

Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Result of JBIC FY2008 Survey:

-Outlook for Japanese Foreign Direct Investment (20th Annual Survey)-



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International Research Office

Corporate Planning Department

Japan Bank for International Cooperation

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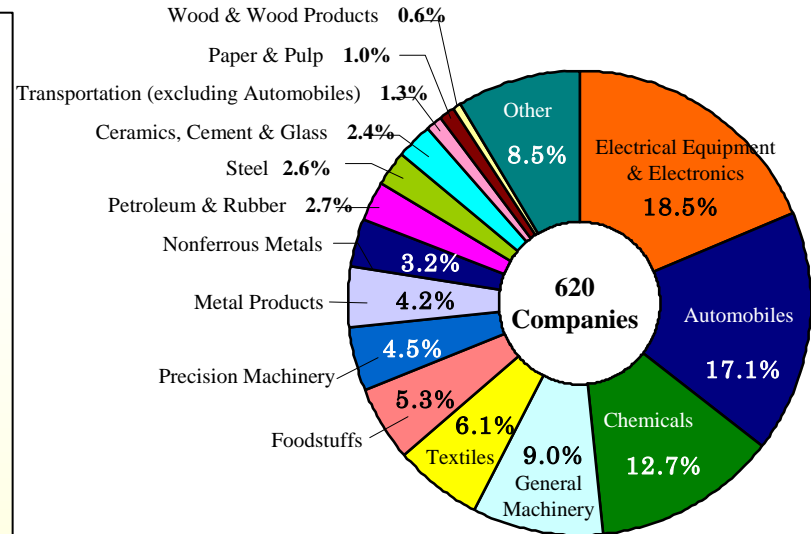
Survey Overview and Companies Surveyed

1. Survey Overview

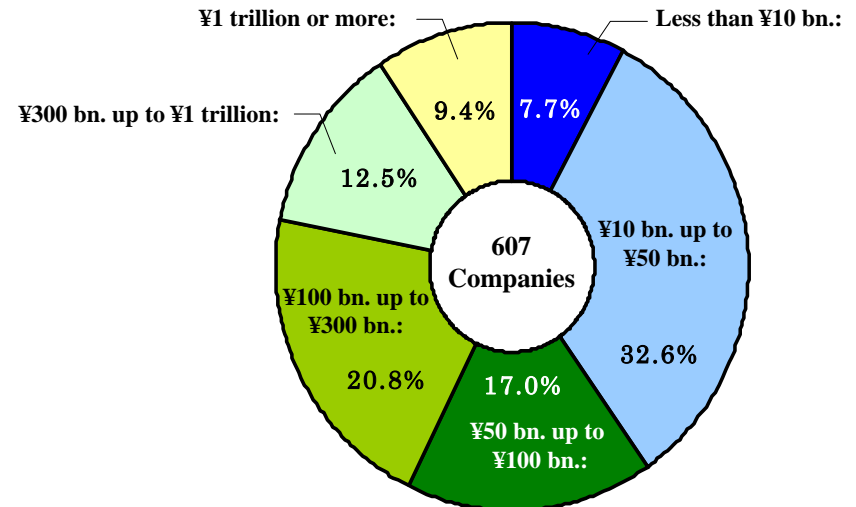
Survey Overview

- **Survey targets: Manufacturing companies that have three or more overseas affiliates (including at least one production base)**
- **No. of companies questionnaires were mailed to: 982**
- **Responses returned: 620 (response rate: 63.1%)**
- **No. of foreign affiliates of respondent companies: 11,877**
- **Period of survey: Sent in July 2008**
 Responses returned from July to August
 Interview by visiting (34 companies)
 Interview by telephone (30 companies)
- **Main survey topics:**
 Medium-term business prospects
 Evaluations for overseas business performance
 Promising countries or regions for overseas business operations
 Competition in the global sales market
 Important efforts domestically and abroad to maintain/improve international competitiveness
- **Note: “Overseas business operations” is defined as production, sales, and R&D activities at overseas bases, as well as outsourcing of manufacturing and procurement overseas.**

No. of Respondent Companies by Industrial Classification



No. of Respondent Companies by Net Sales



Note: 13 companies did not respond.

Figure 1: No. of Respondent Companies & Response Rate

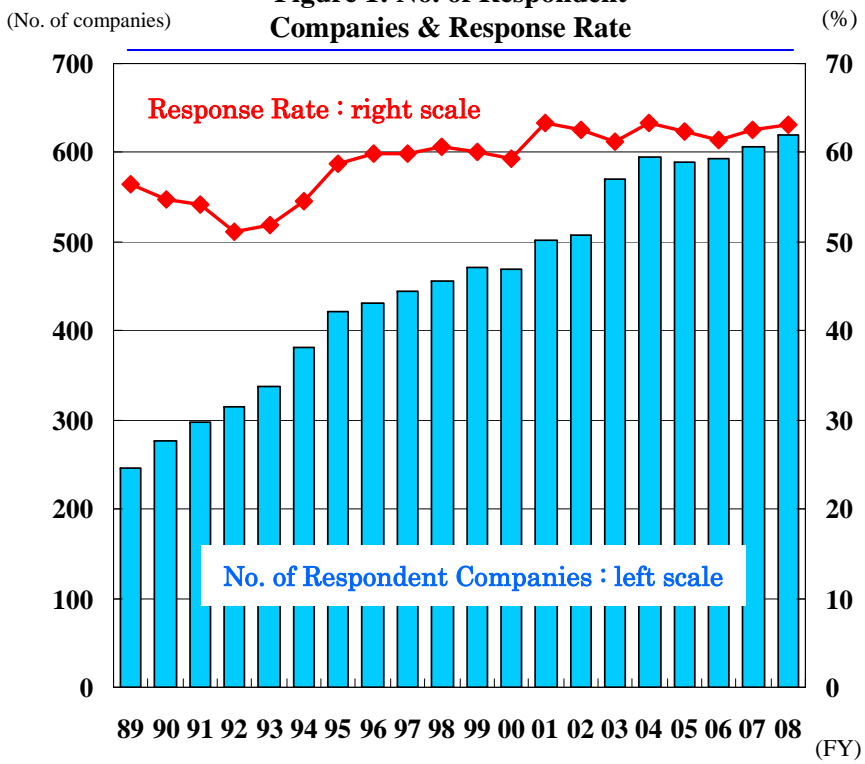


Figure 2: No. of Overseas Affiliates

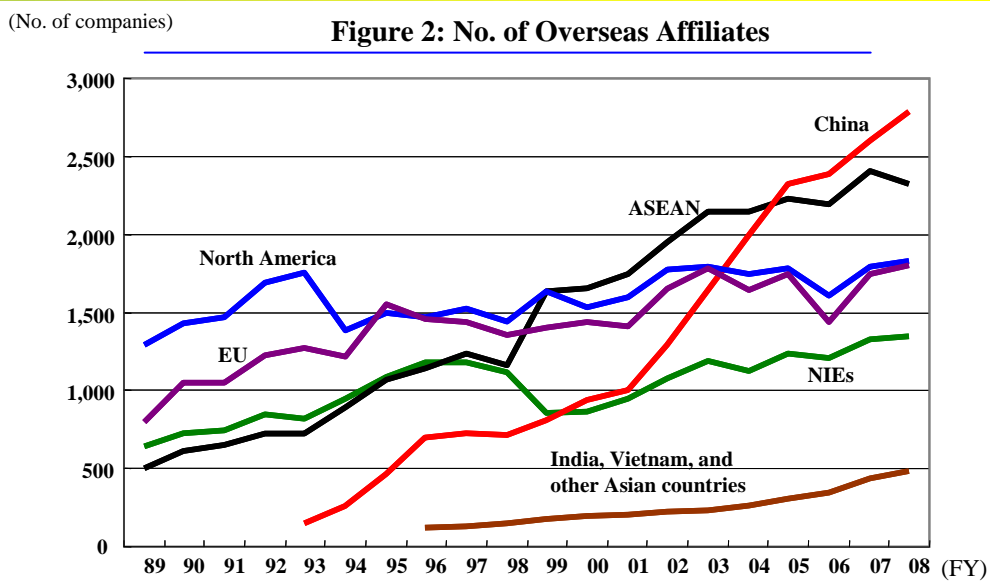
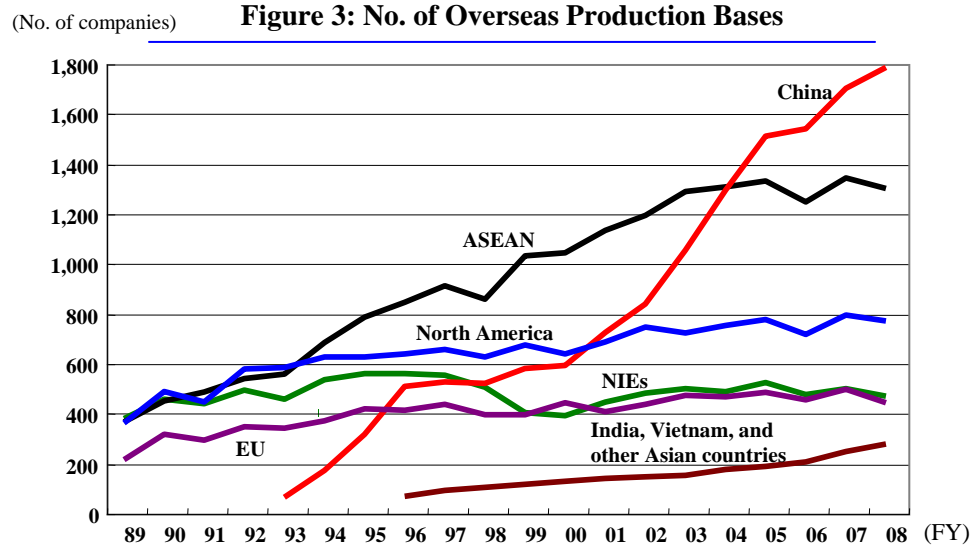


Figure 3: No. of Overseas Production Bases



<The Classification of Major Regions in This Survey>

- NIEs3 (Korea, Taiwan, Hong Kong)
- ASEAN5 (Singapore, Thailand, Indonesia, Malaysia, Philippines)
- North America (United States, Canada)
- EU15 (United Kingdom, Germany, France, Italy, Netherlands, Belgium, Greece, Luxembourg, Denmark, Spain, Portugal, Austria, Finland, Sweden, Ireland)
- Central & Eastern Europe (Poland, Hungary, Czech Republic, Slovak Republic, Bulgaria, Romania, Albania, Slovenia, Croatia, Serbia, Montenegro, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia)

<The Classification of Provinces and Administrative Districts of China in This Survey>

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

Note 1: Data for China starts from FY1993. Data for "Other Asian countries" starts from FY1996.
 Note 2: Singapore was included in NIEs until FY1998 and in ASEAN5 from 1999. EU15 is linked to the EU line from 2004.

Figure 4: Ratio of Overseas Production (average for all industries)

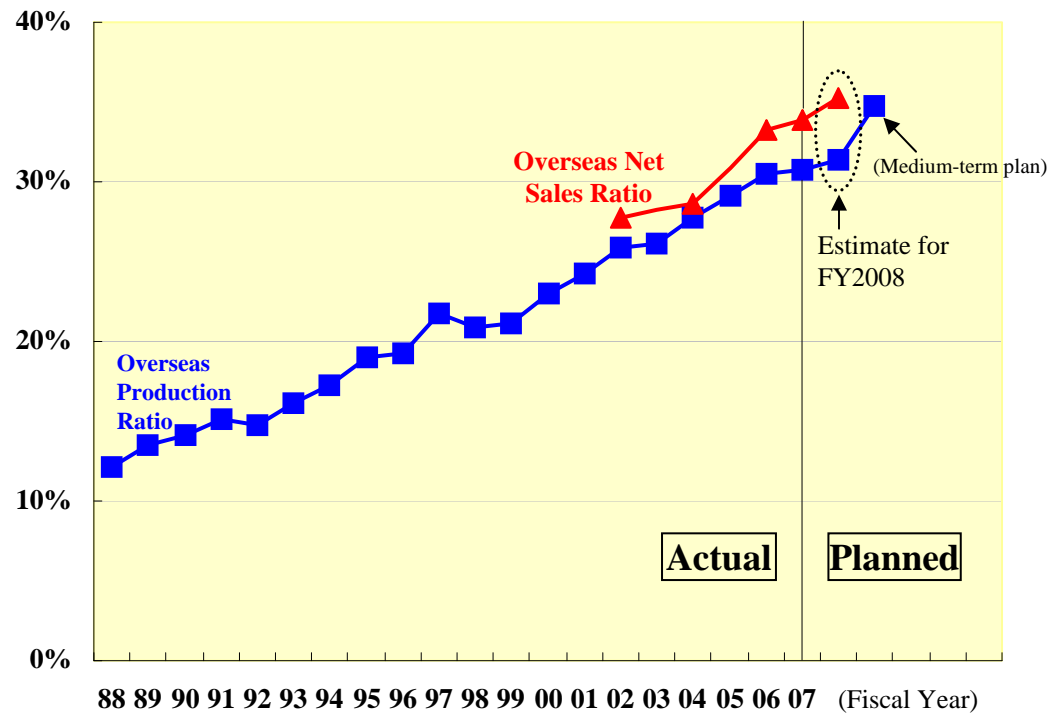


Figure 5: Overseas Production Ratios (major industries)

| | Respondent Companies | FY2007 Figures | Estimated FY2008 Figures | Medium-term Forecast |
|------------------------------------|----------------------|----------------|--------------------------|----------------------|
| All Industries | 510 | 30.7% | 31.4% | 34.8% |
| Chemical | 58 | 22.9% | 23.4% | 27.4% |
| General Machinery | 47 | 18.7% | 19.7% | 24.4% |
| Electrical Equipment & Electronics | 99 | 43.9% | 44.6% | 47.4% |
| Automobiles | 91 | 34.9% | 35.7% | 39.9% |

Figure 6: Overseas Net Sales Ratios (major industries)

| | Respondent Companies | FY2007 Figures | Estimated FY2008 Figures |
|------------------------------------|----------------------|----------------|--------------------------|
| All Industries | 583 | 33.9% | 35.2% |
| Chemical | 73 | 29.5% | 31.0% |
| General Machinery | 56 | 40.4% | 42.0% |
| Electrical Equipment & Electronics | 110 | 47.3% | 48.7% |
| Automobiles | 97 | 34.6% | 35.9% |

Notes:
 (1) "Overseas Production Ratio" is defined as (Overseas Production Output)/ (Domestic Production Output + Overseas Production Output)
 (2) "Overseas Net Sales Ratio" is defined as (Overseas Net Sales)/(Domestic Net Sales + Overseas Net Sales)

■ Overseas production & sales both on the rise, approaching 1/3 of all operations

The ratio of overseas production relative to the total for FY2007 was 30.7%, and that of overseas sales was 33.9%, the highest figures since the survey began. Signs indicate an upward trend for FY2008, and the ratio of overseas business is expected continue to rise.

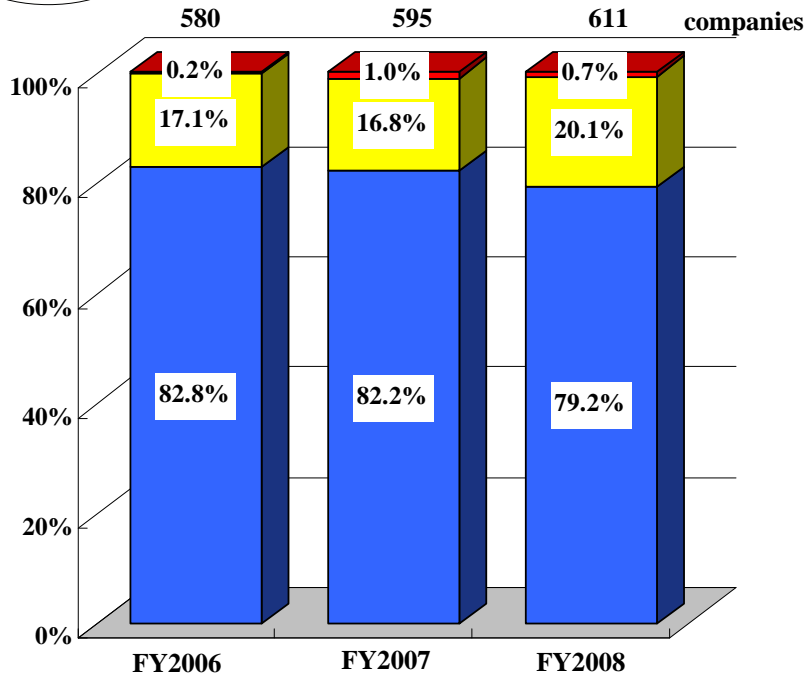
I. Summary

- **Although downside pressure on overseas operations is increasing, enthusiasm for forays into overseas markets remains; a majority wish to maintain their present levels of domestic business**
 - Of the respondent companies, 79% said that they want to strengthen or expand overseas operations (down three points from last year). At the same time, only 41% said they wanted to strengthen or expand domestic operations (down 10 points from last year), with 53% responding that they wanted to maintain the present level. (→P6)
- **China still holds the top position for promising countries, but popularity is spreading to include India, Russia, Brazil, and other emerging nations**
 - In the portion of the survey dealing with promising countries (including quantifications of countries viewed as promising for business expansion), China maintained the top position, but the number of companies viewing China as promising is declining. On the other hand, more companies are viewing India, Russia, Brazil, and other emerging countries as promising, which is indicative of a further dispersing of interest among countries and regions seen in a positive light from a business perspective. The number of companies that view India as promising has increased to a level on par with China. (→P7)
- **Resources put into new product development, lowering unit costs, and overseas-related businesses in order to improve international competitiveness**
 - Overseas related issues, which include finding personnel capable of dealing with the global environment and expansion of overseas production, were cited as important efforts to be made in order to maintain and improve international competitiveness. Development of new products, and cost reductions are also highly cited as important efforts. For material-related companies in particular, the stable procurement of raw materials is a very high-priority matter. (→P9)
- **New investment is going to India and Vietnam; companies are expanding investment in existing bases in China and Thailand**
 - Although China and Thailand remain high on the list for concrete business plans for many companies, the majority are further investments in existing bases in these countries. India and Vietnam are prominent destinations for new investment. The majority of business plans for Russia are sales-related. By industry, the number of companies planning to expand in automobile-related fields has dropped off. (→Section III)
- **Assessments of business performance for North America have declined significantly; for EU, the effects of a strong euro are being felt**
 - As for assessments of recent business performance (net sales and profits) by region, North America has seen a major drop. The EU has relatively high ratings, but these were largely due to the effects of a strong euro. (→ Section IV)

I. 2. Attitudes toward Strengthening Businesses

Figure 7: Medium-term Prospects (next 3 yrs. or so) for Overseas Operations

Overseas



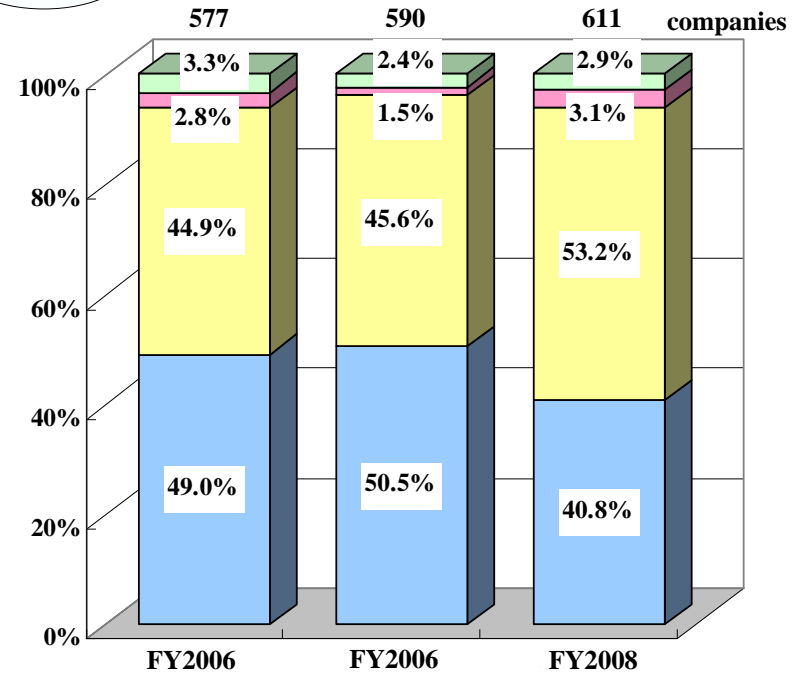
Strengthen/expand Maintain present level Scale back/withdraw

Companies were asked which of the following applied to their outlook for overseas operations in general over the medium term (next three years or so): “strengthen or expand”, “maintain present levels”, or “scale back/withdraw”.

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

Figure 8: Medium-term Prospects (next 3 yrs. or so) for Domestic Operations

Domestic



Strengthen or expand Maintain present level Scale back Undecided

Companies were asked which of the following applied to their outlook for domestic operations in general over the medium term (next three years or so): “strengthen or expand”, “maintain present levels”, “scale back”, or “undecided”.

- Despite downside pressure on overseas operations, enthusiasm for forays into overseas markets remains
Despite increased concerns of global economic slowdown, 79.2% of respondent companies said that over the medium-term they would strengthen or expand their overseas operations (down 3 points from last year).
- The majority of companies wish to maintain present levels for their domestic operations
Of the respondent companies, 40.8% said that they would strengthen or expand domestic operations over the medium-term, down 9.7 points from last year. On the other hand, 53.2% responded that they would maintain present level of business (up 7.6 points from last year’s survey), exceeding the number of companies that said they would strengthen or expand.

