Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Results of the JBIC FY2011 Survey:
-Outlook for Japanese Foreign Direct Investment (23rd Annual Survey)-

December 2011

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

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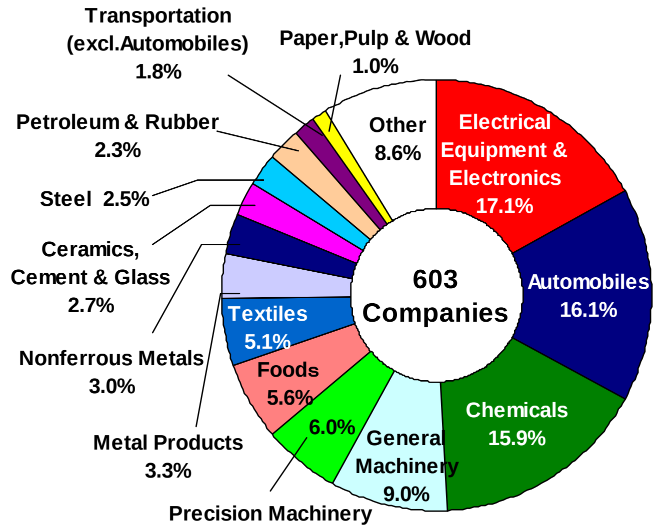
Survey Overview and Companies Surveyed

Survey Overview

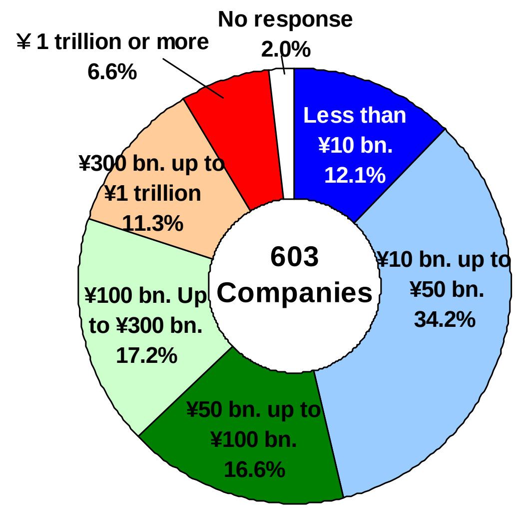
- Survey targets: Manufacturing companies that have three or more overseas affiliates (including at least one production base)
- No. of companies questionnaires were mailed to: 977
- Responses returned: 603 (response rate: 61.7%)
- No. of foreign affiliates of respondent companies: 10,841
- Period of survey: Sent in July, 2011
  Responses returned from July to September
  Face-to-face interviews (33) and phone interviews (116) conducted from August to October
- Main survey topics:
  - Medium-term business prospects
  - Evaluations of overseas business performance
  - Promising countries or regions for overseas business operations
  - Supply chains network since the Great East Japan Earthquake
  - Infrastructure businesses overseas
- 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



Industry Type	No. of Respondent Companies
Electrical Equipment & Electronics	103
Automobiles	97
Chemicals	96
General Machinery	54
Precision Machinery	36
Foods	34
Textiles	31
Metal Products	20
Nonferrous Metals	18
Ceramics, Cement & Glass	16
Steel	15
Petroleum & Rubber	14
Transportation (excl. Automobiles)	11
Paper, Pulp & Wood	6
Other	52
Total	603

Figure 2: No. of Respondent Companies by Net Sales



Net Sales	No. of Respondent Companies
Less than ¥10 bn.	73
¥10 bn. up to ¥50 bn.	206
¥50 bn. up to ¥100 bn.	100
¥100 bn. up to ¥300 bn.	104
¥300 bn. up to ¥1 trillion	68
¥1 trillion or more	40
No response	12
Total	603

2. Number of Overseas Affiliates and Production Bases

Note: Statistics below are based on answers from respondent companies each year.

Figure 3: No. of Overseas Affiliates

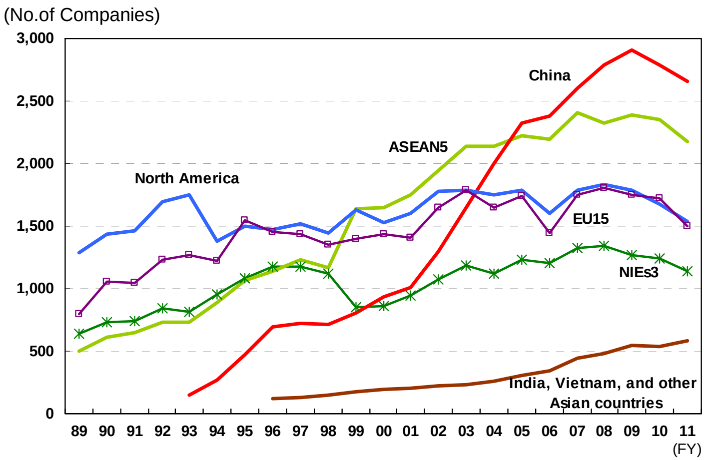


Figure 4: No. of Overseas Production Bases

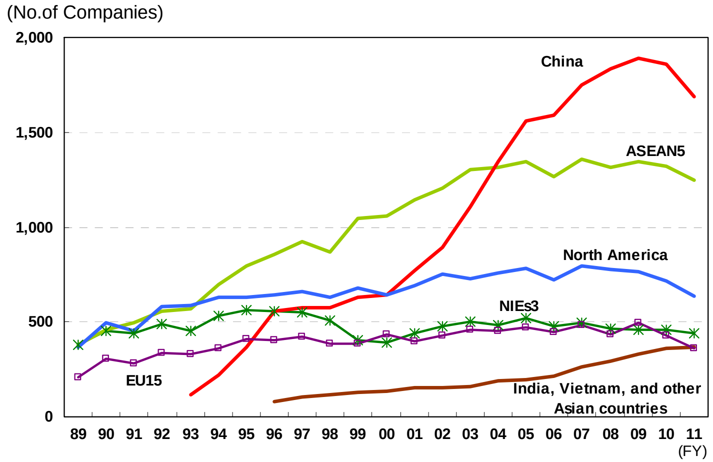
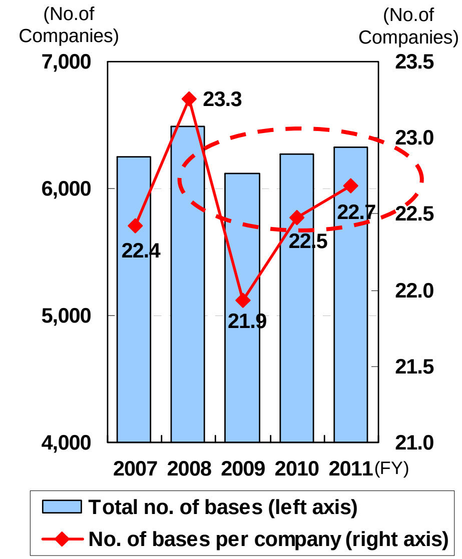


Figure 5: No. of Bases of Companies that Continually Respond (279)



Note 1: Data for China starts from FY1993. Data for other Asian countries starts from FY1996.
Note 2: Singapore was included in NIEs until FY1998 and in ASEAN from FY1999. EU15 is defined as the EU line from FY2004.

Figure 6: By Function and Region

(n=594) (Unit: No. of companies)

	NIEs3	ASEAN5	China	India, Vietnam, & other Asian countries	North America	Latin America	EU15	Central & Eastern Europe	Other European Countries & CIS Nations	Russia	Oceania	Middle East	Africa	Total
Production	440	1,247	1,691	367	636	214	360	120	22	16	57	20	25	5,215
Sales	622	681	779	165	544	232	921	89	52	39	108	60	31	4,323
R&D	6	38	70	11	71	7	44	2	0	2	3	0	1	255
Other	74	208	122	44	282	67	171	11	6	11	30	11	11	1,048
Total	1,142	2,174	2,662	587	1,533	520	1,496	222	80	68	198	91	68	10,841
(Year-on-year change)	-100	-180	-129	50	-141	-12	-224	-24	-24	-5	-36	4	-23	-844

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

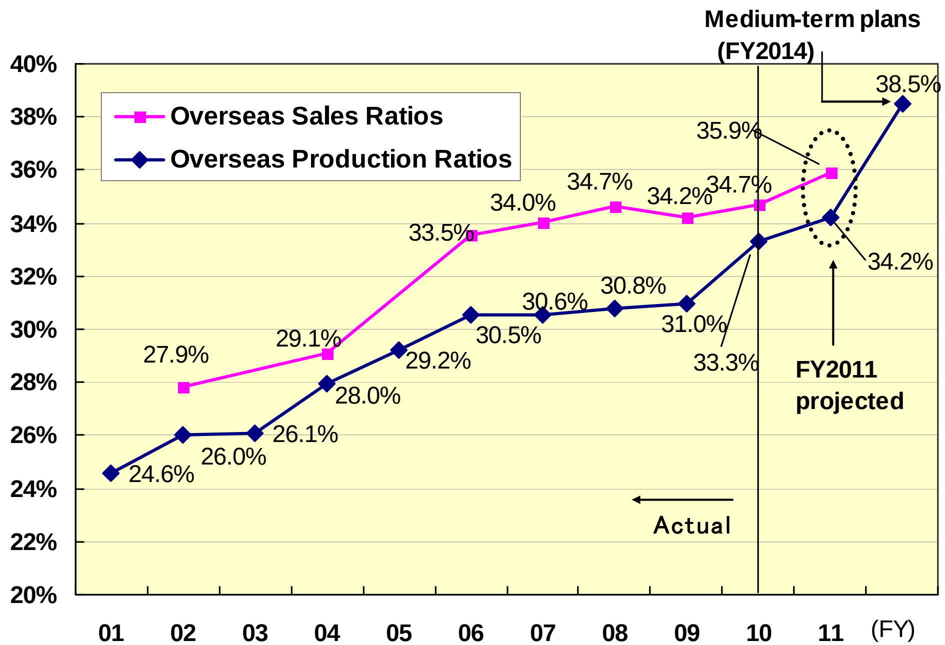
Northeastern China (Heilongjiang, Jilin, Liaoning)
Northern China (Beijing, Tientsin, Hebei, Shandong)
Eastern China (Shanghai, Jiangsu, Anhui, Zhejiang)
Southern China (Fujian, Guangdong, Hainan)
Inland China (Provinces other than those mentioned above and autonomous regions)

■With the exception of India and Vietnam, the increase in overseas bases has slowed down

- Figures 3 and 4 show the annual totals of the overseas bases of the companies that responded to the questionnaire. With the exception of India and Vietnam, the number of overseas bases has been on the decline since the survey of two years ago, although part of this trend may have to do with the fact that companies with many overseas bases did not respond.
- If we look at change in the number of bases for the past five years (Figure 5) of companies that have consistently responded to the survey (279 companies), we see that the numbers are returning to levels seen prior to the collapse of Lehman Brothers (i.e. the “Lehman Shock”), but the rate of increase seems to be peaking. This is likely a manifestation of an ongoing shift in Japanese manufacturers from building new bases overseas to bolstering their existing ones (see Figures 36—43).

Note: See Appendix 6 for values by industry.

Figure 7: Ratios of Overseas Production*1 and Overseas Sales*2



■Ratios of overseas production and sales will continue to rise

- At 33.3%, the FY2010 overseas production ratio reached a record high. FY2011 forecasts and medium-term plans alike indicate that companies will continue to increase their overseas production ratio. The average ratio of medium-term plans in particular (now at 38.5%) is quickly approaching the 40% mark.
- The FY2010 ratio of overseas sales rose by 0.5 points over the previous fiscal year, and in the FY2011 projections the ratio is expected to rise even higher.

Figure 8: Ratios of Overseas Production*1 by Major Industry

	FY2008 (Actual)	No. of respondent companies	FY2009 (Actual)	No. of respondent companies	FY2010 (Actual)	No. of respondent companies	FY2011 (Projected)	No. of respondent companies	Medium-term plans (FY2014)	No. of respondent companies
Chemicals	22.0%	77	20.1%	73	23.0%	81	23.2%	79	28.5%	71
General Machinery	19.7%	60	22.5%	51	24.6%	50	25.6%	49	30.7%	44
Electrical Equipment & Electronics	43.4%	103	44.3%	97	48.2%	98	49.0%	97	53.7%	91
Automobiles	36.1%	97	32.6%	93	34.8%	89	35.9%	85	39.8%	79
All Industries	30.8%	563	31.0%	525	33.3%	544	34.2%	530	38.5%	495

Figure 9: Ratios of Overseas Sales*2 by Major Industry

	FY2008 (Actual)	No. of respondent companies	FY2009 (Actual)	No. of respondent companies	FY2010 (Actual)	No. of respondent companies	FY2011 (Projected)	No. of respondent companies
Chemicals	28.3%	88	28.4%	85	30.1%	92	30.6%	86
General Machinery	39.2%	66	37.0%	56	40.0%	54	41.7%	51
Electrical Equipment & Electronics	45.6%	107	46.2%	102	44.6%	101	46.1%	100
Automobiles	39.0%	104	36.3%	95	35.9%	91	36.2%	86
All Industries	34.7%	609	34.2%	570	34.7%	582	35.9%	556

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

I. Summary and Key Findings

- **Facing a meager prospect for growth in the domestic market, Japanese manufacturers, including mid-tier firms and small and medium enterprises (SMEs), are expected to strengthen and expand business operations in overseas markets to take advantage of their growth.**

- **The overseas business performance of the respondents continues to improve in FY2010, driven primarily by robust business performance in ASEAN countries such as Thailand and Indonesia. In promising countries for overseas business in the medium-term, rising labor costs posed the most important challenge to China, while underdeveloped infrastructure and legal framework/taxation system emerged as specific issues in India. Another trend is that Indonesia and Brazil have attracted more votes as promising this year.**

- **Whereas about 70% of Japanese manufacturers were affected by the Earthquake in procuring parts, they have overcome this hardship by obtaining replacements from either their own factories or other Japanese companies. The Earthquake also provided an opportunity for Japanese manufacturers to reassess and reconstitute their supply chain network. In the meantime, prolonged or further constraints in power supply may induce some companies to scale down their domestic operations.**

- **Although Japanese manufacturers have interest in overseas infrastructure development, especially in emerging countries with robust market growth, there are a relatively limited number of companies that have actually entered in this area, even if including delivery of parts and equipment. A major trend going forward is that Japanese manufacturers will remain to engage in sales of parts and equipment in overseas infrastructure development and that there are few moving further to provide operation, management and maintenance services. Further, to move forward overseas infrastructure development, it is essential to identify and meet local needs, find reliable local partners and strengthen cost competitiveness.**

I. 2. Key Findings (Annual Questions)

- **It has become clear that Japanese manufacturers including mid-tier firms and SMEs have an intention to strengthen overseas business.**
  - Partly affected by the Earthquake, the number of Japanese manufacturing companies with an intention to strengthen domestic business has plummeted to the lowest level (25.9%), while there was a record increase (87.2%) in the number of companies willing to strengthen overseas business. That clearly shows that Japanese manufacturers including mid-tier firms and SMEs have a strong intention to expand overseas business with a view to take benefits from growth in overseas markets. Both overseas production ratio and overseas sales ratio have continued to grow and their growth has gained momentum after the collapse of Lehman Brothers (i.e. the "Lehman Shock"). Furthermore, overseas production percentage is forecast to increase further, up to the 40% range, over the coming years (p. 4 and 12).
- **Japanese manufacturers showing their intention to strengthen or expand overseas operations tend to maintain or strengthen domestic operations as well.**
  - Of the companies with an intention to strengthen or expand overseas operations (506 companies), 303 respondents reply that they will maintain domestic operations, while 142 companies state that they even have an intention to strengthen or expand domestic operations. This means that approximately 90% of the companies with an intention to strengthen overseas business will maintain or expand domestic operations. Whereas there exist moves that some companies will strengthen overseas business and reduce domestic operations at the same time, this seems to reflect activities of some medium-sized companies in sales which have sought overseas expansion (p. 12 and 14).
- **The degrees of satisfaction with net sales and profits are higher in Thailand and Indonesia; by industry, steel, petroleum and rubber, and automobiles.**
  - The degrees of satisfaction with net sales and profits in FY 2010 show a brisk recovery from the sharp drop following the "Lehman Shock". Ranking high on the list are Thailand and Indonesia by country, and steel, petroleum and rubber, and automobiles by industry. Particularly notable is the improvement made by the automobile sector in the Southeast Asian countries. Although the impact of Thailand's flooding caused by heavy rain this summer is not covered in this survey, we need to closely monitor adverse effects of the disaster on the Japanese manufacturers' production activities for the coming months, because nearly half of the responding companies have production bases in the country (p. 8 and 11).
- **As promising countries for overseas business over the medium-term, the percentage shares of votes to China and India hit a peak.**
  - Although China and India ranked 1st and 2nd respectively as most promising countries for overseas business over the medium-term, their percentage shares of votes have hit a peak. Regarding China, Japanese manufacturers express raised awareness about increasing labor cost while pointing out legal practices and other issues as challenges for doing business. With regard to India, while many Japanese manufacturers continue to consider the underdeveloped infrastructure as an issue, they are increasingly recognizing specific issues such as unclear execution of legal practices and taxation system as India gathers more interest (p. 8, 10, pp. 16-18).
- **Among promising countries, Indonesia and Brazil are on a roll.**
  - While emerging countries such as Thailand and Indonesia climbed in the list of the promising countries or regions for overseas business over the medium-term, Indonesia and Brazil particularly have gathered more votes from companies with concrete business plans and it is expected that more Japanese companies will actively enter these countries for the coming years. In the meantime, it is also notable that Cambodia moved up to the top 20 ranking group for the first time (p.15 and 24).
- **Merger and acquisition (M&A) activities increased primarily in the emerging economies.**
  - The number of companies engaged in M&A activities doubled to 70 from the previous survey's 36. Of the increased portion (34 companies), 21 took place in the emerging countries, which was largely attributable to India (increased by 6) and Brazil (increased by 6). By industry, brisk activities were seen in the chemicals (17 companies) and food (16) sector (p. 28).

- **Japanese manufacturers have responded to disruptions of the supply chain network caused by the Earthquake either by "not changing supply source" or by "procuring from Japanese alternate companies".**
  - As many as about 70% (422 companies) out of 603 responding companies were affected by the Earthquake in procuring parts and components. Half of them (212 companies) did not change their procurement sources, while a little more than 40% (191 companies) looked to other Japanese companies for alternative procurement sources. However, the companies that relied on foreign alternate sources for procurement, including those that did so only for part of products, remained approximately 20% (95 companies) of the total affected companies (p. 33 and 34).
- **"Reconstituting the supply chain network" is the major risk diversification measure in the wake of the Earthquake.**
  - From the point of risk diversification in the wake of the Earthquake, the responding companies have accelerated a move of "identifying a wider picture of the overall supply chain network" and "multiplying supply sources." On the other hand, many companies have already done "the development of multiple domestic production bases" and added "the alternate functions of domestic plants to overseas plants." As a result, it is only a small number of companies that took these measures anew in the wake of the Earthquake. In addition, this survey shows that only part of the companies took such new measures as "maintaining extra stock" or "requesting suppliers to take risk diversification measures" (p. 35).
- **Power supply constraint if getting more serious or prolonged may lead to scaling down domestic operations.**
  - Although about 70% (429 companies) out of 603 responding companies take the power supply constraint as a serious problem, as many as about 70% (434 companies) have kept their business projections unchanged even under the constraint this summer. However, close to 20% (113 companies) respond that they might revise the outlook of business projections and most of them suggest a scale-down in domestic operations in the case that the constraint gets more serious or prolonged (p. 35).
- **While about 30% of the respondents find a business opportunity in overseas infrastructure development, those already entering this area are limited.**
  - Japanese manufacturing companies which find a business opportunity in overseas infrastructure development account for 192 companies out of the responding 603 companies (response rate: 31.8%). However, the companies that have already entered this area still number 126 companies, even if including those simply supplying parts and components. On the other hand, the companies which responded as a business opportunity but not actually entered this area amount to 76 companies, which account for about 40% of the companies which find a business opportunity in this area. By sector, renewable energy and water business attract more interest. By industry, companies primarily in chemicals, electrical equipment and electronics indicate more interest, hoping for increasing demand for component parts (pp. 36-39).
- **Emerging countries with high potentiality of market growth gather more votes as promising in overseas infrastructure development. The United States is also seen as promising in environment-related sectors.**
  - Following China and India, emerging countries such as Vietnam, Indonesia, Thailand and Brazil gather more votes as promising in all sectors because of their high potentiality of market growth. In developed countries, the United States is also seen as promising in the environment-related sectors such as smart grid, smart community and renewable energy (p. 40).
- **Japanese manufacturers are mainly engaged in selling parts and equipments in overseas infrastructure development.**
  - Many companies which have already entered in overseas infrastructure development will remain to engage in simply selling parts and equipments for moving it forward and there are few moves to provide operation, management and maintenance services (pp. 41-43).
- **The agendas for moving forward overseas infrastructure development are: "find reliable local partners," "identify and meet local needs" and "strengthen cost competitiveness."**
  - In particular, it is crucial to "find reliable local partners" before they enter this area and to "strengthen cost competitiveness" after that (p. 44 and 45).

II. Performance Evaluations (FY2010 Performance)

Q. Which of the following applies concerning your company's FY2010 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

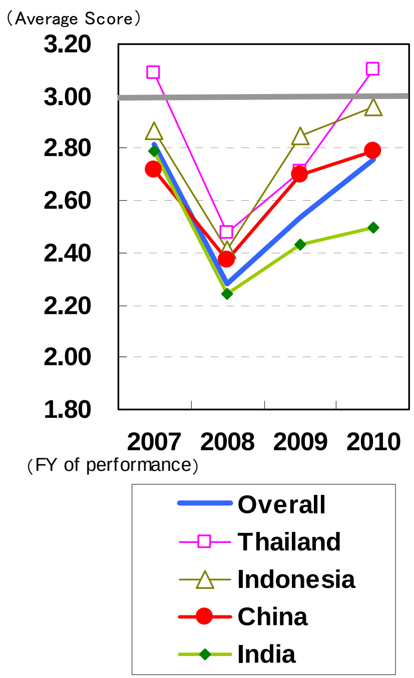
Figure 10: Satisfaction with Net Sales/Profits (all-industry averages)

(FY of performance)	FY2008	FY2009	FY2010
Net Sales	2.34 (-0.59)	2.55 (+0.21)	2.85 (+0.30)
Profits	2.28 (-0.53)	2.54 (+0.26)	2.75 (+0.21)

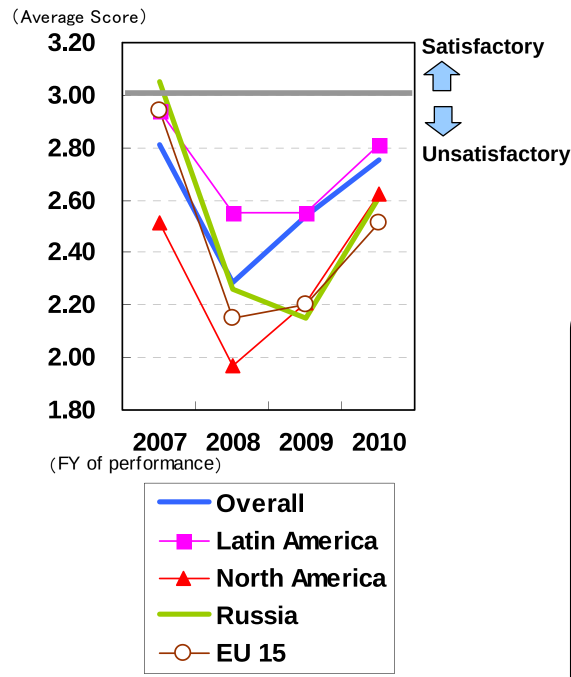
Note1: These figures are simple averages of assessments by country and region.
Note2: Numbers in parentheses indicate the increase/decrease over the previous year's.

Figure 11: Satisfaction with Profits (By region)

(1) Asian countries

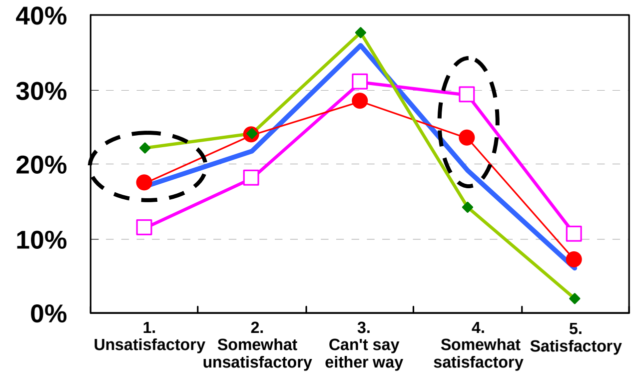


(2) Europe & the Americas



Note: See Appendix 7 for more detailed data collated by country/region.

Figure 12: Distribution in Responses about Satisfaction with Profits (FY2010 performance)



Note: This figure shows the distribution of responses from "1. Unsatisfactory" to "5. Satisfactory" by country/region .

Overall
Thailand
China
India

Figure 13: Countries/Regions More Profitable than Japan (Descending order by ratio)

(Companies)

Country/Region	"More Profitable than Japan" responses (1)	Total responses (2)	Ratio: [(1)/(2)]
1. Thailand	119	314	37.9%
2. China	162	475	34.1%
3. Indonesia	54	201	26.9%
4. NIEs 3	48	223	21.5%
5. Malaysia	39	193	20.2%
Total	654	2,957	22.1%

Note 1: When companies were asked to evaluate performance in countries/regions in which they had businesses, they were asked to point out those which had higher rates of profitability than Japan.

Note 2: "Total responses(2)" is the sum of the number of companies that responded to inquiries about satisfaction with profits and those that responded only to the comparison of profitability with Japan.

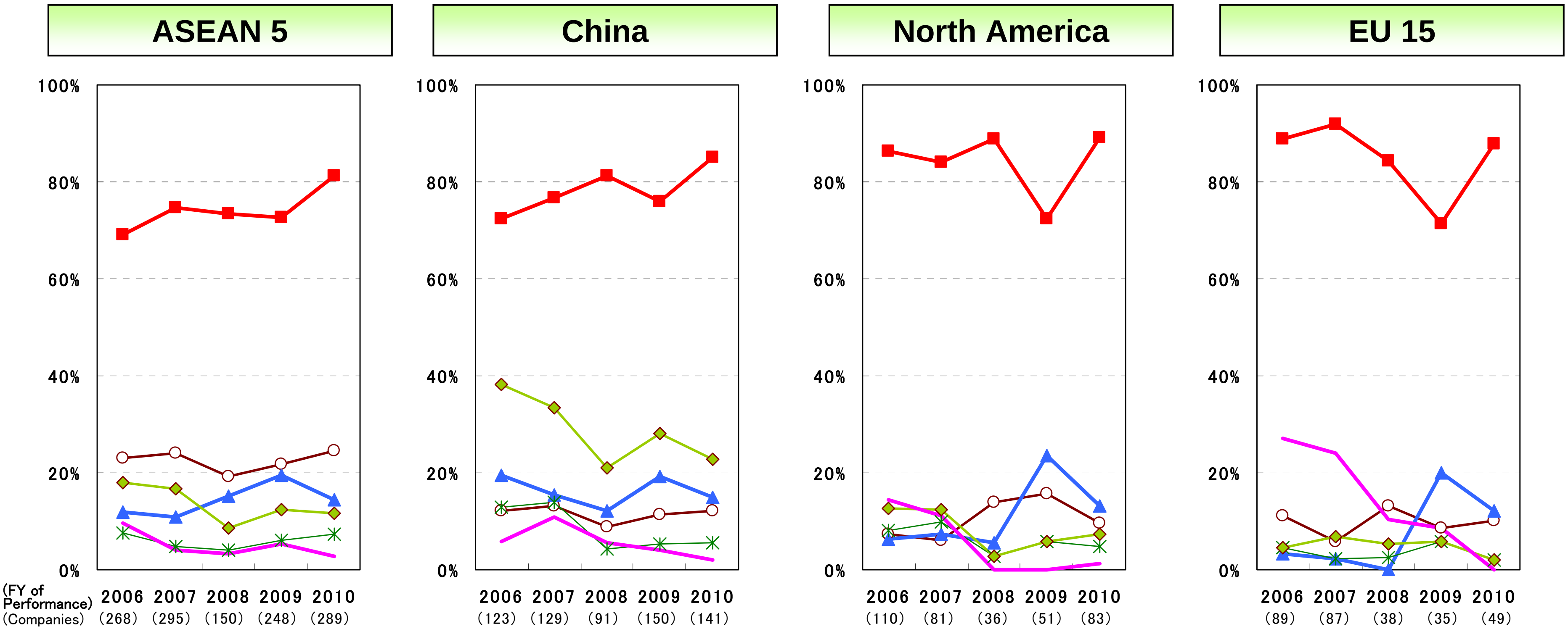
■Albeit slowly, sales and profitability are improving for overseas businesses

・Satisfaction figures for FY2010 performance have steadily improved since the lows after the "Lehman Shock". Specifically, satisfaction over net sales is at 2.85 (a 0.21 point year-on-year increase), and satisfaction over profitability has grown to 2.75 (a 0.21 point year-on-year increase). That said, levels have not reached "3", which was initially targeted (see Figures 10 and 11).

■Satisfaction levels rise for ASEAN and NIEs, but companies are facing hurdles in India

・ASEAN5 and NIEs3 nations have received high marks in terms of both sales and profits. Thailand faired particularly well, with roughly 40% of companies giving responses of either "4. Somewhat satisfactory" or "5. Satisfactory" concerning profitability. The same rates of response for India, on the other hand, did not even reach the 20% level (16.2%). Despite the high expectations for the local market, the effects of fiercer competition and other factors are thought to be behind the difficulty in meeting initial targets for India (see Figures 11 & 12 and Appendix 7).

Figure 14: Reasons for Satisfaction with Profitability over Time (Multiple response)

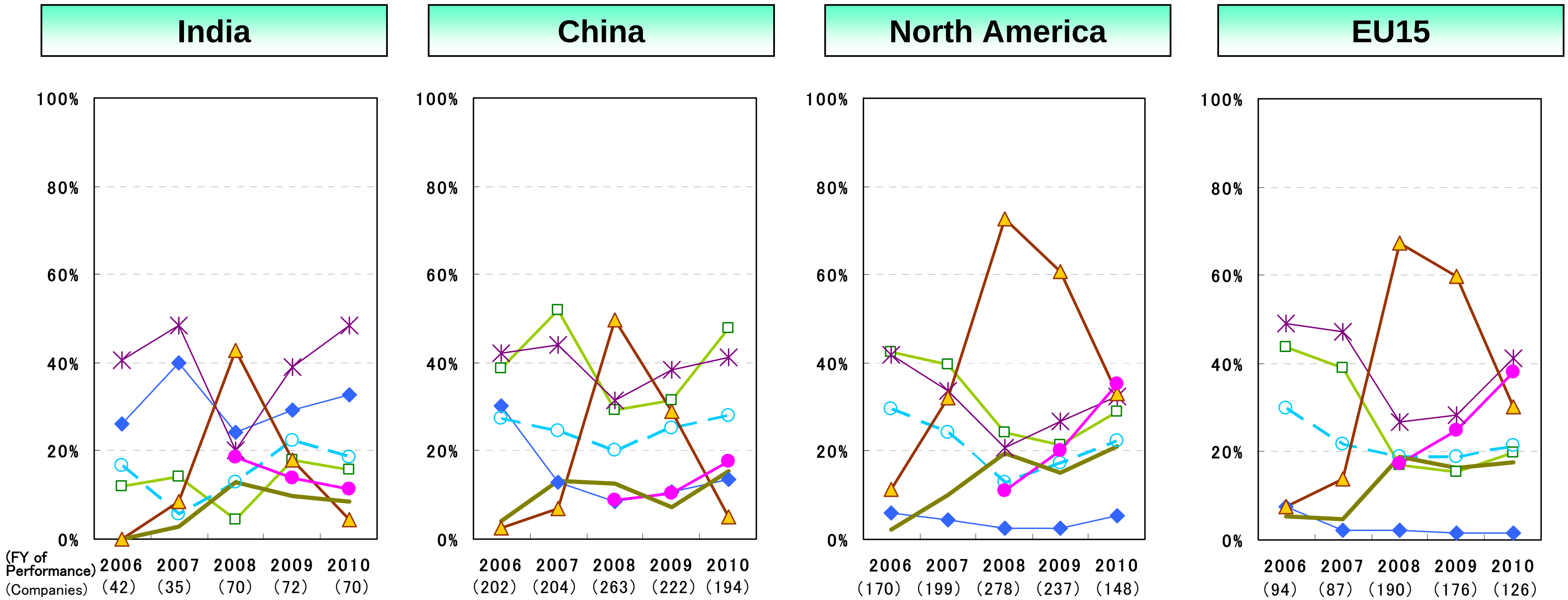


Note: Companies who responded with “4. Somewhat satisfactory” and “5. Satisfactory” regarding profitability were asked for the reasons for those responses on a region/country basis. The percentages represent the ratios of each choice to the total number of responses (shown in parentheses under the fiscal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

■Overall, sales in local markets are performing better

- The ratio of companies that listed “1. Good performance of sales” as a reason for satisfaction in ASEAN5 was 81.3%, with particularly good performance reported in Indonesia, Malaysia, and Thailand (85.7%, 85.3, and 83.9%, respectively). Another characteristic of ASEAN5 is that “2. Good performance of exports” is the second most frequently cited reason for satisfaction, which indicates that the region is being for centers of supply within and outside ASEAN.
- The ratio of “5. Manufacturing facilities brought fully on line” responses for China is decreasing year by year, suggesting that production activities in China have gotten off the ground for more and more companies. (Note that no companies listed “5” for India.)
- The ratio of “3. Successful cost cuts” responses has declined for North American and EU15, while “1. Good performance of sales” responses have seen an upturn, which suggests that companies in these regions are successfully improving their profitability through their business activities, not cost cuts.

