

Survey Report on Overseas Business Operations by Japanese Manufacturing Companies

-Results of JBIC FY2007 Survey: Outlook for Japanese Foreign Direct Investment (19th Annual Survey)-

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JBIC Institute
Japan Bank for International Cooperation

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I. Survey Overview and Summary

Survey Overview

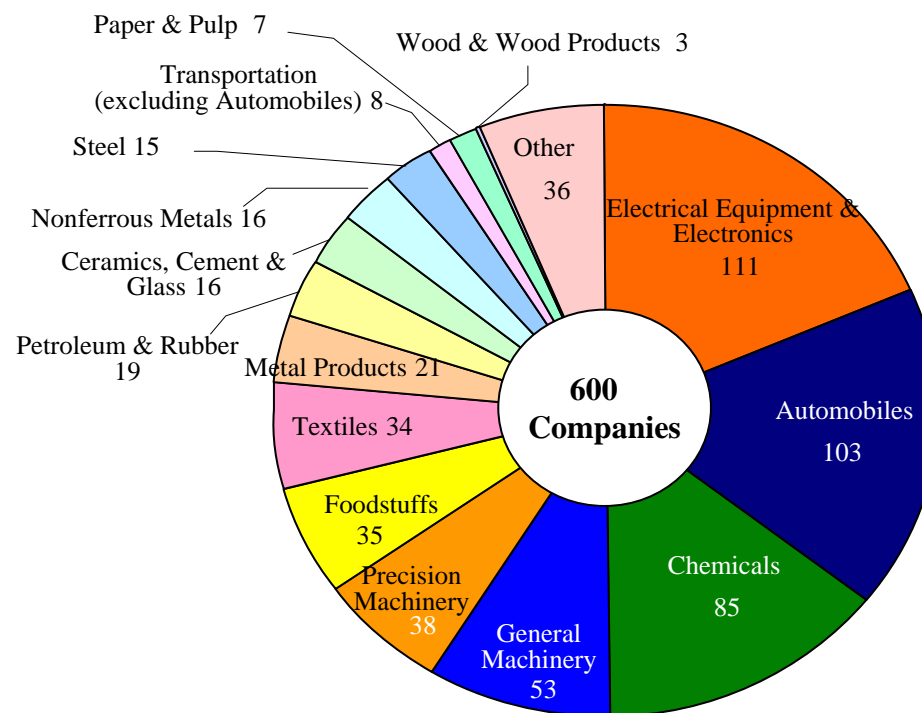
- **Survey targets: Manufacturing companies that have three or more overseas affiliates (including at least one production base)**
- **No. of companies questionnaires were mailed to: 970**
- **Responses returned: 600 (response rate: 61.9%)**
- **Period of survey: Sent in July 2007**
Responses returned from July to August
- **Main survey topics:**
 - Medium-term business prospects
 - Evaluations for overseas business performance
 - Promising countries or regions for overseas business operations
 - Competition in the global sales market
 - Important efforts domestically and abroad to maintain/improve international competitiveness

Companies Surveyed, Response rates, and Overseas Affiliates

(Units: No. of companies, %)

Survey year	FY2007	FY2006	FY2005	FY2004	FY2003
Surveyed companies	970	967	945	939	932
Responses	600	594	590	595	571
Response rate	61.9	61.4	62.4	63.4	61.3
Overseas Affiliates	11,516	10,152	10,847	10,079	9,838

No. of Respondent Companies by Industrial Classification



► See Appendix 1 for more detailed characteristics of the companies surveyed.

- **Overseas production and sales are on the rise among respondent companies, expanding to one-third of the total production and sales. Companies are maintaining a strong stance with regard to overseas operations in the future (p.5).**
- **As investment destination, an interest previously concentrated in China continued to diversify into other emerging countries. There is a growing interest in India in particular (p.8, 13).**
- **Change is underway from FDI seeking low costs to FDI focusing attention on growth potential in emerging countries(p.15).**
- **The development of new products was cited as the most important effort to maintain and improve international competitiveness. However, efforts in the areas of production and sales, including cost reduction, expansion of overseas production and strengthening sales forces, were also recognized as important factors. In addition, securing and training human resources capable of responding to globalization is a particularly urgent issue (p.22)**

II. Overview of Overseas Business Operations

Figure 1: No. of Overseas Production Bases

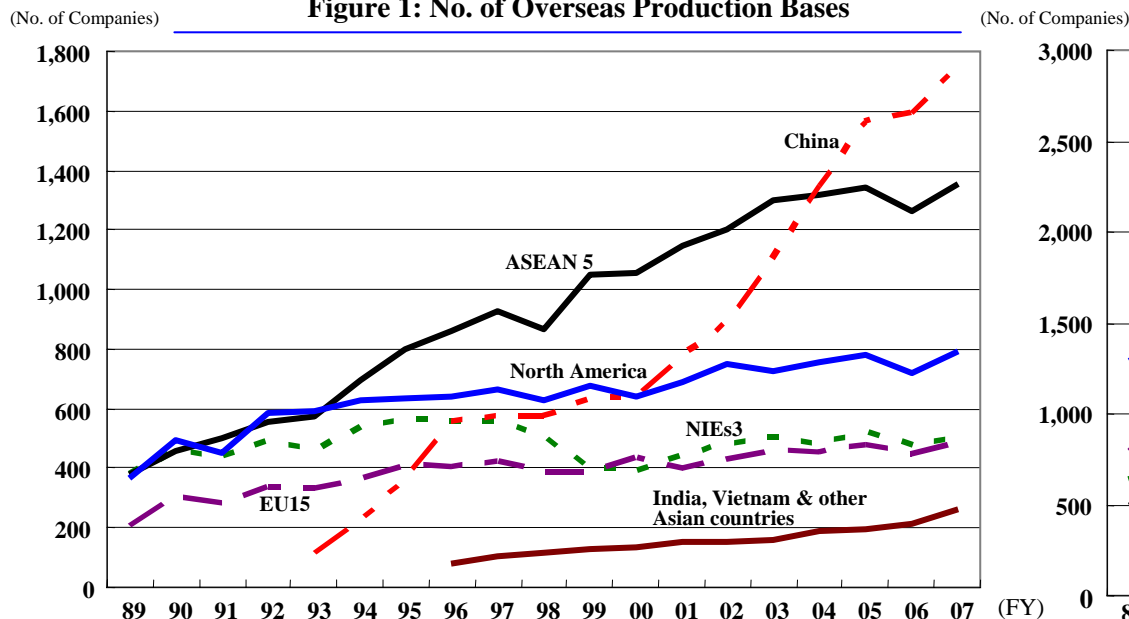
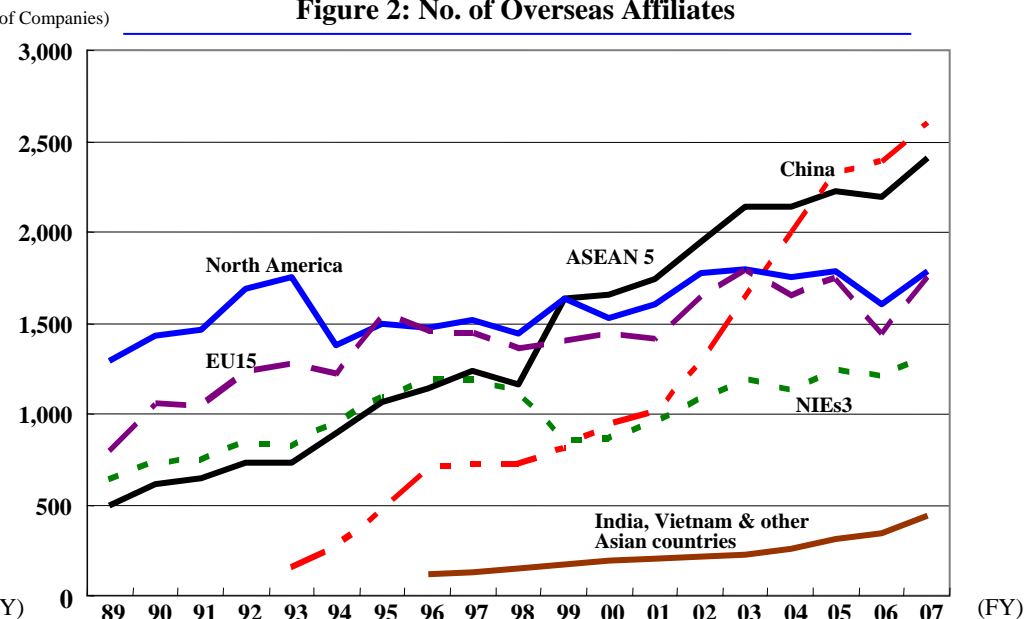


Figure 2: No. of Overseas Affiliates



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

Note 2: In the graphs above, NIEs3 is linked to the NIEs line and ASEAN5 to the ASEAN line from FY1999. In the same graphs, Singapore was included in NIEs until FY1998 and in ASEAN5 from FY1999. In addition, EU15 is linked to the EU line from FY2004.

Figure 3: Overseas Affiliates by Base Type and Region

(n=600) (No. of companies)

This year's survey															Total
	NIEs3	ASEAN5	China	India, Vietnam & Other Asian Countries	North America	Latin America	EU15	Central & Eastern Europe	Other European Countries	Russia, other CIS	Oceania	Near/Middle East	Africa		
Production Bases	498	1,356	1,750	261	796	235	485	129	17	13	63	19	29	5,651	
Sales Bases	755	852	673	143	655	182	1,056	90	59	35	120	62	39	4,721	
R&D Bases	12	45	56	7	83	3	55	5	0	0	6	0	0	272	
Other	62	154	119	29	254	49	152	4	4	4	29	6	6	872	
Total	1,327	2,407	2,598	440	1,788	469	1,748	228	80	52	218	87	74	11,516	

* "Others" includes supervising, service companies, financial subsidiaries, etc.

<The Classification of Major Regions in This Survey>

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

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

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

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

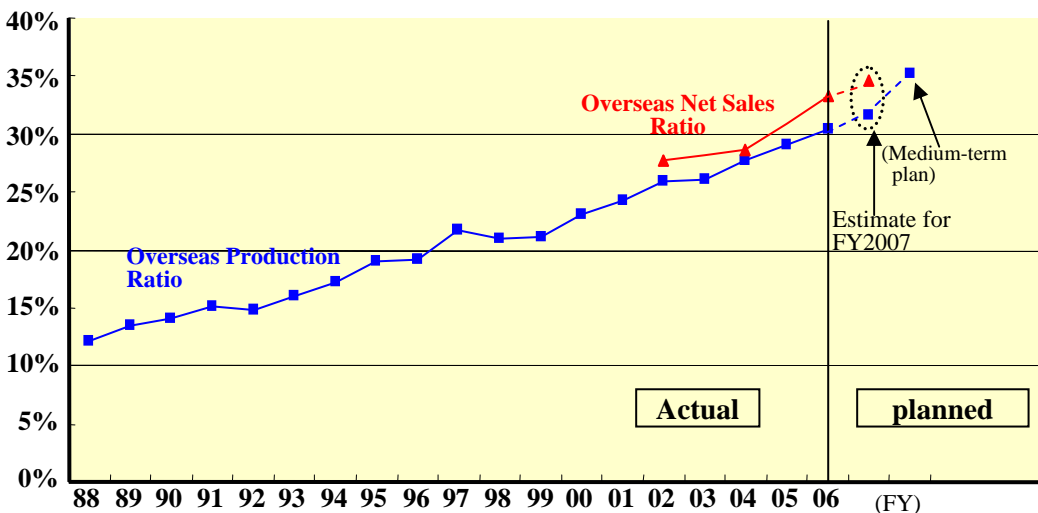


Figure 5: Overseas Production Ratios (major industries)

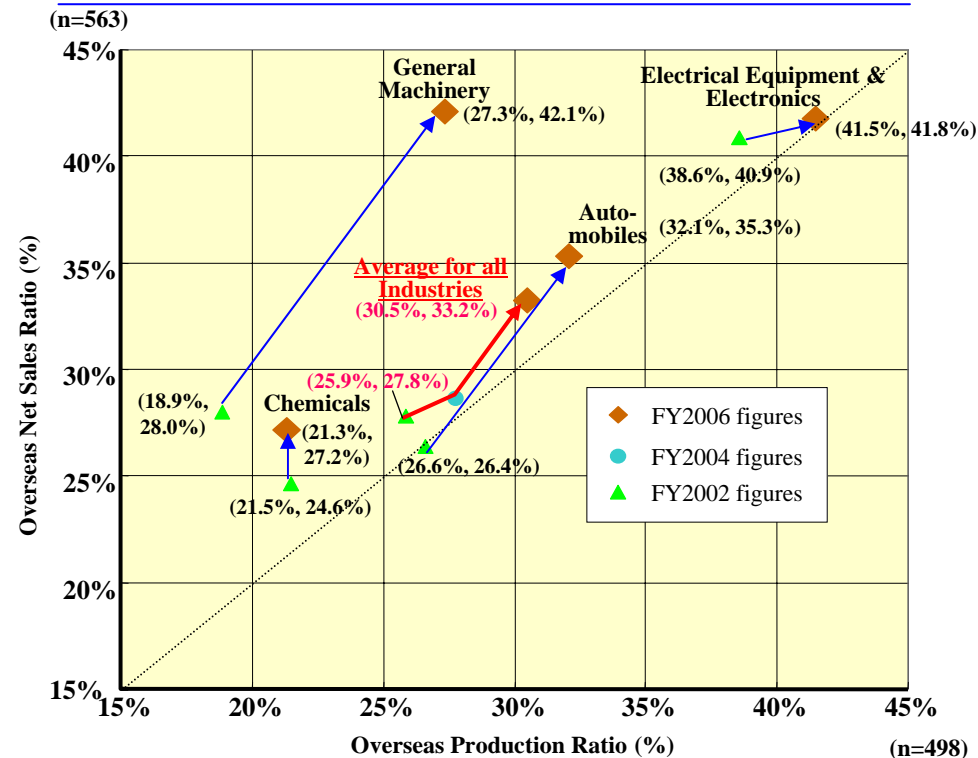
	Respondent Companies	FY2006 Figures	Estimated FY2007 figures	Medium-term plan
All Industries	498	30.5%	31.6%	35.2%
Chemical	65	21.3%	21.9%	25.9%
General Machinery	47	27.3%	29.3%	32.2%
Electrical Equipment & Electronics	91	41.5%	42.5%	45.9%
Automobiles	88	32.1%	34.7%	39.7%

Figure 6: Overseas Net Sales Ratios (major industries)

	Respondent Companies	FY2006 Figures	Estimated FY2007 figures
All Industries	563	33.2%	34.6%
Chemical	78	27.2%	28.7%
General Machinery	51	42.1%	43.6%
Electrical Equipment & Electronics	105	41.8%	43.1%
Automobiles	96	35.3%	37.7%

Notes:
 (1) "Overseas Production Ratio" is defined as (Overseas Production Output)/(Domestic Production Output + Overseas Production Output)
 Not including outsourcing production.
 (2) "Overseas Net Sales Ratio" is defined as (Overseas Net Sales)/(Domestic Net Sales + Overseas Net Sales)

Figure 7: Overseas Production & Net Sales Ratios



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

The ratio of overseas production relative to the total for FY2006 was 30.5%, the highest figure since the surveys began. That ratio is expected to continue to rise in FY2007 and reach 31.6%. The ratio of overseas sales to the total for FY2006 was 33.2%, and also expected to continue growing in FY2007, reaching 34.6%. This means that overseas operations are expected to grow and reach about one-third of business done by Japanese companies.

■ Overseas operations in general machinery and automobile industries showing particularly strong growth

The overseas sales ratio for general machinery, driven by demand from rising countries, has risen dramatically in the period from FY2002 to FY2006, but because some of that is from exports, the overseas production ratio increase is smaller than that in the overseas sales ratio. For automobiles, the rapid expansion of finished car manufacturers throughout the world has contributed to the industry's growth. In the field of electrical equipment and electronics, the ratio of overseas operations itself remains at a high level, because many companies expanded overseas early on, but the extent of growth in recent years has been small.

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

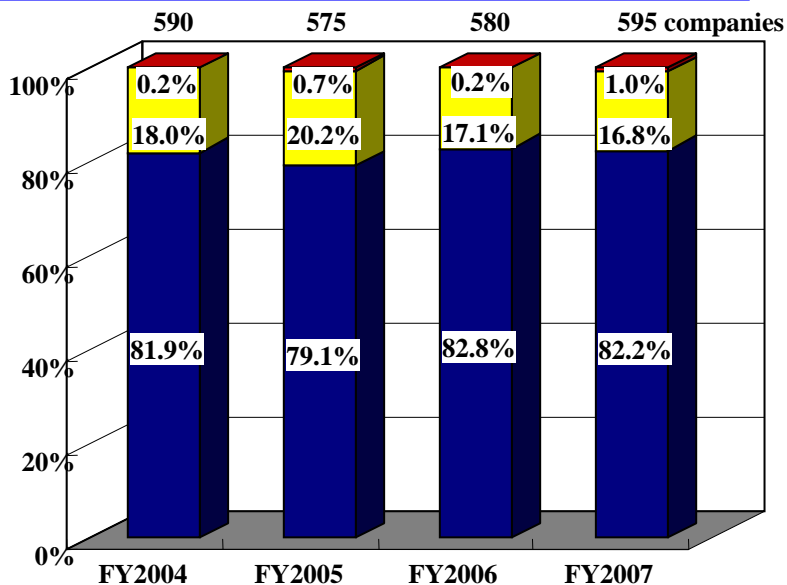
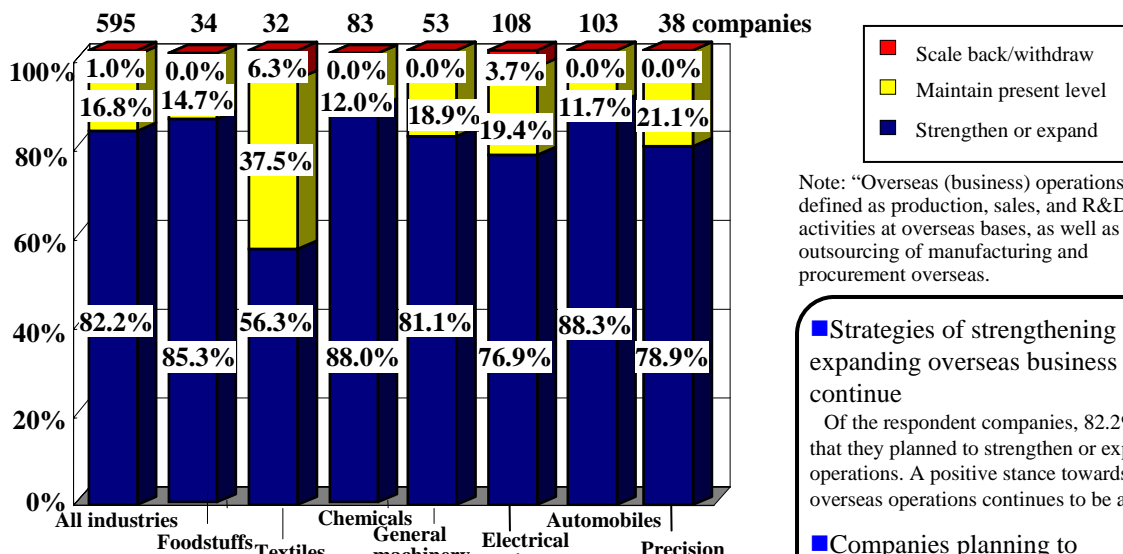


Figure 9: Medium-term Prospects (next 3 yrs. or so) for Overseas Operations (by industry)



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

Strategies of strengthening or expanding overseas business operations continue

Of the respondent companies, 82.2% answered that they planned to strengthen or expand overseas operations. A positive stance towards expansion overseas operations continues to be apparent.

Companies planning to strengthen/expand domestic operations still on the rise

Of the respondent companies, 50.5% said they would strengthen/expand domestic operations. This ratio is on the rise, indicating that more companies are simultaneously planning to expand domestic operations as well.

Focus on automobiles stands out

Among automobile-related companies, 88.3% responded that they would strengthen/expand operations overseas, which is the largest ratio by industry. On the other hand, a mere 36.3% of these companies said they would strengthen or expand domestic operations, which is the lowest ratio by industry. This reflects the current industry-wide trend to aggressively expand overseas to meet strong foreign demand.

