# Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Results of the JBIC FY2017 Survey:

- Outlook for Japanese Foreign Direct Investment (29th Annual Survey)-

November 2017

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

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# 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: 1,001**

- **Responses returned: 602 (response rate: 60.1%)**
  **(*) 345 companies responded by post, 257 companies responded over the web**

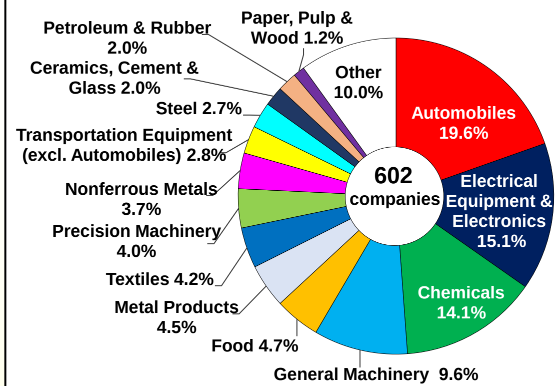
- **Period of survey: Sent in July 2017**
  **Responses returned from July to September 2017**
  **Face-to-face interviews and phone interviews conducted from July to September 2017**

- **Main survey topics:**
  - **Evaluations of overseas business performance**
  - **Overseas business prospects**
  - **Promising countries/regions over the medium-term**
  - **The main subjects pertaining to overseas business operations:**
    **･Services provided by, and services received by manufacturing companies**
    **･Business management of overseas bases**

- **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 chemicals 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 | FY2016 | FY2017 | Proportion |
|---|---|---|---|
| Automobiles | 122 | **118** | 19.6% |
| Electrical Equipment & Electronics | 93 | **91** | 15.1% |
| Chemicals | 95 | **85** | 14.1% |
| General Machinery | 63 | **58** | 9.6% |
| Food | 25 | **28** | 4.7% |
| Metal Products | 22 | **27** | 4.5% |
| Textiles | 27 | **25** | 4.2% |
| Precision Machinery | 36 | **24** | 4.0% |
| Nonferrous Metals | 26 | **22** | 3.7% |
| Transportation Equipment (excl. Automobiles) | 14 | **17** | 2.8% |
| Steel | 15 | **16** | 2.7% |
| Ceramics, Cement & Glass | 15 | **12** | 2.0% |
| Petroleum & Rubber | 13 | **12** | 2.0% |
| Paper, Pulp & Wood | 7 | **7** | 1.2% |
| Other | 64 | **60** | 10.0% |
| Total | 637 | **602** | 100.0% |

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

(companies)

| Paid-in Capital | FY2016 | FY2017 | Proportion |
|---|---|---|---|
| Less than ¥300 mn. | 111 | **117** | 19.4% |
| ¥300 mn. up to ¥1 bn. | 80 | **75** | 12.5% |
| ¥1 bn. up to ¥5 bn. | 151 | **136** | 22.6% |
| ¥5 bn. up to ¥10 bn. | 84 | **76** | 12.6% |
| ¥10 bn. or more | 191 | **176** | 29.2% |
| Holding company | 20 | **22** | 3.7% |
| No response | 0 | **0** | 0.0% |
| Total | 637 | **602** | 100.0% |

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

(companies)

| Net Sales | FY2016 | FY2017 | Proportion |
|---|---|---|---|
| Less than ¥10 bn. | 83 | **70** | 11.6% |
| ¥10 bn. up to ¥50 bn. | 217 | **220** | 36.5% |
| ¥50 bn. up to ¥100 bn. | 107 | **92** | 15.3% |
| ¥100 bn. up to ¥300 bn. | 119 | **110** | 18.3% |
| ¥300 bn. up to ¥1 trillion | 63 | **54** | 9.0% |
| ¥1 trillion or more | 46 | **42** | 7.0% |
| No response | 2 | **14** | 2.3% |
| Total | 637 | **602** | 100.0% |

1. Ratio of overseas production and business prospects (II. and III.)

Overseas production and sales ratio both fell slightly from the previous year, and were 35.0% and 38.5%, respectively. As for business prospects, “Strengthen/expand” regarding overseas operations stood at 72.1%, and the decreasing trend continued since the peak of 87.2% in FY2011. “Strengthen/expand” regarding domestic operations rose to 37.7%, reaching the highest level since FY2008.

2. Effects of the Trump administration and Brexit (III.)

As for the effects of the Trump administration regarding business in the United States and Canada, a large part of the responses consisted of “Not sure” and “Probably no effect,” but in regard to business in Mexico, around one-fourth of the companies responded with “Probably negative.” As for the effects of Brexit, over 20% of companies responded with “Probably negative” regarding business in the United Kingdom.

3. Promising countries over the medium-term (IV.)

China took first place for the first time in five years with 45.7%, up 3.7 points from the previous year. India, which was previously in first place, fell to second place but kept a high percentage share of over 40%. Vietnam (third place) and Thailand (fourth place) rose in the ranking, while Indonesia fell from third place to fifth place. Ratings for the United States and Mexico clearly diverged, as the percentage share of the United States (sixth place) increased significantly, while Mexico in seventh place saw a sharp decrease.

4. Services provided by manufacturing companies (V.)

(1) As for services provided by manufacturing companies, “Maintenance and after-sales services,” “Customization services,” and “Consulting and solution services” were the most widely implemented. In the future, “Providing value for customers using big data and/or IoT” is expected to increase. Moreover, “Providing knowledge and/or technologies to other companies” were being provided more in emerging countries than in developed countries.

4. Services provided by manufacturing companies (V.) (continued)

(2) As for the reasons for providing services, “Essential for selling products” had the highest response rate, followed by “To differentiate ourselves from other companies.” In regard to challenges, “Intense competition with rival companies” had the highest response rate, followed by “Lack of experts in the field.” Moreover, reasons and challenges for providing services differed somewhat depending on the type of services; “Providing value for customers using big data and/or IoT” tend to be carried out in order “To develop and diversify business” but “Lack of experts in the field” is a challenge, while “Solution services” are provided in order “To differentiate from other companies” but “Intense competition” is a challenge. Also, there was a strong awareness that “Low profitability” was a challenge for “Providing knowledge to other companies.”

5. Services received by manufacturing companies in their business overseas (VI.)

For “Legal/accounting/tax services,” a high ratio of companies used local companies, and for “Logistics services,” local companies were used slightly more than Japanese companies. As for the quality of the services, Japanese companies were rated highly. The ratio of companies using Japanese companies for “Marketing/advertising services” was low, and “Design services” was not used by most of the companies.

6. Business management of overseas bases (VII.)

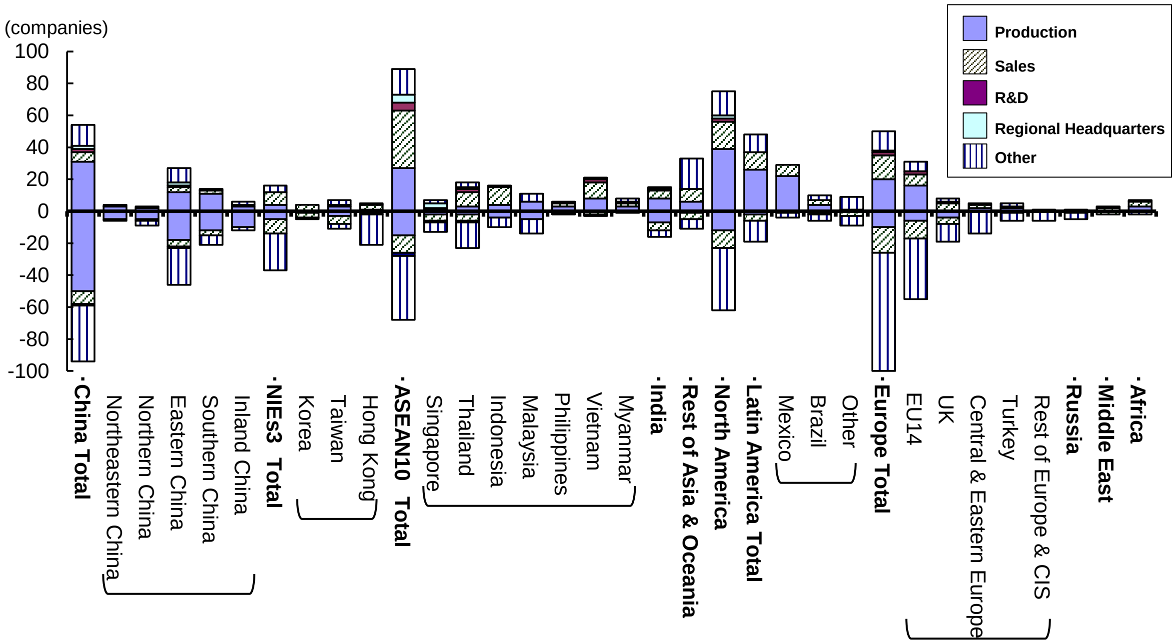
(1) The ratio of companies transferring headquarter functions overseas increased, compared to FY2013. Transferring of product design functions to emerging countries is currently not executed at a high level, but is expected to increase in the long-term.

(2) As for human resource management, an increasing number of companies are giving substantial responsibility to locals. Localization of human resources is expected to increase further in the medium-term, particularly in “Production and sales functions,” of which more than half of the top-level human resources is expected to be assumed by locals.

(3) In regard to challenges related to human resource management at overseas bases, “Unable to find/hire/retain local talent” and “Communication/collaboration difficulties due to linguistic/cultural differences” accounted for most of the responses, and “High turnover rate” among workers was also a challenge. As for initiatives related to human resource management, “Training at headquarters/regional bases” and “Standardizing work process and sharing management policies globally” gained high response rates. Moreover, “Delegation of authority to, and job promotion for, local staff” was high especially for managers.

# II. Basic Data on Overseas Business Operations & Performance Evaluations

## Figure 4: Increase/decrease in the Number of Overseas Affiliates (During FY2016)




Increase

Decrease

Note: The Percentage written in Figure5 shows the proportion of respondent companies (594)

## 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 | 467 | 78.6% |
| 2 | Thailand | 294 | 49.5% |
| 3 | North America | 253 | 42.6% |
| 4 | Indonesia | 196 | 33.0% |
| 5 | India | 137 | 23.1% |
| | Mexico | 137 | 23.1% |
| | Vietnam | 137 | 23.1% |
| 8 | EU 14 | 127 | 21.4% |
| 9 | Taiwan | 121 | 20.4% |
| 10 | Korea | 116 | 19.5% |
| 11 | Malaysia | 115 | 19.4% |
| 12 | Philippines | 80 | 13.5% |
| 13 | Brazil | 73 | 12.3% |
| 14 | UK | 64 | 10.8% |
| 15 | Central & Eastern Europe | 49 | 8.2% |

**(2) One or more overseas affiliates for sales**

| | Country/Area | No. of respondents (company) | Proportion |
|---|---|---|---|
| 1 | China | 323 | 54.4% |
| 2 | North America | 270 | 45.5% |
| 3 | EU 14 | 206 | 34.7% |
| 4 | Thailand | 197 | 33.2% |
| 5 | Singapore | 172 | 29.0% |
| 6 | Hong Kong | 157 | 26.4% |
| 7 | Taiwan | 152 | 25.6% |
| 8 | Korea | 139 | 23.4% |
| 9 | Indonesia | 123 | 20.7% |
| 10 | India | 107 | 18.0% |
| 11 | UK | 93 | 15.7% |
| 12 | Malaysia | 90 | 15.2% |
| 13 | Mexico | 82 | 13.8% |
| 14 | Vietnam | 78 | 13.1% |
| 15 | Brazil | 76 | 12.8% |

**The Classification of Major Regions**

**NIEs3** (Korea, Taiwan, Hong Kong)
**ASEAN5** (Singapore, Thailand, Indonesia, Malaysia, Philippines)
**ASEAN10** (ASEAN5 and Vietnam, Myanmar, Cambodia, Laos, Brunei)
**North America** (US, Canada)
**EU14** (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)

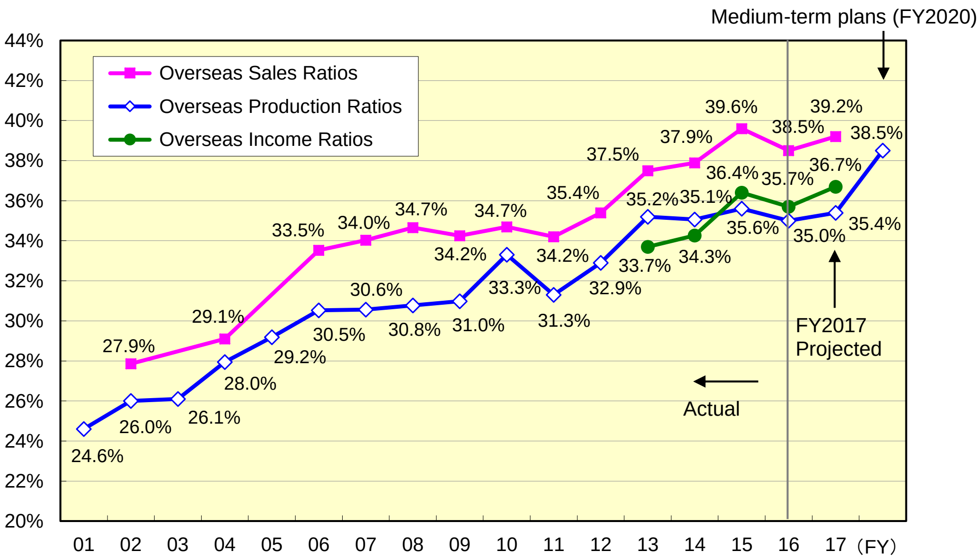
**The Classification of Areas in China**

**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)

## ■ Increase in the number of overseas affiliates largest in ASEAN10, decrease largest in Europe

- The total increase in the number of overseas affiliates in FY2016 was 391 (production: 164, sales: 112, research and development: 12, regional management: 10, other: 93), 232 less than the increase in FY2015 (623 companies). The region with the largest increase was ASEAN10 (89 companies), followed by North America (75), China (54), and Europe (50).
- The total decrease in overseas affiliates was 416. The number of decrease was greater than the previous year's 317, due to significant decrease in overseas affiliates in Europe, China, and ASEAN10, resulting from transfer of shares, etc. by large enterprises (electrical equipment & electronics)(Figure 4).
- Looking at mid-tier firms/SMEs, the increase was 28 companies, and the region with the greatest increase was ASEAN10 with 11 companies.

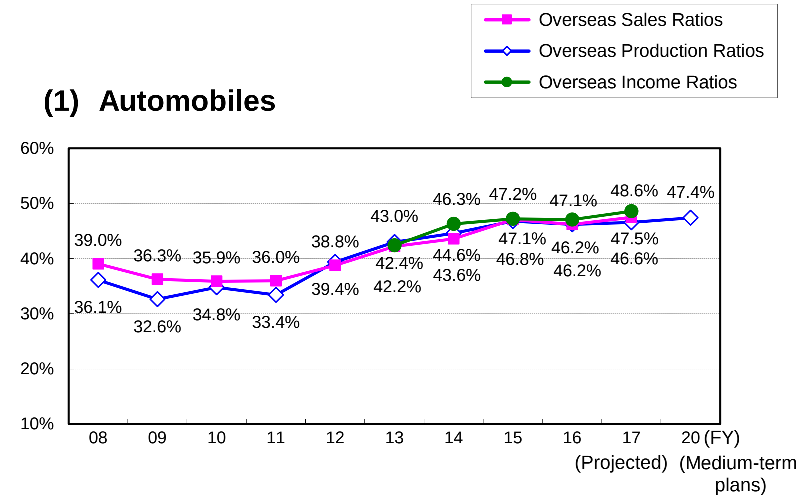
## Figure 6: Ratios of Overseas Production*1, Overseas Sales*2, and Overseas Income*3



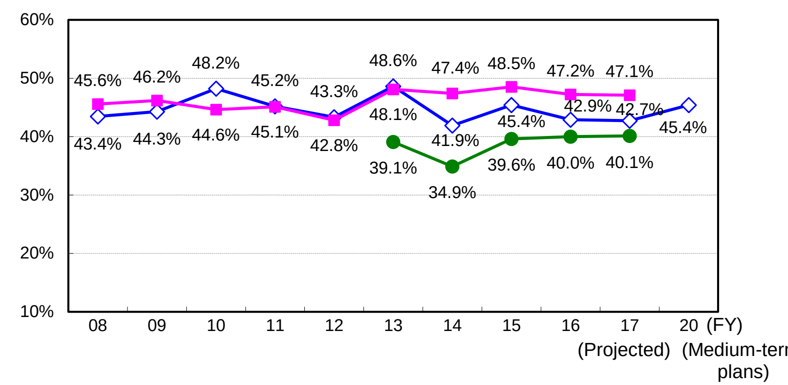

* Refer to Appendix 6 regarding values of Figures 7.

## Figure 7: Ratios of Overseas Production*1, Overseas Sales*2, and Overseas Income*3 by Industry

### (1) Automobiles




### (2) Electrical Equipment & Electronics




**■ In the FY2016 results, the ratio of overseas production was 35.0%, and overseas sales was 38.5%. Both decreased from FY2015, but looking beyond FY2016, the upward trend remains**

- The overseas production ratio in FY2016 was 35.0%, which fell from FY2015 (35.6%). Meanwhile, it is expected to increase to 38.5% in mid-term plans (FY2020), showing that the respondent companies' intention to expand overseas production has not changed (Figure 6).
- In FY2016, the ratio of overseas sales was 38.5%, and the overseas income was 35.7%, and each decreased from the previous year by 1.1 points and 0.7 points. Nevertheless, they are expected to increase again in FY2017 (Figure 6).
- In FY2016, the ratios of overseas production, overseas sales and overseas income were each lower than the previous year's forecasts.

**■Overseas production ratio stays high for "automobiles"**

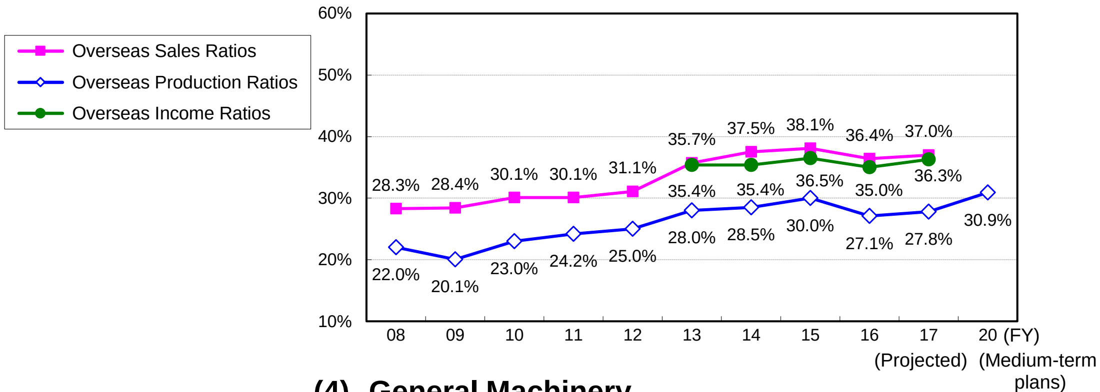
- In FY2016, out of the four major industries (automobiles, electrical equipment & electronics, chemicals, and general machinery), overseas production ratio was highest for "automobiles" with 46.2%. While it fell 0.6 points from the previous year, it remains on a high level. The FY2017 forecast was 46.6% and medium-term plans was 47.4%, showing that the automobile industry intends to maintain a high overseas production ratio going forward (Figure 7).
- As for "electrical equipment & electronics," overseas production ratio dropped 2.5 points from the previous year to 42.9%, but kept its high level (45.4%) for the medium-term plans (Figure 7).

* 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.

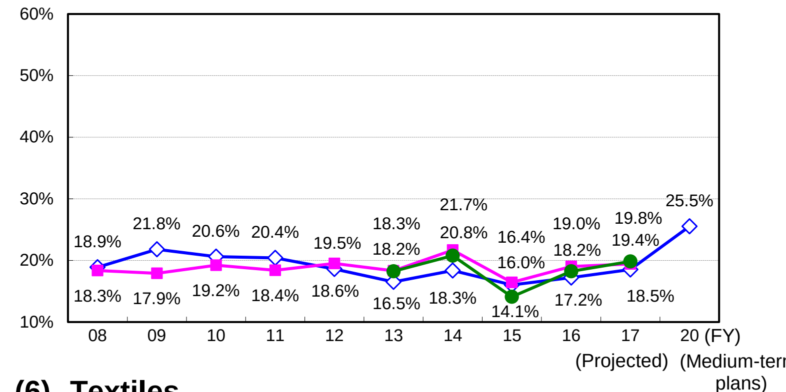
* Refer to Appendix 6 regarding values of Figures 7.

## Figure 7(cont.): Ratios of Overseas Production[*1], Overseas Sales[*2],and Overseas Income[*3] by Industry

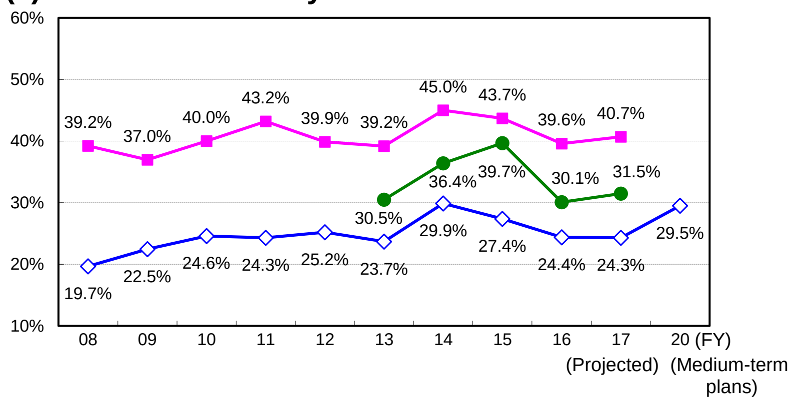
### (3) Chemicals



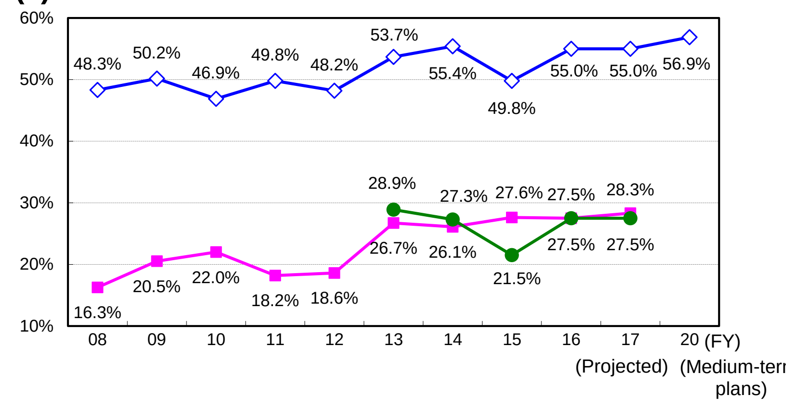

### (5) Food




### (4) General Machinery




### (6) Textiles




* 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.

### ■ Overseas income ratio drops 9.6 points for general machinery

- In FY2016, overseas income ratio of the general machinery industry fell 9.6 points from the previous year to 30.1%. Overseas sales ratio also declined by 4.1 points. While overseas production ratio dropped by 3.0 points, it is expected to increase to 29.5% in the medium-term.
- Looking at food, which is a domestic demand-based industry, overseas production ratio and overseas sales ratio both remained around 20%, but overseas production is expected to increase to 25.5% in mid-term plans, indicating the food industry’s strong intention to expand overseas production.
- As for textiles, while overseas production ratio was above 50%, overseas sales ratio stayed at less than 30%.

Q

Which of the following applies concerning your company's FY2016 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 (Almost the same as initially planned)
4: Somewhat satisfactory 5: Satisfactory

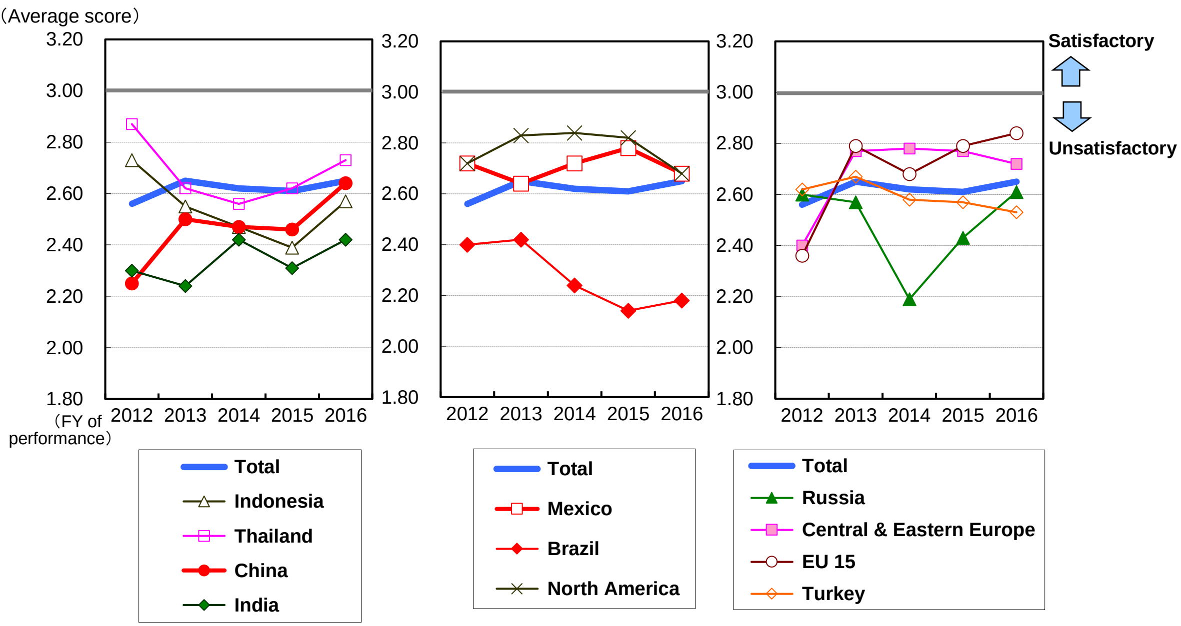
## Figure 8: Satisfaction with Net Sales/Profits (total averages)

| (FY of performance) | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|---|---|---|---|---|---|
| Net Sales | 2.63 (▲0.01) | 2.71 ( +0.08) | 2.66 (▲0.05) | 2.56 (▲0.10) | 2.67 (+0.11) |
| Profits | 2.56 ( +0.02) | 2.65 ( +0.09) | 2.62 (▲0.03) | 2.61 (▲0.01) | 2.65 (+0.04) |

(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 9: Satisfaction with Profits (by region)

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




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

## Figure 10: Countries/Regions Respondent Companies Answered as More Profitable than Japan (descending order by ratio)

| | Country/Region | "More Profitable than Japan" responses (1) | Responses per region/countries (2) | Ratio: [(1)/(2)] |
|---|---|---|---|---|
| 1 | Thailand | 96 | 352 | 27.3% |
| 2 | China | 126 | 485 | 26.0% |
| 3 | Vietnam | 48 | 186 | 25.8% |
| 4 | North America | 86 | 374 | 23.0% |
| 5 | EU15 | 53 | 247 | 21.5% |

(Note) When companies were asked about their profitability in FY2015 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.

### ■ Satisfaction with net sales and profits rises

- Satisfaction with "net sales" rose 0.11 points from the previous year to 2.67, and satisfaction with "profits" rose 0.04 points from the previous year to 2.65 (Figure 8).

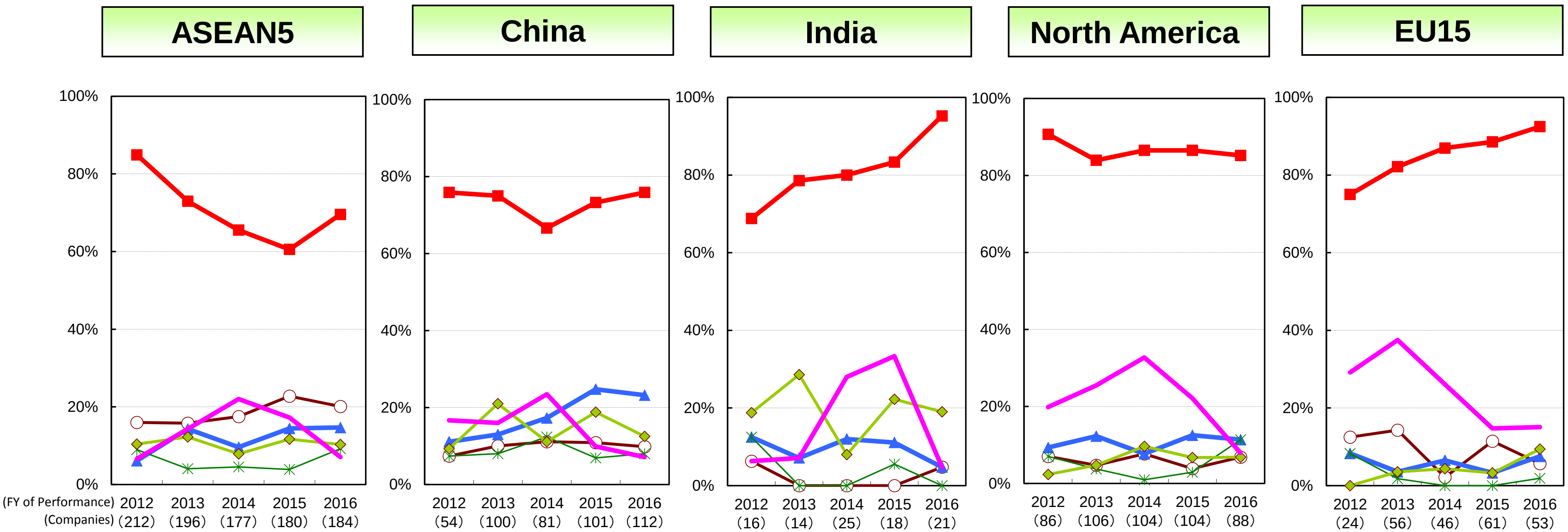
### ■ Satisfaction with profit: rises in Asia, drops in North America and Mexico, and remains high in EU15

- Comparing degree of satisfaction with profit with the previous year's, China and Indonesia both increased significantly (China: up from 2.46 to 2.64, Indonesia: up from 2.39 to 2.57). Thailand was also high at 2.73 (Figure 9(1)). While not shown in Figure 9, in Asia, the country with the highest degree of profit satisfaction was Vietnam (2.86), which was also the case in the previous year.
- Degree of satisfaction with profit in North America has stayed high relative to other countries/regions since FY2012, but in FY2016, it turned to a decline. Mexico also declined in FY2016 in spite of an increasing trend since FY2013. While satisfaction in Brazil recovered slightly, it continued to be low (Figure 9(2)).
- As for Europe, satisfaction in EU15 rose by 0.05 points to 2.84, marking a high level (Figure 9(3)).

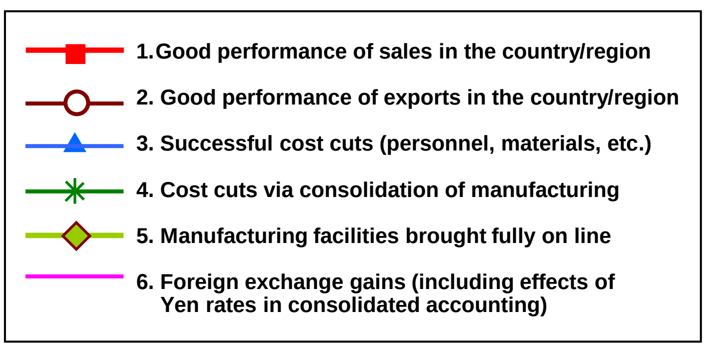
### ■ Around 30% of the respondent companies say profitability is higher in Thailand than in Japan

- As for countries/regions more profitable than Japan, Thailand was rated first place with a response rate of 27.3%. Meanwhile, North America fell to fourth place from second place in FY2016 (Figure 10).

## Figure 11: 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.



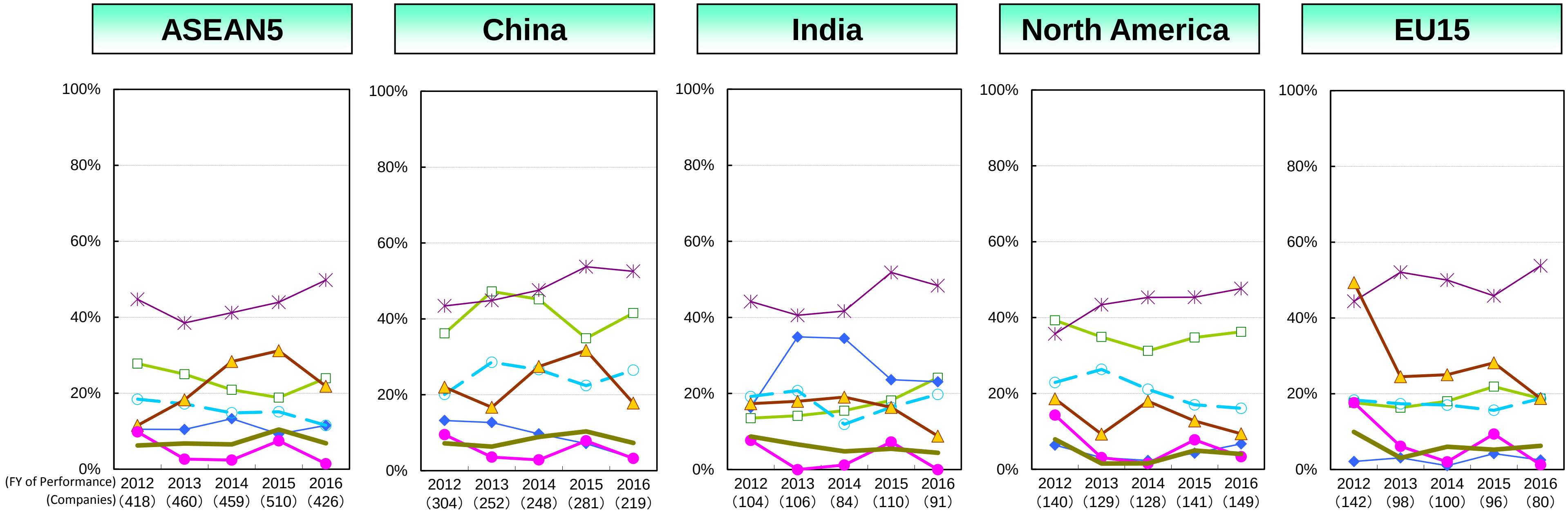

### ■ “1. Good performance of sales in the country/region” rises in ASEAN5

• Among the reasons for satisfaction, in all regions, the most frequent response was “1.Good performance of sales in the country/region”. In ASEAN5, where the response rate has been in a decreasing trend since FY2012, the response rate increased from 60.6% to 69.6% this year, mainly due to increases in Malaysia and Singapore. (The ratio was at about the same for ASEAN10 (68.8%)). Increasing trends continued in India (95.2%) and EU15 (92.5%), and in China the response rate rose slightly from 73.3% in the previous year to 75.9%. In North America, the ratio stayed high (85.2%).

### ■ Effects of “6. Foreign exchange gains” weakens in all regions

• In all regions, the response rate of “6. Foreign exchange gains” has been in a declining trend, dropping significantly from the previous year particularly in India and North America. In FY2016, the appreciation of the yen from December 2015 to August 2016 seems to have weakened the positive effects on the respondent companies’ performance (consolidated basis).

