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## TOP 10 PROMISING COUNTRIES

JAPANESE COMPANIES  
GO GLOBAL



JAPAN BANK FOR  
INTERNATIONAL COOPERATION



# TOP 10 Promising Countries

## JAPANESE COMPANIES GO GLOBAL

The Japan Bank for International Cooperation (JBIC) conducts and releases a Survey Report on Overseas Business Operations by Japanese Manufacturing Companies every year. The results of the survey reveal the latest trends among Japanese companies that make foreign direct investments, including how they respond to challenges such as supply chain resilience and prices hikes, and the countries they view as promising for overseas business development. In this issue's special feature, staff in charge of the survey and JBIC representatives from offices in India and Vietnam, which were selected as promising countries, explain the reality of Japanese companies' overseas business operations.

## Data reveals the latest trends in overseas business development by Japanese companies

- » In response to heightening geopolitical risks, the trend to review supply chains is accelerating and will impact all industries.
- » Despite rising concerns over its future, China maintains a strong presence, with more than one-third of companies saying it is a difficult-to-replace supplier.
- » While nearly 50 percent of companies are engaging in independent efforts to address price hikes, such as automating the manufacturing process, about 70 percent of companies are passing on the higher costs to customers.

"We analyze trends not as dots, but lines and, at times, planes," says ITAGAKI Shinichi of the Strategic Research Department, Corporate Planning Group, who leads the team for the Survey Report on Overseas Business Operations by Japanese Manufacturing Companies conducted by the Japan Bank for International Cooperation (JBIC).

The survey, which started in 1989, is based on quantifying the results of questionnaires sent to companies, but that alone will not provide a full picture. Of the more than 500 companies that responded to the questionnaire, the team visited some 30 of them to conduct detailed interviews. If the companies contacted by e-mail or phone are included, it comes to an even larger

number. Setting aside time to do such interviews gives additional depth to the survey analysis. As this is a tremendous undertaking requiring some six months from the formulation of the survey items to the compilation of the final report, requests for explanation come in from many companies after the release of the report, keeping ITAGAKI busy traveling within and outside Japan.

This fiscal year, in addition to the regular questions, including "overseas business performance," "business prospects for medium-term," and "promising countries/regions," additional topics were added such as the "shape of supply chains under fragmented global economy" and the "impact of global price hikes on business development." ITAGAKI explains some of the notable points here.

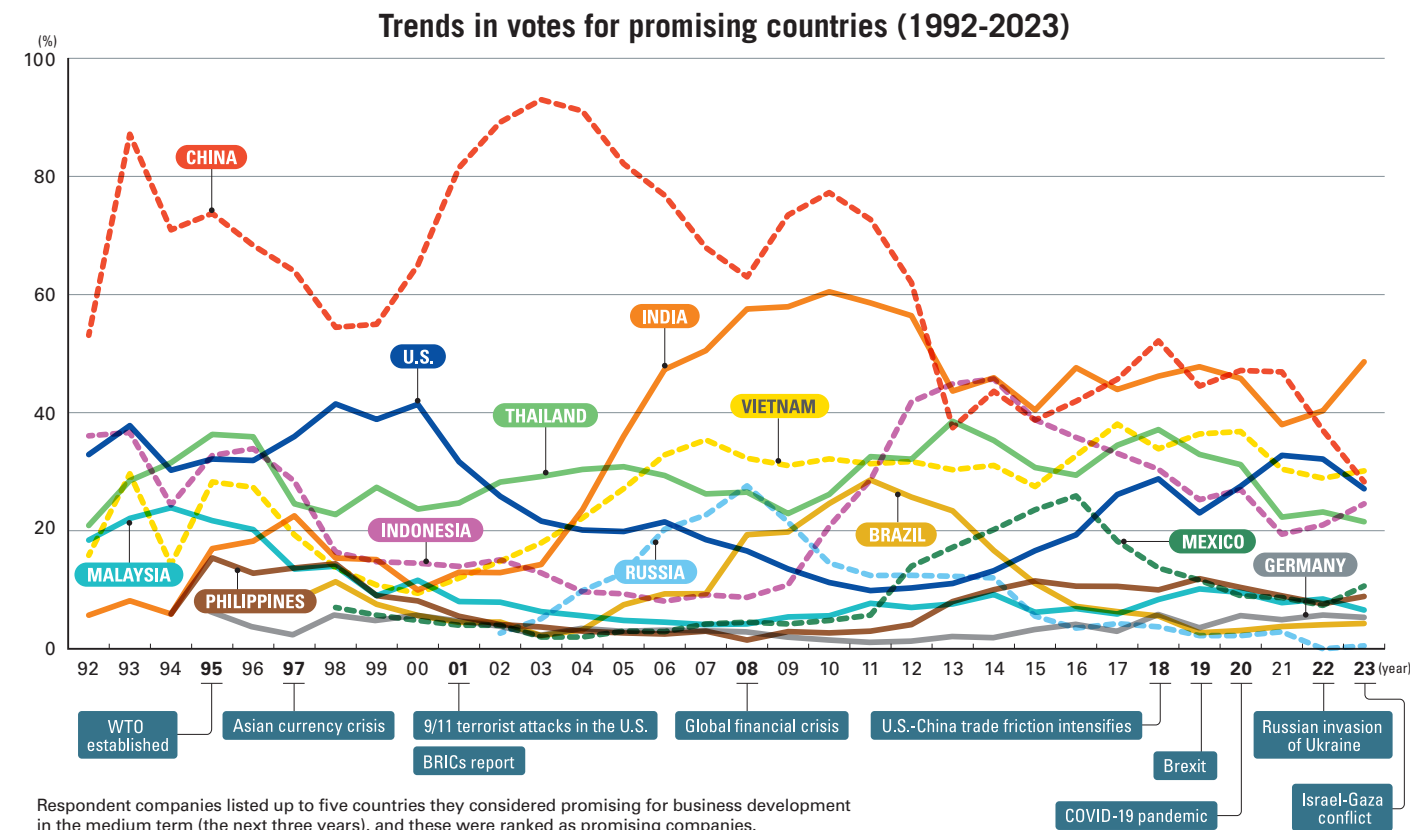
**Q What have Japanese companies been doing to make their supply chains more resilient against geopolitical risks?**

**A** Recognizing that they need to

respond, more than half of the companies have already implemented measures. In fact, even before the outbreak of the COVID-19 pandemic in 2020, against the backdrop of issues such as the U.S.-China conflict, economic security around supply chains was already being discussed. Though this had been recognized for over five years now as a common challenge facing companies expanding operations overseas, its importance has been underlined by the Russian invasion of Ukraine, along with the ongoing U.S.-China conflict.