I. 3. Promising Countries/Regions: Rankings

Figure 9: Promising Countries/Regions for Overseas Business Operations over the Medium-term (next 3 yrs. or so) (multiple response) (⇒See Appendix 1 for pre-FY2007 results)

(Numbers in parentheses represent last year's figures)

| Ranking | | Country/Region | No. of Companies 471 (503) | Percentage Share (%) | |
|---------|---|----------------|-------------------------------|-------------------------|---|
| 1 (1) | – | China | 297 (342) | 63 (68) | ↓ |
| 2 (2) | – | India | 271 (254) | 58 (50) | ↑ |
| 3 (3) | – | Vietnam | 152 (178) | 32 (35) | ↓ |
| 4 (5) | ↑ | Russia | 130 (114) | 28 (23) | ↑ |
| 5 (4) | ↓ | Thailand | 125 (132) | 27 (26) | ↑ |
| 6 (7) | ↑ | Brazil | 91 (47) | 19 (9) | ↑ |
| 7 (6) | ↓ | USA | 78 (93) | 17 (18) | ↓ |
| 8 (8) | – | Indonesia | 41 (46) | 9 (9) | – |
| 9 (9) | – | Korea | 27 (32) | 6 (6) | – |
| 10 (10) | – | Taiwan | 22 (24) | 5 (5) | – |
| 11 (11) | – | Mexico | 21 (21) | 4 (4) | – |
| 12 (12) | – | Malaysia | 20 (21) | 4 (4) | – |
| 13 (25) | ↑ | Singapore | 15 (5) | 3 (1) | ↑ |
| 14 (22) | ↑ | UAE | 14 (7) | 3 (1) | ↑ |
| 15 (14) | ↓ | Germany | 13 (15) | 3 (3) | – |
| 16 (15) | ↓ | Czech Repblic | 13 (13) | 3 (3) | – |
| 17 (17) | – | Turkey | 12 (10) | 3 (2) | ↑ |
| 18 (16) | ↓ | UK | 8 (10) | 2 (2) | – |
| 19 (19) | – | Australia | 8 (8) | 2 (2) | – |
| 20 (24) | ↑ | South Africa | 8 (6) | 2 (1) | ↑ |

Note : In addition to the countries/regions listed above, the following regions also gained responses: EU/Europe/Western Europe (38 responses, 8% of the total); North America (18 responses, 4%); Eastern Europe/Central and Eastern Europe (17 responses, 4%); Middle East (16 responses, 3%).

The respondents were each asked to name the top five countries that they consider to have promising prospects for business operations over the medium term (the next three years or so). The table above shows the number of quotation of the countries or regions (no. of responses) and ratio (percentage share), consisting of that number divided by the number of responding companies.

■ China and India vying for top

China occupies the top position overall, but decreased its share of responses from last year. India, on the other hand, continues to make gains, leaving it almost on par with China in terms of percentage shares.

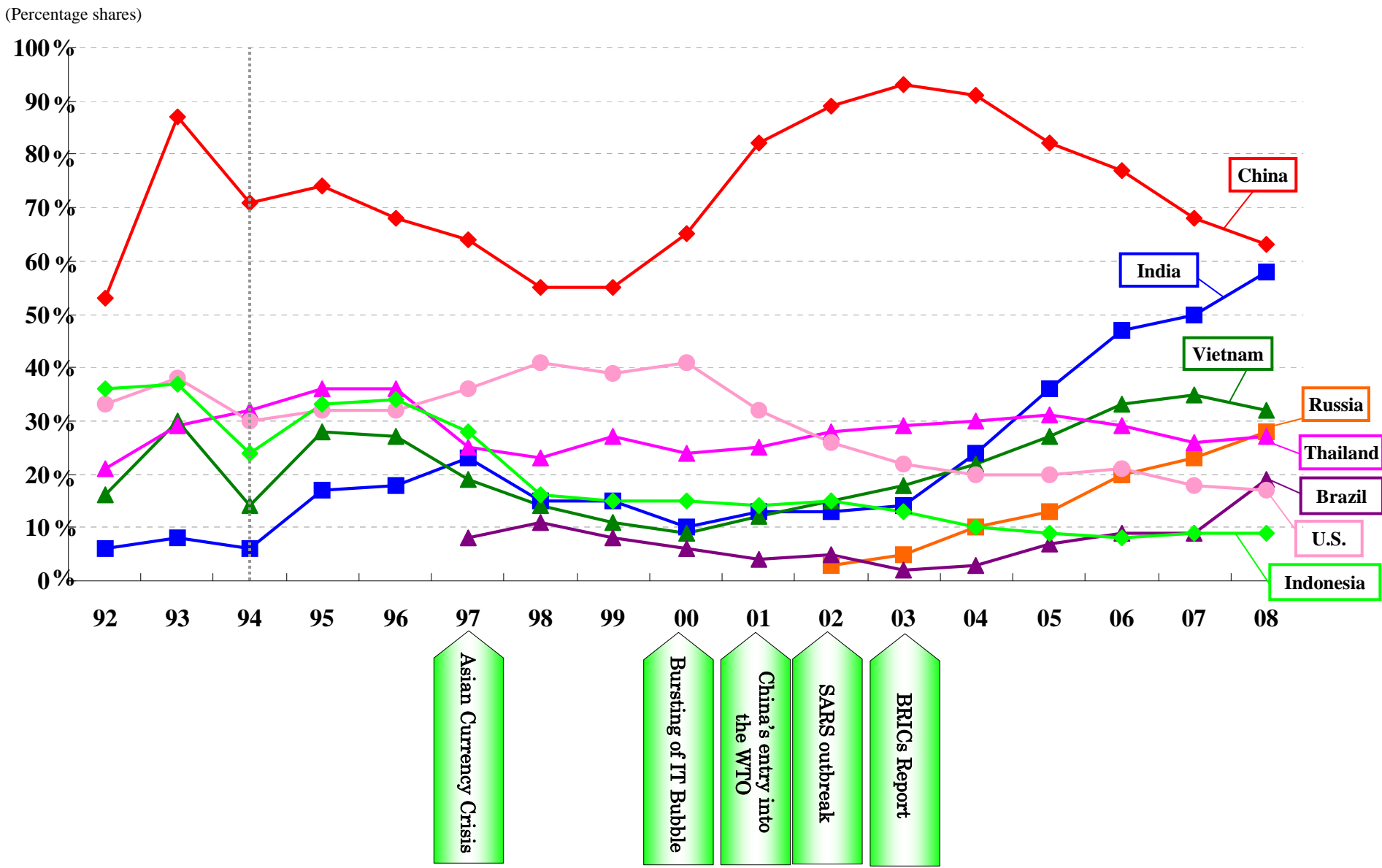
■ Russia and Brazil increase their percentage shares, while Vietnam slows down

Russia and to a greater extent Brazil saw major gains in the number of companies that viewed them as promising. Vietnam, which has been popular of late, saw a drop in its share.

■ Eyes are on emerging countries in the Middle East and Africa

In recent years responses pointing out countries in the Middle East as promising are on the rise. Notable response levels for this fiscal year include the UAE (14 companies) and the Middle East in general (16 companies). In Africa, South Africa saw major gains in percentage shares, marking the first time an African country has made into the top 20 since this survey began.

Figure 10: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares



Note: Questions asked and methods of data collation differ for the '92 and '93 fiscal years.

I.5. International Competitiveness (all industries)

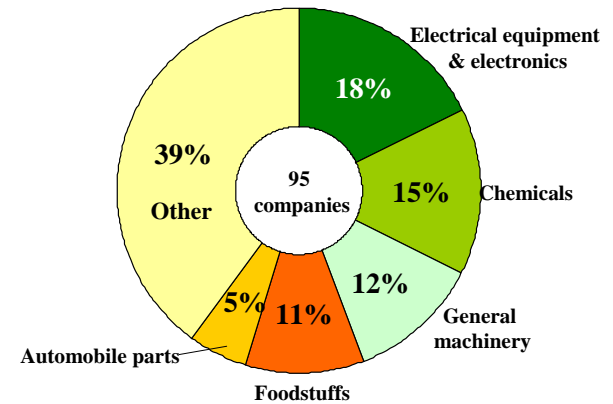
Figure 11: Important Efforts Domestically and Abroad to Maintain/Improve International Competitiveness (all industries)

| Rank | 08 (07) | | No. of companies | | Ratio | |
|------|---------|---|------------------|-----------------|-------|-------|
| | | | (n=563) (08) | (n=565) (07) | (08) | (07) |
| 1 | (1) | Developing new products | 277 | (285) | 49% | (50%) |
| 2 | (3) | Lowering cost of procured parts and raw materials | 258 | (247) | 46% | (44%) |
| 3 | (2) | Procuring human resources capable of responding to globalization | 238 | (271) | 42% | (48%) |
| 4 | (4) | Expanding overseas production | 228 | (228) | 40% | (40%) |
| 5 | (6) | Faster product development | 198 | (192) | 35% | (34%) |
| 6 | (5) | Strengthening sales function | 195 | (208) | 35% | (37%) |
| 7 | (7) | More efficient manufacturing processes | 173 | (150) | 31% | (27%) |
| 8 | (8) | Improving coordination among development, manufacturing and sales divisions | 145 | (145) | 26% | (26%) |
| 9 | (9) | Strengthening brand power | 141 | (141) | 25% | (25%) |
| 10 | - | Stable procurement of raw materials | 115 | - | 20% | - |
| 11 | (10) | Creating a healthier financial standing | 109 | (103) | 19% | (18%) |
| 12 | (11) | Acquiring business resources that will bolster the main line of business (M&A etc.) | 95 | (95) | 17% | (17%) |
| 13 | (12) | Optimizing a global supply chain | 88 | (86) | 16% | (15%) |
| 14 | (13) | Fundamental research aimed at acquiring state-of-the-art technologies | 82 | (84) | 15% | (15%) |
| 15 | (15) | Entering into new business fields | 81 | (71) | 14% | (13%) |
| 16 | (16) | Rethinking of business fields the company is involved in | 66 | (56) | 12% | (10%) |
| 16 | (18) | Complying with environmental and energy conservation standards | 66 | (50) | 12% | (9%) |
| 18 | (14) | Consolidating domestic and overseas production | 61 | (80) | 11% | (14%) |
| 19 | (16) | Protecting intellectual property and designs | 56 | (56) | 10% | (10%) |
| 20 | (20) | Strengthening post-sales services | 53 | (48) | 9% | (9%) |
| 21 | (18) | Expanding domestic production | 33 | (50) | 6% | (9%) |
| 22 | (21) | Strengthening product design capabilities | 26 | (28) | 5% | (5%) |

Figure12: Stable procurement of raw materials (by industry)

| | |
|--------------------|-------|
| Steel (n=12) | 66.7% |
| Paper & Pulp (n=5) | 40.0% |
| Foodstuffs (n=29) | 34.5% |
| Textiles (n=31) | 29.0% |
| Chemicals (n=75) | 24.0% |

Figure13: Acquiring business resources (industry ratios)



Note: Respondents were asked to circle up to five items (per company) from 22 possible choices when asked to identify “important efforts domestically and abroad to maintain/improve international competitiveness”. The item “Stable procurement of raw materials” appeared for the first time this year.

■ Resources put into new product development, lowering unit costs, and overseas-related businesses in order to improve international competitiveness

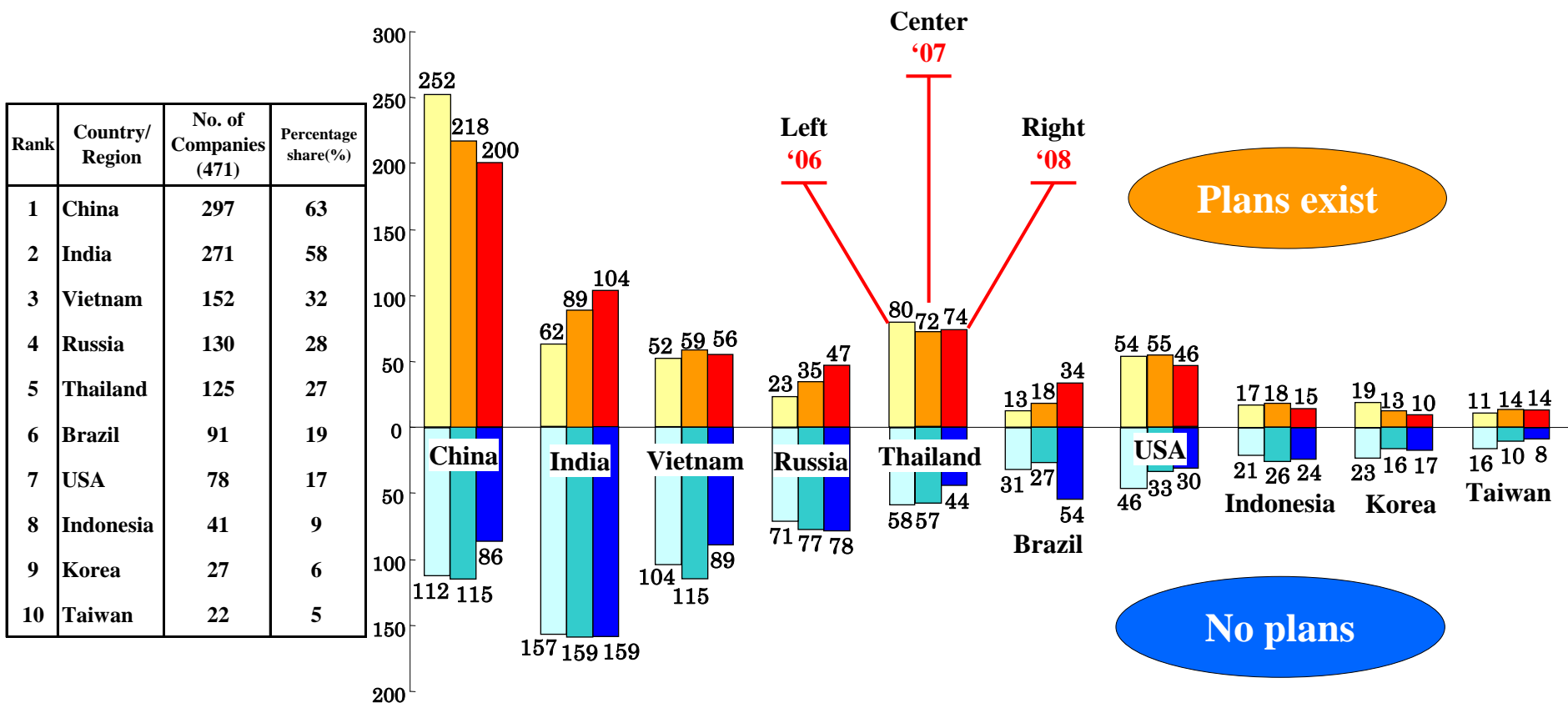
Overseas related issues, which include finding personnel capable of dealing with the global environment and expansion of overseas production, were cited as important efforts to be made in order to maintain and improve international competitiveness. Development of new products, and cost reductions are also highly cited as important efforts. For material-related companies in particular, the stable procurement of raw materials is a very high-priority matter.

■ For materials-related companies in particular, the stable procurement of raw materials is a very high-priority matter.

There was a notably large number of steel, paper and pulp companies listing the “procurement of raw materials” as a priority issue, suggesting that the hike in the cost of resources is a critical matter for management. Furthermore, major industries are placing a certain level of priority on “acquiring business resources that will bolster the main line of business”, a trend that is certainly worthy of attention in the future.

II. Characteristics of Promising Countries/Regions

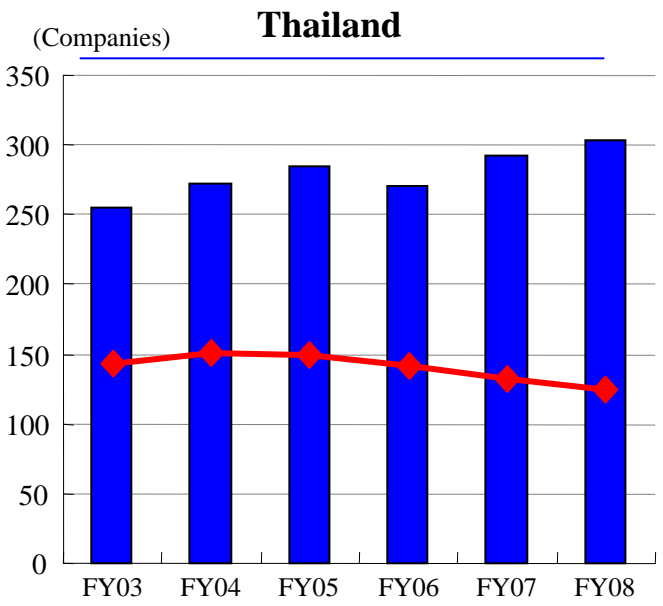
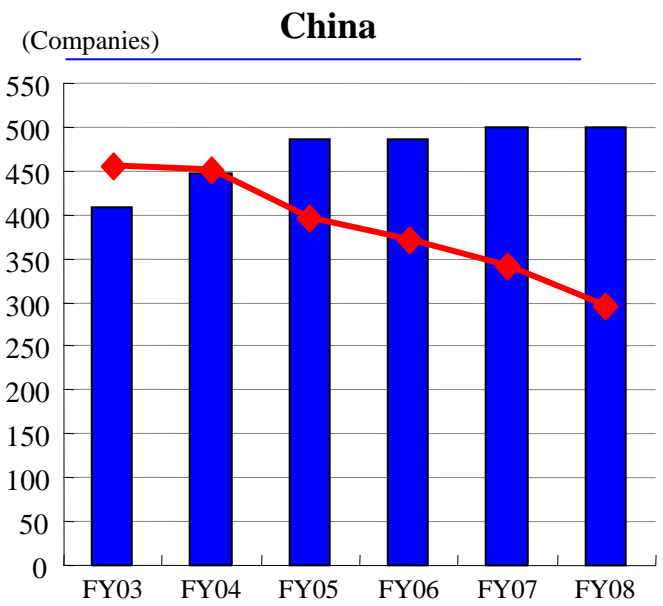
Figure14: Existence of Concrete Business Plans for Promising Countries/Regions



- China far exceeds others in the number of companies with business plans; as for India, while expectations precede action, the number of companies with concrete plans are steadily on the rise
 Two hundred companies out of all respondent companies have plans for businesses in China, and while recent years have seen a gradual decline, the level still far exceeds other countries. More than half of the companies that said India was promising do not actually have concrete business plans, but the number that do is steadily on the rise. India ranked 2nd among companies with actual plans.
- The number of companies with plan are on the rise in Russia and Brazil
 Russia and Brazil have seen their percentage share go up in recent years, and just as with India, many companies do not have concrete plans, the number that do are on the rise.

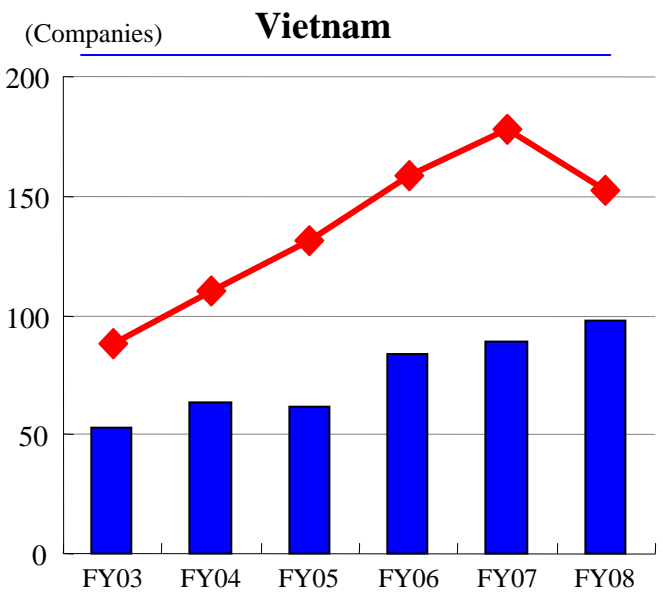
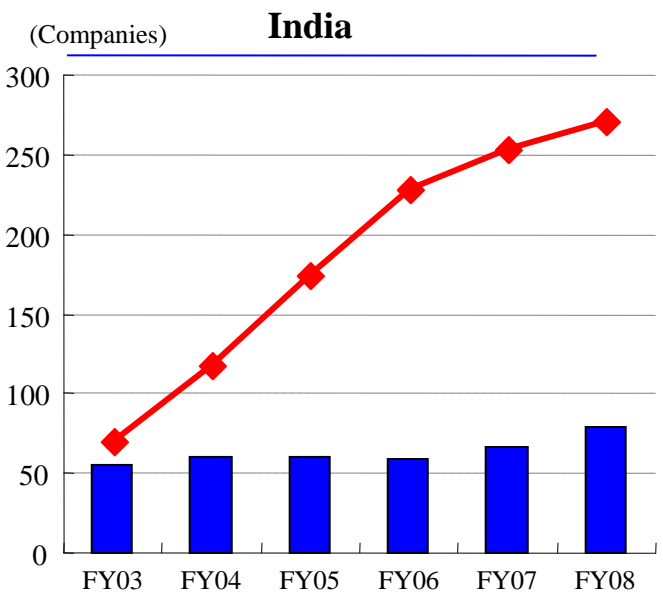
II. 2. Changes in the No. of Companies Viewing Certain Countries as Promising and No. of Companies with Production Bases there (4 main countries)

Figure 15: Percentage Shares for Promising Countries for Overseas Operations and the No. of Companies with Production Bases there



■ No. of companies with one or more production bases in the relevant country

◆ No. of companies indicating the relevant country is "promising for overseas operations over the medium-term"



■ Now that many companies already have stock invested in China and Thailand, eyes are now on staking out investments in India and Vietnam

Of the 620 respondent companies, 500 already have production base in China, and another 300 in Thailand. With this level of investment in both countries, they have become the focus of business operation. The number of production bases in India and Vietnam, on the other hand, are still on the rise, and expansion trends in these two countries are paid attention to.

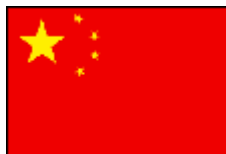
China

Reasons

(Total number of respondent companies: 294)

| | No. of companies | Ratio |
|--|------------------|-------|
| 1. Future growth potential of local market | 228 | 77.6% |
| 2. Inexpensive source of labor | 132 | 44.9% |
| 3. Current size of local market | 109 | 37.1% |
| 4. Supply base for assemblers | 73 | 24.8% |
| 5. Inexpensive components & raw materials | 48 | 16.3% |

Issues



(Total number of respondent companies: 285)

| | No. of companies | Ratio |
|---|------------------|-------|
| 1. Rising labor costs | 182 | 63.9% |
| 2. Execution of legal system unclear | 166 | 58.2% |
| 3. Insufficient protection of intellectual property rights | 143 | 50.2% |
| 4. Intense competition with other companies | 130 | 45.6% |
| 5. Restrictions on foreign currency and international transfers | 92 | 32.3% |
| 5. Difficulties in recovering money owed | 92 | 32.3% |

- The top three reasons for China being seen as promising are: the “future growth potential of the local market”, “inexpensive source of labor”, and “current size of local market”.
- The top three pending issues given are: “rising labor costs”, an “execution of legal system unclear”, and the “Insufficient protection of intellectual property rights”.

