



Global Landscape of Overseas Business Expansion



# **Survey Report on Overseas Business Operations by Japanese Companies (JFY2025)**

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Japan Bank for International Cooperation (JBIC)**  
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(Major Manufacturing Sectors)

## 1. Despite ongoing uncertainty in overseas markets, more companies are eager to strengthen and expand their businesses.

The overseas production ratio for fiscal 2024 was 36.1% (+0.1% compared to the previous fiscal year), and the overseas sales ratio was 40.9% (+0.9% compared to the previous fiscal year), maintaining an upward trend. The overseas sales ratio has reached a record high for the second consecutive year. Despite persistently high geopolitical risks and uncertainties in the business environment, including U.S. policies, companies are eager to strengthen their businesses, and are increasingly targeting overseas markets in search of growth opportunities.

## 2. India ranked first for the fourth year, while the U.S. gained votes and moved up to second place.

For the most promising business expansion destinations over the next three years, India ranked first, garnering support from over 60% of companies. The U.S. rose to second place (last year: third) due to its robust economy and attractive domestic market. Meanwhile, major ASEAN countries, which had previously attracted votes as promising destinations, are seeing a medium-term decline in their vote shares, partly due to economic slowdowns and intensifying competition with other countries' companies. China rose one spot from last year to rank fifth but failed to recover its vote share. Japanese companies were seen facing intense competition domestically from local companies and foreign competitors.

## 3. Some companies suffer from U.S. tariffs, while others aim to expand U.S. investment long term.

Many companies suffered direct or indirect negative impacts on profits due to the strengthening of U.S. tariffs. Conversely, some companies, particularly those with bases in the U.S., viewed the tariffs as an opportunity and sought to expand their businesses. Regarding Japanese companies' supply chains, there were also moves to pursue optimization, including promoting local production for local consumption, in response to heightened geopolitical risks and the spread of anti-globalism.

## 4. AI adoption is growing, but labor savings are limited; firms excel in fields like semiconductors.

While differences exist by industry, approximately 60% of companies in the management division and 40% in the production division utilize AI. Although current labor-saving effects from AI remain below 20% for many companies, expectations of increased efficiency over the next 10 years confirm a stance of continuing AI-driven business optimization over the medium to long term. In AI-related businesses, Japanese companies demonstrated strengths across diverse fields, including semiconductor manufacturing and data center operations.

## 5. While actively pursuing sustainability initiatives overseas, challenges are also highlighted.

Over 60% of companies implement sustainability initiatives (transition to a decarbonized society and circular economy, biodiversity preservation, etc.) overseas. While some Japanese companies actively pursue sustainability initiatives to create business opportunities, various challenges faced by Japanese companies in each country have also become apparent.

## 6. India ranks first and the U.S. second in the promising countries/regions ranking for non-manufacturing, mirroring the manufacturing sector.

In the promising countries/regions ranking for non-manufacturing, India—where manufacturing expansion is progressing—took 1st place, garnering votes from sectors like wholesale and construction. The U.S., where data center businesses are booming, secured 2nd place, receiving votes from sectors such as construction and electric power & gas. Meanwhile, the Philippines, ranked 8th in manufacturing, secured 5th place in non-manufacturing, supported by votes from transportation, wholesale, construction, and other sectors. Australia, ranked 13th in manufacturing, placed 6th in non-manufacturing, supported by votes from resources, electricity, finance, and other sectors, showing differences compared to its manufacturing ranking.

## I. Analysis of the Manufacturing Industries

### 1 Survey Overview

## 1. Survey Purpose and Target Companies

- The aim of the survey is to conduct research and analyze the current status and future prospects for the overseas business development of Japanese manufacturing companies. The companies targeted in this survey are Japanese manufacturing companies that have three or more overseas affiliates (including at least one production base).

## 2. Number of Surveyed Companies and Survey Method

- Number of Surveyed Companies: 1,072
- Method: The questionnaires were sent via post and e-mail. During the survey period, supplemental online interviews were also conducted.

## 3. Response Status

- Number of Responses: 541 companies (+46 respondents compared to last year) \* 67 companies responded by mail, 474 companies responded online
- Response rate: 50.5% (-2.4 points compared to last year)

## 4. Survey Period

- July 10, 2025 to August 31, 2025

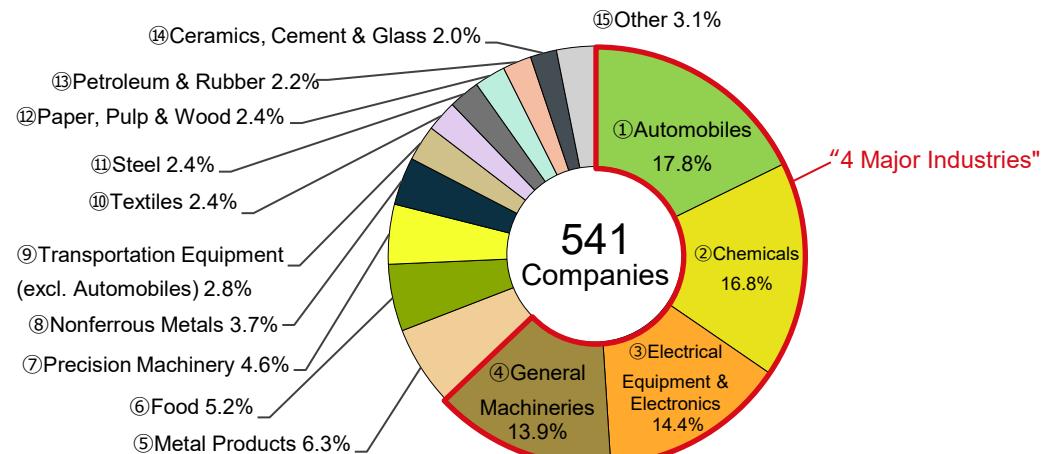
\*Responses received by September 9 were counted as valid

## 5. Survey Items

- Survey Overview
- Overseas Business Performance
- Business Prospects for Medium-term
- Promising Countries/Regions
- Impact of U.S. policies on supply chains, etc.\*
- Business Transformation and Opportunities through AI\*
- Sustainability Initiatives Through Overseas Operations\*

Items with asterisks (\*) indicates the year's independent topics

**Figure 1-1: Responding Companies (by sector)**

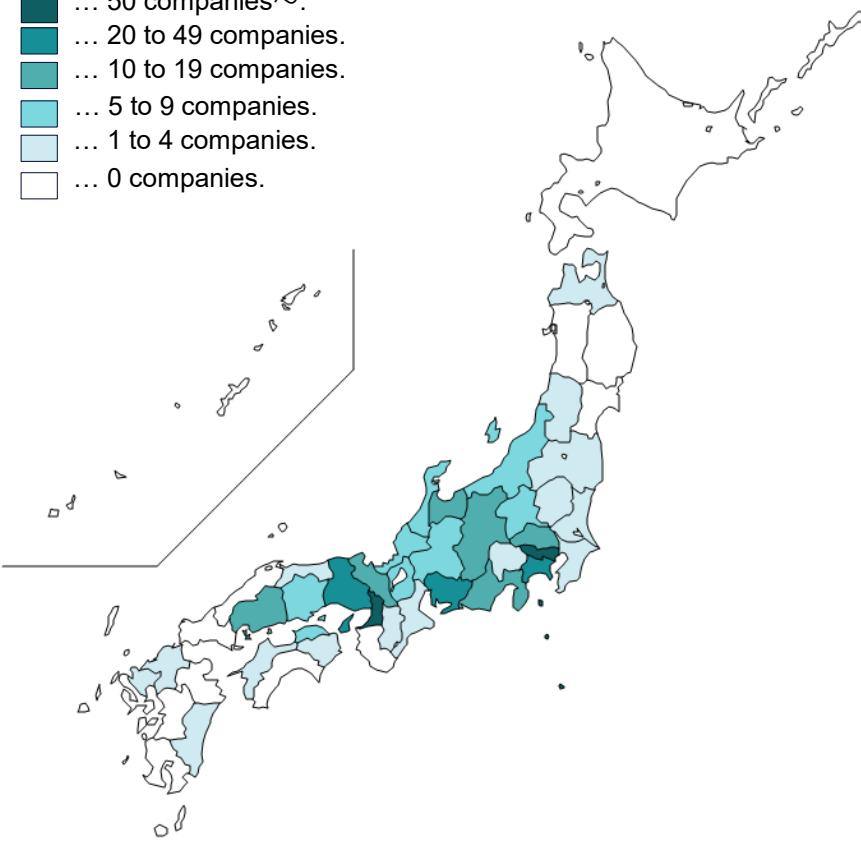


(Note) In this survey, Automobiles, Chemicals, Electrical Equipment & Electronics, and General Machineries are collectively referred to as the "4 Major Industries." Chemicals is the total of Chemicals (including plastic products) and Pharmaceuticals, while Automobiles, Electrical and electronics, General machineries, and Precision machineries are the total of Assembly and Parts in the respective sectors.

Industry Type	FY2024	FY2025	Proportion
① Automobiles	96	96	17.8%
② Chemicals	78	91	16.8%
③ Electrical Equipment & Electronics	64	78	14.4%
④ General Machineries	60	75	13.9%
⑤ Metal Products	27	34	6.3%
⑥ Food	26	28	5.2%
⑦ Precision Machinery	26	25	4.6%
⑧ Nonferrous Metals	21	20	3.7%
⑨ Transportation Equipment (excl. Automobiles)	16	15	2.8%
⑩ Textiles	18	13	2.4%
⑪ Steel	12	13	2.4%
⑫ Paper, pulp&wood	11	13	2.4%
⑬ Petroleum & Rubber	14	12	2.2%
⑭ Ceramics, Cement & Glass	11	11	2.0%
⑮ Other	15	17	3.1%
Total	495	541	100.0%

**Figure 1-2: Profile of Responding Companies (by Headquaters Location)**

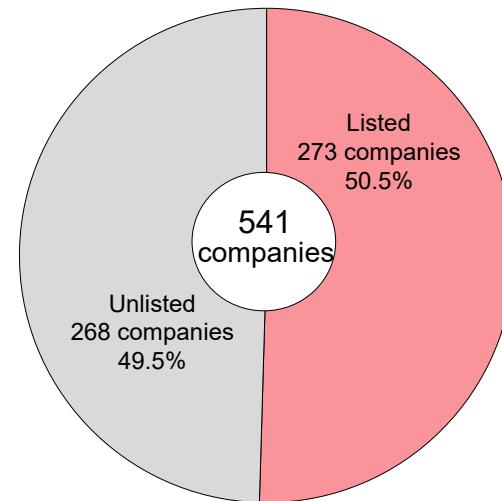
- ... 50 companies~.
- ... 20 to 49 companies.
- ... 10 to 19 companies.
- ... 5 to 9 companies.
- ... 1 to 4 companies.
- ... 0 companies.



Tokyo 181, Osaka 77, Aichi 49, Kanagawa 28, Hyogo 24, Hiroshima 19, Nagano 18, Shizuoka 17, Kyoto 14, Saitama 13, Toyama 11, Gifu 9, Gunma 8, Okayama 8, Shiga 7, Niigata 6, Ishikawa 6, Fukui 6, Kagawa 5, Tochigi 4, Yamanashi 4, Mie 4, Ehime 4, Fukuoka 4, Chiba 3, Tokushima 3, Yamagata 2, Aomori 1, Fukushima 1, Ibaraki 1, Nara 1, Tottori 1, Saga 1, Miyazaki 1

(Note) The head office addresses of the respondent companies are plotted.

**Figure 1-3: Profile of Responding Companies (Listed/Unlisted)**



**Figure 1-4: Number of Responding Companies (by Capitalization, non-consolidated) (companies)**

Paid-in Capital	FY2024	FY2025	Propotion
Less than ¥300 mn.	125	<b>145</b>	26.8%
¥300mn. up to ¥1 bn.	77	<b>74</b>	13.7%
¥1 bn. up to ¥5 bn.	100	<b>111</b>	20.5%
¥5 bn. up to ¥10 bn.	63	<b>59</b>	10.9%
¥10 bn. or more	128	<b>149</b>	27.5%
Holding company	2	<b>3</b>	0.6%
No response	0	<b>0</b>	0.0%
Total	495	<b>541</b>	100.0%

(Note) For the purposes of this study, the definition of "small and medium enterprises" (SMEs) is enterprises with a capital of less than 1 billion yen.

**Figure 1-5: Transition of Survey Methods**

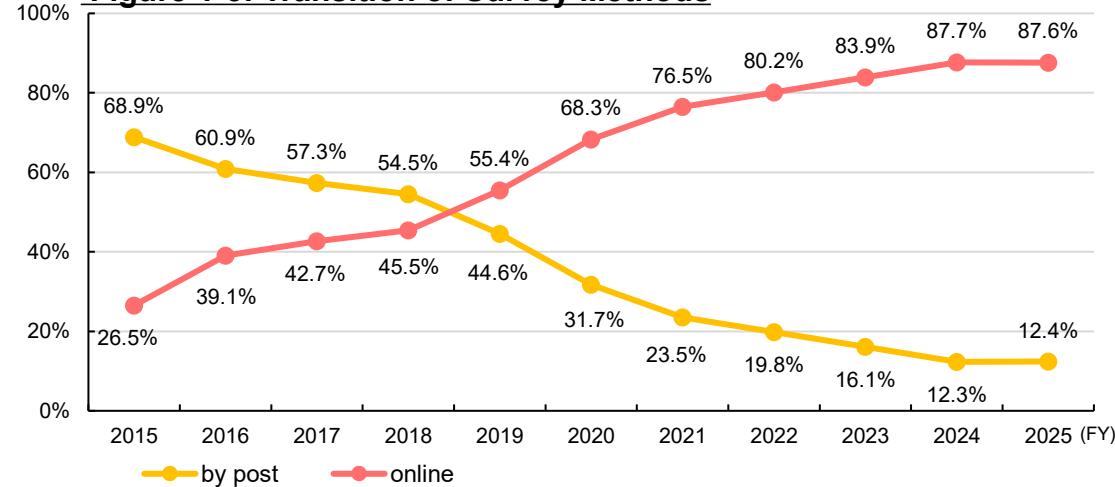


Figure 1-6: Distribution of Overseas Affiliates

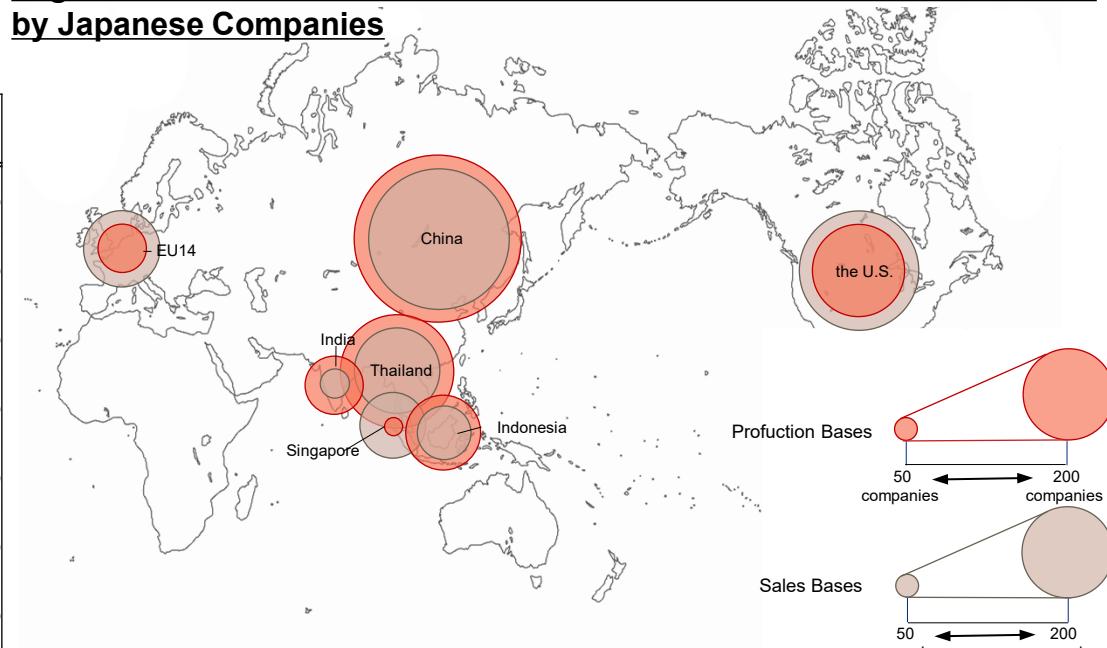
① One or more overseas  
affiliates for production

	Country/Region	No. of Respondents (company)	Propotion
1	China	365	70.9%
2	Thailand	247	48.0%
3	the U.S.	202	39.2%
4	Indonesia	163	31.7%
5	India	127	24.7%
6	Vietnam	125	24.3%
7	EU14	105	20.4%
8	Malaysia	99	19.2%
8	Mexico	99	19.2%
10	Taiwan	90	17.5%
11	Korea	76	14.8%
12	Philippines	65	12.6%
13	UK	45	8.7%
14	Central & Eastern Europe	42	8.2%
15	Singapore	40	7.8%
15	Brazil	40	7.8%

② One or more overseas  
affiliates for sales

	Country/Region	No. of Respondents (company)	Propotion
1	China	306	59.4%
2	the U.S.	260	50.5%
3	Thailand	187	36.3%
4	EU14	167	32.4%
5	Singapore	143	27.8%
6	Taiwan	128	24.9%
7	Indonesia	118	22.9%
8	Korea	114	22.1%
9	Hong Kong	112	21.7%
10	India	110	21.4%
11	Vietnam	100	19.4%
12	Malaysia	85	16.5%
13	UK	81	15.7%
14	Mexico	78	15.1%
15	Philippines	63	12.2%

Figure 1-7: Distribution of Overseas Affiliates for Production and Sales by Japanese Companies



(Note) Top 5 countries for manufacturing and sales bases.

#### <DEFINITIONS for Regions Used in This Survey>

##### ASEAN

Singapore, Thailand, Indonesia, Malaysia, Philippines, Vietnam, Myanmar, Cambodia, Laos and Brunei

##### North America

The U.S. and Canada

##### EU14

Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden and Ireland

##### Central & Eastern Europe

Poland, Hungary, Czech Republic, Slovakia, Bulgaria, Romania, Slovenia, Albania, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and Republic of North Macedonia

##### Europe

EU14, UK, Central & Eastern Europe, Turkey

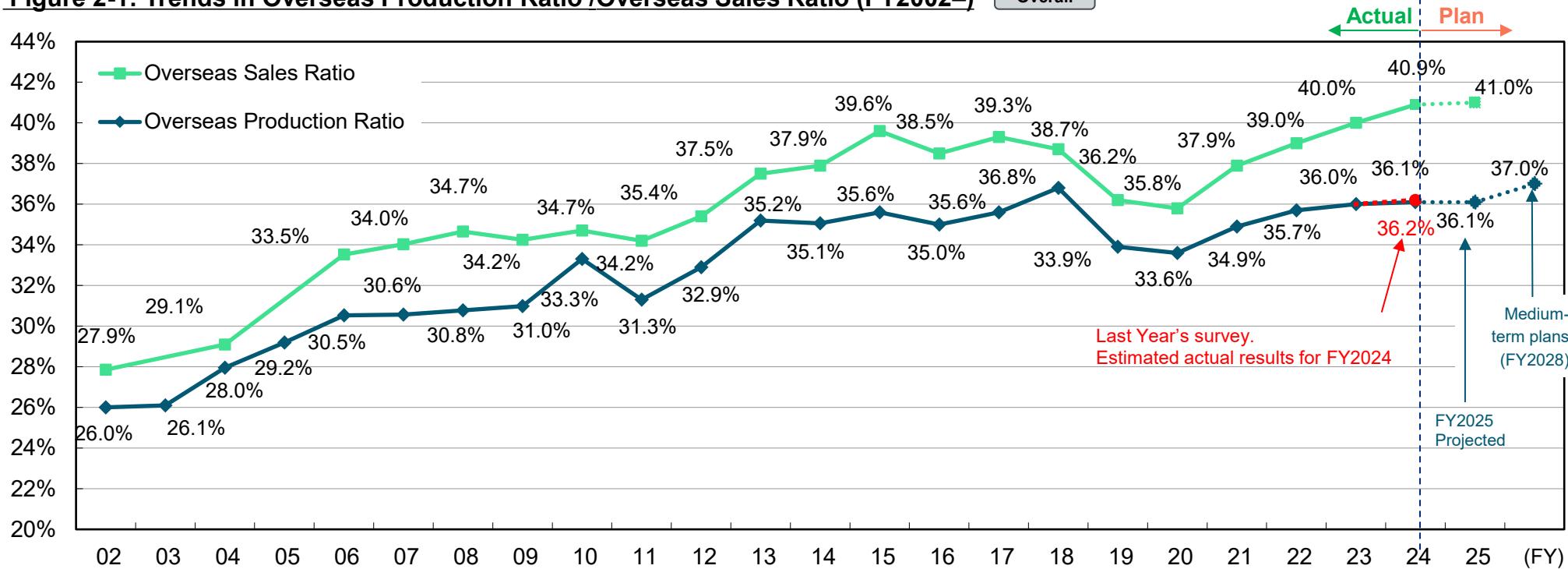
## I. Analysis of the Manufacturing Industries

### 2    Overseas Business Performance

Q. Please provide your company's overseas production ratio and overseas sales ratio (on a consolidated basis). Also, please share the outlook in the the Medium-term plans (FY2028).

Figure 2-1: Trends in Overseas Production Ratio /Overseas Sales Ratio (FY2002–)

Overall



(Note 1) Calculation methods of indices (all on a consolidated basis)

Overseas Sales Ratio = Overseas Sales / (Domestic sales + Overseas sales)

Overseas Production Ratio = Overseas Production / (Domestic Production + Overseas Production)

(Note 2) Each ratio in the graph is a simple average of the values reported by the responding companies.

(Note 3) Overseas sales ratios for FY2003 and FY2005 were not surveyed.

(Note 4) Medium-term plan values (FY2028) were surveyed only for the overseas production ratio.

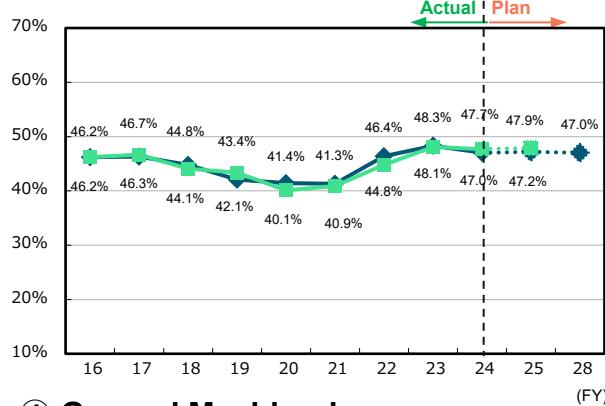
■ Overseas Sales Ratio reached a record high level against the backdrop of yen depreciation and increased exports from Japan. Overseas Production growth slowed.

- The Overseas Sales Ratio for FY2024 reached a record high of 40.9%, marking the fourth consecutive year of increase. Driven by the historically weak yen, increased exports due to the overseas Japanese food boom, and rising exports of AI-equipped electrical products, industries such as Food, Electrical Equipment & Electronics, and Metal Products led the rise in the Overseas Sales Ratio.
- The Overseas Production Ratio for FY 2024 was 36.1%, up 0.1 percentage points from the previous year, remaining nearly flat compared to last year. In some industries, such as automobiles, the Overseas Production Ratio decreased year-on-year, failing to match the increase seen in the overseas sales ratio.

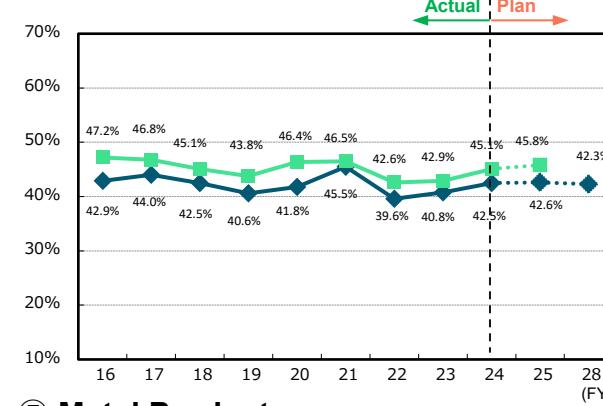
Figure 2-2: Trends for Each Indicator (FY2016 onwards)

By Industry

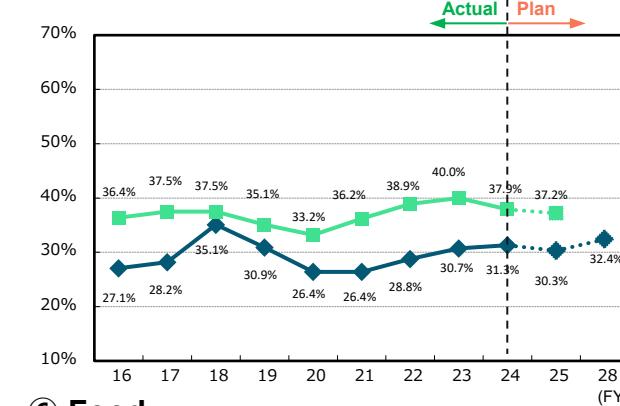
## ① Automobiles



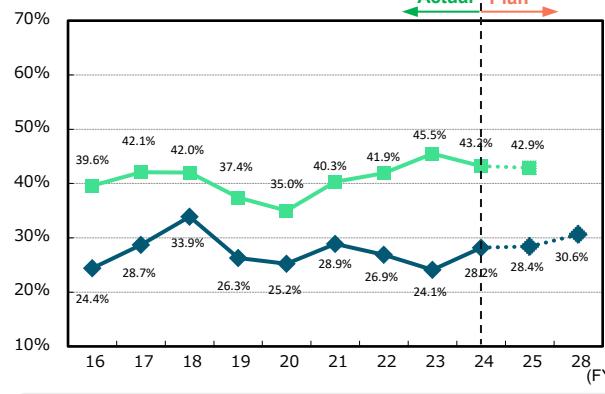
## ② Electrical Equipment &amp; Electronics



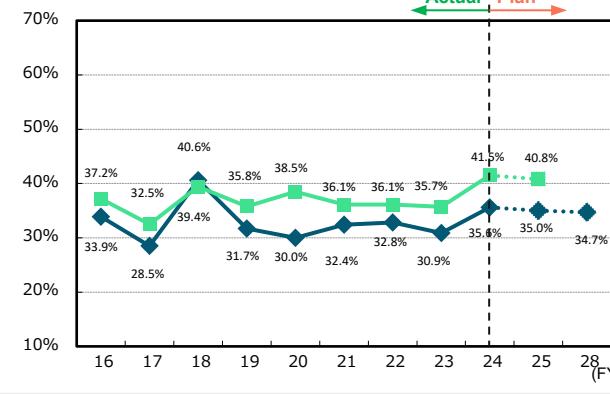
## ③ Chemicals



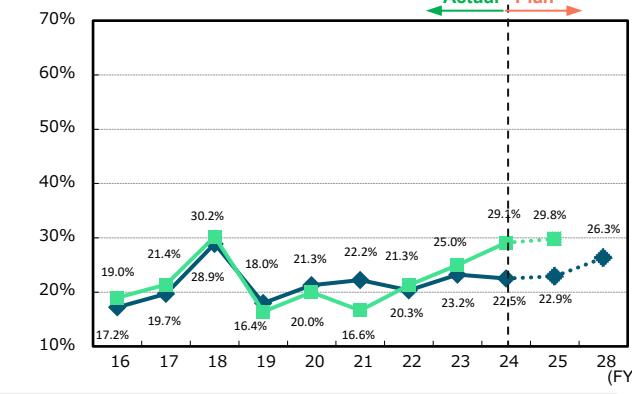
## ④ General Machineries



## ⑤ Metal Products



## ⑥ Food



■ Overseas Sales Ratio decreased in Four Major Industries excluding Electrical Equipment & Electronics. Overseas Production Ratio increased in four major industries excluding automobiles.

- For FY2024, the Overseas Sales Ratio increased in Electrical Equipment & Electronics, Metal Products, and Food. In particular, Food saw its third consecutive annual increase due to aggressive overseas sales channel expansion capitalizing on the Japanese food boom overseas. Furthermore, for Electrical Equipment & Electronics and Metal Products, some companies indicated, "Many manufacturers announced new AI-equipped PCs and smartphones, driving replacement demand." Meanwhile, Automobiles, Chemicals, and General Machineries had been recovering in a good manner from the COVID-19 slump but saw declines this fiscal year. Some companies noted, "Construction machinery export volumes struggled to grow due to persistently high interest rates in Europe, the U.S., and other regions" (General Machineries).
- The Overseas Production Ratio for FY2024 increased for all industries except Automobiles and Food. In General Machineries, an inverse trend occurred where the Overseas Production Ratio rose while the Overseas Sales Ratio declined. Comments included: "Against the backdrop of domestic inflation, low-priced products manufactured overseas, particularly household goods, sold well domestically" (General Machineries).

Q.

As of March 2025, which of the following best describes the 'Evaluation of Earnings Performance' for countries/regions where your company has overseas subsidiaries for production and sales? "1. Above the target", "2. Mostly as planned", or "3. Below the target" (single answer)

Figure 2-3: Overseas

Performance Evaluation

(%)

(FY)	FY2023	FY2024
Above the target	16.6	18.9 (+2.3)
Mostly as planned	52.9	51.2 (▲1.7)
Below the target	30.5	30.0 (▲0.5)

Numbers in parentheses indicate increase/decrease from the previous ratio.

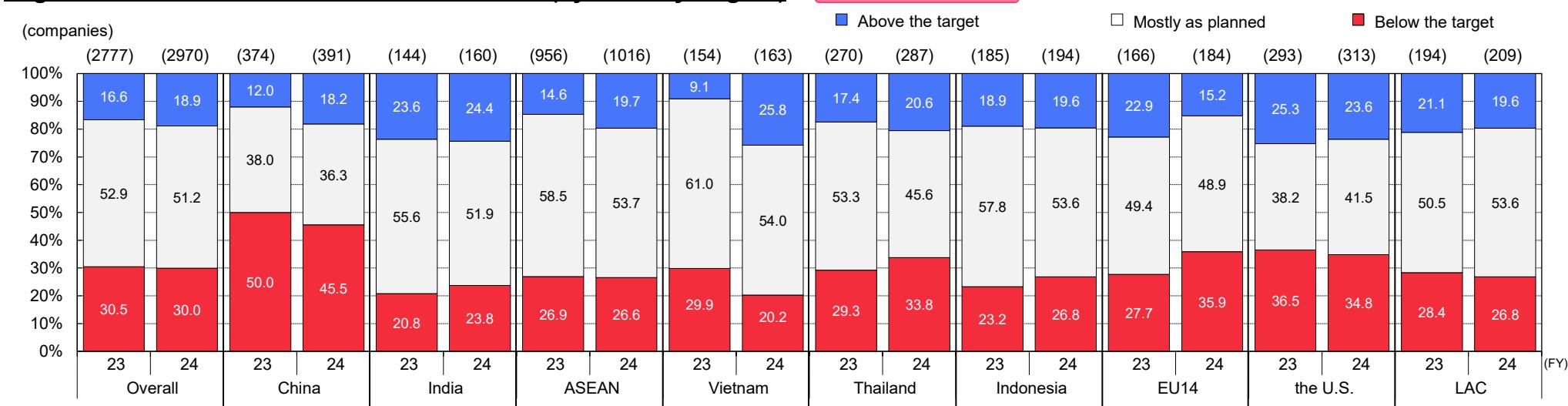
(Note) Average of evaluation points for each region/country of operation. average of the ratings.

- While responses indicating performance above the target increased, particularly in China and Vietnam, the revenue situation in Europe deteriorated.

- For FY2024, "Above the target" (18.9%) increased by 2.3 points compared to the previous fiscal year, while "Below the target" (30.0%) decreased by 0.5 points, resulting in overseas actual earnings performance exceeding plans.
- By country/region, the proportion reporting "Above the target" rose significantly in China and Vietnam. In China, many were chemical-related companies, with comments such as "Sales of high-value-added products like liquid crystal-related items were strong" (Chemicals). However, some respondents noted, "while we exceeded the plan in China due to conservative planning, profits decreased" (Automobile), indicating the lingering impact of the economic slowdown on many companies. Within ASEAN, Vietnam led the earnings growth, with comments such as "Sales of parts for PCs and smartphones were strong" (Electrical Equipment & Electronics).
- Conversely, responses indicating "Below the target" notably increased in Thailand, Indonesia, and the EU14. Many companies reporting below-plan performance in Thailand and Indonesia were automobile-related. Factors cited for Thailand's shortfall included intensified local competition with China firms, alongside concerns that "the prolonged tightening of auto loan screening due to expanding household debt is a serious issue" (Automobiles). In the EU14, companies in General Machineries and Chemicals frequently reported below "the target", with one Chemical company stating, "The prolonged impact of soaring energy prices and strict environmental regulations."

Figure 2-4: Overseas Performance Evaluation (by Country/Region)

By Country/Region



■ While responses indicating a good performance in sales increased in many countries/regions, reports of poor performance in sales, particularly in the EU, were also noted.

- Regarding "Reasons for Exceeding the Target," except for the EU and Vietnam, the proportion citing "Good performance in sales" increased year-on-year. China saw the largest increase at +12.9 points. In interviews, comments included: "Sales grew in China by expanding distribution channels to local automobile-related companies" (Chemicals) and "Sales are strong in India due to growing demand for infrastructure-related sectors like railways and electricity" (Electrical Equipment & Electronics).
- Regarding the "Reasons for Falling Below the Target", the proportion citing "Poor performance in sales" increased year-on-year in major countries/regions other than India, Vietnam, the U.S., and LAC. Companies reporting poor performance of sales in the EU accounted for the highest proportion at 79.7%, significantly higher than other countries, with responses particularly numerous from the General Machineries and Electrical Equipment & Electronic. During interviews, comments included: "Performance of sales is poor due to economic slowdowns in major countries like Germany" (General Machineries, Electrical Equipment & Electronics) and "Competition is intensifying in the EU due to the entry of companies from China" (Electrical Equipment & Electronics).

Figure 2-5: Reasons for Exceeding the Target

By Country/Region

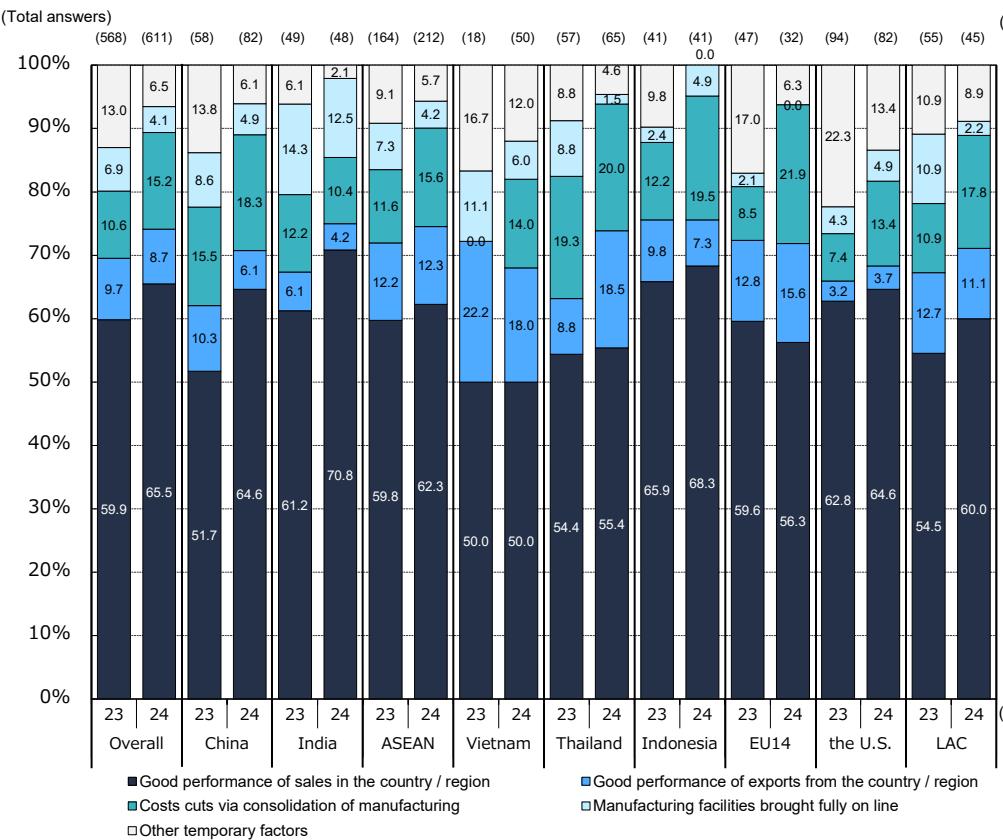
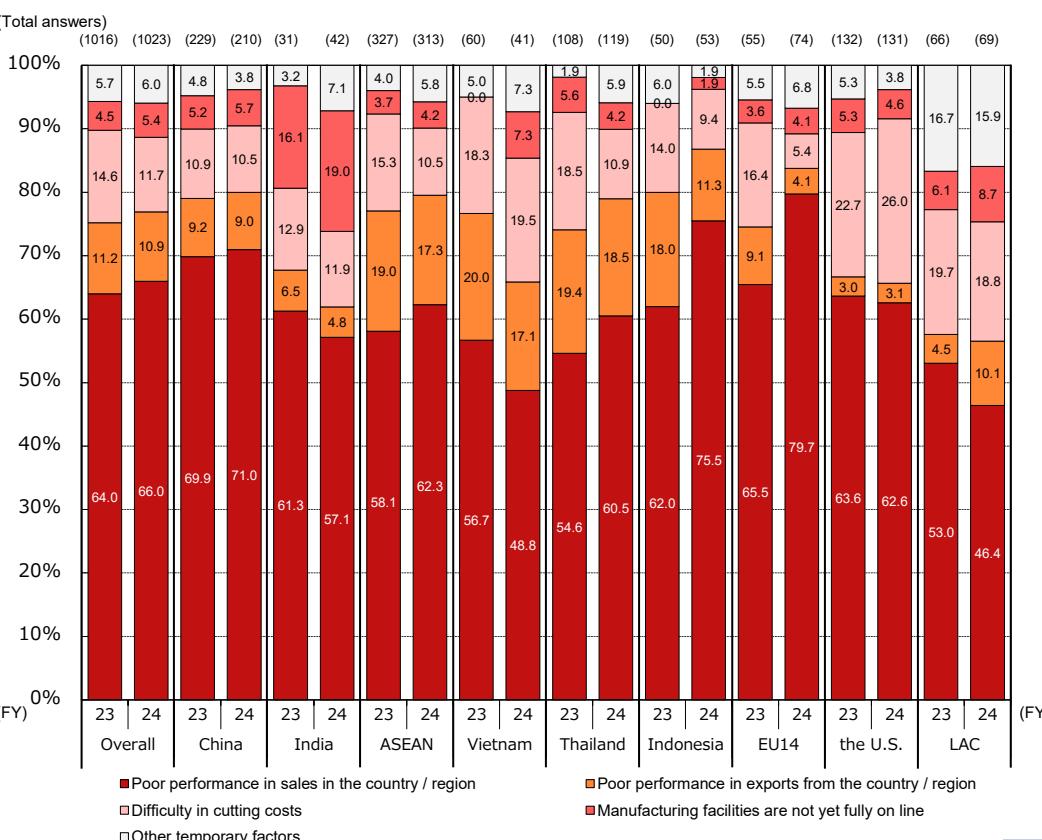


Figure 2-6: Reasons for Falling Below the Target

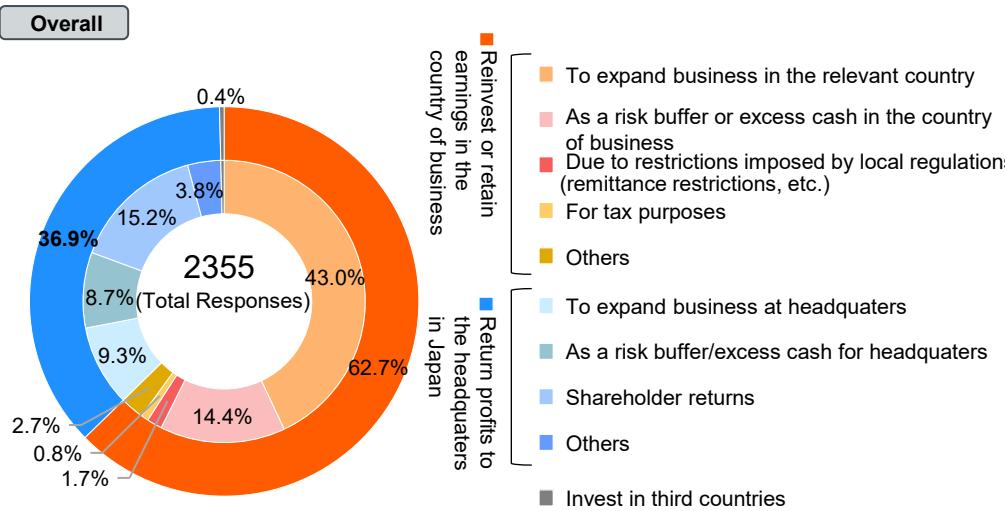
By Country/Region



Q.

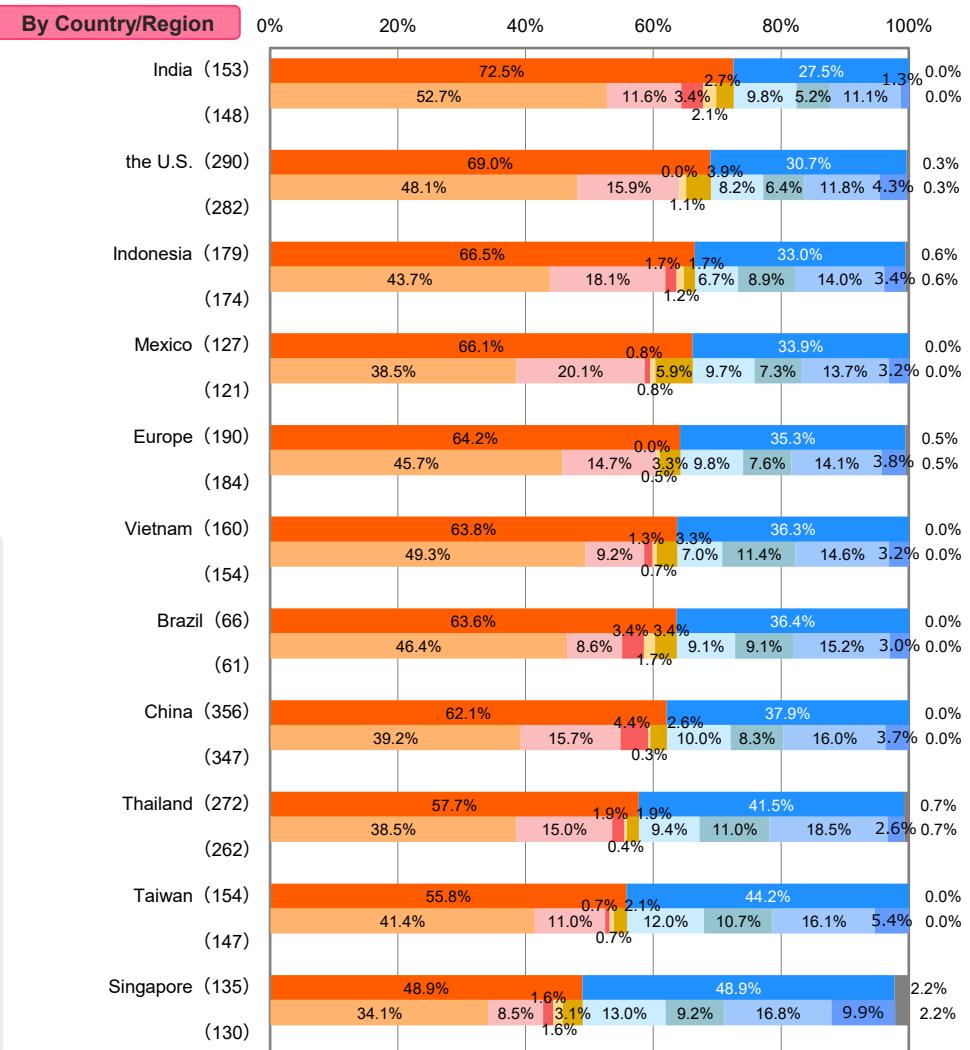
How are the profits generated by overseas subsidiaries mainly used? Please select from: "1. Reinvest or retain earnings in the country of business," "2. Invest in a third country," or "3. Return profits to the headquarters in Japan."

Figure 2-7: Methods of Utilizing Earnings from Overseas Subsidiaries



■ "Reinvest or retain earnings in the country of business" accounted for the majority in most countries

- India had the highest percentage (72.5%) of companies selecting "1. Reinvest or retain earnings in the country of business", but no significant patterns emerged when viewed by country or industry. Interviews revealed differing corporate policies, such as "In countries where overseas subsidiaries generate significant profits, we return them to the headquarters in Japan" (Chemicals) and "All profits from overseas subsidiaries are returned to headquarters" (Electrical Equipment & Electronics).
- In China, Brazil, and India, a certain number of companies cited reinvest or retain earnings due to local restrictions on transfers of money.
- The number of companies selecting "2. Investment in a third country" was very limited.
- Among companies selecting "3. Return profits to the headquarters in Japan", the most common reason cited was "for shareholder returns," followed by "to expand business" and "as a risk buffer/excess cash for headquarters."



## (4) Comparison of Japanese Mother Factories and Overseas Factories (Productivity, Defect-rate, Delivery-time etc.)

### ~Comparison Analysis with 2015~

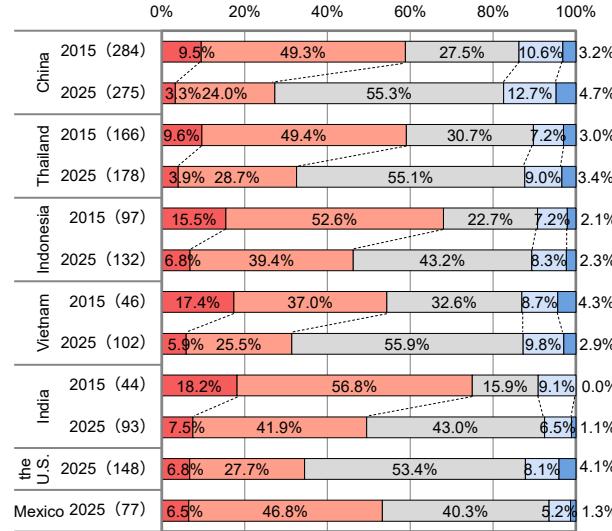
Q. For companies that own factories in any of the following countries: China, Thailand, Indonesia, Vietnam, India, the U.S., or Mexico. For the following evaluation items "1" to "3", please rate your overseas factories in the above measures that produce the same type of product on a 5-point scale, with your domestic mother factory in Japan rated as 3. (※This question was also included in the 2015 survey.)

(\*) The Evaluation Criteria for this question are as shown in the table on the right.

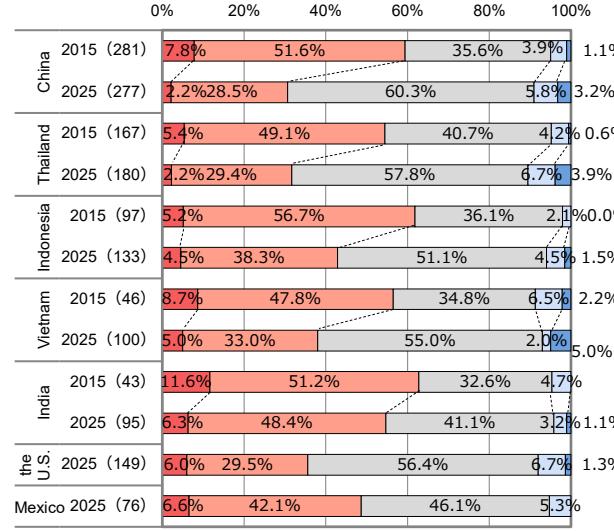
1. Labor productivity (output per hour per worker)	Level relative to Japan (set as 3)				
	1		2		3
	Poor	←	Same as Japan	→	Good
2. In-process defect rate					
3. delivery time					

Figure 2-8: Percentage of Respondents for Each Rating Level Relative to Total Responses

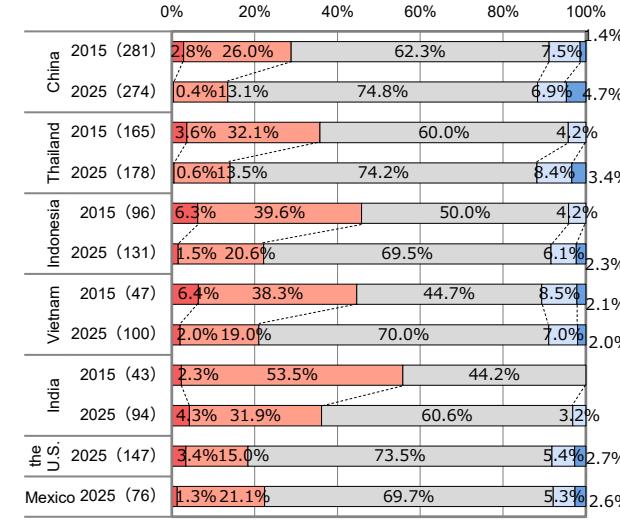
#### ① Labor productivity (Output/Hour·Person)



#### ② Defect rate



#### ③ Delivery time



#### ■ Improvements observed in all surveyed countries. India, Indonesia, and Mexico showed relatively more responses indicating they fall short of Japanese factory standards

- Compared to 2015 data, improvements were observed in labor productivity, defect rates, and delivery time in all countries. China's changes were particularly significant. The percentage of companies reporting levels comparable to or exceeding those of Japanese mother factories improved substantially compared to 2015: labor productivity rose from 41.3% to 72.7%, defect rate increased from 40.6% to 69.3%, and delivery time climbed from 71.2% to 86.4%. One respondent noted, "Factories in China that have been in operation for many years have seen improvements in labor productivity, defect rate, and delivery time" (Chemicals). Another commented, "In countries with high wage levels like the U.S., labor productivity has increased due to the active adoption of automation" (Automobile).
- Conversely, the proportion of companies responding "poor" or "somewhat poor" was highest for Labor productivity in Mexico followed by India and Indonesia. For defect rate and delivery time, India, Mexico, and Indonesia ranked highest in that order. During interviews, one respondent noted, "In Indonesia, workers often quit once they become skilled and move to factories of foreign companies offering higher wages" (General Machineries). Similar concerns were raised regarding India and Mexico.

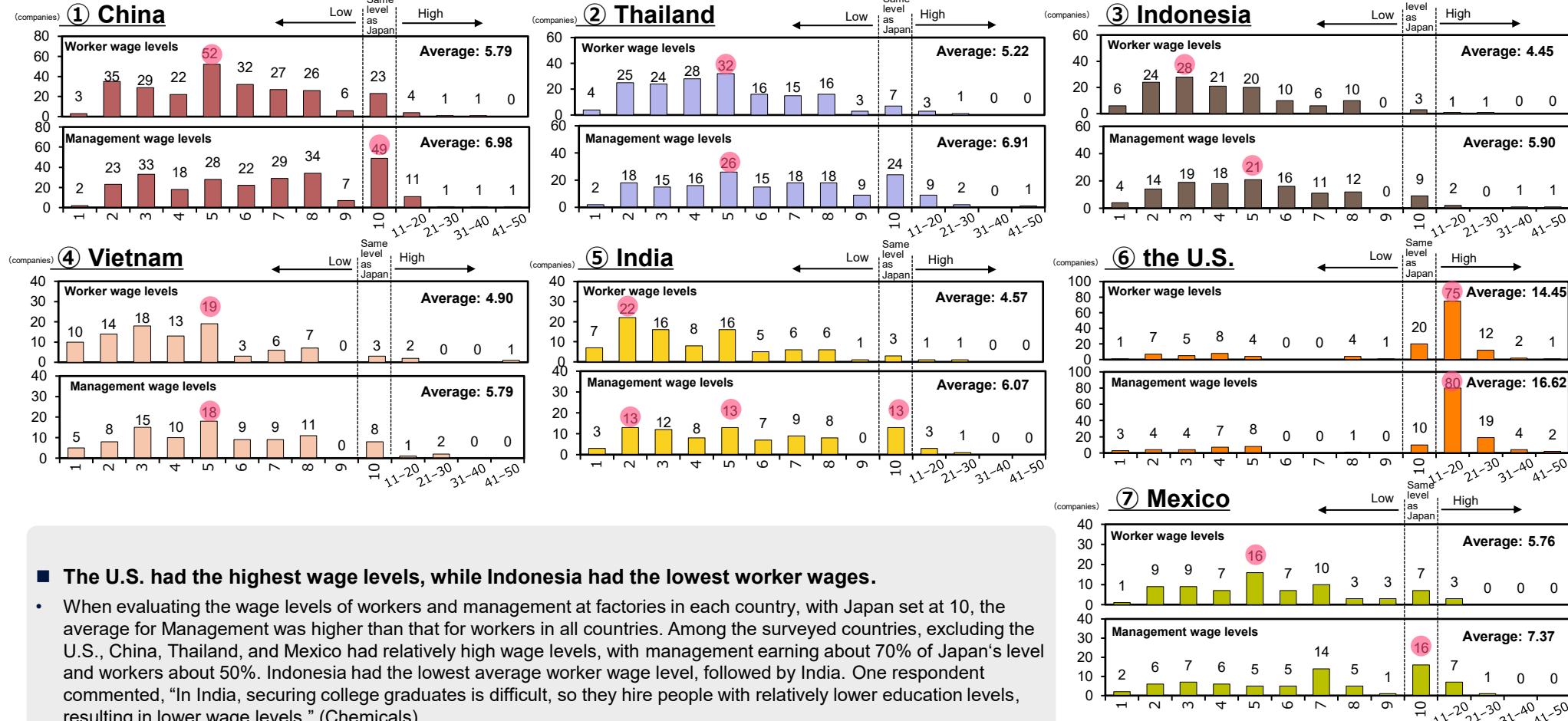
## ~Comparison Analysis with 2015~

Q.

