

Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

Result of JBIC FY2009 Survey:

-Outlook for Japanese Foreign Direct Investment (21st Annual Survey)-

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Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

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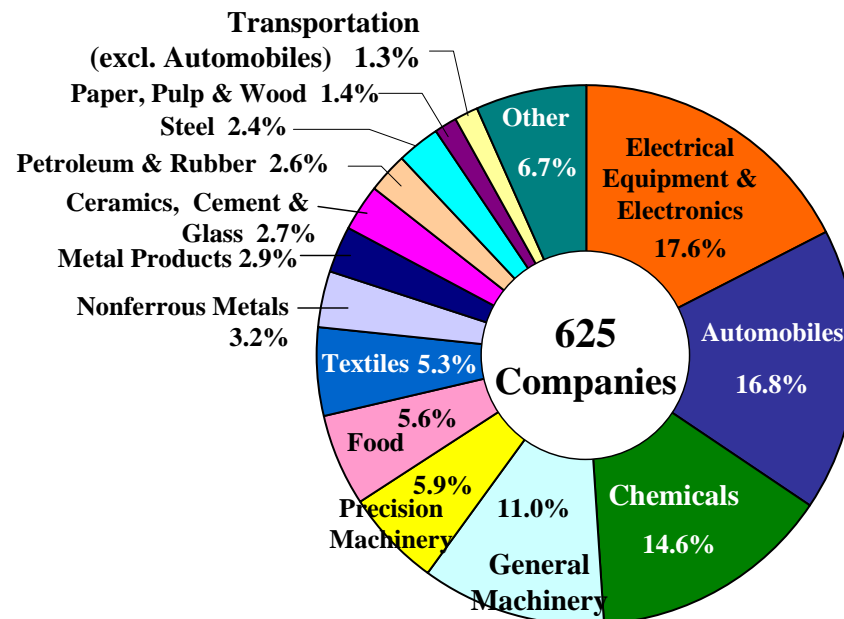
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Survey Overview and Companies Surveyed

Survey Overview

- **Survey targets: Manufacturing companies that have three or more overseas affiliates (including at least one production base)**
- **No. of companies questionnaires were mailed to: 1,004**
- **Responses returned: 625 (response rate: 62.3%)**
- **No. of foreign affiliates of respondent companies: 12,006**
- **Period of survey: Sent in July 2009**
Responses returned from July to August
- **No. of interviews (34), Phone interviews(48) from July to September**
- **Main survey topics:**
 - Medium-term business prospects
 - Evaluations of overseas business performance
 - Promising countries or regions for overseas business operations
 - Reactions to the economic crisis
 - Businesses for middle income consumers in the emerging markets
 - Efforts involving eco-businesses
- **Note: “Overseas business operations” is defined as production, sales, and R&D activities at overseas affiliates, as well as outsourcing of manufacturing and procurement.**

No. of Respondent Companies by Industrial Classification



No. of Respondent Companies by Net Sales

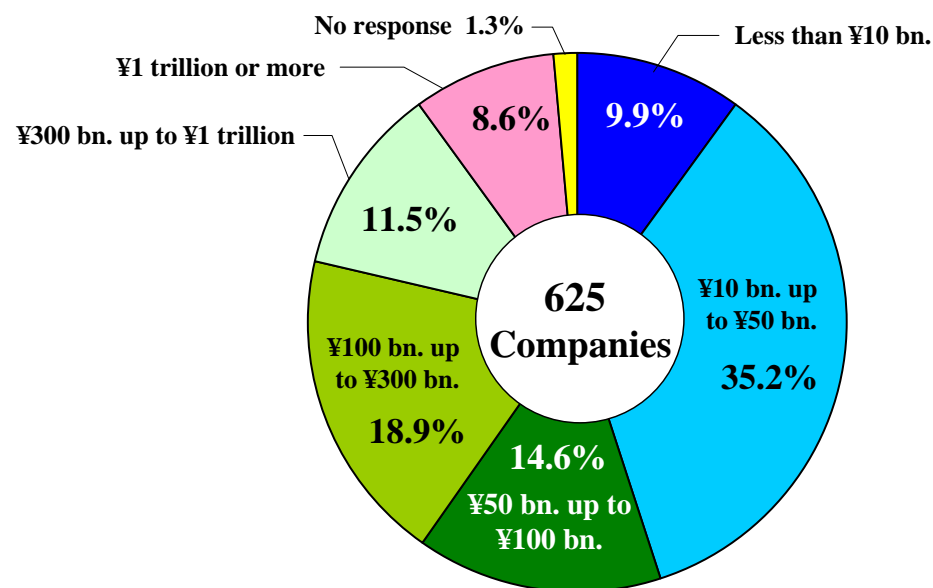


Figure 1: No. of Overseas Affiliates

(No. of companies)

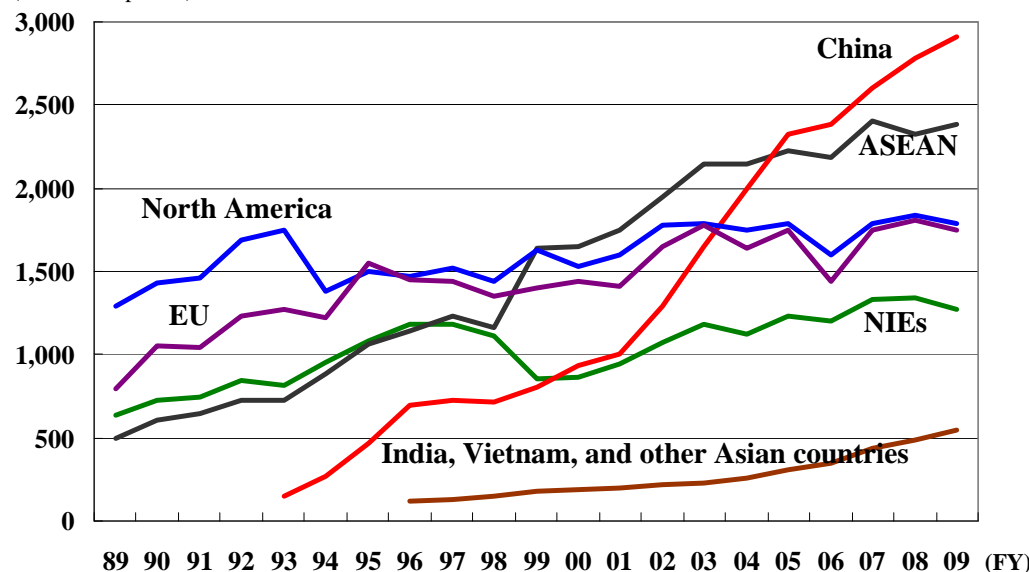
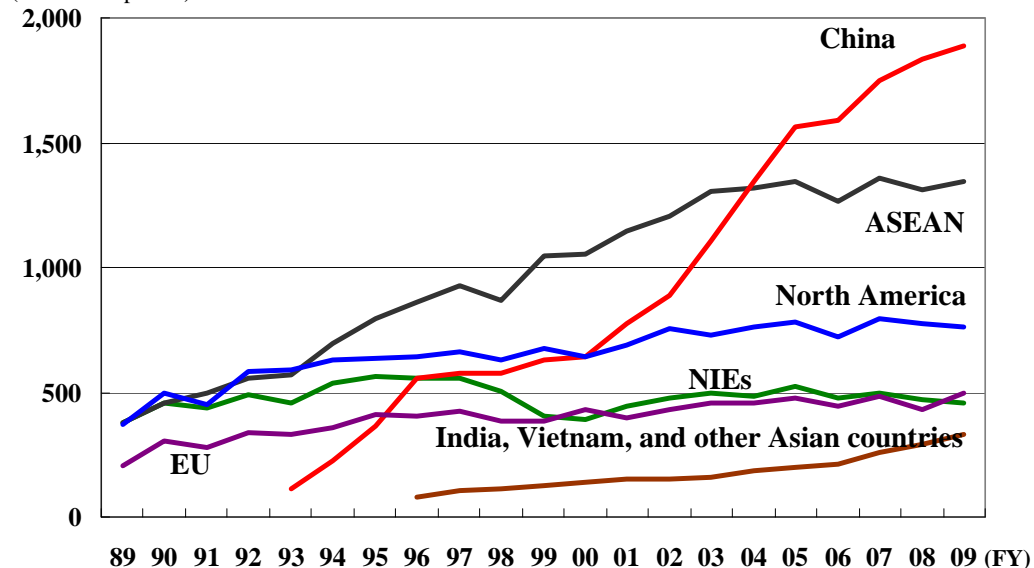


Figure 2: No. of Overseas Production Bases

(No. of companies)



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

Note 2: Singapore was included in NIEs until FY1998 and in ASEAN5 from our 1999 survey. EU15 is defined as the EU line from 2004 survey.

Figure 3: By Function and Region

(n=625) (Unit: Companies)

	NIEs3	ASEAN5	China	India, Vietnam, & other Asian countries	North America	Latin America	EU15	Central & Eastern Europe	Other European Countries & CIS Nations	Russia	Oceania	Middle East	Africa	Total
Production	460	1,345	1,888	333	763	273	498	115	23	15	59	13	32	5,817
Sales	726	810	803	153	666	250	1,000	79	56	41	142	62	33	4,821
R&D	5	45	67	10	90	9	66	1	0	1	5	1	1	301
Other	81	186	149	51	265	72	186	7	8	8	37	10	7	1,067
Total	1,272	2,386	2,907	547	1,784	604	1,750	202	87	65	243	86	73	12,006

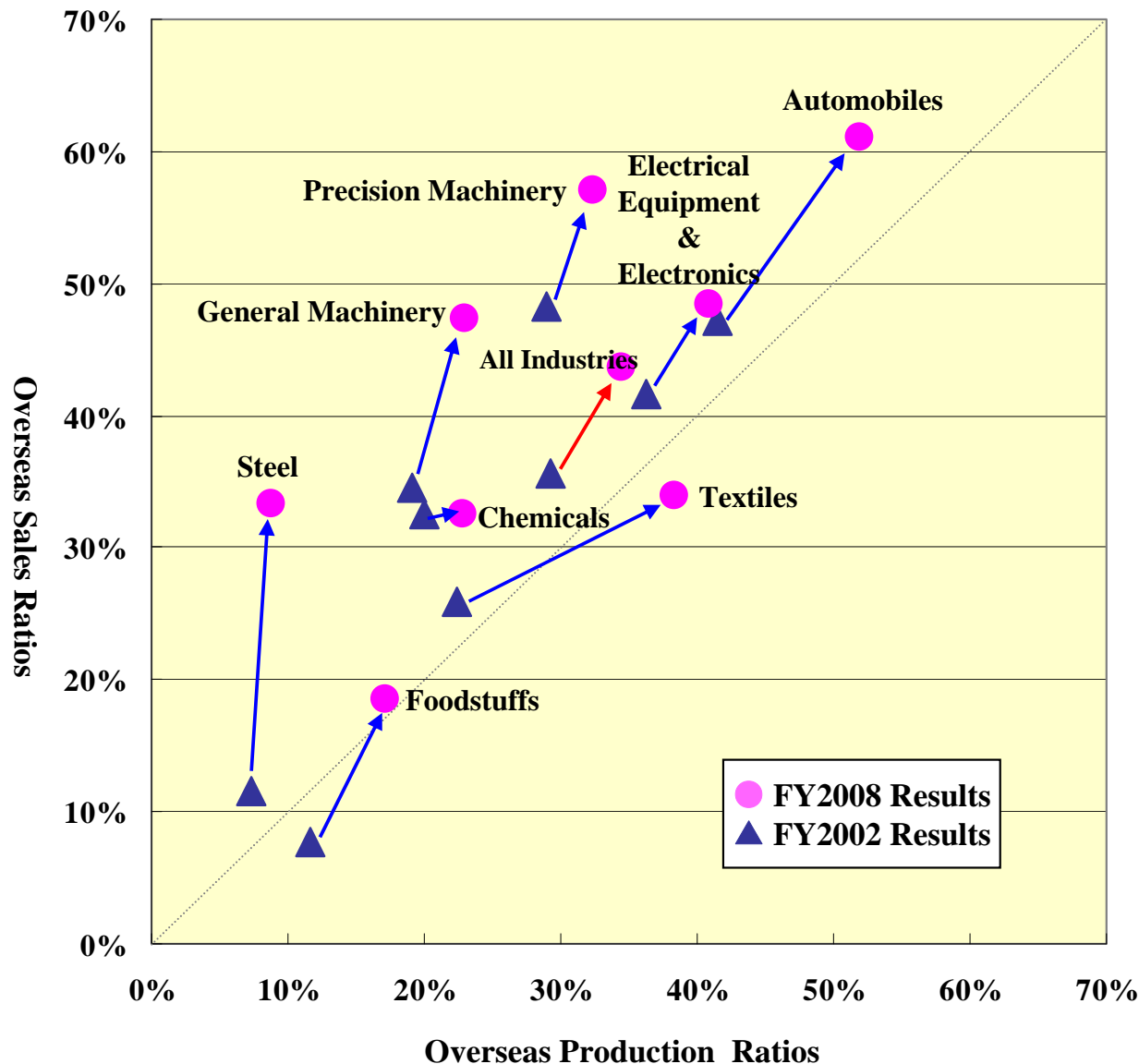
<The Classification of Major Regions>

- 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, Slovenia, Albania, Croatia, Serbia, Montenegro, Bosnia-Herzegovina, Former Yugoslav Republic of Macedonia)

<The Classification of Areas in China>

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

Figure 4: Ratios of Overseas Production and Overseas Sales



	Industry	Ratio of Overseas Production	Ratio of Overseas Sales
2002	All Industries	29.3%	35.7%
	Foodstuffs	11.7%	7.8%
	Textiles	22.3%	25.9%
	Chemicals	20.1%	32.6%
	Steel	7.3%	11.5%
	General Machinery	19.1%	34.5%
	Electrical Equipment & Electronics	36.3%	41.7%
	Automobiles	41.4%	47.2%
	Precision Machinery	29.0%	48.2%
2008	All Industries	34.5%	43.6%
	Foodstuffs	17.1%	18.5%
	Textiles	38.3%	33.9%
	Chemicals	22.8%	32.5%
	Steel	8.8%	33.3%
	General Machinery	23.0%	47.4%
	Electrical Equipment & Electronics	41.0%	48.4%
	Automobiles	51.9%	61.0%
	Precision Machinery	32.4%	57.1%

Note: Ratios are calculated in weighted averages based on sales

■ Overseas production & sales ratios both higher than FY2002 levels. Figures for auto exceed 50%

The FY2008 ratio for overseas production was 34.5%, and sales was 43.6%, rising from FY2002 levels 29.3 and 35.7 points respectively. As for industry, the auto industry was the highest figures for both overseas production and sales, at 51.9% and 61.0% respectively in 2008. Most industries clearly showed a higher jump in sales ratios than production ratios.

I. Summary

The recent economic crisis had a major impact on Japanese companies, and its effects undergoing. Nevertheless, the search for new business opportunities overseas continues, with increasing degrees of interest being shown in China, India, and other emerging markets, driven by its domestic demand. In addition, despite the recession, Robust motivation for Research and Development (R&D) is continuing steadily, with a particular focus in environment-related businesses as a great potential area.

■ **2/3 companies implement both “offense” and “defense” measures for the economic crisis. Offense strategies include domestic R&D as well as expansion of production in Asia.**

- 2/3 companies reported implementing both “offense” and “defense” measures, with the remaining 1/3 responding that they are concentrating on “defensive” steps. Most companies can be said they took some forward-oriented policies.(→P7) In many companies, however, those policies consist of domestic R&D and production expansion in Asia. (→P8)

■ **The portion of companies that wish to strengthen overseas operations is 66% of the total. While this is down from the previous year, a majority of companies are still positive about overseas businesses.**

- The number of companies responding that they wish to strengthen overseas operations accounts for 66% of the total (down 13 points from the previous year). On the other hand, only 27% companies said they wanted to strengthen domestic operations (down 14 points from previous year), with 55% wished to maintain their businesses as it is. (→P9)

■ **The will to strengthen overseas has largely fallen off in the auto industry, but remains at high levels for food.**

- Of the industries for which respondent companies reported they would strengthen overseas, automobiles was the lowest among all industries, a 35 point dropped to 50%. Meanwhile, 83% of foodstuffs companies responded affirmatively, up 5 points from last year, making it the highest rated industry in terms of desire to strengthen overseas operations. Responses for domestic strengthening mirrored this trend, with automobiles at low levels and foodstuffs at high ones. (→P10)

■ **China has regained its status as a promising country. India, Brazil and Indonesia are also strong.**

- In the portion of the survey (including expectation), China retained the top spot. In the past few years the number of companies that viewed China as promising had been on the decline, but for this fiscal year it increased. In addition, while more companies viewed the markets of India, Brazil and Indonesia as promising, although companies holding the same view of Russia, Thailand and the United States have decreased. (→P11,12)

■ **Efforts to strengthen global competitiveness continue to be directed foremost towards new product development. Consolidating plants and bases has risen for priority, while human resources has fallen.**

- The development of new products and cost reductions continue to be as first and second place for priority. Issues that significantly gained importance included “Consolidating domestic and overseas production” and “Creating a healthier financial standing”, while issues such as “Procuring human resources to globalization” saw a major drop. (→P13)