India

Reasons

(Total number of respondent companies: 269)

| | No. of companies | Ratio |
|--|------------------|-------|
| 1. Future growth potential of local market | 227 | 84.4% |
| 2. Inexpensive source of labor | 104 | 38.7% |
| 3. Qualified human resources | 68 | 25.3% |
| 4. Supply base for assemblers | 61 | 22.7% |
| 5. Current size of local market | 44 | 16.4% |

Issues



(Total number of respondent companies: 257)

| | No. of companies | Ratio |
|---|------------------|-------|
| 1. Underdeveloped infrastructure | 134 | 52.1% |
| 2. Execution of legal system unclear | 68 | 26.5% |
| 3. Intense competition with other companies | 63 | 24.5% |
| 3. Lack of information on the country | 63 | 24.5% |
| 5. Rising labor costs | 54 | 21.0% |

- The “growth potential of the local market” was listed top as the reason for India being a promising destination, a response revealing the hopes placed on the future growth of the Indian market. Listed third is the presence of “qualified human resources”, for which India got relatively higher marks than other countries.
- The biggest issue for India has continued to be an “underdeveloped infrastructure”. Infrastructural improvements are believed to be making progress, but the demands of companies seeking to make forays into India also appear to be on the rise.

Figure 16: Changes in Main Reasons for China being promising

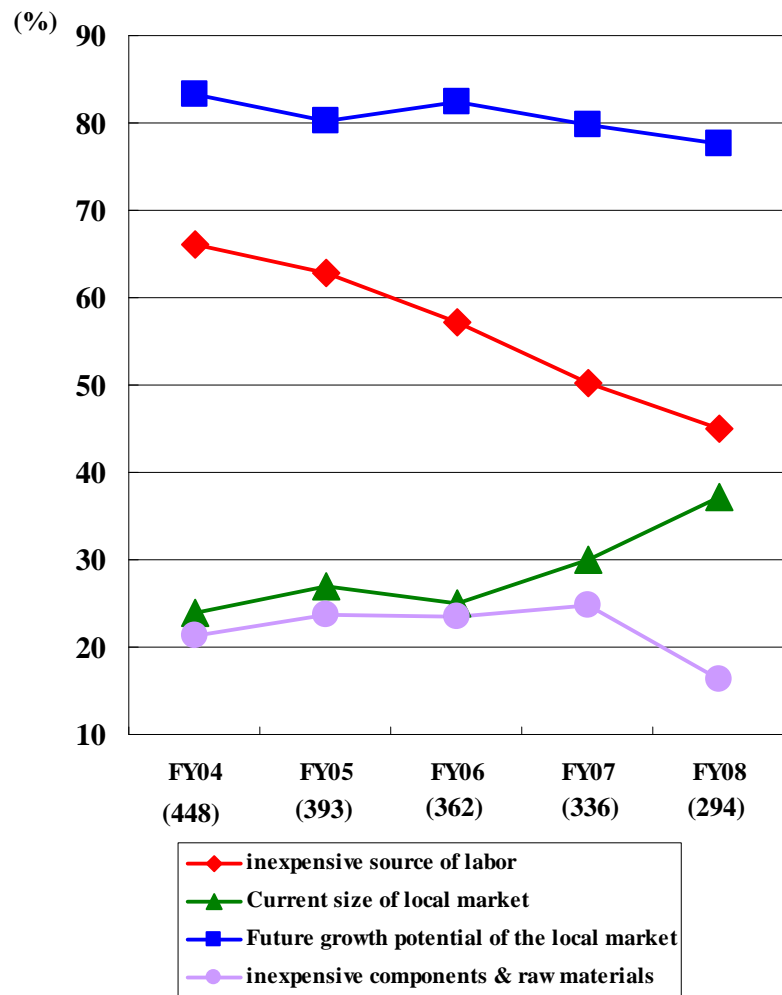
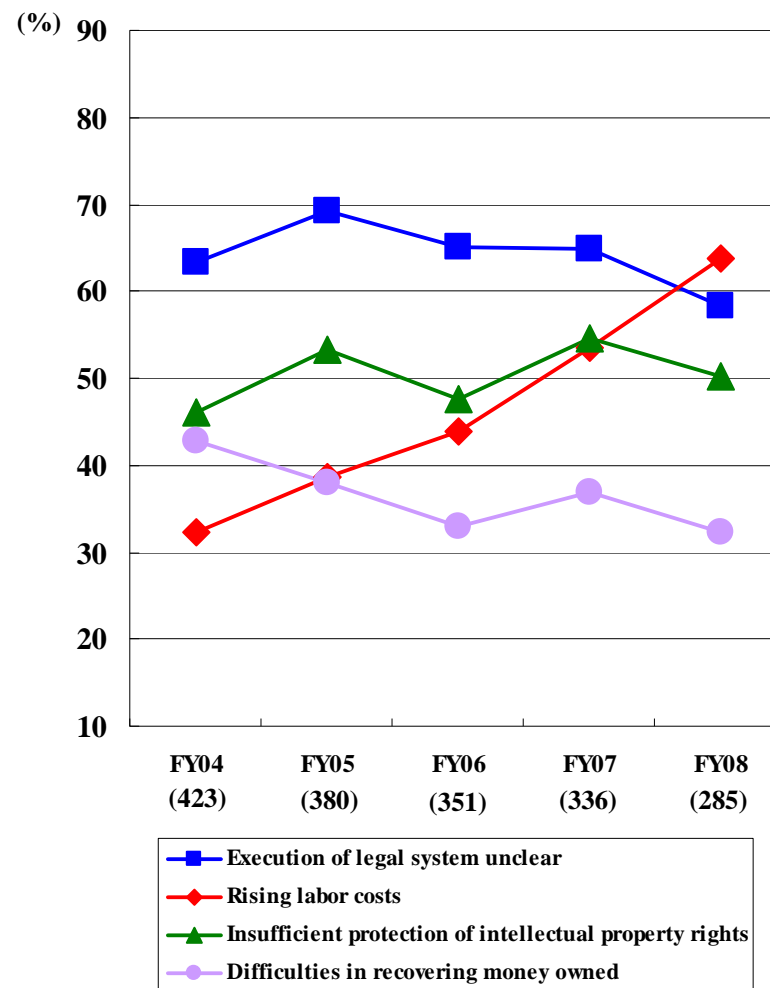


Figure 17: Changes in Main Issues faced in China



■ As for reasons for being promising, in addition to a major drop in the “inexpensive source of labor” category, there was a decrease in companies listing “inexpensive components & raw materials”. In contrast, “future growth potential of local market” maintained high response levels, while “Current size of local market” grew as a factor, suggesting a change in the reasons behind companies’ investments in China.

■ An “execution of legal system unclear”, “insufficient protection of intellectual property rights”, and “difficulties in recovering money owed” have traditionally been the most significant issues in China, but “rising labor costs” has surged as a critical issue, overtaking the other three items in this fiscal year.

Vietnam

Reasons

| | No. of companies | Ratio |
|---|------------------|-------|
| (Total number of respondent companies: 150) | | |
| 1. Inexpensive source of labor | 92 | 61.3% |
| 2. Future growth potential of local market | 72 | 48.0% |
| 3. Good for risk diversification | 47 | 31.3% |
| 4. Qualified human resources | 42 | 28.0% |
| 5. Supply base for assemblers | 33 | 22.0% |

Issues



| | No. of companies | Ratio |
|--|------------------|-------|
| (Total number of respondent companies: 144) | | |
| 1. Underdeveloped infrastructure | 62 | 43.1% |
| 2. Difficult to secure management-level staff | 46 | 31.9% |
| 3. Rising labor costs | 35 | 24.3% |
| 4. Execution of legal system unclear | 33 | 22.9% |
| 5. Difficult to secure technical/engineering staff | 32 | 22.2% |

- Vietnam is the only country in the list of promising countries in which “inexpensive source of labor” is the top reason, and there is much hope for its potential as a supplier of labor. In addition, there were relatively more companies that listed Vietnam as an “good for risk diversification”, which corresponds to its reputation as a popular candidate to divert away risk assumed in China.

- Vietnam’s “underdeveloped infrastructure” continues to occupy the top pressing issue. In addition, more and more companies are citing “rising labor costs”.

Thailand

Reasons

| | No. of companies | Ratio |
|---|------------------|-------|
| (Total number of respondent companies: 124) | | |
| 1. Future growth potential of local market | 59 | 47.6% |
| 2. Supply base for assemblers | 51 | 41.1% |
| 3. Inexpensive source of labor | 48 | 38.7% |
| 4. Current size of local market | 32 | 25.8% |
| 5. Base of export to third countries | 30 | 24.2% |
| 6. Developed local infrastructure | 30 | 24.2% |

Issues



| | No. of companies | Ratio |
|--|------------------|-------|
| (Total number of respondent companies: 117) | | |
| 1. Rising labor costs | 43 | 36.8% |
| 2. Intense competition with other companies | 40 | 34.2% |
| 3. Difficult to secure management-level staff | 32 | 27.4% |
| 4. Difficult to secure technical/engineering staff | 22 | 18.8% |
| 5. Security/social instability | 16 | 13.7% |

- The second reason for Thailand being promising is its position as a “supply base for assemblers”, underscoring Thailand’s developing concentration of industry, most notably the automobile industry.

- More companies are citing “rising labor costs” as an issue in Thailand, pushing this issue to No.1. There are also a noteworthy number of companies that cites “difficult to secure staff”.

Russia

Reasons

(Total number of respondent companies: 129)

| | No. of companies | Ratio |
|--|------------------|-------|
| 1. Future growth potential of local market | 112 | 86.8% |
| 2. Current size of local market | 27 | 20.9% |
| 3. Supply base for assemblers | 22 | 17.1% |
| 4. Profitability of the local market | 15 | 11.6% |
| 5. Advantages in terms of raw material procurement | 8 | 6.2% |

Issues



(Total number of respondent companies: 120)

| | No. of companies | Ratio |
|---|------------------|-------|
| 1. Execution of legal system unclear | 48 | 40.0% |
| 2. Lack of information on the country | 39 | 32.5% |
| 3. Security/social instability | 32 | 26.7% |
| 4. Underdeveloped infrastructure | 28 | 23.3% |
| 5. Procedures for investment authorization too complicated or unclear | 27 | 22.5% |

■ The two top reasons given for being promising were the “future growth potential of local market” and the “current size of local market”, an indication of the special degree of attention that the potential of the Russian market has gathered. Additionally, while still relatively few in number, some companies cited “advantages in terms of raw material procurement”.

■ Issues noted include “lack of information on the country” and “security/social instability”, which ranked relatively high compared with Asian countries.

Brazil

Reasons

(Total number of respondent companies: 91)

| | No. of companies | Ratio |
|--|------------------|-------|
| 1. Future growth potential of local market | 81 | 89.0% |
| 2. Inexpensive source of labor | 23 | 25.3% |
| 3. Supply base for assemblers | 21 | 23.1% |
| 4. Current size of local market | 16 | 17.6% |
| 5. Base for exports to third countries | 9 | 9.9% |

Issues



(Total number of respondent companies: 88)

| | No. of companies | Ratio |
|---|------------------|-------|
| 1. Intense competition with other companies | 28 | 31.8% |
| 2. Lack of information on the country | 22 | 25.0% |
| 3. Underdeveloped infrastructure | 17 | 19.3% |
| 4. Execution of legal system unclear | 16 | 18.2% |
| 5. Security/social instability | 16 | 18.2% |

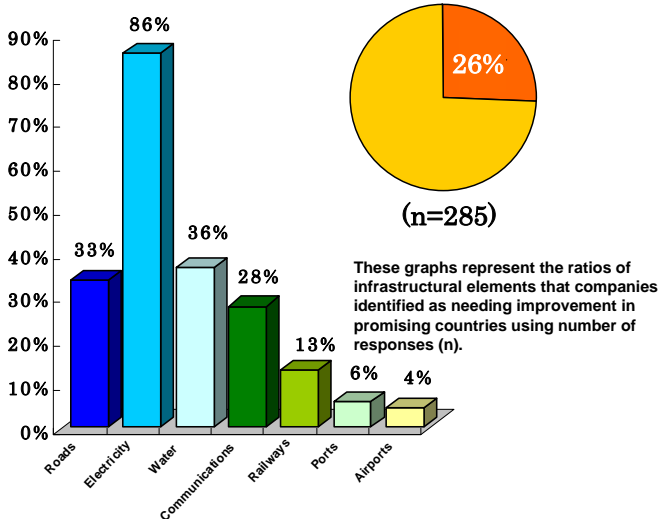
■ Like Russia and a few others, the “growth potential of the local market” is by far the biggest reason for Brazil being a promising country. In addition, there are hopes for Brazil as a manufacturing base, as indicated in the significant numbers of companies that cited the nation as source of “inexpensive source of labor” and “supply base for assemblers”

■ Issues noted include “lack of information on the country”, something that came up more frequently than with Asian countries. It should also be noted that there were relatively few companies cited “execution of legal system unclear”.

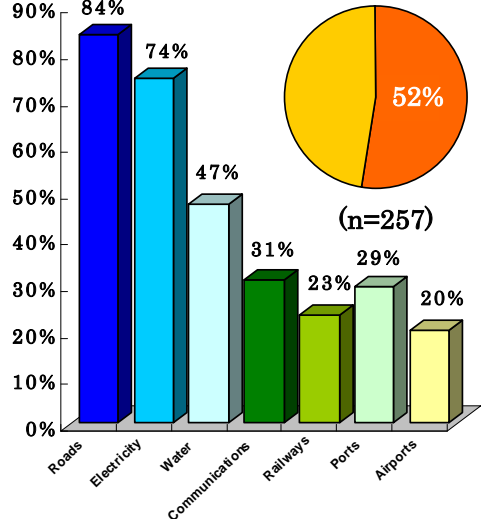
II. 7. Infrastructure-related Issues

Figure18: Infrastructures desired to be improved (multiple response)

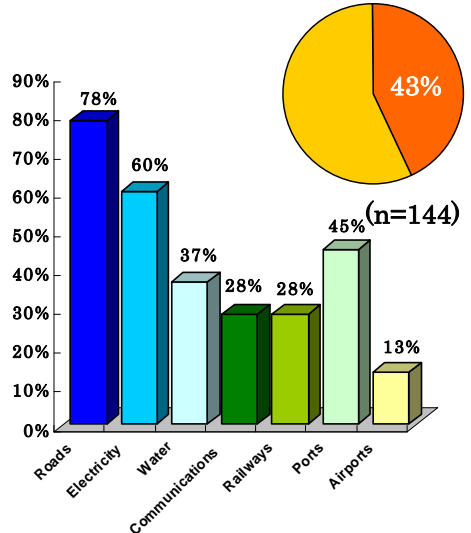
China



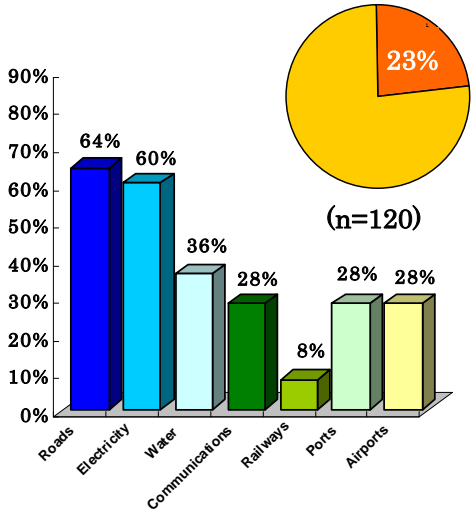
India



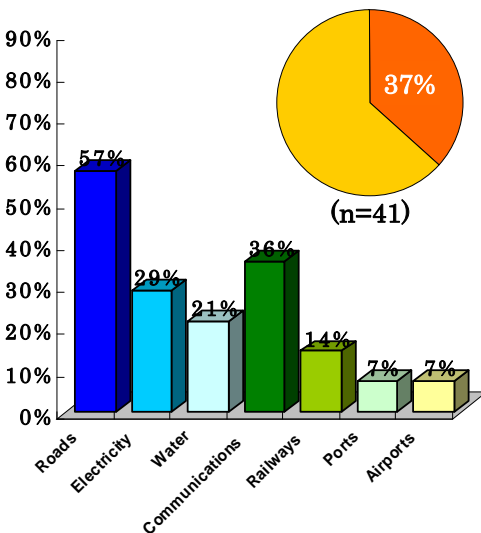
Vietnam



Russia



Indonesia



■ Many infrastructure-related issues cited for India and Vietnam

Of respondent companies that pointed out “infrastructure” as a pending issue, a particularly large proportion of them named India (52%) and Vietnam (43%). Water was listed as 3rd in India, and ports as 3rd in Vietnam.

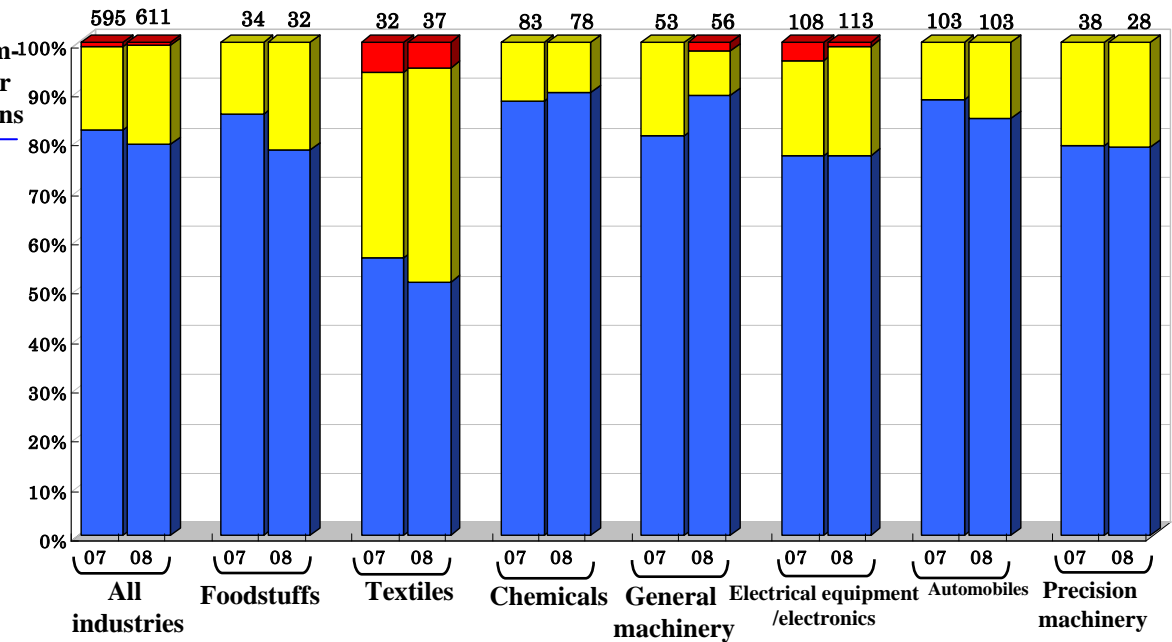
■ A disproportionately large number of companies cited electricity issue for China

The rate of responses mentioning infrastructural problems in China was below the level of India and others. Still, electricity tops the list of infrastructure-related issues in China.

