

Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Results of the JBIC FY2014 Survey:

- Outlook for Japanese Foreign Direct Investment (26th Annual Survey)-

November 2014

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



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INTERNATIONAL COOPERATION**

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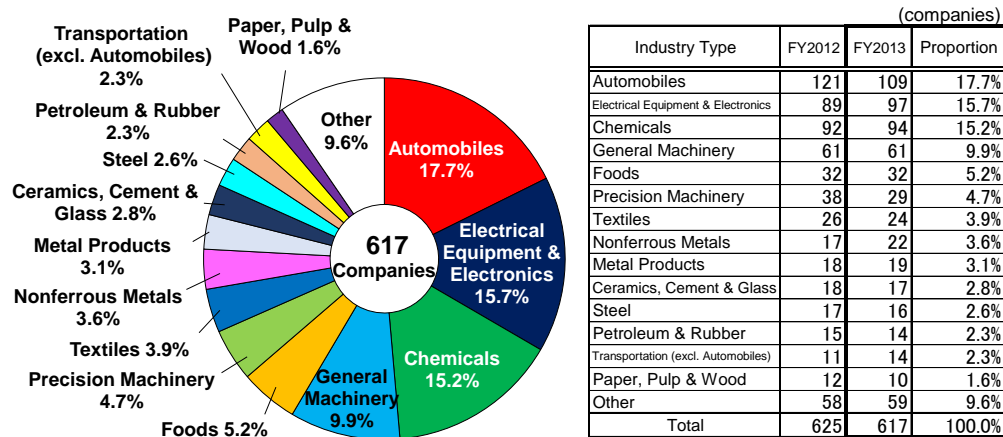
Survey Overview and Companies Surveyed

1. Survey Overview

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:** 1,021
- **Responses returned:** 617(response rate:60.4%)
(*) 221 companies are responded by WEB, 396 companies by mail.
- **Period of survey:** Sent in July, 2014
Responses returned from July to September, 2014
Face-to-face interviews and phone interviews conducted from August to September, 2014
- **Main survey topics:**
 - Medium-term business prospects
 - Evaluations of overseas business performance
 - Promising countries or regions for overseas business operations
 - Competitiveness of Japanese Manufacturing companies and Trends in Global Production Systems
 - Involvement of Japanese Manufacturing companies in Overseas Infrastructure-related business
- **Note:** “Overseas business operations” is defined as production, sales, and R&D activities at overseas affiliates, as well as outsourcing of manufacturing and procurement.

Figure 1: No. of Respondent Companies by Industrial Classification



**Figure 2:
No. of Respondent
Companies by Capital**

(companies)			
Paid-in Capital	FY2012	FY2013	Proportion
Less than ¥300 mn.	97	92	14.9%
¥300 mn. up to ¥1 bn.	74	76	12.3%
¥1 bn. up to ¥5 bn.	152	150	24.3%
¥5 bn. up to ¥10 bn.	91	82	13.3%
¥10 bn. or more	197	198	32.1%
Holding company	12	18	2.9%
No response	2	1	0.2%
Total	625	617	100.0%

**Figure 3:
No. of Respondent
Companies by Net Sales**

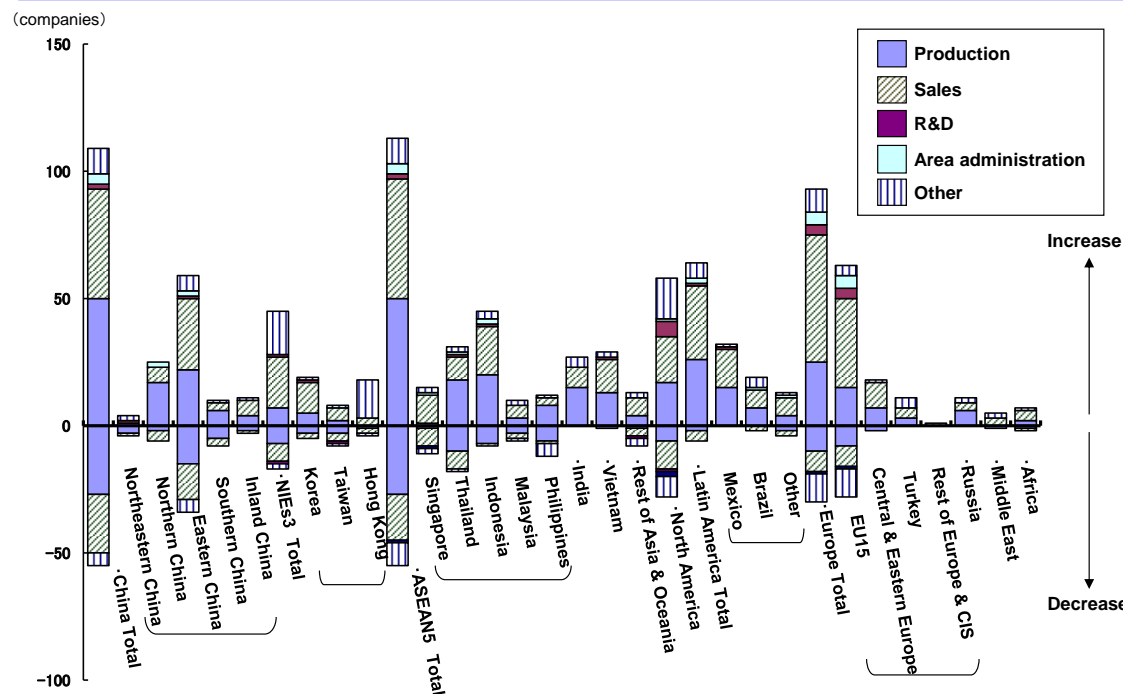
(companies)			
Net Sales	FY2012	FY2013	Proportion
Less than ¥10 bn.	82	76	12.3%
¥10 bn. up to ¥50 bn.	217	213	34.5%
¥50 bn. up to ¥100 bn.	112	100	16.2%
¥100 bn. up to ¥300 bn.	108	113	18.3%
¥300 bn. up to ¥1 trillion	56	65	10.5%
¥1 trillion or more	40	42	6.8%
No response	10	8	1.3%
Total	625	617	100.0%

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.

2. Trends of Overseas Affiliates

※Aggregate calculation regarding respondent companies

Figure 4: Increase/decrease in the Number of Overseas Affiliates (During FY2013)



The Classification of Major Regions

NIEs3	(Korea, Taiwan, Hong Kong)
ASEAN5	(Singapore, Thailand, Indonesia, Malaysia, Philippines)
North America	(United States, Canada)
EU15	(United Kingdom, Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden, Ireland)
Central & Eastern Europe	(Poland, Hungary, Czech Republic, Slovak Republic, Bulgaria, Romania, Slovenia, Albania, Croatia, Serbia, Montenegro, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia)

The Classification of Areas in China

Northeastern China	(Heilongjiang, Jilin, Liaoning)
Northern China	(Beijing, Tientsin, Hebei, Shandong)
Eastern China	(Shanghai, Jiangsu, Anhui, Zhejiang)
Southern China	(Fujian, Guangdong, Hainan)
Inland China	(Provinces other than those mentioned above and autonomous regions)

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	508	82.3%
2	Thailand	297	48.1%
3	North America	250	40.5%
4	Indonesia	201	32.6%
5	EU 15	158	25.6%
6	Taiwan	147	23.8%
7	Vietnam	133	21.6%
8	India	130	21.1%
	Malaysia	130	21.1%
10	Korea	129	20.9%
11	Mexico	95	15.4%
12	Philippines	83	13.5%
13	Brazil	72	11.7%
14	Singapore	63	10.2%
15	Central & Eastern Europe	52	8.4%

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

② One or more overseas affiliates for sales

	Country/Area	No. of respondents (company)	Proportion
1	China	347	56.2%
2	North America	293	47.5%
3	EU 15	250	40.5%
4	Hong Kong	187	30.3%
	Thailand	187	30.3%
6	Singapore	185	30.0%
7	Taiwan	159	25.8%
8	Korea	155	25.1%
9	India	116	18.8%
10	Indonesia	108	17.5%
11	Malaysia	88	14.3%
12	Brazil	81	13.1%
13	Mexico	71	11.5%
14	Vietnam	64	10.4%
15	Philippines	52	8.4%

■ The number of overseas affiliates continues to increase

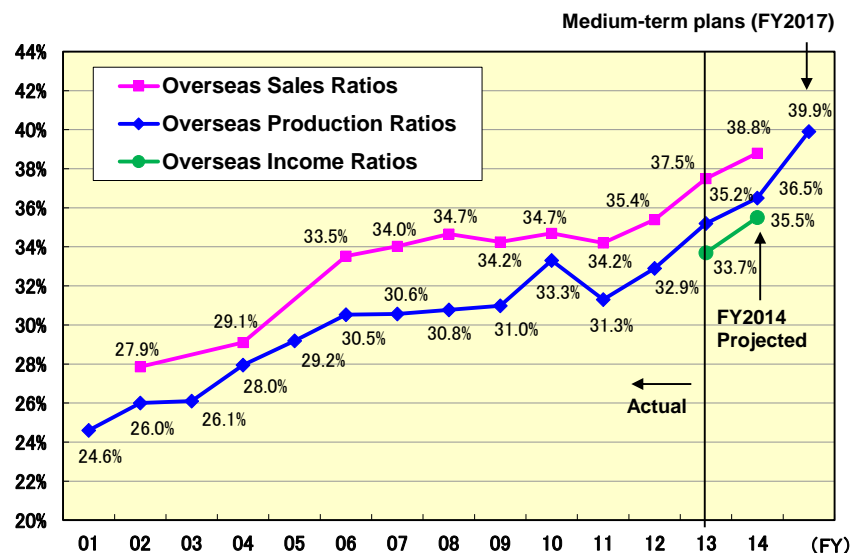
- The number of overseas affiliates established by companies surveyed in FY2013 was 574 (Breakdown: Production: 215, sales: 245, R&D: 17, Area administration: 16, others: 81); it continues to increase but was less than in FY2012 (720). The net increase, the increase less the decrease, was 371 (501 in the previous survey).

■ By region, there were large increases in China, ASEAN 5 and Europe

- When analyzed by region, on an individual country basis, the increase in China was the largest (109 companies), but combined ASEAN 5 exceeded China with an increase of 113 companies. Among the ASEAN 5, Indonesia's increase (45 companies) was the largest in the ASEAN region. Also, compared to the previous survey, the number of overseas affiliates in North America increased by just 58 (119 in the previous survey), whereas the number in Europe increased by 93 (86 in the previous survey), reflecting a continued strong stance toward establishment in Europe.

3. Ratios of Overseas Production, Overseas Sales and Overseas Income

Figure 6: Ratios of Overseas Production※¹, Overseas Sales※² and Overseas Income※³



■ Overseas production ratios based on FY2013 performance at record high levels

- The actual FY2013 overseas ratio was 35.2%, which exceeded the actual FY2012 ratio (32.9%) by 2.3 percentage points and set a record high, surpassing the actual FY2010 ratio (33.3%), the most recent peak.
- FY2014 performance estimates project new record highs for both the overseas sales ratio (38.8%) and overseas production ratio (36.5%). From 2013 into 2014, the yen continued to gradually depreciate, but the growth trend in the overseas production ratio remains unchanged (Figure 6).

■ Overseas production ratios for major industries are projected to increase even further

- The projection for the overseas production ratio in medium-term plans (FY2017) is 39.9%, nearly reaching the 40% level.
- When analyzed by major industry, overseas production is projected to expand even further, in particular for electrical equipment & electronics (FY2013 performance → medium-term plans: 3.7 percentage point increase), with projections exceeding 50% in medium-term plans for the first time (Figure 7).

■ Overseas income ratios at levels that rival overseas sales ratios

- The actual FY2013 overseas income ratio was 33.7%, a level rivaling the overseas sales ratio (37.5%). When analyzed by major industry, in automobiles, the ratio exceeded the overseas sales ratio, indicating the high profitability of overseas business (Figure 8 and Figure 9).

※Refer to Appendix 6 regarding values of Figures 7 to 9.

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

	FY2012 (Actual)		FY2013 (Actual)		FY2014 (Projected)		Medium-term plans (FY2017)	
		No. of respondent companies		No. of respondent companies		No. of respondent companies		No. of respondent companies
Chemicals	25.0%	82	28.0%	80	29.3%	79	32.6%	72
General Machinery	25.2%	56	23.7%	52	24.4%	50	26.8%	45
Electrical Equipment & Electronics	43.3%	78	48.6%	84	49.5%	83	52.3%	79
Automobiles	39.4%	114	43.0%	102	44.8%	101	48.1%	96
All industries	32.9%	559	35.2%	547	36.5%	539	39.9%	508

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

	FY2012 (Actual)		FY2013 (Actual)		FY2014 (Projected)	
		No. of respondent companies		No. of respondent companies		No. of respondent companies
Chemicals	31.1%	90	35.7%	89	37.5%	88
General Machinery	39.9%	59	39.2%	57	40.9%	54
Electrical Equipment & Electronics	42.8%	86	48.1%	93	48.7%	91
Automobiles	38.8%	117	42.2%	107	44.2%	100
All industries	35.4%	601	37.5%	591	38.8%	571

Figure 9: Ratios of Overseas Income ※³ by Major Industry

	FY2013 (Actual)		FY2014 (Projected)	
		No. of respondent companies		No. of respondent companies
Chemicals	35.4%	74	36.9%	73
General Machinery	30.5%	47	29.0%	45
Electrical Equipment & Electronics	39.1%	71	41.8%	71
Automobiles	42.4%	101	46.0%	96
All industries	33.7%	517	35.5%	505

※¹ (Overseas Production) / (Domestic Production + Overseas Production)

※² (Overseas Sales) / (Domestic Sales + Overseas Sales)

※³ (Overseas Operating Income) / (Domestic Operating Income + Overseas Operating Income)

※⁴ Ratios were calculated by simply averaging the values the respondent companies provided.

I. Summary and Key Findings

1. Japanese manufacturing companies' stance of continuing expansion for overseas business operation

- Overseas production and sales ratios are reaching close to a 40% level respectively and the importance of overseas business is increasing. About 80% of companies that responded continue to have a stance of strengthening/expansion for overseas business and about 90% of them also have a stance of maintenance or expansion in their domestic businesses. Out of the total companies that responded, just less than 30% have a stance of strengthening/expansion and about 60% are maintaining the present level of domestic businesses. (→ Chapters III)

2. Voting ratios of India, Indonesia and China balance out in promising countries over medium term

- In the survey of the most promising countries over the medium term, as of the last survey, the ranking continued to fluctuate, and for the first time since this survey began, India with high expectation for its market expansion ranked 1st place. Indonesia that ranked 1st place in last year's survey fell to 2nd place and China that ranked 4th last year advanced to 3rd place. The top three countries competed for the voting ratios at approximately 45%. Contrarily, Thailand has fallen to 4th place with much fewer votes this year from last year's 3rd place. (→ Chapter IV)
- Upon the research of the reason for not voting this year for last year's top five countries (India, Indonesia, China, Thailand and Vietnam) as the most promising countries over the medium term, many companies responded that they did not vote for them since they already have a certain scale of businesses in China and Thailand. (→ Chapter IV)
- With regard to the recent political and social conditions of countries and regions, they tend to be widely concerned by the countries and regions that have close economic relations with them, not limited to the countries and regions where it has occurred. (→ Chapter IV)

3. In sales power evaluation of competitors, Chinese and Korean companies are declining. While the local production and delivery in Asian countries and within the region are expanding, the prospect for the division of labor in production within the region differs by industry.

- With regard to the assessment by Japanese companies of the sales power of their competitors, European and North American companies were rated more highly than in the FY2012 survey, but the assessment of Chinese and Korean companies has been decreasing, which suggests that Japanese companies are regaining their confidence. In Asian countries and within the Asian region, the local production and delivery are expected to increase centering China and ASEAN countries. Also, the division of labor in production within the Asian region is expected to expand, but the responses were different depending on industry. (→ Chapters V)

4. While strengthening of functions at overseas bases by Japanese companies progresses gradually, Japanese domestic bases continue to play important roles in both production and R&D.

- For roles that are required for production bases, while the stance is toward strengthening the functions of overseas bases, there were many views that domestic bases will continue to play a important role in terms of innovation and human resource development. With regard to research and development(R&D), Japanese domestic bases have been shown to continue to play a central role in all stages of basic, application and development. (→ Chapters V)

I.2. Key Findings (Annual Questions)

- **Japanese manufacturing companies' overseas business operations tending toward strengthening/expansion over the medium term**
 - The increase in overseas affiliates (574 companies) was less than in the previous survey (720 companies), but the number continues to increase. (→ Page 3) Overseas production ratios (FY2013 actual: 35.2%) are projected to continue to increase, and when analyzed by industry, the overseas production ratio for electrical equipment & electronics is projected to exceed 50% for the first time (FY2017 medium-term plans: 52.3%). (→ Page 4) Also, for the fifth consecutive year since the collapse of Lehman Brothers, over 80% of respondent companies (80.9%) expressed a stance of medium-term overseas business strengthening/expansion, which indicates a continued strong overseas-oriented stance. (→ Page 13)
- **Approximately 90% of companies strengthening/expanding overseas businesses have stance of maintaining/strengthening/expanding domestic businesses**
 - The stance of strengthening/expanding domestic businesses was nearly even with the previous survey (28.0%→27.6%), and 60% of respondent companies have a stance of maintaining current levels. (→ Page 13). When analyzing by industry, there was an increase in the contractive stance of the automobile industry (19.0%→20.4%). (→ Page 14) However, this does not necessarily mean that strengthening/expansion of overseas businesses is connected to contraction of domestic businesses; nearly 90% (88.8%) of companies strengthening/expanding overseas businesses over the medium term (484 companies) have a stance of maintaining or strengthening/expanding domestic businesses. (→ Page 15)
- **The evaluation of overseas business operations shows improvement from the previous survey in degrees of satisfaction with sales and profits**
 - When analyzing by degree of satisfaction with profits, results for Thailand (2.87→2.62) and Indonesia (2.73→2.55) both fell, suggesting the impact of perceived deceleration in both countries' economies. The results for China (2.25→2.50) and EU 15 (2.36→2.79) improved, so the total of all regions exceeded the previous survey (2.56→2.65). (→ Pages 9 – 12)
- **In promising countries and regions for business operations over the medium term, India ranked 1st for the first time since this survey began. Indonesia was 2nd, and China rose from 4th place in the previous survey to 3rd. The voting ratio for the top three countries balances out.**
 - India took 1st place in the ranking of promising countries for the first time since this survey began. Indonesia was second and China rose from 4th to 3rd, but the number of companies voting for Thailand dropped substantially, and it fell to 4th place. The voting ratio for the top three countries of India, Indonesia and China was around 45% and balanced out. (→ Pages 17 and 18)
- **Top reason given for not citing the top five countries among promising countries over the medium term was “already conducting business of a certain scale ”**
 - In a survey of the reasons that the top five countries in the previous survey's ranking of promising countries over the medium term (India, Indonesia, China, Thailand and Vietnam) were not cited as promising countries over the medium term in this survey, the top reason was that in Indonesia, China and Thailand “already conducting business of a certain scale”; approximately half of respondent companies responded for China (51.6%) and Thailand (49.8%). Also, with regard to China and Thailand, increasing labor costs and insecurity in the political/social situation were also among the top reasons. For India and Vietnam, “do not consider it a target region for our company's business” was the top reason, at over 40% for both, but the inadequacy of local infrastructure was also among the top reasons. (→ Page 31)
- **Even with personnel and other costs increasing, the positioning of China as a production base is high, and among the reasons for maintaining/expanding production scale in coastal areas, the presence of customers and markets is rated most highly.**
 - Approximately 90% of the 462 respondent companies rated China highly as a production base, and with regard to production scale in coastal areas, where personnel and other costs are rising, almost half of the respondent companies selected maintain/expand. (→ Page 36)
- **Recent political and social conditions of countries and regions tend to be widely concerned by the countries and regions that have close economic relations with them, not limited to the countries and regions where it has occurred.**
 - The political/diplomatic relations in China and ASEAN countries and the trends in ASEAN economic integration is broadly recognized in the NIEs 3, China and ASEAN countries, economic sanctions against Russia, in all of Europe, and tapering of quantitative easing (QE) in the USA , in Asia, Europe and Central and South America; even with situations not occurring in countries and regions where business is being conducted or planned, there is widespread recognition centering on countries and regions with strong economic relationships with those countries and regions. (→ Page 38)

I.2. Key Findings (Individual Themes)

- **Regarding the sales power of competitor companies, European and American companies are rated highly, while the assessment of Chinese and Korean companies is on the decline**
 - With regard to the assessment of the sales power of competitor companies in each sales markets, European and American companies were rated more highly than in the FY2012 survey, but the assessment of Chinese and Korean companies is on the decline, the survey indicated. When analyzing competitor companies with higher-level sales power than one's own company by sales market, European and American companies were cited in the markets of India, North America, EU 15 and Brazil, Japanese companies were cited in the ASEAN 5 market, and Chinese companies were cited in the Chinese market. (→ Page 41)
- **Within Asian countries/regions, local production and delivery(sales) are expected to expand, centering on China and the ASEAN region. Regarding the division of labor in production within Asia, there were differences in responses depending on the industry.**
 - Basically, the business structure is local production and delivery(sales) in each country and region, and it is projected that there will be no change in this trend over the medium term and that local production and delivery(sales) will expand centering on China and the ASEAN region, but with regard to production in Japan, the survey indicated a projected increase in overseas delivery(sales) to Europe, North America, China, the ASEAN region, etc. (→ Page 42) Regarding the division of labor in production within Asia, overall the division is projected to make progress centering on China and the ASEAN region, but there were differences in responses depending on the industry. (→ Page 43)
- **Japanese domestic bases will primarily fulfill innovation and human resources development functions on the production side and continue playing an important role in every stage of R&D.**
 - Regarding the division of roles at overseas and domestic production bases, approximately 60% of respondent companies selected Japanese domestic bases as bases for innovation and human resources development. With respect to the role of overseas production bases, the survey indicated a relatively high positioning for core component production and response to variety of demand over the long term. (→ Page 44)
 - In terms of research and development(R&D), the percentage that responded Japan for all stages (basic research, applied research, development research) exceeded 70%. (→ Page 45)
- **Companies considering overseas infrastructure-related business as a business opportunity was 28% overall, somewhat lower than in FY2011 (35.6%)**
 - Among the 574 respondent companies, 13.4% (77 companies) indicated "We consider it a business opportunity," and 14.6% (84 companies), "We more or less think it is a business opportunity," so combined, 28% (161 companies) consider overseas infrastructure-related business to be a business opportunity. The same question was asked in FY2011 as well, and at that time 35.6% (192 out of 539 companies) considered it a business opportunity, so there has been a decline of 7.6 percentage points (31 companies). (→ Page 47)
- **Fields attracting the most interest were, in order, photovoltaic power generation, urban railways, etc., and high-speed railways. A majority of companies already entered assessed their performance in infrastructure-related business overseas as "according to plan."**
 - The field attracting the most interest in the overseas infrastructure-related business was photovoltaic power generation, the same as the previous time the question was asked (FY2011), but the number of respondent companies was half. Second was urban railways, etc., and third was high-speed railways. (→ Page 48)
 - Over 50% of companies already entered responded "according to plan" with respect to their business performance thus far. Less than 10% of companies responded "better than planned." 40% responded "worse than planned." (→ Page 50)
- **Approaches to the overseas infrastructure-related business primarily include supply of parts/component materials and supply of equipment/facilities. There is a trend toward collaboration between Japanese companies, European/American companies and companies in emerging countries to acquire customers and sales channels, improve cost competitiveness, etc.**
 - As in FY2011, the percentage of companies citing "supply of parts/component materials" and "supply of equipment/facilities" was relatively high in nearly all fields. (→ Page 52)
 - Among companies with an interest in the overseas infrastructure-related business, 27.0% are already collaborating with other companies and 10.8% are currently considering doing so. Companies that cited Japanese companies as partner companies outnumbered those that cited companies in emerging countries or European/American companies. As to objectives for collaboration, the most commonly cited reason regardless of partner company was "to acquire customer and sales channels." (→ Page 53)

II. Performance Evaluations (FY2013 Performance)

Q Which of the following applies concerning your company's FY2013 net sales and profits compared with initial targets in the countries/regions overseas you invested in?

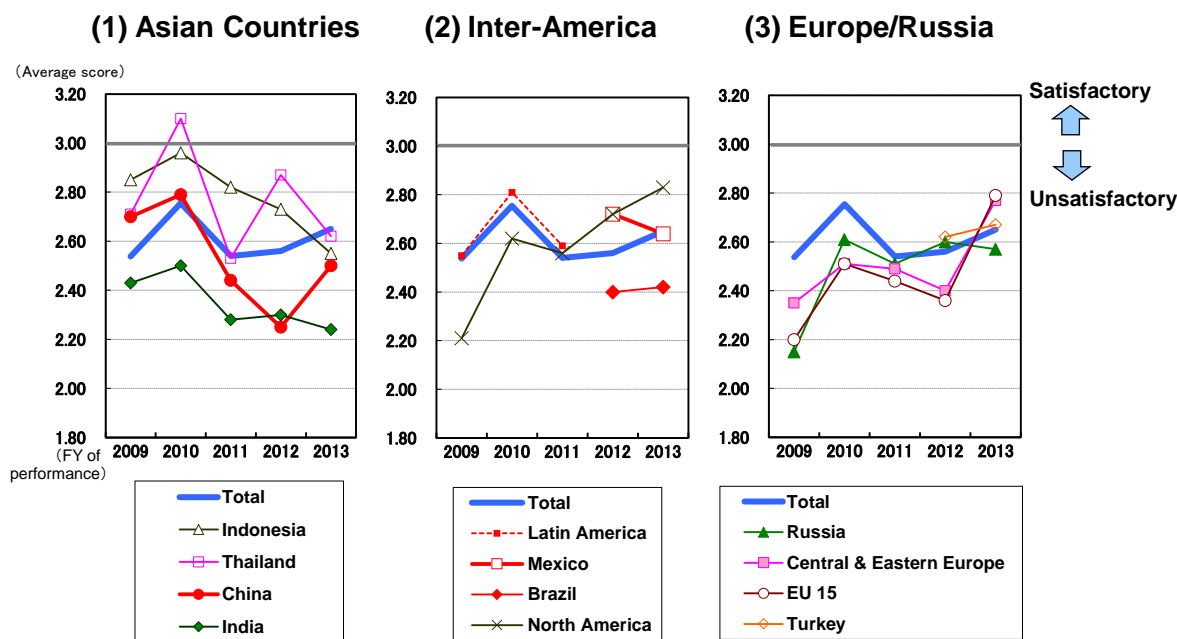
⇒ 1: Unsatisfactory 2: Somewhat unsatisfactory
3: Can't say either way 4: Somewhat satisfactory 5: Satisfactory

Figure 10: Satisfaction with Net Sales/Profits (all-industry averages)

(FY of performance)	FY2011	FY2012	FY2013
Net Sales	2.64 (▲0.21)	2.63 (▲0.01)	2.71 (+0.08)
Profits	2.54 (▲0.21)	2.56 (+0.02)	2.65 (+0.09)

(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 11: Satisfaction with Profits (By region)



(Note 1) (2) Inter-America: Individual aggregation of Mexico and Brazil have been separated from Latin America since FY2012 results.

(3) Europe/Russia: Aggregation for Turkey has been added since FY2012 results.

(Note 2) See Appendix 7 for more detailed data collated by country/region.

Figure 12: Countries/Regions More Profitable than Japan (Descending order by ratio)

Country/Region	"More Profitable than Japan" responses (1)	(Companies)	
		Responses per region/countries (2)	Ratio: [(1)/(2)]
1. Thailand	120	366	32.8%
2. China	124	513	24.2%
3. North America	89	386	23.1%
4. NIEs3	59	265	22.3%
5. Indonesia	54	257	21.0%

(Note) When companies were asked about their profitability in FY2013 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.

■ Slight increase in evaluation of degrees of satisfaction with net sales and profits

• Degrees of satisfaction in FY2013 performance (overseas business) were 2.71 for net sales (+0.08 on the previous year) and 2.65 for profits (+0.09), as both figures increased slightly compared to the previous year (Figure 10).

■ Lower satisfaction for Thailand and Indonesia, recovering for China

• There was little change in overall degrees of satisfaction, but when analyzed by region, satisfaction evaluations fall into two categories. First, in Asia, satisfaction in Indonesia and Thailand was lower, also falling below the overall average. On the other hand, the evaluation for China, which had been declining since FY2010, reversed course and rose. (Figure 11 (1)). In Thailand, deterioration in the political/social situation is one factor, but over 30% of respondent companies indicated that profit ratios were higher than Japan, and there has been no change in the fact that Thailand occupies an important position among overseas bases (Figure 12).

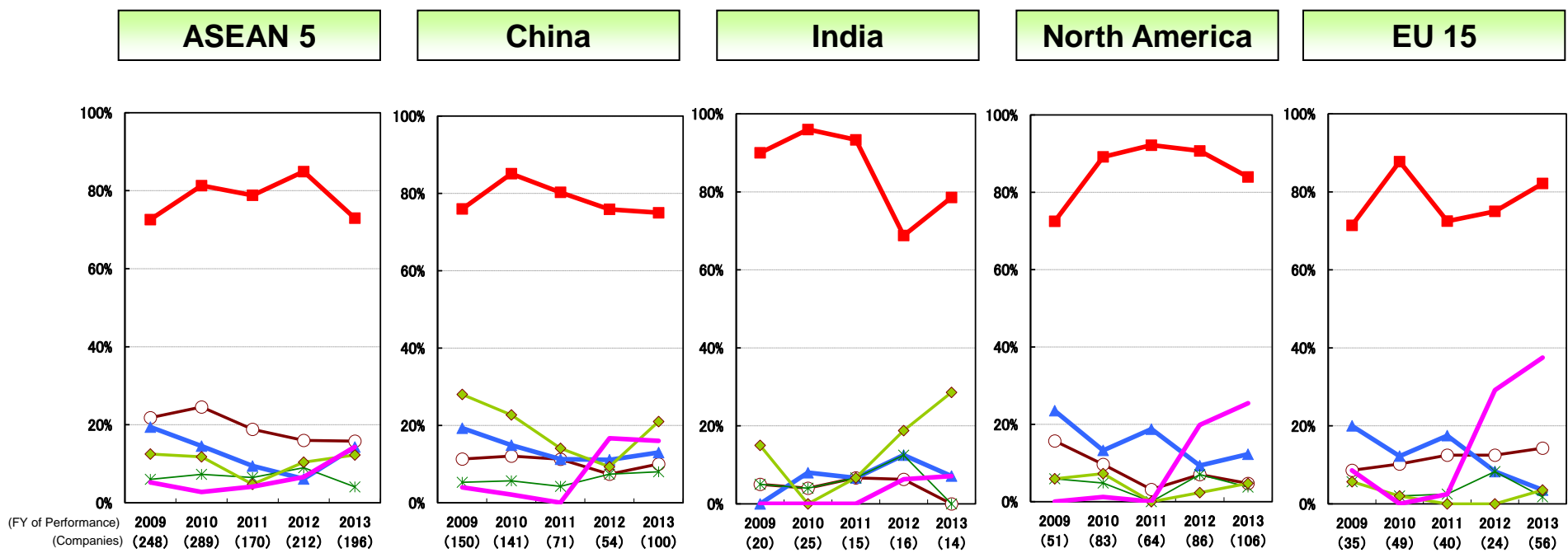
• Satisfaction in India fell further from the previous year, though only slightly, and it replaced China as the country with the lowest degree of satisfaction.

■ Higher satisfaction in North America, sharp recovery in EU 15 and Central & Eastern Europe

• Degree of satisfaction in North America rose and was ranked first overall in net sales and second overall in profits. In EU 15 and Central & Eastern Europe, where economies have been slow to recover since the collapse of Lehman Brothers, the brakes have finally been put on market contraction, and satisfaction recovered sharply to a level exceeding the overall average (Figure 11 (2), (3)).

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

Figure 13: 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.

- 1. Good performance of sales in the country/region
- 2. Good performance of exports in the country/region
- 3. Successful cost cuts (personnel, materials, etc.)
- 4. Cost cuts via consolidation of manufacturing
- 5. Manufacturing facilities brought fully on line
- 6. Foreign exchange gains (including effects of Yen rates in consolidated accounting)

■ Effects of yen depreciation, in North America and EU 15 especially, contributing to higher profit satisfaction

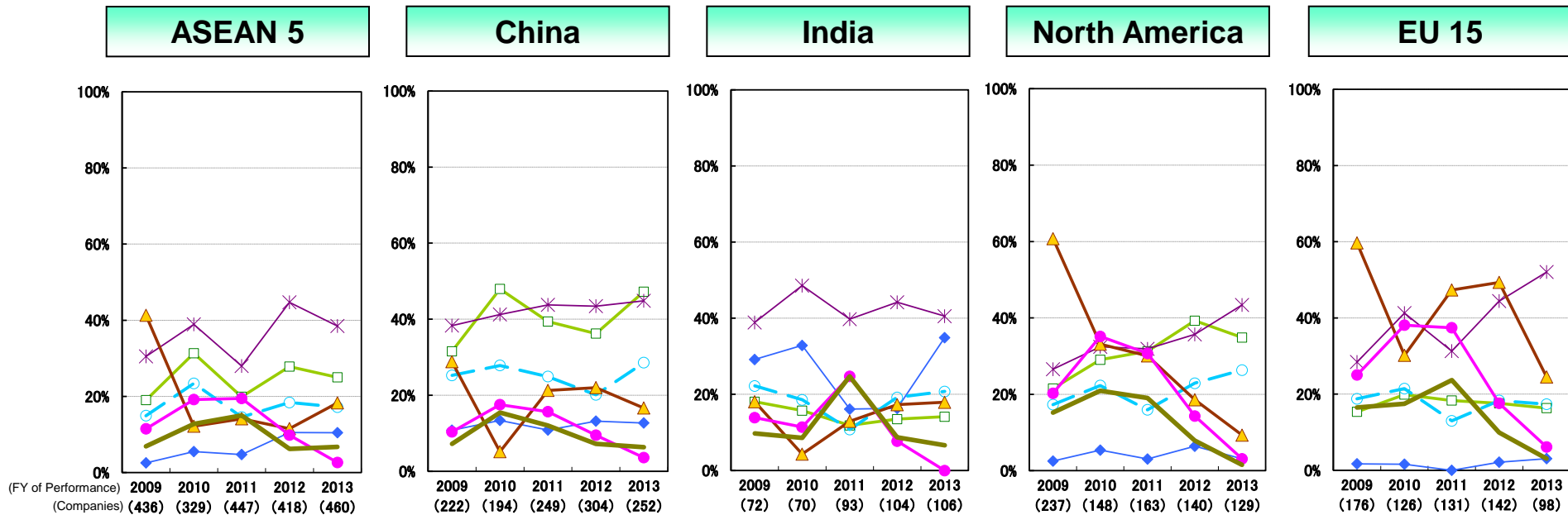
• Among the reasons given for profit satisfaction, the most common response in all the regions was "1. Good performance of sales in the country/region," but compared to the previous survey (FY2012 performance), "6. Foreign exchange gains" (including effects of yen conversion at consolidated settlement) rose as a reason for profit satisfaction, which is a characteristic of this year (FY2013 performance). The trend was particularly noteworthy for the EU 15 (29.2%→37.5%, 8.3 percentage point increase) and North America (19.8%→25.5%, 5.7 percentage point increase).

