Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Results of the JBIC FY2015 Survey:

- Outlook for Japanese Foreign Direct Investment (27th Annual Survey) -

December 2015

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

JAPAN BANK FOR INTERNATIONAL COOPERATION

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Supporting Your Global Challenges

Table of Contents

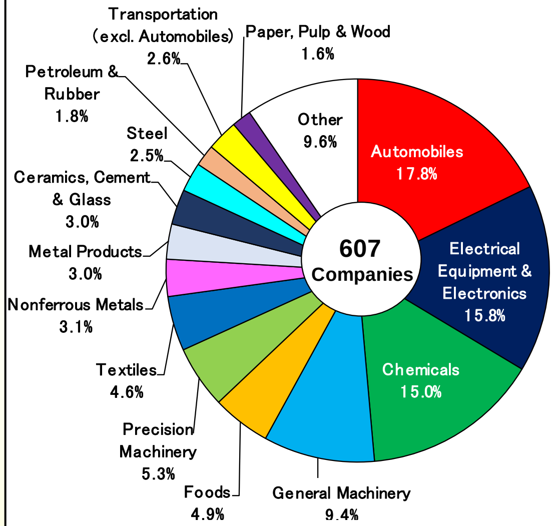
I. Survey Overview

Survey Overview

- **Survey targets: Manufacturing companies that have three or more overseas affiliates (including at least one production base)**
- **No. of companies questionnaires were mailed to: 1,016**
- **Responses returned: 607 (response rate: 59.7%)**
  (*) 418 companies responded by post, 161 companies responded over the web, and 28 companies responded by electronic questionnaire
- **Period of survey: Sent in July 2015**
  Responses returned from July to September 2015
  Face-to-face interviews and phone interviews conducted from August to September 2015
- **Main survey topics:**
  - **Evaluations of overseas business performance**
  - **Medium-term business prospects**
  - **Promising countries for overseas business operations**
  - **The main subjects pertaining to overseas business operations:**
    - Management challenges to be addressed, status of overseas M&A and engagement policy, trends in production repatriation from overseas, situations in China and approach to business operations, etc.
- **Note: "Overseas business operations" is defined as production, sales, and R&D activities at overseas affiliates, as well as outsourcing of manufacturing and procurement.**

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

Figure 1: No. of Respondent Companies by Industrial Classification



(companies)

Industry Type	FY2014	FY2015	Proportion
Automobiles	109	108	17.8%
Electrical Equipment & Electronics	97	96	15.8%
Chemicals	94	91	15.0%
General Machinery	61	57	9.4%
Foods	32	30	4.9%
Precision Machinery	29	32	5.3%
Textiles	24	28	4.6%
Nonferrous Metals	22	19	3.1%
Metal Products	19	18	3.0%
Ceramics, Cement & Glass	17	18	3.0%
Steel	16	15	2.5%
Petroleum & Rubber	14	11	1.8%
Transportation (excl. Automobiles)	14	16	2.6%
Paper, Pulp & Wood	10	10	1.6%
Other	59	58	9.6%
Total	617	607	100.0%

Figure 2: No. of Respondent Companies by Capital

(companies)

Paid-in Capital	FY2014	FY2015	Proportion
Less than ¥300 mn.	92	87	14.3%
¥300 mn. up to ¥1 bn.	76	74	12.2%
¥1 bn. up to ¥5 bn.	150	149	24.5%
¥5 bn. up to ¥10 bn.	82	82	13.5%
¥10 bn. or more	198	199	32.8%
Holding company	18	16	2.6%
No response	1	0	0.0%
Total	617	607	100.0%

Figure 3: No. of Respondent Companies by Net Sales

(companies)

Net Sales	FY2014	FY2015	Proportion
Less than ¥10 bn.	76	69	11.4%
¥10 bn. up to ¥50 bn.	213	183	30.1%
¥50 bn. up to ¥100 bn.	100	106	17.5%
¥100 bn. up to ¥300 bn.	113	136	22.4%
¥300 bn. up to ¥1 trillion	65	67	11.0%
¥1 trillion or more	42	43	7.1%
No response	8	3	0.5%
Total	617	607	100.0%

1. **Medium-Term Stance toward Overseas Business Operations (Ⅱ. and Ⅲ.)**

   Reflecting the recent state of the global economy, this year's results – when compared with those of the past surveys – indicate signs of a standstill, despite the fact that over 80% of responding companies showed a stance toward strengthening/expanding overseas operations.

2. **Promising Countries over the Medium-Term (Ⅳ.)**

   As was the case in the previous survey, India was given most as the promising country. 2nd and 3rd were Indonesia and China. These countries received similar percentage shares around the 40% mark and balanced out – much higher figures than the lower ranked countries. While the percentages of Brazil (9th) and Russia (12th) saw significant decreases, there were increases of the figures for Mexico (6th), USA (7th), and the Philippines (8th), all of which indicate the effects of recent economic conditions in each country and region.

3. **Management Challenges to be Addressed (Ⅴ. 1.)**

   The top responses were standard challenges: "Expand current businesses qualitatively and quantitatively" and "Develop products that are strongly competitive (high market share product in niche market)." However, develop individuals who are capable of managing overseas bases, the creation of new businesses that will be new growth drivers, and product development in line with local needs were given as the challenges with the next highest level of importance.

4. **Engagement in Overseas M&A (Ⅴ. 2.)**

   As part of overseas business operations, overseas M&A was recognized as an important means of management by over 70% of responding companies and over 50% indicated that they were engaging in overseas M&A. As an objective of overseas M&A, "Exploration of new markets, expansion of sales network" was given by almost 80%.

5. **Domestic Business Operations and Repatriating Production (Ⅲ. and Ⅴ. 3.)**

   Of the companies that will be strengthening/expanding overseas business, for three consecutive years there has been an increase in the ratio of those that expect to either maintain or strengthen/expand domestic business, leaving that ratio at almost 90%. Regarding the repatriation of production, "Has been done" and "There are plans to do so in the future" were given by a total of 13.8%, and the overseas production bases that have been transferred to Japan have mainly come from Chinese bases. The dominant reason for having repatriated production was "Due to improvement of export competitiveness via yen depreciation."

6. Productivity Comparison between Plants in Japan and Overseas (Ⅴ. 4.)

In comparisons between mother plants in Japan and plants manufacturing the same type of products in eight Asian countries and regions, the evaluation that delivery time was at about the same level as mother plants in Japan was dominant, while the majority agreed that overseas plants were inferior in terms of labor productivity and capacity to start up mass production of new products. Responding companies thus recognized mother plants in Japan as being superior.

7. Business Stance in China (Ⅴ. 5. and Ⅴ.6.)

In the recent international affairs, responding companies indicated stronger interest in the economic situation of China more so than those of the USA and ASEAN, regardless of their business industry. Over 90% of the companies with business operations in China showed concerns about Chinese economic trends and wage levels. Quite a few were concerned with political and diplomatic matters in China as well.

8. Assessment of the Main Infrastructure of Each Country in the Asian Region (Ⅴ. 7.)

Though China and the developed ASEAN countries are assessed higher for their local infrastructure than less developed countries in Asia, China and the developed ASEAN countries show room for further development. Those giving the response "We will not establish a presence there depending on the status of the infrastructure available" reached about 80%, which is indicative of the significant influence that the status of infrastructure development has on companies' stance toward making local inroads. In addition, the development of logistical infrastructure in Asia is widely recognized as having a positive effect on business.

9. Long-Term Financing (of more than three years) for Business Operations in Emerging Countries (Ⅴ. 8.)

The response "We are receiving long-term financing of more than three years" was given by 33.5%. It may suggest that the rest of responding companies intended on using their own funds or short-term financing. Of the companies answering that they are receiving long-term financing of more than three years, about two-thirds indicated that they were doing something to hedge against currency risk, while the remaining one-third answered "Though we are aware of the currency risk, we are doing nothing special to deal with that."

II. Basic Data on Overseas Business Operations & Performance Evaluations

Figure 4: Increase/decrease in the Number of Overseas Affiliates (During FY2014)

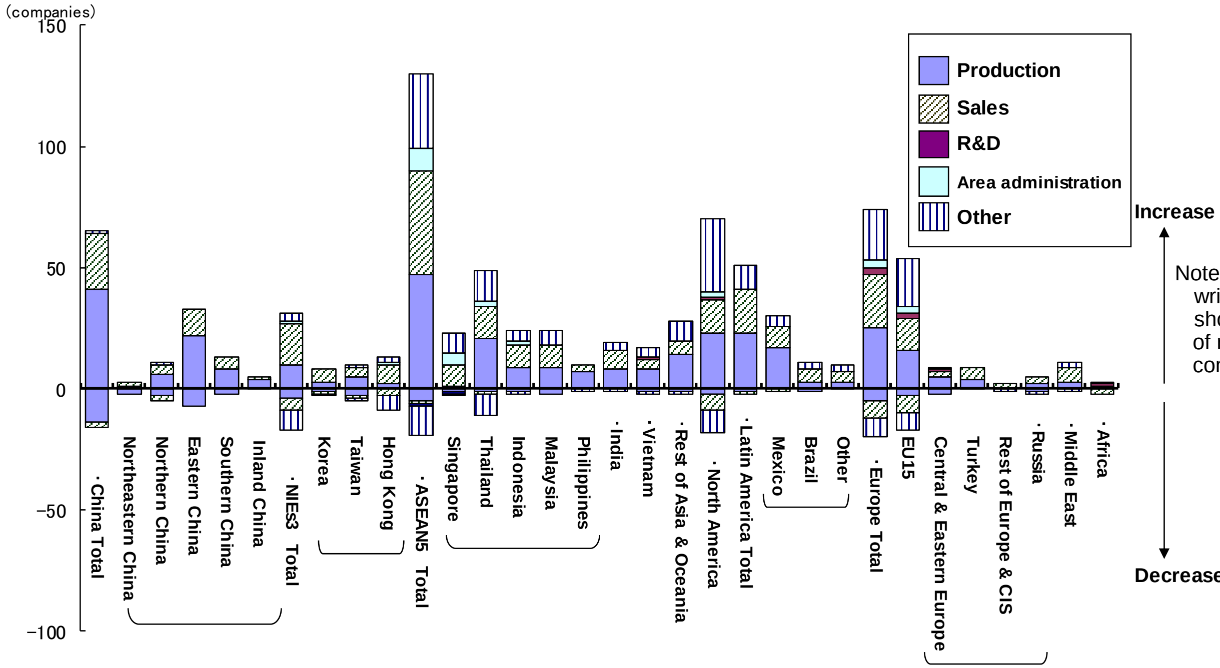


Figure 5: State of Holding of Overseas Affiliates

(1) One or more overseas affiliates for production

	Country/Area	No. of respondents (company)	Proportion
1	China	485	81.2%
2	Thailand	302	50.6%
3	North America	259	43.4%
4	Indonesia	198	33.2%
5	EU 15	145	24.3%
6	Taiwan	139	23.3%
7	Vietnam	137	22.9%
8	India	134	22.4%
9	Malaysia	132	22.1%
10	Korea	123	20.6%
11	Mexico	103	17.3%
12	Philippines	83	13.9%
13	Brazil	73	12.2%
14	Central & Eastern Europe	62	10.4%
15	Singapore	58	9.7%

(2) One or more overseas affiliates for sales

	Country/Area	No. of respondents (company)	Proportion
1	China	348	58.3%
2	North America	282	47.2%
3	EU 15	246	41.2%
4	Thailand	204	34.2%
5	Singapore	193	32.3%
6	Hong Kong	176	29.5%
7	Taiwan	171	28.6%
8	Korea	158	26.5%
9	India	116	19.4%
10	Indonesia	105	17.6%
11	Malaysia	103	17.3%
12	Brazil	83	13.9%
13	Mexico	78	13.1%
14	Vietnam	65	10.9%
15	Russia	51	8.5%

The Classification of Major Regions

NIEs3	(Korea, Taiwan, Hong Kong)
ASEAN 5	(Singapore, Thailand, Indonesia, Malaysia, Philippines)
North America	(USA, Canada)
EU15	(United Kingdom, Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden, Ireland)
Central & Eastern Europe	(Poland, Hungary, Czech Republic, Slovak Republic, Bulgaria, Romania, Slovenia, Albania, Croatia, Serbia, Montenegro, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia)

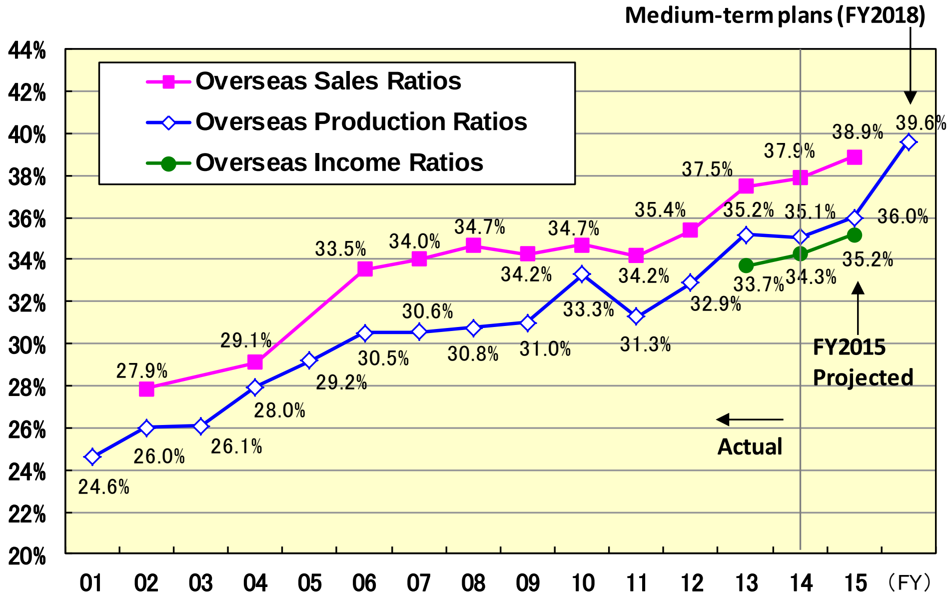
The Classification of Areas in China

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

■ASEAN 5 and North America saw an increase in the number of new affiliates, exceeding the numbers in the previous survey

- The number of new overseas affiliates established in FY2014 (the number increase) was a total of 504 companies (breakdown production: 204 companies; sales: 165 companies; R&D: 6 companies; area administration: 16 companies; others: 113 companies), which was 70 companies less than the number of the increase in FY2013 (574 companies). And the net increase (the increase less the decrease) was 345 (371 in the previous survey).
- The countries/regions with the most increases, in order, were ASEAN 5 (130 companies), Europe (74 companies), North America (70 companies), and China (65 companies). Of these, ASEAN 5 increased by 17 companies over the previous survey (113 companies) and North America increased by 12 companies over the previous survey (58 companies). On the other hands, China has seen its number of increase in a downward trend from the 2012 survey (172 companies to 139 companies to 109 companies to 65 companies). As indicated in Figure 5, based on the fact that of the responding companies 80% have production affiliates and 60% have sales affiliates in China, there appears to have been a lull in the establishment of new affiliates.
- There has been an increase in ASEAN 5, North America, and Europe of local affiliates categorized as "others," which is an increase in overseas affiliates in service fields such as engineering and IT (including new acquisitions through purchase).

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



■The actual overseas production ratio based on FY2014 performance was 35.1%, and the plan of increasing overseas production over the medium term remains unchanged

- The actual overseas production ratio based on FY2014 performance was 35.1%, which was slightly below the FY2013 performance (35.2%). However, the projected figure in medium-term plans (FY2018) was close to the 40% level (39.6%), indicating that the responding companies continue to have a plan of expanding overseas production (Figure 6).
- The overseas sales ratio based on the FY2014 performance was 37.9%, while the overseas income ratio was 34.3%, increases on performance over the previous year by 0.4 points and 0.6 points, respectively. An increase of about 1 point more is anticipated in FY2015 (Figure 6).

■Among the four major industries, the overseas production ratio of automobiles has reached a new high

- Among the overseas production ratio based on FY2014 performance for the four major industries, the automobile industry was highest at 44.6%. The projected FY2015 performance is 45.4% and in medium-term plans (FY2018) is 48.9%, which indicate that the automobile industry is prepared to continue to bolster overseas production (Figure 7).
- High overseas sales ratio for electrical equipment & electronics and overseas income ratio for automobiles were seen in FY2014 performance and projected for FY2015 performance. Comparing the FY2013 performance and FY2014 performance, general machinery has seen the largest rise. This can possibly be attributed to expanded exports due to the depreciating Yen (Figure 8).

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

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

	FY2013 (Actual)	No. of respondent companies	FY2014 (Actual)	No. of respondent companies	FY2015 (Projected)	No. of respondent companies	Medium-term plans (FY2018)	No. of respondent companies
Chemicals	28.0%	80	28.5%	72	29.2%	72	33.6%	64
General Machinery	23.7%	52	29.9%	45	30.1%	43	30.1%	39
Electrical Equipment & Electronics	48.6%	84	41.9%	81	43.1%	79	46.5%	75
Automobiles	43.0%	102	44.6%	98	45.4%	96	48.9%	92
All industries	35.2%	547	35.1%	514	36.0%	506	39.6%	468

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

	FY2013 (Actual)	No. of respondent companies	FY2014 (Actual)	No. of respondent companies	FY2015 (Projected)	No. of respondent companies
Chemicals	35.7%	89	37.5%	91	38.1%	88
General Machinery	39.2%	57	45.0%	51	45.4%	49
Electrical Equipment & Electronics	48.1%	93	47.4%	90	48.2%	89
Automobiles	42.2%	107	43.6%	103	44.8%	99
All industries	37.5%	591	37.9%	578	38.9%	559

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

	FY2013 (Actual)	No. of respondent companies	FY2014 (Actual)	No. of respondent companies	FY2015 (Projected)	No. of respondent companies
Chemicals	35.4%	74	35.4%	69	36.2%	67
General Machinery	30.5%	47	36.4%	43	35.5%	41
Electrical Equipment & Electronics	39.1%	71	34.9%	72	35.1%	73
Automobiles	42.4%	101	46.3%	94	48.4%	91
All industries	33.7%	517	34.3%	492	35.2%	483

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

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

Q

Which of the following applies concerning your company's FY2014 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)	FY2010	FY2011	FY2012	FY2013	FY2014
Net Sales	2.85 (+0.30)	2.64 (▲0.21)	2.63 (▲0.01)	2.71 (+0.08)	2.66 (▲0.05)
Profits	2.75 (+0.21)	2.54 (▲0.21)	2.56 (+0.02)	2.65 (+0.09)	2.62 (▲0.03)

(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 12: Countries/Regions Responding Companies Answered as More Profitable than Japan (descending order by ratio)

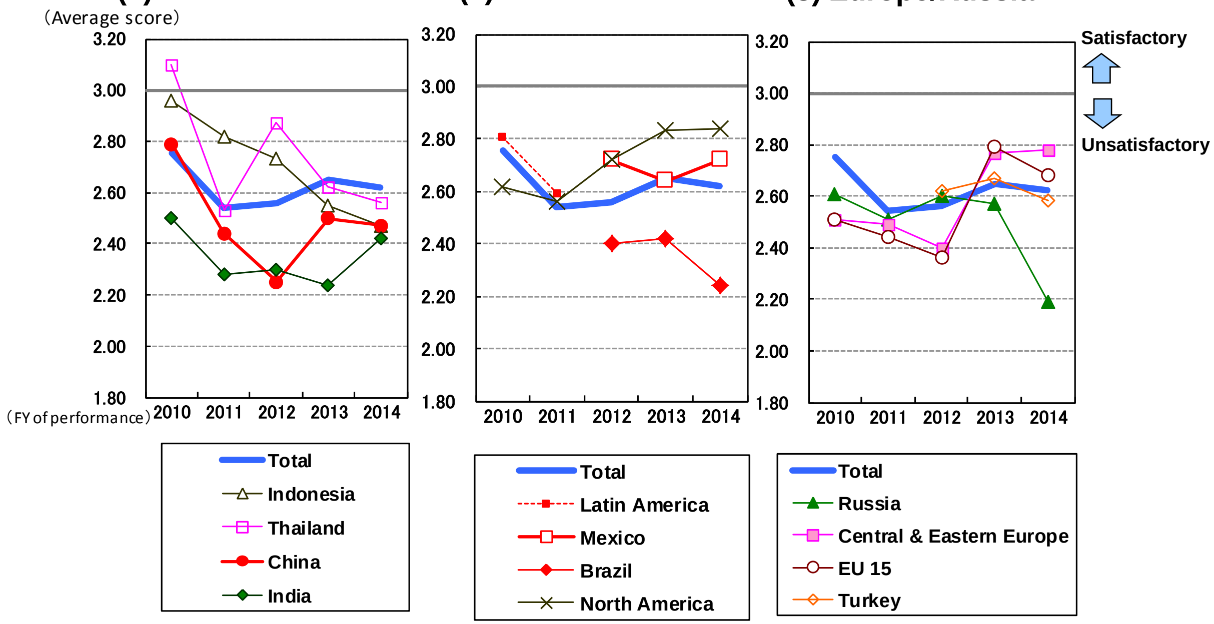
(Companies)

Country/Region	"More Profitable than Japan" responses (1)	Responses per region/countries (2)	Ratio: [(1)/(2)]
1 Thailand	110	360	30.6%
2 North America	103	390	26.4%
3 NIEs3	55	230	23.9%
4 China	117	510	22.9%
5 Indonesia	51	254	20.1%

(Note) When companies were asked about their profitability in FY2014 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.

Figure 11: Satisfaction with Profits (by region)

(1) Asian Countries (2) Inter-America (3) Europe/Russia



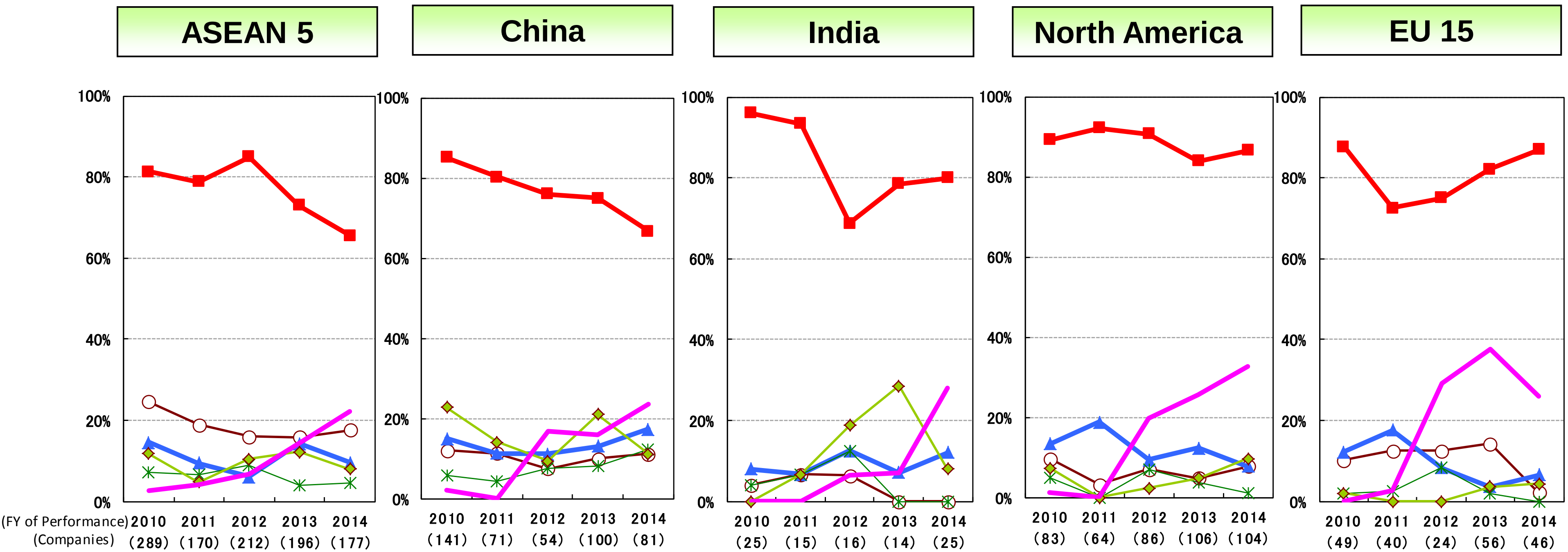
(Note 1) (2) Inter-America: Individual aggregation of Mexico and Brazil have been separated from Latin America since FY2012 results.
(3) Europe/Russia: Aggregation for Turkey has been added since FY2012 results.
(Note 2) See Appendix 7 for more detailed data collated by country/region.

■**The evaluation of degrees of satisfaction with net sales and profits has declined somewhat**
・Degrees of satisfaction in FY2014 performance were 2.66 for net sales, a decrease of 0.05 points on the previous year, and 2.62 for profits, a drop of 0.03 points from the prior year. Both have thus decreased somewhat (Figure 10).

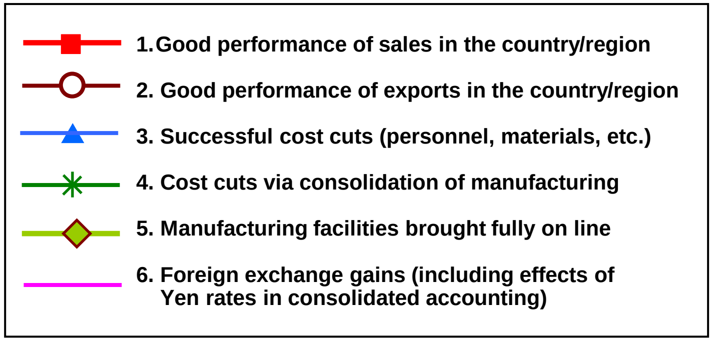
■**Degrees of satisfaction were relatively higher in North America and lower in Brazil and Russia than other countries/regions**
・In Inter-America, the degrees of satisfaction in North America were relatively higher than other countries/regions. And while the degrees of satisfaction in Mexico increased slightly over the previous survey, in Brazil the degrees of satisfaction took a big drop (Figure 11(2)).
・In Russia the degrees of satisfaction decreased dramatically. Meanwhile, the degrees of satisfaction in Central & Eastern Europe continued to maintain same high level from the previous survey (Figure 11(3)).
・Among Asian countries, the degrees of satisfaction in India increased, while in Indonesia and Thailand they were in a downward trend, which is an indication of the effects of the stagnating ASEAN economy (Figure 11(1)).

■**About 30% of the responding companies answered that in comparisons to Japan, the profit rate in Thailand was higher**
・Questioning about the countries/regions with higher profit rates than Japan again resulted in Thailand as the top response (about 30%), as was case in the previous survey as well. The number-two response was North America, which at 26.4% saw an on-year increase of 3.3 points. In contrast, China saw a decrease by 1.3 points from the previous survey and was 22.9% in this survey (Figure 12).

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



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



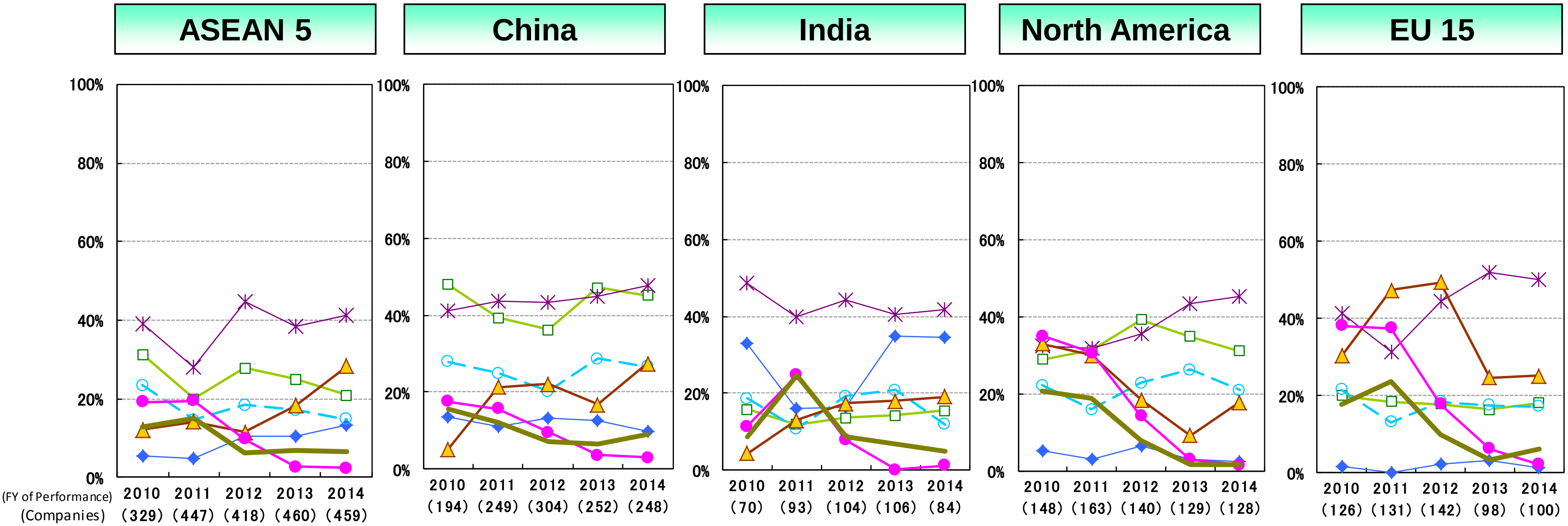
■For ASEAN 5 and China, the ratio giving “1. Good performance of sales in the country/region” decreased

- The response given by the highest ratio consistently in all regions was “1. Good performance of sales in the country/region,” although a look at trends in recent years shows that there are differences in each country/region. In this survey, the ratios given for India, North America, and EU15 increased over the previous survey, while for ASEAN 5 dropped from 73% to 66% and for China decreased from 75% to 67% from the previous survey, respectively..

■For all regions, “6. Foreign exchange gains (including effects of Yen rates in consolidated accounting)” contributed to the increased degrees of satisfaction with profitability

- In all regions, the response “6. Foreign exchange gains (including effects of Yen rates in consolidated accounting)” tended to be given by high ratios. In fact, the increases for India and North America over the previous survey were pronounced. Regarding exchange gains, there was feedback from companies interviewed that Yen conversion of foreign currency positively influenced accounting figures.

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



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

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

■For all regions "4. Difficulty in getting customers (intense competition)" was the top response

・"4. Difficulty in getting customers (intense competition)" was given consistently in all regions as the primary reason for profits being unsatisfactory. For China, North America, and EU15 the response ratios had each remained almost 50%.

・Regarding China, the response ratio of "1. Difficulty in cutting costs (personnel, materials, etc.)" was 45.2%, which was higher than for other countries/regions.

■For ASEAN 5 and China, the response ratio of "5. Shrinking market due to economic fluctuations" increased greatly

・For all regions, the response ratio of "5. Shrinking market due to economic fluctuations" was in an upward trend, with especially ASEAN 5 (18.3% in the previous survey to 28.3% in this survey) and China (16.7% in the previous survey and 27.4% in this survey) seeing large increases in the response ratio from the previous survey. This is indicative of the economic slowdown of ASEAN and China.

・In comparison to other countries/regions, India again saw the response ratio of "2. Not brought fully on line right after establishment" continue to be above the 30% mark, as was the case in the previous survey. This suggests that is a relatively high ratio of bases not fully on line.

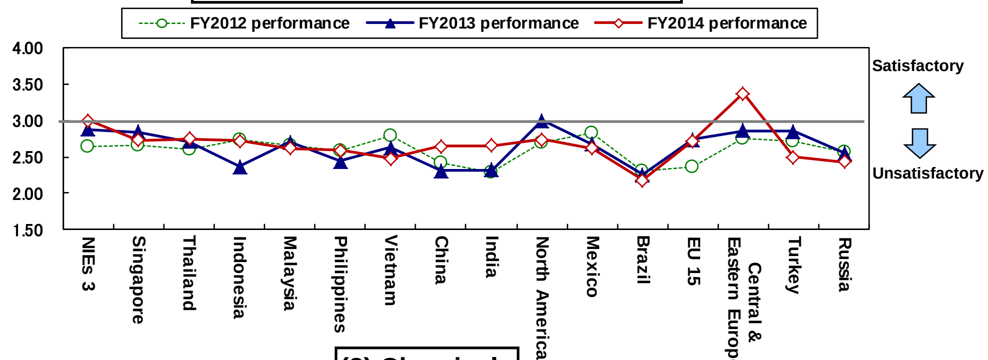
Figure 15: Evaluating Satisfaction of Net Sales & Profits (FY2014 performance)

	Average by industry		Comparison with last FY		No. of respondent companies	Countries/regions with highest average in satisfaction with profits
	Net sales	Profits	Net sales	Profits		
All Industries	2.66	2.62	▲0.05	▲0.03	565	NIEs3 (2.86)
1. General Machinery	2.65	2.71	+0.06	+0.10	53	Vietnam (3.13)
2. Petroleum & Rubber	2.65	2.71	▲0.03	+0.00	11	Mexico (3.33)
3. Chemicals	2.81	2.70	▲0.12	▲0.11	86	Central & Eastern Europe (3.38)
4. Automobiles	2.78	2.68	▲0.03	+0.00	101	Vietnam (3.43)
5. Precision Machinery	2.70	2.63	+0.08	▲0.07	31	Mexico (3.50)
6. Electrical Equipment & Electronics	2.59	2.62	▲0.11	▲0.02	88	Vietnam (2.96)
7. Other	2.52	2.61	▲0.02	+0.09	53	Indonesia (2.95)
8. Paper, Pulp & Wood	2.58	2.55	+0.03	+0.02	10	Thailand (3.33)
9. Foods	2.53	2.55	▲0.23	▲0.07	25	Mexico (3.33)
10. Nonferrous Metals	2.56	2.53	▲0.11	▲0.05	18	Singapore (3.14)
11. Metal Products	2.64	2.51	▲0.22	▲0.05	17	Brazil (3.67)
12. Transportation (excl. Automobiles)	2.68	2.45	+0.03	▲0.10	15	Indonesia (2.95)
13. Ceramics, Cement & Glass	2.49	2.35	+0.27	+0.18	17	Singapore (3.00)
14. Textiles	2.51	2.32	▲0.10	▲0.20	27	Vietnam (3.20)
15. Steel	2.32	2.26	▲0.45	▲0.63	13	EU15 (3.67)

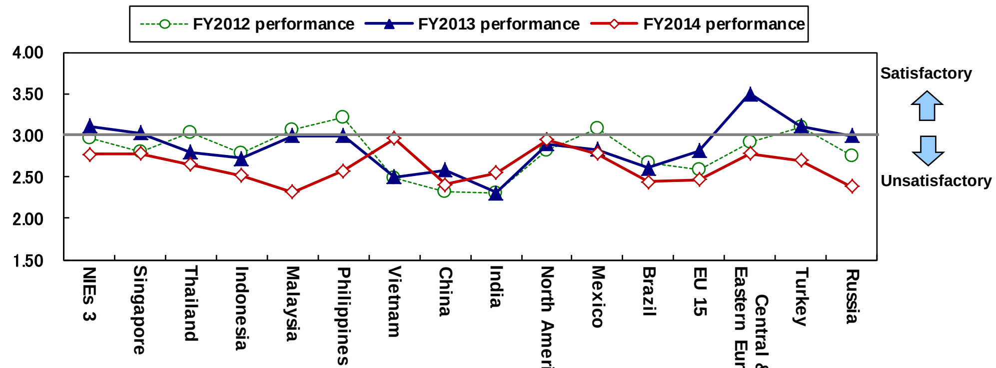
(Note) The industries in the table above are ordered according to average values for profits from highest to lowest.

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

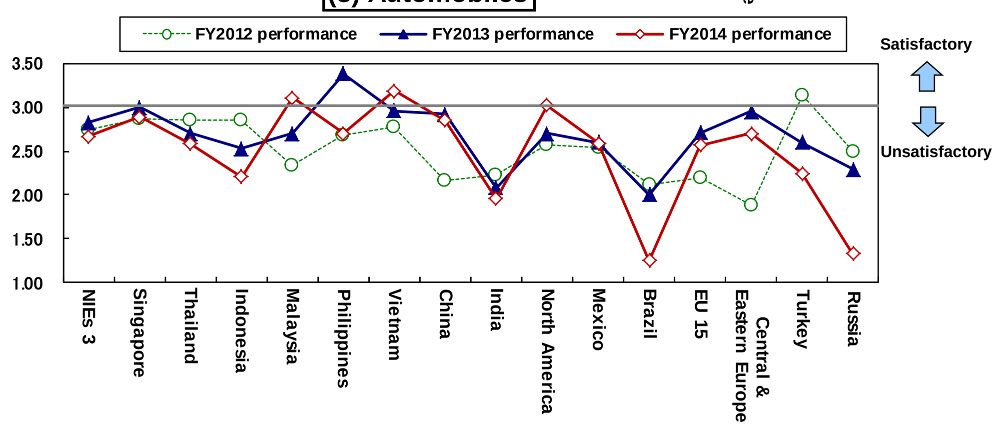
(1) Electrical Equipment & Electronics



(2) Chemicals



(3) Automobiles



■The degree of satisfaction with profit increased in four industries and decreased in nine

- Differences in changes in the degree of satisfaction with profit were seen by industry. While there was an increase in the four industries of ceramics, cements & glasses, general machinery, paper, pulp & wood, and others, decreases were seen in nine industries. In fact, the decrease for steel from the previous survey was 0.63 points, which was quite larger than other industries (Figure 15).

■In the automobile industry, the degree of satisfaction with profits dropped sharply for Brazil and Russia

- A look at the degrees of satisfaction with profits by country/region in the three key industries shows that in the automobile industry there was a drop for Brazil from the previous survey of 2.00 to 1.25 in this survey. For Russia, the degree of satisfaction with profits decreased drastically from 2.29 in the previous survey to 1.33 in this survey. In both countries, the degree of satisfaction with profits has diminished in the electrical equipment & electronics and chemicals industries, an indication of the effects of prolonged economic stagnation (Figure 16).

III. Business Prospects

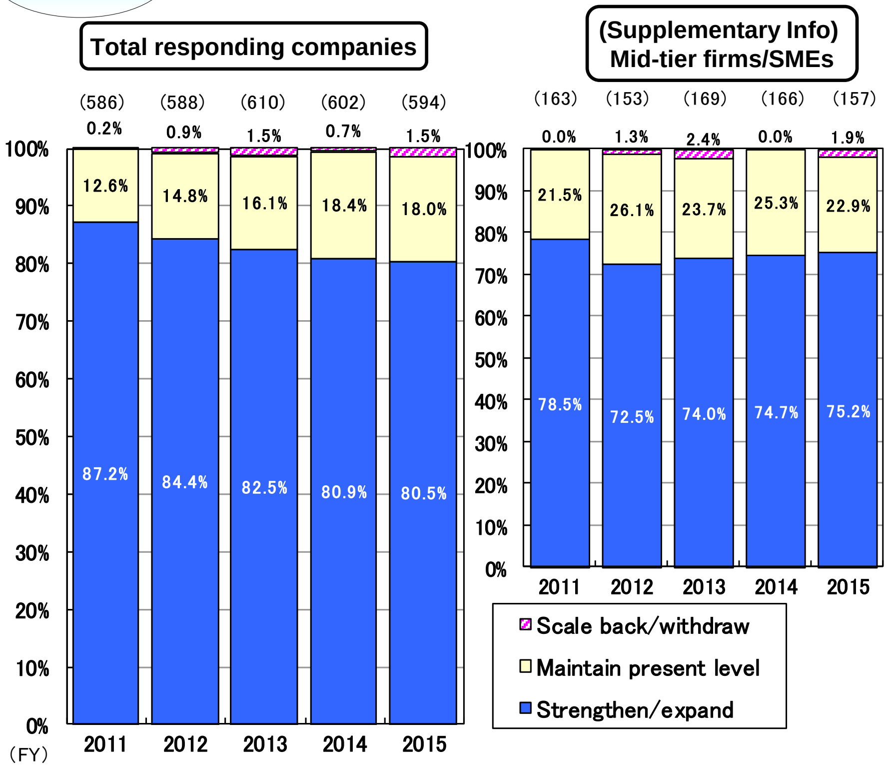
III.1. Attitudes toward Strengthening Businesses (domestic & overseas)

Q

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

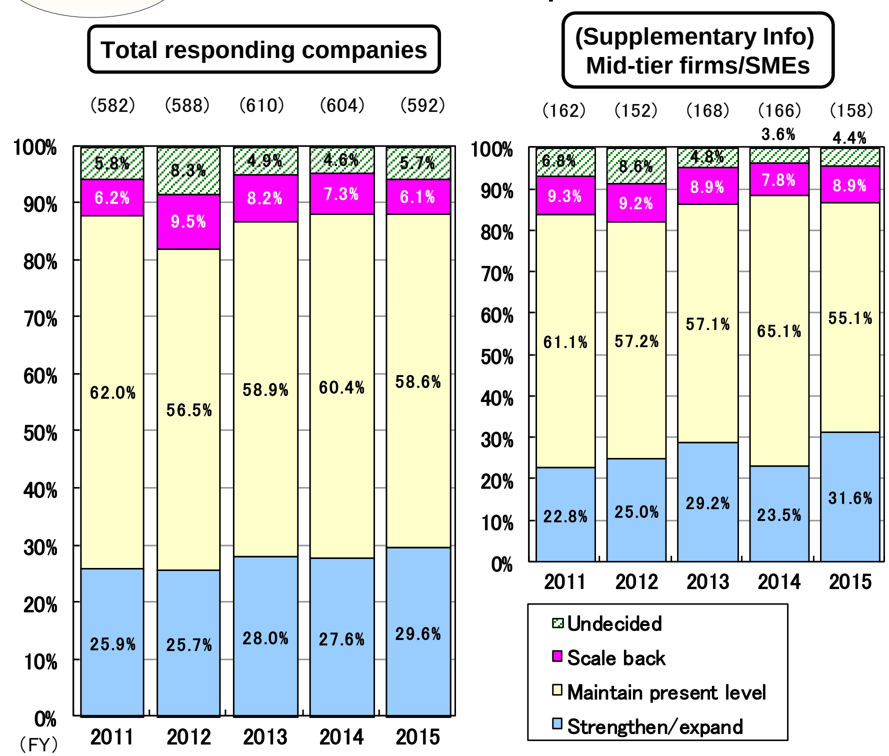
Overseas

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



Domestic

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



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

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

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

■There is a standstill in the stance of strengthening/expanding overseas business

- There were 478 companies (response ratio of 80.5%) answering that they intended to "strengthen/expand" overseas business over the medium term. The response ratio is more or less even with that of the previous survey (down 0.4 points), an indication of the downward trend since the 2011 survey and the current standstill. And a look at mid-tier firms/SMEs shows that the "strengthen/expand" response ratio has gradually increased from 72.5% in the 2012 survey and has reached the 75.2% mark in this survey (Figure 17).

■Stance of strengthening/expanding domestic business is somewhat on the rise

- Since the 2012 survey, the response ratios of "strengthening/expanding" have been in an upward trend. Out of the responding companies in this survey, 29.6% (2.0 points more than the previous survey) chose "strengthen/expand." And among mid-tier firms/SMEs, "Strengthen/expand" was selected by 31.6% of the responding companies (an increase of 8.1 points over the previous survey). Though the response "maintain the present level" continues to account for the majority, the increase in responses that indicate a stance of strengthening/expanding can be partially attributed to the recent domestic economy and the currency exchange market situations (Figure 18).

