JETRO

FY2024

Survey on Business Conditions of Japanese Companies in North America

—The Acceleration of Supply Chain Consolidation in the U.S. and Canada

Japan External Trade Organization (JETRO)
Research & Analysis Department
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Survey Result Highlights

The percentage of companies forecasting profits has returned to pre-COVID levels, exceeding last year's figures.

- For FY2024**, 66.2% of Japanese companies in the U.S. and 73.8% in Canada expect to turn a profit.** The figure for the U.S. is the first to slightly **exceed 2019's pre-pandemic level.**
- **Around 50% of companies in both the U.S. and Canada plan to expand their business operations over the next few years–** a level that has recently remained stable, reflecting anticipated growth in local market demands. For the U.S., companies are planning to expand in economic hubs such as California and Texas as well as in states across the Midwest and Southeast regions.

Amidst the increasingly competitive environment, some companies are increasing their market shares.

- Approximately 30% of Japanese companies operating in the U.S. and Canada said that the number of competitors has increased compared to five years ago. Despite these circumstances, **36.2% in the U.S. and 48.1% in Canada have increased the market shares of their main products and services**.
- In the U.S., **cost competitiveness** is the greatest competitive challenge (59.6%). About 40% of companies are addressing it by **developing products/services, strengthening sales/public relations, and reducing costs.** The top concern in Canada **is brand and name recognition,** with **strengthening sales and public relations** cited as the top countermeasure.

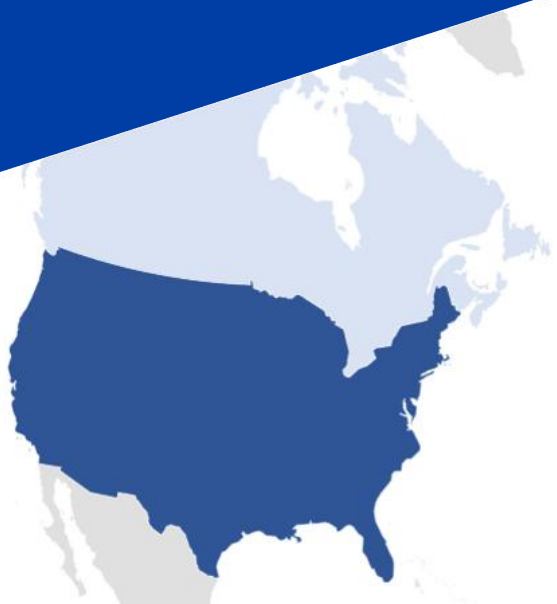
Employment and labor challenges remain, including wage increases and labor shortages.

- In both the U.S. and Canada, **rising employee wage levels** is the highest-ranked management challenge. **The most common** countermeasure **is to increase wages for existing employees,** highlighting that inflation-driven increases in labor costs are causing concerns to Japanese companies in North America.

The trend toward domestic procurement is accelerating as more companies switch to local suppliers.

- Regarding changes in procurement sources, Japanese companies in both the U.S. and Canada are primarily shifting to domestic procurement, indicating that **supply chain localization is accelerating**. In the U.S., the second most notable pattern was companies continuing to redirect their procurement **from China to ASEAN countries**, as in the previous year. Meanwhile, the number of companies switching to Mexico has decreased to 10 from 21 in the previous year.

United States
（43rd Annual Survey）



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1 Summary of this year's survey

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 3-24, 2024

Valid Responses

42.1%

(694 out of 1,649 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 companies in the U.S.

Note

This is the 43rd annual survey, conducted since 1981 (not conducted in 2004).

Breakdown of responding companies by industry and state

(Unit:company、%)

	Total	Comp. Ratio
All industries	694	100

By Industry					
Manufacturing	Total	Comp. ratio	Non-manufacturing	Total	Comp. ratio
	386	55.6		308	44.4
Automotive etc. parts	63	9.1	Sales companies/ Sales subsidiaries	95	13.7
General machinery	47	6.8	Trading/Wholesale	67	9.7
Chemicals/Medicines	52	7.5	Transport	28	4.0
Iron/Non-ferrous metals/ Fabricated metal products	44	6.3	Information and communications	24	3.5
Food	30	4.3	Professional and technical services	17	2.4
Electrical machinery/ Electronic device	29	4.2	Travel/Amusement	13	1.9
Electrical machinery parts/ Electronic device parts	24	3.5	Construction	12	1.7
Plastic products	24	3.5	Finance/Insurance	11	1.6
Precision machines/ Medical equipment	14	2.0	Mining/Energy	10	1.4
Rubber/Ceramic/Stone and clay products	13	1.9	Real estate and leasing	8	1.2
Automobiles etc.	8	1.2	Retail trade	8	1.2
Textiles/Apparel	5	0.7	Education/Medical	2	0.3
Railway/Transport vehicles etc.	5	0.7	Restaurant	2	0.3
Paper/Wood products/ Printing	4	0.6	Agriculture/Forestry/ Fisheries	1	0.1
Railway/ Transport vehicles etc. parts	3	0.4	Other non-manufacturing	10	1.4
Other manufacturing	21	3.0			

(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 companies 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.

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2 The States Where Respondents Are Located

Breakdown of Locations of the Respondents and Their Main Plants

(Unit: Company)

	State where the company headquarters is located			State where the factory is located
# of respondents	694			474
	Manufacturing	Non-manufacturing	Total	Total
Northeast	33	68	101	32
CT Connecticut	0	2	2	2
ME Maine	0	0	0	0
MA Massachusetts	4	3	7	5
NH New Hampshire	2	0	2	3
NJ New Jersey	8	13	21	4
NY New York	10	48	58	6
PA Pennsylvania	8	1	9	11
RI Rhode Island	1	1	2	1
VT Vermont	0	0	0	0
Midwest	140	71	211	156
IL Illinois	43	44	87	26
IN Indiana	24	2	26	31
IA Iowa	1	0	1	2
KS Kansas	5	1	6	8
MI Michigan	23	17	40	25
MN Minnesota	4	0	4	5
MO Missouri	0	0	0	0
NE Nebraska	3	0	3	6
ND North Dakota	0	0	0	0
OH Ohio	34	7	41	46
SD South Dakota	0	0	0	0
WI Wisconsin	3	0	3	7

	State where the company factory is located			State where the factory is located
	Manufacturing	Non-manufacturing	Total	Total
South	131	57	188	194
AL Alabama	11	2	13	16
AR Arkansas	1	0	1	3
DE Delaware	0	1	1	0
FL Florida	1	4	5	7
GA Georgia	40	7	47	39
KY Kentucky	13	6	19	26
LA Louisiana	0	0	0	1
MD Maryland	2	0	2	0
MS Mississippi	2	0	2	8
NC North Carolina	5	3	8	12
OK Oklahoma	0	0	0	0
SC South Carolina	3	1	4	7
TN Tennessee	22	2	24	27
TX Texas	27	27	54	36
VA Virginia	2	2	4	8
WV West Virginia	2	0	2	4
DC WashingtonDC	0	2	2	0
West	82	112	194	92
AK Alaska	0	0	0	0
AZ Arizona	6	0	6	8
CA California	62	102	164	56
CO Colorado	1	2	3	4
HI Hawaii	2	2	4	5
ID Idaho	0	0	0	1
MT Montana	0	0	0	0
NV Nevada	2	0	2	1
NM New Mexico	0	0	0	2
OR Oregon	4	3	7	9
UT Utah	1	0	1	1
WA Washington	4	3	7	5
WY Wyoming	0	0	0	0
Total	386	308	694	474

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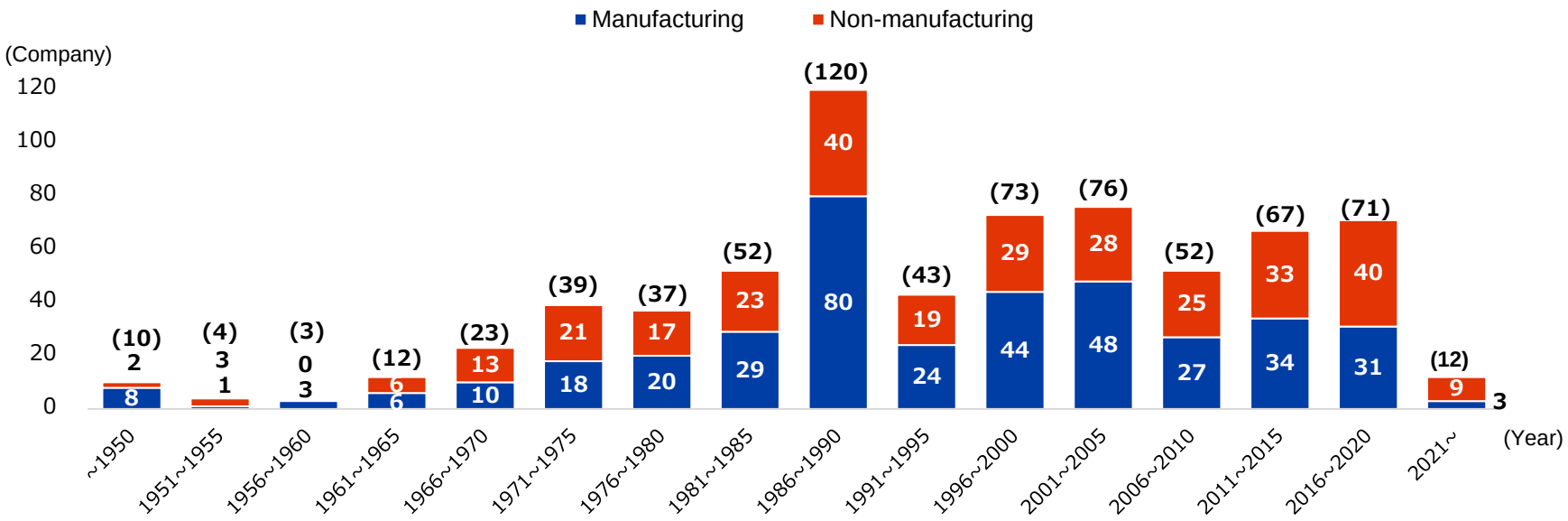
3 Respondents' Establishment Year, Location, Number of Plants

Respondents' Establishment Year



Breakdown of the Number of Respondent Sites

Number of respondents	644			
Number of sites	Number of companies			Number of sites
	Manufacturing	Non-manufacturing	Total	Total
~5	327	245	572	2,937
6~10	24	19	43	
11~15	8	2	10	
16~20	6	3	9	
21~25	0	2	2	
26~30	0	0	0	
30 or more	4	4	8	
Total	369	275	644	

Breakdown of the Number of Respondent Plants

Number of respondents	526			
Number of plants	Number of companies			Number of plants
	Manufacturing	Non-manufacturing	Total	Total
No plants	76	161	237	561
1~5	262	12	274	
6~10	9	0	9	
11 or more	6	0	6	
Total	353	173	526	

4 Number of employees and employees dispatched from Japan: The medians are 41 and 3.5, respectively

- The respondents employ a total of 408,563 people, averaging 593 employees per company with a median of 41. The median number of employees was 100 in the manufacturing sector and 14 in the non-manufacturing sector.
- The total number of employees dispatched from Japan (expatriates) is 6,729, averaging 9.7 per company, with a median of 3.5. The median total number of employees was 4 for the manufacturing sector and 3 for the non-manufacturing sector.

The median number of employees per company

(Unit: People)

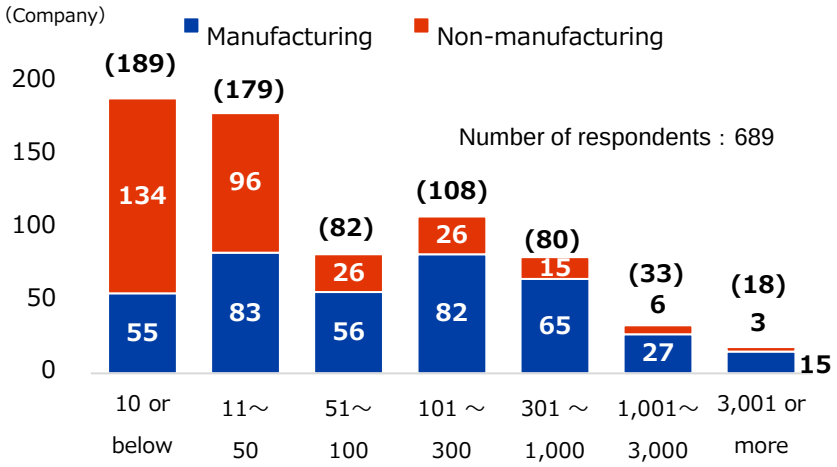
	Total number of employees	Average	Median
Total (689)	408,563	593.0	41
Manufacturing (383)	287,064	749.5	100
Non-manufacturing (306)	121,499	397.1	14

The median and average number of expatriates from Japan per company

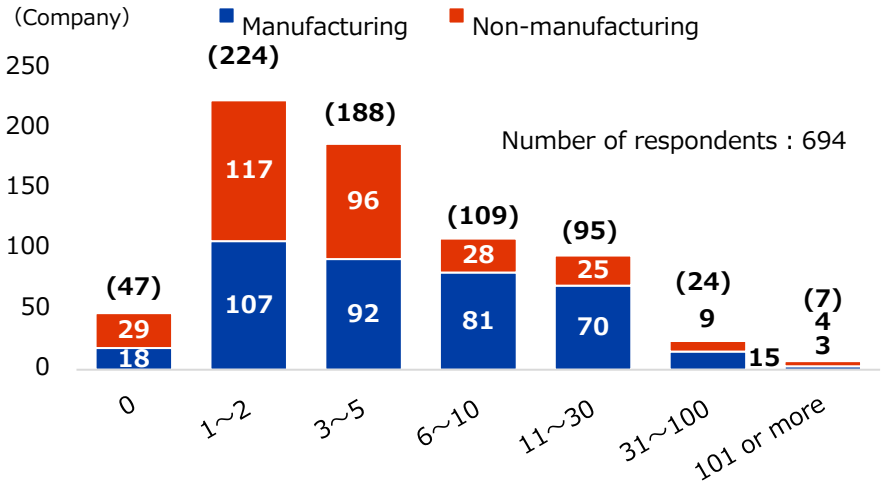
(Unit: People)