Figure 5: Offense and Defense

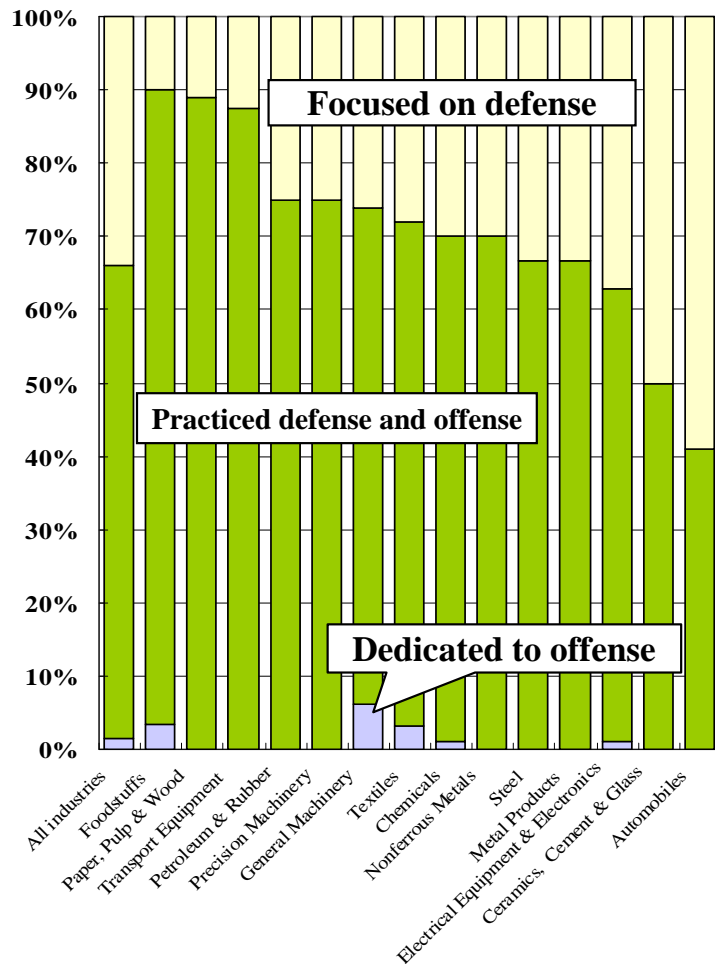
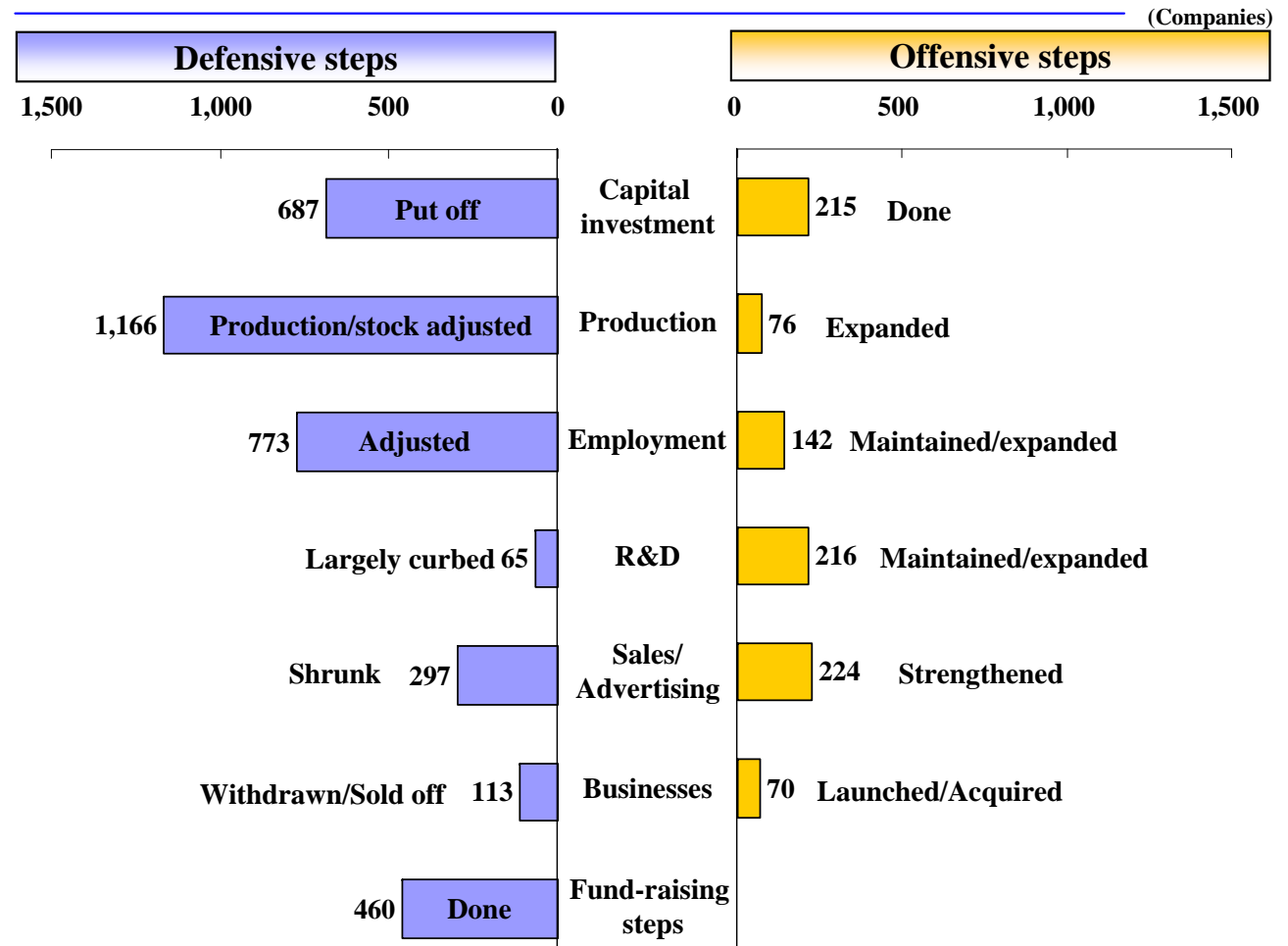


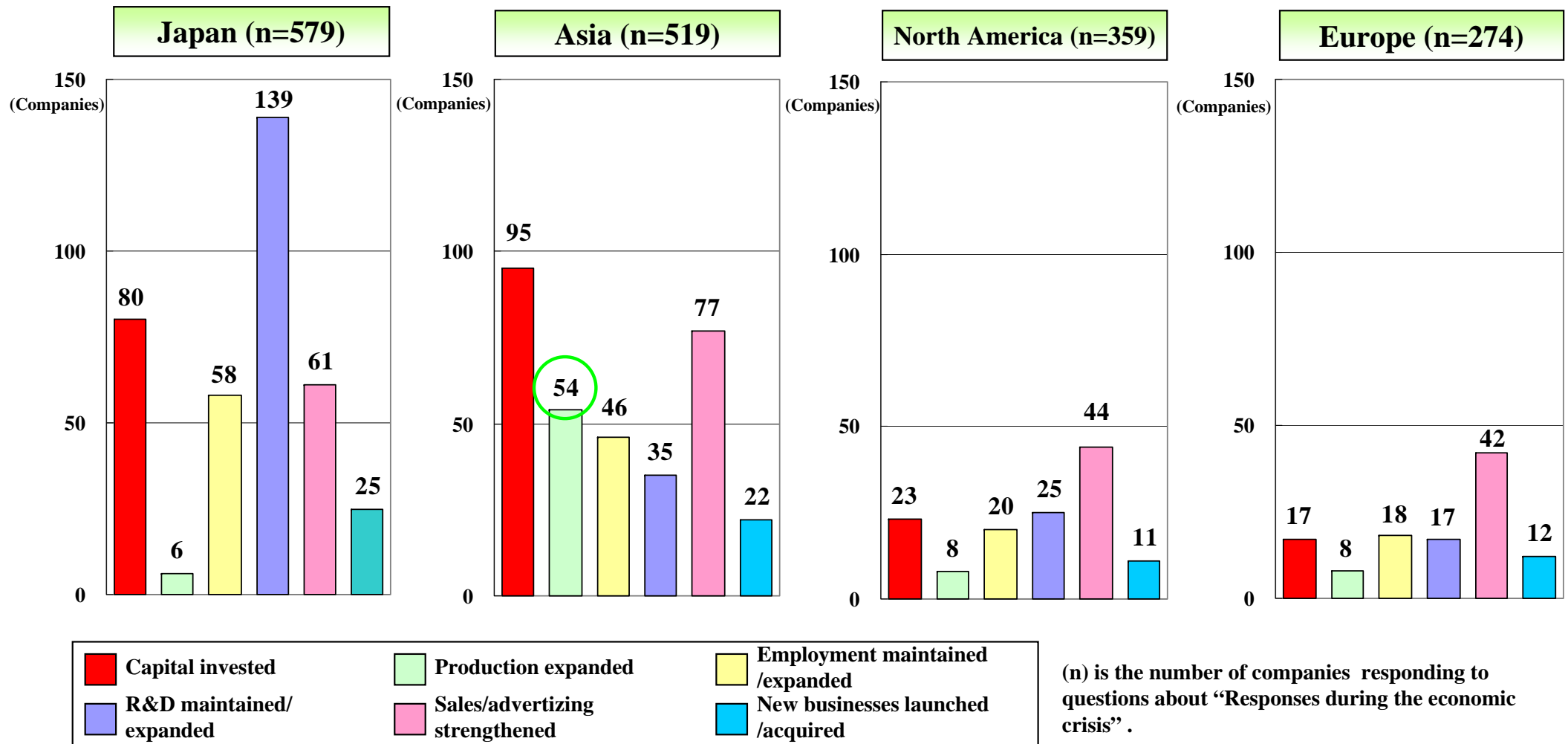
Figure 6: Steps Taken in the Economic Crisis (all industries)



Companies were given three choices to describe their actions when the economic crisis escalated from the fall of 2008 to the summer of 2009: “Dedicated to offense”, “Practiced defense and offense”, and “Focused on defense”.

- Roughly 1/3 took a defensive stance during the economic crisis, yet 2/3 adopted some future-oriented strategy. In terms of industry, defensiveness was common in automobiles. During the economic crisis, 1/3 responded “Focused on defense”, though at the same time 2/3 responded “Practiced defense and offense”, which is evidence for a large number of companies making future strategic moves even during the crisis. Although responses were mixed depending on the industry, food industry, an industry that is traditionally fairly resistant to economic downturns, mainly claimed “Practiced defense and offense”. Auto-related companies doing the same were particularly few in number.
- Many companies instituted forward-looking measures for R&D and Sales, despite taking an overall defensive stance. In terms of the absolute number, it is clear that far more “defensive” measures were put in place than “offensive” ones. However, more companies reported “maintaining or expanding” R&D than “major cutbacks”. Likewise, in the areas of sales and advertising, companies “strengthening” were on par with “shrinking” them, indicating that many companies took a fairly “offensive” stance even during the economic crisis.

Figure 7: Offensive Steps

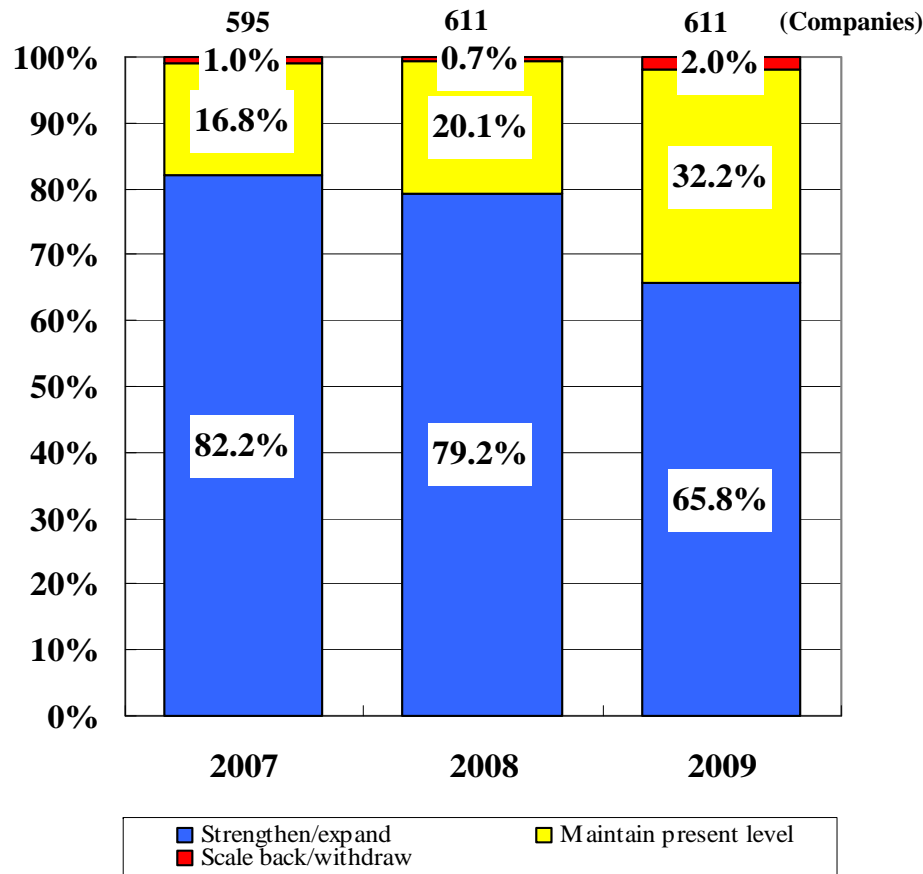


Questions were asked of respondent companies’ actions (both in Japan and overseas) during the crisis: fall 2008-summer 2009

■ The “offensive” steps taken were particularly prominent in domestic R&D, and capital investment and production expansion in Asia
 “Maintained or expanded R&D” was a trend mainly seen in domestic operation. “Capital investment” and “expanded production” was prominent in Asia, indicative of a relatively small drop in the will to invest in Asia.

Overseas

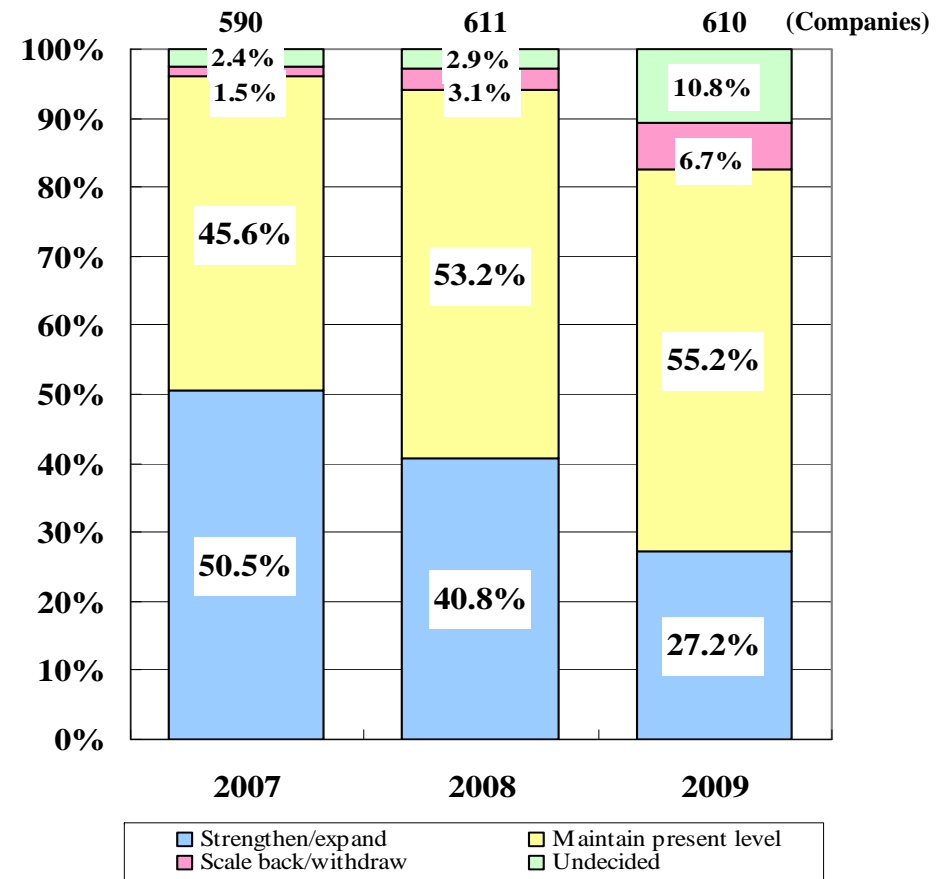
Figure 8: Medium-term Prospects (next 3 yrs. or so) for Overseas Operations



Companies were asked to their business prospects for overseas over the medium term (next three years or so): “strengthen or expand”, “maintain present levels”, or “scale back/withdraw”.

Domestic

Figure 9: Medium-term Prospects (next 3 yrs. or so) for Domestic Operations



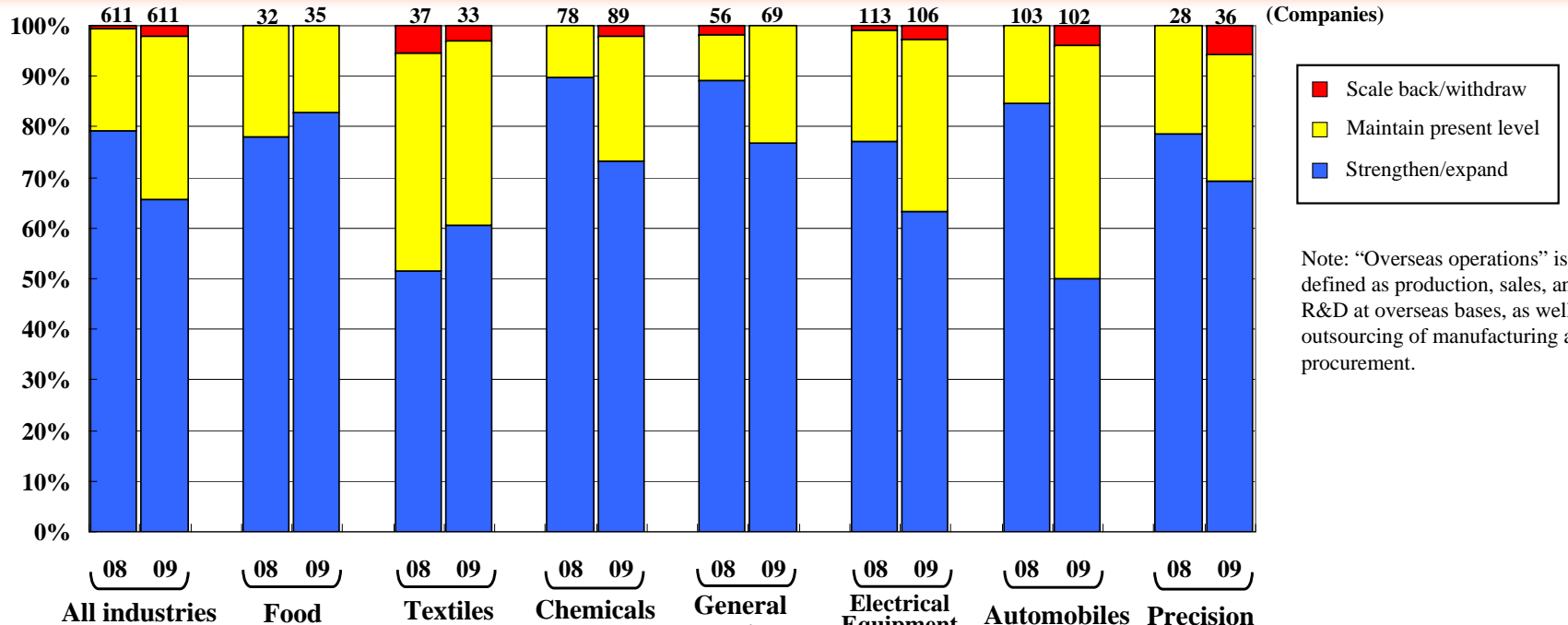
Companies were asked to their business prospects for domestic over the medium term (next three years or so): “strengthen or expand”, “maintain present levels”, “scale back”, or “undecided”.

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

- The ratio of companies planning to strengthen overseas businesses was 66%. While this is down from last year, it still indicates that many companies are positive about overseas expansion. Despite the current economic downturn, 65.8% of companies planned to strengthen overseas businesses. While this is 13.4 point year-on-year decrease, it shows a positive stance for 2/3 companies.
- The ratio of responding to strengthen domestic businesses remain at low levels. Only 27.2% responded that they would be strengthening domestic businesses (down 13.6% year-on-year). Additionally, 10.8% responded “undecided”, indicating they are reluctant to decide on the direction of future businesses.

