

# Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Results of the JBIC FY2012 Survey:

- Outlook for Japanese Foreign Direct Investment (24<sup>th</sup> Annual Survey)-

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



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## **Survey Overview and Companies Surveyed**

(Note)

## Survey Overview

- **Survey targets:** Manufacturing companies that have three or more overseas affiliates (including at least one production base)
- **No. of companies questionnaires were mailed to:** 1,011
- **Responses returned:** 613 (response rate:60.6%)
- **Period of survey:** Sent in July, 2012  
Responses returned from July to September, 2012  
Face-to-face interviews (31) and phone interviews (99) conducted from August to October, 2012

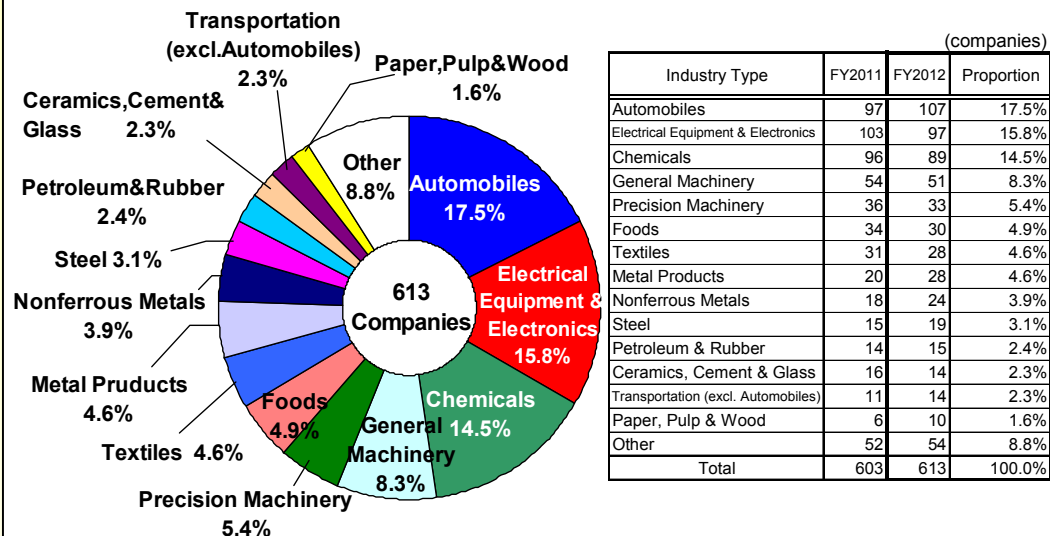
### ■ Main survey topics:

- Medium-term business prospects
- Evaluations of overseas business performance
- Promising countries or regions for overseas business operations
- Current Status and Issues of Business Operations  
Control of Overseas Local Subsidiaries
- Competition in the Global Market and Action Plan for Improving Competitiveness

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

- **Impact of troubles surrounding the Takeshima Island and the Senkaku Islands on this survey:** Questionnaires of this survey had been collected before the troubles got serious. Additional survey based on the development has been implemented targeting the 613 responding companies. (Response period: from November 5 to November 20).

### Figure 1: No. of Respondent Companies by Industrial Classification



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

Paid-in Capital	FY2011	FY2012	Proportion
Less than ¥300 mn.	94	89	14.5%
¥300 mn. up to ¥1 bn.	72	72	11.7%
¥1 bn. up to ¥5 bn.	135	138	22.5%
¥5 bn. up to ¥10 bn.	78	87	14.2%
¥10 bn. or more	210	213	34.7%
Holding company	14	13	2.1%
No response	0	1	0.2%
<b>Total</b>	<b>603</b>	<b>613</b>	<b>100.0%</b>

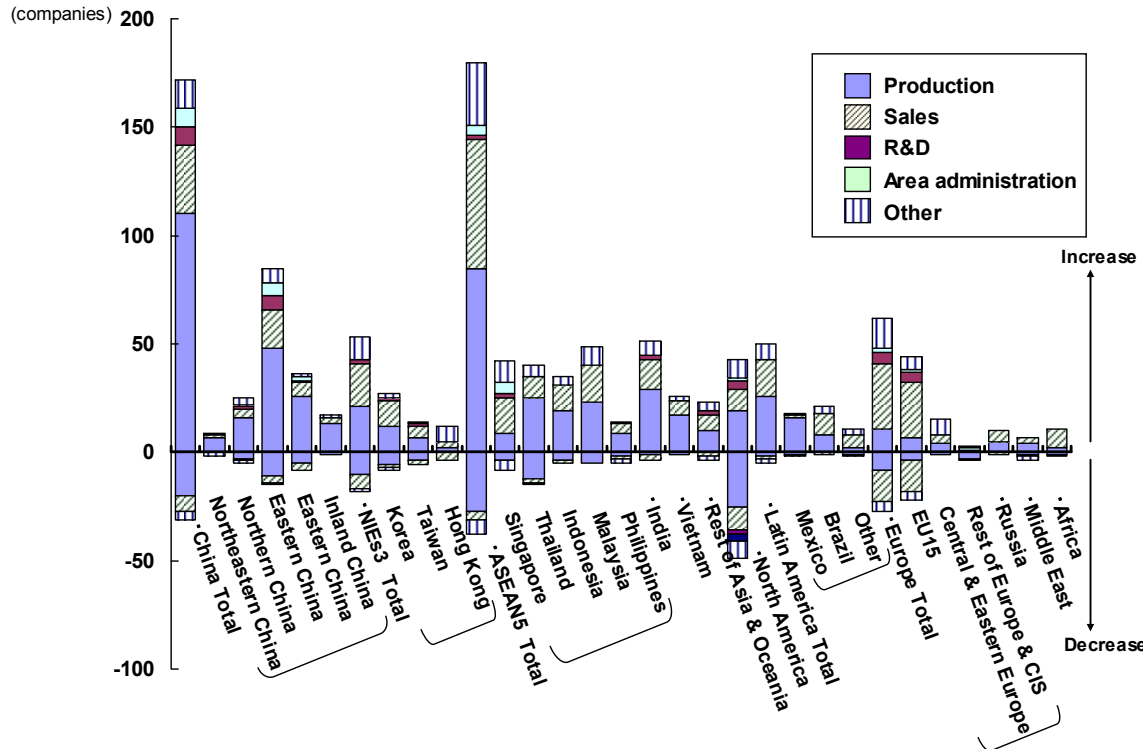
### Figure 3: No. of Respondent Companies by Net Sales

Net Sales	FY2011	FY2012	Proportion
Less than ¥10 bn.	73	75	12.2%
¥10 bn. up to ¥50 bn.	206	211	34.4%
¥50 bn. up to ¥100 bn.	100	101	16.5%
¥100 bn. up to ¥300 bn.	104	111	18.1%
¥300 bn. up to ¥1 trillion	68	64	10.4%
¥1 trillion or more	40	41	6.7%
No response	12	10	1.6%
<b>Total</b>	<b>603</b>	<b>613</b>	<b>100.0%</b>

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

While we surveyed a number of overseas affiliates of respondent companies by region/function every year, there were problems such as; 1) Difficulty in direct comparison with the previous year since respondent companies were not necessarily the same; 2) Difficulty in grasping the movements such as increased number of overseas affiliates by new establishment, and decreased number of overseas affiliates by merger or integration based on the present form of questioning. Therefore, questions have been revised to fill in the increased/decreased number by region/function in the event there was an increase/decrease in the number of overseas affiliates in FY2011 (From April 1, 2011 to March 31, 2012).

Figure 4: Increase/decrease in the Number of Overseas Affiliates (During FY2011)



■ The number of overseas affiliates established in FY2011 was the highest in China in terms of production function, and ASEAN5 in terms of sales function.

• The number of overseas affiliates established by respondent companies in FY2011 was 688(Breakdown: Production 339, sales 213, R&D 25, regional integration 17, others 94)(Figure 4)

• With respect to the regional number of establishments, China was the highest in terms production function, particularly in East China, and ASEAN5 was the highest in terms of sales function (Figure 4). It is assumed that this reflects a move to activate sales activities in ASEAN5 to which the degree of interest of Japanese manufacturing companies has been increasing as a market.

■ Main reason for decreased overseas affiliates was integration of basis

• The negative proportion of Figure 4 indicates a decreased number of overseas affiliates. Regionally, the number of decrease is bigger in North America, ASEAN5 and China in order. In the interview with respondent companies that responded "decreased", there were many comments which gave "integration of basis" as the reason. It is to be noted that decreased number of overseas affiliates does not necessarily mean contraction of the overseas business.

Figure 5: State of Holding of Overseas Affiliates

① One or more overseas affiliates for production

	Country/Area	No. of respondents (company)	Proportion
1	China	490	81.3%
2	Thailand	291	48.3%
3	North America	241	40.0%
4	Indonesia	173	28.7%
5	EU 15	158	26.2%
6	Taiwan	157	26.0%
7	Malaysia	140	23.2%
8	Korea	125	20.7%
9	India	123	20.4%
10	Vietnam	120	19.9%
11	Philippines	84	13.9%
12	Mexico	73	12.1%
13	Singapore	69	11.4%
14	Brazil	66	10.9%
15	Central & Eastern Europe	56	9.3%

② One or more overseas affiliates for sales

	Country/Area	No. of respondents (company)	Proportion
1	China	318	52.7%
2	North America	264	43.8%
3	EU 15	245	40.6%
4	Singapore	174	28.9%
5	Thailand	171	28.4%
6	Hong Kong	170	28.2%
7	Taiwan	156	25.9%
8	Korea	141	23.4%
9	India	96	15.9%
10	Malaysia	87	14.4%
11	Brazil	72	11.9%
12	Indonesia	69	11.4%
13	Mexico	50	8.3%
14	Vietnam	48	8.0%
15	Rest of Asia & Oceania	41	6.8%

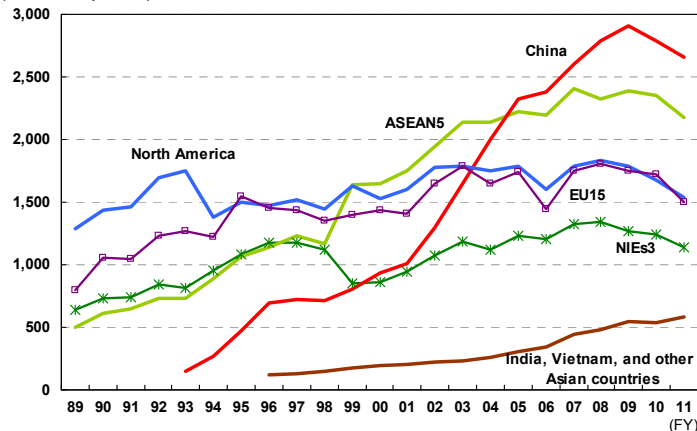
Note: The percentage written in the table shows the proportion of respondent companies.

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

**Figure 6: (reference) Trends in the Number of Overseas Affiliates by Survey Results of FY2011**

① **No. of Overseas Affiliates**

(No. of companies)

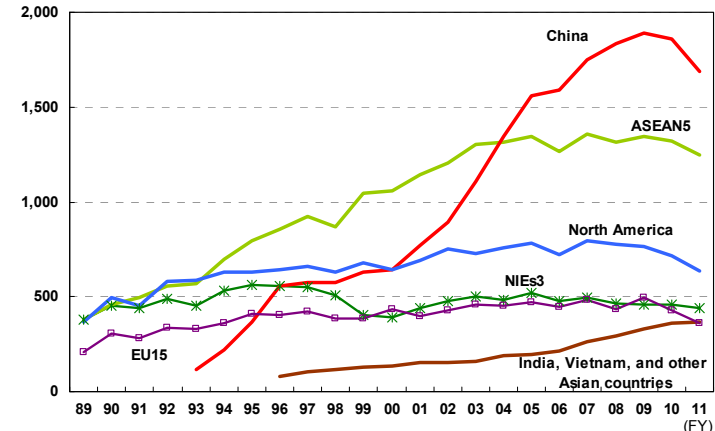


Note 1: Data for China starts from FY1993. Data for other Asian countries starts from FY1996.

Note 2: Singapore was included in NIEs until FY1998 and in ASEAN from FY1999. EU15 is defined as the EU line from FY2004.

② **No. of Overseas Affiliates (Production)**

(No. of companies)



③ **Functional/regional breakdown of overseas affiliates**

(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
<b>Total</b>	<b>1,142</b>	<b>2,174</b>	<b>2,662</b>	<b>587</b>	<b>1,533</b>	<b>520</b>	<b>1,496</b>	<b>222</b>	<b>80</b>	<b>68</b>	<b>198</b>	<b>91</b>	<b>68</b>	<b>10,841</b>
(Year-on-year change)	-100	-180	-129	50	-141	-12	-224	-24	-24	-5	-36	4	-23	-844

**The Classification of Major Regions**

<b>NIEs3</b>	(Korea, Taiwan, Hong Kong)
<b>ASEAN5</b>	(Singapore, Thailand, Indonesia, Malaysia, Philippines)
<b>North America</b>	(United States, Canada)
<b>EU15</b>	(United Kingdom, Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden, Ireland)
<b>Central &amp; Eastern Europe</b>	(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**

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

### 3. Overseas Production and Overseas Sales

※Refer to Material 6 regarding values of Figures 8 and 9.

Figure 7: Ratios of Overseas Production※<sup>1</sup> and Overseas Sales※<sup>2</sup>

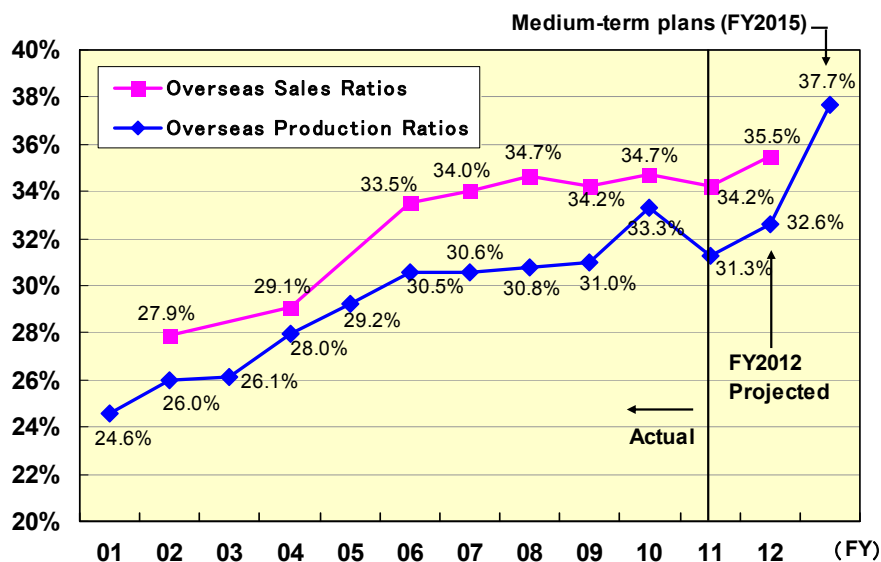


Figure 8: Ratios of Overseas Production※<sup>1</sup> by Major Industry

	FY2010 (Actual)	FY2011 (Actual)	FY2012 (Projected)	Medium-term plans (FY2015)
	No. of respondent companies	No. of respondent companies	No. of respondent companies	No. of respondent companies
Chemicals	23.0% 81	24.2% 74	25.1% 72	29.2% 67
General machinery	24.6% 50	24.3% 45	25.9% 43	29.3% 37
Electrical Equipment & Electronics	48.2% 98	45.2% 88	46.6% 87	50.6% 85
Automobiles	34.8% 89	33.4% 98	35.2% 93	41.8% 87
All industries	33.3% 544	31.3% 550	32.6% 537	37.7% 502

**■ In terms of actual result of the overseas production for FY2011, it was below actual result of FY 2010 in 10 industries out of the 15 industries.**

Actual ratio of overseas production in FY2011 lowered 2.0 points from 33.3% in FY 2010 to 31.3%, and in 10 industries out of 15 industries, actual result in FY2011 went below actual result in FY2010. In the back of the declined ratio of overseas production, it is assumed that there were impacts from the floods in Thailand, reduced demand for products with high ratio of overseas production such as HDD, etc.

※For your reference, according to the recalculation of the overseas production ratio for 418 respondent companies which responded to both the actual result in FY2010 of the previous survey and the actual result in FY2012 of the latest survey, it remained in a minor increase of 0.7 point from 32.0% to 32.7%.

The actual result of overseas sales ratio in FY2011 also declined 0.5 point to 34.7%. Actual results were lower than the previous year in 7 industries out of 15 industries.

**■ Both ratios of overseas production and overseas sales are expected to increase in medium-term.**

While immediately ratios of overseas production and overseas sales of Japanese manufacturing companies have resisted growing, the estimated results for FY2012 are higher than actual results in FY2011 respectively. In particular, in view of the prospect of the ratio of overseas production to grow to 37.7% in the medium-term plan, we can say that overseas business of the Japanese manufacturing companies are in a direction to expand in the medium-term.

Figure 9: Ratios of Overseas Sales※<sup>2</sup> by Major Industry

	FY2010 (Actual)	FY2011 (Actual)	FY2012 (Projected)
	No. of respondent companies	No. of respondent companies	No. of respondent companies
Chemicals	30.1% 92	30.1% 86	31.7% 84
General machinery	40.0% 54	43.2% 45	43.8% 42
Electrical Equipment & Electronics	44.6% 101	45.1% 94	46.3% 92
Automobiles	35.9% 91	36.0% 102	37.3% 95
All industries	34.7% 582	34.2% 586	35.5% 566

※<sup>1</sup> (Overseas Production) / (Domestic Production+Overseas Production)

※<sup>2</sup> (Overseas Sales) / (Domestic Sales + Overseas Sales)

※<sup>3</sup> Ratios were calculated by simply averaging the values the respondent companies provided.



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# **I. Summary and Key Findings**

- **Although overseas operations of Japanese manufacturing companies are in a state of reinforcement and expansion in the medium term, there is a sign of standstill with respect to the immediate situation. Also, a contractive stance of the domestic business has been intensified centering on the automobile and electrical/electronics industries. Approximately 80% of the companies which are strengthening and expanding their overseas operations plan to also maintain and expand their domestic businesses and three out of four companies project to maintain and expand domestic employment as well. However there are also some companies that responded by indicating that they plan to reduce their domestic employment. Also, it has been indicated that the rising labour cost, worsened prospect of electricity supply and continual advances of a stronger yen put the brakes on the strengthening and expansion of the domestic business. (→Chapter I, III)**
- **With respect to the evaluation of overseas business performances for the FY2011, not only has the degree of satisfaction of sales and profits declined for the first time since the Lehman Brothers shock due to the strong yen and intensified competition, etc., but the degree of satisfactions of profits fell short of initial plans in all areas and all industry categories. As a promising country for business operations in medium-term, China continued to secure the first position, but the number of votes suffered a sharp decline. On the other hand, Indonesia with a sharply expanding market has made a big leap to the third position, and Mexico and Myanmar newly entered the top ten. In the midst of a sense of occasional halt in the business expansive stance in China, the interest of Japanese manufacturing companies in promising countries for business operations is inclining to newer markets. (→Chapter II, IV)**
- **While approximately 30% of the responded companies have interest in the introduction of a global personnel system, those companies that have already introduced such a system were limited. However, Japanese manufacturing companies are promoting use of local personnel proactively mainly in production and sales in order to cope with the expanding overseas business. Although there are divided views regarding the amount of procurement from Japan, approximately 65% of responding companies have a prospect that the rate of local procurement will continue to grow in the medium term. Also, two out of three responding companies recognize that profits of overseas local corporations will become an important source of funds in the future including domestic R&D and capital investments. Japanese manufacturing companies are in a direction to utilize increasingly more overseas personnel as well as parts and materials, and it is also indicated that there is a prospect of a bigger role being played by the funds acquired through overseas business in domestic business. It can be said that the significance of commitment to overseas business has been enhanced for domestic business as well. (→Chapter V)**
- **It was indicated that Japanese manufacturing companies recognize that the gap against Chinese, Korean and Taiwan companies in Asian emerging markets regarding sales power and speed in management cannot be narrowed although , Japanese manufacturers get more superior in product development capacity and manufacturing technology and that European and US companies are tough competitors in these markets, which surpass Japanese manufacturers in all four items mentioned above. Most of the Japanese manufacturing companies continue to maintain a strategy to establish a competitive advantage by differentiating quality, brand, and service, etc. with a recognition that enhanced quality, function and brand power are effective as measures to expand market share in Asian emerging markets based on their self-evaluation of strengths in know-how to produce high quality/high function products, brand power and after-service. While recognizing their weakness in price competitiveness, Japanese manufacturing companies which pursue a low cost strategy are limited to some of the automobile, electrical/electronic industries. It is also indicated that Japanese manufacturers seeking alliances with other companies such as local companies for establishing a competitive advantage remain approximately 30%. In the midst of intensifying competition with local companies worldwide, and in view of the present situation of a largely widening gap with competitors in terms of sales power and speed of management, it should be worthwhile considering the incorporation of the strengths of competing companies, efforts to reduce their own weaknesses, or promotion of alliances with other companies that may complement their weaknesses. (→Chapter VI)**

## I. 2. Key Findings (annual questions)

### (1) While the overseas production ratio is experiencing an expansive trend in the mid-term, standstill is seen with respect to the immediate situation. With respect to the domestic business, a contractive attitude has been intensified.

- Although the number of overseas local corporations has increased with a prospect of the overseas production ratio to reach 37.7% in the mid-term plan (FY2015), overseas production ratio (estimated result) for FY2012 was reduced from the previous year to 31.3%, indicating an immediate trend of a standstill. While approximately 80% of those companies which expand their overseas business with respect to the medium (490 companies) maintain and expand their domestic business as well, the portion of companies with a contractive stance with regard to their domestic business increased from 6.2% to 9.5%, centering on automobile, electrical/electronics industries. (→P5, 14, 15 and 17)

### (2) Three out of four companies that responded by indicating that they plan to expand their overseas business have a stance to maintain or increase domestic employment.

- Three out of four companies that are expanding their overseas business over a medium term (487 companies), have a stance to maintain or expand their domestic employment in the medium term. There are many responses that gave expanded external demand such as exports as a cause to increase domestic employment, not merely expanded domestic demand. On the other hand, it is also indicated that many of the companies that are contracting their domestic business are accompanied with contracted domestic employment. (→P16~18)

### (3) “Rising labor cost”, “Worsened prospect of electricity supply”, “Continual advance of a strong yen” are the braking factors for expansion of the domestic business.

- In the analysis of what we call “six-fold oppressions”, the above stated items present braking factors for those companies with regard to strengthening and expanding their domestic business over a medium term. It is indicated that in particular the “continual advance of a strong yen” is the factor that leads to even more contraction of the domestic business for those companies with a stance to maintain or contract domestic business over the medium term, or that remain undecided. (→P20, 21)

### (4) For FY2011, both degree of satisfaction of sales and profits have declined for the first time since the Collapse of Lehman Brothers (i.e. the “Lehman Brothers shock”). The degree of satisfaction of profits has dipped below original plans in all areas and industries.

- The degree of satisfaction of profits has declined centering on Asian nations due to a sharply declined degree of satisfaction of profits caused by the effect of the flood in Thailand, coupled with the degree of satisfaction of profits in China and India which dipped below the overall level mainly due to the effect of a strong yen and intensified competition. Further, a relatively high evaluation is seen in Indonesia and Central and South America, while EU 15 has been suffering from the impact of the European financial crisis and has continued to remain substantially below the overall level. Industry wise, not only the automobile industry, which was performing well in the previous survey, plunged to the seventh rank due to reduced degree of satisfaction of profits in ASEAN5, but also the top ranked steel industry resulted in 2.85. Thus, in all industry categories, it went below the initial plan. (→P10~13)

### (5) As promising destination countries for medium term business development, China secured the first rank, but the number of votes was reduced substantially.

- While China managed to secure the first rank, its voting ratio dipped to the lowest level in the past with 62.1%, and industry wise, it was exceeded by India in automobiles having slumped to the second rank. For now, the Chinese contribution remains big in terms of increases in overseas local corporations, but 76.3 % of the companies which responded China as being promising expressed concern over the rising labor cost, and companies which indicated dissatisfaction of profits in FY2011 due to intensified competition with other companies have also increased (194 companies →249 companies). Approximately 80% of the responding companies maintain a production basis in China, and in view of the observed sentiment of occasional halts in their stance of strengthening their businesses in all regions in China, it is considered that Japanese manufacturing companies are changing their views of China as a promising country from the viewpoint of deteriorating business environments as well as business portfolio. (→P3, 12, 22, 23, 25, 26, 40)

### (6) Indonesia surged to the third rank, and Mexico (7<sup>th</sup> rank) and Myanmar (10<sup>th</sup> rank) made a progress to rank in the top ten for the first time.

- Indonesia made a rapid progress from the 5<sup>th</sup> rank to the 3<sup>rd</sup> rank, having gathered votes from a wide spectrum of industries being backed by a huge expansion in the market. The number of votes for Mexico increased (increased with respect to 43 companies) centering on the automobile industry due to a reason of being promising as the supply base for assembly makers, resulting in an increased rank from 12<sup>th</sup> to 7<sup>th</sup>. Myanmar gathered votes from a wide spectrum of industries centering on the textile and automobile industries, reflecting expectation as a new market triggered by a recent move of democratization in the country, having progressed sharply from the 19<sup>th</sup> rank to 10<sup>th</sup> rank. However, companies with specific plans are still limited. Among those countries below the 10<sup>th</sup> rank, Turkey has improved its rank from 15<sup>th</sup> to 12<sup>th</sup>. Interest in promising countries for business operations is being directed to newer markets. (→P22, 24, 28, 32, 33)

## I.2. Key Findings (Individual theme (1))

### [Current Status and Issues of Business Operations Control of Overseas Local Subsidiaries]

#### (1) While utilization of local personnel in overseas production and sales is progressing, introduction of a global personnel system remains limited.

- It is indicated that companies that promote utilization of local personnel in business management, sales, production and R&D of overseas local corporations will increase over the next 3 years or so, both in emerging countries and advanced countries. In particular, almost half of responding companies have indicated that they put local personnel with regards to production and sales, and progress in utilization of local personnel is more anticipated. On the other hand, with respect to introduction of an integral global personnel system covering overseas employees, while approximately 30% of responding companies have shown interest, cases of actual implementation of such a system remained limited (2.2%, 12 companies). (→P43,44)

#### (2) There is a prospect for a further enhanced local procurement ratio over the medium term. On the other hand, there are divided views regarding prospects for the amount of procurement from Japan.

- With respect to the medium term prospects for the local procurement ratio, approximately 65% (575 companies) of responding companies stated to increase, centering on automobiles and general machinery. Also, regarding medium term prospects for the procurement amount from Japan, 52% (576 companies) of responding companies centering on automobiles responded that it will be reduced. However, one company out of three companies among the 574 companies which jointly responded to the above question responded to maintain/expand the procurement amount from Japan under the prospect to maintain/expand the local procurement ratio. There are divided views regarding the procurement amount from Japan. (→P45~47)

#### (3) Profits of the overseas local corporations will be an important source of funds as well for the domestic business of Japanese manufacturing companies.

- Almost 90% (573 companies) of responding companies remit profits of the overseas local corporations to Japan in the form of dividend payments, etc., and further, one-third of responding companies recognize that profits of overseas local corporations can be an important source of funds for domestic R&D as well as investment for domestic facilities. Japanese manufacturing companies are in a direction to utilize increasingly more overseas personnel and parts/materials for the sake of expanding their overseas business, and at the same time, it is indicated that the funds acquired through overseas business are expected to play a bigger role for their domestic business. (→P47)

#### (4) There is a substantial need for borrowing in local currencies for overseas local corporations.

- Regardless of the corporate size, it is stated that the major means of finance for overseas local corporations are finance from the parent companies (equity/loan), local borrowings in local currencies, and use of internal reserves. Limiting to external procurement, it was indicated that the need for borrowing in local currencies was the highest. (→P48)

#### (5) Achievement rate of M&A is 75.4%. Main purposes of implementing M&A are, “expansion of the sales networks”, “expansion of the production capacity”, and “acquisition of technologies/know-how”.

- The achievement rate of M&A carried out by Japanese manufacturing companies for the past five years is 75.4%. The purposes of implementing M&A are, “expansion of the sales networks” (81.7%), “expansion of the production capacity” (35.8%), and “acquisition of technologies/know-how” (31.7%). The companies which have achieved these purposes made response such as the importance of “sharing the purpose inside the company” (50%), “analysis regarding the effects of synergy” (41.3%), “implementation of sufficient due diligence” (35.9%) and “prevention of disengagement of key personnel” (32.6%). (→P49)

### [Competition in the Global Market and Action Plan for Improving Competitiveness]

#### (1) Accelerated increase in competition with companies of Asian emerging countries in the global market.

- Competition with companies of Asian emerging countries (Chinese, Korean, and Taiwanese companies) has intensified in each market, namely ASEAN5, China, India, Brazil, North America and EU 15. It is identified that European and US companies are also major competitors in India, Brazil, North America and EU 15. (→P50, 51)

## I.2. Key Findings (individual theme(2))

### **(2) It is recognized that the gap against companies of Asian emerging countries in Asian emerging markets speed has not been filled in sales power and speed in management .**

- In comparison with the survey results of FY2010, respondent companies evaluate themselves to exceed Chinese, Korean and Taiwanese companies in terms of product development capacity and production technology. On the other hand, they also recognize that the gap in sales power and speed in management in the Asian emerging markets has not been improved upon. (→P54)

### **(3) European and the US companies are tough competitors also in Asian emerging markets.**

- With respect to European and US companies newly added as the subjects of survey this time, it is indicated that respondent companies recognize them as tough competitors in Asian emerging markets with an advantage in four items, namely product development capacity, production technology, sales power and speed in management. (→P54)

### **(4) Strengths of companies of Asian emerging countries exist in their cost competitiveness and speed in management.**

- Respondent companies evaluate that the strengths of Chinese, Korean and Taiwanese companies exist in their cost competitiveness as well as speed in management based on strong authority of top management, and that their weaknesses lie in product planning capacity and know-how in manufacturing high quality/high function products, and the brand power in the aspect of sales. (→P57~62)

### **(5) Strengths of European and US companies exist in their product planning capacity, production know-how of high quality/high function products, brand power and clear-cut strategies as well as delegation of authority.**

- Respondent companies identified strengths of European and US companies in product planning capacity and know-how to manufacture high quality/function products in production, and the brand power in sales. Unlike companies of Asian emerging countries, they evaluate regarding speed in management as a strength derived from clear-cut strategy and delegation of authority to local initiatives. →(P63, 64)

### **(6) Respondent companies self-evaluate themselves as having strength in their production know-how of high quality/high added value products and weakness in their cost competitiveness.**

- Respondent companies recognize the product planning capacity, know-how in manufacturing high quality/high function products as their strengths, and price competitiveness as their weakness. (→P65, 66)

### **(7) Respondent companies recognize that enhancement of high function/high quality and brand power is effective as the measure to expand market share, while pursuant among respondent companies to low price strategies is limited to some automobile and electrical/electronics companies.**

- Respondent companies recognize that enhancement of high quality/high function and brand power is effective in expanding their share in Asian emerging markets, taking advantage of know-how to manufacture high quality/high function products, which they recognize as their strength, and companies that pursue low price strategies are limited to some automobile and electrical/electronics companies. (→P67, 70)

### **(8) Respondent companies have an idea to establish a competitive advantage by a differentiation strategy such as product quality. On the other hand, those companies that seek alliances with other companies in exploring the Asian emerging markets remain at approximately 30%.**

- In establishing a competitive advantage in Asian emerging markets, many respondent companies have an idea to realize it by differentiation of quality, brand, service, etc., and companies that take low cost strategies represent only part among respondent companies. Companies that seek alliances/tie-ups with other companies from a viewpoint to establish a competitive advantage in rapidly expanding Asian emerging markets remain at approximately 30%. (→P71, 72)

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## **II. Performance Evaluations (FY2011 Performance)**

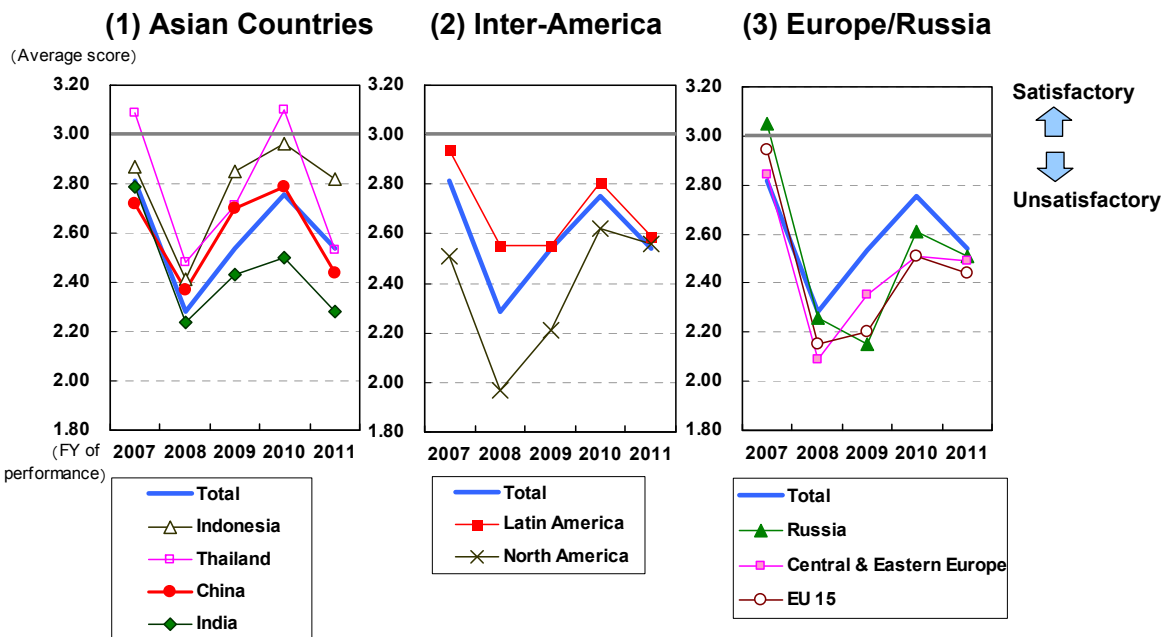
Q Which of the following applies concerning your company's FY2011 net sales and profits compared with initial targets in the countries/regions overseas you invested in?  
 ⇒ 1: Unsatisfactory    2: Somewhat unsatisfactory  
 3: Can't say either way    4: Somewhat satisfactory    5: Satisfactory

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

(FY of performance)	FY2009	FY2010	FY2011
Net Sales	2.55 (+0.21)	2.85 (+0.30)	2.64 (▲0.21)
Profits	2.54 (+0.26)	2.75 (+0.21)	2.54 (▲0.21)

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

Figure 11: Satisfaction with Profits (By region)



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

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

Country/Region	(Companies)		
	"More Profitable than Japan" responses (1)	Responses per region/countries (2)	Ratio: [(1)/(2)]
1. Thailand	119	352	33.8%
2. China	155	511	30.3%
3. Indonesia	62	229	27.1%
4. Philippines	29	130	22.3%
5. Singapore	45	220	20.5%

Note: When companies were asked about their profitability in FY2011 in countries/regions in which they had businesses, they were asked to respond regarding the country/region which had higher rates of profitability than Japan. "Total responses (2)" is the sum of the number of companies that responded to inquiries about satisfaction with profits and those that responded to the comparison of profitability with Japan.

Both satisfaction with net sales/profits were lower than the previous result.

• While degree of satisfaction with net sales/profits of overseas businesses had steadily improved in the previous two years, it declined somewhat in this survey (Evaluation for actual performance in FY2011).

By region, reduction in satisfaction with profits was the highest in Thailand.

• By region, reduction in satisfaction with profits was the highest in Thailand (3.10→2.53). In company interviews, most of the companies commented that the floods in Thailand in 2011 had a large impact.

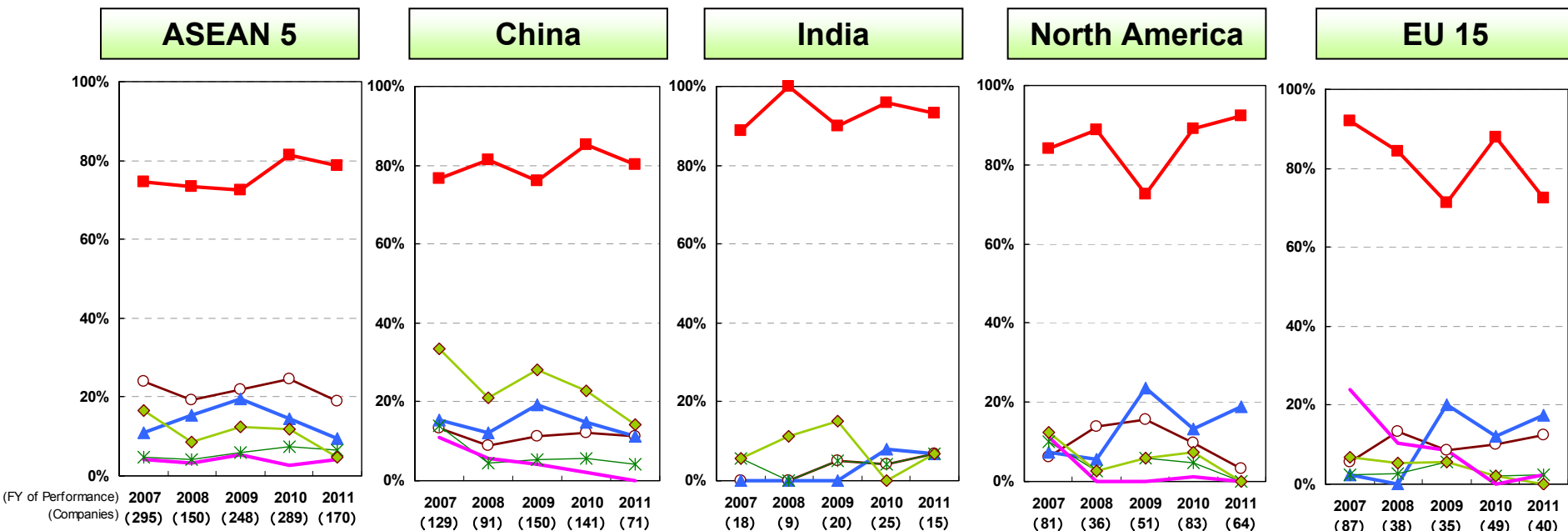
Satisfaction with profits in India continued to stay low.

• Satisfaction with profits in India went down further, placing it at the lowest rank in satisfaction with profits following the previous survey. (Figure 11 (1))

The proportion of companies which responded that Asian countries' "profitability is higher than Japan" was higher than other countries/regions.

• In spite of the reduced satisfaction with profits, 20~30% of respondent companies responded that profitability is higher in Asian countries than in Japan. In spite of the impact of the floods, the proportion of Thailand was the highest with 33.8%, followed by China (30.3%) and Indonesia (27.1%). (Figure 12)

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



Note 1: Companies who responded with “4. Somewhat satisfactory” and/or “5 Satisfactory” regarding profitability were asked for the reasons on a region/country basis. The percentages represent the ratios of each choice to the total number of responses (shown in parentheses under the fiscal year of performance) for reasons given for the relevant region/country. Multiple choices were possible.

Note 2: With respect to the reason for satisfaction with profitability in India, since there was no company which pointed out “6. Foreign exchange gain” in the targeted years of the figure, it is not shown on the graph.

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

**■ With respect to reasons for satisfaction with profitability, “good performance of sales in the country/region” was the biggest in number. However, the number of respondent companies was reduced across the board compared with the previous survey.**

- The reason for satisfaction with profitability that gathered the biggest number of responses in the major five countries/regions was “1. Good performance of sales in the country/region” for all. The ratio of responses declined compared with the previous survey, not only in EU15 but also in ASEAN5 and China. While the ratio of responses rose in North America, the number of respondent companies was reduced from the previous survey, indicating a global sign of economic recession.

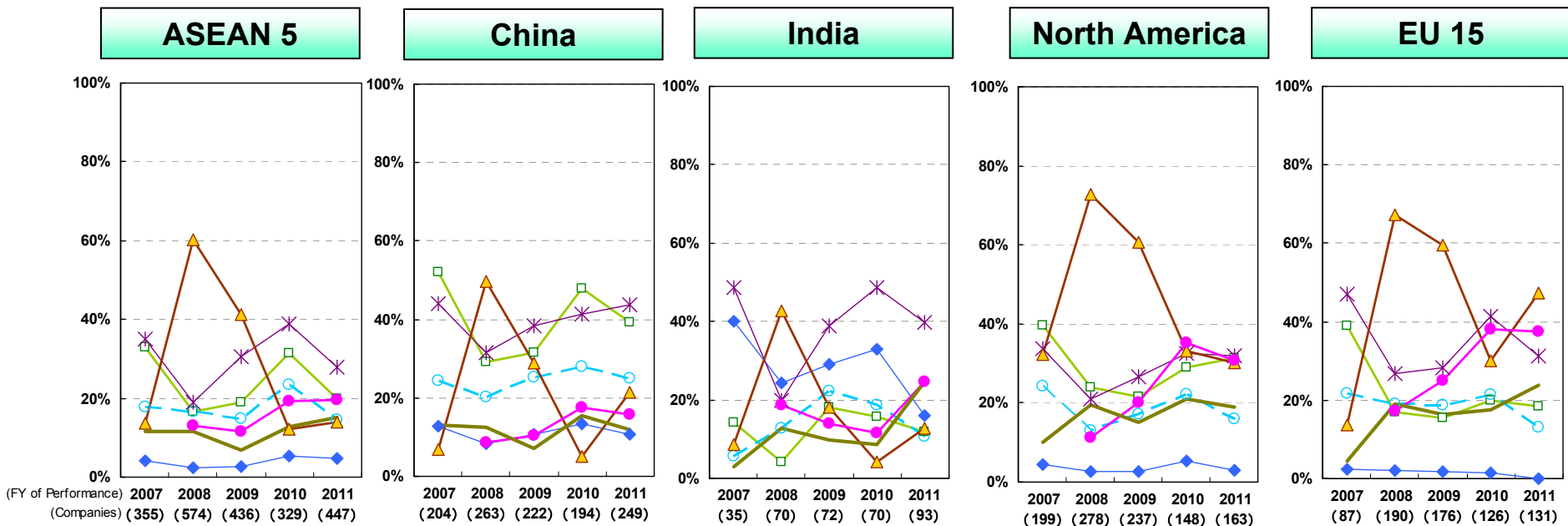
**■ The ratio of response of “3. Successful cost cuts (personnel, materials, etc.)” declined in ASEAN5 and China.**

- In ASEAN5 and China, the ratio of responses of this item is in a declining trend reflecting rising personnel expenses and rise in the procurement cost of raw materials in the local markets.



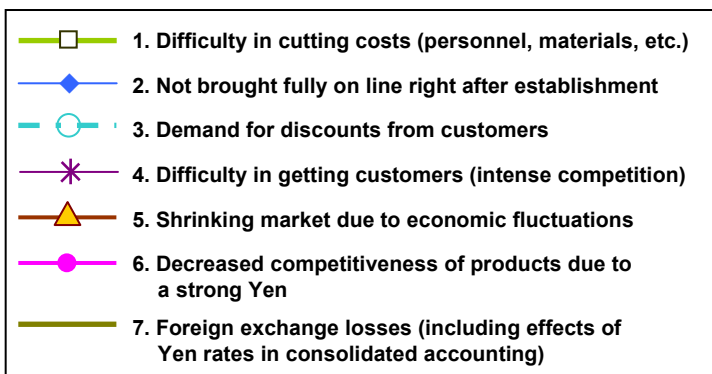
## II. 3. Reasons for Dissatisfaction with Profitability (by major country and region)

Figure 14: Reasons for Dissatisfaction with Profitability over Time (Multiple responses)



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

Note 2: The choice "6. Decreased competitiveness of products due to a strong yen" was added since the FY2009 survey (reflecting FY2008 business results).



### Reasons for dissatisfaction with profitability were fierce local competition in Asia, and inactive demand in EU15.

- In ASEAN5, China and India, "4. Difficulty in getting customers" was the No.1 reason for dissatisfaction with profitability, and approximately 40% of respondent companies cited this item in China and India. In EU15, the number of companies citing "5. Shrinking market due to economic fluctuations" increased to 1.6 times, and the ratio of responses also rose from 30.2% to 47.3%.

### The number of companies citing "6. Decreased competitiveness of products due to a strong yen" increased in Asia as well.

- While the ratio of response citing a strong yen stays high in EU15 and North America following the previous survey, it was shown in this survey that the impact of a strong yen was spreading in Asia as well. In company interviews, there were those that expressed their opinions pointing out increased procurement cost of materials other than rising product price. The countries in which the number of companies citing this item increased most were India, Singapore and Thailand.

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

Figure 15: Evaluating Satisfaction of Net Sales & Profits (FY2011)

	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	3.00	2.85	▲0.19	▲0.40	14	Indonesia (3.57)
2. Transportation (excl. Automobiles)	2.90	2.82	▲0.19	▲0.14	13	Malaysia/Vietnam (3.50)
3. Foods	2.88	2.75	+0.28	+0.23	27	Latin America (3.50)
4. Paper, Pulp & Wood	2.83	2.74	▲0.13	+0.13	10	Thailand/Latin America/EU15 (3.50)
5. Petroleum & Rubber	3.07	2.74	▲0.19	▲0.39	15	Russia (3.25)
6. Other	2.66	2.63	▲0.20	▲0.15	51	Central & Eastern Europe (2.89)
7. Automobiles	2.80	2.60	▲0.36	▲0.42	98	Singapore (3.27)
8. General Machinery	2.56	2.56	+0.04	+0.04	50	Indonesia (2.91)
9. Chemicals	2.64	2.54	▲0.19	▲0.20	81	Vietnam (2.86)
10. Precision Machinery	2.62	2.52	▲0.12	+0.00	31	Latin America (2.92)
11. Metal Products	2.65	2.50	▲0.23	▲0.32	26	Singapore (3.50)
12. Nonferrous Metals	2.63	2.43	▲0.35	▲0.48	23	Indonesia/Central & Eastern Europe (3.00)
13. Electrical Equipment & Electronics	2.41	2.37	▲0.30	▲0.31	90	Philippines (2.72)
14. Ceramics, Cement & Glass	2.36	2.35	▲0.56	▲0.55	14	Indonesia (3.00)
15. Textiles	2.24	2.24	▲0.39	▲0.38	24	Thailand (2.78)

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

**■ All industries fell below the evaluation “3” (as initially targeted).**

• While in the previous assessment of FY2010 performance, those industries that exceeded “3” were 4 industries (steel, petroleum & rubber, automobiles and transportation) in terms of satisfaction with net sales and 3 industries (steel, petroleum & rubber and automobiles) in terms of satisfaction with profits, the degree of satisfaction declined across the board this time in this survey (performance of FY2011) except for some industries.

**■ Automobiles: The degree of satisfaction with profits declined drastically in ASEAN5.**

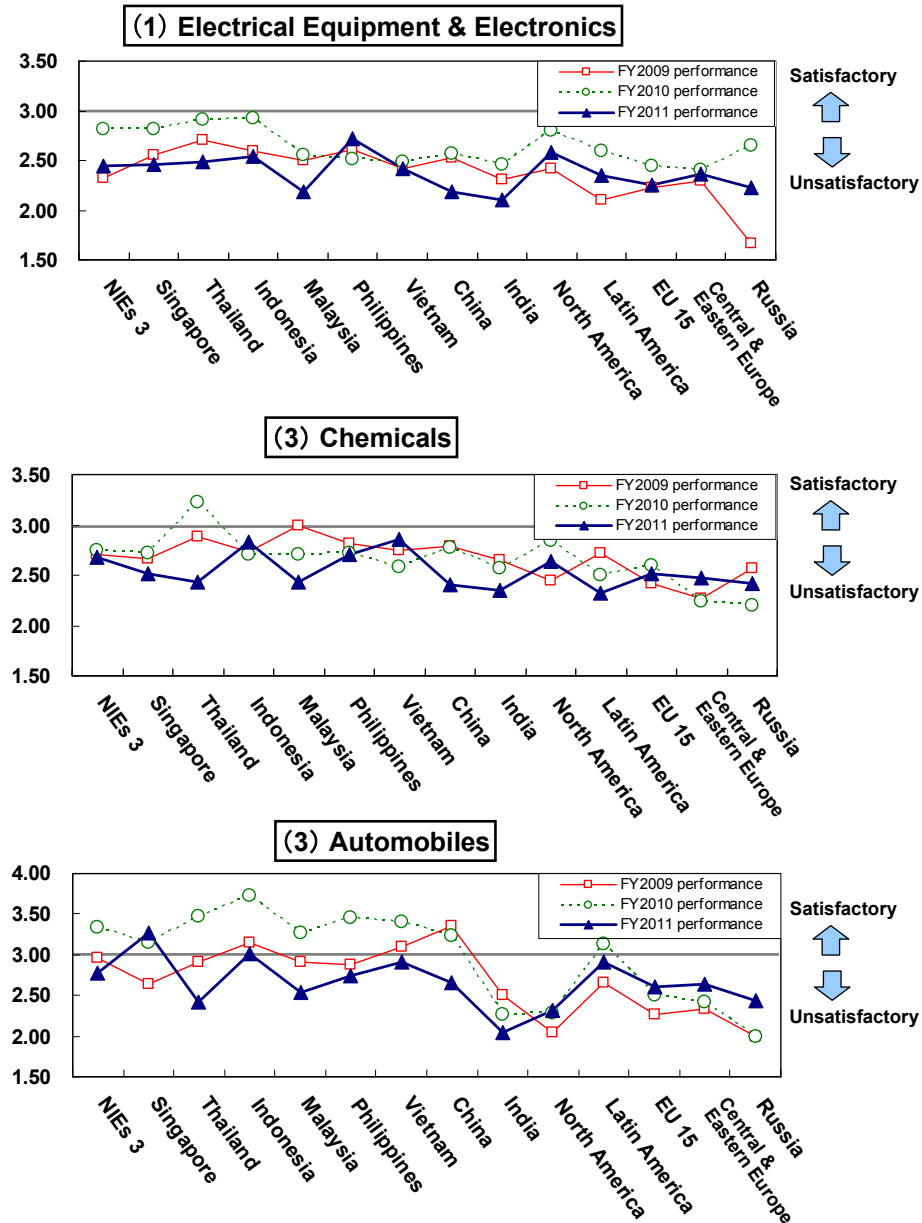
• What changed drastically from the FY2010 performance was the degree of satisfaction with profits for automobiles in ASEAN5. As the Figure 16 (3) shows, the evaluation declined from “3” or more to below “3” across the board. In particular, evaluation of Thailand which was affected by the floods suffered a major decline.

**■ Indonesia and Latin America enjoy relatively high evaluation.**

• As we investigated countries/regions that enjoyed high degree of satisfaction with profits by industry, the most frequently cited countries/regions were Indonesia (4 industries) and Latin America (3 industries). (Figure 15)

• By industry as well, evaluation of India was relatively low in many industries, but it was found that degree of satisfaction with profitability in India was relatively high for foods and pharmaceuticals (included in chemicals).

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



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## **III. Business Prospects**

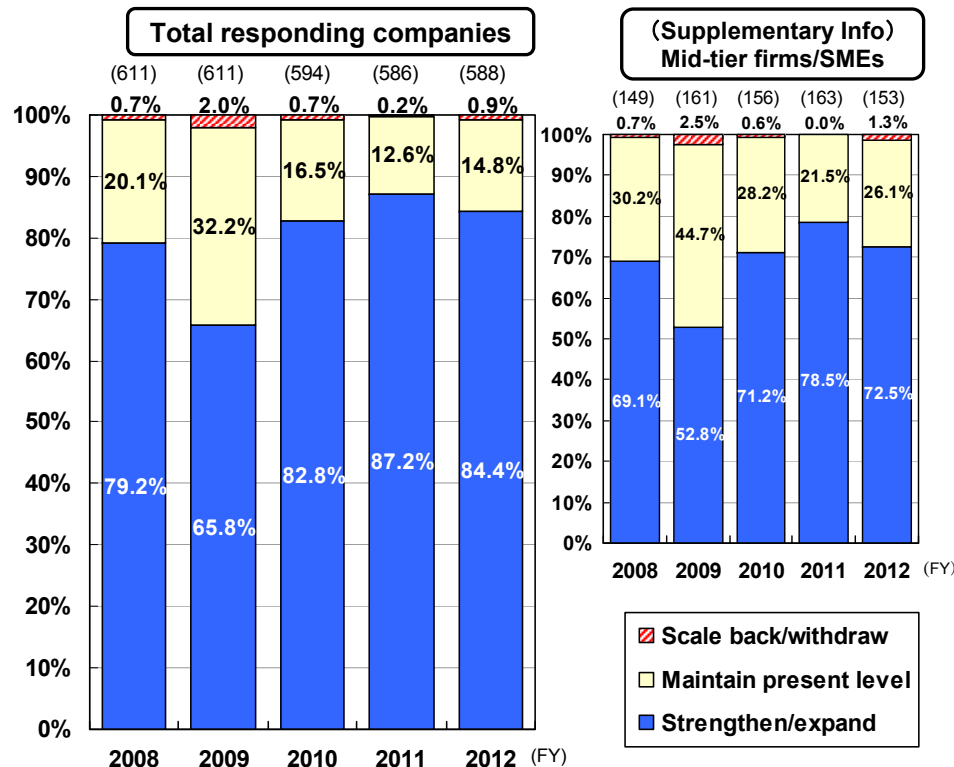
# III. 1. Attitudes toward Strengthening Businesses (domestic & overseas)

Q.