Figure 10: Medium-term Prospects (next 3 yrs. or so) for Domestic Operations

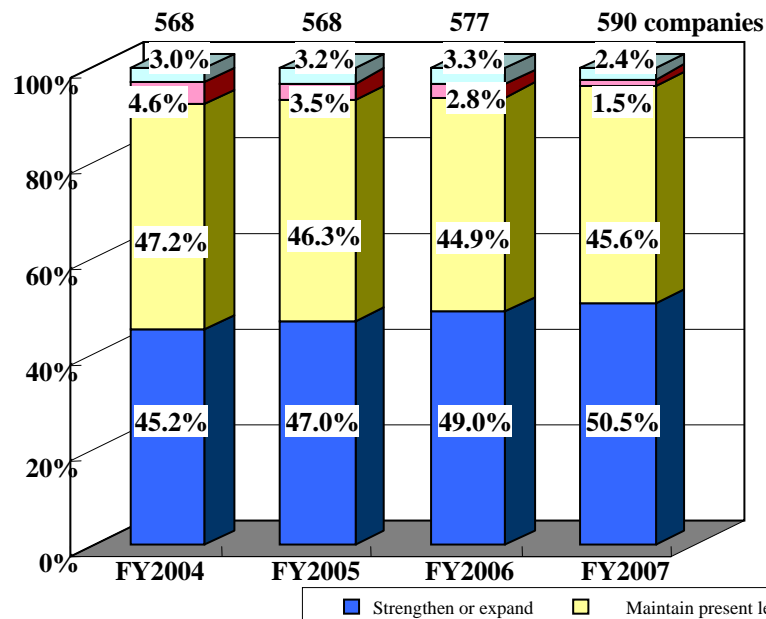


Figure 11: Medium-term Prospects (next 3 yrs. or so) for Domestic Operations (by industry)

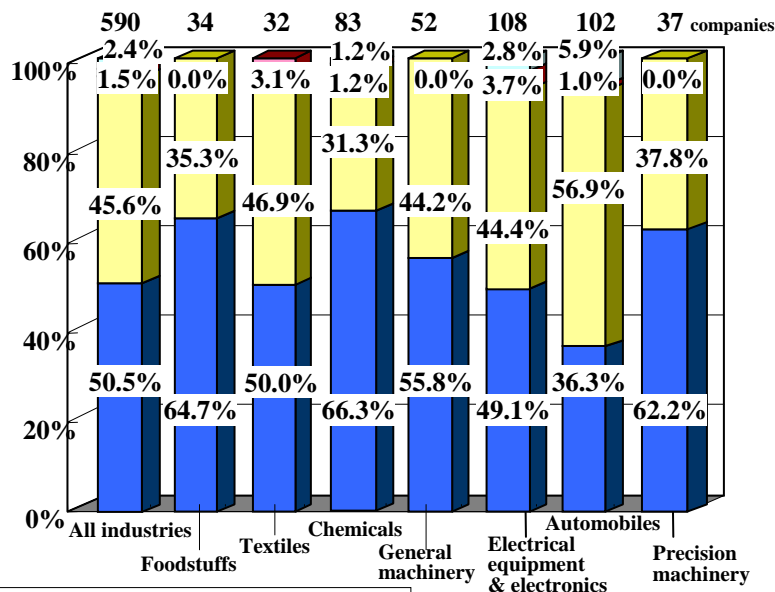
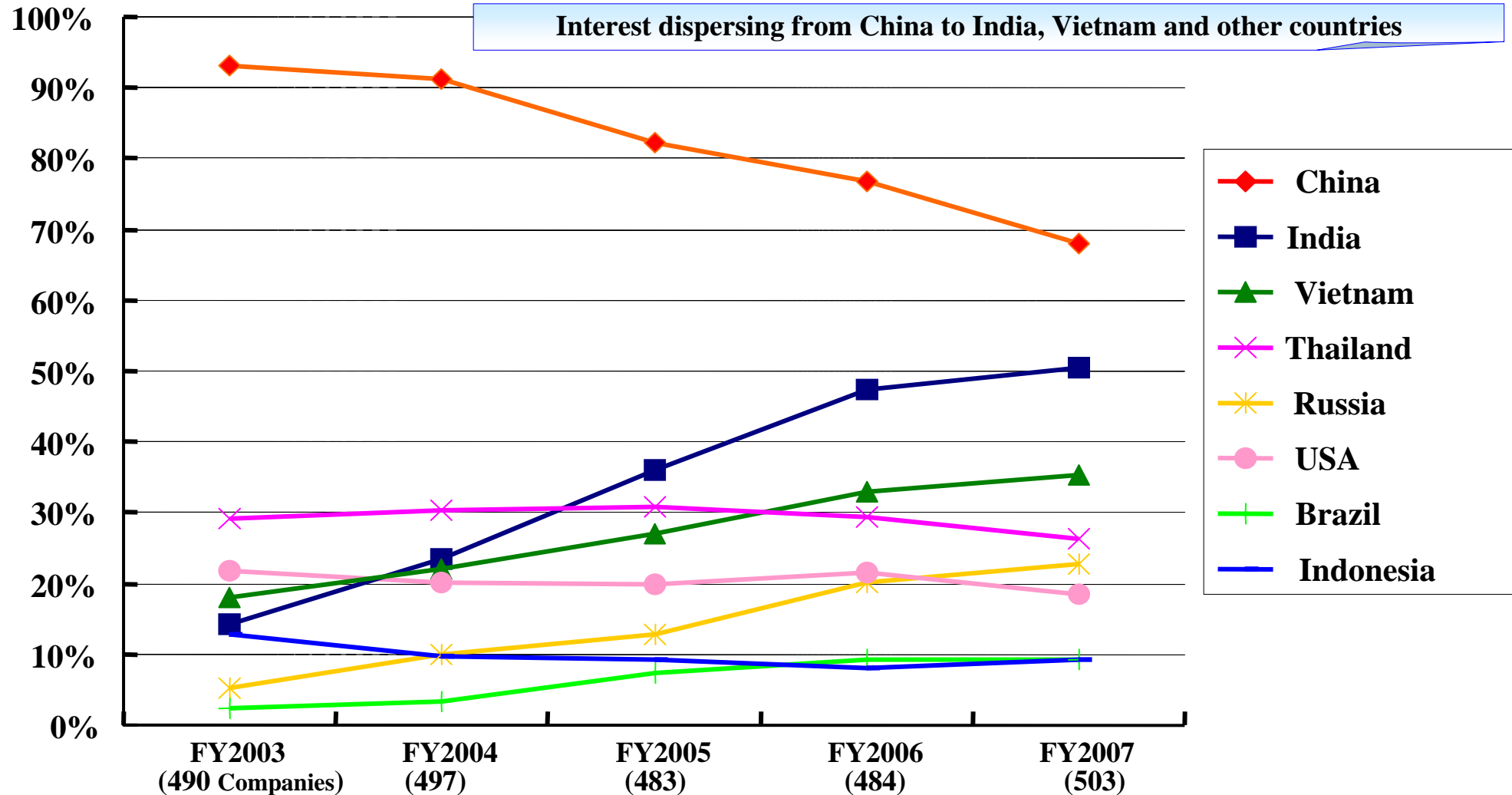


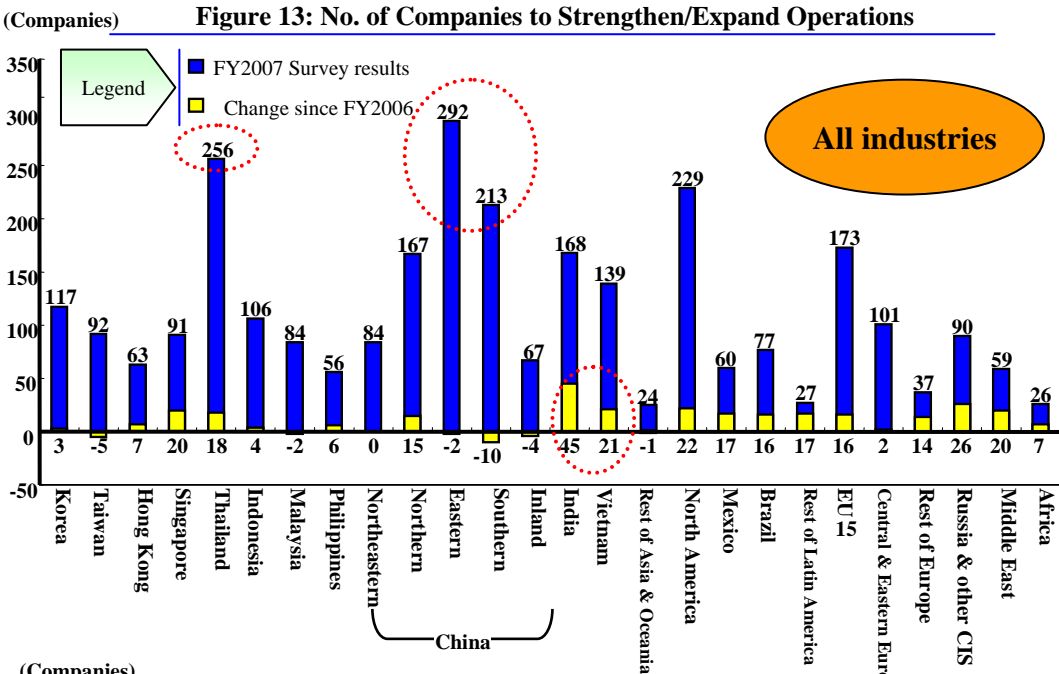
Figure 12: Promising Countries/Regions for Overseas Business over the Medium-term (next 3 yrs. or so): Percentage Shares



Note: The respondents were each asked to name the top five countries that they consider to have promising prospects for business operations over the medium term (the next three years or so). The respondents do not have to have investment plans or bases to name countries. The graph above shows the ratio (percentage share) consisting of the number of quotation of countries or regions shown above divided by the number of responding companies. Parentheses on the horizontal axis indicate the total number of companies that responded (i.e., the denominator)

III. Outlooks for Overseas Business Operations and the Characteristics of Countries Targeted for Investment

(1) Areas for Strengthening/Expansion



- Companies to strengthen operations in coastal China and Thailand. No. of companies to strengthen in China leveling off, spreading out into India and other countries

The total of responses from companies indicating that they plan to strengthen or expand operations in the coastal areas of China far outnumbered similar responses for other countries. However, the number of companies planning to strengthen/expand their operations in China remained basically unchanged from the previous year, while a major increase was seen in respondent companies planning to strengthen or expand operations in India. In addition, there was an increase in the number of companies responding that they planned to strengthen or expand in other rising countries.

- Decreases seen for electrical equipment and electronics (E&E) in Southern China, while Vietnam is running strong

Southern China saw a decrease of seven companies in electrical equipment and electronics as well as 10 fewer companies overall compared with the previous year, with one factor possibly being the changing investment environment. Vietnam was second only to Thailand in the number of companies planning to strengthen or expand operations in Southeast Asia, confirming the popularity of the electrical equipment and electronics industry in that country.

- Among automobile companies, very active prospects in Thailand and Southern China, while those in India are catching up

Thailand accounted for the most responses of companies responding where they planned to strengthen or expand, suggesting that the country is becoming a center for Japanese auto companies. Other than Thailand, many companies responded that they were planning to expand in Southern China and India, reflecting efforts to meet the skyrocketing automobile demands of those two regions.

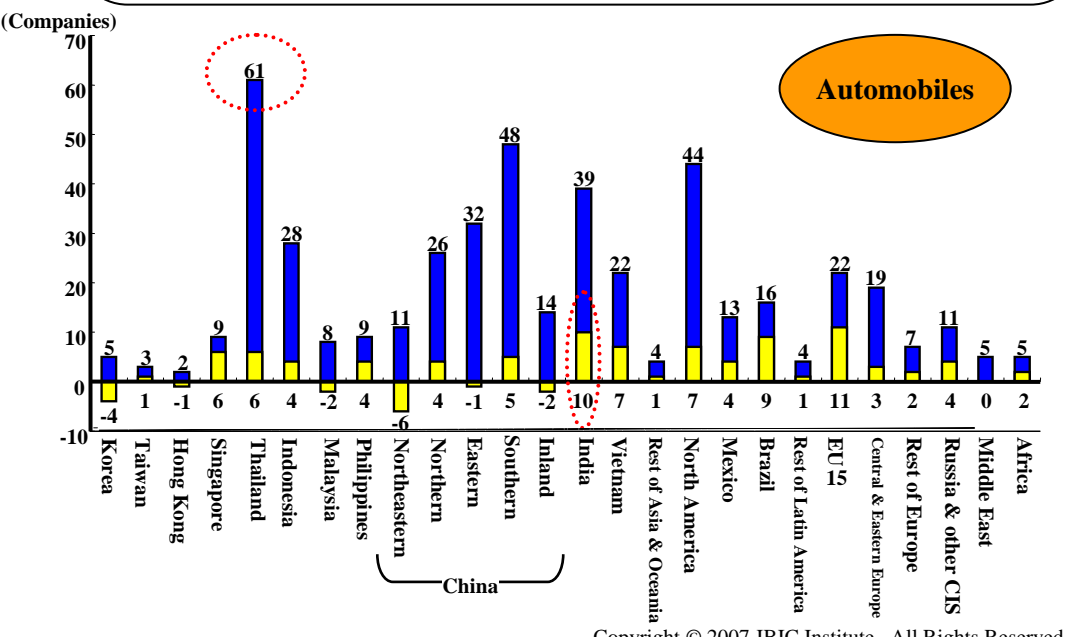
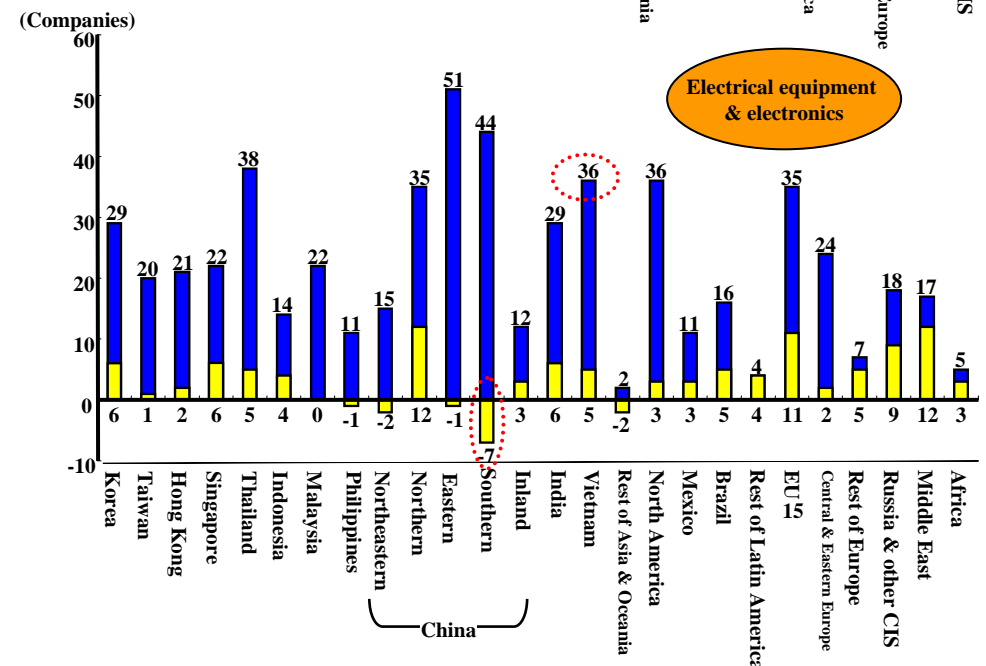


Figure 14: Fields to be Strengthened/Expanded (all industries, multiple answers possible)

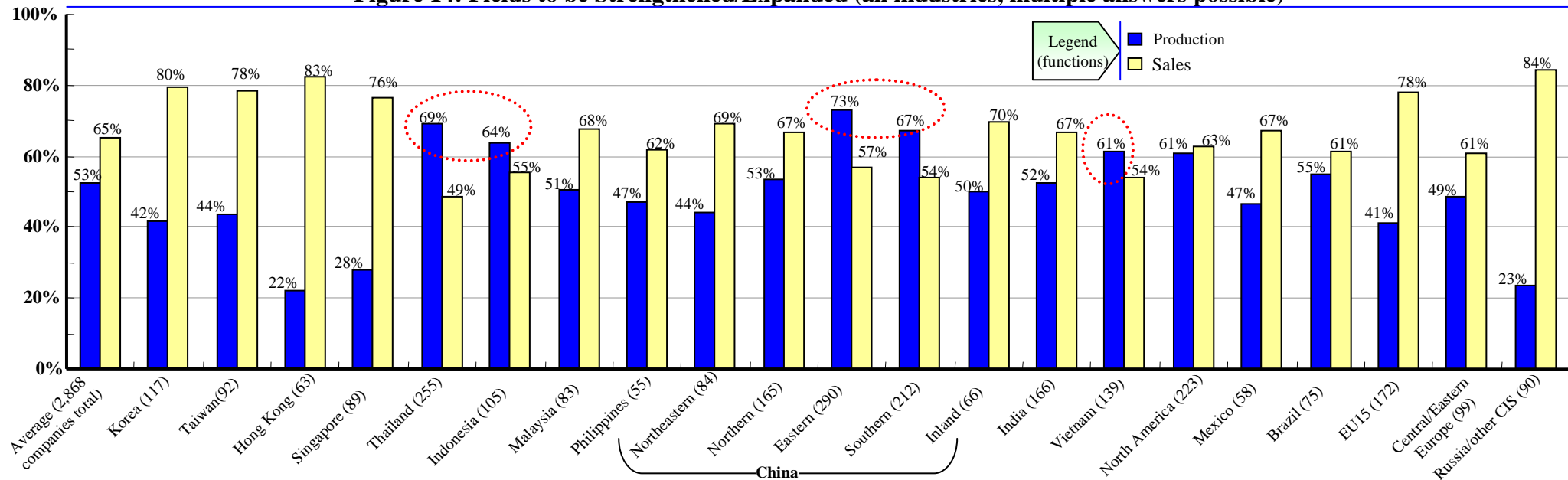


Figure 15: Fields to be Strengthened/Expanded (India)

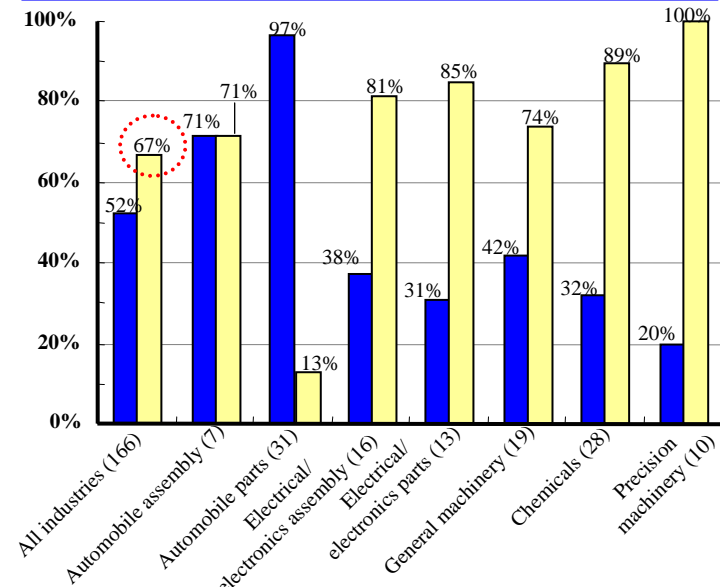
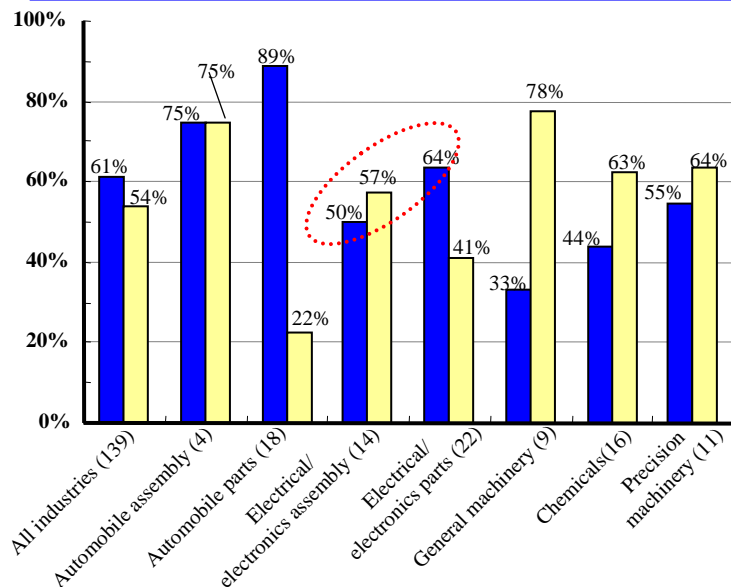


Figure 16: Fields to be Strengthened/Expanded (Vietnam)



■ Strong desires seen to strengthen production functions in Eastern/Southern China, Thailand, Vietnam, Indonesia

Within China, efforts are towards strengthening production functions in Eastern and Southern China, and on strengthening sales functions in Northeast and Inland China. For other Asian countries, moves are focused on strengthening sales functions in mature NIEs, while production functions are being strengthened in Thailand and Vietnam.