	The number of expatriates from Japan	Average	Median
Total (694)	6,729	9.7	3.5
Manufacturing (386)	4,198	10.9	4
Non-manufacturing (308)	2,531	8.2	3

Number of Employees by Industry



Number of Expatriates from Japan by Industry



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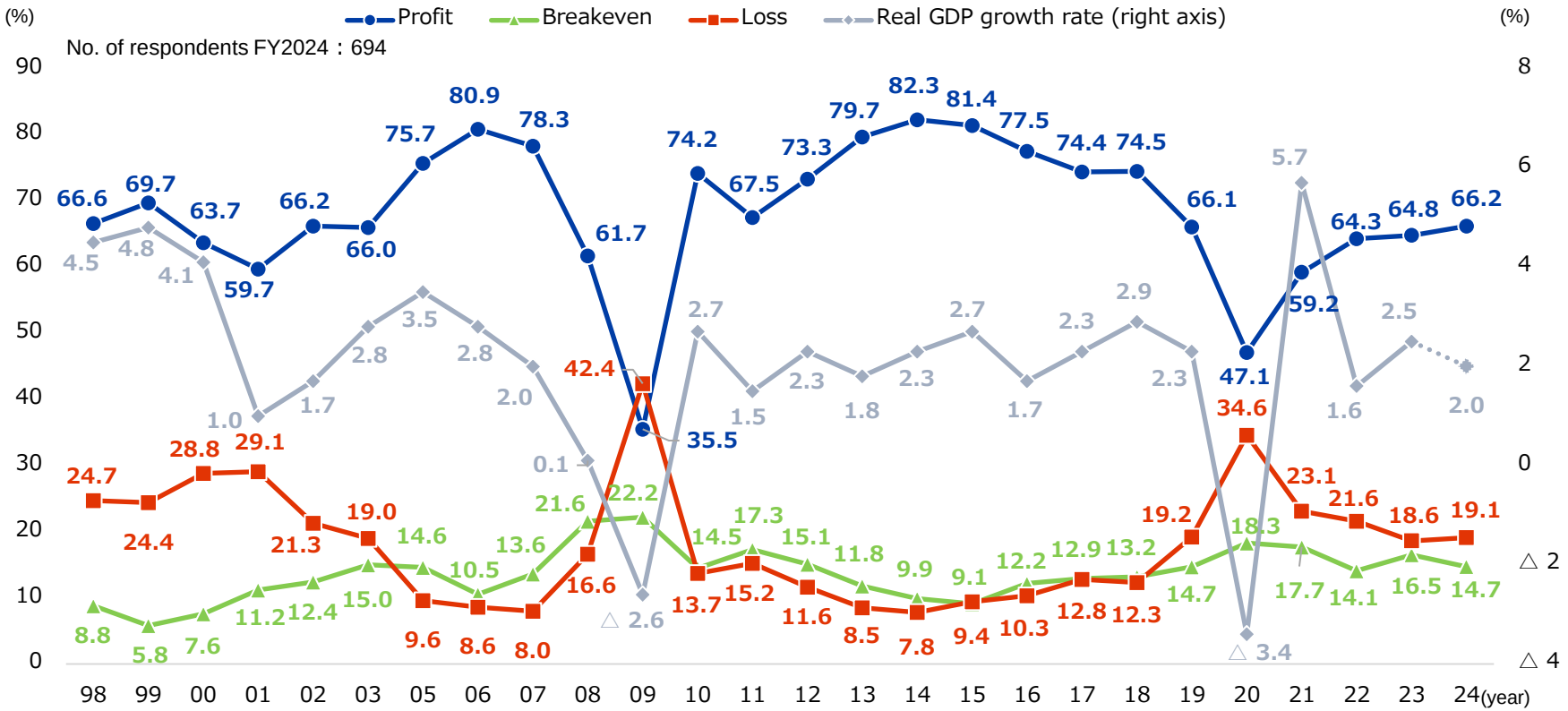
1 Operating profit forecast for 2024: Around 65% of respondents expect to turn a profit, reaching the pre-COVID level

- In 2024, 66.2% of respondents expected to turn a profit, up 1.4 percentage points from the previous year (64.8%). This is the first time since 2020 for the figure to exceed the 2019 pre-COVID level (66.1%). Meanwhile, the number of companies expecting deficits rose to 19.1%, up 0.5 percentage points from the previous year (18.6%).

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



(Note) Real GDP growth rates through 2023 are based on data published by the U.S. Bureau of Economic Analysis (BEA) in October 2024.
The 2024 real GDP growth rate is the median rate projected by the participants of the Federal Open Market Committee (FOMC) meeting held in September 2024.
No survey was conducted in FY2004.

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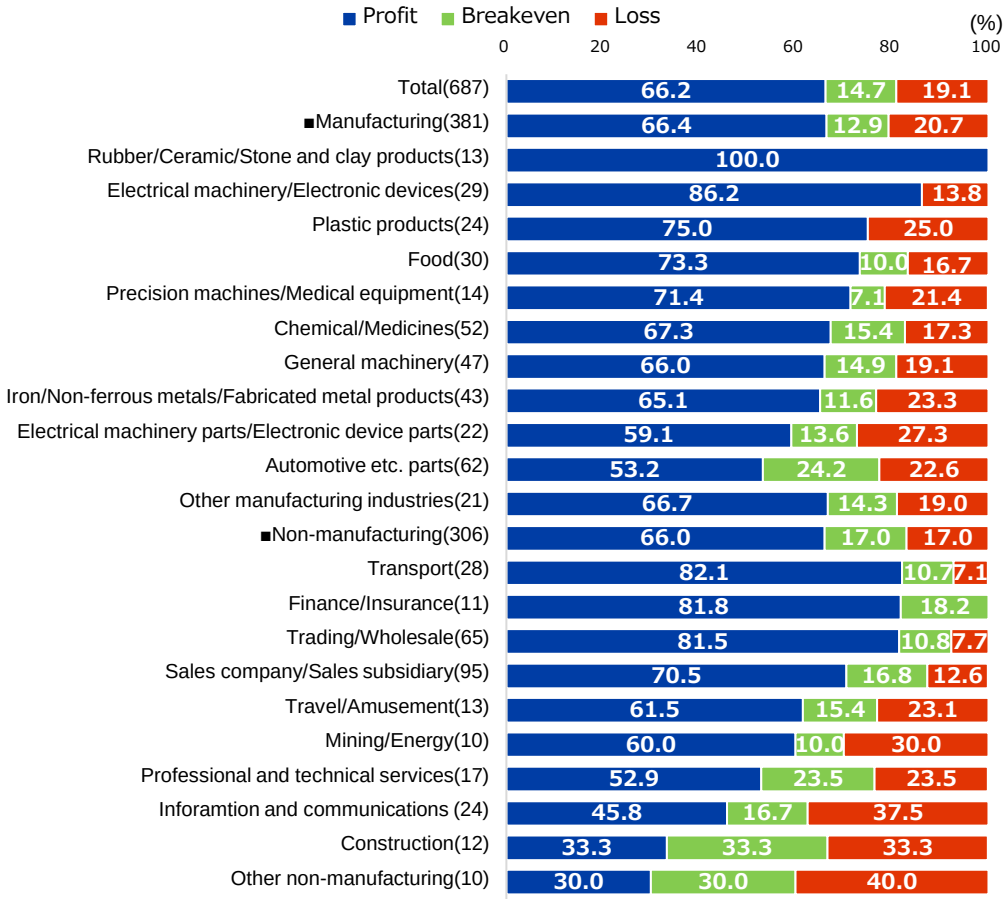
2 Operating profit forecast for 2024 (by industry): Over 80% of electrical machinery/electronic device companies expect to turn a profit, indicating a significant improvement from the previous year

- By industry, 100% of rubber, ceramic, and stone and clay product companies expect to turn a profit. The electrical machinery/electronic device industry follows at 86.2%, benefiting mainly from the recovery of the semiconductor market. In the non-manufacturing sector, 82.1% of companies in the logistics industry and 81.8% of companies in the finance and insurance industry forecast profits.
- In the Automotive etc. parts industry, despite exceeding last year's figure (45.8%), the percentage of companies expecting profits remained relatively low at 53.2%, even with increased vehicle sales. The percentage of companies expecting a deficit is 22.6%, down more than 10 percentage points from 33.9% in the previous year.

2024 operating profit forecast (by industry)



(Note) The list only includes industries with 10 or more valid responses.

Factors contributing to positive operating profit outlooks (specific comments)

- Logistics
  - Increase in freight volume and surge in logistics costs
- Automotive etc. parts
  - Recovery in automobile production volumes due to the end of semiconductor shortages
- Electrical machinery/electronic device
  - Growing demand for capital investment due to economic recovery, the recovery of the semiconductor market, and increased demand
- Sales companies, Trading/Wholesale
  - Booming automobile industry, growing demand in the semiconductor market, weak yen

Factors contributing to negative operating profit outlooks (specific comments)

- General machinery
  - Companies holding back from capital investment due to the presidential election
- Electrical machinery/Electronic device parts
  - Decrease in new orders due to reduced demand, economic stagnation, and inventory adjustment, etc.
- Automotive etc. parts
  - Soaring costs of materials, labor, and logistics; labor shortages; increasing manufacturing costs
- Food
  - Raw material costs soaring due to inflation and a slowdown in the retail market

(Note) Responses in the specific comment fields have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

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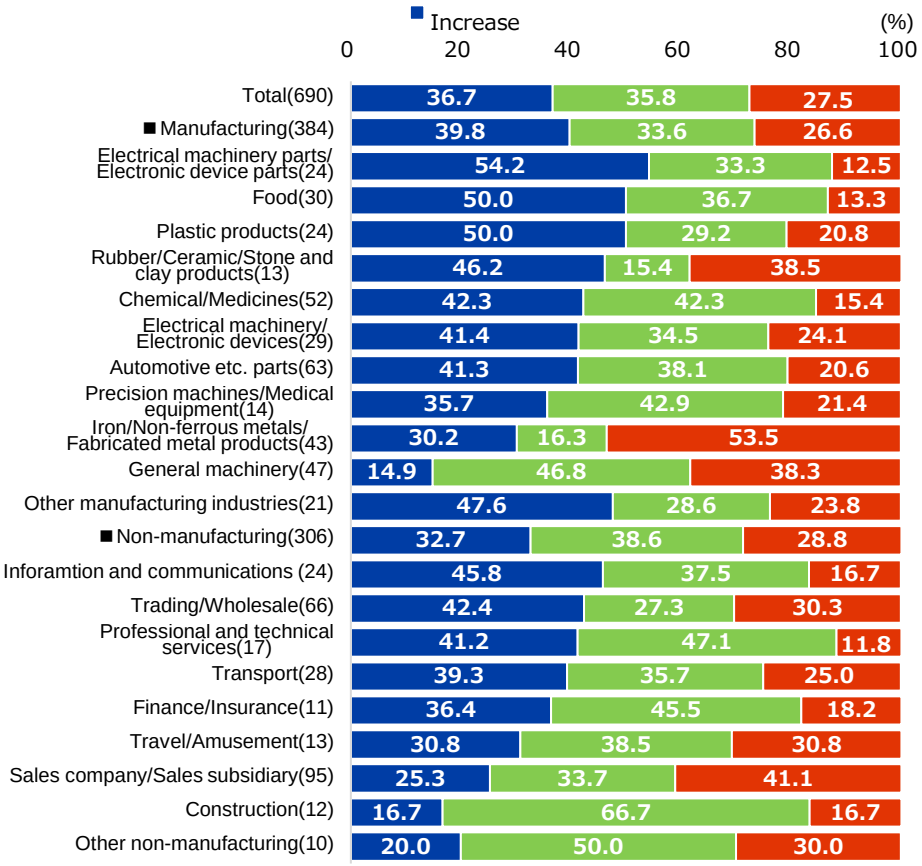
3 Operating profit forecasts compared to the previous year (by industry): The manufacturing sector shows a significant improvement, helped mainly by growing local market demand

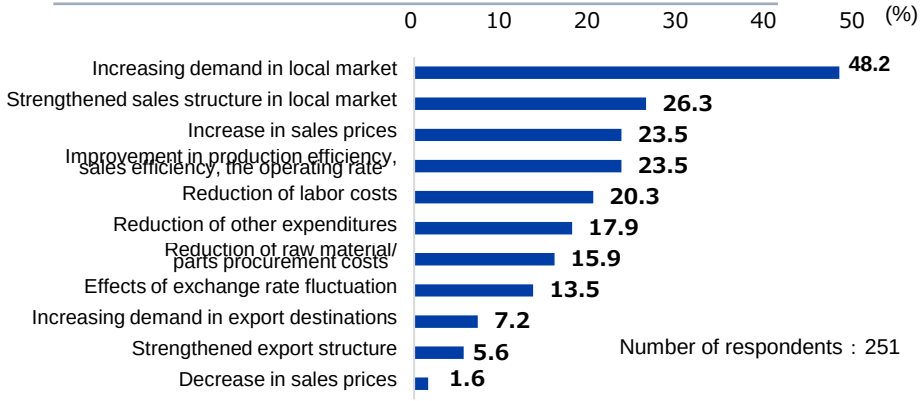
- The manufacturing sector shows a high percentage of respondents reporting a year-on-year improvement in operating profit forecasts: 54.2% for the electrical machinery/electronic device parts industry and 50.0% for the food and plastic product industries. Meanwhile, more than half of steel, non-ferrous metals, and metals companies reported a decrease.
- Improvement/deterioration is mainly attributed to demand variations in local markets (increases: 48.2%, decreases: 56.6%).