For companies with factories in China, Thailand, Indonesia, Vietnam, India, the U.S., or Mexico: Please indicate the wage levels at your factories in China, Thailand, Indonesia, Vietnam, India, the U.S., or Mexico relative to Japan (set at 10). Use a scale of 1 to 50 (e.g., "5" for approximately half the Japanese level, "20" for approximately double the Japanese level).

Figure 2-9: Worker Wage Levels and Management Wage Levels (Levels relative to Japan set at 10)

By Country/Region



## ■ The U.S. had the highest wage levels, while Indonesia had the lowest worker wages.

- When evaluating the wage levels of workers and management at factories in each country, with Japan set at 10, the average for Management was higher than that for workers in all countries. Among the surveyed countries, excluding the U.S., China, Thailand, and Mexico had relatively high wage levels, with management earning about 70% of Japan's level and workers about 50%. Indonesia had the lowest average worker wage level, followed by India. One respondent commented, "In India, securing college graduates is difficult, so they hire people with relatively lower education levels, resulting in lower wage levels." (Chemicals)
- In the U.S., the average wage levels for workers were 14.45, and the wage levels for management were also the highest at 16.62. During interviews, concerns were voiced: "While U.S. wage levels have stabilized compared to a period of sharp increases, the upward trend remains severe" (Chemicals).

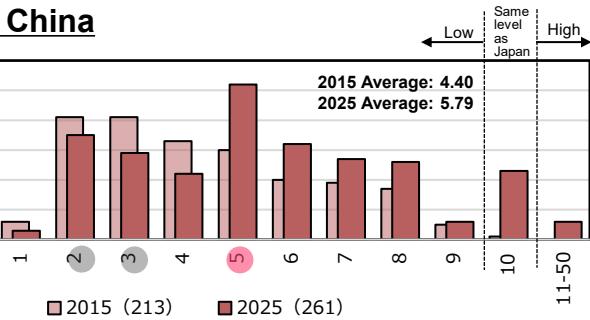
(Note 1) Comparison based on total compensation including basic salary, various allowances, social insurance, overtime payment, bonuses, etc.

(Note 2) The circle indicates the most frequent value.

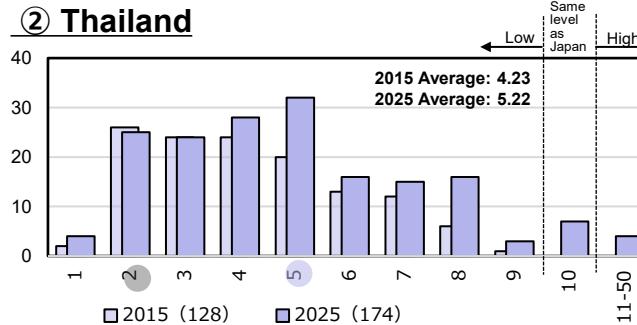
(Note 3) Similar surveys were conducted in China, Thailand, Indonesia, Vietnam, and India in 2015.

Figure 2-10 Worker Wage Levels 2015 vs. 2025 (Levels relative to Japan set at 10)

### ① China

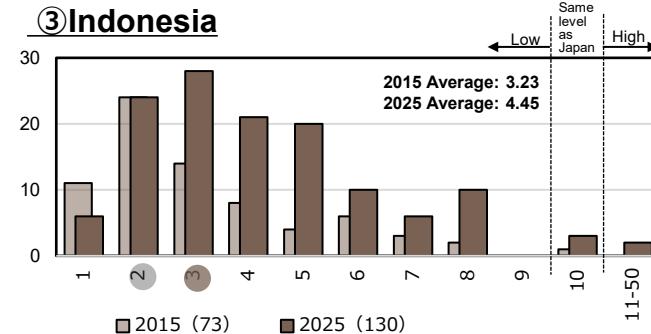


### ② Thailand

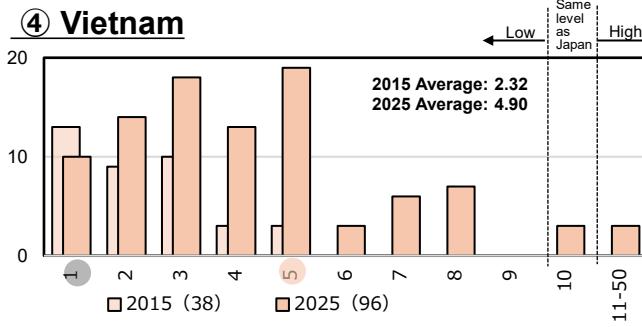


By Country/Region

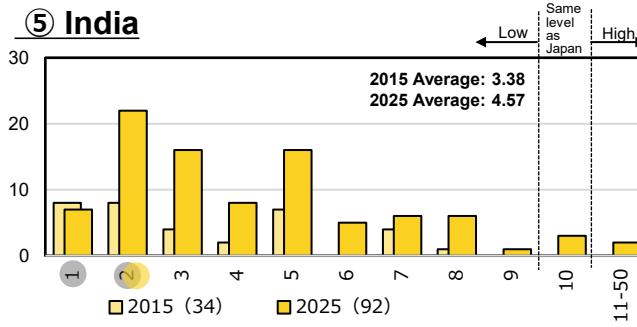
### ③ Indonesia



### ④ Vietnam



### ⑤ India



(Note 1) Comparison based on total compensation including basic salary, various allowances, social insurance, overtime payment, bonuses, etc.

(Note 2) Circles indicate the most frequent value (gray represents 2015, other colors represent 2025).

(Note 3) Data for the U.S. and Mexico in 2015 is omitted as no survey was conducted.

■ Looking at the average values, Vietnam shows a particularly high rate of increase in labor cost levels. The other four countries showed similar growth rates.

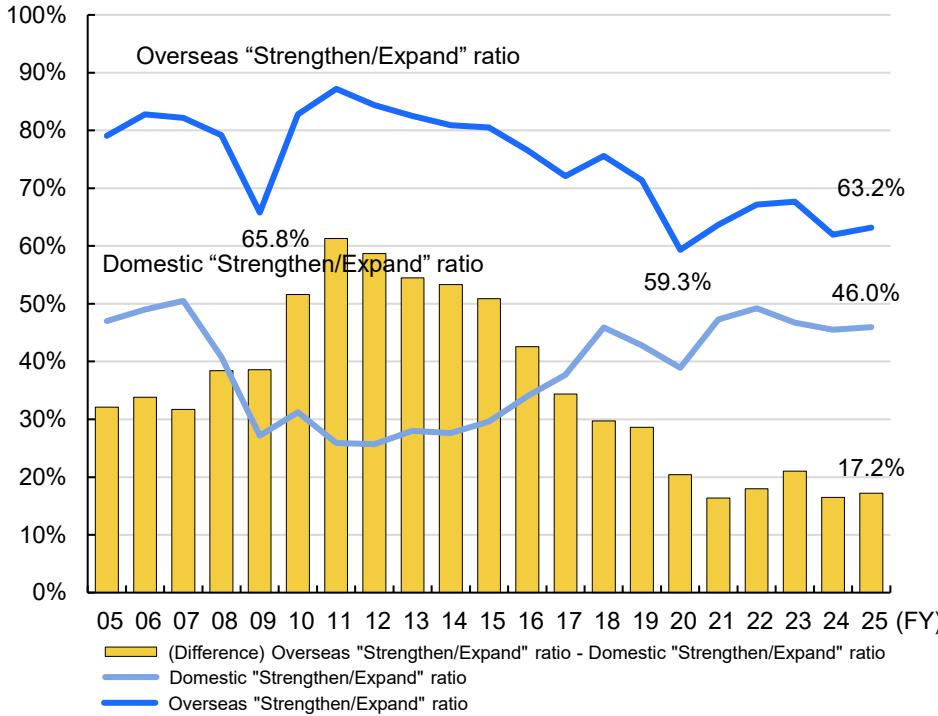
- Comparing 2015 and 2025, the average wage levels of workers relative to Japan increased in all surveyed countries. Vietnam saw the largest increase, rising from 2.32 to 4.90. Others also experienced increases of around 20-40%, including China (4.40→5.79), Indonesia (3.23→4.45), India (3.38→4.57), and Thailand (4.23→5.22). While the appeal of an inexpensive source of labor for Japanese companies may have diminished over the past decade, wages in all these countries currently remain at about half the level in Japan.
- The wage increases are likely driven by economic growth and competition for human resources/staff from other countries. Interviews revealed comments such as: "Western and China companies poach good human resources/staff by raising salaries, but Japanese companies generally face hurdles in raising local wage levels while Japanese salaries remain stagnant" (Electrical Equipment & Electronics) and "We cannot raise local workers' wages due to inflexibility, making it difficult to retain good workers" (Chemicals).

## I. Analysis of the Manufacturing Industries

### 3 Mid-Term Business Prospects

# Medium-Term Business Development: Stance Toward Strengthen/Expanding Business (Overseas/Domestic) - Cross Analyses

**Figure 3-1: Shift in Intentions to Strengthen/Expand Business (2005-2025)**



- Slightly positive trend in strengthen/expand overseas operations**
  - The share of companies adopting a "Strengthen/Expand" stance for overseas operations rose by 1.2 points from 62.0% to 63.2%. This positive trend is likely driven by increased U.S. investment plans, influenced by tariffs and reshoring policies under the Trump administration. Additionally, amid rising geopolitical risks, more firms are reorganizing production bases.
- The proportion of companies responding "Strengthen/Expand" for both overseas and domestic operations increased**
  - The proportion of companies planning to "Strengthen/Expand" both overseas and domestic operations increased, while only 0.6% intend to "Downsize/Withdraw" from both.

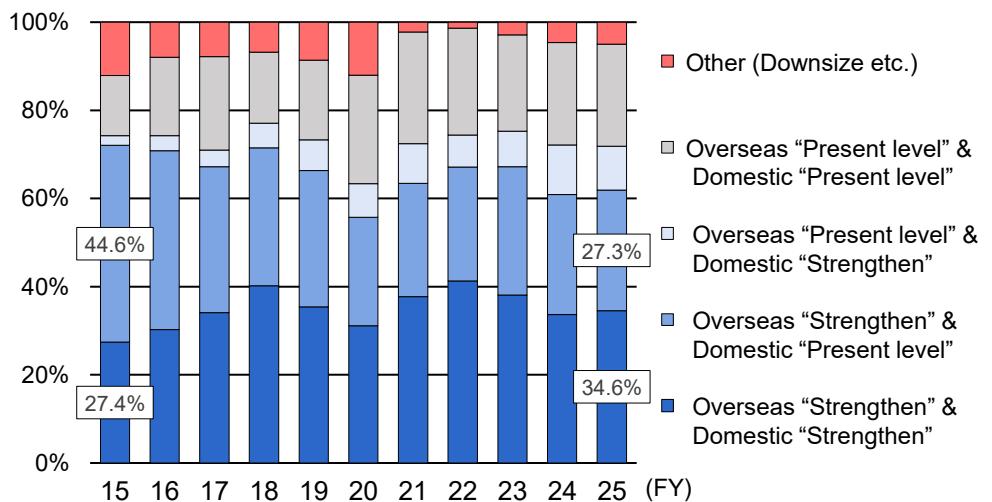
**Figure 3-2: Cross Analysis of Prospects for Overseas and Domestic Business (next 3 years)**

Overseas business	Domestic business		
	Strengthen /expand	Maintain present level	Downsize /withdraw
Strengthen /expand	167 (34.6%)	132 (27.3%)	5 (1.0%)
Maintain present level	48 (9.9%)	112 (23.2%)	2 (0.4%)
Downsize /withdraw	7 (1.4%)	7 (1.4%)	3 (0.6%)

(n= 483 companies, Proportion : rounded to the nearest hundredth)

(Note: For data by industry, please refer to the Appendix.)

**Figure 3-3: Transition of Outlook for Overseas and Domestic Business**



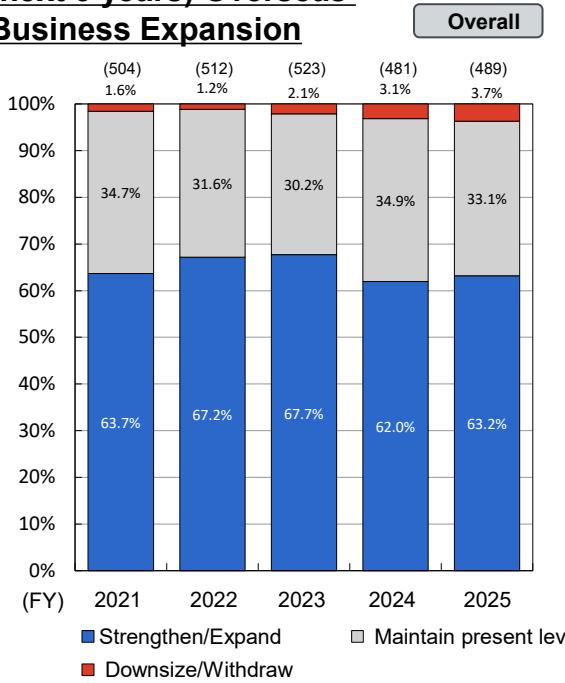
(Note) In the legend, 'Present level' indicates maintaining the status quo, and 'Strengthen' is an abbreviation for Strengthen/Expand.

Q.

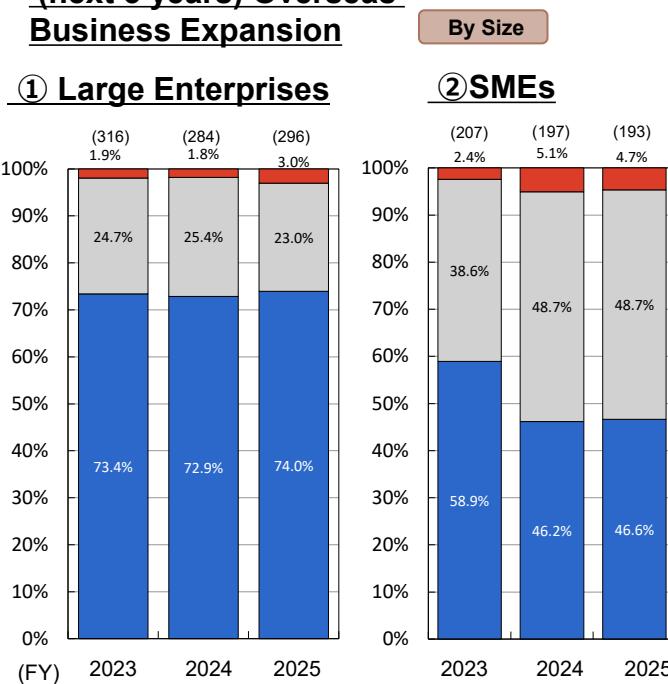
Please share your planned for overseas operations and overall domestic operations over the medium term (approximately the next 3 years).

Overseas

**Figure 3-4: Prospects for Medium-Term (next 3 years) Overseas Business Expansion**

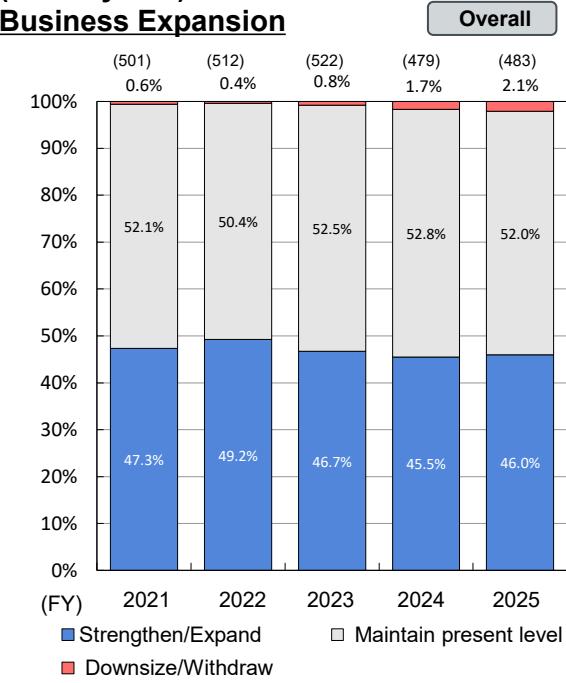


**Figure 3-5: Prospects for Medium-Term (next 3 years) Overseas Business Expansion**



Domestic

**Figure 3-6: Prospects for Medium-Term (next 3 years) Domestic Business Expansion**



■ **The stance to Strengthen/Expand overseas business expansion and domestic operations remains largely unchanged. Concerns among SMEs about the challenging competitive environment in overseas automobile markets persist.**

- Regarding companies responding that they will "Strengthen/Expand" overseas operations in the medium term, by size: large enterprises increased by 1.1 percentage points from last year's survey, while SMEs increased by 0.4 percentage points, both showing slight increases. While the decline among SMEs from 2023 to 2024 was largely influenced by postponed investments in China's automobile sector, the fact that SMEs' Strengthen/Expand stance has not significantly changed since last year suggests that a major improvement in the situation has not yet been achieved. Overall, the percentage of companies responding 'Downsize/Withdraw' increased for the third consecutive year to 3.7%.
- Regarding domestic operations, the percentage of companies responding 'Strengthen/Expand' increased by 0.5 percentage points compared to last fiscal year, while the percentage responding 'Downsize/Withdraw' also increased by 0.4 percentage points.

# Medium-term Business Development: Stance Toward Strengthen/Expand Strategy (Overseas/Domestic) – by Industries

Figure 3-7 Prospects for Medium-Term Overseas Business Expansions

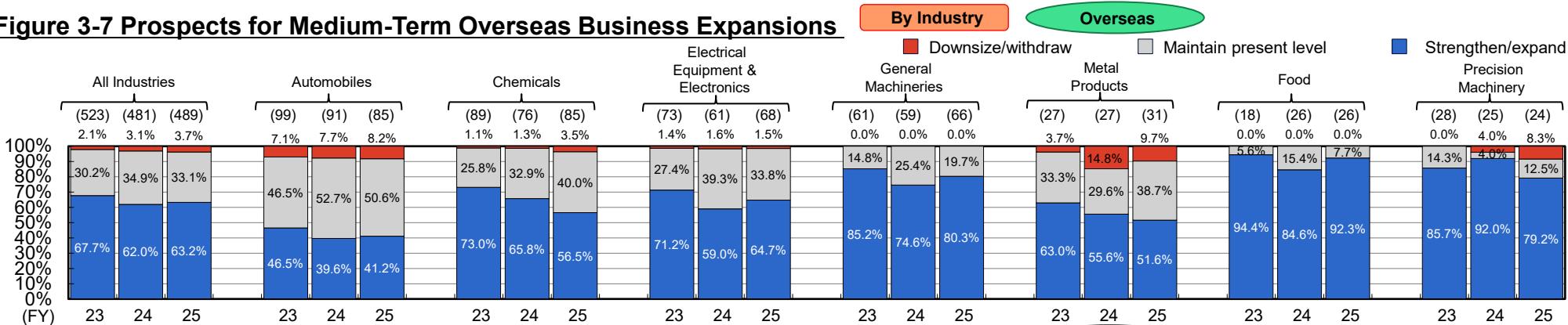
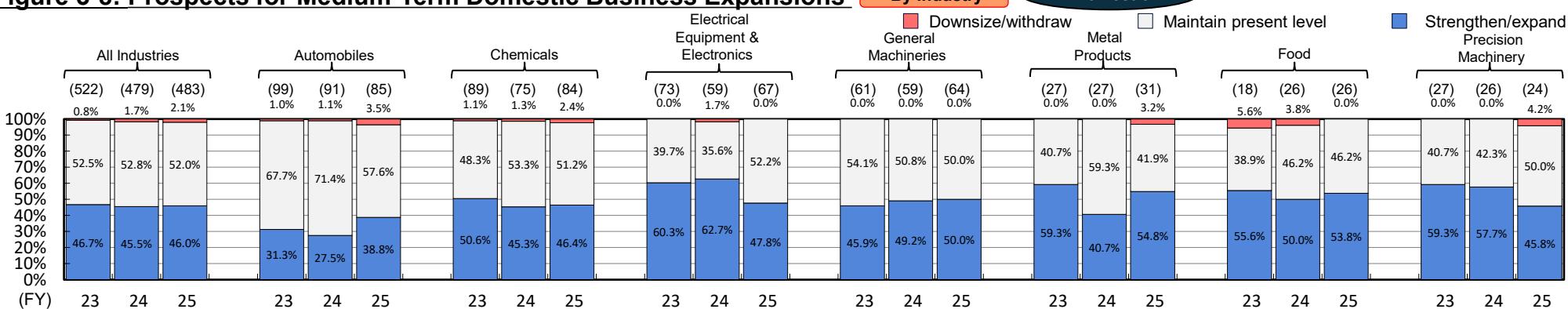


Figure 3-8: Prospects for Medium-Term Domestic Business Expansions



## Overseas, “Strengthen/Expand” in the four major industries (excluding Chemicals) all show an increasing trend

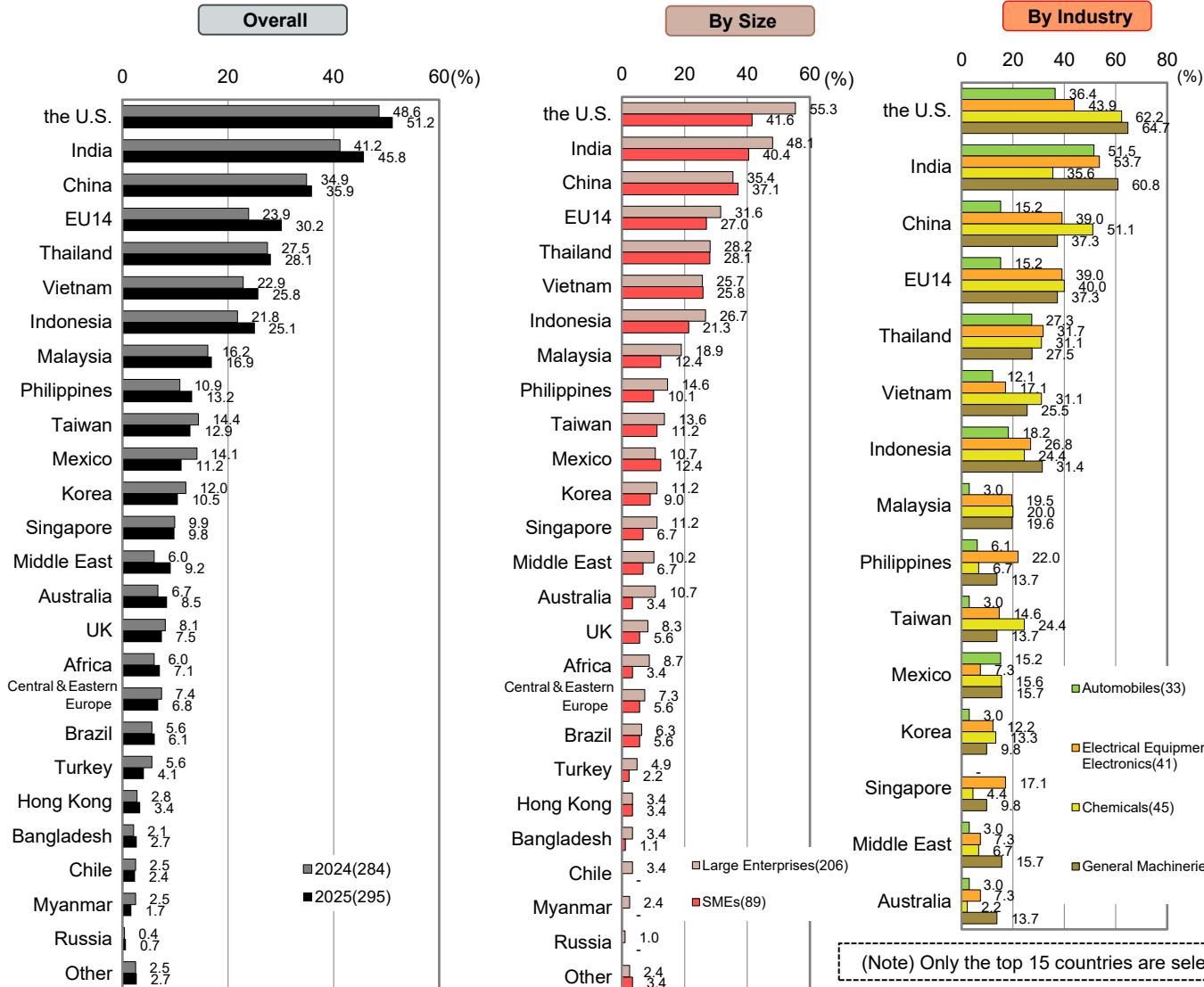
- The stance to “Strengthen/Expand” overseas operations rose year-on-year in 4 major industries except Chemicals. Electrical Equipment & Electronics and General Machineries saw a 5.7-point increase, with more firms targeting India. Comments noted growing demand for factory-related products due to India’s capital investment plans and focus on power equipment for data centers in Europe and the U.S. In Chemicals, the share fell for the second year, citing intensified competition with Chinese firms in China and ASEAN. Over 90% of food companies plan to expand, while Precision Machinery dropped 12.8 points due to easing semiconductor-related investment amid global attraction policies.

## Domestically, the proportion of 'Strengthen/Expand' decreased, particularly in electrical and electronics

- Among the four major industries, the proportion of companies planning to 'Strengthen/Expand' increased in the automobile, chemicals, and General Machineries sectors, while it fell by 14.9 points in the electrical and electronics sector. Comments included: "In Japan, demand for new factory construction is not strong, and the market is saturated. Furthermore, plans to expand semiconductors-related factories domestically have also seen demand peak." (Electrical and Electronics)

Q. For those who selected "Strengthen/Expand" regarding overseas business expansion/overseas operations, which countries/regions are involved? (Multiple answers allowed)

Figure 3-9: Countries to Strengthen



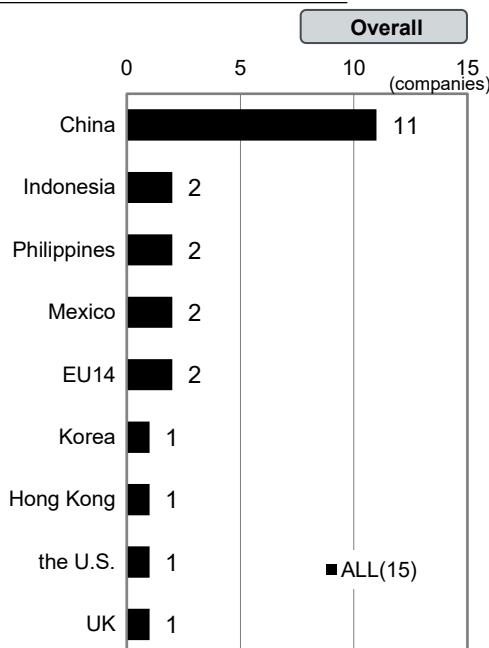
(Note) Only the top 15 countries are selected.

## Over half of companies Strengthen/Expand in the U.S.

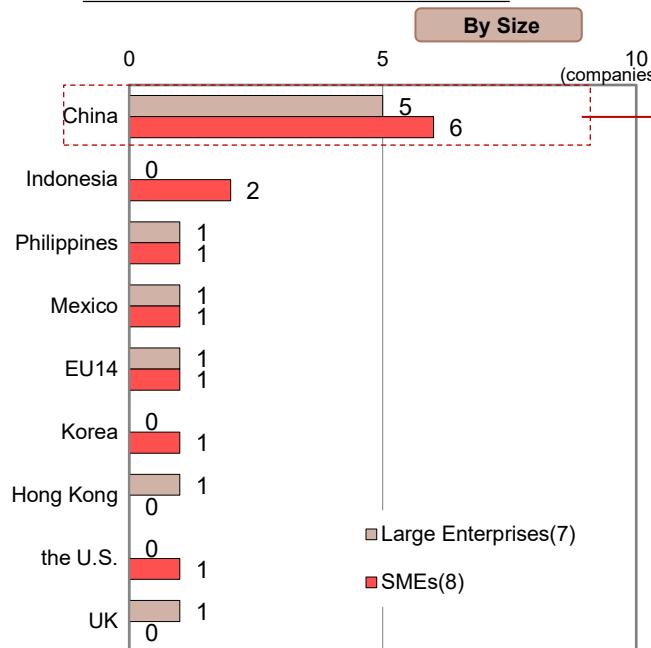
- The U.S. received the most votes, continuing its strong performance from last year, backed by a solid economic foundation. The Trump administration's policies are having a positive effect on some companies. During interviews, comments such as "We anticipate increased demand for factory-related machinery as companies relocate their factories within the U.S." (General Machineries) were made.
- By size, last year showed a roughly 24-point gap in India's vote share between large companies and SMEs, indicating it was a challenging market for the latter. This year, the gap narrowed to 7.7 points, with some SMEs considering entry alongside their business partners' expansion.
- By industry, the proportion of companies that strengthen/expand operations in China, Vietnam, and Taiwan was higher in chemicals than in other sectors. Regarding China specifically, comments included: "Chinese companies dominate the market for commodity chemicals, so we expect market expansion in high-value-added products like chemicals for lithium-ion batteries" (Chemicals).
- Mexico, which garnered 40.0% support from the automobile sector last year, saw this figure drop to 15.2% this year, a decrease of 25 points. Interviews revealed comments such as: "We have an export base to the U.S. in Mexico and planned to Strengthen/Expand there last year, but this year we did not select it for expansion due to the unclear impact of Tariffs" (Automobile).

Q. For those who selected 'Downsize/Withdraw' regarding overseas Business Expansion/overseas operations, which countries/regions are involved? (Multiple answers allowed)

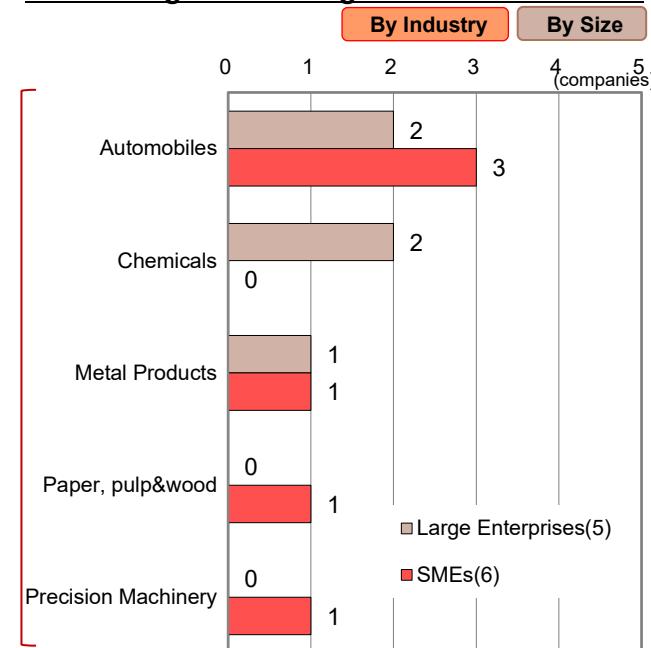
**Figure 3-10: Countries in Which to Downsize/Withdraw Businesses**



**Figure 3-11: Countries in Which to Downsize/Withdraw Businesses**



**Figure 3-12: Companies Downsizing/Withdrawning Businesses in China**



(Note) Only countries that responded were selected.

## ■ 11 out of 15 companies selected China as a country for "Downsize/Withdraw"

- China (11 companies) was most cited as the country where overseas business expansion/overseas operations would be "downsized/withdrawn," followed by Indonesia, the Philippines, Mexico, and the EU14, each with two companies. Among the companies citing China, five were in the automobile sector. In interviews, the reason given for downsizing/withdrawal was: "Japanese OEMs are struggling in China and ASEAN, leading to stagnant sales" (Automobile). Companies withdrawing from Mexico cited "the impact of U.S. tariffs as one reason for deciding to withdraw from Mexico. Non-compliant products failing to meet USMCA origin rules face tariffs when exported to the U.S., significantly affecting Japanese companies in Mexico, particularly in the automobile industry" (Automobile).
- By company size, five large companies and six SMEs withdrew from China. Two SMEs withdrew from Indonesia. One large company and one SME each withdrew from the Philippines, Mexico, and the EU14.
- Six companies are downsizing/withdrawning from multiple countries, primarily automobile-related firms. This indicates intensifying competition between Japan-based and China-based companies, as China-based companies enhance their competitiveness not only domestically but also within ASEAN, particularly in the automobile sector.

## I. Analysis of the Manufacturing Industries

### 4 Promising Countries/Regions

# (1) Promising Countries: Potential Countries/Regions in the Medium-Term Ranking

Q.

Please list up to five promising countries for business development in the medium term (the next 3 years). (Multiple answers allowed, free-format)

## Figure 4-1 Promising Countries for Overseas Business over the Medium-Term (next 3 years)

\*Percentage share (%) = Number of votes for country / Number of respondent companies

Ranking	Countries /Regions	No. of Companies		Percentage Share (%)	
		2025 (Total 338)	2024 (Total 351)	2025	2024
1	India	209	206	61.8	58.7
2	U.S.	95	92	28.1	26.2
3	Vietnam	85	110	25.1	31.3
4	Indonesia	75	89	22.2	25.4
5	China	56	61	16.6	17.4
6	Thailand	51	66	15.1	18.8
7	Malaysia	28	26	8.3	7.4
8	Philippines	24	25	7.1	7.1
9	Mexico	23	37	6.8	10.5
10	Brazil	17	17	5.0	4.8
11	Taiwan	15	9	4.4	2.6
12	Germany	14	20	4.1	5.7
13	Korea	9	14	2.7	4.0
13	Australia	9	6	2.7	1.7
13	France	9	5	2.7	1.4
16	UK	6	12	1.8	3.4
16	Canada	6	6	1.8	1.7
16	Turkey	6	6	1.8	1.7
19	Cambodia	5	5	1.5	1.4
19	Saudi Arabia	5	2	1.5	0.6

(Note 1) In cases of a tie, companies were ranked based on their position in the previous survey.

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### ■ India topped the list for the fourth consecutive year. The U.S. rose to second place.

- India ranked first with a record-high vote share of 61.8%, up 3.1 points from last year, driven by expectations for the future growth potential of the local market.
- The U.S. saw its vote share increase due to higher evaluations of the local market, securing second place for the first time in 24 years. However, the Business Planning Rate (Note 2) decreased against a backdrop of uncertainty surrounding tariff policies.
- In Vietnam, Indonesia, China, and Thailand, vote shares declined, primarily due to reduced expectations for the local market as a result of intensifying competition with Chinese companies. Both China and Thailand recorded their lowest-ever vote shares.
- Mexico saw its vote share decline, primarily in the automobile sector, due to the impact of U.S. policies, causing its ranking to fall. As a result, Malaysia and the Philippines, which had similar vote shares to the previous survey, moved up in the rankings.
- Brazil, previously ranked 11th, gained votes particularly in Chemicals due to agricultural demand, moving up to 10th place. Meanwhile, Germany, previously 10th, lost votes mainly due to deteriorating conditions in Automobile, falling to 12th place.
- Middle Eastern countries like Saudi Arabia and African countries like Nigeria also gained votes. In interviews, comments included: "Africa has a large Indian diaspora; we see Africa as the next market after India" (Chemicals) and "We have a base in Europe; after Europe, we see the Middle East as the next market due to its high per capita income" (General Machineries).

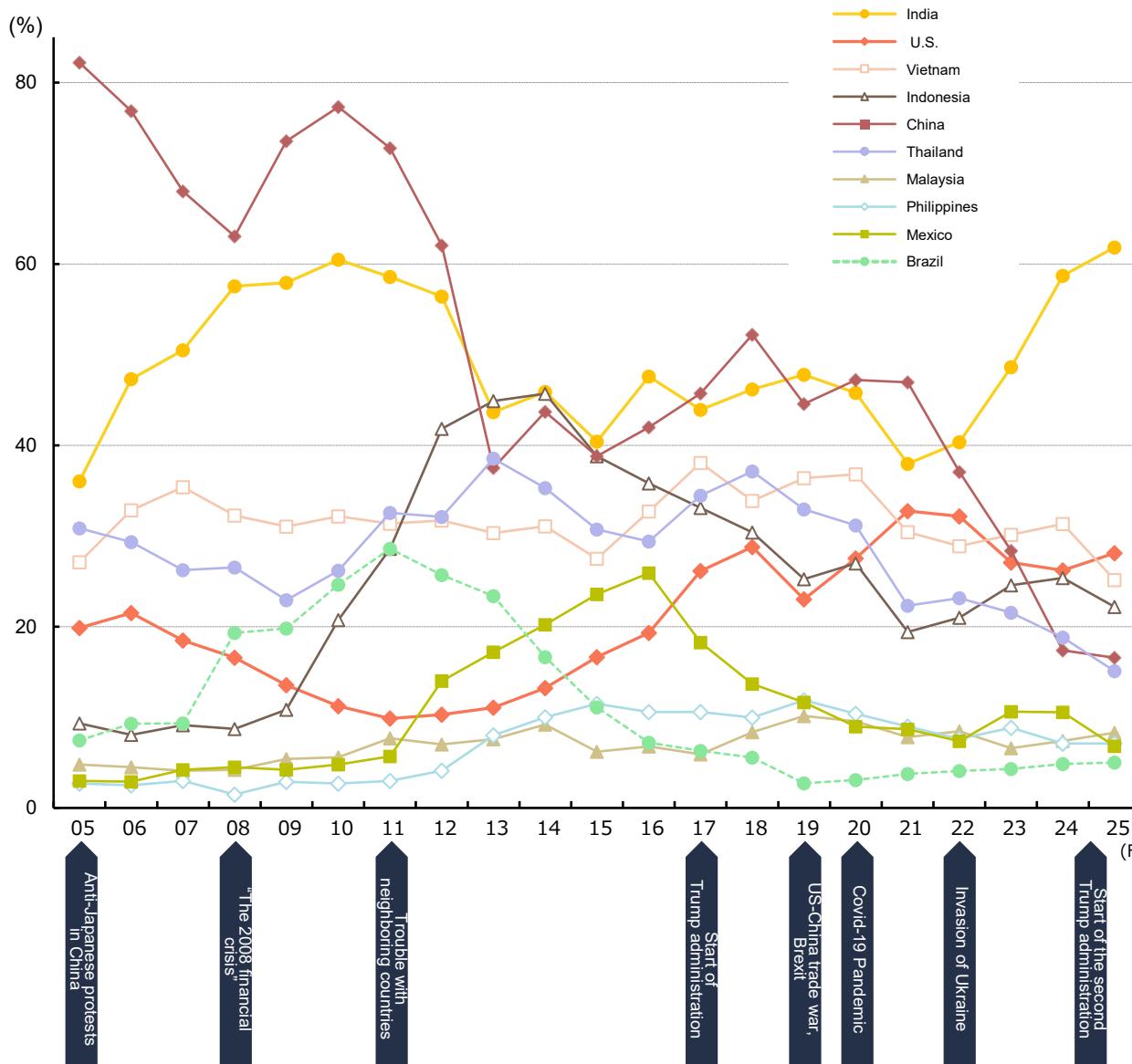
## Figure 4-2 : (Reference) List of Countries Ranked 21st or Lower

Ranking	No. of Companies	Countries/Regions
21	4	Nigeria, Poland, South Africa
24	3	UAE, Singapore, Spain, Bangladesh
28	2	Italy, Netherlands, Chile, Pakistan, Colombia
33	1	Ukraine, Egypt, Kazakhstan, Kuwait, Kenya, Switzerland, Sri Lanka, Czechia, Bahrain, Peru, Myanmar, Morocco, Russia, Ethiopia, Israel, Finland, Uruguay, Portugal

(Note 2) The "Business Planning Rate" indicates the percentage of companies that responded that the relevant country is promising and that are planning or considering new investment or additional investment in that country.

# (1) Promising Countries: Potential Countries/Regions in the Medium-Term Trends in Votes

Figure 4-3: Trends in Vote (2005-2025)



## ■ India's vote share increases further; ASEAN countries receive mixed evaluations

- India is the only country with a vote share exceeding 60%. It secured the top position for the fourth consecutive year, further intensifying the India boom.
- The U.S. had been seeing a declining vote share over the past three years due to inflation concerns, but this time it rose, driven by expectations for the local market and increased equipment demand from production base relocations to the U.S.
- Indonesia's vote share has seen a slight increase over the past five years, while Thailand's has shown a marked downward trend, indicating diverging assessments within ASEAN countries.
- Vietnam's vote share fell from the previous survey but maintained a relatively stable level as a relocation destination from China.
- China has seen a significant decline in votes due to the trend away from China, but the rate of decline slowed this time.

## ■ Many industries support India. Vietnam's vote share declined in Electrical Equipment & Electronics, while the U.S. rose in all sectors except Chemicals.

- India ranked first across all four major industries. Its vote share rose sharply in Electrical Equipment & Electronics due to electricity and semiconductor policies, but fell in other sectors compared to the previous survey.
- The U.S. increased its share in all sectors except Chemicals, driven by reshoring policies. Vietnam's share remained similar to the previous survey, except for Electrical & Electronics. Mexico saw a significant drop in vote share for Automobiles amid tariffs.

<Note on page 27 and following>

(Note 1) Source of data on direct investment: Ministry of Finance, "Monthly Report of Fiscal and Financial Statistics" (Balance of Payments Special Feature: Balance of Payments Statistics by Region) (1992-2004)

Bank of Japan, "Balance of Payments Statistics (Direct Investment by Industry and Region)" (2005-2014)

Bank of Japan, "Balance of Payments Statistics (Direct Investment Flows)" (2015-). Prior to 2006, total amounts are shown because data by industry did not exist.

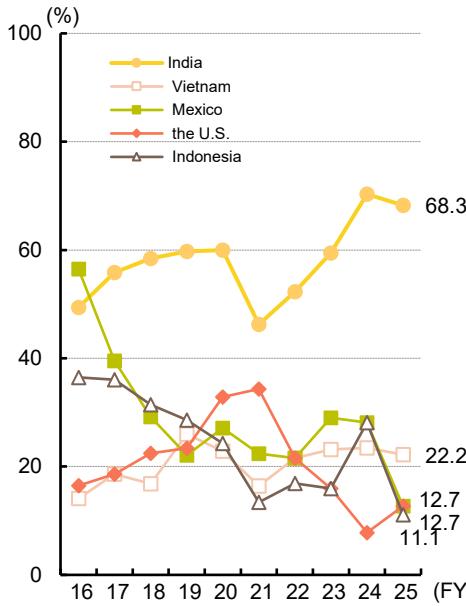
(Note 2) The "number of responding companies" here represents the number of companies that responded to "reasons for promising" and "issues" out of the number of responding companies in each country/region in Figure 4-1. Therefore, it does not necessarily correspond to the number of responding companies in Figure 4-1.

(Note 3) "Percentage" is calculated by dividing the number of companies responding to each item (multiple responses allowed) by the number of companies responding to promising reasons or issues in each country/region.

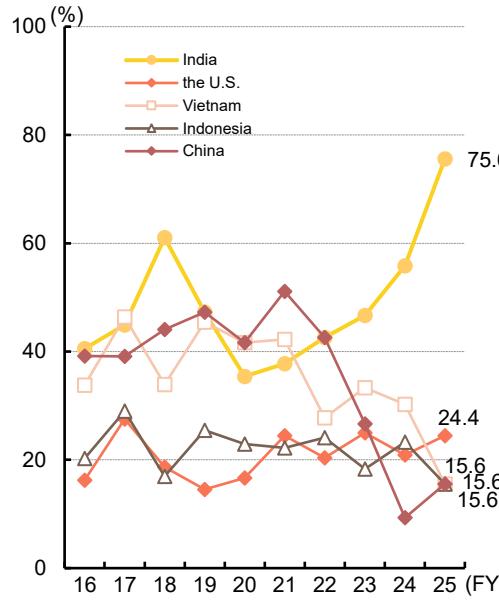
# (1) Promising Countries: Potential Countries/Regions in the Medium-Term Trends in Votes (4 Major Industries)

**Figure 4-4: Trends in Votes (4 Major Industries)**

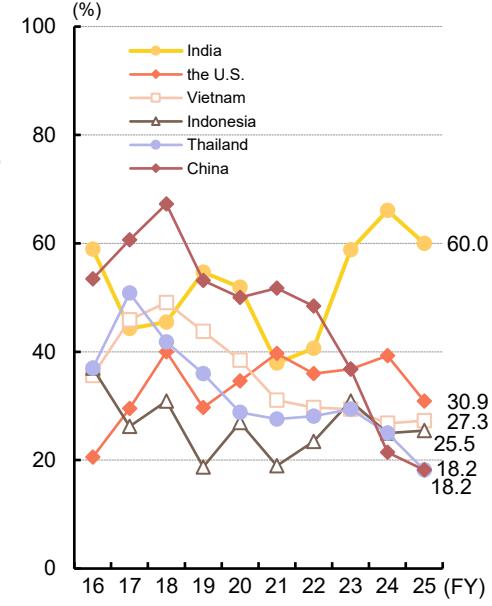
## ① Automobiles



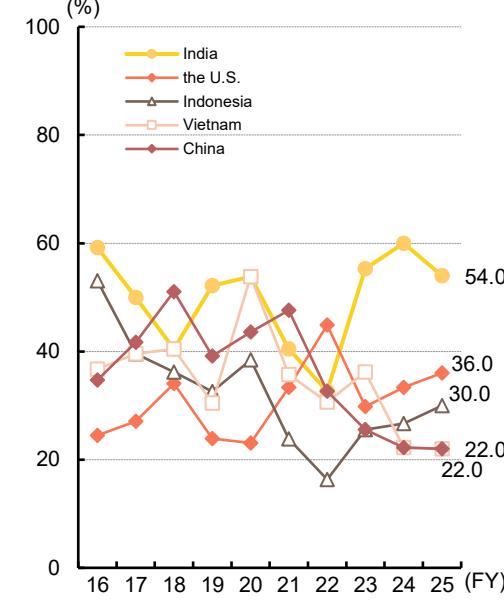
## ② Electrical Equipment & Electronics



## ③ Chemicals



## ④ General Machineries



**Figure 4-5: Promising Countries for Overseas Business over the Medium Term (Next 3 years) (4 Major Industries)**

## ① Automobiles

Rank	Country	FY2025	FY2024
		(Total 63)	(Total 64)
1	India	43	45
2	Vietnam	14	15
3	Mexico	8	18
3	U.S.	8	5
5	Indonesia	7	18
6	Thailand	6	10
6	Philippines	6	5
8	China	5	9
9	Brazil	3	1

## ② Electrical Equipment & Electronics

Rank	Country	FY2025	FY2024
		(Total 45)	(Total 43)
1	India	34	24
2	U.S.	11	9
3	Vietnam	7	13
3	Indonesia	7	10
3	China	7	4
6	Thailand	4	9
6	Philippines	4	7
6	Malaysia	4	6
6	Mexico	4	5
10	Germany	2	4

## ③ Chemicals

Rank	Country	FY2025	FY2024
		(Total 55)	(Total 56)
1	India	33	37
2	U.S.	17	22
3	Vietnam	15	15
4	Indonesia	14	14
5	Thailand	10	14
5	China	10	12
7	Malaysia	7	4
8	Taiwan	6	4
9	Brazil	4	4
9	Mexico	4	3

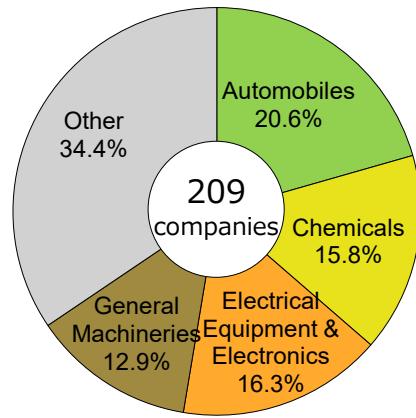
## ④ General Machineries

Rank	Country	FY2025	FY2024
		(Total 50)	(Total 45)
1	India	27	27
2	U.S.	18	15
3	Indonesia	15	12
4	Vietnam	11	10
4	China	11	10
6	Thailand	6	7
7	Philippines	5	3
8	Malaysia	4	5
8	Taiwan	4	5
10	Germany	3	3
10	South Africa	3	0

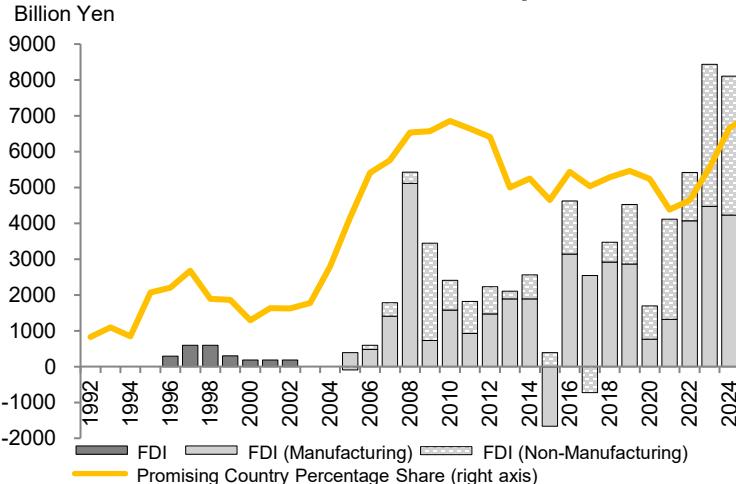
## No.1 India (→)

Vote share: 61.8% (+ 3.1 points from last year)  
 Record High: 61.8% (2025) Record Low: 5.7% (1992)  
 Business Planning Rate: 44.5% (+ 6.1 points from last year)

### Breakdown by Industries



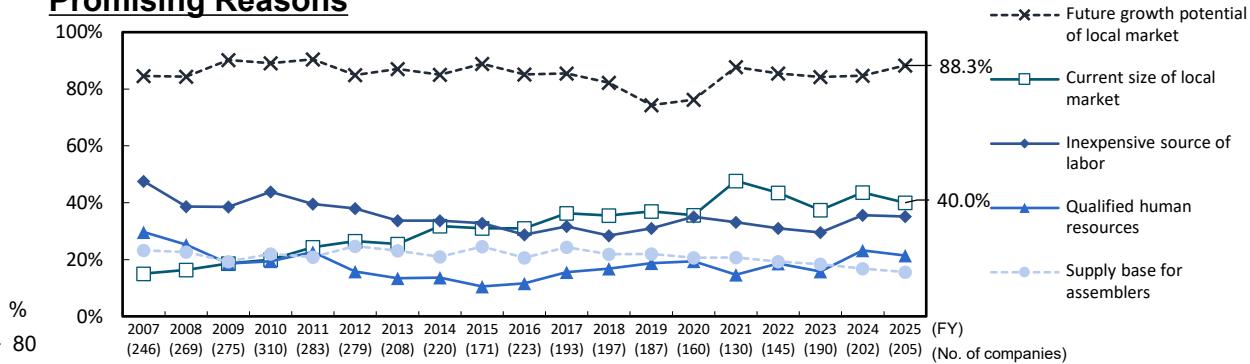
### Vote share and Outward FDI of Japan



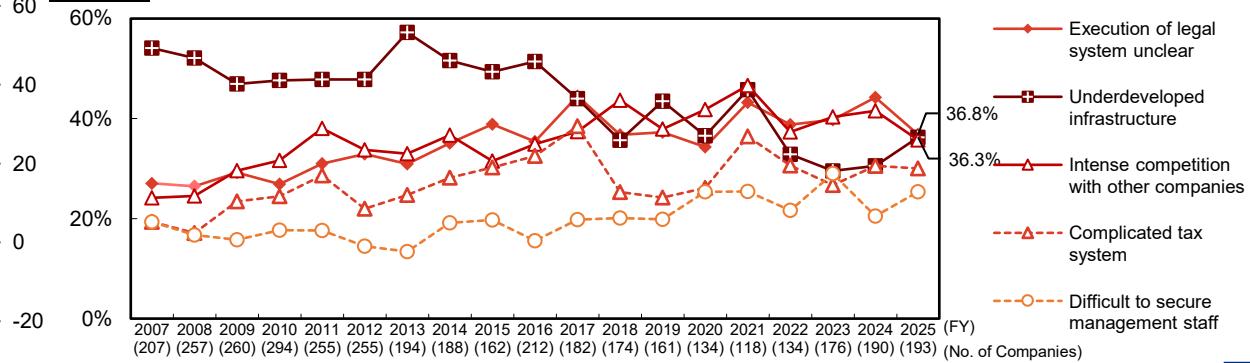
### Ranked first for the fourth consecutive year with the highest vote share ever. Business Planning Rate also rose, indicating heightened investment interest.

- Regarding reasons for promise, "Future growth potential of local market" continued to receive high evaluation. Companies also stated, "Responding to rising demand, we are establishing not only sales bases but also production bases" (Precision Machinery). The Business Planning Rate is also rising, indicating a trend toward more active investment locally.
- The most frequently cited issue was "Local legal system is unclear." During interviews, comments such as 'There are local rules in each region, making compliance difficult' (Electrical Equipment & Electronics (Parts)) were heard, indicating persistent demand for improvements in the soft infrastructure. The next most common issue was "Underdeveloped infrastructure." Comments like "While infrastructure is reasonably developed in cities, some rural areas remain largely unchanged" (Automobiles (Parts)) were made, reflecting expectations for further infrastructure development.

