



FY2022

JETRO Survey on Business Conditions for Japanese Companies Operating Overseas (North America)

With the economic recovery, the profitability of Japanese companies operating in North America is expected to improve, but higher costs due to high inflation are putting downward pressure on business sentiment.

Japan External Trade Organization (JETRO)

Overseas Research Department

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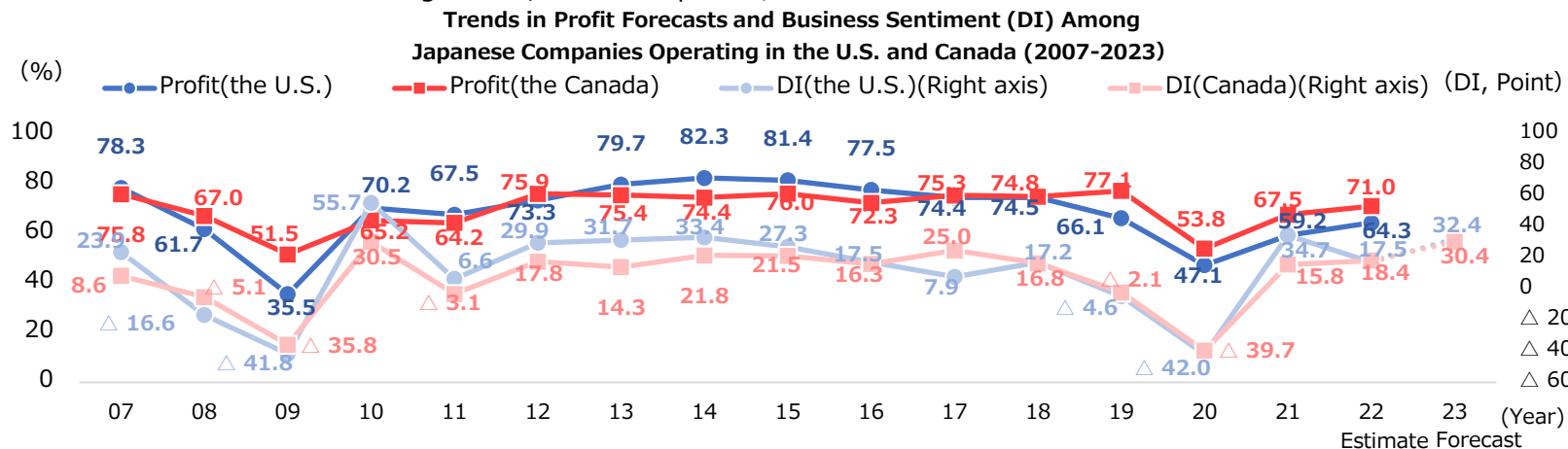
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Survey Results Summary

1. **The percentage of Japanese companies expecting to be profitable for 2022 was in the mid-60% range in the U.S. (64.3%) and over 70% in Canada (71.0%),** both up from the previous year (59.2% in the U.S. and 67.5% in Canada), but falling short of 2019 levels (66.1% and 77.1%) before the COVID-19 pandemic. **The diffusion index (DI) for business sentiment was 18.4 in Canada, up slightly from the previous year (15.8), but down significantly from the previous year (34.7) to 17.5 in the U.S.** While companies have captured the increase in demand during the recovery from the COVID-19 pandemic, **the sharp rise in raw material and parts procurement costs due to rapid inflation has put downward pressure on business sentiment.**
2. In both countries, **the top management issue was "increase in wages of employees"** (67.5% and 61.8%, respectively), followed by "rising logistics costs" (56.9%) in the U.S. and "difficulty in recruiting workforce (general staff)" (47.3%) in Canada.
3. More than 50% of companies in both countries plan to review their supply chains in the future, due to soaring raw material and logistics costs or to address the risk of supply disruptions (54.9% in the U.S. and 50.4% in Canada). **The most common reasons for reviewing their supply chains were "increase in sales prices" and "review of procurement source,"** with a **noticeable shift in procurement sources from Japan and China to the U.S. and Mexico, particularly in the manufacturing sector.**
4. Nearly 30% (26.6%) of companies in the U.S. and just under 20% (19.1%) in Canada indicated that changes in **the trade environment** would have a "negative impact" on their business performance. **The most common specific policy that would have a "negative impact" in both countries was "additional tariffs imposed on Chinese products based on Section 301 of the U.S. Trade Act of 1974".**
5. Meanwhile, nearly 50% (48.7%) of companies in the U.S. and more than 40% (43.1%) in Canada will expand their business in the next 1-2 years, which is higher in both countries than in it was 2019 (47.5% in the U.S. and 35.6% in Canada) before the COVID-19 pandemic. **The leading reason for the expansion is "high growth potential" in both countries, and companies in both countries are strengthening their "sales functions" with the aim of expanding their sales channels in the North American market.**

1. Operating Profits Forecasts: Profitability is approaching pre-COVID-19 pandemic levels, but prospects are uncertain

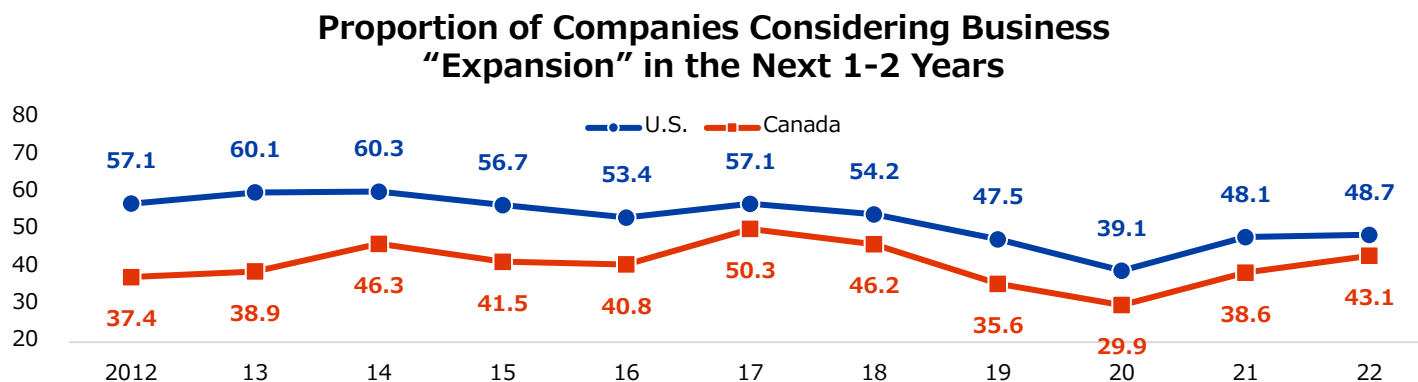
- With demand on the rise due to the economic recovery, the percentage of Japanese companies that expected to be profitable for 2022 was 64.3% in the United States, up 5.1 points from the previous year (59.2%). In Canada, it was 71.0%, up 3.5 points from the previous year (67.5%).** However, the results did not quite reach the levels seen in 2019 (66.1% in the U.S. and 77.1% in Canada) before the COVID-19 pandemic.
- In the U.S., 71.5% of companies in the non-manufacturing sector expected to be profitable, but only 58.6% in the manufacturing sector did.** By industry, this sentiment was strong among companies in general machinery (81.7%) and electrical machinery/electronic devices (75.9%) in the manufacturing sector, but only 17.1% of those in automotive etc. parts, which were affected by a decrease in the number of automobiles manufactured due to a shortage of semiconductors, gave this answer. For the non-manufacturing sector, the response from companies in transport (95.7%) was strong due to the surge in freight rates caused by the supply chain turmoil, while sentiment was low among companies in travel/amusement—where the recovery in travel demand is lagging—at only 37.5%. **In Canada, the percentage of companies expecting to be profitable exceeded 70% in both the manufacturing (70.2%) and non-manufacturing sectors (71.6%).** By industry, food and automobiles accounted for 83.3% in the manufacturing sector, while in the non-manufacturing sector, sales companies/sales subsidiaries accounted for 84.2%.



- **The DI index* indicating business sentiment was 17.5 in the U.S.**, a significant decline from the previous year (34.7). The DI was **18.4 in Canada**, up 2.6 points from the previous year (15.8).
- **The percentage of companies expecting an “increase” in operating profit for 2022 was 41.9% in the U.S.**, down 9.7 points from the previous year, while **24.4% of companies expected a “decrease”**, up 7.5 points from the previous year. **In Canada, 37.5% of companies predicted an “increase”**, down 1.9 points from the previous year, and a **“decrease” was expected by 19.1%**, down 4.5 points from the previous year. **The main reason for the improvement in the operating profit forecast was “reactionary increase due to the reduced impact of COVID-19”** (20.1% in the U.S. and 28.0% in Canada). Meanwhile, **the main reason for the expected decrease was “rising raw material procurement/parts procurement costs”** (25.3% in the U.S. and 19.2% in Canada).

2. Future Business Development: Continue business expansion as a growth market

- **The percentage of companies that will “expand” their business in the next 1-2 years was 48.7% in the U.S. and 43.1% in Canada.** Respondents in both countries have continued to show an upward trend in their appetite for business expansion, surpassing the figure in 2019 (47.5% in the U.S. and 35.6% in Canada) before the COVID-19 pandemic. By industry, companies in precision and medical equipment (82.4%) and in Mining/energy (80.0%) accounted for more than 80% of the total in the United States, while in Canada, over 80% of companies in Food (83.3%) gave this response.
- **The main reason for expansion was “high growth potential” and “high potential”** in both countries. **In terms of expanding functions, “sales function” was the most prominent response** in both countries, followed by “production (high value-added products)” and “production (general-purpose products).”



*Short for Diffusion Index, this is the figure equal to the percentage of companies with an increased operating profit minus the percentage of companies with a decreased operating profit.

- **In terms of capital investment in 2022**, the percentage of companies that **will increase their capital investment in monetary terms over the previous year exceeded 30%** in both countries (30.7% in the U.S. and 31.9% in Canada), marking the second consecutive year that the percentage of companies that will increase has risen. **The top purposes of capital investment** were "maintenance and repair of existing facilities," "increase production and sales capacity," and "adaptation of digitalization."
- **Less than fifty percent** (49.2% in the United States and 48.1% in Canada) of companies **reviewed their supply chain** (sales, procurement and manufacture) **in the period from the outbreak of COVID-19 to the time of the survey (September 2022)**. **More than fifty percent** (54.9% and 50.4%, respectively) of companies **have plans for such reviews in the future**. It was in precision and medical equipment (82.4% up to the time of the survey and 76.5% going forward) in the U.S., and in Automobiles etc. (100% and 83.3%) in Canada, in which the largest proportions of companies had made these reviews or planned to do so.
- **In terms of the nature of future sales reviews**, in both countries, **"increase in sales prices"** and "change of sales destination" were ranked high. **"Soaring logistics costs" was the most common reason** for future sales review. Regarding **the countries/regions** where future **sales destinations will be changed, changes within the domestic market** (38 out of 88 in the U.S. and 11 out of 20 in Canada) accounted for the majority.
- In both countries, **"review of procurement"** was the most common reason for **procurement reviews going forward**. The main reasons for reviewing procurement in the future were "soaring logistics costs," "response to future supply chain disruption risk caused by logistics disruption," and "soaring raw materials costs". **In terms of countries/regions to serve as procurement sources going forward, there were many domestic changes (29 cases) within the United States**. Changes (28) from Japan to the United States, from China to the United States (15), and from China to Mexico (7) were also cited by many U.S.-based companies, showing **signs of a shift in suppliers from Japan and China to the United States and Mexico**, mainly in the manufacturing sector. **In Canada, the United States** was the most frequently selected source of procurement after review (6 cases).
- **In terms of the nature of future production reviews**, **"increase in new investment/capital investment,"** "promotion of automation/labor conservation," and "review of production site" were ranked high in both countries. **Reasons for future production reviews** were **"soaring labor costs,"** "optimization of production cost," and "soaring raw material costs" in both countries. As for the **countries/regions to serve as production sites going forward, the change from the U.S. to Mexico** (11 cases) was the most favored. There were eight cases of **change within the U.S.**
- As for **future reviews of control/management systems**, **"strengthening human resource development"** was the most cited in both countries, followed by **"reviewing the use of telecommuting and teleworking."**

3. Employment and Wages: Wage increase pressures emerge due to tight labor market

- Looking at **changes in the number of local employees and the number of expatriates from Japan, we see that “decrease” exceeded “increase” in both the U.S. and Canada compared to before the COVID-19 pandemic.** Regarding plans going forward, **nearly 50% (47.5%) of companies in the U.S. and nearly 40% (36.3%) in Canada plan to “increase” the number of local employees.**
- The median (nominal) rate of base pay increase for FY2022 was 4.0% in the U.S. and 3.0% in Canada.** The median rate increase **for FY2023** is expected to be **3.5% in the U.S. and 3.0% in Canada.**
- Regarding **employee work arrangements** with a job amenable to remote working, as of September 2022 (the time of the survey), **just under 40% (39.0%) of companies in the U.S. and about 30% (30.5%) of companies in Canada** had their **employees come to work in-office full-time in principle.** The percentage of companies planning to have their employees **come to work in-office full-time in principle from January 2023 onward** was **around 40% (40.9%) in the U.S. and slightly over 31.2% in Canada.**

4. Supply Chain: Procurement/sales policy trending toward “local production/consumption”

- Regarding **procurement sources of companies in the U.S.** for raw materials/parts, **just under 50% (49.5%) of companies in the manufacturing sector procured from within the U.S., and more than 40% (43.0%) of non-manufacturing sector companies procured from Japan.** As for procurement policies going forward by country, many were **expecting to increase procurement from within the U.S.** (83 companies for the manufacturing sector and 48 companies for the non-manufacturing sector). **Meanwhile,** more companies expected **to decrease procurement from China** (30 companies for the manufacturing sector and 16 companies for the non-manufacturing sector) **than to increase it** (7 companies for both manufacturing and non-manufacturing sectors). **In Canada,** the percentage of companies that **procure within Canada were in the mid-30% range (34.5%).** As for procurement policies going forward by country, many were **expecting to increase procurement from within Canada and the U.S.** (8 companies for both countries).
- Regarding **production sites for products for the U.S. market, the percentage of companies producing products within the U.S. was in the mid-60% range (64.5%).** By industry, 83.4% of companies in **automotive etc. parts** produced products within the U.S. As for production structure going forward by country, many were **expecting to increase production within the U.S.** (55 companies) **and Mexico** (20 companies). **Meanwhile,** the number of companies expecting to **decrease production in Japan and China** (27 companies for Japan, and 12 companies for China) **exceeded those that expected to increase production there** (24 companies for Japan and 5 companies for China).
- Regarding **the sales markets of companies in the U.S., the U.S. market accounted for nearly 80% of respondents (77.8%** of the manufacturing sector and 77.3% of the non-manufacturing sector). **In Canada,** the percentage of companies conducting sales **within Canada was in the mid-60% range (65.9%).**

5. Supply Chains and Human Rights: Human rights in business activities is in its infancy

- The percentage of companies **recognizing human rights issues in the supply chain as a management challenge** was in the **mid-50% range (54.5%) in the U.S.**, and **just under 60% (59.2%) in Canada**. There was a **significant disparity in recognition by company scale**, with **over 60% of large companies recognizing these issues** (64.9% in the U.S. and 67.5% in Canada), but **less than 50% of small and medium-sized companies** (48.4% in the U.S. and 47.2% in Canada).
- The percentage of companies **that conducted Human Rights Due Diligence (HRDD)** in their business activities was **around 40% (40.3%) in Canada**, but **slightly over a quarter (25.1%) in the U.S.**

6. Responding to Environmental Issues: Increasingly more companies are taking action

- The percentage of companies **recognizing decarbonization in the supply chain as a management challenge** was **nearly 70% (68.3%) in the U.S.**, and **more than 70% (73.0%) in Canada**. **Just under 40% (39.1%) of companies in the U.S.** and **more than 60% (62.7%) of companies in Canada are already making decarbonization efforts**. The percentage of companies engaged in decarbonization increased from the previous year (33.5% in the U.S. and 43.2% in Canada).
- **The most common effort** (including those being considered) by companies that are already making efforts or are planning to make efforts both in the U.S. (67.3%) and Canada (64.2%) was **“conservation of energy/resources.”**
- Of the companies that responded, **nearly 40% (37.4%) in the U.S.** and **just under 70% (69.8%) in Canada** make or are planning to make **efforts on Scope 1 or Scope 2***, while **just under 30% (29.4%) in the U.S.** and **over 50% (52.4%) in Canada** make or are planning to make **efforts on Scope 3**.

*Scope 1: Direct greenhouse gas (GHG) emissions by the activities of the business (fuels combustion, industrial processes)

Scope 2: Indirect GHG emissions from the use of electricity, heat, and steam supplied by other companies

Scope 3: Indirect GHG emissions other than Scope 1, Scope 2 (GHG emissions by other companies related to the the activities of the business)

7. Impact of changes in the trade Environment: U.S.-China conflicts as the largest factor of "negative impact"

- Regarding the impact of **changes in the trade environment** on business performance, the largest percentage of respondents in the **United States** answered **"No impact"** (34.5%), followed by "Negative impact" (26.6%) and "Don't know" (23.1%). In part because more than a year and a half has passed since the Biden administration was inaugurated in January 2021, the percentage of respondents who answered **"Don't know" decreased by 5.9 points** from the previous year (29.0%). Meanwhile, the **"same level of negative and positive impacts" increased by 2.7 points**.
- Canada** also saw the highest percentage of responses of **"No impact"** (44.3%), followed by "Don't know" (25.2%) and "Negative impact" (19.1%). **"Not known" decreased by 6.2 points** from the previous year (31.4%), while "No impact" increased by 3.6 points and "Negative impact" increased by 2.2 points.
- Specific policies having a "negative impact"** were **"additional tariffs based on Section 301 of the Trade Act"** (US: 52.4%, Canada: 40.9%) for both countries. In the **United States**, **"retaliatory tariffs on the United States of China"** (34.0%) and **"additional tariff assessments on U.S. steel and aluminum"** (20.4%) were the next highest responses. In **Canada**, **"additional tariff assessments for U.S. steel and aluminum"** (31.8%), **"strengthening of export/import control and investment regulations by the Canadian government,"** and **"economic sanctions against Russia"** (both 13.6%) were the next most cited responses.

8. Management issues: "Increase in employees' wages" is the top issue due to inflation

- While there are signs of recovery from the COVID-19 pandemic, rapid inflation has had an impact on management, **with the top management challenge** in both countries being **"wage increases for employees"** (67.5% in the U.S. and 61.8% in Canada). **In the United States**, **"increase in logistics costs"** (56.9%) and "development of new customers" (52.5%) were the next most highly cited, while **in Canada**, it was **"securing employees (general employees)"** (47.3%), "increase in logistics costs" (46.6%), and "increase in procurement costs" (45.8%), with many companies citing problems in terms of employment, labor, and the procurement of raw materials and parts.

- In terms of **measures to address management issues**, the highest proportion of companies in both countries cited **“wage increases”** (59.3% in the U.S. and 55.5% in Canada). **In the United States, “review of suppliers and content of procurement”** (40.5%) and **“differentiation from competing products”** (36.7%) followed, while in Canada, **“cost reductions other than personnel expenses”** (41.8%) and **“differentiation from competing products”** (39.1%) were the next most highly cited.
- Regarding **the trend of the yen's depreciation against the U.S. dollar (Canadian dollar)** since the beginning of 2022, **more than 30%** (32.1%) of **firms in the U.S. cited an overall positive impact**, followed by "no impact" (26.2%), and "similar positive impact with a negative impact" (18.5%). **Among Canadian companies, "no impact" accounted for one-third (33.3%),** followed by "overall positive impact" (23.3%) and "same level of positive and negative impacts" (17.8%).
- **A specific positive impact was a decrease in the cost of imports from Japan**, while a **negative impact was an increase in the amount of investment** in new investments. There were also some companies whose **transactions in yen were limited** and who therefore had **no impact**.

9. Impact of the Biden Administration's policies (US only): “Don’t know” decreased

- Regarding the impact of the **Biden Administration's policies** on business activities, **"don't know"** accounted for **more than 30%** (32.9%), followed by "no impact" (26.1%), "similar impact to negative effect" (14.9%), and "negative impact" (13.8%). **"Don't know" decreased by 5.5 points** from the previous year (38.4%), and "Positive impact" decreased by 2.4 points from the previous year (13.6%), while **"No effect" increased by 3.8 points** from the previous year (22.3%).
- By industry, companies in plastic products (28.0%) and trading and wholesaling (22.5%) reported negative impacts, while those in rubber, ceramics, stone and clay (44.4%) and construction (27.3%) reported positive impacts.

- In terms of **policy areas affecting business**, **more than 40%** (43.3%) of companies cited the **U.S. corporate taxation system**, followed by policies toward China (34.7%), economic policy (including anti-inflation measures) (31.6%), port cargo congestion measures (29.0%), and climate change measures (25.4%).

10. Relationship with local communities, such as state governments (U.S. only): Relationship building cited by majority of respondents

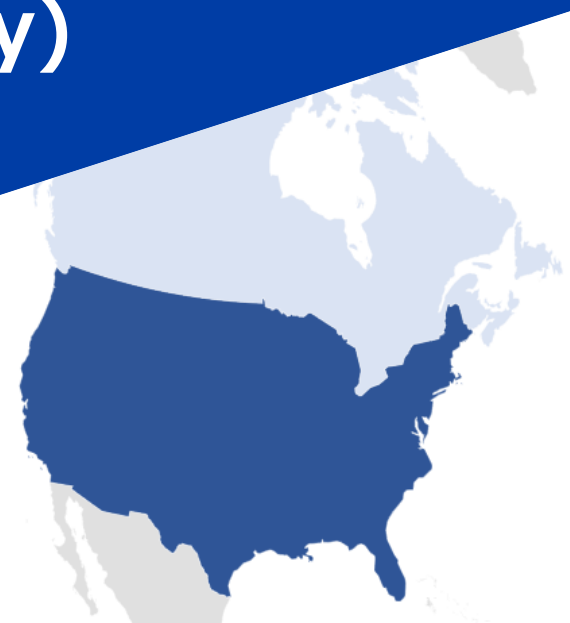
- With regard to building relationships with local communities such as state governments, a total of **nearly 60%** (56.1%) of companies **have dialogue channels**, including “building good relationships” (26.1%) and “building relationships to the extent that dialogue can be conducted”. By industry, this response was given by **nearly 70% of companies in manufacturing** (67.1%) of the total, while **accounting for slightly over 40% of companies in non-manufacturing** (42.4%).
- In terms of points of **contact with local communities, participation in local commerce and industry associations** was a conspicuous response, and some responded that they were **contributing in terms of job creation**. Companies that had good relationships with local communities expressed the opinion that they “**received a great deal of support** from the local government when they relocated” and “**received assistance in cooperation with the state and city** regarding **land acquisition** and **environmental measures**.” On the other hand, companies that did not have such relationships said that they “**do not know what to start with**” or “are small in size and **do not appear to be cost-effective**.”

(Note) Unless otherwise stated, percentages are shown below.

Notation	30%	Around 30%	slightly over 30%	Around 35%	Nearly 40%	Just Under 40%
Scope	30.0%	30.1~30.9%	31.0~33.9%	34.0~35.9%	36.0~38.9%	39.0~39.9%

JETRO

**The United States
(41st Annual Survey)**



FY2022 Survey Overview

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese-affiliated companies operating in the U.S., and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 8-30, 2022

Valid Responses

43.4%

(787 out of 1,841 companies)

Scope of Survey

Japanese-affiliated manufacturers and non-manufacturers operating in the U.S. that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese firms in the U.S.

Note

This is the 41st annual survey, conducted since 1981 (not conducted in 2004).

- (1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
- (2) The firms that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
- (3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
- (4) In cases where the denominator of the number of respondents for a given choice did not meet a certain number, that industry/choice was excluded from the survey.

Respondents by Industry and Region

(Unit: company, %)

		Total	Comp. Ratio		
All industries		787	100		
By Industry					
Manufacturing	Total	Comp. Ratio	Non-manufacturing	Total	Comp. Ratio
	441	56.0		346	44.0
Automotive etc. parts	70	8.9	Sales companies/sales subsidiaries	110	14.0
General machinery	60	7.6	Trading/wholesale	75	9.5
Chemicals/medicines	55	7.0	Information and communications	29	3.7
Iron/non-ferrous metals/fabricated metal products	50	6.4	Transport	23	2.9
Food	37	4.7	Professional and technical services	22	2.8
Electrical machinery/electronic devices	30	3.8	Travel/amusement	16	2.0
Plastic products	26	3.3	Finance/insurance	15	1.9
Electrical machinery parts/Electronic device parts	25	3.2	Construction	11	1.4
Rubber/ceramic/stone and clay products	19	2.4	Mining/energy	10	1.3
Precision machines/medical equipment	18	2.3	Retail trade	10	1.3
Automobiles etc.	8	1.0	Real estate and leasing	9	1.1
Paper/Wood products/Printing	8	1.0	Education/Medical	2	0.3
Textiles/apparel	5	0.6	Restaurant	2	0.3
Railway/transport vehicles etc.	5	0.6	Agriculture/Forestry/Fisheries	1	0.1
Railway/transport vehicles etc. parts	5	0.6	Other non-manufacturing	11	1.4
Other manufacturing	20	2.5			
By Region (Manufacturing)			By Region (Non-manufacturing)		
Midwest	146	18.6	West	134	17.0
South	142	18.0	Northeast	78	9.9
West	106	13.5	South	71	9.0
Northeast	47	6.0	Midwest	63	8.0

The States Where Respondents Are Located

Breakdown of Locations of the Respondents and Their Main Plants

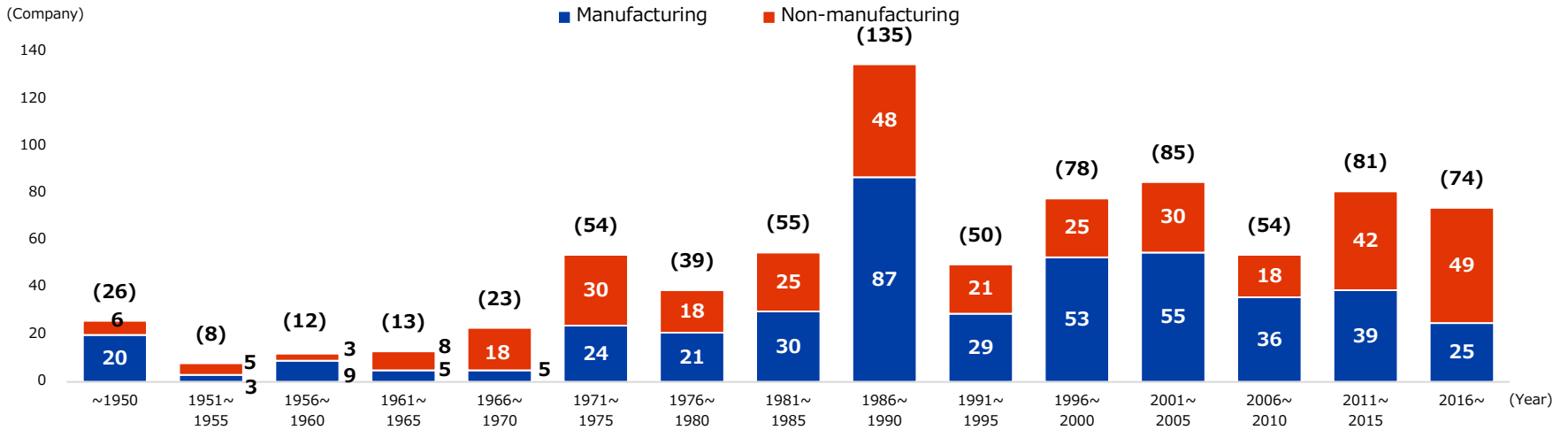
(Unit: Company)

Number of respondents	States Where Respondents are Located			Main Plant State
	Manufacturing	Non-manufacturing	Total	Total
	787			531
Northeast	47	78	125	63
Connecticut	0	2	2	0
Massachusetts	4	4	8	3
Maine	0	1	1	0
New Hampshire	1	0	1	0
New Jersey	15	10	25	15
New York	13	58	71	24
Pennsylvania	12	2	14	18
Rhode Island	2	1	3	3
Vermont	0	0	0	0
Midwest	146	63	209	173
Iowa	1	0	1	1
Illinois	46	39	85	50
Indiana	24	4	28	25
Kansas	3	0	3	6
Michigan	18	15	33	19
Minnesota	3	0	3	8
Missouri	3	0	3	3
North Dakota	1	0	1	1
Nebraska	3	0	3	8
Ohio	40	4	44	45
South Dakota	0	0	0	0
Wisconsin	4	1	5	7

	States Where Respondents are Located			Main Plant State
	Manufacturing	Non-manufacturing	Total	Total
South	142	71	213	179
Alabama	8	1	9	7
Arkansas	1	0	1	1
Delaware	0	1	1	0
Florida	4	1	5	2
Georgia	39	14	53	51
Kentucky	25	7	32	29
Louisiana	1	0	1	1
Maryland	1	2	3	1
Mississippi	3	0	3	3
North Carolina	6	4	10	8
Oklahoma	0	0	0	0
South Carolina	4	2	6	11
Tennessee	22	1	23	29
Texas	20	36	56	27
Virginia	4	1	5	5
West Virginia	4	0	4	4
Washington DC	0	1	1	0
West	106	134	240	116
Alaska	0	0	0	0
Arizona	4	0	4	9
California	88	122	210	83
Colorado	1	0	1	2
Hawaii	1	6	7	3
Idaho	0	0	0	0
Montana	0	0	0	0
Nevada	3	2	5	2
New Mexico	0	0	0	0
Oregon	5	2	7	8
Utah	1	0	1	0
Washington	3	2	5	9
Wyoming	0	0	0	0
Total	441	346	787	531

Respondents' Establishment Year, Location, Number of Plants

Respondents' Establishment Year



(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

Breakdown of the Number of Respondent Sites

Number of respondents	683			Number of sites
	Number of companies			
Number of sites	Manufacturing	Non-manufacturing	All industries	Total
No sites	1	8	9	0
1~5	348	253	601	1,098
6~10	29	15	44	337
11~15	12	5	17	213
16~20	5	3	8	142
21~25	1	1	2	46
26~30	0	0	0	0
30 or more	1	1	2	129
Total	397	286	683	1,965

Breakdown of the Number of Respondent Plants

Number of respondents	573			Number of plants
	Number of companies			
Number of plants	Manufacturing	Non-manufacturing	All industries	Total
No plants	68	184	252	0
1~5	285	17	302	431
6~10	17	0	17	132
11 or more	2	0	2	24
Total	372	201	573	587

Numbers of Employees and Expatriates from Japan: Median Number Per Company: 50 and 3, Respectively

- The total number of employees of all respondent companies was 519,222, with **an average of 660 employees per company and a median of 50**. By industry, the median number of employees was 100 in the manufacturing sector, and was 20 in the non-manufacturing sector.
- The total number of expatriates from Japan for all respondent companies was 7,795, with **an average of 10 expatriates per company and a median of 3**. By industry, the median number of expatriates was 4 in the manufacturing sector, and was 3 in the non-manufacturing sector.

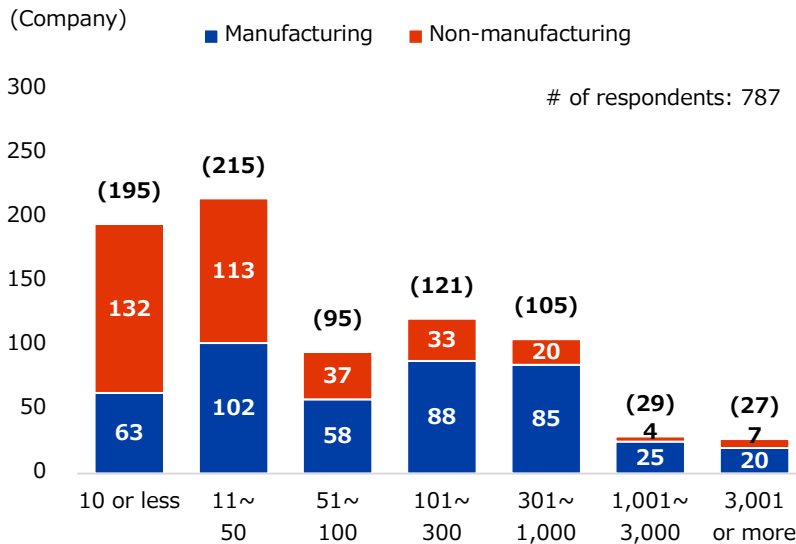
**Number of Employees:
Average and Median Numbers**
(Unit: People)

	Total number of employees	Average number	Median number
All industries (787)	519,222	660	50
Manufacturing (441)	316,781	718	100
Non-manufacturing (346)	202,441	585	20

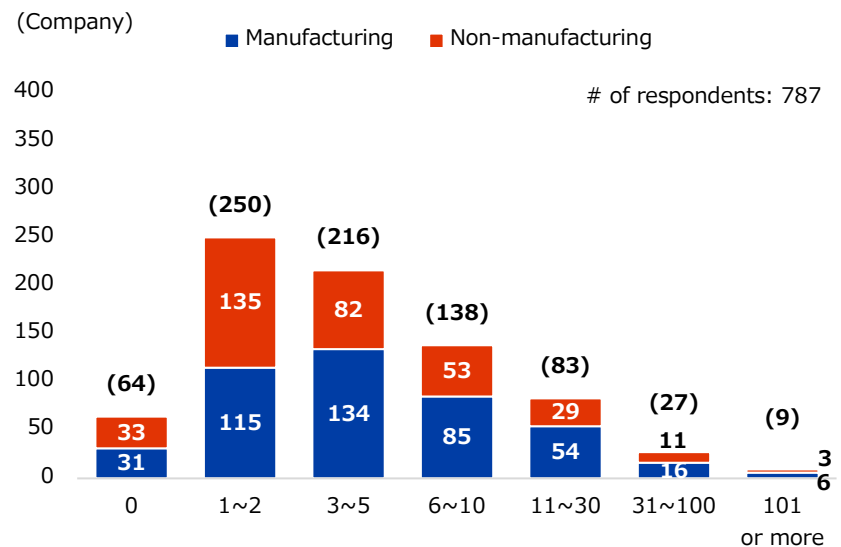
**Number of Expatriates from Japan:
Average and Median Numbers**
(Unit: People)

	Total number of expatriates from Japan	Average number	Median number
All industries (787)	7,795	10	3
Manufacturing (441)	5,074	12	4
Non-manufacturing (346)	2,721	8	3

Number of Employees by Industry



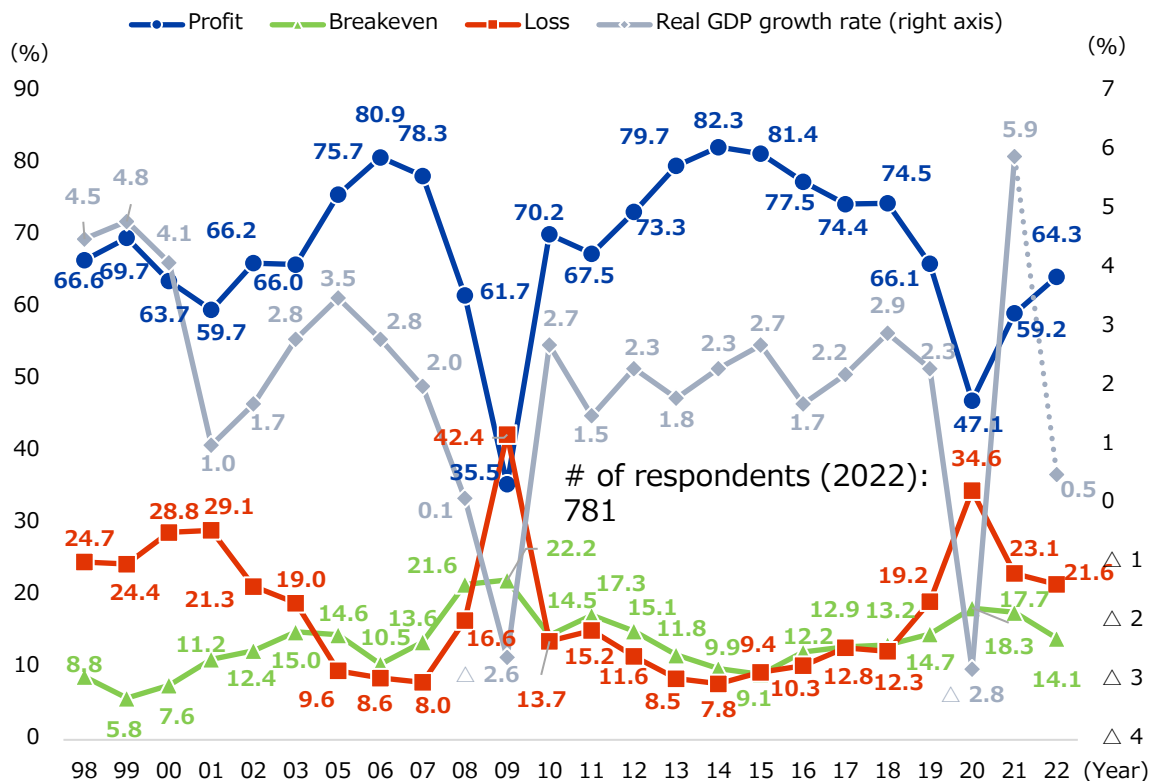
Number of Expatriates from Japan by Industry



1 | 2022 Operating Profit Forecast: Around 65% of Companies Expected Operating Profit, Approaching 2019 levels

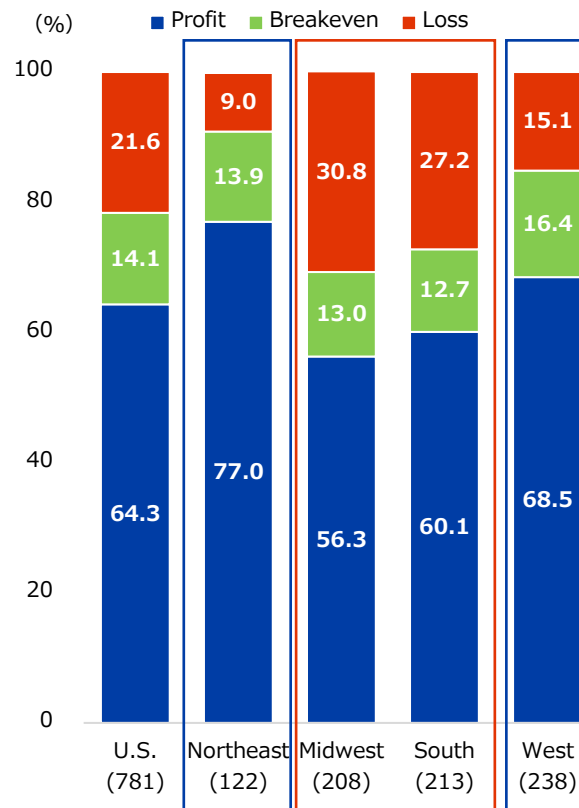
- **64.3%** of the companies expected to earn operating profit in 2022, a 5.1-point increase from the previous year (59.2%), but **not close to 2019 levels (66.1%) before the COVID-19 pandemic**. 21.6% expected to suffer a loss.
- By region, the percentages of companies that anticipated a profit are high in the Northeast (77.0%) and the West (68.5%), but the percentage was only around 60% in the Midwest (56.3%) and the South (60.1%), where many of the manufacturers are located.

Operating Profit Forecasts and U.S.'s Real GDP Growth



(Note) Real GDP growth rate statistics up to 2021 are from the Bureau of Economic Analysis (BEA), U.S. Department of Commerce (November 2022). The 2022 real GDP growth rate reflects the median forecast by the Federal Open Market Committee (FOMC) (December 2022). No survey was conducted in 2004.

2022 Operating Profit Forecast (By Region)

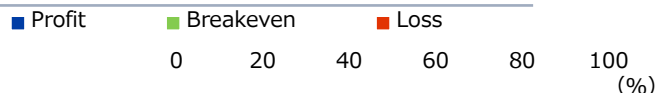


2

2022 Operating Profit Forecast (By Industry): Over 90% of Companies in Transport Expected to Earn Operating Profit, while Nearly 70% in Automotive etc. parts Expecting to Suffer a Loss

- **95.7% of companies in transport industry** expected to be profitable in 2022 **due to soaring logistics costs**, followed by those in General machinery (81.7%), Sales companies/sales subsidiaries (79.1%), and Trading/wholesale (78.4%).
- **Meanwhile, 68.6% of the companies in automotive etc. parts expected to suffer a loss due to the shortage of semiconductors**, followed by those in Plastic products (46.2%), and Rubber/ceramic/stone and clay products (31.6%).

2022 Operating Profit Forecast (By Industry)



Factors Affecting Operating Profit Forecasts (Free-form)

- **Increased opportunities for at-home eating, increased demand for restaurants** [Food]
- **Recovery of the economy**, passing on higher raw material costs to **selling prices** [Iron/non-ferrous metals/fabricated metal products]
- Increase in steel product prices due to **the Ukraine crisis** [Iron/non-ferrous metals/fabricated metal products]
- **Higher ocean freight rates** due to **logistics disruptions** [Transport]
- **Depreciation of the yen, increased demand** in North and South American markets [Sales companies/sales subsidiaries]
- Increase in Assets Under Management [Finance/insurance]
- Profit increase in IT solutions business [Information and communications]
- **Stable earnings** in the service and maintenance business [General machinery]

Factors Affecting Operating Loss Forecasts (Free-form)

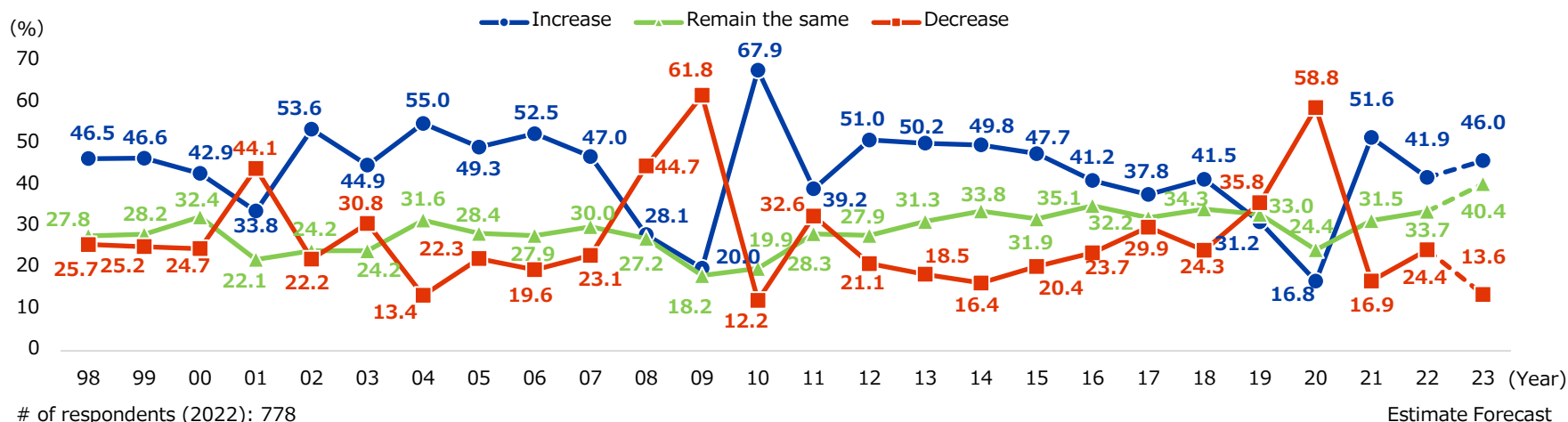
- **Increased raw material, labor, and energy costs** [Rubber/ceramic/stone and clay products]
- **Production cuts in the automotive industry** [Plastic products]
- **Supply chain disruption due to the shortage of semiconductor** [Chemicals/medicines]
- **Reduction of sales activities during COVID-19 pandemic** [Information and communications]
- **Slow recovery** in travel demand due to **COVID-19** [Travel/amusement]
- **Suspension of operations** due to **lockdown in Shanghai** [Chemicals/medicines]
- **Impact of investment** in new projects [Automotive etc. parts]

(Note) Only industries with 10 or more valid responses are listed.

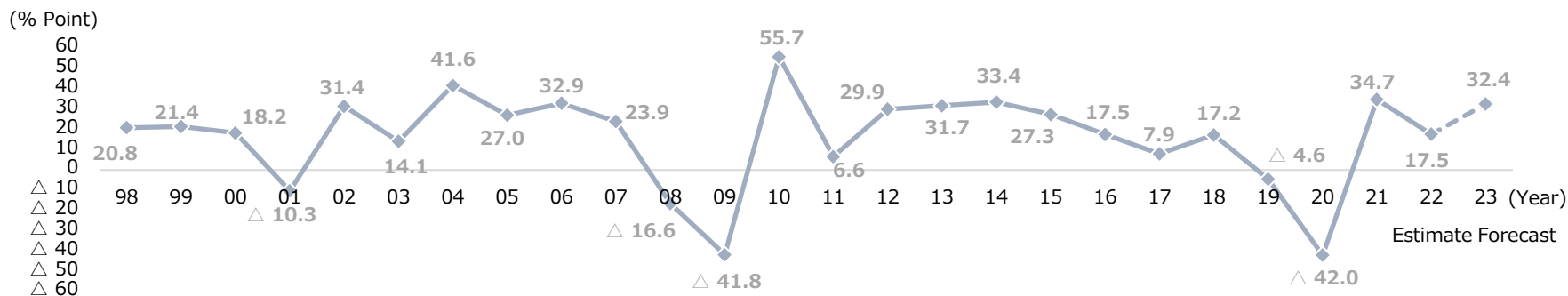
3 Business Sentiment DI: Declines to 17.5 in 2022, but Rebound Expected in 2023

- Regarding **operating profit forecasts for 2022**, **41.9%** expect their profits to increase from the previous year, 33.7% expect them to remain the same, and **24.4%** expect them to decrease. 46.0% expect profits to increase in 2023.
- The DI for business sentiment** (difference between increase and decrease) **in 2022 stood at 17.5, a decrease of 17.2 points from the previous year** (34.7). It is expected to improve to 32.4 in 2023.

Year-over-Year Operating Forecast Profit Changes



Business Sentiment DI Trends

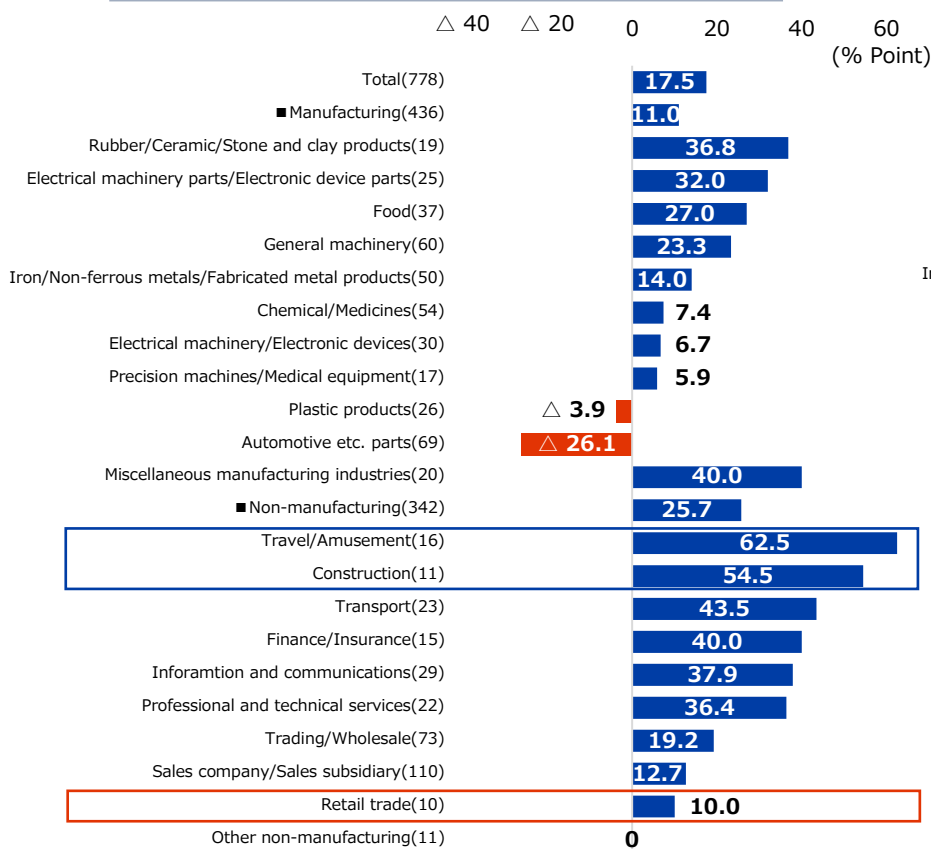


(Note) Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey.

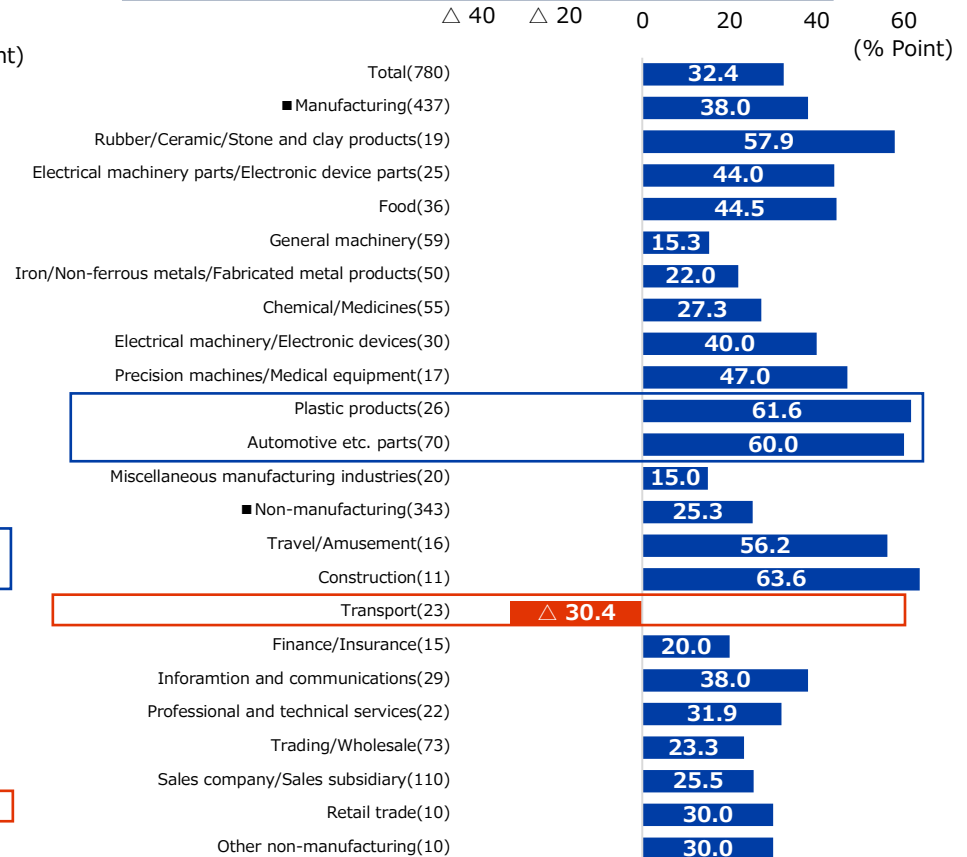
4 Business Sentiment DI (By Industry): Significant Improvement in Construction and Travel/amusement Industries in 2022

- The DI for 2022 improved significantly from the previous year in **construction** (71.1 points increase) and **travel/amusement** (69.2 points increase) but **deteriorated for 2023** in **retail trade** (80.9 points decrease) and **real estate** (54.2 points decrease).
- The DI for 2023 is expected to improve in **automotive etc. parts** (86.1 points increase) and **plastic products** (65.5 points increase) but to **deteriorate** in **transport** (73.9 points decrease) and **real estate** (55.5 points decrease).

Business Sentiment DI for 2022 (By Industry)



Business Sentiment DI for 2023 (By Industry)



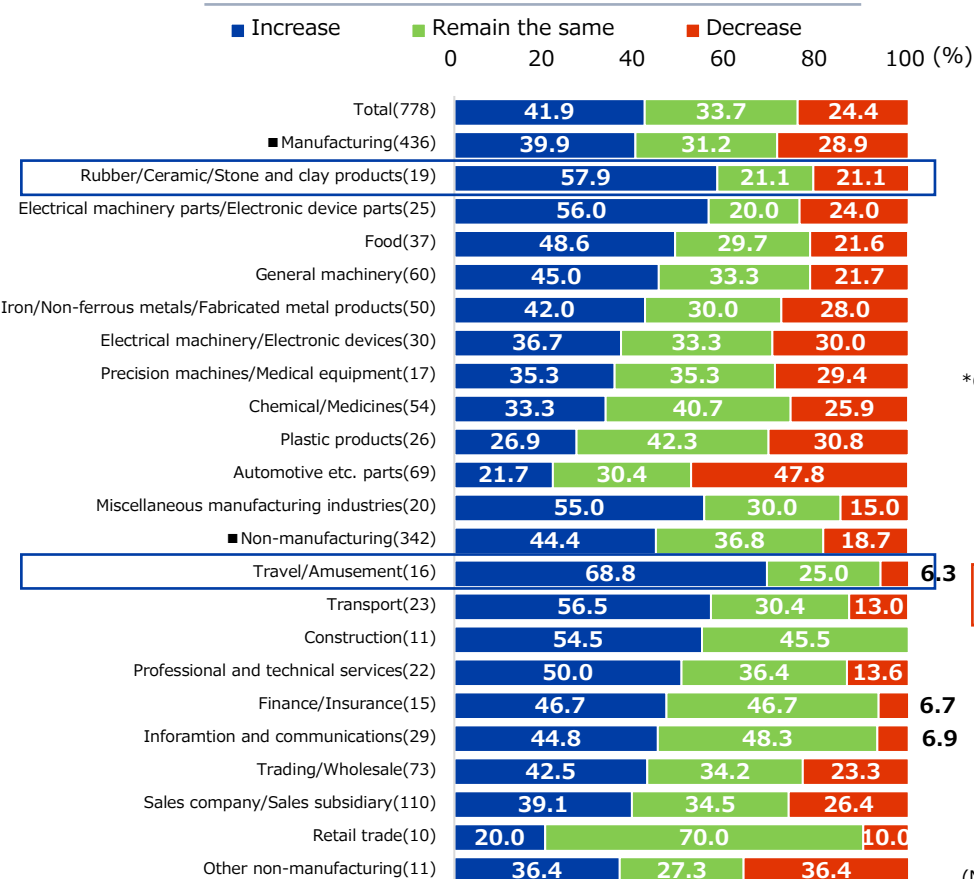
(Note) Only industries with 10 or more valid responses are listed in these charts.

5

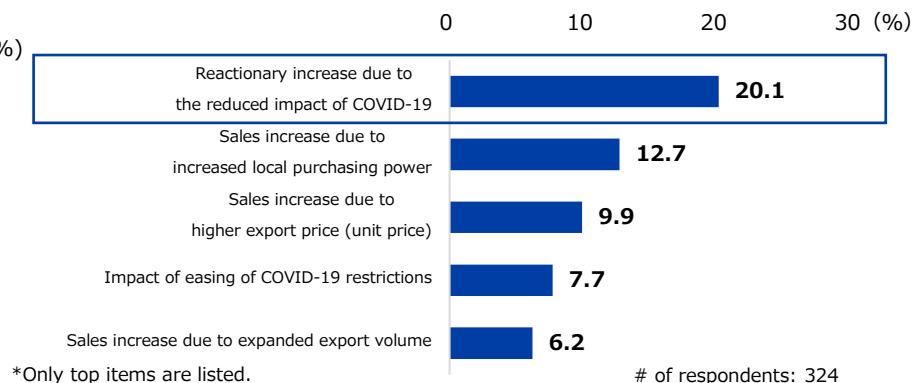
2022 Operating Profit Forecast Compared to Previous Year (By Industry): More Increase in Non-Manufacturing Sector, Driven by a Reactionary Increase Due to the Reduced Impact of COVID-19.

- Compared to the previous year, the percentage of companies expecting an “increase” was larger in the non-manufacturing sector than in the manufacturing sector. The percentages in Rubber/ceramic/stone and clay products (57.9%) and Travel/amusement (68.8%) were highest in the manufacturing and non-manufacturing sectors, respectively.
- The largest contributor to such “increase” was a reactionary increase due to the reduced impact of COVID-19, while rising raw material procurement/parts procurement costs were chosen as the biggest reason for a “decrease.”**

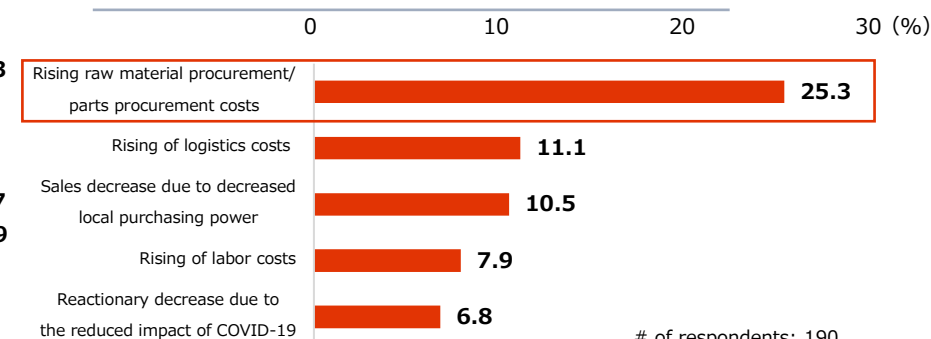
Change in Operating Profit Forecasts from the Previous Year (By Industry)



Reasons for Improved Operating Profit Forecasts (Main Reasons)



Reasons for Deteriorated Operating Profit Forecasts (Main Reasons)



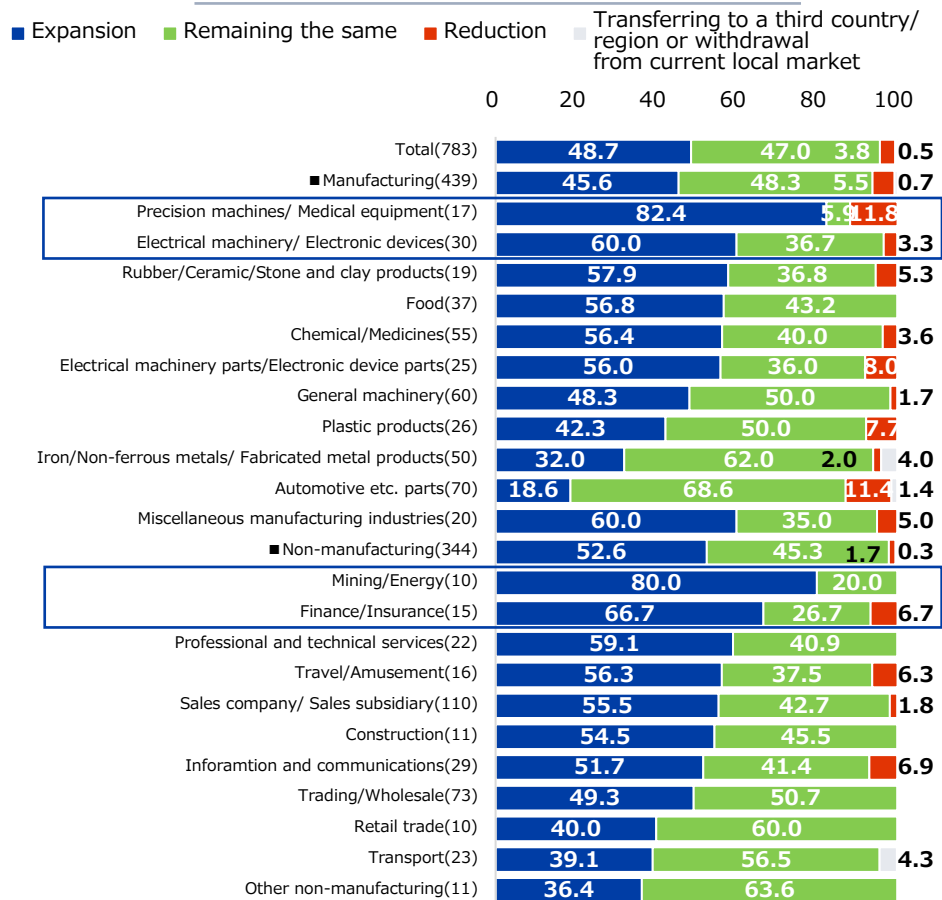
(Note) Only top items are listed.