## Figure 12: Reasons for Unsatisfactory Profitability over Time (Multiple responses)




(Note) Companies who responded “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)**

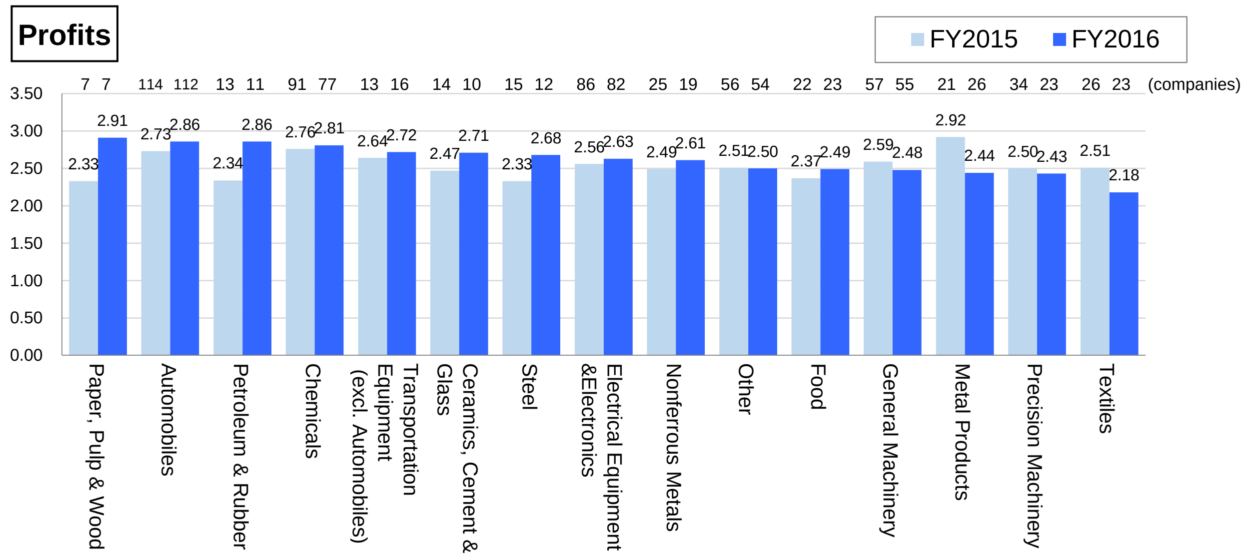
### ■ “4. Difficulty in getting customers (intense competition)” at first place in all regions

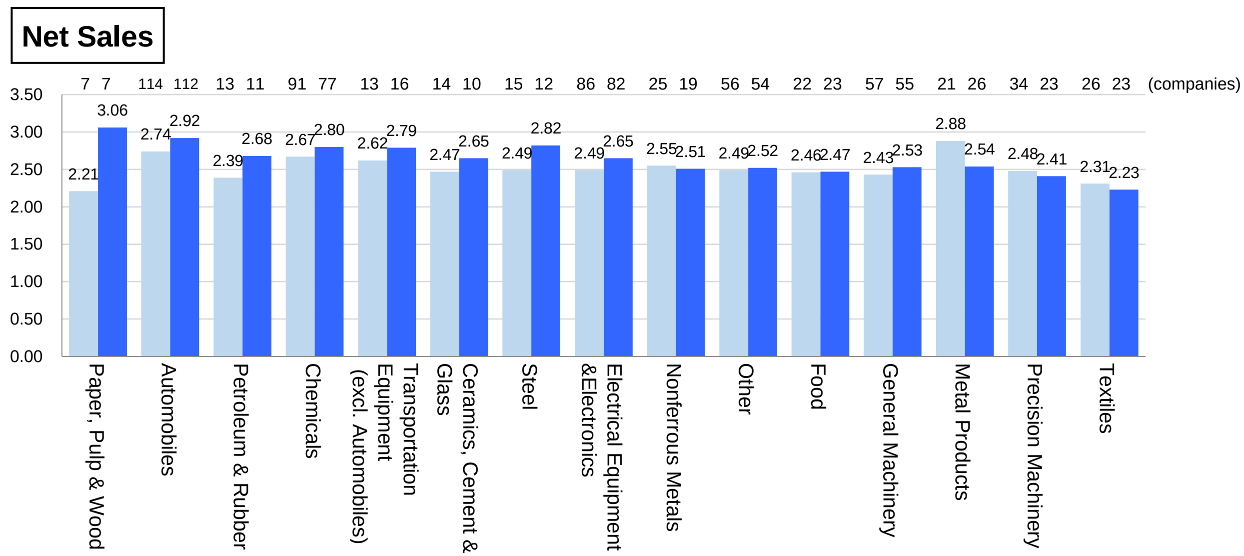
- Like the previous year, in all regions, the top reason for unsatisfactory profitability was “4. Difficulty in getting customers (intense competition)” with close to 50% of responses in each region, and thus it appears that Japanese companies are facing intense competition in overseas markets.
- Looking at China, “1. Difficulty in cutting costs (personnel, materials, etc.),” which had been in a declining trend since FY2013, rebounded from 34.9% in the previous year to 41.6%, reaching a high level compared to other countries and regions.

### ■Effects of economic slowdown weakens particularly in Asia

- The response rate of “5. Shrinking market due to economic fluctuations” fell in all regions. In ASEAN5, the ratio dropped particularly in Indonesia (from 38.3% to 20.9%), and it also fell significantly in China, from 31.7% to 17.8%, which suggests that the respondent companies are feeling that the market is expanding particularly in Asia. (In the case of ASEAN10, the ratio was 19.4%, 2.4 points lower compared with ASEAN5.)
- While not included in the figure, Vietnam (6.6%) had the lowest response ratio of “5. Shrinking market due to economic fluctuations” among all of the countries and regions.

## Figure 13: Evaluating Satisfaction of Net Sales & Profits (FY2016 performance)




(Note 1) The industries are lined up in order of the size of the numerical value of the average satisfaction with profit. When the figures are the same, they are then lined up in order of the size of the average satisfaction with net sales.
(Note 2) The numbers above the graph bars indicate the numbers of respondent companies.

## Figure 14: Countries/regions with highest average in satisfaction with profits

| Industry | Countries/regions with highest average in satisfaction with profits |
|---|---|
| 1. Paper, Pulp & Wood | Indonesia, Thailand, Vietnam (4.00) |
| 2. Automobiles | China (3.22) |
| 3. Petroleum & Rubber | Vietnam (4.33) |
| 4. Chemicals | Central & Eastern Europe (3.08) |
| 5. Transportation Equipment (excl. Automobiles) | Malaysia (3.25) |
| 6. Ceramics, Cement & Glass | Vietnam (3.75) |
| 7. Steel | EU15 (3.75) |
| 8. Electrical Equipment & Electronics | Russia (3.17) |
| 9. Nonferrous Metals | North America (3.27) |
| 10. Other | Myanmar (3.00) |
| 11. Food | EU15 (3.00) |
| 12. General Machinery | EU15 (2.86) |
| 13. Metal Products | Philippines (3.50) |
| 14. Precision Machinery | Russia (2.89) |
| 15. Textiles | Mexico (3.00) |

### ■ Among all 15 industries, satisfaction with profit rises for 10, and falls for 5

- Satisfaction with profit was highest for “paper, pulp & wood” (2.91), which was lowest in the previous year. Satisfaction with profit was high in Indonesia, Thailand, Vietnam, and Brazil due to increased sales of cardboard boxes and thermal paper. Second highest was “automobiles” (2.86), which remained low in Brazil and India, but was high in China and Vietnam. “Petroleum & rubber” came in third place, rising significantly from thirteenth place in the previous year, and was particularly high in Vietnam (Figure 14).
- Satisfaction with profit fell in the four industries of “general machinery”, “metal products”, “precision machinery”, “textiles”, and “other industries”. “Metal products” (from 2.92 to 2.44) marked a particularly significant decline from first place in the previous year to thirteenth place, and looking at the results by country, satisfaction with profit dropped in North America and Mexico (Figure 13).

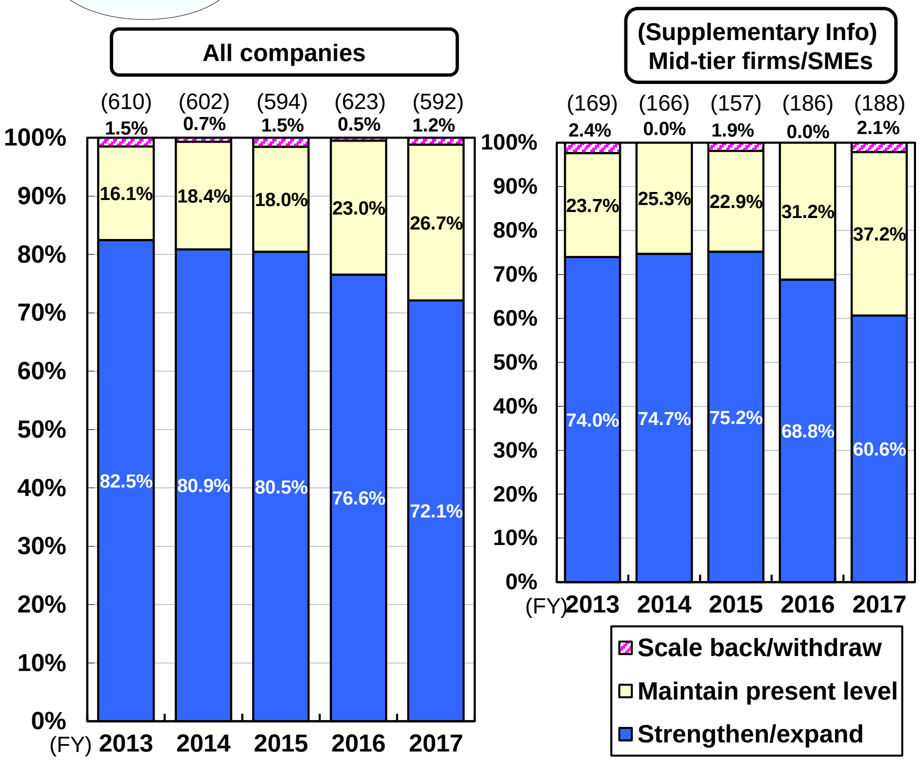
# III. Business Prospects

Q

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

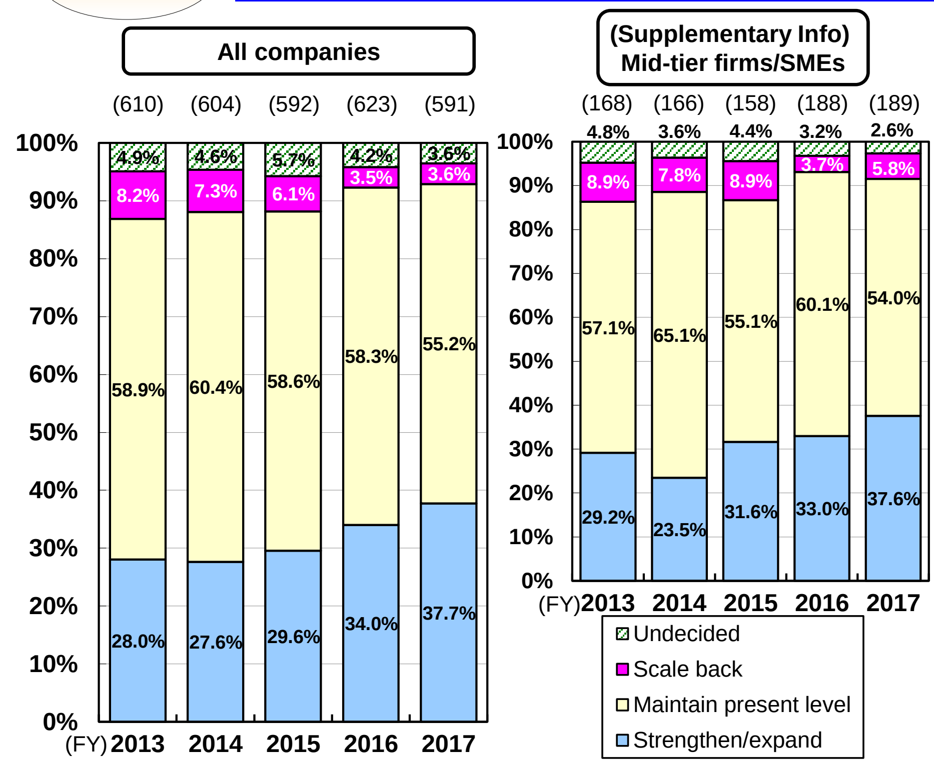
Overseas

**Figure 15: Medium-term Prospects (next 3 yrs. or so) for Overseas Operations**




Domestic

**Figure 16: 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 responses.

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

**■ Strengthen/expand intention regarding overseas operations stands at 72.1%, dropping 4.5 points from the previous year, and continuing to decline**

- 427 companies responded "Strengthen/expand" regarding overseas operations over the medium term, marking a response ratio of 72.1% (Figure 15). "Strengthen/expand" intention has been gradually declining from the peak of 87.2% in FY2011, and there appears to be a slowdown regarding respondent companies' intention to strengthen overseas operations. In interviews with companies that responded "Strengthen/expand" for the previous year and "Maintain present level" for this year, their reasons for changing answers included "to consolidate manufacturing bases," "to focus on existing bases," "insufficient global human resources," and "uncertain international situation." Mid-tier firms/SMEs had weaker "Strengthen/expand" intention compared to large enterprises, and this year, the response ratio fell 8.2 points to 60.6%.

**■ Strengthen/expand intention regarding domestic operations stands at 37.7%, rising 3.7 points from the previous year, marking the highest level since FY2008**

- As for medium-term prospects regarding domestic operations, while "Maintain present level" had the highest response ratio (55.2%), "Strengthen/expand" continued to be in an increasing trend (37.7%) (Figure 16). In interviews, reasons for choosing "Strengthen/expand" included "to develop new products and new technologies domestically," "to develop new business," "to strengthen "made in Japan" brand," and "Olympics-related demand."

※See Appendix 4 regarding data by industry of Figure 17 and 18.

**Figure 17:**
**Medium-term Prospects for Overseas Operations**

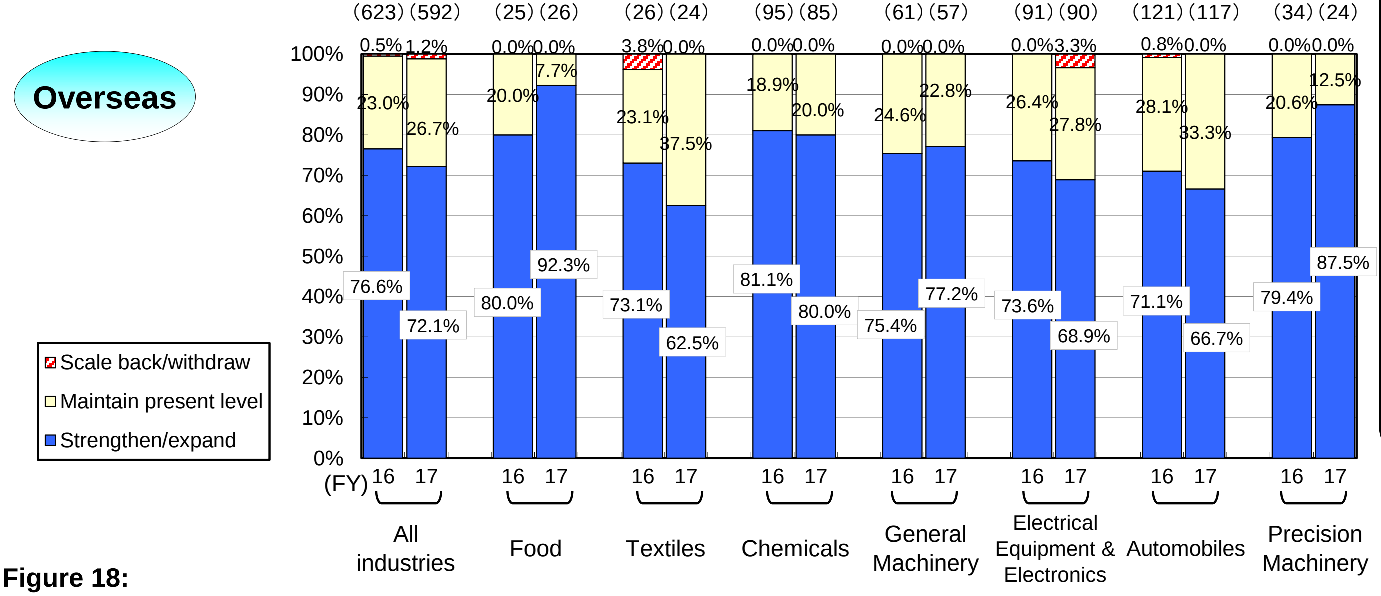
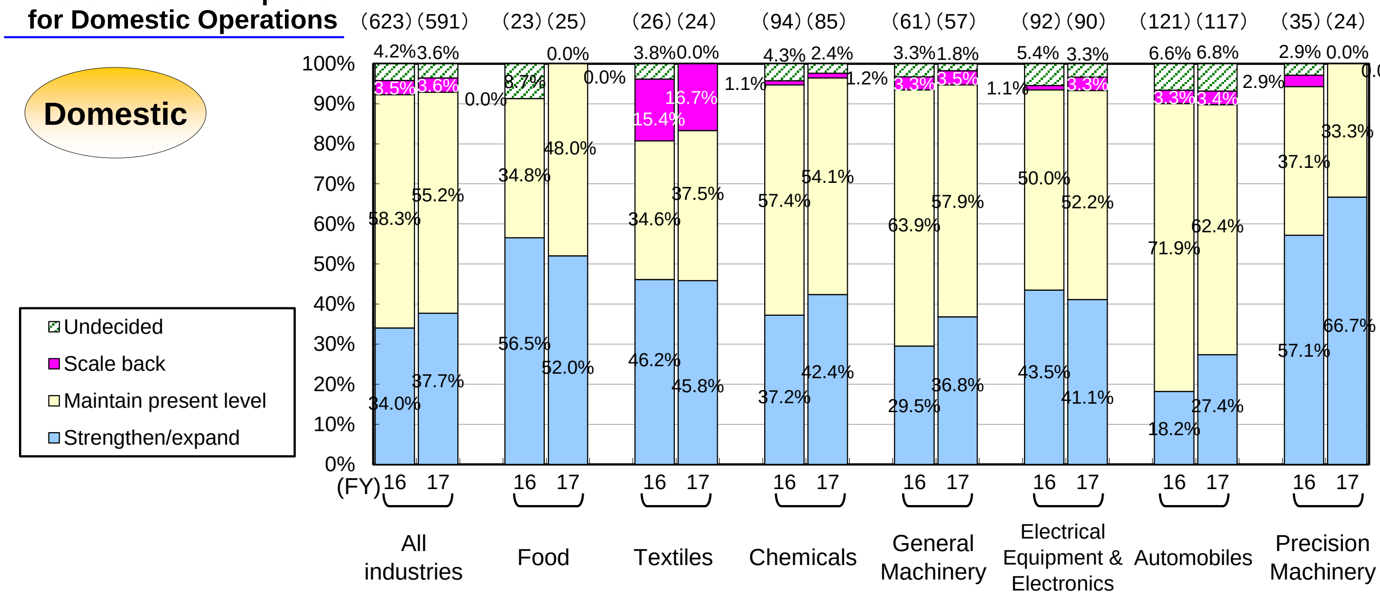



**Figure 18:**
**Medium-term Prospects for Domestic Operations**




**■Response rate of "Strengthen/expand" for overseas operations increases in food and precision machinery**

- Of the eight major industries, food, precision machinery, and general machinery industries saw an increase in “Strengthen/expand" (Figure 17). On the other hand, it has been in a gradual decreasing trend in automobiles since 2012, and also in electrical equipment & electronics since 2014.
- This year, “Strengthen/expand" was at 80% or above in chemicals, ceramics, cement & glass, food, and precision machinery. Industries with a response rate of less than 65% were textiles, metal products, and transportation equipment (excluding automobiles).

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.

**■Response rate of "Strengthen/expand" for domestic operations increases in precision machinery, automobiles, general machinery, and chemicals**

- This seems to be due to the fact that the domestic economy is in a gradual recovery partly because the automobile and semiconductor industry are performing well.
- Like the previous year, the response rate of “Strengthen/expand” was particularly high in precision machinery (66.7%), food (52.0%), and textiles (45.8%) (Figure 18). However, textiles also had a high ratio of “Scale back” compared to other industries.
- The response rate of “Strengthen/expand" in automobiles surpassed 20% for the first time in nine years.

## Figure 19: Cross Analysis of Prospects for Overseas and Domestic Businesses

### (1) Total

| Medium-term Prospects (next 3 yrs. or so) | | | |
|---|---|---|---|
| Overseas business | Domestic business | No. of respondent companies | Proportion |
| Strengthen/expand (425 companies) | Strengthen/expand | 201 | 47.3% |
| | Maintain present level | 195 | 45.9% |
| | Scale back | 17 | 4.0% |
| | Undecided | 12 | 2.8% |
| Maintain present level (157 companies) | Strengthen/expand | 22 | 14.0% |
| | Maintain present level | 125 | 79.6% |
| | Scale back | 3 | 1.9% |
| | Undecided | 7 | 4.5% |
| Scale back/withdraw (7 companies) | Strengthen/expand | 0 | 0.0% |
| | Maintain present level | 4 | 57.1% |
| | Scale back | 1 | 14.3% |
| | Undecided | 2 | 28.6% |

(n= 589 companies)

396 Companies 93.2%

### (2) Mid-tier firms /SMEs

| Medium-term Prospects (next 3 yrs. or so) | | | |
|---|---|---|---|
| Overseas business | Domestic business | No. of respondent companies | Proportion |
| Strengthen/expand (114 companies) | Strengthen/expand | 59 | 51.8% |
| | Maintain present level | 45 | 39.5% |
| | Scale back | 8 | 7.0% |
| | Undecided | 2 | 1.8% |
| Maintain present level (70 companies) | Strengthen/expand | 12 | 17.1% |
| | Maintain present level | 53 | 75.7% |
| | Scale back | 3 | 4.3% |
| | Undecided | 2 | 2.9% |
| Scale back/withdraw (4companies) | Strengthen/expand | 0 | 0.0% |
| | Maintain present level | 3 | 75.0% |
| | Scale back | 0 | 0.0% |
| | Undecided | 1 | 25.0% |

(n= 188 companies)

104 Companies 91.2%

## Figure 20: Profile of Companies (396 companies) Which Selected to Expand Overseas Businesses and Expand / Maintain 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 | 28 | 42 | 66.7% |
| ¥300 bn. up to ¥1 trillion. | 43 | 54 | 79.6% |
| ¥100 bn. up to ¥300 bn. | 81 | 110 | 73.6% |
| ¥50 bn. up to ¥100 bn. | 67 | 92 | 72.8% |
| ¥10 bn. up to ¥50 bn. | 134 | 220 | 60.9% |
| Less than ¥10 bn. | 36 | 70 | 51.4% |
| No Answer | 7 | 14 | 50.0% |
| Total | 396 | 602 | 65.8% |

(2) Industry

| | No. of companies responding "scale back" for domestic business prospect (A) | No. of respondent companies (B) | (A)/ (B) |
|---|---|---|---|
| Precision Machinery | 21 | 24 | 87.5% |
| Food | 23 | 28 | 82.1% |
| Nonferrous Metals | 17 | 22 | 77.3% |
| Chemicals | 65 | 85 | 76.5% |
| General Machinery | 41 | 58 | 70.7% |
| Ceramics, Cement & Glass | 8 | 12 | 66.7% |
| Electrical Equipment & Electronics | 57 | 91 | 62.6% |
| Automobiles | 71 | 118 | 60.2% |
| Paper, Pulp & Wood | 4 | 7 | 57.1% |
| Steel | 9 | 16 | 56.3% |
| Transportation Equipment (excl. Automobiles) | 9 | 17 | 52.9% |
| Petroleum & Rubber | 6 | 12 | 50.0% |
| Metal Products | 13 | 27 | 48.1% |
| Textiles | 12 | 25 | 48.0% |
| Other | 40 | 60 | 66.7% |
| Total | 396 | 602 | 65.8% |

**■ Regardless of company size, over 90% of the companies intending to "Strengthen/expand" overseas operations over the medium term also intend to "Strengthen/expand" or "Expect to maintain present level" domestic operations**

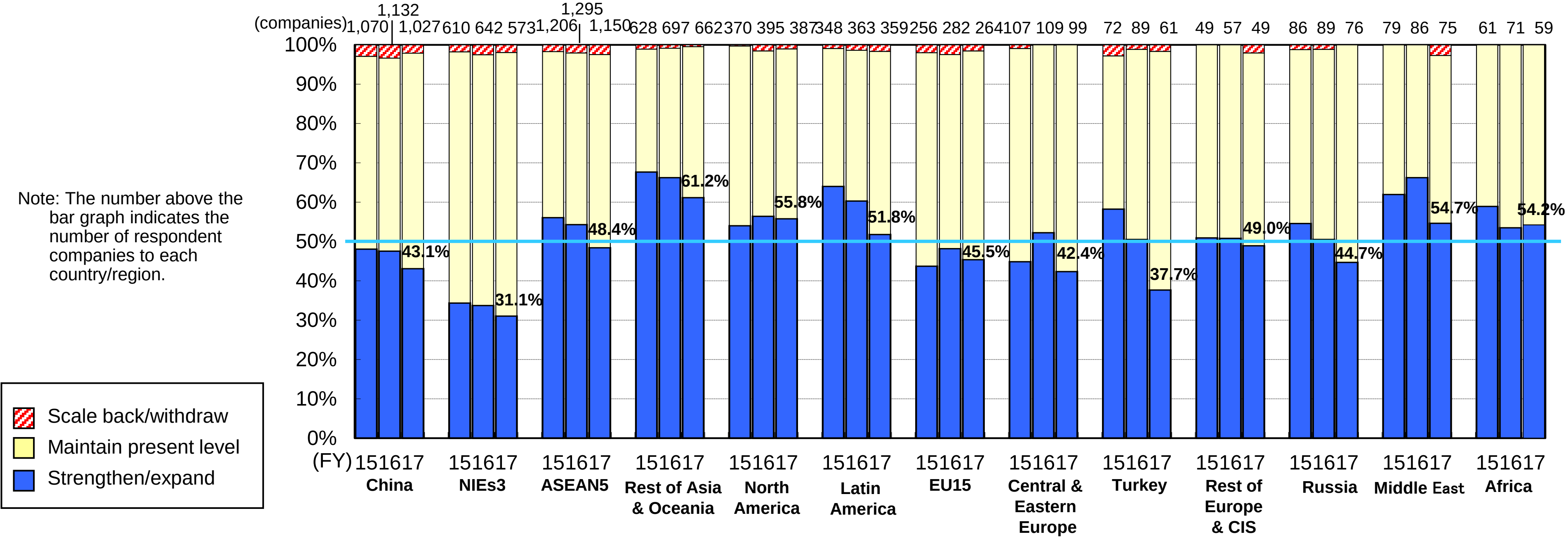
- Of the 425 companies that responded "Strengthen/expand" for their overseas operations over the medium term, 396 responded either "Strengthen/expand" or "Maintain present level" for domestic operations. This ratio was 93.2%, up 0.4 points from the previous year (92.8%) (Figure 19(1)).
- The ratio of companies that responded "Strengthen/expand" regarding both overseas and domestic operations stood at 47.3%, marking the highest level since this cross analysis began in FY2010.

**Figure 21**: **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.




■ **In all countries and regions except Africa, "Strengthen/expand" intention falls from the previous year**

- In North America, EU15, and Central & Eastern Europe the response rate of "Strengthen/expand" fell this year, despite of an increasing trend until last year.
- "Strengthen/expand" has been in a gradual decreasing trend in ASEAN5 since FY2013, and also in China and NIEs3 since FY2014. All over Asia, intention to "Strengthen/expand" appears to be in a slowdown.
- Response rate of "Strengthen/expand" increased only in Africa (54.2%), where companies with a higher ratio of overseas net sales to domestic net sales tend to answer "Strengthen/expand" for their overseas operation.

■ **As for Rest of Asia & Oceania, "Strengthen/expand" intention is above 60%, the highest of all regions, and is driven by India and Vietnam**

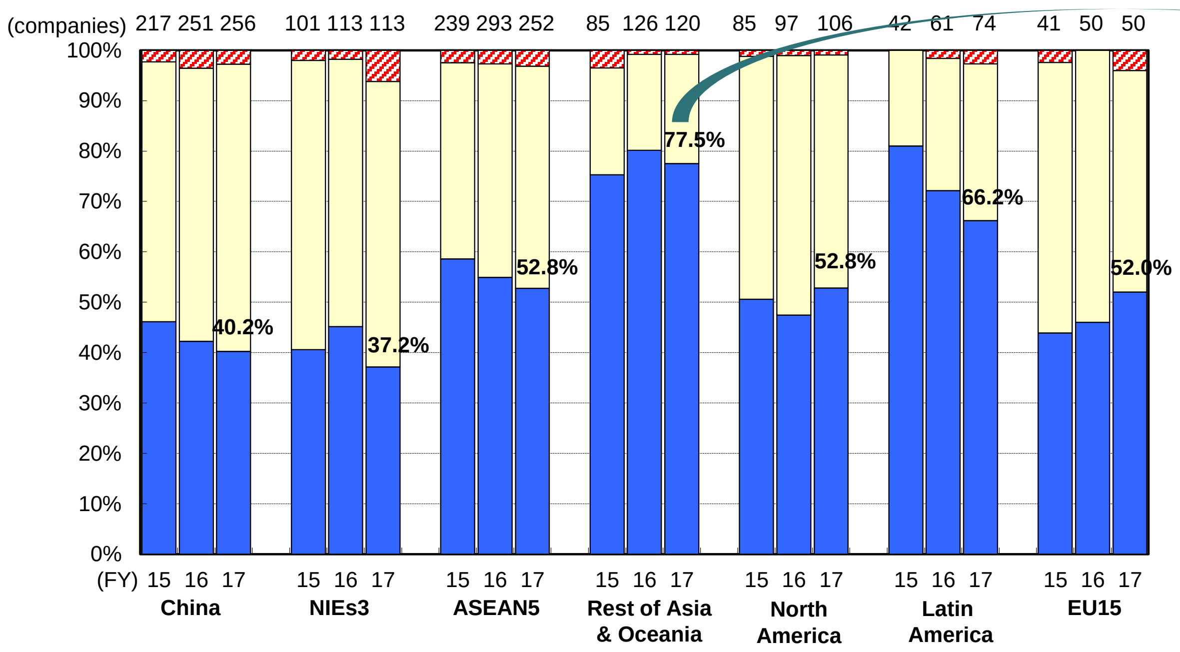
- The response rate of "Strengthen/expand" regarding the Rest of Asia & Oceania region was 61.2%, and while this marked a decline from the previous year's 66.3%, its high level was maintained. India (73.3%) and Vietnam (66.4%), the only countries whose response rate of "Strengthen/expand" exceeded 65%, played the leading role.

■ **In Turkey, Middle East, and Latin America, "Strengthen/expand" weakens and "Maintain present level" strengthens**

- In Turkey, Middle East, and Latin America, "Strengthen/expand" declined significantly from the previous year. Regarding Turkey, this seems to be due to factors such as increase in geopolitical risk and political instability. As for the Middle East, this seems to be due to a weakening of business expectations after the lifting of the sanctions against Iran, and as for Latin America, the significant drop in "Strengthen/expand" intention in Mexico seems to have affected the results.

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

**The response rate of "Strengthen/Expand" in Rest of Asia & Oceania**

| | Mid-tier firms/ SMEs | Large Corporations | Difference (points) |
|---|---|---|---|
| Laos (4) | 75.0% | 26.9% | 48.1 |
| Cambodia (11) | 81.8% | 43.6% | 38.2 |
| Myanmar (13) | 84.6% | 54.7% | 29.9 |
| Vietnam (45) | 77.8% | 63.4% | 14.4 |
| India (32) | 81.3% | 71.8% | 9.5 |

Note: The response rate of 2017 fiscal year. The Numbers in parentheses on the right side of countries are the numbers of respondent companies of mid-tier firms/SMEs.

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

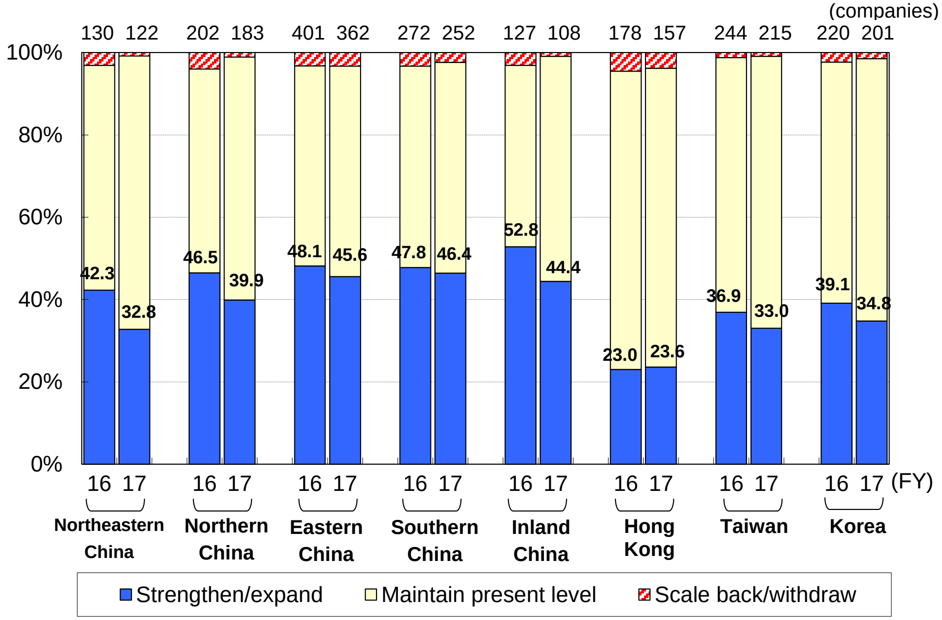
■ **As for business prospects of mid-tier firms/SMEs by region, intention to "Strengthen/expand" is highest in the Mekong region and India**

- Mid-tier firms/SMEs had strong "Strengthen/expand" intention in the Rest of Asia & Oceania region, and while its response rate fell slightly from the previous year, it stood at 77.5%. Within this region, "Strengthen/expand" was strong in the countries surrounding Thailand, the so-called Mekong region (Myanmar, Cambodia, Vietnam, etc.), amounting to over 75% for each country. In these countries, the response rates of "Strengthen/expand" were higher for mid-tier firms/SMEs than for large enterprises.
- In India, "Strengthen/expand" was high at 81.3%, up 5.7 points from the previous year. The response rate of "Strengthen/expand" increased from the previous year in North America (52.8%) and EU15 (52.0%), and remained at the same level in ASEAN5 (52.8%).

■ **Although intention to "Maintain present level" strengthens in China, NIEs3, and ASEAN, mid-tier firms/SMEs show stronger intention to "Strengthen/expand" their business in most of the ASEAN5 countries than large enterprises**

- In China, "Strengthen/expand" further weakened to 40.2%, which is 3.9 points lower than the ratio for larger enterprises (44.1%).
- In ASEAN5, "Strengthen/expand" dropped to 52.8%. On the other hand, looking at the response rate of "Strengthen/expand" for each Asian countries, mid-tier firms/SMEs had stronger "Strengthen/expand" intention than large enterprises in NIEs and ASEAN excluding Thailand.

## Figure 22: Medium-term Prospects for Overseas Operations (China & NIEs3)




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 22 are proportions of the companies responding "strengthen/expand" (unit: percentage).

### ■ In China, "Strengthen/expand" is in a downward trend

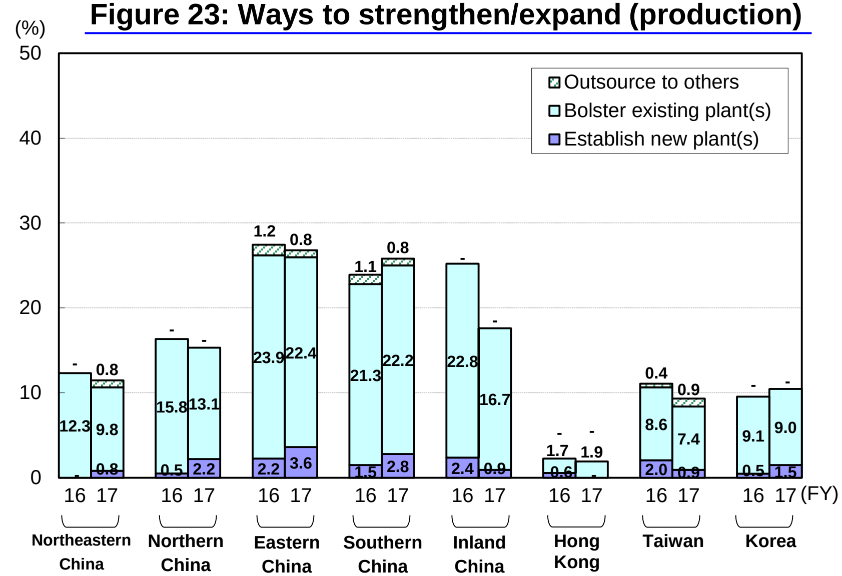
- In China, until FY2016 the response rate of "Strengthen/expand" was almost the same as that of "Maintain present level," but it dropped this year, particularly in the Northeastern, Northern and Inland areas. The ratio of "Maintain present level" was high in all areas of China (Figure 22).
- Looking at ways to strengthen/expand (production), the response rate of "Bolster existing plant(s)" was high, while it was low for "Establish new plant(s)" (Figure 23). As for sales, there appears to be a trend to strengthen and expand sales by "Bolster existing bases" and "More use of agencies" (Figure 24).

### ■ "Strengthen/expand" intention drops in South Korea and Taiwan, and strengthens slightly regarding Hong Kong

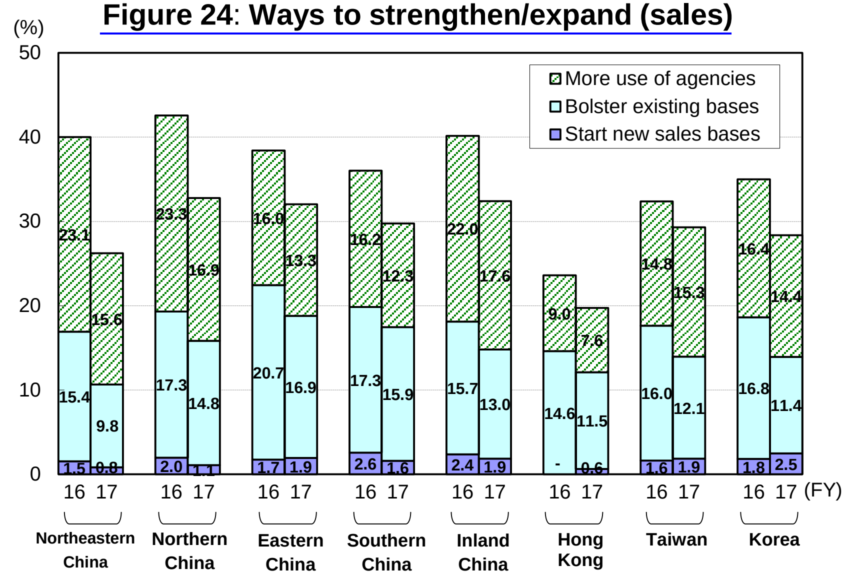
- In South Korea and Taiwan, more than 65% of respondent companies responded "Maintain present level" over the medium-term, while "Strengthen/expand" declined from the previous year (Figure 22).
- In Hong Kong, the response rate of "Strengthen/expand" stood at 23.6%, up slightly from the previous year (Figure 22).

* Figures 23 and 24 summarize the specific efforts by the companies responding "strengthen/expand" in Figure 22 by production and sales. Multiple responses were possible. The figures on the bar graph were calculated based on the number of respondent companies regarding each country and region in Figure 22.