Changes in operating profit forecasts compared to 2023 (by industry)

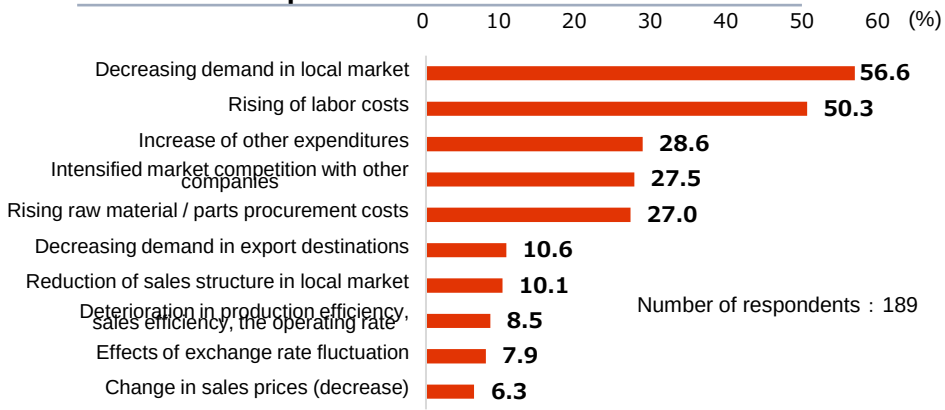


(Note) The list only includes industries with 10 or more valid responses.

Main factors driving improved operating profit outlooks for 2024



Main factors behind deteriorating operating profit outlooks for 2024



(Note) Only the top items have been excerpted.

1 Management challenges: Salary increases, recruitment, and other employment and labor-related issues are the top concerns

- With prolonged inflation, increasing employee wages has emerged as the biggest challenge. Other common employment and labor-related concerns include recruiting qualified employees and maintaining high retention rates.
- On the sales front, as in the previous year, acquiring new customers remains the top challenge. Some respondents expressed concern that soaring labor costs are weakening their price competitiveness.

Management challenges (multiple answers allowed)

Main management issues	Classification	Rate (%)
Increase in wages of employees	**Employment and labor**	**53.2**
Slow development of new customers	**Sales**	**48.9**
Difficulty in recruiting employees	**Employment and labor**	**45.5**
Quality of employees	**Employment and labor**	**43.6**
Rising procurement costs	**Procurement**	36.3
Intensifying competition with competitorsTax burden (corporate tax, transfer pricing taxation, etc.)	**Sales**	34.1
Rising logistics costs	**Procurement**	33.6
Retention rate of employees	**Employment and labor**	29.9
Decrease of demand from business partners/consumers	**Sales**	28.9
Soaring living cost for expatriates	**Employment and labor**	28.6
Difficulty in quality control	**Production**	21.6

Number of respondents: 675
（Note） Only the top items have been excerpted. Items that increased by 40% or more are shown in bold.

Specific challenges (specific comments)

Increasing wages
- Adjust wages to keep pace with inflation. [Automotive etc. parts, general machinery, iron/non-ferrous metals/fabricated metal products, logistics, etc.]
- Employee wages and other costs have risen, leading to a higher ratio of SG&A expenses to sales. [Automobile, precision machines/medical equipment, and other manufacturing industries]
- Soaring labor and raw material costs make it difficult to actively invest in facilities and human resources. [Electrical machinery/electronic device parts]
- The HQ is reluctant to approve wage increases that match the rate of inflation for local personnel. [Automotive etc. parts]

Procurement
- Shipping costs for imports from Japan are rising. This offsets the gains from the currency exchange rate, rendering price negotiations with suppliers meaningless. [General machinery]
- Strikes are causing issues on the East Coast. [Iron/non-ferrous metals/fabricated metal products]

Sales
- Visiting new clients is difficult without a network. Unable to establish a system for covering the entire U.S. [Trading/wholesale, other manufacturing industries, etc.]
- There is a need to improve awareness in the market. [Trading/wholesale]
- Unable to maintain price competitiveness due to wage increases. [Automotive etc. parts, plastic products]
- There is a need to expand sales channels to reach existing and new customers due to the intensifying competition with Taiwanese and Chinese companies. [Electrical machinery parts/electronic device parts]
- The price competition is intensifying. Major companies are not slowing their investments, and an increasing number of SMEs are entering the market in anticipation of market growth. [Precision machines/medical equipment]

(Note) Responses in the specific comment fields have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

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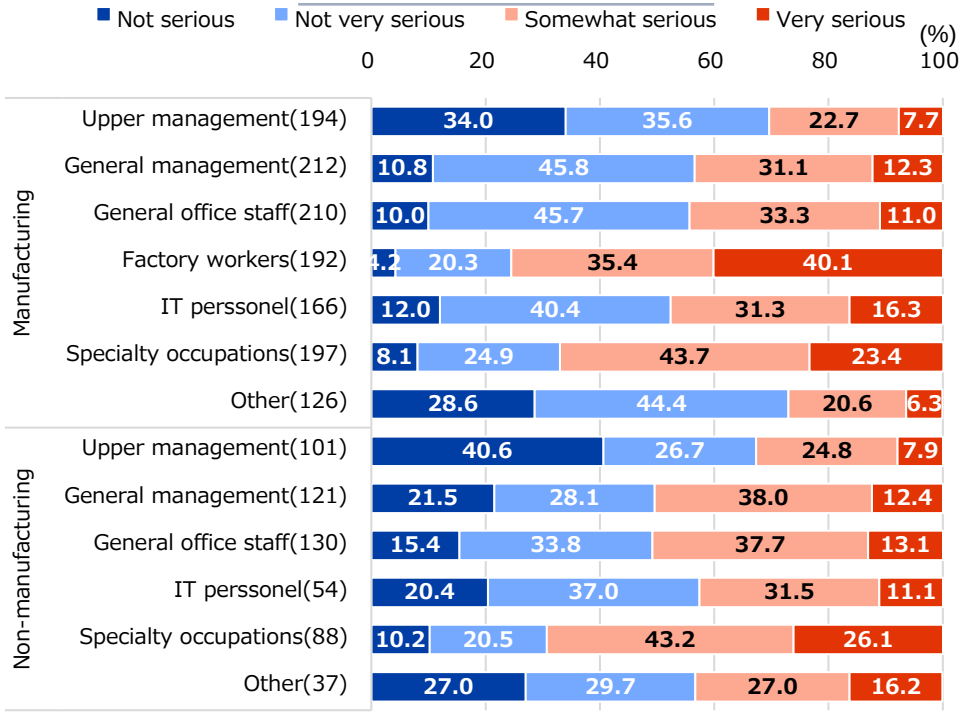
2 Severity of the labor shortage severity and specific recruitment and retention measures: Companies are facing a serious shortages of factory workers and specialists

- The manufacturing sector is facing an acute shortage of factory workers, with 40.1% of respondents saying that the shortage is “very serious.” The shortage for specialty occupations is also notable, with 67.1% of manufacturers and 69.3 % of non-manufacturing companies selecting “very serious” or “somewhat serious.”
- Challenges related to human resources include the difficulty of attracting qualified candidates that match wage levels, low retention rates, and an aging workforce that complicates knowledge transfer.

Severity of labor shortages (by occupation and industry)



Note 1: This question applied to companies that selected “difficulty in recruiting employees” and “retention rate of employees” in response to the question regarding management challenges (see the previous slide). For factory workers, only data from the manufacturing sector is included.

Note 2: Upper management: Directors, etc.; General management: Managers, etc.; IT personnel: Programmers, etc.; Specialty occupations: Positions requiring specialized skills such as legal, accounting, and engineering roles; Other: Includes outsourcing/drivers, construction-related, courier-related, etc.

Specific challenges related to human resources (specific comments)

- **Difficulty in recruiting employees**
  - Despite offering an attractive benefit package, the younger generation appears to select companies primarily based on wage levels. [Sales company]
  - Securing of IT and DX human resources [Electrical machinery/electronic device parts]
- **Quality of employees**
  - There are few candidates whose outputs match their high wages. [Precision machines/medical equipment, sales company]
  - The shortage of maintenance and other technicians is particularly serious. In-house training takes time, too. [Automotive etc. parts, trading/wholesale]
  - Employees have a poor sense of responsibility with respect to completing tasks. [Sales company]
- **Employee retention**
  - The retention rate is low, and competition with peers makes it difficult to hire replacement personnel. [Rubber/ceramic/stone and clay products; general machinery; Automotive etc. parts; etc.]
  - Employees may move to other companies with better wages and benefits, even if such companies are not in the same industry. [Professional and technical services]
- **Aging workforce**
  - Senior employees are retiring at an accelerating pace, leaving little time to transfer knowledge to younger successors. [Agriculture/forestry/fisheries, general machinery, electrical machinery/electronic device parts, etc.]
  - Engineers are older and retire or take leave due to health issues. [Construction]

(Note) Responses in the specific comment fields have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

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3 Countermeasures for management challenges: To combat the trend, companies are primarily increasing wages

- As a countermeasure, approximately 40% selected “increasing wages of existing employees.” For employment and labor-related solutions, more than 30% have strengthened education/training and personnel structures.
- “Reducing expenses other than labor costs,” “raising selling prices,” and “review and strengthening of sales channels” also ranked highly.

Countermeasures for management issues (multiple answers allowed)

Countermeasures	Rate (%)
Increasing wages of existing employees	**40.1**
Reducing expenses other than labor costs	**36.4**
Strengthening education/training	**36.4**
Strengthening personnel structure	**34.3**
Raising selling prices	**32.0**
Review and strengthening of sales channels	**31.8**
Development of new products/services	27.7
Encouraging automation and labor reduction	26.3
Negotiating prices with suppliers	26.1
Improving conditions of employment (Including employee welfare etc.)	25.9
Strengthening communication with headquarters	25.8
Improving brand power	22.2
Maintaining remote work and web conferences	22.0
Promoting local staff members	21.2

Number of respondents: 613
(Note) Only the top items have been excerpted. Items that increased by 30% or more are shown in bold.

Specific countermeasures (specific comments)

- **Increasing the wages of existing employees**
  - Raise wages to be commensurate with performance. [Sales company]
  - Significantly revise salaries every year due to the difficulty of retaining local employees. [Sales company]
- **Reducing expenses other than labor costs**
  - Review and optimize memberships and subscriptions. [Other manufacturing industry]
- **Strengthening of education and training**
  - Hire interns as immediate assets. [Automotive etc. parts, communications]
  - The main plant in Japan dispatches skilled employees for extended periods to provide education and training because local personnel cannot operate the machines on their own. [Rubber/ceramic/stone and clay products]
  - Introduce third-party e-learning programs. [Trading/wholesale]
- **Strengthening of personnel structures**
  - Promote conversion of temporary workers to full-time employees. [Automotive etc. parts]
  - Check employees’ proficiency levels as appropriate and assign tasks suitable for their skills and develop multi-skilled talents. [Iron/non-ferrous metals/fabricated metal products]
  - Plan to place expatriates in areas with large customer bases, in addition to existing office locations. [Trading/wholesale]

(Note) Responses in the specific comment fields have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

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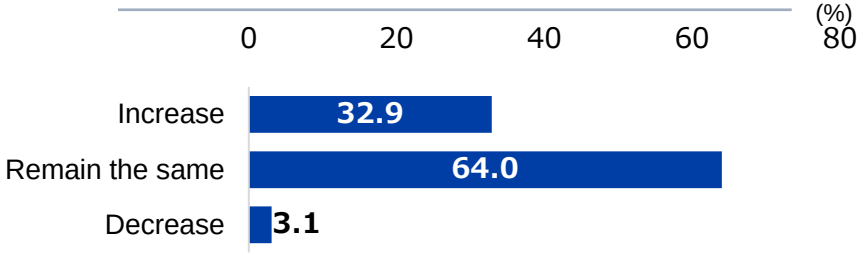
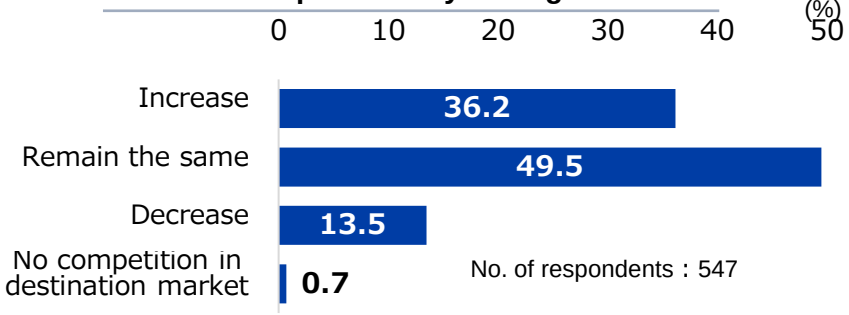
1 Changes in the competitive environment (1): Nearly 40% report an increase in market share compared to five years ago

- Compared to five years ago (2019), over 30% (32.9%) of companies reported an increase in the number of competitors. Nonetheless, nearly 40% (36.2%) reported that the market share of their main products and services had increased during this period.
- Local companies (49.6%) have emerged as major competitors, followed by Japanese companies (20.8%), European companies (13.3%), and Chinese companies (9.4%).