Figure 10:
Medium-term
Prospects for
Overseas Operations

Overseas

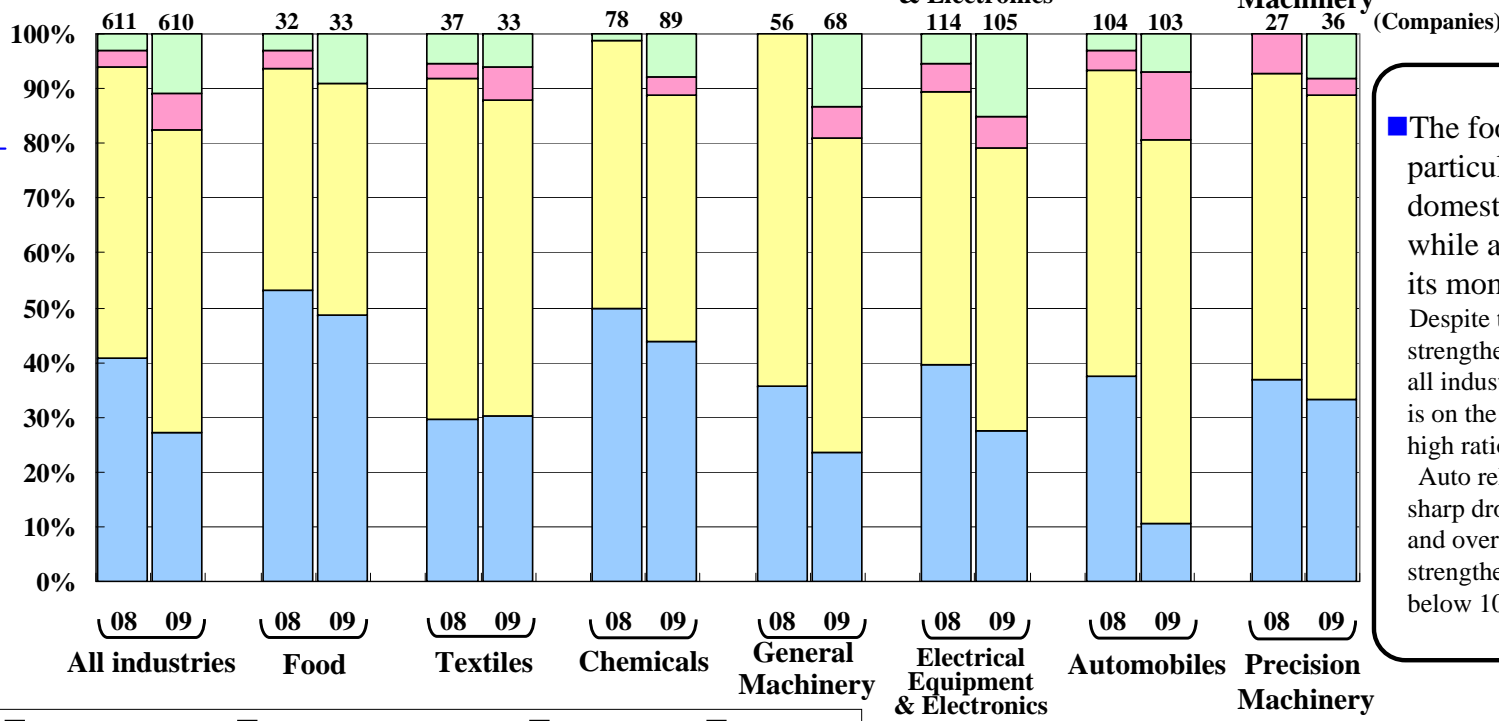


Scale back/withdraw
Maintain present level
Strengthen/expand

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

Figure 11:
Medium-term
Prospects for
Domestic Operations

Domestic



Strengthen/expand Maintain present level Scale back Undecided

The food industry is particularly robust both domestically and overseas, while automobiles has lost its momentum. Despite the declining ratio that strengthen businesses in most all industries, the food industry is on the rise and maintains a high ratio. Auto related businesses saw a sharp drop both domestically and overseas. Domestically the strengthen response rate fell below 10%.

Figure 12: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so)
(multiple response) (⇒See Appendix 1 for pre-FY2008 results)

(Numbers in parentheses represent last year's figures)

Ranking		Country/Region	No. of Companies 480 (471)	Percentage Share (%)	
1(1)	—	China	353 (297)	74 (63)	↑
2(2)	—	India	278 (271)	58 (58)	—
3(3)	—	Vietnam	149 (152)	31 (32)	↓
4(5)	↑	Thailand	110 (125)	23 (27)	↓
5(4)	↓	Russia	103 (130)	21 (28)	↓
6(6)	—	Brazil	95 (91)	20 (19)	↑
7(7)	—	USA	65 (78)	14 (17)	↓
8(8)	—	Indonesia	52 (41)	11 (9)	↑
9(9)	—	Korea	31 (27)	6 (6)	—
10(12)	↑	Malaysia	26 (20)	5 (4)	↑
11(10)	↓	Taiwan	21 (22)	4 (5)	↓
12(11)	↓	Mexico	20 (21)	4 (4)	—
13(21)	↑	Philippines	14 (7)	3 (1)	↑
14(13)	↓	Germany	9 (13)	2 (3)	↓
15(19)	↑	Australia	9 (8)	2 (2)	—
16(28)	↑	Saudi Arabia	9 (5)	2 (1)	↑
17(17)	—	Turkey	8 (12)	2 (3)	↓
18(13)	↓	Singapore	7 (15)	1 (3)	↓
19(16)	↓	Czech Republic	6 (13)	1 (3)	↓
20(33)	↑	Canada	5 (3)	1 (1)	—

- Restored interest in China
Companies that saw China as promising had been on the decline for the past few years, but in this fiscal year they rose. China continues to hold the top rank.
- More responses for India, Brazil and Indonesia
The ranking of India, Brazil and Indonesia did not change, but companies listing these countries steadily rose.
- Thailand, Russia and the US maintain top spots, but their shares have dropped
Even though the share of Thailand dropped, it still overtook Russia to take the No. 4. Russia lost share and fell to No. 5. The US also lost percentage share.

Note: In addition to the countries/regions listed above, the following regions also gained responses: EU/Europe (34 companies, 7% of the total); North America (21 companies, 4%); Eastern Europe/Central and Eastern Europe (8 companies, 2%); Middle East (11 companies, 2%).

The respondents were each asked to name the top 5 countries that they consider to have promising prospects for business operations over the medium term (the next three years or so). The table above shows the number of times the countries or regions were cited (no. of responses) and ratio (percentage share), consisting of that number divided by the number of responding companies.

Figure 13: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares

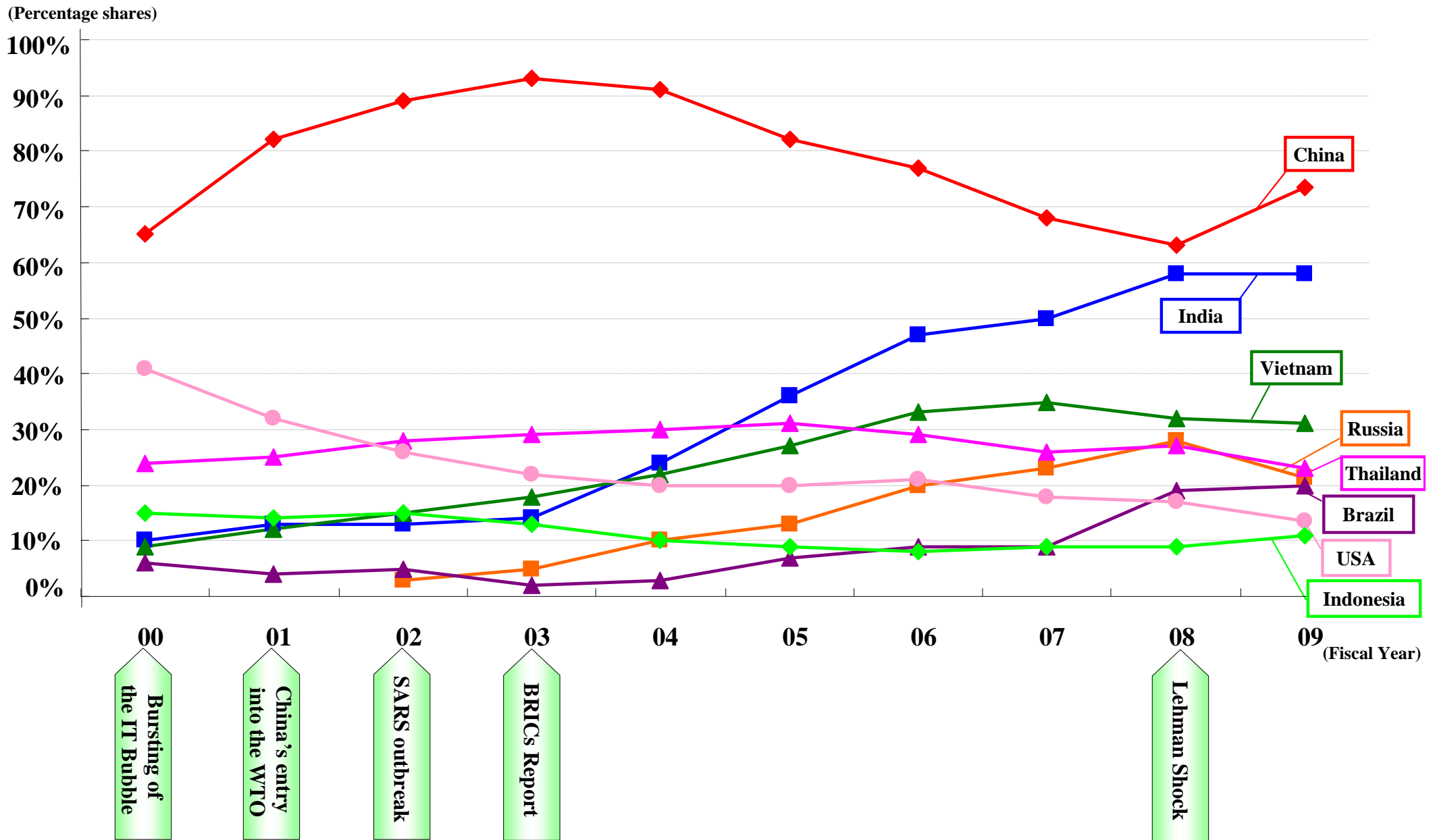


Figure 14: Important Efforts Domestically and Overseas to Maintain/Improve International Competitiveness (all industries)

09 Rank ('08)	Responses	No. of companies	
		09 (%) (n=604)	08 (%) (n=563)
1 (1) -	Developing new products	313 (52)	277 (49)
2 (2) -	Lowering cost of procured parts and raw materials	257 (43)	258 (46)
3 (4) ↑	Expanding overseas production	245 (41)	228 (40)
4 (6) ↑	Strengthening sales functions	242 (40)	195 (35)
5 (5) -	Faster product development	201 (33)	198 (35)
6 (7) ↑	More efficient manufacturing processes	166 (27)	173 (31)
7 (11) ↑	Creating a healthier financial standing	164 (27)	109 (19)
8 (8) -	Improving coordination among development, manufacturing and sales divisions	161 (27)	145 (26)
9 (3) ↓	Procuring human resources to globalization	156 (26)	238 (42)
10 (18) ↑	Consolidating domestic and overseas production	138 (23)	61 (11)
11 (9) ↓	Strengthening brand power	111 (18)	141 (25)
12 (10) ↓	Stable procurement of raw materials	98 (16)	115 (20)
13 (14) ↑	Fundamental research aimed at acquiring most advanced technologies	83 (14)	82 (15)
14 (13) ↓	Optimizing a global supply chain	82 (14)	88 (16)
15 (15) -	Entering into new business fields	76 (13)	81 (14)
15 (16) ↑	Complying with environmental concerning business	76 (13)	66 (12)
17 (12) ↓	Acquiring outside business resources (M&A etc.)	73 (12)	95 (17)
18 (16) ↓	Reorganizing of the present business structure	59 (10)	66 (12)
19 (20) ↑	Strengthening post-sales services	52 (9)	53 (9)
20 (19) ↓	Protecting intellectual property and designs	39 (6)	56 (10)
21 (22) ↑	Strengthening product design capabilities	30 (5)	26 (5)
22 (21) ↓	Expanding domestic production	20 (3)	33 (6)

Figure 15: Procuring human resources capable of responding to globalization

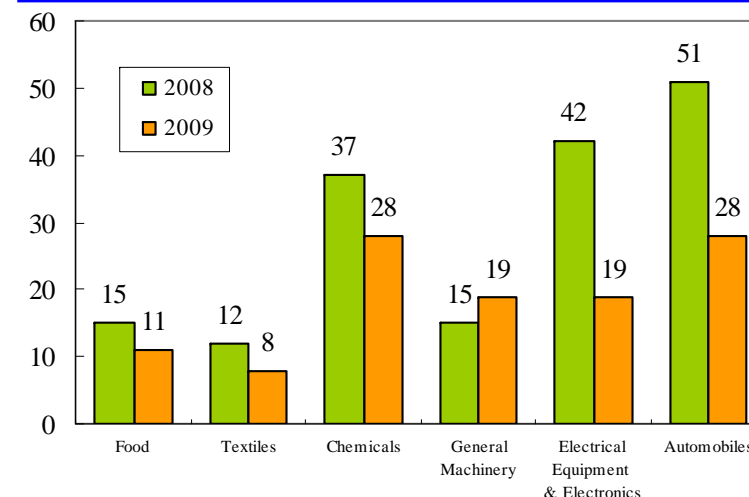
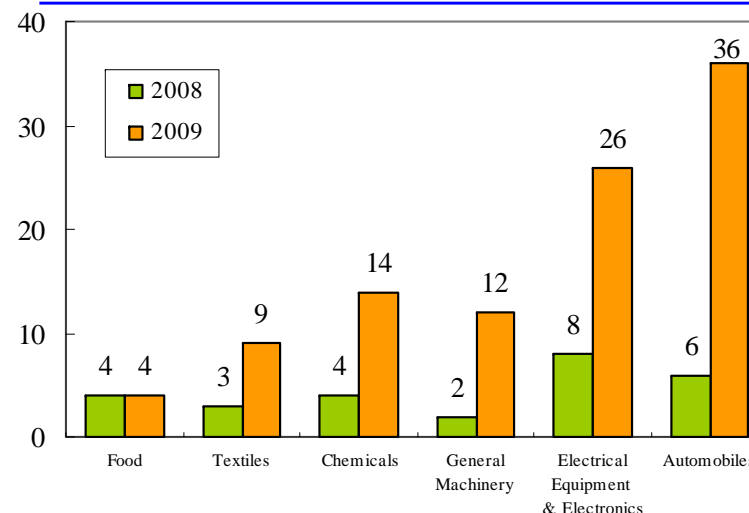


Figure 16: Consolidating domestic and overseas production



Note: Respondents were asked to circle up to five items (per company) from 22 choices to identify “important efforts domestically and abroad to maintain/improve overseas competitiveness”.

■ New product development and cost reduction are important strategies

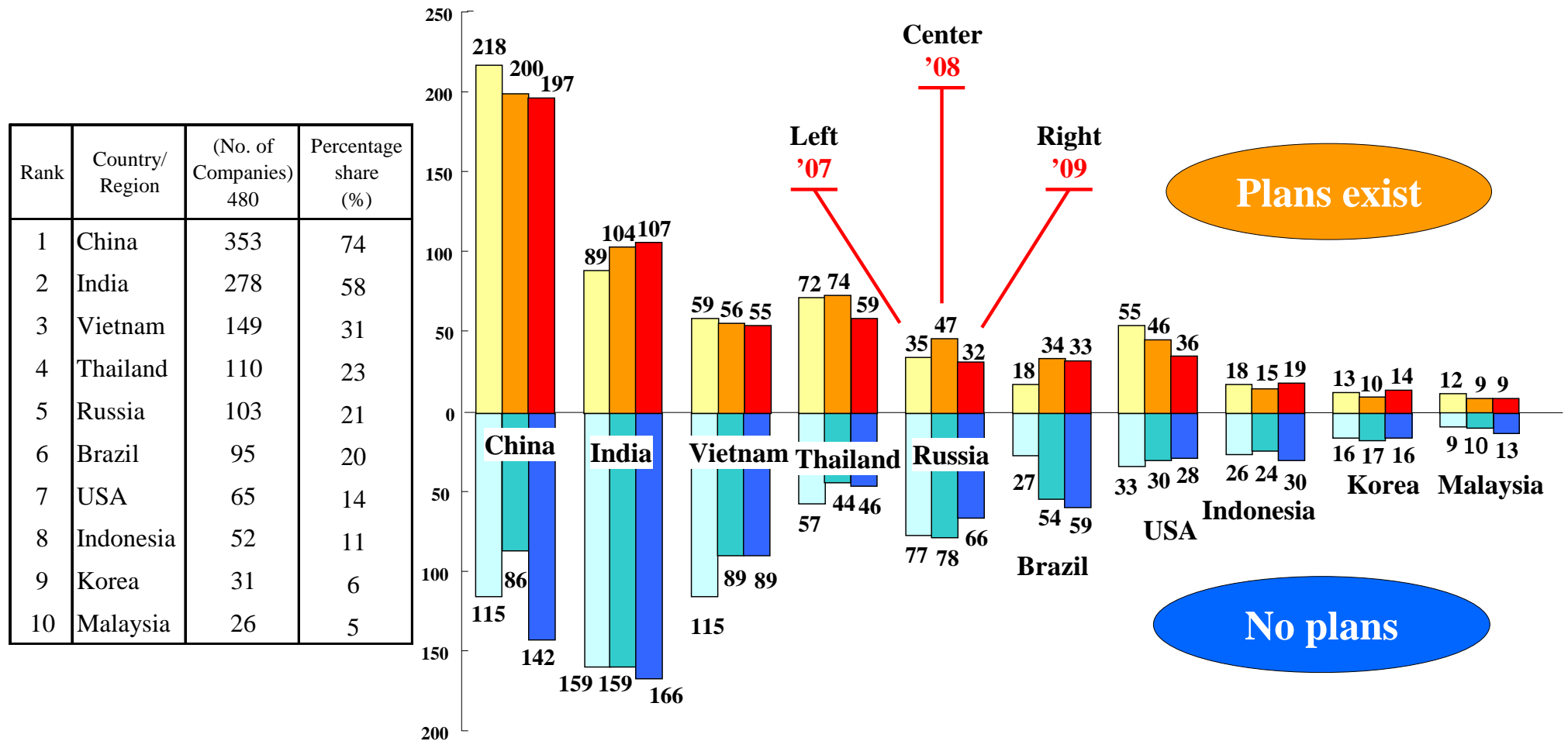
New product development and cost reduction continued to be the first and second most often stressed measures for international competitiveness. There were no major changes despite the economic crisis.

■ More companies are working to consolidate production and create a healthier financial standing. Companies emphasizing human resources decreased

Companies reporting “Consolidating domestic and overseas production” more than doubled from the previous year, and there was also a major increase with “create a healthier financial standing”. Companies are reviewing their production systems since its market shrunk, and are faced with rebuilding financial standing. At the same time, because the pace of overseas business expansion has slowed down, less priority for “Procuring human resources to globalization”.

II. Featurings of Promising Countries/Regions

Figure 17: Existence of Concrete Business Plans for Promising Countries/Regions



- China’s share driven up by the increasing number of companies with no plans in China**
 Of the companies that consider China to be promising, the number which actually having plans in China was 197, showing a decreasing trend. On the other hand, the number with no plans dramatically increased to 142, many of these companies responded in favor of China, leading to a rise in China’s percentage share in that category.
- A steady number of companies have plans in India, Vietnam, Brazil and Indonesia, despite the economic downturn**
 At 107, there was a small increase in the companies with plans in India. It is second only to China in the number of companies with plans, indicating a continuing shift from “promising” to actual investment in India. There was not much change in the number of companies with plans in Vietnam, Brazil and Indonesia, despite the economic downturn.

China

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 348)		
1 Future growth potential of local market	295	84.8%
2 Inexpensive source of labor	153	44.0%
3 Current size of local market	114	32.8%
4 Supply base for assemblers	71	20.4%
5 Inexpensive components & raw materials	68	19.5%



Issues

	No. of companies	Ratio
(Total number of respondent companies: 336)		
1 Rising labor costs	189	56.3%
2 Execution of legal system unclear	187	55.7%
3 Intense competition with other companies	169	50.3%
4 Insufficient protection of intellectual property rights	159	47.3%
5 Restrictions on foreign currency and international transfers	127	37.8%

- As for reasons for being promising, “future growth potential of local market” is by far the biggest reason, followed by “inexpensive source of labor” at a distant second.
- In terms of issues, “rising labor costs” and “execution of legal system unclear” are the top two, as they were last year. “Insufficient protection of intellectual property rights”, which was third last year, moved to the fourth spot.

India

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 275)		
1 Future growth potential of local market	248	90.2%
2 Inexpensive source of labor	106	38.5%
3 Supply base for assemblers	53	19.3%
4 Qualified human resources	51	18.5%
5 Current size of local market	51	18.5%



Issues

	No. of companies	Ratio
(Total number of respondent companies: 260)		
1 Underdeveloped infrastructure	122	46.9%
2 Security/social instability	78	30.0%
3 Intense competition with other companies	77	29.6%
4 Execution of legal system unclear	76	29.2%
5 Complicated tax system	61	23.5%

- The top reason for India is “future growth potential of local market”. It is clear that there are high expectations for growth in that country. The fifth reason, “current size of local market”, has risen steadily.
- Although the level of concern of an “underdeveloped infrastructure” is gradually falling, it still remains the greatest issue. In part because of terrorist attacks, “security/social instability” has grown significantly compared with the previous year.