■ Sales in India and production in Vietnam

In India, the focus for automobile parts is on strengthening production, while for other industries steps are to begin with sales functions. In Vietnam, moves to strengthen production functions for electrical equipment/electronics in particular are more prominent than in India.

Note: Parentheses on the horizontal axes in the graphs above indicate the total number of companies that responded. Companies answering "strengthen/expand" to the question on the previous page were asked the fields in which they planned to do so (functions or sales), the results of which are shown in the graphs. They were further given multiple choices for each field, and if they chose more than one, their answers were counted as "one company (in the relevant field)".

For medium term prospects for overseas business operations (See Figure 8) for each region, 103 companies answered that they would “scale back or withdraw”.

Figure 17: After Scaling Back/Withdrawing

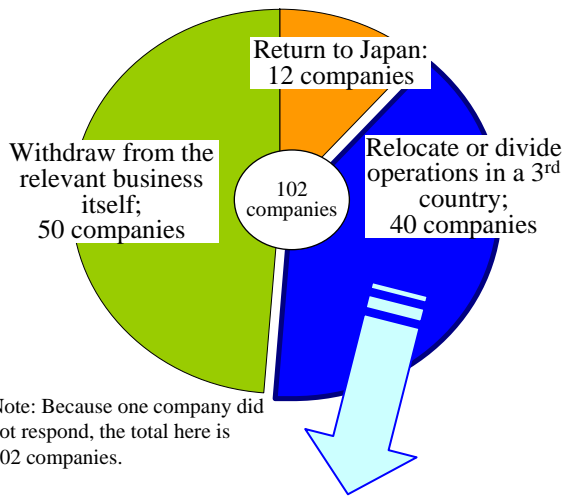


Figure 18: Relocations-List of Origins and Destinations

Relocation origin	Relocation destination	Function	Industry
China (Northern)	Undecided	Production	Electrical/electronics assembly
China (Northern)	China (Eastern)	Production	Other
Indonesia	Thailand	Production	Automobile parts
Indonesia	China	Production	Textiles
Indonesia	China	Production	Electrical/electronics parts
Malaysia	Thailand	Production	Chemicals (non-pharmaceuticals)
Malaysia	Thailand	Production	Electrical/electronics assembly
Malaysia	China, Thailand, Vietnam	Production	Electrical/electronics parts
Malaysia	Undecided	Production	Non-ferrous metals
Malaysia	China	Production	General machinery assembly
Malaysia	China	Production	Electrical/electronics parts
Philippines	Vietnam	Production	Electrical/electronics assembly
Philippines	Undecided	Production	Automobile parts
Philippines	China	Production	Chemicals (non-pharmaceuticals)
Singapore	Malaysia	Production	Metal products
Singapore	China	Production	Electrical/electronics parts
Hong Kong	China	Sales	Other
Hong Kong	China	Sales	Chemicals (non-pharmaceuticals)
Hong Kong	China	Production	Precision machinery assembly
Hong Kong	China	Sales	Electrical/electronics parts
Hong Kong	China	Sales	Electrical/electronics parts

Figure 19: Countries for Scaling Back/Withdraw

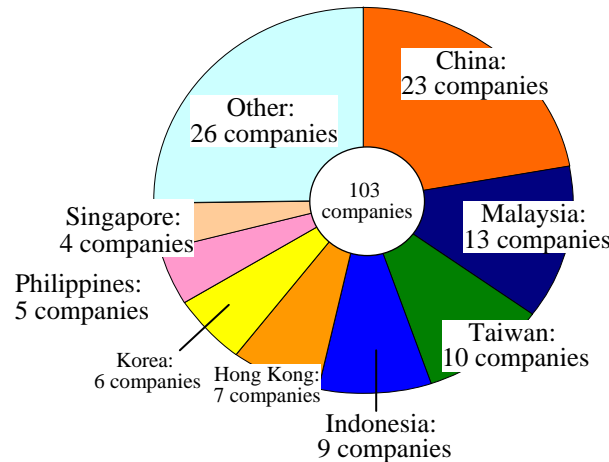
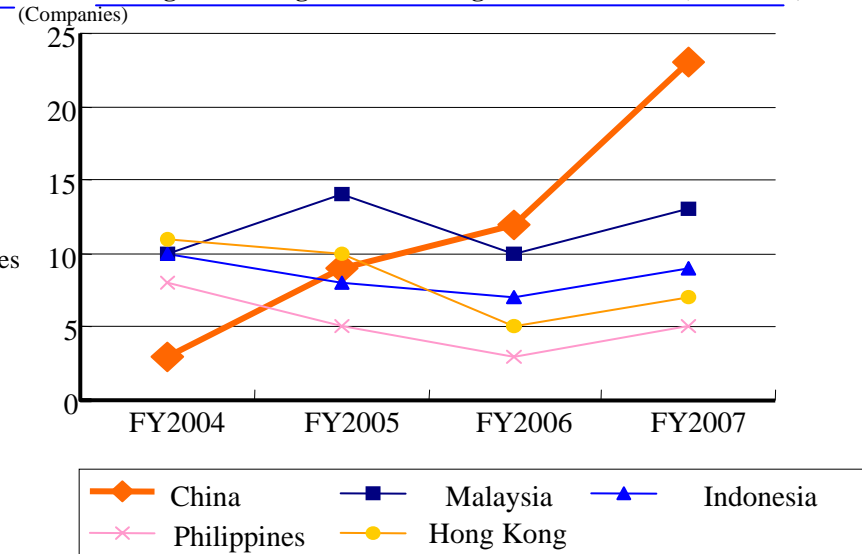


Figure 20: Regions for Scaling Back/Withdraw (over time)



Business operations continue to be relocated to China

Of the 40 companies responding that they were planning on relocating operations, 35 of them had already decided on the destination. Of those 35, 18 of them had chosen China, a figure far outnumbering any other country.

Eliminations of bases in China on the rise with withdraws from low-end operations

Of the 23 companies that responded that they were leaving China, 19 of them were to “scale back or withdraw from the relevant business itself.” Most of these cases were due to withdraws from operations producing low value-added products. These withdraws from low value-added product operations once transferred to China suggest that a certain stage has elapsed in Chinese operations and the business climate is beginning to change.

(1) Profitability for Each Region (comparisons with internal company averages)

Figure 21: Ratio of Companies whose “Overseas business profitability exceeds group average”

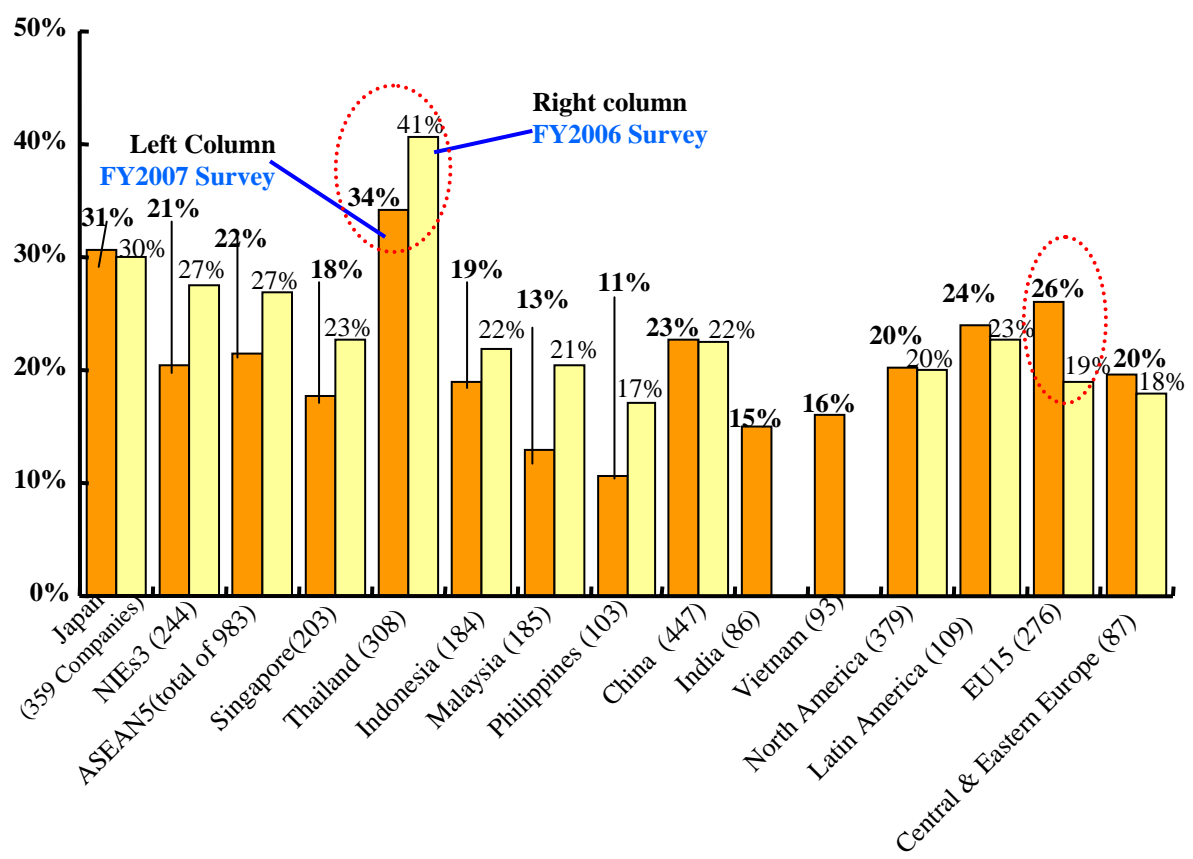
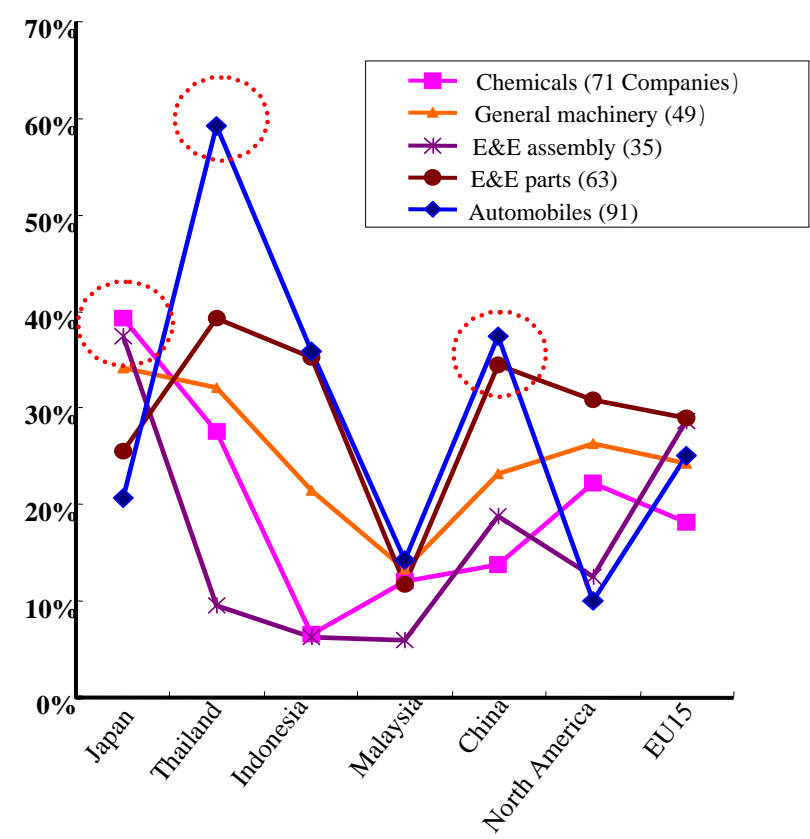


Figure 22: “Overseas business profitability exceeds group average” (companies by industry)



Note 1: The graph above shows the results of a question asking companies whether their operations in the above countries or regions were: (1) “profitable relative to the whole group”, (2) “about the same”, (3) or “lower”; the graph results are based on companies who answered (1).
 Note 2: “ASEAN5” in the graph above shows the weighted averages of responses for the five countries comprising ASEAN5. Question about India and Vietnam were asked for the first time this fiscal year.

■ Profitability of operations in Thailand is high but declined compared with the previous year

In terms of the profitability of overseas operations relative to overall internal group profitability, many companies responded that profitability in Thailand was high, but has decreased in a year-on-year comparison. Automobile-related companies stood out among companies responding that profitability in Thailand was high. Just behind Thailand in responses indicating high rates of profitability was the EU, with ratios showing an increase compared with the previous year.

There were quite a few companies that responded that the profitability of their domestic operations was high compared with that of the group as a whole. This is a reflection of Japan’s steady economic recovery, but it should be noted that many of the companies indicating high levels of domestic profitability are in chemicals, general machinery, and other industries in which exports account for a relatively high portion of sales, suggesting that strong exports are driving the profitability of production bases within Japan.

Evaluations of Profit Satisfaction Levels in Thailand (FY2007)			
	Rising evaluations	Falling evaluations	
All industries	54	77	(Unit: Companies)
General machinery	2	11	
Automobiles	10	17	
Electrical/electronics	10	13	

Evaluations of Profit Satisfaction Levels in EU15 (FY2007)			
	Rising evaluations	Falling evaluations	
All industries	62	49	(Unit: Companies)
General machinery	12	5	
Foodstuffs	5	0	

Figure 23: Reasons for “Unsatisfactory” Profits in Thailand (all industries)

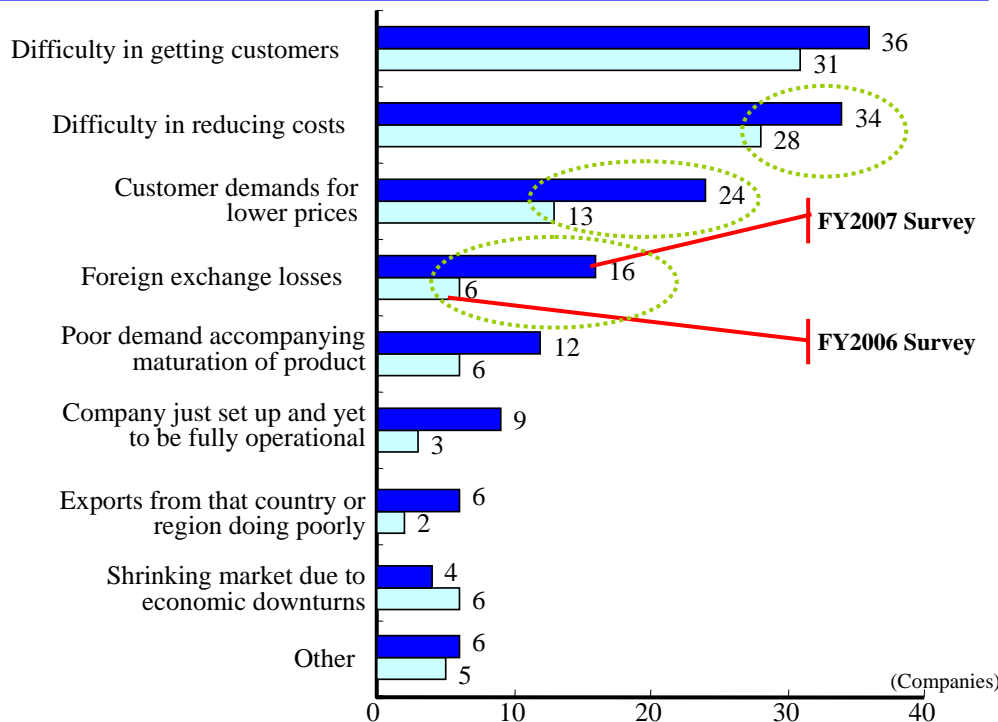
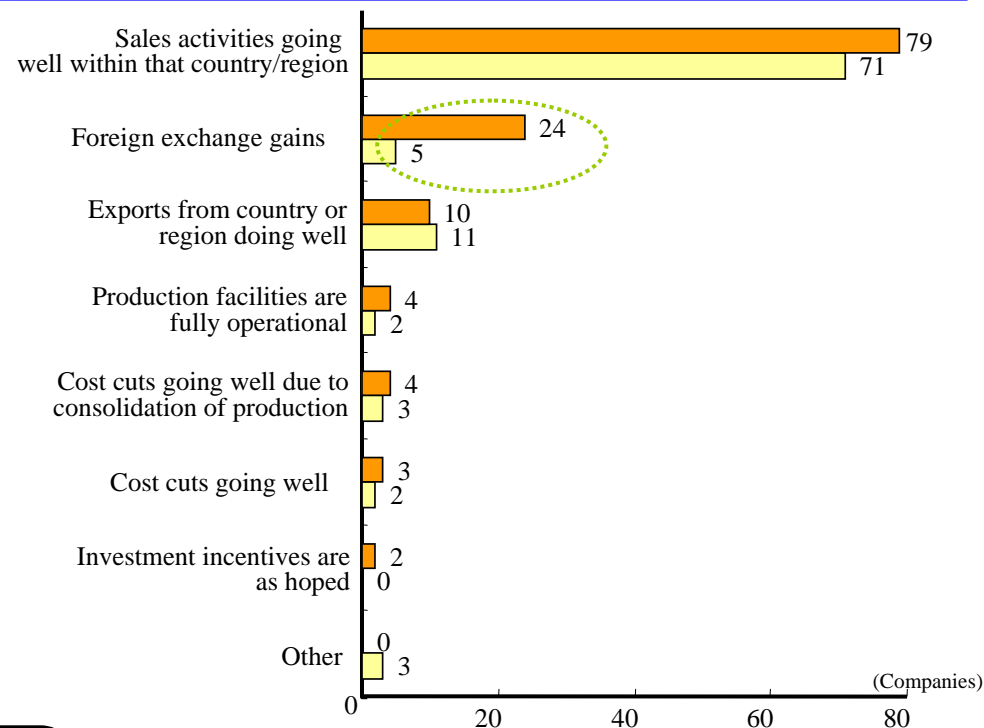


Figure 24: Reasons for “Satisfactory” Profits in EU (all industries)



■ Effects felt of rising costs in Thailand that cannot yet be passed on to consumers in addition to a strong baht

Factors contributing to declining profitability in the automobile sector include the fact that rising costs cannot be reflected in sales prices and the effects of a strong baht on exports. For general machinery, capital investment by Japanese automobile-related companies in Thailand has come full circle, leading to a drop in demand.

■ Benefits from a strong euro in the EU

Factors behind high profitability, especially in general machinery and other export-centered companies, include foreign exchange gains from a strong euro and increased sales.

► See Appendix 2 for detailed data on evaluations of satisfaction levels for net sales/profits

Note 1: For “Evaluations of Profit Satisfaction Levels” in this survey, companies were asked to evaluate performance of the relevant year with respect to initial earnings targets by responding from the following choices: “5: Satisfactory”, “4: Somewhat satisfactory”, “3: Can’t say either way”, “2: Somewhat unsatisfactory”, and “1: Unsatisfactory”. The question for this year’s survey was asked concerning FY2006 performance. The boxes above indicate the totals of rises or falls from the previous year’s survey for companies responding to the same question two years in a row.

Note 2: The reasons for dissatisfaction or satisfaction with profits are reasons given to questions about the country or region for which companies answered 1 or 2 (unsatisfactory) and 4 or 5 (satisfactory).