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

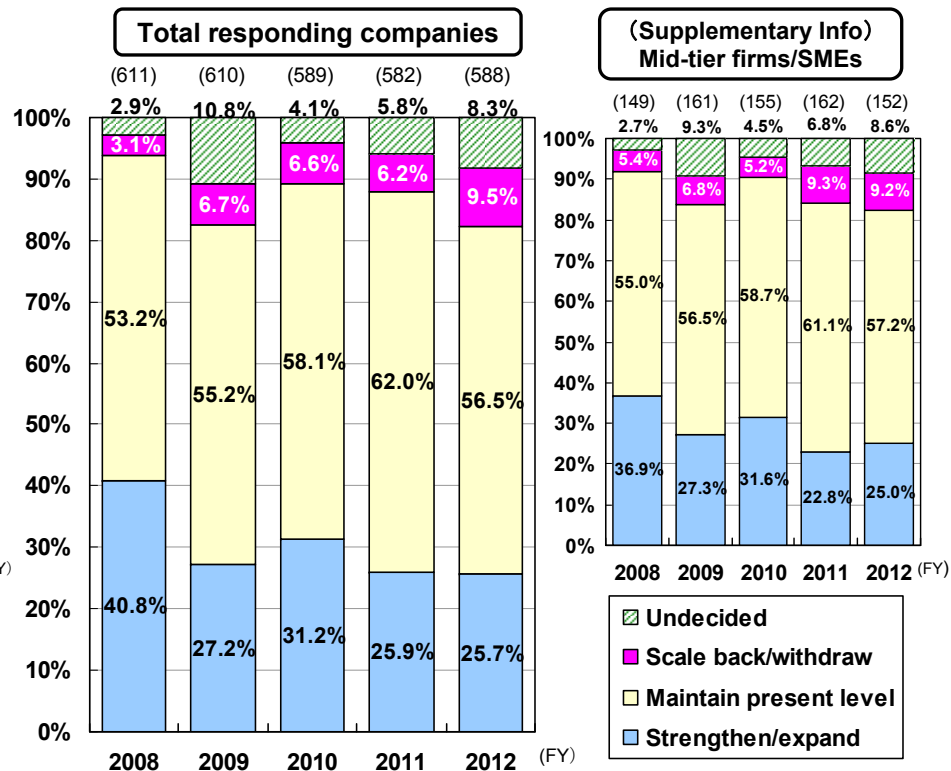
## Overseas

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



## Domestic

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



Note 1: "Overseas operations" is defined as production, sales and R&D activities at overseas bases, as well as the outsourcing of manufacturing and procurement overseas.

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

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

**■ The attitude to strengthen/expand overseas businesses still remains at a high level.**

• The number of companies that responded that they will "strengthen/expand" their overseas businesses was 496 companies, which was 84.4% of the total (a 2.8 point decrease from the previous survey), having maintained a high level even though the ratio of attitude to strengthen/expand declined. Meanwhile, the figures for Mid-tier firms/SMEs for the same was 72.5% (a 6.0 point decrease from the previous survey) and also maintained a high level, while it declined compared with the previous survey. Japanese manufacturing companies continue to maintain attitude to strengthen overseas businesses in search of growth opportunities.

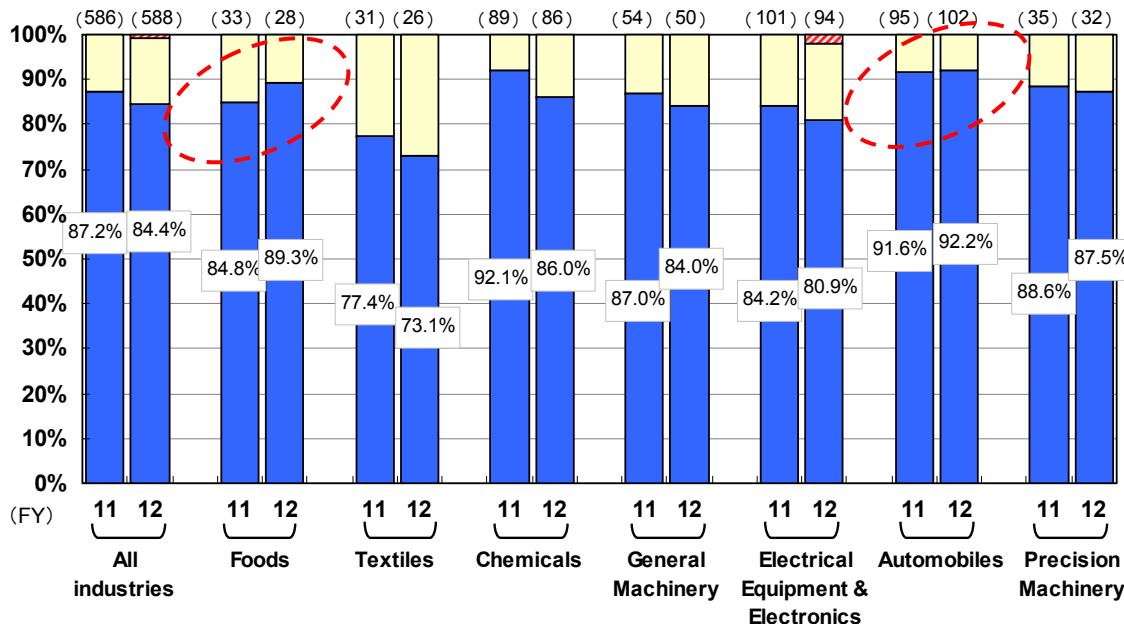
**■ Main stream of domestic businesses is to "maintain present level", also with intensifying contractive attitude.**

• With respect to prospect for domestic operations, 25.7% of responding companies (a 0.2 point decrease from the previous survey) selected "strengthen/expand". It was slightly below the level of the previous year (25.9%) which was the lowest figure since this question started. On the other hand, companies who selected "scale back" was 9.5% (an increase of 3.3 point from the previous survey), indicating intensified question to scale back of domestic businesses.

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

**Figure 19:**  
Medium-term Prospects for Overseas Operations

**Overseas**



- ▨ Scale back/withdraw
- Maintain present level
- Strengthen/expand

**Overseas: Attitude to “strengthen/expand” still remains at a high level by industry as well.**

• While the number of responding companies to this question increased by 2 companies, those who selected “strengthen/expand” were decreased by 15 companies.

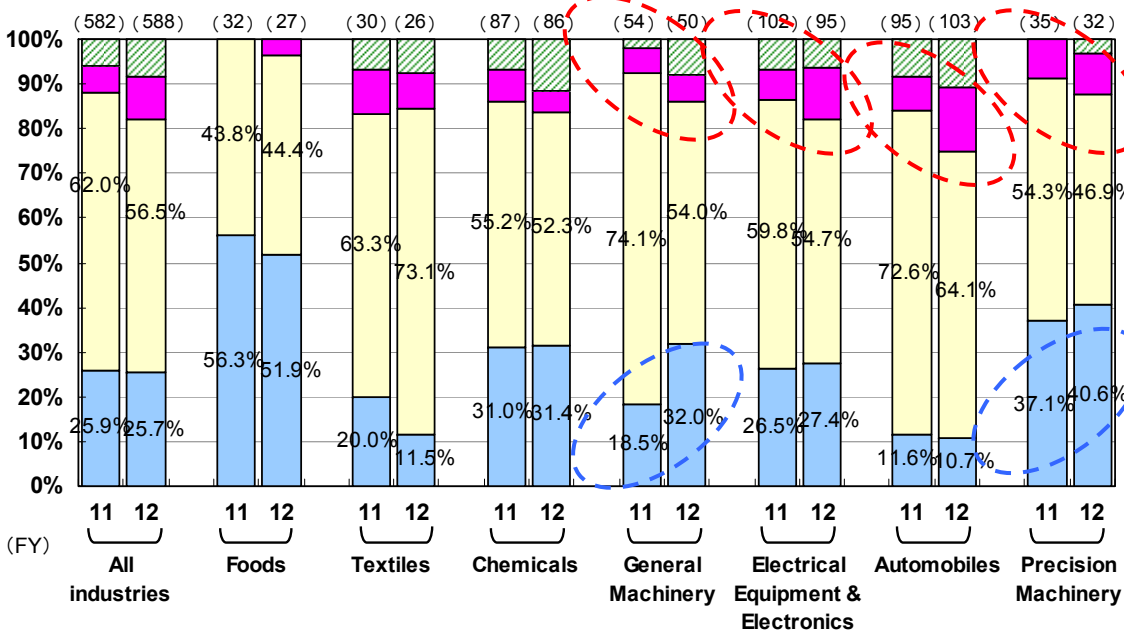
• High ratios for “strengthen/expand” were seen in the automobiles and foods industries. On the other hand, the attitude to “strengthen/expand” of other industries remains at a high level, the ratio has declined.

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

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

**Figure 20:**  
Medium-term Prospects for Domestic Operations

**Domestic**



- ▨ Undecided
- ▨ Scale back/withdraw
- Maintain present level
- Strengthen/expand

**Domestic: The number of companies selecting “scale back” increased.**

• By industry, industries whose proportion of companies that selected “scale back” increased were automobiles, electrical equipment & electronics, general machinery, precision machinery and foods industries.

• The ratio of companies responding “scale back” was the highest in automobiles in the industries with 14.7%, indicating their severer recognition of prospects for the domestic businesses.

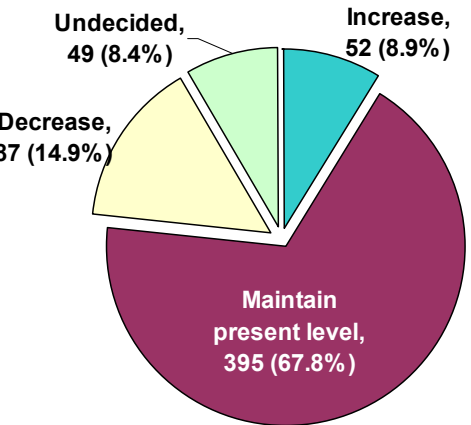
**There were also some industries whose proportion of companies to select “strengthen/expand” increased.**

• While the proportion of companies to select “scale back” increased in general machinery and precision machinery, the proportion of companies to select “strengthen/expand” also increased. It indicated the existence of divided view on domestic businesses in the industries.

### III. 3. Medium-term Prospects (next 3 yrs. or so) for the Number of Domestic Employees

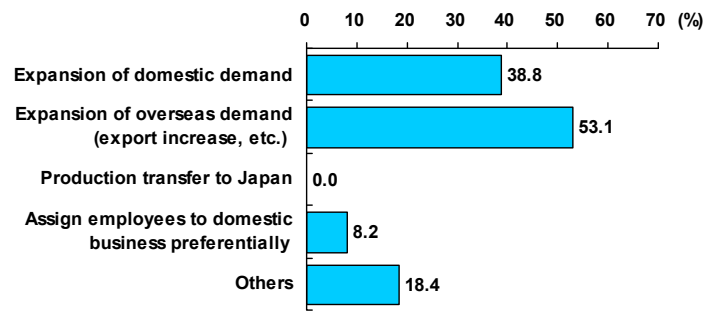
**Q**  
Questioned about medium-term prospects (next 3 yrs. or so) for the number of domestic employees.

**Figure 21: Medium-term Prospects (next 3 yrs. or so) for the Number of Domestic Employees**  
(The number of responded companies=583)

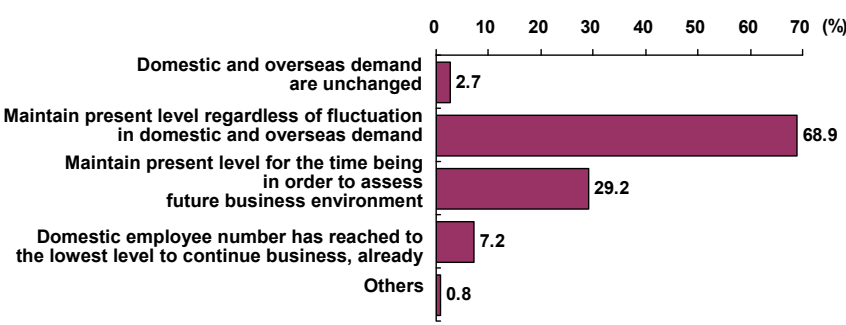


■ Increase  
■ Maintain present level  
■ Decrease  
■ Undecided

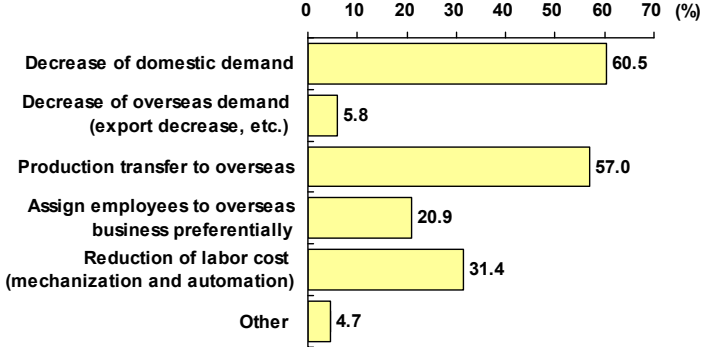
**Reason for Responding "Increase" (49 out of 52 companies responded)**



**Reason for Responding "Maintain present level" (264 out of 395 companies responded)**



**Reason for Responding "Decrease" (86 out of 87 companies responded)**



■ Slightly less than 80% (76.7%) of the companies have prospects to either maintain or increase the number of domestic employees.

- Regarding medium-term prospects (next 3 yrs. or so) for the number of domestic employees, approximately 10% (8.9%) of responding companies responded that they have prospects to increase domestic employees, and approximately 70% (67.8%) of the companies responded that they have prospects to maintain domestic employees. On the other hand, 14.9% of the companies have prospects to decrease the number of domestic employees.
- The main reasons for the increase in the number of domestic employees were "expansion of overseas demand" and "expansion of domestic demand".
- The main reasons for the 52 companies who responded that the number of domestic employees will "increase" were "expansion of overseas demand (export increase, etc.)" (53.1%), "expansion of domestic demand" (38.8%). It was shown that expansion of external demand can also contribute to the increase in the number of domestic employees.
- The main reason for the companies who responded that they will "maintain" the number of domestic employees was "Maintain present level regardless of fluctuation in domestic and overseas demand" (68.9%), and approximately 30% (29.2%) of companies selected, "maintain present level for the time being in order to assess future business environment". It was shown that those companies with prospects to maintain the number of domestic employees have cautious views.

Note: The percentage of the horizontal bar graph indicates the ratio among the number of companies which responded with a reason. Multiple responses are possible regarding the reason.



**■ 3 out of 4 companies (76.4%) of those companies (487 companies), which will expand overseas businesses in medium-term perspective, have prospects to maintain/increase the number of domestic employees.**

- Among those companies which will “strengthen/expand” overseas businesses in the medium-term perspective (490 companies), approximately 80% (81.8%, 401 companies) responded that they will maintain or expand domestic businesses. At the same time, 3 out of 4 companies (372 companies, 76.4%) of those companies which will “strengthen/expand” overseas businesses (487 companies) responded that they will maintain present level or increase regarding prospects of the number of domestic employees.
- On the other hand, among those companies which selected to “strengthen/expand” overseas businesses, 78 companies responded that they have prospects to reduce the number of domestic employees. More than half of such companies (44 companies) were companies which belong to electrical equipment & electronics and automobiles.

**Figure 22: Cross Analysis of Overseas Businesses and Prospects of Domestic Businesses (n=582companies)**

Medium-term Prospects (next 3 yrs. or so)			
Overseas business	Domestic business	No. of respondent companies	Proportion
Strengthen/expand (490 companies)	Strengthen/expand	132	26.9%
	Maintain present level	269	54.9%
	Scale back	53	10.8%
	Undecided	36	7.3%
Maintain present level (87 companies)	Strengthen/expand	16	18.4%
	Maintain present level	61	70.1%
	Scale back	2	2.3%
Scale back/withdraw (5 companies)	Strengthen/expand	8	9.2%
	Maintain present level	2	40.0%
	Scale back	0	0.0%
	Scale back	1	20.0%
	Undecided	2	40.0%

→ 81.8%

**Figure 24: Profile of Companies (78 companies) Which selected to Expand Overseas Businesses, and Scale Back Prospects for the Number of Domestic Employees**

**Figure 23: Cross Analysis of Overseas Businesses and Prospects for the Number of Domestic Employees (n=579 companies)**

Medium-term Prospects (next 3 yrs. or so)			
Overseas business	Domestic employee number	No. of respondent companies	Proportion
Strengthen/expand (487 companies)	Increase	49	10.1%
	Maintain present level	323	66.3%
	Decrease	78	16.0%
	Undecided	37	7.6%
Maintain present level (87 companies)	Increase	2	2.3%
	Maintain present level	70	80.5%
	Decrease	6	6.9%
Scale back/withdraw (5 companies)	Undecided	9	10.3%
	Increase	1	20.0%
	Maintain present level	1	20.0%
	Decrease	2	40.0%
	Undecided	1	20.0%

→ 76.4%

**(1) Volume of net sales**

	No. of companies choosing to decrease employees (A)	No. of respondent companies (B)	(A)/ (B)
¥1 trillion or more	4	41	9.8%
¥300 bn. up to ¥1 trillion	10	64	15.6%
¥100 bn. up to ¥300 bn.	14	111	12.6%
¥50 bn. up to ¥100 bn.	10	101	9.9%
¥10 bn. up to ¥50 bn.	29	211	13.7%
Less than ¥10 bn.	11	75	14.7%
No Answer	—	10	—
Total	78	613	12.7%

**(2) Volume of paid-in capital**

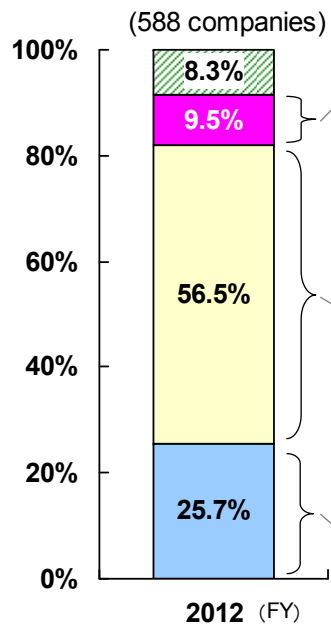
	No. of companies choosing to decrease employees (A)	No. of respondent companies (B)	(A)/ (B)
Large Corporations	59	438	13.5%
Mid-tier firms/SMEs	15	161	9.3%
No answer/Holding company	4	14	28.6%
Total	78	613	12.7%

**(3) Industry**

	No. of companies choosing to decrease employees (A)	No. of respondent companies (B)	(A)/ (B)
Automobiles	20	107	18.7%
Electrical Equipment & Electronics	24	97	24.7%
Chemicals	6	89	6.7%
General Machinery	0	51	0.0%
Precision Machinery	5	33	15.2%
Foods	0	30	0.0%
Textiles	2	28	7.1%
Metal Products	3	28	10.7%
Nonferrous Metals	2	24	8.3%
Steel	1	19	5.3%
Petroleum & Rubber	2	15	13.3%
Ceramics, Cement & Glass	3	14	21.4%
Transportation (excl. Automobiles)	3	14	21.4%
Paper, Pulp & Wood	1	10	10.0%
Other	6	54	11.1%
Total	78	613	12.7%

Figure 25: Prospects for the Number of Domestic Employees based on Prospects for the Domestic Businesses

(Repeated) Figure 18: Medium-term Prospects for Domestic Operations



Undecided  
 Scale back/withdraw  
 Maintain present level  
 Strengthen/expand

Medium-term prospects for the number of domestic employees of the companies which responded to "Scale back domestic businesses"

Choice	Proportion (%)	No. of respondent companies
1. Increase	1.8	1
2. Maintain present level	39.3	22
3. Decrease	57.1	32
4. Undecided	1.8	1
Total	100.0	56

Alternate connections between domestic and business overseas  
 Companies which responded "will scale back" (A) : 56 companies  
 Within the above, number of companies which responded "alternative" (B) : 41 companies  
 (B) / (A) 73.2 %

Medium-term prospects for the number of domestic employees of the companies which responded to "Maintain domestic businesses"

Choice	Proportion (%)	No. of respondent companies
1. Increase	4.9	16
2. Maintain present level	77.7	255
3. Decrease	13.7	45
4. Undecided	3.7	12
Total	100.0	328

Medium-term prospects for the number of domestic employees of the companies which responded to "Strengthen domestic businesses"

Choice	Proportion (%)	No. of respondent companies
1. Increase	22.8	34
2. Maintain present level	67.8	101
3. Decrease	2.7	4
4. Undecided	6.7	10
Total	100.0	149

**The companies which will maintain/expand domestic businesses have prospects to maintain/increase the number of domestic employees.**

- A cross analysis regarding correlation between medium-term (next 3 yrs. or so) domestic businesses and the number of domestic employees was conducted. The results were as follows.
- Among the companies which responded to "strengthen/expand domestic businesses", 67.8% of companies which responded to this question responded to "maintain present level" of the number of domestic employees, and 22.8% responded to "increase".
- Among the companies which responded to "maintain domestic businesses", 77.7% of companies which responded to this question responded to "maintain present level" of the number of domestic employees. The companies which will maintain/expand domestic businesses have prospects to maintain/increase the number of domestic employees.

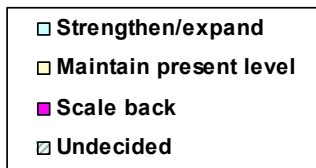
**The companies which will scale back domestic businesses have prospects to reduce the number of domestic employees.**

- On the other hand, among the companies which responded to "scale back domestic businesses", 39.3% responded to "maintain present level" of the number of domestic employees. 57.1% selected to "reduce".
- Among 56 companies which responded to "scale back domestic businesses", companies which responded that their domestic businesses and overseas businesses are in alternative relationship were 41 companies (73.2%). It was shown that approximately 70% of the companies which selected to scale back domestic businesses are expanding overseas businesses.

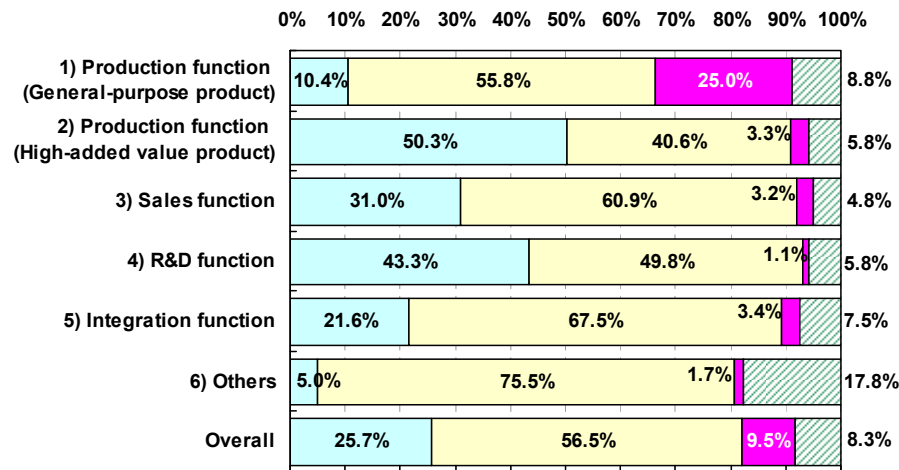


Q. Questioned prospects by function regarding medium-term (next 3yrs. or so) size of domestic businesses.

**Figure 26:**  
Medium-term Prospects for Development of Domestic Businesses (by function)

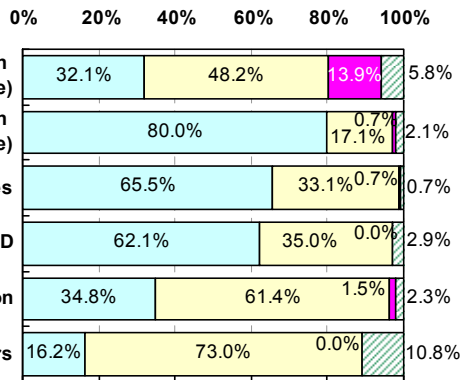


(1) Total

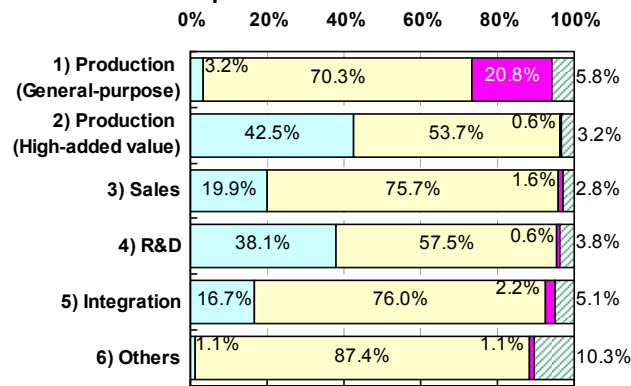


Note: (1) Total number of responding companies by function is as follows.  
 1) Production function (general-purpose product): 547  
 2) Production function (High-added value product): 549  
 3) Sales function: 558  
 4) R&D function: 552  
 5) Integration function: 536  
 6) Others: 298

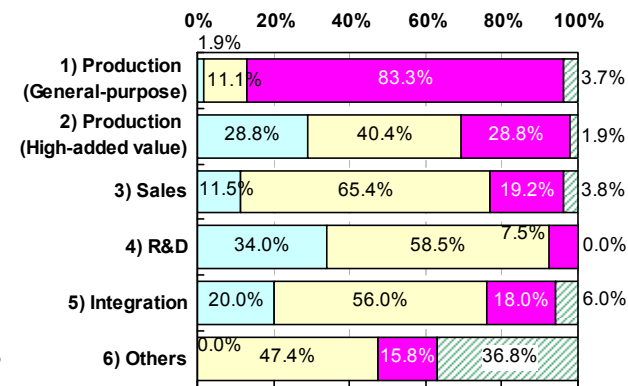
(2) Companies which responded to "Strengthen/expand" domestic businesses



(3) Companies which responded to "Maintain present level" of domestic businesses



(4) Companies which responded to "Scale back" domestic businesses



■ Functions which will expand/strengthen in medium-term in domestic businesses are "production function (high-added value product)", "R&D function" and "Sales function".

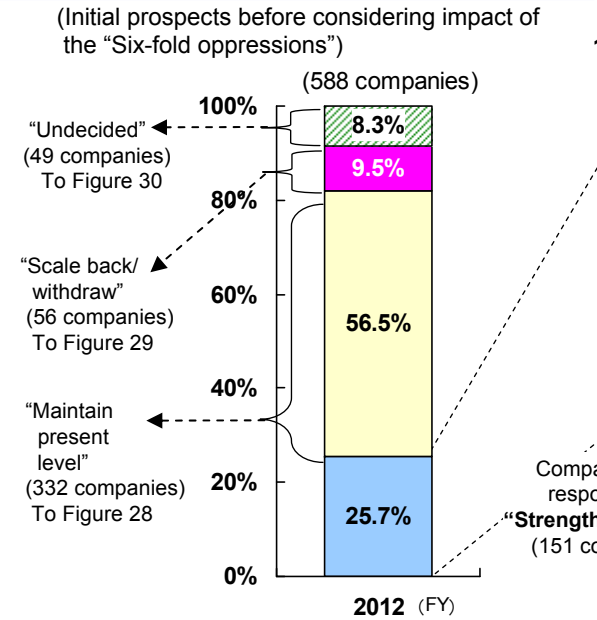
- With respect to prospects for the size of domestic businesses, 50.3% of 549 companies responded that they will "strengthen/expand" production function. On the other hand, companies (547 companies) which responded to "strengthen/expand" their production function (general-purpose product) remained at 10.4%, and 25.0% responded that they will "scale back".
- Functions with high response ratio of "strengthen/expand" were "production function (high-added value product)" (50.3%), "R&D function" (43.3%) and "Sales function" (31.0%) in order. This illustrates the future attitude of Japanese manufacturing companies to squeeze production function of general-purpose products, concentrating managerial resources to production function of high-added value products, R&D function as well as sales function.
- Cross analysis with prospects for domestic businesses generated a high response ratio of "scale back production function (general-purpose product)" regardless of the prospects for domestic businesses.

### III. 7. Medium-term impact of “Six-fold Oppressions” on Domestic Businesses (1)

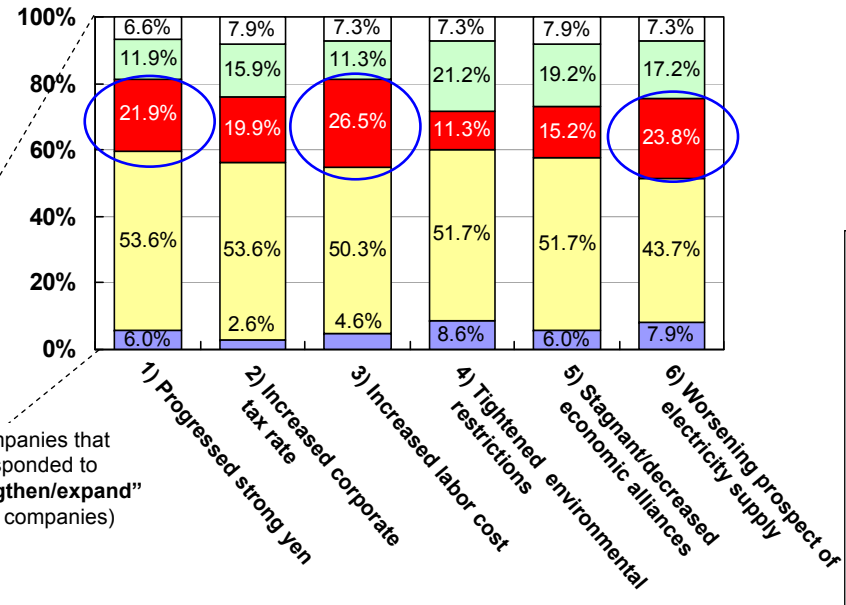
**Q** Question regarding how the medium-term (next 3 yrs. or so) prospects for the size of domestic businesses (p.14) will undergo changes (Note 2) compared with the present state in the event 6 items regarding what we call “Six-fold oppressions” (Note 1) should change respectively as given below in from 1) to 6) .  
 1) Progressed strong yen (weak dollar/weak Euro/weak local currencies), 2) Increased corporate tax rate, 3) Increased labor cost, 4) Tightened environmental restrictions (CO2 reduction, etc.) , 5) Stagnant/decreased economic alliances (TPP, FTA, EPA, etc.) ,6) Worsening prospect for electricity supply.  
 Companies were asked to select among the 4 choices, namely “1. Strengthen/expand”, “2. Maintain present level”, “3. Scale back”, “4. Cannot tell” in comparison with the forecasts on the assumption of non-existence of such “six-fold oppressions”.

Note 1: Items such as “Strong yen”, “Corporate tax”, “Low wages of emerging countries”, “Environmental restriction”, “Delayed economic alliance”, “Power Supply Constraints (Supply · Price)” are pointed out.  
 Note 2: Purpose of this question is to grasp possible impact of the relative changes of each item of the “Six-fold oppressions” on the domestic businesses. For instance, such a case in which reduced corporate tax rate overseas should cause a rise in corporate tax rate of Japan in relative manner.

**(Repeated)**  
**Figure 18: Prospects of Domestic Businesses over the Medium-term**



**Figure 27: Impact of “Six-fold oppressions” to Those Companies that Responded to “Strengthen/expand”**



Legend for Figure 27:  
 □ No response  
 □ Cannot tell  
 ■ Scale back (when compared with the forecasts on the assumption of non-existence of such “Six-fold oppressions”)  
 ■ Maintain present level (regardless of the forecasts on the assumption of existence of such “Six-fold oppressions”)  
 ■ Strengthen/expand (when compared with the forecasts on the assumption of non-existence of such “Six-fold oppressions”)

■ **“Increased labor cost”, “Worsening prospect of electricity supply”, “Progressed strong yen” are factors to apply brakes on the companies to “strengthen/expand domestic businesses.**

- Among the 151 companies that responded to “strengthen/expand” over the medium-term, the item which gives biggest impact of the prospect in the event the above “six-fold oppressions” should be worsened from the present state was identified to be “increased labor costs”. Out of the companies that responded that they would “strengthen/expand” domestic businesses over the medium-term, 26.5% of such companies responded that when the labor costs should increase from the present level, they will “scale back” domestic businesses compared with the initial prospect to “strengthen/expand”.
- In the event of occurrence of “worsening prospect of electricity supply” and “progressed strong yen” from the present level, each of 23.8% and 21.9% of the companies responded that they will “scale back” their prospect of domestic businesses over the medium-term from the initial prospect (=“strengthen/expand”).
- Among the 151 companies that responded to “strengthen/expand” over the medium-term in the survey of last year, there are 29 companies (19.2%) that “revised downward/have possibility to revise downward” (Note 3), and it seems that concern for supply restriction of electricity has increased somewhat this year.

Note 3: In the survey of last year, it was questioned regarding the impact of supply restrictions of electricity on the prospect of business development over the medium-term (Refer to p35 of the 2011 edition. However, the above stated number of companies was not posted since it was calculated in this fiscal year). Therefore, content of the question is different from the survey of this fiscal year.

Figure 28: Impact of “Six-fold oppressions” on the Companies that Responded to “Maintain present level”

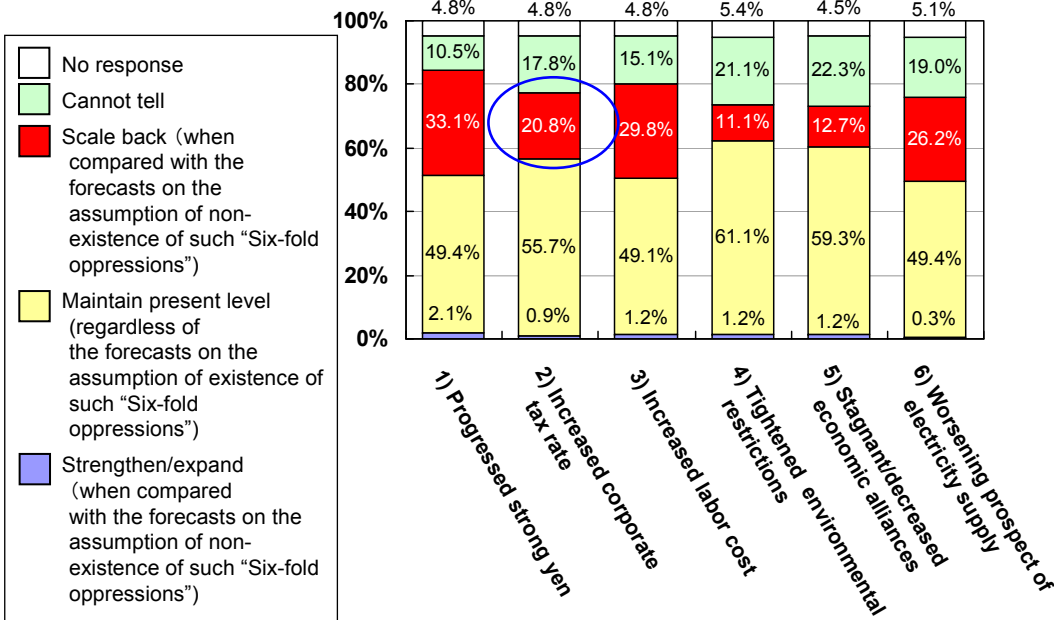


Figure 29: Impact of “Six-fold oppressions” on the Companies that Responded to “Scale back/withdraw”

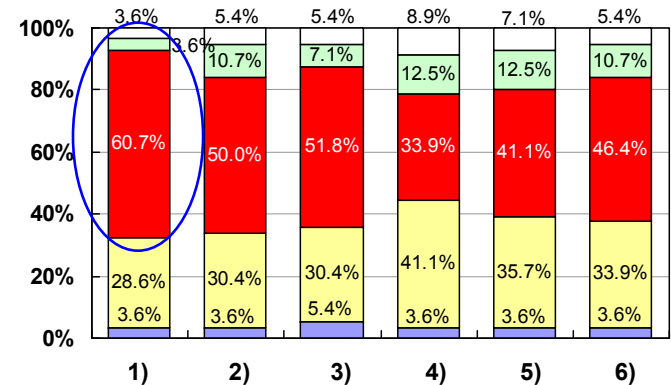
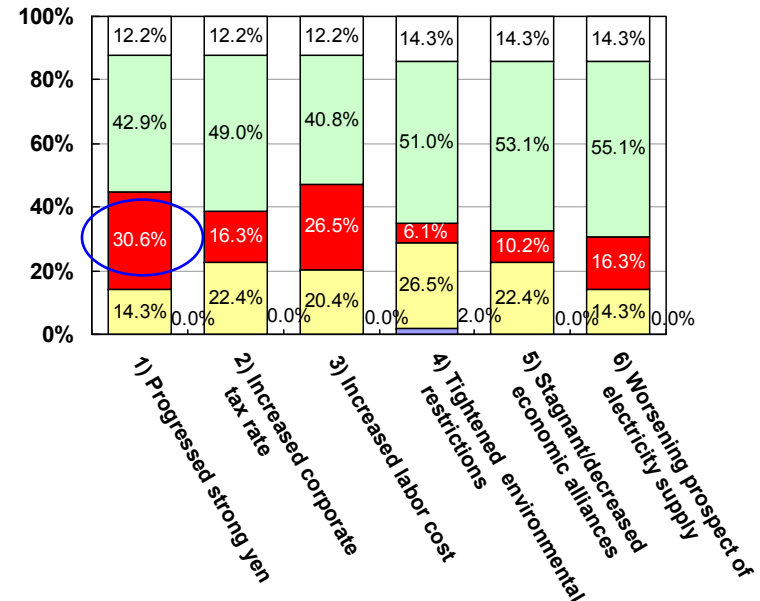


Figure 30: Impact of “Six-fold oppressions” on the Companies that Responded that They were “Undecided”



**■ Slightly over 30% of the companies to “maintain present level” will “scale back” due to progressed strong yen.**

· Among the respondent companies to medium-term prospect of domestic businesses, 56.5% of them responded that they would “maintain present level” regarding domestic businesses. However, slightly over 30% of the companies have responded to “scale back” such prospects due to “progressed strong yen”.

**■ Approximately 60% of the companies that will “scale back/withdraw” domestic businesses will move to further “scale back” due to progressed strong yen.**

· It was identified that of those companies that responded to “scale back/withdraw” prospects for domestic businesses over the medium-term, more than 30% of such companies will make further “set backs” of domestic businesses in the event of worsening of each item of the “Six-fold oppressions”. In particular, more than 60% of the companies that responded to “scale back/withdraw” domestic businesses due to “progressed strong yen” selected to “scale back”. This illustrated results that the progressing strong yen will accelerate shrinking of domestic businesses.

**■ Slightly over 30% of the companies that responded “undecided” inclined to “scale back” domestic businesses due to progressing strong yen.**

· Slightly over 30% of the companies that responded to prospects for domestic businesses over the medium-term responded that they will switch initial prospects (=“undecided”) to “scale back”. It was identified that for those companies that had changed their selection from “maintain present level” to “undecided”, a “progressed strong yen” gives impact on the prospect for domestic businesses in particular.

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## **IV. Promising Countries/Regions over the Medium-Term**

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

**Figure 31: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (multiple answers are possible)**

※ See Appendix 1 for pre-FY2010 results of Figure 31 and for Promising Countries/Regions for Mid-tier firms/SMEs over the Medium Term)

Q

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

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

Ranking		Country/Region (Total)	No. of Companies		Percentage Share(%)		
2012	← 2011		2012	2011	2012	2011	
			514	507			
1	—	1	China	319	369	62.1	72.8
2	—	2	India	290	297	56.4	58.6
3	↑	5	Indonesia	215	145	41.8	28.6
4	↓	3	Thailand	165	165	32.1	32.5
5	↓	4	Vietnam	163	159	31.7	31.4
6	↓	5	Brazil	132	145	25.7	28.6
7	↑	12	Mexico	72	29	14.0	5.7
8	↓	7	Russia	64	63	12.5	12.4
9	↓	8	USA	53	50	10.3	9.9
10	↑	19	Myanmar	51	7	9.9	1.4
11	↓	9	Malaysia	36	39	7.0	7.7
12	↓	11	Korea	23	31	4.5	6.1
12	↑	15	Turkey	23	12	4.5	2.4
14	↓	10	Taiwan	22	35	4.3	6.9
15	↓	14	Philippines	21	15	4.1	3.0
16	↓	13	Singapore	16	25	3.1	4.9
17	↓	16	Cambodia	13	8	2.5	1.6
18	↓	16	Australia	11	8	2.1	1.6
19	↓	16	Bangladesh	10	8	1.9	1.6
20	↑	21	Germany	6	5	1.2	1.0

Note 1: In addition to the countries listed above, the following regions also gained responses: North America (16 companies, 3.1% of the total); Middle East /GCC (13 companies, 2.5% of the total); EU/Europe (8 companies, 1.6% of the total); ASEAN/Southeast Asia/other surrounding countries of Thailand (7 companies, 1.4% of the total).

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

### ■ China secured the first rank, but the number of votes was reduced substantially.

- Since inception of the survey of promising countries with regard to the present form in 1992, China has maintained the first rank (Figure 32). However, the number of responding companies (319 companies) was reduced by 50 companies from the last survey and the percentage share also declined by approximately 10%.
- 81.3% of the responded companies maintain production basis in China (p.23), and in view of the observed sentiment of occasional halt in their stance of strengthening in all regions in China, it is considered that Japanese manufacturing companies are changing their views of China as a promising country from the viewpoint of deteriorating business environments as well as business portfolio.

### ■ Fast progressing Indonesia surged to the third rank this time.

- In this survey, Indonesia was cited by 215 companies as a promising country, having attained the third rank. In contrast to 41 responded companies in FY2008, the country was appreciated by five times the number of companies. The point of Indonesia which is most highly expected is the growth potential of the local market, which is regarded as promising by a wide spectrum of industries.

### ■ Thailand still attracts expectation.

- In spite of the impact of the floods, the obtained votes of Thailand (165 companies) was the same as last year. In the follow-up survey conducted in April, this year, the impact of the floods was assessed as limited. Also, in this survey, Thailand secured solid evaluation as a promising country.

### ■ Myanmar was the 10<sup>th</sup> rank, and Cambodia and Bangladesh managed to remain in top 20 ranking.

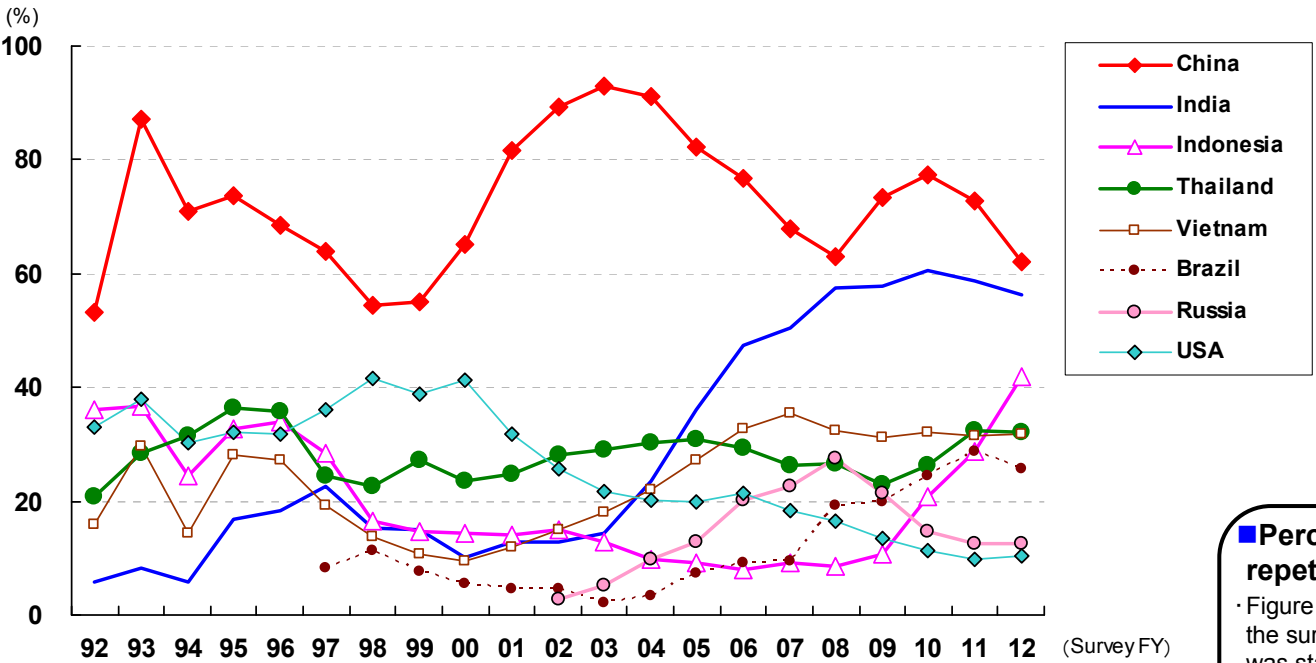
- The biggest point of attention in this survey was the rank up of Myanmar to the 10<sup>th</sup> rank. Reflecting progress in democratization, interest of companies in this attractive country in terms of the size of population (approximately 62 million ) and location (neighboring to Thailand) has increased. However, companies with specific business plans are still limited.
- While ranks of Cambodia and Bangladesh were lower than last year, the number of responded companies was increased.

### ■ Mexico's sharp rise driven by automobiles sector.

- Mexico was the next most attractive country after Myanmar. In particular, degree of interest in automobile sector was high (half of responded companies were automobile manufacturers). In case of the country, more than half of the companies that responded as promising have business plans.

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

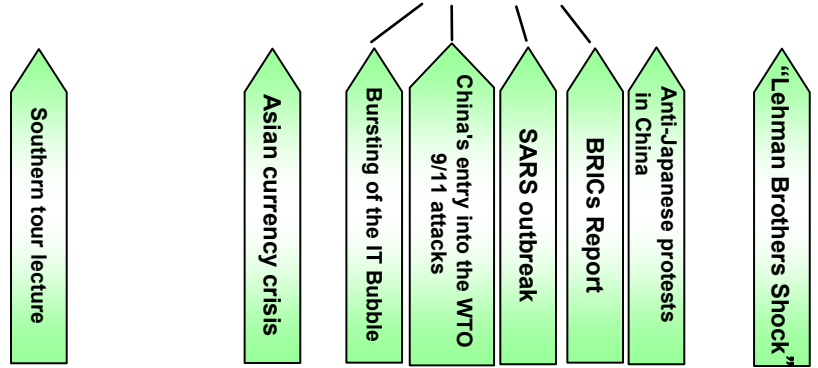
Figure 32: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares



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

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

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



**Percentage share of China shown in a repetition of ups and downs.**

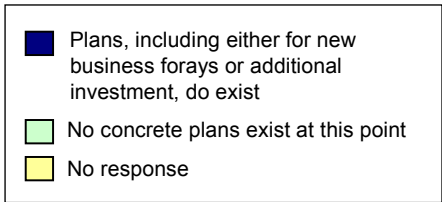
Figure 32 illustrates trend of percentage shares since the survey of promising countries with the present form was started in 1992. While the top ranked China increased the percentage share as a result of the southern tour lecture by Deng Xiao Ping who advocated acceleration of reform/opening, it later declined but turned upward again after the Asian currency crisis. Following entry into the WTO, the percentage share peaked out, declining afterward by SARS and Anti-Japanese protests. After the Lehman Brothers Shock, it came to be highlighted as a market as well.

**India, which has had trouble growing.**

India is a promising country ranked at 2<sup>nd</sup> over the medium-term, and 1<sup>st</sup> over the long-term perspectives. However, under present situation, degree of satisfaction with profitability remains low. It is considered that such a situation exists highlighting the background of a percentage share of India which has resisted to grow.

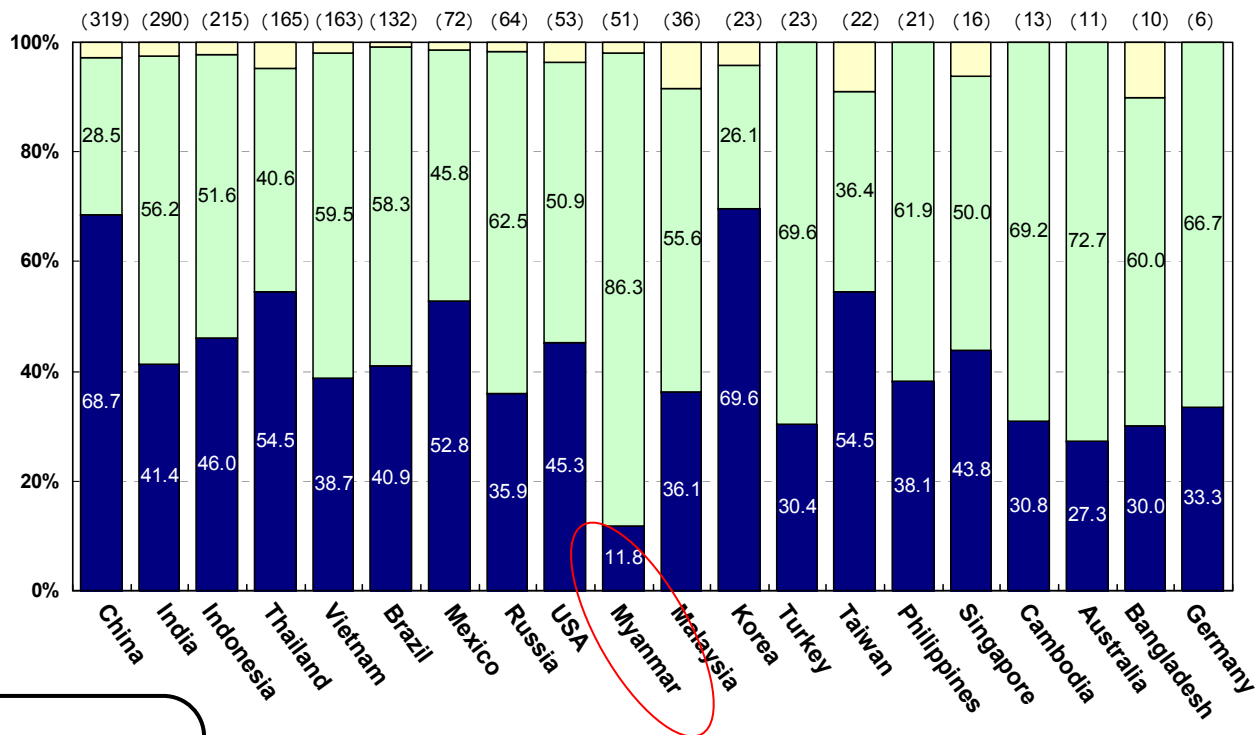


Q Companies that named promising countries over the medium-term in Figure 31 were asked whether they had business plans for each of the countries they chose.



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

Figure 33: Existence of Real Business Plans in Promising Countries (FY2012 Survey)



**China with a high ratio of "Plans exist".**

Figure 33 illustrates the ratio of responding companies which have real business plans for the responding companies for the top 20 ranked countries/regions of promising countries/regions for business development over the medium-term perspectives. As pointed out in the past report, many of the responding companies which cited China as a promising country maintain specific business plans. The ratio was 68.7% which is outstanding along with Korea among the top ranked countries, while it was somewhat lowered from the previous survey (71.3%).

**Still few companies have concrete business plans in Myanmar.**

The number of companies that cited Myanmar as a promising country was 51 as shown in Figure 31. It is assumed that there is an anticipated expectation in the back of increased opportunities to be reported by the media lately. Those with specific business plans, however, remained at 6 companies (11.8%). Recalculation of targeting companies which responded that they had business plans placed Myanmar at 16th rank.