(Note) Only industries with 10 or more valid responses are listed.

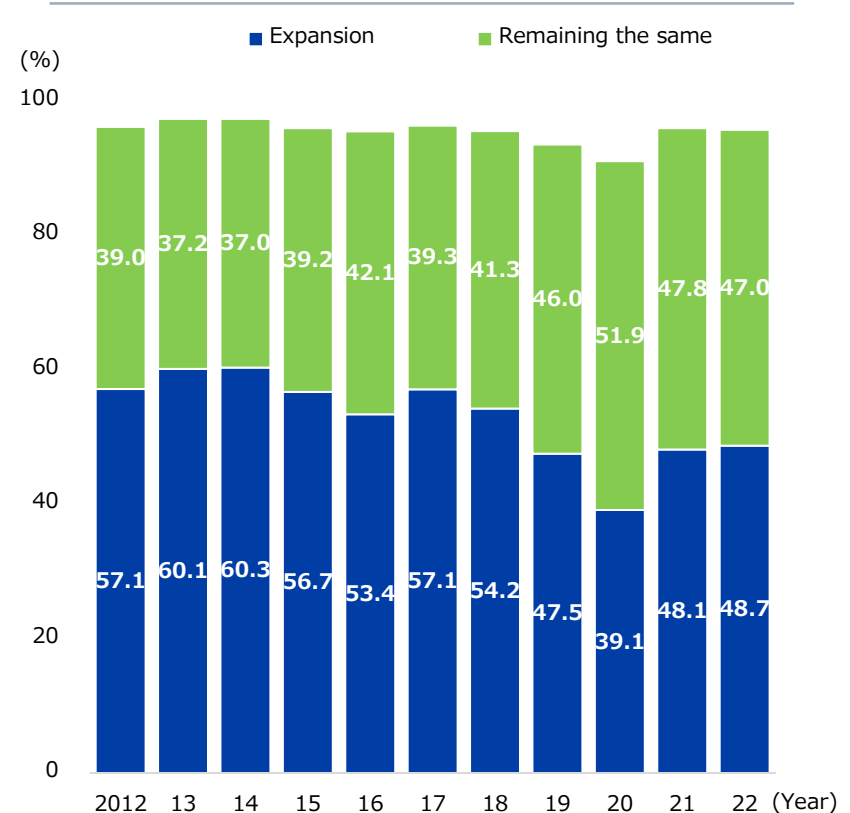
1 | Future Business Development: Nearly 50% Planned to Expand

- The proportion of respondents **planning to expand their business in the next one or two years** has **remained at nearly 50%** (48.7%) following the previous survey (48.1%).
- Industries that showed a high “expansion” percentage were precision machines/medical equipment (82.4%) and electrical machinery/electronic devices (60.0%) among manufacturers, and mining/energy (80.0%) and finance/insurance (66.7%) among non-manufacturers.

Business Direction in the Next 1-2 Years (By Industry)



Trends in Business Expansion for Next 1-2 Years

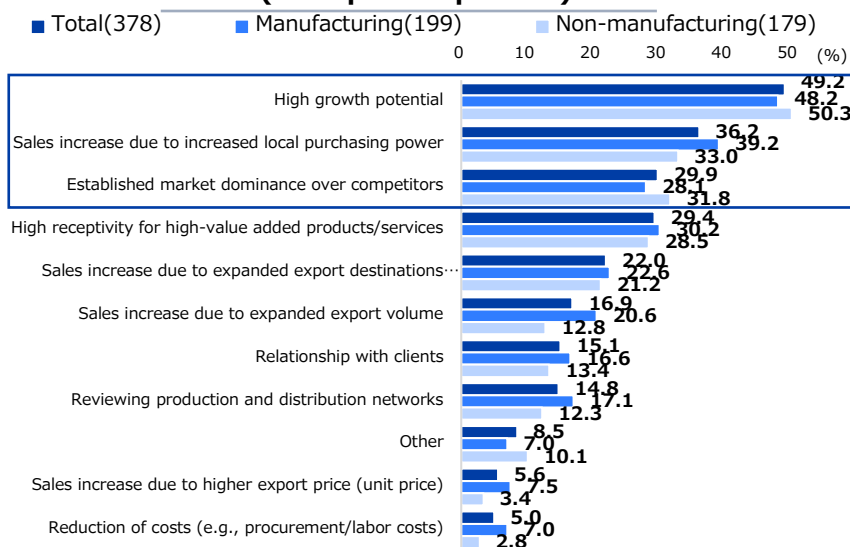


(Note) Only industries with 10 or more valid responses are listed.

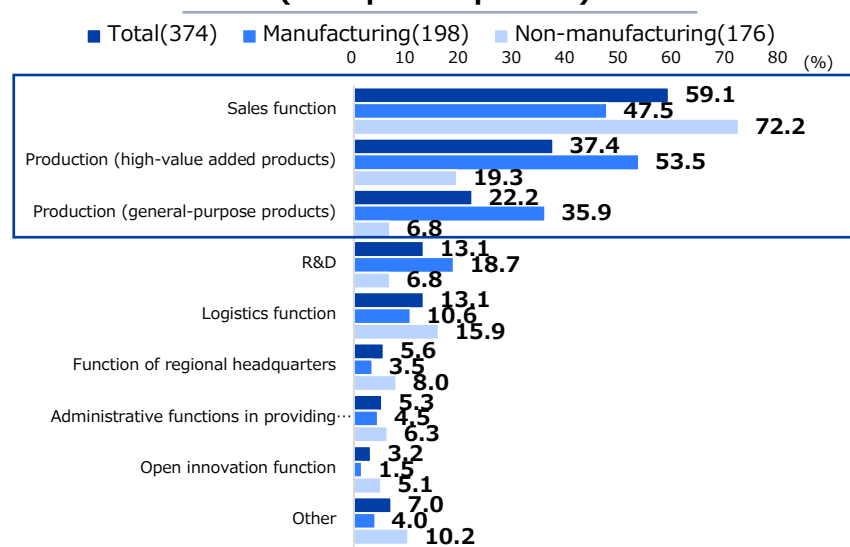
2 | Reasons for Business Expansion: High Growth Potential Cited by Just Under 50%

- **The main reason for business expansion in the next 1-2 years** was "high growth" in the U.S. market (49.2%), followed by "sales increase due to purchasing power increase in the local market" (36.2%).
- **In terms of functions to be expanded, just under 60%** (59.1%) cited "sales function", followed by production (high value-added products) (37.4%) and production (general-purpose products) (22.2%).

Reasons for Business Expansion (Multiple Responses)



Specific Functions to be Expanded (Multiple Responses)



(Note) Only top items are listed, Figures in parentheses accompanying the legend are the number of valid respondents in each industry.

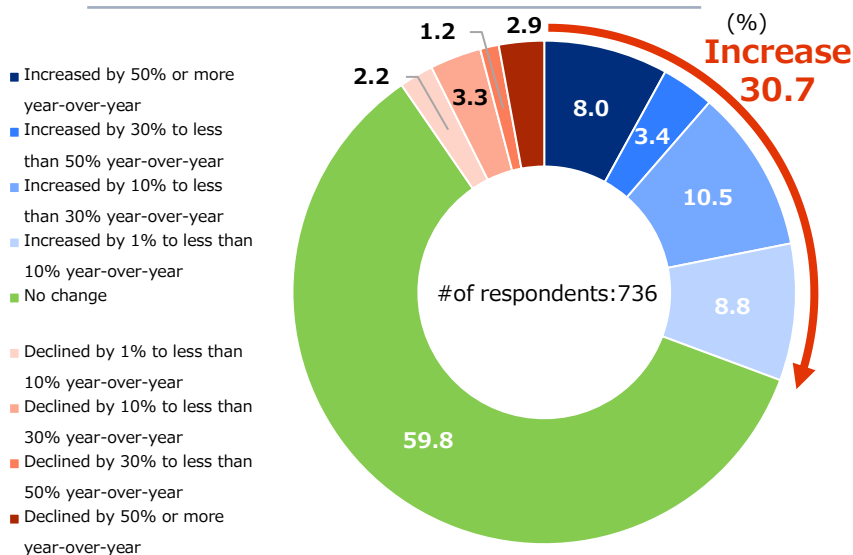
Specific Reason for "Other" as a Reason for Business Expansion (Free-form)

- **Increase in sales to new customers** [Professional and technical services, Automotive etc. parts]
- **Development of E-Commerce** [Food]
- **Increase in capital investment by customers** in various regions [Construction]
- **Recovery in production in the automotive industry** [Iron/non-ferrous metals/fabricated metal products, Chemicals/medicines]
- **Decline in competitiveness of Chinese products** due to **customs sanctions** [Chemicals/medicines]
- **Local procurement by USMCA** [Iron/non-ferrous metals/fabricated metal products]
- **Increase production capacity** at plants [Chemicals/medicines]
- **Strengthen IP** and strengthen group-wide **overseas sales** [Travel/amusement]
- **Expansion of business of group companies** [Trading/wholesale]
- **Expansion of business to Latin America**/establishment of bases [Sales companies/sales subsidiaries]
- **Business expansion through acquisitions** [Professional and technical services, Chemicals/medicines, Sales companies/sales subsidiaries, precision machines/medical equipment]
- **Trends in the exchange rate with depreciation of Yen** [General machinery]

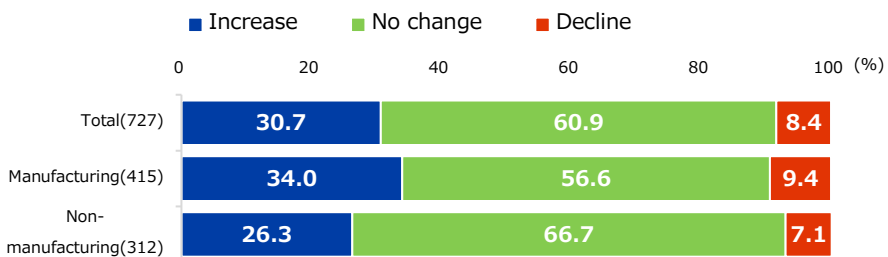
3 Changes in Capital Investments: Slightly over 30% of Companies' Investments Exceeded the Previous Year

- **30.7% of** respondents said their capital investments for 2022 **surpassed those in the prior year** in terms of monetary amount, this being 2.8 points up from the previous survey (27.9%). 9.6% of companies said they made smaller investments year-over-year, which was 0.9 points lower than last time (10.5%) and showed a slight improvement
- **Top answers for the purposes of capital investment were “maintenance and/or repair of existing equipment”** (47.8%), “application of digitalization” (26.9%), and “labor-saving and rationalization” (21.1%).

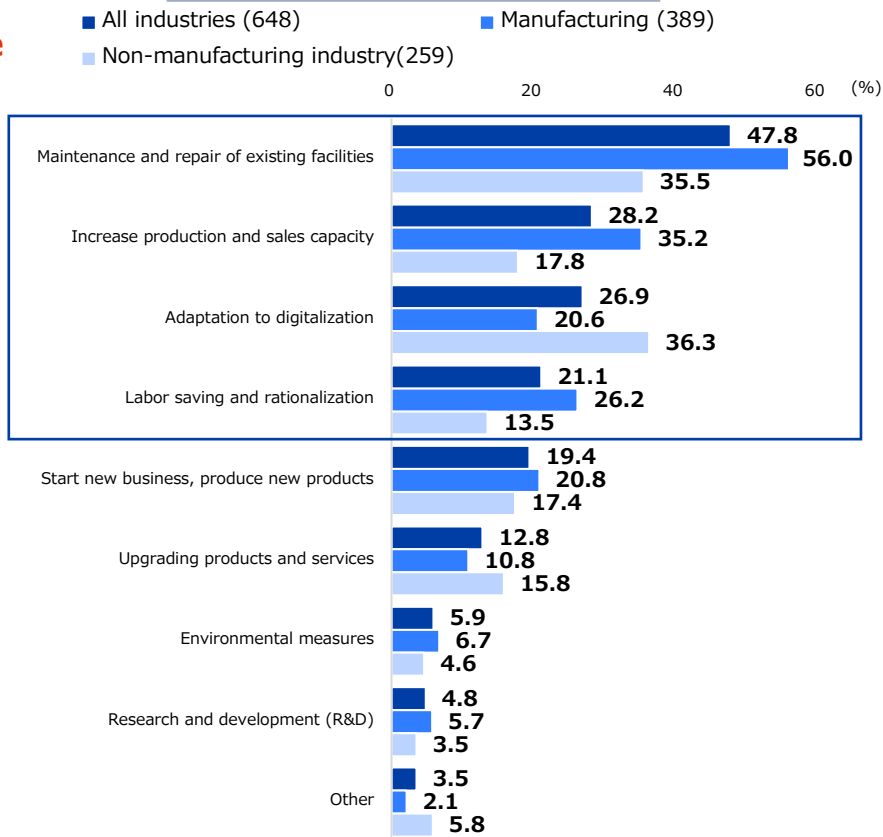
Changes in Capital Investments in 2022



Capital Investment Plans for 2023 and Beyond (By Industry)



Purpose of Capital Investments (Multiple Answers)

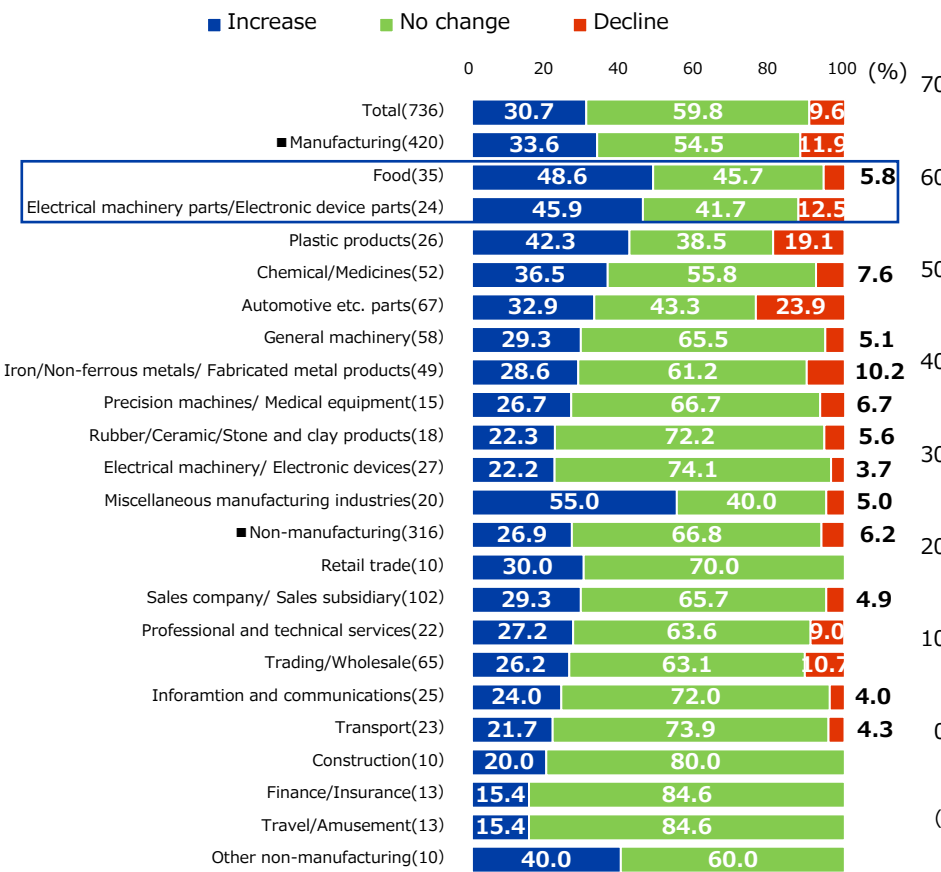


(Note) Figures in parentheses accompanying the legend are the number of valid responses in each industry.

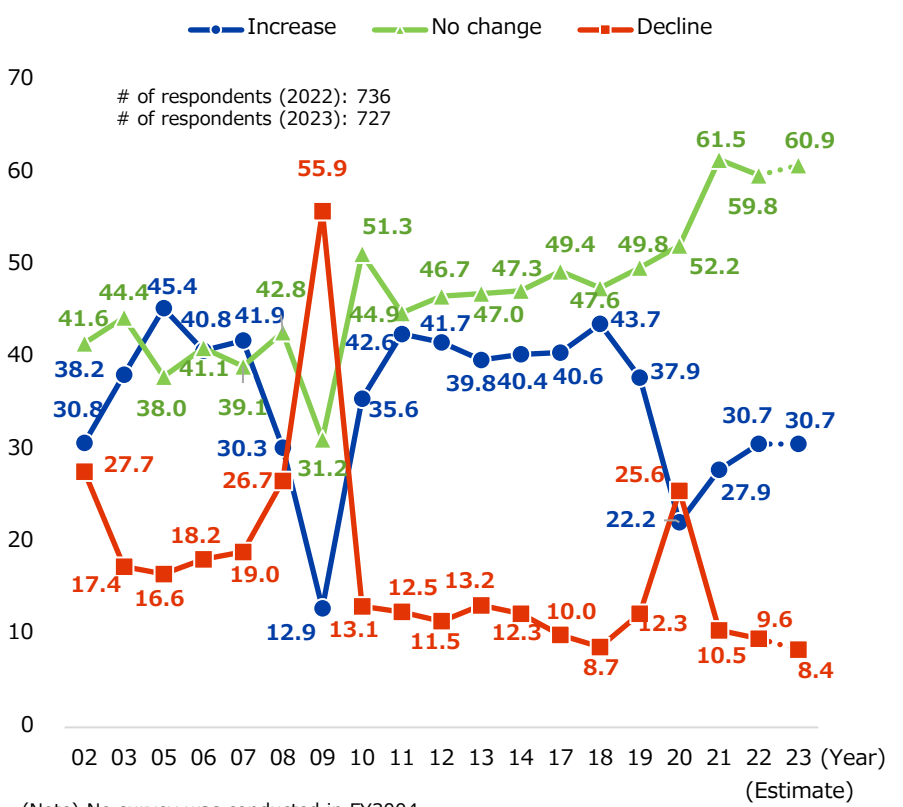
4 | Changes in Capital Investments (by Industry): "Increased" Cited by Nearly Half of Respondents in Food

- A comparison of changes in capital investment in 2022 by industry shows that the proportion of respondents with the answer "increased" from the previous year was high in food (48.6%) and electrical machinery parts/electronic device parts (45.9%).
- The proportion of respondents which "increased" capital investment from the previous year fell to slightly over 20% (22.2%) in 2020, but rose to 30.7% in 2022. For 2023, 30.7% of respondents expected to increase capital investments.

Changes in Capital Investment in 2022



Trends in Annual Changes in Capital Investments (2002-2023 Forecasts)



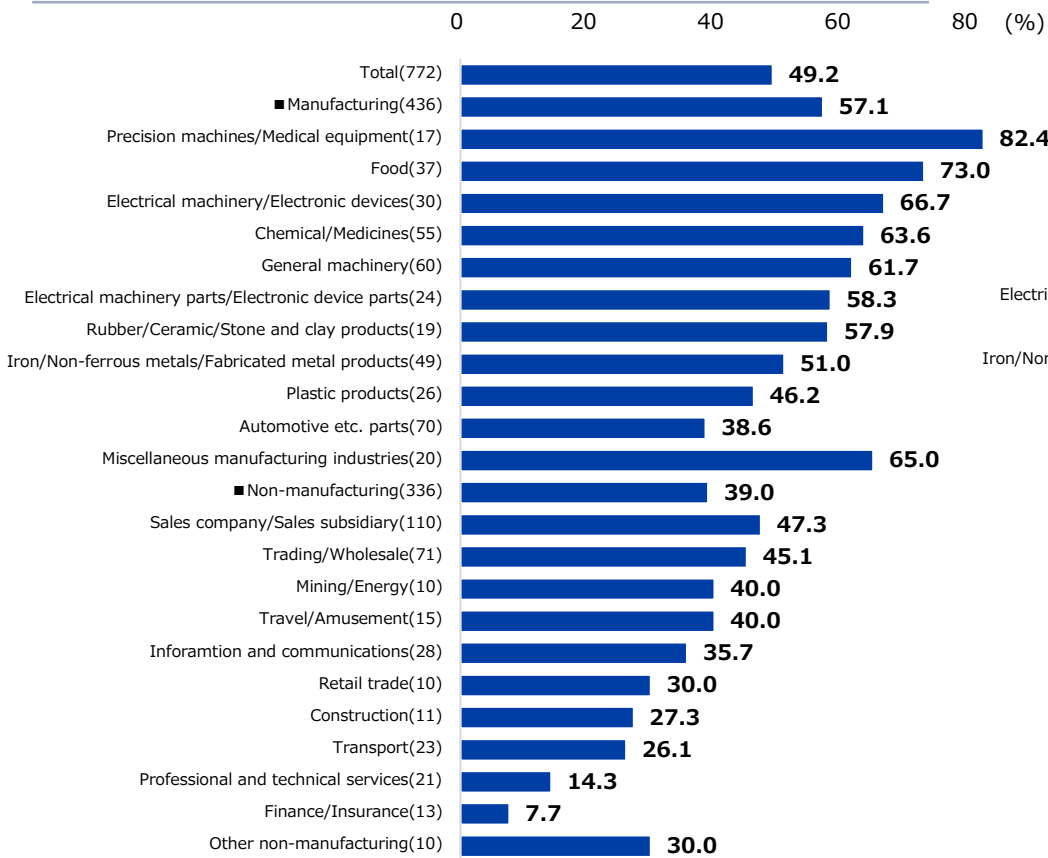
(Note) No survey was conducted in FY2004.
FY2015 and FY2016 are not included in the questions

(Note) Only industries with 10 or more valid responses are listed.

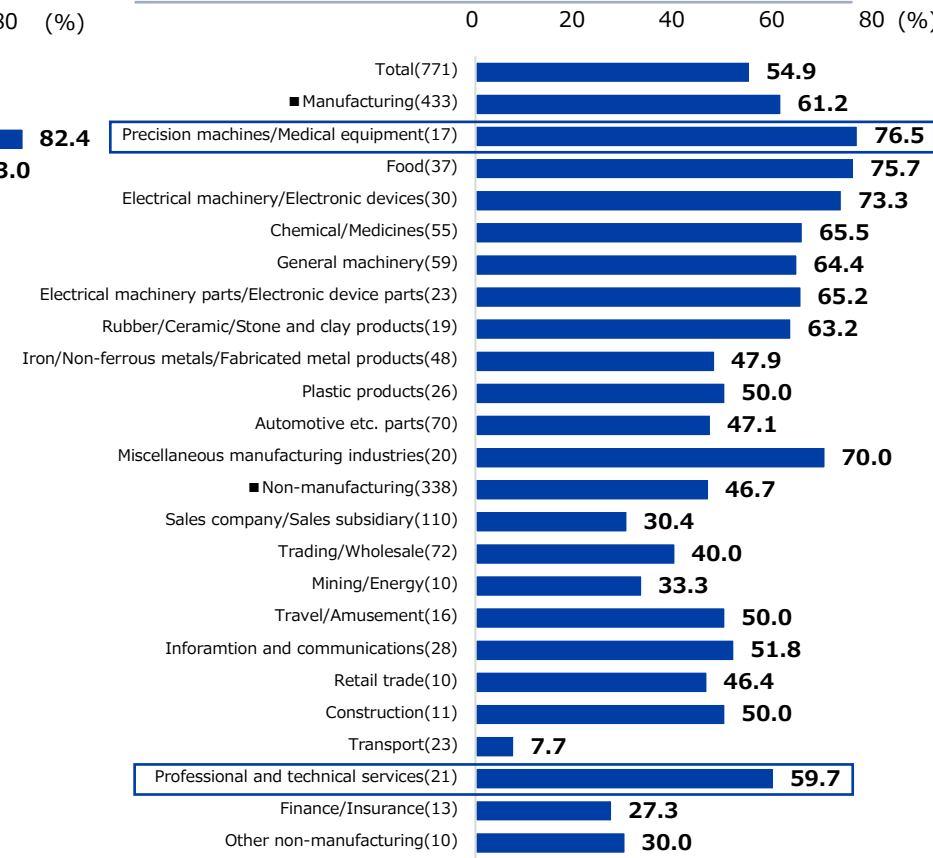
5 | Reviewing the Supply Chain: Around 55% Have Plans for Review in the Near Future

- **Just under 50%** (49.2%) of the companies **reviewed their supply chain** (sales, procurement, and production) in the period **from the outbreak of COVID-19 to the time of the survey** (September 2022). The percentage of companies that **have plans for review in the near future** was around 55% (54.9%).
- By industry, the percentage of companies that plan to review their supply chains going forward was high in Precision machines/medical equipment (76.5%) in manufacturing and in Business-related services (59.7%) in non-manufacturing.

Percentage of Respondents Reviewed Their Supply Chains from COVID-19 Outbreak to Time of Survey (By Industry)



Percentage of Respondents With Plans to Review Supply Chain Going Forward (By Industry)

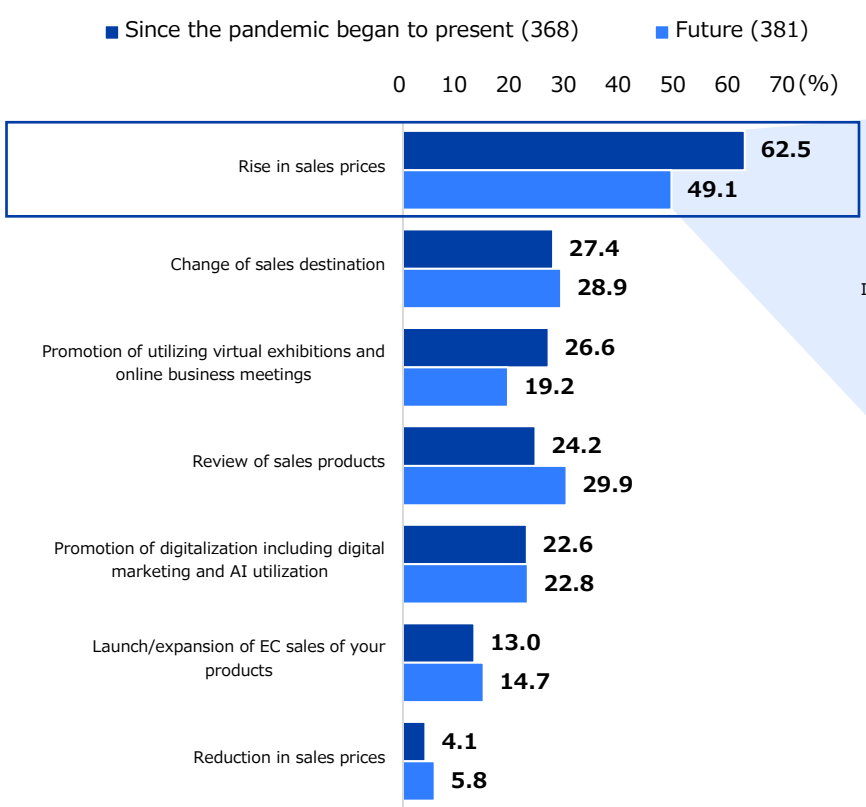


(Note) Only industries with 10 or more valid responses are listed.

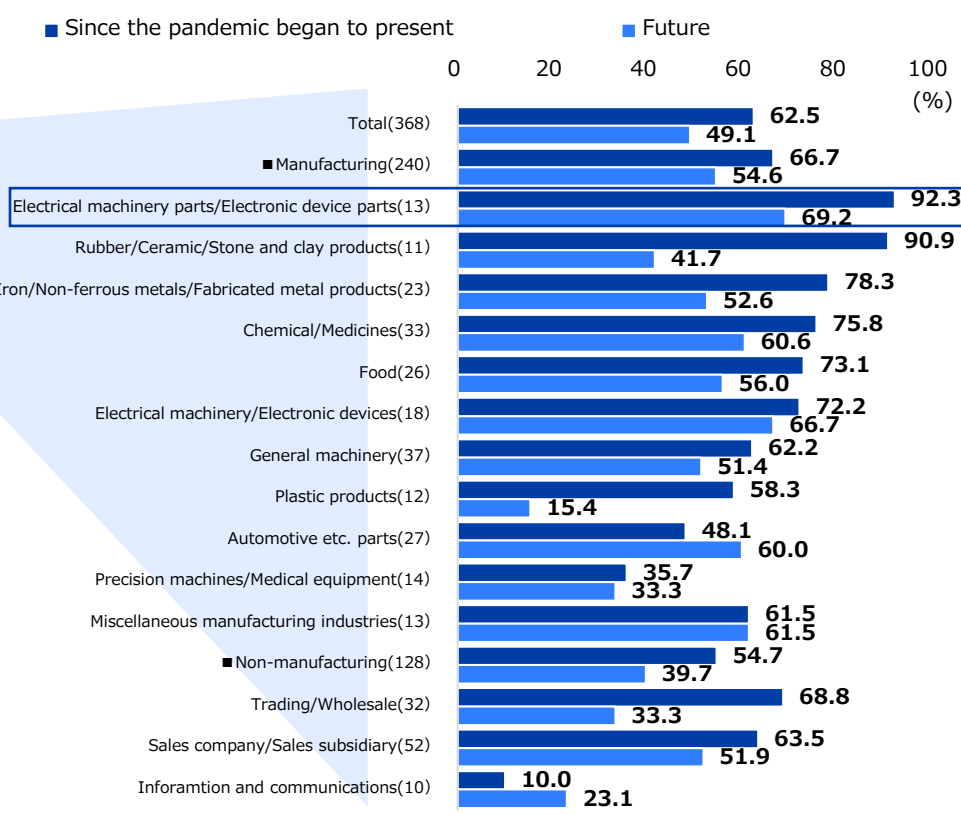
6 | Details of Sales Reviews Going Forward: "Increase in Sales Prices" Given as the Main Revision

- **"Rise in sales prices"** was cited the most by companies as the nature of their sales reviews, for both the period from the outbreak of COVID-19 to the time of the survey (September 2022) and going forward (COVID-19 outbreak to survey period: 62.5%; going forward: 49.1%).
- By industry, the percentage of respondents citing "increase in sales prices" was highest in Electrical machinery parts/electronic device parts for both points in time (to the survey period: 92.3%; going forward: 69.2%).

Details of Sales Review (By Point in Time)



Percentage of Respondents Citing "Increase in Sales Prices" (By Industry/Point in Time)



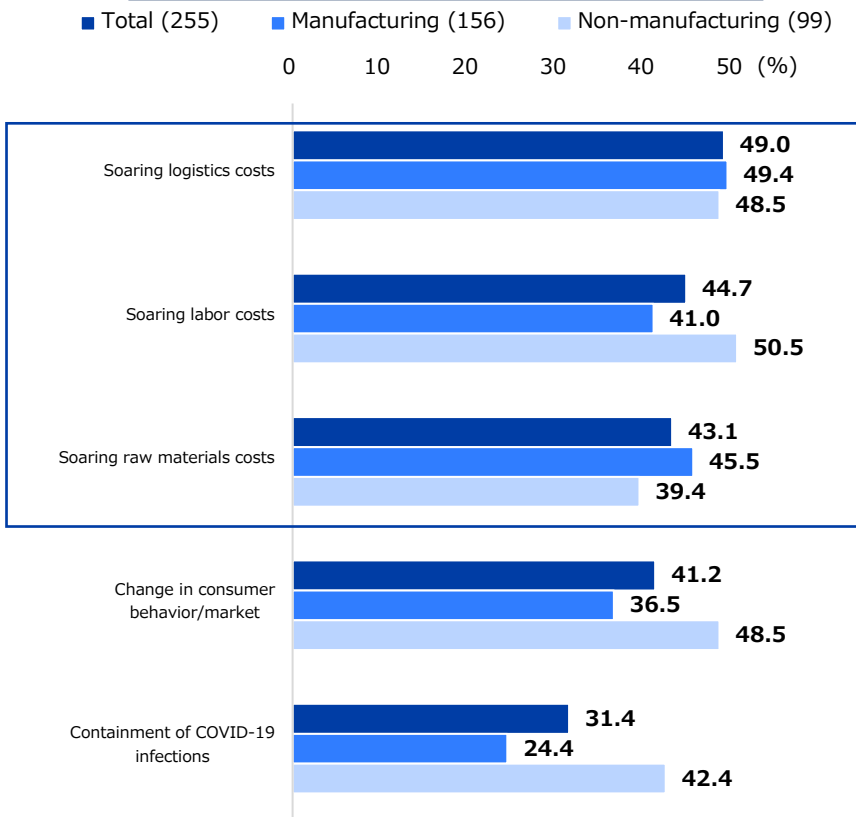
(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses at each point in time.

(Note) Only industries with 10 or more valid responses are listed.

7 | Reasons for Sales Reviews Going Forward: Soaring Costs Given as the Main Reason

- The top reason given for **sales reviews going forward** was **"soaring logistics costs"** (49.0%), followed by "soaring labor costs" (44.7%) and "soaring raw materials costs" (43.1%).
- Specific reasons for sales reviews included **"rapid rise in raw material costs due to inflation ,"** **"change in specifications due to uneasiness in supply of raw materials ,"** and **"decline in product demand due to COVID-19."**

Reasons for Sales Reviews Going Forward (Multiple Responses, By Industry)



Specific Reasons for Sales Reviews (Free-form)

- Reasons for Reviewing Sales Prices
 - **Rapid rise in raw material costs due to inflation** [Textiles and apparel]
 - **Reflection of the increase in raw material prices** [Other non-manufacturing industries, paper, wooden products, printing]
 - **Reflection of increases in freight** (logistics costs) and **personnel costs** [Sales companies, automotive parts, Trading/wholesale]
 - **Sharp rise in container shipping costs** [Electrical and electronic equipment parts]
- Reasons for Reviewing of Products Sold
 - **Change in specifications** due to **uneasiness in supply of raw materials** [Food]
 - **Decline in product demand due to COVID-19** [Trading/wholesale]
 - **Rising prices for raw materials, transportation, labor, and utilities** [Railway and transportation vehicle etc. parts]
- Reasons for reviewing customers
 - **Emphasis on profit margins** and **adaptation to federal trade policy** (Reasons for Reducing Sales to China) [Chemicals/medicines]
 - Expectations for **expanding local procurement of raw materials** [Trading/wholesale]
 - **Closure and restructuring of competitors** [Iron/non-ferrous metals/fabricated metal products]
 - **Acquisition of U.S. local businesses** [Sales companies/sales subsidiaries]
 - **Request from suppliers** [Electrical and electronic equipment parts]

(Note) Excerpt only for top items; figures in parentheses accompanying the legend are the number of valid responses in each industry.

8 Countries/Regions to Become Sales Destinations Going Forward: Mainly Shifting from the U.S., Slightly Over 40% Changing within the U.S.

- The United States was most often cited as a current sales destination from which companies planned to shift away, but also as a new target sales market that companies planned to change to. 38 were changing destinations within the U.S., accounting for just over 43.2% of all changes (88).
- In terms of foreign sales markets after the shift away from the U.S., the most common responses were Mexico (5) and Canada (2).

Changes to Sales Destinations (Multiple Responses)

(Cases)

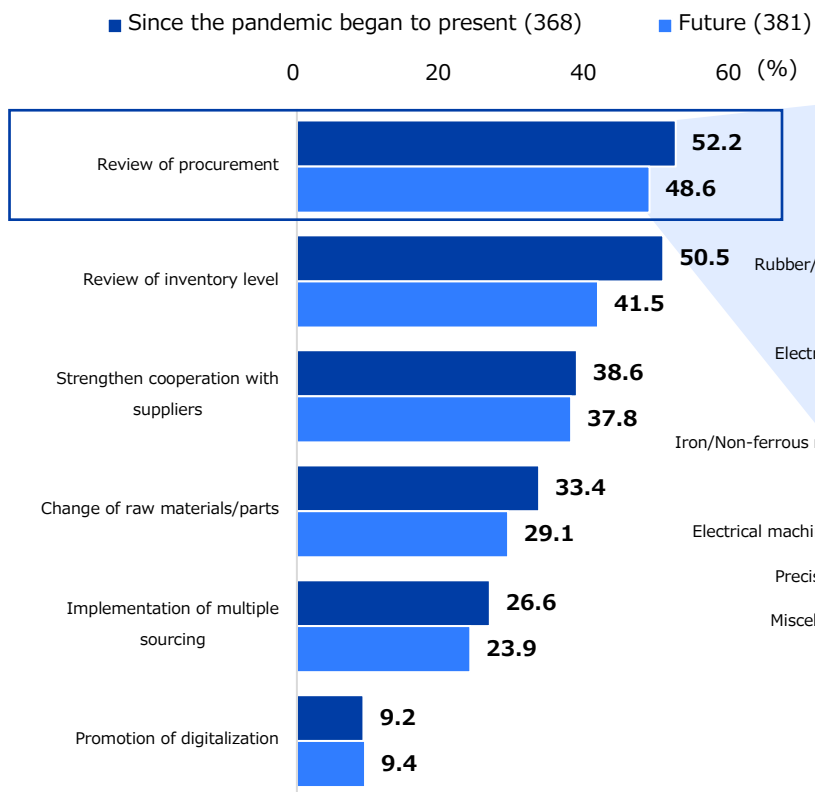
		New Sales Markets After Revisions									
		U.S.	Mexico	Central and South America	Canada	ASEAN	Japan	No destination after (End)	Other	NA	Total
Sales Markets to be Changed	U.S.	38	5	2	2				6	9	62
	Mexico		2					1		3	6
	Japan	1					1			1	3
	China	1			1	1					3
	Europe	2									2
	Start of Sales	2		2		1					5
	Other	2	1			1				3	7
	Total	46	8	4	3	3	1	1	6	16	88

(Note) Five or more changes are shown in bold.

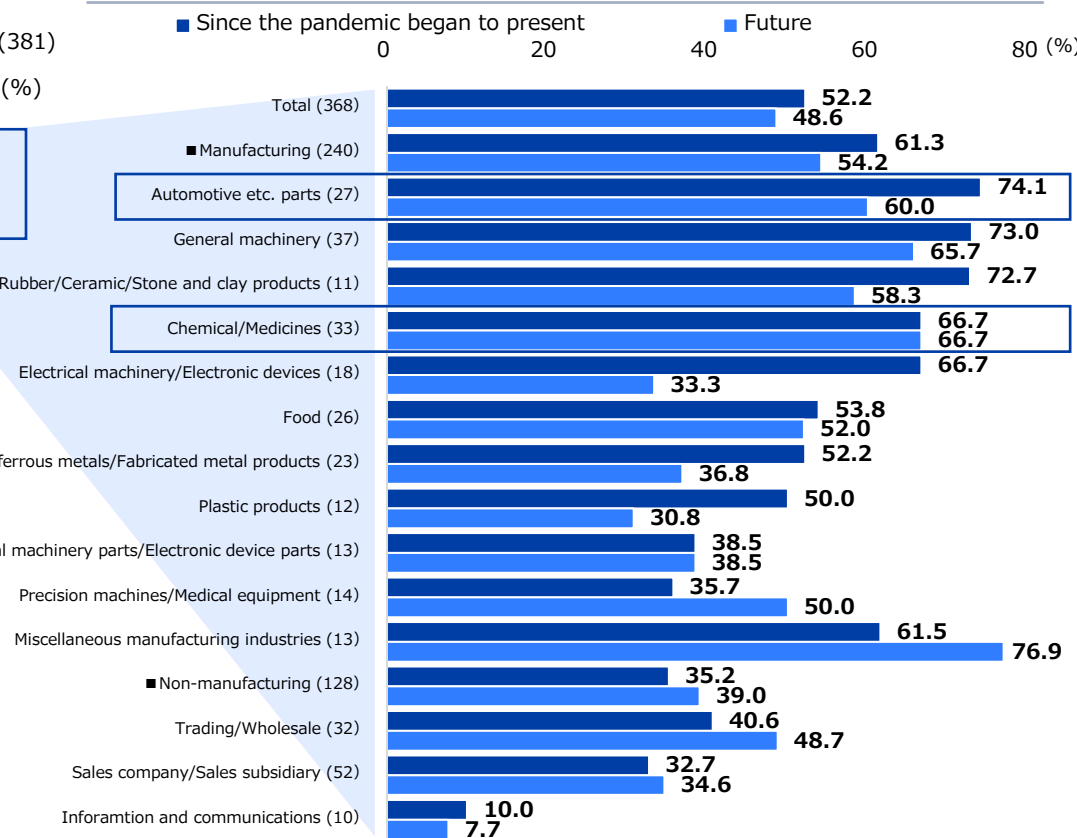
9 | Details of Procurement Reviews: "Reviews of Procurement Sources" was the Main Reason

- **"Reviews of procurement sources"** was the most cited **procurement review**, both for the period between the outbreak of COVID-19 to the time of the survey (Sep. 2022, 52.2%) and regarding plans going forward" (48.6%).
- By industry, the percentage of respondents citing "review of procurement" was high for automotive etc. parts, for the period up to the time of the survey (74.1%), and for chemicals/medicines regarding plans going forward (66.7%).

Procurement Review (By Point in Time)



Percentage of Respondents Citing "Reviews of Procurement Sources" (By Industry/Point in Time)



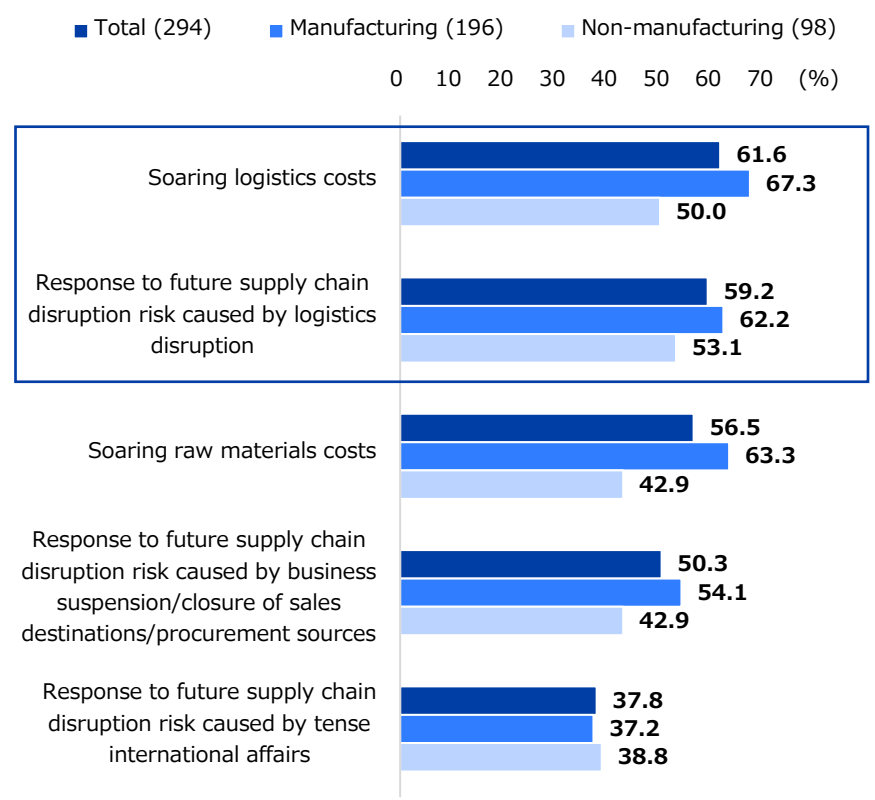
(Note) Figures in parentheses accompanying the legend are the number of valid responses at each point in time.

(Note) Only industries with 10 or more valid responses are listed.

10 | Reasons for Future Procurement Reviews: "Soaring Logistics Costs" and "Soaring Raw Material Costs" Cited as Main Reasons

- The top reasons given for **reviewing procurement going forward** were **"soaring logistics costs"** (67.3%) for the **manufacturing sector** and **"response to future supply chain disruption risk caused by logistics disruption"** (53.1%) for the **non-manufacturing sector**.
- "Procurement from locations close to the manufacturing bases" and "Bulk purchase for number of shipments" were cited as methods for responding to "soaring logistics costs".

Reasons for Procurement Reviews Going Forward (Multiple Responses, By Industry)



(Note) Excerpt only for top items; figures in parentheses accompanying the legend are the number of valid responses in each industry.

How Companies are Responding to Rising Distribution Costs and Raw Material Costs (Free-form)

- Responding to rising logistics costs
 - **Procurement from locations close to manufacturing bases** [Other manufacturing]
 - **Change of suppliers** from group companies in Europe **to external companies in the U.S.** [Automotive etc. parts]
 - **Increase in number of suppliers** [General machinery]
- Response to rising raw material costs
 - **Bulk purchase** for number of shipments [General machinery]

Specific Reasons for Procurement Reviews (Free-form)

- **Respond to supply chain disruption risks** associated with **increased demand for materials** [Sales companies/sales subsidiaries]
- **Switch to other companies with better conditions** [Real estate and leasing]
- **Attracting plants** to land owned by the company [Trading/wholesale]
- **Maintain competitiveness** in response to **industry restructuring** [Business-related services]

11 | Countries/Regions to Become New Procurement Sources Going Forward: A Notable Shift from Japan/China to the U.S./Mexico

- The top destinations for companies reviewing their future procurement sources were the United States (69 cases), Japan (44), and China (41). There were 29 that planned to make changes within the United States.
- There were also many changes from Japan to the United States (28 cases), from China to the United States (15), and from China to Mexico (7). The shift of procurement sources from Japan/China to the U.S./Mexico, was particularly pronounced in the manufacturing sector.

Changes of Procurement Sources (Multiple Responses)

(Cases)

		New Procurement Sources After Review										
		U.S.	Japan	Mexico	ASEAN	China	Central and South America	Europe	Korea	Other	NA	Total
Procurement Sources to be Changed	U.S.	29	11	5	4	1	4	1	2	4	8	69
	Japan	28	6	2	4	2		1			1	44
	China	15	4	7	5	2		1	1	4	2	41
	Europe	6	1			1		1				9
	ASEAN	1	1	3	1					1		7
	Mexico			1							2	3
	Korea	1	1								1	3
	Other	2	2				1	1		1	3	1
	Start of new procurement	2										2
	Total	84	26	18	14	6	5	5	3	11	16	188

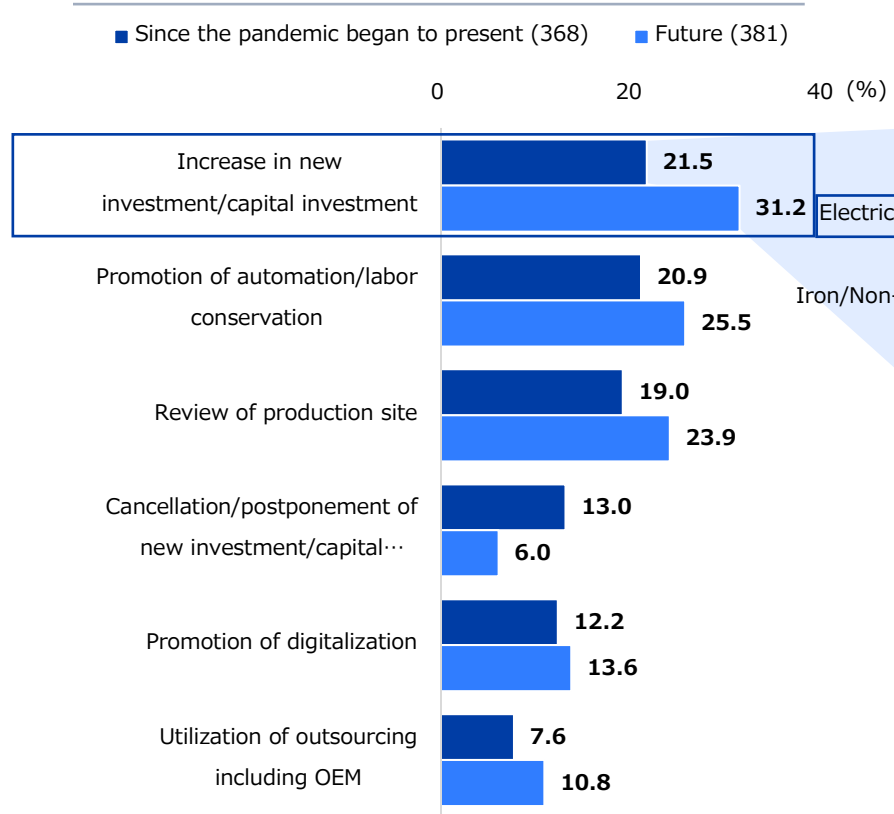
(Note) Five or more changes are shown in bold.

12

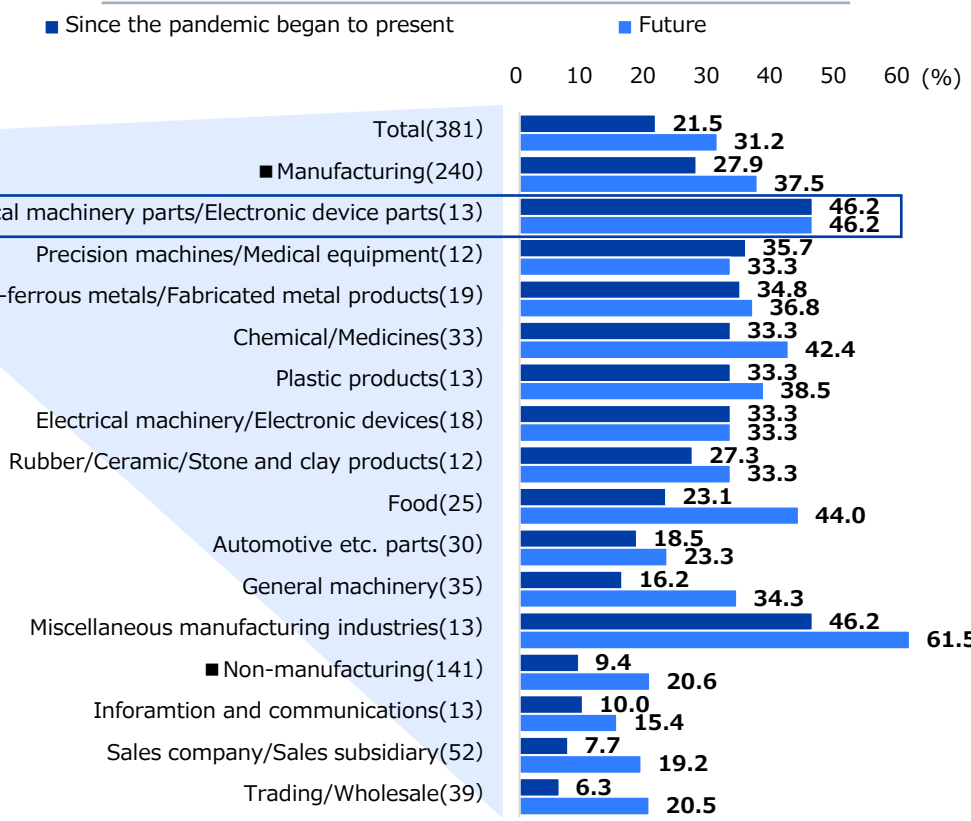
Details of Production Reviews: “Increase in New Investment/Capital Investment” and “Promotion of Automation/Labor Conservation” are Top Revisions

- **“Increase in new investment/capital investment”** was most frequently cited as the content of **production reviews, both for** the period from the outbreak of COVID-19 to the Sep. 2022 survey (21.5%) and in the future (31.2%).
- By industry, the percentage of respondents citing "increase in new investment and capital investment" was high in electrical machinery parts/electronic device parts (46.2% for both periods).

Details of Production Review (by Point in Time)



Respondents Citing “Increase in new investment/capital investment” (By Industry/Point in Time)



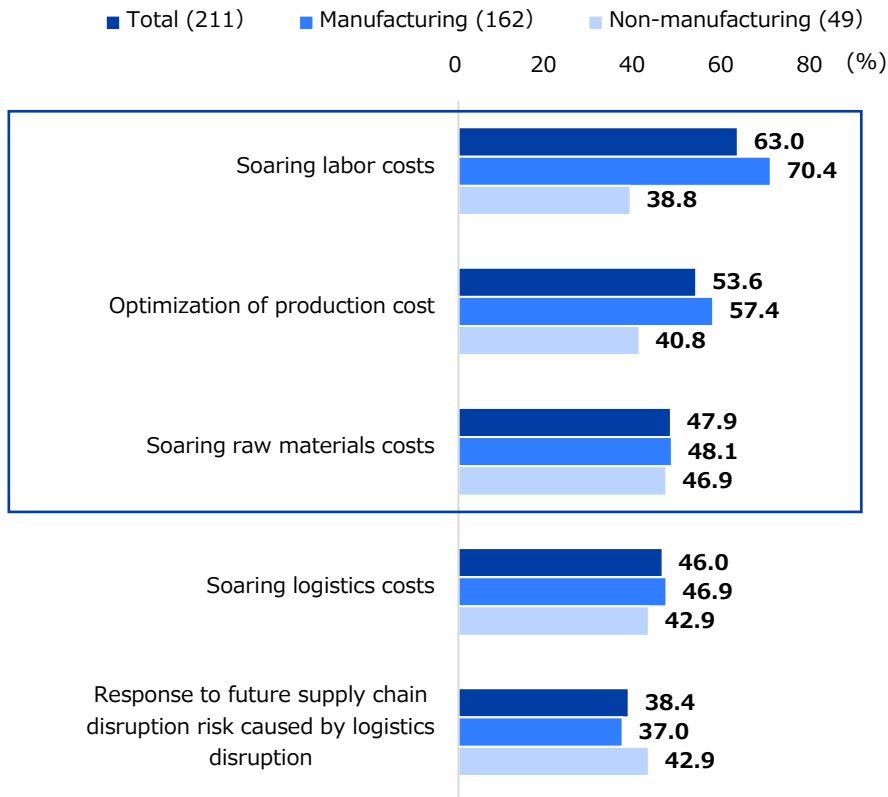
(Note) Figures in parentheses accompanying the legend are the number of valid responses in each industry.

(Note) Only industries with 10 or more valid responses are listed.

13 | Reasons For Future Production Reviews: Soaring Costs Cited as Main Reasons

- The most common reason given for **revising production in the future** was **“soaring labor costs”** (63.0%), especially in the manufacturing sector, where it was approximately 70% (70.4%). This was followed by “optimization of production costs” (53.6%) and “soaring raw materials costs” (47.9%).
- Methods of responding to soaring costs included “shifting some production processes to Japan” and “reduction of raw material costs by working with suppliers to simplify product packaging.”

Reasons for Future Production Reviews (Multiple Responses, By Industry)



(Note) Excerpt only for top items; figures in parentheses accompanying the legend are the number of valid responses in each industry.

How to Respond to Soaring Costs (Free-form)

- Responding to general cost increases
 - **Shifting some production processes to Japan** [Electrical and electronic equipment parts]
- Responding to rising labor costs
 - **Automating machinery** and **shifting production to group companies outside the U.S.** where labor costs are low [Automotive and other parts]
- Responding to Rising Raw Material Costs
 - **Reduction of raw material costs** by working with suppliers to **simplify product packaging** [Automotive and Other Parts]

Specific Reasons of Production Review (Free-form)

- Due to the **tight labor market**, it is difficult to hire and retain employees, so we will continue to **automate production facilities** [Chemicals/medicines]
- **Reviewing U.S. competitiveness** [Business-Related Services]

14 | Countries/Regions to Become New Production Sites: There is a Tendency to Move Toward Cost Reduction

- **The main production sites to be changed** were **the U.S.** (38 cases), **Japan** (16), and **China** (14). A shift **from the U.S. to Mexico** (11) was the top answer, **followed by changes within the U.S.** (8).
- In terms of **production sites after the shift**, **the U.S.** had the highest number of responses (20 cases), followed by **ASEAN** (17) and **Mexico** (16), for instance, with a notable trend toward reducing costs.

Changes in Production Sites (Multiple Responses)

(Cases)

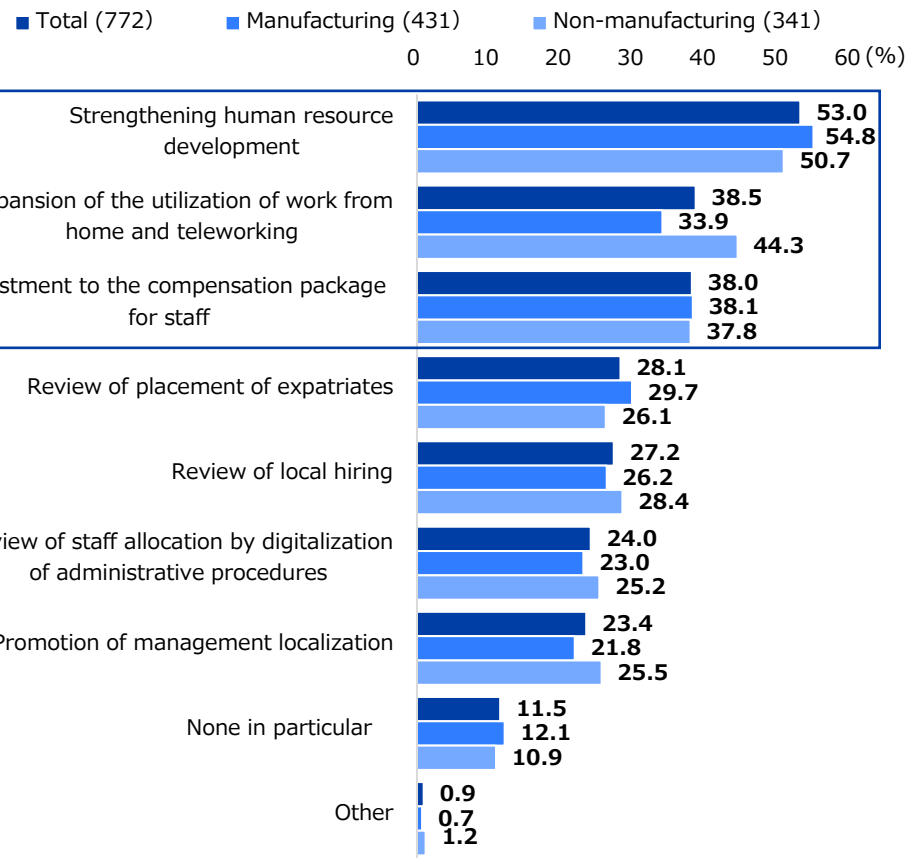
		New Production Sites After Revision							
		U.S.	ASEAN	Mexico	Japan	Central and South America excluding Mexico	Other	NA	Total
Production Sites to be Changed	U.S.	8	6	11	5	2	4	2	38
	Japan	6	4	3			2	1	16
	China	2	5	2	1		3	1	14
	Mexico	1	1			1		3	6
	ASEAN	2						1	3
	Europe	1					1		2
	Other		1				1	2	4
	Total	20	17	16	6	3	11	10	83

(Note) Five or more changes are shown in bold.