■ ASEAN 5 evaluation reflects regional economic slowdown in regional economy

• The most common reason cited for satisfaction with profits was "1. Good performance of sales in the country/region," but the ratio for this response was lower for ASEAN 5 and China compared to the previous survey. It can be surmised that this reflects perceived slowing in the economies of both regions. For India, the ratio for "1. Good performance of sales in the country/region" rose, but it should be noted that few companies originally responded that they were satisfied with profits in India.

II. 3. Reasons for Dissatisfaction with Profitability (by major country and region)

Figure 14: 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.

■ Further decline for all countries/regions in response ratio for "6. Decreased competitiveness of products due to a strong yen"

- The main reasons for dissatisfaction with profits were "4. Difficulty in getting customers (intense competition)," and in addition to that, in China in particular, the response ratio for "1. Difficulty in cutting costs (personnel, materials, etc.," rose (increase of 11.0 percentage points).
- Regarding "6. Decreased competitiveness of products due to a strong yen," for some companies it was a factor for lower profit satisfaction in FY2013 as the impact of the strong yen remained through the first half of FY2013, but overall there was a major decline in companies citing this as a reason for dissatisfaction, and the response ratio also dropped significantly to less than 10%.

■ In ASEAN 5, slight increase in response ratio for "5. Shrinking market due to economic fluctuations"

- For North America and EU 15, the response ratio for "5. Shrinking market due to economic fluctuations" decreased, and there are signs of recovery in the local market. However, for ASEAN 5, the response ratio for the same item rose from 11.5% to 18.3% (increase of 6.8 percentage points), and it moved up to third in reasons for dissatisfaction.
- India is characterized by the high response ratio for "2. Not brought fully on line right after establishment" compared to other regions. This item rose from 16.3% to 34.9% in this survey, placing it second among the reasons for dissatisfaction with profits.

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

Figure 15: Evaluating Satisfaction of Net Sales & Profits (FY2013 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	2.77	2.89	+0.06	+0.04	15	NIEs3 (3.57)
2. Chemicals	2.93	2.81	+0.13	+0.07	87	Central & Eastern Europe (3.50)
3. Petroleum & Rubber	2.68	2.71	+0.01	+0.05	14	Turkey (3.50)
4. Precision Machinery	2.62	2.70	+0.16	+0.34	28	Russia (3.18)
5. Automobile	2.81	2.68	+0.06	+0.17	103	Philippines (3.38)
6. Electrical Equipment & Electronics	2.70	2.64	+0.15	+0.06	87	North America (3.00)
7. Foods	2.76	2.62	+0.03	▲0.09	26	EU15 (3.33)
8. General machinery	2.59	2.61	+0.02	+0.01	58	North America (3.03)
9. Nonferrous Metals	2.67	2.58	+0.18	+0.07	22	Brazil (3.25)
10. Metal Products	2.86	2.56	+0.23	+0.03	18	NIEs3, Mexico, Russia (3.00)
11. Transportation (excl. Automobiles)	2.65	2.55	▲0.09	▲0.16	13	EU15 (3.25)
12. Paper, Pulp & Wood	2.55	2.53	+0.01	+0.10	8	Brazil (4.00)
13. Textiles	2.61	2.52	▲0.15	▲0.03	24	Malaysia (3.33)
14. Other	2.54	2.52	+0.06	+0.09	52	NIEs3 (3.11)
15. Ceramics, Cements & Glasses	2.22	2.17	▲0.10	+0.01	17	Singapore (2.60)

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

■ As with the previous year (FY2012 performance), the top two industries were steel and chemicals

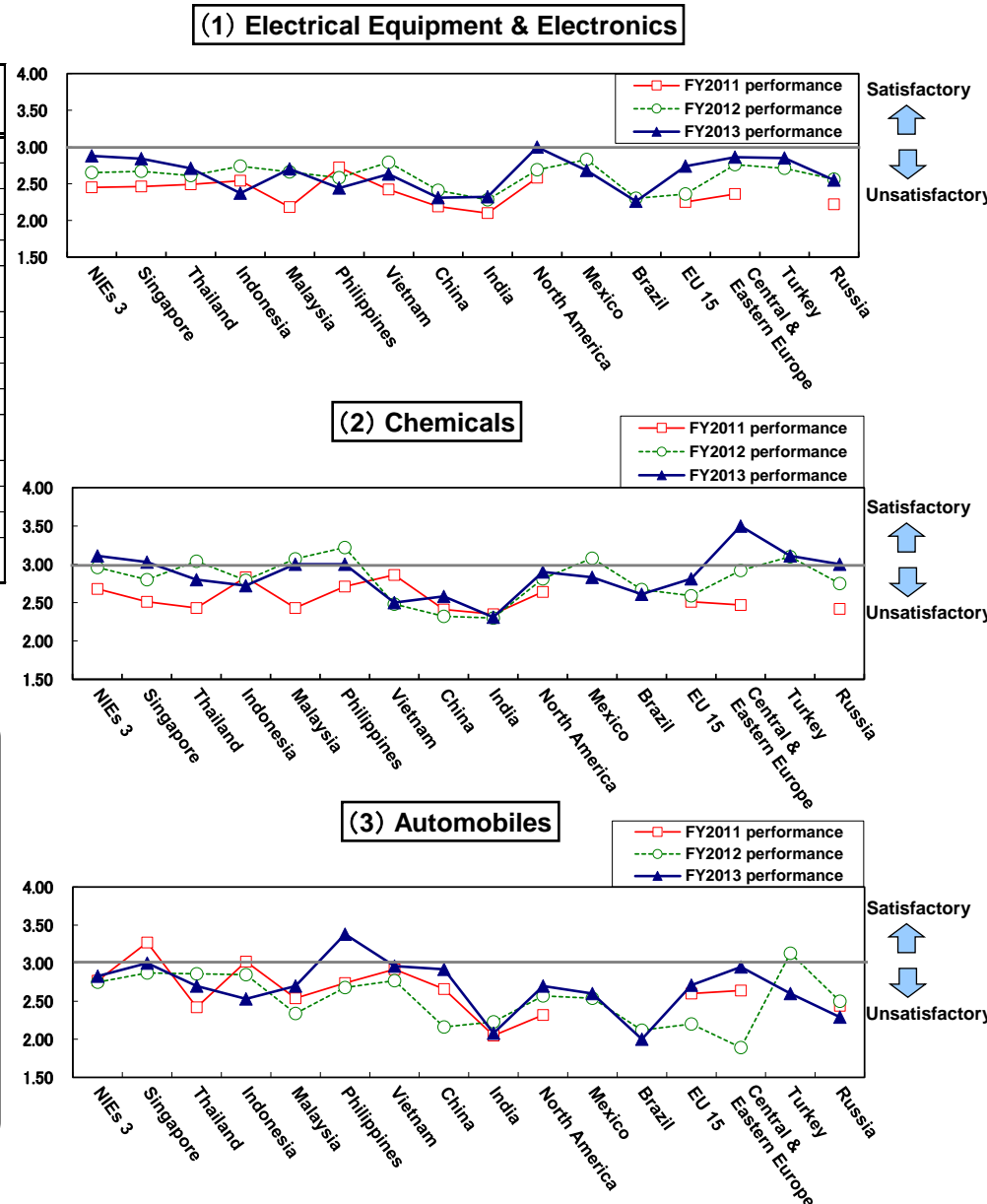
- The rankings for degree of satisfaction with profitability by industry were the same as the previous survey; steel was first (2.89) and chemicals second (2.81) (Figure 15). Steel exceeded the average for profit satisfaction (2.65) in regions other than the Philippines, Vietnam and Brazil, and in NIEs 3, China and Thailand, the evaluation was 3.00 or higher.
- In chemicals too, there were high ratings for profit satisfaction of over 3.00 in Central & Eastern Europe and some other countries/regions.

■ In three key industries, satisfaction up for North America and down for Indonesia

- Figure 16 shows profit satisfaction in the three industries with large numbers of respondent companies by country/region. The evaluation for North America was higher than the previous survey (FY2012 performance) in all three industries, but for Indonesia it was lower. Also, profit satisfaction remains low in India and Brazil.
- With regard to China, satisfaction recovered substantially in automobiles after the impact of boycotts of Japanese products in the previous survey (Figure 16 (3)).

(Note) In Figure 16, Mexico and Brazil have been separated from Latin America since FY2012 performance. Turkey has been added since FY2012 performance.

Figure 16: Satisfaction with Profits by Country/Region (three key industries)



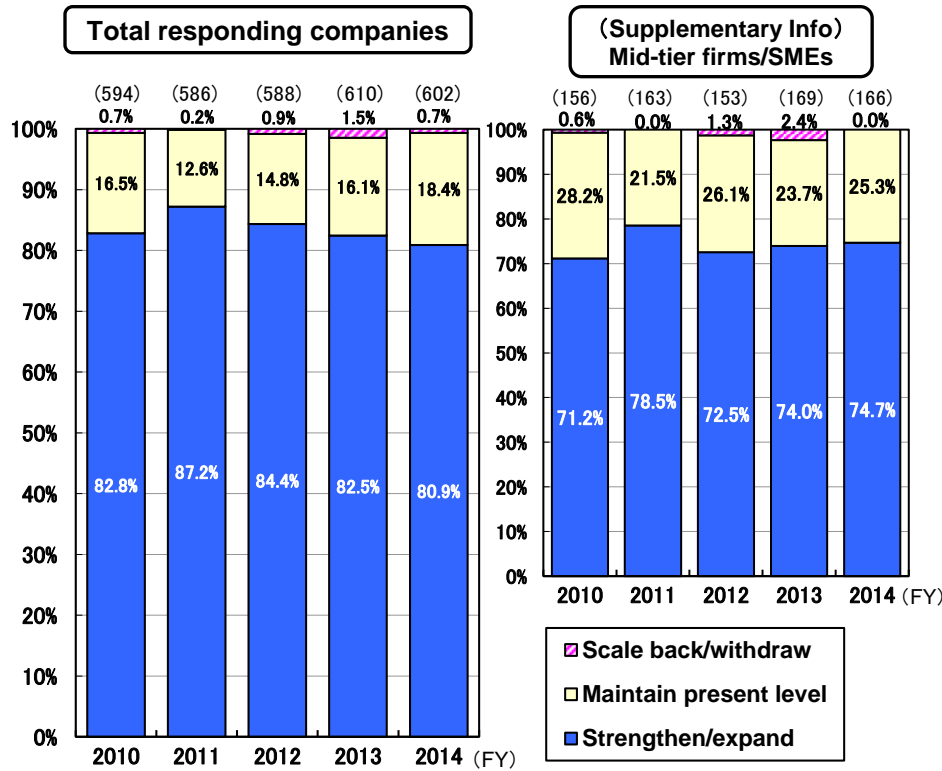
III. Business Prospects

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.

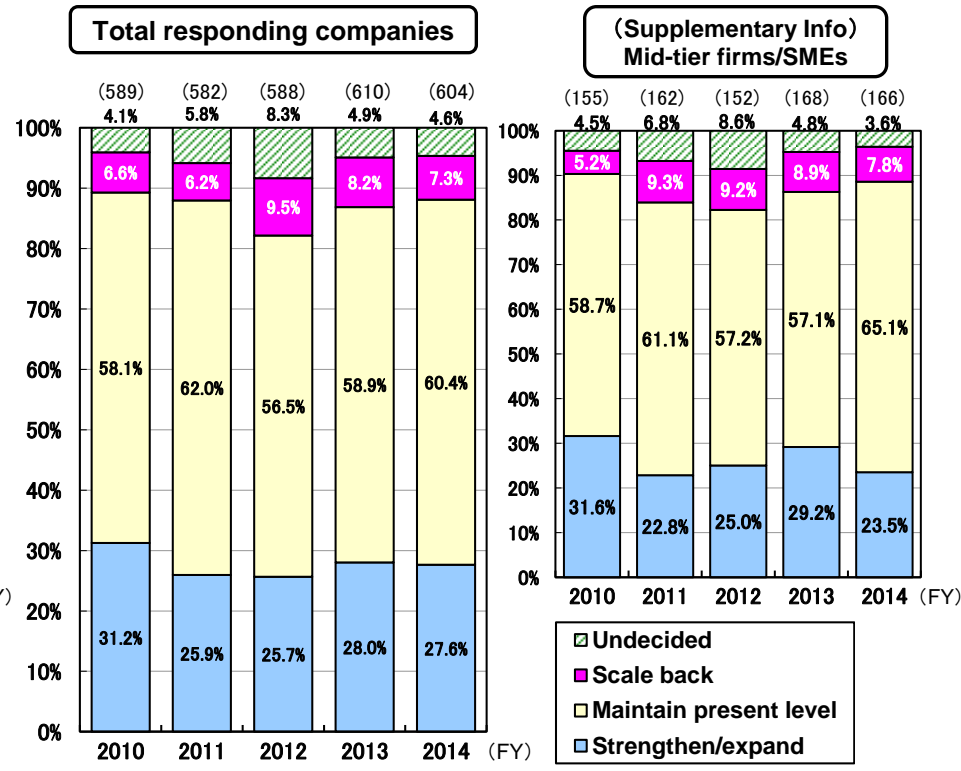
Overseas

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



Domestic

Figure 18: 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.

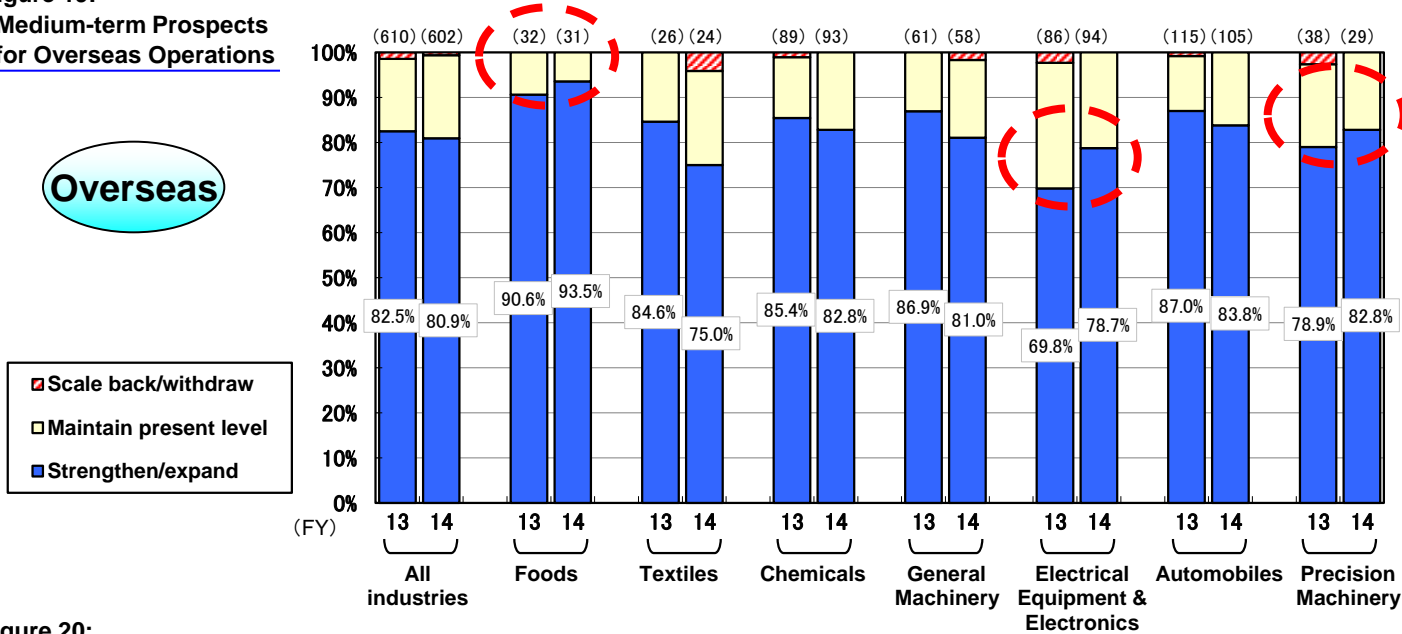
Note 2: The numbers in the parentheses above the bar graphs indicate the numbers of responding companies to the question.

Note 3: Mid-tier firms/SMEs are companies whose paid-in capital is less than 1 billion Japanese Yen.

- **The stance of strengthening/expanding overseas business continues at a high level**
 - In this survey, the number of companies that responded "strengthen/expand" the overseas business over the medium term was 487 (response ratio of 80.9%). The response ratio continued to decline slightly from the previous survey (decrease of 1.6 percentage points), but it remains at a high level of over 80%, indicating a stance of strengthening/expanding overseas business. The response ratio of "scale back/withdraw" declined from 1.5% in the previous survey to 0.7%; and mid-tier firms/SMEs gave no response (Figure 17).
- **For domestic business, 60% of respondent companies to maintain present level**
 - Regarding prospects for the domestic business, 27.6% of respondent companies selected "strengthen/expand" (down 0.4 percentage points from the previous survey), which is equivalent to the previous survey, but the ratio of "scale back" dropped to 7.3%. As for mid-tier firms/SMEs, 23.5% of respondent companies selected "strengthen/expand" (down 5.7 percentage points from the previous survey), but the ratio of "scale back" declined to 7.8% (down 1.1 percentage points compared to the previous survey), so the stance toward scaling back of domestic business operations over the medium term has weakened (Figure 18).

※See Appendix 4 regarding data by industry of Figure 19 and 20.

Figure 19:
Medium-term Prospects
for Overseas Operations



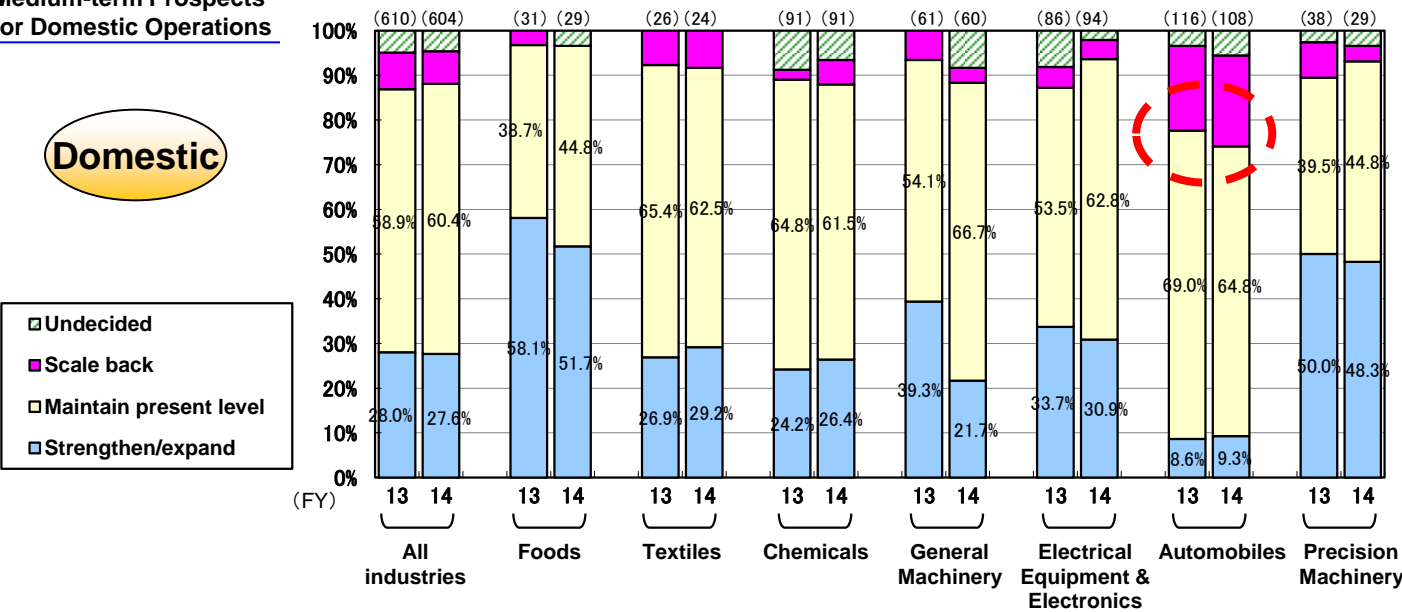
■ Heightened differences between industries on strengthen/expand stance toward overseas business

- The stance of strengthening/expanding overseas business continues to be at a high level, but the stance of maintaining the present level gained strength, with the exception of foods, electrical equipment & electronics and precision machinery.
- The food industry is the typical domestic demand based industry, and the stance of strengthening overseas business was even higher than in the previous survey.

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 20:
Medium-term Prospects
for Domestic Operations



■ Regarding prospects for the domestic business, stance of maintain present level is stronger in a broad range of industries, but the scale back stance is significant in automobiles

- Analyzing prospects for the domestic business by industry, the stance toward maintaining present levels gained strength in foods (44.8%), general machinery (66.7%), electrical equipment & electronics (62.8%) and precision machinery (44.8%).
- The scale back stance for domestic business prospects weakened across industries from the previous survey, but in automobiles, where ripple effects to other industries are significant, the percentage was high at 20.4% (19.0% in the previous survey), exceeding the strengthen/expand stance (9.3%). Of the 108 respondent companies, 101 were parts manufacturers.

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

■ Nearly 90% of companies strengthening/expanding the overseas business over the medium term (484 companies) expect to maintain or strengthen/expand the domestic business

- Almost 90% (88.0%, 426 companies) of companies indicating that they will "strength/expand" their overseas business over the medium term (484 companies) responded that they will maintain or expand their domestic business. Compared to the previous survey, the number of companies responding "strengthen overseas business, maintain or expand domestic business" decreased from 432 companies to 426 companies, but the percentage of the total rose from 86.4% to 88.0%. (Reference)
- At the same time, the number of companies responding "expand overseas business, scale back domestic business" declined somewhat from the previous survey (47 companies → 41 companies), while the percentage declined from 9.4% to 8.5%. Analyzed by industry, approximately half (51.2%) was the automobile industry.

Figure 21: Cross Analysis of Prospects for Overseas and Domestic Businesses (n=598 companies)

Medium-term Prospects (next 3 yrs. or so)			
Overseas business	Domestic business	No. of respondent companies	Proportion
Strengthen/expand (484 companies)	Strengthen/expand	146	30.2%
	Maintain present level	280	57.9%
	Scale back	41	8.5%
	Undecided	17	3.5%
Maintain present level (110 companies)	Strengthen/expand	20	18.2%
	Maintain present level	80	72.7%
	Scale back	3	2.7%
Scale back/withdraw (4 companies)	Undecided	7	6.4%
	Strengthen/expand	1	25.0%
	Maintain present level	2	50.0%
	Scale back	0	0.0%
	Undecided	1	25.0%

Figure 22: Profile of Companies (41 companies) Which Selected to Expand Overseas Businesses and Scale Back Domestic Business

(1) Volume of net sales

	No. of companies responding "scale back" for domestic business prospect (A)	No. of respondent companies (B)	(A)/(B)
¥1 trillion or more	3	42	7.1%
¥300 bn. up to ¥1 trillion.	4	65	6.2%
¥100 bn. up to ¥300 bn.	13	113	11.5%
¥50 bn. up to ¥100 bn.	7	100	7.0%
¥10 bn. up to ¥50 bn.	12	213	5.6%
Less than ¥10 bn.	1	76	1.3%
No Answer	1	8	—
Total	41	617	6.6%

(2) Volume of paid-in capital

	No. of companies responding "scale back" for domestic business prospect (A)	No. of respondent companies (B)	(A)/(B)
Large Corporations	29	448	6.5%
Mid-tier firms/SMEs	12	168	7.1%
No answer/Holding company	—	1	—
Total	41	617	6.6%

(3) Industry

	No. of companies responding "scale back" for domestic business prospect (A)	No. of respondent companies (B)	(A)/(B)
Automobiles	21	109	19.3%
Electrical Equipment & Electronics	4	97	4.1%
Chemicals	5	94	5.3%
General Machinery	2	61	3.3%
Foods	0	32	0.0%
Precision Machinery	1	29	3.4%
Textiles	2	24	8.3%
Nonferrous Metals	1	22	4.5%
Metal Products	1	19	5.3%
Ceramics, Cement & Glass	2	17	11.8%
Steel	0	16	0.0%
Petroleum & Rubber	0	14	0.0%
Transportation (excl. Automobiles)	1	14	7.1%
Paper, Pulp & Wood	0	10	0.0%
Other	1	59	1.7%
Total	41	617	6.6%

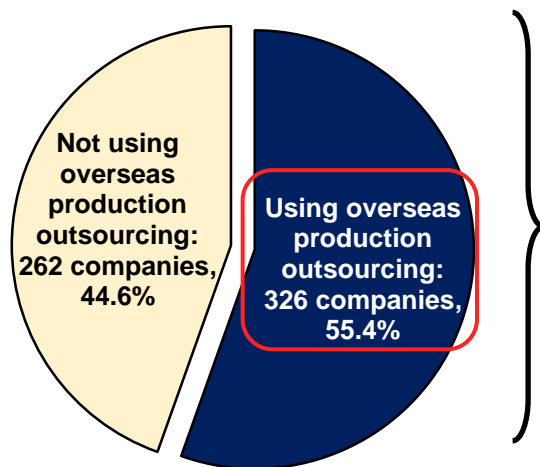
(Reference) Transition of the number of companies which will maintain or expand domestic business while expanding overseas business

Survey Year	FY2012	FY2013	FY2014
Ratio (%)	81.8	86.4	88.0
number of companies	401	432	426

Q Please choose one of the following options that applies to the situation in your company as regards your present situation of using overseas production outsourcing.

Figure 23: Present situation of using Overseas Production Outsourcing

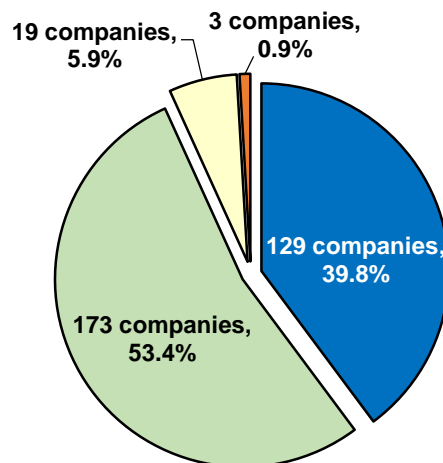
(No. of responding companies = 588)



Q Please choose one of the following options that best describes your company's attitude towards the use of overseas production outsourcing over the medium term (approx. the next 3 years).

Figure 24: Use of Overseas Production Outsourcing over the Medium Term

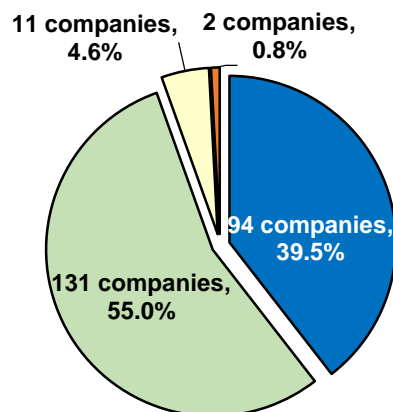
(1) All industries (No. of responding companies = 324)



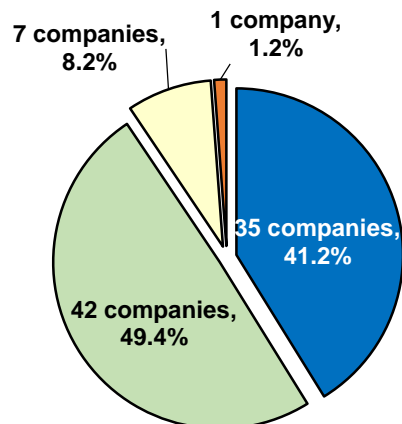
- 1. Will use more actively
- 2. Will maintain current usage
- 3. Will lower current usage
- 4. Will not use

(2) Size of Company

① Large corporations (238 companies)



② Mid-tier firms/SMEs (85 companies)



■ Majority of respondent companies are using overseas production outsourcing

- This survey investigated the use of overseas production outsourcing and attitudes toward medium-term use. A majority (55.4%) of respondent companies (326 of 588 companies) responded that they are using overseas production outsourcing (Figure 23).

■ Over the medium term, over 90% of both large corporations and mid-tier firms/SMEs intend to use overseas production outsourcing in excess of current usage levels

- Regarding the stance toward medium-term use of overseas production outsourcing, "use more actively" and "maintain current levels" accounted for 93.2% of the total, and a majority of companies utilizing overseas production outsourcing indicated that they will continue to use it in the future (Figure 24).
- Overseas production outsourcing is positioned by many companies as a cost-cutting measure, but there is also risk of technology leakage. In company interviews, examples were given of responding to this problem by limiting consignment to production of general products or parts to prevent leakage of the company's core technologies, and protecting intellectual property by clarifying rights and obligations in license production agreements.

IV. Promising Countries/Regions over the Medium-Term

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

Figure 25: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (multiple answers are possible)

※ See Appendix 1 for pre-FY2012 results of Figure 25 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).

$$\text{※ Percentage share} = \frac{\text{No. of respondents citing country/region}}{\text{Total No. of respondent companies}}$$

Ranking			Country/Region (Total)	No. of Companies		Percentage Share(%)	
2014	←	2013		2014	2013	2014	2013
				499	488		
1	↑	2	India	229	213	45.9	43.6
2	↓	1	Indonesia	228	219	45.7	44.9
3	↑	4	China	218	183	43.7	37.5
4	↓	3	Thailand	176	188	35.3	38.5
5	—	5	Vietnam	155	148	31.1	30.3
6	↑	7	Mexico	101	84	20.2	17.2
7	↓	6	Brazil	83	114	16.6	23.4
8	↑	10	USA	66	54	13.2	11.1
9	—	9	Russia	60	60	12.0	12.3
10	↓	8	Myanmar	55	64	11.0	13.1
11	—	11	Philippines	50	39	10.0	8.0
12	—	12	Malaysia	46	37	9.2	7.6
13	↑	14	Turkey	26	23	5.2	4.7
14	↑	16	Singapore	25	19	5.0	3.9
15	↑	17	Cambodia	20	12	4.0	2.5
15	↓	13	Korea	20	28	4.0	5.7
17	↓	14	Taiwan	19	23	3.8	4.7
18	—	18	Germany	9	10	1.8	2.0
19	↑	28	France	7	2	1.4	0.4
19	↑	23	Saudi Arabia	7	4	1.4	0.8
19	↓	18	South Africa	7	10	1.4	2.0

Note 1: The countries and regions other than those listed above included North America (25 companies, 5.0% of the total), EU/Europe (17 companies, 3.4% of the total), and Southeast Asia/ASEAN (6 companies, 1.2% of the total).

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

■ India takes 1st place for the first time

- India took first place as a promising country/region for the first time since 1992 when the question was first posed in its present form. It received responses from a wide range of industries, including automobiles, chemicals and electrical equipment & electronics. The number of companies indicating Thailand, which was 3rd in the previous survey, declined significantly, while companies indicating China, which was 4th last year, increased, and 2nd place Indonesia and 3rd place China balanced out.

■ Continued strong evaluation for Indonesia in 2nd

- Despite the number of respondent companies increasing from 219 companies to 228 companies, Indonesia lost to India by a narrow margin, though it continued to be rated highly.

■ China up to 3rd; recovery in number of respondents and voting ratio

- China declined substantially in voting ratio and number of respondent companies in the previous survey, falling to 4th place, but in this survey, both recovered. Rising production costs and intensifying competition are issues, but there is well-rooted support in terms of both production bases and markets and there are signs of a resurgence.

■ Thailand slips to 4th place

- Thailand's rank dropped one place from 3rd in the previous survey, but the number of respondent companies declined significantly, as the difference with 5th place Vietnam narrowed. It can be surmised that this reflects deterioration in economic conditions within the country, but in company interviews, past flooding and the impact of the recent political situation were also cited.