However, forming dual track supply chains is no easy matter for companies. Making changes to contracts is not something that can be done immediately, as negotiations usually take six months to a year. Nevertheless, following the impacts of the Ukraine invasion, 40 percent of companies, particularly large enterprises, reviewed their procurement sources for raw materials, indicating a shift beyond addressing short-term impacts.

Through history, there have always



been countries and regions afflicted by political instability, such as the Middle East. Geopolitical risks, once limited, are now impacting global supply chains, and can no longer be ignored by any industry. The possibility of the Israel-Gaza conflict, which broke out last year, spreading to neighboring countries demands vigilance. As for upcoming impacts, 2024 is an "election year," with national elections taking place in more than 40 countries. These include nations ranking high in the survey as "promising countries for business development in the medium-term (the next three years)": India (1st), the U.S. (4th), Indonesia (5th), and Mexico (7th). In this sense, geopolitical risks are increasing in many countries and regions.

**Q China, which used to regularly top the list of promising countries, has dropped to No. 3 this time. Is its presence declining for companies expanding overseas?**

**A** In addition to the ongoing U.S.-China conflict, the slowdown of the economy itself, and the tightening of domestic regulations, exemplified by China's anti-espionage law that was amended and enforced in July 2023, are casting a large shadow over the situation. In this survey, more than half of companies with operation bases in China responded that they are concerned. While only about 1 percent reported feeling direct impacts,

a very large number are concerned about China's trajectory, likely having a negative impact on their future business activities. However, China still has a strong presence in the market, with more than one-third of the companies citing it as a difficult-to-replace supplier of raw materials, parts, and manufacturing equipment.

**Q What about the impacts of global price hikes and the prolonged depreciation of the Japanese Yen?**

**A** Almost all of the companies—some 90 percent of them—responded that their operations were impacted by the global rise in prices of materials, components, energy, and other commodities. Geographical disparities were minimal, with the impact of price hikes felt in all regions. On the other hand, the impact of foreign exchange rates varied by industry. For example, a weak yen is a tailwind for exports such as automobiles, but is a major headwind for chemical manufacturers dealing with soaring raw material import costs.

Nearly 50 percent of the companies are working to reduce energy use at their own facilities, and are taking measures such as reducing labor costs by automation of manufacturing and introducing IoT and DX to streamline operations. However, there are limits to such initiatives, and about 70 percent of companies have passed on price increases. It seems

that the more a company is affected by external factors, such as the chemical manufacturers I just mentioned, the more ready they are to pass on price hikes.

**Q Amid this drastically shifting market environment, what is happening with JBIC's support for companies expanding overseas?**

**A** Enhancing supply chain resilience is an area we have been putting particular focus on since 2021. Our efforts go beyond supporting Japanese companies to also actively assisting local enterprises. Including indirect support through local financial institutions, such as two-step loans, JBIC comprehensively supports the manufacturing and marketing operations of businesses that make up supply chains.



Joined JBIC in 2002. After assignments including the Representative Office in New York, the Country Credit Department, the Strategic Research Department, and the secondment to Cabinet Secretariat, he assumed his current post in 2023. Graduate of the Faculty of Economics, Kyoto University (BA). Graduate of Sanford School of Public Policy, Duke University (MA).

**Survey overview:** This is a survey by questionnaire of companies regarding foreign direct investment, which was conducted and collected by JBIC from July through September 2023. The number of surveyed companies was 987, with valid responses obtained from 534, for a valid response rate of 54.1 percent. The full report is available online.





## JBIC local representatives report from on the ground in “No.1 INDIA” and “No.2 VIETNAM”

» India is garnering intense interest from Japanese companies.

Given how rapidly the country is changing, perceptions must constantly be updated.

» Many Japanese companies have already established operations in Vietnam. As companies from other countries rush to enter this market, it is time to consider how Japanese companies can strengthen their presence.

» Expectations are growing in both countries for Japanese investment in cutting-edge fields and transfer of environmental technology.

In the FY2023 ranking of promising countries and regions for investment, India came in first and Vietnam ranked second. IMAHORI Shinichiro of JBIC Representative Office in New Delhi, and IKENAGA Azusa of JBIC Representative Office in Hanoi, along with NAKAJIMA Ryuji of the Strategic Research Department, Corporate Planning Group, which conducted the survey, discuss these two nations with so much promise.

**NAKAJIMA:** India came in first in the FY2023 rankings for the second year in a row. It received an even higher share of votes than last year, with about half of the responding companies citing it as promising. Moreover, 45.8 percent of the companies that cited India as a promising country said they have actual plans for operations in the country, illustrating just how high expectations are.

**IMAHORI:** Since I assumed my post in India one and a half years ago, I have been witnessing firsthand the world's growing interest in the country. Factors such as its young population, with an average age of 28, its competitive level of wages, talented IT human resources, government support for manufacturing through Production Linked Incentive Scheme, and the trend of increasing consumption by its growing middle-income class make it an attractive destination for investment. However, although the number is increasing, there are still only about 1,500 Japanese companies operating in the Indian market, and fewer than 10,000 Japanese residents in the whole country. So, this is just the beginning.



Gurgaon, a new business city near Delhi, has many Japanese and other foreign companies.

**NAKAJIMA:** Because Vietnam does not have any major issues, Japanese companies feel that the country is stable, and this led to its rise from the previous year's fourth place to second. Do you feel such momentum in Vietnam?