Figure 34: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) prospects

(Companies that responded as "having plans"). (Aggregated the number of companies which responded that "Plans exist")

Rank	Country/region	No. of respondent companies
1	China	219
2	India	120
3	Indonesia	99
4	Thailand	90
5	Vietnam	63
6	Brazil	54
7	Mexico	38
8	USA	24
9	Russia	23
10	Korea	16

## IV. 4. Rankings of promising countries/regions (By industry, long-term prospects)

Figure 35: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) Prospects (by major industry)

Chemicals				Automobiles			
Rank	Country	FY2012	FY2011	Rank	Country	FY2012	FY2011
		(Total 71)	(Total 80)			(Total 95)	(Total 82)
1	China	45	63	1	India	66	56
2	India	43	46	2	China	60	61
3	Indonesia	26	17	3	Indonesia	54	38
4	Thailand	25	26	4	Mexico	37	17
5	Vietnam	21	23	5	Brazil	34	32
6	Brazil	14	25	6	Thailand	32	35
7	USA	12	12	7	Russia	18	8
8	Malaysia	11	12	8	Vietnam	15	16
9	Mexico	7	2	9	Myanmar	9	2
9	Singapore	7	8	10	USA	6	4

## Electrical Equipment &amp; Electronics

Rank	Country	FY2012	FY2011
		(Total 81)	(Total 86)
1	China	55	61
2	India	43	54
3	Vietnam	29	27
4	Brazil	25	27
5	Indonesia	24	16
6	Thailand	22	27
7	Philippines	8	6
8	Korea	6	5
8	Russia	6	9
10	Myanmar	5	1
10	Turkey	5	0

## General Machinery

Rank	Country	FY2012	FY2011
		(Total 47)	(Total 48)
1	China	29	30
2	India	26	28
3	Indonesia	23	13
4	Thailand	17	15
4	Vietnam	17	14
6	Brazil	13	17
7	Russia	9	8
8	Turkey	6	3
9	Mexico	5	2
10	USA	4	5

Figure 36: Promising Countries/Regions for Overseas Operations over the Long-term (next 10 yrs. or so) Prospects (by major industry)

Rank	Country	No. of respondent companies (Total 387)	Point gaining ratio	Change from last survey Change (companies)
1	India	251	64.9%	▲ 82
2	China	218	56.3%	▲ 81
3	Indonesia	149	38.5%	2
4	Brazil	140	36.2%	▲ 56
5	Vietnam	110	28.4%	▲ 36
6	Thailand	103	26.6%	▲ 11
7	Russia	78	20.2%	▲ 17
8	Myanmar	65	16.8%	58
9	Mexico	46	11.9%	21
10	USA	34	8.8%	▲ 2

Note: The number of responded companies in the previous survey (FY2011 Survey) was 420. Refer to Appendix 1 regarding ranking in the previous survey.

■ The number of responded companies citing Indonesia as a promising country increased regarding 4 major industries.

- Figure 35 compiled ranking of promising countries over the medium-term regarding 4 major industries for which there were many respondent companies. It shows that the number of responding companies for Indonesia increased in all the 4 major industries. Also, it shows a sharp increase in the number of responding companies for Mexico regarding automobiles.
- While China and India were ranked high, the number of responding companies was either same level with the previous time or somewhat lower. As for China, in the automobile sector in which the country was top ranked last year, it was lowered by one rank to the 2<sup>nd</sup> rank.

■ Top 2 promising countries over the long-term are India and China, but the number of responding companies dropped sharply.

- Since the FY2010 survey, India and China have been the 1st rank and 2nd rank respectively in terms of promising country over the long-term prospects. The number of companies that responded both India and China as promising countries this time, however, was more than 80 fewer than that in the previous survey (Figure 36).
- In contrast, those for which the number of responding companies increased were the 8<sup>th</sup> ranked Myanmar and the 9<sup>th</sup> ranked Mexico. In the case of Myanmar, it showed approximately a nine-fold increase from 7 companies in the previous time to 65 companies this time.



**No.1: China**

**Reasons**

	(Note 1) (Total No. of respondent companies: 312)	No. of companies	(Note 2) Ratio
1	Future growth potential of local market	229	73.4%
2	Current size of local market	146	46.8%
3	Supply base for assemblers	87	27.9%
4	Inexpensive source of labor	83	26.6%
5	Concentration of industry	69	22.1%

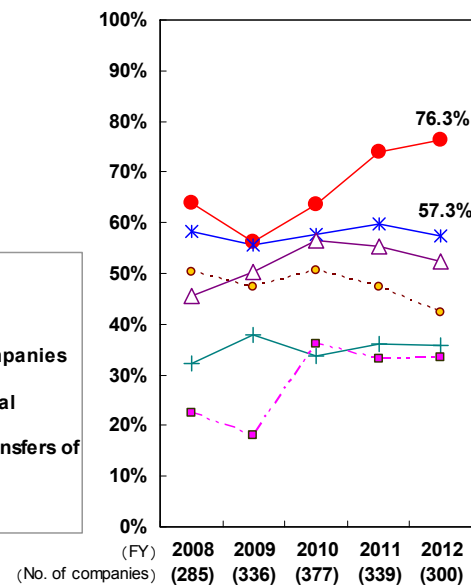
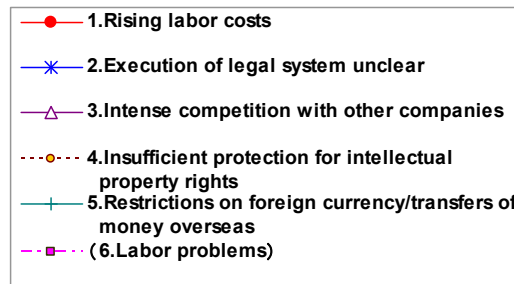
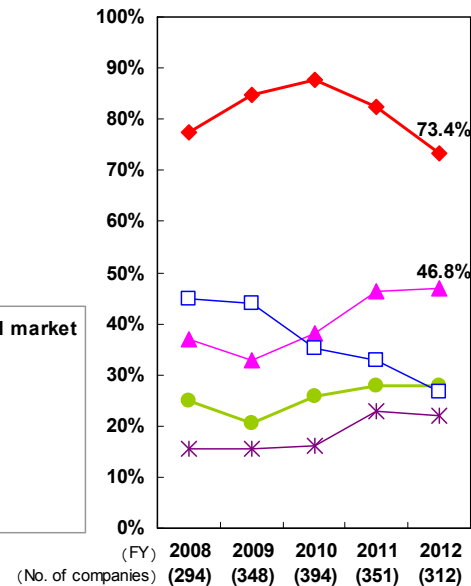
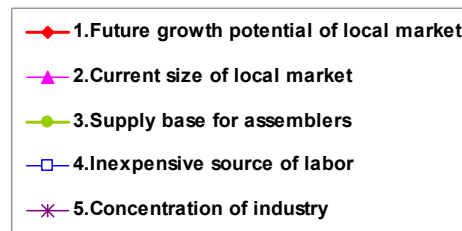
**Issues**

	(Total No. of respondent companies: 300)	No. of companies	Ratio
1	Rising labor costs	229	76.3%
2	Execution of legal system unclear (frequent changes)	172	57.3%
3	Intense competition with other companies	157	52.3%
4	Insufficient protection for intellectual property rights	127	42.3%
5	Restrictions on foreign currency/transfers of money overseas	107	35.7%

■ While there was no change in the order from last year both for reasons as promising and issues, the ratio of companies that cited "Future growth potential of local market" has continued to fall with FY2010 as the peak. On the other hand, the ratio of companies that cited "Current size of local market" increased slightly, indicating that it is continuing to be viewed as an attractive market.


■ While the ratio of companies that pointed out "Inexpensive source of labor" as the reason for being promising continued to decline, the ratio of companies that pointed out "Rising labor cost" increased also in this survey. It shows that while Japanese manufacturing companies continue their production in China, rising personnel expenses have become a major issue.

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



Note 1: The "No. of companies" here refers to the number of companies that responded to questions concerning "reasons for being a promising country" and "issues" out of the number of companies that listed the country/region in Figure 31. For this reason, the number of companies here may not be the same as in Figure 31.

Note 2: "Ratio" refers to the number of companies that cited "reasons for being a promising country" or "issues" divided by the total number of respondent companies.

 **No.2: India**

**Reasons**

(Total No. of respondent companies: 279)

	No. of companies	Ratio
1 Future growth potential of local market	237	84.9%
2 Inexpensive source of labor	106	38.0%
3 Current size of local market	74	26.5%
4 Supply base for assemblers	69	24.7%
5 Qualified human resources	44	15.8%

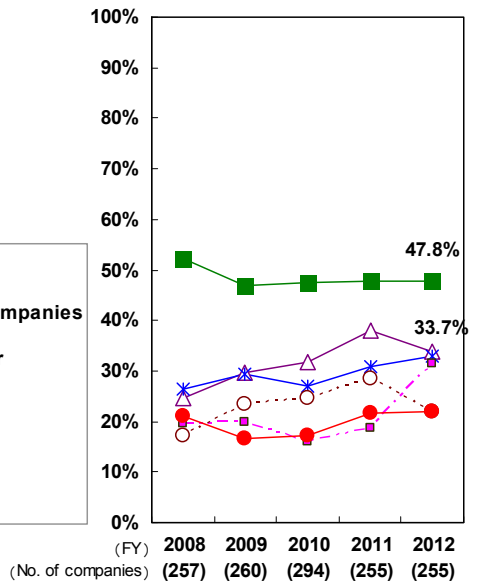
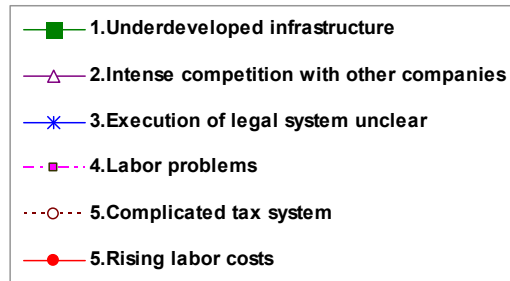
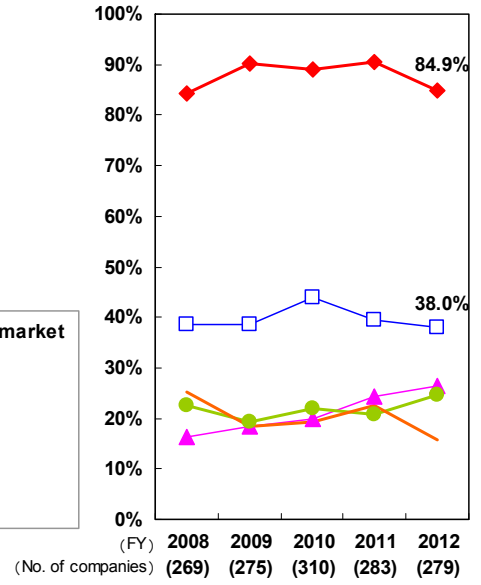
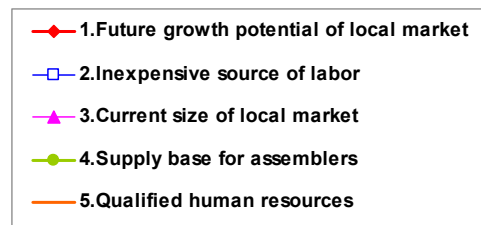
**Issues**

(Total No. of respondent companies: 255)

	No. of companies	Ratio
1 Underdeveloped infrastructure	122	47.8%
2 Intense competition with other companies	86	33.7%
3 Execution of legal system unclear (frequent changes)	84	32.9%
4 Labor problems	80	31.4%
5 Complicated tax system	56	22.0%
5 Rising labor costs	56	22.0%

■ The order from the 1st to 3rd of the reasons for being promising remained unchanged from the last result. The number of companies citing “Future growth potential of local market” was reduced slightly reflecting recent slowdown of growth of the Indian economy, but most of the companies hold expectation for growth potential of the Indian market. Further, the number of companies citing “Supply base for local assemblers” increased in line with the increased number of local affiliates.

■ Also with respect to the issues, the order was unchanged except for the 4th “Labor issues”, and responses wishing for development of infrastructure continued to reach close to half of the companies. In the back of sudden emergence of labor issues in this survey, it is assumed that there was influence regarding the violence against a Japanese company that occurred in July, this year.



 **No.3 : Indonesia**

**Reasons**

(Total No. of respondent companies: 208)

	No. of companies	Ratio
1 Future growth potential of local market	174	83.7%
2 Inexpensive source of labor	84	40.4%
3 Supply base for assemblers	58	27.9%
4 Current size of local market	54	26.0%
5 Base of export to third countries	25	12.0%

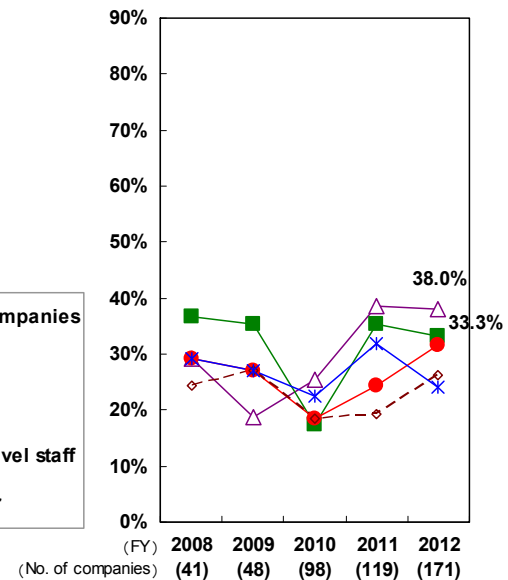
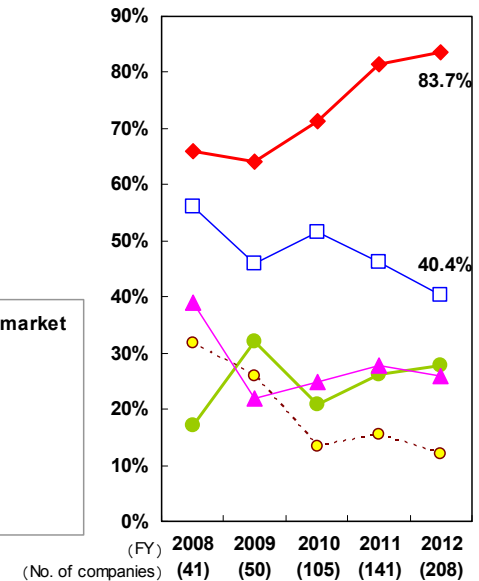
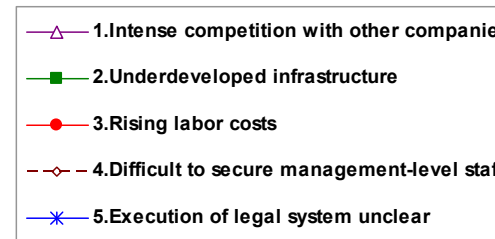
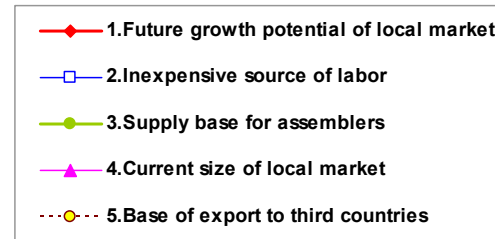
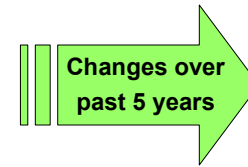
**Issues**

(Total No. of respondent companies: 171)

	No. of companies	Ratio
1 Intense competition with other companies	65	38.0%
2 Underdeveloped infrastructure	57	33.3%
3 Rising labor costs	54	31.6%
4 Difficult to secure management-level staff	45	26.3%
5 Execution of legal system unclear (frequent changes)	41	24.0%

■ The number of responding companies stating reasons of being promising for Indonesia increased to 67 companies, of which the number of companies that selected "Future growth potential of local market" was 59. Industry wise, the country gathered responses as a promising country from a wide spectrum of industries, centering on automobile. This shows that the driving force behind the rapid progress to the 3rd rank as a promising country was growth of the market of Indonesia.

■ The ratios of "Intense competition with other companies" and "Undeveloped infrastructure" that were high ranked as issues leveled off. In the meanwhile, companies that recognize "Rising labor cost" and "Difficulty in securing manager class personnel" as issues increased gradually.



 **No.4: Thailand**

**Reasons**

(Total No. of respondent companies: 160)

	No. of companies	Ratio
1 Future growth potential of local market	85	53.1%
2 Inexpensive source of labor	58	36.3%
3 Supply base for assemblers	49	30.6%
4 Current size of local market	44	27.5%
5 Concentration of industry	43	26.9%

**Issues**

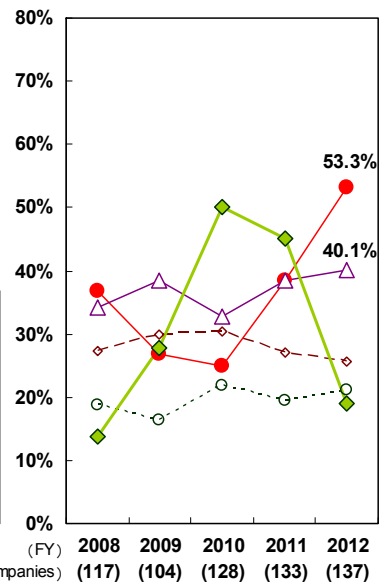
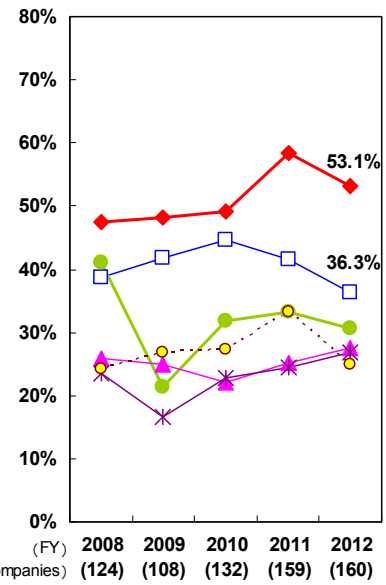
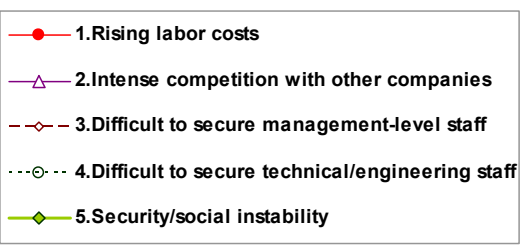
(Total No. of respondent companies: 137)

	No. of companies	Ratio
1 Rising labor costs	73	53.3%
2 Intense competition with other companies	55	40.1%
3 Difficult to secure management-level staff	35	25.5%
4 Difficult to secure technical/engineering staff	29	21.2%
5 Security/social instability	26	19.0%

■ The No.1 reason for listing Thailand as being promising is the “future growth potential of local market”. While the ratio of response fell from the previous survey, it was indicated that more than half (85 companies, 53.1%) of the companies that regarded Thailand as promising maintain expectation for expansion of the Thai market.

■ In spite of damages of the floods received by many Japanese affiliates last year, evaluation of the aspect of production remains high. The ratio of responses for the 3rd ranked “Supply base for assemblers” was the 2nd highest after Mexico among high ranked promising countries, and as to the 5th ranked “Concentration of industries”, the country receives the highest ratio of response among promising countries. This evaluation shows the degree of attractiveness of Thailand as the base of production.

■ In this survey, “Rising labor costs” became the 1st ranked issue due to increased number of companies pointing out this issue (51 →73). It is assumed that there was insufficiency in the work force, in addition to the raise of the minimum wage that took place in April 2012.



 **No.5: Vietnam**

**Reasons**

(Total No. of respondent companies: 160)

	No. of companies	Ratio
1 Future growth potential of local market	108	67.5%
2 Inexpensive source of labor	94	58.8%
3 Qualified human resources	30	18.8%
4 Good for risk diversification to other countries	26	16.3%
5 Base of export to third countries	22	13.8%

**Issues**

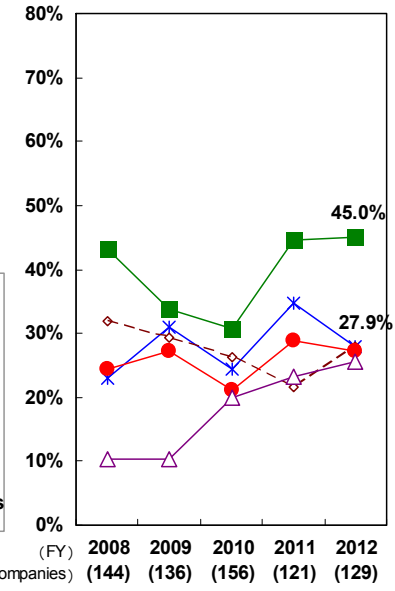
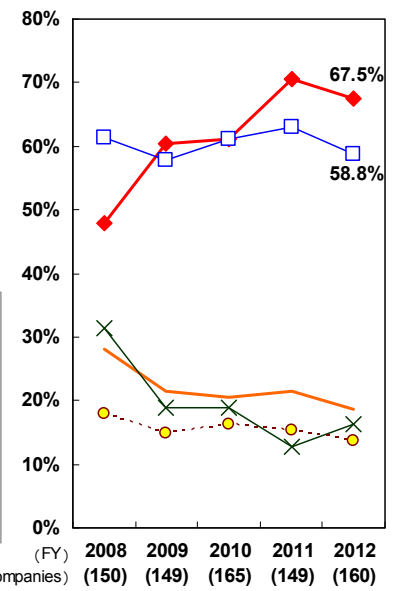
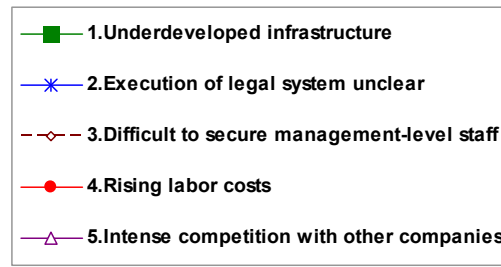
(Total No. of respondent companies: 129)


	No. of companies	Ratio
1 Underdeveloped infrastructure	58	45.0%
2 Execution of legal system unclear (frequent changes)	36	27.9%
2 Difficult to secure management-level staff	36	27.9%
4 Rising labor costs	35	27.1%
5 Intense competition with other companies	33	25.6%

■ “Future growth potential of local market” was cited as being the No.1 reason and “inexpensive source of labor” as the No.2 reason for being promising; Vietnam is considered promising for both aspects of the market and bases for production. The feature of Vietnam as seen in the reasons for being promising, lies in the fact that the ratio of the 4th ranked “good for risk diversion to other countries” is the highest among the top promising countries (followed by Myanmar’s 14.6%).

■ The No.1 issue was “underdeveloped infrastructure” which was pointed out by almost half (45.0%) of respondent companies, and it has become the major issue for Japanese companies in Vietnam. Further, the ratio of responses of this item is the 3rd highest following Myanmar (72.1%) and India (47.8%) among top promising countries.

■ In addition to this, the ratio of responses of the No.5 issue “intense competition with other companies” has risen every year in the back of existence of many companies that started to make entry into the Vietnam market, paying attention to the market.



 **No. 6: Brazil**

**Reasons**

(Total No. of respondent companies: 132)

	No. of companies	Ratio
1 Future growth potential of local market	117	88.6%
2 Current size of local market	34	25.8%
3 Supply base for assemblers	30	22.7%
4 Inexpensive source of labor	19	14.4%
5 Social/political situation stable	10	7.6%

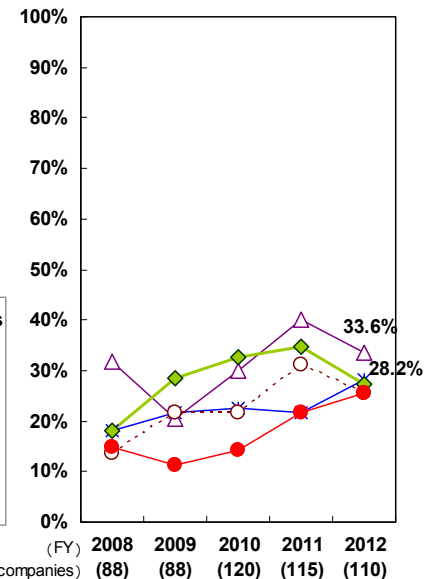
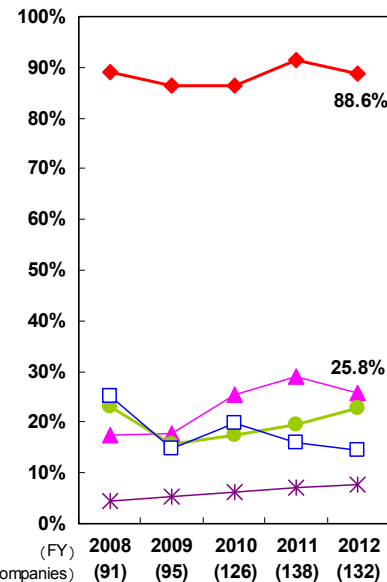
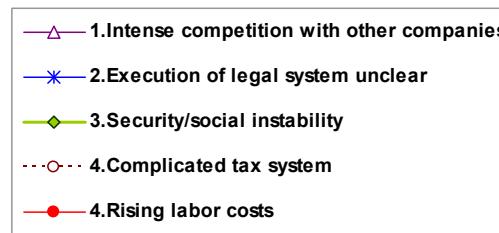
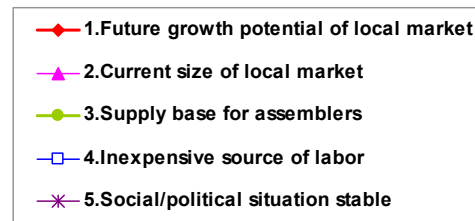
**Issues**

(Total No. of respondent companies: 110)

	No. of companies	Ratio
1 Intense competition with other companies	37	33.6%
2 Execution of legal system unclear (frequent changes)	31	28.2%
3 Security/social instability	30	27.3%
4 Complicated tax system	28	25.5%
4 Rising labor costs	28	25.5%

■ In terms of the number of responding companies, 132 companies which was less than last time by 13 companies recognized the country as promising, approximately 90% of them citing future growth potential of the local market. For Japanese companies, the country continues to be promising, but recent economic slowdown and other factors dampened the ranking.

■ As issues, "intense competition with other companies" was No.1 as in the previous survey with 33.6%, but the ratio of responses went down. Amidst other issues that are also leveling off, there is a move to start to recognize rising labor costs as an issue.



 **No. 7: Mexico**

**Reasons**

(Total No. of respondent companies: 70)

	No. of companies	Ratio
1 Future growth potential of local market	36	51.4%
1 Supply base for assemblers	36	51.4%
3 Inexpensive source of labor	20	28.6%
4 Base of export to third countries	17	24.3%
5 Current size of local market	16	22.9%

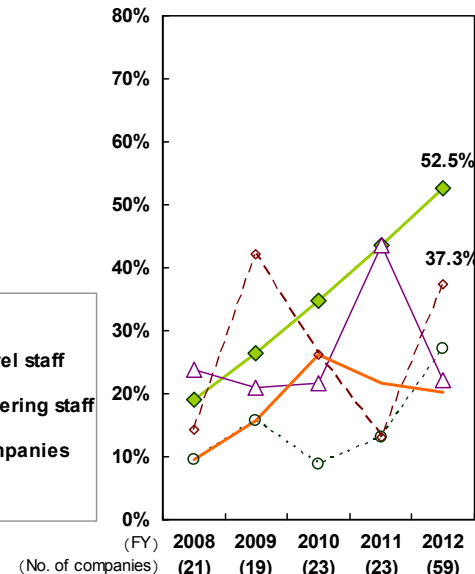
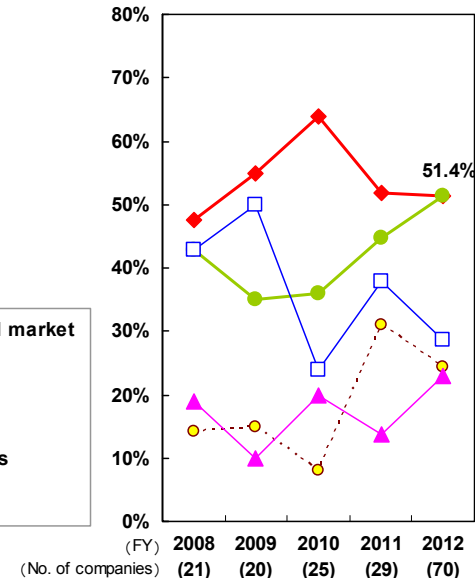
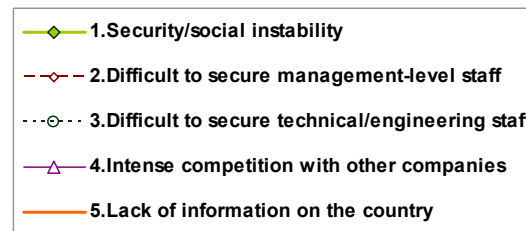
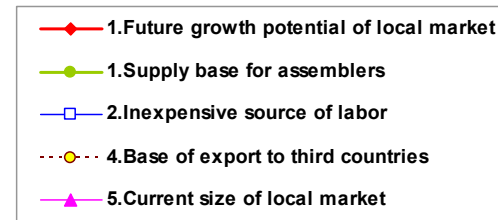
**Issues**

(Total No. of respondent companies: 59)

	No. of companies	Ratio
1 Security/social instability	31	52.5%
2 Difficult to secure management-level staff	22	37.3%
3 Difficult to secure technical/engineering staff	16	27.1%
4 Intense competition with other companies	13	22.0%
5 Lack of information on the country	12	20.3%

■ Reviewing the companies that responded to this question by industry, the feature is the existence of much automobile and general machinery, etc. While Mexico is a member country of NAFTA, having started EPA with Japan in 2005, the number of respondent companies used to stay in a level of 20 companies or so. A conceivable reason for the largely increased votes this time is attributable to advancement of Japanese automobile assemblers into the country. Looking at the reasons for being promising also, half of the companies that regarded the country as being promising cited “growth potential of the local market” (51.4%) as well as “supply base for assemblers” (51.4%).

■ On the other hand, the No.1 issue of the country is “security/social instability”, which was cited by half of respondent companies as an issue. Also, in response to increasing number of companies that are actually advancing, the issue regarding “difficulty to secure management-level staff” (37.3%) also gathered responses.







## No. 10: Myanmar

### Reasons

	No. of respondent companies: 48	No. of companies	Ratio
1	Inexpensive source of labor	35	72.9%
2	Future growth potential of local market	24	50.0%
3	Qualified human resources	7	14.6%
3	Good for risk diversification to other countries	7	14.6%
5	Inexpensive components/raw materials	6	12.5%
5	Base of export to Japan	6	12.5%
5	Base of export to third countries	6	12.5%

### Issues

	(Total No. of respondent companies: 43)	No. of companies	Ratio
1	Underdeveloped infrastructure	31	72.1%
2	Security/social instability	22	51.2%
3	Underdeveloped legal system	21	48.8%
4	Lack of information on the country	16	37.2%
5	Execution of legal system unclear (frequent changes)	14	32.6%

■ Main reasons for being promising are “inexpensive source of labor” (35 companies, 72.9%) and “future growth potential of local market” (24 companies, 50.0%). In the background of the rapid progress in the ranking of promising countries, it is assumed that there is existence of expectation for the new market, fueled by frequent media exposure triggered by progressing advancement of democratization.

■ Compared with the previous year, the country gathered responses from a wide spectrum of industries including textiles (plus 8 companies) and automobile parts (plus 7 companies). In the textile sector, there are 3 companies with specific plans.

■ “Underdeveloped infrastructure” (72.1%) has been recognized as an imminent issue. To follow, half of the companies (51.2%) cited “security/social instability” as an issue reflecting uncertainty in the prospects of the democratization process. Premature systems such as “inadequate legal system” (3<sup>rd</sup> reason) and “unclear execution of legal system” (5<sup>th</sup> reason) have been recognized as issues also.

### [Changes in Reasons as Promising/Issues]

Reasons	(companies)			
	FY2011		FY2012	
No. of respondent companies	7		48	
Inexpensive source of labor	7	100.0%	35	72.9%
Future growth potential of local market	1	14.3%	24	50.0%
Qualified human resources	0	0.0%	7	14.6%
Good for risk diversification to other countries	2	28.6%	7	14.6%

Issues	(companies)			
	FY2011		FY2012	
No. of respondent companies	5		43	
Underdeveloped infrastructure	3	60.0%	31	72.1%
Security/social instability	4	80.0%	22	51.2%
Underdeveloped legal system	2	40.0%	21	48.8%

### [Number of responses by industry]

	FY2011	FY2012		
		year-on-year	Plans exist	
Foods	1	5	+4	-
Textiles	2	10	+8	3
Paper, Pulp & Wood	0	3	+3	1
Chemicals (incl. plastic products)	0	2	+2	-
Petroleum & Rubber	0	2	+2	-
Ceramics, Cement & Glass	0	2	+2	-
Steel	0	4	+4	-
Metal Products	0	1	+1	-
General Machinery (assembly)	1	1	0	-
Electrical Equipment & Electronics (assembly)	0	2	+2	1
Electrical Equipment & Electronics (parts)	1	3	+2	-
Transportation (excl. Automobiles)	0	1	+1	-
Automobiles (parts)	2	9	+7	1
Precision Machinery (parts)	0	1	+1	-
Other	0	5	+5	-
Overall	7	51	+44	6

Note: 51 companies which is the total value of the above [Number of responses by industry] is the same number of companies that responded to the question for reasons for countries as being promising for overseas operations as shown in Figure 31. Take note that the figure is different from the number of respondent companies for reasons as being promising and with regard to the question.



**Q** Companies that listed China among promising countries/regions over the medium (next 3 yrs. or so) were then asked to identify up to 3 promising regions each for sales and manufacturing within China.

**Figure 37: Promising Regions within China**

**(1) Production**

**FY2011 Survey result**

Rank	Region	No. of companies
1	Eastern China (3)	217
2	Southern China (4)	173
3	Northern China (2)	144
4	Inland China –Central (5)	113
5	Inland China-Western: Sichuan, Chongqing (6)	60
6	Northeastern China (1)	57
7	Inland China-Western (7)	6
No. of companies that answered the question		310

**FY2012 Survey result**

Rank	Region	No. of companies
1	Eastern China (3)	165
2	Southern China (4)	124
3	Northern China (2)	102
4	Inland China –Central (5)	82
5	Inland China-Western: Sichuan, Chongqing (6)	55
6	Northeastern China (1)	47
7	Inland China-Western (7)	5
No. of companies that answered the question		252

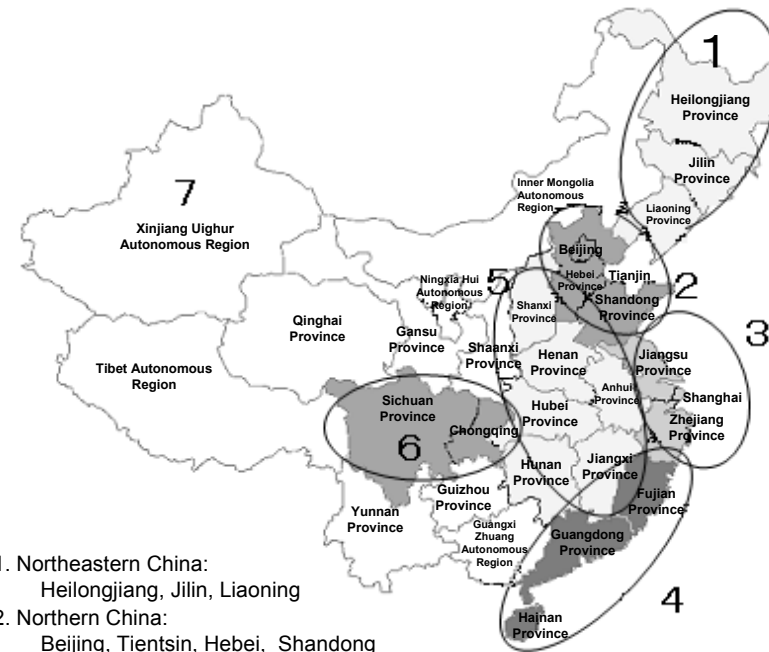
**(2) Sales**

**FY2011 Survey result**

Rank	Region	No. of companies
1	Eastern China (3)	272
2	Northern China (2)	218
3	Southern China (4)	213
4	Inland China –Central (5)	88
5	Inland China-Western: Sichuan, Chongqing (6)	58
6	Northeastern China (1)	34
7	Inland China-Western (7)	1
No. of companies that answered the question		327

**FY2012 Survey result**

Rank	Region	No. of companies
1	Eastern China (3)	209
2	Southern China (4)	159
3	Northern China (2)	154
4	Inland China –Central (5)	62
5	Inland China-Western: Sichuan, Chongqing (6)	49
6	Northeastern China (1)	33
7	Inland China-Western (7)	3
No. of companies that answered the question		268



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, Hunan
6. Inland China - Western: Sichuan, Chongqing
7. Inland China - Western: Regions other than Sichuan and Chongqing

**■ There is no major change in the regional order, with persistent high expectation for the coastal areas.**

As a result of the substantial drop in the number of companies listing China as a promising country, the number of respondent companies to this question was reduced as well. There was no change for the order of production/sales except for a replacement of order of sales of Northern China (2) that was No.2 in the previous time and Southern China (4) that was No.3. Eastern China, Northern China, and Southern China occupied the top 3 positions.

**■ The move to shift to inlands and Northeast is gradual.**

There are many companies that hold expectations for the inland 3 regions and Northeastern China in terms of production. There was a slight increase in the number of companies citing Inland-Sichuan, Chongqing (6) as No.1 both for production and sales (Note 2). The move to shift to inlands and Northeast is gradual.

Note 1: The figure in the parentheses on the right of name of region corresponds to regional number in the map.

Note 2: With respect to Inland-Sichuan and Chongqing (6) in FY2011, the number of companies that cited them as No.1 for production and sales were 10 and 11 respectively, and the same increased to 14 and 15 each in FY2012.

Figure 38: Promising Regions within China (Reasons by region)

Q Companies that listed promising regions within China in the Figure 37 were asked to select one reason in the choices.

Production ■ No.1 reason ■ No.2 reason  No.3 reason  
 Sales ■ No.1 reason ■ No.2 reason  No.3 reason

Note: The order is determined by the number of respondent companies.

(1) Production	Overall		Northeastern China (1)		North China (2)		Eastern China (3)		Southern China (4)		Inland China – Central (5)		Inland China- Western: Sichuan, Chongqing (6)		Inland China- Western (7)	
	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)
1. Qualified human resources	33	5.7	1	2.1	11	10.8	12	7.3	7	5.6	2	2.4	0	-	0	-
2. Inexpensive and plentiful source of labor	103	17.8	12	25.5	7	6.9	8	4.8	14	11.3	34	41.5	24	43.6	4	80.0
3. Advantages in terms of raw material procurement	30	5.2	4	8.5	4	3.9	8	4.8	7	5.6	2	2.4	4	7.3	1	20.0
4. Concentration of industry	246	42.4	21	44.7	44	43.1	76	46.1	68	54.8	24	29.3	13	23.6	0	-
5. Developed local infrastructure	82	14.1	1	2.1	18	17.6	38	23.0	14	11.3	6	7.3	5	9.1	0	-
6. Response of the government	33	5.7	6	12.8	10	9.8	4	2.4	3	2.4	4	4.9	6	10.9	0	-
7. Other	25	4.3	2	4.3	5	4.9	12	7.3	4	3.2	2	2.4	0	-	0	-
Answered only region with no reason	28	4.8	0	-	3	2.9	7	4.2	7	5.6	8	9.8	3	5.5	0	-
Total respondent companies	580	100.0	47	100.0	102	100.0	165	100.0	124	100.0	82	100.0	55	100.0	5	100.0

(2) Sales	Overall		Northeastern China (1)		North China (2)		Eastern China (3)		Southern China (4)		Inland China – Central (5)		Inland China- Western: Sichuan, Chongqing (6)		Inland China- Western (7)	
	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)
1. Existence of partners and customers	156	23.3	10	30.3	39	25.3	49	23.4	35	22.0	13	21.0	10	20.4	0	-
2. Current size of local market	133	19.9	4	12.1	36	23.4	48	23.0	39	24.5	4	6.5	2	4.1	0	-
3. Future growth potential of local market	220	32.9	12	36.4	41	26.6	56	26.8	52	32.7	30	48.4	26	53.1	3	100.0
4. Profitability of local market	57	8.5	2	6.1	12	7.8	15	7.2	19	11.9	5	8.1	4	8.2	0	-
5. Local logistics and merchandising base	56	8.4	1	3.0	11	7.1	33	15.8	8	5.0	2	3.2	1	2.0	0	-
6. Response of the government	21	3.1	2	6.1	10	6.5	1	0.5	3	1.9	2	3.2	3	6.1	0	-
7. Other	9	1.3	2	6.1	1	0.6	3	1.4	1	0.6	1	1.6	1	2.0	0	-
Answered only region with no reason	17	2.5	0	-	4	2.6	4	1.9	2	1.3	5	8.1	2	4.1	0	-
Total respondent companies	669	100.0	33	100.0	154	100.0	209	100.0	159	100.0	62	100.0	49	100.0	3	100.0

Note 1: The figure in the parentheses to the right of regional name corresponds to the regional number in the map on page 34.

Note 2: Composition ratio (%) in the figures was calculated by using total number of responses for each region as the denominator, and each choice (1. ~ no reason) as the numerator.

**■ As a reason for listing Northeastern region/Inland-Western as promising , “response of the government” may be given.**

As reasons for being promising in terms of the number of responses regarding Northeastern China and Inland-Western, “concentration of industries” was cited to be No.1 reason, and “cheap and abundant labor force” became No.2 reason, and “response of the government” was given as No.3 reason for being promising. Also, in Inland –Western (Sichuan, Chongqing) , “response of the government” was cited as No.3 reason for being promising.

**■ There were also some companies which gave “profitability of local market” in inland regions as the reason for being promising in terms of sales.**

Reflecting less competitive environment in inland regions compared with the coastal areas, “profitability of local market” was listed as No.3 reason for being promising (number of respondent companies base) in Inland-Central (5) and Inland-Sichuan, Chongqing (6)

**Q** Companies that listed India among promising countries/regions over the medium (next 3 yrs. or so) were then asked to identify up to 3 promising regions each for sales and manufacturing within India.

**Figure 39: Promising Regions within India**

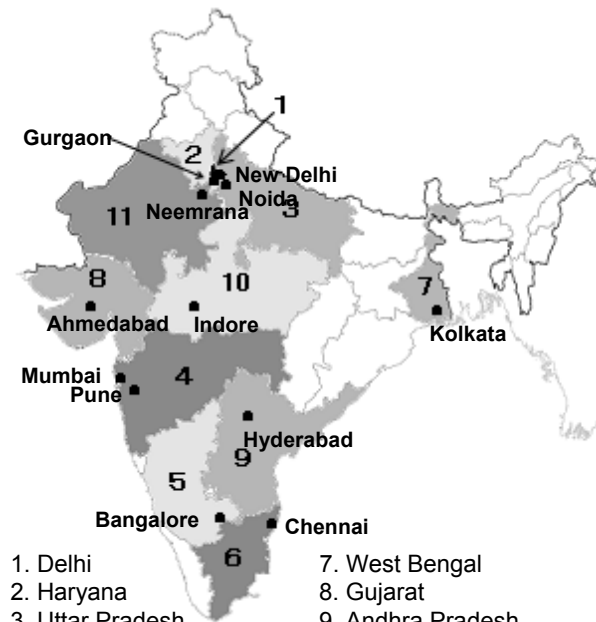
**(1) Production**

**FY2011 Survey result**

Rank	Region	No. of companies
1	Maharashtra (4)	126
2	Tamil Nadu (6)	94
3	Delhi (1)	66
3	Karnataka (5)	66
5	Haryana (2)	63
6	Uttar Pradesh (3)	33
7	Andhra Pradesh (9)	23
8	Rajasthan (11)	23
9	West Bengal (7)	20
10	Gujarat (8)	18
11	Madhya Pradesh (10)	3
	Other	2
No. of companies that answered the question		208

**FY2012 Survey result**

Rank	Region	No. of companies
1	Tamil Nadu (6)	84
2	Maharashtra (4)	78
3	Karnataka (5)	63
4	Haryana (2)	56
5	Delhi (1)	53
6	Gujarat (8)	24
7	Andhra Pradesh (9)	16
8	Uttar Pradesh (3)	15
9	Rajasthan (11)	15
10	West Bengal (7)	11
11	Madhya Pradesh (10)	1
	Other	5
No. of companies that answered the question		187



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

**(2) Sales**

**FY2011 Survey result**

Rank	Region	No. of companies
1	Maharashtra (4)	157
2	Delhi (1)	114
3	Tamil Nadu (6)	90
4	Karnataka (5)	76
5	Haryana (2)	64
6	Uttar Pradesh (3)	36
7	West Bengal (7)	19
8	Andhra Pradesh (9)	16
9	Gujarat (8)	14
10	Rajasthan (11)	14
11	Madhya Pradesh (10)	1
	Other	1
No. of companies that answered the question		224

**FY2012 Survey result**

Rank	Region	No. of companies
1	Maharashtra (4)	118
2	Tamil Nadu (6)	91
3	Delhi (1)	90
4	Karnataka (5)	74
5	Haryana (2)	61
6	Uttar Pradesh (3)	19
6	Andhra Pradesh (9)	19
8	Gujarat (8)	17
9	Rajasthan (11)	13
10	West Bengal (7)	10
11	Madhya Pradesh (10)	2
	Other	2
No. of companies that answered the question		213

**■ Some change took place in the order of promising regions.**

- While the state of Maharashtra (4) was ranked No.1 both for production and sales in the previous survey, it somehow managed to stay at No. 1 for sales but dropped to No.2 for production amidst substantially decreased number of companies that responded to the state as being promising. The state of Tamil Nadu (6) which has Chennai was listed as No.1 for production.
- Gujarat (8) was the only state that enjoyed increased number of respondent companies both for production and sales, with accompanied improvement in the order (Production: 10<sup>th</sup> → 6<sup>th</sup>, Sales: 9<sup>th</sup> → 8<sup>th</sup>).

Note: The figure in parentheses to the right of regional name corresponds to regional no. in the map.

## IV. 7. Supplementary Information (2): Promising Regions within India and Reasons

Figure 40: Promising Regions within India (Reason by region, Production)

Q Companies that listed promising regions within India in the Figure 39 were asked to select one reason in the choices.

Production ■ No.1 reason ■ No.2 reason ■ No.3 reason

Note: The order is determined by the number of respondent companies.

(1) Production	Overall		Delhi (1)		Haryana (2)		Uttar Pradesh (3)		Maharashtra (4)		Karnataka (5)		Tamil Nadu (6)	
	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)
1. Qualified human resources	48	11.4	9	17.0	9	16.1	2	13.3	10	12.8	6	9.5	6	7.1
2. Inexpensive and plentiful source of labor	58	13.8	6	11.3	9	16.1	2	13.3	14	17.9	5	7.9	11	13.1
3. Advantages in terms of raw material procurement	30	7.1	4	7.5	1	1.8	0	-	7	9.0	4	6.3	8	9.5
4. Concentration of industry	165	39.2	21	39.6	22	39.3	7	46.7	27	34.6	32	50.8	34	40.5
5. Developed local infrastructure	53	12.6	5	9.4	5	8.9	2	13.3	14	17.9	5	7.9	14	16.7
6. Response of the government	27	6.4	4	7.5	3	5.4	1	6.7	0	-	3	4.8	6	7.1
7. Other	25	5.9	2	3.8	3	5.4	0	-	4	5.1	5	7.9	3	3.6
Answered only region with no reason	15	3.6	2	3.8	4	7.1	1	6.7	2	2.6	3	4.8	2	2.4
Total respondent companies	421	100.0	53	100.0	56	100.0	15	100.0	78	100.0	63	100.0	84	100.0

	West Bengal (7)		Gujarat (8)		Andhra Pradesh (9)		Madhya Pradesh (10)		Rajasthan (11)		Other	
	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)
1. Qualified human resources	2	18.2	2	8.3	1	6.3	0	-	1	6.7	0	-
2. Inexpensive and plentiful source of labor	2	18.2	4	16.7	2	12.5	0	-	3	20.0	0	-
3. Advantages in terms of raw material procurement	3	27.3	2	8.3	0	-	0	-	0	-	1	20.0
4. Concentration of industry	0	-	4	16.7	9	56.3	1	100.0	8	53.3	0	-
5. Developed local infrastructure	2	18.2	3	12.5	1	6.3	0	-	2	13.3	0	-
6. Response of the government	1	9.1	7	29.2	1	6.3	0	-	0	-	1	20.0
7. Other	1	9.1	2	8.3	1	6.3	0	-	1	6.7	3	60.0
Answered only region with no reason	0	-	0	-	1	6.3	0	-	0	-	0	-
Total respondent companies	11	100.0	24	100.0	16	100.0	1	100.0	15	100.0	5	100.0

Note 1: The figure in parentheses to the right of parentheses corresponds to regional No. in the map of p36.

Note 2: Composition ratio (%) in the figures was calculated by using total number of responses for each region as the denominator, and each choice (1. ~ no reason) as the numerator.

■ **“Response of the government” in the state of Gujarat, and “Advantages in terms of raw material procurement” in the state of West Bengal were listed as No.1 reasons for being promising in terms of production.**

• While “concentration of industries” was the most cited reason for being promising for production in most of the states, “response of the government” in Gujarat and “advantages in terms of raw material procurement” in West Bengal were both ranked No.1 respectively by the number of respondent companies.

■ **In the states of Maharashtra and Tamil Nadu, “Developed local infrastructure” was ranked high as a reason for being promising.**

• Both the state of Tamil Nadu and the state of Rajasthan attracted votes for “Developed local infrastructure” as the reason for being attractive for the sake of production. Infrastructure is regarded as an issue in India, but there are some states which are appreciated by their degree of development of infrastructure.

## IV. 7. Supplementary Information (2): Promising Regions within India and Reasons

Figure 41: Promising Regions in India (Reason by region, Sales)

Q Companies that listed promising regions within India in the Figure 39 were asked to select one reason in the choices.

Sales  No.1 reason  No.2 reason  No.3 reason

Note: The order is determined by the number of respondent companies.

(2) Sales	Overall		Delhi (1)		Haryana (2)		Uttar Pradesh (3)		Maharashtra (4)		Karnataka (5)		Tamil Nadu (6)	
	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)
1. Existence of partners and customers	148	28.7	25	27.8	24	39.3	4	21.1	27	22.9	24	32.4	29	31.9
2. Current size of local market	78	15.1	20	22.2	11	18.0	2	10.5	24	20.3	7	9.5	5	5.5
3. Future growth potential of local market	203	39.3	32	35.6	18	29.5	7	36.8	49	41.5	29	39.2	38	41.8
4. Profitability of local market	14	2.7	2	2.2	1	1.6	2	10.5	2	1.7	3	4.1	2	2.2
5. Local logistics and merchandising base	52	10.1	6	6.7	5	8.2	3	15.8	14	11.9	6	8.1	14	15.4
6. Response of the government	12	2.3	5	5.6	1	1.6	1	5.3	0	-	2	2.7	2	2.2
7. Other	5	1.0	0	-	1	1.6	0	-	1	0.8	1	1.4	0	-
Answered only region with no reason	4	0.8	0	-	0	-	0	-	1	0.8	2	2.7	1	1.1
Total respondent companies	516	100.0	90	100.0	61	100.0	19	100.0	118	100.0	74	100.0	91	100.0

	West Bengal (7)		Gujarat (8)		Andhra Pradesh (9)		Madhya Pradesh (10)		Rajasthan (11)		Other	
	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)	Companies	(%)
1. Existence of partners and customers	3	30.0	4	23.5	3	15.8	0	-	4	30.8	1	50.0
2. Current size of local market	1	10.0	1	5.9	4	21.1	0	-	3	23.1	0	-
3. Future growth potential of local market	5	50.0	9	52.9	12	63.2	2	100.0	2	15.4	0	-
4. Profitability of local market	0	-	1	5.9	0	-	0	-	1	7.7	0	-
5. Local logistics and merchandising base	1	10.0	1	5.9	0	-	0	-	2	15.4	0	-
6. Response of the government	0	-	1	5.9	0	-	0	-	0	-	0	-
7. Other	0	-	0	-	0	-	0	-	1	7.7	1	50.0
Answered only region with no reason	0	-	0	-	0	-	0	-	0	-	0	-
Total respondent companies	10	100.0	17	100.0	19	100.0	2	100.0	13	100.0	2	100.0

Note 1: The figure in parentheses to the right of parentheses corresponds to regional No. in the map of p36.

Note 2: Composition ratio (%) in the figures was calculated by using total number of responses for each region as the denominator, and each choice (1. ~ no reason) as the numerator.