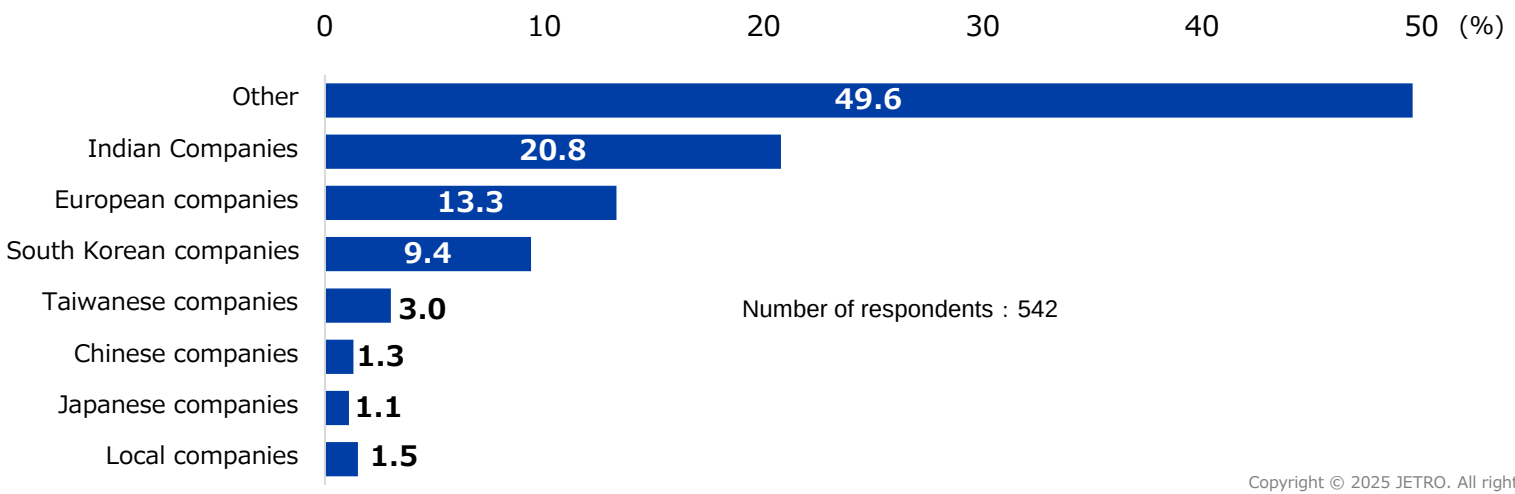
Number of competitors compared to 5 years ago



Market share of main products and services compared to 5 years ago



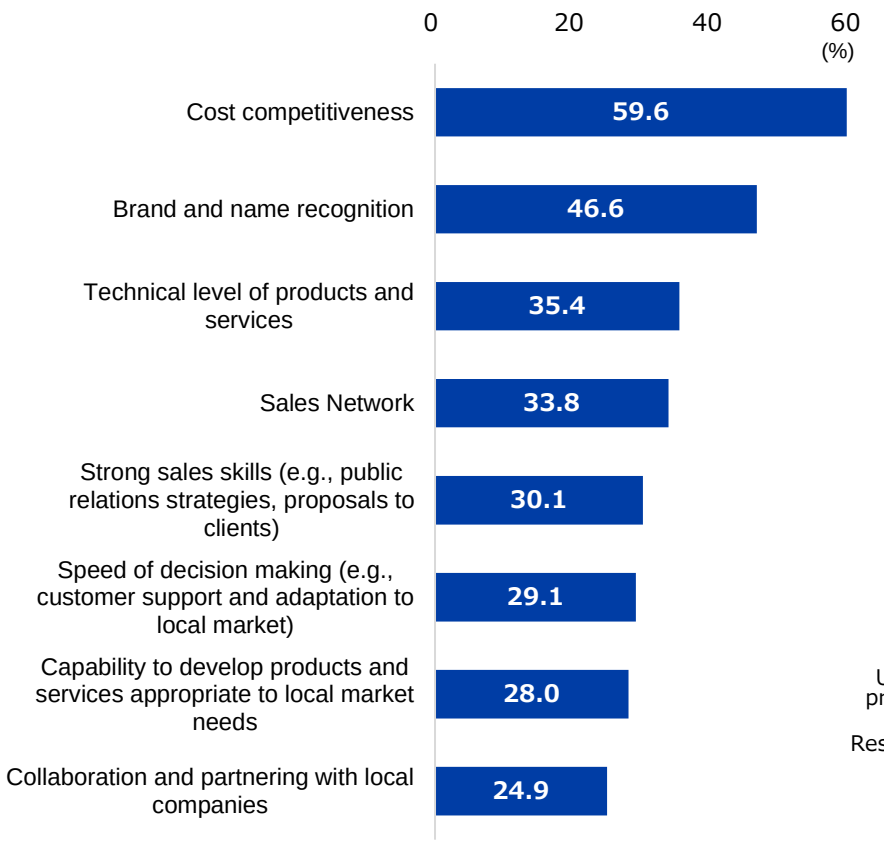
The most competitive company in the destination market



2 Changes in the competitive environment (2): Ensuring cost competitiveness emerges as the major challenge

- Cost competitiveness was the top reason for considering competitors to be strong, with nearly 60% (59.6%) of respondents citing this factor. Brand and name recognition followed at about half of respondents (46.6%). These factors are considered to be the key challenges when competing with local companies.
- For countermeasures, three strategies are nearly tied at around 40% each: developing products/services (40.1%), strengthening sales and public relations (38.6%), and reducing costs (38.6%).

Why do you consider the company to be your biggest competitor? (multiple answers allowed)



Number of respondents:539
(Note) Only the top items have been excerpted.

What measures are you taking to maintain your competitive advantage? (multiple answers allowed)

Number of respondents:554
(Note) Only the top items have been excerpted.

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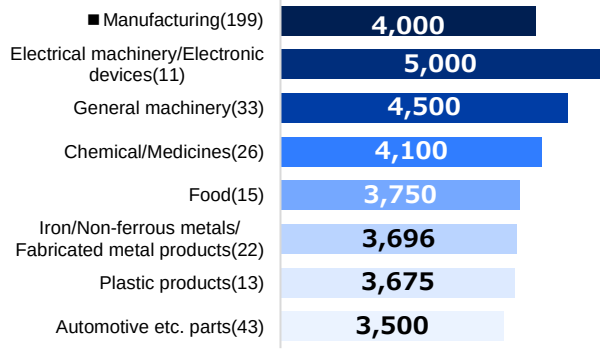
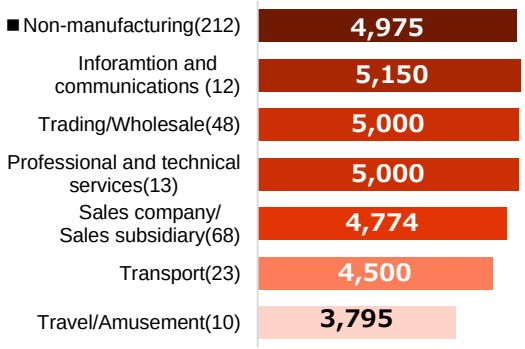
3 Wages (basic monthly salary, median): The median increase in nominal base salaries is in the 3% range

- The median increase in nominal base salary for this fiscal year (FY2023 to FY2024) is 3.1% in the manufacturing sector and 3.5% in the non-manufacturing sector. Both figures fell below the median increase in nominal base salary (4.0% for both) reported in the previous year's survey.
- Both the manufacturing sector and non-manufacturing sector project a 3.0% median increase for the next fiscal year (FY2024 to FY2025).

Factory Workers

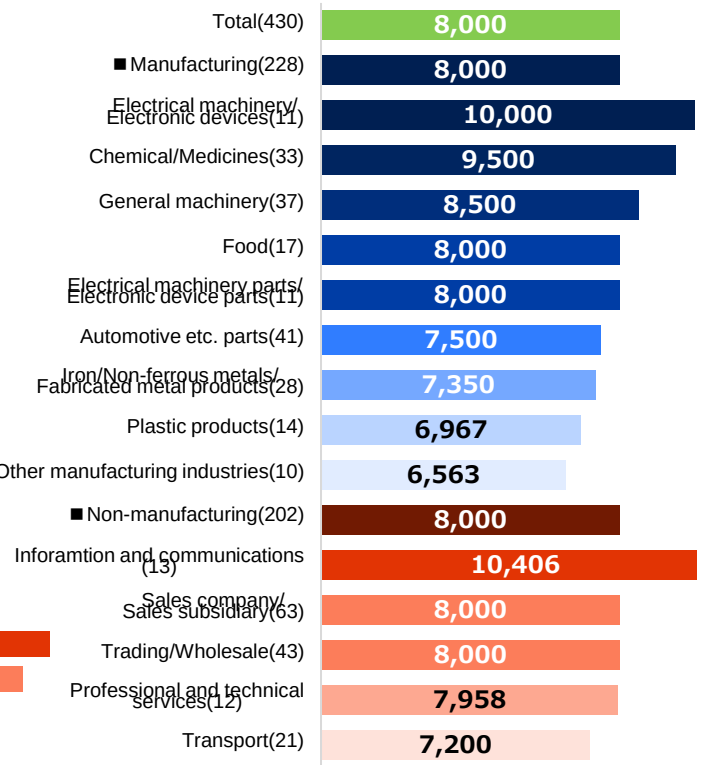


Staff

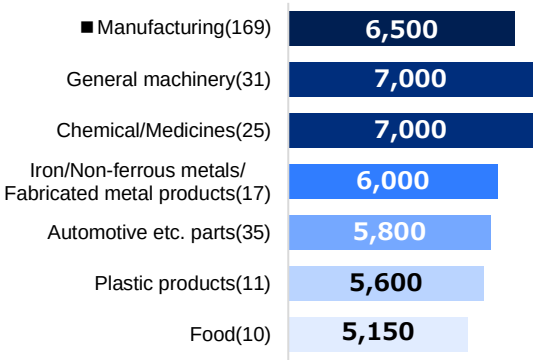


Manager

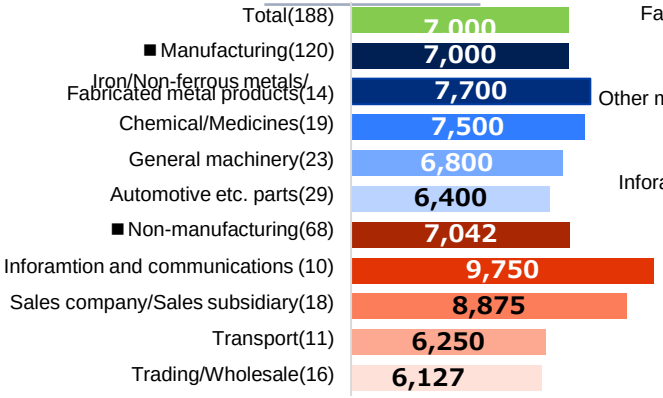
(USD)



Engineer



IT Personnel



Note 1: Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

Note 2: The list only includes industries with 10 or more valid responses.

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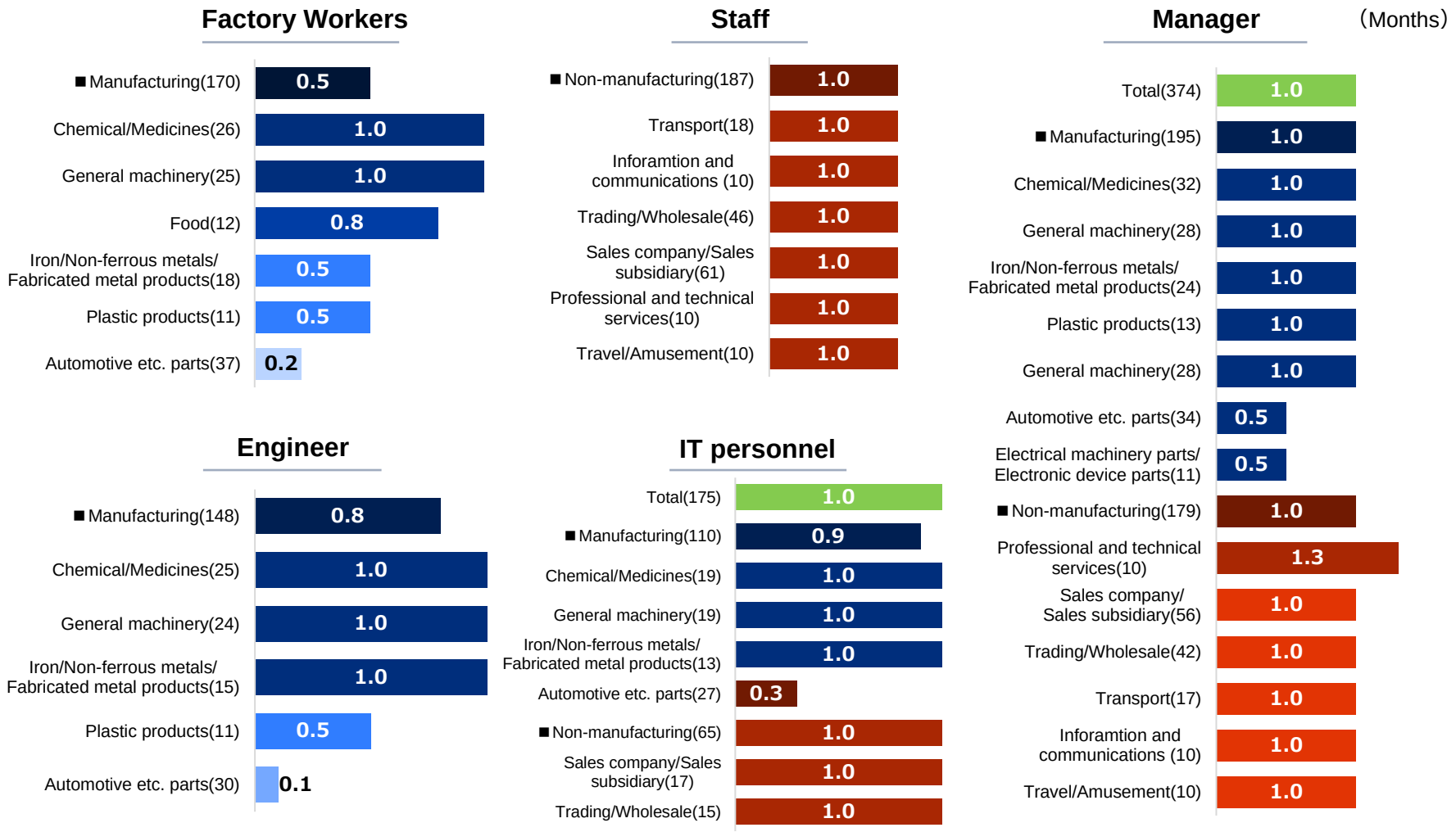
4 Wages (Annual bonus, median)：Median by job category: 0.1～1.3month(s)



Note 1: Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

Note 2: The list only includes industries with 10 or more valid responses.