III. 3. Promising Countries/Regions for Overseas Business Operations (1) Rankings & the Existence of Real Business Plans

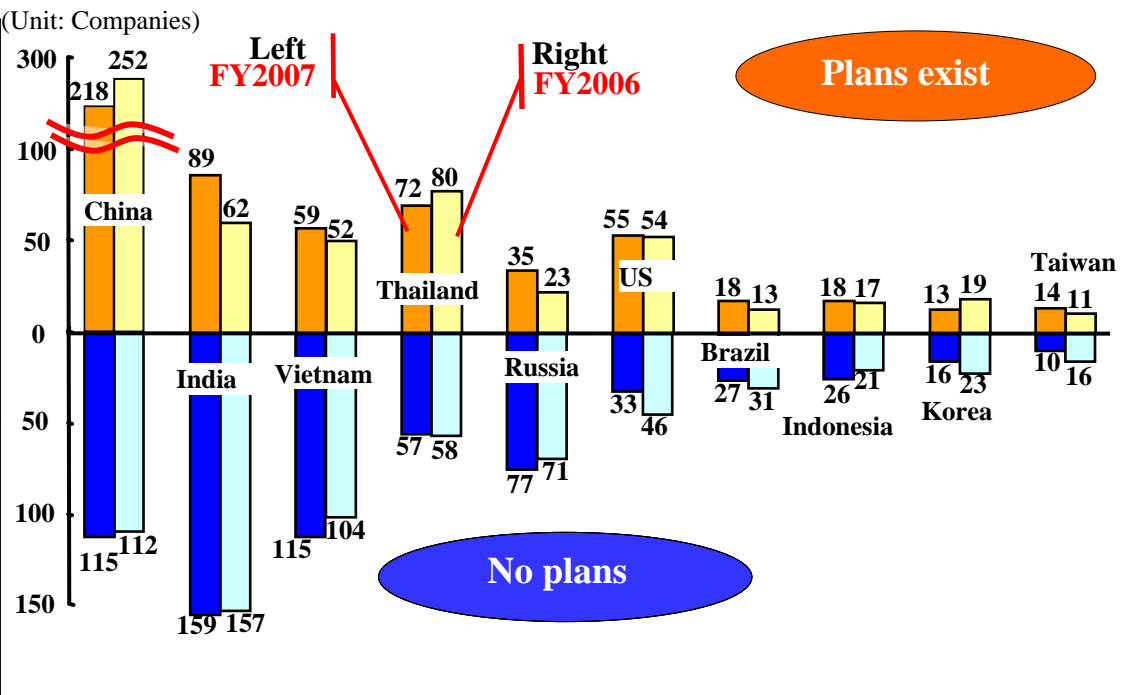
Figure 25: Promising Countries/Regions for Overseas Business Operations over the Medium-term (next 3 yrs. or so) (multiple response)
(See Appendix 3 for pre-FY2006 results)

Note: left column = respondent companies; right column = percentage share

Ranking	This year's survey	(Companies) 503	percentage share (%)	FY2006 Survey	(Companies) 484	percentage share (%)
1 st	China	342	68	China	372	77
2 nd	India	254	50	India	229	47
3 rd	Vietnam	178	35	Vietnam	159	33
4 th	Thailand	132	26	Thailand	142	29
5 th	Russia	114	23	United States	104	21
6 th	United States	93	18	Russia	98	20
7 th	Brazil	47	9	Brazil	45	9
8 th	Indonesia	46	9	Korea	44	9
9 th	Korea	32	6	Indonesia	39	8
10 th	Taiwan	24	5	Taiwan	27	6
11 th	Malaysia	21	4	Malaysia	22	5
12 th	Mexico	21	4	Germany	15	3
13 th	Philippines	15	3	Poland	15	3
14 th	Germany	15	3	Czech Republic	15	3
15 th	Czech Republic	13	3	Mexico	14	3
16 th	England	10	2	Philippines	12	2
17 th	Turkey	10	2	England	12	2
18 th	Hong Kong	8	2	Hungary	8	2
19 th	Australia	8	2	Canada	6	1
20 th	Poland	8	2	Australia	6	1
21 st	Saudi Arabia	8	2			

Notes:
 1: The respondents were each asked to name the top five countries that they consider to have promising prospects for business operations over the medium term (the next three years or so), regardless of the existence or absence of bases or business plans. The table above shows the number of quotation of the countries or regions (no. of responses) and ratio (percentage share) consisting of that number divided by the number of responding companies
 2: In addition to the countries/regions listed above, the following regions also gained responses: EU/Europe/Western Europe (36 responses, 7% of the total); North America (36 responses, 7%); Eastern Europe/Central and Eastern Europe (23 responses, 5%); Middle East (11 responses, 2%).

Figure 26: Existence of Concrete Business Plans for Promising Countries/Regions



■ Maturation of China and emergence of India

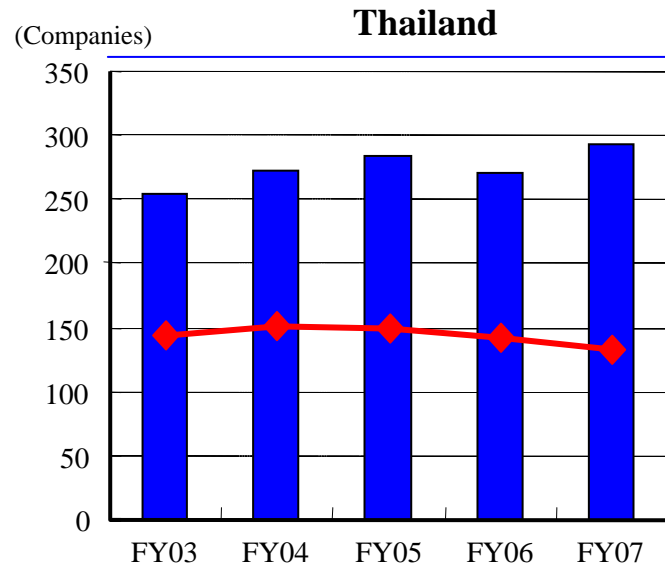
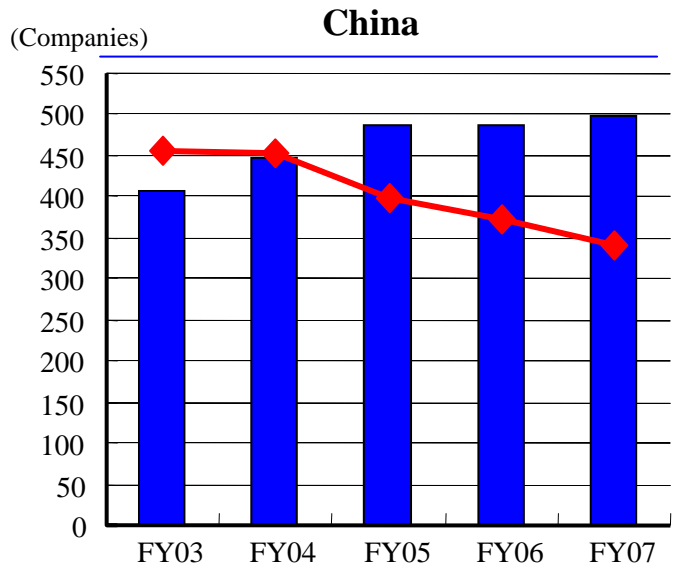
China still maintains the top position, but its percentage share has decreased by 9% from the previous year, falling to 68%. China has seen a decline for four years straight since its peak in 2003 (93%), for a total decrease of 25% since then. Many companies have already established a presence in China, and one reason for the drop may be the increase in companies waiting to see how the economy, investment climate and related factors change before expanding further. This also agrees with the sentiments that monetary amounts invested in China have plateaued and that movement into China has settled down for the time being.

More companies responded that “investment plans exist” for India, and this is tying in to real investment at an accelerated pace. By industry, automobile-related companies show a particularly positive stance. India overtook China for the first time as a promising country for overseas business over the long term (see p.29) and is increasingly gaining attention.

■ Vietnam and Russia increase their percentage shares

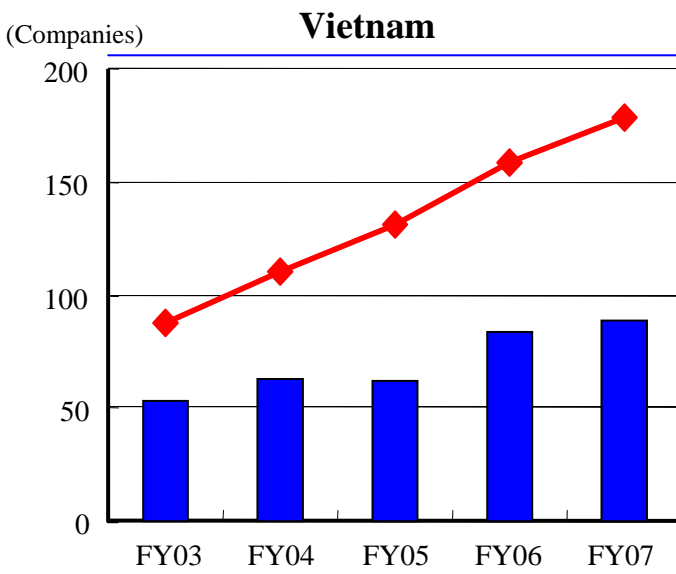
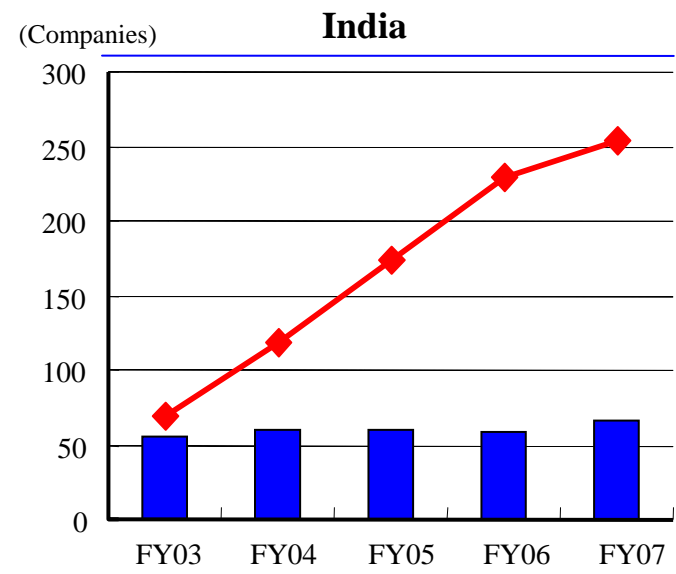
Vietnam has maintained its level of interest, particularly for the electrical equipment and electronics industry, and increased its percentage share. Russia increased its percentage share due to future market potential, but real investment remains at a low level.

Figure 27: Percentage Shares for Promising Countries for Overseas Operations and the No. of Companies with Production Bases there



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

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



■ Businesses in China and Thailand being cultivated more deeply, while India and Vietnam gain attention as new destinations

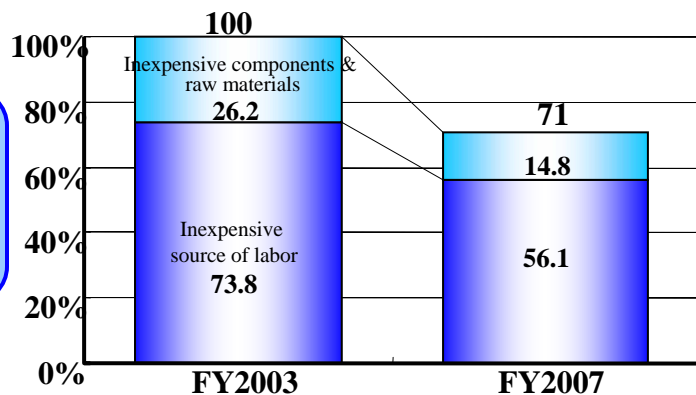
Although responses citing China as a promising country for overseas operations have decreased, the number of companies with production bases there is steadily increasing. About 80% of the 600 respondent companies have production bases there, and it is an extremely important destination for overseas expansion for Japanese companies.

Although companies citing Thailand as a promising overseas destination have reached a plateau in terms of numbers, about 50% of respondent companies already have production bases there, making it a core of operations in Southeast Asia.

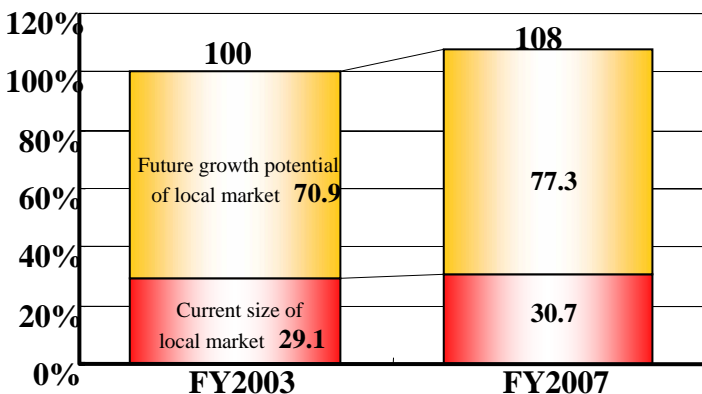
The ratios of companies owning production bases in India and Vietnam remain at a mere 10% and 15% respectively, actual moves into these countries are expected to pick up in the near future.

Figure 28: Ratio of Reasons Cited for Being Promising (average for all reasons, percentages relative to FY2003 levels of same)

Low-cost Operations



Local Market



Overall Investment Climate

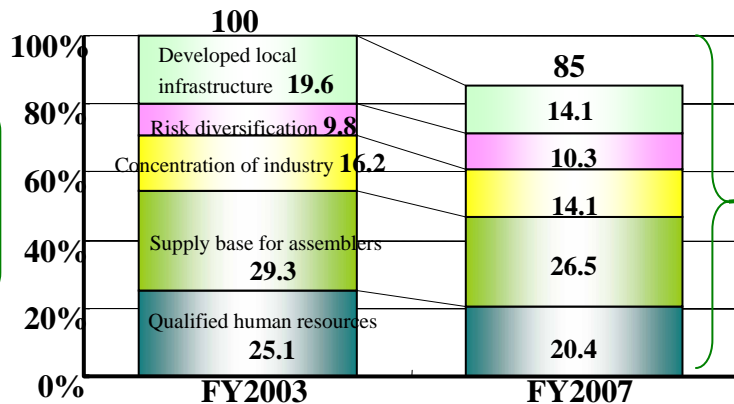
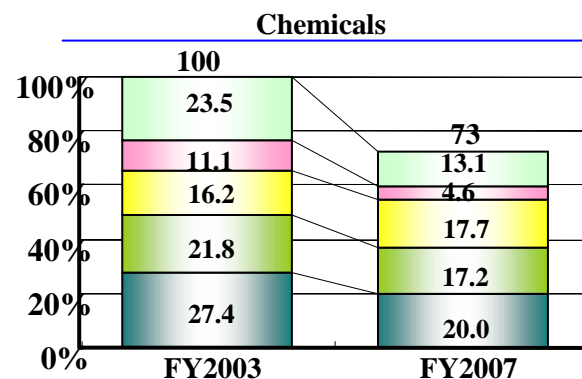
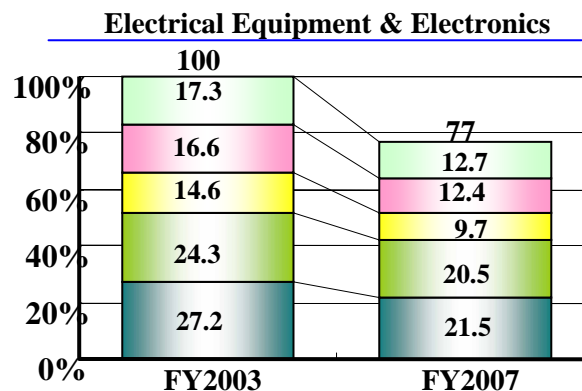
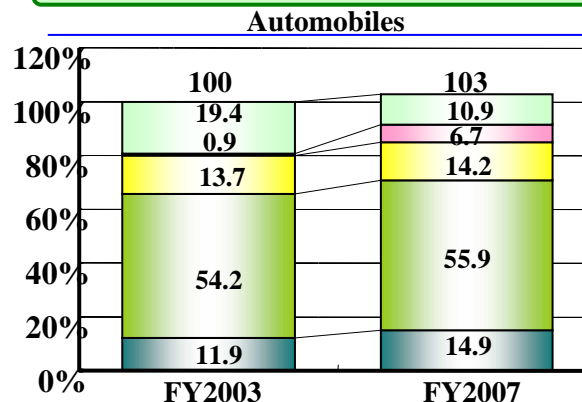


Figure 29: Overall Investment Climate (by industry)



Change of focus from low-cost to local markets

As a main reason for considering a promising country for overseas operations, the citation of "inexpensive source of labor" and other items related to low-cost operation decreased, while citations related to the local market such as "future growth potential of the market" increased. This indicates changing motives of Japanese manufacturers for moving operations overseas.

Overall investment climate is also an important factor when setting up bases for production

In the automobile industry, which has seen the largest portion of production bases set up in recent years, overall investment climates continue to be important.

China

Reasons

	No. of companies	Ratio
(Total number of respondent companies: 336)		
1. Future growth potential of local market	268	79.8
2. Inexpensive source of labor	169	50.3
3. Current size of local market	101	30.1
4. Supply base for assemblers	95	28.3
5. Inexpensive components & raw materials	83	24.7

Issues

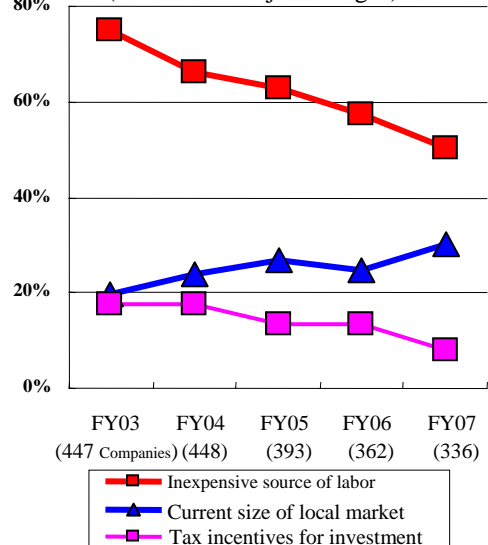
	No. of companies	Ratio	(Most pressing issues)
(Total number of respondent companies: 325)			
1. Execution of legal system unclear	211	64.9	1. Execution of legal system unclear
2. Insufficient protection for intellectual property rights	177	54.5	2. Intense competition with other companies
3. Rising labor costs	174	53.5	3. Rising labor costs
4. Intense competition with other companies	146	44.9	4. Insufficient protection for intellectual property rights
5. Execution of tax system unclear	127	39.1	5. Increased taxation

India

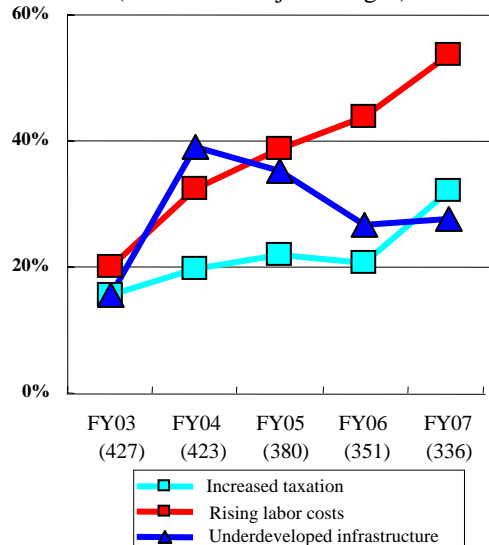
	No. of companies	Ratio
(Total number of respondent companies: 246)		
1. Future growth potential of local market	208	84.6
2. Inexpensive source of labor	117	47.6
3. Qualified human resources	73	29.7
4. Supply base for assemblers	57	23.2
5. Current size of local market	37	15.0

	No. of companies	Ratio	(Most pressing issues)
(Total number of respondent companies: 207)			
1. Underdeveloped infrastructure	112	54.1	1. Underdeveloped infrastructure
2. Execution of legal system unclear	56	27.1	2. Intense competition with other companies
3. Intense competition with other companies	50	24.2	3. Lack of information on the country
4. Labor problems	49	23.7	4. Labor problems
5. Lack of information on the country	48	23.2	5. Execution of legal system unclear
			5. Security/social instability

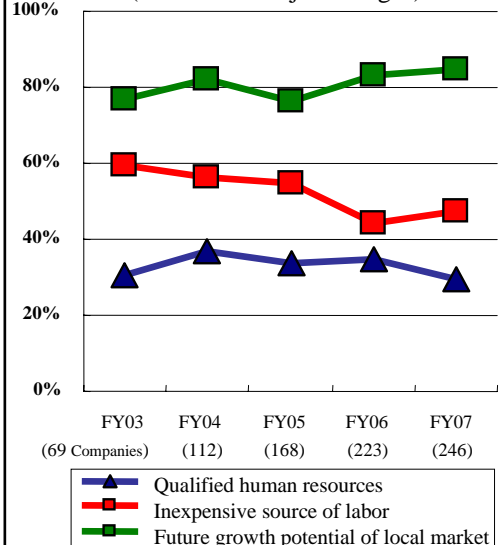
Reasons for China being promising (Items with major changes)



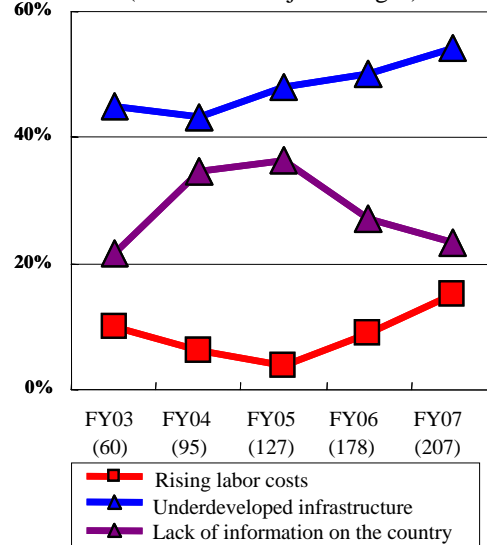
Issues faced in China (Items with major changes)



Reasons for India being promising (Items with major changes)



Issues faced in India (Items with major changes)



While the market is viewed as having a high potential for growth, concerns over the protection of intellectual property rights continue to be cited as a major issue. Companies who find the Inexpensive source of labor and investment incentives appealing are on the decline, reflecting the change in China's investment climate in terms of production bases. On the other hand, More companies have positive views regarding the current size of China's market.