**IKENAGA:** This is my fourth year in Vietnam. Sometimes Vietnam is praised for its rapid economic growth, but my impression is that with the population surpassing 100 million, this country is experiencing stable and steady economic growth, and that stability is the main appeal of Vietnam. Other positive factors such as the vibrant local market, good public safety, and balanced diplomatic stances appeal to the companies looking for an overseas base, and explain Vietnam's high position in the survey. Also, I feel that Vietnam stands out within ASEAN as a country with many cultural similarities to Japan. Indeed, a diverse range of companies

have already established operations in Vietnam, with the Japanese Chamber of Commerce and Industry in Vietnam now having more than 2,000 member companies, and the number of Japanese residents approaching 20,000.

**NAKAJIMA:** Have your impressions changed since you started living in India and Vietnam?

**IMAHORI:** When Japanese people hear “India,” the first image coming to mind is still probably the Taj Mahal or the Ganges River. However, when one actually visits urban areas, a different vista spreads out. A notable example is the city of Gurgaon near Delhi. It is a beacon of modernity with a concentration of high-rise buildings and startups. In the evenings you can see people enjoying wine and craft beer on the terraces of fashionable restaurants in the business district. Large-scale developments of office and commercial facilities are also underway in Hyderabad and Bangalore in South India. I believe the fastest way to update your perception to the “new India” is to come and experience it firsthand.

**IKENAGA:** A lot of people from overseas tell me that their image of Vietnamese people is “down-to-earth,” but from my own experience here, what I strongly sense from the people I come in contact with are strong ambitions and positive aspirations for a better life. Most women work to increase the household income, and double-income families invest heavily in education, while also enjoying luxurious leisure and shopping from time to time. Through them, I can directly sense the expansion of the middle class

in Vietnam. In my friends' houses I can see the latest home appliances, imported baby goods, and many other things that I thought were still relatively expensive keeping in mind the average wage of Vietnam. But rather than being lavish, I feel that they are very discerning consumers. They will take the time to think over their purchases, taking into account the cost-performance and brand power, to see if it is worth paying the high price.

**NAKAJIMA:** What do you think are the expectations of Japanese companies from India and Vietnam?

**IMAHORI:** I believe there are high expectations for technology. This especially applies to semiconductors, battery storage, electronic devices, and other industrial sectors where India is aiming for self-reliance to enhance economic security. The Indian government is eager to attract foreign investment, and I can sense their strong expectations—they want highly capable Japanese companies in these fields to rapidly set up operations and establish manufacturing bases in India. In the energy sector, expectations are around Japanese companies in hydrogen and biofuel production, and waste-to-energy. Regarding hydrogen, with low electricity tariffs and development costs, India has the right environment to produce highly competitive green hydrogen. We are closely monitoring this trend, since there are also projects aiming to export this to Japan.

**IKENAGA:** Vietnam has maintained a high level of GDP growth since 1990, averaging around five percent annually, with foreign investment as the driving force. In order to maintain economic growth, continuing efforts to attract overseas investment and building up highly skilled domestic human resources will be crucial. In addition, as the Vietnamese government has set a goal of achieving carbon neutrality by 2050, the development of renewable energy sources and other approaches are urgently needed. The Vietnamese government has been asking Japan to contribute to economic modernization and decarbonization

through large-scale investments, and recently we see ourselves being compared to the other countries. Korean companies, in particular, have a strong presence in Vietnam; their cumulative direct investment to Vietnam is the top among the others, and about 10 times more Koreans than Japanese are living here. With U.S. semiconductor companies and others planning to expand their business in Vietnam, we feel it is now essential to support Japanese companies here in a way that makes their presence more visible and felt.

**NAKAJIMA:** What kind of unique challenges do Japanese companies face, when it comes to developing operations in India and Vietnam? It's difficult to understand this from Japan.

**IMAHORI:** Only a few Japanese regional banks supporting SMEs (small and medium-sized enterprises) have set up operations in India, so we would like more of them to take the initiative and come here. Another major challenge is the opaqueness of the legal system and the complexity of administrative procedures. For example, there are cases of differentiated tax rates due to different interpretations by customs officials. In addition, a considerable burden is placed on manufacturers in bringing in certain items from Japan due to the extremely complicated procedures they need to go through to acquire certification that

they meet Indian standards. The Japan Chamber of Commerce and Industry in India has compiled these issues and submitted a request to the Indian government, and we are also working on various fronts to improve the situation.

**NAKAJIMA:** That's very important. If local suppliers procure locally, Japanese companies will not be able to compete on price. Local procurement would be about 70 percent lower in price.

**IKENAGA:** We have a different situation when it comes to regional banks, as nearly 40 of them have staff in Vietnam. JBIC also co-finances loans with regional banks, especially for investment projects by SMEs, which are on the increase. SMEs greatly contribute to the formation of industrial clusters in Vietnam, and the regional banks' support for them is vital. **NAKAJIMA:** It seems that the growing presence of Japanese regional banks in Vietnam is also linked to an increase of Japanese corporate operations in the country. Among the companies that cited Vietnam as a promising country, the percentage of SMEs has been growing. On the other hand, with regard to India, some companies pointed out issues such as the lack of human resources for managerial positions, difficulties in communicating with the staff, and the inability to meet deadlines.

**IMAHORI:** I think language plays a significant role in these challenges. Indians are extremely proficient in English, their second official language, and discussions in English proceed at a pace similar to in the U.K. and U.S. The need for staff stationed in India being well versed in English is often overlooked. Indians also make good use of social media in both their private lives and business, particularly WhatsApp. Not only through emails, but close communication by phone, social media, and in person is also essential. I believe it is crucial to localize management and supply chains as much as possible while making the best of outstanding young Indian talent.

**IKENAGA:** In the Vietnamese public sector, decision-making takes time, and delays in issuing permits and approvals



Vietnamese women actively join the workforce, increasing household incomes and showing appetite for consumption.