### ■ The state of Tamil Nadu, etc, are also appreciated as a "Local logistics and merchandising base".

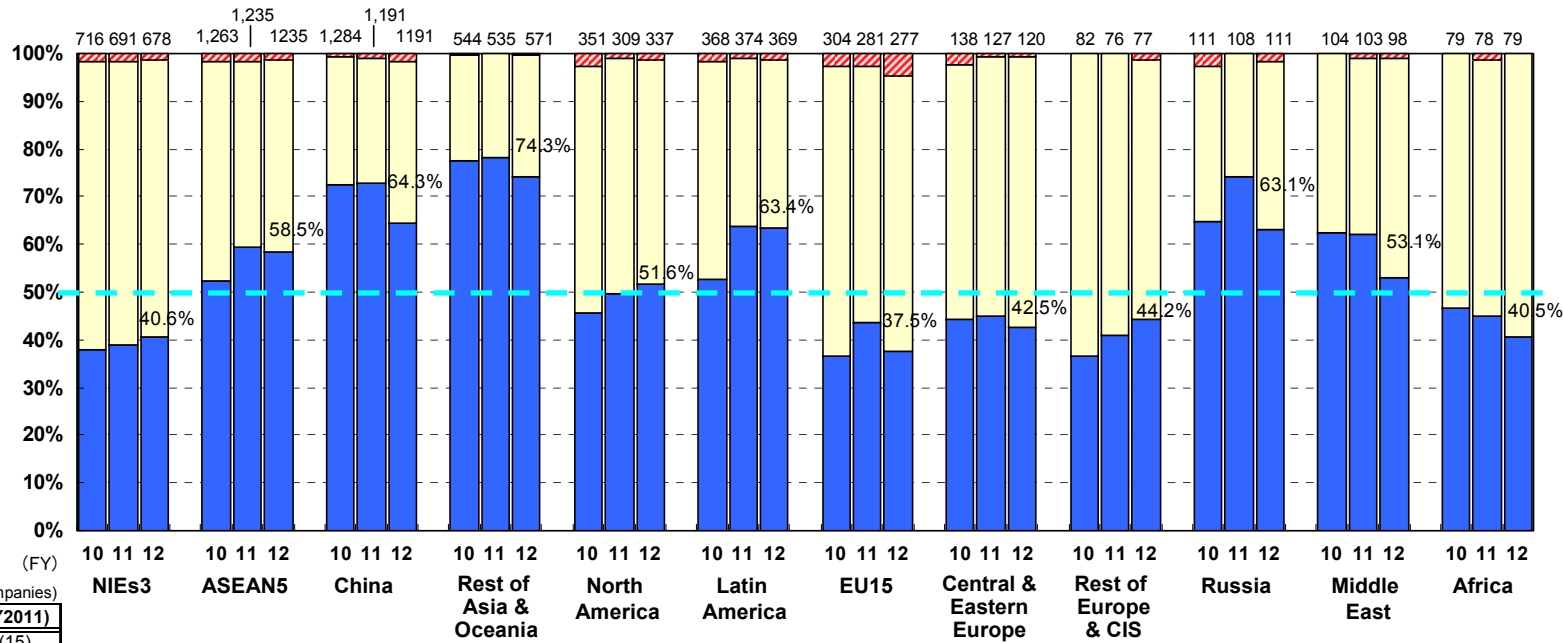
• Regarding reason for being promising in terms of sales in promising regions in India, in most of the states, "Future growth potential of local market" was No.1, followed by "existence of partners and customers" and "current size of local market".

• In such states as Maharashtra, Tamil Nadu, etc, "local logistics and merchandising base" is also selected as a reason for being promising by over 10 companies, respectively.

IV. 8. Prospects for Overseas Operation by Region

Figure 42: Medium-term Prospects for Overseas Operations (by region)

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



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

Scale back/withdraw  
 Maintain present level  
 Strengthen/expand

Country/Region	FY2012	FY2011
North America	12	(15)
EU15	6	(12)
<b>Developed countries total</b>	<b>18</b>	<b>(27)</b>
China	10	(4)
Thailand	6	(5)
India	5	(9)
Vietnam	4	(4)
Indonesia	3	(3)
Rest of Asia & Oceania	3	(2)
Brazil	2	(7)
Korea	2	(3)
Malaysia	2	(1)
Central & Eastern Europe	1	(2)
Middle East	1	(1)
Philippines	1	
Russia	1	
Singapore	1	
Taiwan	1	
Other Latin America	1	
Africa		(2)
<b>Emerging countries total</b>	<b>44</b>	<b>(43)</b>
<b>Total</b>	<b>62</b>	<b>(70)</b>

Figure 43: M&A Pursuits

←(1) Country/region contemplating M&A

↓ (2) Purpose of M&A

Purpose of M&A	(companies)	
	Developed	Emerging
1. Obtaining technologies and know-how	6	2
2. Expansion of production capacities	3	28
3. Expansion of sales network	7	9
4. Other	1	2
<b>Total</b>	<b>17</b>	<b>41</b>

Note: 58 out of 62 companies responded

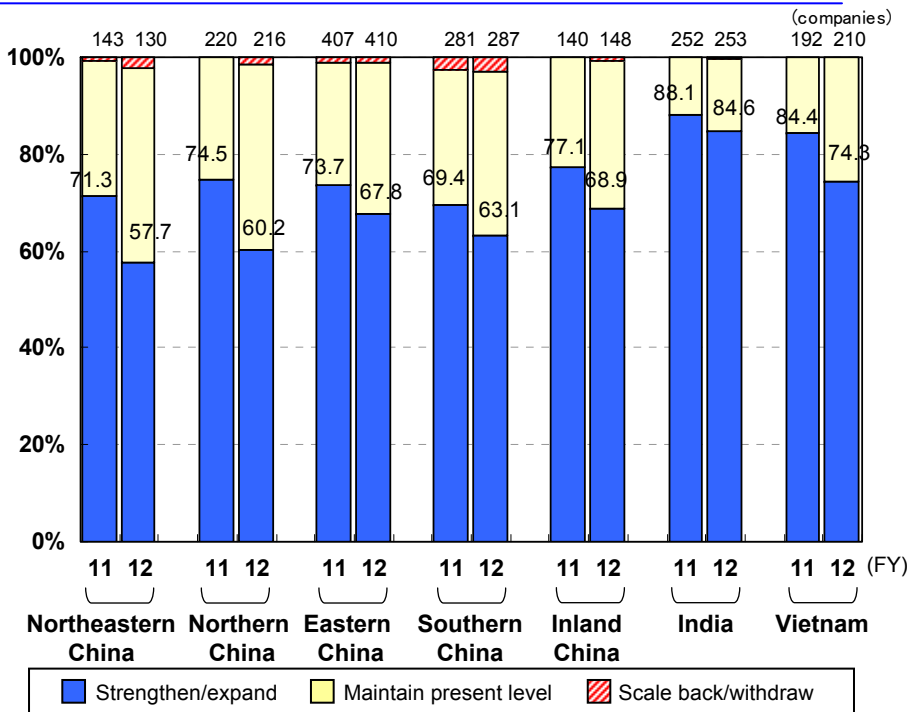
**In the midst of globally slowing down speed of business expansion, the difference of regional commitments will become clear.**

- Regions where the ratio of response to "strengthen/expand" increased compared with the previous survey became NIEs3, North America and rest of Europe alone. Meanwhile, the ratio of "strengthen/expand" in Latin America was 63.4%, having maintained the level of the previous survey (63.6%). In other regions, attitudes to strengthen businesses weakened across the board.
- In China where the percentage share has dropped substantially in the survey of promising countries, while the ratio of responding stances to "strengthen/expand" remained high with 64.3%; the ratio itself was decreased almost 10 point from the previous survey. Also, the ratio of companies to "strengthen/expand" dropped sharply in this survey from 62.1% to 53.1%.
- Also in Africa (44.9% →40.5%) and Central & Eastern Europe (44.9% →42.5%), the ratio of "strengthen/expand" was decreased from the previous survey due to the impact of the Arab Spring as well as European crisis.
- While the basic tone to expand overseas businesses since the Lehman Brothers Shock is being decelerated, regional differences in commitments to businesses have become clear.



IV. 9 Countries/Regions/Fields for Strengthening Businesses: (1) China, India & Vietnam

**Figure 44 : Medium-term Prospects for Overseas Operations (China, India & Vietnam)**

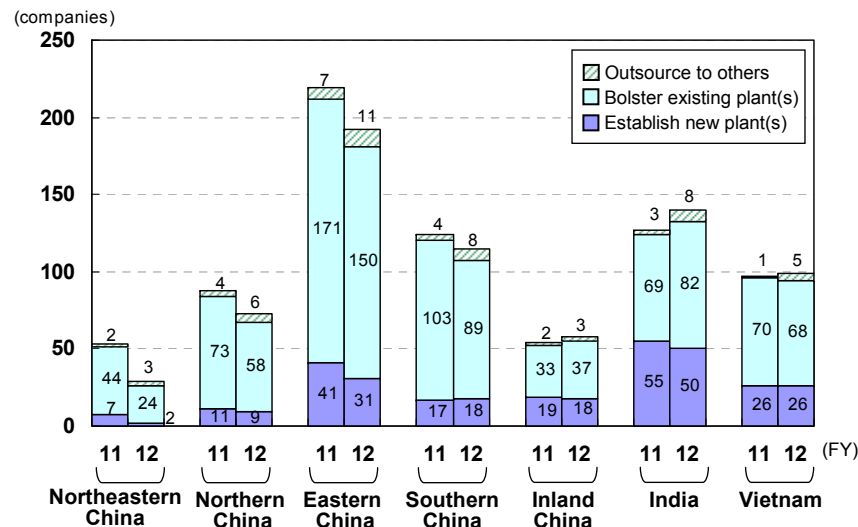


Note 1: Figures in the graph are number of responding companies in each country/ region.  
 Note 2: The figures in the bar graph in Figure 44 are proportions of the companies responding "strengthen/expand" (unit: percentage)

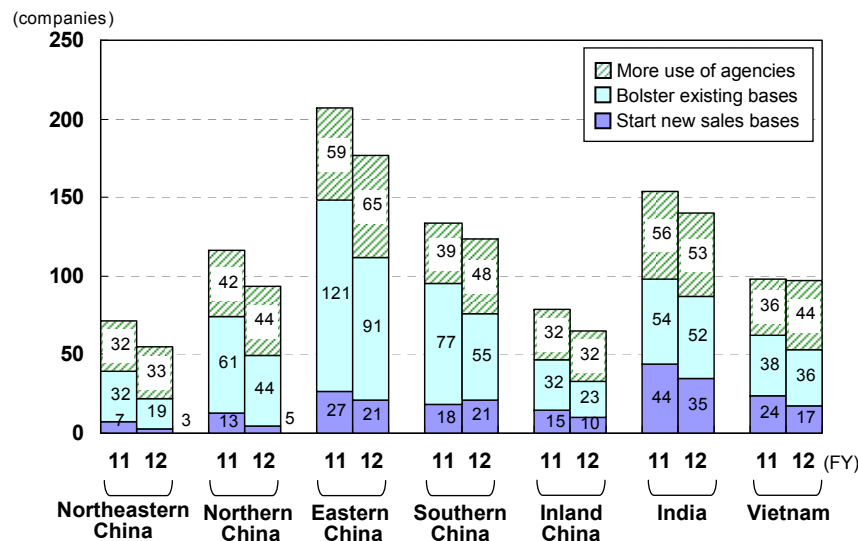
- **In each region in china, the momentum for business strengthening seems slackened.**
- Although the momentum for "strengthening/ expansion" remains in high level in each region in china, the proportion of the respondents answering "strengthen/ expand" decreased. Especially in Northeastern (71.3%→57.7%) and Eastern (74.5%→60.2%) regions, the proportion dropped more than 10 percentage points (see Figure 44).
- In China, 490 out of 603 companies have production bases (see page 23). Japanese manufacturers seem to be saturated in the Chinese market.
- **Continuous high level in the momentum for business strengthening in India.**
- On the other hand in India, the proportion of response "strengthen/ expand" decreased relative to the previous survey, but still remains high at 84.6%. The move of "boosting existing bases" also increased (69→82 companies), and many intended to establish new bases (55→50 companies).

\* Figures 45 and 46 summarize the specific efforts by the companies responding "strengthening/ expansion" in Figure 44 by production and sales. All applicable answers are included.

**Figure 45 : Areas in which to strengthen/expand (production)**

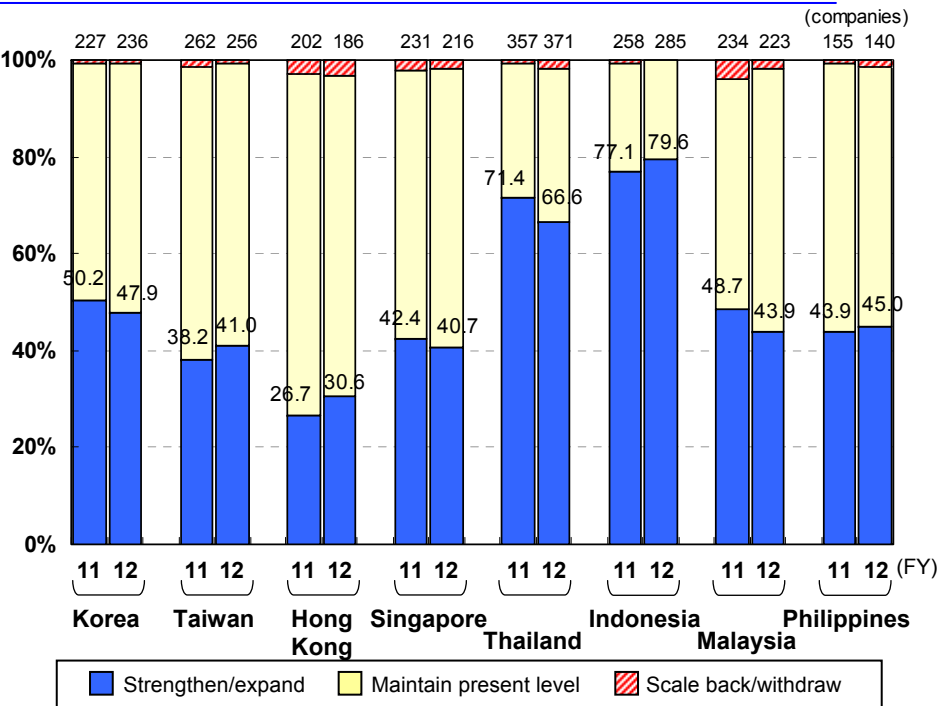


**Figure 46 : Areas in which to strengthen/expand (sales)**



IV. 9. Countries/Regions/Fields for Strengthening Businesses: (2) NIEs3·ASEAN5

**Figure 47 : Medium-term Prospects for Overseas Operations (NIEs3·ASEAN5)**



Note 1: Figures in the graph are number of responding companies in each country/ region.  
 Note 2: The figures in the bar graph in Figure 47 are proportions of the companies responding "strengthen/expand" (unit: percentage)

**■ Weakening Thai attitude toward business strengthening remains mild.**

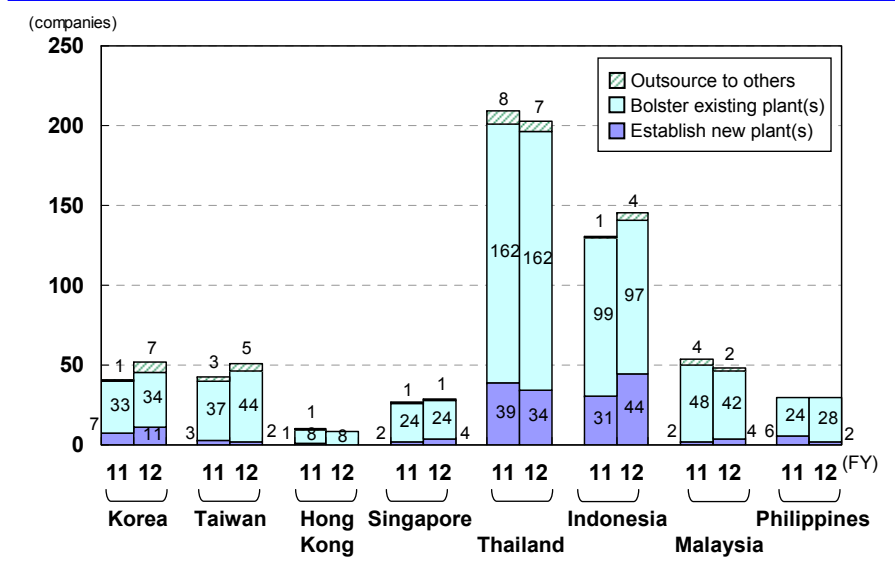
- As the result of additional questionnaire in April showed, the weakened attitude toward business strengthening remains mild(71.4%→66.6%) in spite of the damage by flooding.
- The number of companies responding to strengthen their production bases was almost the same as last time. Companies responding to strengthen sales bases decreased by a large extent.

**■ Indonesian attitude toward business strengthening remains strong.**

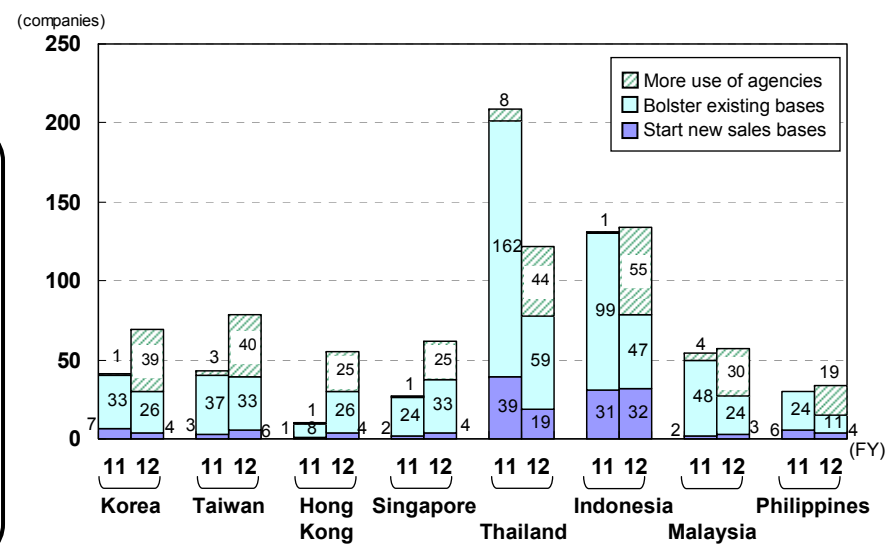
- The survey on countries as promising for overseas operation demonstrated that Indonesia leapt to the third place. The country shows a stronger attitude to enhance/ expand businesses in response to expanding domestic demand (77.1%→79.6%). Increasing number of companies responded to strengthen/ expand production and sales bases. Measures in sales are characterized by the shift from bolstering existing bases to more use of agencies.

\* Figures 48 and 49 summarize the specific efforts by the companies responding "strengthening/ expansion" in Figure 47 by production and sales. All applicable answers are included.

**Figure 48 : Areas in which to strengthen/expand (production)**

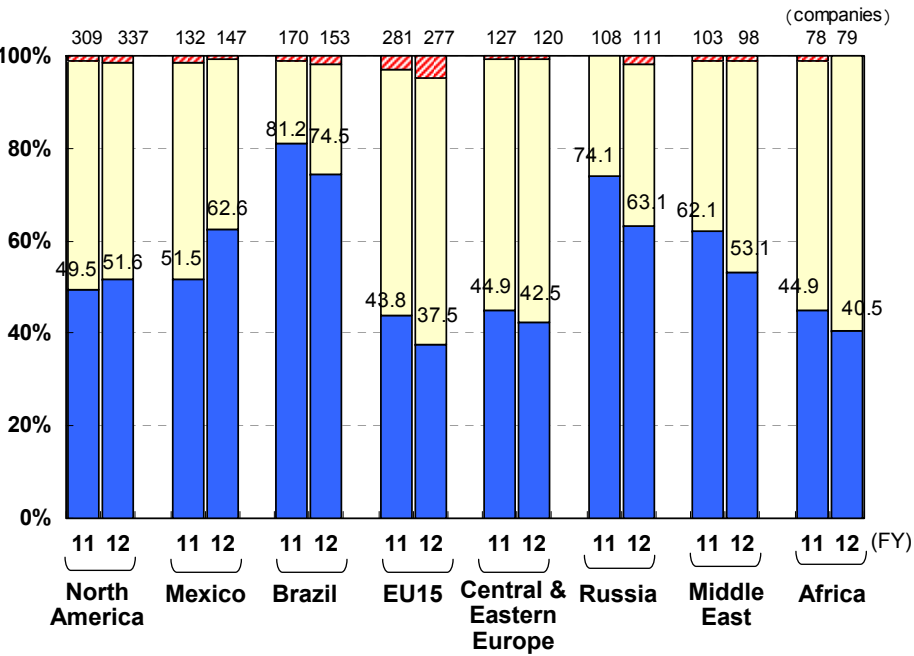


**Figure 49 : Areas in which to strengthen/expand (sales)**





**Figure 50 : Medium-term Prospects for Overseas Operations (Americas, Europe, Middle East & Africa)**



■ Strengthen/expand   
 ■ Maintain present level   
 ■ Scale back/withdraw

Note 1: Figures in the graph are number of responding companies in each country/ region.  
 Note 2: The figures in the bar graph in Figure 50 are proportions of the companies responding "strengthen/expand" (unit: percentage)

**■ Middle and South America enjoy continuous strong economy.**

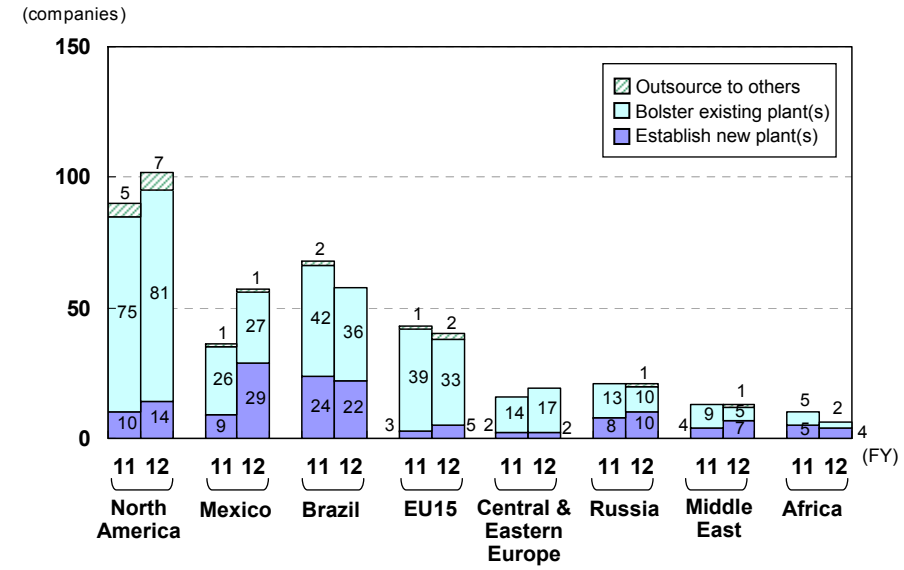
- Attitude toward business strengthening of Mexico that is drawing popularity as a promising country was greatly boosted from 51.5% to 62.6%. Especially, new production bases increased from 9 to 29 companies. Move of Japanese auto manufacturers establishing factories seem to have affected positively over other companies' business development. The percentage of attitude of strengthening business operations in Brazil decreased by 7 points from 81.2%, but still remains high level. 74.5%. Middle and South America seem continuously good.

**■ In the wake of European Crises, the attitude of maintaining business operations in EU15 and Central/Eastern Europe was enhanced. The attitude of strengthening business operations in Russia was eased significantly.**

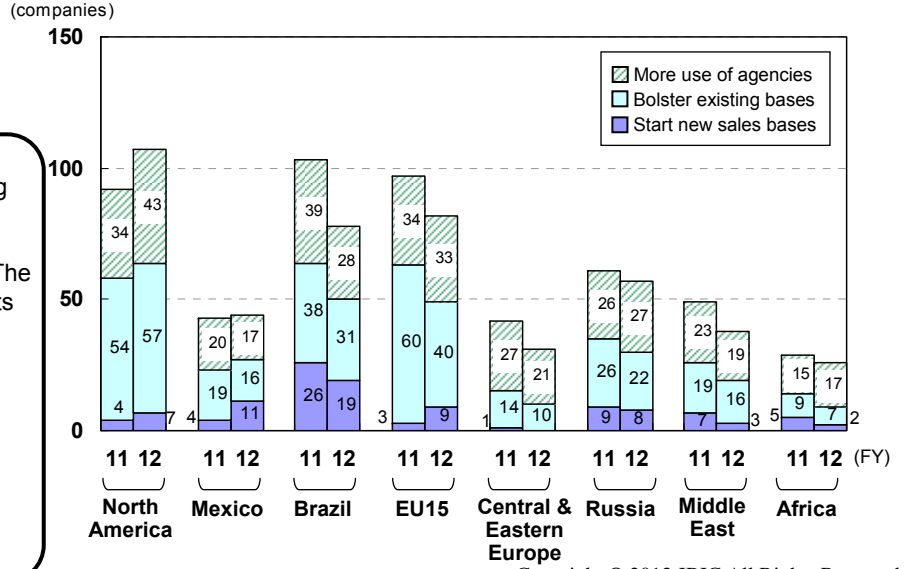
- In the wake of European Crises, the attitude toward maintaining business operations in EU15 (43.8%→37.5%) and Central/Eastern Europe (44.9%→42.5%) was enhanced, and the attitude of strengthening business operations in Russia was eased to a large extent (74.1%→63.1%).

\* Figures 51 and 52 summarize the specific efforts by the companies responding "strengthening/ expansion" in Figure 50 by production and sales. All applicable answers are included.

**Figure 51 : Areas in which to strengthen/expand (production)**



**Figure 52 : Areas in which to strengthen/expand (sales)**



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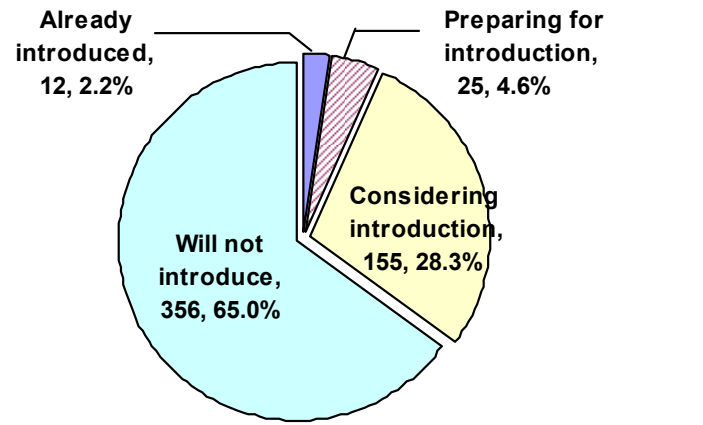
## **V. Current Status and Issues of Business Operations Control of Overseas Local Subsidiaries**

# V. 1. Introduction of Integrated Global Human Resource System

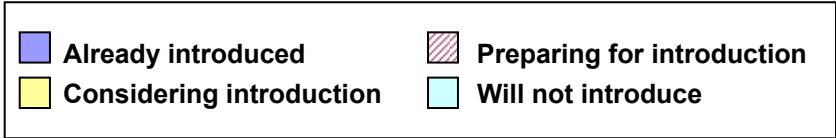
Q

Question asks whether the company has introduced an integrated human resource system common for both head office in Japan and overseas subsidiary to evaluate and post Japanese and foreign employees.

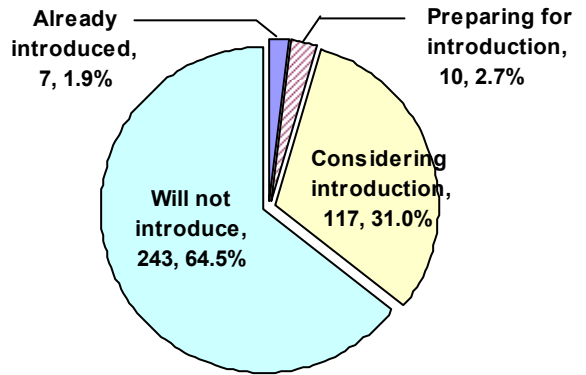
**Figure 53: Introduction of Integrated Global Human Resource System**



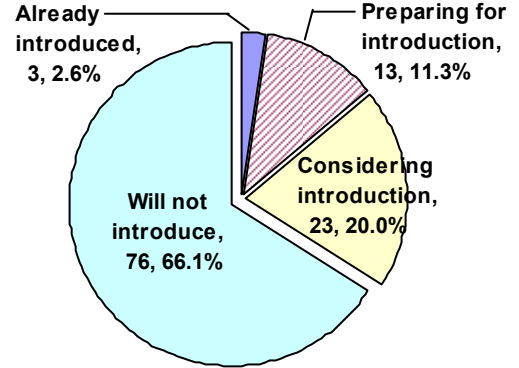
(No. of respondent companies: 548)



[1] 【Companies with overseas production ratio less than 50%】  
(No. of respondent companies: 377)



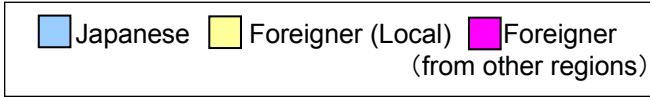
[2] 【Companies with overseas production ratio 50% and over】  
(No. of respondent companies: 115)



■ **As much as 28.3% of respondent companies showed interest, but only a few companies have introduced an integrated global human resource system.**

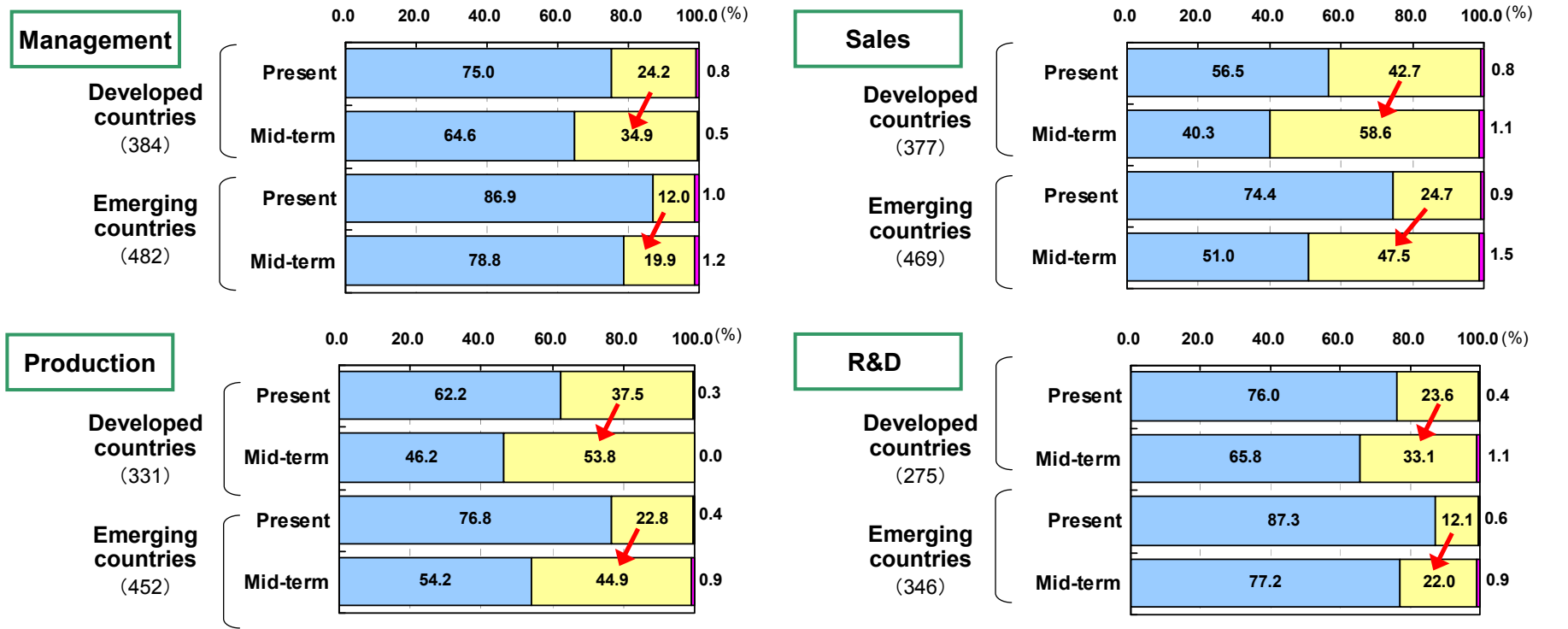
- One third of responding companies (28.3%) showed interest in an integrated global human resource system by answering that they are considering its introduction. However, only 2.2% of them have introduced the system. For Japanese manufacturers, a global human resource system to evaluate foreign and Japanese employees across the country is a problem for the future.
- Companies that responded they will not introduce it pointed out “we have independent business establishments in respective regions, and it is more reasonable to introduce different human resource systems for respective regions.” Companies that have expanded their business overseas but their business nature does not fit in with an integrated global human resource system also selected the response “we will not introduce it.”

Q Question asks who (Japanese, local foreigner, or foreigner from other region) has practical responsibilities of respective functions (management, production, sales, R&D) in overseas subsidiary at present and in a mid-term projection (within 3 years from now).



Note: Figures in the brackets below developed and emerging countries are the number of respondent companies.

Figure 54: Who Has Practical Responsibility in Overseas Subsidiary



Note: Companies that selected both Japanese and foreigners (from and not from the region) were counted as companies that selected foreigners (from and not from the region) alone. The breakdown of companies that selected both Japanese and foreigners are: regarding management 7 at present, 2 in mid-term in developed countries; 4 at present, 3 in mid-term in emerging countries; regarding production 1 at present and 1 in mid-term in emerging countries; regarding sales, 4 at present and 2 in mid-term in developed countries; 4 at present and 2 in mid-term in emerging countries; regarding R&D, 1 at present in developed countries.

**Increasing number of companies assign practical responsibilities to foreigners (local) both in advanced and emerging nations especially in production and sales division.**

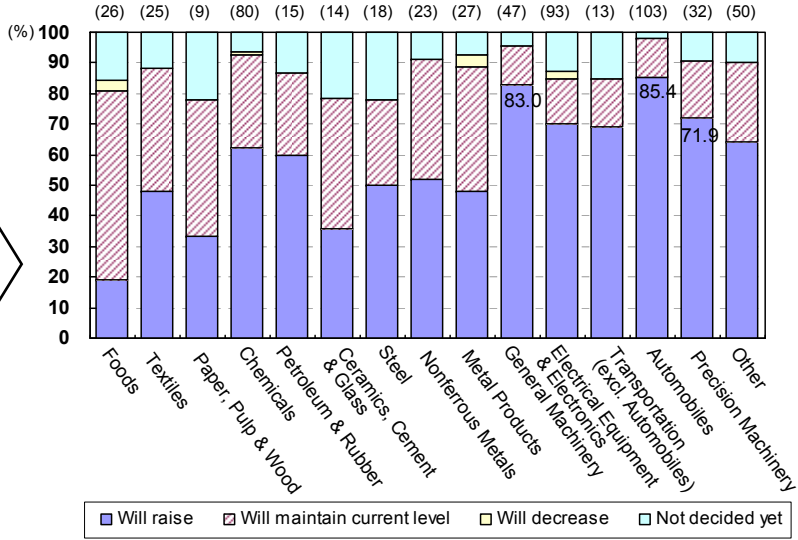
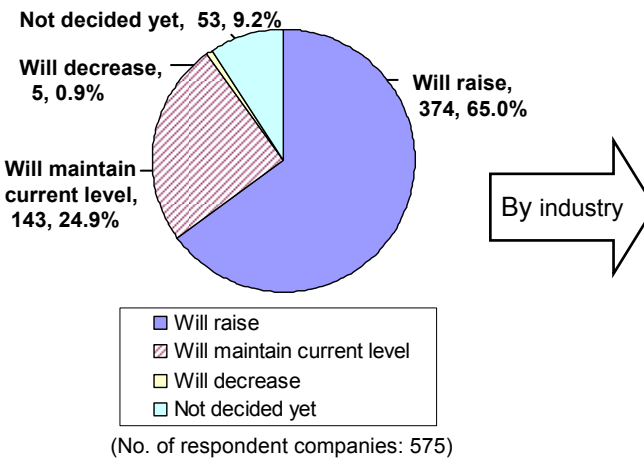
- The proportion of foreign employees (local) in developed countries will expand in management, sales, production and R&D. Especially, in sales and production, more than 50% of managerial positions are occupied by foreign employees (local). The proportion of foreign employees (local) in emerging nations will also assign more functions to foreign employees (local) in management, sales, production and R&D. Especially, in sales and production, nearly 50% of managerial positions are occupied by local foreigners. Just the same as advanced nations, management and administration by foreign employees (local) is becoming a major trend.
- While proportion of foreign employees in managerial positions is rising in management and R&D in both developed and emerging countries, continuously Japanese managers will be the majority in 3 years from now.

Q Question asks the following to respondent companies to use as reference for considering the role of production base in Japan and trend of export from Japan.

- How will the proportion of local procurement (\*) by your subsidiary overseas change in mid-term (in 3 years from now) (Figure 55)?
- What will the sum of procurement from Japan become in mid-term (in 3 years from now) relative to the entire subsidiary of yours overseas (Figure 56)?

\* The term "local" in local procurement simply refers to geography, and nationalities of procuring companies shall not be specified.

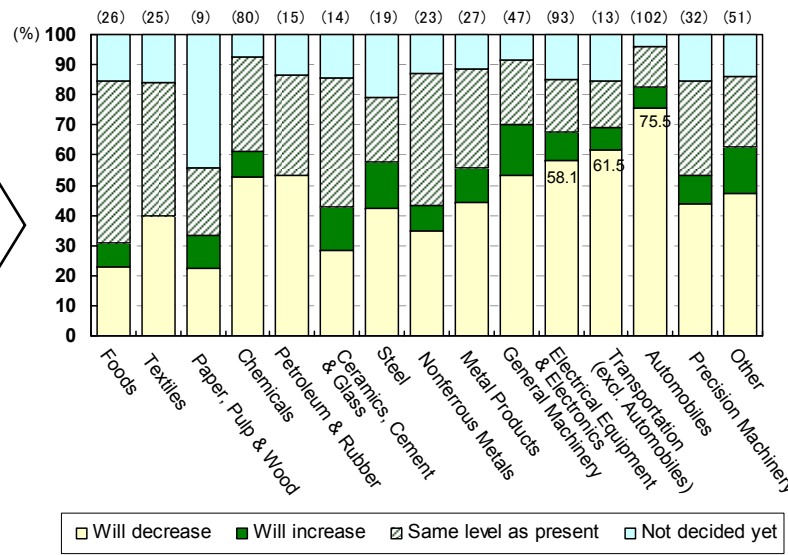
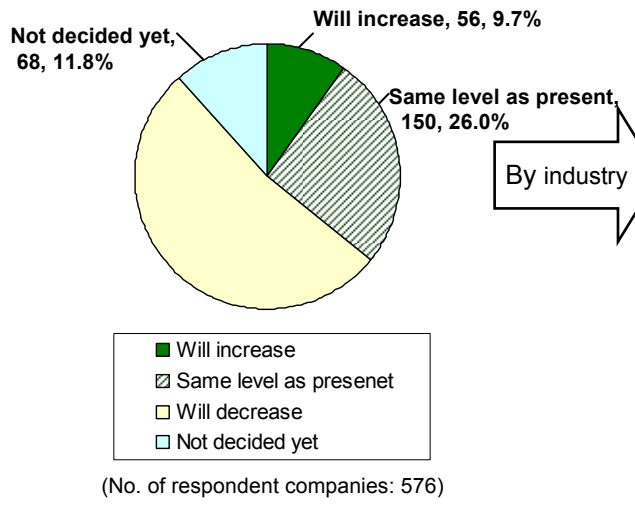
**Figure 55: Mid-term Prospect of Local Procurement Ratio**



**About two thirds of companies raise mid-term local procurement ratio**

- Asked about prospect for mid-term local procurement rate, 374 (65.0%) out of 575 respondent companies answered to raise it. The tendency was particularly high in automobile (85.4%) and general machinery (83.0%) (Figure 55).
- Interviews with the respondent companies revealed that some companies are going to raise local procurement rate which is already high, there are various responses such as maintaining current level.

**Figure 56: Mid-term Prospect of Procurement from Japan**



**About half of the respondents say the mid-term procurement from Japan will reduce.**

- Regarding prospect of mid-term procurement from Japan, 302 (52.4%) out of 576 companies respond "to decrease." The tendency was especially high in automobile (75.5%) (Figure 56).
- On the other hand, 206 companies (35.8%) responded "increase" or "same level as present." The tendency was especially high with the ratio exceeding 50% in food, ceramics, cement & glass, and nonferrous metals.

Cross tabulation was conducted in 574 companies that answered in Figure 55 (mid-term prospect for local procurement rate) and Figure 56 (mid-term prospect for procurement from Japan).

**Figure 57: Local Procurement Rate and Procurement from Japan (cross tabulation)**

**(1) All industries**

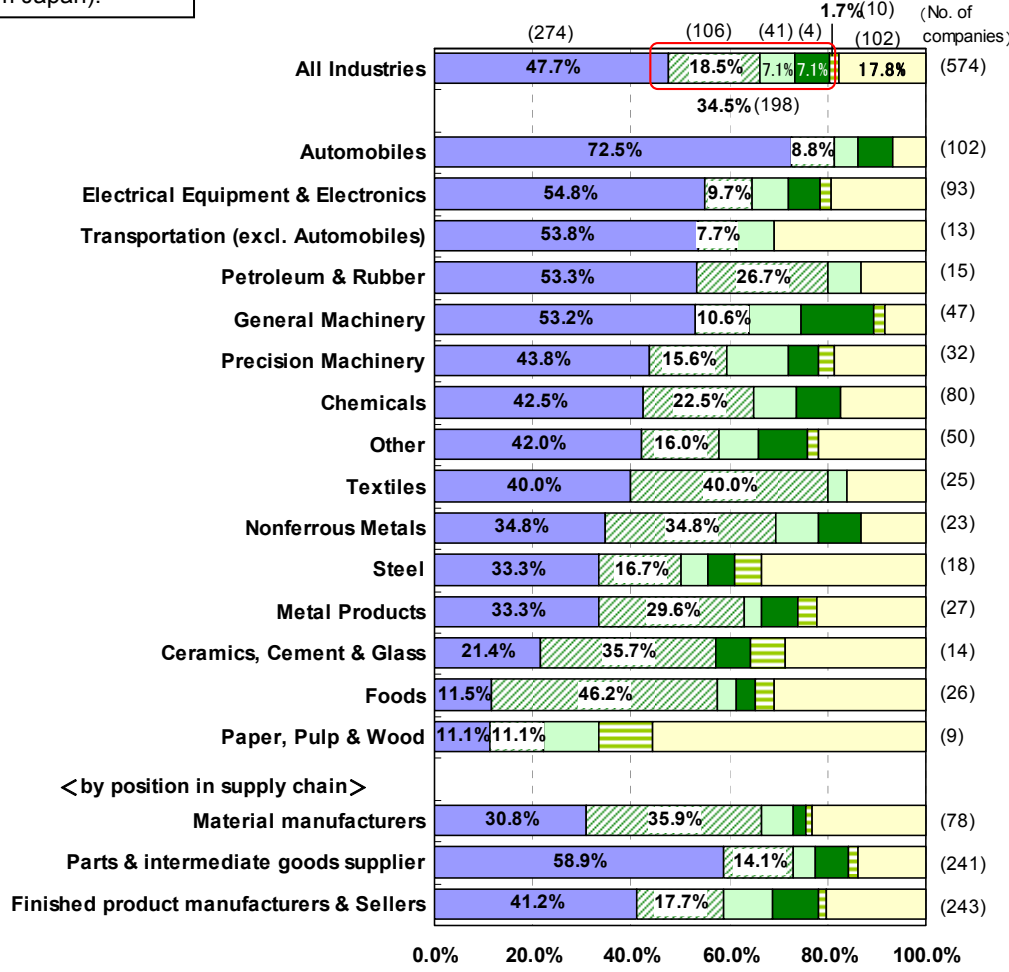
[1] Local Procurement Ratio	[2] Procurement from Japan			
	Will increase	Same level as present	Will decrease	Not decided yet
Will raise	41	41	274	17
Will maintain current level	10	106	19	8
Will decrease	0	0	5	0
Not decided yet	3	3	4	43

Note: No. of respondent companies: 574

Total 198 companies (34.5%)

- **Nearly 50% of respondents would expect to raise mid-term local procurement rate and decrease procurement from Japan.**
  - In Figure 57(1), the highest 274 (47.7%) of 574 respondent companies responded the combination of [1] "will raise" local procurement rate and [2] "will decrease" procurement from Japan. This trend is seen most prominently in automobile industry (72.5%).
- **More than 30% would increase procurement from Japan or maintain the same level.**
  - On the other hand, 198 (34.5%) of 574 respondent companies would "raise" or "maintain current level" of local procurement rate, and "increase" or "same level as present" of procurement from Japan. This trend is seen most prominently in foods industry (57.7%).
  - Companies responding [1] "will raise" local procurement rate and [2] "will increase" procurement from Japan commented "while raising local procurement rate, procurement from Japan will also increase in association with the increase in sales overseas" and "facilities and parts that cannot be procured locally will continuously be procured from Japan."
- **Material manufacturers showed larger proportion in "will increase" or "same level as present" of procurement from Japan.**
  - An supply chain analysis on a position-by-position basis revealed that as much as 46.2% of material manufacturers would "raise" or "maintain current level" of local procurement rate, and "increase" or "same level as present" of procurement from Japan. On the other hand, 58.9% of parts & intermediate goods supplier would "raise" local procurement rate, and "decrease" procurement from Japan (Figure 57 (2)). Prospect differs in positions of industries and supply chains.

**(2) By position in industries/ supply chains**



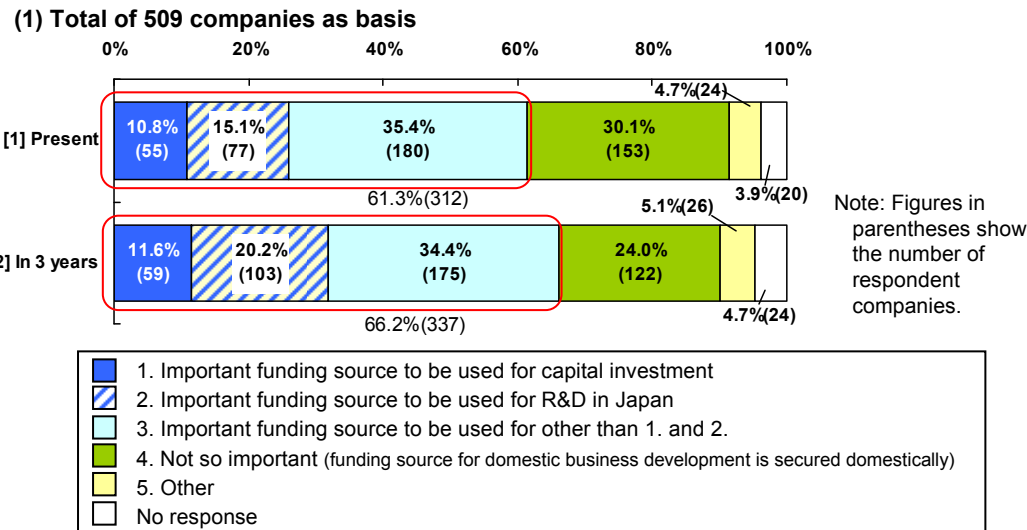
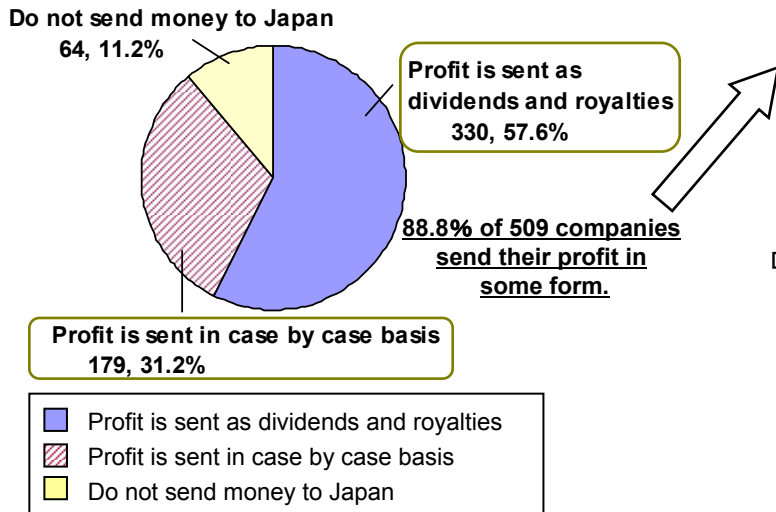
Local procurement ratio		Procurement from Japan	
[Solid Blue]	[1] will raise ;	[Diagonal Green]	[2] will decrease
[Diagonal Green]	[1] will maintain current level ;	[Light Green]	[2] will be same level as present
[Light Green]	[1] will raise ;	[Dark Green]	[2] will be same level as present
[Dark Green]	[1] will raise ;	[Light Yellow]	[2] will increase
[Light Yellow]	[1] will maintain current level ;	[Dark Yellow]	[2] will increase
[White]	Other combination		

Q The question asks whether the respondent companies send their profit to Japan.

Q The question asks about the role of profit sent from overseas subsidiaries in domestic business operation [1] at present and [2] in 3 years to 509 companies responding either "Profit is sent as dividends and royalties"(330 companies) and "Profit is sent in case by case basis" (179 companies) in Figure 58.

**Figure 58: Distribution of Net Profit by Overseas Subsidiaries (whether sending their profit to Japan)**

**Figure 59: Importance of Profit Sent from Overseas Subsidiaries (at present and in 3 years)**



Note: The percentage is the proportion in 573 respondent companies.

**Nearly 90% of respondent companies send the profit from their overseas subsidiary to Japan.**

- Nearly 90% of respondent companies answered either "Profit is sent as dividends and royalties" and "Profit is sent in case by case basis" and thus send the profit from their overseas subsidiary to Japan (Figure 58).
- More than 60% consider that the profit sent is an important funding source to be used for capital investment, R&D, and other purposes (e.g dividends, labor cost) in Japan (Figure 59 (1), the total of choices 1-3 is [1] 61.3% at present, and [2] 66.2% in 3 years)

**Over a medium term, the importance will increase in domestic R&D.**

- Cross tabulation of [1] present and [2] in 3 years (targeting 485 companies) shows that most companies consider it as "2. important funding source for R&D in Japan." The option gains 26 companies more than previous survey. 12 companies of the 28 consider "4. It is not so important [1] at present."

**(2) Responses from 485 companies replying both questions of [1] at present and [2] in 3 years**

	[1] Present		change	[2] In 3 years	
	No. of companies	(Ratio)		No. of companies	(Ratio)
1. Important funding source to be used for capital investment	54	(11.1%)	+6	59	(12.2%)
2. Important funding source to be used for R&D in Japan	77	(15.9%)	+4	103	(21.2%)
3. Important funding source to be used for other than 1. and 2.	179	(36.9%)	+12	175	(36.1%)
(Total of 1.-3.)	310	(63.9%)	+27	337	(69.5%)
4. Not so important (funding source for domestic business development is secured domestically)	152	(31.3%)	+12	122	(25.2%)
5. Other	23	(4.7%)	+3	26	(5.4%)
<b>Total</b>	<b>485</b>	<b>(100.0%)</b>		<b>485</b>	<b>(100.0%)</b>

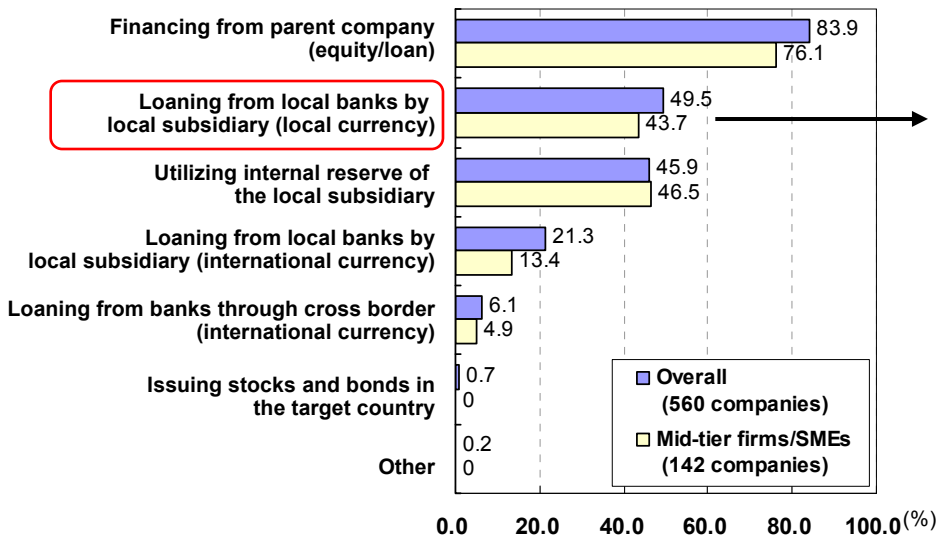
Breakdown of the additional 26 companies responding "2. Important funding source to be used for R&D in Japan" in [2] in 3 years



# V. 5. Method of Fund Raising by Overseas Subsidiaries

**Q** The question asks about major methods of fund raising for overseas subsidiaries to expand local business scale in the future.