■ For Brazil, major decrease in respondent companies

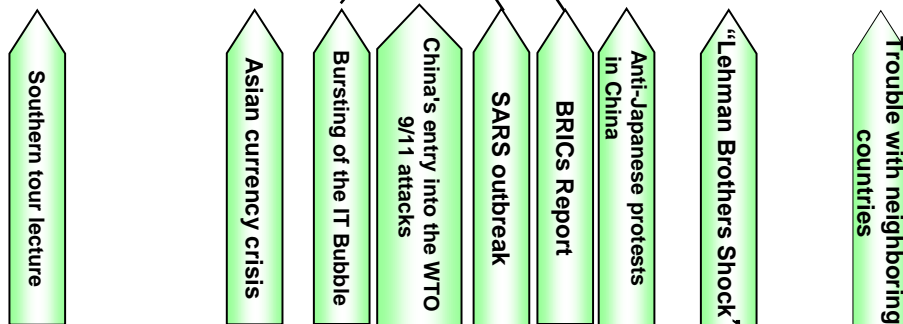
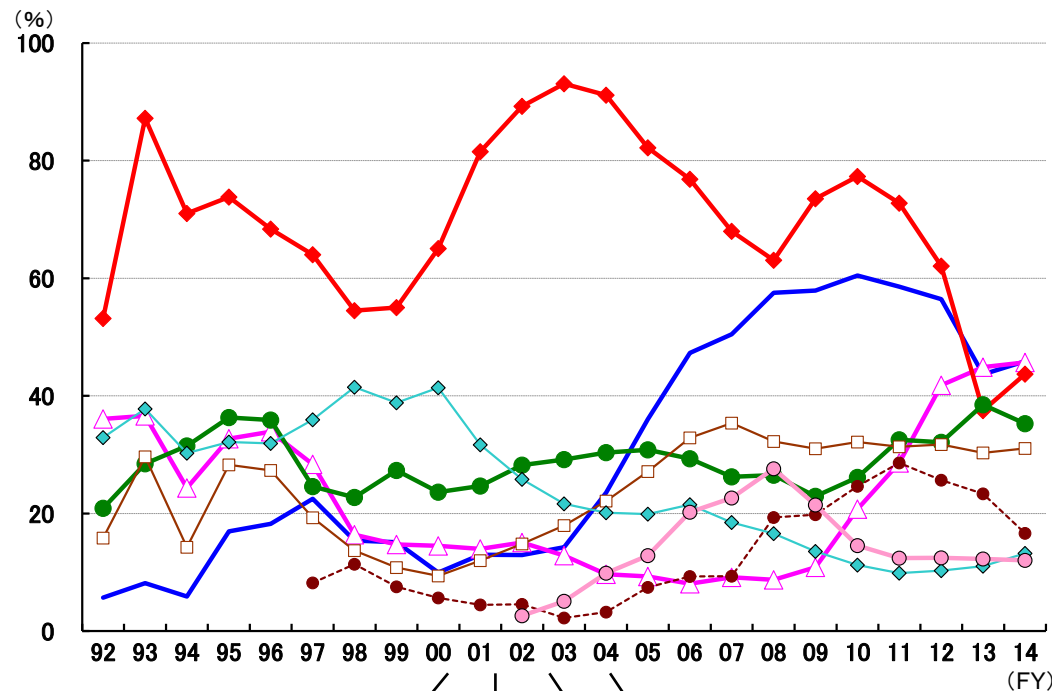
- In this survey, Mexico (6th) and Brazil (7th) switched positions from the previous survey, but the margin of decline in the number of companies choosing Brazil is significant. Background factors are likely Brazil's stagnating economy in recent years and lower expectations for the future.

■ Presence of ASEAN countries remains high

- After Indonesia, Thailand, Vietnam and Myanmar, the Philippines, Malaysia, Singapore and Cambodia were all in the top 20, showing the continuing strong presence of ASEAN countries among promising countries/regions.

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

Figure 26: 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%
FY2014	508	82.3%

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 top promising countries balance out

- The number of companies voting for India, Indonesia and China increased steadily due primarily to local market expansion, and their voting ratios are trending upward. However, because the number of companies voting for Thailand and Brazil declined considerably, the voting ratio of the top three promising countries (India, Indonesia and China) balance out at around 45%.

■ India's voting ratio increases slightly

- India's voting ratio peaked in the FY2010 survey and had been declining since then, but in this survey, it rose 2.3 percentage points over the previous survey, to 45.9%.
- India's voting ratio has been at or above 40% since the FY2006 survey, but only 21.1% of companies have production bases in India and only 18.8% have sales bases, so despite high expectations long term, the number of companies that have entered India remains low.

■ China's voting ratio recovers

- In the previous survey, the percentage of companies voting for China as promising (37.5%) fell below 40%, and the number of companies dropped from 319 to 183, a record low, but this trend reversed itself in this year's survey.
- Over 80% of respondent companies have production bases in China (reference). Support for the importance of China both as a production base and market is well rooted, but along with rising costs and intensifying competition, it can be surmised that the voting ratio did not return to over 60% as was the case in FY2012 and earlier due also in part to a break in new entries to the market.

Q

Companies that named promising countries over the medium-term in Figure 25 were asked whether they had business plans for each of the countries they chose.

- Plans, including either for new business forays or additional investment, do exist
- No concrete plans exist at this point
- No response

- Note 1: The ratio in the graph was obtained by dividing the number of responding companies for “Plans exist” 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.

Figure 27: Existence of Real Business Plans in Promising Countries

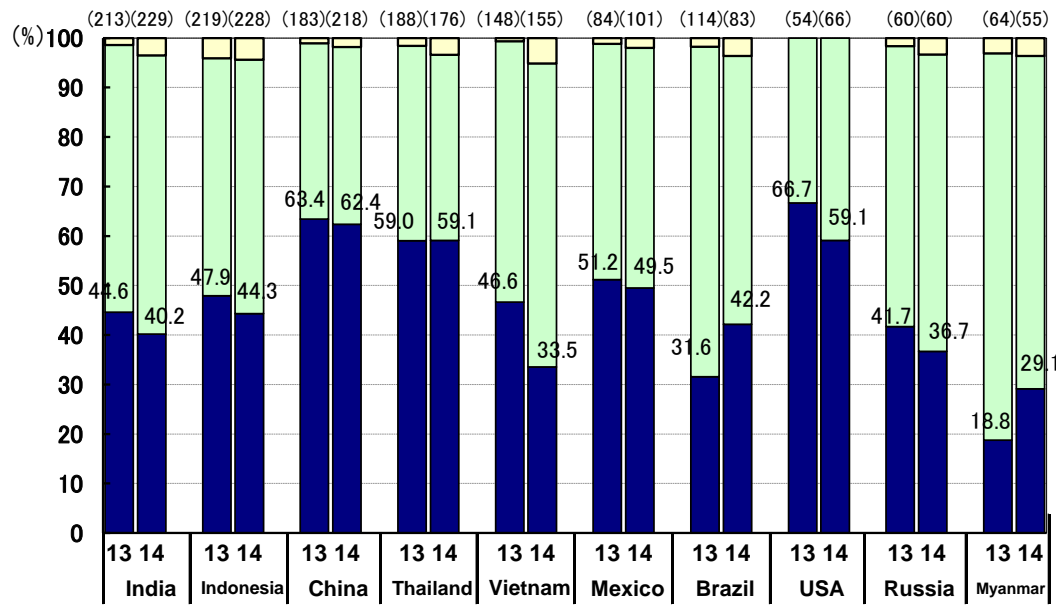


Figure 28: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) prospects

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

Rank	Country	No. of respondent companies			Change from last survey ('14-'13)
		2014	2013	2012	
1	China	136	116	219	20
2	Thailand	104	111	90	▲ 7
3	Indonesia	101	105	99	▲ 4
4	India	92	95	120	▲ 3
5	Vietnam	52	69	63	▲ 17
6	Mexico	50	43	38	7
7	USA	39	36	24	3
8	Brazil	35	36	54	▲ 1
9	Russia	22	25	23	▲ 3
10	Philippines	20	15	8	5
13	Myanmar	16	12	6	4

- **Approximately 60% of respondent companies have real business plans for China, Thailand and the USA**
 - Companies that indicated promising countries over the medium term were asked about the existence of business plans in the countries they voted for, and the countries with the highest ratios for “Plans exist” were China, Thailand and the USA, at approximately 60% (Figure 27). Next highest was Mexico, which was down slightly from its 51.2% mark in FY2013, but which still maintained a relatively high level of 49.5%. Meanwhile, for India, the top promising country over the medium term, the percentage was just 40.2%.
 - The country with the highest number of companies that responded “Plans exist” was China (Figure 28). The number of respondent companies for China declined by nearly half from 219 companies in FY2012 to 116 companies in FY2013, but in this year’s survey, the number recovered somewhat to 136 companies, more than 30 companies more than Thailand (104 companies) and Indonesia (101 companies), and more than 40 companies more than India (92 companies).
- **“Plans exist” percentage gradually increasing for Myanmar**
 - Myanmar ranked in the top 10 of promising countries over the medium term for the first time in FY2012. At that time, 6 companies, or 11.8% of the total, responded “Plans exist,” putting expectations quite far ahead of plans. The number of companies responding “Plan exist” for Myanmar increased this year to 16, or 29.1% of the total, suggesting that concrete business is now in the process of being formed.

IV. 4. Rankings of Promising Countries/Regions (by industry, long-term prospects)

Figure 29: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) Prospects (by major industry)

Chemicals

Rank	Country	FY2014 (Total 76)	FY2013 (Total 71)
1	India	41	35
2	China	35	36
3	Indonesia	33	33
4	Thailand	32	30
5	Vietnam	26	17
6	Mexico	16	12
7	Brazil	14	20
8	USA	10	10
9	Malaysia	7	7
10	Myanmar	6	4
10	Russia	6	3

Automobiles

Rank	Country	FY2014 (Total 89)	FY2013 (Total 97)
1	Indonesia	53	56
2	India	50	54
3	China	44	33
4	Mexico	43	39
5	Thailand	27	44
6	Brazil	17	26
7	Russia	16	20
8	USA	10	9
9	Vietnam	8	20
10	Myanmar	6	12

Electrical Equipment & Electronics

Rank	Country	FY2014 (Total 75)	FY2013 (Total 67)
1	India	40	31
2	China	32	24
3	Vietnam	26	18
4	Indonesia	25	20
5	Thailand	24	21
6	Brazil	14	22
7	Philippines	9	8
8	Myanmar	8	7
9	Mexico	7	7
10	Russia	6	6

General Machinery

Rank	Country	FY2014 (Total 53)	FY2013 (Total 55)
1	Indonesia	27	21
2	India	22	27
3	Thailand	20	23
4	China	17	22
5	Vietnam	16	15
6	Brazil	12	18
7	Russia	10	11
8	USA	9	10
9	Mexico	8	8
10	Malaysia	7	5

Figure 30: 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 372)	Percentage Share	Change from last survey (companies)
1	India	207	55.6%	16
2	Indonesia	163	43.8%	28
3	China	150	40.3%	11
4	Vietnam	117	31.5%	21
5	Thailand	105	28.2%	6
6	Brazil	91	24.5%	▲ 23
7	Myanmar	70	18.8%	▲ 5
8	Russia	65	17.5%	0
9	Mexico	58	15.6%	11
10	USA	47	12.6%	0

Note: The number of responded companies in the previous survey (FY2013 Survey) was 360. Refer to Appendix 1 regarding ranking in the previous survey.

■ By industry: 1st place in four major industries held by India and Indonesia

- In FY2011, China took 1st place among promising countries in all four major industries. In FY2012, it was first in the three industries other than automobiles, and in FY2013 it maintained first place only in chemicals, but this year, it ranked 2nd or below in all four industries. Taking its place, India and Indonesia shared the top positions.
- There was no major change in the makeup of the top countries in the four industries, but there were contrasts in Latin America. The number of respondent companies increased for Mexico in chemicals and automobiles, and the number was the same as the previous year in electrical equipment & electronics and general machinery, while Brazil saw the number of respondent companies fall in all four industries. The largest declines in number of respondent companies from the previous year were Thailand (down 17 companies) and Vietnam (down 12 companies) in automobiles.

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

- India took first place among long-term promising countries for the fifth consecutive year, overwhelmingly beating out the other countries, with 207 companies. Profit satisfaction has been low recently, but a majority of respondent companies (55.6%) cited India as a promising country over the long term, which indicates that many companies continue to have expectations with regard to the country's economic potential. Rising into 2nd place and taking the place of China was Indonesia.
- Myanmar, which entered the top ten promising countries over the long term for the first time in FY2012, maintained 7th place, though respondent companies did decline by five, to 70 companies.
- Brazil, which was 4th last fiscal year, fell to 6th place as respondent companies declined significantly from 114 to 91 companies.

IV. 5. Reasons for Countries as Promising and Issues: India



No.1: India

Reasons

	(Note 1) (Total No. of respondent companies: 220)	No. of companies	(Note 2) Ratio
1 Future growth potential of local market		187	85.0%
2 Inexpensive source of labor		74	33.6%
3 Current size of local market		70	31.8%
4 Supply base for assemblers		46	20.9%
5 Qualified human resources		30	13.6%

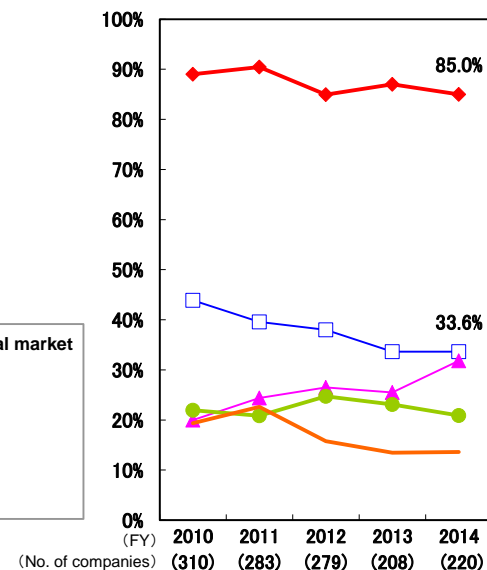
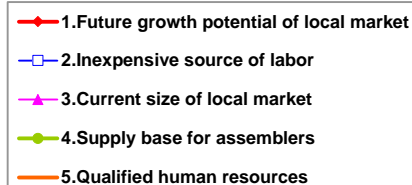
Issues

	(Total No. of respondent companies: 188)	No. of companies	Ratio
1 Underdeveloped infrastructure		97	51.6%
2 Intense competition with other companies		69	36.7%
3 Execution of legal system unclear		66	35.1%
4 Complicated tax system		53	28.2%
5 Labor problems		46	24.5%
5 Security/social instability		46	24.5%

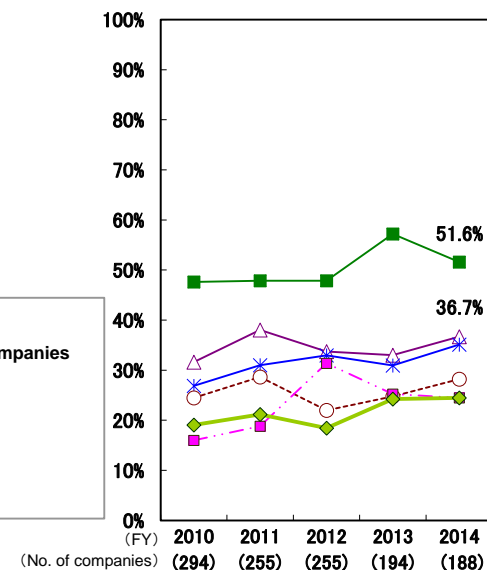
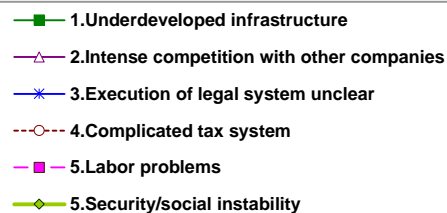
- The top reason for being promising remained “Future growth potential of local market,” at 85.0%. This indicates that there are still high expectations for India’s growth potential. The percentage for “Current size of local market” has been rising since 2010, and even given its current scale, it can be said that the promise of the Indian market is high.
- The top issue continued to be “Underdeveloped infrastructure” (51.6%). The percentage declined from the previous survey’s 57.2%, but it still indicates that a majority of respondent companies recognize the largest issue to be infrastructure development.

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

Changes over
past 5 years



Changes over
past 5 years



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 25. For this reason, the number of companies here may not be the same as in Figure 25.

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: Indonesia

Reasons

(Total No. of respondent companies: 220)

	No. of companies	Ratio
1 Future growth potential of local market	188	85.5%
2 Current size of local market	82	37.3%
3 Inexpensive source of labor	63	28.6%
4 Supply base for assemblers	56	25.5%
5 Base of export to third countries	30	13.6%

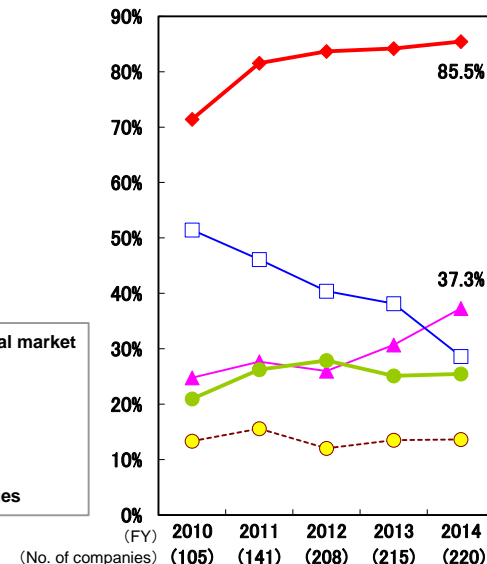
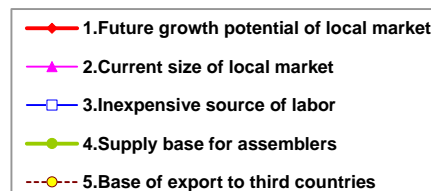
Issues

(Total No. of respondent companies: 188)

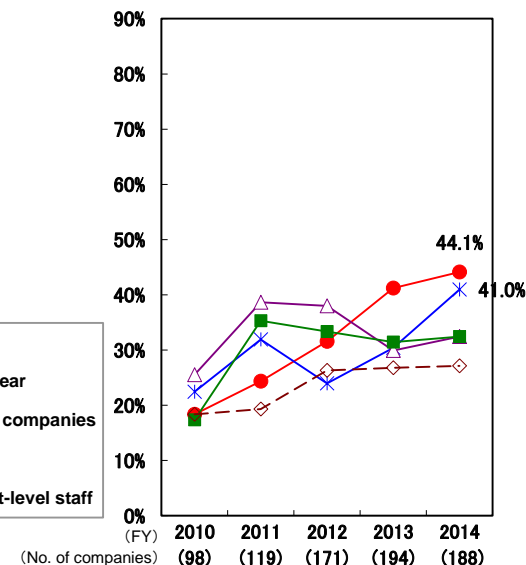
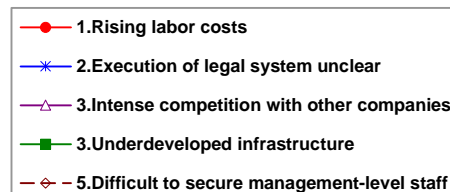
	No. of companies	Ratio
1 Rising labor costs	83	44.1%
2 Execution of legal system unclear	77	41.0%
3 Intense competition with other companies	61	32.4%
3 Underdeveloped infrastructure	61	32.4%
5 Difficult to secure management-level staff	51	27.1%

- The top reason for being cited as promising remained "Future growth of local market" (85.5%), but "Current size of local market" rose to 2nd place (37.3%), and last year's 2nd place, "Inexpensive source of labor," its response ratio dropped by 9.5 percentage points, falling from 2nd place last year to 3rd place this year.
- The top issue continued to be "Rising labor costs," and the response ratio increased by 2.9 percentage points from the previous year, rising to 44.1%. Indonesia trended down somewhat in terms of its attractiveness as a low-cost production base. The 2nd place issue was "Execution of legal system unclear" (41.0%); it increased by 9.6 percentage points from the previous year. This issue was indicated not only for nonferrous metals, which was impacted by the new mining law (enforced January 2014) but for a wide range of industries, including foods, chemicals and electrical equipment & electronics.

Changes over past 5 years



Changes over past 5 years





No.3: China

Reasons

(Total No. of respondent companies: 214)

	No. of companies	Ratio
1 Future growth potential of local market	146	68.2%
2 Current size of local market	122	57.0%
3 Supply base for assemblers	50	23.4%
4 Concentration of industry	45	21.0%
5 Inexpensive source of labor	38	17.8%

Issues

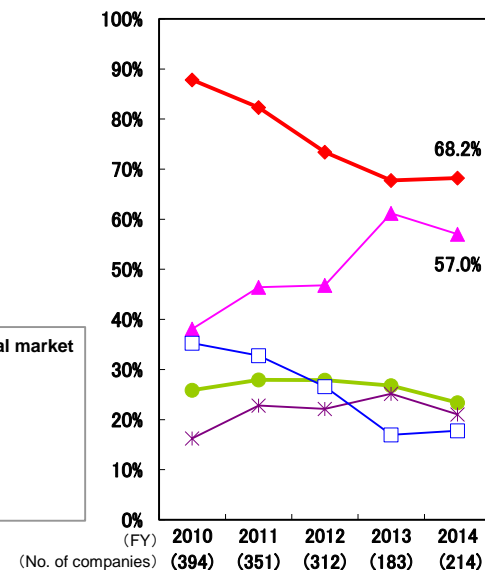
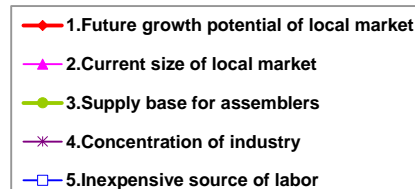
(Total No. of respondent companies: 199)

	No. of companies	Ratio
1 Rising labor costs	150	75.4%
2 Intense competition with other companies	117	58.8%
3 Execution of legal system unclear	108	54.3%
4 Insufficient protection for intellectual property rights	94	47.2%
5 Restrictions on foreign currency/ transfers of money overseas	65	32.7%
5 Security/social instability	65	32.7%

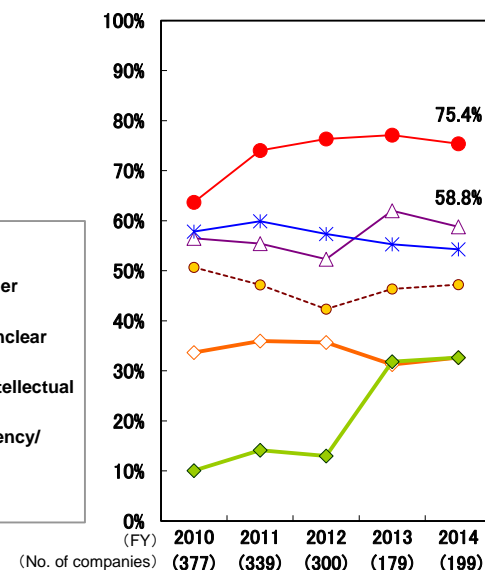
■ The top reason for being cited as promising was “Future growth potential of local market” (68.2%). The figure was nearly even with the previous survey. The 2nd place reason was “Current size of local market;” its response ratio fell to 57.0%, but like in the previous survey it continues to maintain substantial support. The other reasons’ response ratios declined from the previous survey, though their order was the same. It can be concluded that companies citing China as a promising country are most focused on its promise as a current and future market.

■ Issues were “Rising labor costs” (75.4%), “Intense competition with other companies” (58.8%), “Execution of legal system unclear” (54.3%), and “Insufficient protection for intellectual property rights” (47.2%), the same order as the previous survey. “Security/social instability” (32.7%) continued to be cited by over 30%, as was the case in the previous survey, in light of the boycotting of Japanese products and chilling in Japan-China relations that began two years ago, among other factors.

Changes over past 5 years



Changes over past 5 years



IV. 8. Reasons for Countries as Promising and Issues: Thailand



No.4 : Thailand

Reasons

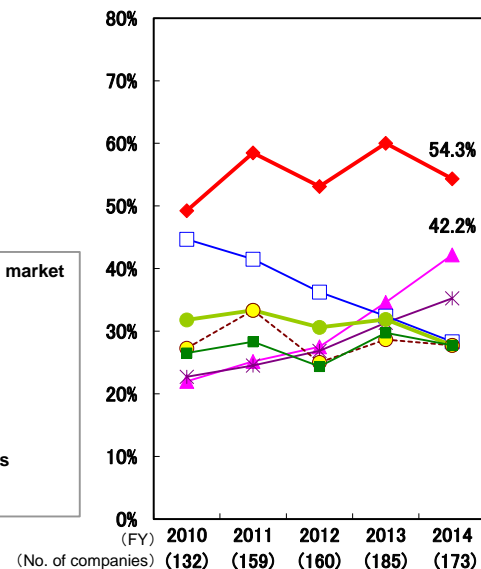
	(Total No. of respondent companies: 173)	No. of companies	Ratio
1	Future growth potential of local market	94	54.3%
2	Current size of local market	73	42.2%
3	Concentration of industry	61	35.3%
4	Inexpensive source of labor	49	28.3%
5	Supply base for assemblers	48	27.7%
5	Base of export to third countries	48	27.7%
5	Developed local infrastructure	48	27.7%

Issues

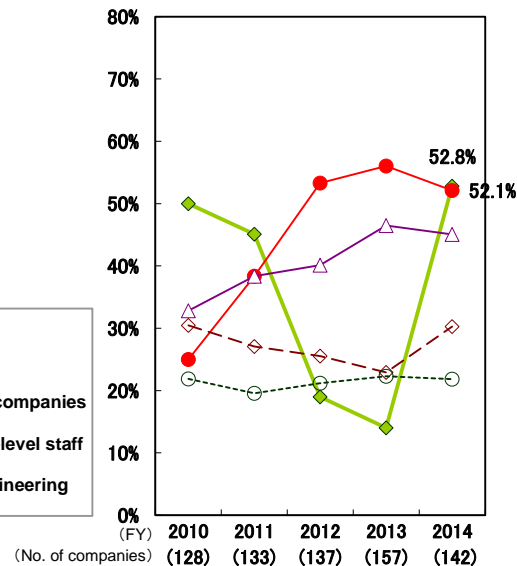
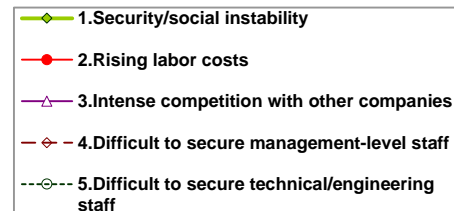
	(Total No. of respondent companies: 142)	No. of companies	Ratio
1	Security/social instability	75	52.8%
2	Rising labor costs	74	52.1%
3	Intense competition with other companies	64	45.1%
4	Difficult to secure management-level staff	43	30.3%
5	Difficult to secure technical/engineering staff	31	21.8%

- The actual FY2013 performance evaluation was not very favorable, but companies that cited Thailand as a promising country have the most expectations with respect to the current size of the local market and its future potential. Reflecting rising labor costs, the response ratio for "Inexpensive source of labor" has been trending down. While concentration of industry and local infrastructure continue to receive high ratings as part of Thailand's appeal.
- Rising sharply to become the top issue was "Security/social instability" (52.8%), reflecting the political turmoil there. There was also the impact of economic slowing and delays in procedures for investment permission, etc., but in company interviews, many companies held the view that the country would return to a growth path over the medium/long term. On the other hand, the 2nd place issue was "Rising labor costs," which has stayed in the 50% range, suggesting the possibility that companies will disperse production bases in countries neighboring Thailand.

Changes over past 5 years



Changes over past 5 years





No.5: Vietnam

Reasons

	(Total No. of respondent companies: 151)	No. of companies	Ratio
1	Future growth potential of local market	105	69.5%
2	Inexpensive source of labor	80	53.0%
3	Qualified human resources	30	19.9%
4	Good for risk diversification to other countries	29	19.2%
5	Current size of local market	27	17.9%

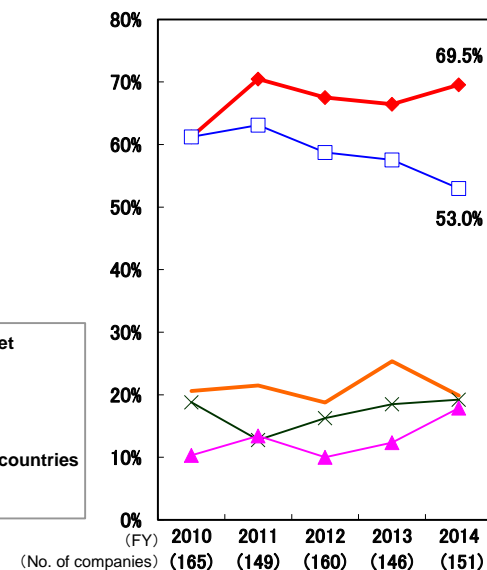
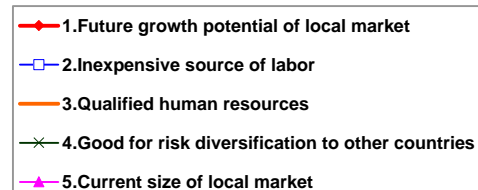
Issues

	(Total No. of respondent companies: 127)	No. of companies	Ratio
1	Underdeveloped infrastructure	52	40.9%
2	Execution of legal system unclear	44	34.6%
3	Difficult to secure management-level staff	40	31.5%
4	Rising labor costs	38	29.9%
5	Underdeveloped legal system	33	26.0%

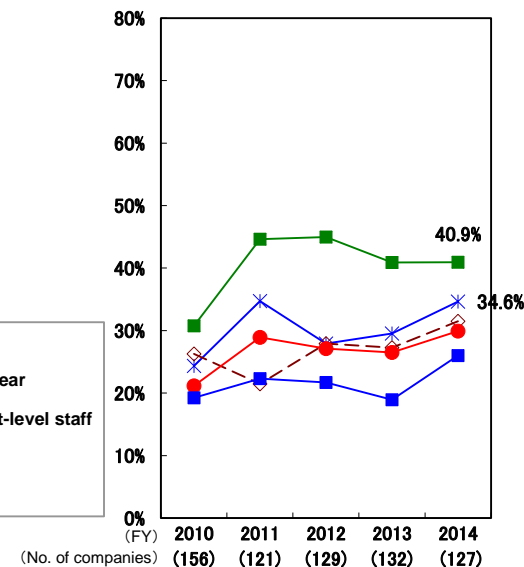
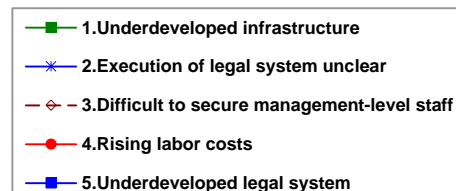
■ The top reason for being cited as promising was "Future growth potential of local market" (69.5%), and second was "Inexpensive source of labor" (53.0%), the same as last year. The response ratio for "Inexpensive source of labor" has been declining every year, but it remains next highest after Myanmar (69.8%) among the top promising countries. The 4th place reason, "Good for risk diversification to other countries" (19.2%), one of the characteristics of Vietnam's reasons for being promising, continues to be regarded highly by close to 20% of companies.

■ The top issue remained "Underdeveloped infrastructure." The response ratio was 40.9%, lower than India (51.6%) and Myanmar (66.0%), but potentially one of the barriers when companies consider establishing a new production base or transferring production from another country. Due in part to its late participation in the WTO in 2007, many companies indicated systematic issues like "Execution of legal system unclear" (34.6%) and "underdeveloped legal system" (26.0%).

Changes over past 5 years



Changes over past 5 years



IV. 10. Reasons for Countries as Promising and Issues: Mexico



No. 6: Mexico

Reasons

(Total No. of respondent companies: 99)

	No. of companies	Ratio
1 Future growth potential of local market	63	63.6%
2 Supply base for assemblers	50	50.5%
3 Inexpensive source of labor	32	32.3%
4 Current size of local market	28	28.3%
5 Base of export to third countries	25	25.3%

Issues

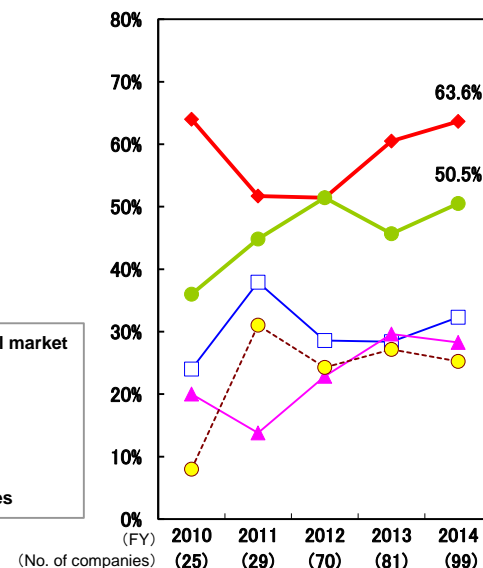
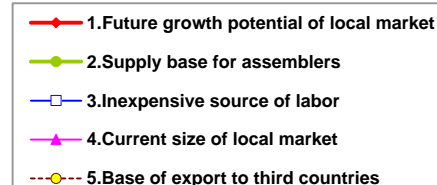
(Total No. of respondent companies: 84)

	No. of companies	Ratio
1 Security/social instability	44	52.4%
2 Difficult to secure management-level staff	31	36.9%
3 Intense competition with other companies	17	20.2%
4 Difficult to secure technical/engineering staff	16	19.0%
5 Rising labor costs	15	17.9%
5 Underdeveloped local supporting industries	15	17.9%

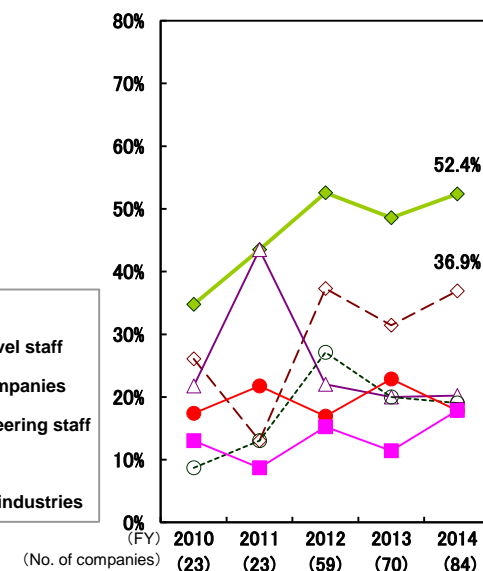
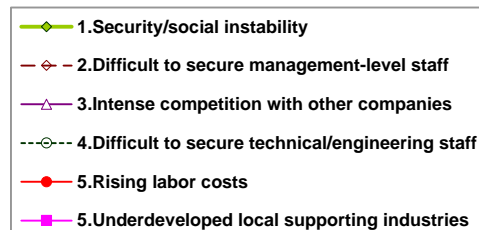
■ The top reason for being cited as promising was “Future growth potential of local market,” which rose to 63.6%. “Supply base for assemblers” also continued from the previous survey at a high level, 50.5%. Mexico has entered many FTAs including NAFTA, etc., so in addition to the appeal of its local market, it is rated highly as a supply base for North and South America, and this reason improved one rank from the previous survey. Respondent companies increased by 17 from the previous survey to 101 companies, indicating a high level of interest after Asian major countries.

■ The top issue was “Security/social instability” (52.4%), with a majority of respondent companies citing it. The second was “Difficult to secure management-level staff” (36.9%), followed by “Difficult to secure technical/engineering staff” (19.0%) and “Rising labor costs” (17.9%)—many companies cited labor issues like these.