15 | Future Reviews of Control/Management Systems: Many Companies Promoting HR Development/Management

- In terms of **future reviews of control/management systems**, **“strengthening human resource development”** was the most common response, **cited by over 50%** of companies in manufacturing and non-manufacturing alike (54.8% in manufacturing and 50.7% in non-manufacturing).
- The second most frequently selected review was **“adjustment to the compensation package for staff”** (38.1%) in **manufacturing** and **“review of use of telework and telecommuting”** (44.3%) in **non-manufacturing**.

Details of Future Reviews of Control/Management System (Multiple Responses, By Industry)



Specific Reasons for “Other” (Free-form)

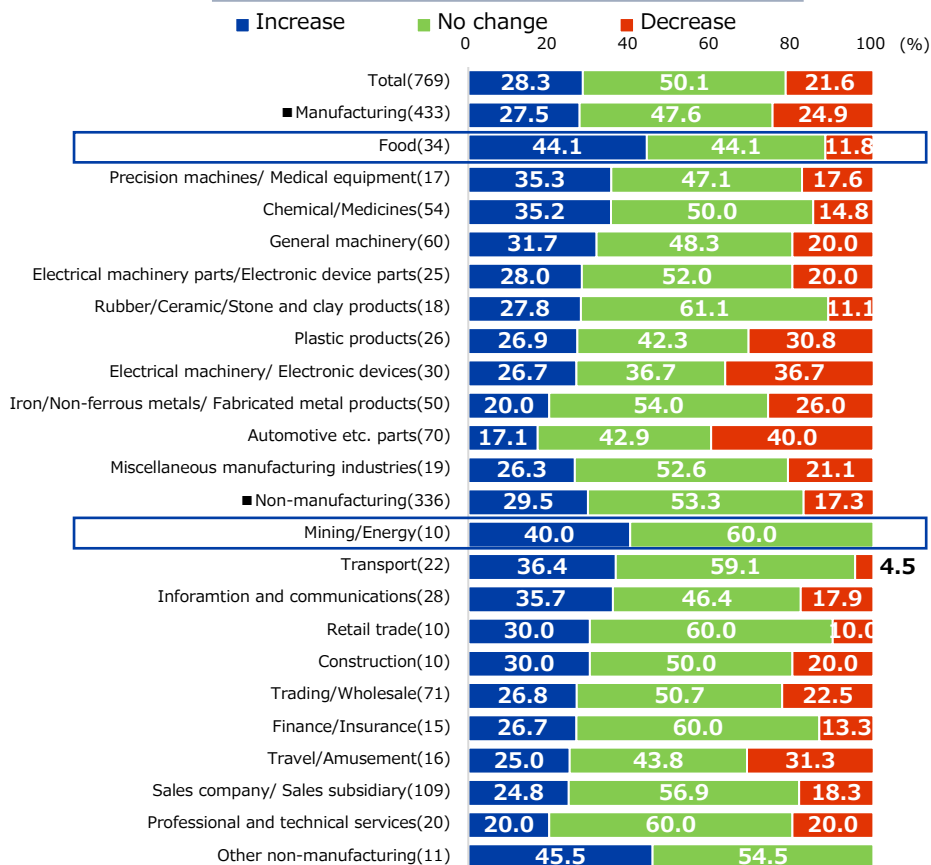
- **Recruit and cultivate necessary personnel** [Precision & Medical Equipment]
- **Withdraw from affiliated companies** [Sales companies/sales subsidiaries]
- Responding to market conditions caused by the increase in raw material procurement costs [Other manufacturing]
- **Strengthen recruitment and increase the number of expatriates** [Other manufacturing industries]
- **Strengthen cooperation with overseas bases** [Construction]
- **Respond to succession issues** [Trading/wholesale]
- Improve motivation and individual skills by **improving the personnel evaluation system** for domestic employees [Business-related services]

(Note) Figures in parentheses accompanying the legend are the number of valid responses in each industry.

1 | Changes in the Number of Local Employees (Over Past Year/Pre-COVID-19): "Decrease" Exceeded "Increase" from Pre-COVID-19 Outbreak

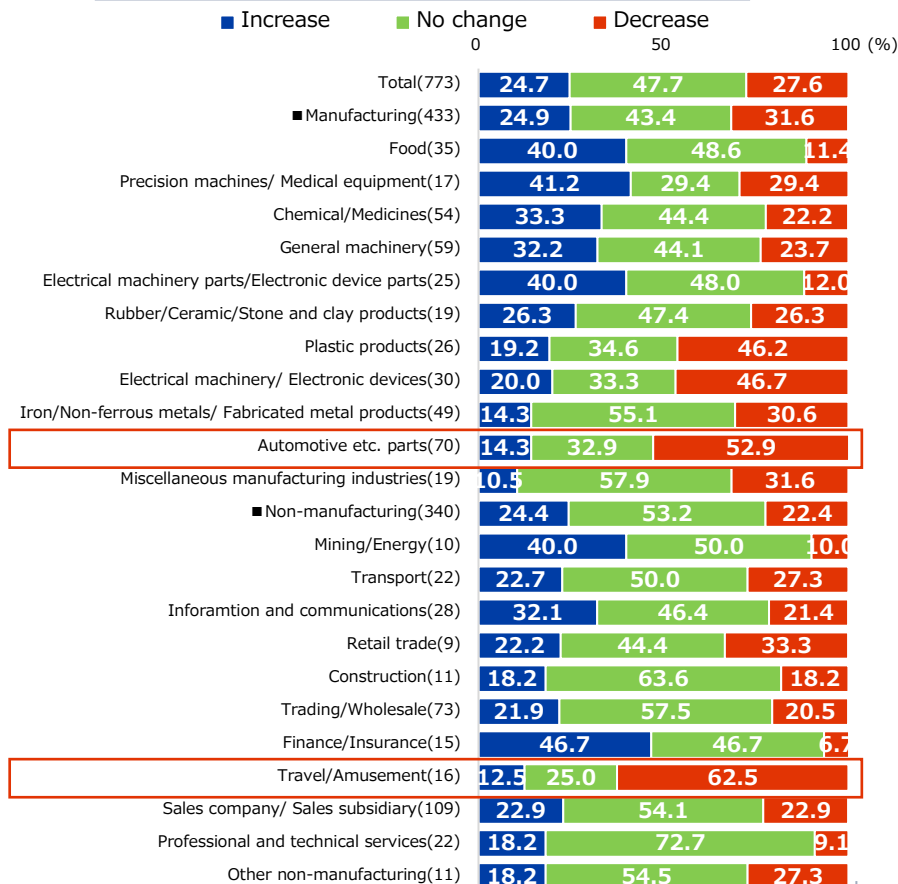
- Half of the companies maintained their number of local employees, 28.3% responded "increase", and 21.6% said "decrease" over the past year. Looking at this by industry, we see at least 40% of companies in food (44.1%) and in mining/energy (40.0%) cited an "increase" in their number of local employees.
- Nearly half of the companies (47.7%) maintained their number of local employees from pre-COVID-19 times, while 27.6% responded "decrease" and 24.7% said "increase". More than 50% of the companies in travel/amusement and in automotive etc. parts said "decrease."

Changes in Number of Local Employees (Change Over Past Year, By Industry)



(Note) These charts list only the industry types for which valid responses were received from at least 10 companies

Changes in Number of Local Employees (Change From Pre-COVID-19, By Industry)



(Note) No survey was conducted in 2004

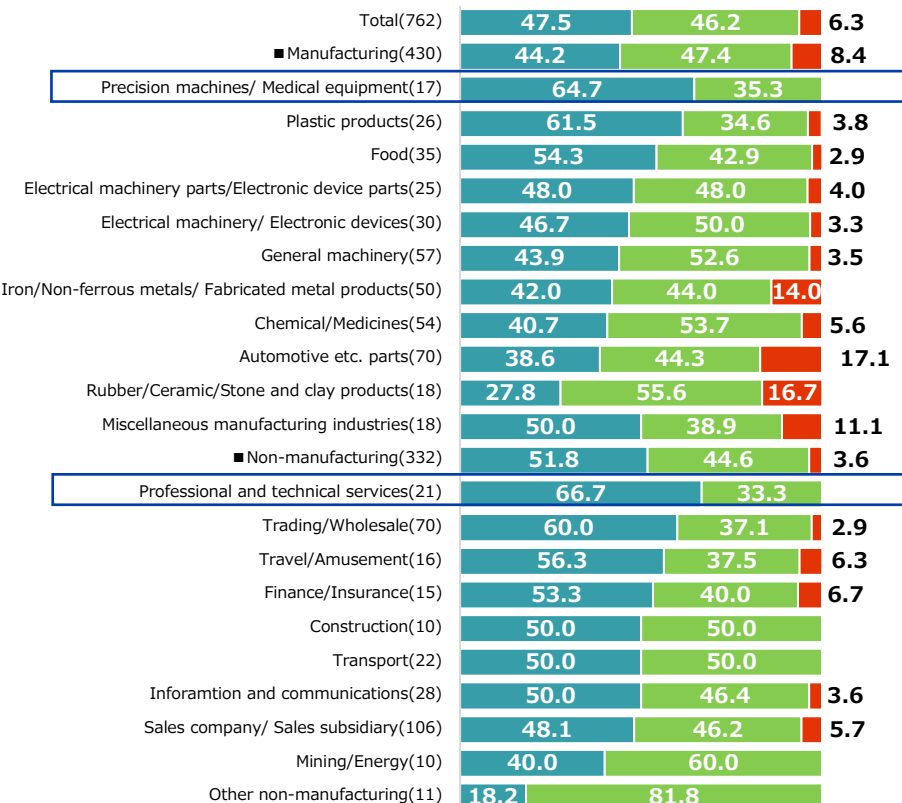
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2 | Changes in the Number of Local Employees (Plans Going Forward): Nearly 50% Said "Increase"

- 47.5% of the companies responded that they planned to "increase" their number of local employees going forward. Looking at this by industry, we see more than 60% of companies in precision machines and medical equipment and in professional and technical services plan to "increase" their number of local employees.
- Since 2019, the percentage of companies citing increases in their number of local employees over the past year has been much lower than that of companies planning to increase these numbers, highlighting a situation where tight labor conditions and COVID-19 are hindering companies from increasing their number of local employees.

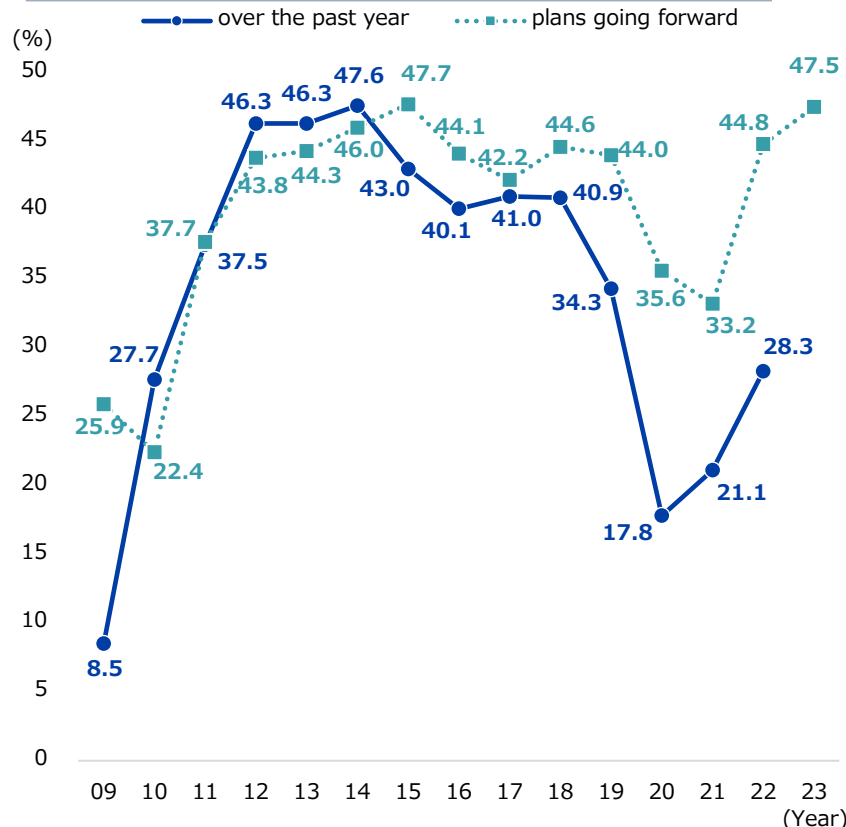
Changes in Number of Local Employees (Plans Going Forward, By Industry)

■ Increase ■ No change ■ Decrease
0 20 40 60 80 100 (%)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Trends in Changes in Number of Local Employees (Percentage of Companies Citing An "Increase")



(Note) "Plans going forward" refers to the percentage of companies in the previous year's survey that plan to increase their number of local employees in the future.

3 | Changes in the Number of Local Employees (Factors/Examples of Initiatives for HR Development): Business Expansion/Tight Labor Market are Contributing Factors

- The reasons for an “increase” in local employees included **expansion of business activities** and **production increases**. Meanwhile, **reasons for “decrease”** included **increases in the number of workers leaving/employment difficulties due to tight labor markets** and **lifestyle changes**.
- Examples of human resource development initiatives include the implementation of training and study groups, subsidies for outside education, improved compensation to retain human resources, and the active promotion of local employees to senior management positions.

Reasons for "Increase" in Number of Local Employees (Free-form)

- **Business expansion** [Electrical machinery/electronic devices, General machinery, Sales companies/sales subsidiaries, etc.]
- **Increased production** [General machinery, Information and communications, Chemicals/medicines, etc.]
- **Increase in business operations** [Automobiles etc., Automotive etc. parts, Sales companies/sales subsidiaries, etc.]
- **Actions in anticipation of an increase in turnover due to higher average wages** [Information and communications]
- **Review of treatment in anticipation of market expansion and seller's market** [Sales companies/sales subsidiaries]

Reasons for "Decrease" in Number of Local Employees (Free-form)

- Due to **the transfer of production sites** and **downsizing of unprofitable plants** prior to COVID-19 outbreak [Automotive etc. parts]
- **Increase in the number of workers leaving the company** in search of better benefits [Iron/non-ferrous metals/fabricated metal products]
- **Turnover** due to **below-market salary levels** [apparel/textile]
- **Reduction of fixed costs** [General machinery]
- **Reduction of workforce** due to **production transfer** [Rubber/ceramics/stone and clay]
- **Employment difficulties** [Automobiles etc., rubber, ceramics, stone and clay]
- **Tight labor market** [Automotive etc. parts, Sales companies/sales subsidiaries, Trading/wholesale, etc.]
- **Change in lifestyle awareness** [Electrical machinery/electronic devices]

Examples of Human Resource Development Initiatives (Free-form)

<Dispatch of employees to the head office in Japan>

- **Resumption of training, human resource development programs in Japan**, and consideration of a system for hiring (mid-career) overseas employees in Japan [Automobiles etc.]
- **Dispatch training at the head office in Japan** and subsidies for outside training [Chemicals/medicines]

<Utilization of online training>

- Use of **videos** and **online training**. Implementation of on-site training at other locations [Automotive etc. parts]
- **Assistance for correspondence courses and e-learning programs** [Sales companies/sales subsidiaries]

<Implementation of training and study sessions>

- Implementation of **safety training** for new hires, training related to operations, and introduction of goal setting for management level personnel [Iron/non-ferrous metals/fabricated metal products]
- Implementation of **study sessions** by internal and external instructors [Information and communications]
- **Personnel training by outside specialists** according to position, **programs to diversify experience** through **interdepartmental transfers** [Trading/wholesale]
- **Sharing of management philosophy, cross-cultural understanding**, and fostering a coaching mindset [Mining/energy]
- **Sharing of management policies, target management system**, and regular communication [Electrical machinery/electronic devices]

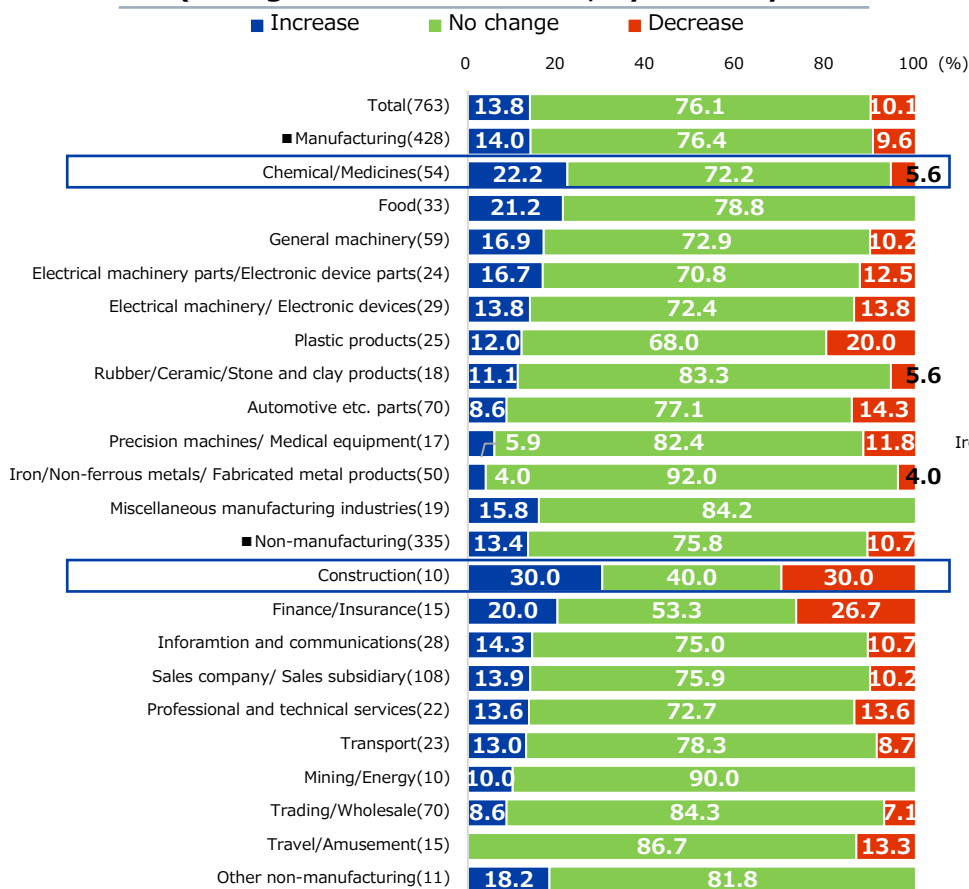
<Improvement of treatment, promotion of local employees, other>

- **Active promotion of local employees** to senior management positions [Information and communications]
- **Improved motivation** and **turnover** through **better compensation** [Travel/amusement]
- **Establishment of courses** in cooperation with universities and promotion of **hiring promising new graduates** [General machinery]

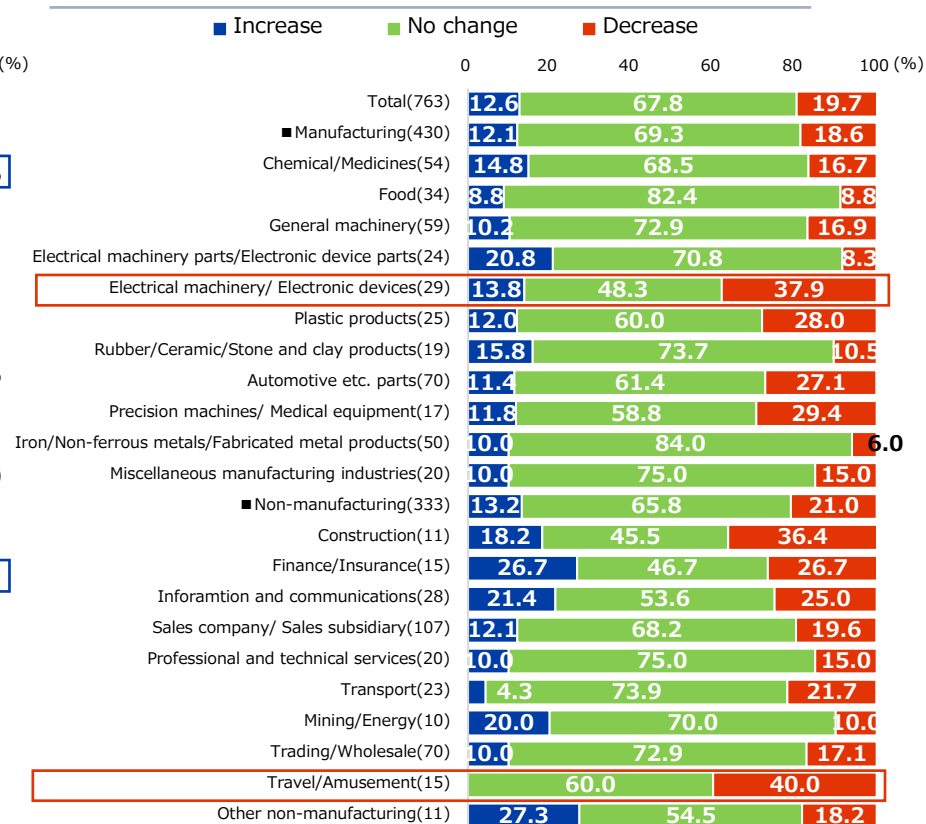
4 | Changes in the Number of Expatriates from Japan (Over Past Year/Pre-COVID-19): "Decrease" Exceeded "Increase" from Pre-COVID-19 Times

- More than 70% of the companies made "no change" in their number of expatriates from Japan, 13.8% "increased" them, and 10.1% "decreased" over the past year. By industry, more than 20% of the companies in the chemicals/medicines and the construction industries "increased" their number of expatriates from Japan.
- 67.8% of the companies made "no change" in their number of expatriates from Japan, **19.7% "decreased"** them, and **12.6% "increased"** compared to pre-COVID-19 times. "Decrease" was highly cited in travel/amusement (40.0%) and in electrical machinery/electronic device parts (37.9%).

Changes in the Number of Expatriates from Japan (Change Over the Past Year, By Industry)



Changes in the Number of Expatriates from Japan (Change From Pre-COVID-19 Times, By Industry)

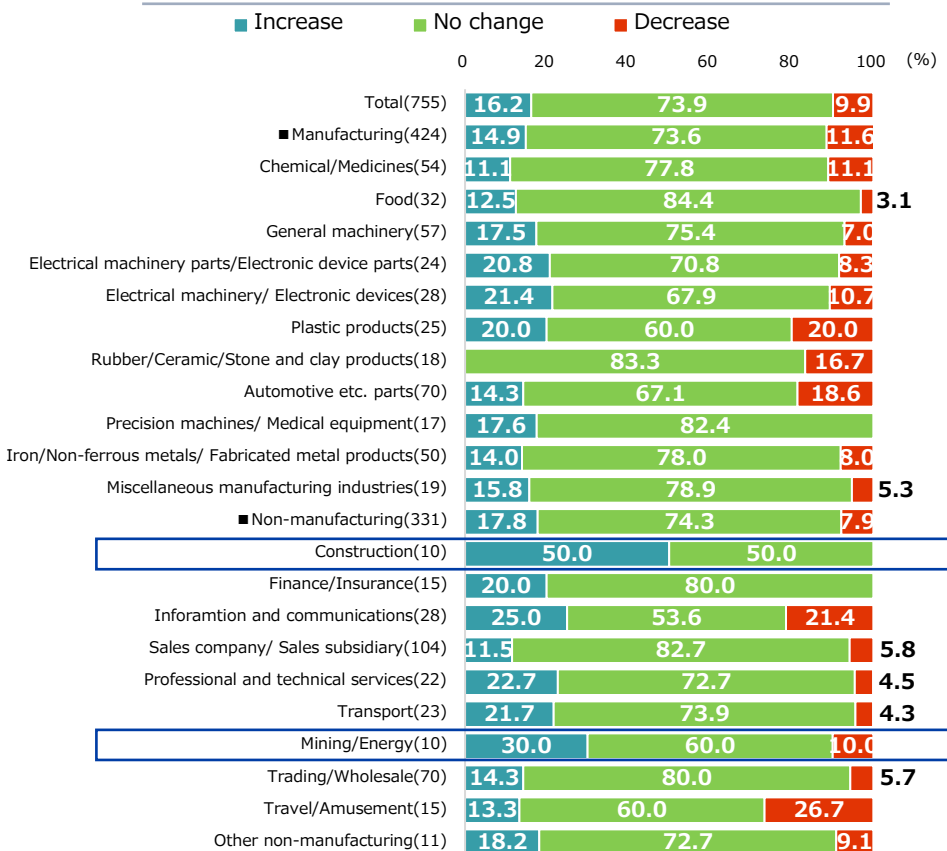


(Note) These charts list only the industry types for which valid responses were received from at least 10 companies

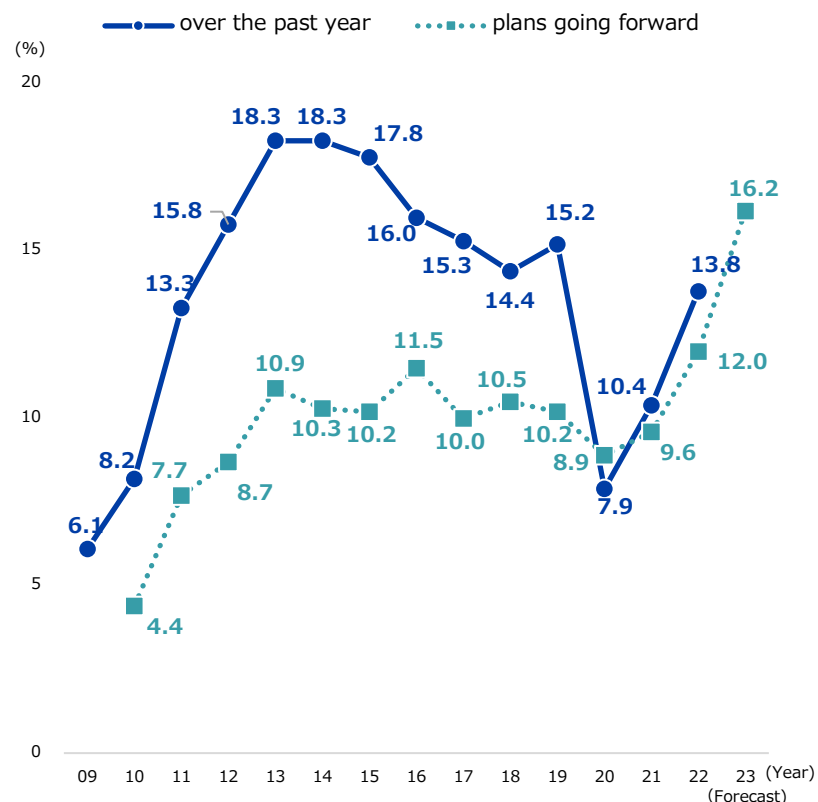
5 | Changes in the Number of Expatriates from Japan (Plans Going Forward): Nearly 20% Said "Increase", Less Than 10% Said "Decrease"

- 16.2% of companies planned to "increase" their number of expatriates from Japan **in the near future**. The ratio was particularly high in Construction (50.0%) and in Mining/energy (30.0%). Those planning a "decrease" accounted for 9.9% of respondents.
- The percentage of those that had increased their numbers of expatriates in the past year was higher than the percentage of those planning such an increase in the near future. **Due to the COVID-19 pandemic, the percentage of companies planning an "increase" going forward dropped to single digits in 2020**, but **has been on an upward trend again from 2021**.

Changes in the Number of Expatriates From Japan (Plans Going Forward, By Industry)



Changes in the Number of Expatriates From Japan (Percentage of Companies Citing An "Increase")



(Note) "Plans going forward" refers to the percentage of companies in the previous year's survey that plan to increase their number of expatriates from Japan in the future.

(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies

6

Changes in the Number of Local Employees (Factors): Encouraging Localization is Cited as a Factor in the “Increase”, but Some Say They Struggle with Local Hiring

- The “increase” in the number of expatriates from Japan was attributed not only to positive factors such as **the launch of new businesses** and **the expansion of production capacity**, but also to **the employment environment**, such as **the struggle to hire local employees**.
- Factors contributing to the "decrease" in the number of expatriates from Japan included business downsizing, the promotion of localization, and a reduction in the need for expatriates due to the ability to communicate remotely.

Factors Behind "Increase" in the Number of Expatriates From Japan

- **Launching new businesses and acquiring large projects** [Food, Information and communications]
- **Dispatch of engineers due to production expansion and business expansion etc.** [Sales companies/sales subsidiaries, General machinery, plastic]
- **Dispatch of researchers due to expansion of R&D bases** [General machinery]
- **Productivity improvement and guidance for such improvement** [Iron/non-ferrous metals/fabricated metal, Automotive etc. parts]
- **Strengthening management** [Information and communications]
- **Strengthening systems and internal organizational capabilities** [General machinery]
- **Overseas experience of young head office staff** [Precision machines/medical equipment]
- **Easing of visa requirements** [Trading/wholesale]
- **Compensating for difficulties in hiring local employees and a string of retirements** [Sales companies/sales subsidiaries, Information and communications, Automotive etc. parts]

Factors Behind “No Change” in the Number of Expatriates From Japan

- **Maintain the status quo and management systems** [Automotive etc. parts, Sales companies/sales subsidiaries, Electrical machinery/electronic devices, real estate, rental, etc.]
- It is possible to fix and operate with a specific number [Precision machines/medical equipment, food, trading/wholesale]
- It is difficult to find temporary staffing applicants. [Information and communications, Iron/non-ferrous metals/fabricated metal products]
- **Reinforcement of management system by local employees** [Finance/insurance]

Factors Behind "Decrease" in the Number of Expatriates From Japan

<Impact of the COVID-19 pandemic>

- **Return to Japan due to the spread of COVID-19** [General machinery]
- **Due to the ability to communicate remotely** [Trading/wholesale]

<Downsizing business, promotion of localization, business and management reviews>

- **Review of personnel allocation** [Textile apparel/textile, construction]
- **Decrease in sales and downsizing business** [Electrical machinery/electronic devices, Automotive etc. parts, Sales companies/sales subsidiaries]
- Decrease in production volume of products at customers to whom the company sells parts [Automotive etc. parts]
- **Consolidation and closure of branches and offices** [Professional and technical services, Information and communications, trading/wholesale]
- **Localization** [General machinery, Automotive etc. parts, Information and communications]
- **Shift to other bases** [Sales companies/sales subsidiaries]
- **Return of engineers due to stable plant operation** [Plastic products]

<Absence of successors to expatriates from Japan>

- **Return of dispatched workers** [Sales companies/sales subsidiaries]
- No replacement for dispatched workers whose terms ended [Automotive etc. parts]

<Other>

- **Soaring labor costs** [Information and communications]

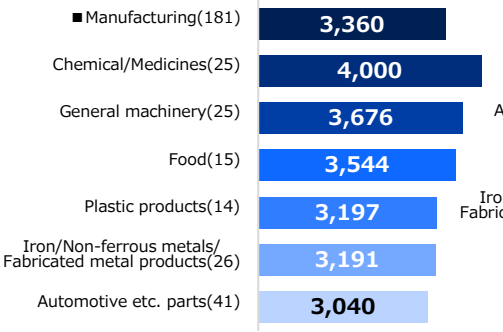
7 | Wages (Monthly Base Salary): Median Value by Occupation up to \$7,000, Median Increase Rate for FY2022 was 4.0%

- **The median value of the monthly base salary at plants, etc., by occupation was up from the previous year** for operators (\$3,110 in the previous year), mechanical engineers (\$5,000 in the previous year), and production managers (\$6,725 in the previous year).
- The corresponding median value for office work was the same as the previous year for general clerks (\$4,000 in the previous year), while up from the previous year for general administration section chiefs (\$6,500 in the previous year). **The median increase rate of base salary for FY2022 was 4.0%**, with the rate for FY2023 expected to be 3.5%.

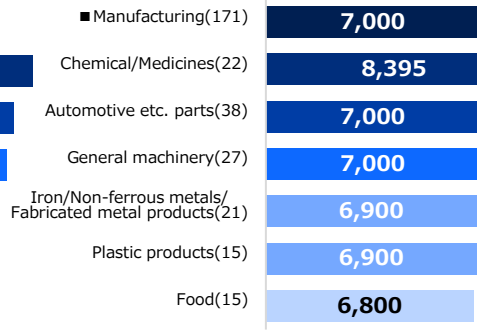
Wages (Monthly Base Salary, Median Value by Occupation/Industry)

(Dollars)

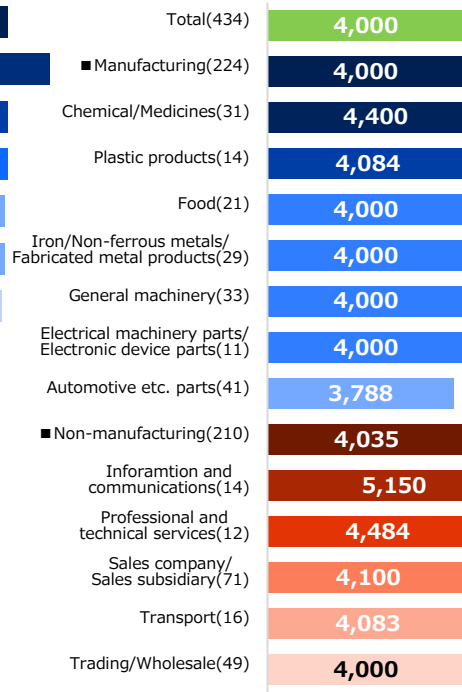
Operators



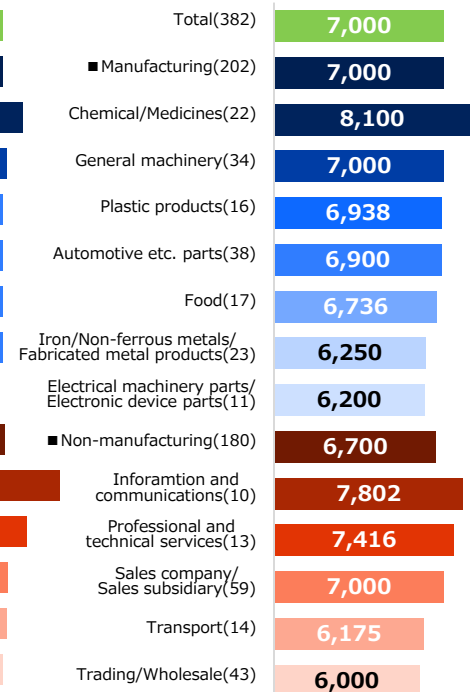
Production Managers



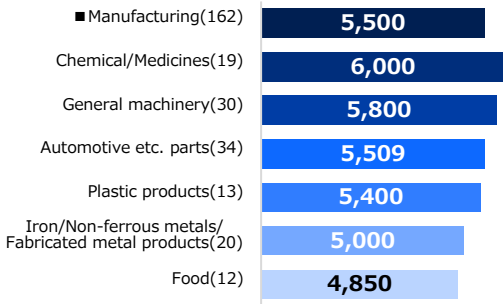
General Clerks



General Administration Section Chiefs



Mechanical Engineers



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing, and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

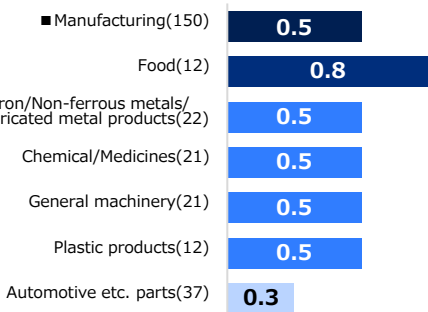
8 | Wages (Annual Bonuses): Median Value by Occupation was 0.5-1.0 Month's Pay, Increased from the Previous Year in Plant Occupations

- **The median value of annual bonuses at plants, etc., by occupation was up from the previous year** for operators (0.2 month's pay in the previous year), mechanical engineers (0.5 month's pay in the previous year), and production managers (0.6 month's pay in the previous year).
- **The corresponding median value for office work was same as the previous year** for both general clerks (1.0 month's pay in the previous year) and general administration section chiefs (1.0 month's pay in the previous year).

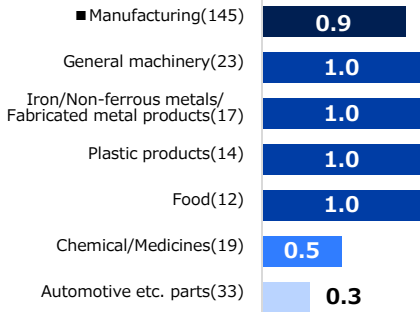
Wages (Annual Bonuses, Median Value by Occupation/Industry)

(Months)

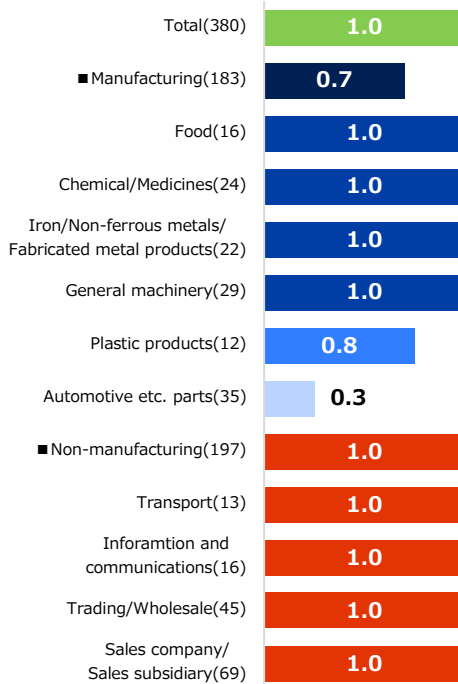
Operators



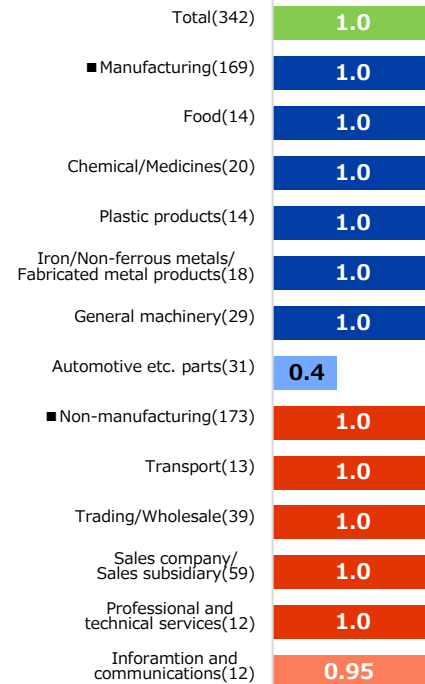
Production Managers



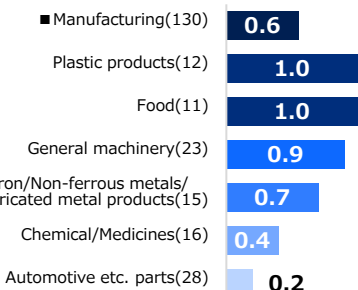
General Clerks



General Administration Section Chiefs



Mechanical Engineers



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
 (Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

9 | Wages (Actual Annual Contribution): Median Value by Occupation was \$48,000-\$96,250 Increased from the Previous Year in All Occupations

- **The median value of the annual actual contribution at plants, etc., by occupation was up from the previous year** for operators (\$45,000 in the previous year), mechanical engineers (\$75,000 in the previous year), and production managers (\$90,500 in the previous year).
- **The corresponding median value for office work was up from the previous year** for both general clerks (\$55,000 in the previous year) and general administration section chiefs (\$90,000 in the previous year).

Wages (Actual Annual Contribution, Median Value by Occupation/Industry)

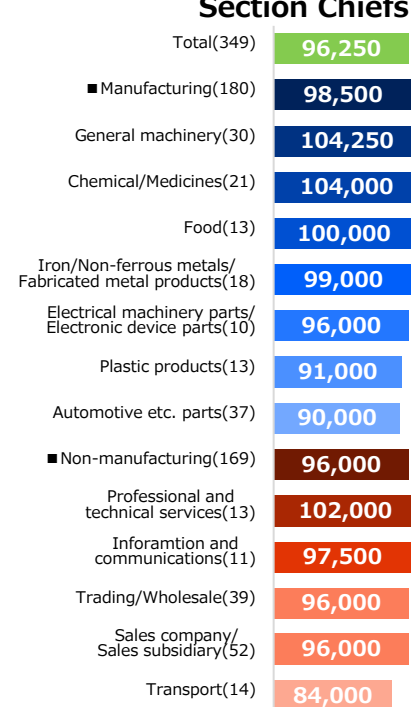
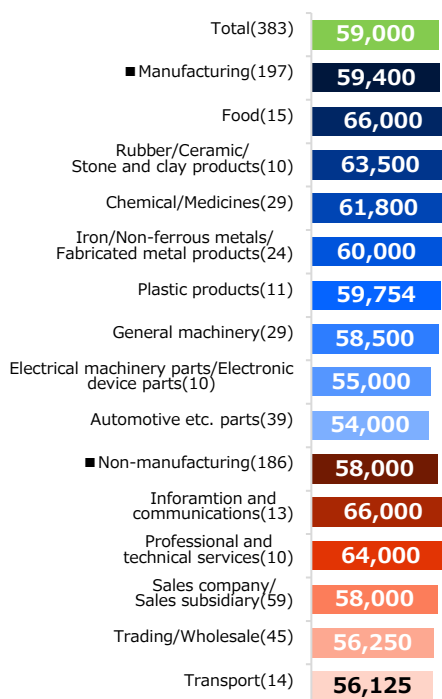
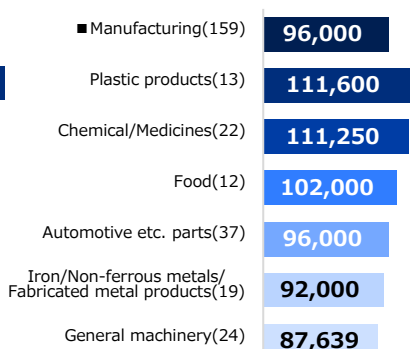
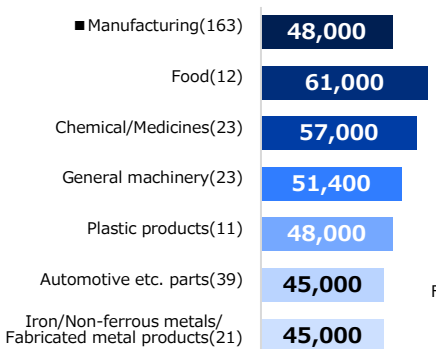
(Dollars)

Operators

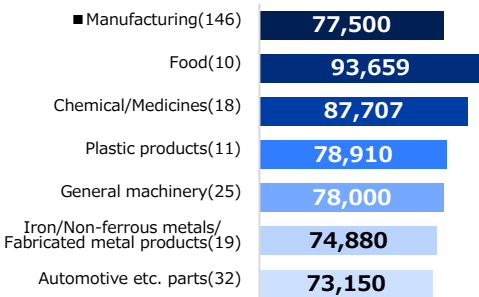
Production Managers

General Clerks

General Administration Section Chiefs



Mechanical Engineers



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

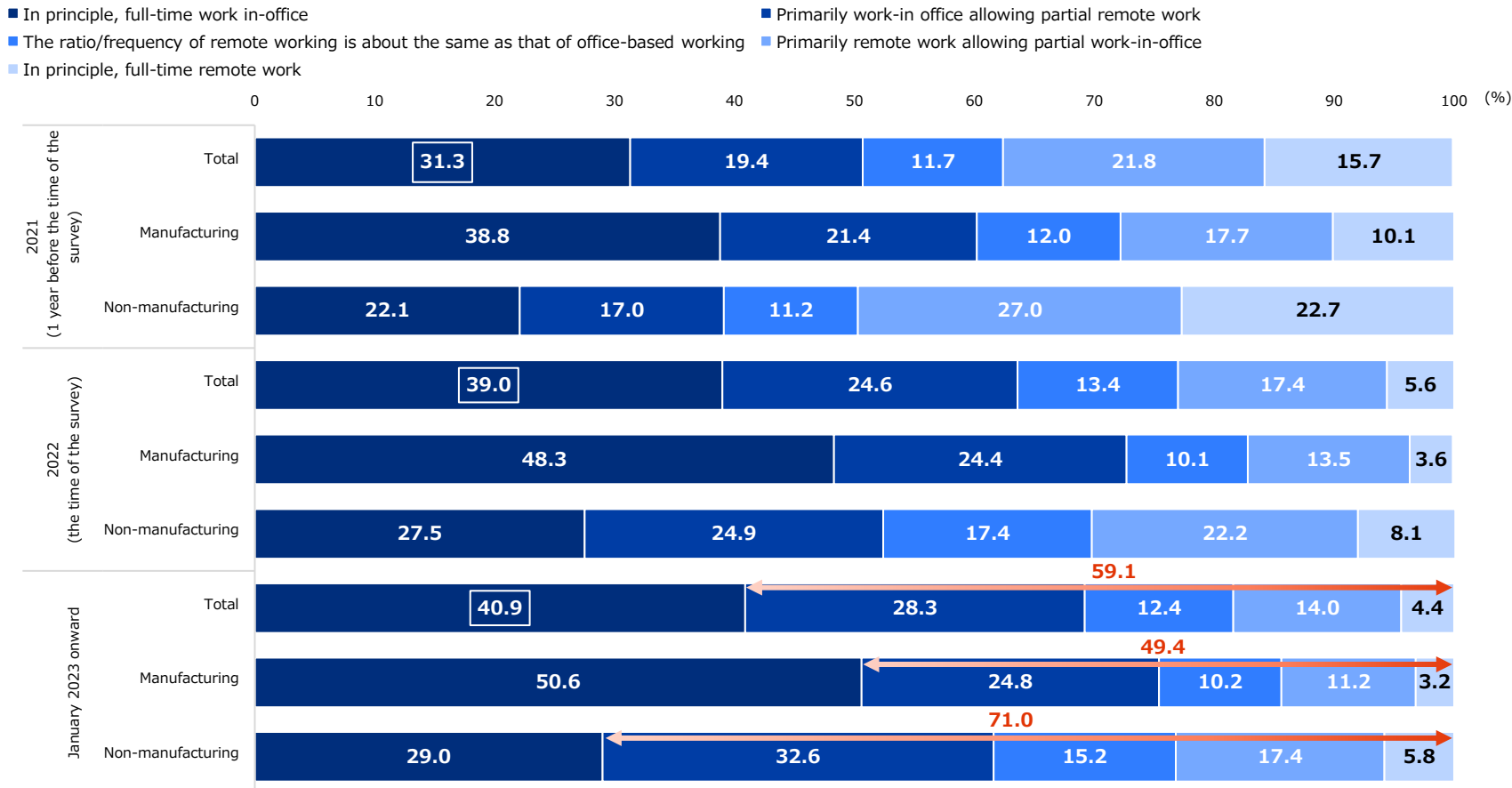
(Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

10

Changes in Work Arrangements: Just Under 40% in 2022 and Approximately 40% from Start of 2023 Work In-Office Full-Time

- Regarding employee **work arrangements** with a job amenable to remote working, **as of September 2021, 31.3% of companies had their employees come to work in-office full-time in principle**. The percentage of companies had increased to **39.0%** (48.3% in the manufacturing sector and 27.5% in the non-manufacturing sector) **as of September 2022**.
- The percentage of companies planning to have their employees work in-office full-time in principle **from January 2023** was **40.9%** (50.6% in the manufacturing sector and 29.0% in the non-manufacturing sector), with 59.1% of companies (49.4% in the manufacturing sector and 71.0% in the non-manufacturing sector) **planning to allow remote work**.

Employee Work Arrangements with a Job Amenable to Remote Working (2021-2023 Forecast)

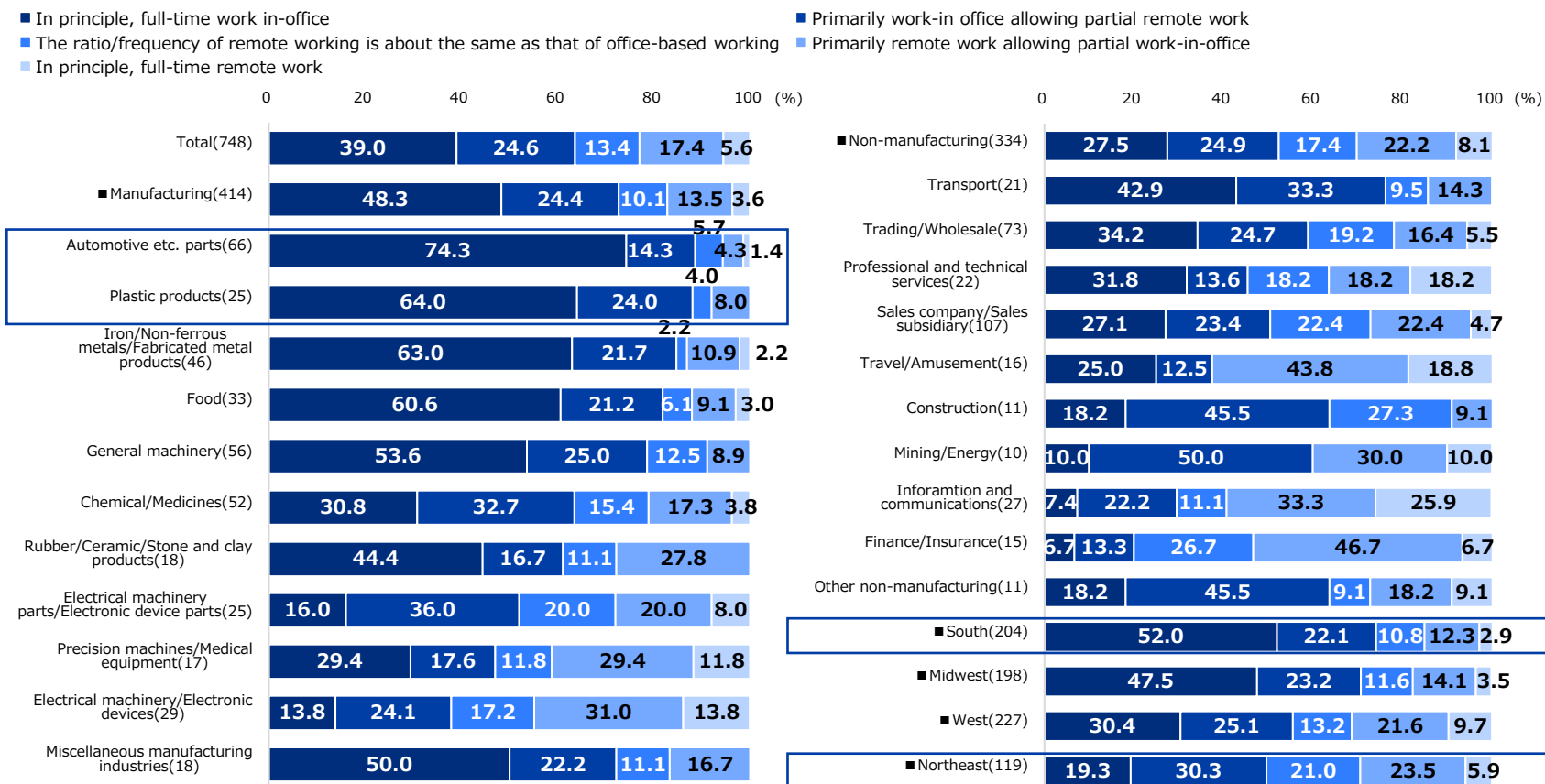


(Note) Does not include the number of companies that have not yet responded or that responded "No jobs amenable to working from home".

11 | Changes in Work Arrangements (By Industry and Region): Mid-70% in Automotive etc. Parts Work In-Office Full-Time

- **As of September 2022, 48.3% in the manufacturing sector** (by industry, including 74.3% in Automotive etc. parts and 64.0% in Plastic products) and **27.5% in the non-manufacturing sector had arranged to have their employees come to work in-office full-time in principle.**
- By region, the percentage exceeded 50% in the South (52.0%), but was less than 20% in the Northeast (19.3%).

Employee Work Arrangements with a Job Amenable to Remote Working (By Industry and Region as of September 2022)



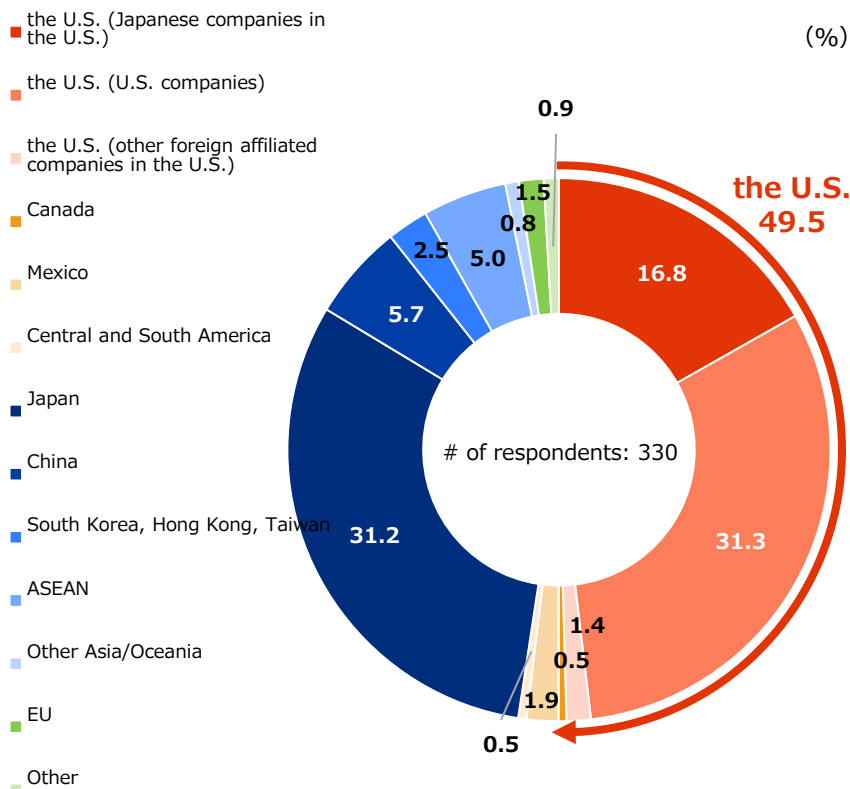
(Note 1) Does not include the number of companies that have not yet responded or that responded "No jobs amenable to working from home".
 (Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

1

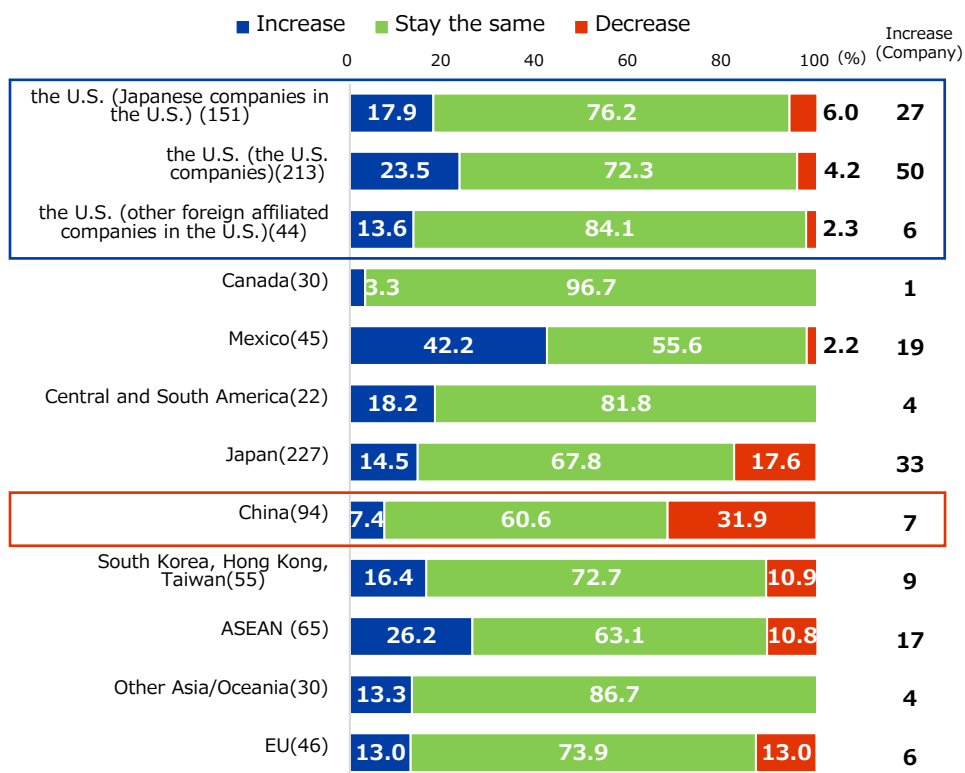
Procurement Sources (Manufacturing Sector): Just Under 50% Procured from within the U.S.; Slightly Over 30% Expecting to Decrease Procurement from China

- 49.5% of companies in the manufacturing sector procured their raw materials and parts from within the U.S., followed by 31.2% from Japan, 5.7% from China, and 5.0% from ASEAN.
- As for procurement policies going forward by country, many were expecting to procure more from within the U.S. (83 companies). Meanwhile, the number of companies expecting to decrease procurement from China (30 companies) exceeded those that expected to increase procurement there (7 companies).

Procurement Sources for Raw Materials/Parts (By Country/Region)



Policies Going Forward for Procurement Sources Of Raw Materials/Parts



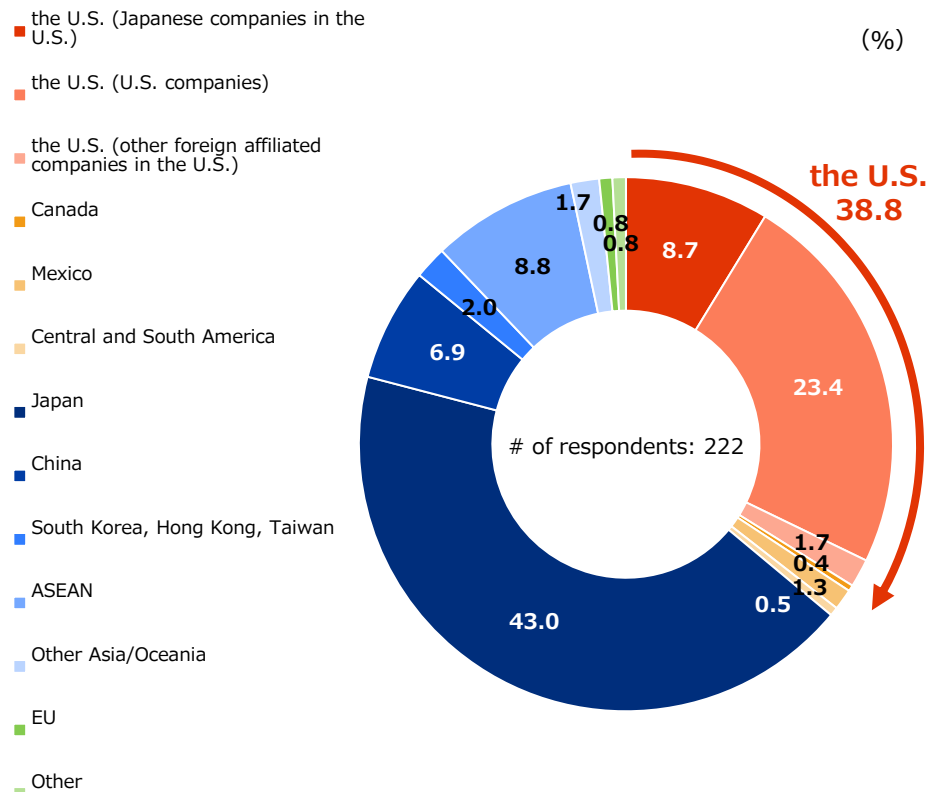
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies.

