

**Survey on Business Operations of
Foreign-affiliated Companies in Japan
2023**

Summary of Survey Results

March 2024

**Japan External Trade Organization (JETRO)
Innovation Department**

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1. Background and Objectives of Survey

■ Background of Survey

Foreign direct investment (FDI) contributes to strengthening the growth potential of the Japanese economy and revitalizing the regions through innovation by integrating domestic and foreign resources, investment expansion and job creation in the regions. For this, the Government of Japan is promoting FDI. JETRO also established a department in 2003 to attract foreign companies and support foreign-affiliated companies in Japan, and it has provided various support menus tailored to the needs and business phases of foreign and foreign-affiliated companies.

The FDI stock in Japan has continued to increase. It exceeded 20 trillion yen for the first time in 2014, and reached 39.7 trillion yen by the end of 2020, surpassing the previously set target amount of 35 trillion yen. In order to accelerate efforts to promote FDI in Japan, the government formulated on the "Action Plan for Attracting Human and Financial Resources from Overseas" in April 2023, raising the target of 80 trillion yen for the FDI stock by 2030, which was decided in June 2021, to 100 trillion yen.

While price rise, geopolitical risks, and other uncertainties are affecting the business activities of foreign-affiliated companies in Japan, continued promotion of FDI in Japan is expected to create innovation and expand investment in the regions, and thereby to strengthen the growth potential of the Japanese economy.

■ Objectives of Survey

The purpose of this survey is to grasp the current status and trends of foreign-affiliated companies* based in Japan, the attractiveness and challenges of the business environment in Japan, and the support needed, as well as to prepare data used for effective FDI promotion projects and reference to improve business environment and promote related measures. This is the third survey whose scope was expanded from JETRO-supported companies to all foreign-affiliated companies in Japan.

*"Foreign-affiliated companies" in this survey refer to companies in which foreign investors have a stake, regardless of the percentage of foreign capital.

2. Overview of Survey Implementation (1)

■ Outline of Survey

1. Survey target

7,427 foreign-affiliated companies in Japan

2. Survey items (*List of items on the last slide is available)

- I. Overview of the company
- II. Japan's strengths and challenges compared to neighboring Asian countries
- III. Future business plans in Japan
- IV. Collaboration and cooperation in Japan
- V. Others

3. Survey period

October 16 to November 28, 2023

4. Collection of survey responses

Number of valid responses received: 1,537 companies

Valid response rate: 20.7%

[Reference] Definition of large enterprises and SMEs (based on capital and number of employees)

Classification	Manufacturing and others	Wholesale Trade	Retail trade	Services
Large enterprises	Companies other than medium and small-sized enterprises			
Small and medium-sized enterprises	JPY 300 million or less Or, 300 employees or less	JPY 100 million or less Or, 100 employees or less	JPY 50 million or less Or, 50 employees or less	JPY 50 million or less Or, 100 employees or less

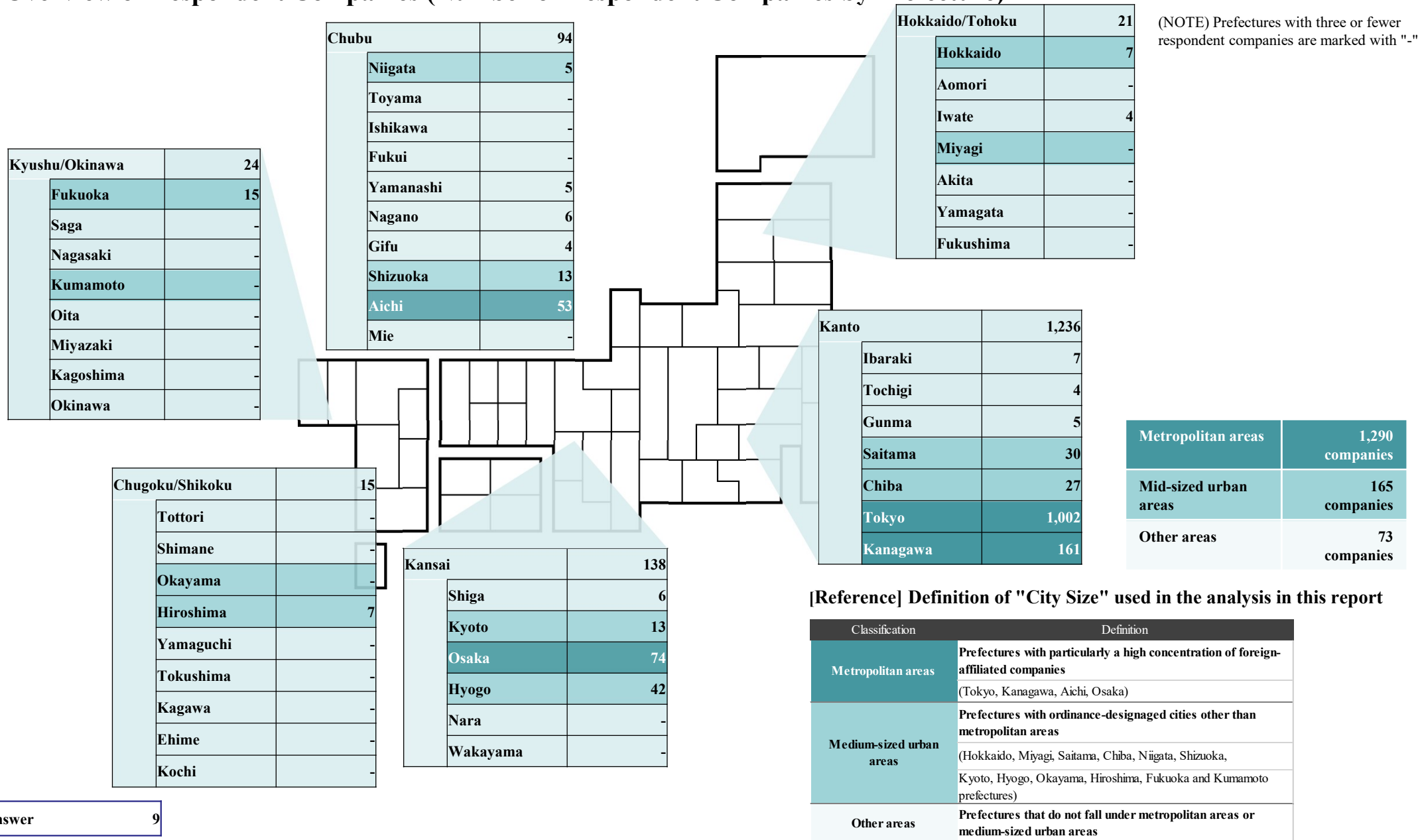
■ Overview of Respondent Companies

Total / Sectors / Company size	# of Companies	Composition ratio (%)
Total	1,537	100.0
Manufacturing	269	17.5
Electronic components and devices	36	2.3
Transportation machinery and equipment	28	1.8
Electrical machinery and equipment	27	1.8
Chemicals	24	1.6
Pharmaceuticals and Cosmetics	24	1.6
Production machinery and equipment	20	1.3
Metal products	14	0.9
Business-oriented machinery and equipment	12	0.8
Food and beverage	8	0.5
Textile products and apparel	6	0.4
Information and communication equipment	6	0.4
Plastic products	4	0.3
Stationery, toys and sporting goods	4	0.3
Rubber products	2	0.1
Household and living goods	2	0.1
General-purpose machinery and equipment	0	0.0
Others(including unknown)	52	3.4
Wholesale trade / General trade	583	37.9
Retail trade	74	4.8
Services	544	35.4
Information and communications	168	10.9
Finance and insurance	72	4.7
Academic research, professional and technical services	72	4.7
Transportation and postal services	44	2.9
Real estate and goods rental and leasing	15	1.0
Construction	13	0.8
Accommodation	8	0.5
Medical care and welfare	8	0.5
Lifestyle-related services, entertainment and recreation services	7	0.5
Restaurant business	6	0.4
Education and learning support	4	0.3
Others(including unknown)	127	8.3
Large enterprises	62	4.0
Small and medium-sized enterprises	1,400	91.1

(NOTE) As some respondent companies cannot be classified, the total numbers do not match.

2. Overview of Survey Implementation (2)

■ Overview of Respondent Companies (Number of Respondent Companies by Prefecture)



3. Points of Survey Results

1. Finding business opportunities in Japan and expanding business amid geopolitical risks and other uncertainties

- Performance of foreign-affiliated companies in Japan was strong for the second consecutive year. Their intention to "strengthen or expand" operations in Japan in the future also showed further increase. The percentage of companies that intend to establish new sites or strengthen existing sites both increased approximately 1.6 times from two years ago.
- Given the geopolitical risks, social and economic stability has become a prominent attractiveness of Japan's business environment. With business opportunities expanding in Japan due to changes in the supply chain and others, some have pointed out the growing importance of the Japanese market, business, and Japanese subsidiaries.
- 8.0% of the respondent companies have implemented to transfer or are planning to transfer or considering transferring the functions of their overseas bases to Japan. While "sales and marketing" is the most common function for transfer, the relocation of "manufacturing and processing" and "R&D" functions are in the consideration stage.

2. Collaboration and cooperation as a key step for business expansion, as well as for building new business trends in the post Covid-19 era

- Companies that are considering collaboration/cooperation with Japanese companies and institutions have a particularly high interest in business expansion in the future, positively considering collaboration/cooperation as a means of business expansion. In addition, there is growing interest in collaboration/cooperation with startups in the manufacturing industry.
- More than one third of the respondent companies are either conducting or considering collaboration/cooperation with Japanese companies and institutions. The percentage is particularly high in the fields of pharmaceuticals and professional services. The ratio exceeds 50% in the IT sector. The most significant theme for future business development after Covid-19 selected by the respondents is Digital Transformation, collaboration/cooperation in the IT field can be an effective means for promoting this.

3. Securing human resources continues to be an important issue, needing to improve the environment to accept international talents

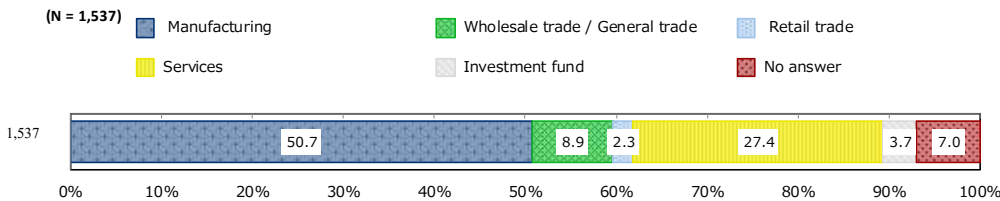
- Securing human resources is the most significant challenge that foreign-affiliated companies in Japan wish to see improve. As a countermeasure, some companies are taking steps to improve payrolls, work-life balance, and other aspects of their compensation packages.
- In terms of efforts to ensure the smooth employment and residence of international talents, there is a tendency to place further emphasis on the working environment, personnel system reforms are also becoming increasingly important. On the other hand, there is still a high need for digitization of administrative procedures, more rapid acquisition of status of residence, as well as multilingual support, for which environment improvement is necessary.

OVERVIEW OF RESPONDENT COMPANIES

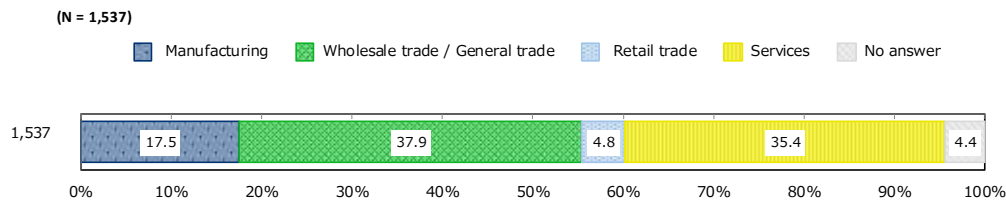
1| Over 50% of foreign parent companies are in manufacturing industry, while more foreign-affiliated companies in Japan operate as wholesale trade/general trade companies

- Of the respondent companies, more than half foreign parent companies engaged in manufacturing. On the other hand, wholesale trade / general trade companies accounted for the largest percentage of foreign-affiliated companies in Japan at 37.9%. Although many foreign-affiliated manufacturers have only sales bases in Japan, 17.5% of the respondents have manufacturing or processing functions.
- The service industries also accounted for a relatively high percentage of foreign-affiliated companies in Japan at 35.4%. Looking at the breakdown of the service industry, "information and communications" accounted for 30.9%, about one-third of the total, while "finance and insurance," "academic research, professional and technical services" also accounted for more than 10%.