India gets higher marks than other countries for local market growth potential and qualified human resources. Many automobile companies point out India's high potential as a supply base for assemblers. As more information is gathered on India, which was once lacking, there is a growing awareness of India's underdeveloped infrastructure. On the other hand, relatively few companies cited concerns about intellectual property rights protection.

Reasons

Vietnam

(Total number of respondent companies: 176)

	No. of companies	Ratio
1. Inexpensive source of labor	125	71.0
2. Future growth potential of local market	94	53.4
3. Good for risk diversification	64	36.4
4. Qualified human resources	55	31.3
5. Base of export to third countries	35	19.9
5. Social/political situation stable	35	19.9

Issues

(Total number of respondent companies: 142)

	No. of companies	Ratio	(Most pressing issues)
1. Underdeveloped infrastructure	68	47.9	1. Underdeveloped infrastructure
2. Difficult to secure management-level staff	56	39.4	2. Difficult to secure management-level staff
3. Underdeveloped local supporting industries	50	35.2	3. Underdeveloped local supporting industries
4. Underdeveloped legal system	49	34.5	4. Execution of legal system unclear
5. Execution of legal system unclear	49	34.5	5. Intense competition with other companies

Thailand

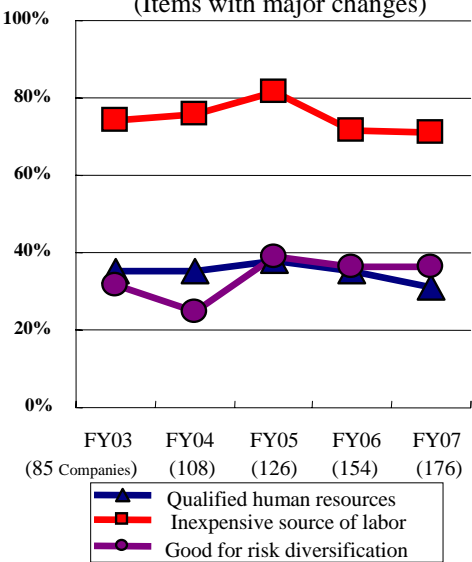
(Total number of respondent companies: 130)

	No. of companies	Ratio
1. Inexpensive source of labor	63	48.5
2. Future growth potential of local market	62	47.7
3. Supply base for assemblers	43	33.1
4. Concentration of industry	42	32.3
5. Current size of local market	37	28.5

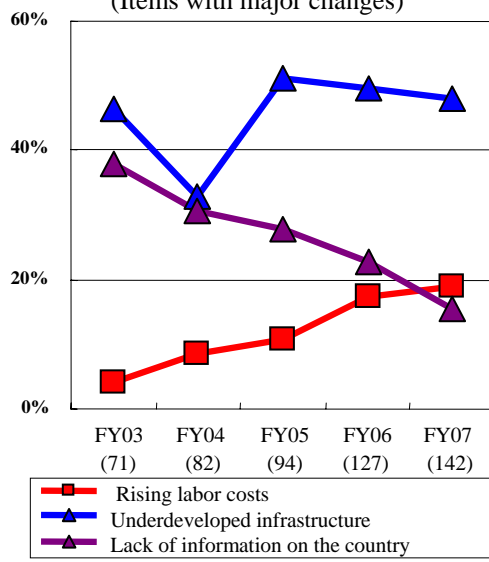
(Total number of respondent companies: 112)

	No. of companies	Ratio	(Most pressing issues)
1. Intense competition with other companies	48	42.9	1. Intense competition with other companies
2. Rising labor costs	43	38.4	2. Difficult to secure management-level staff
3. Difficult to secure management-level staff	41	36.6	3. Rising labor costs
4. Difficult to secure technical/engineering staff	27	24.1	4. Restrictions on foreign currency/transfers of money overseas
5. Security/social instability	26	23.2	5. Difficult to secure technical/engineering staff

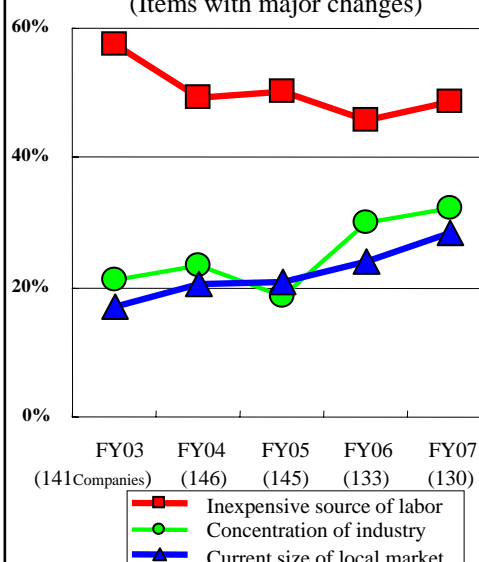
Reasons for Vietnam being promising (Items with major changes)



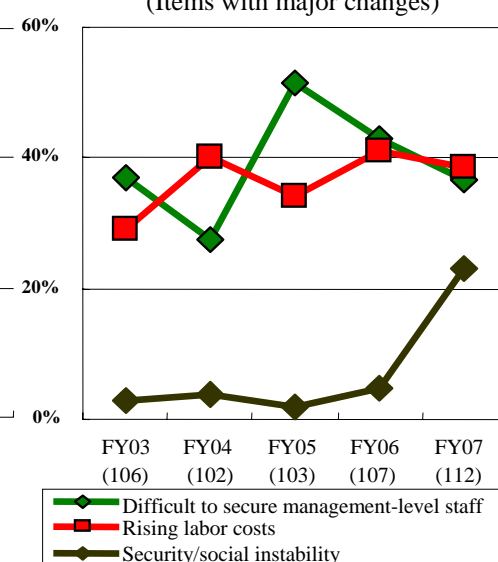
Issues faced in Vietnam (Items with major changes)



Reasons for Thailand being promising (Items with major changes)



Issues faced in Thailand (Items with major changes)



■ As a location for production bases, the inexpensive and qualified source of labor in Vietnam is highly rated. It is also among the top places to invest in to avoid an overconcentration in China.
 ■ The problem of a lack of information is gradually being solved, but at the same time the problems of an underdeveloped infrastructure and lack of management-level personnel are cited at a high rate.

■ Positive views due to market growth and industry concentration are on the rise, and the country is maturing as a target for investment.
 ■ Sharp increases in labor costs and difficulty in securing personnel are frequently cited. And while it has not diminished its popularity, the safety/sociopolitical issue has gone from a strength to a matter of concern.

Russia

Reasons

(Total number of respondent companies: 111)	No. of companies	Ratio
1. Future growth potential of local market	99	89.2
2. Supply base for assemblers	20	18.0
3. Current size of local market	17	15.3
4. Inexpensive source of labor	14	12.6
5. Profitability of local market	8	7.2

Issues

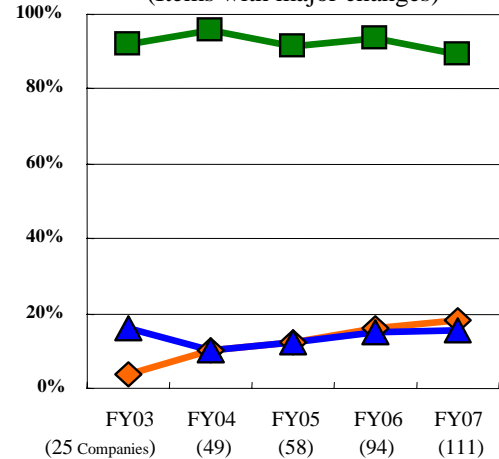
(Total number of respondent companies:101)	No. of companies	Ratio	(Most pressing issues)
1. Execution of legal system unclear	48	47.5	1. Lack of information on the country
2. Security/social instability	40	39.6	2. Intense competition with other companies
3. Lack of information on the country	34	33.7	3. Execution of legal system unclear
4. Underdeveloped legal system	29	28.7	4. Security/social instability
5. Intense competition with other companies	26	25.7	5. Underdeveloped legal system

Brazil

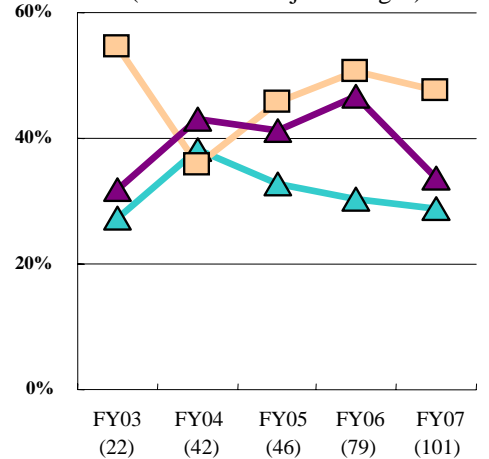
(Total number of respondent companies: 47)	No. of companies	Ratio
1. Future growth potential of local market	36	76.6
2. Inexpensive source of labor	15	31.9
3. Supply base for assemblers	12	25.5
4. Base of export to third countries	9	19.1
5. Current size of local market	9	19.1

(Total number of respondent companies: 40)	No. of companies	Ratio	(Most pressing issues)
1. Security/social instability	20	50.0	1. Security/social instability
2. Intense competition with other companies	17	42.5	2. Intense competition with other companies
3. Sense of instability regarding currency and/or costs	13	32.5	3. Lack of information on the country
4. Execution of legal system unclear	12	30.0	4. Restrictions on foreign currency/transfers of money overseas
5. Difficult to secure management-level staff	9	22.5	5. Import restriction and customs procedures
5. Rising labor costs	9	22.5	5. Rising labor costs
5. Underdeveloped infrastructure	9	22.5	5. Sense of instability regarding currency and/or costs

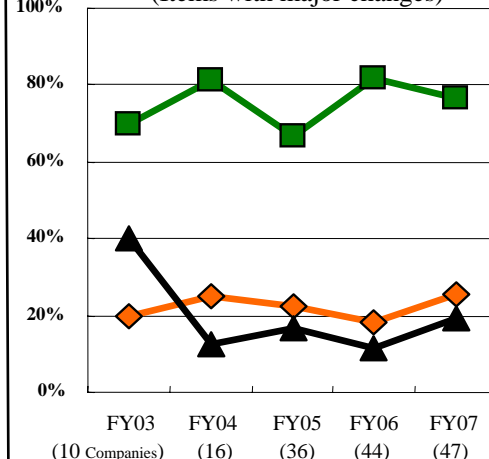
Reasons for Russia being promising (Items with major changes)



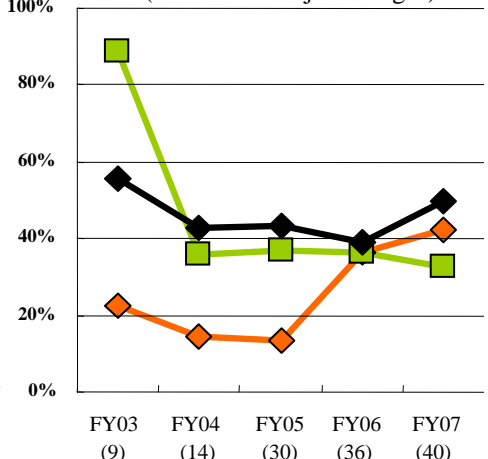
Issues faced in Russia (Items with major changes)



Reasons for Brazil being promising (Items with major changes)



Issues faced in Brazil (Items with major changes)



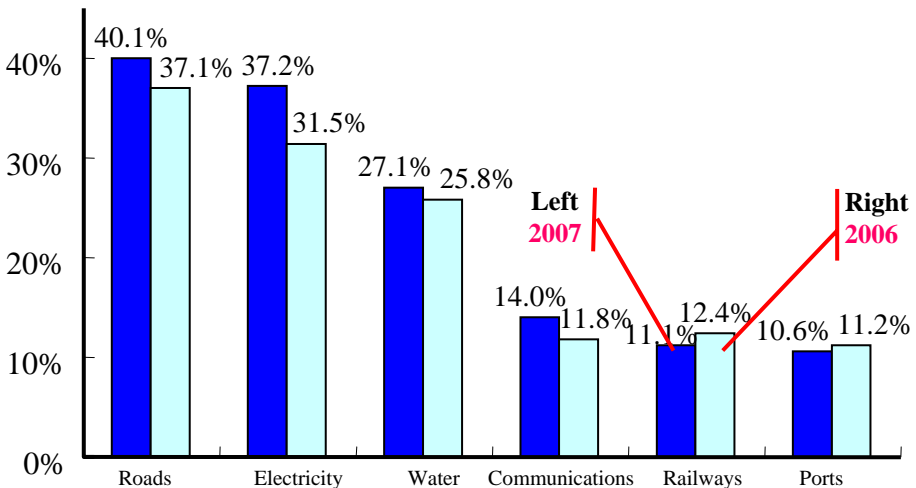
While the growth potential of the local market is highly rated as a reason for being promising, other items receive low ratings, and it is seen by most as a consumer market. Although fewer companies consider the legal system underdeveloped, many still point out that its execution is not transparent. In addition, many cite security/social instability as an issue.

The growth potential of the local market is by far the biggest reason for Brazil being a promising country. Some also list its potential as a supply base for automobile assemblers. Many companies cited security/social instability, instability regarding the currency and prices, and other related political/macroeconomic issues.

Figure 30: Underdeveloped Infrastructure (multiple responses)

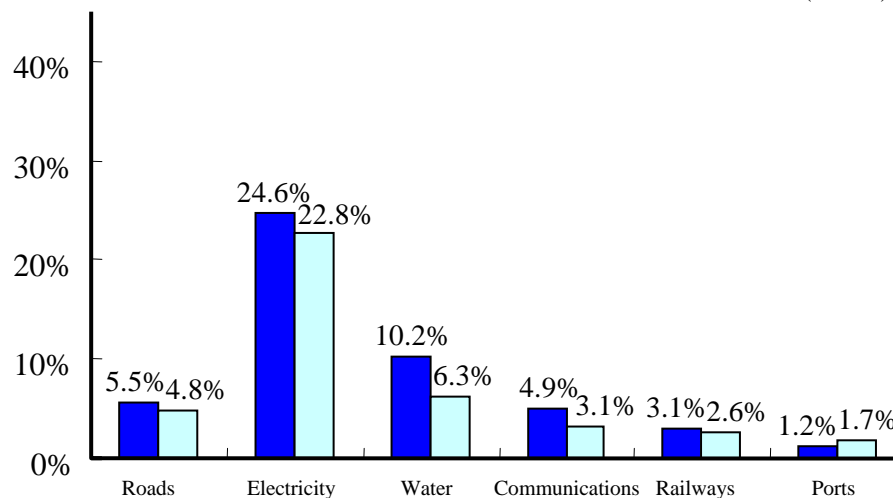
India

(n=207)



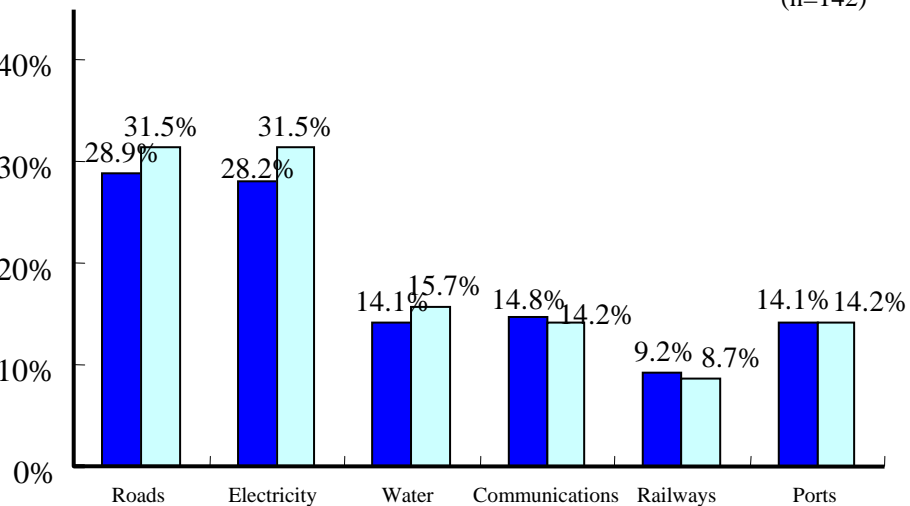
China

(n=325)



Vietnam

(n=142)



Note: These graphs represent which elements of infrastructure were thought to be underdeveloped by companies that chose “underdeveloped infrastructure” as a response to questions about “issues in promising countries”. The percentages in the graphs were calculated by dividing the number for each by the total number of companies giving answers to the “issues in promising countries” question.

■ Many infrastructure-related issues cited for India

Roads, electricity and water in particular were listed as issues that need to be addressed. As the problem of insufficient information is solved and companies are beginning to study actually investing in India, the infrastructure issue is coming to be viewed as a very real problem.

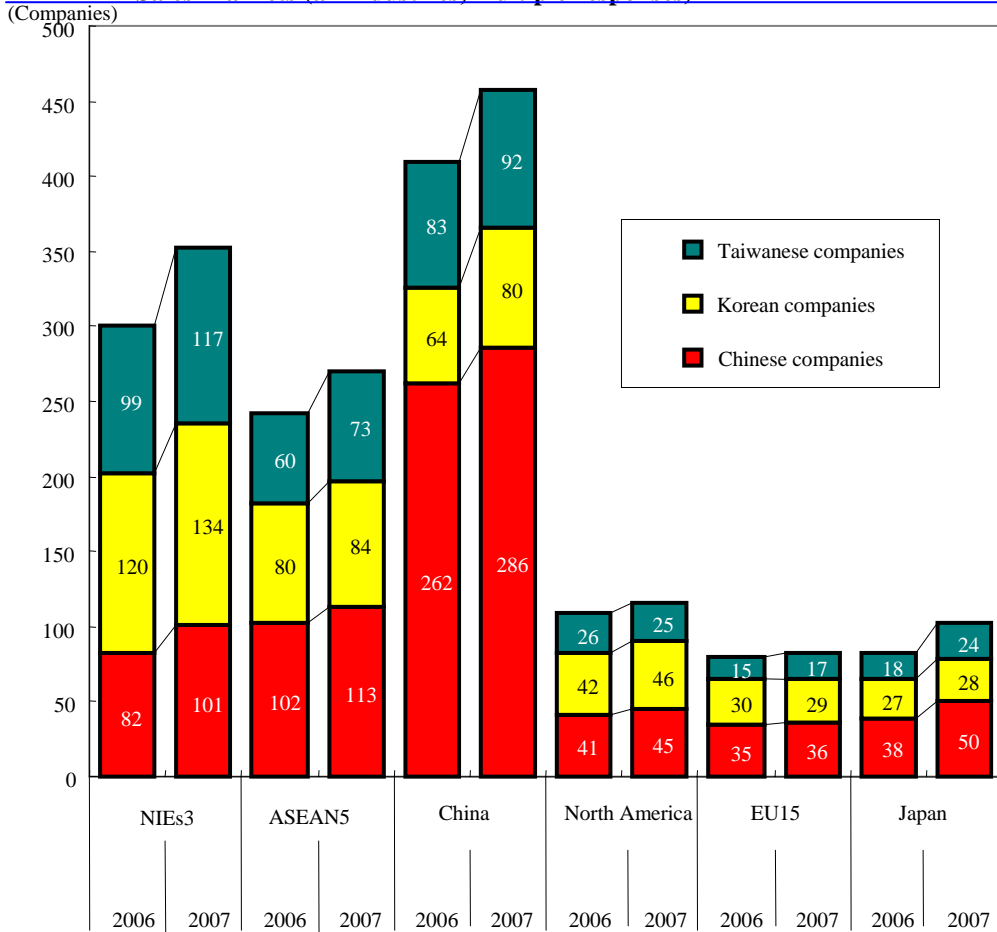
■ Roads and electricity issues for Vietnam, and electricity an issue for China

Although fewer problems were cited across the board for Vietnam, many companies still list (chiefly) roads and electricity as issues to be addressed. As for China, there was no significant change with regard to the electricity issue, the only one cited with great frequency. Electricity was mentioned for all of these countries. The supply side has not caught up with the demand for power, which has increased due to rapid economic growth.