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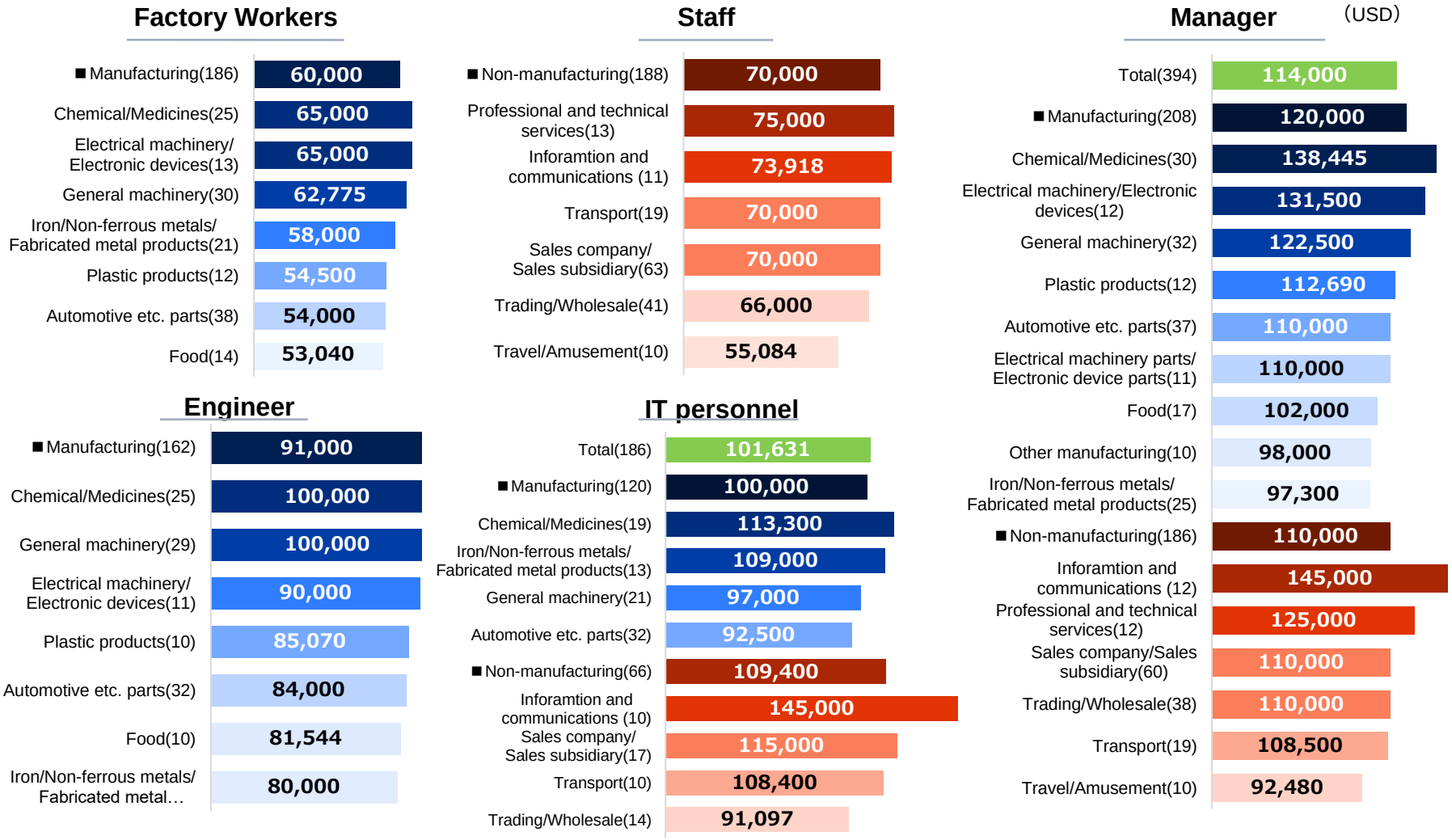
5 Wages (actual annual contribution, median): The median wage is particularly high in the communications industry



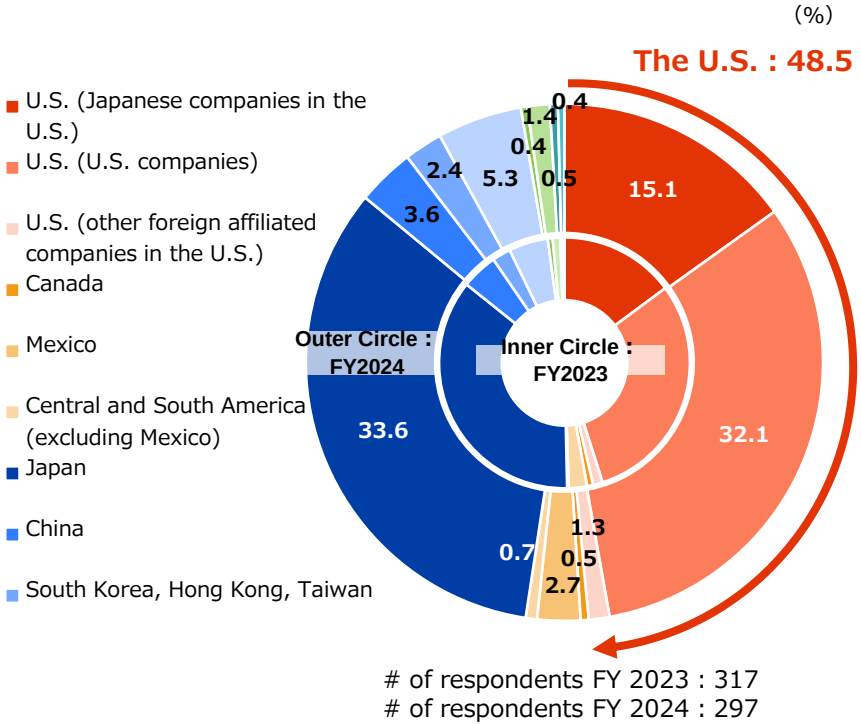
Note 1: Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

Note 2: The list only includes industries with 10 or more valid responses.

1 Procurement sources: Manufacturing companies source nearly 50% of their supplies from the U.S., while non-manufacturing companies source over 40% from Japan

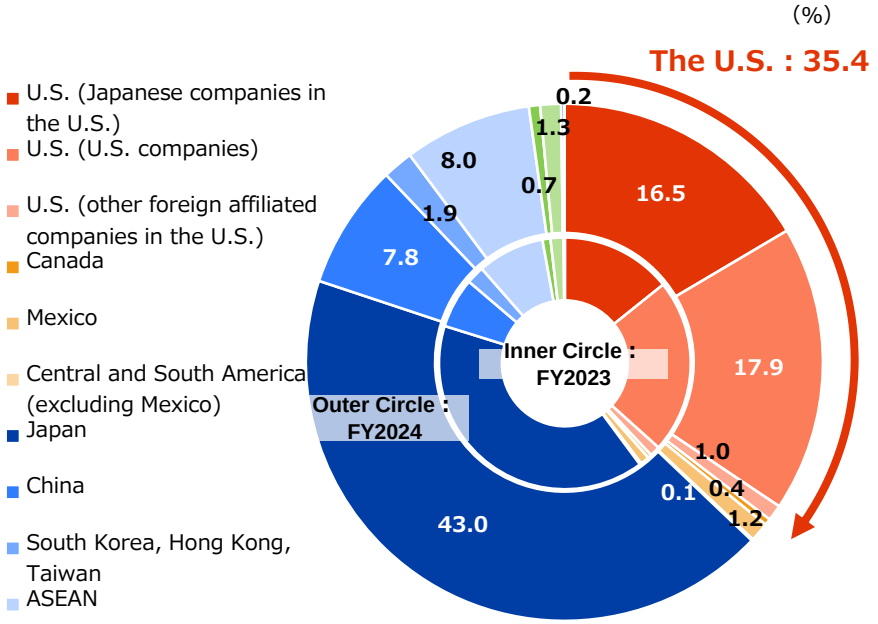
- Manufacturers procure 48.5% of raw materials and parts from the U.S. (previous year: 46.3%), followed by 33.6% (36.1%) from Japan.
- In the non-manufacturing sector, Japan is the primary source of products and services at 43.0% (40.0%), while the U.S. accounts for 35.4% (38.0%).

Procurement sources for raw materials and parts (by country/region, manufacturing)



# of respondents FY 2023 : 317
# of respondents FY 2024 : 297

Procurement sources for products and services (by country/region, non-manufacturing)



# of respondents FY 2023 : 317
# of respondents FY 2024 : 223

(Note) The ratio of each country/region was calculated by setting the total amount to 100 for each company and averaging.

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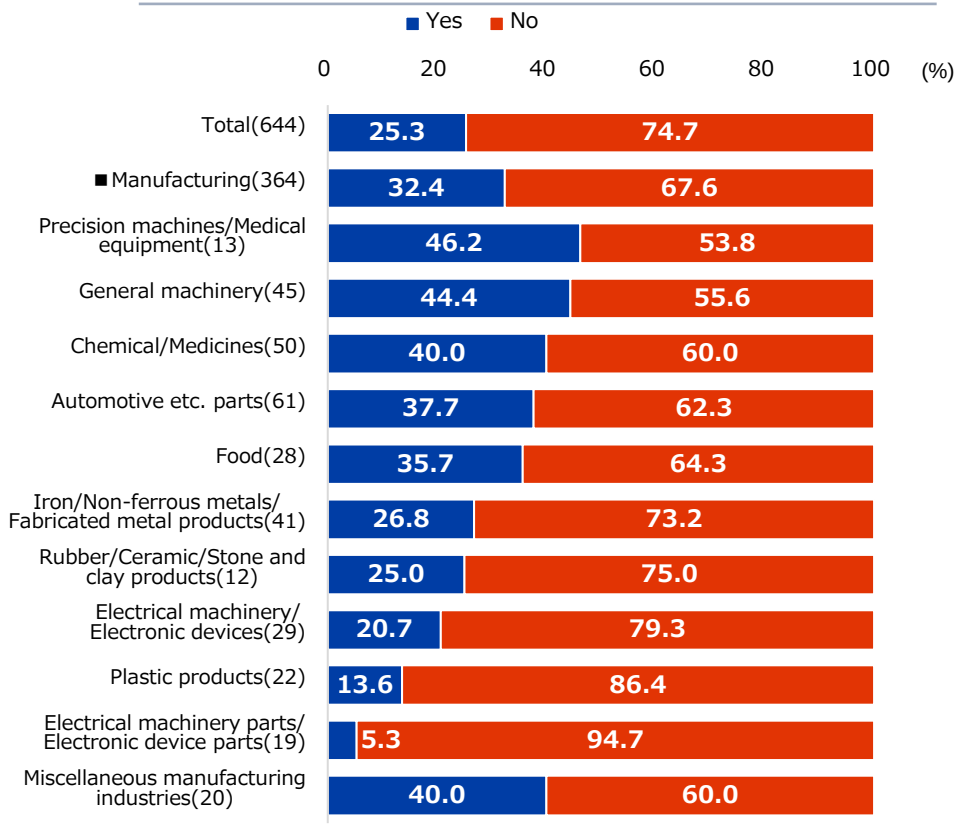
2 Plans to review procurement sources: Only about a quarter of companies plan to reassess their procurement sources

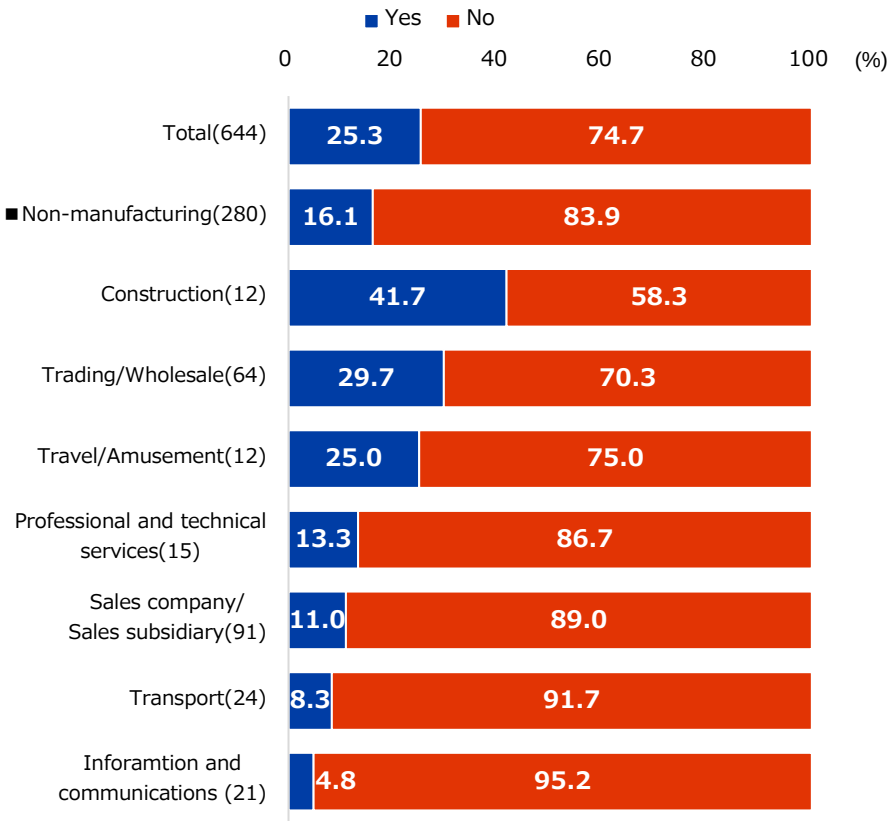
- The percentage of companies planning to review their procurement sources was 25.3%, down from 30.4% in the previous year. In the manufacturing sector, the percentage decreased to 32.4% from the previous year's 41.6%. The percentages were over 40% for the precision machines/medical equipment (46.2%) and general machinery (44.4%) industries.
- The figure for non-manufacturing companies remained stable at 16.1% (previous year: 16.0%), while the percentage was high at 41.7% in the construction industry.

Do you have plans to review procurement sources? (manufacturing)



(Note) The list only includes industries with 10 or more valid responses.