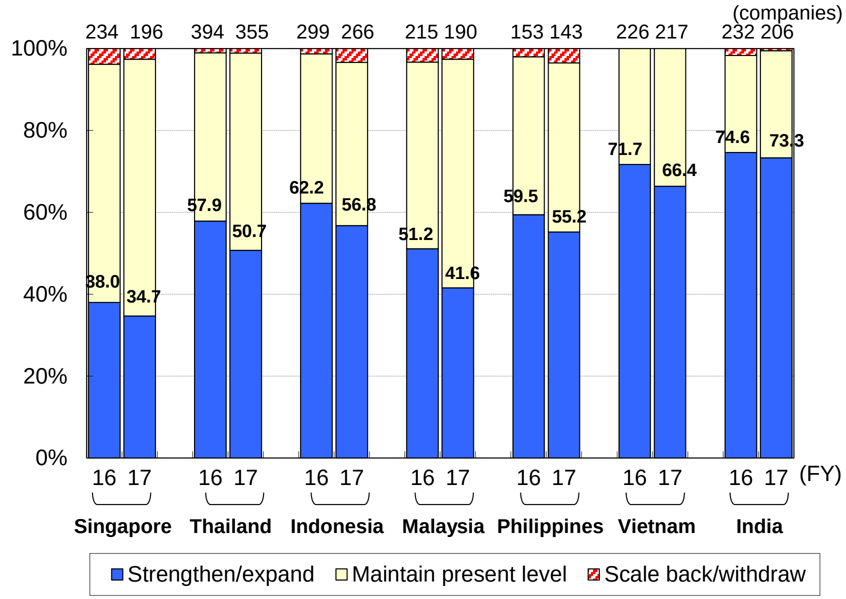
## Figure 23: Ways to strengthen/expand (production)




## Figure 24: Ways to strengthen/expand (sales)



## Figure 25: Medium-term Prospects for Overseas Operations (ASEAN5, Vietnam & India)




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 25 are proportions of the companies responding "Strengthen/expand" (unit: percentage).

### ■"Strengthen/expand" drops in all countries of ASEAN5

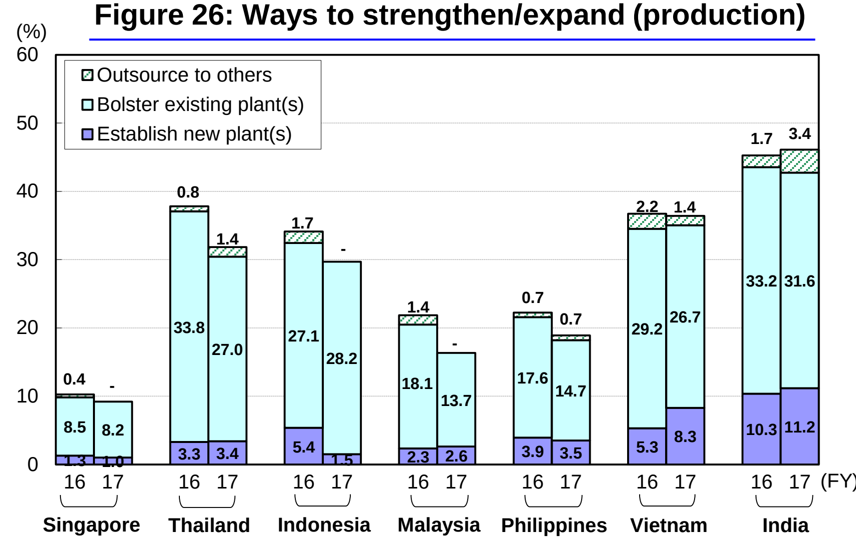
- Among ASEAN5, the response rate of "Strengthen/expand" was the highest in Indonesia (56.8%), followed by the Philippines (55.2%) (Figure 25). In Indonesia and Thailand, the response rate of "Strengthen/expand" exceeded 70% in FY2012 and FY2013, but has been in a declining trend ever since. In the Philippines, "Strengthen/expand" was in an increasing trend but fell slightly this year. Nevertheless, like the previous year, it was still higher than that of Thailand.
- Regarding ASEAN5, compared to India and Vietnam, the ratio of "Bolster existing plant(s)" was high (Figure 26).

### ■In India and Vietnam, intention to "Strengthen/expand" stays at a high level

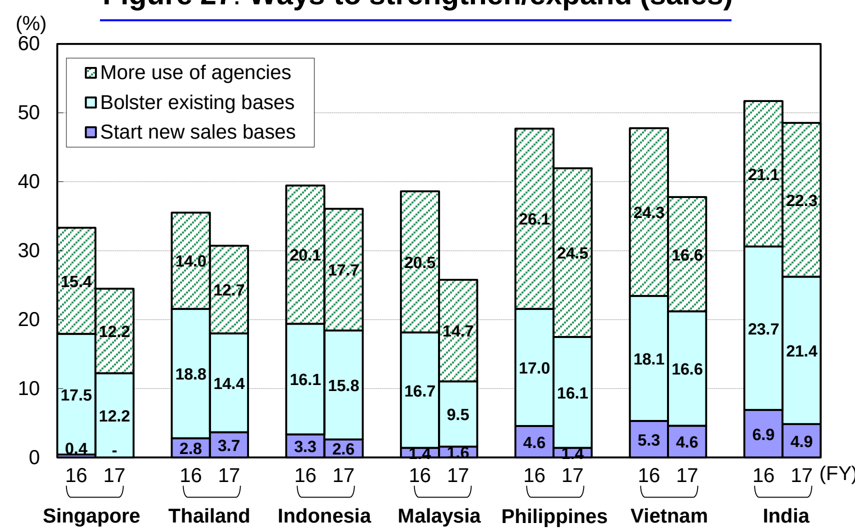
- In India, although the response rate of "Strengthen/expand" had dropped slightly from the previous year, it still was the highest among all countries at 73.3%. In Vietnam, "Strengthen/expand" was 66.4% and continued to be at a high level (Figure 25). Among the major countries, these two are the only countries where the response rate of "Strengthen/expand" exceeded 65%.
- As for sales, there appears to be a trend to strengthen and expand sales by "Bolster existing bases" and "More use of agencies" (Figure 27).

* Figures 26 and 27 summarize the specific efforts by the companies responding "Strengthen/expand" in Figure 25 by production and sales. Multiple responses were possible. The figures on the bar graph were calculated based on the number of respondent companies regarding each country and region in Figure 25.

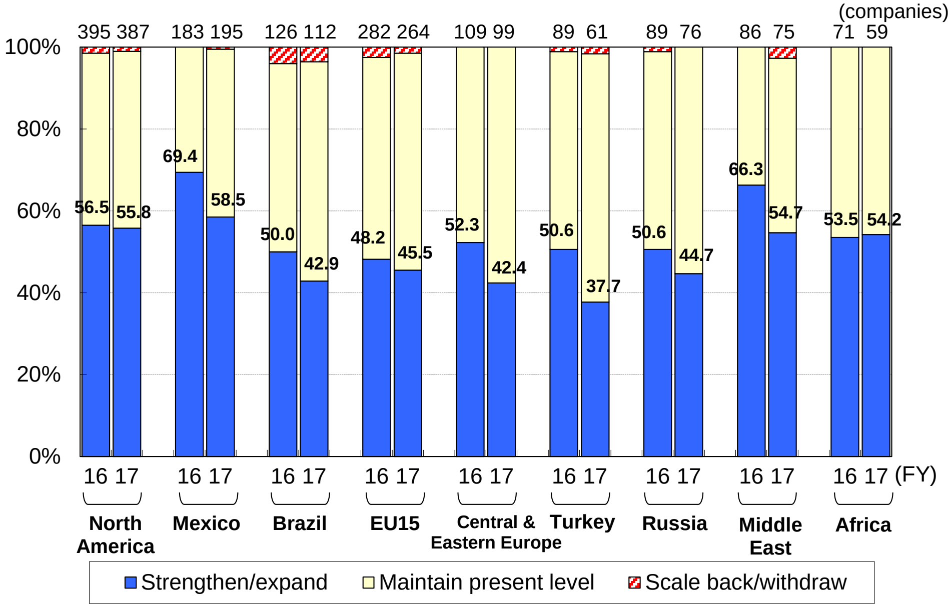
## Figure 26: Ways to strengthen/expand (production)




## Figure 27: Ways to strengthen/expand (sales)



## Figure 28: 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 28 are proportions of the companies responding "Strengthen/expand" (unit: percentage).

### ■ "Strengthen/expand" drops significantly in Mexico

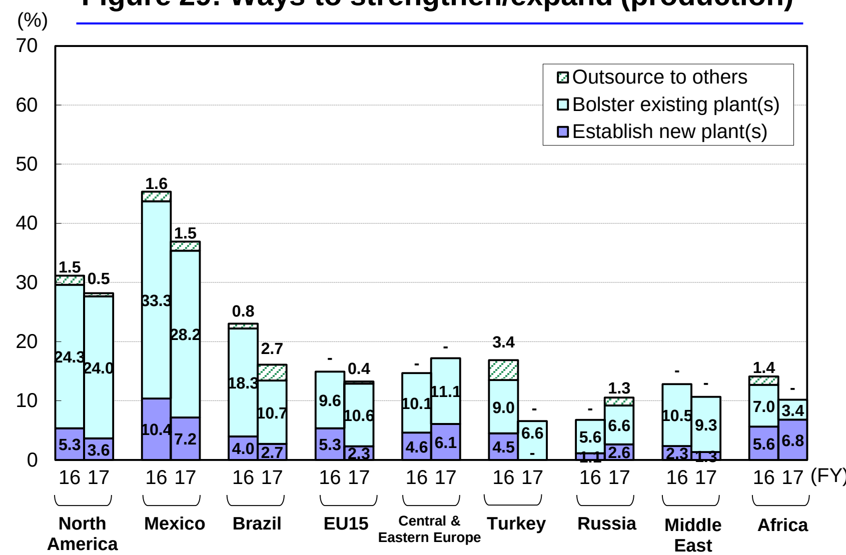
- In Mexico, the response rate of "Strengthen/expand" was at a high level in recent years, but this year, due to the effects of the Trump administration, etc., it dropped significantly to 58.5%, decreasing by 10.9 points. This response rate was about the same as that of North America, at 55.8% (Figure 28). As of Mexico, the number of companies that intended to "Strengthen/expand" production exceeded those that intended to "Strengthen/expand" sales (Figure 29, 30).
- Until the previous year, "Strengthen/expand" was in an increasing trend in North America, EU15, and Central & Eastern Europe, but this year it turned to a decrease.
- In Brazil and Russia, the response rate of "Strengthen/expand" have continued to decline since FY2011, and in FY2017 they stood at 42.9% and 44.7%, with "Maintain present level" surpassing "Strengthen/expand."

### ■ "Strengthen/expand" also drops regarding the Middle East

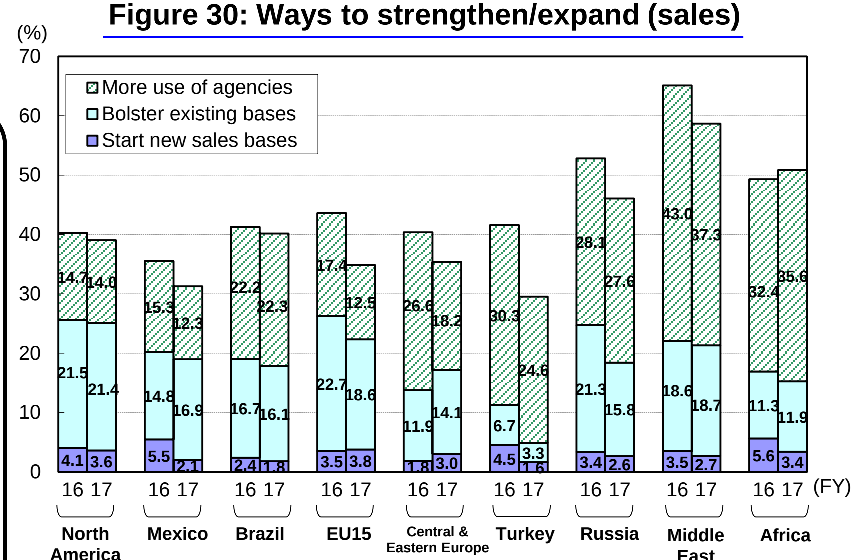
- In the Middle East, "Strengthen/expand" was in an increasing trend for the past three years, but this year it turned to a decrease (Figure 28).
- In Africa, the response rate of "Strengthen/expand" stood at 54.2%, slightly up from the previous year (53.5%). Like the Middle East, ways to "Strengthen/expand" were centered more on sales than production, and regarding production, the response rate of "Establish new plant(s)" increased (Figure 28, 29, 30).

* Figures 29 and 30 summarize the specific efforts by the companies responding "Strengthen/expand" in Figure 28 by production and sales. Multiple responses were possible. The figures on the bar graph were calculated based on the number of respondent companies regarding each country and region in Figure 28.

## Figure 29: Ways to strengthen/expand (production)




## Figure 30: Ways to strengthen/expand (sales)



Q What best describes your business prospects in the United States and Canada?
(For those who responded 1. Strengthen/expand, 2. Maintain present level, or 3. Scale back/withdraw)
What best describes the effect the Trump administration is expected to have on your company's business in the United States and Canada?

**Figure 31: Business Prospects in the United States and Effect of the Trump Administration**

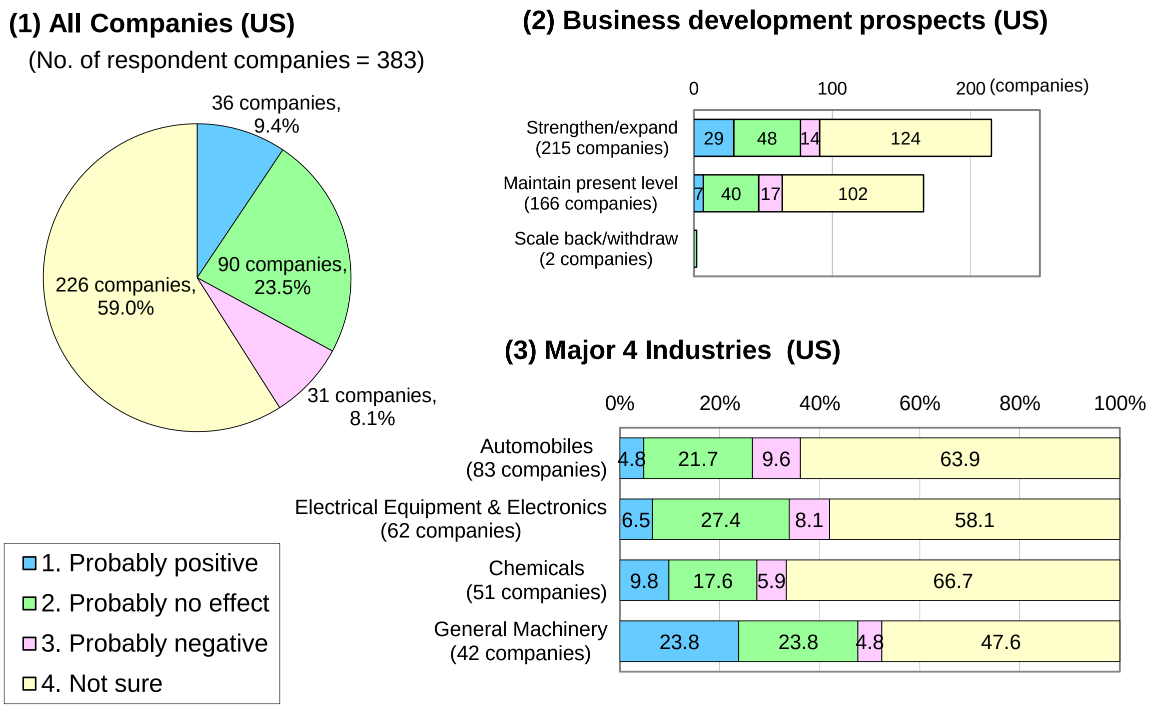
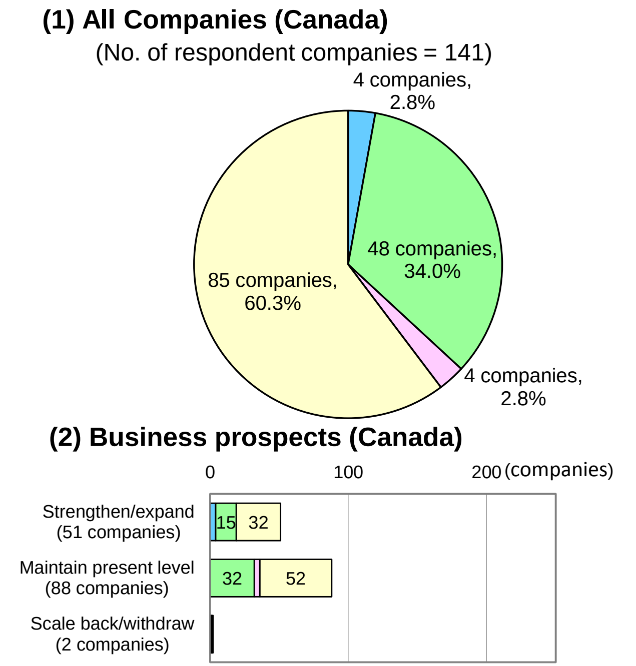



**Figure 32: Business Prospects in Canada and Effect of the Trump Administration**




## ■ Effect of the Trump administration on business in the United States and Canada: "Not sure" gains the most responses, with "Probably no effect" in second place

• As for the effect of the Trump administration on business in the United States, "Not sure" took first place (59.0%), "Probably no effect" in second place (23.5%), "Probably positive" in third place (9.4%), and "Probably negative" in fourth place (8.1%) (Figure 31). As future business development appears to depend greatly on the intentions of business partners, clients and customers, companies appear to be making judgments carefully paying close attention to policy trends. Even though the effect of the Trump administration is unclear, most companies responded "Strengthen/expand" for business prospects in the US. As for Canada, the most common response was "Maintain present level" (Figure 31, 32).

## ■ Differences exist among industries regarding the effect of the Trump administration on business in the United States

• Looking at the results by the four major industries, "Not sure" was the most common response in all the industries. "Probably positive" was high in general machinery, chemicals, electrical equipment & electronics and automobiles (in descending order), while "Probably no effect" was high in electrical equipment & electronics (27.4%) (Figure 31(3)).

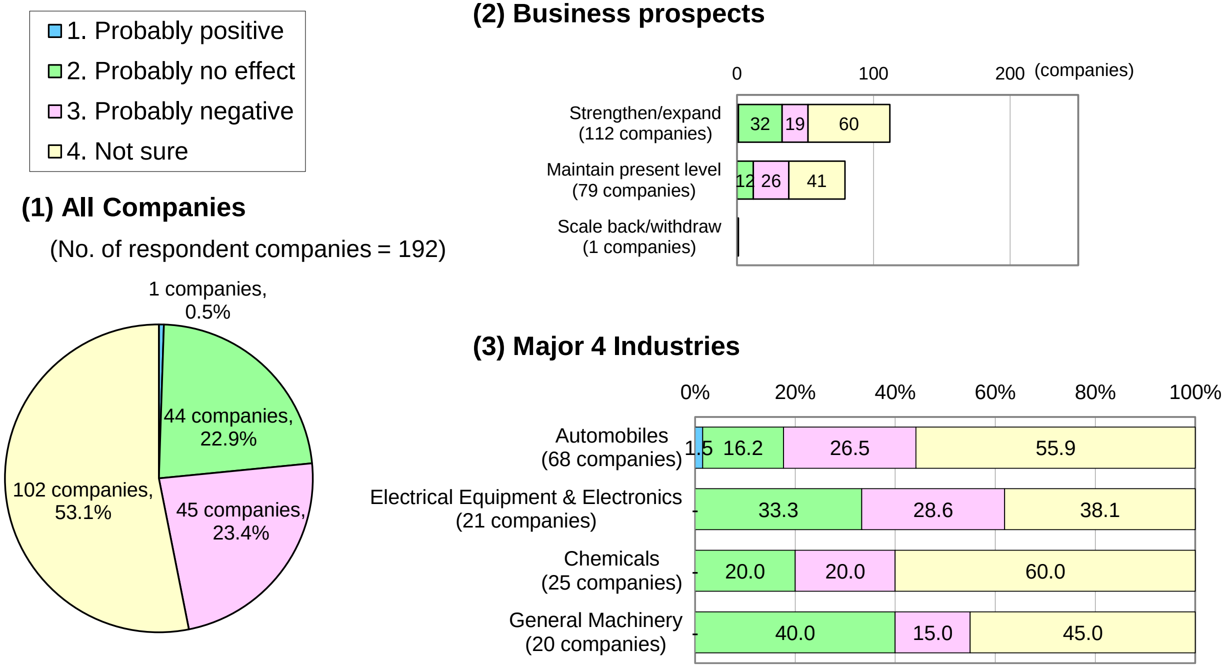
Q

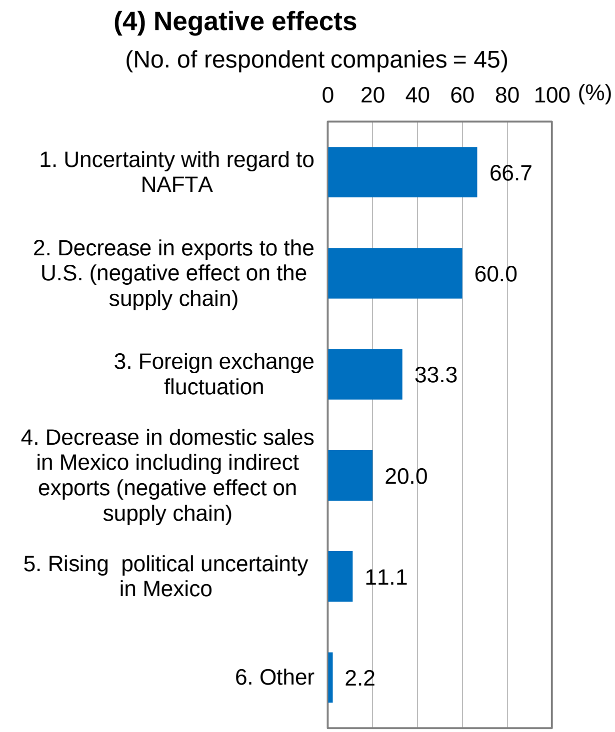
What best describes your business prospects in Mexico?
(For those who responded 1. Strengthen/expand, 2. Maintain present level, or 3. Scale back/withdraw)
What best describes the effect of the Trump administration is expected to have on your company's business in Mexico?

Q

(For those who responded "2. Probably negative")
Specifically which of the following negative effects do you have in mind?

**Figure 33: Business Prospects in Mexico and Effect of the Trump Administration**




**■ Regarding the effect of the Trump administration on business in Mexico, around one-fourth of companies respond "Probably negative"**

• As for the effect of the Trump administration on business in Mexico, while the most common response was "Not sure," the response rate of "Probably negative" was high at 23.4%, and the result differed from those of the United States and Canada. Like the United States, most companies responded "Strengthen/expand" regarding business prospects in Mexico, but its response rate dropped from 69.4% to 58.5%. Meanwhile, one-third of companies that responded "Maintain present level" expected negative effects of the Trump administration. Looking at the results by four major industries, the rate of "Probably negative" was high in electrical equipment & electronics and automobiles, amounting to 28.6% and 26.5%, respectively.

**■ Specific negative effects: "Uncertainty with regard to NAFTA" and "Decrease in exports to the U.S. (negative effect on the supply chain)"**

• When asked specifically what kind of negative effects the Trump administration will have on business in Mexico, the response rate of "Uncertainty with regard to NAFTA" was the highest at 66.7%, and second highest was "Decrease in exports to the U.S. (negative effect on the supply chain)" at 60.0%. There appears to be a continuing sense of uncertainty regarding the outlook for U.S. policy and regulations; some companies mentioned they are already expecting effects such as delays related to biddings and factory operation.

Q

What best describes your business prospects in EU14 (EU15 excluding the United Kingdom) and the United Kingdom?

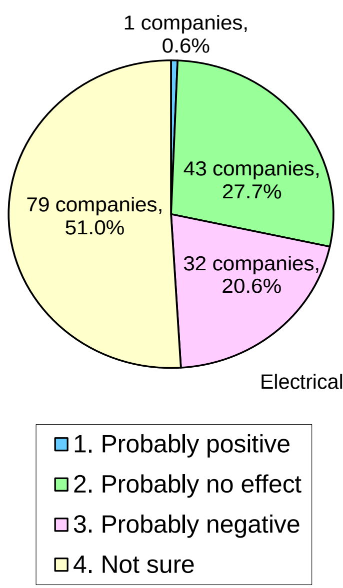
(For those who responded 1. Strengthen/expand, 2. Maintain present level, or 3. Scale back/withdraw)

What best describes the effect Brexit is expected to have on your company's business in the United Kingdom and EU14?

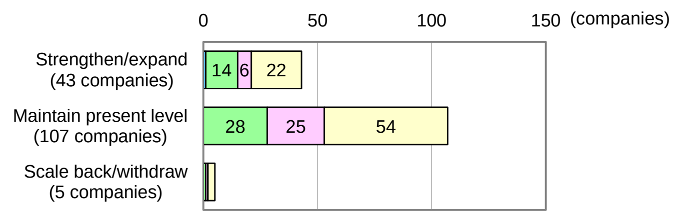
### Figure 34: Business Prospects in the United Kingdom and Effect of Brexit

#### (1) All Companies (UK)

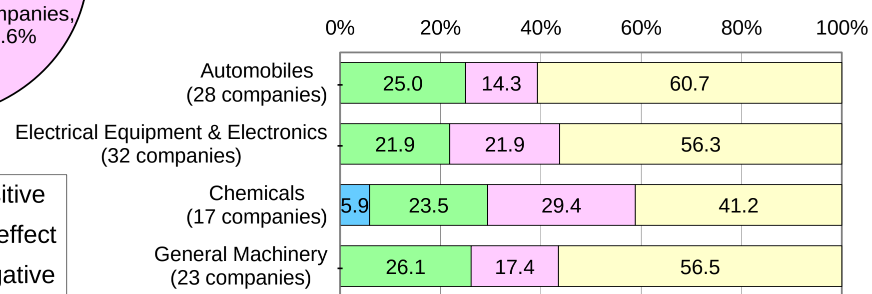
(No. of respondent companies = 155)




#### (2) Business prospects (UK)



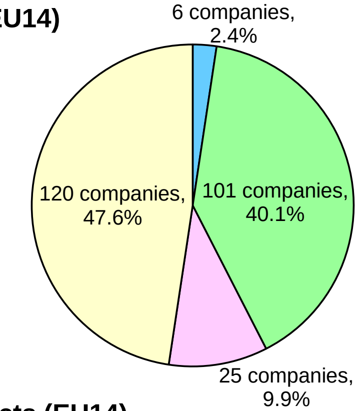

#### (3) Major 4 Industries (UK)



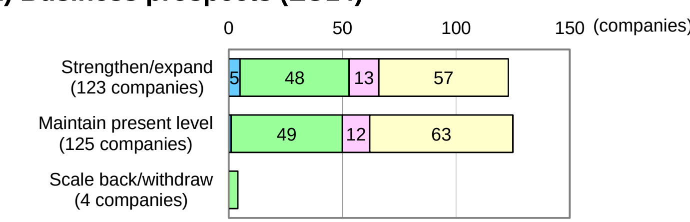

### Figure 35: Business Prospects in EU14 and Effect of Brexit

#### (1) All Companies (EU14)

(No. of respondent companies = 252)




#### (2) Business prospects (EU14)




■ **More than 20% of companies expect Brexit to have negative effects on business in the United Kingdom**

• As for the effect of Brexit on business in the United Kingdom, about half of the companies responded "Not sure" and more than 20% responded "Probably negative" (Figure 34). Meanwhile, in regard to the effect of Brexit on EU14, "Not sure" (47.6%) and "Probably no effect" (40.1%) were the most common responses, and the response "Probably negative" was only 9.9% (Figure 35). As for business prospects, 107 companies responded "Maintain present level" regarding the United Kingdom, and less than half of this number (43 companies) responded "Strengthen/expand." On the other hand, as for EU14, 125 companies responded "maintain present level," and about the same number of companies(123) responded "Strengthen/expand" (Figure 34, 35).

■ **Looking at the results by the four major industries, chemicals are most affected by Brexit**

• Looking at the effect of Brexit in the United Kingdom by the four major industries, the response rate of "Probably negative" was highest in chemicals, at 29.4%. This was followed by electrical equipment & electronics at 21.9%, general machinery at 17.4%, and automobiles at 14.3%.

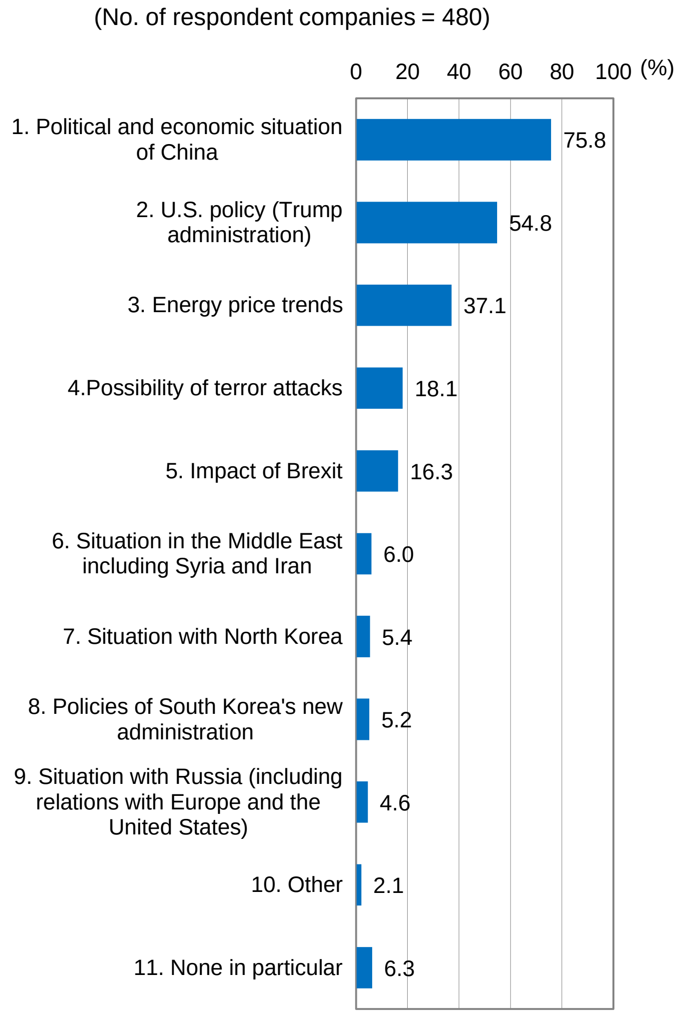
# III.10. International Affairs Considered when Conducting Business Overseas

Q

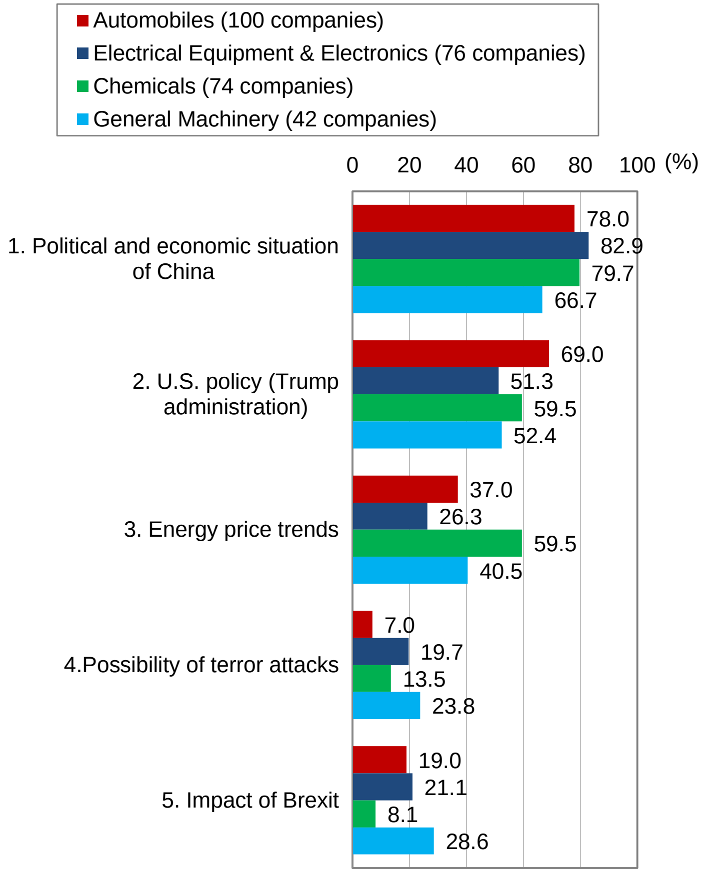
Select the international affairs that your company will take into account when conducting business overseas.
(Up to 3 choices possible)

**Figure 36: International affairs considered when conducting business overseas**

### (1) All Companies




### (2) Major 4 Industries (top five responses)




**International affairs to consider: "Political and economic situation of China" highest, followed by "U.S. policy (Trump administration)"**

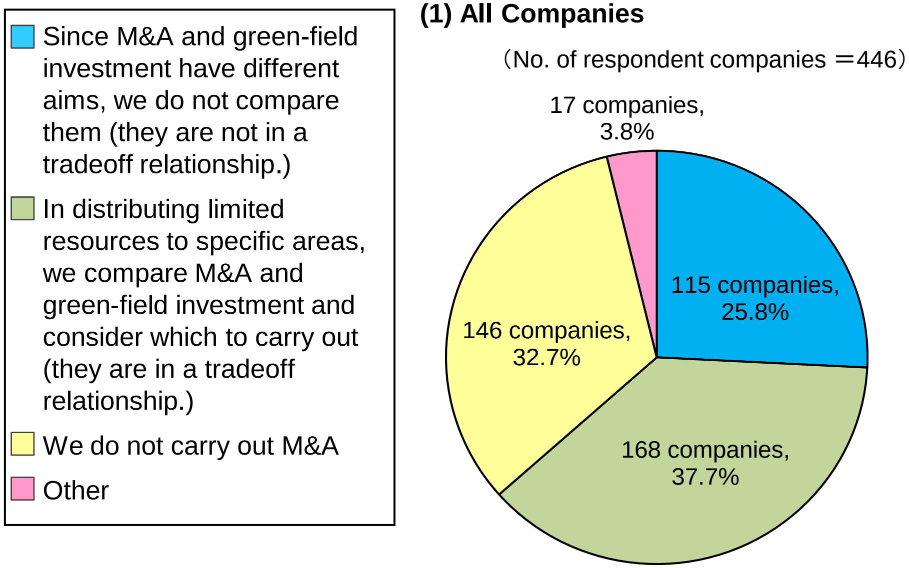
- The response rate of "Political and economic situation of China" was the highest at 75.8%. It seems that companies are still paying close attention to factors such as the sluggish growth of the economy, the meeting of the Communist Party Congress once every five years, the One Belt One Road Initiative, electronic commerce, and the start-up boom, etc. Companies also showed a high level of interest in business-related risks such as the sudden strengthening of environmental regulations.
- "U.S. policy" came in second place at 54.8%. Some companies, especially in the automobile industry, expressed that they are paying attention to the policies of the Trump administration and also to the business partners' responses to such policies. Companies also expressed concerns regarding trade policies, including NAFTA renegotiation, and companies in some industries expressed concerns regarding Obamacare and immigration policies.
- The third highest was "Energy price trends," and close to 60% of the respondents in the chemical industry responded that they consider this when conducting business overseas. Companies are paying attention to effects on raw-material procurement costs, and in some industries, effects on the electricity charges are also considered.
- The fourth place was "Possibility of terror attacks." Companies are paying attention to factors such as the safety of resident employees and local personnel, and also to the risk of customer withdrawals from their business areas. Some companies also expressed concerns toward a drop in demand depending on the situation in the Middle East.

Q

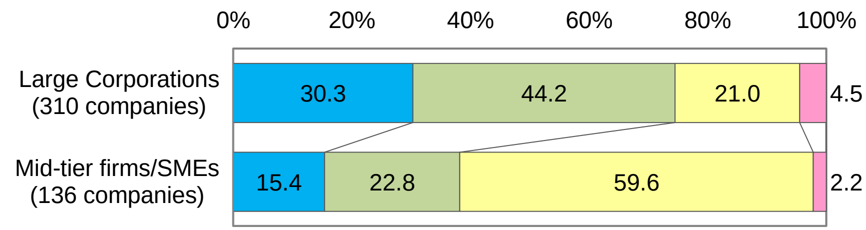
Select the answer that best describes your company’s view regarding the relation between M&A and green-field investment (new direct investment) when considering overseas business.

## Figure 37: Relation between M&A and Green-field Investment

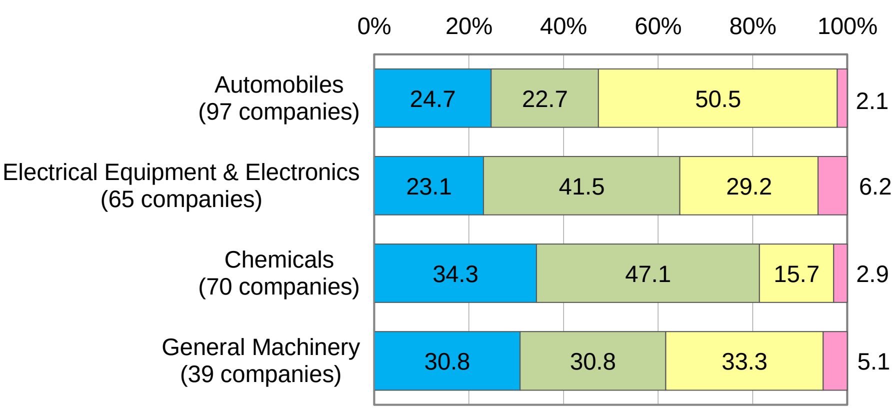
(1) All Companies




(2) Large Corporations/Mid-tier firms/SMEs




(3) Major 4 Industries




**■ “In distributing limited resources to specific areas, we compare M&A and green-field investment and consider which to carry out” has the highest ratio**

- Overall, the response rate of “We compare M&A and green-field investment and consider which to carry out” was the highest at 37.7%, and second highest was “We do not carry out M&A” at 32.7%. The responses were divided, as “We do not compare/consider M&A and green-field investment” accounted for more than a quarter of the companies at 25.8%.
- Looking at the results by company size, among mid-tier firms/SMEs, “We do not carry out M&A” was the most common response.