IV. Competition and International Competitiveness

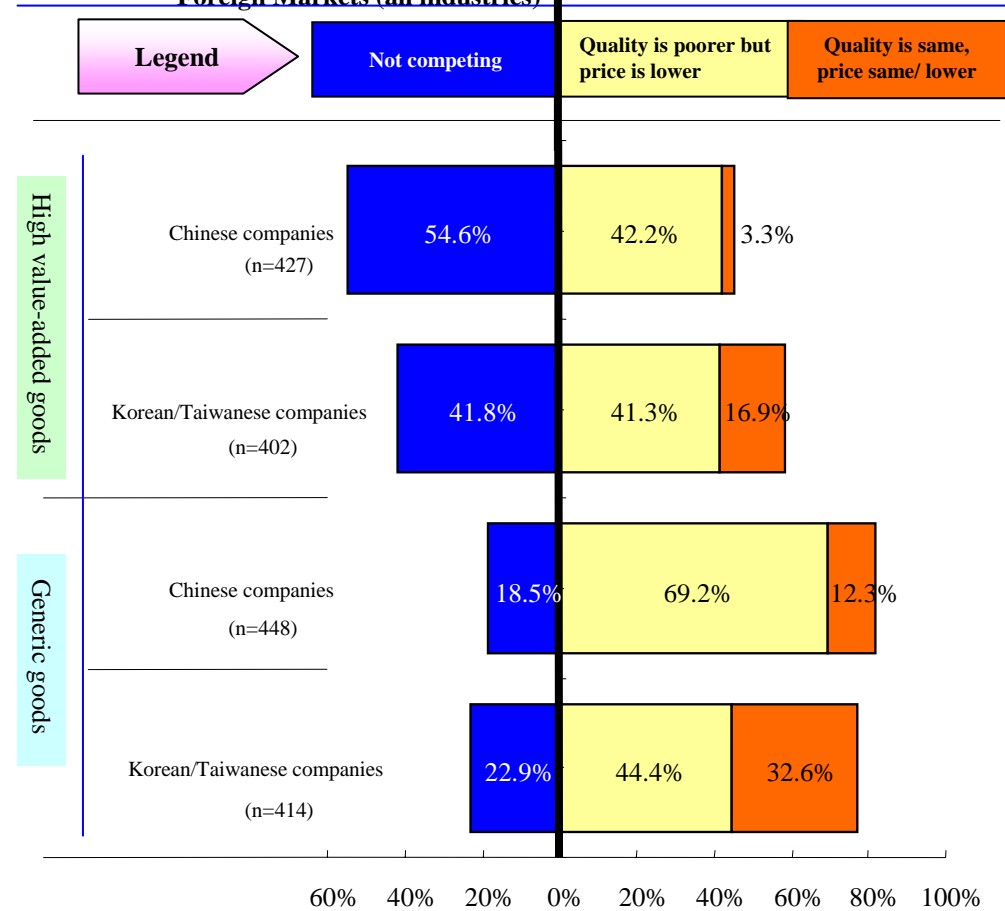
IV. 1. Competition with Chinese, Korean, and Taiwanese Companies (all industries)

Figure 31: Competition with Chinese, Korean, and Taiwanese Companies in Various Sales Markets (all industries, multiple responses)



Note: Significant competition with Chinese, Korean, or Taiwanese companies (multiple responses) in sales markets shown on the horizontal axis. The 2006 figures represent NIEs (NIEs3 + Singapore) and ASEAN4.

Figure 32: Competition with Chinese, Korean, and Taiwanese Companies in Foreign Markets (all industries)



Note: For each product categories (high added-value or generic goods), the states of competition with (1) Chinese companies and (2) Korean/Taiwanese companies in mainly foreign markets are shown.

Competition with Chinese, Korean, and Taiwanese companies over the growing Asian markets is intensifying

In the Asian markets in particular, Japanese companies citing Chinese, Korean, and/or Taiwanese companies as competitors is on the rise, indicating more competition over Asian markets among East Asian companies.

Japanese companies have the overall advantage for high added-value products, but there is fierce competition for some. Even more intense competition for generic products

Many companies responded that they had no competition for high added-value products, suggesting that Japanese companies overall are using superior technologies to dominate in their respective businesses. However, there were more than a few responses indicating competition with products of “equal quality and same or lower price”, suggesting that Chinese, Korean, and Taiwanese companies are catching up in terms of some high added-value products. There were also many responses of “quality is poorer but price is lower” with regard to generic items made by competing Chinese companies, reflecting the strength of Chinese products armed with the advantage of low price. There were also many responses of “equal quality and same or lower price” regarding products made by competing Korean/Taiwanese companies, attesting to the fact that there are a significant number of Korean and Taiwanese that have achieved same product quality level as that of Japanese products.

Figure 33: Competition with Chinese, Korean, and Taiwanese Companies in foreign markets (by industry)

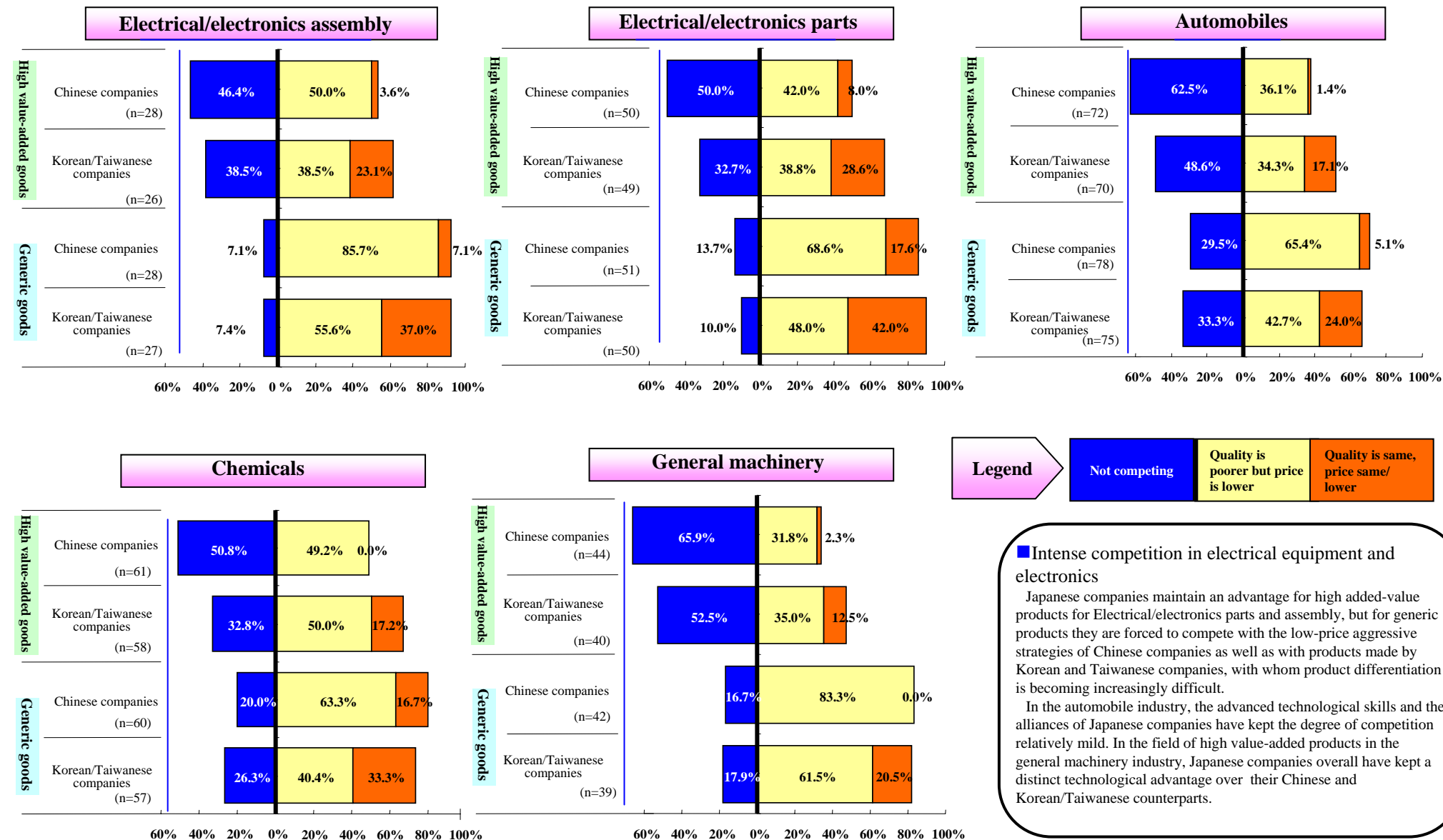


Figure 34: Important Efforts Domestically and Abroad to Maintain/Improve International Competitiveness (all industries)

Rank	(n=565)	No. of Companies	Ratio
1	Development of new products	285	50%
2	Securing human resources capable of responding to globalization	271	48%
3	Lowering cost of procured parts and raw materials	247	44%
4	Expansion of overseas production	228	40%
5	Strengthening sales forces	208	37%
6	Faster product development	192	34%
7	More efficient manufacturing processes	150	27%
8	Improving coordination among development, manufacturing, and sales divisions	145	26%
9	Strengthening brand power	141	25%
10	Creating a healthier financial standing	103	18%
11	Acquiring business resources that will bolster the main line of business	95	17%
12	Optimizing a global supply chain	86	15%
13	Fundamental research aimed at acquiring state-of-the-art technologies	84	15%
14	Consolidating domestic and/or foreign production systems	80	14%
15	Entering into new business fields	71	13%
16	Review of business fields the company is involved in	56	10%
17	Protecting intellectual property and designs	56	10%
18	Complying with environmental and energy conservation standards	50	9%
19	Expanding domestic production	50	9%
20	Strengthening post-sales services	48	9%

What the Main Factors for Strengthening Competitiveness Entail

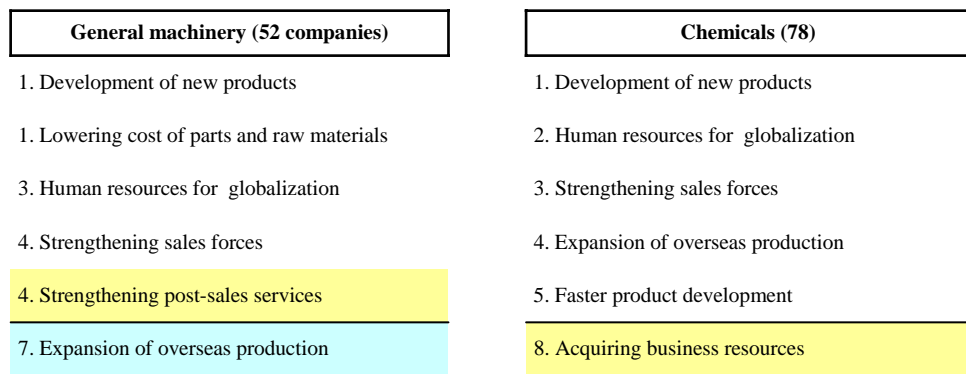
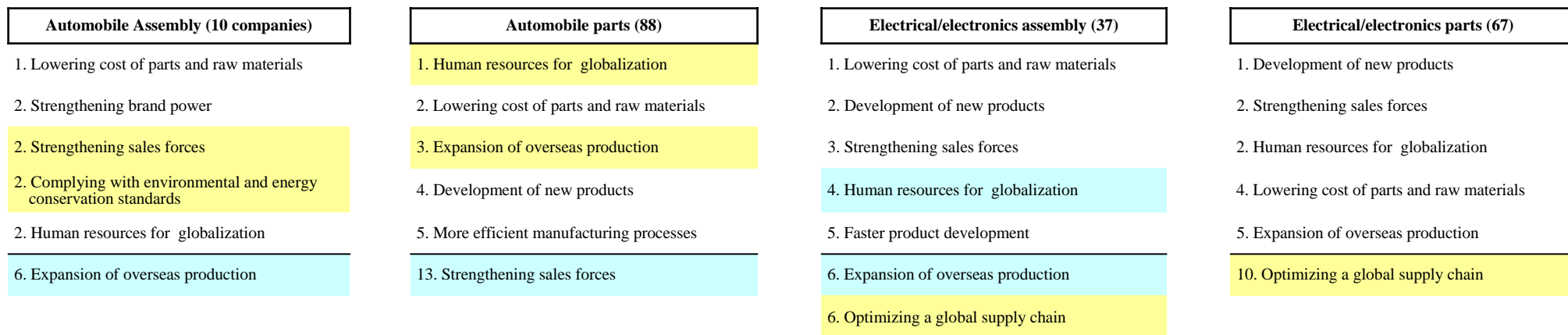
	Japan/the West	Emerging Asian Countries
Development	<ul style="list-style-type: none"> Bringing products to the market with new functions is the role of manufacturing companies Constantly develop advanced products to differentiate itself from its competitors It is necessary to incorporate technologies from the West that do not yet exist in Japan 	<ul style="list-style-type: none"> Development of products suited to the local tastes Implement development that requires manpower
Production	<ul style="list-style-type: none"> Transform domestic factories into "mother" factories Concerns due to personnel shortages regarding maintaining the capabilities of domestic factories In the West, companies are struggling to increase efficiency and at the same time must deal with a high rate of personnel turnover 	<ul style="list-style-type: none"> The quality of laborers is high overall, but achieving high quality in a stable manner is difficult Overwhelmed just keeping up with increased outputs. Improved efficiency is an issue for the future
Sales	<ul style="list-style-type: none"> It is necessary to change ways of thinking from a focus on "products you want to develop" to "products that will sell" The ultimate priority has been production. There is much room for improvement in sales and services. 	<ul style="list-style-type: none"> Perspectives are shifting from trade with Japanese companies to trade with local companies, but local credit is a problem Sell the products only to the customer who can understand their quality Appeal steadily how their products are good
Personnel	<ul style="list-style-type: none"> People are necessary that can both be administrators of the whole and understand trends overseas at the same time There is a lack of personnel capable of managing local (overseas) bases. The inexperience of personnel are being dispatched there after just cursory training. Head offices need to "internationalize" in order to make use of human resources from overseas 	<ul style="list-style-type: none"> Local staff that can be delegated the running of local operations are necessary Personnel with technical, accounting, and foreign language skills are necessary

Note: Respondent companies were asked to choose up to five items (per company) from 23 possible choices when asked to identify "important efforts domestically and abroad to maintain/improve international competitiveness". The table above shows the top 20.

■ The development of new products ranks top, but emphasis is also on production and sales
 Development, production and sales-related items are all towards the top of the list, demonstrating a balanced awareness of these aspects as important issues. As emerging market countries are gaining increasing weight in the world economy, respondent companies show stances of seeking to increase competitiveness by customizing their products and/or the sales drive to the characteristics of these markets.

■ As overseas business expands, securing and training "global" human resources has become an issue
 As overseas business operations expand, there is a growing lack of human resources capable of smoothly handling the cycle of development, production, and sales both domestically and overseas.

Figure 35: Important Efforts Domestically and Abroad to Maintain/Improve International Competitiveness (by industry)

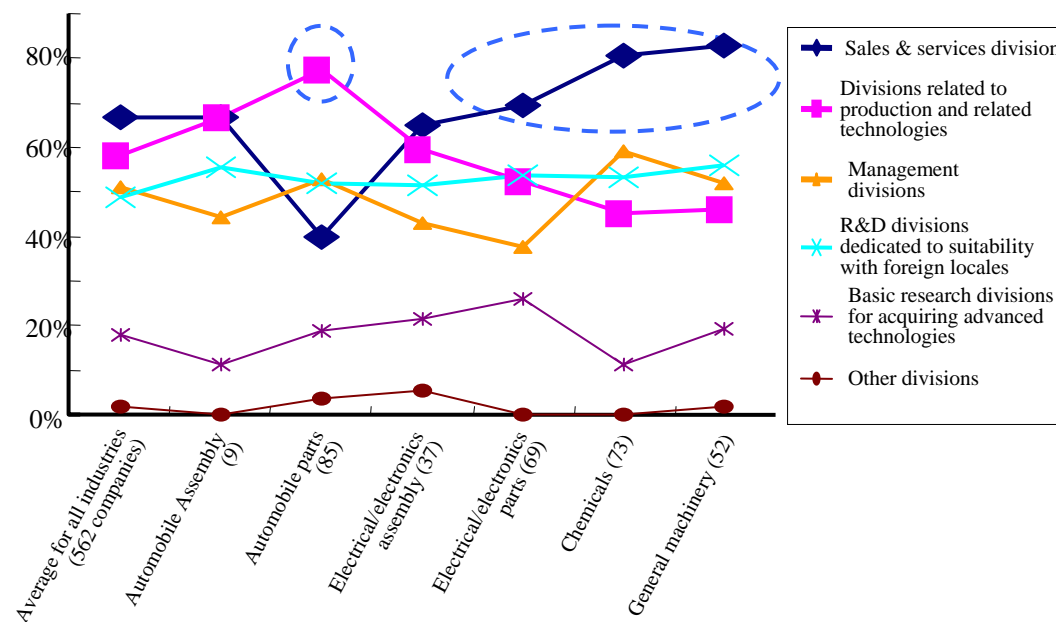


Note: Items significantly higher than the industry-wide average are shown in yellow; those lower are in blue.

■ As global expansion accelerates in the automobile industry, electrical equipment and electronics are still maturing. Capabilities needed for export to be strengthened for general machinery, R&D capabilities for chemicals

For automobile assemblers, elements other than production, e.g. strengthening sales forces, environmental friendliness and energy conservation, occupy top positions, while parts makers are gradually perceiving a lack of personnel to follow assemblers in overseas ventures. Electrical equipment and electronics leads other industries in overseas expansion. They are rethinking base systems, e.g. supply chain optimization, and exhibit strong desires to consolidate. In the general machinery industry, a priority is strengthening overseas post-sales services with an emphasis on domestic production. Chemical companies are focusing on development and are enthusiastic about acquiring business resources to bolster development and their main businesses.

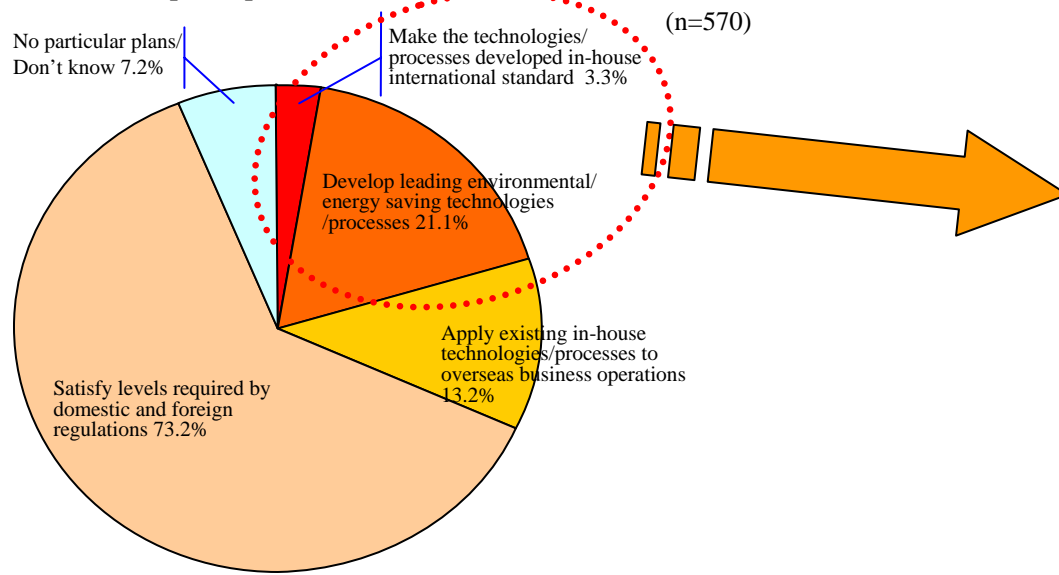
Figure 36: Divisions that need more “personnel who can do their jobs in international environments” (by industry)



Note: Companies were asked to choose up to 3 divisions in which more personnel “who can do their jobs in international environments (regardless of nationality)” are needed in Japan or overseas over the medium-term (3 or so yrs.) to meet the demands of a global market.