Figure 19: Medium-term Prospects for Overseas Operations

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

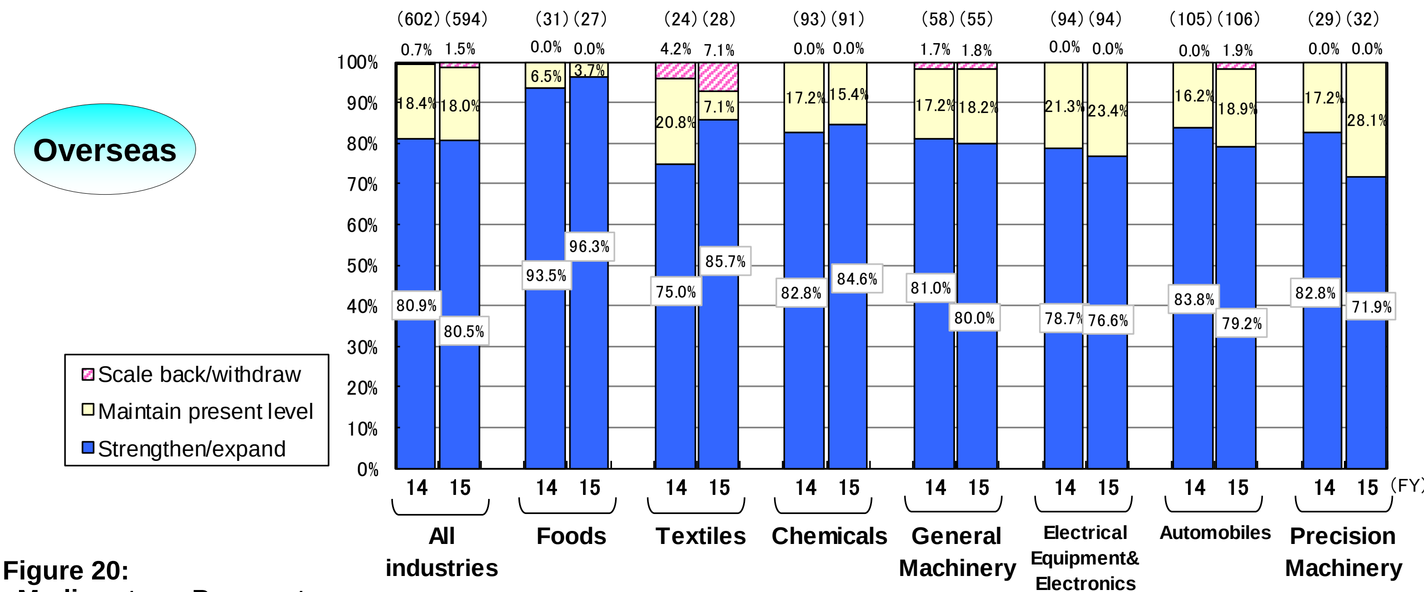
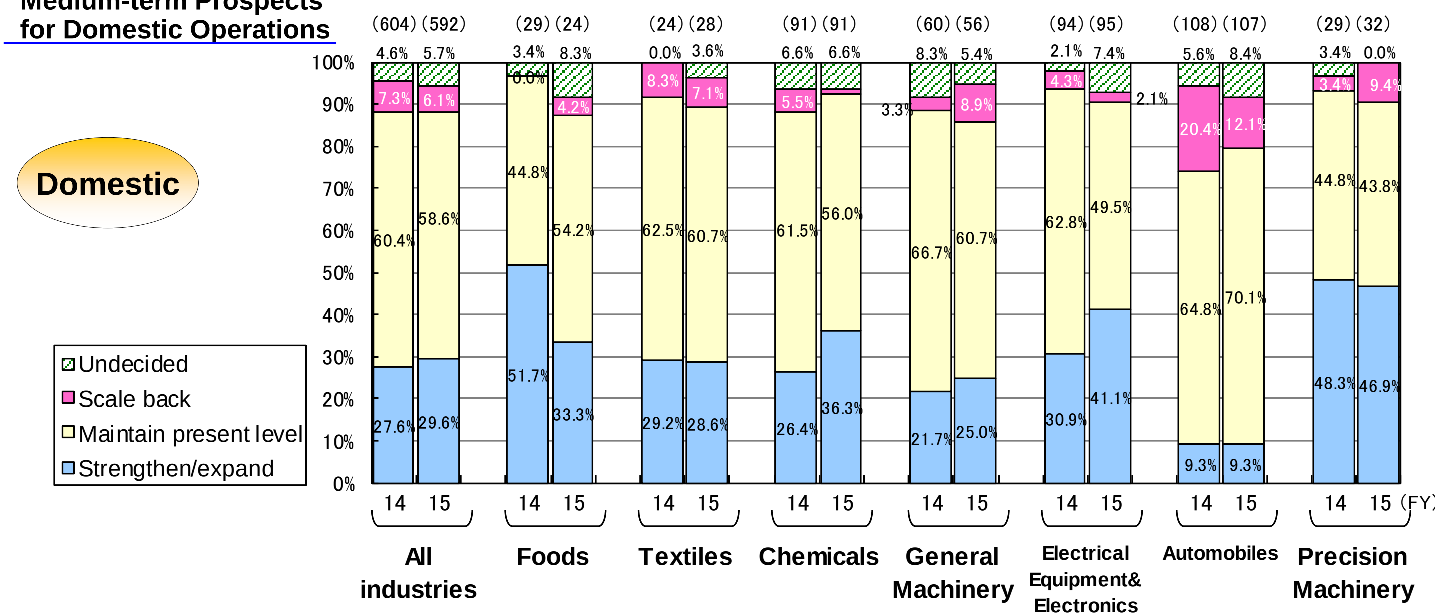


Figure 20: Medium-term Prospects for Domestic Operations



■A stance of strengthening/expanding overseas business is significant in foods and textiles industries

- There has been no major change in the stance of strengthening/expanding in the four major industries from the previous survey. Precision machinery saw a decrease of 82.8% in the previous survey to 71.9% in this survey. At the same time, the domestic demand-driven foods industry increased from 93.5% in the previous survey to 96.3%, while the labor-intensive textiles industry increased from 75.0% in the previous survey to 85.7%. The textiles industry saw an increase in "scale back" to 7.1% (4.2% in the previous survey), which can partially be attributed to restructuring the industry with greater focus on labor costs and other production costs as well as market location.

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.

■Regarding the domestic business prospect, there has been an intensification of the stance of strengthening/expanding in chemicals and electrical equipment & electronics

- A breakdown by industry shows that the stance to strengthen/expand has intensified in electrical equipment & electronics (41.1%) and chemicals (36.3%). In both industries, this can be attributed in part to the use of domestic bases to accommodate expanding overseas demand due to the depreciation of the value of the Yen and drop in the price of crude oil.
- The stance to scale back continues to be relatively strong in the automobiles industry (12.1%), but there was a large drop from 20.4% in the previous survey. At the same time, the response ratio for maintaining the present level has increased to 70.1%.

Almost 90% of the companies that are going to strengthen/expand overseas business over the medium term expect to maintain or strengthen/expand domestic business

- Of the companies that answered that would "strengthen/expand" overseas business over the medium term (471 companies), 89.8% (423 companies) answered that they would maintain or expand domestic business. A comparison with the previous survey shows that the number of companies answering "strengthen overseas business, maintain or expand domestic business " decreased from 426 companies in the previous survey to 423 companies, while the ratio increased 88.0% to 89.8% (Figure 21 - reference).
- At the same time, the number of companies answering that they would "strengthen overseas business, scale back domestic business" decreased from 41 companies in the previous survey to 30 companies in this survey, a ratio decrease of 8.5% to 6.4%. A breakdown by industry shows that the order was steel (13.3%), automobiles (11.1%), precision machinery (9.4%), and general machinery (8.8%) (Figure 22).

Figure 21: Cross Analysis of Prospects for Overseas and Domestic Businesses (n= 587 companies)

Medium-term Prospects (next 3 yrs. or so)			
Overseas business	Domestic business	No. of respondent companies	Proportion
Strengthen/expand (471 companies)	Strengthen/expand	161	34.2%
	Maintain present level	262	55.6%
	Scale back	30	6.4%
	Undecided	18	3.8%
Maintain present level (107 companies)	Strengthen/expand	13	12.1%
	Maintain present level	80	74.8%
	Scale back	3	2.8%
	Undecided	11	10.3%
Scale back/withdraw (9 companies)	Strengthen/expand	1	11.1%
	Maintain present level	3	33.3%
	Scale back	3	33.3%
	Undecided	2	22.2%

89.8%

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

	FY2012	FY2013	FY2014	FY2015
Ratio (%)	81.8	86.4	88.0	89.8
number of companies	401	432	426	423

Figure 22: Profile of Companies (30 companies) Which Selected to Expand Overseas Businesses and Scale Back Domestic Business

(1) Volume of net sales

	No. of companies responding "scale back" for domestic business prospect (A)	No. of respondent companies (B)	(A)/(B)
¥1 trillion or more	2	43	4.7%
¥300 bn. up to ¥1 trillion.	5	67	7.5%
¥100 bn. up to ¥300 bn.	5	136	3.7%
¥50 bn. up to ¥100 bn.	6	106	5.7%
¥10 bn. up to ¥50 bn.	7	183	3.8%
Less than ¥10 bn.	5	69	7.2%
No Answer	0	3	0.0%
Total	30	607	4.9%

(2)Volume of paid-in capital

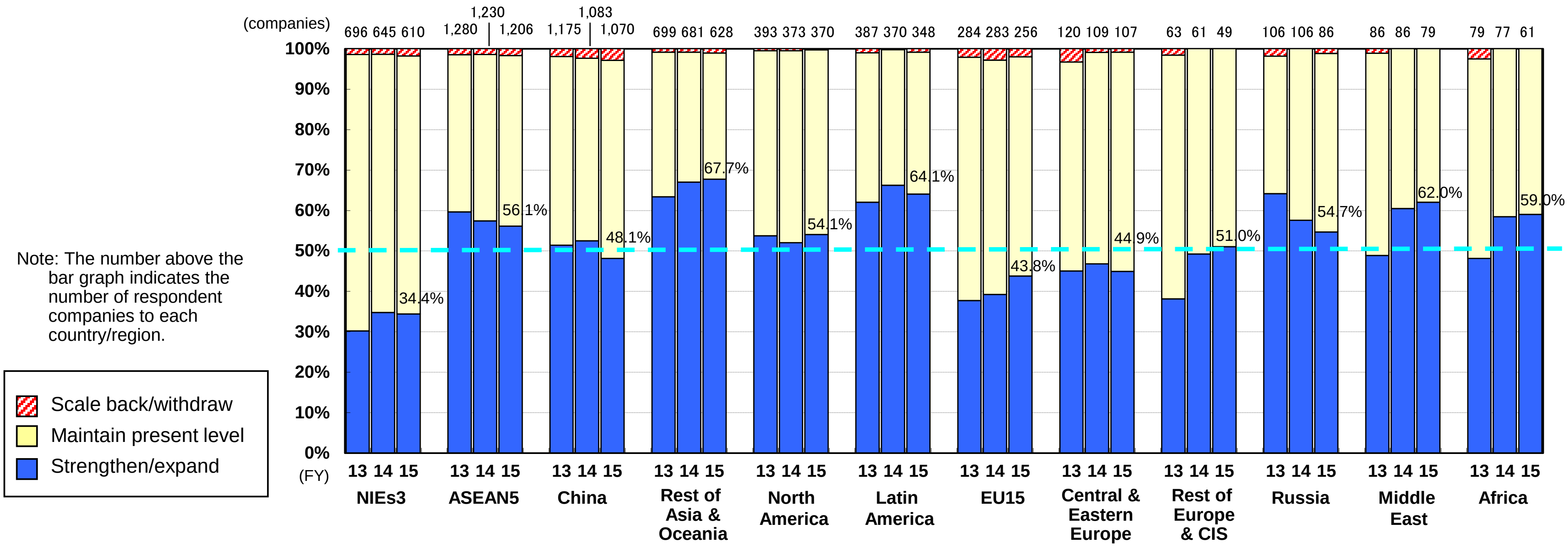
	No. of companies responding "scale back" for domestic business prospect (A)	No. of respondent companies (B)	(A)/(B)
Large Corporations	18	446	4.0%
Mid-tier firms/SMEs	12	161	7.5%
No answer/Holding company	0	0	-
Total	30	607	4.9%

(3) Industry

	No. of companies responding "scale back" for domestic business prospect (A)	No. of respondent companies (B)	(A)/(B)
Automobiles	12	108	11.1%
Electrical Equipment & Electronics	2	96	2.1%
Chemicals	1	91	1.1%
General Machinery	5	57	8.8%
Precision Machinery	3	32	9.4%
Foods	1	30	3.3%
Textiles	2	28	7.1%
Nonferrous Metals	1	19	5.3%
Ceramics, Cement & Glass	1	18	5.6%
Metal Products	0	18	0.0%
Transportation (excl. Automobiles)	0	16	0.0%
Steel	2	15	13.3%
Petroleum & Rubber	0	11	0.0%
Paper, Pulp & Wood	0	10	0.0%
Other	0	58	0.0%
Total	30	607	4.9%

Figure 23: 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.

■The stance of "strengthening/expanding" business prospects is on the decline for China and ASEAN 5

- In China, the ratio of those answer that their approach would be toward strengthening business operations peaked at 73.0% in the 2011 survey and has since been in a downward trend. It dropped by 4.3 points to 48.1% from the previous survey (52.4%) and now sits below the 50% mark. While there continue to be many companies intending on maintaining the present level due to the importance they attach to market and production bases, the more aggressive approach that had been shown toward strengthening/expanding is now in decline. In addition, in ASEAN 5 the response ratio for a stance to strengthening/expanding business operations dropped slightly from the previous survey (57.4%) to 56.1% in this survey. This would appear to be attributable to the effects of a delay in the economic recovery of the ASEAN region.

■For the Rest of Asia and Oceania, Latin America, Middle East, and Africa, the stance of strengthening/expanding business operations continues to be strong

- In the emerging countries of the Rest of Asia and Oceania (67.7%), Latin America (64.1%), the Middle East (62.0%), and Africa (59.0%), the stance of strengthening/expanding business operations continues to be strong. With the exception of Brazil (down to 57.6% by 9.8 points from the previous survey) in Latin America, all response ratios saw increases over the previous survey. Gains in Latin America have been driven by Mexico (71.4%) and in the Rest of Asia and Oceania by India (72.8%) and Vietnam (72.4%).

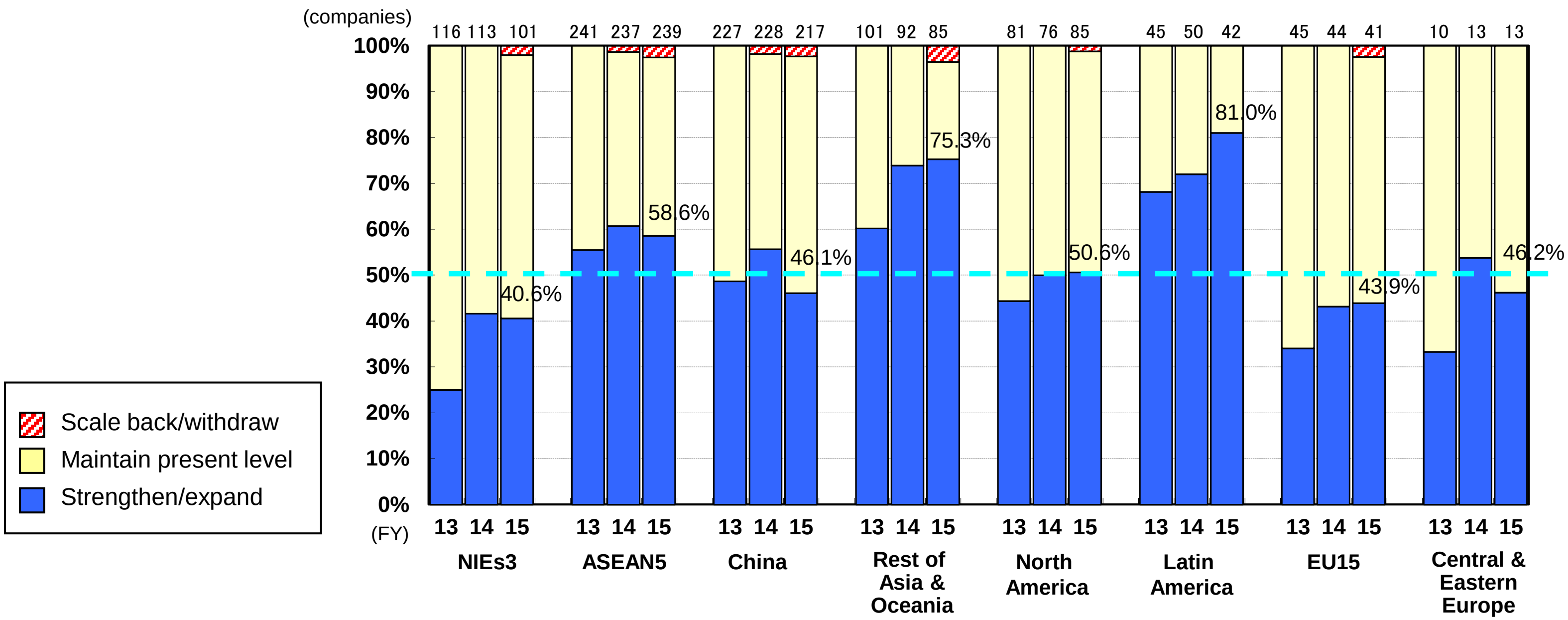
■For the Europe region, CIS, and Russia, intention to maintain the present level is growing gradually

- In EU15 (43.8%), Central & Eastern Europe (44.9%), Rest of Europe & CIS (51.0%), and Russia (54.7%), the stance of strengthening/expanding is weaker than in the above-mentioned emerging countries. In Russia, the "strengthen/expand" response ratio was 54.7%, which represents a decrease of 2.8 points from the previous survey (57.5%). This appears to be attributable to the effects of lingering economic sanctions.

Reference: Medium-term Prospects for Overseas Operations (by region) <Mid-tier firms/SMEs>

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 1: The number above the bar graph indicates the number of respondent companies to each country/region.
Note 2: Countries/regions in which there were 10 or fewer companies answering were excluded.

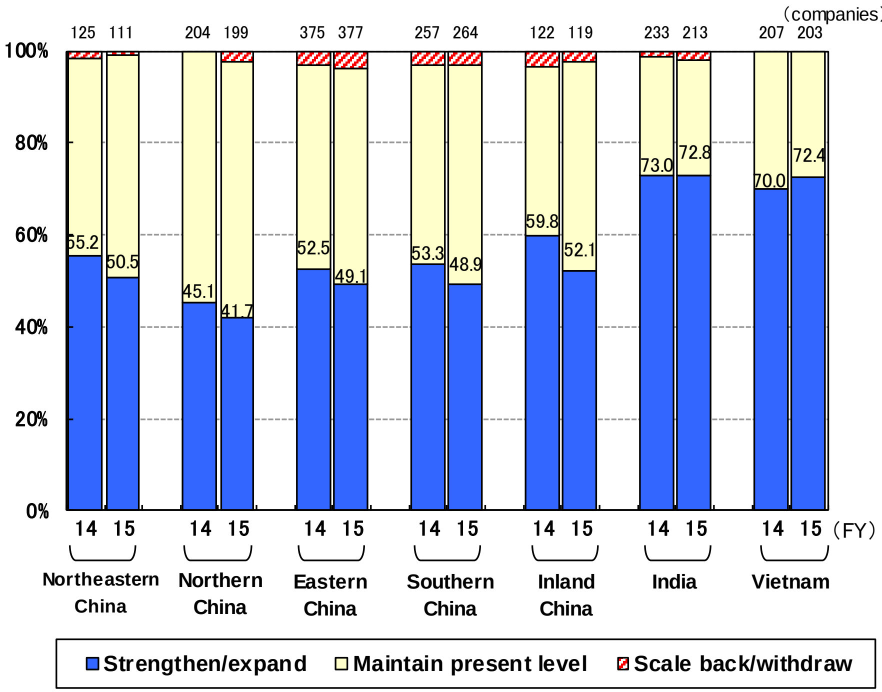
■ The stance to "strengthen/expand" has intensified for Latin America and declined greatly for China

- In Latin America, the response ratio of a stance to strengthen business operations exceeded the 80% mark: 81.0%. This is largely the effects of the situation in Mexico – especially the brisk activity in the automobiles-related industries. In contrast, in China, the response ratio of strengthening business operations was 46.1%, which falls below the response ratio of the total in Figure 23 (48.1%). In China, the stance to maintain the present level has intensified. Though the situation is one in which there are no expectations in an improved business environment due to either the sense that business has levelled off or that business confidence is down, the market size and ongoing business with partners give players in the economy the feeling that there is no choice but to maintain the present level.

■For both the Rest of Asia and Oceania and ASEAN 5 regions there continues to be a stronger commitment to "strengthen/expand"

- In the Rest of Asia and Oceania (75.3%) , there continues to be strong a stance to strengthen business operations, with India and Vietnam contributing to this momentum. And in ASEAN5(58.6%) ,there seems to be strong a stance to strengthen business operations compared to other region. In both regions the response ratios exceed the totals in Figure 23 (Rest of Asia and Oceania: 67.7%; ASEAN 5: 56.1%), which is indicative of a stronger approach by mid-tier firms/SMEs to aggressively strengthen/expand. As there has been a time lag between mid-tier firms/SMEs and large companies in terms of their overseas expansion, the countries/regions that were first approached by large companies are now seeing greater determination by mid-tier firms/SMEs to strengthen/expand business operations.

Figure 24: Medium-term Prospects for Overseas Operations (China, India & Vietnam)



Note 1: The number above the bar graph indicates the number of respondent companies to each country/region.
Note 2: The figures in the bar graph in Figure 24 are proportions of the companies responding "strengthen/expand" (unit: percentage).

■In all five regions of China the stance to "maintain the present level" is intensifying

- In all five regions of China the response ratio to "strengthen/expand" has declined while the ratio to "maintain the present level" has increased. In light of the fact that five years ago (FY2011) all five regions had the ratios to "strengthen/expand" of about 70%, responses now reflect a more cautious attitude about business operations throughout all of China – and not just in the Eastern China and Southern China regions, where labor shortages and wage increases have been noticeable (Figure 24).
- The ratio of companies answering that they will "scale back / withdraw" over the medium term is highest in the Eastern China region, although the numbers of companies and response ratios are more or less at the same levels as the previous survey (12 companies and 3.2% in FY2014 went to 14 companies and 3.7% in FY2015) (Figure 24).

■In India and Vietnam companies continue the stance to strengthen/expand, exceeding the 70% mark

- In India and Vietnam, the response ratios of "strengthen/expand" were 72.8% and 72.4%, respectively. The ratios continue to be higher from before (Figure 24). In both countries, the number of companies answering that they would strengthen/expand in production decreased from the previous survey. However, for sales, the number of companies expanding was at the same level in India, and there was somewhat of an increase in Vietnam (Figures 25, 26).

* Figures 25 and 26 summarize the specific efforts by the companies responding "strengthen/expand" in Figure 24 by production and sales. Multiple responses were possible.

Figure 25: Areas in which to strengthen/expand (production)

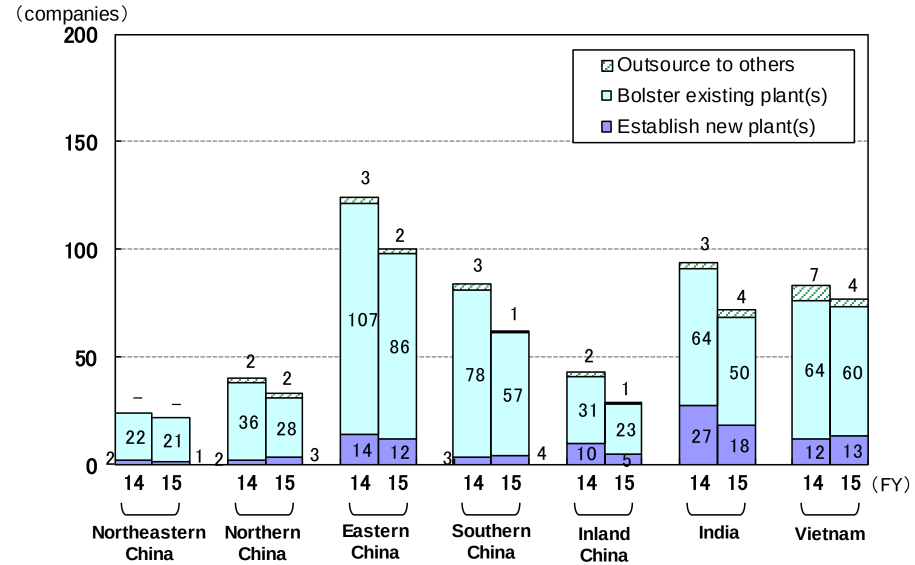


Figure 26: Areas in which to strengthen/expand (sales)

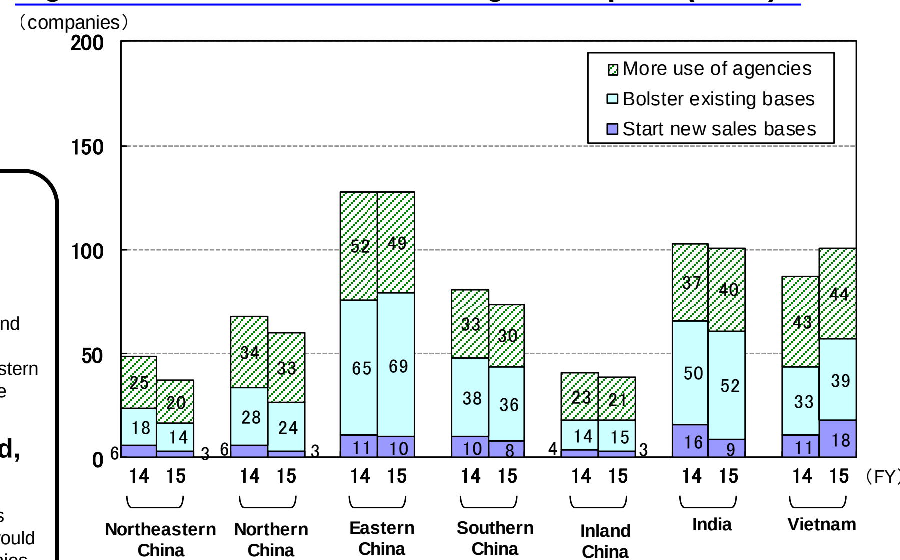
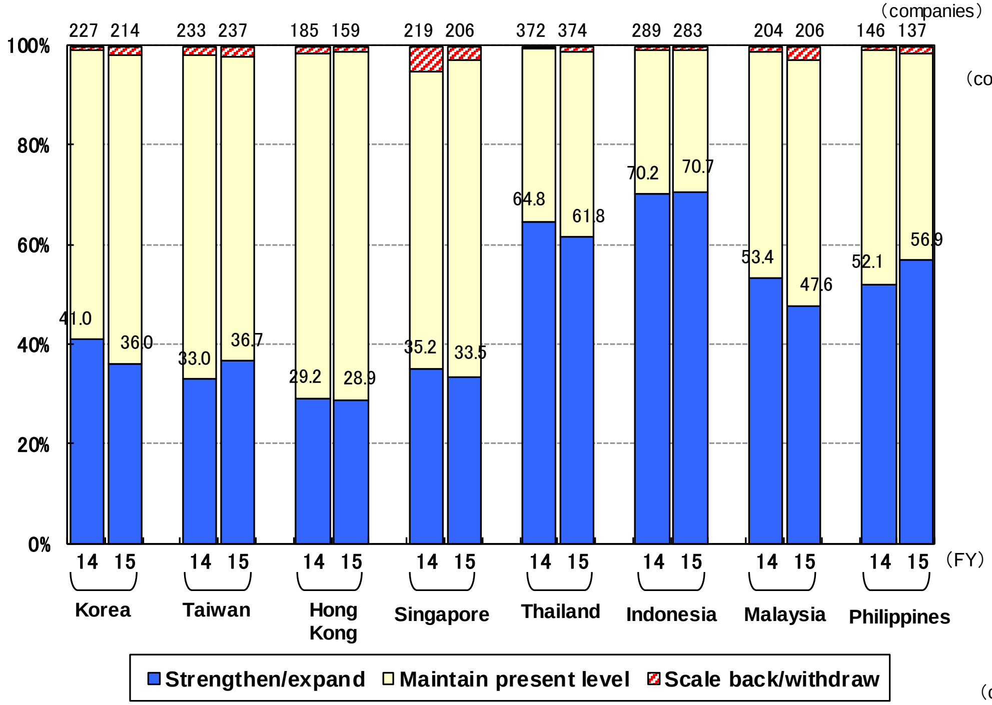


Figure 27: Medium-term Prospects for Overseas Operations (NIEs3･ASEAN5)



Note 1: The number above the bar graph indicates the number of respondent companies to each country/region.
Note 2: The figures in the bar graph in Figure 27 are proportions of the companies responding "strengthen/expand" (unit: percentage).

* Figures 28 and 29 summarize the specific efforts by the companies responding "strengthen/expand" in Figure 27 by production and sales. Multiple responses were possible.

Figure 28: Areas in which to strengthen/expand (production)

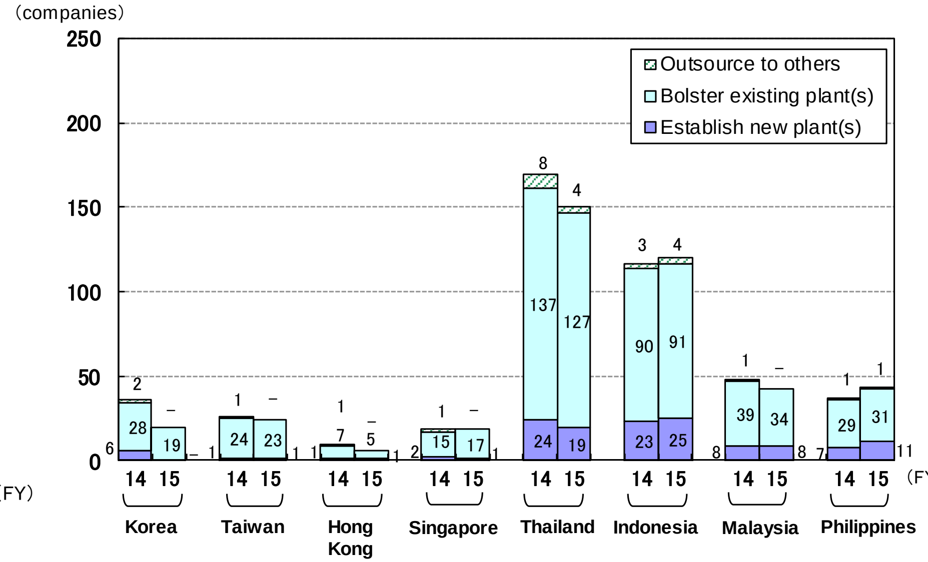
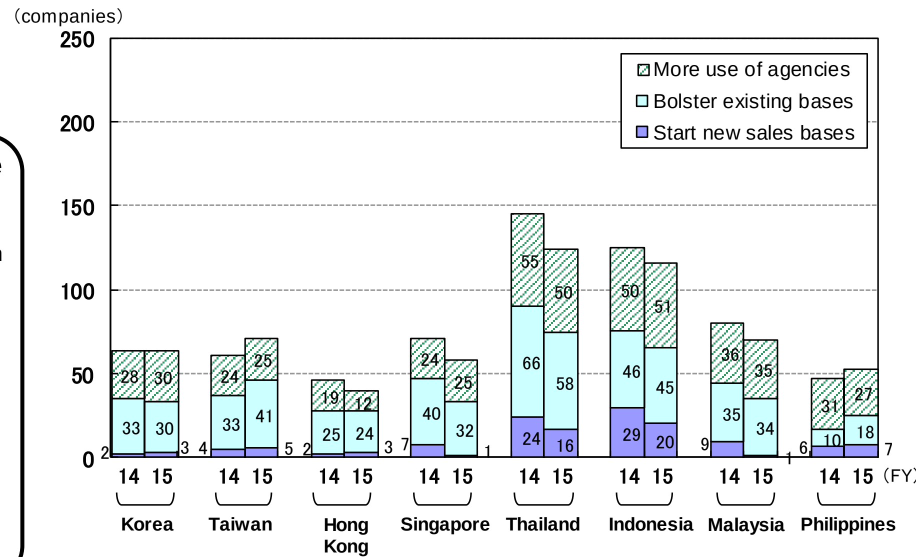


Figure 29: Areas in which to strengthen/expand (sales)



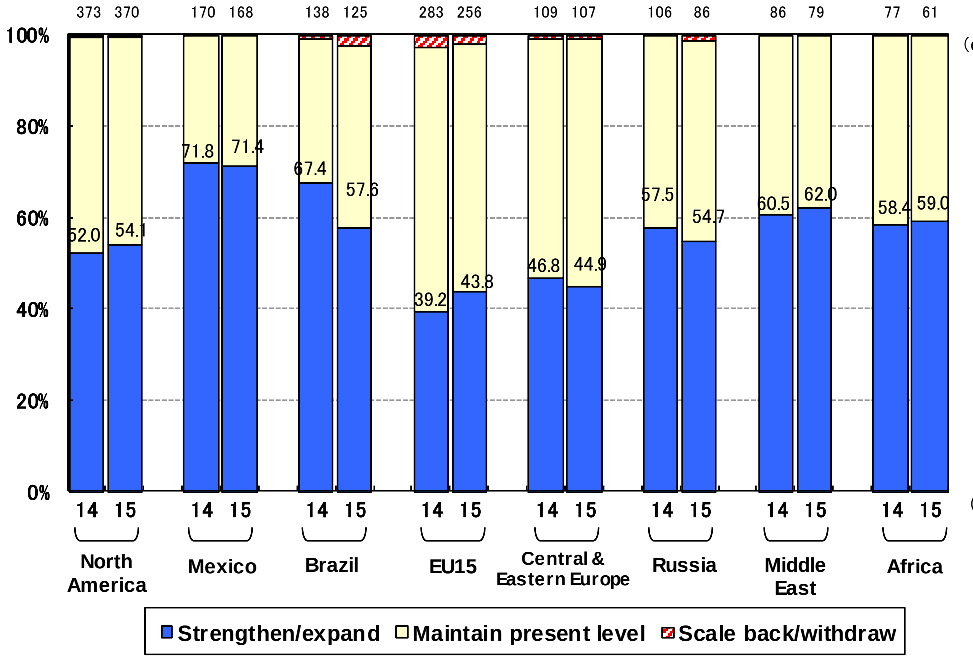
■ The countries where the stance to "strengthen/expand" exceeded the 50% mark are Thailand, Indonesia, and the Philippines

･In Thailand, Indonesia, and the Philippines, the response ratios of "strengthen/expand" each were above the 50% mark, an indication of the favorable assessment of the potential of each country. In contrast, in the NIEs3 of Korea, Taiwan, and Hong Kong, the response ratios of "strengthen/expand" each stayed around 30%, there are no great changes from the previous survey (Figure 27).

■The regions where production is to be strengthened/expanded are Thailand and Indonesia

･Response about the strengthening/expanding production was strikingly high in Thailand and Indonesia: 150 companies and 120 companies, respectively. Regarding specific initiatives about strengthening/expanding, there were many responses about bolstering existing bases (Figure 28).
･Though there were many responses about strengthening/expanding sales in Thailand and Indonesia, the intention to strengthen/expand in sales more than production were indicated in NIEs3 and other ASEAN 5 countries (Figure 29).

Figure 30: Medium-term Prospects for Overseas Operations (Americas, Europe, Middle East & Africa)



Note 1: The number above the bar graph indicates the number of respondent companies to each country/region.
Note 2: The figures in the bar graph in Figure 30 are proportions of the companies responding "strengthen/expand" (unit: percentage).

* Figures 31 and 32 summarize the specific efforts by the companies responding "strengthen/expand" in Figure 30 by production and sales. Multiple responses were possible.

Figure 31: Areas in which to strengthen/expand (production)

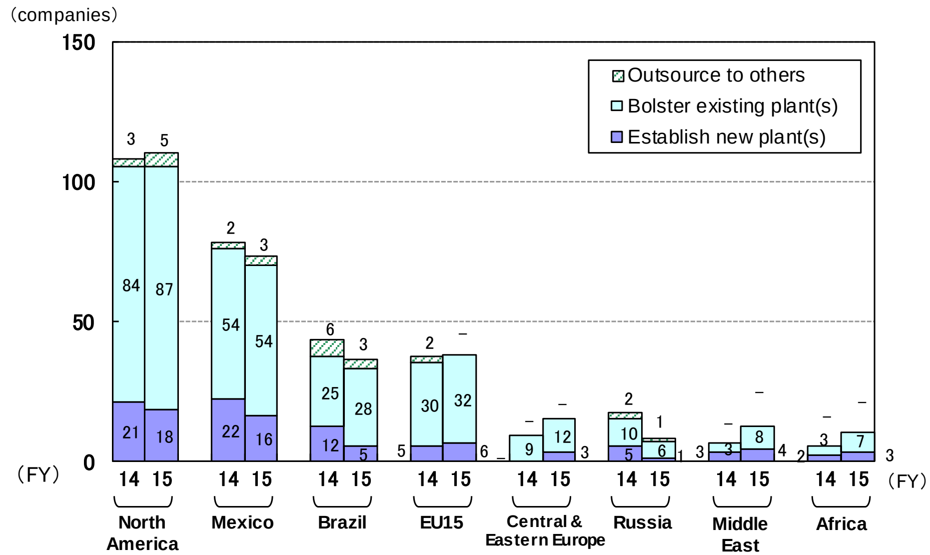
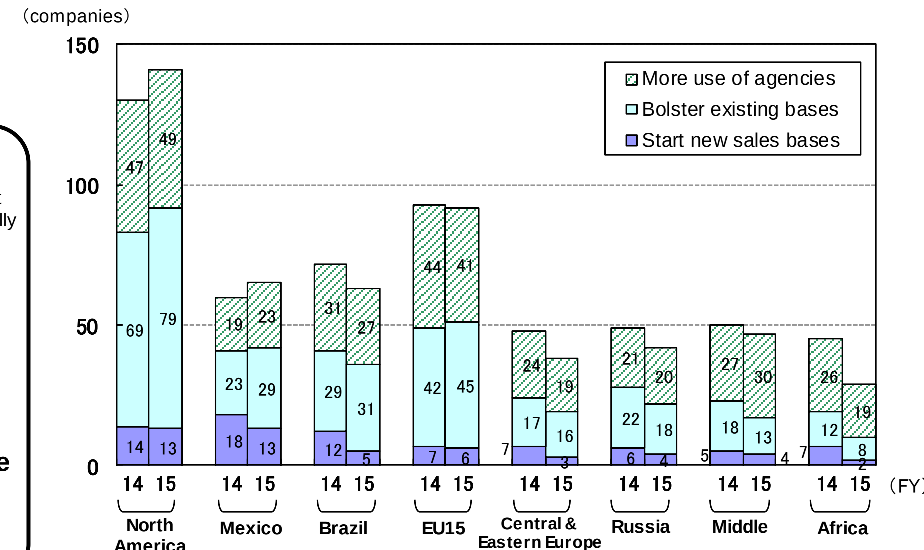


Figure 32: Areas in which to strengthen/expand (sales)



■Mexico's evaluation continues to be high

・The percentage of companies answered that they would strengthen/expand in Mexico mostly unchanged from the previous survey (71.8%) in this survey: 71.4%. Against a backdrop of favorable economic performance throughout the North American region, production bases and markets are expected to become even more appealing, principally in the automobiles industry (Figure 30).

■The stance to strengthen/expand business operations has declined in Brazil and Russia

・Brazil saw a drop in the response ratio of strengthening/expanding from 67.4% in the previous survey to 57.6%, an indication of the effects of the domestic economy that continues to be stagnant. Similarly, Russia also saw its percentage of strengthening/expanding drop from 57.5% in the previous survey to 54.7%, such change can be attributed to the effects of stagnation of the domestic economy due to lingering economic sanctions and the fall in the price of crude oil (Figure 30).

■In the area of sales, North America and Mexico are intensifying their stance to "bolster existing bases"

・In the areas of both production and sales, North America has seen an increase in "bolstering existing bases." Similarly, in the area of sales, there were more responses of "bolstering existing bases" in Mexico, an indication of greater commitment by companies that have already set up bases there (Figures 31 and 32).

IV. Promising Countries/Regions over the Medium-Term

Figure 33: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (Multiple responses)

* See Appendix 1 for pre-FY2013 results of Figure 33.

Q

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

* Percentage share = No. of respondents citing country/region / Total No. of respondent companies

Ranking			Country/Region	No. of Companies		Percentage Share (%)	
FY2015	←	FY2014	(Total)	FY2015 433	FY2014 499	FY2015	FY2014
1	—	1	India	175	229	40.4	45.9
2	—	2	Indonesia	168	228	38.8	45.7
2	↑	3	China	168	218	38.8	43.7
4	—	4	Thailand	133	176	30.7	35.3
5	—	5	Vietnam	119	155	27.5	31.1
6	—	6	Mexico	102	101	23.6	20.2
7	↑	8	USA	72	66	16.6	13.2
8	↑	11	Philippines	50	50	11.5	10.0
9	↓	7	Brazil	48	83	11.1	16.6
10	—	10	Myanmar	34	55	7.9	11.0
11	↑	12	Malaysia	27	46	6.2	9.2
12	↓	9	Russia	24	60	5.5	12.0
13	↑	14	Singapore	20	25	4.6	5.0
14	↓	13	Turkey	17	26	3.9	5.2
14	↑	15	Korea	17	20	3.9	4.0
16	↑	17	Taiwan	16	19	3.7	3.8
17	↓	15	Cambodia	14	20	3.2	4.0
17	↑	18	Germany	14	9	3.2	1.8
19	—	19	Saudi Arabia	7	7	1.6	1.4
20	↑	25	Bangladesh	6	6	1.4	1.2
20	↑	32	Laos	6	3	1.4	0.6
20	↑	32	UK	6	3	1.4	0.6

Note 1: The countries and regions other than those listed above included North America (27 companies, 6.2% of the total), EU/Europe (15 companies, 3.5% of the total), and Southeast Asia/ASEAN (8 companies, 1.8% of the total).
Note 2: In case of the same ranking, listed by the order of the previous year's ranking and then by alphabetical order.

■India again takes 1st place, as was the case in the previous survey

- India took 1st place, as was the case in the previous survey. The number of companies citing was 175 (229 companies in the previous survey), with a percentage share of 40.4% (45.9% in the previous survey), which made it the only country to be above 40% mark. Indonesia and China were close 2nd places, each with 168 companies citing and a percentage share of 38.8%. As will be explained later in the report, though India has been identified as facing various issues, it continues to be held in high regard for its potential for growth.

■Mexico and USA have increased percentage shares

- Among the top five countries, 1st place India through 4th place Thailand, and 5th place Vietnam all saw decreases in the number of companies citing. However, in the case of 6th place Mexico, the number of companies citing (102 companies) remained mostly unchanged from the previous survey (101 companies), while the percentage share increased to 23.6% (20.2% in the previous survey). Assessment of Mexico's potential – principally its automobiles industry – is on the rise.
- Similarly, there was also an increase in the USA of the number of companies citing 72 companies, 66 companies in the previous survey, and the percentage share also increased to 16.6% (13.2% in the previous survey). Adding the number in the footnote (Note 1) 27 companies in North America, and 102 companies in Mexico, the number of companies citing comes out to a total of 201 and the percentage share reaches 46.4%. Favorable economic performance in the North America region has led to high marks for the potential of both countries.

■The Philippines rises in the ranking to 8th place; Brazil sees a significant decrease in the number of companies citing

- Though the number of companies citing the Philippines was the same as the previous survey (50 companies), the percentage share increased from 10.0% in the previous survey to 11.5%, thus resulting in it entering the top-10 countries.
- Brazil, which has always been a top-10 mainstay, has seen a pronounced drop in its ranking. The number of companies citing Brazil decreased from 83 companies in the previous survey to 47 companies, and the percentage share also dipped to 11.1% (16.6% in the previous survey). This in an indication of the increasingly grim outlook on the future due to the effects of continued economic stagnation as economic and fiscal policies fail to yield results.

■Increased presence for the countries of ASEAN

- A look at the top-10 countries shows that, in addition to Indonesia (2nd place), Thailand (4th place), and Vietnam (5th place), the Philippines ranked 8th place, up from 11th place in the previous survey. The top-20 countries include more ASEAN countries, such as Malaysia (11th place), Singapore (13th place), Cambodia (17th place), and Laos (20th place). This is an indication of the growing presence of ASEAN countries as promising countries/regions.