**Vietnam's ongoing growth depends on continued foreign investment and a buildup of human resources.**

Representative  
JBIC Representative Office in Hanoi  
**IKENAGA Azusa**

Joined JBIC in 2010. Assumed her current position in 2020 after assignments including the Country Credit Department and the Strategic Research Department. In Vietnam, she is engaged in project formation support, local policy dialogues, and field research. Now, she lives away from her husband with her daughter in Hanoi. Graduated from Kyoto University, Faculty of Law.

**A vista unlike that formerly imagined spreads out before you in today's India. Come visit this changing country to see for yourself.**

Representative  
JBIC Representative Office in New Delhi

**IMAHORI Shinichiro**

Joined JBIC in 2020 after working for TEPCO and JERA. Assumed his current position in 2022 after engaging in loans for resource projects in the Energy Solutions Finance Department. On weekends, he studies at the Indian School of Business MBA program. Graduated from Keio University, Faculty of Economics.





have become major issues for the companies doing business there. I believe that this is partly due to the sociocultural factors unique to Vietnam, such as the tendency to pursue personal accountability for the institutional decisions that they made in the past, which makes it hard for decision-makers. And the bureaucratic administrative procedures still rely on paper-based documents.

As JBIC, we strive to understand these aspects of Vietnam, and based on that, we are trying to improve the business environment for Japanese companies through our dialogues with the ministries and agencies, as well as individual projects.

**NAKAJIMA:** Meanwhile, aren't there companies that are considering India and Vietnam as a stepping stone for the

development of further overseas operations?

**IMAHORI:** There are initiatives underway to utilize India as an export hub for expansion of operations to East Africa. Aside from being geographically close, there is a considerable population of people of Indian heritage in Kenya, Tanzania, and other East African countries. Leveraging these Indian sales and distribution networks in Africa can prove to be beneficial.

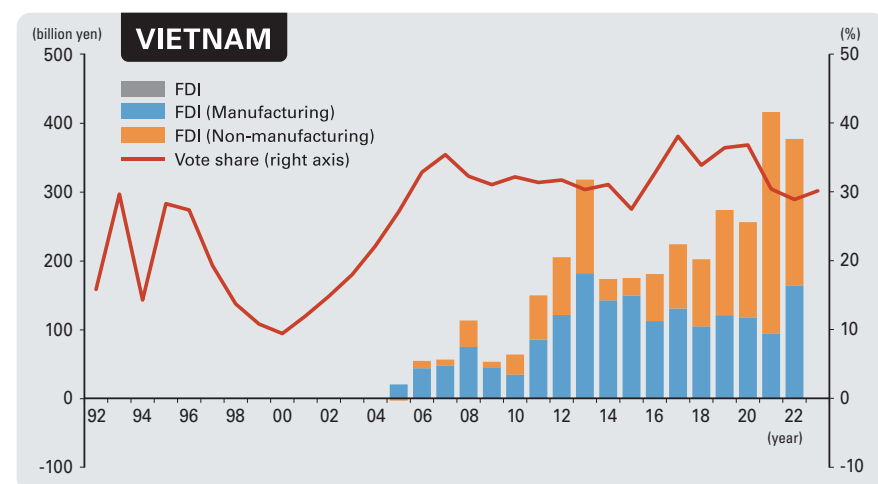
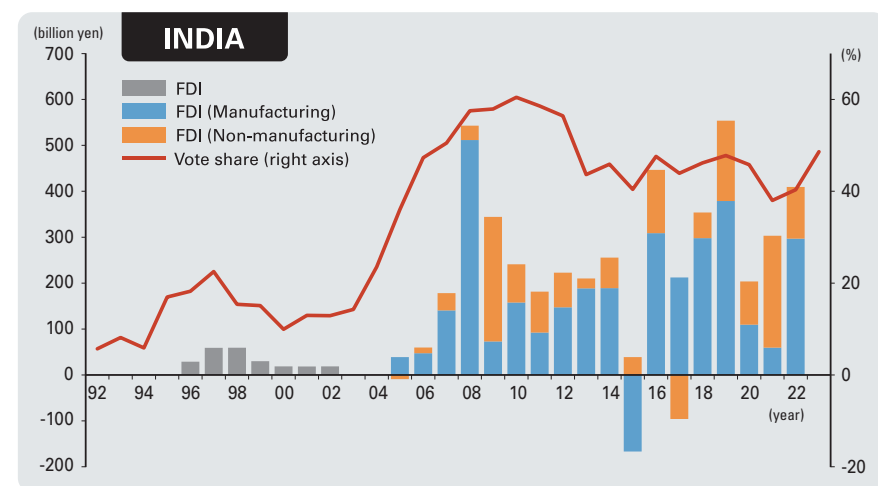
**IKENAGA:** We hear from companies that they wish to strengthen the role and function of their Vietnam base within the ASEAN region's supply chain. There is also a noticeable trend of shifting production capacities from China to Vietnam. Indeed, I believe that Vietnam's promising prospects are due not only to its economic growth but also to its balanced geopolitical position.

**NAKAJIMA:** I hope the results of the survey and these local views will also be reflected in JBIC's work.

**IMAHORI:** JBIC's loan and equity investment in India surpassed JPY500 billion in the last two years, and momentum is growing. JBIC provides support in line with the needs of Japanese companies. This includes involvement in the development of the Dholera Industrial Area, a high-tech production base for semiconductor companies, and the launch of an India-Japan fund with the Indian government. I hope that companies will first make it a point to visit and experience the new India.

**IKENAGA:** In Vietnam, Japanese companies are expanding their operations from city centers like Hanoi, Ho Chi Minh City, and Da Nang, to more suburban areas and other provinces. To support the long-term operations of Japanese companies all over Vietnam, not only do we provide loans to manufacturing companies in Vietnam, but we also support projects that contribute to strengthening the electric power infrastructure, or contribute to supplying renewable energy to these companies, as a way to improve the business environment.