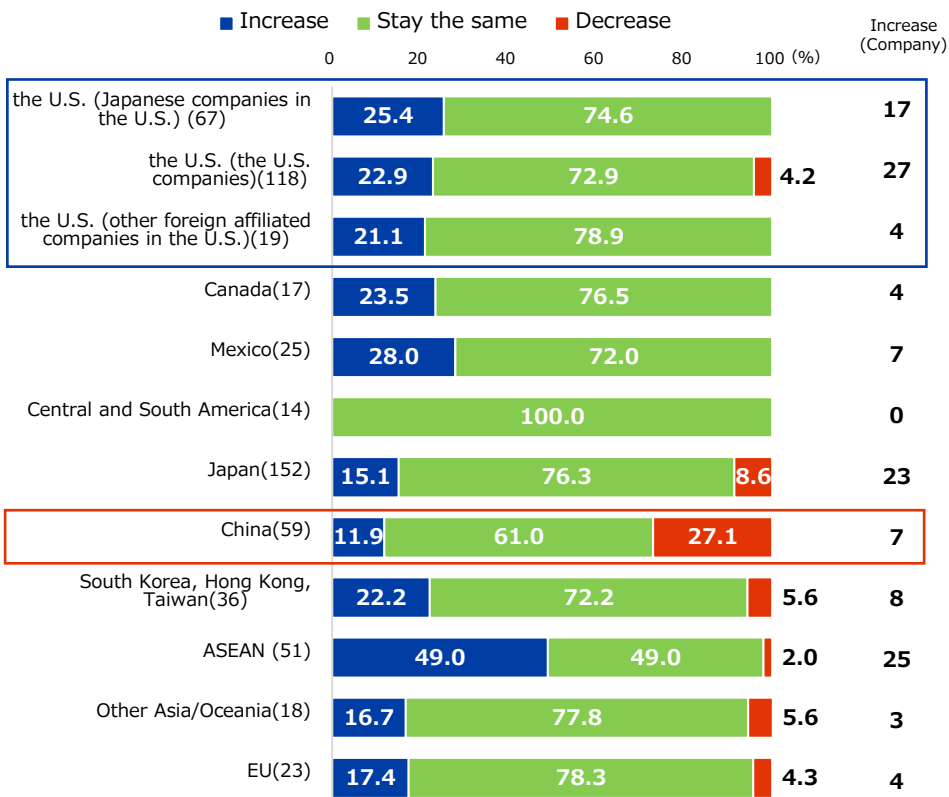
2 Procurement Sources (Non-Manufacturing Sector): Around 40% Procured from Japan, Nearly 40% Procured from within the U.S.

- Companies in the non-manufacturing sector procured 43.0% of their materials and parts from Japan, followed by 38.8% from within the U.S., 8.8% from ASEAN, and 6.9% from China.
- As for procurement policies going forward by country, many were expecting to increase procurement from within the U.S. (48 companies), whereas the number of companies expecting to decrease procurement from China (16 companies) exceeded those that expected to increase procurement there (7 companies).

Procurement Sources for Raw Materials/Parts (By Country/Region)



Policies Going Forward for Procurement Sources Of Raw Materials/Parts



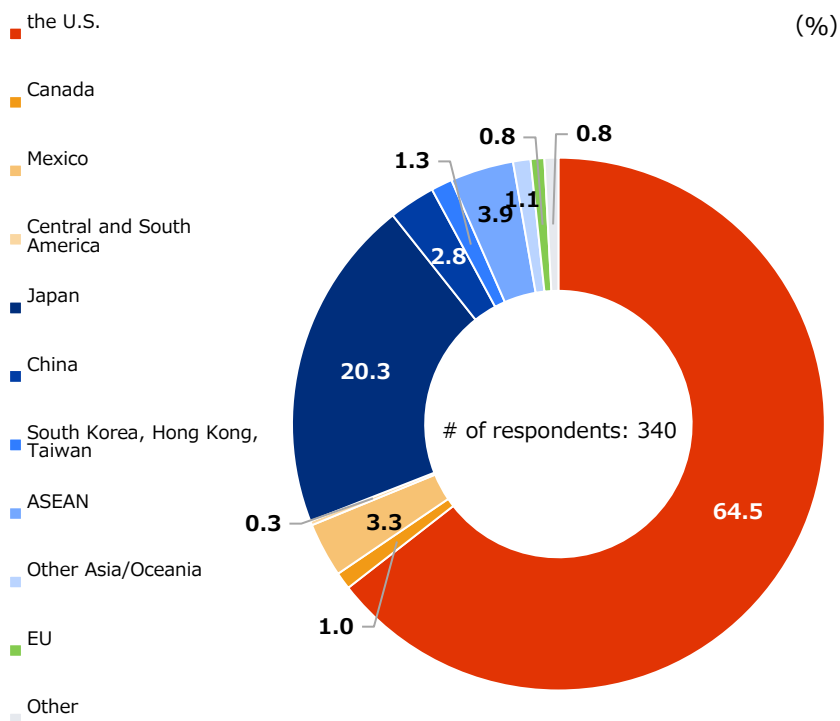
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies.

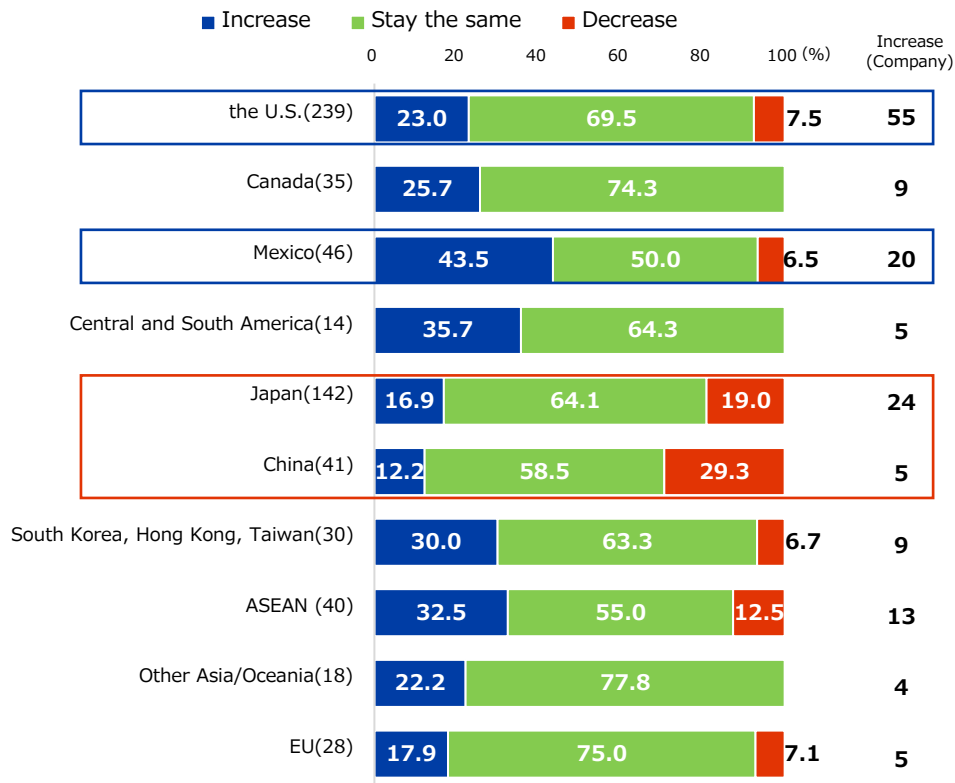
3 | Production Sites for the U.S. Market: Around 65% of Companies Produced within the U.S., with Approximately 20% Producing in Japan

- Regarding **production site of products for the U.S. market**, the **U.S. was the highest at 64.5%**, followed by **Japan at 20.3%**. By industry, 83.4% of companies in **Automotive etc. parts** produced their products within the U.S.
- As for production structure going forward by country, many were **expecting to increase production within the U.S.** (55 companies) **and Mexico** (20 companies). **As for Japan and China**, the number of companies expecting to **decrease production** there (27 companies for Japan, and 12 companies for China) **exceeded those that expected to increase production** (24 companies for Japan and 5 companies for China).

**Production Sites of Products for the U.S. Market
(By Country/Region)**



**Policies Going Forward for Production Sites
of Products for the U.S. Market**



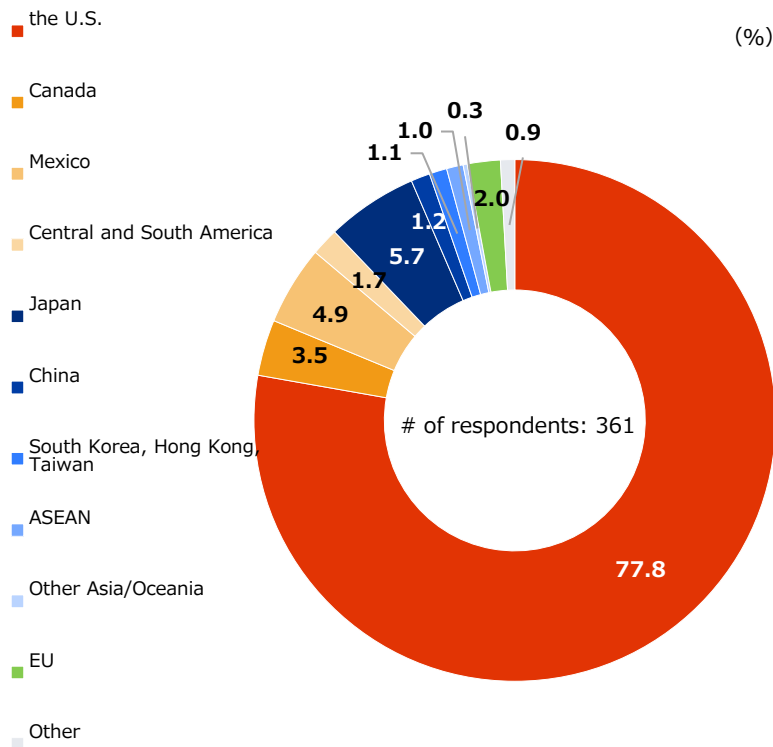
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies

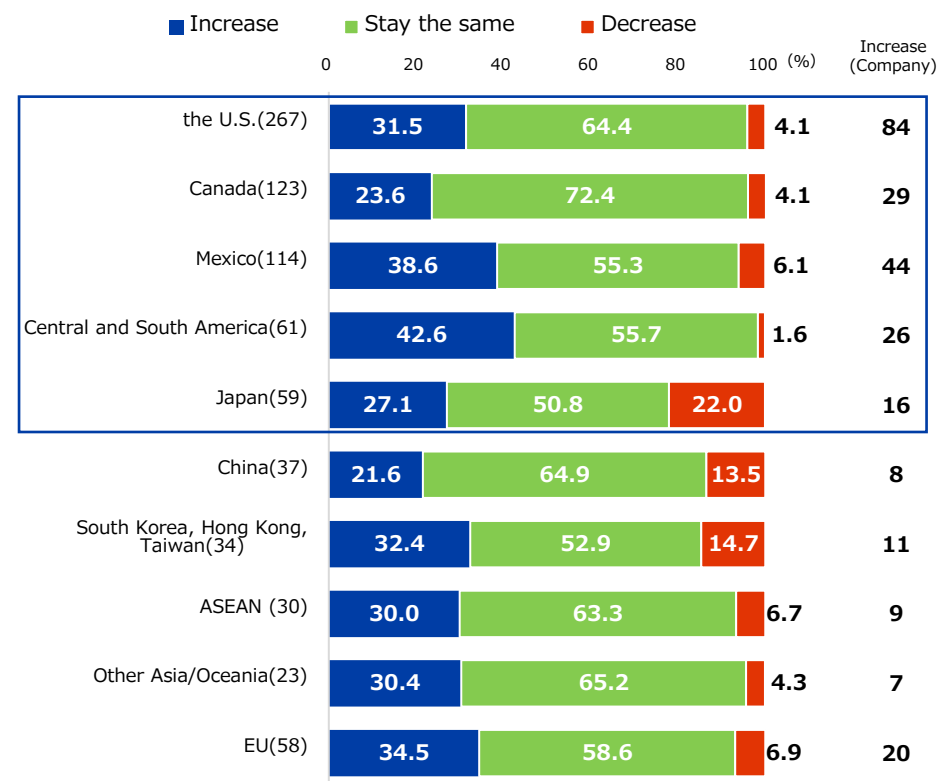
4 | Sales Markets (Manufacturing Sector): The U.S. Market Accounted for Nearly 80%, while the USMCA Market Accounted for Nearly 90%

- Regarding **sales markets of companies in the manufacturing sector**, the U.S. market accounted for **77.8%** of respondents, with the **USMCA market (including Mexico and Canada) making up 86.2%**, and Japan accounting for 5.7%.
- As for sales policies going forward by country, many were **expecting to expand sales within the U.S.** (84 companies), **Mexico** (44 companies), and **Canada** (29 companies). As for Japan, 16 companies expected to expand sales while 13 companies expected reductions.

Product Sales Markets (By Country/Region)



Policies Going Forward for Product Sales Markets



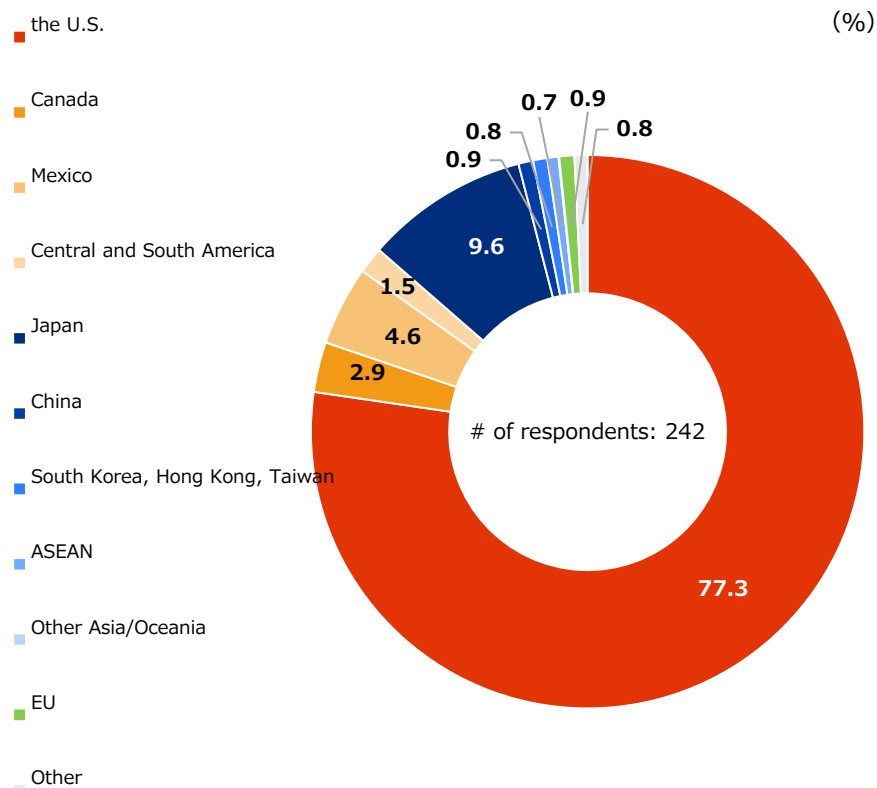
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies.

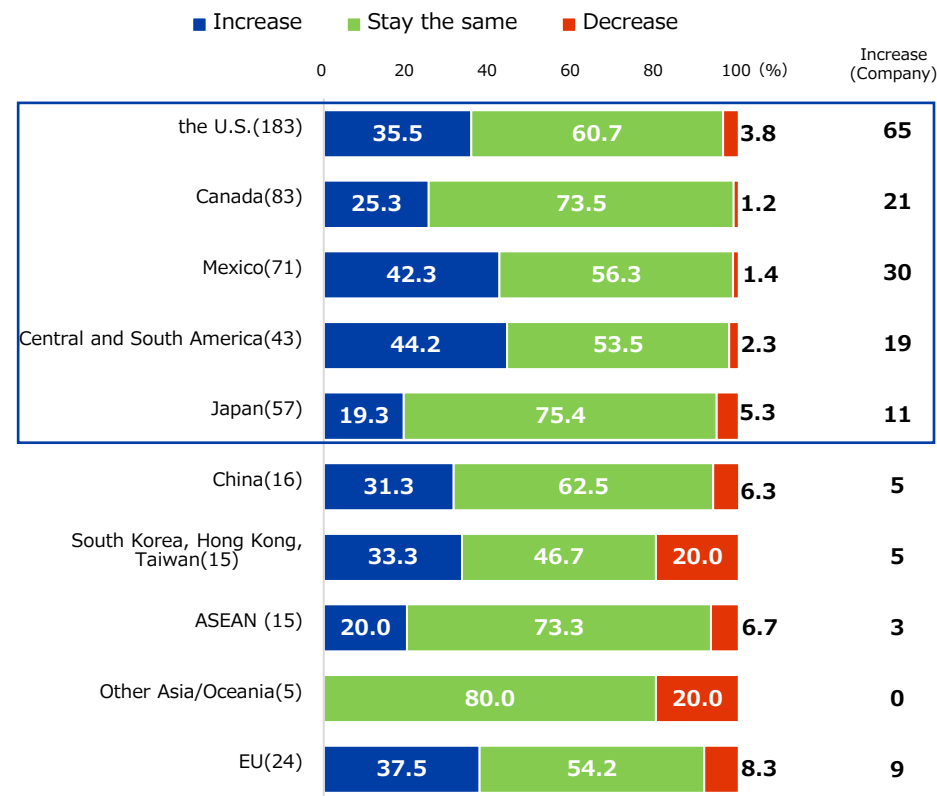
5 | Sales Markets (Non-Manufacturing Sector): The U.S. Market Accounted for Nearly 80%, while the USMCA Market Accounted for Around 85%

- Regarding **sales markets of companies in the non-manufacturing sector**, the U.S. market accounted for **77.3%** of respondents, with the **USMCA market making up 84.8%**, and Japan accounting for 9.6%.
- As for sales policies going forward by country, many were **expecting to expand sales within the U.S.** (65 companies), **Mexico** (30 companies), **Canada** (21 companies), and **Central and South America (excluding Mexico)** (19 companies). Meanwhile, approximately 20% (11 companies) expected to expand sales to Japan.

Product Sales Markets (By Country/Region)



Policies Going Forward for Product Sales Markets



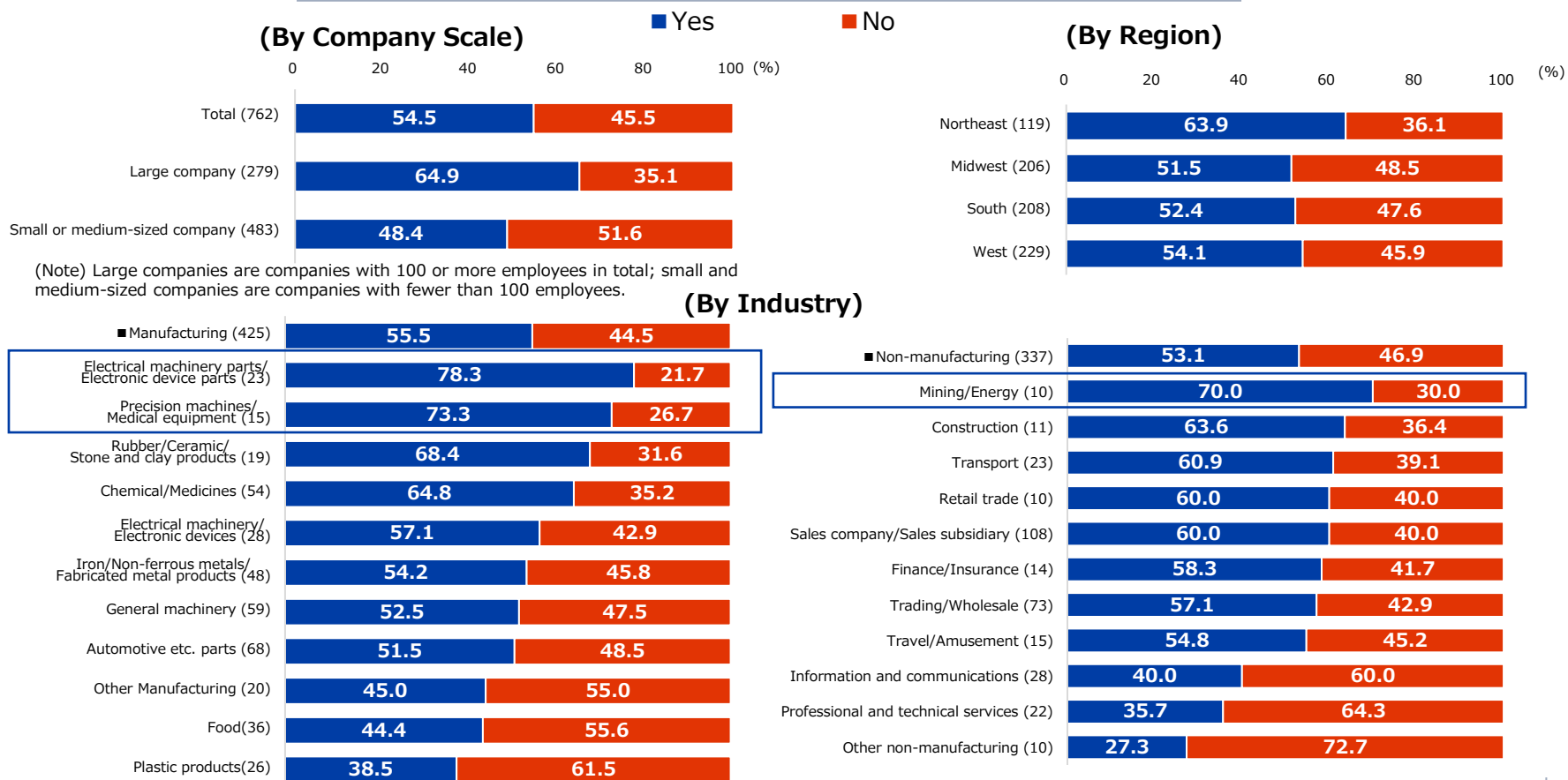
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies.

1 | Supply Chains and Human Rights: Around 55% Recognize It as a Management Challenge

- **54.5%** of companies **recognized human rights issues in the supply chain as a management challenge.**
- By industry, 70% or more of companies in both the manufacturing sector (e.g., electrical machinery parts/electronic device parts (78.3%) and medical equipment (73.3%)) and the non-manufacturing sector (e.g., mining (70.0%)) recognized it as a management issue. By company scale, **large companies (64.9%)** were 16.5 points higher than **small and medium-sized companies (48.4%)**. The results revealed **a significant disparity in recognition by industry and company scale.**

Is the Issue of Human Rights Recognized as a Management Challenge?



(Note) Large companies are companies with 100 or more employees in total; small and medium-sized companies are companies with fewer than 100 employees.

(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

2 | Supply Chains and Human Rights: Management Policies/Customer Demands are Main Reasons for Recognizing Human Rights Issues as a Management Challenge.

- Regarding the reasons for recognizing human rights issues in the supply chain as a management challenge, a notable number of companies cited their own/parent company's **management policies and customer demands**.
- Some commented that they faced a **reputational risk** due to the presence of human rights risks in the supply chain, and that they were concerned about the **impact of Uyghur Forced Labor Prevention Act (UFLPA)** enforcement on their U.S. domestic sales.

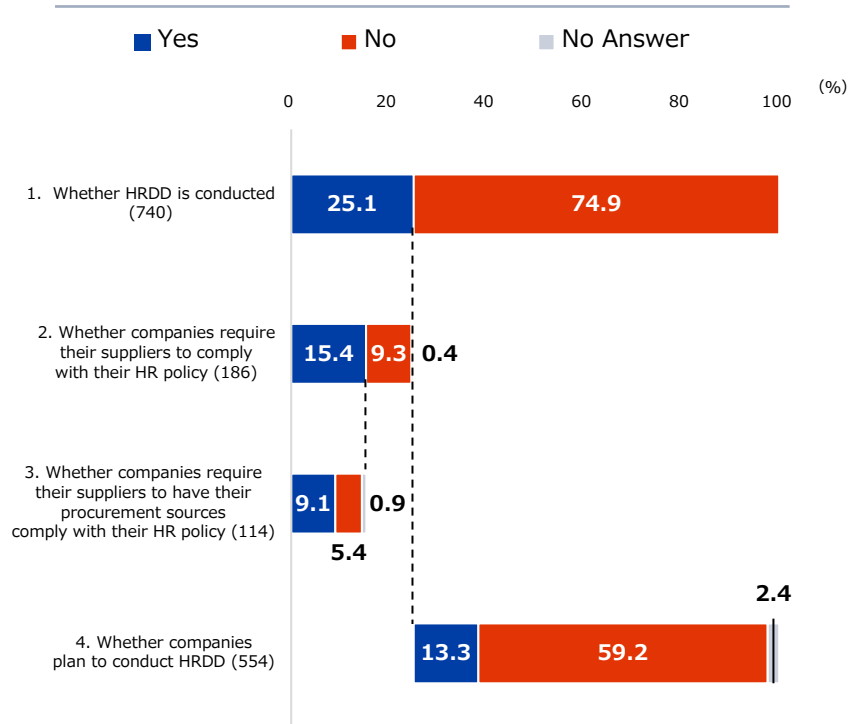
Reasons for Recognizing Human Rights Issues as a Management Challenge (Free-form)

Reasons	Comments
Management policies	Given our business relationships with many supplier companies, we have made procurement policies based on human rights issues . [Food]
	Our parent company's policy of not doing business with companies that have human rights violations. [Electrical machinery parts/electronic device parts]
	If there is a possibility of human rights violations in the supply chain, we basically won't do business with a company in the interest of protecting human rights and of being a sustainable business. [Chemicals/medicines]
Customer demands	Customers have begun inquiring about the origin of our raw materials . [Chemicals/medicines]
	There's been an increasing number of requests from customers . [Textiles/apparel]
	High awareness in U.S. society, especially from customers, who always mention this issue as an essential matter to be complied with in sales contracts . [Sales companies/sales subsidiaries]
Reputational risk	Sometimes explicitly stated in the terms and conditions of transactions with customers. [Trading/wholesale]
	Not being aware of the human rights risks of business partners can affect the reputation of our company since we procure parts from them. [Electrical machinery/electronic devices]
	Because a negative image from consumers will have a significant impact on sales . [Sales companies/sales subsidiaries]
Laws and regulations	To avoid damaging our brand image by being involved in forced labor or child labor at our suppliers. [Food]
	To avoid possible sales disruption in the U.S. [Sales companies/sales subsidiaries]
	To comply with the Uyghur Forced Labor Prevention Act . [Sales companies/sales subsidiaries]
Human rights risks	Because some of the raw materials originate from African mines , although we do not directly purchase them. [Chemicals/medicines]
	Many of the materials and components are produced in Asia . [Automotive etc. parts]
	Some of the raw materials are imported from Asia . [Chemicals/medicines]
Other	Due to social and internal demands to do business with companies (customers and suppliers) that are compliant. [Iron/non-ferrous metals/fabricated metal products]
	The laws and regulations in Europe and the U.S. on human rights issues are becoming stricter, and requests for HRDD from customers are expected to increase in the future. [Other non-manufacturing]
	We recognize that respect for human rights is one of the foundations for sustainable business . [Food]
	Because it is a priority social issue that needs to be resolved , even if our company is not able to do much on its own. [Food]

3 | Supply Chains and Human Rights: Around 25% Conduct Human Rights Due Diligence

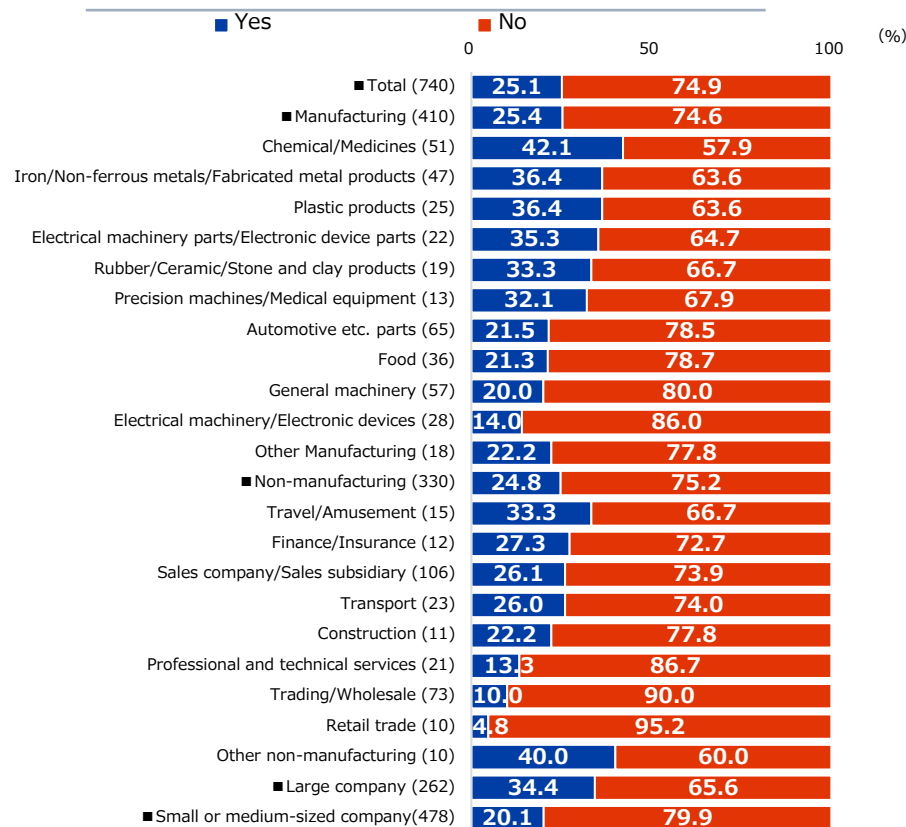
- Only **25.1%** of companies **conducted Human Rights Due Diligence (HRDD) in their business activities**. By industry, two-thirds (66.7%) of companies in Motor vehicles/motorcycles implemented HRDD.
- 15.4% of companies required their suppliers to also comply with their own human rights policies in the supply chain, and 9.1% of companies further required their suppliers to also have their procurement sources comply with their own human rights policies in the supply chain.

Conducting (Planning) HRDD and Requiring Compliance From Suppliers (and Their Suppliers)



(Note) For "2. Whether companies require their suppliers to comply with their HR policy," "3. Whether companies require their suppliers to have their procurement sources comply with their HR policy," and "4. Whether companies plan to conduct HRDD," the percentage is calculated using the total number of companies that responded "Yes" or "No" in "1. Whether HRDD is conducted"

Whether HRDD is Implemented (By Industry)

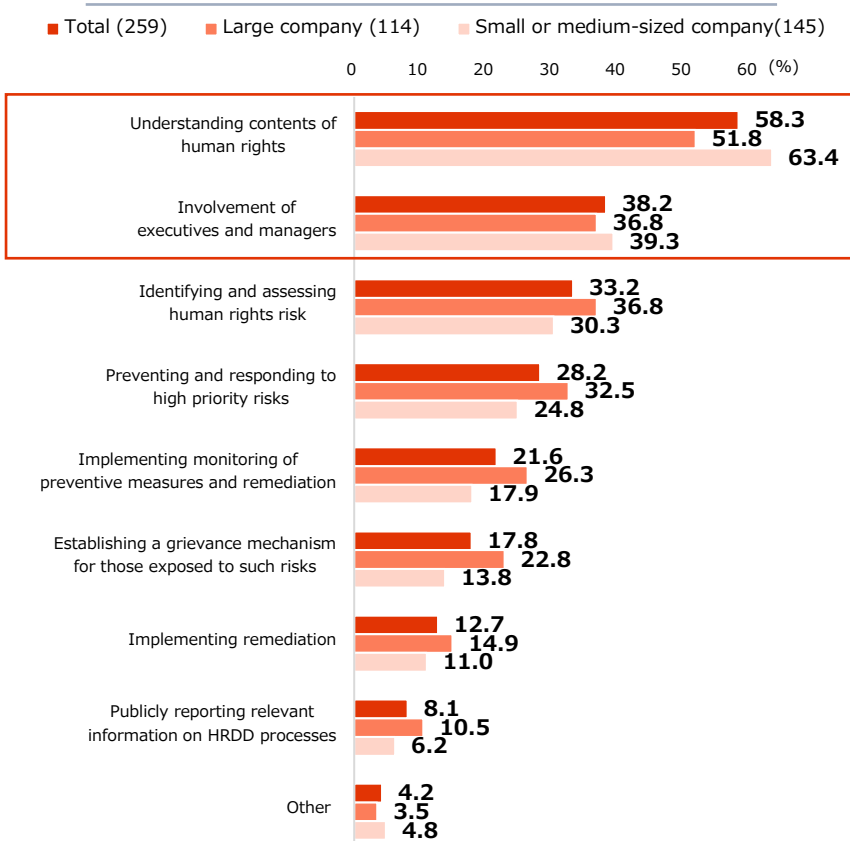


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies. Large companies are companies with 100 or more employees in total; small and medium-sized companies are companies with fewer than 100 employees.

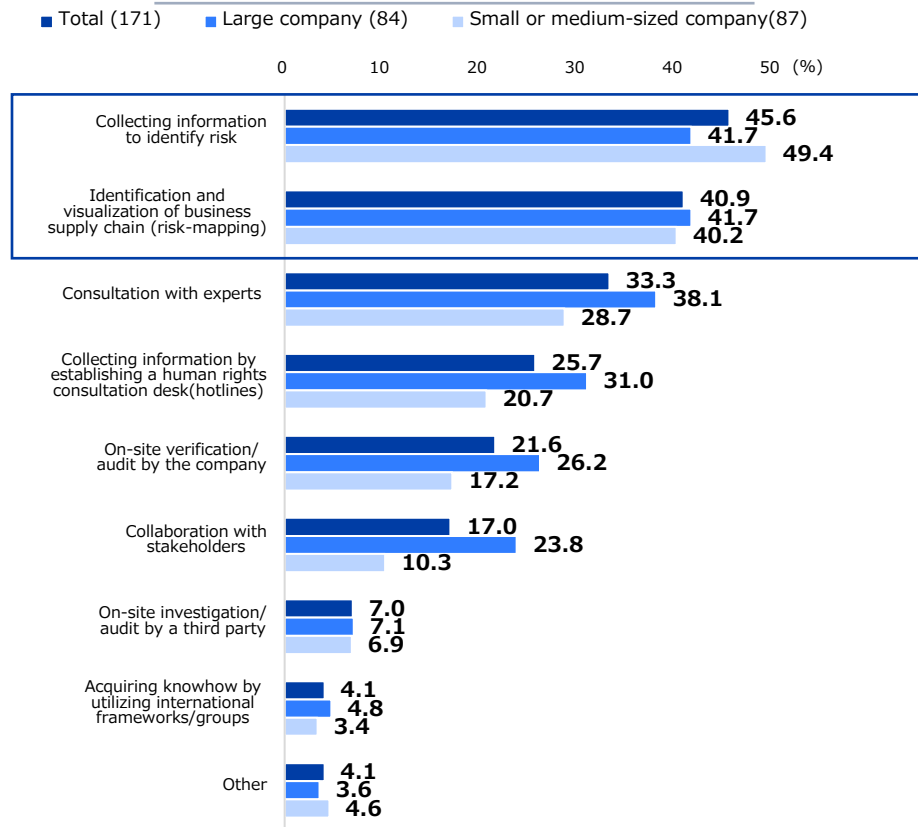
4 | Supply Chains and Human Rights: Challenges in Understanding of the Content on HRDD, Working on Information Gathering for Evaluation

- The biggest challenge for the companies that implemented or plan to implement **HRDD was the “understanding of the content on human rights” (58.3%)**, followed by “involvement of executives and managers” (38.2%).
- **As for efforts being made to identify/assess risks, companies were “collecting information to identify risk” (45.6%)**, followed by “identification and visualization of business supply chains (risk-mapping)” (40.9%).

Challenges Concerning HRDD Implementation (Multiple Answers)



Ways of Identifying/Assessing HR Risks (Multiple Answers)



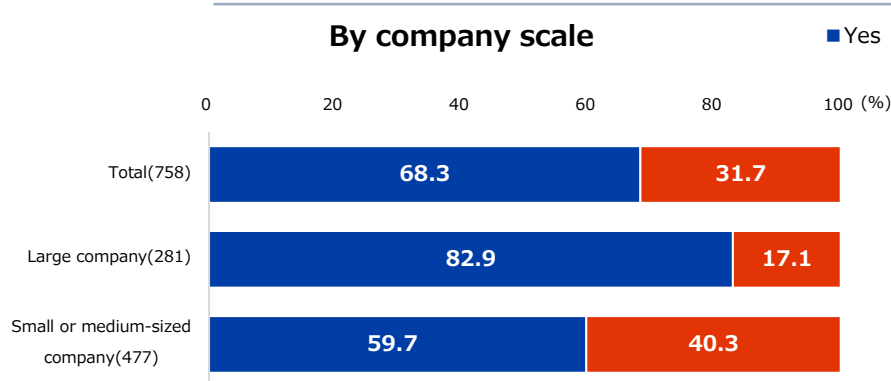
(Note.) Figures in parentheses in the legend are the number of companies that gave valid responses in each industry.

1

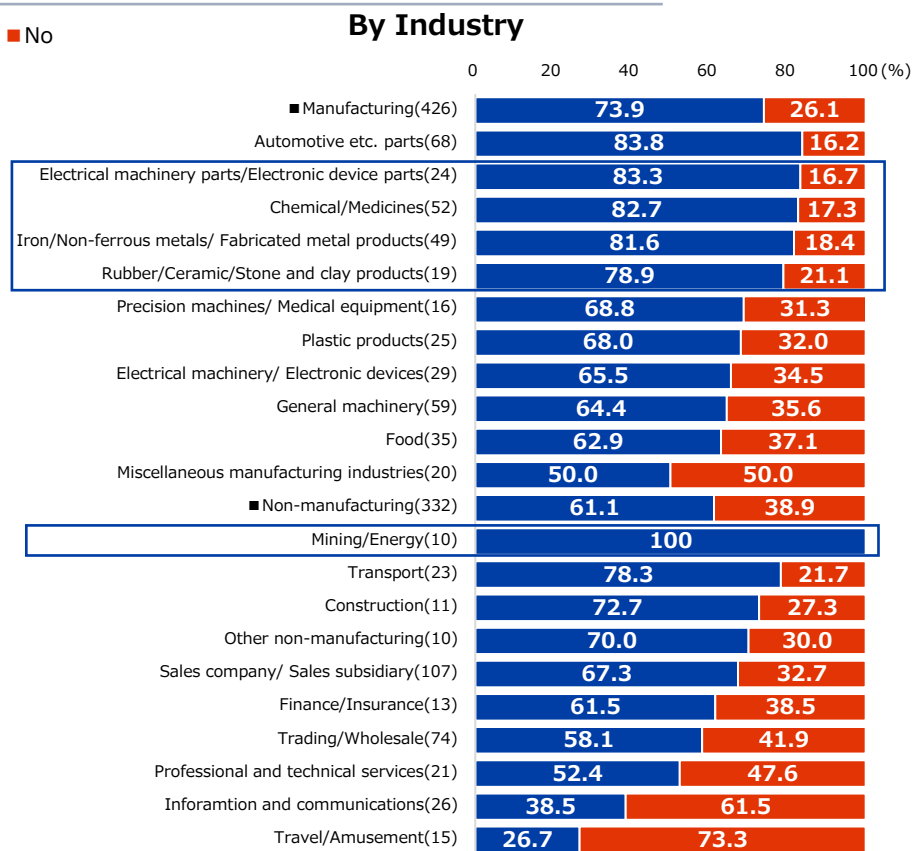
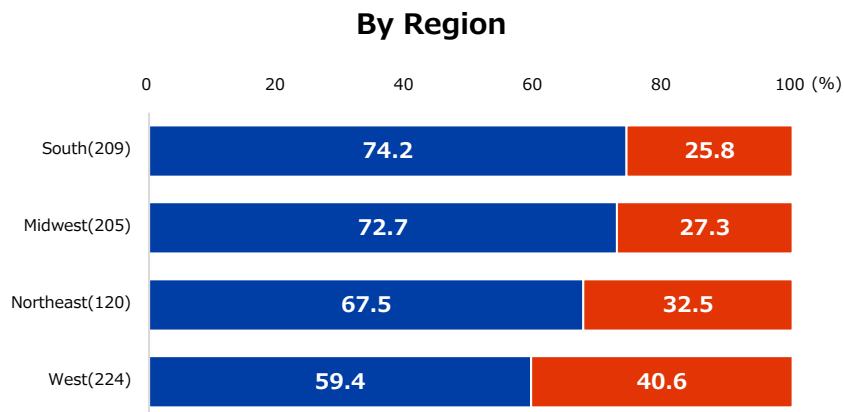
Promoting Decarbonization: Nearly 70% Recognized It as a Management Issue, but There are Differences Depending on the Size of the Company

- **68.3%** of respondents **recognized decarbonization as a management issue**. Among **large companies**, such respondents accounted for around 80 percent (82.9%), but the proportion was **just under 60% (57.9%) among small and medium-sized companies**.
- Among manufacturers, the percentage recognizing the problem was highest in automotive etc. parts (83.8%), electrical machinery parts/electronic device parts (83.3%), chemicals/medicines (82.7%), and iron/non-ferrous metals/fabricated metal products (81.6%). Among non-manufacturers, 100% of respondents in mining/energy recognized decarbonization as a management issue.

Is the Problem of Decarbonization in the Supply Chain Recognized as a Management Issue?



(Note) Large companies are companies with 100 or more employees in total; small and medium-sized companies are companies with fewer than 100 employees.



(Note) Only industries with 10 or more valid responses are listed.

2 | Promoting Decarbonization (Reasons for Recognition as a Management Issue): Many Cited Heightened Social and Global Awareness

- Many of the **reasons for recognizing decarbonization as a management challenge** are related to **heightened awareness in society and on a global level**.
- As for reasons for not recognizing decarbonization as a management challenge, especially among Small and medium-sized companies, what stood out were answers related to the difficulty in working on this issue because of material shortages or financial unaffordability given the ongoing impact of COVID-19 and supply chain issues.

Reasons for Recognizing Decarbonization as a Management Issue (Free-form)

- Because **the head office is tackling social issues** including SDGs [Automotive etc. parts]
- Impact of **social conditions** [Plastic products]
- Aiming to reduce disposal opportunities by **extending product life** [Plastic products]
- **Increased demand for disclosing information in response to ESG** [Electric machinery parts/electric device parts]
- Dealing with the **issue directly in relation to corporate evaluation in the market** [Electrical machinery/electric devices]
- On the basis of the recognition that **decarbonization is one of the main KPIs** for corporate survival in the future [Rubber/ceramics/stone and clay products]
- Although there is no obligation to disclose data for the company, it is expected that **we will be required by customers to disclose data in the future** [Sales companies/sales subsidiaries]

Reasons for Not Recognizing Decarbonization as a Management Issue (Free-form)

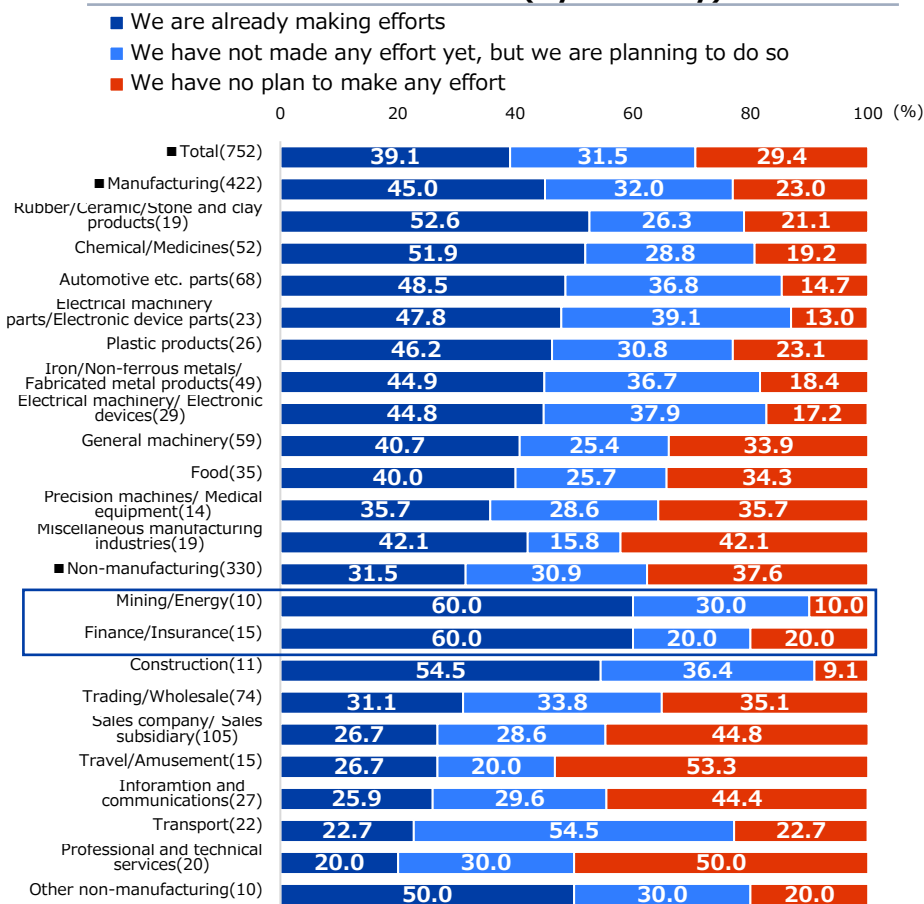
- We have **no factory or import/export transaction**[Professional and technical services]
- We recognize that **emission amounts are small** [Automobiles etc.parts]
- **The impact of COVID-19** has led to an increase in purchase prices and longer delivery times, and **we are now far from being able to work on decarbonization**. There is a risk of **losing deals with suppliers**, if we request that they address the matter [General machinery]
- Decarbonization **still has not become a realistic problem** as the company is a micro company [Automotive etc. parts]
- **Due to unaffordability** [Food]
- **We recognize that we will move forward in the future**, but it is currently impossible to take this matter into account **given our current material shortage**. [Trading/wholesale]

3

Promoting Decarbonization: Percentage of Companies "Already Making Efforts" Increased to Just Under 40%

- **39.1% of the respondents said they are "already making efforts" in decarbonization**, an increase of 5.6 points from 33.5% in the previous year. The manufacturing sector (45%) had a higher percentage of companies making efforts than the non-manufacturing sector (31.5%). While the percentage for large companies was in the mid-50% range (55.9%), the percentage for small and medium-sized companies was still just under 30% (29.4%).
- By industry, mining/energy and finance/insurance reached to 60% (60%, respectively).

Whether or Not There Are Any Decarbonization Efforts or Plan to Do So (By Industry)



(Note) Only industries with 10 or more valid responses are listed.

Problems in Making Efforts (Free-form)

- **Cost increases**, at higher levels than expected [Chemical/medicine, food]
- Employees have **low awareness of the ECO concept**, and it takes time to disseminate concepts of decarbonization and energy conservation [Precision machines/medical equipment]
- In the **United States** generally, there is **litttle awareness** of the issue. [Electrical machinery parts/electronic device parts]
- **Limited** government **subsidies** [Electrical machinery/electronic devices]
- **Large** amount of **investment** is required. It takes time to make the transition. [Rubber/ceramic/stone and clay products]
- **Difficulty in procuring renewable energy** [Trading/wholesale]

Examples of Decarbonization Efforts and Their Effects (Free-form)

<Examples of Efforts>

- Installation of solar panels, shift to **LED bulbs** [Chemical/medicine]
- Switch of the **power supply** of the head office division to **solar panels**, **implementing EV charging stations** for employee commuter vehicles and recommending EV/HV use [Food]

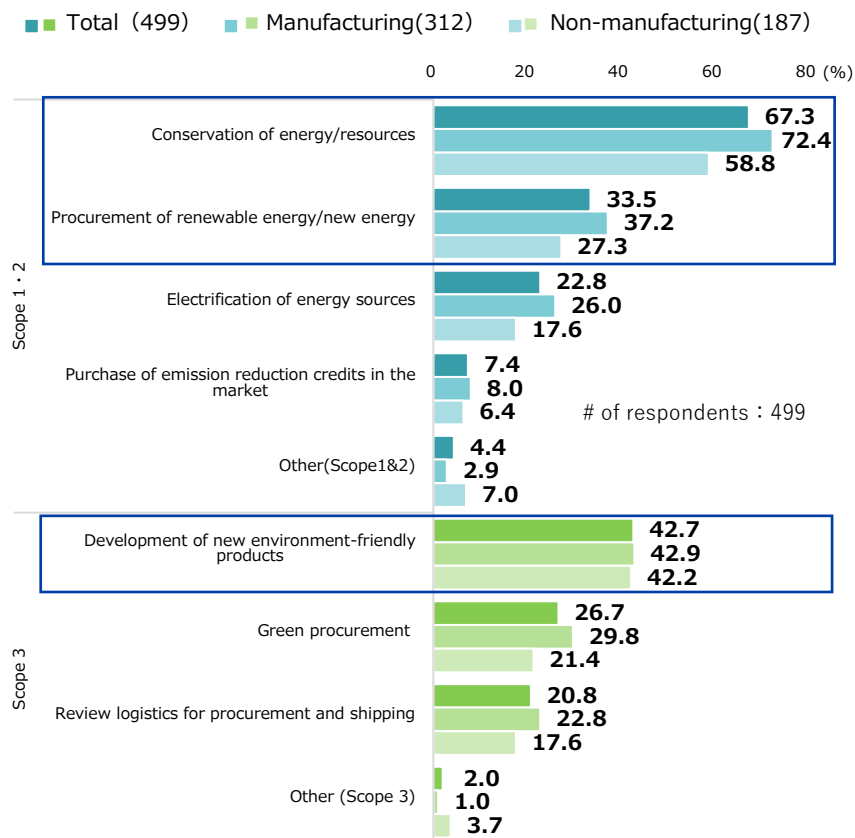
<Effect>

- Annual CO2 emissions were reduced by 127 megatons **by switching plant lighting to LED** [Iron/non-ferrous metals/fabricated metal products]
- Although there are no particular examples of efforts, **the decrease in office operation** due to **continued WFH (work from home)** has resulted in a decrease in electrical consumption [Information and communications]

4 Promoting Decarbonization: Nearly 70% of Respondents Engage in "Conservation of Energy/Resources"

- **As for specific efforts, "Conservation of energy/resources" accounted for 67.3% of respondents**, followed by "development of new environment-friendly products" (42.7%) and "procurement of renewable energy/new energy (solar, wind, hydrogen, etc.)" (33.5%).
- In addition, the following were mentioned: thorough recycling, introduction of EV charging facilities, and exploring possibilities for investing in the project which would contribute to emission reduction of group companies.

Specific Efforts (Including Those Being Considered)



"Other" Specific Initiatives (Free-form)

- **Scope 1 + 2**
 - Introduced **PHV to company vehicles** [Other manufacturing]
 - Implemented **activities to offset CO2**, such as tree plantations [Electrical machinery/electronic devices]
 - **Introducing and considering carbon capture** and entering into alternative energy projects [Construction, Mining/energy, Trading/wholesale]
 - **Introduction of carbon recycling technology** (carbon cure, etc.) [Rubber/ceramic/stone and clay products clay]
 - **Thorough recycling** [Automotive etc. parts]
 - Thorough **WFH (work from home)** (not using offices as far as possible) [Paper/wood products/printing]
 - **Investment in renewable energy business** [Mining/energy]
 - **Introduction of EV charging facilities** [Travel/amusement]
 - **Iron manufacturing by hydrogen reduction.** Expanded use of electric furnaces[Professional and technical services]
- **Scope 3**
 - **Procurement and sales of environmental certificates** [Trading/wholesale]
 - Planning of **Scope 3 monitoring services** [Information and communications]
 - Preparing **tenant electricity usage monitoring** [Real estate and leasing]
 - Considering **investments in projects that contribute to the reduction of CO2 emissions** in group companies [Other non-manufacturing]

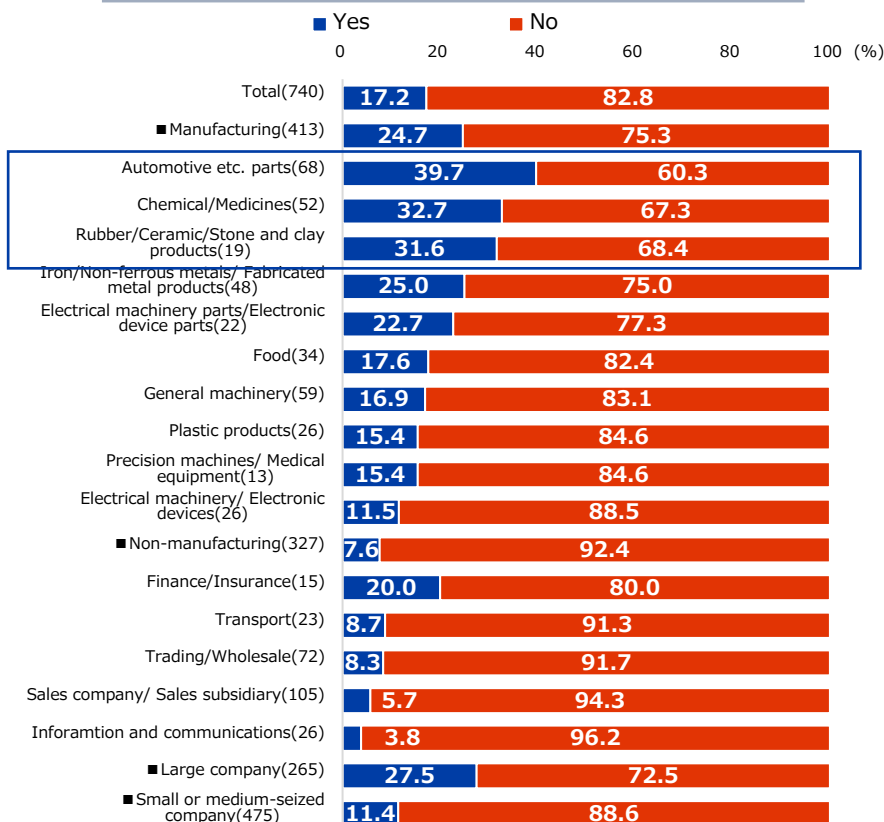
(Note) Figures in parentheses in the legend indicate the number of firms that gave valid responses in each industry.

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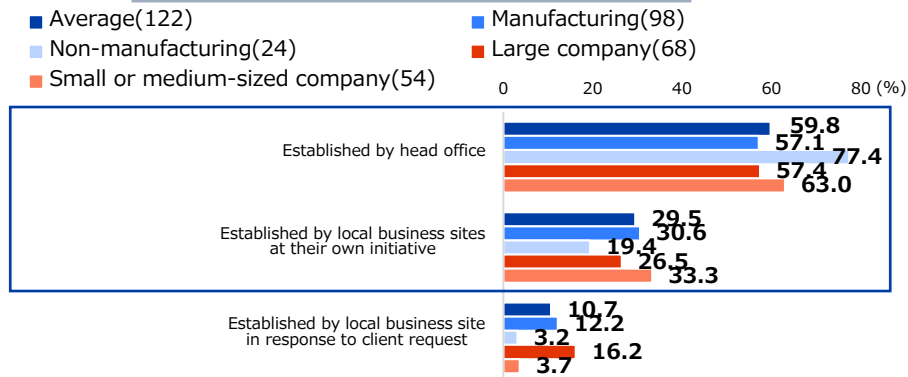
Promoting Decarbonization: Nearly 20% of Respondents Have Their Own Decarbonization Goal at Local Bases

- **17.2%** of the respondents said that **their local bases have their own numerical targets for reducing emissions and using renewable energy**. By industry, the percentages were high for automotive etc. parts (39.7%), chemical and medicines (32.7%), and rubber/ceramic/stone and clay products(31.6%).
- Among the companies that answered in the affirmative, 59.8% said these goals were “established by head office”, while 29.5% said “established by local business sites at their own initiative”.

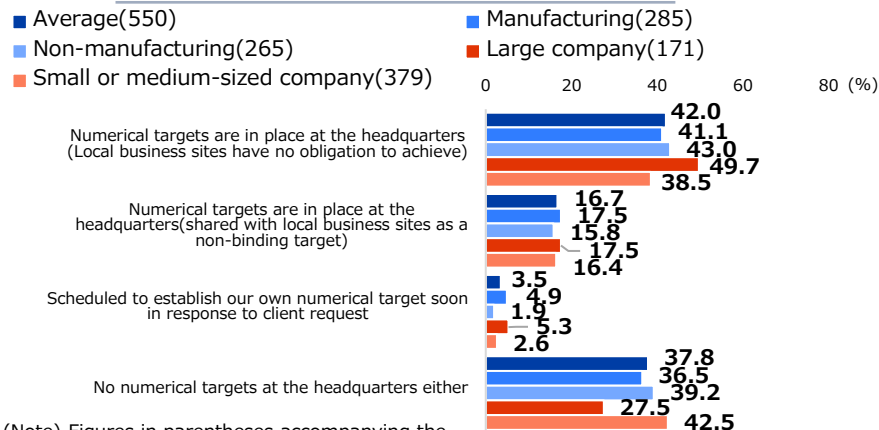
Existence of Own Goals for Emission Reduction and Reuse of Energy



Method of Setting Numerical Targets (Respondents with Own Targets)



Existence of Other Numerical Targets (Respondents without Own Targets)



(Note) Only industries with 10 or more valid responses are listed. Large companies have more than 100 total employees; small and medium-sized companies have less than 100 total employees

(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses in each industry

6 | Promoting Decarbonization: Most Respondents Set a Goal of Net Zero Emissions in 2030/50

- Many respondents have set a **goal of net zero emissions in the target year** as a specific numerical target for decarbonization, and many have also set a goal to achieve a **fixed percentage reduction in emissions as of the target year from the specified year**.
- In addition to the respondents that set targets for expanding the use of renewable energy and carbon neutral power, some also set energy star scores and global warming control targets (1.5°C).