Figure 15: Reasons for Dissatisfaction with Profitability over Time (Multiple response)



Note 1: Companies who responded with "1. Unsatisfactory" and "2. Somewhat unsatisfactory" regarding profitability were asked for the reasons for those responses 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 responses were possible.

Note 2: "6.Decreased competitiveness of products due to a strong Yen" was added as a choice beginning with the FY2009 Survey (covering FY2008 performance).

1. Difficulty in cutting costs (personnel, materials, etc.)

2. Not brought fully on line right after establishment

3. Demand for discounts from customers

4. Difficulty in getting customers (intense competition)

5. Shrinking market due to economic fluctuations

6. Decreased competitiveness of products due to a strong Yen

7. Foreign exchange losses (including effects of Yen rates in consolidated accounting)

■China and India: Although there are strong Expectations for local markets, competition is getting even fiercer

- In China, the ratio of companies citing "1. Difficulty in cutting costs" reached 47.9% (16.4 point increase year on year) , which is the No.1 reason for dissatisfaction. It is followed by "4. Difficulty in getting customers" as the 2nd reason and "3.Demand for discounts from customers" as the 3rd reason. These top 3 reasons indicate that the competition in the local market is getting fiercer.
- In India, many companies cite "2. Not brought fully on line right after establishment" as a reason for dissatisfaction with profitability, which is characteristic of emerging economies. As wells as in China, the ratio of companies citing "4. Difficulty in getting customers" increases.

■North America and EU15: The strong Yen is quickly rising as a reason for being dissatisfied

- As the ratio of companies citing "5. Shrinking market due to economic fluctuations" decreases, those citing "6. Decreased competitiveness of products due to a strong Yen" are rapidly increasing.

Figure 16: Evaluating Satisfaction of Net Sales & Profits (FY2010)

	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	3.19	3.25	+0.34	+0.62	9	EU15 (4.00)
2. Petroleum & Rubber	3.26	3.13	+0.08	-0.03	14	Russia (3.75)
3. Automobiles	3.16	3.02	+0.38	+0.31	85	Indonesia (3.73)
4. Transportation (excl. Automobiles)	3.09	2.96	+0.11	+0.28	10	China (3.29)
5. Nonferrous Metals	2.98	2.91	+0.49	+0.34	18	Latin America (3.50)
6. Ceramics, Cement & Glass	2.92	2.90	+0.29	+0.25	13	Thailand 3.50)
7. Metal Products	2.88	2.82	+0.66	+0.50	18	Vietnam (3.33)
8. Other	2.86	2.78	+0.33	+0.19	46	Singapore (3.22)
9. Chemicals	2.83	2.74	+0.20	+0.07	87	Thailand (3.22)
10. Electrical Equipment & Electronics	2.71	2.68	+0.31	+0.28	91	Indonesia (2.93)
11. Textiles	2.63	2.62	+0.18	+0.10	27	Latin America (3.25)
12. Paper, Pulp & Wood	2.96	2.61	+0.64	+0.51	6	Thailand (3.50)
13. Foods	2.60	2.52	+0.10	+0.02	29	Singapore (3.00)
14. General Machinery	2.52	2.52	+0.30	+0.27	48	Singapore (3.05)
15. Precision Machinery	2.74	2.52	+0.58	+0.37	33	India (2.83)

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

■More industries exceeded their initial targets of "3"

・In terms of assessments of FY2009 performance, only "Petroleum & Rubber" products exceeded "3", which means the equal level of the initial targets, but for performances in FY2010, satisfaction levels in the industries of steel, transportation, and automobiles improved (Figure 16).

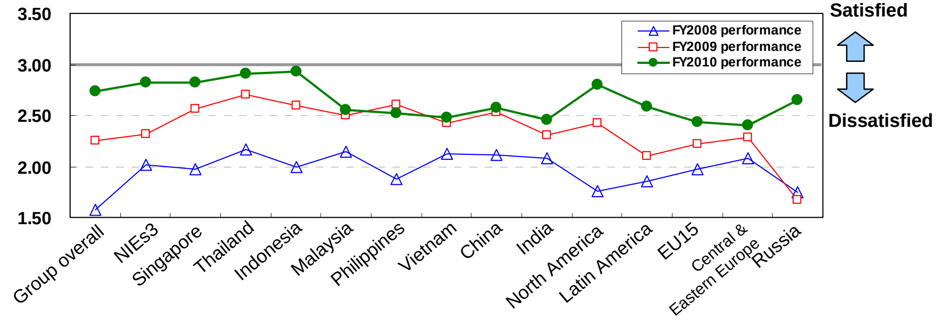
・It is noted that even in industries whose evaluation averages failed to reach "3", there were some countries/regions where profit margins were assessed higher than those in Japan (Appendix 7).

■The automobile industry got high marks in ASEAN5, particularly in Thailand and Indonesia

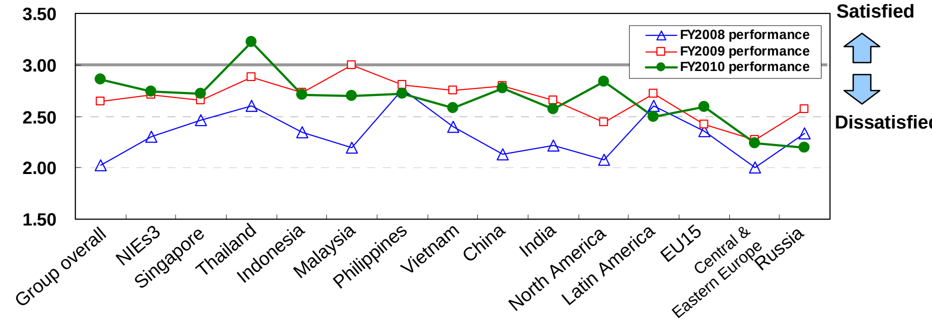
・Upon inquiring about the levels of satisfaction over profitability in the three main industries for which there were the most responses (Figure 17), it was found that there was a relatively higher degree of satisfaction in the ASEAN5 region, particularly in Thailand and Indonesia. Assessments were especially high in the automobile industry, where both countries demonstrated strong local market and solid business performance. In contrast, levels of satisfaction in India remain low.

Figure 17: Satisfaction with Profits by Country/Region (three key industries)

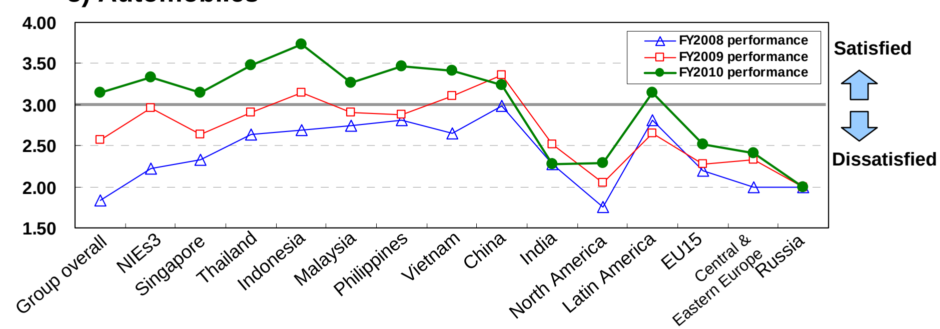
1) Electrical Equipment & Electronics



2) Chemicals



3) Automobiles

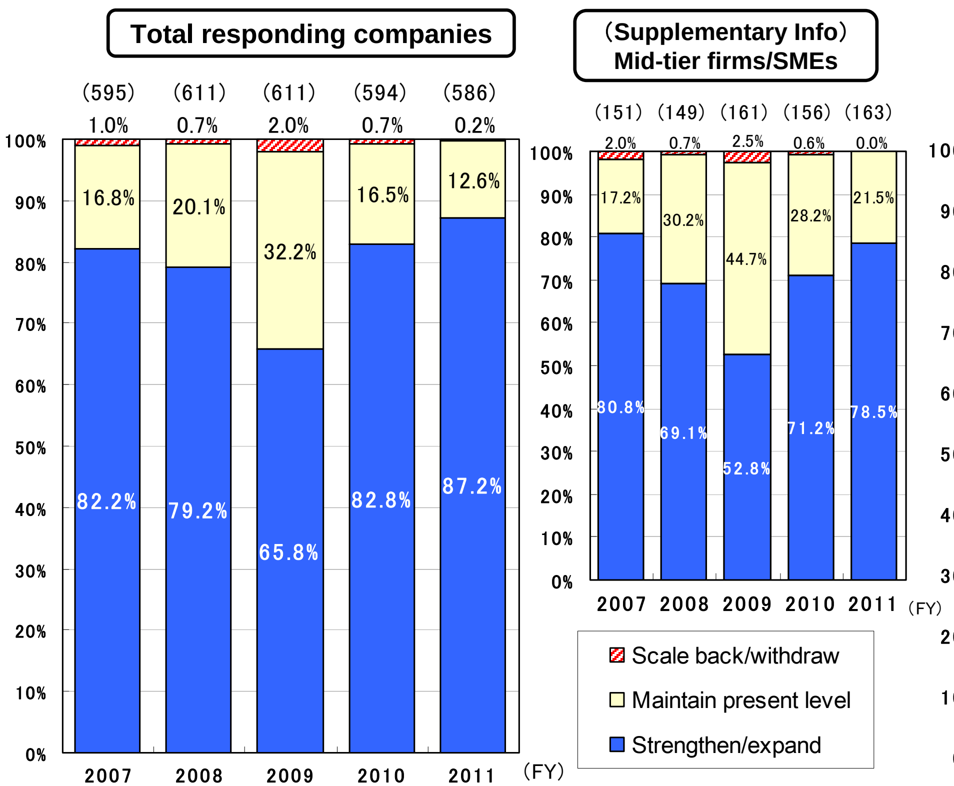


III. Business Prospects

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

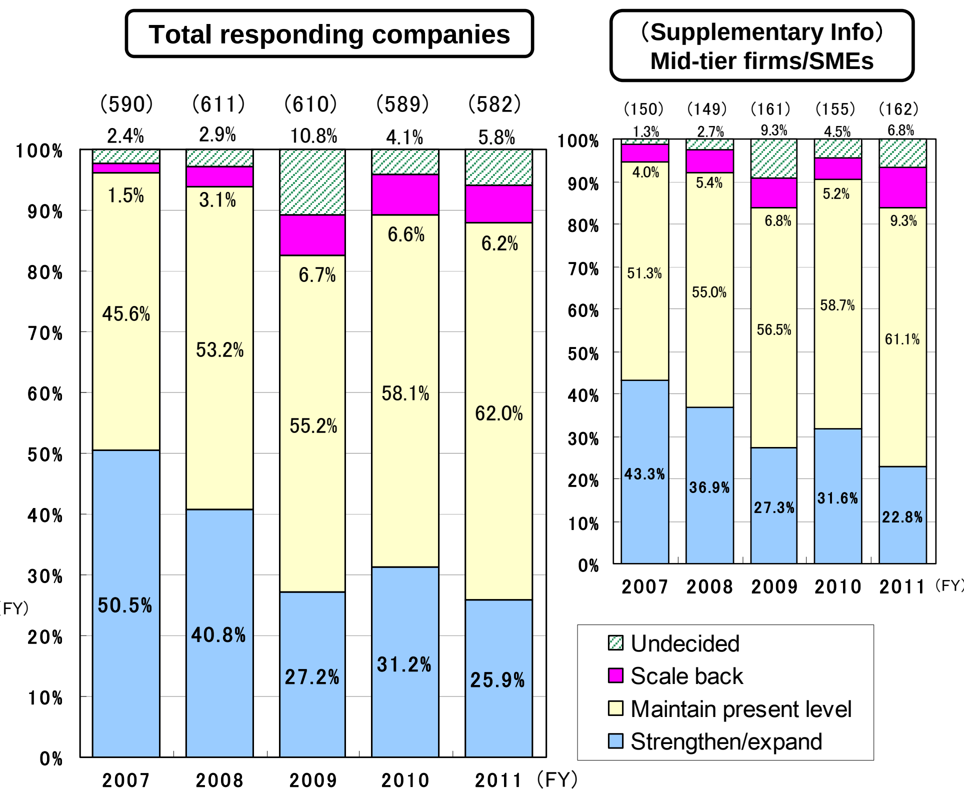
Overseas

Figure 18: Medium-term Prospects (next 3 yrs. or so) for Overseas Operations



Domestic

Figure 19: Medium-term Prospects (next 3 yrs. or so) for Domestic Operations



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.

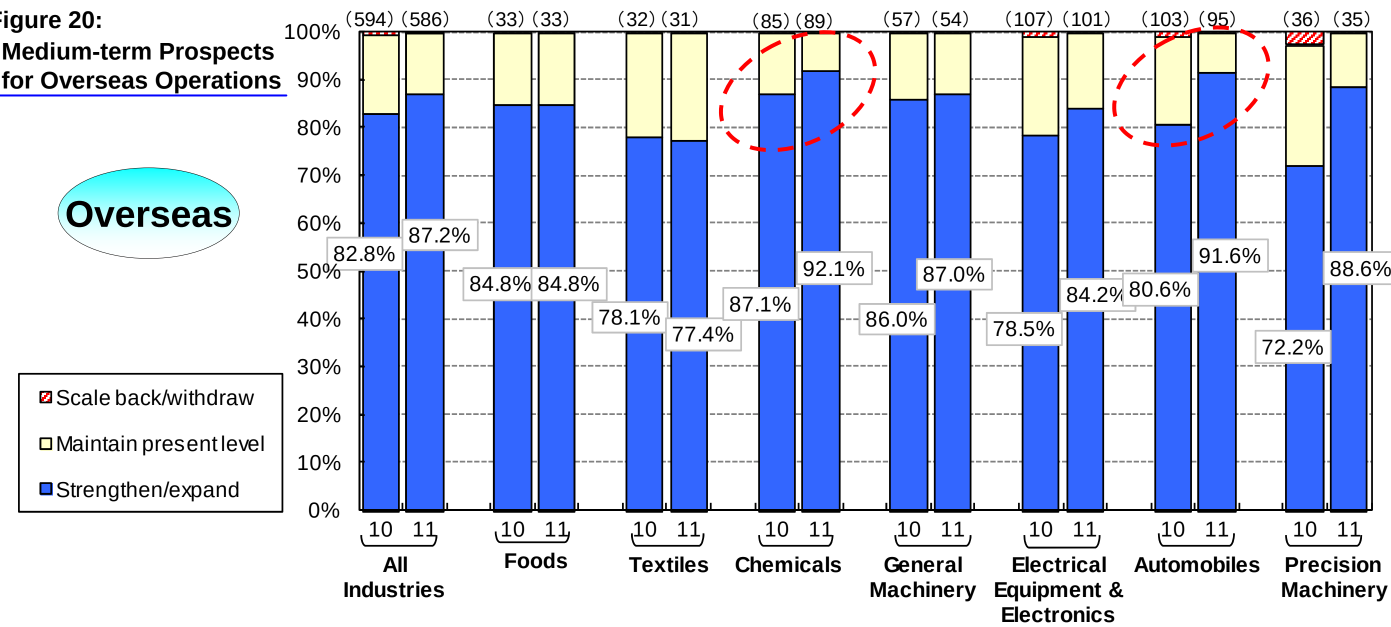
Note2: The numbers in the parentheses above the bar graphs indicate the numbers of responding companies to the question.

Note3: Mid-tier firms/SMEs are companies whose paid-in capital is less than 1 billion Japanese Yen.

■Large corporations and Mid-tier firms/SMEs alike are clearly bolstering their overseas businesses as a means to grow

- The number of companies that responded that they will "strengthen/expand" their overseas businesses was 511 companies, which was 87.2% of the total (a 4.4 point increase from the previous fiscal year), which was the highest ratio recorded since this survey began. The figures for Mid-tier firms/SMEs for the same were also very high at 78.5%, which is comparable to the record high of FY2007 (80.8%).
- As for domestic operations, companies see a meager prospect for growth in the domestic market, and in part due to the effects of the Great East Japan Earthquake, 361 companies, or 62.0%, responded that they would "maintain present levels", while 151 companies (25.9%) said they would "strengthen or expand" domestically, which is the lowest figure ever seen in this survey, a clear indication of overall intent to "maintain current levels". The ratio of SMEs saying they would "strengthen or expand" dropped even lower at 22.8%.
- Overall, large corporations and mid-tier firms/SMEs alike, not seeing prospects for domestic growth, are clearly seeking to reinforce their overseas business operations as a means for growth.

Figure 20: Medium-term Prospects for Overseas Operations



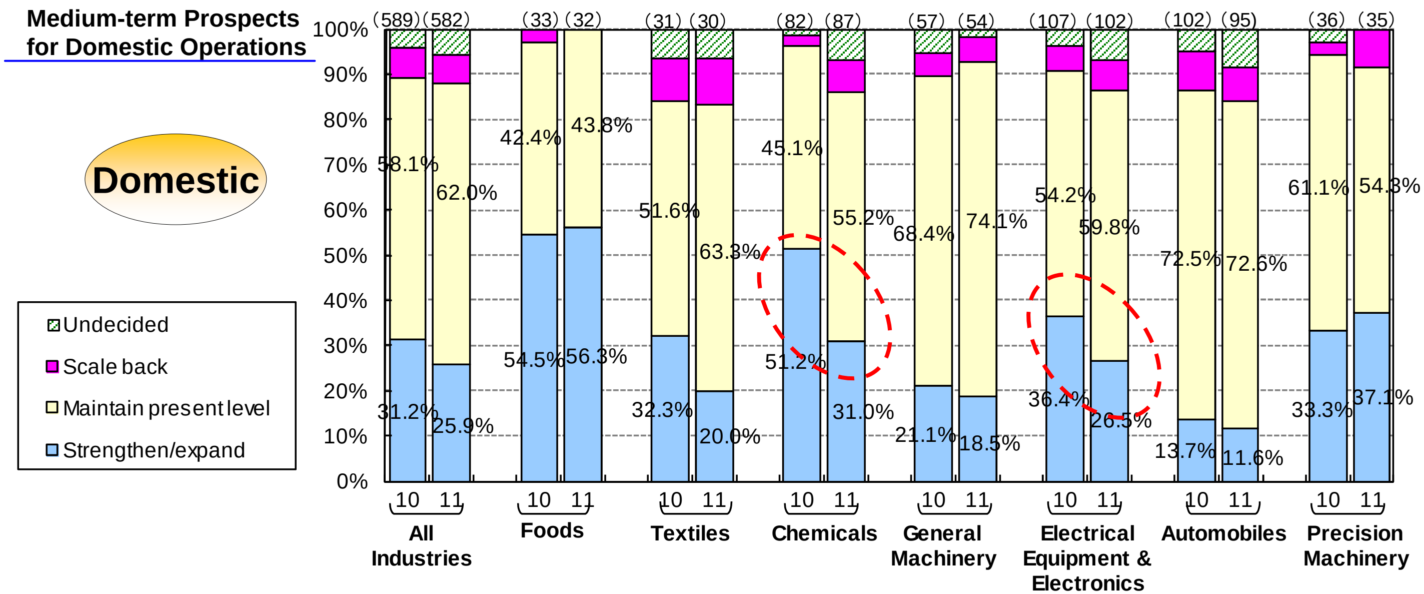
■**Overseas: Companies in nearly all industries intend to "strengthen or expand" their operations**

- Although eight fewer companies answered this question this time, 19 more companies responded that they would "strengthen or expand" operations.
- Particularly high ratios for "strengthen or expand" responses were seen in the chemical and automobile industries, both of which exceeded 90%. At the same time, it was "precision machinery" that saw the highest growth in such responses, passing the 80% mark (a 16.4 point year-on-year increase) for the first time in five years.

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

Figure 21: Medium-term Prospects for Domestic Operations



■**The number of companies seeking to strengthen/expand declines while those looking to maintain current operations grow**

- Compared with last year, the number of companies seeking to "strengthen or expand" decreased by 33 (a 5.3 point drop), while there were 19 more companies (a 4.0 point gain) in companies looking to "maintain present levels", which shows that more companies have adopted a "wait and see" approach to domestic businesses. The number of "maintain present level" responses has consistently risen since the FY2007 survey.
- The ratio of "strengthen or expand" responses has decreased particularly sharply in the industries of Chemicals and Electrical Equipment & Electronics. The Great East Japan Earthquake severely damaged these two industries, and the effects are thought to be reflected in the responses.

Figure 22: Cross tabulation of overseas and domestic business prospects

Medium-term business prospects			Overseas production ratios					
Overseas businesses	Domestic businesses	No. of respondent companies	FY2010 actual	No. of respondent companies	FY2011 projections	No. of respondent companies	Medium-term plans (FY2014)	No. of respondent companies
Strengthen/expand (506 companies)	Strengthen/expand	142	27.2%	126	27.4%	124	31.1%	112
	Maintain present level	303	33.2%	283	34.7%	276	39.3%	262
	Scale back	33	42.0%	33	44.7%	32	53.4%	32
	Undecided	28	34.6%	26	35.0%	26	38.3%	21
Maintain present level (73 companies)	Strengthen/expand	8	25.0%	8	25.0%	8	26.3%	8
	Maintain present level	57	45.0%	47	44.5%	44	45.9%	43
	Scale back	3	51.7%	3	51.7%	3	51.7%	3
	Undecided	5	20.0%	4	20.0%	4	20.0%	4
Scale back/withdraw (1 company)	Strengthen/expand	1	15.0%	1	5.0%	1	-	0
	Maintain present level	0	-	0	-	0	-	0
	Scale back	0	-	0	-	0	-	0
	Undecided	0	-	0	-	0	-	0
Total		580		531		518		485

Note: This figure is a cross tabulation of 580 companies which answered both questions of the prospects for overseas operations (Figure 18) and the prospects for domestic operations (Figure 19).

■ About 90% of respondent companies reply that they will either strengthen or maintain domestic operations while they will either strengthen or maintain overseas operations

・The companies that would “strengthen or expand” levels of domestic operations while “strengthening or expanding” their overseas operations amounted to 142 companies. Those that would “maintain” levels of domestic operations with the intention of strengthening the overseas operations amounted to 303 companies, over half of total companies with the intention of strengthening “overseas operations”(506). In addition, of the companies that responded to “maintain” levels of overseas operations, 57 companies would “maintain” domestic operations, while eight would “strengthen or expand” their domestic operations. Combining four categories mentioned above, the total number of companies comes to 510. About 90% of the respondent companies (580) will either maintain or expand their domestic operations while either maintaining or strengthening their overseas operations.

■Most companies indicating to “scale back” domestically are strongly overseas-oriented

・Meanwhile, there were 33 companies that indicated to “scale back” their domestic operations while they would “strengthen or expand” their overseas operations. As is clear from Figure 23, most of these (22 companies) are companies with less than ¥50 billion in sales and the distribution of these companies is fairly even across industries. It seems that these companies are traditionally very “overseas-oriented” and therefore have high ratios of overseas production. It is also assumed that the choices to scale back domestically are presumably management decisions made on a company-by-company basis.

Figure 23: Characteristics of companies scaling back

(1) Volume of net sales

	No. of companies choosing to scale back (A)	No. of respondent companies (B)	(A)/(B)
¥ 1 trillion or more	2	40	5.0%
¥300 bn. up to ¥1 trillion	2	68	2.9%
¥100 bn. up to ¥300 bn.	3	104	2.9%
¥50 bn. up to ¥100 bn.	4	100	4.0%
¥10 bn. up to ¥50 bn.	13	206	6.3%
Less than ¥10 bn.	9	73	12.3%
No Answer	—	12	—
Total	33	603	5.5%

(2) Volume of paid-in capital

	No. of companies choosing to scale back (A)	No. of respondent companies (B)	(A)/(B)
Large Corporations	20	437	4.6%
Mid-tier Corporations and SMEs	13	166	7.8%
Total	33	603	5.5%

(3) Industry

	No. of companies choosing to scale back (A)	No. of respondent companies (B)	(A)/(B)
Electrical Equipment & Electronics	6	103	5.8%
Automobiles	7	97	7.2%
Chemicals	6	96	6.3%
General Machinery	3	54	5.6%
Precision Machinery	2	36	5.6%
Other	5	52	9.6%
Petroleum & Rubber	1	14	7.1%
Textile	3	31	9.7%
Other than above mentioned industries	—	120	—
Total	33	603	5.5%

IV. Promising Countries/Regions over the Medium-Term

Figure 24: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (Multiple response)

(⇒See Appendix 1 for pre-FY2010 results 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 (the next three years or so).

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

Ranking 2011	←	Ranking 2010	Country/Region	No. of Companies 2011	No. of Companies 2010	Percentage Share 2011	Percentage Share 2010
			(Total)	507	516		
1	—	1	China	369	399	72.8	77.3
2	—	2	India	297	312	58.6	60.5
3	↑	4	Thailand	165	135	32.5	26.2
4	↓	3	Vietnam	159	166	31.4	32.2
5	—	5	Brazil	145	127	28.6	24.6
5	↑	6	Indonesia	145	107	28.6	20.7
7	—	7	Russia	63	75	12.4	14.5
8	—	8	USA	50	58	9.9	11.2
9	↑	10	Malaysia	39	29	7.7	5.6
10	—	10	Taiwan	35	29	6.9	5.6
11	↓	9	Korea	31	30	6.1	5.8
12	—	12	Mexico	29	25	5.7	4.8
13	—	13	Singapore	25	21	4.9	4.1
14	—	14	Philippines	15	14	3.0	2.7
15	—	15	Turkey	12	8	2.4	1.6
16	↓	15	Australia	8	8	1.6	1.6
16	↓	15	Bangladesh	8	8	1.6	1.6
16	↑	24	Cambodia	8	4	1.6	0.8
19	↑	20	Myanmar	7	5	1.4	1.0
20	↓	19	Great Britain	6	6	1.2	1.2

■Both No. of respondent companies and the percentage shares of China and India declines.

・The top two spots (China followed by India) remained the same. Although the number of respondent companies and the percentage shares of China and India declined a little, the trend that about 70% of respondent companies chose China as promising and about 60% of those chose India as promising remains the same.

■Respondent Companies are clearly more interested in emerging countries: Emerging countries in the top 20 such as Indonesia, Thailand and Brazil gain more percentage share.

・Seeing the change of the percentage share year-to-year, Indonesia, Thailand and Brazil got higher percentage share with a 38-companies increase, a 18-companies increase, a 18-companies increase respectively. In addition, Asian emerging countries in the top 20 (excl, China, India and Vietnam), Mexico and Turkey generally gain more percentage share although some drop its ranking. In contrast, USA (incl, North America) and EU (incl, Europe) decrease the number of respondent companies and lose the percentage share as well. It is clearly said that the more interest of the respondent companies leads to the emerging countries where the domestic market is expected to expand.

■Cambodia is ranked in the top 20 countries.

・Following the rise of Bangladesh and Myanmar to the top 20 in last year's survey, Cambodia rose to the 16th spot in this survey. The main reason of respondent companies which chose these three countries as promising are "inexpensive source of labor". Bangladesh with ca. 150 million population is chosen as promising because of "Future growth potential of local market".

Note 1: In addition to the countries listed above, the following regions also gained responses: EU/Europe (14 companies, 2.8% of the total); North America (13 companies, 2.6%); Eastern Europe (6 companies, 1.2%); Middle East (9 companies, 1.8%).

Note 2: Countries/regions are listed in alphabetical order in cases where they ranked the same.

Figure 25: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares

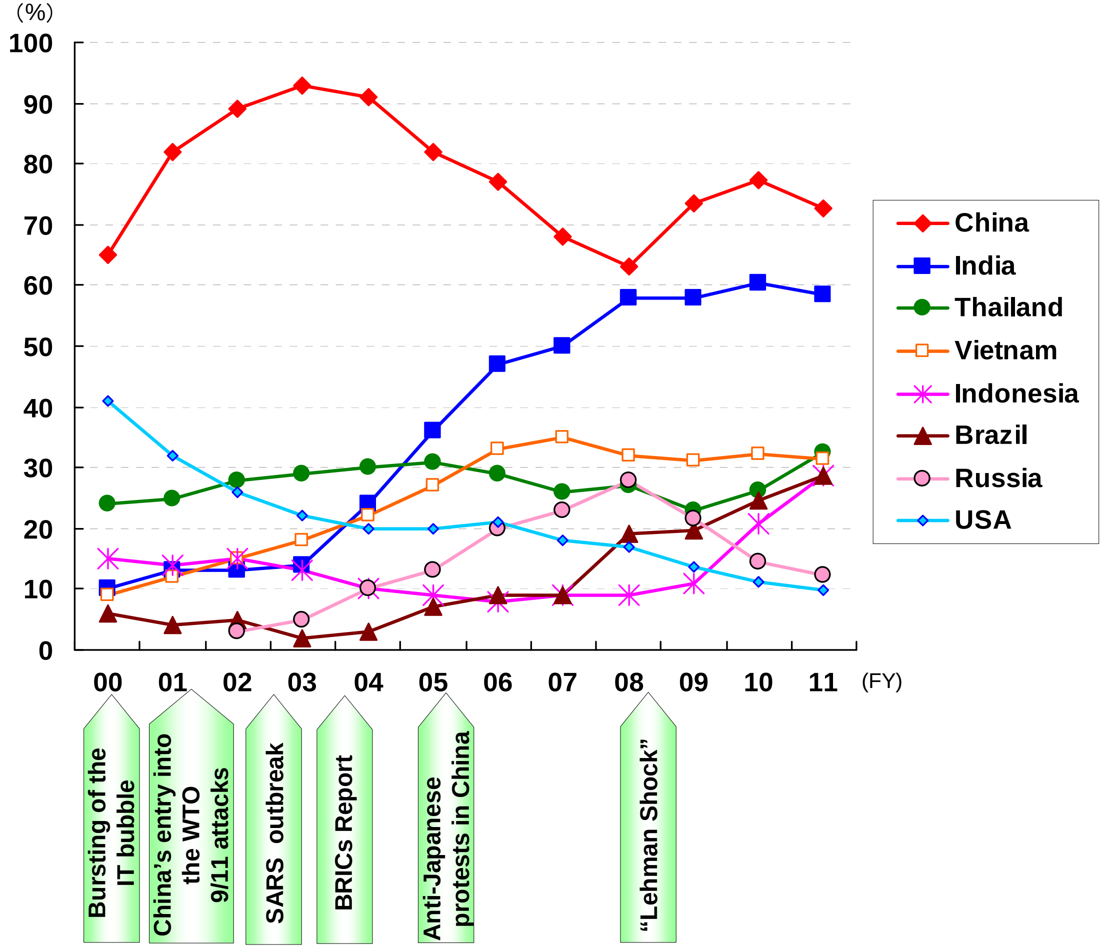


Figure 26: Promising Countries/Regions for Overseas Business over the Medium-term (by major industry)

Chemicals (No. of companies : 80)

Rank	Country	No. of companies
1	China	63
2	India	46
3	Thailand	26
4	Brazil	25
5	Vietnam	23
6	Indonesia	17
7	USA	12
7	Malaysia	12
9	Korea	8
9	Singapore	8

Automobiles (No. of companies: 82)

Rank	Country	No. of companies
1	China	61
2	India	56
3	Indonesia	38
4	Thailand	35
5	Brazil	32
6	Mexico	17
7	Vietnam	16
8	Russia	8
9	USA	4
9	Malaysia	4

Electrical Equipment & Electronics (No. of companies: 86)

Rank	Country	No. of companies
1	China	61
2	India	54
3	Thailand	27
3	Vietnam	27
3	Brazil	27
6	Indonesia	16
7	Russia	9
8	Taiwan	6
8	Philippines	6
10	Korea	5

General Machinery (No. of companies: 48)

Rank	Country	No. of companies
1	China	30
2	India	28
3	Brazil	17
4	Thailand	15
5	Vietnam	14
6	Indonesia	13
7	Russia	8
8	USA	5
9	Taiwan	4
10	Malaysia	3
10	Turkey	3

Figure 27: Promising Countries/Regions over the Long-term (next 10 or so years)

Rank	Country/ Region	No. of companies 420	Share
1	India	333	79.3%
2	China	299	71.2%
3	Brazil	196	46.7%
4	Indonesia	147	35.0%
5	Vietnam	146	34.8%
6	Thailand	114	27.1%
7	Russia	95	22.6%
8	USA	36	8.6%
9	Mexico	25	6.0%
10	Malaysia	21	5.0%

- In terms of the percentage share of votes for promising countries over the medium-term, China has lost its share to 72.8% with a 4.5-point decrease since last year survey although it maintained the top position (Figure 25). Although India rapidly gained its percentage share since FY 2003, its percentage share has leveled off around about 60% since FY 2008.
- Even in the main industries (chemicals, automobiles, electrical equipment and electronics, and general machinery), China and India are at the top as promising countries over the medium-term. In automobiles, China takes over 1st spot from India and India is down to 2nd spot in this survey (Figure 26).
- Although India and China maintained the 1st and 2nd positions, respectively as promising countries over the long-term, the number of companies citing Brazil (from 151 to 196 companies; a 45-companies increase) and Indonesia (from 93 to 147 companies; a 54-companies increase) as promising grew rapidly (Figure 27).