### Promising Reasons



### Issues



## No.2 U.S.



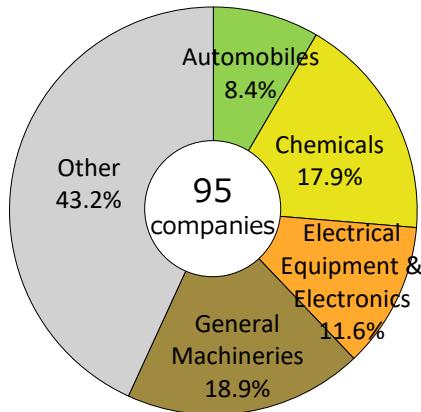
Vote share: 28.1% (+ 1.9 points from last year)

Record High: 41.5% (1998)

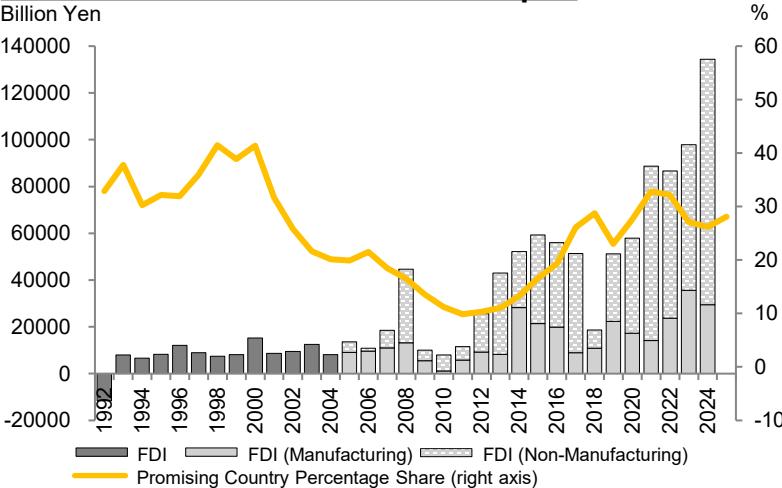
Record Low: 9.9% (2011)

Business Planning Rate: 49.5% (- 11.4 points from last year)

### Breakdown by Industries



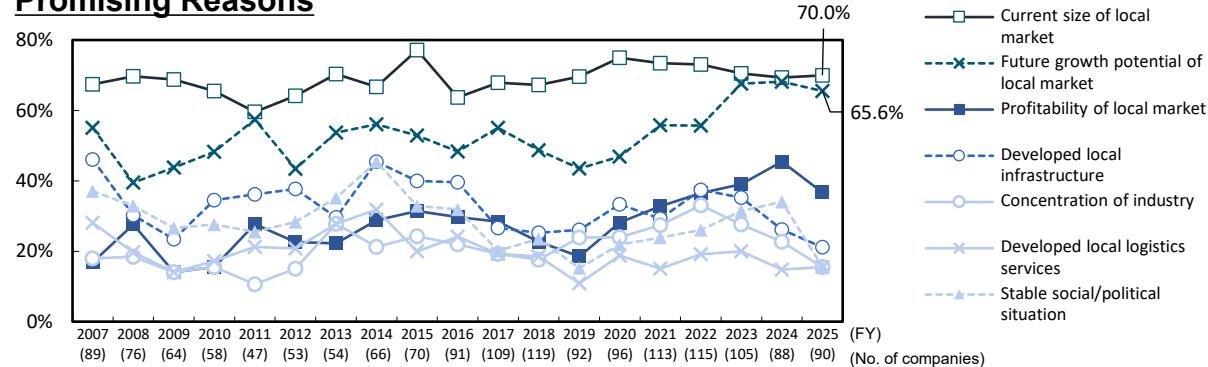
### Vote share and Outward FDI of Japan



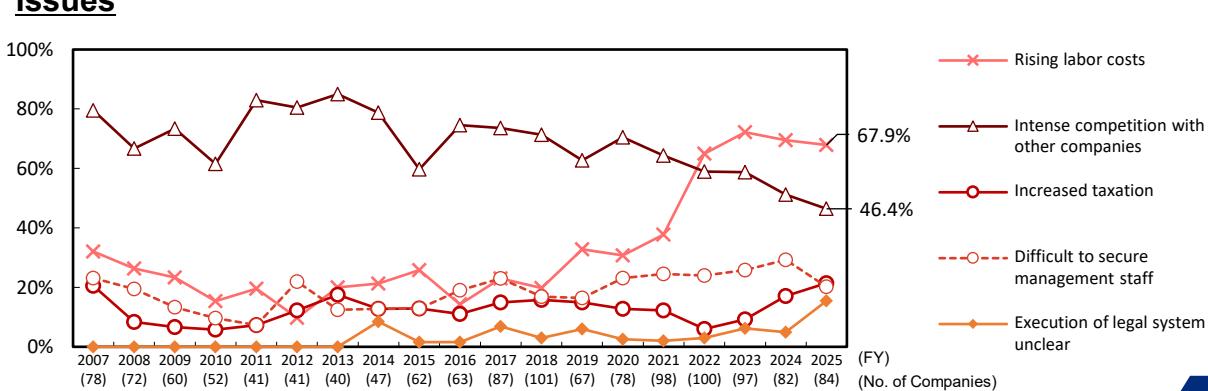
- The U.S. rose from third place last year to second place. However, the Business Planning Rate declined significantly.

- Regarding reasons for promise, the U.S. continued to receive high evaluations for its local market size and growth potential. In interviews, comments included: "Even discounting the negative impact of tariffs, the domestic market offers significant profit potential, making it attractive" (Chemicals). Conversely, the factor "Stable social/political situation" saw a significant decline, reflecting the impact of uncertainty under the Trump administration.
- Regarding issues, many responses cited "Rising labor costs" due to recent high inflation. Interviews also noted a sense of stabilization in labor cost increases, with comments like, "We expect wages to continue rising over the next few years, but the rate of increase has moderated somewhat compared to before" (Automobile). Responses indicating "Increased taxation" and "Execution of the legal system unclear" rose, reflecting the cost burden from tariffs and the uncertainty under the Trump administration in this area as well.

### Promising Reasons



### Issues



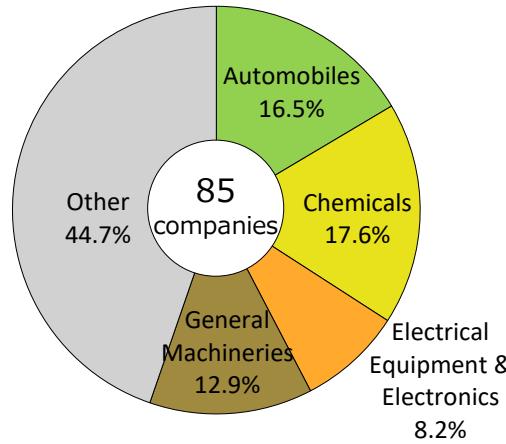
## No.3 Vietnam (↓)

Vote share: 25.1% (- 6.2 points from last year)

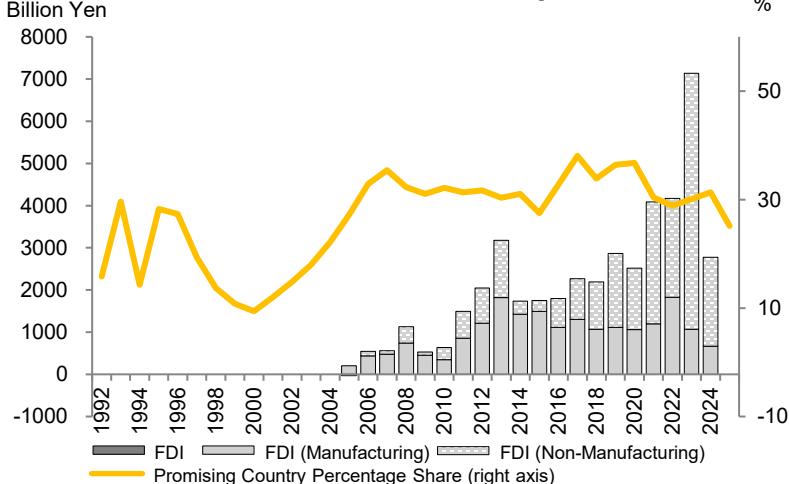
Record High: 38.1% (2017) Record Low: 9.4% (2000)

Business Planning Rate: 31.7% (+ 2.6 points from last year)

### Breakdown by Industries



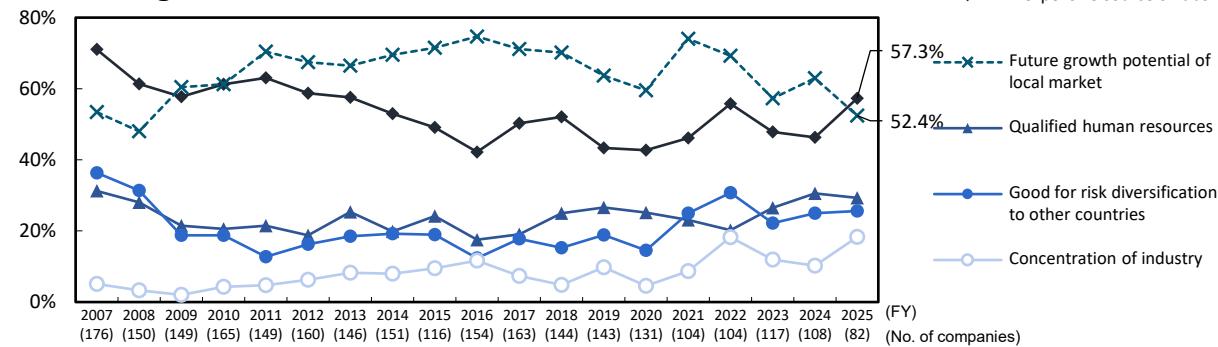
### Vote share and Outward FDI of Japan



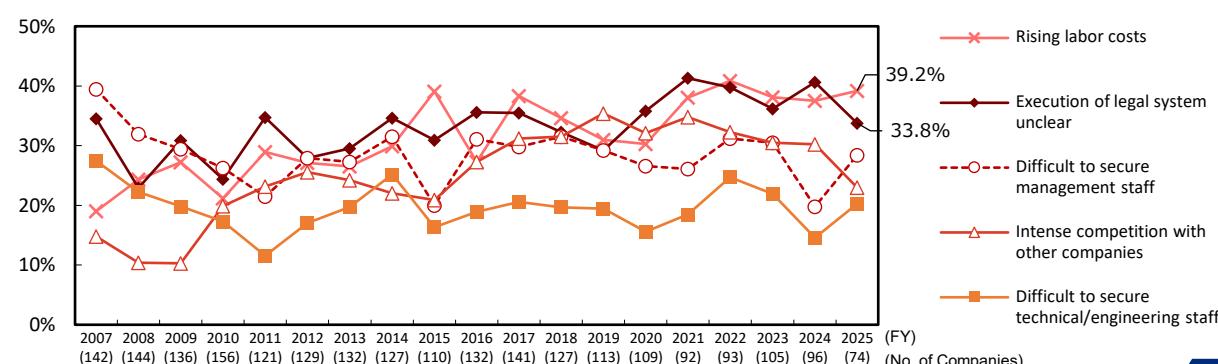
Ranked third, down from last year. Expectations for local market growth have declined.

- Regarding reasons for promise, "Future growth potential of local market" decreased, while "Inexpensive source of labor" became the most frequently cited factor. Companies operating locally reported, "Sales remain solid despite competition from China firms, but growth rates have slowed compared to before" (Automobiles). Coupled with intensifying competition from Chinese and Korean companies, this suggests that expectations for market growth among Japanese manufacturing companies have stagnated in recent years.
- Contrary to the above promising reasons, "Rising labor costs" topped the list of issues. Companies also noted, "Labor costs are still low and attractive, but they are clearly on an upward trend" (Automobiles). Furthermore, securing a source of labor is becoming difficult in some regions, making future trends worth watching.

### Promising Reasons



### Issues



## No.4 Indonesia (→)

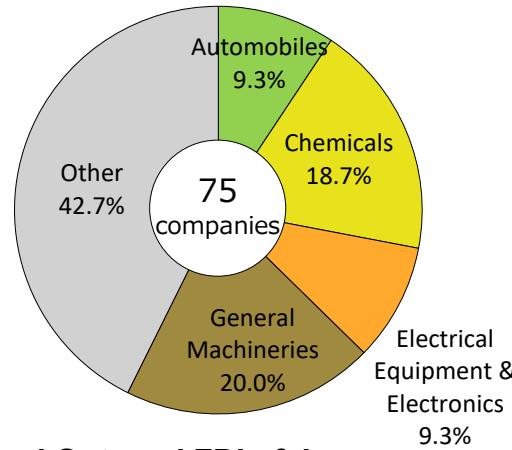
Vote share: 22.2% (- 3.2 points from last year)

Record High: 45.7% (2014)

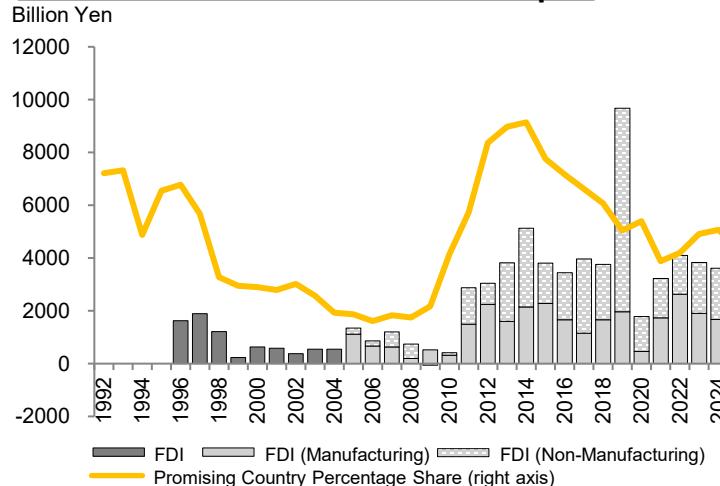
Record Low: 8.1% (2006)

Business Planning Rate: 33.3% (+ 9.7 points from last year)

### Breakdown by Industries



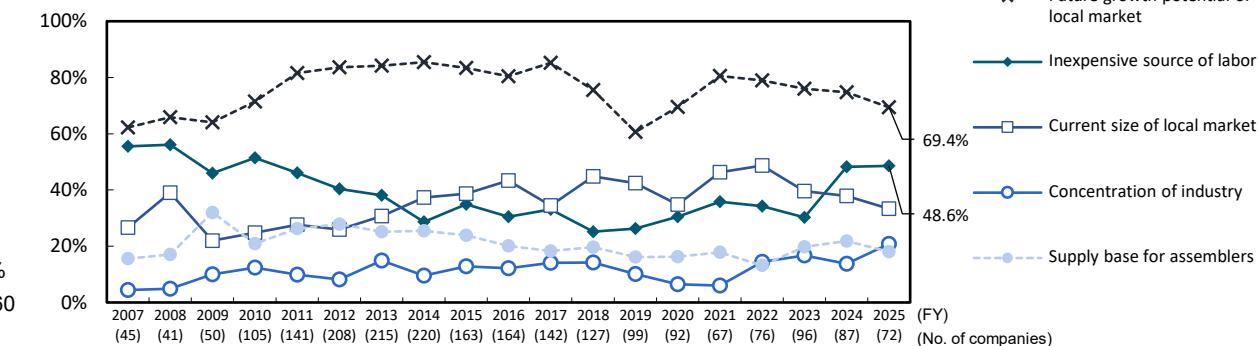
### Vote share and Outward FDI of Japan



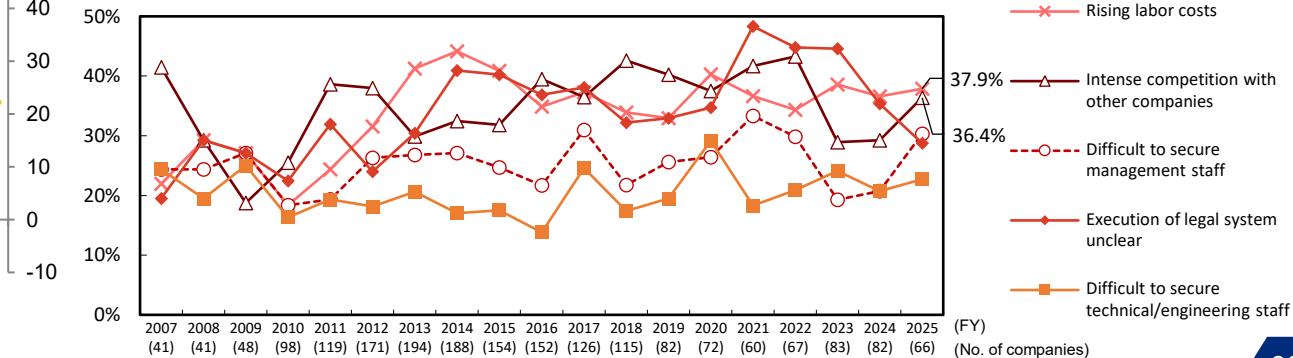
### While the vote share decreased, the Business Planning Rate increased significantly

- Regarding reasons for promise, "Future growth potential of local market" showed a gradual decline but continued to receive many votes. Furthermore, the proportion of companies selecting "Inexpensive source of labor" has remained high since last year. Companies choosing this option stated, "Labor costs are rising, but the base cost is still quite low, making it attractive" (Electrical Equipment & Electronics). In addition to growth potential of local market, its appeal as a relatively low-cost production base compared to other countries remains strong.
- On the other hand, regarding issues, "Rising labor costs" was cited most frequently, followed by "intense competition with other companies." Comments included "Competition with companies from China and other countries is intensifying" (Automobiles). While "unclear execution of laws and regulations" showed a declining trend, interviews revealed comments such as "No particular improvements have been seen in the legal system" (Chemicals), indicating it remains a persistent issue.

### Promising Reasons



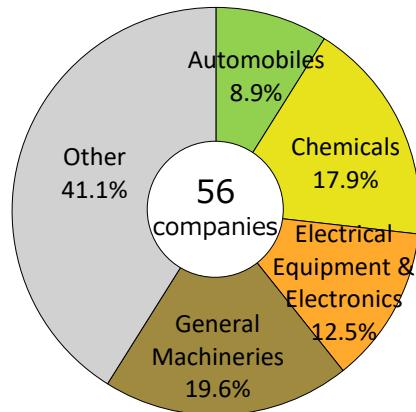
### Issues



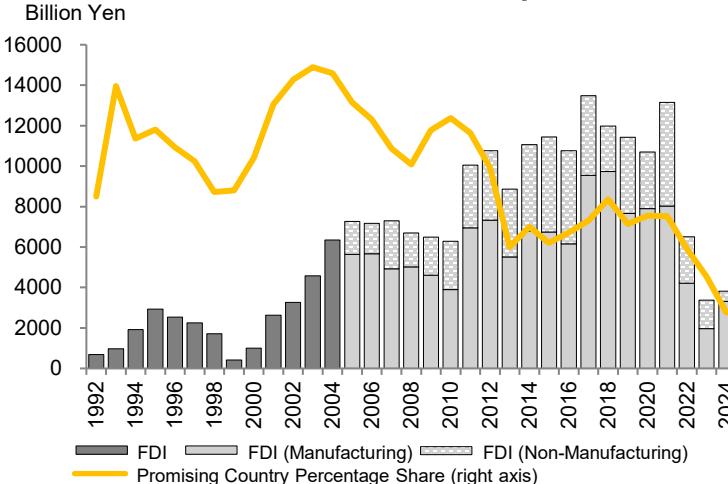
## No.5 China (↑)

Vote share: 16.6% (- 0.8 points from last year)  
 Record High: 93.1% (2003) Record Low: 16.6% (2025)  
 Business Planning Rate: 39.3% (- 1.7 points from last year)

### Breakdown by Industries



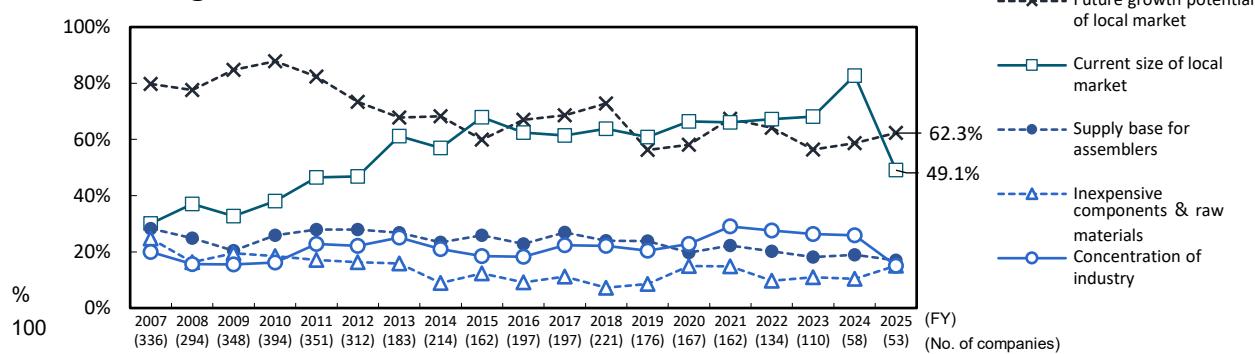
### Vote share and Outward FDI of Japan



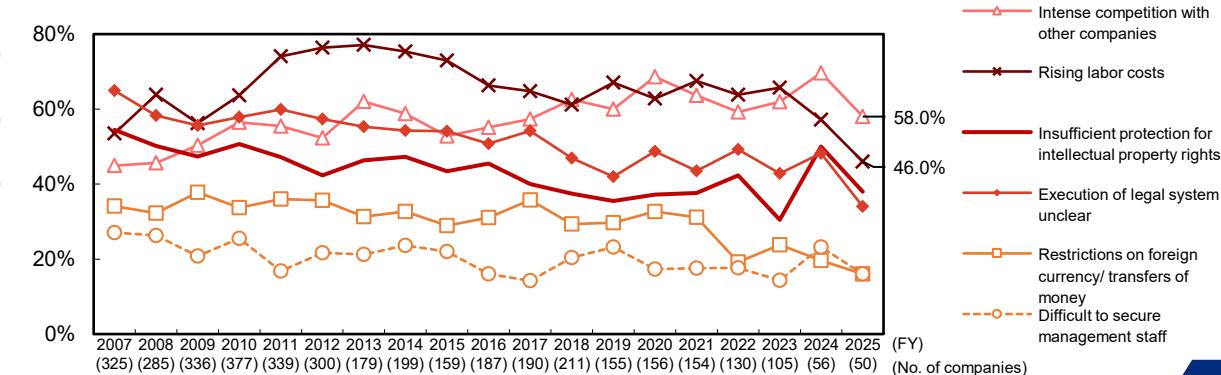
### Rank improved from last survey, but vote share and Business Planning Rate continue to decline

- The vote share fell for the fifth consecutive year, reaching a record low. As in the previous year, the decrease was particularly pronounced in the automobile sector, with comments such as "Japanese companies are withdrawing due to the rise of local firms driven by electrification" (Automobiles).
- Regarding reasons for optimism, expectations for future growth of the local market remain high. Companies commented, "Mining development is expanding, creating demand for related machinery, so we believe the market could grow for certain businesses" (General Machineries). Identifying sectors with growth potential for Japanese companies going forward is considered crucial.
- Regarding issues, "Intense competition with other companies" ranked first. Even amid persistent tough competition domestically, some Japanese companies are seeking opportunities in specific industries and markets, suggesting a non-homogeneous business environment.

### Promising Reasons



### Issues



## No.6 Thailand

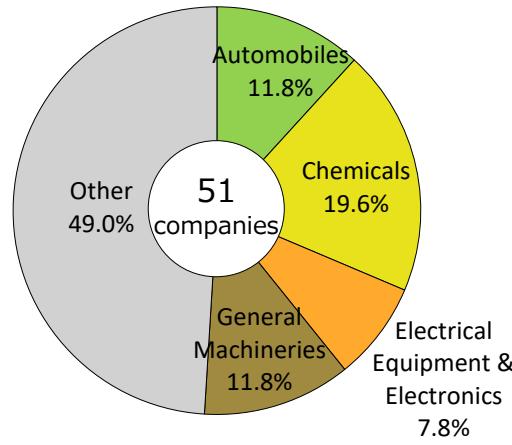
Vote share: 15.1% (- 3.7 points from last year)

Record High: 38.5% (2013)

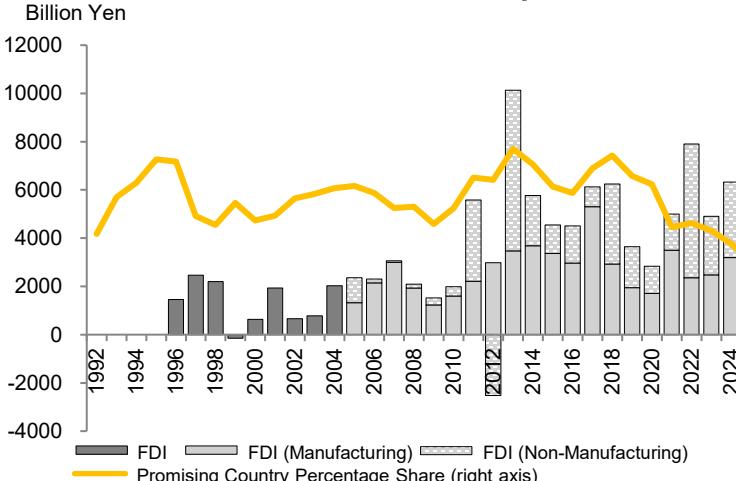
Record Low: 15.1% (2025)

Business Planning Rate: 41.2% (+ 0.3 points from last year)

### Breakdown by Industries



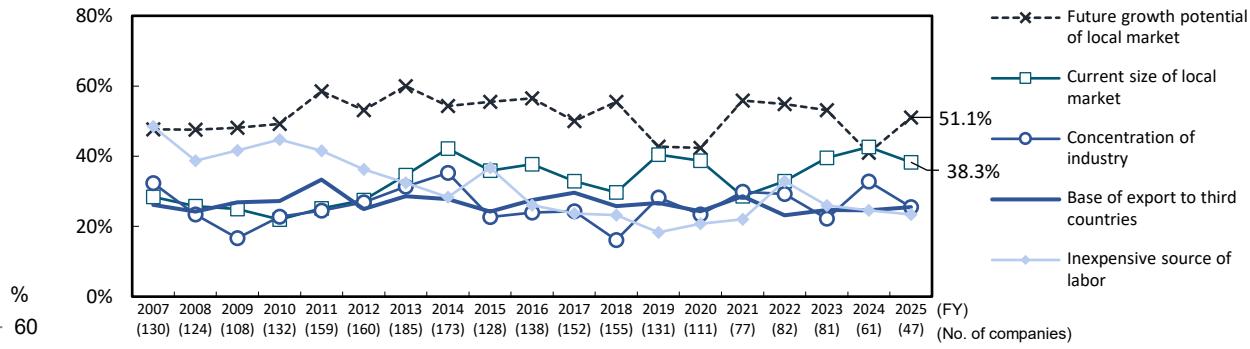
### Vote share and Outward FDI of Japan



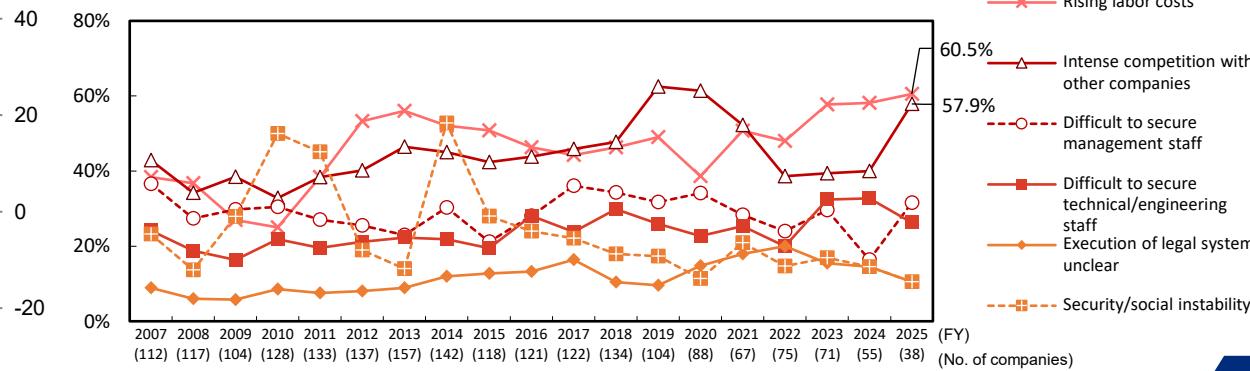
■ Vote share decreased compared to the previous survey. Particularly in the automobile sector, the vote share declined.

- Vote share fell 3.7 percentage points year-on-year, hitting a new low. Comments included: "Sales decreased due to poor performance of local OEMs" and "We're struggling against Chinese companies and can no longer be considered promising" (both from Automobiles). This highlights the increasingly fierce competition, particularly in the automobile sector, against Chinese rivals.
- The most common promising reason was "Future growth potential of the local market." Comments included "The food industry is developing, demand for packaging products is high, and we plan to make it a core base second only to Japan" (Chemicals). Expectations for the future remain high in certain industries.
- Regarding issues, "Intense competition with other companies" saw a significant increase. This is primarily attributed to heightened competition with China-based firms. "Rising labor costs" also remained at a high level, and securing human resources/staff continues to be a persistent issue.

### Promising Reasons



### Issues



## No.7 Malaysia (↑)

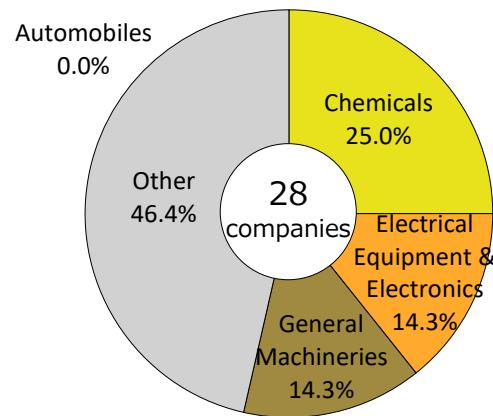
Vote share: 8.3% (+ 0.9 points from last year)

Record High: 23.9% (1994)

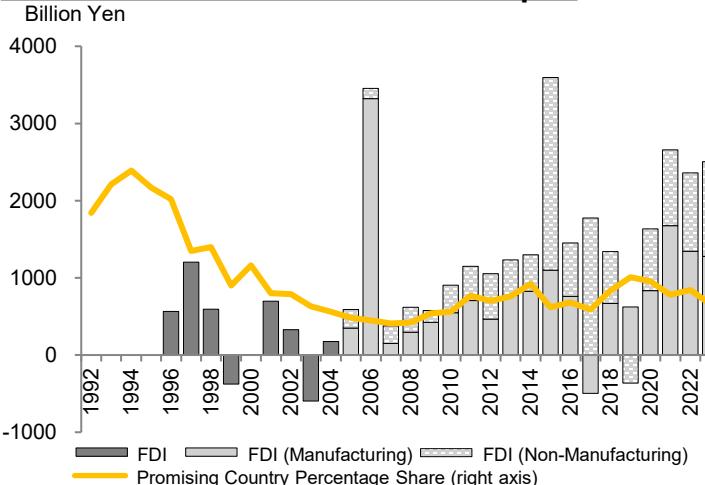
Record Low: 4.1% (2007)

Business Planning Rate: 39.3% (- 3.0 points from last year)

### Breakdown by Industries



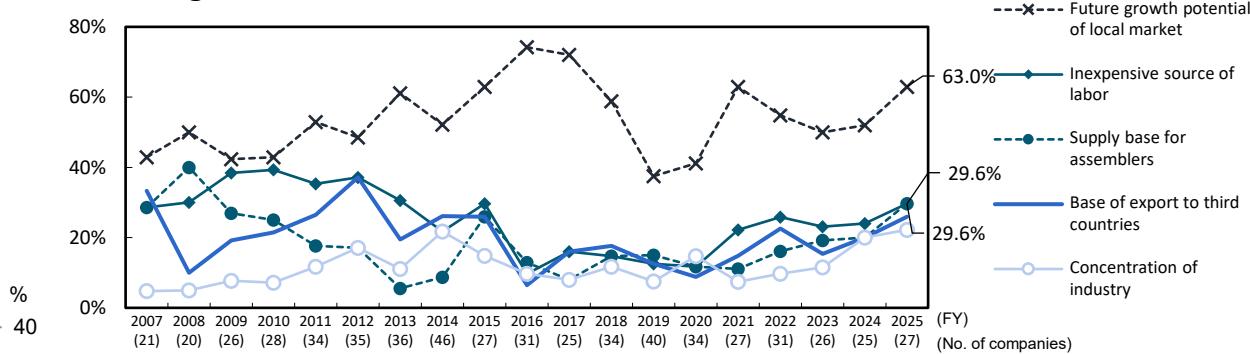
### Vote share and Outward FDI of Japan



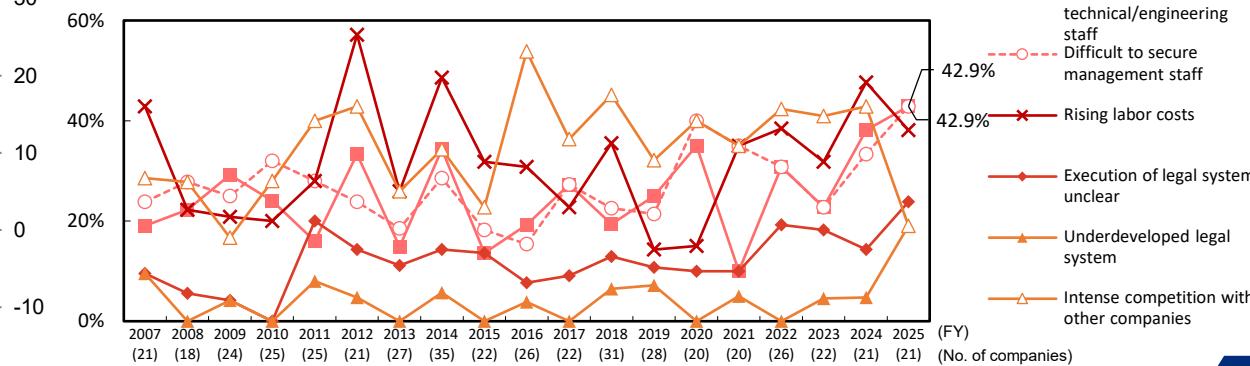
### ■ Vote share increased slightly, while ranking rose. Business Planning Rate declined somewhat

- The vote share increased slightly by 0.9 points compared to last year, while the ranking rose to 7th place. The proportion of Chemicals companies among those responding positively increased from 15.4% last year to 25.0% this year. This is likely due to the government's focus on attracting the semiconductors industry, with semiconductor-related Chemicals and Electrical Equipment & Electronics companies identifying Malaysia as a promising country.
- Regarding reasons for promising prospects, 'Future growth potential of local market' continues to receive high evaluation. In interviews, comments such as "While it's unclear if it will surpass other ASEAN countries, the local market is definitely expanding" (General Machineries) were made.
- Regarding issues, as foreign companies announce successive investment plans in the field of semiconductors, a shortage of engineers has been pointed out, and securing technical human resources/staff has become a major issues.

### Promising Reasons



### Issues



## No.8 Philippines (↑)

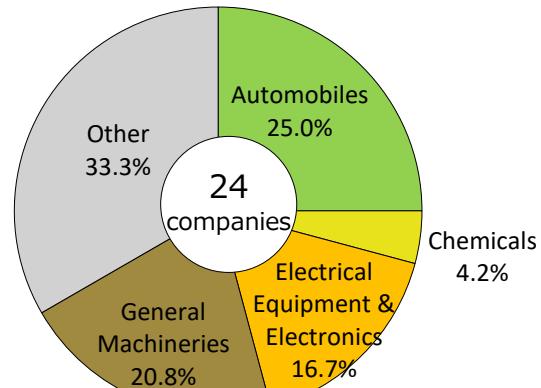
Vote share: 7.1% (+ 0.0 points from last year)

Record High: 15.4% (1995)

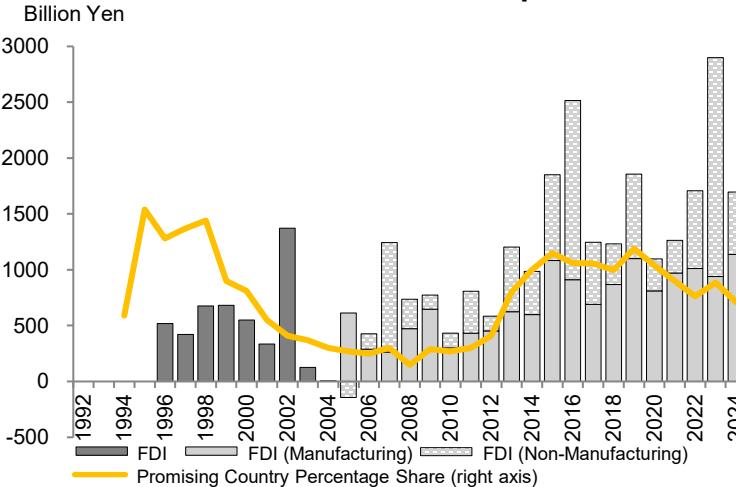
Record Low: 1.5% (2008)

Business Planning Rate: 29.1% (- 10.9 points from last year)

### Breakdown by Industries



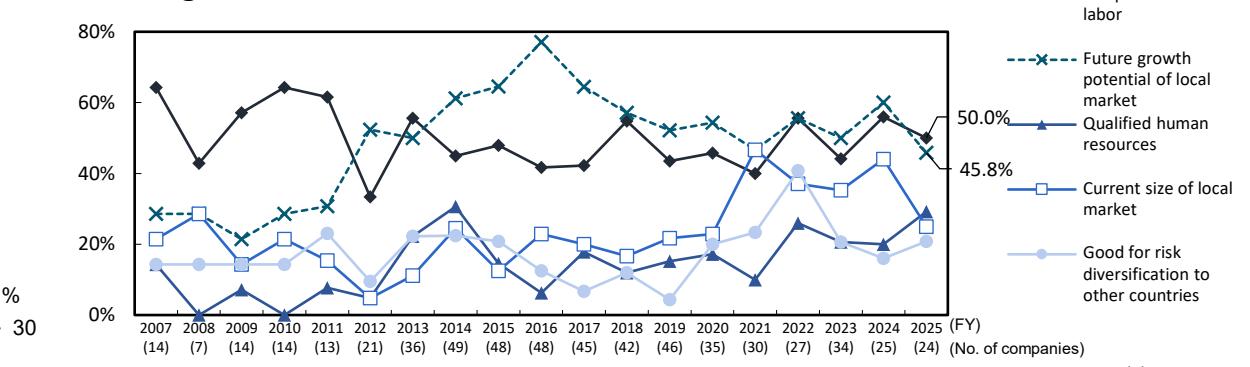
### Vote share and Outward FDI of Japan



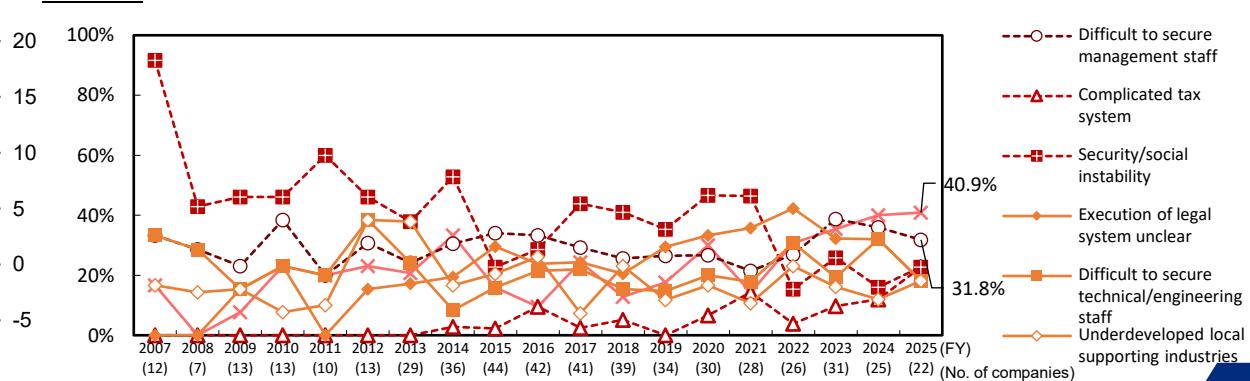
### Vote share remained flat, but Business Planning Rate dropped significantly

- The vote share remained at 7.1%, the same level as last year. While the number of votes slightly increased compared to last year in the Automobiles, Chemicals, and General Machineries, the Business Planning Rate dropped by 10.9 points from 40.0% last year to 29.1%.
- Regarding promising reasons, "Inexpensive source of labor" and "Future growth potential of local market" continue to receive high evaluations. Regarding the market, comments included: "While labor costs are indeed rising, we will maintain our base because economic growth continues" and "The market is performing better than last year with less competition" (both from Automobiles). Combined with the fact that, compared to other ASEAN countries, fewer Chinese companies have entered the market and competition has not intensified, indicating expectations for the market.
- On the other hand, issues cited most frequently were "Rising labor costs," followed by "Difficult to secure management staff," indicating numerous human resources/staff-related issues. Persistent concerns about security and social conditions also remain significant issues.

### Promising Reasons



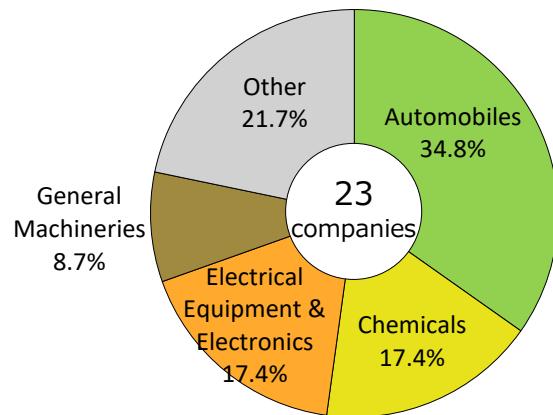
### Issues



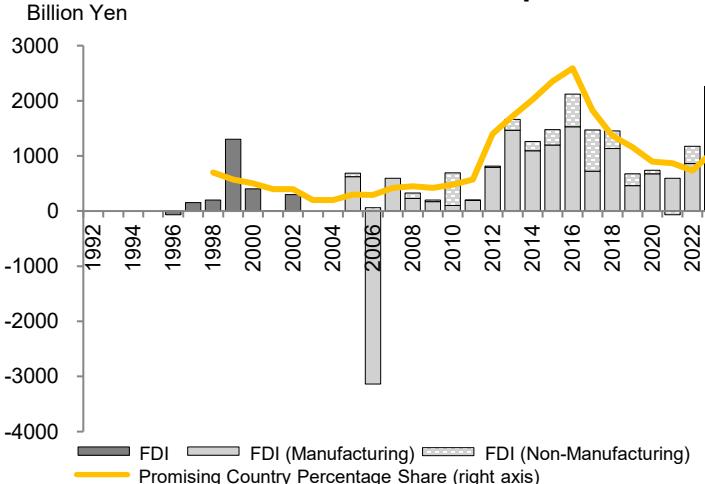
## No.9 Mexico (↓)

Vote share: 6.8% (- 3.7 points from last year)  
 Record High: 25.9% (2016) Record Low: 2.0% (2003)  
 Business Planning Rate: 47.8% (+ 4.6% points from last year)

### Breakdown by Industries



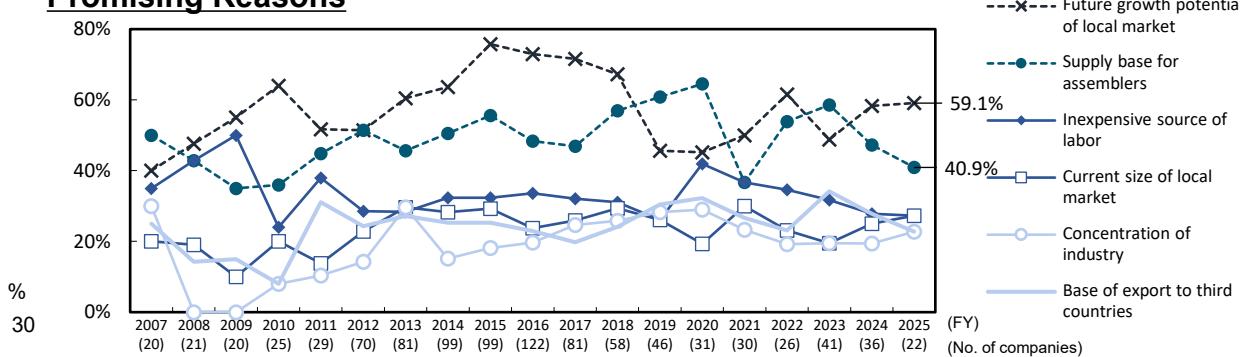
### Vote share and Outward FDI of Japan



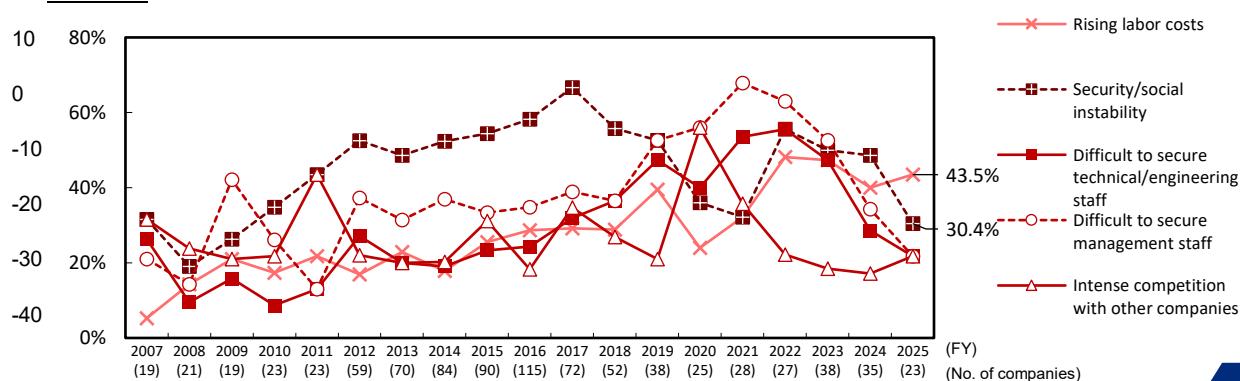
### Vote share declined, primarily in the automobile sector, against a backdrop of concerns over U.S.-Mexico trade relations

- Responding companies in the automobile sector decreased significantly from 18 last year to 8. In interviews, comments such as "Following our customers' relocation of automobile production bases to the U.S." (Automobiles) were made, with remarks concerning the shift of production bases to the U.S. being prominent.
- Regarding promising reasons, "Future growth potential of the local market" continued to be highly valued. Comments included, "Demand for medical equipment is rising in Mexico, so we are establishing a new sales base" (Precision Machinery). Responses citing Mexico as a "supply base for assemblers," particularly in the automobile sector, decreased, likely influenced by the U.S. policies on tariffs.
- Regarding issues, "Rising labor costs" ranked highest, driven by factors like continued minimum wage increases. However, comments like "labor costs are increasing, but they remain cheaper than in the U.S., so we are construct a factory" (Electrical Equipment & Electronics) also indicated appreciation for an inexpensive source of labor.

### Promising Reasons



### Issues



## No.10 Brazil (↑)

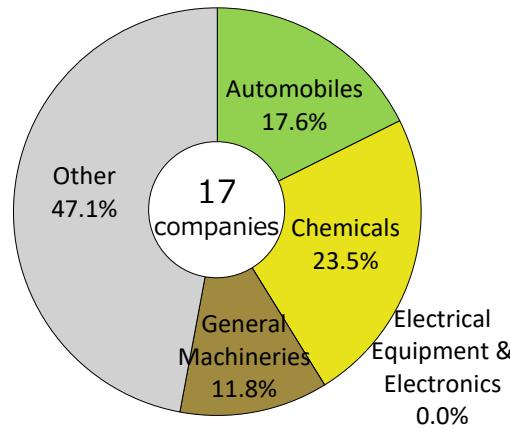
Vote share: 5.0% (+ 0.2 points from last year)

Record High: 28.6% (2011)

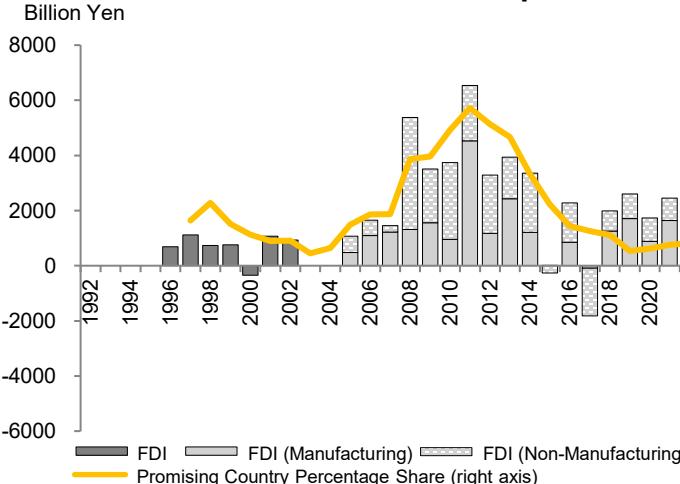
Record Low: 2.2% (2003)

Business Planning Rate: 52.9% (+ 17.7 points from last year)

### Breakdown by Industries



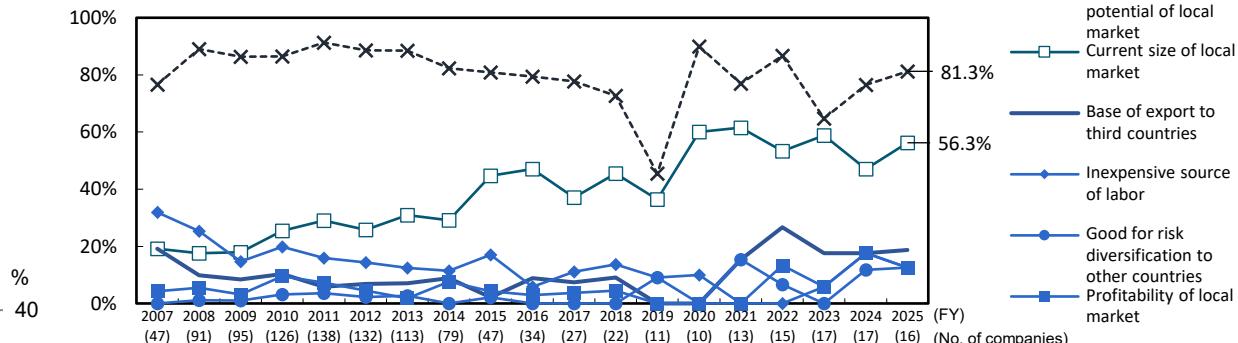
### Vote share and Outward FDI of Japan



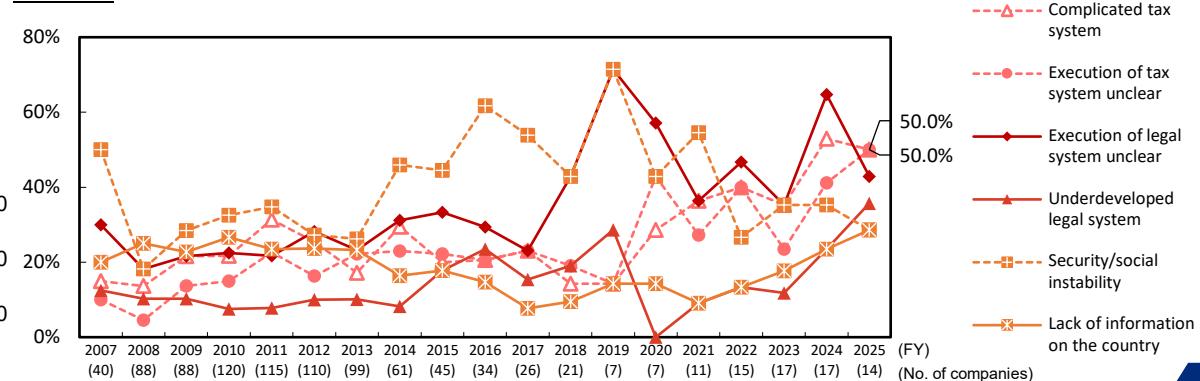
### Entered the top 10 for the first time in nine years. Business Planning Rate also rose significantly

- Its vote share increased by 0.2 points from last year, securing 10th place. It drew attention primarily in Automobiles and Chemicals, with the Business Planning Rate rising significantly by +17.7 points compared to last year. Comments such as "Mainly due to strong demand for motorcycles, equipment capacity is tight" (Automobiles) and "Agriculture is growing, leading to high demand for pesticides, etc." (Chemicals) were made, indicating that investment plans are increasing due to rising actual demand.
- Regarding reasons for optimism, "We expect robust demand for the next 3-4 years" (Automobile) and "Future growth potential of local market" were cited, reflecting high expectations for the country with South America's largest population and economy.
- Regarding issues, many cited "Complicated tax system," "Execution of tax system unclear," and "Execution of legal system unclear," indicating that uncertainty surrounding institutional frameworks and execution remains a concern.

### Promising Reasons



### Issues

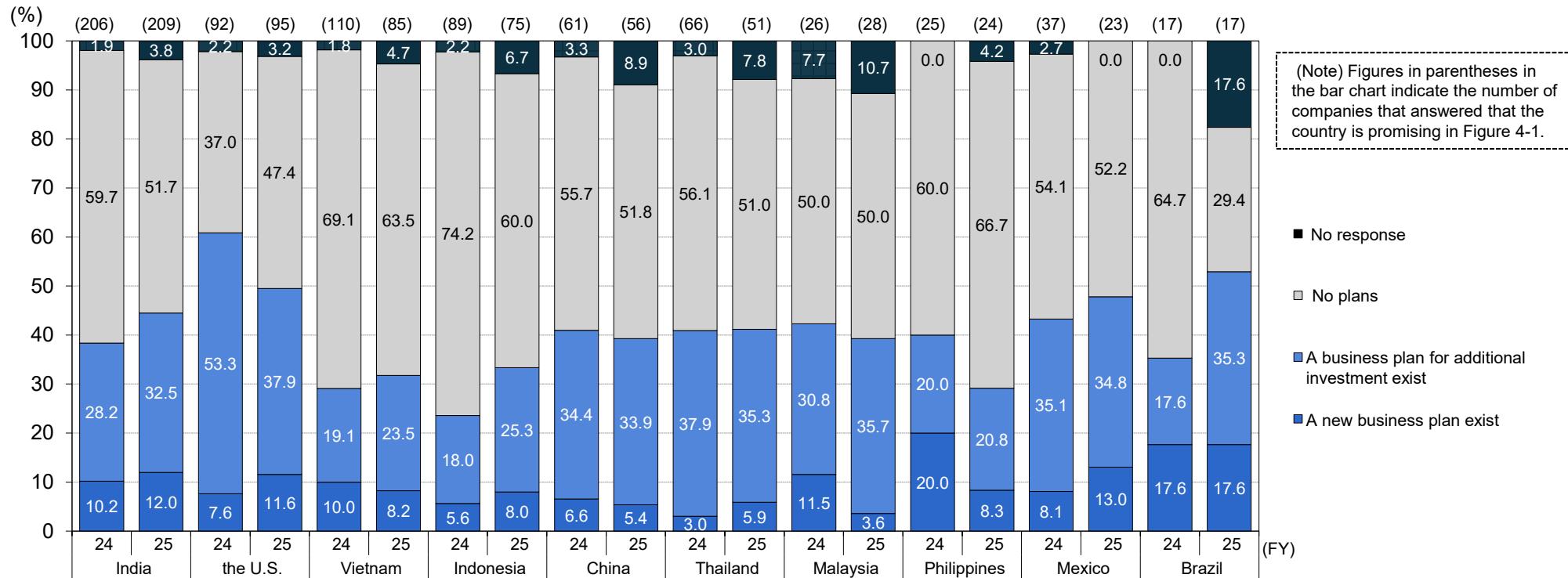


### (3) Promising Countries: Mid-term Promising Countries/Regions: - Presence of Business Plans

Q.