Established by Head Office

- Achieving **net zero emissions in 2030** [Electrical machinery/electronic devices]
- Becoming **carbon neutral by 2050** [Automotive etc. parts]
- **Practically eliminate all CO2 emissions by 2050** [Transport]
- **Target for 2030: 46% reduction compared to 2013** [Textiles/apparel]
- **In 2030, reduce Group-wide real CO2 emissions by 30% compared to 2018** [Chemicals/medicines]
- **Reduce GHG emissions and water consumption per sales revenue by 30% by FY2030 (compared to FY2013)** [Other non-manufacturing]
- **Reduce greenhouse gas emissions per unit of net sales by 30% in FY2030 compared to FY2013** [Textiles/apparel]
- **Reduce CO2 emissions by 30% or more from FY2018 levels** [Trading/wholesale]
- Increase the renewable energy ratio of electricity used
- **Reduce CO2 emissions by 30% from FY2020 levels by FY2030** [Electrical machinery parts/electronic device parts]
- **FY2025: 10% or more** [Sales companies/sales subsidiaries]
- **Reduce CO2 emissions by 50% from 2022 levels by 2030** [Trading/wholesale]
- **Replacement of more than 10% of aviation-fuel with SAF by 2030** [Transport]
- **30% reduction over 10 years** [Chemicals/medicines]
- **Reduce CO2 emissions by 27% from FY2018 levels by FY2030** [Chemicals/medicines]

Established by Local Business Sites to Meet Customer Requests

- **Introduce carbon neutral electricity 100% in 2050** [Chemicals/medicines]

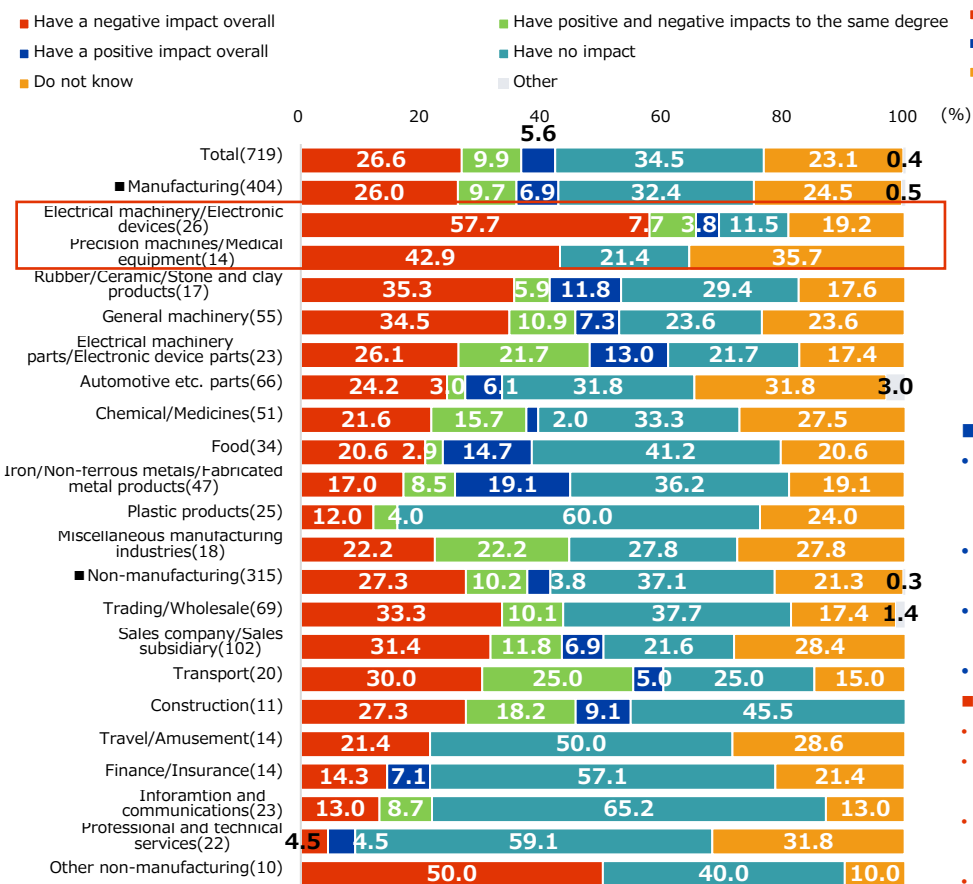
Established by Local Business Sites at Their Own Initiative

- Emissions per unit of production are managed as a KPI [Automotive etc. parts]
- **Energy consumption and gas consumption converted to CO2 per unit of sales in previous fiscal year Minus 1%** vs. previous year [Automotive etc. parts]
- There are no CO2 emissions in the manufacturing process, and only shipping trucks are reduced.
- **Energy conservation is targeted at a 2% reduction in usage** [Iron/non-ferrous metals/fabricated metal products]
- Reduction in power consumption [Iron/non-ferrous metals/fabricated metal products]
- **Reduce CO2 by about 20 megatons per month** [Rubber/ceramic/stone and clay products]
- 20% energy conservation at the time of facility investment [General machinery]
- **2% reduction** [Automotive etc. parts]
- Zero-carbon electricity consumption in managed office buildings [Education/medical]
- **Energy Star Score of 80 or higher** [Real estate and leasing]
- **52% reduction from 2005 levels by 2030** [Finance/insurance]

1 | Changes in Trade Environment: Slightly More Than 25% Reported a “Negative Impact Overall”

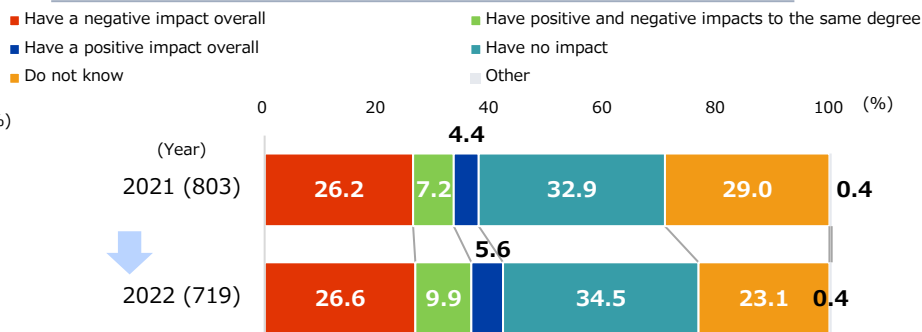
- In terms of the impact from changes in the trade environment, 34.4% of respondents answered they “have no impact” (32.9% last year), with another 23.1% saying they “do not know” (29.0%), and with 26.6% reporting a “negative impact overall” (26.2%).
- By industry, a “negative impact overall” was most highly reported by respondents in the industries of electrical machinery/electronic devices (57.7%) and precision machines/medical equipment (42.9%)

Impact of Changes in Trade Environment on 2022 Earnings (By Industry)



(Note) Only industries with 10 or more valid responses are listed.

Impact of Changes in Trade Environment on Earnings (vs. Previous Year)



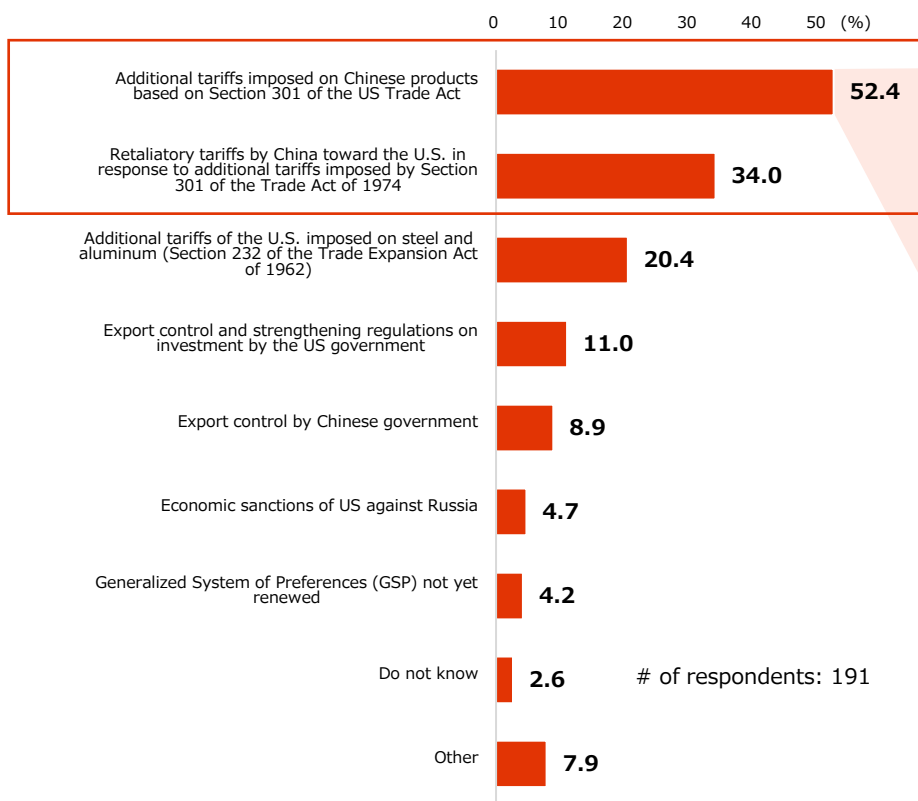
Impact from Changes in Trade Environment on 2022 Earnings (Free-form)

- Positive Impact
 - **Decreased competitiveness of competing Chinese products, Decreased opportunities of competition** [Sales companies/sales subsidiaries, Electrical machinery/electronic devices]
 - **Increase in our market share** due to **additional tariffs on competitive Chinese products** [Sales companies/sales subsidiaries]
 - **The policy of friend-shoring** is expected to **promote semiconductor-related investments in the U.S.** [Rubber/ceramic/stone and clay products]
 - **Return of investment to North America** [Sales companies/sales subsidiaries]
- Negative Impact
 - **Increased costs**, higher than expected [Chemicals/medicines, Food]
 - **The Cash Conversion Ratio may increase due to friction between U.S. and China** [Iron/non-ferrous metals/fabricated metal products]
 - **Further difficulty in entering the Chinese market** [Electrical machinery parts/Electronic device parts]
 - **Price impact of yen depreciation on goods procured from Japan** [Automotive etc. parts]

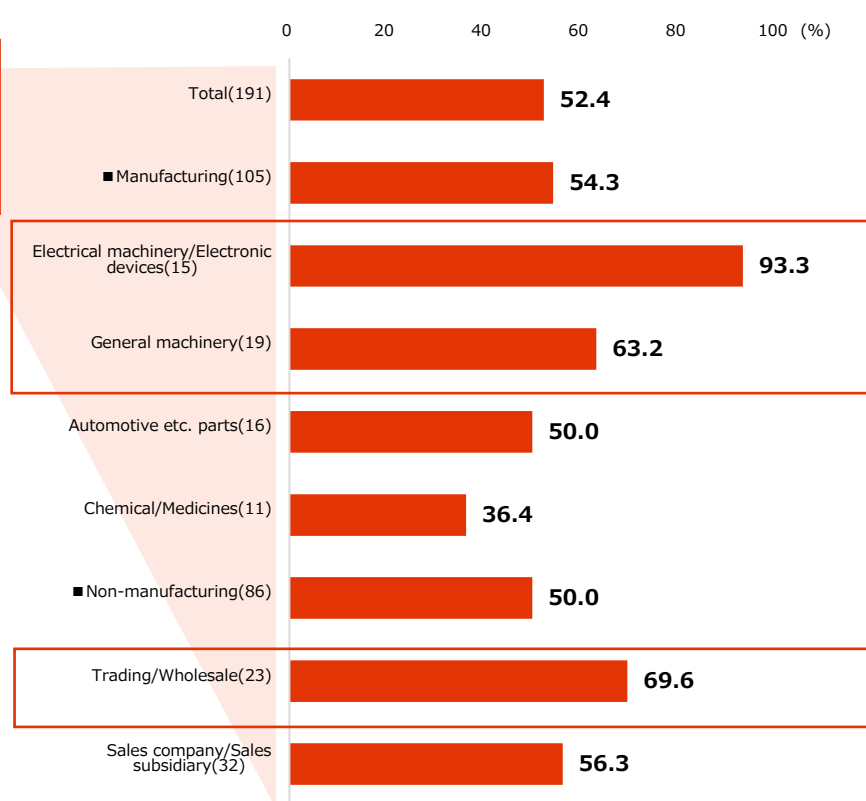
2 | Impact by Policy: Section 301 of the U.S. Trade Act is a Major Negative Factor

- In terms of specific policies having a negative impact, “additional tariffs imposed on Chinese products based on Section 301 of the US Trade Act” were cited the most, by 52.4% of respondents, followed by “Retaliatory tariffs by China toward the U.S.” (34.0%).
- By industry, companies in electrical machinery/electronic devices (93.3%), trading/wholesale (69.6%), and General machinery (63.2%) had higher concerns about the impact of Section 301 of the US Trade Act.

Specific Policies Having a Negative Impact (Multiple Answers)



Percentage of Companies Negatively Affected By Section 301 of the US Trade Act (By Industry)



(Note) Only industries with 10 or more valid responses are listed.

1 | Management Challenges: “Increase in Wages of Employees” and “Rising Logistics Costs” were Top Answers

- With respect to **management challenges**, “**increase in wages of employees**” (67.5%) was the most common answer, followed by “**rising logistics costs**” (56.9%) and “**slow development of new customers**” (52.5%).
- Specific issues included **upward pressure on wages due to prolonged inflation** and **general supply chain disruption**. There were also companies—regardless of industry—citing an increase in the burden of borrowing costs due to a rise in interest rates and a shortage of personnel.

Management Challenges (Multiple Answers)

Main Management Challenges	Classification	Ratio (%)
Increase in wages of employees	Employment and labor	67.5
Rising logistics costs	Procurement of raw materials/parts	56.9
Slow development of new customers	Sales and marketing	52.5
Difficulty in recruiting workforce (general staff)	Employment and labor	51.4
Rising procurement costs	Procurement of raw materials/parts	50.7
Quality of employees	Employment and labor	42.7
Retention rate of employees	Employment and labor	40.2
Difficulty in recruiting workforce (engineers)	Employment and labor	39.4
Logistics delays	Procurement of raw materials/parts	37.5
Delivery dates management	Procurement of raw materials/parts	32.5
Raw materials / parts supply shortage	Procurement of raw materials/parts	26.0
Decrease of orders from business partners	Sales and marketing	22.8

Number of respondent companies: 766
(Note) Excerpt only for top items, 50% or more in bold

Specific Challenges (Free-form)

- Employment and labor**
 - Upward pressure on wages** due to **prolonged inflation** [Chemicals/medicines]
 - Aging** of skilled sales staff [General machinery]
 - Employee **training** [General machinery]
 - Integration with expatriate and local employees** [Mining/energy]
 - Employee **safety measures** [Chemicals/medicines]
- Procurement of raw materials and parts**
 - General supply chain disruption** [General machinery]
 - Discontinuation of supply due to **withdrawal from supplier business** [Automobile and other parts]
 - 25% tariff assessment for Chinese products** [Electrical machinery/electronic devices]
 - Fuel costs** [Transport]
- Sales and marketing**
 - Responding to strong demand** [Plastic Products]
 - Lower customer satisfaction due to delayed delivery** [Rubber/ceramics/stone and clay]
 - Postponement of investment by major customers** [Trading/wholesale]
 - Intensifying competition with imports** [Foods]
 - Decrease in orders due to shortage of semiconductors** [Textiles and apparel]
- Financial and financial aspects**
 - Increase in burden of borrowing costs** due to a **rise in interest rates** [Automotive etc. parts, General machinery, Chemicals, pharmaceuticals, etc.]
- Production side**
 - Lower productivity due to **personnel shortages** and **high turnover** [Automotive etc. parts]
 - Sluggish productivity** due to **human factors** [Iron/non-ferrous metals/fabricated metal products]

2 Countermeasures for Management Challenges: “Increasing Wages” and “Reviewing Suppliers of Materials/Parts and Procured Contents” Took Top Spots

- Regarding **countermeasures**, **“wage increases” (59.3%) was the most common answer, an increase of 12.6 points from the previous year (46.7%)**. This was followed by “review of suppliers and procurement content” at 40.5%, a decrease of 2.8 points from the previous year (43.3%).
- By industry, “increasing wages” were high in plastic products (84.6%) and general machinery (77.8%). “Reviewing of suppliers of materials/parts and procured contents” were high in automobiles etc. (71.4%) and iron/non-ferrous metals (70.8%).

Measures to Address Management Challenges (Multiple Choice)

Countermeasures	Classification	Ratio (%)
Increasing wages	Employment and labor	59.3
Reviewing suppliers of materials/parts and procured contents	Procurement of raw materials/parts	40.5
Differentiation from competing products	Sales and marketing	36.7
Review and strengthening of sales method	Sales and marketing	35.8
Reducing expenses other than payroll	Employment and labor	35.1
Development of new products	Sales and marketing	33.8
Enhancing internal communication	Employment and labor	33.1
Building up inventory	Procurement of raw materials/parts	32.1
Improving the work environment	Employment and labor	32.0
Reviewing delivery contracts and delivery methods	Procurement of raw materials/parts	31.0
Reviewing work rules and conditions of employment	Employment and labor	29.5
Compliance with various regulations	Regulations	26.5
Encouraging automation and labor reduction	Employment and labor	24.5
Utilizing remote work and web	Employment and labor	23.4
Reviewing prices of products (or services)	Sales and marketing	23.1
Strengthening customer service	Sales and marketing	21.7

Number of respondent companies: 713

(Note) Excerpt only for top items, 30% or more in bold

Specific Countermeasures (Free-form)

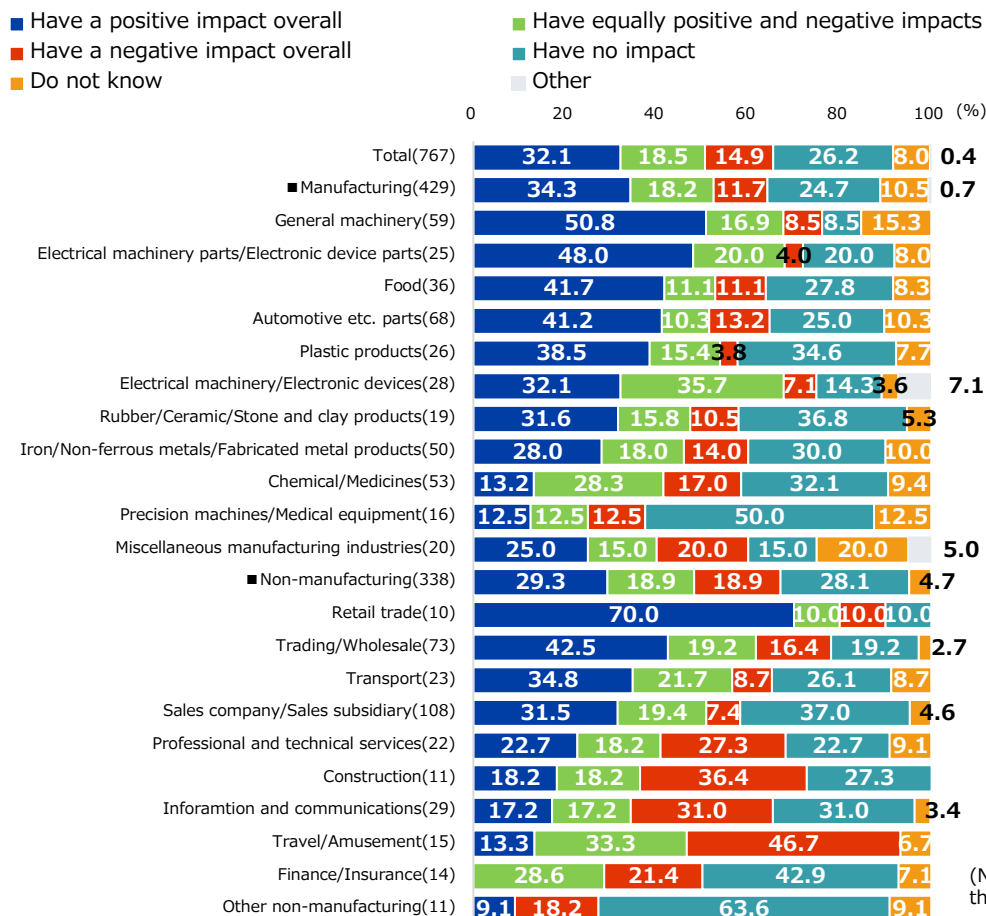
- **Employment and labor**
 - **Expand employment of regular employees** [Iron/non-ferrous metals/fabricated metal products]
 - **Employee training** [Automotive etc. parts, Iron/non-ferrous metals/fabricated metal products]
 - **Streamline production personnel by improving production efficiency** [Textiles and apparel]
 - **Human resource development and skills development** [Automotive Parts, Sales companies/sales subsidiaries]
- **Procurement of raw materials and parts**
 - **Improvement of procurement of purchased products** [Iron/non-ferrous metals/fabricated metal products]
 - Shift to **imports from outside China** [Chemicals/medicines]
- **Logistics**
 - Switching **from air to sea freight** [Electrical machinery/electronic devices]
 - **Use of LLCs** [Components for Railways and transportation vehicles]
- **Production side**
 - Increase in **production capacity at plants** [Chemicals/medicines]
 - **Improvement of production process flexibility** [Plastic products]
 - Promote **transfer of manufacturing to Mexico** [Automotive etc. parts]
- **Sales and marketing**
 - **Negotiations for price increases and price increases due to soaring costs** [Automotive etc. parts, Food, Iron/non-ferrous metals, Chemicals/pharmaceuticals, Construction, Sales companies/sales subsidiaries]
 - **Work to increase sales to cover wage increases** [Chemicals/medicines]
 - **Expand sales channels for high-value-added products** [Iron/non-ferrous metals/fabricated metal products]
 - Selection of **new business partners who are flexible in raising prices** [Other manufacturing industries]

3

Impact of Weaker Yen Against the U.S. Dollar: "Positive Impact" Cited by Slightly Over 30%, and "No Impact" by Nearly 30%

- Regarding **the trend of the yen's depreciation against the U.S. dollar** from the beginning of 2022, **"positive impact" was cited by 32.1% of respondents. The decrease in the cost of imports from Japan** was cited as the main factor.
- Nearly 30%** (26.2%) of companies responded, **"No impact."** **The impact on industries that conduct their procurement and sales in dollars was limited.**

Impact of the Weakening Yen (By Industry)



Impact of Exchange Rate Levels (Free-form)

- Positive impact**
 - Decrease in import costs** [Trading/wholesale]
 - Improvement in profitability at the time of consolidation of the head office** [Mining/energy]
 - Decline in purchase prices of materials originating in Japan** [General machinery, Retail trade]
 - Decline in prices of **imported raw materials** and **procured components from Japan** [Food, General machinery]
 - Declining prices of **materials and systems manufactured at the head office** due to the depreciation of the yen [General machinery]
- No impact**
 - Dollar-based payments** for sales, purchases, etc., so no impact [Sales businesses, chemicals/pharmaceuticals, electrical/electronics, etc.]
- Negative impact**
 - Postponement of investment by customers** [Construction]
 - Increase in investment** amount for new investment [Mining & Energy]
 - Soaring salaries of expatriate employees** [Plastics, Information and communications]
 - Intensifying competition** due to **falling prices of imported products**

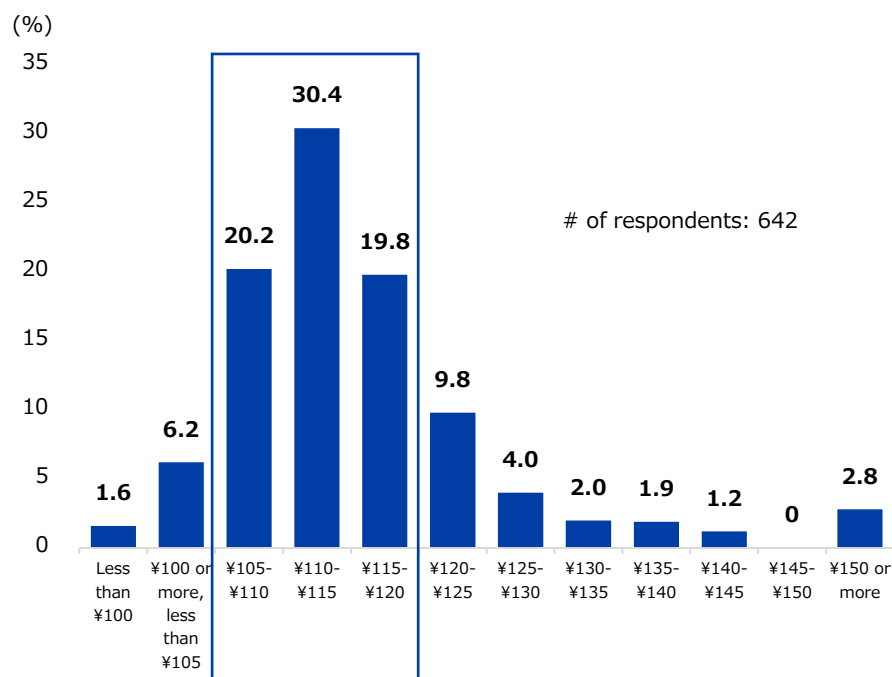
(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses companies in each industry.

4

Countermeasures for a Weaker Yen Against the U.S. Dollar: Slightly Over 70% Answer that Appropriate Exchange Rate is 105 Yen to Less Than 120 Yen

- Regarding **the U.S. dollar/yen exchange rate that companies consider to be appropriate**, "from 110 yen to less than 115 yen" was the largest response at 30.4%. A range from **105 yen to less than 120 yen was considered appropriate by 70.4% of companies**.
- **Countermeasures for the yen's depreciation against the U.S. dollar** included **forward exchange contracts**, the reduction of foreign exchange risk by changing from yen-denominated to **U.S. dollar-denominated** transactions and borrowings, and inventory adjustments and order adjustments.

Exchange Rate that Companies Consider Appropriate



Countermeasures To Deal With the Weaker Yen Against the U.S. Dollar (Free-form)

- **Forward exchange contracts** [Plastic products, Rubber/ceramics/stone and clay]
- **Reconfirm and coordinate multi-year shipment schedules** for exports from the U.S. to Japan [Trading/wholesale]
- **Change from yen-denominated to dollar-denominated transactions** [Iron/non-ferrous metals/fabricated metal products]
- **Periodic review of unit prices for purchasing products** from the head office [Food]
- **Reduce expenses by improving transactions and transportation methods** [Food]
- **Change from yen-denominated to dollar-denominated borrowing** [Automotive etc. parts]
- **Imports of materials, consumables, parts, etc. from Japan** [Automotive and other parts, ferrous/nonferrous/metal]
- **Inventory adjustments and order adjustments** are implemented when the volume of transactions with the company is affected by the impact of exchange rates on the business partner. [Paper/wood products/printing]
- **Balancing exports in the same currency** [Chemicals/medicines]
- **Reduction of purchase prices** [Electrical and electronic equipment]
- **Increase in capital investment** [Food]
- **Reflection in selling prices** [General machinery]

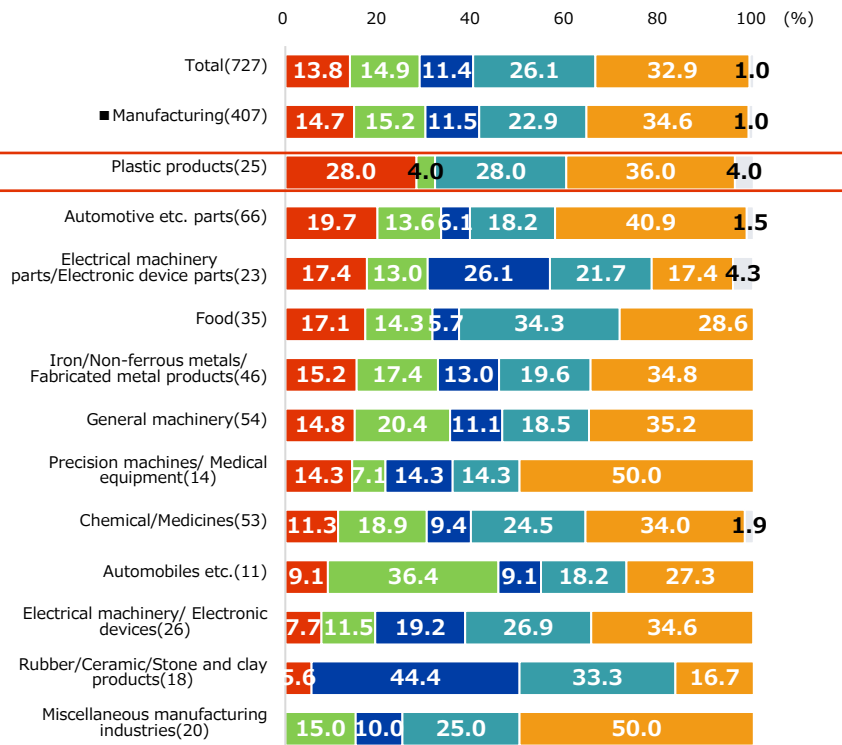
1

Impact of the Biden Administration's Policies: Slightly Over 30% Said They "Do Not Know" the Effects on Business Activities

- **32.9% of companies said they "do not know" about the impact of the Biden administration's policies on their business activities, a decrease of 5.5 percentage points from the previous year (38.4%).** This was followed by "have no impact" (26.1%), "have equally positive and negative impacts" (14.4%), and "have a negative impact overall" (13.8%).
- Around 20% of companies in Plastic products and Trading/wholesale said they "have a negative impact overall".

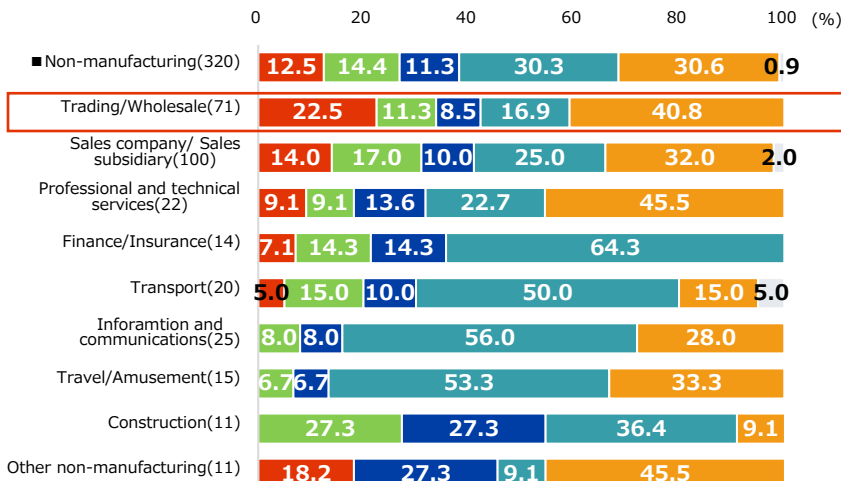
Impact of the Biden Administration's Policies (Manufacturing, By Industry)

■ Have a negative impact overall ■ Have equally positive and negative impacts ■ Have a positive impact overall ■ Have no impact ■ Do not know ■ Other

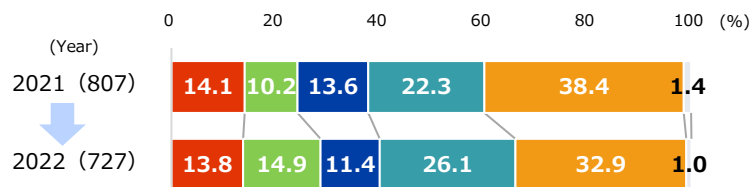


Impact of the Biden Administration's Policies (Non-manufacturing, By Industry)

■ Non-manufacturing(320) ■ Have a negative impact overall ■ Have equally positive and negative impacts ■ Have a positive impact overall ■ Have no impact ■ Do not know ■ Other



Impact of the Biden Administration's Policies (Vs. Previous Year)

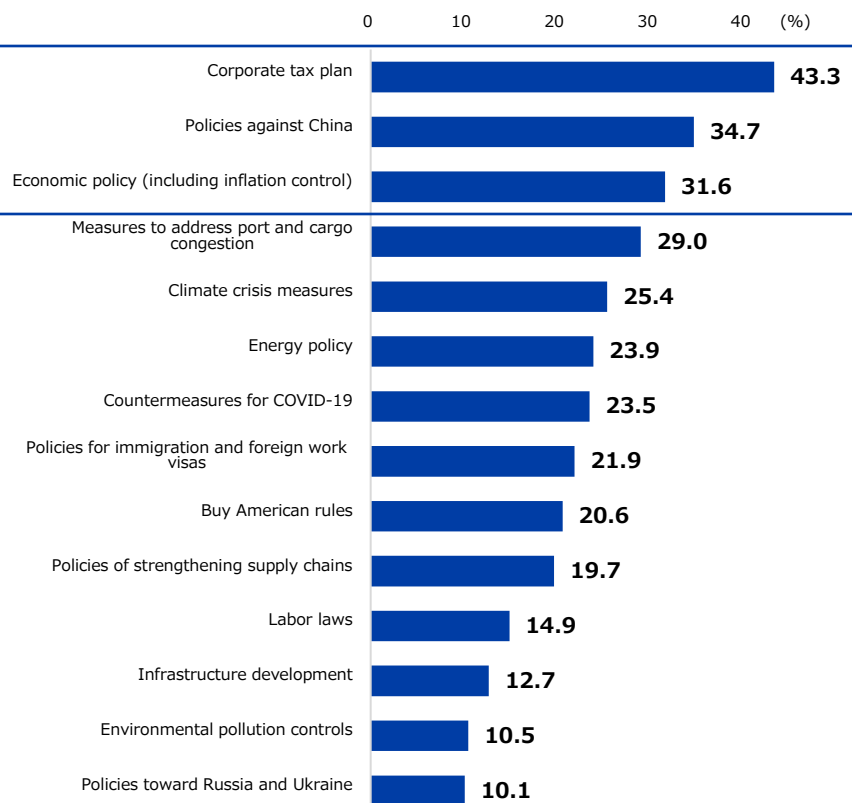


(Note) Only industries with 10 or more valid responses are listed.

2 | Impact of the Biden Administration's Policies: Focus on Corporate Tax Plan and Policies Against China

- **The top three Biden Administration policies which companies believed will have an impact on business are “corporate tax plan” (43.3%), “policies against China” (34.7%), and “economic policy (including inflation control)” (31.6%).**
- Some companies said that climate crisis measures and the promotion of electric vehicles (EVs) will expand their business, while others said that they will be negatively impacted by the policies due to a decline in their commercial market and increased costs.

Impact of the Biden Administration's Policies on Business Activities



(Note) Only top items are listed.

Positive Impact (Free-form)

- **Expansion of green energy-related businesses** [General machinery, Electrical machinery/electronic devices, Trading/wholesale]
- **Promotion of EVs** [Electrical machinery/electronic devices, Trading/wholesale, Chemicals/medicines]
- **Promotion of investment in public transportation and increase in production** [Railway/transport vehicles etc.]
- **To promote semiconductor-related investment in the U.S. due to the CHIPS Act** [Electrical machinery/electronic device parts, Precision machines/medical equipment, Rubber/ceramic/stone and clay products, Iron/non-ferrous metals/fabricated metal products, Other manufacturing, Trading/wholesale]
- **Expantion of business opportunities due to increase in immigration** [Rubber/ceramic/stone and clay products]
- **Increase in demand due to Infrastructure Investment Act** [Construction, Rubber/ceramic/stone and clay products]
- **Promotion of EVs**, increased wholesale sales due to **increased infrastructure investment**, continued broadband-related investment and stabilization of Mexican border [Iron/non-ferrous metals/fabricated metal products]
- Increase in orders and production volume [Plastic products, Textiles/apparel]
- **Increased business opportunities due to strengthening environmental measures** [Mining/energy, Construction, Other non-manufacturing, Finance/insurance]
- **To advance into South America** [Sales companies/sales subsidiaries]

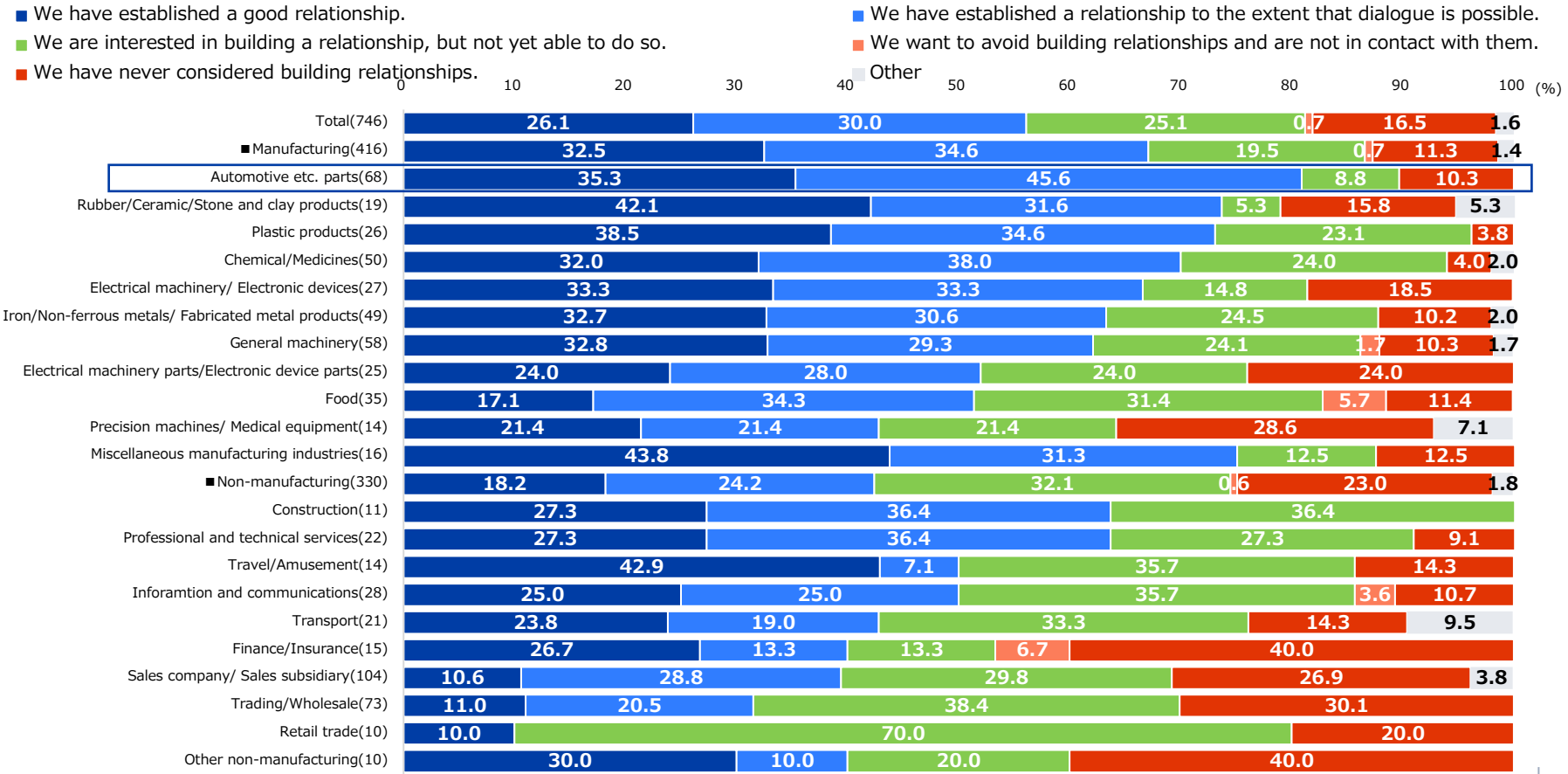
Negative Impact (Free-form)

- **Decrease in commercial market due to the shift to EV** [Automotive etc. parts, Iron/non-ferrous metals/fabricated metal products]
- **No effect of measures against inflation has been seen. Costs are up because of regulations on human rights and environmental issues** [Automotive etc. parts]
- **Increase in corporate taxes** [Automotive etc. parts, Plastic products, Textiles/apparel]
- **Tighter export restrictions on aerospace products** [Iron/non-ferrous metals/fabricated metal products]
- **Decrease in purchasing power of consumers due to rising interest rates, excessive policies to protect workers, labor shortages, and price hikes passed on to wages** [Food]
- **Maintained and continued tariffs against China (Section 301)** [Chemicals/medicines]

1 | Relationships with Local Communities (State/Local Government, etc.): Nearly 60% Have Communication Channels

- In terms of **building relationships with the local community**, nearly 60% of companies (56.1%) have dialogue channels, including those that established "a good relationship" (26.1%) and "a relationship to the extent that dialogue is possible" (30.0%).
- By industry, nearly 70% (67.1%) of manufacturing companies, including around 80% (80.9%) of Automotive etc. parts companies have dialogue channels, while only slightly over 40% (42.4%) of non-manufacturing companies do.

Relationships with Local Communities (State/Local Government, Economic Development Corporations, Chambers of Commerce, etc.)



(Note) Only industries with 10 or more valid responses are listed.

2 | Relationships with Local Communities (State/Local Government, etc.): Some Have Received Support Through Good Relationships

- **Companies with good relationships** said that **they have received significant assistance from the local government in relocating their business and acquiring land** (to which they are relocating).
- For many companies, points of contact with the local community included **joining the Chamber of Commerce and Industry**.
- The challenges cited were **"not knowing where to start"** and **"small scale makes it hard to see the cost-effectiveness"**.

Examples of Collaboration with Local Communities and Challenges (Free-form)

Smooth implementation of business through cooperation with local government

- When we **relocated due to corporate consolidation**, we **received significant support** from the local government [General machinery]
- Worked with state and city governments to **receive assistance in land acquisition, environmental issues**, etc., while helping to create jobs [Chemicals/medicines]
- Discussions were held with the provincial government on employment and housing shortages as needed [Food]

Participation in the local community through the Chamber of Commerce and Industry, etc.

- Building relationships through **local chambers of commerce and industry** [Chemicals/medicines]
- Building relationships through participation in **local community events, donations, acceptance of interns, and various other activities** [General machinery]

Contributing to the local community

- **Cleanup activities by employee volunteers** about once a year [Textiles/apparel]
- Providing **recycled plastics** produced by the company's product recycling to a local road paving company for **use as asphalt material** [Electrical machinery/electronic devices]

Challenges in building relationships with local communities

- **Don't really know where to start** [Automotive etc. parts]
- Our company's small scale makes **it hard to see the cost-effectiveness** [Sales companies/sales subsidiaries]

JETRO

**Canada
(33rd Annual Survey)**



FY2022 Survey Overview

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese-affiliated companies operating in Canada, and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 8-30, 2022

Valid Responses

75.0%
(138 out of 184 companies)

Scope of Survey

Japanese-affiliated manufacturers and non-manufacturers operating in Canada that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese firms in Canada.

Note

This is the 33rd annual survey, conducted since 1989 (not conducted in 2004).

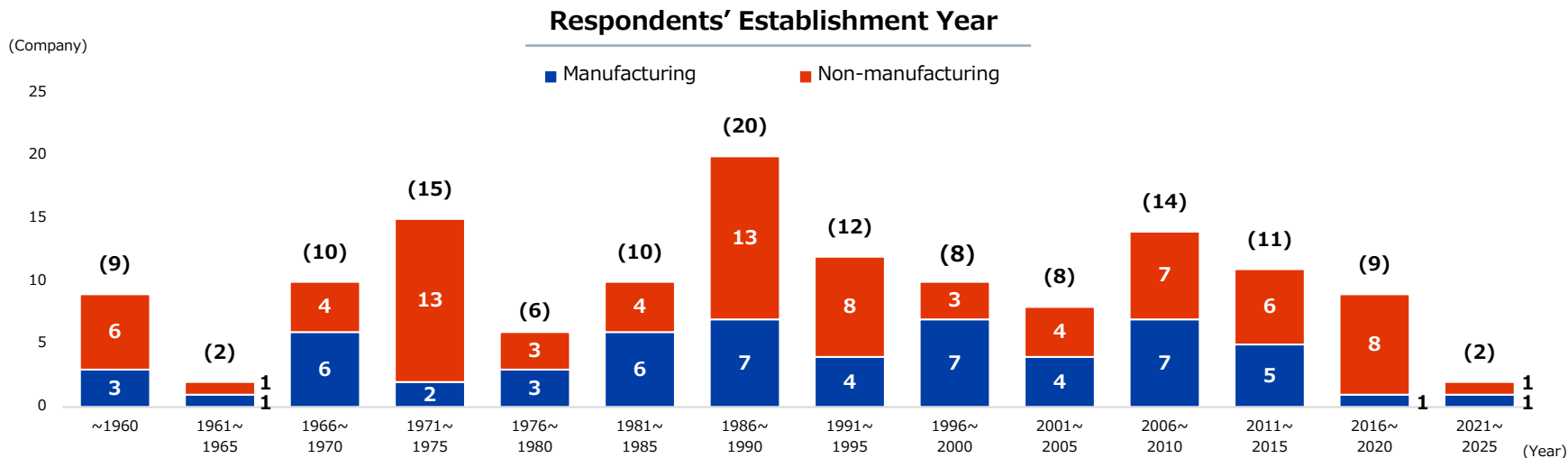
- (1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
- (2) The firms that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
- (3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
- (4) In cases where the denominator of the number of respondents for a given choice did not meet a certain number, that industry/choice was excluded from the survey.

Respondents by Industry and Region

(Unit: company, %)

			Total	Comp. Ratio	
Total			138	100	
By Industry					
Manufacturing	Total	Comp. Ratio	Non-manufacturing	Total	Comp. Ratio
	57	41.3		81	58.7
Automotive etc. parts	13	9.4	Sales companies/sales subsidiaries	19	13.8
General machinery	8	5.8	Trading/wholesale	16	11.6
Food	6	4.3	Transport	8	5.8
Automobiles etc.	6	4.3	Finance/insurance	8	5.8
Plastic products	5	3.6	Travel/amusement	8	5.8
Iron/non-ferrous metals/ fabricated metal products	5	3.6	Information and communications	7	5.1
Precision machines/medical equipment	4	2.9	Mining/energy	5	3.6
Electrical machinery/electronic devices	3	2.2	Professional and technical services	3	2.2
Railway/transport vehicles etc. parts	2	1.4	Retail trade	3	2.2
Rubber/ceramic/ stone and clay products	1	0.7	Education/Medical	1	0.7
Chemicals/medicines	1	0.7	Real estate and leasing	1	0.7
Other manufacturing	3	2.2	Other non-manufacturing	2	1.4
By Region (Manufacturing)			By Region (Non-manufacturing)		
Ontario	45	32.6	Ontario	47	34.1
British Columbia	5	3.6	British Columbia	22	15.9
Alberta	2	1.4	Alberta	7	5.1
Quebec City	2	1.4	Quebec	5	3.6
Manitoba	1	0.7			
Saskatchewan	1	0.7			
Nova Scotia	1	0.7			

Respondents' Establishment Year, Location, Number of Plants



(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

Breakdown of the Number of Respondent Sites

Number of Respondents	95			
	Number of companies			Number of sites
Number of sites	Manufacturing	Non-manufacturing	All industries	Total
No sites	0	0	0	0
1	22	26	48	48
2	13	12	25	50
3	2	5	7	21
4	2	2	4	16
5	1	2	3	15
6~10	1	3	4	29
11 or more	0	4	4	89
Total	41	54	95	268

Breakdown of the Number of Respondent Plants

Number of Respondents	60			
	Number of companies			Number of plants
Number of plants	Manufacturing	Non-manufacturing	All industries	Total
No plants	5	23	28	0
1	24	0	24	24
2	4	0	4	8
3 or more	2	2	4	20
Total	35	25	60	52

Numbers of Employees and Expatriates from Japan: Median Number Per Company: 70 and 1, Respectively

- The total number of employees of all respondent companies was 112,415, with **an average of 815 employees per company and a median of 70**. By industry, the median number of employees was 145 in the manufacturing sector, while it was 35 in the non-manufacturing sector.
- The total number of expatriates from Japan for all respondent companies was 343, with **an average of 2 expatriates per company and a median of 1**. By industry, the median number of expatriates was 2 in the manufacturing sector, while it was 1 in the non-manufacturing sector.

Number of Employees: Average and Median Numbers

(Unit: People)

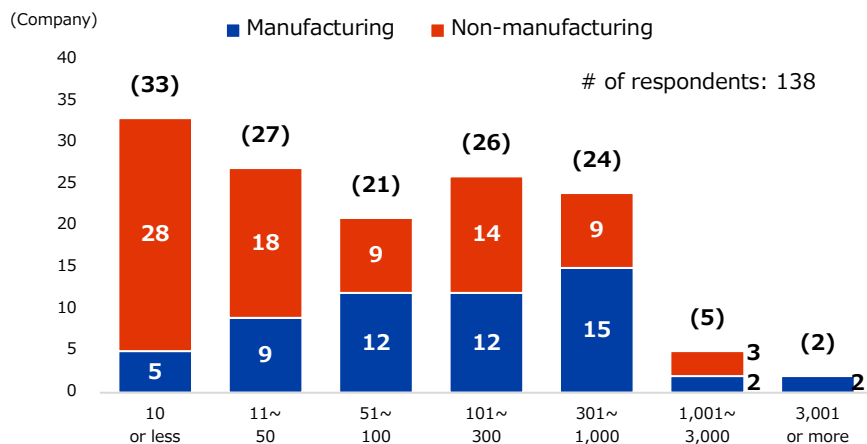
	Total number of employees	Average number	Median number
All industries(138)	112,415	815	70
Manufacturing(57)	97,061	1,703	145
Non-manufacturing (81)	15,354	190	35

Number of Expatriates from Japan: Average and Median Numbers

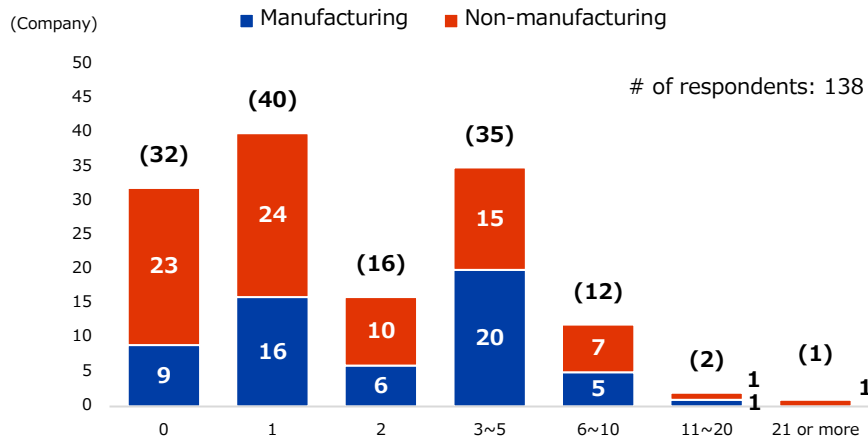
(Unit: People)

	Total number of expatriates from Japan	Average number	Median number
All industries(138)	343	2	1
Manufacturing(57)	150	3	2
Non-manufacturing (81)	193	2	1

Number of Employees by Industry



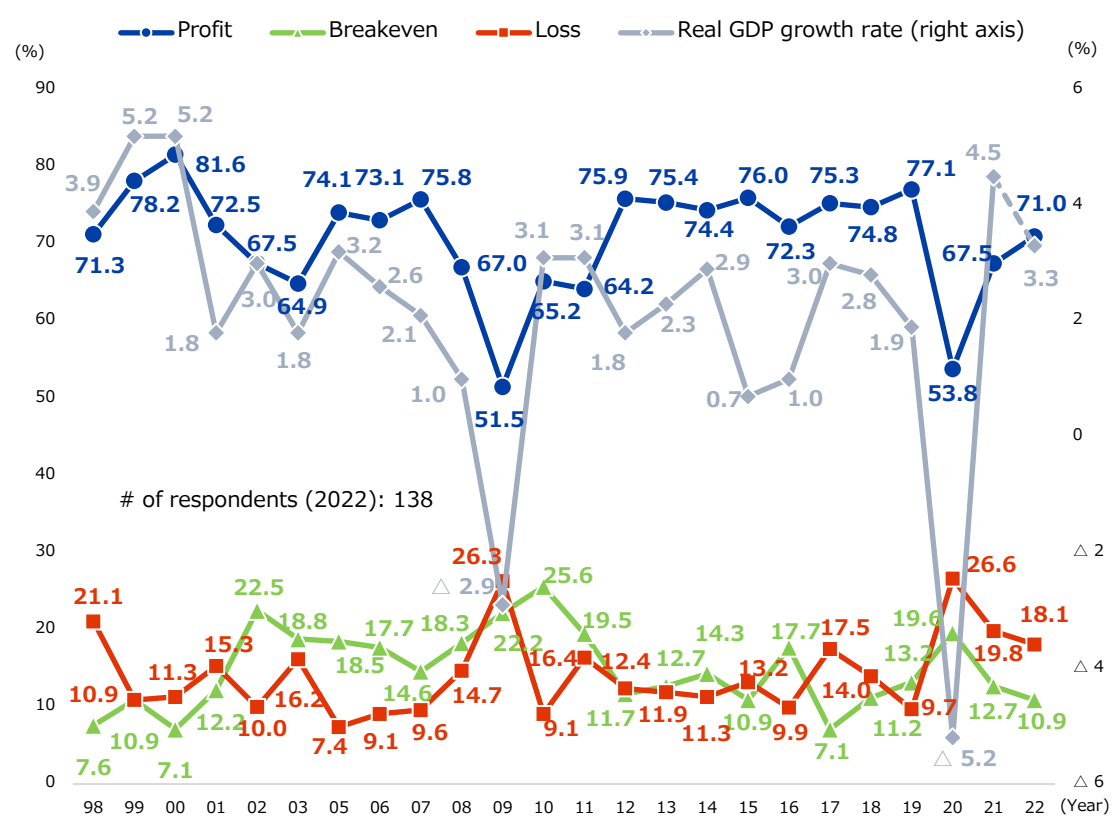
Number of Expatriates from Japan by Industry



1 | Operating Profit Forecast for 2022: "Profitable" Rose to Slightly Over 70%; 77% in Ontario

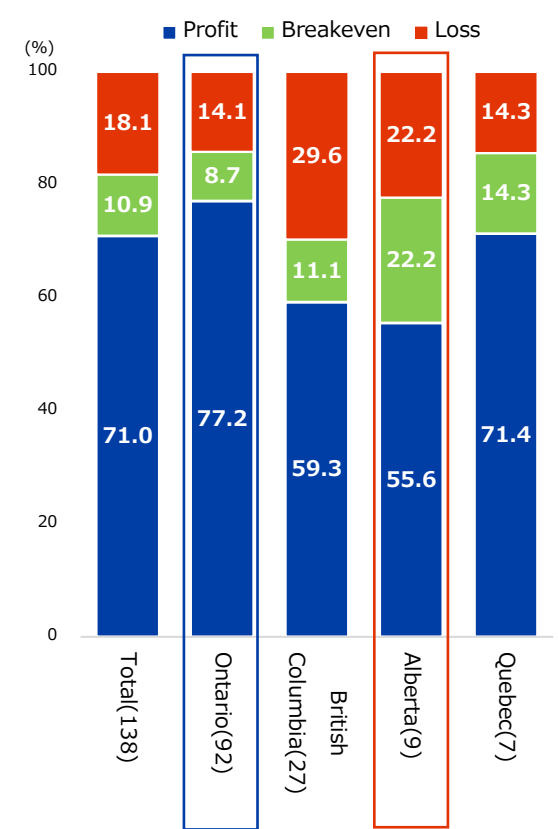
- 71.0% of companies expected to earn operating profit in 2022, which is an increase of 3.5 points from the previous year (67.5%). Despite not reaching the level seen in 2019 (77.1%) before the COVID-19 crisis, it recovered to over 70%. 18.1% of companies expected to suffer a loss.
- By region, the percentage of companies that expected to earn operating profit was the highest in Ontario (77.2%), while it was 55.6% in Alberta.

Operating Profit Forecasts and Canada's Real GDP Growth



(Note) The 2022 real GDP growth rate reflects IMF predictions (published October 2021). No survey was conducted in 2004.

2022 Operating Profit Forecast (By Region)



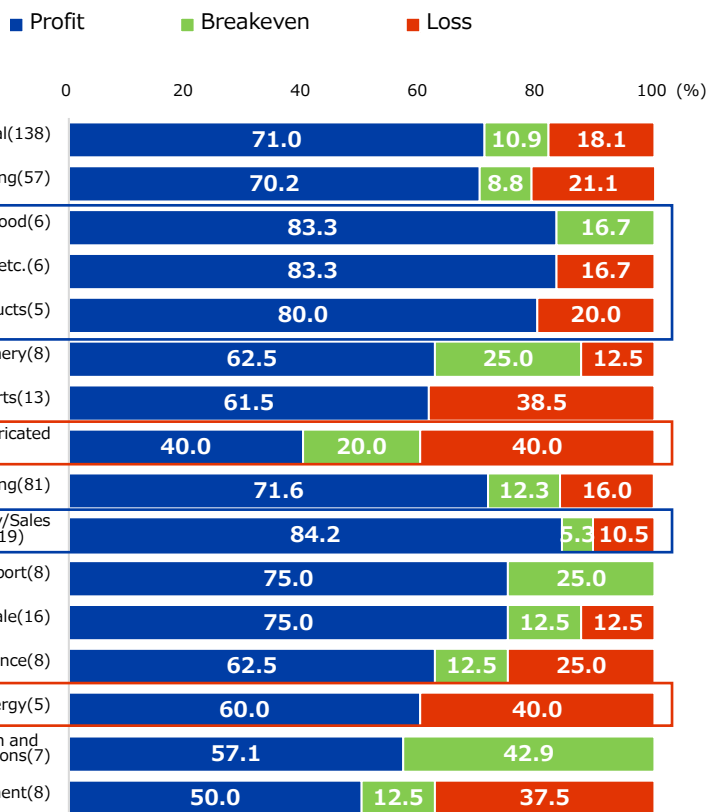
(Note) Only the provinces for which valid responses were received from at least 10 companies are listed.