**III. Attitudes toward Strengthening Businesses
and
Countries/Regions/Fields for Strengthening Businesses**

Figure 19: Medium-term Prospects for Overseas Operations

Overseas



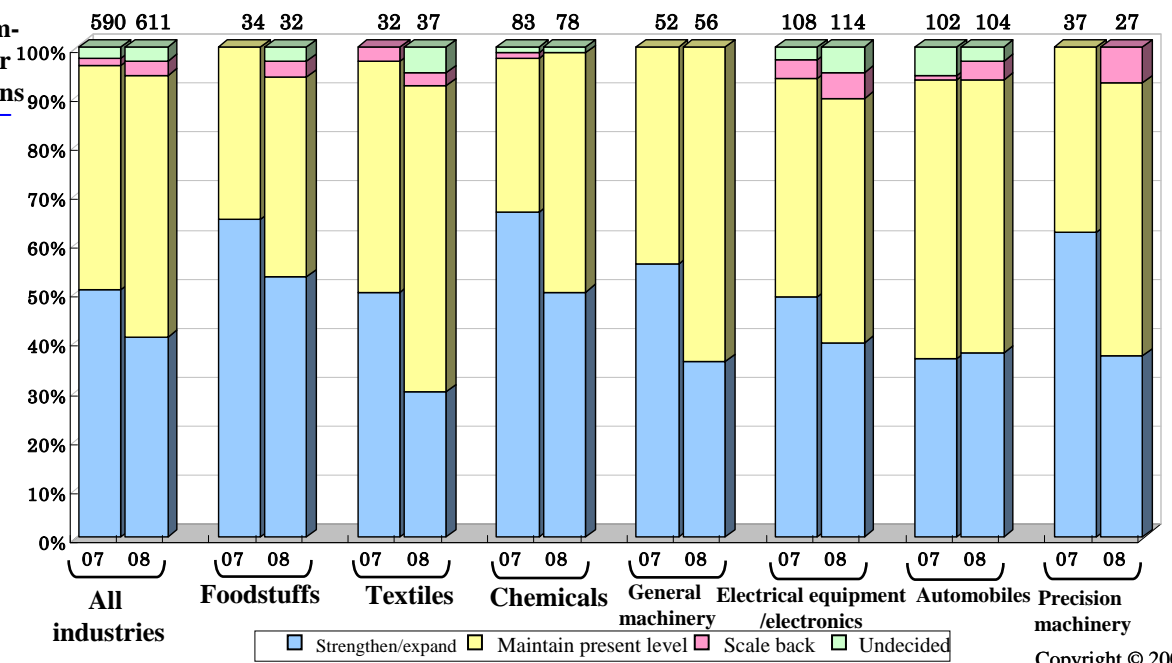
■ Scale back/withdraw
■ Maintain present levels
■ Strengthen/expand

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

*For detailed figures for each item see Appendix 4

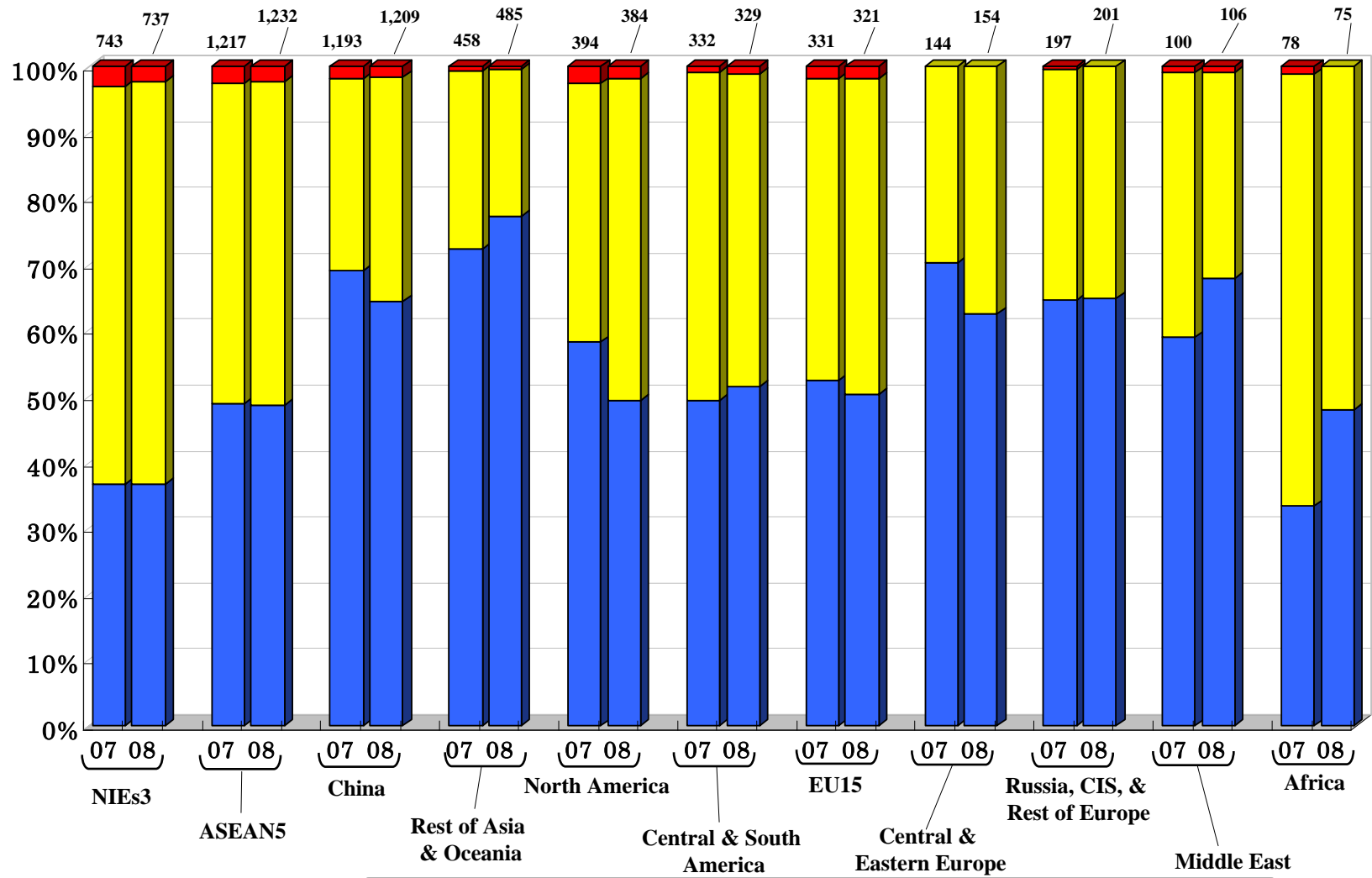
Figure 20: Medium-term Prospects for Domestic Operations

Domestic



■ Attitudes toward strengthening overseas operations remain roughly the same in all industries across the board
 Although companies responding positively with regard to foodstuffs, textiles and automobiles declined slightly, the overall enthusiasm toward overseas operation largely remains the same.
■ The number of companies planning to maintain present levels of domestic operation increases
 As for domestic operations, a large number of companies responded that they intend to keep them at present levels. Specifically, there was a major change in the number of companies responding this way in general machinery, which is seen as a "weathervane" of economic trends, and the mature textile industry.

Figure 21: Changes in Prospects for Overseas Operations by Region



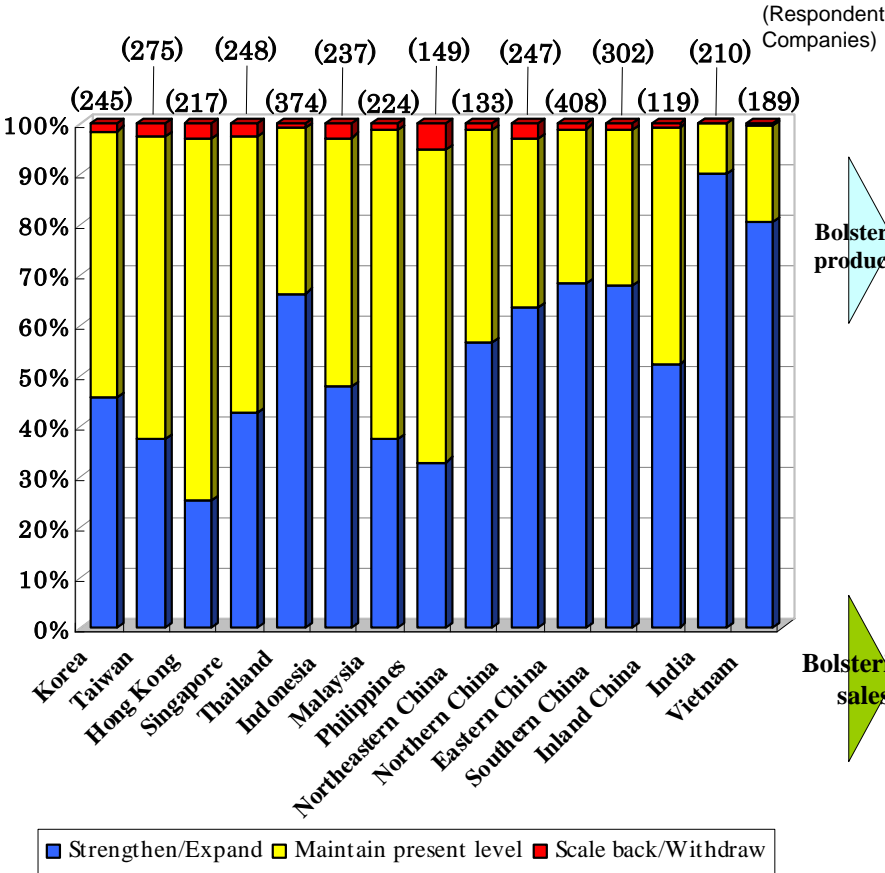
- Scale down/withdraw
- Maintain present levels
- Strengthen or expand

■ As fewer companies express the desire to expand operations in North America, more and more companies show interest in expansion in the Middle East, Africa, and other countries

Dramatically fewer companies are willing to expand operations in North America. In contrast, much interest is being shown in the Middle East and Africa. Strong moves toward business expansion are focusing on India, Vietnam, other countries in the Asia Pacific Region and the Middle East.

Note: See Appendix 4 for detailed figures.

Figure 22: Size of Medium-term Business Prospects (major Asian and others in the region)



Bolstering production

Bolstering sales

Note: See Appendix 5 for detailed figures.

Business show particularly strong interest in expanding in India, Vietnam, Eastern China, and Thailand
 Among respondent companies who indicated intent to strengthen/expand business, the breakdown was as follows: India (90%), Vietnam (80%), Eastern China (68%), Thailand (66%).
 Businesses to expand existing bases in Thailand and Eastern China; new investment in India and Vietnam
 The focus of investment is Eastern China and Thailand, where companies already have an established investment. On the other hand, one cannot ignore investments in new centers in India and Vietnam.

Figure 23: Areas in which to strengthen/expand (production)

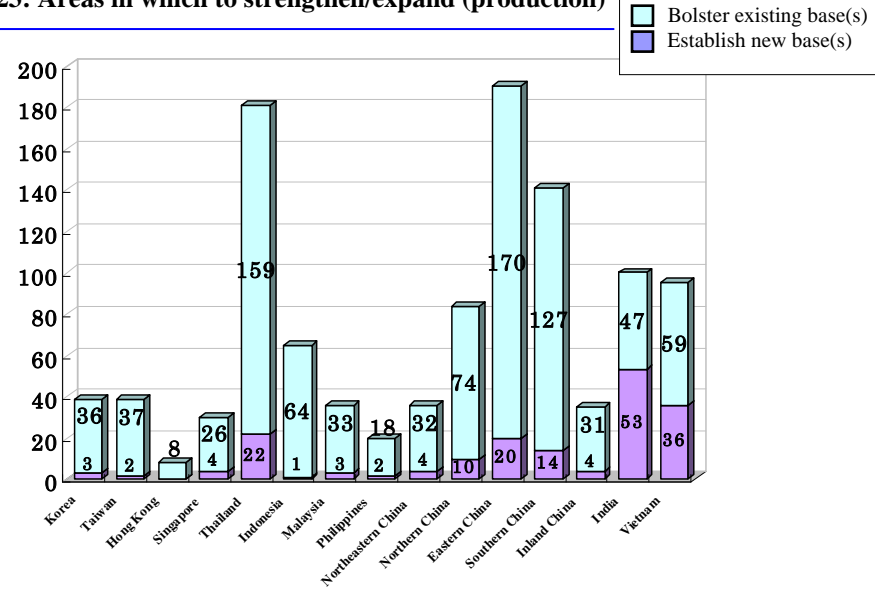


Figure 24: Areas in which to strengthen/expand (sales)

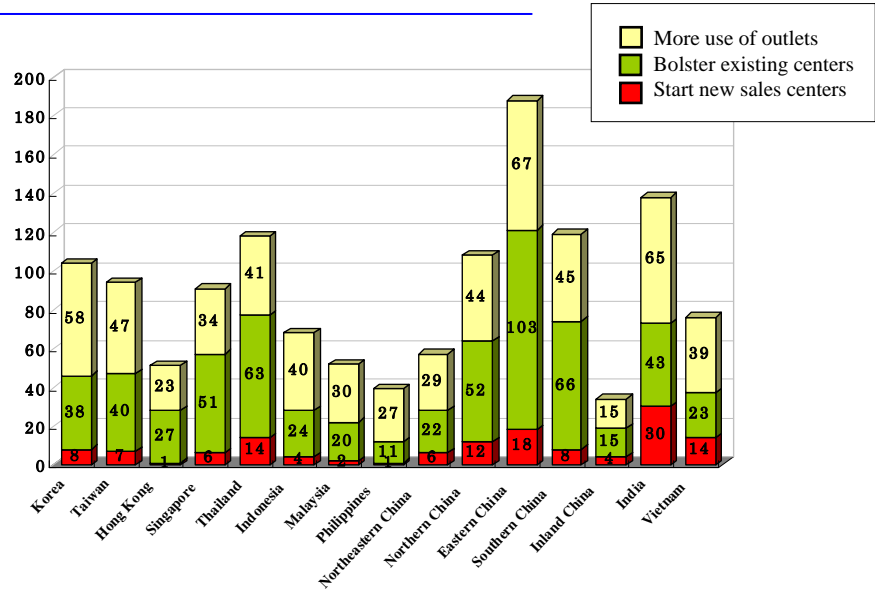
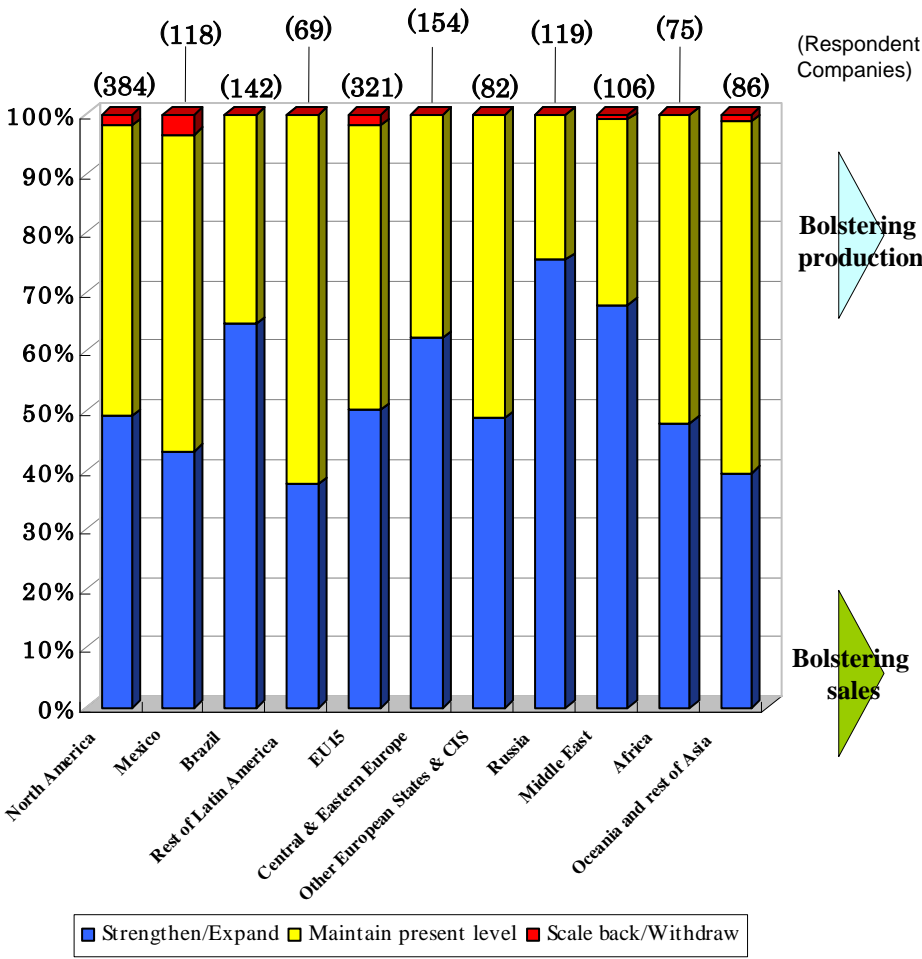


Figure 25: Business expansion size over the medium term (U.S., Europe and others)



Bolstering production

Bolstering sales

■ Russia, the Middle East, and Brazil are areas that companies actively seeking investments in
 Large percentages of respondent companies are planning to strengthen or expand their businesses, and the breakdown was as follows: Russia (76%), the Middle East (68%), and Brazil (65%).
 ■ Russia and the Middle East were focuses of sales bolstering
 No matter what country, the focus tends to be on the sales rather than production aspect. In keeping with this trend, with Russia and the Middle East in particular, focus is on bolstering the sales aspect, clearly indicating that the respective markets are seen as promising for Japanese companies.

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

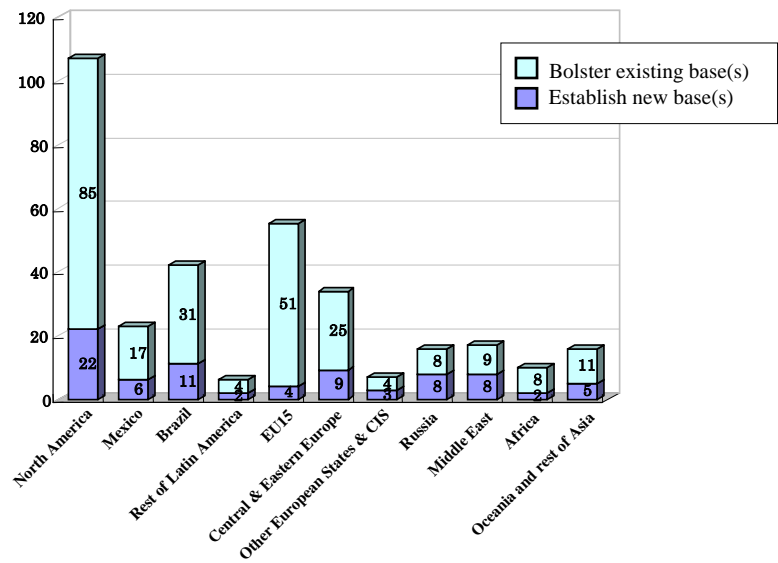


Figure 26: Areas in which to strengthen/expand (sales)

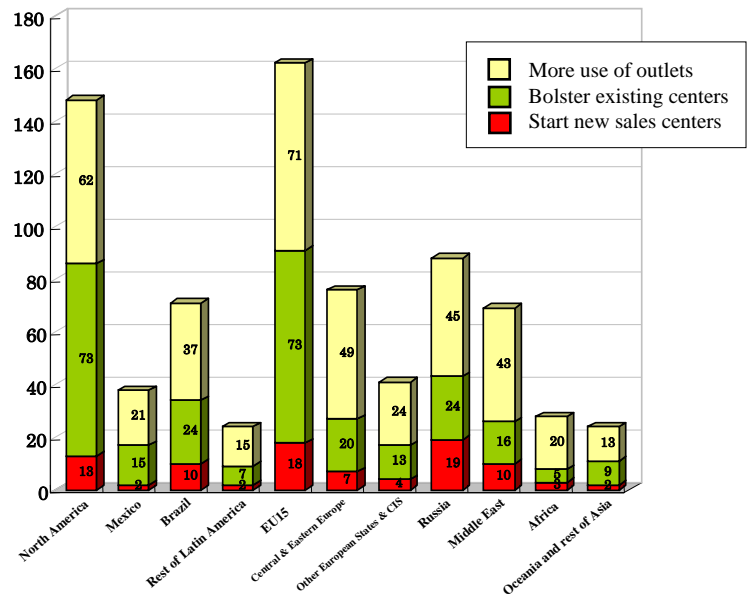


Figure 28: Size of Medium-term Business Prospects in Africa (all industries)

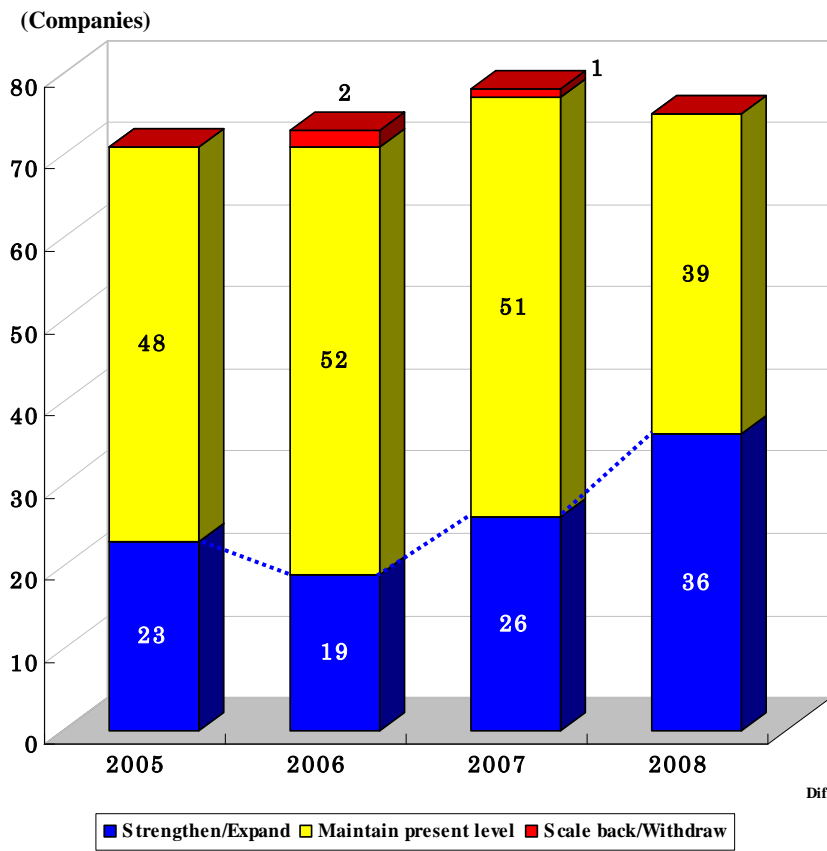


Figure 29: Reasons for Investment

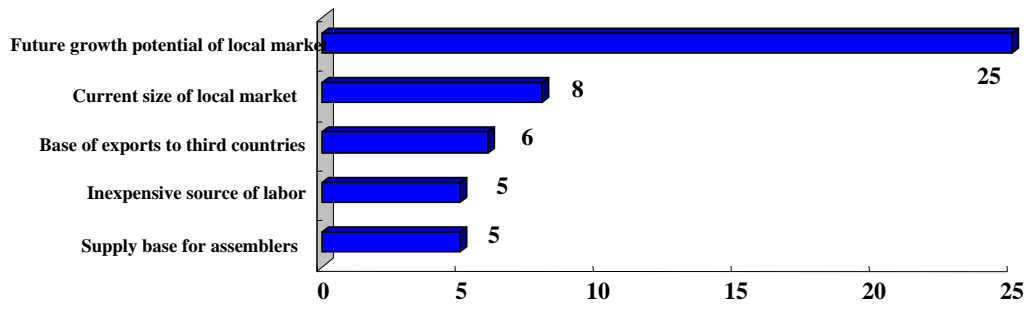
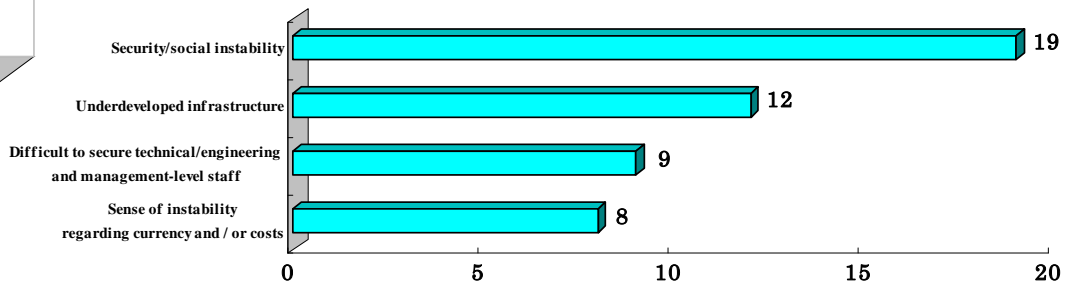


Figure 30: Issues faced with investment



■ More companies are becoming excited about African business prospects; people are paying attention to market growth potentials. More companies than before responded that they would expand operations in Africa, which is just one figure indicative of the growing interest in African countries as destinations for investment. When companies were asked why they thought African nations were promising, a notably large ratio of companies gave the “Future growth potential of local market” as a reason. At the same time, other companies, when asked about hindrances to investment, listed “security/social instability” and an “underdeveloped infrastructure”.