Regarding "Countries with promising business opportunities in the medium term (approximately the next 3 years)," please select the options that apply to your company's business plans in each country.

Figure 4-6: Existence of Business Plans in Promising Countries/Regions



#### ■ India, Indonesia, and Brazil show rising plan rates. The U.S. and Philippines see significant declines in plan rates

- The rate of companies with plans in the U.S. declined compared to last year, falling below 50%. Companies that cited the U.S. as a promising country but reported no investment plans stated, "Market growth potential is attractive, but uncertainty exists due to labor costs and tariff policies, so we are still waiting to see" (Electrical Equipment & Electronics). This indicates that while there is market expectation, companies are currently closely monitoring tariff policies and other factors. The Philippines also saw a significant drop in its Business Planning Rate, partly due to the completion of new investments that increased last year. In interviews, comments included: "The economy is growing, but with rising labor costs, our policy is to maintain the status quo" (Automobiles).
- India increased its Business Planning Rate, exceeding 40%. In interviews, comments like "The government is advancing infrastructure development as a national policy, and we are moving forward with projects in fields like electricity facilities" (Electrical Equipment & Electronics) were made, suggesting that policy-driven demand is supporting investment. Brazil saw an increase of over 17 points from the previous survey, with more than half of companies identifying Brazil as a promising investment destination having concrete investment plans. Respondents mentioned, "The automobile sector is performing well, and we decided on additional investment due to insufficient production capacity" (Automobiles).

Q.

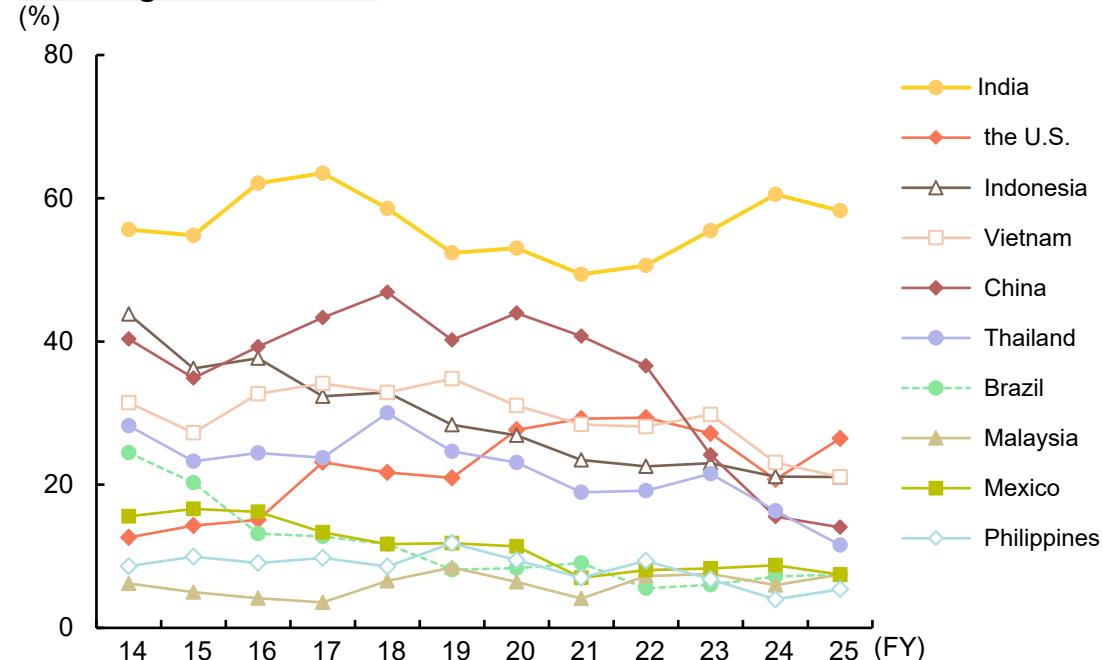
Regardless of current presence, please list up countries for business development in the long term (the next decade). (Multiple answers allowed, free-form entry)

**Figure 4-7: Promising Countries/Regions in the Long-Term**

**① Results for FY 2025**

Ranking 2025 ← 2024	Country/Region	No. of Responding Companies		Vote Share (%)	
		2025 (Total 242)	2024 (Total 251)	2025	2024
		1	2	3	4
1	India	141	152	58.3	60.6
2	U.S.	64	52	26.4	20.7
3	Vietnam	51	58	21.1	23.1
3	Indonesia	51	53	21.1	21.1
5	China	34	39	14.0	15.5
6	Thailand	28	41	11.6	16.3
7	Mexico	18	22	7.4	8.8
7	Brazil	18	18	7.4	7.2
7	Malaysia	18	15	7.4	6.0
10	Philippines	13	10	5.4	4.0

**② Change in Vote Ratio (%)**

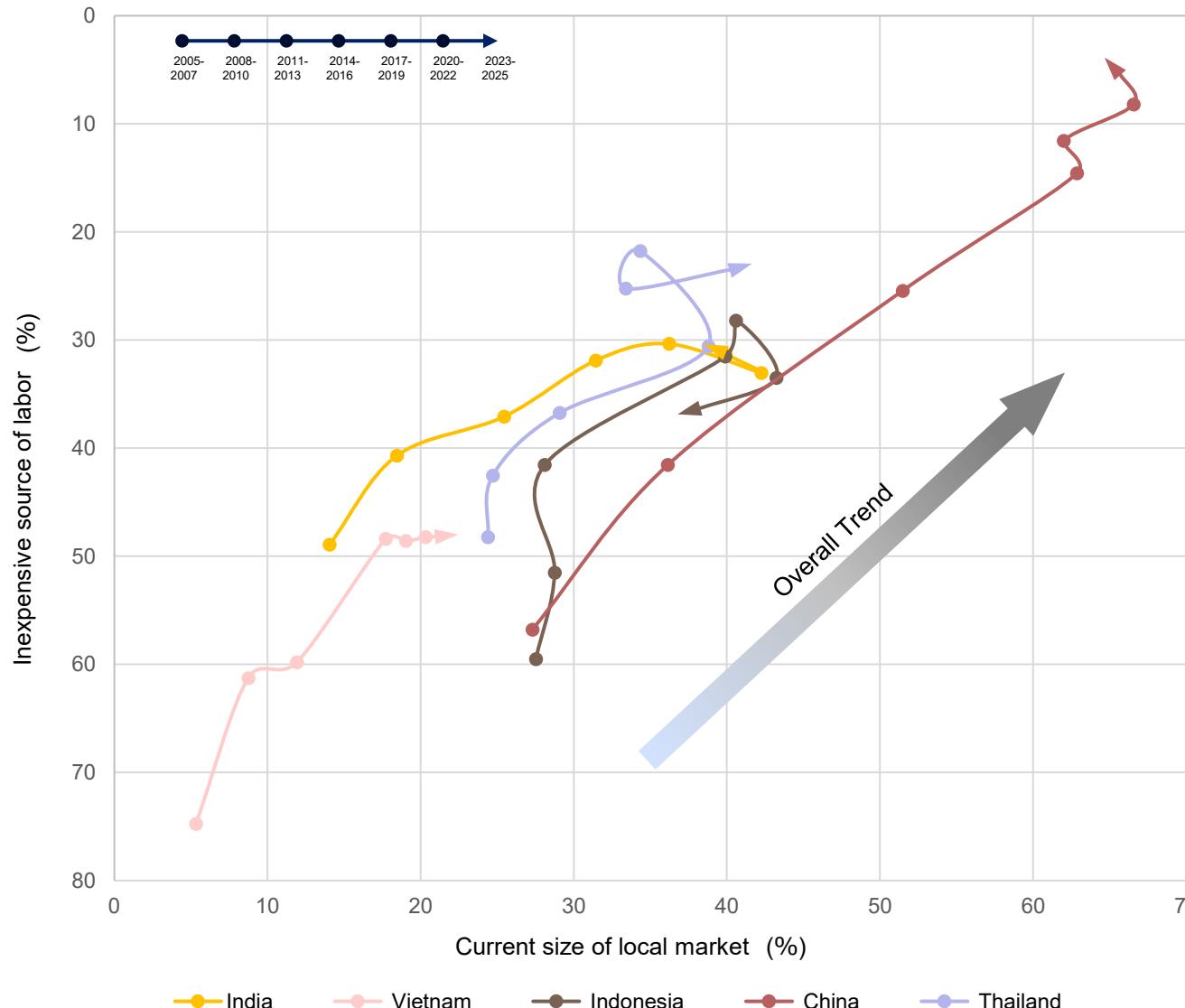


**■ India remains top among countries with promising business opportunities over the long term. While Vietnam's vote share is declining, the U.S. has surpassed it.**

- India remains the top choice for countries with promising business opportunities over the long term. Comments such as "Although an industrial base is gradually forming, there is still significant room for growth, making it promising in the long term" (Electrical Equipment & Electronics) indicate continued expectations for increased demand driven by market expansion and industrialization.
- The U.S. increased its vote share from the previous survey, rising from fourth to second place. Companies selecting it stated, "Regardless of the Trump administration's tariffs, market growth is expected to continue, making it promising long-term. We believe the fundamental industrial structure will remain unchanged even after the Trump administration" (General Machineries).
- Vietnam saw its vote share decline for the second consecutive year, continuing a gradual decrease since 2019. Companies that no longer listed Vietnam as a long-term prospect stated, "Current market conditions aren't bad, but they don't represent the dramatic growth seen previously" (Automobile).
- China saw its vote share decline further, ranking fifth. Companies that listed China as a promising mid-term destination but not as a country with promising business opportunities over the long term stated, "While some sectors are booming, there is a risk of overproduction, making sustained growth unlikely" (General Machineries).

**Figure 4-8: Promising Countries - Reasons Trend (2005–2025)**

### Inexpensive source of labor vs. Current size of local market

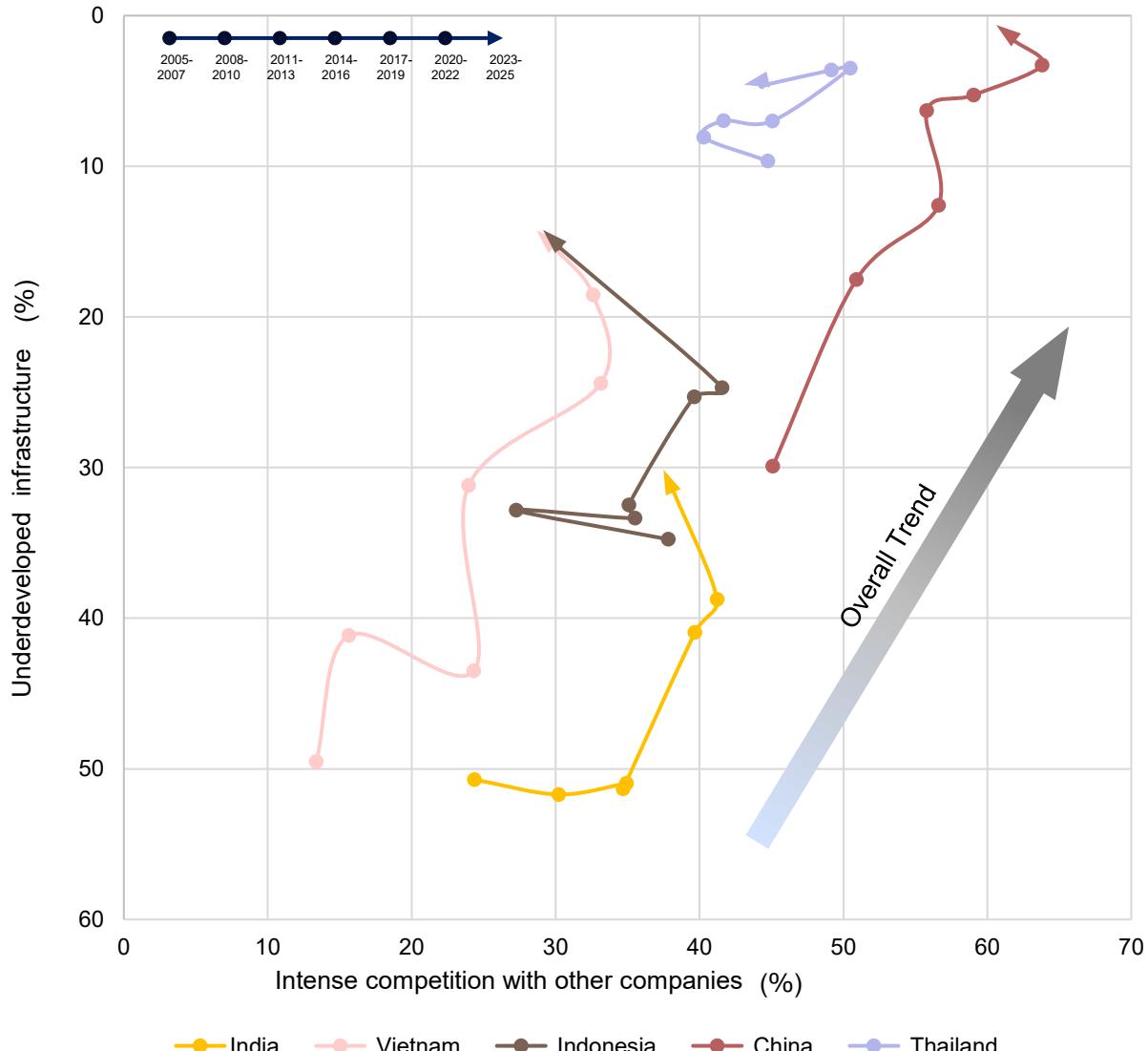


- The reasons for the potential of major promising countries (Note 1) shifted from "Inexpensive source of labor" to "Current size of local market" between 2005 and 2025.
- China's dynamic change is particularly striking. Despite intensifying domestic competition, wage levels have risen against a backdrop of economic growth, yet many companies remain attracted by the expanding market.
- In Indonesia, Thailand, India, and Vietnam, the proportion of companies citing "Inexpensive source of labor" as an attraction had been in a decreasing trend until around 2018, but recently shows an upward trend or has stabilized. This is thought to be due to Japanese companies re-focusing on ASEAN countries and India, where wage levels are relatively attractive compared to inflation in Europe, the U.S., and Japan.

(Note 1) Major promising countries refer to the top six countries in the 2025 promising country ranking: India, the U.S., Vietnam, Indonesia, China, and Thailand. (The U.S. is excluded as it is a developed country.)  
 (Note 2) This graph plots the average data every three years from 2005 to 2025.

**Figure 4-9: Promising Countries - Trend of Issues (2005–2025)**

**Underdeveloped infrastructure VS Intense competition with other companies**



- Corporate perceptions of issues in major promising countries (Note 1) shifted over the 20-year period from 2005 to 2025, evolving from "underdeveloped local infrastructure" to "intense competition with other companies in the local market." While undeveloped infrastructure creates high entry barriers, as infrastructure improves, competition with companies from other countries intensifies.
- By country, China and Vietnam saw dramatic infrastructure improvements over 20 years. However, the rise of China companies intensified competition, creating a particularly challenging market environment for Japanese firms dealing in commodity goods. Thailand stands out within ASEAN as a regional hub where infrastructure development progressed early. India experienced a prolonged period of slow infrastructure improvement compared to China and ASEAN nations, though rapid progress has been evident in recent years.
- However, since around 2020, the percentage of respondents citing "intense competition with other companies in the local market" has been in a decreasing trend. This is likely because companies are increasingly identifying new business opportunities. These include deepening understanding of local markets through surveys, expanding sales channels to new companies amid supply chain restructuring aimed at local production for local consumption, and advancing product localization and high value-added strategies. Consequently, the number of companies citing intense competition as an issue has decreased.

(Note 1) Major promising countries refer to the top six countries in the 2025 promising country ranking: India, the U.S., Vietnam, Indonesia, China, and Thailand. (The U.S. is excluded as it is a developed country.)

(Note 2) This graph plots the average data every three years from 2005 to 2025.

## I. Analysis of the Manufacturing Industries

### 5 Impact of U.S. Policies

Q.

With regard to the policies currently being promoted by the Trump administration, how much impact do they have on your business operations?

Figure 5-1: Impact of Trump Administration Policies

Overall

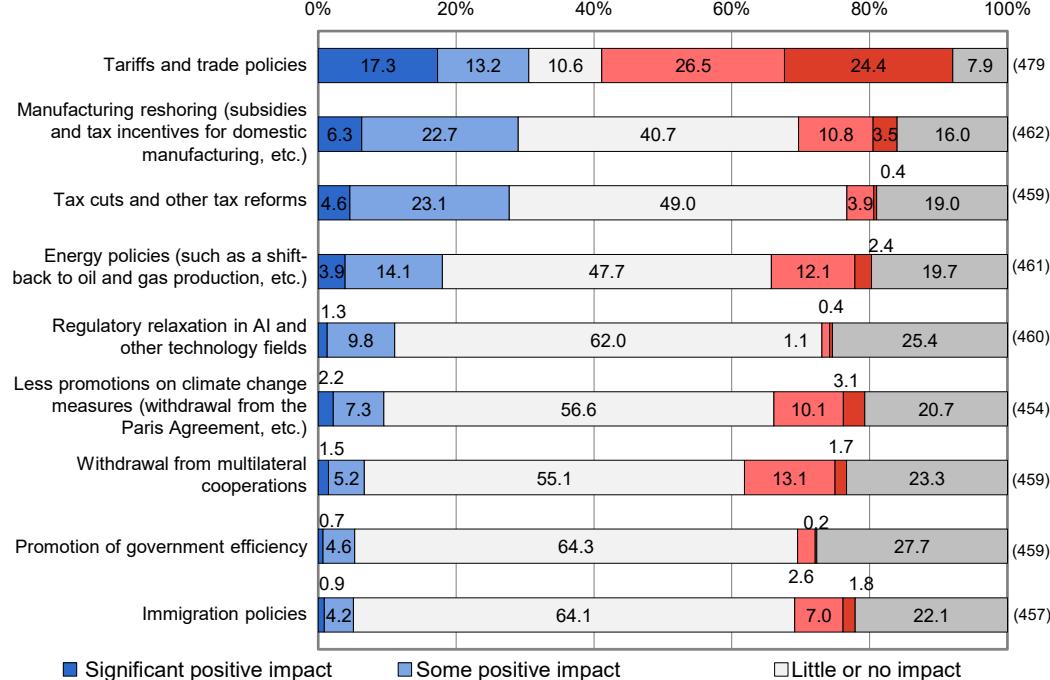
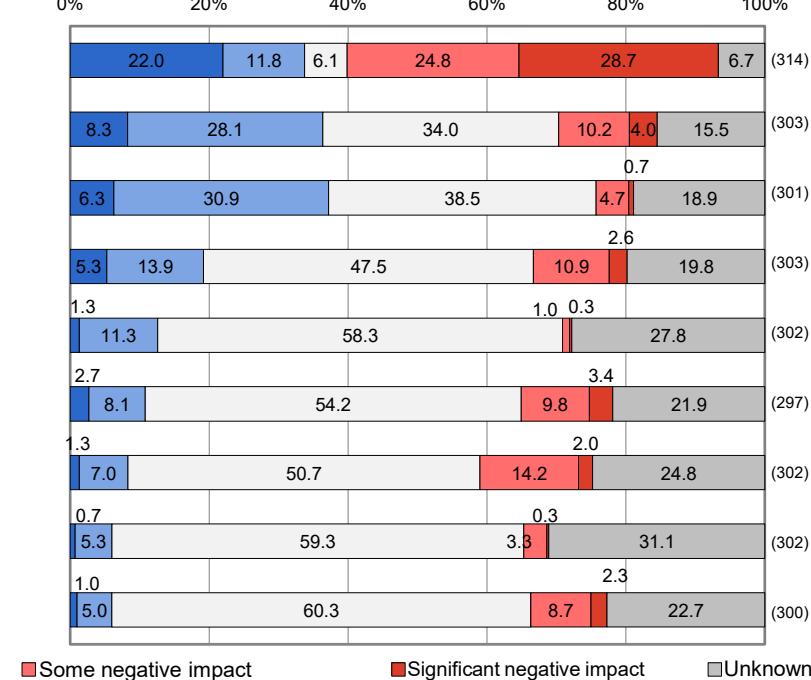


Figure 5-2: Impact of Trump Administration Policies  
(Companies with bases in the U.S.)



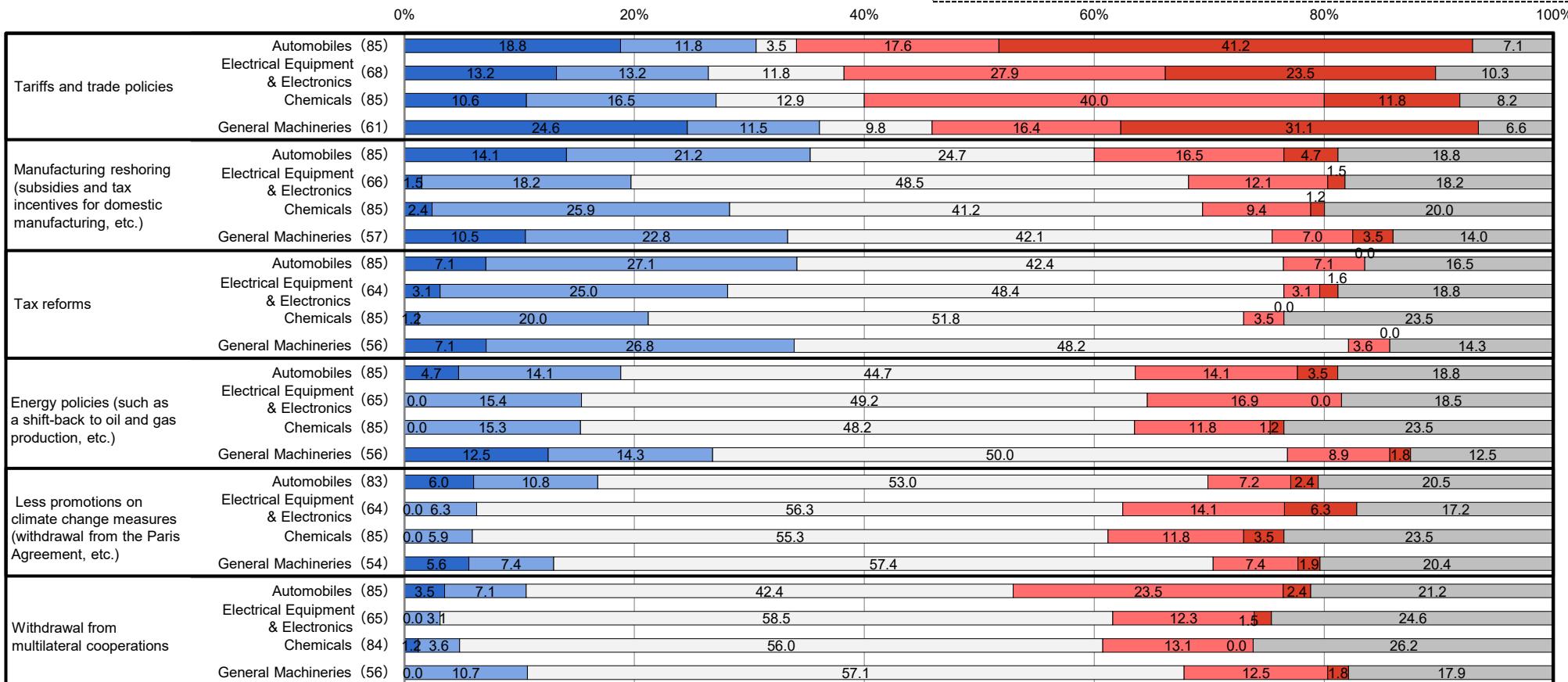
■ Tariffs have the most significant impact in both positive and negative aspects. Manufacturing reshoring and tax reforms have a large positive impact.

- Tariffs have the most significant impact in both positive and negative aspects, with positive effects at 30.5% and negative effects at 50.9%. On the positive side, some respondents noted, "We source and produce locally in the U.S., so we are relatively advantaged compared to other companies heavily impacted by tariffs." Conversely, even companies with U.S. bases often procure raw materials and parts from outside the U.S., leading a majority to point out negative impacts.
- Policies with significant positive impacts include manufacturing reshoring and tax reforms. These policies particularly benefited companies with U.S. bases. Energy policy, however, showed balanced positive and negative impacts, with comments like "Positive because machinery for oil and gas extraction sells well" (General Machineries) and "Concerned that sales of environmentally friendly products will decline" (Electrical Equipment & Electronics).
- Other policies with significant negative impacts include withdrawal from multilateral cooperation (14.8%). Regarding immigration policy, negative comments included: "This will also negatively impact foreign researchers we hire. It may accelerate the human resources/staff shortage" (Chemicals).

Figure 5-3: Impact of Trump Administration Policies

By Industry

(Note) Policies identified as having some impact on 20% or more of companies.

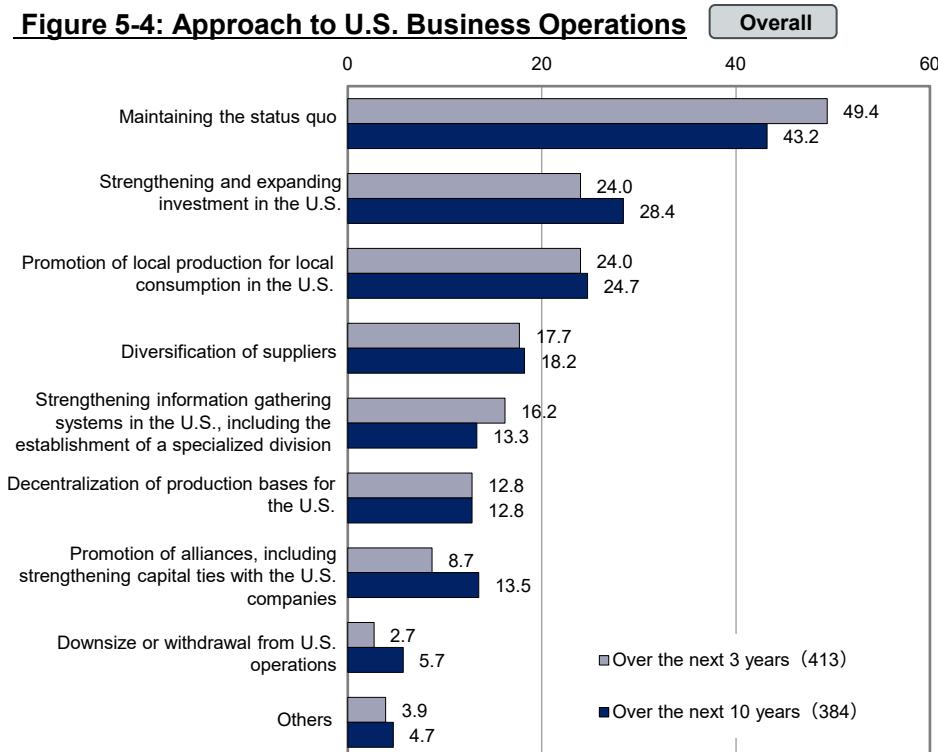


■ Significant positive impact      □ Some positive impact      □ Little or no impact      ■ Some negative impact      ■ Significant negative impact      □ Unknown

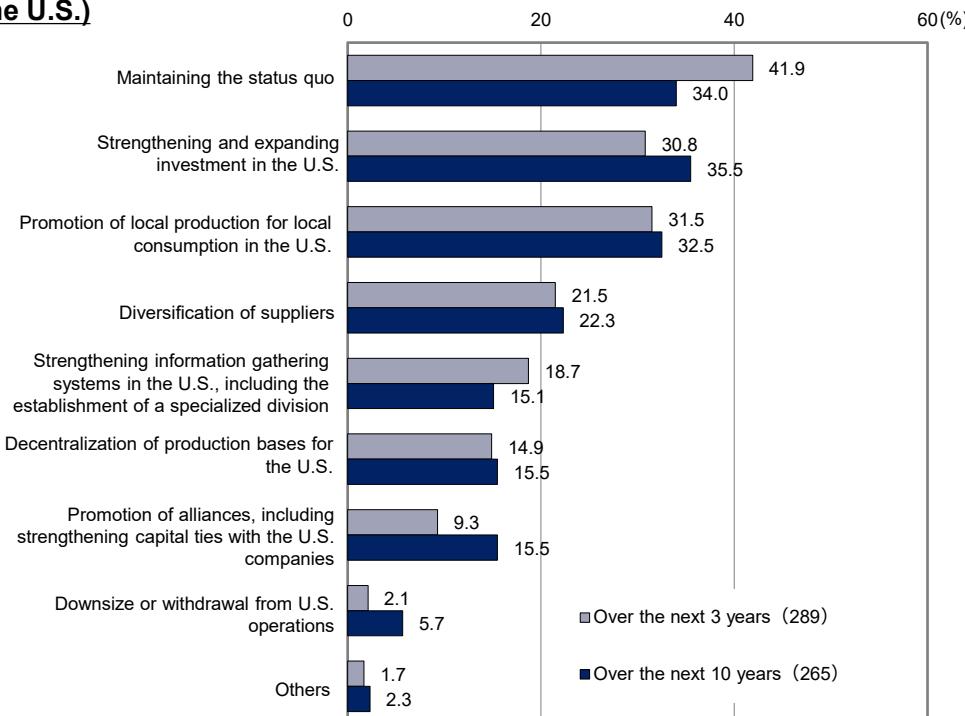
- By industry, the highest proportion of companies reporting "significant negative impact" from tariffs were in Automobiles (41.2%) and General Machineries (31.1%). On the other hand, a significant number of companies in General Machineries also reported "significant positive impact" (24.6%). During interviews, one General Machineries company stated, "We view this as positive because if companies increase production within the U.S., they will need factory equipment and machinery, which will increase demand for our products."
- For General Machineries, in addition to the demand increase due to tariffs, tax reforms were particularly beneficial for this capital-intensive industry. Furthermore, energy policy is expected to boost demand for machinery used in oil and gas extraction. These positive impacts are disproportional for General Machineries compared to other industries.
- Regarding withdrawal from multilateral cooperation, the proportion of companies reporting negative impacts was 25.9% in Automobiles, higher than in other industries. During interviews, one automobile company stated, "There was a division of labor where labor-intensive processes were done in Mexico and exported to the U.S., but the future of the USMCA is now unclear."

**Q.** Amid global business instability caused by changes in U.S. policies, how will you approach your U.S. operations in the medium term (approximately the next 3 years) and long term (approximately the next 10 years)?

**Figure 5-4: Approach to U.S. Business Operations**



**Figure 5-5: Approach to the U.S. Business Operations (Companies with Bases in the U.S.)**

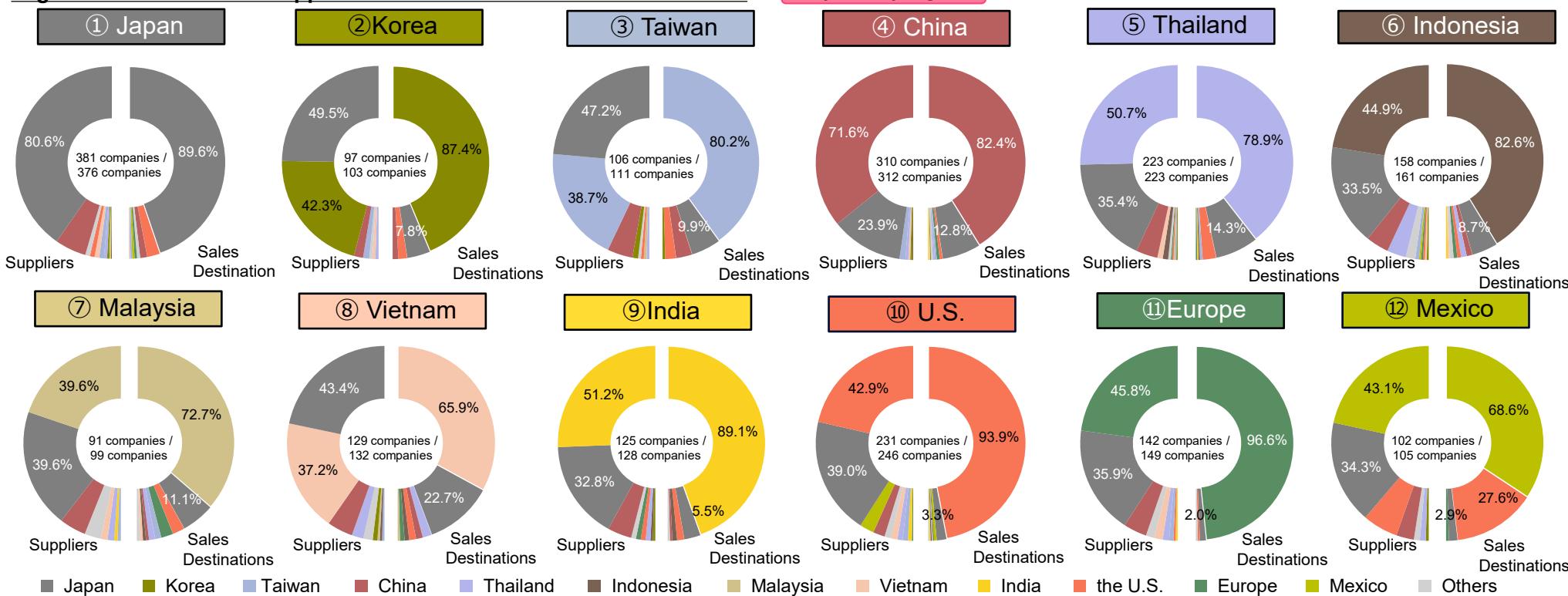


■ While maintaining the status quo was the most common response, other approaches included strengthening and expanding investment in the U.S., promotion of local production for local consumption in the U.S., and diversification of suppliers.

- Regarding approaches to U.S. operations, excluding maintaining the status quo, strengthening and expanding investment in the U.S. was the most common response for both the medium and long term. Comments included: "We plan to strengthen/expand due to increased demand for AI and data center-related products" (Electrical Equipment & Electronics). Next was the promotion of local production for local consumption in the U.S. and diversification of suppliers. Comments included: "We are promoting local production for local consumption within the U.S. to mitigate the impact of tariffs" (Transportation Equipment) and "Considering the potential deterioration of U.S.-China relations, it is necessary to develop suppliers and manufacturing bases in Asia outside of China" (General Machineries).
- Comparing medium-term and long-term plans, strengthening and expanding investment in the U.S. (+4.4 points) and promotion of alliances (+4.8 points) were particularly favored by companies planning to focus on these areas in the long term rather than the medium term. During interviews, comments included: "We find the U.S. market attractive and wish to strengthen/expand investment with a long-term perspective, regardless of the current administration's policies" (Electrical Equipment & Electronics). Companies already operating in the U.S. showed particularly strong intent to strengthen/expand their U.S. operations over the medium to long term. Furthermore, some respondents stated, "We currently have no U.S. base but are considering entering the U.S. market. Amid shortages of human resources/staff, promoting alliances such as M&A is a viable option." This indicates that some companies are exploring U.S. investment even within the context of shortages of human resources/staff.

Q. For each manufacturing base (Japan, Korea, Taiwan, China, Thailand, Indonesia, Malaysia, Vietnam, India, the U.S., Europe, Mexico, Others), what are the main countries/regions of origin for raw materials, parts, manufacturing equipment, etc.? Also, what are the main countries/regions where products are sold?

Figure 5-6: Countries of Suppliers and Sales Destinations at Each Base

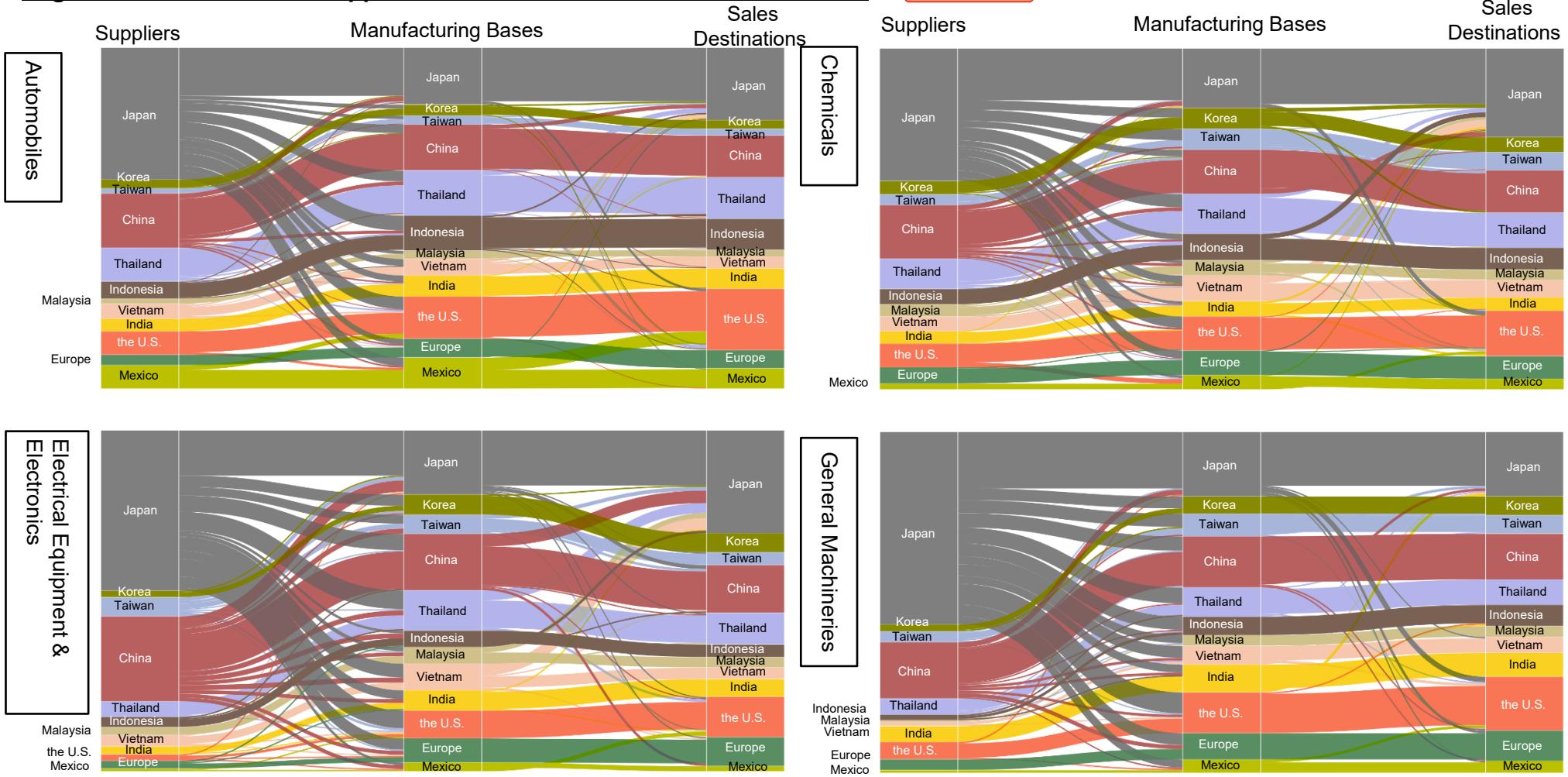


■ Regarding suppliers, local sourcing is the primary method (40% to nearly 70%), while procurement from Japan accounts for approximately 20% to 50%. For sales destinations, local markets are the primary focus in the U.S., Europe, and India. In other Asian countries, sales target both local markets and Japan. In Mexico, sales to the U.S. are particularly prominent.

- Procurement sources at each country's base primarily rely on local suppliers, with approximately 20-50% sourced from Japan. China (71.6%), India (51.2%), and Thailand (50.7%) have high local procurement rates, while Korea (49.5%), Taiwan (47.2%), and Vietnam (43.4%) source more from Japan, followed by China. The local procurement rate for U.S. bases is 42.9%. Procurement from other countries, excluding the U.S., may be subject to tariffs depending on the country.
- Regarding sales destinations, products manufactured in the U.S., Europe, and India are generally sold locally. In other Asian countries, products are sold locally while also being sold to Japan to a certain extent (over 20% in Vietnam). Mexico sells nearly 30% of its products to the U.S., positioning it as a manufacturing base for the U.S. market.

Figure 5-7: Countries of Suppliers and Sales Destinations at Each Base

By Industry



- By industry, regarding Electrical Equipment & Electronics, China accounts for a high proportion of suppliers indicating its significant presence in electronic components and related areas. Furthermore, a relatively large proportion of products sold to Japan are produced overseas in countries such as China, Thailand, and Vietnam. General Machineries relies heavily on procurement from Japan, likely sourcing high-value-added goods and core components unavailable locally for assembly in various countries. Automobiles and Chemicals show a relatively strong tendency toward local production for local consumption. However, Automobiles' sales from Mexico to the U.S. account for a particularly large share at 39.0%. Chemicals also exhibits a high local procurement rate of 54.1% at U.S. bases.

## (2) Impact of Tariffs: Impact on Revenue

Q.

At each manufacturing and sales base, what impact do you expect the U.S. Tariffs increases(\*) to have on profits? (\*Including the impact of retaliatory tariffs.)

Figure 5-8: Impact on Revenue at Each Base

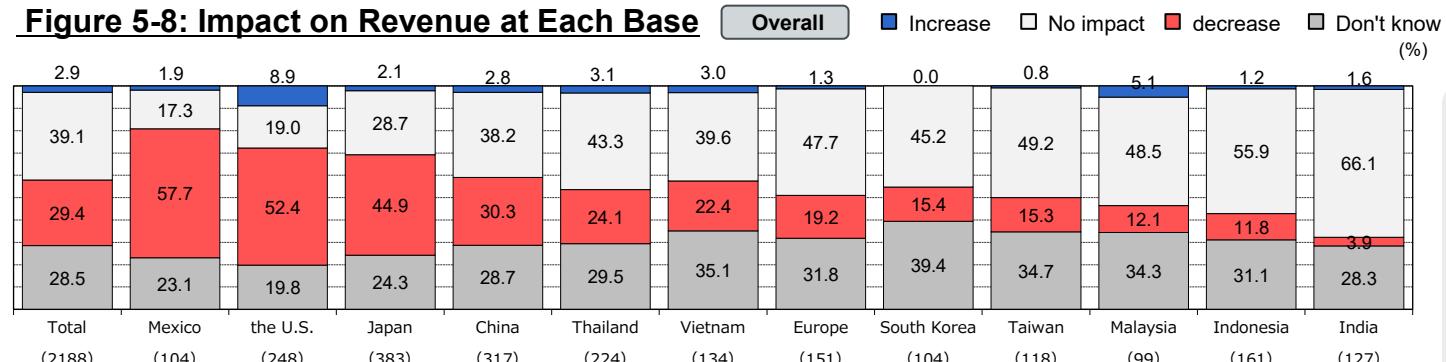
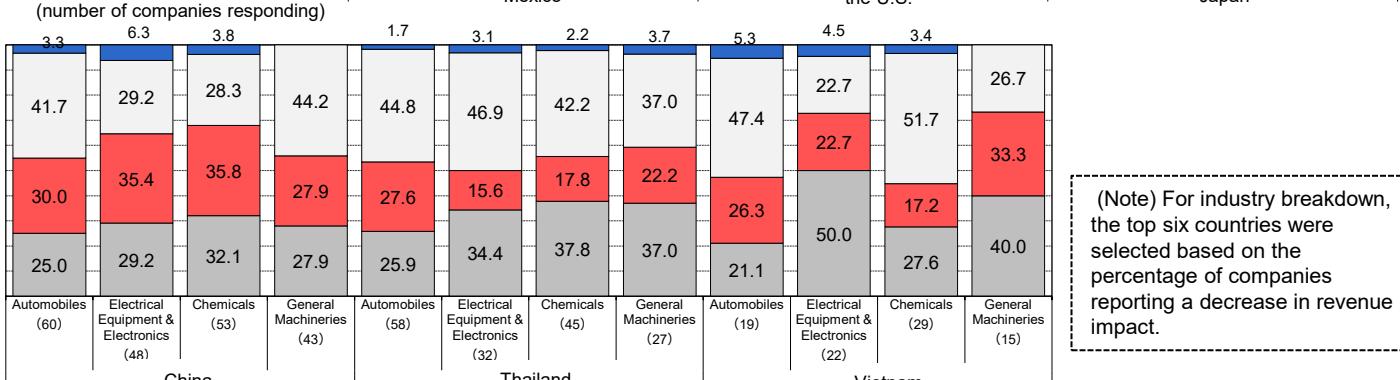
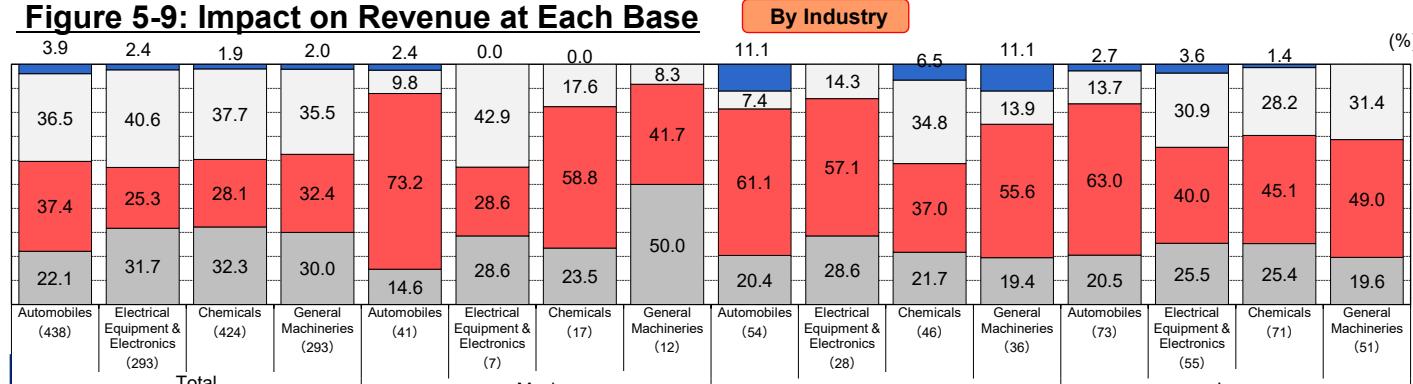


Figure 5-9: Impact on Revenue at Each Base



(Note) For industry breakdown, the top six countries were selected based on the percentage of companies reporting a decrease in revenue impact.

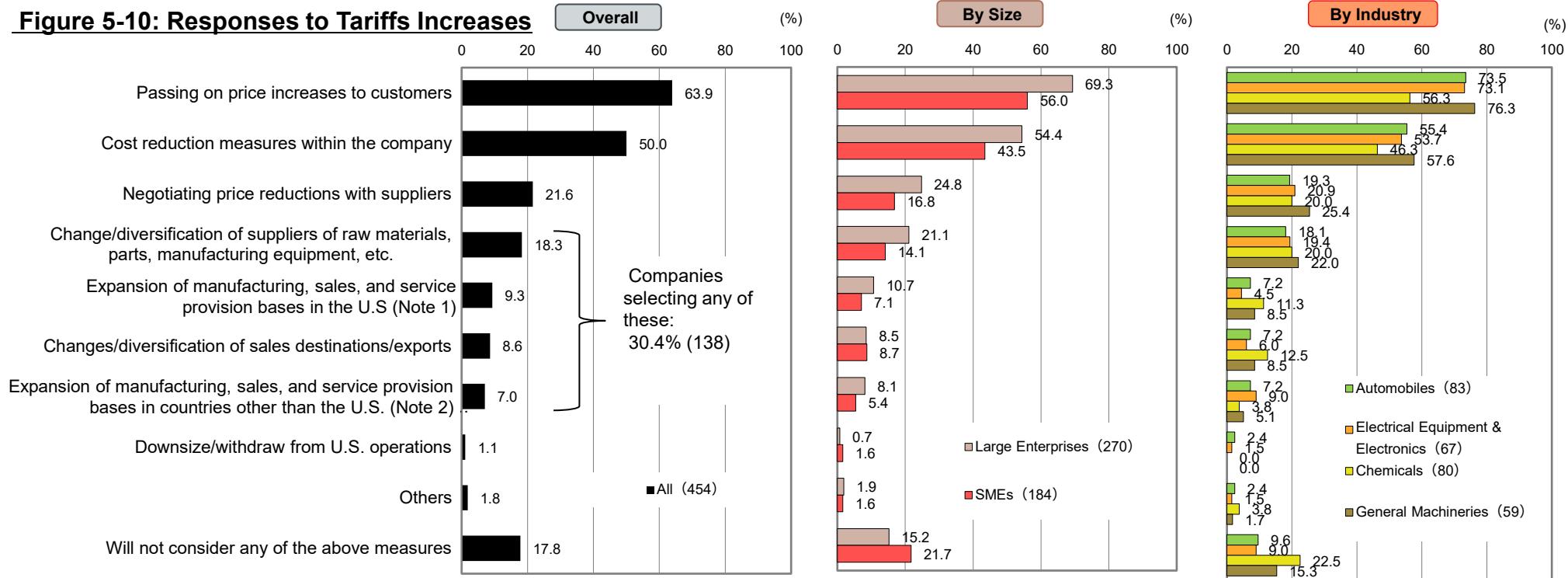
- The number of companies reporting decreased revenue was highest in Mexico, followed by the U.S. and Japan. Bases in the U.S. also saw revenue growth impacts

- Notable revenue declines were observed at bases in Mexico (where 27.6% of sales destinations are the U.S.) and the U.S. (where 57.1% of suppliers are outside the U.S.). In addition to direct impacts, interviews revealed concerns about indirect negative effects, such as: "Tariffs could cause China products losing sales destinations to flow into Asia, potentially intensifying price competition" (Chemicals).
- Some respondents reported revenue increases in the U.S. and other countries. Interviews noted: "Shifting some production from Asia to the U.S. is boosting sales and profits at U.S. bases" (Automobiles and Chemicals); "Amid the shift of production bases from China to ASEAN due to U.S.-China friction, concentration of industry is advancing, increasing transactions with Japanese and Europe manufacturers in Malaysia" (Nonferrous Metals).
- By industry, overall responses indicated decreased revenue primarily in Automobiles and General Machineries, with particularly significant impacts on Automobiles in Mexico, the U.S., and Japan. Comments included: "Regarding exports from Mexico to the U.S., while some products qualify under the USMCA, others do not, leading to negative impacts" (Automobiles).

Q.

What measures will you implement or consider implementing in response to the U.S. tariffs increases (\*)? (\*Including the impact of retaliatory tariffs)

**Figure 5-10: Responses to Tariffs Increases**



(Note 1) Or Relocation/Diversification of Manufacturing and Sales Bases to the U.S.

(Note 2) Or relocation/diversification of manufacturing and sales bases to countries other than the U.S.

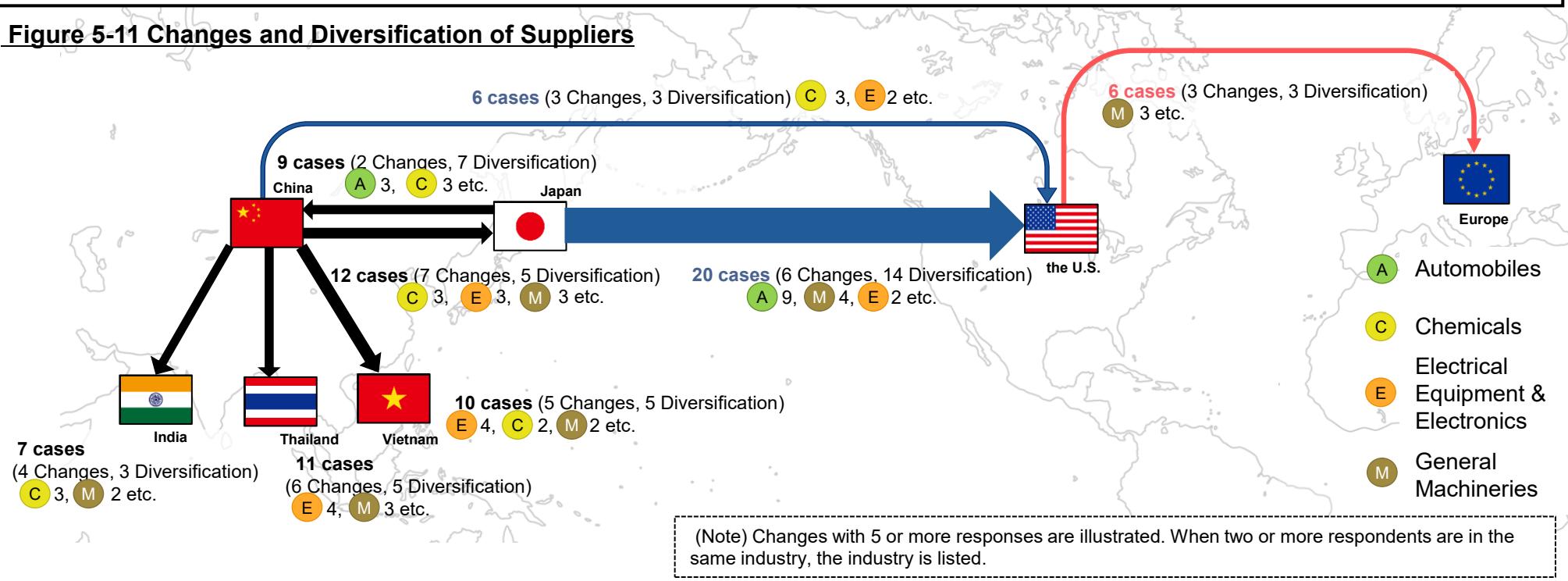
**■ Passing on price and internal cost reduction efforts are prominent, but measures related to supply chain changes, such as shifting suppliers, are also being implemented.**

- Regarding tariff countermeasures, the most common responses are "passing on price to customers" (63.9%), "cost reduction measures within the company" (50.0%), and "negotiating price reductions with suppliers" (21.6%). Some companies are implementing or considering changes to their supply chain, such as shifting suppliers, manufacturing bases, or sales destinations. Approximately 30% of responding companies are considering supply chain restructuring as tariffs countermeasures. However, interviews revealed comments like, "We are considering shifting production from Mexico and Japan to the U.S., but it is not easy and cannot be done overnight" (Automobiles).
- By size, large enterprises show a higher proportion implementing various countermeasures, indicating they are leading the way. Interviews revealed comments such as, "For small and medium-sized enterprises, even if we try to implement cost reduction, the scale involved is simply too large to absorb" (Automobiles).
- By industry, while efforts are progressing across industries, Chemicals, which has a high local procurement rate at its U.S. manufacturing bases and is relatively unaffected by tariffs, showed a lower proportion of responses regarding passing on prices and cost reduction compared to other industries. A relatively large number of Chemicals companies indicated they will not consider countermeasures.