Industry of foreign parent company



Industry of foreign-affiliated companies in Japan



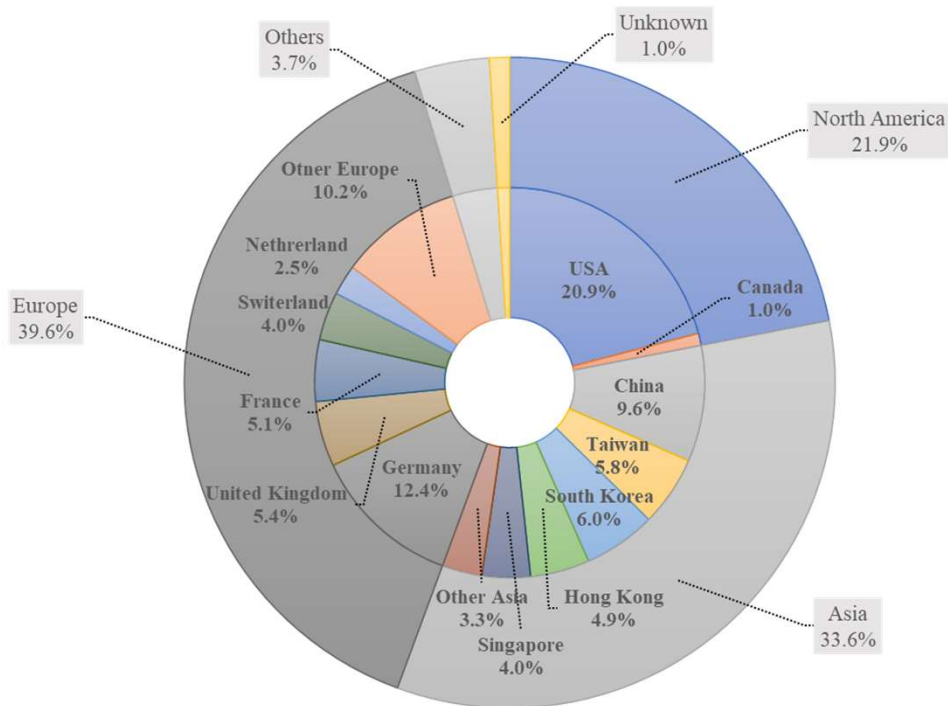
Detailed industry sectors of foreign-affiliated companies in Japan

Products handled in manufacturing, wholesaling, and retailing		Detailed industry sectors of the service industry	
	(number, %)		(number, %)
Electronic components and devices	89 9.6	Information and communications	168 30.9
Electrical machinery and equipment	88 9.5	Finance and insurance	72 13.2
Chemicals	74 8.0	Academic research, professional and technical services	72 13.2
Production machinery and equipment	62 6.7	Transportation and postal services	44 8.1
Transportation machinery and equipment	59 6.4	Real estate and goods rental and leasing	15 2.8
Food and beverage	56 6.0	Construction	13 2.4
Business-oriented machinery and equipment	53 5.7	Accommodation	8 1.5
Metal products	51 5.5	Medical care and welfare	8 1.5
Pharmaceuticals and cosmetic	47 5.1	Lifestyle-related services, entertainment and recreation services	7 1.3
Information and communication equipment	34 3.7	Restaurant business	6 1.1
Textile products and apparel	32 3.5	Education and learning support	4 0.7
Stationery, toys and sporting goods	24 2.6	Others	123 22.6
Household and living goods	22 2.4	No answer	4 0.7
Plastic products	21 2.3	Total	544 100
Rubber products	6 0.6		
General-purpose machinery and equipment	5 0.5		
Others	194 21.0		
No answer	9 1.0		
Total	926 100.0		

2| Over 20% of foreign parent companies locate their Asian headquarters in Japan, which is particularly high among North American companies

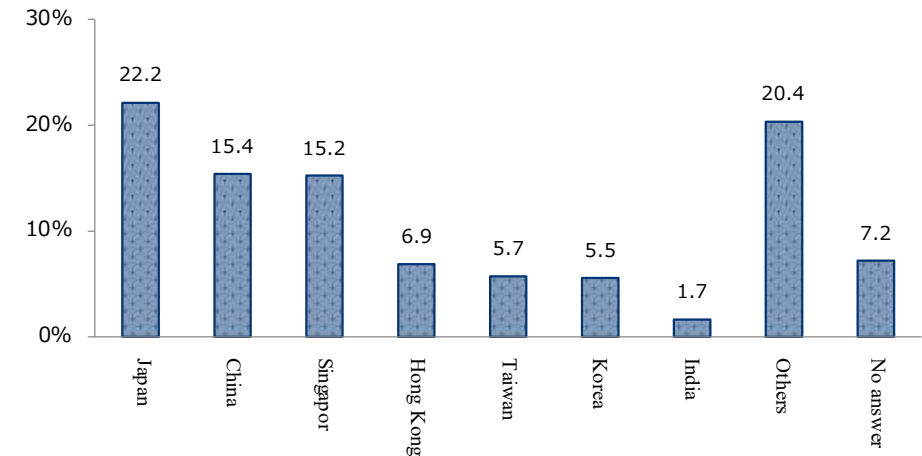
- Looking at the home countries/regions of the respondents' parent companies, the United States accounted for 20.9%, followed by Germany at 12.4%, and China at 9.6%. By region, Europe accounted for about 40%, Asia for more than 30%, and North America for more than 20%. There is no significant change observed compared to the previous survey.
- Over 20% of companies chose Japan as their headquarters in Asia, which accounted for the largest share. Looking at the parent company by country/region, the tendency is comparatively high for North American companies to choose Japan as their headquarters in Asia. In addition, among European and American companies, Singapore is chosen as the managing base for Asia, after Japan.

Country/region of the foreign parent company



(N=1,537)

Headquarters in Asia by country/region of foreign parent company



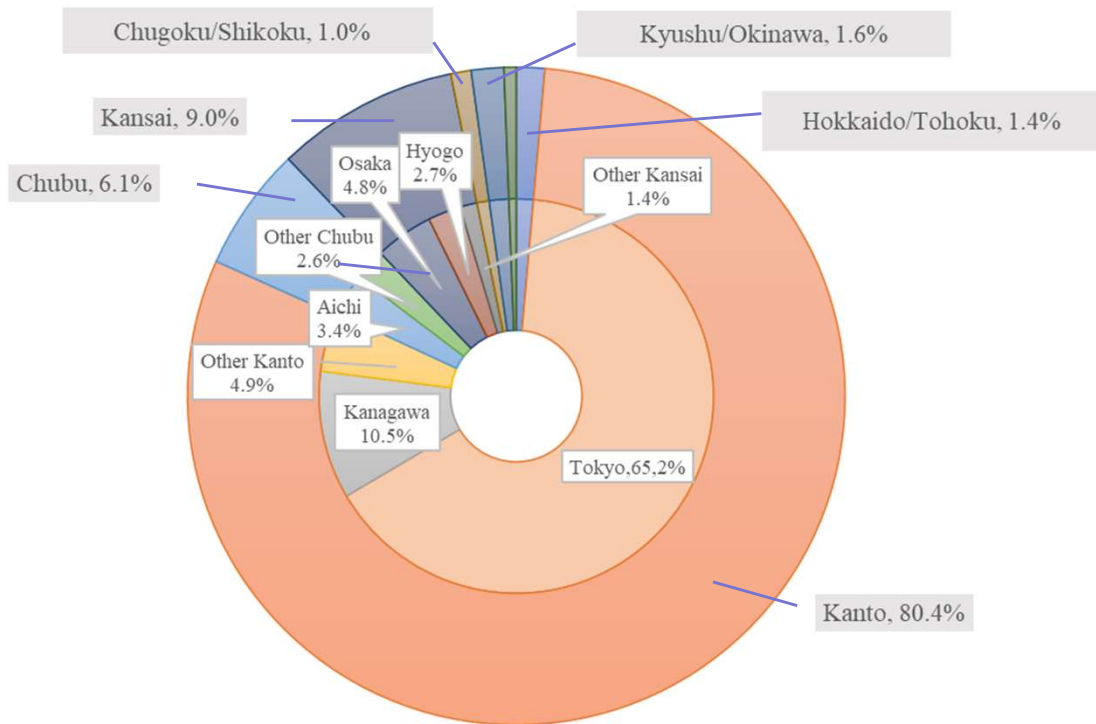
N=

	Total	Japan	China	Singapore	Hong Kong	Taiwan	Korea	India	Others	No answer
Total	1,537	22.2	15.4	15.2	6.9	5.7	5.5	1.7	20.4	7.2
【North America】	337	26.7	12.2	18.4	6.2	0.9	2.4	1.8	22.9	8.6
【Asia】	516	18.2	20.5	9.7	9.7	14.5	14.0	2.3	6.8	4.3
【Europe】	610	21.3	13.4	18.2	4.9	1.3	0.7	1.1	30.7	8.4
Others	58	36.2	10.3	12.1	8.6	1.7	0.0	1.7	18.9	10.3

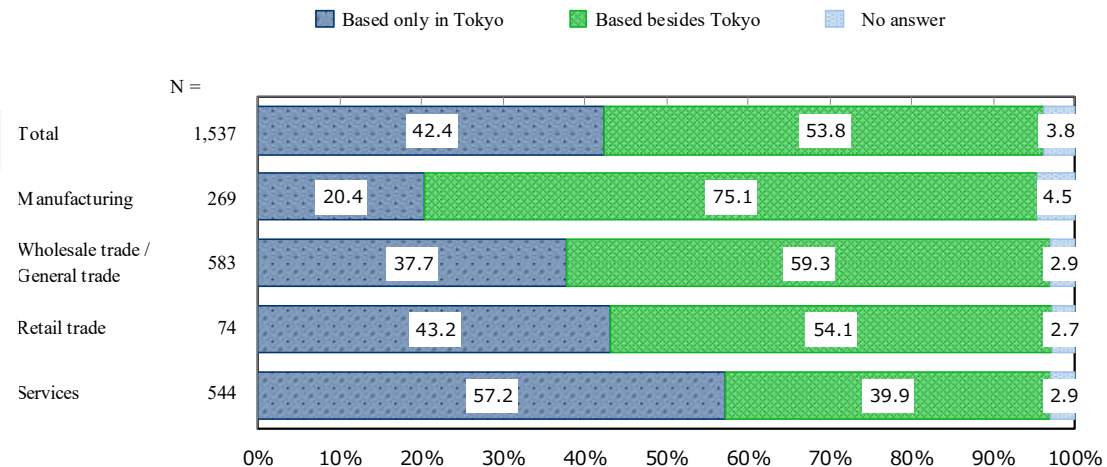
3| About 65% of respondents are headquartered in Tokyo, and the majority of companies in service industry have bases only in Tokyo

- More than 80% of the respondent companies have their headquarters in the Kanto region, with the majority being in Tokyo (65.2%) and Kanagawa (10.5%). In addition, Osaka (4.8%), Aichi (3.4%) and Hyogo (2.7%) are relatively common.
- As for the locations of bases in Japan, the majority of companies in the service industry have bases only in Tokyo. On the other hand, around 75% of manufacturers have bases other than Tokyo.

Head office location of foreign-affiliated companies in Japan



Location of bases in Japan by industry



4| Manufacturing bases tend to be dispersed, while R&D bases are concentrated in Kanagawa and Aichi as well

- As for the functions in Japan of the respondent companies, around 65% of the corporate planning and management functions are concentrated in Tokyo.
- As for R&D function, following Tokyo, Kanagawa has a presence of around 15%, and Aichi and Osaka follow.
- The manufacturing and processing functions are relatively dispersed, with about 90% of them located outside Tokyo. After Tokyo and Kanagawa, Regions such as Aichi, Saitama, Hyogo, Fukushima, and Fukuoka follow.