### India and Vietnam: Japan's outward FDI (foreign direct investment) and the share of votes for promising investment countries



Both India and Vietnam have seen a rapid expansion of direct investment from Japan since 2005, and their share of votes has increased. Although India shows fluctuations by year, the government has been strongly promoting market entry. In Vietnam, companies centering on the manufacturing industry have been steadily setting up operations, while recent years have seen an increase in non-manufacturing industries.

**I hope the results of the survey and local views will be reflected in JBIC efforts.**

Division 1, Strategic Research Department  
Corporate Planning Group, JBIC

**NAKAJIMA Ryuji**

Joined JBIC in 2023. At the Strategic Research Department of the Corporate Planning Group, he engages in collecting and analyzing information on the overseas business development of domestic manufacturing companies. Graduated from Keio University, Faculty of Business and Commerce.



## Promising countries ranking from 3 to 10 A look at some standout countries

Continuing with a look at the 3rd to 10th ranked promising countries for investment, which followed India and Vietnam. The features, strengths, and challenges of four of these countries—Indonesia, Mexico, the Philippines, and Germany—that are attracting attention, and JBIC's respective initiatives are summarized here.

### 5th INDONESIA

**Despite its obscure legal system, Southeast Asia's largest market is attractive**

Indonesia has a population of over 275 million, the largest in Southeast Asia, and enjoys stable economic growth. Against the backdrop of its growing purchasing power, it is also expanding from a production base to a consumer market, with many companies seeing strong growth potential in the local market. Japanese companies have been setting up operations in the country since before World War II, a history that is longer than that of other ASEAN member states. On the other hand, the obscure legal system and rising



labor costs present challenges. JBIC is providing support to enhance the resilience of supply chains for the still robust motorcycle and automobile industries, and also bolstering support for the energy transition to carbon neutrality.

### 7th MEXICO

**Despite security issues, its location next to the U.S. gives it a geographic advantage**

About half of the companies that listed Mexico as promising were automobile related. In addition to inexpensive labor costs, the advantage of geographical proximity to the U.S. has made it a North American supply base for assembly manufacturers. There are also high expectations for it as a near-shoring destination for the U.S. market, where labor costs continue to rise. With the U.S. market shifting to EVs, there are plans to sell gasoline-powered vehicles in Mexico. Although labor costs are low due to



about half of the working population being non-regular employees, challenges remain around public safety and securing talent. JBIC will continue to support the development of automobile part manufacturing and sales.

### 8th THE PHILIPPINES

**Despite human resources issues, its labor costs are low and growth prospects are high**

The geographical proximity of the Philippines to Japan and the fact that many Japanese companies have been establishing operations in the country since shortly after WWII are advantages in terms of market entry. The country has an established reputation for low labor costs and market growth potential. On the other hand, skill shortages and the income gap as well as concerns about public safety due to conflict in the Mindanao area are cited as challenges to market entry. Due to



these reasons, it has not yet become a destination for production bases and other risk diversification. JBIC is currently working to expand support for energy transition.

Ranking	Country
3	CHINA
4	U.S.
5	INDONESIA
6	THAILAND
7	MEXICO
8	PHILIPPINES
9	MALAYSIA
10	GERMANY

### 10th GERMANY

**Despite the economic impacts from the invasion of Ukraine, it has an established reputation for technology and quality**



Germany has a high reputation for firmly honoring business commitments such as price negotiations, and has gained the strong trust of Japanese companies, especially those in the manufacturing industry. Its technology and quality of workmanship are also high. Due to the strong impact of Russian invasion of Ukraine, its growth is currently lower than Japan's and economic recovery cannot be expected for some time to come. Although this presents a challenge, its decarbonization measures are the most ambitious in Europe. It is also the only major European country that ranked in the top 10 promising countries. JBIC is providing support for the expansion of manufacturing facilities for EV parts and the production of automotive and exhaust system parts.



JBIC engages in various projects around the world. Senior JBIC staff on the front line share their thoughts and stories behind their projects.

Supporting supply chain resilience enhancement for Japanese manufacturers in India

## Loan schemes built after tough negotiations benefit both local companies and Japanese manufacturers in India

JBIC indirectly supported Japanese automakers and construction equipment manufacturers in India through loans to local banks. YONEYAMA Satoru shares the story of the two projects and the negotiation skills cultivated.

### Indian-style negotiation skills cultivated within JBIC proved their worth

Tough negotiations come with the territory for projects in India, where driving a hard bargain is ingrained in the culture. India also tends to be rank conscious, explains YONEYAMA Satoru of JBIC's Infrastructure and Environment Finance Group. He says, "This makes it important to discern when to take the negotiations from the working level to the management level. We worked closely with the JBIC Representative Office in New Delhi to make sure this point was covered." So bringing higher-ranking personnel to the negotiating table can break deadlocked talks.

Another negotiation art is setting up meetings at crucial junctures. "Progress is sluggish if only email or other such forms of communication are used, so you need to set up meetings. Although some meetings were held online, there was a period when almost every month somebody from our team traveled to Mumbai to keep the negotiations going," according to YONEYAMA.

In March 2021, JBIC announced a loan to support for enhancing the supply

chain resilience of Japanese automakers in India, announcing the same for Japanese construction equipment manufacturers in the country in April 2023. Both are two-step loans provided through Indian banks to the suppliers and dealers of Japanese affiliates, as well as sales finance businesses for the purchase of the Japanese affiliates' products. Indian-style negotiation skills, cultivated within JBIC, proved their worth here.