※See Appendix 2 & 3 for details of reasons/issues cited for the top 10 countries being viewed as promising

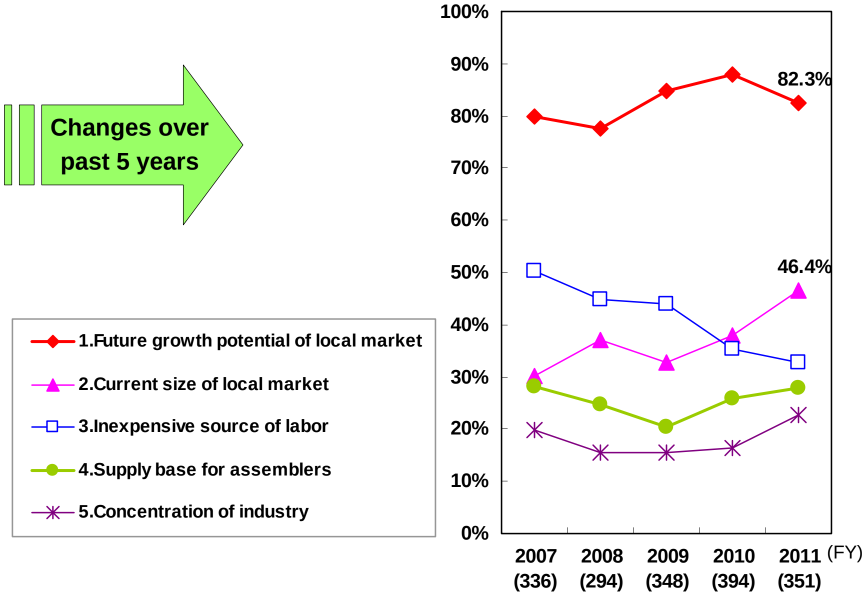
No. 1: China

Reasons

(Total No. of respondent companies: 351) (Note 1)

		No. of companies	Ratio (Note 2)
1	Future growth potential of local market	289	82.3%
2	Current size of local market	163	46.4%
3	Inexpensive source of labor	115	32.8%
4	Supply base for assemblers	98	27.9%
5	Concentration of industry	80	22.8%

Changes over past 5 years

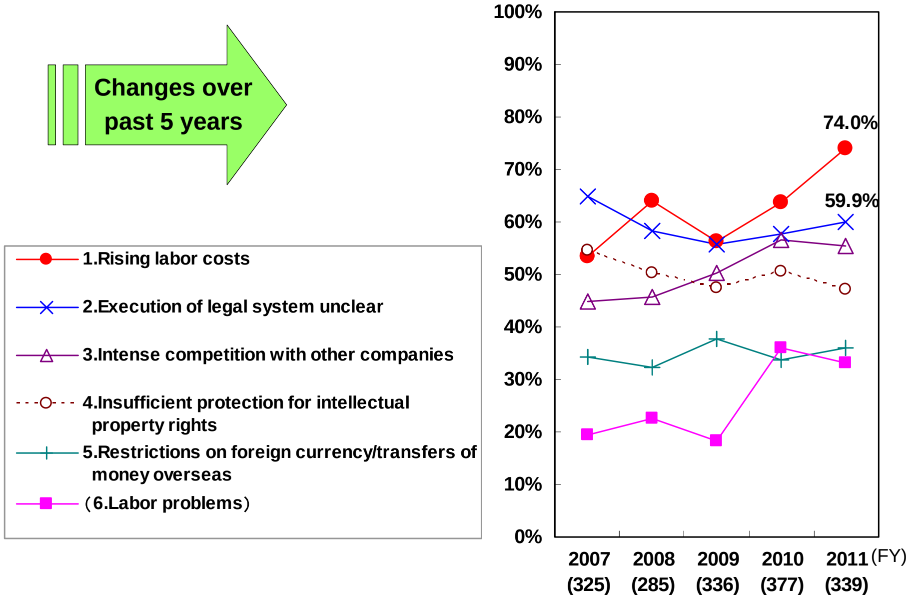


Issues

(Total No. of respondent companies: 339)

		No. of companies	Ratio
1	Rising labor costs	251	74.0%
2	Execution of legal system unclear (frequent changes)	203	59.9%
3	Intense competition with other companies	188	55.5%
4	Insufficient protection for intellectual property rights	160	47.2%
5	Restrictions on foreign currency/transfers of money overseas	122	36.0%

Changes over past 5 years



- The top four reasons given for being promising have not changed, but "concentration of industry" rose to the 5th position.
- Because wages are rising in China, the ratio of companies listing "inexpensive source of labor" as a promising feature drops year by year, while the ratio of companies citing the No. 1 issue of "rising labor costs" continues to rise yearly.
- The 2nd most frequently cited issue, namely "execution of legal system unclear", has been increasing in ratio since FY2010. In interviews, companies cited frequent changes made to the legal system as well as differences in the way regulations are interpreted/implemented between the central government and local governments.

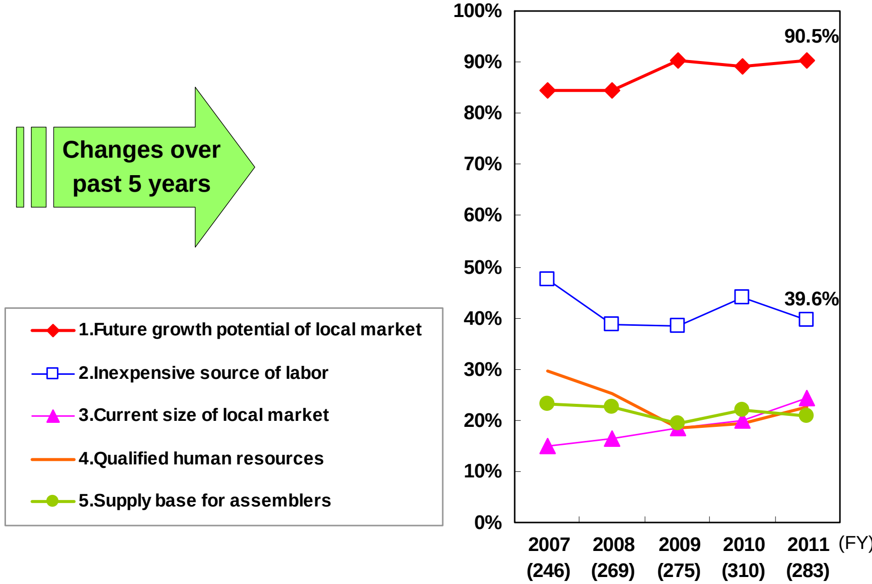
Note 1: The "No. of companies" here refers to the number of companies that responded to questions concerning "reasons for being a promising country" and "issues" out of the number of companies that listed that country/region in Figure 24. For this reason, the numbers of companies here may not be the same as in Figure 24.
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. Multiple responses were possible to this question.

No. 2: India

Reasons

	(Total No. of respondent companies: 283)	No. of companies	Ratio
1	Future growth potential of local market	256	90.5%
2	Inexpensive source of labor	112	39.6%
3	Current size of local market	69	24.4%
4	Qualified human resources	64	22.6%
5	Supply base for assemblers	59	20.8%

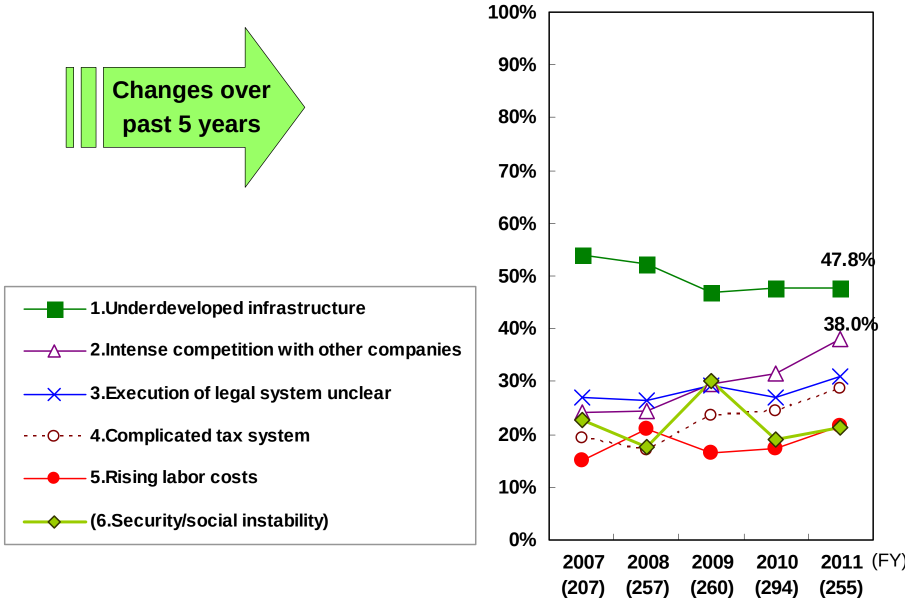
Changes over past 5 years



Issues

	(Total No. of respondent companies: 255)	No. of companies	Ratio
1	Underdeveloped infrastructure	122	47.8%
2	Intense competition with other companies	97	38.0%
3	Execution of legal system unclear (frequent changes)	79	31.0%
4	Complicated tax system	73	28.6%
5	Rising labor costs	55	21.6%

Changes over past 5 years



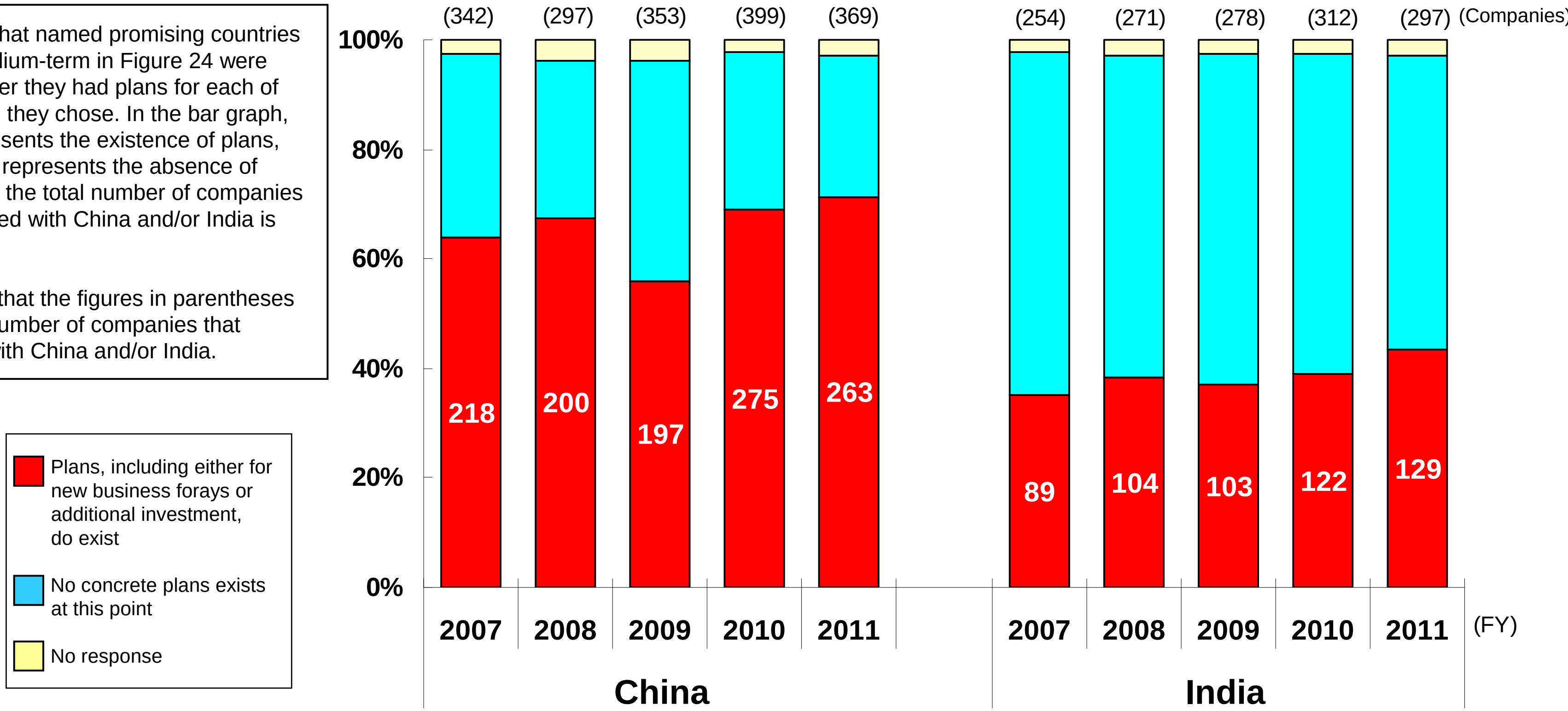
- Among the countries that listed India as promising, more than 90% cited the "future growth potential of the local market", a clear indication of expectations for the Indian market.
- Companies that have no bases of operation in India made up more than half of respondent companies. Companies *without* bases in India cited "security/social instability" (36 companies, 24.7%[Note]) as the 4th issue, with the 5th being "complicated tax system" (32 companies). Among those companies, "rising labor costs" ranks 11th (24 companies), demonstrating differences in the perception of what the issues are depending on whether companies have bases there.

Note: The percentage was calculated by dividing by 146, which is the number of companies without bases in India but that listed India as a promising country for overseas operations over the medium-term.

Figure 28: Existence of Real Business Plans for Companies that Listed China/India as Promising (past 5 years)

Q.
Companies that named promising countries over the medium-term in Figure 24 were asked whether they had plans for each of the countries they chose. In the bar graph, the red represents the existence of plans, and the blue represents the absence of plans, where the total number of companies that responded with China and/or India is 100%.

Please note that the figures in parentheses denote the number of companies that responded with China and/or India.



■Of the companies that listed the countries as promising, about 70% have plans for China and about 40% have plans for India

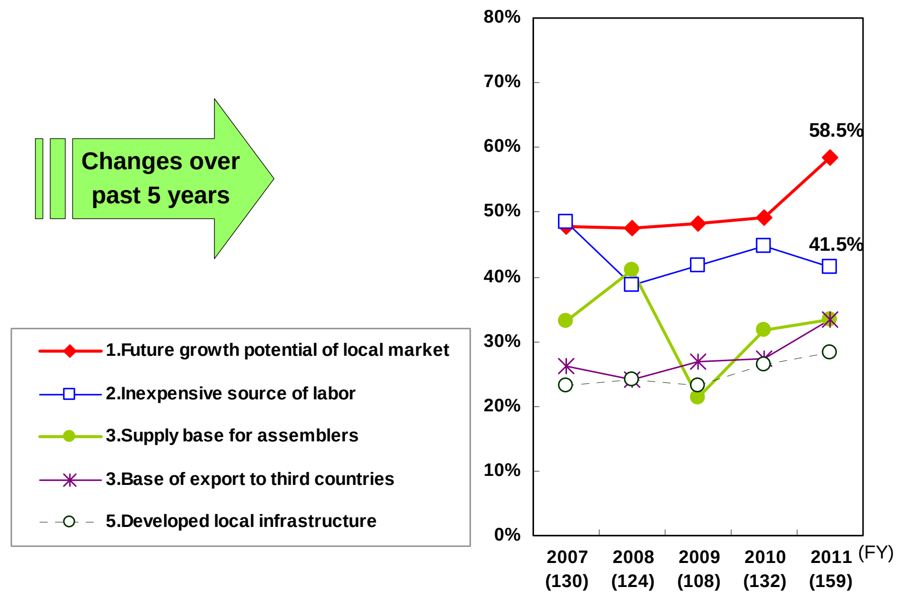
- Although the percentage shares for both China and India have declined compared to the previous survey, out of the companies that did count them as promising, the ratios of companies with plans for them increased.
- Although the share ratios of China and India are approaching each other, as shown below, there is a large disparity in terms of the presence or lack of business plans between the two countries.
- In the results of the FY2009 survey carried out just after the financial crisis precipitated by the collapse of Lehman Brothers, the ratio of companies with business plans for China fell sharply, but this figure has steadily risen since then, and in the present survey was 71.3%. That is, out of the companies that cited China as a promising country, over 70% have some sort of concrete business plans.
- India, on the other hand, saw its percentage share ratio continue to consistently grow from FY2007 to FY2010, although in the present survey it fell slightly (Figure 25). Of the companies that cited India as a promising country in this survey, the number of companies that said they have business plans grew by about 4.3 percentage points from the last survey, but this figure is still hovering around the 40% mark, suggesting that, just as in the previous survey, the level of hope perceived in India reflects more future expectations than immediate assessments.

No. 3: Thailand

Reasons

(Total No. of respondent companies: 159)

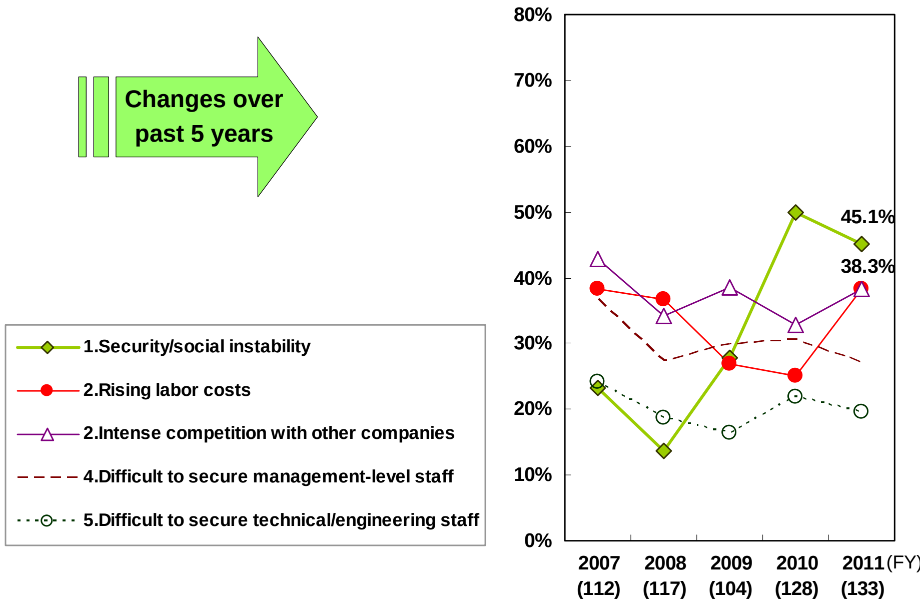
		No. of companies	Ratio
1	Future growth potential of local market	93	58.5%
2	Inexpensive source of labor	66	41.5%
3	Supply base for assemblers	53	33.3%
3	Base of export to third countries	53	33.3%
5	Developed local infrastructure	45	28.3%



Issues

(Total No. of respondent companies: 133)

		No. of companies	Ratio
1	Security/social instability	60	45.1%
2	Rising labor costs	51	38.3%
2	Intense competition with other companies	51	38.3%
4	Difficult to secure management-level staff	36	27.1%
5	Difficult to secure technical/engineering staff	26	19.5%

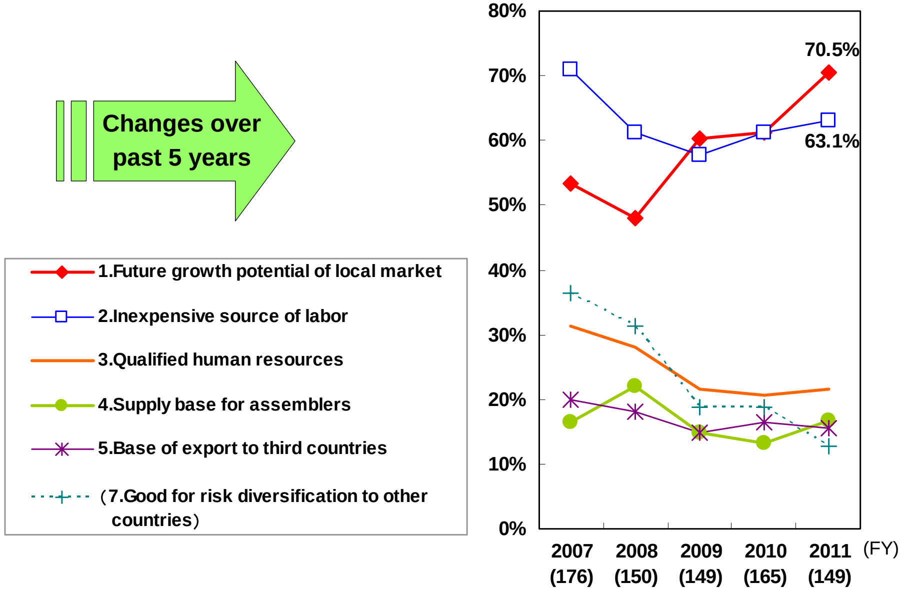


- While the No. 1 reason for listing Thailand as promising is the "future growth potential of local market", it is also perceived as one of the best places for manufacturing centers in ASEAN countries. As evidence of this, the 3rd most frequently cited reason for being promising is its potential as a "base of export to third countries", which was mentioned by more than 30% of respondent companies (a higher ratio than either Vietnam or Indonesia). It also has a highly rated infrastructure (the 5th reason), although it remains to be seen how badly the floods caused by heavy rain this summer will affect the production activities by Japanese manufacturers.
- The most frequently cited issue this year as well was "security/social instability", and out of the 60 companies that listed this issue, 83% companies already have bases in Thailand. Although there were few comments concerning the direct impact of this issue on production, it appears that a certain degree of concern over the situation in Thailand remains.

No. 4: Vietnam

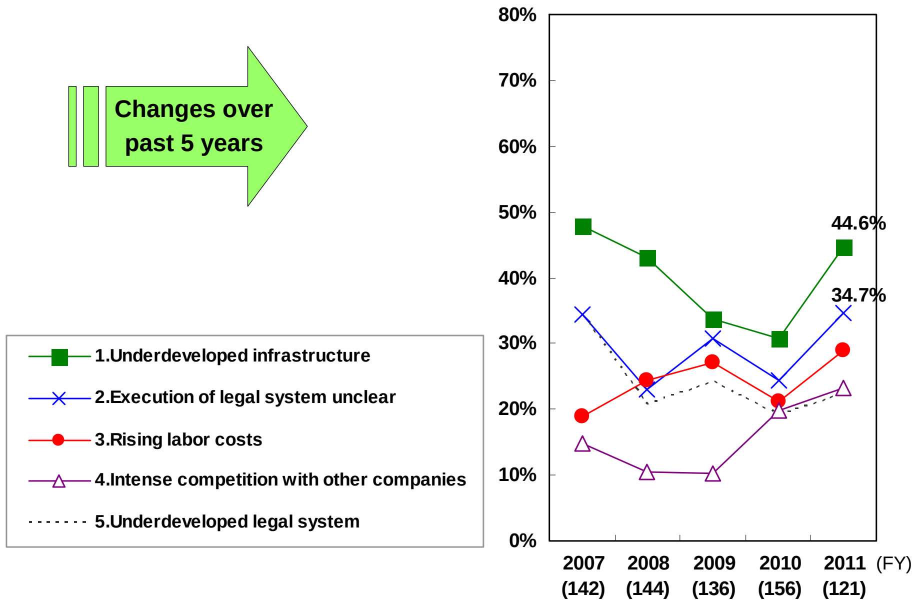
Reasons

(Total No. of respondent companies: 149)		No. of companies	Ratio
1	Future growth potential of local market	105	70.5%
2	Inexpensive source of labor	94	63.1%
3	Qualified human resources	32	21.5%
4	Supply base for assemblers	25	16.8%
5	Base of export to third countries	23	15.4%



Issues

(Total No. of respondent companies: 121)		No. of companies	Ratio
1	Underdeveloped infrastructure	54	44.6%
2	Execution of legal system unclear (frequent changes)	42	34.7%
3	Rising labor costs	35	28.9%
4	Intense competition with other companies	28	23.1%
5	Underdeveloped legal system	27	22.3%

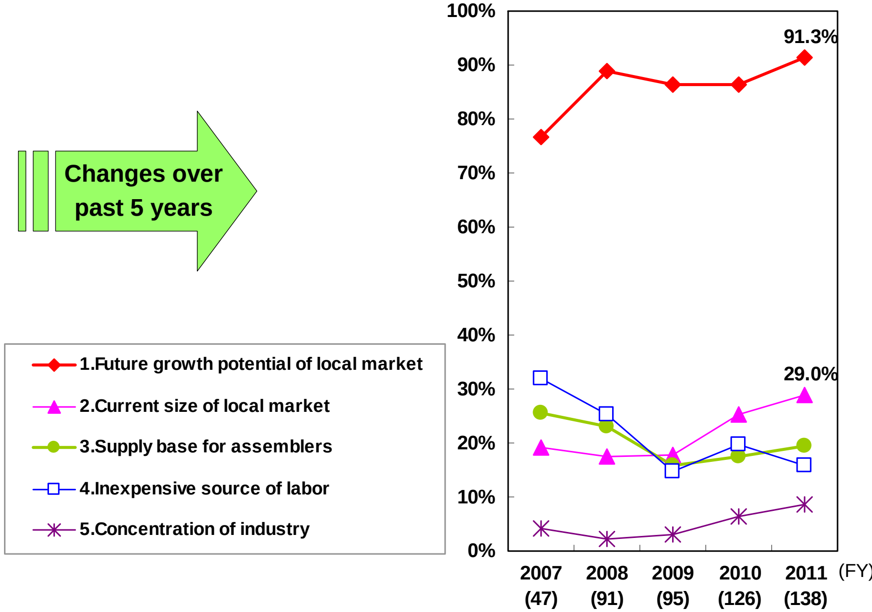


- Just as with last year, the No. 1 reason for seeing Vietnam as promising was the "future growth potential of local market", the ratio of companies that cited this reason jumped from 61.2% to 70.5%. Up till now, Vietnam's appeal often lied in its potential as a site for risk diversification (No.7 reason this year) and assembly/export bases, but interest in the local market is steadily growing.
- One of the advantages of Vietnam is its labor market as seen in reason No. 2 "inexpensive source of labor" and No. 3 "qualified human resources". However, it is important to note that more and more companies are beginning to cite "rising labor costs" as an issue. Similar to India, No. 1 issue was "undeveloped infrastructure" (13.8 point increase year on year).

No. 5: Brazil

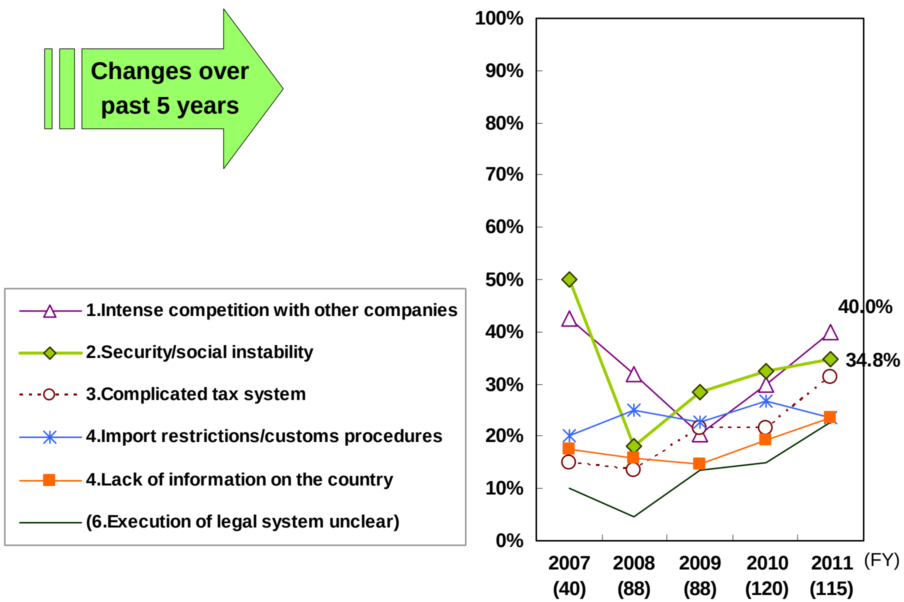
Reasons

(Total No. of respondent companies: 138)		No. of companies	Ratio
1	Future growth potential of local market	126	91.3%
2	Current size of local market	40	29.0%
3	Supply base for assemblers	27	19.6%
4	Inexpensive source of labor	22	15.9%
5	Concentration of industry	12	8.7%



Issues

(Total No. of respondent companies: 115)		No. of companies	Ratio
1	Intense competition with other companies	46	40.0%
2	Security/social instability	40	34.8%
3	Complicated tax system	36	31.3%
4	Import restrictions/customs procedures	27	23.5%
4	Lack of information on the country	27	23.5%



- Reflecting the strong Brazilian economy, 91.3% of companies cited the “future growth potential of the local market”, which continues to be the No. 1 reason for seeing Brazil as promising. The 2nd most frequently cited reason was the “current size of the local market” (29.0%), which was the same as the previous survey.
- As for issues, in the survey of two years ago “intense competition with other companies” was ranked 5th (20.5%), last year’s survey it was 2nd (30.0%), and in this year’s survey it was for the first time the No. 1 reason (40.0%), which is an indication that companies from all over the world are actively entering in Brazil. Meanwhile, concerns over “security/social instability”, which was the No. 1 issue in the previous survey, dropped to 2nd place, although the ratio of companies that listed this issue (more than 30%) did not change substantially from the previous survey.