**Figure 60: Method of Fund Raising by Overseas Subsidiaries**

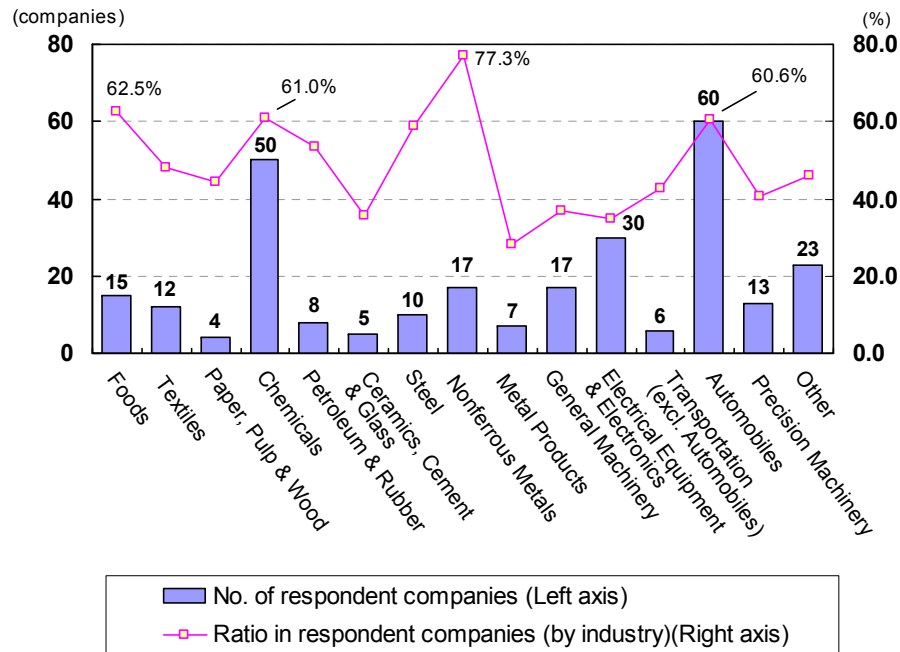


Note: All responses that apply are included.

**■ Most overseas subsidiaries raise fund by “financing from parent company,” “loaning from local banks (local currency),” and “utilizing internal reserve.”**

- As many as 470 (83.9% of the total) of 560 respondent companies raise fund by “financing from parent company.” Other responses include “loaning from local banks (local currency),” (277 companies, 49.5%) and “utilizing internal reserve” (257 companies, 45.9%).
- Majority of mid-tier firms/SMEs also selected “financing from parent company,” followed by “utilizing internal reserve” which is slightly higher than “loaning from local banks (local currency).”

**Figure 61: Trend in Response “Loaning from Local Banks by Local Subsidiary (local currency)”**



**■ Needs in local currencies are high in nonferrous metals, foods, chemicals, and automobiles.**

- The question also intends to confirm the current status of fund raising in overseas subsidiaries of Japanese manufacturers in expanding their business overseas. Here, types of industries are analyzed regarding “loaning from local banks (local currency).”
- Figure 61 shows that response of “loaning from local banks (local currency)” is high at nearly 80% in nonferrous metals, and exceeding 60% in foods, chemicals, and automobiles. Some industries have high needs.
- Asked about high needs of local currencies, respondents mentioned China, Thailand, and “countries where fund raising is difficult through financial subsidiaries due to tight regulation.”

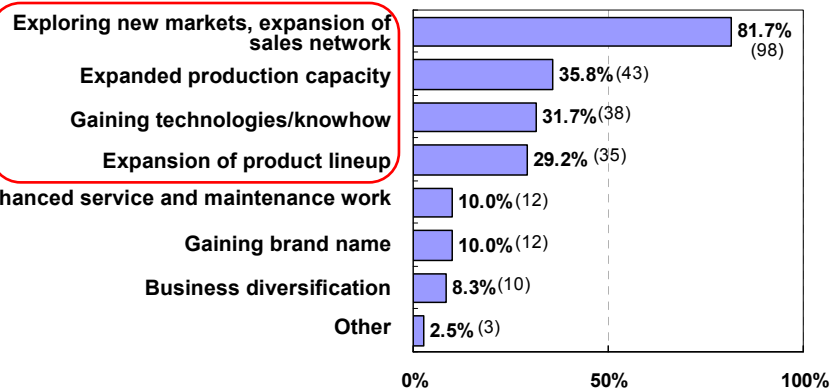
# V. 6. Trend of M&A Implemented in the Past 5 Years

**Q** The question asks about number of M&A (\*), its purposes, number of purposes achieved, major factors that contributed to achievement of purposes, and major cause of not achieving the purposes in companies that conducted M&A with foreign companies in the past 5 years (January 2007- end of December 2011).  
 \* M&A is defined in this question as “investing in foreign corporation, gaining management right or gaining all or part of foreign corporate business operation.”

**Figure 62: Number of M&A and Number of Purposes Achieved in the Past 5 Years**

No. of companies that conducted M&A with foreign companies in the past 5 years	124
No. of M&As with foreign companies in the past 5 years	305
No. of M&As above that achieved the initial purpose (Proportion in No. of M&As conducted)	230 (75.4%)

**Figure 63: Purposes of M&A conducted in the past 5 years**



Note 1: 120 companies responded, selecting all that apply.  
 Note 2: The numbers in the parentheses indicate the numbers of responding companies.

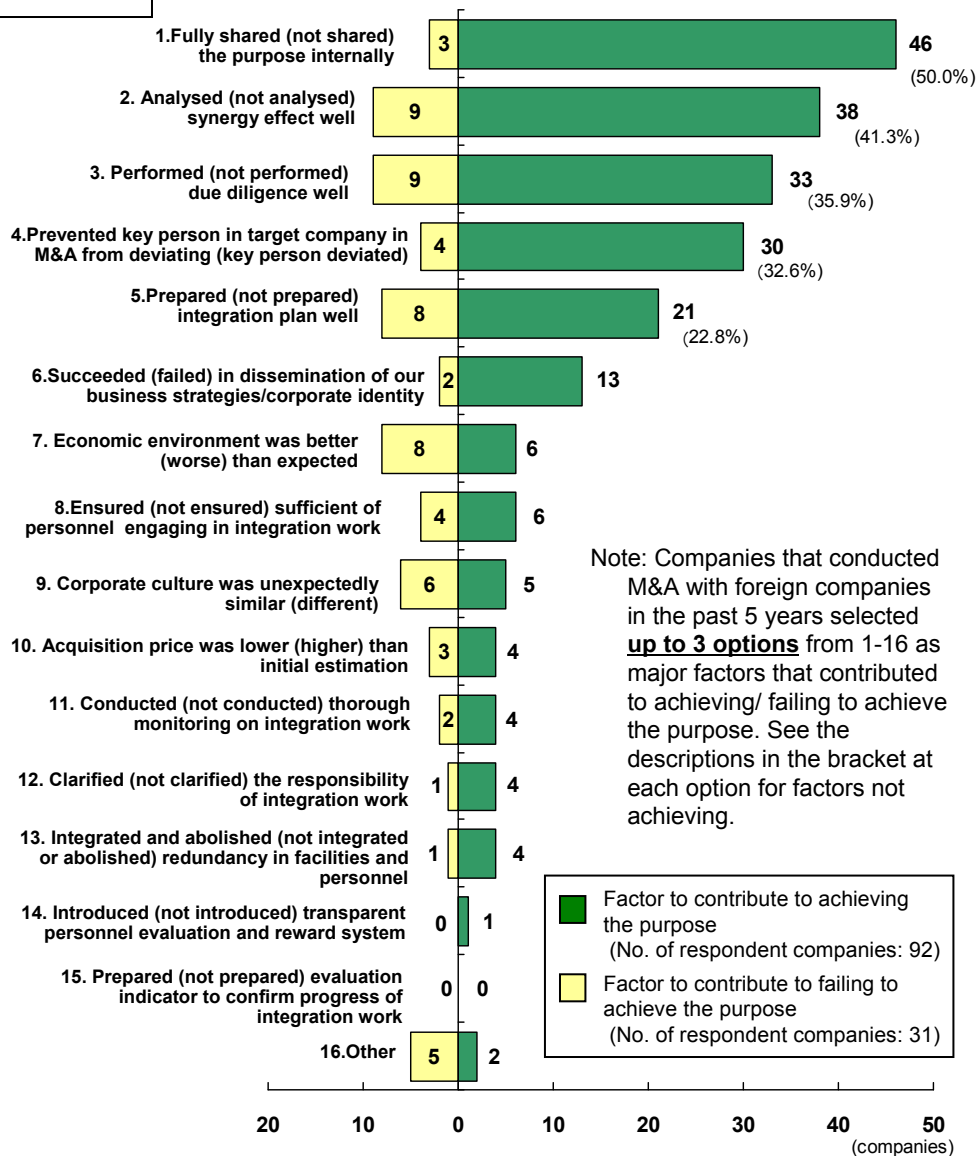
**■ Three quarters of M&As conducted in the past 5 years achieve their initial purposes.**

- 124 companies conducted 305 M&As with foreign companies in the past 5 years. Of them, 230 cases (75.4%) were evaluated to have achieved their initial purposes (Figure 62). The major purpose of M&A answered by 80% of respondents is “exploring new markets, expansion of sales network” (Figure 63).

**■ Major factor to achieve the purpose is “purposes fully shared by the whole company.”**

- About half respondents pointed out “1. fully shared the purpose internally” as major contributor to achieving the purpose. “4. prevented key person in target company in M&A from deviating” was also selected by many respondents (Figure 64).

**Figure 64: Factor to Contribute to Achieving/Failing to Achieve the Purpose**



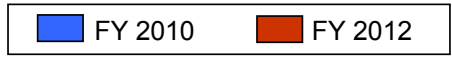
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## **VI. Competition in Global Market and Action Plan for Improving Competitiveness**

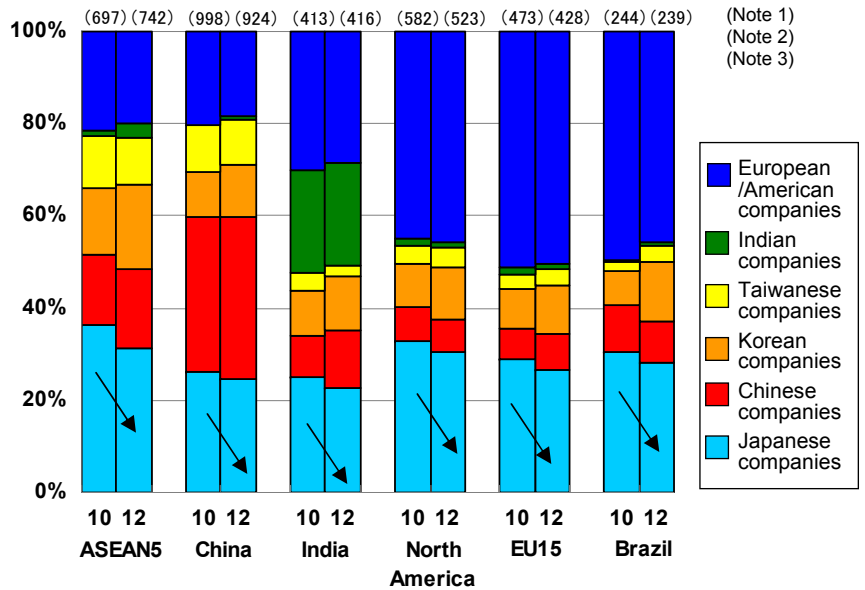
# VI. 1. Competition in Global Market (all industries)

**Q** The question asks respondents to choose companies that are fiercely competing with them in each market by picking from 6 options of Chinese, Korean, Taiwanese, Indian, European/ American, and Japanese companies (selecting all that apply).  
 - Figure 65 shows the proportion of response in each market.  
 - Figure 66-71 show the responses divided by number of respondent companies regarding each market, and shows how much percentage of the respondents consider the companies in the options as competitors.

※Method of calculation:  
 No. of responses (all that apply) / No. of companies



**Figure 65 : Competition in Markets Overseas (comparison between FY2010 and 2012)**

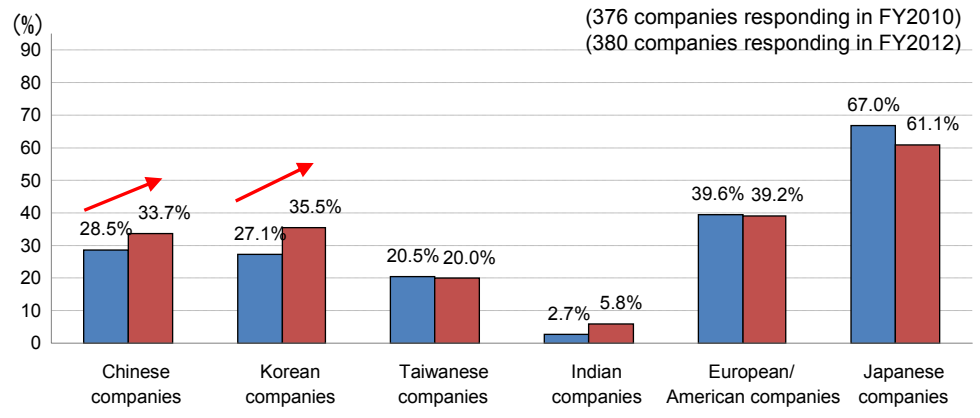


(Note 1) No. of responses in each market (All that apply selected)  
 (Note 2) Figures in the bracket are the total No. of responses  
 (Note 3) ASEAN5: Singapore, Thailand, Indonesia, Malaysia, Philippines

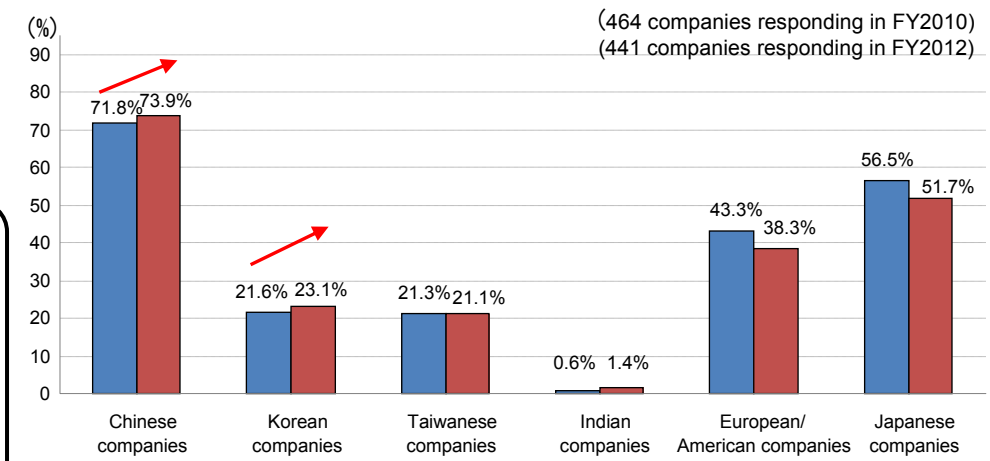
**■ Companies in Asian emerging nations are selected as competitors by increasing number of companies in each market.**

- Competitiveness increased in non-Japanese companies. Japanese manufacturers are now exploring customers competing with non-Japanese companies. With these factors, more companies choose non-Japanese companies as their competitors than the previous survey (FY2010) in each market (Figure 65).
- Major competitors of Japanese manufacturers are Japanese and European/American companies. Companies in Asian emerging nations are increasing their presence in Asian emerging markets in general (Figures 66- 71).
- The proportion of response selecting Chinese and Korean companies as their competitors increased in ASEAN5, Chinese and Indian markets (Figures 66, 67, 68). This suggests the competition with these companies is getting fiercer.

**Figure 66: Competitors in ASEAN5 Market (Note 4)**



**Figure 67: Competitors in Chinese Market**

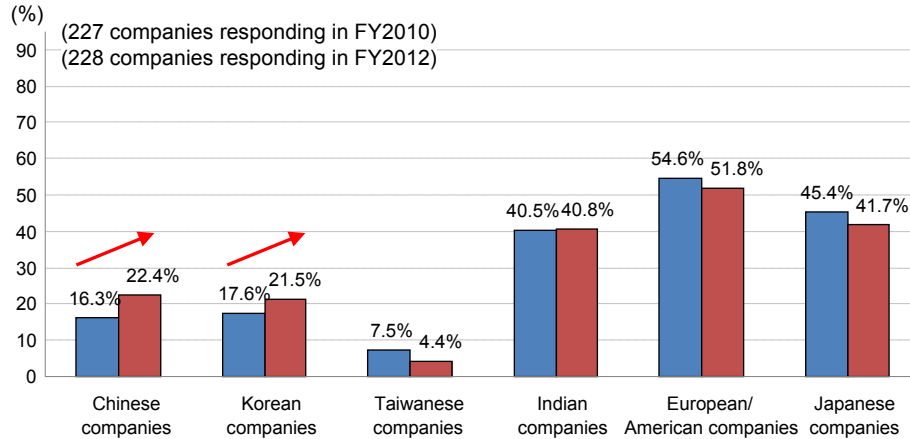


(Note 4) Figure 48 Result of questionnaire survey on direct investment overseas in FY2010 did not include the respondents (2 companies) that selected Indian companies alone. These 2 companies are included this time, and thus, the No. of respondents in 2010 tabulated this time is 376, different from the figure shown in Figure 48 (374 companies)

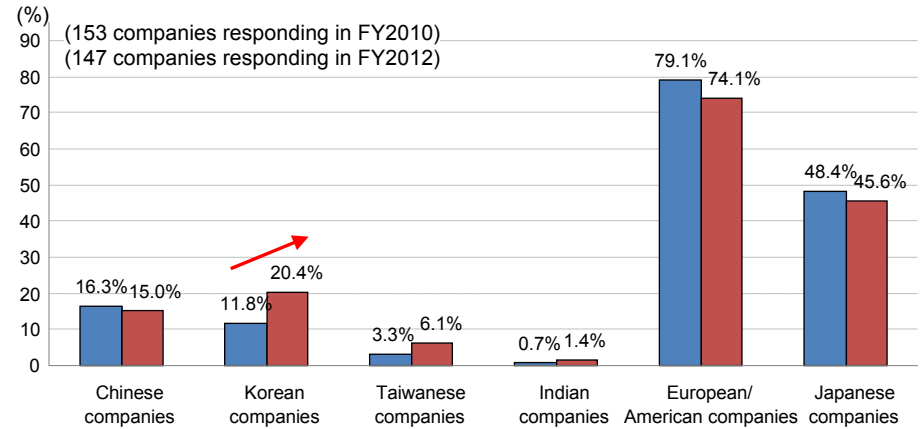
\* Method of calculation: No. of responses (all that apply)/ No. of companies

FY 2010 FY 2012

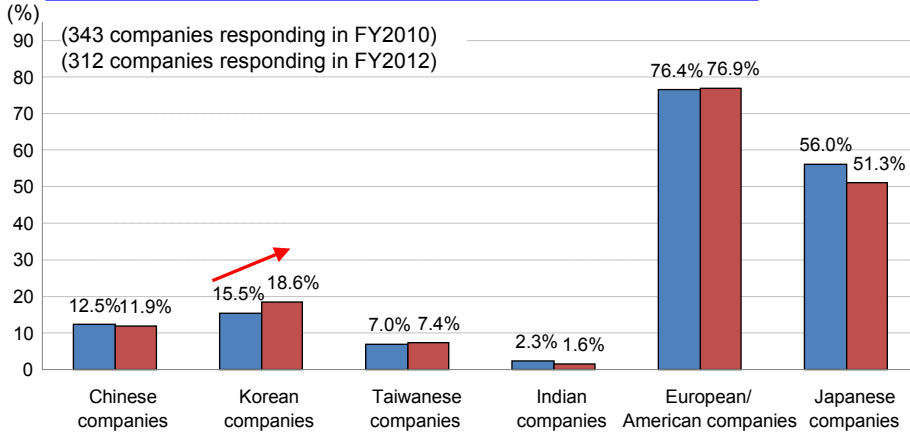
### Figure 68: Competitors in Indian Market



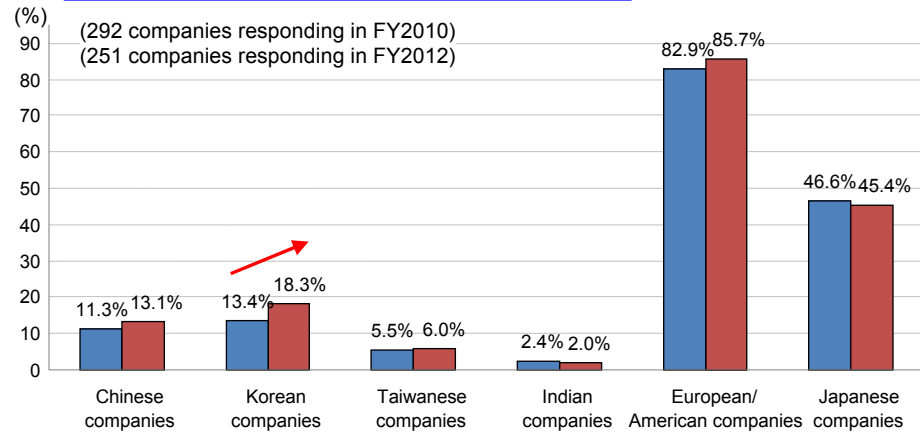
### Figure 69: Competitors in Brazilian Market



### Figure 70: Competitors in North American Market



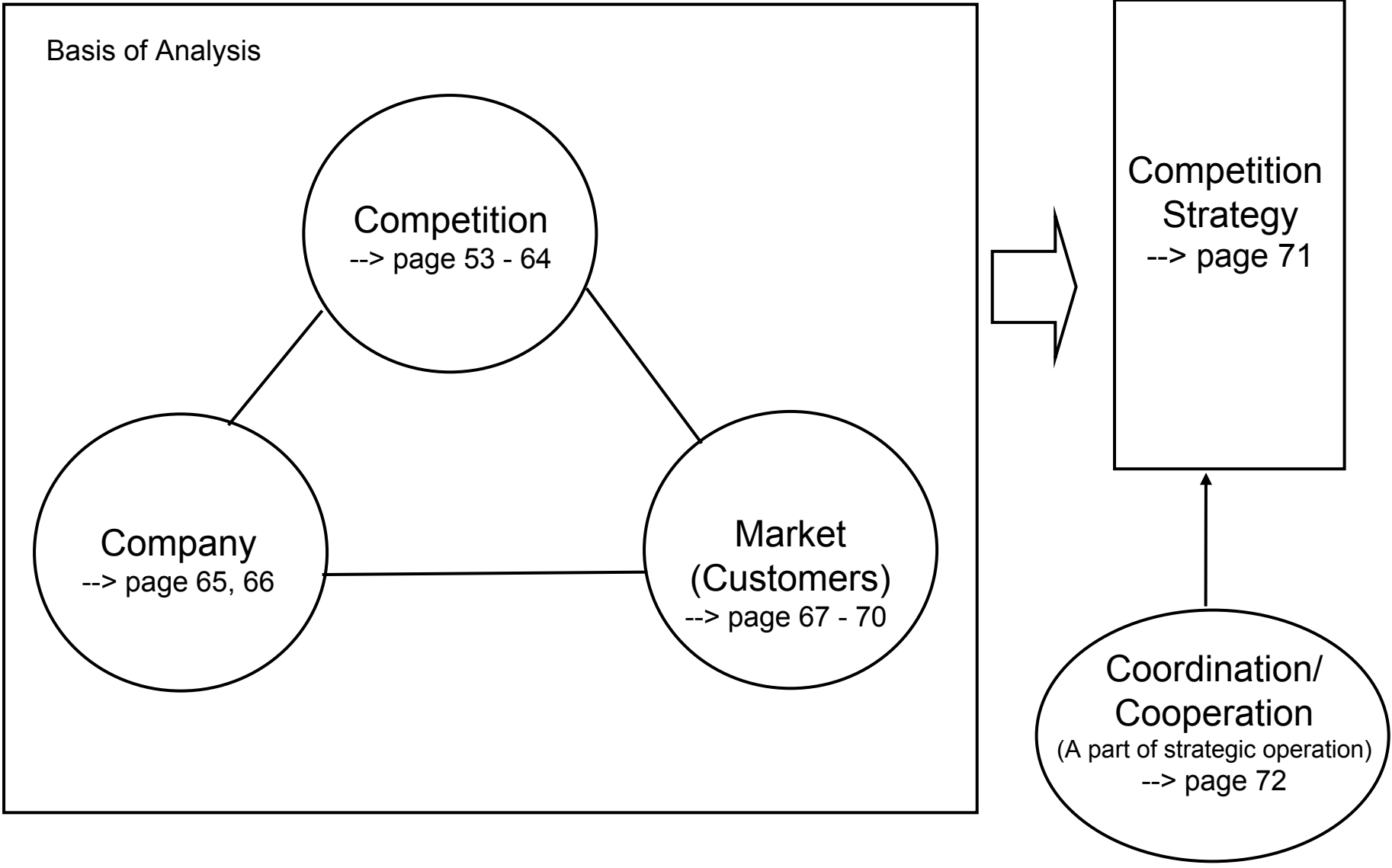
### Figure 71: Competitors in EU15 Market



**European/ American companies are major competitors in Indian, Brazilian, North American and EU 15 markets.**

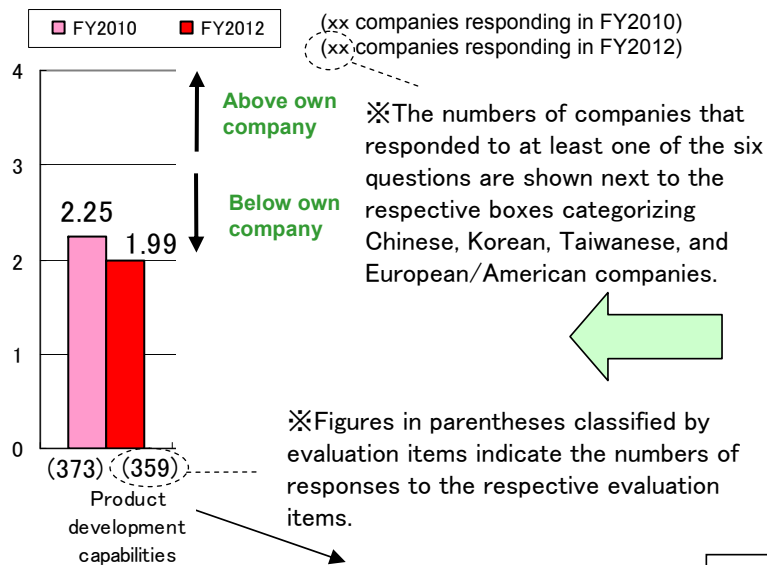
- The largest number of respondents selected European/ American companies as major competitors in Indian, Brazilian, North American and EU 15 markets. Especially in corporate hearing, many respondents commented that European/ American companies have the same or better competitiveness as or than Japanese manufacturers in terms of brand power and sales network in North American and EU 15 markets.
- More respondents selected Korean companies as competitors in all markets than in the previous survey in FY2010. About 20 % recognize Korean companies as competitors in 4 markets in this page. The trend shows that Korean companies expanding their business from Asian emerging market to global market will be competing more fiercely with Japanese manufacturers.

(1) Correlation Diagram for Each Page



Viewpoint of each table in pages 54 to 66.

Example: Grade Estimation of xx Based Companies



Q.1

(Note) ASEAN5 markets, Indian Market, Chinese Market

As to emerging Asian markets <sup>(note)</sup>, questions were made to ask grades of Chinese, Korean, Taiwanese and European/American companies for the issues below (on a scale of one to five), provided that the respondents' own companies themselves are considered grade "3"; the result was summed up and indicated in an arithmetic average. (page 54 to 64)

< Six Issues >

- "Product development capabilities"
- "Production technologies"
- "Management speed"
- "Sales power (ASEAN 5 markets)"
- "Sales power (Chinese market)"
- "Sales power (Indian market)"

< Grades (on a scale of one to five) >

- "5": Extremely high, when compared with respondent's own company
- ↑
- "3": Same level as respondent's own company
- ↓
- "1": Extremely low, when compared with respondent's own company

As similar questions were asked during the Survey in 2010, results were compared with those in 2010. See Appendix 9 for assessments on an industry-by-industry basis.

Q.2

As to each issue in Q.1, questions were asked for elements considered as advantages and weaknesses of Chinese, Korean, Taiwanese and European/American companies. Here, it was requested that any elements considered as advantages or weaknesses should be mentioned regardless of the estimation results (multiple answers allowed).

Any company which mentioned advantages or weaknesses of at least one issue was included in "number of respondent companies". Here, the figures in each diagram are based on calculations, dividing the number of answers by number of respondent companies. (page 57 to 64)

Q.3

As to each issue in Q.1, questions were asked for elements considered as advantages and weaknesses of the respondents' companies themselves. Similar to Q.2 above, each diagram shows the percentage of companies among all the respondents' own companies answered respective items. (page 65, 66)

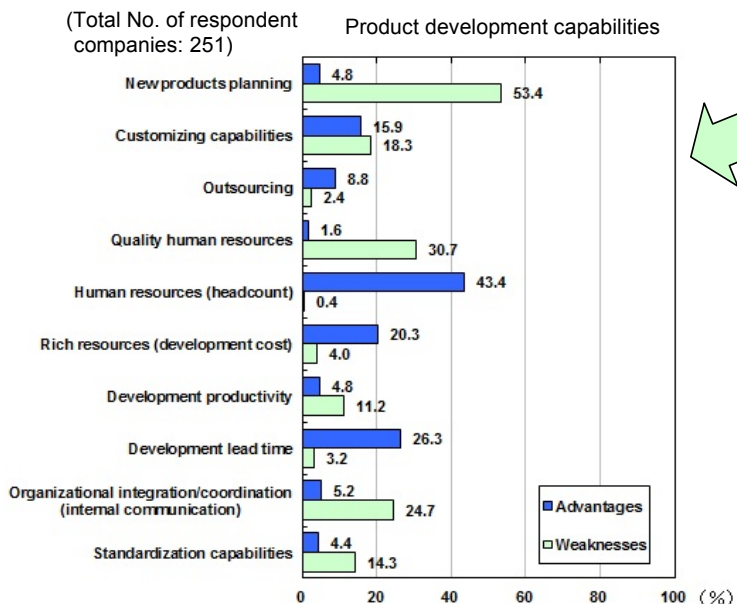
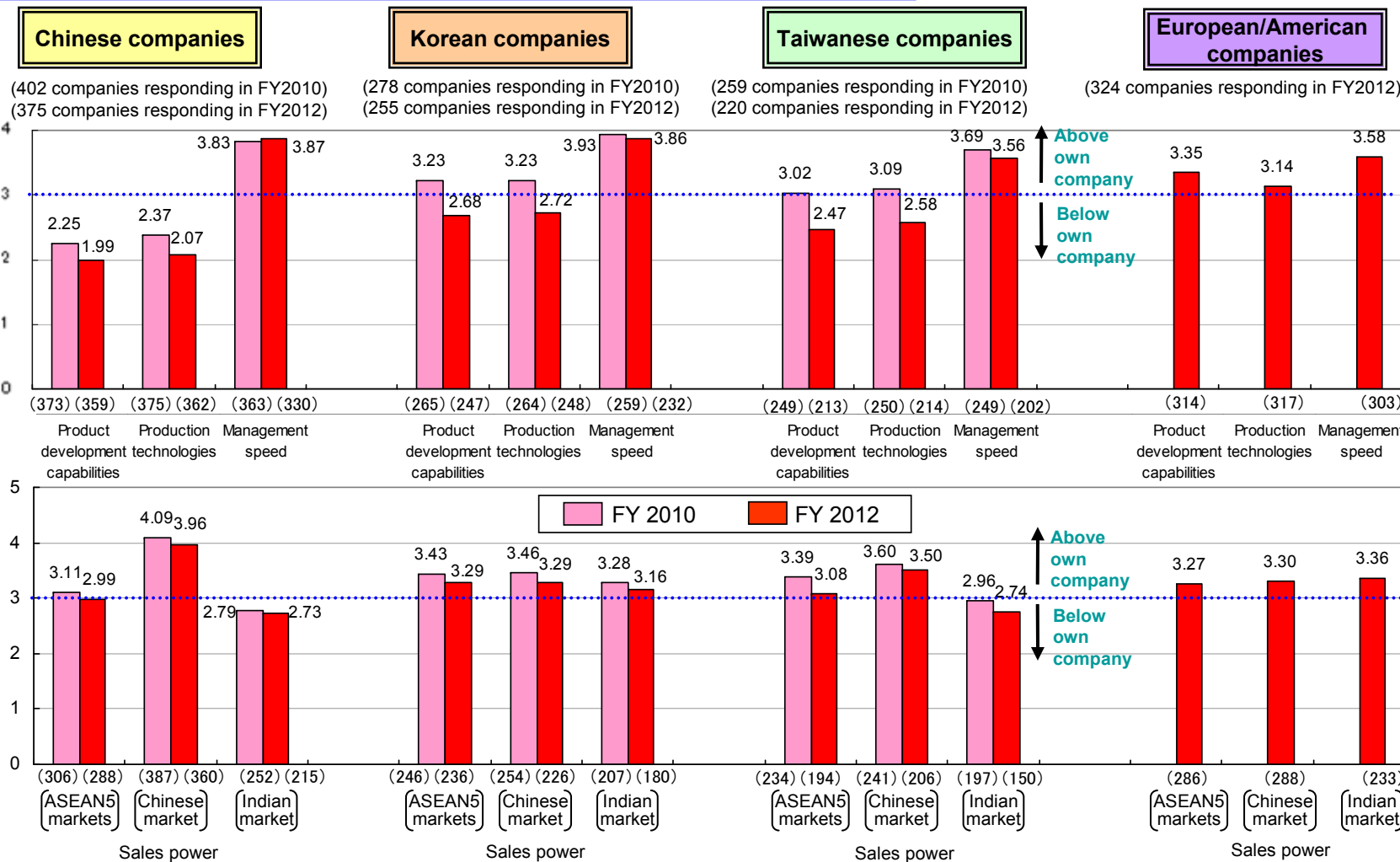




Figure 72: Estimation of Competitor Companies in Emerging Asian Markets

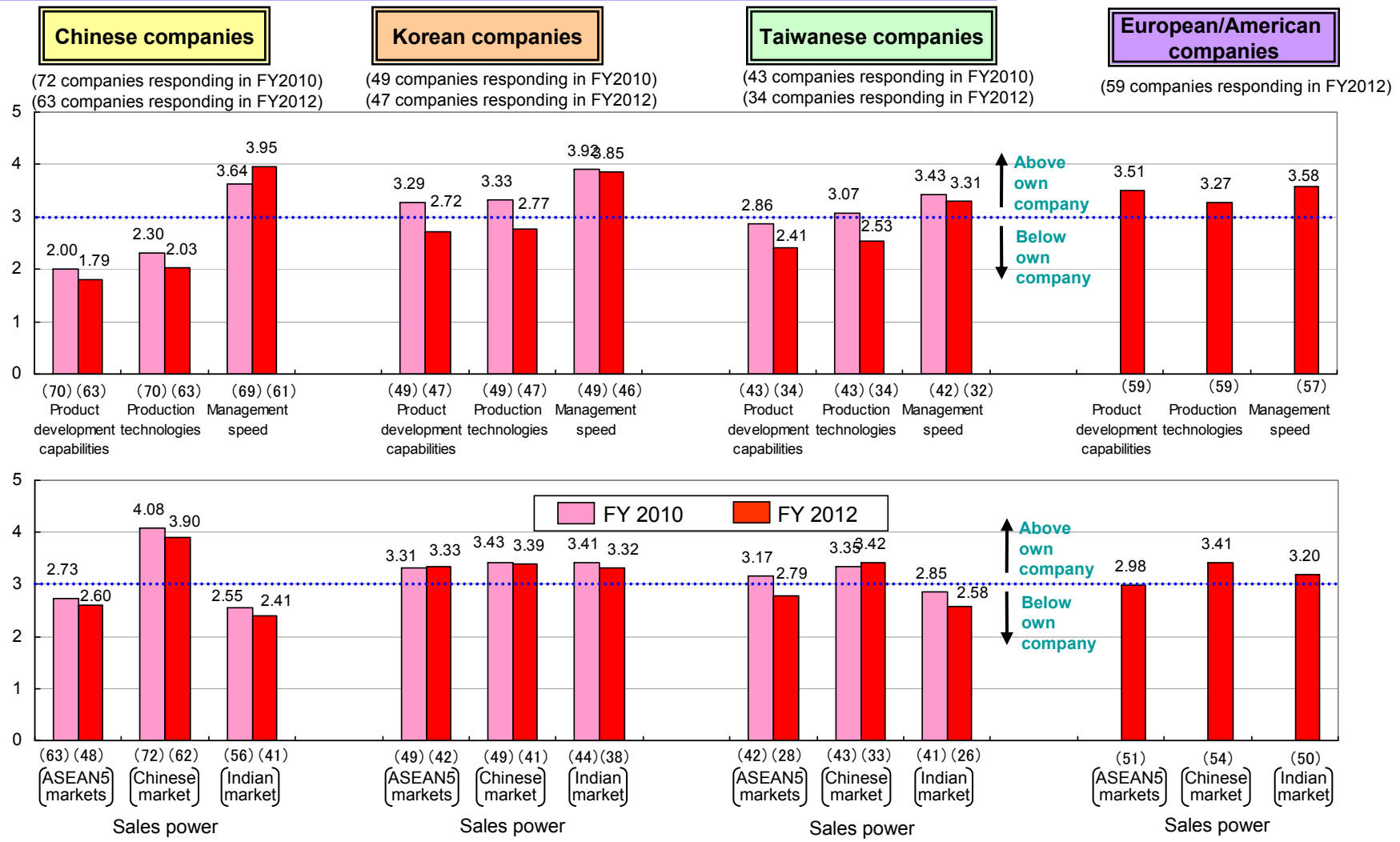


\* Emerging Asian markets includes three markets in ASEAN5, India and China.  
\* The numbers of companies that responded to at least one of the six questions are shown under the respective boxes categorizing Chinese, Korean, Taiwanese, and European/American companies.  
\* Figures in parentheses classified by evaluation items indicate the numbers of responses to the respective evaluation items.

**Disadvantage in sales power and management speed against Chinese, Korean and Taiwanese companies has not been covered. European/American companies were estimated higher than the respondents own companies in every issue and considered as tough competitors.**

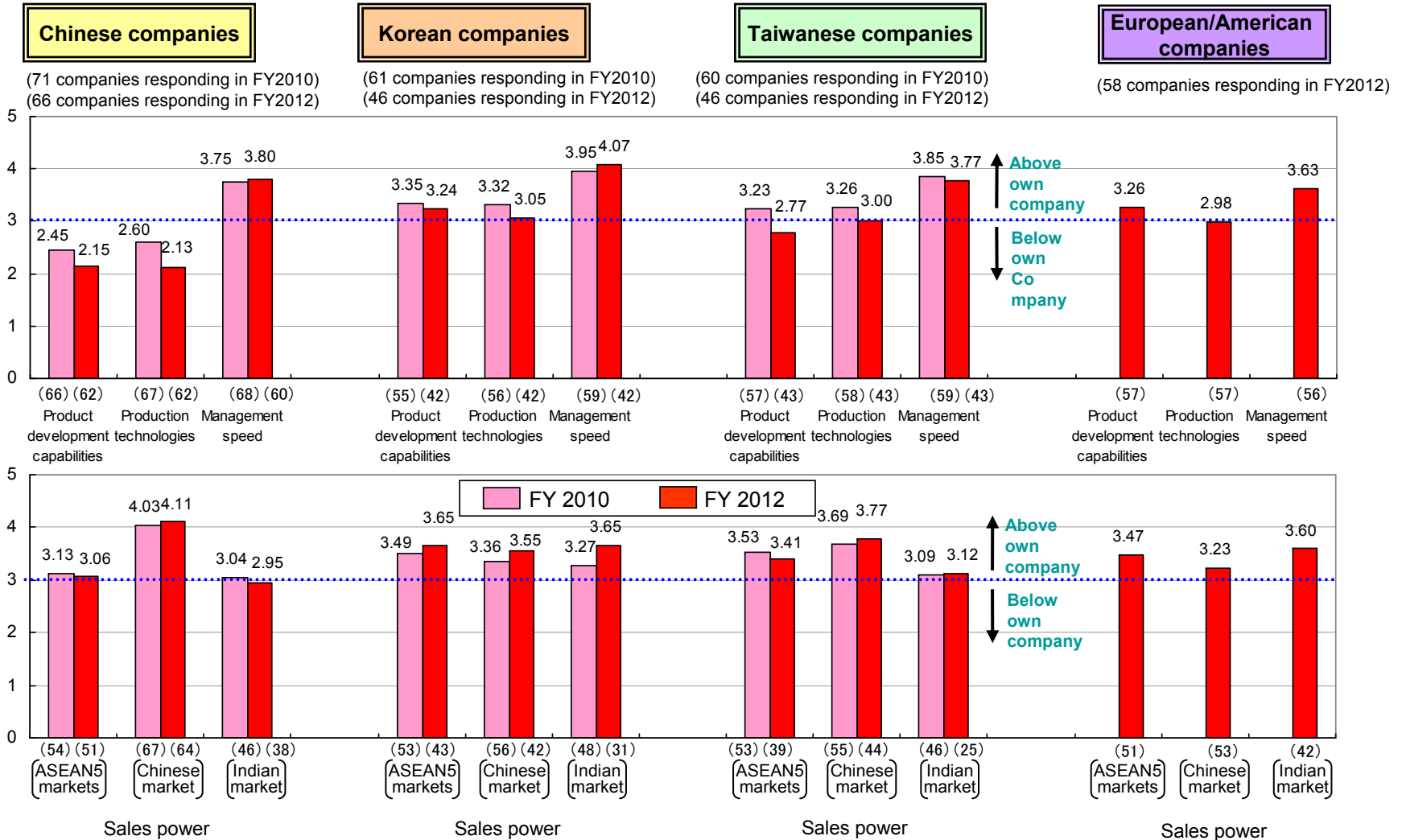
- Unlike the previous survey, Japanese manufacturing companies consider they are advantageous against Chinese, Korean and Taiwanese companies in their product development capabilities and production technologies. However, they recognize they still suffer with a significant disadvantage against these companies in management speed, continuously from the previous survey.
- In the issue of sales power, estimation for Chinese companies in Chinese market is prominent. When viewing whole emerging Asian markets, though, Japanese manufacturing companies estimate Chinese and Taiwanese companies in Indian market are inferior to them, and that these competitors have a considerable lead on them in sales power in emerging Asian markets, they recognize.
- Estimation of European/American companies was added to this survey anew; they were estimated to be in higher grades than Japanese in all items, including product development capabilities, production technologies, sales power and management speed. Thus, it was revealed that Japanese companies consider European/American companies as tough competitors in emerging Asian markets.

Figure 73: Estimation of Competitor Companies in Emerging Asian Markets (Automobiles)



- In contrast to Electrical Equipment & Electronics (refer to the next page), it is revealed that the Automobile industry recognized Japanese companies were superior to foreign competitors in issues of product development capabilities and production technologies.
- Sales power of Korean companies in emerging Asia markets was rated high. Regarding Chinese and Taiwanese companies, though their sales power in Chinese market was continuously rated high, the survey result shows Japanese companies rated their own sales power higher in ASEAN 5 and Indian markets.
- Japanese companies rated European/American companies generally higher than themselves except that sales power was considered as the same level in ASEAN 5 markets.

Figure 74: Estimation of Competitor Companies in Emerging Asian Markets (Electrical Equipment & Electronics)

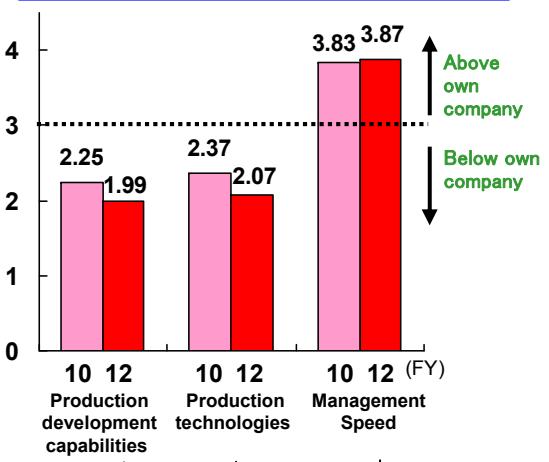


- In Electrical Equipment & Electronics industries, Korean companies were rated higher than Japanese companies in every issue including product development capabilities and production technologies. For production technologies issue, it was resulted that Taiwanese companies were rated the same level as Japanese companies. It is observed that Japanese Electrical Equipment & Electronics companies recognize they have almost no advantage to emerging Asian companies in product development capabilities and production technologies.
- Estimation of sales power in emerging Asian markets shows that foreign competitor companies are rated higher than Japanese companies themselves in every market except the sales power of Chinese companies (in Indian market). Regarding Korean companies, the difference has widened greater in every market from the survey result in 2010.
- For sales power in Chinese market, estimation of Chinese and Taiwanese companies is higher than that of Korean companies.

\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

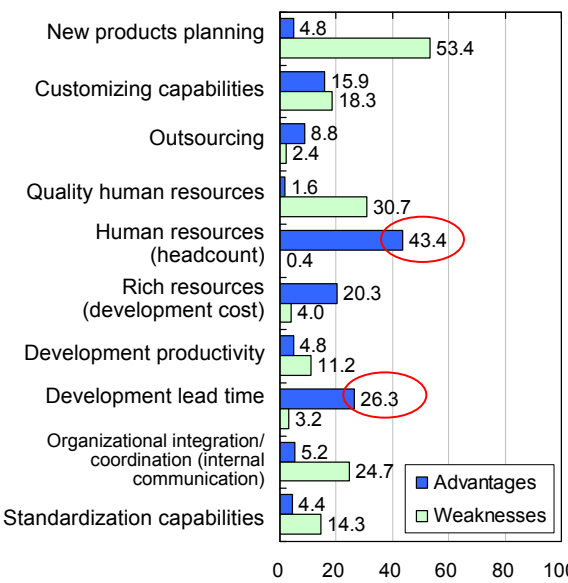
**Chinese companies**

Figure 75: Estimation for Product Development Capabilities, Production Technologies and Management Speed

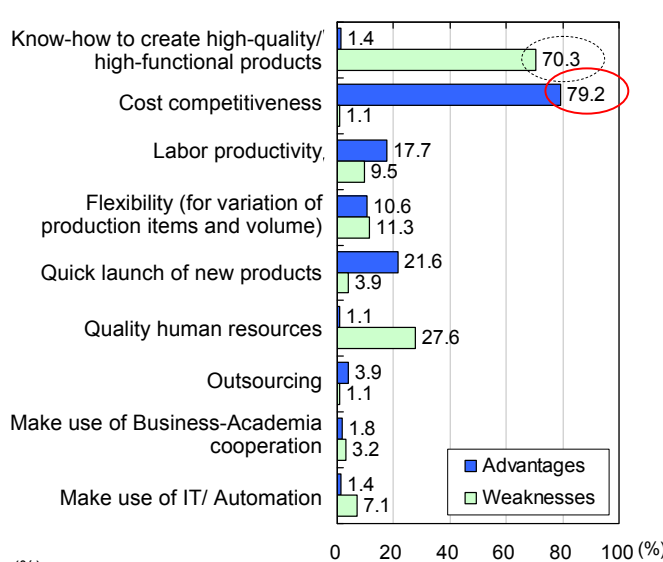


- **Estimation of Product development capabilities and Production technologies has lowered for the first time. Management speed still shows significant difference.**
  - When compared with the survey result in 2010, product development capabilities and production technologies of Chinese companies were rated lower. This is considered as a result of efforts for business improvement of Japanese manufacturing companies after they have investigated the reality in the course of extensive competitions with Chinese companies following Collapse of Lehman Brothers.
  - Their management speed was still rated higher than respondents' own companies. The rate was rather higher than the previous result (3.83 vs. 3.87).
- **Their advantages in product development lies in rich "Human resources (headcount)" and short "Development lead time".**
  - "Human resources (headcount)" (43.4%) and short "Development lead time" (26.3%) are considered to be advantages of Chinese companies in product development. In a interview survey from Japanese companies, one commented that "Chinese companies succeed to speed up developments through large number of human resources making use of low labor costs." (automobile components)
- **Advantage of their manufacturing technologies lies in "Cost competitiveness" while their weakness lies in "Know-how to create high-quality/high-functional products".**
  - Advantage of Chinese companies in manufacturing technologies lies in "Cost competitiveness" (79.2%). Weakness lies in insufficient "Know-how to create high-quality/high-functional products" (70.3%).
- **"Authority of top management" supports management speed of Chinese companies.**
  - 68.3% of respondent companies considered "Authorities concentration to top management" as the resource of extreme management speed of Chinese companies. In an interview survey from Japanese companies, many commented critically on their own system consuming long time for internal coordination.

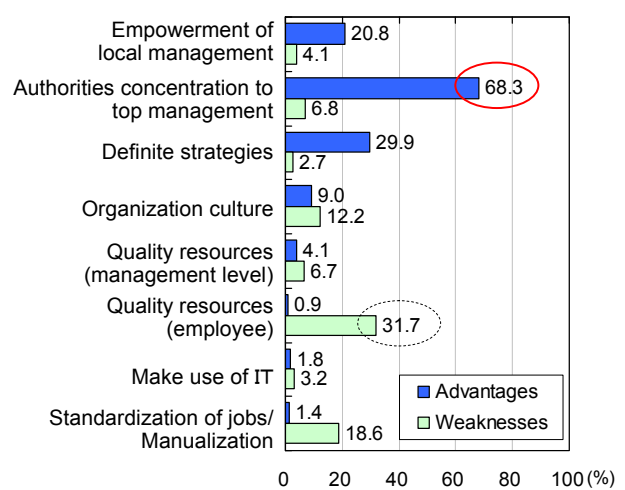
**Product development capabilities** (Total No. of respondent companies: 251)



**Production technologies** (Total No. of respondent companies: 283)



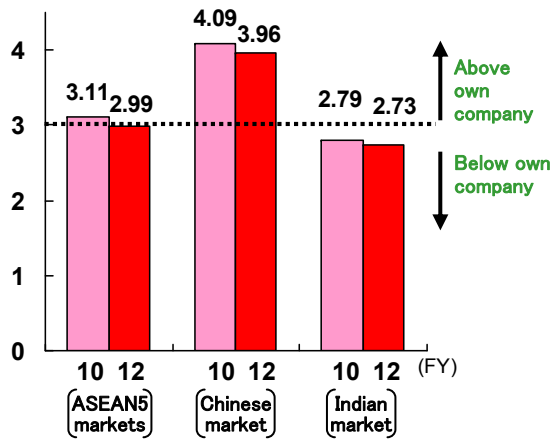
**Management speed** (Total No. of respondent companies: 221)



\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

**Chinese companies**

**Figure 76: Estimation of Sales Power**



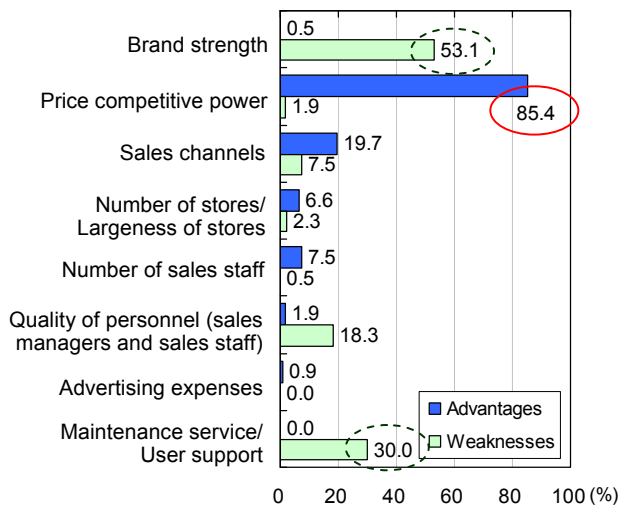
**Sales power of Chinese companies in Chinese market still is quite formidable.**

- Sales power of Chinese companies was rated slightly lower when compared with the previous survey (2010). However, it was rated 3.96 in the local Chinese market and is still extremely high though slightly lower than the previous survey. Japanese manufacturing companies continuously recognized the sales power of Chinese companies in the Chinese market quite formidable.