### For the banks and for manufacturers, a two-front strategy differing from regular loans

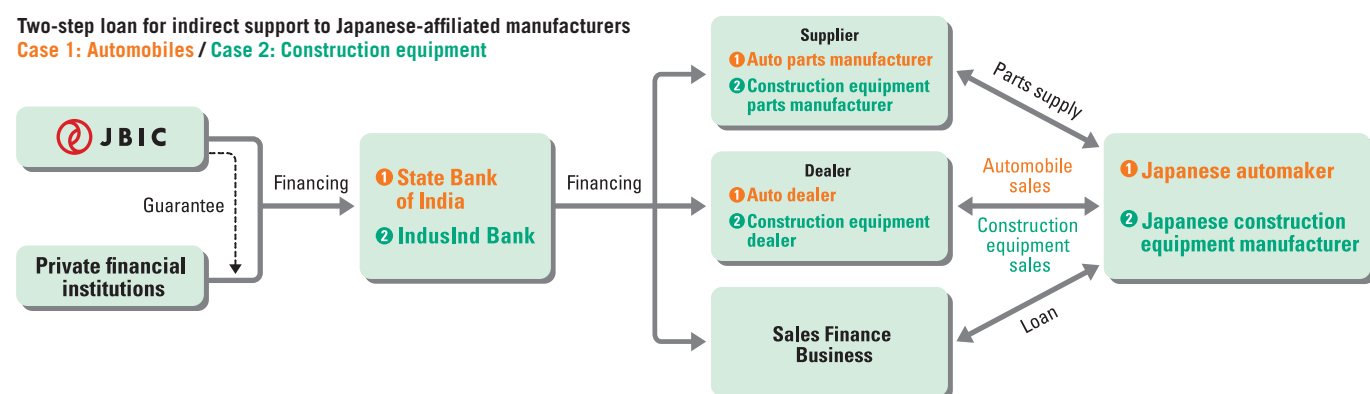
In these two projects, which did not directly involve the Japanese companies, JBIC played a pivotal role in direct negotiations with Indian banks, while also simultaneously advancing discussions with the Japanese affiliates—a challenging, two-front strategy. For the Indian banks, JBIC researched and selected which had strong capabilities in the sectors to be supported, and negotiated terms and conditions while explaining the loan scheme, which would also support local parts manufacturers. With regard to the manufacturers,

the significance of providing indirect support to Japanese companies was explained, and discussions were conducted to narrow down the list of local suppliers that should be eligible for loans.

"As JBIC is entrusted with the mission of enhancing the international competitiveness of Japan's manufacturing industry, in order to make this scheme one that would benefit Japanese affiliates, we visited them to explain the significance of supporting local suppliers. We consequently gained their support in establishing this loan scheme."

India's reputation as an IT powerhouse is well-established, but its manufacturing industry and government investments in infrastructure are also attracting increased attention recently. India's economy grew by 6.7 percent in 2022, and many companies have an expectation about its prospects. This is reflected in the JBIC Survey Report on Overseas Business Operations by Japanese Manufacturing Companies, where India ranked top for two consecutive years as a promising country for medium-term business expansion.

### Two-step loan for indirect support to Japanese-affiliated manufacturers Case 1: Automobiles / Case 2: Construction equipment



Director  
Division 2, Social Infrastructure  
Finance Department  
Infrastructure and Environment Finance Group

### YONEYAMA Satoru

Joined the bank in 2001. Assumed his current position in 2022 after assignments including the International Finance Department I (in charge of China), secondment to the Inter-American Investment Corporation (IIC), Human Resources Management Office, and the Corporate Finance Department (engaged in M&A support, etc.). Graduated from Keio University, Faculty of Law, and University of Southern California, School of Law.

In the 2021 support for enhancement of supply chain resilience of Japanese-affiliated automakers, a loan agreement for up to USD600 million (JBIC portion) was signed with the State Bank of India. In addition to supporting Japanese automakers in India, who were suffering from the impact of the COVID-19 pandemic, this scheme also aimed to support the manufacture and sales of eco-friendly vehicles. "The Indian government has been introducing fuel economy and emissions regulations since 2017 to reduce greenhouse gas emissions and resolve increasingly serious air pollution. So this project is also in line with India's environmental protection policy," says YONEYAMA.

### The satisfaction of engaging in meaningful efforts that benefit both Japan and its partners

Why not use this same loan scheme to support Japanese companies in other sectors? This was realized through a 2023 loan agreement for up to USD60 million (JBIC portion) with IndusInd Bank Limited to support Japanese-affiliated

construction equipment manufacturers. YONEYAMA and his team had taken note of India's plans for much-needed improvements to its logistics infrastructure. Under India's national infrastructure development plan, PM Gati Shakti, a total of INR100 trillion is earmarked for infrastructure development projects.

According to YONEYAMA, the reason for targeting the sector was that "the Indian construction equipment market is the third largest in the world in terms of units sold. Notably, Japanese affiliates hold about a 60 percent share of the Indian construction equipment market for excavators, with high growth prospects."

Under its "Make in India" policy, the government has been calling for direct investments in India's manufacturing industry to make the country the "factory of the world." Against this backdrop, both Japanese affiliates taking on risks in this country and the Indian companies that supply them, as well as local banks, would feel the benefits of these two projects.

"JBIC is in a unique position to

conceive projects that can benefit not only Japan but also partner countries and companies. This may be what makes this job so rewarding," remarks YONEYAMA. Though he notes that those in charge of fast-growing India are kept extremely busy, he is already looking ahead to his next challenge.