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

Reference: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (Multiple responses) <Mid-tier firms/SMEs>

Q

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

* Percentage share = No. of respondents citing country/region / Total No. of respondent companies

Ranking			Country/Region	No. of Companies		Percentage Share (%)	
FY2015	←	FY2014	(Total)	FY2015	FY2014	FY2015	FY2014
				111	131		
1	—	1	Indonesia	41	63	36.9	48.1
2	—	2	India	39	51	35.1	38.9
3	—	3	China	38	45	34.2	34.4
4	—	4	Vietnam	36	44	32.4	33.6
5	↑	6	Mexico	27	27	24.3	20.6
6	↓	5	Thailand	25	42	22.5	32.1
7	↑	9	Philippines	16	15	14.4	11.5
8	—	8	Brazil	13	16	11.7	12.2
8	↑	11	USA	13	12	11.7	9.2
10	↓	7	Myanmar	9	18	8.1	13.7
11	↓	9	Malaysia	8	15	7.2	11.5
12	↑	13	Turkey	6	8	5.4	6.1
12	↑	15	Taiwan	6	7	5.4	5.3
14	↓	13	Cambodia	5	8	4.5	6.1
15	↑	19	Laos	4	3	3.6	2.3
15	↑	22	Germany	4	2	3.6	1.5
17	—	17	Singapore	3	4	2.7	3.1
17	↑	19	Bangladesh	3	3	2.7	2.3
19	↓	11	Russia	2	12	1.8	9.2
19	↓	16	Korea	2	6	1.8	4.6
19	↑	25	Hongkong	2	1	1.8	0.8
19	—	-	Cuba	2	-	1.8	-
19	—	-	UK	2	-	1.8	-

Note: In case of the same ranking, listed by the order of the previous year's ranking and then by alphabetical order.

■For mid-tier firm/SMEs, Indonesia, India, China, and Vietnam all have competing percentage shares

- Indonesia continued to hold its 1st place spot, as was the case in the previous survey, with 41 companies citing (63 companies in the previous survey) and a percentage share of 36.9%, which was a large drop from the 48.1% in the previous survey. There was tight race between 2nd place India (39 companies citing and a percentage share of 35.1%), 3rd place China (38 companies citing and a percentage share of 34.2%), and 4th place Vietnam (36 companies citing and a percentage share of 32.4%).

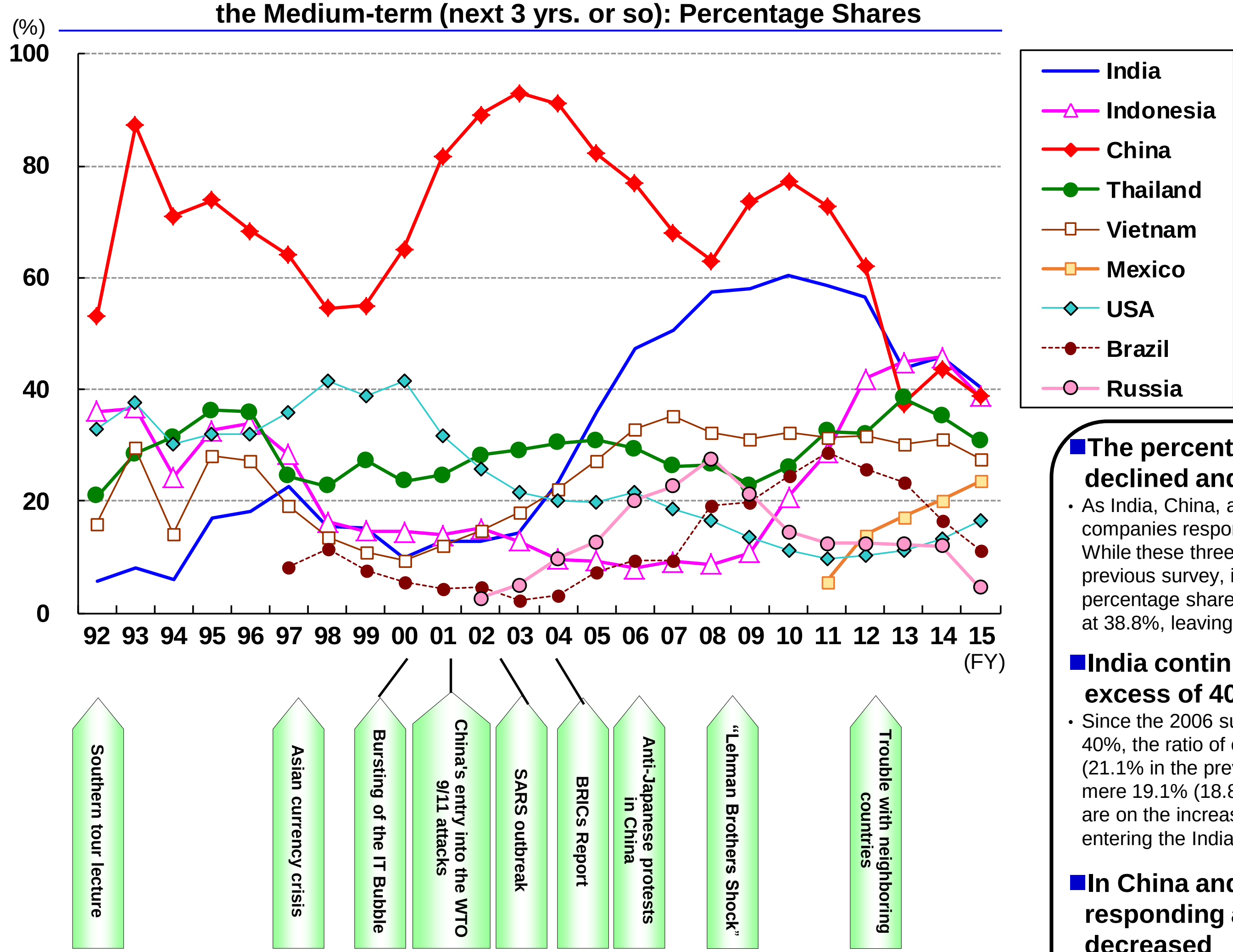
■Mexico, the Philippines, and USA have seen increases in percentage shares

- In all the top four countries, from 1st place Indonesia through 4th place Vietnam, there were consistent decreases in the number of companies citing. In Mexico, the number of companies citing (27 companies) stayed at the same level as the previous survey, while the percentage share increased from 20.6% in the previous survey to 24.3% to move Mexico into 5th place, its debut in the top-5 countries.
- Similarly, the Philippines saw its percentage share increase to 14.4% (11.5% in the previous survey), while its ranking also increased from 9th place in the previous survey to 7th place. The USA's percentage share increased to 11.7%, catapulting it into 8th place (it was outside of the top 10 in the previous survey). The rise of Mexico and USA appears to be effects of favorable economic performance in the North American region.

■Share for less developed countries of ASEAN

- A look at the top-20 countries shows that Malaysia (11th place), Cambodia (14th place), Laos (15th place), and Singapore (17th place) are all present. Laos and Bangladesh continue to gain percentage shares. The potential of less developed countries in ASEAN is also recognized by mid-tier firms/SMEs.

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



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

Year of survey	No. of respondent	Proportion
FY2000	268	57.5%
FY2003	408	71.8%
FY2005	487	82.5%
FY2010	481	80.3%
FY2012	490	81.3%
FY2015	485	81.2%

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.

■The percentage shares of the top countries have declined and are quite close to each other

- As India, China, and Indonesia all saw decreases in the number of companies responding, their percentage shares have also declined. While these three countries had percentage shares at around 45% in the previous survey, in this survey India exceeded the 40% mark with a percentage share of 40.4%, while China and Indonesia each languished at 38.8%, leaving all three at around the 40% mark.

■India continues to maintain a percentage share in excess of 40%

- Since the 2006 survey, India has maintained a percentage share of over 40%, the ratio of companies with production bases in India is only 22.1% (21.1% in the previous survey), while those with sales bases account for mere 19.1% (18.8% in the previous survey). Though expectations in India are on the increase, the increase in the actual number of companies entering the India market has been slowly gradual.

■In China and Indonesia, the number of companies responding and the percentage shares have both decreased

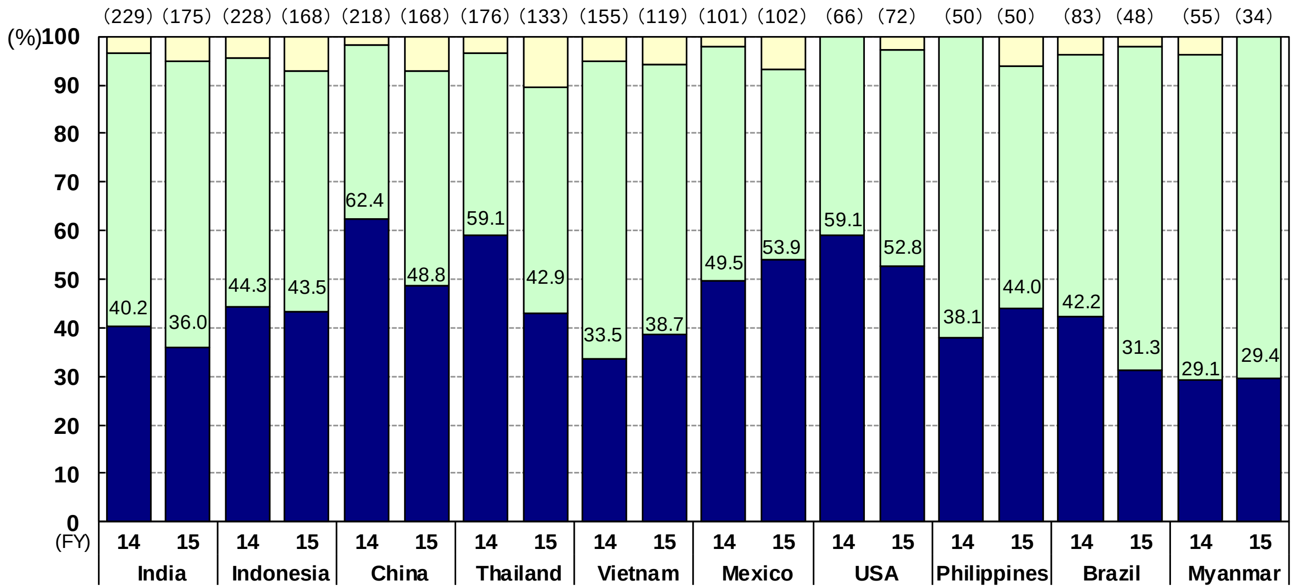
- In China and Indonesia, the percentage share (38.8%) dipped below the 40% mark and the number of companies responding dropped to 168. For China, though there is still robust support for the importance of both production bases and the market, recent increases in cost, intensified competition and a leveling off of companies entering the market comprise the background that keeps the percentage shares from increasing. And regarding Indonesia, the dip seems to be the effect of the assessment that the domestic recovery is overdue.

Figure 35: Existence of Real Business Plans in Promising Countries

Q

Companies that named promising countries over the medium-term in Figure 33 were asked whether they had business plans for each of the countries they chose.

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



Note 1: The ratio in the graph was obtained by dividing the number of responding companies for "Plans exist" by the number of companies that responded as promising.

Note 2: The figures in parenthesis above the bar graph indicate the number of companies which responded to the countries as being promising in Figure 33.

Note 3: Refer to Appendix 8 regarding the number of responding companies for each choice.

Figure 36: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) Prospects

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

Rank	Country	No. of respondent companies FY2015	No. of respondent companies FY2014	Change from last survey ('15-'14)
1	China	82	136	▲ 54
2	Indonesia	73	101	▲ 28
3	India	63	92	▲ 29
4	Thailand	57	104	▲ 47
5	Mexico	55	50	5
6	Vietnam	46	52	▲ 6
7	USA	38	39	▲ 1
8	Philippines	22	20	2
9	Brazil	15	35	▲ 20
10	Malaysia	10	17	▲ 7
10	Myanmar	10	16	▲ 6

■For Mexico and USA, over 50% of the responding companies have specific business plans

- The top six countries in regard to the response ratios of "Plans exist"– in order from the highest – were Mexico (53.9%), USA (52.8%), China (48.8%), the Philippines (44.0%), Indonesia (43.5%), and Thailand (42.9%) (Figure 35). And in terms of numbers of companies giving "Plans exist," the order of the highest five was China (82 companies), Indonesia (73 companies), India (63 companies), Thailand (57 companies), and Mexico (55 companies) (Figure 36).
- A comparison with the previous survey of the top-10 in terms of number of companies responding shows that all but the Philippines and Mexico saw a decrease in the number of companies responding. Of the companies ranked as promising for overseas business operations over the medium term in Figure 33, the only one that maintained a high evaluation and saw no decrease in the number of companies responding from the previous survey was Mexico. The Philippines moved from outside of the top 10 in the previous survey to take the 8th place spot in this survey. Mexico and the Philippines have seen an increase in terms of the number of companies with specific business plans. The USA went from 39 companies in the previous survey to 38 companies in this survey, only a slight decrease (Figure 36).

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

Figure 37: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (by major industry)

Chemicals

Rank	Country	FY2015 (Total 69)	FY2014 (Total 76)
1	India	34	41
2	China	32	35
3	Thailand	25	32
4	Indonesia	23	33
5	Vietnam	19	26
6	Mexico	13	16
7	USA	12	10
8	Brazil	8	14
8	Myanmar	8	6
10	Malaysia	6	7

Automobiles

Rank	Country	FY2015 (Total 71)	FY2014 (Total 89)
1	Mexico	37	43
2	India	31	50
3	Indonesia	29	53
4	China	23	44
5	Thailand	18	27
6	Brazil	10	17
6	Vietnam	10	8
8	USA	8	10
9	Russia	6	16
9	Philippines	6	4

Electrical Equipment & Electronics

Rank	Country	FY2015 (Total 63)	FY2014 (Total 75)
1	India	30	40
2	China	24	32
3	Vietnam	20	26
4	Thailand	19	24
5	Indonesia	18	25
6	Philippines	13	9
7	Mexico	11	7
8	Brazil	8	14
8	USA	8	5
8	Singapore	8	4

General Machinery

Rank	Country	FY2015 (Total 46)	FY2014 (Total 53)
1	India	22	22
2	Indonesia	21	27
3	China	20	17
4	Vietnam	14	16
5	Thailand	11	20
6	USA	8	9
7	Mexico	7	8
8	Turkey	6	6
8	Philippines	6	4
10	Malaysia	5	7

Figure 38: Promising Countries/Regions for Overseas Business over the Long-term (next 10 yrs. or so)

Ranking FY2015	←	Ranking FY2014	Country/Region (Total)	No. of Companies FY2015 (301)	No. of Companies FY2014 (372)	Percentage Share (%) FY2015	Percentage Share (%) FY2014
1	—	1	India	165	207	54.8	55.6
2	—	2	Indonesia	109	163	36.2	43.8
3	—	3	China	105	150	34.9	40.3
4	—	4	Vietnam	82	117	27.2	31.5
5	—	5	Thailand	70	105	23.3	28.2
6	—	6	Brazil	61	91	20.3	24.5
7	—	7	Myanmar	57	70	18.9	18.8
8	↑	9	Mexico	50	58	16.6	15.6
9	↑	10	USA	43	47	14.3	12.6
10	↓	8	Russia	31	65	10.3	17.5

■By industry: For automobiles, Mexico takes 1st place

- Though Mexico finished in 4th place for automobiles in the previous survey, it at long last ended up at 1st place in this survey, a result that justifies the rising interest in recent years. Apart from Mexico, the other top countries through 5th place saw drastic decreases in the number of companies responding, while in Mexico's case the drop in the number of companies responding was only 6 companies, an indication of how high Mexico's evaluation was (Figure 37).

■By industry: For the four major industries other than automobiles, India takes 1st place

- In FY2014, India and Indonesia shared the top spot, but in FY2015 India took 1st place for the three industries other than automobiles (Figure 37).
- Brazil saw a decrease in the number of companies responding for all industries, while Russia – which had been in the top 10 for all industries – dropped out of that top group for all industries other than automobiles (9th place). The decline in evaluations of Brazil and Russia was thus notable. The Philippines has in this survey entered the top-ten countries for automobiles and general machinery, in addition to electrical equipment & electronics (6th place), which made the list in the previous survey (Figure 37).

■Long-term promising countries: India has held onto 1st place since the 2010 survey

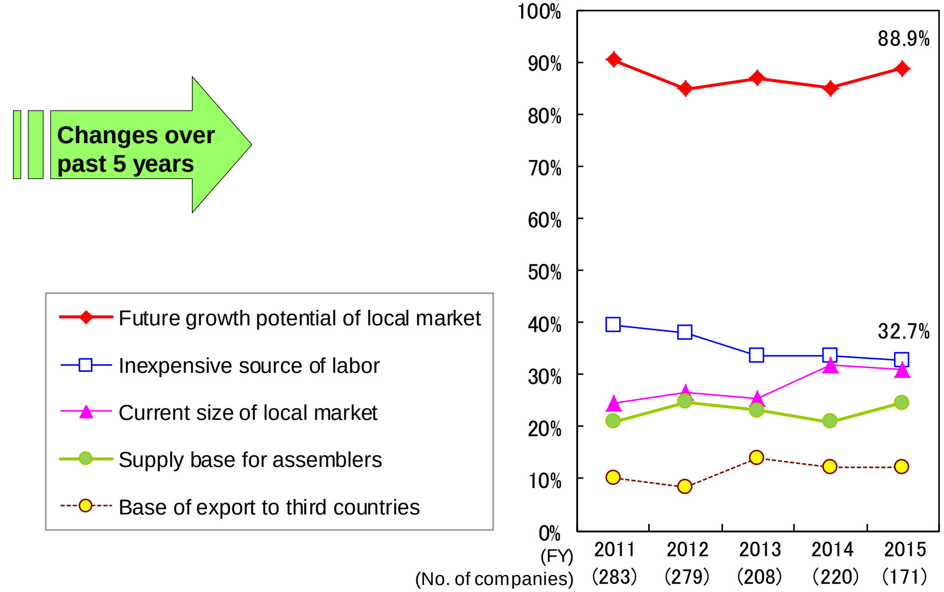
- India has held onto 1st place as the long-term promising country for six consecutive years. A look at the number of companies responding (165 companies) shows that it beat 2nd place Indonesia (109 companies) by a sizable difference. As was the case in the previous survey, the percentage share once again indicated support from the majority (55.6%), an indication of the expectations companies have in the economic potential of India. In addition, 8th place Mexico (15.6% in the previous survey to 18.9%) and 9th place USA (12.6% in the previous survey to 14.3%) saw increases in their percentage shares, which is attributable to the favorable economic performance both countries have experienced in recent years (Figure 38).

No. 1: India

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

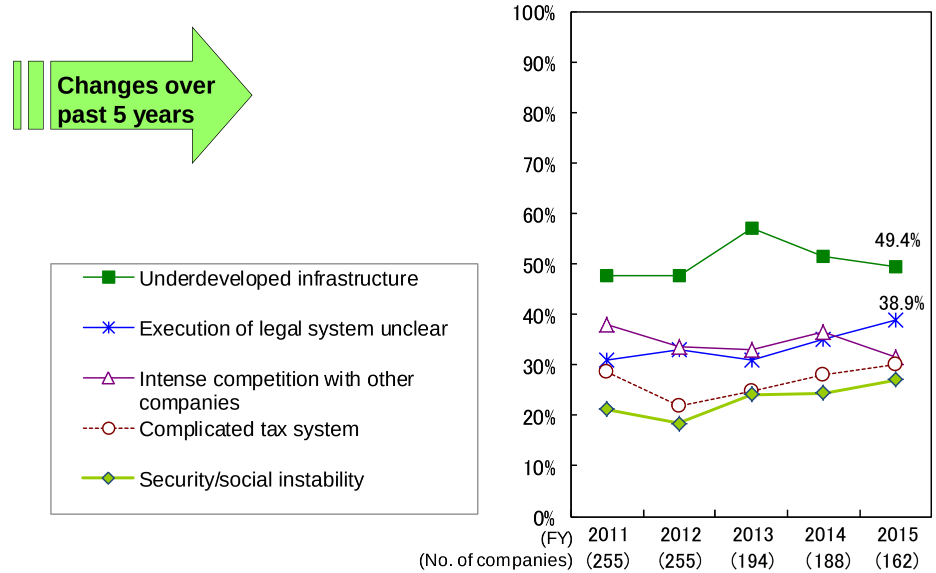
Reasons

(Total No. of respondent companies: 171) (Note 1)		No. of companies	Ratio (Note 2)
1	Future growth potential of local market	152	88.9%
2	Inexpensive source of labor	56	32.7%
3	Current size of local market	53	31.0%
4	Supply base for assemblers	42	24.6%
5	Base of export to third countries	21	12.3%



Issues

(Total No. of respondent companies: 162)		No. of companies	Ratio
1	Underdeveloped infrastructure	80	49.4%
2	Execution of legal system unclear	63	38.9%
3	Intense competition with other companies	51	31.5%
4	Complicated tax system	49	30.2%
5	Security/social instability	44	27.2%



- While there was no change in the top-four reasons for countries being promising, "Qualified human resources" (10.5%), which was 5th place in the previous survey, slipped to 6th place. "Base of export to third countries" (12.3%) moved into 5th place. Though India did elicit the comment “We will engage from a long-term perspective,” the answer ratio of 3rd place "Current size of local market" (31.0%) has been increasing every year and there is a gradually increasing view that India is developing into a market where Japanese companies will be able to pursue business operations.
- The top issue continues to be "Underdeveloped infrastructure" (49.4%). Coming in 2nd place in this survey was "Execution of legal system unclear" (38.9%), which was 3rd place in the previous survey. In light of the fact that "Complicated tax system" (30.2%) was given as 4th place and "Tax system unclear" (24.1%) was given as 6th place, it appears that Japanese companies associate India with more than a few systemic issues.

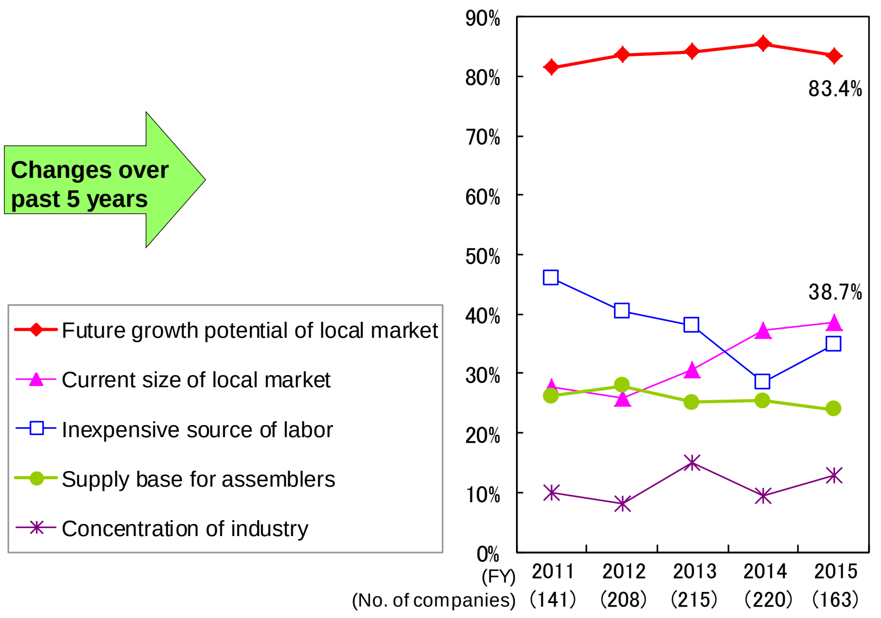
Note 1: The “No. of companies” here refers to the number of companies that responded to questions concerning “reasons for being a promising country” and “issues” out of the number of companies that listed the country/region in Figure 33. For this reason, the number of companies here may not be the same as in Figure 33.
Note 2: “Ratio” refers to the number of companies that cited “reasons for being a promising country” or “issues “ divided by the total number of respondent companies.

No. 2: Indonesia

Reasons

	(Total No. of respondent companies: 163)	No. of companies	Ratio
1	Future growth potential of local market	136	83.4%
2	Current size of local market	63	38.7%
3	Inexpensive source of labor	57	35.0%
4	Supply base for assemblers	39	23.9%
5	Concentration of industry	21	12.9%

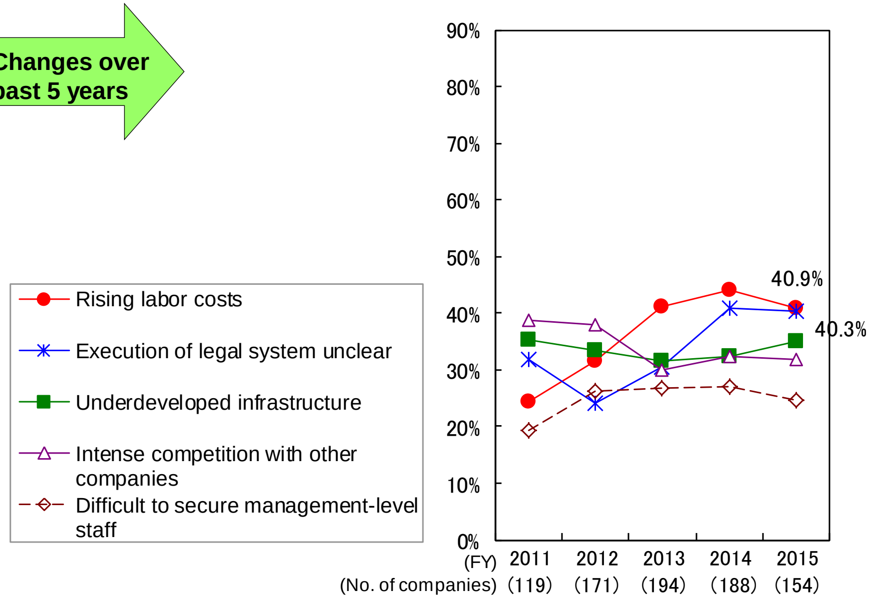
Changes over past 5 years



Issues

	(Total No. of respondent companies: 154)	No. of companies	Ratio
1	Rising labor costs	63	40.9%
2	Execution of legal system unclear	62	40.3%
3	Underdeveloped infrastructure	54	35.1%
4	Intense competition with other companies	49	31.8%
5	Difficult to secure management-level staff	38	24.7%

Changes over past 5 years



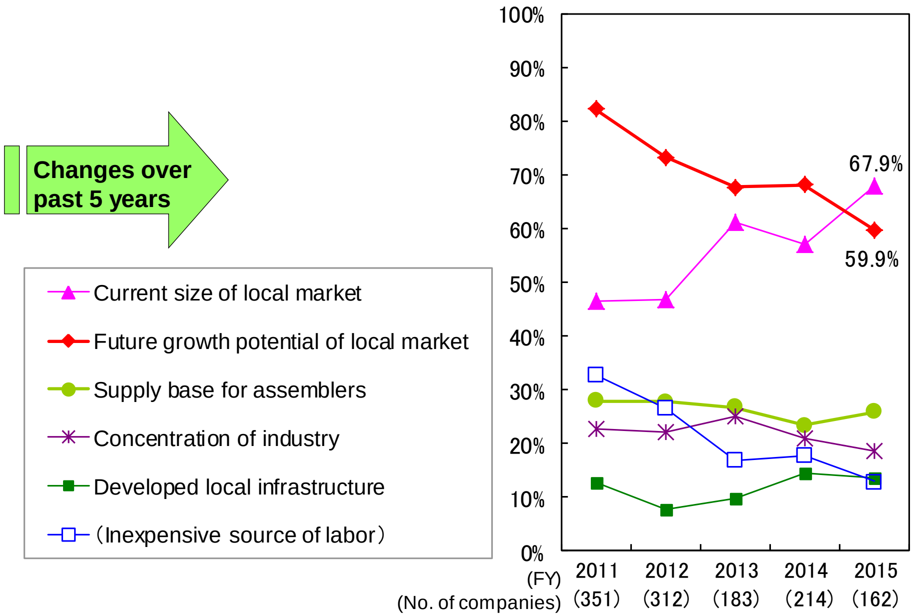
- The top reason for being cited as promising was "Future growth potential of local market" (83.4%), while 2nd place was "Current size of local market" (38.7%), which represents no great difference from the previous survey. As was the case in the previous survey, "Inexpensive source of labor" (35.0%) came in 3rd place, with a response ratio 6.4 points more than the previous survey. 4th place was "Supply base for assemblers" (23.9%), which indicates that there continues to be a measure of interest in Indonesia as a supply base.
- As was the case in the previous survey, the top issue was "Rising labor costs" (40.9%), with a response ratio 3.2 points lower. As was the case in the previous survey, 2nd place was "Execution of legal system unclear" (40.3%), with a response ratio at about the same level as the previous survey. And in 3rd place was "Underdeveloped infrastructure" (35.1%), which increased by 2.7 points over the previous survey. Among ASEAN countries, this was the highest response ratio behind Myanmar and the Philippines.

No. 2: China

Reasons

(Total No. of respondent companies: 162)		No. of companies	Ratio
1	Current size of local market	110	67.9%
2	Future growth potential of local market	97	59.9%
3	Supply base for assemblers	42	25.9%
4	Concentration of industry	30	18.5%
5	Developed local infrastructure	22	13.6%

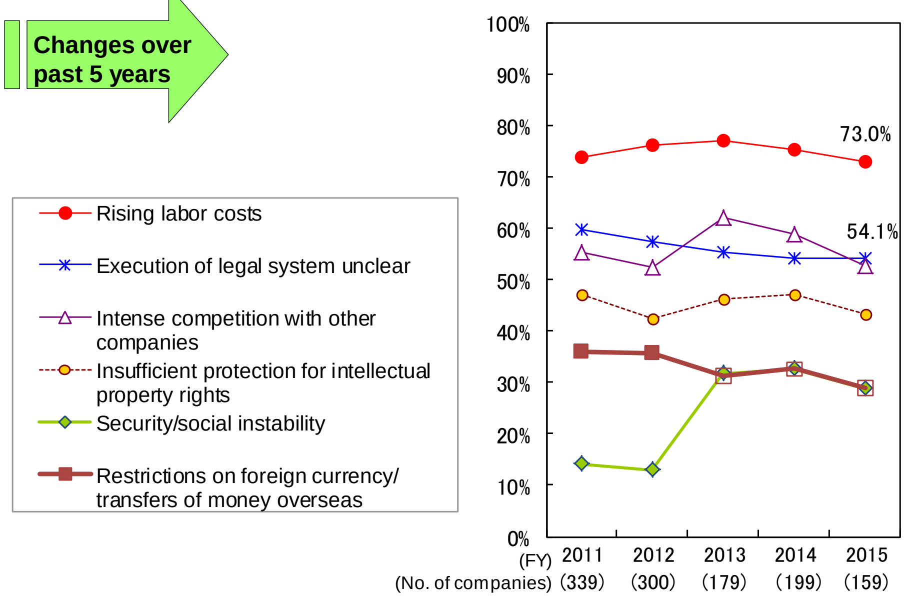
Changes over past 5 years



Issues

(Total No. of respondent companies: 159)		No. of companies	Ratio
1	Rising labor costs	116	73.0%
2	Execution of legal system unclear	86	54.1%
3	Intense competition with other companies	84	52.8%
4	Insufficient protection for intellectual property rights	69	43.4%
5	Security/social instability	46	28.9%
5	Restrictions on foreign currency/ transfers of money overseas	46	28.9%

Changes over past 5 years



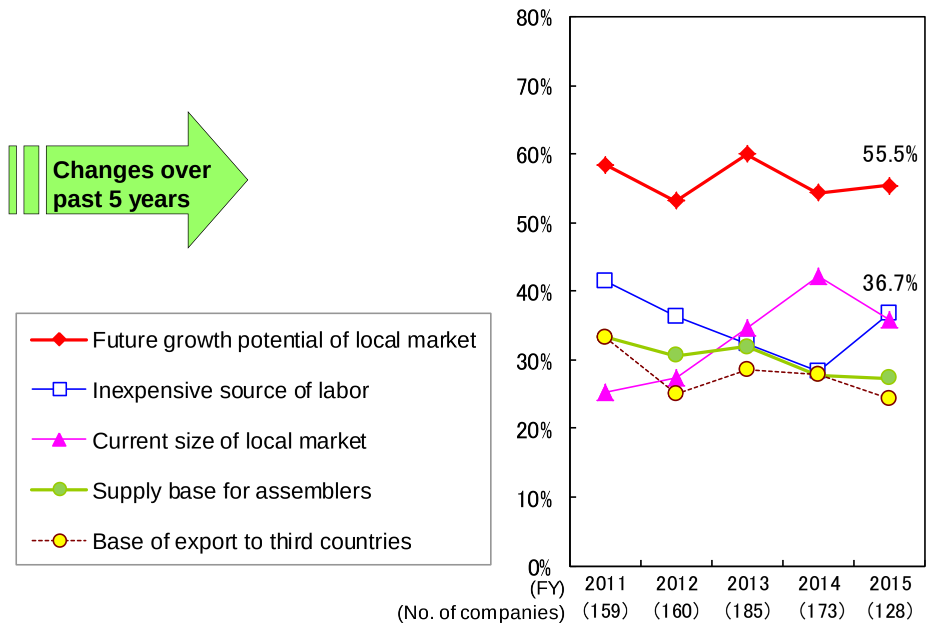
- The top reason for being cited as promising was "Current size of local market" (67.9%), while the former 1st place reason "Future growth potential of local market" (59.9%) had been seeing a declining response ratio every year, leaving it in 2nd place in this survey. And though the response ratio is by no means a low figure, it is indicative of the clearly declining expectations in the growth of the Chinese market. In light of the type of issues indicated below, it is likely that the responding companies have started to be more cautious about pursuing business operations in China.
- Directly comparing the response ratio figures of issues associated with China versus those of other countries, the magnitude of the problem is apparent. The ratio for the top issue "Rising labor costs" (73.0%) is tremendously high, while the 2nd place "Execution of legal system unclear" (54.1%) is also the highest among the top-10 countries. The ratio for 4th place "Insufficient protection of intellectual property rights" (43.4%) is the only double-digit figure among the top-10 countries. And despite resolution of the boycott of Japanese products in autumn of 2012, the ratio of 5th place "Security/social instability" (28.9%) continues to be high and is reflective of how Japanese companies see China.

No. 4: Thailand

Reasons

	(Total No. of respondent companies: 128)	No. of companies	Ratio
1	Future growth potential of local market	71	55.5%
2	Inexpensive source of labor	47	36.7%
3	Current size of local market	46	35.9%
4	Supply base for assemblers	35	27.3%
5	Base of export to third countries	31	24.2%

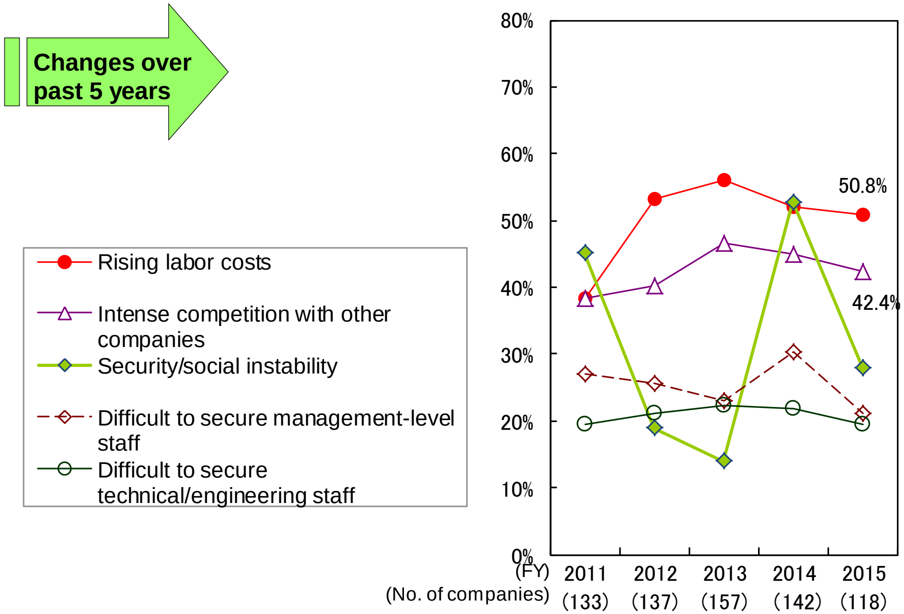
Changes over past 5 years



Issues

	(Total No. of respondent companies: 118)	No. of companies	Ratio
1	Rising labor costs	60	50.8%
2	Intense competition with other companies	50	42.4%
3	Security/social instability	33	28.0%
4	Difficult to secure management-level staff	25	21.2%
5	Difficult to secure technical/engineering staff	23	19.5%

Changes over past 5 years

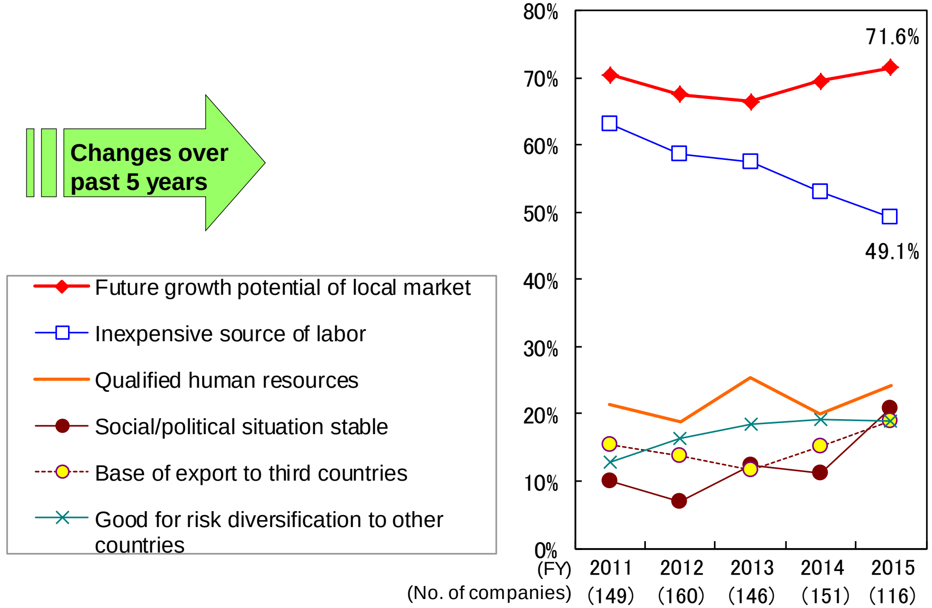


- Companies that cited Thailand as a country with promise gave their highest assessment for "Future growth potential of local market" (55.5%). 2nd place reason "Inexpensive source of labor" (36.7%) increased by 8.4 points over the previous survey. And 3rd place "Current size of local market" (35.9%) decreased by 6.3 points from the previous survey, which is probably attributable to the effect of the delayed economic recovery.
- Among the issues given, "Security/social instability," which was 1st place in the previous survey, saw its response ratio drop drastically from 52.8% to 28.0% and consequently it fell to 3rd place. The new top response was "Rising labor costs" (50.8%), with a response ratio more or less unchanged from the previous survey. And among the ASEAN countries in the top 10 countries, characteristic of Thailand was that it received the highest response ratio for "Intense competition with other companies" (42.4%).

No. 5: Vietnam

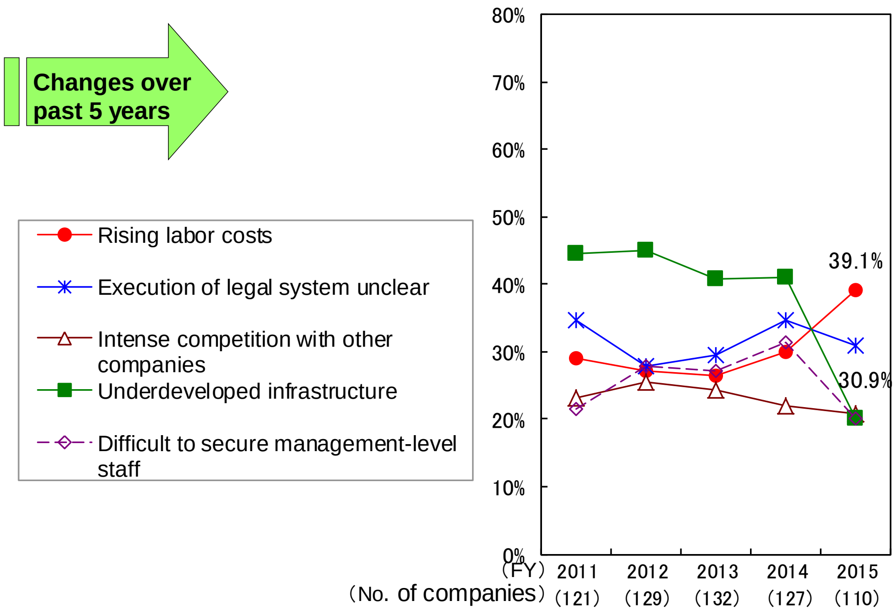
Reasons

	(Total No. of respondent companies: 116)	No. of companies	Ratio
1	Future growth potential of local market	83	71.6%
2	Inexpensive source of labor	57	49.1%
3	Qualified human resources	28	24.1%
4	Social/political situation stable	24	20.7%
5	Base of export to third countries	22	19.0%
5	Good for risk diversification to other countries	22	19.0%



Issues

	(Total No. of respondent companies: 110)	No. of companies	Ratio
1	Rising labor costs	43	39.1%
2	Execution of legal system unclear	34	30.9%
3	Intense competition with other companies	23	20.9%
4	Underdeveloped infrastructure	22	20.0%
4	Difficult to secure management-level staff	22	20.0%



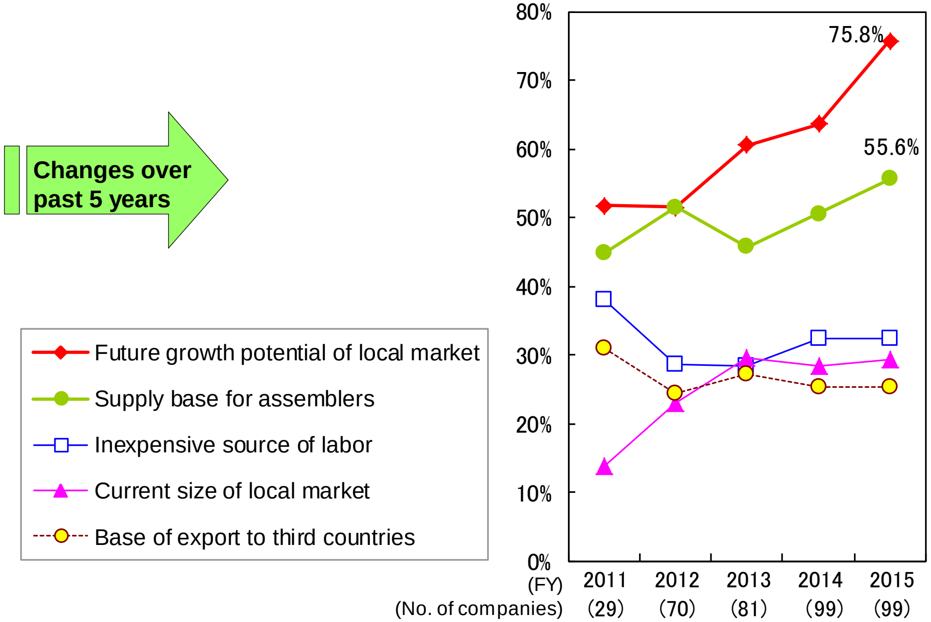
- The top reason for being cited as promising was "Future growth potential of local market" (71.6%), with a response ratio 2.1 points over the previous survey. As was the case in the previous survey, in 2nd place was "Inexpensive source of labor" (49.1%), with a response ratio that dropped by 3.9 points. Though the response ratio of "Inexpensive source of labor“ has been on the decline every year, among the top-10 countries, Vietnam is second highest, following Myanmar (50.0%). And 4th place "Social/political situation stable" had a response ratio that shot up from 11.3% in the previous survey to 20.7%.
- The top issue was "Rising labor costs" (39.1%), with a response ratio that increased by 9.2 points over the previous survey. As was the case in the previous survey, 2nd place was "Execution of legal system unclear" (30.9%), which decreased slightly but continues to be given by a high percentage. And though 4th place "Underdeveloped infrastructure" (20.0%) saw its response ratio drop from the previous survey(40.9%), as is indicated in section V on the evaluation of infrastructure in Asia in this report, the infrastructure of Vietnam is given a relatively better assessment than less developed countries in Asia.