2

2022 Operating Profit Forecast (By Industry): Over 80% of Sales Companies/Sales Subsidiaries and Those in Food and Automobiles etc. Expected Operating Profit

- The percentage of companies expecting to be profitable was highest among sales companies/sales subsidiaries (84.2%), followed by those in food (83.3%), automobiles etc. (83.3%), and plastic products (80.0%). 40.0% of companies in iron/non-ferrous metals/fabricated metal products expected to suffer a loss.
- While the recovery in demand from the COVID-19 crisis was cited as a factor affecting operating profit forecasts, some industries were damaged by supply chain disruptions. The spread of remote work put pressure on sales in the travel/amusement industry.**

2022 Operating Profit Forecast (By Industry)



Factors Affecting Operating Profit Forecasts (Free-form)

- Continued market recovery** from the **COVID-19 crisis** [Food]
- Review of fixed costs (rationalization)** and **increase in sales plans of clients** [Automotive etc. parts]
- Product price increases** considering **inflation** [Automotive etc. parts]
- Increased construction demand** which is supported by **strong Canadian economy** [Sales companies/sales subsidiaries]

Factors Affecting Operating Loss Forecasts (Free-form)

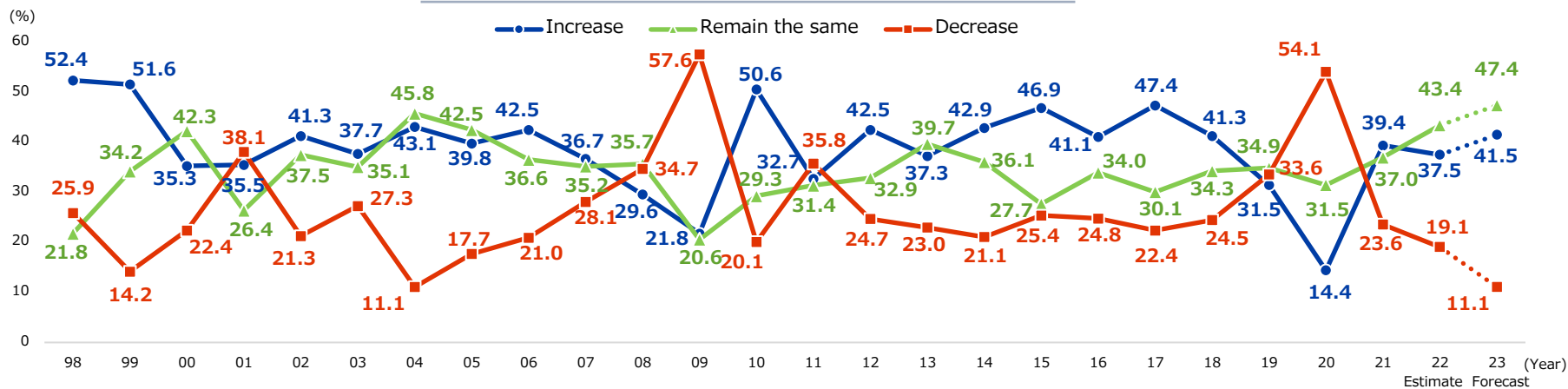
- Significant production cutbacks** by **clients** [Automotive etc. parts]
- Delay in passing on higher raw material and transportation costs to selling prices** [Iron/non-ferrous metals/fabricated metal products]
- Longer delivery times** (takes longer to be supplied) [Sales companies/sales subsidiaries]
- Increase in expenditures** for mine development [Mining/energy]
- Significant decrease in business travel and individual/group travel** due to the **COVID-19 crisis, and widespread use of remote conferencing** [Travel/amusement]

(Note) Only industries with five or more valid responses are listed.

3 Business Sentiment DI : Slightly Increased in 2022 to 18.4, and Further Increase Expected in 2023

- Regarding **operating profit forecasts for 2022**, 37.5% of companies expected their profits to increase from the **previous year**, while 43.4% expected them to remain the same and **19.1% expected them to decrease**. 41.5% expected their profits to increase in 2023.
- The DI for business sentiment** (difference between improvement and deterioration) **in 2022 stood at 18.4, up 2.6 points from the previous year** (15.8). A further increase to 30.4 is expected in 2023.

Year-over-Year Operating Forecast Profit Changes



of respondents (2022): 136
 # of respondents (2023): 135

Business Sentiment DI Trends

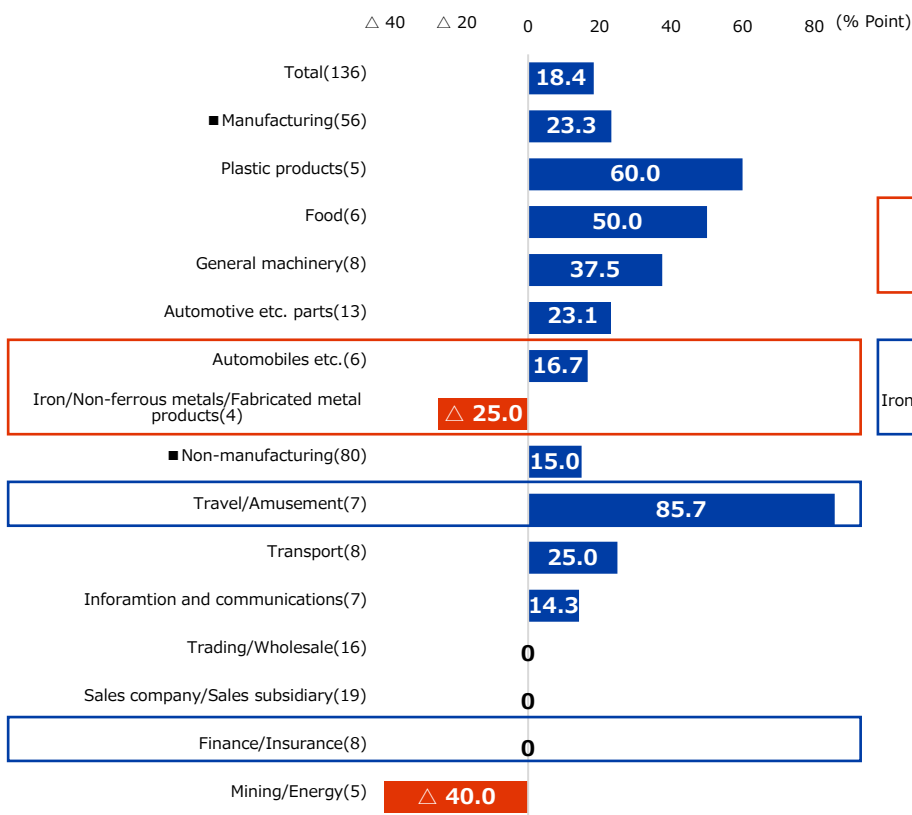


(Note) Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey.

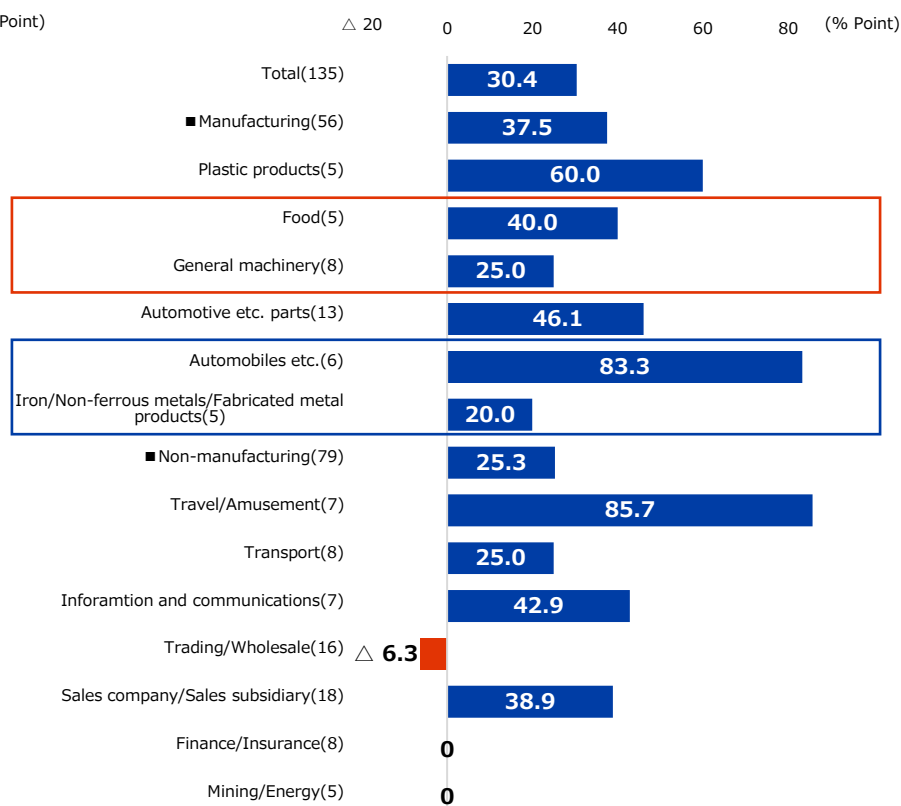
4 Business Sentiment DI (By Industry): Significant Improvement in Travel/Amusement and Finance/Insurance in 2022

- The DI for 2022 improved significantly from the previous year in **travel/amusement** (73.2 points increase) and **Finance/insurance** (66.7 points increase), but it **deteriorated in automobiles etc.** (58.3 points decrease) and **iron/non-ferrous metals/fabricated metal products** (41.6 points decrease).
- The DI for 2023 is expected to improve in **Automobiles etc.** (66.6 points increase) and **iron/non-ferrous metals/fabricated metal products** (45.0 points increase), but to **deteriorate in general machinery** (12.5 points decrease) and **food** (10.0 points decrease)

Business Sentiment DI for 2022 (By Industry)



Business Sentiment DI for 2023 (By Industry)



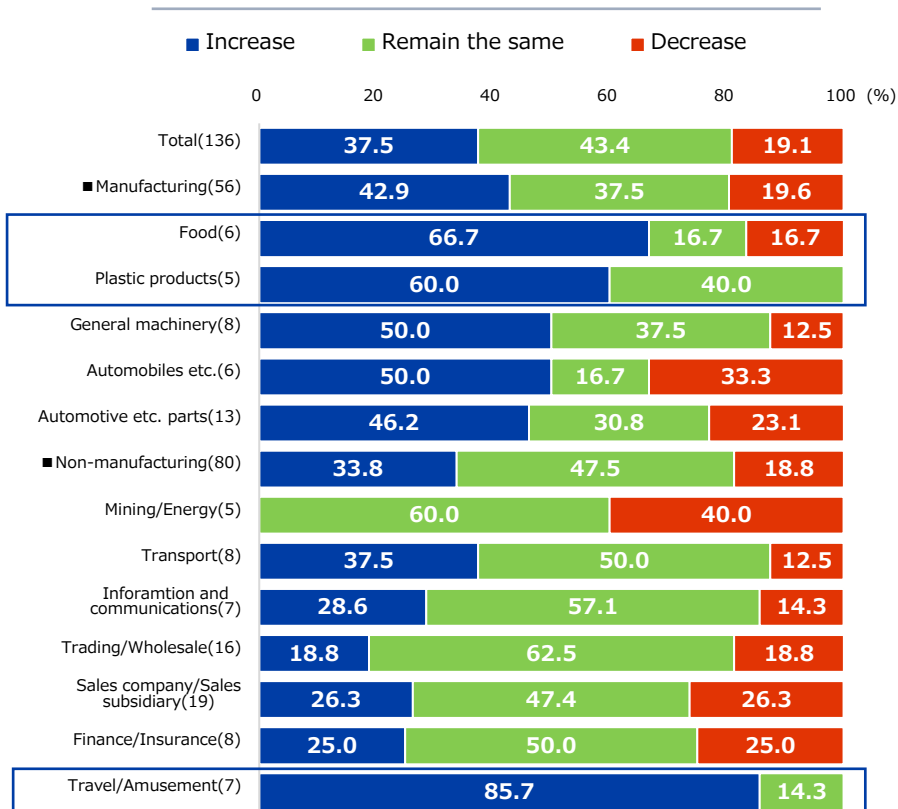
(Note) Only industries with five or more valid responses are listed in these charts..

5

2022 Operating Profit Forecast Compared to Previous Year (By Industry): More Increase in Manufacturing Sector, Driven by a Reactionary Increase Due to the Reduced Impact of COVID-19

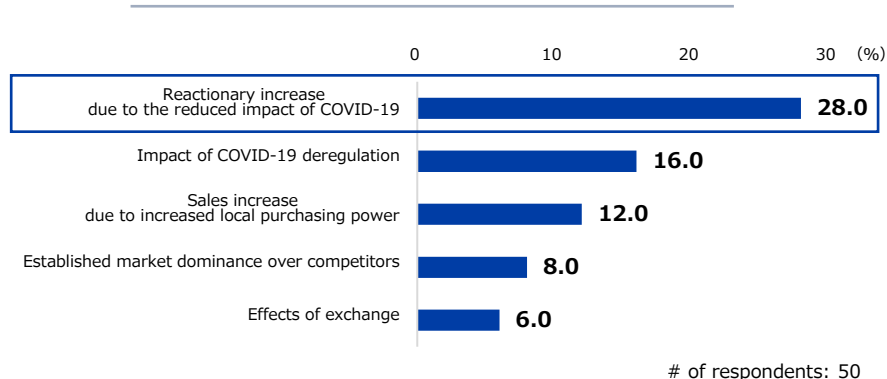
- Compared to the previous year, the percentage of companies that expected an “increase” was larger in the manufacturing sector than in the non-manufacturing sector. The percentages in food (66.7%) and in plastic products (60.0%) were higher in the former sector, and the percentage in travel/amusement (85.7%) was highest in the latter sector.
- The largest contributor to “increase” was a reactionary increase due to the reduced impact of COVID-19, while rising raw material procurement/parts procurement costs were cited as the biggest reason for a “decrease”.**

Change in Operating Profit Forecasts from the Previous Year (By Industry)

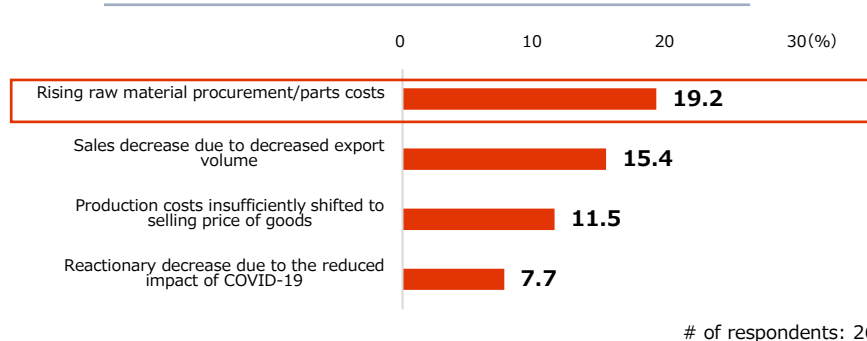


(Note) Only industries with five or more valid responses are listed.

Reasons for Improved Operating Profit Forecasts (Main Reasons)



Reasons for Deteriorated Operating Profit Forecasts (Main Reasons)

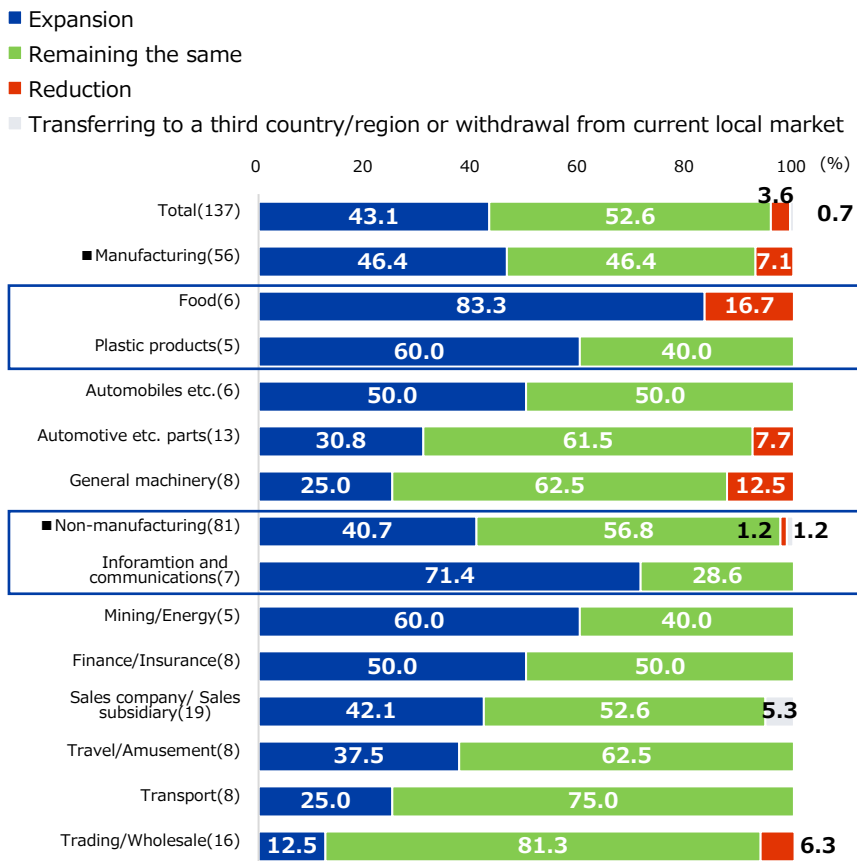


(Note) Only top items are listed.

1 | Future Business Development: Business Expansion Recovered to Slightly Over 40%

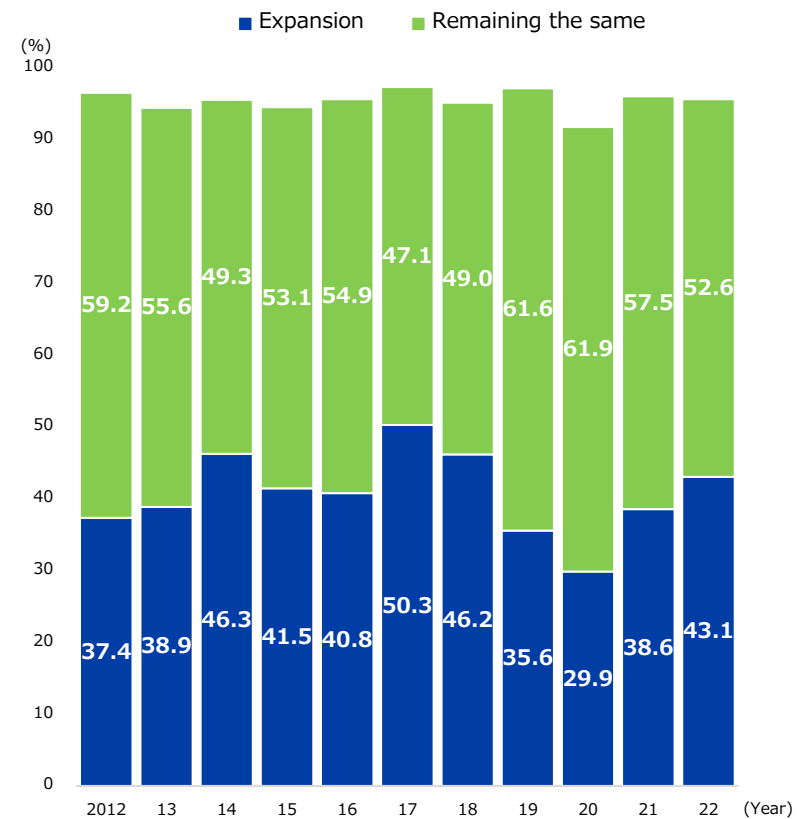
- **Around 40% (43.1%) of respondents are expanding their business over the next one or two years, exceeding the level seen in 2019 (35.6%) before the COVID-19 pandemic.**
- Industries that showed high "expansion" percentages were food (83.3%) and plastic products (60.0%) in manufacturing, and information and communication (71.4%) and mining/energy (60.0%) in non-manufacturing.

Business Direction in the Next 1-2 Years (By Industry)



(Note) Only industries with five or more valid responses are listed.

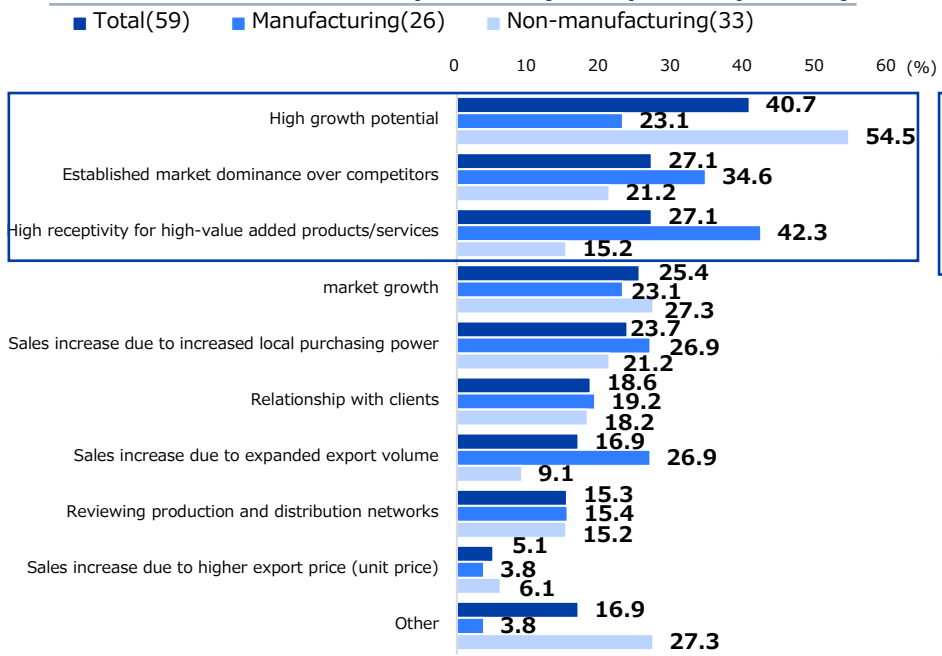
Trends in Business Expansion for Next 1-2 Years



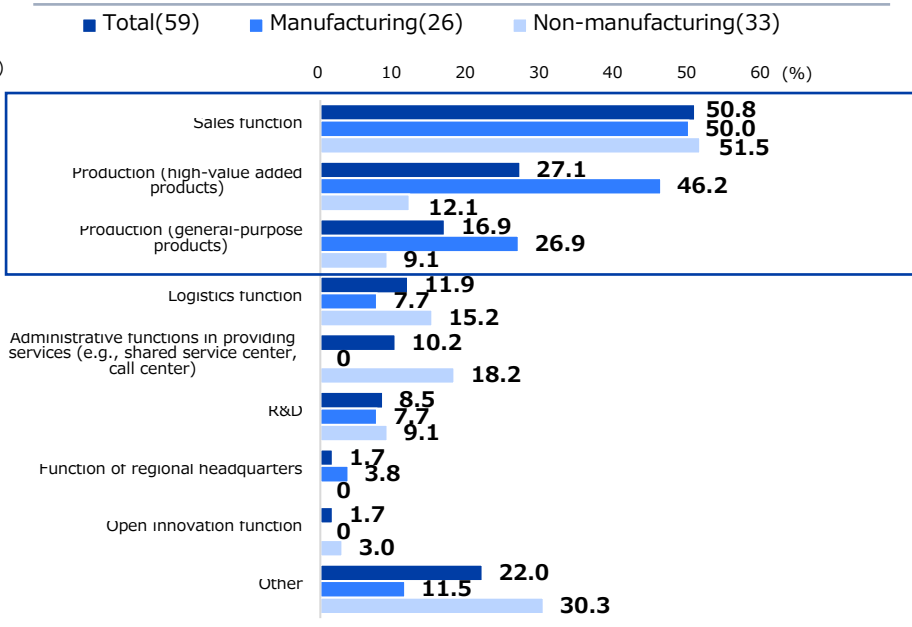
2 | Reasons for Business Expansion: High Growth Potential Cited by About 40%

- **About 40% (40.7%)** of respondents said that the **main reason for business expansion in the next 1-2 years** was the **“high growth potential of the Canadian market”**, followed by “established market dominance over competitors” (27.1%), and “high receptivity for high-value added products/services” (27.1%).
- **In terms of functions to be expanded, “sales function”** accounted for **50.8%**, followed by “production (high-value added products)” (27.1%) and “production (general-purpose products)” (16.9%).

Reasons for Business Expansion (Multiple Responses)



Specific Functions to Be Expanded (Multiple Responses)



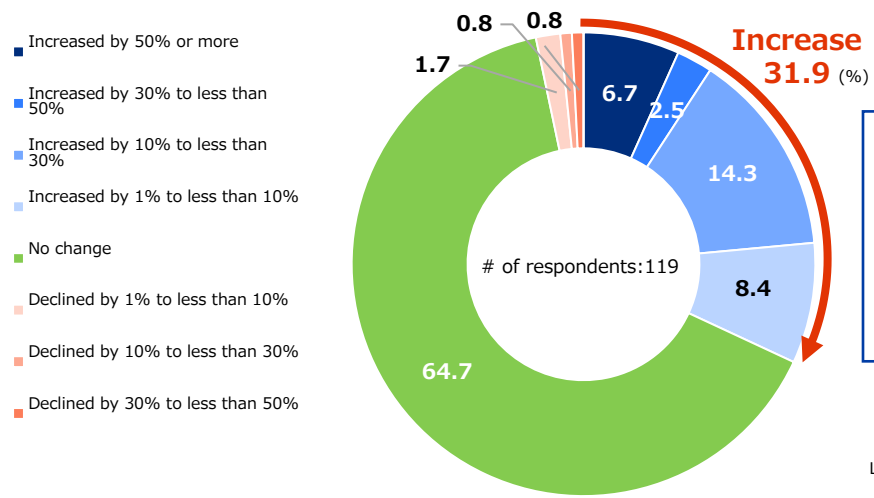
Specific Reason for “Other” as a Reason for Business Expansion (Free-form)

- **Development of new products** [Other non-manufacturing]
- **Increase in sales** due to **improvement** (increase) **in supply of semiconductors** [Sales companies/sales subsidiaries]
- **Increase in new customers** [Information and communications]
- **Market expansion** [Travel/amusement]
- **Growth in the carbon neutral market** [General machinery]
- **Planned start of production at the end of 2023** [Mining/energy]
- **Securing of labor force** [Information and communications]
- **Strengthen collaboration** with **US sales force** [Finance/insurance]
- Policy to **increase resource exploration activities** in Canada, **which has room for resource discovery** and is **politically stable** [Mining/energy]

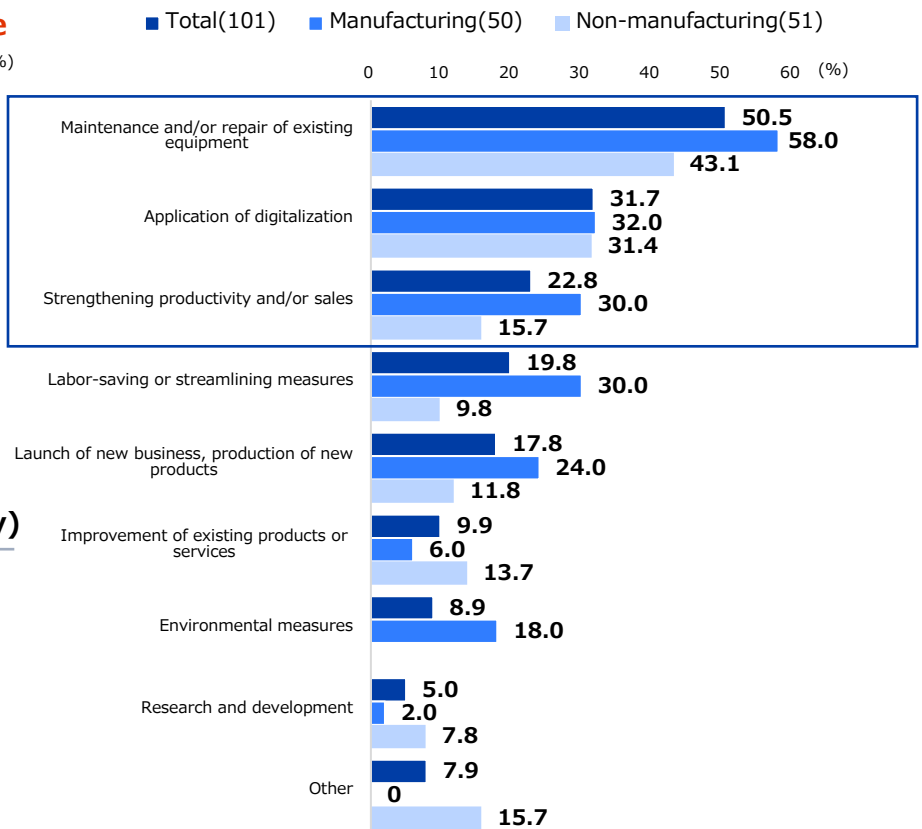
3 | Changes in Capital Investments: Slightly Over 30% of Respondents Exceeded the Previous Year

- In 2022, 31.9% of** respondents said their capital investments for 2022 **surpassed those in the prior year** in terms of monetary amount, this being 1.1 point up from the previous survey (30.8%). 3.3% of respondents were below the previous year's level, down 3.4 percentage points from the previous survey (6.7%).
- Top answers for the purposes of capital investments were “maintenance and/or repair of existing equipment”** (50.5%), “application of digitalization” (31.7%), and “strengthening productivity and/or sales (22.8%).

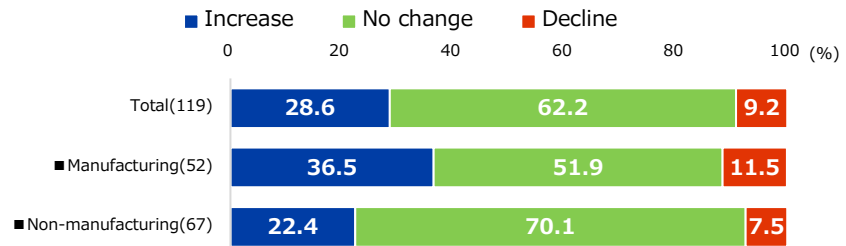
2022 Changes in Capital Investments



Purpose of Capital Investments (Multiple Answers)



Capital Investment Plans for 2023 and Beyond (By Industry)

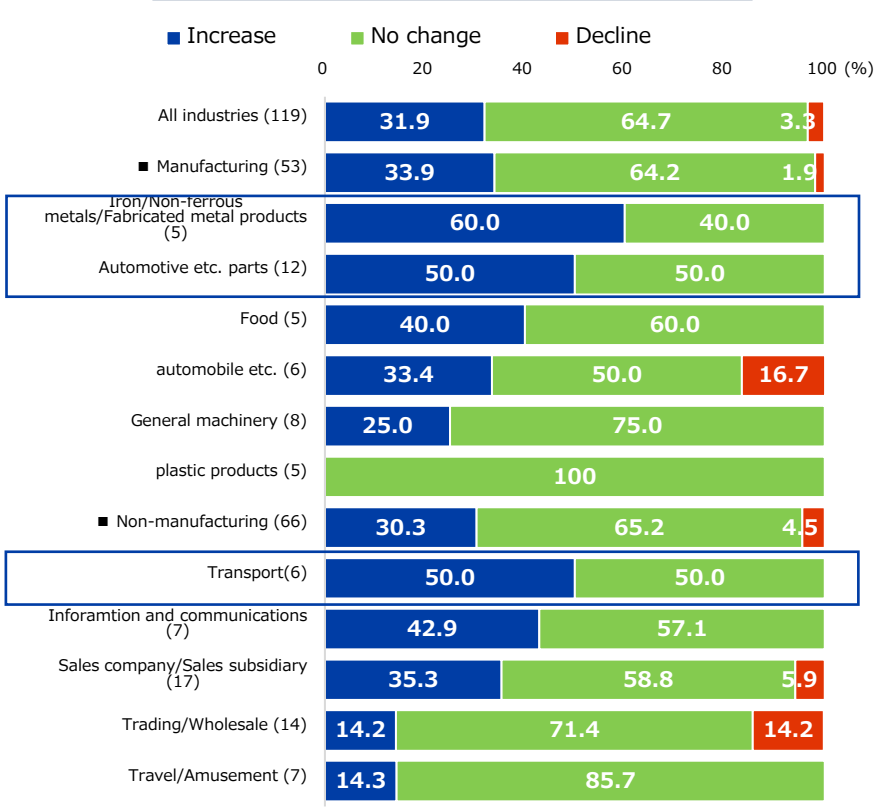


(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses at each point in time. Copyright © 2023 JETRO. All rights reserved.

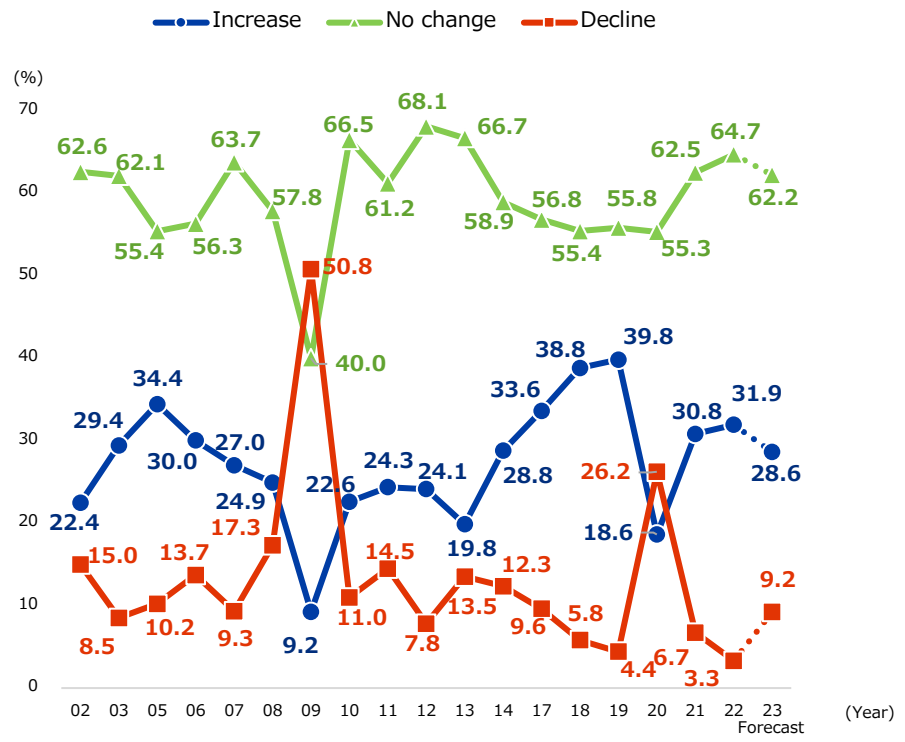
4 | Changes in Capital Investments (By Industry): "Increase" Accounts for 60% of Respondents in Iron/Non-ferrous Metals/Fabricated Metal Products

- A comparison of changes in capital investments in 2022 by industry shows that the proportion of respondents citing an "increase" from the previous year was high in iron/non-ferrous metals/fabricated metal products (60.0%) and automotive etc. parts and transport (50.0% each).
- The proportion of respondents that made an "increase" in capital investments from the previous year was 30.8% in 2021 and 31.9% in 2022, amounting to an increase two years in a row. However, it is expected to decrease to 28.6% in 2023.

Changes in Capital Investments in 2022



Trends in Annual Changes in Capital Investments (2002-2023 Forecasts)



of respondents (2022): 119
 # of respondents (2023): 119

(Note) No survey was conducted in 2004. This question was not asked in 2015 and 2016.

(Note) Only industries with five or more valid responses are listed.

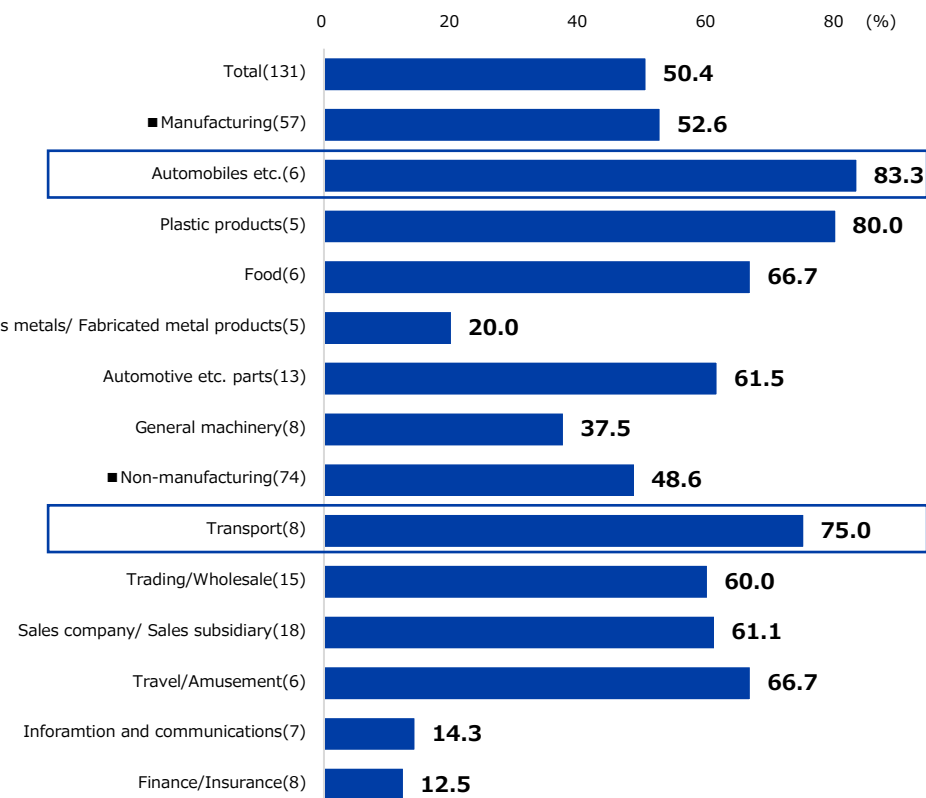
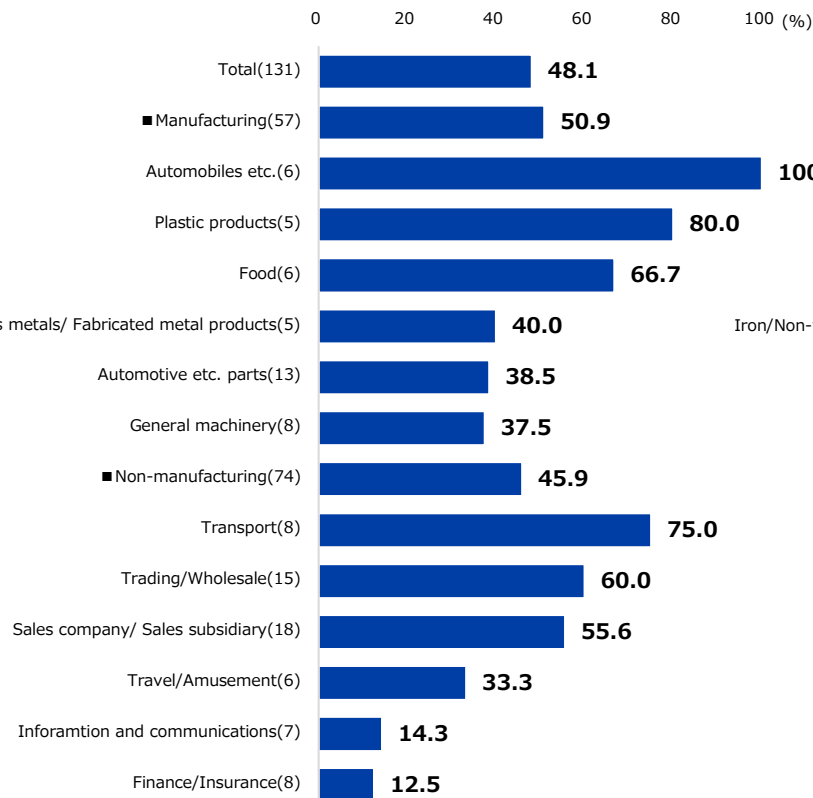
5

Reviewing the Supply Chain: Slightly Over Half of Companies Have Plans for Review in the Near Future

- **Nearly 50%** (48.1%) of the companies **reviewed their supply chain** (sales, procurement and manufacture) in the period from the outbreak of COVID-19 to the time of the survey (September 2022). **Slightly over half** (50.4%) **of respondents have plans for review** in the near future.
- By industry, the percentage of companies that plan to review their supply chains going forward shows that the proportion was high among those in Automobiles etc. (83.3%) in manufacturing and those in Transport (75.0%) in non-manufacturing.

Percentage of Respondents Reviewed Their Supply Chains from COVID-19 Outbreak to Time of Survey (By Industry)

Percentage of Respondents With Plans to Review Supply Chain Going Forward (By Industry)

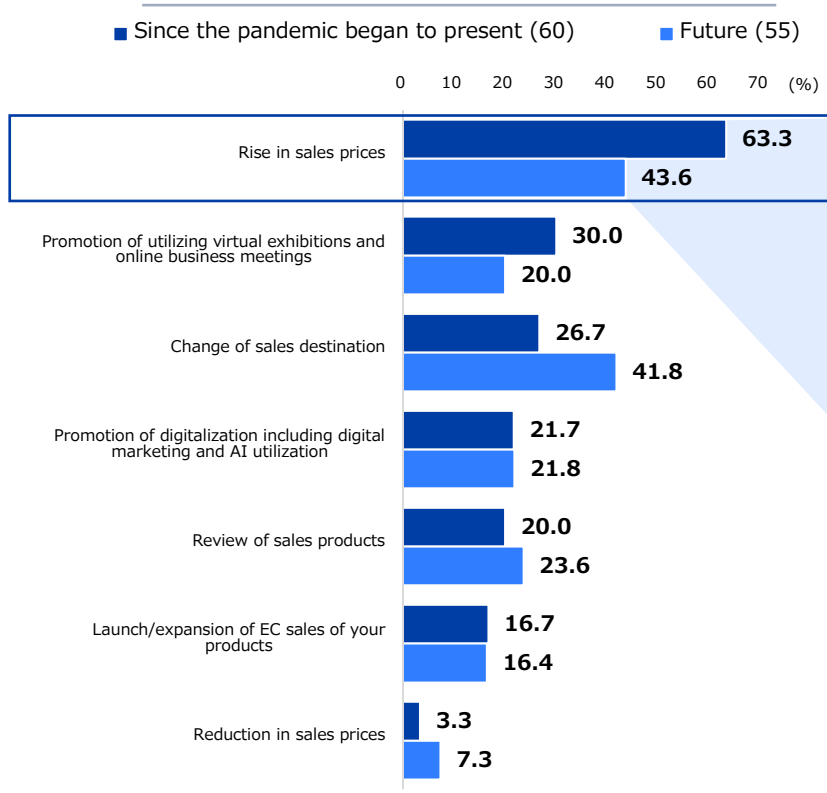


(Note) Only industries with five or more valid responses are listed.

6 | Details of Sales Reviews Going Forward: "Increase in Sales Prices" Given as the Main Revision

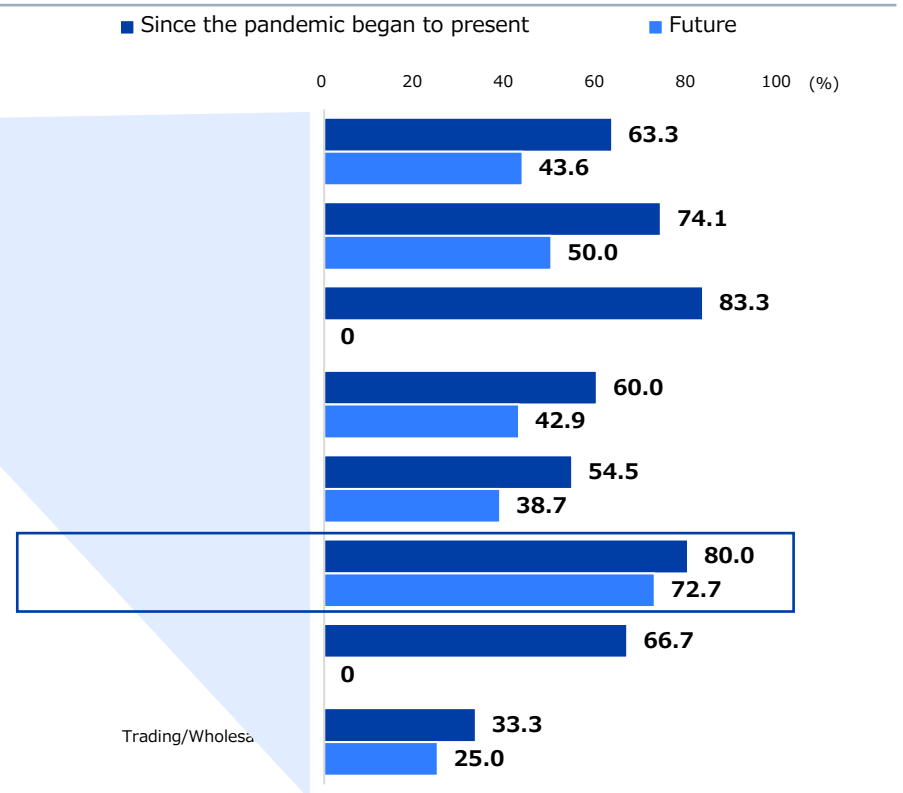
- **"Rise in sales prices"** was cited the most by companies as the **nature of their sales reviews**, for both the period from the outbreak of COVID-19 to the time of the survey and going forward (63.3% up to the time of the survey, and 43.6% going forward).
- Looking at the percentage of respondents who cited "increase in sales price" by industry, we find that sales companies accounted for more than 70% up to the time of the survey (80.0%) and in the future (72.7%).

Details of Sales Review (By Point in Time)



(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses at each point in time.

Percentage of Respondents Citing "Raising The Selling Price" (By Industry/Point in Time)



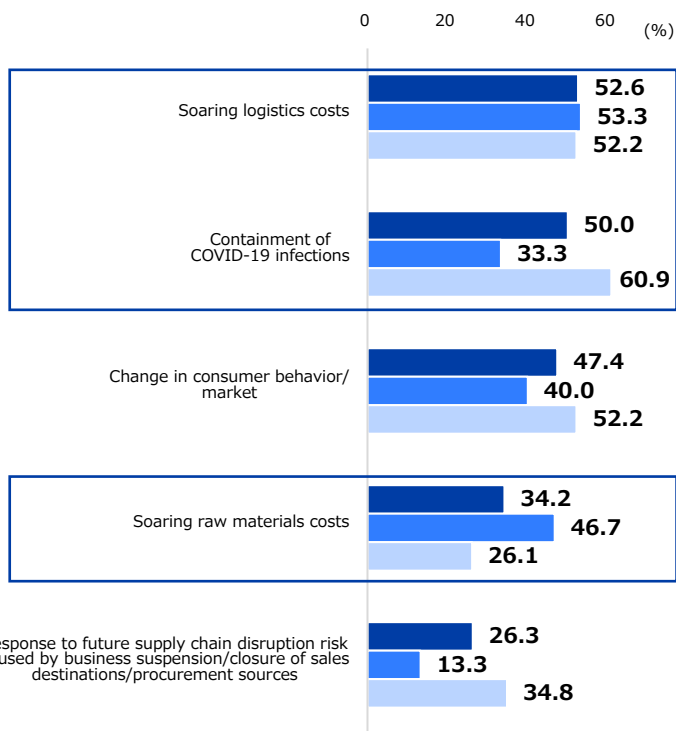
(Note) Only industries with five or more valid responses are listed.

7 | Reasons for Sales Reviews Going Forward; Countries/Regions to Become New Sales Destinations Going Forward: "Soaring Logistics Costs" and "Containment of COVID-19 Infections" were The Top Reasons

- The top reason given for **sales reviews going forward** was **"soaring logistics costs"** (52.6%). In manufacturing, "soaring raw material costs" (46.7%) followed. In non-manufacturing, the top reason was "containment of COVID-19 infections" (60.9%).
- Canada was the most frequently cited country/region for both sales destination reviews and new target sales market. **11 changes in sales destinations were made within Canada, representing 55.0% of the total** (20 changes).

Reasons for Sales Reviews Going Forward (Multiple Answers, By Industry)

■ Total (38) ■ Manufacturing (15) ■ Non-manufacturing (23)



Changes to Sales Destinations (Multiple Answers)

(Cases)

		New Sales Markets after Reassessment						
		Canada	U.S.	Central and South America excluding Mexico	China	End of sales	NA	Total
Sales Markets to be Changed	Canada	11	2			1	1	15
	Mexico			1				1
	Japan	1						1
	Other					1		1
	Start of sales	1			1			2
	Total	13	2	1	1	2	1	20

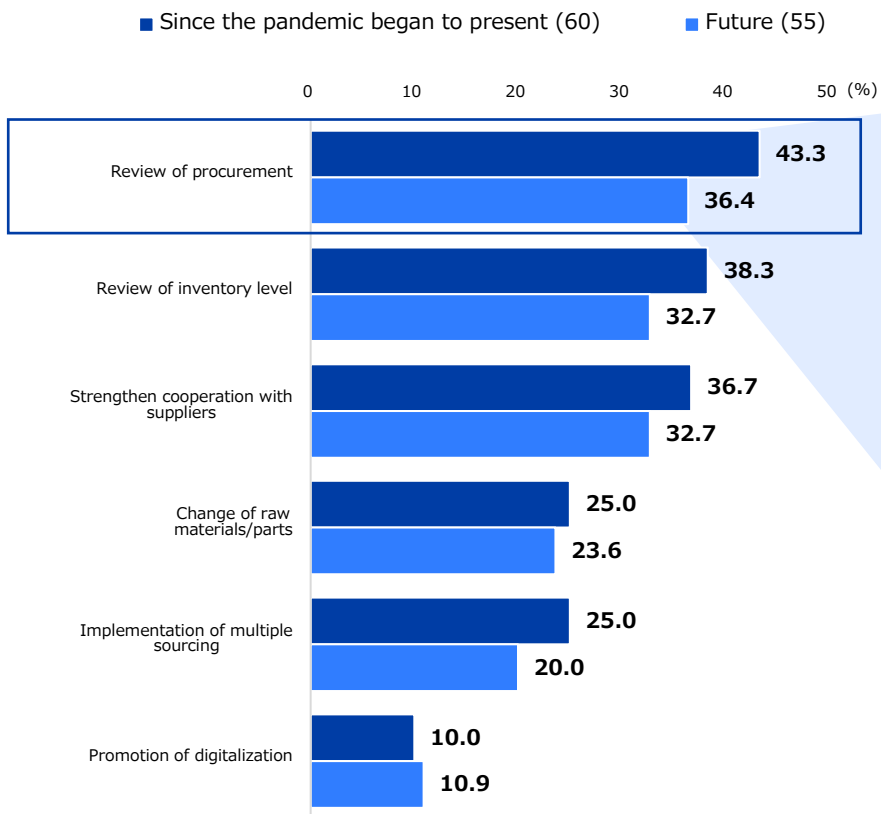
(Note) Excerpt only for top item; figures in parentheses accompanying the legend are the number of companies that gave valid responses in each industry. (Note) Five or more changes are shown in bold.

8

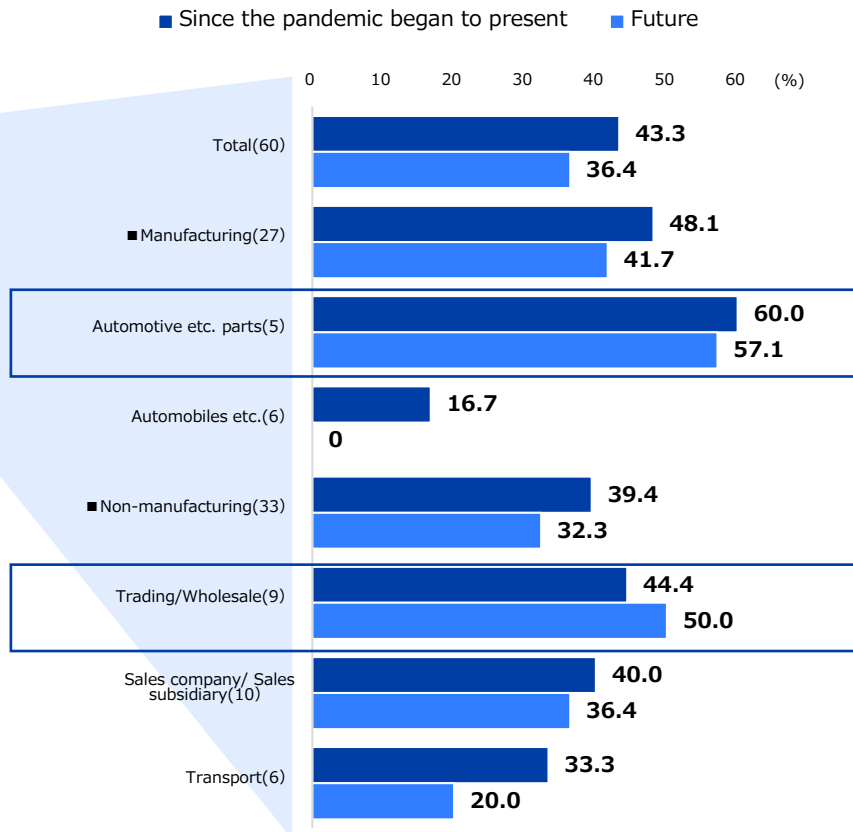
Details of Procurement Reviews: At Least 40% of Manufacturing Companies Cited Revisions of Procurement Sources and Inventory Quantities

- **“Reviews of procurement sources”** (43.3% up to the time of the survey, 36.4% in the future) was the most commonly cited **procurement review**, both for the period between the outbreak of COVID-19 to the time of the survey (Sep. 2022) and regarding plans going forward.
- By industry, the proportion of respondents citing “reviews of procurement sources” was particularly high in Automobiles etc. parts (60.0% and 57.1%) in manufacturing, and in trading/wholesale (44.4% and 50.0%) in non-manufacturing.

Procurement Reviews (By Point in Time)



Percentage of Respondents Citing “Reviews of Procurement Sources” (By Industry/Point in Time)



(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses at each point in time.

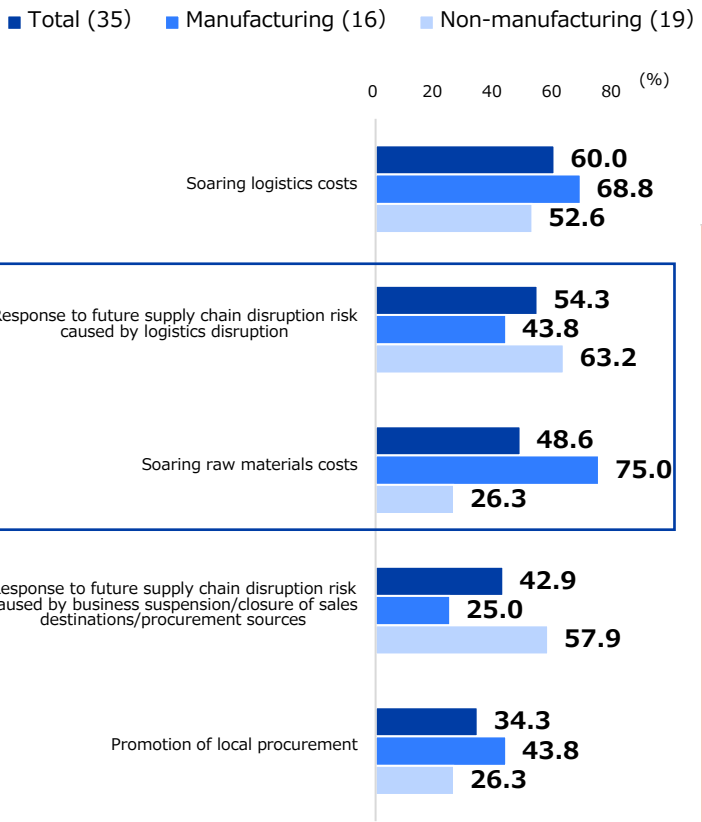
(Note) Only industries with five or more valid responses are listed.

9

Reasons for Procurement Reviews Going Forward; Countries/Regions to Become New Procurement Sources Going Forward: Soaring Logistics and Raw Material Costs and Risk Management Cited as Main Reasons

- For the manufacturing sector, the most common reason for procurement reviews going forward was “soaring raw material costs” (75.0%). For the non-manufacturing sector, it was “response to future supply chain disruption risk caused by logistics disruption” (63.2%).
- The U.S. was the most frequently selected procurement source after review (6 cases).

Reasons for Procurement Reviews Going Forward (Multiple Responses, By Industry)



Changes to Procurement Sources (Multiple Responses)

(Cases)

		New Procurement Sources After Review								
		U.S.	Central and South America excluding Mexico	China	Mexico	ASEAN	Europe	Other	NA	Total
Procurement Sources to be Changed	U.S.			1	1				1	3
	Japan			1		1	1			3
	Canada	1	1							2
	China	1							1	2
	Korea	1						1		2
	Mexico		1							1
	ASEAN	1								1
	Russia/CIS							1		1
	Other	1							1	2
	Start of new procurement	1								1
Total	6	2	2	1	1	1	2	3	18	

(Note) Excerpt only for top items; figures in parentheses accompanying the legend are the number of companies that gave valid responses in each industry.

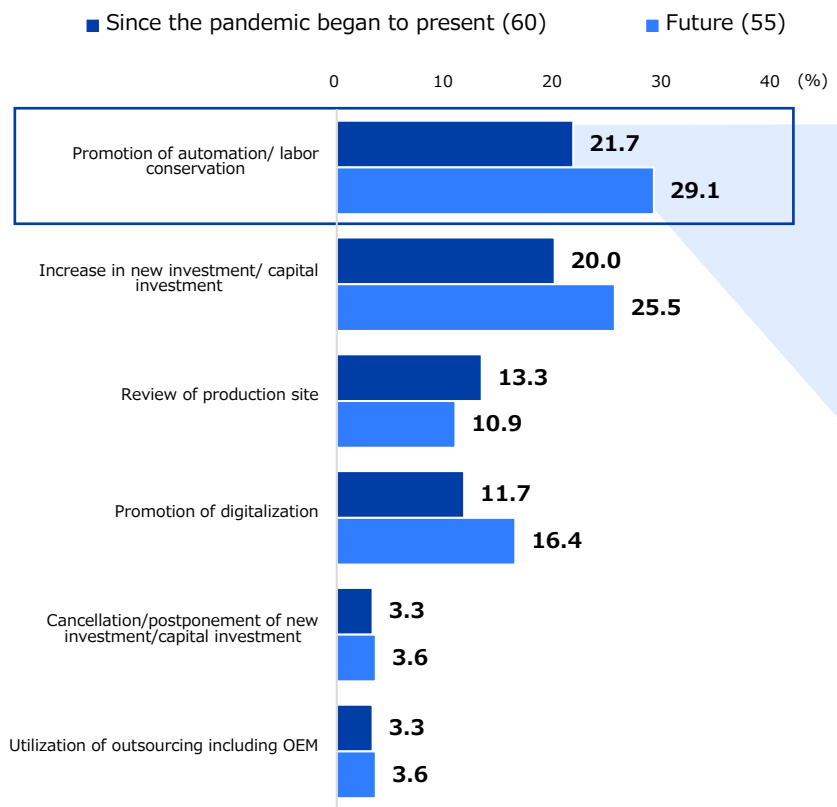
(Note) five or more changes are shown in bold.

10

Details of Production Reviews: Progress in Automation and Labor Saving, and Expansion of New Investment/Capital Investment

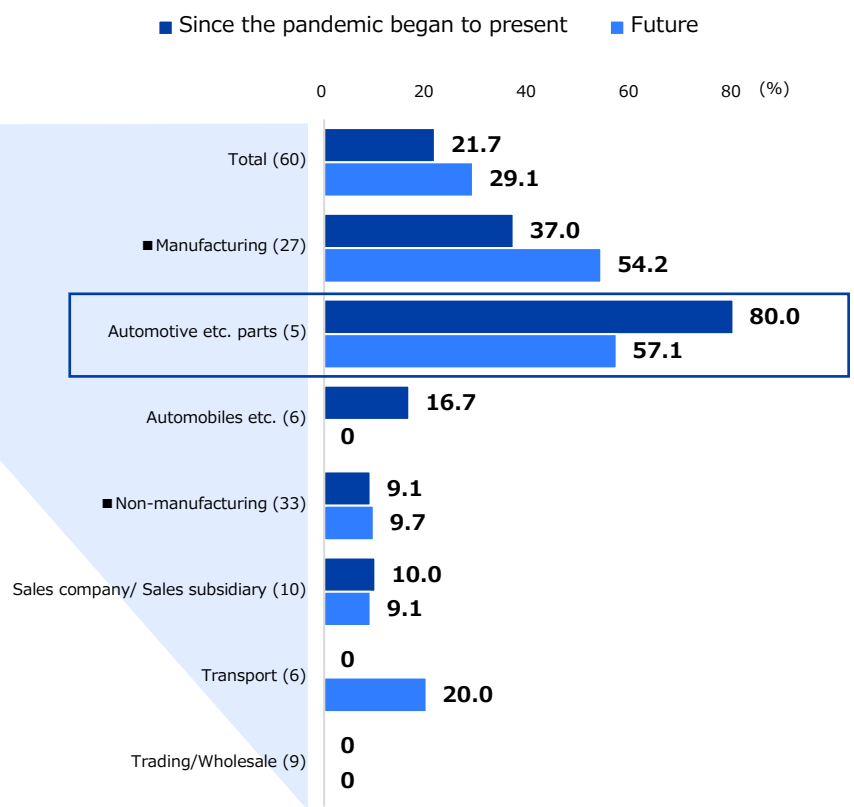
- **“Promotion of automation/labor conservation”** and **“increase in new investment/capital investment”** were highly cited as the kinds of production reviews that companies were making both in the period from the COVID-19 outbreak to the time of the survey in the latter half of 2022 and going forward.
- By industry, the percentage of respondents who indicated “promotion of automation/labor conservation” was high in Automotive etc. parts in both periods, from the COVID-19 outbreak to the time of the survey and going forward.