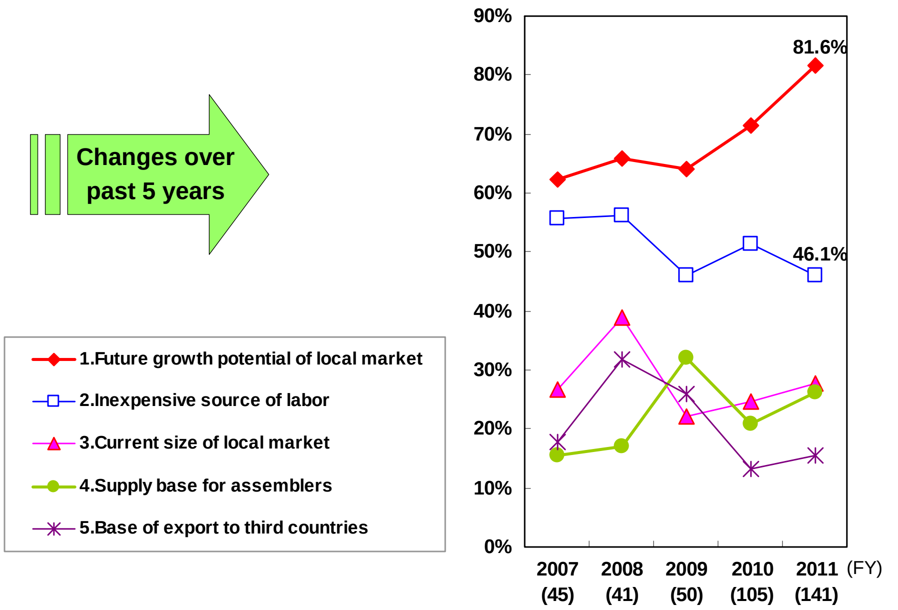
No. 5: Indonesia

Reasons

(Total No. of respondent companies: 141)

		No. of companies	Ratio
1	Future growth potential of local market	115	81.6%
2	Inexpensive source of labor	65	46.1%
3	Current size of local market	39	27.7%
4	Supply base for assemblers	37	26.2%
5	Base of export to third countries	22	15.6%

Changes over past 5 years

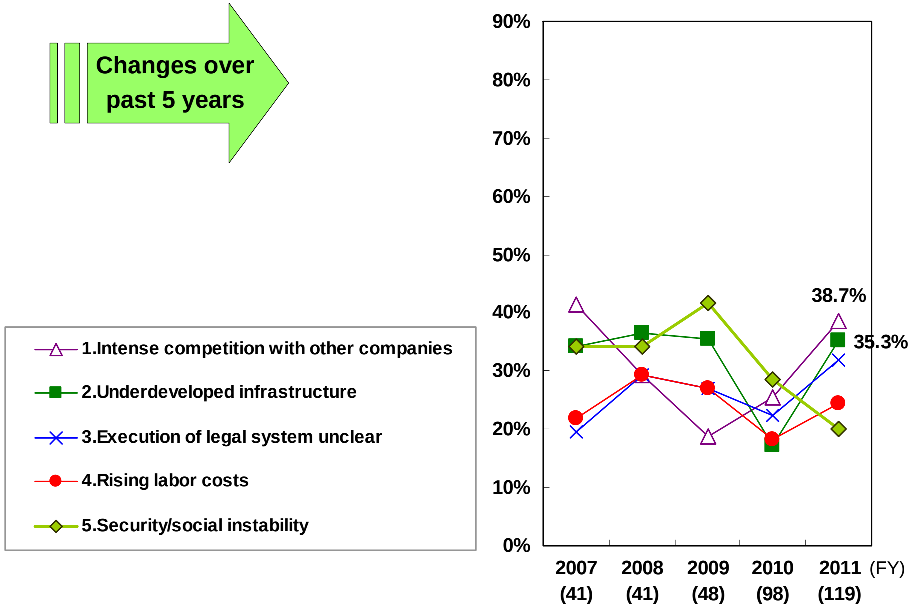


Issues

(Total No. of respondent companies: 119)

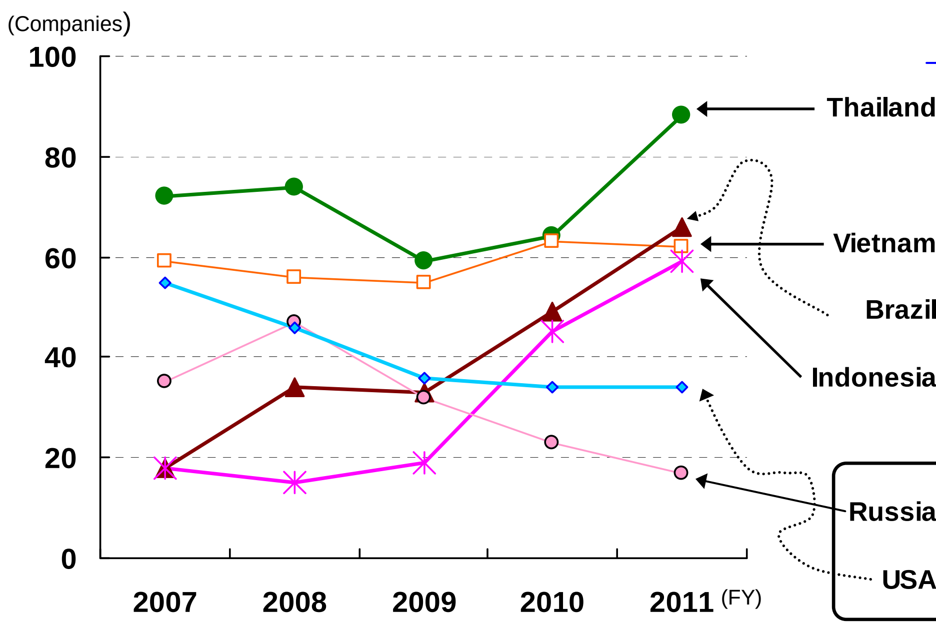
		No. of companies	Ratio
1	Intense competition with other companies	46	38.7%
2	Underdeveloped infrastructure	42	35.3%
3	Execution of legal system unclear (frequent changes)	38	31.9%
4	Rising labor costs	29	24.4%
5	Security/social instability	24	20.2%

Changes over past 5 years



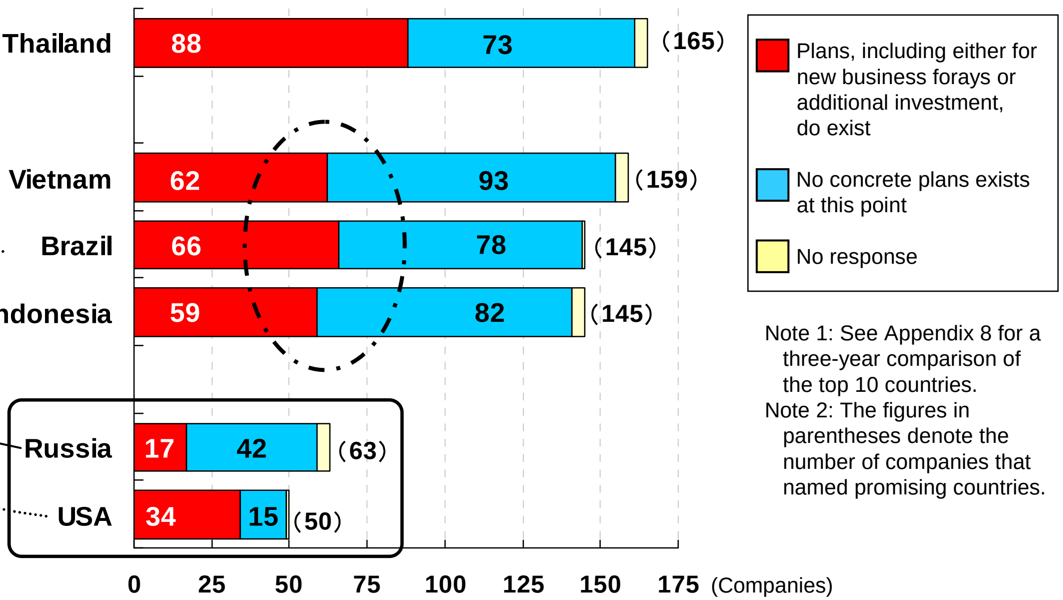
- While reasons that reflect advantages in terms of production ranked No. 4 and 5, the appeal most often perceived is the "future growth potential of the local market", which, like the previous fiscal year, is still the No. 1 reason and the number of companies citing it grew from 75 to 115.
- Local competition is intensifying as more companies look to Indonesia. The No. 1 issue cited is "intense competition with other companies", with the number of respondent companies jumping from 25 to 46. Indonesia's "underdeveloped infrastructure" took the 2nd spot as this problem has become more apparent with the increase of local production level. "Security/social instability", last year's No. 1 issue, actually gained four more companies this year, but it dropped to 5th place on the list because of the increase in responses citing other issues.

Figure 29: No. of Companies with Concrete Business Plans for Promising Countries/Regions (past 5 years)



Q. Companies that named promising countries over the medium-term in Figure 24 were asked whether they had plans for each of the countries they chose. In the bar graph, the red represents the existence of plans, and the blue represents the absence of plans.

Figure 30: Existence of Concrete Business Plans for Promising Countries/Regions (FY2011)



Note 1: See Appendix 8 for a three-year comparison of the top 10 countries.
Note 2: The figures in parentheses denote the number of companies that named promising countries.

■In terms of companies with concrete business plans, the number of companies citing Thailand is well in the lead

・In the FY2011 survey results, Thailand rose to 3rd place in percentage share (Figure 24). As its percentage share rose, so did the number of companies with concrete business plans for operations there (Figure 29), with the result that out of the companies listing Thailand as a promising country for overseas operations, 53.3% (88 companies) now have concrete business plans of some kind (Figure 30), proving that companies have more than just a “wait-and-see” anticipation about the country.

■As to the number of companies with concrete business plans among promising countries, Indonesia and Brazil are in a roll

・As for the ratios of companies with business plans in the countries they cited as promising in this survey, Vietnam stands at 39.0% (62 companies), Indonesia at 40.7% (59 companies), and Brazil (which overtook Vietnam) at 45.5% (66 companies). Nevertheless, as with the case with India, less than half of the respondent companies have plans for these three countries (Figure 30). However, companies with concrete business plans for Brazil and Indonesia have more than tripled over the past five years (Figure 29).

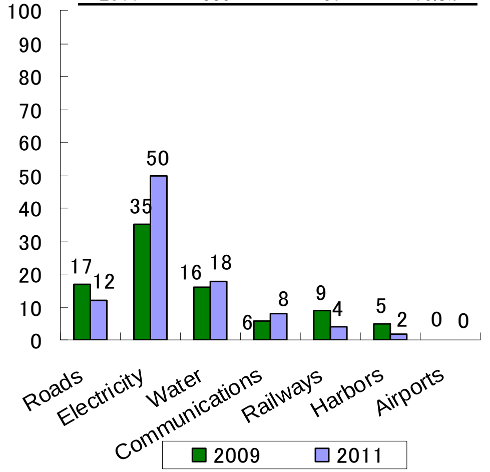
■The difference between the U.S. and Russia is the presence or absence of real business plans

・As of FY2008, the number of companies with concrete business plans in Russia exceeded the same for the U.S., Brazil, and Indonesia, but since FY2009 (after the collapse of Lehman Brothers), that number continued to decline, and eventually all of these countries overtook Russia (Figure 29). As of FY2011, the percentage share is higher than the U.S., but only 27.0% (17 companies) of companies that view Russia as promising have real business plans. In contrast, 68.0% of companies (34 companies) that see the U.S. as promising have concrete plans for the country, which is double the Russia, in terms of the number of companies (Figure 30). It appears that while there is a strong sense of anticipation concerning Russia, companies find it difficult to translate that anticipation into actual business expansion into the country.

Figure 31 Infrastructures that Need Improvement (multiple response)

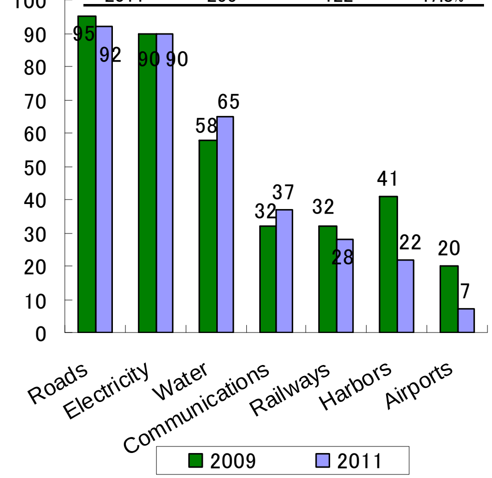
China

	Respondent companies ①	Responses ②	Share (②/①)
2009	336	49	14.6%
2011	339	57	16.8%



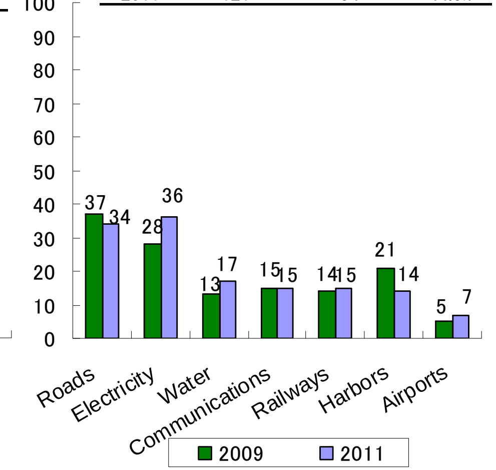
India

	Respondent companies ①	Responses ②	Share (②/①)
2009	260	122	46.9%
2011	255	122	47.8%



Vietnam

	Respondent companies ①	Responses ②	Share (②/①)
2009	136	46	33.8%
2011	121	54	44.6%

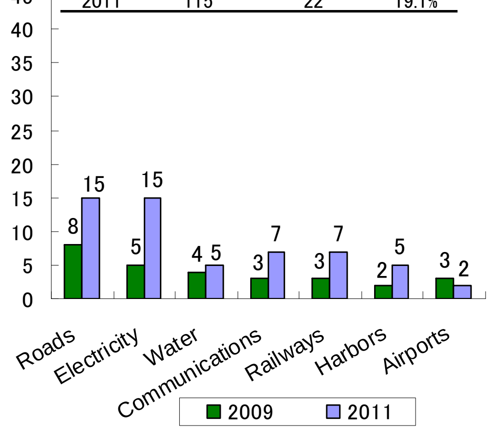


Note 1: The number of "respondent companies ①" is the number of companies which chose these countries as promising. The number of "responses ②" is the number of companies which point out "underdeveloped infrastructure" as an issue while choosing those countries as promising.

Note 2: Figure 31 shows the comparison with the result of FY 2009 survey which conducted the same question in this survey regarding infrastructures that need improvement.

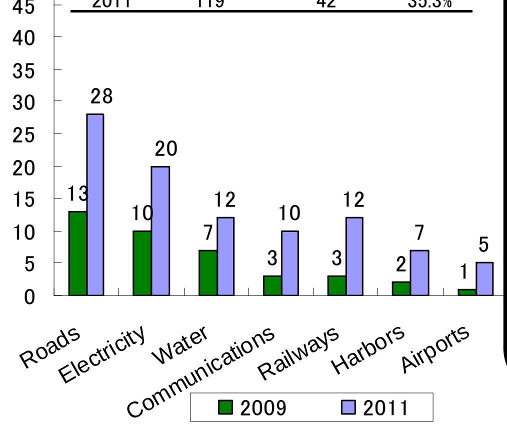
Brazil

	Respondent companies ①	Responses ②	Share (②/①)
2009	88	11	12.5%
2011	115	22	19.1%



Indonesia

	Respondent companies ①	Responses ②	Share (②/①)
2009	48	17	35.4%
2011	119	42	35.3%



■Top issue in Infrastructure for China is "Electricity" while issue for Thailand is almost none.

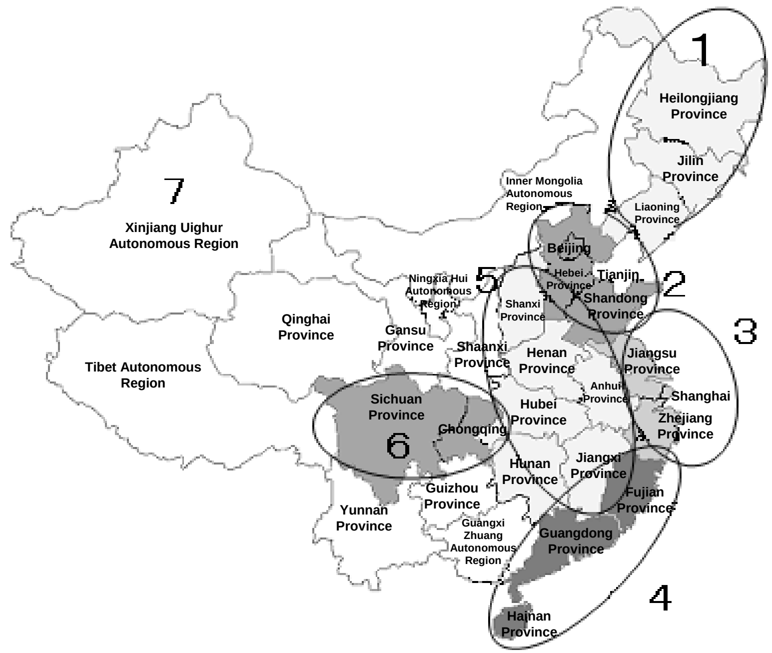
- Level of issues for infrastructure in China is lower than those in other countries such as India among high ranked countries as promising. "Electricity" stands out as an issue for infrastructure among those countries.
- Thailand is listed among the top promising countries, but only eight companies mentioned the infrastructure as an issue (out of 133 respondent companies in total), so it was excluded from the analysis this year.

■Underdeveloped Infrastructures remain issues for India, Vietnam, Indonesia and Brazil.

- Among the companies that cited India, Vietnam, Indonesia, and Brazil as promising, the numbers of companies which cite "Underdeveloped infrastructure" as an issue are; 122 companies (India), 54 companies (Vietnam), 42 Companies (Indonesia), and 22 companies (Brazil), respectively.
- "Roads" and "electricity" are common areas which are need to be developed in all of these countries. In Brazil, electricity grew rapidly as an issue, while water is listed as the third most common issue in India, Vietnam, and Indonesia.

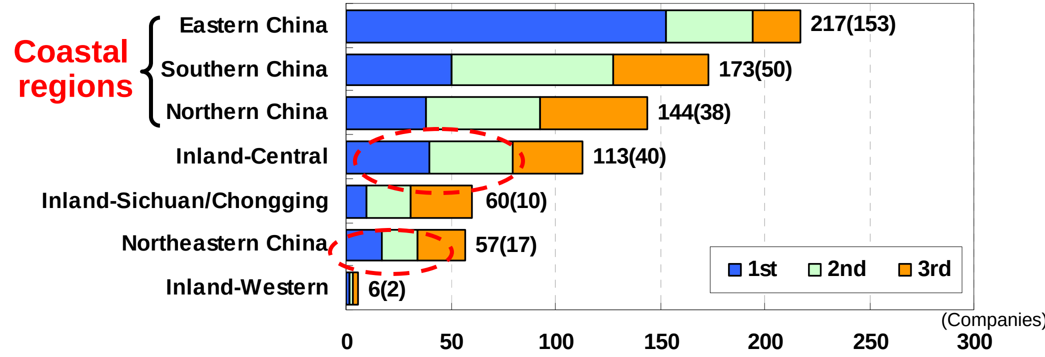
Q.

Companies that listed China among promising countries/regions over the medium-term (next 3 yrs. or so) were then asked to identify up to 3 promising regions each for sales and manufacturing within China. The figures in the graphs indicate the number of companies that chose each area, and the figures in parentheses are the number of companies that chose the relevant area as their first response.



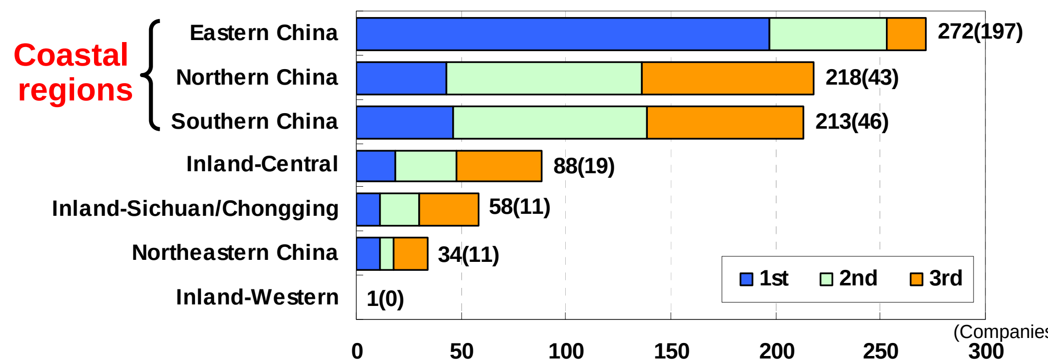
1. Northeastern China: Heilongjiang, Jilin, Liaoning
2. Northern China: Beijing, Tientsin, Hebei, Shandong
3. Eastern China: Shanghai, Jiangsu, Zhejiang
4. Southern China: Fujian, Guangdong, Hainan
5. Inland China
   -Central: Shanxi, Henan, Anhui, Hubei, Jiangxi, Funan
6. Inland China
   -Western: Sichuan, Chongqing
7. Inland China
   -Western: Regions other than Sichuan and Chongqing

Figure 32: (Production) Promising Regions within China



Note: The numbers of companies giving answers for 1st, 2nd, and 3rd were 310, 253, and 207, respectively, for a total of 770 selections, with 310 companies responding to the question (production).

Figure 33: (Sales) Promising Regions within China



Note: The numbers of companies giving answers for 1st, 2nd, and 3rd were 327, 297, and 260, respectively, for a total of 884 selections, with 327 companies responding to the question (sales).

■The prominence of Eastern China for both manufacturing and sales remains unchanged. Meanwhile, the appeal of Inland and Northeastern China is improving for manufacturing.

- The tendency to favor the coastal regions is obvious. Eastern China is deemed particularly promising as it has Shanghai, with the country's highest domestic per capita GDP, Zhejiang Province, with its 4th highest, and Jiangsu with its 5th. Although Eastern China is already the home of manufacturing and sales centers of the highest number of respondent companies, it is clear that companies still see it as promising over the medium-term.
- More companies see Inland and Northeastern China as promising for manufacturing than sales. As for the No. 1 rankings by numbers of companies, Inland-Central (40 companies) outpaced Northern China (38 companies). The industry in which the most companies view the Inland-Central region as promising is automobiles with 30 companies (2 in assembly and 28 in parts), followed by electrical equipment and electronics with 24 companies (11 in assembly and 13 in parts). For Sichuan and Chongqing, the industries are chemicals with 13 companies and electrical equipment and electronics also with 13 companies, and for Northeastern China it is the automobile industry with 17 companies viewing it as promising.

Figure 34: (Production) Promising Regions within India

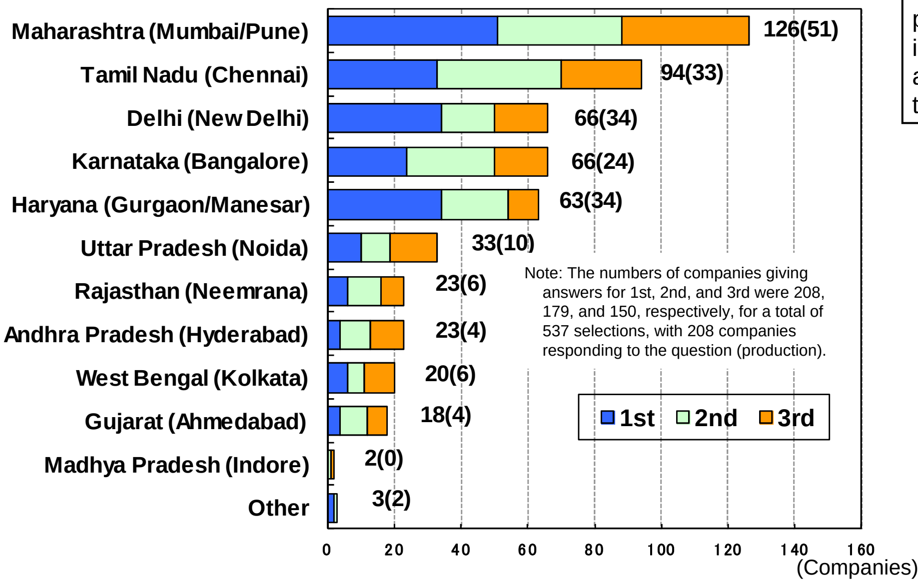
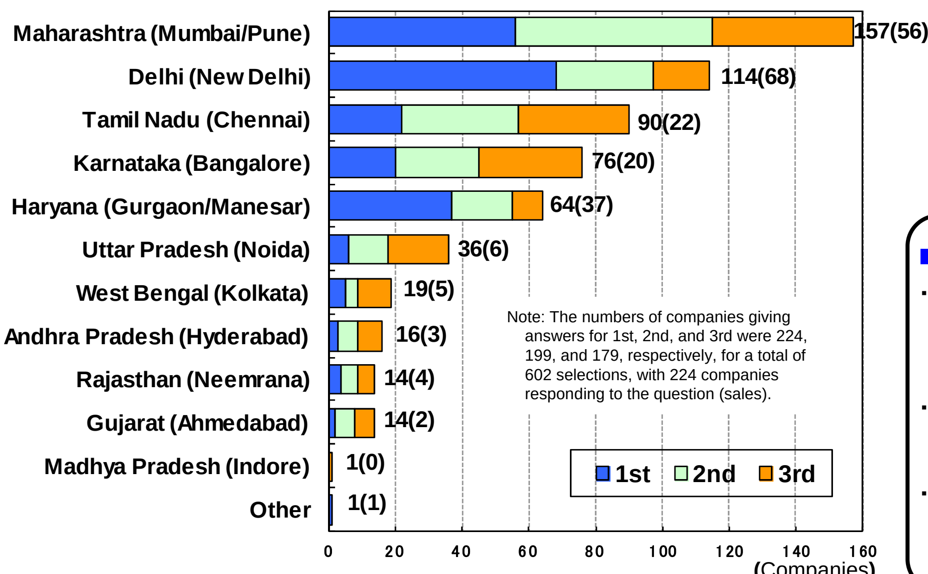
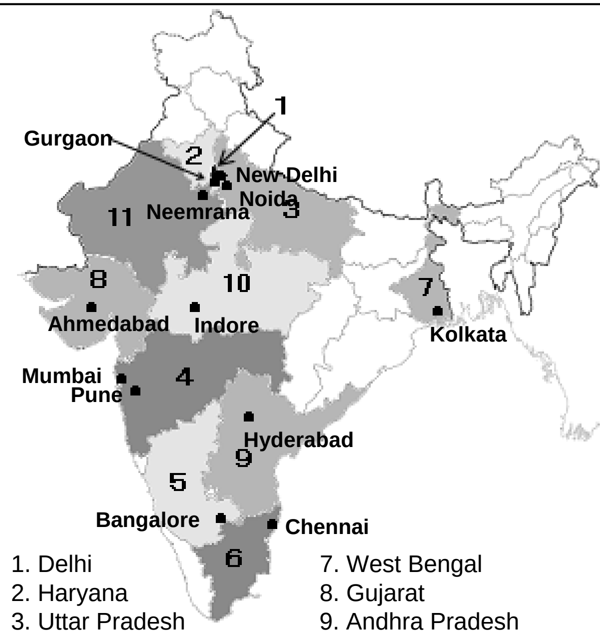


Figure 35: (Sales) Promising Regions within India



Q. Companies that listed India among promising countries/regions over the medium-term (next 3 yrs. or so) were then asked to identify up to 3 promising regions each for sales and production within India. The figures in the graphs indicate the number of companies that chose each area, and the figures in parentheses are the number of companies that chose the relevant area as their first response.



1. Delhi	7. West Bengal
2. Haryana	8. Gujarat
3. Uttar Pradesh	9. Andhra Pradesh
4. Maharashtra	10. Madhya Pradesh
5. Karnataka	11. Rajasthan
6. Tamil Nadu	12. Other

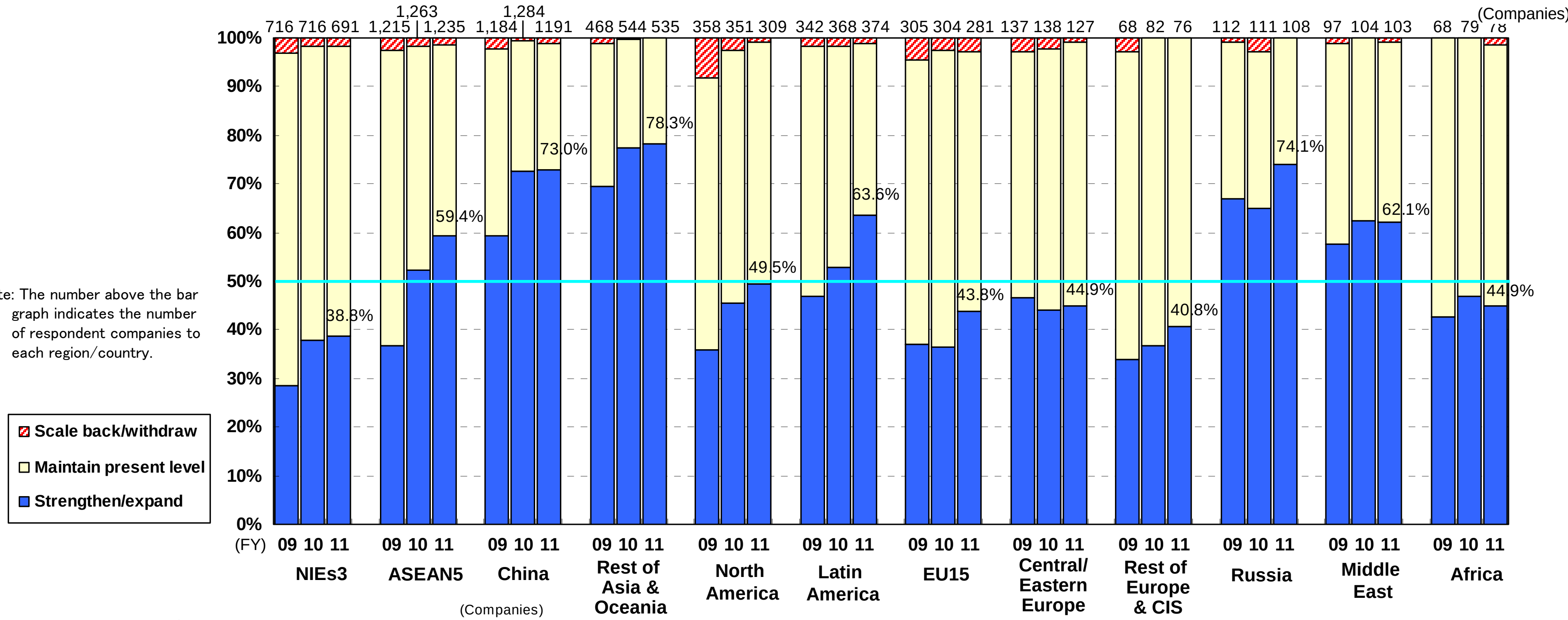
■Maharashtra is popular for both manufacturing and sales

- The state of Maharashtra has India's second highest population. It is known as a major financial and commercial center, as exemplified by Mumbai, the state's capital. Maharashtra is also home to cities with a high accumulation of industry such as Pune, Nashik, and Aurangabad.
- Tamil Nadu was the 2nd most frequently cited region for production. The metropolis of Chennai is appealing because of its accumulation of Japanese companies and the presence of a large port.
- For sales, the National Capital Territory of Delhi, where the Indian capital is located, was the 2nd most frequently cited region, and had the most companies listing it as "1st".

Figure 36: Medium-term prospects for overseas operations (by region)

Q. Companies were asked about the 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 region/country.



(Supplementary Info) Figure 37: M&A Pursuits

(Companies)

Country/region	FY2011	(FY2010)
1. North America	15	(8)
2. EU15	12	(6)
Developed countries	**27**	**(14)**
3. India	9	(3)
4. Brazil	7	(1)
5. Thailand	5	(3)
6. China	4	(6)
7. Vietnam	4	(2)
8. Indonesia	3	(1)
9. Korea	3	
10. Rest of Asia & Oceania	2	(1)
11. Central & Eastern Europe	2	
12. Africa	2	
13. Middle East	1	(2)
14. Malaysia	1	
Hong Kong		(1)
Singapore		(1)
Philippines		(1)
Emerging markets total	**43**	**(22)**
Total	**70**	**(36)**

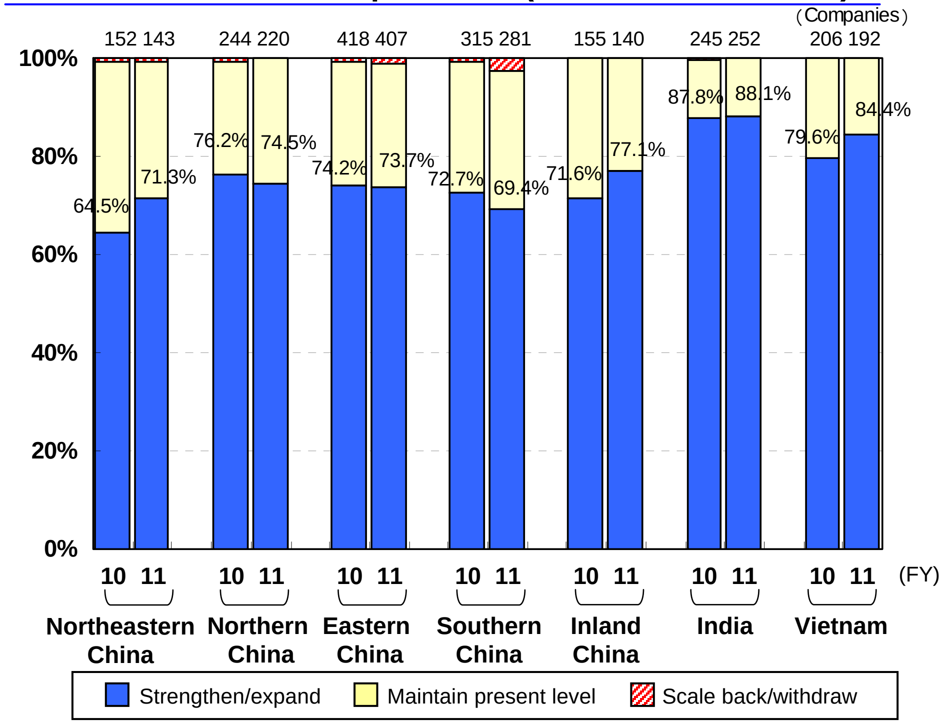
■More companies looking to bolster existing production bases

- As shown in Figure 36, the number of companies wishing to strengthen or expand their operations in China, India, Vietnam (the latter two of which are classified as "Other Asian countries"), and Latin America continues to remain high. Meanwhile, the trend of decline in the number of companies wishing to strengthen their operations in Europe and Russia reversed.
- One of the characteristics of the "strengthening" trend in this year's survey was an increase in the number of companies that mentioned bolstering their production functions. The total number of respondent companies (total number of answers) to this question last year was 2,953, and 2,949 this year, i.e. roughly the same, but the number indicating they would build new centers of production increased by 64, while the number indicating they would strengthen existing centers increased by 118. With regard to sales, on the other hand, the number of companies responding that they would strengthen the sales bases they own remained about the same as last year, but those saying they would utilize outside agencies decreased by 216. Nevertheless, just as in last year's survey, the number of companies indicating that they would bolster sales functions was more than that for production.

■Companies pursuing M&A projects increased, especially in emerging markets

- Beginning with last year's survey, "M&A pursuits" was added as a choice in the descriptions of what "strengthen or expand" would entail. In this year's survey, 70 companies chose that response, which is almost double the 36 companies that chose it last year. One possible explanation is that the current environment (i.e. a strong Yen) is more conducive to acquisitions. As for the regions in which companies are pursuing M&A, 15 companies said North America, 12 said EU15, and 9 said India. By industry, there were 17 companies in chemicals and 16 in foods.

Figure 38: Medium-term prospects for overseas operations (China/India/Vietnam)



Note1: The number above the bar graph indicates the number of respondent companies to each region/country.
Note2: The percentage in the bar graph indicate the percentage share of the companies answering "strengthen/expand"

Note: Figure 39 and 40 shows how the companies which answered "Strengthen/expand" in Figure 38 expands its facilities. Multiple responses were possible.