Vietnam

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 149)		
1 Future growth potential of local market	90	60.4%
2 Inexpensive source of labor	86	57.7%
3 Qualified human resources	32	21.5%
4 Good for risk diversification to other countries	28	18.8%
5 Supply base for assemblers	22	14.8%



Issues

	No. of companies	Ratio
(Total number of respondent companies: 136)		
1 Underdeveloped infrastructure	46	33.8%
2 Execution of legal system unclear	42	30.9%
3 Difficult to secure management-level staff	40	29.4%
4 Rising labor costs	37	27.2%
5 Underdeveloped legal system	33	24.3%

- “Future growth potential of local market” overtook “inexpensive source of labor” for the first time as the biggest reason given for Vietnam being promising. Compared with other countries, more companies listed it as “good for risk diversification”.
- Vietnam’s “underdeveloped infrastructure” continues to be the most pressing issue, but compared with the previous year’s levels (47%) it has significantly improved. More companies are also citing “rising labor costs”.

Thailand

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 108)		
1 Future growth potential of local market	52	48.1%
2 Inexpensive source of labor	45	41.7%
3 Base of export to third countries	29	26.9%
4 Current size of local market	27	25.0%
5 Developed local infrastructure	25	23.1%



Issues

	No. of companies	Ratio
(Total number of respondent companies: 104)		
1 Intense competition with other companies	40	38.5%
2 Difficult to secure management-level staff	31	29.8%
3 Security/social instability	29	27.9%
4 Rising labor costs	28	26.9%
5 Difficult to secure technical/engineering staff	17	16.3%

- “Supply base for assemblers”, was second just the previous year, has largely decreased. This is due to the decrease of automobile parts companies citing Thailand.
- Concerns over “security/social instability” are on the rise, as the third spot on the list. Many companies also have difficulty in finding human resources.

Russia

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 103)		
1 Future growth potential of local market	87	84.5%
2 Current size of local market	18	17.5%
3 Supply base for assemblers	9	8.7%
4 Inexpensive source of labor	8	7.8%
5 Advantages in terms of raw material procurement	6	5.8%



Issues

	No. of companies	Ratio
(Total number of respondent companies: 99)		
1 Execution of legal system unclear	33	33.3%
2 Security/social instability	26	26.3%
3 Lack of information on the country	25	25.3%
4 Complicated/unclear procedures for investment permission	22	22.2%
5 Intense competition with other companies	21	21.2%

- “Future growth potential of local market” and “current size of local market” were the most cited reasons, which underscores the expectations held about the local market. Although there were not many, some companies list advantages for raw material procurement.
- The concern most frequently listed was “execution of legal system unclear”, followed by “security/social instability”. However, both showed a declining trend.

Brazil

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 95)		
1 Future growth potential of local market	82	86.3%
2 Current size of local market	17	17.9%
3 Supply base for assemblers	15	15.8%
4 Inexpensive source of labor	14	14.7%
5 Base of export to third countries	8	8.4%

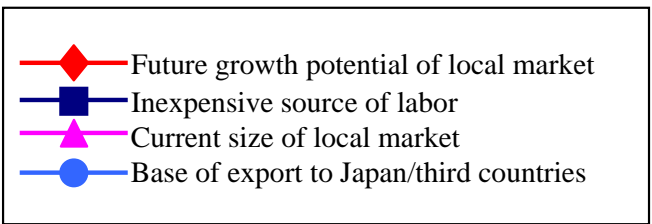
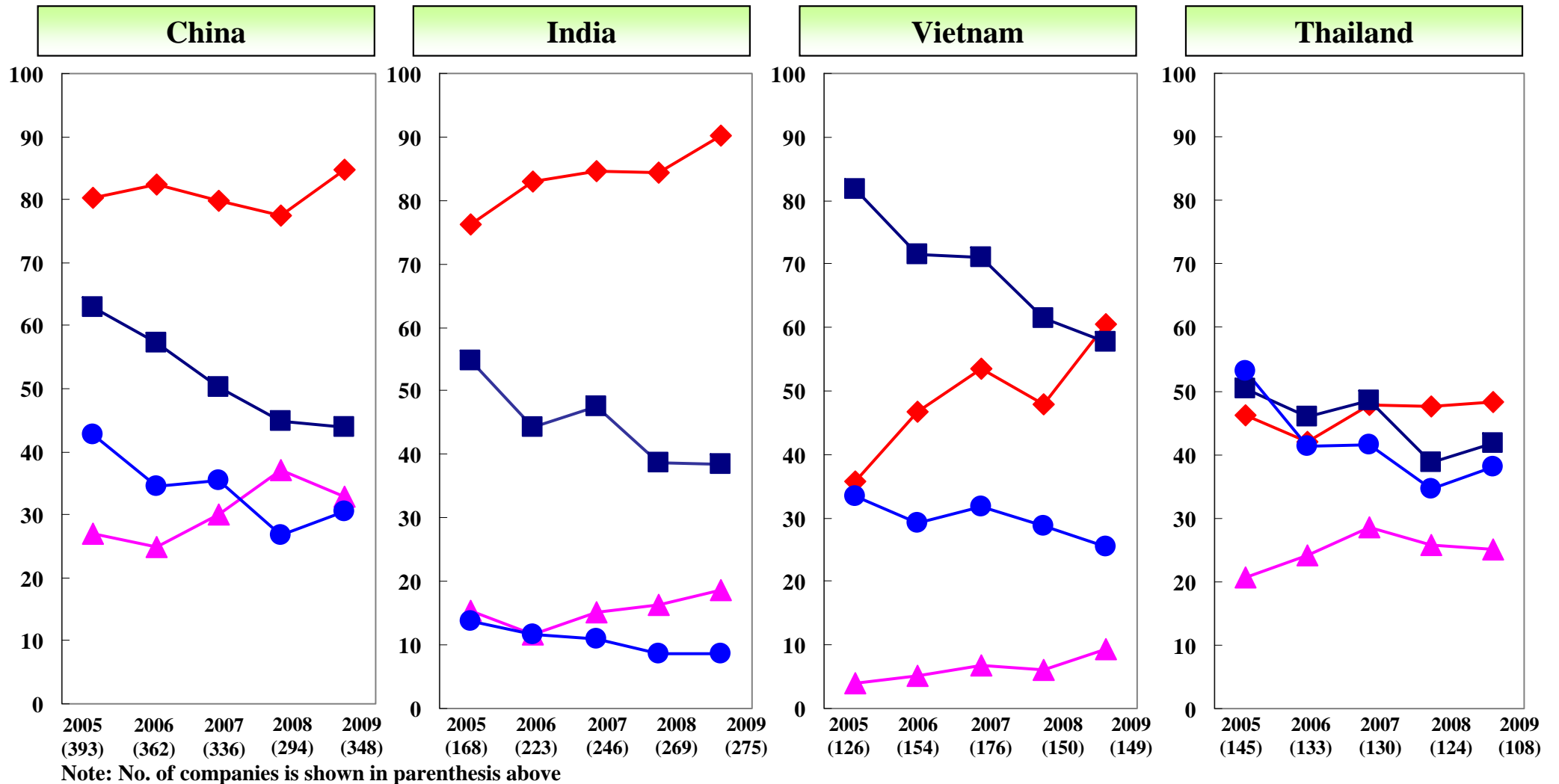


Issues

	No. of companies	Ratio
(Total number of respondent companies: 88)		
1 Security/social instability	25	28.4%
2 Lack of information on the country	20	22.7%
3 Execution of legal system unclear	19	21.6%
4 Complicated tax system	19	21.6%
5 Intense competition with other companies	18	20.5%

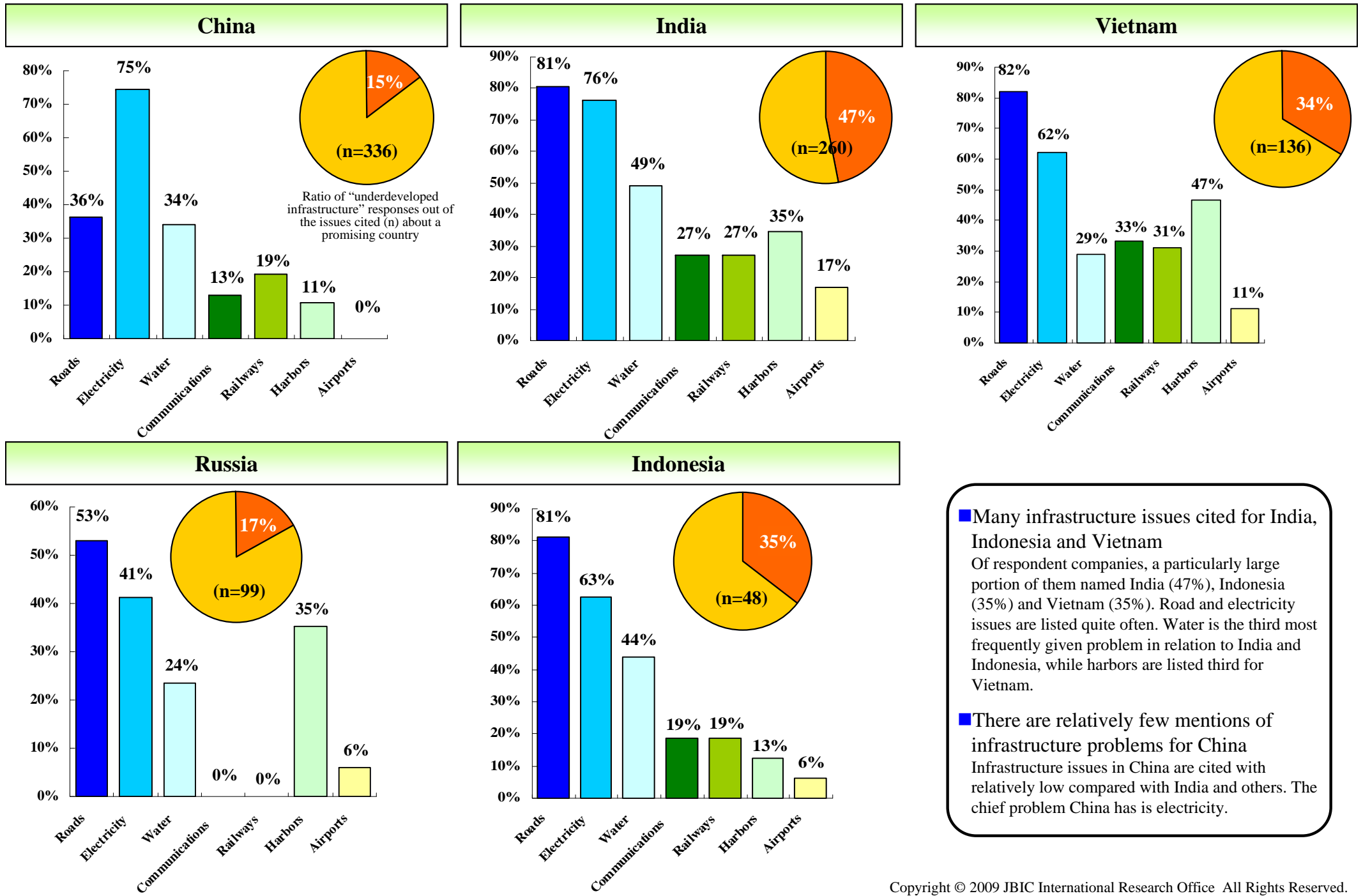
- Just as with Russia, the two biggest reasons were “future growth potential of local market” and “current size of local market”. A certain number of companies cited “inexpensive source of labor” and “supply base for assemblers”, indicating an appeal as a manufacturing center.
- The largest concern given was “security/social instability”. Just as with India, the country is seen to have a “complicated tax system”.

Figure 18: Changes in Reasons for a Country as Promising for Overseas Operations and Issues (Multiple response)



■ There is much focus on local markets in each countries as reasons for being promising. Their appeal as inexpensive labor and as exporting bases is waning “Current size of local market” and “future growth potential of local market” are gaining prominence as reasons above. On the other hand, “inexpensive source of labor”, “base of export to Japan and third countries” are declining. The local market is rising in importance for companies looking to establish a presence overseas.

Figure 19: Infrastructures desired to be improved (Multiple response)

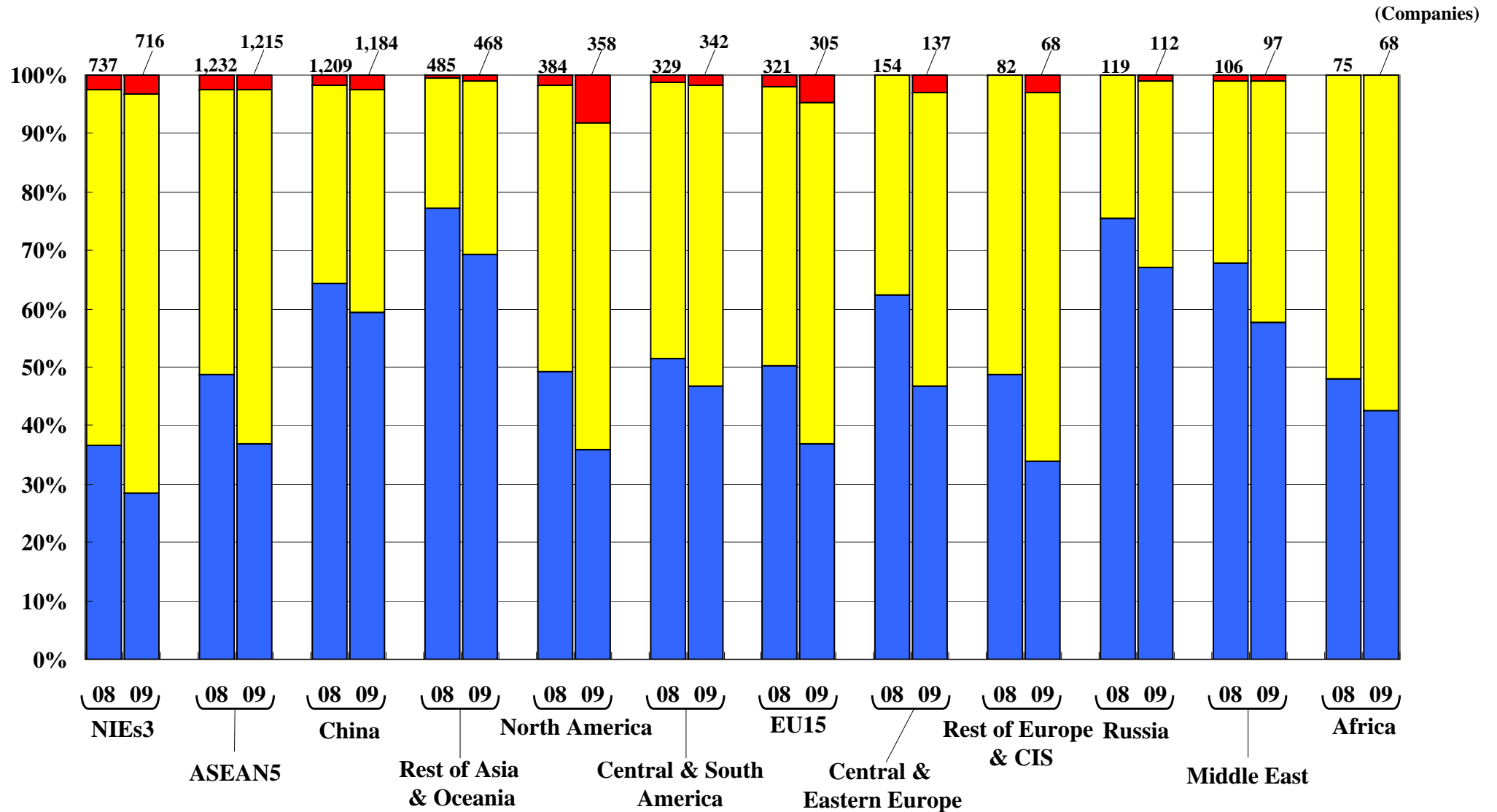


■ Many infrastructure issues cited for India, Indonesia and Vietnam
 Of respondent companies, a particularly large portion of them named India (47%), Indonesia (35%) and Vietnam (35%). Road and electricity issues are listed quite often. Water is the third most frequently given problem in relation to India and Indonesia, while harbors are listed third for Vietnam.

■ There are relatively few mentions of infrastructure problems for China
 Infrastructure issues in China are cited with relatively low compared with India and others. The chief problem China has is electricity.

III. Attitudes toward Strengthening Businesses (Countries/Regions/Fields)

Figure 20: Changes in Prospects for Overseas Operations by Region



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

■ Strengthening is on a downward trend in all regions. The magnitude of decrease is relatively small in China and Latin America, but is large in North America, EU15, and Central and Eastern Europe

The ratio of companies that strengthen their businesses fell for all regions. Countries where the decline was relatively small in China and Latin America. The ratio for strengthening itself was fairly high for other Asian countries (including India and Vietnam) & Oceania, Russia, China, and the Middle East.

Note: See Appendix 4 for detailed figures.