No. 6: Mexico

Reasons

(Total No. of respondent companies: 99)		No. of companies	Ratio
1	Future growth potential of local market	75	75.8%
2	Supply base for assemblers	55	55.6%
3	Inexpensive source of labor	32	32.3%
4	Current size of local market	29	29.3%
5	Base of export to third countries	25	25.3%

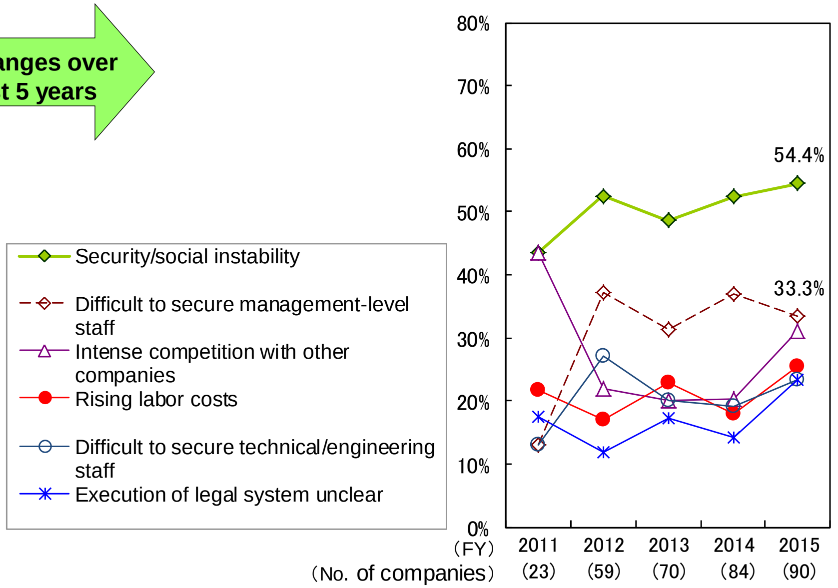
Changes over past 5 years



Issues

(Total No. of respondent companies: 90)		No. of companies	Ratio
1	Security/social instability	49	54.4%
2	Difficult to secure management-level staff	30	33.3%
3	Intense competition with other companies	28	31.1%
4	Rising labor costs	23	25.6%
5	Difficult to secure technical/engineering staff	21	23.3%
5	Execution of legal system unclear	21	23.3%

Changes over past 5 years

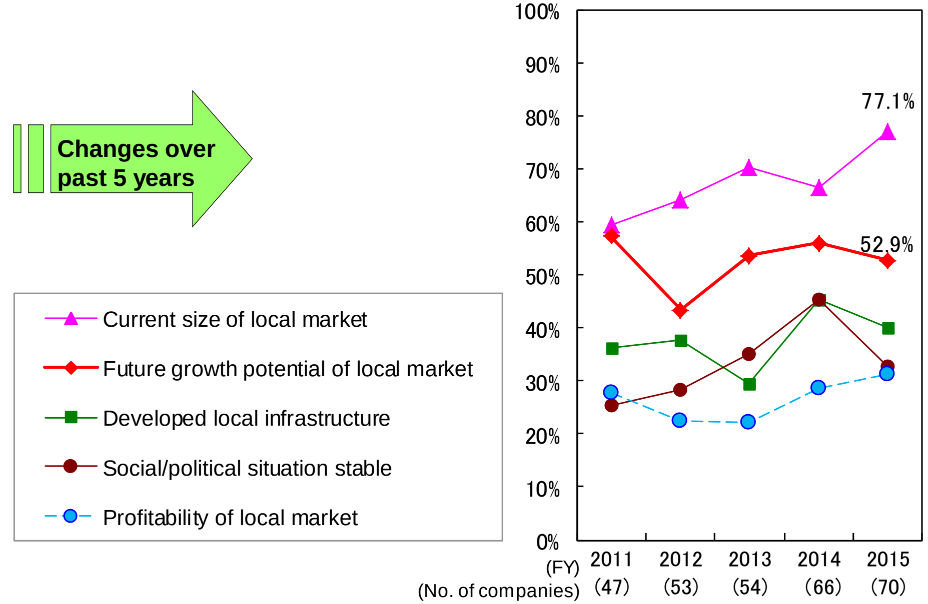


- The top reason for being cited as promising was the same as in the previous survey: "Future growth potential of local market" (75.8%). 2nd place was "Supply base for assemblers" (55.6%). Both saw gains in response ratios over the previous survey. When factoring in "Current size of local market" (29.3%) and "Base of export to third countries" (25.3%) as well, it is apparent that there is increasing respect for the potential of Mexico’s domestic market and position as a supply base primarily inside of Mexico and for the North American region.
- The top issues was "Security/social instability" (54.4%). 2nd to 5th place issues include labor related, with the response rate of "Difficult to secure management-level staff" (33.3%) slightly decreasing but continuing to be given by a high percentage. The response ratios of "Rising labor costs" (25.6%) and "Difficult to secure technical/engineering staff" (23.3%) have increased over the previous survey. And "Intense competition with other companies" (31.1%) has seen a dramatic increase. These indicate that amid rapidly progressing inroads by foreign companies – including those of Japan – and an expanding operations, it is becoming increasingly difficult to secure staff and the competition is intensifying.

No. 7: USA

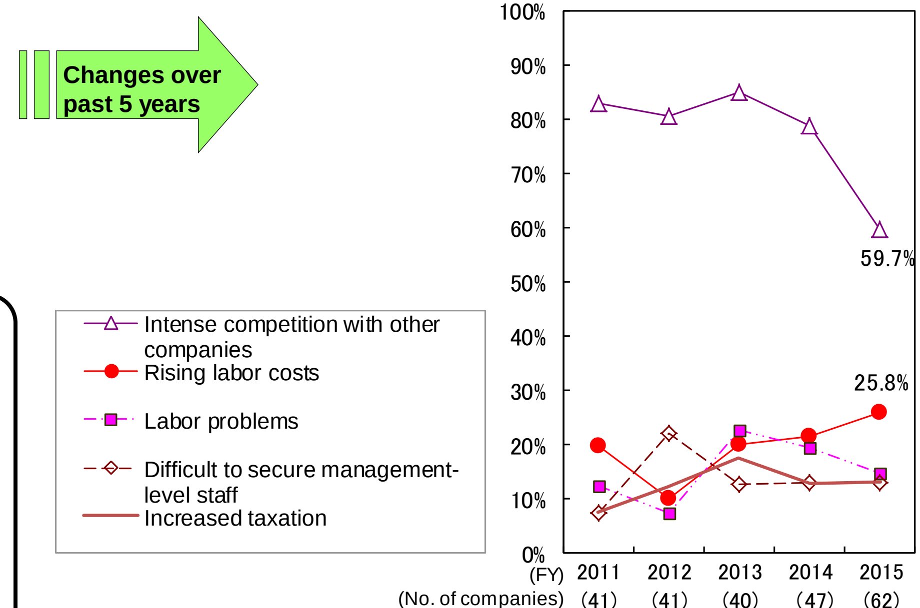
Reasons

(Total No. of respondent companies: 70)		No. of companies	Ratio
1	Current size of local market	54	77.1%
2	Future growth potential of local market	37	52.9%
3	Developed local infrastructure	28	40.0%
4	Social/political situation stable	23	32.9%
5	Profitability of local market	22	31.4%



Issues

(Total No. of respondent companies: 62)		No. of companies	Ratio
1	Intense competition with other companies	37	59.7%
2	Rising labor costs	16	25.8%
3	Labor problems	9	14.5%
4	Difficult to secure management-level staff	8	12.9%
4	Increased taxation	8	12.9%

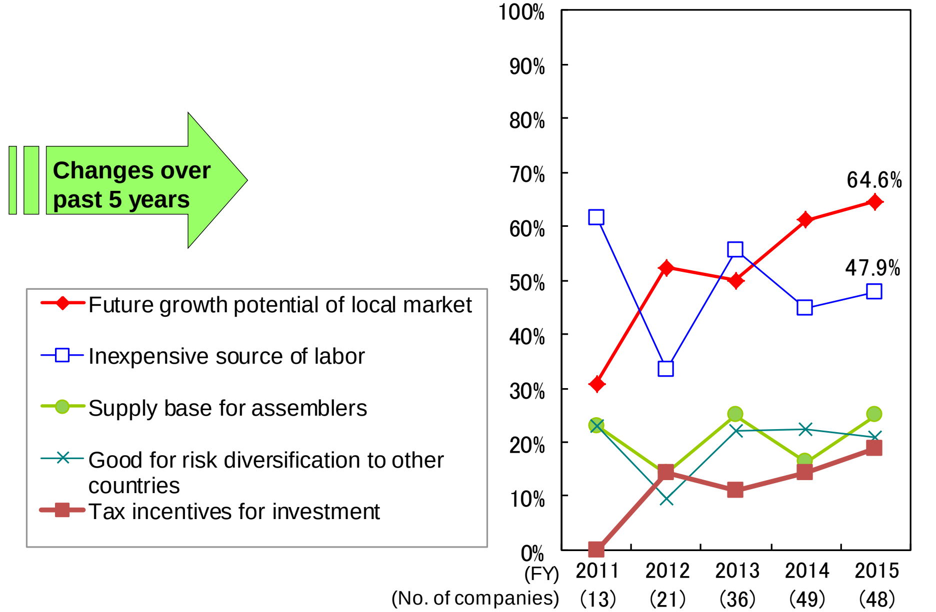


- The top reason for being cited as promising was "Current size of local market" (77.1%), which increased by 10.4 points over the previous survey. Factoring in the presence of 2nd place "Future growth potential of local market" (52.9%) and 5th place "Profitability of local market" (31.4%), it is clear that there are heightened expectations in the present and future market as the American economy continues its favorable performance.
- Among the issues given, "Intense competition with other companies" (59.7%) took 1st place. Though the response ratio dropped noticeably from the previous survey (78.7%), amid an increase in the number of companies responding (47 companies in the previous survey to 62 companies), the number of companies giving "Intense competition with other companies" (37 companies) was the same as in the previous survey. There is therefore no change in the findings in that many companies are still pointing out that an environment of intense competition is an issue. Among the issues below 2nd place, labor matters dominated: in order, "Rising labor costs" (25.8%), "Labor problems" (14.5%), and "Difficult to secure management-level staff" (12.9%).

No. 8: Philippines

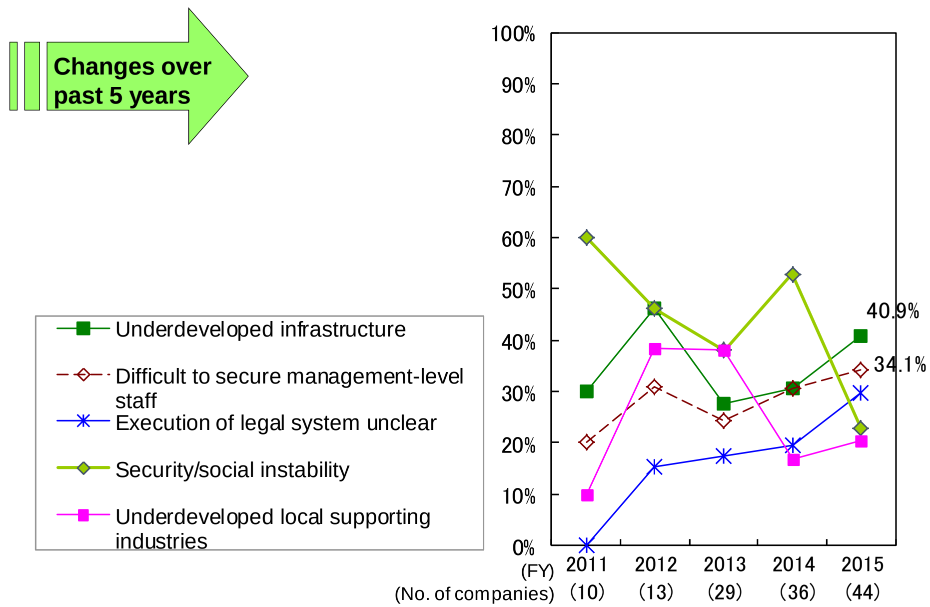
Reasons

	(Total No. of respondent companies: 48)	No. of companies	Ratio
1	Future growth potential of local market	31	64.6%
2	Inexpensive source of labor	23	47.9%
3	Supply base for assemblers	12	25.0%
4	Good for risk diversification to other countries	10	20.8%
5	Tax incentives for investment	9	18.8%



Issues

	(Total No. of respondent companies: 44)	No. of companies	Ratio
1	Underdeveloped infrastructure	18	40.9%
2	Difficult to secure management-level staff	15	34.1%
3	Execution of legal system unclear	13	29.5%
4	Security/social instability	10	22.7%
5	Underdeveloped local supporting industries	9	20.5%



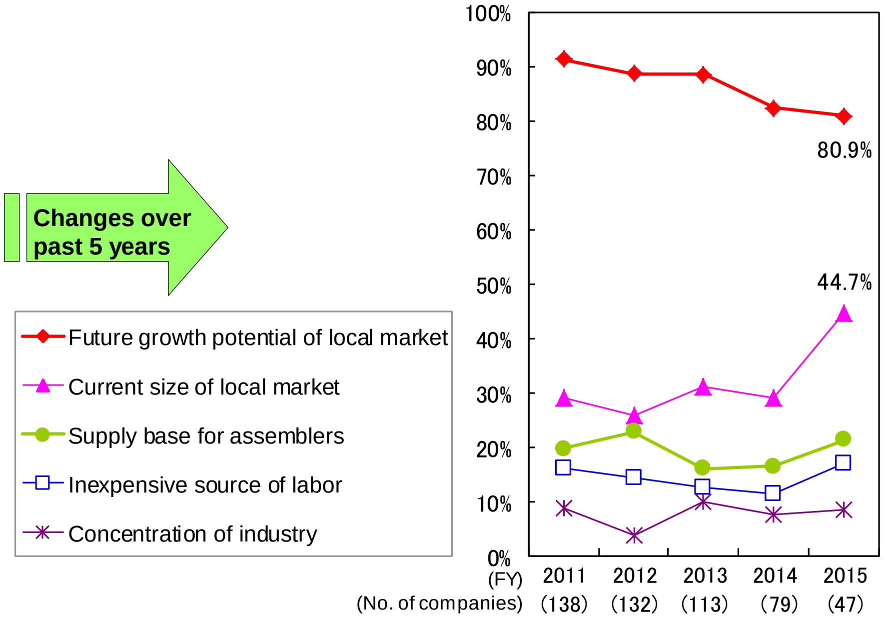
- The top reason for being cited as promising was "Future growth potential of local market" (64.6%), which is in an upward trend. 2nd place was "Inexpensive source of labor" (47.9%), which among the ASEAN nations in the top-10 countries was highest behind Myanmar and Vietnam. And 3rd place was "Supply base for assemblers" (25.0%), which indicates that the Philippines is regarded as a supply base.
- The top issue was "Underdeveloped infrastructure" (40.9%), which among the ASEAN nations in the top-10 countries was highest behind Myanmar in terms of response ratio. 2nd place was "Difficult to secure management-level staff" (34.1%), which indicates the shortage of management-level staff despite the high marks for the Philippines as an inexpensive source of labor. "Security/social instability," which was in 1st place since FY2011 and until the previous survey (22.7%), has seen a large drop in response ratio.

No. 9: Brazil

Reasons

(Total No. of respondent companies: 47)		No. of companies	Ratio
1	Future growth potential of local market	38	80.9%
2	Current size of local market	21	44.7%
3	Supply base for assemblers	10	21.3%
4	Inexpensive source of labor	8	17.0%
5	Concentration of industry	4	8.5%

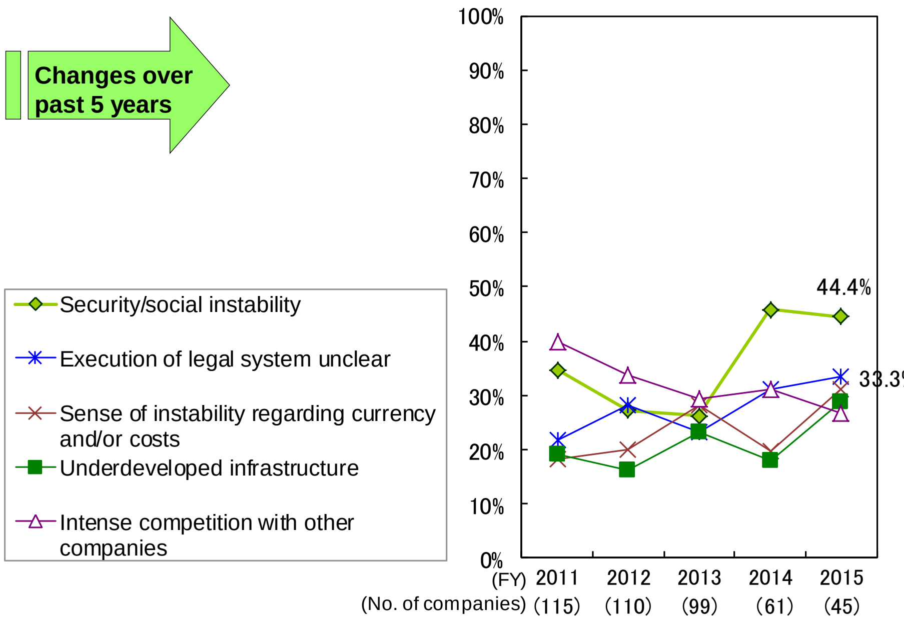
Changes over past 5 years



Issues

(Total No. of respondent companies: 45)		No. of companies	Ratio
1	Security/social instability	20	44.4%
2	Execution of legal system unclear	15	33.3%
3	Sense of instability regarding currency and/or costs	14	31.1%
4	Underdeveloped infrastructure	13	28.9%
5	Intense competition with other companies	12	26.7%

Changes over past 5 years



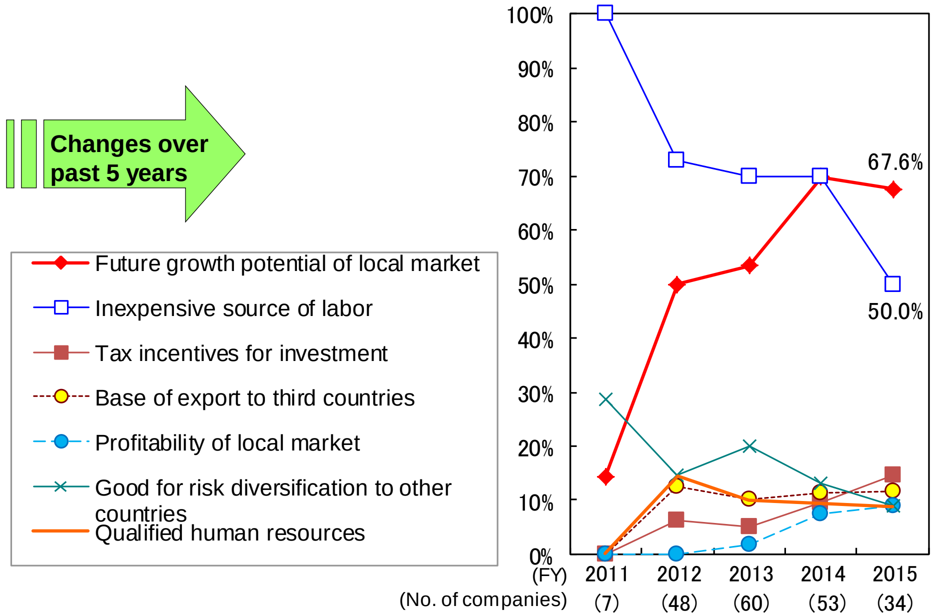
- The top reason for being cited as promising was "Future growth potential of local market" (80.9%), which saw about a 40% drop in the number of companies responding (38 companies) from the previous survey (65 companies). 2nd place "Current size of local market" (44.7%) had a response ratio that increased greatly form the 21.9% of the previous survey, while the number of companies responding (21 companies) was about the same as the previous survey (23 companies). This indicates that the expectation in the current market size are increasing in relative terms.
- The top issue was "Security/social instability" (44.4%), as was the case in the previous survey, with about the same response ratio. Apart from "Execution of legal system unclear" (33.3%) and "Underdeveloped infrastructure" (28.9%), which are recognized as part of the so-called "Brazil Cost," the response ratio of " Sense of instability regarding currency and/or costs " (31.1%) increased greatly from 19.7% in the previous survey. This would appear to be the influence of the recent inflation and devaluation of the Brazilian Real.

No. 10: Myanmar

Reasons

	(Total No. of respondent companies: 34)	No. of companies	Ratio
1	Future growth potential of local market	23	67.6%
2	Inexpensive source of labor	17	50.0%
3	Tax incentives for investment	5	14.7%
4	Base of export to third countries	4	11.8%
5	Profitability of local market	3	8.8%
5	Good for risk diversification to other countries	3	8.8%
5	Qualified human resources	3	8.8%

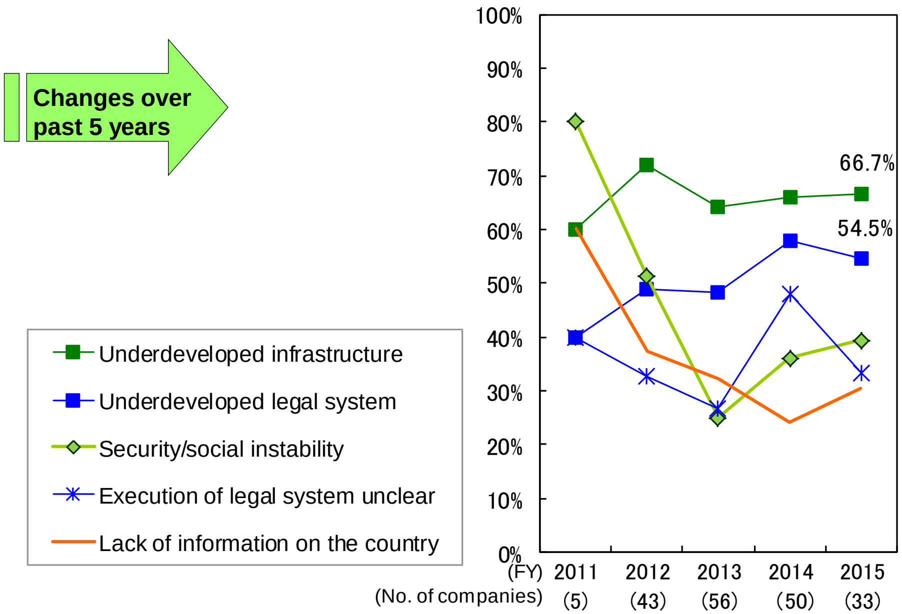
Changes over past 5 years



Issues

	(Total No. of respondent companies: 33)	No. of companies	Ratio
1	Underdeveloped infrastructure	22	66.7%
2	Underdeveloped legal system	18	54.5%
3	Security/social instability	13	39.4%
4	Execution of legal system unclear	11	33.3%
5	Lack of information on the country	10	30.3%

Changes over past 5 years

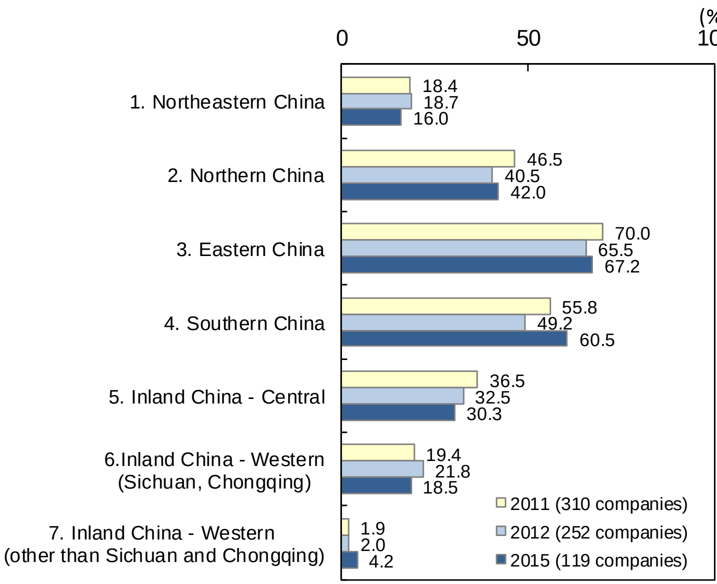


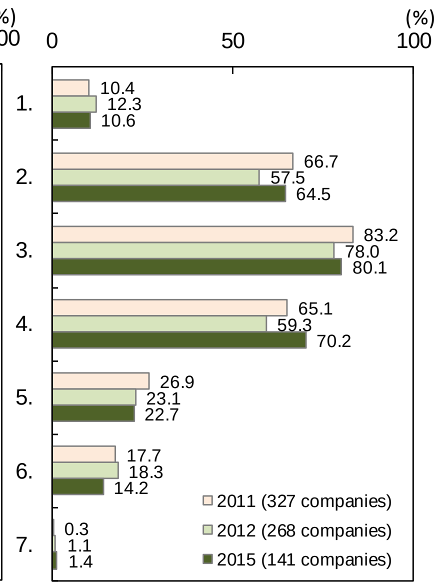
- The top reason for being cited as promising was "Future growth potential of local market" (67.6%), which indicates the high degree of attention elicited by the potential of the local market. 2nd place was "Inexpensive source of labor" (50.0%), the response ratio of which dropped 19.8 points from the previous survey. This is probably partially due to rising wages due to the supply of labor failing to keep up with the rapid pace of development and inroads by foreign companies. 3rd place was "Tax incentives for investments" (14.7%), which is indicative of the heightened interest in investing.
- As was the case in the previous survey, the top issue was "Underdeveloped infrastructure" (66.7%). 2nd place was "Underdeveloped legal system" (54.5%), the response ratio for which was highest among the top-10 countries. The 3rd place "Security/social instability" (39.4%) had a response ratio that increased 3.4 points over the previous survey. And the 5th place "Lack of information on the country" (30.3%) had a response ratio of 30%, which was characteristic of Myanmar as it was not found among the findings of the other top-10 countries.

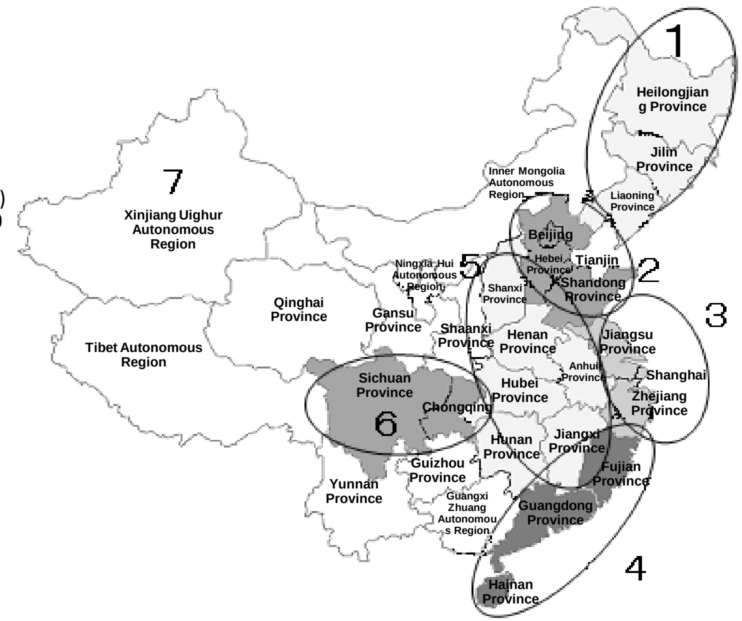
Q

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 39: Promising Regions in China







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

(*) The figures in parentheses refer to the number of companies responding in each survey.

In the areas of both production and sales, the degree of interest in the Eastern China and Southern China regions continues to be high

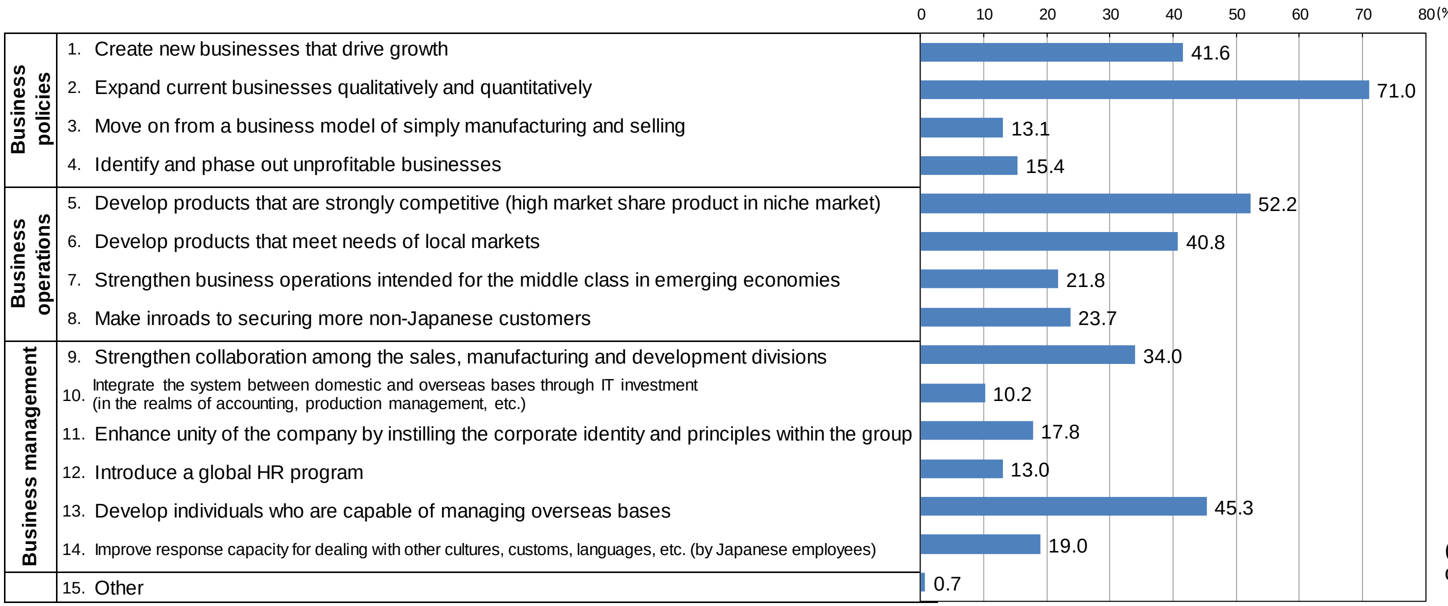
- Eastern China was considered the most promising region in China in the areas of both production and sales. The percentages of responding companies were 67.2% and 80.1%, respectively. 2nd place in the areas of both production and sales was the region of Southern China (response ratios of 60.5% and 70.2%).
- The degree of interest in the Eastern China and Southern China regions has not changed since the subject was covered in the 2011 and 2012 surveys. In other words, Japanese manufacturers' interest has not really extended to from the coast of China to other regions such as Inland and Northeast China. This can probably be attributed to the importance attached to being able to have concentration of customers, have extensive infrastructure available, and make use of existing bases for business operations in China.
- Though interviews with companies have revealed continued interest in Inland China, many also claimed that they would make use of their bases in the Eastern China and Southern China regions to reach those areas.

V. Major Topics Related to Overseas Business Operation

Figure 40: Management Challenges to be Addressed

Q What does your company think should be focused on in an aim for long-term growth? Please select up to five choices.

Refer to the next page for additional analysis



(No. of respondent companies = 579)

■The top choice was "Expand current businesses qualitatively and quantitatively" of business policies, with a response ratio of over 70%

- The top choice for a management challenge that should be addressed in an aim for long-term growth was “Expand current businesses qualitatively and quantitatively” (71.0%), which is business polies-related, as the response ratio was overwhelming high compared to other issues. Comments from interviews with companies included “We still don't handle enough volume in our existing business to cover fixed costs” and "There are still areas where we have not expanded into and we would like to leverage this."
- The response ratio was also high for "Create new businesses that drive growth” (41.6%) in terms of business policies, suggesting that many companies recognize the need for new growth drivers. In contrast, the response ratio was low for "Move on from a business model of simply manufacturing and selling" (13.1%).

■2nd place was "Develop products that are strongly competitive (high market share product in niche market)" in terms of business operations, for which the response ratio exceeded 50%

- 2nd place was "Develop products that are strongly competitive (high market share product in niche market)" (52.2%) in terms of business operations. As reflected in these results, many companies recognize the importance of the development of competitive products such as high market share products in niche markets. As it appears that there were differences in the responses for management challenges related to business operations depending on the industry and position in the supply chain, a comparison is made on the following page.

■3rd place was "Develop individuals who are capable of managing overseas bases" in the area of business management; By industry, the response ratio was high for petroleum & rubber products, steel, and nonferrous metals

- The third most common response was "Develop individuals who are capable of managing overseas bases" in the area of business management (45.3%). Variation could be seen by industry, with a high level of response for petroleum & rubber (72.7%), steel (71.4%), and nonferrous metals (70.6%), while the response ratio was only in the 20% range for electrical equipment & electronics and automobile assemble manufacturers.

Figure 41: Management Challenges to be Addressed (business operation: by industry)

			Total	Foods	Textiles	Paper, Pulp & Wood	Chemicals	Petroleum & Rubber	Ceramics, Cement & Glass	Steel	Nonferrous Metals	Metal Products	General Machinery	Electrical Equipment & Electronics	Transportation (excl. Automobiles)	Automobiles	Precision Machinery
No. of respondent companies		(companies)	579	26	28	9	90	11	17	14	17	17	55	92	15	102	32
5	Develop products that are strongly competitive (high market share product in niche market)	(%)	52.2	34.6	46.4	33.3	62.2	54.5	58.8	50.0	47.1	52.9	49.1	58.7	40.0	49.0	68.8
6	Develop products that meet needs of local markets		40.8	61.5	46.4	22.2	41.1	45.5	35.3	35.7	29.4	29.4	41.8	46.7	46.7	33.3	25.0
7	Strengthen business operations intended for the middle class in emerging economies		21.8	19.2	7.1	22.2	18.9	18.2	17.6	35.7	23.5	11.8	30.9	19.6	6.7	22.5	28.1
8	Make inroads to securing more non-Japanese customers		23.7	23.1	21.4	22.2	25.6	9.1	5.9	28.6	17.6	35.3	14.5	25.0	6.7	37.3	15.6

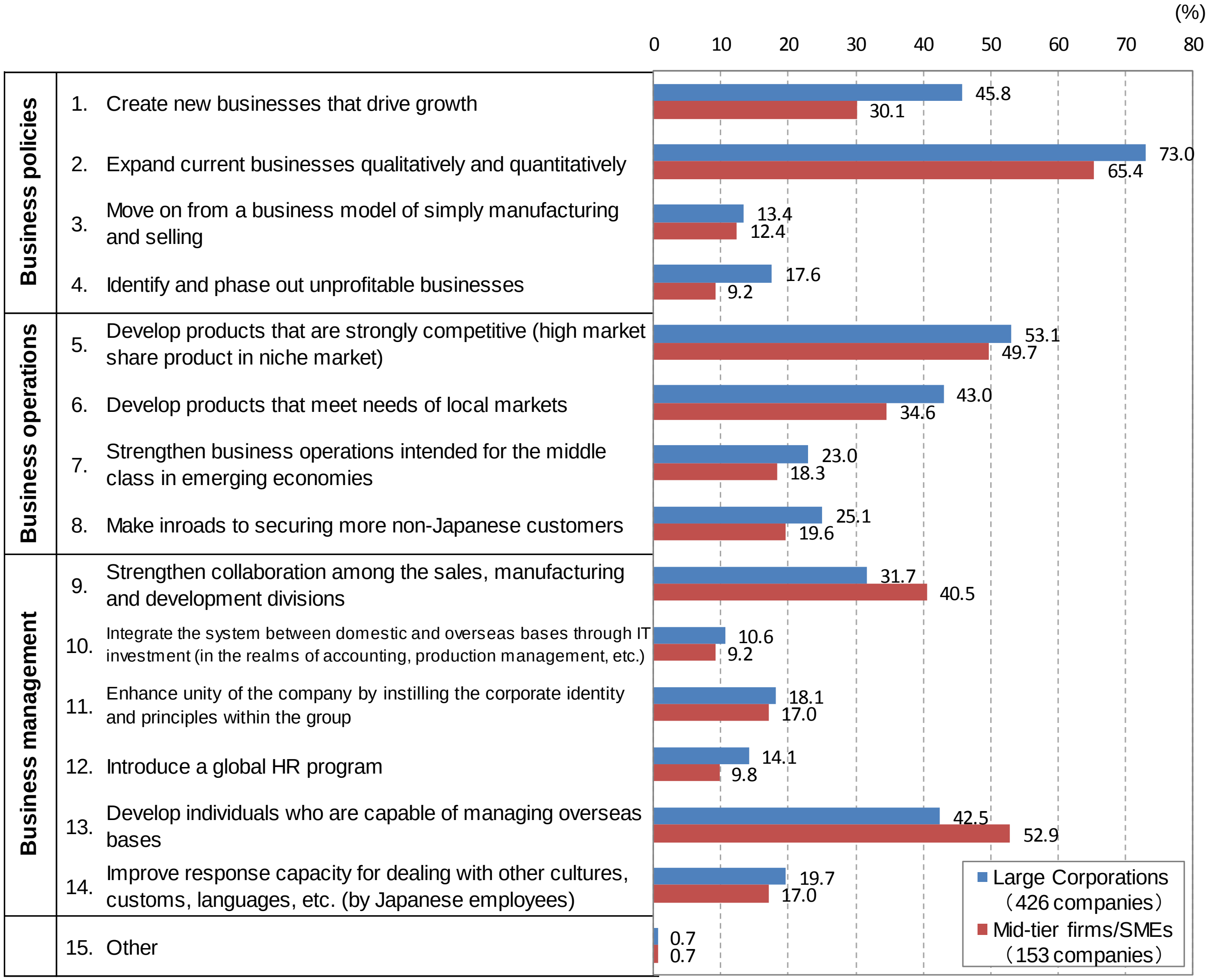
■In terms of management challenges related to business operations, the response ratio was the highest for "Develop products that are strongly competitive (high market share product in niche market)" for many industries; In contrast, the response ratio was low overall for "Strengthen business operations intended for the middle class in emerging economies"

- In terms of management challenges related to business operations, a high response ratio was seen for "Develop products that are strongly competitive (high market share product in niche market)" among a wide range of industries, and the response ratio was particularly high for precision machinery (68.8%) and chemicals (62.2%). In contrast, the response ratio for "Strengthen business operations intended for the middle class in emerging economies" was only 21.8% overall, which was a low response ratio in comparison with other management challenges. It is believed that rather than aiming for the middle class in emerging countries, Japanese companies tend to focus on product development in fields where Japanese companies are highly competitive, such as high market share products in niche markets.
- In addition, the overall response ratio for "Develop products that meet needs of local markets" exceeded 40%, and the response ratio was particularly high for food (61.5%). This suggests that for food that is an internal demand-driven industry, and understanding the needs of the local market is recognized as particularly important.

■Response ratio for "Make inroads to securing more non-Japanese customers" was relatively high for automobile and metal products industries

- While the response ratio for “Make inroads to securing more non-Japanese customers” was 23.7% overall, in comparison with other industries, the response ratio was high for the automobiles (37.8%) and metal products industries (35.3%). In interviews with companies, many companies expressed a stance of maintaining transactions with Japanese companies as a business base while working to expand business with non-Japanese companies, particularly among automobiles-related companies. However, manufacturing methods differ according to the company and nationality. For example, in emerging economies there are companies engaged in make-to-stock production that will order in large quantities, but the timing of such orders can be irregular. Dealings with these companies entail the risk of not being able to deliver properly to existing Japanese customers, so there was an opinion to the effect that it is difficult to accommodate the needs of non-Japanese companies.

Figure 42: Management Challenges to be Addressed —Large Corporations & Mid-tier Firms/SMEs



■A significant difference was observed between large corporations and mid-tier firms/SMEs for "Create new businesses that drive growth"

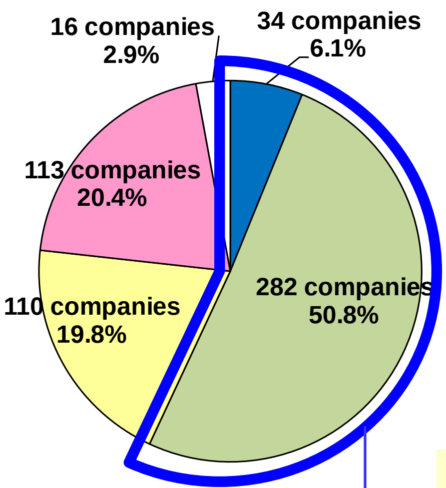
- A significant difference in the response ratio was observed between large corporations (45.8%) and mid-tier firms/SMEs (30.1%) for "Create new businesses that drive growth." In addition, the response ratio for "Develop products that meet needs of local markets" was higher for large corporations (43.0%) than for mid-tier firms/SMEs (34.6%), which suggests that large corporations have a stronger recognition of the importance of creating new businesses and product development in line with local needs. At the same time, based on the fact that the response ratio for "Move on from a business model of simply manufacturing and selling" was only slightly more than 10% in all cases, it would appear that among both large corporations and mid-tier firms/SMEs those considering a transition in their business model are limited in number.
- When considering the background behind the differences between large corporations and mid-tier firms/SMEs – including the points raised above – in the case of mid-tier firms/SMEs, one factor behind this could be the common stance of operating business in line with the intentions and policies of large corporations that serve as business suppliers. Considering the further advance of globalization and intensification of competition between companies going forward, it appears that mid-tier firms/SMEs to improve their awareness of these issues as large corporations.

■The response ratio for "Develop individuals who are capable of managing overseas bases" in the area of business management was high among mid-tier firms/SMEs

- The second most common response among mid-tier firms/SMEs was "Develop individuals who are capable of managing overseas bases" (52.9%), as over half of responding companies selected this as an issue. In interviews with companies, some companies expressed the view that they were unable to conduct personnel rotation like large corporations due to the scarcity of human resources capable of managing business overseas, which has resulted in a long-term response dependent on individual skills.

Q There has been a recent increase in the business expansion using M&A. Please select the response that is most applicable for the position of M&A at your company.