IV. 3. Environmental and Energy Conservation Policies

Figure 37: Environmental and Energy Conservation Policies (all industries, multiple responses)



Note: Since multiple responses were possible, the total of the above graph exceeds 100%.

Figure 39: Environmental and Energy Conservation Policies by Sales Volume

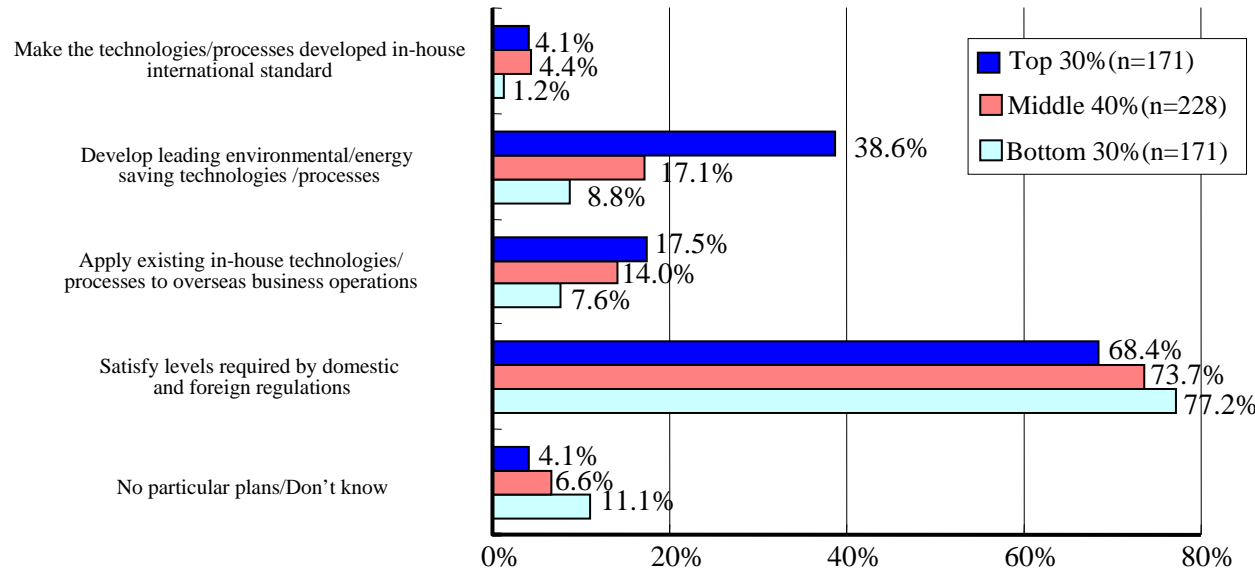


Figure 38: Breakdown of Industries with Companies Taking Proactive Responses

Industry	No. of Companies
Chemicals (non-pharmaceuticals)	14
Automobile parts	14
Electrical/electronics assembly	12
Electrical/electronics parts	12
General machinery assembly	9
Automobile Assembly	9
Foodstuffs	7
Ceramics, cement, and glass	7
Textiles	6
Other industries	38
Total	128

Major firms tend to see it as a chance to enhance competitiveness

Overall, although there were many passive responses, represented by “Satisfy levels required by domestic and foreign regulations”, companies with large sales volumes responded more frequently that they would “Develop leading environmental/energy saving technologies/processes”, demonstrating a larger percentage of companies viewing such measures as a chance to improve their competitiveness. Also, by industry, automobile assemblers are aware of it as a priority management issue.

There are few companies who responded that environmental and energy saving measures were making notable contributions to enhanced competitiveness or business expansion. They are now at a stage of building a record of solving many small, time-consuming issues. It is necessary to persistently try to convince customers, particularly in emerging countries, where the added value of environmentally friendly and energy saving products is not as salient.

IV. 4. M&A Policies

Figure 40: M&A Policies (all industries, single response)

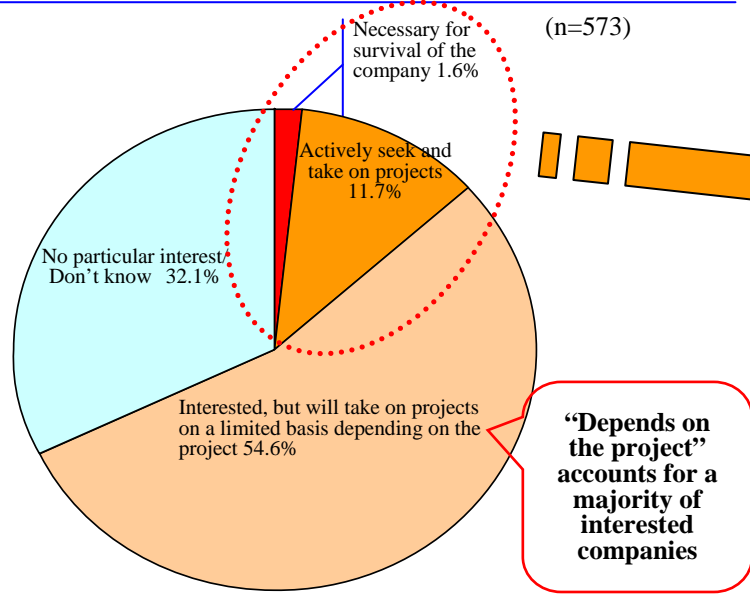
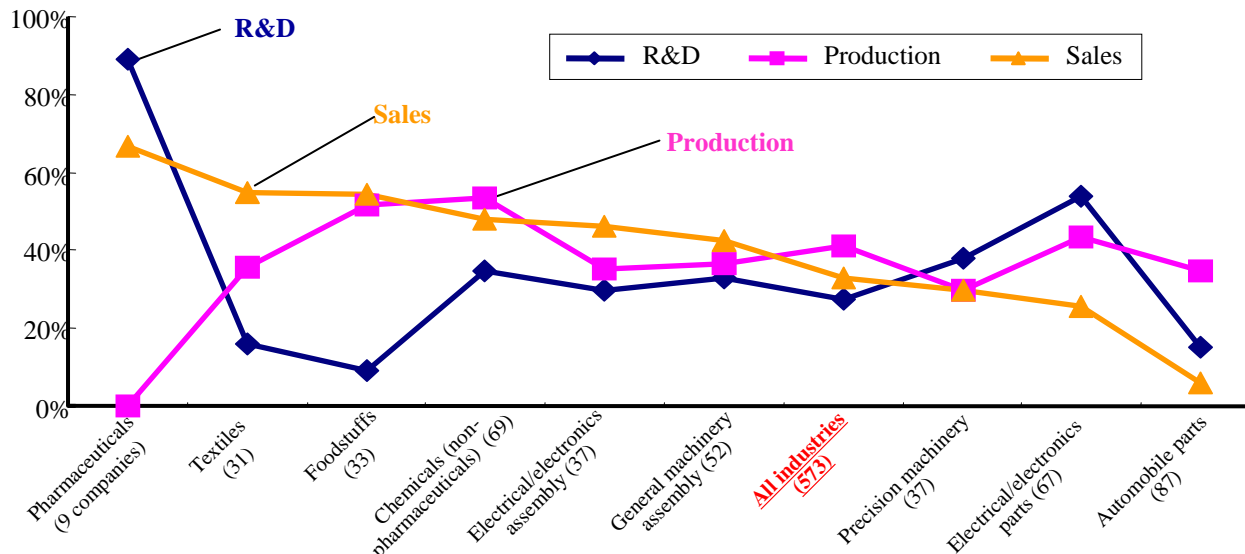


Figure 41: Breakdown of Industries with Companies with Proactive Policies

Industry	No. of Companies
Chemicals (non-pharmaceuticals)	12
Electrical/electronics parts	11
Electrical/electronics assembly	9
Foodstuffs	9
Textiles	7
Precision machinery assembly	4
Automobile parts	4
General machinery assembly	4
Pharmaceuticals	4
Other industries	12
Total	76

Figure 42: Functions to strengthen or expand through M&As (by industry, multiple responses)



■ Levels of interest in mergers & acquisitions high, but companies proactively using that option a minority

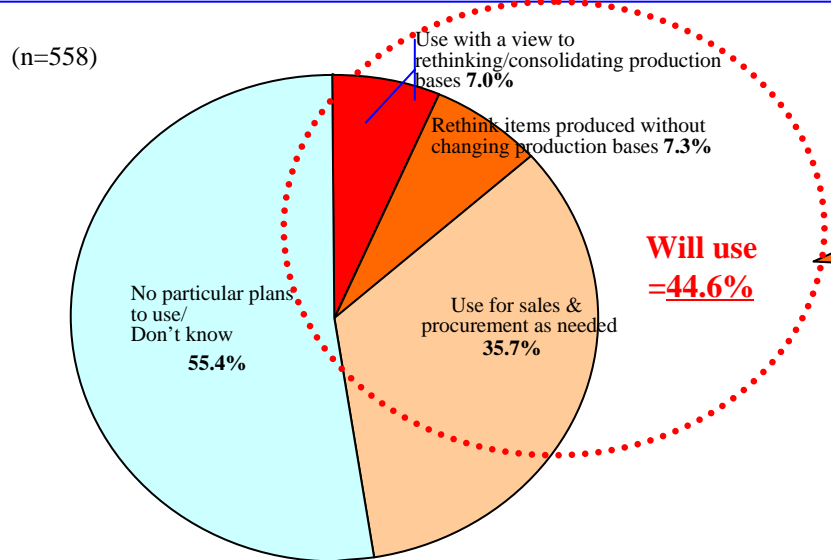
Most companies responded that they were “interested, but will take on projects on a limited basis depending on the project.” They keep M&As as an option to respond to various management issues, but projects deemed appropriate are limited, and in most cases they do not get to the concrete study phases.

Among particularly active industries, interest is high among pharmaceutical and chemical companies eager to get state-of-the-art technologies and among foodstuffs companies seeking to buy out local Asian brands.

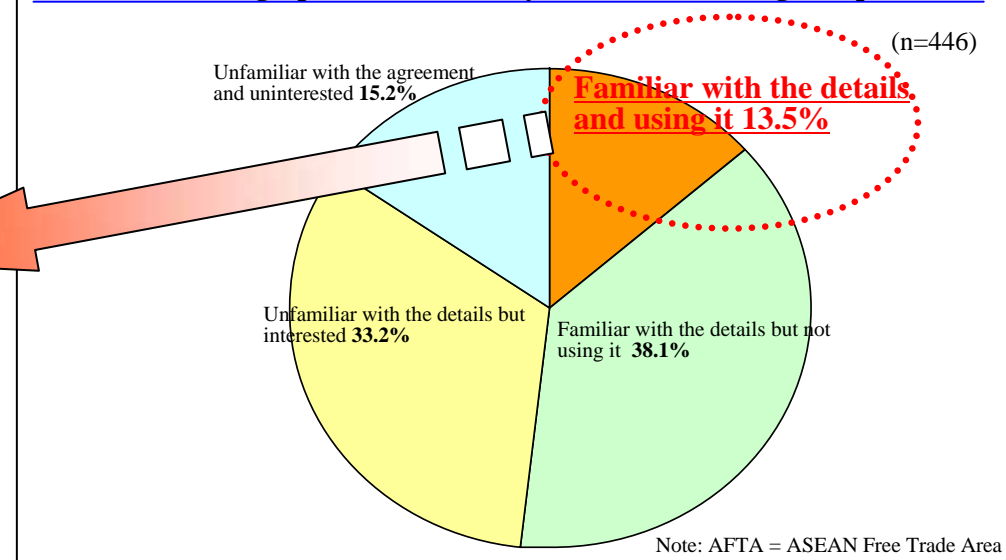
Note: Percentages calculated by dividing by the number of companies responding to the “M&A Policy” question.

IV. 5. Policies on Using EPAs/FTAs

Figure 43: Policies on Using EPAs/FTAs Concluded or Being Negotiated in ASEAN (all industries, multiple responses)



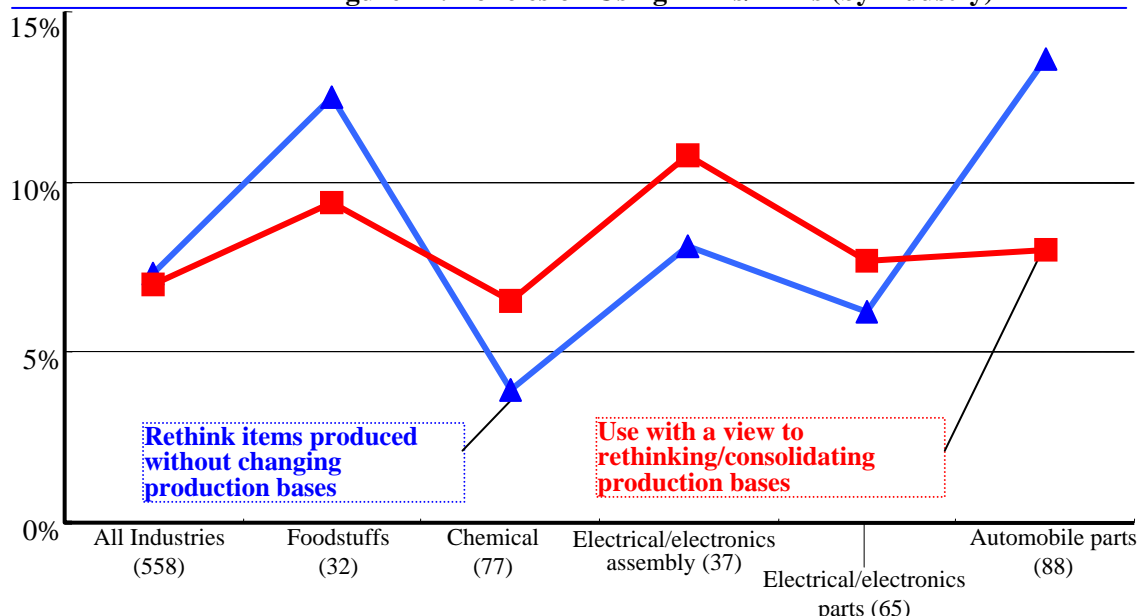
(Reference graph: FY2005 Survey) Use of AFTA (single response)



Note: Since multiple responses were possible with regard to companies' use policies, the total of the above graph exceeds 100%.

Note: AFTA = ASEAN Free Trade Area

Figure 44: Policies on Using EPAs/FTAs (by industry)



■ Increased use; automobile parts, electrical equipment & electronics industries particularly proactive

The number of companies indicating that they would use ASEAN EPAs/FTAs has increased from FY2005 Survey levels, suggesting more use of the agreements in Southeast Asia.

In terms of industry, automobile parts, electrical equipment & electronics companies, which have many bases in ASEAN and nearby countries, show particularly strong stances. Many automobile parts manufacturers responded that they would "rethink items produced without changing their production bases", while many electrical equipment & electronics companies answered that they would "use agreements with a view to rethinking/consolidating production bases", which is a reflection of the size of the investment required to set up manufacturing bases in these industries.

V. Appendices

Overview of Companies Surveyed

By net sales (consolidated group basis)

	No. of Companies	Ratio to total (%)
Under ¥50 billion	240	40.0%
¥50 billion to less than ¥100 billion	99	16.5%
¥100 billion to less than ¥200 billion	86	14.3%
¥200 billion to less than ¥300 billion	42	7.0%
¥300 billion to less than ¥500 billion	37	6.2%
¥500 billion to less than ¥1 trillion	38	6.3%
¥1 trillion or more	58	9.7%
Total	600	100.0%

By paid-in capital (non-consolidated basis)

	No. of Companies	Ratio to total (%)
Under ¥0.1 billion	49	8.2%
¥0.1 billion to less than ¥0.5 billion	75	12.5%
¥0.5 billion to less than ¥1 billion	29	4.8%
¥1 billion to less than ¥5 billion	130	21.7%
¥5 billion to less than ¥10 billion	83	13.8%
¥10 billion or more	234	39.0%
Total	600	100.0%

By number of employees (non-consolidated basis)

	No. of Companies	Ratio to total (%)
300 or fewer	117	19.5%
300 to 500	82	13.7%
501 to 1,000	120	20.0%
1,001 to 5,000	212	35.3%
5001 to 10,000	37	6.2%
10,001 or more	32	5.3%
Total	600	100.0%

Number of respondent companies by industry

Industry	No. of Companies	Ratio to total (%)
Foodstuffs	35	5.8%
Textiles	34	5.7%
Wood and wood products	3	0.5%
Paper and pulp	7	1.2%
Chemicals	85	14.2%
[Chemicals (non-pharmaceuticals)]	[76]	[12.7%]
[Pharmaceuticals]	[9]	[1.5%]
Petroleum and rubber	19	3.2%
Ceramics, cement, and glass	16	2.7%
Steel	15	2.5%
Non-ferrous metals	16	2.7%
Metal products	21	3.5%
General machinery	53	8.8%
[General machinery assembly]	[40]	[6.7%]
[General machinery parts]	[13]	[2.2%]
Electrical equipment and electronics	111	18.5%
[Electrical/electronics assembly]	[39]	[6.5%]
[Electrical/electronics parts]	[72]	[12.0%]
Transportation (excluding automobiles)	8	1.3%
Automobiles	103	17.2%
[Automobile assembly]	[11]	[1.8%]
[Automobile parts]	[92]	[15.3%]
Precision machinery	38	6.3%
[Precision machinery assembly]	[30]	[5.0%]
[Precision machinery parts]	[8]	[1.3%]
Other	36	6.0%
Total	600	100.0%

Surveyed companies, response rates, and foreign affiliates

Survey year	FY2007	FY2006	FY2005	FY2004	FY2003
Surveyed companies	970	967	945	939	932
Responses	600	594	590	595	571
Response rate	61.9	61.4	62.4	63.4	61.3
Foreign affiliates	11,516	10,152	10,847	10,079	9,838

(Units: Companies, %)

FY2007 Survey (FY2006 performance)	Satisfaction with net sales		Satisfaction with profitability											
	No. of respondent companies	Evaluation average	No. of respondent companies	Unsatisfactory (1)		Somewhat unsatisfactory (2)		Can't say either way (3)		Somewhat satisfactory (4)		Satisfactory (5)		Evaluation average
				No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	
Group overall	372	3.14	372	46	12.4%	89	23.9%	118	31.7%	97	26.1%	22	5.9%	2.89
NIEs3	272	3.06	272	25	9.2%	57	21.0%	128	47.1%	46	16.9%	16	5.9%	2.89
ASEAN5 average	1116	2.98	1116	151	13.5%	198	17.7%	489	43.8%	217	19.4%	61	5.5%	2.86
Singapore	232	3.02	232	25	10.8%	36	15.5%	118	50.9%	37	15.9%	16	6.9%	2.93
Thailand	340	3.16	340	40	11.8%	61	17.9%	120	35.3%	92	27.1%	27	7.9%	3.01
Indonesia	210	2.88	210	38	18.1%	41	19.5%	81	38.6%	42	20.0%	8	3.8%	2.72
Malaysia	210	2.89	210	30	14.3%	39	18.6%	97	46.2%	36	17.1%	8	3.8%	2.78
Philippines	124	2.73	124	18	14.5%	21	16.9%	73	58.9%	10	8.1%	2	1.6%	2.65
China	480	2.95	480	86	17.9%	114	23.8%	152	31.7%	91	19.0%	37	7.7%	2.75
India	116	2.72	116	23	19.8%	20	17.2%	51	44.0%	19	16.4%	3	2.6%	2.65
Vietnam	114	2.99	114	13	11.4%	19	16.7%	60	52.6%	14	12.3%	8	7.0%	2.87
North America	405	2.97	405	80	19.8%	92	22.7%	121	29.9%	90	22.2%	22	5.4%	2.71
Latin America	137	3.07	137	15	10.9%	22	16.1%	72	52.6%	22	16.1%	6	4.4%	2.87
EU15	296	3.12	296	40	13.5%	55	18.6%	112	37.8%	73	24.7%	16	5.4%	2.9
Central & Eastern Europe	111	3.03	111	11	9.9%	19	17.1%	57	51.4%	19	17.1%	5	4.5	2.89

Note 1: For "Evaluations of Profit Satisfaction Levels" in this survey, companies were asked to evaluate performance of the relevant year with respect to initial earnings targets by responding from the following choices: "5: Satisfactory", "4: Somewhat satisfactory", "3: Can't say either way", "2: Somewhat unsatisfactory", and "1: Unsatisfactory". The question for this year's survey was asked concerning FY2006 performance.