Figure 21: Size of medium-term business prospects (China/India/Vietnam)

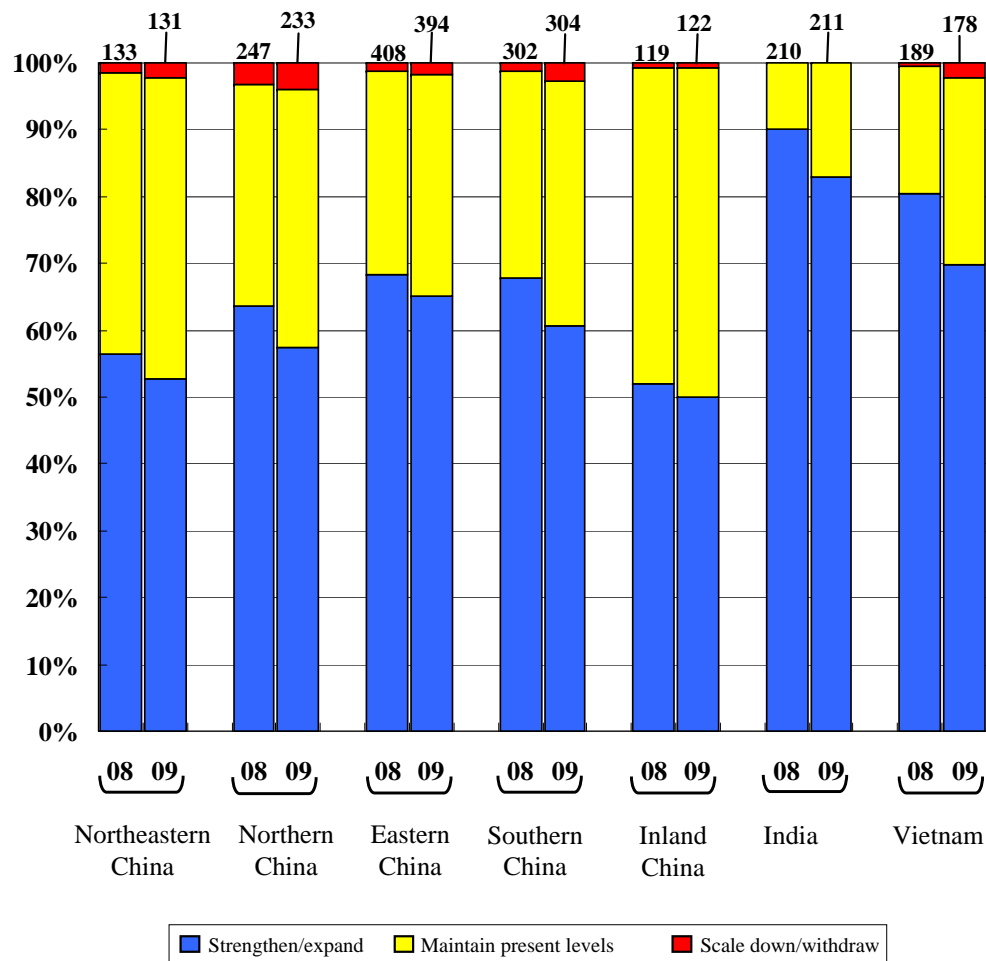


Figure 22: Areas in which to strengthen/expand (production)

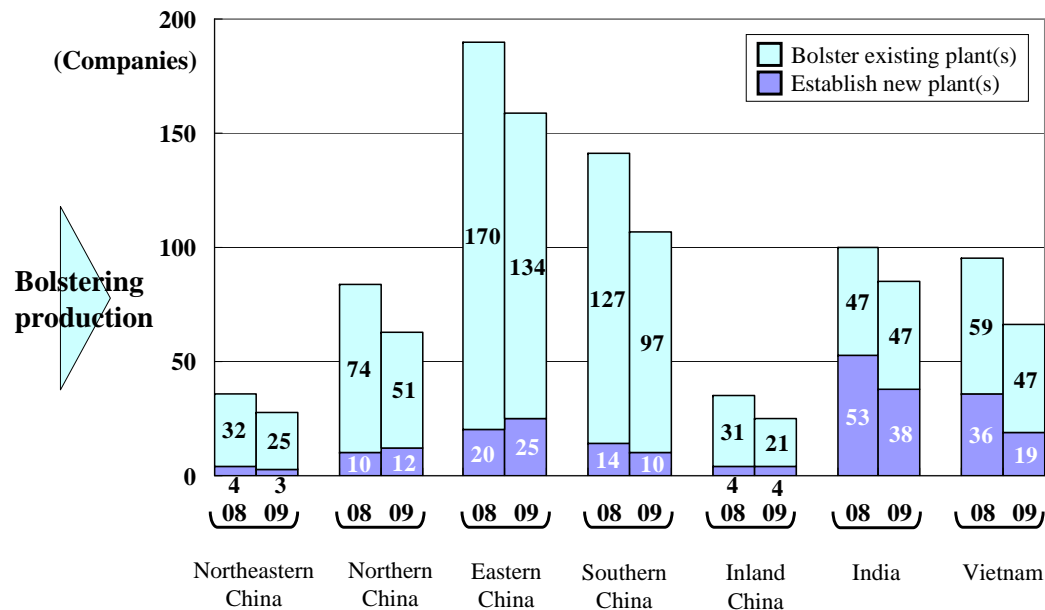
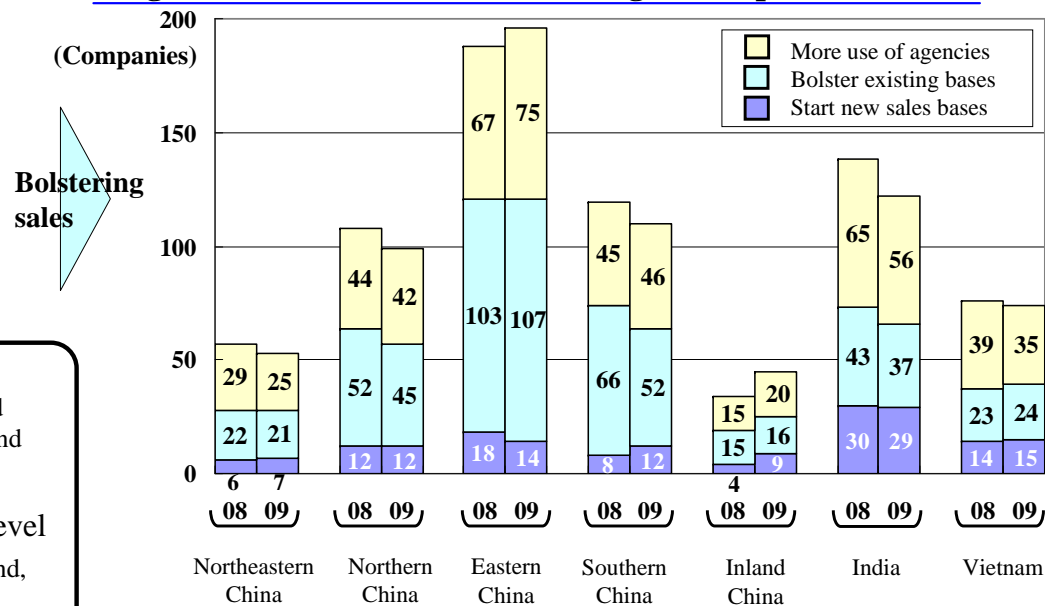
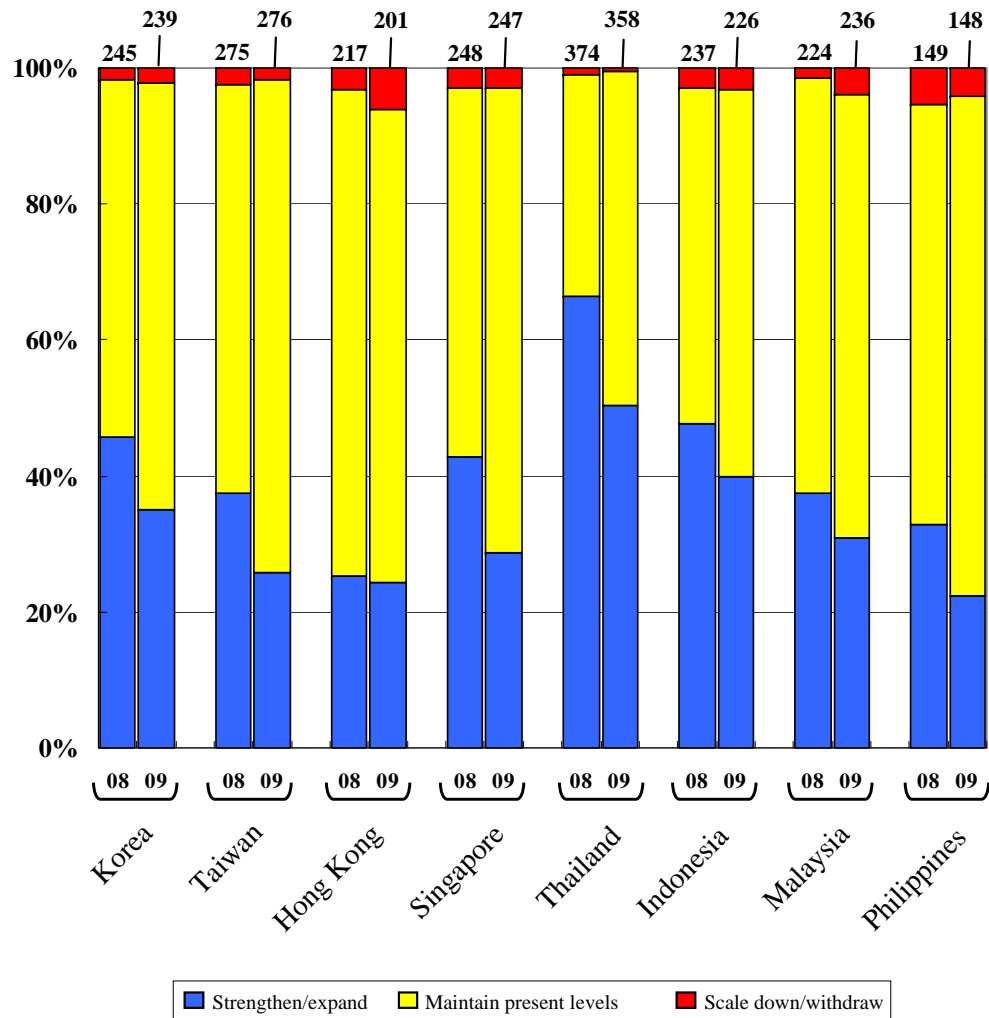


Figure 23: Areas in which to strengthen/expand (sales)



- Many companies seek to expand operations in India and Vietnam
The ratios of companies wishing to expand their operations are large for India (82.9%) and Vietnam (69.7%). Ratios for the various regions of China are smaller than those of India and Vietnam, but the decrease from the previous year is not as large.
- Companies wishing to bolster sales functions have remained at the same level
Companies intending to bolster production have decreased for all regions. On the other hand, trends in sales stated the same. In eastern and inland China the number of companies strengthening them has gone up.

Figure 24: Size of medium-term business prospects (NIEs3/ASEAN5)



Expansion trends are stronger in Thailand than elsewhere, yet still dramatically down from the previous year. The ratios of companies to expand their businesses were all down, with the exception of Hong Kong, which remained about the same. Thailand saw a particularly dramatic drop. Even among the companies wishing to strengthen or expand their operations, production functions in Thailand have notably declined. This is due to the downward trend in auto businesses.

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

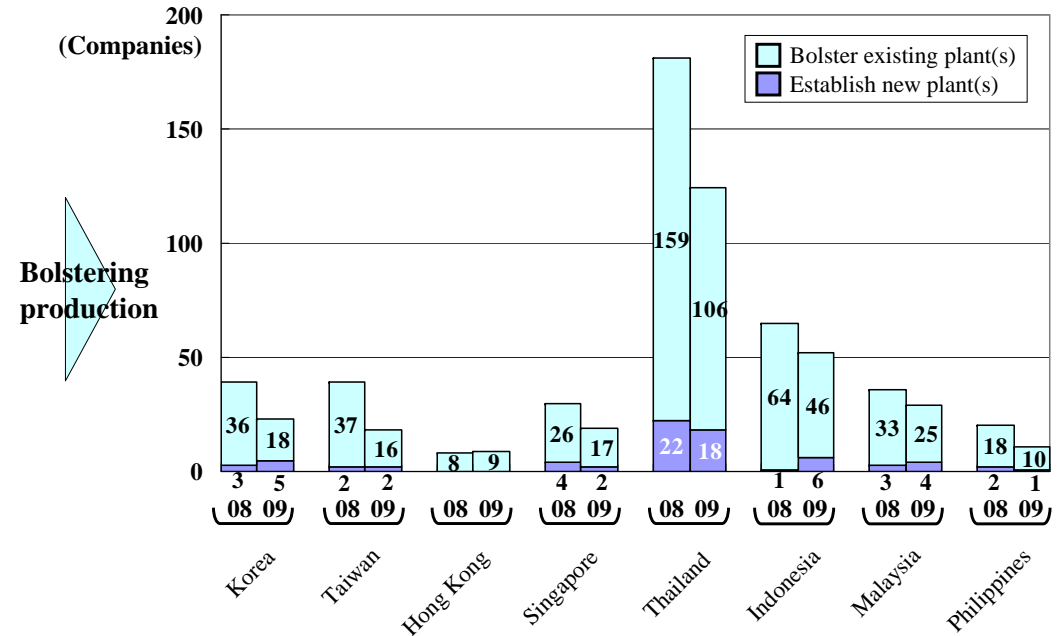


Figure 26: Areas in which to strengthen/expand (sales)

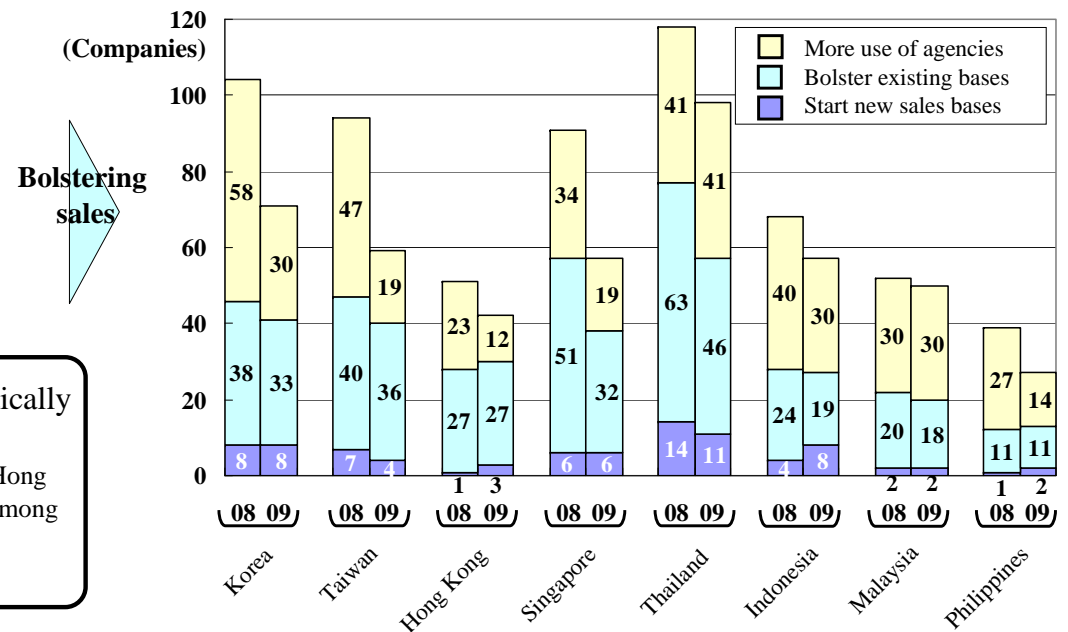
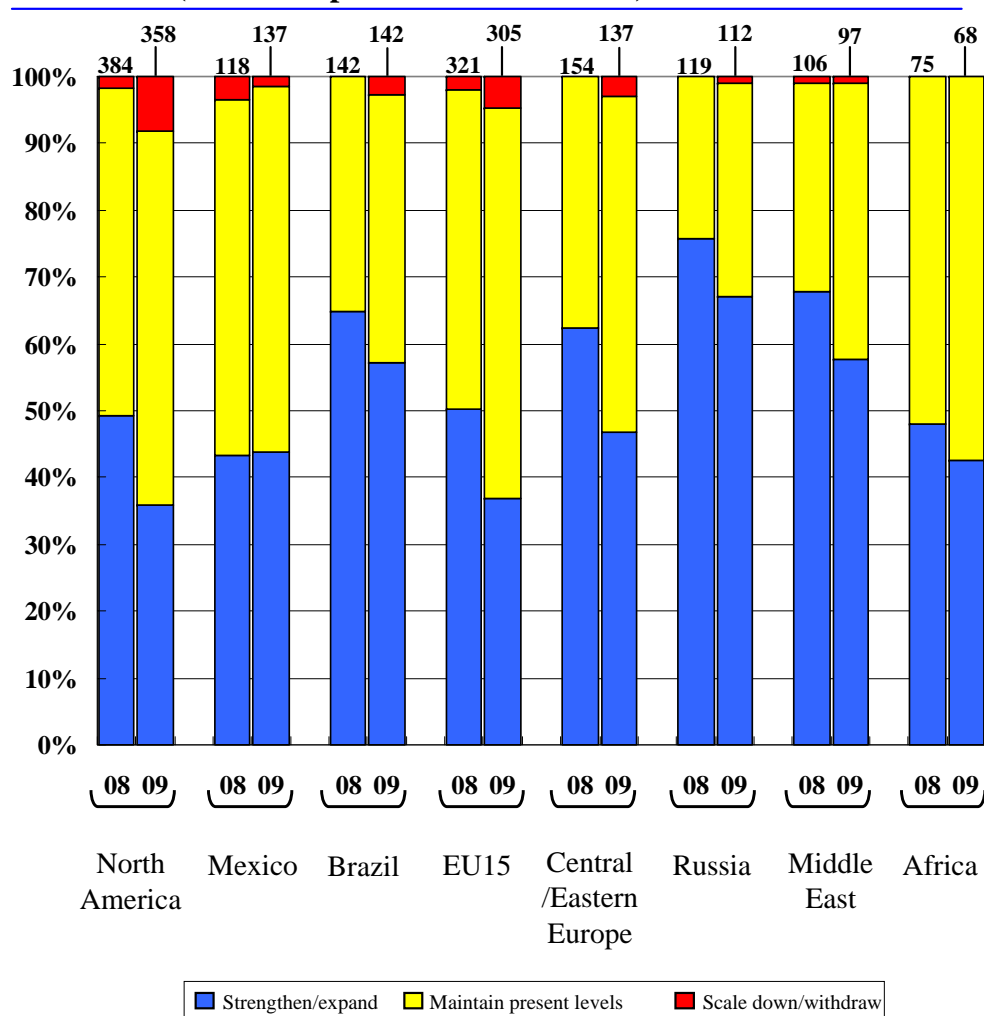


Figure 27: Size of medium-term business prospects (USA/Europe/Middle East/Africa)



Strengthening trends are strong in Russia and the Middle East
 The ratios of companies to expand their operations are large for Russia (67.0%) and the Middle East (57.7%). The ratio for Mexico was 43.8%, although remained the same level as the previous year.

Most expansion for sales taking place in each region
 The number of companies responding to strengthen their business dropped for all areas. Many expressed to strengthen for sales rather than production, indicating the priority on sales now.

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

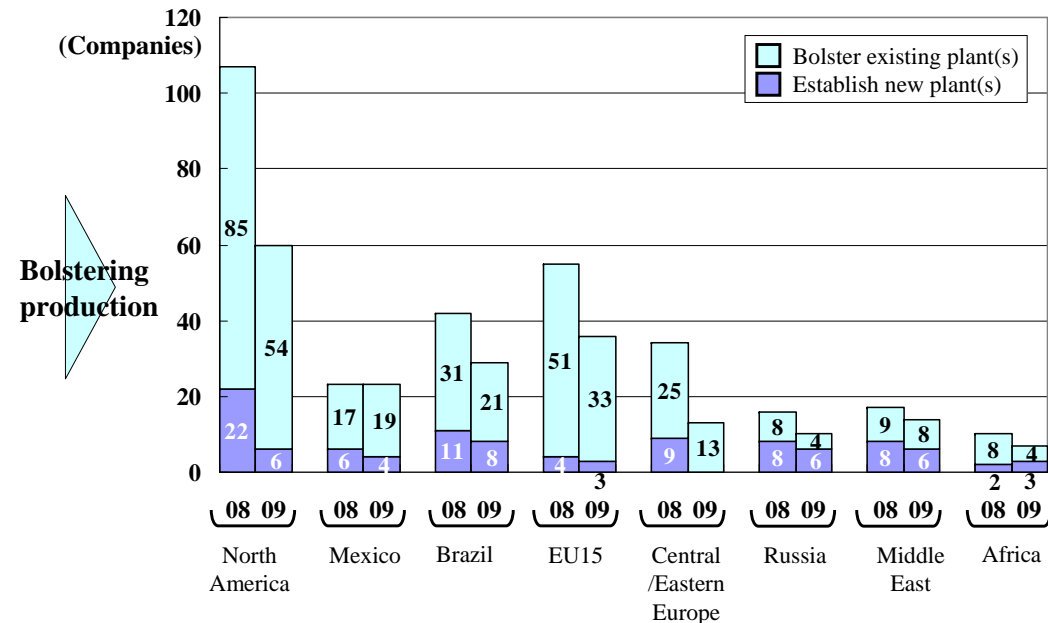


Figure 29: Areas in which to strengthen/expand (sales)