## (2) Impact of Tariffs: Changes and Diversification in Suppliers of Raw Materials, Parts, Manufacturing Equipment, etc.

Q. If you are considering changes such as relocating or diversifying suppliers, manufacturing/sales bases, or sales destinations due to the U.S. tariffs increases (\*), where are you considering moving from and to? (\*Includes impact of retaliatory tariffs.)

Figure 5-11 Changes and Diversification of Suppliers

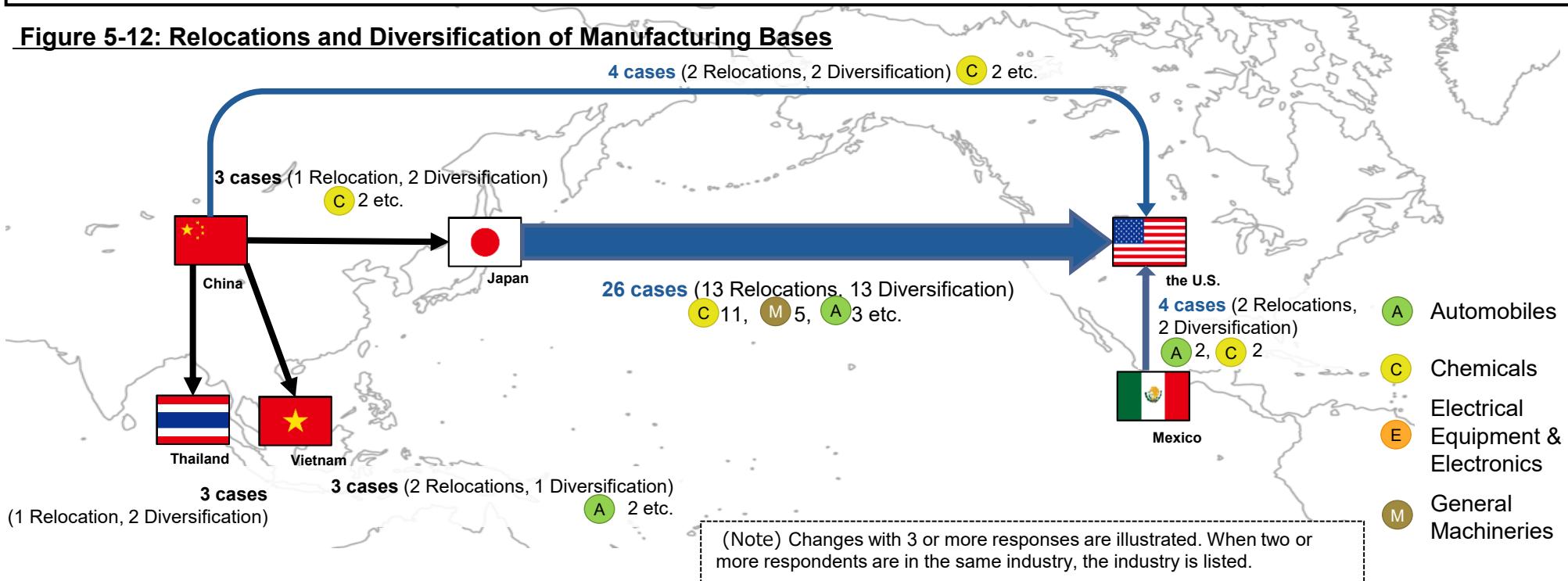


### ■ Changes and diversification of suppliers from Japan and China to the U.S. are being considered. Additionally, changes and diversification of suppliers from China to other Asian countries are also being implemented or considered.

- A total of 83 companies (18.3% of responding companies) reported implementing or considering changes or diversification of suppliers.
- Key movements include shifting or diversifying suppliers from Japan (20 cases) and China (6 cases) to the U.S. One Automobiles company stated: "While producing in the U.S., we were procuring from Japan, China, and other Asian countries. To avoid tariffs, we are now promoting the localization of raw material procurement and manufacturing processes."
- Additionally, changes or diversification from China to Japan (12 cases), Thailand (11 cases), Vietnam (10 cases), and India (7 cases) were observed. One Chemicals company stated, "From a risk diversification perspective, we are increasing local procurement rates at our Asian production bases." Conversely, there were also movements to shift or diversify from Japan to China (9 cases). One Automobiles company stated, "We are considering the procurement of cheaper China products to meet cost reduction requests from customers affected by tariffs."
- Regarding changes or diversification from the U.S. to Europe, a General Machineries company stated, "We aim to build a system capable of producing not only in the U.S. but also in Europe and India (each with local procurement)," indicating a global trend toward local production for local consumption as a hedge against uncertainty.

Q. If you are considering changes such as relocating or diversifying suppliers, manufacturing/sales bases, or sales destinations due to the U.S. Tariffs increases (※), where are you considering moving from and to? (※Includes impact of retaliatory tariffs.)

**Figure 5-12: Relocations and Diversification of Manufacturing Bases**



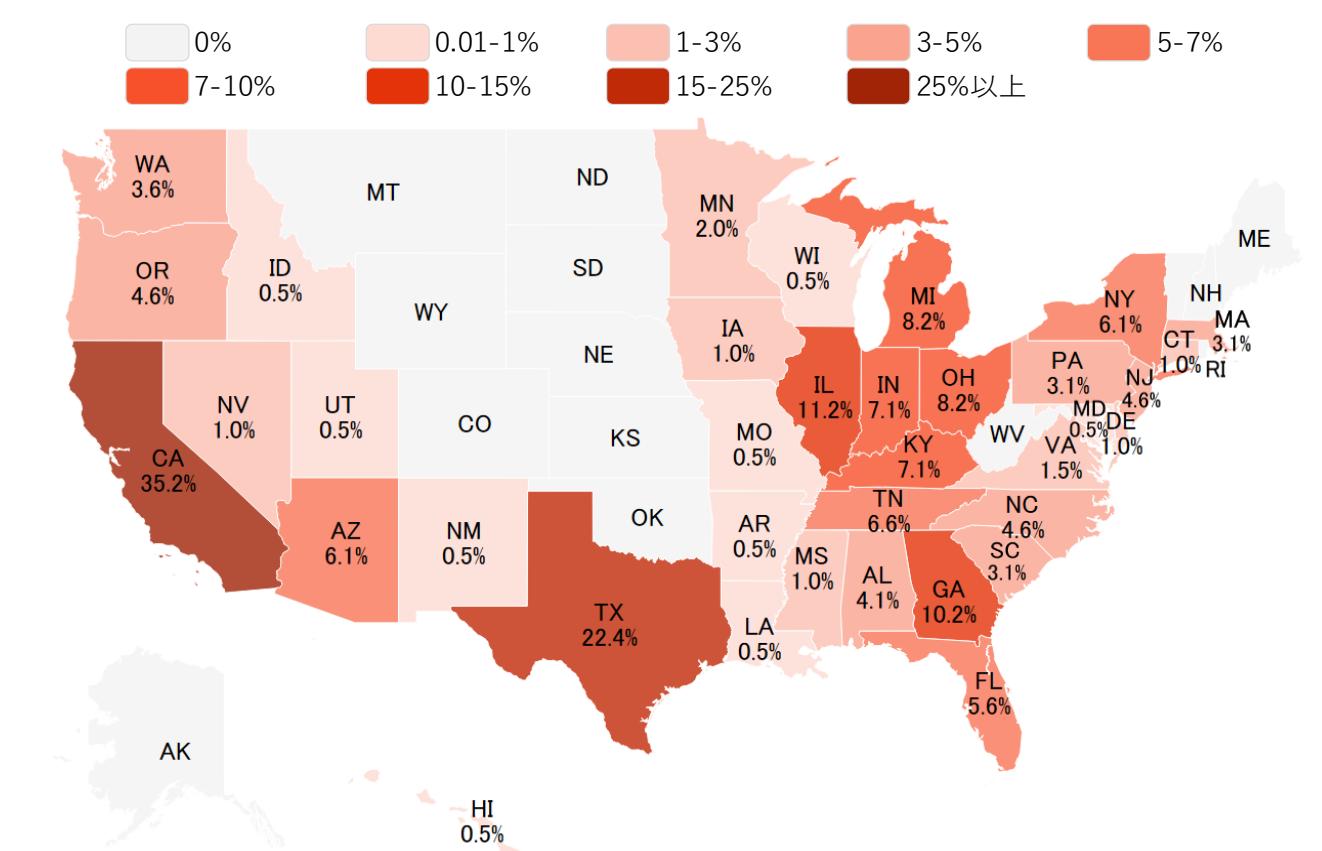
- For companies affected by tariffs, there is a trend toward relocation and diversification of manufacturing bases from Japan, Mexico, and China to the U.S., as well as relocation from China to other Asian countries.
  - 42 companies (9.3% of respondents) chose to expand manufacturing bases in the U.S. or relocate/diversify to the U.S., while 32 companies (7.0% of respondents) chose to expand manufacturing bases outside the U.S. or relocate/diversify to countries other than the U.S.
  - The relocations or diversification to the U.S. were originated from Japan (26 cases), Mexico (4 cases), and China (4 cases). Relocation or diversification are being considered for facilities where tariffs have a particularly significant negative impact on profits. During interviews, one company stated, "We are expanding our factory in the U.S. to meet increased demand within the U.S. We also plan to transfer some production from Japan to mitigate the impact of tariffs" (Electrical Equipment & Electronics).
  - Similar to suppliers, relocations and diversification from China to other Asian countries like Japan (3 cases), Thailand (3 cases), and Vietnam (3 cases) is also considered. One respondent noted, "Considering U.S.-China relations, there is a movement to shift production from China to Japan, Thailand, or Vietnam for exports to the U.S." (Chemicals).

Q. Regardless of whether you currently have a base there, if you plan to start or expand your business in the U.S. in the future (or are considering it), please select up to three candidate states.

Figure 5-13: U.S. State Ranking (Top 10)

	State	Total Number of Responding Companies	Percentage
1	California (CA)	69	35.2%
2	Texas (TX)	44	22.4%
3	Illinois (IL)	22	11.2%
4	Georgia (GA)	20	10.2%
5	Ohio (OH)	16	8.2%
5	Michigan (MI)	16	8.2%
7	Indiana (IN)	14	7.1%
7	Kentucky (KY)	14	7.1%
9	Tennessee (TN)	13	6.6%
10	Arizona (AZ)	12	6.1%
10	New York (NY)	12	6.1%

Figure 5-14 Vote Share Heatmap



- In addition to California and Texas, regions from the Midwest (Illinois, Ohio, etc.) to the South (Georgia, etc.) are popular.
- California and Texas rank as the top two. Additionally, regions from the Midwest (including Illinois and Ohio) to the South (including Georgia), along with Arizona and New York, rank in the top 10.

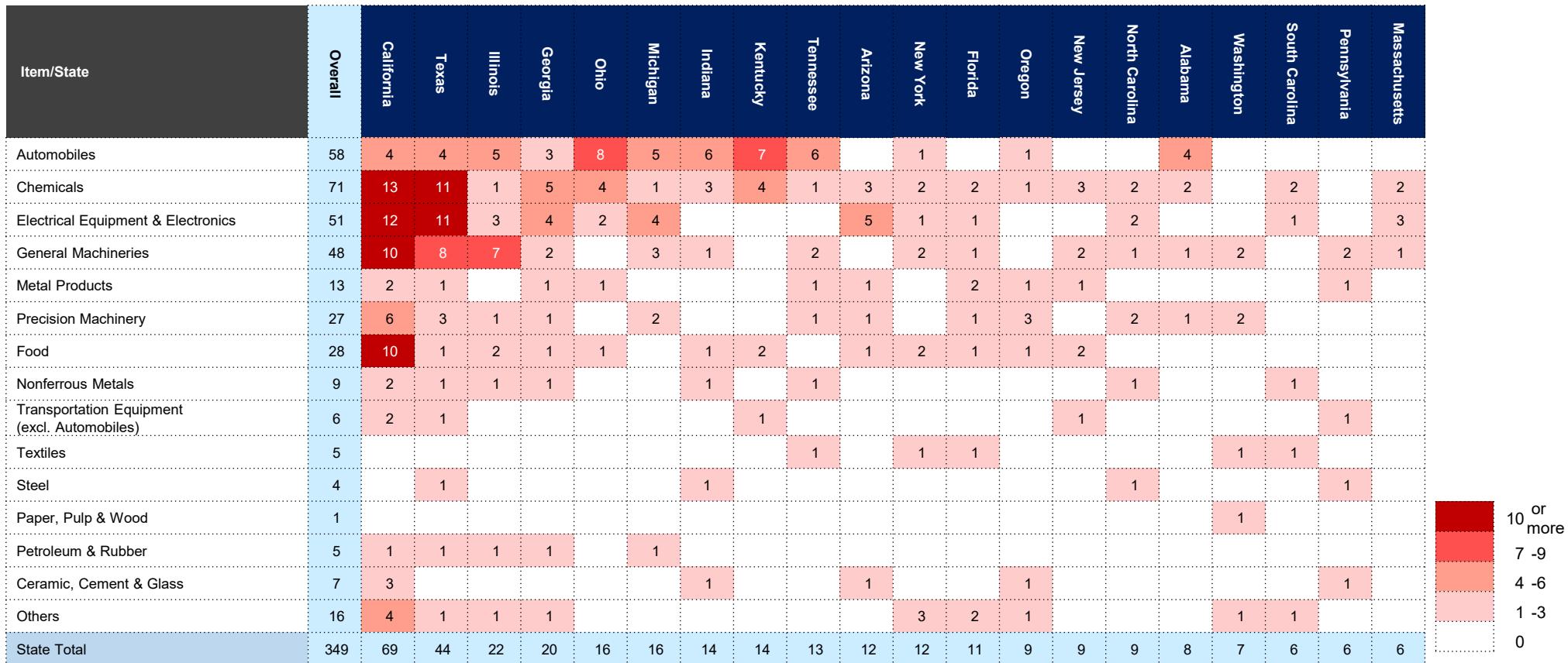
Q.

Regardless of whether you currently have a base there, if you plan to start or expand your business in the U.S. in the future (or are considering it), please select up to three candidate states.

Figure 5-15: U.S. State Heat Map by Industry (Total Responses)

By Industry

(Note) States with responses from 6 or more companies (top 20 states) are listed.



### ■ California and Texas are selected across a wide range of industries

- California and Texas are chosen across a wide range of industries. In California, this is driven by factors such as the concentration of high-tech industries like semiconductors in Silicon Valley for the Electrical Equipment & Electronics sector, and the large Asian population and affinity for Japanese cuisine for the Food sector. Texas is particularly favored by Chemicals, Electrical Equipment & Electronics, and General Machineries. Illinois is favored for Automobiles and General Machineries (including machinery for the automobile industry). The Great Lakes region, including Ohio and Michigan, received many votes for Automobiles. Arizona, where the concentration of industry in semiconductors is expanding, received votes for Electrical Equipment & Electronics.

Q. For each state selected in the previous question, what are the reasons for your selection? For each state, select up to three factors that are particularly important to your company from the following.

Figure 5-16 Factors Influencing State Selection

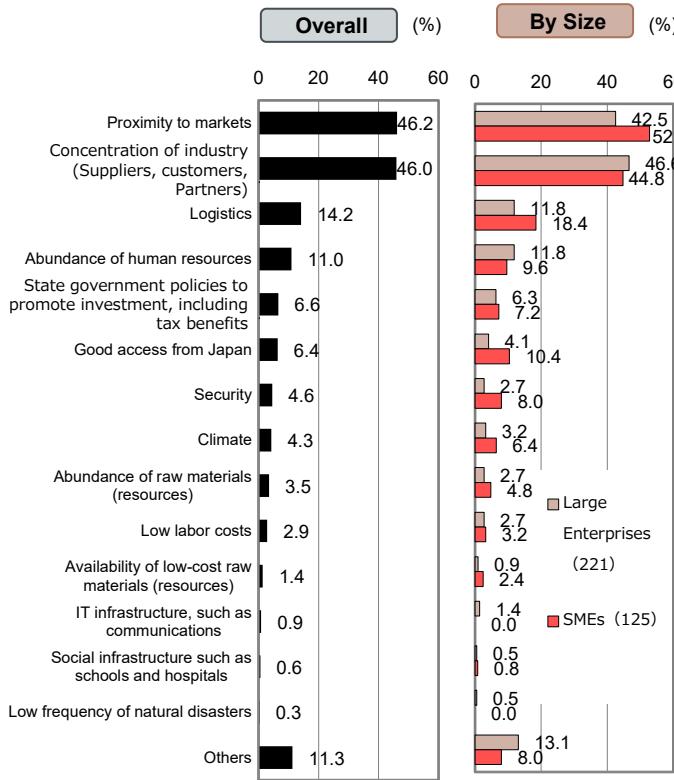


Figure 5-17 State Selection Factors (by State) ※Total Responses

Item/State	Overall	California	Texas	Illinois	Georgia	Ohio	Michigan	Indiana	Kentucky	Tennessee	Arizona	New York
Availability of low-cost raw materials (resources)	5		3		1							
Abundance of raw materials (resources)	12	2	3	1			1					
Low labor costs	10		3	1					2	2		
Abundance of human resources	38	9	6	3	1		3	1		2		
Concentration of industry	159	33	19	10	8	11	11	8	6	4	6	3
Proximity to markets	160	37	19	8	7	3	7	7	6	8	4	10
Logistics	49	15	8	2	2		1	2	2	2	1	1
Security	16	4		1			2			1		
Good access from Japan	22	13	2	1								1
Social infrastructure such as schools and hospitals	2									1		
IT infrastructure, such as communications	3	1	1								1	
Climate	15	2	2		1	1	1	1	1		1	
Low frequency of natural disasters	1			1								
State government policies to promote investment	23		5	1	3			2	1		1	
Others	39	5	4	4	2	3	1	1	1	4		2
State Total	554	121	75	33	25	18	27	21	19	24	13	18

(Note) Top 10 (11 states) listed.

### ■ Proximity to markets and Concentration of industry are prioritized when determining where the investment is made.

- Overall, most companies prioritized "proximity to markets" (46.2%) and "concentration of industry (concentration of suppliers, customers, and partners) "(46.0%) as key factors in determining where the investment is made.
- By size, SMEs particularly emphasize proximity to markets, logistics, good access from Japan, security, and climate..
- Looking at results by state, California is valued not only for proximity to markets and concentration of industry but also for logistics and good access from Japan. Texas, on the other hand, is characterized by a balanced selection of factors, including abundant and inexpensive raw materials, low labor costs, and state government policies to promote investment (including tax benefits).
- Reasons cited under "Others" included "expanding existing facilities" and "business partners planning to enter the market."

## I. Analysis of the Manufacturing Industries

6

AI-Driven Business Transformation and  
Business Opportunities

Q.

Does your company utilize AI in the administration division or the production division?

Figure 6-1: AI Utilization Status in the Administration Division

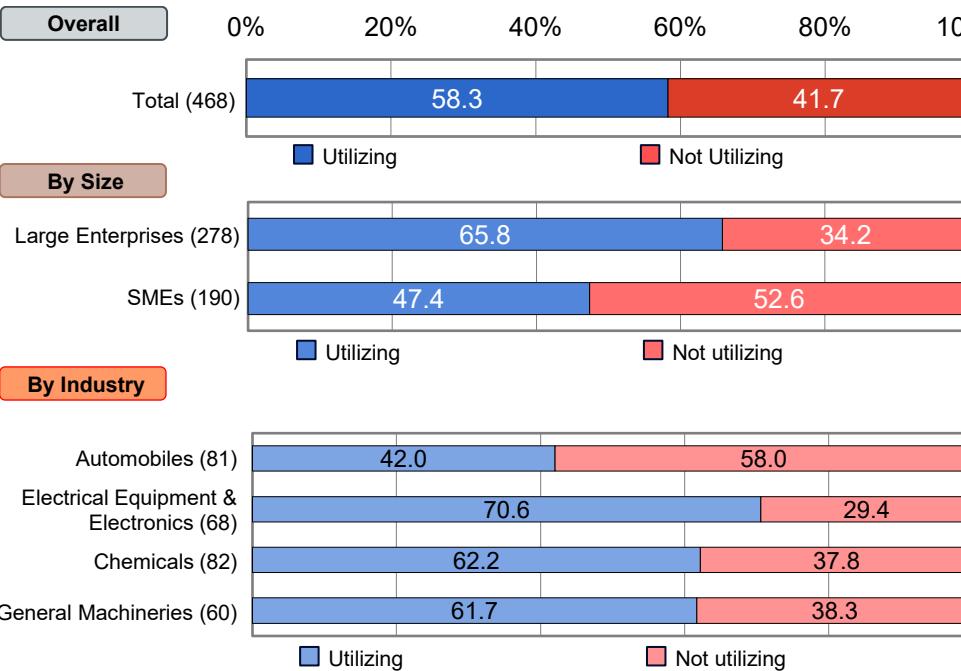
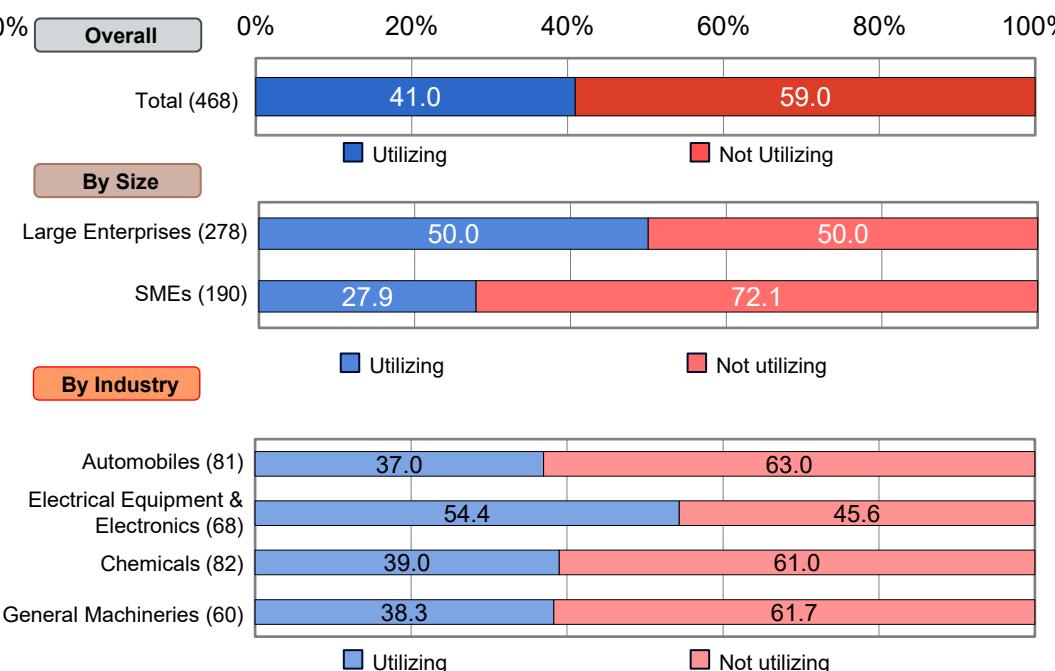


Figure 6-2: AI Utilization Status in the Production Division

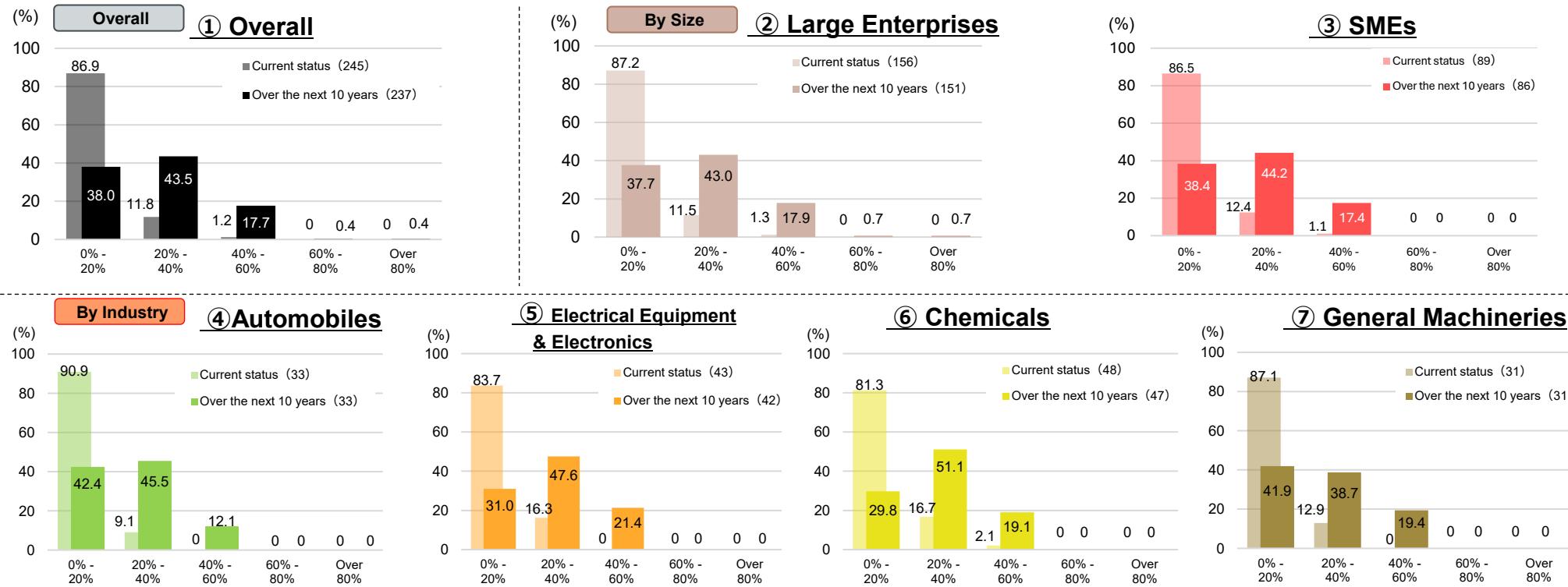


■ AI utilization in the administration division is widespread across many companies. However, the rate of AI adoption in the production division does not reach the same high level as in the administration division, varying by size and industry.

- In the administration division, 58.3% of responding companies utilize AI, with large enterprises showing higher adoption rates. Common examples in the administration division include using generative AI for meeting minutes and translation. One respondent noted, "We reduced document creation time by building our own in-house chatbot" (Chemicals). Regarding low adoption in the Automobiles, one respondent noted, "Many are SMEs with limited investment capacity, and the benefits of AI administration are small due to fewer product varieties handled" (Automobiles). This suggests that beyond funding constraints, there is also a fundamental lack of perceived necessity for AI adoption.
- In the production division, AI adoption is less advanced than in the administration division. One respondent stated, "AI implementation will proceed after our current DX initiatives." While half of large enterprises reported AI use in the production division, only 27.9% of SMEs did so, showing a larger gap by size than in the administration division. By industry, over half of the companies in the Electrical Equipment and Electronics sector reported using AI, showing a marked difference from other industries. Regarding reasons, comments included: "We have many opportunities to handle AI and electronic parts, making it easier to visualize what AI can do, so the barrier is lower" (Electrical Equipment and Electronics).

Q. Among companies utilizing AI in the administration division, to what extent have you achieved labor savings through AI implementation at this point? Also, to what extent do you anticipate achieving labor savings over the next 10 years?

Figure 6-3: Labor Savings Achieved through AI Implementation and Projected Savings Over the Next Decade in the Administration Division



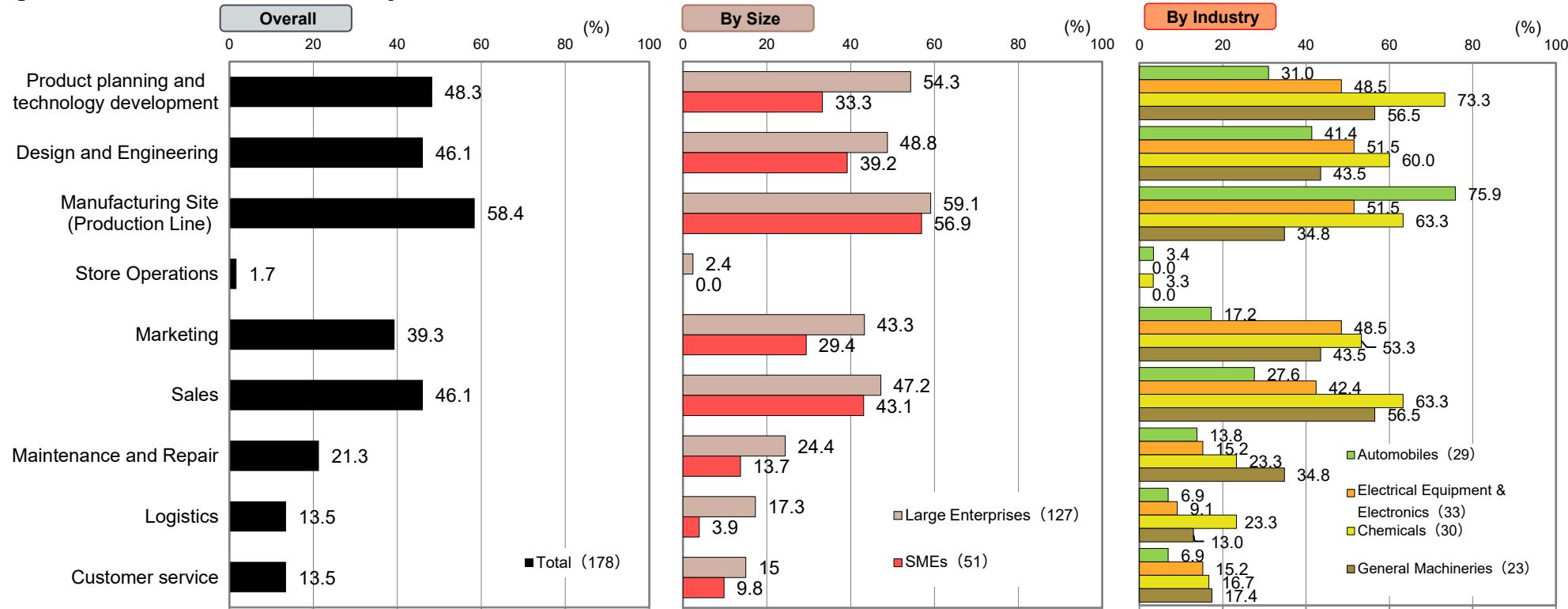
■ Currently, the largest number of companies reported labor savings of 0%-20% through AI implementation. Many companies anticipate labor savings of around 20%-40% in the future.

- Currently, 86.9% of companies utilizing AI in the administration division report achieving 0%-20% labor savings through AI implementation. Comments included: "Meeting minutes that took three days now take half a day, leading to significant labor savings" (Chemicals). Companies achieving 40%-60% labor savings at present shared examples like: "We built a chatbot that conducts information gathering for necessary documents and information for overseas business applications and outlines the procedural roadmap" (Chemicals). Many companies have established dedicated divisions or teams for AI implementation, exploring utilization methods suited to their specific needs.
- Looking ahead over the next decade, many companies expect AI-driven labor savings to advance further, with projections of 20%-40% savings. Interviews revealed comments like, "We're currently in a trial-and-error phase targeting specific fields, so widespread company-wide adoption would accelerate savings" (Automobile/General Machineries), indicating high expectations for progress through comprehensive implementation.

Q.

In which fields of your company's production division is AI being utilized? (Multiple answers allowed)

Figure 6-4: AI Utilization Status by Field in the Production Division

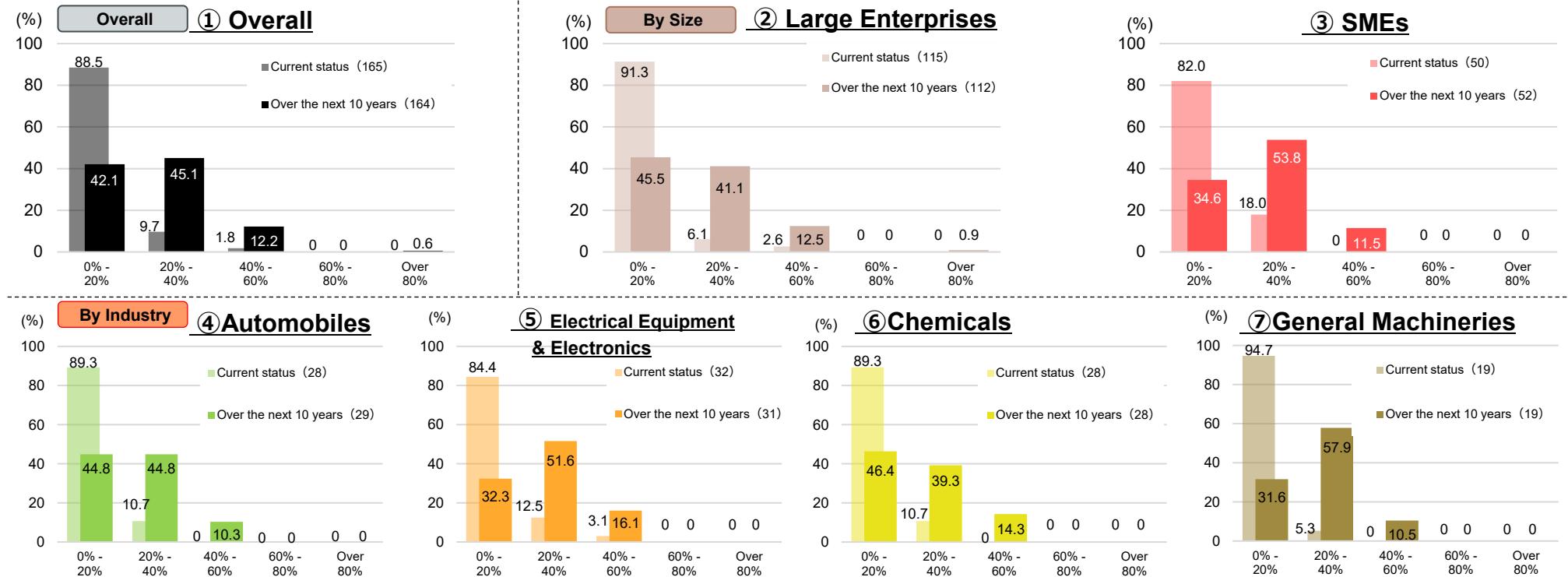


■ Many companies utilize AI in fields such as product planning/technical development, manufacturing site, and sales. By industry, Chemicals show relatively high adoption across various fields.

- Manufacturing sites led with 58.4% of responses overall, followed by significant use in product planning and technology development, and Design and Engineering. Examples include controlling industrial robots, demand forecasting, and generating programming code.
- AI is also widely used in sales and marketing. Comments included: "By linking with customers' data and inventory information, we can quickly make optimal sales proposals, which also leads to efficient training of young employees" (Electrical Equipment and Electronics). For customer service, one response stated: "We use it to handle technical inquiries from overseas distributors and utilize the accumulated data for sales staff education" (Electrical Equipment and Electronics).
- By industry, chemical companies reported high usage in the product planning and technology development, design and engineering fields. Interviews revealed comments like: "When developing new products, we actively use AI due to the vast number of possible material combinations and formulations" (Chemicals).

Q. Among companies utilizing AI in their production divisions, to what extent have you achieved labor savings through AI implementation at this point? Furthermore, to what extent do you anticipate achieving labor savings over the next 10 years?

**Figure 6-5: Labor Savings Achieved through AI Implementation and Projected Savings Over the Next 10 Years in the Production Division**



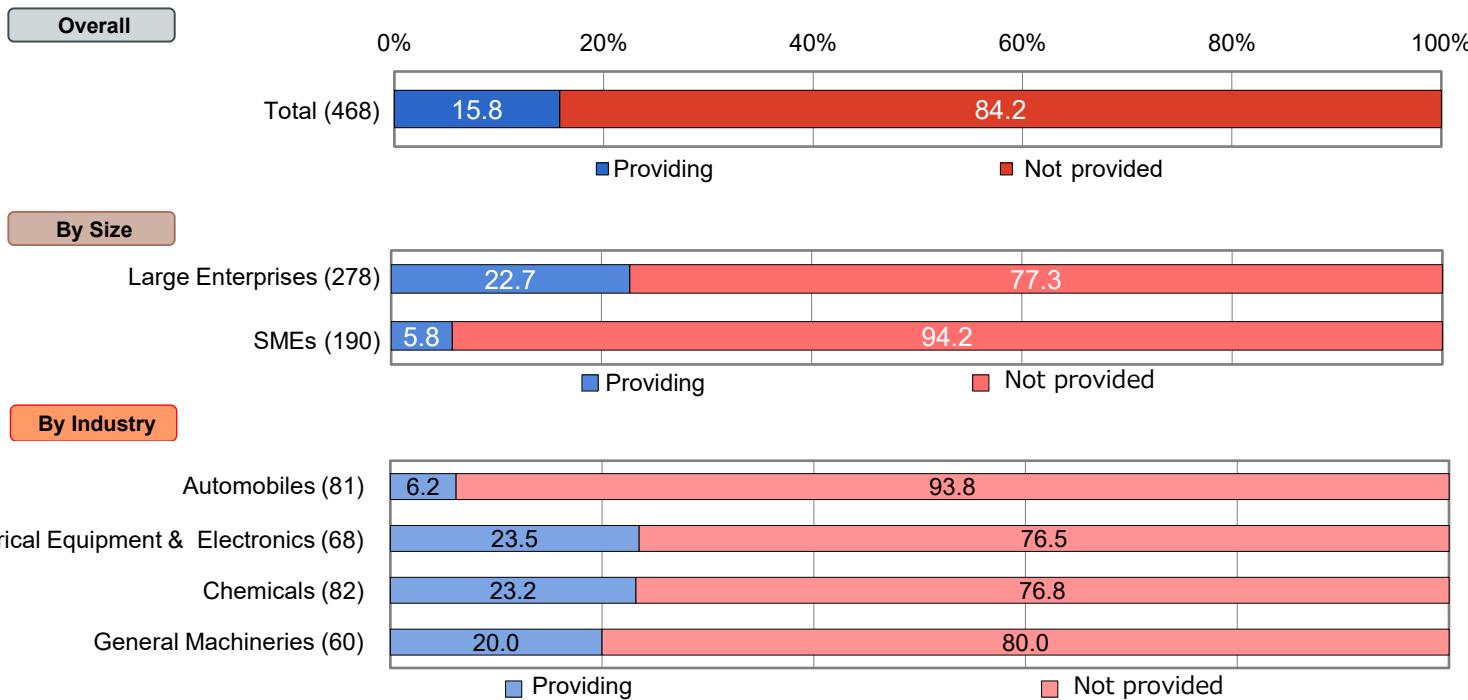
■ Similar to the administration division, the most companies reported current labor savings from AI at 0%-20%. The Electrical Equipment and Electronics sector shows higher projected future savings than other industries.

- Currently, 88.5% of companies utilizing AI in the production division reported achieving 0%-20% labor savings. While some indicated that significant labor savings have not yet been achieved due to the trial phase, companies that have achieved 40%-60% savings at this stage shared insights such as: "We achieved savings by thoroughly reviewing operations over several years, rigorously implementing inventory forecasting and management, and utilizing AI for replaceable tasks" (Others). This indicates some companies are executing multi-year plans. Additionally, comments like "We used AI cameras for product inspection, achieving stable inspection rather than significant labor savings" (Chemicals) suggest there are applications beyond just labor reduction.
- Over the next decade, many companies expect labor savings to progress further than current levels. By size, SMEs showed greater potential for labor savings advancement, driven by concerns over human resources/staff shortages and intensifying competition. Among the four major industries, the highest number of companies in the Electrical Equipment and Electronics and General Machineries sectors indicated potential labor savings of 20%-40%, suggesting these sectors may see greater progress than others. Companies anticipating 40%-60% labor savings cited examples like: "Implementing an integrated production process management system using AI is expected to reduce labor by one-third" (Electrical Equipment and Electronics).

Q.

Do you provide products, technologies, or services (including semiconductors and data centers) that are directly or indirectly related to AI as part of your business?

**Figure 6-6: Percentage of Companies Providing AI-Related Products, etc., as a Business Activity**

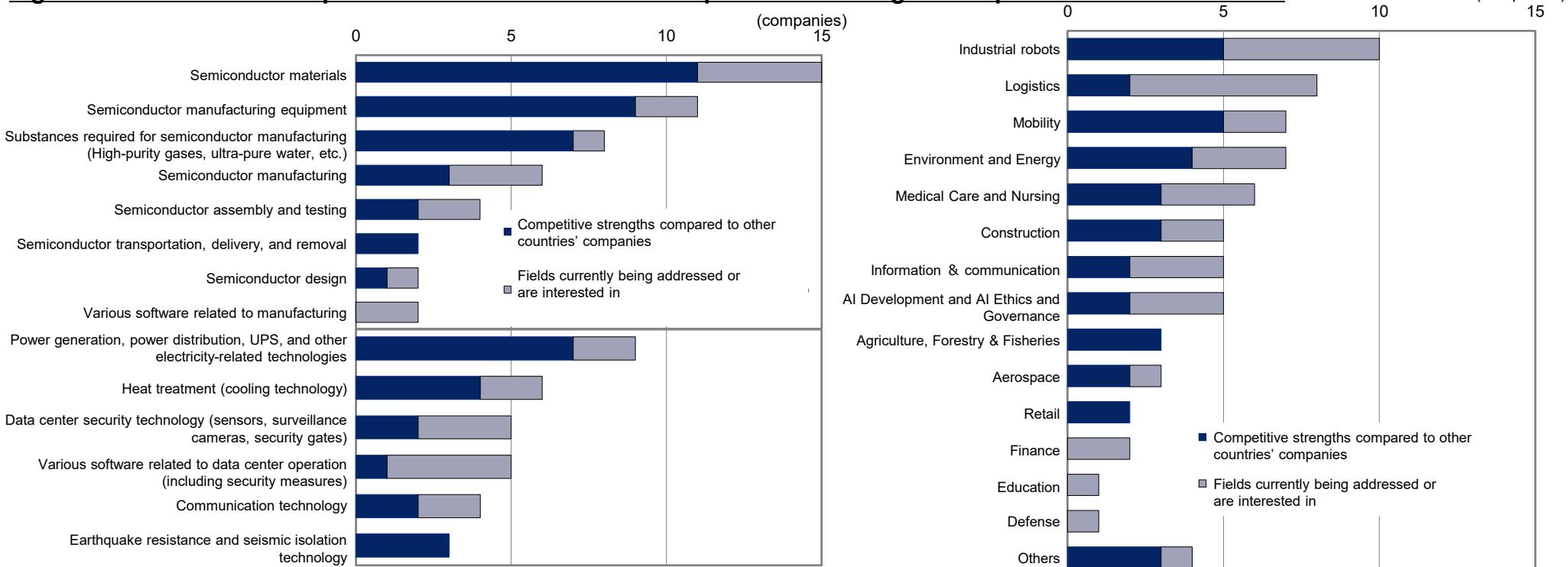


■ **15.8% of responding companies are involved in AI as a business. Few companies in the automobile sector are engaged in AI-related business.**

- 74 companies, representing 15.8% of respondents, are involved in AI as a business. While 22.7% of large companies are involved, only 5.8% of SMEs are also involved, showing a significant difference in involvement by company size.
- While the four major industries outside Automobiles exceed 20%, automobile stand at a low 6.2%. During interviews, comments such as "In the Automobile sector, many companies focus on supplying parts to OEMs and may be less proactive about entering relatively new fields like AI" (Automobile) were made.

Q. Among companies providing products, technologies, or services directly or indirectly related to AI as part of their business, please select the AI-related fields they are currently engaged in or see as growth opportunities. Additionally, if there are fields where they have strengths compared to companies in other countries, please select those as well. (Multiple answers allowed)

**Figure 6-7: AI-Related Companies' Fields of Focus and Competitive Advantages Compared to Other Countries**



■ **Strengths in AI-related businesses include semiconductor manufacturing, data centers, industrial robots, and mobility.**

- In semiconductors, many responses highlighted strengths in materials, manufacturing equipment, and materials essential for production. For data centers, particular strengths in heat treatment and electricity-related technologies were frequently cited. Interviews revealed examples such as "manufacturing high-performance power supply equipment that only a handful of companies worldwide can produce" (Chemicals) and "producing low-power consumption, high-capacity HDDs for data centers using proprietary technology" (Electronics).
- Examples of AI-based businesses confirmed in interviews include industrial robots that automatically adapt to producing diverse product varieties and software development that uses image recognition technology to identify pests and recommend appropriate pesticides. Regarding potential in AI development, one respondent stated, "amidst the widespread adoption of foreign-made AI, Japan could occupy an important position by developing AI specialized in Japanese language processing and image recognition" (Electrical Equipment and Electronics).

# 7

## I. Analysis of the Manufacturing Industries Sustainability Initiatives through Overseas Operations

Q.

In your business, what initiatives are you taking toward the transition to a decarbonized society (excluding CO2 emissions reduction within your company) and the transition to a circular economy and the preservation of biodiversity? In which countries and in which fields are these initiatives being implemented (or under consideration)? (Multiple answers allowed)

Figure 7-1: Percentage of Companies Engaged in Initiatives by Country

Country	China	Thailand	Indonesia	Vietnam	India	the U.S.	Europe	Overall	
								Average ※	[Reference] Japan
(1) Percentage of Companies Engaged in Initiatives in Any Field									
Number of companies undertaking initiatives in any field (1. to 16. below)	146	124	68	48	55	97	67		382
Companies engaged in initiatives in any of these areas / Number of companies with bases in each country among those responding to this question (%)	43.3	49.2	39.5	34.8	37.7	36.1	34.9	38.2	95.5
(2) Percentage of Companies Engaged in Initiatives by Field (%)									
1. Appropriate management and reduction of wastewater, exhaust gases, and waste in manufacturing processes	26.7	26.2	25.6	23.2	24.7	19.0	19.3	22.6	57.5
2. Offshore wind, solar, and geothermal power generation	13.6	23.4	12.2	13.0	13.0	7.8	12.0	12.5	43.8
3. Resource circulation (development of high-performance biomass materials, recycling technologies, and high-performance materials with high recyclability, improvement of waste disposal efficiency, etc.)	5.9	9.1	5.2	7.2	5.5	6.3	9.4	6.3	30.3
4. Automobiles and Storage Batteries	6.5	4.8	3.5	0.7	4.8	4.5	7.3	4.5	16.0
5. Carbon Recycled Materials	3.0	4.0	3.5	1.4	2.7	3.3	4.2	3.4	13.8
6. Carbon neutralization of logistics, human flow, and civil infrastructure	1.8	2.8	1.7	1.4	1.4	1.5	2.1	1.9	8.5
7. Carbon-neutralization of semiconductors, information and communication industries	1.5	0.4	1.2	2.2	0.7	1.1	1.6	1.4	6.3
8. Providing products and services that contribute to securing biodiversity	1.2	1.2	0.6	0.0	1.4	1.9	2.1	1.3	7.8
9. Hydrogen and Fuel ammonia	1.2	0.0	0.0	0.0	1.4	2.2	3.1	1.1	9.0
10. Carbon neutralization of food, agriculture, forestry, and fisheries	0.6	0.8	0.6	0.7	0.7	1.1	1.6	0.8	4.0
11. Housing (ZEH), buildings (ZEB), and next-generation power management	0.3	0.8	0.6	0.7	0.0	0.4	1.0	0.5	6.8
12. Carbon neutralization of ships (zero-emission ships, etc.) and aircraft	0.3	0.0	0.0	0.0	0.0	0.7	2.6	0.4	5.3
13. Lifestyle related initiatives (environmental data utilization, digitization, sharing)	0.6	0.4	0.6	0.7	0.0	0.7	0.5	0.4	4.3
14. Nuclear power	0.0	0.0	0.0	0.0	0.0	1.5	0.5	0.4	1.8
15. Next-generation thermal energy (methane)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.8
16. Others	0.3	0.0	0.0	0.0	0.0	0.0	0.5	0.2	0.8

 5.0 points or more higher than average

 1.0 point or more but less than 5.0 points fewer initiatives

 More initiatives by 1.0 point or more but less than 5.0 points

 Compared to the average of overseas bases, the difference is less than 1.0 point

■ Key initiatives include wastewater treatment at manufacturing sites and renewable energy adoption. Resource circulation efforts are progressing in Thailand and Europe, while EV initiatives progress in China and Europe.

- Overseas initiatives most frequently cited were “Appropriate management and reduction of wastewater, exhaust gases, and waste in manufacturing processes” (22.6%), followed by “Offshore wind, solar, and geothermal power generation” (12.5%). The above measures are particularly prevalent in Asia, where production bases are concentrated.
- “Offshore wind, solar, and geothermal energy power generation” is primarily solar-based, with Thailand showing particularly high adoption by country. Companies installing solar panels at their Thai factories cited “the conditions are the same as Japan for installation, maintenance, and security, with low theft risk” (Automobiles), indicating that the favorable business environment, including security, encourages corporate initiatives. Examples of resource circulation initiatives included: in Europe, “biomass boilers converting waste materials like wood into energy” (Building Materials), “aluminum scrap recycling” (Metals), and “utilizing byproducts from pulp production using thinned timber and chips as biomass fuel” (Chemicals); in Thailand, there is “development of biomass power plants” (General Machineries). Regarding “Automobiles and Storage Batteries” initiatives, comments included “selling EV components in China and Europe where electrification of automobiles is advancing” (Automobiles).
- In Vietnam, while many companies have established production bases, sustainability initiatives are relatively scarce. Particularly, efforts related to EVs and automobile/Storage Batteries • Battery components, as well as carbon and recycling materials, are comparatively limited compared to other countries. Barriers include local human resources/staff shortages and underdeveloped infrastructure.

(Note) Includes actuals from Korea, Taiwan, Malaysia, and Mexico

Q. When implementing initiatives related to the transition to a decarbonized society and a circular economy, or securing biodiversity, please select the items that best describe the barriers and challenges you are facing. (Multiple answers allowed)

Figure 7-2: Barriers to Sustainability Progress in Various Countries

Overall

Country	China	Thailand	Indonesia	Vietnam	India	the U.S.	Europe	Country Average
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Number of companies that cited the following 1. to 13. as barriers/challenges

Number of companies with a base in the relevant country among those responding to the question (Unit: %)

1. Acceptance of increased costs	43.8	38.2	38.6	33.7	28.6	42.4	37.2	38.8
2. Lack of local human resources/staff in the relevant fields	25.5	19.1	20.5	26.5	23.5	21.5	13.2	21.6
3. Lack of Japanese human resources/staff in the relevant fields	24.7	20.2	19.7	19.4	14.3	20.3	17.4	20.2
4. Lack of subsidies and financial support	14.0	14.0	15.0	14.3	14.3	10.2	5.8	12.6
5. Competition with local companies	22.1	7.3	7.9	8.2	8.2	8.5	8.3	11.2
6. Competition with companies from other countries	6.4	10.7	11.0	7.1	4.1	10.2	9.9	8.6
7. Complex environmental standards	11.9	4.5	6.3	7.1	7.1	5.1	13.2	8.0
8. Lack of systems such as carbon pricing	8.1	11.8	11.0	17.3	3.1	3.4	0.8	7.8
9. Underdeveloped infrastructure	6.8	5.1	13.4	13.3	12.2	2.8	3.3	7.4
10. Lack of understanding from business partners	5.1	3.4	3.1	2.0	1.0	4.5	1.7	3.4
11. Competition with Japanese companies	0.9	6.2	3.1	3.1	2.0	3.4	3.3	3.1
12. Difficulty in obtaining permits and licenses	5.1	1.7	2.4	5.1	5.1	0.6	1.7	3.0
13. Others	1.7	1.7	2.4	2.0	5.1	2.3	4.1	2.5

 Responses 3.0 points or more higher than the overall average

 Responses 5.0 points higher than the overall average

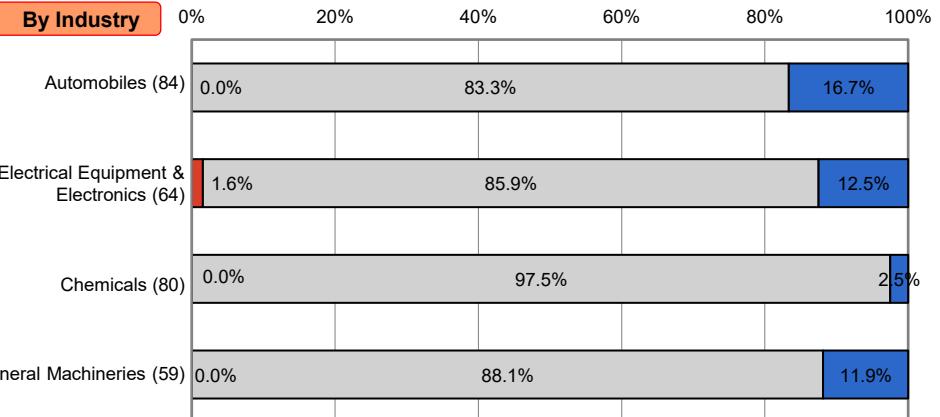
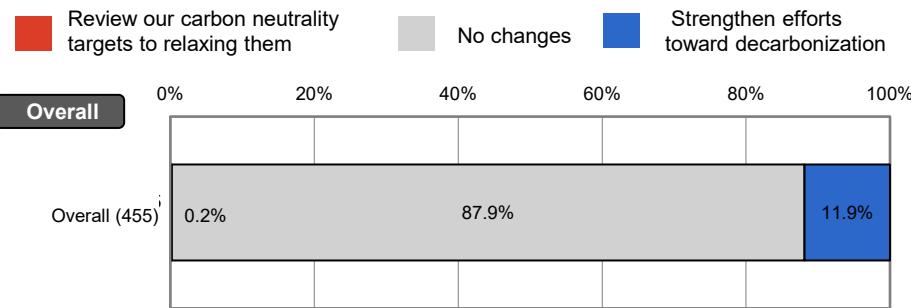
- In China, competition with local companies and costs are challenges; in Southeast Asia, Underdeveloped systems and infrastructure pose significant barriers; in Europe, the complexity of environmental standards is a challenge.**

- In China, where environmental regulations have been tightening in recent years, "Acceptance of increased costs" and "competition with local companies" were frequently cited as barriers to sustainability progress. Regarding "accepting increased costs," comments included: "The cost of complying with strict environmental regulations is higher than in other countries" (Chemicals). Conversely, others noted: "In China, local companies' products are inexpensive, so we cannot pass on the costs associated with sustainability initiatives" (Electrical/Electronics).
- In Southeast Asia, 'underdeveloped systems/infrastructure' was cited as the main barrier. Regarding Indonesia, one comment noted, "We want to promote the electrification of construction machinery, but the power transmission infrastructure in suburban and mountainous areas is not developed" (General Machineries).
- In environmentally conscious Europe, "complex environmental standards" were frequently cited as a challenge. Interviews revealed opinions such as "environmental regulations are updated or revised almost every year" and "standards are multi-layered across individual countries and the EU" (both from Chemicals). Conversely, some viewed this positively as an opportunity: "By advancing the production and sales of environmentally conscious packaging in Europe, where plastic regulations are tightening, we can address needs created by regulatory compliance" (Others Manufacturing); "It is precisely because Europe has high environmental awareness that we can introduce sustainability initiatives, even if they involve high costs" (Chemicals).