Figure 39: How to strengthen/expand by areas (production)

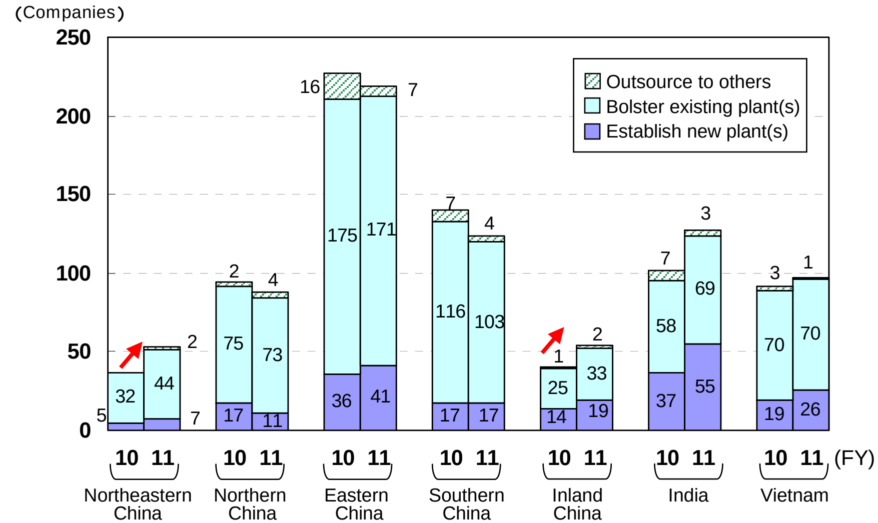
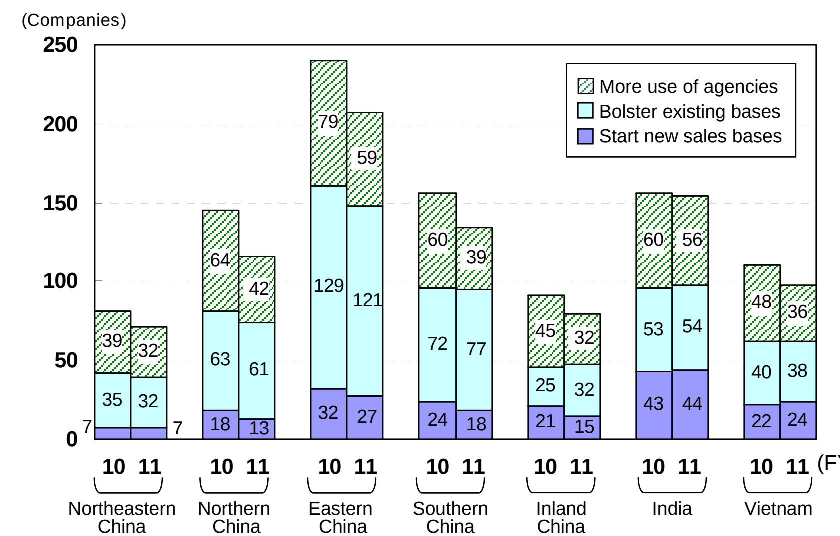


Figure 40: How to strengthen/expand by areas (sales)



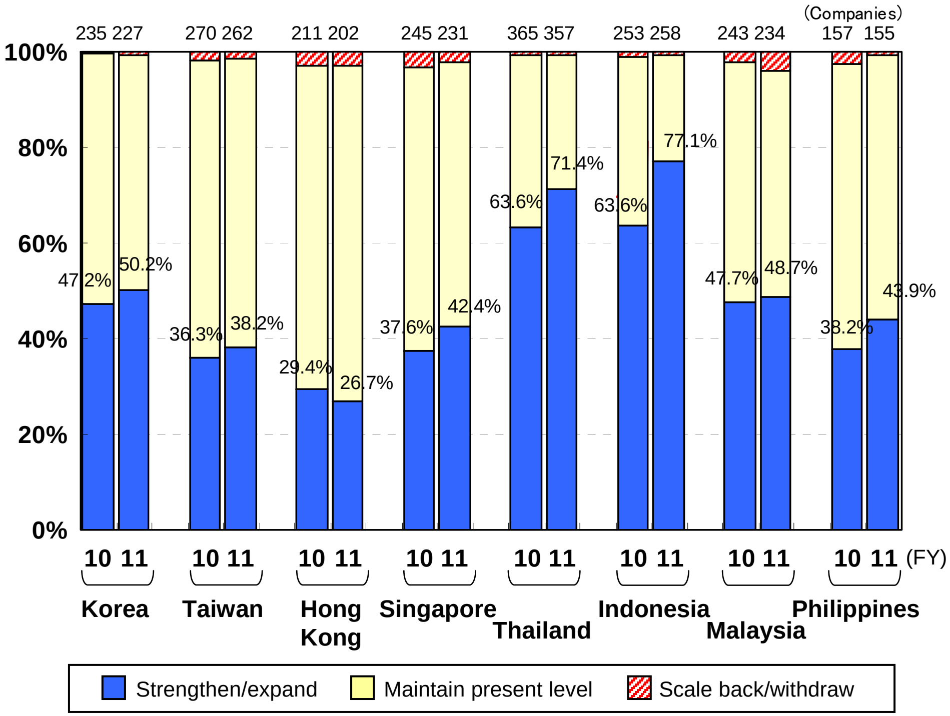
■Companies strengthening businesses in China are shifting to Northeastern and Inland China

・The companies that responded to this question are currently operating in or planning to operate in China. As for manufacturing, the number of companies operating in Northern, Eastern, and Southern China, which previously saw a steady increase, has decreased slightly, while the number of companies operating in Northeastern and Inland China has continued its upward trend. This is a reflection of moves to decentralize manufacturing centers within China in part due to labor shortages, rising personnel costs, etc.

■The establishment of new plants in India and Vietnam is once again on the rise

・In last year's survey, although there was an upward trend in strengthening existing manufacturing centers, the number of responses indicating that companies were building new centers had not changed much from the year prior. In this year's survey, however, "building new centers" increased by 18 companies for India and 7 for Vietnam, again on an upward trend.

Figure 41: Medium-term prospects for overseas operations (NIEs3/ASEAN5)



Note1: The number above the bar graph indicates the number of respondent companies to each region/country.
Note2: The percentage in the bar graph indicate the percentage share of the companies answering "strengthen/expand"

Note: Figure 42 and 43 shows how the companies which answered "Strengthen/expand" in Figure 41 expands its facilities. Multiple responses were possible.

Figure 42: How to strengthen/expand by areas (production)

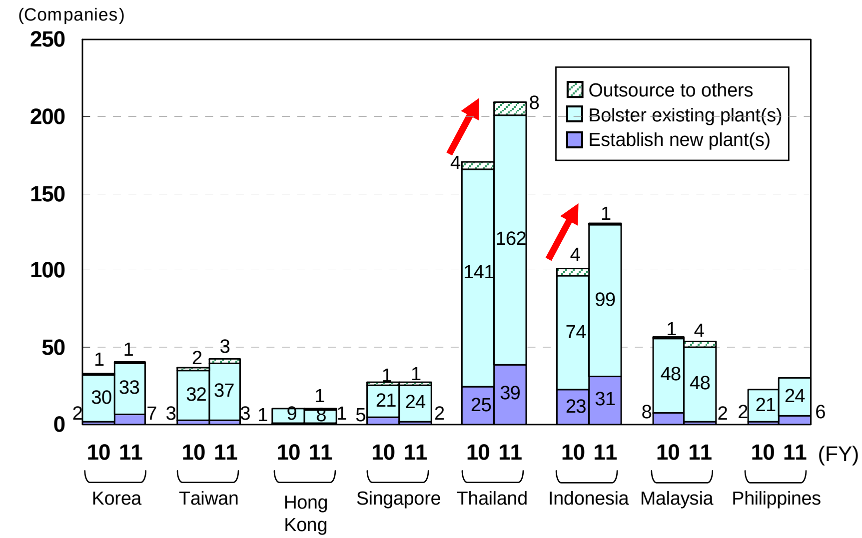
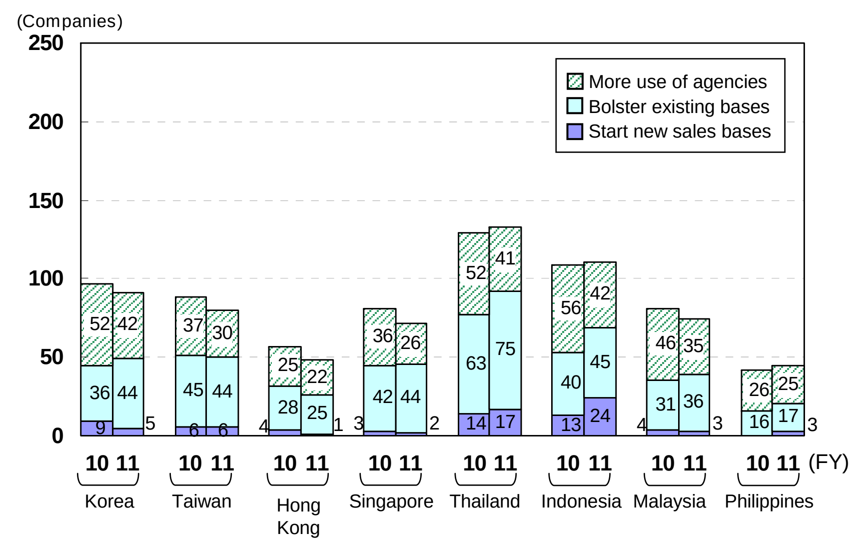


Figure 43: How to strengthen/expand by areas (sales)



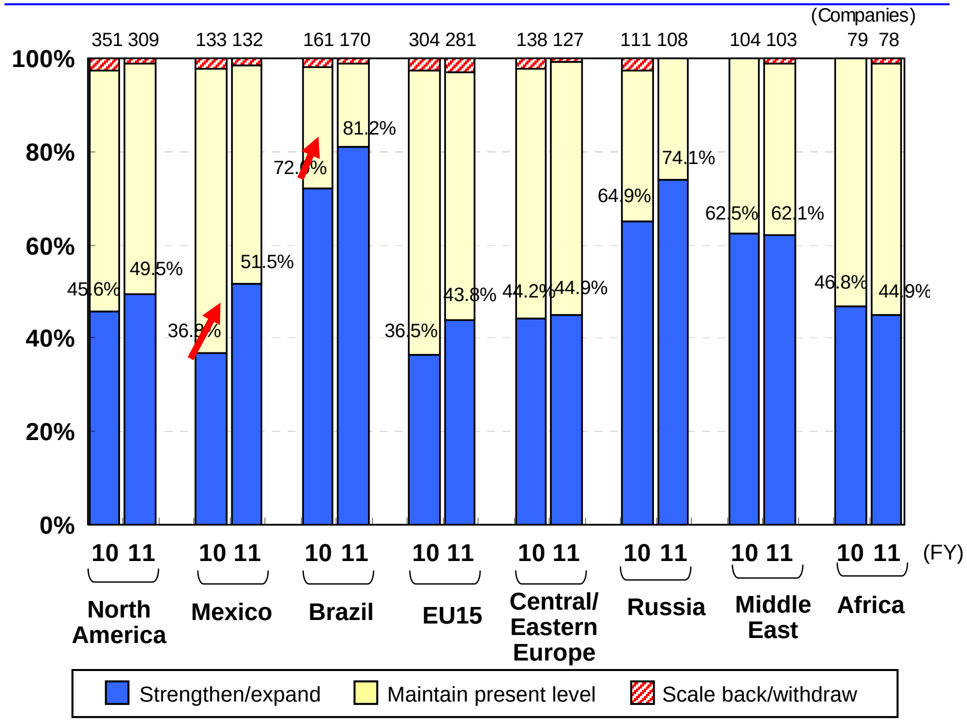
■Moves to bolster production in Thailand and Indonesia stand out

・Among companies wishing to "strengthen/expand" operations in NIEs3 and ASEAN5 countries, Thailand and Indonesia, at over 70% get the highest rates of response (Figure 41). The desire to strengthen operations stands out particularly in the area of production. For Thailand, the combined responses of "Establish new plants", "Bolster existing plants", and "Outsource to others" total 209 respondent companies, making it the 2nd most popular, next to Eastern China, which at 219 is No. 1 in this category.

■ Companies seek "partnerships" in India and Korea

・In the current survey, in addition to the production and sales facets of intentions to bolster businesses, "Partnerships with other companies" was added as a response choice. There were 129 companies this year that chose this response, among which were: 18 with India, 13 with Korea, 12 with Eastern China, and 11 with Brazil. 5 in general machinery chose India and 5 companies in chemicals chose Korea.

Figure 44: Medium-term prospects for overseas operations (Americas/Europe/Middle East/Africa)



Note1: The number above the bar graph indicates the number of respondent companies to each region/country.
Note2: The percentage in the bar graph indicate the percentage share of the companies answering "strengthen/expand"

Note: Figure 45 and 46 shows how the companies which answered "Strengthen/ expand" in Figure 44 expands its facilities. Multiple responses were possible.

Figure 45: How to strengthen/expand by areas (production)

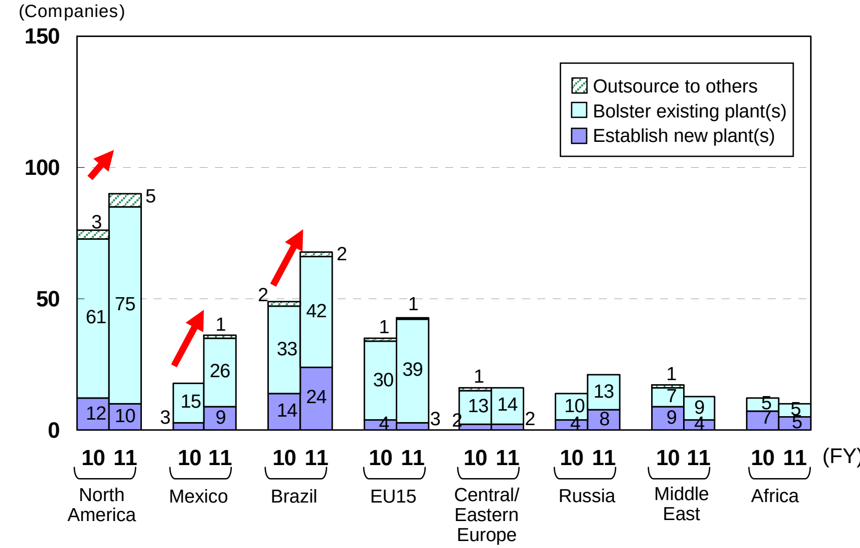
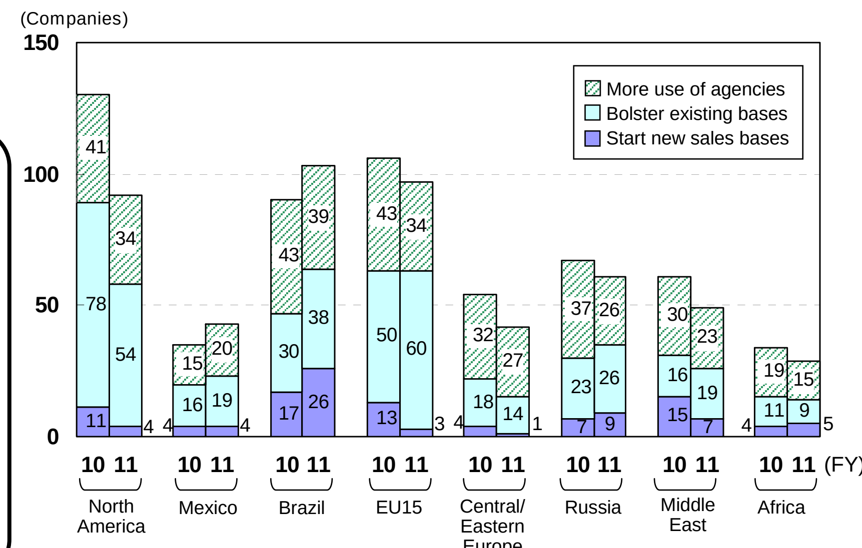


Figure 46 : How to strengthen/expand by areas (sales)



■The "strengthen/expand" attitude is growing in Brazil year after year

- Regions with the highest response ratios for "strengthen/expand" were Brazil (81.2%) and Russia (74.1%). The recovery of "strengthen/expand" responses has been slow for Russia since the "Lehman Shock", but the figures are finally on the rise. Meanwhile, Brazil has seen a phenomenally rapid rise in attention in this category in recent years, going from 57.0% (FY2009) to 72.0% (FY2010) to 81.2% (FY2011). (Figure 44)
- In Latin America, the ratio of companies indicating they would "strengthen or expand" has risen in Mexico. In the cases of Mexico and Brazil, there is an apparent increase in companies wishing to bolster not only their sales but also their productions.

■North America and EU15 noteworthy for M&A projects

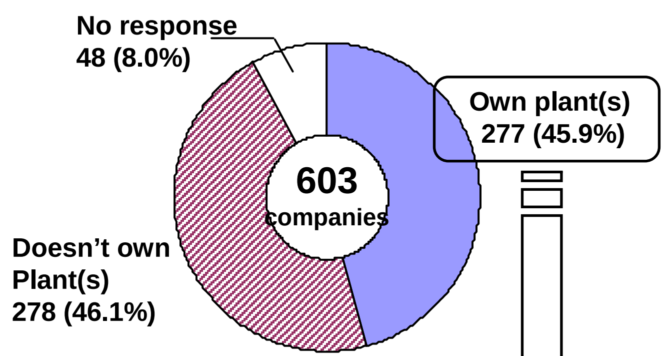
- For North America, the number of companies responding "strengthen/expand" was roughly the same as those responding "maintain current levels", but as the economy recovers, there is a growing trend toward bolstering existing manufacturing bases. (Figure 45) As for EU15, more companies are looking at strengthening sales bases rather than manufacturing bases, just as last year. (Figure 46)
- As demonstrated in Figure 37 above, North America and the EU are notable for the presence of companies pursuing M&A there.

V. Supply Chains Since the Great East Japan Earthquake

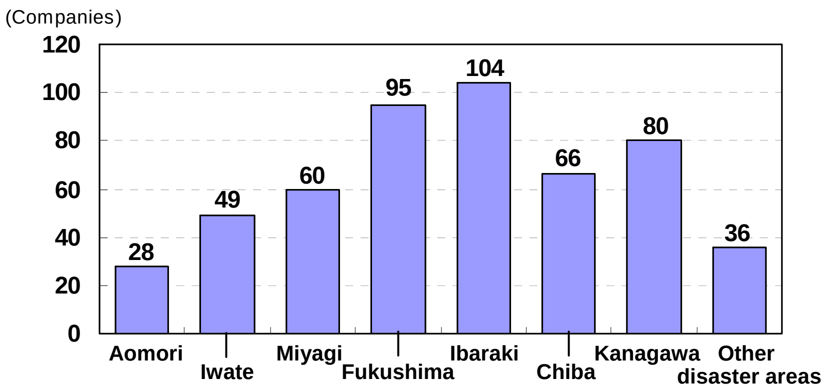
Q. Companies were asked if they themselves, subsidiaries, or affiliated companies had plants in the areas most heavily affected by the Great East Japan Earthquake.

Figure 47: Plant Ownership

(1) Overall

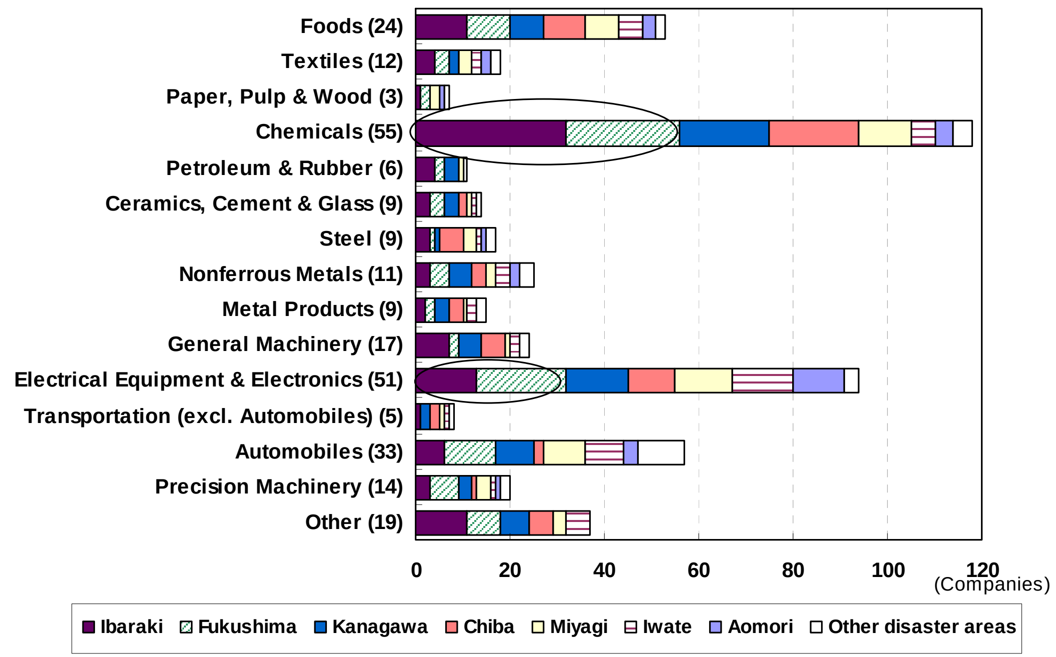


(2) Plant location



Note: The above describes locations of the plants for the 277 companies in (1) above that responded that they owned plants. Multiple responses were possible.

(3) Plant location (by industry)



Note: Parentheses on the left next to industries show the number of respondent companies. Multiple responses were possible.

■About half the 603 respondent companies have plants in the disaster areas

- In order to ask about the damage from the Great East Japan Earthquake, it was necessary to find out how many respondent companies had plants in the main disaster areas. The result showed that about half (277 companies) did (Figure 47-(1)). Many were in Ibaraki Prefecture and Fukushima Prefecture, where around one in six of all respondent companies had plants (Figure 47-(2))
- Industry-wise, many companies in chemicals, electrical equipment and electronics, and automobiles had plants in the disaster areas (Figure 47-(3)).

Figure 48: Effects of the Disaster

	No. of responses (companies)	Proportion (%)
Affected in some way by the disaster	530	87.9
Not affected	47	7.8
No response	26	4.3
Total	603	100.0

Figure 49: Concrete Impact of the Disaster

(The 530 companies that responded that they were affected in some way by the disaster were asked whether there was an impact regarding each of the aspects from 1 through 9 below. "Yes" responses were each added up. The percentages represent the ratio of "yes" responses to 530.)

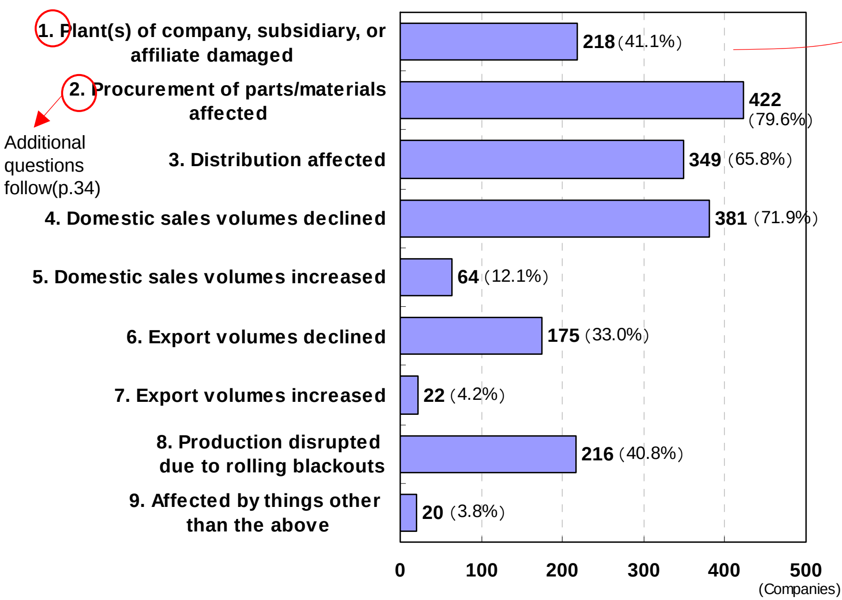


Figure 50: Effects on Product Supply and Steps Taken to Deal with It

(Additional question asked to the 218 companies who said "yes" to "1. Plant(s) of company, subsidiary, or affiliate damaged" in Figure 49.)

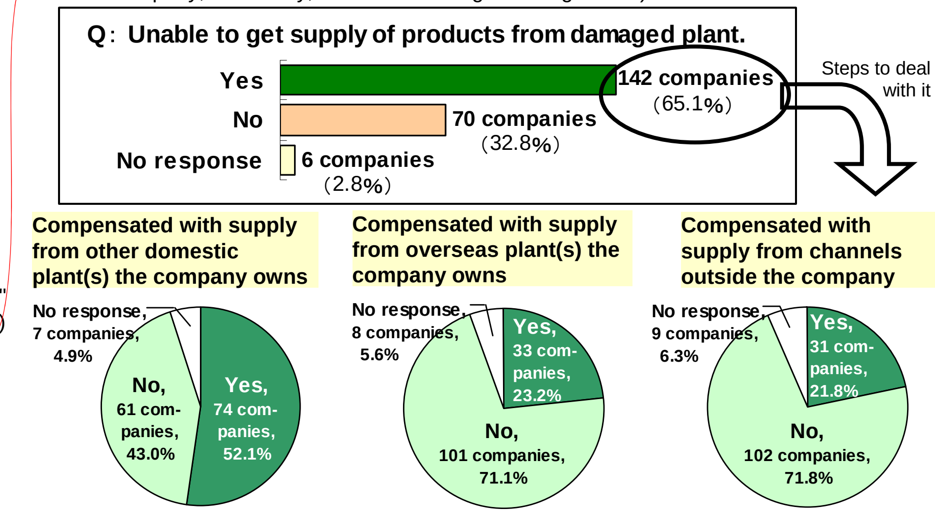
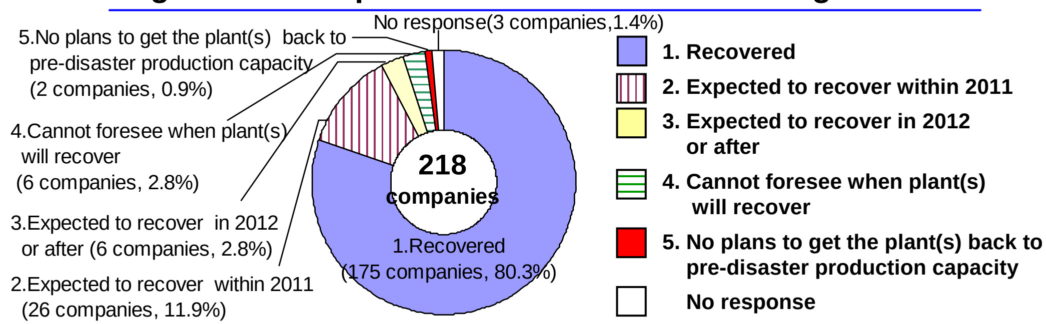


Figure 51: Prospects for Restoration of Damaged Plants



Note: "Recovery" is defined here as a plant returning to levels consistent with pre-disaster production capacity.

■The procurement of parts/materials was most affected by the disaster

・Of the 603 respondent companies, 530 companies, or 87.9%, responded that they were affected by the disaster in some way (Figure 48). The area in which the highest ratio of companies were affected was "2. Procurement of parts/materials" (79.6%), followed by "4. Domestic sales volumes declined" (71.9%) and "3. Distribution" (65.8%). 40.8% of companies reported that "8. Production disrupted due to rolling blackouts" (Figure 49).

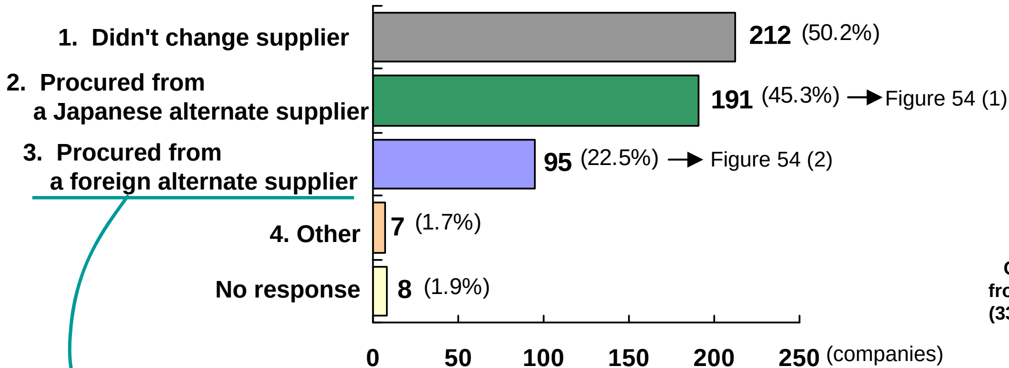
■Disruptions to product supply were mostly compensated for with supply from other domestic plants owned by the companies

・Of the 218 companies whose plants were damaged in the disaster, 142 (65.1%) reported disruptions to product supply. If we look at how those 142 companies dealt with their supply problems, we see that about half (74 companies) compensated with supply from other domestic plants they own (Figure 50).

・Of the 218 companies whose plants were damaged, about 80% reported that the plants had already recovered by the time the questionnaire was sent out (July, 2011). Nevertheless, there were some companies that responded with "3. Expected to recover in 2012 or after," "4. Cannot foresee when plant(s) will recover," and "5. No plans to get the plant(s) back to pre-disaster production capacity" (Figure 51).

Figure 52: How Companies whose Procurement of Parts/Materials Was Affected Dealt with It

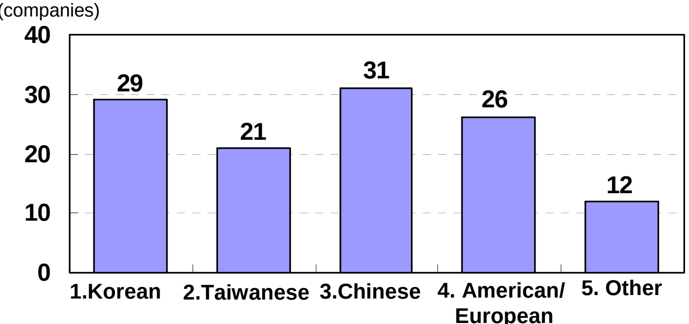
(Additional question asked to the 422 companies who said “yes” to “2. Procurement of parts/materials affected” in Figure 45. Multiple responses were possible.)



Note: The percentages represent the ratio of "yes" responses to 422 (No. of respondent companies).

Figure 53: Companies that Procured from Foreign Alternate Suppliers

(1) Overall



(2) Major industries

(Companies)

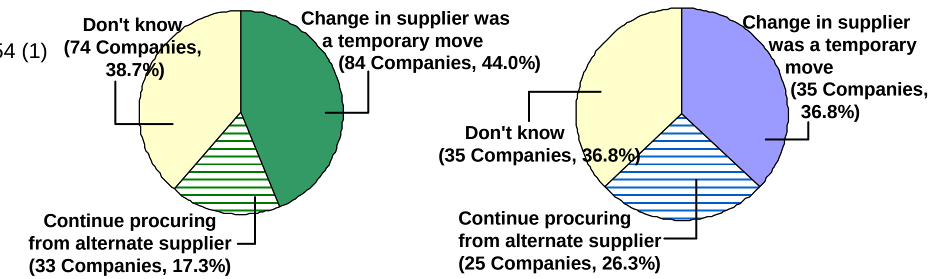
	1. Korean	2. Taiwanese	3. Chinese	4. American/ European	5. Other	No. of respondent companies
Overall	29	21	31	26	12	79
Chemicals	8	2	10	9	1	19
EE & E(Note 1)	3	8	8	4	3	17
Automobiles	8	2	4	6	2	16

Note1: EE&E = Electrical Equipment & Electronics
Note2: Among the 95 companies that responded “3. Procured from a foreign alternate supplier” in Figure 52, 79 companies responded. Multiple responses were possible.

Figure 54: What Companies Will Do with their Alternate Suppliers

(1) Responses from the companies that procured from Japanese alternate suppliers (191)

(2) Responses from the companies that procured from foreign alternate suppliers (95)



■The decisions to change suppliers were made with consideration to maintaining quality and the will of clients

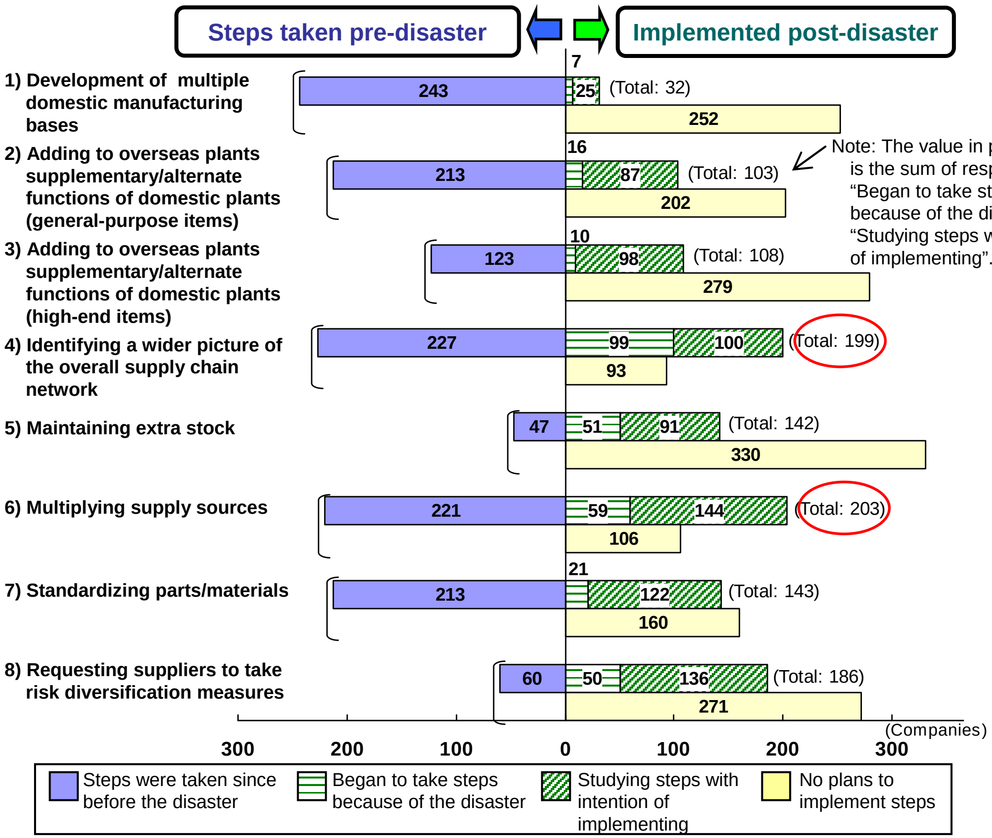
・About half of the companies whose supply of parts and materials was disrupted responded that they did not change suppliers (Figure 52). In interviews, some companies said that their original suppliers recovered quickly, or that they would need the approval of their clients to change suppliers so it was actually very difficult to change it. In addition, while there were some companies that said they were dealing with their alternate suppliers for the first time, there were several companies who said that they dealt with companies that had ever traded with before. For these reasons, we can surmise that the alternate suppliers’ product quality was a factor when companies changed suppliers.

