	17.1%
8. Singapore	39	228	17.1%
10. Central & Eastern Europ	18	113	15.9%
11. Russia	10	97	10.3%
12. EU 15	28	280	10.0%
12. Turkey	7	70	10.0%
14. Mexico	12	129	9.3%
15. Brazil	12	130	9.2%
16. India	16	218	7.3%

Note: When companies were asked about their profitability in FY2012 in countries/regions in which they had businesses, they were asked to respond regarding the country/region which had higher rates of profitability than Japan. "Total responses (2)" is the sum of the number of companies that responded to inquiries about satisfaction with profits and those that responded to the comparison of profitability with Japan.

Appendix 8. Existence of Real Business Plans in Promising Countries/Regions

	No. 1 Indonesia		No. 2 India		No. 3 Thailand		No. 4 China		No. 5 Vietnam		No. 6 Brazil		No.7 Mexico		No.8 Myanmar		No.9 Russia		No. 10 USA	
	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
Total	219	100%	213	100%	188	100%	183	100%	148	100%	114	100%	84	100%	64	100%	60	100%	54	100%
Plans exist	105	47.9%	95	44.6%	111	59.0%	116	63.4%	69	46.6%	36	31.6%	43	51.2%	12	18.8%	25	41.7%	36	66.7%
No plans	105	47.9%	115	54.0%	74	39.4%	65	35.5%	78	52.7%	76	66.7%	40	47.6%	50	78.1%	34	56.7%	18	33.3%
No response	9	4.1%	3	1.4%	3	1.6%	2	1.1%	1	0.7%	2	1.8%	1	1.2%	2	3.1%	1	1.7%	0	0.0%

	No. 11 Philippines		No. 12 Malaysia		No. 13 Korea		No. 14 Taiwan		No. 14 Turkey		No. 16 Singapore		No. 17 Cambodia		No. 18 Germany		No. 18 South Africa		No. 20 Laos	
	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
Total	39	100%	37	100%	28	100%	23	100%	23	100%	19	100%	12	100%	10	100%	10	100%	9	100%
Plans exist	15	38.5%	15	40.5%	19	67.9%	13	56.5%	8	34.8%	10	52.6%	4	33.3%	2	20.0%	2	20.0%	2	22.2%
No plans	22	56.4%	21	56.8%	9	32.1%	10	43.5%	14	60.9%	9	47.4%	8	66.7%	8	80.0%	8	80.0%	7	77.8%
No response	2	5.1%	1	2.7%	0	0.0%	0	0.0%	1	4.3%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%

Note: Each “Ratio” refers to the number of companies answering “Plans exist”, “No plans” or “No response” divided by the total number of respondent companies per respective countries (companies answered as promising countries).

Appendix 9. Infrastructure Needs & Issues in Business Operation Countries: Industrial Water (details by region)