Figure 31: No. of Companies to Strengthen/Expand Operations (FY08, all industries)

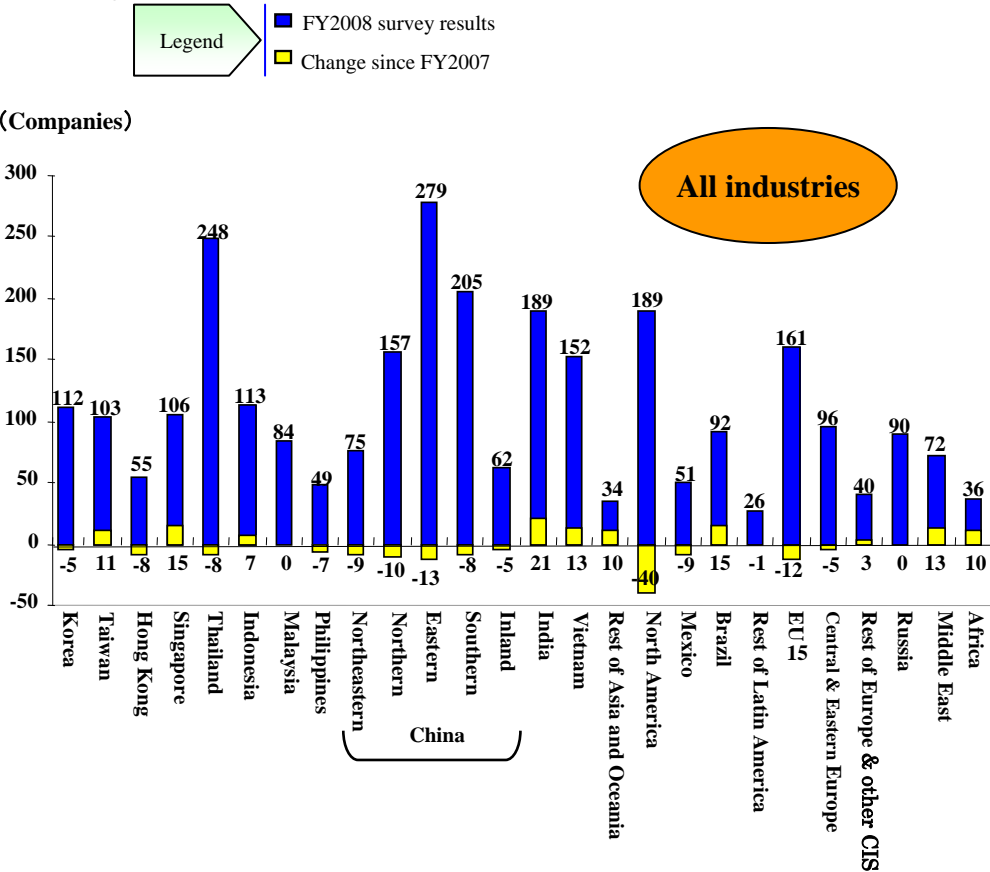
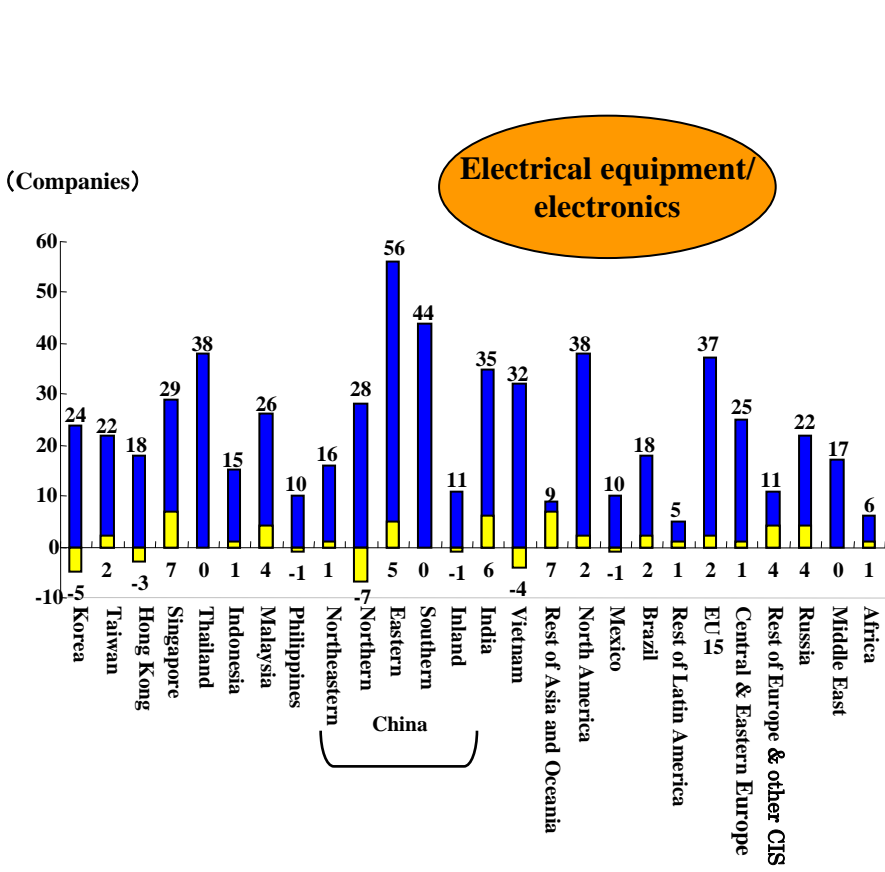


Figure 32: No. of Companies to Strengthen/Expand Operations (FY08, electrical equipment/electronics)



■ North America saw significant losses in term of the number of companies to strengthen/expand operations; Brazil, India and others have seen gains
 When analyzed by country or region, the number of companies to strengthen or expand operations in North America has decreased by 40 companies, a major reduction caused by the economic slowdown. Brazil (15 companies) and India (21 companies), on the other hand, are noticeably on the rise.

■ In the field of electrical equipment/electronics, fewer companies responded that they will expand their businesses in Vietnam
 In the past few years companies in the field of electrical equipment/electronics have increasingly announced plans to expand their businesses in Vietnam, but in this year's survey that trend has reversed.

Figure 33: No. of Companies to Strengthen/Expand Operations (FY2008: Automobiles)

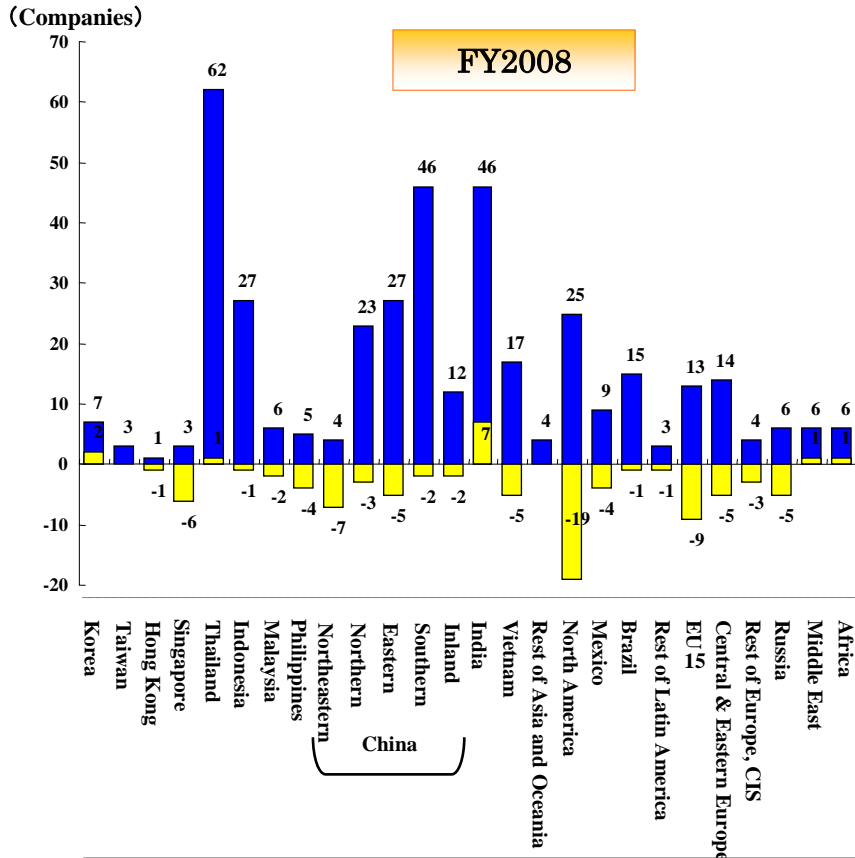
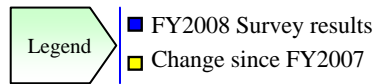
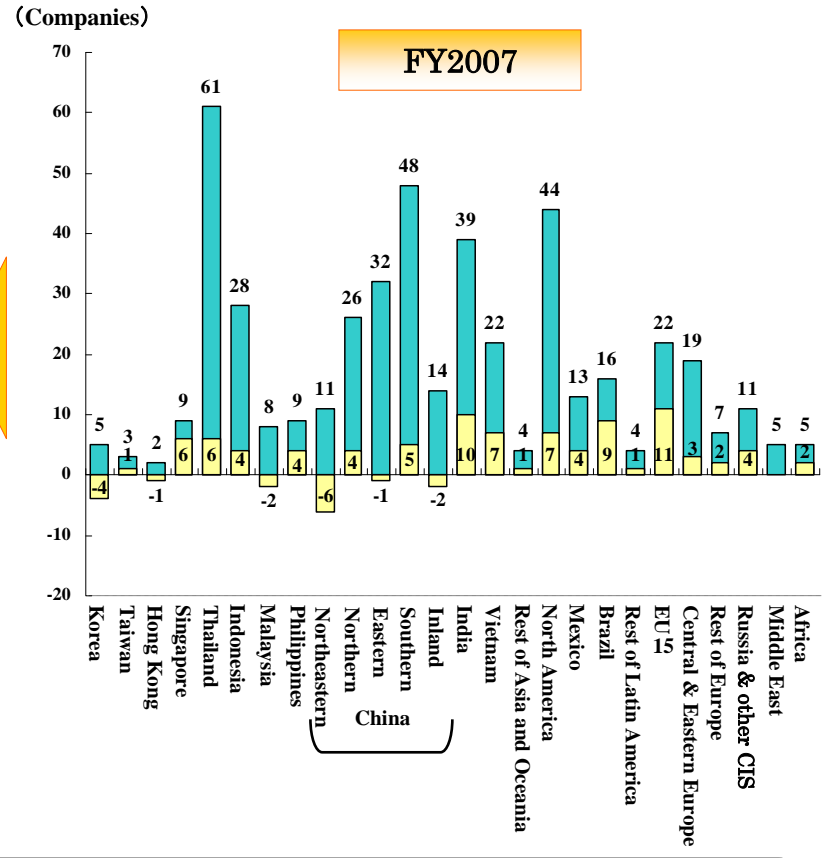
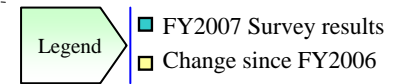
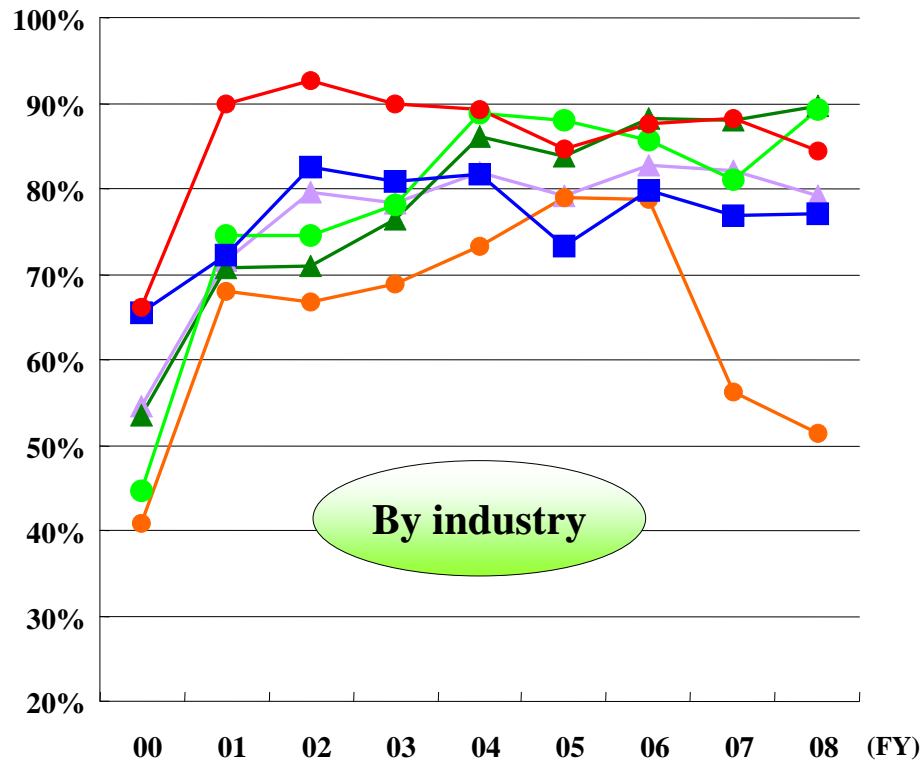


Figure 34: No. of Companies to Strengthen/Expand Operations (FY2007: Automobiles)



■ For automobile-related companies, the stress on business expansion around the North American market has largely fallen off, though involvement in the Indian and Thai markets is relatively strong. When comparing the number of companies listing the countries/regions they planned on expanding in, it is clear that there has been a decline in North America in addition to other areas. In spite of this, however, India and Thailand have experienced the opposite trend, rising from the previous year and maintaining a solid presence in the expansion plans of Japanese companies.

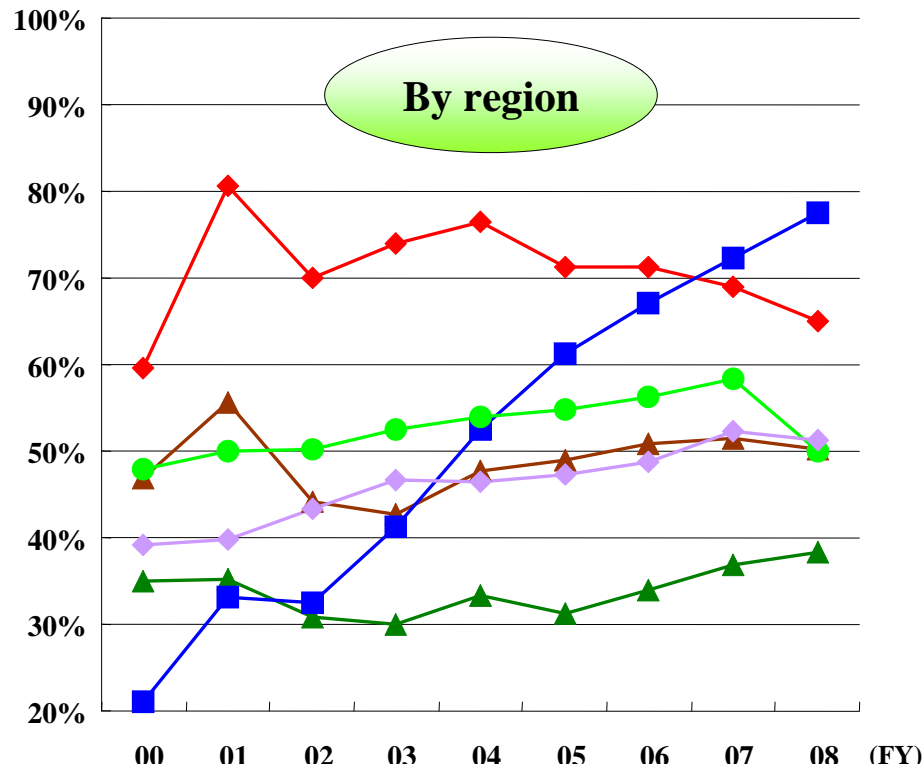
Figure 35: Changes in Attitudes toward Strengthening Businesses (by industry)



▲ All industries ● Textiles ▲ Chemicals
● General machinery ■ Electrical/electronics ● Automobiles

The ratio of companies who responded that they would “strengthen/expand” overseas business in general over the medium-term (next 3 yrs. or so).

Figure 36: Changes in Attitudes toward Strengthening Businesses (by region)



▲ NIEs ● China ● North America
▲ ASEAN ■ India, Vietnam, other Asian countries, Oceania
◆ EU

■ By industry, textiles have taken a remarkable downturn in recent years. While the most recent figures for non-textile industries hover between 70% and 90%, the textile industry has fallen to the 50% range.
■ By region, India, Vietnam, other Asian countries and the nations of Oceania have seen particular growth. The values for this question concerning India, Vietnam, other countries in Asia, and Oceania have rising steadily since the survey began. The value for China stays higher than other regions.

IV. Performance Evaluations

Figure 37: Evaluation of Overseas Business Performance (all industries)

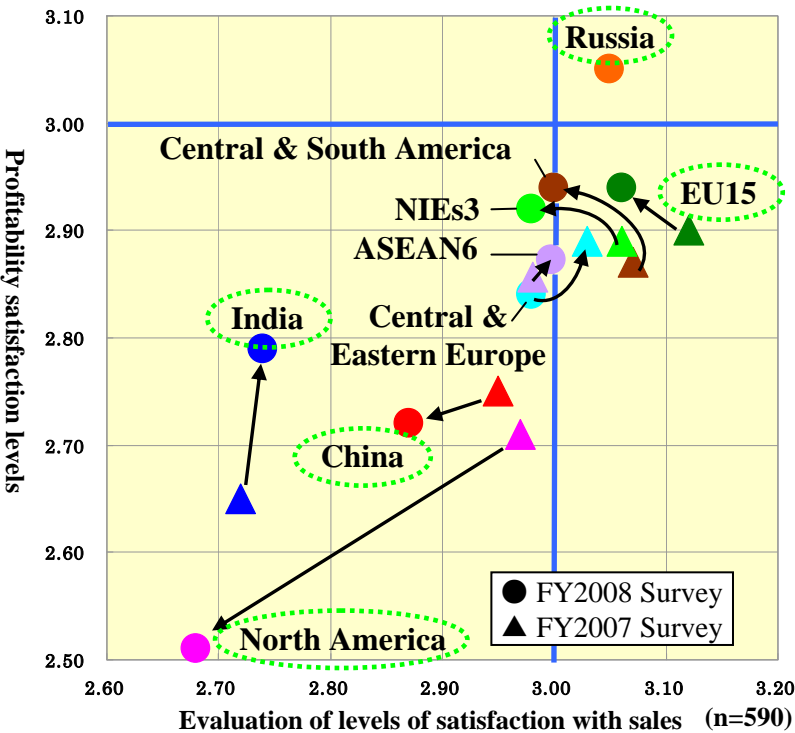
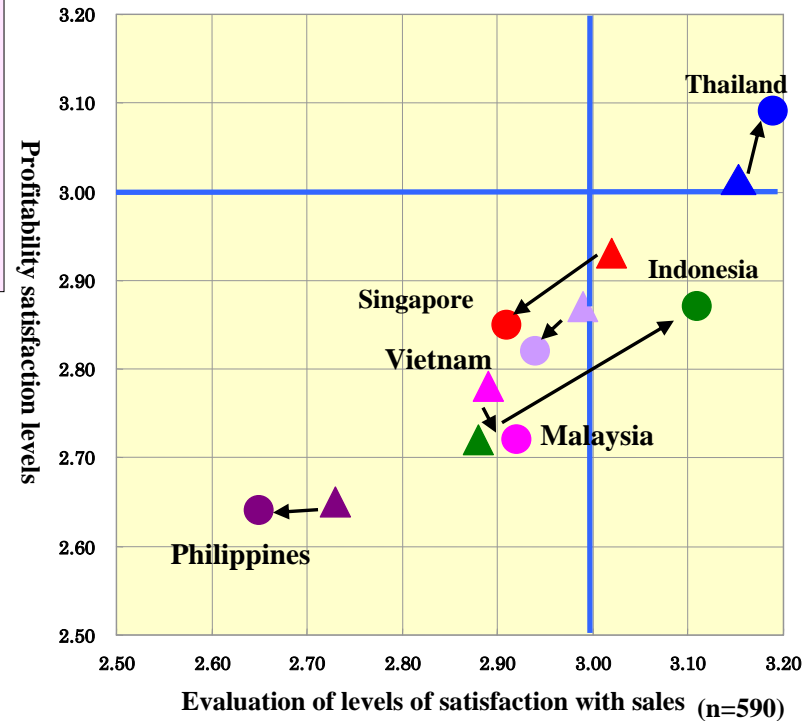


Figure 38: Evaluation of Overseas Business Performance (ASEAN6)



| Country/Region | FY2007 Survey | | FY2008 Survey | | Country/Region | FY2007 Survey | | FY2008 Survey | |
|--------------------------|---------------|---------|---------------|---------|----------------|---------------|---------|---------------|---------|
| | Net sales | Profits | Net sales | Profits | | Net sales | Profits | Net sales | Profits |
| ASEAN6 | 2.98 | 2.86 | 3.00 | 2.87 | Singapore | 3.02 | 2.93 | 2.91 | 2.85 |
| India | 2.72 | 2.65 | 2.74 | 2.79 | Thailand | 3.16 | 3.01 | 3.19 | 3.09 |
| China | 2.95 | 2.75 | 2.87 | 2.72 | Indonesia | 2.88 | 2.72 | 3.11 | 2.87 |
| North America | 2.97 | 2.71 | 2.68 | 2.51 | Malaysia | 2.89 | 2.78 | 2.92 | 2.72 |
| EU15 | 3.12 | 2.90 | 3.06 | 2.94 | Philippines | 2.73 | 2.65 | 2.65 | 2.64 |
| Central & South America | 3.07 | 2.87 | 3.00 | 2.94 | Vietnam | 2.99 | 2.87 | 2.94 | 2.82 |
| Central & Eastern Europe | 3.03 | 2.89 | 2.98 | 2.84 | | | | | |
| Russia | - | - | 3.05 | 3.05 | | | | | |

■ Evaluation of performance in the North American market dropped significantly; performance in China is also lagging. Both sales and profits saw sharp drops in the North American markets. China likewise saw minor drops in ratings.