**■ Of the four major industries, motivation to carry out M&A is high in chemicals**

- Looking at the results by four major industries, “We do not carry out M&A” was lowest in chemicals (15.7%), showing that M&A is positioned as an important management tool. Meanwhile, “We do not carry out M&A” was highest in automobiles (50.5%), and there seems to be a strong focus on organic growth not relying on M&A.
- In automobiles, “We do not compare/consider M&A and green-field investment” (24.7%) gained more responses than “We compare/consider them” (22.7%).

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

## Figure 38: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (Multiple responses)

* See Appendix 1 for pre-FY2015 results of Figure 38.

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(%) | |
|---|---|---|---|---|---|---|---|
| 2017 | ← | 2016 | (Total) | 2017<br>444 | 2016<br>483 | 2017 | 2016 |
| 1 | ↑ | 2 | China | 203 | 203 | 45.7 | 42.0 |
| 2 | ↓ | 1 | India | 195 | 230 | 43.9 | 47.6 |
| 3 | ↑ | 4 | Vietnam | 169 | 158 | 38.1 | 32.7 |
| 4 | ↑ | 5 | Thailand | 153 | 142 | 34.5 | 29.4 |
| 5 | ↓ | 3 | Indonesia | 147 | 173 | 33.1 | 35.8 |
| 6 | ↑ | 7 | US | 116 | 93 | 26.1 | 19.3 |
| 7 | ↓ | 6 | Mexico | 81 | 125 | 18.2 | 25.9 |
| 8 | — | 8 | Philippines | 47 | 51 | 10.6 | 10.6 |
| 9 | — | 9 | Myanmar | 40 | 49 | 9.0 | 10.1 |
| 10 | — | 10 | Brazil | 28 | 35 | 6.3 | 7.2 |
| 10 | ↑ | 16 | Korea | 28 | 15 | 6.3 | 3.1 |
| 12 | ↓ | 11 | Malaysia | 26 | 33 | 5.9 | 6.8 |
| 13 | ↑ | 15 | Russia | 19 | 17 | 4.3 | 3.5 |
| 14 | ↓ | 12 | Singapore | 17 | 23 | 3.8 | 4.8 |
| 14 | ↓ | 13 | Taiwan | 17 | 22 | 3.8 | 4.6 |
| 16 | ↓ | 14 | Germany | 13 | 20 | 2.9 | 4.1 |
| 17 | — | 17 | Turkey | 12 | 12 | 2.7 | 2.5 |
| 18 | ↑ | 19 | Australia | 10 | 11 | 2.3 | 2.3 |
| 18 | ↑ | 29 | Canada | 10 | 3 | 2.3 | 0.6 |
| 20 | ↓ | 17 | Cambodia | 9 | 12 | 2.0 | 2.5 |

Note 1: The countries and regions other than those listed above included North America (15 companies, 3.4% of the total), EU/Europe (9 companies, 2.0% 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.

### ■ China takes first place for the first time in five years

- China took first place for the first time since 2012. Its percentage share rose 3.7 points from 42.0% in the previous year to 45.7%. Over 90% of the companies that named China as a promising country responded that it is promising in terms of sales, and just below 60% of companies responded that it is promising in terms of production as well.
- India, which came in first place for the third consecutive year last year, fell to second place this year. Although its percentage share dropped by 3.7 points, it remained above 40%, and thus it continues to gain high expectations from the respondent companies.

### ■ Indonesia falls significantly

- Indonesia, which was previously in third place, fell to fifth place this year. Its percentage share declined from 35.8% in the previous year to 33.1%, falling for the third year in a row. This significant drop in the ranking was due to factors such as "Execution of legal system unclear." Meanwhile, the third place was Vietnam, which had a percentage share of 38.1%, up 5.4 points from the previous year, and increased for the second year in a row. Thailand rose from fifth place in the previous year to fourth place, and its percentage share increased significantly from 29.4% to 34.5%.

### ■ Percentage share increases significantly for the United States, and decreases for Mexico

- The sixth place was the United States with a percentage share of 26.1%, up 6.8 points from the previous year. Its margin of increase was the highest among all the countries and regions.
- Mexico fell from sixth place in the previous year to seventh place. Its percentage share, which was in an increasing trend since 2012, fell significantly from the previous year(7.7 points) to 18.2%. The ratings of the United States and Mexico were divided reflecting concerns regarding the policy trends of the Trump administration of the United States.
- Myanmar came in ninth place, maintaining the same spot as the previous year. Like the previous year, Brazil came in 10th place, but its percentage share(6.3%) has been declining since 2011.
- South Korea, which previously came in 16th place, rose in the ranking, taking a spot in the top 10 for the first time since 2006, 11 years ago.

## 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 2017 | ← | Ranking 2016 | Country/Region | No. of Companies 2017 | No. of Companies 2016 | Percentage Share(%) 2017 | Percentage Share(%) 2016 |
|---|---|---|---|---|---|---|---|
| | | | (Total) | 132 | 143 | | |
| 1 | ⇧ | 4 | China | 55 | 48 | 41.7 | 33.6 |
| 2 | – | 2 | Vietnam | 53 | 53 | 40.2 | 37.1 |
| 3 | ⇩ | 1 | India | 52 | 66 | 39.4 | 46.2 |
| 4 | ⇧ | 5 | Thailand | 46 | 42 | 34.8 | 29.4 |
| 5 | ⇩ | 2 | Indonesia | 37 | 53 | 28.0 | 37.1 |
| 6 | ⇧ | 7 | US | 27 | 22 | 20.5 | 15.4 |
| 7 | ⇩ | 6 | Mexico | 23 | 40 | 17.4 | 28.0 |
| 8 | – | 8 | Philippines | 12 | 16 | 9.1 | 11.2 |
| 8 | ⇧ | 9 | Myanmar | 12 | 10 | 9.1 | 7.0 |
| 10 | ⇧ | 18 | Korea | 10 | 3 | 7.6 | 2.1 |
| 11 | – | 11 | Brazil | 6 | 6 | 4.5 | 4.2 |
| 11 | ⇧ | 13 | Cambodia | 6 | 5 | 4.5 | 3.5 |
| 13 | ⇩ | 10 | Malaysia | 5 | 9 | 3.8 | 6.3 |
| 13 | ⇧ | 14 | Germany | 5 | 4 | 3.8 | 2.8 |
| 13 | ⇧ | 18 | Russia | 5 | 3 | 3.8 | 2.1 |
| 16 | ⇩ | 11 | Taiwan | 4 | 6 | 3.0 | 4.2 |
| 16 | ⇩ | 14 | Laos | 4 | 4 | 3.0 | 2.8 |
| 16 | ⇧ | 21 | Bangladesh | 4 | 2 | 3.0 | 1.4 |
| 19 | ⇩ | 14 | Turkey | 3 | 4 | 2.3 | 2.8 |

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

**■Among mid-tier firms/SMEs, rise of the United States and fall of Mexico becomes more prominent**

- The United States, which came in sixth place, rose one spot in the ranking from seventh place in the previous year. At 20.5%, its percentage share was not very high, but its margin of increase was significant (5.1 points), surpassing 20% for the first time in 10 years. Meanwhile, Mexico fell one spot in the ranking from the previous year to seventh place. Its percentage share, which was in an increasing trend since FY2010, dropped by 10.6 points from the previous year to 17.4%, marking a significant decline. Many of the companies that named Mexico as promising were automobile parts companies, and a high percentage of them were mid-tier firms/SMEs. Ratings regarding the United States and Mexico were notably divided among mid-tier firms/SMEs.

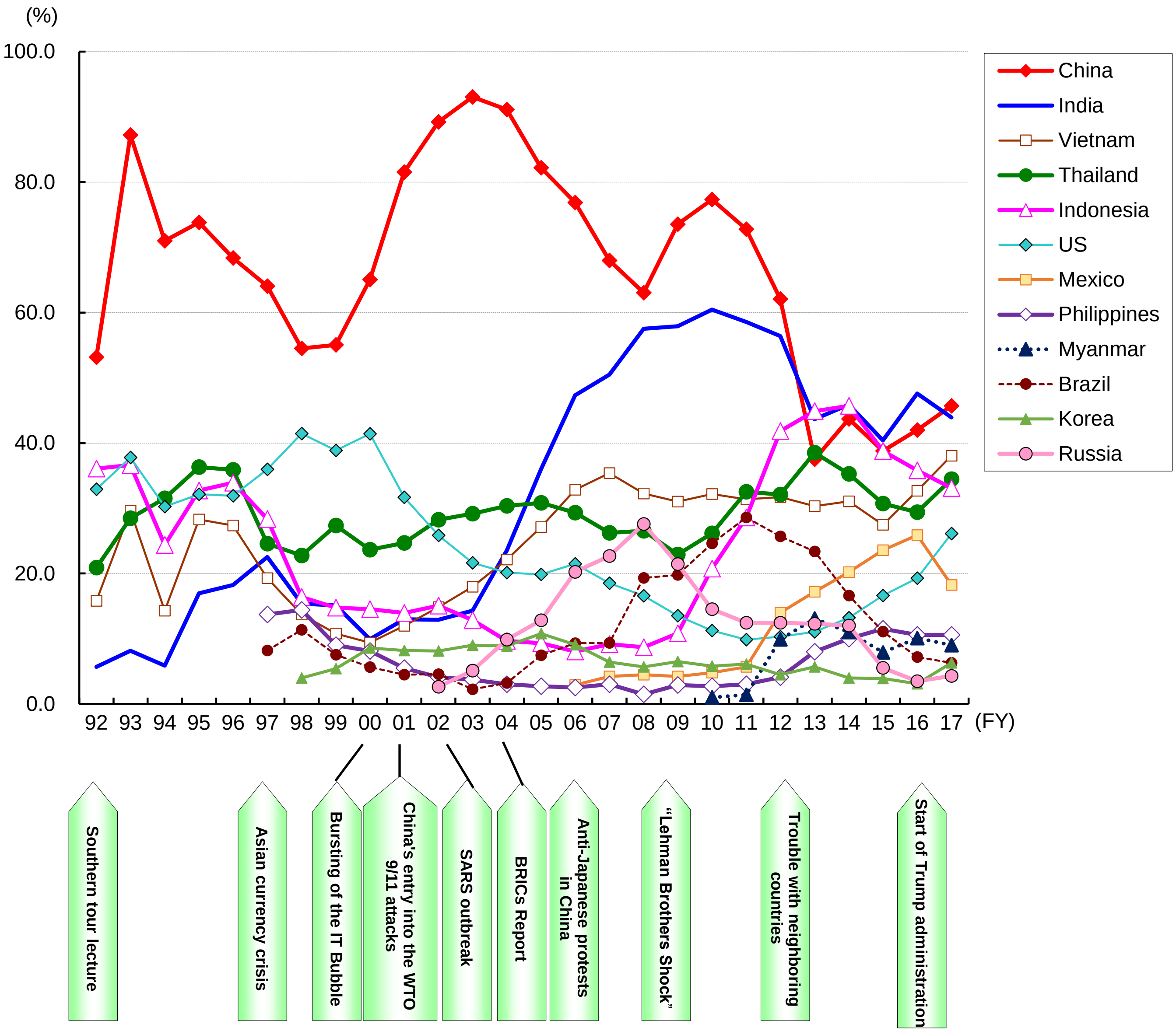
**■Promising countries over the medium-term from the perspective of mid-tier firms/SMEs: China takes first place for the first time in five years**

- Among mid-tier firms/SMEs, China came in first place. China took the top spot for the first time since FY2012, five years ago, and its percentage share rose by 8.1 points from the previous year to 41.7%.
- India, which was in first place in FY2016, dropped to third place this year. Its percentage share stood at 39.4%, and while this was close behind the percentage shares of China and Vietnam, it marked a significant 6.8 points decrease from the previous year's 46.2%.

**■Vietnam maintains second place, while Indonesia falls to fifth place**

- Vietnam, which was previously in second place, held its same spot this year. Its percentage share rose for the third consecutive year, and this year it increased by 3.1 points from the previous year to 40.2%, putting it close behind the vote ratio of China (41.7%).
- Indonesia, which tied with Vietnam for second place in the previous year, dropped to fifth place this year. Its percentage share has been in a declining trend from the peak in FY2015 (56.8%), and this year it decreased 9.1 points from the previous year to 28.0%, marking a significant decline.
- Thailand came in fourth place, rising one spot in the ranking from the previous year. Its percentage share increased by more than 5 points for two years in a row, and the country appears to be garnering increasing attention from mid-tier firms/SMEs.

## Figure 39: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares




### ■The United States and Mexico clearly diverge

- The percentage share of the United States and Mexico were both in an increasing trend from FY2011 through FY2016. In FY2017, the percentage share for the United States increased, while it decreased significantly for Mexico. As the uncertainty surrounding the Trump administration's policy remains, companies seem to hold more cautious views toward the investment environment in Mexico.

### ■China and India's percentage share stay above 40%

- While China and India switched places in the ranking, both of their percentage shares remained at a high level, above 40%. Ratings were extremely high regarding the future growth potential and current size of the markets in both countries, and not only this, the two countries became more promising as a supply base for assemblers.

### ■Vietnam rises sharply and Thailand rebounds

- Vietnam's percentage share has continued to increase since 2015, and it reached a record high level in FY2017. Its inexpensiveness of labor and market growth potential were highly rated.
- The percentage share of Thailand was in a downward trend for the past three years, but it turned upward in FY2017. There was a particular increase in the number of companies mentioning "Social/political situation stable" as Thailand's attractive feature.

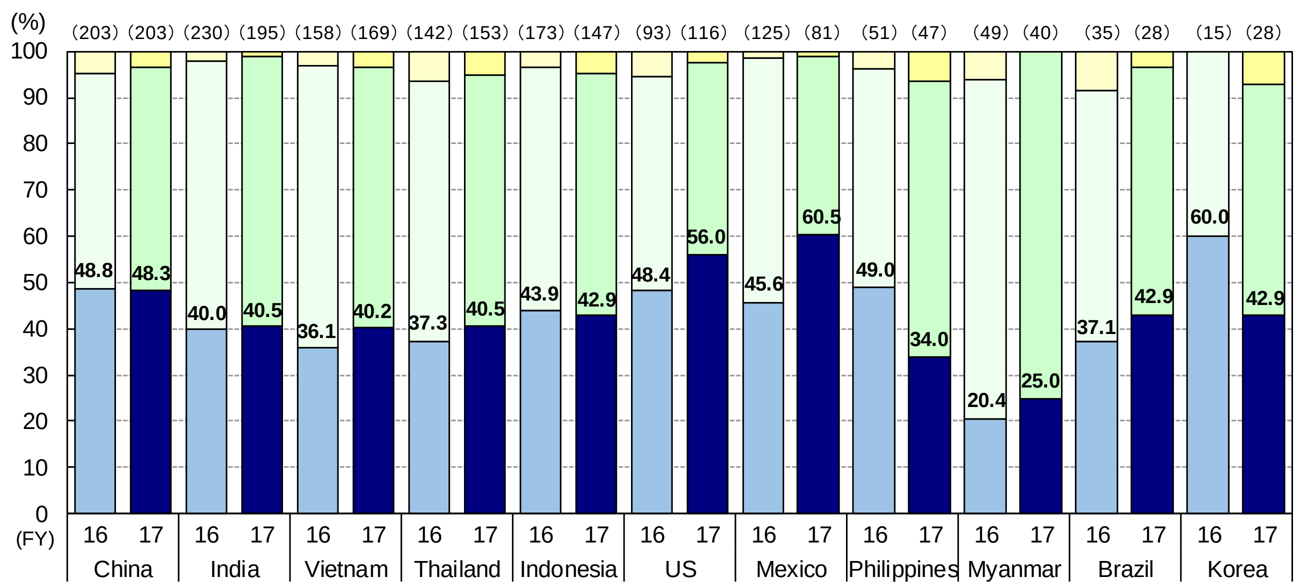
### ■ Downward trend continues for Indonesia and Brazil

- Indonesia's percentage share has continued to fall since FY2014. It appears that its votes are being taken by other Asian countries such as Thailand and Vietnam. Brazil's percentage share continued to decrease, and the country remained less promising than the Philippines and Myanmar.

Q

Companies that named promising countries over the medium-term in Figure 38 were asked whether they had a business plan for each of the countries they chose.

## Figure 40: Existence of Real Business Plans in Promising Countries




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

Note 2: The figures in parenthesis above the bar graph indicate the number of companies which named the countries as promising in Figure 38.

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

## Figure 41: Promising Countries/Regions for Overseas Operations over the Medium-term (next 3 yrs. or so) Prospects

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

| Rank | Country | No. of respondent companies | | Change from last survey ('17-'16) |
|---|---|---|---|---|
| | | FY2017 | FY2016 | |
| 1 | China | 98 | 99 | ▲ 1 |
| 2 | India | 79 | 92 | ▲ 13 |
| 3 | Vietnam | 68 | 57 | 11 |
| 4 | US | 65 | 45 | 20 |
| 5 | Indonesia | 63 | 76 | ▲ 13 |
| 6 | Thailand | 62 | 53 | 9 |
| 7 | Mexico | 49 | 57 | ▲ 8 |
| 8 | Philippines | 16 | 25 | ▲ 9 |
| 9 | Brazil | 12 | 13 | ▲ 1 |
| 9 | Korea | 12 | 9 | 3 |

### ■Mexico has the highest ratio of companies that have real business plans

- The three countries with the highest response rate for "Plans do exist" were Mexico (60.5%), the United States (56.0%) and China (48.3%) (Figure 40). While Mexico's response rate increased significantly by 14.9 points from 45.6% in the previous year, its number of respondent companies fell significantly from 125 companies to 81 companies.
- In Korea and the Philippines, response rates decreased substantially from the previous year, down 17.1 points and 15.0 points, respectively. South Korea's response rate decreased significantly, but its number of respondent companies increased from 15 companies in the previous year to 28 companies. As for the Philippines, the ratio of companies that have business plans was the highest among all countries in FY2016, but in FY2017, against the backdrop of the destabilization of its political and social situation, it seems that Japanese companies are taking a more cautious stance toward planning business/investment in this country.
- In terms of the number of companies that have real business plans, China (98 companies) held onto the top spot six years in a row, and was followed by India (79 companies), Vietnam (68 companies), and the United States (65 companies) (Figure 41). The increase in the number of companies with specific plans was particularly large in Vietnam and the US.

## Figure 42: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (Major 4 Industries)

**Automobiles**

| Rank | Country | FY2017 (Total 86) | FY2016 (Total 85) |
|---|---|---|---|
| 1 | India | 48 | 42 |
| 2 | China | 44 | 35 |
| 3 | Mexico | 34 | 48 |
| 4 | Indonesia | 31 | 31 |
| 5 | Thailand | 17 | 21 |
| 6 | US | 16 | 14 |
| 6 | Vietnam | 16 | 12 |
| 8 | Brazil | 12 | 6 |
| 9 | Philippines | 6 | 7 |
| 10 | Germany | 4 | 1 |

**Electrical Equipment & Electronics**

| Rank | Country | FY2017 (Total 69) | FY2016 (Total 74) |
|---|---|---|---|
| 1 | Vietnam | 32 | 25 |
| 2 | India | 31 | 30 |
| 3 | China | 27 | 29 |
| 4 | Indonesia | 20 | 15 |
| 5 | US | 19 | 12 |
| 6 | Thailand | 17 | 15 |
| 7 | Philippines | 14 | 12 |
| 8 | Myanmar | 7 | 13 |
| 8 | Mexico | 7 | 11 |
| 10 | Cambodia | 4 | 4 |
| 10 | Malaysia | 4 | 3 |
| 10 | Singapore | 4 | 2 |

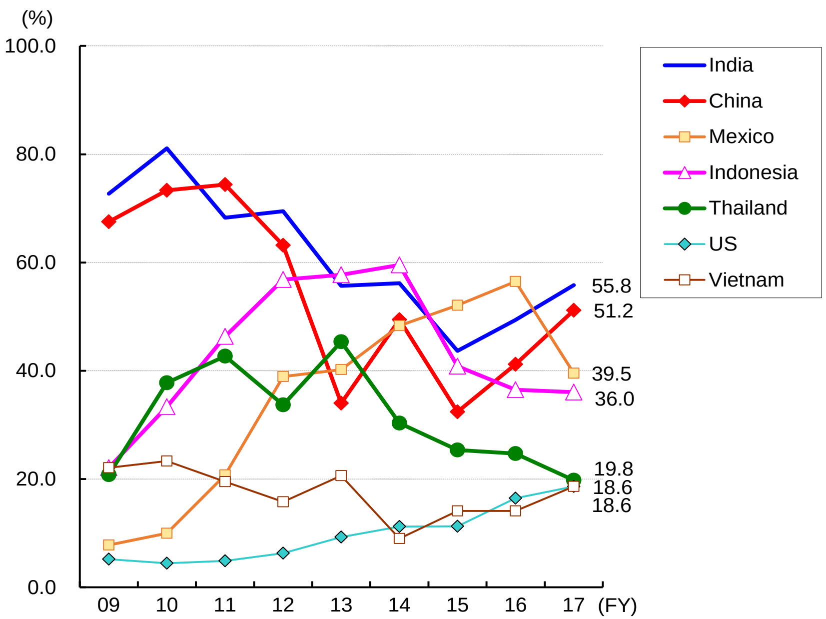
**Chemicals**

| Rank | Country | FY2017 (Total 61) | FY2016 (Total 73) |
|---|---|---|---|
| 1 | China | 37 | 39 |
| 2 | Thailand | 31 | 27 |
| 3 | Vietnam | 28 | 26 |
| 4 | India | 27 | 43 |
| 5 | US | 18 | 15 |
| 6 | Indonesia | 16 | 27 |
| 7 | Mexico | 9 | 17 |
| 8 | Korea | 6 | 3 |
| 9 | Brazil | 5 | 6 |
| 10 | Malaysia | 4 | 4 |
| 10 | Philippines | 4 | 4 |

**General Machinery**

| Rank | Country | FY2017 (Total 48) | FY2016 (Total 49) |
|---|---|---|---|
| 1 | India | 24 | 29 |
| 2 | China | 20 | 17 |
| 2 | Thailand | 20 | 15 |
| 4 | Indonesia | 19 | 26 |
| 4 | Vietnam | 19 | 18 |
| 6 | US | 13 | 12 |
| 7 | Myanmar | 6 | 9 |
| 8 | Mexico | 5 | 11 |
| 8 | Russia | 5 | 0 |
| 10 | Philippines | 3 | 8 |
| 10 | Malaysia | 3 | 4 |
| 10 | Turkey | 3 | 3 |

## Figure 43: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so) (trend of percentage shares of automobiles)




### India holds first place in automobiles and general machinery

- In the automobiles industry, India, which was previously in second place, rose to first place for the first time in five years. Looking at the annual new vehicle unit sales of 2016, while China had sales of 28 million units, it reached only about 3.7 million units in India, around one-eighth of China's level. Nevertheless, this marked an increase of about 7% from the previous year.
- Also in automobiles, Mexico, which was in first place since 2015, dropped to third place this year due to a significant decrease in its percentage share (Figure 42). Nevertheless, its number of vehicles sold in 2016 amounted to 1.65 million units, marking an increase of around 20% from the previous year.

### Vietnam holds first place in electrical equipment & electronics, and China holds first place in chemicals

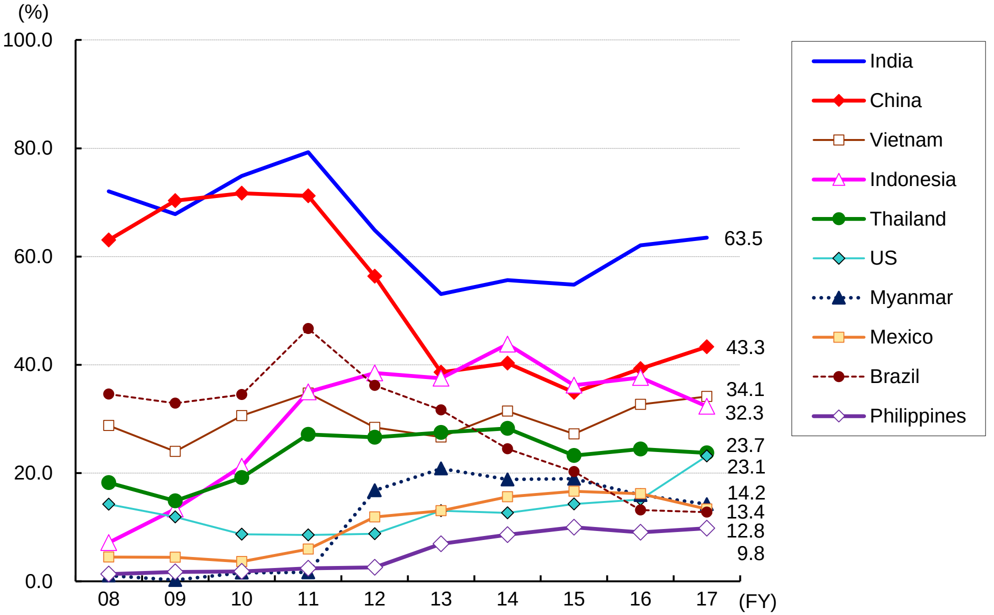
- In electrical equipment & electronics, Vietnam, which was third place in FY2016, came in first place this year. Vietnam's ratio rose in each of the four major industries, showing that the evaluation of the investment climate of Vietnam is heightening.
- In chemicals, India, which took first place in FY2016, dropped significantly to fourth place, and China, which was second place in FY2016, rose to first place (Figure 41).

## Figure 44: Promising Countries/Regions for Business Development over the Long-term (next 10 yrs. or so)

### (1) FY2017 Results

| Ranking 2017 | ← | Ranking 2016 | Country/Region | No. of Companies 2017 | No. of Companies 2016 | Percentage Share(%) 2017 | Percentage Share(%) 2016 |
|---|---|---|---|---|---|---|---|
| | | | (Total) | 337 | 364 | | |
| 1 | — | 1 | India | 214 | 226 | 63.5 | 62.1 |
| 2 | — | 2 | China | 146 | 143 | 43.3 | 39.3 |
| 3 | ↑ | 4 | Vietnam | 115 | 119 | 34.1 | 32.7 |
| 4 | ↓ | 3 | Indonesia | 109 | 137 | 32.3 | 37.6 |
| 5 | — | 5 | Thailand | 80 | 89 | 23.7 | 24.5 |
| 6 | ↑ | 8 | US | 78 | 55 | 23.1 | 15.1 |
| 7 | — | 7 | Myanmar | 48 | 58 | 14.2 | 15.9 |
| 8 | ↓ | 6 | Mexico | 45 | 59 | 13.4 | 16.2 |
| 9 | — | 9 | Brazil | 43 | 48 | 12.8 | 13.2 |
| 10 | — | 10 | Philippines | 33 | 33 | 9.8 | 9.1 |

### (2) Trend in Percentage Share




■ **India keeps first place since FY2010**

- As for promising countries over the long-term, India took first place for the eighth consecutive year. India has maintained an overwhelmingly high rating compared to the other countries, being the only one to have a percentage share of more than 60% (Figures 44). China stayed in second place, and its percentage share increased by 4.0 points, keeping the increasing trend. Third place was Vietnam (which was previously in fourth place), and its percentage share increased two years in a row.

■ **Promising countries over the long-term: the United States rises and Mexico falls**

- While the United States rose in the ranking (from eighth place to sixth place), Mexico fell (from sixth place to eighth place). It seems that concerns regarding US policies, etc. affected the long-term rating of Mexico.

■ **Indonesia falls further in the ranking to fourth place**

- Indonesia, which dropped from second place to third place in FY2016, fell further to fourth place this year, showing that its presence as a promising country for business over the long-term is weakening, compared to the other countries.

# No. 1: China

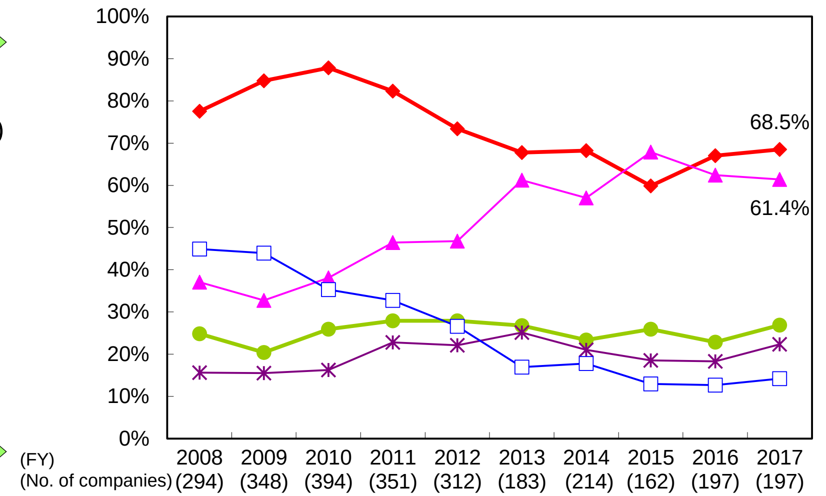
* Refer to Appendix 2, 3 for details of reasons and issues for the top ten promising countries (medium-term).

## Reasons

Past Trend

(Total No. of respondent companies: 197)

| | | No. of companies (Note 1) | Ratio (Note 2) | (Legend) |
|---|---|---|---|---|
| 1 | Future growth potential of local market | 135 | 68.5% | |
| 2 | Current size of local market | 121 | 61.4% | |
| 3 | Supply base for assemblers | 53 | 26.9% | |
| 4 | Concentration of industry | 44 | 22.3% | |
| 5 | Inexpensive source of labor | 28 | 14.2% | |

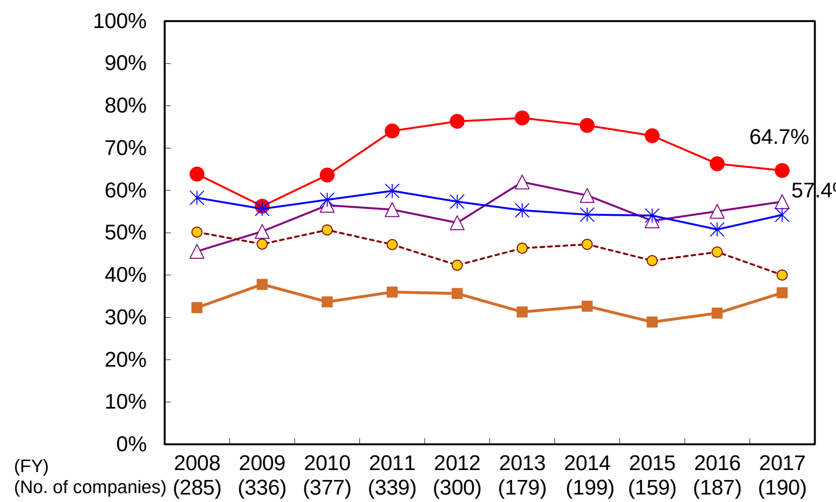



## Issues

Past Trend

(Total No. of respondent companies: 190)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Rising labor costs | 123 | 64.7% | |
| 2 | Intense competition with other companies | 109 | 57.4% | |
| 3 | Execution of legal system unclear | 103 | 54.2% | |
| 4 | Insufficient protection for intellectual property rights | 76 | 40.0% | |
| 5 | Restrictions on foreign currency/ transfers of money overseas | 68 | 35.8% | |




- The top reason for choosing China as a promising country was “Future growth potential of local market” (68.5%), the same as the previous year, and second was “Current size of local market” (61.4%) , which shows that the Chinese market continues to be the subject of high anticipation. Third place was “Supply base for assemblers” (26.9%), and fourth place was “Concentration of industry” (22.3%).
- China’s top issue was “Rising labor costs” (64.7%), the same as FY2016. Although its ratio has been in a decreasing trend since FY2013, it continued to be at a high level, exceeding 60%. Second place was “Intense competition with other companies,” and its ratio, 57.4%, came in third place among the top 10 countries, after the United States and Korea. Third place “Execution of legal system unclear” (54.2%), fourth place “Insufficient protection for intellectual property rights” (40.0%), and fifth place “Restrictions on foreign currency/ transfers of money overseas” (35.8%) also continued to be at a high level compared to other countries.

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 38. For this reason, the number of companies here may not be the same as in Figure 38.
Note 2: “Ratio” refers to the number of companies that cited “reasons for being a promising country” or “issues “ divided by the total number of respondent companies.

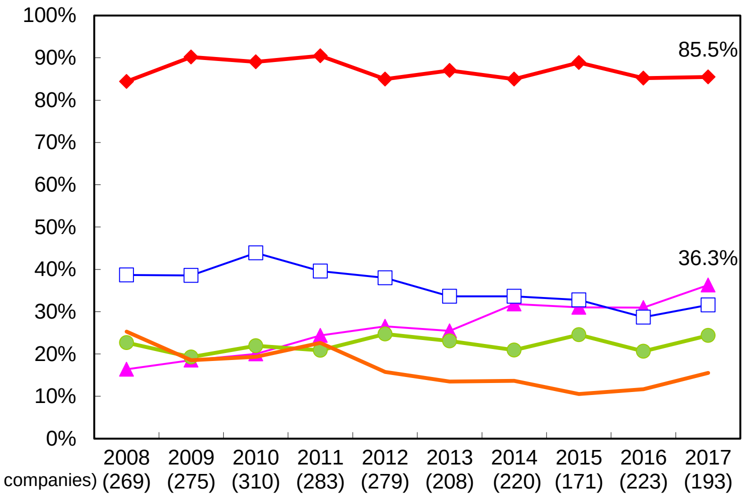
# No. 2: India

## Reasons

(Total No. of respondent companies: 193)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Future growth potential of local market | 165 | 85.5% |
| 2 | Current size of local market | 70 | 36.3% |
| 3 | Inexpensive source of labor | 61 | 31.6% |
| 4 | Supply base for assemblers | 47 | 24.4% |
| 5 | Qualified human resources | 30 | 15.5% |

Past Trend

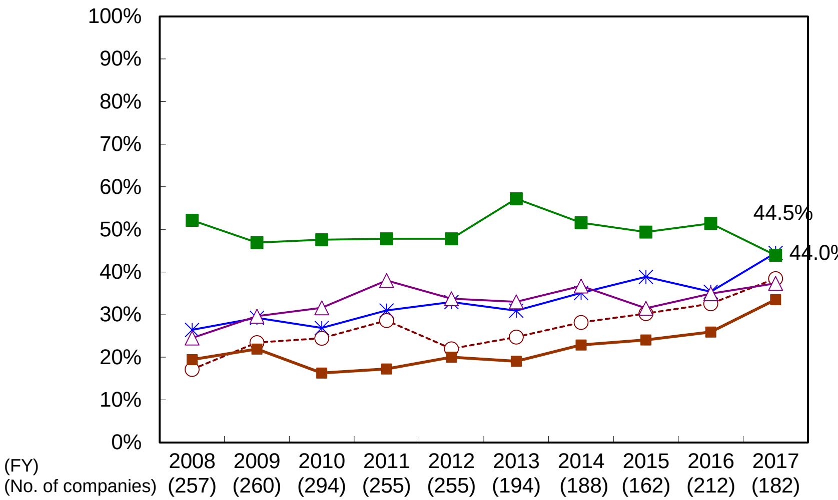



## Issues

(Total No. of respondent companies: 182)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Execution of legal system unclear | 81 | 44.5% |
| 2 | Underdeveloped infrastructure | 80 | 44.0% |
| 3 | Complicated tax system | 70 | 38.5% |
| 4 | Intense competition with other companies | 68 | 37.4% |
| 5 | Execution of tax system unclear | 61 | 33.5% |

Past Trend




- The top reason was “Future growth potential of local market” with a ratio of 85.5%, which was the highest among the top ten countries. Second place was “Current size of local market” (36.3%), whose ratio has been increasing gradually, showing that India is becoming more attractive as a market.
- As for issues, “Underdeveloped infrastructure,” which was in first place in the previous year, fell to second place with a 7.4 points decrease, but continued to be at a high level (44.0%). The top issue was “Execution of legal system unclear” (44.5%), and its ratio rose significantly by 9.1 points from 35.4% in the previous year. Moreover, the ratios of “Complicated tax system” (38.5%) in third place and “Execution of tax system unclear” (33.5%) in fifth place have been increasing, showing that issues related to the clarity and predictability of the tax system are attracting more attention.