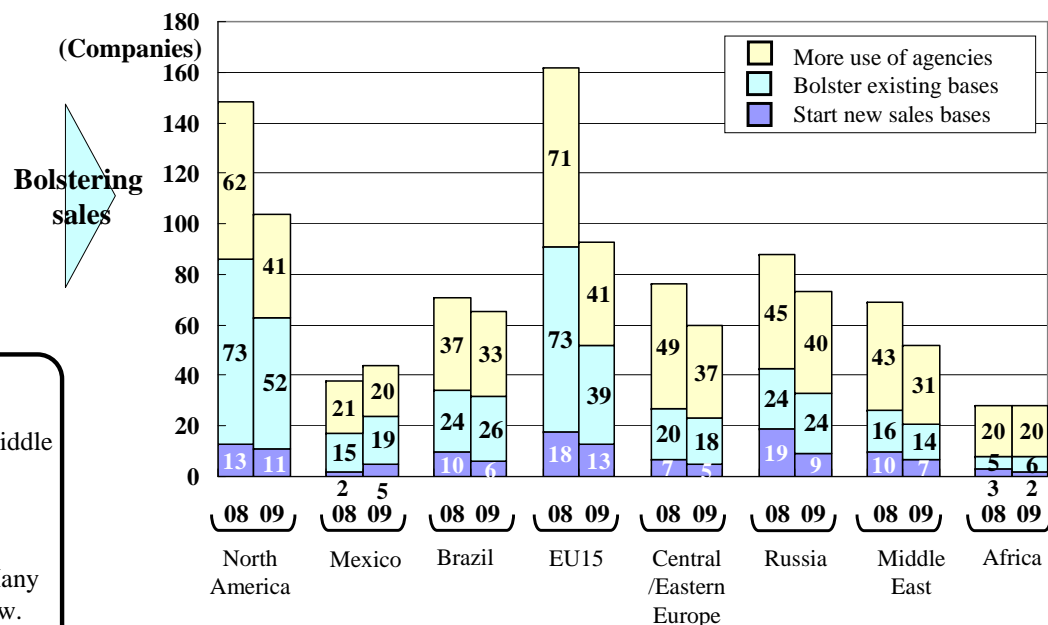


Figure 30: Size of medium-term business prospects in Africa (all industries)

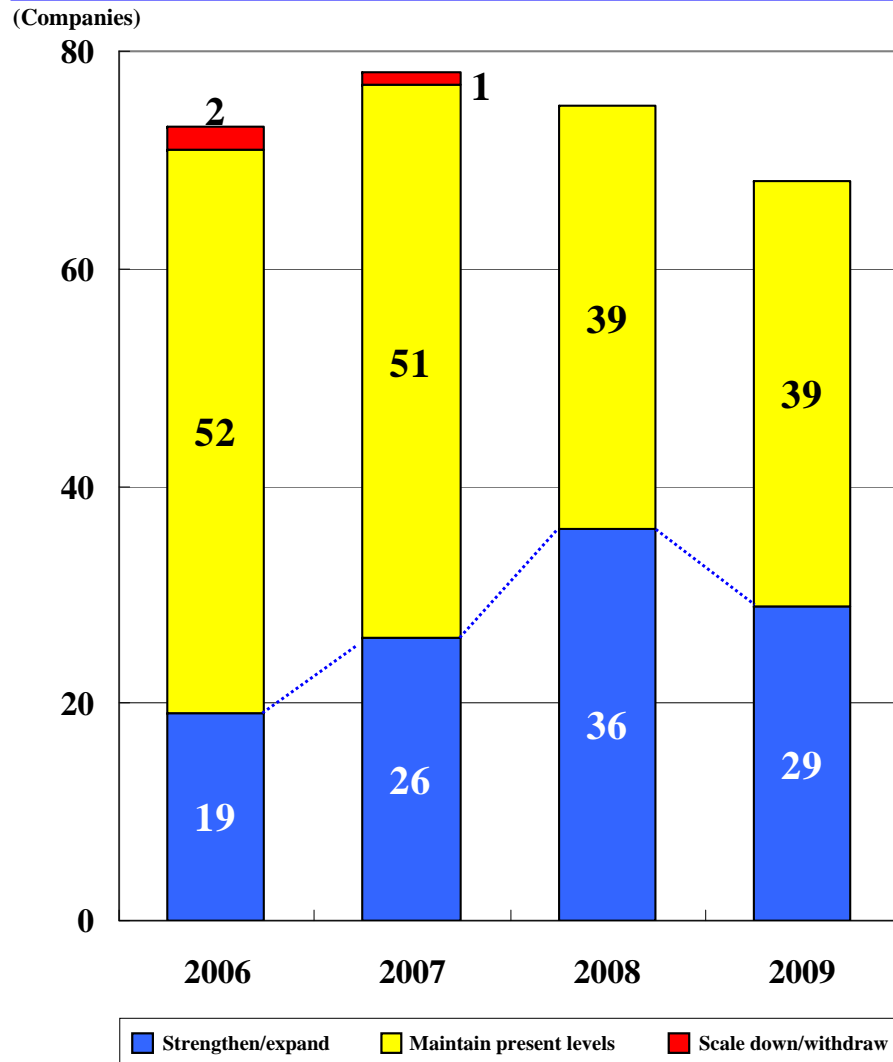
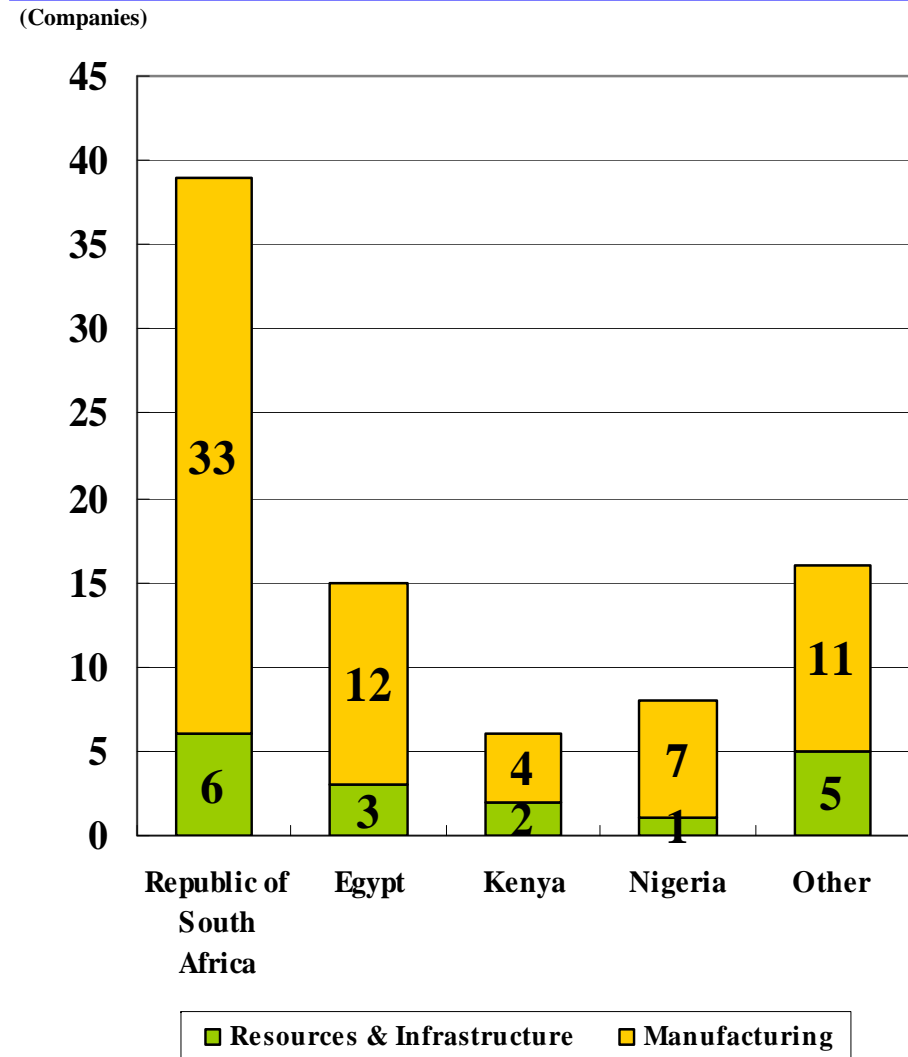


Figure 31: Countries invested in in Africa (by countries)



■ The business expansion trend in Africa has not reached to the 2008 level, with most investment going to South Africa, and many are manufacturing
 With 29 companies responding to expand their businesses in Africa, there were 7 fewer than the previous year. South Africa, with 39 out of 84 responses, was chosen the most often. It is often thought that businesses in Africa tend to focus heavily on resources and infrastructure, but the results suggest that manufacturing actually outnumber the former.

Figure 32: No. of companies: scaled back/withdrawn (by function)

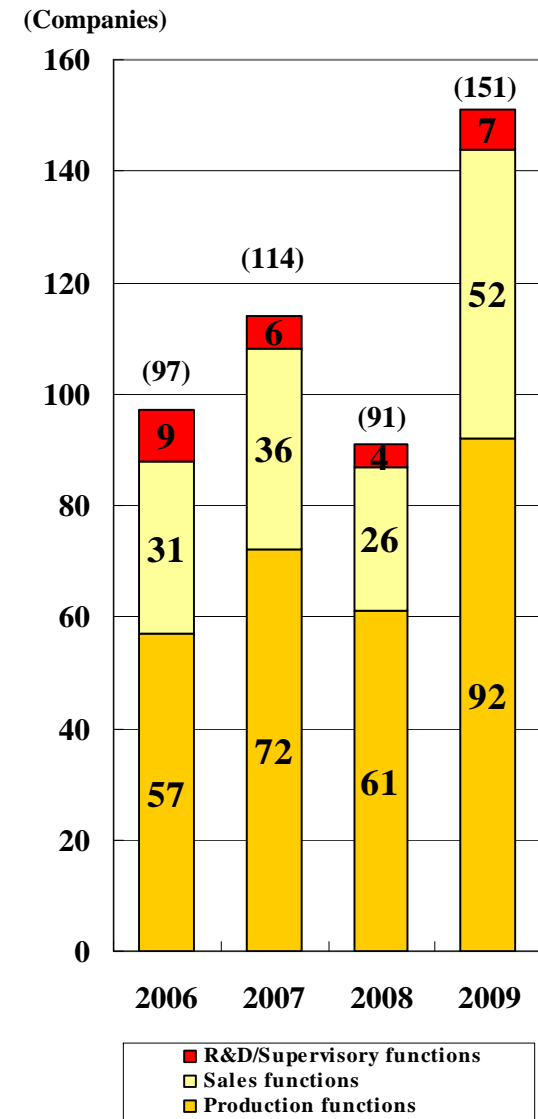
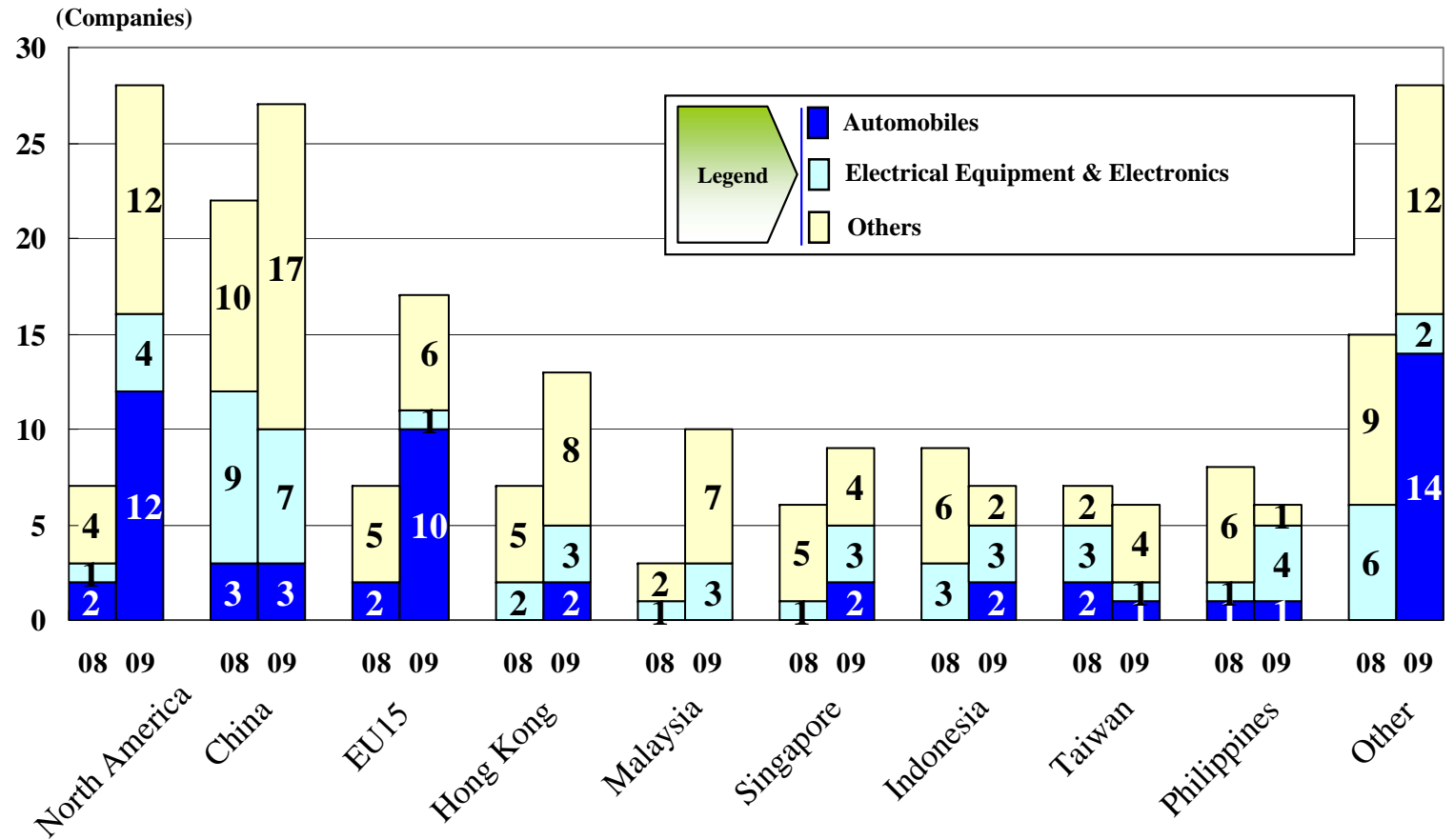


Figure 33: Countries from which companies have scaled back/withdrawn (against '08 & '09 data)

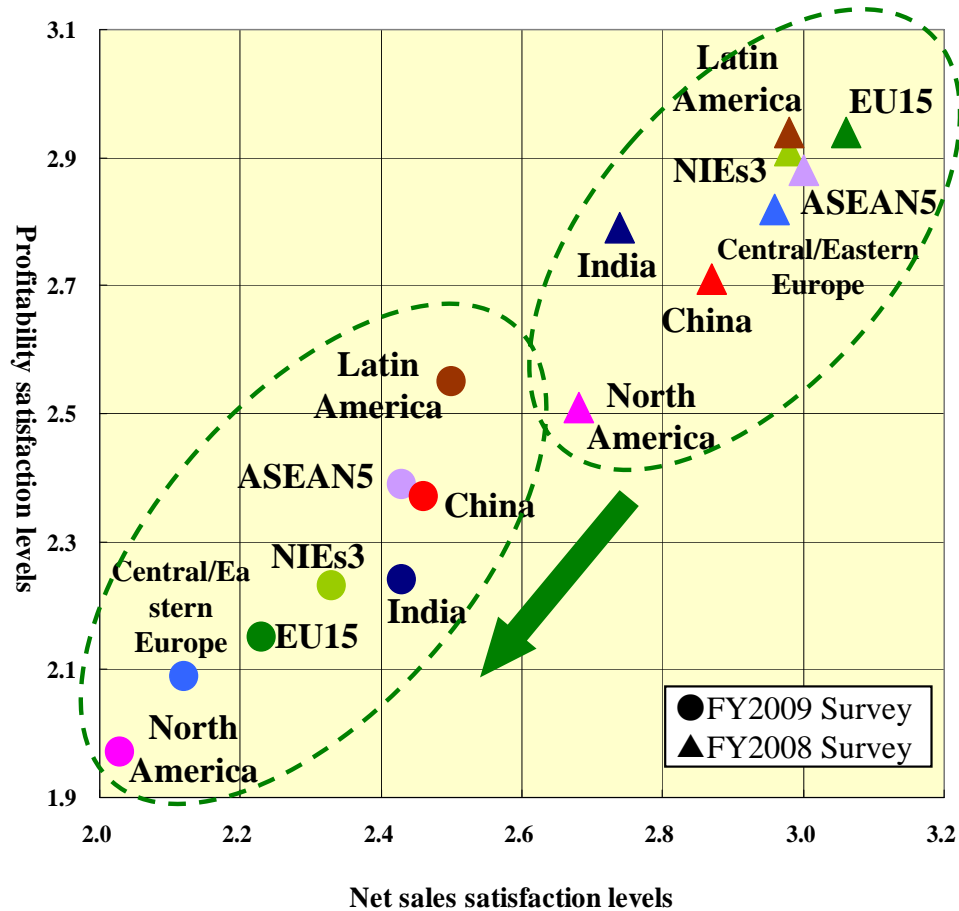


■ The number of bases scaled down or withdrawn has increased. By industry, auto businesses stand out, and by region, the phenomenon is prominent in North America and the EU15. The number of bases scaled down or withdrawn from was 151, which was higher than the previous year's figure. As for industry, we have seen an increase for automobiles, where such has been sparse in the past. This phenomenon was particularly large in North America and the EU15. The increase of scaling down or withdrawing from bases has not been as large in Asia as it has in the West.

IV. Performance Evaluations

IV. 1. Evaluations of Degrees of Satisfaction with Profits and Net Sales (All industries) p.26

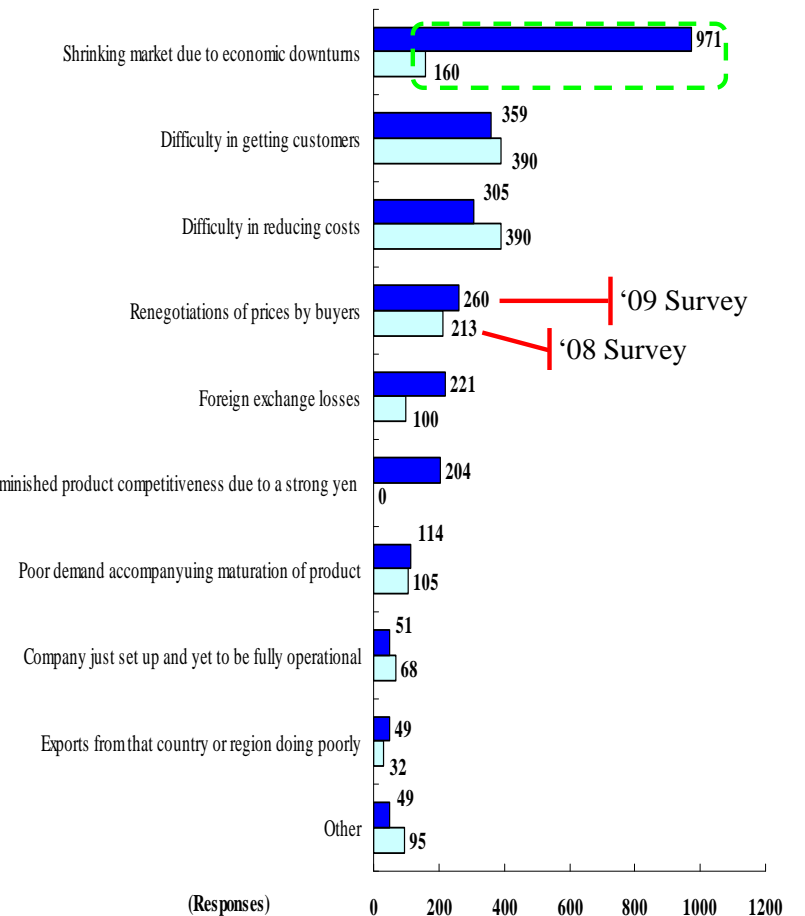
Figure 34: Evaluation of Overseas Business Performance



Companies were asked to evaluate performance against initial target on a five step scale:
 1: Unsatisfactory
 2: Somewhat unsatisfactory
 3: Can't say either way
 4: Somewhat satisfactory
 5: Satisfactory

Note: Satisfaction with net sales levels means evaluations of performance factors "excluding sales to a parent company". It should be noted that these assessments are based on the viewpoint of the head company, and in no way refers to mere changes in sales or profit levels of said business.