Functions of bases owned by foreign-affiliated companies in Japan

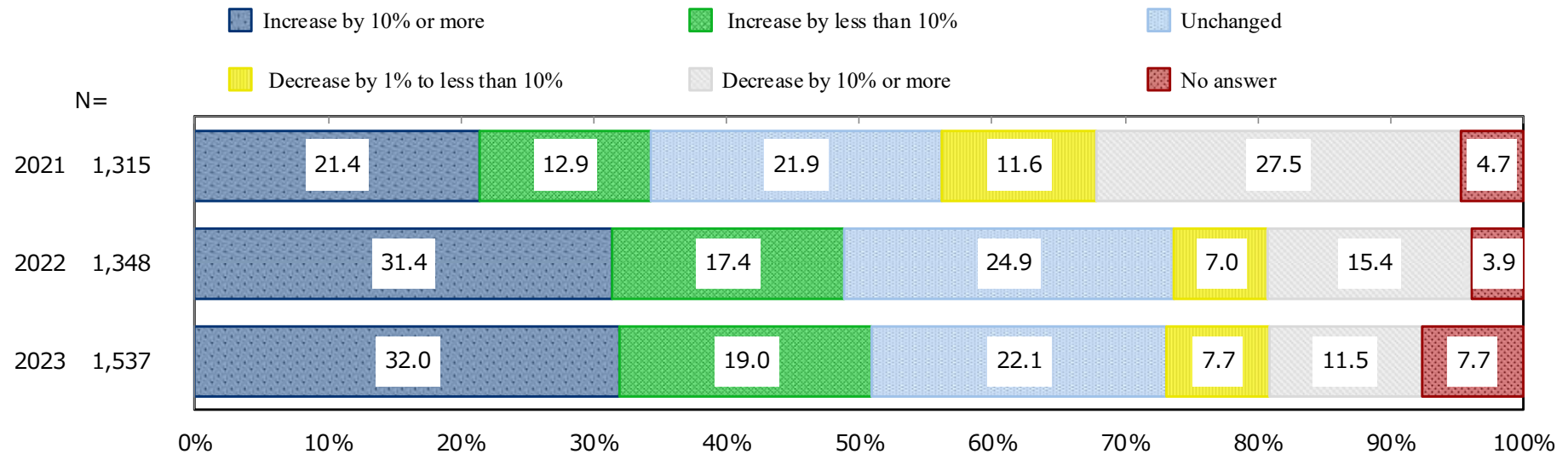
Corporate planning and management (N=1,219)				Research and development (N=387)				Manufacturing and processing (N=415)			
Ranking	Prefecture	# of sites	Composition ratio (%)	Ranking	Prefecture	# of sites	Composition ratio (%)	Ranking	Prefecture	# of sites	Composition ratio (%)
1	Tokyo	782	64.2	1	Tokyo	122	31.5	1	Tokyo	42	10.1
2	Kanagawa	121	9.9	2	Kanagawa	61	15.8	2	Kanagawa	38	9.2
3	Osaka	69	5.7	3	Aichi	24	6.2	3	Aichi	28	6.7
4	Aichi	49	4.0	4	Osaka	21	5.4	4	Saitama	23	5.5
5	Hyogo	38	3.1	5	Saitama	19	4.9	4	Hyogo	23	5.5
6	Saitama	28	2.3	5	Ibaraki	18	4.7	6	Fukushima	17	4.1
7	Chiba	20	1.6	7	Hyogo	15	3.9	6	Fukuoka	17	4.1
8	Fukuoka	14	1.1	7	Chiba	11	2.8	8	Osaka	16	3.9
9	Kyoto	11	0.9	9	Kyoto	10	2.6	9	Ibaraki	15	3.6
10	Shizuoka	10	0.8	10	Tochigi	9	2.3	9	Chiba	15	3.6
								9	Shizuoka	15	3.6

BUSINESS EXPANSION IN JAPAN IN THE FUTURE

1| Majority of companies increased revenues over the previous year, and performance of foreign-affiliated companies in Japan rose for the second consecutive year

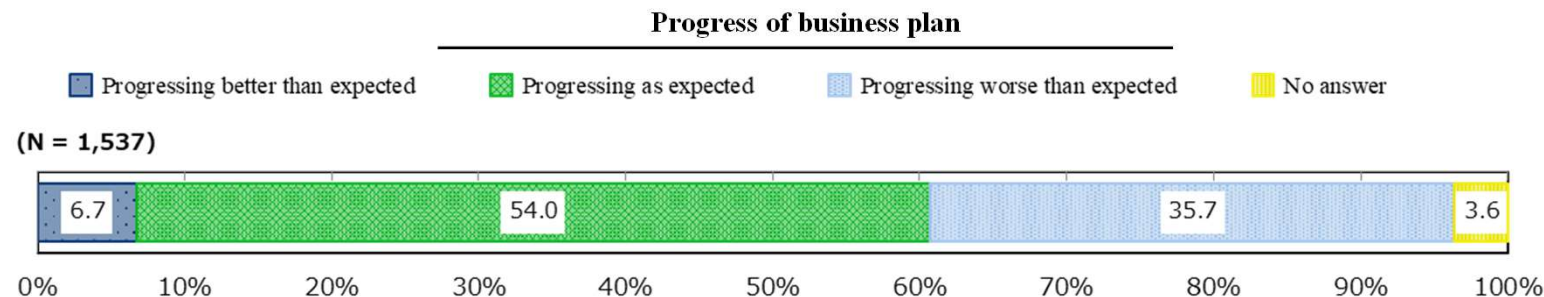
- Looking at year-on-year changes in sales in the most recent fiscal year, a majority of companies, 51.0% of the total, reported an increase of 1% or more in 2023. The breakdown is 32.0% for "increase by 10% or more" and 19.0% for "Increase by less than 10%."
- Looking at trends over the years, business results grew significantly from 2021 to 2022, and the trend in 2023 is close to that in 2022. The performance of foreign-affiliated companies in Japan appears to remain strong for two consecutive years.

Changes in sales from the previous year



2| Majority of companies progressing with the business plan as expected

- As for the progress of the business plan, around 55% of the companies responded "progressing as expected." Combined with those that responded "progressing better than expected," the figure reaches 60%. As factors, some cited examples of businesses being boosted by trends toward solving social challenges such as measures for decarbonization and aging populations, as well as the provision of niche products and services that are difficult to replace.
- On the other hand, about 35% of the companies responded "progressing worse than expected." Many cited the weak yen and price increases as factors. Many also pointed to the inability to secure the necessary human resources and the slowdown in the Chinese economy as factors.



What is affecting the progress of business plan (open-ended question)

Response from companies that chose "progressing better than expected" and "progressing as expected."

- The company has been increasingly recognized and trusted in the market.
- The entire industry is actively promoting initiatives towards sustainability and decarbonization.
- Efficiency is required due to the aging population and labor shortage.
- The company has been increasingly recognized in Japan, and received a lot of good feedback from existing customers, leading to an increase in orders due to customer connections.
- The company serves a high-tech niche market where competition is less fierce. our presence is global which somewhat shield us from economic downturns.
- With early recovery from the Covid-19 pandemic quickly, the company is ready for new markets and is currently gaining more market support than anticipated.
- Due to the impact of the Covid-19 pandemic, customers are now making investments that are not bound by past customs and practices. A slight increase in openness to foreign capital.
- Increase in inbound tourists due to the weak yen.

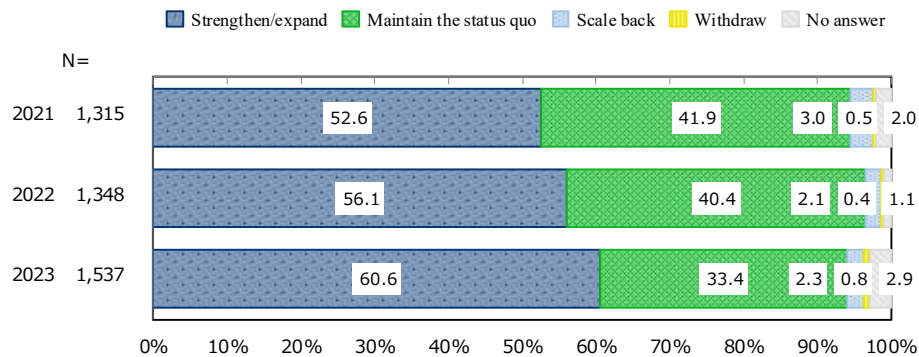
Responses from companies that chose "progressing worse than expected"

- High raw material prices. Depreciation of yen.
- Market conditions are not as buoyant as expected due to rising prices.
- Earnings are under pressure from higher oil prices and other price increases due to the Russia-Ukraine conflict.
- Changes in supply chains due to geopolitical risks.
- Significant labor shortage.
- It seems that logistics stagnation since the Covid-19 pandemic cannot be fully restored.
- Time consuming for foreign managers to acquire visas in Japan.
- Decrease in orders due to deterioration in the Chinese market.
- Improved product quality of Chinese manufacturers and the upsurge of manufacturers has led to an oversupply in the supply-demand balance, and price competition is getting more intense year by year.

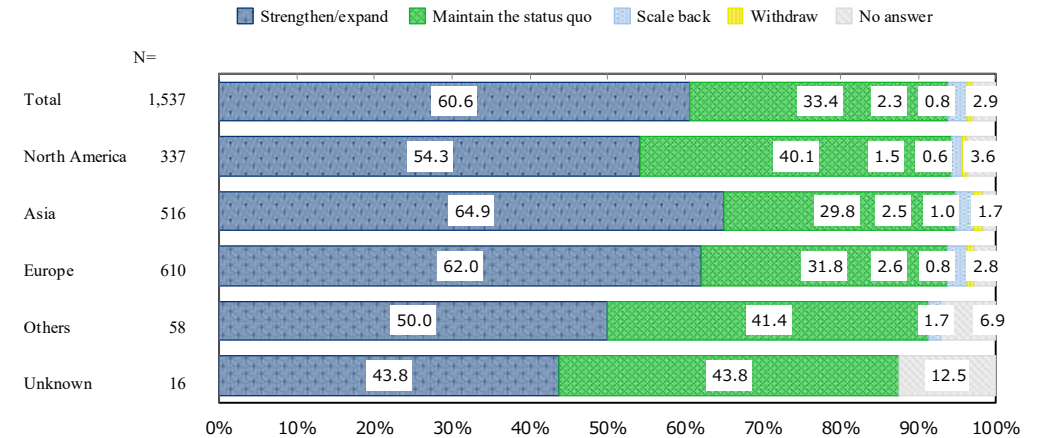
3| Intention to expand business in Japan increased for the second consecutive year

- 60.6% of respondents said that they would "strengthen/expand" their business in Japan in the future, up 4.5 points from the 2022 survey and 8.0 points from the 2021 survey. Intention to strengthen or expand business continues to increase.
- Especially strong expansion orientation was observed among Asian companies whose parent companies, at around 65%. European companies also have relatively high expansion intentions, with more than 60% responding that they will "strengthen/expand."

Future business plans in Japan



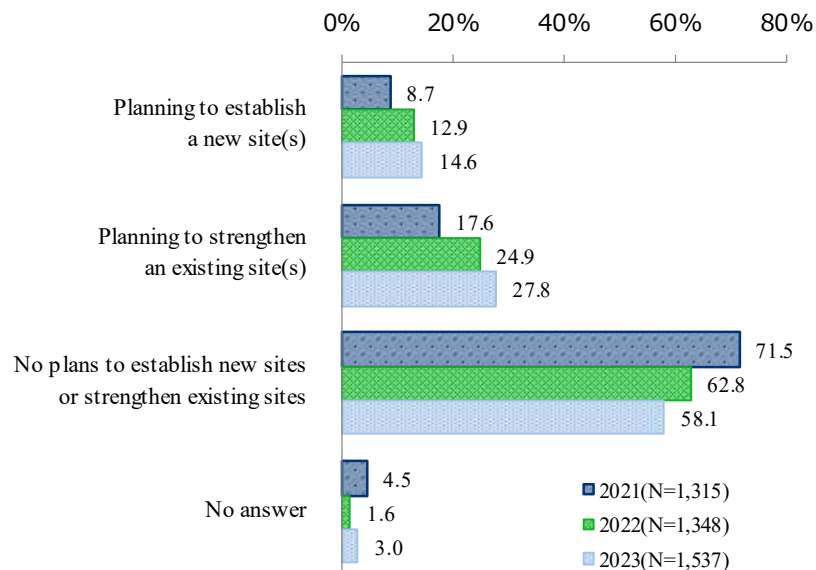
Future business plans by region of parent company (2023)



4| Intentions to establish new business sites continue to rise, particularly among Asian companies.

- The positive trend toward establishing new sites and strengthening existing sites continues. The proportion of companies that responded that they were planning to establish new sites or strengthen existing sites over the next three years both increased for two consecutive years.
- By country/region of the parent company, as in the previous page, Asian companies have strong intentions to establish or expand business sites, particularly among Chinese companies.