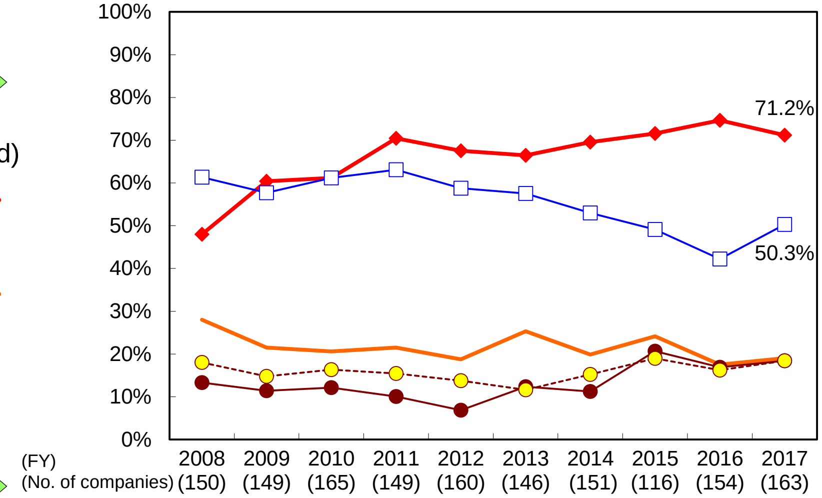
# No. 3: Vietnam

## Reasons

Past Trend

（Total No. of respondent companies: 163)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Future growth potential of local market | 116 | 71.2% | |
| 2 | Inexpensive source of labor | 82 | 50.3% | |
| 3 | Qualified human resources | 31 | 19.0% | |
| 4 | Social/political situation stable | 30 | 18.4% | |
| 4 | Base of export to third countries | 30 | 18.4% | |

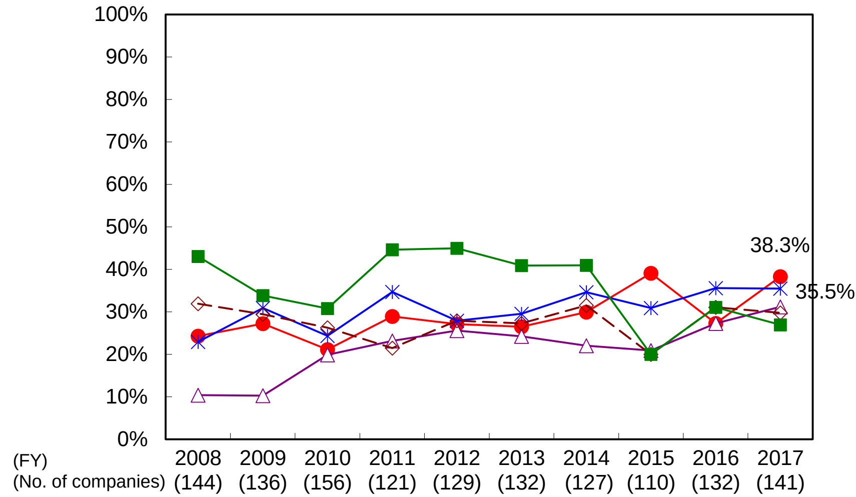



## Issues

Past Trend

（Total No. of respondent companies: 141)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Rising labor costs | 54 | 38.3% | |
| 2 | Execution of legal system unclear | 50 | 35.5% | |
| 3 | Intense competition with other companies | 44 | 31.2% | |
| 4 | Difficult to secure management-level staff | 42 | 29.8% | |
| 5 | Underdeveloped infrastructure | 38 | 27.0% | |




- The top reason was “Future growth potential of local market,” with a ratio of 71.2%. The ratio of second place “Inexpensive source of labor” was in a decreasing trend until FY2016, but this year it rose by 8.1 points to 50.3%, marking the highest level among the top 10 countries after Myanmar (61.5%). “Social/political situation stable” had a high ratio (18.4%), making Vietnam and the United States (20.2%) the only countries with a double-digit ratio among the top 10 countries.
- “Rising labor costs” (38.3%) took first place as an issue. Second place was “Execution of legal system unclear” (35.5%) and third place was “Intense competition with other companies” (31.2%), and ratios of these issues have been in a gradual increasing trend. Fifth place “Underdeveloped infrastructure” fell by 4.1 points from the previous year but continued to be at a high level (27.0%).

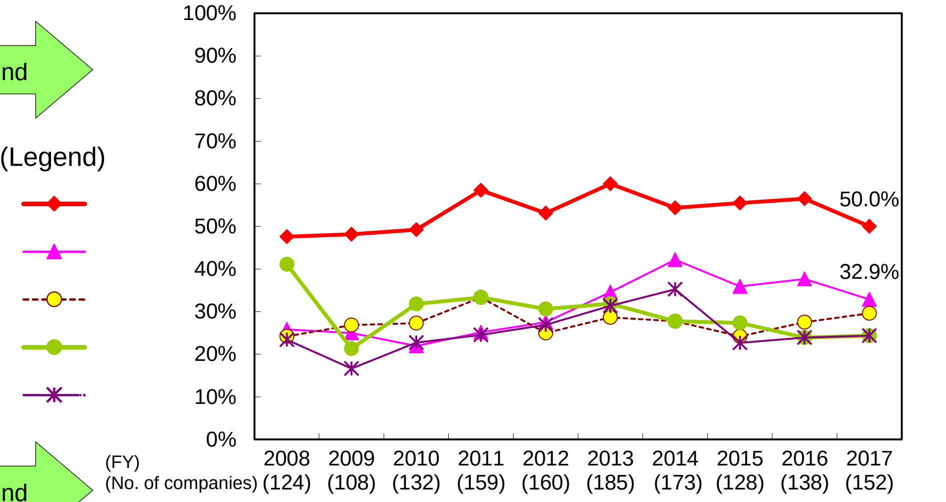
# No. 4: Thailand

## Reasons

Past Trend

(Total No. of respondent companies: 152)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Future growth potential of local market | 76 | 50.0% |
| 2 | Current size of local market | 50 | 32.9% |
| 3 | Base of export to third countries | 45 | 29.6% |
| 4 | Supply base for assemblers | 37 | 24.3% |
| 4 | Concentration of industry | 37 | 24.3% |

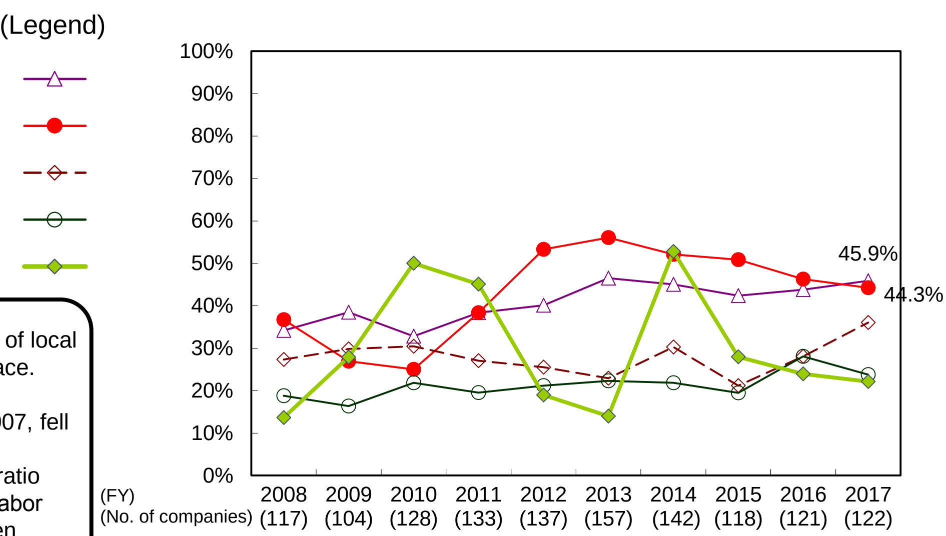



## Issues

Past Trend

(Total No. of respondent companies: 122)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Intense competition with other companies | 56 | 45.9% |
| 2 | Rising labor costs | 54 | 44.3% |
| 3 | Difficult to secure management-level staff | 44 | 36.1% |
| 4 | Difficult to secure technical/engineering staff | 29 | 23.8% |
| 5 | Security/social instability | 27 | 22.1% |




- Reasons related to the market continued to hold the top spots, as “Future growth potential of local market” (50.0%) took first place, and “Current size of local market” (32.9%) took second place. Third place “Base of export to third countries” (29.6%) is steadily being rated as one of the attractive features of Thailand. “Inexpensive source of labor,” which took first place in FY2007, fell to sixth place this year with a response ratio of 23.7%.
- As for issues, “Intense competition with other companies” (45.9%) took first place, and its ratio has been increasing within the 40 to 49% range since FY2015. Second place was “Rising labor costs” (44.3%), which was in first place in the previous year, and although the ratio has been declining five years in a row, it remained at a high level. Third place was “Difficult to secure management-level staff” (36.1%), and this has been in an increasing trend for the past two years. “Security/social instability,” which once reached 52.8% in the past, is in a decreasing trend and became 22.1% this year.

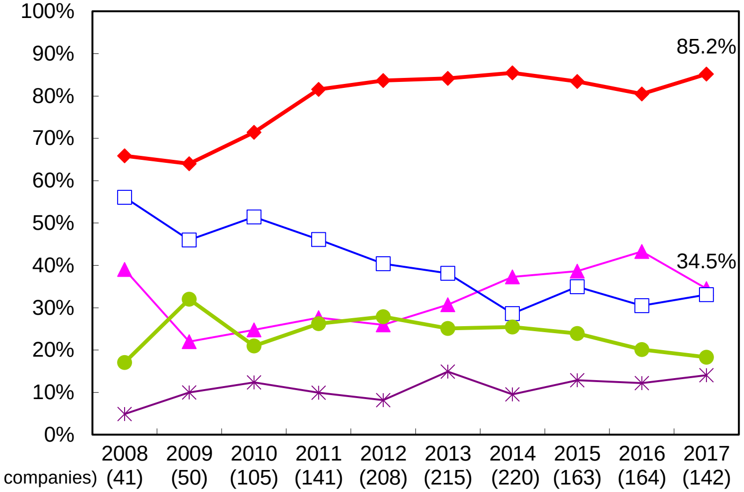
# No. 5: Indonesia

## Reasons

Past Trend

(Total No. of respondent companies: 142)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Future growth potential of local market | 121 | 85.2% | |
| 2 | Current size of local market | 49 | 34.5% | |
| 3 | Inexpensive source of labor | 47 | 33.1% | |
| 4 | Supply base for assemblers | 26 | 18.3% | |
| 5 | Concentration of industry | 20 | 14.1% | |

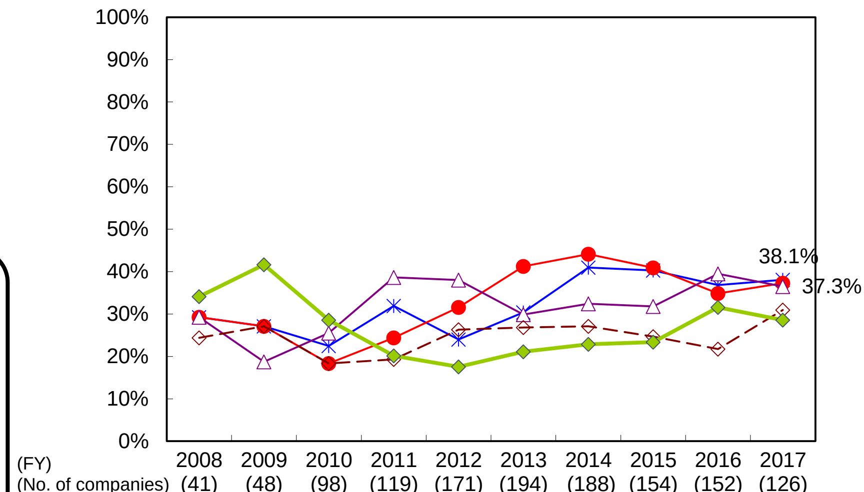



## Issues

Past Trend

(Total No. of respondent companies: 126)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Execution of legal system unclear | 48 | 38.1% | |
| 2 | Rising labor costs | 47 | 37.3% | |
| 3 | Intense competition with other companies | 46 | 36.5% | |
| 4 | Difficult to secure management-level staff | 39 | 31.0% | |
| 5 | Security/social instability | 36 | 28.6% | |



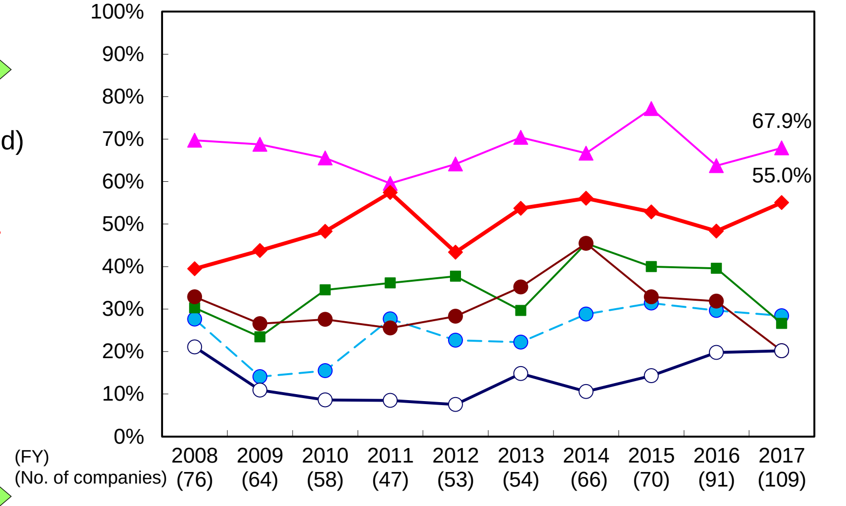

- The top reason was “Future growth potential of local market” with a ratio of 85.2%, which was the second highest after that of India, showing that respondent companies continue to regard Indonesia as a market with high growth potential. The ratio of second place “Current size of local market” (34.5%) dropped 8.8 points from the previous year. The ratio of third place “Inexpensive source of labor” (33.1%) rose 2.6 points from the previous year, but has been in a declining trend over the long term.
- As for issues, “Execution of legal system unclear” (38.1%), which was second place in the previous year, rose to first place. Second place “Rising labor costs” (37.3%) and third place “Intense competition with other companies” (36.5%) also had high ratios. The previous year’s sixth place “Difficult to secure management-level staff” (31.0%) rose to fourth place, and thus it appears that companies are struggling to find top talent.

# No. 6: the United States

## Reasons

Past Trend

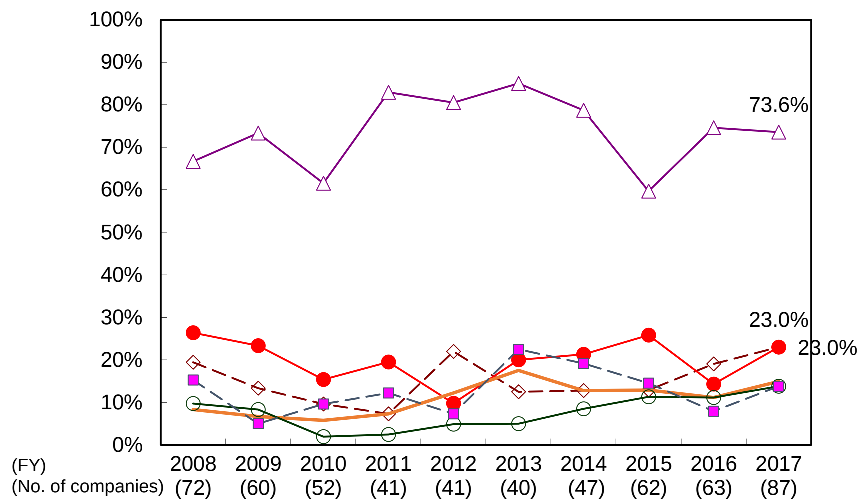
| | (Total No. of respondent companies: 109) | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Current size of local market | 74 | 67.9% | |
| 2 | Future growth potential of local market | 60 | 55.0% | |
| 3 | Profitability of local market | 31 | 28.4% | |
| 4 | Developed local infrastructure | 29 | 26.6% | |
| 5 | Social/political situation stable | 22 | 20.2% | |
| 5 | Base for product development | 22 | 20.2% | |




## Issues

Past Trend

| | (Total No. of respondent companies: 87) | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Intense competition with other companies | 64 | 73.6% | |
| 2 | Difficult to secure management-level staff | 20 | 23.0% | |
| 2 | Rising labor costs | 20 | 23.0% | |
| 4 | Increased taxation | 13 | 14.9% | |
| 5 | Difficult to secure technical/engineering staff | 12 | 13.8% | |
| 5 | Labor problems | 12 | 13.8% | |




- As for reasons, “Current size of local market” (67.9%) took first place and “Future growth potential of local market” (55.0%) took second place. The ratios of these reasons both rose from the previous year, showing that the level of anticipation toward the huge US market continues to be high both in current and future terms. The ratio of fifth place “Base for product development” (20.2%) has been rising gradually, suggesting that the US is becoming increasingly attractive as a research and development base. Meanwhile, “Social/political situation stable” (20.2%), which tied for fifth place, had a significant 11.7 points drop in its ratio, reflecting concerns towards the policies of the Trump administration and so on.
- As for issues, “Intense competition with other companies” (73.6%) remained in first place, and many companies named the harsh competitive environment as a challenge. Second to fifth consisted of labor-related issues (“Difficult to secure management-level staff” (23.0%), “Rising labor costs” (23.0%), “Difficult to secure technical/engineering staff” (13.8%)), and “Increased taxation” (14.9%), each with a low ratio.

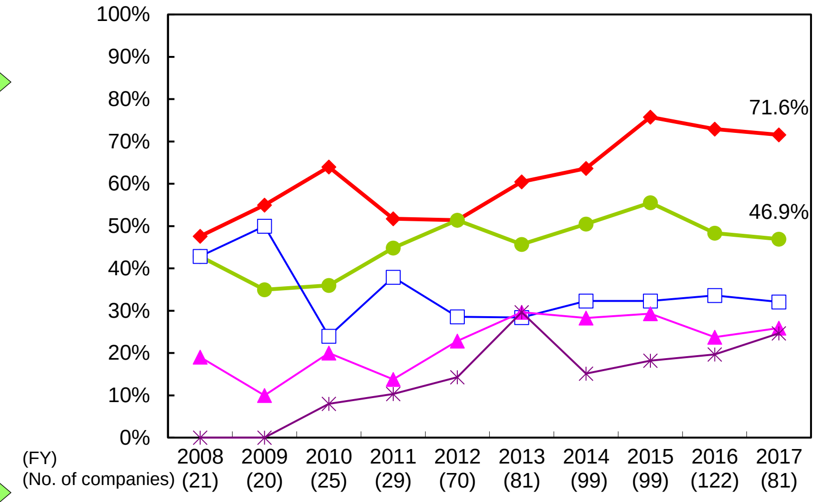
# No. 7: Mexico

## Reasons

Past Trend

(Total No. of respondent companies: 81)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Future growth potential of local market | 58 | 71.6% | |
| 2 | Supply base for assemblers | 38 | 46.9% | |
| 3 | Inexpensive source of labor | 26 | 32.1% | |
| 4 | Current size of local market | 21 | 25.9% | |
| 5 | Concentration of industry | 20 | 24.7% | |

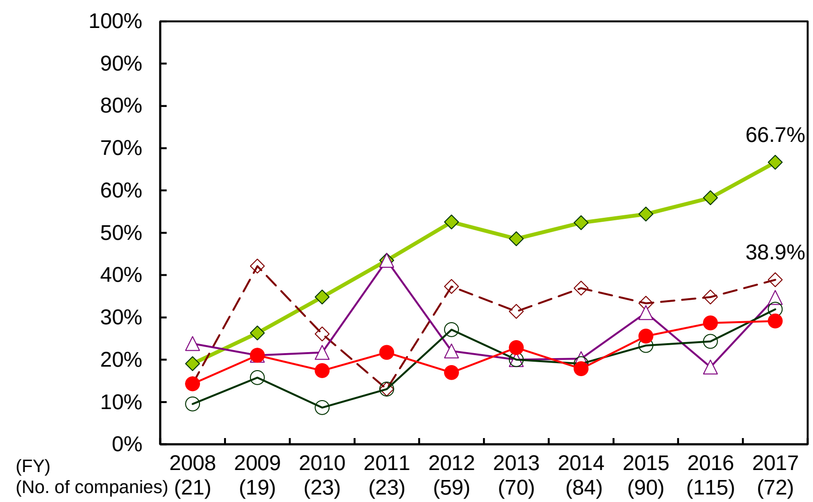



## Issues

Past Trend

(Total No. of respondent companies: 72)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Security/social instability | 48 | 66.7% | |
| 2 | Difficult to secure management-level staff | 28 | 38.9% | |
| 3 | Intense competition with other companies | 25 | 34.7% | |
| 4 | Difficult to secure technical/engineering staff | 23 | 31.9% | |
| 5 | Rising labor costs | 21 | 29.2% | |




■As for reasons, "Future growth potential of local market" (71.6%) took first place, as it did the previous year. Ratio of second place "Supply base for assemblers" (46.9%) was the highest among the top 10 countries, which shows that there are many business forays by automobile-related companies in Mexico. The ratio of fifth place "Concentration of industry" increased by 5.0 points from 19.7% in the previous year to 24.7%, and as such, this item appears to be recognized as an attractive feature of Mexico.

■As for issues, "Security/social instability" (66.7%) took first place. Ratio of this issue has been in an increasing trend since FY2013, and it reached the highest level among the top 10 countries. Labor-related issues were prominent, and the ratios of "Difficult to secure management-level staff" (38.9%), "Difficult to secure technical/engineering staff" (31.9%), and "Rising labor costs" (29.2%) each rose from the previous year. It seems that as increasing number of companies from Japan and other foreign countries carry out business forays in Mexico, securing human resources has become increasingly difficult.

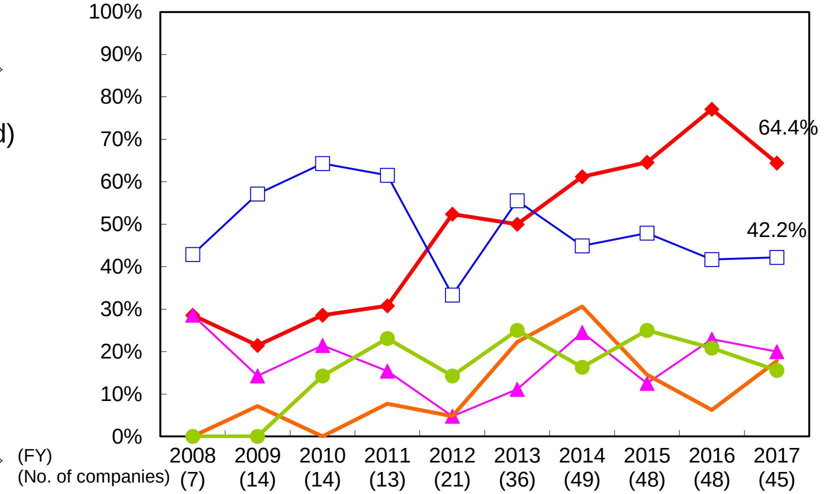
# No. 8: Philippines

## Reasons

(Total No. of respondent companies: 45)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Future growth potential of local market | 29 | 64.4% |
| 2 | Inexpensive source of labor | 19 | 42.2% |
| 3 | Current size of local market | 9 | 20.0% |
| 4 | Qualified human resources | 8 | 17.8% |
| 5 | Supply base for assemblers | 7 | 15.6% |

Past Trend (Legend)

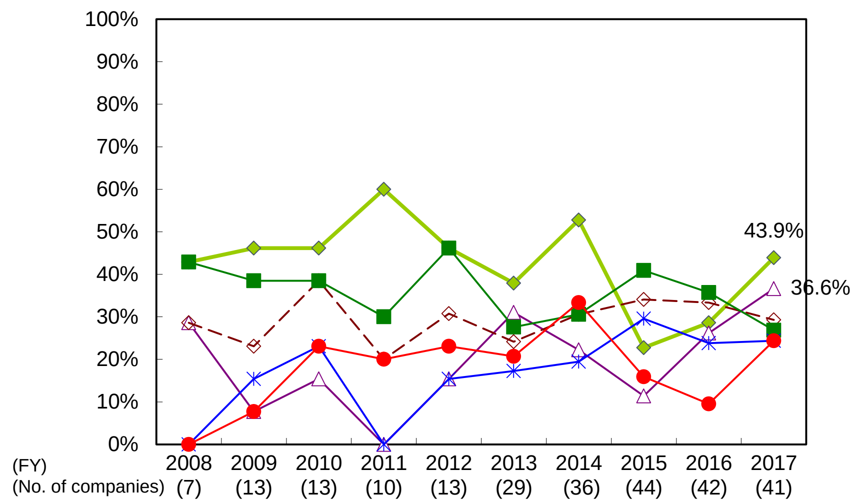



## Issues

(Total No. of respondent companies: 41)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Security/social instability | 18 | 43.9% |
| 2 | Intense competition with other companies | 15 | 36.6% |
| 3 | Difficult to secure management-level staff | 12 | 29.3% |
| 4 | Underdeveloped infrastructure | 11 | 26.8% |
| 5 | Execution of legal system unclear | 10 | 24.4% |
| 5 | Rising labor costs | 10 | 24.4% |

Past Trend (Legend)




- As for reasons, “Future growth potential of local market” took first place, and while anticipation regarding the future potential of this market continues to be high, the ratio of this response dropped by 12.7 points from the previous year to 64.4%. Ratio of second place “Inexpensive source of labor” was 42.2%, the third highest among the top 10 countries after Myanmar and Vietnam.
- Among issues, “Security/social instability,” which was previously in third place, took first place, and its ratio increased by 15.3 points from the previous year to 43.9%. It appears that the concerns of Japanese companies have been increasing due to factors such as the clashes between Islamic armed groups and government forces in Mindanao since May 2017. Second place was “Intense competition with other companies” (36.6%), and its ratio rose by 10.4 points from the previous year, increasing significantly for two years in a row.

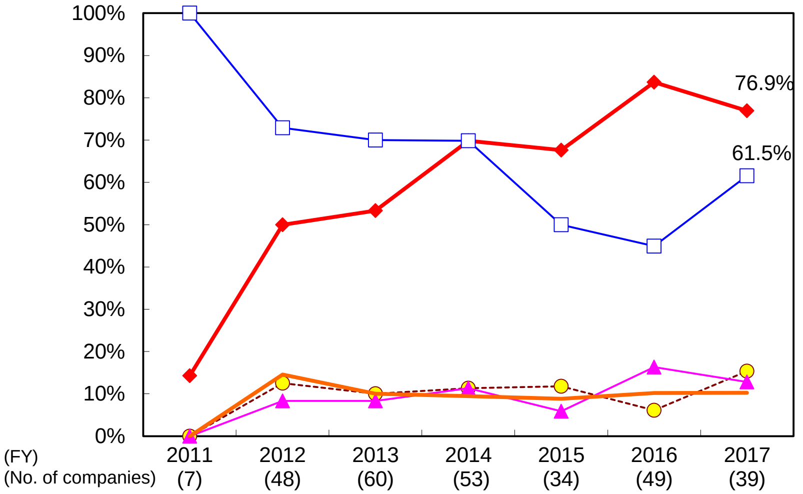
# No. 9: Myanmar

## Reasons

(Total No. of respondent companies: 39)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Future growth potential of local market | 30 | 76.9% |
| 2 | Inexpensive source of labor | 24 | 61.5% |
| 3 | Base of export to third countries | 6 | 15.4% |
| 4 | Current size of local market | 5 | 12.8% |
| 5 | Qualified human resources | 4 | 10.3% |

Past Trend

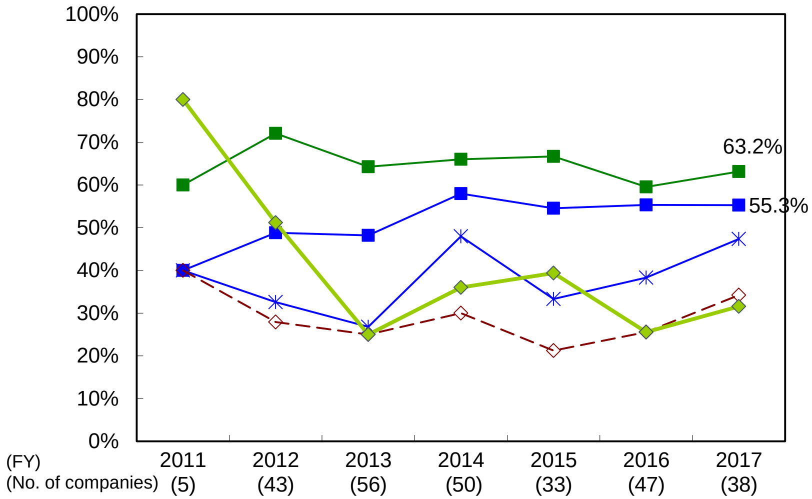



## Issues

(Total No. of respondent companies: 38)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Underdeveloped infrastructure | 24 | 63.2% |
| 2 | Underdeveloped legal system | 21 | 55.3% |
| 3 | Execution of legal system unclear | 18 | 47.4% |
| 4 | Difficult to secure management-level staff | 13 | 34.2% |
| 5 | Security/social instability | 12 | 31.6% |

Past Trend




- As for reasons," the first place reason was "Future growth potential of local market" with a ratio of 76.9%. This ratio remained at a high level, showing that the respondent companies' anticipation regarding the future potential of Myanmar's market continued to be high. The ratio of the second place "Inexpensive source of labor" (61.5%) was the highest among the top 10 countries, and this continues to be an attractive feature of Myanmar.
- As for issues, like the previous year, "Underdeveloped infrastructure" took first place, and over 60% of companies that listed Myanmar as a promising country named this as an issue. Second place was "Underdeveloped legal system" (55.3%), third place was "Execution of legal system unclear," (47.4%), and fourth place was "Difficult to secure management-level staff" (34.2%). It seems that due to an increase in the number of Japanese companies carrying out business in Myanmar, issues related to actual operations are pointed out increasingly. "Security/social instability," which was previously in seventh place, rose to fifth place this year, and this might be due to problems related to the Muslim minority group Rohingya.

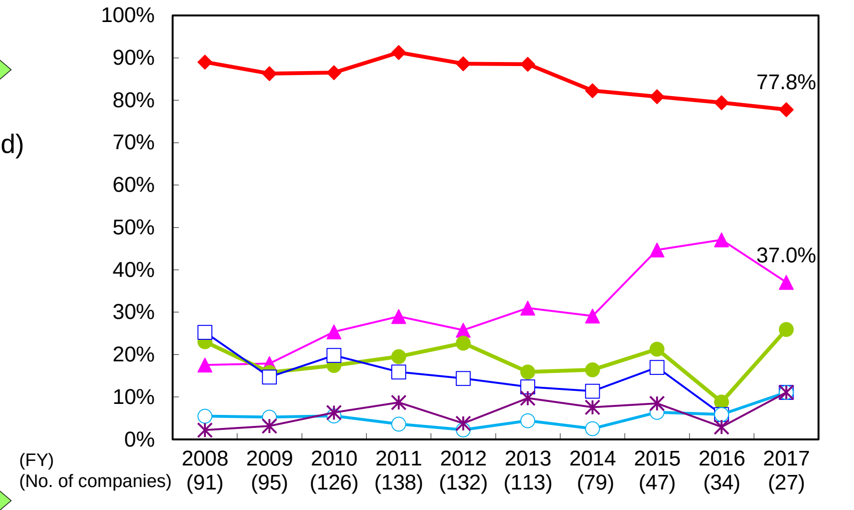
# No. 10: Brazil

## Reasons

(Total No. of respondent companies: 27)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Future growth potential of local market | 21 | 77.8% |
| 2 | Current size of local market | 10 | 37.0% |
| 3 | Supply base for assemblers | 7 | 25.9% |
| 4 | Inexpensive source of labor | 3 | 11.1% |
| 4 | Inexpensive components/raw materials | 3 | 11.1% |
| 4 | Concentration of industry | 3 | 11.1% |

Past Trend (Legend)

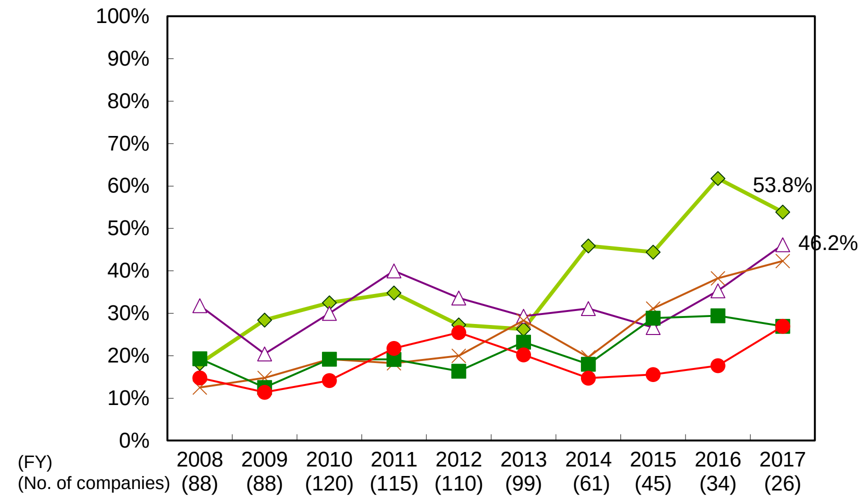



## Issues

(Total No. of respondent companies: 26)

| | | No. of companies | Ratio |
|---|---|---|---|
| 1 | Security/social instability | 14 | 53.8% |
| 2 | Intense competition with other companies | 12 | 46.2% |
| 3 | Sense of instability regarding currency and/or costs | 11 | 42.3% |
| 4 | Underdeveloped infrastructure | 7 | 26.9% |
| 4 | Rising labor costs | 7 | 26.9% |

Past Trend (Legend)




- As for reasons, "Future growth potential of local market" (77.8%) took first place, and "Current size of local market" (37.0%) took second place. The ratios of these responses decreased from the previous year, and thus it appears that due to a delayed economic recovery, anticipation regarding the local market has declined relatively. The ratio of third place "Supply base for assemblers" rose by 17.1 points from the previous year to 25.9%.
- As for issues, "Security/social instability" (53.8%) took first place four years in a row, but its ratio dropped 8.0 points from the previous year. "Intense competition with other companies" (46.2%), which was previously in third place, took second place, and its ratio rose two consecutive years. Third place was "Sense of instability regarding currency and/or costs" (42.3%), which shows that the Japanese companies are increasingly regarding Brazil's exchange rate fluctuation as a problem.

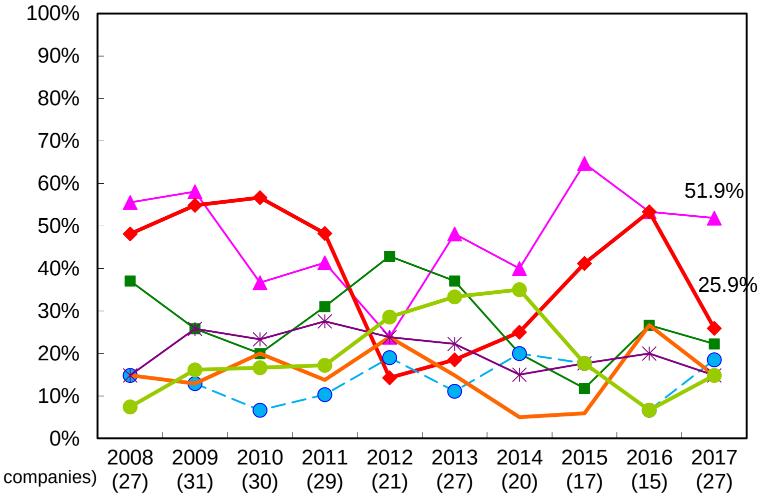
# No. 10: Korea

## Reasons

Past Trend

(Total No. of respondent companies: 27)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Current size of local market | 14 | 51.9% | |
| 2 | Future growth potential of local market | 7 | 25.9% | |
| 3 | Developed local infrastructure | 6 | 22.2% | |
| 4 | Profitability of local market | 5 | 18.5% | |
| 5 | Qualified human resources | 4 | 14.8% | |
| 5 | Concentration of industry | 4 | 14.8% | |
| 5 | Supply base for assemblers | 4 | 14.8% | |

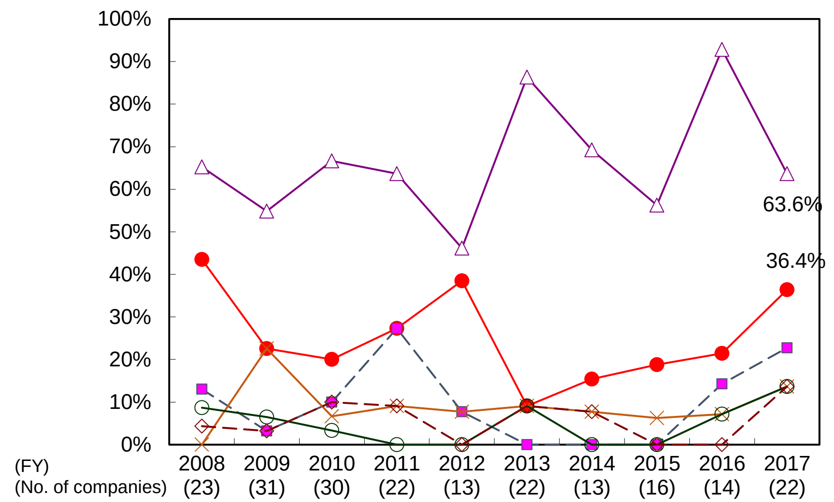



## Issues

Past Trend

(Total No. of respondent companies: 22)

| | | No. of companies | Ratio | (Legend) |
|---|---|---|---|---|
| 1 | Intense competition with other companies | 14 | 63.6% | |
| 2 | Rising labor costs | 8 | 36.4% | |
| 3 | Labor problems | 5 | 22.7% | |
| 4 | Sense of instability regarding currency and/or costs | 3 | 13.6% | |
| 4 | Difficult to secure technical/engineering staff | 3 | 13.6% | |
| 4 | Difficult to secure management-level staff | 3 | 13.6% | |




- As for reasons, “Current size of local market” (51.9%) took first place and “Future growth potential of local market” (25.9%) took second place. Fourth place was “Profitability of local market” (18.5%), and among the top 10 countries, only the United States and Korea had this within their top five reasons.
- Meanwhile, for issues, “Intense competition with other companies” (63.6%) took first place, and the ratio of this issue was the second highest after that of the United States. Second place to fourth place was occupied by issues related to labor and human resources such as “Rising labor costs” (36.4%), “Labor problems” (22.7%), “Difficult to secure technical/engineering staff” (13.6%), and “Difficult to secure management-level staff” (13.6%).