Figure 43: Positioning of Overseas M&A (all companies)

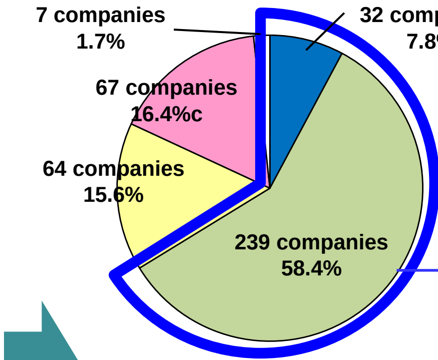


- Regard M&A as an important means of expanding business and handle it by setting up a dedicated section
- Regard M&A as an important means of expanding business and have staff such as a business planning department handle it without setting up a dedicated section
- Though M&A is regarded as an important means of expanding business, we don't have individuals in the company capable of dealing with it
- M&A is not regarded as an important means of expanding business
- Other

M&A is an important means of management : 76.8%
(34+282+110 = 426 companies)
Is handling M&A : 56.9%
(34+282 = 316 companies)

(No. of responding companies = 555)

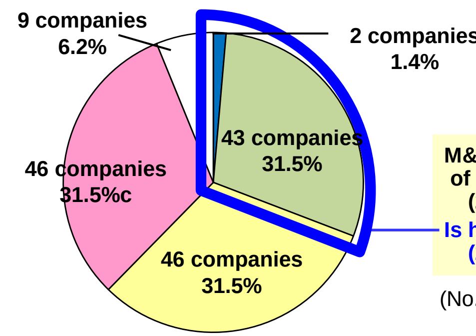
Figure 44: Positioning of Overseas M&A (large corporations)



M&A are an important means of management : 81.9%
(32+239+64 = 335 companies)
Is handling M&A : 66.3%
(32+239 = 271 companies)

(No. of responding companies = 409)

Figure 45: Positioning of Overseas M&A (mid-tier firms/SMEs)



M&A are an important means of management : 62.3%
(2+43+46 = 91 companies)
Is handling M&A : 30.8%
(2+43 = 45 companies)

(No. of responding companies = 146)

■Overall 76.7% of companies recognize M&A as an important means of management

- For the positioning of M&A in management, 76.7% of responding companies chose "Regard M&A as an important means of expanding business," indicating that M&A are widely recognized as a means of management for business expansion. In addition, when combining the response for "handle it by setting up a dedicated section" (6.1%) and "have staff such as a business planning department handle it without setting up a dedicated section" (50.8%), this means that the majority of responding companies are handling M&A. On the other hand, the response ratio for "Though M&A is regarded as an important means of expanding business, we don't have individuals in the company capable of dealing with it" was 20.4% (Figure 43).

■While over 60% of mid-tier firms/SMEs recognize M&A as an important means of management, only 30% were able to handle M&A

- By company size, 81.8% of large corporations view M&A as an important means of management, and over 60% of these companies handle M&A (Figure 44). Meanwhile, for mid-tier firms/SMEs, while over 60% recognize M&A as an important means of management, the percentage of companies with personnel able to handle M&A was only 30%. In interviews with companies, some mid-tier firms/SMEs expressed that they did not have dedicated human resources capable of handling M&A (Figure 45).

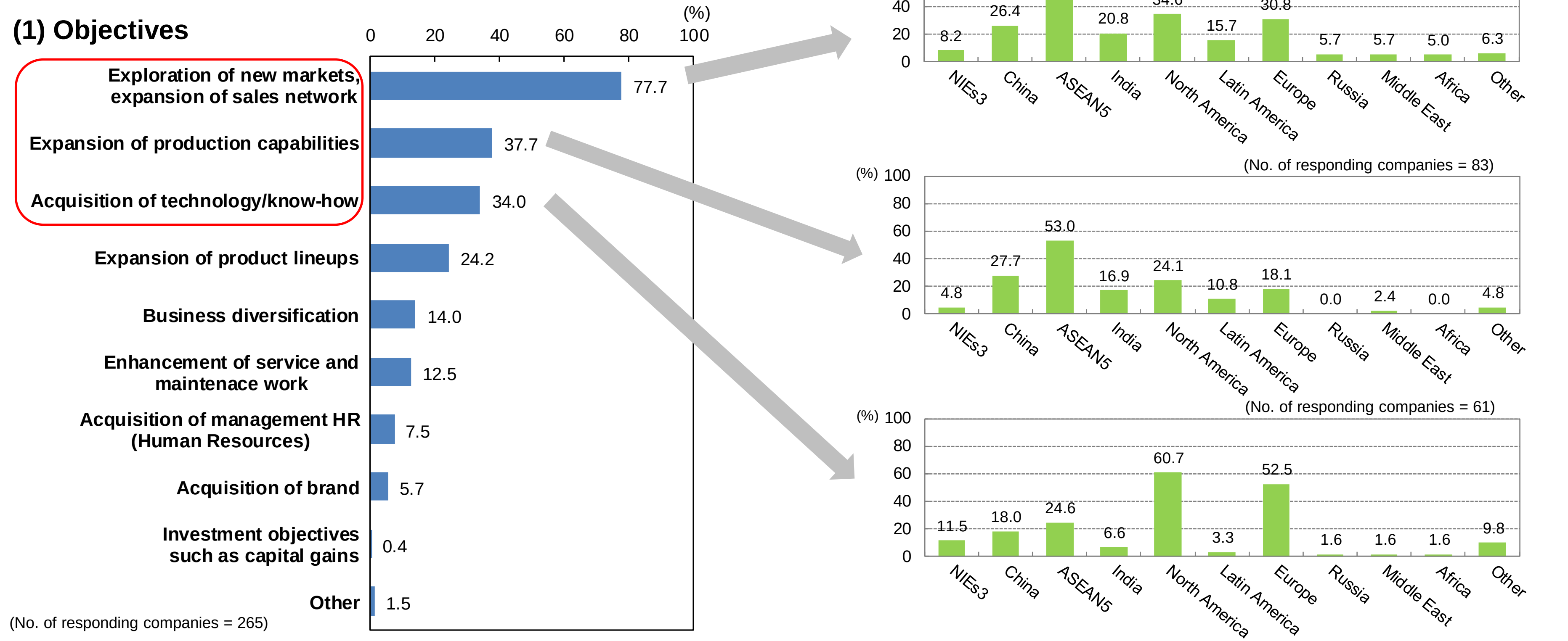
Q

This question relates to overseas M&A over the medium term (for the next three years or so) your company is considering. Please select up to three objective for M&A from the choices available. And, please select the countries and regions for possible M&A for the objectives chosen. (Multiple responses)

Figure 46: Objectives of Overseas M&A and Objectives regions

(1) Objectives

(2) Objectives Regions for which M&A is Considered



■Regions for which M&A is considered for "Exploration of new markets, expansion of sales network" expanded to other than the ASEAN 5, North America, Europe, and China

- The response ratio was overwhelming high for "Exploration of new markets, expansion of sales network" as the objective of overseas M&A at 77.7%, indicating a stance of acquiring overseas market as the main purpose. This was followed by "Expansion of production capabilities" (37.7%) as 2nd place and "Acquisition of technology/know-how" (34.0%) as 3rd place, as over 30% of responding companies selected these answers. Of the 100 companies that selected "Expansion of production capabilities," 72 also selected the "Exploration of new markets," which suggests that there is a correlation between the development of new markets and the expansion of production capacity (Figure 46(1)).
- In terms of regions, for the purpose of "Exploration of new markets, expansion of sales network," ASEAN 5 (54.1%) was highest, followed by North America (34.6%), Europe (30.8%), and China (26.4%). Though the number of responses was small, the response ratio exceeded 5% for Russia, the Middle East, and Africa, and others. Meanwhile, for the purpose of "Expansion of production capabilities," ratios of ASEAN 5 and China were high, suggesting that companies are Asia-oriented (Figure 46(2)).

■Regions for which M&A is considered for the purpose of "Acquisition of technology/know-how" were North America and Europe

- In contrast for the top two objectives, for the purpose of "Acquisition of technology/know-how," the response ratio was highest for North America (60.7%) and Europe (52.5%). On the other hand, In interviews with companies, some companies expressed the view that they would like to obtain know-how on manufacturing at a low cost in the ASEAN region and China (Figure 46(2)).

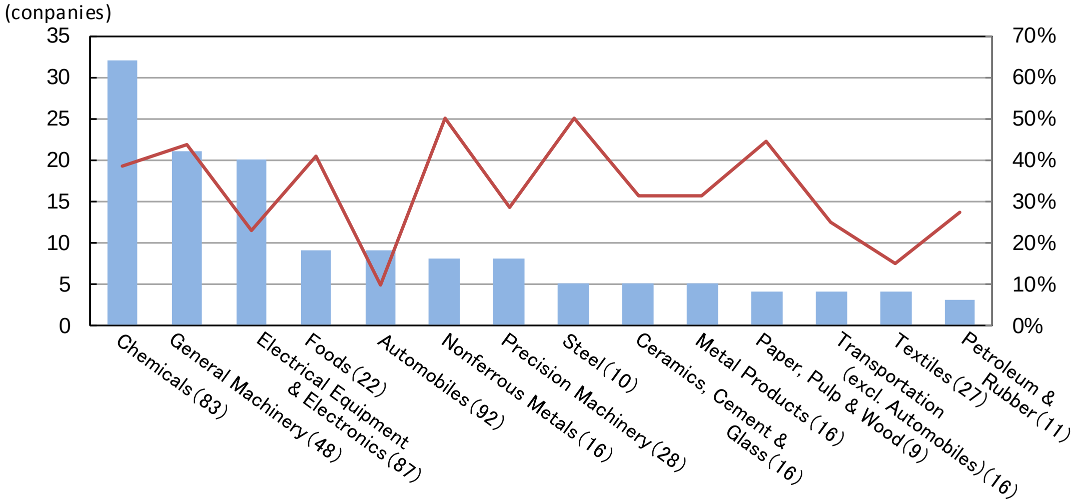
Figure 47: Overseas M&A Engagement (past 5 years)

No. of M&A caces	0 case	1 case	2 cases	3 cases	4 cases	5 cases	6 cases	7 cases	8 cases	9 cases	10 or more cases
No.of companies	383	72	33	19	5	2	5	1	1	1	5

(No. of responding companies = 527)

Total: 144 companies

Figure 48: Overseas M&A Engagement by Industry

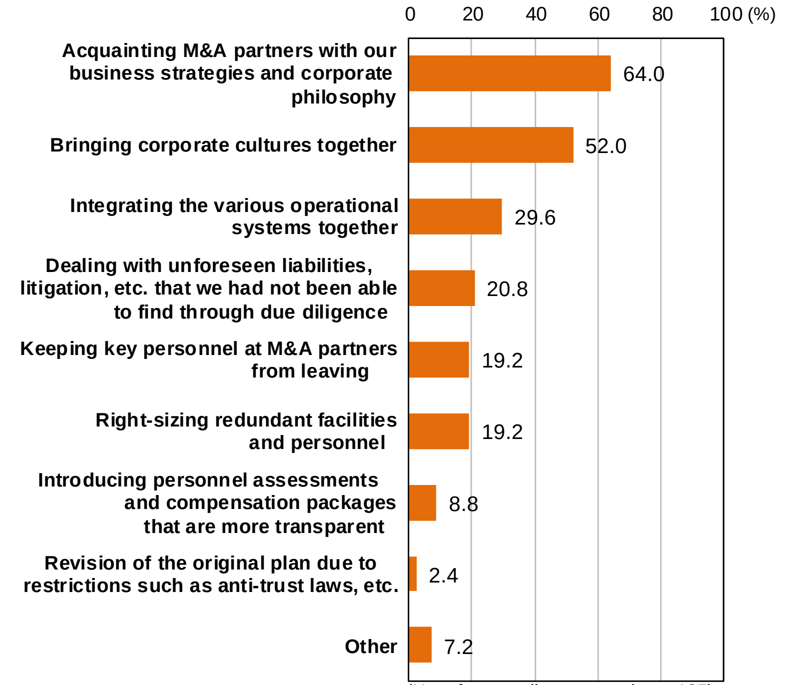


(Note 1) The vertical bars are the number of companies that engaged in M&A (left axis)
(Note 2) The red line is the ratio of companies responded that they engaged in M&A (right axis)
(Note 3) The figures in parentheses for each industry are the number of respondent companies

Q

This question is for companies that have engaged in M&A involving foreign companies over the past five years (January 2010 to the end of December 2014). What was harder than expected in post-merger integration (PMI)? Please select up to three that apply from the choices below.

Figure 49: PMI Difficulties Greater than Expected



(No. of responding companies = 125)

■Among the 527 respondent companies, 144 answered that they had engaged in overseas M&A in the past five years

- 144 of 527 responding companies answered that they had engaged in overseas M&A in the past five years. In addition, there were five companies that had conducted ten or more M&A cases (Figure 47). By industry, in terms of the number of companies, chemicals, general machinery, and electrical equipment & electronics industries have most companies that had engaged in overseas M&A. Meanwhile, looking at the ratio of companies that had engaged in overseas M&A by industry, it was high for industries including steel, nonferrous metals, paper, pulp, and wood, and materials (Figure 48).

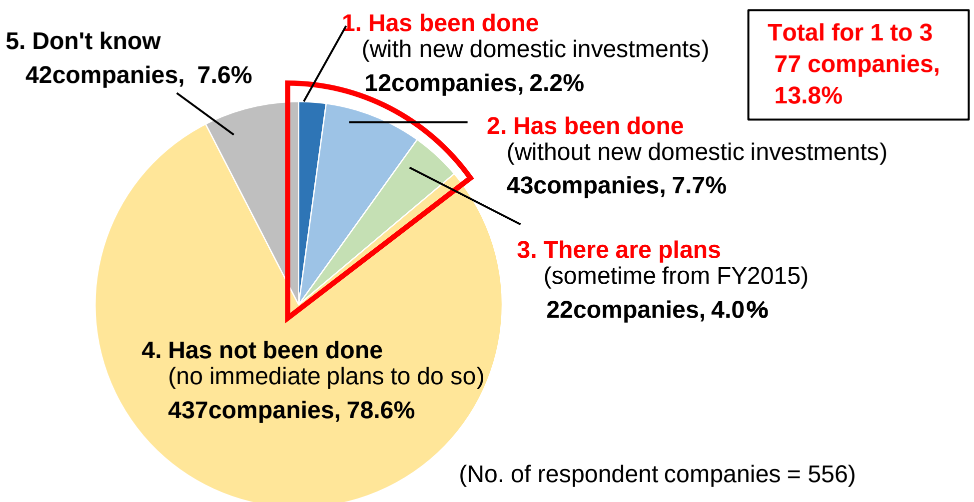
■Acquainting M&A partners with business strategies and corporate philosophy, as well as bringing corporate cultures together, were more difficult than expected in post-merger integration (PMI)

- The top response for greater difficulties than expected in post-merger integration was “Acquainting M&A partners with our business strategies and corporate philosophy” (64.0%), followed by “Bringing corporate cultures together” (52.0%). Approximately 30% chose 3rd place “Integrating the various operational systems together” (29.6%). While building and maintaining global IT systems is one of challenges for Japanese companies with overseas operation, it seems even more difficult to intergrade systems with merged / acquired companies(Figure 49).

Q

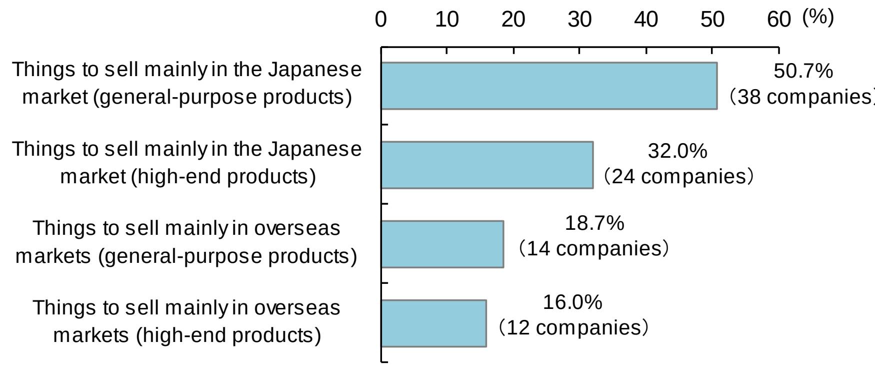
This question is about companies repatriating production through means such as the partial transfer of overseas production to Japan. Did your company repatriate production to Japan during the period of yen depreciation from FY2013 to FY2014? If yes, what kinds of merchandise/products, and from which overseas bases, did your company repatriate production?

Figure 50: Status of Production Repatriated from Overseas



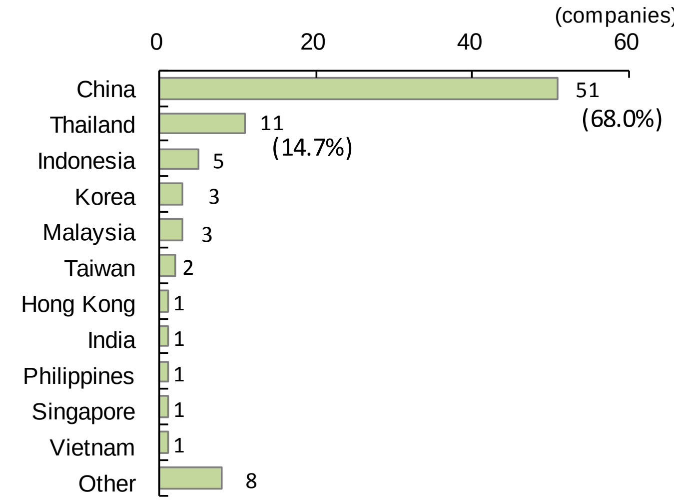
(No. of respondent companies = 556)

Figure 51: Products of Production Repatriated to Japan (including plans)



(Note) This is a question for companies that selected 1, 2, or 3 in Figure 50.
75 of 77 companies responded. Multiple responses are permitted.

Figure 52: Overseas Business Bases of Origin of Products Repatriated to Japan (including plans)



(Note) This is a question for companies that selected 1, 2, or 3 in Figure 50.
75 of 77 companies responded. Multiple responses are permitted.

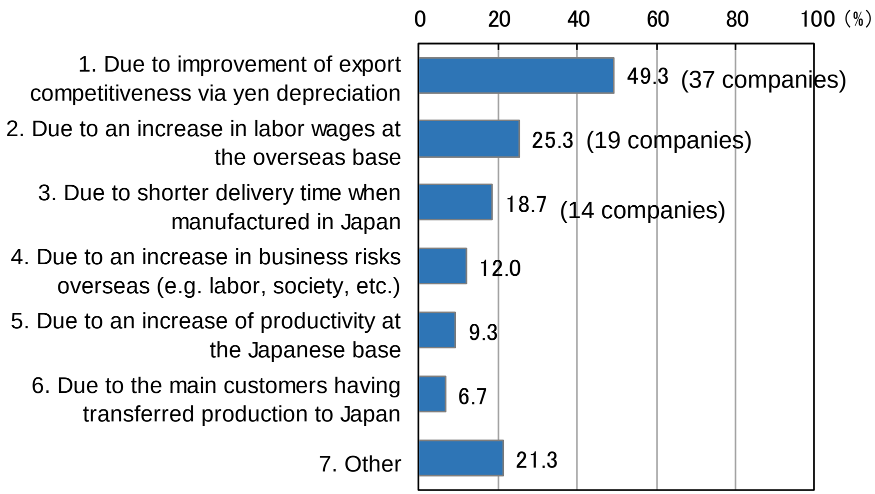
■Regarding the repatriation of production, "Has been done" and "There are plans to do so in the future" were given by a total of 13.8%

- During the period of yen depreciation from FY2013 to FY2014, the percentage of companies that repatriated production to Japan was 9.9% (55 companies), and was 13.8% (77 companies) when the number of companies with plans to repatriate from FY2015 or later was included (Figure 50). Among these 77 companies, 15 were electrical equipment and electronics companies, 14 were automotive, and 10 were chemicals.
- The majority of companies (78.6%, 437 companies) responded that they did not repatriate production and that they had no immediate plans to do so (Figure 50). This ratio was highest for the industries of steel (91.7%), followed by the materials industries, such as ceramic, cement, and glass and nonferrous metals (both 88.9%), as well as precision machinery (88.9%).

■Overseas business locations that repatriated production to Japan were mainly in China

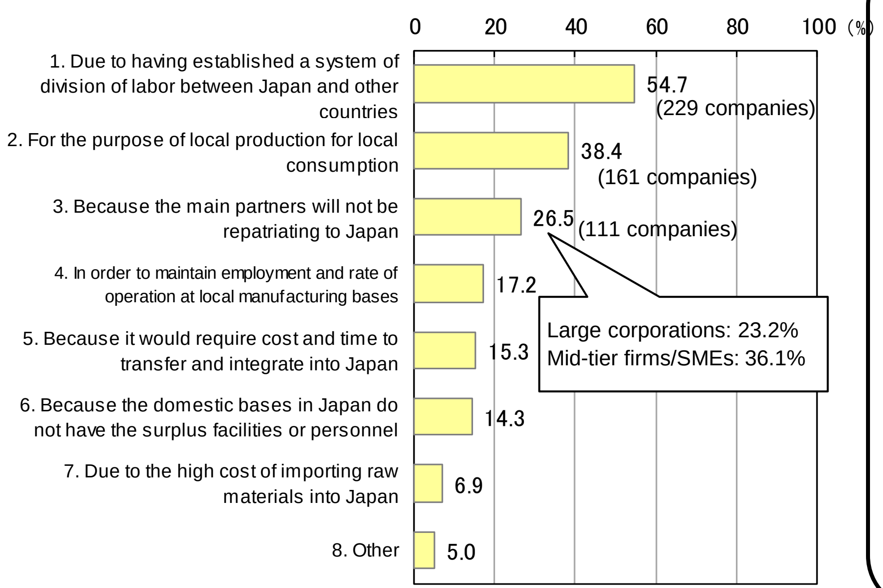
- When asked about products that were repatriated (including plans), half of the companies chose things to sell mainly in the Japanese market (general-purpose products) (Figure 51). Furthermore, the place of origin of production repatriation was overwhelming China, accounting for 51 of 75 companies (68.0%) (Figure 52). However, repatriated production does not always necessary lead to the contraction or closing of overseas business locations.

Figure 53: Reasons for Repatriating Production



(Note) This is a question for companies that selected 1, 2, or 3 in Figure 50.
75 of 77 companies responded. Multiple responses are permitted.

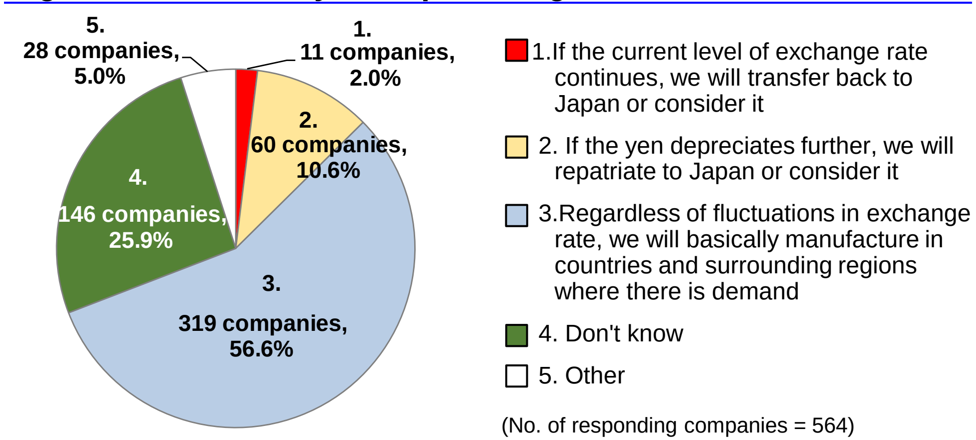
Figure 54: Reasons for not Repatriating Production



(Note) This is a question for companies that selected 4 in Figure 50.
419 of 437 companies responded. Up to 3 can be selected.

Q How would you feel about repatriating if the exchange rate continued at the same level of 124 yen per dollar over the medium term (for the next three years or so) or if the depreciation of the yen progressed even more?

Figure 55: Possibility of Repatriating Production in the Future



(No. of responding companies = 564)

■As the reason for not repatriating production, the majority chose "Due to having established a system of division of labor between Japan and other countries"

- The top reason for repatriating production was "1. Due to improvement of export competitiveness via yen depreciation" (Figure 53). While this reason was highly rated from a wide range of industries, the automotive (9 companies) and electrical equipment & electronics (7 companies) industries stand out.
- On the other hand, the top reason for not repatriating production was "1. Due to having established a system of division of labor between Japan and other countries," which was stated by 229 of 419 companies (54.7%). This was followed by "2. For the purpose of local production for local consumption" (161 companies, 38.4%) (Figure 54).
- In terms of reasons for not repatriating production, a difference in the response between large corporations and mid-tier firms/SMEs was seen for "3. Because the main partners will not be repartriating to Japan," as the response ratio among mid-tier firms/SMEs (36.1%) was 12.9% higher than large corporations (23.2%).

■The majority of responding companies will conduct production near areas where there is demand, regardless of exchange rate fluctuations, while approximately one-fourth are indecisive

- In terms of the future possibility of return to Japan, a majority of companies (316 companies, 56.6%) chose "3. Produce in countries or surrounding regions where there is demand regardless of exchange rate fluctuations" (Figure 55). However, there were 146 companies (25.9%) that chose "4. Don't know," which means that, among companies that have not repatriated production to Japan currently, there is still the possibility of repatriating, depending on future foreign exchange trends.

Q

This is question for those with plants in China, Taiwan, Thailand, Malaysia, Indonesia, the Philippines, Vietnam or India.

For each of the following evaluation attributes 1 through 6, please evaluate on a five-point scale the plants you have in any of the above eight countries that produce the same product models. Consider a 3 as the standard evaluation for the mother plant in Japan.
For evaluation attribute 7, please answer about the level of the plants in the applicable country, with 10 as the standard for your Japanese plants.

Figure 56: Evaluation Attributes and Criteria for the Question

		Evaluation Level
Evaluation Attributes	1. Labor productivity (production volume per hour and person)	Consider a 3 as the standard evaluation for the mother plant in Japan.
	2. In-process defect rate	
	3. Production flexibility (Note1)	1 Worse / 2 ← / 3 Same as Japan / 4 → / 5 Better
	4. Capacity to start up mass production of new products (time)	
	5. Delivery time (period from receiving order to completing production)	
	6. Raw material costs	
	7. Wage level of factory workers (Note2)	10 as the standard for your Japanese plants

(Note 1) For example, the ability to accommodate requests for customizing, high-mix low-volume production, frequent switching of production items

(Note 2) Comparison of the monetary amount, including base salary, fringe benefits, social insurance, overtime pay, bonus, etc.

Figure 57: Companies Responding to the Question (by Industry)

Total	No. of respondent companies	Ratio
Automobiles	67	18.1%
Electrical Equipment & Electronics	58	15.6%
Chemicals	51	13.7%
General Machinery	38	10.2%
Other	33	8.9%
Textiles	21	5.7%
Precision Machinery	20	5.4%
Foods	16	4.3%
Metal Products	16	4.3%
Nonferrous Metals	13	3.5%
Transportation (excl. Automobiles)	10	2.7%
Petroleum & Rubber	9	2.4%
Paper, Pulp & Wood	7	1.9%
Ceramics, Cement & Glass	7	1.9%
Steel	5	1.3%
Total	371	100.0%

(Reference) Responding Company in Each Country (top 3 industries)

(1) China	287 companies	Ratio
Automobiles	53	18.5%
Electrical Equipment & Electronics	48	16.7%
Chemicals	40	13.9%
Sub Total	141	49.1%

(2) Taiwan	50 companies	Ratio
Chemicals	12	24.0%
Electrical Equipment & Electronics	12	24.0%
General Machinery	7	14.0%
Sub Total	31	62.0%

(3) Thailand	169 companies	Ratio
Automobiles	50	29.6%
Chemicals	20	11.8%
Electrical Equipment & Electronics	19	11.2%
Sub Total	89	52.7%

(4) Malaysia	49 companies	Ratio
Electrical Equipment & Electronics	15	30.6%
Chemicals	9	18.4%
Automobiles	7	14.3%
Sub Total	31	63.3%

(5) Indonesia	99 companies	Ratio
Automobiles	36	36.4%
Chemicals	14	14.1%
Textiles	6	6.1%
Metal Products	6	6.1%
Sub Total	62	62.6%

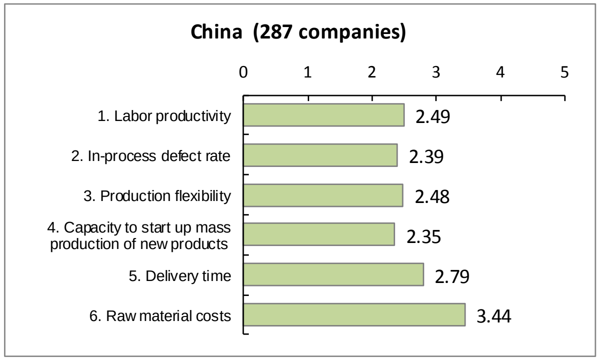
(6) Phillipines	36 companies	Ratio
Electrical Equipment & Electronics	10	27.8%
Automobiles	9	25.0%
Nonferrous Metals	5	13.9%
Sub Total	24	66.7%

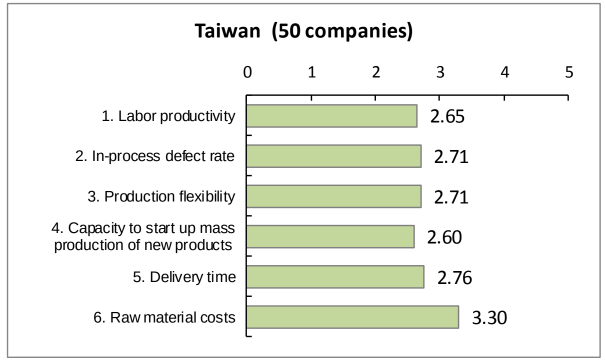
(7) Vietnam	49 companies	Ratio
Automobiles	11	22.4%
Metal Products	6	12.2%
Electrical Equipment & Electronics	6	12.2%
Sub Total	23	46.9%

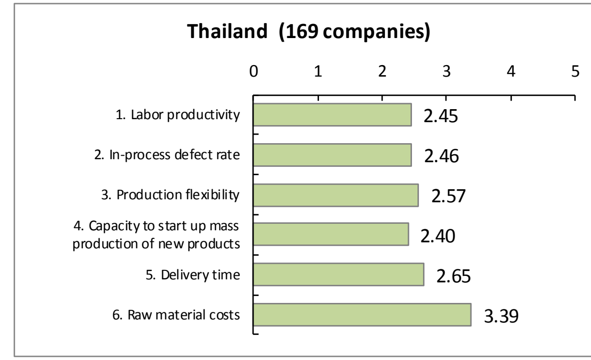
(8) India	46 companies	Ratio
Automobiles	22	47.8%
General Machinery	6	13.0%
Textiles	3	6.5%
Electrical Equipment & Electronics	3	6.5%
Sub Total	34	73.9%

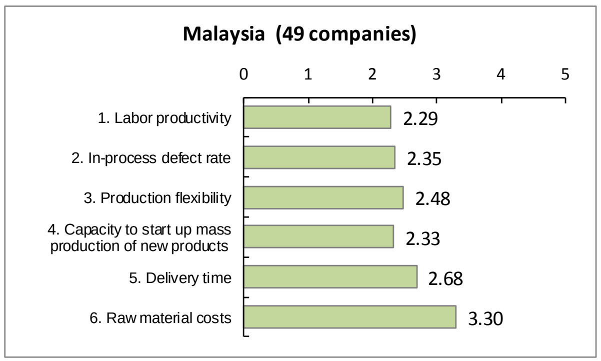
Figure 58: Average for Each Evaluation Attribute (by Country)

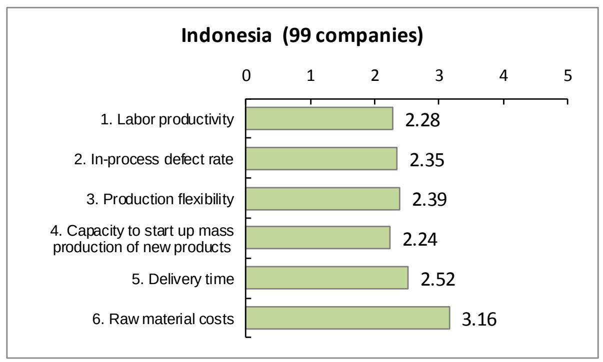
(Note) Refer to page 48 for the average score of the “7. Wage level of factory workers."

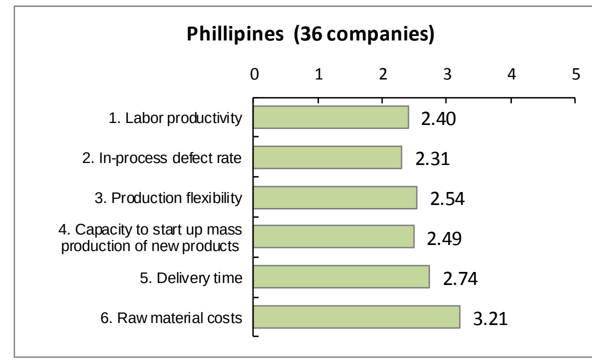


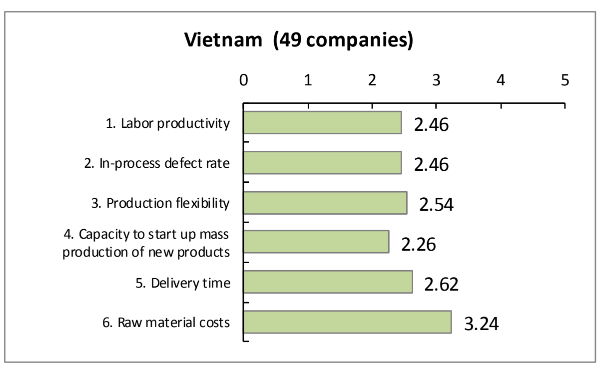


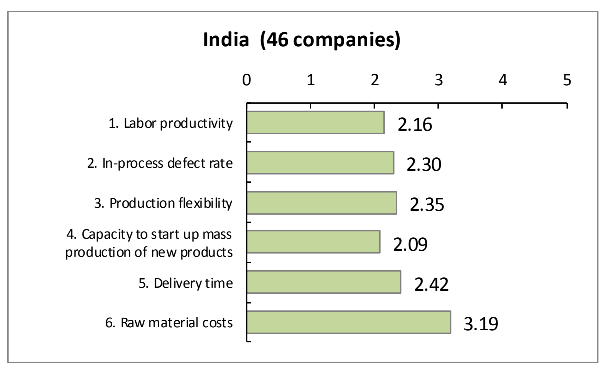












■Excluding raw material costs, the evaluation is better for mother plants in Japan than for overseas plants

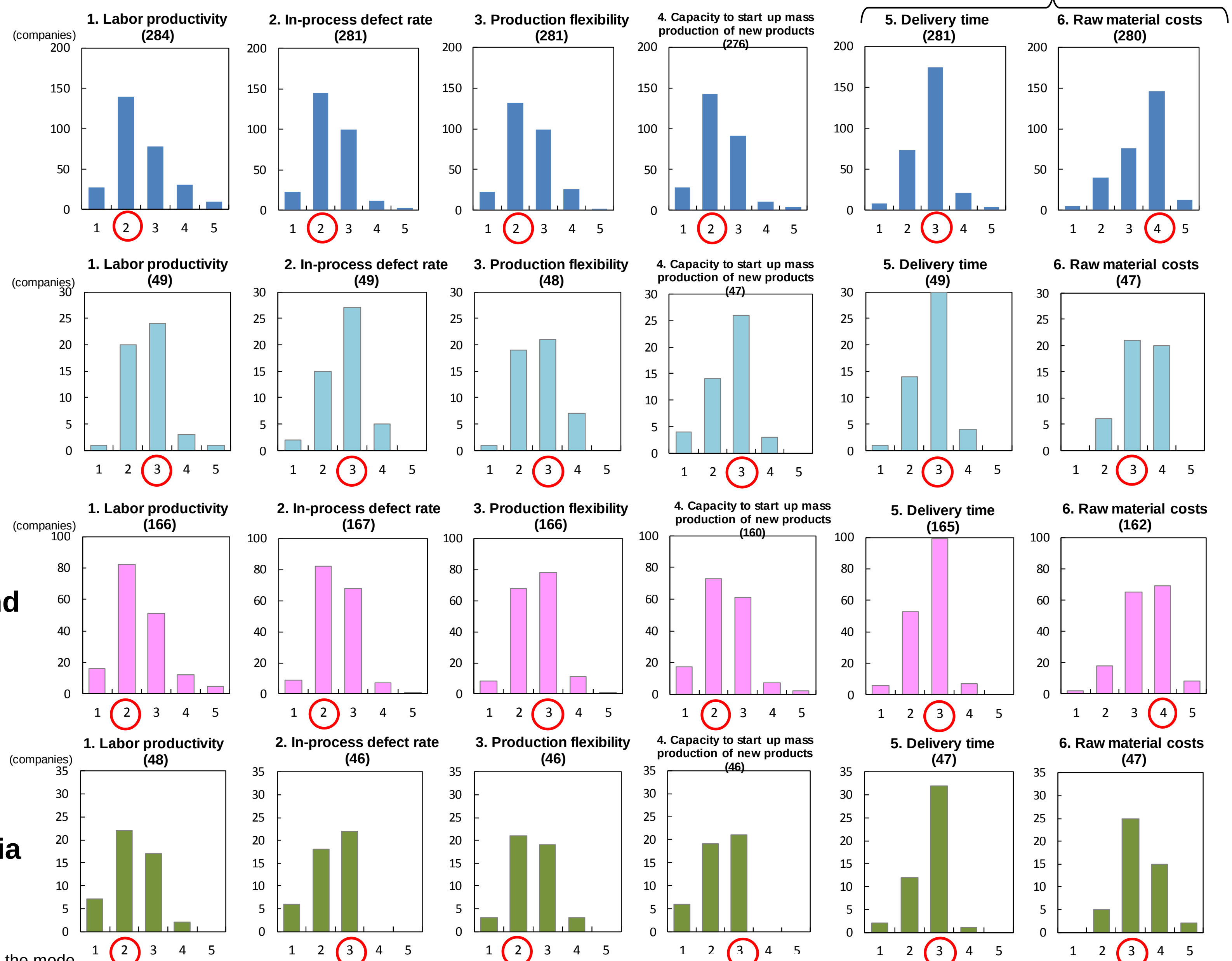
- In the 5-level assessment of plants in eight countries with a “3” as the same level as Japan, the average scores of all the attributes, excluding "6. Raw material costs," were less than “3” which indicate the superiority of mother plants in Japan.
- The average scores for the six evaluation attributes were similar in each country, and no significant differences were seen.

⇒ How many companies have responded for each evaluation score? (Figure59)

⇒ What is the ratio of each evaluation score among the respondent companies? (Figure60)

Figure 59: Number of Respondent Companies for Each Evaluation Score

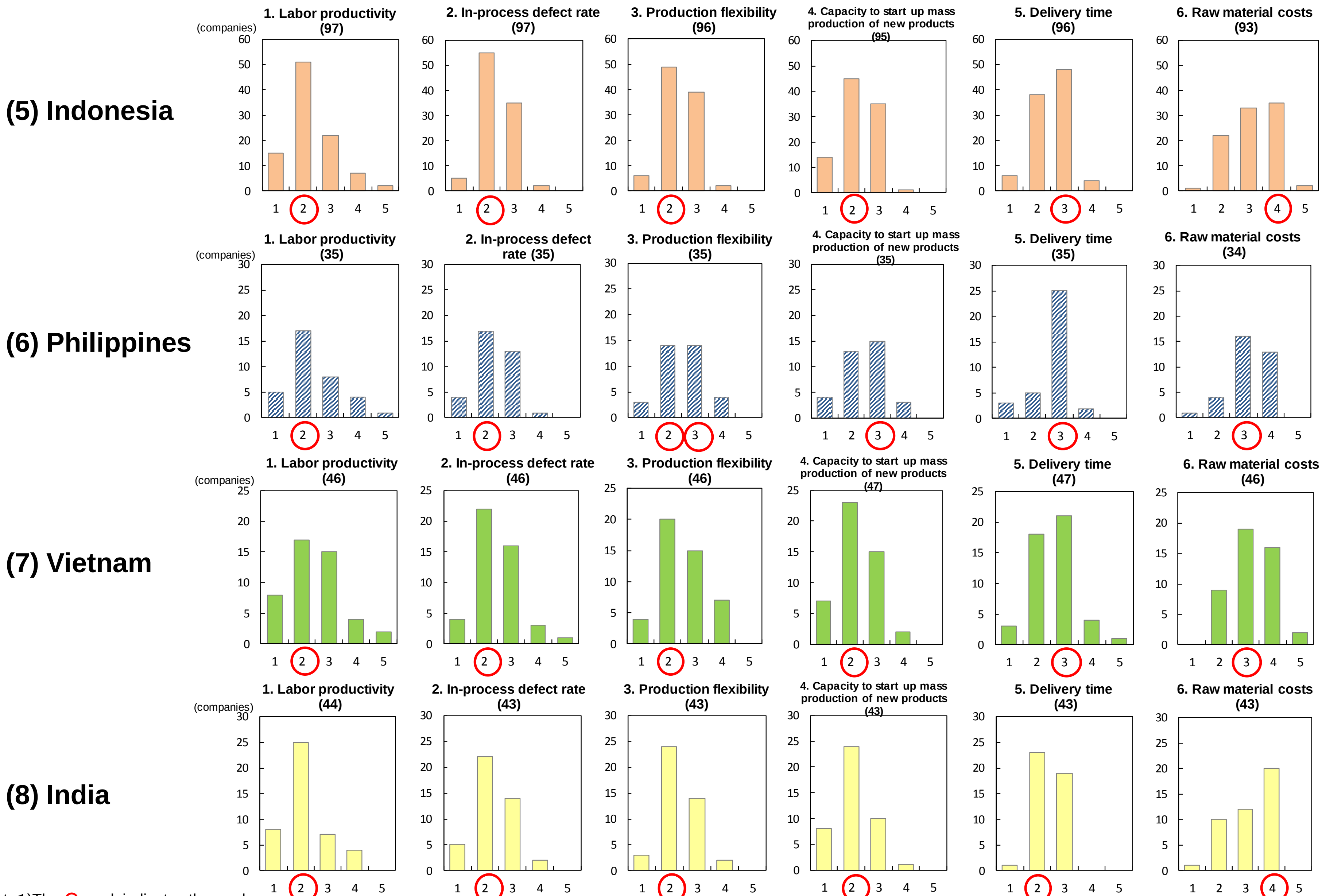
Scores of 3 and 4 accounted for a large number of respondent companies



(Note1)The ○ mark indicates the mode.

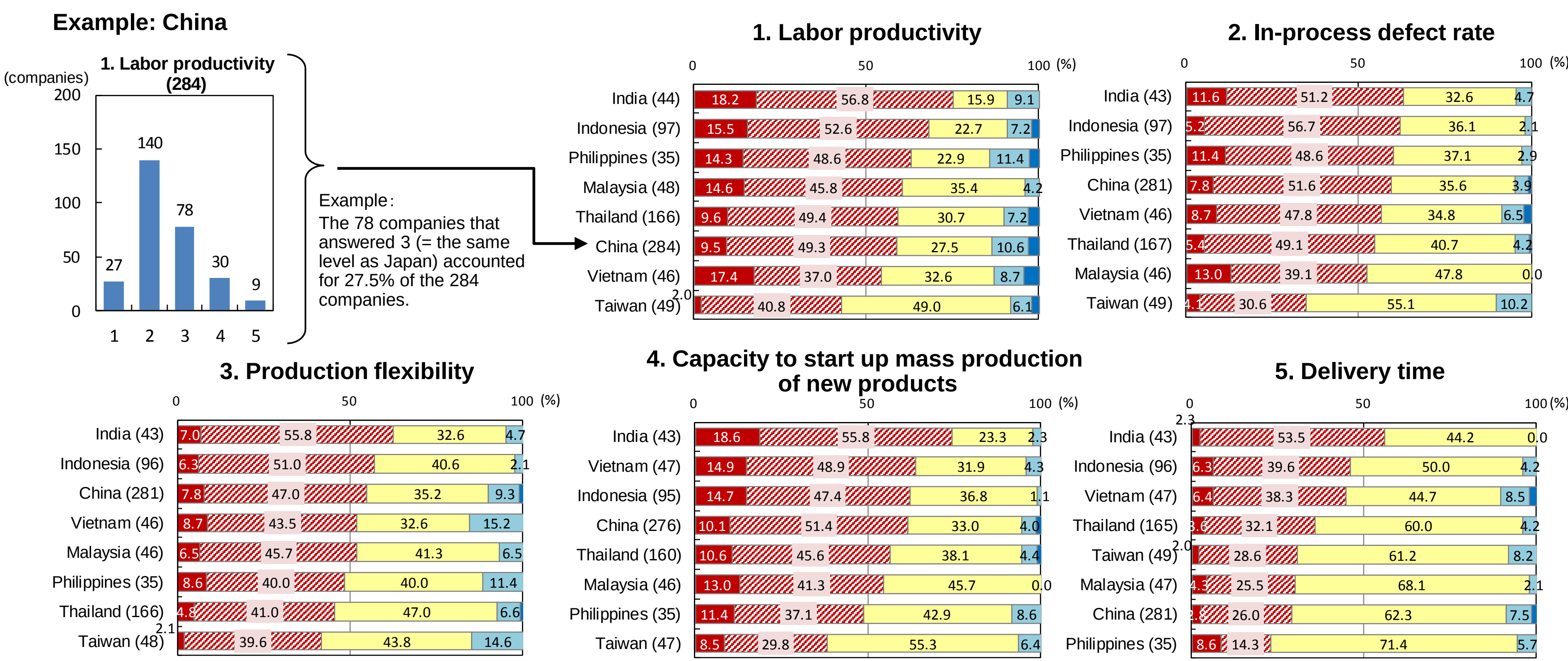
(Note2) The number in parentheses to the right of each evaluation attribute indicates the number of companies responding.