Do you have plans to review procurement sources? (Non-manufacturing)

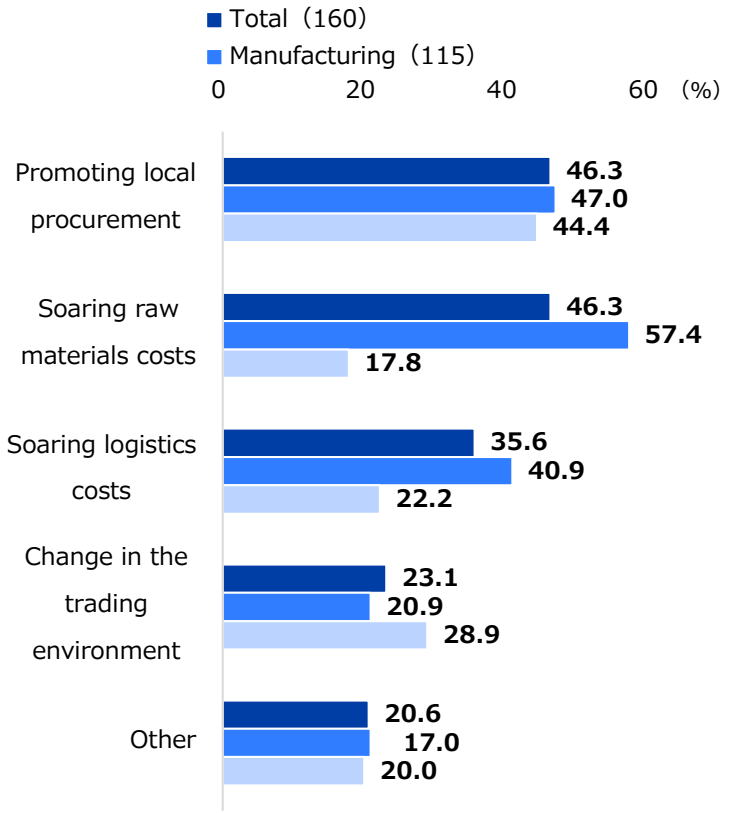


(Note) The list only includes industries with 10 or more valid responses.

3 Why do companies plan to review procurement sources, and what will the changes look like?
Companies are promoting local sourcing, and the trend of shifting from China to ASEAN continues

- The primary reasons for reviewing procurement sources remained the same as in the previous year: “soaring raw material costs” (57.4%) was the most common reason among manufacturers, while “promotion of local sourcing” (44.4%) topped the list for non-manufacturers.
- Among the new sourcing destinations, the U.S. was the most popular, with 46 respondents selecting that country. ASEAN countries ranked second with 25 respondents, 17 of which are planning to switch away from China.

Why do you plan to review your procurement sources? (multiple answers allowed, by industry)



（Note） Only the top items have been excerpted.

What will the changes look like? (multiple answers allowed)

(cases)

Change from \ Change to	U.S.	ASEAN	Japan	Other countries of Asia and Oceania	Mexico	Taiwan	Canada	China	Europe	Other	No source before(Start of new)	Total
U.S.	**20**	4	**6**	3	3	1	3	1	1	3	6	**51**
China	**6**	**17**	**6**	**6**	3	2				1	2	**43**
Japan	**13**		1		2	1	1	1	1	2		**22**
ASEAN				2					1	2	1	**6**
Taiwan		1				1				1	1	4
Other countries of Asia and Oceania	2											2
Europe	1	1										2
Mexico					1						1	2
Other	2									1		3
No source before (Start of new procurement)	2	2			1			1				**6**
Total	**46**	**25**	**13**	**11**	**10**	**5**	4	3	3	**10**	11	**141**

（Note） Changes planned by 5 or more companies are shown in bold, while those planned by 10 or more companies are bordered by blue frames.

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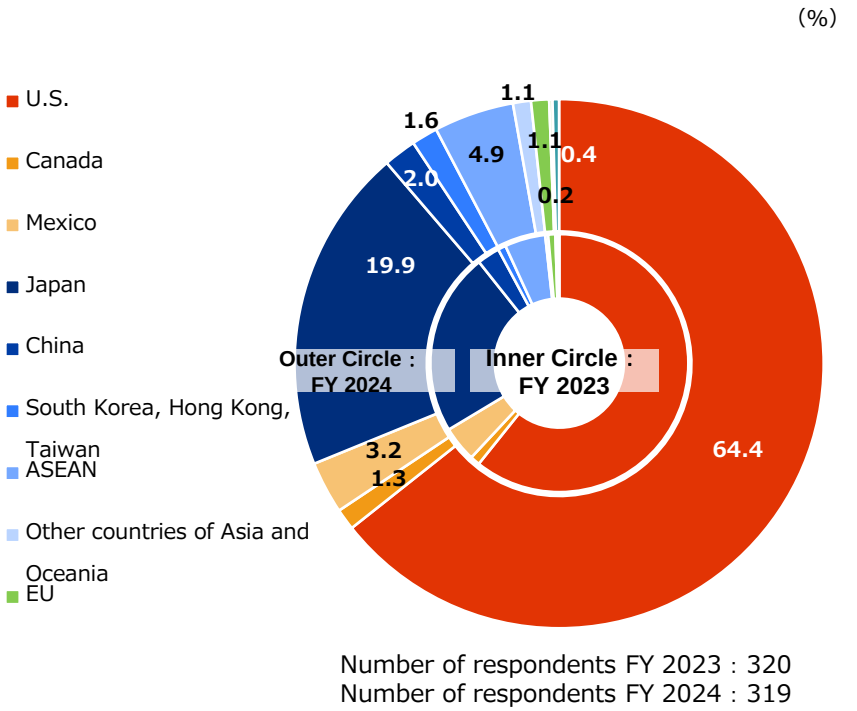
4 Production: Local production accounts for about 65%, with about 80% of respondents having no plans to reconsider their production sites

- Products for the U.S. market are predominantly manufactured in the U.S. at 64.4% (previous year: 60.8%). Japan follows at 19.9% (22.9%).
- The percentage of companies planning to reassess their production sites was 19.6%, while 80.4% intended to maintain their current statuses. Over 30% of rubber, ceramic, and stone and clay product companies (38.5%) and precision machines and medical device companies (33.3%) plan to reconsider their production sites.

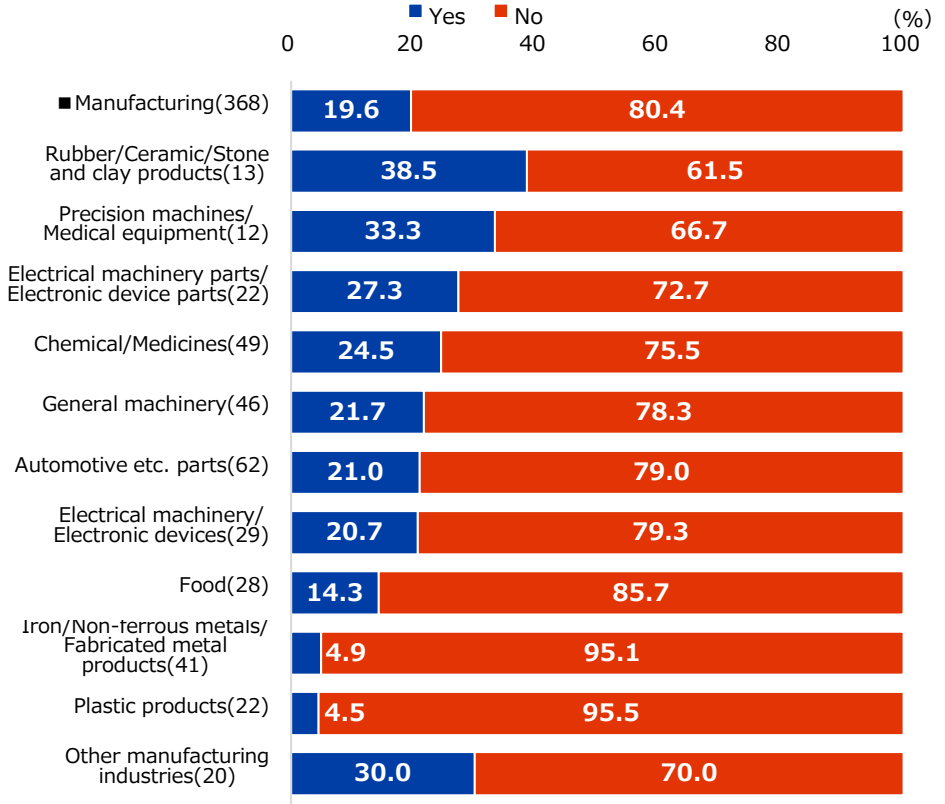
Production sites for products for the U.S. market (by country/region, manufacturing)



Number of respondents FY 2023 : 320
Number of respondents FY 2024 : 319

(Note) The ratio of each country/region was calculated by setting the total amount to 100 for each company and averaging.

Do you have plans to review production sites? (manufacturing)



(Note) The list only includes industries with 10 or more valid responses.

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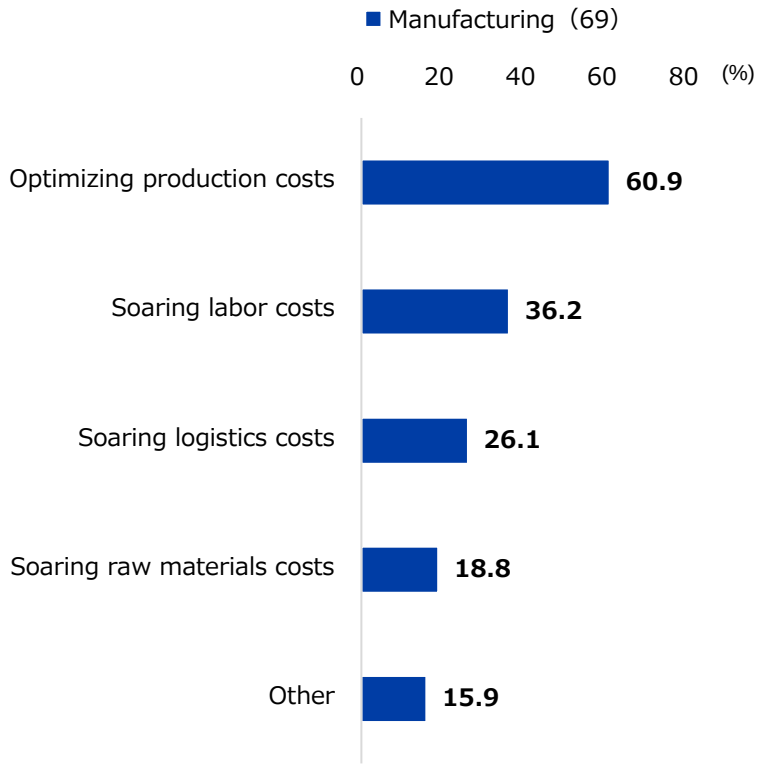
5 Why do companies plan to review production sites, and what will the changes look like?
Production cost optimization is the primary motive

- The main reason for reviewing production sites is “optimizing production costs” at 60.9%, which was also the highest in the previous year (60.0%). This was followed by “soaring labor costs” (36.2%) and “soaring logistics costs” (26.1%).
- The most popular destinations are the U.S. and ASEAN countries, with 11 companies planning to switch to these regions. Notably, 6 companies plan to relocate production sites from China to ASEAN countries.

Why do you plan to review your production sites? (multiple answers allowed, by industry)



（Note） The list only includes the top items.

What will the changes look like? (multiple answers allowed)

(Cases)

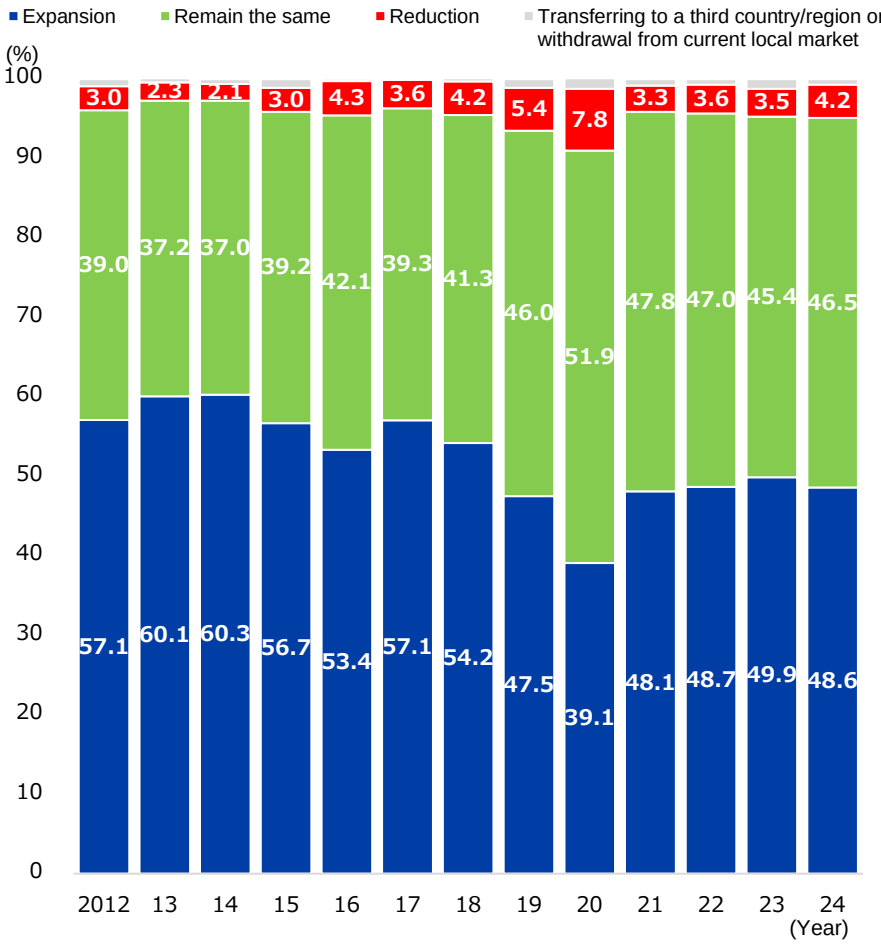
Change from \ Change to	U.S.	ASEAN	Japan	Other countries of Asia and Oceania	Mexico	Other	No transfer to anywhere Closure of production site	NA	Total
U.S.	**3**	**3**	**4**	2	**4**	**3**	**3**		**22**
China	2	**6**	**3**	1	1			1	**14**
Japan	**3**	2		1	1	1			**8**
ASEAN	1			2					**3**
Other countries	1			1				**3**	**5**
Establishment of new production site	1								1
Total	**11**	**11**	**7**	**7**	**6**	**4**	**3**	4	**53**

（Note） Changes planned by 3 or more companies are shown in bold, while those planned by 5 or more companies are bordered by blue frames.