Establishment or expansion of sites over the next three years (MA)



Establishment or expansion of sites by country/region of parent company (MA)

	N=	Planning to establish a new site(s)	Planning to strengthen an existing site(s)	No plans to establish new sites or strengthen existing sites	No answer
		sites			(%)
Total	1,537	27.8	14.6	58.1	3.0
【North America】	337	22.6	11.0	65.3	3.3
【Asia】	516	33.9	18.2	51.0	1.7
Singapore	62	30.6	19.4	51.6	3.2
China	147	40.1	21.8	43.5	0.7
Hong Kong	76	32.9	18.4	51.3	0.0
Taiwan	89	37.1	20.2	48.3	2.2
Korea	92	25.0	10.9	63.0	2.2
Other Asia	50	32.0	16.0	54.0	4.0
【Europe】	610	27.2	14.8	58.5	3.1
Others	58	15.5	5.2	70.7	8.6

5| When deciding on locations of R&D and manufacturing bases, factors such as infrastructure, human resources, and business costs are considered

- In selecting locations, a little less than 50% of the total cited "potential to acquire new customers," as an important factor followed by "well-developed infrastructure," "prospect of securing excellent human resources in the region," and "low business costs" at just under 40% to over 30%.
- By area, "attractive incentives provided by local municipalities" play a major role in non-metropolitan areas. Industrial clusters are a key factor for medium-sized urban areas, whereas business costs are a key factor for other areas.
- Looking at bases in Japan by function, for R&D, and manufacturing and processing functions, they tends to place emphasis on infrastructure, human resources, business costs, incentives and BCP when selecting locations.

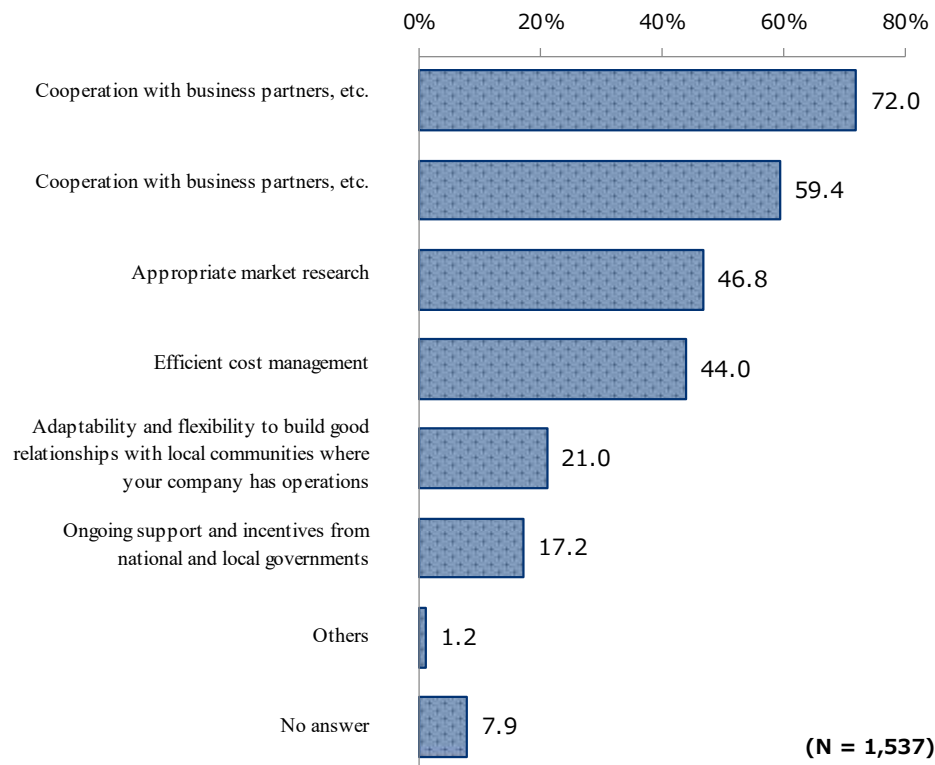
Important factors in location selection by area and by base function (MA)

		Potential to acquire new customers	Well-developed infrastructure	Prospect of securing excellent human resources in the region	Low business costs	Proximity/access to the head office	Existence of related industrial clusters	Attractive incentives provided by local municipalities	Decentralization of bases in consideration of BCP	Short period required for approvals and licenses, etc.	Prospect of joint R&D with companies and universities in the region	Educational environment	Others	
N=														
Total		1,537	47.3	37.8	33.9	32.9	11.2	10.1	9.8	8.5	6.8	4.7	2.5	2.4
City size	Metropolitan area	1,290	49.5	38.2	33.4	32.4	11.7	9.8	8.5	8.0	6.6	4.7	2.4	2.4
	Mid-sized Urban area	165	36.4	35.8	37.0	31.5	10.3	15.2	17.6	11.5	7.9	4.2	4.8	3.0
	Other areas	73	37.0	37.0	38.4	46.6	5.5	6.8	15.1	11.0	8.2	6.8	0.0	1.4
Base function	Corporate planning and management functions	1,156	48.4	40.3	35.7	35.2	12.9	9.7	11.2	9.1	7.0	4.9	2.9	2.4
	Sales and marketing functions	1,234	50.2	38.7	35.5	34.2	11.5	9.9	10.5	8.8	6.5	4.7	2.6	2.4
	Research and development functions	286	42.3	46.9	49.3	42.3	13.6	12.9	20.6	16.1	10.5	10.5	4.2	2.8
	Manufacturing and processing functions	241	39.4	49.4	47.3	48.5	14.5	12.4	22.0	17.4	10.8	7.1	2.9	3.7
	Logistics functions	449	45.7	43.7	37.0	40.8	12.7	9.1	12.9	12.0	7.6	5.6	1.3	2.7
	Customer Service functions	855	49.5	42.5	35.4	36.0	12.2	11.1	10.8	9.6	7.4	5.1	2.8	3.0
	Data centers	196	48.0	47.4	36.2	41.8	14.8	11.2	16.3	20.9	10.7	5.6	6.1	1.5
	Others	90	47.8	36.7	34.4	33.3	10.0	11.1	14.4	8.9	14.4	7.8	6.7	4.4

6| Cooperation with business partners cited by over 70% as a success factor for business entry/expansion in the region

- For success factors for business entry and expansion after entry in Japan, more than 70% of respondents cited "collaboration with business partners, etc." and just under 60% cited "securing high quality human resources."

Successful factors of business entry/expansion in the region
(up to top three)



Specific success factors for business entry/expansion in the regions,
and support sought

Building relationships with customers, customer acquisition.

- Strengthening relationships with customers who have a strong local orientation.
- Further identification of potential customers.
- Communication with customers and multilingual support.

Support sought from the governments

- Understanding of the project and flexible acceptance by municipalities.
- Support to reach customers and promoting business matching.
- Detailed information on the industry should be provided, as it is necessary to understand local distribution patterns and integrate into the market.
- Improvement of the local working environment (transportation, educational facilities, safety, etc.).

Human Resources

- Acquisition of excellent personnel with work experience (including language skills).
- Securing human resources in the regions where they operate.
- Since we operate with a small number of human resources, quality of them is of the utmost importance.

Adaptability and responsiveness to the Japanese market

- High product quality. The ability to respond in detail to the Japanese market.
- Understanding Japan's unique market requirements is most importance. Even with the same product, there are different manufacturers competing overseas and in Japan, and the performance requirements of customers are also different.
- It is important to fully understand the characteristics of customer requirements, costs, etc., and take action. Especially in the Japanese market, high quality is often required.
- It is necessary to develop products and applications that meet the local needs. Partner companies that can complement our resources and functions are also important.

ATTRACTIVENESS AND CHALLENGES
OF THE BUSINESS ENVIRONMENT IN JAPAN

1| Japan's attractiveness being market scale and stability, its technological capabilities are also highly appreciated in the manufacturing industry

- When asked about the attractiveness of Japan's business environment compared to other markets around the world, the number of companies that answered "market scale" continues to be the highest. Many companies regard Japan's social and economic infrastructure as well as geopolitical stability to be attractive, selecting "social and economic stability" and "well-developed infrastructure" as its features. In particular, "social and economic stability" has increased its presence as a strength of Japan, rising from fourth place in the previous survey to second place.
- By industry, "market scale" is particularly high in the service industry, at just under 60%. Among the service industries, "social and economic stability" is particularly highly evaluated in the finance and insurance industries. The technological and developmental capabilities of companies and research institutes, along with industrial clusters, are considered attractive in the manufacturing industry.

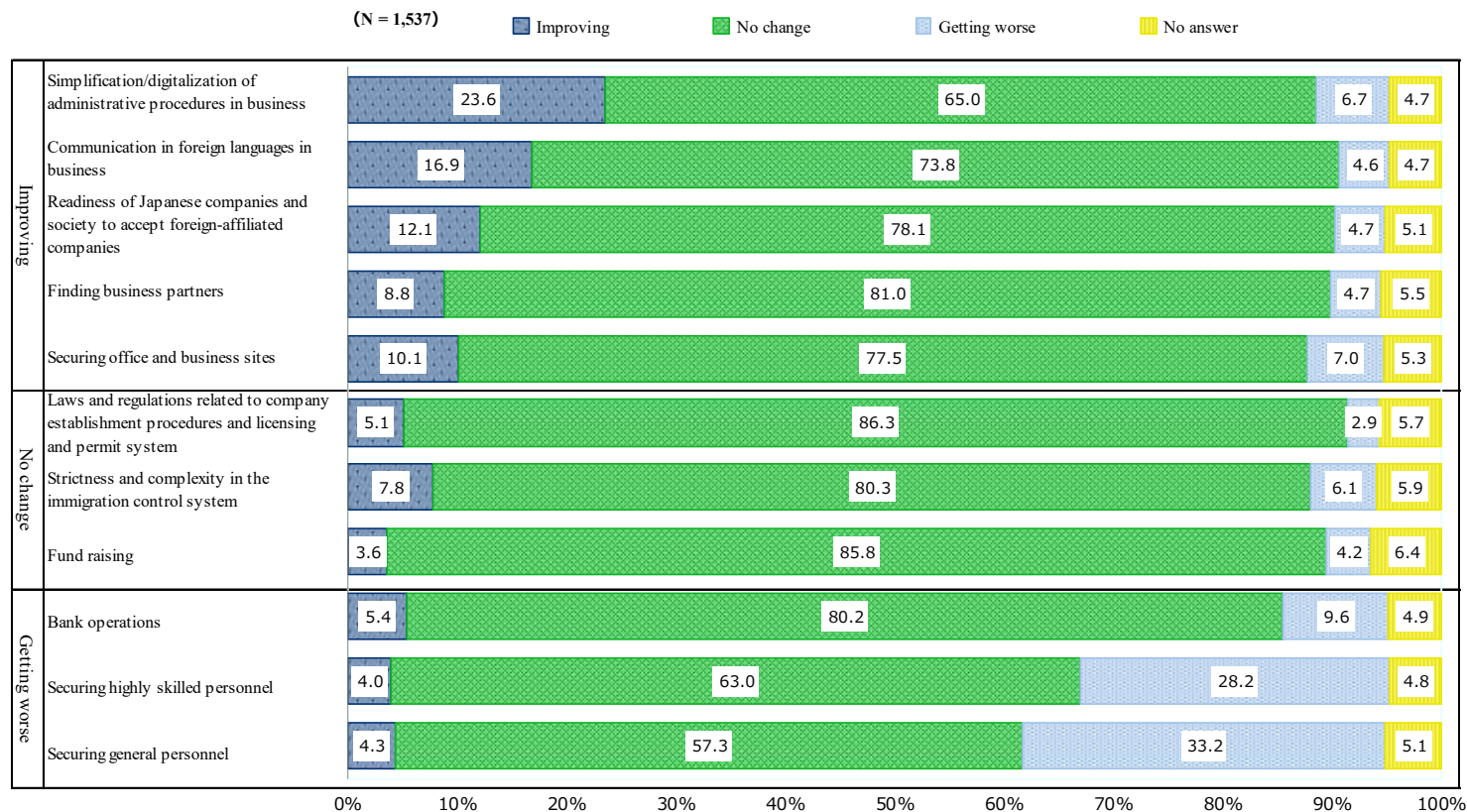
Attractiveness of the business environment in Japan
by industry (MA)