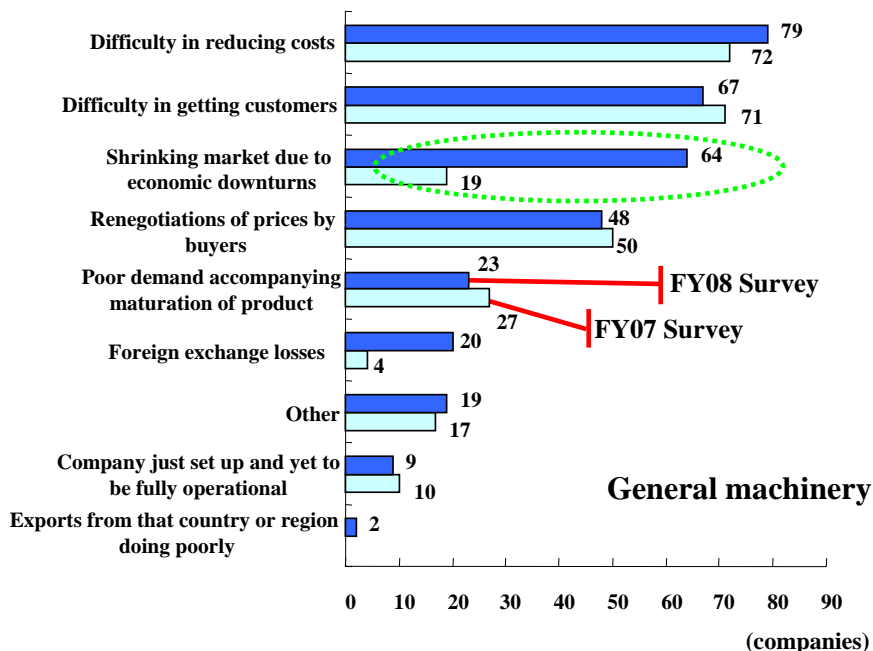
■ Evaluation of performance in Russia are high, and strong among EU15. Russia became a surveyed country last year, and Japanese companies have seen both relatively high levels of sales and profits there. EU15 also saw relatively strong ratings.

Note: ASEAN6 consists of Singapore, Thailand, Indonesia, Malaysia, Philippines, and Vietnam.

Evaluation of satisfaction levels with profitability in North America (FY08 Survey)

| Industry | Average satisfaction | No. of companies |
|----------------------------------|----------------------|------------------|
| Automobiles | 2.16 | 80 |
| Electrical equipment/electronics | 2.54 | 78 |

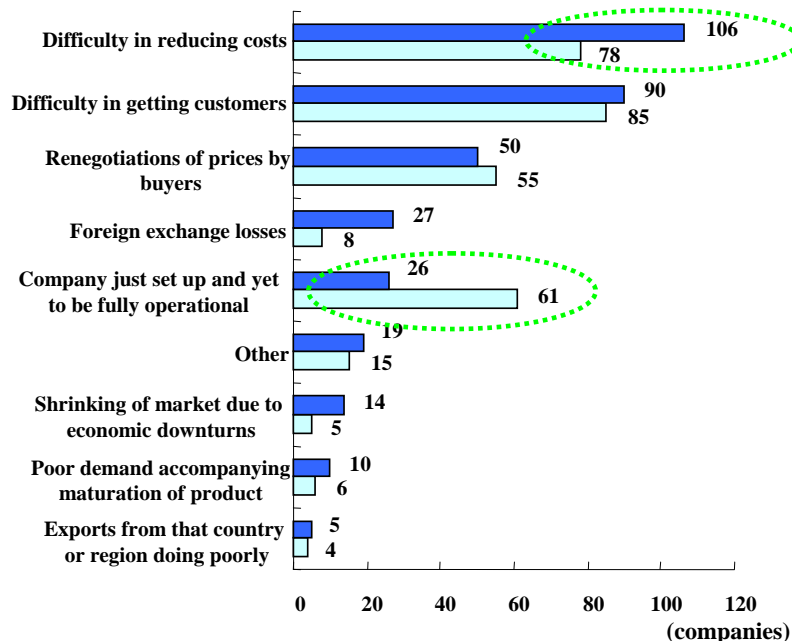
Figure 39: Reasons for "Unsatisfactory" Profits in North America (all industries)



Evaluation of satisfaction levels with profitability in China (FY08 Survey)

| Industry | Average satisfaction | No. of companies |
|-------------------|----------------------|------------------|
| Textiles | 2.29 | 29 |
| General machinery | 2.37 | 41 |

Figure 40: Reasons for "Unsatisfactory" Profits in China (all industries)



- Automobiles in particular received “unsatisfactory” in North America, mainly because of a market shrinkage due to economic fluctuations. In terms of industry, auto-related companies gave a figure of 2.16 for satisfaction, a particularly poor figure. The falling of sales due to such factors as the downturn in the American economy is thought to be responsible.
- Textiles and general machinery received “unsatisfactory” in China; mainly because of the increasing “difficulties in reducing costs” in that country. As for levels of satisfaction regarding profitability by industry, textiles (2.29) and general machinery (2.37) get especially low marks. As for reasons given, companies citing “company just set up and yet to be fully operational” have declined. Meanwhile, while operations have gotten underway, more companies are listing “difficulties in reducing costs” as a problem, indicative of a growing number of companies that are not realizing the profits they had initially anticipated.

Evaluation of satisfaction levels with profitability in EU15 (FY08 Survey)

| Industry | Average satisfaction | No. of Companies |
|-------------------|----------------------|------------------|
| General machinery | 3.18 | 28 |
| Chemicals | 3.09 | 43 |

Figure 41: Reasons for satisfaction with the profitability of EU15

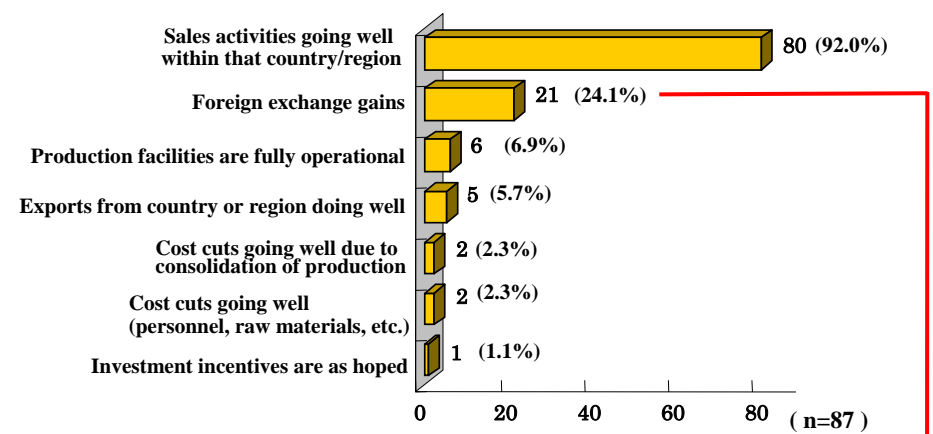
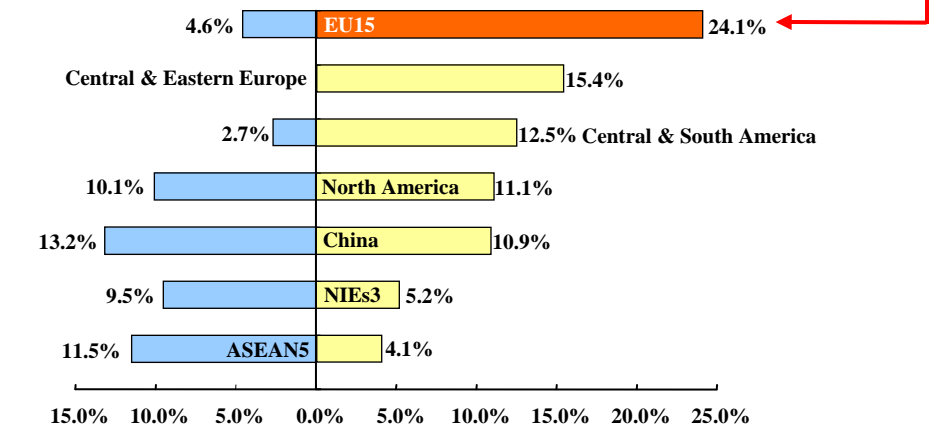


Figure 42: Ratios of countries/regions cited "foreign exchange rates" as a reason



Evaluation of satisfaction levels with profitability in Russia and India (FY08 Survey)

| | Russia | | India | | |
|-------------------|--------|----|-------------------|------|----|
| Automobile | 3.50 | 6 | General machinery | 3.20 | 20 |
| General machinery | 3.25 | 16 | Automobile | 2.87 | 30 |

Figure 43: Reasons for satisfaction with the profitability of Russia, India, and Thailand

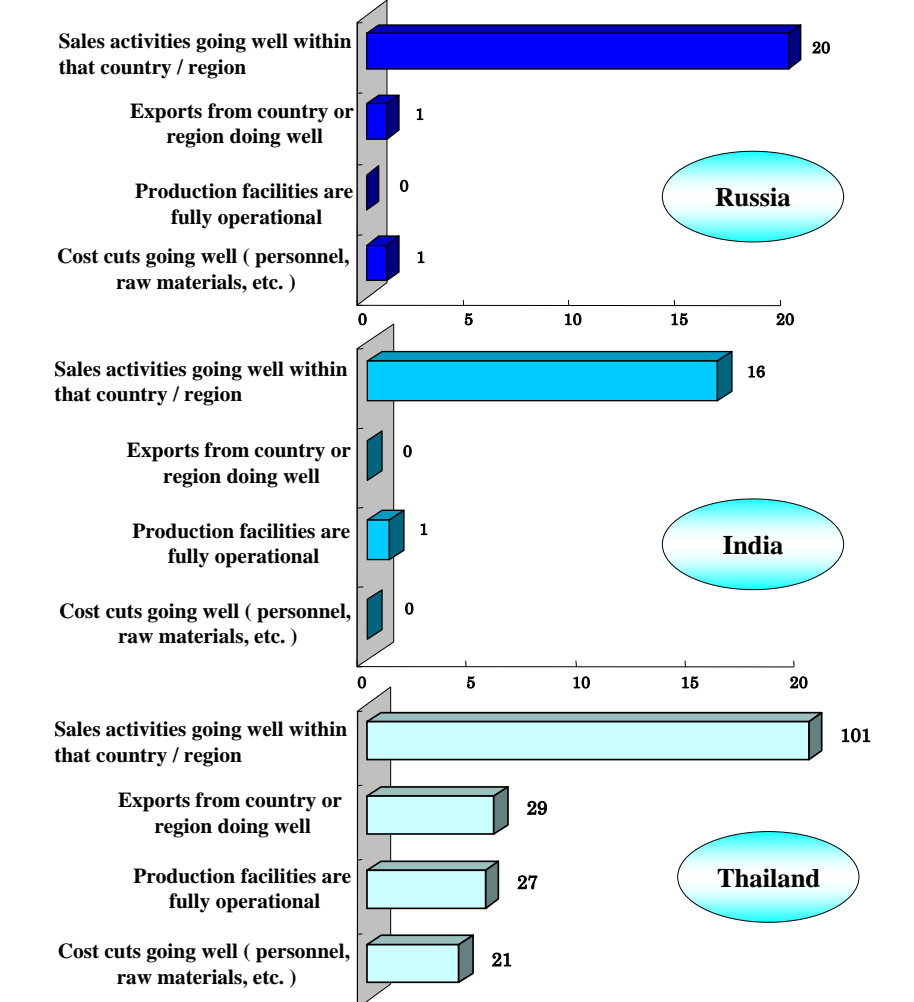
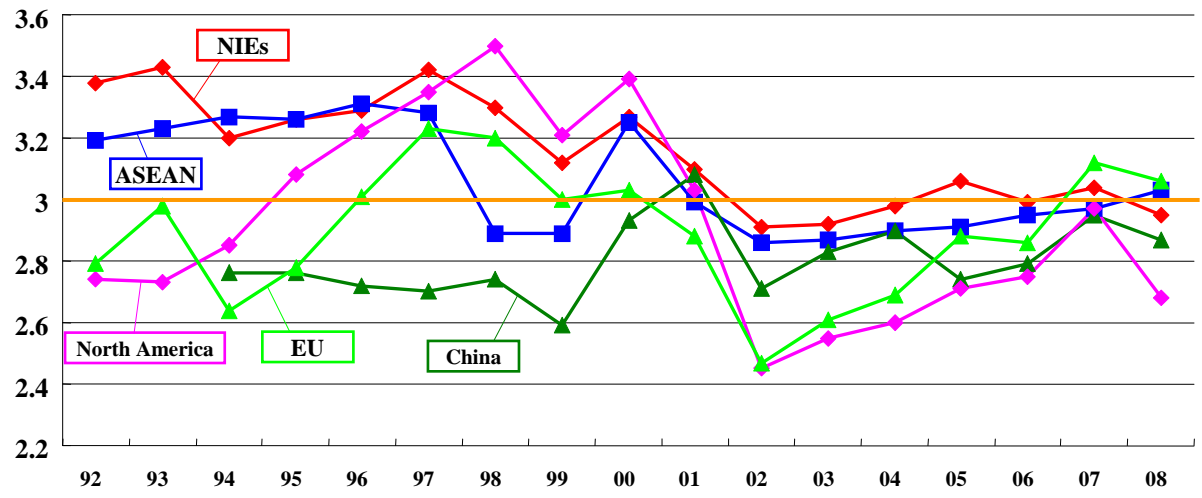


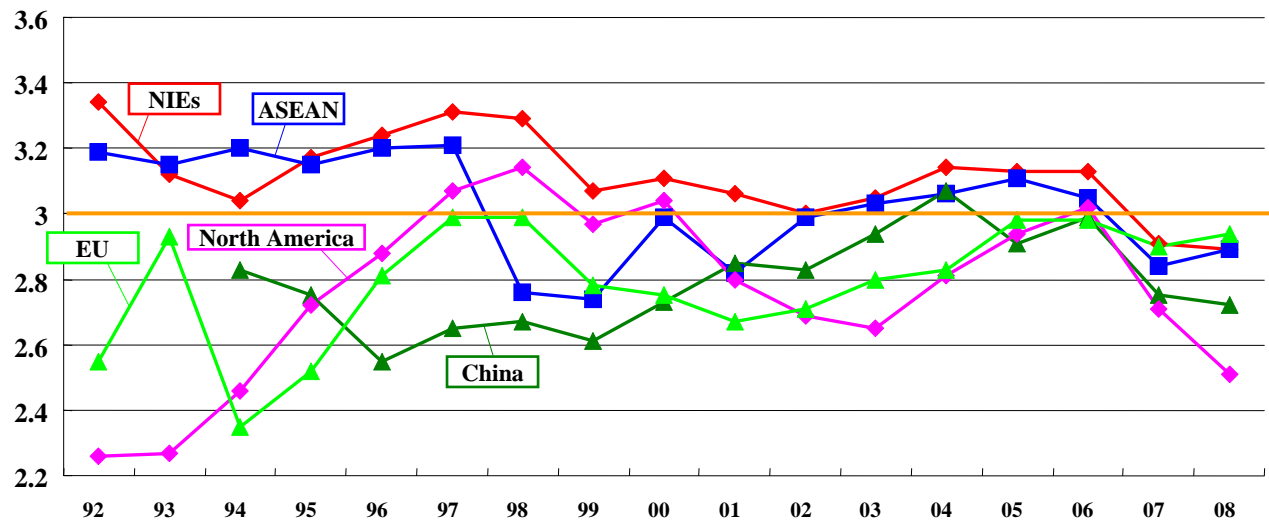
Figure 44: Levels of Satisfaction with Net Sales



Companies were asked about their initial target and asked to choose from among the following choices, the results of which were averaged according to country/region:
 1: Unsatisfactory
 2: Somewhat unsatisfactory
 3: Can't say either way
 4: Somewhat satisfactory
 5: Satisfactory.

(Fiscal year surveyed)

Figure 45: Levels of Satisfaction with Profits



■ Favorable NIEs ratings steadily continue; major changes in North America
 Assessments of the performance of businesses in NIEs remain at stable and satisfactory level. ASEAN countries dropped ratings after the currency crisis, but seem to be steadily recovering. It will be difficult for China to stay at satisfactory levels for net sales and profits. There were major changes in the ratings of North American companies. European countries are seeing a rise in ratings in recent years.

(Fiscal year surveyed)

Note: NIEs here means South Korea, Taiwan, Hong Kong, and Singapore.
 ASEAN is defined here as Thailand, the Philippines, Malaysia, and Indonesia.
 From fiscal 2004, "Europe" implies the EU15.

V. International Competitiveness and Competition

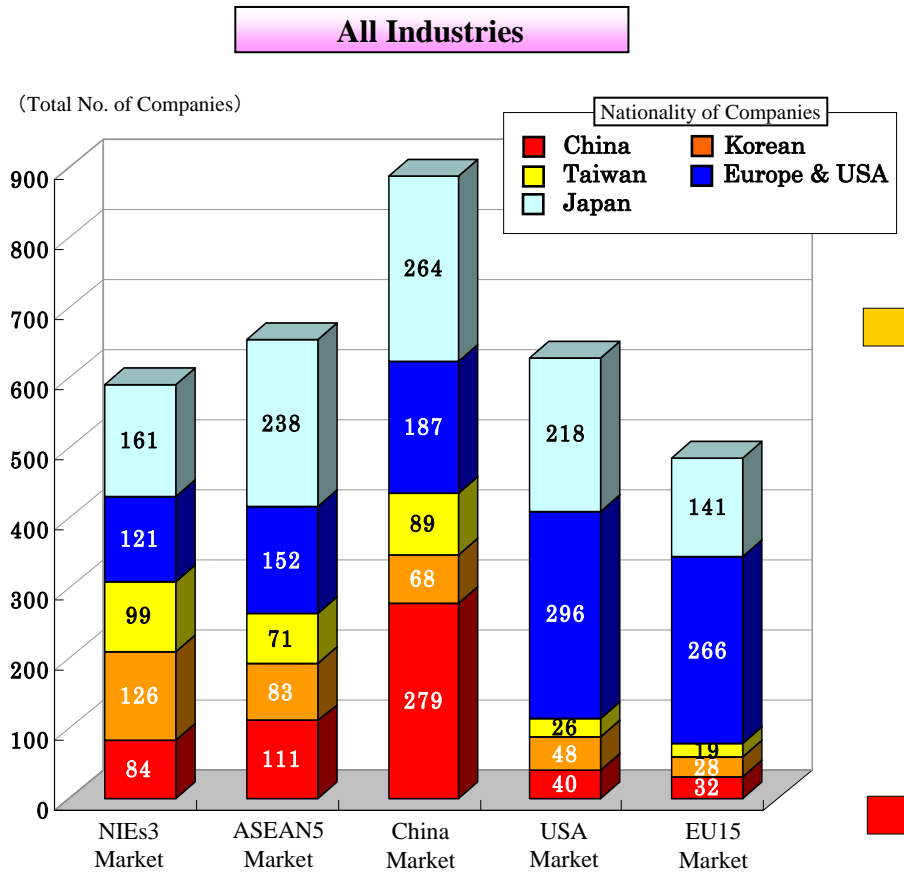
Figure 46: Important Efforts Domestically and Abroad to Maintain/Improve International Competitiveness (all industry)

| Rank (All industries) | Automobile Assembly (9) | Automobile Parts (87) | Electrical equipment & electronics (107) |
|-------------------------|---|--|--|
| 1 | | 1 . Lowering cost of parts and raw materials | 1 . Developing new products |
| 2 | | | 2 . "Global" human resources |
| 3 | 1 . Lowering cost of parts and raw materials | 1 . "Global" human resources | 3 . Strengthening sales function |
| 4 | | 1 . Expanding overseas production | 4 . Faster product development |
| 5 | 1 . Complying with environmental and energy conservation standards | 4 . Developing new products | 4 . Expanding overseas production |
| 6 | | 5 . More efficient manufacturing processes | |
| 7 | 3 . Fundamental research for state-of-the-art technologies | | |
| 8 | 3 . Strengthening brand power | | |
| 9 | | | |
| 10 | | | |
| 11 | | | |
| 12 | | | |
| 13 | 1 . Strengthening post-sales services | 1 . Developing new products | 1 . Strengthening brand power |
| 14 | 2 . Lowering cost of parts and raw materials | 2 . Lowering cost of parts and raw materials | 2 . "Global" human resources |
| 15 | 3 . Developing new products | 3 . "Global" human resources | 3 . Developing new products |
| 16 | 4 . Strengthening sales function | 4 . Faster product development | 4 . Lowering cost of parts and raw materials |
| 17 | 4 . Expanding overseas production | 4 . More efficient manufacturing processes | 4 . Acquiring business resources |
| 18 | | | 4 . Stable procurement of raw materials |
| 19 | | | |
| 20 | | | |
| 21 | | | |
| 22 | | | |

■ Auto-assemblers are concentrating on “environmental and energy conservation”, general machinery makers are focusing on post-sales service, while foodstuff manufacturers are focused on strengthening brand power

In auto-assembly, “environmental and energy conservation” and “cost reduction” are the two most pressing issues. In terms of auto parts, “cost reduction”, “global’ human resources”, and “overseas production” top the list. As for particular industry needs that stand out overall, general machinery businesses are seeking to “strengthen post-sales service” while food producers are seeking to “strengthen brand power”.

Figure 47: Competition in Overseas Markets



Competition is intensifying especially in the Asian markets; Korean/Taiwanese/Chinese companies have the advantage in sales and management speed

A large number of companies point to competition in China and ASEAN markets with companies from numerous countries. Although Korean, Taiwanese and Chinese companies are rated slightly under Japanese ones in development and production, they have an advantage in sales and marketing speed.