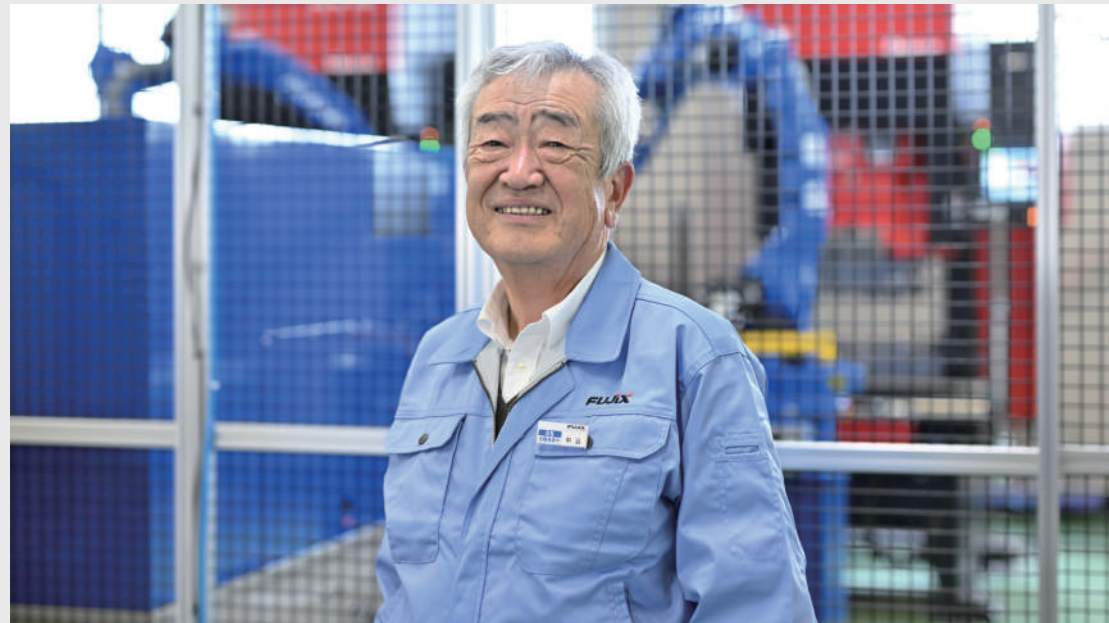
### Project Summary

In March 2021, a syndicated loan agreement was signed with the State Bank of India amounting to up to USD1 billion (JBIC portion: USD600 million) to provide funds necessary for the local supply chains of Japanese automobile manufacturers. In March 2023, a syndicated loan agreement was signed with IndusInd Bank amounting to up to USD100 million (JBIC portion: USD60 million) to provide funds necessary for the local supply chains of Japanese construction equipment manufacturers.

Press releases on support for Japanese automobile manufacturers (left) and support for Japanese construction equipment manufacturers (right) >>>







President  
FUJIX CO., LTD.

### NAKAGOME Masaharu

After graduating from Seikei University and working at an automotive parts wholesaler, he joined Fuji Horn Manufacturing (the predecessor of FUJIX), which was founded by his father, and became president in 1985. He makes a point of visiting his overseas subsidiaries regularly to maintain close communication with the local staff.

## FUJIX CO., LTD.

# A manufacturer of wire harnesses crucial for electronic products diversifies production bases for supply chain resilience

FUJIX has been able to diversify the items it produces in-house by boldly tackling customer requests and constant research and development. In addition to the U.S. and China, it has expanded operations to Vietnam. By building a labor-intensive, mass production system, the company seeks to establish stable global supply and expand production.

## Shifting from just motorcycle horns to handling as many as 60,000 products

All electrical products, from automobiles, industrial robots, and home appliances, to the equipment used to manufacture them, use wire harnesses made up of electrical cables and connectors that transmit power or signals to the various parts inside. These important components can be compared to the blood vessels and nerves of the human body.

Manufacturing and marketing these wire harnesses is FUJIX's core business.



The company has also expanded production in China. (photo: FUHAI PRECISION ELECTRONIC INDUSTRY (Nantong) CO., LTD., the Chinese subsidiary established in 2017)

The company was founded in 1951 to develop and sell motorcycle horns. Right around the time Japan's period of rapid economic growth was drawing to a close and the motorcycle industry was beginning to show signs of a slowdown, a customer that manufactured semiconductors sought advice concerning their harness-related products for motorcycles. This prompted the company to begin in-house production of wire harnesses.

"We had been handling harness-related parts in the production process of horns, so using that expertise, and with an eye to the future, my father decided to move into the business of wire harnesses, which have a wide range of applications," says NAKAGOME Masaharu, the company's second president. Just as the business was expanding, NAKAGOME's father passed away, leaving him to take over the company when he was still in his 30s. Carrying on his father's forward-looking attitude, and focusing on business continuity, he pushed ahead with research and development in areas

such as rubber production and heat dissipation for industrial equipment, paving the way for the production of not only wire harnesses, but items such as rubber products and aluminum die-cast parts. The company now deals in as many as 60,000 products. Their customers say: "In terms of the number of items FUJIX manufactures, its organizational structure is on the scale of five small-to medium-sized companies grouped together."

"We make it a point to respond to our customers' needs and propose new ideas while always thinking about what only our company can deliver," says NAKAGOME, whose motto is to aggressively take on challenges and produce results that live up to customer expectations. Manufacturing a new product is not something that can be done overnight, but they will never tell the customer something is not possible. Everything will be done to meet customer requests. The company has built its impressive track record through such ongoing research and development efforts.

## Overseas expansion with "customer first" in mind and building a model factory conforming to local environmental regulations

FUJIX's "customer-first" policy of responding promptly and precisely to client needs is also at the foundation of its overseas expansion. In order to keep up with the latest trends in automotive parts, and because a client had set up a production base in Chicago, Illinois, the company established its U.S. subsidiary there in 2002. Around that same time, FUJIX's production base in Japan was becoming unable to keep up with the growing volume of orders. "For a company such as ours, which is labor-intensive, we cannot expect to grow if we continue to manufacture only in Japan." This assessment led to the establishment in that same year of a wholly owned production base in Jiangsu Province, China, near Shanghai.

Quality cannot be compromised even while pursuing mass production and cost reduction. "In China, the language barrier presented communication challenges at first, so we transferred our know-how by drawing detailed depictions of the products," recounts NAKAGOME of the various approaches taken at that time. While keenly aware of the challenges of communication, he persisted in his efforts while endeavoring to understand the local culture. He also built relationships of trust with local staff from rural areas by providing them

with close support such as employee benefits. Today, local employees who have been with the company since its establishment have become senior management, and smooth communication is now possible through their mastery of Japanese. Consistent technical guidance provided within the company has brought their production technology to a level surpassing that of Japan.

In order to comply with China's environmental regulations, in 2017 a new production site was established in Nantong, also in Jiangsu Province. While advancing factory automation with the support of a loan from JBIC, the facility also received "model green factory" certification.