		N=	Market Scale	Social and economic stability/ geopolitical stability	Well-developed infrastructure	Clustering/ presence of customer and related industries	Mid- and long-term growth potential of your company's business	Sophisticated consumers	High level of technology and R&D capabilities of Japanese companies, universities, and institutes	High income level of consumers	Business opportunities for new technologies/ services for social challenges such as aging population	Suitability as a regional headquarter for Asia	Highly skilled human resources	General human resources
			(%)											
	全体	1,537	49.7	36.7	35.7	28.9	27.3	21.0	12.9	12.5	11.3	9.9	8.6	5.9
Industry	Manufacturing	269	40.5	38.3	34.2	37.2	26.8	23.4	22.3	11.5	12.3	12.6	13.8	8.6
	Wholesale trade / General trade	583	48.2	36.0	35.7	30.2	23.0	22.6	12.3	10.1	11.3	6.9	4.8	5.1
	Retail trade	74	44.6	35.1	24.3	16.2	29.7	33.8	10.8	24.3	9.5	9.5	2.7	4.1
	Services	544	57.4	38.6	38.6	26.8	32.9	17.3	9.6	14.3	12.1	12.1	11.0	5.7
Company's main products	Machinery and equipment	301	46.8	35.2	36.9	40.9	27.2	21.9	17.9	7.0	11.0	9.0	6.0	4.7
	Electronic components	89	34.8	39.3	42.7	39.3	29.2	7.9	19.1	10.1	4.5	9.0	24.7	9.0
	Chemicals	74	36.5	43.2	37.8	35.1	27.0	18.9	20.3	6.8	9.5	4.1	10.8	8.1
	Others	194	52.1	34.0	27.8	23.7	21.6	28.4	14.9	14.9	16.0	7.2	4.1	6.7
Services detailed industry sector	Information and communications	168	68.5	31.5	40.5	42.3	35.7	20.8	14.9	17.9	9.5	8.9	6.0	3.0
	Academic research, professional and technical services	72	51.4	34.7	23.6	26.4	29.2	11.1	9.7	13.9	15.3	23.6	20.8	1.4
	Finance and insurance	72	68.1	54.2	38.9	43.1	16.7	11.1	16.7	9.7	15.3	9.7	1.4	6.9
	Others	184	47.8	40.2	41.8	28.3	21.7	18.5	15.2	8.7	14.1	9.8	14.1	8.2

2| Improvement is observed in simplification of administrative procedures and multilingual support

- Regarding changes in Japan's business environment perceived over the past one to two years, in all eleven items surveyed, the most common response was "no change," but more than 20% responded that "simplification/digitization of administrative procedures" had improved. In addition, relatively more respondents reported that improvement was seen in "communication in foreign languages in business" and "readiness of Japanese companies and society to accept foreign-affiliated companies."
- On the other hand, many claimed that "bank operations," "securing highly skilled personnel," and "securing general personnel" saw deterioration.

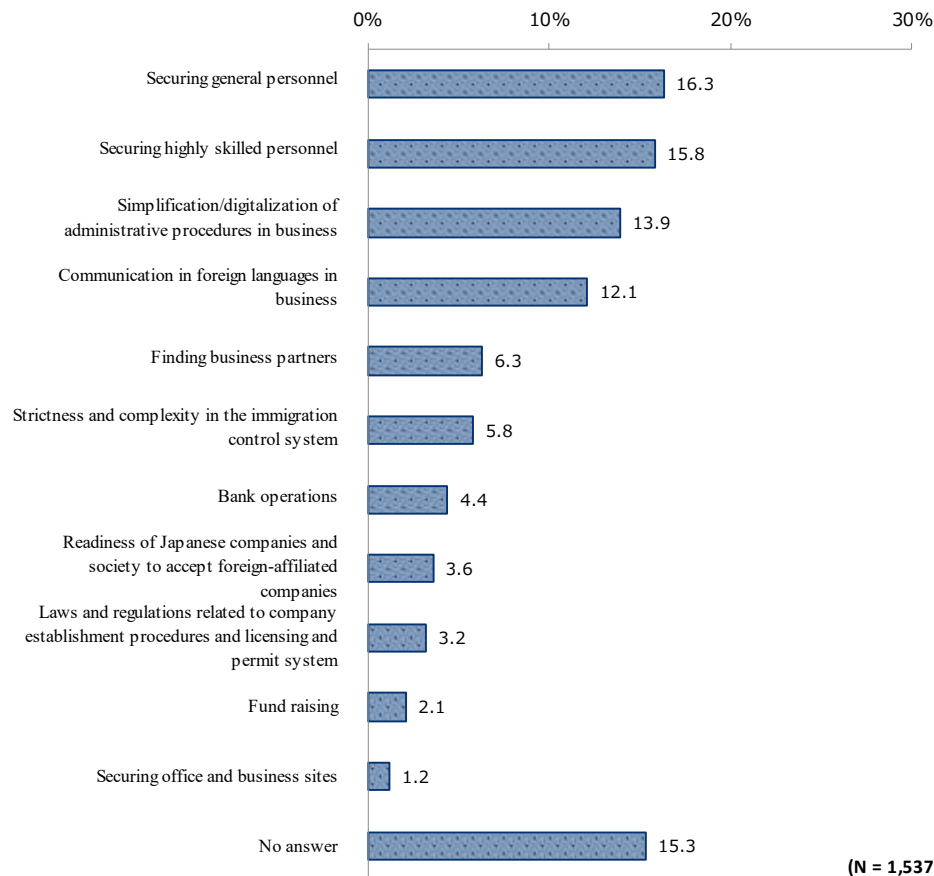
Changes in Japan's business environment over the past one to two years (single answer for each item)



3| Further improvement in securing human resources, simplification of administrative procedures, and multilingual support is strongly needed

- The most common item for which respondents expected particular improvement in doing business in Japan was securing general and highly skilled personnel, followed by "simplification/digitalization of administrative procedures" and "communication in foreign languages in business," for which further improvements are still expected, although on an improving trend.

Items particularly expected improvement in business activities in Japan



Specific opinions on improvement and problems (free description)

Securing human resources (highly skilled personnel)

- Poor communication skills due to lack of international experience makes recruitment difficult.
- In particular, it is very difficult to secure IT personnel. Introduction fees are high.
- It is difficult to find human resources that meet the required criteria. Divergence between the rising curves of prices and salaries. It is difficult to secure excellent human resources because salaries cannot keep pace.

Securing human resources (general personnel)

- It is difficult to employ skilled workers newly.
- Need to increase the mobility of human resources.
- As with domestic companies, securing young human resources is becoming more difficult than before.

Simplification/digitalization of administrative procedures

- Still many cases where seals are required. Concerned about the increase in workload due to many detailed parts of the process.
- More simplified administrative procedures are desired.
- It is good that we can now do things online without having to a government office or post documents, which is time-consuming, but there is room for improvement in the usability of the administrative procedures website.

Communication in foreign languages

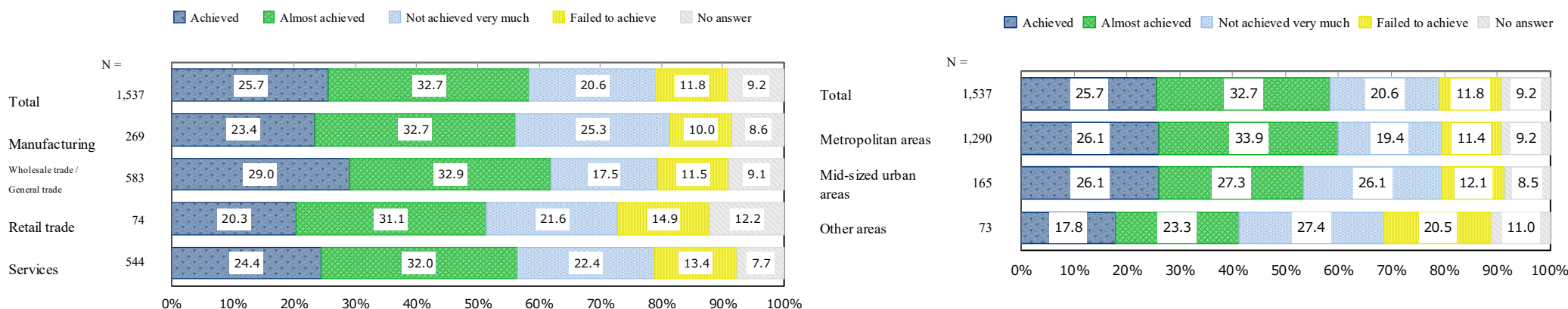
- There are challenges in communicating in English with business partners and overseas H.O.
- Not enough dissemination in foreign languages, such as English materials and English translation of websites.

SECURING HUMAN RESOURCES AND FACILITATING
THE EMPLOYMENT AND RESIDENCE OF
INTERNATIONAL HUMAN RESOURCES IN JAPAN

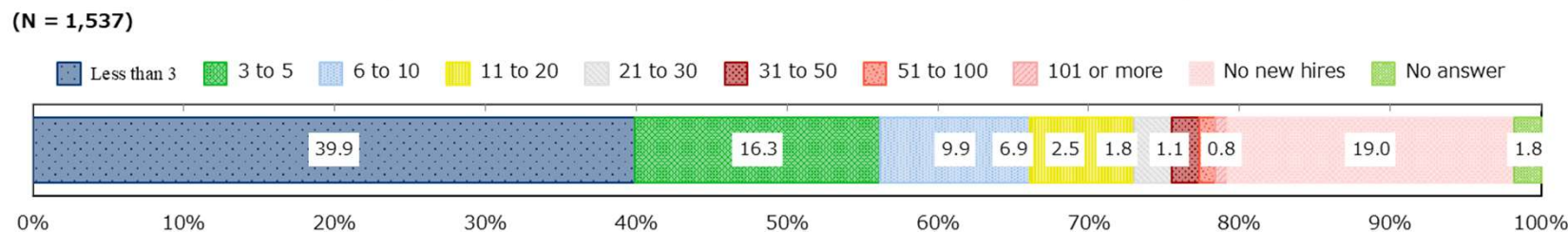
1| About 60% of companies have achieved their recruitment plans

- Regarding the achievement of the recruitment plan for the past year, around 25% of the companies responded that they had "achieved" their recruitment plans, and just over 30% responded that they had "almost achieved." By industry, the retail and manufacturing industries tend to face somewhat more severe condition than other industries. The retail industry tends to have higher needs for general human resources, while the manufacturing industry for highly skilled personnel.
- By city size, compared with major metropolitan areas and medium-sized urban areas, the achievement rates of recruitment plan in other areas are low, showing the difficulty of securing human resources.

Achievement of recruitment plan for the past year (by industry and city size)



Number of new hires in the past year



2| "Enhancement of public relations" and "salary increase" are the most common initiatives for securing human resources

- With regard to the initiatives implemented or planned to be implemented to secure human resources, the most common response was "Enhancement of the company's visibility and public relations," followed by "salary increase."
- By region of the parent company, Asian companies tend to be more proactive in raising salaries. In addition, a high percentage of European and American-based companies promoted remote work and women's activities in the workplace.
- Some notable measures taken by those who achieved their recruitment plans include offering employees more attractive payroll, other benefits as well as shorter working hours for employees' work-life balance and exploiting personal networks of management, employees and others to secure human resources. On the other hand, many of companies that failed to achieve their recruitment plans took measures of covering human resources internally, including the parent company and group companies, or using temporary staffing and outsourcing businesses. In some cases, the companies were forced to temporarily downsize or put off their operations.