Companies surveyed were told to give themselves a rating of "3", then asked to rate the competition from Korean, Taiwanese, and Chinese corporations.
 "1"= not good ← "3" → "5"= very good

Figure 48: Evaluation of Korean and Taiwanese companies

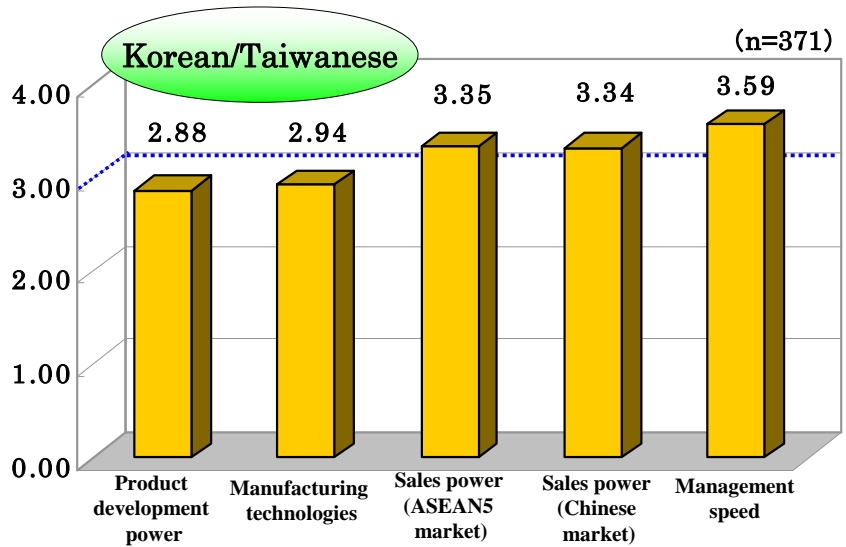


Figure 49: Evaluation of Chinese companies

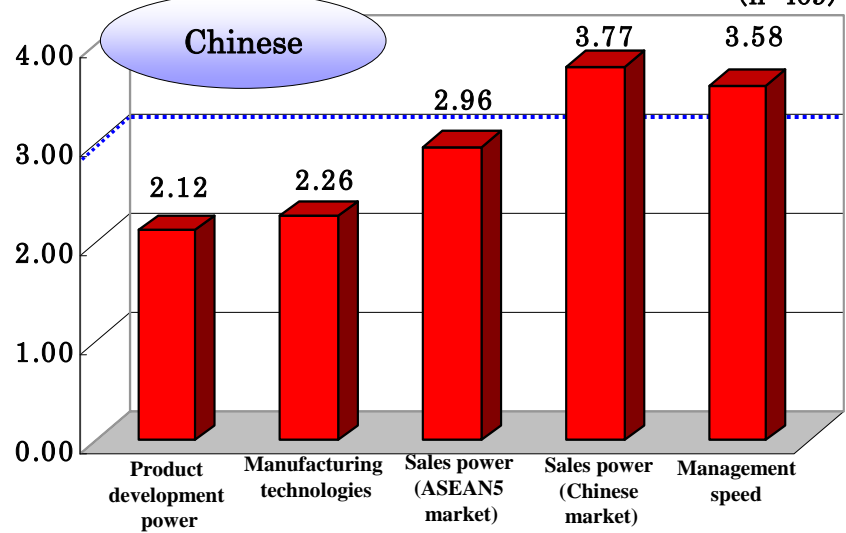


Figure 50: Competition in the Overseas Market (electrical equipment/electronics)

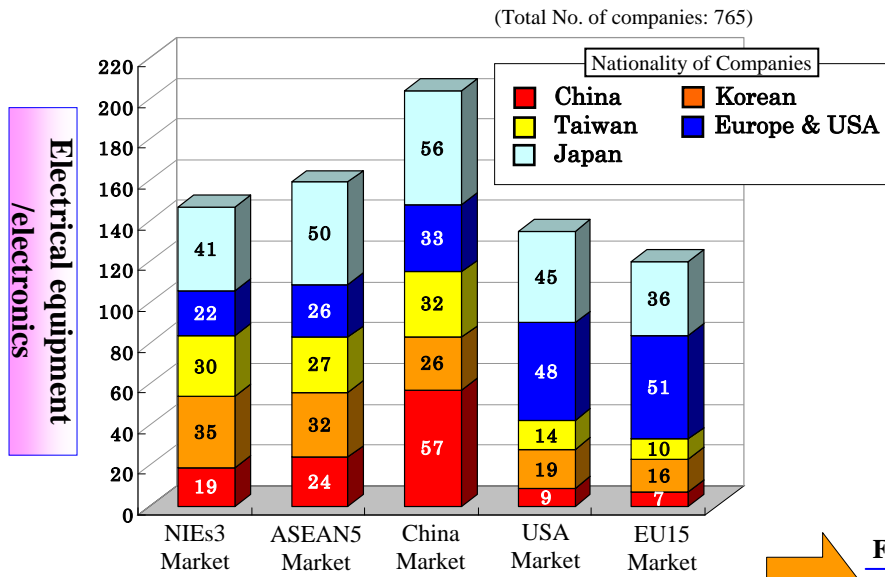


Figure 51: Competition in the Overseas Market (automobiles)

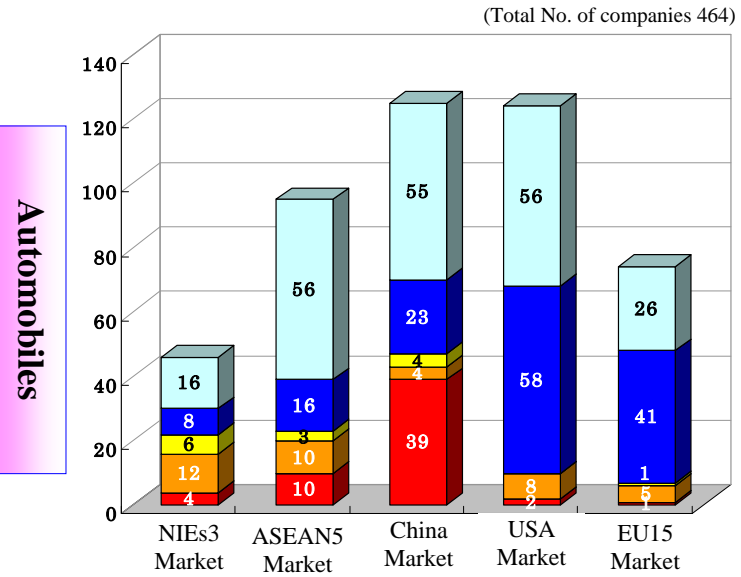


Figure 52: Ratings of Korean, Taiwanese, and Chinese Companies (electrical equipment/electronics)

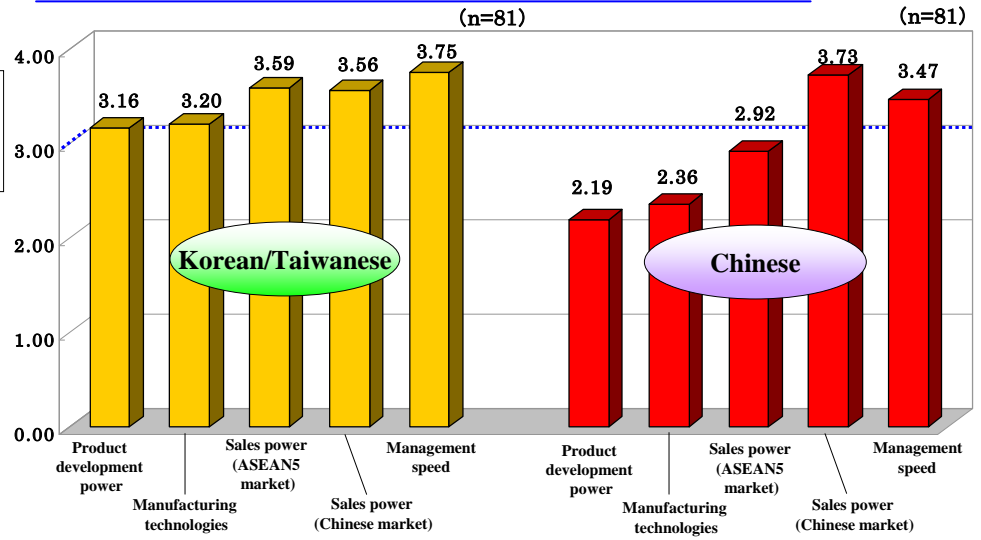
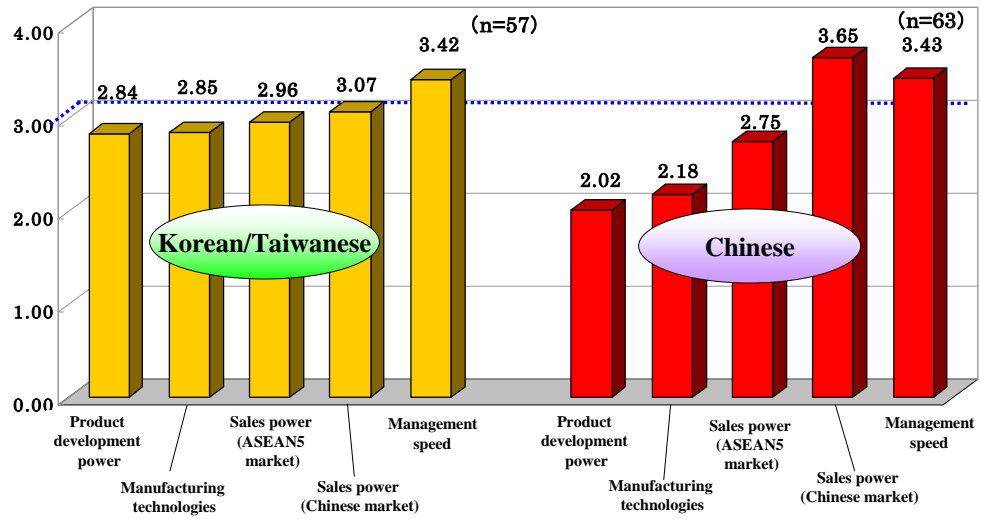


Figure 53: Ratings of Korean, Taiwanese, and Chinese Companies (automobiles)



There is much competition in electric equipment/electronics with Korean and Taiwanese companies, with Japanese companies recognizing the abilities of these companies. Japan maintains an advantage in the auto industry relative to the electric equipment/electronics industry.

Appendices

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

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

| Rank | FY2008 Survey | No. of Companies: 471 | Percentage share (%) | FY2007 Survey | No. of Companies: 503 | Percentage share (%) | FY2006 Survey | No. of Companies: 484 | Percentage share (%) | FY2005 Survey | No. of Companies: 483 | Percentage share (%) | FY2004 Survey | No. of Companies: 497 | Percentage share (%) |
|------|----------------|-----------------------|----------------------|----------------|-----------------------|----------------------|----------------|-----------------------|----------------------|----------------|-----------------------|----------------------|----------------|-----------------------|----------------------|
| 1 | China | 297 | 63 | China | 342 | 68 | China | 372 | 77 | China | 397 | 82 | China | 453 | 91 |
| 2 | India | 271 | 58 | India | 254 | 50 | India | 229 | 47 | India | 174 | 36 | Thailand | 151 | 30 |
| 3 | Vietnam | 152 | 32 | Vietnam | 178 | 35 | Vietnam | 159 | 33 | Thailand | 149 | 31 | India | 117 | 24 |
| 4 | Russia | 130 | 28 | Thailand | 132 | 26 | Thailand | 142 | 29 | Vietnam | 131 | 27 | Vietnam | 110 | 22 |
| 5 | Thailand | 125 | 27 | Russia | 114 | 23 | USA | 104 | 21 | USA | 96 | 20 | USA | 100 | 20 |
| 6 | Brazil | 91 | 19 | USA | 93 | 18 | Russia | 98 | 20 | Russia | 62 | 13 | Russia | 49 | 10 |
| 7 | USA | 78 | 17 | Brazil | 47 | 9 | Brazil | 45 | 9 | Korea | 52 | 11 | Indonesia | 48 | 10 |
| 8 | Indonesia | 41 | 9 | Indonesia | 46 | 9 | Korea | 44 | 9 | Indonesia | 45 | 9 | Korea | 44 | 9 |
| 9 | Korea | 27 | 6 | Korea | 32 | 6 | Indonesia | 39 | 8 | Brazil | 36 | 7 | Taiwan | 41 | 8 |
| 10 | Taiwan | 22 | 5 | Taiwan | 24 | 5 | Taiwan | 27 | 6 | Taiwan | 32 | 7 | Malaysia | 28 | 6 |
| 11 | Mexico | 21 | 4 | Malaysia | 21 | 4 | Malaysia | 22 | 5 | Malaysia | 23 | 5 | Singapore | 17 | 3 |
| 12 | Malaysia | 20 | 4 | Mexico | 15 | 3 | Germany | 15 | 3 | Mexico | 16 | 3 | Germany | 16 | 3 |
| 13 | Singapore | 15 | 3 | Philippines | 15 | 3 | Poland | 14 | 3 | Germany | 14 | 3 | Brazil | 15 | 3 |
| 14 | UAE | 14 | 3 | Germany | 13 | 3 | Czech Republic | 14 | 3 | Philippines | 13 | 3 | Philippines | 12 | 2 |
| 15 | Germany | 13 | 3 | Czech Republic | 10 | 2 | Mexico | 12 | 2 | Singapore | 12 | 2 | France | 12 | 2 |
| 16 | Czech Republic | 12 | 3 | U.K. | 10 | 2 | Philippines | 12 | 2 | Czech Republic | 9 | 2 | Czech Republic | 11 | 2 |
| 17 | Turkey | 12 | 3 | Turkey | 8 | 2 | U.K. | 8 | 2 | U.K. | 9 | 2 | Australia | 10 | 2 |
| 18 | U.K. | 8 | 2 | Hong Kong | 8 | 2 | Hungary | 6 | 1 | Poland | 8 | 2 | Poland | 9 | 2 |
| 19 | Australia | 8 | 2 | Australia | 8 | 2 | Canada | 6 | 1 | France | 8 | 2 | Mexico | 9 | 2 |
| 20 | South Africa | | | Poland | | | Australia | | | Australia | | | U.K. | | |
| 21 | | | | Saudi Arabia | | | | | | | | | | | |

Promising Countries/Regions for SMEs over the Medium-term

Note: "SMEs" are companies with paid-in capital of less than ¥1 billion.

| Rank | FY2008 Survey | No. of Companies | (%) | FY2007 Survey | No. of Companies | (%) |
|------|----------------|------------------|-----|---------------|------------------|-----|
| | | 151 | | | 127 | |
| 1 | China | 66 | 44 | China | 80 | 63 |
| 2 | India | 58 | 38 | India | 62 | 49 |
| 3 | Vietnam | 53 | 35 | Vietnam | 55 | 43 |
| 4 | Thailand | 32 | 21 | Thailand | 47 | 37 |
| 5 | Brazil | 23 | 15 | USA | 25 | 20 |
| 6 | Russia | 20 | 13 | Russia | 20 | 16 |
| 7 | USA | 18 | 12 | Indonesia | 16 | 13 |
| 8 | Indonesia | 14 | 9 | Brazil | 11 | 9 |
| 9 | Malaysia | 6 | 4 | Philippines | 7 | 6 |
| 10 | Czech Republic | 6 | 4 | Germany | 6 | 5 |

Promising Countries/Regions over the Long-term

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

| Rank | FY2008 Survey | No. of Companies | (%) | FY2007 Survey | No. of Companies | (%) |
|------|---------------|------------------|-----|---------------|------------------|-----|
| | | 379 | | | 403 | |
| 1 | India | 273 | 72 | India | 282 | 70 |
| 2 | China | 239 | 63 | China | 272 | 67 |
| 3 | Russia | 164 | 43 | Russia | 150 | 37 |
| 4 | Brazil | 131 | 35 | Vietnam | 114 | 28 |
| 5 | Vietnam | 109 | 29 | Brazil | 85 | 21 |
| 6 | Thailand | 69 | 18 | Thailand | 78 | 19 |
| 7 | USA | 54 | 14 | USA | 71 | 18 |
| 8 | Indonesia | 27 | 7 | Indonesia | 33 | 8 |
| 9 | South Africa | 19 | 5 | Mexico | 17 | 4 |
| 10 | Mexico | 17 | 4 | Turkey | 15 | 4 |

(Detail of Reasons for Countries being viewed as Promising)

| FY2008 Survey | 1st China | | 2nd India | | 3rd Vietnam | | 4th Russia | | 5th Thailand | | 6th Brazil | | 7th USA | | 8th Indonesia | | 9th Korea | | 10th Taiwan | |
|--|-------------------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|
| | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio |
| | Responding business operators | 294 | 100% | 269 | 100% | 150 | 100% | 129 | 100% | 124 | 100% | 91 | 100% | 76 | 100% | 41 | 100% | 27 | 100% | 22 |
| Qualified human resources | 41 | 13.9% | 68 | 25.3% | 42 | 28.0% | 2 | 1.6% | 27 | 21.8% | 4 | 4.4% | 11 | 14.5% | 5 | 12.2% | 4 | 14.8% | 5 | 22.7% |
| Inexpensive source of labor | 132 | 44.9% | 104 | 38.7% | 92 | 61.3% | 7 | 5.4% | 48 | 38.7% | 23 | 25.3% | - | - | 23 | 56.1% | 1 | 3.7% | 3 | 13.6% |
| Inexpensive components/raw materials | 48 | 16.3% | 19 | 7.1% | 11 | 7.3% | 3 | 2.3% | 6 | 4.8% | 5 | 5.5% | - | - | 5 | 12.2% | - | - | - | - |
| Supply base for assemblers | 73 | 24.8% | 61 | 22.7% | 33 | 22.0% | 22 | 17.1% | 51 | 41.1% | 21 | 23.1% | 14 | 18.4% | 7 | 17.1% | 2 | 7.4% | 1 | 4.5% |
| Concentration of industry | 46 | 15.6% | 14 | 5.2% | 5 | 3.3% | 2 | 1.6% | 29 | 23.4% | 2 | 2.2% | 14 | 18.4% | 2 | 4.9% | 4 | 14.8% | 5 | 22.7% |
| Good for risk diversification to other countries | 5 | 1.7% | 21 | 7.8% | 47 | 31.3% | 3 | 2.3% | 20 | 16.1% | 1 | 1.1% | 1 | 1.3% | 3 | 7.3% | - | - | - | - |
| Base of export to Japan | 35 | 11.9% | 3 | 1.1% | 16 | 10.7% | - | - | 13 | 10.5% | 1 | 1.1% | - | - | 7 | 17.1% | 1 | 3.7% | 3 | 13.6% |
| Base of export to third countries | 44 | 15.0% | 20 | 7.4% | 27 | 18.0% | 5 | 3.9% | 30 | 24.2% | 9 | 9.9% | 4 | 5.3% | 13 | 31.7% | 1 | 3.7% | 1 | 4.5% |
| Advantages in terms of raw material procurement | 20 | 6.8% | 6 | 2.2% | 1 | 0.7% | 8 | 6.2% | 3 | 2.4% | 7 | 7.7% | 1 | 1.3% | 2 | 4.9% | - | - | 1 | 4.5% |
| Current size of local market | 109 | 37.1% | 44 | 16.4% | 9 | 6.0% | 27 | 20.9% | 32 | 25.8% | 16 | 17.6% | 53 | 69.7% | 16 | 39.0% | 15 | 55.6% | 10 | 45.5% |
| Future growth potential of local market | 228 | 77.6% | 227 | 84.4% | 72 | 48.0% | 112 | 86.8% | 59 | 47.6% | 81 | 89.0% | 30 | 39.5% | 27 | 65.9% | 13 | 48.1% | 9 | 40.9% |
| Profitability of local market | 26 | 8.8% | 20 | 7.4% | 9 | 6.0% | 15 | 11.6% | 10 | 8.1% | 5 | 5.5% | 21 | 27.6% | 3 | 7.3% | 4 | 14.8% | 4 | 18.2% |
| Base for product development | 10 | 3.4% | 5 | 1.9% | 1 | 0.7% | - | - | 3 | 2.4% | - | - | 16 | 21.1% | - | - | 1 | 3.7% | 1 | 4.5% |
| Developed local infrastructure | 24 | 8.2% | 3 | 1.1% | 7 | 4.7% | 4 | 3.1% | 30 | 24.2% | 1 | 1.1% | 23 | 30.3% | 4 | 9.8% | 10 | 37.0% | 9 | 40.9% |
| Developed local logistics services | 12 | 4.1% | 2 | 0.7% | 1 | 0.7% | 1 | 0.8% | 8 | 6.5% | - | - | 15 | 19.7% | 1 | 2.4% | 4 | 14.8% | 2 | 9.1% |
| Tax incentives for investment | 19 | 6.5% | 4 | 1.5% | 18 | 12.0% | 3 | 2.3% | 20 | 16.1% | 5 | 5.5% | 1 | 1.3% | 1 | 2.4% | 2 | 7.4% | 1 | 4.5% |
| Stable policies to attract foreign investment | 4 | 1.4% | 8 | 3.0% | 10 | 6.7% | - | - | 5 | 4.0% | 3 | 3.3% | - | - | 2 | 4.9% | 2 | 7.4% | 1 | 4.5% |
| Social/political situation stable | 6 | 2.0% | 15 | 5.6% | 20 | 13.3% | 3 | 2.3% | 14 | 11.3% | 4 | 4.4% | 25 | 32.9% | - | - | 3 | 11.1% | 3 | 13.6% |