Figure 59: Number of Respondent Companies for Each Evaluation Score (cont.)



(Note1)The ○ mark indicates the mode.
(Note2) The number in parentheses to the right of each evaluation attribute indicates the number of companies responding.

Figure 60: Ratio of Each Evaluation Score among Respondent Companies



(Note) The figures within the parentheses are the numbers of responding companies.

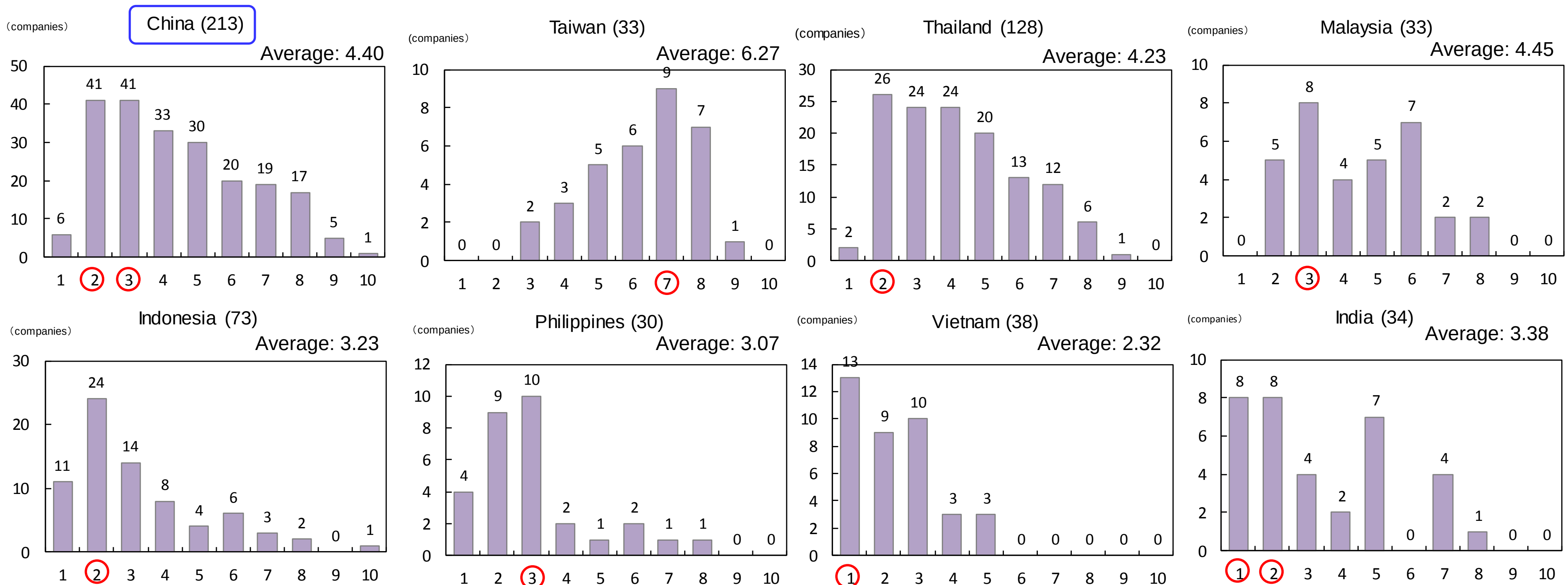
■**For 1. Labor productivity and 2. In-process defect rate, over 50% of companies gave the score of "1" or "2" for 7 countries, with Taiwan as an exception**

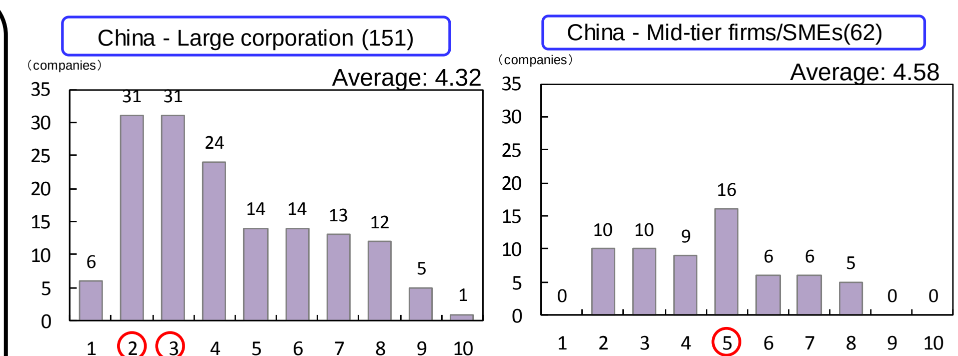
- For five evaluation attributes, looking at the ratio of each score, over 50% of responding companies gave the score of "1" or "2" (in other words, lower than the assessment for Japan) for 1. Labor productivity and 2. In-process defect rate, for seven countries but not in Taiwan. In particular, for 1. Labor productivity, the ratio for the score "3" (= same levels as Japan) was lower compared to other evaluation attributes, and it was only 15.9% for India. There were also cases of low labor productivity at plants with a relatively long years of operation, reasons given for this in comments from companies included the failure to increase levels of experience and skill because workers are quick to change jobs, and the fact that foreign labors have to be used.

■**For 4. Capacity to start up mass production of new products, over 10% of companies gave the score of "1" for 7 countries**

- For 4. Capacity to start up mass production of new products, over 10% of companies gave the score of "1" for 7 countries except Taiwan. There are many plants in Taiwan with a long operating history, which means that more experience has been accumulated compared to plants in other countries. For this reason, there is a large difference for 4. Capacity to start up mass production of new products.

Figure 61: Wage Level of Factory Workers (with 10 as the standard for Japanese plants)





■The average score for wage levels of factory workers was from "3" to less than "5" in six of eight countries

- When assessing worker wage levels for the plants of each country assuming Japan is "10," the average was highest for Taiwan at 6.27 and lowest for Vietnam at 2.32, and was from "3" to less than "5" for the other countries.
- The average value was higher for India than Vietnam, and possible reasons for this include the fact that for india half of responding companies are automotive companies. In addition,foreign capital is concentrated in limited industrial parks, therefore there is some pressure on raising wages in India.

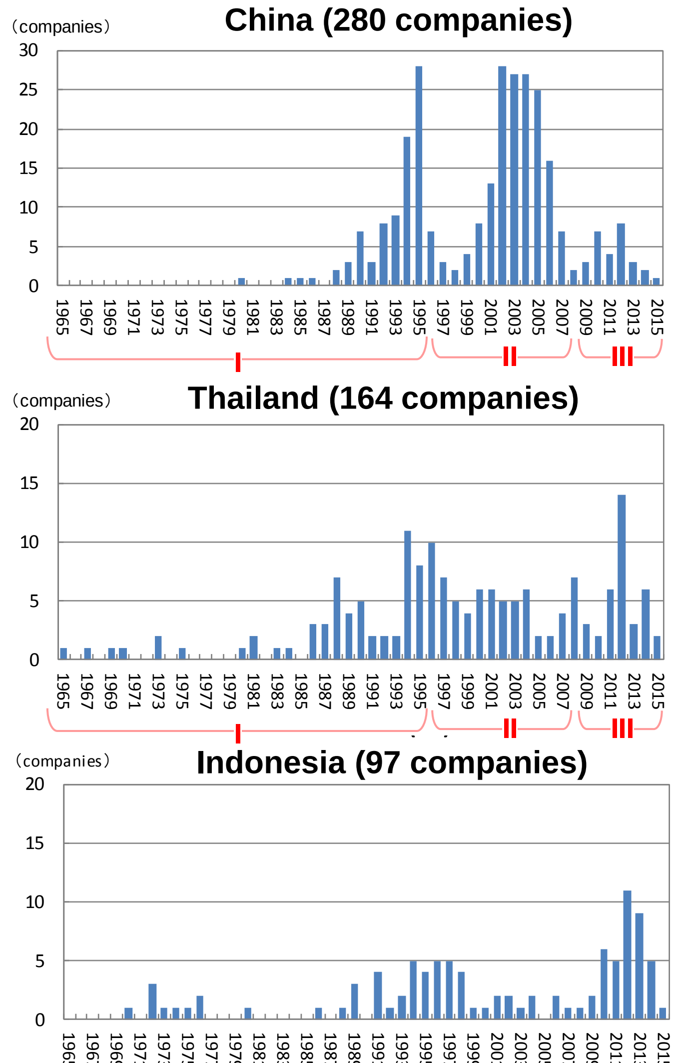
■The burden of wage costs seems higher for mid-tier firms/SMEs than for large corporations

- In the case of China, the average score for "7. Wage level" was slightly higher for mid-tier firms/SMEs (4.58) than for large corporations (4.32). Looking at the mode, while it was "2" and "3" for large corporations, it was high at "5" for mid-tier firms/SMEs. In the case of Thailand, while there is not much of difference in the average value by company size, (large company: 4.22, mid-tier firms/SMEs: 4.24), the mode was higher for mid-tier firms/SMEs ("5") compared to large corporations ("2"), which is similar to China.

(Note 1) Comparison of the monetary amount, including base salary, fridge benefits, social insurance, overtime pay, bonus, etc.
(Note 2)The ○ mark indicates the mode.
(Note 3) The number in parentheses to the right of the name of the country indicates the number of companies responding

Figure 62: Relationship Between Years of Operations and Evaluation

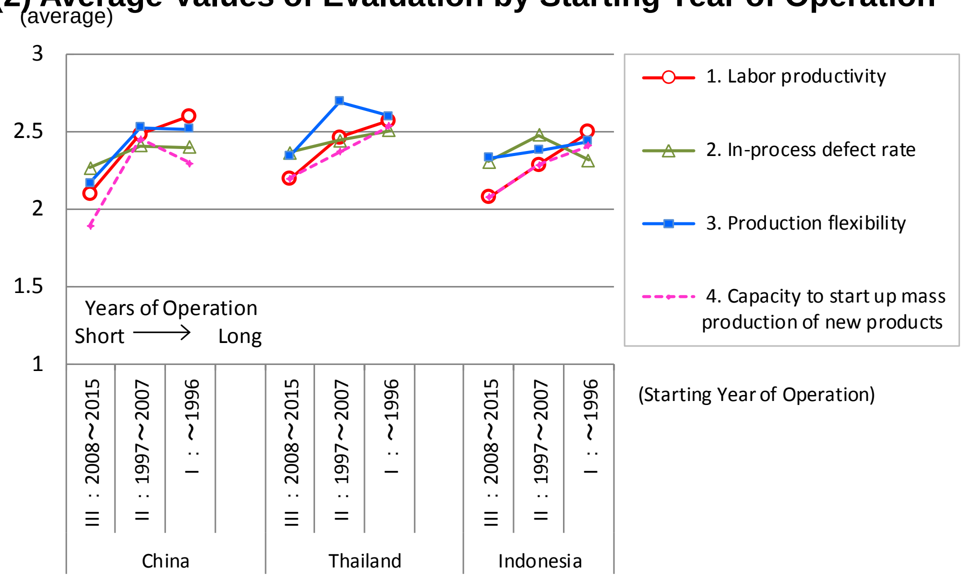
(1) Starting Year of Operation



(Note) The start of operation was classified into three groups in consideration of the distribution of the starting years of operations for plants in China, 1997 (Asia currency crisis), and 2008 (Collapse of Lehman Brothers).

Calculate average scores by the starting year of operation (Groups I, II, and III)

(2) Average Values of Evaluation by Starting Year of Operation



(Notes) Refer to Appendix 9 regarding cross tabulations for "5. Delivery time," "6. Raw materials costs," and "7. Wage level of factory workers."

■When the years of operation are longer, the scores for “1. Labor productivity” are higher

- Figure 62(2) shows the average values for the four evaluation attributes in China, Thailand, and Indonesia, which had many responding companies in this survey, and they were grouped into three by the starting year of operations. For "1. Labor productivity," the average score is higher, when the number of years of operation is longer for all of the three countries.

■It is possible that "2. In-process defect rate" and "3. Production flexibility" are being affected by factors other than the number of years of operation

- The average scores for “2. In-process defect rate” do not fluctuate significantly as "1. Labor productivity" when the years of operations are longer (Figure 62(2)). In addition, when comparing Group I and II for "3. Production flexibility," the levels are mostly the same, and lower for I in the case of Thailand. Possible influential factors other than the starting year of operations could include the level of transfer of production know-how from mother plants in Japan and the quality of plant workers.

Q

Please circle for applicable countries/regions for each of the international situations “1” to “8” that you took into consideration, when responding about medium-term prospects (over the next 3 years or so) for countries/regions of your company is operating or planning business. (Multiple responses permitted)

1. Favorable performance of the US economy
2. Slowdown of the Chinese economy
3. Delay in the recovery of the ASEAN economy
4. Economic instability in Europe due to the Greece’s crisis, etc.
5. The continuation of economic sanctions against Russia
6. Geopolitical risks in regions of the Middle East or Africa
7. Oil prices staying low
8. Others

Figure 63: Percentage Share of International Affairs, by Country/Region

[Example] Of companies that are operating or planning business in China and responded their medium-term prospects for business in China (319 companies), "2. Slowdown of the Chinese economy" was chosen by 97.2% (310 companies).

(%)

Country/Region in which companies operate / Topics of International Situations	NIEs3	China	ASEAN 5					Rest of Asia & Oceania						North America	Latin America			Europe				Russia	Middle East	Africa
			Singapore	Thailand	Indonesia	Malaysia	Philippines	India	Vietnam	Cambodia	Laos	Myanmar	Other		Mexico	Brazil	Other	EU15	Central & Eastern Europe	Turkey	Rest of Europe & CIS			
1. Favorable performance of the US economy	39.8	18.2	22.0	19.8	12.1	21.3	20.7	26.4	23.2	25.0	22.2	29.4	33.3	97.6	97.1	71.0	53.8	19.5	12.0	5.6	5.0	4.0	17.9	3.8
2. Slowdown of the Chinese economy	75.9	97.2	36.3	29.4	31.2	38.2	34.5	32.1	43.9	25.0	22.2	41.2	50.0	10.4	8.6	25.8	46.2	11.4	8.0	5.6	10.0	10.0	5.1	11.5
3. Delay in the recovery of the ASEAN economy	30.1	13.8	78.0	84.3	84.4	85.4	82.8	62.3	70.7	83.3	77.8	76.5	50.0	0.9	–	–	7.7	4.9	2.0	–	–	–	2.6	–
4. Economic instability in Europe due to the Greece's crisis, etc.	7.2	10.3	5.5	7.6	3.5	4.5	1.7	9.4	3.7	8.3	–	–	–	9.5	7.1	12.9	–	92.7	84.0	61.1	70.0	18.0	5.1	11.5
5. The continuation of economic sanctions against Russia	6.0	2.2	–	1.0	0.7	1.1	–	3.8	1.2	–	–	–	–	1.9	–	–	–	27.6	40.0	27.8	45.0	92.0	10.3	–
6. Geopolitical risks in regions of the Middle East or Africa	2.4	2.8	4.4	0.5	0.7	3.4	–	11.3	2.4	–	–	–	–	3.3	1.4	–	7.7	11.4	12.0	50.0	10.0	–	94.9	88.5
7. Oil prices staying low	9.6	11.6	12.1	13.7	17.7	14.6	8.6	18.9	17.1	–	–	11.8	–	25.6	20.0	35.5	38.5	11.4	8.0	11.1	20.0	26.0	51.3	11.5
8. Other	2.4	1.9	1.1	1.5	2.1	1.1	1.7	3.8	1.2	–	–	–	–	0.5	4.3	9.7	15.4	0.8	–	5.6	–	–	2.6	–
No. of respondent companies	83	319	91	197	141	89	58	53	82	12	9	17	6	211	70	31	13	123	50	18	20	50	39	26

(Note) The ratios are the percentage shares for each topic of international affairs, based on the number of responding companies for each country/region.

■Trends in the US economy and Chinese economy are broadly recognized as important factors in business operations in all countries and regions

- When looking at the economic and social situation by country and region, responses for "1. Favorable performance of the US economy" and "2. Slowdown of the Chinese economy," were distributed uniformly across all countries and regions, which suggests that the economic situations of both of these countries are recognized regardless of where companies operating business in the world.
- "3. Delay in the recovery of the ASEAN economy" was recognized throughout Asia, "7. Oil prices staying low" was recognized mainly in oil producing countries and regions, and "4. Economic instability in Europe due to the Greece's crisis, etc.," "5. The continuation of economic sanctions against Russia," and "6. Geopolitical risks in regions of the Middle East or Africa" were strongly recognized in a limited scope depending on the respective country or region.
- For "7. Oil prices staying low," in interviews with companies views differed depending on the country where business is conducted and type of business. Some focused on the benefits in terms of procurement of raw materials. Other focused on concerns of the adverse effects on business that could be caused by deterioration in the economies of oil producing countries.
- Looking at the stance towards business operations in each country and region in Figure 23, overall the stance of strengthening or expanding business is either at a standstill or in decline, which suggests that the situations excluding “1. Favorable performance of the US economy" are viewed as risk factors for business operations and having an impact on decision making of the stance towards business operations.

Q

Please circle for applicable countries/regions for each of the international situations “1” to “8” that you took into consideration, when responding about medium-term prospects (over the next 3 years or so) for countries/regions of your company is operating or planning business. (Multiple responses permitted)

1. Favorable performance of the US economy
2. Slowdown of the Chinese economy
3. Delay in the recovery of the ASEAN economy
4. Economic instability in Europe due to the Greece’s crisis, etc.
5. The continuation of economic sanctions against Russia
6. Geopolitical risks in regions of the Middle East or Africa
7. Oil prices staying low
8. Others

Figure 64: Percentage Share of International Affairs, by Industry

(%)

Topics of International Situations \ Industries	All Industries	Foods	Textiles	Chemicals	General Machinery	Electrical Equipment & Electronics	Automobiles	Precision Machinery
1. Favorable performance of the US economy	70.8	70.6	77.8	79.1	69.2	69.0	67.1	73.9
2. Slowdown of the Chinese economy	86.9	76.5	88.9	88.1	87.2	89.7	85.7	91.3
3. Delay in the recovery of the ASEAN economy	59.9	58.8	33.3	55.2	51.3	53.4	72.9	56.5
4. Economic instability in Europe due to the Greece's crisis, etc.	41.1	29.4	27.8	37.3	41.0	50.0	31.4	34.8
5. The continuation of economic sanctions against Russia	22.7	29.4	11.1	11.9	38.5	22.4	17.1	39.1
6. Geopolitical risks in regions of the Middle East or Africa	16.9	17.6	11.1	17.9	30.8	20.7	8.6	4.3
7. Oil prices staying low	29.5	29.4	33.3	43.3	38.5	19.0	21.4	34.8
8. Other	3.3	5.9	5.6	6.0	2.6	6.9	–	–
No. of respondent companies	397	17	18	67	39	58	70	23

[Example] Of companies in the textiles industry that responded their medium-term prospects for business (18 companies), "2. Slowdown of the Chinese economy" was chosen by 88.9% (16 companies).

(Note) The ratios are the percentage shares for each topic of international affairs, based on the number of responding companies for each country/region.

■The economic situation in China is broadly recognized regardless of industry

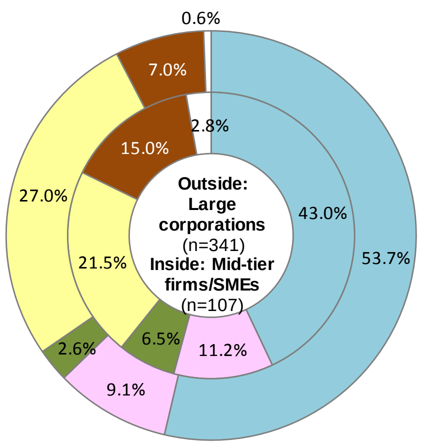
- When looking at the economic and social situation by industry, the percentage share was high regardless of industry for “2. Slowdown of the Chinese economy” and “1. Favorable performance of the US economy” in this order. It indicates that a particularly large number of responding companies were focusing on the economic situation in China (refer to “V.6. Situations in China and Stance towards Future Business Operations” .In addition, while approximately 60% (59.9%) of companies in all industries responded "3. Delay in the recovery of the ASEAN economy," there was a higher response ratio (72.9%) for the automobiles industry with advanced supply chains in the ASEAN region. There was some variation in the response ratio for "4. Economic instability in Europe due to the Greece's crisis, etc." by industry, but of all the industries, approximately 40% (41.1%) stated this as a factor for consideration.
- For "7. Oil prices staying low," a relatively high response ratio was seen in the field of materials such as textiles (33.3%) and chemicals (43.3%), as well as the field of machinery including general machinery (38.5%) and precision machinery (34.8%). It seems that low oil prices are viewed as more of a benefit in terms of raw material procurement in the field of materials.
- The percentage shares were lower overall for "5. The continuation of economic sanctions against Russia" and "6. Geopolitical risks in regions of the Middle East or Africa" compared to other topics, as business operations are limited. However, there was recognition in the general machinery industry on the impact on exports to those regions.

Q

This is a question for companies with business operations in China. Please choose the one answer that best describes the situation of your local business operations. In addition, please answer whether your company has concerns about recent situations in China.

Figure 65: Business Operations in China

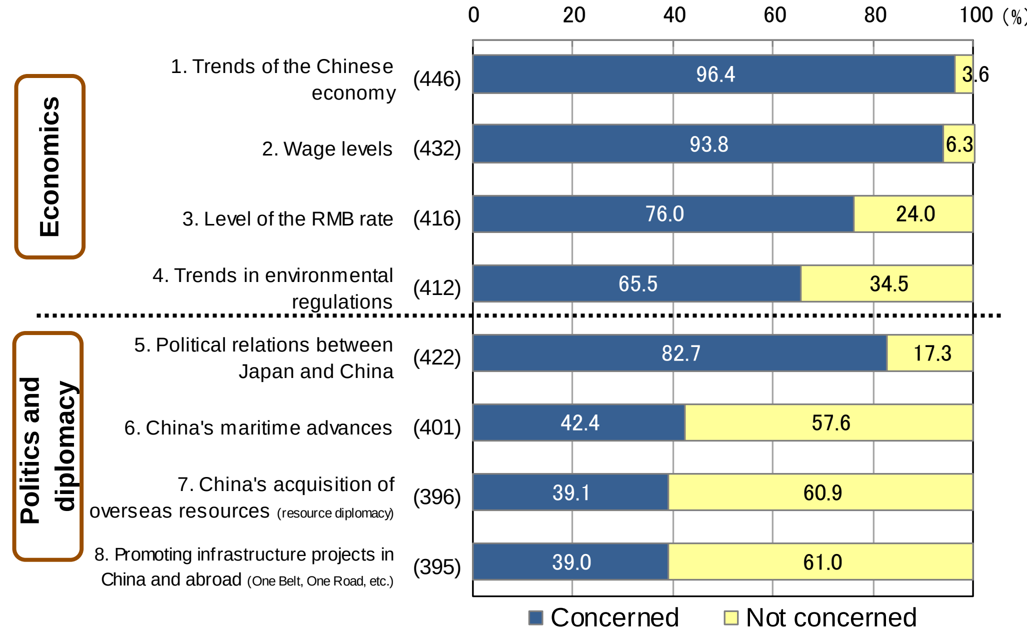
Business Operations	Total: No. of respondent companies	Total: Ratio
1. Produce in China (to sell mainly in the Chinese market)	229	51.1%
2. Produce in China (to mainly export from China to Japan)	43	9.6%
3. Produce in China (to mainly export from China to third countries)	16	3.6%
4. Produce in China (attaching importance to both selling in the Chinese market and exporting)	115	25.7%
5. We only have sales operations and no local production bases	40	8.9%
6. Other	5	1.1%
Total	448	100.0%



Response by large corporations and mid-tier firms/SMEs

1. Produce in China (to sell mainly in the Chinese market)
2. Produce in China (to export from mainly China to Japan)
3. Produce in China (to export from mainly China to third countries)
4. Produce in China (attaching importance to both selling in the Chinese market and exporting)
5. We only have sales operations and no local production bases
6. Other

Figure 66: Outlook on Situations in China



(Note) The figures within the parentheses to the right of the options are the numbers of responding companies.

■Half of companies with business operations in China intend to sell mainly to the Chinese market

- 51.1% of companies with business operations in China are locally producing in China to sell mainly in the Chinese market (Figure 65). This percentage is high for industries such as steel (77.8%), automobiles (76.9%), petroleum & rubber products (70.0%), nonferrous metals (68.8%), and metal products (64.3%). In addition, 25.7% attach importance to both selling in the Chinese market and exporting, 13.2% conduct local production for mainly exports to Japan and third countries, and 8.9% only have sales operations and no local production bases in China.

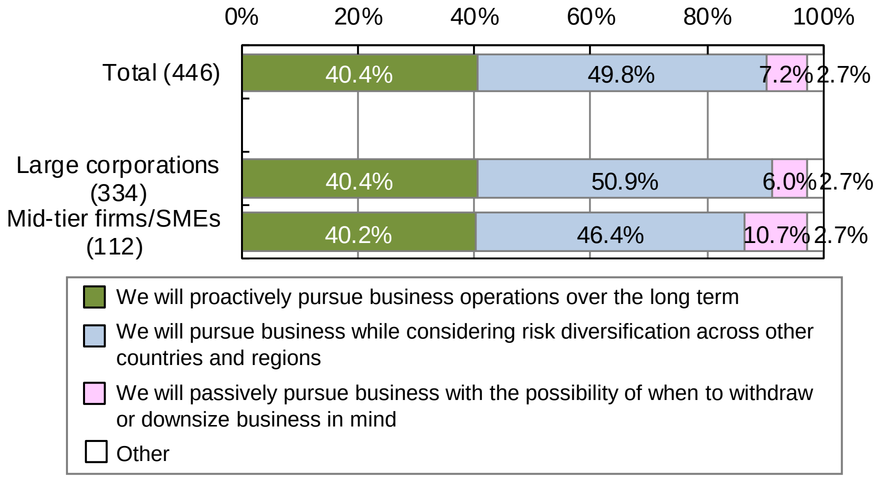
■Over 90% of companies are concerned with "Trends of the Chinese economy" and "Wage levels," and over 40% have concerns regarding politics and diplomacy

- Over 90% of companies with business operations in China are concerned with “1. Trends of the Chinese economy” and “2. Wage levels.” In addition to "5. Political relations between Japan and China," around 40% of companies have concerns related to politics and diplomacy such as China's maritime advances, resource diplomacy, and the One Belt, One Road strategy (Figure 66).

Q This is a question for companies with business operations in China. Please choose the one answer that best describes your company's basic stance toward business in China.

Figure 67: Basic Stance toward China Business

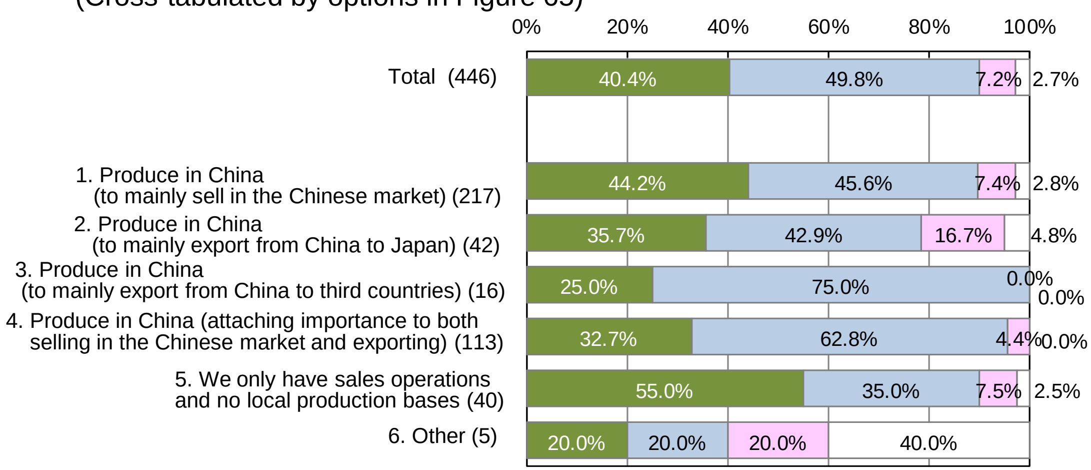
(1) By Capital



(No. of respondent companies= 446)

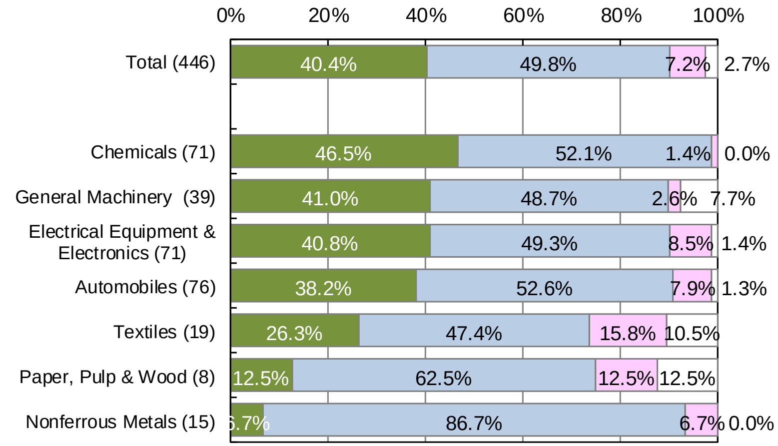
(2) By Business Operations in China

(Cross-tabulated by options in Figure 65)



(Note) The figures within the parentheses are the numbers of responding companies.

(3) By Industry



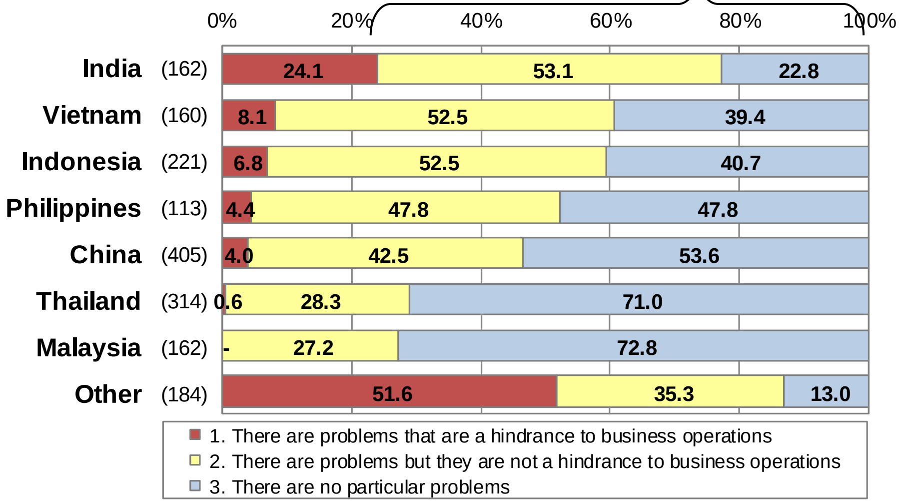
■50% of countries will pursue business in China while considering risk diversification across other countries

- When asked of their basic stance towards business operations in China, about 50% responded that they would pursue business while considering risk diversification across other countries, some 40% responded that they would proactively pursue business operations over the long term, and approximately 10% would pursue business with the possibility of when to withdraw or downsize business in mind (Figure 67 (1)).
- Among the companies which responded that they conducted local production for the purpose of selling to the Chinese market in Figure 65 earlier in this report, 45.6% would consider risk diversification, which is a similar ratio to 44.2% that would proactively pursue business operations over the long term (Figure 67 (2)).
- Looking at the results by industry, while there is nearly the same trend in the four major industries with the total. It should be noted that in the nonferrous metals and in the paper, pulp & wood industries, "We will pursue business while considering risk diversification across other countries and regions" had high ratios. In addition, in the textile industry, "We will passively pursue business with the possibility of when to withdraw or downsize business in mind" was relatively high (Figure 67 (3)).

Q This question is for companies with business operations in the emerging countries and regions of Asia. Please choose your company's assessment from the options for the infrastructure situation in each of the countries your company is operating.

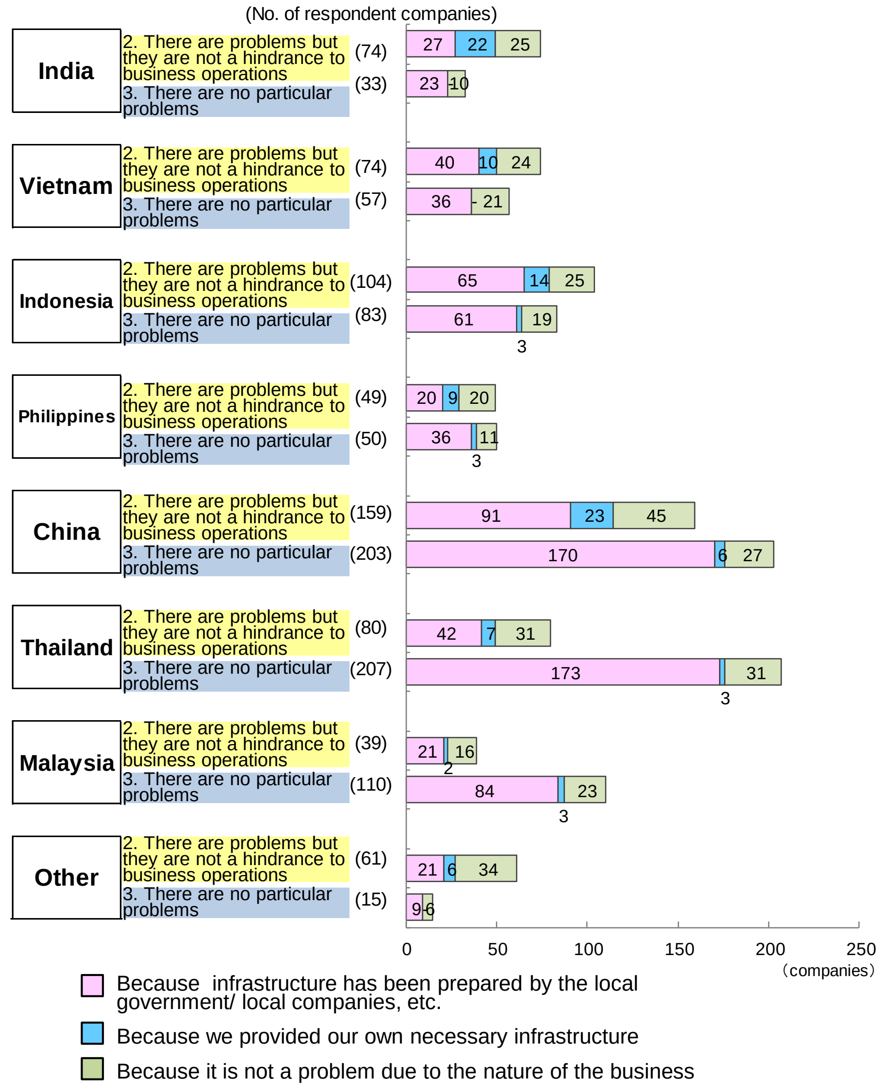
Q This question is for companies that chose "2. There are problems but they are not a hindrance to business operations" or "3. There are no particular problems" in Figure 68. Please select one reason for each country why electricity is not a hindrance to business operations.

Figure 68: Assessment of Electricity



Note1: Other consists of Pakistan, Bangladesh, Myanmar, Sri Lanka, Laos, and Cambodia. Refer to appendix 10 for the data of "other" countries.
Note2: The figures within the parentheses are the numbers of responding companies.

Figure 69: Reason for no Hindrance to Business Operations-Electricity



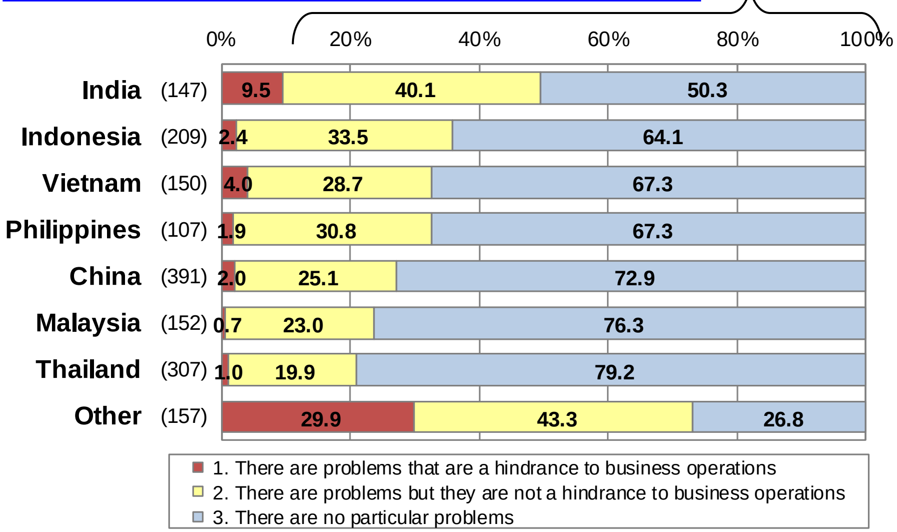
■Over half of companies responded that "There are problems" related to the electricity situation in the Asian countries of India, Vietnam, Indonesia, and the Philippines

- In terms of the electricity situation in Asian countries, the combined sum of "There are problems and they are a hindrance to business operations" and "There are problems but they are not a hindrance to business operations" was 77.2% for India, as many companies indicated that there were issues. In addition, over half of companies responded that "There are problems" related to electricity in Vietnam, Indonesia, and the Philippines, suggesting that there is still room for improvement in electricity infrastructure in these countries (Figure 68).
- As the reason for no hindrance to business operations, while there were many companies that responded "Because infrastructure has been prepared by the local government/ local companies, etc." for China, Thailand, and Malaysia, only some stated that infrastructure has been prepared by the local government/ local companies in the case of India. Furthermore, 22 companies responded that they had provided their own necessary infrastructure, which suggests that the self-provision of electricity infrastructure is a burden for business operations. Note that while the percentage was small, more than 10 companies responded that they had provided their own infrastructure in China, Indonesia, and Vietnam (Figure 69).

Q

This question is for companies with business operations in the emerging countries and regions of Asia. Please choose your company's assessment from the options for the infrastructure situation in each of the countries your company is operating.

Figure 70: Assessment of Industrial Water



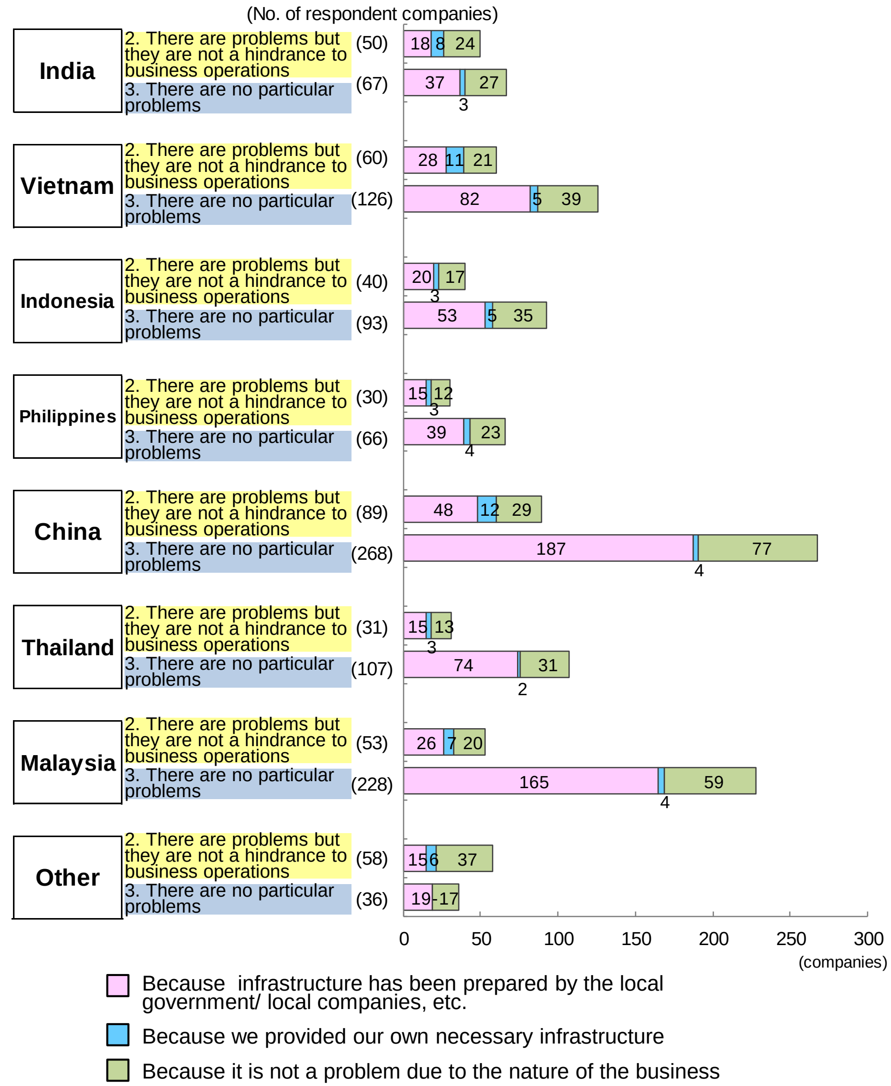
Note1: Other consists of Pakistan, Bangladesh, Myanmar, Sri Lanka, Laos, and Cambodia. Refer to appendix 10 for the data of "other" countries.

Note2: The figures within the parentheses are the numbers of responding companies.

Q

This question is for companies that chose "2. There are problems but they are not a hindrance to business operations" or "3. There are no particular problems" in Figure 70. Please select one reason for each country why industrial water is not a hindrance to business operations.

Figure 71: Reason for no Hindrance to Business Operations-Industrial Water



■Over half of companies responded that "There are no particular problems" related to industrial water in Asian countries

- In terms of the industrial water situation in Asian countries, while the combined sum of "There are problems and they are a hindrance to business operations" and "There are problems but they are not a hindrance to business operations" was 49.6% for India, over 60% responded that "There are no particular problems" for other countries, indicating that there were relatively few problems related to industrial water infrastructure.
- As for the reason for industrial water not being a hindrance to business operations, many companies responded "Because infrastructure has been prepared by the local government/ local companies, etc.," and the response "Because it is not a problem due to the nature of the business" was also relatively common.

Q

This question is for companies with business operations in the emerging countries and regions of Asia. Please give your company's assessment of the infrastructure situation in the Asian region.