Initiatives (to be implemented) to secure human resources (by country/region of parent company) (MA)

	N=	Enhancement of your company's visibility and public relations	Salary increases	Improvement of employees' foreign language skills such as English	Promotion of remote work	Promoting women in the workplace	Increased budget and resource allocation for recruitment activities	Performance-based evaluation system reform	Recruitment/transfer of foreign personnel (highly skilled personnel)	Reskilling	Recruitment/transfer of foreign personnel (other than highly skilled personnel)	Acceptance of internships from universities and other educational institutions	Employment of international students	Others	No answer	
																(%)
Total	1,537	37.0	31.4	28.9	28.5	22.7	18.8	18.3	18.2	13.3	11.8	8.8	7.3	2.3	11.6	
【North America】	337	39.5	26.1	32.9	33.5	27.6	19.9	17.8	16.9	13.1	9.5	11.6	5.9	1.5	12.5	
【Asia】	516	35.5	34.5	18.4	19.2	18.0	17.2	17.1	20.0	11.4	14.7	6.8	12.2	2.3	10.7	
Singapore	62	41.9	32.3	14.5	30.6	17.7	22.6	19.4	24.2	9.7	11.3	12.9	8.1	0.0	11.3	
China	147	34.7	36.7	17.7	21.8	17.0	20.4	18.4	26.5	8.2	14.3	4.8	17.0	2.7	9.5	
Hong Kong	76	27.6	35.5	19.7	15.8	15.8	23.7	17.1	7.9	15.8	10.5	6.6	14.5	2.6	7.9	
Taiwan	89	42.7	38.2	20.2	16.9	21.3	10.1	23.6	21.3	16.9	22.5	9.0	14.6	3.4	9.0	
【Europe】	610	36.9	32.6	36.2	32.3	24.9	20.3	20.2	18.0	14.4	11.5	9.3	4.4	2.6	11.5	

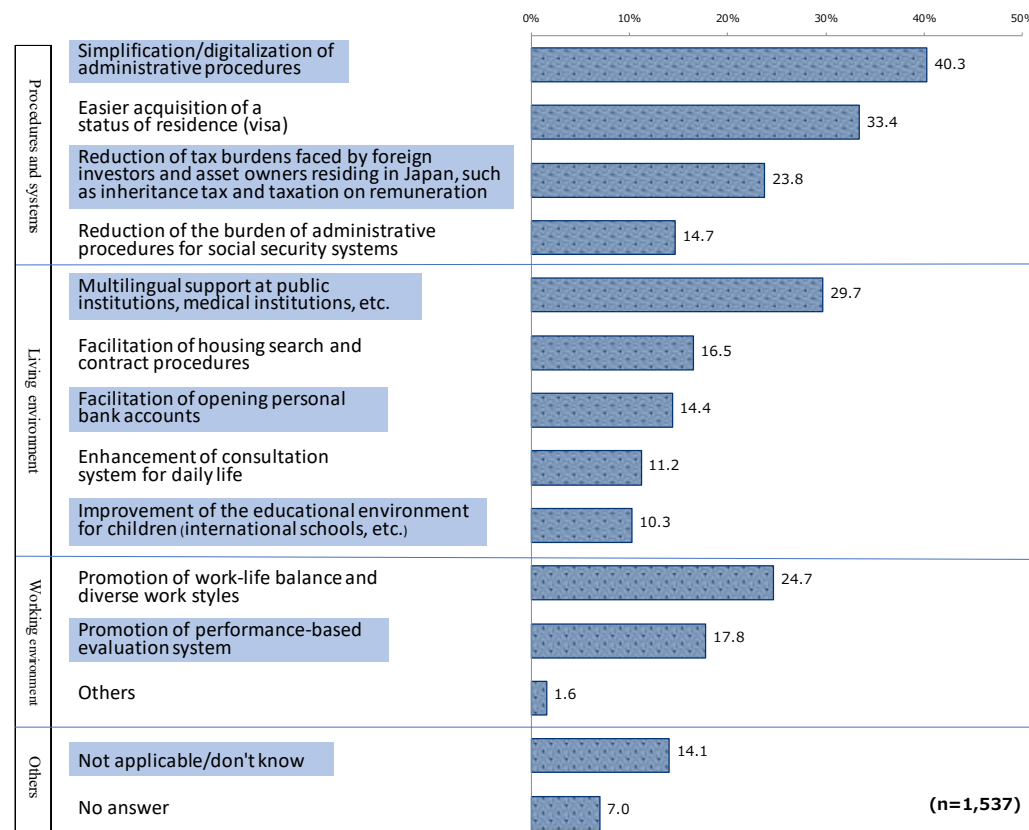
(NOTE) Selected countries/regions only

3| Calls for improvements in administrative procedures and visa acquisition to facilitate the employment of foreign human resources

- Regarding the environment necessary to facilitate the employment and residence of highly-skilled foreign professionals (NOTE), "simplification/digitalization of administrative procedures" was most commonly cited at over 40%, followed by "easier acquisition of status of residence (visa)" at over 30%, and many people call for improvements in procedures and systems.
- Compared to the previous survey, more respondents pointed to the work environment, such as work-life balance and performance-based evaluation system.

(NOTE) Here, we refer to foreign investors, entrepreneurs, managers, and businessperson(s).

Improvement of the environment necessary to facilitate the smooth employment and residence of highly-skilled foreign professionals (top 3 items)



Facilities, services, and systems that are expected to be expanded, improved, or introduced

Communication in foreign languages / multilingual support

- Administrative services as well as facilities and housing services provided in English need to be enhanced.
- English translation of tax system, tax payment, and utility documents.
- Generally, service provision in foreign languages is insufficient.

Immigration control system

- Relaxation of regulations on obtaining long-stay visas.
- High hurdles to obtain status of residence. Complicated administrative procedures. Digitalization is not yet supported.
- Better to lower the hurdles to obtain status of residence, such as requiring a guarantor. The present system will not solve the labor shortage.

Social insurance system, taxes

- Procedures for switching social security, paying resident tax and other taxes after leaving Japan.
- Explanatory materials in multiple languages for reduction of the burden on the social security system procedures, international harmonization, and other systems.
- Reduction of tax burden on stock options and RSUs (restricted stock units) granted by the parent company.

Others

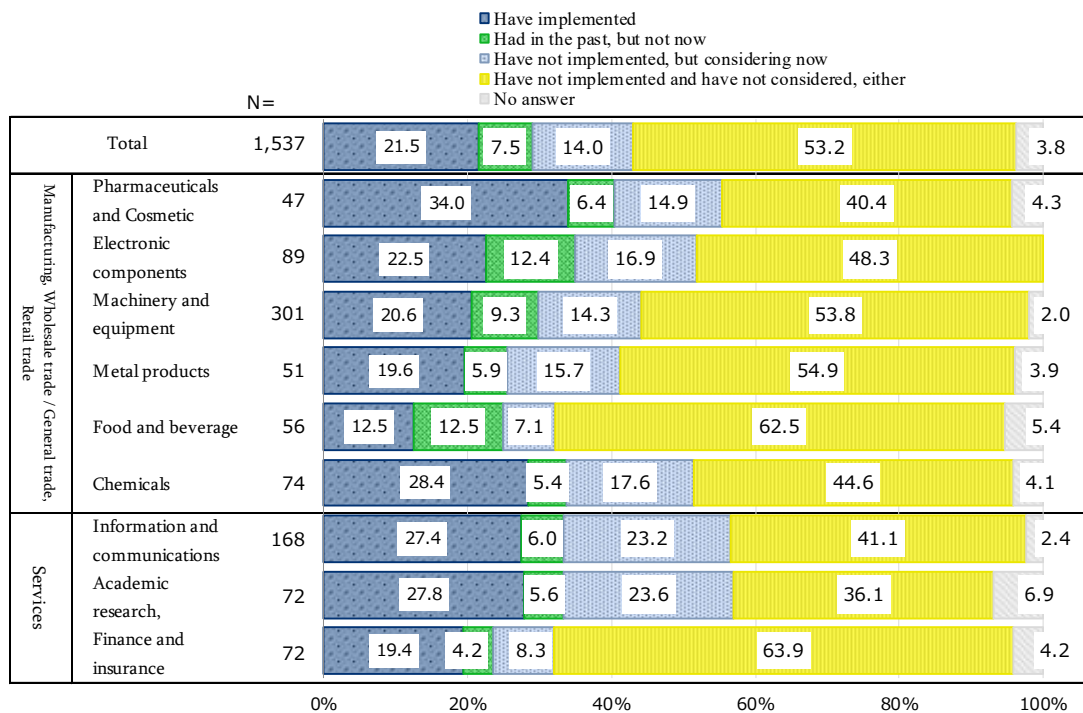
- Establishment of administrative service centers for foreign nationals where various administrative procedures, etc. can be completed in one place.
- Development of environment such as incubation centers where entrepreneurs can easily promote their businesses.
- Support for finding housing and enhancement of baby-sitting services.

COLLABORATION AND COOPERATION AND ITS ENHANCEMENT

1| More than one in three companies are proactive in collaboration and cooperation, particularly in IT and pharmaceutical industries

- A total of 35.5% of the respondents were implementing or considering collaboration/cooperation with Japanese companies/institutions. Looking at the detailed industry sectors, the ratio is high at around 50% in pharmaceuticals and cosmetics, information and communications, academic research, professional and technical services.
- Regarding what they see as the key success factors for collaboration and cooperation, many respondents cited finding the right partner and building a relationship of trust, including setting common goals, cultural understanding, and close communication.

Implementation of collaboration/cooperation (by detailed industry sector)



(NOTE) Selected industry sectors only

Major success factors of collaboration/cooperation

Setting common goals and building trust

- A win-win relationship in which each company's differentiated technologies and areas of expertise are combined.
- Sharing the same value for the product, and the same management policy and philosophy.
- Benefits should be identified by both parties.. For collaboration, it is necessary to develop new targets.

Identification of appropriate partners and support

- Support for matching between companies.
- Information gathering on partner companies, close communication with them, and medium- to long-term relationship establishment.
- Mutual understanding of each other's local business experience and ability to deal with differences in international systems, etc.

Communication and decision-making speed

- Communication skills in languages other than Japanese (mainly English) are essential.
- Share the same goal. English and communication skill improvement.
- Quick decision-making and logical clarity.

Understanding of Japanese culture and business customs

- Courses on business customs, laws, and compliance.
- Sharing of understanding of global standards.
- Understanding of Japan's unique business culture and closed nature.

Recognition of company, brand value, and performance

- Improvement of the recognition of company and building of a track record in Japan.
- Identification of market needs and establishment of business achievements.
- Relationships of trust with achievements.

2| Specific collaboration and cooperation often involve R&D, marketing and sales channel development

- With regard to the specific details of collaboration/cooperation that foreign-affiliated companies are engaged, "joint research and development," "joint marketing and sales channel development (Japanese market)," and "joint development of new products and services" were common.
- By detailed industry sector, "joint research and development" is notably high in "pharmaceuticals and cosmetics" at around 65%, and is also relatively high in the "electronic components and devices" and "chemicals" at 50%, indicating they focus more on collaborations in the field of basic research. On the other hand, in the "stationery, toys and household and living goods," collaboration indicating, that they focus was common in the "joint development of new products and services" that is close to consumers.

Details of collaboration/cooperation by detailed industry sector (MA)

		N=	Joint research and development	Joint marketing and sales channel development (Japanese market)	Joint development of new products and services	Joint marketing and sales channel development (markets outside Japan)	Capital alliances (investments in collaborative partners, establishment of joint ventures, etc.)	Joint production	Joint purchase/use of equipment, etc.	Others	No answer	
												(%)
Total		661	39.3	36.3	32.2	10.4	8.8	5.6	3.8	7.7	4.7	
Manufacturing, trade, Wholesale trade / General trade, Retail trade	Machinery and equipment	133	44.4	30.8	41.4	6.0	5.3	6.0	2.3	5.3	3.8	
	Electronic components	46	50.0	37.0	30.4	4.3	6.5	6.5	0.0	2.2	4.3	
	Chemicals	38	50.0	21.1	36.8	7.9	10.5	13.2	5.3	0.0	5.3	
	Metal products	21	38.1	28.6	42.9	4.8	9.5	4.8	4.8	9.5	4.8	
	Food and beverage	18	38.9	50.0	27.8	22.2	11.1	16.7	11.1	5.6	0.0	
	Pharmaceuticals and Cosmetic	26	65.4	42.3	26.9	15.4	0.0	15.4	3.8	3.8	3.8	
	Textile products and apparel	8	12.5	37.5	25.0	37.5	25.0	0.0	0.0	0.0	12.5	
	Stationery, toys and Household goods	18	11.1	33.3	44.4	11.1	5.6	0.0	5.6	5.6	0.0	
	Plastic and rubber products	9	33.3	44.4	22.2	0.0	11.1	11.1	0.0	0.0	0.0	
	Others	80	45.0	28.8	23.8	6.3	3.8	3.8	5.0	11.3	1.3	
Services	Information and communications	95	26.3	50.5	36.8	13.7	11.6	4.2	1.1	7.4	9.5	
	Academic research, professional and technical services	41	48.8	29.3	29.3	14.6	14.6	2.4	7.3	7.3	2.4	
	Finance and insurance	23	21.7	39.1	21.7	8.7	13.0	0.0	0.0	13.0	13.0	
	Transportation and postal services	7	0.0	57.1	28.6	14.3	14.3	0.0	14.3	14.3	14.3	
	Others	73	31.5	42.5	26.0	16.4	16.4	4.1	5.5	20.5	2.7	

3| Universities are key collaboration/cooperation partners in manufacturing

- "Large enterprises" and "small and medium-sized enterprises" are common for collaboration and cooperation partners (including those under consideration), at just under 50% of the total.
- By industry, the service industry has a particularly high percentage of “large enterprises” and “small and medium-sized enterprises,” and collaboration and cooperation with startups is also common. In the manufacturing industry, “universities” is the most important partner for collaboration/cooperation at around 45%. Collaboration/cooperation with startups also increased by 6.6 points from the previous survey, indicating a growing presence of them as a partner.