Figure 35: Reasons for "Unsatisfactory" Profits

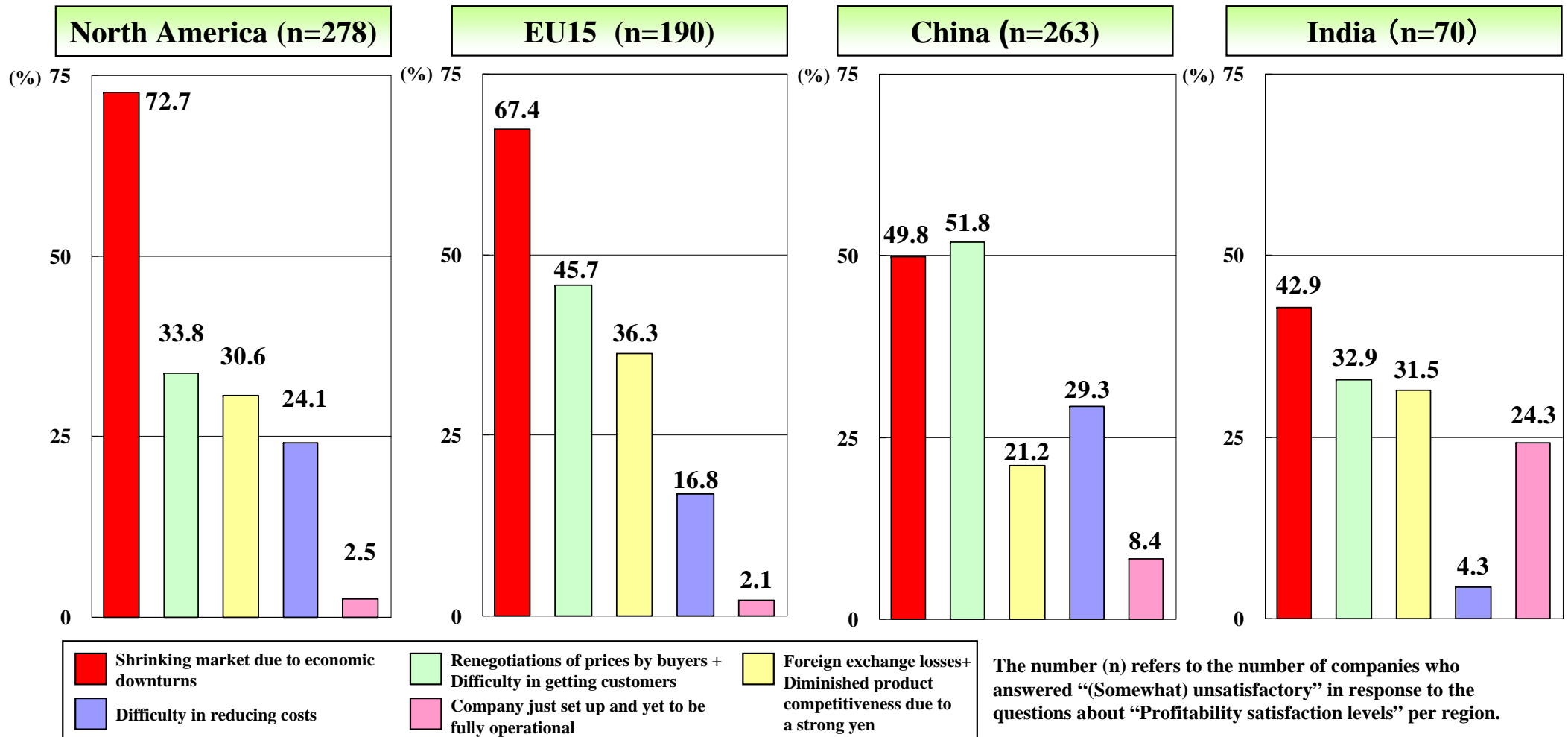


Country/ Region	FY2008 Survey		FY 2009 Survey		Country/ Region	FY2008 Survey		FY2009 Survey	
	Net Sales	Profits	Net Sales	Profits		Net Sales	Profits	Net Sales	Profits
ASEAN5	3.00	2.87	2.43	2.40	North America	2.68	2.51	2.03	1.97
NIEs3	2.98	2.92	2.30	2.22	EU15	3.06	2.94	2.22	2.15
India	2.74	2.79	2.43	2.24	Latin America	3.00	2.94	2.51	2.55
China	2.87	2.72	2.46	2.37	Central /Eastern Europe	2.98	2.84	2.10	2.09

Note: ASEAN5 refers to Singapore, Thailand, Indonesia, Malaysia, and the Philippines

■ Levels of satisfaction dropped drastically for all regions. Caused largely by economic fluctuations. All regions saw a drop in levels of satisfaction for both net sales and profits. There was a surge of responses attributing it to "shrinking market due to economic downturns". There was also a major increase in companies indicating it was because of fluctuating exchange rates, responses which included "foreign exchange losses" and "diminished product competitiveness due to a strong yen".

Figure 36: Reasons for Dissatisfaction with Profits



- Major impact on North America and EU15 from economic downturns
 “Shrinking market due to economic downturns” was by far the biggest reason in North America and the EU15.
- For China and India, major reasons such as rougher competition and “yet to be fully operational” were given, respectively
 Although “shrinking market due to economic downturns” was a major reason, in China many expressed competitive difficulties, such as buyers renegotiating prices or it being difficult to cut costs, in addition to operational problems. The reason “company just set up and yet to be fully operational” was also a major factor regarding India.

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

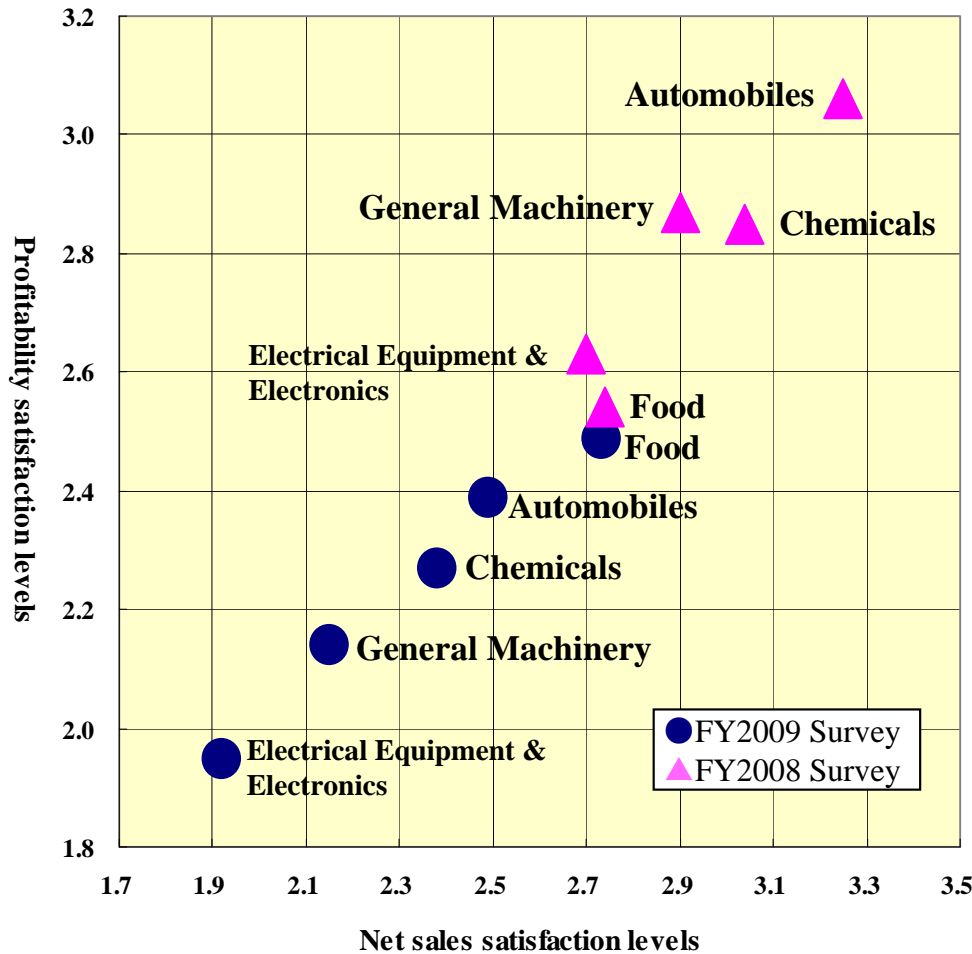


Figure 38: Levels of Satisfaction with Net Sales and Profitability by Region

	Region	Profitability satisfaction level	Sales satisfaction level
	Automobiles		
	China	2.99	3.00
	ASEAN5	2.66	2.73
	India	2.27	2.67
	EU15	2.20	2.28
	North America	1.75	1.83
	Overall	2.39	2.49
Electrical Equipment & Electronics			
	China	2.11	2.13
	ASEAN5	2.05	2.00
	India	2.08	2.04
	EU15	1.97	1.93
	North America	1.76	1.79
	Overall	1.95	1.92

■ While satisfaction levels for food remained the same, the other industries saw major drops
 When evaluated satisfaction levels are looked at by industry, the effects of the poor economy on food was quite small, as it maintained almost the same level as the previous year. The other major industries, however, saw significant declines in levels of satisfaction.

■ In the auto industry, levels of satisfaction are high in China and other Asian countries. Levels were quite poor for electrical equipment and electronics
 Evaluations by region in the auto-related industry revealed that satisfaction levels were higher in China and ASEAN5 than in the West. On the other hand, levels remained low for electrical equipment and electronics even in Asia, distinguishing them from automobiles.

V. The Markets of Emerging Nations and Efforts Involving Eco-businesses

Figure 39: Efforts to Start Businesses Targeting Middle Income Consumers in the Emerging Markets

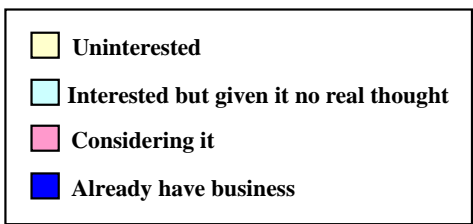
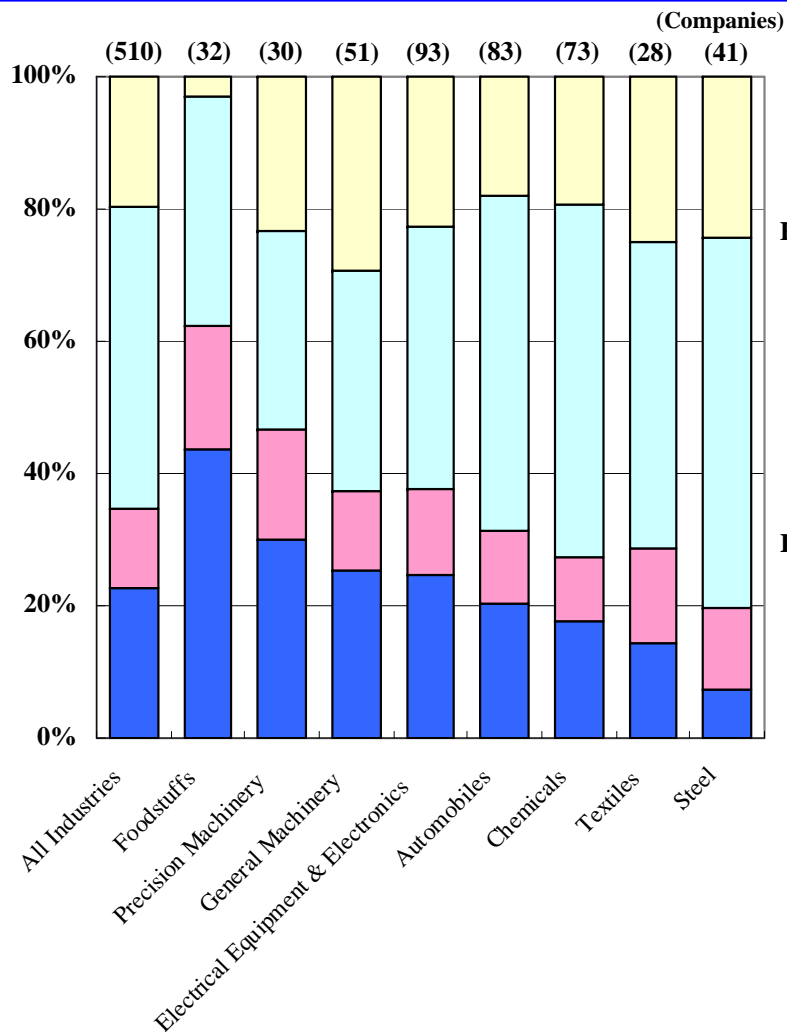
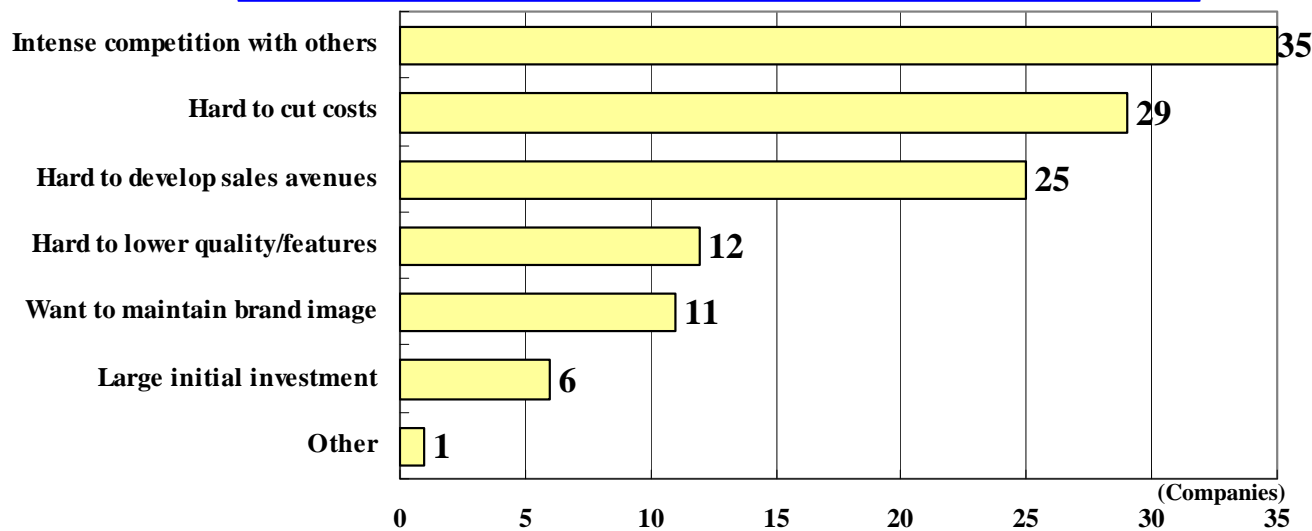


Figure 40: Points of Focus among Companies that already Have such Businesses



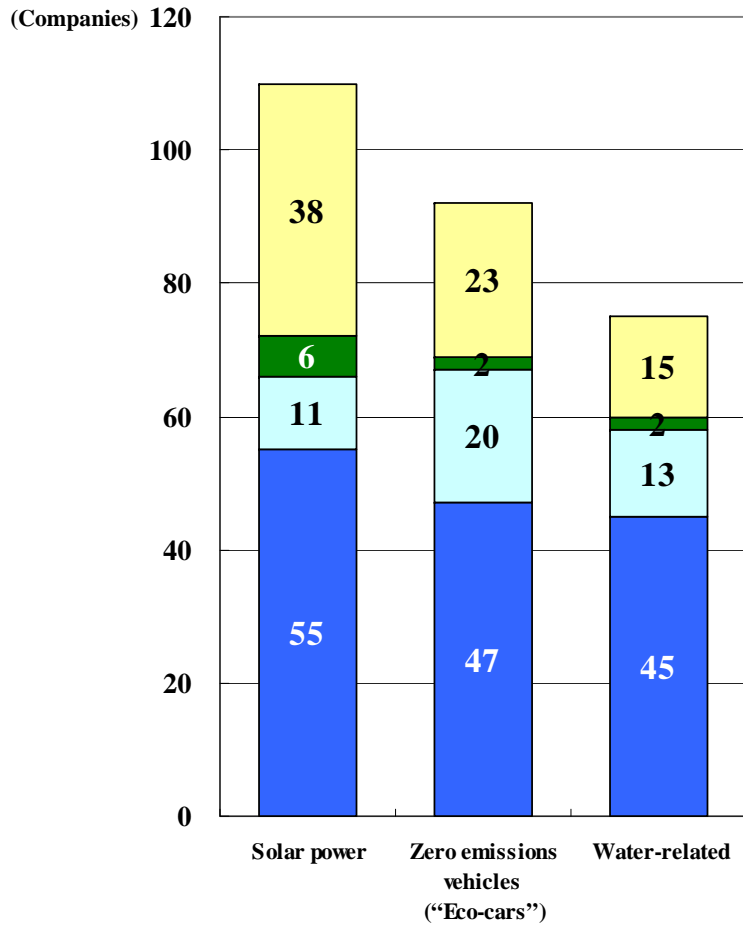
Figure 41: Issues for Companies Considering such Businesses



■ Many companies have renewed attention to businesses for middle income consumers in emerging markets. Food businesses are leading with concrete action. While only minority companies expressed “uninterested”, Interest was high among almost all in businesses targeting middle income consumers in emerging markets. There are industry-to-industry differences at the level of action that is actually being starting businesses, with efforts in the foods sector leading the pack.

■ The most important places to invest resources for this newly targeted business are sales networks and reducing costs. Companies already operating businesses with this new target put the most resources into building sales/service networks and cutting costs. The key is how to gain customers and spread in area while providing products at low prices.