Q

This question is put to those respondents who did not list China, India, Vietnam, Thailand or Indonesia in their top 5 most promising countries over the medium term in Figure 38 above. Please select the reasons that apply from options 1-7 below for each individual country. (Multiple responses possible)

## Figure 45: Reasons for Not Listing the Following Countries As Promising Countries over the Medium-term

| | China (No. of respondent companies = 212) | | | India (No. of respondent companies = 179) | | | Vietnam (No. of respondent companies = 200) | | | Thailand (No. of respondent companies = 235) | | | Indonesia (No. of respondent companies = 232) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 1. We are already conducting business of a certain scale and do not intend to expand our business beyond that | 61.8% | - | 4. There is a lack of infrastructure in the area | 34.1% | - | 1. We are already conducting business of a certain scale and do not intend to expand our business beyond that | 27.5% | - | 1. We are already conducting business of a certain scale and do not intend to expand our business beyond that | 52.8% | - | 1. We are already conducting business of a certain scale and do not intend to expand our business beyond that | 37.1% | - |
| 2 | 3. Local labor costs are rising | 47.2% | - | 2. Intense competition with other companies is increasing | 19.0% | - | 4. There is a lack of infrastructure in the area | 23.0% | - | 2. Intense competition with other companies is increasing | 25.1% | - | 4. There is a lack of infrastructure in the area | 15.5% | ↑ |
| 3 | 2. Intense competition with other companies is increasing | 29.2% | - | 6. The local legal system is inadequate | 19.0% | - | 2. Intense competition with other companies is increasing | 14.5% | ↑ | 3. Local labor costs are rising | 14.9% | - | 2. Intense competition with other companies is increasing | 15.1% | ↓ |
| 4 | 7. The local economy is stagnating | 13.7% | - | 1. We are already conducting business of a certain scale and do not intend to expand our business beyond that | 17.3% | ↓ | 6. The local legal system is inadequate | 10.0% | ↑ | 7. The local economy is stagnating | 9.4% | - | 3. Local labor costs are rising | 14.7% | - |
| 5 | 5. The local social/political situation is unstable | 9.0% | - | 5. The local social/political situation is unstable | 12.8% | - | 3. Local labor costs are rising | 8.0% | ↓ | 5. The local social/political situation is unstable | 7.7% | - | 5. The local social/political situation is unstable | 11.6% | - |
| 6 | 6. The local legal system is inadequate | 3.8% | - | 3. Local labor costs are rising | 3.9% | - | 7. The local economy is stagnating | 3.5% | - | 4. There is a lack of infrastructure in the area | 1.7% | - | 7. The local economy is stagnating | 7.8% | ↓ |
| 7 | 4. There is a lack of infrastructure in the area | 0.5% | - | 7. The local economy is stagnating | 1.1% | ↓ | 5. The local social/political situation is unstable | 3.0% | - | 6. The local legal system is inadequate | 1.3% | ↓ | 6. The local legal system is inadequate | 7.3% | - |

(Note) The arrows to the right of the country ratios show change in ranking. The dash means "no change," the up arrow means "rose," and the down arrow means "fell."

### ■Companies give "Already conducting business of a certain scale" as reason for not listing China, Vietnam, Thailand, and Indonesia as promising country over the medium-term

- The most common reason for not listing China, Vietnam, Thailand, and Indonesia was "Already conducting business of a certain scale." The response rate of this reason was particularly high for China (61.8%; 131 companies) and Thailand (52.8%; 124 companies), which rose by 6.5 points and 4.8 points, respectively.
- Response rate of "Rising labor costs" was particularly high in China, and close to 50% of the companies that did not list China as a promising country (medium-term) chose this reason. Looking at the results by industry, in electrical equipment & electronics, the response rate of this reason stood at 73.7%, putting it in first place.

### ■Top reason for India is "Lack of infrastructure"

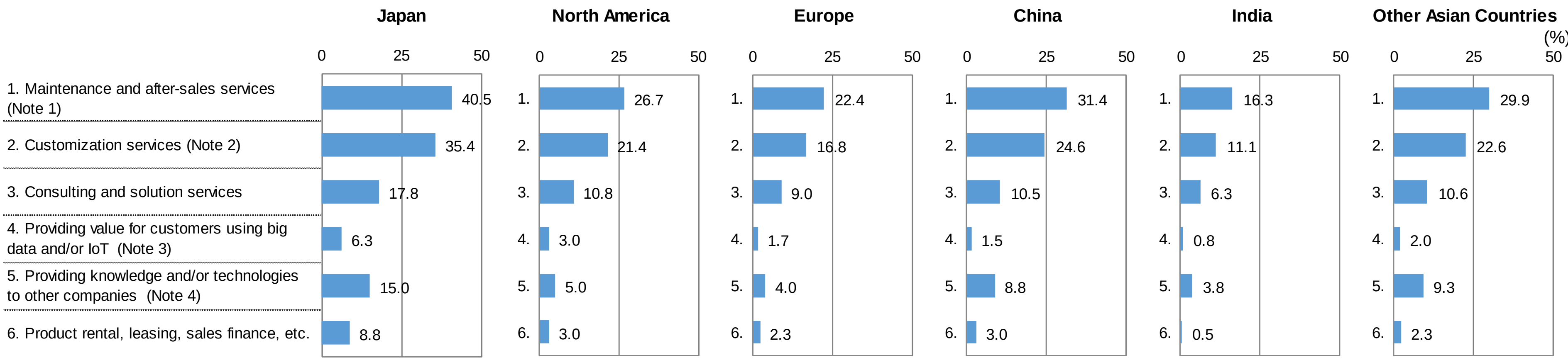
- The top reason for not listing India as a promising country (medium-term) was "Lack of infrastructure in the area" with a response rate of 34.1% (61 companies), and it improved by 3.8 points from 37.9% in the previous year. Among these companies, 55 do not have a local base yet, and thus it appears that promoting infrastructure development will be important for attracting more business investment from Japanese companies.

# V. Services Provided by Manufacturing Companies

Q

Manufacturers are said to be trying to provide services to differentiate their brand and maximize their customer value, moving more towards the service industry. In this regard, what services (both those connected with and those independent of sales) does your company currently provide? Select the services you currently offer in each region/country. Include services provided by your own company, your group companies and exclusive agencies. (Multiple answers possible)

## Figure 46: Services Currently Provided by Manufacturing Companies (by Country/Region)




Note 1: E.g., repairs, periodic inspections, printer toner replacement. Excludes simply giving out user instructions.
Note 2: Refers to services that involve changing product specifications in line with each customer's order (e.g., order-made PCs or sewing products).
Note 3: "Using big data" refers to results being used to enhance customer satisfaction by such ways as quality maintenance and trouble prediction. It does not include data being used solely to enhance sales. “Using IoT" refers to using an IoT-linked product such as a smart appliance to provide the customer with added value. It does not include introducing IoT to the company's own manufacturing sites solely to boost productivity and/or quality.
Note 4: Services provided (including as an outsourcee) independent of the products you market, such as sharing of knowledge and experience your company has gained through business.
Note 5: The ratios were calculated based on 602 companies

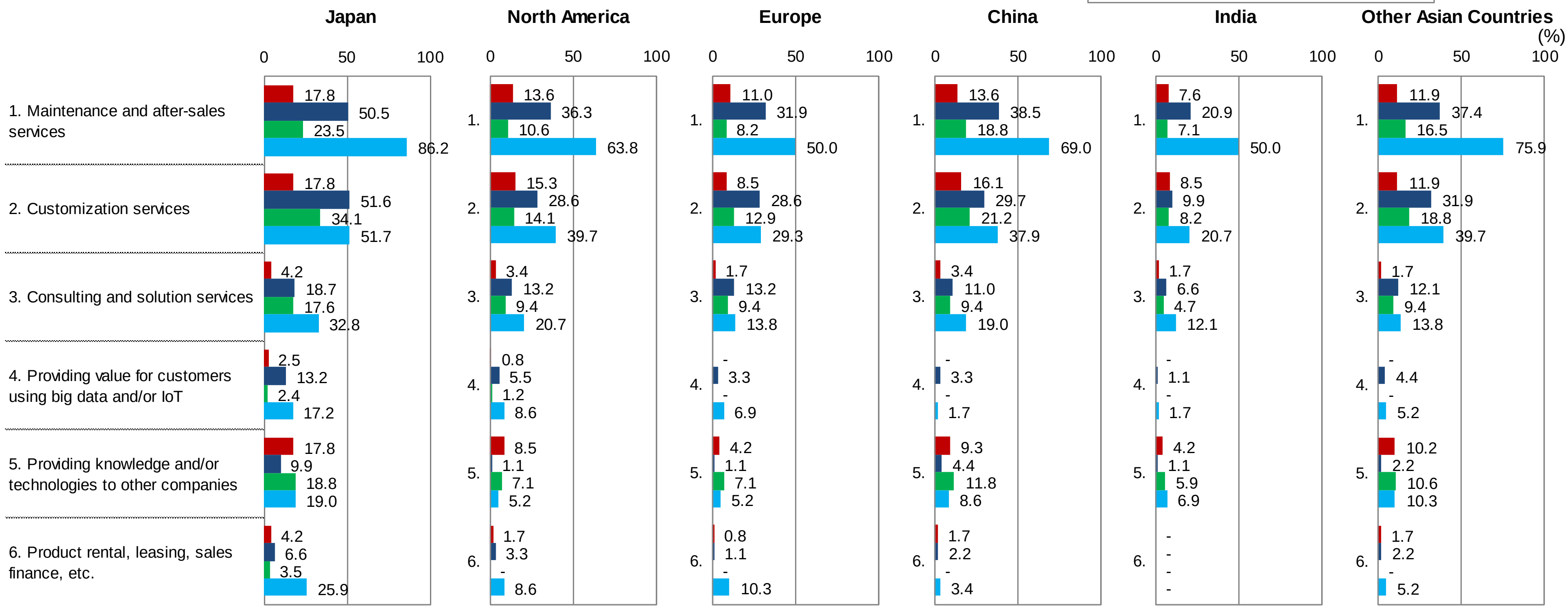
**■As for services currently provided in all countries/regions, “Maintenance and after-sales services” has the highest response rate, followed by “Customization services” in second place and “Consulting and solution services” in third place**

• The ratio of companies providing “Customization services” was high among companies that are carrying out BtoB business. As the ratio of BtoB related companies were higher in mid-tier firms/SMEs than in large enterprises, the response rate of providing “Customization services” were also higher in Mid-tier firms/SMEs.

**■Response rate of “Providing value for customers using big data and/or IoT” is currently low but is to increase in the future**

• Looking at future plans by country/region, “Providing value for customers using big data and/or IoT” is expected to increase from the current level of 6.3% in Japan. Meanwhile, as for “Providing knowledge and/or technologies to other companies,” other than Japan, Other Asian countries and China had relatively high response rates, and it is expected that these two regions will continue to be the focus areas for this type of service.

## Figure 47: Services Currently Provided by Manufacturing Companies (Major 4 Industries)




Note: The ratios were calculated based on 118 companies in automobiles, 91 companies in electrical equipment & electronics, 85 companies in chemicals, and 58 companies in general machinery.

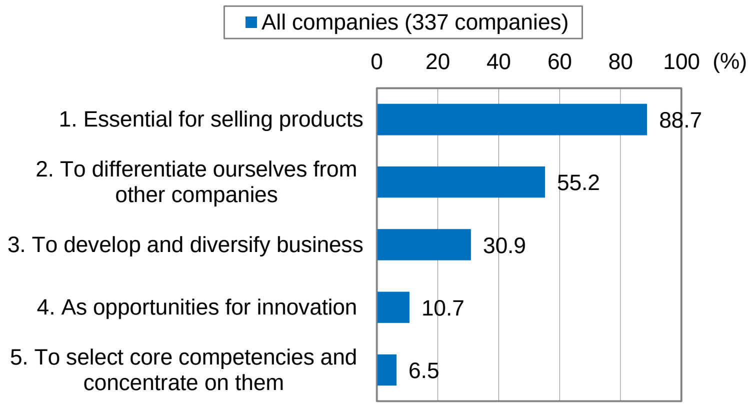
■ **Looking at currently provided services by the major four industries, electrical equipment & electronics and general machinery provide services at a higher rate, especially "Maintenance and after-sales services" and "Customization services"**

- As for "Providing knowledge and/or technologies to other companies," the response rate of automobiles was at about the same level as in other industries, while it was relatively low in electrical equipment & electronics.
- As for future plans, the ratio of "Providing value for customers using big data and IoT" will increase in all industries. Particularly, companies in general machinery seem to have the intention to strengthen such services.
- In electrical equipment & electronics and chemicals, companies showed intention to strengthen "Customization services" and "Solution services," focusing on emerging countries such as China and India.

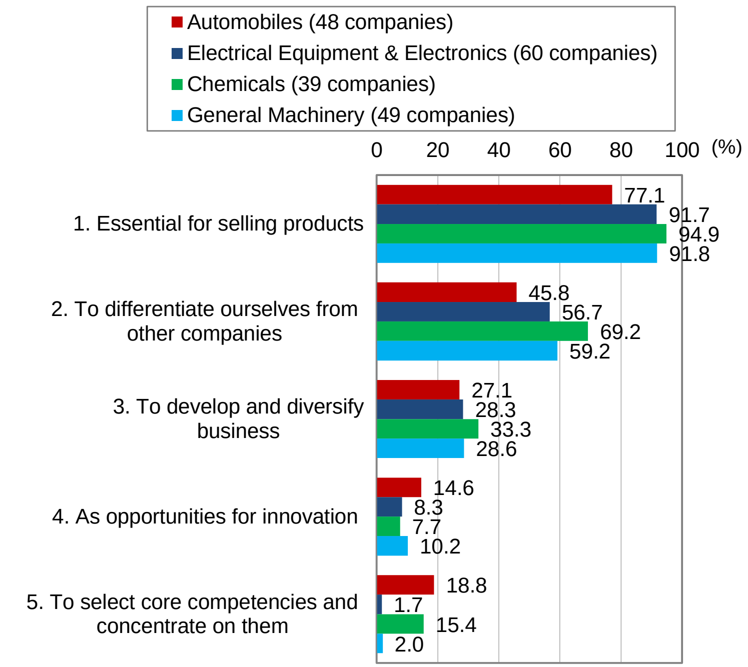
Q This question is for those that answered "providing" regarding services.
Circle the reasons for your providing such services. (Multiple answers possible)

## Figure 48: Services Provided by Manufacturing Companies (Reasons)

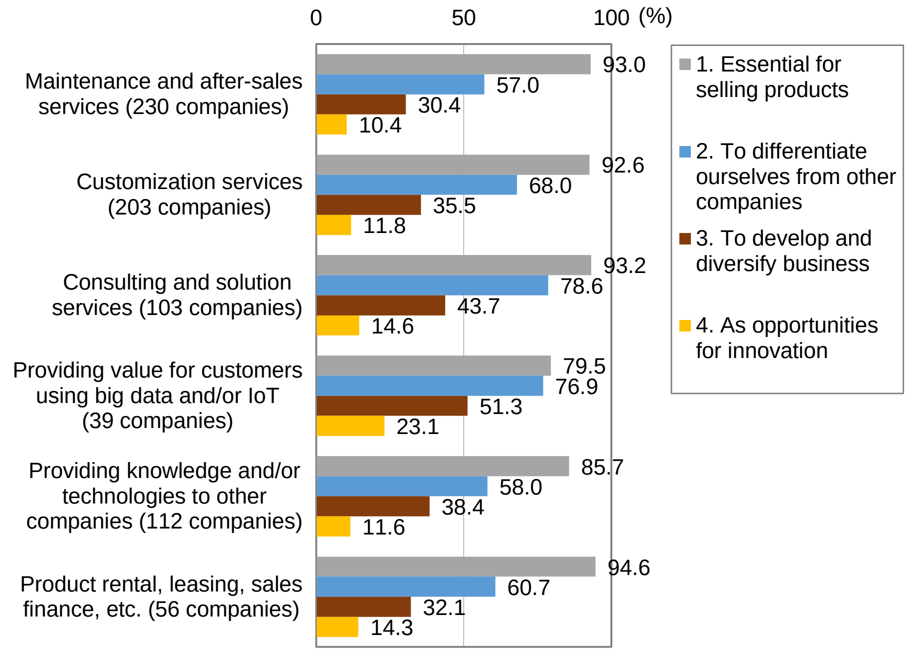
### (1) All Companies




### (2) Major 4 Industries




### (3) By services being provided




**■ Top reason for providing service is "Essential for selling products" (88.7%), followed by "To differentiate ourselves from other companies" (55.2%)**

- Looking at the result by the major four industries, in chemistry, "To differentiate ourselves from other companies" had a high response rate compared to other industries. In automobiles, "As opportunities for innovation" had a higher response rate than in other industries.

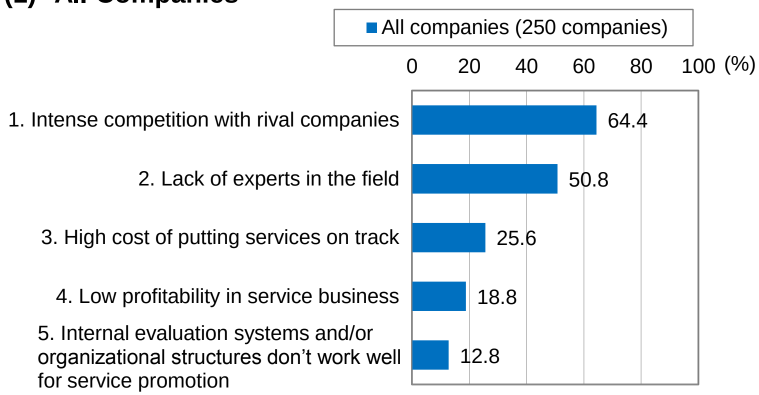
**■ Reasons differ depending on the services provided**

- Companies tend to provide "Maintenance and after-sales services" because they are "Essential for selling products." As for "Consulting and solution services" and "Providing value for customers using big data and IoT," reasons such as "To differentiate ourselves from other companies," "To develop and diversify business," and "As opportunities for innovation" had high response rates compared to other services.

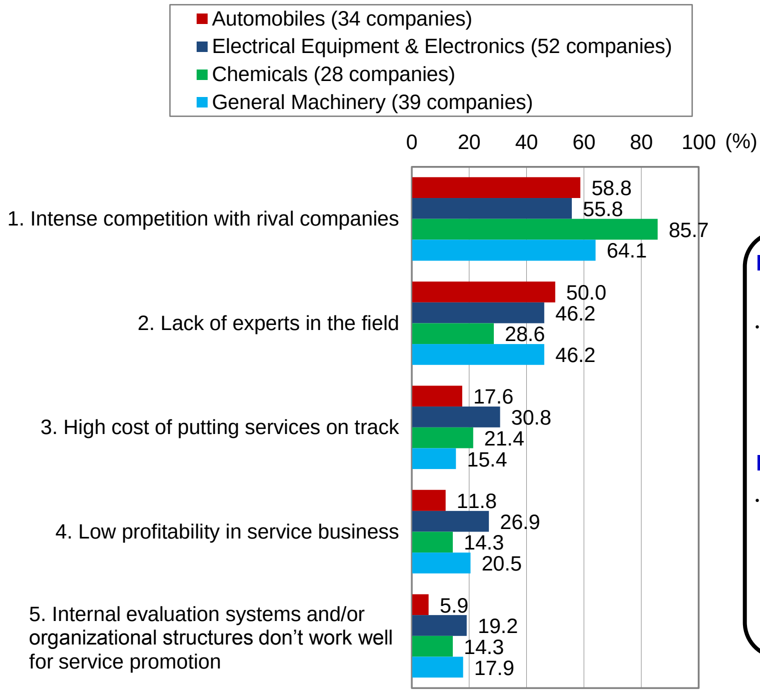
Q This question is for those that answered “providing” regarding services.
Circle the challenges you might face when implementing such services. (Multiple answers possible)

## Figure 49: Services Provided by Manufacturing Companies (Challenges)

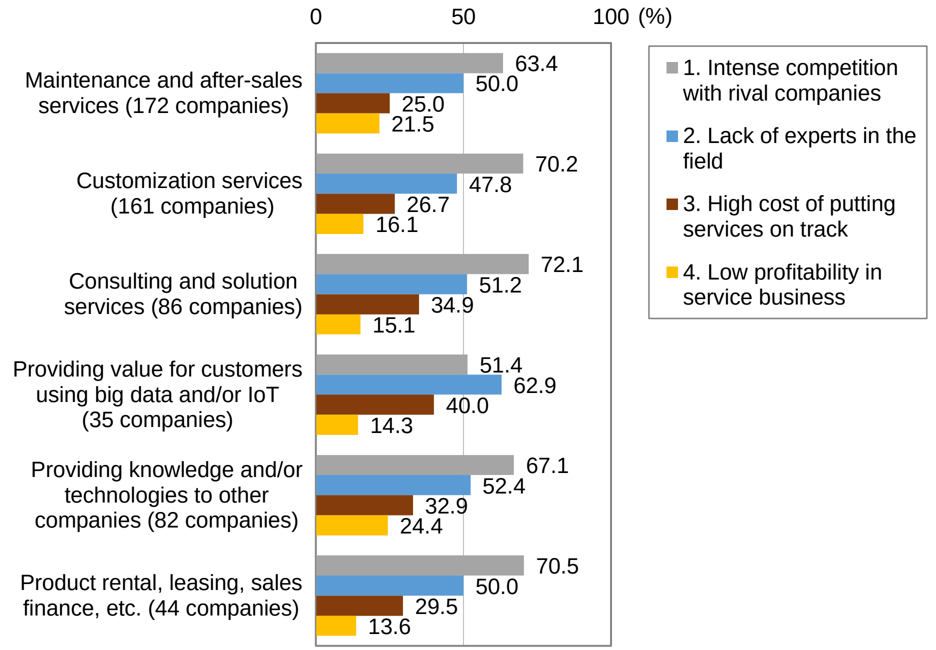
### (1) All Companies




### (2) Major 4 Industries




### (3) By service being provided




■ **As for challenges in providing services, “Intense competition with rival companies” (64.4%) has highest response rate, followed by “Lack of experts in the field” (50.8%)**

- By industry (major four), in chemicals, “Intense competition with rival companies” had a high response rate compared to other industries, but had a low ratio of “Lack of experts in the field.” Meanwhile, in electrical equipment & electronics, “High cost of putting services on track” and “Low profitability in service business” gained high response rates, and in automobiles, “Lack of experts in the field” gained more response rates than the other industries.

■ **Challenges vary depending on the service provided**

- Looking at differences in challenges among each type of services provided, in regard to “Providing value for customers using big data and IoT,” “Intense competition with rival companies” had a relatively low response rate while “Lack of experts in the field” was the top challenge. As for “Maintenance and after-sales services,” “Intense competition with rival companies” was at the same level as other services, while “Low profitability” was at a relatively high level. As for “Providing knowledge and/or technologies to other companies,” the response rate for “Low profitability” was at a relatively high level.

# VI. Services Received by Overseas Affiliates of Manufacturing Companies

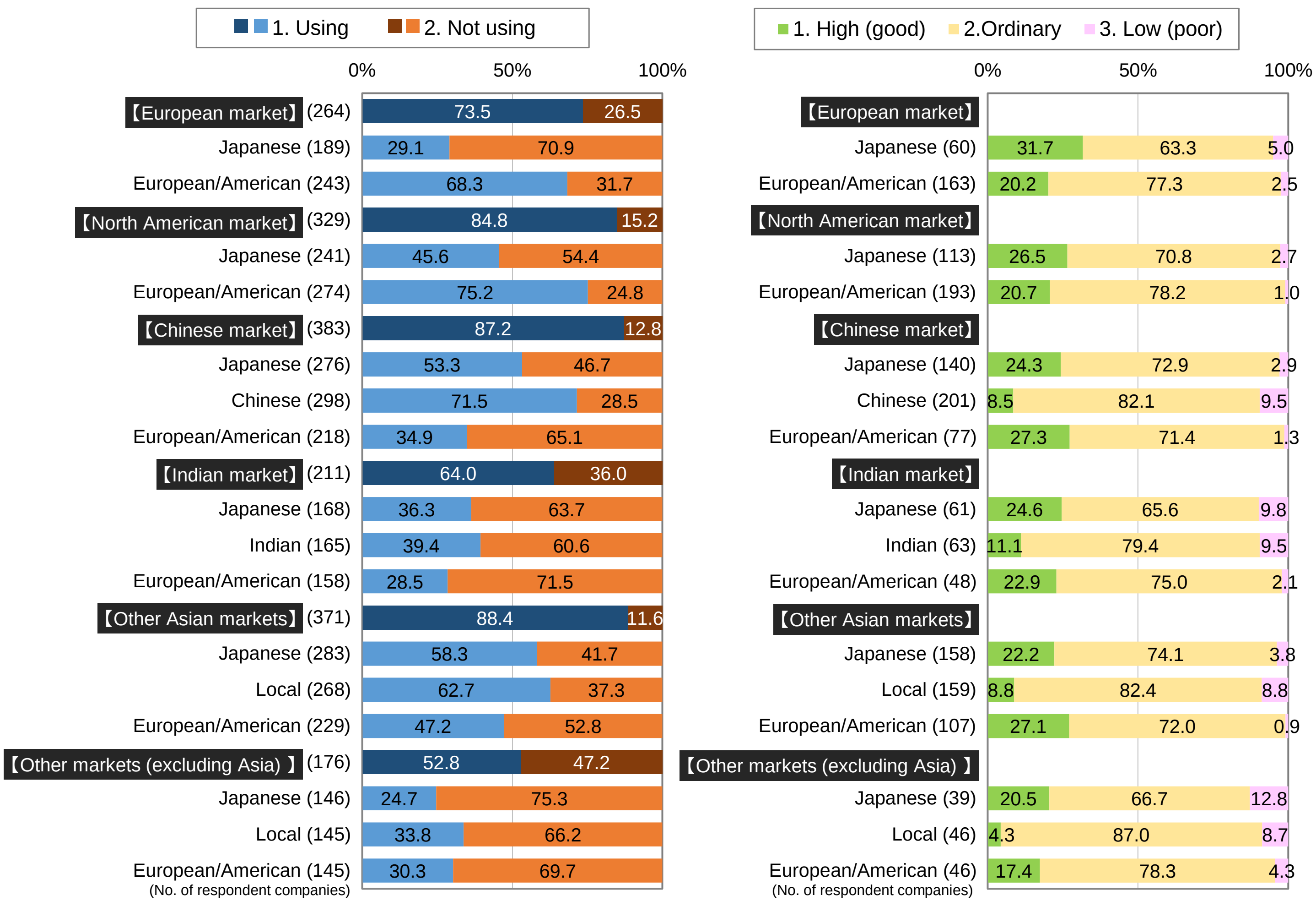
Q

Are you currently receiving the services below from firms/companies (Japanese, local, or European/American) in countries/regions your company invests in? If so, assess the quality of each service provided by these firms/companies in the respective region/country.
Even if your company does not use any services, try to answer based on the information you have.

## Figure 50: Services Received by Overseas Affiliates of Manufacturing Companies (Legal/Accounting/Tax Services)

(1) Using/Not using

(2) Quality assessment




### ■ For "Legal/accounting/tax services," high ratio of companies use local firms/companies in Europe, North America, and China

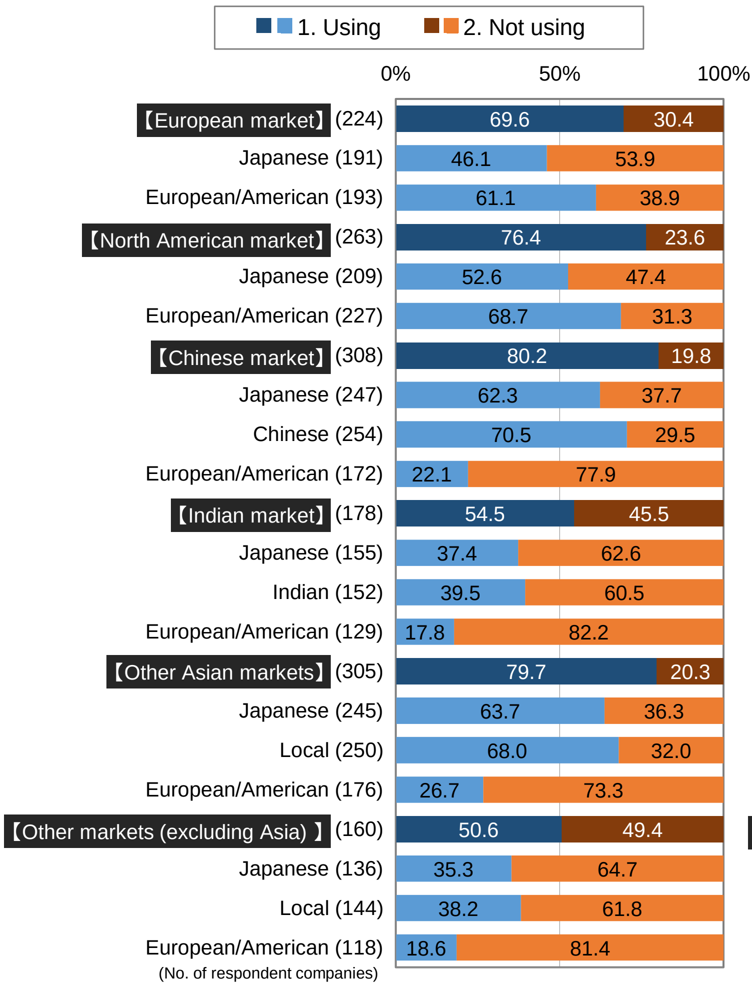
- In the Indian market, 39.4% of the respondent companies used local firms/companies, while 36.3% used Japanese firms/companies, and the ratios did not change much as in other markets. As for the Chinese and Other Asian markets, the ratios of companies using Japanese firms/companies were at a high level, surpassing 50%.

### ■ As for the quality of the services, Japanese firms/companies are rated highly

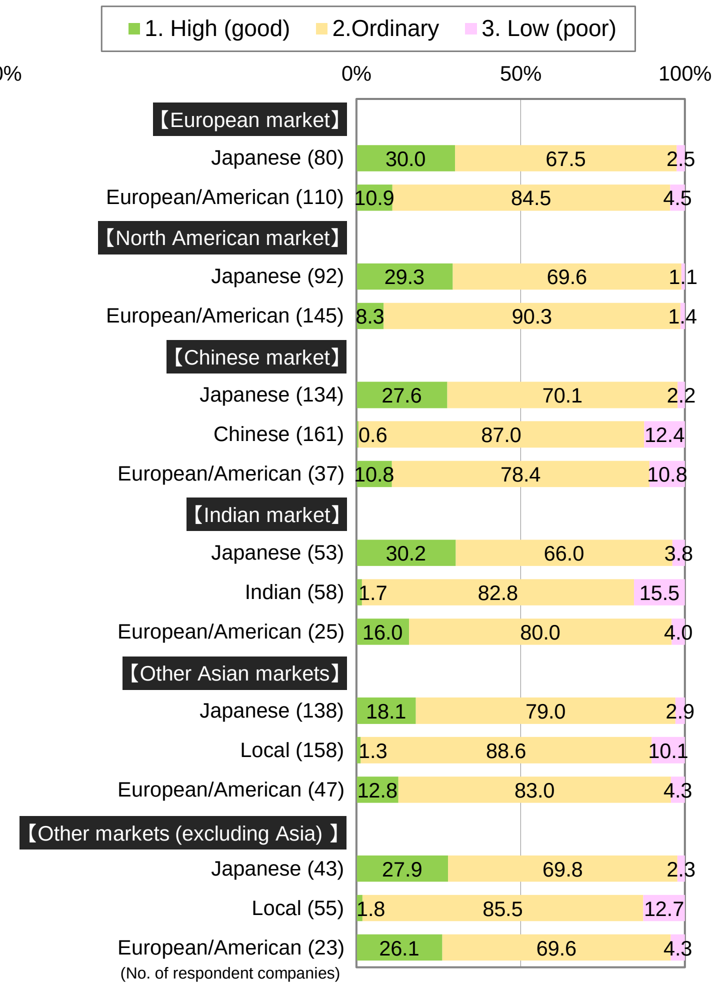
- Many companies answered "Ordinary" or "High (good)," showing that satisfaction with the service of Japanese firms/companies are relatively high. In the Chinese and Other Asian markets, European/American firms/companies were rated highly as well.

## Figure 51: Services Received by Overseas Affiliates of Manufacturing Companies (Logistics Services)

### (1) Using/Not using




### (2) Quality assessment




**■ As for "Logistics services," in all markets, local companies are used slightly more than Japanese companies**

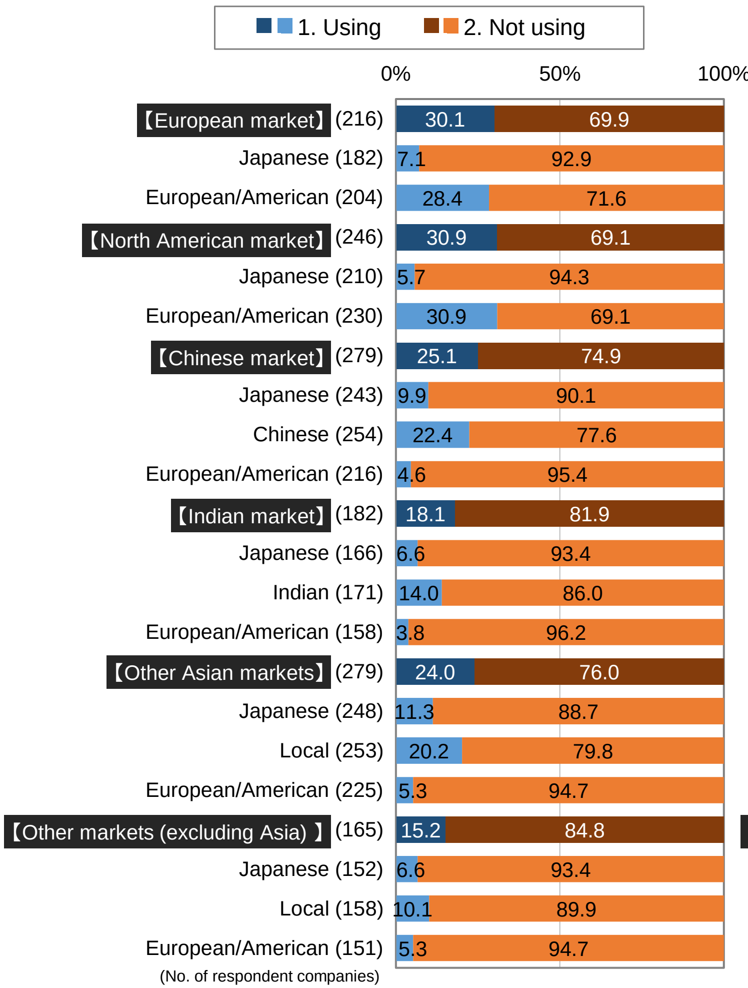
- Many companies gave multiple responses in the same market, as some of them chose separate logistics companies for sea, land, and air routes, and some chose them depending on the customer's preferences.

**■ As for quality, "Ordinary" is the most common answer in all markets, but Japanese logistics companies are rated relatively high**

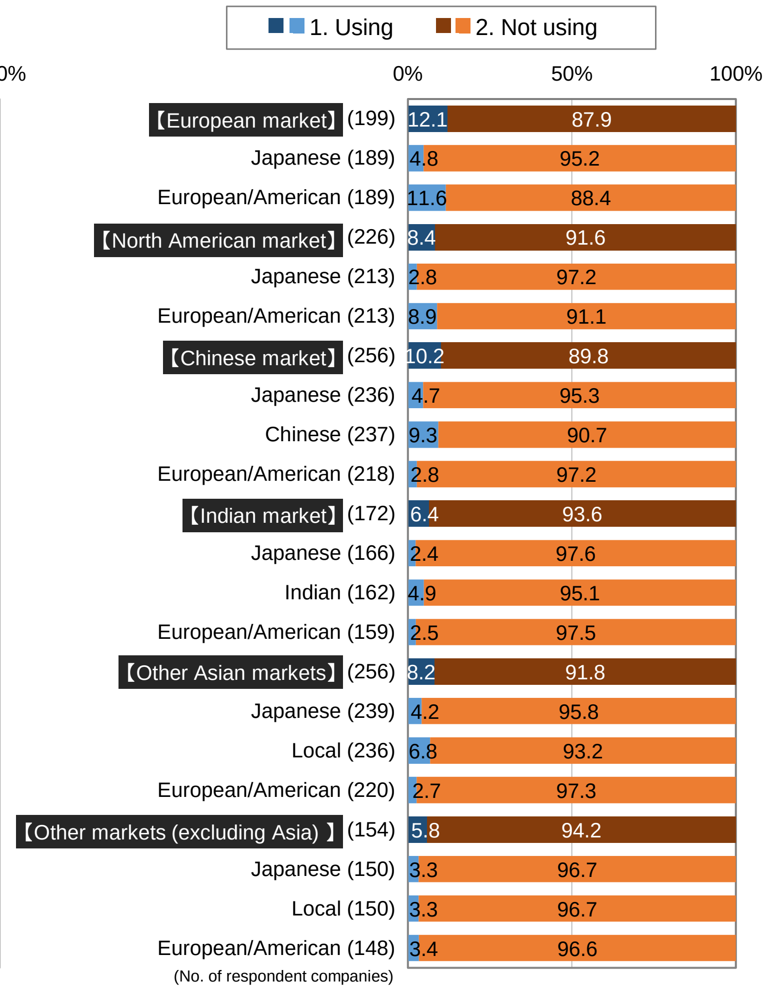
- Some companies commented that they use Japanese logistics companies when delivering delicate and fragile products, and products requiring temperature management, since Japanese logistics companies provide careful and attentive service. Also, some companies stated that they choose Japanese logistics companies in accordance with the preference of the receiver.

## Figure 52: Services Received by Overseas Affiliates of Manufacturing Companies (Using/Not using)

### (1) Marketing/Advertising Services




### (2) Design Services




**■As for "Marketing /advertising services," ratio of using Japanese companies are low**

- As for "Marketing/advertising services," outsourcing is not common. In interviews, some companies commented that there is little need for using them because their buyers are already fixed.
- Among the companies that use such services, a high ratio use local companies.