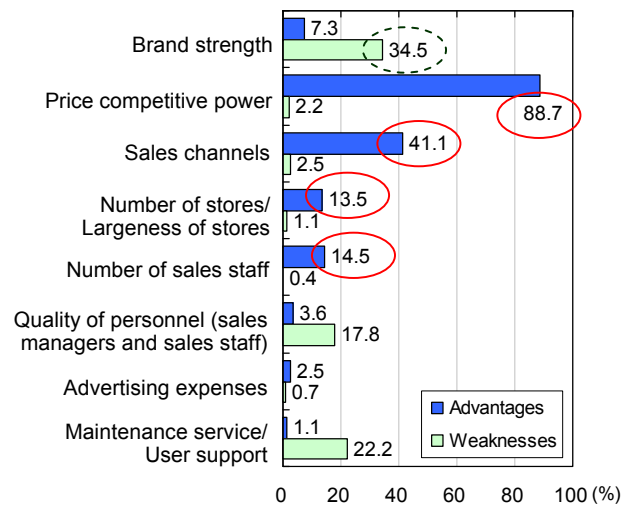
**Advantage in sales power lies in "Price competitive power". Weakness lies in poor "Brand strength" and "Maintenance service/ User support".**

- Chinese companies' advantages in sales power lie in "Price competitive power" in whole emerging Asian markets. In an interview survey from Japanese companies, as well, most opinions indicated the price competitive power of Chinese companies. On the other hand, their weaknesses lie in poor "Brand strength" and "User support".
- However, when viewing their local Chinese market, the percentage of answers mentioning "Brand strength" as their insufficiency accounted for no more than 34.5% while almost 40% of respondent companies estimated "Distribution channels" are their advantage. Further, many Japanese companies recognized that "Number of sales staff" (14.5%) and "Number of stores/Largeness of stores" (13.5%) were advantageous especially in Chinese market when compared with others. Thus, it is assumed Japanese manufacturing companies recognize that Chinese companies in the Chinese market have obtained brand strength as well as they have secured their distribution channels.

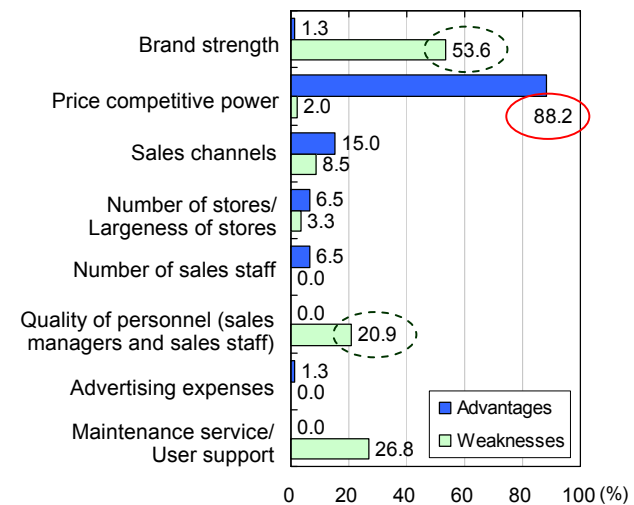
**Sales power (ASEAN5 markets)** (Total No. of respondent companies: 213)



**Sales power (Chinese market)** (Total No. of respondent companies: 275)



**Sales power (Indian market)** (Total No. of respondent companies: 153)

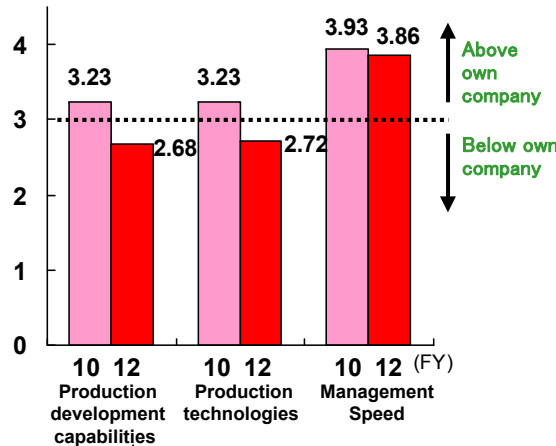


VI. 2. (3). ②. Estimation of Advantages and Weaknesses of Korean Companies  
(Product development capabilities, Production technologies and Management speed)

\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

Korean companies

Figure 77: Estimation of Product Development Capabilities, Production Technologies and Management Speed



**Product development capabilities and production technologies are inferior to respondents' own companies. On the other hand, management speed still shows significant difference.**

- The background of the fact that estimation of product development capabilities and production technologies of Korean companies was lower than respondents' own companies could be assumed that in circumstances that Japanese manufacturing companies have been expanding their trade volume with non-Japanese companies, they could enhance their recognition of the reality through full competition in emerging Asian markets. Also, in an interview survey from Japanese companies, many commented, "We analyzed other companies' products and could find that our technologies are nothing inferior to competitors', including Korean companies." and such.
- On the contrary, estimation for their management speed was still higher than respondents' own companies, though slightly lowered from the previous survey. The difference is still significant.

**Their advantages in product development lie in short "Development lead time" and "Rich resources (development cost)."**

- Advantages in product development of Korean companies lie in "Development lead time" (34.4%) and "Rich resources (development cost)" (24.6%). It is assumed that Korean companies have achieved development speed thanks to ample funds. Conversely, their weakness lies in poor "New products planning" (29.0%). On the contrary, however, 21.9% of companies recognize it as their advantage; companies were divided in their estimation of the issue.

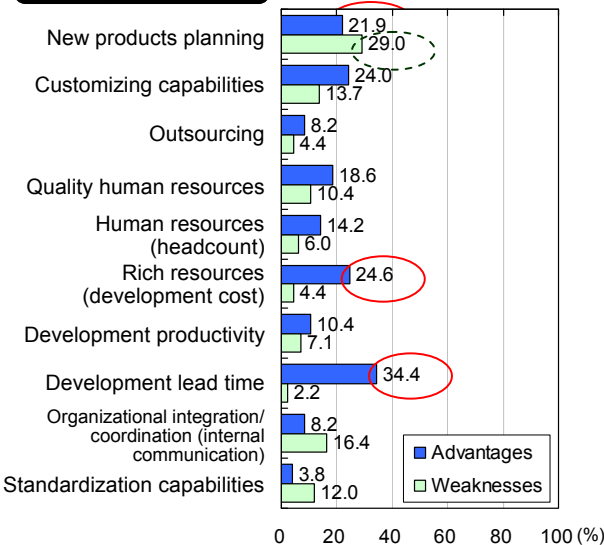
**Their advantages in manufacturing technologies are "Cost competitiveness" and "Quick launch of new products."**

- The advantages of Korean companies in production technologies are considered "Cost competitiveness" (68.1%) and "Quick launch of new products" (31.9%). Percentage of answer mentioning "Quick launch of new products" recorded the highest among all companies in competition. Oppositely, their weakness is considered insufficient "Know-how to create high-quality/high-functional products" (33.0%).

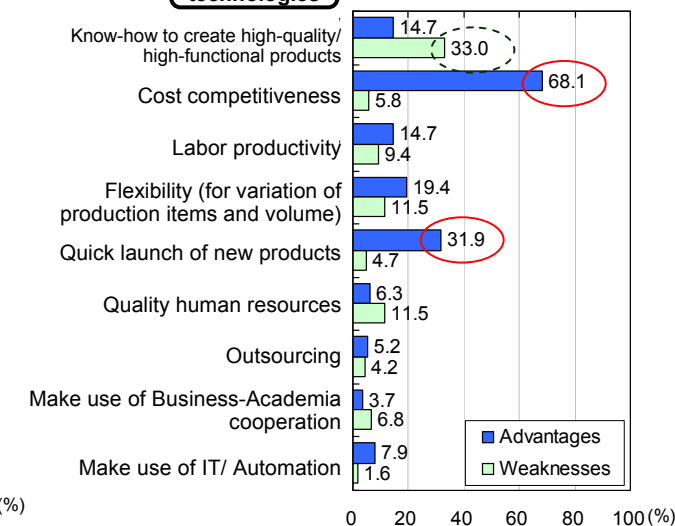
**Their advantages in management speed is based on the "Concentration of authorities" and "Definite strategies."**

- Answers were focused on "Concentration of authorities" (56.6%) and "Definite strategies" (49.1%).

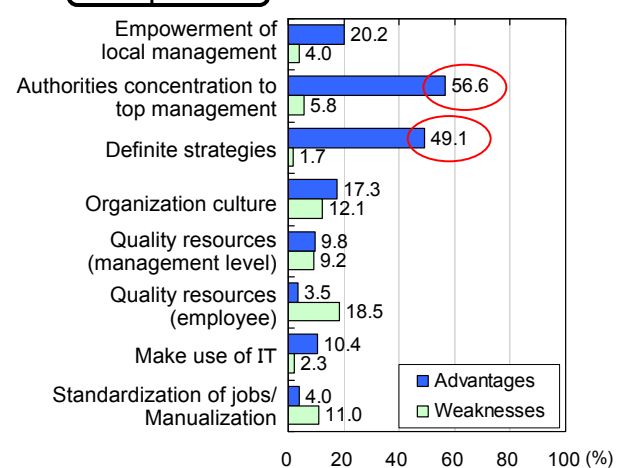
**Product development capabilities** (Total No. of respondent companies: 183)



**Production technologies** (Total No. of respondent companies: 191)



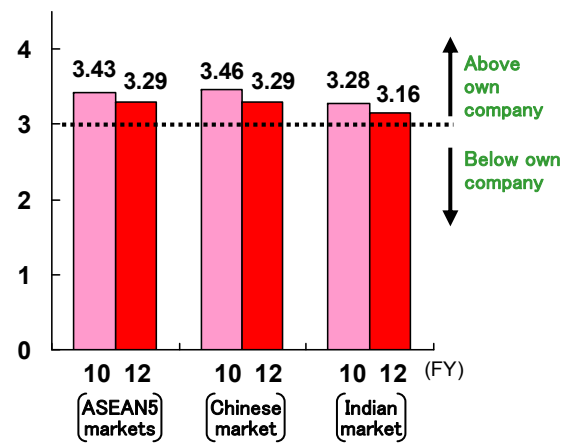
**Management speed** (Total No. of respondent companies: 173)



\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

**Korean companies**

**Figure 78: Estimation of Sales Power**



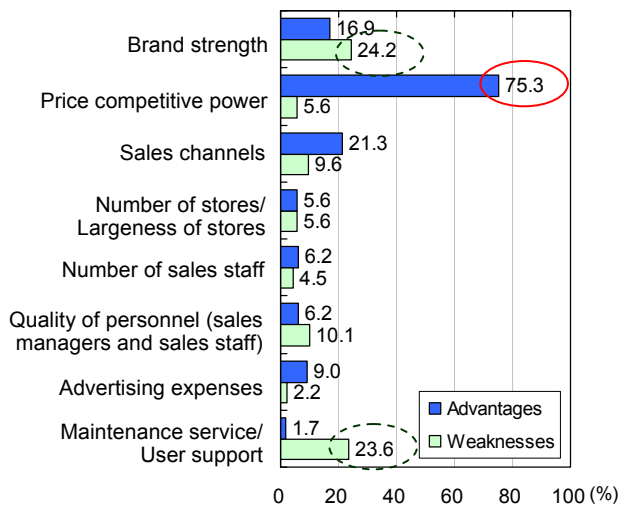
**■ Estimation of sale power in emerging Asian market has slightly lowered.**

- For the first time in this survey, sales power of Korean companies in emerging Asian markets was rated lower than before, though only to a small extent. Japanese manufacturing companies have already obtained a certain level of competitiveness against Korean companies in ASEAN 5 markets, as well as Chinese and Indian markets; it is assumed that the rating has been settled to a fixed state. Though their grade is still higher than respondents' own companies, the gap has been narrowed.

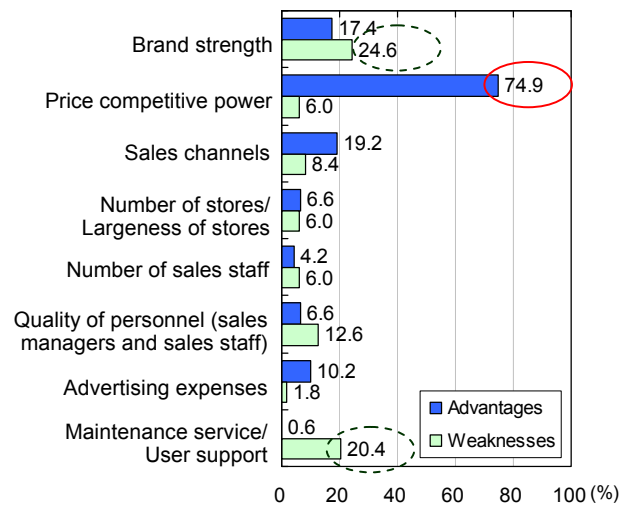
**■ Advantage in sales power lies in "Price competitive power" while weakness lies in poor "Maintenance service/User support".**

- Advantages of Korean companies in sales power are considered "Price competitive power" (ASEAN 5 markets: 75.3%, Chinese market: 74.9%, Indian market: 77.4%).
- On the contrary, their weaknesses in sales power are in common with Chinese; "Brand strength" (ASEAN 5 markets: 24.2%, Chinese market: 24.6%, Indian market: 23.3%) and "Maintenance service/User support" (ASEAN 5 markets: 23.6%, Chinese market: 20.4%, Indian market: 18.0%).
- When estimating sales power of Korean companies, the ratio of respondents mentioning that the "Brand strength" was a weakness lower than the ratio for Chinese companies. Instead, a certain level of respondents mentioned that they were advantageous in "Brand strength" in every market area. Respondents companies were divided in their estimation for "Brand strength" of Korean companies in emerging Asian markets.

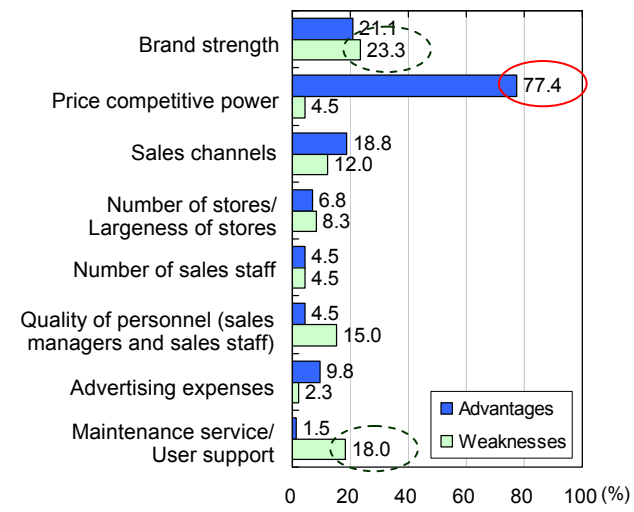
**Sales power (ASEAN5 markets)** (Total No. of respondent companies: 178)



**Sales power (Chinese market)** (Total No. of respondent companies: 167)



**Sales power (Indian market)** (Total No. of respondent companies: 133)



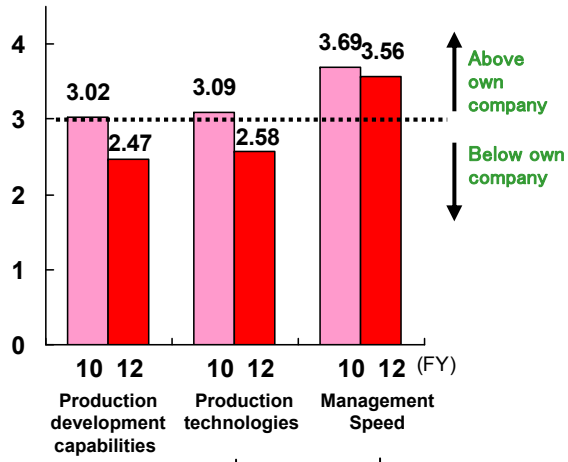


VI. 2. (3). ③. Estimation of Advantages and Weaknesses of Taiwanese Companies  
 (Product development capabilities, Production technologies and Management speed)

\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

Taiwanese companies

Figure 79: Estimation for Product Development Capabilities, Production Technologies and Management Speed



**■ Estimation of product development capabilities and production technologies was below respondents' own companies. Their management speed was rated as high as ever.**

- In this survey, product development capabilities and production technologies were rated lower than the respondents' own companies, though, estimation of management speed obtained a high grade (3.56), keeping almost the same level as the previous result.

**■ Their advantages in product development capabilities are "Customizing capability" and short "Development lead time".**

- "Customizing capability" (22.8%) and Short "Development lead time" (22.8%) were considered as advantages of Taiwanese companies in product development capabilities. On the contrary, poor "New products planning" (37.2%) is considered as their weakness and "Organizational integration/coordination" (19.3%) follows.

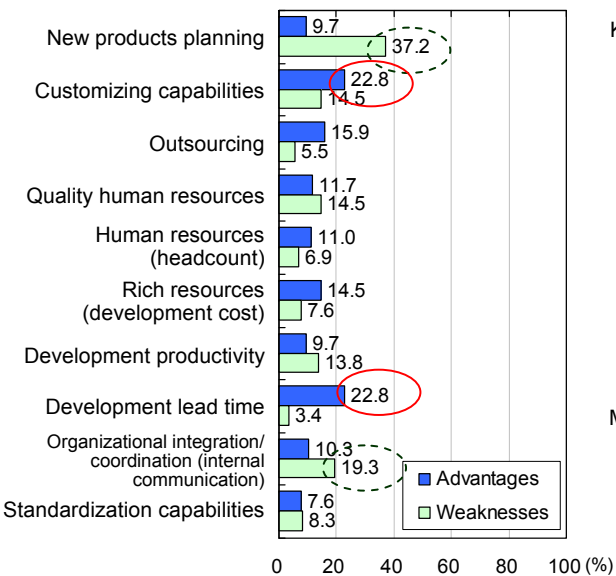
**■ Advantage of their production technologies lies in "Cost competitiveness" while their weakness lies in "Know-how to create high-quality/high-functional products".**

- Advantages in production technologies of Taiwanese companies are considered "Cost competitiveness" (61.1%) while weakness is their "Know-how to create high-quality/high-functional products"(45.0%).

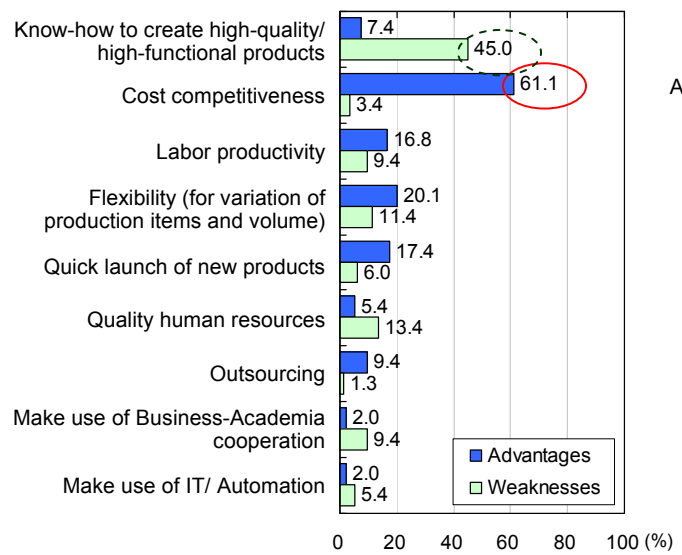
**■ Their advantage in management speed is considered due to "Authorities concentration to top management", similar to Chinese and Korean companies.**

- The advantage in management speed of Taiwanese companies is considered due to "Authorities concentration to top management" (60.5%), similar to Chinese and Korean companies. Instantaneous/immediate decisions are generally one of the advantage of companies in emerging countries; in an interview survey from Japanese companies, some companies commented, "Chinese and Taiwanese companies generally make very quick decision on investment. That gives the impression as if they are making decisions without careful considerations." (Electric/Electronics components).

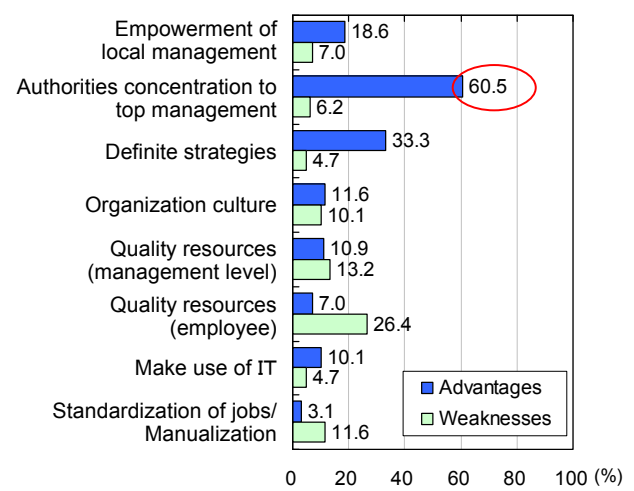
Product development capabilities (Total No. of respondent companies: 145)



Production technologies (Total No. of respondent companies: 149)



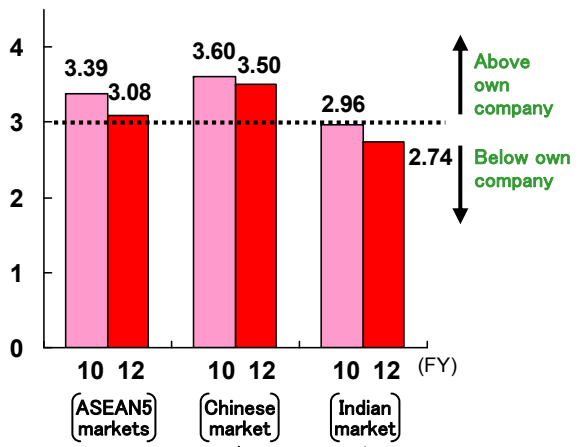
Management speed (Total No. of respondent companies: 129)



\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

Taiwanese companies

Figure 80: Estimation of Sales Power



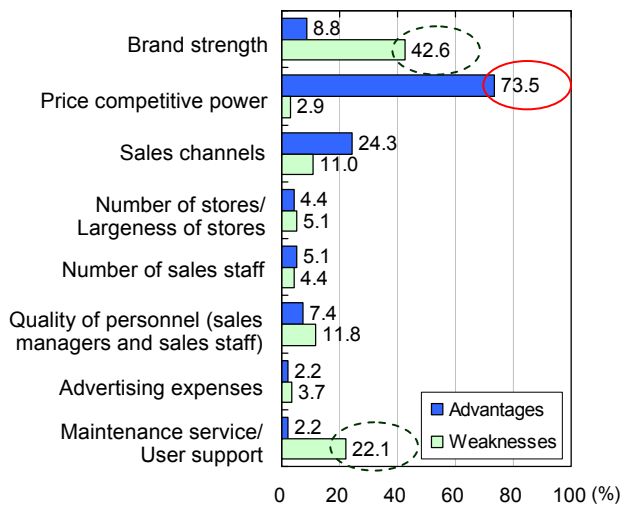
**■ Though the estimation for their sales power is somewhat lower in each market, they still keep a high grade in Chinese market.**

- Estimation for sales power of Taiwanese companies in each area of emerging Asian markets resulted lower when compared with the previous survey (2010). However, their sales power in Chinese market was rated 3.50 to show the second highest following the that of Chinese companies in the China market (3.96).
- Their sales power in the Indian market was rated below respondents' own companies in this survey (2.74) though it was at almost the same level as respondents' own companies in the previous survey in 2010 (2.96).

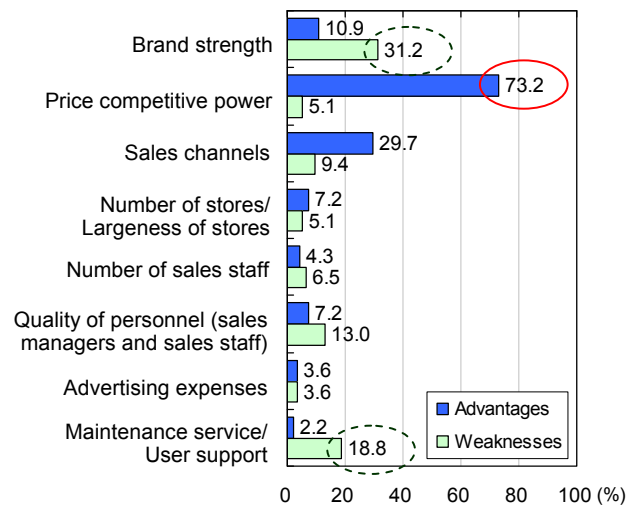
**■ Advantage in sales power lies in "Price competitive power" while weakness lies in poor "Brand strength".**

- Common advantages of Taiwanese companies in sales power in each market are considered "Price competitive power" (ASEAN 5 markets: 73.5%, Chinese market: 73.2%, Indian market: 74.5%).
- On the other hand, their weakness in sales power, poor "Brand strength", was also common in each market (ASEAN 5 markets: 42.6%, Chinese market: 31.2%, Indian market: 41.8%). Percentage of answers mentioning the poor "Brand strength" as their weakness in Chinese market was 10 points lower when compared with the same answers for ASEAN 5 and Indian markets whereas about 10% of respondents mentioned that the "Brand strength" was an advantage of Taiwanese companies. It is assumed that Japanese manufacturing companies rated Taiwanese companies in Chinese market higher when compared with ASEAN 5 and Indian markets.
- There was a certain number of companies indicating "Maintenance service/User support" to be their weakness (ASEAN 5 markets: 22.1%, Chinese market: 18.8%, Indian market: 17.3%), as well. Advantages and weaknesses of Taiwanese companies are common to Chinese companies.

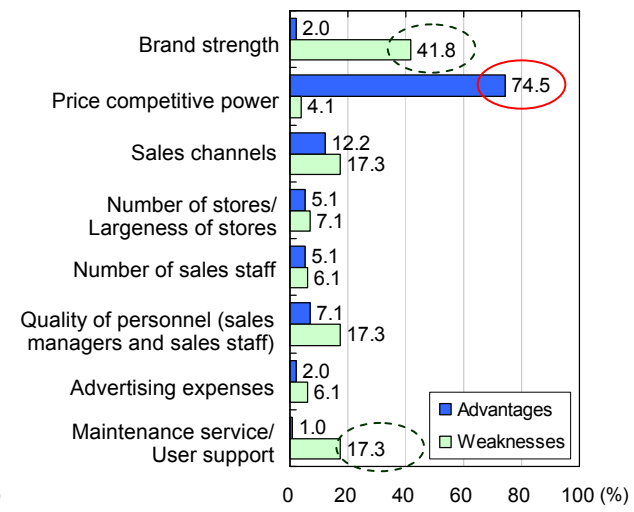
**Sales power (ASEAN5 markets)** (Total No. of respondent companies: 136)



**Sales power (Chinese market)** (Total No. of respondent companies: 138)



**Sales power (Indian market)** (Total No. of respondent companies: 98)

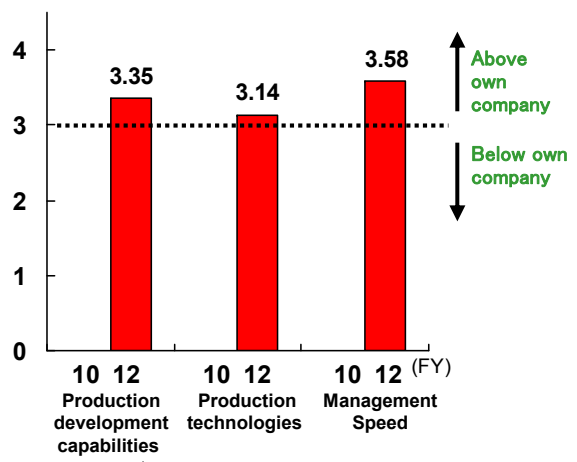


**European/American companies**

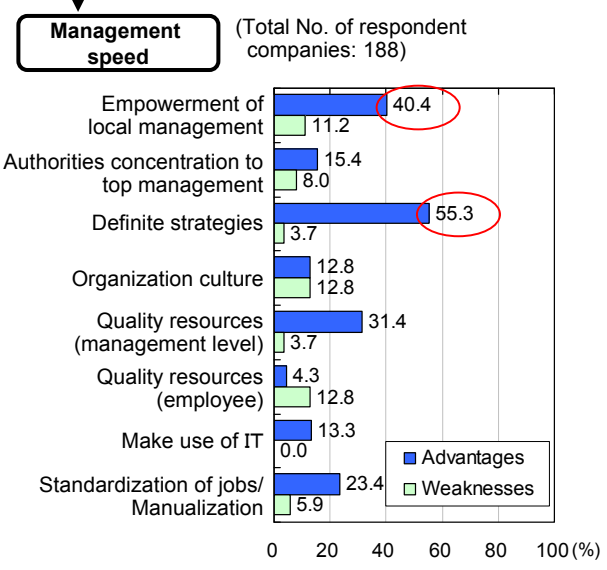
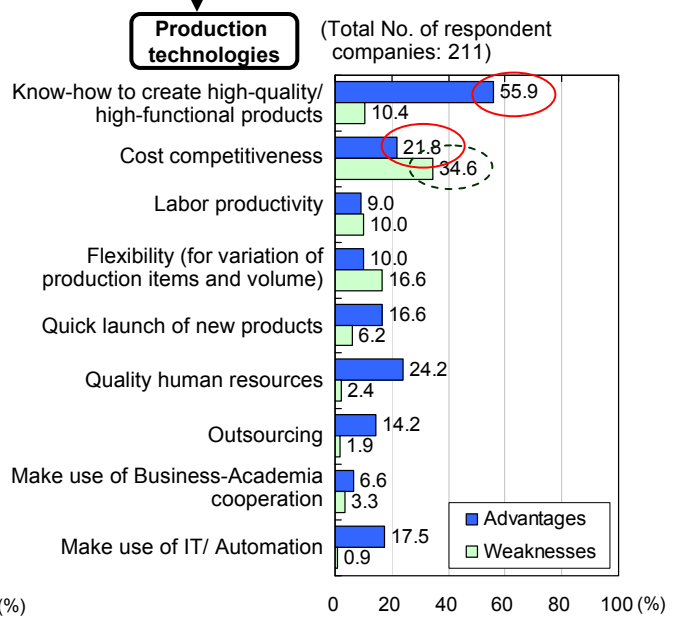
\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

(Note) Estimation of European/American companies was asked for the first time in this year's survey.

Figure 81: Estimation for Product Development Capabilities, Production Technologies and Management Speed



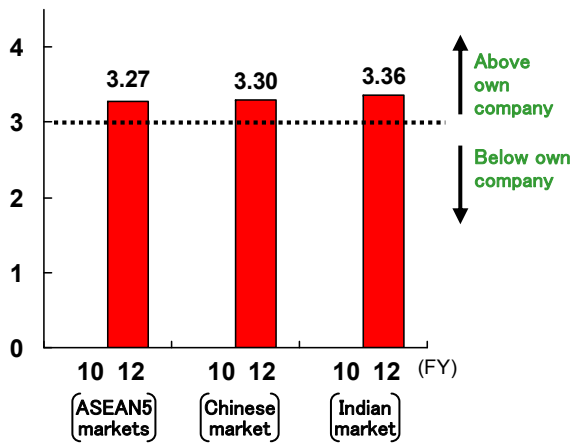
- **European/American companies were rated higher than respondents' own companies in all the issues.**
  - Although Japanese manufacturing companies recognize they themselves are superior to Chinese, Korean and Taiwanese companies in product development capabilities and production technologies, they recognize product development capabilities, production technologies, management speed and sales power of European/American companies are rated higher than respondents' own companies.
- **Their advantages in Product development capabilities lies in "New products planning".**
  - Among advantages of European/American companies in product development capabilities, the rate of "New products planning" (57.5%) is outstanding. In an interview survey from Japanese companies, many praised, "Products (of European/American companies) are excellent in their designs and colors and proficient in catching consumers' needs." (Others)".
- **Their advantage in Production technologies lies in "Know-how to create high-quality/high-functional products".**
  - Advantage of European/American companies in production technologies is considered "Know-how to create high-quality/high-functional products" (55.9%) while the weakness is "Cost competitiveness" (34.6%) which correspond to advantages and weaknesses of Japanese manufacturing companies themselves (refer to page 65). Nevertheless, there are companies indicating "Cost competitiveness" as an advantage of European/American companies (21.8%). In an interview survey from Japanese companies, as well, some commented "(European/American companies are) promoting local production to yield cost competitiveness." (Automobile assembly); The respondent companies include those that evaluate European/American companies as cost-competitive enterprises.
- **Their advantages in management speed lie in "Definite strategies" and "Empowerment of local management".**
  - Advantages of European/American companies in management speed are considered "Definite strategies" (55.3%) and "Empowerment of local management" (40.4%). This indicates that Japanese manufacturing companies recognize that "Definite strategies" and "Empowerment of local management" are the base of management speed of European/American companies.



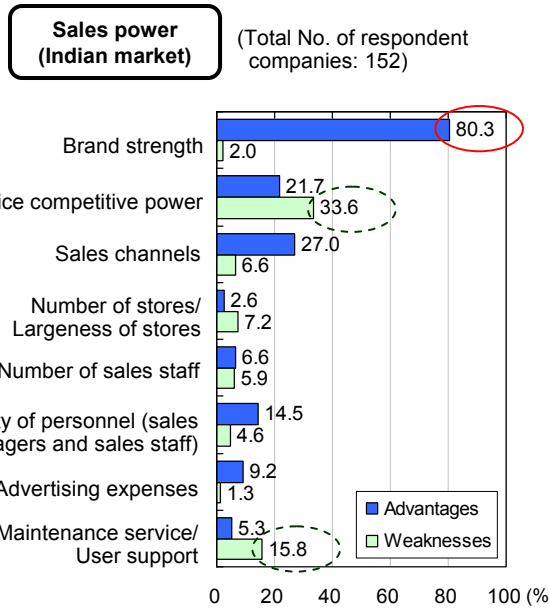
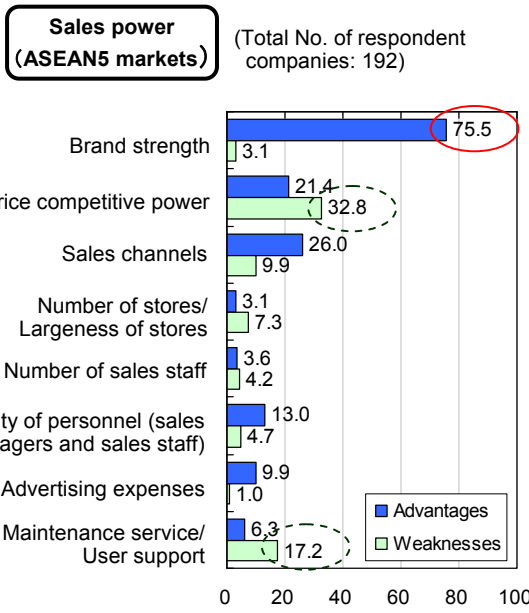
\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

**European/American companies**

**Figure 82: Estimation of Sales Power**



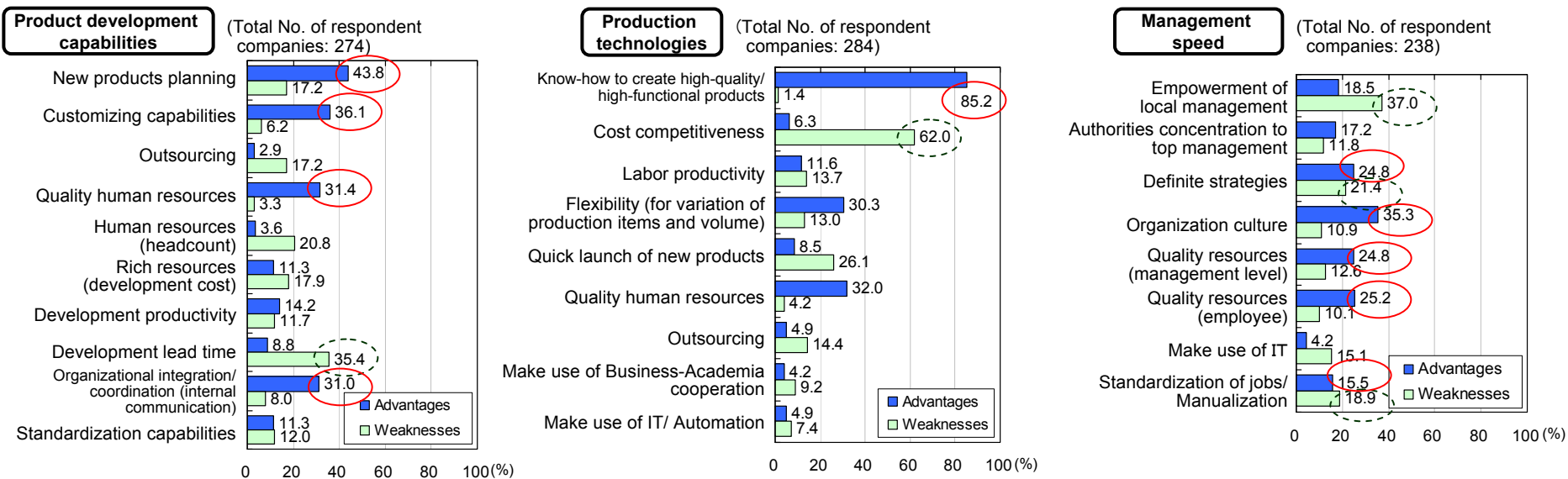
- **Their sales power in each market is superior to respondents' own companies.**
  - Japanese manufacturing companies rated sales power of European/American companies in whole emerging Asian markets higher than respondents' own companies. Especially, their sales power in Indian market was rated higher (3.36) than that of Chinese, Korean and Taiwanese companies in the same markets.
- **The advantage is considered "Brand strength" in emerging Asian markets in general.**
  - Advantage in sales power of European/American companies lies in "Brand strength" commonly in each market (ASEAN 5 markets: 75.5%, Chinese market: 78.8%, Indian market: 80.3%). In an interview survey from Japanese companies, not a few companies commented, "European/American companies make use of their brands more efficiently (than Japanese companies)." (Chemical)
- **Their weakness is considered poor "Price competitive power". Some companies also consider "Maintenance service/User support" as their weakness.**
  - The weakness of European/American companies lies in "Price competitive power (ASEAN5 markets: 32.8%, Chinese market: 32.1%, Indian market: 33.6%) commonly in each market. Nevertheless, some companies recognize they are price competitive (ASEAN5 markets:21.4%, Chinese market: 23.3%, Indian market: 21.7%). Then "Maintenance service/User support" followed as their weakness. Many of Japanese manufacturing companies recognize "Maintenance service/User support" as their own advantage (See Figure 84); it is an aspect in which difference from European/American companies is shown.



\* Estimation (all-industry) in emerging Asian market (markets in ASEAN 5, India and China)

**Own Companies**

**Figure 83: Analysis of Own Advantages and Weaknesses**  
(Product development capabilities, Production technologies and Management speed)



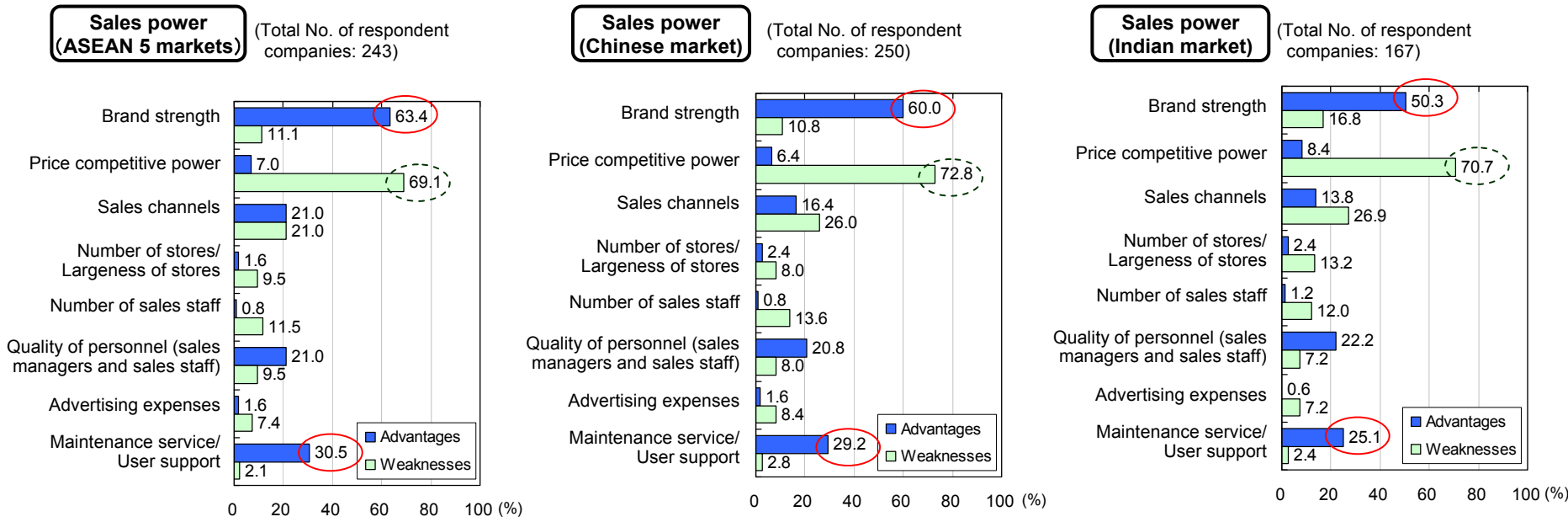
- Advantages in product development capabilities lie in "New products planning", "Customizing capabilities", "Quality human resources" and "Internal communication". Weakness lies in prolonged "Development lead time".**
  - Most companies indicated "New products planning" as their advantage (43.8%). "Customizing capabilities" came in second (36.1%), then "Quality human resources" (31.4%) and "Organizational integration/coordination (internal communication)" (31.0%) followed. In an interview survey from Japanese companies, one commented, "We usually get contact with customers in early stages of product development and make efforts to develop products which satisfies respective needs." (Chemical).
  - Most pointed out prolonged "Development lead time" as their weakness (35.4%). Also in an interview survey from Japanese companies, reason of prolonged "Development lead time" was explained; some were based on quality, such as, "From the "Quality first" point of view, we spend sufficient time for design, material/components procurement and fire proof testing." (Others) or some are based on organizational issues including "Information transfer from overseas sites tends to delay and such information is not used effectively in Japan headquarters. In addition, overseas sites are not capable of supplying required information to Japan headquarters sufficiently."
- Advantage of their manufacturing technologies lie in "Know-how to create high-quality/high-functional products" while their weakness lie in "Cost competitiveness".**
  - As regards their own advantages in product development capabilities, a prominent number of companies pointed out "Know-how to create high-quality/high-functional products" (85.2%). On the contrary, "Cost competitiveness" marked highest as their weakness (62.0%). This shows that Japanese manufacturing companies are excellent at manufacturing high-quality/high-functional products, nevertheless, they recognize poor cost competitiveness as their weakness.
- Their advantages in management speed lie in "Organization culture" and "Quality human resources" while their weakness lies in "Empowerment of local management".**
  - Leading advantages of their management speed are "Organization culture" (35.3%), "Quality resources (employee)" (25.2%), "Quality resources (management level)" (24.8%) and "Definite strategies" (24.8%). As opinions such as "The standard of value based on the company's corporate philosophy penetrates into each and every employee." (Others) and "Face to face communication of field members to deal with specific issues will solve them flexibly when they occur." show that it seems Japanese manufacturing companies recognize that their advantages in management speed lie in "High consciousness and capability of employees."
  - As regards to weakness of respondents' own companies, "Empowerment of local management" came first (37.0%) then "Definite strategies" (21.4%) and "Standardization of jobs/ Manualization" (18.9%) followed. Whereas, both points are also recognized as advantages in some companies; companies were divided in their recognition. Many of the disadvantageous points of Japanese companies are conversely advantages of European/American companies. So that Japanese manufacturing companies enhance their management speed to deal with further globalization, it may be useful to learn from European/American companies with organizational and strategic excellence.



\* Estimation (all-industry) in emergent Asian market (markets in ASEAN 5, India and China)

**Own Companies**

**Figure 84: Analysis of Own Advantages and Weaknesses (Sales power)**



- Their advantages in sales power in emergent Asian markets in common lie in "Brand strength" and "User support".**
  - As their advantages in sales power in emergent Asian markets in common, "Brand strength" was indicated most (ASEAN 5 markets: 63.4%, Chinese market: 60.0%, Indian market: 50.3%). One of the companies (a textile company) interviewed gave its opinion that it could be the company's brand power in the Chinese market that has contributed to the company's continuous sales customers in China, which have been Japanese companies. Percentage of answers mentioning "Brand strength" as their advantage in Indian market was 10 points lower when compared with the same answers for ASEAN 5 and Chinese markets. It is assumed that Japanese manufacturing companies recognize their own brands are not quite popular in Indian market.
  - Then "Maintenance service/User support" came second as their advantage in sale power in emergent Asian market in common (ASEAN 5 markets: 30.5%, Chinese market: 29.2%, Indian market: 25.1%). In an interview survey from Japanese companies, one comment mentioned that, "We have been advising corporate customers that they should consult with us whenever they are in trouble. When a corporate customer that is having a problem consults us, we advise them of the probable cause of the problem and propose a countermeasure. Such business operations do not always contribute to an increase in our profit, but we continue them in the aim of disseminating our brand name to customers." (Electric/Electronics components) shows, some companies seem to make the best use of their "Maintenance service/User support" opportunity to enhance their "Brand strength".
- Their weaknesses in sales power in emergent Asian markets in common lie in "Price competitive power".**
  - As their weaknesses in sales power in emergent Asian markets in common, "Price competitive power" was indicated the most (ASEAN 5 markets: 69.1%, Chinese market: 72.8%, Indian market: 70.7%) which shows the contrast when compared with Figure 76, 78 and 80 which show "Price competitive power" rated highest as advantages of Chinese, Korean and Taiwanese companies. In an interview survey from Japanese companies, some commented, "The major issue preventing cost reduction is labor cost besides currency exchange rate is considered to affect the cost also." (General machinery-Parts).
  - Others also commented, "We have given up cost competition and have no other choice but "Brand strength." (Electrical equipment & Electronics-Assembly) or "In a circumstance where cost reduction is difficult, maintenance service and user support will make us money." (General machinery-Parts). It seems Japanese manufacturing companies try to make full use of their advantages, "Brand strength" and "Maintenance service/User support" to cover their own weaknesses.

Q. Companies were requested to present their efforts to materialize the factor of their market share increase (in terms of monetary amount) of their own products in emergent Asian markets, within recent 3 years. In addition, they were requested to present their middle term effort (in next 3 years or so) which they consider effective to increase their market share (in terms of monetary amount) of their own products. In diagrams below, items are ordered according to higher percentage of answers (subject to multiple answers).

Figure 85: Efforts to Increase Market share in Last 3 Years.

(No. of respondent companies: 382)

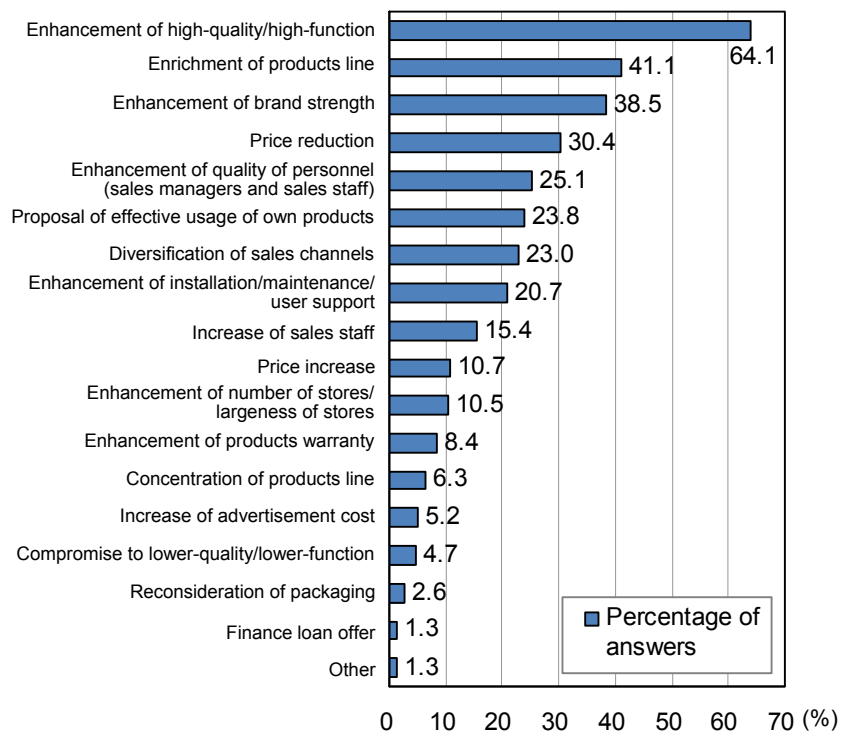
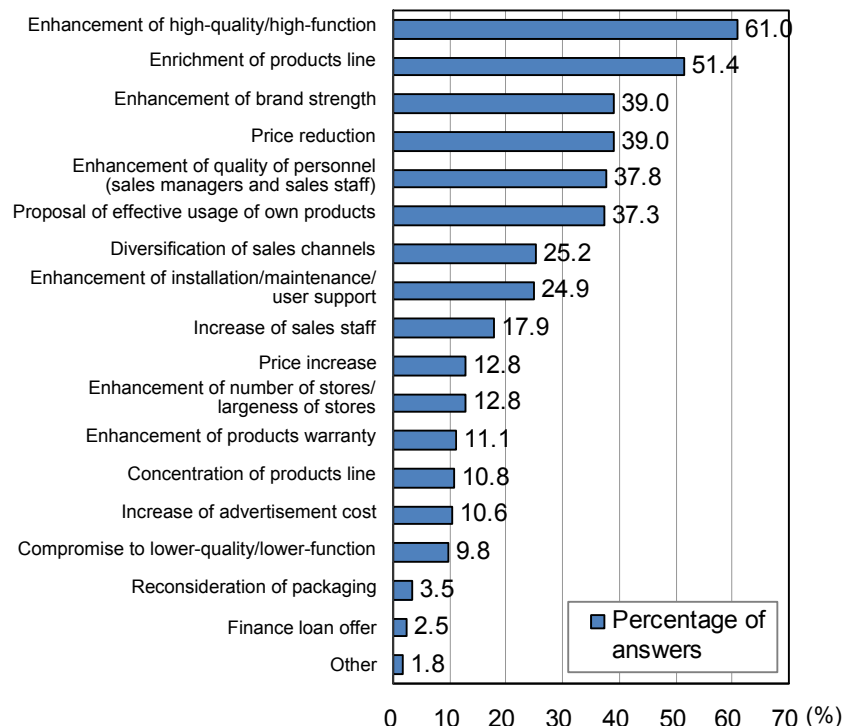


Figure 86: Efforts to Facilitate Increase of Market Share in next 3 Years or so

(No. of respondent companies: 392)



■ "Enhancement of high-quality/high-function" and "Enhancement of brand strength" will be continuously effective for market share increase in emerging Asian market.

- It was revealed that Japanese manufacturing companies believe that "Enhancement of high-quality/high-function" will be continuously effective for market share increase in emerging Asian market (Last 3 years: 64.1%, Next 3 years or so: 61.0%). In an interview survey from Japanese companies, as well, many commented "High function/quality are essential conditions." Considering that Japanese manufacturing companies recognize "Know-how to create high-quality/high-functional products" as their advantages (refer to P.65), it is assumed they also recognize that "Enhancement of high-quality/high-function" will effectively increase their market share also in emerging Asian markets.
- To follow "Enhancement of high-quality/high-function", items which Japanese manufacturing companies consider effective to increase their market share are "Enhancement of brand strength" (Next 3 years: 51.4%), "Price reduction" (Next 3 years: 39.0%), "Enrichment of products line" (Next 3 years: 39.0%), "Enhancement of quality of personnel (sales managers and sales staff)" (Next 3 years: 37.8%) and "Diversification of sales channels" (Next 3 years: 37.3%).
- Percentage of answers mentioning efforts other than "Enrichment of products line" is higher when compared with efforts which have contributed to increase their market share in last 3 years. It is assumed that Japanese manufacturing companies will concentrate their efforts to sales aspects from now on in emerging Asian markets.



Figure 87 and 88 show re-classified results of Figure 85 and 86 per respective positions of respondents' own companies within the supply-chains they belong, based on separate questions asking their positions in supply-chains (Note 1). Top 5 issues based on percentage of answers were reflected in diagrams.

(Note 1) 4 positions including "Materials manufacturers", "Parts & intermediate goods suppliers", "Finished product manufacturers & sellers", and "Others"

(Note 2) Among positions in supply-chains, only 8 companies came under "Others"; thus the data were excluded in this page.