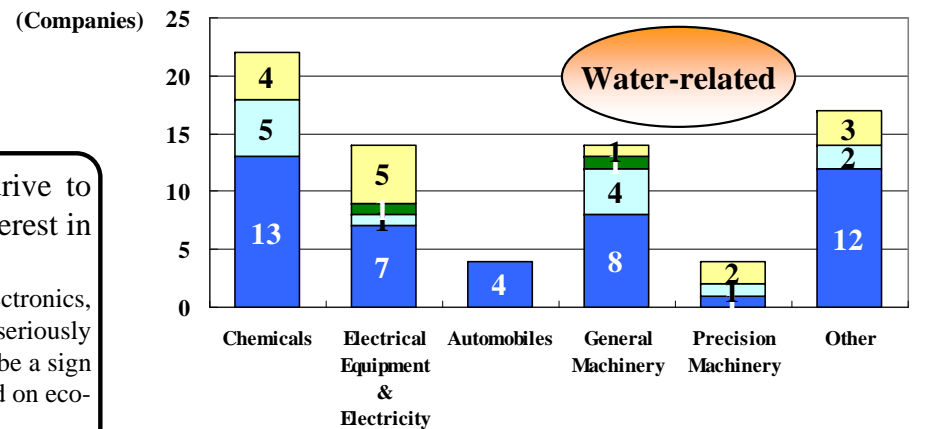
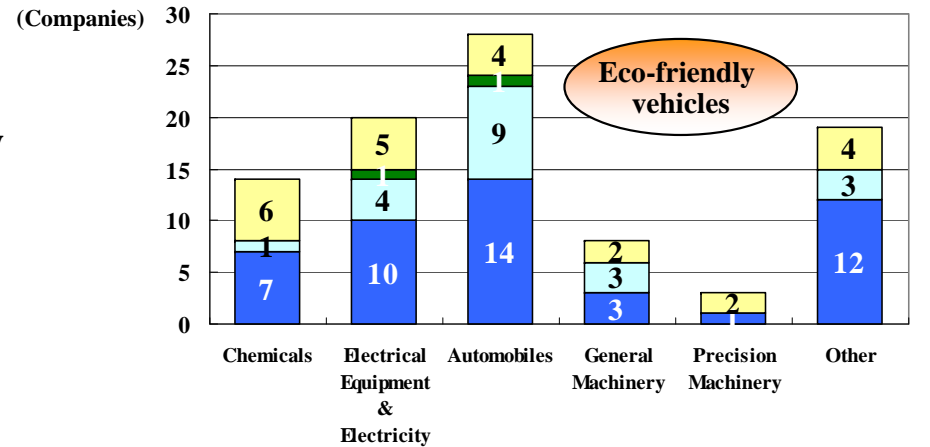
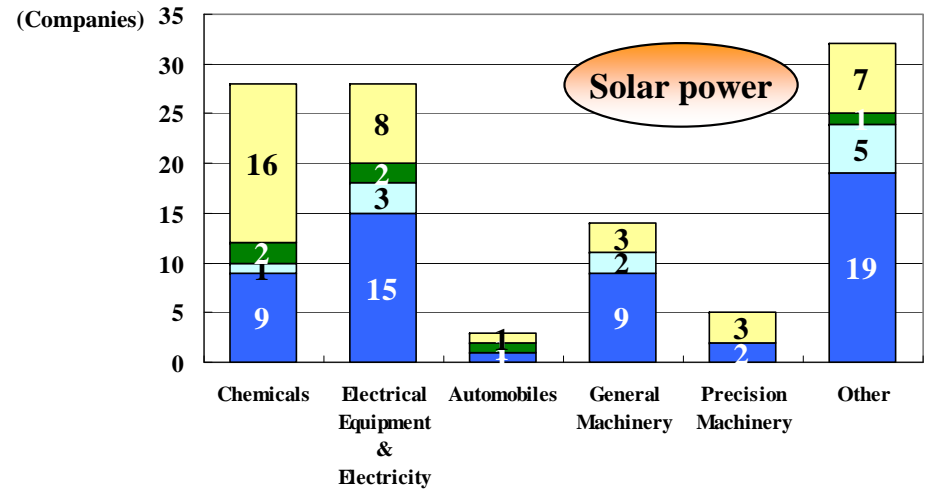
Figure 42: Efforts to Start Eco-businesses: All Industries



- Considering a business
- Turned it into a business by using technologies developed by another company (joint venture, acquisition or partnership)
- Turned it into a business by developing new technologies
- Turned it into a business using existing technologies

By field/industry

Figure 43: Efforts to Start Eco-businesses: by Field/Industry



■ Chemicals, electrical equipment and electronics companies have joined the drive to develop eco-friendly vehicles, and those in the automotive industry have little interest in other areas

A considerable number of companies in the fields of chemicals, electrical equipment and electronics, reported that they were either already operating businesses for eco-friendly vehicles or were seriously considering. Significant inroads have been made into this field by non-auto companies, which can be a sign of things to come in the way of structural changes to the auto industry. Auto companies are focused on eco-friendly vehicles, with low levels of desire to explore other business fields.

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	FY2009 Survey	No. of Companies	Percentage share (%)	FY2008 Survey	No. of Companies	Percentage share (%)	FY2007 Survey	No. of Companies	Percentage share (%)	FY2006 Survey	No. of Companies	Percentage share (%)	FY2005 Survey	No. of Companies	Percentage share (%)	
		480			471			503			484			483		
1	China	353	73	China	297	63	China	342	68	China	372	77	China	397	82	
2	India	278	57	India	271	58	India	254	50	India	229	47	India	174	36	
3	Vietnam	149	31	Vietnam	152	32	Vietnam	178	35	Vietnam	159	33	Thailand	149	31	
4	Thailand	110	22	Russia	130	28	Thailand	132	26	Thailand	142	29	Vietnam	131	27	
5	Russia	103	21	Thailand	125	27	Russia	114	23	USA	104	21	USA	96	20	
6	Brazil	95	19	Brazil	91	19	USA	93	18	Russia	98	20	Russia	62	13	
7	USA	65	13	USA	78	17	Brazil	47	9	Brazil	45	9	Korea	52	11	
8	Indonesia	52	10	Indonesia	41	9	Indonesia	46	9	Korea	44	9	Indonesia	45	9	
9	Korea	31	6	Korea	27	6	Korea	32	6	Indonesia	39	8	Brazil	36	7	
10	Malaysia	26	5	Taiwan	22	5	Taiwan	24	5	Taiwan	27	6	Taiwan	32	7	
11	Taiwan	21	4	Mexico	21	4	Malaysia	21	4	Malaysia	22	5	Malaysia	23	5	
12	Mexico	20	4	Malaysia	20	4	Mexico		4	Germany	15	3	Mexico	16	3	
13	Philippines	14	2	Singapore	15	3	Philippines		3	Poland		3	Germany	14	3	
14	Germany	9	1	UAE	14	3	Germany		3	Czech Republic	14	3	Philippines	13	3	
15	Australia			Germany	13	3	Czech Republic		13	3		Mexico	3	Singapore	12	2
16	Saudi Arabia	8	1	Czech Republic	12	3	UK		10	2	Philippines	2	Czech Republic	9		2
17	Turkey			Turkey			12			3	Turkey	8	2		Hungary	
18	Singapore	7	1	UK	8	2	Hong Kong		8	2	Canada		6	1	France	8
19	Czech Republic	6	1	Australia			8			2	Australia	2		Australia	6	
20	Canada	5	1	South Africa	5	2	Poland		8	1	Australia	6	1	Australia		8
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	FY2009 Survey	No. of Companies	(%)	FY2008 Survey	No. of Companies	(%)
		123			151	
1	China	80	20	China	66	44
2	India	67	17	India	58	38
3	Vietnam	45	11	Vietnam	53	35
4	Thailand	38	9	Thailand	32	21
5	Brazil	22	5	Brazil	23	15
6	Indonesia	18	4	Russia	20	13
7	Russia	18	4	USA	18	12
8	USA	14	3	Indonesia	14	9
9	Malaysia	9	2	Malaysia	6	4
10	Mexico	9	2	Czech Republic	6	4

Promising Countries/Regions over the Long-term

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

Rank	FY2009 Survey	No. of Companies	(%)	FY2008 Survey	No. of Companies	(%)
		404			379	
1	China	284	70	India	273	72
2	India	274	68	China	239	63
3	Russia	135	33	Russia	164	43
4	Brazil	133	33	Brazil	131	35
5	Vietnam	97	24	Vietnam	109	29
6	Thailand	60	15	Thailand	69	18
7	Indonesia	54	13	USA	54	14
8	USA	48	12	Indonesia	27	7
9	South Africa	19	5	South Africa	19	5
10	Mexico	18	4	Mexico	17	4
11	Malaysia	18	4			

Appendix 2. Promising Countries/Regions for Overseas Business Operations (details of reasons for countries being viewed as promising)

FY2009 Survey	1 China		2 India		3 Vietnam		4 Thailand		4 Russia		6 Brazil		7 USA		8 Indonesia		9 Korea		10 Malaysia	
	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio
	Responding business operators	348	100%	275	100%	149	100%	108	100%	103	100%	95	100%	64	100%	50	100%	31	100%	26
Qualified human resources	33	9.5%	51	18.5%	32	21.5%	11	10.2%	1	1.0%	2	2.1%	7	10.9%	3	6.0%	4	12.9%	4	15.4%
Inexpensive source of labor	153	44.0%	106	38.5%	86	57.7%	45	41.7%	8	7.8%	14	14.7%	-	-	23	46.0%	-	-	10	38.5%
Inexpensive components/raw materials	68	19.5%	27	9.8%	10	6.7%	12	11.1%	3	2.9%	5	5.3%	1	1.6%	4	8.0%	2	6.5%	2	7.7%
Supply base for assemblers	71	20.4%	53	19.3%	22	14.8%	23	21.3%	9	8.7%	15	15.8%	8	12.5%	16	32.0%	5	16.1%	7	26.9%
Concentration of industry	54	15.5%	9	3.3%	3	2.0%	18	16.7%	3	2.9%	3	3.2%	9	14.1%	5	10.0%	8	25.8%	2	7.7%
Good for risk diversification to other countries	2	0.6%	14	5.1%	28	18.8%	11	10.2%	1	1.0%	1	1.1%	-	-	3	6.0%	-	-	2	7.7%
Base of export to Japan	46	13.2%	4	1.5%	16	10.7%	12	11.1%	-	-	-	-	-	-	5	10.0%	-	-	4	15.4%
Base of export to third countries	60	17.2%	20	7.3%	22	14.8%	29	26.9%	2	1.9%	8	8.4%	-	-	13	26.0%	-	-	5	19.2%
Advantages in terms of raw material procurement	28	8.0%	9	3.3%	4	2.7%	7	6.5%	6	5.8%	4	4.2%	3	4.7%	3	6.0%	2	6.5%	3	11.5%
Current size of local market	114	32.8%	51	18.5%	14	9.4%	27	25.0%	18	17.5%	17	17.9%	44	68.8%	11	22.0%	18	58.1%	3	11.5%
Future growth potential of local market	295	84.8%	248	90.2%	90	60.4%	52	48.1%	87	84.5%	82	86.3%	28	43.8%	32	64.0%	17	54.8%	11	42.3%
Profitability of local market	30	8.6%	10	3.6%	5	3.4%	8	7.4%	6	5.8%	3	3.2%	9	14.1%	7	14.0%	4	12.9%	1	3.8%
Base for product development	10	2.9%	3	1.1%	3	2.0%	4	3.7%	-	-	-	-	7	10.9%	1	2.0%	2	6.5%	-	-
Developed local infrastructure	33	9.5%	1	0.4%	4	2.7%	25	23.1%	6	5.8%	3	3.2%	15	23.4%	1	2.0%	8	25.8%	5	19.2%
Developed local logistics services	8	2.3%	1	0.4%	1	0.7%	11	10.2%	-	-	1	1.1%	9	14.1%	1	2.0%	2	6.5%	1	3.8%
Tax incentives for investment	26	7.5%	3	1.1%	21	14.1%	25	23.1%	2	1.9%	3	3.2%	1	1.6%	2	4.0%	1	3.2%	5	19.2%
Stable policies to attract foreign investment	9	2.6%	7	2.5%	8	5.4%	14	13.0%	-	-	-	-	1	1.6%	1	2.0%	-	-	3	11.5%
Social/political situation stable	13	3.7%	12	4.4%	17	11.4%	10	9.3%	5	4.9%	5	5.3%	17	26.6%	2	4.0%	7	22.6%	7	26.9%

FY2008 Survey	1 China		2 India		3 Vietnam		4 Russia		5 Thailand		6 Brazil		7 USA		8 Indonesia		9 Korea		10 Taiwan	
	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	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%

FY2009 Survey	1		2		3		4		5		6		7		8		9		10	
	China		India		Vietnam		Thailand		Russia		Brazil		USA		Indonesia		Korea		Malaysia	
	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio
Responding business operators	336	100%	260	100%	136	100%	104	100%	99	100%	88	100%	60	100%	48	100%	31	100%	24	100%
Underdeveloped legal system	53	15.8%	44	16.9%	33	24.3%	6	5.8%	15	15.2%	9	10.2%	-	-	6	12.5%	-	-	1	4.2%
Execution of legal system unclear	187	55.7%	76	29.2%	42	30.9%	6	5.8%	33	33.3%	19	21.6%	-	-	13	27.1%	-	-	1	4.2%
Complicated tax system	44	13.1%	61	23.5%	8	5.9%	7	6.7%	5	5.1%	19	21.6%	-	-	4	8.3%	-	-	1	4.2%
Execution of tax system unclear	109	32.4%	57	21.9%	22	16.2%	8	7.7%	16	16.2%	12	13.6%	-	-	10	20.8%	1	3.2%	3	12.5%
Increased taxation	71	21.1%	20	7.7%	8	5.9%	11	10.6%	3	3.0%	2	2.3%	4	6.7%	5	10.4%	2	6.5%	2	8.3%
Restrictions on foreign investment	83	24.7%	30	11.5%	21	15.4%	16	15.4%	11	11.1%	11	12.5%	-	-	3	6.3%	2	6.5%	1	4.2%
Complicated/unclear procedures for investment permission	68	20.2%	36	13.8%	15	11.0%	7	6.7%	22	22.2%	14	15.9%	-	-	4	8.3%	-	-	2	8.3%
Insufficient protection for intellectual property rights	159	47.3%	20	7.7%	11	8.1%	7	6.7%	4	4.0%	4	4.5%	1	1.7%	6	12.5%	2	6.5%	1	4.2%
Restrictions on foreign currency/ transfers of money oversea	127	37.8%	33	12.7%	17	12.5%	9	8.7%	11	11.1%	7	8.0%	-	-	3	6.3%	3	9.7%	1	4.2%
Import restrictions/customs procedures	62	18.5%	28	10.8%	12	8.8%	3	2.9%	19	19.2%	13	14.8%	1	1.7%	4	8.3%	2	6.5%	1	4.2%
Difficult to secure technical/engineering staff	24	7.1%	25	9.6%	27	19.9%	17	16.3%	11	11.1%	9	10.2%	5	8.3%	12	25.0%	2	6.5%	7	29.2%
Difficult to secure management-level staff	70	20.8%	41	15.8%	40	29.4%	31	29.8%	13	13.1%	13	14.8%	8	13.3%	13	27.1%	1	3.2%	6	25.0%
Rising labor costs	189	56.3%	43	16.5%	37	27.2%	28	26.9%	12	12.1%	10	11.4%	14	23.3%	13	27.1%	7	22.6%	5	20.8%
Labor problems	61	18.2%	52	20.0%	19	14.0%	8	7.7%	5	5.1%	11	12.5%	3	5.0%	7	14.6%	1	3.2%	1	4.2%
Intense competition with other companies	169	50.3%	77	29.6%	14	10.3%	40	38.5%	21	21.2%	18	20.5%	44	73.3%	9	18.8%	17	54.8%	4	16.7%
Difficulties in recovering money owed	95	28.3%	19	7.3%	6	4.4%	4	3.8%	12	12.1%	3	3.4%	-	-	-	-	-	-	2	8.3%
Difficulty in raising funds	29	8.6%	15	5.8%	4	2.9%	-	-	5	5.1%	5	5.7%	-	-	2	4.2%	-	-	-	0.0%
Underdeveloped local supporting industries	12	3.6%	31	11.9%	24	17.6%	2	1.9%	6	6.1%	4	4.5%	-	-	5	10.4%	-	-	1	4.2%
Sense of instability regarding currency and/or costs	11	3.3%	14	5.4%	17	12.5%	6	5.8%	12	12.1%	13	14.8%	-	-	9	18.8%	7	22.6%	-	-
Underdeveloped infrastructure	49	14.6%	122	46.9%	46	33.8%	4	3.8%	17	17.2%	11	12.5%	-	-	17	35.4%	-	-	1	4.2%
Security/social instability	44	13.1%	78	30.0%	9	6.6%	29	27.9%	26	26.3%	25	28.4%	-	-	20	41.7%	-	-	1	4.2%
Lack of information on the country	8	2.4%	52	20.0%	21	15.4%	4	3.8%	25	25.3%	20	22.7%	-	-	5	10.4%	-	-	3	12.5%

FY2008 Survey	1		2		3		4		5		6		7		8		9		10	
	China		India		Vietnam		Russia		Thailand		Brazil		USA		Indonesia		Korea		Taiwan	
	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	Ratio	No. of compa nies	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 oversea	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	3.2%	63	24.5%	21	14.6%	39	32.5%	5	4.3%	22	25.0%	1	1.4%	4	9.8%	-	-	1	4.8%

Prospects for Overseas Operations (by industry)

	All industries		Foodstuffs		Textiles		Chemicals		General Machinery		Electrical Equipment & Electronics		Automobiles		Precision Machinery	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Strengthen/expand	79.2	65.8	78.1	82.9	51.4	60.6	89.7	73.0	89.3	76.8	77.0	63.2	84.5	50.0	78.6	69.4
Maintain present level	20.1	32.2	21.9	17.1	43.2	36.4	10.3	24.7	8.9	23.2	22.1	34.0	15.5	46.1	21.4	25.0
Scale back/withdraw	0.7	2.0	-	0.0	5.4	3.0	-	2.2	1.8	0.0	0.9	2.8	-	3.9	-	5.6

Prospects for Domestic Operations (by industry)

	All industries		Foodstuffs		Textiles		Chemicals		General Machinery		Electrical Equipment & Electronics		Automobiles		Precision Machinery	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Strengthen/expand	40.8	27.2	53.1	48.5	29.7	30.3	50.0	43.8	35.7	23.5	39.5	27.6	37.5	10.7	37.0	33.3
Maintain present level	53.2	55.2	40.6	42.4	62.2	57.6	48.7	44.9	64.3	57.4	50.0	51.4	55.8	69.9	55.6	55.6
Scale back	3.1	6.7	3.1	0.0	2.7	6.1	-	3.4	-	5.9	5.3	5.7	3.8	12.6	7.4	2.8
Undecided	2.9	10.8	3.1	9.1	5.4	6.1	1.3	7.9	-	13.2	5.3	15.2	2.9	6.8	-	8.3

Prospects for Overseas Operations (by region)

	NIEs3		ASEAN5		China		Rest of Asia & Oceania		North America		Central & South America	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Strengthen/expand	36.6%	28.5%	48.7%	36.8%	64.4%	59.5%	77.3%	69.4%	49.2%	35.8%	51.4%	46.8%
Maintain present level	60.9%	68.4%	48.9%	60.7%	34.0%	38.2%	22.3%	29.5%	49.0%	56.1%	47.4%	51.5%
Scale back/withdraw	2.4%	3.1%	2.4%	2.6%	1.7%	2.4%	0.4%	1.1%	1.8%	8.1%	1.2%	1.8%

	EU15		Central/Eastern Europe		Rest of Europe, CIS & Russia		Middle East		Africa	
	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009
Strengthen/expand	50.2%	37.0%	62.3%	46.7%	64.7%	54.4%	67.9%	57.7%	48.0%	42.6%
Maintain present level	48.0%	58.4%	37.7%	50.4%	35.3%	43.9%	31.1%	41.2%	52.0%	57.4%
Scale back/withdraw	1.9%	4.6%	-	2.9%	-	1.7%	0.9%	1.0%	-	-

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

	Korea	Taiwan	Hong Kong	Singapore	Thailand	Indonesia	Malaysia	Philippines
Strengthen/expand	2.1%	1.8%	6.0%	2.8%	0.6%	3.1%	3.8%	4.1%
Maintain present level	62.8%	72.5%	69.7%	68.4%	49.2%	57.1%	65.3%	73.6%
Scale back/withdraw	35.1%	25.7%	24.4%	28.7%	50.3%	39.8%	30.9%	22.3%

	Northeastern China	Northern China	Eastern China	Southern China	Inland China	India	Vietnam
Strengthen/expand	2.3%	3.9%	1.8%	2.6%	0.8%	-	2.2%
Maintain present level	45.0%	38.6%	33.2%	36.8%	49.2%	17.1%	28.1%
Scale back/withdraw	52.7%	57.5%	65.2%	60.5%	50.0%	82.9%	69.7%

Scales of Medium-term Business Operation (USA, Europe, and other countries)

	North America	Mexico	Brazil	Rest of Latin America	EU15	Central/Eastern Europe	Rest of Europe & CIS
Strengthen/expand	8.1%	1.5%	2.8%	-	4.6%	2.9%	2.9%
Maintain present level	56.1%	54.7%	40.1%	69.8%	58.4%	50.4%	63.2%
Scale back/withdraw	35.8%	43.8%	57.0%	30.2%	37.0%	46.7%	33.8%

	Russia	Middle East	Africa	Rest of Asia & Oceania
Strengthen/expand	0.9%	1.0%	-	1.3%
Maintain present level	32.1%	41.2%	57.4%	65.8%
Scale back/withdraw	67.0%	57.7%	42.6%	32.9%