• Details of Production Reviews (By Time)



(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses in each industry.

• Respondents Citing “Promotion of Automation/ Labor Conservation” (By Industry/Point of Time)



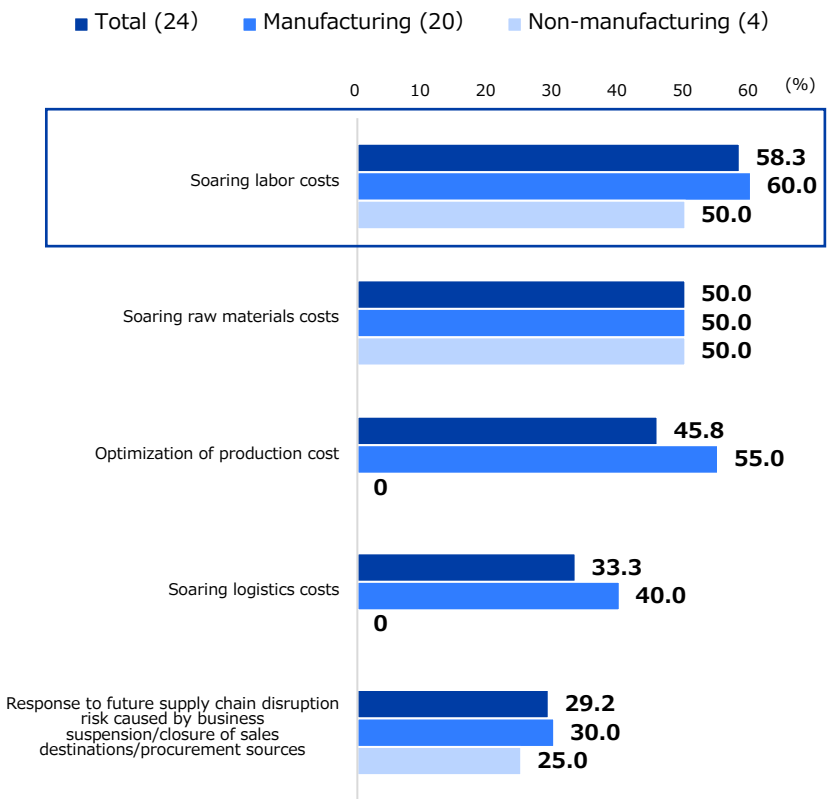
(Note) Only industries with five or more valid responses are listed.

11

Reasons for Production Reviews Going Forward; Countries/Regions to Become New Production Sites: Rising Costs Spill Over into Production Review

- The most common reason given for revising **production in the future** was **“soaring labor costs”** (58.3%). In particular, this response was given by 60% of companies in the manufacturing sector.
- Canada, the U.S., Mexico, and China were the most frequently cited production sites to be changed, and Latin America, ASEAN, and Mexico were the most desired new production sites after the change.

Reasons for Future Production Reviews (Multiple Answers, By Industry)



Changes in Production Sites (Multiple Answers)

(Cases)

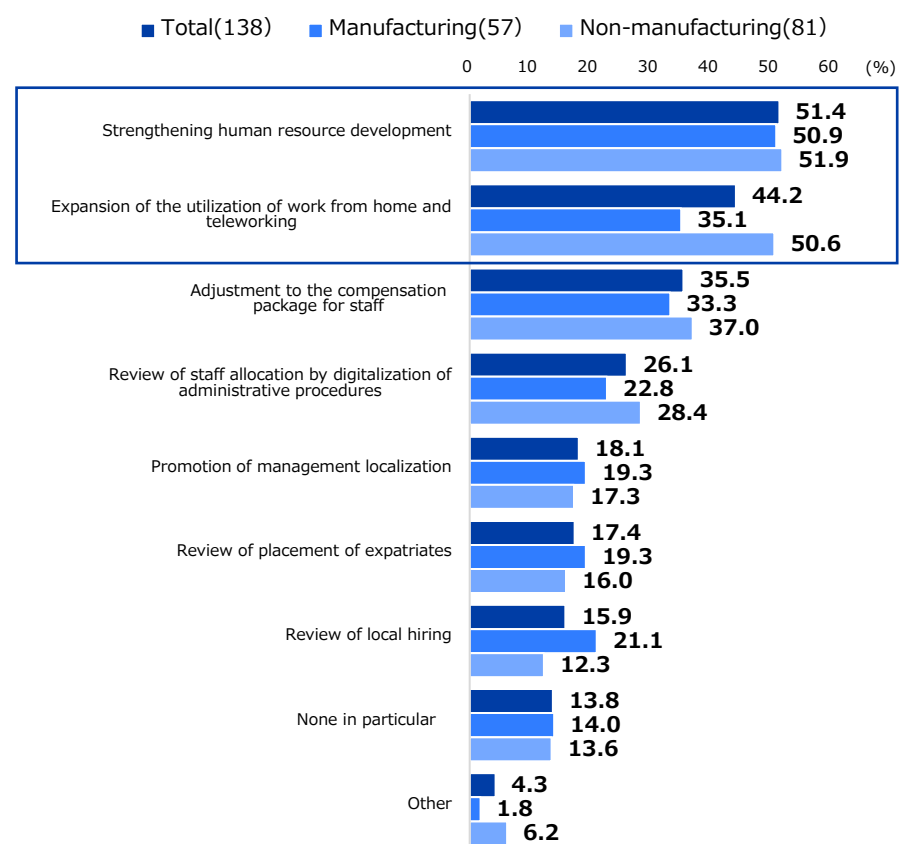
		New Production Sites After Change			
		Central and South America excluding Mexico	Mexico	ASEAN	Total
Production Sites to be Changed	Canada	1			1
	U.S.		1		1
	Mexico	1			1
	China			1	1
	Total	2	1	1	4

(Note) Excerpt only for top items; figures in parentheses accompanying the legend are the number of valid responses in each industry.

12 | Future Reviews of Control/Management System: Many Companies Promoting HR Development/Management

- In terms of **future reviews of management/administrative systems**, the largest numbers of companies in both manufacturing and non-manufacturing cited **"strengthening human resource development"** with **more than 50%** in both industries giving this answer (manufacturing: 50.9%, non-manufacturing: 51.9%).
- This was followed by **"review of use of telework and telecommuting"** (manufacturing: 35.1%, non-manufacturing: 50.6%).

Details of Reviews of Control/Management Systems Going Forward (Multiple Answers, By Industry)



(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses in each industry.

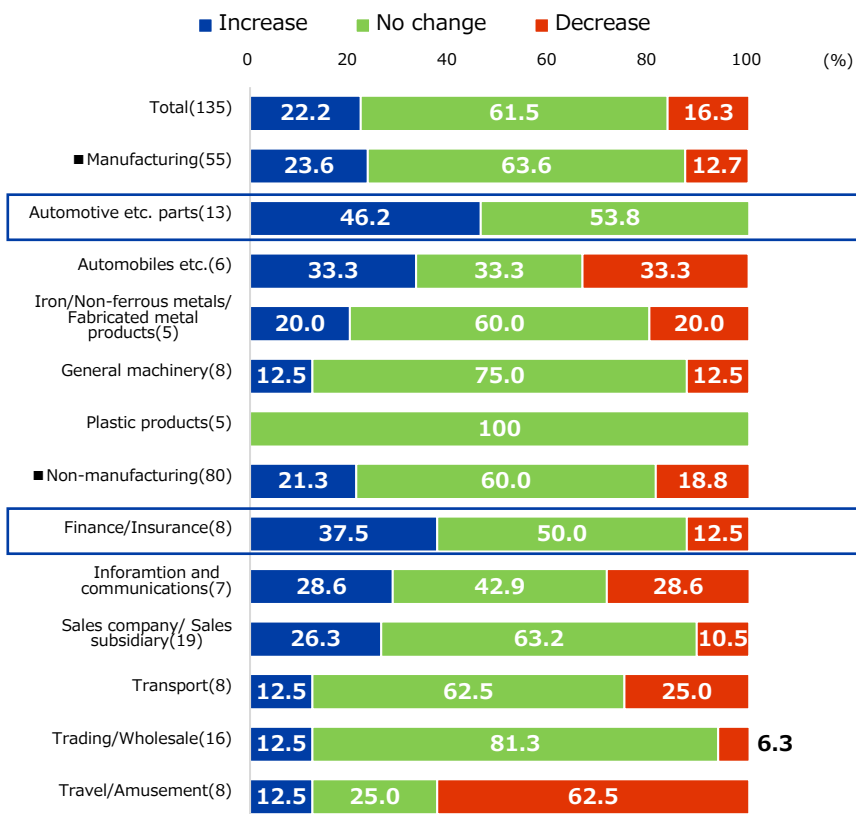
Specific Reasons for "Other" (Free-form)

- **Securing non-Canadian workers** (e.g., Mexican, Filipino, etc.) [Food]
- **Strengthening our compliance system** [Finance/insurance]
- **Closure of Canadian operations** [Sales companies/sales subsidiaries]
- **Stable mine operations immediately after commissioning** [Mining & energy]
- **Transfer of development department outside Canada** due to **difficulties in hiring engineers** [Information and communications]
- Considering future **employment of local residents** [Business-related services]

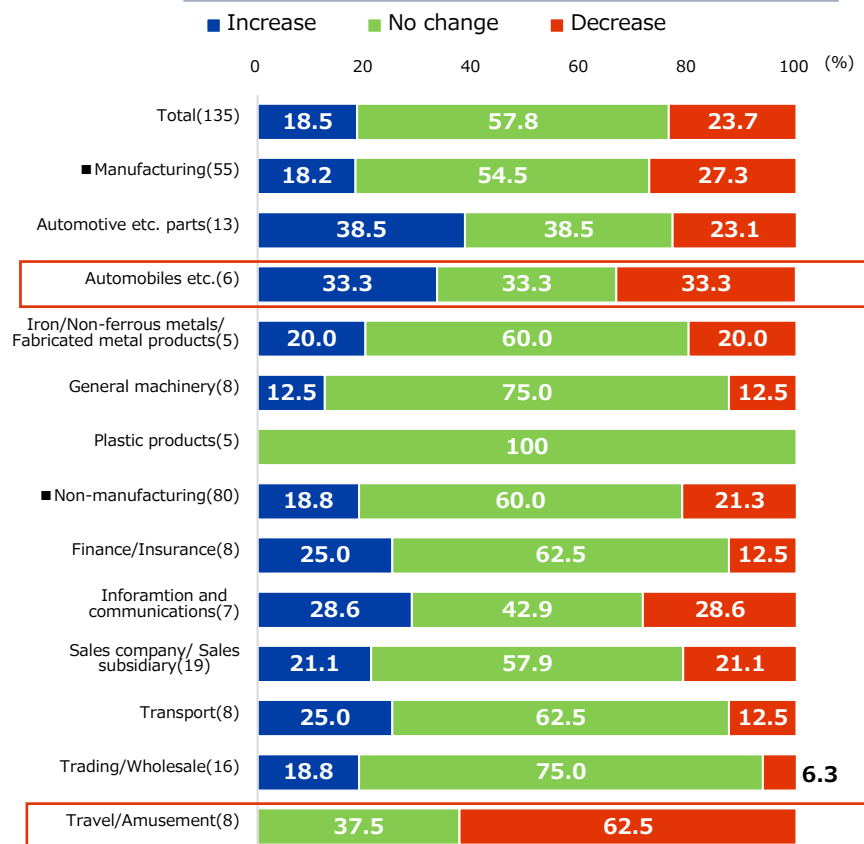
1 | Changes in the Number of Local Employees (Over Past Year/Pre-COVID-19): "Decrease" Exceeded "Increase" from Pre-COVID-19 Outbreak

- More than 60% of the companies maintained their number of local employees over the past year. 22.2% of the companies cited an "increase", and 16.3% cited a "decrease". Looking at this by industry, we see that more than 30% of the companies in Automotive etc. parts and in Finance/insurance said there had been an "increase" their number of local employees.
- 57.8% said they had maintained their number of local employees versus pre-COVID-19 times. 23.7% cited a "decrease" in their number and 18.5% cited an "increase". "Decrease" was high in travel/amusement(62.5%) and in automobiles etc.(33.3%).**

Changes in Number of Local Employees (Change Over the Past Year, By Industry)



Changes in Number of Local Employees (Change From Pre-COVID-19, By Industry)

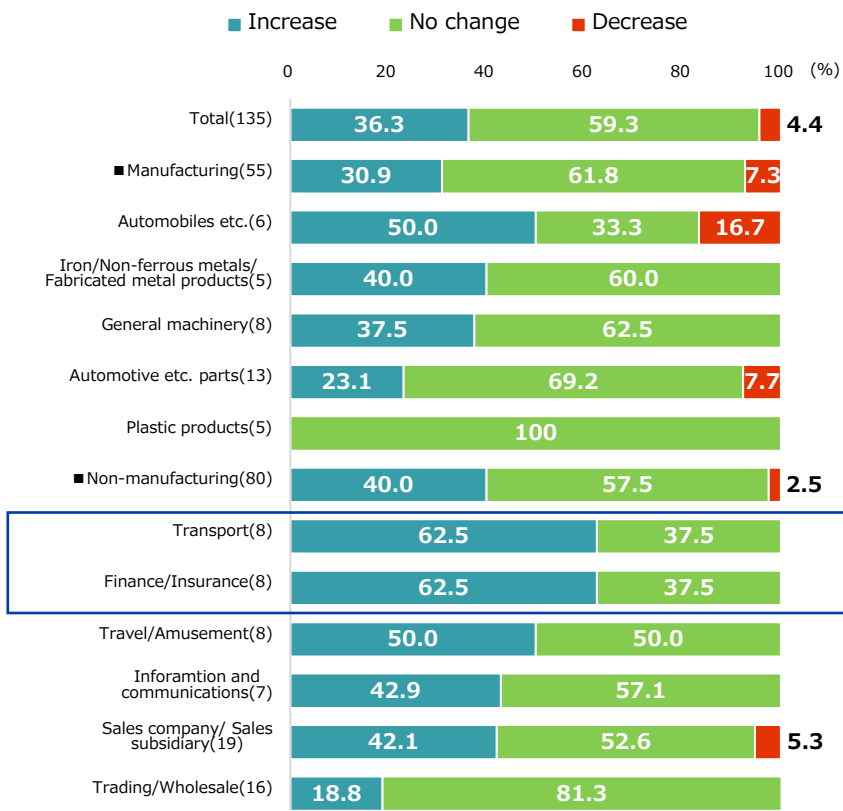


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

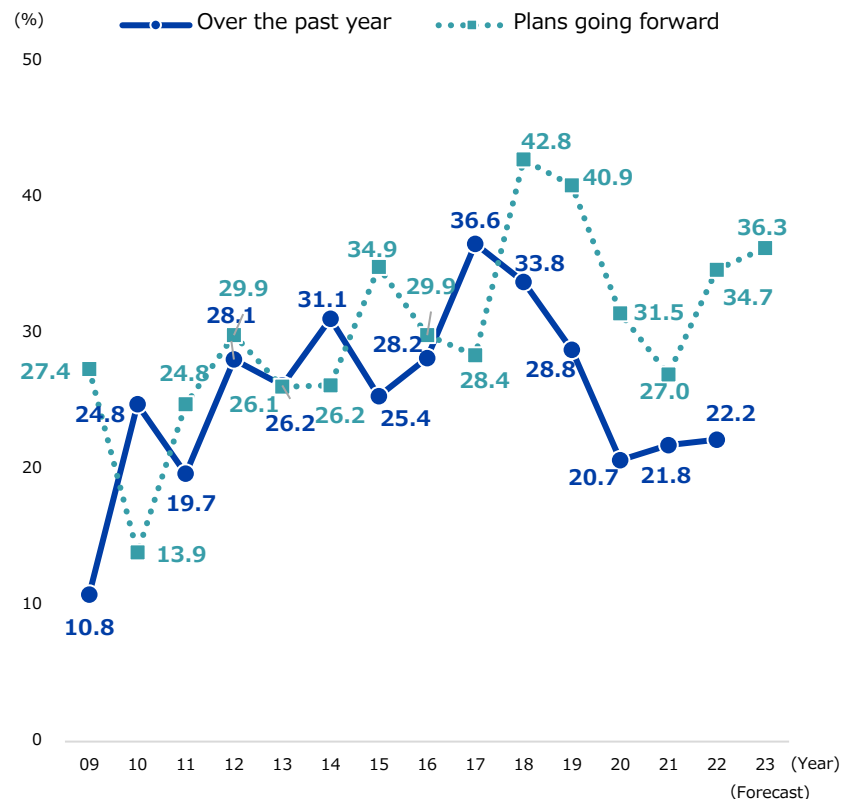
2 | Changes in the Number of Local Employees (Plans Going Forward): Nearly 40% Said "Increase"

- **36.3% of the companies responded that they planned to "increase" their number of local employees going forward. "Increase" was cited by around 60% of companies in transport (62.5%) and in finance/insurance (62.5%).**
- Since 2018, the percentage of companies that cited an "increase" in their number of local employees over the past year has fallen much lower than that of companies planning to increase their numbers going forward, highlighting **a situation where tight labor conditions and COVID-19 are hindering companies from increasing their number of local employees.**

Changes in Number of Local Employees (Plans Going Forward, By Industry)



Trends in Changes in Number of Local Employees (Percentage of Companies Citing An "Increase")



(Note) "Plans going forward" refers to the percentage of companies in the previous year's survey that plan to increase their number of local employees in the future.

(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

3

Changes in the Number of Local Employees (Factors/Examples of Initiatives for HR Development): Business Expansion/Tight Labor Market are Contributing Factors

- Reasons for an “increase” in the number of local employees included increased demand and production volume. Meanwhile, some companies cited “no change” or a “decrease” due to the absence of local employees, recruitment difficulties, or companies offering better benefits to their employees.
- Examples of human resource development efforts included the implementation of human resource training programs and study groups, the acceptance of human resources from universities and other countries, and the introduction of new employees.

Reasons for “Increase” in Number of Local Employees (Free-form)

- **Increase in demand** [Transport]
- **Increase in production volume** [Iron/non-ferrous metals/fabricated metal products, Automotive parts, etc.]
- **Expansion of operations** [Information and communications]
- **Increase production capacity** [Food]
- **Promotion of localization** [Information and communications]
- Increase in work commissioned by affiliated companies [Mining/energy]
- **Reinforcement organizational strength** [Mining/energy]
- Increase in personnel at processing plants [Other manufacturing]

Reasons for “No Change” in Number of Local Employees (Free-form)

- **Absence of local employees** [Business-related services]
- **Difficulty in hiring, rising labor costs** [Food, Retail trade]

Reasons for “Decrease” in Number of Local Employees (Free-form)

- Employees moving to better-paying companies [Information and communications, Iron/non-ferrous metal/fabricated metal products]
- **Decrease due to retirement and layoffs** [Retail trade, Travel/amusement]
- **Reduction in fixed costs and more efficient work style through utilization of remote work** [Automobiles etc.]

Examples of Initiatives for Human Resource Development (Free-form)

<Implementation of human resources training programs and study sessions>

- Implementation of monthly study sessions [Business-related services]
- **Implementation of study sessions with other companies in the same industry** [Information and communications]
- **Participation in external training program [Other manufacturing]**
- Enhanced product education for sales representatives [Sales companies/sales subsidiaries]
- Enhanced training for new managers [Trading/wholesale]
- **Implemented a leadership development program for excellent human resources** [Rubber/ceramics/stone and clay]
- Implemented a leadership training program for management members using external human resource development companies [Plastic products, Food]

<Accepting human resources from universities and other countries and appointment of local personnel>

- **Promote operation by local management** [Finance/insurance]
- Accept interns from neighboring universities and establish a system to accept native French speakers [Rubber/ceramics/stone and clay]
- **Establishment of a system for accepting skilled workers from overseas** [Iron/non-ferrous metals/fabricated metal products]

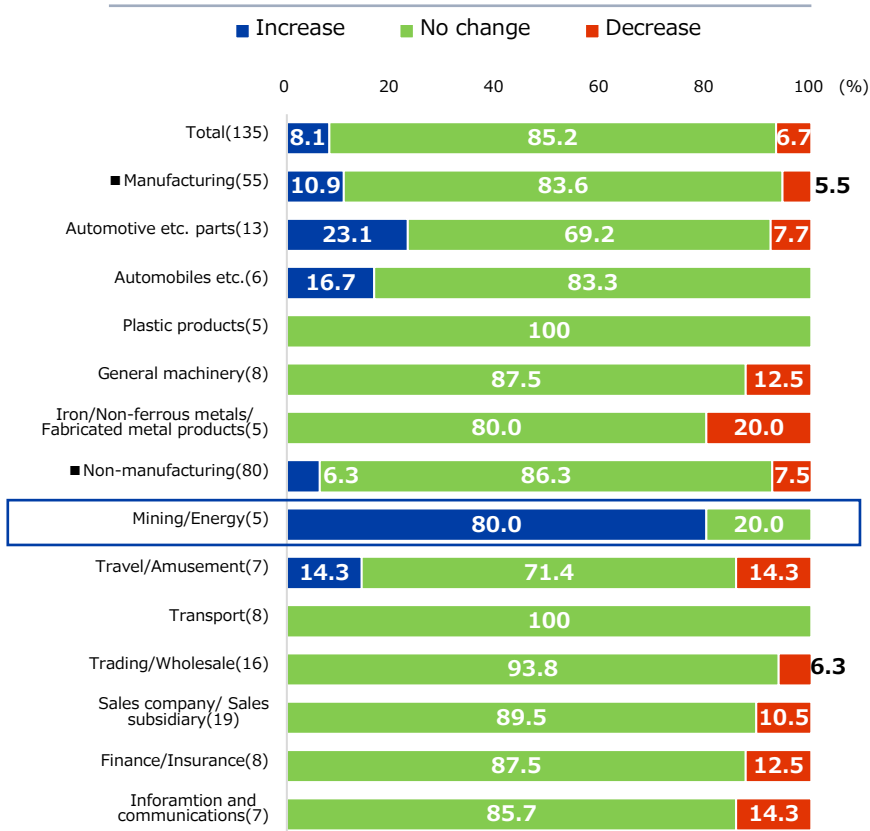
<Dispatch of skilled workers to Japan head office>

- Training and on-the-job training in Japan [Information and communications, Mining/energy]

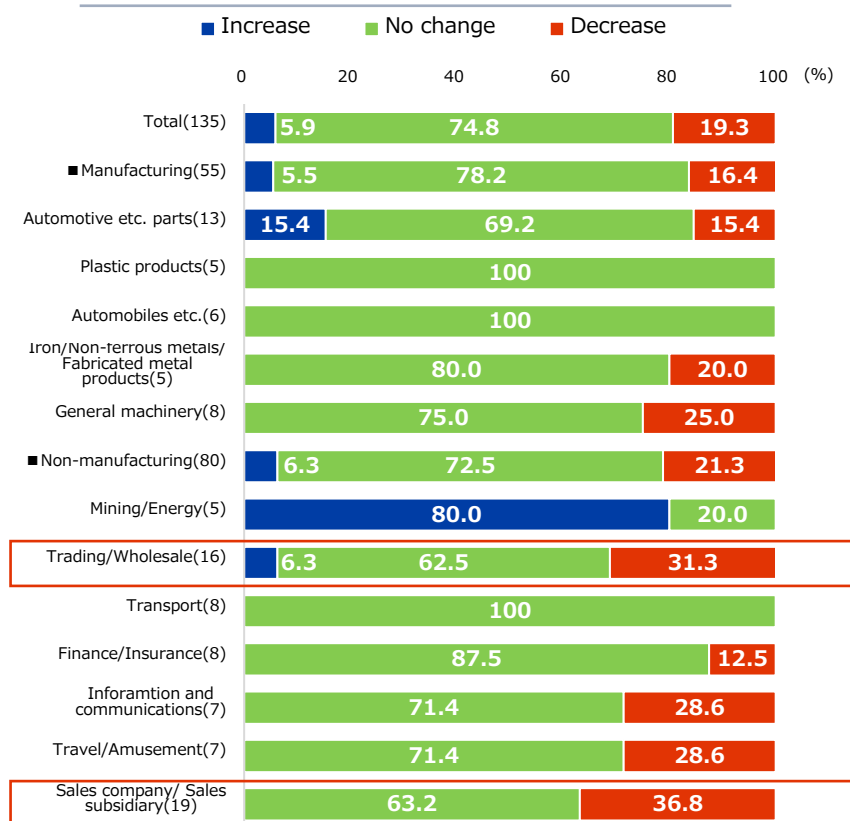
4 | Changes in the Number of Expatriates from Japan (Over Past Year/Pre-COVID-19): "Decrease" Exceeded "Increase" from Pre-COVID-19 Outbreak

- Around 85% of companies said they had maintained their number of expatriates from Japan over the past year. Looking at this by industry, we see that 80% of the companies in Mining/energy cited an "increase".
- **More than 70% of companies said they had maintained their number of expatriates from Japan over pre-COVID-19 times. "Increase" was cited by 5.9% and "decrease" was cited by 19.3%. "Decrease" was high in sales companies/sales subsidiaries (36.8%) and in trading/wholesale (31.3%).**

Changes in Number of Expatriates from Japan (Over the Previous Year, By Industry)



Changes in Number of Expatriates (Change From Pre-COVID-19; By Industry)

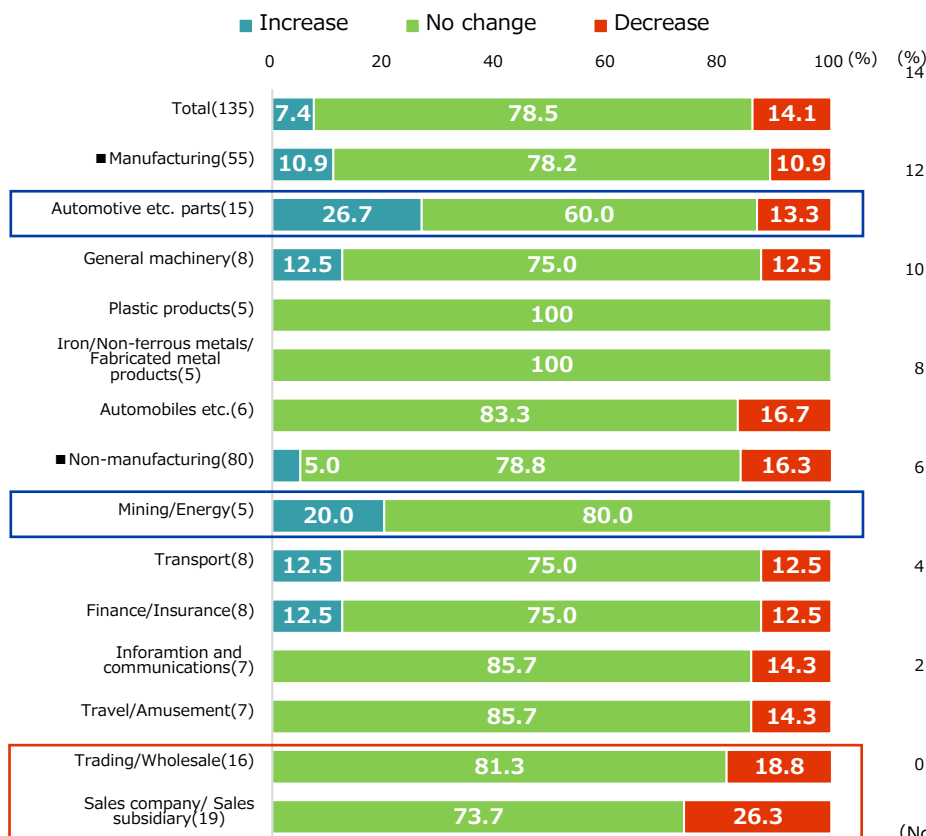


(Note) These charts list only the industry types for which valid responses were received from at least five companies.

5 | Changes in the Number of Expatriates from Japan (Plans Going Forward): Nearly 10% Said "Increase" and Around 15% Said "Decrease"

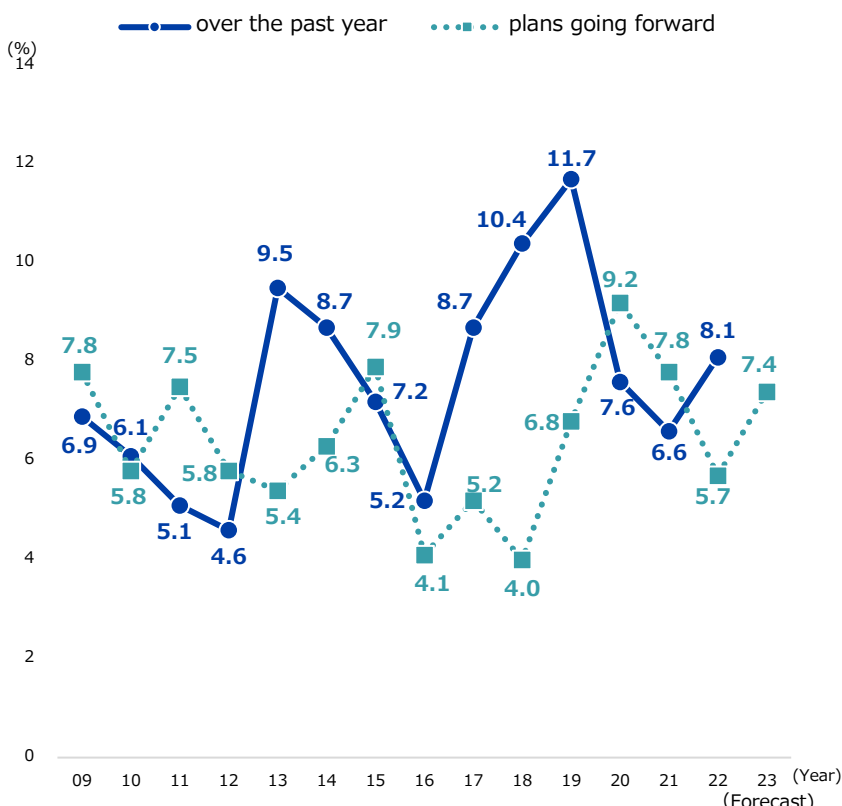
- 7.4% of companies said that they planned to "increase" the number of expatriates from Japan going forward. "Increase" was high in automotive etc. parts (26.7%) and in mining/energy (20.0%).
- "Decrease" was 14.1%. "Decreases" were high in the Sales companies/sales subsidiaries(26.3%) and the trading/wholesale(18.8%).

Changes in Number of Expatriates from Japan (Plans Going Forward, By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Trends in Changes in Number of Local Employees (Percentage of Companies Citing An "increase")



(Note) "Plans going forward" refers to the percentage of companies in the previous year's survey that plan to increase the number of local employees in the future.

6 | Changes in the Number of Expatriates from Japan (Factors): Number of Expatriates from Japan Also Affected by Difficulties in Hiring Local Employees and the Sharp Rise in Wages

- **Reasons for an "increase" in the number of expatriates from Japan included an increase in the number of workers due to production expansion and strengthening of organizational capabilities, as well as the start of dispatches due to corporate acquisitions.**
- Meanwhile, reasons for a "decrease" in the number of expatriates from Japan included cost reduction, promotion of localization, and the return of expatriates due to the expiration of their term of service.

Reasons for "Increase" in Number of Expatriates from Japan (Free-form)

- **Expansion of production** [Automotive etc. parts]
- **To strengthen the organizational** [Mining/energy]
- Due to an increase in the number of office procedures as production is about to start at a company whose office management has been entrusted to us [Mining/energy]
- **Start of dispatching workers following acquisition of a company** [Mining/energy]
- Changes of business conditions in the future [Mining/energy]

Reasons for "No Change" in Number of Expatriates from Japan (Free-form)

- Absence of expatriates from Japan [Travel/amusement, Business-related services, Sales companies/sales subsidiaries, etc.]

Reasons for "Decrease" in Number of Expatriates from Japan (Free-form)

<Impact of the COVID-19 Pandemic>

- **Return to Japan due to the spread of COVID-19** [General machinery]

<Business downsizing, promotion of localization, business and management review>

- **Localization** [Sales companies/sales subsidiaries, Mining/energy]
- **Cost reduction and promotion of localization** [Travel/amusement]

<Other>

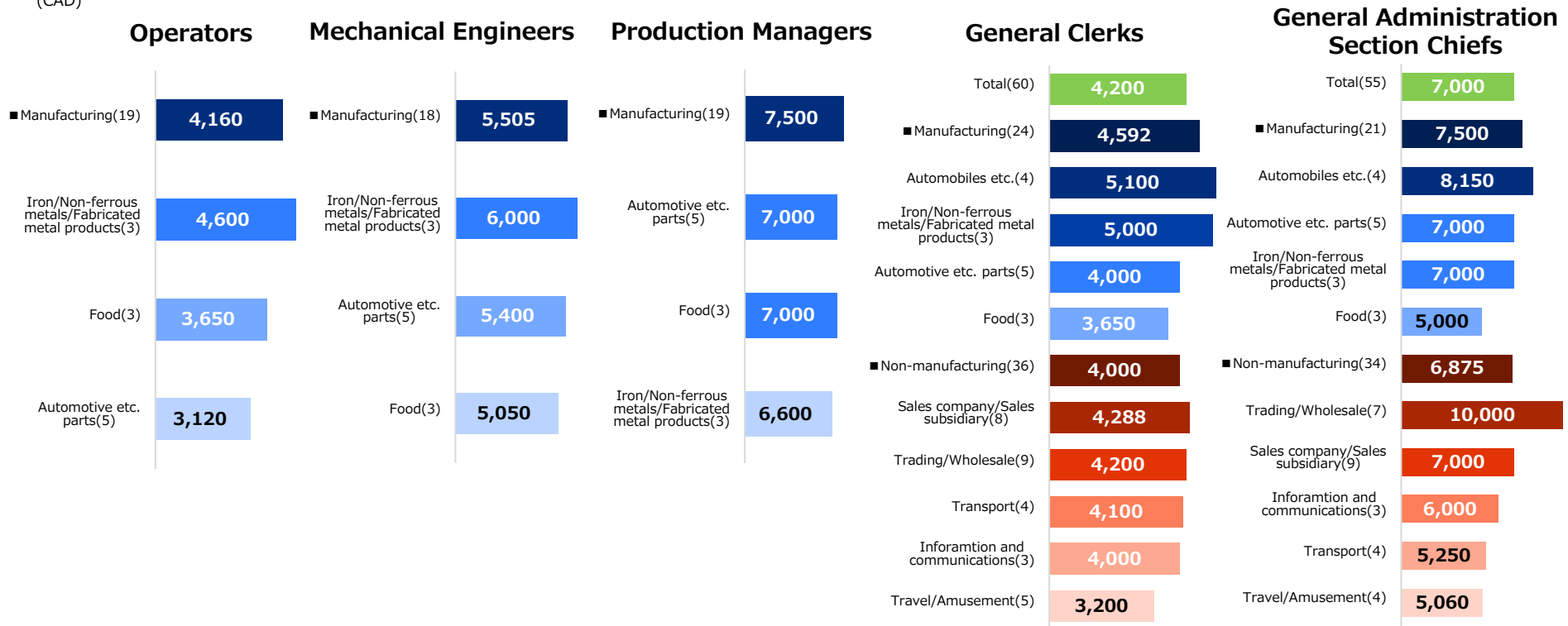
- **Change of employment of dispatched employees to local companies** [Information and communications]
- **Return to Japan due to expiration of term of service** [Trading/wholesale, Information and communications, Food]

7 Wages (Monthly Base Salary): Median Value by Occupation Was Up to CAN\$7,500; Median Rate of Base Salary Increase for FY2022 was 3.0%

- **The median value of the monthly base salary at plants, etc., by occupation increased from the previous year** for operators (\$3,815C in the previous year), mechanical engineers (\$5,000C in the previous year), and production managers (\$6,500C in the previous year).
- **The corresponding median value for office work increased from the previous year** for both general clerks (\$4,000C in the previous year) and general administration section chiefs (\$6,500C in the previous year). **The median increase rate of base salaries for FY2022 was 3.0%, and the rate for FY2023 is expected to be 3.0%.**

Wages (Monthly Base Salary) Median Value by Occupation and Industry

(CAD)



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

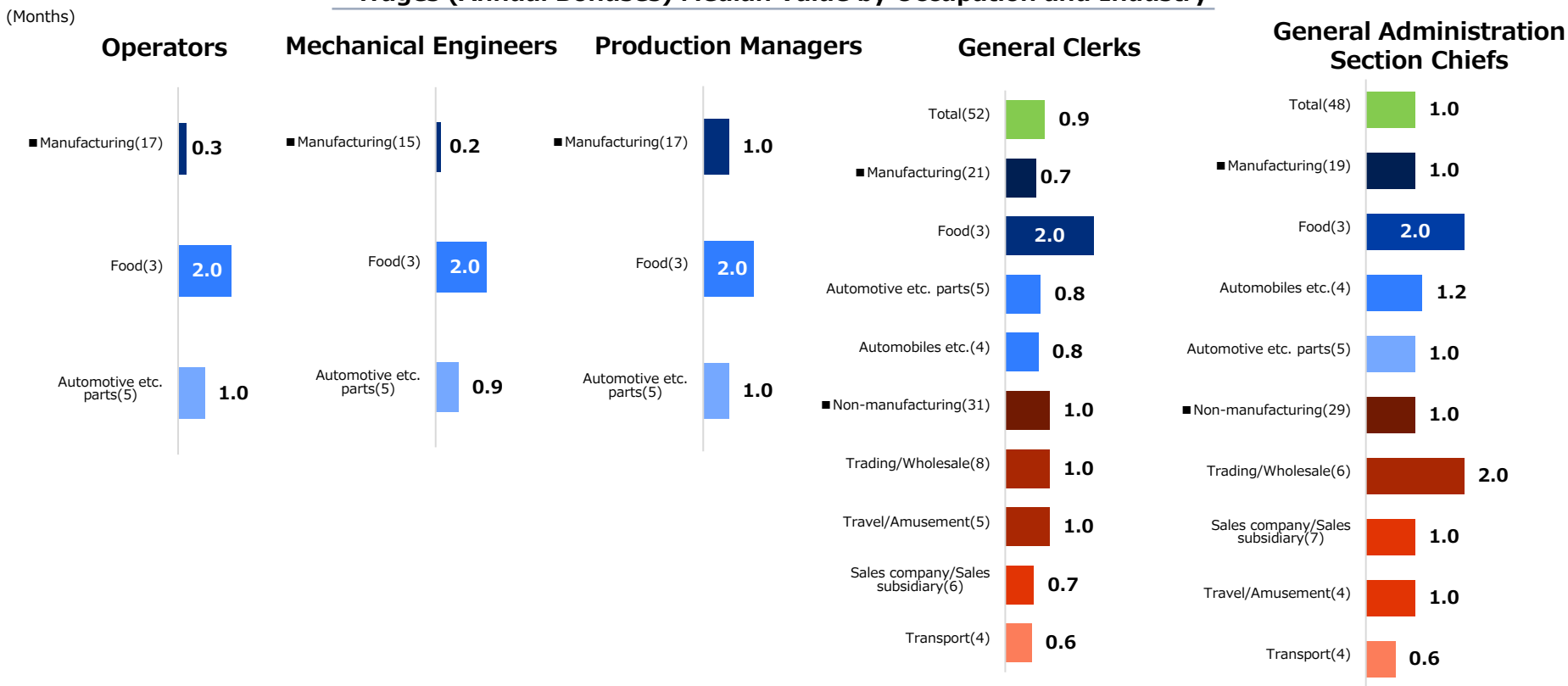
(Note 2) This chart lists only the industry types for which valid responses were received from at least three companies.

8

Wages (Annual Bonuses): Median Value by Occupation was 0.2-1.0 Month's Pay, with No Significant Increase/Decrease

- The median value of annual bonuses at plants, etc., by occupation decreased slightly by 0.1 month's pay than the previous year for operators (0.4 month's pay in the previous year) and mechanical engineers (0.3 month's pay in the previous year). It was same as in the previous year for production managers (1.0 month's pay in the previous year).
- The corresponding median value for office work increased slightly by 0.1 month's pay from the previous year for general clerks (0.8 month's pay in the previous year). It was the same as in the previous year for general administration section chiefs (1.0 month's pay in the previous year).

Wages (Annual Bonuses) Median Value by Occupation and Industry



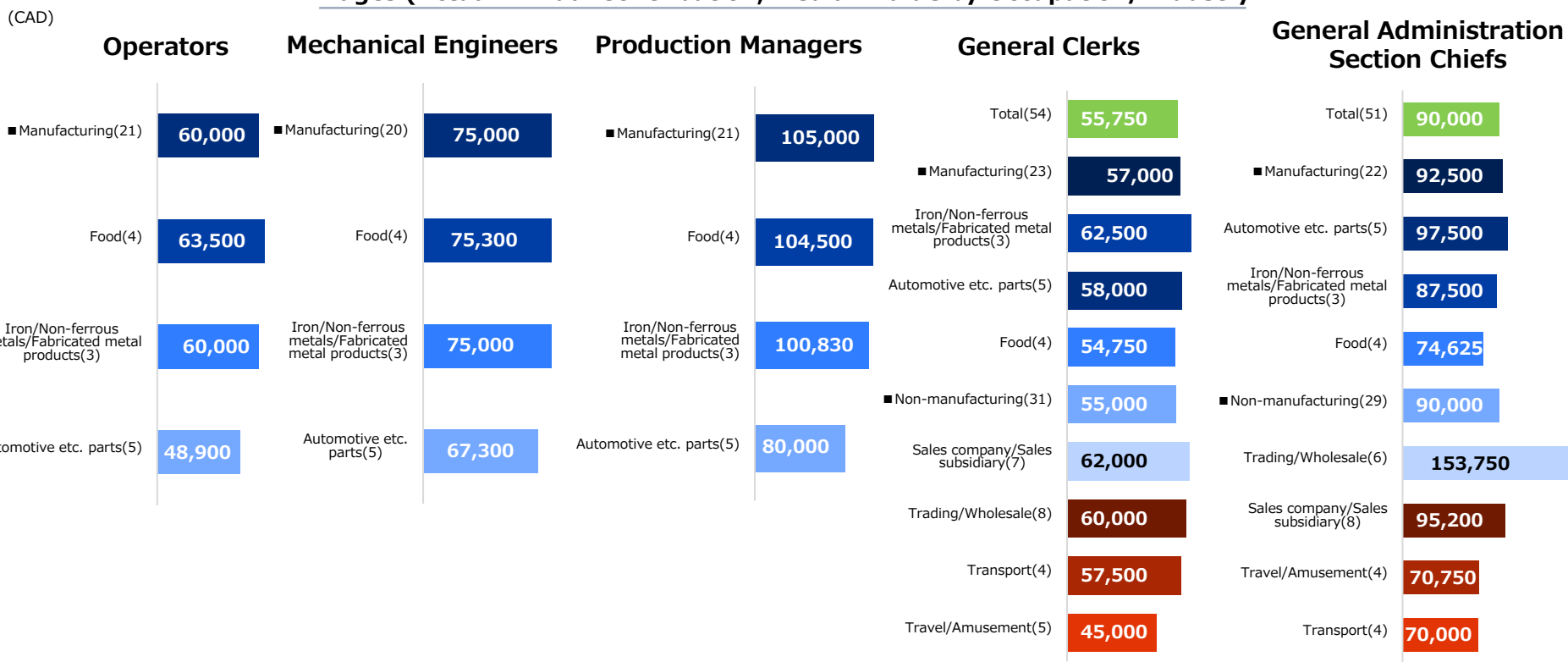
(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(Note 2) This chart lists only the industry types for which valid responses were received from at least three companies.

9 | Wages (Actual Annual Contribution): Median Value by Occupation was \$55,750C-\$105,000C; Increased from the Previous Year in All Occupations

- **The median value of the annual actual contribution at plants, etc., by occupation increased from the previous year** for operators (\$52,000C in the previous year), mechanical engineers (\$70,300C in the previous year), and production managers (\$93,000C in the previous year).
- **The corresponding median value for office work also increased from the previous year** for both general clerks (\$52,800C in the previous year) and general administration section chiefs (\$87,500C in the previous year).

Wages (Actual Annual Contribution, Median Value by Occupation/Industry



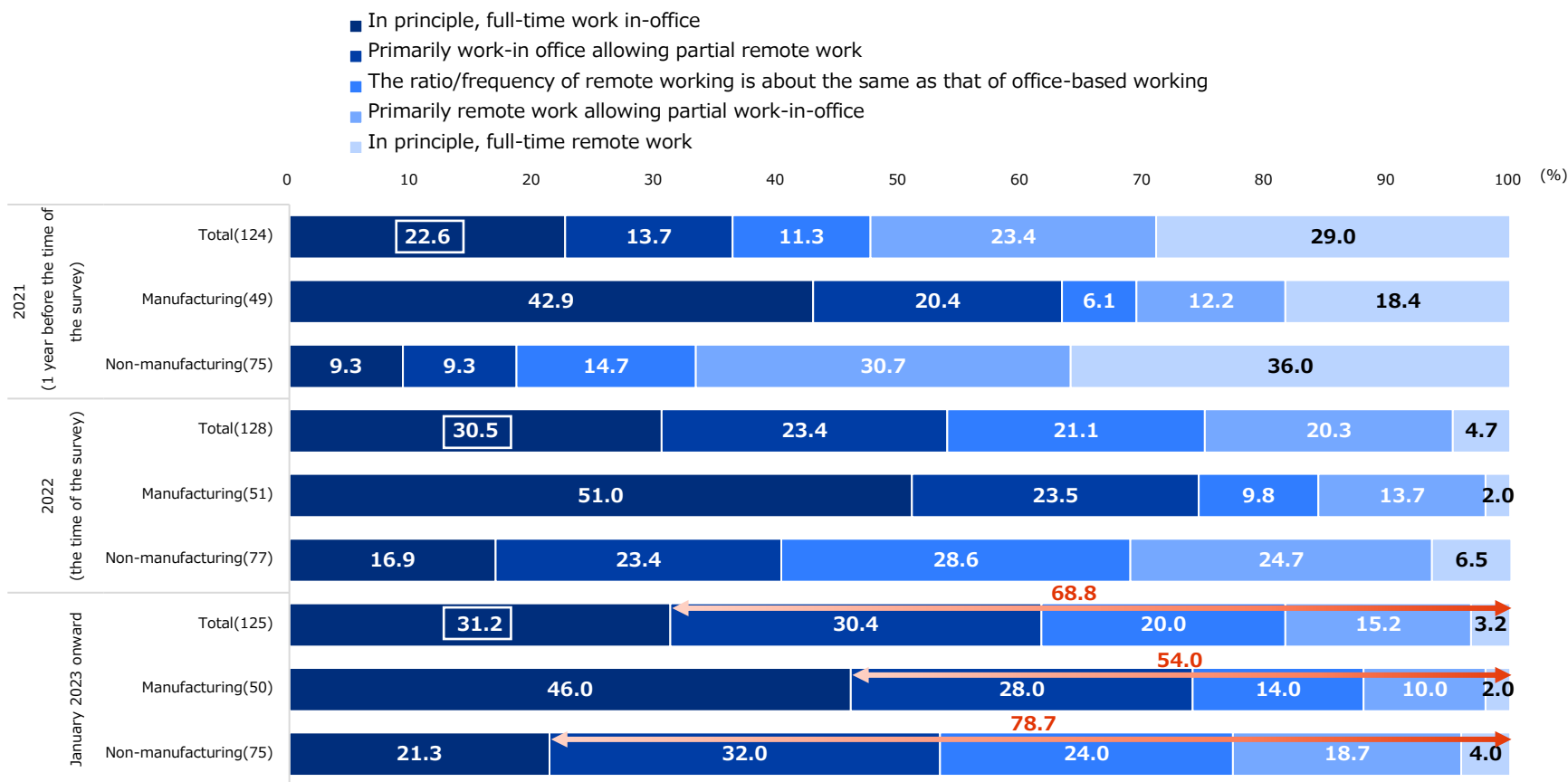
(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(Note 2) This chart lists only the industry types for which valid responses were received from at least three companies.

10 | Changes in Work Arrangements: Around 30% Work In-Office Full-Time in 2022, Set to Slightly Increase from 2023 Onward

- Regarding employee **work arrangements** with a job amenable to remote working, **as of September 2021, 22.6% of companies had their employees come to work in-office full-time in principle**. The percentage of companies had increased to **30.5%** (51.0% in the manufacturing sector and 16.9% in the non-manufacturing sector) **as of September 2022**.
- The percentage of companies planning to **have their employees come to work in-office full-time in principle starting in January 2023** was **31.2%** (46.0% in the manufacturing sector and 21.3% in the non-manufacturing sector), with 68.8% of companies (54.0% in the manufacturing sector and 78.7% in the non-manufacturing sector) planning to allow remote work.

Employee Work Arrangements with a Job Amenable to Remote Working (2021~2023 forecast)



(Note) Does not include the number of companies that have not yet responded or that responded "No jobs amenable to working from home"

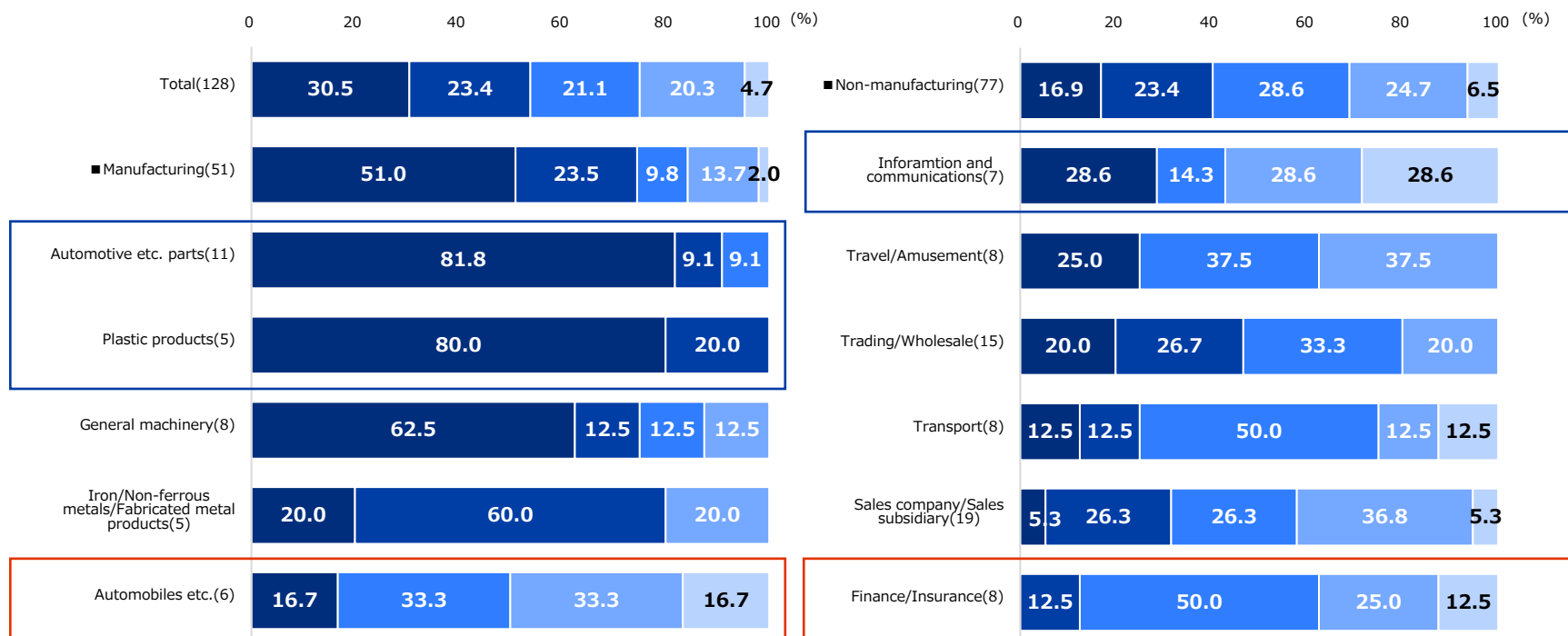
11

Changes in Work Arrangements (By Industry): Work In-Office Full-time was Increasing in the Manufacturing Sector

- As of September 2022, 51.0% of companies in the manufacturing sector had arranged to have their employees come to work in-office full-time in principle. Automotive etc. parts (81.8%) and plastic products (80.0%) exceeded 80%, while automobiles etc. was 16.7%.
- The percentage was 16.9% in the non-manufacturing sector. The percentage of companies in Information and communications was nearly 30% (28.6%), while for those in Finance/insurance it was 0%.

Employee Work Arrangements with a Job Amenable to Remote Working (By Industry as of September 2022)

- In principle, full-time work in-office
- Primarily work-in office allowing partial remote work
- The ratio/frequency of remote working is about the same as that of office-based working
- Primarily remote work allowing partial work-in-office
- In principle, full-time remote work



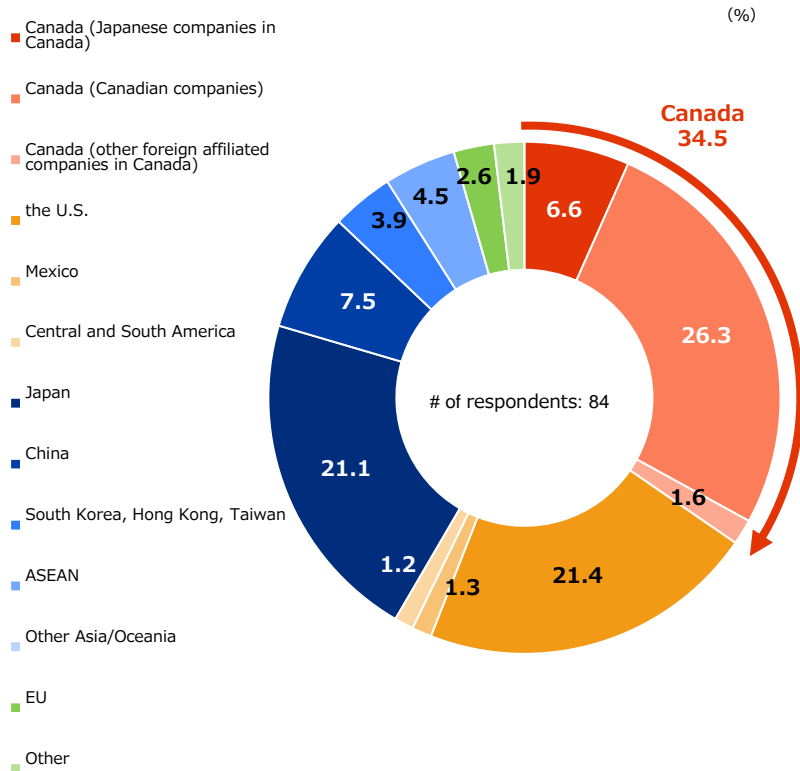
(Note 1) Does not include the number of companies that have not yet responded or that responded "No jobs amenable to working from home".
 (Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

1

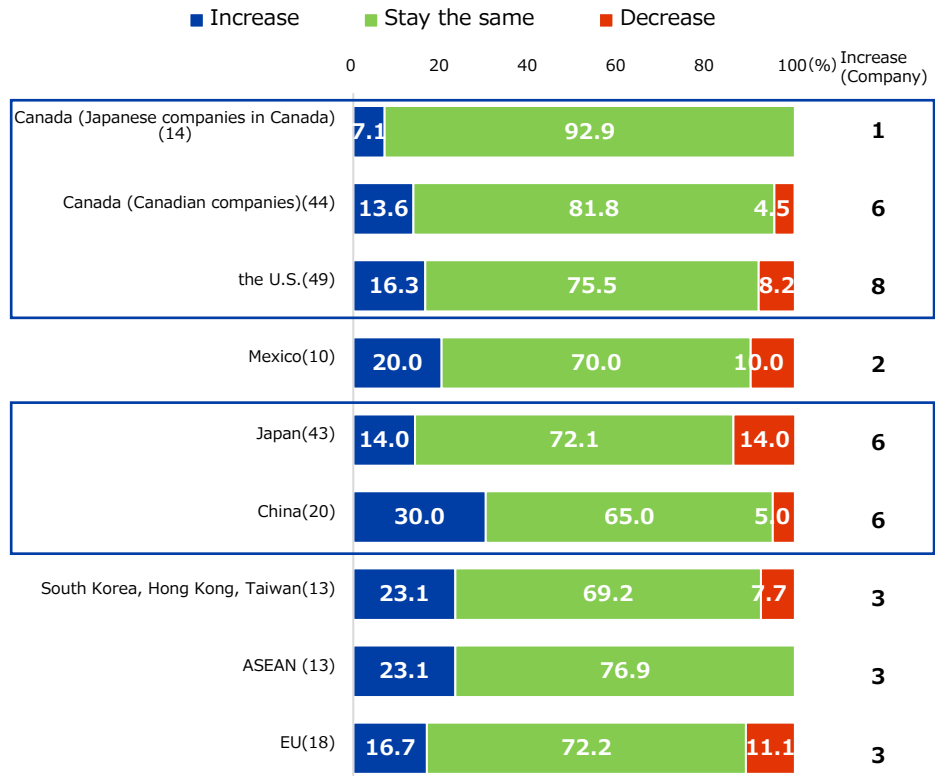
Procurement Sources: Around 35% Procured from within Canada; Nearly 60% Procured from CUSMA

- Regarding **procurement sources of raw materials and parts**, **34.5% of companies procured from within Canada**, with the **CUSMA market (including the U.S. and Mexico) being the source for 57.2% of companies**, and Japan being the source for 21.1%.
- As for **procurement policies going forward** by country, many were expecting to increase procurement from within **Canada** (8 companies), **the U.S.** (8 companies), and China (6 companies). As for Japan, 6 companies were expecting to expand procurement and another 6 were expecting to reduce procurement.