・The foreign companies most frequently chosen as alternate suppliers were Chinese companies, relied upon mainly by companies in the chemical and electrical equipment/electronics industries. Many Korean companies were also the source of procurement for chemical and automobile manufacturers. Other notable suppliers were Taiwanese companies for electrical equipment and electronics, and European and American companies for chemicals (Figure 53(1) &(2)).

■Around 40% of companies will keep their original suppliers, though some companies will continue dealing with alternate suppliers to diversify the source of procurement

・When asked what they would do about their alternate suppliers into the future, of the companies that switched to other Japanese suppliers, 44.0%(84 companies) said that the change was only temporary, 17.3%(33 companies) said that they would continue procuring from their alternate suppliers. On the other hand, of the companies that switched to foreign suppliers, 36.8%(35 companies) said that the change was only temporary, 26.3%(25 companies) said that they would continue procuring from their alternate suppliers. When asked about it in the interviews, some companies said that they intended to keep dealing with both their original and alternate suppliers to diversify the source of procurement (Figure 54).

Figure 55: Moves to Spread Risks in Case of Disasters
(all companies asked)



■Most of the steps taken after the disaster were “Multiplying supply source” and “Identifying a wider picture of the overall supply chain network”

- The most frequently taken or studied steps to spread risk in the wake of the disaster have been “6) Multiplying supply sources” (203 companies when responses of “Began to take steps” and “Studying steps” are combined) and “4) Identifying a wider picture of the overall supply chain network” (199 companies for same). Not many companies were working at “5) Maintaining extra stock” before the disaster, but since the disaster 142 companies are either implementing or studying the implementation of such steps. Nevertheless, a majority of respondent companies (330) reported no such plans. Some companies pointed out that it led to additional cost. (Figure 55).
- In terms of production, few companies are actively “1) Development of multiple domestic manufacturing bases” because of the disaster. Furthermore, when we look at the responses to 2) and 3) (“Adding to overseas plants supplementary/alternate functions of domestic plants”), the companies with no intent to implement such steps outnumber the ones that have implemented or are studying such steps.

Figure 56: Power Supply Constraints (all companies asked)

(1) Attitudes toward power supply constraints since the disaster

	No. of respondent companies	Composition (%)	
1. Taking it very seriously	181	30.0	429 Companies 71.1%
2. Taking it fairly seriously	248	41.1	
3. Not taking it that seriously	58	9.6	
4. Not serious	11	1.8	
5. Can't tell at this point	64	10.6	
No response	41	6.8	
Total	603	100.0	

(2) Revisions to medium-term business projections given the power supply constraints

	No. of respondent companies	Composition (%)	
1. Already revised	6	1.0	119 Companies 19.7%
2. Might consider making revisions in the future if supply constraints get more serious or are prolonged	113	18.7	
3. No plans to change at this point	434	72.0	
No response	50	8.3	
Total	603	100.0	

(3) How medium-term business projections were revised or are to be revised

Responses of the 119 companies in total that answered with "1." or "2." to (2) above.		Domestic businesses: Upward revision	Domestic businesses: Downward revision	Domestic businesses: No response
Overseas businesses	Upward revision	1	77	3
	Downward revision	1	20	0
	No response	1	11	5

Note: The above is a cross tabulation of the individual responses for domestic and overseas business operations.

■Some companies will consider making downward revisions to their domestic operation if the power supply constraints become more serious or are prolonged

- Although out of 603 companies, 429 companies (71.1%) view the constraints on the power supply to be “serious” or “fairly serious”, only 119 companies responded that they have either already revised their medium-term business projections or acknowledged the possibility of studying the matter, which is just around 20% of the total (Figure 56-(1) & -(2)). Still, of those 119 companies, 77 companies, or 64.7%, responded that they would both revise domestic business projections downward and revise overseas business projections upwards. This suggests the possibility to scale down their domestic business operations (Figure 56-(3)).

VI. Overseas Infrastructure Development

- From the Perspective of the Manufacturing Industry

Figure 57: Do You Think of Overseas Infrastructure Development as a Viable Business Opportunity? (Note 1)

(Note 2)

Yes (Note 3)	Can't say either way	No (Note 4)	No response
31.8% (192 companies)	17.4% (105 companies)	40.1% (242 companies)	10.6% (64 companies)

The percentages refer to the ratio to the number of companies (603) that responded to the FY2011 survey.

Note 1: "Overseas infrastructure development" refers not just to the individual delivery of devices and equipment, but the contracting of comprehensive systems that encompass everything from design and construction to maintenance and management. The Japanese government also recognizes the need for deployment of integrated infrastructure systems in its New Growth Strategy (June 2010) and is promoting such strategies.

Note 2: In this question, the 603 respondent companies were asked whether they think of Overseas Infrastructure Development as a viable business opportunity. The choices offered were: "Is a business opportunity," "Somewhat of a business opportunity," "Can't say either way," "Not that much of a business opportunity" and "Not at all a business opportunity".

Note 3: The "Yes" count (31.8%) includes responses of "Is a business opportunity" (15.1%) and "Somewhat of a business opportunity" (16.7%).

Note 4: The "No" count (40.1%) includes responses of "Not at all a business opportunity" (37.5%) and "Not that much of a business opportunity" (2.7%).

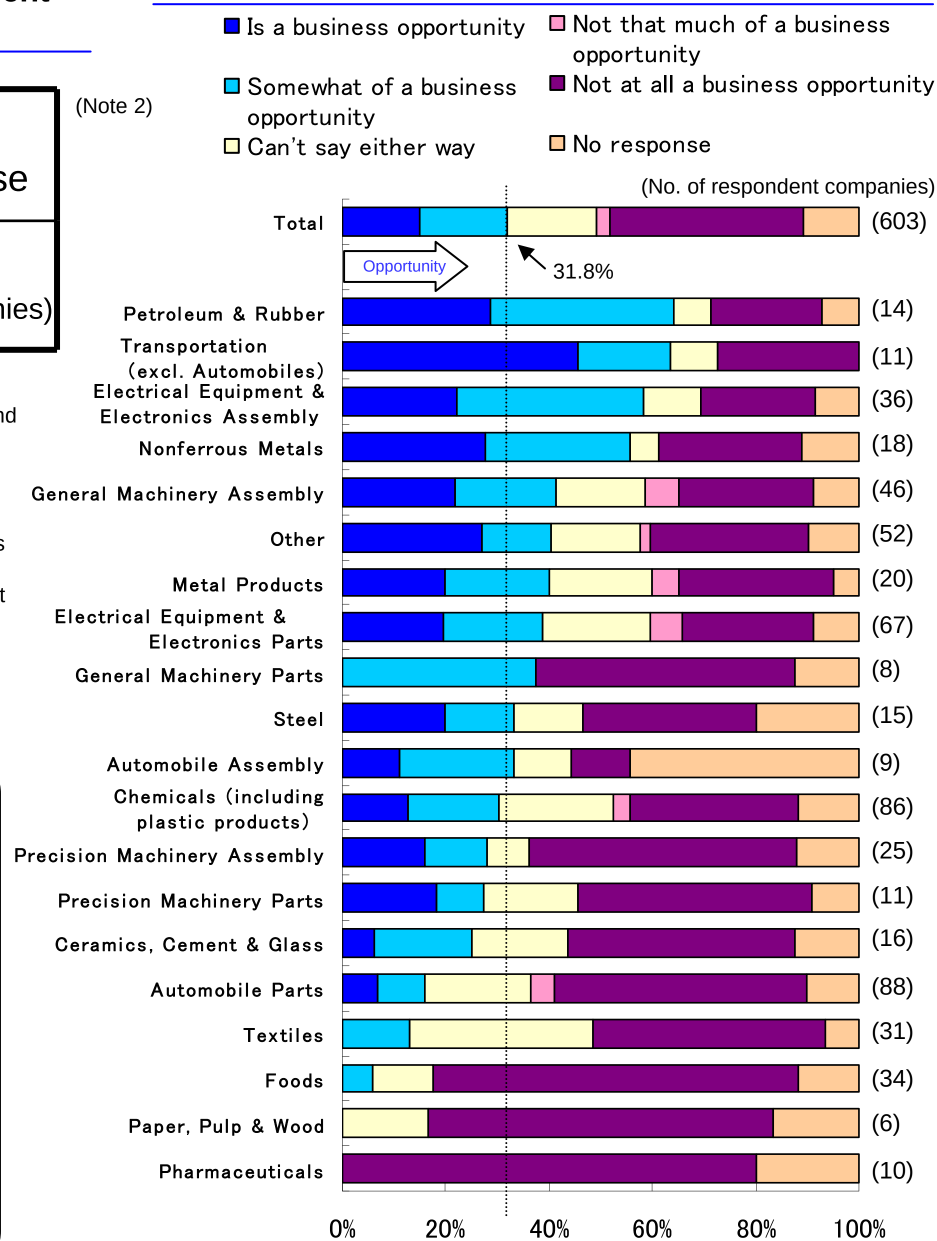
■Over 30% of respondent companies said they view it as a business opportunity

・When we look at the industries of the companies that responded that it "is a business opportunity" or "somewhat of a business opportunity", the ones with the highest ratios were petroleum and rubber (64.3%), transportation (63.6%), electrical equipment and electronics (58.3%), and nonferrous metals (55.6%), all industries in which over half of the companies considered overseas infrastructure development to be a business opportunity.

・Of the 192 companies that said it "is a business opportunity" or "somewhat of a business opportunity", 105 of those companies have already become involved in some way or another in infrastructure development overseas, though 76 companies have yet to get involved in overseas infrastructure businesses. (The remaining 11 companies either gave no response about fields they were interested in or no response as to whether they had already or had yet to join the field.)

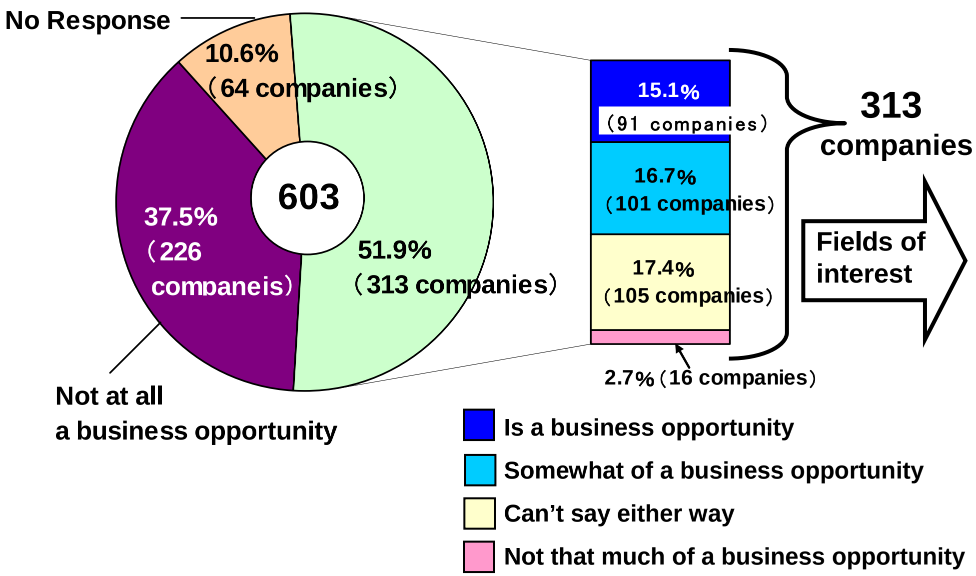
・Many companies in the industries of pharmaceuticals, paper/pulp/wood, foods, textiles, automotive parts, ceramics/cement/glass, and precision machinery responded that it was "not at all a business opportunity". In interviews with these companies, many conveyed a cautious stance toward overseas infrastructure development, as they were unsure of how their companies' own products could be used in the field of overseas infrastructure development, or even when they knew their own products could be used in overseas infrastructure development, they made management decisions that would prioritize existing business fields, etc.

(Supplementary) Figure 58: Attitudes toward Overseas Infrastructure Development Businesses (by industry)



Q.

Companies that responded to questions about overseas infrastructure development with answers of "Is a business opportunity," "Somewhat of a business opportunity," "Can't say either way," and "Not that much of a business opportunity" (313 companies) were asked **which fields in overseas infrastructure development they were interested in**. (Multiple responses were possible.)



■The area with the most interest is solar power

・The top field of interest with regard to overseas infrastructure development was solar power. The top industries with companies citing solar power were electrical equipment and electronics (23 companies, 12 of which had already joined the market) and chemicals (including plastic products) (23 companies, 10 of which had already joined the market). The companies in these industries that have already entered this market supply parts and materials to both Japanese and foreign clients.

■Roughly 20% of companies have entered the business of overseas infrastructure development

・Among the 313 companies above, 126 companies have already entered (Note 3) the business of overseas infrastructure development in some way or another. This translates to about 20% of the 603 companies that responded to this survey. Meanwhile of the 313 above, 127 of them have yet to enter any of these overseas infrastructure development fields. (Note that the 60 companies in total that did not respond to inquiries about their fields of interest or whether they had already entered such fields have been excluded.)

Figure 59: Fields of Interest in Overseas Infrastructure Development

Rank	Overseas infrastructure development areas	No. of respondent companies	Percentage share (Note 1)
1	Solar power	118	37.7%
2	Sewage systems (includes wastewater and industrial sewage processing facilities) (Note 2)	71	22.7%
3	Smart grids	70	22.4%
4	High-speed railways	65	20.8%
5	Water supply (including water for industrial purposes)	61	19.5%
6	Urban railways (including subways and freight cars)	60	19.2%
7	Roads and bridges	55	17.6%
8	Smart communities/Eco-towns	43	13.7%
8	Wind power	43	13.7%
10	High-speed communications networks	41	13.1%
11	Desalinization	40	12.8%
12	Power transmission/distribution	34	10.9%
13	Highly efficient coal-fired power (Ultra-supercritical and Supercritical pressure technology for coal-fired generating plants)	24	7.7%
14	Nuclear power	22	7.0%
15	Solar thermal power	21	6.7%
16	Coal gasification (Integrated Coal Gasification Combined Cycle (IGCC) and Integrated Coal Gasification Fuel Cell Combined Cycle (IGFC))	19	6.1%
17	Carbon Dioxide Capture and Storage (CCS)	18	5.8%
18	Other	15	4.8%

Note 1: Percentage shares were derived by dividing the figures for the relevant overseas infrastructure field by 313 (i.e. the number of companies that responded "Is a business opportunity," "Somewhat of a business opportunity," "Can't say either way," and "Not that much of a business opportunity").

Note 2: In the following, the parenthetical qualification of "Sewage systems (includes wastewater and industrial sewage processing facilities)" has been abridged, and so is listed simply as "Sewage systems". The same applies for "Water supply", "Urban railways", "Highly efficient coal-fired power", and "Coal gasification".

Note 3: "entering" includes marketing research, R&D, parts/materials delivery, etc..

Q.

Companies were asked whether or not they had already entered the fields in which they showed interest. The individual answers were in response to a question concerning their intent with regard to business forays over the medium-term (3 years or so). Therefore, in Figure 60, the medium-term intentions of companies reporting that they have "yet to enter the market (they are interested in)" are also shown. Please note that "entering" includes marketing research, R&D, parts/materials delivery, etc.

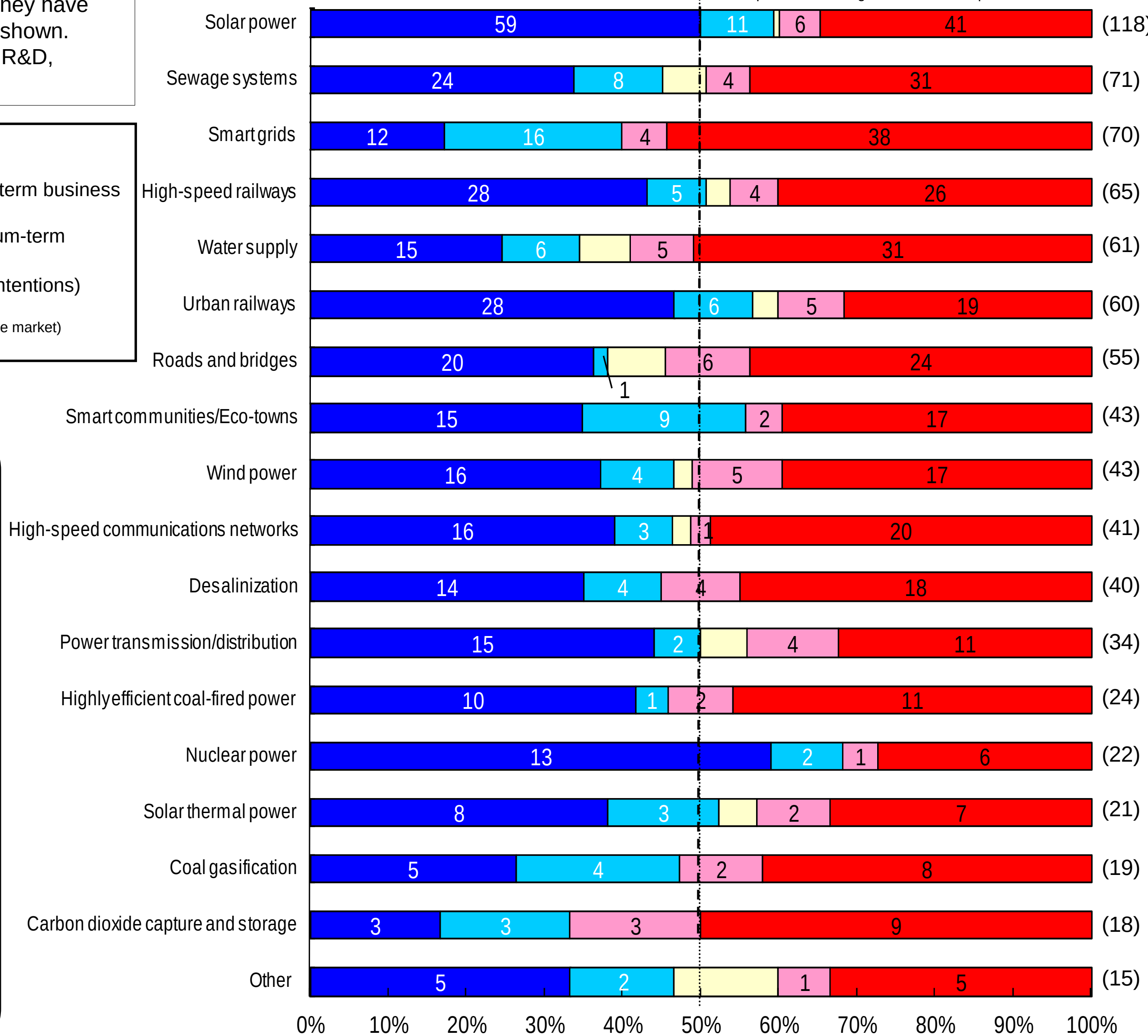
Already entered

Not yet entered
- Studying to enter the market (medium-term business intentions)
- Interested but have yet to study (medium-term business intentions)
- No response (medium-term business intentions)

No response (includes companies that have and haven't entered the market)

Figure 60: Entrance of Companies with an Interest in the Relevant Field (composition)

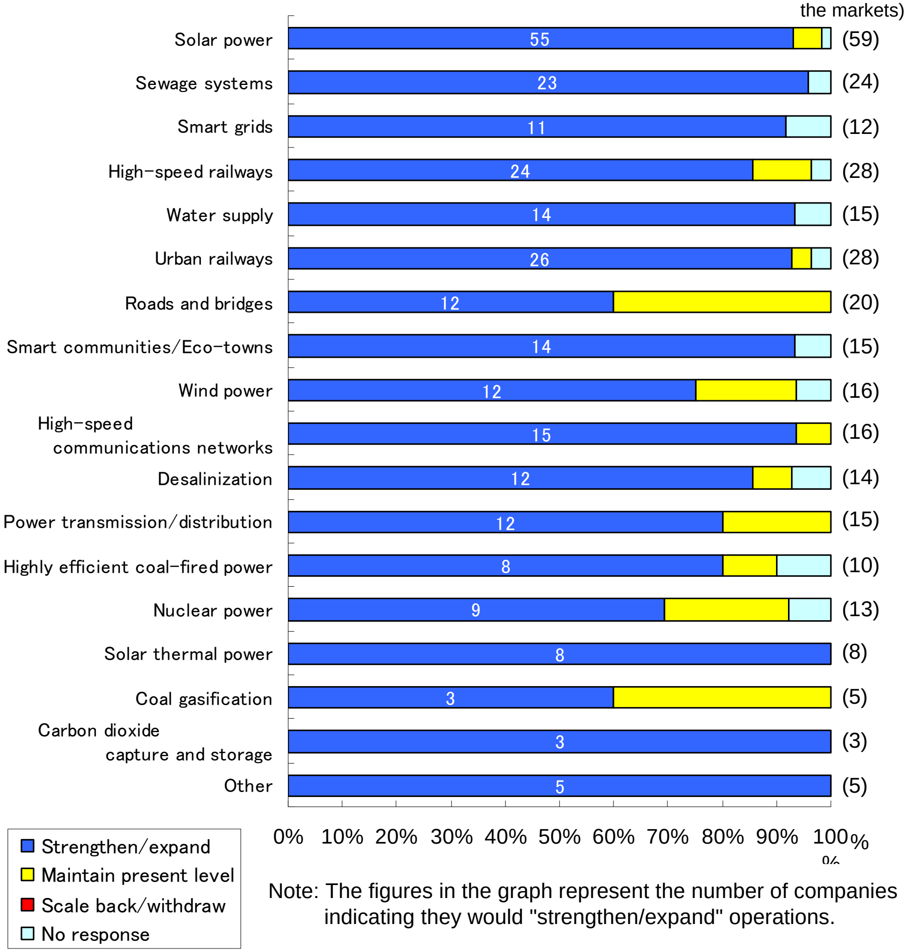
Note: The figures within the graph refer to the number of respondent companies. The figures in parentheses denote the number of companies indicating an interest each particular field.



■ **About 50% of companies have already entered solar power**
- Among the companies that indicated an interest in nuclear power, 59.1% (13 companies) have already entered the market. As for companies interested in solar power, 50% (59 companies) have already entered the market.

■ **There are many fields in which more than 50% of companies are either real or "potential" players**
- If we view companies that have not entered a market but are "studying to enter the market" also as (potential) market entrants, the total sum of real and potential market players exceeds 50% in the following fields: high-speed railways (50.8%), urban railways (56.7%), smart communities/eco-towns (55.8%), power transmission/distribution (50.0%), and solar power (52.4%).
- The field of smart grids was listed as 3rd among interested companies, but the ratio of companies that have already entered was 17.1% (12 companies). Conversely, among companies that have not yet entered, as much as 54.3% (38 companies) indicated they were interested in the field but still studying it. Although there still is a wait-and-see posture among these companies, given the fact that 16 of the not-yet-entered companies are concretely studying how to enter the field, it is worth watching future moves by these and other companies in this field.

(Supplementary) Figure 61: Medium-Term Plans of Companies Already Entered in the Markets



Note: The figures in the graph represent the number of companies indicating they would "strengthen/expand" operations.

■In all of the industrial fields, more than 60% of companies announce that they will strengthen or expand

・In all of these fields, over 60% of the companies have made clear their intentions to strengthen or expand businesses they are already involved with in their medium-term (next 3 years or so) plans. Not even one company said that it would scale back or withdraw, which tells us that companies that are involved in the overseas infrastructure development see the above fields as areas to be pursued in the future.

Figure 62: Fields of Interest Involving Overseas Infrastructure Development by Industry (top 5 fields)

(Note: See Appendix 9 for 6th through 18th fields)

	Solar power	Sewage systems	Smart grids	High-speed railways	Water supply
Total	118	71	70	65	61
Foods	0	1	0	1	2
Textiles	2	6	1	2	5
Paper, Pulp & Wood	0	0	0	0	0
Chemicals (including plastic products)	23	14	8	10	9
Pharmaceuticals	0	0	0	0	0
Petroleum & Rubber	4	0	0	2	2
Ceramics, Cement & Glass	4	1	0	1	0
Steel	2	3	0	4	3
Nonferrous Metals	9	0	5	6	0
Metal Products	10	3	3	4	5
General Machinery assembly	8	8	1	4	6
General Machinery parts	0	2	0	1	1
Electrical Equipment & Electronics assembly	11	7	13	5	5
Electrical Equipment & Electronics parts	23	6	19	5	6
Transportation (excl. Automobiles)	1	4	1	3	1
Automobiles assembly	2	0	2	1	0
Automobiles parts	6	6	8	7	6
Precision Machinery assembly	4	2	2	2	2
Precision Machinery parts	1	0	1	1	0
Other	8	8	6	6	8

■Industries with High Levels of Interest in Overseas Infrastructure Development include Chemicals, and Electrical Equipment and Electronics

・With all the top five fields of interest, chemicals (including plastic products) is one of the top three industries in terms of the number of companies interested in the field.

・As for solar power, companies in the industries of chemicals and electrical equipment/electronics are dominant, specifics being as follows: chemicals (including plastic products) (23 companies), electrical equipment and electronics parts (23 companies), electrical equipment and electronics assembly (11 companies), metal products (10 companies), and nonferrous metals (9 companies).

・For sewage systems (includes wastewater and industrial sewage processing facilities), interest was shown by companies in the industries of chemicals (including plastic products) (14 companies), general machinery assembly (8 companies), “other” (8 companies), electrical equipment and electronics assembly (7 companies), electrical equipment and electronics parts (6 companies), automobile parts (6 companies), and textiles (6 companies), a trend which demonstrates the strong interest from chemicals and electrical equipment/electronics enterprises.

Figure 63: Promising Countries/Regions Ranked by Field of Interest (top 10)

Q. The respondents were each asked to name the top 5 countries/regions concerning the fields of interest that they consider to have promising prospects for business operations over the medium-term (the next three years or so).

Note 1: Percentage share = No. of responses citing country/region concerning the field of interest / Total No. of respondent companies concerning the field of interest (See Figure 59)

Solar power

Rank	Country/Region	Companies	Percentage share
1	China	46	39.0%
2	India	21	17.8%
3	USA	17	14.4%
4	Indonesia	11	9.3%
4	Thailand	11	9.3%
6	Taiwan	8	6.8%
6	Vietnam	8	6.8%
8	Germany	7	5.9%
9	Brazil	6	5.1%
9	Korea	6	5.1%
※	Japan	6	

Sewage systems

Rank	Country/Region	Companies	Percentage share
1	China	29	40.8%
2	India	15	21.1%
3	Vietnam	10	14.1%
4	Indonesia	7	9.9%
5	Thailand	5	7.0%
6	Singapore	4	5.6%
7	Brazil	3	4.2%
7	Malaysia	3	4.2%
7	Saudi Arabia	3	4.2%
7	USA	3	4.2%

Smart grids

Rank	Country/Region	Companies	Percentage share
1	China	22	31.4%
2	India	13	18.6%
3	USA	11	15.7%
4	Brazil	6	8.6%
4	Indonesia	6	8.6%
4	Vietnam	6	8.6%
7	Korea	5	7.1%
7	Thailand	5	7.1%
9	Russia	3	4.3%
9	Taiwan	3	4.3%
※	EU/Europe	4	
	Japan	4	

High-speed railways

Rank	Country/Region	Companies	Percentage share
1	China	31	47.7%
2	India	16	24.6%
3	Vietnam	13	20.0%
4	Brazil	11	16.9%
5	USA	8	12.3%
6	Indonesia	5	7.7%
6	Thailand	5	7.7%
8	Korea	2	3.1%
8	Malaysia	2	3.1%
8	Russia	2	3.1%
※	North America	3	
	EU/Europe	2	

Water supply

Rank	Country/Region	Companies	Percentage share
1	China	20	32.8%
2	India	14	23.0%
3	Indonesia	9	14.8%
3	Vietnam	9	14.8%
5	Saudi Arabia	5	8.2%
5	Thailand	5	8.2%
7	Malaysia	4	6.6%
7	Singapore	4	6.6%
7	UAE	4	6.6%
10	Brazil	3	4.9%
10	Russia	3	4.9%

Urban railways

Rank	Country/Region	Companies	Percentage share
1	China	24	40.0%
2	India	18	30.0%
3	Vietnam	12	20.0%
4	Indonesia	10	16.7%
5	Brazil	9	15.0%
6	Thailand	5	8.3%
7	Malaysia	4	6.7%
7	USA	4	6.7%
9	Singapore	3	5.0%
10	Korea, Philippines Russia, Taiwan	2	3.3%
※	EU/Europe	2	

Roads and bridges

Rank	Country/Region	Companies	Percentage share
1	China	15	27.3%
2	India	13	23.6%
3	Vietnam	12	21.8%
4	Indonesia	8	14.5%
5	Thailand	5	9.1%
6	Russia	4	7.3%
7	Brazil	3	5.5%
7	Korea	3	5.5%
9	Malaysia	2	3.6%
9	Mongolia	2	3.6%
9	Singapore	2	3.6%

Smart communities/ Eco-towns

Rank	Country/Region	Companies	Percentage share
1	China	19	44.2%
2	India	12	27.9%
3	USA	7	16.3%
4	Vietnam	6	14.0%
5	Indonesia	5	11.6%
6	Thailand	4	9.3%
7	Germany	3	7.0%
7	Korea	3	7.0%
9	Brazil	2	4.7%
9	France	2	4.7%
※	Japan	4	
	EU/Europe	2	

Wind power

Rank	Country/Region	Companies	Percentage share
1	China	16	37.2%
2	India	15	34.9%
3	Indonesia	7	16.3%
3	USA	7	16.3%
5	Thailand	5	11.6%
6	Brazil	4	9.3%
6	Vietnam	4	9.3%
8	Germany	3	7.0%
9	Russia	2	4.7%
10	Australia,Bulgaria, Canada,Denmark,Egypt Greece,Korea,Malaysia, Philippines,Saudi Arabia,Spain	1	2.3%
※	EU/Europe	5	
	Japan	2	
	North America	2	

High-speed communications networks

Rank	Country/Region	Companies	Percentage share
1	China	19	46.3%
2	India	14	34.1%
3	USA	8	19.5%
4	Korea	5	12.2%
5	Brazil	3	7.3%
5	Indonesia	3	7.3%
5	Taiwan	3	7.3%
5	Thailand	3	7.3%
5	Vietnam	3	7.3%
10	Russia	2	4.9%
※	EU/Europe	4	

Note2: Japan and Regions including plural countries or regions that scored highly (in the top ten) are shown under the pertinent tables next to an asterisk.

Note3: See Appendix 10 for 11th through 18th fields.

■In addition to China and India, other emerging countries with robust market growth have garnered votes across fields of interest. As for a developed country, interest was generated in the U.S.

- Companies see China and India as promising countries across fields of high interest. The total of these two countries exceed 50% of percentage share. Vietnam, Indonesia, Thailand, and Brazil are likewise seen as promising.
- At the same time, as for a developed country, the U.S. is recognized as a promising country after China and India in solar power, smart grids, smart communities/eco-towns, wind power, and high-speed networks.
- Promising countries other than China, India, and the U.S. include Brazil and many counties in Southeast Asia, which is probably a reflection of the robust infrastructure demand in Asian countries.

Figure 64: Medium-term Approaches to Overseas Infrastructure Development

Q. Companies that already had entered fields that interested them are asked what sort of approaches they are going to take in the medium-term (in coming three years).

Note: The percentage shows the ratio of the companies that cited the approach among the companies that have already entered the relevant field. The approaches cited by over a third of those companies are highlighted.