1. There are problems that are a hindrance to business operations
2. There are problems but they are not a hindrance to business operations
3. There are no particular problems

Figure 72: Assessment of Roads

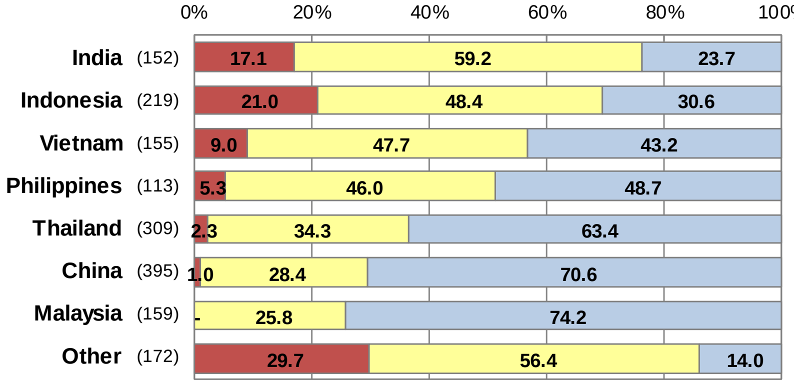


Figure 73: Assessment of Railways

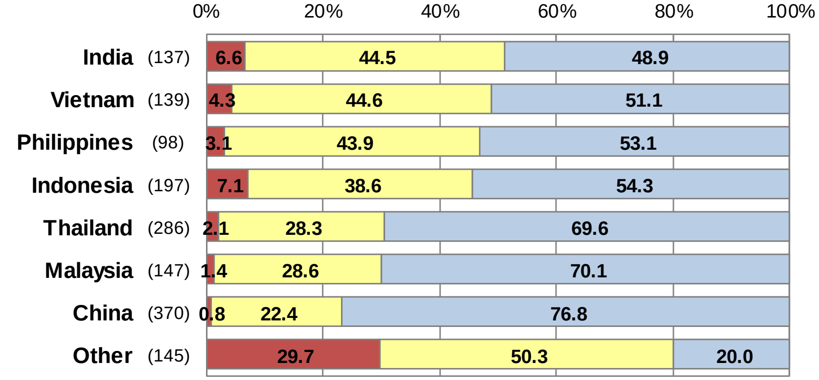


Figure 74: Assessment of Ports

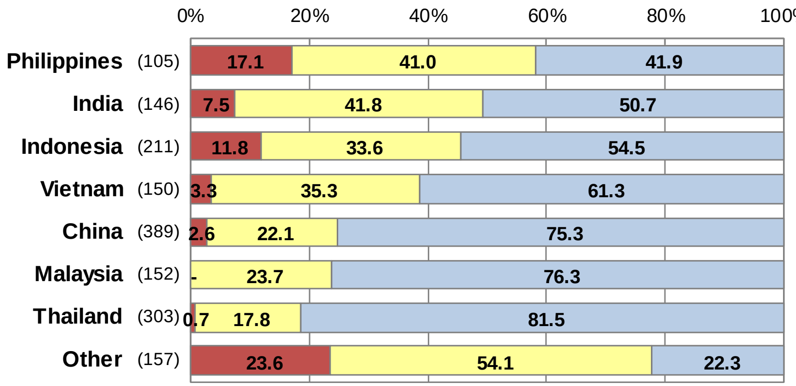
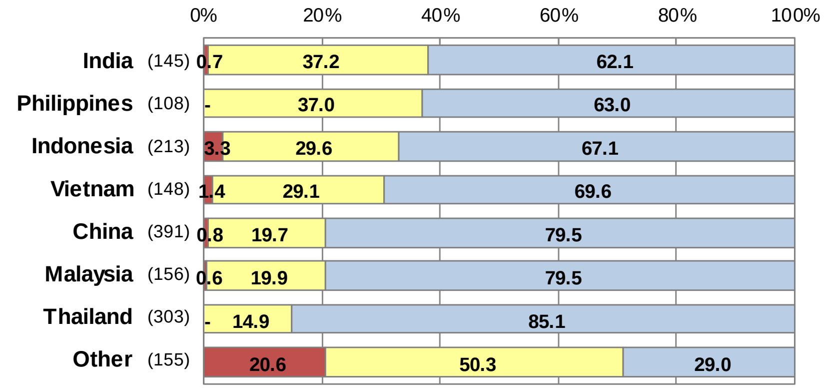


Figure 75: Assessment of Airports



Note 1: Other consists of Pakistan, Bangladesh, Myanmar, Sri Lanka, Laos, and Cambodia.
Note 2: The figures within the parentheses are the numbers of responding companies.

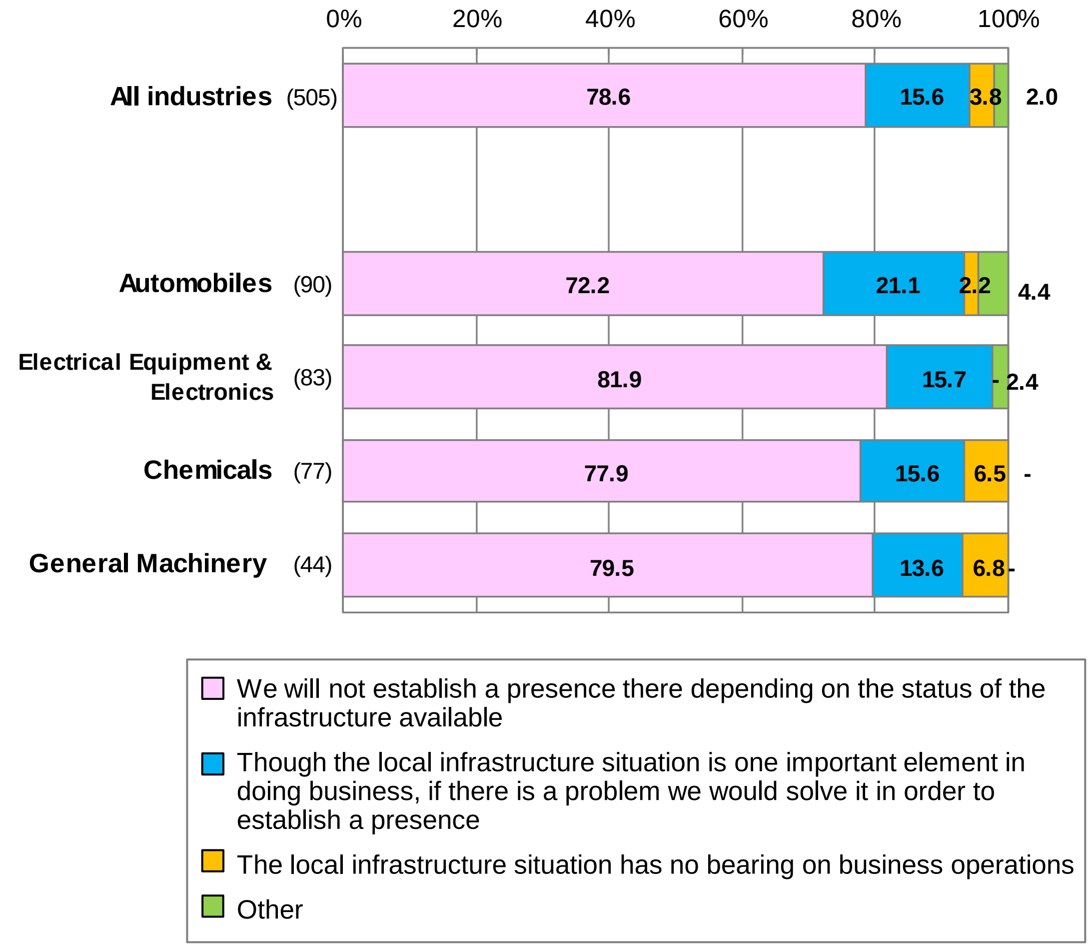
■While over half of companies recognize problems related to roads in India, Vietnam, Indonesia, and the Philippines, a relatively low percentage of companies responded that there were problems related to railways, ports, and airports

- In terms of roads, for India, Vietnam, Indonesia, and the Philippines, the combined sum of "1.There are problems and they are a hindrance to business operations" and "2. There are problems but they are not a hindrance to business operations" was over half. Specifically, approximately 20% responded that there was a hindrance to business operations for India and Indonesia.
- Meanwhile, in terms of railways, ports, and airports, except for some countries categorized as "Other," the response ratio of "There are no particular problems" exceeded the ratio of "There are problems but they are not a hindrance to business operations" or "There are problems that are a hindrance to business operations" (Figures 73, 74, 75).

Q

Regarding the subject of your company conducting business operations in strategically important countries and regions, how does the status of local infrastructure affect your decision about whether or not to establish a presence? Please select the one answer from the options.

Figure 76: Impact of Status of Local Infrastructure on Business Operations



(Note) The figures within the parentheses are the numbers of responding companies.

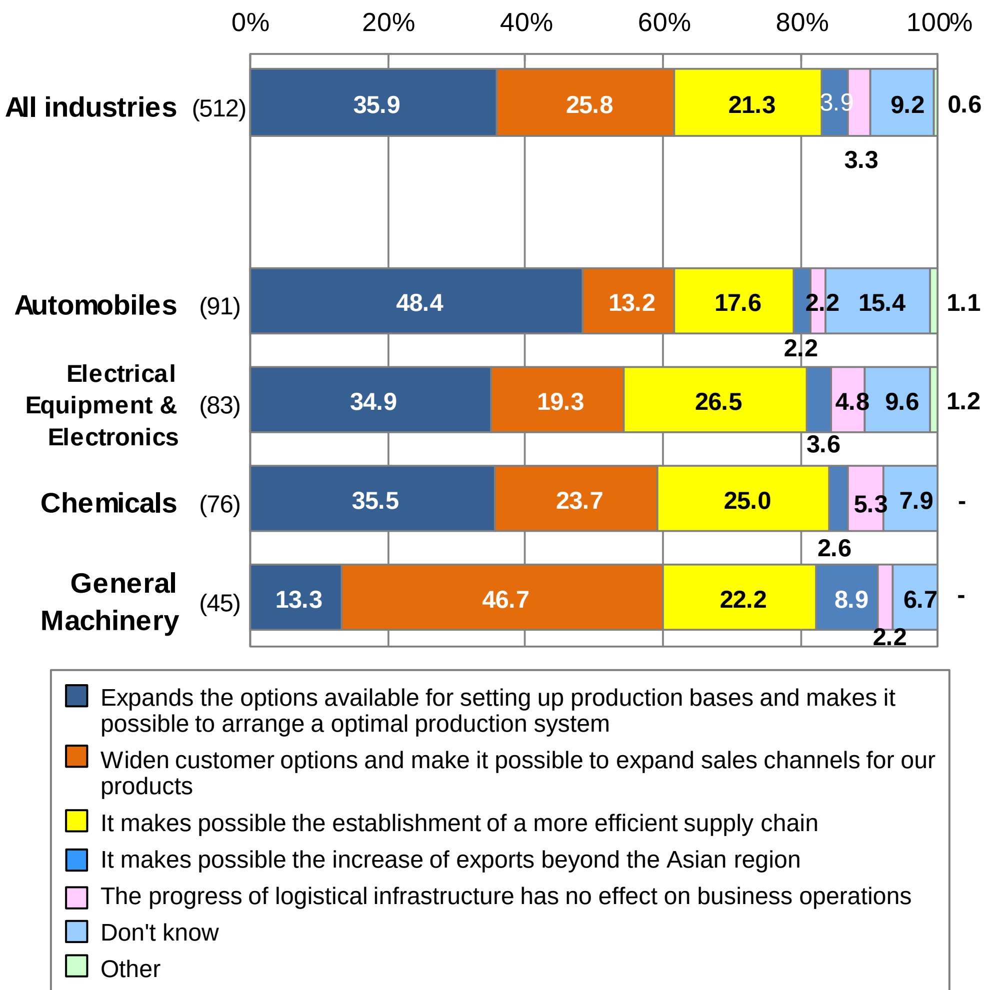
■Approximately 80% of responding companies selected "We will not establish a presence there depending on the status of the infrastructure available," suggesting that the status of infrastructure available has a significant impact on the stance towards local expansion

- In response to impact of the status of local infrastructure available on business operations by Japanese companies, 78.6% responded "We will not establish a presence there depending on the status of the infrastructure available," suggesting that the status of infrastructure available is an important factor that has a significant impact on the stance towards local operation.
- In addition, the response ratio for "Though the local infrastructure situation is one important element in doing business, if there is a problem we would solve it in order to establish a presence" was only 15.6%, which suggests that there are limits in infrastructure development that companies are capable of on their own.
- Furthermore, there were no major differences between the overall trends for the four major industries compared with all industries.

Q

Currently there is much attention on infrastructure development in Asia including the ASEAN region and India. How will the development of logistics infrastructure in Asia across country borders affect your company's long-term business operations in the Asian region? Please select one option that is closest to your opinion.

Figure 77: Effect of Logistical Infrastructure (if it is developed across country borders in Asia)



(Note) The figures within the parentheses are the numbers of responding companies.

■Over 80% responded that the development of logistics infrastructure would have a positive impact

- In response to a question on the effect of the development of logistics infrastructure in Asia across country borders, the top response was "Expands the options available for setting up production bases and makes it possible to arrange a optimal production system" (35.9%), followed by "Widen customer options and make it possible to expand sales channels for our products" (25.8%), "It makes possible the establishment of a more efficient supply chain" (21.3%), and "It makes possible the increase of exports beyond the Asian region" (3.9%). Combining these responses, over 80% responded that it would have a positive impact. Note that the sum of "The progress of logistical infrastructure has no effect on business operations" and "Don't know"was about 10%.

■For automobiles, the response ratio was high for "Makes it possible to arrange a optimal production system," while for electrical equipment & electronics the response ratio was high for "It makes possible the establishment of a more efficient supply chain"

- Among automobiles companies, the response ratio was high at 48.4% for "Expands the options available for setting up production bases and makes it possible to arrange a optimal production system." This suggests that there are high expectations in automobiles industry towards more optimal production systems with the development of logistics infrastructure in Asia, as in this industry, local production at overseas bases have developed and division of labor is expanding mainly in ASEAN region.
- For electrical equipment & electronics, the response ratio for "It makes possible the establishment of a more efficient supply chain" was higher compared to other industries. For the electrical equipment & electronics industry, there has been development of division of labor across borders in ASEAN and China. And the development of logistics infrastructure will lead to the establishment of efficient systems for procuring parts and delivering products.

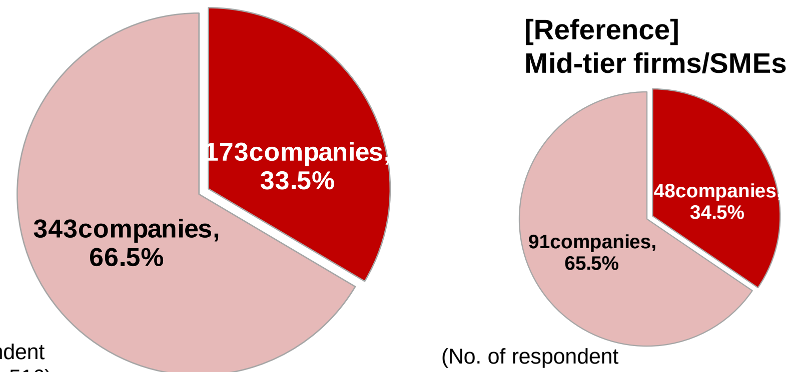
■For the general machinery industry, the response ratio is high for "Make it possible to expand sales channels for our products"

- For the general machinery industry, the response ratio was high at 46.7% for "Widen customer options and make it possible to expand sales channels for our products" as many companies responded that there would be a positive effect in terms of sales. While responses indicating positive effects in terms of production were limited as 13.3%, responses indicated the positive effect in terms of sales of leading to expanded sales channels for the products of each company. Perhaps a reason for this is the fact that in comparison to the automobile and electrical equipment & electronics industries, the overseas production ratio is low.

Q

Has your company used long-term financing of more than three years for the purpose of overseas business operations in emerging countries?

Figure 78: Use of Long-Term Financing (of more than three years)



(No. of respondent companies= 516)

(No. of respondent companies= 139)

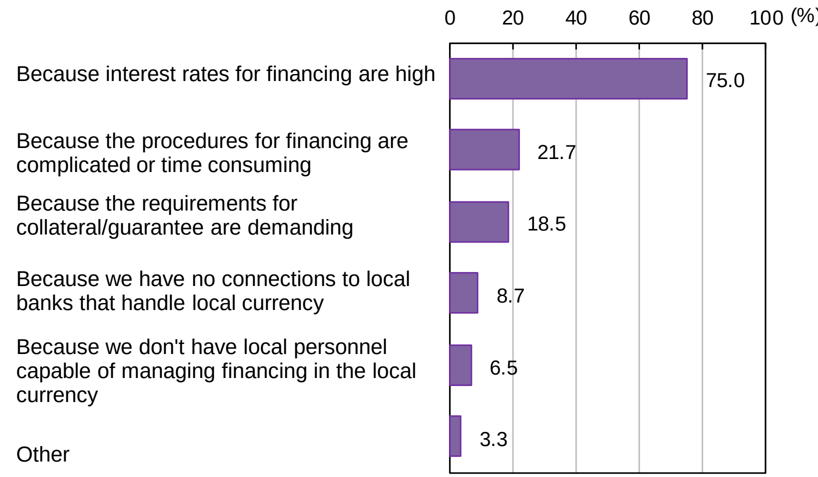
■ We are receiving long-term financing of more than three years

■ We are not receiving long-term financing of more than three years

Q

This question is for companies that answered "We are receiving long-term financing of more than three years" in the question for Figure 78.
Have there been any reasons that have made it difficult to get financing of more than three years in local currency?

Figure 79: Reasons for Long-Financing (of more than three years) in Local Currency Being Difficult



(No. of respondent companies= 92)

■33.5% chose "We are receiving long-term financing of more than three years"

- In terms of the response distribution for the use of long-term financing of more than three years, 173 of 516 responding companies (33.5%) responded "We are receiving long-term financing of more than three years." The response ratio for mid-tier firms/SMEs was 34.5% (48 companies), and there was no significant difference from the response ratio among total (Figure 78). Views expressed in interviews with companies included the stance of avoiding long-term financing from the perspective of costs, as well the stance of limiting to large-scale investments.
- It was assumed that the response ratio would be somewhat high for long-term financing of more than three years among manufacturing companies, which conduct capital investments that require a considerable period of time to get a return on investments. However, the actual response ratio of only over 30% can probably be attributed to (1) responding companies including those who had intended on using only their own funds from the start and (2) according to the interviews with companies, as stated earlier in this report, there is tendency to avoid long-term financing.

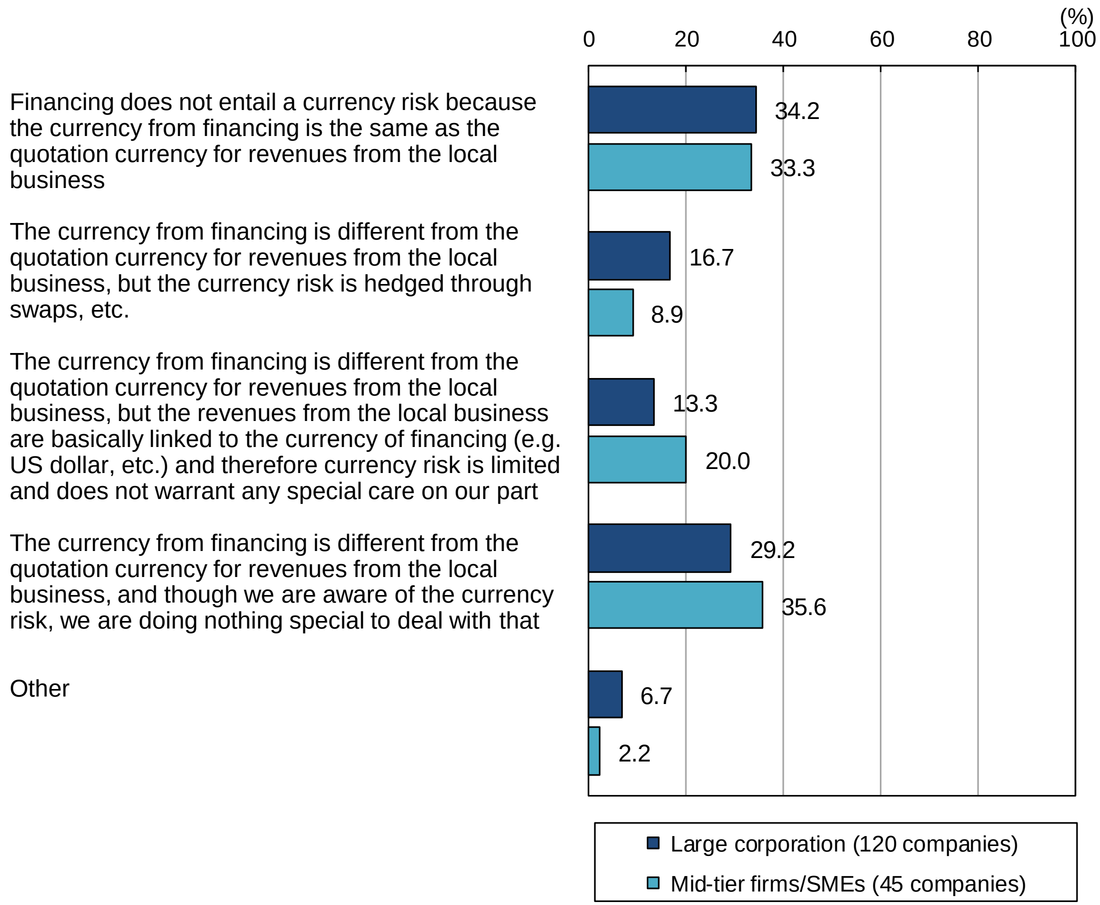
■The most common reason for long-term (of more than three years) financing in local currency being difficult was high interest rates

- “Because interest rates for financing are high” was given as the most common reason for long-term (of more than three years) financing in local currency being difficult, with a response ratio of 75%. This was followed by “Because the procedures for financing are complicated or time consuming” (21.7%) and “Because the requirements for collateral/guarantee are demanding” (18.5%), which suggests that financing in local currency was impeded by borrowing conditions such as high interest rate, collateral, and guarantee, as well as procedures (Figure 79). Views expressed in interviews with companies included the fact that interest rates were high for long-term borrowings with local currency. Thus they prefer financing through parent companies in Japan and foreign currency financing under parent company guarantees, as the costs are lower.
- “Interest rates” as in “Because interest rates for financing are high” might be regarded as the level of nominal interest rates for financing in local currency. However, from the perspective of ALM management that includes currency risk, it is possible that financing would be considered as the better option even if there are high nominal interest rates for financing in the local currency. It is possible that the ALM optimization, including currency risks, is not taking hold because ALM management is generally difficult in manufacturing due to the instability of revenues (refer to “V.8. Long-Term Financing (of more than three years)(2)” for details on the response to currency risks).

Q

This question is for companies that answered "We are receiving long-term financing of more than three years" in the question for Figure 78. How does your company deal with currency risks arising from long-term financing (of more than three years) for overseas business operations in emerging countries?

Figure 80: Dealing Currency Risks Arising From Long-Term Financing



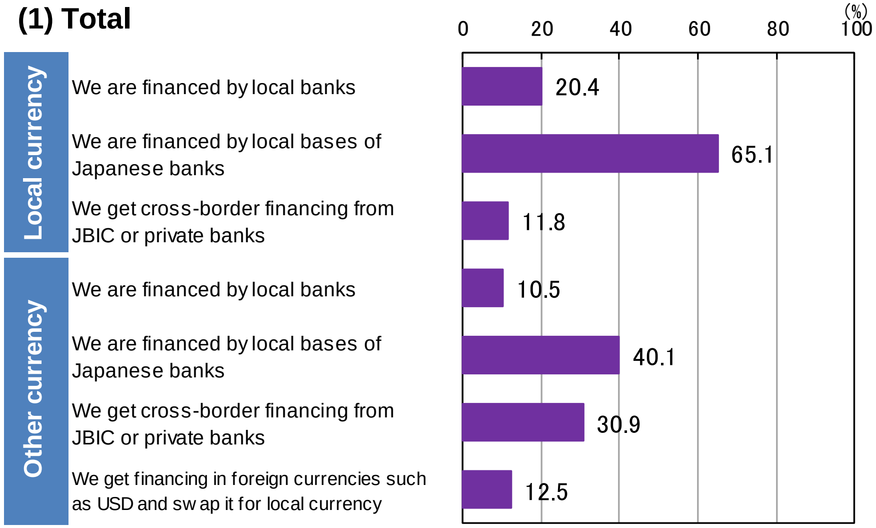
■Few companies responded that they hedged currency risks through swaps, etc

- Among large corporations, the most common response was "Financing does not entail a currency risk because the currency from financing is the same as the quotation currency for revenues from the local business" (34.2%), followed by "The currency from financing is different from the quotation currency for revenues from the local business, and though we are aware of the currency risk, we are doing nothing special to deal with that" (29.2%). A response ratio of 16.7% was also observed for "The currency from financing is different from the quotation currency for revenues from the local business, but the currency risk is hedged through swaps, etc."
- While similar trends were seen among mid-tier firms/SMEs as for large corporations, the response ratio for "The currency risk is hedged through swaps, etc." was only 8.9%. On the other hand, the response ratio for "The currency from financing is different from the quotation currency for revenues from the local business, but the revenues from the local business are basically linked to the currency of financing (e.g. US dollar, etc.) and therefore currency risk is limited and does not warrant any special care on our part" (20.0%) and "The currency from financing is different from the quotation currency for revenues from the local business, and though we are aware of the currency risk, we are doing nothing special to deal with that" (35.6%) both exceeded the response ratio of large corporations, indicating that a higher percentage of mid-tier firms/SMEs were not responding to currency risks.
- In interviews with companies not limited to mid-tier firms/SMEs, many companies expressed the view that hedges such as swaps in dealing with currency risks cost money. If the potential losses of foreign currency risks were at the level of that could be absorbed, hedges would not offer any advantages and accordingly would not be conducted.
- This suggests that many companies avoid currency risks by matching the currency for revenues and financing, and if this is not possible or if the transaction structure does not allow for it, companies consider the level of potential foreign exchange losses and decide that the costs do not justify hedging. However, considering that the response ratio for "The currency from financing is different from the quotation currency for revenues from the local business, and though we are aware of the currency risk, we are doing nothing special to deal with that" is around 30% among large corporations and mid-tier firms/SMEs, it is believed that it may be necessary to consider some form of measures to mitigate currency risks in the current fluid and uncertain business environment.

Q This question is for companies that answered "We are receiving long-term financing of more than three years" in the question for Figure 78.
Please select the method of long-term financing (of more than three years) that is currently used by local subsidiaries for overseas business operations in emerging countries for each country.

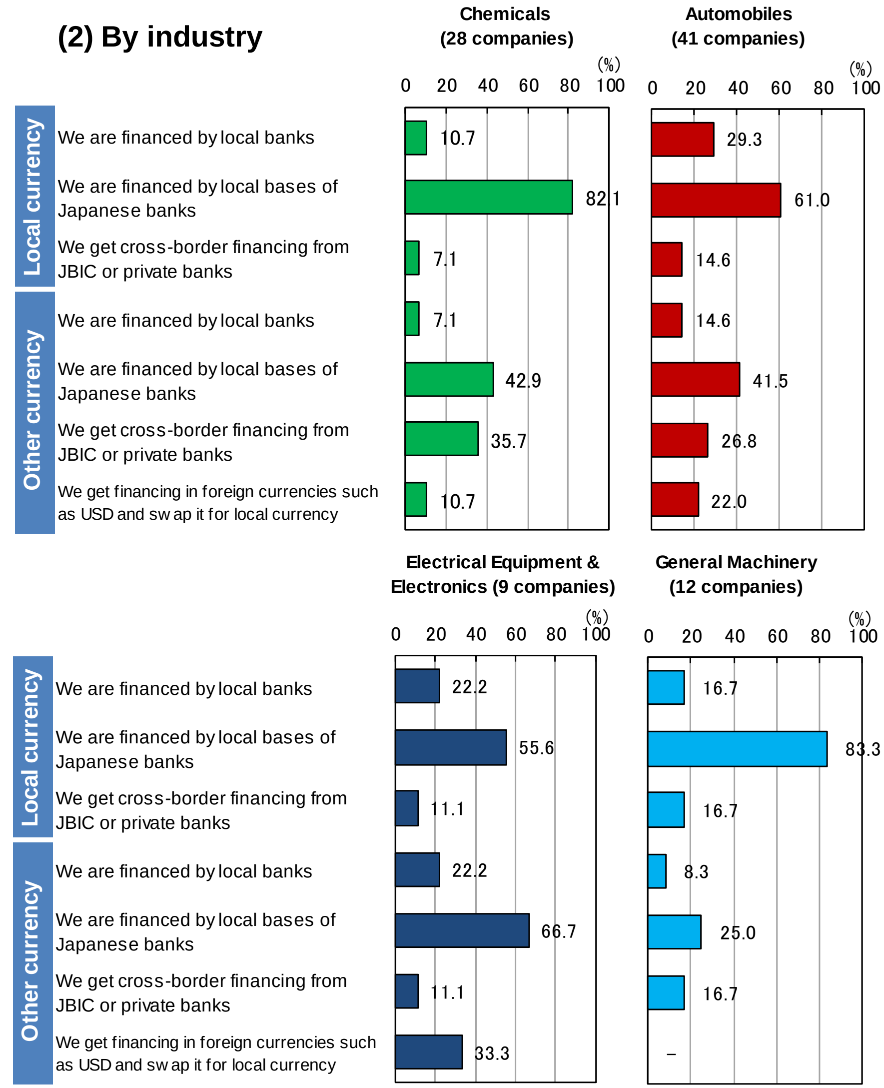
Figure 81: Methods of Long-Term Financing (of more than three years) Used by Local Subsidiaries

(1) Total



(Note) "Other currencies" refers to JPY, USD, EUR, etc.
(No. of responding companies = 152)

(2) By industry



Regardless of the currency, local bases of Japanese banks are the main financing source

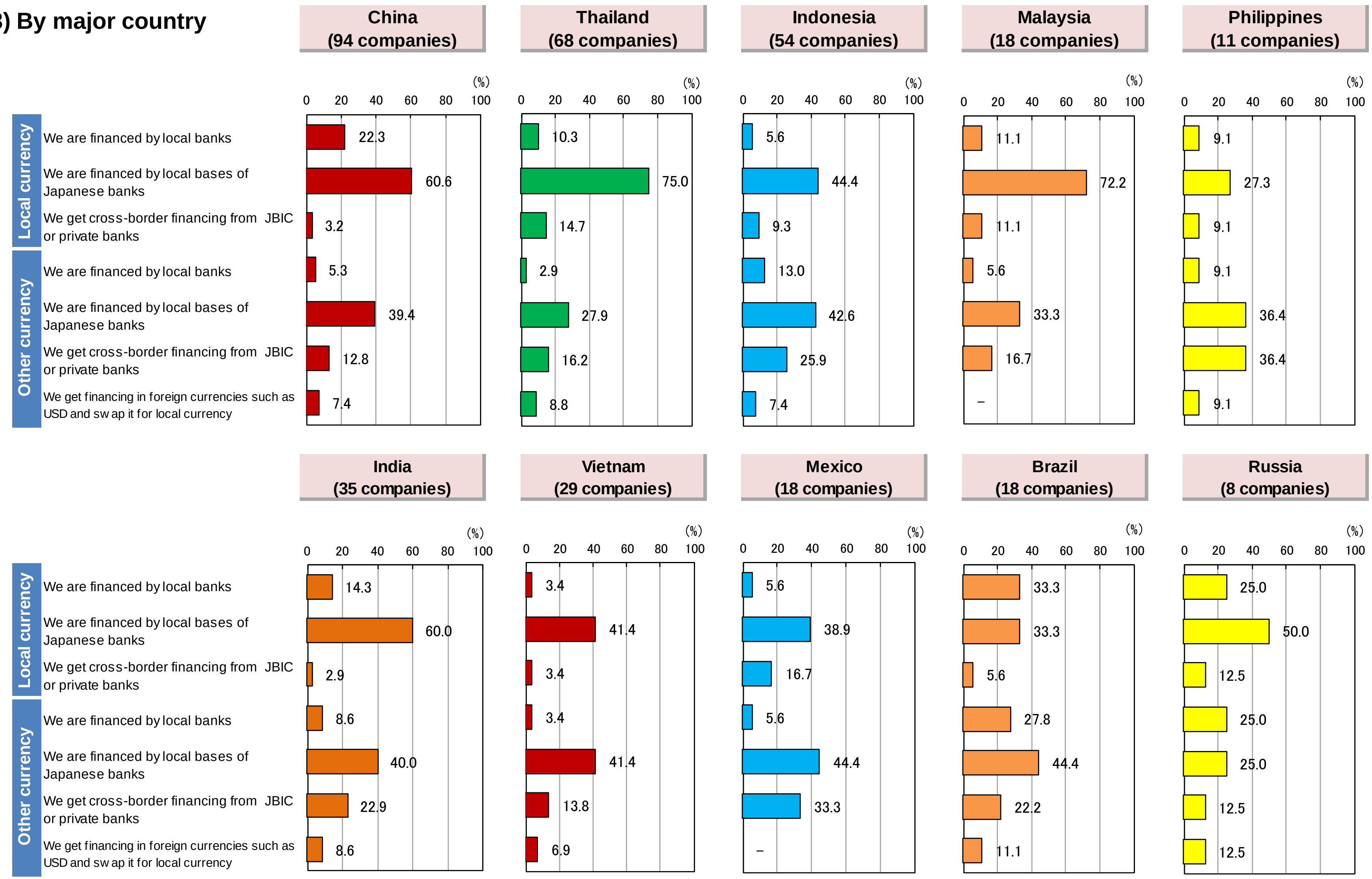
- Local bases of Japanese banks are the main financing source regardless of the currency. While 65.1% responded "We are financed by local bases of Japanese banks," only 20.4% responded "We are financed by local banks," which demonstrates the high level of presence of Japanese banks in local currency financing. Meanwhile, for other currencies, while the response ratio for local bases of Japanese banks was high at 40.1%, the response ratio for "We get cross-border financing from JBIC or private banks" was also high at 30.9% (Figure 81 (1)). Though Japanese banks are more limited than local banks in terms of the capacity to finance in local currencies, they have business operations in the main overseas destinations of Japanese companies and are contributing for Japanese companies to finance locally by providing them with the same sort of srvices that they do in Japan.

The response ratio for financing from local banks by major country is highest in the order of Brazil, Russia, China, and India

- In terms of results by major country, while the response ratio is high for local bases of Japanese bank in all countries, the response ratio for financing from local banks is higher in Brazil, Russia, China, and India compared to other countries, particularly for local currency financing. A possible reason for this is that these countries that form BRICS have local indirect financing systems that are more developed than those in other emerging countries (Figure 81 (3)).

Figure 81: Methods of Long-Term Financing (of more than three years) Used by Local Subsidiaries (cont.)

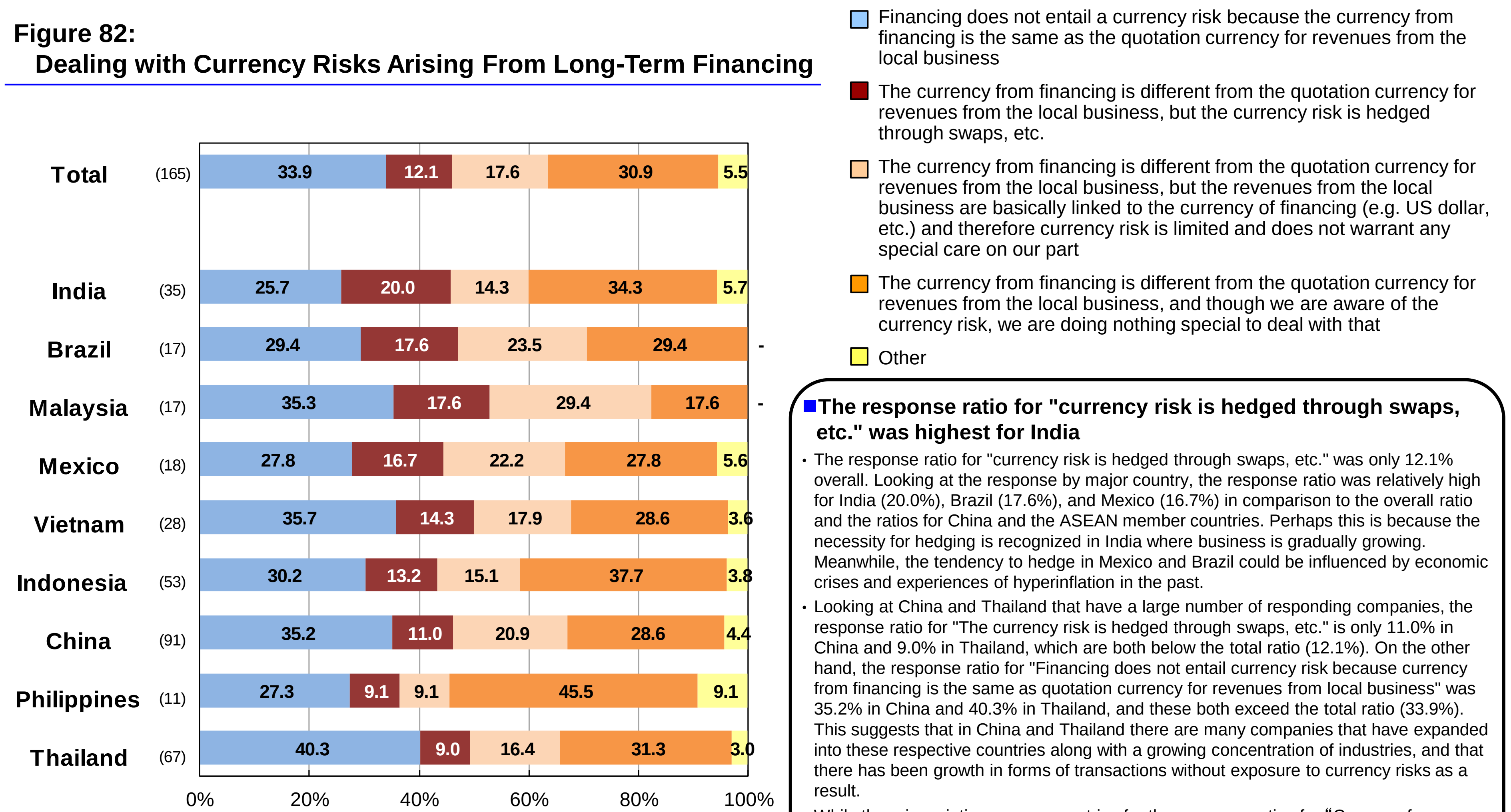
(3) By major country



Q

The companies that responded to "Figure 81: Methods of Long-Term Financing (of more than three Years)" and also responded to "Figure 80: Response to Currency Risks Arising From Long-Term Financing" were selected, and the response distribution for response to currency risk was aggregated by country.

Figure 82: Dealing with Currency Risks Arising From Long-Term Financing



(Note 1) The figures within the parentheses are the numbers of responding companies.
(Note 2) The units of the numbers in the graph is percentage.

■The response ratio for "currency risk is hedged through swaps, etc." was highest for India

- The response ratio for "currency risk is hedged through swaps, etc." was only 12.1% overall. Looking at the response by major country, the response ratio was relatively high for India (20.0%), Brazil (17.6%), and Mexico (16.7%) in comparison to the overall ratio and the ratios for China and the ASEAN member countries. Perhaps this is because the necessity for hedging is recognized in India where business is gradually growing. Meanwhile, the tendency to hedge in Mexico and Brazil could be influenced by economic crises and experiences of hyperinflation in the past.
- Looking at China and Thailand that have a large number of responding companies, the response ratio for "The currency risk is hedged through swaps, etc." is only 11.0% in China and 9.0% in Thailand, which are both below the total ratio (12.1%). On the other hand, the response ratio for "Financing does not entail currency risk because currency from financing is the same as quotation currency for revenues from local business" was 35.2% in China and 40.3% in Thailand, and these both exceed the total ratio (33.9%). This suggests that in China and Thailand there are many companies that have expanded into these respective countries along with a growing concentration of industries, and that there has been growth in forms of transactions without exposure to currency risks as a result.
- While there is variation among countries for the response ratios for "Currency from financing is different from quotation currency for revenues from local business, and though we are aware of currency risk, we are doing nothing special to deal with that," Malaysia, which had the lowest ratio among all the major countries still had somewhat high ratio of 17.9%, and it was about 30% overall. As stated above, it may be necessary to consider some form of measures to mitigate currency risks.

Appendices

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

Rank	FY2015 Survey	No.of Companies 433	Percentage share (%)	FY2014 Survey	No.of Companies 499	Percentage share (%)	FY2013 Survey	No.of Companies 488	Percentage share (%)	FY2012 Survey	No.of Companies 514	Percentage share (%)	FY2011 Survey	No.of Companies 507	Percentage share (%)
1	India	175	40.4	India	229	45.9	Indonesia	219	44.9	China	319	62.1	China	369	72.8
2	Indonesia	168	38.8	Indonesia	228	45.7	India	213	43.6	India	290	56.4	India	297	58.6
3	China			China	218	43.7	Thailand	188	38.5	Indonesia	215	41.8	Thailand	165	32.5
4	Thailand	133	30.7	Thailand	176	35.3	China	183	37.5	Thailand	165	32.1	Vietnam	159	31.4
5	Vietnam	119	27.5	Vietnam	155	31.1	Vietnam	148	30.3	Vietnam	163	31.7	Brazil	145	28.6
6	Mexico	102	23.6	Mexico	101	20.2	Brazil	114	23.4	Brazil	132	25.7	Indonesia		
7	USA	72	16.6	Brazil	83	16.6	Mexico	84	17.2	Mexico	72	14.0	Russia	63	12.4
8	Philippines	50	11.5	USA	66	13.2	Myanmar	64	13.1	Russia	64	12.5	USA	50	9.9
9	Brazil	48	11.1	Russia	60	12.0	Russia	60	12.3	USA	53	10.3	Malaysia	39	7.7
10	Myanmar	34	7.9	Myanmar	55	11.0	USA	54	11.1	Myanmar	51	9.9	Taiwan	35	6.9
11	Malaysia	27	6.2	Philippines	50	10.0	Philippines	39	8.0	Malaysia	36	7.0	Korea	31	6.1
12	Russia	24	5.5	Malaysia	46	9.2	Malaysia	37	7.6	Korea	23	4.5	Mexico	29	5.7
13	Singapore	20	4.6	Turkey	26	5.2	Korea	28	5.7	Turkey			Singapore	25	4.9
14	Turkey	17	3.9	Singapore	25	5.0	Taiwan	23	4.7	Taiwan	22	4.3	Philippines	15	3.0
15	Korea			Cambodia	20	4.0	Turkey			Philippines	21	4.1	Turkey	12	2.4
16	Taiwan	16	3.7	Korea			Singapore	19	3.9	Singapore	16	3.1	Australia	8	1.6
17	Cambodia	14	3.2	Taiwan	19	3.8	Cambodia	12	2.5	Cambodia	13	2.5	Bangladesh		
18	Germany			Germany	9	1.8	Germany	10	2.0	Australia	11	2.1	Cambodia		
19	Saudi Arabia	7	1.6	フランス	7	1.4	South Africa			Bangladesh	10	1.9	Myanmar	7	1.4
20	Bangladesh	6	1.4	Saudi Arabia			Laos	9	1.8	Germany	6	1.2	UK	6	1.2
	Laos			South Africa											
	UK														

Promising Countries/Regions over the Long-term

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

Rank	FY2015 Survey	No.of Companies 301	Percentage share (%)	FY2014 Survey	No.of Companies 372	Percentage share (%)
1	India	165	54.8	India	207	55.6
2	Indonesia	109	36.2	Indonesia	163	43.8
3	China	105	34.9	China	150	40.3
4	Vietnam	82	27.2	Vietnam	117	31.5
5	Thailand	70	23.3	Thailand	105	28.2
6	Brazil	61	20.3	Brazil	91	24.5
7	Myanmar	57	18.9	Myanmar	70	18.8
8	Mexico	50	16.6	Russia	65	17.5
9	USA	43	14.3	Mexico	58	15.6
10	Russia	31	10.3	USA	47	12.6

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	FY2015 Survey	No.of Companies 111	Percentage share (%)	FY2014 Survey	No.of Companies 131	Percentage share (%)
1	Indonesia	41	36.9	Indonesia	63	48.1
2	India	39	35.1	India	51	38.9
3	China	38	34.2	China	45	34.4
4	Vietnam	36	32.4	Vietnam	44	33.6
5	Mexico	27	24.3	Thailand	42	32.1
6	Thailand	25	22.5	Mexico	27	20.6
7	Philippines	16	14.4	Myanmar	18	13.7
8	Brazil	13	11.7	Brazil	16	12.2
9	USA			Malaysia	15	11.5
10	Myanmar	9	8.1	Philippines		

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.