Q.

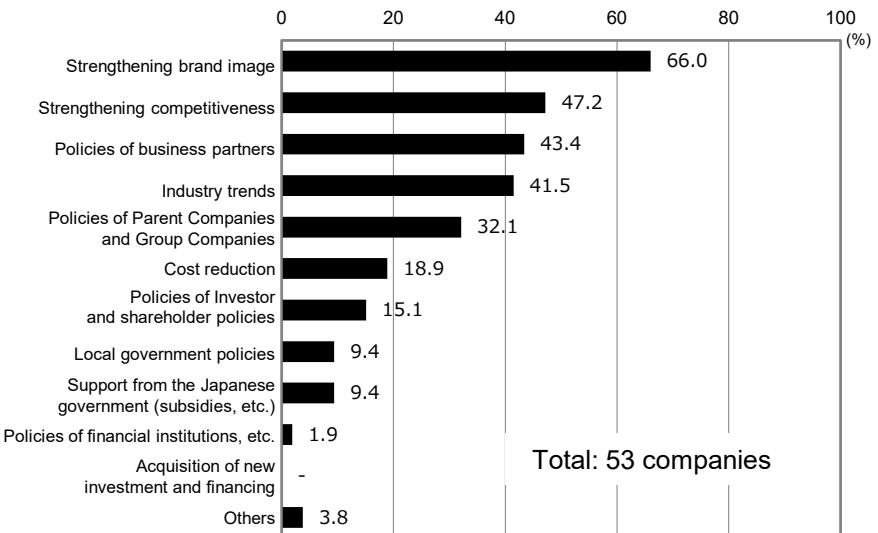
In response to the Trump administration's policies and growing awareness of energy security, there are signs of a global backlash against decarbonization and energy transition. Please explain your company's policies and the background behind it. (Multiple answers allowed for background)

**Figure 7-3: Direction of Sustainability-Related Policies**



**Figure 7-4: Companies that responded "Strengthen efforts"**  
**Background of Corporate Policy**

Overall



#### ■ Sustainability initiatives maintained or strengthened

- Over 80% of companies responded that they will not change their sustainability policies in light of the Trump administration's stance. Reasons cited for "no change" included: "We believe the long-term direction requiring sustainability initiatives remains unchanged" (General Machineries).
- Approximately 12% of companies stated they would strengthen their initiatives. The most common reason cited was "enhancing brand image (66.0%)", followed by "strengthening competitiveness (47.2%)". Companies that cited "strengthening competitiveness" stated, "Increased customers' environmental awareness means eco-friendly products lead to higher sales" (General Machineries). Specific initiatives included "developing biomass materials to replace plastics" (Automobile) and "expanding development of hydrogen production equipment" (General Machineries).
- In the Automobiles sector, many companies indicated they would "strengthen initiatives," with comments such as, "The shift to EVs is irreversible, so the automobiles parts industry related to engines has no choice but to advance EV adoption." In the Chemicals sector, fewer companies indicated they would "strengthen initiatives," with comments such as, "While we expect these initiatives to be advantageous in the long term, we have not yet seen tangible demand driven by decarbonization in the short term."

## **II. Analysis of Non-Manufacturing Industries**

## 1. Survey Target Companies

- The survey targeted Japanese non-manufacturing companies that have three or more overseas affiliates.

## 2. Number of Surveyed Companies and Survey Method

- Number of Surveyed Companies: 757
- Method: Same as the manufacturing survey

## 3. Response Status

- Number of Responses: 192 companies
  - \* 18 companies responded by mail, 174 companies by web
- Response rate: 25.4%

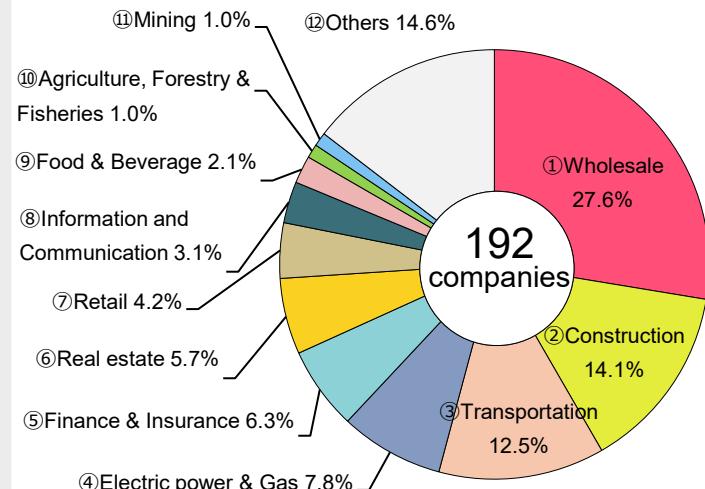
## 4. Survey Period

- Same as the manufacturing survey

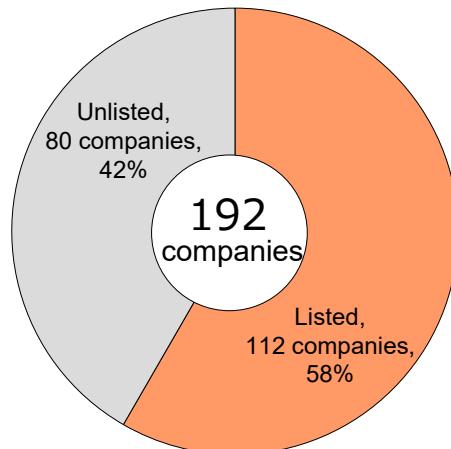
## 5. Survey Items

- Same as the manufacturing survey

**Figure 1-1: Responding Companies (by sector)**



**Figure 1-2: Profile of Responding Companies (Listed/ Unlisted)**



(companies)

Industry Type	FY2025	Proportion
① Wholesale	53	27.6%
② Construction	27	14.1%
③ Transportation	24	12.5%
④ Electric power & Gas	15	7.8%
⑤ Finance & Insurance	12	6.3%
⑥ Real estate	11	5.7%
⑦ Retail	8	4.2%
⑧ Information and Communication	6	3.1%
⑨ Food & Beverage	4	2.1%
⑩ Agriculture, Forestry & Fisheries	2	1.0%
⑪ Mining	2	1.0%
⑫ Others	28	14.6%
Total	192	100.0%

**Figure 1-3: Number of Responding Companies (by Capitalization, Non-Consolidated)**

Paid-in Capital	FY2025	Proportion
Less than ¥300 mn.	37	19.3%
¥300mn. up to ¥1 bn.	23	12.0%
¥1 bn. up to ¥5 bn.	36	18.7%
¥5 bn. up to ¥10 bn.	19	9.9%
¥10 bn. or more	72	37.5%
Holding company	5	2.6%
No response	0	0.0%
Total	192	100.0%

(Note) For the purposes of this study, the definition of "small and medium enterprises" is enterprises with a capital of less than 1 billion yen.

Figure 1-4:

## Distribution of Japanese Companies' Overseas Affiliates



Figure 1-5: Distribution of Overseas Affiliates

	Country/Region	No. of respondents (company)	Proportion
1	China	114	63.3%
2	Thailand	113	62.8%
3	Vietnam	96	53.3%
4	the U.S.	89	49.4%
5	Singapore	81	45.0%
5	Indonesia	81	45.0%
7	Malaysia	67	37.2%
8	Hong Kong	52	28.9%
9	Taiwan	51	28.3%
10	India	47	26.1%
11	EU14	43	23.9%
12	Philippines	34	18.9%
12	UK	34	18.9%
14	Australia	29	16.1%
15	Myanmar	24	13.3%

Figure 1-6: Overseas Sales Ratio

	Overseas Sales Ratios			
	No. of respondents (company)	FY2024 Actual (%)	No. of respondents (company)	FY2025 Projected (%)
Total	176	20.2	175	20.4
Agriculture, Forestry & Fisheries	1	75.0	1	75.0
Mining	2	45.0	2	45.0
Retail	7	25.0	7	25.0
Information and Communication	6	23.3	6	23.3
Finance & Insurance	11	23.2	10	21.0
Wholesale	47	22.9	47	23.3
Transportation	20	21.0	20	21.0
Real estate	10	19.0	10	19.0
Food & Beverage	4	15.0	4	15.0
Construction	27	13.1	27	13.5
Electric power & Gas	14	8.6	14	8.6
Others	27	22.0	27	23.1

Q. As of March 2025, which of the following best describes the "Evaluation of Earnings Performance" for countries/regions where your company has overseas subsidiaries for production and sales? "1. Above the target", "2. Mostly as planned", or "3. Below the target" (single answer)

**Figure 2-1: Overseas Performance Evaluation (%)**

(FY)	FY2024
Above the target	19.9
Mostly as planned	48.9
Below the target	31.2

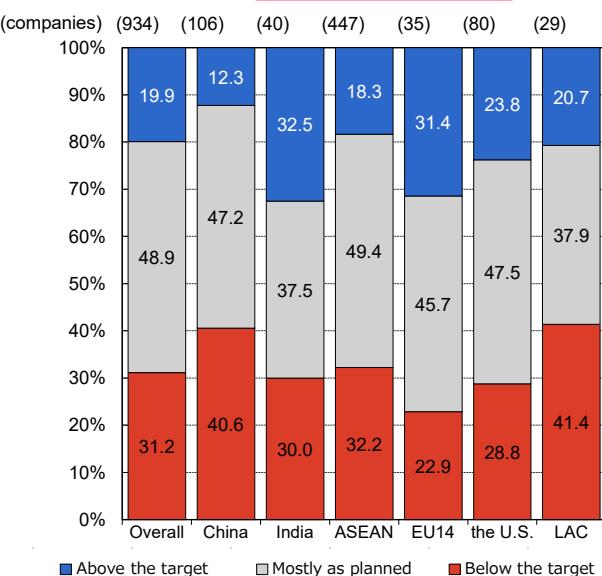
(Note) Average of evaluation points for each region/country of operation. average of the ratings.

■ The EU14 and India performed well, while 40% of companies in China fell short their target

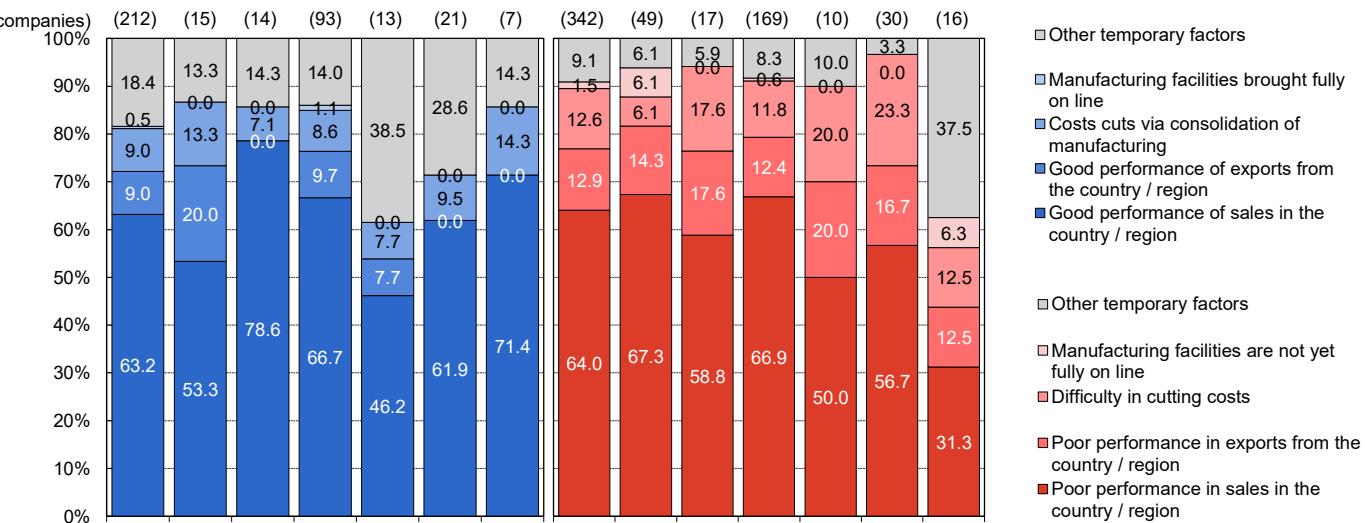
- Regarding actual overseas revenue, the percentages of companies reporting that their revenue exceeded their target and fell short of their target were 19.9% and 31.2%, respectively.
- By country/region, India and EU14 had relatively higher proportions reporting "above the target." Many companies reporting 'exceeded' in India were construction-related, with comments such as "Infrastructure development is advancing due to national policy, leading to strong related inquiries." (Construction) In the EU14, 40% of companies reporting "above the target" were in the Electric power & Gas sector, with comments like "EU electricity prices remained higher than expected, leading to increased revenue" (Electric power/Gas).
- In China and LAC, over 40% of respondents reported that performance of sales were below target. In China, over half of the responses came from Wholesale, with "poor performance of sales" cited as the most common reason compared to other countries/regions. Some respondents commented "In China, Japanese companies are struggling due to the rise of local automobile companies. Additionally, local companies in daily necessities and home appliances are also struggling due to declining personal consumption amid the economic downturn." In LAC, comments included: "The weakening of the Mexican peso against the US dollar increased import costs for Automobiles (Parts), squeezing profits. Furthermore, companies remain cautious due to the impact of the U.S. Tariffs."

**Figure 2-2: Overseas Performance Evaluation**

By Country/Region

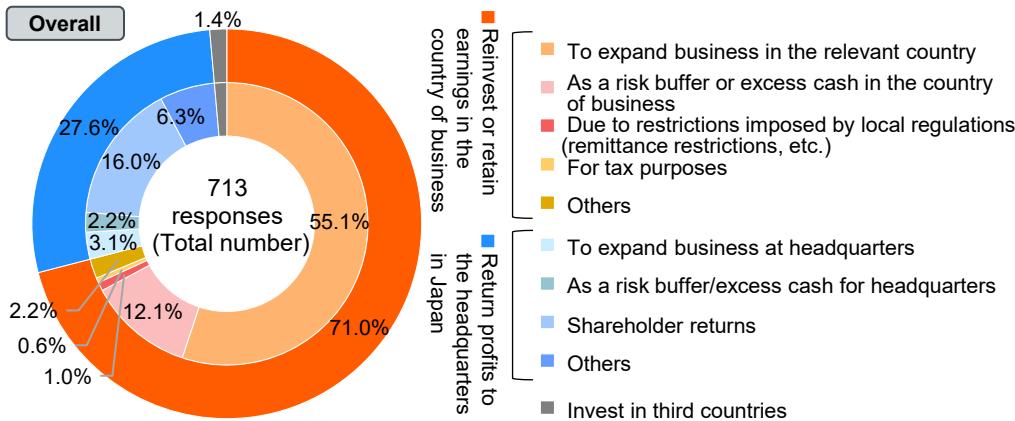


**Figure 2-3: Reasons for Exceeding the Target / Falling Below the Target**



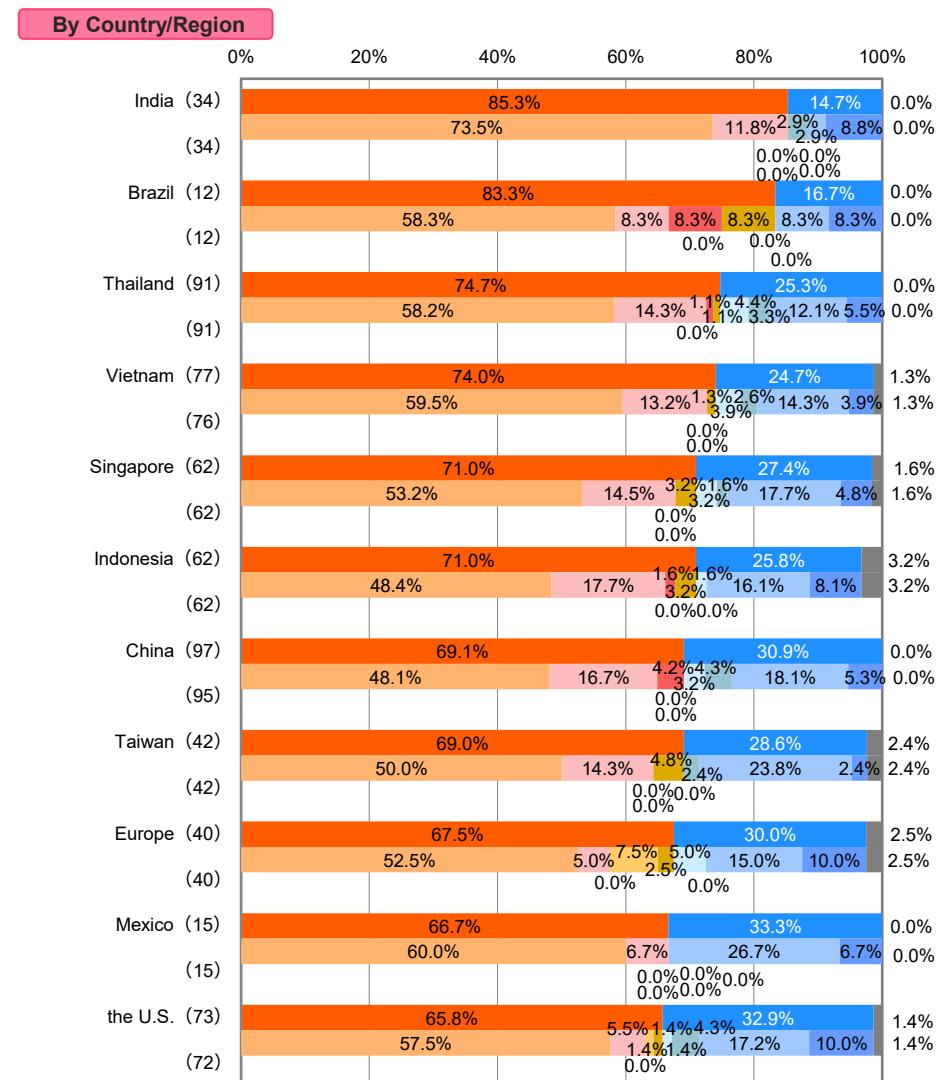
Q. How are the profits generated by overseas subsidiaries mainly used? Please select from: "1. Reinvest or retain earnings in the country of business," "2. Invest in a third country," or "3. Return profits to the headquarters in Japan."

Figure 2-4: Methods of Utilizing Earnings from Oversea Subsidiaries



■ Over 70% choose to "reinvest or retain earnings in the country of business."

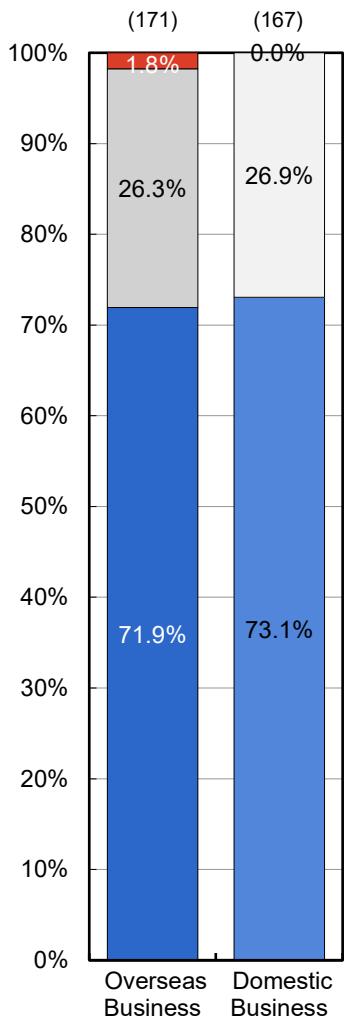
- Companies selecting "1. Reinvest or retain earnings in the country of business" accounted for 71.0% of the total, 8.3 percentage points higher than manufacturing companies (62.7%). Similar to manufacturing, many companies stated that the headquarters return rate is determined for their entire company, or that they adjust the execution method based on the size of the overseas subsidiaries.
- India had the highest proportion of companies that responded with "to expand business in the country of business." This response was particularly common in Construction and Transportation. During interviews, comments included: "We plan new investments due to expected increases in volume driven by economic growth and population growth" (Transportation).
- Companies citing "due to restrictions imposed by local regulations (remittance restrictions, etc.)" as the reason for reinvestment or retaining earnings was highest in Brazil at 8.3%, followed by China.
- Among companies selecting "3. Return profits to the headquarters in Japan," the vast majority indicated they would conduct shareholder returns.
- Only 1.4% of companies selected "2. Investment in a third country," a small number similar to manufacturing.



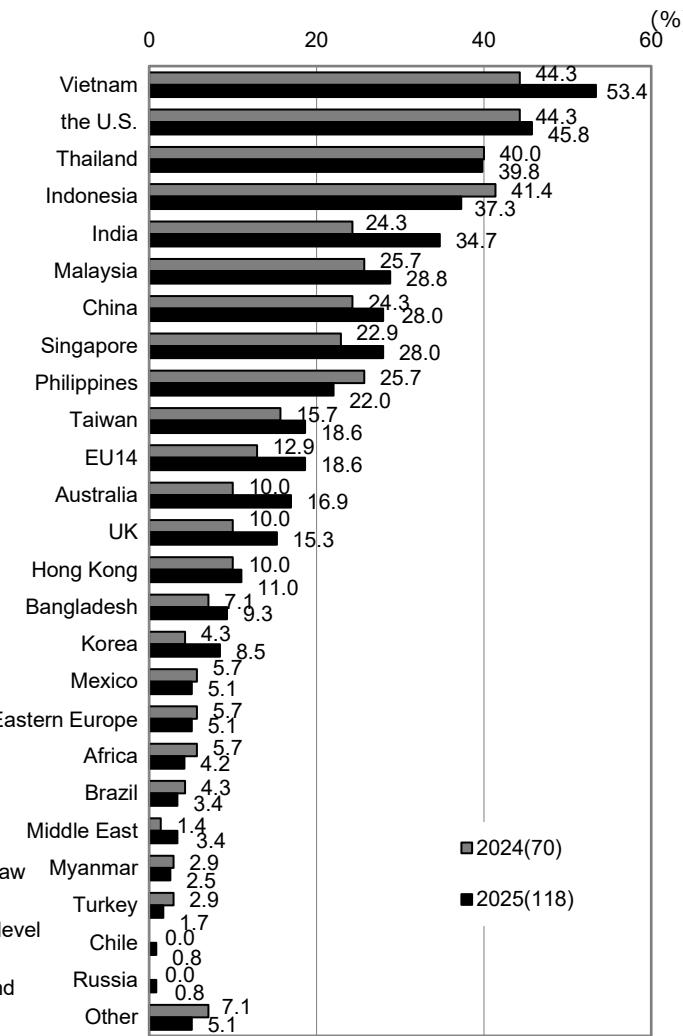
Q.

We would like to ask those who selected “strengthening/ expanding” for overseas business development. Which country/region is it? (Multiple answers allowed)

**Figure 3-1: Prospects for Medium-Term (next 3 years) Overseas Business Expansion**



**Figure 3-2: Countries to Strengthen**



■ **Vietnam ranked first among countries where companies plan to “Strengthen/Expand”**

- 71.9% of companies responded they would “Strengthen/Expand” overseas operations, while 73.1% responded they would “Strengthen/Expand” domestic operations, both exceeding 70%.
- By country, over half (53.4%) of companies in Vietnam indicated a “Strengthen/Expand” stance. In interviews, comments included: “Due to the challenging business environment and geopolitical risks in China, there is a strong trend of shifting bases from China to Vietnam” (Wholesale). Comments such as “The target middle-income segment is broadening, creating expanded business opportunities” (Finance & Insurance, Retail) were also made, reflecting heightened expectations driven by economic growth.
- The U.S. ranked second after Vietnam. It was particularly popular among power and gas companies. One comment noted, “The U.S. offers a favorable environment for Japanese companies, given we have conducted business there for a long time. Furthermore, LNG exports are an area where cooperation from the U.S. government can be expected. Additionally, long-term growth in electricity demand is anticipated due to factors like data centers, leading to our decision to strengthen our presence” (Electric power & Gas).
- India gained over 10 percentage points in votes compared to last year. It received many votes from power and gas companies, with comments such as, “India’s market, where electrification, population growth, and infrastructure development are advancing, is a promising market” (Electric power & Gas). On the other hand, some pointed out issues: “India’s market is monopolized by conglomerates and state-owned power companies, making it difficult to expand business by figuring out how to open up sales channels” (Electric power & Gas).

# (1) Promising Countries: Potential Countries/Regions in the Medium-Term Ranking

Non-manufacturing

Q.

Please list up to five promising countries for business development in the medium term (the next 3 years). (Multiple answers allowed, free format)

**Figure 4-1: Promising Countries for Overseas Business over the Medium-Term (next 3 years)**

2025	←	2024	Countries /Regions	No. of Companies		Percentage Share (%)	
				2025 (Total 115)	2024 (Total 69)	2025	2024
1	➡	1	India	48	28	41.7	40.6
2	⬆	4	U.S.	36	20	31.3	29.0
3	⬇	2	Indonesia	33	23	28.7	33.3
4	⬇	3	Vietnam	32	21	27.8	30.4
5	➡	5	Philippines	21	14	18.3	20.3
6	➡	6	Australia	14	8	12.2	11.6
7	⬇	6	Malaysia	13	8	11.3	11.6
8	➡	8	Thailand	12	7	10.4	10.1
9	➡	9	Singapore	11	6	9.6	8.7
10	⬆	11	China	10	5	8.7	7.2
11	⬇	9	Bangladesh	9	6	7.8	8.7
12	➡	12	Taiwan	7	4	6.1	5.8
12	⬆	16	UK	7	2	6.1	2.9
14	⬆	16	Germany	6	2	5.2	2.9
15	⬆	16	Korea	5	2	4.3	2.9
15	⬆	-	UAE	5	0	4.3	0.0
17	⬇	14	Brazil	3	3	2.6	4.3
17	⬇	16	Canada	3	2	2.6	2.9
17	⬆	23	New Zealand	3	1	2.6	1.4

**Figure 4-2: (Reference) List of countries ranked 20th or lower**

Ranking	No. of Companies	Countries/Regions
20	2	Netherlands, Saudi Arabia, Palau, France, Myanmar, Mexico
26	1	Italy, Ukraine, Egypt, Cambodia, Kenya, Spain, Chile, Turkmenistan, Turkey, Nepal, Norway, Paraguay, Poland, Laos, East Timor, South Africa, Ireland, Colombia, Papua New Guinea, Republic of Angola

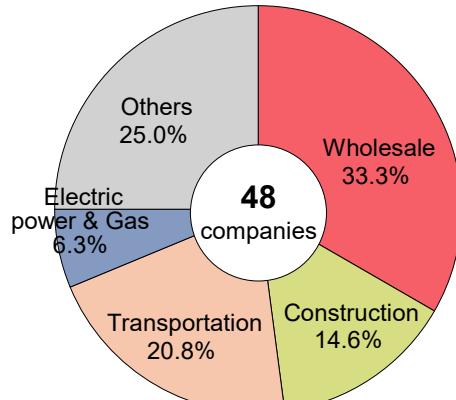
(Note 1) Last year's non-manufacturing survey targeted companies with three or more overseas subsidiaries that ranked in the top 50% by capital size within their respective industries. Therefore, the number of companies surveyed differs from this year.

(Note 2) In cases of tied rankings, countries were ranked based on their position in the previous survey.

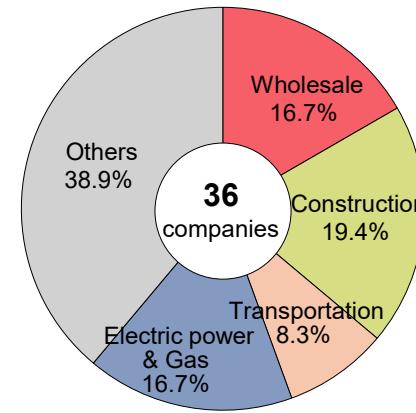
## ■ India ranked first for the second consecutive year

- India ranked first with a 41.7% share of votes, driven by expectations for local market expansion in sectors such as Wholesale and Transportation, following the entry of Japanese manufacturers.
- The U.S. ranked second with a 31.3% share, driven by its robust domestic economy, thriving data center-related businesses, and support from fossil fuel-related industries.
- Indonesia and Vietnam ranked third and fourth, respectively, despite lower vote shares than the previous survey. This reflects expectations for economic growth, driven by factors such as rising energy demand associated with population growth.
- The Philippines received many votes from the transportation sector. Comments included: "It is an English-speaking island nation and offers favorable tax incentives," and "Domestic transportation networks are insufficient, and the business has room for growth, so future growth is expected" (both from transportation).
- Australia garnered votes from a broad range of sectors, including Construction, Electric power & Gas, as well as Real estate and Finance & Insurance – sectors common in developed nations.
- China ranked 10th with an 8.7% share of votes. During interviews, comments included: "Japanese companies are withdrawing, so we have no plans to strengthen our presence, but it does have a certain market size" (Wholesale).
- Bangladesh ranked 11th, down from its previous vote share (8.7%). It received many votes from the Construction sector, with comments such as, "While there are uncertainties like political upheaval, there is demand for infrastructure construction driven by foreign aid" (Construction).

Figure 4-3: Breakdown by Industry

① India**Highly Regarded in Local Market**

- Wholesale responses were prominent. Selected companies stated, "We are considering re-entering the market as the Make in India policy promotes new factory construction and boosts machinery demand" (Wholesale).
- The local legal system was frequently cited as an issue. Specifically, one respondent noted, "Customers require a BIS (Bureau of India Standards) certification, but the requirements for obtaining it are unclear, causing difficulties" (Construction).

② U.S.**Growing Expectations for Data Center-Related Sectors**

- Data center (DC) related businesses expanded, garnering votes from Construction and Electric Power & Gas. Interviews revealed comments like: "Demand for DC construction is growing" (Construction) and "We expect power demand to increase due to DCs" (Electric power & Gas).
- While "rising labor costs" were frequently cited as an issue, some noted, "We pass these costs on to the final price, so it's not a problem" (Construction).

Promising Reasons	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	47	28		
Future growth potential of local market	43	26	91.5	92.9
Current size of local market	16	12	34.0	42.9
Concentration of industry	12	5	25.5	17.9
Qualified human resources	11	7	23.4	25.0
As an export base to Japan	8	3	17.0	10.7

Issues	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	45	28		
Execution of legal system unclear	24	11	53.3	39.3
Underdeveloped legal system	17	4	37.8	14.3
Execution of tax system unclear	16	8	35.6	28.6
Complicated tax system	15	12	33.3	42.9
Intense competition with other companies	14	6	31.1	21.4

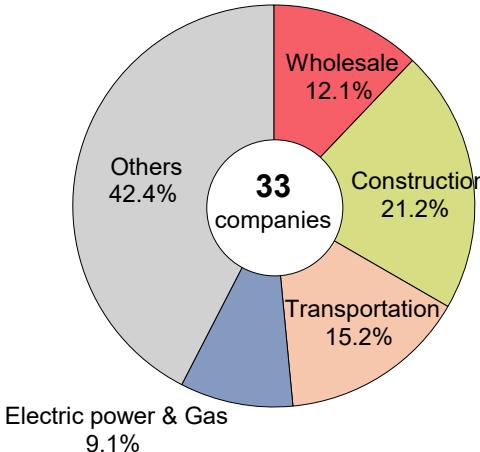
(Note) Only the top five promising reasons and issues are listed.

Promising Reasons	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	35	20		
Current size of local market	22	15	62.9	75.0
Future growth potential of local market	17	8	48.6	40.0
Profitability of local market	16	5	45.7	25.0
Qualified human resources	7	2	20.0	10.0
Stable social/political situation	7	6	20.0	30.0

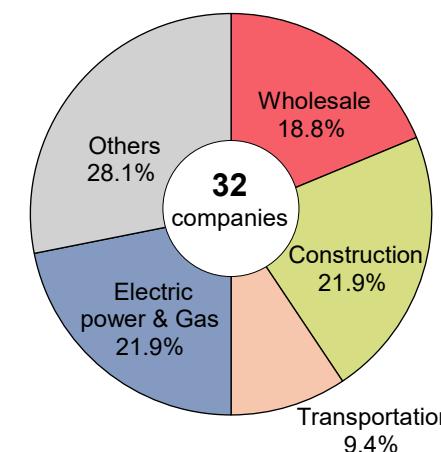
  

Issues	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	33	16		
Rising labor costs	17	10	51.5	62.5
Intense competition with other companies	17	9	51.5	56.3
Labor problems	6	2	18.2	12.5
Security/social instability	6	1	18.2	6.3
Execution of legal system unclear	5	0	15.2	0.0
Restriction for foreign investment	5	0	15.2	0.0

Figure 4-3: Breakdown by Industries

③ Indonesia**■ High Expectations for Market Growth**

- Evaluations of local market size and growth potential remained high, with comments such as "Market growth will drive resource demand" (Mining).
- Many respondents cited institutional aspects such as legal system execution and customs procedures as issues. During interviews, comments like "There are many procedures regarding work permits and taxation" (Wholesale) were made.

④ Vietnam**■ Focus on Inexpensive Qualified Human Resources in Addition to Market**

- Regarding the growth potential of the local market, comments included: "The large young population makes it attractive in terms of both market and human resources/staff" (Transportation).
- Many respondents cited fierce competition with other companies as an issue, with comments such as "Competition is intensifying as Korean and Thai companies accelerate store openings" (Retail). Legal system-related issues were also prominent, with comments like "Interpretations of laws vary by ministry, creating complexity" (Retail).

Promising Reasons	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	32	23		
Future growth potential of local market	22	18	68.8	78.3
Current size of local market	13	9	40.6	39.1
Inexpensive source of labor	6	2	18.8	8.7
Profitability of local market	6	2	18.8	8.7
Concentration of industry	5	1	15.6	4.3

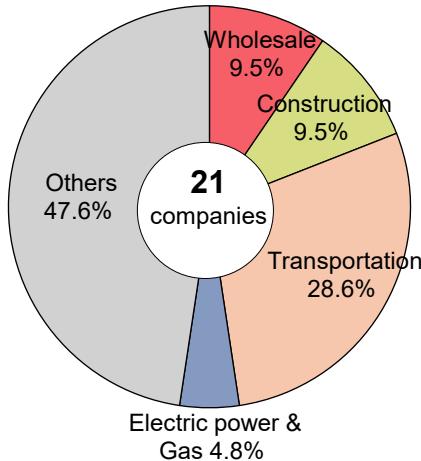
Issues	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	31	23		
Execution of legal system unclear	9	7	29.0	30.4
Intense competition with other companies	8	6	25.8	26.1
Local import restrictions and customs procedures	7	2	22.6	8.7
Difficult to secure management staff	7	3	22.6	13.0
Rising labor costs	7	6	22.6	26.1

Promising Reasons	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	32	21		
Future growth potential of local market	26	14	81.3	66.7
Inexpensive source of labor	12	8	37.5	38.1
Current size of local market	10	9	31.3	42.9
Qualified human resources	8	7	25.0	33.3
Good for risk diversification to other countries	7	2	21.9	9.5

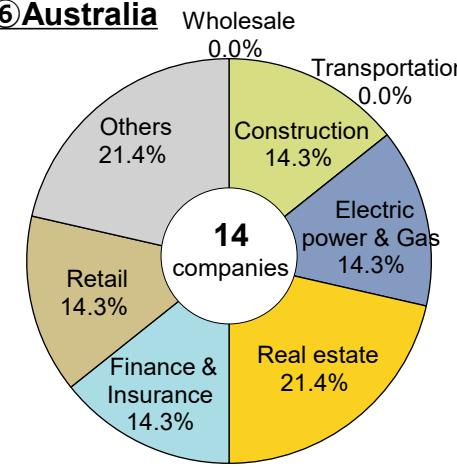
Issues	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	31	21		
Intense competition with other companies	14	4	45.2	19.0
Execution of legal system unclear	13	7	41.9	33.3
Underdeveloped legal system	9	4	29.0	19.0
Complicated/Unclear procedures for investment permission	9	9	29.0	42.9
Rising labor costs	9	9	29.0	42.9

(Note) Reasons for promise and issues list the top five.

Figure 4-3: Breakdown by Industries

**⑤ Philippines****Highly Rated by Transportation**

- There were particularly many responses from the transportation industry. During interviews, reasons cited for promising prospects included: "There are exports-oriented special economic zones, and transportation demand from those zones is high. Also, it is an English-speaking region" (Transportation).
- Issues cited included security and legal system issues, as well as competition from other companies. One respondent noted, "Competitors are not local firms, but Japanese and other foreign companies" (Transportation).

**⑥ Australia****Broad-Based Support Across Industries**

- Responses were received from a wide range of industries. During interviews, comments included "Continuing ongoing resource development" (Electric power & Gas) and "High market transparency" (Real estate) for promising reasons.
- Issues included "rising labor costs" and "intense competition with other companies in the local market." During interviews, comments included: "Competition with local companies is fiercer than with Japanese companies" (Finance).

Promising Reasons	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	21	14		
Future growth potential of local market	12	7	57.1	50.0
Inexpensive source of labor	7	4	33.3	28.6
Current size of local market	7	4	33.3	28.6
Concentration of industry	4	1	19.0	7.1
Base of export to third countries	4	1	19.0	7.1
Profitability of local market	4	1	19.0	7.1

Issues	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	21	13		
Security/social instability	8	2	38.1	15.4
Underdeveloped legal system	6	1	28.6	4.3
Execution of legal system unclear	6	4	28.6	30.8
Intense competition with other companies	6	2	28.6	15.4
Difficult to secure management staff	5	2	23.8	15.4

(Note) Reasons for promise and issues list the top five.

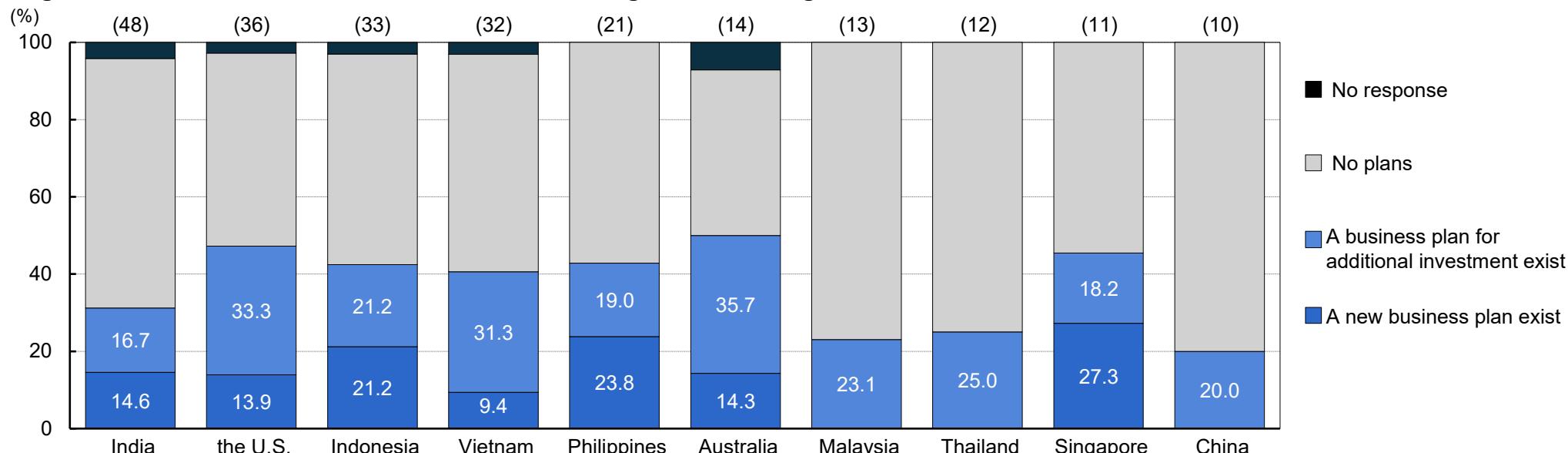
Promising Reasons	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	13	7		
Profitability of local market	9	3	69.2	42.9
Future growth potential of local market	8	2	61.5	28.6
Stable social/political situation	7	3	53.8	42.9
Current size of local market	5	2	38.5	28.6
Developed local infrastructure	2	0	15.4	0.0
Promising potential for decarbonization-related regulations and infrastructure development	2	3	15.4	42.9

Issues	No. of Companies		Percentage (%)	
	2025	2024	2025	2024
Total	10	7		
Rising labor costs	6	4	60.0	57.1
Intense competition with other companies	4	4	40.0	57.1
Difficult to secure technical/engineering staff	2	0	20.0	0.0
Lack of information on the country	2	1	20.0	14.3
Labor problems	1	1	10.0	14.3

#### Non-manufacturing

**Q.** Please select the countries that you consider promising in the medium term (the next three years or so), and select the applicable items regarding your company's business plan in each country.

**Figure 4-4: Existence of Business Plans in Promising Countries/Regions**



(Note 1) The ratios in the graph represent the number of companies that responded "Yes" to having business plans divided by the number of companies that responded that the country is promising.

(Note 2) The numbers in parentheses on the bar graph indicate the number of companies that responded that the relevant country was promising in Figure 4-1.

#### ■ India Expands in Infrastructure, U.S. in Energy, ASEAN Sees New Bases in Transportation and Other Sectors.

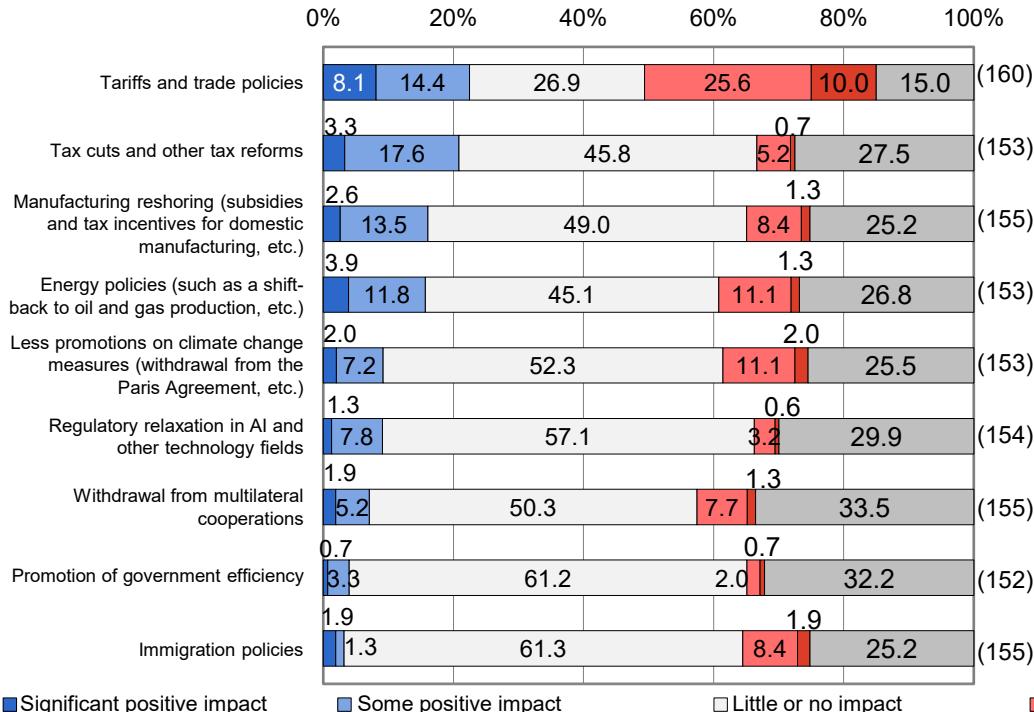
- The percentage of companies with plans generally ranged from 20% to 50% across countries. While India's percentage remained around 30%, responses included: "The country is advancing infrastructure development as a national policy, so we plan to expand our business" (Electric power & Gas, Construction), and "We have been regularly monitoring the situation for several years and recognize the need to expand our business but the complexity of the legal system has prevented us from fully engaging and establishing concrete plans." (Wholesale).
- In the U.S., the Electric power & Gas sector reported numerous plans for additional energy-related investments. Reasons cited included strong performance in resource-related businesses like LNG and shale oil, and growing interest in small modular reactors (SMRs) driven by data center construction.
- Transportation and Wholesale companies tend to relocate their bases in tandem with the relocation of manufacturing bases of their business partners. Comments included: "The movement to shift manufacturing bases from China to ASEAN countries, particularly Vietnam and Indonesia, is accelerating, so we are proceeding with establishing new bases in these two countries" (Transportation).
- Australia was the only surveyed country where the proportion of companies with plans exceeded 50%. Among companies reporting investment plans, the Electric power & Gas sector was prominent, with many citing strong existing operations as their basis for additional investment.

Q.

With regard to the policies currently being promoted by the Trump administration, how much impact do they have on your business operations?

**Figure 5-1: Impact of Trump Administration Policies**

Overall



■ Significant positive impact

■ Some positive impact

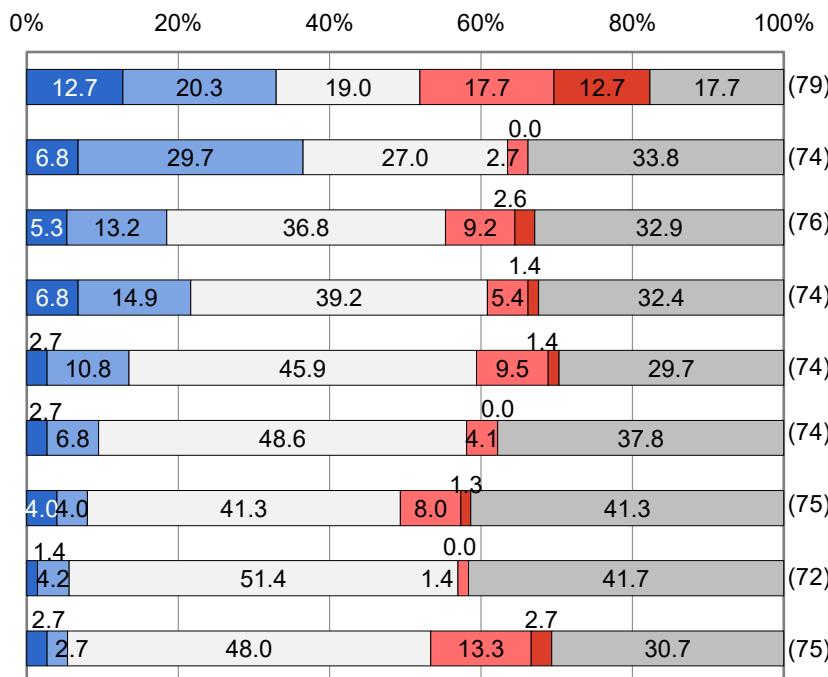
□ Little or no impact

■ Some negative impact

■ Significant negative impact

■ Unknown

**Figure 5-2: Impact of Trump Administration Policies (Companies with bases in the U.S.)**



■ Compared to manufacturing companies, the impact is smaller, but tariffs have both positive and negative effects. Tax reforms, manufacturing reshoring, and energy policies have largely positive impacts.

- Among the policies, responses indicating "significant/some positive impact" were highest for tariffs, followed by tax reforms, manufacturing reshoring, and energy policies. Regarding tariffs, indirect effects are significant, such as: "Shift of manufacturing companies from China to ASEAN would be positive for our company, which focuses on ASEAN operations" (Wholesale, Transportation). Regarding energy policy, one respondent noted, "The U.S. had very strict exhaust gas regulations on containers, etc., so the relaxation of them would have a positive impact" (Transportation).
- Policies with significant negative impacts included tariffs and less promotion of climate change. Tariffs were seen as negative by 35.6% of companies. Comments included: "For our gas business in the U.S., we procure pipelines from outside the U.S., so costs will rise" (Electric power & Gas), and "Due to cost increases from tariffs, customers are requesting lower shipping fees, which is negative" (Transportation).
- Looking specifically at companies with operations in the U.S., tariffs (33.0%) and tax reforms (36.5%) had the most significant positive impact. Conversely, 16.0% of companies reported negative impacts from immigration policy, indicating adverse effects on local employment.

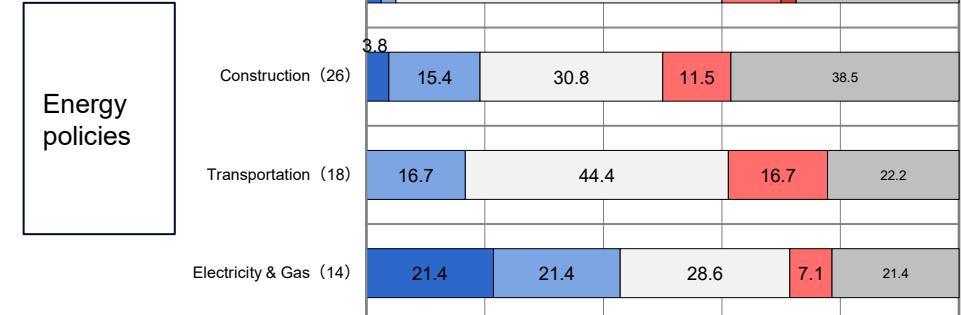
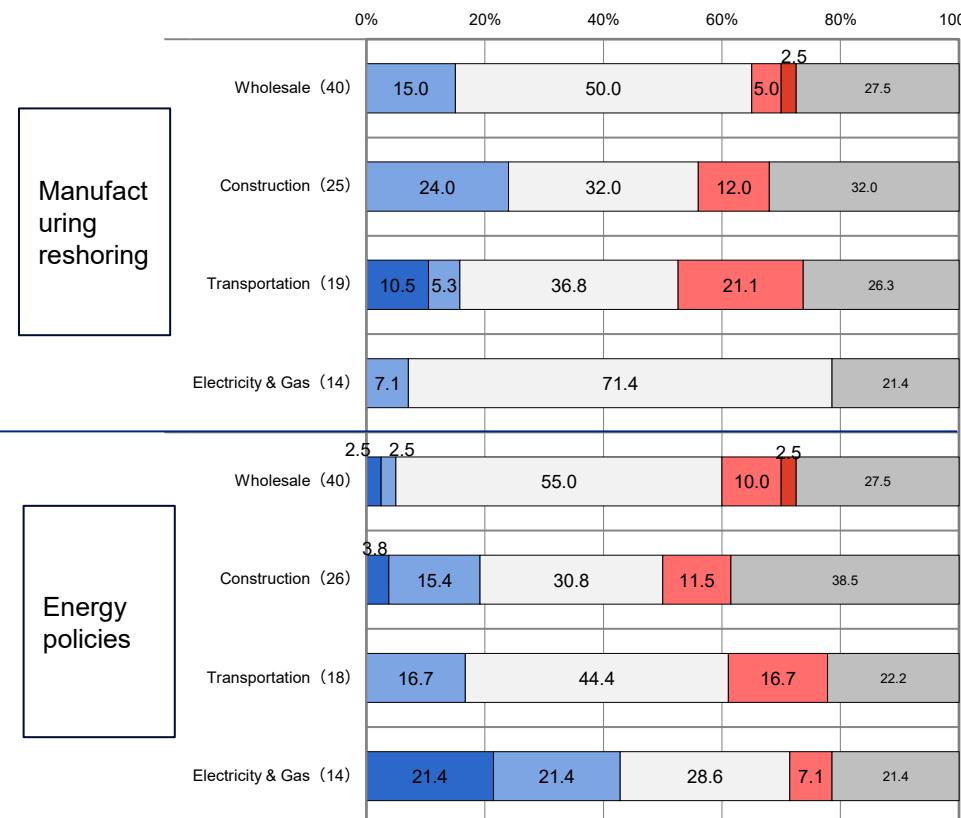
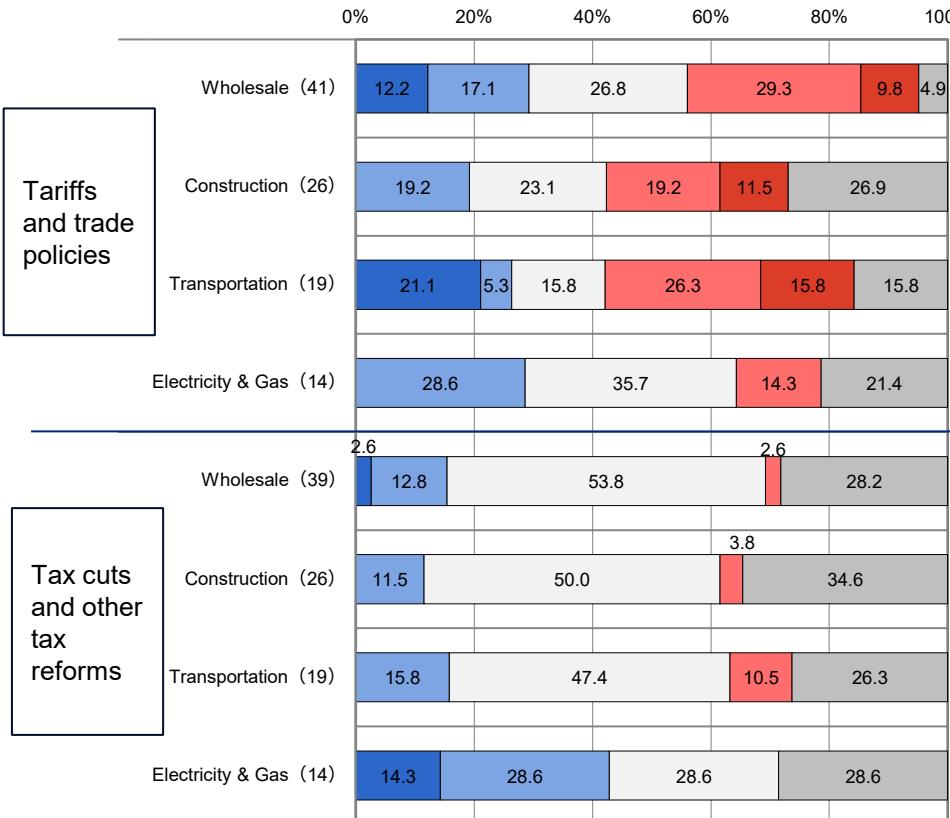
Q.