## The bitter experience of the pandemic prompted diversification of geopolitical risk

"We faced a three-month lockdown in Shanghai due to the COVID-19 pandemic. The situation was such that we couldn't even go to our materials manufacturer just 100 meters away, making us unable to satisfy our customers' demands."

That bitter experience made him keenly aware of the risks of a business model that depends on a production base in China to provide products to customers around the world. In order to diversify geopolitical risks and strengthen their supply chains, the company took action to establish a production base in Vietnam, a country where the population is set to grow and which

has a friendly stance toward Japan. The Vietnam factory is slated to begin operations in October 2024. Similarly, a JBIC loan will be used to increase production capacity. Over the next three years, this factory will aim to achieve the same level of quality and supply as its counterparts in China.

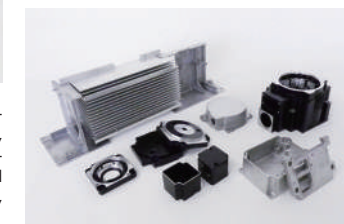
"In Japan, we will explore further customer needs and specialize in high-mix, low volume production. In China and Vietnam, we will build a labor-intensive, mass production system for stable supply to our Japanese customers doing business on a global scale. This balance is important," stresses NAKAGOME. To this end, FUJIX is now moving full steam ahead to launch its production base in Vietnam.

### FUJIX CO., LTD.

1951	Company established
	Established FUJIX USA, INC. in Chicago, Illinois, the U.S.
2002	Established KUNSHAN FUJIX ELECTRONIC CO., LTD. in Kunshan, Jiangsu, China
2011	Established SHENYAN FUJIX ELECTRONIC CO., LTD. in Shenyang, Liaoning, China
2017	Established FUHAI PRECISION ELECTRONIC INDUSTRY (Nantong) CO., LTD. in Nantong, Jiangsu, China
2023	Established FUJIX ELECTRONIC VIETNAM COMPANY LIMITED in Vietnam



Wire harnesses (left) are FUJIX's key products, offering configurations optimized for automobiles, industrial equipment, and various other fields. The company is expanding its production to include a variety of products such as rubber and insulation paper (right), molded resin products (top middle), and aluminum parts (bottom middle).



## Loan Summary

In December 2023, a loan agreement was signed with FUJIX for a loan of USD5.7 million (JBIC portion), co-financed with MUFG Bank. By supporting the establishment of a manufacturing and sales base for electrical components by FUJIX ELECTRONIC VIETNAM COMPANY LIMITED, a FUJIX subsidiary in Vietnam, this loan contributes toward maintaining and improving the international competitiveness of Japanese industry.

1999

## JBIC launched just before the dawn of the new century to address globalization and other global-scale challenges

As the 20th century drew to a close, Japanese government reforms necessitated the centralization of foreign economic policy and economic cooperation. This moment saw the establishment of the Japan Bank for International Cooperation (JBIC).



JBIC's first governor YASUDA Hiroshi. Under his leadership—as a policy-based financial institution and the successor to the Export-Import Bank of Japan (JEXIM) and the Overseas Economic Cooperation Fund (OECF)—JBIC provided comprehensive support in addressing the challenges created by globalization and economic growth.

### An agile and efficient financial institution was born

In October 1999, as countries began to show signs of economic recovery from the Asian currency crisis, a new policy-based financial institution that would be single-handedly responsible for Japan's foreign economic policy and economic cooperation, took its first steps. JBIC was born through the merger of JEXIM and OECF, the latter of which had contributed to the economic growth of developing countries. Led by YASUDA Hiroshi, who had been JEXIM's governor, JBIC began providing support for the sound development of the international economic community, including Japan.

Drastic government reforms, including the reorganization of central ministries and agencies, formed the backdrop to this merger, with expectations that centralizing the information and expertise of two institutions involved in foreign economic relations would result in agile and efficient alignment with policy objectives.

Building on the JEXIM Act and the OECF Act, the JBIC Act was enacted prior to the establishment of JBIC. It stipulated operational goals based on the prevailing economic conditions. In response to lessons learned from the Asian currency crisis and globalization, the objective of contributing to the “stability of the international financial order” was added to its goals. At the

same time, adjustments were made to the scope of financial support, such as export loans.

JBIC went on to actively bolster its support services. For example, a guarantee facility for imports of aircraft and other crucial products was established in FY2002, replacing conventional credit facilities by guaranteeing loans extended by private financial institutions. In the same fiscal year, JBIC introduced performance bond guarantees to give Japanese companies additional creditworthiness by guaranteeing their obligations to foreign counterparties. In addition, to restore the international competitiveness of Japan's plant facility industry, JBIC also diversified its support methods by establishing a program of feasibility studies and other research that would lead to identifying projects with high potentiality.

### Various initiatives to reduce GHG emissions

By the 21st century, heightening awareness within the international economic community of the need for global warming measures led to the enactment of the Kyoto Protocol. To achieve Japan's greenhouse gas emission reduction targets, the government set a policy of leveraging the Kyoto Mechanisms, facilitating joint emission reduction projects with other countries and international trading of emission credits. In June 2003, JBIC established the

position of the Special Advisor for Kyoto Mechanisms to strengthen efforts to help Japan achieve its reduction targets and curb global warming. New unified environmental guidelines came into force in October of that year.

By also signing a cooperation agreement with the International Emissions Trading Association (IETA), an international non-profit organization, JBIC sought to contribute to global warming measures by obtaining the latest information and supporting specific emission reduction projects.

### Launch of JBIC and the global challenges it faced

1996	January	HASHIMOTO Ryutaro Cabinet formed. Government reform becomes a policy objective.
1997	December	Kyoto Protocol adopted at the third session of the Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change (COP3).
1999	April October	JBIC Act promulgated <b>JBIC established</b>
2001	September	9/11 terrorist attacks in the U.S.
2003	June	Position of the Special Advisor for Kyoto Mechanisms established
2005	February	<b>Kyoto Protocol enters into force. Emission reduction targets become legally binding.</b>
2008	September	<b>Collapse of Lehman Brothers, triggering a global financial crisis</b>