Changes over past 5 years



Changes over past 5 years



IV. 11. Reasons for Countries as Promising and Issues: Brazil



No. 7: Brazil

Reasons

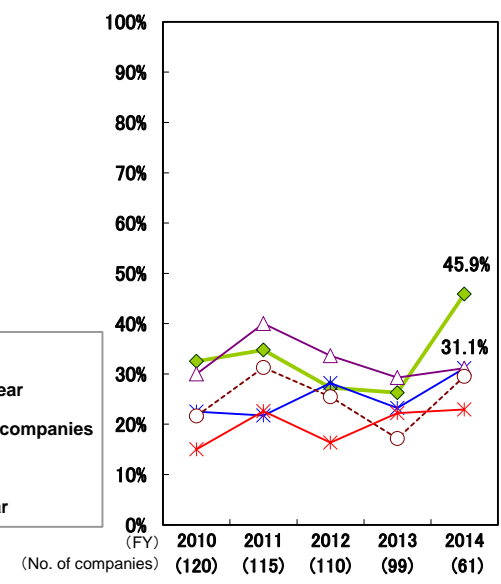
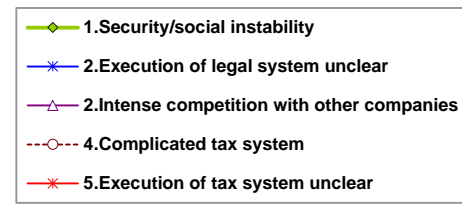
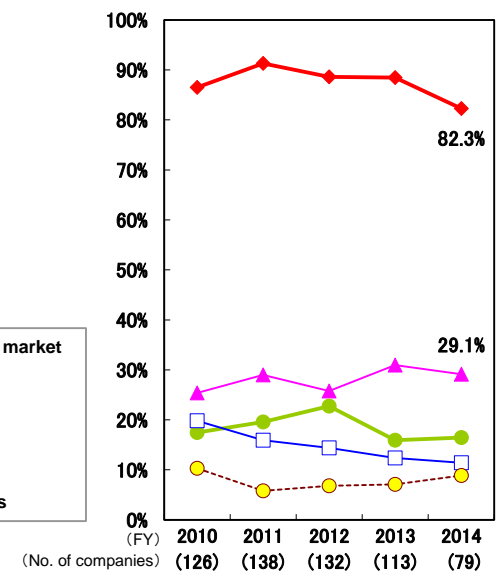
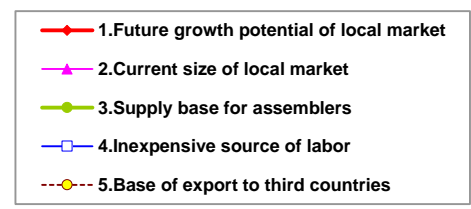
	(Total No. of respondent companies: 79)	No. of companies	Ratio
1	Future growth potential of local market	65	82.3%
2	Current size of local market	23	29.1%
3	Supply base for assemblers	13	16.5%
4	Inexpensive source of labor	9	11.4%
5	Base of export to third countries	7	8.9%

Issues

	(Total No. of respondent companies: 61)	No. of companies	Ratio
1	Security/social instability	28	45.9%
2	Execution of legal system unclear	19	31.1%
2	Intense competition with other companies	19	31.1%
4	Complicated tax system	18	29.5%
5	Execution of tax system unclear	14	23.0%

■ The top reason for being cited as a promising country was "Future growth potential of local market" (82.3%), with over 80% of companies that cited it as a promising country selecting this reason. Next was "Current size of local market" (29.1%), and both give an indication of the expectations for the current state of the local market and its future growth potential, but in both cases, percentages were lower than the previous survey. The country slid one rank to 7th place, and the number of companies selecting it fell by 31 companies from the previous survey to just 83 companies.

■ The top issue was "Security/social instability" (45.9%), the 2nd place reason in the previous survey, and the response ratio increased markedly from 26.3% in the previous survey. "Execution of legal system unclear" (31.1%) and "Intense competition with other companies" (31.1%) had the same percentage, and in both cases the response ratio increased from the previous survey. This indicates increasing concern over deterioration in the security and social situation in the country.





No. 8: USA

Reasons

(Total No. of respondent companies: 66)

	No. of companies	Ratio
1 Current size of local market	44	66.7%
2 Future growth potential of local market	37	56.1%
3 Developed local infrastructure	30	45.5%
3 Social/political situation stable	30	45.5%
5 Developed local logistics services	21	31.8%

Issues

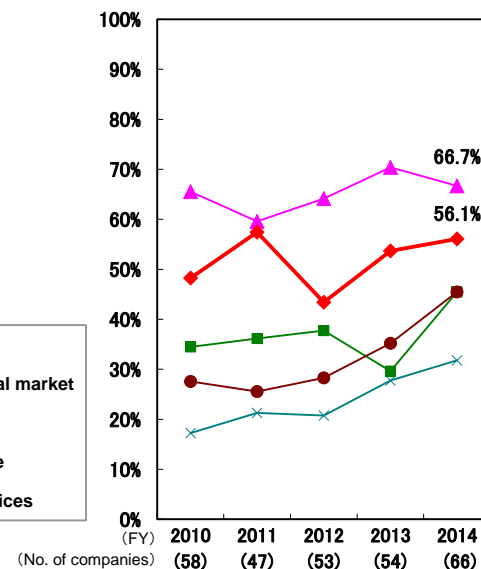
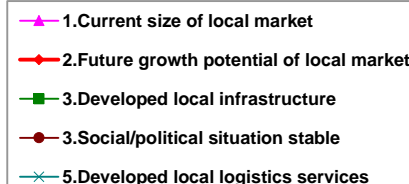
(Total No. of respondent companies: 47)

	No. of companies	Ratio
1 Intense competition with other companies	37	78.7%
2 Rising labor costs	10	21.3%
3 Labor problems	9	19.1%
4 Increased taxation	6	12.8%
4 Difficult to secure management-level staff	6	12.8%

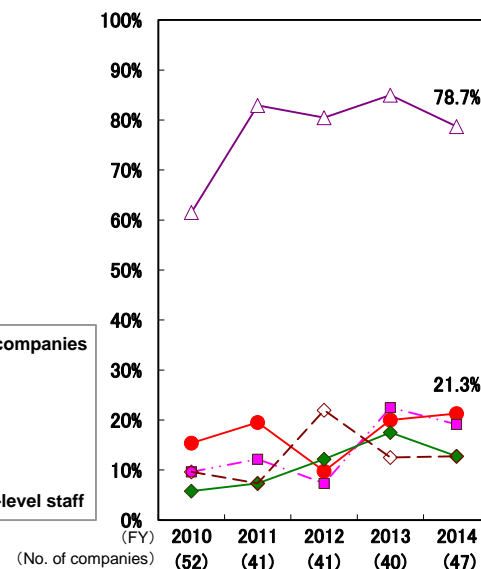
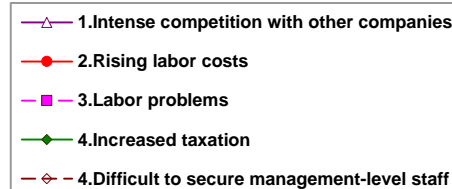
■ The top reason for being cited as promising was "Current size of local market" (66.7%), with the response ratio declining from the previous survey, but still remaining at a high level, and the second was "Future growth potential of local market" (56.1%), indicating the positive view of the expectations for the current state of the USA economy and its future growth. The country gained two ranks from the previous survey and was selected by 66 companies, 12 more than in the previous survey.

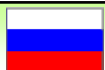
■ The top issue was the same as the previous survey: "Intense competition with other companies" (78.7%), which was selected by a large majority. In company interviews, there was mention of competition intensifying with European, North American and Japanese companies centering on high-end products, against a backdrop of a solid USA economy. The 2nd place and other issues were "Rising labor costs" (21.3%), "Labor problems" (19.1%).

Changes over past 5 years



Changes over past 5 years





No. 9: Russia

Reasons

(Total No. of respondent companies: 57)

	No. of companies	Ratio
1 Future growth potential of local market	46	80.7%
2 Current size of local market	24	42.1%
3 Supply base for assemblers	13	22.8%
4 Profitability of local market	6	10.5%
5 Qualified human resources	4	7.0%
5 Base of export to third countries	4	7.0%

Issues

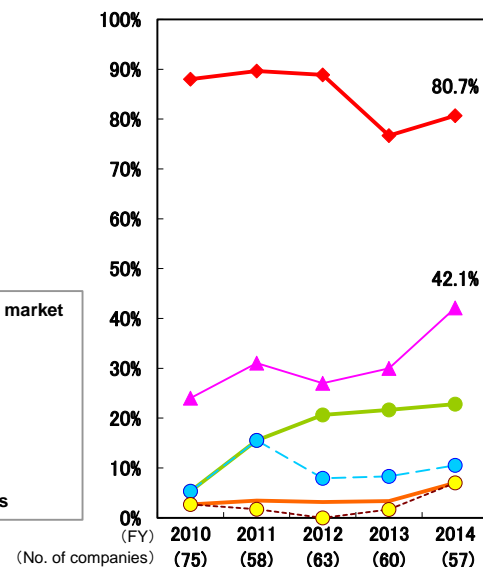
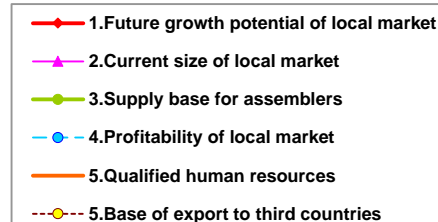
(Total No. of respondent companies: 50)

	No. of companies	Ratio
1 Security/social instability	21	42.0%
2 Execution of legal system unclear	20	40.0%
3 Intense competition with other companies	18	36.0%
4 Complicated/unclear procedures for investment permission	14	28.0%
5 Execution of tax system unclear	12	24.0%
5 Lack of information on the country	12	24.0%

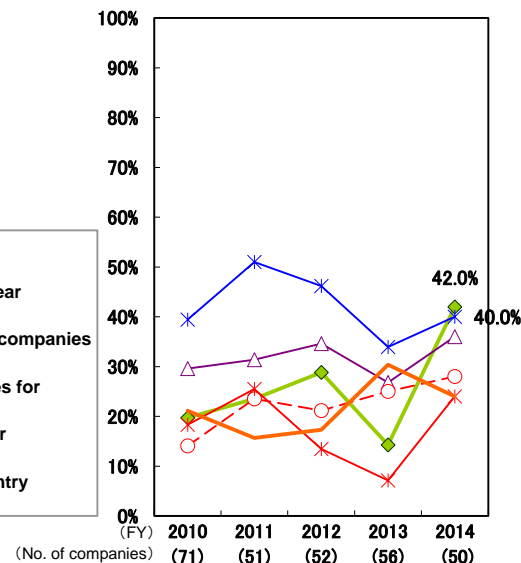
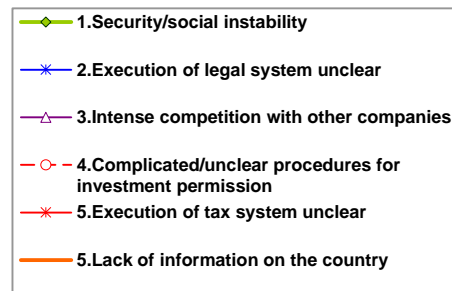
■ The top reason for being cited as promising was “Future growth potential of local market” (80.7%) and the second was “Current size of local market” (42.1%). Both response ratios were up, indicating the expectations for the current state of the local market and its future.

■ The top issue was “Security/social instability” (42.0%) and its response ratio rose significantly from the previous survey, as the recent situation there has very likely had an impact. Other issues were “Execution of legal system unclear” (40.0%) and “Intense competition with other companies” (36.0%).

Changes over past 5 years



Changes over past 5 years



IV. 14. Reasons for Countries as Promising and Issues: Myanmar



No. 10: Myanmar

Reasons

(Total No. of respondent companies: 53)

	No. of companies	Ratio
1 Inexpensive source of labor	37	69.8%
1 Future growth potential of local market	37	69.8%
3 Good for risk diversification to other countries	7	13.2%
4 Base of export to third countries	6	11.3%
4 Current size of local market	6	11.3%

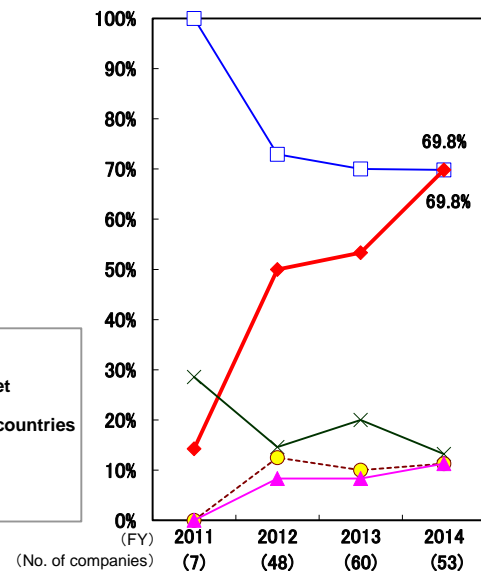
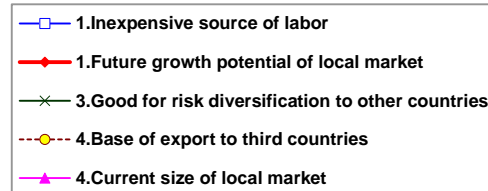
Issues

(Total No. of respondent companies: 50)

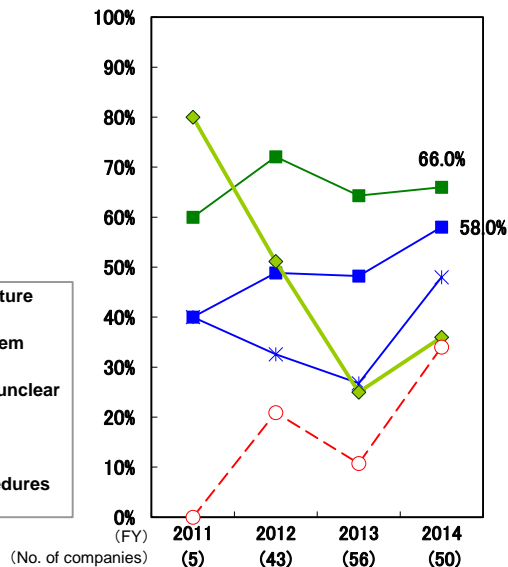
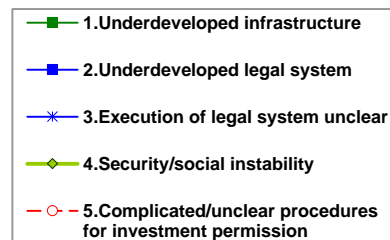
	No. of companies	Ratio
1 Underdeveloped infrastructure	33	66.0%
2 Underdeveloped legal system	29	58.0%
3 Execution of legal system unclear	24	48.0%
4 Security/social instability	18	36.0%
5 Complicated/unclear procedures for investment permission	17	34.0%

- The top reasons for citing Myanmar as promising were "Inexpensive source of labor" and "Future growth potential of local market," which shared the same percentage (69.8%). The latter in particular increased significantly by 9.3 percentage points from the previous survey, suggesting a high level of interest in the future potential of the local market.
- The top issue was "Underdeveloped infrastructure" (66.0%), the same as last fiscal year. The second was "Underdeveloped legal system" (58.0%, up 9.8 percentage points from the previous survey), and third was "Execution of legal system unclear" (48.0%, up 21.2 percentage points). Also, rising to 5th place was "Complicated/unclear procedures for investment permission" (34.0%, up 23.3 percentage points), as many systematic issues are coming to be pointed out with more and more companies entering the country.

Changes over past 4 years



Changes over past 4 years



Q

This question is put to those respondents who did not list India, Indonesia, China, Thailand or Vietnam in their top 5 most promising countries over the medium term in Figure 25 above. Please select the reasons that apply from options 1-9 below for each individual country. (Multiple responses possible)

Figure 31: Reasons for Not Listing the Following Countries As Promising Countries over the Medium Term

Rank	India (No. of respondent companies=176)	Indonesia (No. of respondent companies=160)	China (No. of respondent companies=217)	Thailand (No. of respondent companies=225)	Vietnam (No. of respondent companies=217)
1	2. We do not consider the country a target region for our company's business 43.2%	1. We are already conducting business of a certain scale and do not intend to expand our business beyond that 32.5%	1. We are already conducting business of a certain scale and do not intend to expand our business beyond that 51.6%	1. We are already conducting business of a certain scale and do not intend to expand our business beyond that 49.8%	2. We do not consider the country a target region for our company's business 44.7%
2	6. There is a lack of infrastructure in the area 31.3%	2. We do not consider the country a target region for our company's business 30.6%	3. Local labor costs are rising 51.2%	4. The local social/political situation is unstable 19.6%	1. We are already conducting business of a certain scale and do not intend to expand our business beyond that 23.0%
3	1. We are already conducting business of a certain scale and do not intend to expand our business beyond that 18.8%	5. Increasing intense competition with other companies 11.9%	4. The local social/political situation is unstable 28.6%	3. Local labor costs are rising 17.8%	6. There is a lack of infrastructure in the area 15.7%
4	5. Increasing intense competition with other companies 14.2%	6. There is a lack of infrastructure in the area 11.3%	5. Increasing intense competition with other companies 18.0%	2. We do not consider the country a target region for our company's business 16.0%	9. Local circumstances other than 3. - 8. above 12.0%
5	7. The local legal system is inadequate 10.8%	9. Local circumstances other than 3. - 8. above 11.3%	2. We do not consider the country a target region for our company's business 9.7%	5. Increasing intense competition with other companies 14.2%	5. Increasing intense competition with other companies 8.3%
6	4. The local social/political situation is unstable 8.0%	3. Local labor costs are rising 10.6%	7. The local legal system is inadequate 5.1%	8. The local economy is stagnating 6.2%	8. The local economy is stagnating 5.5%
7	9. Local circumstances other than 3. - 8. above 7.4%	4. The local social/political situation is unstable 6.3%	8. The local economy is stagnating 4.1%	9. Local circumstances other than 3. - 8. above 5.8%	3. Local labor costs are rising 4.6%
8	8. The local economy is stagnating 7.4%	7. The local legal system is inadequate 4.4%	9. Local circumstances other than 3. - 8. above 4.1%	6. There is a lack of infrastructure in the area 2.2%	7. The local legal system is inadequate 4.1%
9	3. Local labor costs are rising 3.4%	8. The local economy is stagnating 3.1%	6. There is a lack of infrastructure in the area 1.8%	7. The local legal system is inadequate 0.4%	4. The local social/political situation is unstable 2.3%

■ Approximately half of companies not citing China and Thailand as promising countries over the medium term indicated that they were already conducting business of a certain scale as the reason

· In the results last fiscal year to the question of promising countries over the medium term, the number of companies selecting China and India declined by a large margin. So, this year, companies that did not select India, Indonesia, China, Thailand or Vietnam, which have been included among the top promising countries for the medium term in recent years, as among the top five promising countries over the medium term were asked the reasons, and the response trends differed (Figure 31). The biggest reason for not selecting China and Thailand was "We are already conducting business of a certain scale," which was selected by around 50% of the companies. At the same time, the most common reason for India and Vietnam was "We do not consider the country a target region for our company's business," which was chosen by over 40% of companies responding. For Indonesia, response ratios for both these reasons were around 30%.




IV. 16. Prospects for Overseas Operation by Region

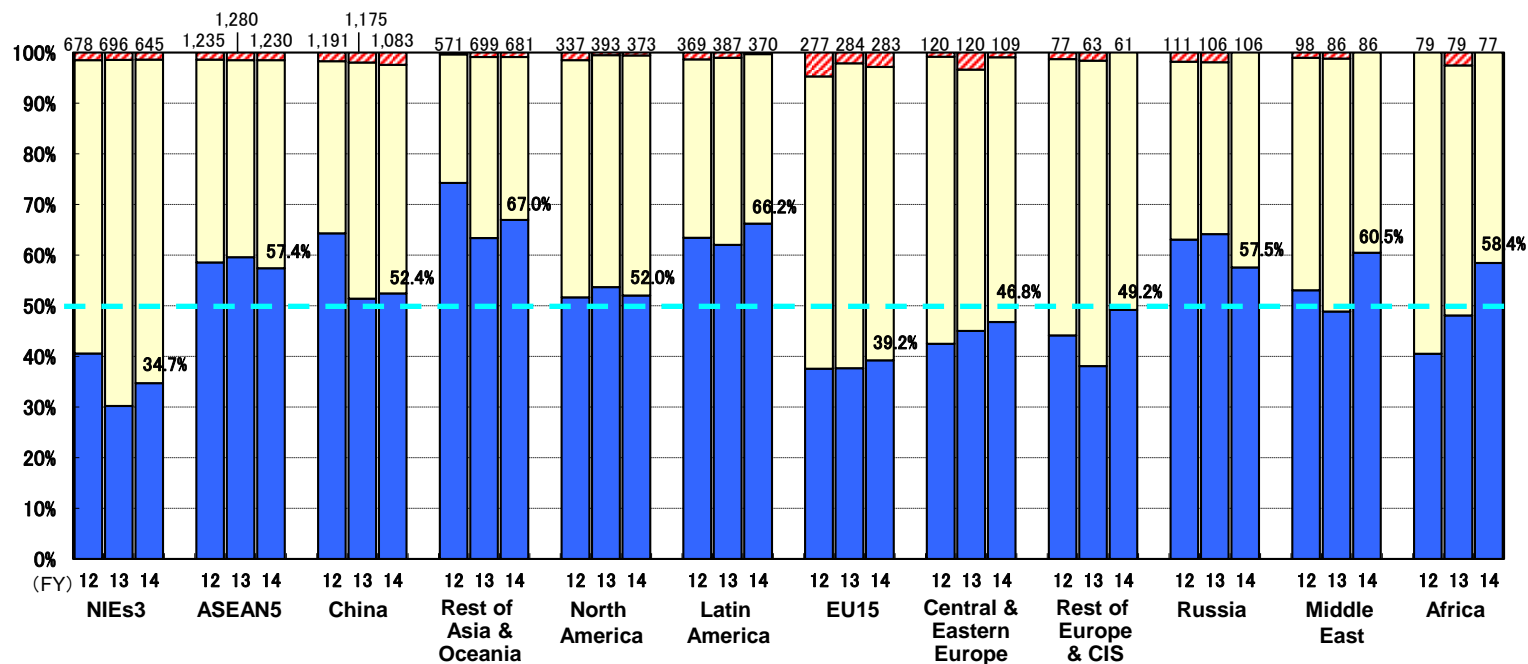
Figure 32: Medium-term Prospects for Overseas Operations (by region)

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.

 Scale back/withdraw
 Maintain present level
 Strengthen/expand



■ Stance of “maintain present level” continues with respect to prospects for business operations in China

- The response ratio for strengthening business operations in China peaked in the FY2011 survey and has been falling since then, and in this year’s survey the ratio increased by 1.0 percentage points from 51.4% in the previous survey, though this is nearly level with the previous survey. It indicates that one out of every two companies operating in China continues to intend to “maintain present level.”

■ Growth in business expansion stance for ASEAN 5, Rest of Asia & Oceania, and Latin America

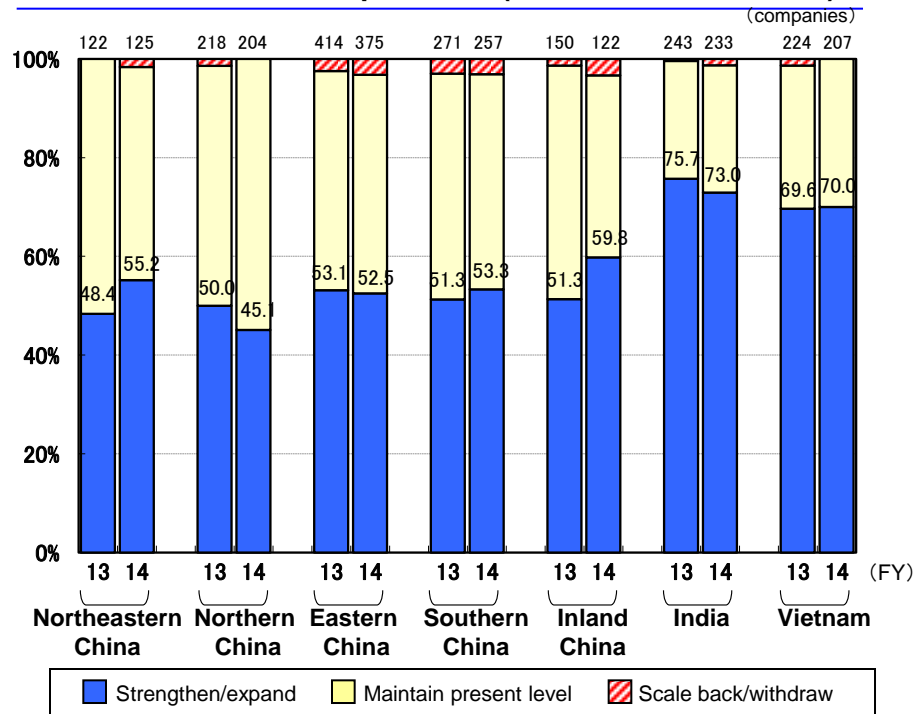
- The response ratio for “strengthen/expand” for the ASEAN 5 was 57.4%, down slightly from the previous survey (59.6%), but it indicates a continued stance toward business expansion in a broad range of industries. The response ratio for “strengthen/expand” for the rest of Asia and Oceania was 67%, exceeding the previous survey, and among those countries, the ratios for India, Vietnam and Myanmar were each over 70%. For Latin America, the ratio reached 66.2% thanks to Mexico and Brazil both being around 70%. By contrast, the response ratio for “strengthen/expand” for Russia fell from 64.2% in the previous survey to 57.5%.

■ Regions with business expansion stance falling below 50% were NIEs 3, EU 15, Central & Eastern Europe and Rest of Europe & CIS

- In this year’s survey, the Middle East and Africa both exceeded 50%, and in both regions response ratios for “strengthen/expand” rose from the standpoint of strengthening sales functions. The number of regions where the stance toward business expansion fell below 50% decreased by two from the six regions in the previous survey, making the result four out of the 12 regions. By region, Europe (EU 15, Central & Eastern Europe, and Rest of Europe & CIS) continued to primarily have the stance of “maintain present level.”

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

Figure 33 : 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 33 are proportions of the companies responding “strengthen/expand” (unit: percentage).

■ Increase in percentage of companies indicating “strengthen/expand” in Northeastern and Inland China

- In the previous survey, there was some loosening in the stance toward strengthening business in China, and in all five regions, the percentages for “strengthen/expand” fell to around 50%, but in this year’s survey, “strengthen/expand” percentages increased for Northeastern China and Inland China (Figure 33).
- “Scale back/withdraw” was 2.4% (26 companies) for China as a whole, about the same level as the previous survey (2.0%, 23 companies). Among them, only 14 companies indicated “transfer to a third country/separate.” (Reference)

■ Strengthen/expand stance toward business in India higher than Indonesia and Vietnam

- In India, the percentage of companies responding “strengthen/expand” fell from 75.7% in the previous survey to 73.0%, but this was still next highest after top ranked Myanmar (77.3%), and exceeded Indonesia at 70.2% and Vietnam at 70.0%.

* Figures 34 and 35 summarize the specific efforts by the companies responding “strengthening/ expansion” in Figure 33 by production and sales. All applicable answers are included.

Figure 34 : Areas in which to strengthen/expand (production)

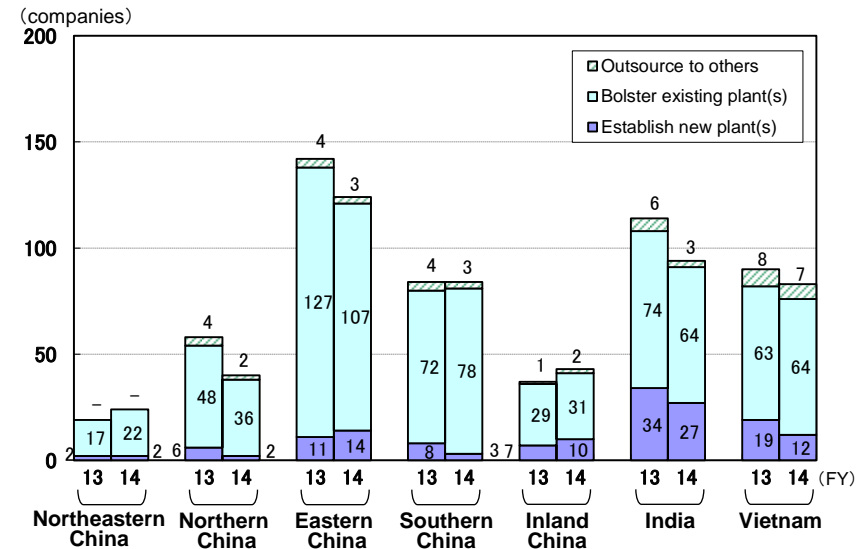
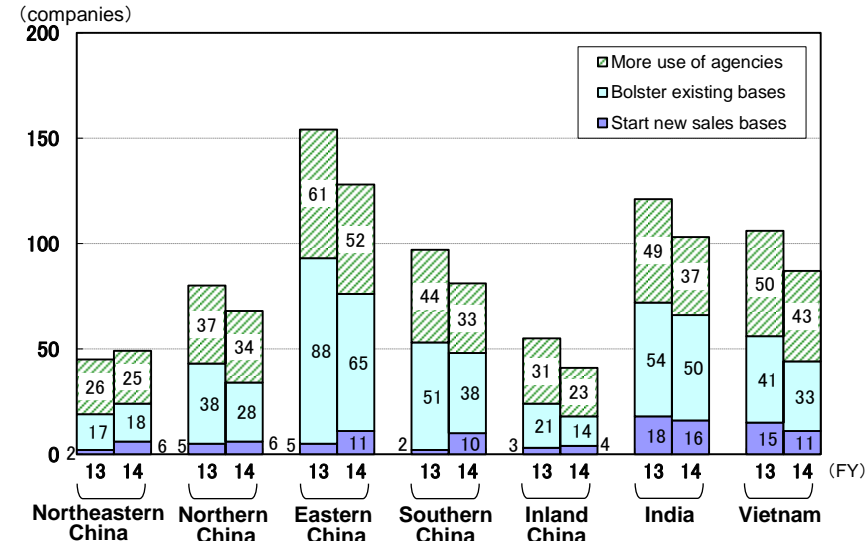
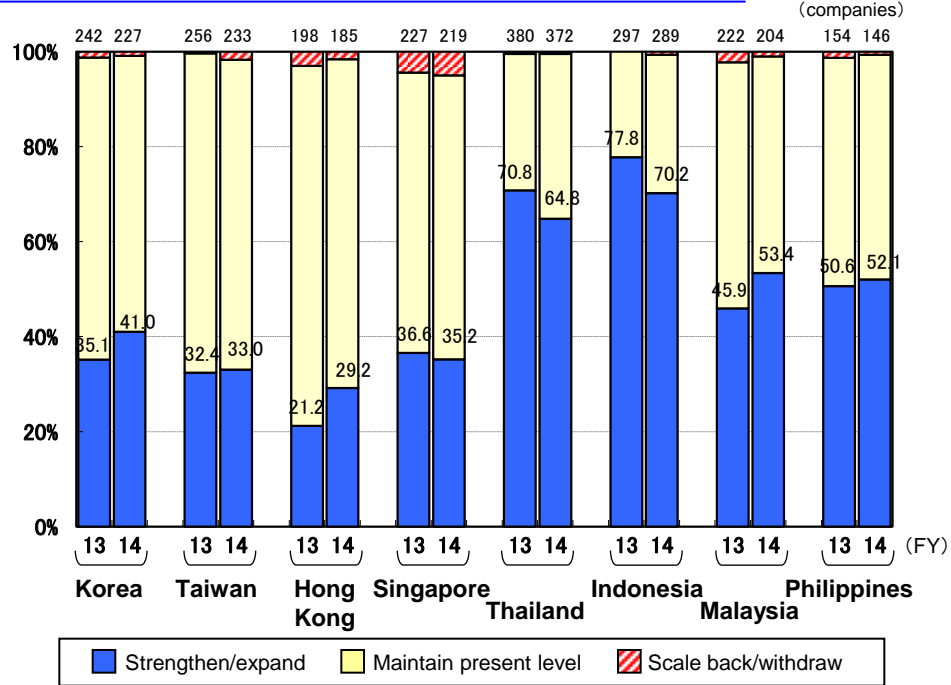


Figure 35 : Areas in which to strengthen/expand (sales)



IV. 17. Countries/Regions/Fields for Strengthening Businesses: (2) NIEs3・ASEAN5

Figure 36 : 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 36 are proportions of the companies responding “strengthen/expand” (unit: percentage)

■ **“Maintain present level” at 60-70% in NIEs3, “strengthen/expand” at over 50% in 4 ASEAN countries**

- The percentage of companies indicating “strengthen/expand” in the NIEs 3—Korea, Taiwan and Hong Kong—rose from the previous year, but 60-70% of companies with business operations in the region intend to maintain present levels over the medium term. In the ASEAN 5, with the exception of Singapore, over 50% of companies responded “strengthen/expand.” In particular, percentages for Indonesia (70.2%) and Thailand (64.8%) were high. The Philippines was 52.1% (up 1.5 percentage points) and has maintained an upward trend since FY2009 (22.3%).

■ **Stance toward strengthening production functions strong in Thailand and Indonesia**

- Analyzing strengthen/expand specifics for NIEs 3 and ASEAN 5 reveals that many companies intend to strengthen existing production basis and, on the sales side, to bolster existing bases and increase use of agencies. Focusing on production, the number of companies intending to strengthen production functions in Thailand and Indonesia in particular is striking, and though the figure is lower than last year, over 20 companies are considering establishing new production bases.

* Figures 37 and 38 summarize the specific efforts by the companies responding “strengthening/ expansion” in Figure 36 by production and sales. All applicable answers are included.