Figure 87: Subject Contributed to Market Share Increase in Last 3 Years

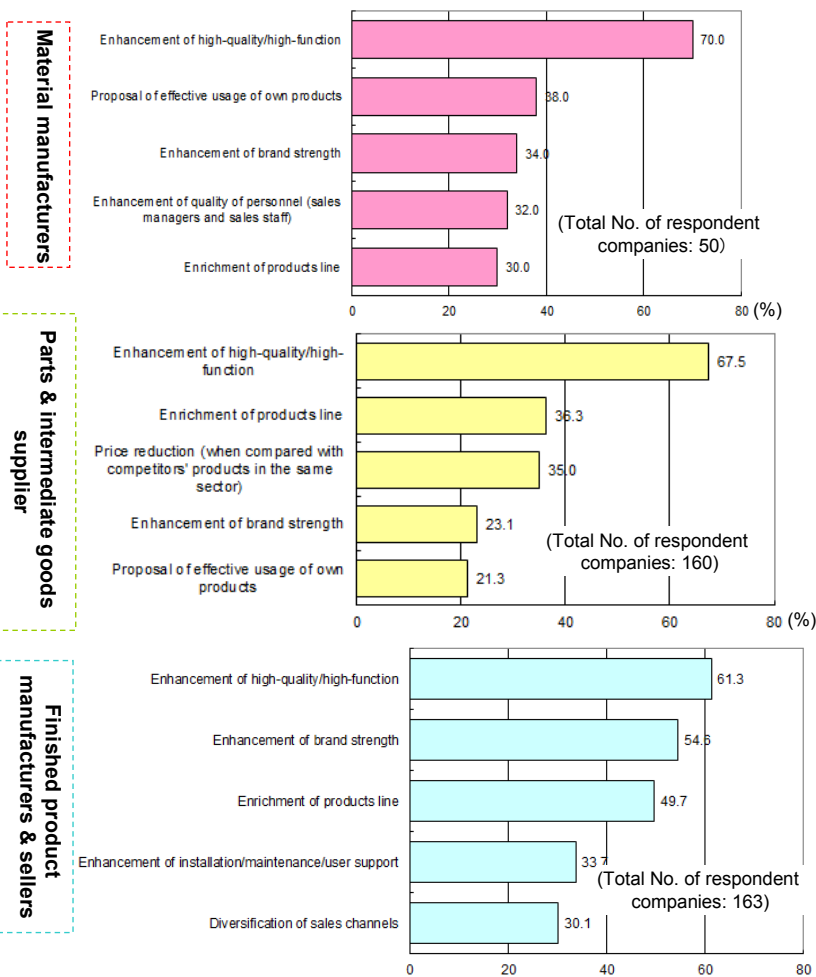
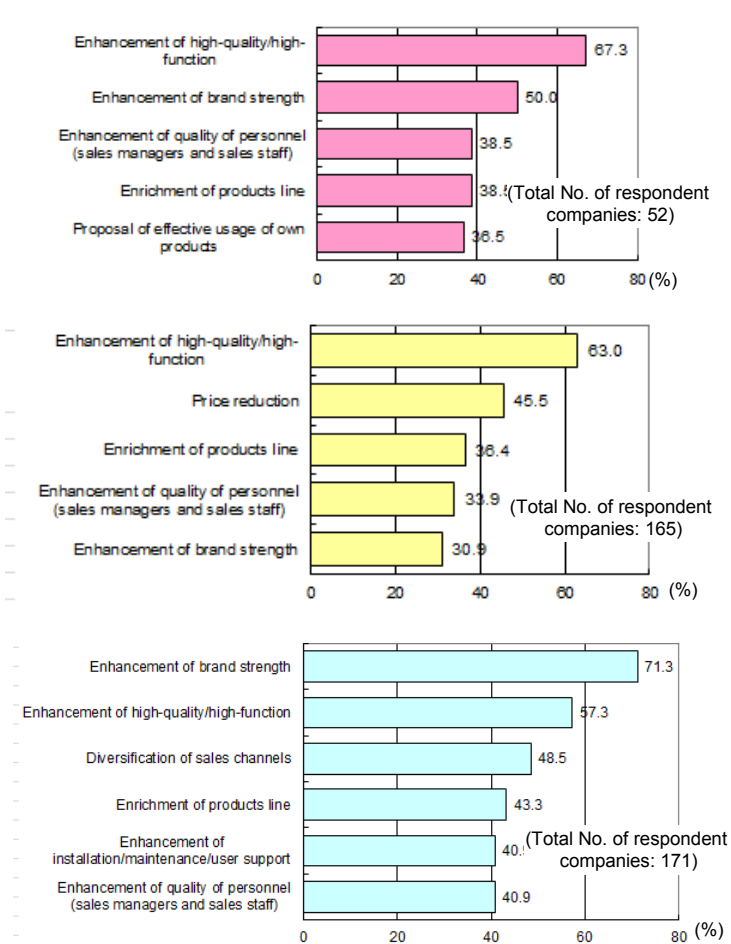


Figure 88: Subjects Considered Effective for Market Share Increase in Next 3 Years or so



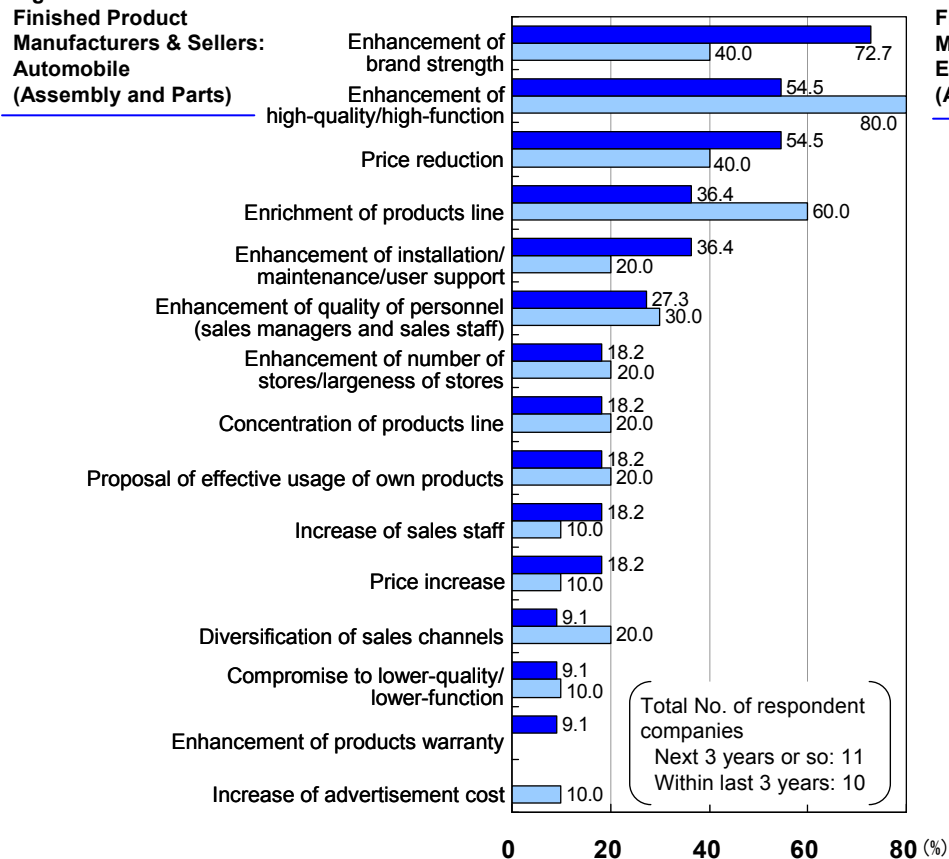
■ "Enhancement of high-quality/high-function" and "Enhancement of brand strength" are still considered effective, even when companies are classified into supply-chain positions.

- Among "Materials manufacturers" and "Parts & intermediate goods suppliers" for which B to B is considered to be the main business, more than 60% of companies chose "Enhancement of high-quality/high-function" respectively as a subject which has contributed market share increase in last 3 years or considered to be effective to enhance market share next 3 years or so.
- Among "Finished product manufacturers & sellers" for which B to C is considered to be the main business, more than 70% of companies chose "Enhancement of brand strength" as a subject considered effective to enhance market share.
- It is assumed that Japanese manufacturing companies recognize importance of "Enhancement of high-quality/high-function" and "Enhancement of brand strength" for their market share increase in emerging Asian markets.

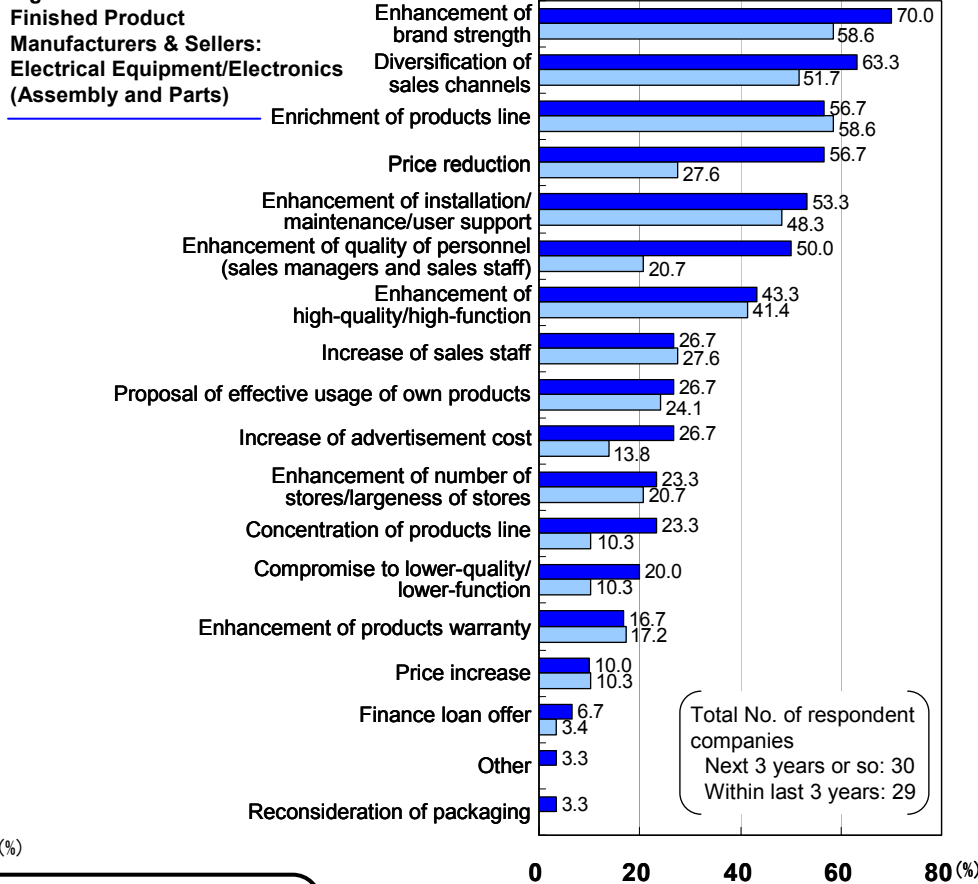
## VI. 2. (5) Analysis of Factors of Share Increase in Emerging Asian Markets (part 3)

Figure 89-1 to 89-4 in this page and next show subjects considered to have contributed or will act as effective to market share increase for main industries including Automobile (Assembly and Parts), Electrical equipment/Electronics (Assembly and Parts), Chemicals (including plastics products)/Pharmaceuticals and General machinery (Assembly and Parts) highlighting one position, "Finished product manufacturers & sellers" in Figure 87 and 88 of previous page.

**Figure 89-1:**



**Figure 89-2:**



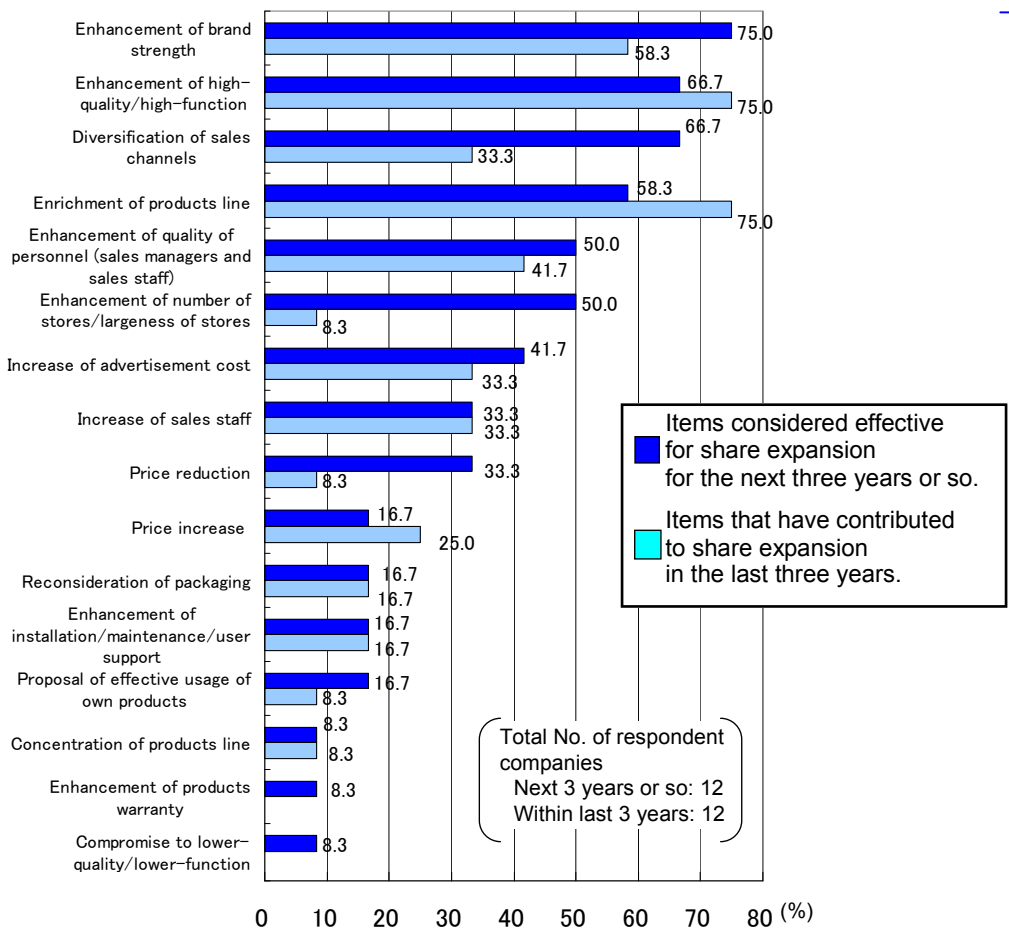
**■ Tendency shown in answers from Automobile and Electrical equipment/Electronics industries which supply finished goods is almost same as answers from all industries, though, certain companies also recognize price reduction is effective.**

- Among companies in Automobile (Assembly and Parts) and Electrical equipment/Electronics industries both of which supply finished goods, "Enhancement of brand strength", "Enhancement of high-quality/high-function", "Enrichment of products line", "Enhancement of installation/maintenance/user support" and "Enhancement of quality of personnel" were ranked high as subjects considered to be effective for market share increase in next 3 years or so. It shows the same tendency as Figure 87 and 88 of previous page which were calculated based on answers from companies supplying finished goods of all industries.
- A certain difference from the tendency in all industries is the fact that many answers indicated "Price reduction". Percentage of answers for this subject increased from 40.0% for past 3 years to 54.5% for next 3 years or so in Automobile and from 27.6% to 56.7% in Electrical equipment & Electronics, respectively.

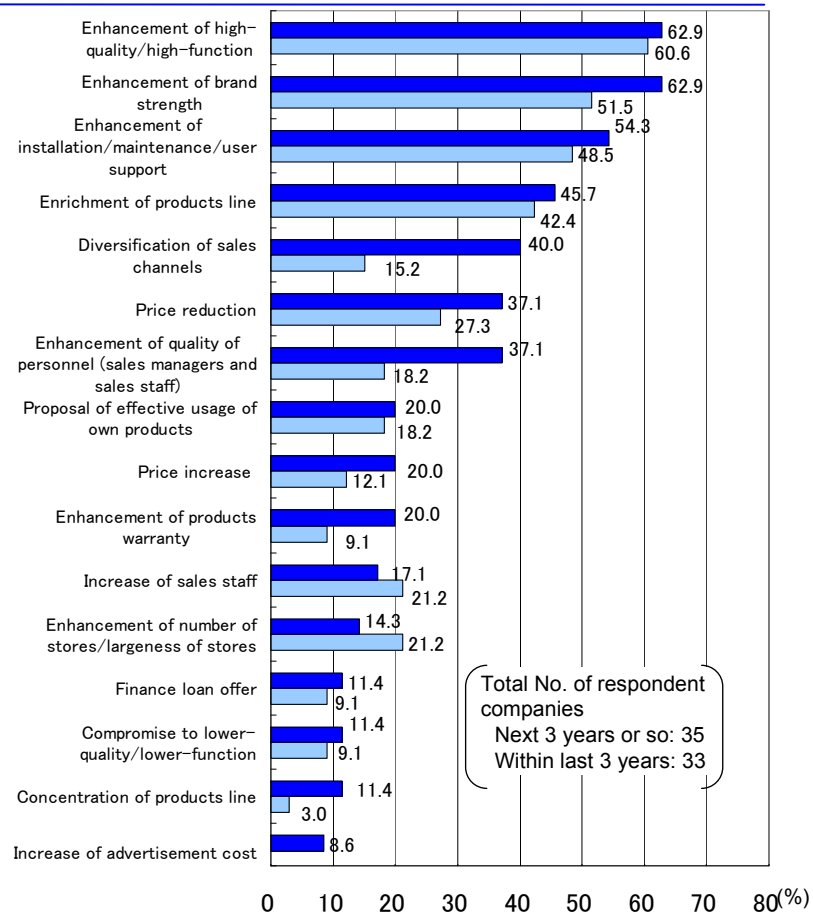
- Items considered effective for share expansion for the next three years or so.
- Items that have contributed to share expansion in the last three years.

(Note) Among companies positioned to Finished product manufacturers & sellers, "Finance loan offer", "Reconsideration of packaging" and "Others" were not included in answers from Automobile industry.

**Figure 89-3: Finished Product Manufacturers & Sellers: Chemicals (including plastics products)/Pharmaceuticals**



**Figure 89-4: Finished Product Manufacturers & Sellers: General Machinery (Assembly and Parts)**



**Companies in Chemical/Pharmaceuticals industries recognize enhancement of sales power effective for market share increase.**

• Among companies in Chemical/Pharmaceuticals industries supplying finished goods, while percentage of answers for "Enhancement of brand strength" (75.0%), "Diversification of sales channels" (66.7%), "Enhancement of quality of personnel" (50.0%) and "Enhancement of number of stores/largeness of stores" (50.0%) increased as factors of market share increase in next 3 years and so, "Enhancement of high-quality/high-function" and "Enrichment of products line" which were key factors of market share increase in past 3 years decreased. This indicates companies recognize enhancement of sales power will be effective to increase their market share in next 3 years or so.

**General machinery industry considers "Enhancement of high-quality/high-function" and "Enhancement of brand strength and service" are key factors for their market share increase.**

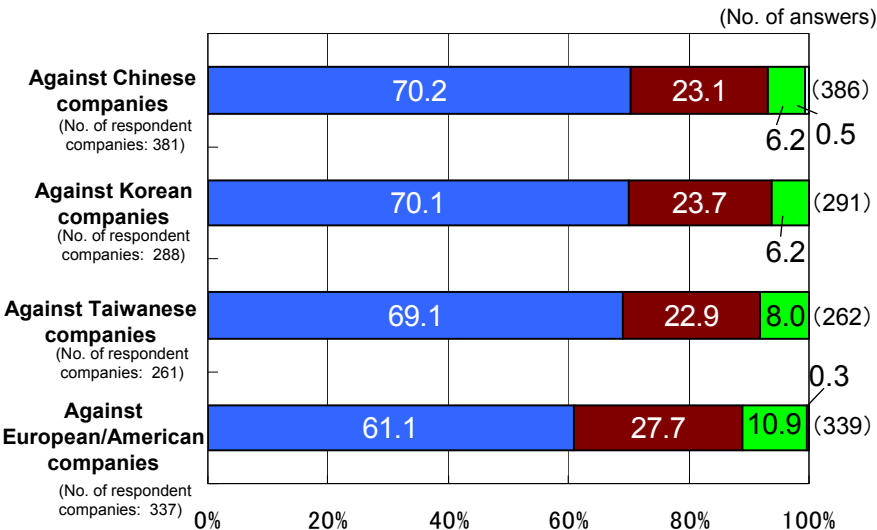
• Among companies in General machinery industry which supply finished goods, answers focused on "Enhancement of high-quality/high-function" (62.9%), "Enhancement of brand strength" (62.9%) and "Enhancement of installation/maintenance/user support"(54.3%) as subjects considered effective to increase market share in next 3 years or so, as well as past 3 years.

(Note) Among companies positioned to Finished product manufacturers & sellers, "Finance loan offer" and "Others" were not included in answers from Chemical industry. "Reconsideration of packaging" and "Others" were not included in answers from General machinery industry.

## VI. 2. (6). Middle Term Competition Strategy in Emerging Asian Market

Q. Companies were requested to choose one from four strategies listed below as their middle term scheme (next 3 years or so) to concentrate their management resources to establish competitive advantages against Chinese, Korean, Taiwanese and European/American companies respectively in emerging Asian markets.  
 (1) Differentiation (quality, brand, service, etc.) (2) Cost reduction (3) Niche (4) Reduction of business/withdrawal

**Figure 90: Middle Term Competition Strategy (All Industries)**

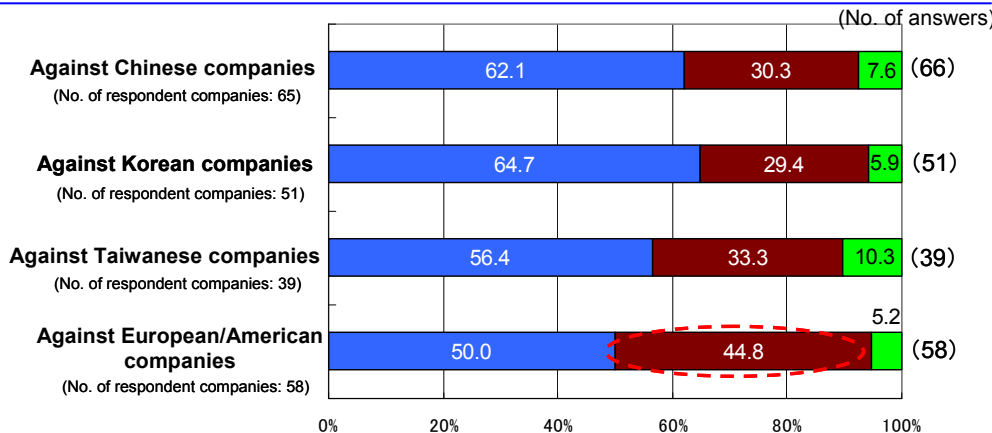


(Note) Difference between No. of respondent companies and No. of answers is due to including responses from companies that answered 2 or more strategies. Here, diagrams show distribution ratio subject to Total No. of answers is 100%.

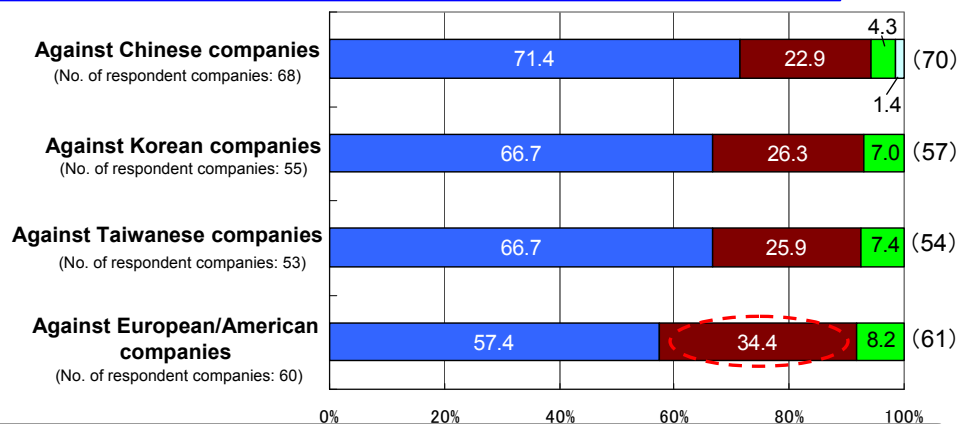
- Concentrate to differentiation (quality, brand, service, etc.) in markets in competition
- Concentrate to cost reduction in markets in competition
- Concentrate management resources to niche market with no competition
- Reduction of business/withdrawal (Note)

(Note) Reduction of business in each market in ASEAN 5, China and India or withdrawal from that.

**Figure 91: Middle Term Competition Strategy of Automobile (Assembly and Parts) Industry**



**Figure 92: Middle Term Competition Strategy of Electrical Equipment/Electronics (Assembly and Parts) Industry**



**■ They show standpoints to establish competitive advantage through differentiation of quality and such in emerging Asian markets. Some companies also plan low price strategies against European/American competitors.**

- Many of Japanese manufacturing companies indicated their strategies in which business resources are concentrated into differentiation of quality, brand, services and such against every competitor in markets in competition. Also, in an interview survey from Japanese companies, quality enhancement, enhancement of brand strength and enrichment of services were mentioned as their definite schemes for differentiation in markets in competition.
- Competition strategy of Automobile and Electrical equipment & Electronics industries are shown in Figure 91 and 92. In Automobile industry, nearly half the number of companies (44.8%) indicated their idea to create a lower cost strategy in markets in competition with European/American companies, to which opinions such as, "Cost competition cannot be avoided because the technology levels of both Japanese and European/American companies are almost the same." seemed to be reflected. In Electrical equipment & Electronics industries, differentiation is also their key competition strategy where percentage of companies scheming for the lower cost approach as their competition strategy against European/American companies marked higher (34.4%) when compared with all industries.

**Figure 93: Prospect for Coordination/Cooperation**

(No. of respondent companies : 394)

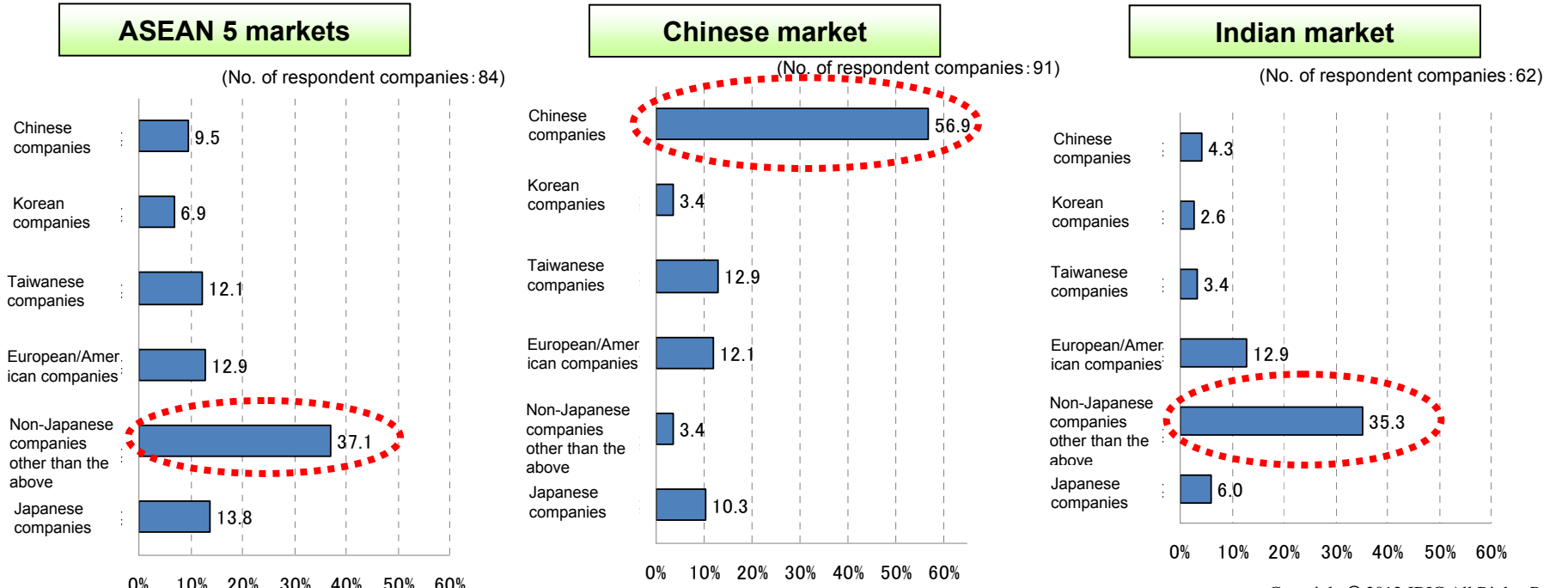


Q. For companies that answered the question in Figure 90, another question was put asking whether they have any middle term prospect (in next 3 years or so) of coordination/cooperation with other entities (including M&A and alliance) to fulfill the competition strategy they chose.

- **Companies planning Coordination/Cooperation with other entities are limited to about 30% (29.4%).**
  - Companies which had middle term prospect (in next 3 years or so) of coordination/cooperation with other entities (including M&A and alliance) are 116 out of total 394 (29.4%); the percentage reached about 30%.
- **Local companies are supposed as the business partners in general.**
  - As to business partners in emerging Asian markets, answers from companies indicating non-Japanese companies other than Chinese, Korean, Taiwanese and European/American were the most for ASEAN 5 and Indian markets (37.1% and 35.3% respectively) while those for Chinese companies were the most for Chinese market (56.9%).
  - In an interview survey from Japanese companies, many answered to mention local companies as such non-Japanese companies. Also many companies mentioned the purpose of such coordination/cooperation was reinforcement of sales power; some commented, "To expand customer base to local manufacturers, it is inevitable to establish sales channels including collection of bills in cooperation with local companies." (Chemical).

**Figure 94: Business Partner Candidates of Coordination/Cooperation for Competition Success in Emerging Asian Market (including M&A and Alliance)**

(Multiple answers)



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## **VII. Results of Additional Survey**

## VII 1. Survey Overview (Additional Survey)

## Survey Overview

- **Purpose of survey:** This survey has been made with consideration of the relationship between Japan and neighboring countries in and after August 2012 and intended to check if there has been any change of Japanese manufacturing companies' views on their approaches to business operations in China, Taiwan, and Korea (see Note) since the time of their previous responses to JBIC survey research made in July 2012.

Note: "Business operations in China, Taiwan, and Korea" is defined as production, sales, and R&D activities at overseas affiliates, as well as outsourcing of manufacturing and procurement in China, Taiwan, and Korea.

- **Target companies:** 613 companies that responded to the 24th survey on overseas business operations (JBIC FY2012 survey).
- **Number of companies surveyed:** 613
- **Number of respondent companies:** 327 (Response rate: 53.3%)
- **Method of response:** Web-based survey using the Internet
- **Period of response:** Monday, November 5 to Tuesday, November 20, 2012
- **Main survey topics:**
  - Impact on business operations in China, Taiwan, and Korea
  - Concrete influence on current and future business operations in China
  - Behavioral change of Chinese clients
  - Changes in the countries or regions for promising business operations
  - Attitude changes in business operations in China
  - Sales level of business operations in China
- **Supplementary Info:** JBIC made a similar additional survey regarding business operations in China FY2010. Some results of FY2010 additional survey are available in this section in order to compare with the results of additional survey this time if the comparison is possible.  
(Number of respondent companies in FY2010 additional survey: 416, response rate: 68.8%)

Figure 95: No. of Respondent Companies by Industrial Classification

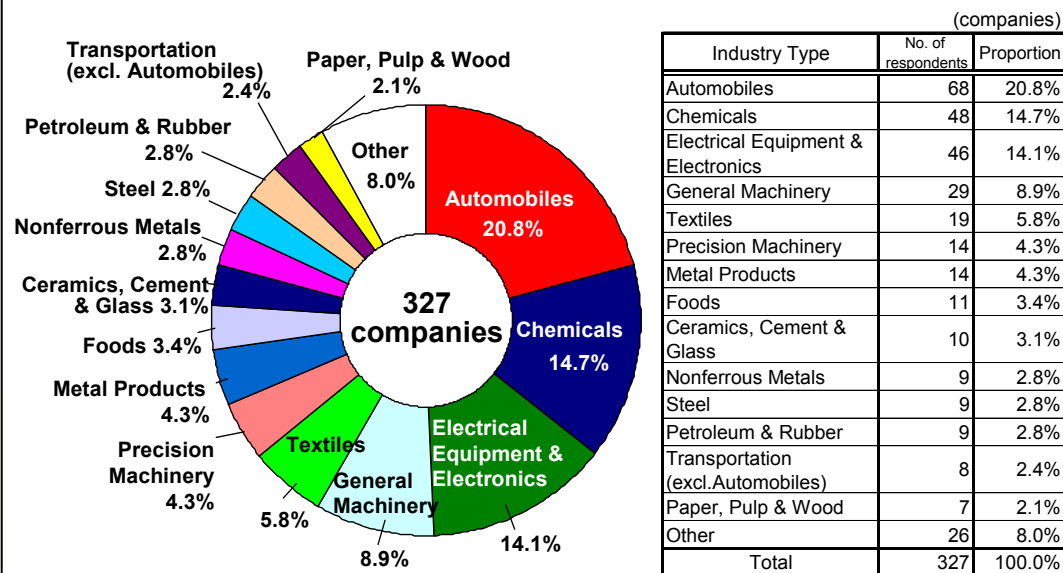


Figure 96: No. of Respondent Companies by Capital

Paid-in Capital	No. of respondents	Proportion
Less than ¥300 mn.	48	14.7%
¥300 mn. up to ¥1 bn.	42	12.8%
¥1 bn. up to ¥5 bn.	74	22.6%
¥5 bn. up to ¥10 bn.	51	15.6%
¥10 bn. or more	105	32.1%
Holding company	7	2.1%
<b>Total</b>	<b>327</b>	<b>100.0%</b>

Figure 97: No. of Respondent Companies by Net Sales

Net Sales	No. of respondents	Proportion
Less than ¥10 bn.	43	13.1%
¥10 bn. up to ¥50 bn.	115	35.2%
¥50 bn. up to ¥100 bn.	52	15.9%
¥100 bn. up to ¥200 bn.	46	14.1%
¥200 bn. up to ¥300 bn.	12	3.7%
¥300 bn. up to ¥500 bn.	24	7.3%
¥500 bn. up to ¥1 trillion	17	5.2%
¥1 trillion or more	17	5.2%
No response	1	0.3%
<b>Total</b>	<b>327</b>	<b>100.0%</b>



- **With consideration of the change in the situation over Takeshima and the Senkaku Islands, approximately 84% of the respondent companies this time do not think that the situation has any particular influence on their business operations in Taiwan or Korea. On the other hand, however, approximately 65% of the respondent companies centered on the automotive business recognize that the situation has been adversely affecting their business operations in China. In a similar question asked two years ago, approximately 23% of the respondent companies answered that their business operations were adversely affected. The survey this time indicates that the Japanese manufacturing companies recognize that the change in the situation has been more seriously affecting their business operations in China than two years ago.**
- **A large number of respondent companies pointed out that damage to their business partners and boycotts on Japanese goods adversely affected their production and sales or their voluntary restraint of business trips influenced the overall business. These companies predict that their production and sales will be adversely affected continuously. About 53 % of the respondent companies answered that their sales levels have been declined since the change in the situation and about 51 % predict that the sales levels will not return to the previous state for half a year.**
- **With respect to the evaluation of China as a promising country for business operations over a medium-term, China continued to secure the 1st position in spite of nearly half of responding companies indicating that they considered the evaluation of China to have declined from results of questionnaire conducted in July 2012, while the gap with 2nd ranked India shrank further in terms of the ratio of votes as promising. On the other hand, the number of responding companies that regarded Indonesia, Mexico, Thailand and others as promising increased as well.**
- **With respect to change in attitudes related to commitment to Chinese business in the future, while over 60% of responding companies expressed “rethought” or felt “act cautiously”, three out four of them responded that “While continuing commitment to Chinese business in the future, importance of risk diversification to other countries/regions is recognized”. The 13 companies that responded to strengthen their engagement in other countries or regions have a policy to “conduct review so as to reduce the degree of dependency on Chinese business or market” mainly through “scale-back by reduction of additional and renewal investment”, but none of them responded to “completely withdraw from business operations in China and Chinese market”. It can be interpreted that Japanese manufacturing companies maintain a stance to continue to engage in Chinese businesses more cautiously, attempting to diversify risk involved.**

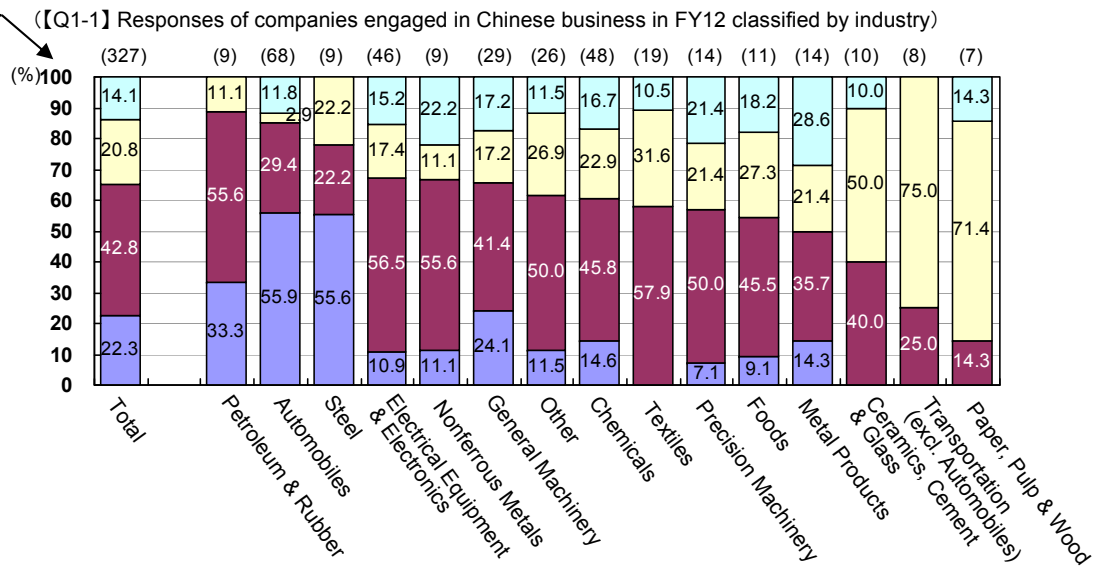
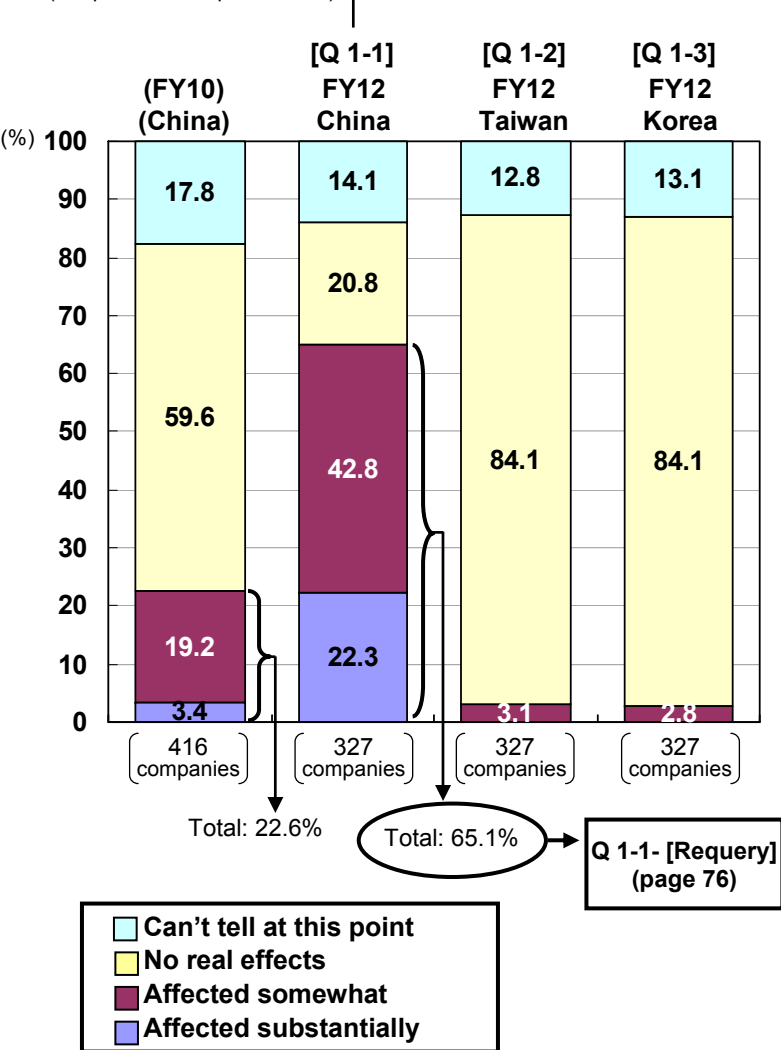
Figure 98: Influence on Business Operations in China, Taiwan, and Korea

[Q1-1] (About business operations in China) Some Japanese companies received damage in and after September this year from the occurrence of anti-Japanese demonstrations triggered by the acquisition and ownership of the Senkaku Islands by the Japanese government. Do you feel that your business operations in China have been adversely affected by the anti-Japanese demonstrations?

[Q1-2] (About business operations in Taiwan) Do you feel that your business operations in Taiwan have been adversely affected by the anti-Japanese demonstrations?

[Q1-3] (About business operations in Korea) Do you feel that your business operations have been adversely affected since Korean President Lee landed in Takeshima on August 10 this year?

(Respondent companies: 327)



■ **Two (65.1%) out of every three respondent companies recognize that their business operations in China have been negatively impacted. The number of companies affected was approximately twice as high as that in the previous survey.**

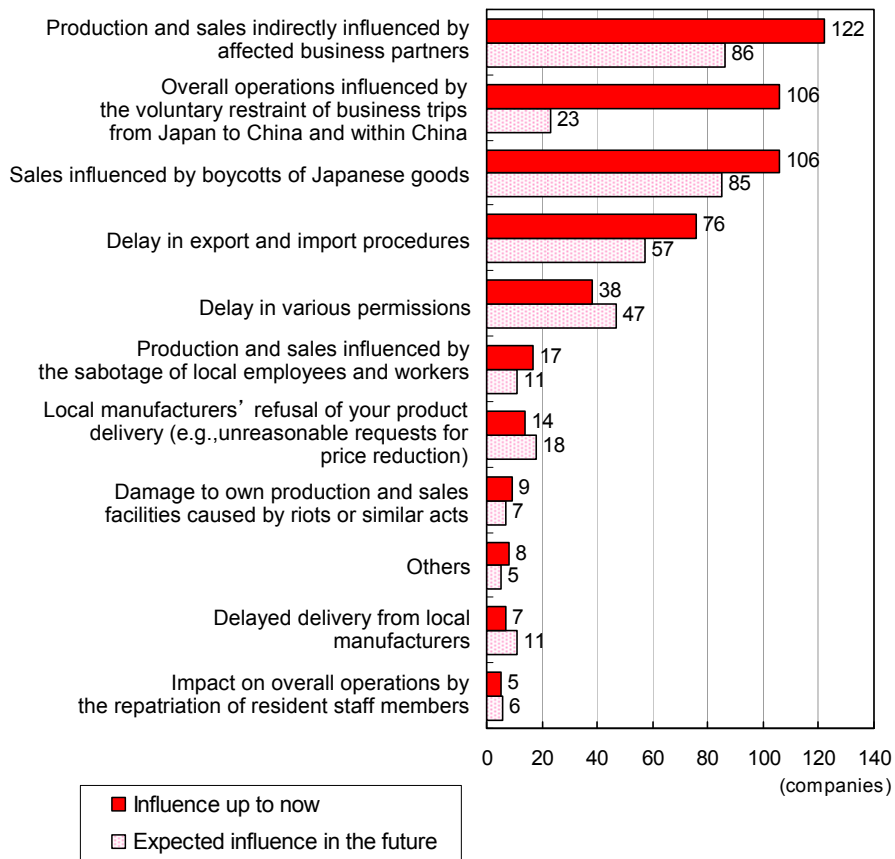
- The companies responding to the additional survey were asked about the negative influence of issues over the Senkaku Islands on their business operations in China, and 73 companies (22.3%) selected "1. Affected substantially" for their answers, 140 companies (42.8%) selected "2. Affected somewhat". That is, 213 companies (65.1%) were more or less influenced. At the time of a similar additional survey conducted in fiscal 2010, a total of 94 companies (22.6%) answered that they were affected somewhat. This means the number of companies affected increased by approximately 2.3 times.
- Companies selecting "1. Affected substantially" or "2. Affected somewhat" for their answers about their business operations in China were classified by industry to obtain the respective response ratios. Many companies in the petroleum and rubber industry (88.9%), automobile (including automobile assembly and auto parts) industry (85.3%), and steel industry (77.8%) feel that they have been affected substantially. Companies in the paper, pulp, and wood industry (14.3%), transportation industry (25.0%), and ceramics, cement, and glass industry (40.0%) feel that they have had no real effects.
- On the other hand, 10 companies (3.1%) answered that their business operations in Taiwan have been affected somewhat while nine companies (2.8%) answered that their business operations in Korea have been affected somewhat, 80% of the companies selected "3. No real effects" for their answers about their business operations.

# VII. 4. Concrete Influence on Business Operations in China

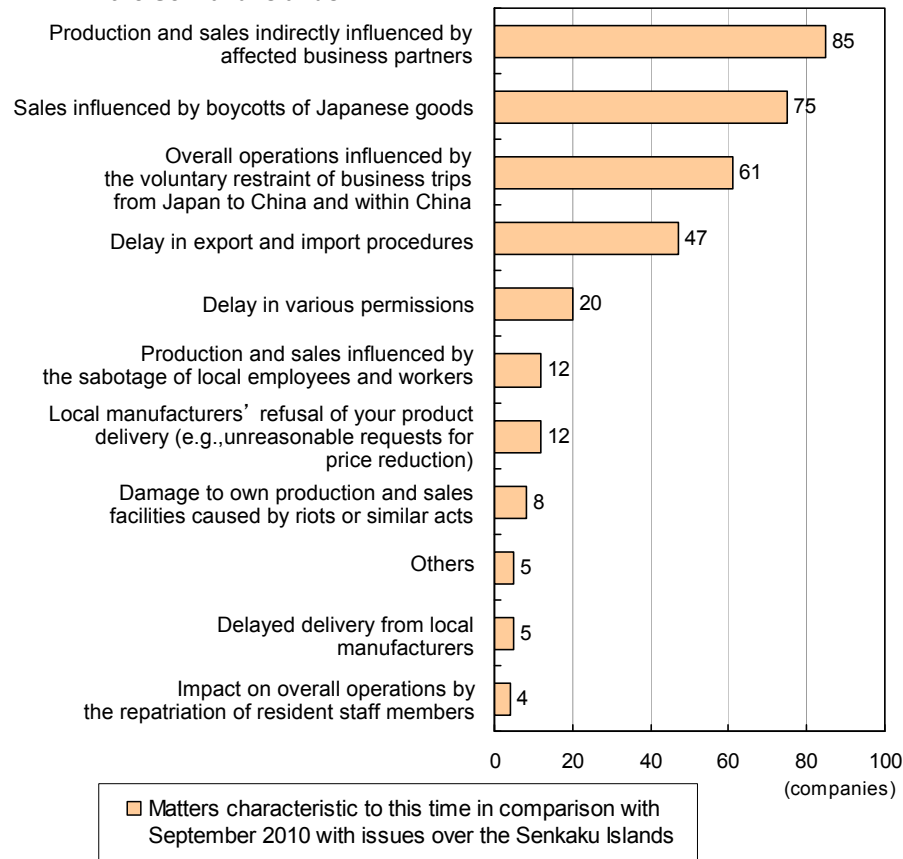
**Figure 99: Concrete Influence on Business Operations in China**

[Q 1-1: Requery] This is a question about concrete influences on business operations in China for companies that selected 1. or 2. in Q 1-1. Please select your answer for (1) Influences up to now, (2) Expected influences in the future, and (3) Influences that are characteristic to the present in comparison with those in September 2010 involving issues over the Senkaku Islands (multiple answers allowed). (Respondent companies: 213)

**(1) Influences up to now and (2) Expected influences in the future**



**(3) Difference in influence from September 2010 with issues over the Senkaku Islands**

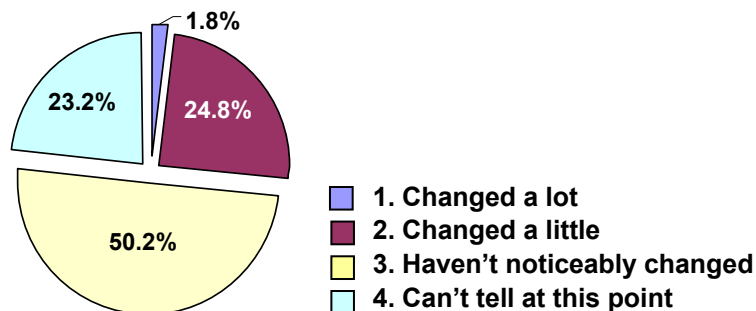


**Major influences on the industry were an indirect influence on production and sales, an overall influence on business as a result companies' voluntary restraint of business trips, and a direct influence on sales caused by boycotts on Japanese goods. Major influences expected in the future are an indirect influence on production and sales, a direct influence on sales caused by boycotts on Japanese goods, and a delay in export and import procedures.**

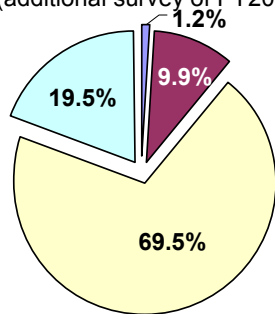
- A decreasing number of companies have shifted their voluntary restraint of business trips (decreased to 23 companies from 106 companies) while answering that their business operations in China have been affected substantially or affected somewhat, but they are expecting an indirect influence on production and sales and boycotts on Japanese goods. An increasing number of companies expect delays in various permissions affected by the issues (increased to 47 companies from 38 companies). The companies surveyed answered that an indirect influence on production and sales, boycotts on Japanese goods, and the voluntary restraint of business trips have been influences that are characteristic to the present in comparison with September 2010 with issues over the Senkaku Islands.

**Figure 100: Customers' (Chinese People's) views/attitudes on Respondent Companies**

[Q. 2] Have you felt that the views/attitudes of your Chinese business counterparts (e.g. govt. officials, trading partners, local employees, customers, etc.) changed since the recent situation change? (Respondent companies: 327)



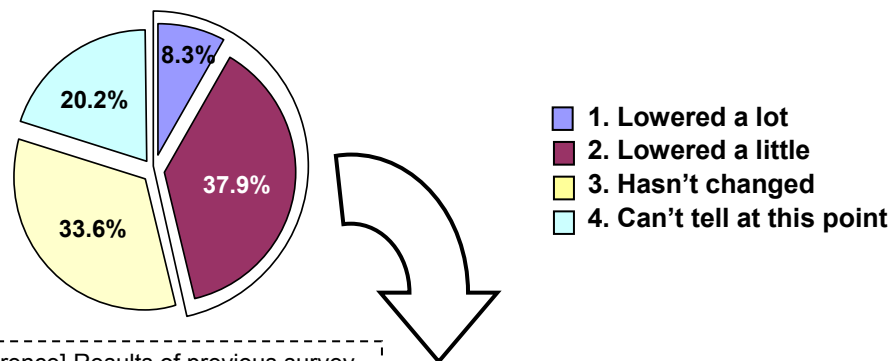
[Reference] Results of previous survey (additional survey of FY2010)



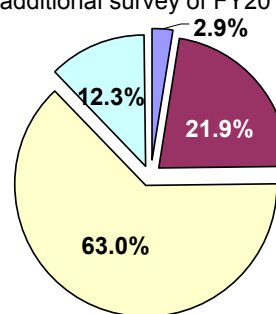
(Respondent companies: 416)

**Figure 101: Respondent Companies' Assessment of China as a Promising Country**

[3-1] Has your assessment of China changed since the recent situation change regardless of your answer to the question about the promising countries/regions for overseas business over the medium term in the questionnaire you answered in July this year? (Respondent companies: 327)



[Reference] Results of previous survey (additional survey of FY2010)



(Respondent companies: 416)

Please see the left chart in the next page, 78, for the change of the ranking of China as a promising country answered by these 151 companies (46.2%) which selected "1. Lowered a lot" or "2. Lowered a little"

**Approximately 30% of the respondent companies have felt changes in the views/attitudes of their Chinese business counterparts.**

- A little less than 30% (26.6%) of the respondent companies have felt that the views/attitudes of their Chinese business counterparts changed since the recent situation change.
- Approximately 10% (11.1%) of companies that responded to the previous survey answered that the views/attitudes changed a lot or changed a little. This infers that the respondent companies this time have strongly felt changes in the views/attitudes of their Chinese business counterparts.