| FY2007 Survey | 1st China | | 2nd India | | 3rd Vietnam | | 5th Russia | | 4th Thailand | | 7th Brazil | | 6th USA | | 8th Indonesia | | 9th Korea | | 10th Taiwan | |
|--|-------------------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|---------------------|-------|
| | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio |
| | Responding business operators | 336 | 100% | 246 | 100% | 176 | 100% | 111 | 100% | 130 | 100% | 47 | 100% | 89 | 100% | 45 | 100% | 32 | 100% | 22 |
| Qualified human resources | 49 | 14.6% | 73 | 29.7% | 55 | 31.3% | 5 | 4.5% | 23 | 17.7% | 1 | 2.1% | 12 | 13.5% | 1 | 2.2% | 7 | 21.9% | 5 | 22.7% |
| Inexpensive source of labor | 169 | 50.3% | 117 | 47.6% | 125 | 71.0% | 14 | 12.6% | 63 | 48.5% | 15 | 31.9% | - | - | 25 | 55.6% | 1 | 3.1% | 1 | 4.5% |
| Inexpensive components/raw materials | 83 | 24.7% | 18 | 7.3% | 10 | 5.7% | 2 | 1.8% | 10 | 7.7% | 3 | 6.4% | 2 | 2.2% | 6 | 13.3% | 1 | 3.1% | 1 | 4.5% |
| Supply base for assemblers | 95 | 28.3% | 57 | 23.2% | 29 | 16.5% | 20 | 18.0% | 43 | 33.1% | 12 | 25.5% | 17 | 19.1% | 7 | 15.6% | 6 | 18.8% | 2 | 9.1% |
| Concentration of industry | 67 | 19.9% | 13 | 5.3% | 9 | 5.1% | 1 | 0.9% | 42 | 32.3% | 2 | 4.3% | 16 | 18.0% | 2 | 4.4% | 4 | 12.5% | 1 | 4.5% |
| Good for risk diversification to other countries | 11 | 3.3% | 15 | 6.1% | 64 | 36.4% | 3 | 2.7% | 19 | 14.6% | - | - | 2 | 2.2% | 2 | 4.4% | 1 | 3.1% | 1 | 4.5% |
| Base of export to Japan | 55 | 16.4% | 6 | 2.4% | 21 | 11.9% | - | - | 20 | 15.4% | 1 | 2.1% | 1 | 1.1% | 5 | 11.1% | - | - | 2 | 9.1% |
| Base of export to third countries | 64 | 19.0% | 21 | 8.5% | 35 | 19.9% | 2 | 1.8% | 34 | 26.2% | 9 | 19.1% | - | - | 8 | 17.8% | 1 | 3.1% | - | - |
| Current size of local market | 101 | 30.1% | 37 | 15.0% | 12 | 6.8% | 17 | 15.3% | 37 | 28.5% | 9 | 19.1% | 60 | 67.4% | 12 | 26.7% | 13 | 40.6% | 8 | 36.4% |
| Future growth potential of local market | 268 | 79.8% | 208 | 84.6% | 94 | 53.4% | 99 | 89.2% | 62 | 47.7% | 36 | 76.6% | 49 | 55.1% | 28 | 62.2% | 18 | 56.3% | 16 | 72.7% |
| Profitability of local market | 19 | 5.7% | 12 | 4.9% | 13 | 7.4% | 8 | 7.2% | 10 | 7.7% | 2 | 4.3% | 15 | 16.9% | 4 | 8.9% | 4 | 12.5% | 4 | 18.2% |
| Base for product development | 12 | 3.6% | 6 | 2.4% | 1 | 0.6% | - | - | 4 | 3.1% | - | - | 14 | 15.7% | - | - | - | - | 1 | 4.5% |
| Developed local infrastructure | 25 | 7.4% | 6 | 2.4% | 9 | 5.1% | 2 | 1.8% | 30 | 23.1% | 2 | 4.3% | 41 | 46.1% | 3 | 6.7% | 6 | 18.8% | 1 | 4.5% |
| Developed local logistics services | 10 | 3.0% | 3 | 1.2% | 6 | 3.4% | - | - | 12 | 9.2% | - | - | 25 | 28.1% | 1 | 2.2% | 5 | 15.6% | 1 | 4.5% |
| Tax incentives for investment | 27 | 8.0% | 8 | 3.3% | 24 | 13.6% | 2 | 1.8% | 22 | 16.9% | 3 | 6.4% | 2 | 2.2% | 1 | 2.2% | 2 | 6.3% | 4 | 18.2% |
| Stable policies to attract foreign investment | 4 | 1.2% | 5 | 2.0% | 18 | 10.2% | - | - | 11 | 8.5% | 1 | 2.1% | 4 | 4.5% | - | - | 2 | 6.3% | 2 | 9.1% |
| Social/political situation stable | 8 | 2.4% | 18 | 7.3% | 35 | 19.9% | 2 | 1.8% | 17 | 13.1% | 2 | 4.3% | 33 | 37.1% | 1 | 2.2% | 4 | 12.5% | 1 | 4.5% |

Appendix 3: Promising Countries/Regions for Overseas Business Operations

(Details of Issues in Promising Countries)

| FY2008 Survey | 1st China | | 2nd India | | 3rd Vietnam | | 4th Russia | | 5th Thailand | | 6th Brazil | | 7th U.S. | | 8th Indonesia | | 9th Korea | | 10th Taiwan | |
|---|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|
| | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio |
| Responding business operators | 285 | 100% | 257 | 100% | 144 | 100% | 120 | 100% | 117 | 100% | 88 | 100% | 72 | 100% | 41 | 100% | 23 | 100% | 21 | 100% |
| Underdeveloped legal system | 62 | 21.8% | 36 | 14.0% | 30 | 20.8% | 24 | 20.0% | 5 | 4.3% | 9 | 10.2% | - | - | 7 | 17.1% | - | - | 1 | 4.8% |
| Execution of legal system unclear | 166 | 58.2% | 68 | 26.5% | 33 | 22.9% | 48 | 40.0% | 7 | 6.0% | 16 | 18.2% | - | - | 12 | 29.3% | - | - | - | - |
| Complicated tax system | 42 | 14.7% | 44 | 17.1% | 2 | 1.4% | 10 | 8.3% | 5 | 4.3% | 12 | 13.6% | 1 | 1.4% | 3 | 7.3% | - | - | - | - |
| Execution of tax system unclear | 91 | 31.9% | 50 | 19.5% | 19 | 13.2% | 18 | 15.0% | 7 | 6.0% | 4 | 4.5% | - | - | 7 | 17.1% | 1 | 4.3% | 1 | 4.8% |
| Increased taxation | 85 | 29.8% | 16 | 6.2% | 3 | 2.1% | 6 | 5.0% | 13 | 11.1% | 4 | 4.5% | 6 | 8.3% | 3 | 7.3% | 2 | 8.7% | 1 | 4.8% |
| Restrictions on foreign investment | 77 | 27.0% | 23 | 8.9% | 17 | 11.8% | 16 | 13.3% | 10 | 8.5% | 3 | 3.4% | - | - | 4 | 9.8% | 1 | 4.3% | - | - |
| Complicated/unclear procedures for investment permission | 69 | 24.2% | 35 | 13.6% | 21 | 14.6% | 27 | 22.5% | 7 | 6.0% | 6 | 6.8% | - | - | 3 | 7.3% | 2 | 8.7% | 1 | 4.8% |
| Insufficient protection for intellectual property rights | 143 | 50.2% | 18 | 7.0% | 8 | 5.6% | 11 | 9.2% | 6 | 5.1% | 2 | 2.3% | 1 | 1.4% | 7 | 17.1% | 5 | 21.7% | 3 | 14.3% |
| Restrictions on foreign currency/ transfers of money overseas | 92 | 32.3% | 17 | 6.6% | 15 | 10.4% | 13 | 10.8% | 7 | 6.0% | 6 | 6.8% | - | - | 1 | 2.4% | 3 | 13.0% | 2 | 9.5% |
| Import restrictions/customs procedures | 62 | 21.8% | 28 | 10.9% | 16 | 11.1% | 18 | 15.0% | 7 | 6.0% | 14 | 15.9% | 1 | 1.4% | 9 | 22.0% | 2 | 8.7% | 3 | 14.3% |
| Difficult to secure technical/engineering staff | 50 | 17.5% | 31 | 12.1% | 32 | 22.2% | 15 | 12.5% | 22 | 18.8% | 8 | 9.1% | 7 | 9.7% | 8 | 19.5% | 2 | 8.7% | 2 | 9.5% |
| Difficult to secure management-level staff | 75 | 26.3% | 43 | 16.7% | 46 | 31.9% | 17 | 14.2% | 32 | 27.4% | 14 | 15.9% | 14 | 19.4% | 10 | 24.4% | 1 | 4.3% | 6 | 28.6% |
| Rising labor costs | 182 | 63.9% | 54 | 21.0% | 35 | 24.3% | 22 | 18.3% | 43 | 36.8% | 13 | 14.8% | 19 | 26.4% | 12 | 29.3% | 10 | 43.5% | 11 | 52.4% |
| Labor problems | 64 | 22.5% | 50 | 19.5% | 23 | 16.0% | 8 | 6.7% | 8 | 6.8% | 4 | 4.5% | 11 | 15.3% | 8 | 19.5% | 3 | 13.0% | 1 | 4.8% |
| Intense competition with other companies | 130 | 45.6% | 63 | 24.5% | 15 | 10.4% | 26 | 21.7% | 40 | 34.2% | 28 | 31.8% | 48 | 66.7% | 12 | 29.3% | 15 | 65.2% | 16 | 76.2% |
| Difficulties in recovering money owed | 92 | 32.3% | 22 | 8.6% | - | - | 10 | 8.3% | 1 | 0.9% | 6 | 6.8% | 1 | 1.4% | 3 | 7.3% | 1 | 4.3% | 2 | 9.5% |
| Difficulty in raising funds | 32 | 11.2% | 11 | 4.3% | 6 | 4.2% | 12 | 10.0% | 1 | 0.9% | 4 | 4.5% | 1 | 1.4% | 2 | 4.9% | - | - | - | - |
| Underdeveloped local supporting industries | 18 | 6.3% | 41 | 16.0% | 31 | 21.5% | 12 | 10.0% | 3 | 2.6% | 9 | 10.2% | 2 | 2.8% | 6 | 14.6% | - | - | - | - |
| Sense of instability regarding currency and/or costs | 14 | 4.9% | 7 | 2.7% | 17 | 11.8% | 14 | 11.7% | 7 | 6.0% | 11 | 12.5% | - | - | 8 | 19.5% | - | - | - | - |
| Underdeveloped infrastructure | 74 | 26.0% | 134 | 52.1% | 62 | 43.1% | 28 | 23.3% | 12 | 10.3% | 17 | 19.3% | - | - | 15 | 36.6% | - | - | - | - |
| Security/social instability | 54 | 18.9% | 45 | 17.5% | 9 | 6.3% | 32 | 26.7% | 16 | 13.7% | 16 | 18.2% | - | - | 14 | 34.1% | 1 | 4.3% | - | - |
| Lack of information on the country | 9 | 3% | 63 | 24.5% | 21 | 14.6% | 39 | 32.5% | 5 | 4.3% | 22 | 25.0% | 1 | 1.4% | 4 | 9.8% | - | - | 1 | 4.8% |

| FY2007 Survey | 1st China | | 2nd India | | 3rd Vietnam | | 5th Russia | | 4th Thailand | | 7th Brazil | | 6th U.S. | | 8th Indonesia | | 9th Korea | | 10th Taiwan | |
|---|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|------------------|-------|
| | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio | No. of Companies | Ratio |
| Responding business operators | 325 | 100% | 207 | 100% | 142 | 100% | 101 | 100% | 112 | 100% | 40 | 100% | 78 | 100% | 41 | 100% | 28 | 100% | 20 | 100% |
| Underdeveloped legal system | 77 | 23.7% | 38 | 18.4% | 49 | 34.5% | 29 | 28.7% | 5 | 4.5% | 5 | 12.5% | - | - | 4 | 9.8% | - | - | - | - |
| Execution of legal system unclear | 211 | 64.9% | 56 | 27.1% | 49 | 34.5% | 48 | 47.5% | 10 | 8.9% | 12 | 30.0% | - | - | 8 | 19.5% | 1 | 3.6% | 1 | 5.0% |
| Complicated tax system | 63 | 19.4% | 40 | 19.3% | 8 | 5.6% | 6 | 5.9% | 6 | 5.4% | 6 | 15.0% | 1 | 1.3% | 4 | 9.8% | 1 | 3.6% | - | - |
| Execution of tax system unclear | 127 | 39.1% | 41 | 19.8% | 21 | 14.8% | 24 | 23.8% | 8 | 7.1% | 4 | 10.0% | - | - | 10 | 24.4% | - | - | 1 | 5.0% |
| Increased taxation | 104 | 32.0% | 10 | 4.8% | 5 | 3.5% | 4 | 4.0% | 17 | 15.2% | 2 | 5.0% | 16 | 20.5% | 1 | 2.4% | 2 | 7.1% | 5 | 25.0% |
| Restrictions on foreign investment | 88 | 27.1% | 23 | 11.1% | 17 | 12.0% | 24 | 23.8% | 19 | 17.0% | 2 | 5.0% | 2 | 2.6% | 1 | 2.4% | 2 | 7.1% | - | - |
| Complicated/unclear procedures for investment permission | 88 | 27.1% | 33 | 15.9% | 20 | 14.1% | 18 | 17.8% | 9 | 8.0% | 4 | 10.0% | 1 | 1.3% | 4 | 9.8% | - | - | 1 | 5.0% |
| Insufficient protection for intellectual property rights | 177 | 54.5% | 16 | 7.7% | 12 | 8.5% | 12 | 11.9% | 4 | 3.6% | 3 | 7.5% | - | - | 4 | 9.8% | 5 | 17.9% | 1 | 5.0% |
| Restrictions on foreign currency/ transfers of money overseas | 111 | 34.2% | 20 | 9.7% | 8 | 5.6% | 13 | 12.9% | 19 | 17.0% | 6 | 15.0% | - | - | 2 | 4.9% | - | - | - | - |
| Import restrictions/customs procedures | 73 | 22.5% | 29 | 14.0% | 14 | 9.9% | 16 | 15.8% | 7 | 6.3% | 7 | 17.5% | 1 | 1.3% | 5 | 12.2% | 2 | 7.1% | 3 | 15.0% |
| Difficult to secure technical/engineering staff | 54 | 16.6% | 35 | 16.9% | 39 | 27.5% | 14 | 13.9% | 27 | 24.1% | 6 | 15.0% | 9 | 11.5% | 10 | 24.4% | 1 | 3.6% | 2 | 10.0% |
| Difficult to secure management-level staff | 88 | 27.1% | 40 | 19.3% | 56 | 39.4% | 13 | 12.9% | 41 | 36.6% | 9 | 22.5% | 18 | 23.1% | 10 | 24.4% | 1 | 3.6% | 3 | 15.0% |
| Rising labor costs | 174 | 53.5% | 31 | 15.0% | 27 | 19.0% | 10 | 9.9% | 43 | 38.4% | 9 | 22.5% | 25 | 32.1% | 9 | 22.0% | 12 | 42.9% | 6 | 30.0% |
| Labor problems | 63 | 19.4% | 49 | 23.7% | 14 | 9.9% | 14 | 13.9% | 20 | 17.9% | 6 | 15.0% | 15 | 19.2% | 7 | 17.1% | 2 | 7.1% | - | - |
| Intense competition with other companies | 146 | 44.9% | 50 | 24.2% | 21 | 14.8% | 26 | 25.7% | 48 | 42.9% | 17 | 42.5% | 62 | 79.5% | 17 | 41.5% | 19 | 67.9% | 17 | 85.0% |
| Difficulties in recovering money owed | 120 | 36.9% | 25 | 12.1% | 4 | 2.8% | 11 | 10.9% | 1 | 0.9% | 6 | 15.0% | - | - | 3 | 7.3% | 1 | 3.6% | 2 | 10.0% |
| Difficulty in raising funds | 14 | 4.3% | 10 | 4.8% | 3 | 2.1% | 6 | 5.9% | 4 | 3.6% | 5 | 12.5% | 1 | 1.3% | 1 | 2.4% | - | - | - | - |
| Underdeveloped local supporting industries | 33 | 10.2% | 38 | 18.4% | 50 | 35.2% | 17 | 16.8% | 3 | 2.7% | 4 | 10.0% | - | - | 4 | 9.8% | 2 | 7.1% | 1 | 5.0% |
| Sense of instability regarding currency and/or costs | 27 | 8.3% | 15 | 7.2% | 9 | 6.3% | 13 | 12.9% | 12 | 10.7% | 13 | 32.5% | - | - | 9 | 22.0% | 1 | 3.6% | 2 | 10.0% |
| Underdeveloped infrastructure | 90 | 27.7% | 112 | 54.1% | 68 | 47.9% | 25 | 24.8% | 10 | 8.9% | 9 | 22.5% | - | - | 14 | 34.1% | - | - | - | - |
| Security/social instability | 60 | 18.5% | 47 | 22.7% | 9 | 6.3% | 40 | 39.6% | 26 | 23.2% | 20 | 50.0% | 3 | 3.8% | 14 | 34.1% | 3 | 10.7% | 3 | 15.0% |
| Lack of information on the country | 7 | 2.2% | 48 | 23.2% | 22 | 15.5% | 34 | 33.7% | 5 | 4.5% | 8 | 20.0% | 1 | 1.3% | 3 | 7.3% | 1 | 3.6% | 2 | 10.0% |

Prospects for Overseas Operations (by industry)

| Overseas | All industries | | Foodstuffs | | Textiles | | Chemicals | | General Machinery | | Electrical Equipment & Electronics | | Automobiles | | Precision Machinery | |
|------------------------|----------------|------|------------|------|----------|------|-----------|------|-------------------|------|------------------------------------|------|-------------|------|---------------------|------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| Strengthen/Expand | 82.2 | 79.2 | 85.3 | 78.1 | 56.3 | 51.4 | 88.0 | 89.7 | 81.1 | 89.3 | 76.9 | 77.0 | 88.3 | 84.5 | 78.9 | 78.6 |
| Maintain present level | 16.8 | 20.1 | 14.7 | 21.9 | 37.5 | 43.2 | 12.0 | 10.3 | 18.9 | 8.9 | 19.4 | 22.1 | 11.7 | 15.5 | 21.1 | 21.4 |
| Scale back/Withdraw | 1.0 | 0.7 | - | - | 6.3 | 5.4 | - | - | - | 1.8 | 3.7 | 0.9 | - | - | - | - |

Prospects for Domestic Operations (by industry)

| Domestic | All industries | | Foodstuffs | | Textiles | | Chemicals | | General Machinery | | Electrical Equipment & Electronics | | Automobiles | | Precision Machinery | |
|------------------------|----------------|------|------------|------|----------|------|-----------|------|-------------------|------|------------------------------------|------|-------------|------|---------------------|------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| Strengthen/Expand | 50.5 | 40.8 | 64.7 | 53.1 | 50.0 | 29.7 | 66.3 | 50.0 | 55.8 | 35.7 | 49.1 | 39.5 | 36.3 | 37.5 | 62.2 | 37.0 |
| Maintain present level | 45.6 | 53.2 | 35.3 | 40.6 | 46.9 | 62.2 | 31.3 | 48.7 | 44.2 | 64.3 | 44.4 | 50.0 | 56.9 | 55.8 | 37.8 | 55.6 |
| Scale back/Withdraw | 1.5 | 3.1 | - | 3.1 | 3.1 | 2.7 | 1.2 | - | - | - | 3.7 | 5.3 | 1.0 | 3.8 | - | 7.4 |
| Undecided | 2.4 | 2.9 | - | 3.1 | - | 5.4 | 1.2 | 1.3 | - | - | 2.8 | 5.3 | 5.9 | 2.9 | - | - |

Prospects for Overseas Operations (by region)

| | NIEs3 | | ASEAN5 | | China | | Rest of Asia and Oceania | | North America | | Latin America | |
|------------------------|-------|-------|--------|-------|-------|-------|--------------------------|-------|---------------|-------|---------------|-------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| Strengthen/Expand | 36.6% | 36.6% | 48.7% | 48.7% | 69.0% | 64.4% | 72.3% | 77.3% | 58.1% | 49.2% | 49.4% | 51.4% |
| Maintain present level | 60.3% | 60.9% | 48.6% | 48.9% | 29.1% | 34.0% | 27.1% | 22.3% | 39.3% | 49.0% | 49.7% | 47.4% |
| Scale back/Withdraw | 3.1% | 2.4% | 2.6% | 2.4% | 1.9% | 1.7% | 0.7% | 0.4% | 2.5% | 1.8% | 0.9% | 1.2% |

| | EU15 | | Central & Eastern Europe | | Rest of Europe/CIS/Russia | | Middle East | | Africa | |
|------------------------|-------|-------|--------------------------|-------|---------------------------|-------|-------------|-------|--------|-------|
| | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 |
| Strengthen/Expand | 52.3% | 50.2% | 70.1% | 62.3% | 64.5% | 64.7% | 59.0% | 67.9% | 33.3% | 48.0% |
| Maintain present level | 45.9% | 48.0% | 29.9% | 37.7% | 35.0% | 35.5% | 40.0% | 31.1% | 65.4% | 52.0% |
| Scale back/Withdraw | 1.8% | 1.9% | - | - | 0.5% | - | 1.0% | 0.9% | 1.3% | - |

Scales of Medium-term Business Operation (major countries/regions in Asia)

| | Korea | Taiwan | Hong Kong | Singapore | Thailand | Indonesia | Malaysia | Philippines |
|------------------------|-------|--------|-----------|-----------|----------|-----------|----------|-------------|
| Strengthen/Expand | 1.6% | 2.5% | 3.2% | 2.8% | 1.1% | 3.0% | 1.3% | 5.4% |
| Maintain present level | 52.7% | 60.0% | 71.4% | 54.4% | 32.6% | 49.4% | 61.2% | 61.7% |
| Scale back/Withdraw | 45.7% | 37.5% | 25.3% | 42.7% | 66.3% | 47.7% | 37.5% | 32.9% |

| | Northeastern China | Northern China | Eastern China | Southern China | Inland China | India | Vietnam |
|------------------------|--------------------|----------------|---------------|----------------|--------------|-------|---------|
| Strengthen/Expand | 1.5% | 3.2% | 1.2% | 1.3% | 0.8% | - | 0.5% |
| Maintain present level | 42.1% | 33.2% | 30.4% | 30.8% | 47.1% | 10.0% | 19.0% |
| Scale back/Withdraw | 56.4% | 63.6% | 68.4% | 52.1% | 52.1% | 90.0% | 80.4% |

Scales of Medium-term Business Operation (U.S., Europe, and other countries)

| | North America | Mexico | Brazil | Rest of Latin American | EU15 | Central & Eastern Europe | Rest of Europe/CIS |
|------------------------|---------------|--------|--------|------------------------|-------|--------------------------|--------------------|
| | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 | 2007 |
| Strengthen/Expand | 1.8% | 3.4% | - | - | 1.9% | - | - |
| Maintain present level | 49.0% | 53.4% | 35.2% | 62.3% | 48.0% | 37.7% | 51.2% |
| Scale back/Withdraw | 49.2% | 43.2% | 64.8% | 37.7% | 50.2% | 62.3% | 48.8% |

| | Russia | Middle East | Africa | Rest of Asia and Oceania |
|------------------------|--------|-------------|--------|--------------------------|
| Strengthen/Expand | - | 0.9% | - | 1.2% |
| Maintain present level | 24.4% | 31.1% | 52.0% | 59.3% |
| Scale back/Withdraw | 75.6% | 67.9% | 48.0% | 39.5% |