Figure 37 : Areas in which to strengthen/expand (production)

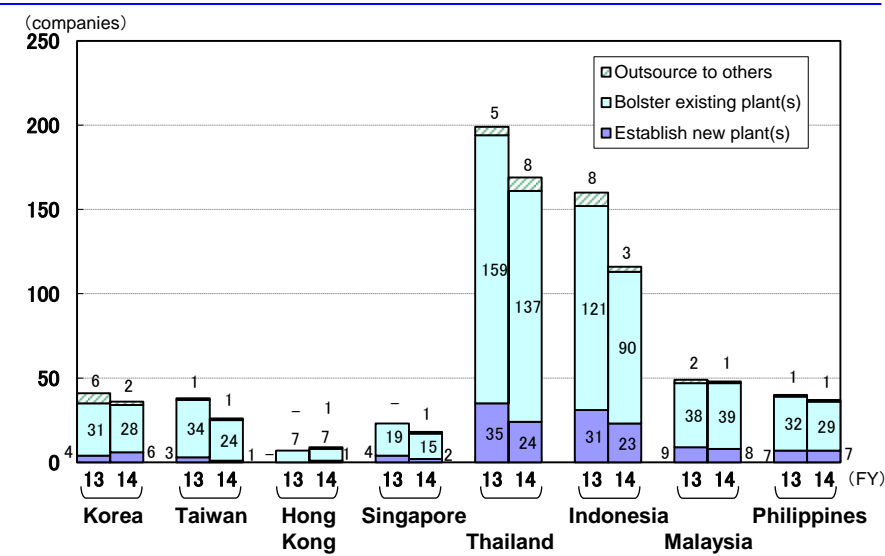


Figure 38 : Areas in which to strengthen/expand (sales)

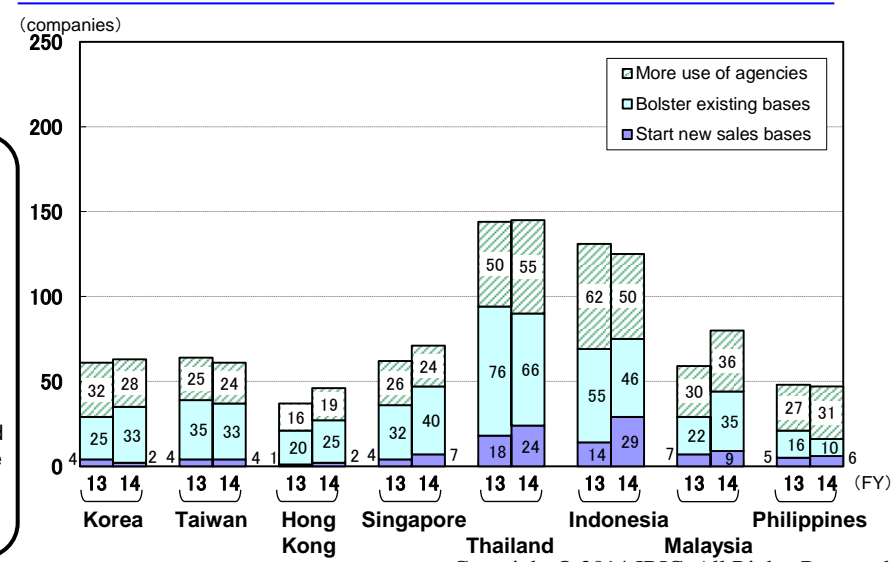
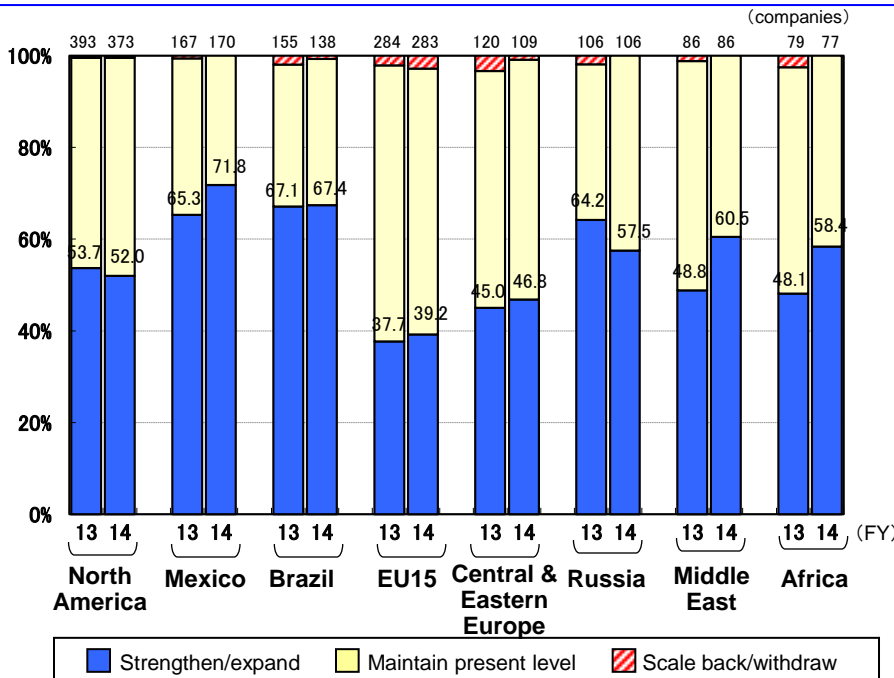


Figure 39: Medium-term Prospects for Overseas Operations (Americas, Europe, Middle East & Africa)



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 39 are proportions of the companies responding “strengthen/expand” (unit: percentage)

- Mexico rated highly as production base**
 - The stance toward strengthening business in Mexico continued to rise from the previous survey (65.3%), to 71.8%. Among companies that indicated fields to “strengthen/expand” in production (78 companies), many (54 companies) responded that on the production side they would strengthen existing bases.
- Business strengthen/expand stance in North America unchanged**
 - The stance toward strengthening business in North America fell from the previous survey’s 53.7% to 52.0%, but still a majority of respondent companies are indicating an intention to “strengthen/expand.” In addition, regarding the fields for strengthening/expansion, compared to the previous survey, there was an increase in establishment of new bases to respond, both on the production and sales sides.
- Stance toward strengthening/expanding business in the Middle East and Africa increasing**
 - In this survey, the stance toward strengthening business in the Middle East and Africa rose to nearly 60% in both cases. In both regions, compared to the previous survey, the number of companies indicating “more use of agencies” and “bolster existing bases” increased on the sales side, which shows a continued stance of strengthen and expand.

* Figures 40 and 41 summarize the specific efforts by the companies responding “strengthening/ expansion” in Figure 39 by production and sales. All applicable answers are included.

Figure 40 : Areas in which to strengthen/expand (production)

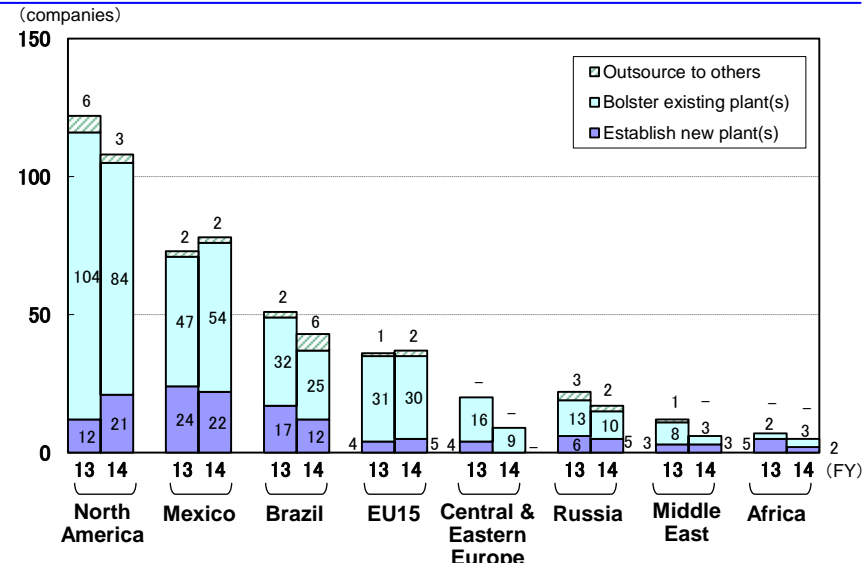
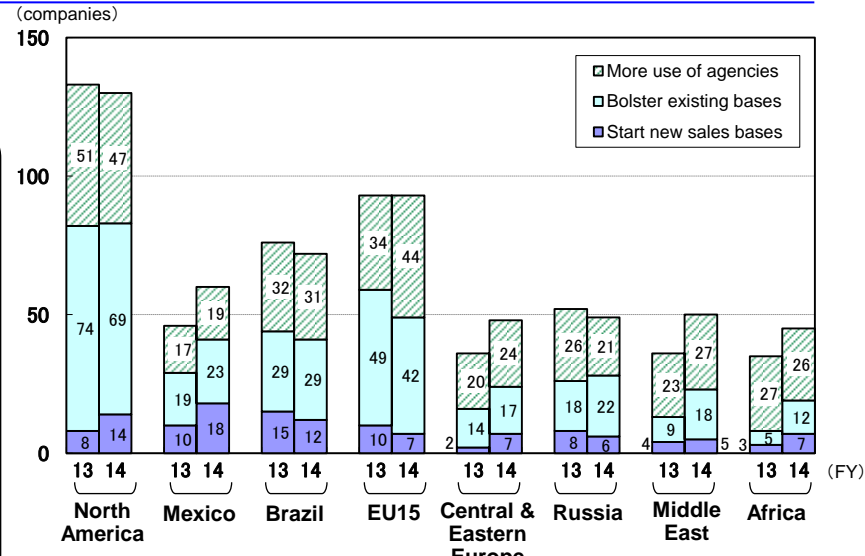


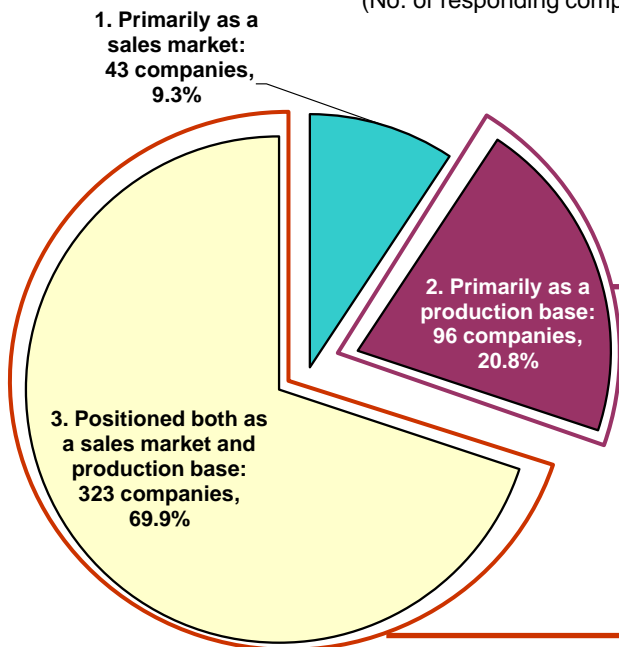
Figure 41 : Areas in which to strengthen/expand (sales)



This question is put to those in companies with production bases in China's coastal areas (who selected the regions of Northern China, Eastern China and Southern China). Please choose one of the following options that most closely matches your company's opinion on the medium-term (next 3 years or so) position of China.

Figure 42: China's Medium Term Position

(No. of responding companies = 462)

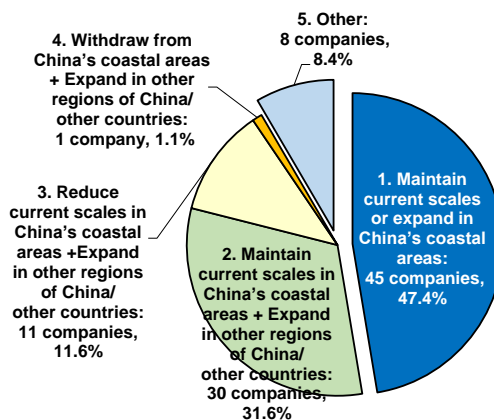


Please choose one of the following options that most closely matches your company's opinion on the scale of production in China's coastal areas over the medium term (next 3 years or so), given the rise in China's domestic labor costs etc. in recent years.

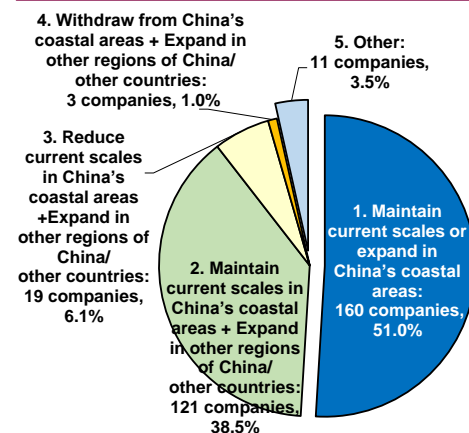
1. Maintain or expand the current scale of production in China's coastal areas (i.e. maintain or expand production ratios in coastal areas)
2. Maintain the scale of production in China's coastal areas and expand the scale in other regions of China, or alternatively in other countries.
3. Scale back production in China's coastal areas and expand the scale in other regions of China, or alternatively in other countries.
4. Withdraw from China's coastal areas and expand the scale of production in other regions of China, or alternatively in other countries.
5. Other

Figure 43: Forecasts on Scale of Production in China's Coastal Areas

Companies that responded
"Primarily as a production base"
in Figure 42 - 95 companies



Companies that responded
"Positioned both as a sales
market and production base" in
Figure 42 - 314 companies



■ **The number of companies rating China highly as a production base over the medium/long term is over 90%**

- Of the 462 respondent companies, 96 companies (20.8%) indicated "2. Primarily as a production base," and 323 companies (69.9%) indicated "3. Positioned both as a sales market and production base," so combined, this shows that 90% of total respondent companies rate China highly as a production base.

■ **Regarding prospects for production scale in coastal China, around half of respondents indicated "maintain or expand" production as their stance, and when looking just at "maintain" production, the percentage was around 80%**

- Regarding the prospects for production scale in China's coastal areas, the percentage of companies responding "Primarily as a production base" that then indicated "1. Maintain or expand," was 47.4%, and among companies responding "Positioned both as a sales market and production base," it was 51.0%; moreover considering the stance of "2. Maintain + Expand in other regions/countries," the percentages indicating they would maintain production scale in China's coastal areas were approximately 80% and over 80% respectively. Even with the increases in wages and other costs, companies indicated that they intended to maintain or expand production in China's coastal region.

Q

Please choose the main reasons that you selected “1. Maintain/expand the scale of production” in Figure 43 from those below. (Multiple responses possible)

Q

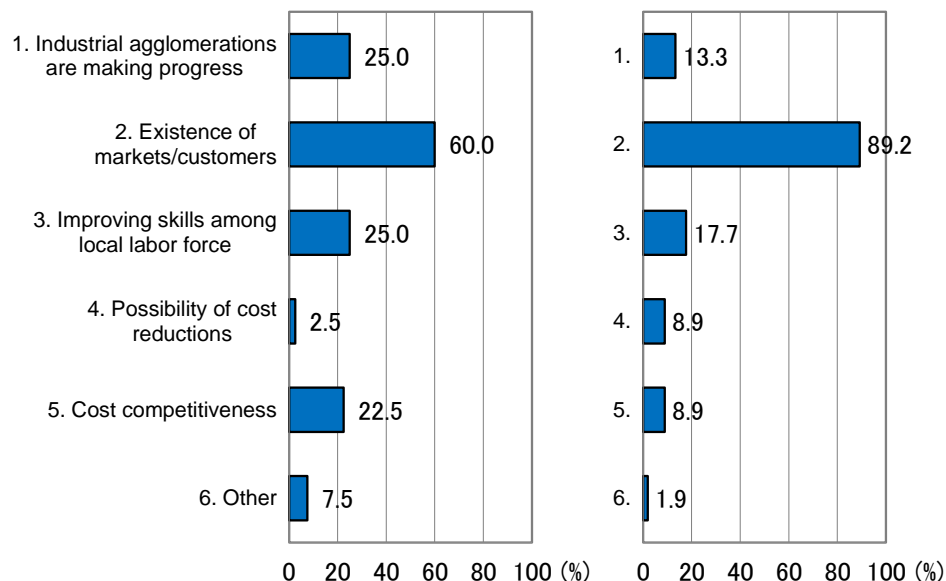
This question is put to those who answered “2.” – “4.” in Figure 43. Please select the other regions within China, or countries other than China, as appropriate from options “1.” – “7.” below. (Multiple responses possible)

Figure 44: Reasons for replying “1. Maintain/expand the scale of production.”

Figure 45: Other regions within China, or countries other than China

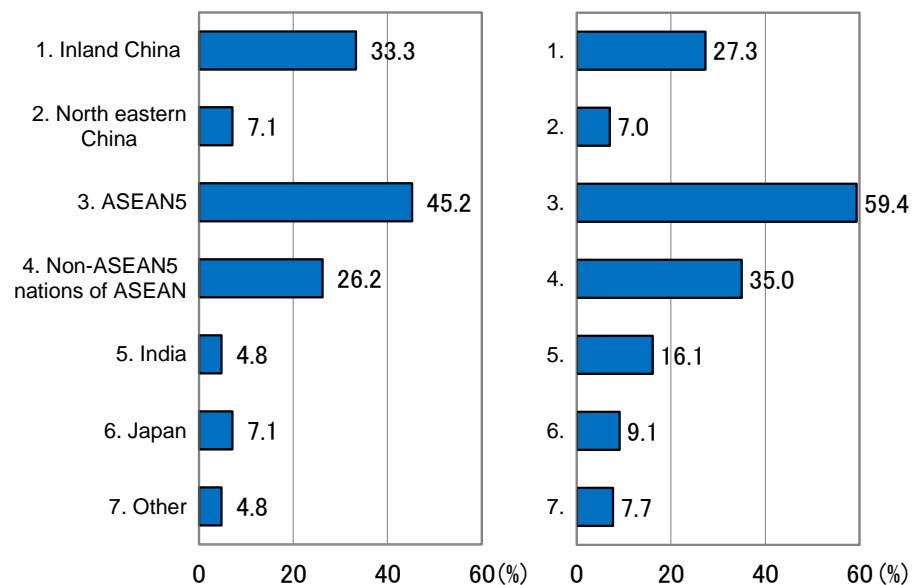
**Companies that replied
“Primarily as a production
base” – 40 companies**

**Companies that replied
“Positioned both as a sales market
and production base” – 158
companies**



**Companies that replied
“Primarily as a production
base” - 42 companies**

**Companies that replied
“Positioned as both a sales
market and a production base”
– 143 companies**



■ The biggest reason for expanding the scale of production in China is because there are customers and markets

- In Figure 44, the main reason given for expanding the scale of production in China’s coastal areas was “2. Existence of customers/markets” - 60.0% of respondents who viewed China “Primarily as a production base” and 89.2% of respondents who replied “Positioned both as a sales market and production base” ranked it as their top reason. Those companies that viewed China “Primarily as a production base” also assessed other reasons as: “1. Industrial agglomerations are making progress” (25.0%); “3. Improving skills among local labor force” (25.0%); and “5. Cost competitiveness.” (22.5%)

■ Expansion mainly in ASEAN countries in the options for “Other regions in China, or other countries”

- In Figure 45, “3. ASEAN5” was the most popular answer to alternative locations “In other regions in China, or in other countries” given by those companies that viewed China “Primarily as a production base” (45.2%) and those that replied “Positioned both as a sales market and production base” (59.4%). The second most popular answer was “1. Inland China” (33.3% for the former; and “4. Non-ASEAN5 nations” (35.0%) for the latter; with the results for the latter showing a significant trend toward expanding the scale of production in countries outside China, including ASEAN nations.

IV. 20. Recent International Affairs and Attitudes for Business Operations

Q

This question relates to the medium term prospects for business operations (next 3 years or so) made in Figure 32 with regard to the respective countries/regions where your company currently has, or is planning to have, business operations. Please choose some of the following options listed in [1.] - [9.] if your company took them into consideration when giving answers on these prospects. (Multiple responses possible)

1. Economic sanctions against Russia
2. Political & diplomatic relations in China and ASEAN Countries
3. Political & diplomatic relations between China and Japan
4. Tapering of quantitative easing (QE) in the USA
5. USA's increasing use of shale gas & oil
6. Political situation in Thailand
7. Policies of Indonesia's new administration
8. Policies of India's new administration
9. Trends in ASEAN economic integration

Figure 46 : Percentage of votes for the impact of respective national/regional affairs on individual countries and regions ※

																					(%)			
	NIEs3	China	ASEAN 5					Rest of Asia & Oceania					North America	Latin America			Europe				Russia	Middle East	Africa	
			Singapore	Thailand	Indonesia	Malaysia	Philippines	India	Vietnam	Cambodia	Laos	Myanmar		Others	Mexico	Brazil	Others	EU15	Central & Eastern Europe	Turkey				Rest of Europe & CIS
1. Economic sanctions against Russia	1.8	0.3	1.5	-	0.7	-	-	0.8	-	-	-	-	-	3.5	-	-	10.0	76.2	80.0	85.7	90.9	100.0	7.1	-
2. Political & diplomatic relations in China and ASEAN Countries	43.9	42.7	28.4	12.6	16.4	32.8	50.0	10.8	66.3	45.5	71.4	41.2	22.2	-	-	14.3	10.0	-	-	-	-	-	-	20.0
3. Political & diplomatic relations between China and Japan	52.6	91.8	6.0	2.0	2.7	4.9	2.1	2.5	5.8	9.1	14.3	5.9	11.1	4.3	-	-	-	7.1	-	-	-	-	-	20.0
4. Tapering of quantitative easing (QE) in the USA	10.5	3.8	4.5	4.9	9.6	8.2	8.3	10.8	4.7	9.1	14.3	17.6	11.1	58.3	88.9	78.6	60.0	26.2	20.0	14.3	-	-	28.6	60.0
5. USA's increasing use of shale gas & oil	-	1.6	3.0	-	1.4	1.6	2.1	0.8	1.2	-	-	-	22.2	64.3	44.4	21.4	20.0	7.1	13.3	14.3	9.1	3.5	78.6	40.0
6. Political situation in Thailand	5.3	1.9	16.4	93.1	6.2	8.2	6.3	1.7	5.8	18.2	28.6	11.8	11.1	1.7	11.1	7.1	10.0	2.4	6.7	14.3	9.1	1.8	7.1	20.0
7. Policies of Indonesia's new administration	1.8	0.3	9.0	2.4	80.8	6.6	2.1	0.8	1.2	-	-	-	-	-	-	-	10.0	-	-	-	-	-	-	-
8. Policies of India's new administration	-	0.6	4.5	1.6	2.1	-	-	93.3	-	-	-	-	-	-	-	7.1	10.0	-	-	-	-	-	14.3	-
9. Trends in ASEAN economic integration	31.6	7.3	76.1	34.8	48.6	78.7	68.8	9.2	65.1	90.9	85.7	88.2	55.6	0.9	-	-	-	-	-	-	-	1.8	14.3	-
No. of respondent companies	57	316	67	247	146	61	48	120	86	11	7	17	9	115	18	14	10	42	15	7	11	57	14	5

※ Figures indicate the percentage of respondent companies doing/planning business in each country/region who voted that the respective international affairs had an impact

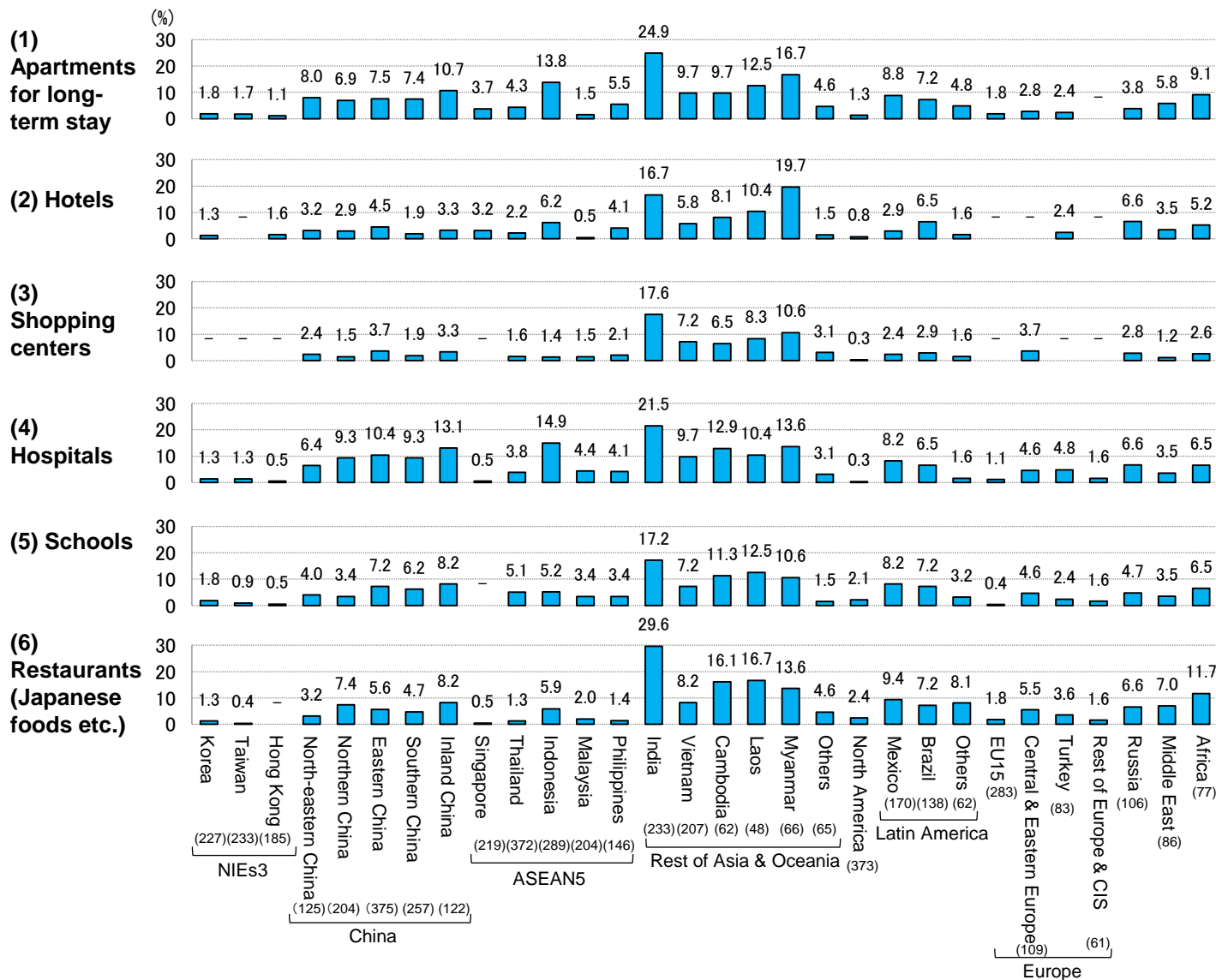
■ Companies have a broad awareness of recent political and social affairs in those countries and regions that have strong economic ties with the countries and regions in which they do (or are planning to do) business; even if such affairs have not actually occurred in the country/region where they do (or plan to do) business

- In Figure 46, looking at political and social situations in the respective countries and regions, we find that a significant percentage of companies answered that when discussing business prospects they "considered" these situations not only in the countries/regions where the events were actually taking place, but also in countries and regions that had strong economic ties to them. In particular, companies consider "2. Political & diplomatic relations in China and ASEAN Countries" and "9. Trends in ASEAN economic integration" in relation to business in NIEs3, China and ASEAN nations; and "1. Economic sanctions in Russia" with regard to operations in Europe as a whole; as well as "4. Reduction in USA's monetary easing policies," which is seen as having a wide-ranging impact on Asia, Europe and Central & South America.

Q

Are there any facilities from those listed in 1. - 6. that you would like to see improved in overseas business locations for Japanese employees (including expatriate staff) who are dispatched there? Please select by individual country/region. (Multiple responses possible)

Figure 47 : Requirements for Living Conditions in Overseas Business Locations



Note 1: The figures in the graph represent the percentage of companies whose responses indicated that there are facilities that should be improved; i.e. the percentage from among the total number of companies actually doing business, or planning to do business in a given country/region.

Note 2: The figures in brackets beneath each country/region represent the total number of companies doing business, or planning to do business, in that country/region.

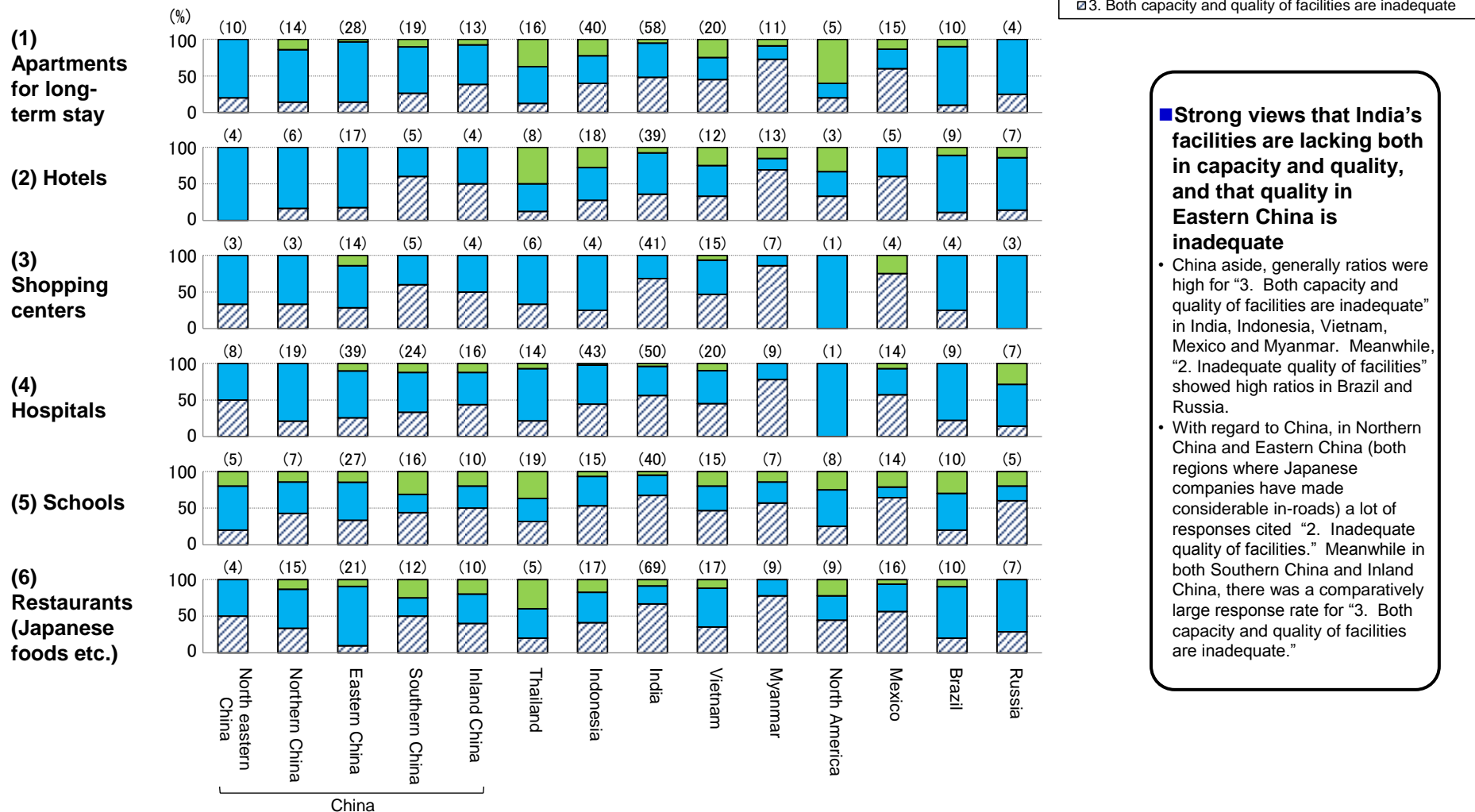
■ Responses rank India No. 1 for each facility - with all in need of improvement

- In Figure 47, we can see that responses rank India as No.1 for all facilities; a result that shows the level of hardship in the country.
- After India, the overall response rate was quite high for some ASEAN countries such as Myanmar, Laos, Cambodia and Vietnam.

Q

Are there any facilities from those listed in 1. - 6. that you would like to see improved in overseas business locations for Japanese employees (including expatriate staff) who are dispatched there? If you find any inadequacy, please select from options [1.] - [3.] below by individual countries/regions. (Multiple responses possible)

**Figure 48 : Requirements for Living Conditions in Overseas Business Locations
(Top 10 Most Promising Countries over the Medium Term)**

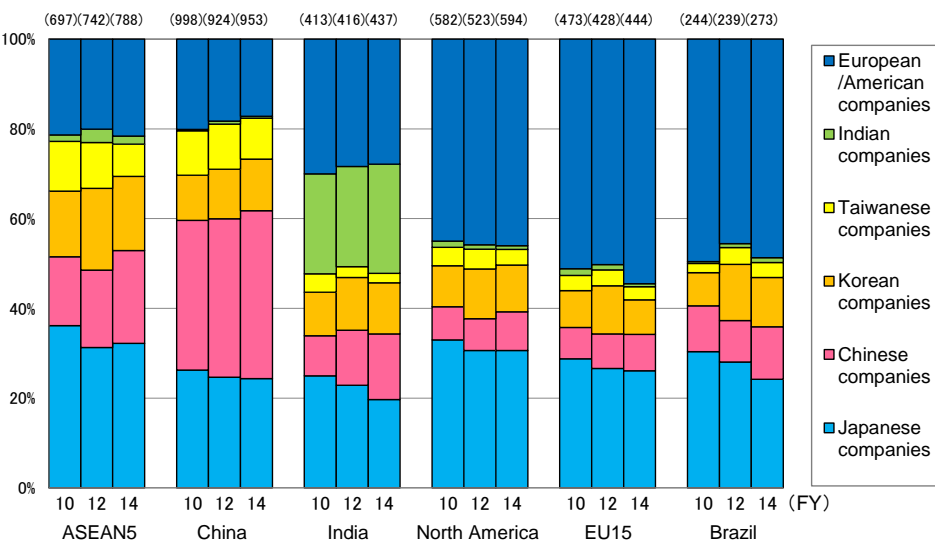


Note 1 : A breakdown of the responses given by companies who answered that there are facilities that should be improved by country/region in Figure 47 on the previous page
 Note 2 : The figures in brackets above each bar in the graph indicate the number of companies that responded there should be improvements in that facility in a given country/region

V. Competitiveness of Japanese Manufacturing Companies and Trends in Global Production Systems

Q This question relates to your competitors in sales markets in ASEAN5, China, India, North America, EU15 and Brazil. Please select companies that are firecely competing with them in each market by picking from 6 options.