**While the number of votes to China as a promising country for business operations began to decrease, the situation change this time became a good opportunity for Japanese manufacturers to rethink the value of China for business operations.**

- Recently, percentage share of China as a promising country for business operations over medium-term is in a decline after hitting its peak in FY2010 (see page 23) and 46.2% of respondent companies answered that they considered the evaluation of China as a promising country to have declined after situation change in August 2012 (the sum of percentage of companies selected "1. Lowered a lot" and "2. Lowered a little"). In the previous survey (additional survey of FY2010), the sum of the percentage of the respondent companies selected "1. Lowered a lot" and "2. Lowered a little" is 24.8%. Therefore, this shows that over twice as many companies have lowered the evaluation of China as a promising countries with respect to the percentage share.
- However, based on the answers about the rankings of promising countries/regions for overseas business operations over the medium-term as shown in the next page, 126 of 151 companies, which selected "1. Lowered a lot" or "2. Lowered a little", didn't change the ranking of China as a promising country and only 24 responded companies changed the ranking of China downward. In addition, these 151 companies averagely lowered their ranking of China as a promising country by 0.5 from their previous ranking in July.

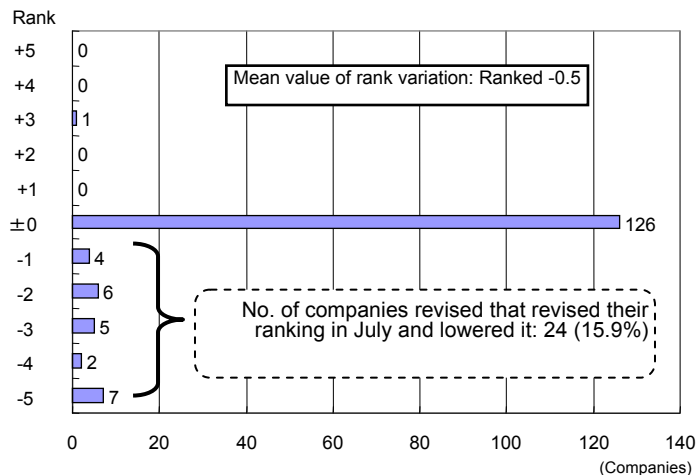
**Figure 102: Recounted Ranking of Promising Countries/Regions for Business Operations**

[Q 3-2] Regardless of your response to the question (Q9(1)) over promising countries/regions for overseas business over the medium term (next 3 yrs. or so) in the questionnaire survey made in July this year, what is your present answer about it in view of the recent situation change? If your answer is different from your previous answer, reselect the top five countries/regions as promising countries. (Respondent companies = 288)

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

Changes in the ranking of China in the list of promising countries/regions for overseas business over the medium term (next 3 yrs. or so) as answered by 151 companies (46.2%), which selected 1. Lowered a lot or 2. Lowered a little for Q3-1 in the survey made in July this year (see note 1).

(Respondent companies = 151)



Note 1: Each company listed the top five promising countries/regions for overseas business over the medium term. Therefore, the ranking fluctuation range is  $\pm 5$ .

Ranking			Country/Region	No. of respondent companies (Total: 288)			Percentage Share	
Added this time	← July survey Recounted			Added this time	July survey Recounted	Increase or decrease	Added this time	July survey Recounted
1	—	1	China	172	184	▲ 12	59.7%	63.9%
2	—	2	India	164	163	1	56.9%	56.6%
3	—	3	Indonesia	130	118	12	45.1%	41.0%
4	▲	5	Thailand	102	97	5	35.4%	33.7%
4	—	4	Vietnam	102	99	3	35.4%	34.4%
6	—	6	Brazil	63	62	1	21.9%	21.5%
7	—	7	Mexico	48	41	7	16.7%	14.2%
8	—	8	Russia	35	35	0	12.2%	12.2%
9	—	9	Myanmar	34	33	1	11.8%	11.5%
10	—	10	USA	30	26	4	10.4%	9.0%
11	—	11	Malaysia	27	23	4	9.4%	8.0%
12	▲	14	Korea	13	9	4	4.5%	3.1%
13	▼	12	Turkey	11	11	0	3.8%	3.8%
14	▲	17	Philippines	10	7	3	3.5%	2.4%
14	▼	12	Taiwan	10	11	▲ 1	3.5%	3.8%
16	▼	14	Cambodia	9	9	0	3.1%	3.1%
17	▼	14	Singapore	8	9	▲ 1	2.8%	3.1%
18	—	18	Australia	7	6	1	2.4%	2.1%
19	▼	18	Bangladesh	5	6	▲ 1	1.7%	2.1%
20	—	20	Germany	3	4	▲ 1	1.0%	1.4%

Note 2: Figure 102 shows the re-ranking of promising countries/regions based on 288 respondent companies' answers. This is a little different from the ranking surveyed in July (see page 22 of FY2012 Survey Report on Overseas Business Operations by Japanese Manufacturing Companies).

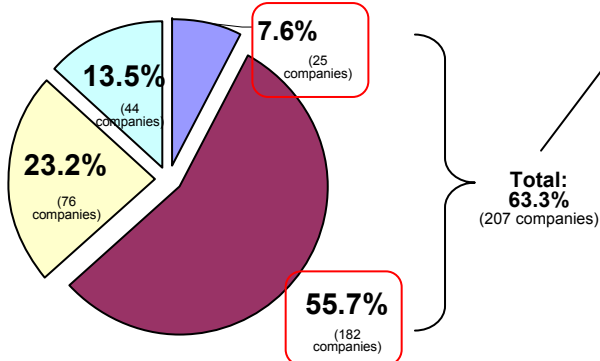
■ **China continued to secure the 1<sup>st</sup> position as a promising country for business operations over a medium-term while the gap with 2<sup>nd</sup> ranked India shrank further. On the other side, the number of countries selecting Asian countries, the United States and Mexico as promising has increased.**

- The ranking of promising countries/regions for overseas business operations over the medium term was recounted based on the responses of 288 companies that answered the question about promising countries/regions for overseas business operations in the July 2012 survey and the same question in the additional survey this time. Among them, 35 companies' answers were different from their previous answers in the survey made in July 2012 and 12 companies removed China from the list of promising countries in overseas business operations.
- Figure 102 shows the results, in which the ranking of top countries show almost no change, but the difference between China and India in the number of respondent companies selected gets further reduced and the difference in percentage shares gets narrowed to 2.8 points. However, China continued to secure the 1<sup>st</sup> position as promising.
- At the same time, an increasing number of respondent companies have selected Indonesia (increased by 12 countries) as a country promising overseas business operations, followed by Mexico (increased by seven countries), Thailand (increased by five countries), the United States, Korea, and Malaysia (increased by four countries each). This has shown that Asian countries, the United States and Mexico as promising countries for business operations have been attracting more attention of the respondent companies.

# VII. 7. Changes in Your Views on Approaches to Business Operations in China

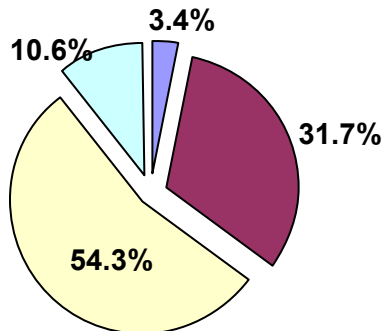
**Figure 103: Changes in Your Views on Approaches to Business Operations in China**

[Q4] Have your views on future approaches to business operations in China changed? (Respondent companies = 327)



- 1. Came to feel that the matter needs to be rethought
- 2. Direction has yet to be decided but we came to feel that the need to monitor the situation and act cautiously
- 3. Haven't changed
- 4. Can't tell at this point

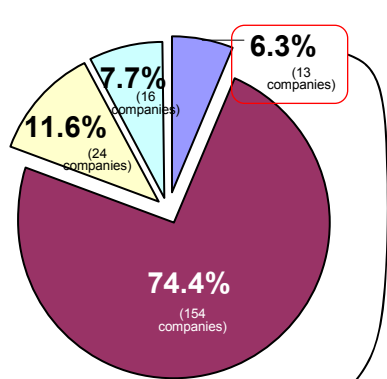
[Reference] Results of previous survey (additional survey of FY2010)



Note: There is no difference in choices between the FY2010 question and FY2012 question. (Respondent companies = 416)

**Figure 104: Vision for Future Business Operations in China and Chinese Market**

[Q4.-Requery (1)] (A question to those who selected 1. or 2. in Q4.) Select the answer that is the closest to your company's response regarding your vision for future business operations in China and the Chinese market. (Respondent companies = 207)



- 1. We are aware that there are risks inherent in doing business in China, so we plan to change things, for example by reducing dependence on Chinese business/market, and to bolster efforts in other countries/regions
- 2. We will continue to do business in China, but at the same time, we feel that diversifying risk to other countries/regions is important
- 3. China is important as a market and business client, so we will continue to pursue business there as usual
- 4. Don't know at this point

[Q4.-Requery (2)] (A question to those who selected (1.) in Requery (1) above) Select the answer that is the closest to your company's response regarding your concrete measures for risk diversification or dependency reduction from the following six choices. (Respondent companies = 13)

Choice	Respondent companies	Composition ratio
1. Complete withdrawal from business operations in China and the Chinese market	0	0.0%
2. Scale reduction by decreasing or curtailing additional and renewal investments in business operations in China	10	76.9%
3. Promotion of exports to the Chinese market from other countries	0	0.0%
4. Promotion of exports to the Chinese market from Japan	0	0.0%
5. Utilization of local companies through agents	1	7.7%
6. Others	2	15.4%
<b>Total</b>	<b>13</b>	<b>100.0%</b>

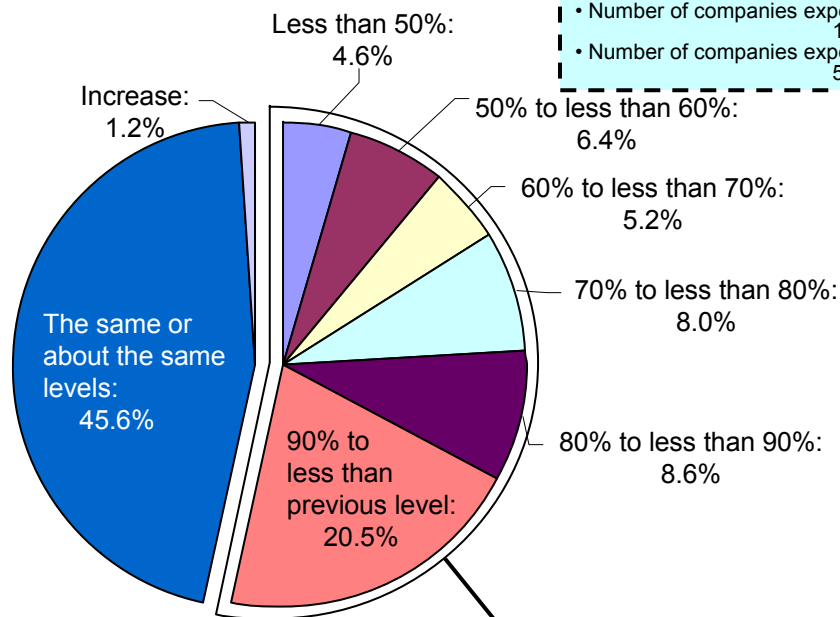
**■ The results show that 63.3% of respondent companies answered that business operations in China need to be rethought or need to monitor the situation and act cautiously.**

- As shown in the Figure 103, more than half the respondent companies (55.7%) selected "2. Direction has yet to be decided but we came to feel the need to monitor the situation and act cautiously" while 7.6% selected "1. Came to feel that the matter needs to be rethought". In the previous survey (FY2010 survey), more than half the respondent companies (54.3%) selected "3. Haven't changed". This indicates that the respondent companies' views have changed since the recent incident and come to think more cautious about business operations in China.
- **Three out of four companies (154 companies, 74.4%), which answered about their business operations in China that the matter needs to be rethought (25 companies) or that they came to feel the need to monitor the situation and act cautiously (182 companies), maintain a stance to continue to engage in Chinese businesses, diversifying risk involved.**
- Figure 104 (Q-4 Requery (1)) shows that 154 companies (74.4%) out of the 207 companies answering that the matter needs to be rethought or they came to feel the need to monitor the situation and act cautiously replied that they will continue their business operations in China while attempting to diversify risks. Ten companies out of the 13 companies (6.3%) answered that they will reduce their dependence on Chinese business/market (with Choice 1 selected) and intended to reduce the scale of their investments. However, as figure 104 (Q4-Requery (2)) shows that there were no companies answering that they will completely withdraw from business operations in China.



[Q5] On the condition that the sales level of your business operations in China was 100 before the acquisition and ownership of the Senkaku Islands by the Japanese government, state your 1. Current sales level (at the time of answering this questionnaire) and 2. Expected sales level in half a year. (Respondent companies = 327)

Figure 105 (1): Current Sales Level

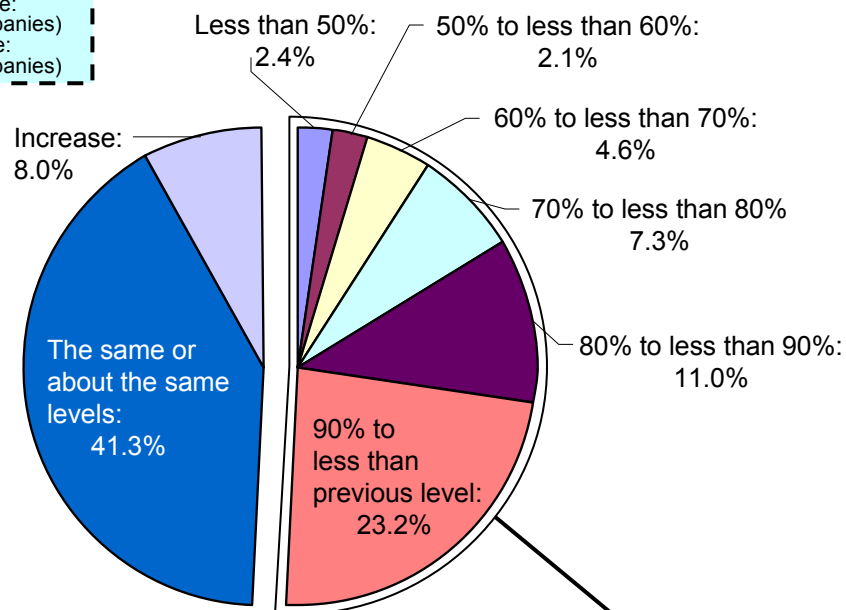


Companies with a decrease in sales level: 53.2%

Change in sales level from (1) to (2)

- Number of companies expecting an increase: 32.7% (107 companies)
- Number of companies expecting a decrease: 12.2% (40 companies)
- Number of companies expecting no change: 55.0% (180 companies)

Figure 105 (2): Expected Sales Level in Half a Year



Companies expecting that their sales will not return to previous levels in half a year: 50.8%

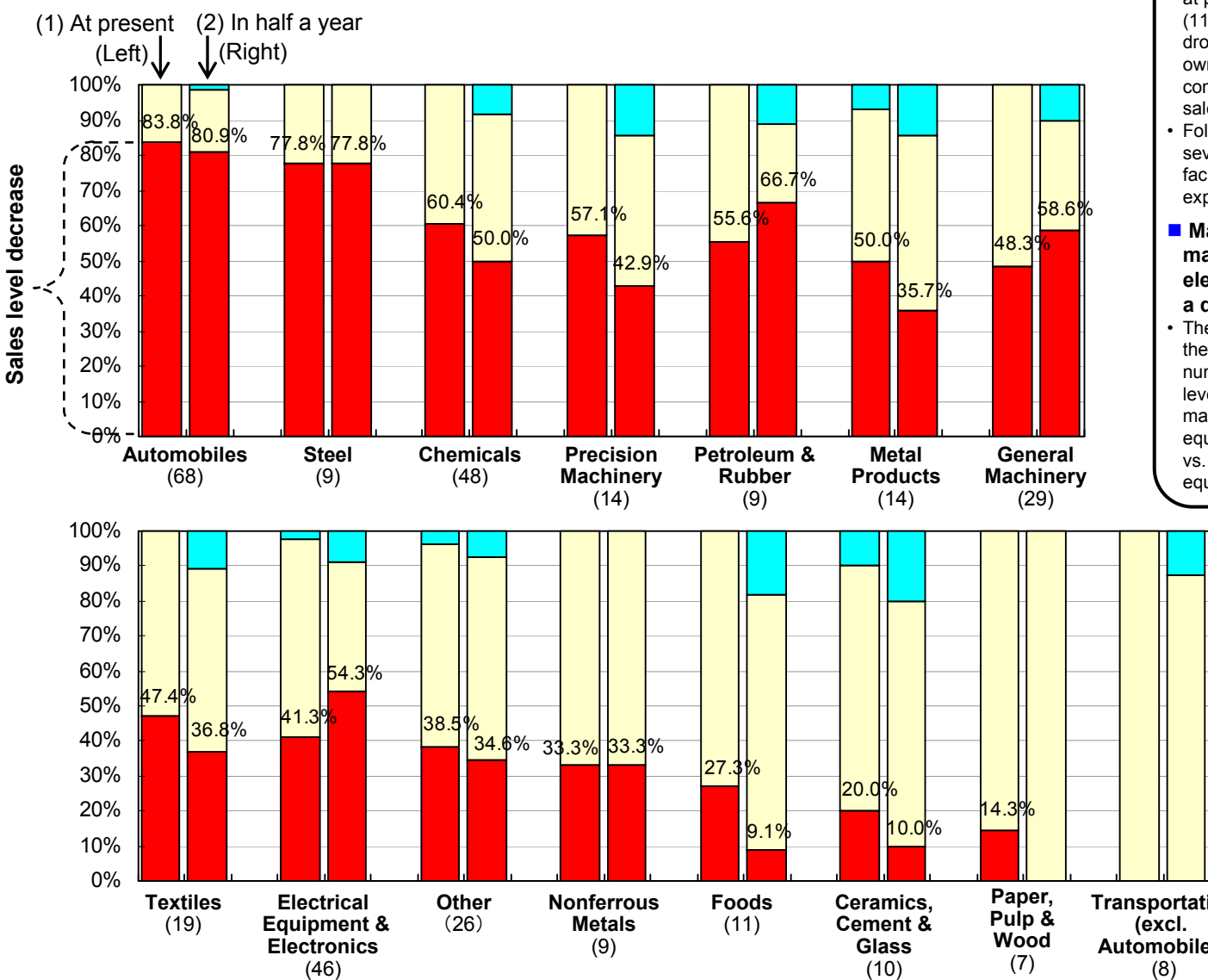
**■ After the acquisition and ownership of the Senkaku Islands, 53.2% of the companies dropped their sales levels, and 50.8% expect that their sales levels will not return to the original state in six months.**

- As many as 174 companies (53.2%) answered that the sales levels of their business operations in China dropped after the acquisition and ownership of the Senkaku Islands. On the condition that the sales level of each corresponding company's business operations in China was 100 before the acquisition and ownership of the Senkaku Islands, as many as 67 companies (20.5%) answered that their level attainment was within a range of 90% to less than the previous level, followed by 28 companies (8.6%) with their level attainment within a range of 80% to less than 90%. Companies with their attainment level less than 80% totaled 79 companies (24.2%). Therefore, one out of every four companies answered that their level attainment range was less than 80%.
- As many as 166 companies (50.8%) predict that their level attainment range in half a year will be lower than that before the acquisition and ownership of the Senkaku Islands. Half the companies expect that their sales levels will not return to the previous state.
- The opinions of the respondent companies about the transition of their sales levels in half a year vary. As many as 107 companies (32.7%) expect that their sales levels will rise in half a year while 40 companies (12.2%) expect that their sales levels will drop. Each type of business has a characteristic opinion. As many as 33 companies out of 64 respondent manufacturers of auto parts (51.6%) predict that their sales levels will rise in half a month while eight companies out of 29 manufacturers of electric and electronic parts (27.6%) predict that their sales levels will drop



[Q5 (Classified by Industry)] The items “1. Current sales level (at the time of answering this questionnaire)” and “2. Expected sales level in half a year” in the previous page answered by each respondent company were collected and classified by industry. The following graphs show the component percentages of the respondent companies in each industry classified by the answers “Increase,” “The same or about the same levels,” and “Decrease.” (see note 3).

Figure 106: Sales Levels Classified by Industry ((1) At Present and (2) Expected in Half a Year)



**■ The sales levels of automobiles and steel have significantly dropped.**

- As many as 57 companies (83.8%) in the automobile industry answered that their sales levels at present have become lower. Eight companies (11.8%) answered that their sales levels have dropped below 50% since the acquisition and ownership of the Senkaku Islands and 80.9% (55 companies) of the companies surveyed that their sales levels will not recover in half a year.
- Following the companies in the automobile industry, seven companies (77.8%) in the steel industry are facing a decline in their sales levels at present and expect a decline in half a year as well.

**■ Many companies engaged in general machinery, oil and rubber products, and electrical equipment and electronics expect a decline in their sales levels in half a year.**

- The number of companies expecting a decline in their sales levels in half a year is larger than the number of those reporting a decline in their sales levels at present in the industries of general machinery, oil and rubber products, and electrical equipment and electronics. (General machinery: 14 vs. 17, oil and rubber products: 5 vs. 6, electrical equipment and electronics: 19 vs. 25)

**■ Increase**  
**■ The same or about the same levels**  
**■ Decrease (see note 3)**

Note 1: Figures in parentheses show the number of respondent companies.  
 Note 2: Industries are arranged in percentage order of companies facing a decline in their sales levels.  
 Note 3: Companies falling under the category of “Decrease” refer to those with their sales levels dropped to  
 90% to less than 100%,  
 80% to less than 90%,  
 70% to less than 80%,  
 60% to less than 70%,  
 50% to less than 60%, or  
 less than 50%  
 of their previous levels.

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# Appendices

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

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

Rank	FY2012 Survey	No. of Companies	Percentage share (%)	FY2011 Survey	No. of Companies	Percentage share (%)	FY2010 Survey	No. of Companies	Percentage share (%)	FY2009 Survey	No. of Companies	Percentage share (%)	FY2008 Survey	No. of Companies	Percentage share (%)
1	China	319	62.1	China	369	72.8	China	399	77.3	China	353	73.5	China	297	63.1
2	India	290	56.4	India	297	58.6	India	312	60.5	India	278	57.9	India	271	57.5
3	Indonesia	215	41.8	Thailand	165	32.5	Vietnam	166	32.2	Vietnam	149	31.0	Vietnam	152	32.3
4	Thailand	165	32.1	Vietnam	159	31.4	Thailand	135	26.2	Thailand	110	22.9	Russia	130	27.6
5	Vietnam	163	31.7	Brazil	145	28.6	Brazil	127	24.6	Russia	103	21.5	Thailand	125	26.5
6	Brazil	132	25.7	Indonesia			Indonesia	107	20.7	Brazil	95	19.8	Brazil	91	19.3
7	Mexico	72	14.0	Russia	63	12.4	Russia	75	14.5	USA	65	13.5	USA	78	16.6
8	Russia	64	12.5	USA	50	9.9	USA	58	11.2	Indonesia	52	10.8	Indonesia	41	8.7
9	USA	53	10.3	Malaysia	39	7.7	Korea	30	5.8	Korea	31	6.5	Korea	27	5.7
10	Myanmar	51	9.9	Taiwan	35	6.9	Malaysia	29	5.6	Malaysia	26	5.4	Taiwan	22	4.7
11	Malaysia	36	7.0	Korea	31	6.1	Taiwan			Taiwan	21	4.4	Mexico	21	4.5
12	Korea	23	4.5	Mexico	29	5.7	Mexico	25	4.8	Mexico	20	4.2	Malaysia	20	4.2
13	Turkey			Singapore	25	4.9	Singapore	21	4.1	Philippines	14	2.9	Singapore	15	3.2
14	Taiwan	22	4.3	Philippines	15	3.0	Philippines	14	2.7	Germany	9	1.9	UAE	14	3.0
15	Philippines	21	4.1	Turkey	12	2.4	Australia	8	1.6	Australia			Germany	13	2.8
16	Singapore	16	3.1	Australia	8	1.6	Bangladesh			Saudi Arabia			Czech Republic		
17	Cambodia	13	2.5	Bangladesh			Turkey			Turkey	8	1.7	Turkey	12	2.5
18	Australia	11	2.1	Cambodia			Germany	7	1.4	Singapore	7	1.5	UK	8	1.7
19	Bangladesh	10	1.9	Myanmar	7	1.4	UK	6	1.2	Czech Republic	6	1.3	Australia		
20	Germany	6	1.2	UK	6	1.2	Myanmar	5	1.0	Canada	5	1.0	South Africa		
							Poland			UK					
							Saudi Arabia			UAE					
							South Africa								
							UAE								

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

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

Rank	FY2012 Survey	No. of Companies	Percentage share (%)	FY2011 Survey	No. of Companies	Percentage share (%)
1	India	251	64.9	India	333	79.3
2	China	218	56.3	China	299	71.2
3	Indonesia	149	38.5	Brazil	196	46.7
4	Brazil	140	36.2	Indonesia	147	35.0
5	Vietnam	110	28.4	Vietnam	146	34.8
6	Thailand	103	26.6	Thailand	114	27.1
7	Russia	78	20.2	Russia	95	22.6
8	Myanmar	65	16.8	USA	36	8.6
9	Mexico	46	11.9	Mexico	25	6.0
10	USA	34	8.8	Malaysia	21	5.0

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

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

Rank	FY2012 Survey	No. of Companies	Percentage share (%)	FY2011 Survey	No. of Companies	Percentage share (%)
1	China	74	57.8	China	93	69.9
2	India	62	48.4	India	73	54.9
3	Indonesia	53	41.4	Vietnam	45	33.8
4	Vietnam	45	35.2	Thailand	38	28.6
5	Thailand	43	33.6	Indonesia	34	25.6
6	Brazil	22	17.2	Brazil	30	22.6
7	Myanmar	19	14.8	Russia	14	10.5
8	Mexico	18	14.1	Malaysia	10	7.5
9	Russia	14	10.9	Mexico	9	6.8
10	USA	13	10.2	USA	8	6.0

# 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.

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

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
	No. of respondent companies	351	100%	283	100%	159	100%	149	100%	138	100%	141	100%	58	100%	47	100%	34	100%	32
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%

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.

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

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
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. Difficulty 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%	-	-

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

Overseas	Strengthen /expand		Maintain present level		Scale back /withdraw	
	2011	2012	2011	2012	2011	2012
Overall	87.2%	84.4%	12.6%	14.8%	0.2%	0.9%
Foods	84.8%	89.3%	15.2%	10.7%	-	-
Textiles	77.4%	73.1%	22.6%	26.9%	-	-
Paper, Pulp & Wood	80.0%	80.0%	20.0%	20.0%	-	-
Chemicals (total)	92.1%	86.0%	7.9%	14.0%	-	-
Chemicals (incl. plastic products)	92.4%	85.9%	7.6%	14.1%	-	-
Pharmaceuticals	90.0%	87.5%	10.0%	12.5%	-	-
Petroleum & Rubber	78.6%	66.7%	21.4%	26.7%	-	6.7%
Ceramics, Cement & Glass	73.3%	92.9%	26.7%	7.1%	-	-
Steel	93.3%	78.9%	6.7%	21.1%	-	-
Nonferrous Metals	94.4%	86.4%	5.6%	9.1%	-	4.5%
Metal Products	85.0%	68.0%	15.0%	32.0%	-	-
General Machinery (total)	87.0%	84.0%	13.0%	16.0%	-	-
Assembly	87.0%	82.2%	13.0%	17.8%	-	-
Parts	87.5%	100.0%	12.5%	-	-	-
Electrical Equipment & Electronics (total)	84.2%	80.9%	15.8%	17.0%	-	2.1%
Assembly	88.9%	94.6%	11.1%	5.4%	-	-
Parts	81.5%	71.9%	18.5%	24.6%	-	3.5%
Transportation (excl. Automobiles)	72.7%	85.7%	18.2%	14.3%	9.1%	-
Automobiles (total)	91.6%	92.2%	8.4%	7.8%	-	-
Assembly	87.5%	87.5%	12.5%	12.5%	-	-
Parts	92.0%	92.6%	8.0%	7.4%	-	-
Precision Machinery (total)	88.6%	87.5%	11.4%	12.5%	-	-
Assembly	88.0%	91.3%	12.0%	8.7%	-	-
Parts	90.0%	77.8%	10.0%	22.2%	-	-
Other	90.0%	86.3%	10.0%	11.8%	-	2.0%

Domestic	Strengthen /expand		Maintain present level		Scale back /withdraw		undecided	
	2011	2012	2011	2012	2011	2012	2011	2012
Overall	25.9%	25.7%	62.0%	56.5%	6.2%	9.5%	5.8%	8.3%
Foods	56.3%	51.9%	43.8%	44.4%	-	3.7%	-	-
Textiles	20.0%	11.5%	63.3%	73.1%	10.0%	7.7%	6.7%	7.7%
Paper, Pulp & Wood	20.0%	20.0%	80.0%	40.0%	-	30.0%	-	10.0%
Chemicals (total)	31.0%	31.4%	55.2%	52.3%	6.9%	4.7%	6.9%	11.6%
Chemicals (incl. plastic products)	29.1%	28.2%	57.0%	53.8%	6.3%	5.1%	7.6%	12.8%
Pharmaceuticals	50.0%	62.5%	37.5%	37.5%	12.5%	-	-	-
Petroleum & Rubber	28.6%	20.0%	64.3%	73.3%	7.1%	6.7%	-	-
Ceramics, Cement & Glass	20.0%	14.3%	66.7%	57.1%	-	7.1%	13.3%	21.4%
Steel	26.7%	21.1%	73.3%	78.9%	-	-	-	-
Nonferrous Metals	16.7%	21.7%	77.8%	52.2%	-	13.0%	5.6%	13.0%
Metal Products	20.0%	23.1%	75.0%	53.8%	-	11.5%	5.0%	11.5%
General Machinery (total)	18.5%	32.0%	74.1%	54.0%	5.6%	6.0%	1.9%	8.0%
Assembly	17.4%	33.3%	73.9%	55.6%	6.5%	2.2%	2.2%	8.9%
Parts	25.0%	20.0%	75.0%	40.0%	-	40.0%	-	-
Electrical Equipment & Electronics (total)	26.5%	27.4%	59.8%	54.7%	6.9%	11.6%	6.9%	6.3%
Assembly	41.7%	28.9%	52.8%	55.3%	-	7.9%	5.6%	7.9%
Parts	18.2%	26.3%	63.6%	54.4%	10.6%	14.0%	7.6%	5.3%
Transportation (excl. Automobiles)	45.5%	14.3%	45.5%	64.3%	9.1%	21.4%	-	-
Automobiles (total)	11.6%	10.7%	72.6%	64.1%	7.4%	14.6%	8.4%	10.7%
Assembly	25.0%	12.5%	75.0%	75.0%	-	12.5%	-	-
Parts	10.3%	10.5%	72.4%	63.2%	8.0%	14.7%	9.2%	11.6%
Precision Machinery (total)	37.1%	40.6%	54.3%	46.9%	8.6%	9.4%	-	3.1%
Assembly	40.0%	52.2%	48.0%	30.4%	12.0%	13.0%	-	4.3%
Parts	30.0%	11.1%	70.0%	88.9%	-	-	-	-
Other	30.6%	35.4%	46.9%	47.9%	10.2%	6.3%	12.2%	10.4%

### Medium-term Prospects for Overseas Business Operation (Major Countries/Regions)

Major countries /Regions	NIEs3		ASEAN5		China		Rest of Asia & Oceania		North America		Latin America	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Strengthen/expand	38.8%	40.6%	59.4%	58.5%	73.0%	64.3%	78.3%	74.3%	49.5%	51.6%	63.6%	63.4%
Maintain present level	59.5%	58.0%	39.0%	40.1%	26.0%	34.0%	21.7%	25.4%	49.5%	46.9%	35.3%	35.2%
Scale back/withdraw	1.7%	1.5%	1.5%	1.4%	1.0%	1.7%	-	0.4%	1.0%	1.5%	1.1%	1.4%

	EU15		Central & Eastern Europe		Rest of Europe & CIS		Russia		Middle East		Africa	
	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012
Strengthen/expand	43.8%	37.5%	44.9%	42.5%	40.8%	44.2%	74.1%	63.1%	62.1%	53.1%	44.9%	40.5%
Maintain present level	53.4%	57.8%	54.3%	56.7%	59.2%	54.5%	25.9%	35.1%	36.9%	45.9%	53.8%	59.5%
Scale back/withdraw	2.8%	4.7%	0.8%	0.8%	-	1.3%	-	1.8%	1.0%	1.0%	1.3%	-

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

Regions in detail	NIEs3			ASEAN5					China				
	Korea	Taiwan	Hong Kong	Singapore	Thailand	Indonesia	Malaysia	Philippines	Northeastern	Northern China	Eastern China	Southern China	Inland China
Strengthen/expand	47.9%	41.0%	30.6%	40.7%	66.6%	79.6%	43.9%	45.0%	57.7%	60.2%	67.8%	63.1%	68.9%
Maintain present level	51.3%	58.2%	66.1%	57.4%	31.5%	20.4%	54.3%	53.6%	40.0%	38.4%	31.2%	33.8%	30.4%
Scale back/withdraw	0.8%	0.8%	3.2%	1.9%	1.9%	-	1.8%	1.4%	2.3%	1.4%	1.0%	3.1%	0.7%

	Rest of Asia & Oceania			Latin America		
	India	Vietnam	Others	Mexico	Brazil	Others
Strengthen/expand	84.6%	74.3%	50.0%	62.6%	74.5%	40.6%
Maintain present level	15.0%	25.7%	49.1%	36.7%	23.5%	58.0%
Scale back/withdraw	0.4%	-	0.9%	0.7%	2.0%	1.4%



Industry	Overseas Production Ratio										Overseas Sales Ratio							
	FY2009 (actual)		FY2010 (actual)		FY2011 (actual)		FY2012 (projected)		Medium-term plans (FY2015)		FY2009 (actual)		FY2010 (actual)		FY2011 (actual)		FY2012 (projected)	
		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies		No. of Companies
Foods	21.8%	28	20.6%	32	20.4%	28	20.9%	27	24.6%	24	17.9%	31	19.2%	33	18.4%	29	18.2%	28
Textiles	50.2%	27	46.9%	27	49.8%	25	50.6%	25	53.3%	24	20.5%	29	22.0%	30	18.8%	26	19.2%	26
Paper, Pulp & Wood	22.8%	9	23.3%	6	16.0%	10	18.0%	10	22.8%	9	10.0%	10	11.7%	6	11.7%	9	12.8%	9
Chemicals (total)	20.1%	73	23.0%	81	24.2%	74	25.1%	72	29.2%	67	28.4%	85	30.1%	92	30.1%	86	31.7%	84
Chemicals (incl. plastic products)	20.5%	69	23.9%	75	25.1%	67	25.9%	66	30.1%	61	28.2%	78	30.2%	83	30.3%	78	31.5%	77
Pharmaceuticals	12.5%	4	11.7%	6	15.0%	7	16.7%	6	20.0%	6	30.7%	7	29.4%	9	28.8%	8	33.6%	7
Petroleum & Rubber	25.0%	10	29.5%	11	34.3%	15	35.0%	15	40.3%	15	27.3%	13	23.6%	14	31.0%	15	33.0%	15
Ceramics, Cement & Glass	27.1%	14	28.8%	13	30.4%	13	31.9%	13	33.3%	12	30.9%	17	39.7%	15	40.7%	14	42.1%	14
Steel	20.8%	12	20.7%	14	20.0%	16	20.6%	16	24.2%	13	25.8%	12	28.3%	15	25.0%	17	24.4%	16
Nonferrous Metals	27.6%	19	37.0%	15	21.3%	19	23.4%	19	30.6%	18	22.7%	22	27.8%	18	25.0%	23	28.9%	23
Metal Products	31.1%	18	38.3%	18	31.3%	27	32.0%	27	37.7%	26	38.7%	19	38.3%	18	33.2%	28	34.3%	28
General Machinery (total)	22.5%	51	24.6%	50	24.3%	45	25.9%	43	29.3%	37	37.0%	56	40.0%	54	43.2%	45	43.8%	42
Assembly	21.4%	45	23.6%	42	24.3%	41	25.8%	39	28.6%	33	36.8%	49	42.4%	46	43.0%	41	43.4%	38
Parts	30.0%	6	30.0%	8	25.0%	4	27.5%	4	35.0%	4	37.9%	7	26.3%	8	45.0%	4	47.5%	4
Electrical Equipment & Electronics (total)	44.3%	97	48.2%	98	45.2%	88	46.6%	87	50.6%	85	46.2%	102	44.6%	101	45.1%	94	46.3%	92
Assembly	35.0%	35	41.6%	35	35.0%	34	36.2%	34	40.2%	33	37.2%	37	37.2%	36	36.1%	38	37.1%	38
Parts	49.5%	62	51.8%	63	51.7%	54	53.3%	53	57.3%	52	51.3%	65	48.7%	65	51.3%	56	52.8%	54
Transportation (excl. Automobiles)	20.6%	9	10.0%	10	17.1%	14	18.6%	14	24.0%	10	42.8%	9	33.0%	10	30.0%	14	32.7%	13
Automobiles (total)	32.6%	93	34.8%	89	33.4%	98	35.2%	93	41.8%	87	36.3%	95	35.9%	91	36.0%	102	37.3%	95
Assembly	45.0%	8	36.7%	6	30.0%	8	27.9%	7	29.0%	5	56.4%	7	46.3%	8	51.7%	9	45.0%	7
Parts	31.5%	85	34.6%	83	33.7%	90	35.8%	86	42.6%	82	34.7%	88	34.9%	83	34.5%	93	36.7%	88
Precision Machinery (total)	25.6%	33	33.5%	33	29.2%	31	29.8%	31	35.3%	30	49.7%	36	53.0%	35	48.0%	33	49.8%	33
Assembly	19.3%	23	31.0%	25	28.9%	23	29.3%	23	35.0%	22	52.1%	24	57.4%	25	50.0%	24	51.7%	24
Parts	40.0%	10	41.3%	8	30.0%	8	31.3%	8	36.3%	8	45.0%	12	42.0%	10	42.8%	9	45.0%	9
Other	36.3%	32	35.6%	47	31.0%	47	33.0%	45	38.3%	45	30.3%	34	28.4%	50	29.1%	51	31.5%	48
Overall	31.0%	525	33.3%	544	31.3%	550	32.6%	537	37.7%	502	34.2%	570	34.7%	582	34.2%	586	35.5%	566

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

**(1) Net Sales**

**FY2008 Performance**

Average	2.34
1 Latin America	2.51
2 China	2.46
3 ASEAN 5	2.43
4 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
10 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

**FY2011 Performance**

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

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

Country/Region	"More Profitable than Japan" responses (1)	Total responses (2)	Ratio: [(1)/(2)]
1. Thailand	119	352	33.8%
2. China	155	511	30.3%
3. Indonesia	62	229	27.1%
4. Philippines	29	130	22.3%
5. Singapore	45	220	20.5%
6. NIEs3	49	258	19.0%
7. Vietnam	31	164	18.9%
8. Malaysia	38	205	18.5%
9. North America	67	380	17.6%
10. EU 15	33	276	12.0%
11. India	20	180	11.1%
12. Latin America	16	146	11.0%
13. Russia	9	92	9.8%
14. Central & Eastern Europe	6	110	5.5%

**(2) Profits**

**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

**FY2011 Performance**

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

Note: When companies were asked about their profitability in FY2011 in countries/regions in which they had businesses, they were asked to respond regarding the country/region which had higher rates of profitability than Japan. "Total responses (2)" is the sum of the number of companies that responded to inquiries about satisfaction with profits and those that responded to the comparison of profitability with Japan.

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

	No. 1 China		No. 2 India		No. 3 Indonesia		No. 4 Thailand		No. 5 Vietnam		No. 6 Brazil		No.7 Mexico		No.8 Russia		No.9 USA		No. 10 Myanmar	
	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio
Total	319	100%	290	100%	215	100%	165	100%	163	100%	132	100%	72	100%	64	100%	53	100%	51	100%
Plans exist	219	68.7%	120	41.4%	99	46.0%	90	54.5%	63	38.7%	54	40.9%	38	52.8%	23	35.9%	24	45.3%	6	11.8%
No plans	91	28.5%	163	56.2%	111	51.6%	67	40.6%	97	59.5%	77	58.3%	33	45.8%	40	62.5%	27	50.9%	44	86.3%
No response	9	2.8%	7	2.4%	5	2.3%	8	4.8%	3	1.8%	1	0.8%	1	1.4%	1	1.6%	2	3.8%	1	2.0%

	No. 11 Malaysia		No. 12 Korea		No. 13 Turkey		No. 14 Taiwan		No. 15 Philippines		No. 16 Singapore		No. 17 Cambodia		No. 18 Australia		No. 19 Bangladesh		No. 20 Germany	
	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio
Total	36	100%	23	100%	23	100%	22	100%	21	100%	16	100%	13	100%	11	100%	10	100%	6	100%
Plans exist	13	36.1%	16	69.6%	7	30.4%	12	54.5%	8	38.1%	7	43.8%	4	30.8%	3	27.3%	3	30.0%	2	33.3%
No plans	20	55.6%	6	26.1%	16	69.6%	8	36.4%	13	61.9%	8	50.0%	9	69.2%	8	72.7%	6	60.0%	4	66.7%
No response	3	8.3%	1	4.3%	0	-	2	9.1%	0	-	1	6.3%	0	-	0	-	1	10.0%	0	-

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

# Appendix 9. List of Assessment of Chinese, Korean, Taiwanese, and European/American Companies p.90

Industry	Respondent companies (see note 1)				Product development capabilities								Production technologies								Management speed							
	Chinese	Korean	Taiwanese	European/American	Chinese		Korean		Taiwanese		European/American		Chinese		Korean		Taiwanese		European/American		Chinese		Korean		Taiwanese		European/American	
	Number	Number	Number	Number	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average
Foods	14	5	4	11	12	2.17	5	2.40	4	2.50	10	3.20	12	2.25	5	2.40	4	2.50	10	3.30	12	4.17	5	4.60	4	4.00	9	3.78
Textiles	14	5	7	6	11	1.82	3	2.33	6	2.17	5	3.00	11	2.00	3	2.33	6	2.17	4	2.75	9	4.00	4	3.75	6	4.17	4	4.00
Paper, Pulp & Wood	7	X	X	5	6	2.17	X	X	X	X	5	3.40	6	2.17	X	X	X	X	5	3.20	6	4.17	X	X	X	X	5	3.40
Chemicals (total)	47	27	25	40	46	1.96	27	2.56	25	2.44	40	3.10	46	2.04	27	2.70	25	2.60	40	2.98	41	3.80	25	3.96	25	3.64	38	3.74
Chemicals (incl. plastic products)	44	25	22	37	43	1.98	25	2.64	22	2.45	37	3.08	43	2.05	25	2.76	22	2.59	37	3.00	38	3.76	23	4.00	22	3.59	35	3.74
Pharmaceuticals	3	X	3	3	3	1.67	X	X	3	2.33	3	3.33	3	2.00	X	X	3	2.67	3	2.67	3	4.33	X	X	3	4.00	3	3.67
Petroleum & Rubber	11	5	5	7	11	2.00	5	2.20	5	2.00	7	3.86	11	1.64	5	2.20	5	2.20	7	3.86	10	3.50	4	3.25	4	3.50	6	3.17
Ceramics, Cement & Glass	9	5	6	11	9	1.78	5	2.80	6	2.67	11	3.27	9	1.67	5	2.60	6	2.50	11	3.18	9	3.78	5	3.60	6	3.33	11	3.45
Steel	8	9	7	7	8	1.88	9	2.78	7	2.29	7	3.14	8	1.88	9	2.78	7	2.57	7	3.14	8	4.00	8	3.88	5	3.80	7	4.00
Nonferrous metal	15	9	8	11	14	1.93	8	2.88	7	2.57	10	3.20	14	2.00	8	2.63	7	2.43	10	3.00	12	4.08	8	3.88	7	4.00	10	3.50
Metal products	17	15	12	13	15	1.80	14	2.64	11	2.27	13	3.77	17	2.18	15	2.87	12	2.25	13	3.31	16	4.00	13	3.54	10	3.30	13	3.62
General Machinery (total)	41	32	26	38	40	1.83	32	2.22	26	2.31	35	3.43	41	1.95	32	2.41	26	2.38	36	3.11	35	4.06	27	3.89	23	3.39	35	3.60
Assembly	37	28	22	34	37	1.81	28	2.21	22	2.27	32	3.47	37	1.92	28	2.39	22	2.36	33	3.12	32	4.06	24	3.88	19	3.26	32	3.63
Parts	4	4	4	4	3	2.00	4	2.25	4	2.50	3	3.00	4	2.25	4	2.50	4	2.50	3	3.00	3	4.00	3	4.00	4	4.00	3	3.33
Electrical Equipment & Electronics (total)	66	46	46	58	62	2.15	42	3.24	43	2.77	57	3.26	62	2.13	42	3.05	43	3.00	57	2.98	60	3.80	42	4.07	43	3.77	56	3.63
Assembly	27	16	14	25	26	2.08	15	3.47	13	2.77	25	3.40	26	1.96	15	2.93	13	3.15	25	3.04	25	4.00	16	4.13	14	3.79	25	3.80
Parts	39	30	32	33	36	2.19	27	3.11	30	2.77	32	3.16	36	2.25	27	3.11	30	2.93	32	2.94	35	3.66	26	4.04	29	3.76	31	3.48
Transportation (excl. Automobiles)	8	6	X	6	8	2.25	6	3.00	X	X	5	3.20	8	2.13	6	2.50	X	X	6	3.17	5	3.60	5	3.60	X	X	4	3.50
Automobiles (total)	63	47	34	59	63	1.79	47	2.72	34	2.41	59	3.51	63	2.03	47	2.77	34	2.53	59	3.27	61	3.95	46	3.85	32	3.31	57	3.58
Assembly	3	3	X	3	3	2.33	3	3.33	X	X	3	4.00	3	2.00	3	2.67	X	X	3	3.67	3	4.00	3	4.33	X	X	3	3.67
Parts	60	44	32	56	60	1.77	44	2.68	32	2.41	56	3.48	60	2.03	44	2.77	32	2.53	56	3.25	58	3.95	43	3.81	30	3.33	54	3.57
Precision Machinery (total)	23	23	17	25	23	2.09	23	2.48	17	2.41	25	3.32	23	2.30	23	2.70	17	2.41	25	3.16	20	3.45	21	3.81	16	3.44	24	3.29
Assembly	16	16	11	20	16	2.25	16	2.38	11	2.45	20	3.35	16	2.38	16	2.63	11	2.36	20	3.20	15	3.33	16	3.63	11	3.36	19	3.21
Parts	7	7	6	5	7	1.71	7	2.71	6	2.33	5	3.20	7	2.14	7	2.86	6	2.50	5	3.00	5	3.80	5	4.40	5	3.60	5	3.60
Other	32	19	20	27	31	2.35	19	2.53	19	2.58	25	3.40	31	2.32	19	2.68	19	2.74	27	3.15	26	3.81	17	3.53	18	3.50	24	3.50
Overall	375	255	220	324	359	1.99	247	2.68	213	2.47	314	3.35	362	2.07	248	2.72	214	2.58	317	3.14	330	3.87	232	3.86	202	3.56	303	3.58

Note 1: The number of respondent companies in each box refers to the number of companies that responded to at least one item out of six (i.e., product development capabilities, production technologies, management speed, sales power (ASEAN5 markets), sales power (Chinese market), and sales power (Indian market)).

Note 2: From the viewpoint of individual data protection, "X" is used for each item answered by less than three companies.

# Appendix 9. List of Assessment of Chinese, Korean, Taiwanese, and European/ American Companies p.91

Industry	Sales power (ASEAN5 markets)								Sales power (Chinese market)								Sales power (Indian market)							
	Chinese		Korean		Taiwanese		European/ American		Chinese		Korean		Taiwanese		European/ American		Chinese		Korean		Taiwanese		European/ American	
	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average	Re-sponses	Average
Foods	7	3.00	5	3.20	2	2.50	10	4.20	13	4.15	3	3.00	3	4.33	6	4.33	4	2.00	1	1.00	1	2.00	3	4.33
Textiles	7	3.29	4	3.75	5	4.00	4	3.50	12	3.50	4	3.50	5	3.60	5	3.80	4	3.50	2	3.00	2	4.00	3	3.67
Paper, Pulp & Wood	3	3.67	X	X	X	X	4	3.50	7	4.00	X	X	X	X	5	3.40	1	4.00	X	X	X	X	2	3.50
Chemicals (total)	39	3.08	25	3.28	25	3.04	37	3.35	45	4.00	26	3.31	25	3.44	37	3.38	25	2.92	20	3.30	22	3.00	31	3.39
Chemicals (incl. plastic products)	36	3.08	23	3.35	22	3.05	34	3.35	42	4.07	24	3.38	22	3.50	34	3.38	22	2.95	18	3.39	19	3.00	28	3.39
Pharmaceuticals	3	3.00	X	X	3	3.00	3	3.33	3	3.00	X	X	3	3.00	3	3.33	3	2.67	X	X	3	3.00	3	3.33
Petroleum & Rubber	7	1.86	5	2.20	5	2.20	6	3.17	10	3.70	4	2.00	4	3.00	5	2.80	6	1.67	4	2.25	4	1.75	5	4.00
Ceramics, Cement & Glass	8	2.88	5	3.20	6	2.83	8	3.13	9	3.89	5	3.20	6	3.50	9	3.11	8	2.75	5	2.60	6	2.50	7	3.00
Steel	8	3.38	8	3.75	7	3.00	7	3.14	8	4.25	7	3.57	7	3.86	7	3.29	6	2.50	6	3.33	5	2.80	5	3.40
Nonferrous metal	7	2.57	8	3.13	6	3.33	7	2.86	14	4.00	7	3.29	7	3.71	9	3.00	4	2.75	4	3.25	3	3.67	4	3.25
Metal products	13	3.15	14	3.07	12	3.17	13	2.54	17	4.12	15	3.20	12	3.50	13	2.92	11	2.45	12	2.50	10	2.40	13	3.00
General Machinery (total)	34	3.06	30	3.07	23	2.91	34	3.29	39	4.03	28	2.86	25	3.16	32	3.38	27	2.63	23	2.78	19	2.32	25	3.36
Assembly	30	3.10	26	3.04	19	2.84	31	3.32	35	4.11	25	2.84	21	3.14	30	3.40	25	2.68	21	2.76	16	2.19	23	3.35
Parts	4	2.75	4	3.25	4	3.25	3	3.00	4	3.25	3	3.00	4	3.25	2	3.00	2	2.00	2	3.00	3	3.00	2	3.50
Electrical Equipment & Electronics (total)	51	3.06	43	3.65	39	3.41	51	3.47	64	4.11	42	3.55	44	3.77	53	3.23	38	2.95	31	3.65	25	3.12	42	3.60
Assembly	21	3.19	15	3.73	12	3.25	22	3.64	26	4.35	14	3.43	13	3.69	22	3.41	18	3.00	14	3.86	11	3.00	21	3.81
Parts	30	2.97	28	3.61	27	3.48	29	3.34	38	3.95	28	3.61	31	3.81	31	3.10	20	2.90	17	3.47	14	3.21	21	3.38
Transportation (excl. Automobiles)	6	3.33	5	3.80	X	X	5	4.00	7	4.00	3	3.67	X	X	5	3.20	4	3.25	4	3.50	X	X	3	3.33
Automobiles (total)	48	2.60	42	3.33	28	2.79	51	2.98	62	3.90	41	3.39	33	3.42	54	3.41	41	2.41	38	3.32	26	2.58	50	3.20
Assembly	3	1.33	3	2.33	X	X	3	2.00	3	4.00	2	3.50	X	X	3	4.00	2	2.00	2	4.00	X	X	2	3.00
Parts	45	2.69	39	3.41	26	2.85	48	3.04	59	3.90	39	3.38	31	3.42	51	3.37	39	2.44	36	3.28	24	2.63	48	3.21
Precision Machinery (total)	19	2.84	21	3.05	15	3.07	23	3.09	22	3.64	22	3.18	16	3.38	24	3.13	14	3.00	16	3.06	12	2.92	18	3.28
Assembly	13	2.85	16	2.94	11	3.09	18	3.06	16	3.69	16	2.94	11	3.27	19	3.11	11	3.18	13	2.92	10	3.00	16	3.25
Parts	6	2.83	5	3.40	4	3.00	5	3.20	6	3.50	6	3.83	5	3.60	5	3.20	3	2.33	3	3.67	2	2.50	2	3.50
Other	31	3.42	19	3.11	18	3.06	26	3.50	31	3.84	17	3.41	16	3.38	24	3.33	22	3.00	13	3.08	13	2.69	22	3.27
Overall	288	2.99	236	3.29	194	3.08	286	3.27	360	3.96	226	3.29	206	3.50	288	3.30	215	2.73	180	3.16	150	2.74	233	3.36

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