	Evaluation of Industrial Water Infrastructure					Issues with Industrial Water Infrastructure				
	No.of responding companies	1. Do not consider that there are any particular issues	2. There are issues but there is no great impact on business operations	3. There are issues and they affect business	There are issues (2.+3.)	No.of responding companies	Cannot secure sufficient volume	Issues with quality	Price is high	Other
TOTAL	**2198**	**90.4%**	**9.2%**	**0.4%**	**9.6%**	**200**	**sufficient vo**	**71.5%**	**4.0%**	**8.5%**
ASEAN (Total)	**876**	**91.1%**	**8.7%**	**0.2%**	**8.9%**	**72**	**15.3%**	**68.1%**	**5.6%**	**11.1%**
Thailand	287	92.7%	7.3%	0.0%	7.3%	20	20.0%	65.0%	5.0%	10.0%
Indonesia	193	87.0%	12.4%	0.5%	13.0%	22	13.6%	72.7%	4.5%	9.1%
Malaysia	135	95.6%	4.4%	0.0%	4.4%	6	0.0%	66.7%	0.0%	33.3%
Philippines	92	88.0%	12.0%	0.0%	12.0%	10	10.0%	60.0%	20.0%	10.0%
Vietnam	125	91.2%	8.0%	0.8%	8.8%	10	30.0%	60.0%	0.0%	10.0%
Myanmar	18	88.9%	11.1%	0.0%	11.1%	X	X	X	X	X
Laos	12	91.7%	8.3%	0.0%	8.3%	X	X	X	X	X
Cambodia	14	92.9%	7.1%	0.0%	7.1%	X	X	X	X	X
China (Total)	**791**	**90.6%**	**9.2%**	**0.1%**	**9.4%**	**69**	**11.6%**	**78.3%**	**4.3%**	**5.8%**
a.Northeastern China	50	88.0%	12.0%	0.0%	12.0%	6	0.0%	83.3%	0.0%	16.7%
b.Northern China	143	90.9%	9.1%	0.0%	9.1%	12	33.3%	66.7%	0.0%	0.0%
c.Eastern China	358	91.3%	8.7%	0.0%	8.7%	29	3.4%	82.8%	6.9%	6.9%
d.Southern China	188	88.8%	10.6%	0.5%	11.2%	19	15.8%	73.7%	5.3%	5.3%
e.Inland China (Central regions)	29	93.1%	6.9%	0.0%	6.9%	X	X	X	X	X
f.Inland China (Western regions - Sichuan, Chongqing)	14	100.0%	0.0%	0.0%	0.0%	X	X	X	X	X
g.Inland China (Western regions - Other)	9	88.9%	11.1%	0.0%	11.1%	X	X	X	X	X
India (Total)	**200**	**82.0%**	**16.0%**	**2.0%**	**18.0%**	**35**	**20.0%**	**71.4%**	**0.0%**	**8.6%**
a.National Capital Territory of Delhi	36	83.3%	16.7%	0.0%	16.7%	6	0.0%	100.0%	0.0%	0.0%
b.Haryana	41	85.4%	9.8%	4.9%	14.6%	6	16.7%	66.7%	0.0%	16.7%
c.Uttar Pradesh	6	100.0%	0.0%	0.0%	0.0%	X	X	X	X	X
d.Maharashtra	25	68.0%	28.0%	4.0%	32.0%	8	50.0%	50.0%	0.0%	0.0%
e.Karnataka	22	81.8%	18.2%	0.0%	18.2%	4	25.0%	75.0%	0.0%	0.0%
f.Tamil Nadu	20	80.0%	20.0%	0.0%	20.0%	X	X	X	X	X
g.West Benga	7	85.7%	14.3%	0.0%	14.3%	X	X	X	X	X
h.Gujarat	11	81.8%	18.2%	0.0%	18.2%	X	X	X	X	X
i.Andhra Pradesh	8	100.0%	0.0%	0.0%	0.0%	X	X	X	X	X
j.Madhya Pradesh	X	X	X	X	X	X	X	X	X	X
k.Rajasthan	15	80.0%	20.0%	0.0%	20.0%	X	X	X	X	X
l.Other states	8	75.0%	12.5%	12.5%	25.0%	X	X	X	X	X
Latin America (Total)	**195**	**91.3%**	**8.7%**	**0.0%**	**8.7%**	**17**	**17.6%**	**64.7%**	**5.9%**	**11.8%**
Mexico	91	91.2%	8.8%	0.0%	8.8%	8	12.5%	75.0%	0.0%	12.5%
Brazil	78	93.6%	6.4%	0.0%	6.4%	5	0.0%	60.0%	20.0%	20.0%
Other Latin America	26	84.6%	15.4%	0.0%	15.4%	4	50.0%	50.0%	0.0%	0.0%
Turkey	**34**	**97.1%**	**0.0%**	**2.9%**	**2.9%**	**X**	**X**	**X**	**X**	**X**
Russia	**50**	**98.0%**	**2.0%**	**0.0%**	**2.0%**	**X**	**X**	**X**	**X**	**X**
Middle East	**28**	**92.9%**	**7.1%**	**0.0%**	**7.1%**	**X**	**X**	**X**	**X**	**X**
Africa	**24**	**87.5%**	**8.3%**	**4.2%**	**12.5%**	**X**	**X**	**X**	**X**	**X**

(Note) Countries/regions that had 3 or less responding companies are marked with an X.

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(For further information)
4-1, Ohtemachi 1-chome, Chiyoda-ku, Tokyo 100-8144, Japan
Policy and Strategy Office for Financial Operations, Japan Bank for International Cooperation
Telephone: +81-3-5218-9244 (Group direct line)
Facsimile : +81-3-5218-9696
E-mail : fdi@jbic.go.jp

(Recycled Paper)