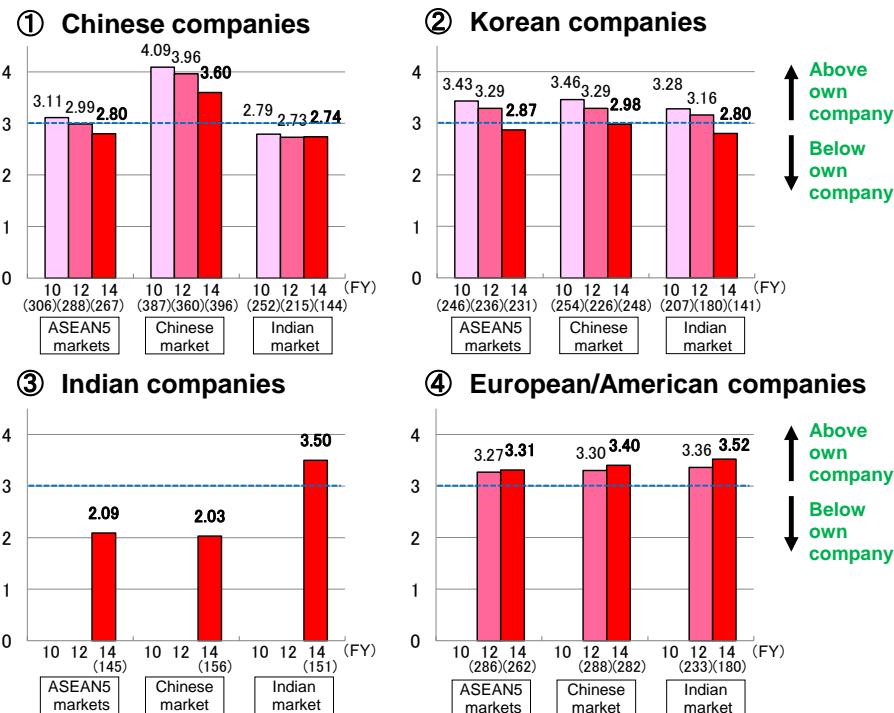
Figure 49: Competition in Overseas Markets



(Note) The figure in parentheses () indicates the total number of responses.

Q This question relates to sales power in the markets in ASEAN5, China and India. If your company were ranked "3," what rating (from 1-5) would you evaluate to the sales power of Chinese companies; South Korean companies; Indian companies; European/American companies?

Figure 50: Estimation of Competitors' Sales Power in Emerging Asian Markets



In each of the sales markets, the competitors tend to be companies that have strong geographical and economic ties with the market

- With regard to competition in overseas markets, the majority of competitors in the Indian, North American, EU15 and Brazilian markets were European/American companies, which accounted for the following significant percentages in order: EU15 (54.5%); Brazil (48.7%); North America (46.0%); India (27.9%). Meanwhile, in the ASEAN5 market, the biggest competitor was other Japanese companies (32.2%), and in the Chinese market it was Chinese companies (37.4%).

High ratings for the sales power of European/American companies. In the Chinese and Indian markets, local companies score high.

- Results showed that in ASEAN5, Chinese and Indian markets, the respondent companies rated the sales power of European/American companies higher than their own—with increases in comparison with the FY2012 Survey. Results also indicated that European/American companies have a substantial presence in Asian markets. Moreover, although the sales power of Chinese companies were down graded overall, they still enjoy a high rating in the Chinese market (3.60). Note that the sales power of South Korean companies have also been lower in ratings since the FY2010 Survey and they are assessed as under-performing Japanese companies in all markets.

Q

This question is for those in companies with production bases in NIEs3, China, ASEAN, or India. Please indicate the main delivery (sales) destination (countries/regions) to which the goods manufactured in each of your production bases (factories) are currently delivered (sold). Then please mark those countries/regions where you expect delivery volumes to increase over the medium term (next 3 years or so) with a "+", and those where you expect delivery volumes to decrease with a "-". Please leave blank if you expect no change and mark with a "+" if you expect to add it as a new delivery destination.

Figure 51: Current Main Delivery (Sales) Destination and Changes in Delivery Volumes over the Medium Term

[Current Main Delivery (Sales) Destination]

(companies)

		Main Delivery (Sales) Destination					
		Japan	NIEs3	China	ASEAN	India	Europe /America
Production Bases	Japan (438)	420	171	201	200	88	199
	NIEs3 (148)	42	132	50	37	12	23
	China (441)	188	76	401	109	29	100
	ASEAN (360)	160	59	75	306	48	109
	India (128)	12	5	6	7	114	13

[Changes in Delivery Volumes over the Medium Term]

(companies)

		Main Delivery (Sales) Destination											
		Japan		NIEs3		China		ASEAN		India		Europe /America	
		+	-	+	-	+	-	+	-	+	-	+	-
Production Bases	Japan	94	-83	69	-20	87	-36	99	-29	55	-10	76	-27
	NIEs3	10	-1	48	-6	29	-2	21	-1	12	0	14	-1
	China	78	-24	44	-8	265	-7	74	-15	29	-3	57	-13
	ASEAN	76	-10	38	-1	56	-2	211	-6	41	-1	77	-2
	India	6	0	3	0	7	0	16	0	76	-1	12	-1

■ Expansion in local production/deliveries with the focus on China and ASEAN, and plans to increase overseas deliveries from Japan

- According to Figure 51, trends in basic business models (whereby production and deliveries are localized in each individual country/region) will remain unchanged over the medium term; but increases in deliveries are expected in countries and regions out-with those where production bases are located.
- In terms of the number of respondent companies by country and region, those with the largest number were China, Japan and ASEAN in that order. Looking at medium term changes in delivery volumes, the number of companies that answered there would be an increase in products made in China "being delivered in China" was 265; while 211 companies responded that there would be an increase in products made in ASEAN "being delivered in ASEAN." This indicates that companies plan to increase local production and deliveries; particularly within China and the ASEAN region.
- As regards products made in Japan, only 94 companies replied that they would be increasing "deliveries within Japan," while conversely 83 companies anticipated a fall in deliveries. However results for the number of companies replying that they would increase deliveries overseas were as follows: to China - 87 companies; to ASEAN - 99 companies; and to Europe/America - 76 companies.
- Looking at the 83 companies who responded that they anticipated a fall in "deliveries within Japan" by industry, we find that the automobiles industry accounted for 31 companies - indicating differing attitudes depending on the industry (reference).

(Reference) Break-down by Industry of Changes in Delivery Volumes over the Medium Term

[Automobiles]

(companies)

		Main Delivery (Sales) Destination											
		Japan		NIEs3		China		ASEAN		India		Europe /America	
		+	-	+	-	+	-	+	-	+	-	+	-
Production Bases	Japan	15	-31	4	-1	9	-6	5	-8	4	-2	4	-11
	NIEs3	2	0	10	-3	3	-1	1	0	2	0	2	0
	China	15	-9	2	-1	67	-1	7	-3	3	-1	11	-4
	ASEAN	14	-4	4	0	6	0	51	-1	5	0	14	-1
	India	2	0	1	0	3	0	4	0	35	0	6	0

[Electrical Equipment & Electronics]

(companies)

		Main Delivery (Sales) Destination											
		Japan		NIEs3		China		ASEAN		India		Europe /America	
		+	-	+	-	+	-	+	-	+	-	+	-
Production Bases	Japan	12	-6	9	-2	18	-4	15	-3	12	-1	13	-2
	NIEs3	0	0	4	-1	5	0	5	0	3	0	2	0
	China	18	-3	11	-2	40	-2	13	-3	9	-1	14	-2
	ASEAN	16	-1	9	-1	11	0	25	-2	9	0	17	0
	India	1	0	0	0	1	0	2	0	3	-1	0	0

[Chemicals]

(companies)

		Main Delivery (Sales) Destination											
		Japan		NIEs3		China		ASEAN		India		Europe /America	
		+	-	+	-	+	-	+	-	+	-	+	-
Production Bases	Japan	16	-8	12	-5	13	-7	24	-3	13	0	13	-3
	NIEs3	3	0	13	-1	6	0	3	-1	1	0	2	0
	China	12	0	5	-2	37	0	12	0	4	0	7	0
	ASEAN	8	0	9	0	11	-1	36	-1	7	0	9	0
	India	1	0	0	0	0	0	6	0	13	0	3	-1

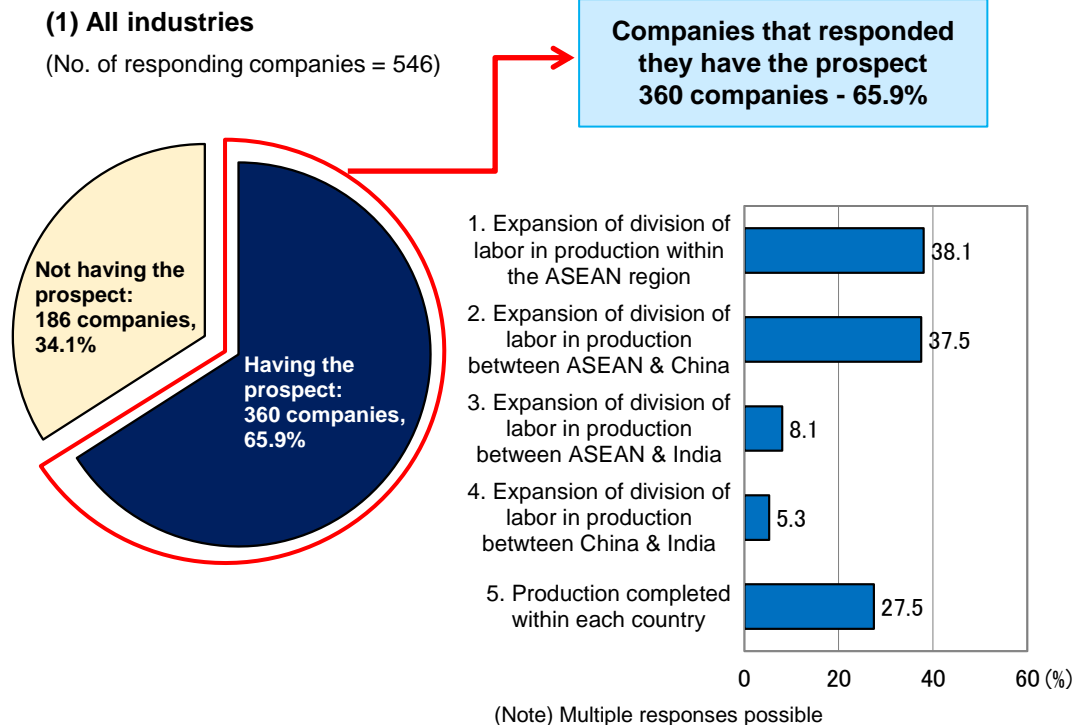
[General Machinery]

(companies)

		Main Delivery (Sales) Destination											
		Japan		NIEs3		China		ASEAN		India		Europe /America	
		+	-	+	-	+	-	+	-	+	-	+	-
Production Bases	Japan	12	-5	11	-4	8	-6	15	-4	7	-3	10	-2
	NIEs3	1	-1	6	-1	4	-1	4	0	2	0	2	-1
	China	4	-1	5	-1	23	-1	10	-2	4	0	1	-3
	ASEAN	9	0	1	0	4	0	16	-1	6	0	8	-1
	India	0	0	1	0	1	0	0	0	4	0	1	0

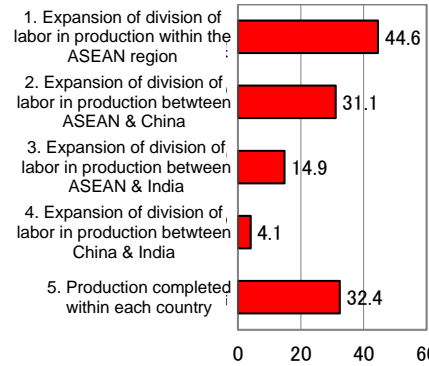
Q What are your company's medium term (next 3 years or so) plans for dividing your production system in Asia?

Figure 52: Prospect for Division of Labor in Production System in Asia

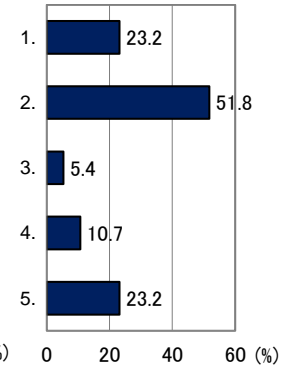


(2) Responses in Major Industries

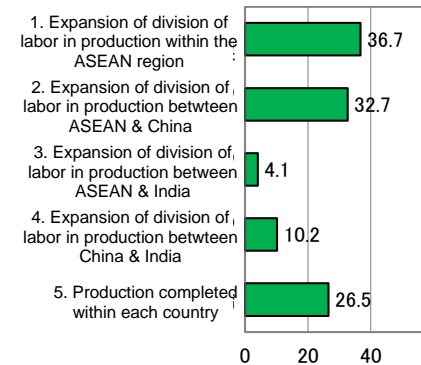
① Automobiles (74 companies)



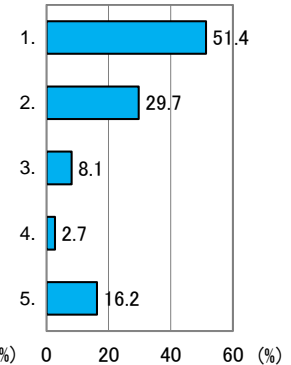
② Electrical Equipment & Electronics (56 companies)



③ Chemicals (49 companies)



④ General Machinery (37 companies)



■ Looking at companies which have prospect for division of labor in their production systems in Asia by industry, in the electrical equipment & electronics industry a large number of companies responded that they plan to develop “expansion of division of labor in production between ASEAN and China.”

- 65.9% of companies surveyed indicated that they have prospects for the division of labor in their production systems within Asia in place, and results show that overall, 38.1% of respondents intend to develop “expansion of division of labor in production within the ASEAN region,” while 37.5% plan to proceed with “expansion of division of labor in production between ASEAN and China.” Note that the expansion of division of labor in production between ASEAN & India, and China & India stayed at the low rates of 8.1% and 5.3%, respectively.
- The electrical equipment & electronics industry indicated plans to split production between ASEAN and China, with 51.8% of respondents stating that they plan a “expansion of division of labor in production between ASEAN and China”; a level that was relatively high compared to other industries. One of the factors for this is thought to be that, compared to China, production sites in the ASEAN region have a head start in miniaturized semi-conductors, small motors and other electronic components and have developed the modularization of such products. Consequently, these ASEAN sites are expected to partially supply growing demand for parts in China, as well as demand from other sites established in ASEAN as part of China Plus One strategies.

Q

What are the current and long-term (next 5 years or so) roles that you expect of production bases (factories) you have in the following 5 countries/regions: Japan, China, ASEAN, India and Europe & America? Please select and circle the answers that most closely match your company's view from 1. - 5. below. (Multiple responses possible)

(Options)

1. Top-runner base with state-of-the-art production facilities

2. Product (process) innovation hub

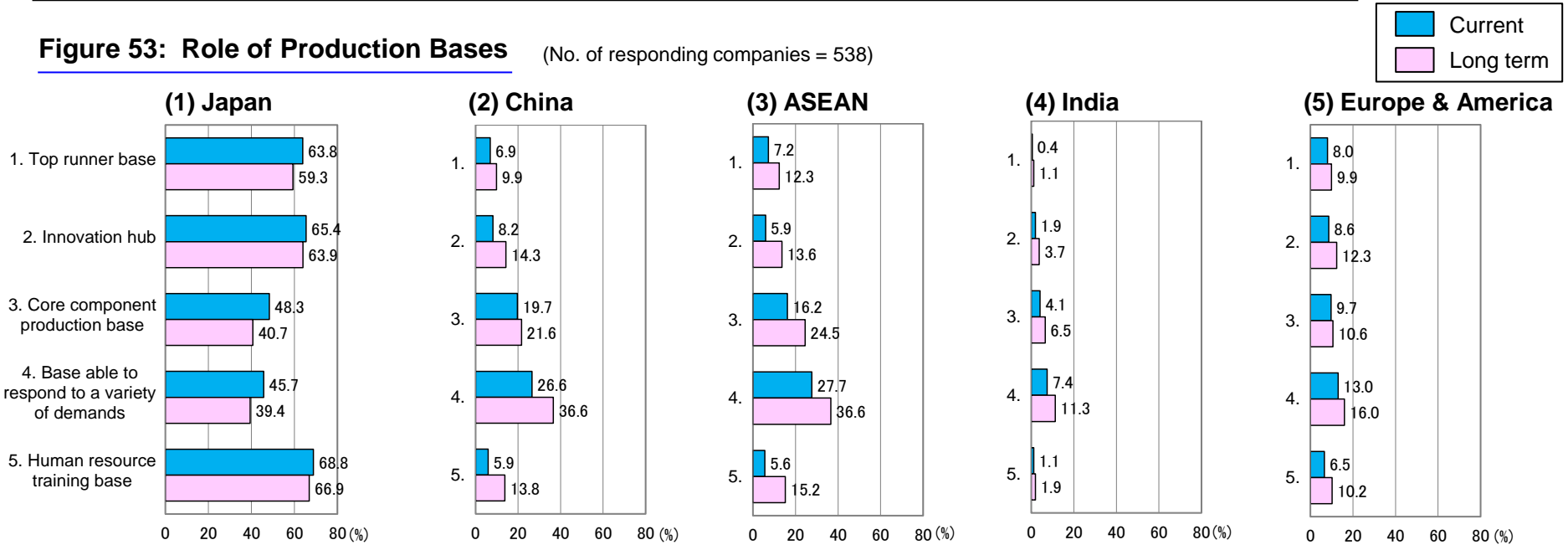
3. Production base for core components, etc.

4. Base that can respond to a wide variety of market demands (i.e., to produce multiple products)

5. Base for human resource training and skills transfer

※See Appendix 9 for Responses in Major Industries of Figures 53.

Figure 53: Role of Production Bases (No. of responding companies = 538)



- **Results showed that production bases in Japan continue to fulfill important roles as top-runner bases, innovation hubs and human resource training bases.**
 - Figure 53 shows that Japan is an important base of operations—both currently and in the long term. Around 60% of respondent companies selected Japan as a base for top-runner operations, innovation and human resource training. Results also showed that a relatively high proportion of non-Japanese production sites are already regarded as bases that respond to variety of market demands—a result that seems to be due to the increase in close-to-market production.
- **Production sites in China and ASEAN are used as production bases for core components, as well as bases that can respond to a wide variety of market demands.**
 - Results showed that over the long term, production sites in Japan are being used less to respond to wide-ranging market demands and for core component production; On the other hand the reverse is true of sites in China and ASEAN, where these roles are of growing importance. As companies continue to develop their businesses in China and ASEAN, it seems that some of the roles traditionally fulfilled by Japanese production bases will be transferred there.

Q

※See Appendix 10 for Responses in Major Industries of Figures 54.

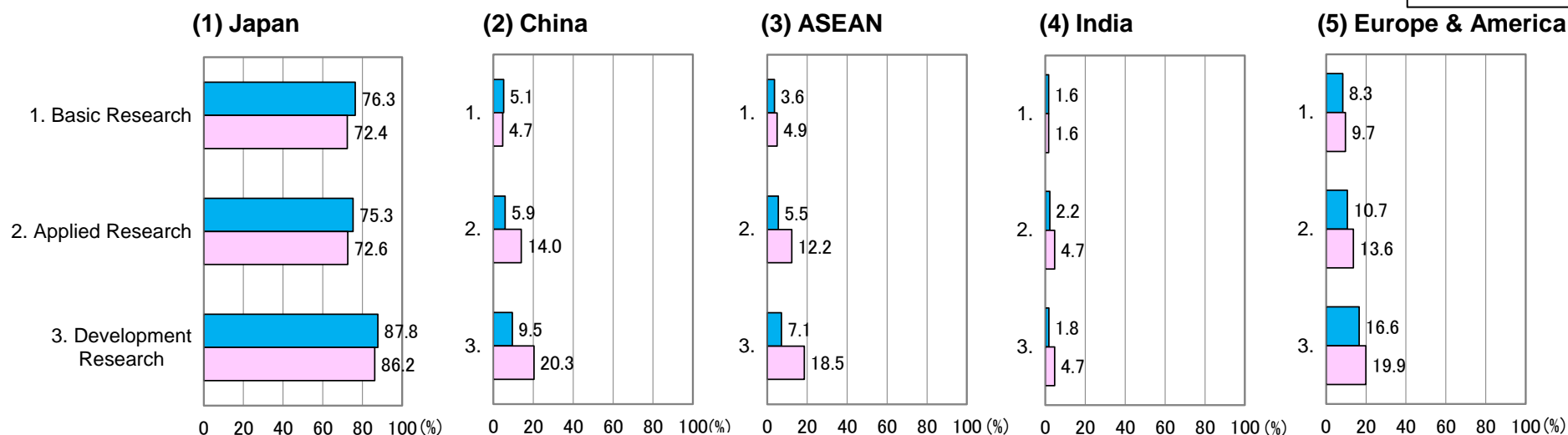
What are the current and long-term (next 5 years or so) roles that you expect of R&D bases you have in the following 5 countries/regions : Japan, China, ASEAN, India, Europe & America? Please select the answers that most closely match your company's view from 1. - 3. below. (Multiple responses possible)

1. Basic Research: Empirical research that is undertaken for the purpose of forming hypotheses and theories and discovering new knowledge regarding observable facts
2. Applied Research: Research that explores how to use the knowledge discovered in basic research for practical possibilities and new applications
3. Development Research: Research that introduces or improves new materials, devices, products, systems and processes, etc., using the knowledge obtained through basic and applied research, etc.

Figure 54: The Role of R&D Bases

(No. of responding companies = 507)

Current
Long term



■ Over 70% of respondent companies replied that Japan would play a role in all forms of research: basic, applied and development

- The proportion of respondent companies that cited Japan as the hub for their current R&D activities was as follows: basic research - 76.3%; applied research - 75.3%; development research - 87.8%. This shows that Japan is the center of R&D. Results also indicated virtually no changes in these percentages over the long-term, which leads us to believe that Japan will continue to play a central role in all forms of research - basic, applied and development.

■ In the long-term, R&D bases in China, ASEAN and Europe & America will be used for “Development Research” stage

- Results showed that at present there are only a few R&D activities conducted outside of Japan. However, there is some basic, applied and development R&D carried out in Europe & America, and the proportion is expected to increase a little over the long-term. Moreover, in the long-term around 20% of companies replied that they would be conducting “Development Research” in the following countries: China (20.3%); Europe & America (19.9%); and ASEAN (18.5%). This, presumably, is to put the focus on R&D in locations close to the markets so that companies can introduce products that meet market demands.

V. 6. Current Situation of R&D Bases in Japan

Q

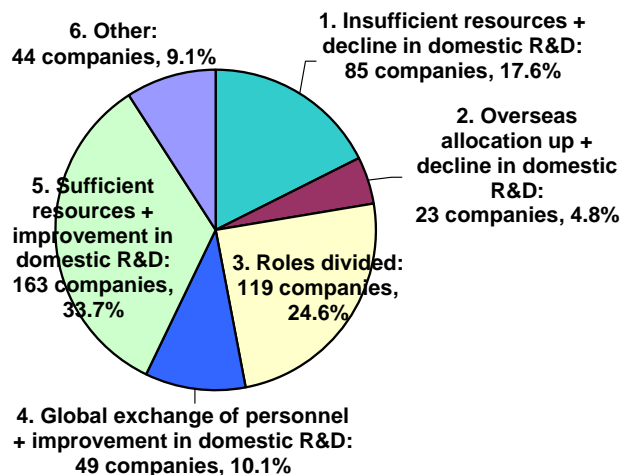
Please select one of the options below that best describes your current situation with regard to R&D bases in Japan for your company.

1. There is a progressive decline in domestic R&D capabilities due to a lack of management resources (such as human resources and capital)
2. There is a progressive decline in domestic R&D capabilities due to the fact that more management resources (such as human resources and capital) are being allocated to R&D bases abroad
3. There is a clearer distinction between the roles of domestic R&D bases and those abroad
4. Domestic R&D capabilities are improving thanks to progress in the global exchange of personnel
5. Domestic R&D capabilities are improving due to the fact that more management resources (such as human resources and capital) are being allocated to R&D bases in Japan
6. Other

Figure 55: Current Situation of R&D Bases in Japan

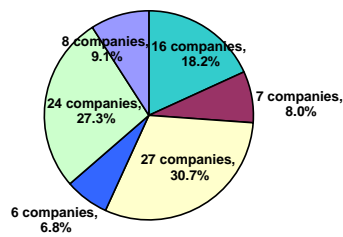
(1) All industries

(No. of responding companies = 483)

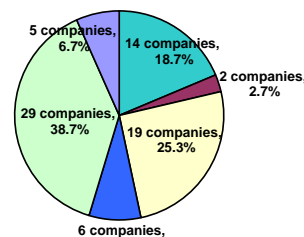


(2) Major Industries

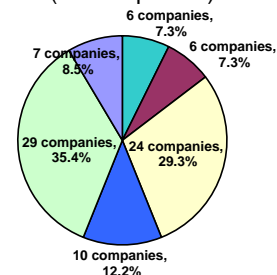
① Automobiles (88 companies)



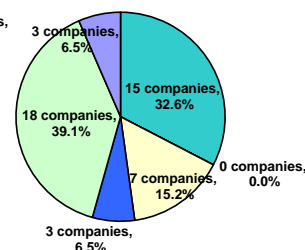
② Electrical Equipment & Electronics (75 companies)



③ Chemicals (82 companies)

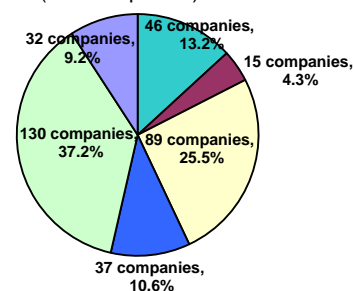


④ General Machinery (46 companies)

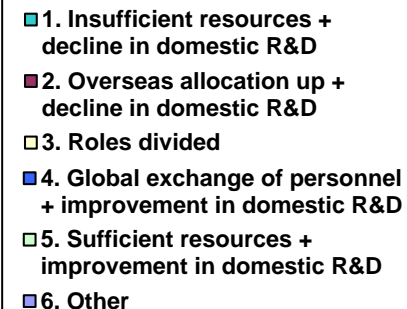
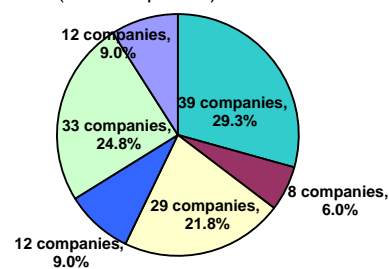


(3) Size of Company

① Large Corporations (349 companies)



② Mid-tier Firms/SMEs (133 companies)



■ 43.8% of respondent companies report improvements in R&D capabilities within Japan; but contributions from the global exchange of human resources are limited

- 33.7% of respondent companies chose option 5 "Domestic R&D capabilities are improving due to the fact that more management resources (such as human resources and capital) are being allocated to R&D bases in Japan"; while only 10.1% selected option 4 "Domestic R&D capabilities are improving thanks to progress in the global exchange of personnel"; indicating that the global exchange of human resources is only making a limited contribution to R&D in Japan.
- In addition 29.3% of respondents in mid-tier firms/SMEs chose "1. There is a progressive decline in domestic R&D capabilities due to a lack of management resources (such as human resources and capital)"; a figure that was relatively high compared to large corporations, indicating that a lack of management resources for R&D is an issue for SME.
- Note that while 24.6% of respondent companies chose the option 3 "There is a clearer distinction between the roles of domestic R&D bases and those abroad," looking answers to the questions in Figure 54 given by these same companies, we find that around 70% of them reported that basic, applied and development research will take place in Japan. This shows that although such companies may distinguish between roles, they continue to conduct R&D mainly in Japan.

VI. Involvement of Japanese Manufacturing Companies in Overseas Infrastructure-related Business

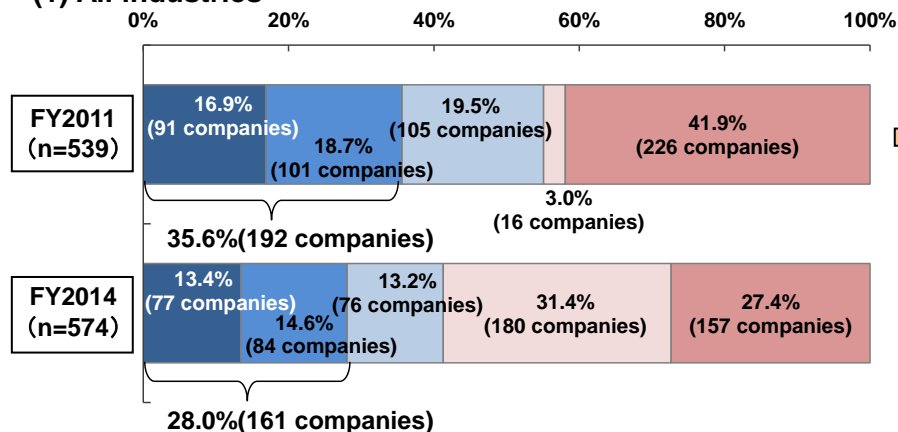
Q

Does your company think that there are any business opportunities in the overseas infrastructure-related business^{(note)?}

(Note) In this question the term "infrastructure-related business" does not just refer to the delivery of individual equipment and facilities, but to the contracting of comprehensive systems that encompass everything from design and construction to maintenance and management.

Figure 56: Does your Company think that there are business opportunities in overseas infrastructure-related business?

(1) All industries



- 1. We consider it a business opportunity
- 2. We more or less think it is a business opportunity
- 3. We are unsure whether or not there are business opportunities
- 4. We more or less think it is unlikely that there are business opportunities
- 5. We think there are no business opportunities at all

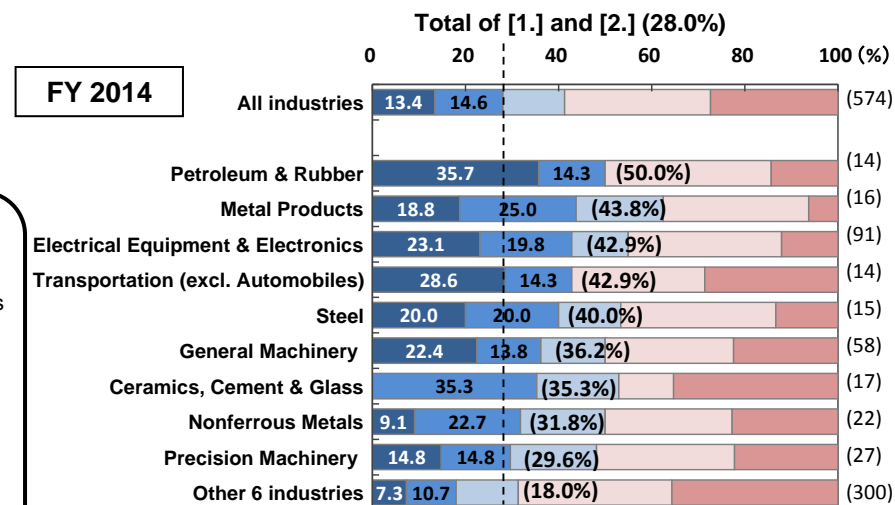
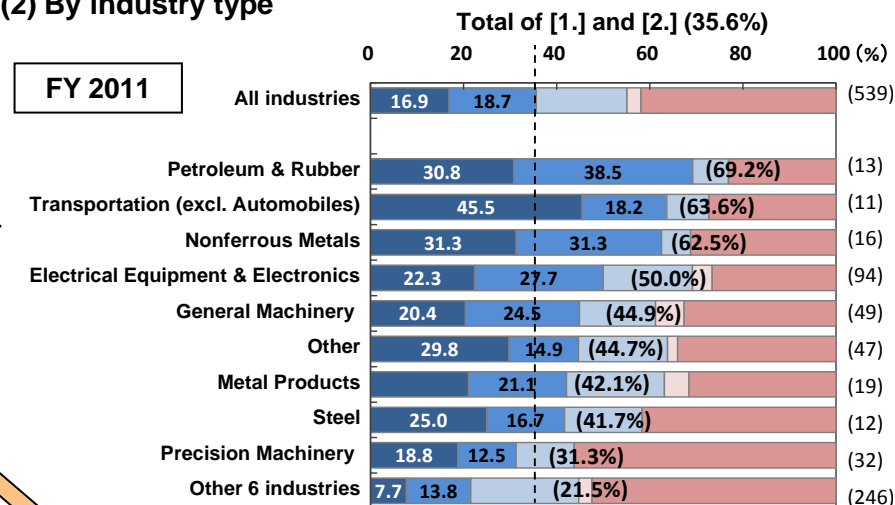
■ 28.0% of companies believe there are business opportunities in the overseas infrastructure-related business - slightly down from FY 2011

Results showed that 13.4% (77 companies) responded "1. We consider it a business opportunity" and 14.6% (84 companies) replied "2. We more or less think it is a business opportunity." This gives a total of 28.0% (161 companies) that believe the overseas infrastructure-related business presents business opportunities. The same question was asked in FY 2011, and at that time 35.6% (192 companies) said they believed such business opportunities existed, which marks a 7.6 percentage points (31 companies) reduction this time around.

■ A break-down of the companies that believe business opportunities exist shows a high percentage in the following industries: petroleum & rubber; metal products; electrical equipment & electronics; transportation; steel etc.

In FY 2014, 28.0% of respondent companies believe that business opportunities exist. However in the following industries, 40% or more regard on-going overseas infrastructure-related business as business opportunities; namely the petroleum & rubber, metal products, electrical equipment & electronics, transportation, and steel industries.

(2) By industry type



(Note) The figures in parentheses () on the right of the bar chart indicate the number of respondent companies.