FY2015 Survey

	1 India		2 Indonesia		2 China		4 Thailand		5 Vietnam		6 Mexico		7 USA		8 Philippines		9 Brazil		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	171	100%	163	100%	162	100%	128	100%	116	100%	99	100%	70	100%	48	100%	47	100%	34	100%
1. Qualified human resources	18	10.5%	8	4.9%	14	8.6%	11	8.6%	28	24.1%	2	2.0%	9	12.9%	7	14.6%	-	0.0%	3	8.8%
2. Inexpensive source of labor	56	32.7%	57	35.0%	21	13.0%	47	36.7%	57	49.1%	32	32.3%	-	0.0%	23	47.9%	8	17.0%	17	50.0%
3. Inexpensive components/raw materials	13	7.6%	13	8.0%	20	12.3%	16	12.5%	9	7.8%	5	5.1%	1	1.4%	1	2.1%	3	6.4%	1	2.9%
4. Supply base for assemblers	42	24.6%	39	23.9%	42	25.9%	35	27.3%	17	14.7%	55	55.6%	10	14.3%	12	25.0%	10	21.3%	2	5.9%
5. Concentration of industry	16	9.4%	21	12.9%	30	18.5%	29	22.7%	11	9.5%	18	18.2%	17	24.3%	4	8.3%	4	8.5%	-	0.0%
6. Good for risk diversification to other countries	6	3.5%	8	4.9%	1	0.6%	5	3.9%	22	19.0%	7	7.1%	1	1.4%	10	20.8%	1	2.1%	3	8.8%
7. Base of export to Japan	7	4.1%	7	4.3%	5	3.1%	15	11.7%	13	11.2%	-	0.0%	1	1.4%	2	4.2%	-	0.0%	2	5.9%
8. Base of export to third countries	21	12.3%	19	11.7%	20	12.3%	31	24.2%	22	19.0%	25	25.3%	2	2.9%	6	12.5%	1	2.1%	4	11.8%
9. Advantages in terms of raw material procurement	4	2.3%	7	4.3%	19	11.7%	8	6.3%	3	2.6%	1	1.0%	4	5.7%	1	2.1%	3	6.4%	-	0.0%
10. Current size of local market	53	31.0%	63	38.7%	110	67.9%	46	35.9%	18	15.5%	29	29.3%	54	77.1%	6	12.5%	21	44.7%	2	5.9%
11. Future growth potential of local market	152	88.9%	136	83.4%	97	59.9%	71	55.5%	83	71.6%	75	75.8%	37	52.9%	31	64.6%	38	80.9%	23	67.6%
12. Profitability of local market	10	5.8%	16	9.8%	16	9.9%	14	10.9%	12	10.3%	9	9.1%	22	31.4%	4	8.3%	2	4.3%	3	8.8%
13. Base for product development	1	0.6%	-	0.0%	14	8.6%	3	2.3%	-	0.0%	1	1.0%	10	14.3%	-	0.0%	2	4.3%	-	0.0%
14. Developed local infrastructure	2	1.2%	6	3.7%	22	13.6%	30	23.4%	8	6.9%	6	6.1%	28	40.0%	3	6.3%	3	6.4%	1	2.9%
15. Developed local logistics services	2	1.2%	1	0.6%	8	4.9%	6	4.7%	5	4.3%	5	5.1%	14	20.0%	-	0.0%	3	6.4%	-	0.0%
16. Tax incentives for investment	7	4.1%	5	3.1%	2	1.2%	19	14.8%	2	1.7%	4	4.0%	2	2.9%	9	18.8%	2	4.3%	5	14.7%
17. Stable policies to attract foreign investment	4	2.3%	3	1.8%	2	1.2%	11	8.6%	6	5.2%	6	6.1%	4	5.7%	3	6.3%	2	4.3%	-	0.0%
18. Social/political situation stable	5	2.9%	16	9.8%	3	1.9%	9	7.0%	24	20.7%	4	4.0%	23	32.9%	8	16.7%	1	2.1%	1	2.9%

FY2014 Survey

	1 India		2 Indonesia		3 China		4 Thailand		5 Vietnam		6 Mexico		7 Brazil		8 USA		9 Russia		10 Myanmar	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
No. of respondent companies	220	100%	220	100%	214	100%	173	100%	151	100%	99	100%	79	100%	66	100%	57	100%	53	100%
1. Qualified human resources	30	13.6%	10	4.5%	18	8.4%	20	11.6%	30	19.9%	6	6.1%	3	3.8%	10	15.2%	4	7.0%	5	9.4%
2. Inexpensive source of labor	74	33.6%	63	28.6%	38	17.8%	49	28.3%	80	53.0%	32	32.3%	9	11.4%	-	0.0%	2	3.5%	37	69.8%
3. Inexpensive components/raw materials	14	6.4%	13	5.9%	19	8.9%	17	9.8%	15	9.9%	4	4.0%	2	2.5%	1	1.5%	1	1.8%	5	9.4%
4. Supply base for assemblers	46	20.9%	56	25.5%	50	23.4%	48	27.7%	22	14.6%	50	50.5%	13	16.5%	10	15.2%	13	22.8%	4	7.5%
5. Concentration of industry	25	11.4%	21	9.5%	45	21.0%	61	35.3%	12	7.9%	15	15.2%	6	7.6%	14	21.2%	3	5.3%	-	0.0%
6. Good for risk diversification to other countries	9	4.1%	22	10.0%	3	1.4%	19	11.0%	29	19.2%	9	9.1%	-	0.0%	2	3.0%	1	1.8%	7	13.2%
7. Base of export to Japan	5	2.3%	10	4.5%	19	8.9%	14	8.1%	19	12.6%	1	1.0%	2	2.5%	2	3.0%	2	3.5%	3	5.7%
8. Base of export to third countries	27	12.3%	30	13.6%	30	14.0%	48	27.7%	23	15.2%	25	25.3%	7	8.9%	3	4.5%	4	7.0%	6	11.3%
9. Advantages in terms of raw material procurement	4	1.8%	7	3.2%	12	5.6%	9	5.2%	6	4.0%	2	2.0%	3	3.8%	7	10.6%	1	1.8%	-	0.0%
10. Current size of local market	70	31.8%	82	37.3%	122	57.0%	73	42.2%	27	17.9%	28	28.3%	23	29.1%	44	66.7%	24	42.1%	6	11.3%
11. Future growth potential of local market	187	85.0%	188	85.5%	146	68.2%	94	54.3%	105	69.5%	63	63.6%	65	82.3%	37	56.1%	46	80.7%	37	69.8%
12. Profitability of local market	16	7.3%	21	9.5%	20	9.3%	20	11.6%	13	8.6%	11	11.1%	6	7.6%	19	28.8%	6	10.5%	4	7.5%
13. Base for product development	3	1.4%	1	0.5%	10	4.7%	4	2.3%	1	0.7%	1	1.0%	1	1.3%	7	10.6%	1	1.8%	-	0.0%
14. Developed local infrastructure	2	0.9%	7	3.2%	31	14.5%	48	27.7%	6	4.0%	6	6.1%	2	2.5%	30	45.5%	2	3.5%	-	0.0%
15. Developed local logistics services	2	0.9%	2	0.9%	11	5.1%	23	13.3%	2	1.3%	2	2.0%	2	2.5%	21	31.8%	1	1.8%	-	0.0%
16. Tax incentives for investment	-	0.0%	5	2.3%	2	0.9%	33	19.1%	8	5.3%	8	8.1%	-	0.0%	1	1.5%	1	1.8%	5	9.4%
17. Stable policies to attract foreign investment	-	0.0%	4	1.8%	2	0.9%	20	11.6%	5	3.3%	5	5.1%	1	1.3%	4	6.1%	2	3.5%	2	3.8%
18. Social/political situation stable	6	2.7%	10	4.5%	4	1.9%	2	1.2%	17	11.3%	8	8.1%	1	1.3%	30	45.5%	1	1.8%	3	5.7%

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.

FY2015 Survey	1 India		2 Indonesia		2 China		4 Thailand		5 Vietnam		6 Mexico		7 USA		8 Brazil		9 Philippines		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	162	100%	154	100%	159	100%	118	100%	110	100%	90	100%	62	100%	45	100%	44	100%	33	100%
1. Underdeveloped legal system	25	15.4%	27	17.5%	16	10.1%	4	3.4%	21	19.1%	9	10.0%	-	0.0%	8	17.8%	4	9.1%	18	54.5%
2. Execution of legal system unclear	63	38.9%	62	40.3%	86	54.1%	15	12.7%	34	30.9%	21	23.3%	1	1.6%	15	33.3%	13	29.5%	11	33.3%
3. Complicated tax system	49	30.2%	23	14.9%	13	8.2%	5	4.2%	8	7.3%	8	8.9%	-	0.0%	9	20.0%	1	2.3%	1	3.0%
4. Execution of tax system unclear	39	24.1%	34	22.1%	36	22.6%	6	5.1%	18	16.4%	10	11.1%	-	0.0%	10	22.2%	4	9.1%	5	15.2%
5. Increased taxation	23	14.2%	27	17.5%	44	27.7%	11	9.3%	7	6.4%	9	10.0%	8	12.9%	5	11.1%	6	13.6%	1	3.0%
6. Restrictions on foreign investment	26	16.0%	36	23.4%	35	22.0%	15	12.7%	14	12.7%	4	4.4%	-	0.0%	6	13.3%	5	11.4%	5	15.2%
7. Complicated/unclear procedures for investment permission	34	21.0%	27	17.5%	41	25.8%	10	8.5%	19	17.3%	8	8.9%	1	1.6%	4	8.9%	7	15.9%	9	27.3%
8. Insufficient protection for intellectual property rights	15	9.3%	14	9.1%	69	43.4%	5	4.2%	9	8.2%	3	3.3%	1	1.6%	2	4.4%	1	2.3%	1	3.0%
9. Restrictions on foreign currency/ transfers of money overseas	29	17.9%	26	16.9%	46	28.9%	4	3.4%	6	5.5%	2	2.2%	-	0.0%	2	4.4%	3	6.8%	7	21.2%
10. Import restrictions/customs procedures	24	14.8%	29	18.8%	36	22.6%	8	6.8%	14	12.7%	6	6.7%	-	0.0%	7	15.6%	4	9.1%	5	15.2%
11. Difficult to secure technical/engineering staff	23	14.2%	27	17.5%	15	9.4%	23	19.5%	18	16.4%	21	23.3%	7	11.3%	4	8.9%	7	15.9%	7	21.2%
12. Difficult to secure management-level staff	32	19.8%	38	24.7%	35	22.0%	25	21.2%	22	20.0%	30	33.3%	8	12.9%	5	11.1%	15	34.1%	7	21.2%
13. Rising labor costs	22	13.6%	63	40.9%	116	73.0%	60	50.8%	43	39.1%	23	25.6%	16	25.8%	7	15.6%	7	15.9%	2	6.1%
14. Labor problems	34	21.0%	26	16.9%	31	19.5%	9	7.6%	14	12.7%	8	8.9%	9	14.5%	5	11.1%	-	0.0%	1	3.0%
15. Intense competition with other companies	51	31.5%	49	31.8%	84	52.8%	50	42.4%	23	20.9%	28	31.1%	37	59.7%	12	26.7%	5	11.4%	2	6.1%
16. Difficulties in recovering money owed	27	16.7%	11	7.1%	41	25.8%	4	3.4%	5	4.5%	4	4.4%	1	1.6%	3	6.7%	-	0.0%	3	9.1%
17. Difficulty in raising funds	18	11.1%	3	1.9%	9	5.7%	3	2.5%	2	1.8%	1	1.1%	-	0.0%	1	2.2%	2	4.5%	2	6.1%
18. Underdeveloped local supporting industries	19	11.7%	15	9.7%	4	2.5%	9	7.6%	18	16.4%	12	13.3%	1	1.6%	4	8.9%	9	20.5%	5	15.2%
19. Sense of instability regarding currency and/or costs	17	10.5%	31	20.1%	7	4.4%	6	5.1%	13	11.8%	8	8.9%	-	0.0%	14	31.1%	3	6.8%	5	15.2%
20. Underdeveloped infrastructure	80	49.4%	54	35.1%	11	6.9%	6	5.1%	22	20.0%	14	15.6%	-	0.0%	13	28.9%	18	40.9%	22	66.7%
21. Security/social instability	44	27.2%	36	23.4%	46	28.9%	33	28.0%	6	5.5%	49	54.4%	-	0.0%	20	44.4%	10	22.7%	13	39.4%
22. Lack of information on the country	25	15.4%	10	6.5%	2	1.3%	6	5.1%	11	10.0%	13	14.4%	-	0.0%	8	17.8%	4	9.1%	10	30.3%

FY2014 Survey	1 India		2 Indonesia		3 China		4 Thailand		5 Vietnam		6 Mexico		7 Brazil		8 USA		9 Russia		10 Myanmar	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Respondent companies	188	100%	188	100%	199	100%	142	100%	127	100%	84	100%	61	100%	47	100%	50	100%	50	100%
1. Underdeveloped legal system	34	18.1%	33	17.6%	19	9.5%	7	4.9%	33	26.0%	3	3.6%	5	8.2%	-	0.0%	3	6.0%	29	58.0%
2. Execution of legal system unclear	66	35.1%	77	41.0%	108	54.3%	17	12.0%	44	34.6%	12	14.3%	19	31.1%	4	8.5%	20	40.0%	24	48.0%
3. Complicated tax system	53	28.2%	21	11.2%	35	17.6%	6	4.2%	9	7.1%	11	13.1%	18	29.5%	1	2.1%	7	14.0%	3	6.0%
4. Execution of tax system unclear	43	22.9%	41	21.8%	57	28.6%	7	4.9%	25	19.7%	7	8.3%	14	23.0%	2	4.3%	12	24.0%	9	18.0%
5. Increased taxation	21	11.2%	32	17.0%	55	27.6%	15	10.6%	10	7.9%	6	7.1%	2	3.3%	6	12.8%	5	10.0%	4	8.0%
6. Restrictions on foreign investment	30	16.0%	31	16.5%	48	24.1%	11	7.7%	14	11.0%	2	2.4%	11	18.0%	-	0.0%	5	10.0%	9	18.0%
7. Complicated/unclear procedures for investment permission	35	18.6%	28	14.9%	53	26.6%	12	8.5%	22	17.3%	2	2.4%	3	4.9%	1	2.1%	14	28.0%	17	34.0%
8. Insufficient protection for intellectual property rights	18	9.6%	10	5.3%	94	47.2%	5	3.5%	11	8.7%	2	2.4%	3	4.9%	1	2.1%	4	8.0%	6	12.0%
9. Restrictions on foreign currency/ transfers of money overseas	22	11.7%	16	8.5%	65	32.7%	7	4.9%	14	11.0%	1	1.2%	8	13.1%	-	0.0%	10	20.0%	14	28.0%
10. Import restrictions/customs procedures	22	11.7%	34	18.1%	55	27.6%	6	4.2%	14	11.0%	8	9.5%	11	18.0%	-	0.0%	10	20.0%	8	16.0%
11. Difficult to secure technical/engineering staff	22	11.7%	32	17.0%	25	12.6%	31	21.8%	32	25.2%	16	19.0%	2	3.3%	4	8.5%	7	14.0%	12	24.0%
12. Difficult to secure management-level staff	36	19.1%	51	27.1%	47	23.6%	43	30.3%	40	31.5%	31	36.9%	11	18.0%	6	12.8%	8	16.0%	15	30.0%
13. Rising labor costs	33	17.6%	83	44.1%	150	75.4%	74	52.1%	38	29.9%	15	17.9%	9	14.8%	10	21.3%	10	20.0%	6	12.0%
14. Labor problems	46	24.5%	35	18.6%	43	21.6%	16	11.3%	13	10.2%	9	10.7%	9	14.8%	9	19.1%	7	14.0%	2	4.0%
15. Intense competition with other companies	69	36.7%	61	32.4%	117	58.8%	64	45.1%	28	22.0%	17	20.2%	19	31.1%	37	78.7%	18	36.0%	6	12.0%
16. Difficulties in recovering money owed	20	10.6%	9	4.8%	50	25.1%	4	2.8%	13	10.2%	1	1.2%	6	9.8%	1	2.1%	5	10.0%	7	14.0%
17. Difficulty in raising funds	17	9.0%	4	2.1%	12	6.0%	2	1.4%	3	2.4%	1	1.2%	3	4.9%	-	0.0%	3	6.0%	4	8.0%
18. Underdeveloped local supporting industries	25	13.3%	24	12.8%	7	3.5%	7	4.9%	24	18.9%	15	17.9%	5	8.2%	-	0.0%	6	12.0%	13	26.0%
19. Sense of instability regarding currency and/or costs	22	11.7%	33	17.6%	3	1.5%	10	7.0%	20	15.7%	8	9.5%	12	19.7%	-	0.0%	7	14.0%	6	12.0%
20. Underdeveloped infrastructure	97	51.6%	61	32.4%	11	5.5%	9	6.3%	52	40.9%	7	8.3%	11	18.0%	-	0.0%	5	10.0%	33	66.0%
21. Security/social instability	46	24.5%	43	22.9%	65	32.7%	75	52.8%	15	11.8%	44	52.4%	28	45.9%	-	0.0%	21	42.0%	18	36.0%
22. Lack of information on the country	26	13.8%	19	10.1%	3	1.5%	7	4.9%	16	12.6%	9	10.7%	10	16.4%	-	0.0%	12	24.0%	12	24.0%

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

Overseas	Strengthen /expand		Maintain present level		Scale back /withdraw	
	2014	2015	2014	2015	2014	2015
All Industries	80.9%	80.5%	18.4%	18.0%	0.7%	1.5%
Foods	93.5%	96.3%	6.5%	3.7%	-	-
Textiles	75.0%	85.7%	20.8%	7.1%	4.2%	7.1%
Paper, Pulp & Wood	60.0%	70.0%	40.0%	30.0%	-	-
Chemicals (total)	82.8%	84.6%	17.2%	15.4%	-	-
Chemicals (incl. plastic products)	84.9%	87.2%	15.1%	12.8%	-	-
Pharmaceuticals	57.1%	40.0%	42.9%	60.0%	-	-
Petroleum & Rubber	78.6%	63.6%	21.4%	18.2%	-	18.2%
Ceramics, Cement & Glass	82.4%	88.2%	17.6%	11.8%	-	-
Steel	87.5%	73.3%	12.5%	26.7%	-	-
Nonferrous Metals	86.4%	94.7%	13.6%	5.3%	-	-
Metal Products	66.7%	88.2%	33.3%	11.8%	-	-
General Machinery (total)	81.0%	80.0%	17.2%	18.2%	1.7%	1.8%
Assembly	82.6%	84.1%	15.2%	13.6%	2.2%	2.3%
Parts	75.0%	63.6%	25.0%	36.4%	-	-
Electrical Equipment & Electronics (total)	78.7%	76.6%	21.3%	23.4%	-	-
Assembly	87.2%	84.2%	12.8%	15.8%	-	-
Parts	72.7%	71.4%	27.3%	28.6%	-	-
Transportation (excl. Automobiles)	71.4%	81.3%	28.6%	18.8%	-	-
Automobiles (total)	83.8%	79.2%	16.2%	18.9%	-	1.9%
Assembly	83.3%	80.0%	16.7%	20.0%	-	-
Parts	83.8%	79.2%	16.2%	18.8%	-	2.0%
Precision Machinery (total)	82.8%	71.9%	17.2%	28.1%	-	-
Assembly	90.0%	81.8%	10.0%	18.2%	-	-
Parts	66.7%	50.0%	33.3%	50.0%	-	-
Other	77.2%	75.0%	19.3%	21.4%	3.5%	3.6%

Domestic	Strengthen /expand		Maintain present level		Scale back		undecided	
	2014	2015	2014	2015	2014	2015	2014	2015
All Industries	27.6%	29.6%	60.4%	58.6%	7.3%	6.1%	4.6%	5.7%
Foods	51.7%	33.3%	44.8%	54.2%	-	4.2%	3.4%	8.3%
Textiles	29.2%	28.6%	62.5%	60.7%	8.3%	7.1%	-	3.6%
Paper, Pulp & Wood	50.0%	30.0%	50.0%	70.0%	-	-	-	-
Chemicals (total)	26.4%	36.3%	61.5%	56.0%	5.5%	1.1%	6.6%	6.6%
Chemicals (incl. plastic products)	23.8%	34.9%	63.1%	57.0%	6.0%	1.2%	7.1%	7.0%
Pharmaceuticals	57.1%	60.0%	42.9%	40.0%	-	-	-	-
Petroleum & Rubber	7.1%	-	85.7%	81.8%	-	18.2%	7.1%	-
Ceramics, Cement & Glass	23.5%	29.4%	52.9%	58.8%	17.6%	5.9%	5.9%	5.9%
Steel	12.5%	20.0%	81.3%	66.7%	-	13.3%	6.3%	-
Nonferrous Metals	22.7%	23.5%	72.7%	70.6%	4.5%	5.9%	-	-
Metal Products	27.8%	22.2%	55.6%	66.7%	11.1%	5.6%	5.6%	5.6%
General Machinery (total)	21.7%	25.0%	66.7%	60.7%	3.3%	8.9%	8.3%	5.4%
Assembly	20.8%	26.7%	64.6%	62.2%	4.2%	6.7%	10.4%	4.4%
Parts	25.0%	18.2%	75.0%	54.5%	-	18.2%	-	9.1%
Electrical Equipment & Electronics (total)	30.9%	41.1%	62.8%	49.5%	4.3%	2.1%	2.1%	7.4%
Assembly	38.5%	48.7%	56.4%	41.0%	2.6%	-	2.6%	10.3%
Parts	25.5%	35.7%	67.3%	55.4%	5.5%	3.6%	1.8%	5.4%
Transportation (excl. Automobiles)	35.7%	25.0%	57.1%	68.8%	7.1%	6.3%	-	-
Automobiles (total)	9.3%	9.3%	64.8%	70.1%	20.4%	12.1%	5.6%	8.4%
Assembly	-	-	71.4%	80.0%	-	-	28.6%	20.0%
Parts	9.9%	9.8%	64.4%	69.6%	21.8%	12.7%	4.0%	7.8%
Precision Machinery (total)	48.3%	46.9%	44.8%	43.8%	3.4%	9.4%	3.4%	-
Assembly	50.0%	50.0%	45.0%	36.4%	5.0%	13.6%	-	-
Parts	44.4%	40.0%	44.4%	60.0%	-	-	11.1%	-
Other	48.3%	45.5%	44.8%	45.5%	1.7%	1.8%	5.2%	7.3%

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

Major countries /Regions	NIEs3		ASEAN5		China		Rest of Asia & Oceania		North America		Latin America	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Strengthen/expand	34.7%	34.4%	57.4%	56.1%	52.4%	48.1%	67.0%	67.7%	52.0%	54.1%	66.2%	64.1%
Maintain present level	63.9%	63.8%	41.1%	42.2%	45.2%	49.0%	32.2%	31.2%	47.5%	45.7%	33.5%	35.1%
Scale back/withdraw	1.4%	1.8%	1.5%	1.7%	2.4%	2.9%	0.9%	1.1%	0.5%	0.3%	0.3%	0.9%

	EU15		Central & Eastern Europe		Rest of Europe & CIS		Russia		Middle East		Africa	
	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
Strengthen/expand	39.2%	43.8%	46.8%	44.9%	49.2%	51.0%	57.5%	54.7%	60.5%	62.0%	58.4%	59.0%
Maintain present level	58.0%	54.3%	52.3%	54.2%	50.8%	49.0%	42.5%	44.2%	39.5%	38.0%	41.6%	41.0%
Scale back/withdraw	2.8%	2.0%	0.9%	0.9%	-	-	-	1.2%	-	-	-	-

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

Regions in detail	NIEs3			ASEAN5					China				
	Korea	Taiwan	Hong Kong	Singapore	Thailand	Indonesia	Malaysia	Philippines	North-eastern China	Northern China	Eastern China	Southern China	Inland China
Strengthen/expand	36.0%	36.7%	28.9%	33.5%	61.8%	70.7%	47.6%	56.9%	50.5%	41.7%	49.1%	48.9%	52.1%
Maintain present level	62.1%	61.2%	69.8%	63.6%	36.9%	28.6%	49.5%	41.6%	48.6%	55.8%	47.2%	48.1%	45.4%
Scale back/withdraw	1.9%	2.1%	1.3%	2.9%	1.3%	0.7%	2.9%	1.5%	0.9%	2.5%	3.7%	3.0%	2.5%

	Rest of Asia & Oceania						Latin America		
	India	Vietnam	Cambodia	Laos	Myanmar	Others	Mexico	Brazil	Others
Strengthen/expand	72.8%	72.4%	62.3%	51.4%	76.7%	40.6%	71.4%	57.6%	56.4%
Maintain present level	25.4%	27.6%	37.7%	48.6%	23.3%	54.7%	28.6%	40.0%	43.6%
Scale back/withdraw	1.9%	-	-	-	-	4.7%	-	2.4%	-

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

Industry	Overseas Production Ratio ※1										Overseas Sales Ratio ※2								Overseas Income Ratio ※3					
	FY2012 (actual)	No. of Com-panies	FY2013 (actual)	No. of Com-panies	FY2014 (actual)	No. of Com-panies	FY2015 (projected)	No. of Com-panies	Medium-term plans(FY2018)	No. of Com-panies	FY2012 (actual)	No. of Com-panies	FY2013 (actual)	No. of Com-panies	FY2014 (actual)	No. of Com-panies	FY2015 (projected)	No. of Com-panies	FY2013 (actual)	No. of Com-panies	FY2014 (actual)	No. of Com-panies	FY2015 (projected)	No. of Com-panies
Foods	18.6%	28	16.5%	27	18.3%	24	18.8%	24	22.0%	23	19.5%	29	18.3%	30	21.7%	27	21.4%	25	18.2%	28	20.8%	26	19.0%	25
Textiles	48.2%	25	53.7%	23	55.4%	24	56.3%	24	58.6%	22	18.6%	25	26.7%	23	26.1%	27	27.2%	27	28.9%	23	27.3%	26	25.8%	26
Paper, Pulp & Wood	25.8%	12	16.0%	10	12.5%	8	13.8%	8	16.4%	7	13.3%	12	13.0%	10	14.0%	10	14.0%	10	13.9%	9	12.8%	9	12.8%	9
Chemicals (total)	25.0%	82	28.0%	80	28.5%	72	29.2%	72	33.6%	64	31.1%	90	35.7%	89	37.5%	91	38.1%	88	35.4%	74	35.4%	69	36.2%	67
Chemicals (incl. plastic products	25.8%	77	29.2%	74	29.6%	67	30.4%	67	35.3%	60	31.5%	82	35.8%	83	37.8%	86	38.5%	84	35.3%	69	36.1%	64	36.6%	63
Pharmaceuticals	13.0%	5	13.3%	6	13.0%	5	13.0%	5	7.5%	4	27.5%	8	33.3%	6	33.0%	5	30.0%	4	37.0%	5	27.0%	5	30.0%	4
Petroleum & Rubber	36.4%	14	37.1%	14	36.1%	9	36.1%	9	41.7%	9	32.9%	14	35.0%	12	31.4%	11	31.4%	11	33.3%	12	34.0%	10	40.0%	10
Ceramics, Cement & Glass	35.0%	16	33.6%	14	30.6%	16	31.9%	16	37.9%	14	41.1%	18	38.3%	15	39.7%	17	41.5%	17	33.6%	14	35.0%	13	42.7%	13
Steel	25.0%	15	19.0%	15	16.7%	12	17.5%	12	23.9%	9	28.8%	16	22.5%	16	25.0%	14	23.3%	12	15.0%	14	17.7%	11	19.6%	11
Nonferrous Metals	28.1%	13	37.9%	17	28.5%	17	31.9%	16	35.0%	16	29.1%	17	28.3%	21	28.2%	19	33.3%	18	22.6%	21	22.2%	18	29.1%	17
Metal Products	42.8%	18	38.5%	17	38.9%	18	41.3%	16	44.3%	15	43.3%	18	42.8%	18	36.7%	18	37.5%	16	40.0%	18	40.3%	17	41.9%	16
General Machinery (total)	25.2%	56	23.7%	52	29.9%	45	30.1%	43	30.1%	39	39.9%	59	39.2%	57	45.0%	51	45.4%	49	30.5%	47	36.4%	43	35.5%	41
Assembly	26.1%	45	24.8%	41	28.0%	37	28.6%	36	27.5%	32	41.1%	46	41.0%	45	43.8%	40	43.7%	39	28.9%	36	33.3%	35	33.5%	34
Parts	21.4%	11	19.5%	11	38.8%	8	37.9%	7	42.1%	7	35.8%	13	32.5%	12	49.6%	11	52.0%	10	35.9%	11	50.0%	8	45.0%	7
Electrical Equipment & Electronics (total)	43.3%	78	48.6%	84	41.9%	81	43.1%	79	46.5%	75	42.8%	86	48.1%	93	47.4%	90	48.2%	89	39.1%	71	34.9%	72	35.1%	73
Assembly	42.1%	34	43.1%	32	30.5%	31	31.3%	30	34.3%	28	38.2%	38	43.1%	36	41.0%	35	41.0%	35	34.7%	29	28.1%	29	29.0%	30
Parts	44.3%	44	51.9%	52	49.0%	50	50.3%	49	53.7%	47	46.5%	48	51.3%	57	51.6%	55	52.8%	54	42.1%	42	39.4%	43	39.4%	43
Transportation (excl. Automobiles)	11.4%	11	23.6%	14	23.1%	16	24.4%	16	27.3%	13	26.8%	11	37.1%	14	30.0%	16	32.5%	16	23.3%	12	25.6%	16	26.9%	16
Automobiles (total)	39.4%	114	43.0%	102	44.6%	98	45.4%	96	48.9%	92	38.8%	117	42.2%	107	43.6%	103	44.8%	99	42.4%	101	46.3%	94	48.4%	91
Assembly	41.0%	5	40.0%	6	50.0%	4	48.3%	3	55.0%	2	46.7%	6	55.0%	7	67.0%	5	72.5%	4	63.0%	5	68.3%	3	80.0%	2
Parts	39.3%	109	43.2%	96	44.4%	94	45.3%	93	48.8%	90	38.3%	111	41.3%	100	42.5%	98	43.6%	95	41.4%	96	45.6%	91	47.7%	89
Precision Machinery (total)	28.4%	32	25.7%	28	32.2%	29	35.0%	30	37.9%	28	53.8%	34	49.5%	29	45.3%	31	46.9%	31	44.6%	24	42.8%	23	40.2%	23
Assembly	27.6%	23	23.4%	19	20.3%	19	24.5%	20	26.1%	18	53.8%	24	55.0%	20	45.0%	21	46.4%	21	49.2%	19	45.7%	15	40.3%	15
Parts	30.6%	9	30.6%	9	55.0%	10	56.0%	10	59.0%	10	54.0%	10	37.2%	9	46.0%	10	48.0%	10	27.0%	5	37.5%	8	40.0%	8
Other	31.7%	45	36.8%	50	33.0%	45	33.2%	45	37.1%	42	30.1%	55	31.8%	57	29.2%	53	29.9%	51	27.9%	49	25.7%	45	26.6%	45
Overall	32.9%	559	35.2%	547	35.1%	514	36.0%	506	39.6%	468	35.4%	601	37.5%	591	37.9%	578	38.9%	559	33.7%	517	34.3%	492	35.2%	483

※1 Overseas Production Ratio : (Overseas Production) / (Domestic Production + Overseas Production)
※2 Overseas Sales Ratio : (Overseas Sales) / (Domestic Sales + Overseas Sales)
※3 Overseas Income Ratio : (Overseas Operating Income)/ (Domestic Operating Income + Overseas Operating Income)

(1) Net Sales

FY2011 Performance

	Average	2.64
1	North America	2.74
2	Vietnam	2.71
3	ASEAN 5	2.70
3	NIEs 3	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
9	India	2.40
ASEAN 5 breakdown		
1	Indonesia	2.95
2	Singapore	2.72
2	Philippines	2.72
4	Thailand	2.61
5	Malaysia	2.51

FY2012 Performance

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

FY2013 Performance

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

FY2014 Performance

	Average	
1	North America	3.03
2	Mexico *	2.89
3	NIEs 3	2.86
4	Central & Eastern Europe	2.84
5	EU 15	2.81
6	Vietnam	2.78
7	Turkey *	2.58
8	ASEAN 5	2.57
9	China	2.48
10	India	2.46
11	Brazil *	2.29
12	Russia	2.24
ASEAN 5 内訳		
1	Singapore	2.73
2	Philippines	2.72
3	Indonesia	2.53
4	Malaysia	2.51
5	Thailand	2.50

(2) Profits

FY2011 Performance

	Average	2.54
1	Vietnam	2.63
2	NIEs 3	2.62
2	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	Philippines	2.65
2	Singapore	2.65
4	Thailand	2.53
5	Malaysia	2.48

FY2012 Performance

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

FY2013 Performance

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

FY2014 Performance

	Average	
1	NIEs 3	2.86
2	Vietnam	2.85
3	North America	2.84
4	Central & Eastern Europe	2.78
5	Mexico *	2.72
6	EU 15	2.68
7	ASEAN 5	2.58
7	Turkey *	2.58
9	China	2.47
10	India	2.42
11	Brazil *	2.24
12	Russia	2.19
ASEAN 5 breakdown		
1	Singapore	2.73
2	Philippines	2.63
3	Malaysia	2.58
4	Thailand	2.56
5	Indonesia	2.47

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	110	360	30.6%
2	North America	103	390	26.4%
3	NIEs3	55	230	23.9%
4	China	117	510	22.9%
5	Indonesia	51	254	20.1%
6	Vietnam	35	181	19.3%
7	EU 15	46	270	17.0%
8	Malaysia	30	192	15.6%
9	Mexico	19	126	15.1%
10	Philippines	18	121	14.9%
11	Singapore	30	217	13.8%
12	Central & Eastern	9	89	10.1%
13	Russia	6	76	7.9%
14	Turkey	4	57	7.0%
15	India	13	188	6.9%
16	Brazil	8	124	6.5%

Note: When companies were asked about their profitability in FY2014 in countries/regions in which they had businesses, they were asked to respond regarding the country/region which had higher rates of profitability than Japan. "Total responses (2)" is the sum of the number of companies that responded to inquiries about satisfaction with net sales and profits and those that responded to the comparison of profitability with Japan.

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

Note2: For FY2012-2014 performances, * mark next to each country name indicates newly added countries in FY2012. Individual aggregation of Mexico and Brazil have been separated from Latin America since FY2012 performance.

	No. 1 India		No. 2 Indonesia		No. 2 China		No. 4 Thailand		No. 5 Vietnam		No.6 Mexico		No. 7 USA		No. 8 Philippines		No. 9 Brazil		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	175	100%	168	100%	168	100%	133	100%	119	100%	102	100%	72	100%	50	100%	48	100%	34	100%
Plans exist	63	36.0%	73	43.5%	82	48.8%	57	42.9%	46	38.7%	55	53.9%	38	52.8%	22	44.0%	15	31.3%	10	29.4%
No plans	103	58.9%	83	49.4%	74	44.0%	62	46.6%	66	55.5%	40	39.2%	32	44.4%	25	50.0%	32	66.7%	24	70.6%
No response	9	5.1%	12	7.1%	12	7.1%	14	10.5%	7	5.9%	7	6.9%	2	2.8%	3	6.0%	1	2.1%	0	0.0%

	No. 11 Malaysia		No. 12 Russia		No. 13 Singapore		No. 14 Turkey		No. 14 Korea		No. 16 Taiwan		No. 17 Cambodia		No. 17 Germany		No. 19 Saudi Arabia		No. 20 Bangladesh		No. 20 Laos		No. 20 UK	
	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio	Respondent companies	Ratio
Total	27	100%	24	100%	20	100%	17	100%	17	100%	16	100%	14	100%	14	100%	7	100%	6	100%	6	100%	6	100%
Plans exist	10	37.0%	9	37.5%	7	35.0%	4	23.5%	8	47.1%	4	25.0%	6	42.9%	4	28.6%	4	57.1%	1	16.7%	0	0.0%	2	33.3%
No plans	16	59.3%	14	58.3%	12	60.0%	11	64.7%	7	41.2%	12	75.0%	8	57.1%	9	64.3%	2	28.6%	4	66.7%	6	100.0%	4	66.7%
No response	1	3.7%	1	4.2%	1	5.0%	2	11.8%	2	11.8%	0	0.0%	0	0.0%	1	7.1%	1	14.3%	1	16.7%	0	0.0%	0	0.0%

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

●Average Values of Evaluation by Starting Year of Operation

Country	Starting Year of Operation	No. of respondent companies (companies)	No. of factory workers (person)	1. Labor productivity	2. In-process defect rate	3. Production flexibility	4. Capacity to start up mass production of new products (time)	5. Delivery time	6. Raw material costs	7. Wage level of factory workers
China	Ⅰ：～1996	90	918	2.60	2.40	2.52	2.30	2.75	3.48	4.46
	Ⅱ：1997～2007	160	466	2.48	2.41	2.53	2.45	2.85	3.48	4.42
	Ⅲ：2008～2015	30	243	2.10	2.27	2.17	1.89	2.60	3.13	4.00
Thailand	Ⅰ：～1996	69	873	2.57	2.51	2.60	2.54	2.74	3.48	4.24
	Ⅱ：1997～2007	52	608	2.46	2.44	2.69	2.37	2.59	3.38	4.02
	Ⅲ：2008～2015	43	154	2.20	2.37	2.34	2.20	2.54	3.32	4.55
Indonesia	Ⅰ：～1996	36	936	2.50	2.31	2.44	2.41	2.59	3.15	3.32
	Ⅱ：1997～2007	21	628	2.29	2.48	2.38	2.29	2.62	3.35	2.67
	Ⅲ：2008～2015	40	229	2.08	2.31	2.33	2.08	2.41	3.08	3.44

●Multiple Regression Analysis of Evaluations for Overseas Plants

Assumption: The sum of the scores for the 5 evaluation attributes, namely "1. Labor productivity," "2. In-process defect rate," "3. Production flexibility," "4. Capacity to start up mass production of new products," and "5. Delivery time," is assumed as the overall evaluation of overseas plants, and this is used as the dependent variable. The minimum value was 5, and the maximum was 25. (No. of respondent companies = 555)

Independent Variables	Statistical Significance	Coefficient	P-Value	Note
Years of Operation	Yes	0.030	0.010	Overall evaluation of a plant increases by 0.3 in 10 years and by 0.6 in 20 years.
Wage level of factory workers	Yes	0.165	0.004	The closer the wage level of workers is to Japan's level (10), the more the overall evaluation of a plant increases.
Industry (Chemicals)	Yes	0.945	0.012	Consistently significant results were achieved among chemicals companies.
Company Size	Yes but weak	0.515	0.052	Large corporations are 0.5 higher than mid-tier firms/SMEs. However, it should be noted that the P-value is 5%.
Country of Origin	No	―	―	There are no significant values.

Assessment of Infrastructure (Electricity, Industrial Water, Roads, Railways, Ports, Airports) in the Asian Region

Assessment of Electricity	China	India	Thailand	Indonesia	Malaysia	Philippines	Vietnam	Myanmar	Laos	Cambodia	Sri Lanka	Pakistan	Bangladesh
No. of respondent companies (companies)	405	162	314	221	162	113	160	43	27	38	27	24	25
There are problems that are a hindrance to business operations (%)	4.0	24.1	0.6	6.8	0.0	4.4	8.1	55.8	55.6	42.1	33.3	54.2	72.0
There are problems but they are not a hindrance to business operations (%)	42.5	53.1	28.3	52.5	27.2	47.8	52.5	34.9	29.6	44.7	44.4	37.5	16.0
There are no particular problems (%)	53.6	22.8	71.0	40.7	72.8	47.8	39.4	9.3	14.8	13.2	22.2	8.3	12.0

Assessment of Industrial Water	China	India	Thailand	Indonesia	Malaysia	Philippines	Vietnam	Myanmar	Laos	Cambodia	Sri Lanka	Pakistan	Bangladesh
No. of respondent companies (companies)	391	147	307	209	152	107	150	37	24	31	24	21	20
There are problems that are a hindrance to business operations (%)	2.0	9.5	1.0	2.4	0.7	1.9	4.0	27.0	33.3	22.6	20.8	38.1	45.0
There are problems but they are not a hindrance to business operations (%)	25.1	40.1	19.9	33.5	23.0	30.8	28.7	48.6	33.3	41.9	54.2	42.9	35.0
There are no particular problems (%)	72.9	50.3	79.2	64.1	76.3	67.3	67.3	24.3	33.3	35.5	25.0	19.0	20.0

Assessment of Roads	China	India	Thailand	Indonesia	Malaysia	Philippines	Vietnam	Myanmar	Laos	Cambodia	Sri Lanka	Pakistan	Bangladesh
No. of respondent companies (companies)	395	152	309	219	159	113	155	41	27	36	25	21	22
There are problems that are a hindrance to business operations (%)	1.0	17.1	2.3	21.0	0.0	5.3	9.0	29.3	33.3	22.2	16.0	38.1	45.5
There are problems but they are not a hindrance to business operations (%)	28.4	59.2	34.3	48.4	25.8	46.0	47.7	61.0	59.3	58.3	60.0	52.4	40.9
There are no particular problems (%)	70.6	23.7	63.4	30.6	74.2	48.7	43.2	9.8	7.4	19.4	24.0	9.5	13.6

Assessment of Railways	China	India	Thailand	Indonesia	Malaysia	Philippines	Vietnam	Myanmar	Laos	Cambodia	Sri Lanka	Pakistan	Bangladesh
No. of respondent companies (companies)	370	137	286	197	147	98	139	35	23	30	21	18	18
There are problems that are a hindrance to business operations (%)	0.8	6.6	2.1	7.1	1.4	3.1	4.3	22.9	30.4	23.3	28.6	38.9	44.4
There are problems but they are not a hindrance to business operations (%)	22.4	44.5	28.3	38.6	28.6	43.9	44.6	54.3	56.5	50.0	47.6	50.0	38.9
There are no particular problems (%)	76.8	48.9	69.6	54.3	70.1	53.1	51.1	22.9	13.0	26.7	23.8	11.1	16.7

Assessment of Ports	China	India	Thailand	Indonesia	Malaysia	Philippines	Vietnam	Myanmar	Laos	Cambodia	Sri Lanka	Pakistan	Bangladesh
No. of respondent companies (companies)	389	146	303	211	152	105	150	39	23	32	23	20	20
There are problems that are a hindrance to business operations (%)	2.6	7.5	0.7	11.8	0.0	17.1	3.3	20.5	26.1	18.8	17.4	30.0	35.0
There are problems but they are not a hindrance to business operations (%)	22.1	41.8	17.8	33.6	23.7	41.0	35.3	59.0	60.9	53.1	52.2	45.0	50.0
There are no particular problems (%)	75.3	50.7	81.5	54.5	76.3	41.9	61.3	20.5	13.0	28.1	30.4	25.0	15.0

Assessment of Airports	China	India	Thailand	Indonesia	Malaysia	Philippines	Vietnam	Myanmar	Laos	Cambodia	Sri Lanka	Pakistan	Bangladesh
No. of respondent companies (companies)	391	145	303	213	156	108	148	37	21	31	24	21	21
There are problems that are a hindrance to business operations (%)	0.8	0.7	0.0	3.3	0.6	0.0	1.4	13.5	23.8	12.9	12.5	33.3	38.1
There are problems but they are not a hindrance to business operations (%)	19.7	37.2	14.9	29.6	19.9	37.0	29.1	48.6	52.4	51.6	58.3	47.6	42.9
There are no particular problems (%)	79.5	62.1	85.1	67.1	79.5	63.0	69.6	37.8	23.8	35.5	29.2	19.0	19.0

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