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

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

Rank	FY2007 Survey	No. of Companies	(%)	FY2006 Survey	No. of Companies	(%)	FY2005 Survey	No. of Companies	(%)	FY2004 Survey	No. of Companies	(%)	FY2003 Survey	No. of Companies	(%)
		503			484			483			497			490	
1st	China	342	68	China	372	77	China	397	82	China	453	91	China	456	93
2nd	India	254	50	India	229	47	India	174	36	Thailand	151	30	Thailand	143	29
3rd	Vietnam	178	35	Vietnam	159	33	Thailand	149	31	India	117	24	United States	106	22
4th	Thailand	132	26	Thailand	142	29	Vietnam	131	27	Vietnam	110	22	Vietnam	88	18
5th	Russia	114	23	United States	104	21	United States	96	20	United States	100	20	India	70	14
6th	United States	93	18	Russia	98	20	Russia	62	13	Russia	49	10	Indonesia	63	13
7th	Brazil	47	9	Brazil	45	9	Korea	52	11	Indonesia	48	10	Korea	44	9
8th	Indonesia	46	9	Korea	44	9	Indonesia	45	9	Korea	44	9	Taiwan	35	7
9th	Korea	32	6	Indonesia	39	8	Brazil	36	7	Taiwan	41	8	Malaysia	31	6
10th	Taiwan	24	5	Taiwan	27	6	Taiwan	32	7	Malaysia	28	6	Russia	25	5
11th	Malaysia	21	4	Malaysia	22	5	Malaysia	23	5	Singapore	17	3	Singapore	23	5
12th	Mexico			Germany			Mexico			3			Germany		
13th	Philippines	15	3	Poland	15	3	Germany	14	3	Brazil	16	3	Czech Republic	17	3
14th	Germany			Czech Republic			Philippines			Hong Kong			15		
15th	Czech Republic	13	3	Mexico	14	3	Singapore	12	2	France	15	3	Mexico	12	2
16th	United Kingdom	10	2	Philippines	12	2	Czech Republic	12	2	Czech Republic	12	2	Brazil	11	2
17th	Turkey			United Kingdom			United Kingdom			Germany			11		
18th	Hong Kong	8	2	Hungary	8	2	Poland	9	2	Poland	10	2	France	10	2
19th	Australia			Canada			France			Mexico			9		
20th	Poland	8	2	Canada	6	1	France	8	2	Mexico	9	2	Australia	9	2
20th	Saudi Arabia			Australia			Australia			United Kingdom			Poland		

Promising Countries/Regions for SMEs over the Medium-term

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

Rank	FY2007 Survey	No. of Companies	(%)	FY2006 Survey	No. of Companies	(%)
		127			124	
1st	China	80	63	China	95	77
2nd	India	62	49	Vietnam	57	46
3rd	Vietnam	55	43	India	52	42
4th	Thailand	47	37	Thailand	46	37
5th	United States	25	20	United States	20	16
6th	Russia	20	16	Indonesia	15	12
7th	Indonesia	16	13	Russia	14	11
8th	Brazil	11	9	Brazil	13	10
9th	Philippines	7	6	Malaysia	9	7
10th	Germany	6	5	Czech Republic	7	6
			Philippines			

Promising Countries/Regions over the Long-term

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

Rank	FY2007 Survey	No. of Companies	(%)	FY2006 Survey	No. of Companies	(%)
		403			404	
1st	India	282	70	China	300	74
2nd	China	272	67	India	269	67
3rd	Russia	150	37	Russia	142	35
4th	Vietnam	114	28	Vietnam	121	30
5th	Brazil	85	21	United States	89	22
6th	Thailand	78	19	Thailand	87	22
7th	United States	71	18	Brazil	79	20
8th	Indonesia	33	8	Indonesia	39	10
9th	Mexico	17	4	Korea	27	7
10th	Turkey	15	4	Malaysia	16	4

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

FY2006 Survey	1st China		2nd India		3rd Vietnam		4th Thailand		6th Russia		5th United States		7th Brazil		9th Indonesia		8th Korea		10th Taiwan	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Responding business operators	362	100%	223	100%	154	100%	133	100%	94	100%	101	100%	44	100%	37	100%	41	100%	26	100%
Qualified human resources	60	16.6%	78	35.0%	54	35.1%	23	17.3%	5	5.3%	16	15.8%	3	6.8%	3	8.1%	4	9.8%	3	11.5%
Inexpensive source of labor	207	57.2%	99	44.4%	110	71.4%	61	45.9%	16	17.0%	2	2.0%	10	22.7%	20	54.1%	3	7.3%	4	15.4%
Inexpensive components/raw materials	85	23.5%	20	9.0%	9	5.8%	12	9.0%	3	3.2%	4	4.0%	3	6.8%	6	16.2%	1	2.4%	3	11.5%
Supply base for assemblers	99	27.3%	47	21.1%	35	22.7%	49	36.8%	15	16.0%	19	18.8%	8	18.2%	7	18.9%	5	12.2%	4	15.4%
Concentration of industry	60	16.6%	14	6.3%	7	4.5%	40	30.1%	2	2.1%	20	19.8%	2	4.5%	4	10.8%	5	12.2%	3	11.5%
Good for risk diversification from other countries	7	1.9%	24	10.8%	56	36.4%	28	21.1%	4	4.3%	1	1.0%	4	9.1%	2	5.4%	1	2.4%	-	-
Base of export to Japan	55	15.2%	5	2.2%	17	11.0%	17	12.8%	1	1.1%	-	-	2	4.5%	7	18.9%	-	-	1	3.8%
Base of export to third countries	70	19.3%	21	9.4%	28	18.2%	38	28.6%	-	-	1	1.0%	5	11.4%	10	27.0%	3	7.3%	2	7.7%
Current size of local market	90	24.9%	26	11.7%	8	5.2%	32	24.1%	14	14.9%	71	70.3%	7	15.9%	10	27.0%	17	41.5%	13	50.0%
Future growth potential of local market	298	82.3%	185	83.0%	72	46.8%	56	42.1%	88	93.6%	45	44.6%	36	81.8%	22	59.5%	30	73.2%	18	69.2%
Profitability of local market	26	7.2%	9	4.0%	6	3.9%	14	10.5%	8	8.5%	22	21.8%	6	13.6%	5	13.5%	7	17.1%	3	11.5%
Base for product development	16	4.4%	5	2.2%	2	1.3%	7	5.3%	-	-	13	12.9%	-	-	-	-	1	2.4%	-	-
Developed local infrastructure	21	5.8%	4	1.8%	6	3.9%	37	27.8%	4	4.3%	43	42.6%	2	4.5%	3	8.1%	7	17.1%	4	15.4%
Developed local logistics services	11	3.0%	1	0.4%	3	1.9%	9	6.8%	-	-	25	24.8%	-	-	3	8.1%	4	9.8%	3	11.5%
Tax incentives for investment	49	13.5%	12	5.4%	26	16.9%	32	24.1%	4	4.3%	2	2.0%	2	4.5%	-	-	5	12.2%	5	19.2%
Stable policies to attract foreign investment	5	1.4%	3	1.3%	13	8.4%	22	16.5%	1	1.1%	5	5.0%	1	2.3%	1	2.7%	2	4.9%	1	3.8%
Social/political situation stable	5	1.4%	13	5.8%	24	15.6%	33	24.8%	3	3.2%	38	37.6%	3	6.8%	1	2.7%	3	7.3%	1	3.8%

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

FY2006 Survey	1st China		2nd India		3rd Vietnam		4th Thailand		6th Russia		5th United States		7th Brazil		9th Indonesia		8th Korea		10th Taiwan	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Responding business operators	351	100%	178	100%	127	100%	107	100%	79	100%	88	100%	36	100%	31	100%	36	100%	22	100%
Underdeveloped legal system	77	21.9%	27	15.2%	39	30.7%	2	1.9%	24	30.4%	2	2.3%	7	19.4%	-	-	-	-	-	-
Execution of legal system unclear	228	65.0%	55	30.9%	42	33.1%	10	9.3%	40	50.6%	-	-	13	36.1%	10	32.3%	2	5.6%	1	4.5%
Complicated tax system	63	17.9%	26	14.6%	7	5.5%	9	8.4%	11	13.9%	2	2.3%	10	27.8%	3	9.7%	1	2.8%	1	4.5%
Execution of tax system unclear	119	33.9%	39	21.9%	22	17.3%	8	7.5%	20	25.3%	2	2.3%	10	27.8%	6	19.4%	2	5.6%	2	9.1%
Increased taxation	72	20.5%	13	7.3%	7	5.5%	13	12.1%	5	6.3%	19	21.6%	4	11.1%	1	3.2%	5	13.9%	4	18.2%
Restrictions on foreign investment	103	29.3%	20	11.2%	21	16.5%	8	7.5%	14	17.7%	1	1.1%	3	8.3%	3	9.7%	2	5.6%	1	4.5%
Complicated/unclear procedures for investment permission	79	22.5%	23	12.9%	15	11.8%	10	9.3%	18	22.8%	2	2.3%	6	16.7%	3	9.7%	2	5.6%	-	-
Insufficient protection for intellectual property rights	167	47.6%	16	9.0%	16	12.6%	6	5.6%	14	17.7%	1	1.1%	7	19.4%	1	3.2%	4	11.1%	3	13.6%
Restrictions on foreign currency/ transfers of money overseas	147	41.9%	21	11.8%	15	11.8%	9	8.4%	11	13.9%	-	-	7	19.4%	1	3.2%	1	2.8%	2	9.1%
Import restrictions/customs procedures	81	23.1%	23	12.9%	18	14.2%	11	10.3%	15	19.0%	3	3.4%	9	25.0%	1	3.2%	4	11.1%	2	9.1%
Difficult to secure technical/engineering staff	67	19.1%	24	13.5%	23	18.1%	26	24.3%	11	13.9%	12	13.6%	7	19.4%	5	16.1%	1	2.8%	-	-
Difficult to secure management-level staff	86	24.5%	26	14.6%	39	30.7%	46	43.0%	12	15.2%	19	21.6%	10	27.8%	11	35.5%	1	2.8%	4	18.2%
Rising labor costs	154	43.9%	16	9.0%	22	17.3%	44	41.1%	13	16.5%	33	37.5%	5	13.9%	6	19.4%	18	50.0%	10	45.5%
Labor problems	63	17.9%	43	24.2%	13	10.2%	20	18.7%	8	10.1%	15	17.0%	8	22.2%	3	9.7%	6	16.7%	2	9.1%
Intense competition with other companies	161	45.9%	45	25.3%	20	15.7%	50	46.7%	15	19.0%	75	85.2%	13	36.1%	12	38.7%	25	69.4%	16	72.7%
Difficulties in recovering money owed	116	33.0%	23	12.9%	4	3.1%	1	0.9%	13	16.5%	2	2.3%	7	19.4%	-	-	2	5.6%	2	9.1%
Difficulty in raising funds	19	5.4%	11	6.2%	7	5.5%	2	1.9%	7	8.9%	1	1.1%	7	19.4%	1	3.2%	-	-	-	-
Underdeveloped local supporting industries	30	8.5%	33	18.5%	26	20.5%	9	8.4%	12	15.2%	1	1.1%	5	13.9%	2	6.5%	-	-	-	-
Sense of instability regarding currency and/or costs	15	4.3%	13	7.3%	8	6.3%	5	4.7%	13	16.5%	-	-	13	36.1%	12	38.7%	3	8.3%	2	9.1%
Underdeveloped infrastructure	94	26.8%	89	50.0%	63	49.6%	10	9.3%	17	21.5%	-	-	10	27.8%	13	41.9%	-	-	1	4.5%
Security/social instability	75	21.4%	46	25.8%	13	10.2%	5	4.7%	32	40.5%	1	1.1%	14	38.9%	14	45.2%	5	13.9%	6	27.3%
Lack of information on the country	13	3.7%	48	27.0%	29	22.8%	4	3.7%	37	46.8%	1	1.1%	7	19.4%	3	9.7%	1	2.8%	-	-
Difficult to obtain entry or work visas	8	2.3%	3	1.7%	1	0.8%	4	3.7%	4	5.1%	12	13.6%	7	19.4%	1	3.2%	-	-	-	-

Appendix 6 Promising Countries/Regions for Overseas Business Operations

(Details of Issues for Promising Countries: most pressing issues)

FY2007 Survey	1st China		2nd India		3rd Vietnam		4th Thailand		5th Russia		6th United States		7th Brazil		8th Indonesia		9th Korea		10th Taiwan	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Responding business operators	236	100%	164	100%	104	100%	93	100%	82	100%	73	100%	31	100%	28	100%	25	100%	17	100%
Underdeveloped legal system	11	4.7%	7	4.3%	8	7.7%	1	1.1%	5	6.1%	-	-	-	-	-	-	-	-	-	-
Execution of legal system unclear	46	19.5%	8	4.9%	10	9.6%	2	2.2%	10	12.2%	-	-	1	3.2%	-	-	-	-	-	-
Complicated tax system	2	0.8%	4	2.4%	-	-	-	-	-	-	-	-	1	3.2%	-	-	-	-	-	-
Execution of tax system unclear	11	4.7%	7	4.3%	1	1.0%	1	1.1%	4	4.9%	-	-	-	-	2	7.1%	-	-	-	-
Increased taxation	15	6.4%	2	1.2%	-	-	3	3.2%	-	-	6	8.2%	-	-	-	-	1	4.0%	1	5.9%
Restrictions on foreign investment	7	3.0%	1	0.6%	-	-	5	5.4%	4	4.9%	-	-	-	-	-	-	-	-	-	-
Complicated/unclear procedures for investment permission	5	2.1%	2	1.2%	-	-	1	1.1%	2	2.4%	1	1.4%	-	-	-	-	-	-	-	-
Insufficient protection for intellectual property rights	23	9.7%	-	-	1	1.0%	-	-	1	1.2%	-	-	-	-	-	-	-	-	-	-
Restrictions on foreign currency/ transfers of money overseas	4	1.7%	-	-	-	-	8	8.6%	-	-	-	-	2	6.5%	1	3.6%	-	-	-	-
Import restrictions/customs procedures	3	1.3%	3	1.8%	1	1.0%	-	-	2	2.4%	-	-	2	6.5%	-	-	1	4.0%	-	-
Difficult to secure technical/engineering staff	3	1.3%	4	2.4%	8	7.7%	8	8.6%	1	1.2%	4	5.5%	-	-	1	3.6%	-	-	-	-
Difficult to secure management-level staff	6	2.5%	7	4.3%	15	14.4%	14	15.1%	2	2.4%	4	5.5%	-	-	1	3.6%	-	-	-	-
Rising labor costs	33	14.0%	5	3.0%	5	4.8%	12	12.9%	4	4.9%	4	5.5%	2	6.5%	-	-	8	32.0%	3	17.6%
Labor problems	3	1.3%	11	6.7%	1	1.0%	4	4.3%	-	-	2	2.7%	-	-	1	3.6%	-	-	-	-
Intense competition with other companies	44	18.6%	25	15.2%	9	8.7%	25	26.9%	11	13.4%	50	68.5%	5	16.1%	11	39.3%	14	56.0%	13	76.5%
Difficulties in recovering money owed	14	5.9%	7	4.3%	2	1.9%	-	-	3	3.7%	-	-	1	3.2%	-	-	-	-	-	-
Difficulty in raising funds	-	-	1	0.6%	-	-	-	-	-	-	-	-	1	3.2%	-	-	-	-	-	-
Underdeveloped local supporting industries	1	0.4%	4	2.4%	15	14.4%	-	-	3	3.7%	-	-	1	3.2%	2	7.1%	1	4.0%	-	-
Sense of instability regarding currency and/or costs	2	0.8%	-	-	1	1.0%	1	1.1%	1	1.2%	-	-	2	6.5%	-	-	-	-	-	-
Underdeveloped infrastructure	3	1.3%	43	26.2%	19	18.3%	2	2.2%	3	3.7%	-	-	1	3.2%	3	10.7%	-	-	-	-
Security/social instability	-	-	8	4.9%	-	-	4	4.3%	8	9.8%	1	1.4%	8	25.8%	4	14.3%	-	-	-	-
Lack of information on the country	-	-	15	9.1%	8	7.7%	2	2.2%	18	22.0%	1	1.4%	4	12.9%	2	7.1%	-	-	-	-

FY2006 Survey	1st China		2nd India		3rd Vietnam		4th Thailand		6th Russia		5th United States		7th Brazil		9th Indonesia		8th Korea		10th Taiwan	
	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio	No. of Companies	Ratio
Responding business operators	261	100%	136	100%	102	100%	91	100%	61	100%	77	100%	25	100%	22	100%	31	100%	21	100%
Underdeveloped legal system	16	6.1%	7	5.1%	14	13.7%	-	-	6	9.8%	1	1.3%	1	4.0%	-	-	-	-	-	-
Execution of legal system unclear	63	24.1%	7	5.1%	12	11.8%	2	2.2%	12	19.7%	-	-	1	4.0%	2	9.1%	-	-	-	-
Complicated tax system	4	1.5%	4	2.9%	-	-	2	2.2%	1	1.6%	-	-	3	12.0%	-	-	-	-	-	-
Execution of tax system unclear	7	2.7%	4	2.9%	3	2.9%	-	-	-	-	-	-	-	-	3	13.6%	-	-	-	-
Increased taxation	9	3.4%	2	1.5%	2	2.0%	-	-	1	1.6%	6	7.8%	1	4.0%	-	-	-	-	1	4.8%
Restrictions on foreign investment	11	4.2%	2	1.5%	2	2.0%	4	4.4%	-	-	-	-	1	4.0%	1	4.5%	-	-	-	-
Complicated/unclear procedures for investment permission	12	4.6%	4	2.9%	1	1.0%	-	-	2	3.3%	-	-	1	4.0%	-	-	-	-	-	-
Insufficient protection for intellectual property rights	15	5.7%	1	0.7%	1	1.0%	-	-	-	-	-	-	-	-	-	-	-	-	1	4.8%
Restrictions on foreign currency/ transfers of money overseas	13	5.0%	1	0.7%	-	-	2	2.2%	-	-	-	-	1	4.0%	1	4.5%	1	3.2%	-	-
Import restrictions/customs procedures	6	2.3%	1	0.7%	4	3.9%	1	1.1%	3	4.9%	-	-	1	4.0%	-	-	-	-	-	-
Difficult to secure technical/engineering staff	8	3.1%	2	1.5%	1	1.0%	8	8.8%	-	-	4	5.2%	-	-	-	-	-	-	-	-
Difficult to secure management-level staff	11	4.2%	4	2.9%	10	9.8%	15	16.5%	1	1.6%	3	3.9%	1	4.0%	1	4.5%	-	-	1	4.8%
Rising labor costs	17	6.5%	2	1.5%	3	2.9%	15	16.5%	2	3.3%	6	7.8%	-	-	1	4.5%	9	29.0%	5	23.8%
Labor problems	5	1.9%	6	4.4%	-	-	5	5.5%	-	-	5	6.5%	-	-	-	-	2	6.5%	-	-
Intense competition with other companies	38	14.6%	14	10.3%	6	5.9%	26	28.6%	3	4.9%	48	62.3%	5	20.0%	7	31.8%	18	58.1%	11	52.4%
Difficulties in recovering money owed	12	4.6%	2	1.5%	-	-	-	-	1	1.6%	1	1.3%	1	4.0%	-	-	-	-	1	4.8%
Difficulty in raising funds	-	-	-	-	-	-	1	1.1%	1	1.6%	-	-	-	-	-	-	-	-	-	-
Underdeveloped local supporting industries	3	1.1%	4	2.9%	6	5.9%	2	2.2%	3	4.9%	-	-	1	4.0%	-	-	-	-	-	-
Sense of instability regarding currency and/or costs	-	-	-	-	-	-	-	-	-	-	-	-	3	12.0%	2	9.1%	-	-	-	-
Underdeveloped infrastructure	2	0.8%	45	33.1%	22	21.6%	3	3.3%	5	8.2%	-	-	-	-	1	4.5%	-	-	-	-
Security/social instability	9	3.4%	8	5.9%	3	2.9%	2	2.2%	7	11.5%	1	1.3%	2	8.0%	2	9.1%	1	3.2%	1	4.8%
Lack of information on the country	-	-	16	11.8%	12	11.8%	2	2.2%	13	21.3%	-	-	2	8.0%	1	4.5%	-	-	-	-
Difficult to obtain entry or work visas	-	-	-	-	-	-	1	1.1%	-	-	2	2.6%	-	-	-	-	-	-	-	-