Partners for collaboration/cooperation by industry (MA)

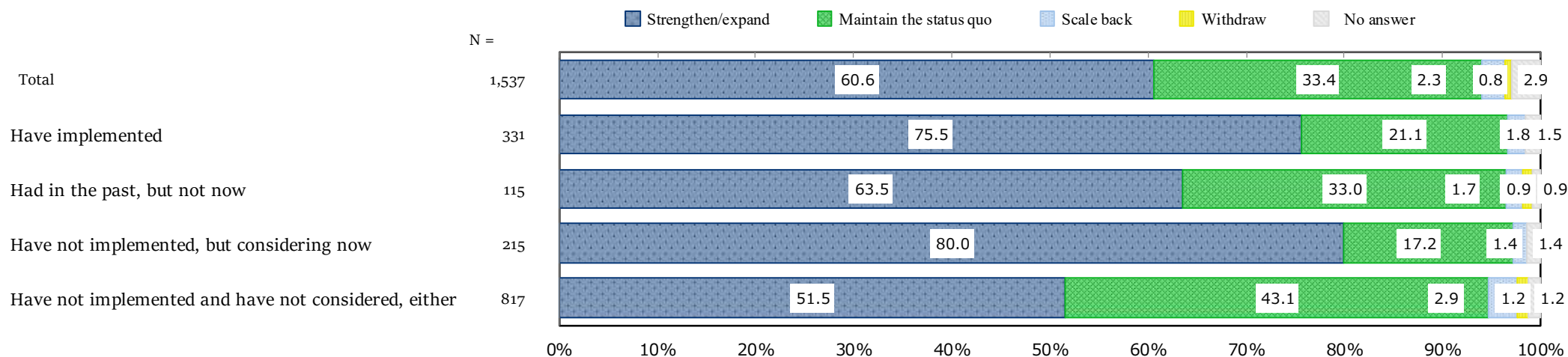


	N=	Large enterprises (excluding distributors)	Small and medium-sized enterprises (excluding distributors and start-ups)	Universities (including collaboration with laboratories, professors, etc.)	Distributors	Research institutions other than universities	Start-ups	Others	No answer
Total	661	46.6	46.1	34.6	26.8	13.2	10.4	3.0	4.5
Manufacturing	155	43.9	36.8	45.2	24.5	17.4	12.9	3.2	5.2
Wholesale trade / General trade	221	41.6	45.2	34.4	33.5	12.2	5.0	2.7	4.5
Retail trade	25	32.0	44.0	24.0	16.0	20.0	8.0	8.0	12.0
Services	239	55.2	54.0	27.6	23.8	10.9	14.6	2.9	3.3

4| Companies considering collaboration/cooperation tend to have a particularly strong intentions to expand their business in the future

- Regarding the intention for future business expansion, 80% for companies that are considering collaboration/cooperation with companies/institutions in Japan intended to "strengthen and expand" their business in Japan, while about 75% of those that have implemented such collaboration/cooperation showed the intention. Compared to companies that do not engage in collaboration/cooperation, those figures are higher more than 10 points.
- The fact that the percentage of companies that have intentions for future business expansion is particularly high among those considering collaboration/cooperation with companies/institutions in Japan suggests that collaboration/cooperation may be actively used as a means of business expansion.

Future business plan by implementation status of collaboration/cooperation

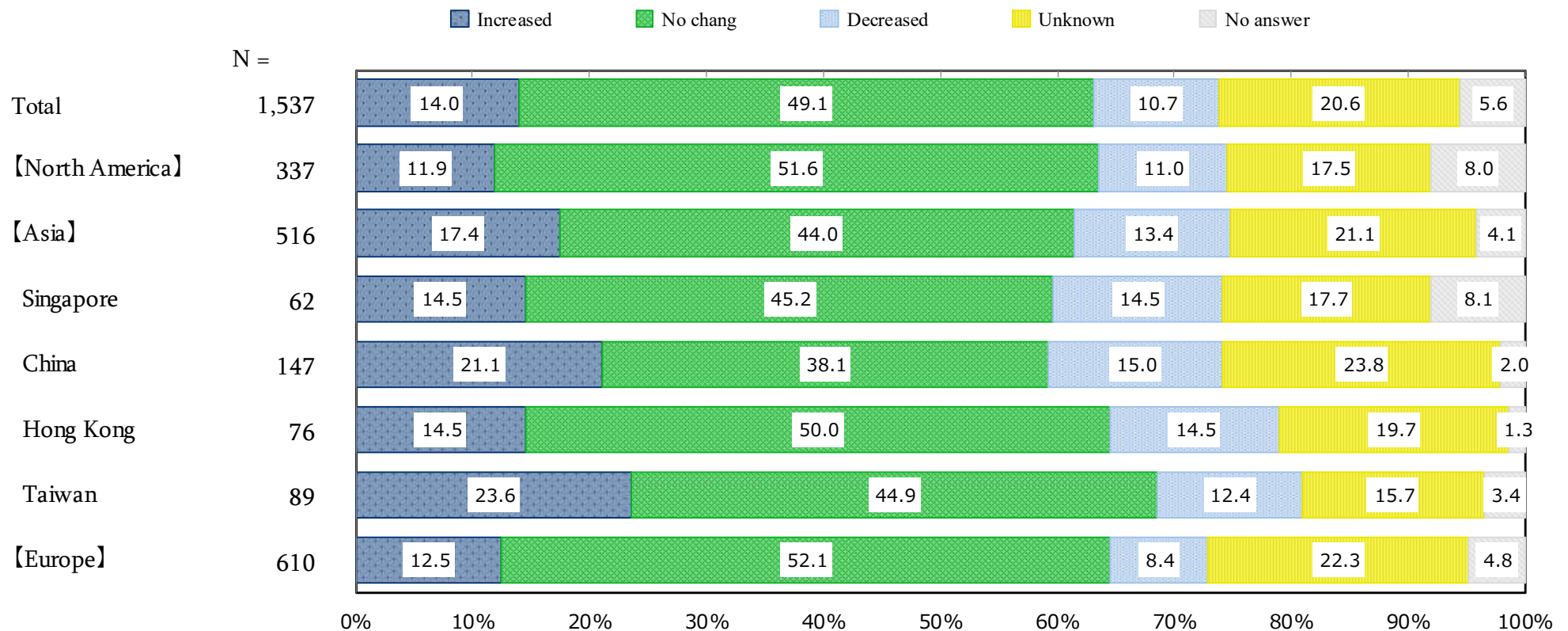


IMPACT OF GEOPOLITICAL RISKS AND NEW TRENDS IN BUSINESS

1| Some voices point out the importance of Japan in light of geopolitical risks

- Regarding the importance of the Japanese market, businesses, and Japanese subsidiaries in light of geopolitical risks, about half of the respondents cited "no change," while 14% cited "increased."
- By country/region of the parent company, Asian companies responded more "increased" than European and U.S. companies.

Importance of Japan in light of geopolitical risks



(NOTE) Selected regions/countries only

2| Some companies are restructuring their supply chains in response to the impact of geopolitical risks

- When asked about the impact of geopolitical risks and countermeasures, some pointed to the negative impact due to decline in sales to China and a weaker yen, while others saw business opportunities due to changes in their customers' suppliers and production sites' relocation.
- As for countermeasures, supply chain changes, such as diversification of procurement sources, were relatively commonly mentioned.

Impact of geopolitical risks and countermeasures

Overall impact on business

- Japan is stable (compared to the US and China). Decarbonization appears to be on track, and there is no concerns about business in Japan due to this stability.
- Japan cannot be a solution for de-risking in Asia due to its high-cost structure including its tax system, while Singapore is closely being watched.
- The company is outsourcing production overseas. It is difficult to diversify the risk due to costs and difficulties in dealing with domestic issues, etc.
- Hoping for the stabilization of Japan–China relations and expansion of exchanges between the two countries.

Changes in the importance of Japan (business in general)

- The friction between the U.S. and China has relatively increased the value of Japan from a perspective of Chinese business.
- New business opportunities due to moving away from dependence on China.
- Geopolitical risks have increased the momentum for the business to return to Japan.
- The depreciation of the yen has greatly impaired the attractiveness of doing business in Japan.
- Deterioration of Japan's fundamentals and confidence decline in the Japanese market.

Impact on supply chains

- Projects (in China) have been suspended or cancelled. Enhancing promotions for customers in the Chinese market.
- Slowdown in sales of Chinese exporters.
- Group companies have already been established in countries other than China, such as the U.S., Europe, and Singapore, making the impact minimal.

Supply chain changes

- Imports via Chinese factories were replaced to direct imports from Europe.

Changes related to production sites

- Decided to establish manufacturing bases in India and Australia, in addition to China.
- Diversified risks by building a supply chain centered on manufacturing bases in neighboring countries, in addition to supply chains centered on production bases in China.

Changes related to the strengthening of production and procurement in Japan

- Considering the risk of disruption of imports from China, the possibility of production in Japan has been examined.
- Changed procurement destination from China to Japan.

Changes related to sales expansion in Japan

- Among Japanese customers, sales to Russia and China are decreasing, and those to Japan are increasing.
- Increased attention to the Japanese market and strengthened advertising activities.
- The decision to enter the Japanese market may be becoming more of a priority for European and U.S. companies, for which proactive promotion activities to Japan with a view to acquire customers have been prepared.
- Strengthening sales promotion activities to industries that have relocated the production functions to Japan.

Changes related to sales expansion in other markets

- The parent company began focusing on penetrating the Southeast Asian market.
- Along with geographically dispersing customers, service locations are also being dispersed.

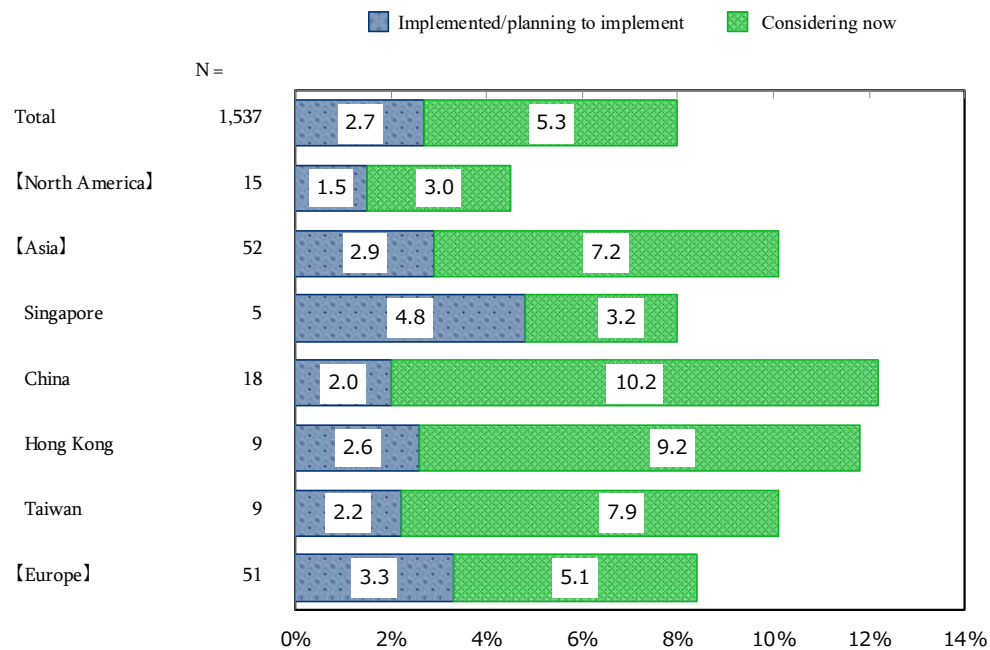
Other Responses

- Established backup systems in the Japanese subsidiary and India in case of any disruption in trade and human mobility with China.