Q

This question is for those companies that answered “1. We consider it a business opportunity”; “2. We more or less think it is a business opportunity”; or “3. We are unsure whether or not there are business opportunities” in Figure 56. Please select those fields that you are interested in from the 18 infrastructure fields. (Multiple responses possible)

Figure 57: Fields of Interest of Japanese Manufacturing Companies in Overseas Infrastructure-related Business

(1) All Fields

Rank		Fields of Interest	No. of respondent companies		Change
			2014	2011	
1	—	1 Photovoltaic power generation	56	116	▲ 60
2	↑	6 Urban railways, etc. (including subways, freight trains, etc.)	51	58	▲ 7
3	↑	4 High-speed railways	48	64	▲ 16
4	↓	2 Sewage systems (including other waste water treatment facilities and industrial sewage)	46	70	▲ 24
4	↑	7 Roads and bridges	46	54	▲ 8
6	↓	5 Water supply (including water for industrial use)	40	60	▲ 20
7	↑	8 Wind-power generation	37	43	▲ 6
8	↓	3 Smart grids	36	69	▲ 33
8	↑	9 Smart Communities/Eco-Towns	36	41	▲ 5
10	—	10 Seawater desalination	29	40	▲ 11
11	↓	10 Advanced information and telecommunications networks	25	40	▲ 15
12	↑	18 Other	24	15	9
13	↑	14 Nuclear power generation	23	22	1
14	↓	12 Electricity transmission and distribution	22	34	▲ 12
15	↓	13 High-efficiency coal-fired power generation (ultra-supercritical pressure, supercritical pressure)	15	24	▲ 9
15	—	15 Solar thermal power generation	15	21	▲ 6
15	↑	16 Coal gasification power generation (IGCC, IGFC)	15	19	▲ 4
18	↓	17 Carbon dioxide capture and storage (CCS)	10	18	▲ 8
		No. of Respondent Companies (excluding those who did not reply)	198	254	▲ 56

(2) Industry Responses to the Top 5 Fields

	Photovoltaic power generation		Urban railways, etc.		High-speed railways		Sewage systems		Roads and bridges	
	(companies)									
	2014	2011	2014	2011	2014	2011	2014	2011	2014	2011
All industries	56	116	51	58	48	64	46	70	46	54
Petroleum & Rubber	0	4	2	3	2	2	2	0	3	2
Metal Products	4	9	1	3	1	4	0	3	1	3
Electrical Equipment & Electronics	21	33	13	12	14	10	10	13	6	6
Transportation (excl. Automobiles)	0	1	4	4	3	3	2	4	1	3
Steel	2	2	4	3	3	4	4	3	3	3
General Machinery	3	8	8	5	4	5	9	10	7	6
Ceramics, Cement & Glass	3	4	1	0	1	1	0	1	3	0
Nonferrous Metals	4	9	2	4	3	6	1	0	4	1
Precision Machinery	2	5	2	1	2	3	4	2	2	2
Other 6 industries	17	41	14	23	15	26	14	34	16	28

(Note) We have organized response trends in the top 5 highest fields of interest for those industries that, in the results for FY 2014 shown in Figure 56 on the previous page, gave the highest percentages of replies as “We consider it a business opportunity” or “We more or less think it is a business opportunity.”

■ Photovoltaic power generation remains the No. 1 field of interest; with railway-related fields emerging in 2nd and 3rd place

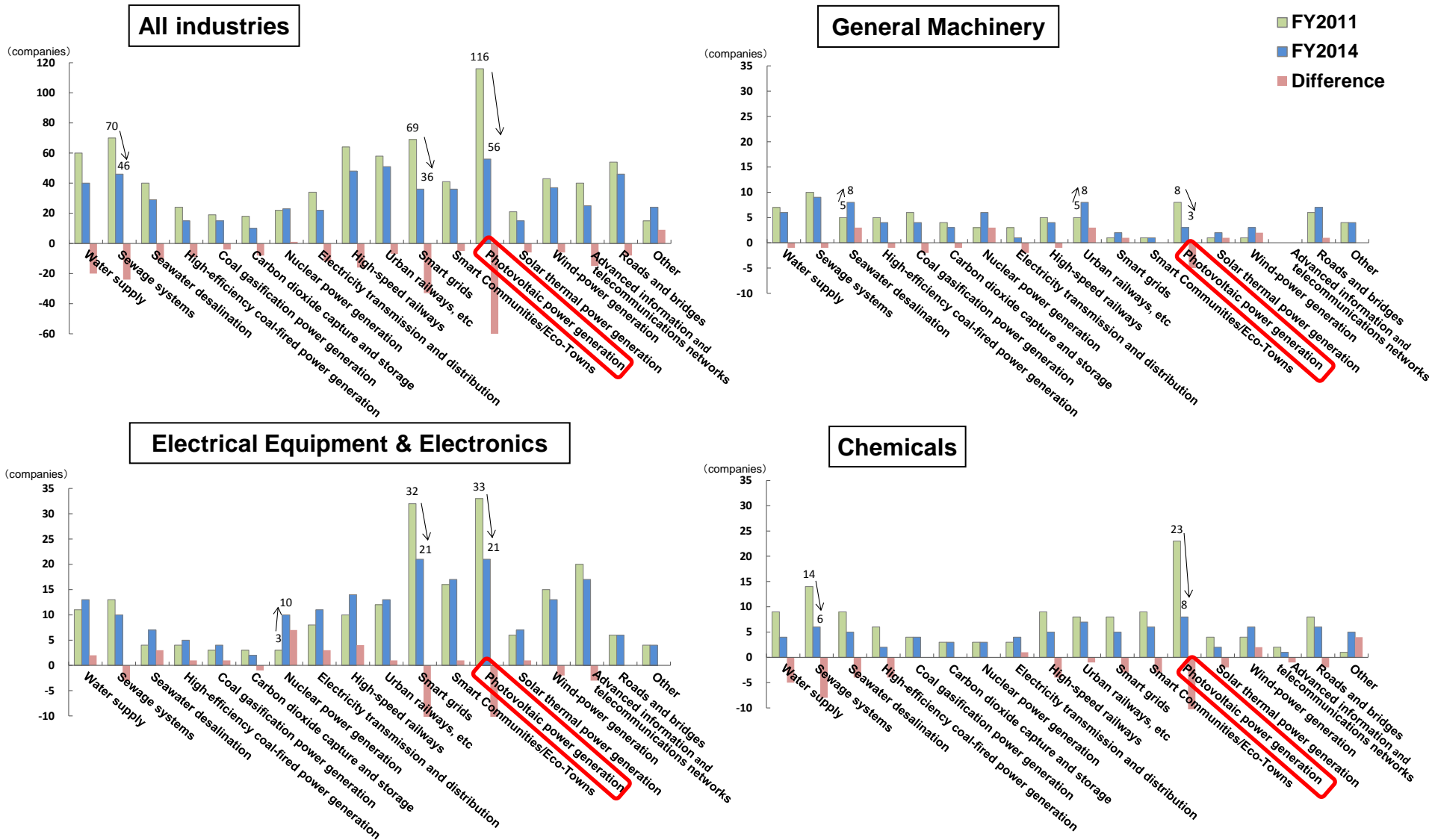
- When questioned about fields of interest, the field that had the most respondent companies was photovoltaic power generation; however, in comparison to the previous survey of FY 2011, the number of respondent companies fell by approximately a half (116 companies in FY 2011 → 56 companies in FY 2014). If we look at those fields of interest ranked 2nd place and lower, we find that urban railways, high-speed railways, roads and bridges, and wind-power generation all improved their rankings; while the positions of water supply, sewerage systems, and smart grids all fell (Figure 57 (1))

■ Significant declines in the interest in photovoltaic power generation in electrical equipment & electronics

- Figure 57(2) shows trends in the major industries' responses in the top 5 fields of interest. Looking at these trends and at the respondent companies with an interest in photovoltaic power generation, we see a fall in interest across a number of industries, including a reduction of 12 companies in the electrical equipment & electronics (33 companies → 21 companies); and a reduction of 5 companies in metal products, general machinery and nonferrous metals (Reference: Figure 58 on the next page compares the results for FY 2011 and FY 2014 for all industries and the 3 industries that had the greatest number of respondent companies for the question on the fields of interest).

VI. 2. Fields of Interest in Overseas Infrastructure-related Business

Figure 58: (Reference) Fields of Interest of Japanese Manufacturing Companies in Overseas Infrastructure-related Business (by Industry)

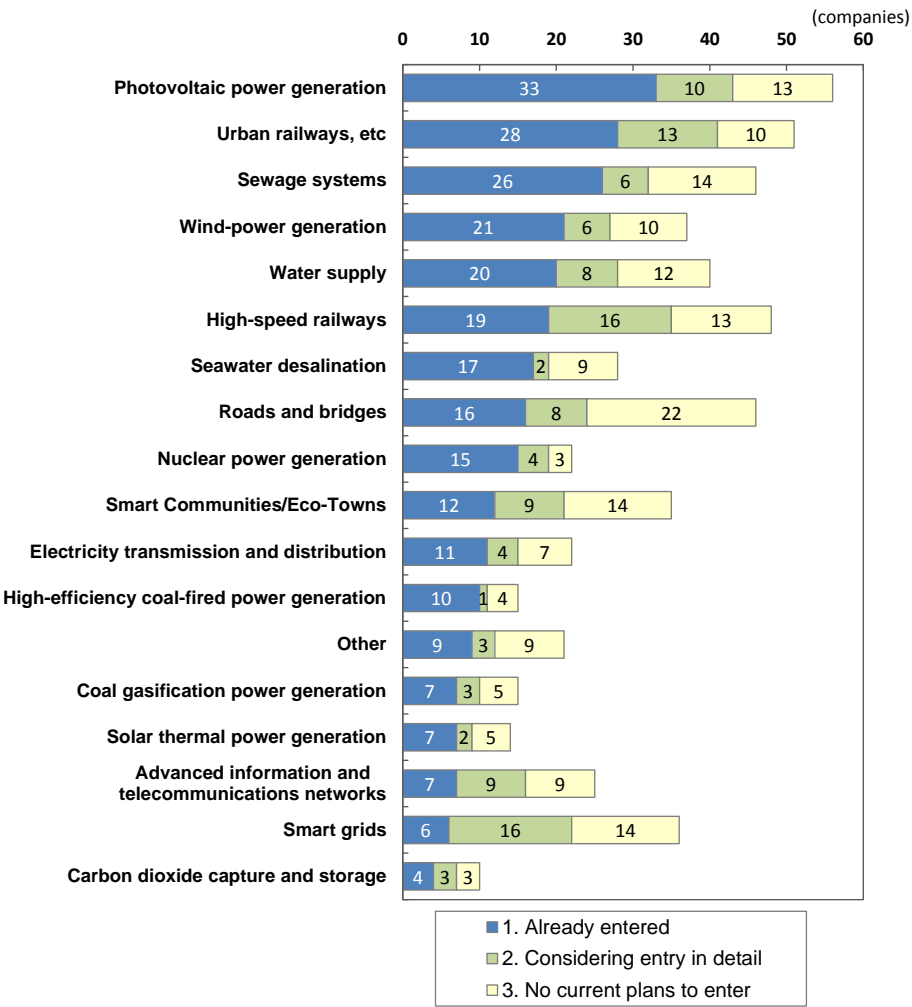


(Note 1) This is a comparison of the results for FY 2011 and FY 2014 for all industries and also the 3 industries with the most respondent companies for the question on the fields of interest

(Note 2) "Difference" in the graphs is the figure obtained by subtracting the number of respondent companies for FY 2011 from the number for FY 2014.

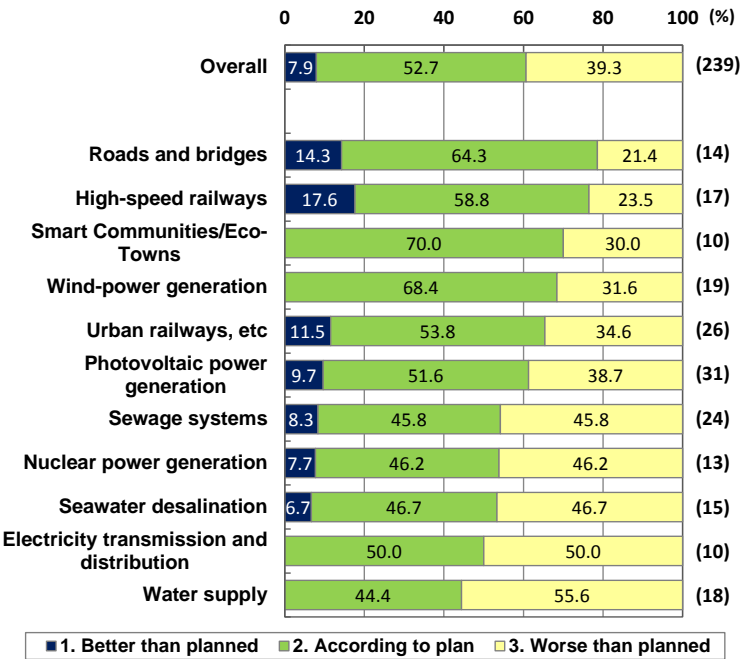
Q This question is for those companies that replied "1. We consider it a business opportunity"; "2. We more or less think it is a business opportunity"; or "3. We are unsure whether or not there are business opportunities" in Figure 56. Please explain your current entry status into fields of interest.

Figure 59: Current Entry Status into Fields of Interest (FY 2014)



(Note) Placed in order of the number of companies responding "1. Already entered"

Figure 60: Performance Evaluation for Companies Already Entered



(Note1) Placed in order of the total number of companies responding "1. Better than planned" and "2. According to plan." Results not displayed for fields with less than 10 respondent companies
(Note2) The figures in parentheses () on the right of the bar chart indicate the number of respondent companies

■ Photovoltaic power generation is the field with the largest number of companies already entered

• Looking at current entry status in fields of interest, we find that photovoltaic power generation is the one with largest number of companies already entered. Meanwhile, the fields that had the most number of companies considering entry in detail were high-speed railways and smart grids (Figure 59).

■ 50% of companies already entered responded that performance has been "According to plan."

• When companies were asked to evaluate their performance in individual fields that they already entered into, overall 50% replied that performance was "according to plan." Less than 10% said that it was "better than planned," while 40% thought it was "worse than planned" (Figure 60)
• Fields with a high total percentage (of 70% or more) of responses for "Better than planned" and "According to plan" included roads and bridges; high-speed railways; and smart communities/eco-towns.

Q

This question is for those companies that provided answers on their fields of interest in Figure 57. For each field of interest, please name the most promising countries (maximum of 3) where your company hopes to expand (or start) business in the medium term (the next 3 years or so) .

Figure 61: Ranking of Promising Countries by Field of Interest (Top 10 Fields)

Rank	Photovoltaic power generation	2014	2011
1	China	20	45
2	India	6	18
2	Thailand	6	11
4	USA	5	14
5	Japan	4	6
6	Malaysia	2	1
6	Taiwan	2	8

Rank	Urban railways, etc	2014	2011
1	India	14	17
2	China	13	23
3	Indonesia	11	5
4	Vietnam	10	7
5	Thailand	6	3
5	USA	6	4
7	Malaysia	3	1
8	Brazil	2	8
8	Singapore	2	2
8	Taiwan	2	2

Rank	High-speed railways	2014	2011
1	China	14	30
2	India	12	13
3	Vietnam	10	9
4	USA	5	7
5	Thailand	4	4
6	Brazil	3	10
6	Indonesia	3	2
8	UK	2	1

Rank	Sewage systems	2014	2011
1	China	16	29
2	Vietnam	10	7
3	India	7	14
3	Indonesia	7	6
5	Thailand	5	5
5	Malaysia	5	1
5	Philippines	5	1
8	Singapore	3	3
9	Myanmar	2	0
9	Cambodia	2	0
9	Middle East	2	1
9	Southeast Asia	2	1

Rank	Roads and bridges	2014	2011
1	China	15	15
2	Vietnam	12	8
3	Indonesia	10	4
4	India	6	13
5	Philippines	5	1
6	Turkey	3	0
7	Thailand	2	4
7	USA	2	1
7	Myanmar	2	0
7	Mexico	2	0
7	Malaysia	2	0
7	Africa	2	0
7	Cambodia	2	1
7	Taiwan	2	0
7	Japan	2	0


Rank	Water supply	2014	2011
1	China	11	18
2	Vietnam	8	6
3	Indonesia	5	7
3	Philippines	5	1
5	Malaysia	4	2
6	Singapore	4	3
7	India	3	14
7	Thailand	3	5
9	Cambodia	2	0

Rank	Wind-power generation	2014	2011
1	China	7	16
2	Japan	3	2
3	India	2	12
3	EU	2	3
3	Taiwan	2	0
3	Netherlands	2	0

Rank	Smart grids	2014	2011
1	China	8	21
2	Indonesia	4	4
2	USA	4	9
4	EU	3	1
4	Philippines	3	0
6	India	2	13

Rank	Smart Communities/ Eco-Towns	2014	2011
1	China	9	18
2	Indonesia	5	2
3	USA	4	6
3	Philippines	4	0
5	Malaysia	3	0
6	India	2	12
6	Japan	2	4

Rank	Seawater desalination	2014	2011
1	Saudi Arabia	8	9
2	UAE	4	4
3	Singapore	3	5
3	Kuwait	3	0
5	China	2	8
5	India	2	7
5	Vietnam	2	4

 India
 Indonesia
 China
 Developed countries

(Note 1) Aggregate statistics for FY 2011 showed the top 5 most promising countries in the medium term. In this survey aggregate calculations have been modified to display results for the top 3 countries,

(Note 2) The responses for FY 2014 do not list countries/regions for which only a single company responded in the number of respondent companies.

(Note 3) See Appendix 11 (excluding the top 10 fields).

■ Despite a drop in the number of respondent companies, interest continues to be high across all fields in emerging countries such as China, India and Indonesia etc.

• If we calculate the aggregate of overseas infrastructure-related business by field to find the top 3 most promising countries over the medium term, and compare figures for FY 2011 and FY 2014, the results show that in many fields of interest there was a fall in the number of countries/regions reported. This suggests companies trying to develop infrastructure-related business overseas are tending to give more careful attention to their choice of destination than before. In light of this, the destinations that ranked top were emerging countries such as China, India and Indonesia. With regard to sea water desalination, many companies have high hopes for projects in the Gulf States of Saudi Arabia, and the UAE, etc.

■ Higher interest in developed countries in some fields too

• There is also higher interest in photovoltaic power and wind-power generation, etc. in developed countries such as USA, EU and Japan, etc. that have already established regimes (e.g. the Feed In Tariff (FIT) system) to encourage companies to enter the market.

Q

This question is for those companies that provided answers on their fields of interest in Figure 57.

What sort of involvement does your company envisage in the medium term (the next 3 years or so)? Please select the most appropriate answers from options 1. - 10. (Multiple responses possible)

Figure 62: Medium-Term Approaches of Japanese Manufacturing Companies to Overseas Infrastructure-related Business

50% or more
30% or more; but less than 50%
(%)

	No. of Respondent Companies (with interests)	1. R&D	2. Research (Feasibility Studies, Marketing, etc.)	3. Consulting	4. Design /Construction Management	5. Supply of parts /component materials	6. Supply of equipment /facilities	7. Provision of Services (Civil Engineering Works, etc.)	8. Operation /Management /Maintenance	9. Investment	10. Other
Photovoltaic power generation	51	9.8	25.5	3.9	5.9	49.0	29.4	3.9	9.8	2.0	2.0
Urban railways, etc	46	15.2	30.4	10.9	13.0	52.2	43.5	15.2	6.5	2.2	2.2
High-speed railways	42	14.3	28.6	9.5	14.3	52.4	40.5	11.9	7.1	4.8	2.4
Sewage systems	40	15.0	27.5	7.5	22.5	32.5	55.0	15.0	25.0	10.0	5.0
Roads and bridges	36	13.9	33.3	8.3	22.2	52.8	33.3	11.1	5.6	5.6	2.8
Water supply	35	17.1	34.3	8.6	25.7	40.0	57.1	17.1	25.7	11.4	5.7
Smart Communities/Eco-Towns	33	36.4	45.5	15.2	15.2	42.4	42.4	12.1	18.2	9.1	6.1
Smart grids	33	30.3	45.5	12.1	15.2	39.4	36.4	9.1	9.1	6.1	3.0
Wind-power generation	32	25.0	25.0	9.4	9.4	56.3	37.5	6.3	6.3	3.1	0.0
Advanced information and telecommunications networks	25	20.0	40.0	16.0	12.0	44.0	36.0	12.0	16.0	8.0	4.0
Seawater desalination	23	13.0	39.1	17.4	17.4	43.5	47.8	17.4	26.1	4.3	8.7
Nuclear power generation	20	35.0	45.0	25.0	20.0	45.0	50.0	20.0	25.0	15.0	0.0
Electricity transmission and distribution	19	5.3	26.3	15.8	21.1	42.1	42.1	10.5	10.5	10.5	5.3
Other	18	27.8	44.4	5.6	22.2	33.3	38.9	16.7	11.1	16.7	5.6
High-efficiency coal-fired power generation	13	23.1	46.2	15.4	38.5	30.8	76.9	23.1	38.5	23.1	0.0
Coal gasification power generation	12	33.3	41.7	8.3	16.7	8.3	41.7	16.7	16.7	8.3	0.0
Carbon dioxide capture and storage	10	50.0	60.0	20.0	10.0	20.0	50.0	20.0	20.0	10.0	0.0
Solar thermal power generation	10	20.0	30.0	10.0	20.0	50.0	50.0	20.0	20.0	10.0	0.0

(Note 1) "No. of Respondent Companies (with interests)" refers to the number of companies (from among those providing responses in "Figure 57: Fields of Interest of Japanese Manufacturing Companies in the Overseas Infrastructure-related Business") that responded to this question.

(Note 2) Percentages calculated by dividing the number of respondent companies for each option by the "No. of Respondent Companies (with interests)". Multiple responses were possible for this question.

■ Relatively high percentage of companies involved in "5. Supply of parts/component materials" and "6. supply of equipment/facilities."

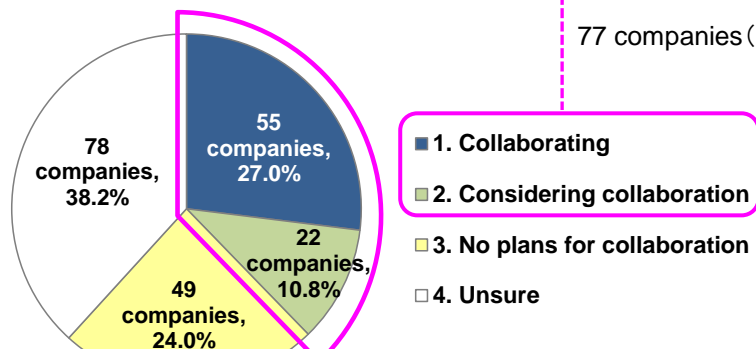
• Asking about medium-term approaches to each respective field of the overseas infrastructure-related business, we found that across virtually all fields a relatively high percentage of companies answered "5. Supply of parts/component materials" and "6. supply of equipment /facilities"—this was the same in FY 2011 (Figure 62). After this came "2. Research" and "1. R&D." With the exception of certain fields, in many cases involvement in other fields was less than 30%.

Q

This question is for those who answered “1. We consider it a business opportunity”; “2. We more or less think it is a business opportunity”; or “3. We are unsure whether or not there are business opportunities” in Figure 56. Please explain any collaboration with other companies in the overseas infrastructure-related business.

Figure 63: Collaboration with Other Companies in Overseas Infrastructure-related Business

(1) Current Situation for Collaboration



(Note) No. of responding companies = 204

■ Around 40% of respondents are collaborating, or are considering collaboration, with other companies in their overseas infrastructure-related business

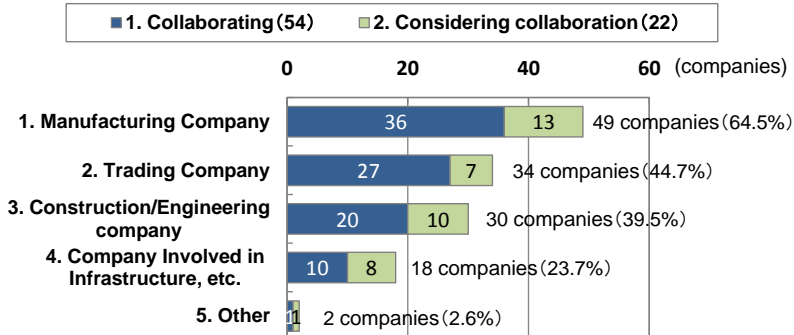
- Of those companies interested in overseas the infrastructure-related business, 27.0% are already collaborating with other companies, and 10.8% are currently considering doing so (Figure 63 (1)).
- 64.5% of respondent companies said that they collaborate with manufacturing companies as partners, while 44.7% stated that their partners were trading companies. In terms of nationality the highest proportion of companies (76.6%) said that their partners were other Japanese companies, but if we just look at the companies who stated they were "considering collaboration," we find that equal numbers replied they were considering partners from emerging countries as those that were considering Japanese partners (Figure 63(2)).

■ The main purpose of collaboration - the acquisition of customers and sales channels

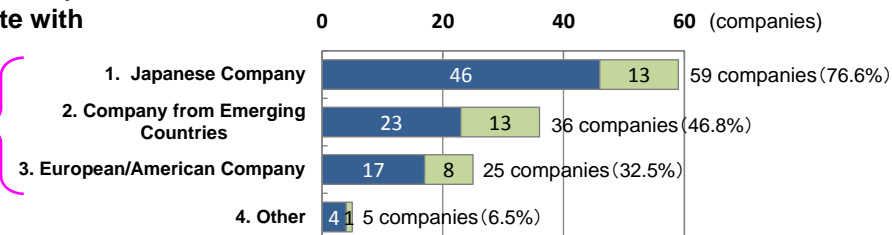
- If we look at the respective nationalities of collaborative partners and investigate the purpose behind the collaboration, we find that in all cases "to acquire customers and sales channels" scores the highest percentage; with the percentage rising to 85.7% for partners from emerging countries. The next most popular purpose, in the case of Japanese and European/American partners was "to acquire technology and know-how"; and in the case of partners from emerging countries "to improve cost competitiveness" (Figure 63 (2)).

(2) ① Type of the company that you collaborate with

(Note 1) Multiple responses possible for (2)
(Note 2) "4. Company Involved in Infrastructure, etc." refers to power companies, railway operators, water suppliers, etc.



② Nationality of the company that you collaborate with



<Purpose of Collaboration>

	(companies)		
	Japanese Company	Company from Emerging Countries	European/American Company
1. To acquire technology and know-how	26 (44.8%)	1 (2.9%)	13 (52.0%)
2. To improve cost competitiveness	7 (12.1%)	18 (51.4%)	3 (12.0%)
3. To acquire customer and sales channels	43 (74.1%)	30 (85.7%)	21 (84.0%)
4. To share risk	20 (34.5%)	7 (20.0%)	6 (24.0%)
5. Other	1 (1.7%)	0 (0.0%)	0 (0.0%)
No. of Companies Responding to this	58	35	25

(Note) The percentages indicates the proportion to respondent companies

Appendices

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

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

Rank	FY2014 Survey	No. of Companies 499	Percentage share (%)	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 (%)
1	India	229	45.9	Indonesia	219	44.9	China	319	62.1	China	369	72.8	China	399	77.3
2	Indonesia	228	45.7	India	213	43.6	India	290	56.4	India	297	58.6	India	312	60.5
3	China	218	43.7	Thailand	188	38.5	Indonesia	215	41.8	Thailand	165	32.5	Vietnam	166	32.2
4	Thailand	176	35.3	China	183	37.5	Thailand	165	32.1	Vietnam	159	31.4	Thailand	135	26.2
5	Vietnam	155	31.1	Vietnam	148	30.3	Vietnam	163	31.7	Brazil	145	28.6	Brazil	127	24.6
6	Mexico	101	20.2	Brazil	114	23.4	Brazil	132	25.7	Indonesia			Indonesia	107	20.7
7	Brazil	83	16.6	Mexico	84	17.2	Mexico	72	14.0	Russia	63	12.4	Russia	75	14.5
8	USA	66	13.2	Myanmar	64	13.1	Russia	64	12.5	USA	50	9.9	USA	58	11.2
9	Russia	60	12.0	Russia	60	12.3	USA	53	10.3	Malaysia	39	7.7	Korea	30	5.8
10	Myanmar	55	11.0	USA	54	11.1	Myanmar	51	9.9	Taiwan	35	6.9	Malaysia	29	5.6
11	Philippines	50	10.0	Philippines	39	8.0	Malaysia	36	7.0	Korea	31	6.1	Taiwan		
12	Malaysia	46	9.2	Malaysia	37	7.6	Korea	23	4.5	Mexico	29	5.7	Mexico	25	4.8
13	Turkey	26	5.2	Korea	28	5.7	Turkey			Singapore	25	4.9	Singapore	21	4.1
14	Singapore	25	5.0	Taiwan	23	4.7	Taiwan	22	4.3	Philippines	15	3.0	Philippines	14	2.7
15	Cambodia	20	4.0	Turkey			Philippines	21	4.1	Turkey	12	2.4	Australia	8	1.6
16	Korea			Singapore	19	3.9	Singapore	16	3.1	Australia	8	1.6	Bangladesh		
17	Taiwan	19	3.8	Cambodia	12	2.5	Cambodia	13	2.5	Bangladesh			Turkey		
18	Germany	9	1.8	Germany	10	2.0	Australia	11	2.1	Cambodia			Germany	7	1.4
19	France	7	1.4	South Africa			Bangladesh	10	1.9	Myanmar	7	1.4	UK	6	1.2
20	Saudi Arabia			Laos	9	1.8	Germany	6	1.2	UK	6	1.2	Myanmar	5	1.0
	South Africa												Poland		
													Saudi Arabia		
													South Africa		
													UAE		

**Promising Countries/Regions
over the Long-term**

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

Rank	FY2014 Survey	No. of Companies 372	Percentage share (%)	FY2013 Survey	No. of Companies 360	Percentage share (%)
1	India	207	55.6	India	191	53.1
2	Indonesia	163	43.8	China	139	38.6
3	China	150	40.3	Indonesia	135	37.5
4	Vietnam	117	31.5	Brazil	114	31.7
5	Thailand	105	28.2	Thailand	99	27.5
6	Brazil	91	24.5	Vietnam	96	26.7
7	Myanmar	70	18.8	Myanmar	75	20.8
8	Russia	65	17.5	Russia	65	18.1
9	Mexico	58	15.6	Mexico	47	13.1
10	USA	47	12.6	USA		

**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	FY2014 Survey	No. of Companies 131	Percentage share (%)	FY2013 Survey	No. of Companies 124	Percentage share (%)
1	Indonesia	63	48.1	India	51	41.1
2	India	51	38.9	Indonesia		
3	China	45	34.4	Thailand		
4	Vietnam	44	33.6	Vietnam	44	35.5
5	Thailand	42	32.1	China	36	29.0
6	Mexico	27	20.6	Brazil	26	21.0
7	Myanmar	18	13.7	Myanmar	24	19.4
8	Brazil	16	12.2	Mexico	20	16.1
9	Malaysia	15	11.5	Philippines	15	12.1
10	Philippines			Russia	13	10.5

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.

FY2014 Survey	1 India		2 Indonesia		3 China		4 Thailand		5 Vietnam		6 Mexico		7 Brazil		8 USA		9 Russia		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	220	100%	220	100%	214	100%	173	100%	151	100%	99	100%	79	100%	66	100%	57	100%	53	100%
1. Qualified human resources	30	13.6%	10	4.5%	18	8.4%	20	11.6%	30	19.9%	6	6.1%	3	3.8%	10	15.2%	4	7.0%	5	9.4%
2. Inexpensive source of labor	74	33.6%	63	28.6%	38	17.8%	49	28.3%	80	53.0%	32	32.3%	9	11.4%	-	0.0%	2	3.5%	37	69.8%
3. Inexpensive components/raw materials	14	6.4%	13	5.9%	19	8.9%	17	9.8%	15	9.9%	4	4.0%	2	2.5%	1	1.5%	1	1.8%	5	9.4%
4. Supply base for assemblers	46	20.9%	56	25.5%	50	23.4%	48	27.7%	22	14.6%	50	50.5%	13	16.5%	10	15.2%	13	22.8%	4	7.5%
5. Concentration of industry	25	11.4%	21	9.5%	45	21.0%	61	35.3%	12	7.9%	15	15.2%	6	7.6%	14	21.2%	3	5.3%	-	0.0%
6. Good for risk diversification to other countries	9	4.1%	22	10.0%	3	1.4%	19	11.0%	29	19.2%	9	9.1%	-	0.0%	2	3.0%	1	1.8%	7	13.2%
7. Base of export to Japan	5	2.3%	10	4.5%	19	8.9%	14	8.1%	19	12.6%	1	1.0%	2	2.5%	2	3.0%	2	3.5%	3	5.7%
8. Base of export to third countries	27	12.3%	30	13.6%	30	14.0%	48	27.7%	23	15.2%	25	25.3%	7	8.9%	3	4.5%	4	7.0%	6	11.3%
9. Advantages in terms of raw material procurement	4	1.8%	7	3.2%	12	5.6%	9	5.2%	6	4.0%	2	2.0%	3	3.8%	7	10.6%	1	1.8%	-	0.0%
10. Current size of local market	70	31.8%	82	37.3%	122	57.0%	73	42.2%	27	17.9%	28	28.3%	23	29.1%	44	66.7%	24	42.1%	6	11.3%
11. Future growth potential of local market	187	85.0%	188	85.5%	146	68.2%	94	54.3%	105	69.5%	63	63.6%	65	82.3%	37	56.1%	46	80.7%	37	69.8%
12. Profitability of local market	16	7.3%	21	9.5%	20	9.3%	20	11.6%	13	8.6%	11	11.1%	6	7.6%	19	28.8%	6	10.5%	4	7.5%
13. Base for product development	3	1.4%	1	0.5%	10	4.7%	4	2.3%	1	0.7%	1	1.0%	1	1.3%	7	10.6%	1	1.8%	-	0.0%
14. Developed local infrastructure	2	0.9%	7	3.2%	31	14.5%	48	27.7%	6	4.0%	6	6.1%	2	2.5%	30	45.5%	2	3.5%	-	0.0%
15. Developed local logistics services	2	0.9%	2	0.9%	11	5.1%	23	13.3%	2	1.3%	2	2.0%	2	2.5%	21	31.8%	1	1.8%	-	0.0%
16. Tax incentives for investment	-	0.0%	5	2.3%	2	0.9%	33	19.1%	8	5.3%	8	8.1%	-	0.0%	1	1.5%	1	1.8%	5	9.4%
17. Stable policies to attract foreign investment	-	0.0%	4	1.8%	2	0.9%	20	11.6%	5	3.3%	5	5.1%	1	1.3%	4	6.1%	2	3.5%	2	3.8%
18. Social/political situation stable	6	2.7%	10	4.5%	4	1.9%	2	1.2%	17	11.3%	8	8.1%	1	1.3%	30	45.5%	1	1.8%	3	5.7%

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%	-	0.0%	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%	-	0.0%	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%	-	0.0%	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%	-	0.0%	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%	-	0.0%	1	1.7%	2	3.7%
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%

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.