With regard to the policies currently being promoted by the Trump administration, how much impact do they have on your business operations?

**Figure 5-3: Impact of Trump Administration Policies**

By Industry

(Note) Top 4 industries with significant impact and top 4 industries with the most responses extracted.

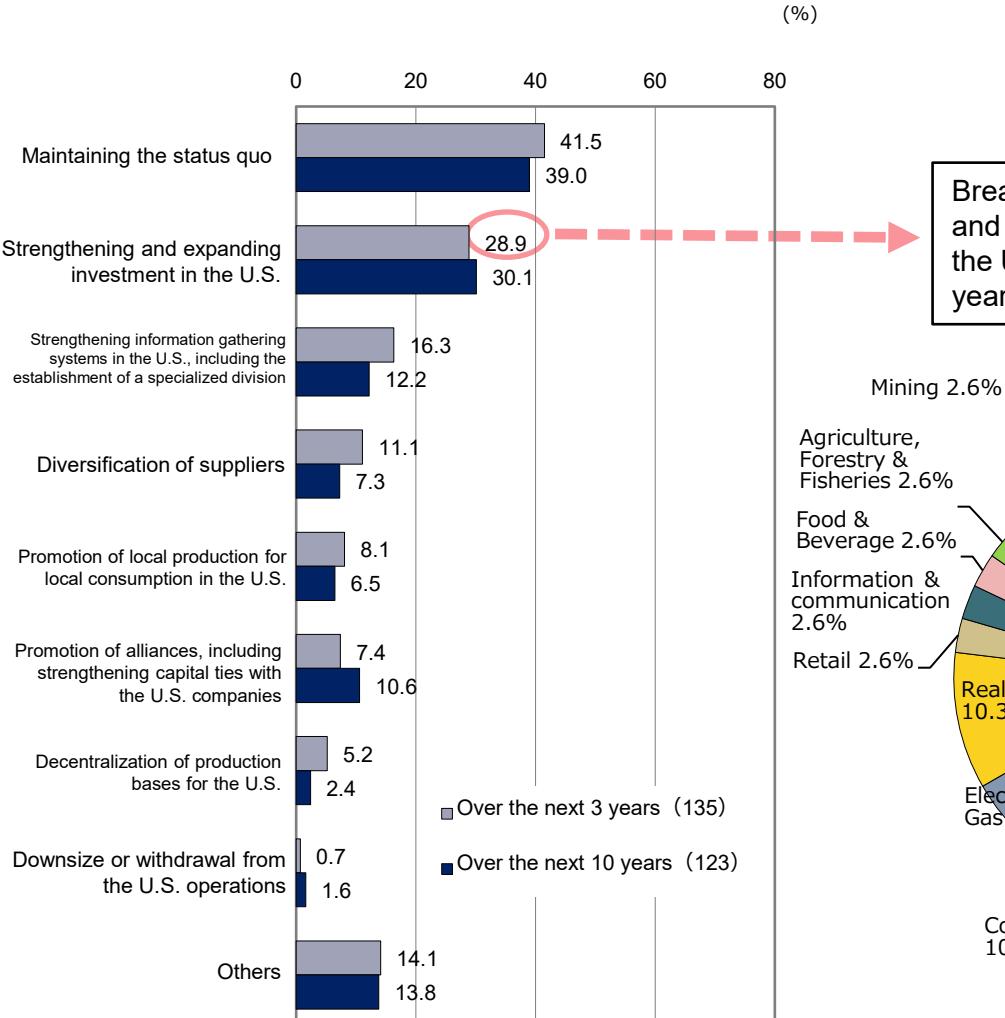


■ Significant positive impact   ■ Some positive impact   ■ Little or no impact   ■ Some negative impact   ■ Significant negative impact   ■ Unknown

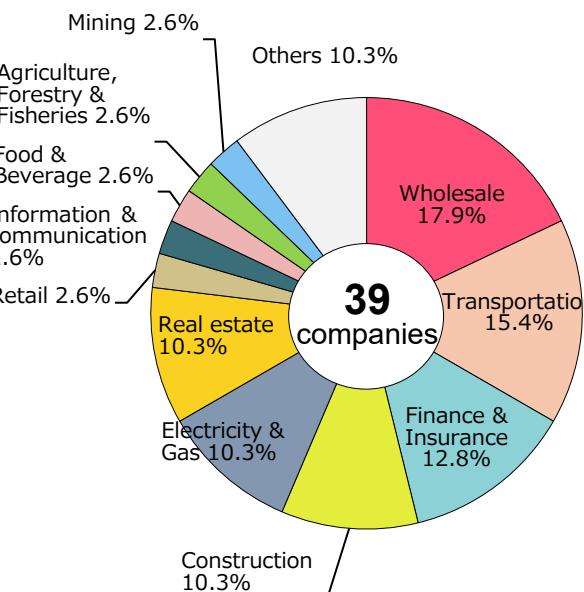
- By industry, tariffs had a relatively large negative impact on Wholesale and Transportation. Comments included: "We manufactured in Thailand for exports to the U.S., but U.S. customers now prefer local procurement to avoid tariffs, which has a negative impact" (Wholesale), and "Tariff caused rush demand, destabilizing supply and demand" (Transportation). Tax reforms had a significant positive impact on Electric power & Gas, where many companies have Overseas subsidiaries in the U.S. Regarding manufacturing reshoring, while some expressed optimism ("If demand for factory construction in the U.S. increases, it presents business opportunities" - Construction), others voiced concern ("If local production for local consumption advances in the U.S., it reduces the flow of goods, which has a negative impact" - Transportation). On energy policy, one respondent noted, "We are benefiting from the Trump administration's energy policies (such as support for LNG exports) regarding our LNG business in the U.S." (Electric power & Gas).

Q. Amid global business instability caused by changes in U.S. policies, how will you approach your U.S. operations in the medium term (approximately the next 3 years) and long term (approximately the next 10 years)?

**Figure 5-4: Approach to the U.S. Business Operations** Overall



Breakdown of Strengthening and expanding investment in the U.S. (over the next 3 years)



**While maintaining the status quo was the most common response, other measures such as Strengthening and expanding investment in the U.S., Strengthening information gathering systems in the U.S., and Diversification of suppliers were also selected.**

Regarding approaches to U.S. business operations, maintaining the status quo was the most common response for both the medium and long term, similar to manufacturing companies. Strengthening or expanding investment in the U.S. was the next most common choice. By industry, this was most prevalent in Finance & Insurance, following Wholesale and Transportation. One Finance & Insurance respondent stated, "The U.S. insurance and leasing market holds a significant share globally, and we want to strengthen/expand our investment."

Furthermore, while Strengthening information gathering systems in the U.S., Diversifying suppliers, and the Promotion of local production for local consumption in the U.S. were frequently cited as medium-term initiatives, Promotion of alliances with the U.S. companies was more commonly selected as a long-term initiative. Regarding the promotion of local production for local consumption, interviews revealed comments like: "In the short term, many companies are increasing local procurement to avoid tariff risks, so we want to focus not only on imports/exports but also on domestic transportation within the U.S." (Transportation). Responses regarding production base diversification came from sectors like Wholesale that also engage in manufacturing. Others comments included: "We currently have no plans to enter the U.S. market, but depending on market fluctuations, business plans may be possible" (Retail).

Q.

At each Service Provision Base, what impact do you expect the U.S. tariffs increases(\*) to have on profits? (\*Including the impact of retaliatory tariffs.)

Figure 5-5: Impact on Revenue at Each Base

Overall

■ Increase □ No impact ■ Decrease □ Unknown

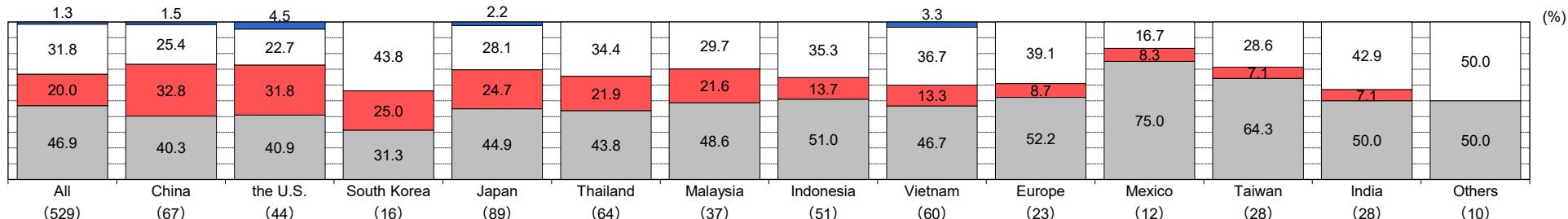
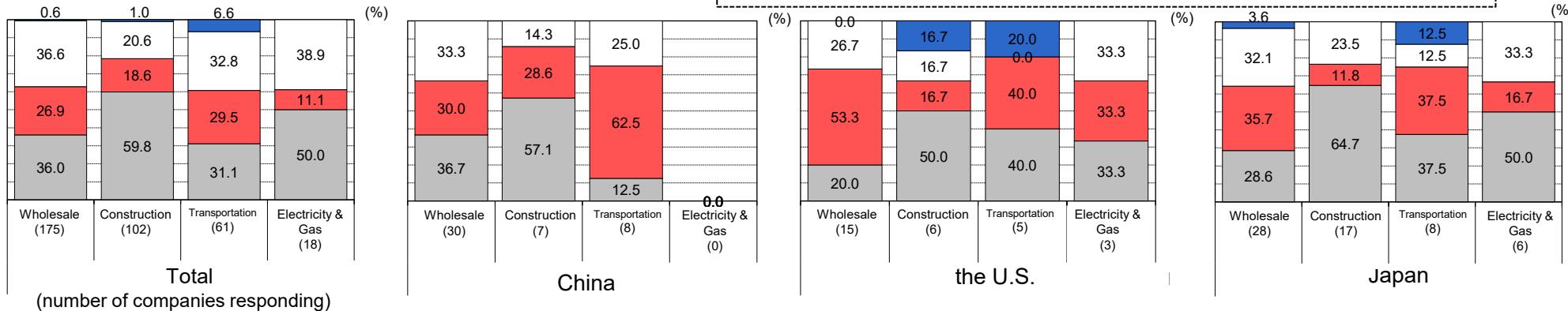


Figure 5-6: Impact on Revenue at Each Base

By Industry

(Note) By industry, the top two countries with the highest percentage of companies reporting a decrease in revenue impact and Japan were selected.



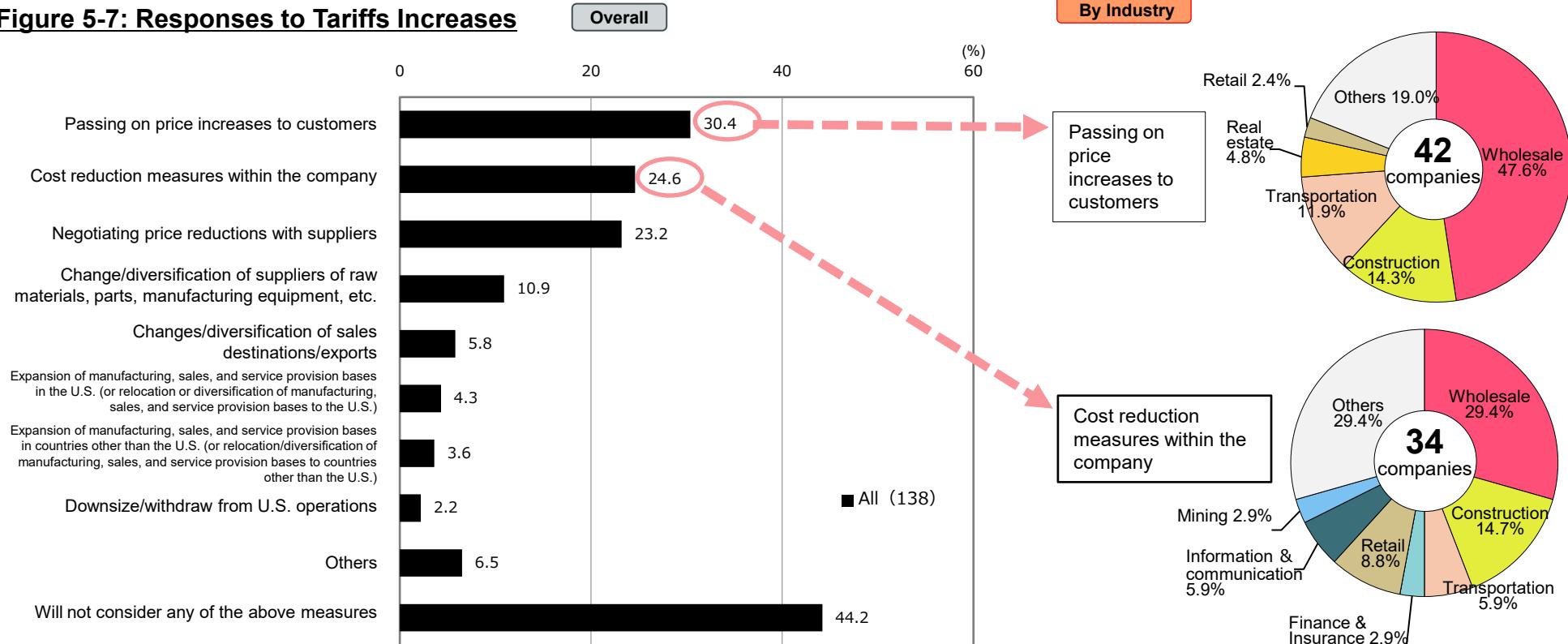
■ Many companies reported decreased profits in China, the U.S., etc., but some also noted slight profit increases in the U.S., Vietnam, etc.

- The countries reporting the highest proportion of revenue decrease responses were China (32.8%), the U.S. (31.8%), Korea (25.0%), and Japan (24.7%). Overall, the impact on revenue was smaller compared to the manufacturing companies. Comments included: "Exports from China to the U.S. have stopped due to tariff hikes" (Wholesale), "Increased shipping supply and lower charter rates resulted from adding vessels to handle fluctuating U.S.-China transport volumes caused by tit-for-tat tariffs" (Transportation), and "Thailand's suppliers plan to raise prices for our company to offset revenue losses from reduced U.S. business" (Construction).
- A few respondents also indicated that revenues would increase in the U.S. (4.5%) and Vietnam (3.3%). One Transportation company noted during the interviews, "We are receiving many inquiries from manufacturing customers looking to relocate production bases from China to Vietnam due to the U.S.-China friction."

Q.

What measures will you implement or consider implementing in response to the U.S. Tariffs increases (\*)? (\* Including the impact of retaliatory tariffs.)

Figure 5-7: Responses to Tariffs Increases



■ **Most companies will not consider countermeasures, but some are passing on price increase to customers, implementing cost reduction measures, or negotiating price reductions with suppliers.**

- Since the impact of tariffs is not as significant as in manufacturing companies, "Will not consider any of the measures" is the most common (44.2%). The next most common responses were "passing on price increases to customers" (30.4%), "cost reduction measures within the company" (24.6%), and "negotiating price reductions with suppliers" (23.2%). Responses also included changing/diversifying suppliers (10.9%) and changing/diversifying customers (5.8%).
- Looking at the breakdown by industry for passing price increases to customers, Wholesale accounted for nearly half. However, many of these companies also engage in some manufacturing. One Wholesale stated, "We also have exports to the U.S., so we are affected by tariffs. While working on cost reduction, we are considering passing on price increases."
- Regarding specific changes in suppliers, similar to manufacturing, some companies (e.g., Construction) are considering shifting or diversifying from China to Vietnam, Thailand, etc.

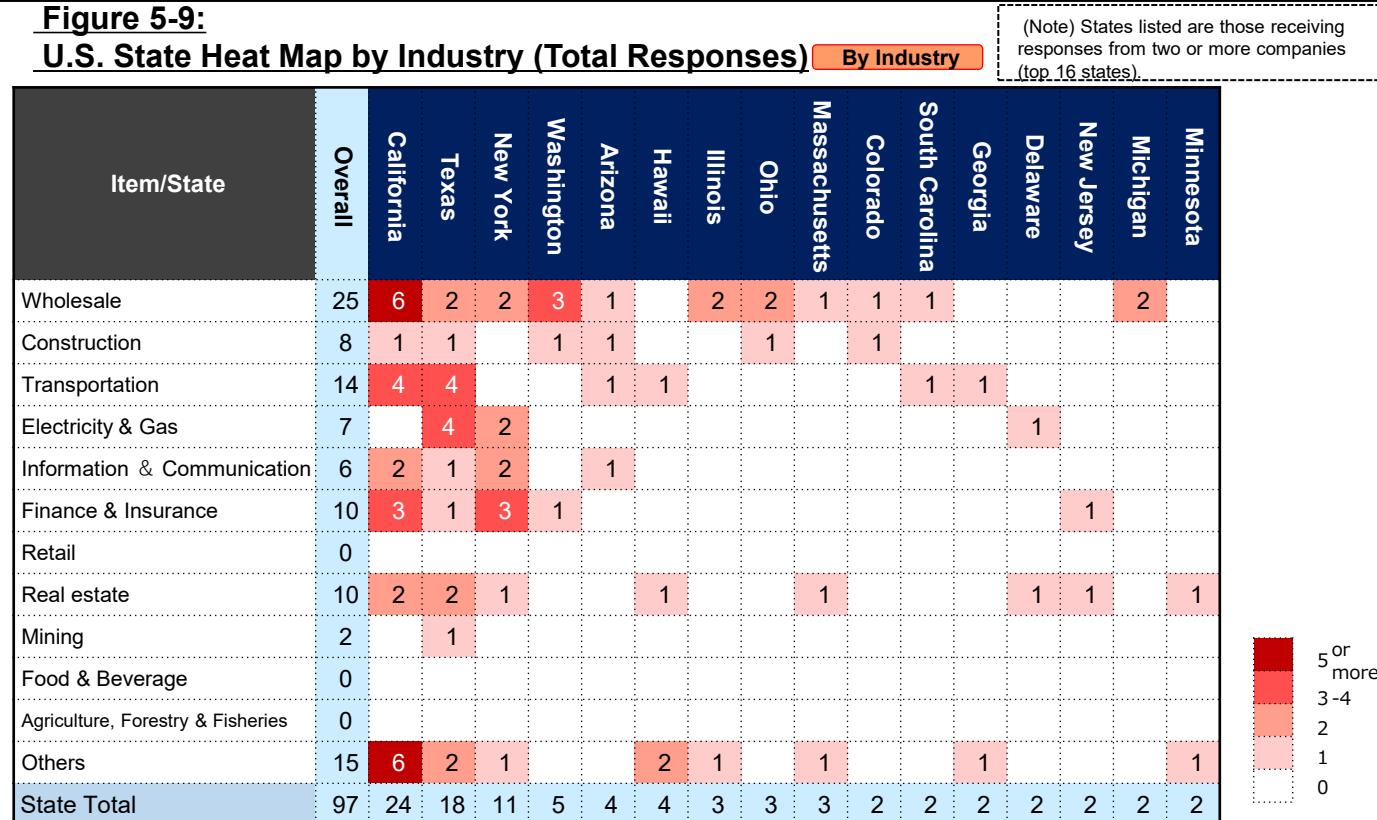
Q. Regardless of whether you currently have a base there, if you plan to start or expand your business in the U.S. in the future (or are considering it), please select up to three candidate states.

**Figure 5-8: U.S. State Rankings**

	State	No of Companies	Percentage
1	California (CA)	24	49.0%
2	Texas (TX)	18	36.7%
3	New York (NY)	11	22.4%
4	Washington (WA)	5	10.2%
5	Arizona (AZ)	4	8.2%
5	Hawaii (HI)	4	8.2%
7	Illinois (IL)	3	6.1%
7	Ohio (OH)	3	6.1%
7	Massachusetts (MA)	3	6.1%
10	Colorado (CO)	2	4.1%
10	South Carolina (SC)	2	4.1%
10	Georgia (GA)	2	4.1%
10	Delaware (DE)	2	4.1%
10	New Jersey (NJ)	2	4.1%
10	Michigan (MI)	2	4.1%
10	Minnesota (MN)	2	4.1%

**Figure 5-9:  
U.S. State Heat Map by Industry (Total Responses)**

(Note) States listed are those receiving responses from two or more companies (top 16 states).



■ **New York ranks third after California and Texas**

- Similar to Manufacturing companies, California and Texas ranked as the top two states. However, New York, which ranked 10th in manufacturing companies, secured the third position.
- Regarding California, it is selected for a wide range of non-manufacturing sectors including Wholesale, Transportation, Finance & Insurance, as well as Gaming and Education. Texas is chosen for Transportation and Electric power & Gas, while New York is selected for Finance & Insurance, Wholesale, Electric power & Gas, and Information & Communication. During interviews, comments were heard such as, "Texas has resources and active energy-related businesses" (Electric power & Gas).

### (3) States Under Consideration for Business Expansion in the U.S. (Decision Factors)

Non-manufacturing

Q. For each state selected in the previous question, what are the reasons for your selection? For each state, select up to three factors that are particularly important to your company from the following.

Figure 5-10: Factors Influencing State Selection

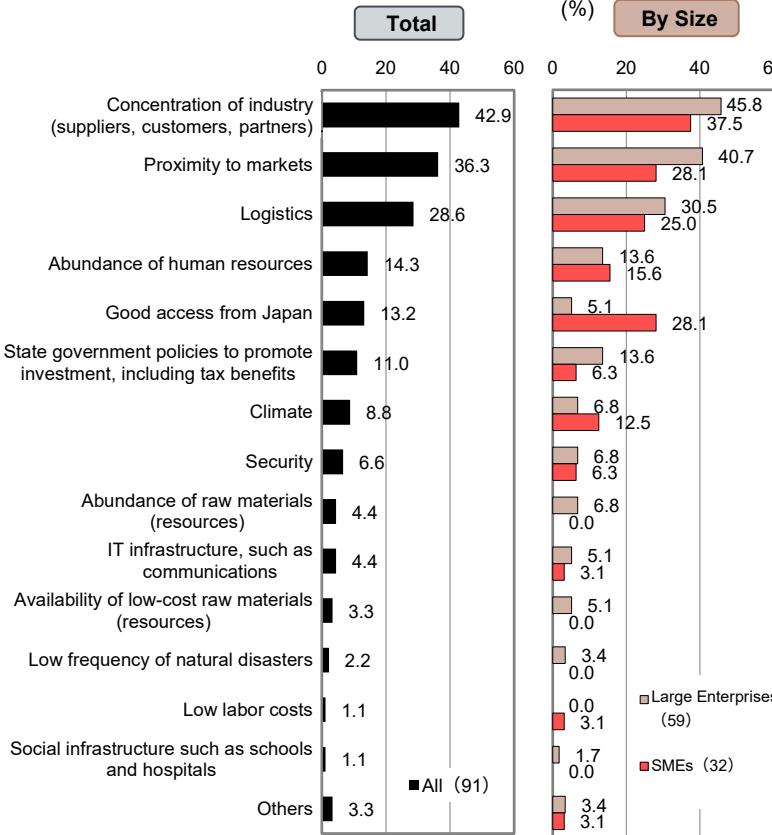
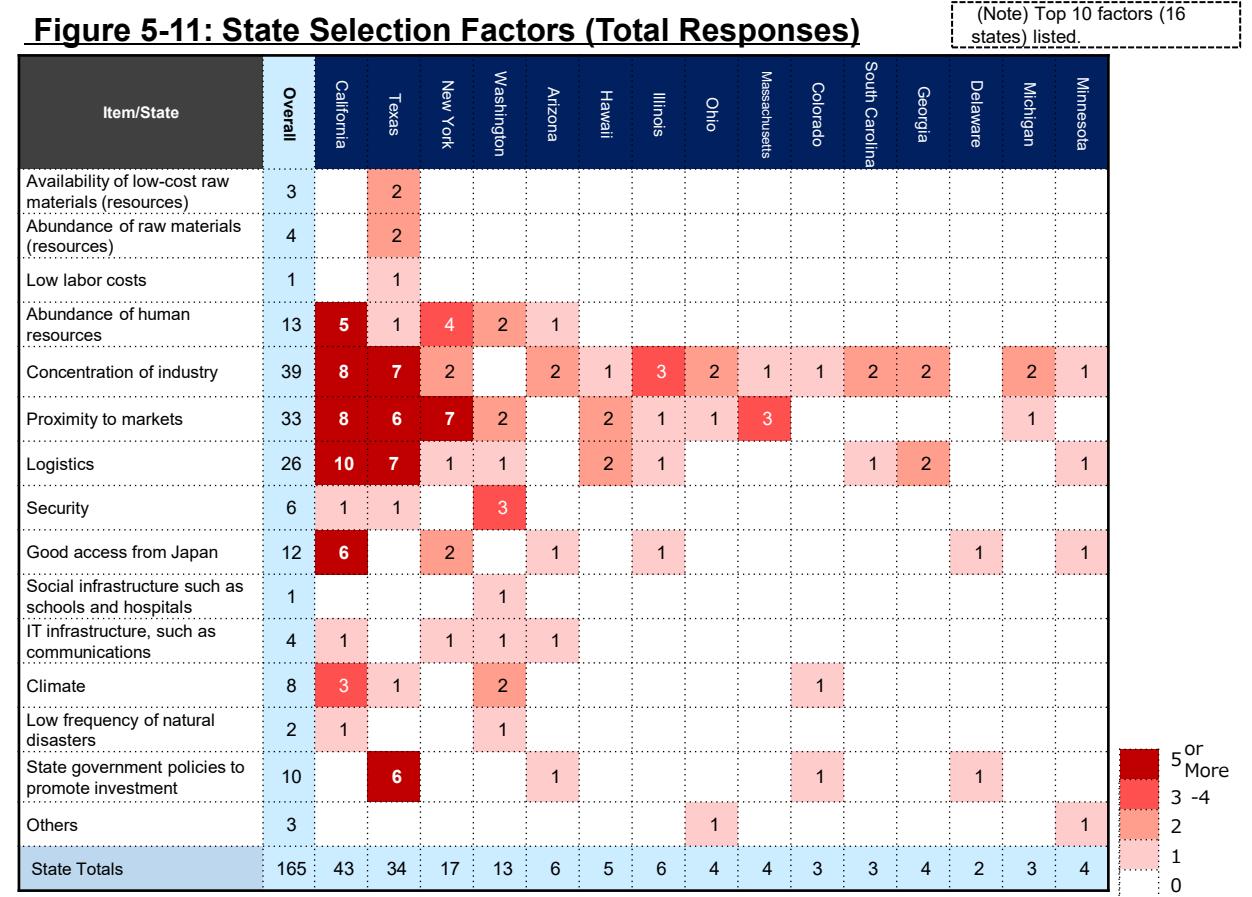


Figure 5-11: State Selection Factors (Total Responses)



(Note) Top 10 factors (16 states) listed.

#### ■ In addition to concentration of industry and proximity to markets, logistics is emphasized for non-manufacturing sectors.

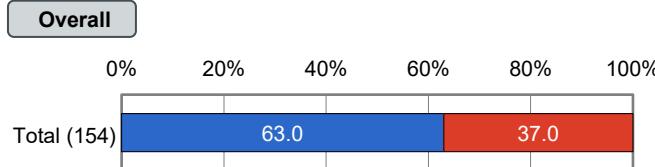
- Overall, concentration of industry, proximity to markets, and logistics are prioritized. However, when viewed by size, large enterprises emphasize concentration of industry and proximity to markets, while SMEs place greater importance on ease of access from Japan and climate.
- California, Texas, and New York are highly rated from the perspectives of concentration of industry, proximity to markets, logistics, etc.
- California is particularly noted for logistics, while Texas is recognized for its government's investment promotion policies compared to other states. One respondent from the Transportation sector noted, "Some business partners are relocating from California to Texas due to lower taxes."

Q.

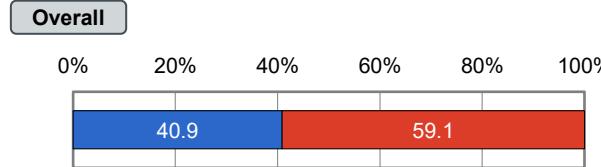
Does your company utilize AI in the administration division or the service division? Do you provide items, technologies, or services (including semiconductors and data centers) that are directly or indirectly related to AI as part of your business?

**Figure 6-1: AI Utilization Status by Division**

**① Administration Division**

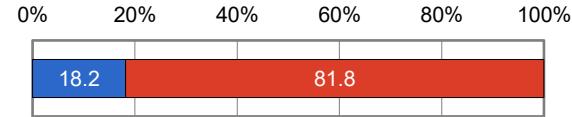


**② Service Division**

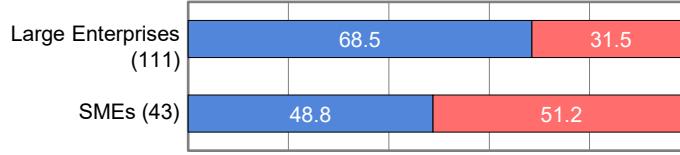


**Figure 6-2: Percentage of Companies Offering AI-Related Business**

**Overall**

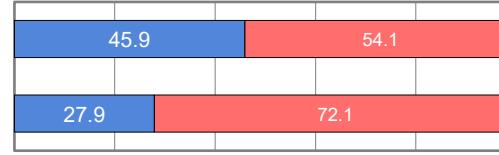


**By Size**



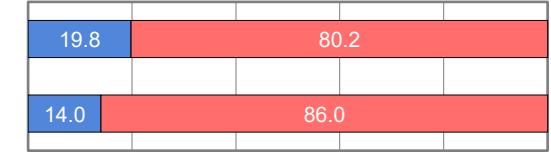
Utilizing

**By Size**



Not Utilizing

**By Size**



Providing

Not Providing

**■ 63.0% of companies utilize AI in the administration division, while only 40.9% use it in service division. AI-related business initiatives are implemented by 18.2% of companies.**

- In the administration division, over 60% of responding companies utilize AI, rising to 68.5% among large enterprises. Similar to manufacturing, many cited AI-generated meeting minutes as an application. One respondent noted, "Due to numerous internal regulations, we built a system using chatbots to search for required rules" (Electric power & Gas).
- Utilization in service divisions is lower than in the administration division, at 40.9% overall. Even among large enterprises, it falls below 50% at 45.9%, and among SMEs, it is 27.9%. By industry, responses indicated use in fields like resource optimization (e.g., cloud) in Information & Communication, and warehouse transportation in Transportation.
- It was found that 18.2% of all responding companies, primarily in Information & Communication, are engaged in AI-related business activities.

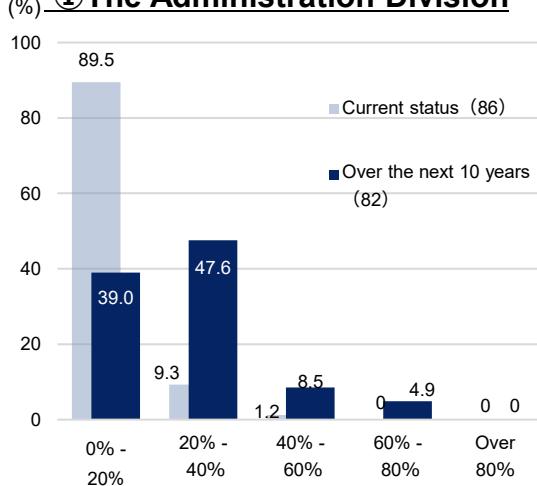
Q.

Among companies utilizing AI, to what extent have you achieved labor savings through AI implementation at this point? Also, to what extent do you anticipate achieving labor savings over the next 10 years? In which fields of your company's production division is AI being utilized? (Multiple answers allowed)

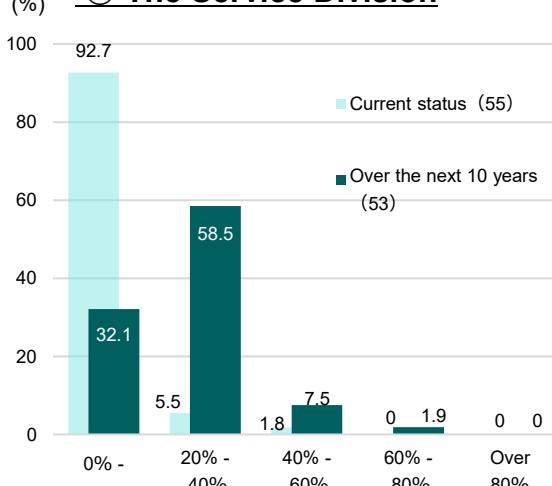
**Figure 6-3: Labor Savings Achieved through AI Implementation and Projected Savings Over the Next Decade in the Administration Division and Service Division**

Overall

### ① The Administration Division



### ② The Service Division



**Figure 6-4: AI Utilization Status by Field in the Service Division**

Overall

(companies)

Product and service planning, technology development

Design and Engineering

Service Provision Locations such as Stores

Marketing

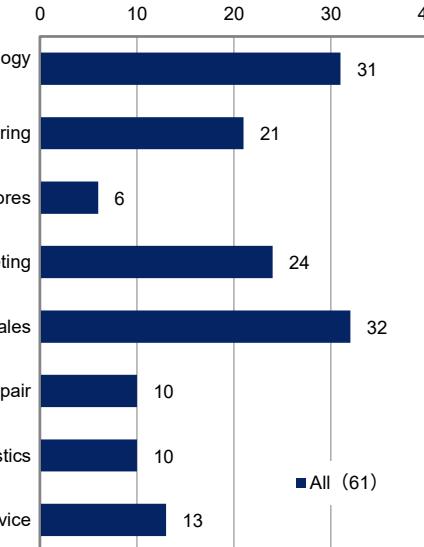
Sales

Maintenance and Repair

Logistics

Customer service

All (61)

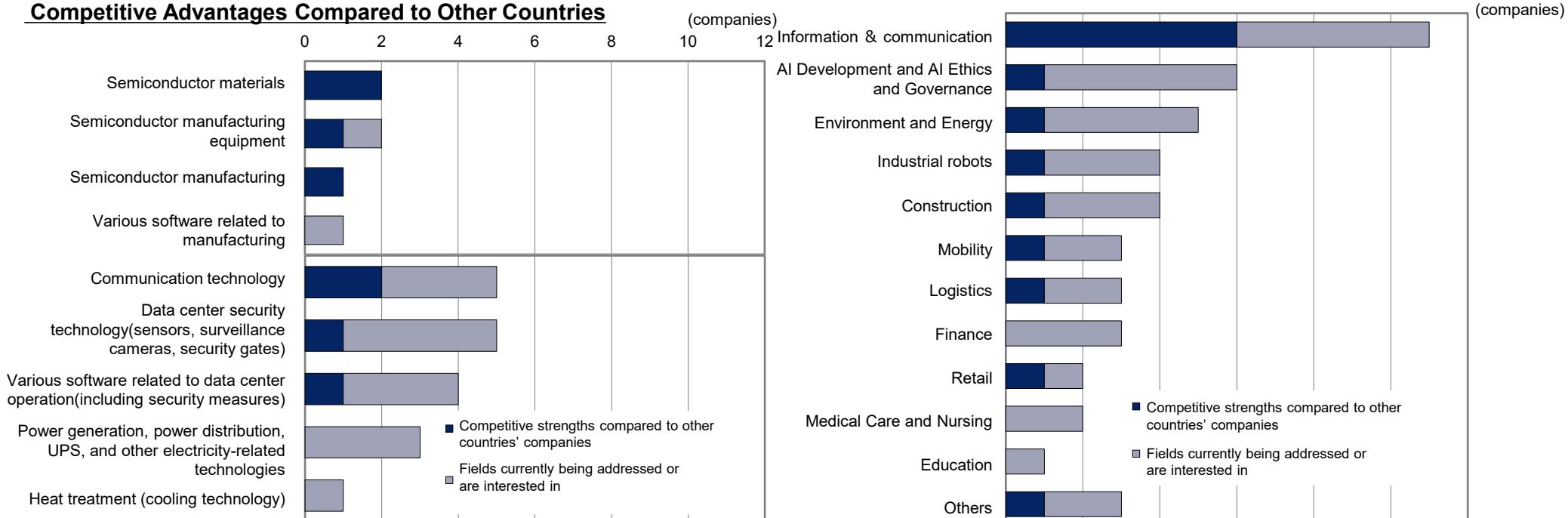


■ Similar to manufacturing, the most common response for current labor savings through AI is 0%-20%. Future projections also align with manufacturing, with 20%-40% being the most common response.

- Currently, responses indicating labor savings of 0%-20% through AI utilization are most common in both the administration division and service division. Comments such as "We are still in the trial-and-error phase and have not achieved significant labor savings yet" (Wholesale) suggest initiatives are in their initial stages.
- Regarding projections over the next 10 years, many companies anticipate greater labor savings than currently achieved, with the majority targeting 20%-40% reductions. Companies expecting 40%-60% savings were predominantly in Information & Communication, suggesting increased adoption in labor-intensive tasks like network resource optimization and fault prediction. One respondent noted: "We expect significant labor savings by automating cargo movement within warehouses using AI robots. However, delivery automation is difficult, so overall savings will likely be around 50%" (Transportation).
- AI utilization is frequently observed in product/service planning, sales, and design. Examples include maintenance and repair where "it is used to determine and manage maintenance frequencies for vast numbers of infrastructure facilities" (Electric power & Gas), and logistics where "it predicts delays based on traffic information and automatically notifies customers" (Transportation).

Q. Among companies providing products, technologies, or services directly or indirectly related to AI as part of their business, please select the AI-related fields they are currently engaged in or see as growth opportunities. Additionally, if there are fields where they have strengths compared to companies in other countries, please select those as well. (Multiple answers allowed)

**Figure 6-5: AI-Related Companies' Fields of Focus and Competitive Advantages Compared to Other Countries**



■ **Information and communication leads in AI-related business initiatives. Data center-related activities are pursued not only by manufacturers but also by non-manufacturing companies.**

- Regarding AI-equipped products, responses were most frequent in the Information & Communication sector, specifically mentioning "AI-powered simulated cyberattack training and analysis." Multiple respondents also indicated business development in data center-related fields, focusing on communication technology, security-related hardware, and operational software. Data center operations involve not only manufacturing but also numerous companies in non-manufacturing sectors like Information & Communication, Electricity, Transportation, and Construction, indicating a broad industrial base.
- Other responses included: "A system that identifies the number of technicians and work hours from construction site images to monitoring work efficiency in real time" (Construction), and "A carbon credit quality evaluation service utilizing generative AI" (Electric power & Gas). Some companies are currently in the development phase and have not yet commercialized their products. The key going forward will be whether they can successfully commercialize these products and establish them as a revenue stream.

Q.

In your business, what initiatives are you taking toward the transition to a decarbonized society (excluding CO2 emissions reduction within your company) and the transition to a circular economy and the preservation of biodiversity? In which countries and in which fields are these initiatives being implemented (or under consideration)? (Multiple answers allowed)

Figure 7-1: Percentage of Companies Engaged in Initiatives by Country Overall

Country	China	Thailand	Indonesia	Vietnam	India	the U.S.	Europe	Average	(Reference) Japan
1. Percentage of Companies Engaged in Initiatives in Any Field									
① Number of companies undertaking initiatives in any field (1. to 16. below)	24	21	17	16	9	21	17		102
① Companies engaged in initiatives in any of these areas / ② Number of companies with bases in each country among those responding to this question (%)	33.3	29.2	29.8	25.0	25.7	36.8	40.5	29.4	88.7
2. Percentage of Companies Engaged in Initiatives by Field (%)									
1. Offshore wind, solar, and geothermal power generation	6.9	11.1	7.0	7.8	8.6	17.5	21.4	9.7	44.3
2. Appropriate management and reduction of wastewater, exhaust gases, and waste in manufacturing processes	8.3	8.3	8.8	4.7	8.6	10.5	4.8	8.5	22.6
3. Automobiles and Storage Batteries	8.3	6.9	5.3	1.6	8.6	3.5	9.5	5.2	30.4
4. Lifestyle (environmental data utilization, digitization, sharing)	4.2	2.8	3.5	3.1	2.9	5.3	2.4	4.8	16.5
5. Carbon neutralization of logistics, human flow, and civil infrastructure	6.9	4.2	3.5	6.3	2.9	3.5	0.0	4.0	20.0
6. Resource circulation (development of high-performance biomass materials, recycling technologies, and high-performance materials with high recyclability, improvement of waste disposal efficiency, etc.)	2.8	1.4	1.8	7.8	2.9	7.0	2.4	3.6	34.8
7. Carbon-neutralization of semiconductors and information & communication industries	8.3	2.8	1.8	3.1	0.0	5.3	2.4	3.6	8.7
8. Hydrogen and fuel ammonia	0.0	0.0	1.8	1.6	2.9	3.5	9.5	2.4	20.9
9. Carbon Recycled Materials	4.2	1.4	1.8	1.6	2.9	1.8	0.0	1.6	13.9
10. Carbon neutralization of ships (zero-emission ships, etc.) and aircraft	0.0	0.0	0.0	0.0	2.9	3.5	4.8	1.0	8.7
11. Providing products and services that contribute to securing biodiversity	2.8	0.0	0.0	0.0	0.0	1.8	2.4	1.0	7.0
12. Housing (ZEH), buildings (ZEB), and next-generation power management	1.4	1.4	0.0	0.0	0.0	1.8	0.0	0.8	27.0
13. Next-generation thermal energy (methane)	0.0	0.0	0.0	0.0	0.0	7.0	0.0	0.8	6.1
14. Nuclear power	0.0	0.0	0.0	0.0	0.0	3.5	2.4	0.6	7.0
15. Carbon neutralization of food, agriculture, forestry, and fisheries	1.4	0.0	0.0	1.6	0.0	1.8	0.0	0.6	4.3
16. Others	1.4	4.2	5.3	3.1	5.7	1.8	0.0	2.4	3.5

- Compared to the average, 1.0 point or more but less than 5.0 points fewer initiatives
- Compared to the average, 5.0 points or more higher
- Compared to the average, More initiatives by 1.0 point or more but less than 5.0 points
- Compared to the average, the difference is less than 1.0 point
- No response

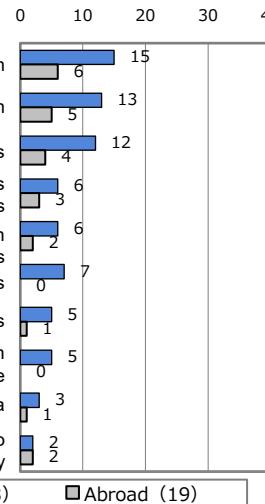
■ **In Europe and the U.S., Electric power & Gas companies have been particularly active in renewable energy initiatives.**

- In Europe, comments included: "Electricity trading systems, such as FIT (Feed-in Tariff) and CfD (Contract for Difference) bidding systems that stabilize renewable energy project revenues, are more established compared to other regions" (Electric power & Gas). In the U.S., comments included: "In addition to its vast land area and low land costs, the business environment is well-established, enabling continuous renewable energy project development through portfolio companies" (Electric power & Gas). Examples cited included "implementing solar power generation equipment leasing" (Finance & Insurance).
- Initiatives in the "Automobiles and Storage Batteries" sector mainly involve financing for EVs and storage battery leasing in Europe, where the shift to EVs is progressing. In India, there were comments that "an increasing number of companies are considering introducing EVs for taxis and small delivery trucks" (Finance & Insurance).
- Hydrogen and ammonia initiatives are common in Europe. One respondent stated, "Offshore wind projects are advancing in Europe, and green hydrogen production is also being implemented in conjunction with this." (Electric power & Gas)
- Initiatives in "Next-generation thermal energy" were seen in the U.S. During the hearings, it was noted that "e-methane, a synthetic methane produced from CO<sub>2</sub> and hydrogen derived from renewable energy, is easy to introduce" (Electric power & Gas).

(Note) Includes actuals from Korea, Taiwan, Malaysia, and Mexico

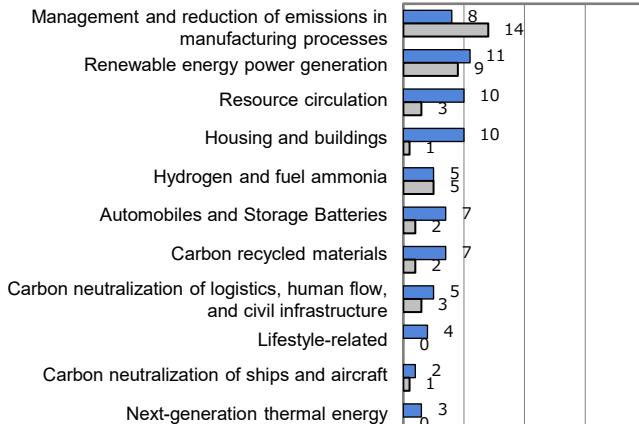
Figure 7-2: Initiatives by Industry (Unit: Number of Companies)

## Wholesale

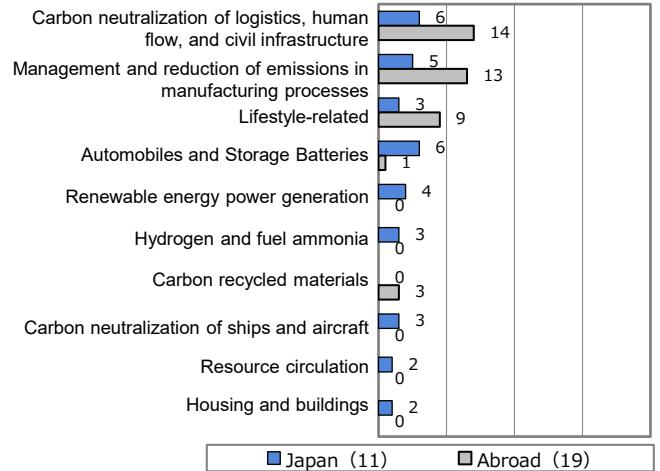


## By Industries

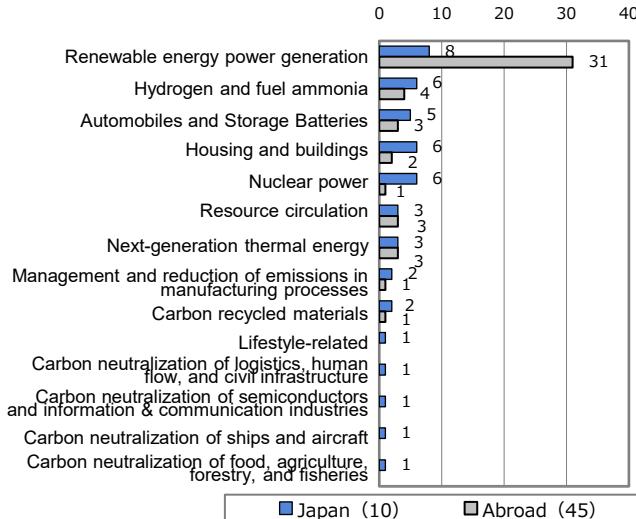
## Construction



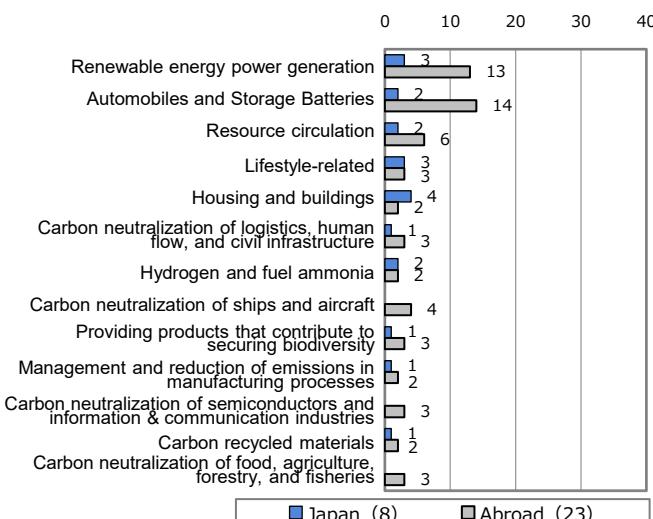
## Transportation



## Electric Power &amp; Gas



## Finance &amp; Insurance



■ Initiatives primarily related to renewable energy, EVs, etc.

- Overseas, 'power generation using renewable energy' by Electric power & Gas is the most common initiative. Significant efforts are also seen in Construction, Finance & Insurance, and Transportation.
- "There is significant demand from local Japanese companies for solar panel installations utilizing subsidies in Thailand and other countries." (Construction) "while immediate profitability is difficult, EV leasing businesses are being implemented in various countries anticipating future EV adoption." (Finance & Insurance) "modal shifts from Automobiles to railways and the introduction of hybrid and EV vehicles are being implemented." (Transportation)
- In Finance & Insurance, initiatives were also confirmed in the form of "underwriting insurance for companies implementing various sustainability initiatives."

Q.

Please indicate the barriers and challenges hindering progress in implementing initiatives related to transitioning to a decarbonized society and circular economy, and ensuring biodiversity. (Multiple answers allowed)

Figure 7-3: Barriers and Challenges to Progress in Each Country

Overall

Country	China	Thailand	Indonesia	Vietnam	India	the U.S.	Europe	Various Countries Average
Number of companies with a presence in the relevant country that responded to the question (companies)	55	57	48	51	23	47	30	
Number of companies that cited the following 1. to 13. as barriers/challenges / Number of companies with a presence in the relevant country among those responding to the question (Unit: %)								
1. Acceptance of increased costs	34.5	31.6	37.5	33.3	39.1	34.0	26.7	33.8
2. Lack of Japanese human resources/staff in the relevant fields	34.5	38.6	33.3	33.3	39.1	21.3	26.7	32.5
3. Lack of local human resources/staff in the relevant fields.	27.3	28.1	33.3	23.5	26.1	23.4	33.3	27.7
4. Lack of subsidies and financial support	10.9	22.8	12.5	19.6	17.4	8.5	3.3	14.1
5. Competition with local companies	20.0	19.3	14.6	7.8	4.3	10.6	6.7	13.2
6. Lack of systems such as carbon pricing	10.9	15.8	10.4	15.7	13.0	6.4	3.3	11.3
7. Underdeveloped infrastructure	10.9	15.8	4.2	11.8	8.7	4.3	6.7	9.3
8. Lack of understanding from business partners	9.1	14.0	12.5	13.7	4.3	2.1	3.3	9.3
9. Competition with companies from other countries	5.5	5.3	8.3	7.8	4.3	4.3	6.7	6.1
10. Complex environmental standards	10.9	3.5	0.0	2.0	0.0	2.1	10.0	4.2
11. Difficulty in obtaining permits and licenses	0.0	0.0	6.3	5.9	4.3	4.3	3.3	3.2
12. Competition with Japanese companies	0.0	7.0	0.0	2.0	0.0	0.0	0.0	1.6
13. Others	7.3	7.0	2.1	9.8	4.3	10.6	6.7	7.1



Responses 3.0 points or more higher than the overall average and less than 6.0 points



Responses 6.0 points or more higher than the overall average

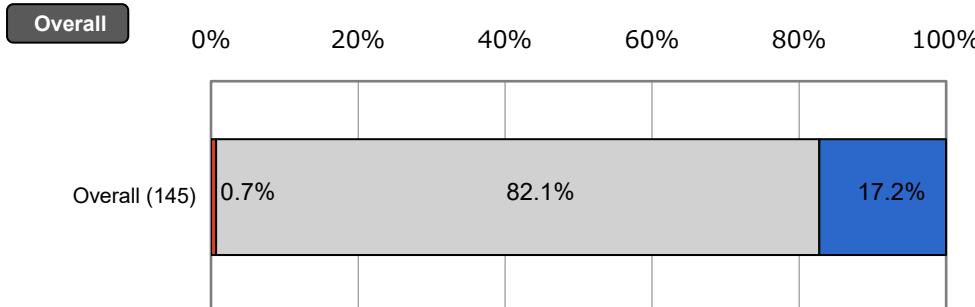
■ Numerous challenges were identified in ASEAN countries and elsewhere. Challenges in Europe and the U.S. were relatively less frequently mentioned.

- In China, similar to manufacturing, "competition from local companies" and "complex environmental standards" were frequently cited. Regarding environmental regulations, comments included "China's authorities change their decisions at a dizzying pace" (Wholesale).
- In Thailand, undeveloped infrastructure was highlighted, comments included "charging facilities are underdeveloped even before introducing EVs or HVs" (Transportation).
- In Indonesia, many responses cited "shortage of local human resources/staff," with comments like "there are no experts in emissions trading, etc." (Real estate).
- In Southeast Asia, some noted that "many bases still lack stable business operations, preventing them from initiating sustainability efforts" (Wholesale/Construction).
- In Europe, environmental policies are more advanced than in other regions, leading to many responses citing "complex environmental standards." "Shortage of human resources/staff to interpret environmental regulations" (Electric power & Gas) and a "shortage of local personnel" to oversee environmental standards were also frequently cited as challenges. However, compared to Asian countries, fewer challenges were pointed out in both Europe and the U.S.