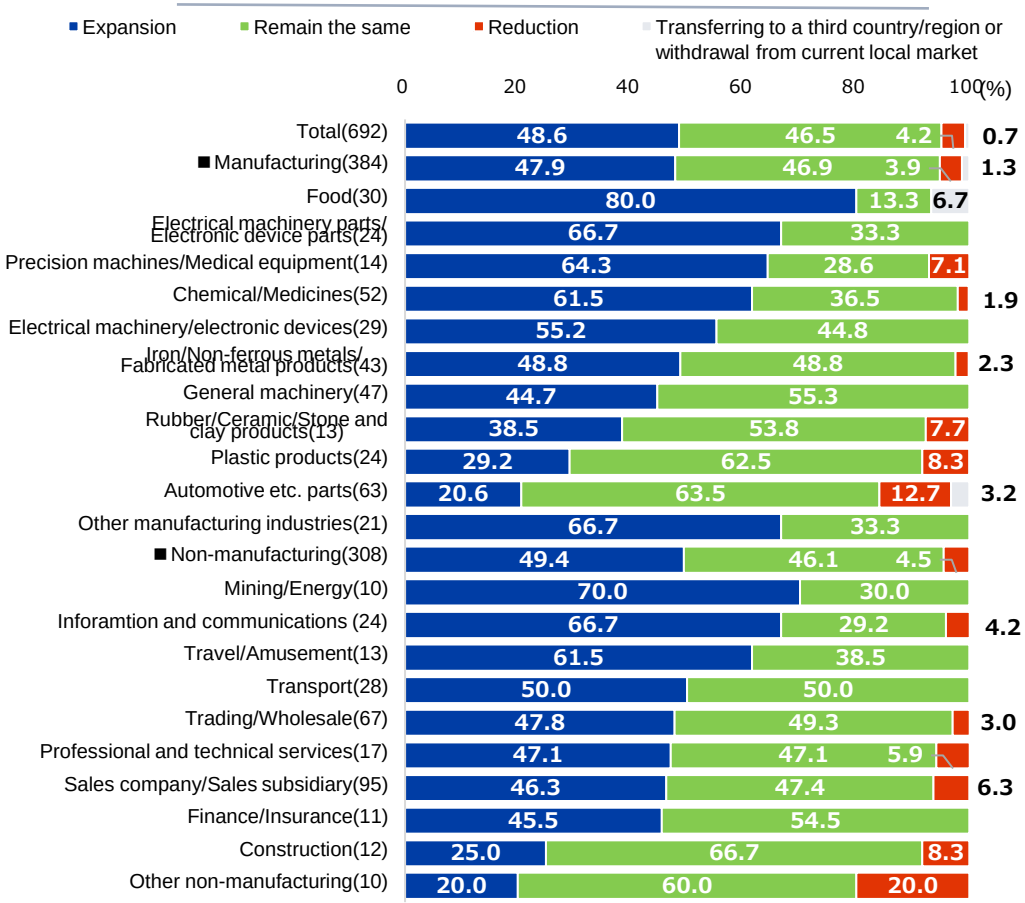
1 Future business direction: About half of respondents will continue to expand their operations in the U.S.

- The percentage of companies that will expand their operations in the U.S. over the next couple years is just under 50% (48.6%), maintaining the post-pandemic trend, with a slight decrease from the previous year's 49.9%.
- By industry, the percentage was particularly high among manufacturers in the food (80.0%) and electrical machinery/electronic device parts (66.7%) industries. In the non-manufacturing sector, the mining/energy (70.0%) and communications (66.7%) industries showed high percentages.

Business direction for the next couple years (all industries)



Business direction for the next couple years (by industry)

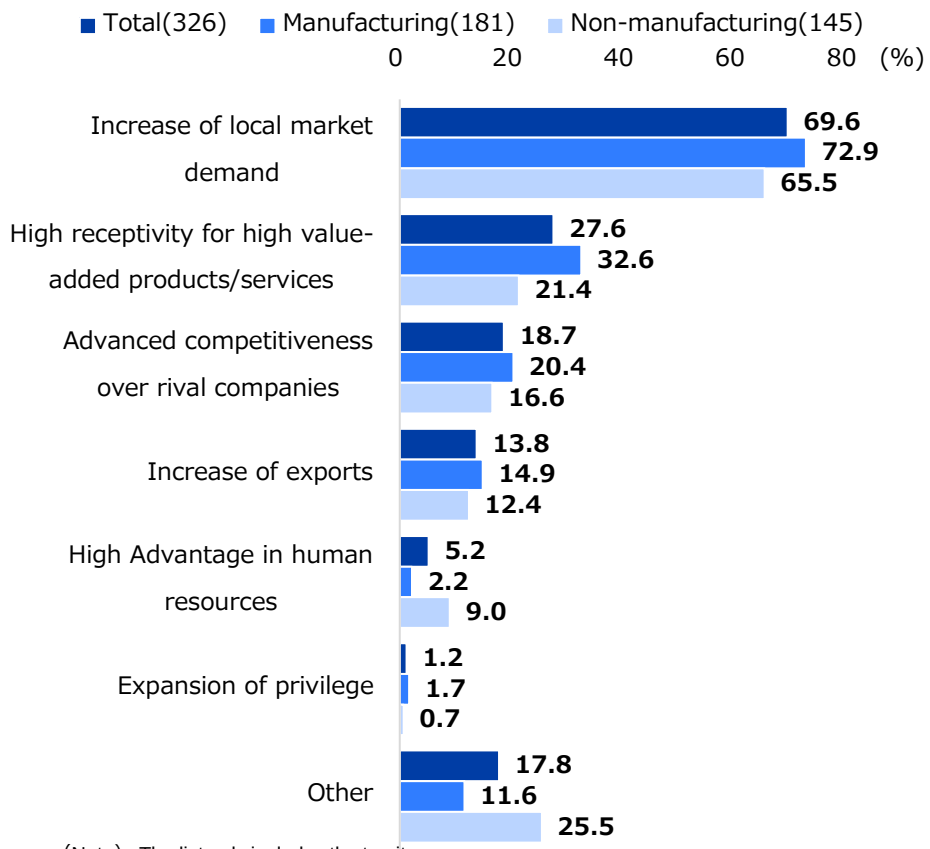


(Note) The list only includes industries with 10 or more valid responses.

2 Reasons for expansion (1): Growing local market demand was cited as a motive by nearly 70%

- The most common motive for expanding operations in the next couple years was “increase of local market demand (69.6%).” Many respondents in industries such as semiconductors, clean energy, EVs, and data centers report growing needs.
- As in the previous year, the second most common reason was “high receptivity for high value-added products/services” (27.6%), followed by “advanced competitiveness over rival companies” (18.7%).

Reasons for expansion (multiple answers allowed)



(Note) The list only includes the top items.

Specific reasons for expansion (specific comments)

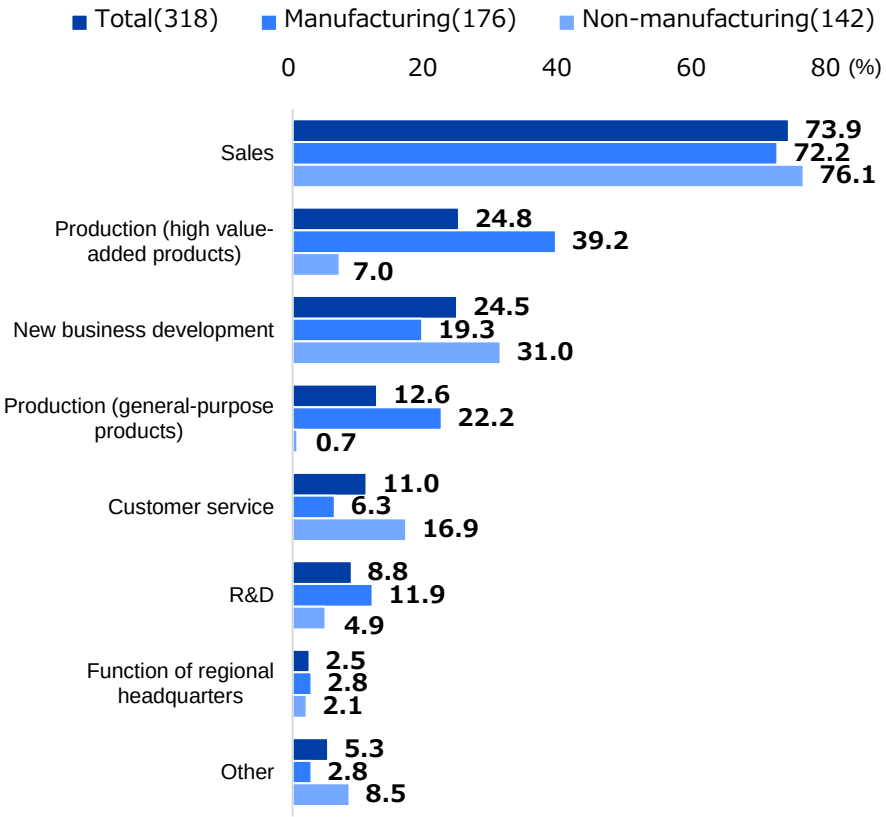
- **Increase of local market demand**
  - The U.S. semiconductor-related market is prospering mainly because of the implementation of the CHIPS and Science Act. [Precision machines/medical equipment, electrical machinery parts/electronic device parts, chemicals/medicine, etc.]
  - Market expansion in the U.S. clean energy industry [General machinery, electrical machinery/electronic device, etc.]
  - Growing demand for parts and equipment driven by EV advancement [Transportation equipment parts, iron/non-ferrous metals/fabricated metal products, general machinery, etc.]
  - Growing demand for investment in systems, automation, and labor-saving equipment due to higher labor costs [Sales companies, communications, etc.]
  - Growing demand related to data centers [Electrical machinery/electronic device parts, sales companies]
- **Advanced competitiveness over rival companies**
  - Highly rated for delivery time, quality, and services [Iron/non-ferrous metals/fabricated metal products, chemicals/medicine, general machinery, etc.]
  - Differentiation with in-house brands as well as proprietary and unique products [Electrical machinery/electronic device parts, sales companies, restaurants, etc.]
- **Increase in exports**
  - Expansion of sales channels to Canada, Mexico, and Central and South America [Precision machines/medical equipment, general machinery, sales companies, etc.]
  - Growing demand for Asia [Transportation equipment, rubber/ceramic/stone and clay products, etc.]

Note 1: The choice “High receptivity for high value-added products/services” does not have a specific comments field for providing detailed reasons.
Note 2: Responses in the specific comment fields have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

3 Reasons for expansion (2): California and Texas are the primary states targeted for expansion

- By function, the percentage of companies that will expand their sales operations over the next couple years was the highest at 73.9%. The second and third positions were reversed from the previous year, with “Production (high-value-added products)” at 24.8% and “New business development” at 24.5%.
- The companies are expanding these functions to major economic hubs such as California, Texas, and New York, as well as across the Midwest, Southeast, and West.

What specific functions do you plan to expand? (multiple answers allowed)



（Note） The list only includes the top items.

Main expansion destinations in the U.S.

Sales

Manufacturing		Non-manufacturing	
State	# of respondents	State	# of respondents
California	15	California	16
Texas	12	Texas	10
Arizona	5	Michigan	5
Michigan	5	Georgia	3
Ohio	5	North Carolina	3

Production (high-value added products)

Manufacturing		Non-manufacturing	
State	# of respondents	State	# of respondents
California	9	California	3
Texas	8	Idaho Michigan North Carolina	1
Indiana	4		

New Business development

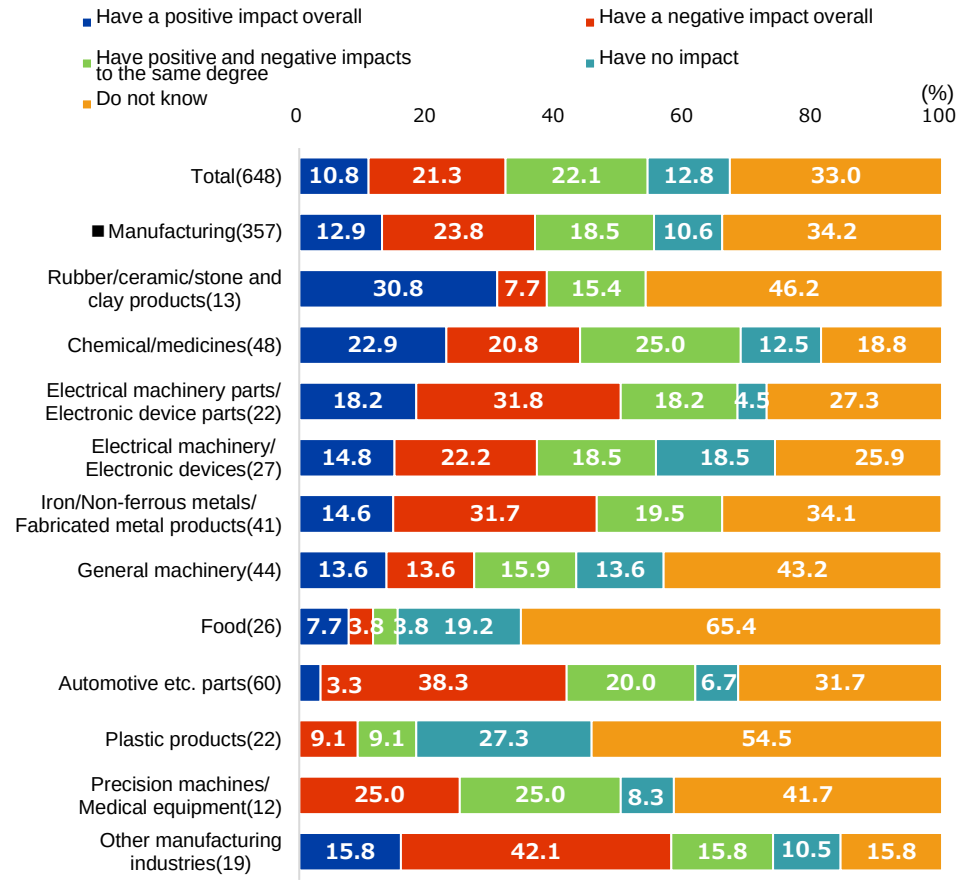
Manufacturing		Non-manufacturing	
State	# of respondents	State	# of respondents
California Kentucky Pennsylvania	2	Texas	8
Hawaii, Kansas Minnesota, Nevada Ohio	1	California New York	5

（Note） Only the top-ranking states are shown for functions that received many responses as destinations for business expansion.