FY2014 Survey	1 India		2 Indonesia		3 China		4 Thailand		5 Vietnam		6 Mexico		7 Brazil		8 USA		9 Russia		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	188	100%	188	100%	199	100%	142	100%	127	100%	84	100%	61	100%	47	100%	50	100%	50	100%
1. Underdeveloped legal system	34	18.1%	33	17.6%	19	9.5%	7	4.9%	33	26.0%	3	3.6%	5	8.2%	-	0.0%	3	6.0%	29	58.0%
2. Execution of legal system unclear	66	35.1%	77	41.0%	108	54.3%	17	12.0%	44	34.6%	12	14.3%	19	31.1%	4	8.5%	20	40.0%	24	48.0%
3. Complicated tax system	53	28.2%	21	11.2%	35	17.6%	6	4.2%	9	7.1%	11	13.1%	18	29.5%	1	2.1%	7	14.0%	3	6.0%
4. Execution of tax system unclear	43	22.9%	41	21.8%	57	28.6%	7	4.9%	25	19.7%	7	8.3%	14	23.0%	2	4.3%	12	24.0%	9	18.0%
5. Increased taxation	21	11.2%	32	17.0%	55	27.6%	15	10.6%	10	7.9%	6	7.1%	2	3.3%	6	12.8%	5	10.0%	4	8.0%
6. Restrictions on foreign investment	30	16.0%	31	16.5%	48	24.1%	11	7.7%	14	11.0%	2	2.4%	11	18.0%	-	0.0%	5	10.0%	9	18.0%
7. Complicated/unclear procedures for investment permission	35	18.6%	28	14.9%	53	26.6%	12	8.5%	22	17.3%	2	2.4%	3	4.9%	1	2.1%	14	28.0%	17	34.0%
8. Insufficient protection for intellectual property rights	18	9.6%	10	5.3%	94	47.2%	5	3.5%	11	8.7%	2	2.4%	3	4.9%	1	2.1%	4	8.0%	6	12.0%
9. Restrictions on foreign currency/ transfers of money overseas	22	11.7%	16	8.5%	65	32.7%	7	4.9%	14	11.0%	1	1.2%	8	13.1%	-	0.0%	10	20.0%	14	28.0%
10. Import restrictions/customs procedures	22	11.7%	34	18.1%	55	27.6%	6	4.2%	14	11.0%	8	9.5%	11	18.0%	-	0.0%	10	20.0%	8	16.0%
11. Difficult to secure technical/engineering staff	22	11.7%	32	17.0%	25	12.6%	31	21.8%	32	25.2%	16	19.0%	2	3.3%	4	8.5%	7	14.0%	12	24.0%
12. Difficult to secure management-level staff	36	19.1%	51	27.1%	47	23.6%	43	30.3%	40	31.5%	31	36.9%	11	18.0%	6	12.8%	8	16.0%	15	30.0%
13. Rising labor costs	33	17.6%	83	44.1%	150	75.4%	74	52.1%	38	29.9%	15	17.9%	9	14.8%	10	21.3%	10	20.0%	6	12.0%
14. Labor problems	46	24.5%	35	18.6%	43	21.6%	16	11.3%	13	10.2%	9	10.7%	9	14.8%	9	19.1%	7	14.0%	2	4.0%
15. Intense competition with other companies	69	36.7%	61	32.4%	117	58.8%	64	45.1%	28	22.0%	17	20.2%	19	31.1%	37	78.7%	18	36.0%	6	12.0%
16. Difficulties in recovering money owed	20	10.6%	9	4.8%	50	25.1%	4	2.8%	13	10.2%	1	1.2%	6	9.8%	1	2.1%	5	10.0%	7	14.0%
17. Difficulty in raising funds	17	9.0%	4	2.1%	12	6.0%	2	1.4%	3	2.4%	1	1.2%	3	4.9%	-	0.0%	3	6.0%	4	8.0%
18. Underdeveloped local supporting industries	25	13.3%	24	12.8%	7	3.5%	7	4.9%	24	18.9%	15	17.9%	5	8.2%	-	0.0%	6	12.0%	13	26.0%
19. Sense of instability regarding currency and/or costs	22	11.7%	33	17.6%	3	1.5%	10	7.0%	20	15.7%	8	9.5%	12	19.7%	-	0.0%	7	14.0%	6	12.0%
20. Underdeveloped infrastructure	97	51.6%	61	32.4%	11	5.5%	9	6.3%	52	40.9%	7	8.3%	11	18.0%	-	0.0%	5	10.0%	33	66.0%
21. Security/social instability	46	24.5%	43	22.9%	65	32.7%	75	52.8%	15	11.8%	44	52.4%	28	45.9%	-	0.0%	21	42.0%	18	36.0%
22. Lack of information on the country	26	13.8%	19	10.1%	3	1.5%	7	4.9%	16	12.6%	9	10.7%	10	16.4%	-	0.0%	12	24.0%	12	24.0%

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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%
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%	-	0.0%

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

Overseas	Strengthen /expand		Maintain present level		Scale back /withdraw	
	2013	2014	2013	2014	2013	2014
All Industries	82.5%	80.9%	16.1%	18.4%	1.5%	0.7%
Foods	90.6%	93.5%	9.4%	6.5%	-	-
Textiles	84.6%	75.0%	15.4%	20.8%	-	4.2%
Paper, Pulp & Wood	75.0%	60.0%	25.0%	40.0%	-	-
Chemicals (total)	85.4%	82.8%	13.5%	17.2%	1.1%	-
Chemicals (incl. plastic products)	86.4%	84.9%	12.3%	15.1%	1.2%	-
Pharmaceuticals	75.0%	57.1%	25.0%	42.9%	-	-
Petroleum & Rubber	92.9%	78.6%	7.1%	21.4%	-	-
Ceramics, Cement & Glass	77.8%	82.4%	16.7%	17.6%	5.6%	-
Steel	100.0%	87.5%	-	12.5%	-	-
Nonferrous Metals	94.1%	86.4%	5.9%	13.6%	-	-
Metal Products	61.1%	66.7%	38.9%	33.3%	-	-
General Machinery (total)	86.9%	81.0%	13.1%	17.2%	-	1.7%
Assembly	91.5%	82.6%	8.5%	15.2%	-	2.2%
Parts	71.4%	75.0%	28.6%	25.0%	-	-
Electrical Equipment & Electronics (total)	69.8%	78.7%	27.9%	21.3%	2.3%	-
Assembly	76.3%	87.2%	18.4%	12.8%	5.3%	-
Parts	64.6%	72.7%	35.4%	27.3%	-	-
Transportation (excl. Automobiles)	81.8%	71.4%	18.2%	28.6%	-	-
Automobiles (total)	87.0%	83.8%	12.2%	16.2%	0.9%	-
Assembly	100.0%	83.3%	-	16.7%	-	-
Parts	86.4%	83.8%	12.7%	16.2%	0.9%	-
Precision Machinery (total)	78.9%	82.8%	18.4%	17.2%	2.6%	-
Assembly	80.8%	90.0%	15.4%	10.0%	3.8%	-
Parts	75.0%	66.7%	25.0%	33.3%	-	-
Other	78.9%	77.2%	15.8%	19.3%	5.3%	3.5%

Domestic	Strengthen /expand		Maintain present level		Scale back		undecided	
	2013	2014	2013	2014	2013	2014	2013	2014
All Industries	28.0%	27.6%	58.9%	60.4%	8.2%	7.3%	4.9%	4.6%
Foods	58.1%	51.7%	38.7%	44.8%	3.2%	-	-	3.4%
Textiles	26.9%	29.2%	65.4%	62.5%	7.7%	8.3%	-	-
Paper, Pulp & Wood	41.7%	50.0%	50.0%	50.0%	8.3%	-	-	-
Chemicals (total)	24.2%	26.4%	64.8%	61.5%	2.2%	5.5%	8.8%	6.6%
Chemicals (incl. plastic products)	21.7%	23.8%	67.5%	63.1%	2.4%	6.0%	8.4%	7.1%
Pharmaceuticals	50.0%	57.1%	37.5%	42.9%	-	-	12.5%	-
Petroleum & Rubber	14.3%	7.1%	71.4%	85.7%	7.1%	-	7.1%	7.1%
Ceramics, Cement & Glass	16.7%	23.5%	72.2%	52.9%	5.6%	17.6%	5.6%	5.9%
Steel	12.5%	12.5%	87.5%	81.3%	-	-	-	6.3%
Nonferrous Metals	17.6%	22.7%	64.7%	72.7%	17.6%	4.5%	-	-
Metal Products	27.8%	27.8%	61.1%	55.6%	5.6%	11.1%	5.6%	5.6%
General Machinery (total)	39.3%	21.7%	54.1%	66.7%	6.6%	3.3%	-	8.3%
Assembly	42.6%	20.8%	51.1%	64.6%	6.4%	4.2%	-	10.4%
Parts	28.6%	25.0%	64.3%	75.0%	7.1%	-	-	-
Electrical Equipment & Electronics (total)	33.7%	30.9%	53.5%	62.8%	4.7%	4.3%	8.1%	2.1%
Assembly	31.6%	38.5%	57.9%	56.4%	5.3%	2.6%	5.3%	2.6%
Parts	35.4%	25.5%	50.0%	67.3%	4.2%	5.5%	10.4%	1.8%
Transportation (excl. Automobiles)	9.1%	35.7%	63.6%	57.1%	18.2%	7.1%	9.1%	-
Automobiles (total)	8.6%	9.3%	69.0%	64.8%	19.0%	20.4%	3.4%	5.6%
Assembly	16.7%	-	66.7%	71.4%	-	-	16.7%	28.6%
Parts	8.2%	9.9%	69.1%	64.4%	20.0%	21.8%	2.7%	4.0%
Precision Machinery (total)	50.0%	48.3%	39.5%	44.8%	7.9%	3.4%	2.6%	3.4%
Assembly	53.8%	50.0%	30.8%	45.0%	11.5%	5.0%	3.8%	-
Parts	41.7%	44.4%	58.3%	44.4%	-	-	-	11.1%
Other	38.2%	48.3%	45.5%	44.8%	5.5%	1.7%	10.9%	5.2%

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	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Strengthen/expand	30.2%	34.7%	59.6%	57.4%	51.4%	52.4%	63.4%	67.0%	53.7%	52.0%	62.0%	66.2%
Maintain present level	68.4%	63.9%	38.9%	41.1%	46.6%	45.2%	35.8%	32.2%	45.8%	47.5%	37.0%	33.5%
Scale back/withdraw	1.4%	1.4%	1.5%	1.5%	2.0%	2.4%	0.9%	0.9%	0.5%	0.5%	1.0%	0.3%

	EU15		Central & Eastern Europe		Rest of Europe & CIS		Russia		Middle East		Africa	
	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
Strengthen/expand	37.7%	39.2%	45.0%	46.8%	38.1%	49.2%	64.2%	57.5%	48.8%	60.5%	48.1%	58.4%
Maintain present level	60.2%	58.0%	51.7%	52.3%	60.3%	50.8%	34.0%	42.5%	50.0%	39.5%	49.4%	41.6%
Scale back/withdraw	2.1%	2.8%	3.3%	0.9%	1.6%	0.0%	1.9%	0.0%	1.2%	0.0%	2.5%	0.0%

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	41.0%	33.0%	29.2%	35.2%	64.8%	70.2%	53.4%	52.1%	55.2%	45.1%	52.5%	53.3%	59.8%
Maintain present level	58.1%	65.2%	69.2%	59.8%	34.7%	29.1%	45.6%	47.3%	43.2%	54.9%	44.3%	43.6%	36.9%
Scale back/withdraw	0.9%	1.7%	1.6%	5.0%	0.5%	0.7%	1.0%	0.7%	1.6%	-	3.2%	3.1%	3.3%

	Rest of Asia & Oceania						Latin America		
	India	Vietnam	Cambodia	Laos	Myanmar	Others	Mexico	Brazil	Others
Strengthen/expand	73.0%	70.0%	59.7%	56.3%	77.3%	40.0%	71.8%	67.4%	48.4%
Maintain present level	25.8%	30.0%	40.3%	43.8%	22.7%	55.4%	28.2%	31.9%	51.6%
Scale back/withdraw	1.3%	-	-	-	-	4.6%	-	0.7%	-

Industry	Overseas Production Ratio ※1										Overseas Sales Ratio ※2								Overseas Income Ratio ※3			
	FY2011 (actual)		FY2012 (actual)		FY2013 (actual)		FY2014 (projected)		Medium-term plans (FY2017)		FY2011 (actual)		FY2012 (actual)		FY2013 (actual)		FY2014 (projected)		FY2013 (actual)		FY2014 (projected)	
	No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies		No. of Com- panies	
Foods	20.4%	28	18.6%	28	16.5%	27	18.0%	27	18.9%	23	18.4%	29	19.5%	29	18.3%	30	17.5%	28	18.2%	28	16.1%	27
Textiles	49.8%	25	48.2%	25	53.7%	23	55.0%	23	57.4%	21	18.8%	26	18.6%	25	26.7%	23	27.6%	23	28.9%	23	28.5%	23
Paper, Pulp & Wood	16.0%	10	25.8%	12	16.0%	10	16.0%	10	20.6%	9	11.7%	9	13.3%	12	13.0%	10	14.0%	10	13.9%	9	15.0%	9
Chemicals (total)	24.2%	74	25.0%	82	28.0%	80	29.3%	79	32.6%	72	30.1%	86	31.1%	90	35.7%	89	37.5%	88	35.4%	74	36.9%	73
Chemicals (incl. plastic products)	25.1%	67	25.8%	77	29.2%	74	30.6%	73	34.2%	66	30.3%	78	31.5%	82	35.8%	83	38.2%	82	35.3%	69	37.4%	68
Pharmaceuticals	15.0%	7	13.0%	5	13.3%	6	13.3%	6	15.0%	6	28.8%	8	27.5%	8	33.3%	6	28.3%	6	37.0%	5	31.0%	5
Petroleum & Rubber	34.3%	15	36.4%	14	37.1%	14	37.1%	14	42.9%	14	31.0%	15	32.9%	14	35.0%	12	35.0%	12	33.3%	12	33.3%	12
Ceramics, Cement & Glass	30.4%	13	35.0%	16	33.6%	14	35.7%	14	41.4%	14	40.7%	14	41.1%	18	38.3%	15	39.7%	15	33.6%	14	42.9%	14
Steel	20.0%	16	25.0%	15	19.0%	15	19.7%	15	26.4%	14	25.0%	17	28.8%	16	22.5%	16	23.7%	15	15.0%	14	16.4%	14
Nonferrous Metals	21.3%	19	28.1%	13	37.9%	17	40.0%	16	43.1%	16	25.0%	23	29.1%	17	28.3%	21	29.5%	20	22.6%	21	25.5%	20
Metal Products	31.3%	27	42.8%	18	38.5%	17	38.5%	17	44.4%	16	33.2%	28	43.3%	18	42.8%	18	46.2%	17	40.0%	18	39.4%	18
General Machinery (total)	24.3%	45	25.2%	56	23.7%	52	24.4%	50	26.8%	45	43.2%	45	39.9%	59	39.2%	57	40.9%	54	30.5%	47	29.0%	45
Assembly	24.3%	41	26.1%	45	24.8%	41	26.0%	40	27.6%	35	43.0%	41	41.1%	46	41.0%	45	42.5%	44	28.9%	36	28.7%	35
Parts	25.0%	4	21.4%	11	19.5%	11	18.0%	10	24.0%	10	45.0%	4	35.8%	13	32.5%	12	34.0%	10	35.9%	11	30.0%	10
Electrical Equipment & Electronics (total)	45.2%	88	43.3%	78	48.6%	84	49.5%	83	52.3%	79	45.1%	94	42.8%	86	48.1%	93	48.7%	91	39.1%	71	41.8%	71
Assembly	35.0%	34	42.1%	34	43.1%	32	43.8%	32	48.7%	30	36.1%	38	38.2%	38	43.1%	36	43.9%	35	34.7%	29	37.4%	29
Parts	51.7%	54	44.3%	44	51.9%	52	53.0%	51	54.6%	49	51.3%	56	46.5%	48	51.3%	57	51.8%	56	42.1%	42	44.8%	42
Transportation (excl. Automobiles)	17.1%	14	11.4%	11	23.6%	14	25.0%	13	25.8%	12	30.0%	14	26.8%	11	37.1%	14	35.0%	13	23.3%	12	25.0%	10
Automobiles (total)	33.4%	98	39.4%	114	43.0%	102	44.8%	101	48.1%	96	36.0%	102	38.8%	117	42.2%	107	44.2%	100	42.4%	101	46.0%	96
Assembly	30.0%	8	41.0%	5	40.0%	6	43.3%	6	37.5%	4	51.7%	9	46.7%	6	55.0%	7	53.0%	5	63.0%	5	68.3%	3
Parts	33.7%	90	39.3%	109	43.2%	96	44.9%	95	48.6%	92	34.5%	93	38.3%	111	41.3%	100	43.7%	95	41.4%	96	45.3%	93
Precision Machinery (total)	29.2%	31	28.4%	32	25.7%	28	27.2%	27	31.7%	27	48.0%	33	53.8%	34	49.5%	29	52.6%	29	44.6%	24	47.5%	24
Assembly	28.9%	23	27.6%	23	23.4%	19	24.5%	19	28.7%	19	50.0%	24	53.8%	24	55.0%	20	58.5%	20	49.2%	19	52.4%	19
Parts	30.0%	8	30.6%	9	30.6%	9	33.8%	8	38.8%	8	42.8%	9	54.0%	10	37.2%	9	39.4%	9	27.0%	5	29.0%	5
Other	31.0%	47	31.7%	45	36.8%	50	38.2%	50	40.6%	50	29.1%	51	30.1%	55	31.8%	57	32.1%	56	27.9%	49	29.7%	49
Overall	31.3%	550	32.9%	559	35.2%	547	36.5%	539	39.9%	508	34.2%	586	35.4%	601	37.5%	591	38.8%	571	33.7%	517	35.5%	505

※1 Overseas Production Ratio : (Overseas Production) / (Domestic Production + Overseas Production)

※2 Overseas Sales Ratio : (Overseas Sales) / (Domestic Sales + Overseas Sales)

※3 Overseas Income Ratio : (Overseas Operating Income) / (Domestic Operating Income + Overseas Operating Income)

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

(1) Net Sales

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
ASEAN 5 breakdown	2.57
1 Indonesia	3.19
2 Thailand	3.17
3 Singapore	2.91
4 Philippines	2.74
5 Malaysia	2.69

(2) Profits

FY2010 Performance

Average	2.75
1 ASEAN 5	2.91
2 NIEs 3	2.81
3 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	2.64
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

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	2.63
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

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

FY2013 Performance

Average	2.71
1 North America	2.98
2 NIEs 3	2.90
3 Mexico *	2.82
4 EU 15	2.81
5 Central & Eastern Europe	2.77
6 ASEAN 5	2.72
7 Turkey *	2.70
8 Vietnam	2.66
9 Russia	2.59
10 China	2.58
11 Brazil *	2.51
12 India	2.28
ASEAN 5 breakdown	
1 Singapore	2.83
2 Philippines	2.79
3 Malaysia	2.69
4 Indonesia	2.68
5 Thailand	2.67

FY2013 Performance

Average	2.65
1 NIEs 3	2.87
2 North America	2.83
3 EU 15	2.79
4 Central & Eastern Europe	2.77
5 Turkey *	2.67
5 Vietnam	2.67
7 ASEAN 5	2.65
8 Mexico *	2.64
9 Russia	2.57
10 China	2.50
11 Brazil *	2.42
12 India	2.24
ASEAN 5 breakdown	
1 Singapore	2.78
2 Philippines	2.75
3 Malaysia	2.64
4 Thailand	2.62
5 Indonesia	2.55

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

Country/Region	"More Profitable than Japan" responses (1)	Total responses (2)	Ratio: [(1)/(2)]
1. Thailand	120	366	32.8%
2. China	124	513	24.2%
3. North America	89	386	23.1%
4. NIEs3	59	265	22.3%
5. Indonesia	54	257	21.0%
6. Vietnam	35	181	19.3%
7. Malaysia	37	195	19.0%
8. Singapore	38	223	17.0%
9. Philippines	22	130	16.9%
10. Central & Eastern Europe	15	103	14.6%
11. EU 15	37	272	13.6%
12. Mexico	13	131	9.9%
13. Brazil	10	127	7.9%
14. India	14	202	6.9%
15. Russia	5	92	5.4%
16. Turkey	3	67	4.5%

Note: When companies were asked about their profitability in FY2013 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 net sales and profits and those that responded to the comparison of profitability with Japan.

Note1: Data of companies which answered both net 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.

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

	No. 1 India		No. 2 Indonesia		No. 3 China		No. 4 Thailand		No. 5 Vietnam		No.6 Mexico		No. 7 Brazil		No. 8 USA		No.9 Russia		No.10 Myanmar	
	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	229	100%	228	100%	218	100%	176	100%	155	100%	101	100%	83	100%	66	100%	60	100%	55	100%
Plans exist	92	40.2%	101	44.3%	136	62.4%	104	59.1%	52	33.5%	50	49.5%	35	42.2%	39	59.1%	22	36.7%	16	29.1%
No plans	129	56.3%	117	51.3%	78	35.8%	66	37.5%	95	61.3%	49	48.5%	45	54.2%	27	40.9%	36	60.0%	37	67.3%
No response	8	3.5%	10	4.4%	4	1.8%	6	3.4%	8	5.2%	2	2.0%	3	3.6%	0	0.0%	2	3.3%	2	3.6%

	No. 11 Philippines		No. 12 Malaysia		No. 13 Turkey		No. 14 Singapore		No. 15 Cambodia		No. 15 Korea		No. 17 Taiwan		No. 18 Germany		No. 19 France		No. 19 Saudi Arabia		No. 19 South Africa	
	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio
Total	50	100%	46	100%	26	100%	25	100%	20	100%	20	100%	19	100%	9	100%	7	100%	7	100%	7	100%
Plans exist	20	40.0%	17	37.0%	10	38.5%	17	68.0%	8	40.0%	8	40.0%	7	36.8%	4	44.4%	2	28.6%	2	28.6%	3	42.9%
No plans	28	56.0%	28	60.9%	14	53.8%	7	28.0%	10	50.0%	11	55.0%	11	57.9%	5	55.6%	5	71.4%	4	57.1%	4	57.1%
No response	2	4.0%	1	2.2%	2	7.7%	1	4.0%	2	10.0%	1	5.0%	1	5.3%	0	0.0%	0	0.0%	1	14.3%	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. Domestic and Overseas Production Bases - Trends in the Division of Roles

(4 Major Industries)

Q

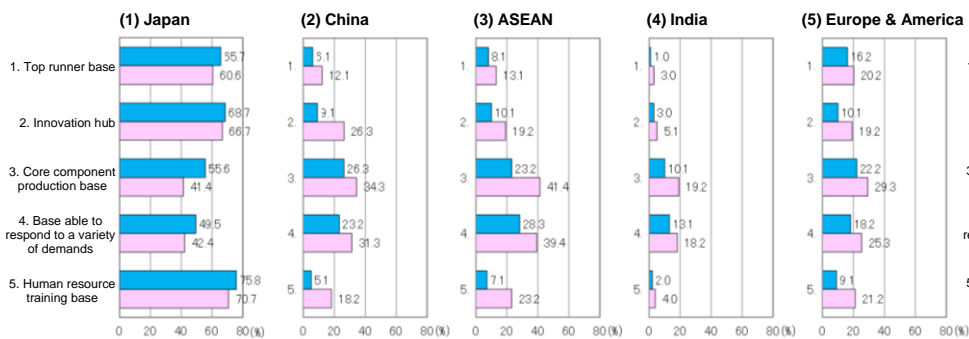
What are the current and long-term (next 5 years or so) roles that you expect of production bases (factories) you have in the following 5 countries/regions: Japan, China, ASEAN, India and Europe & America? Please select and circle the answers that most closely match your company's view from 1. - 5. below. (Multiple responses possible)

(Options)

1. Top-runner base with state-of-the-art production facilities
2. Product (process) innovation hub
3. Production base for core components, etc.
4. Base that can respond to a wide variety of market demands (i.e., to produce multiple products)
5. Base for human resource training and skills transfer

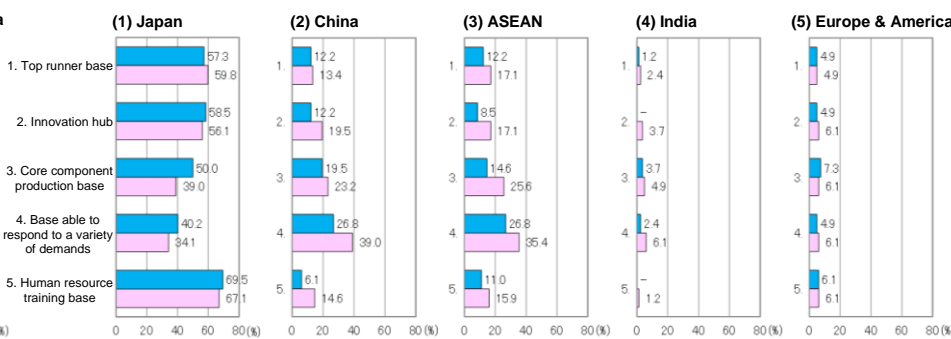
Role of Production Bases ① Automobiles

(No. of responding companies = 94)



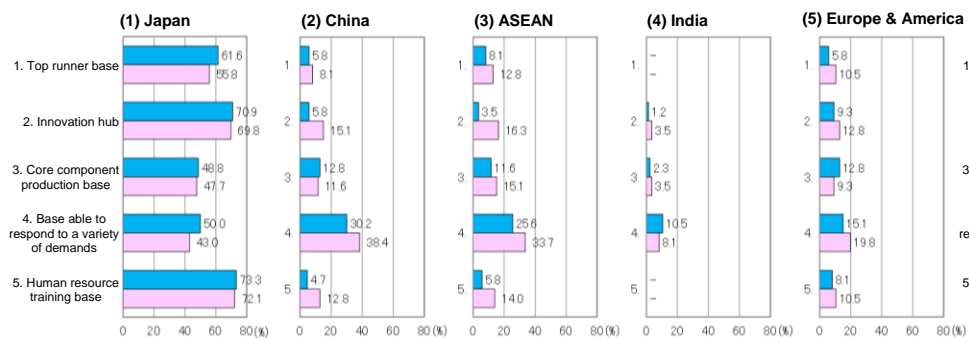
Role of Production Bases ② Electrical Equipment & Electronics

(No. of responding companies = 82)



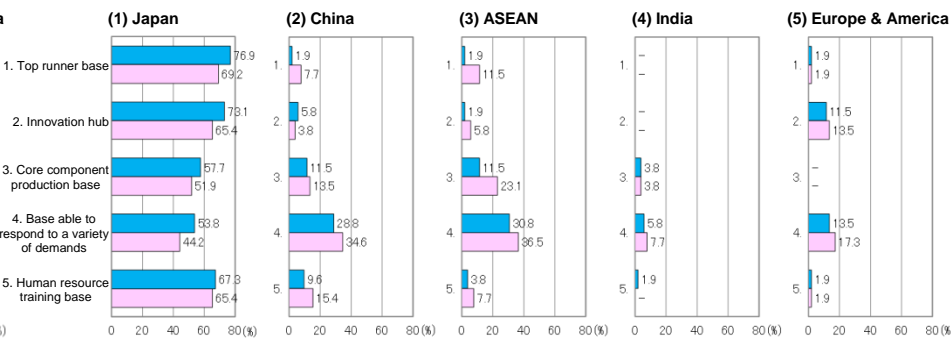
Role of Production Bases ③ Chemicals

(No. of responding companies = 86)



Role of Production Bases ④ General Machinery

(No. of responding companies = 52)



Appendix 10. Research & Development Bases in Japan and Abroad - Trends in the Division of Roles

(4 Major Industries)

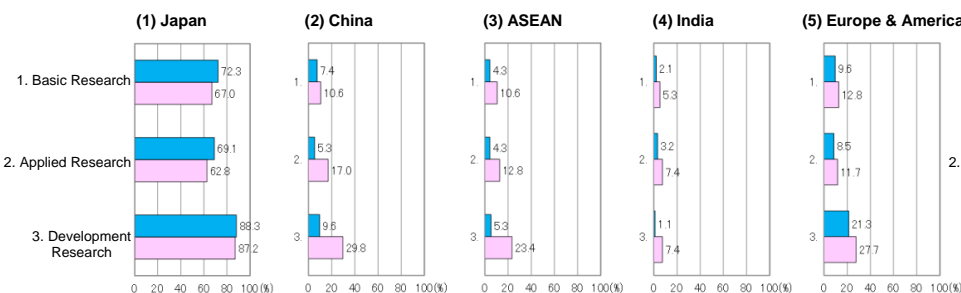
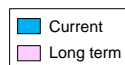
Q

What are the current and long-term (next 5 years or so) roles that you expect of R&D bases you have in the following 5 countries/regions : Japan, China, ASEAN, India, Europe & America? Please select the answers that most closely match your company's view from 1. - 3. below. (Multiple responses possible)

1. Basic Research: Empirical research that is undertaken for the purpose of forming hypotheses and theories and discovering new knowledge regarding observable facts
2. Applied Research: Research that explores how to use the knowledge discovered in basic research for practical possibilities and new applications
3. Development Research: Research that introduces or improves new materials, devices, products, systems and processes, etc., using the knowledge obtained through basic and applied research, etc.

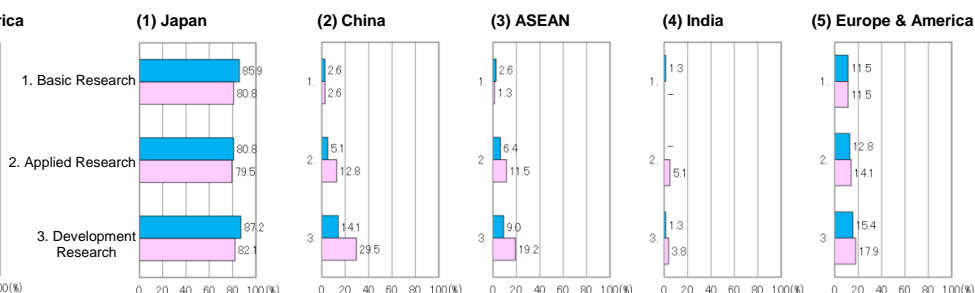
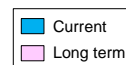
The Role of R&D Bases ① Automobiles

(No. of responding companies = 94)



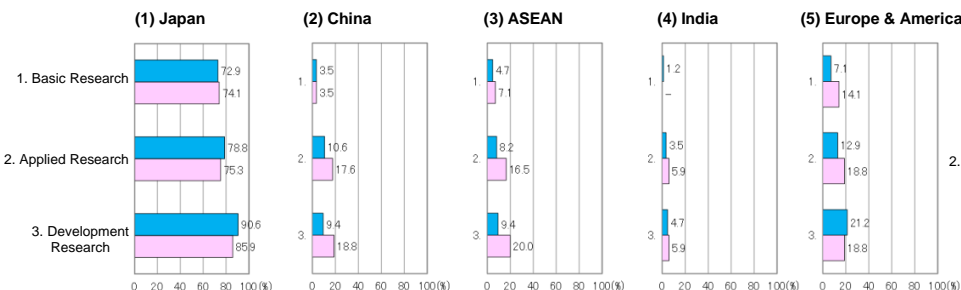
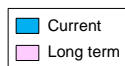
The Role of R&D Bases ② Electrical Equipment & Electronics

(No. of responding companies = 78)



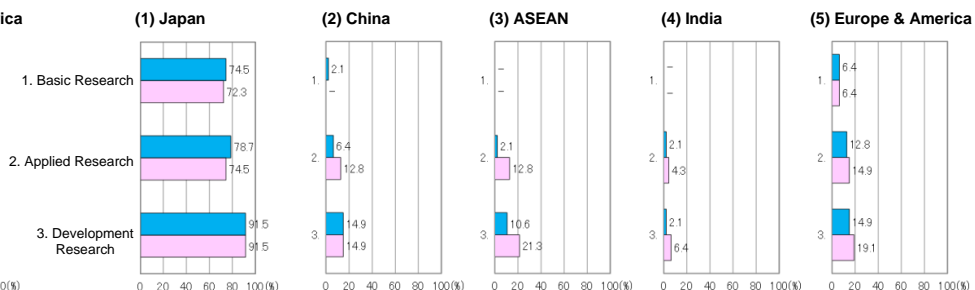
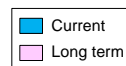
The Role of R&D Bases ③ Chemicals

(No. of responding companies = 85)



The Role of R&D Centers ④ General Machinery

(No. of responding companies = 47)



Rank	Advanced information and telecommunications networks	2014	2011
1	China	7	18
2	India	4	13
3	Philippines	3	0
3	Vietnam	3	1
3	USA	3	7
6	Indonesia	2	1
6	Singapore	2	0

Rank	Nuclear power generation	2014	2011
1	China	6	7
2	Turkey	4	0
2	Vietnam	4	4
4	India	3	5
4	USA	3	3
6	Russia	2	0
6	UK	2	0
8	Taiwan	2	0

Rank	Electricity transmission and distribution	2014	2011
1	China	4	4
1	India	4	9
3	Indonesia	3	4
3	Myanmar	3	0
5	Thailand	2	4
5	Vietnam	2	4

Rank	High-efficiency coal-fired power generation	2014	2011
1	Indonesia	5	5
2	India	4	10
3	Vietnam	4	3
4	China	3	5
5	Malaysia	2	0
5	USA	2	1

Rank	Coal gasification power generation	2014	2011
1	China	3	7
1	Indonesia	3	3
1	Japan	3	2

Rank	Carbon dioxide capture and storage	2014	2011
1	Thailand	2	2
1	USA	2	3

Rank	Other	2014	2011
1	Indonesia	6	2
2	China	4	2
2	Vietnam	4	1
4	Philippines	3	1
5	Malaysia	2	0
5	Taiwan	2	0
5	Thailand	2	1

(Note 1) Aggregate statistics for FY 2011 showed the top 5 most promising countries in the medium term. In this survey aggregate calculations have been modified to display results for the top 3 countries.

(Note 2) The responses for FY 2014 do not list countries/regions for which only a single company responded in the number of respondent companies. Regarding "Solar thermal power generation," it has not been published because there was no more than one company that replied for each of the promising countries.

**Survey Report on Overseas Business Operations by
Japanese Manufacturing Companies**
Results of the JBIC FY2014 Survey

Edited and published by the Policy and Strategy Office for Financial Operations, JBIC
Published on November 28, 2014
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