Procurement Sources for Raw Materials/Parts (By Country/Region)



Policies Going Forward for Procurement Sources Of Raw Materials/Parts



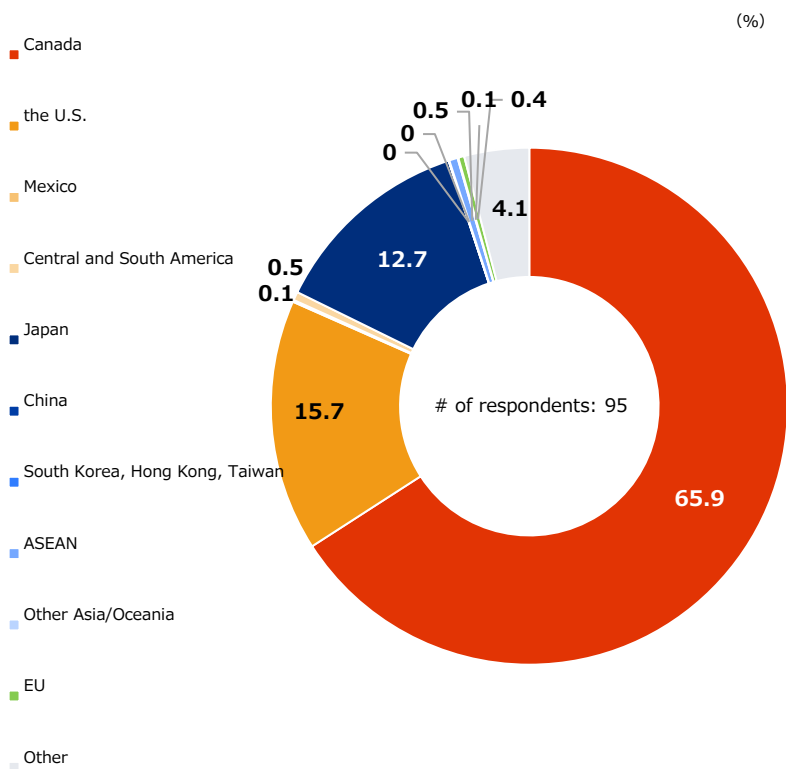
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies

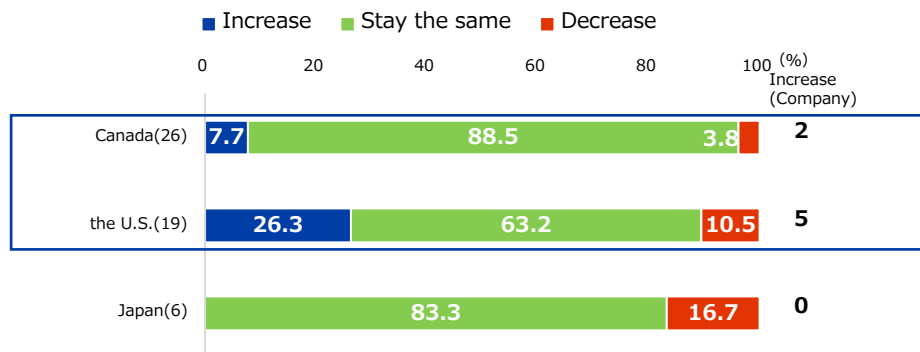
2 | Sales Markets: The Canadian Market Accounted for Around 65%; The CUSMA Market Accounted for Slightly Over 80%

- Regarding the **sales markets of companies in the manufacturing sector**, the **Canadian market accounted for 65.9% of respondents**, with the **CUSMCA market making up 81.7% of respondents** and Japan accounting for 12.7% of respondents.
- As for sales policies going forward by country, while most companies expected to maintain their sales policies at the current level, 7 companies expected to expand sales in the U.S. (5 manufacturing companies and 2 non-manufacturing companies) and 5 companies expected to expand sales in Canada (2 manufacturing companies and 3 non-manufacturing companies).

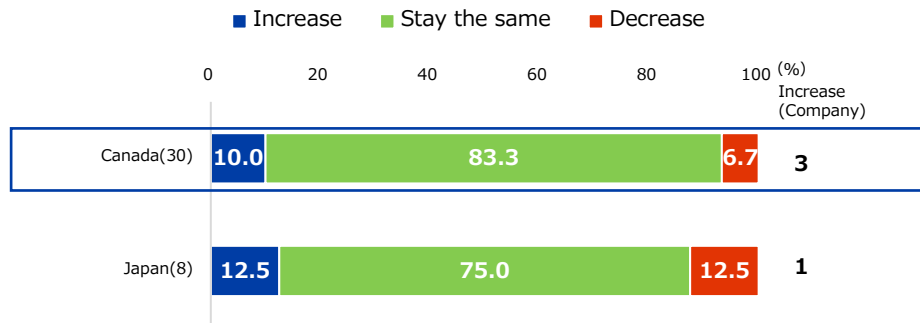
Product Sales Markets (By Country/Region)



Policies Going Forward for Product Sales Markets (Manufacturing Sector)



Policies Going Forward for Product Sales Markets (Non-Manufacturing Sector)



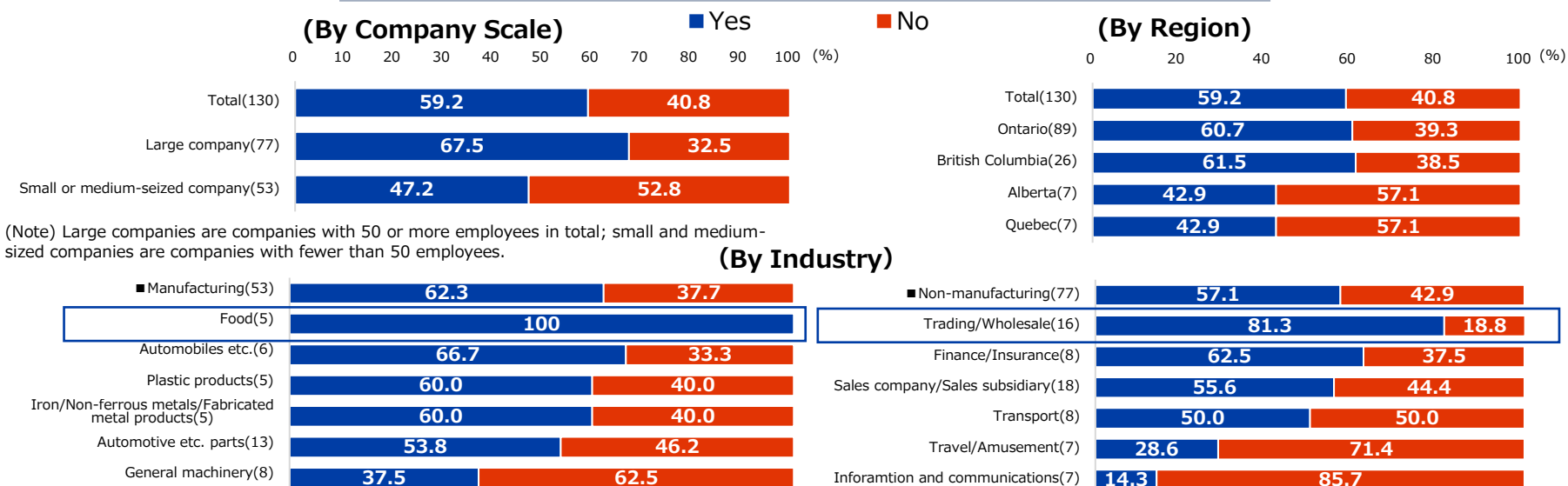
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least 5 companies

1 | Supply Chains and Human Rights: Just Under 60% Recognize It as a Management Challenge

- **59.2%** of companies **recognized human rights issues in the supply chain as a management challenge.**
- By industry, 62.3% of manufacturing companies (including 100.0% of those in Food) and 57.1% of non-manufacturing companies (including 81.3% of those in Trading/wholesale) recognized it as a management issue. By company scale, **large companies (67.5%)** were 20.3 points higher than small and **medium-sized companies (47.2%)**. The results revealed a **significant disparity in recognition by industry and company scale.**

Is the Issue of Human Rights Recognized as a Management Challenge?



(Note) Large companies are companies with 50 or more employees in total; small and medium-sized companies are companies with fewer than 50 employees.

(Note) This charts lists only the industry types for which valid responses were received from at least 5 companies.

Reasons for Recognizing Human Rights Issues as a Management Challenge (Free-form)

Due to **requests for written pledges from suppliers**, such as **not procuring from companies engaged in inhumane businesses**. [Automobiles etc.]

Increasing **demands from customers** [Trading/wholesale]

Our company has **a policy of respecting the diversity of our employees and preventing discrimination against minorities in terms of race, sexual identity, etc.** As a member of Canadian society, the company takes the history of past human rights violations very seriously and conducts history lessons on Native Indians as a victimized group on a case-by-case basis [Sales companies/sales subsidiaries].

The entire corporate group is addressing human rights issues in the supply chain [Food]

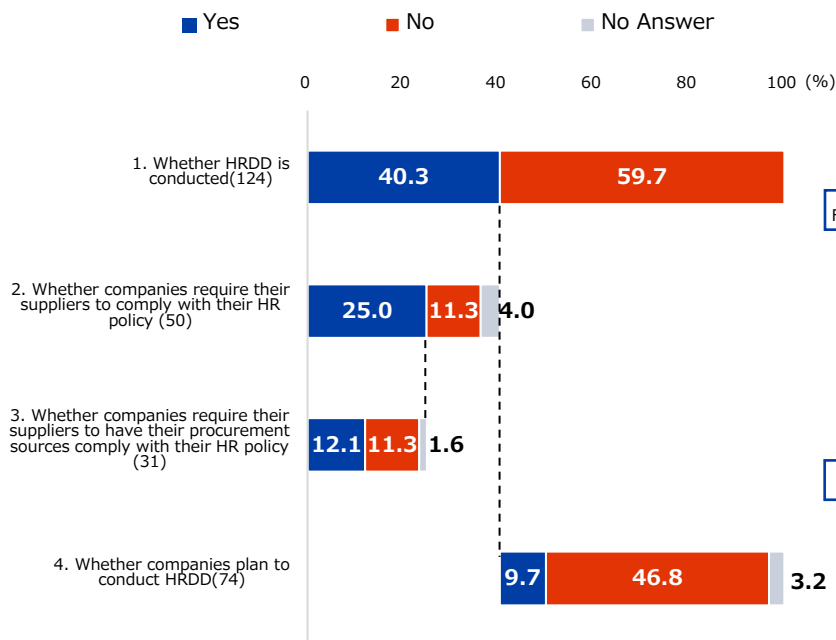
Respect for human rights in the SDGs is stipulated in the **Group's regulations** [Trading/wholesale]

We recognize that **respect for human rights is the most important part of creating a safe workplace**, not only in the supply chain [Food]

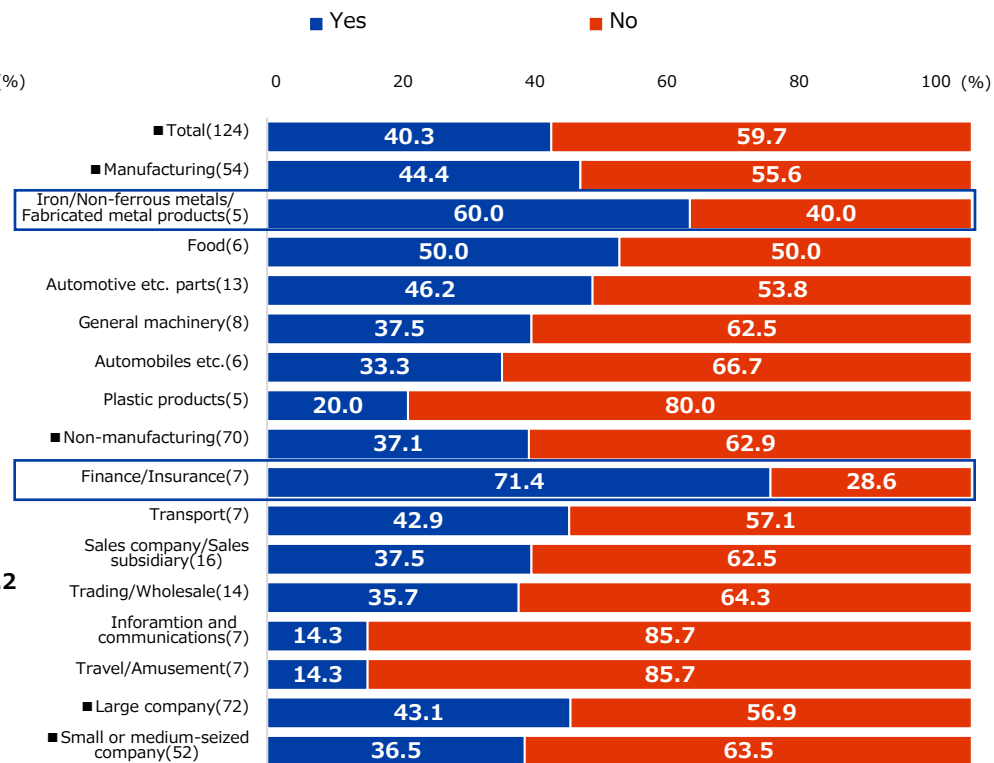
2 | Supply Chains and Human Rights: Around 40% Conduct Human Rights Due Diligence

- **40.3%** of companies **conducted Human Rights Due Diligence (HRDD) in their business activities.** By industry, Finance/insurance (71.4%) and Iron/non-ferrous metals/fabricated metal products (60.0%) had a high percentage of respondents who implemented HRDD.
- 25.0% of companies required their suppliers to also comply with their own human rights policies in the supply chain, and 12.1% of companies further required their suppliers to also have their procurement sources comply with their own human rights policies in the supply chain.

Conducting and Requiring HRDD



Whether HRDD Is Implemented (By Industry)



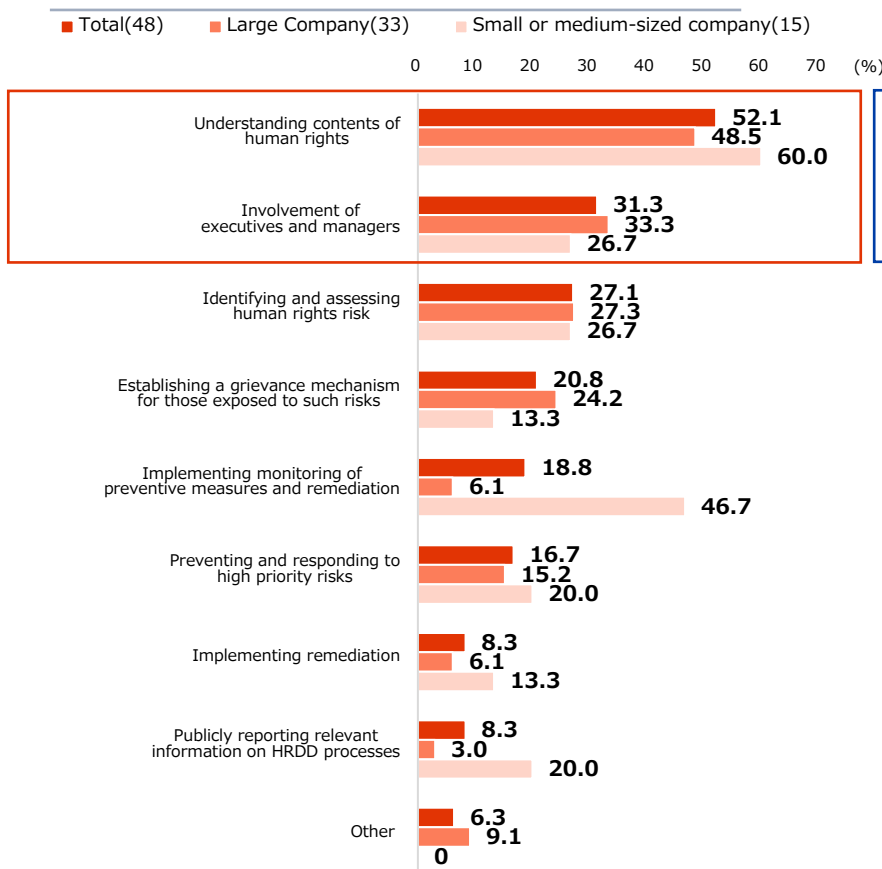
(Note) For "2. Whether companies require their suppliers to comply with their HR policy," "3. Whether companies require their suppliers to have their procurement sources comply with their HR policy," and "4. Whether companies plan to conduct HRDD," the percentage is calculated using the total number of companies that responded "Yes" or "No" in "1. Whether HRDD is conducted"

(Note) This charts lists only the industry types for which valid responses were received from at least 5 companies. Large companies are companies with 50 or more employees in total; small and medium-sized companies are companies with fewer than 50 employees.

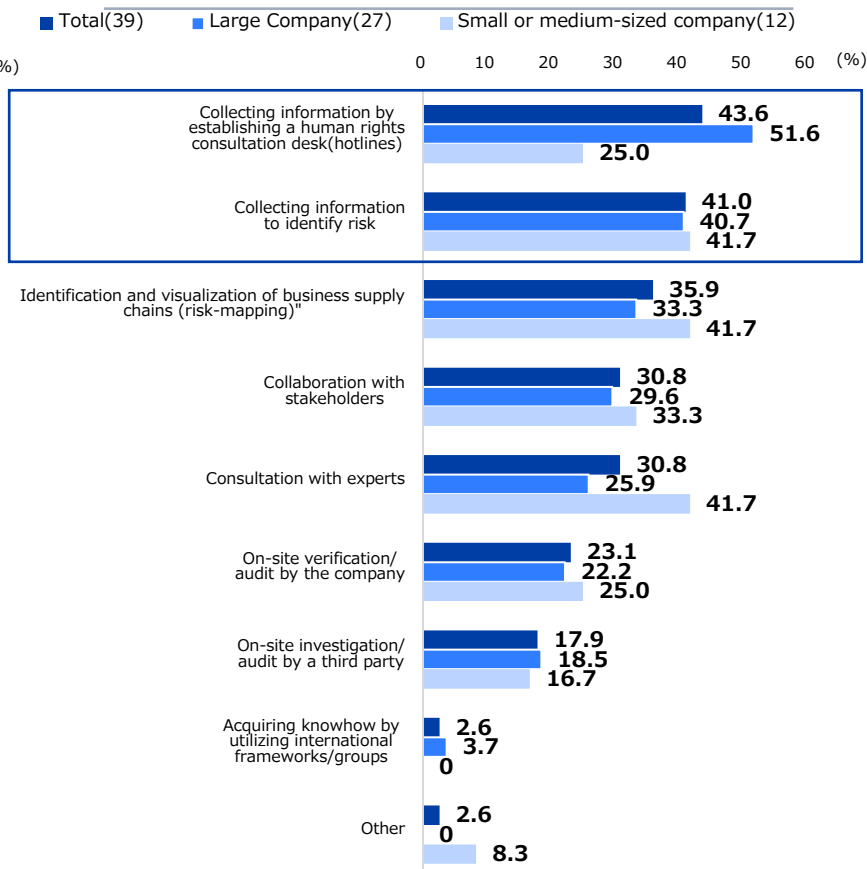
3 | Supply Chains and Human Rights: Challenges in Understanding of the Content on Human Rights, Working on Information Gathering for Evaluation

- Major challenges for the companies that have implemented or that plan to implement HRDD were the “understanding of the content on human rights” (52.1%), followed by “involvement of executives and managers” (31.3%).
- As for efforts being made to identify/assess risks, companies were “collecting information by establishing a human rights consultation desk (hotlines)” (43.6%), followed by “collecting information to identify risk” (41.0%).

Challenges Concerning HRDD Implementation (Multiple Answers)



Ways of Identifying/Assessing HR Risks (Multiple Answers)

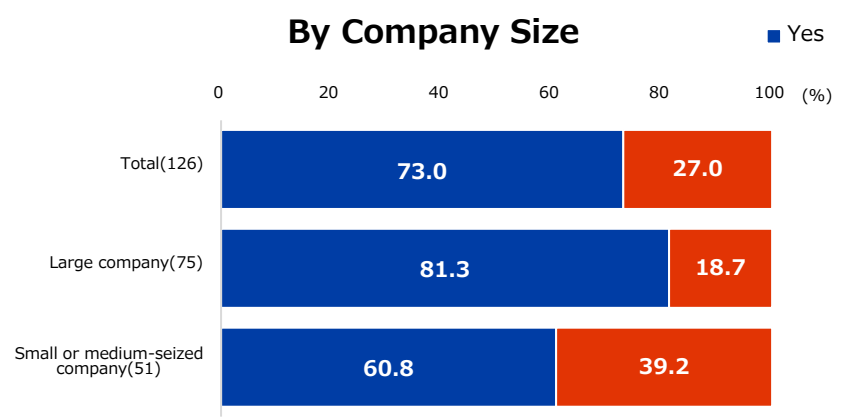


(Note) Large companies are companies with 50 or more employees in total; small and medium-sized companies are companies with fewer than 50 employees.

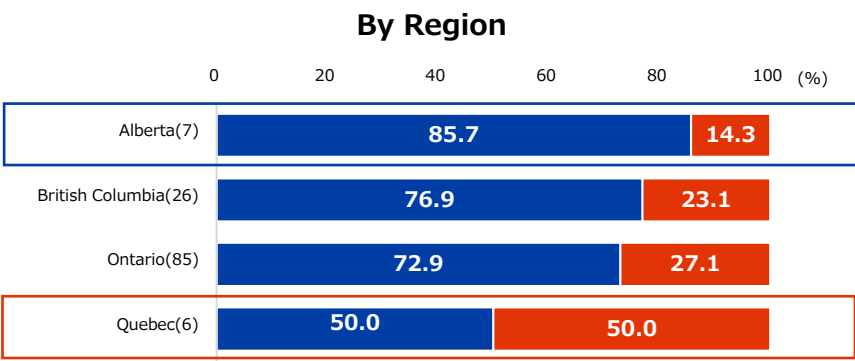
1 Promoting Decarbonization: Around 70% Recognized It as a Management Issue, but There Are Differences Depending on the Size of The Company

- 73.0% of respondents recognized decarbonization as a management issue. The figure was 81.3% for large companies, but only 60.8% among small and medium-sized companies. By region, 85.7% of companies in Alberta accounted had this recognition, compared to 50.0% of companies in Quebec.
- In manufacturing, the percentage recognizing the problem was 100% in Plastic products as well as in iron/non-ferrous metals/fabricated metal products, followed by those in food (83.3%). In non-manufacturing, sales companies/sales subsidiaries (82.4%) and those in trading/wholesale (81.3%) had high recognition of this issue.

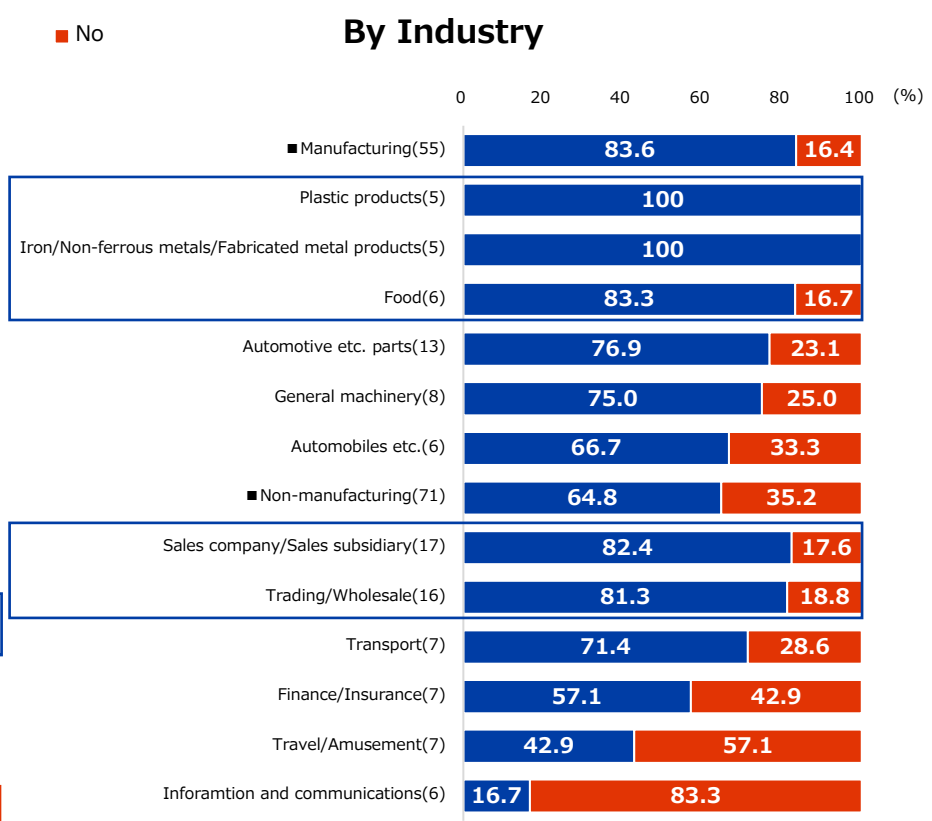
Is the Problem of Decarbonization in the Supply Chain Recognized as a Management Issue?



(Note) Large companies are companies with 50 or more employees; SMEs are companies with fewer than 50 employees



(Note) This chart lists only the region for which valid responses were received from at least five companies.



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

2

Promoting Decarbonization: (Reasons for Recognition as a Management Issue): Presence or Absence of Greenhouse Gas Emissions Impacted Recognition of Decarbonization as a Management Issue

- As far as the reasons for recognizing decarbonization as a management issue, some companies stated that **greenhouse gas (GHG) emissions simply are inherently high in certain industrial fields (e.g., plastics)**. Some respondents also noted that the **demand for decarbonization is spreading globally**.
- Meanwhile, the reasons given for not recognizing decarbonization as a management issue included the lack of a supply chain and the lack of any direct relationship to GHG emissions.

Reasons for Recognizing Decarbonization as a Management Issue (Free-form)

- **We use engines in our own products**, so **government policies and our own policies have major impacts** [Trading/wholesale]
- Because **our industry has high emissions** [Plastic products, mining/energy]
- **We are facing growing demand for decarbonization from the industry, the government**, our parent company, our customers, and all stakeholders [Automobiles etc.]
- Due to **global trends** [Other manufacturing]
- We recognize this as **an unavoidable issue in the food industry**, when it comes to aquaculture projects, packaging materials, and plant-based foods etc. [Food]
- Since the **hospitality industry** is directly related to consumers, we think we **need to appeal to people who are highly socially aware** [Travel /amusement]
- As the travel business rather drives CO2 emissions, we are developing an **on-line travel business incorporating carbon offsets** [Trading/wholesale]

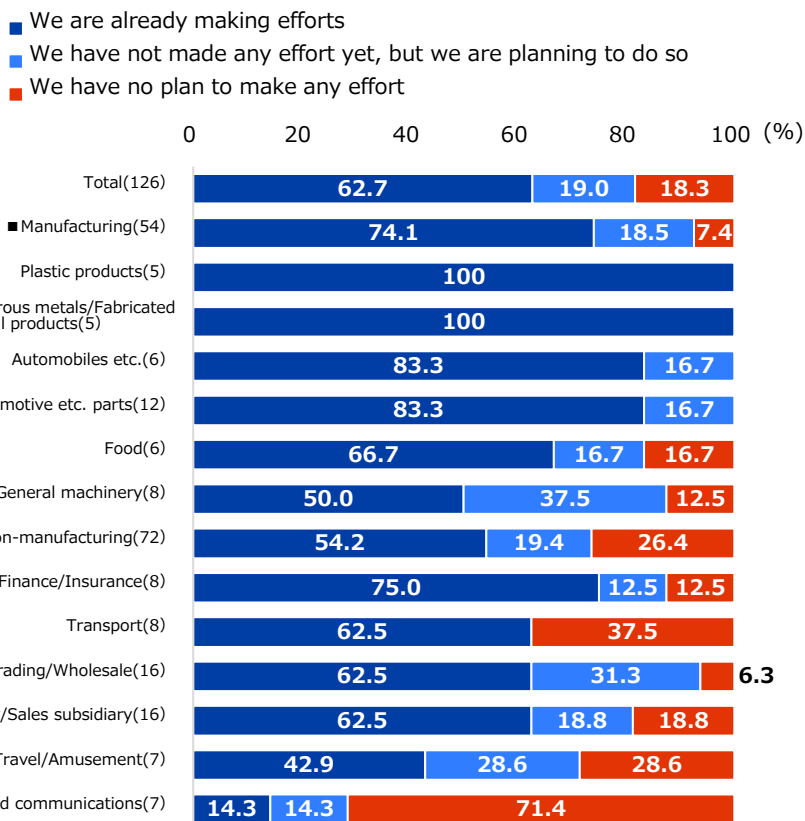
Reasons for Not Recognizing Decarbonization as a Management Issue (Free-form)

- As our business field is **software development**, there is no direct relationship [Information and communications]
- As we operate mainly in the fields of **sales and services**, there is no particular impact [Sales companies/sales subsidiaries]
- **Not reaching the level that requires consideration** [Travel/amusement]
- No direct involvement [Trading/wholesale]
- **We are an investment management company with no supply chain** [Other non-manufacturing]
- Because **we do not have a supply chain in our business** operations [Information and communications]

3 Promoting Decarbonization: Percentage of Companies Already Engaged in Decarbonization Increased to Slightly Over 60%

- **62.7% of respondents said they are already making efforts in decarbonization**, an increase of 19.5 points from the previous survey (43.2%).
- As for problems in making efforts, respondents mentioned investment profitability and sustainability, and the difficulty of launching environmentally optimal products with the rapid promotion of ZEVs.

Whether or Not There Are Any Decarbonization Efforts or Plans to Do So



(Note) Only industries with five or more valid responses are listed.

Problems in Making Efforts (Free-form)

- **Investment profitability, sustainability** [Rubber/ceramics/stone and clay]
- Requirement that new cars be ZEVs in view of reducing GHG (GHG) emissions. 100% of new cars will now be required to be ZEVs by 2035, but **due to rapid ZEV promotion**, there are concerns that the **market infrastructure will not be in place in time** and that the **launching of environmentally optimal products by that time will not be possible**. [Automobiles etc.]
- As our production is based on **customer specifications requirements**, it is **difficult for us to change our production process independently**. This means that we are constrained by **having to continue with our previous production** [Railway/transport vehicle etc. parts]
- Need to **support our customers' efforts while staying engaged with them as they transition in light of local conditions**, and also need to keep our balance with measures on a global basis [Finance/insurance]
- **Quantifying the targets we want to achieve** [Food]
- We have made efforts to shift company cars to HEVs, but **HEVs are starting to be in shortage** [Precision machines/medical equipment]

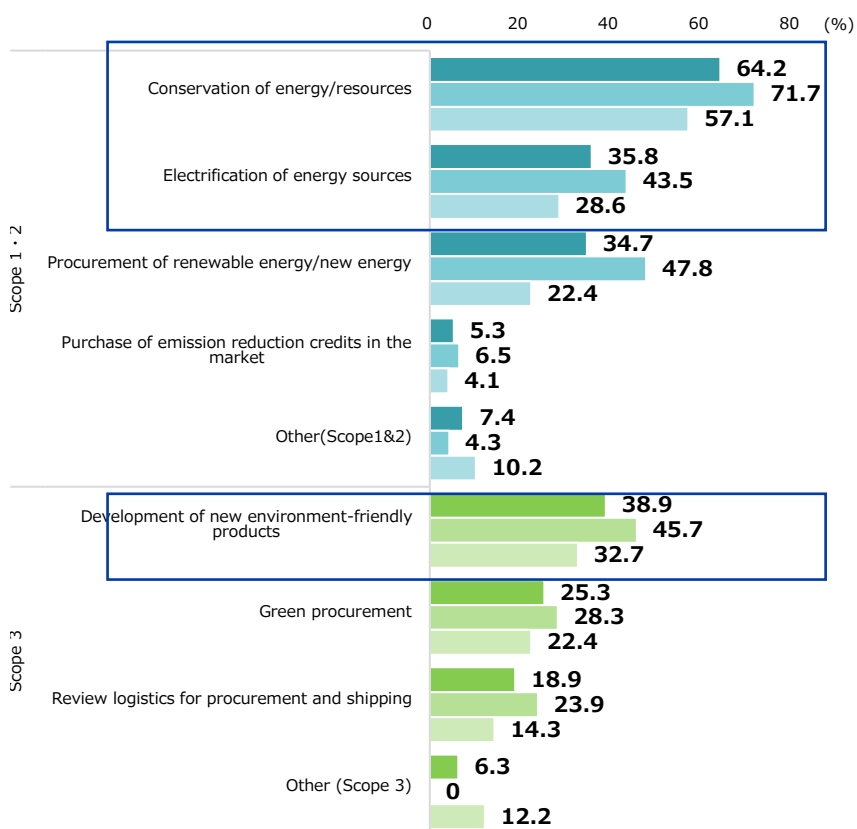
Examples of Decarbonization Efforts and Their Effects (Free-form)

- Promoted **reuse of transportation jigs**, which resulted in cost reduction. [Railway/transport vehicle etc. parts]
- **Sharing and disclosing customers' efforts of supporting decarbonization on a global basis**, which has also helped us to build a track record in meeting our customers' needs and supporting decarbonization in a broader range of areas, as well as to enhance our product capabilities in a financial sense [Finance/insurance]

4 Promoting Decarbonization: Around 65% of Respondents are Making Efforts in Energy Conservation and Resource Conservation

- In terms of specific efforts in decarbonization, 64.2% of respondents said “conservation of energy/resources”, followed by “development of new environment-friendly products” (38.9%) and “electrification of energy sources” (35.8%).
- As “other efforts”, respondents also mentioned selling materials or providing energy-saving products to business partners that are making efforts at decarbonization, finding new investees, and so forth.

Specific Initiatives (Including Initiatives)



“Other” Specific Initiatives (Free-form)

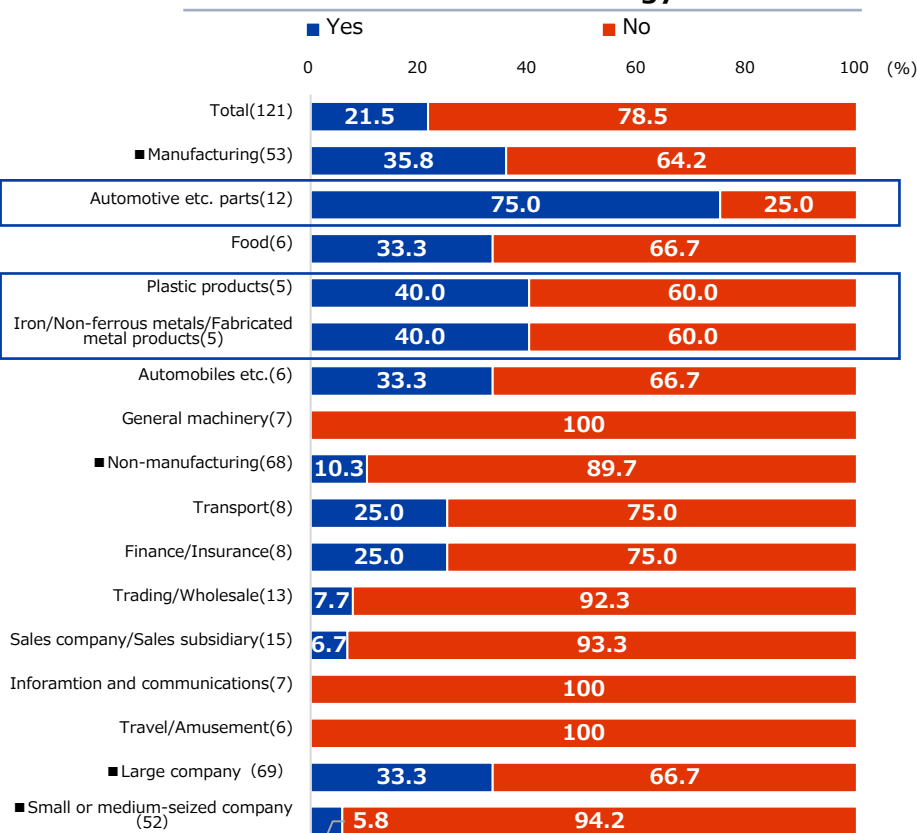
- Scope 1 • 2
 - Implementation of **energy conservation, etc. at head office** [Finance/insurance]
 - **Providing of sufficient charging stations** for EVs [Travel/amusements]
 - **Providing energy-saving products** and **selling CFC-free products** [Sales companies/sales subsidiaries Sales companies/sales subsidiaries]
 - **Afforestation** activities [Other manufacturing]
- Scope 3
 - **Development of EVs** [Sales companies/sales subsidiaries]
 - **Sales of materials to business partners that are making efforts at decarbonization, etc.** [Trading/wholesale]
 - **Finding new investees** [Trading/wholesale]
 - **Supporting our customers’ decarbonization efforts by providing financial services** [Finance/insurance]
 - **Using less paper** in our offices [Finance/insurance]
 - Providing an **online travel sales site** where customers have the option of purchasing carbon offsets [Trading/wholesale]

5

Promoting Decarbonization: Around 20% of Respondents Have Their Own Decarbonization Goal at Local Bases

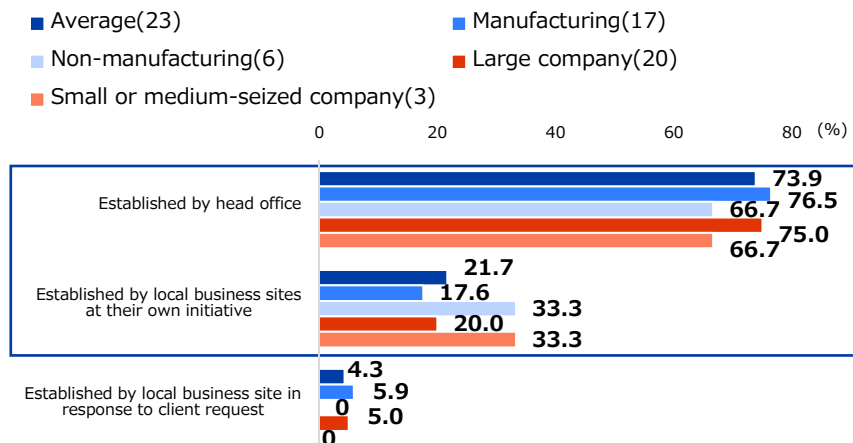
- **21.5%** of respondents said that their **local bases have their own numerical targets for reducing emissions and using renewable energy**. By industry, this response was given by 75.0% of respondents in Automotive etc. parts, and by 40.0% of those in plastic products and in Iron/non-ferrous metals/fabricated metal products.
- Among the respondents that answered “yes,” 73.9% said these goals were “established by head office,” while 21.7% said “established by local business sites at their own initiative”.

Existence of Own Goals for Emission Reduction and Reuse of Energy



(Note) Only industries with five or more valid responses are listed.

Method of Setting Numerical Targets (Respondents with Own Targets)



(Note) Figures in parentheses accompanying the legend are the number of companies that gave valid responses by industry and company scale.

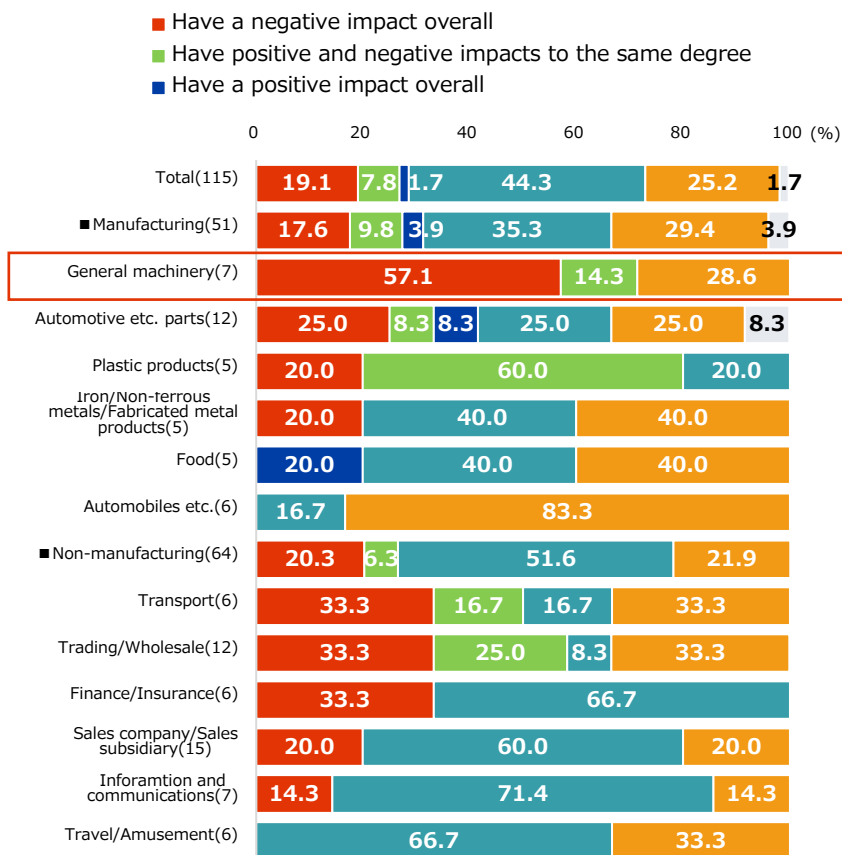
Examples of Numerical Targets

- Established by head office
 - Reduction **based on 2005 level** [Plastic products]
 - **Making all vehicles sold be EVs by 2035, and achieving carbon neutrality in all offices, parts warehouses and sales distributors by 2050** [Automobiles etc.]
 - Aiming for **100% renewable energy introduction rate at main bases by 2030** [Finance/insurance]
 - **1% reduction from the previous year** [Automotive etc. parts]
- Established in response to client requests
 - **2% reduction from the previous year** [Plastic products]

1 | Changes in Trade Environment: Just Under 20% Reported a “Negative Impact Overall”

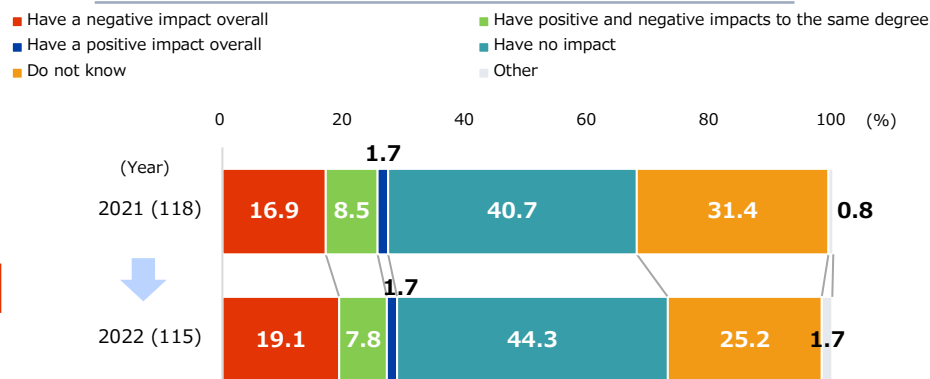
- In terms of the impact of changes in the trade environment, 44.3% of respondents answered “have no impact” (40.7% last year), with another 25.2% saying they “do not know” (31.4%), and with 19.1% reporting a “negative impact overall” (16.9%).
- By industry, a “negative impact overall” was most highly reported by respondents in general machinery (57.1%), an increase of 14.2 points from the previous year (42.9%).

Impact of Changes in Trade Environment on 2022 Earnings (By Industry)



(Note) Only industries with five or more valid responses are listed.

Impact of Changes in Trade Environment on Earnings (vs. Previous Year)



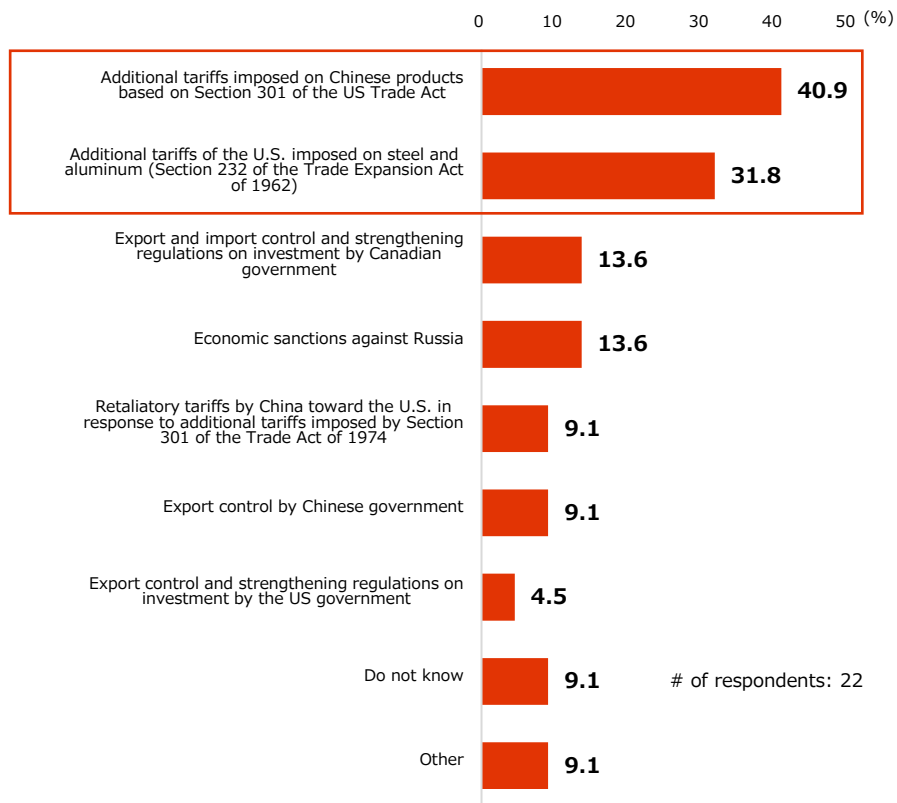
Impact from Changes in Trade Environment on 2022 Earnings (Free-form)

- Have positive and negative impacts to the same degree
 - More influence of Canada's conservative policies (AD tariffs) than U.S.-China relations [Trading/wholesale]
 - Little impact on imports from Chinese factories, but some impact on materials [Automotive etc. parts]
 - The resulting increase in inflation and overall costs is a negative. But if it succeeds in raising the price per unit sold as a result, that's a plus. [Trading/wholesale]
- Have no impact
 - No related product transactions [Rubber/ceramic/stone and clay products]
 - Most of our business partners target domestic demand [Sales companies/sales subsidiaries]

2 | Impact by Policy: Section 301 of the U.S. Trade Act is a Major Negative Factor

- In terms of specific policies having a negative impact, “additional tariffs imposed on Chinese products based on Section 301 of the US Trade Act” were cited the most, by 40.9% of respondents, followed by “Additional tariffs of the U.S. imposed on steel and aluminum” (31.8%).
- Specific negative impacts noted included longer delivery times and higher prices for Chinese products.

Specific Policies Having a Negative Impact (Multiple Answers)



Specific Negative Impacts from Changes in Trade Environment (Free-form)

- **Tariffs on steel products** affect sales [General machinery]
- **Increased cost of goods, increased burden of source management, etc.** [Trading/wholesale]
- **Impacts on imports and exports from Japan and the U.S.** [General machinery]
- **Deterioration of business conditions of some clients, etc.** [Finance/insurance]
- **Procurement of main raw materials from Russia** [Plastic products]
- **Supply chain goes through the U.S., and tariffs have a negative impact on product costs** [General machinery]
- **Longer delivery times and higher prices for Chinese products** [Sales companies/sales subsidiaries]
- **Impact of the U.S. economic downturn on Canada** [Sales companies/sales subsidiaries]

1 Management Challenges: Increase in Wages/Difficulty in Recruiting Employees and Rising Logistics/Procurement Costs were Top Answers

- The most common **management challenge** cited was an **"increase in wages of employees"** (61.8%). **In manufacturing, "rising procurement costs"** (73.6%) was cited the most, while "increase in wages of employees" (56.4%) was cited the most in **non-manufacturing**.
- Specific challenges included decrease/loss of stability in raw material supply and hiring/training of workers.

Management Challenges (Multiple Answers)

Main management issues	Classification	Ratio (%)
Increase in wages of employees	Employment and labor	61.8
Difficulty in recruiting workforce (general staff)	Employment and labor	47.3
Rising logistics costs	Procurement of raw materials/parts	46.6
Rising procurement costs	Procurement of raw materials/parts	45.8
Slow development of new customers	Sales and marketing	39.7
Logistics delays	Procurement of raw materials/parts	34.4
Difficulty in recruiting workforce (engineers)	Employment and labor	32.1
Retention rate of employees	Employment and labor	32.1
Delivery dates management	Procurement of raw materials/parts	26.0
Quality of employees	Employment and labor	25.2
Fluctuations in the exchange rate	Finance and monetary	23.7
Raw materials/parts supply shortage	Procurement of raw materials/parts	22.1

Number of respondent companies: 131

(Note) Excerpt only for top items, 40% or more in bold

Specific Challenges (Free-form)

- **Employment and labor issues**
 - **Hiring** of human resources [Electrical machinery/electronic devices]
- **Sales and marketing issues**
 - **Decrease in sales due to insufficient product supply** [Sales companies/sales subsidiaries]
 - **Decrease in vehicle supply** [Automobiles etc.]
 - **Unstable supply volume and timing** from factories [Sales companies/sales subsidiaries]
 - **Development of new business** [Trading/wholesale]
- **Finance and monetary issues**
 - **Increase in market procurement interest rates** [Sales companies/sales subsidiaries]
- **Production issues**
 - **Training of unskilled workers** [Railway/transport vehicle parts, etc.]

2 | Countermeasures for Management Challenges: "Increasing Wages" and "Reducing Expenses Other than Payroll" Took Top Spots

- Among the **countermeasures** cited, **"increasing wages"** accounted for **55.5% of respondents**, up **20.8 points from the previous year** (34.7%), while **"reducing expenses other than payroll"** accounted for **41.8%**, up **15.5 points from the previous year** (26.3%).
- By industry, **"increasing wages"** was most selected by respondents in automobiles etc. (100%) and in transport (66.7%), while **"reducing expenses other than payroll"** was selected by 80.0% of respondents in iron/non-ferrous metal/fabricate metal products (80.0%) and in automotive etc. parts (76.9%).

Measures to Address Management Issues (Multiple Answers)

Countermeasures	Classification	Ratio (%)
Increasing wages	Employment and labor	55.5
Reducing expenses other than payroll	Employment and labor	41.8
Differentiation from competing products	Sales and marketing	39.1
Enhancing internal communication	Employment and labor	36.4
Reviewing suppliers of materials/parts and procured contents	Procurement of raw materials/parts	34.5
Reviewing work rules and conditions of employment	Employment and labor	32.7
Reviewing delivery contracts and delivery methods	Procurement of raw materials/parts	32.7
Review and strengthening of sales method	Sales and marketing	30.9
Improving the work environment	Employment and labor	29.1
Utilizing remote work and web conferences	Employment and labor	28.2
Compliance with various regulations	Regulations	28.2
Development of new products	Sales and marketing	23.6
Building up inventory	Procurement of raw materials/parts	23.6
Strengthening customer service	Sales and marketing	22.7
Encouraging automation and labor reduction	Employment and labor	21.8

Number of respondent companies: 110
(Note) Excerpt only for top items, 30% or more in bold

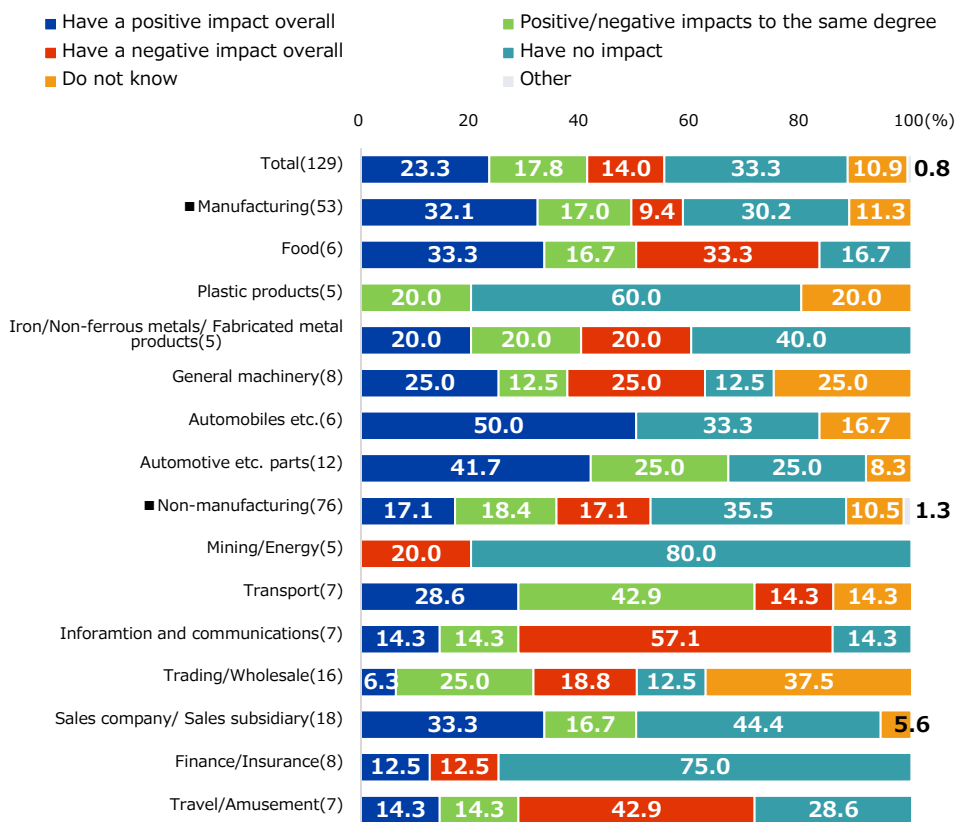
Specific Countermeasures (Free-forms)

- **Employment and labor issues**
 - **Collaboration with universities and industries, securing human resources from French-speaking countries** [Rubber/ceramics/stone and clay]
 - **Globalization of human resources** [Information and communications]
 - **Provide training** in training centers [Railways/Traffic Vehicle Parts]
 - Considering **relocation of development** department due to **shortage of engineers** [Information and communications]
- **Procurement of raw materials/parts**
 - **Improve delivery date management methods** [Sales companies/sales subsidiaries]
- **Sales and marketing**
 - **Product education** for sales relationships [Sales companies/sales subsidiaries]
 - **Accelerate search for new customers and respond to inquiries** [Chemicals/medicines, Railway/transport vehicle etc. parts].
 - Consider **online sales** [Sales companies/sales subsidiaries]
 - **Accelerate new business development** [Trading/wholesale]
 - **Price pass-throughs and sales price increases** [Automobile, etc., sales company]
- **Finance and monetary**
 - **Hedging of raw material prices** [Iron/non-ferrous metals/fabricated metal products]
 - **Raising the price of financing** [Iron/non-ferrous metals/fabricated metal products]

3 | Impact of Weaker Yen Against the Canadian Dollar: One-Third Answered "No Impact," Slightly Over 20% Answered "Positive"

- Regarding **the trend of the weakening yen against the Canadian dollar** from the beginning of 2022, **the most common response was "no impact" at 33.3%**. Some respondents said, "It will have **no particular impact** on business because **transactions in Japanese yen are limited**".
- The "positive impact" (23.3%) was higher than the "negative impact" (14.0%)** **Reduction of import costs from Japan** was cited as the main factor.

Impact of the Weakening Yen (By Industry)



(Note) Only industries with five or more valid responses are listed.

Impact of Exchange Rate Levels (Free Answer)

Positive impact

- Favorable procurement of raw materials due to the appreciation of the U.S. dollar, which is almost tied to the Canadian dollar** [Rubber/ceramics/stone and clay]
- Increased sales in yen terms and decreased cost of yen-denominated payments** [Sales companies/sales subsidiaries]
- Foreign exchange gains on the Japanese head office side** [Sales companies/sales subsidiaries]
- Price reductions and increased profits due to lower import costs** [Other manufacturing companies]

Have no impact

- No particular impact **as Japanese yen transactions are limited**
- Transactions are mostly denominated in US dollars, so the impact is greater against the U.S. dollar than against the Japanese yen.**

Negative impact

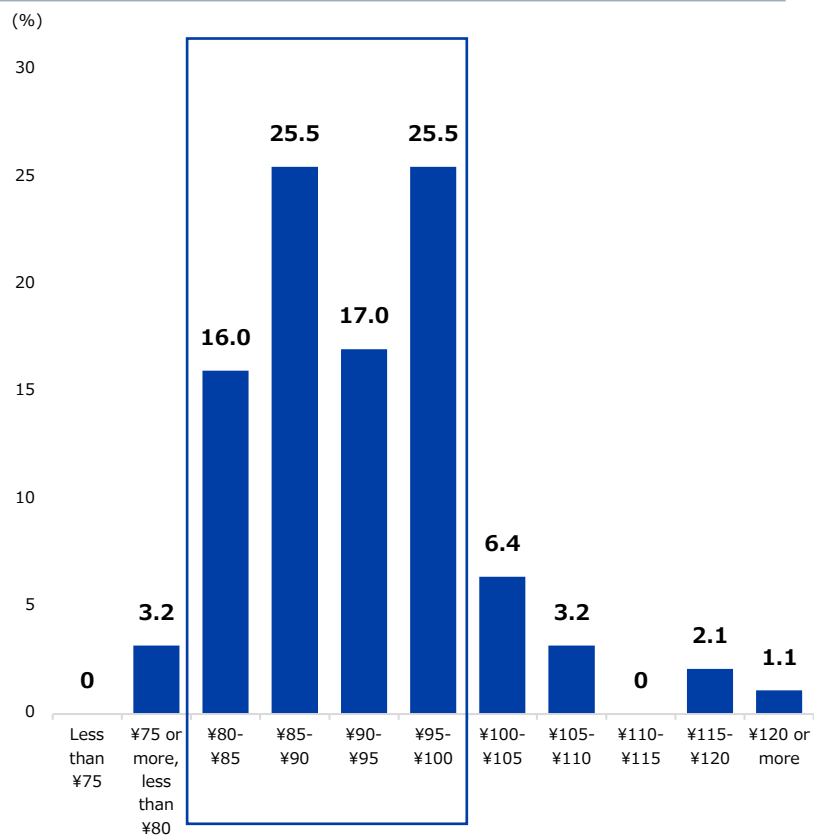
- Impact **of transactions in the Canadian dollar on costs** [Iron/non-ferrous metals/fabricated metal products]
- Review of contracts with customers** [Information & communications]
- Increase in costs for production outsourced from Japan** [General machinery]

4

Countermeasures for a Weaker Yen Against the Canadian Dollar: Around 85% Said Fair Market Price was From 80 Yen to Less Than 100 Yen

- The largest percentages of respondents (25.5% each) chose “from 85 yen to less than 90 yen” and “from 95 yen to less than 100 yen” as the **appropriate exchange rate between the yen and the Canadian dollar. 84.0% of respondents thought that from 80 yen to less than 100 yen was an appropriate range.**
- In addition to forward exchange contracts, other measures taken to cope with the weakness of the yen against the Canadian dollar included reducing foreign exchange risks by purchasing and selling goods in the U.S. dollar and reviewing contracts with customers.

Exchange Rate that Companies Consider Appropriate



of respondents: 94

Countermeasures to Deal with the Weaker Yen against the Canadian Dollar

- **Forward exchange contracts** [Trading/wholesale]
- **Reviewing contracts with customers** [Information and communications]
- **Counteracting foreign exchange risk by conducting procurement and sales in the U.S. dollar** [Sales companies/sales subsidiaries]
- Minimizing the impact of exchange rate fluctuations by **maintaining a balance between the currency of sales and the currency of expenses** [Railway and Transportation Vehicle Parts]
- (Since transactions are often denominated in the U.S. dollar and changes in the exchange rate against the U.S. dollar have a greater impact,) **adjust the timing of U.S. dollar procurement** [Sales companies/sales subsidiaries]

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