	Field	No. of companies already entered this field	Delivery of parts/ materials	Delivery of equipment/ facilities	R&D	Research (FS, marketing, etc.)	Management of design/ construction	Consulting	Provision of services (construction, etc.)	Management, operations, and maintenance	Investments	Other
Classification 1	Wind power	16	81.3%	25.0%	18.8%	25.0%	12.5%	6.3%	6.3%	12.5%	6.3%	-
	Roads and bridges	20	50.0%	45.0%	10.0%	15.0%	15.0%	5.0%	5.0%	15.0%	-	-
	High-speed railways	28	71.4%	35.7%	17.9%	17.9%	14.3%	7.1%	10.7%	3.6%	7.1%	-
	High-speed communications networks	16	68.8%	37.5%	31.3%	31.3%	12.5%	6.3%	-	6.3%	6.3%	-
	Solar power	59	55.9%	39.0%	30.5%	23.7%	5.1%	-	1.7%	3.4%	8.5%	3.4%
	Power transmission/distribution	15	40.0%	53.3%	6.7%	33.3%	20.0%	-	6.7%	6.7%	-	-
	Nuclear power	13	46.2%	46.2%	23.1%	15.4%	23.1%	7.7%	15.4%	15.4%	15.4%	-
	Urban railways	28	67.9%	46.4%	21.4%	21.4%	21.4%	7.1%	10.7%	10.7%	3.6%	-
	Smart communities/Eco-towns	15	53.3%	66.7%	33.3%	46.7%	13.3%	13.3%	13.3%	20.0%	13.3%	-
	Smart grids	12	58.3%	50.0%	41.7%	50.0%	8.3%	-	8.3%	-	-	-
	Desalinization	14	35.7%	50.0%	42.9%	42.9%	35.7%	21.4%	28.6%	28.6%	21.4%	-
Classification 2	Sewage systems	24	50.0%	58.3%	20.8%	29.2%	37.5%	12.5%	20.8%	41.7%	12.5%	-
	Water supply	15	53.3%	60.0%	26.7%	40.0%	40.0%	20.0%	20.0%	40.0%	26.7%	-
	Highly efficient coal-fired power	10	60.0%	70.0%	40.0%	30.0%	30.0%	20.0%	40.0%	40.0%	-	-

■Overseas Infrastructure Development by Manufacturers Who Mostly Focus on Delivery of Products

- In Figure 64, delivery of parts/materials and equipment/facilities, the areas in which Japanese companies have a good track record, is classified as classification 1, while the areas in which more than a third of companies have done not only delivery of parts/materials and equipment/facilities, but also management, operations, and maintenance are classified as classification 2. This survey also investigates areas such as coal gasification, solar thermal power, carbon dioxide capture and storage, and other technologies. However, because only a few companies have reported that they have already entered these areas, they are not considered part of this classification.
- Although some "water-related business" companies provide the management, operations, and maintenance, the most frequent response became the delivery of parts/materials and delivery of equipment/facilities, as this survey is targeted at the manufacturing industry,
- In all of the above fields, it should also be noted that most of the companies expected to work at management, operations, and maintenance are major corporations located downstream on the supply chain.

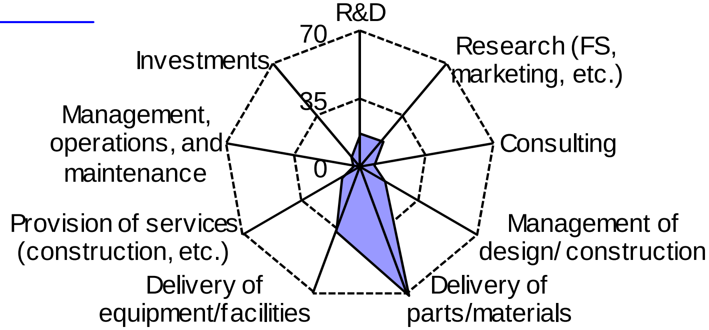
Figure 65-1. Medium-term Approaches to Overseas Infrastructure Projects (Classification 1)

Guide to the chart:

- The charts show the “number of responses per each approach / number of companies that have already entered in the field” for each field listed in the previous page (Unit: percent).
- It shows, among the companies that have already entered in the pertinent field, what percentage of the company is going to take which approach in coming three or so years.
- In the areas in which few of these companies are interested, other manufacturers, non-manufacturers, public-sector companies, or other companies with good track record in Japan can help to provide integrated infrastructure systems in the future.
- The size of the blue area represents the extent to which companies that have already entered in those respective fields have made medium-term concrete plans.

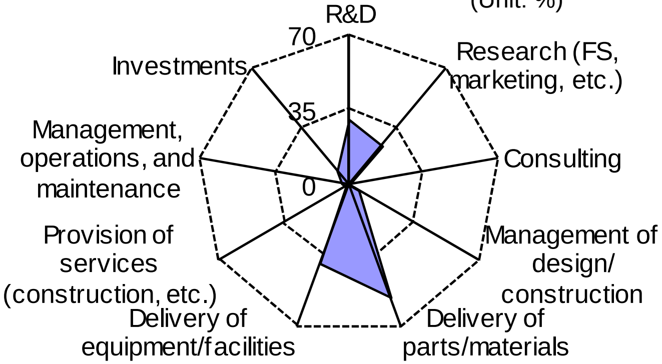
High –speed railways (Companies already entered: 28)

(Unit: %)

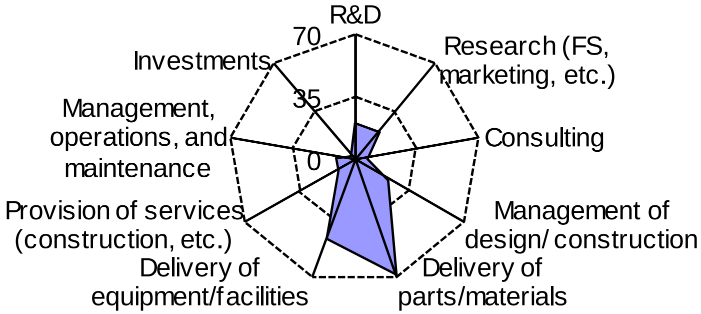


Solar power (Companies already entered: 59)

(Unit: %)



Urban railways (Companies already entered: 28) (Unit: %)



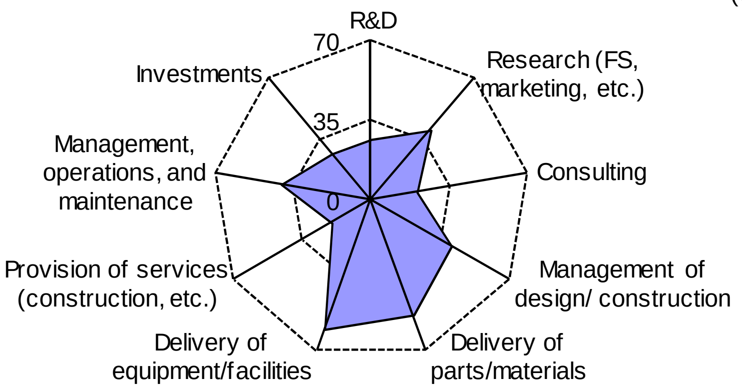
■As a medium-term measure, the majority of trade has taken the form of delivery of products

- “Classification 1” mainly includes delivery of parts/materials and delivery of equipment/facilities, the areas in which Japanese companies have a good track record.
- More than a few companies in “Classification 1” cited R&D, research (F/S, marketing, etc.), or management of design/construction as approaches they plan to take in the future. Bringing added value to their products by providing maintenance services will be the key to finding more sources of profit in overseas infrastructure businesses in the future.

Figure 65-2. Medium-term Approaches to Overseas Infrastructure Projects (Classification 2)

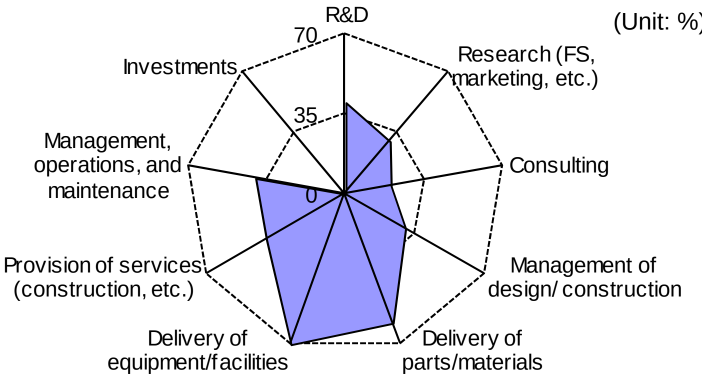
Water supply (Companies already entered: 15)

(Unit: %)



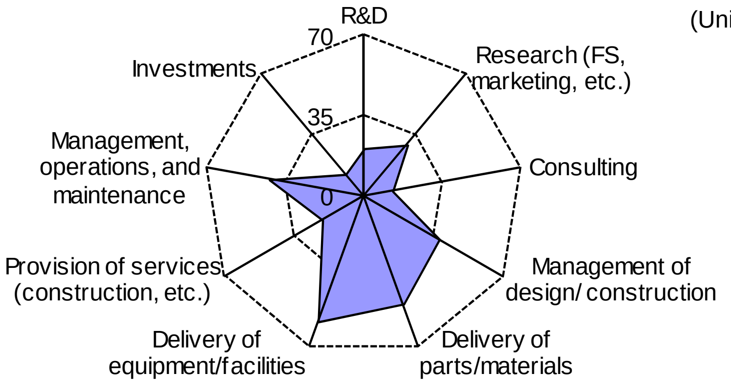
Highly efficient coal-fired power (Companies already entered: 10)

(Unit: %)



Sewage systems (Companies already entered: 24)

(Unit: %)



■Companies in the water-related business are looking into management, operations, and maintenance

- In the water-related business field, there are already established manufacturers of water treatment devices such as EPC and O&M, so it is likely that in overseas ventures these companies will render services and provide management, operations, and maintenance over the medium term.
- In the field of highly efficient coal-fired power, only 10 respondent companies have already entered the field. However, among the companies which have already entered the relevant field, the ratio of the companies, which plan to render service and/or to provide management, operations and maintenance over the medium-term, is relatively higher than the ratio of those in other fields.

Q. Companies that are interested in and have already entered the fields of overseas infrastructure businesses were asked about the issues they face. Ten fields are listed here in descending order of the number of companies that have entered in them.

Figure 66-1: Issues for Overseas Infrastructure Development (fields that companies have already entered)

Note1: The figures refer to the number of responses per issue /number of companies that have already entered the respective field.
Note2: See Appendix 11 for No. of companies by all fields

(%)

	Solar power	High-speed railways	Urban railways	Sewage systems	Roads and bridges	Wind power	High-speed communications networks	Water supply	Power transmission/ distribution	Smart communities/ Eco-towns
Proper sharing of risks between public and private	8.5	21.4	21.4	20.8	5.0	18.8	12.5	26.7	20.0	46.7
Finding reliable local partners	35.6	42.9	50.0	45.8	40.0	37.5	50.0	60.0	26.7	66.7
Taking the right steps to conform to the local legal, accounting, and administrative systems	10.2	17.9	14.3	41.7	5.0	31.3	6.3	33.3	13.3	33.3
Funding/financing	5.1	10.7	14.3	12.5	15.0	25.0	12.5	13.3	6.7	26.7
Meeting local needs	42.4	46.4	53.6	41.7	35.0	62.5	50.0	53.3	20.0	53.3
Ensuring cost competitiveness	78.0	67.9	71.4	62.5	55.0	75.0	75.0	46.7	60.0	86.7
Negotiating with the party to which infrastructure service will be provided	6.8	10.7	10.7	16.7	5.0	18.8	18.8	26.7	33.3	33.3
Procuring parts/materials	25.4	14.3	25.0	20.8	15.0	37.5	12.5	20.0	6.7	26.7
Managing construction progress and following business plans	8.5	10.7	10.7	29.2	20.0	31.3	12.5	33.3	6.7	26.7
Securing and managing local human resources	20.3	21.4	21.4	37.5	25.0	37.5	12.5	33.3	26.7	40.0
Securing personnel to be stationed overseas	22.0	17.9	28.6	20.8	20.0	18.8	6.3	40.0	13.3	20.0
Guarding against technology leaks/protecting intellectual property rights	28.8	28.6	25.0	20.8	5.0	37.5	50.0	26.7	20.0	33.3
Relevant underdeveloped infrastructures	1.7	7.1	7.1	8.3	10.0	12.5	6.3	6.7	-	13.3
Political risks	11.9	10.7	10.7	20.8	15.0	18.8	18.8	20.0	20.0	40.0
Support of the local government	18.6	10.7	7.1	16.7	25.0	31.3	31.3	20.0	20.0	40.0
Currency exchange rate risks	16.9	25.0	25.0	29.2	30.0	31.3	25.0	40.0	26.7	46.7
Other	-	-	-	-	-	-	-	-	-	-
No. of companies entered in pertinent fields	59	28	28	24	20	16	16	15	15	15

Issue No. 1
Issue No. 2
Issue No. 3

■Companies that have already entered the infrastructure field face issues such as ensuring cost competitiveness, meeting local needs, and finding reliable local partners

- The most common issues faced by companies that have already entered the infrastructure development market overseas were “ensuring cost competitiveness”, “meeting local needs”, and “finding reliable local partners”.
- “Ensuring cost competitiveness” was the most commonly faced issue in all infrastructure fields, with the exception of the water supply and smart grid fields (please see Appendix 11).

Q.

Companies that are interested in but have not yet entered the fields of overseas infrastructure businesses were asked about the issues they face in entering a new field. Ten fields are listed here in descending order of the number of companies that are not entered in them.

Figure 66-2: Issues for Overseas Infrastructure Development (fields that companies have not entered)

Note1: The figures refer to the number of responses per issue /number of companies that have not entered the respective field.
Note2: See Appendix 12 for No. of companies by all fields

(%)

	Smart grids	Solar power	Sewage systems	Water supply	High-speed railways	Roads and bridges	Urban railways	Smart communities/ Eco-towns	Desalination	Wind power
Proper sharing of risks between public and private	19.0	6.9	9.3	9.5	5.7	9.7	10.0	32.1	11.5	7.7
Finding reliable local partners	36.2	32.8	34.9	23.8	25.7	29.0	23.3	46.4	34.6	30.8
Taking the right steps to conform to the local legal, accounting, and administrative systems	15.5	13.8	14.0	9.5	8.6	16.1	6.7	17.9	7.7	-
Funding/financing	8.6	8.6	9.3	7.1	8.6	6.5	6.7	14.3	11.5	11.5
Meeting local needs	31.0	25.9	20.9	14.3	28.6	22.6	30.0	39.3	11.5	26.9
Ensuring cost competitiveness	34.5	32.8	20.9	16.7	31.4	25.8	16.7	39.3	34.6	30.8
Negotiating with the party to which infrastructure service will be provided	6.9	6.9	11.6	9.5	5.7	9.7	3.3	14.3	15.4	11.5
Procuring parts/materials	13.8	10.3	7.0	4.8	11.4	3.2	10.0	17.9	11.5	15.4
Managing construction progress and following business plans	8.6	6.9	9.3	9.5	-	9.7	3.3	10.7	7.7	3.8
Securing and managing local human resources	12.1	17.2	11.6	9.5	11.4	6.5	6.7	17.9	19.2	11.5
Securing personnel to be stationed overseas	8.6	10.3	4.7	2.4	14.3	16.1	13.3	14.3	-	7.7
Guarding against technology leaks/protecting intellectual property rights	20.7	10.3	11.6	4.8	20.0	9.7	3.3	17.9	19.2	19.2
Relevant underdeveloped infrastructures	8.6	5.2	9.3	7.1	2.9	9.7	3.3	14.3	11.5	7.7
Political risks	8.6	5.2	14.0	14.3	11.4	12.9	10.0	14.3	7.7	7.7
Support of the local government	13.8	6.9	18.6	14.3	17.1	12.9	6.7	17.9	23.1	11.5
Currency exchange rate risks	13.8	6.9	16.3	16.7	11.4	12.9	13.3	17.9	15.4	11.5
Other	-	-	-	-	-	-	3.3	-	-	-
No. of companies not yet entered in pertinent fields	58	58	43	42	35	31	30	28	26	26

■For companies entering the infrastructure field anew, major issues faced are finding reliable local partners, ensuring cost competitiveness, and meeting local needs

- The common issues seen in the top ten fields in terms of the number of companies entering the fields anew were “ensuring cost competitiveness”, “meeting local needs”, and “finding reliable local partners”.
- With the exception of railways, the most commonly faced issue for companies entering the fields anew was “finding reliable local partners”.

Issue No. 1
Issue No. 2
Issue No. 3

Appendices

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

Note: “Medium-term” here means the next three or so years.

Rank	FY 2011 Survey	No. of Companies 507	Percentage share (%)	FY 2010 Survey	No. of Companies 516	Percentage share (%)	FY 2009 Survey	No. of Companies 480	Percentage share (%)	FY 2008 Survey	No. of Companies 471	Percentage share (%)	FY 2007 Survey	No. of Companies 503	Percentage share (%)
1	China	369	72.8	China	399	77.3	China	353	73.5	China	297	63.1	China	342	68.0
2	India	297	58.6	India	312	60.5	India	278	57.9	India	271	57.5	India	254	50.5
3	Thailand	165	32.5	Vietnam	166	32.2	Vietnam	149	31.0	Vietnam	152	32.3	Vietnam	178	35.4
4	Vietnam	159	31.4	Thailand	135	26.2	Thailand	110	22.9	Russia	130	27.6	Thailand	132	26.2
5	Brazil	145	28.6	Brazil	127	24.6	Russia	103	21.5	Thailand	125	26.5	Russia	114	22.7
6	Indonesia			Indonesia	107	20.7	Brazil	95	19.8	Brazil	91	19.3	USA	93	18.5
7	Russia	63	12.4	Russia	75	14.5	USA	65	13.5	USA	78	16.6	Brazil	47	9.3
8	USA	50	9.9	USA	58	11.2	Indonesia	52	10.8	Indonesia	41	8.7	Indonesia	46	9.1
9	Malaysia	39	7.7	Korea	30	5.8	Korea	31	6.5	Korea	27	5.7	Korea	32	6.4
10	Taiwan	35	6.9	Malaysia	29	5.6	Malaysia	26	5.4	Taiwan	22	4.7	Taiwan	24	4.8
11	Korea	31	6.1	Taiwan			Taiwan	21	4.4	Mexico	21	4.5	Malaysia	21	4.2
12	Mexico	29	5.7	Mexico	25	4.8	Mexico	20	4.2	Malaysia	20	4.2	Mexico		
13	Singapore	25	4.9	Singapore	21	4.1	Philippines	14	2.9	Singapore	15	3.2	Germany	15	3.0
14	Philippines	15	3.0	Philippines	14	2.7	Australia	9	1.9	UAE	14	3.0	Philippines		
15	Turkey	12	2.4	Australia	8	1.6	Germany			Czech Republic	13	2.8	Czech Republic	13	2.6
16	Australia	8	1.6	Bangladesh			Saudi Arabia			Germany			Turkey	10	2.0
17	Bangladesh			Turkey			Turkey	8	1.7	Turkey	12	2.5	UK		
18	Cambodia			Germany	7	1.4	Singapore	7	1.5	Australia	8	1.7	Australia	8	1.6
19	Myanmar	7	1.4	UK	6	1.2	Czech Republic	6	1.3	South Africa			Hong Kong		
20	UK	6	1.2	Myanmar	5	1.0	Canada	5	1.0	UK			Poland		
				Poland			UAE						Saudi Arabia		
				Saudi Arabia			UK								
				South Africa											
				UAE											

Promising Countries/Regions over the Long-term

Note: “Long-term” here refers to the next 10 or so years.

Rank	FY 2011 Survey	No. of Companies 420	Percentage share (%)	FY 2010 Survey	No. of Companies 438	Percentage share (%)
1	India	333	79.3	India	328	74.9
2	China	299	71.2	China	314	71.7
3	Brazil	196	46.7	Brazil	151	34.5
4	Indonesia	147	35.0	Vietnam	134	30.6
5	Vietnam	146	34.8	Russia	108	24.7
6	Thailand	114	27.1	Indonesia	93	21.2
7	Russia	95	22.6	Thailand	84	19.2
8	USA	36	8.6	USA	38	8.7
9	Mexico	25	6.0	Malaysia	20	4.6
10	Malaysia	21	5.0	Taiwan	18	4.1

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

Note: “Mid-tier firm/SMEs” here refers to companies with paid-in capital of less than ¥1 billion.

Rank	FY 2011 Survey	No. of Companies 133	Percentage share (%)	FY 2010 Survey	No. of Companies 131	Percentage share (%)
1	China	93	69.9	China	91	69.5
2	India	73	54.9	India	77	58.8
3	Vietnam	45	33.8	Vietnam	53	40.5
4	Thailand	38	28.6	Thailand	42	32.1
5	Indonesia	34	25.6	Brazil	30	22.9
6	Brazil	30	22.6	Indonesia	27	20.6
7	Russia	14	10.5	Russia	15	11.5
8	Malaysia	10	7.5	Taiwan	9	6.9
9	Mexico	9	6.8	Mexico	8	6.1
10	USA	8	6.0	USA		

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

FY2011 Survey	1 China		2 India		3 Thailand		4 Vietnam		5 Brazil		5 Indonesia		7 Russia		8 USA		9 Malaysia		10 Taiwan	
	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	351	100%	283	100%	159	100%	149	100%	138	100%	141	100%	58	100%	47	100%	34	100%	32	100%
1. Qualified human resources	58	16.5%	64	22.6%	23	14.5%	32	21.5%	3	2.2%	7	5.0%	2	3.4%	4	8.5%	10	29.4%	6	18.8%
2. Inexpensive source of labor	115	32.8%	112	39.6%	66	41.5%	94	63.1%	22	15.9%	65	46.1%	4	6.9%	-	-	12	35.3%	5	15.6%
3. Inexpensive components/raw materials	60	17.1%	31	11.0%	21	13.2%	18	12.1%	5	3.6%	11	7.8%	3	5.2%	2	4.3%	3	8.8%	3	9.4%
4. Supply base for assemblers	98	27.9%	59	20.8%	53	33.3%	25	16.8%	27	19.6%	37	26.2%	9	15.5%	8	17.0%	6	17.6%	7	21.9%
5. Concentration of industry	80	22.8%	21	7.4%	39	24.5%	7	4.7%	12	8.7%	14	9.9%	1	1.7%	5	10.6%	4	11.8%	13	40.6%
6. Good for risk diversification to other countries	11	3.1%	13	4.6%	13	8.2%	19	12.8%	5	3.6%	9	6.4%	1	1.7%	1	2.1%	6	17.6%	1	3.1%
7. Base of export to Japan	38	10.8%	9	3.2%	12	7.5%	10	6.7%	1	0.7%	7	5.0%	-	-	3	6.4%	4	11.8%	-	-
8. Base of export to third countries	63	17.9%	29	10.2%	53	33.3%	23	15.4%	8	5.8%	22	15.6%	1	1.7%	4	8.5%	9	26.5%	5	15.6%
9. Advantages in terms of raw material procurement	31	8.8%	10	3.5%	3	1.9%	4	2.7%	10	7.2%	7	5.0%	1	1.7%	1	2.1%	3	8.8%	-	-
10.Current size of local market	163	46.4%	69	24.4%	40	25.2%	20	13.4%	40	29.0%	39	27.7%	18	31.0%	28	59.6%	6	17.6%	17	53.1%
11.Future growth potential of local market	289	82.3%	256	90.5%	93	58.5%	105	70.5%	126	91.3%	115	81.6%	52	89.7%	27	57.4%	18	52.9%	11	34.4%
12.Profitability of local market	40	11.4%	21	7.4%	20	12.6%	11	7.4%	10	7.2%	11	7.8%	9	15.5%	13	27.7%	1	2.9%	6	18.8%
13.Base for product development	24	6.8%	7	2.5%	10	6.3%	3	2.0%	2	1.4%	-	-	-	-	4	8.5%	2	5.9%	1	3.1%
14.Developed local infrastructure	45	12.8%	5	1.8%	45	28.3%	5	3.4%	1	0.7%	10	7.1%	1	1.7%	17	36.2%	7	20.6%	10	31.3%
15.Developed local logistics services	10	2.8%	2	0.7%	16	10.1%	1	0.7%	-	-	1	0.7%	-	-	10	21.3%	3	8.8%	6	18.8%
16.Tax incentives for investment	17	4.8%	8	2.8%	32	20.1%	13	8.7%	3	2.2%	4	2.8%	3	5.2%	1	2.1%	6	17.6%	1	3.1%
17.Stable policies to attract foreign investment	8	2.3%	7	2.5%	19	11.9%	6	4.0%	2	1.4%	8	5.7%	-	-	2	4.3%	3	8.8%	-	-
18.Social/political situation stable	7	2.0%	15	5.3%	10	6.3%	15	10.1%	10	7.2%	12	8.5%	1	1.7%	12	25.5%	10	29.4%	9	28.1%

FY2010 Survey	1 China		2 India		3 Vietnam		4 Thailand		5 Brazil		6 Indonesia		7 Russia		8 USA		9 Korea		10 Taiwan		10 Malaysia	
	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 Companies	Ratio
Respondent companies	394	100%	310	100%	165	100%	132	100%	126	100%	105	100%	75	100%	58	100%	30	100%	29	100%	28	100%
1. Qualified human resources	50	12.7%	60	19.4%	34	20.6%	21	15.9%	3	2.4%	6	5.7%	2	2.7%	7	12.1%	6	20.0%	6	20.7%	5	17.9%
2. Inexpensive source of labor	139	35.3%	136	43.9%	101	61.2%	59	44.7%	25	19.8%	54	51.4%	6	8.0%	-	-	2	6.7%	1	3.4%	11	39.3%
3. Inexpensive components/raw materials	73	18.5%	33	10.6%	12	7.3%	14	10.6%	7	5.6%	10	9.5%	4	5.3%	1	1.7%	1	3.3%	2	6.9%	1	3.6%
4. Supply base for assemblers	102	25.9%	68	21.9%	22	13.3%	42	31.8%	22	17.5%	22	21.0%	4	5.3%	7	12.1%	5	16.7%	5	17.2%	7	25.0%
5. Concentration of industry	64	16.2%	13	4.2%	7	4.2%	30	22.7%	8	6.3%	13	12.4%	-	-	9	15.5%	7	23.3%	5	17.2%	2	7.1%
6. Good for risk diversification to other countries	2	0.5%	15	4.8%	31	18.8%	10	7.6%	4	3.2%	6	5.7%	1	1.3%	-	-	-	-	-	-	2	7.1%
7. Base of export to Japan	39	9.9%	5	1.6%	18	10.9%	16	12.1%	-	-	7	6.7%	-	-	-	-	-	-	1	3.4%	2	7.1%
8. Base of export to third countries	69	17.5%	24	7.7%	27	16.4%	36	27.3%	13	10.3%	14	13.3%	2	2.7%	1	1.7%	4	13.3%	5	17.2%	6	21.4%
9. Advantages in terms of raw material procurement	37	9.4%	13	4.2%	7	4.2%	4	3.0%	5	4.0%	4	3.8%	2	2.7%	1	1.7%	-	-	-	-	3	10.7%
10.Current size of local market	150	38.1%	62	20.0%	17	10.3%	29	22.0%	32	25.4%	26	24.8%	18	24.0%	38	65.5%	11	36.7%	14	48.3%	4	14.3%
11.Future growth potential of local market	346	87.8%	276	89.0%	101	61.2%	65	49.2%	109	86.5%	75	71.4%	66	88.0%	28	48.3%	17	56.7%	13	44.8%	12	42.9%
12.Profitability of local market	44	11.2%	23	7.4%	7	4.2%	20	15.2%	12	9.5%	14	13.3%	4	5.3%	9	15.5%	2	6.7%	5	17.2%	3	10.7%
13.Base for product development	23	5.8%	6	1.9%	4	2.4%	5	3.8%	-	-	-	-	-	-	5	8.6%	2	6.7%	1	3.4%	1	3.6%
14.Developed local infrastructure	55	14.0%	9	2.9%	8	4.8%	35	26.5%	2	1.6%	3	2.9%	2	2.7%	20	34.5%	6	20.0%	9	31.0%	7	25.0%
15.Developed local logistics services	20	5.1%	-	-	4	2.4%	13	9.8%	1	0.8%	2	1.9%	-	-	10	17.2%	2	6.7%	2	6.9%	3	10.7%
16.Tax incentives for investment	25	6.3%	8	2.6%	14	8.5%	21	15.9%	7	5.6%	2	1.9%	5	6.7%	1	1.7%	1	3.3%	-	-	7	25.0%
17.Stable policies to attract foreign investment	6	1.5%	5	1.6%	11	6.7%	12	9.1%	1	0.8%	3	2.9%	-	-	-	-	-	-	1	3.4%	4	14.3%
18.Social/political situation stable	15	3.8%	17	5.5%	20	12.1%	4	3.0%	8	6.3%	6	5.7%	4	5.3%	16	27.6%	2	6.7%	5	17.2%	9	32.1%

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

FY2011 Survey

FY2011 Survey	1 China		2 India		3 Thailand		4 Vietnam		5 Brazil		5 Indonesia		7 Russia		8 USA		9 Malaysia		10 Taiwan	
	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	339	100%	255	100%	133	100%	121	100%	115	100%	119	100%	51	100%	41	100%	25	100%	26	100%
1. Underdeveloped legal system	54	15.9%	40	15.7%	7	5.3%	27	22.3%	9	7.8%	15	12.6%	12	23.5%	-	-	2	8.0%	2	7.7%
2. Execution of legal system unclear	203	59.9%	79	31.0%	10	7.5%	42	34.7%	25	21.7%	38	31.9%	26	51.0%	-	-	5	20.0%	-	-
3. Complicated tax system	45	13.3%	73	28.6%	4	3.0%	10	8.3%	36	31.3%	8	6.7%	9	17.6%	1	2.4%	2	8.0%	-	-
4. Execution of tax system unclear	104	30.7%	44	17.3%	4	3.0%	18	14.9%	26	22.6%	23	19.3%	13	25.5%	-	-	2	8.0%	-	-
5. Increased taxation	87	25.7%	22	8.6%	9	6.8%	8	6.6%	14	12.2%	15	12.6%	5	9.8%	3	7.3%	4	16.0%	1	3.8%
6. Restrictions on foreign investment	85	25.1%	29	11.4%	12	9.0%	16	13.2%	13	11.3%	12	10.1%	12	23.5%	1	2.4%	1	4.0%	1	3.8%
7. Complicated/unclear procedures for investment permission	93	27.4%	50	19.6%	9	6.8%	22	18.2%	19	16.5%	13	10.9%	12	23.5%	-	-	2	8.0%	1	3.8%
8. Insufficient protection for intellectual property rights	160	47.2%	18	7.1%	7	5.3%	14	11.6%	5	4.3%	10	8.4%	3	5.9%	2	4.9%	4	16.0%	2	7.7%
9. Restrictions on foreign currency/transfers of money overseas	122	36.0%	34	13.3%	7	5.3%	18	14.9%	16	13.9%	7	5.9%	6	11.8%	-	-	5	20.0%	1	3.8%
10.Import restrictions/customs procedures	85	25.1%	34	13.3%	9	6.8%	11	9.1%	27	23.5%	12	10.1%	19	37.3%	-	-	2	8.0%	-	-
11.Difficult to secure technical/engineering staff	51	15.0%	33	12.9%	26	19.5%	14	11.6%	14	12.2%	23	19.3%	6	11.8%	1	2.4%	4	16.0%	2	7.7%
12.Difficult to secure management-level staff	57	16.8%	45	17.6%	36	27.1%	26	21.5%	14	12.2%	23	19.3%	8	15.7%	3	7.3%	7	28.0%	3	11.5%
13.Rising labor costs	251	74.0%	55	21.6%	51	38.3%	35	28.9%	25	21.7%	29	24.4%	7	13.7%	8	19.5%	7	28.0%	6	23.1%
14.Labor problems	112	33.0%	48	18.8%	19	14.3%	18	14.9%	18	15.7%	14	11.8%	4	7.8%	5	12.2%	4	16.0%	-	-
15.Intense competition with other companies	188	55.5%	97	38.0%	51	38.3%	28	23.1%	46	40.0%	46	38.7%	16	31.4%	34	82.9%	10	40.0%	20	76.9%
16.Difficulties in recovering money owed	83	24.5%	26	10.2%	2	1.5%	10	8.3%	8	7.0%	7	5.9%	10	19.6%	1	2.4%	2	8.0%	-	-
17.Difficulties in raising funds	42	12.4%	18	7.1%	5	3.8%	11	9.1%	4	3.5%	3	2.5%	7	13.7%	-	-	2	8.0%	2	7.7%
18.Underdeveloped local supporting industries	9	2.7%	37	14.5%	3	2.3%	25	20.7%	6	5.2%	15	12.6%	6	11.8%	-	-	2	8.0%	1	3.8%
19.Sense of instability regarding currency and/or costs	16	4.7%	21	8.2%	2	1.5%	26	21.5%	21	18.3%	11	9.2%	6	11.8%	1	2.4%	-	-	-	-
20.Underdeveloped infrastructure	57	16.8%	122	47.8%	8	6.0%	54	44.6%	22	19.1%	42	35.3%	6	11.8%	-	-	4	16.0%	2	7.7%
21.Security/social instability	48	14.2%	54	21.2%	60	45.1%	12	9.9%	40	34.8%	24	20.2%	12	23.5%	-	-	-	-	-	-
22.Lack of information on the country	8	2.4%	37	14.5%	6	4.5%	21	17.4%	27	23.5%	15	12.6%	8	15.7%	-	-	2	8.0%	-	-