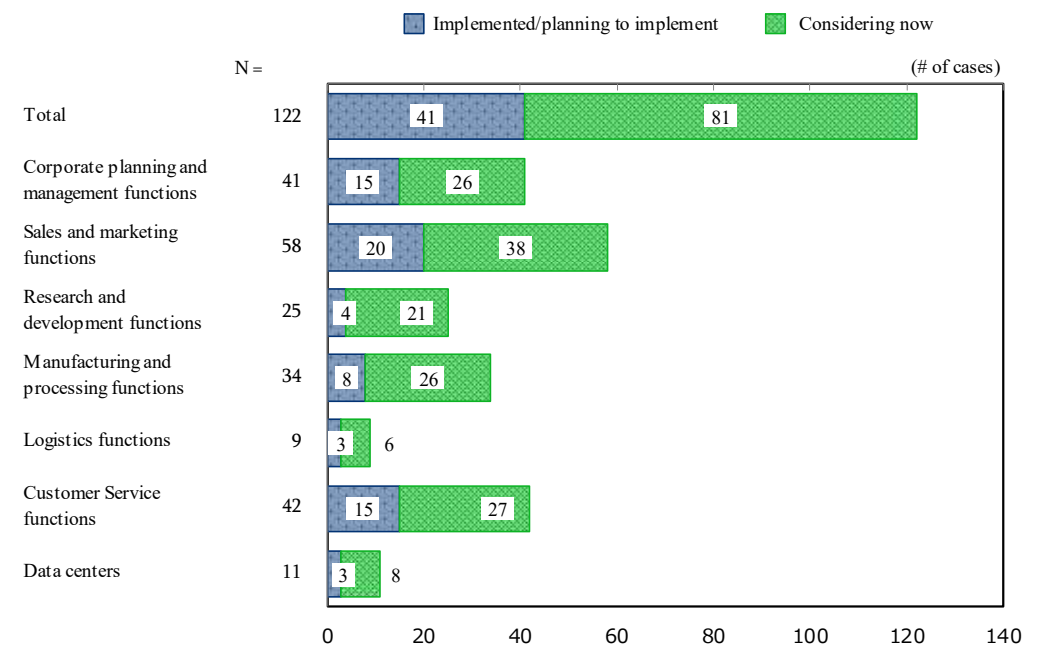
3| "Sales and marketing" functions are the most common to be transferred to Japan

- Regarding the relocations of functions of overseas bases to Japan over the past three years or the next three years, 2.7% of respondents cited that they "implemented/planning to implement" such transfers, and 5.3% cited that they are "considering now." By country/region of the parent company, approximately 10% of Asian companies responded that they "implemented/planning," or were "considering now" to implement such transfers. In particular, in Asian companies, the percentage of companies which responded "considering now" is larger than that of those which responded "implemented/planning to implement."
- The most common functions to be transferred are "Sales and marketing." As for "manufacturing and processing" and "research and development" functions, relocations are in the consideration phase in many cases.

Transfer of overseas functions to Japan by country/region of parent company



Transfer of overseas functions to Japan by function



4| Potential for more flexible value chain restructuring in companies implementing collaboration/cooperation

- Looking at the attitude toward relocation of functions from overseas bases to Japan by the implementation status of collaboration/cooperation with Japanese companies/institutions, no major differences were observed between "corporate planning and management" and "sales and marketing" functions.
- On the other hand, as for "research and development" and "manufacturing and processing," which are considered to be more costly to transfer, the percentage of "Have implemented" tends to be higher among companies implementing collaboration/cooperation. It should be noted that there are differences in the circumstances of each company, but it can be said that the implementation of collaboration/cooperation may be facilitating efforts to rebuild the value chain, including transferring functions to Japan.

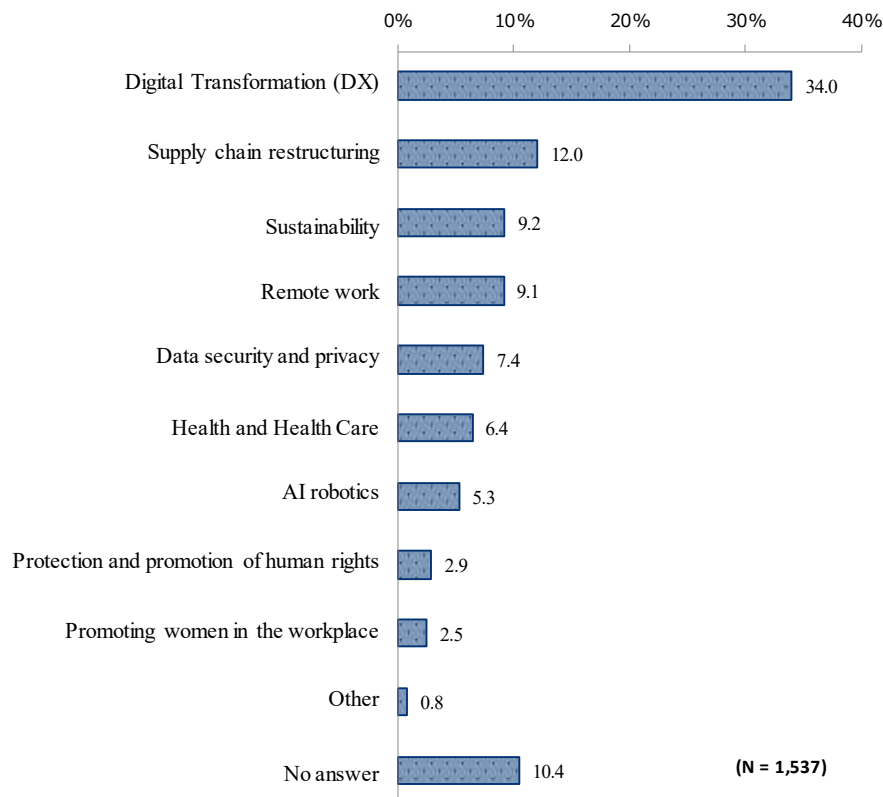
Transfer of overseas functions to Japan by the implementation status of collaboration/cooperation (MA)

	N=	Corporate planning and management functions	Sales and marketing functions	Research and development functions	Manufacturing and processing functions	Logistics functions	Customer Service functions	Data centers	Others	(%)
Total	122	33.6	47.5	20.5	27.9	7.4	34.4	9.0	5.7	
Have implemented	36	33.3	47.2	27.8	38.9	5.6	25.0	13.9	5.6	
Had in the past, but not now	8	37.5	50.0	12.5	25.0	0.0	50.0	0.0	0.0	
Have not implemented, but considering now	38	34.2	44.7	21.1	21.1	7.9	42.1	7.9	10.5	
Have not implemented and have not considered, either	38	31.6	50.0	15.8	26.3	10.5	31.6	7.9	2.6	

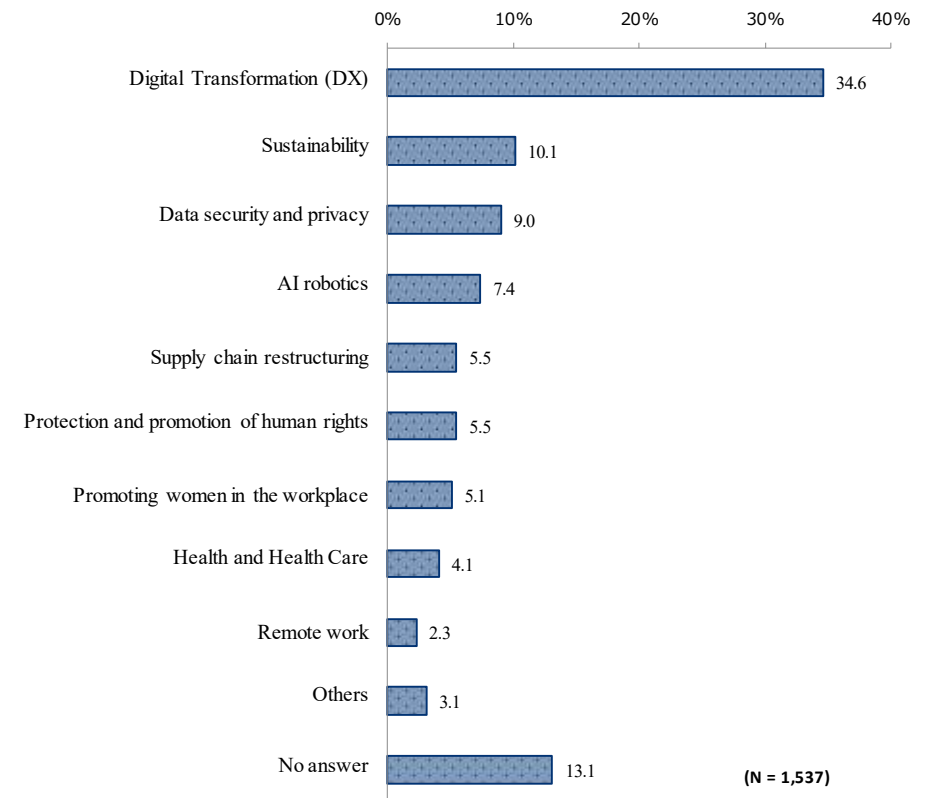
5| Digital Transformation is the most popular theme for business development in the post Covid-19 era

- In terms of future business development after Covid-19 pandemic, "digital transformation (DX)" is the most prominent and important theme that the companies are working on and that the Japanese government and business community should address.
- On the other hand, while a high percentage of the respondents are working on "supply chain restructuring" as their own initiatives, there are high expectations for the Japanese government and business community to address "sustainability" and "data security and privacy."

Themes your company is promoting/considering promoting (most important)



Themes to be addressed by the Japanese government and business community (most important)



[Reference] List of Survey Items

I. Outline of the company

- 1. Industry of foreign parent companies and foreign-affiliated companies in Japan**
- 2. Ownership ratio of foreign parent company**
- 3. Country/region of the foreign parent company**
- 4. Countries/regions other than Japan where the foreign parent company has subsidiaries in Asia (East Asia, Southeast Asia, and South Asia)**
- 5. Regional headquarters in Asia**
- 6. Year of establishment of the foreign parent company**
- 7. Locations and functions of business sites in Japan**
- 8. Timing of establishment of or investment (when foreign ownership ratio exceeded one-third) in the foreign-affiliated company in Japan**
- 9. Capital of the foreign-affiliated company in Japan (As of August 31, 2022)**
- 10. Number of regular employees (including directors and excluding part-time and temporary workers) of the foreign-affiliated company in Japan**
- 11. Number of new hires (including directors and excluding part-time and temporary workers) of the foreign-affiliated company in Japan during the past year**
- 12. Annual sales amount for the most recent fiscal year of the foreign-affiliated company in Japan**
- 13. Year-on-year increase/decrease in sales for the most recent fiscal year of the foreign-affiliated company in Japan**
- 14. Progress of the future business plan of the foreign-affiliated company in Japan**
- 15. Factors affecting the future business plan of the foreign-affiliated company in Japan (free description)**

II. Japan's strengths and challenges compared to neighboring Asian countries

- 16. Attractiveness of the business environment in Japan compared to that of other business environments in the world**
- 17. Changes in the Japanese business environment over the Past 1–2 Years**
- 18. Items particularly needed improvement in business activities in Japan / Specific problems and requests for improvements**
- 19. Environment improvement necessary for foreign investors, entrepreneurs, managers, and businesspersons (highly skilled foreign professionals, etc.) to work and reside in Japan**
- 20. Facilities, services, and systems expected to be expanded/improved/introduced for foreign investors, entrepreneurs, managers, and businesspersons (highly skilled foreign professionals, etc.) for their work and stay in Japan (free description)**

[Reference] List of survey items

III. Business plan of your company in Japan

- 21. Current and future sales destination and procurement sources**
- 22. Whether having transferred functions of overseas bases to Japan in the past three years or so, or planning to transfer over the next three years or so**
- 23. Functions of overseas bases which are subject to transfer to Japan**
- 24. Future business plan of the foreign-affiliated company in Japan**
- 25. Plans to establish new sites or strengthen existing sites in Japan over the next three years or so**
- 26. Important factors in selecting site locations**
- 27. Factors considered to lead to success in entering and expanding business in the Japanese market**
- 28. Specific factors that help get business off the ground and lead to success in the regions where operating (free description)**
- 29. Status of recruitment of human resources for the operations in Japan**
- 30. Achievement rate of recruitment plan in the past year**
- 31. Factors for achieving (failing) the recruitment plan (free description)**
- 32. Future employment prospects in business in Japan**
- 33. Support measures expected to be introduced or strengthened in relation to securing human resources (free description)**

IV. Collaboration and cooperation in Japan

- 34. Collaboration/cooperation with Japanese companies, universities, and research institutes in the business development in Japan**
- 35. Partners for collaboration/cooperation (including those under consideration)**
- 36. Challenges in implementing collaboration/cooperation**
- 37. Key success factors for collaboration/cooperation in Japan, means/support needed for success (free description)**

V. Others

- 38. Geopolitical risks such as trade friction between the U.S. and China, economic security, and de-risking**
- 39. Support services of public institutions that the company has used or wants to use**
- 40. Themes that should be addressed in light of changes in the business environment after Covid-19 pandemic**
- 41. Specific initiatives being taken by the foreign-affiliated company in Japan after the Covid-19 pandemic (free description)**