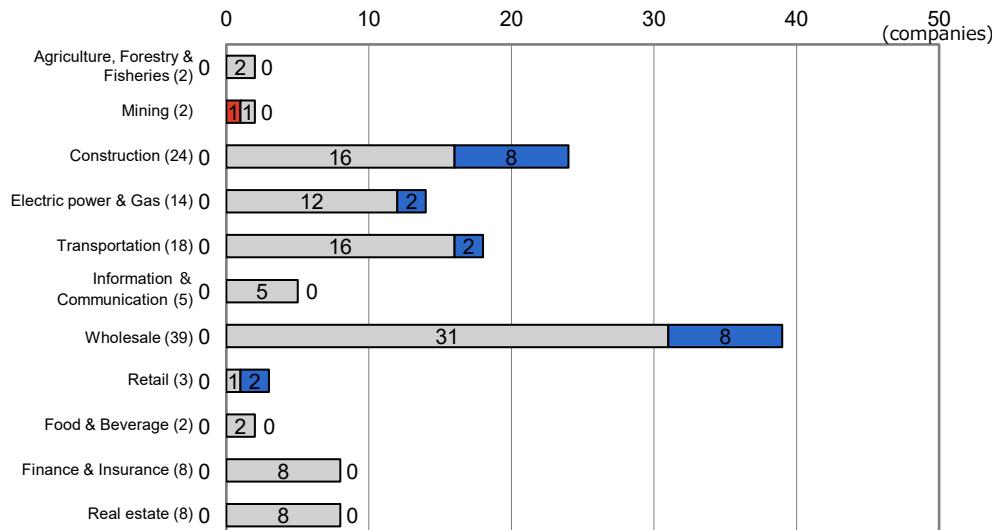
Q.

Amidst the Trump administration's policies and heightened awareness of energy security, some global movements toward decarbonization and energy transition appear to be experiencing a backlash. Please explain your company's policy and its background. (Multiple answers allowed)

**Figure 7-4: Direction of Sustainability-Related Policies**

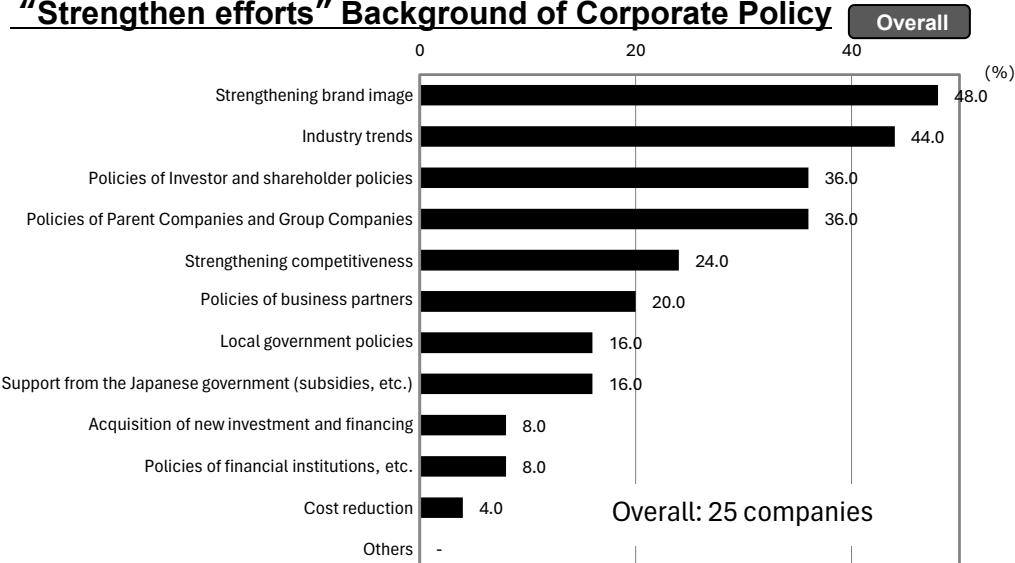


**By Industry**



- To review our carbon neutrality targets with a view to relaxing them
- No changes
- Strengthening efforts toward decarbonization

**Figure 7-5: Policy Background of Companies Responding "Strengthen efforts" Background of Corporate Policy**



■ **Over 80% of Companies Maintain Current Sustainability Policies.**

- Similar to manufacturing, over 80% of non-manufacturing companies reported no change in their sustainability policy direction following the Trump administration's inauguration. Companies stating they would "strengthen initiatives" cited "enhancing brand image" (48.0%) and "industry trends" (44.0%) as primary reasons. Specific examples of strengthened efforts included "promotion of recycling products with growing demand" (Wholesale).
- Companies citing "enhancing competitiveness" offered positive perspectives, such as "We have long pursued sustainability and aim to enhance our value proposition and competitiveness by applying this expertise to our products and factories" (Construction). Specific initiatives mentioned included "installing solar panels" (Construction) and "exploring shipping routes with lower CO2 emissions" (Transportation).

**(Appendix)      Industrial Analysis  
(Major Manufacturing Sectors)**

Figure 1-1: Trends in Each Index (FY2016 onwards)

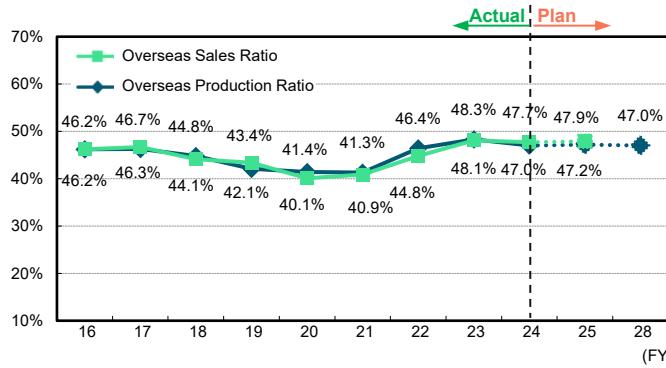


Figure 1-2: Medium-Term (next 3 years) Prospects for Overseas Business Expansion

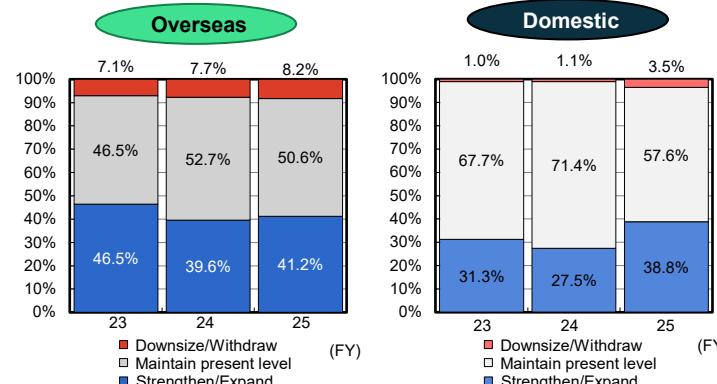


Figure 1-3: Overseas Performance Evaluation (by Country/Region)

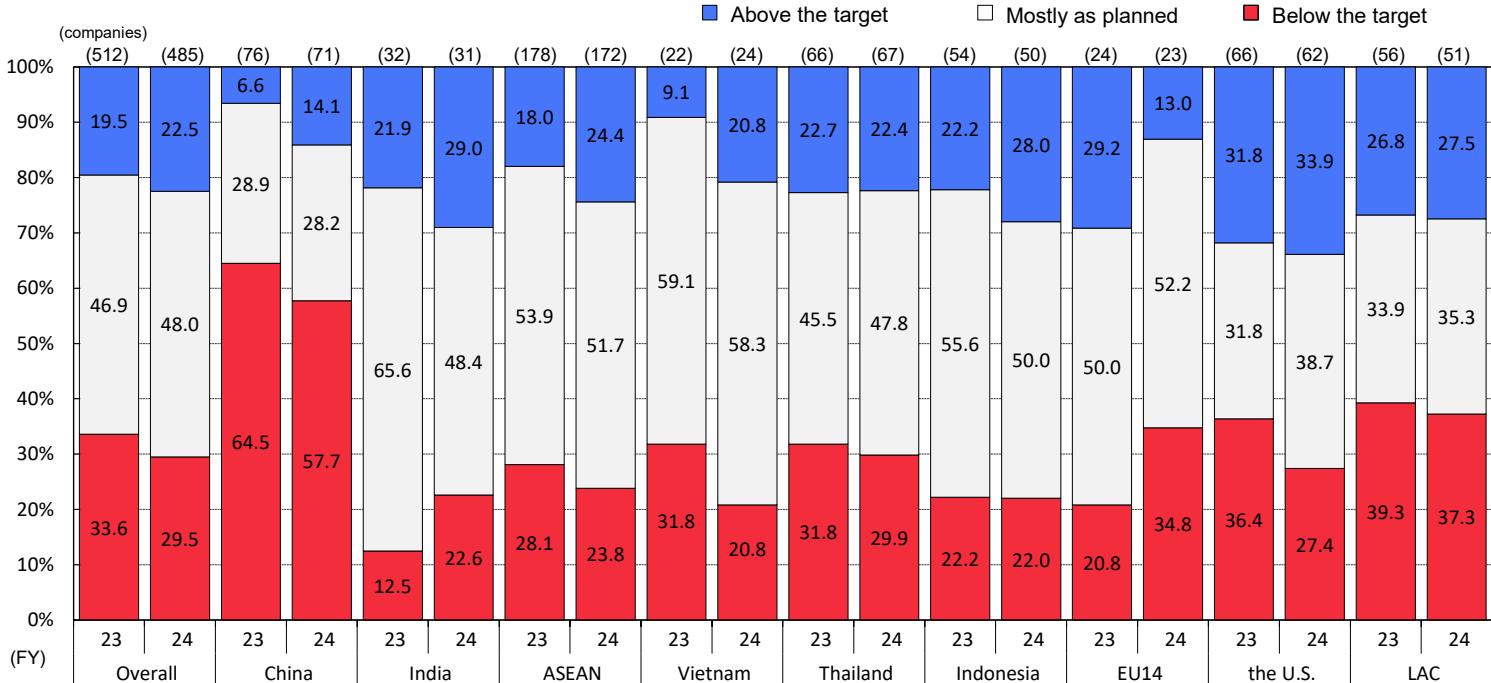
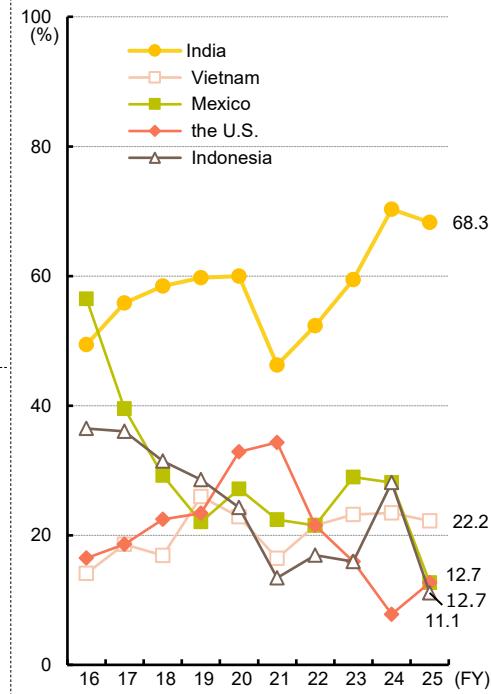


Figure 1-4: Trends in Votes



Rank	Country	FY2025	FY2024
		(Total 63)	(Total 64)
1	India	43	45
2	Vietnam	14	15
3	Mexico	8	18
3	the U.S.	8	5
5	Indonesia	7	18
6	Thailand	6	10
6	Philippines	6	5
8	China	5	9
9	Brazil	3	1

**Figure 1-5: Percentage of Respondents for Each Rating Level Relative to Total Responses**

By Country/Region

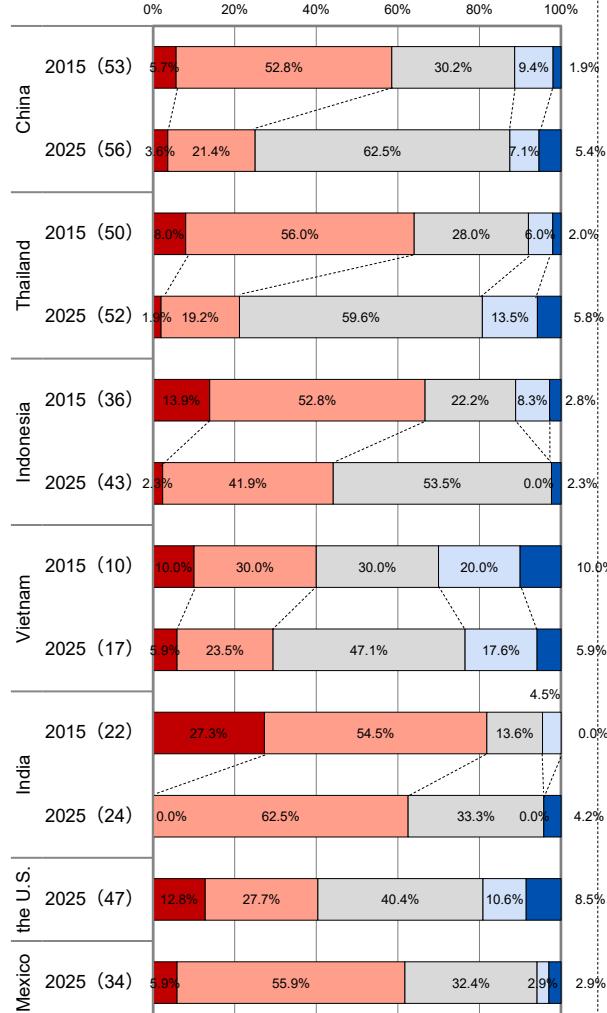
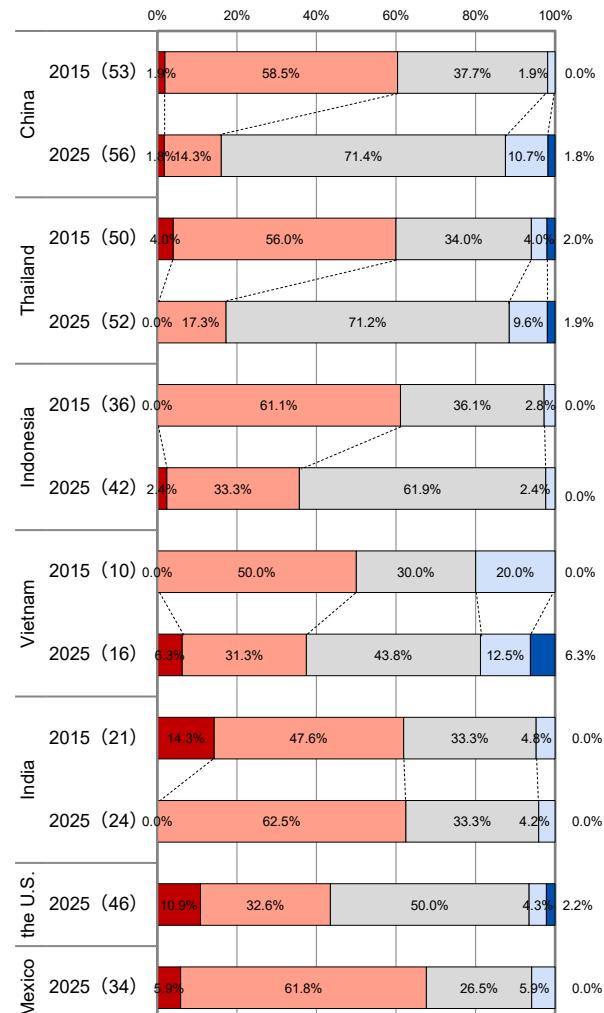
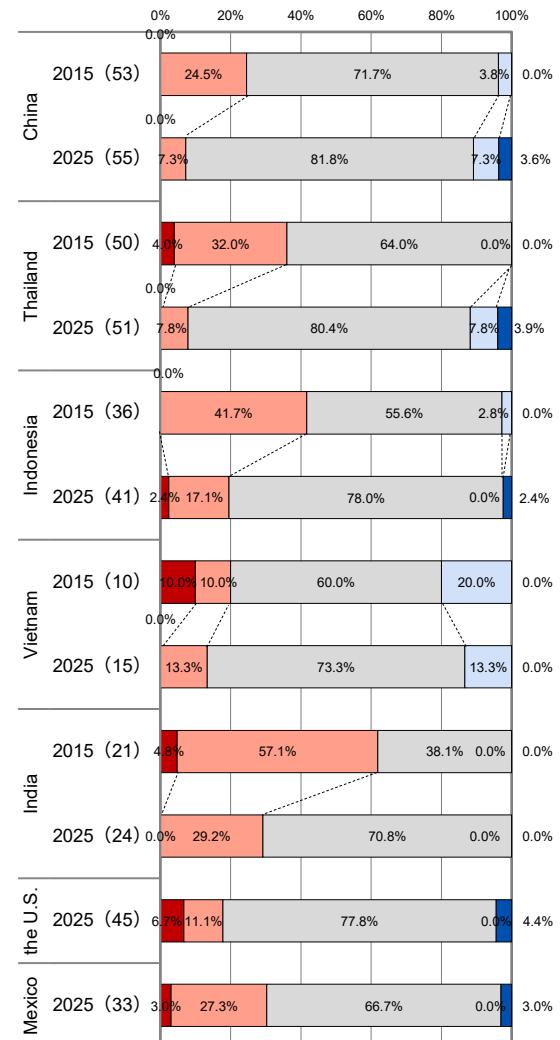
**① Labor productivity (Output/Hour·Person)**

**② In-process defect rate**

**③ Delivery time**

■ Poor   ■ Fair   ■ Same as Japan   ■ Fairly Good   ■ Good

Figure 2-1: Trends in Each Index (FY2016 onwards)

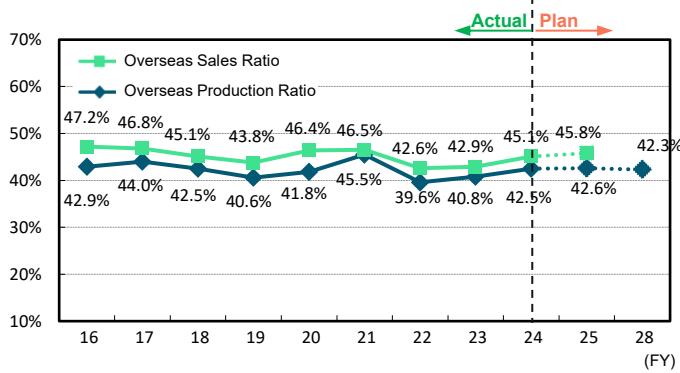


Figure 2-2: Medium-Term (next 3 years) Prospects for Overseas Business Expansion

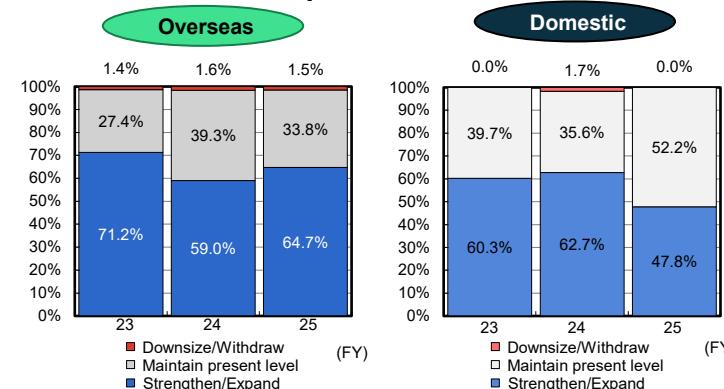


Figure 2-4: Trends in Votes

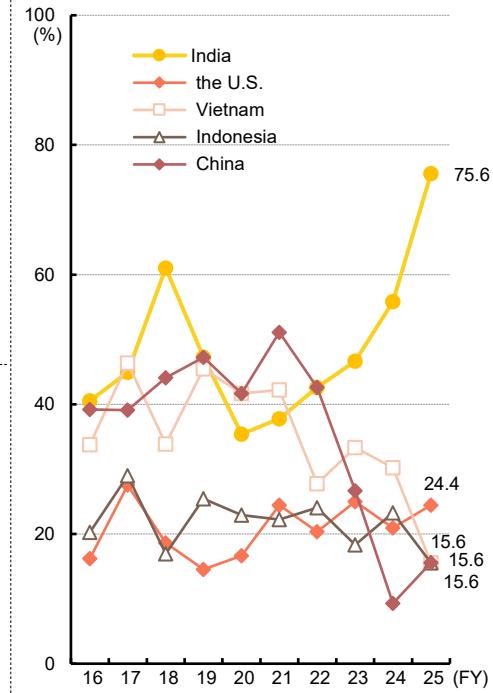


Figure 2-3: Overseas Performance Evaluation (by Country/Region)

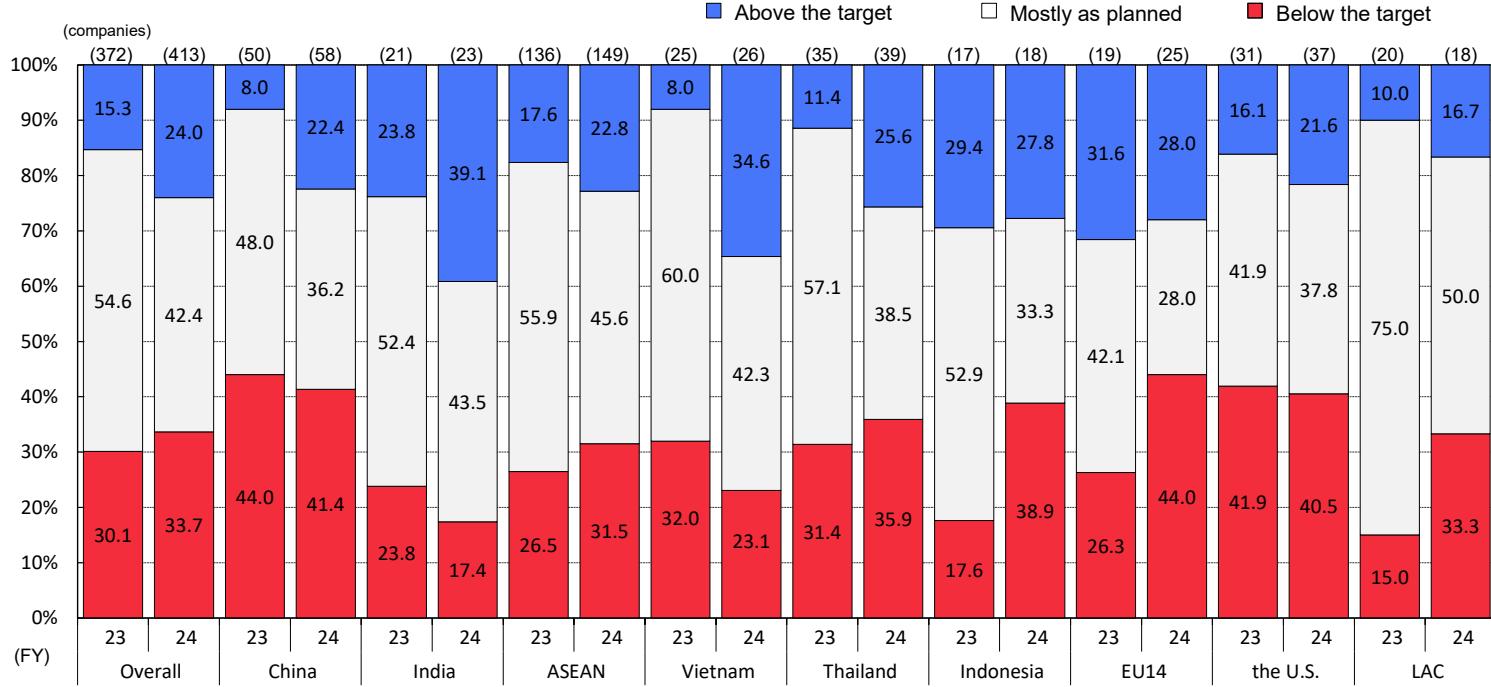
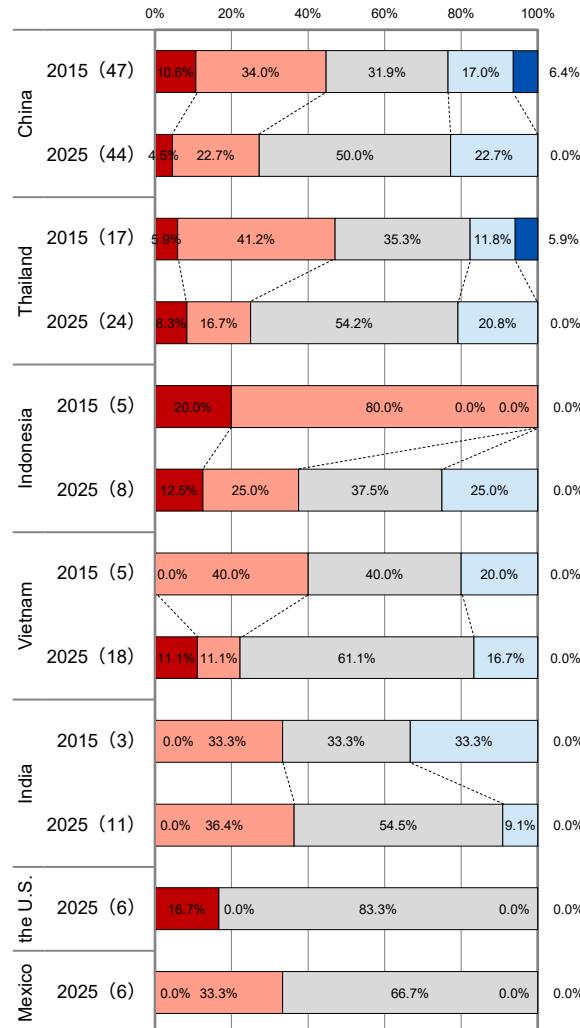


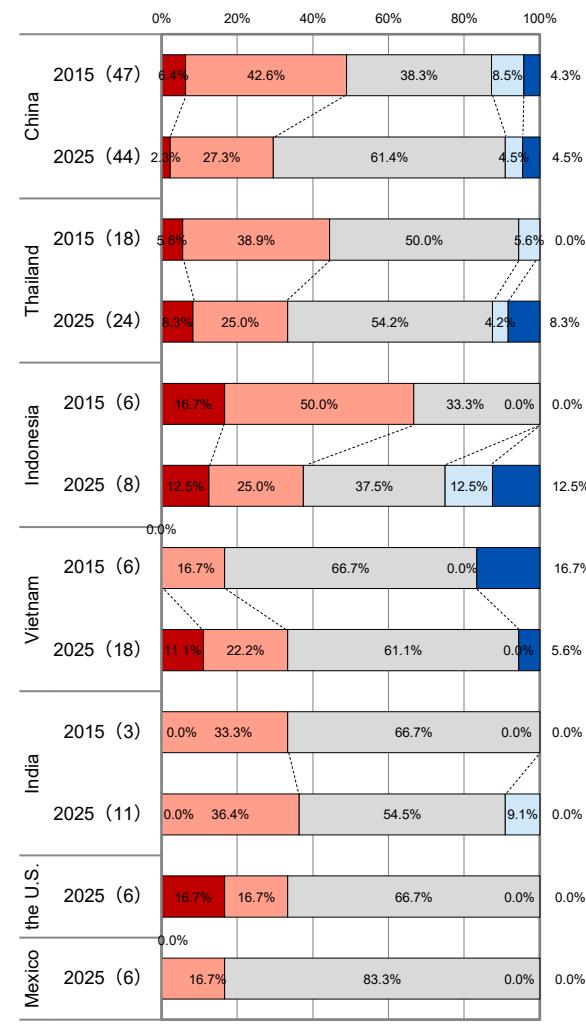
Figure 2-5: Percentage of Respondents for Each Rating Level Relative to Total Responses

By Country/Region

## ① Labor productivity (Output/Hour·Person)



## ② In-process defect rate



## ③ Delivery time

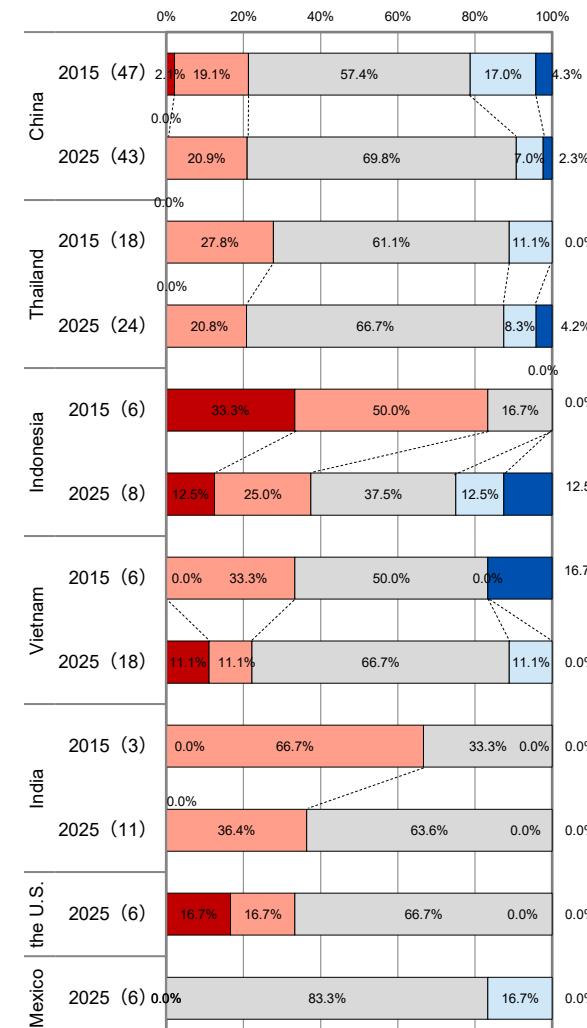



Figure 3-1: Trends in Each Index (FY2016 onwards)

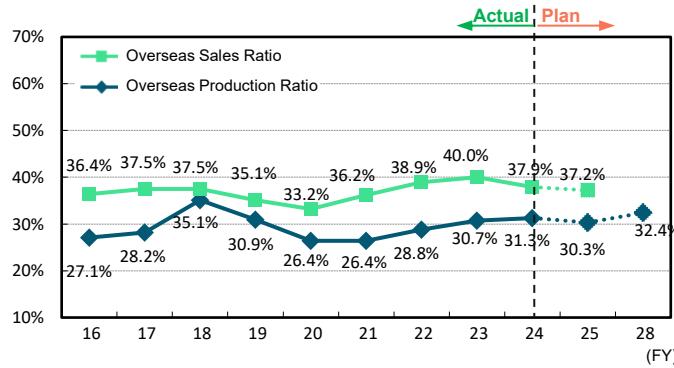


Figure 3-2: Medium-Term (next 3 years) Prospects for Overseas Business Expansion

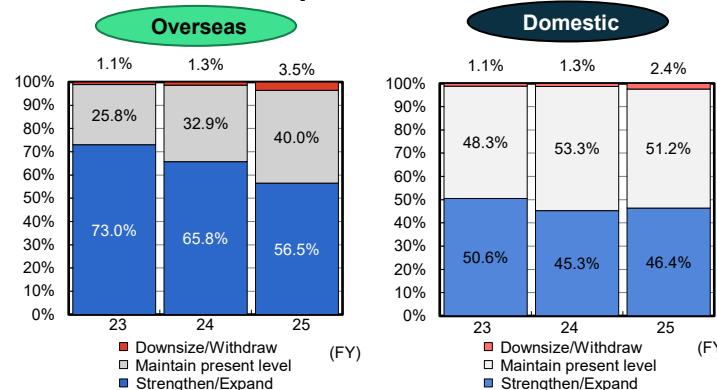


Figure 3-4: Trends in Votes

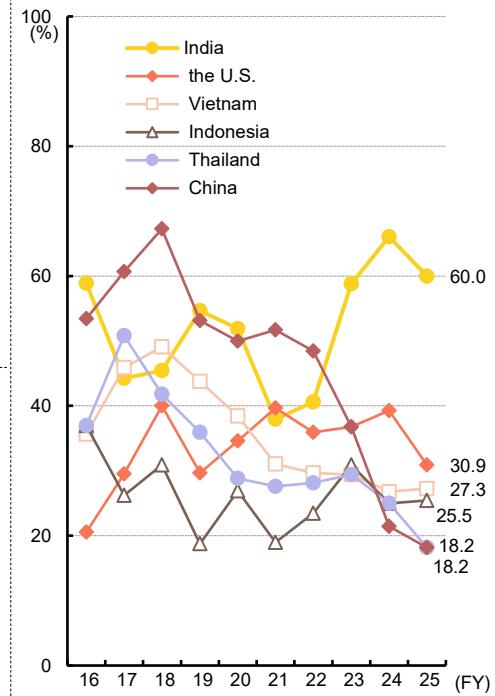
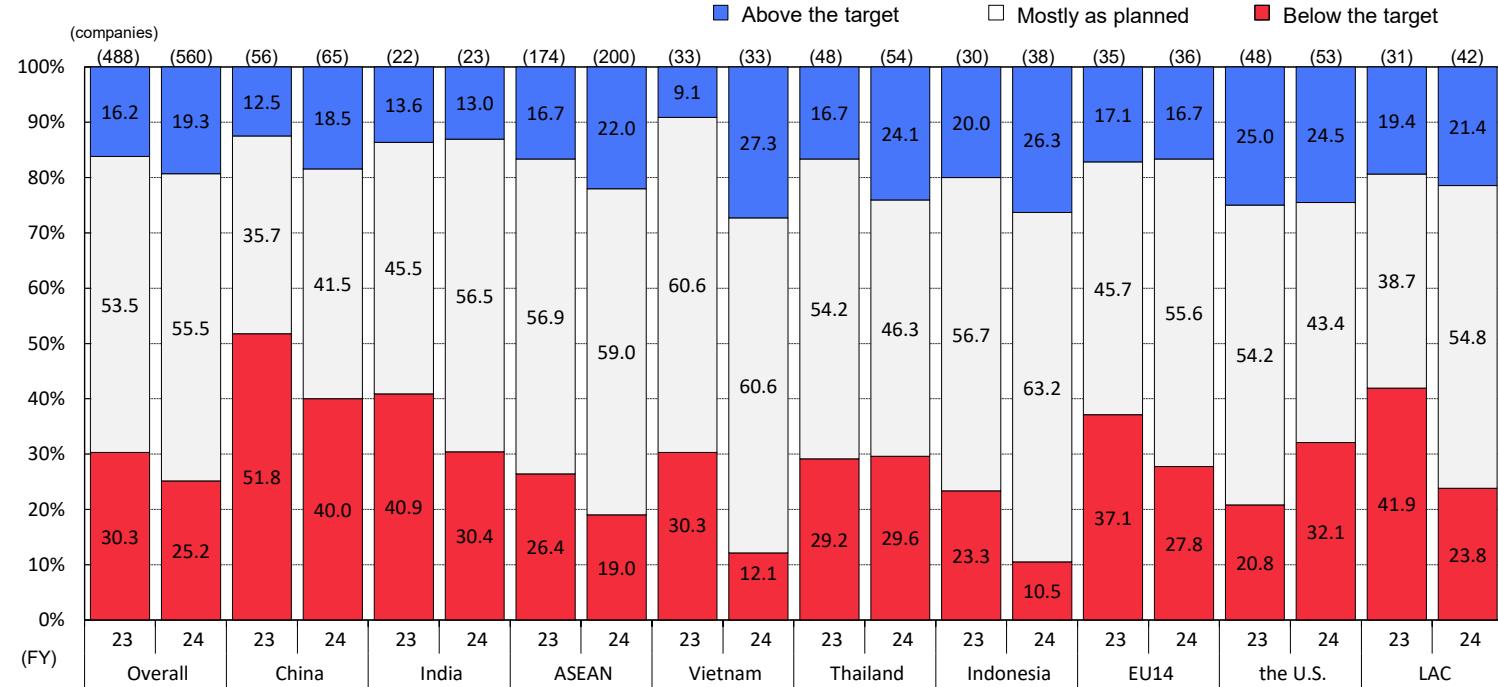


Figure 3-3: Overseas Performance Evaluation (by Country/Region)



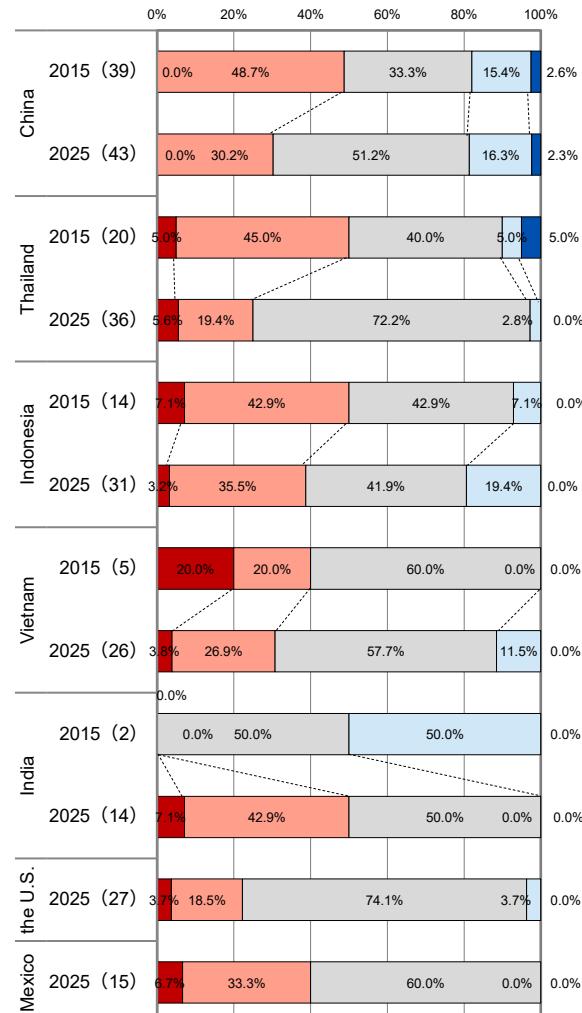
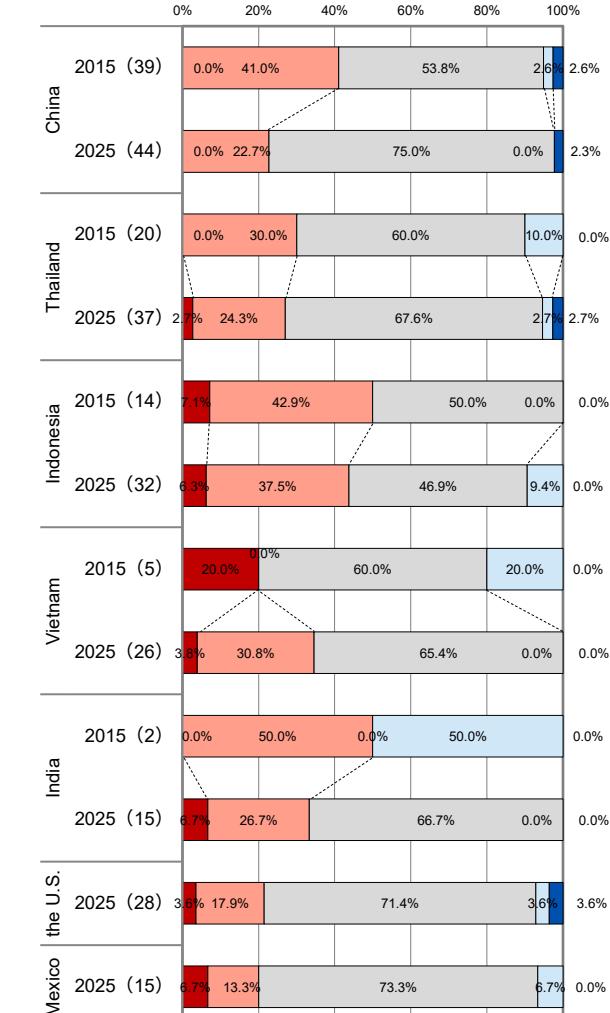
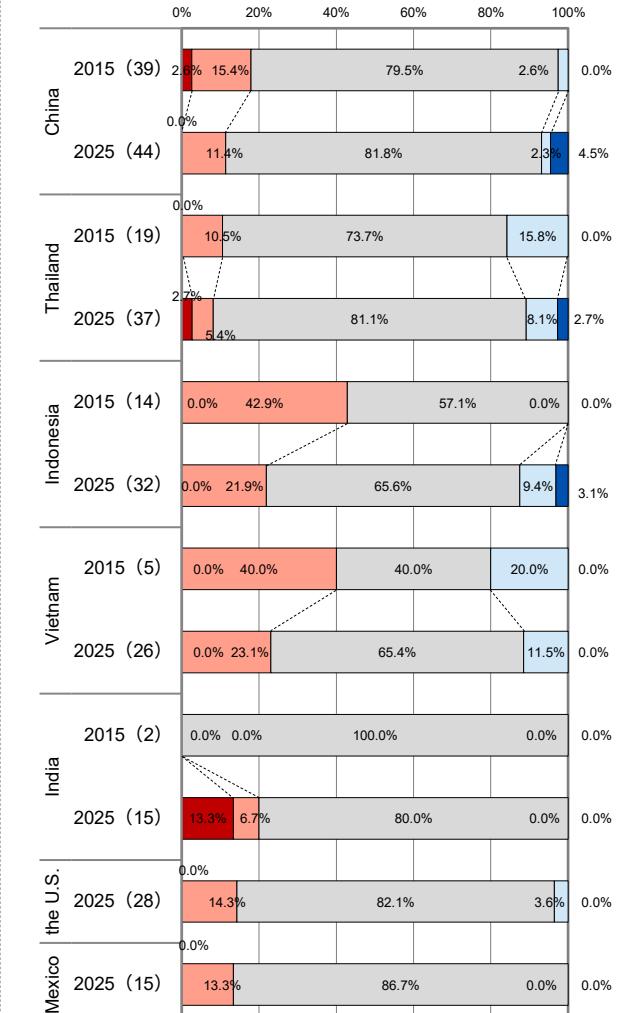
**Figure 3-5: Percentage of Respondents for Each Rating Level Relative to Total Responses**
**By Country/Region**
**① Labor productivity (Output/Hour·Person)**

**② In-process defect rate**

**③ Delivery time**

■ Poor   ■ Fair   ■ Same as Japan   ■ Fairly Good   ■ Good

Figure 4-1: Trends in Each Index (FY2016 onwards)

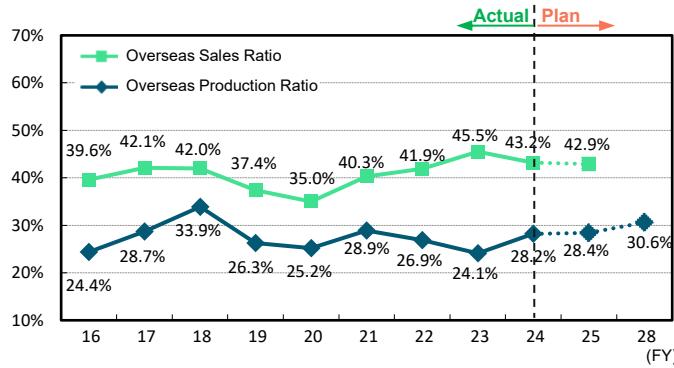


Figure 4-2: Medium-Term (next 3 years) Prospects for Overseas Business Expansion

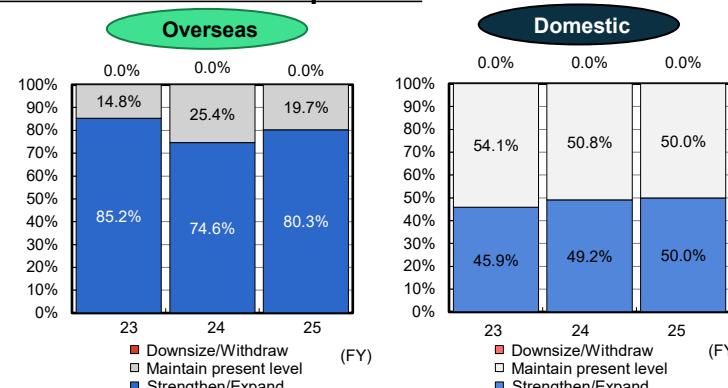


Figure 4-4: Trends in Votes

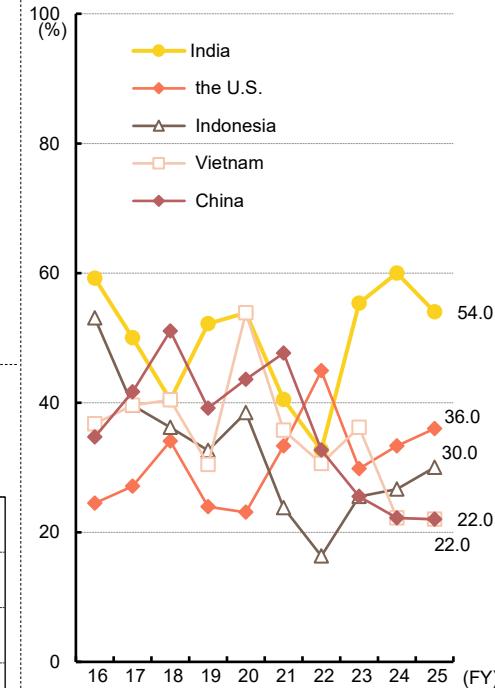
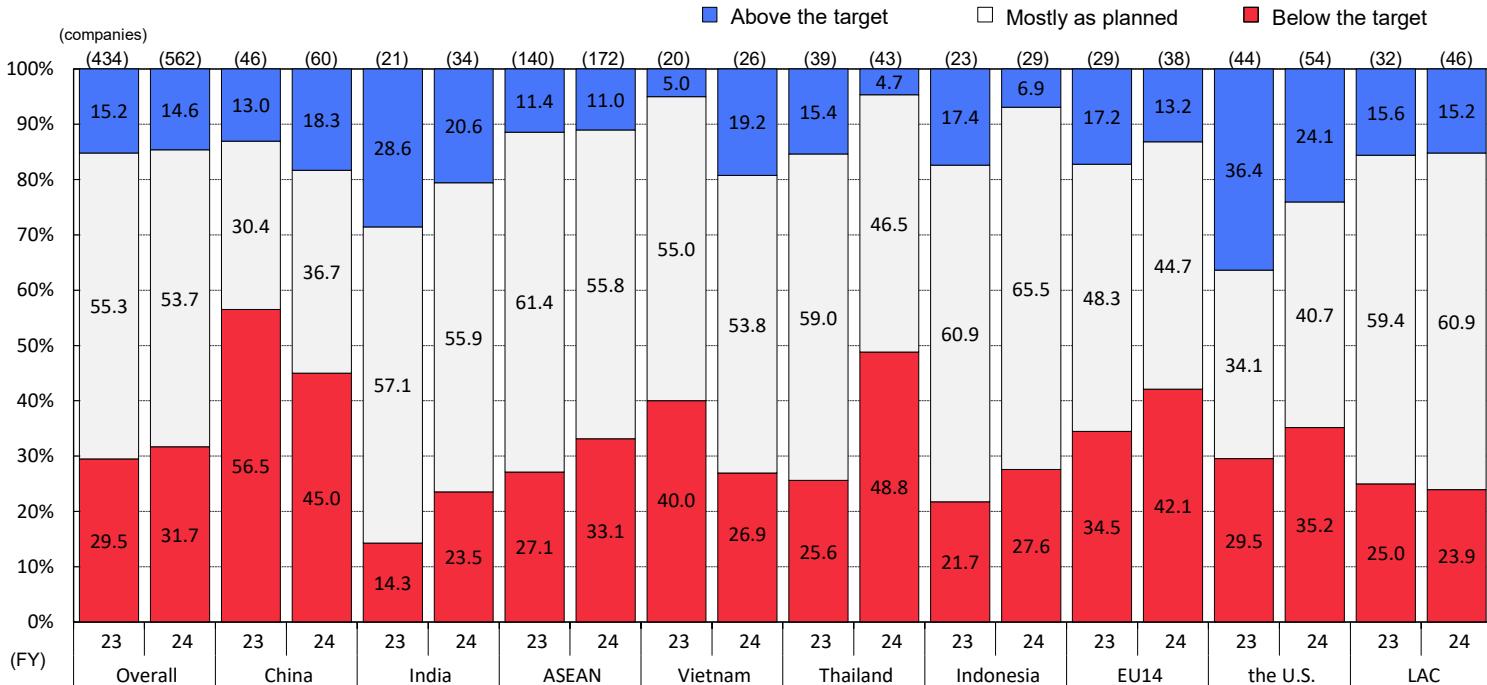
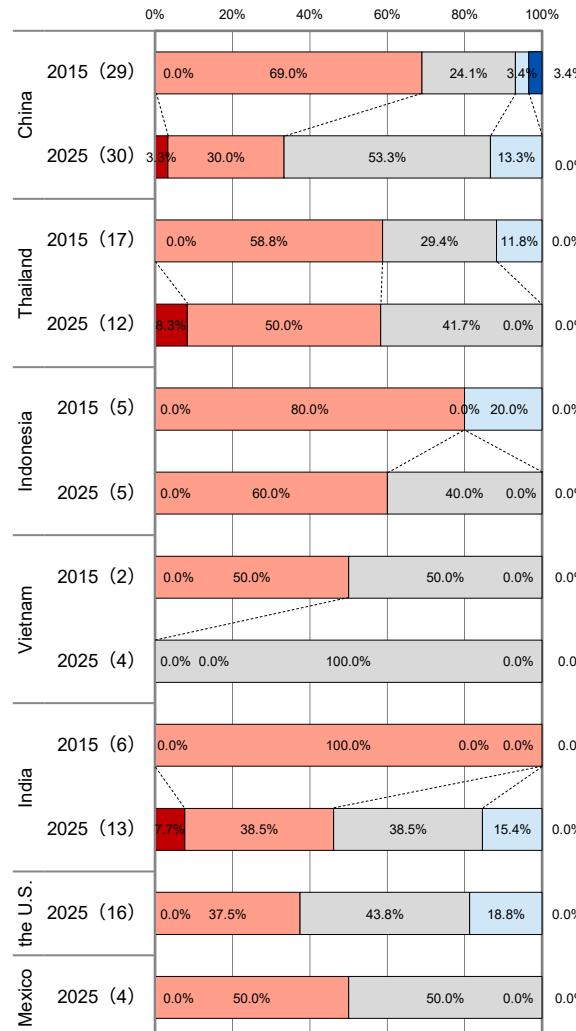
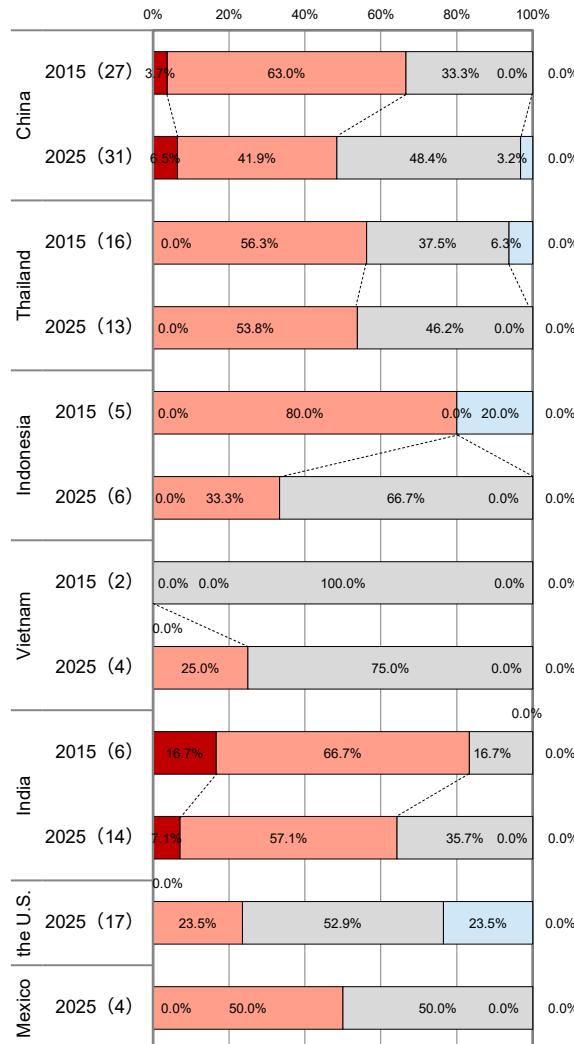
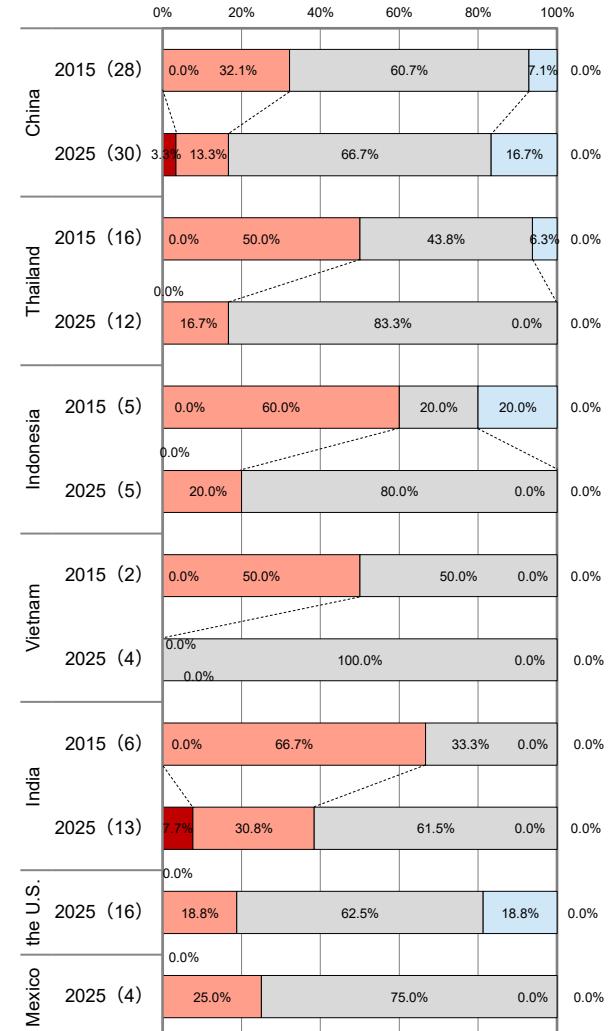


Figure 4-3: Overseas Performance Evaluation (by Country/Region)



**Figure 4-5: Percentage of Respondents for Each Rating Level Relative to Total Responses**
**By Country/Region**
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# Survey Report on Overseas Business Operations by Japanese Companies (JFY2025)

Edit and Issue / Japan Bank for International Cooperation, Strategic Research Department

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We would like to express our deep gratitude to all the companies who cooperated in this survey. We hope that the results of this survey will serve as a reference for future business activities.

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