**■"Design services" are not used my most of the companies**

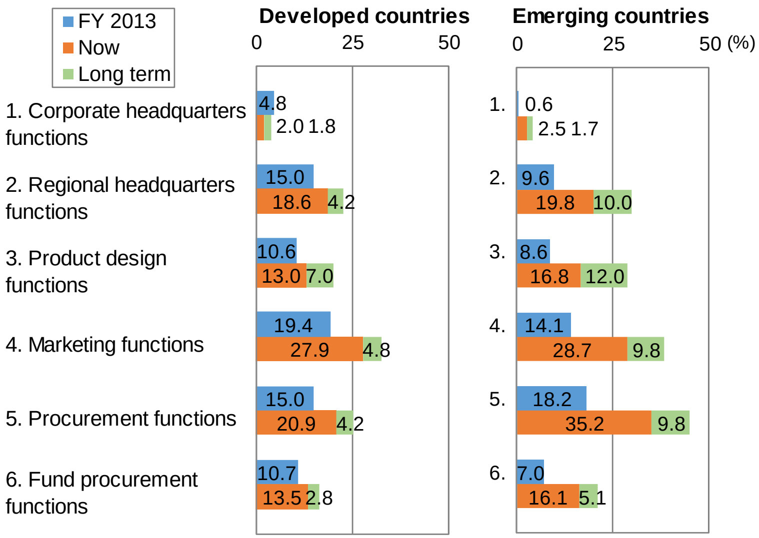
- Ratio of companies receiving "Design services" by European/American companies in the European market were relatively high, but even this ratio was just above 10%, showing that most companies are carrying out design internally.

# Ⅶ. Business Management of Overseas Affiliates

Q

Of the following headquarter functions, select those your company has already transferred overseas, and also those you think should be transferred over the long term (the next 10 years or so). (Multiple answers possible)

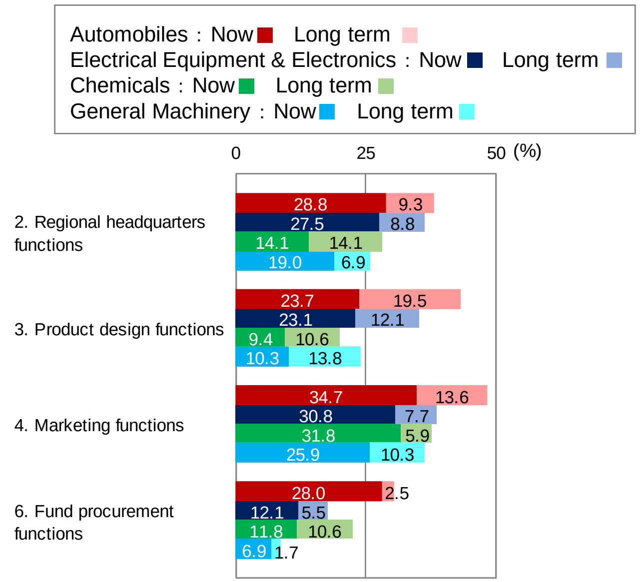
## Figure 53:Transferring of Headquarter Functions




(Reference) No. of respondent companies:
FY 2013 (Developed countries: 164 companies, Emerging countries: 172 companies)
Now (Developed countries: 214 companies, Emerging countries: 279 companies)
Long term (Developed countries: 87 companies, Emerging countries: 148 companie)

Note1: The figures on the graph were calculated based on 625 companies for FY2013 and based on 602 companies for this year's survey (now, long term).

### Emerging countries(Major 4 Industries)




(Reference) No. of respondent companies:
Automobiles (Now 70 companies, Long term 36 companies)
Electrical Equipment & Electronics (Now 54 companies, Long term 20 companies)
Chemicals (Now 33 companies, Long term 26 companies)
General Machinery (Now 23 companies, Long term 15 companies)

Note2: The figures on the graph were calculated based on 118 companies in automobiles, 91 companies in electrical equipment & electronics, 85 companies in chemicals, and 58 companies in general machinery.

| | |
|---|---|
| 1. Corporate headquarters functions | Management resource allocation and management strategy planning |
| 2. Regional headquarters functions | Regional management functions (regional strategy planning) |
| 3. Product design functions | Designing products sold on local markets |
| 4. Marketing functions | Collecting information to understand local needs and to plan local sales strategy |
| 5. Procurement functions | Deciding on the procurement of raw materials and parts needed for local production |
| 6. Fund procurement functions | Examining and deciding on their own financing arrangements, as well as managing funds sent from the parent company |

**■Transferring of headquarter functions are in progress, particularly in emerging countries**

- Currently companies are moving ahead with transferring headquarter functions to emerging countries, especially product design functions (developed countries 13.0%, emerging countries 16.8%) and procurement functions (developed countries 20.9%, emerging countries 35.2%). Furthermore, as of headquarter functions in emerging countries, when comparing this year to FY2013, the ratios of companies that have transferred these functions nearly doubled for each function: regional headquarters functions (9.6%→19.8%), marketing functions (14.1%→28.7%), and procurement functions (18.2%→35.2%).

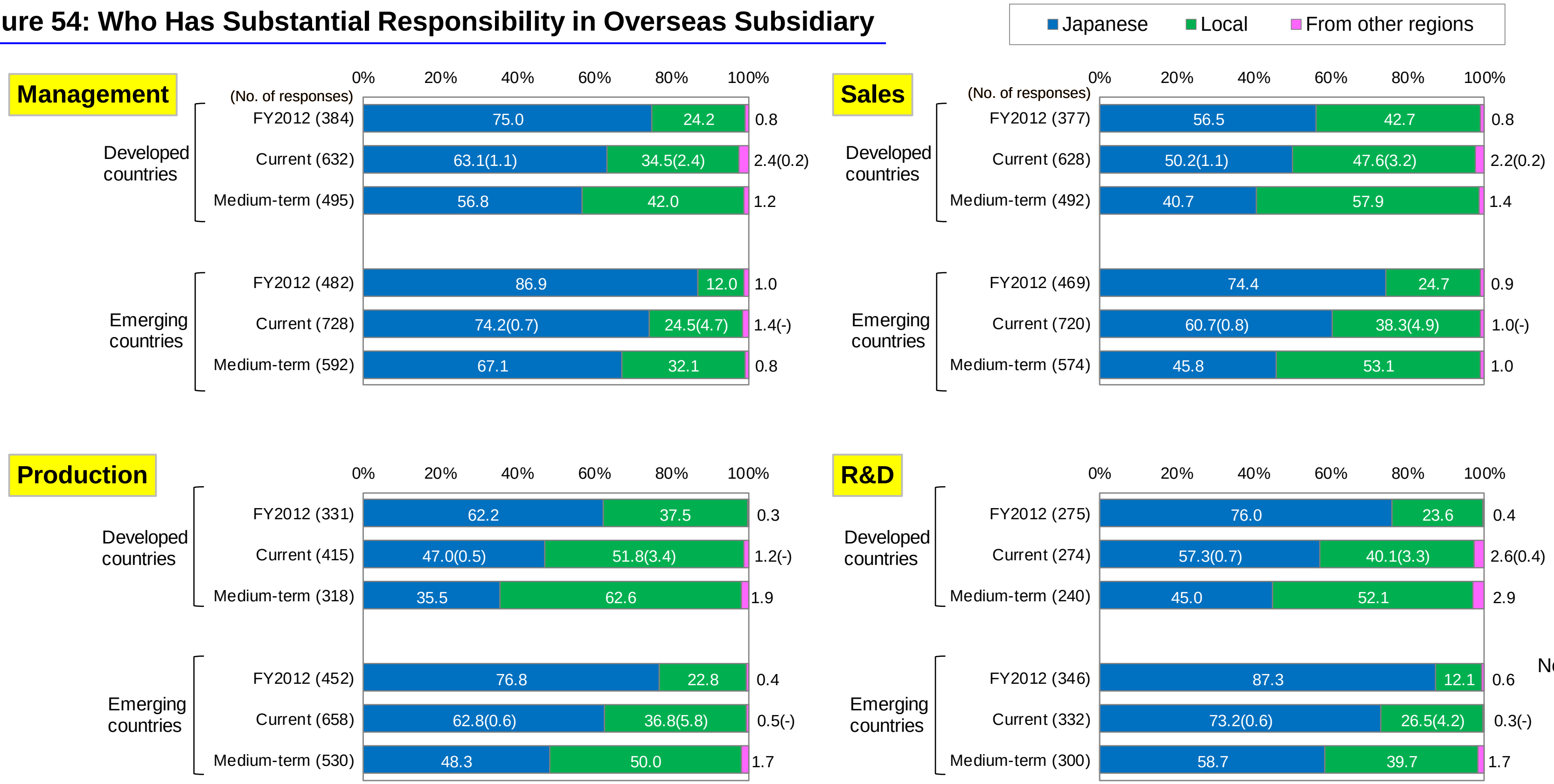
**■Companies expect to transfer product design functions to emerging countries over the long term**

- Over the long term, transferring of headquarter functions to developed countries will slow down, while the transferring of product design functions to emerging countries will progress further(now 16.8% → long term 28.8%). Companies appear to be intending to strengthen their ability to develop products that meet the needs of each of the emerging countries.
- As for the four major industries, particularly in automobiles, the transferring of headquarter functions increased, and the ratio of companies that believe it is necessary to transfer product design functions over the long term was high at 43.2%. Other than automobiles, companies in electrical equipment & electronics showed strong intention to transfer regional headquarter functions and marketing functions.

Q

Who is currently responsible for these functions at your oversas bases, and who would they be if based on your medium term plan (approx. 3-year) ?
For each region, indicate the nationality and gender of the person (gender not required for your future plan).

## Figure 54: Who Has Substantial Responsibility in Overseas Subsidiary



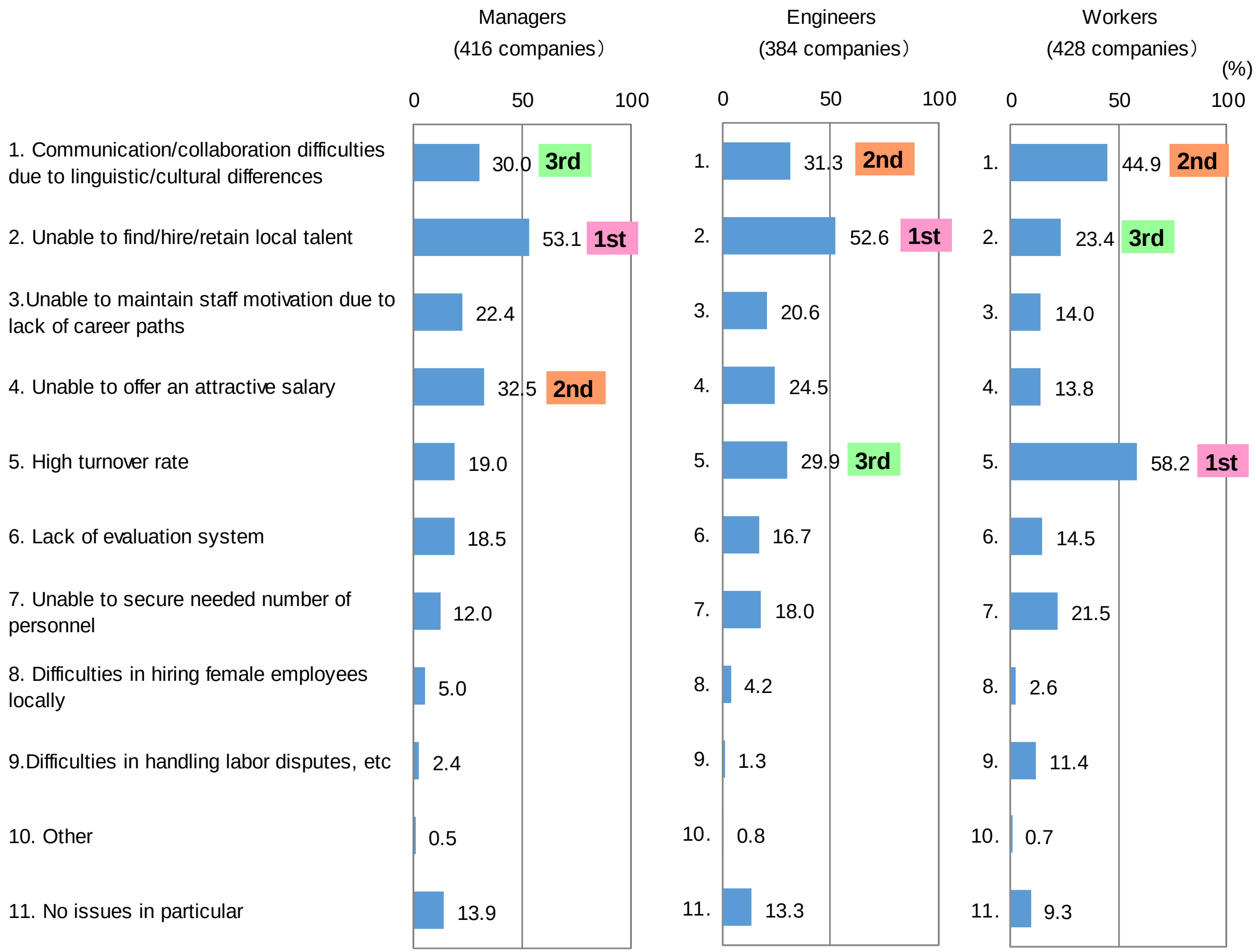

Note: The numbers in parentheses on the graph indicate the ratio of women.

### In both developed and emerging countries, more companies are giving substantial responsibility to locals

- Comparing 2012 and this year, the ratio of companies with locals holding substantial responsibility increased in all of the four functions, in both developed and emerging countries. In the medium term, many companies responded that they intend to give substantial responsibility to locals, especially in the production and sales function, and the ratio of such companies was about 60% in developed countries and about 50% in emerging countries in both functions.
- Meanwhile, as for management function, ratios of companies that have given substantial responsibility to locals were low in both developed and emerging countries. Over the medium term, 56.8% of the respondent companies expect to continue giving management responsibility to a Japanese personnel in developed countries, and 67.1% of companies expect to do so in emerging countries.
- As for percentage of female personnel, among all those that companies stated currently hold substantial responsibility, the ratio of women was 4.9%. Limiting the results to Japanese persons, the ratio of women was only 1.3%. In the case of locals who hold substantial responsibility, the ratio of women was 9.9%, and limiting this to emerging countries, the ratio was 15.4%.

Q What are the difficulties you face in managing local staff? Answer separately for each class of staff. (Multiple answers possible)

## Figure 55: Challenges Related to Local Human Resource Management




**■Top issue for managers and engineers: "Unable to find/hire/retain local talent"**

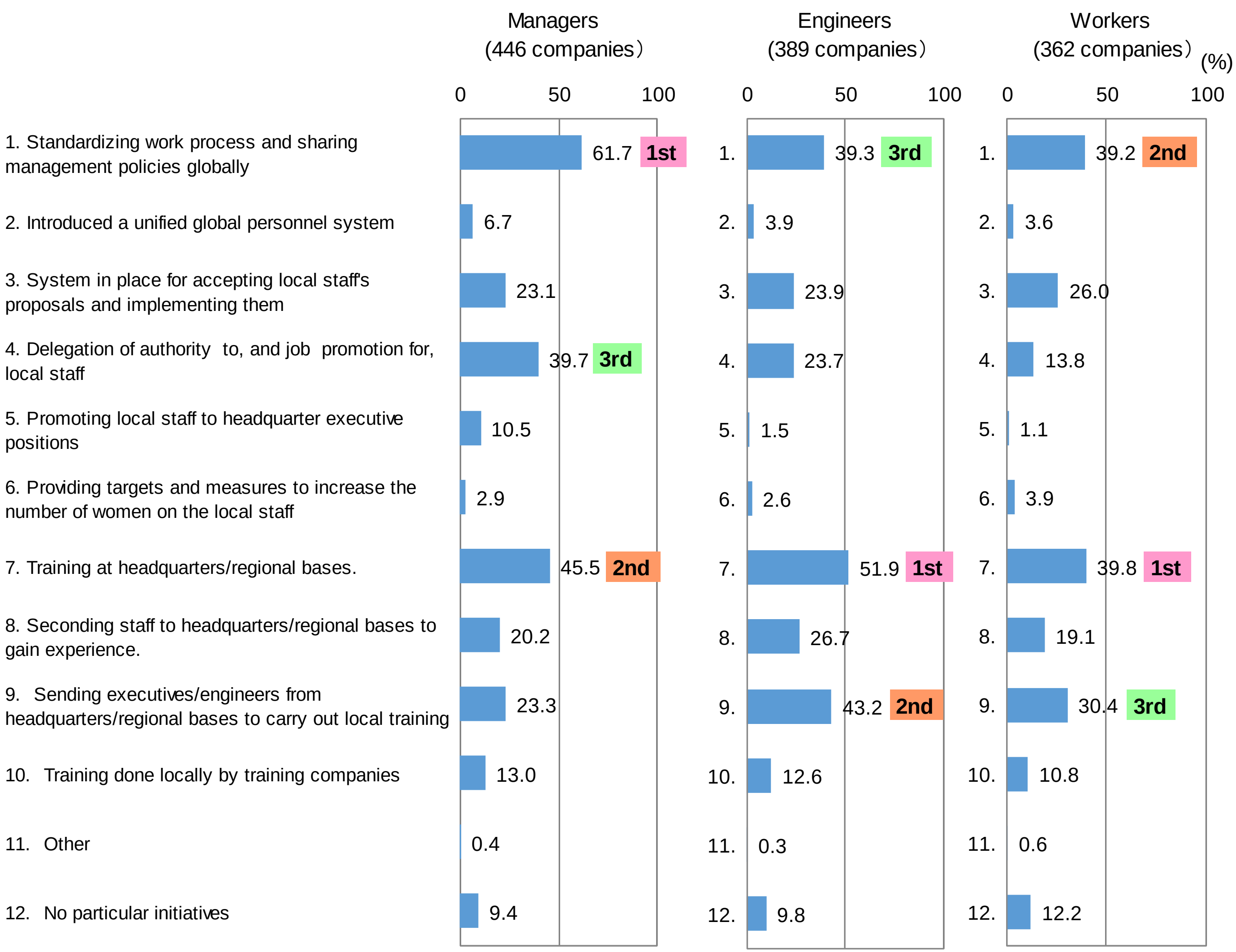
- As for challenges related to human resource management at overseas bases, for managers and engineers, more than half of the companies that responded to this question chose "Finding/hiring/retaining qualified human resources," showing that the competition for local human resources is intense.
- In regard to managers, the response rate of "Unable to offer an attractive salary" was 32.5%, a high level compared to engineers and workers.
- While there did not appear to be a significant difference in the response rates of large enterprises and mid-tier firms/SMEs, large enterprises had a higher response rate for "High turnover rate" for engineers (large enterprises 35.4%, mid-tier firms/SMEs 20.3%).

**■Worker's "High turnover rate" is a big challenge**

- For workers, about 60% of the companies named "High turnover rate," putting it in first place. Second place was "Communication/collaboration difficulties," and this had a higher ratio compared to managers and engineers.

Q Circle initiatives related to local human resource management you carry out. (Multiple answers possible)

## Figure 56: Initiatives Related to Local Human Resource Management




### ■ Top initiative for managers: "Standardizing work process and sharing management policies globally"

- The top initiative implemented for managers was "Standardizing work process and sharing management policies globally," and this was named by more than 60% of the respondent companies.
- As for managers, about 40% of the respondent companies implement "Delegation of authority to, and job promotion for, local staff." It appears that especially in the field of procurement and marketing, Japanese companies are focusing on utilizing local human resources who know well about local circumstances.

### ■ For engineers and workers, implementation of trainings is the most common initiative

- As for initiatives for engineers and workers, conducting technical trainings, etc. at headquarters/regional bases was the most common initiatives taken. Some companies commented that they are aiming to improve the technical skills of local human resources, and some also commented that they are trying to maintain motivation of the engineers and workers by inviting talented ones and providing trainings to them in Japan, as well as setting up opportunities to interchange with the headquarter personnel.

# Appendices

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

| Rank | FY2017 Survey | No.of Companies 444 | Percentage share (%) | FY2016 Survey | No.of Companies 483 | Percentage share (%) | FY2015 Survey | No.of Companies 433 | Percentage share (%) | FY2014 Survey | No.of Companies 499 | Percentage share (%) | FY2013 Survey | No.of Companies 488 | Percentage share (%) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | China | 203 | 45.7 | India | 230 | 47.6 | India | 175 | 40.4 | India | 229 | 45.9 | Indonesia | 219 | 50.6 |
| 2 | India | 195 | 43.9 | China | 203 | 42.0 | Indonesia | 168 | 38.8 | Indonesia | 228 | 45.7 | India | 213 | 49.2 |
| 3 | Vietnam | 169 | 38.1 | Indonesia | 173 | 35.8 | China | | | China | 218 | 43.7 | Thailand | 188 | 43.4 |
| 4 | Thailand | 153 | 34.5 | Vietnam | 158 | 32.7 | Thailand | 133 | 30.7 | Thailand | 176 | 35.3 | China | 183 | 42.3 |
| 5 | Indonesia | 147 | 33.1 | Thailand | 142 | 29.4 | Vietnam | 119 | 27.5 | Vietnam | 155 | 31.1 | Vietnam | 148 | 34.2 |
| 6 | US | 116 | 26.1 | Mexico | 125 | 25.9 | Mexico | 102 | 23.6 | Mexico | 101 | 20.2 | Brazil | 114 | 26.3 |
| 7 | Mexico | 81 | 18.2 | US | 93 | 19.3 | US | 72 | 16.6 | Brazil | 83 | 16.6 | Mexico | 84 | 19.4 |
| 8 | Philippines | 47 | 10.6 | Philippines | 51 | 10.6 | Philippines | 50 | 11.5 | US | 66 | 13.2 | Myanmar | 64 | 14.8 |
| 9 | Myanmar | 40 | 9.0 | Myanmar | 49 | 10.1 | Brazil | 48 | 11.1 | Russia | 60 | 12.0 | Russia | 60 | 13.9 |
| 10 | Brazil | 28 | 6.3 | Brazil | 35 | 7.2 | Myanmar | 34 | 7.9 | Myanmar | 55 | 11.0 | US | 54 | 12.5 |
| 11 | Korea | | | Malaysia | 33 | 6.8 | Malaysia | 27 | 6.2 | Philippines | 50 | 10.0 | Philippines | 39 | 9.0 |
| 12 | Malaysia | 26 | 5.9 | Singapore | 23 | 4.8 | Russia | 24 | 5.5 | Malaysia | 46 | 9.2 | Malaysia | 37 | 8.5 |
| 13 | Russia | 19 | 4.3 | Taiwan | 22 | 4.6 | Singapore | 20 | 4.6 | Turkey | 26 | 5.2 | Korea | 28 | 6.5 |
| 14 | Singapore | 17 | 3.8 | Germany | 20 | 4.1 | Turkey | 17 | 3.9 | Singapore | 25 | 5.0 | Taiwan | 23 | 5.3 |
| 15 | Taiwan | | | Russia | 17 | 3.5 | Korea | | | Cambodia | 20 | 4.0 | Turkey | | |
| 16 | Germany | 13 | 2.9 | Korea | 15 | 3.1 | Taiwan | 16 | 3.7 | Korea | | | Singapore | 19 | 4.4 |
| 17 | Turkey | 12 | 2.7 | Turkey | 12 | 2.5 | Cambodia | 14 | 3.2 | Taiwan | 19 | 3.8 | Cambodia | 12 | 2.8 |
| 18 | Australia | 10 | 2.3 | Cambodia | | | Germany | | | Germany | 9 | 1.8 | Germany | 10 | 2.3 |
| 19 | Canada | | | Australia | 11 | 2.3 | Saudi Arabia | 7 | 1.6 | France | 7 | 1.4 | South Africa | | |
| 20 | Cambodia | 9 | 2.0 | Iran | 8 | 1.7 | Bangladesh | 6 | 1.4 | Saudi Arabia | | | Laos | 9 | 2.1 |
| | | | | | | | Laos | | | South Africa | | | | | |
| | | | | | | | UK | | | | | | | | |

## Promising Countries/Regions over the Long-term

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

| Rank | FY2017 Survey | No.of Companies 337 | Percentage share (%) | FY2016 Survey | No.of Companies 364 | Percentage share (%) |
|---|---|---|---|---|---|---|
| 1 | India | 214 | 63.5 | India | 226 | 62.1 |
| 2 | China | 146 | 43.3 | China | 143 | 39.3 |
| 3 | Vietnam | 115 | 34.1 | Indonesia | 137 | 37.6 |
| 4 | Indonesia | 109 | 32.3 | Vietnam | 119 | 32.7 |
| 5 | Thailand | 80 | 23.7 | Thailand | 89 | 24.5 |
| 6 | US | 78 | 23.1 | Mexico | 59 | 16.2 |
| 7 | Myanmar | 48 | 14.2 | Myanmar | 58 | 15.9 |
| 8 | Mexico | 45 | 13.4 | US | 55 | 15.1 |
| 9 | Brazil | 43 | 12.8 | Brazil | 48 | 13.2 |
| 10 | Philippines | 33 | 9.8 | Philippines | 33 | 9.1 |

## 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 | FY2017 Survey | No.of Companies 132 | Percentage share (%) | FY2016 Survey | No.of Companies 143 | Percentage share (%) |
|---|---|---|---|---|---|---|
| 1 | China | 55 | 41.7 | India | 66 | 46.2 |
| 2 | Vietnam | 53 | 40.2 | Indonesia | 53 | 37.1 |
| 3 | India | 52 | 39.4 | Vietnam | | |
| 4 | Thailand | 46 | 34.8 | China | 48 | 33.6 |
| 5 | Indonesia | 37 | 28.0 | Thailand | 42 | 29.4 |
| 6 | US | 27 | 20.5 | Mexico | 40 | 28.0 |
| 7 | Mexico | 23 | 17.4 | US | 22 | 15.4 |
| 8 | Philippines | 12 | 9.1 | Philippines | 16 | 11.2 |
| 9 | Myanmar | | | Myanmar | 10 | 7.0 |
| 10 | Korea | 10 | 7.6 | Malaysia | 9 | 6.3 |

# 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.

| FY2017 Survey | 1 China | | 2 India | | 3 Vietnam | | 4 Thailand | | 5 Indonesia | | 6 US | | 7 Mexico | | 8 Philippines | | 9 Myanmar | | 10 Brazil | | 10 Korea | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio |
| No. of respondent companies | 197 | 100% | 193 | 100% | 163 | 100% | 152 | 100% | 142 | 100% | 109 | 100% | 81 | 100% | 45 | 100% | 39 | 100% | 27 | 100% | 27 | 100% |
| 1. Qualified human resources | 22 | 11.2% | 30 | 15.5% | 31 | 19.0% | 21 | 13.8% | 8 | 5.6% | 17 | 15.6% | 5 | 6.2% | 8 | 17.8% | 4 | 10.3% | - | 0.0% | 4 | 14.8% |
| 2. Inexpensive source of labor | 28 | 14.2% | 61 | 31.6% | 82 | 50.3% | 36 | 23.7% | 47 | 33.1% | - | 0.0% | 26 | 32.1% | 19 | 42.2% | 24 | 61.5% | 3 | 11.1% | - | 0.0% |
| 3. Inexpensive components/raw materials | 22 | 11.2% | 17 | 8.8% | 14 | 8.6% | 8 | 5.3% | 8 | 5.6% | 1 | 0.9% | 3 | 3.7% | - | 0.0% | 2 | 5.1% | 3 | 11.1% | 1 | 3.7% |
| 4. Supply base for assemblers | 53 | 26.9% | 47 | 24.4% | 21 | 12.9% | 37 | 24.3% | 26 | 18.3% | 17 | 15.6% | 38 | 46.9% | 7 | 15.6% | 3 | 7.7% | 7 | 25.9% | 4 | 14.8% |
| 5. Concentration of industry | 44 | 22.3% | 18 | 9.3% | 12 | 7.4% | 37 | 24.3% | 20 | 14.1% | 21 | 19.3% | 20 | 24.7% | 4 | 8.9% | - | 0.0% | 3 | 11.1% | 4 | 14.8% |
| 6. Good for risk diversification to other countries | 3 | 1.5% | 10 | 5.2% | 29 | 17.8% | 14 | 9.2% | 4 | 2.8% | 2 | 1.8% | 6 | 7.4% | 3 | 6.7% | 2 | 5.1% | - | 0.0% | 1 | 3.7% |
| 7. Base of export to Japan | 11 | 5.6% | 1 | 0.5% | 21 | 12.9% | 11 | 7.2% | 5 | 3.5% | 1 | 0.9% | - | 0.0% | 4 | 8.9% | 1 | 2.6% | - | 0.0% | - | 0.0% |
| 8. Base of export to third countries | 21 | 10.7% | 23 | 11.9% | 30 | 18.4% | 45 | 29.6% | 17 | 12.0% | 4 | 3.7% | 16 | 19.8% | 6 | 13.3% | 6 | 15.4% | 2 | 7.4% | 2 | 7.4% |
| 9. Advantages in terms of raw material procurement | 10 | 5.1% | 3 | 1.6% | 3 | 1.8% | 4 | 2.6% | 3 | 2.1% | 7 | 6.4% | 1 | 1.2% | 3 | 6.7% | - | 0.0% | - | 0.0% | 2 | 7.4% |
| 10. Current size of local market | 121 | 61.4% | 70 | 36.3% | 25 | 15.3% | 50 | 32.9% | 49 | 34.5% | 74 | 67.9% | 21 | 25.9% | 9 | 20.0% | 5 | 12.8% | 10 | 37.0% | 14 | 51.9% |
| 11. Future growth potential of local market | 135 | 68.5% | 165 | 85.5% | 116 | 71.2% | 76 | 50.0% | 121 | 85.2% | 60 | 55.0% | 58 | 71.6% | 29 | 64.4% | 30 | 76.9% | 21 | 77.8% | 7 | 25.9% |
| 12. Profitability of local market | 17 | 8.6% | 15 | 7.8% | 14 | 8.6% | 10 | 6.6% | 7 | 4.9% | 31 | 28.4% | 2 | 2.5% | 1 | 2.2% | - | 0.0% | 1 | 3.7% | 5 | 18.5% |
| 13. Base for product development | 15 | 7.6% | 8 | 4.1% | 2 | 1.2% | 5 | 3.3% | 1 | 0.7% | 22 | 20.2% | - | 0.0% | - | 0.0% | 1 | 2.6% | 2 | 7.4% | 2 | 7.4% |
| 14. Developed local infrastructure | 27 | 13.7% | 1 | 0.5% | 10 | 6.1% | 35 | 23.0% | 6 | 4.2% | 29 | 26.6% | 5 | 6.2% | 2 | 4.4% | 1 | 2.6% | 1 | 3.7% | 6 | 22.2% |
| 15. Developed local logistics services | 8 | 4.1% | 1 | 0.5% | 5 | 3.1% | 10 | 6.6% | 3 | 2.1% | 21 | 19.3% | 2 | 2.5% | 1 | 2.2% | - | 0.0% | - | 0.0% | 2 | 7.4% |
| 16. Tax incentives for investment | 5 | 2.5% | 6 | 3.1% | 9 | 5.5% | 19 | 12.5% | 5 | 3.5% | 5 | 4.6% | 3 | 3.7% | 2 | 4.4% | 3 | 7.7% | - | 0.0% | 2 | 7.4% |
| 17. Stable policies to attract foreign investment | 1 | 0.5% | 5 | 2.6% | 6 | 3.7% | 19 | 12.5% | 5 | 3.5% | 1 | 0.9% | 4 | 4.9% | 2 | 4.4% | - | 0.0% | - | 0.0% | - | 0.0% |
| 18. Social/political situation stable | 5 | 2.5% | 9 | 4.7% | 30 | 18.4% | 12 | 7.9% | 6 | 4.2% | 22 | 20.2% | 1 | 1.2% | 2 | 4.4% | 1 | 2.6% | 1 | 3.7% | - | 0.0% |

| FY2016 Survey | 1 India | | 2 China | | 3 Indonesia | | 4 Vietnam | | 5 Thailand | | 6 Mexico | | 7 US | | 8 Philippines | | 9 Myanmar | | 10 Brazil | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 223 | 100% | 197 | 100% | 164 | 100% | 154 | 100% | 138 | 100% | 122 | 100% | 91 | 100% | 48 | 100% | 49 | 100% | 34 | 100% |
| 1. Qualified human resources | 26 | 11.7% | 19 | 9.6% | 8 | 4.9% | 27 | 17.5% | 19 | 13.8% | 3 | 2.5% | 16 | 17.6% | 3 | 6.3% | 5 | 10.2% | - | 0.0% |
| 2. Inexpensive source of labor | 64 | 28.7% | 25 | 12.7% | 50 | 30.5% | 65 | 42.2% | 36 | 26.1% | 41 | 33.6% | - | 0.0% | 20 | 41.7% | 22 | 44.9% | 2 | 5.9% |
| 3. Inexpensive components/raw materials | 25 | 11.2% | 18 | 9.1% | 6 | 3.7% | 7 | 4.5% | 7 | 5.1% | 4 | 3.3% | - | 0.0% | - | 0.0% | - | 0.0% | 2 | 5.9% |
| 4. Supply base for assemblers | 46 | 20.6% | 45 | 22.8% | 33 | 20.1% | 21 | 13.6% | 33 | 23.9% | 59 | 48.4% | 12 | 13.2% | 10 | 20.8% | 2 | 4.1% | 3 | 8.8% |
| 5. Concentration of industry | 25 | 11.2% | 36 | 18.3% | 20 | 12.2% | 18 | 11.7% | 33 | 23.9% | 24 | 19.7% | 20 | 22.0% | 3 | 6.3% | - | 0.0% | 1 | 2.9% |
| 6. Good for risk diversification to other countries | 5 | 2.2% | 2 | 1.0% | 9 | 5.5% | 19 | 12.3% | 9 | 6.5% | 7 | 5.7% | 1 | 1.1% | 6 | 12.5% | 3 | 6.1% | - | 0.0% |
| 7. Base of export to Japan | 3 | 1.3% | 12 | 6.1% | 4 | 2.4% | 18 | 11.7% | 14 | 10.1% | - | 0.0% | 2 | 2.2% | 3 | 6.3% | 2 | 4.1% | - | 0.0% |
| 8. Base of export to third countries | 27 | 12.1% | 25 | 12.7% | 20 | 12.2% | 25 | 16.2% | 38 | 27.5% | 28 | 23.0% | 4 | 4.4% | 9 | 18.8% | 3 | 6.1% | 3 | 8.8% |
| 9. Advantages in terms of raw material procurement | 4 | 1.8% | 12 | 6.1% | 4 | 2.4% | 3 | 1.9% | 8 | 5.8% | - | 0.0% | 3 | 3.3% | 2 | 4.2% | 1 | 2.0% | 1 | 2.9% |
| 10. Current size of local market | 69 | 30.9% | 123 | 62.4% | 71 | 43.3% | 30 | 19.5% | 52 | 37.7% | 29 | 23.8% | 58 | 63.7% | 11 | 22.9% | 8 | 16.3% | 16 | 47.1% |
| 11. Future growth potential of local market | 190 | 85.2% | 132 | 67.0% | 132 | 80.5% | 115 | 74.7% | 78 | 56.5% | 89 | 73.0% | 44 | 48.4% | 37 | 77.1% | 41 | 83.7% | 27 | 79.4% |
| 12. Profitability of local market | 11 | 4.9% | 18 | 9.1% | 7 | 4.3% | 9 | 5.8% | 9 | 6.5% | 5 | 4.1% | 27 | 29.7% | 3 | 6.3% | 2 | 4.1% | 1 | 2.9% |
| 13. Base for product development | 4 | 1.8% | 14 | 7.1% | - | 0.0% | 1 | 0.6% | 4 | 2.9% | - | 0.0% | 18 | 19.8% | 1 | 2.1% | - | 0.0% | 1 | 2.9% |
| 14. Developed local infrastructure | 4 | 1.8% | 24 | 12.2% | 4 | 2.4% | 4 | 2.6% | 27 | 19.6% | 8 | 6.6% | 36 | 39.6% | 2 | 4.2% | 2 | 4.1% | 2 | 5.9% |
| 15. Developed local logistics services | 1 | 0.4% | 6 | 3.0% | 1 | 0.6% | 4 | 2.6% | 6 | 4.3% | 1 | 0.8% | 22 | 24.2% | - | 0.0% | - | 0.0% | 1 | 2.9% |
| 16. Tax incentives for investment | 7 | 3.1% | 4 | 2.0% | 6 | 3.7% | 5 | 3.2% | 19 | 13.8% | 6 | 4.9% | 3 | 3.3% | 5 | 10.4% | 3 | 6.1% | 3 | 8.8% |
| 17. Stable policies to attract foreign investment | 4 | 1.8% | 1 | 0.5% | 4 | 2.4% | 4 | 2.6% | 13 | 9.4% | 2 | 1.6% | 2 | 2.2% | 4 | 8.3% | 3 | 6.1% | 1 | 2.9% |
| 18. Social/political situation stable | 9 | 4.0% | 5 | 2.5% | 5 | 3.0% | 26 | 16.9% | 4 | 2.9% | 4 | 3.3% | 29 | 31.9% | 4 | 8.3% | - | 0.0% | - | 0.0% |