FY2010 Survey

FY2010 Survey	1 China		2 India		3 Vietnam		4 Thailand		5 Brazil		6 Indonesia		7 Russia		8 USA		9 Korea		10 Taiwan		10 Malaysia	
	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 Companies	Ratio
Respondent companies	377	100%	294	100%	156	100%	128	100%	120	100%	98	100%	71	100%	52	100%	30	100%	28	100%	25	100%
1. Underdeveloped legal system	57	15.1%	55	18.7%	30	19.2%	7	5.5%	9	7.5%	11	11.2%	16	22.5%	-	-	-	-	-	-	-	-
2. Execution of legal system unclear	218	57.8%	79	26.9%	38	24.4%	11	8.6%	27	22.5%	22	22.4%	28	39.4%	-	-	1	3.3%	1	3.6%	-	-
3. Complicated tax system	48	12.7%	72	24.5%	7	4.5%	7	5.5%	26	21.7%	4	4.1%	5	7.0%	2	3.8%	-	-	-	-	-	-
4. Execution of tax system unclear	120	31.8%	48	16.3%	18	11.5%	8	6.3%	18	15.0%	10	10.2%	13	18.3%	-	-	1	3.3%	2	7.1%	-	-
5. Increased taxation	83	22.0%	16	5.4%	4	2.6%	6	4.7%	8	6.7%	5	5.1%	2	2.8%	3	5.8%	3	10.0%	-	-	3	12.0%
6. Restrictions on foreign investment	103	27.3%	35	11.9%	20	12.8%	9	7.0%	12	10.0%	7	7.1%	12	16.9%	-	-	-	-	-	-	3	12.0%
7. Complicated/unclear procedures for investment permission	95	25.2%	46	15.6%	14	9.0%	4	3.1%	13	10.8%	6	6.1%	10	14.1%	-	-	-	-	1	3.6%	-	-
8. Insufficient protection for intellectual property rights	191	50.7%	24	8.2%	10	6.4%	6	4.7%	6	5.0%	8	8.2%	2	2.8%	1	1.9%	1	3.3%	-	-	2	8.0%
9. Restrictions on foreign currency/transfers of money overseas	127	33.7%	27	9.2%	12	7.7%	4	3.1%	9	7.5%	3	3.1%	8	11.3%	-	-	2	6.7%	1	3.6%	-	-
10.Import restrictions/customs procedures	71	18.8%	34	11.6%	14	9.0%	7	5.5%	23	19.2%	8	8.2%	16	22.5%	-	-	2	6.7%	2	7.1%	-	-
11.Difficult to secure technical/engineering staff	66	17.5%	28	9.5%	27	17.3%	28	21.9%	10	8.3%	16	16.3%	5	7.0%	1	1.9%	1	3.3%	2	7.1%	6	24.0%
12.Difficult to secure management-level staff	96	25.5%	52	17.7%	41	26.3%	39	30.5%	21	17.5%	18	18.4%	8	11.3%	5	9.6%	3	10.0%	4	14.3%	8	32.0%
13.Rising labor costs	240	63.7%	51	17.3%	33	21.2%	32	25.0%	17	14.2%	18	18.4%	10	14.1%	8	15.4%	6	20.0%	5	17.9%	5	20.0%
14.Labor problems	136	36.1%	47	16.0%	14	9.0%	15	11.7%	15	12.5%	11	11.2%	7	9.9%	5	9.6%	3	10.0%	-	-	2	8.0%
15.Intense competition with other companies	213	56.5%	93	31.6%	31	19.9%	42	32.8%	36	30.0%	25	25.5%	21	29.6%	32	61.5%	20	66.7%	16	57.1%	7	28.0%
16.Difficulties in recovering money owed	118	31.3%	25	8.5%	5	3.2%	2	1.6%	10	8.3%	4	4.1%	8	11.3%	-	-	-	-	1	3.6%	-	-
17.Difficulties in raising funds	22	5.8%	18	6.1%	6	3.8%	1	0.8%	7	5.8%	2	2.0%	3	4.2%	-	-	-	-	-	-	1	4.0%
18.Underdeveloped local supporting industries	22	5.8%	36	12.2%	25	16.0%	4	3.1%	10	8.3%	7	7.1%	6	8.5%	-	-	-	-	-	-	-	-
19.Sense of instability regarding currency and/or costs	17	4.5%	12	4.1%	14	9.0%	2	1.6%	23	19.2%	10	10.2%	11	15.5%	-	-	2	6.7%	-	-	-	-
20.Underdeveloped infrastructure	45	11.9%	140	47.6%	48	30.8%	9	7.0%	23	19.2%	17	17.3%	9	12.7%	-	-	-	-	-	-	1	4.0%
21.Security/social instability	38	10.1%	56	19.0%	5	3.2%	64	50.0%	39	32.5%	28	28.6%	14	19.7%	-	-	2	6.7%	1	3.6%	1	4.0%
22.Lack of information on the country	6	1.6%	60	20.4%	22	14.1%	5	3.9%	32	26.7%	8	8.2%	15	21.1%	-	-	2	6.7%	-	-	1	4.0%

Medium-term Prospects for Business Operations (by industry)

Overseas	Strengthen/expand		Maintain present level		Scale back /withdraw	
	2010	2011	2010	2011	2010	2011
All Industries	82.8%	87.2%	16.5%	12.6%	0.7%	0.2%
Foods	84.8%	84.8%	15.2%	15.2%	-	-
Textiles	78.1%	77.4%	21.9%	22.6%	-	-
Paper, Pulp & Wood	80.0%	80.0%	20.0%	20.0%	-	-
Chemicals (total)	87.1%	92.1%	12.9%	7.9%	-	-
Chemicals (incl. plastic products)	87.2%	92.4%	12.8%	7.6%	-	-
Pharmaceuticals	85.7%	90.0%	14.3%	10.0%	-	-
Petroleum & Rubber	92.9%	78.6%	7.1%	21.4%	-	-
Ceramics, Cement & Glass	87.5%	73.3%	12.5%	26.7%	-	-
Steel	92.9%	93.3%	7.1%	6.7%	-	-
Nonferrous metal	100.0%	94.4%	-	5.6%	-	-
Metal products	80.0%	85.0%	15.0%	15.0%	5.0%	-
General Machinery (total)	86.0%	87.0%	14.0%	13.0%	-	-
Assembly	86.0%	87.0%	14.0%	13.0%	-	-
Parts	85.7%	87.5%	14.3%	12.5%	-	-
Electrical Equipment & Electronics (total)	78.5%	84.2%	20.6%	15.8%	0.9%	-
Assembly	82.5%	88.9%	17.5%	11.1%	-	-
Parts	76.1%	81.5%	22.4%	18.5%	1.5%	-
Transportation (excl. Automobiles)	77.8%	72.7%	22.2%	18.2%	-	9.1%
Automobiles (total)	80.6%	91.6%	18.4%	8.4%	1.0%	-
Assembly	88.9%	87.5%	11.1%	12.5%	-	-
Parts	79.8%	92.0%	19.1%	8.0%	1.1%	-
Precision Machinery (total)	72.2%	88.6%	25.0%	11.4%	2.8%	-
Assembly	84.0%	88.0%	12.0%	12.0%	4.0%	-
Parts	45.5%	90.0%	54.5%	10.0%	-	-
Other	82.9%	90.0%	17.1%	10.0%	-	-

Domestic	Strengthen/expand		Maintain present level		Scale back /withdraw		Undecided	
	2010	2011	2010	2011	2010	2011	2010	2011
All Industries	31.2%	25.9%	58.1%	62.0%	6.6%	6.2%	4.1%	5.8%
Foods	54.5%	56.3%	42.4%	43.8%	3.0%	-	-	-
Textiles	32.3%	20.0%	51.6%	63.3%	9.7%	10.0%	6.5%	6.7%
Paper, Pulp & Wood	10.0%	20.0%	50.0%	80.0%	10.0%	-	30.0%	-
Chemicals (total)	51.2%	31.0%	45.1%	55.2%	2.4%	6.9%	1.2%	6.9%
Chemicals (incl. plastic products)	52.6%	29.1%	43.4%	57.0%	2.6%	6.3%	1.3%	7.6%
Pharmaceuticals	33.3%	50.0%	66.7%	37.5%	-	12.5%	-	-
Petroleum & Rubber	21.4%	28.6%	78.6%	64.3%	-	7.1%	-	-
Ceramics, Cement & Glass	18.8%	20.0%	62.5%	66.7%	18.8%	-	-	13.3%
Steel	21.4%	26.7%	78.6%	73.3%	-	-	-	-
Nonferrous metal	26.1%	16.7%	56.5%	77.8%	13.0%	-	4.3%	5.6%
Metal products	40.0%	20.0%	40.0%	75.0%	15.0%	-	5.0%	5.0%
General Machinery (total)	21.1%	18.5%	68.4%	74.1%	5.3%	5.6%	5.3%	1.9%
Assembly	20.0%	17.4%	70.0%	73.9%	6.0%	6.5%	4.0%	2.2%
Parts	28.6%	25.0%	57.1%	75.0%	-	-	14.3%	-
Electrical Equipment & Electronics (total)	36.4%	26.5%	54.2%	59.8%	5.6%	6.9%	3.7%	6.9%
Assembly	40.0%	41.7%	52.5%	52.8%	2.5%	-	5.0%	5.6%
Parts	34.3%	18.2%	55.2%	63.6%	7.5%	10.6%	3.0%	7.6%
Transportation (excl. Automobiles)	11.1%	45.5%	77.8%	45.5%	-	9.1%	11.1%	-
Automobiles (total)	13.7%	11.6%	72.5%	72.6%	8.8%	7.4%	4.9%	8.4%
Assembly	33.3%	25.0%	66.7%	75.0%	-	-	-	-
Parts	11.8%	10.3%	73.1%	72.4%	9.7%	8.0%	5.4%	9.2%
Precision Machinery (total)	33.3%	37.1%	61.1%	54.3%	2.8%	8.6%	2.8%	-
Assembly	44.0%	40.0%	48.0%	48.0%	4.0%	12.0%	4.0%	-
Parts	9.1%	30.0%	90.9%	70.0%	-	-	-	-
Other	34.3%	30.6%	48.6%	46.9%	11.4%	10.2%	5.7%	12.2%

Medium-term Prospects for Overseas Operations (details by region)

Region	NIEs3		ASEAN5		China		Rest of Asia & Oceania		North America		Latin America	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Strengthen/expand	37.8%	38.8%	52.3%	59.4%	72.7%	73.0%	77.4%	78.3%	45.6%	49.5%	52.7%	63.6%
Maintain present level	60.6%	59.5%	46.0%	39.0%	26.8%	26.0%	22.4%	21.7%	51.9%	49.5%	45.7%	35.3%
Scale back/withdraw	1.7%	1.7%	1.8%	1.5%	0.6%	1.0%	0.2%	-	2.6%	1.0%	1.6%	1.1%

	EU15		Central/Eastern Europe		Rest of Europe & CIS		Russia		Middle East		Africa	
	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011
Strengthen/expand	36.5%	43.8%	44.2%	44.9%	36.6%	40.8%	64.9%	74.1%	62.5%	62.1%	46.8%	44.9%
Maintain present level	60.9%	53.4%	53.6%	54.3%	63.4%	59.2%	32.4%	25.9%	37.5%	36.9%	53.2%	53.8%
Scale back/withdraw	2.6%	2.8%	2.2%	0.8%	-	-	2.7%	-	-	1.0%	-	1.3%

Prospects for Medium-term Business Operation (details by country/region)

Major countries/ regions in Asia	Korea	Taiwan	Hong Kong	Singapore	Thailand	Indonesia	Malaysia	Philippines	North eastern China	Northern China	Eastern China	Southern China	Inland China	India	Vietnam
Strengthen/expand	50.2%	38.2%	26.7%	42.4%	71.4%	77.1%	48.7%	43.9%	71.3%	74.5%	73.7%	69.4%	77.1%	88.1%	84.4%
Maintain present level	48.9%	60.3%	70.3%	55.4%	28.0%	22.1%	47.4%	55.5%	28.0%	25.5%	25.3%	28.1%	22.9%	11.9%	15.6%
Scale back/withdraw	0.9%	1.5%	3.0%	2.2%	0.6%	0.8%	3.8%	0.6%	0.7%	-	1.0%	2.5%	-	-	-

USA, Europe, and other countries	North America	Mexico	Brazil	Rest of Latin America	EU15	Central/ Eastern Europe	Rest of Europe & CIS	Russia	Middle East	Africa
Strengthen/expand	49.5%	51.5%	81.2%	44.4%	43.8%	44.9%	40.8%	74.1%	62.1%	44.9%
Maintain present level	49.5%	47.0%	17.6%	55.6%	53.4%	54.3%	59.2%	25.9%	36.9%	53.8%
Scale back/withdraw	1.0%	1.5%	1.2%	-	2.8%	0.8%	-	-	1.0%	1.3%

Industry	Overseas production ratio										Overseas sales ratio							
	FY2008 (actual)		FY2009 (actual)		FY2010 (actual)		FY2011 (projected)		Medium-term plans（FY2014）		FY2008 (actual)		FY2009 (actual)		FY2010 (actual)		FY2011 (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
Foods	18.9%	31	21.8%	28	20.6%	32	21.2%	29	24.3%	28	18.3%	33	17.9%	31	19.2%	33	18.7%	30
Textiles	48.3%	33	50.2%	27	46.9%	27	48.5%	26	49.8%	23	16.3%	32	20.5%	29	22.0%	30	22.7%	26
Paper, Pulp & Wood	13.8%	8	22.8%	9	23.3%	6	23.3%	6	26.7%	6	12.5%	8	10.0%	10	11.7%	6	13.3%	6
Chemicals (total)	22.0%	77	20.1%	73	23.0%	81	23.2%	79	28.5%	71	28.3%	88	28.4%	85	30.1%	92	30.6%	86
Chemicals (incl. plastic products)	22.4%	73	20.5%	69	23.9%	75	24.2%	73	29.8%	65	28.6%	81	28.2%	78	30.2%	83	30.4%	78
Pharmaceuticals	15.0%	4	12.5%	4	11.7%	6	11.7%	6	15.0%	6	25.0%	7	30.7%	7	29.4%	9	32.5%	8
Petroleum & Rubber	24.4%	16	25.0%	10	29.5%	11	29.0%	10	32.0%	10	22.5%	16	27.3%	13	23.6%	14	22.7%	13
Ceramics, Cement & Glass	25.7%	15	27.1%	14	28.8%	13	28.8%	13	31.2%	13	32.1%	17	30.9%	17	39.7%	15	37.1%	14
Steel	19.6%	13	20.8%	12	20.7%	14	21.9%	13	25.8%	12	25.0%	15	25.8%	12	28.3%	15	28.8%	13
Nonferrous metal	33.9%	18	27.6%	19	37.0%	15	39.0%	15	42.3%	15	30.5%	20	22.7%	22	27.8%	18	30.0%	18
Metal products	40.0%	18	31.1%	18	38.3%	18	39.4%	18	43.8%	17	35.6%	18	38.7%	19	38.3%	18	40.0%	18
General Machinery (total)	19.7%	60	22.5%	51	24.6%	50	25.6%	49	30.7%	44	39.2%	66	37.0%	56	40.0%	54	41.7%	51
Assembly	19.6%	50	21.4%	45	23.6%	42	24.8%	42	29.3%	37	40.5%	53	36.8%	49	42.4%	46	44.5%	44
Parts	20.0%	10	30.0%	6	30.0%	8	30.7%	7	37.9%	7	34.2%	13	37.9%	7	26.3%	8	23.6%	7
Electrical Equipment & Electronics (total)	43.4%	103	44.3%	97	48.2%	98	49.0%	97	53.7%	91	45.6%	107	46.2%	102	44.6%	101	46.1%	100
Assembly	40.6%	39	35.0%	35	41.6%	35	42.4%	35	47.6%	35	43.1%	42	37.2%	37	37.2%	36	39.2%	36
Parts	45.2%	64	49.5%	62	51.8%	63	52.7%	62	57.5%	56	47.2%	65	51.3%	65	48.7%	65	50.0%	64
Transportation (excl. Automobiles)	13.8%	8	20.6%	9	10.0%	10	11.0%	10	17.5%	8	37.5%	8	42.8%	9	33.0%	10	33.0%	10
Automobiles (total)	36.1%	97	32.6%	93	34.8%	89	35.9%	85	39.8%	79	39.0%	104	36.3%	95	35.9%	91	36.2%	86
Assembly	37.0%	10	45.0%	8	36.7%	6	33.0%	5	21.7%	3	55.0%	12	56.4%	7	46.3%	8	41.7%	6
Parts	36.0%	87	31.5%	85	34.6%	83	36.1%	80	40.5%	76	37.0%	92	34.7%	88	34.9%	83	35.8%	80
Precision Machinery (total)	26.3%	31	25.6%	33	33.5%	33	34.4%	33	38.1%	32	49.9%	37	49.7%	36	53.0%	35	55.0%	35
Assembly	22.0%	20	19.3%	23	31.0%	25	31.8%	25	35.0%	24	52.5%	24	52.1%	24	57.4%	25	58.6%	25
Parts	34.1%	11	40.0%	10	41.3%	8	42.5%	8	47.5%	8	45.0%	13	45.0%	12	42.0%	10	46.0%	10
Other	25.6%	35	36.3%	32	35.6%	47	36.5%	47	41.3%	46	29.8%	40	30.3%	34	28.4%	50	30.6%	50
Overall	30.8%	563	31.0%	525	33.3%	544	34.2%	530	38.5%	495	34.7%	609	34.2%	570	34.7%	582	35.9%	556

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

(1) Net Sales

FY2007 Performance

	Average	2.93
1	EU 15	3.06
2	Russia	3.05
3	ASEAN 5	3.00
3	Latin America	3.00
5	NIEs 3	2.98
5	Central/Eastern Europe	2.98
7	Vietnam	2.94
8	China	2.87
9	India	2.74
10	North America	2.68
	ASEAN 5 breakdown	
1	Thailand	3.19
2	Indonesia	3.11
3	Malaysia	2.92
4	Singapore	2.91
5	Philippines	2.65

FY2008 Performance

	Average	2.34
1	Latin America	2.51
2	China	2.46
3	ASEAN 5	2.43
3	India	2.43
5	Vietnam	2.35
6	NIEs 3	2.30
7	Russia	2.23
8	EU 15	2.22
9	Central/Eastern Europe	2.10
10	North America	2.03
	ASEAN 5 breakdown	
1	Indonesia	2.55
2	Thailand	2.48
3	Singapore	2.39
4	Malaysia	2.34
5	Philippines	2.33

FY2009 Performance

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

FY2010 Performance

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

(2) Profits

FY2007 Performance

	Average	2.81
1	Russia	3.05
2	Latin America	2.94
2	EU 15	2.94
4	NIEs 3	2.92
5	ASEAN 5	2.88
6	Central/Eastern Europe	2.84
7	Vietnam	2.82
8	India	2.79
9	China	2.72
10	North America	2.51
	ASEAN 5 breakdown	
1	Thailand	3.09
2	Indonesia	2.87
3	Singapore	2.85
4	Malaysia	2.72
5	Philippines	2.64

FY2008 Performance

	Average	2.28
1	Latin America	2.55
2	ASEAN 5	2.40
3	China	2.37
4	Vietnam	2.36
5	Russia	2.26
6	India	2.24
7	NIEs 3	2.22
8	EU 15	2.15
9	Central/Eastern Europe	2.09
10	North America	1.97
	ASEAN 5 breakdown	
1	Thailand	2.48
2	Indonesia	2.41
3	Philippines	2.37
4	Malaysia	2.35
5	Singapore	2.33

FY2009 Performance

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

FY2010 Performance

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

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

(Companies)

Country/Region	"More Profitable than Japan" responses (1)	Total responses (2)	Ratio: [(1)/(2)]
1. Thailand	119	314	37.9%
2. China	162	475	34.1%
3. Indonesia	54	201	26.9%
4. NIEs 3	48	223	21.5%
5. Malaysia	39	193	20.2%
6. Vietnam	28	144	19.4%
7. Singapore	41	216	19.0%
8. North America	57	340	16.8%
9. Philippines	21	126	16.7%
10. EU 15	35	268	13.1%
11. india	20	155	12.9%
12. Latin America	16	124	12.9%
13. Central/Eastern Europe	10	102	9.8%
14. Russia	4	76	5.3%
Total	654	2,957	22.1%

	No. 1 China			No. 2 India			No. 3 Thailand			No. 4 Vietnam			No. 5 Brazil		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Respondent companies	353	399	369	278	312	297	110	135	165	149	166	159	95	127	145
Plans exist	197	275	263	103	122	129	59	64	88	55	63	62	33	49	66
(Ratio)	55.8%	68.9%	71.3%	37.1%	39.1%	43.4%	53.6%	47.4%	53.3%	36.9%	38.0%	39.0%	34.7%	38.6%	45.5%
No plans	142	115	95	168	182	159	46	68	73	89	99	93	59	76	78
(Ratio)	40.2%	28.8%	25.7%	60.4%	58.3%	53.5%	41.8%	50.4%	44.2%	59.7%	59.6%	58.5%	62.1%	59.8%	53.8%
No response	14	9	11	7	8	9	5	3	4	5	4	4	3	2	1
(Ratio)	4.0%	2.3%	3.0%	2.5%	2.6%	3.0%	4.5%	2.2%	2.4%	3.4%	2.4%	2.5%	3.2%	1.6%	0.7%

	No. 5 Indonesia			No. 7 Russia			No. 8 USA			No. 9 Malaysia			No. 10 Taiwan		
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011	2009	2010	2011
Respondent companies	52	107	145	103	75	63	65	58	50	26	29	39	21	29	35
Plans exist	19	45	59	32	23	17	36	34	34	10	20	18	10	14	23
(Ratio)	36.5%	42.1%	40.7%	31.1%	30.7%	27.0%	55.4%	58.6%	68.0%	38.5%	69.0%	46.2%	47.6%	48.3%	65.7%
No plans	30	60	82	66	48	42	28	23	15	15	9	20	11	14	12
(Ratio)	57.7%	56.1%	56.6%	64.1%	64.0%	66.7%	43.1%	39.7%	30.0%	57.7%	31.0%	51.3%	52.4%	48.3%	34.3%
No response	3	2	4	5	4	4	1	1	1	1	0	1	0	1	0
(Ratio)	5.8%	1.9%	2.8%	4.9%	5.3%	6.3%	1.5%	1.7%	2.0%	3.8%	0.0%	2.6%	0.0%	3.4%	0.0%

Note: “Ratio”refers to the number of companies that responded “Plans exist”, “No Plans” and “No response” divided by the total number of respondent companies.

Appendix 9: Breakdown by Industry of Overseas Infrastructure Development Fields in which Companies are Interested

(top 6 through 18 fields)

	Urban railways	Roads and bridges	Smart communities /Eco-towns	Wind power	High-speed communications networks	Desalination	Power transmission /distribution	Highly efficient coal-fired power	Nuclear power	Solar thermal power	Coal gasification	Carbon dioxide capture and storage	Other
Total	60	55	43	43	41	40	34	24	22	21	19	18	15
Foods	1	2	0	0	0	0	1	0	0	0	0	0	1
Textiles	1	2	0	2	2	1	1	0	0	1	0	0	0
Paper, Pulp & Wood	0	0	0	0	0	0	0	0	0	0	0	0	0
Chemicals (including plastic products)	9	8	9	4	2	9	3	6	3	4	4	3	1
Pharmaceuticals	0	0	0	0	0	0	0	0	0	0	0	0	0
Petroleum & Rubber	3	2	0	4	0	2	1	2	1	0	2	1	0
Ceramics, Cement & Glass	0	0	0	0	0	1	1	2	3	1	1	1	0
Steel	3	3	0	0	1	0	1	0	0	0	0	0	0
Nonferrous Metals	4	1	1	1	3	1	3	0	0	1	0	1	0
Metal Products	3	3	1	4	1	3	1	1	2	1	1	1	1
General Machinery assembly	5	6	2	1	1	4	3	4	3	1	6	4	4
General Machinery parts	1	0	0	0	0	1	0	1	0	0	0	0	0
Electrical Equipment & Electronics assembly	9	4	6	6	11	3	5	3	2	2	1	2	0
Electrical Equipment & Electronics parts	3	2	10	9	9	1	3	1	1	4	2	1	4
Transportation (excl. Automobiles)	4	3	1	1	0	3	1	1	0	2	0	1	1
Automobiles assembly	0	0	2	1	0	1	0	0	0	0	0	0	0
Automobiles parts	6	8	6	5	5	4	5	0	3	2	0	1	0
Precision Machinery assembly	1	2	1	1	2	1	1	1	1	0	1	1	0
Precision Machinery parts	0	0	1	1	0	1	1	1	1	1	0	0	0
Other	7	9	3	3	4	4	3	1	2	1	1	1	3

Note 1: “Other” includes biomass related fields.
Note 2: The top three fields in terms of the number of companies interested are colored.

Appendix 10: Ranking of Promising Countries/Regions by Infrastructure Fields in which Companies are Interested

(top 11 through 18 fields)

Desalination

Rank	Country/Region	Companies	Percentage share
1	Saudi Arabia	11	27.5%
2	China	8	20.0%
2	India	8	20.0%
4	Singapore	6	15.0%
4	UAE	6	15.0%
6	Australia	4	10.0%
6	Indonesia	4	10.0%
6	Vietnam	4	10.0%
9	Thailand	2	5.0%
10	Algeria,Bahrain, Bangladesh,Brazil,Hong Kong, Israel,Malaysia, Mexico,Oman,Russia, Sri Lanka,USA	1	2.5%
※	Middle East	3	
	AOSIS	1	
	North Africa	1	

Power transmission/distribution

Rank	Country/Region	Companies	Percentage share
1	India	9	26.5%
2	Indonesia	6	17.6%
3	Brazil	5	14.7%
3	Vietnam	5	14.7%
5	China	4	11.8%
5	Thailand	4	11.8%
7	Russia	2	5.9%
7	Saudi Arabia	2	5.9%
7	USA	2	5.9%
10	Bangladesh,Cambodia, Ghana,Malaysia,Poland, Singapore,Tanzania, Turkey, UAE, UK,	1	2.9%
※	EU/Europe	1	
	Japan	1	
	North Africa	1	
	North America	1	

Highly efficient coal-fired power

Rank	Country/Region	Companies	Percentage share
1	India	10	41.7%
2	China	6	25.0%
2	Indonesia	6	25.0%
4	Vietnam	4	16.7%
5	Korea	2	8.3%
6	Australia	1	4.2%
6	Russia	1	4.2%
6	Saudi Arabia	1	4.2%
6	Taiwan	1	4.2%
6	Thailand	1	4.2%
6	UAE	1	4.2%
6	USA	1	4.2%
※	Japan	1	
	South East Asia	1	

Nuclear power

Rank	Country/Region	Companies	Percentage share
1	China	7	31.8%
2	India	5	22.7%
2	Vietnam	5	22.7%
4	USA	3	13.6%
5	France	1	4.5%
5	Indonesia	1	4.5%
5	Lithuania	1	4.5%
5	Malaysia	1	4.5%
5	Poland	1	4.5%
5	Thailand	1	4.5%
※	EU/Europe	1	
	Japan	1	
	North America	1	
	South East Asia	1	

Solar thermal power

Rank	Country/Region	Companies	Percentage share
1	India	5	23.8%
2	China	3	14.3%
2	Indonesia	3	14.3%
4	Australia	2	9.5%
4	Brazil	2	9.5%
4	Thailand	2	9.5%
4	UAE	2	9.5%
4	USA	2	9.5%
4	Vietnam	2	9.5%
10	Malaysia	1	4.8%
10	Russia	1	4.8%
10	Saudi Arabia	1	4.8%
10	South Africa	1	4.8%
10	Tunisia	1	4.8%
※	Middle East	1	

Gasified coal power

Rank	Country/Region	Companies	Percentage share
1	China	7	36.8%
2	Australia	4	21.1%
2	India	4	21.1%
4	Indonesia	3	15.8%
4	USA	3	15.8%
6	Malaysia	1	5.3%
6	Saudi Arabia	1	5.3%
6	UAE	1	5.3%
6	Vietnam	1	5.3%
※	Japan	2	

Carbon dioxide capture and storage

Rank	Country/Region	Companies	Percentage share
1	India	5	27.8%
2	Brazil	4	22.2%
3	China	3	16.7%
3	USA	3	16.7%
5	Thailand	2	11.1%
5	Vietnam	2	11.1%
7	Bahrain	1	5.6%
7	Canada	1	5.6%
7	Norway	1	5.6%
7	Russia	1	5.6%
7	UAE	1	5.6%
※	EU/Europe	1	
	Japan	1	
	Middle East	1	

Other

Rank	Country/Region	Companies	Percentage share
1	Indonesia	3	20.0%
2	Brazil	2	13.3%
2	China	2	13.3%
2	India	2	13.3%
2	Thailand	2	13.3%
2	Vietnam	2	13.3%
7	Angola	1	6.7%
7	Cambodia	1	6.7%
7	Ghana	1	6.7%
7	Philippines	1	6.7%
7	Singapore	1	6.7%
7	USA	1	6.7%
※	Japan	1	

Note 1: Percentage share = $\frac{\text{No. of responses citing country/region concerning the field of interest}}{\text{Total No. of respondent companies concerning the field of interest}}$ (See Figure 59)

Note2: Japan and Regions including plural countries or regions that scored highly (in the top ten) are shown under the pertinent tables next to an asterisk.

Appendix 11: Issues for Overseas Infrastructure Development (fields that companies have already entered)

Issues \ Fields	Solar power	High-speed railways	Urban railways	Sewage systems	Roads and bridges	Wind power	High-speed communications networks	Water supply	Power transmission/distribution	Smart communities/Eco-towns	Desalination	Nuclear power	Smart grids	Highly efficient coal-fired power	Solar thermal power	Coal gasification	Other	Carbon dioxide capture and storage
1. Proper sharing of risks between public and private	5	6	6	5	1	3	2	4	3	7	4	4	6	2	3	3	0	1
2. Finding reliable local partners	21	12	14	11	8	6	8	9	4	10	6	4	10	6	5	3	2	1
3. Taking the right steps to conform to the local legal, accounting, and administrative systems	6	5	4	10	1	5	1	5	2	5	3	3	1	3	3	4	2	1
4. Funding/financing	3	3	4	3	3	4	2	2	1	4	2	2	2	2	3	2	2	1
5. Meeting local needs	25	13	15	10	7	10	8	8	3	8	5	5	7	4	4	4	4	1
6. Ensuring cost competitiveness	46	19	20	15	11	12	12	7	9	13	7	9	9	8	7	4	4	2
7. Negotiating with the party to which infrastructure service will be provided	4	3	3	4	1	3	3	4	5	5	4	2	3	2	3	2	0	1
8. Procuring parts/materials	15	4	7	5	3	6	2	3	1	4	4	2	1	5	2	3	1	1
9. Managing construction progress and following business plans	5	3	3	7	4	5	2	5	1	4	4	3	1	4	3	4	2	1
10. Securing and managing local human resources	12	6	6	9	5	6	2	5	4	6	6	4	2	4	4	3	1	1
11. Securing personnel to be stationed overseas	13	5	8	5	4	3	1	6	2	3	6	3	1	3	2	3	1	0
12. Guarding against technology leaks/protecting intellectual property rights	17	8	7	5	1	6	8	4	3	5	5	2	3	3	2	4	2	1
13. Relevant underdeveloped infrastructures	1	2	2	2	2	2	1	1	0	2	0	2	1	1	1	2	0	0
14. Political risks	7	3	3	5	3	3	3	3	3	6	2	3	3	3	3	3	2	1
15. Support of the local government	11	3	2	4	5	5	5	3	3	6	4	3	4	3	4	2	0	1
16. Currency exchange rate risks	10	7	7	7	6	5	4	6	4	7	6	4	3	5	3	3	3	1
17. Other	0	0	0	0	0	0	0	0	0	0	1	2	0	0	0	0	0	0
No. of companies involved in pertinent fields	59	28	28	24	20	16	16	15	15	15	14	13	12	10	8	5	5	3

Note: The figures refer to the number of responses per issue for overseas infrastructure development.

Appendix 12: Issues for Overseas Infrastructure Development (fields that companies have not entered)

Issues \ Fields	Smart grids	Solar power	Sewage systems	Water supply	High-speed railways	Roads and bridges	Urban railways	Smart communities/Eco-towns	Desalination	Wind power	High-speed communications networks	Power transmission/distribution	Carbon dioxide capture and storage	Highly efficient coal-fired power	Coal gasification	Solar thermal power	Nuclear power	Other
1. Proper sharing of risks between public and private	11	4	4	4	2	3	3	9	3	2	1	2	2	0	0	1	0	1
2. Finding reliable local partners	21	19	15	10	9	9	7	13	9	8	9	3	4	1	3	4	1	1
3. Taking the right steps to conform to the local legal, accounting, and administrative systems	9	8	6	4	3	5	2	5	2	0	2	2	4	0	1	0	0	1
4. Funding/financing	5	5	4	3	3	2	2	4	3	3	3	1	1	0	0	1	0	1
5. Meeting local needs	18	15	9	6	10	7	9	11	3	7	10	2	5	2	2	0	2	1
6. Ensuring cost competitiveness	20	19	9	7	11	8	5	11	9	8	9	2	6	2	5	2	1	1
7. Negotiating with the party to which infrastructure service will be provided	4	4	5	4	2	3	1	4	4	3	1	1	1	0	0	2	0	1
8. Procuring parts/materials	8	6	3	2	4	1	3	5	3	4	4	1	0	1	0	2	1	0
9. Managing construction progress and following business plans	5	4	4	4	0	3	1	3	2	1	1	2	1	0	1	0	0	0
10. Securing and managing local human resources	7	10	5	4	4	2	2	5	5	3	3	1	2	0	0	3	0	1
11. Securing personnel to be stationed overseas	5	6	2	1	5	5	4	4	0	2	7	0	1	0	0	2	0	0
12. Guarding against technology leaks/protecting intellectual property rights	12	6	5	2	7	3	1	5	5	5	5	1	2	0	0	0	0	0
13. Relevant underdeveloped infrastructures	5	3	4	3	1	3	1	4	3	2	1	1	1	1	0	0	0	1
14. Political risks	5	3	6	6	4	4	3	4	2	2	2	0	1	0	0	0	0	1
15. Support of the local government	8	4	8	6	6	4	2	5	6	3	2	2	2	1	1	1	0	1
16. Currency exchange rate risks	8	4	7	7	4	4	4	5	4	3	3	2	3	0	1	1	0	2
17. Other	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	0	0	0
No. of companies not yet involved in pertinent fields	58	58	43	42	35	31	30	28	26	26	24	17	15	14	14	12	9	8

Note: The figures refer to the number of responses per issue for overseas infrastructure development.

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