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

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

| FY2017 Survey | 1 China | | 2 India | | 3 Vietnam | | 4 Thailand | | 5 Indonesia | | 6 US | | 7 Mexico | | 8 Philippines | | 9 Myanmar | | 10 Brazil | | 10 Korea | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio |
| Respondent companies | 190 | 100% | 182 | 100% | 141 | 100% | 122 | 100% | 126 | 100% | 87 | 100% | 72 | 100% | 41 | 100% | 38 | 100% | 26 | 100% | 22 | 100% |
| 1. Underdeveloped legal system | 20 | 10.5% | 36 | 19.8% | 27 | 19.1% | 5 | 4.1% | 21 | 16.7% | - | 0.0% | 3 | 4.2% | 2 | 4.9% | 21 | 55.3% | 4 | 15.4% | - | 0.0% |
| 2. Execution of legal system unclear | 103 | 54.2% | 81 | 44.5% | 50 | 35.5% | 20 | 16.4% | 48 | 38.1% | 6 | 6.9% | 10 | 13.9% | 10 | 24.4% | 18 | 47.4% | 6 | 23.1% | - | 0.0% |
| 3. Complicated tax system | 28 | 14.7% | 70 | 38.5% | 7 | 5.0% | 10 | 8.2% | 15 | 11.9% | 1 | 1.1% | 6 | 8.3% | 1 | 2.4% | 2 | 5.3% | 6 | 23.1% | - | 0.0% |
| 4. Execution of tax system unclear | 56 | 29.5% | 61 | 33.5% | 28 | 19.9% | 10 | 8.2% | 24 | 19.0% | 2 | 2.3% | 11 | 15.3% | 4 | 9.8% | 9 | 23.7% | 6 | 23.1% | 1 | 4.5% |
| 5. Increased taxation | 46 | 24.2% | 23 | 12.6% | 11 | 7.8% | 12 | 9.8% | 20 | 15.9% | 13 | 14.9% | 4 | 5.6% | 2 | 4.9% | - | 0.0% | 4 | 15.4% | 2 | 9.1% |
| 6. Restrictions on foreign investment | 54 | 28.4% | 38 | 20.9% | 17 | 12.1% | 16 | 13.1% | 29 | 23.0% | 2 | 2.3% | 1 | 1.4% | 7 | 17.1% | 8 | 21.1% | 3 | 11.5% | 1 | 4.5% |
| 7. Complicated/unclear procedures for investment permission | 40 | 21.1% | 37 | 20.3% | 17 | 12.1% | 9 | 7.4% | 20 | 15.9% | - | 0.0% | 2 | 2.8% | 4 | 9.8% | 8 | 21.1% | 2 | 7.7% | - | 0.0% |
| 8. Insufficient protection for intellectual property rights | 76 | 40.0% | 18 | 9.9% | 7 | 5.0% | 10 | 8.2% | 13 | 10.3% | - | 0.0% | 2 | 2.8% | 4 | 9.8% | 5 | 13.2% | - | 0.0% | 1 | 4.5% |
| 9. Restrictions on foreign currency/ transfers of money overseas | 68 | 35.8% | 29 | 15.9% | 15 | 10.6% | 5 | 4.1% | 18 | 14.3% | 1 | 1.1% | 2 | 2.8% | 3 | 7.3% | 5 | 13.2% | 2 | 7.7% | 1 | 4.5% |
| 10. Import restrictions/customs procedures | 50 | 26.3% | 36 | 19.8% | 19 | 13.5% | 13 | 10.7% | 29 | 23.0% | 5 | 5.7% | 8 | 11.1% | 5 | 12.2% | 8 | 21.1% | 4 | 15.4% | - | 0.0% |
| 11. Difficult to secure technical/engineering staff | 29 | 15.3% | 37 | 20.3% | 29 | 20.6% | 29 | 23.8% | 31 | 24.6% | 12 | 13.8% | 23 | 31.9% | 9 | 22.0% | 10 | 26.3% | 3 | 11.5% | 3 | 13.6% |
| 12. Difficult to secure management-level staff | 27 | 14.2% | 36 | 19.8% | 42 | 29.8% | 44 | 36.1% | 39 | 31.0% | 20 | 23.0% | 28 | 38.9% | 12 | 29.3% | 13 | 34.2% | 3 | 11.5% | 3 | 13.6% |
| 13. Rising labor costs | 123 | 64.7% | 36 | 19.8% | 54 | 38.3% | 54 | 44.3% | 47 | 37.3% | 20 | 23.0% | 21 | 29.2% | 10 | 24.4% | 6 | 15.8% | 7 | 26.9% | 8 | 36.4% |
| 14. Labor problems | 36 | 18.9% | 45 | 24.7% | 14 | 9.9% | 8 | 6.6% | 26 | 20.6% | 12 | 13.8% | 9 | 12.5% | 3 | 7.3% | 2 | 5.3% | 4 | 15.4% | 5 | 22.7% |
| 15. Intense competition with other companies | 109 | 57.4% | 68 | 37.4% | 44 | 31.2% | 56 | 45.9% | 46 | 36.5% | 64 | 73.6% | 25 | 34.7% | 15 | 36.6% | 7 | 18.4% | 12 | 46.2% | 14 | 63.6% |
| 16. Difficulties in recovering money owed | 37 | 19.5% | 27 | 14.8% | 12 | 8.5% | 3 | 2.5% | 10 | 7.9% | - | 0.0% | 1 | 1.4% | 1 | 2.4% | 4 | 10.5% | 3 | 11.5% | - | 0.0% |
| 17. Difficulty in raising funds | 13 | 6.8% | 13 | 7.1% | 5 | 3.5% | - | 0.0% | 2 | 1.6% | 1 | 1.1% | 1 | 1.4% | 1 | 2.4% | - | 0.0% | 1 | 3.8% | 1 | 4.5% |
| 18. Underdeveloped local supporting industries | 3 | 1.6% | 21 | 11.5% | 20 | 14.2% | 5 | 4.1% | 7 | 5.6% | 1 | 1.1% | 9 | 12.5% | 3 | 7.3% | 11 | 28.9% | 1 | 3.8% | - | 0.0% |
| 19. Sense of instability regarding currency and/or costs | 9 | 4.7% | 18 | 9.9% | 14 | 9.9% | 6 | 4.9% | 19 | 15.1% | - | 0.0% | 8 | 11.1% | 2 | 4.9% | 6 | 15.8% | 11 | 42.3% | 3 | 13.6% |
| 20. Underdeveloped infrastructure | 11 | 5.8% | 80 | 44.0% | 38 | 27.0% | 7 | 5.7% | 33 | 26.2% | - | 0.0% | 9 | 12.5% | 11 | 26.8% | 24 | 63.2% | 7 | 26.9% | 1 | 4.5% |
| 21. Security/social instability | 34 | 17.9% | 38 | 20.9% | 12 | 8.5% | 27 | 22.1% | 36 | 28.6% | 4 | 4.6% | 48 | 66.7% | 18 | 43.9% | 12 | 31.6% | 14 | 53.8% | 1 | 4.5% |
| 22. Lack of information on the country | 4 | 2.1% | 23 | 12.6% | 20 | 14.2% | 1 | 0.8% | 10 | 7.9% | 1 | 1.1% | 2 | 2.8% | 4 | 9.8% | 10 | 26.3% | 2 | 7.7% | - | 0.0% |

| FY2016 Survey | 1 India | | 2 China | | 3 Indonesia | | 4 Vietnam | | 5 Thailand | | 6 Mexico | | 7 US | | 8 Philippines | | 9 Myanmar | | 10 Brazil | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 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 | 212 | 100% | 187 | 100% | 152 | 100% | 132 | 100% | 121 | 100% | 115 | 100% | 63 | 100% | 42 | 100% | 47 | 100% | 34 | 100% |
| 1. Underdeveloped legal system | 34 | 16.0% | 20 | 10.7% | 27 | 17.8% | 25 | 18.9% | 3 | 2.5% | 7 | 6.1% | - | 0.0% | 6 | 14.3% | 26 | 55.3% | 8 | 23.5% |
| 2. Execution of legal system unclear | 75 | 35.4% | 95 | 50.8% | 56 | 36.8% | 47 | 35.6% | 16 | 13.2% | 19 | 16.5% | 1 | 1.6% | 10 | 23.8% | 18 | 38.3% | 10 | 29.4% |
| 3. Complicated tax system | 69 | 32.5% | 24 | 12.8% | 16 | 10.5% | 8 | 6.1% | 7 | 5.8% | 7 | 6.1% | - | 0.0% | 4 | 9.5% | 3 | 6.4% | 7 | 20.6% |
| 4. Execution of tax system unclear | 55 | 25.9% | 44 | 23.5% | 28 | 18.4% | 26 | 19.7% | 5 | 4.1% | 12 | 10.4% | - | 0.0% | 6 | 14.3% | 4 | 8.5% | 7 | 20.6% |
| 5. Increased taxation | 28 | 13.2% | 46 | 24.6% | 20 | 13.2% | 10 | 7.6% | 10 | 8.3% | 5 | 4.3% | 7 | 11.1% | 5 | 11.9% | 2 | 4.3% | 5 | 14.7% |
| 6. Restrictions on foreign investment | 32 | 15.1% | 49 | 26.2% | 30 | 19.7% | 11 | 8.3% | 19 | 15.7% | 3 | 2.6% | 1 | 1.6% | 9 | 21.4% | 13 | 27.7% | 5 | 14.7% |
| 7. Complicated/unclear procedures for investment permission | 36 | 17.0% | 27 | 14.4% | 27 | 17.8% | 22 | 16.7% | 9 | 7.4% | 8 | 7.0% | - | 0.0% | 6 | 14.3% | 11 | 23.4% | 3 | 8.8% |
| 8. Insufficient protection for intellectual property rights | 17 | 8.0% | 85 | 45.5% | 14 | 9.2% | 8 | 6.1% | 8 | 6.6% | 3 | 2.6% | - | 0.0% | 4 | 9.5% | 7 | 14.9% | 2 | 5.9% |
| 9. Restrictions on foreign currency/ transfers of money overseas | 31 | 14.6% | 58 | 31.0% | 27 | 17.8% | 10 | 7.6% | 4 | 3.3% | 2 | 1.7% | - | 0.0% | 4 | 9.5% | 9 | 19.1% | 5 | 14.7% |
| 10. Import restrictions/customs procedures | 27 | 12.7% | 34 | 18.2% | 23 | 15.1% | 11 | 8.3% | 8 | 6.6% | 7 | 6.1% | 2 | 3.2% | 5 | 11.9% | 10 | 21.3% | 5 | 14.7% |
| 11. Difficult to secure technical/engineering staff | 25 | 11.8% | 32 | 17.1% | 21 | 13.8% | 25 | 18.9% | 34 | 28.1% | 28 | 24.3% | 7 | 11.1% | 9 | 21.4% | 12 | 25.5% | 2 | 5.9% |
| 12. Difficult to secure management-level staff | 33 | 15.6% | 30 | 16.0% | 33 | 21.7% | 41 | 31.1% | 34 | 28.1% | 40 | 34.8% | 12 | 19.0% | 14 | 33.3% | 12 | 25.5% | 5 | 14.7% |
| 13. Rising labor costs | 43 | 20.3% | 124 | 66.3% | 53 | 34.9% | 36 | 27.3% | 56 | 46.3% | 33 | 28.7% | 9 | 14.3% | 4 | 9.5% | 6 | 12.8% | 6 | 17.6% |
| 14. Labor problems | 45 | 21.2% | 43 | 23.0% | 25 | 16.4% | 14 | 10.6% | 8 | 6.6% | 10 | 8.7% | 5 | 7.9% | 1 | 2.4% | 1 | 2.1% | 3 | 8.8% |
| 15. Intense competition with other companies | 74 | 34.9% | 103 | 55.1% | 60 | 39.5% | 36 | 27.3% | 53 | 43.8% | 21 | 18.3% | 47 | 74.6% | 11 | 26.2% | 10 | 21.3% | 12 | 35.3% |
| 16. Difficulties in recovering money owed | 29 | 13.7% | 37 | 19.8% | 8 | 5.3% | 5 | 3.8% | 3 | 2.5% | 4 | 3.5% | - | 0.0% | 1 | 2.4% | 6 | 12.8% | 3 | 8.8% |
| 17. Difficulty in raising funds | 13 | 6.1% | 7 | 3.7% | 6 | 3.9% | 5 | 3.8% | 1 | 0.8% | 2 | 1.7% | 1 | 1.6% | 2 | 4.8% | 6 | 12.8% | 2 | 5.9% |
| 18. Underdeveloped local supporting industries | 25 | 11.8% | 3 | 1.6% | 11 | 7.2% | 16 | 12.1% | 5 | 4.1% | 9 | 7.8% | - | 0.0% | 11 | 26.2% | 13 | 27.7% | 3 | 8.8% |
| 19. Sense of instability regarding currency and/or costs | 20 | 9.4% | 12 | 6.4% | 25 | 16.4% | 13 | 9.8% | 4 | 3.3% | 16 | 13.9% | - | 0.0% | 3 | 7.1% | 9 | 19.1% | 13 | 38.2% |
| 20. Underdeveloped infrastructure | 109 | 51.4% | 12 | 6.4% | 43 | 28.3% | 41 | 31.1% | 11 | 9.1% | 17 | 14.8% | - | 0.0% | 15 | 35.7% | 28 | 59.6% | 10 | 29.4% |
| 21. Security/social instability | 61 | 28.8% | 39 | 20.9% | 48 | 31.6% | 10 | 7.6% | 29 | 24.0% | 67 | 58.3% | 1 | 1.6% | 12 | 28.6% | 12 | 25.5% | 21 | 61.8% |
| 22. Lack of information on the country | 27 | 12.7% | 2 | 1.1% | 7 | 4.6% | 12 | 9.1% | 8 | 6.6% | 11 | 9.6% | 2 | 3.2% | 3 | 7.1% | 15 | 31.9% | 5 | 14.7% |

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

| Overseas | Strengthen /expand | | Maintain present level | | Scale back /withdraw | |
|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| All Industries | 76.6% | 72.1% | 23.0% | 26.7% | 0.5% | 1.2% |
| Food | 80.0% | 92.3% | 20.0% | 7.7% | - | - |
| Textiles | 73.1% | 62.5% | 23.1% | 37.5% | 3.8% | - |
| Paper, Pulp & Wood | 85.7% | 71.4% | 14.3% | 28.6% | - | - |
| Chemicals (total) | 81.1% | 80.0% | 18.9% | 20.0% | - | - |
| Chemicals (incl. plastic products) | 81.1% | 81.0% | 18.9% | 19.0% | - | - |
| Pharmaceuticals | 80.0% | 66.7% | 20.0% | 33.3% | - | - |
| Petroleum & Rubber | 69.2% | 66.7% | 30.8% | 33.3% | - | - |
| Ceramics, Cement & Glass | 80.0% | 83.3% | 13.3% | 16.7% | 6.7% | - |
| Steel | 86.7% | 66.7% | 13.3% | 33.3% | - | - |
| Nonferrous Metals | 84.6% | 77.3% | 15.4% | 18.2% | - | 4.5% |
| Metal Products | 63.6% | 48.1% | 36.4% | 44.4% | - | 7.4% |
| General Machinery (total) | 75.4% | 77.2% | 24.6% | 22.8% | - | - |
| Assembly | 71.4% | 78.3% | 28.6% | 21.7% | - | - |
| Parts | 91.7% | 72.7% | 8.3% | 27.3% | - | - |
| Electrical Equipment & Electronics (total) | 73.6% | 68.9% | 26.4% | 27.8% | - | 3.3% |
| Assembly | 84.6% | 75.0% | 15.4% | 25.0% | - | - |
| Parts | 65.4% | 64.0% | 34.6% | 30.0% | - | 6.0% |
| Transportation Equipment (excl. Automobiles) | 61.5% | 56.3% | 38.5% | 43.8% | - | - |
| Automobiles (total) | 71.1% | 66.7% | 28.1% | 33.3% | 0.8% | - |
| Assembly | 83.3% | 87.5% | 16.7% | 12.5% | - | - |
| Parts | 70.4% | 65.1% | 28.7% | 34.9% | 0.9% | - |
| Precision Machinery (total) | 79.4% | 87.5% | 20.6% | 12.5% | - | - |
| Assembly | 83.3% | 89.5% | 16.7% | 10.5% | - | - |
| Parts | 70.0% | 80.0% | 30.0% | 20.0% | - | - |
| Other | 86.4% | 74.1% | 13.6% | 24.1% | - | 1.7% |

| Domestic | Strengthen /expand | | Maintain present level | | Scale back | | Undecided | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| All Industries | 34.0% | 37.7% | 58.3% | 55.2% | 3.5% | 3.6% | 4.2% | 3.6% |
| Food | 56.5% | 52.0% | 34.8% | 48.0% | - | - | 8.7% | - |
| Textiles | 46.2% | 45.8% | 34.6% | 37.5% | 15.4% | 16.7% | 3.8% | - |
| Paper, Pulp & Wood | 28.6% | 28.6% | 42.9% | 57.1% | 28.6% | 14.3% | - | - |
| Chemicals (total) | 37.2% | 42.4% | 57.4% | 54.1% | 1.1% | 1.2% | 4.3% | 2.4% |
| Chemicals (incl. plastic products) | 33.7% | 39.2% | 60.7% | 57.0% | 1.1% | 1.3% | 4.5% | 2.5% |
| Pharmaceuticals | 100.0% | 83.3% | - | 16.7% | - | - | - | - |
| Petroleum & Rubber | 23.1% | 25.0% | 76.9% | 50.0% | - | 25.0% | - | - |
| Ceramics, Cement & Glass | 26.7% | 25.0% | 53.3% | 58.3% | 20.0% | 8.3% | - | 8.3% |
| Steel | 13.3% | 21.4% | 73.3% | 71.4% | 13.3% | - | - | 7.1% |
| Nonferrous Metals | 20.0% | 36.4% | 80.0% | 59.1% | - | - | - | 4.5% |
| Metal Products | 36.4% | 44.4% | 59.1% | 51.9% | 4.5% | - | - | 3.7% |
| General Machinery (total) | 29.5% | 36.8% | 63.9% | 57.9% | 3.3% | 3.5% | 3.3% | 1.8% |
| Assembly | 30.6% | 34.8% | 63.3% | 60.9% | 4.1% | 4.3% | 2.0% | - |
| Parts | 25.0% | 45.5% | 66.7% | 45.5% | - | - | 8.3% | 9.1% |
| Electrical Equipment & Electronics (total) | 43.5% | 41.1% | 50.0% | 52.2% | 1.1% | 3.3% | 5.4% | 3.3% |
| Assembly | 47.5% | 50.0% | 50.0% | 42.5% | 2.5% | 5.0% | - | 2.5% |
| Parts | 40.4% | 34.0% | 50.0% | 60.0% | - | 2.0% | 9.6% | 4.0% |
| Transportation Equipment (excl. Automobiles) | 21.4% | 11.8% | 71.4% | 88.2% | - | - | 7.1% | - |
| Automobiles (total) | 18.2% | 27.4% | 71.9% | 62.4% | 3.3% | 3.4% | 6.6% | 6.8% |
| Assembly | 16.7% | 25.0% | 50.0% | 37.5% | - | - | 33.3% | 37.5% |
| Parts | 18.3% | 27.5% | 73.0% | 64.2% | 3.5% | 3.7% | 5.2% | 4.6% |
| Precision Machinery (total) | 57.1% | 66.7% | 37.1% | 33.3% | 2.9% | - | 2.9% | - |
| Assembly | 56.0% | 68.4% | 36.0% | 31.6% | 4.0% | - | 4.0% | - |
| Parts | 60.0% | 60.0% | 40.0% | 40.0% | - | - | - | - |
| Other | 41.7% | 41.4% | 53.3% | 50.0% | 1.7% | 3.4% | 3.3% | 5.2% |

# Appendix 5. Medium-term Prospects for Business Operations (by major country/region)

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Strengthen/expand | 33.8% | 31.1% | 54.4% | 48.4% | 47.6% | 43.1% | 66.3% | 61.2% | 56.5% | 55.8% | 60.3% | 51.8% |
| Maintain present level | 63.7% | 67.0% | 43.6% | 49.1% | 49.0% | 54.7% | 32.9% | 38.4% | 42.0% | 43.2% | 38.3% | 46.5% |
| Scale back/withdraw | 2.5% | 1.9% | 2.1% | 2.4% | 3.4% | 2.1% | 0.9% | 0.5% | 1.5% | 1.0% | 1.4% | 1.7% |

| | EU15 | | Central & Eastern Europe | | Turkey | | Rest of Europe & CIS | | Russia | | Middle East | | Africa | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |
| Strengthen/expand | 48.2% | 45.5% | 52.3% | 42.4% | 50.6% | 37.7% | 50.9% | 49.0% | 50.6% | 44.7% | 66.3% | 54.7% | 53.5% | 54.2% |
| Maintain present level | 49.3% | 53.0% | 47.7% | 57.6% | 48.3% | 60.7% | 49.1% | 49.0% | 48.3% | 55.3% | 33.7% | 42.7% | 46.5% | 45.8% |
| Scale back/withdraw | 2.5% | 1.5% | - | - | 1.1% | 1.6% | - | 2.0% | 1.1% | - | - | 2.7% | - | - |

## Medium-term Prospects for Overseas Business Operation (regions in detail)

| Regions in detail | NIEs3 | | | China | | | | | Latin America | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Korea | Taiwan | Hong Kong | North-eastern China | Northern China | Eastern China | Southern China | Inland China | Mexico | Brazil | Others |
| Strengthen/expand | 34.8% | 33.0% | 23.6% | 32.8% | 39.9% | 45.6% | 46.4% | 44.4% | 58.5% | 42.9% | 46.2% |
| Maintain present level | 63.7% | 66.0% | 72.6% | 66.4% | 59.0% | 51.1% | 51.2% | 54.6% | 41.0% | 53.6% | 51.9% |
| Scale back/withdraw | 1.5% | 0.9% | 3.8% | 0.8% | 1.1% | 3.3% | 2.4% | 0.9% | 0.5% | 3.6% | 1.9% |

| | ASEAN | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ASEAN5 | | | | | Rest of Asia & Oceania | | | | | | |
| | Singapore | Thailand | Indonesia | Malaysia | Philippines | Vietnam | Cambodia | Laos | Myanmar | Brunei | India | Others |
| Strengthen/expand | 34.7% | 50.7% | 56.8% | 41.6% | 55.2% | 66.4% | 52.0% | 33.3% | 60.6% | 25.0% | 73.3% | 40.6% |
| Maintain present level | 62.8% | 48.2% | 39.8% | 55.8% | 41.3% | 33.6% | 48.0% | 66.7% | 39.4% | 75.0% | 26.2% | 56.5% |
| Scale back/withdraw | 2.6% | 1.1% | 3.4% | 2.6% | 3.5% | - | - | - | - | - | 0.5% | 2.9% |

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

| | Overseas Production Ratio ※1 | | | | | | | | | | Overseas Sales Ratio ※2 | | | | | | | | Overseas Income Ratio ※3 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Industry | FY2014 (actual) | No. of Companies | FY2015 (actual) | No. of Companies | FY2016 (actual) | No. of Companies | FY2017 (projected) | No. of Companies | Medium-term plans(FY2020) | No. of Companies | FY2014 (actual) | No. of Companies | FY2015 (actual) | No. of Companies | FY2016 (actual) | No. of Companies | FY2017 (projected) | No. of Companies | FY2015 (actual) | No. of Companies | FY2016 (actual) | No. of Companies | FY2017 (projected) | No. of Companies |
| Food | 18.3% | 24 | 16.0% | 21 | 17.2% | 23 | 18.5% | 23 | 25.5% | 22 | 21.7% | 27 | 16.4% | 22 | 19.0% | 25 | 19.4% | 25 | 14.1% | 22 | 18.2% | 25 | 19.8% | 25 |
| Textiles | 55.4% | 24 | 49.8% | 25 | 55.0% | 23 | 55.0% | 23 | 56.9% | 21 | 26.1% | 27 | 27.6% | 27 | 27.5% | 24 | 28.3% | 24 | 21.5% | 26 | 27.5% | 24 | 27.5% | 24 |
| Paper, Pulp & Wood | 12.5% | 8 | 13.0% | 5 | 21.0% | 5 | 20.0% | 4 | 22.5% | 4 | 14.0% | 10 | 16.4% | 7 | 17.9% | 7 | 19.0% | 5 | 13.0% | 5 | 16.4% | 7 | 23.0% | 5 |
| Chemicals (total) | 28.5% | 72 | 30.0% | 82 | 27.1% | 68 | 27.8% | 68 | 30.9% | 61 | 37.5% | 91 | 38.1% | 95 | 36.4% | 83 | 37.0% | 81 | 36.5% | 82 | 35.0% | 69 | 36.3% | 69 |
| Chemicals (incl. plastic products) | 29.6% | 67 | 31.1% | 77 | 28.7% | 62 | 29.5% | 62 | 32.5% | 56 | 37.8% | 86 | 37.8% | 90 | 36.7% | 77 | 37.3% | 75 | 36.7% | 77 | 34.7% | 63 | 36.1% | 63 |
| Pharmaceuticals | 13.0% | 5 | 13.0% | 5 | 10.0% | 6 | 10.0% | 6 | 13.0% | 5 | 33.0% | 5 | 43.0% | 5 | 33.3% | 6 | 33.3% | 6 | 33.0% | 5 | 38.3% | 6 | 38.3% | 6 |
| Petroleum & Rubber | 36.1% | 9 | 45.0% | 12 | 56.8% | 11 | 58.6% | 11 | 61.4% | 11 | 31.4% | 11 | 38.1% | 13 | 44.2% | 12 | 45.8% | 12 | 45.0% | 13 | 56.8% | 11 | 53.2% | 11 |
| Ceramics, Cement & Glass | 30.6% | 16 | 31.7% | 12 | 33.9% | 9 | 33.9% | 9 | 31.7% | 6 | 39.7% | 17 | 42.3% | 15 | 37.7% | 11 | 38.6% | 11 | 31.7% | 12 | 30.0% | 10 | 32.0% | 10 |
| Steel | 16.7% | 12 | 17.3% | 13 | 20.6% | 9 | 20.6% | 9 | 26.3% | 8 | 25.0% | 14 | 26.3% | 15 | 22.7% | 13 | 23.2% | 11 | 13.3% | 12 | 17.2% | 9 | 18.3% | 9 |
| Nonferrous Metals | 28.5% | 17 | 29.8% | 21 | 30.3% | 19 | 28.9% | 18 | 34.4% | 17 | 28.2% | 19 | 31.4% | 25 | 30.5% | 20 | 29.7% | 19 | 28.5% | 23 | 29.7% | 17 | 28.8% | 16 |
| Metal Products | 38.9% | 18 | 38.8% | 21 | 33.9% | 27 | 34.3% | 27 | 38.1% | 26 | 36.7% | 18 | 40.7% | 21 | 37.2% | 27 | 37.2% | 27 | 43.0% | 20 | 30.6% | 27 | 32.0% | 27 |
| General Machinery (total) | 29.9% | 45 | 27.4% | 51 | 24.4% | 48 | 24.3% | 44 | 29.5% | 40 | 45.0% | 51 | 43.7% | 60 | 39.6% | 52 | 40.7% | 49 | 39.7% | 51 | 30.1% | 45 | 31.5% | 43 |
| Assembly | 28.0% | 37 | 26.2% | 42 | 23.2% | 38 | 23.3% | 35 | 26.9% | 32 | 43.8% | 40 | 44.6% | 48 | 40.6% | 41 | 41.2% | 39 | 41.0% | 42 | 30.9% | 34 | 32.3% | 33 |
| Parts | 38.8% | 8 | 32.8% | 9 | 29.0% | 10 | 28.3% | 9 | 40.0% | 8 | 49.6% | 11 | 40.0% | 12 | 35.9% | 11 | 39.0% | 10 | 33.9% | 9 | 27.7% | 11 | 29.0% | 10 |
| Electrical Equipment & Electronics (total) | 41.9% | 81 | 45.4% | 76 | 42.9% | 77 | 42.7% | 75 | 45.4% | 69 | 47.4% | 90 | 48.5% | 92 | 47.2% | 87 | 47.1% | 85 | 39.6% | 74 | 40.0% | 74 | 40.1% | 74 |
| Assembly | 30.5% | 31 | 40.2% | 31 | 31.3% | 30 | 31.1% | 28 | 33.1% | 26 | 41.0% | 35 | 42.0% | 40 | 39.5% | 38 | 39.4% | 36 | 32.1% | 31 | 32.5% | 32 | 32.8% | 32 |
| Parts | 49.0% | 50 | 49.0% | 45 | 50.3% | 47 | 49.7% | 47 | 52.9% | 43 | 51.6% | 55 | 53.5% | 52 | 53.2% | 49 | 52.8% | 49 | 45.0% | 43 | 45.7% | 42 | 45.7% | 42 |
| Transportation Equipment (excl. Automobiles) | 23.1% | 16 | 29.6% | 13 | 22.1% | 17 | 22.6% | 17 | 25.8% | 12 | 30.0% | 16 | 37.3% | 13 | 27.5% | 16 | 26.9% | 16 | 31.9% | 13 | 19.1% | 17 | 20.3% | 17 |
| Automobiles (total) | 44.6% | 98 | 46.8% | 114 | 46.2% | 108 | 46.6% | 107 | 47.4% | 98 | 43.6% | 103 | 47.1% | 117 | 46.2% | 113 | 47.5% | 110 | 47.2% | 112 | 47.1% | 107 | 48.6% | 107 |
| Assembly | 50.0% | 4 | 50.0% | 4 | 56.7% | 6 | 57.0% | 5 | 65.0% | 3 | 67.0% | 5 | 71.0% | 5 | 67.5% | 8 | 72.1% | 7 | 68.3% | 3 | 57.0% | 5 | 65.0% | 4 |
| Parts | 44.4% | 94 | 46.7% | 110 | 45.6% | 102 | 46.1% | 102 | 46.9% | 95 | 42.5% | 98 | 46.0% | 112 | 44.6% | 105 | 45.8% | 103 | 46.7% | 109 | 46.6% | 102 | 48.0% | 103 |
| Precision Machinery (total) | 32.2% | 29 | 25.3% | 34 | 28.2% | 22 | 28.6% | 22 | 32.5% | 20 | 45.3% | 31 | 44.1% | 34 | 50.2% | 21 | 51.2% | 21 | 47.3% | 31 | 55.5% | 20 | 53.5% | 20 |
| Assembly | 20.3% | 19 | 22.2% | 25 | 22.1% | 17 | 22.6% | 17 | 25.6% | 16 | 45.0% | 21 | 48.2% | 25 | 52.6% | 17 | 53.8% | 17 | 47.6% | 23 | 52.6% | 17 | 50.9% | 17 |
| Parts | 55.0% | 10 | 33.9% | 9 | 49.0% | 5 | 49.0% | 5 | 60.0% | 4 | 46.0% | 10 | 32.8% | 9 | 40.0% | 4 | 40.0% | 4 | 46.3% | 8 | 71.7% | 3 | 68.3% | 3 |
| Other | 33.0% | 45 | 29.4% | 54 | 27.7% | 48 | 27.9% | 48 | 31.5% | 46 | 29.2% | 53 | 30.0% | 60 | 32.1% | 56 | 33.0% | 54 | 24.6% | 54 | 28.1% | 48 | 30.0% | 48 |
| Overall | 35.1% | 514 | 35.6% | 554 | 35.0% | 514 | 35.4% | 505 | 38.5% | 461 | 37.9% | 578 | 39.6% | 616 | 38.5% | 567 | 39.2% | 550 | 36.4% | 550 | 35.7% | 510 | 36.7% | 505 |

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

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

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

# Appendix 7. Evaluations of Degrees of Satisfaction with Net Sales and Profits (details)

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

### (1) Net Sales

**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 | | 2.66 |
| 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 breakdown | | |
| 1 | Singapore | 2.73 |
| 2 | Philippines | 2.72 |
| 3 | Indonesia | 2.53 |
| 4 | Malaysia | 2.51 |
| 5 | Thailand | 2.50 |

**FY2015 Performance**

| | | |
|---|---|---|
| Average | | 2.56 |
| 1 | North America | 2.88 |
| 2 | Vietnam | 2.84 |
| 3 | Central & Eastern Europe | 2.83 |
| 4 | Mexico | 2.82 |
| 5 | EU 15 | 2.78 |
| 6 | NIEs 3 | 2.68 |
| 7 | Turkey | 2.59 |
| 8 | ASEAN 5 | 2.46 |
| 9 | China | 2.42 |
| 10 | India | 2.31 |
| 11 | Russia | 2.23 |
| 12 | Brazil | 2.08 |
| ASEAN 5 breakdown | | |
| 1 | Philippines | 2.64 |
| 2 | Singapore | 2.54 |
| 3 | Thailand | 2.52 |
| 4 | Malaysia | 2.38 |
| 5 | Indonesia | 2.29 |

**FY2016 Performance**

| | | |
|---|---|---|
| Average | | 2.67 |
| 1 | Vietnam | 2.87 |
| 1 | EU 15 | 2.87 |
| 3 | North America | 2.84 |
| 4 | NIEs 3 | 2.79 |
| 5 | Mexico | 2.75 |
| 6 | China | 2.66 |
| 7 | ASEAN 5 | 2.64 |
| 8 | Central & Eastern Europe | 2.62 |
| 9 | Turkey | 2.54 |
| 10 | Russia | 2.49 |
| 11 | India | 2.48 |
| 12 | Brazil | 2.18 |
| ASEAN 5 breakdown | | |
| 1 | Philippines | 2.78 |
| 2 | Thailand | 2.71 |
| 3 | Singapore | 2.61 |
| 4 | Malaysia | 2.56 |
| 4 | Indonesia | 2.56 |

### (2) Profits

**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 | | 2.62 |
| 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 |

**FY2015 Performance**

| | | |
|---|---|---|
| Average | | 2.61 |
| 1 | Vietnam | 2.86 |
| 2 | North America | 2.82 |
| 3 | EU 15 | 2.79 |
| 4 | Mexico | 2.78 |
| 5 | Central & Eastern Europe | 2.77 |
| 6 | NIEs 3 | 2.71 |
| 7 | ASEAN 5 | 2.57 |
| 7 | Turkey | 2.57 |
| 9 | China | 2.46 |
| 10 | Russia | 2.43 |
| 11 | India | 2.31 |
| 12 | Brazil | 2.14 |
| ASEAN 5 breakdown | | |
| 1 | Philippines | 2.76 |
| 2 | Singapore | 2.65 |
| 3 | Thailand | 2.62 |
| 4 | Malaysia | 2.49 |
| 5 | Indonesia | 2.39 |

**FY2016 Performance**

| | | |
|---|---|---|
| Average | | 2.65 |
| 1 | Vietnam | 2.86 |
| 2 | EU 15 | 2.84 |
| 3 | NIEs 3 | 2.77 |
| 4 | Central & Eastern Europe | 2.72 |
| 5 | North America | 2.68 |
| 5 | Mexico | 2.68 |
| 7 | ASEAN 5 | 2.65 |
| 8 | China | 2.64 |
| 9 | Russia | 2.61 |
| 10 | Turkey | 2.53 |
| 11 | India | 2.42 |
| 12 | Brazil | 2.18 |
| ASEAN 5 breakdown | | |
| 1 | Thailand | 2.73 |
| 2 | Philippines | 2.71 |
| 3 | Malaysia | 2.64 |
| 4 | Singapore | 2.57 |
| 4 | Indonesia | 2.57 |

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

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

(companies)

| | Country/Region | "More Profitable than Japan" responses (1) | Total responses (2) | Ratio: [(1)/(2)] |
|---|---|---|---|---|
| 1 | Thailand | 96 | 352 | 27.3% |
| 2 | China | 126 | 485 | 26.0% |
| 3 | Vietnam | 48 | 186 | 25.8% |
| 4 | North America | 86 | 374 | 23.0% |
| 5 | EU15 | 53 | 247 | 21.5% |
| 6 | NIEs3 | 44 | 221 | 19.9% |
| 7 | Indonesia | 48 | 259 | 18.5% |
| 8 | Mexico | 29 | 160 | 18.1% |
| 9 | Philippines | 21 | 130 | 16.2% |
| 10 | Malaysia | 26 | 177 | 14.7% |
| 11 | Central & Eastern Europe | 11 | 88 | 12.5% |
| 12 | Singapore | 23 | 201 | 11.4% |
| 13 | India | 18 | 189 | 9.5% |
| 14 | Turkey | 4 | 59 | 6.8% |
| 15 | Russia | 4 | 70 | 5.7% |
| 16 | Brazil | 6 | 108 | 5.6% |

Note: When companies were asked about their profitability in FY2016 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.

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

| | No. 1 | | No. 2 | | No. 3 | | No. 4 | | No. 5 | | No. 6 | | No. 7 | | No. 8 | | No. 9 | | No. 10 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | China | | India | | Vietnam | | Thailand | | Indonesia | | US | | Mexico | | Philippines | | Myanmar | | Brazil | |
| | 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 | 203 | 100% | 195 | 100% | 169 | 100% | 153 | 100% | 147 | 100% | 116 | 100% | 81 | 100% | 47 | 100% | 40 | 100% | 28 | 100% |
| Plans exist | 98 | 48.3% | 79 | 40.5% | 68 | 40.2% | 62 | 40.5% | 63 | 42.9% | 65 | 56.0% | 49 | 60.5% | 16 | 34.0% | 10 | 25.0% | 12 | 42.9% |
| No plans | 98 | 48.3% | 114 | 58.5% | 95 | 56.2% | 83 | 54.2% | 77 | 52.4% | 48 | 41.4% | 31 | 38.3% | 28 | 59.6% | 30 | 75.0% | 15 | 53.6% |
| No response | 7 | 3.4% | 2 | 1.0% | 6 | 3.6% | 8 | 5.2% | 7 | 4.8% | 3 | 2.6% | 1 | 1.2% | 3 | 6.4% | 0 | 0.0% | 1 | 3.6% |

| | No. 10 | | No. 12 | | No. 13 | | No. 14 | | No. 14 | | No. 16 | | No. 17 | | No. 18 | | No. 18 | | No. 20 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Korea | | Malaysia | | Russia | | Singapore | | Taiwan | | Germany | | Turkey | | Australia | | Canada | | Cambodia | |
| | 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 | 28 | 100% | 26 | 100% | 19 | 100% | 17 | 100% | 17 | 100% | 13 | 100% | 12 | 100% | 10 | 100% | 10 | 100% | 9 | 100% |
| Plans exist | 12 | 42.9% | 9 | 34.6% | 4 | 21.1% | 6 | 35.3% | 7 | 41.2% | 3 | 23.1% | 5 | 41.7% | 4 | 40.0% | 4 | 40.0% | 3 | 33.3% |
| No plans | 14 | 50.0% | 17 | 65.4% | 15 | 78.9% | 11 | 64.7% | 10 | 58.8% | 10 | 76.9% | 7 | 58.3% | 6 | 60.0% | 6 | 60.0% | 5 | 55.6% |
| No response | 2 | 7.1% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 1 | 11.1% |

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).

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