1 Federal government policies (1): Negative impacts have gradually increased since the previous year

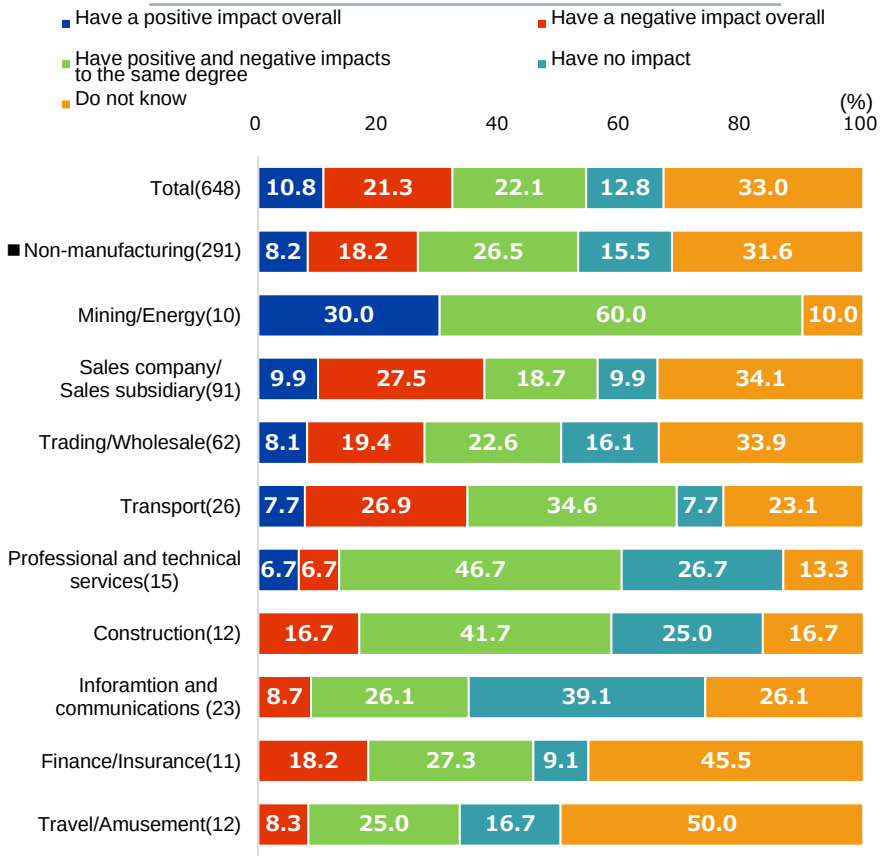
- Across all industries, 21.3% of respondents say the impacts are “overall negative,” a slight increase of 0.9 percentage points from the previous year's 20.4%. The percentage of respondents saying that impacts are “overall positive” decreased by 3 percentage points to 10.8% from the previous year’s 13.8%.
- The Automotive etc. parts industry was hit particularly hard (38.3%), likely due to stricter regulations from the Biden administration. In the non-manufacturing sector, it is notable that certain industries such as construction had no respondents who said that impacts were “overall positive.”

Impacts of federal government policies (by industry, manufacturing)



（Note） The list only includes industries with 10 or more valid responses.

Impacts of federal government policies (by industry, non-manufacturing)

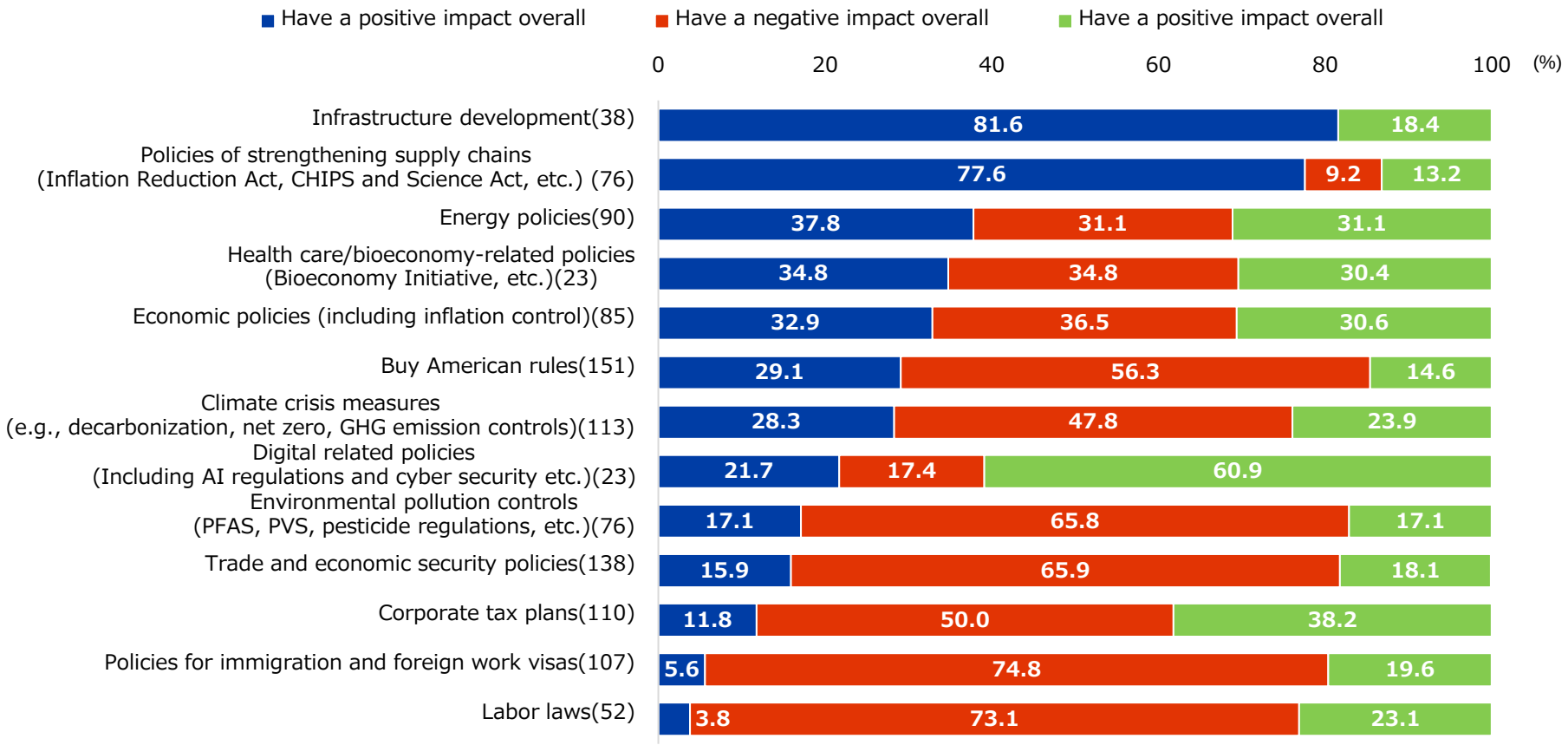


（Note） The list only includes industries with 10 or more valid responses.

2 Federal government policies (2): Government-led industrial policies are a significant positive factor

- Companies mainly viewed the Biden administration's industrial policies positively, particularly the direct subsidies, with 81.6% citing infrastructure development and 77.6% pointing to policies on strengthening supply chains.
- Negative factors include tighter environmental pollution controls and regulations at the federal and state levels (65.8%) as well as labor laws (73.1%). The immigration and foreign workforce visa policies (74.8%) also had a significant negative impact.

Impacts of federal government policies (multiple answers allowed)



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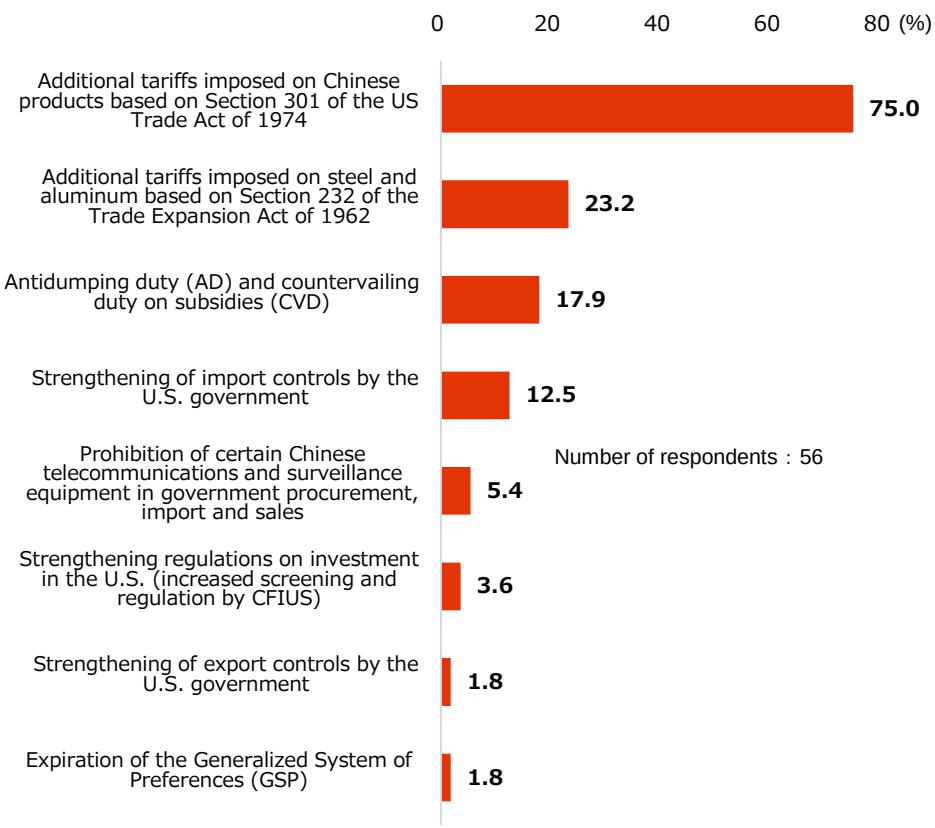
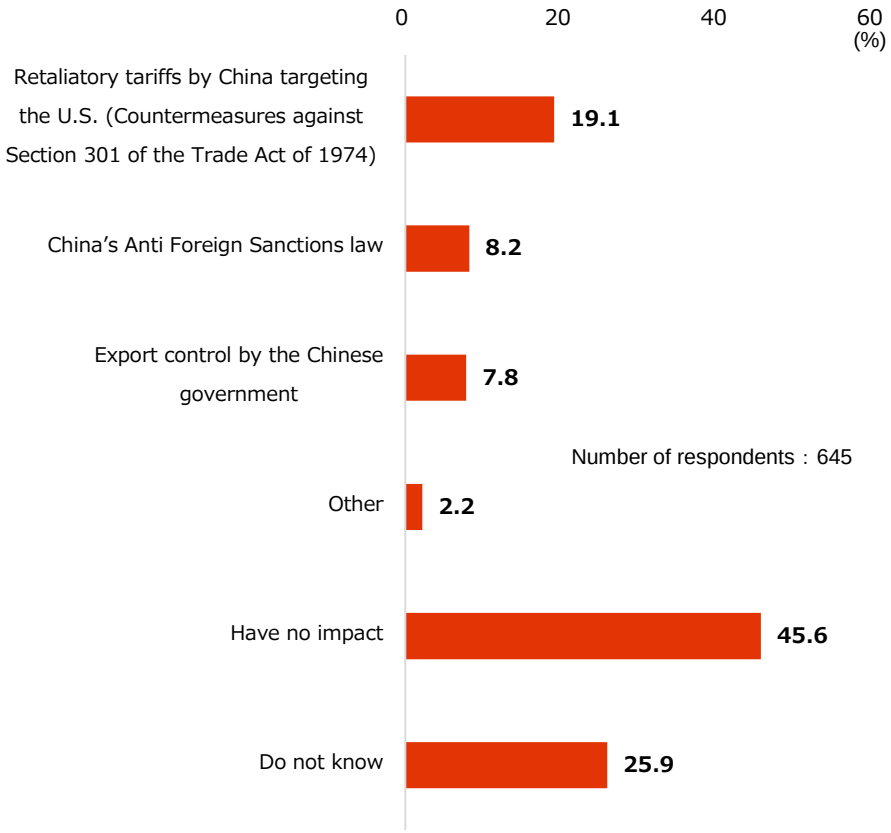
3 Impacts of U.S. and Chinese government policies: Tariffs are the primary negative factor among trade and economic security policies

- Among the U.S. federal government's trade and economic security policies, the negative impacts of various tariff policies remain significant, including Section 301 tariffs (75.0%), Section 232 tariffs (23.2%), and AD/CVD (17.8%).
- Among the Chinese government's countermeasures, retaliatory tariffs (19.1%) against the U.S. Section 301 tariffs topped the list, but 70% of respondents said that there were no impacts (45.6%) or that they were not sure (25.9%).

U.S. federal government trade and economic security policies with negative impacts (multiple answers allowed)



Chinese government policies with negative impacts (multiple answers allowed)



JETRO

Canada
（35th Annual Survey）

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1 Summary of this year's survey

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 3-24, 2024

Valid Responses

45.2%

(80 out of 177 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 companies in Canada

Note

This is the 35th annual survey, conducted since 1989 (not conducted in 2004).

Breakdown of responding companies by industry and Region

(Unit : Company、%)

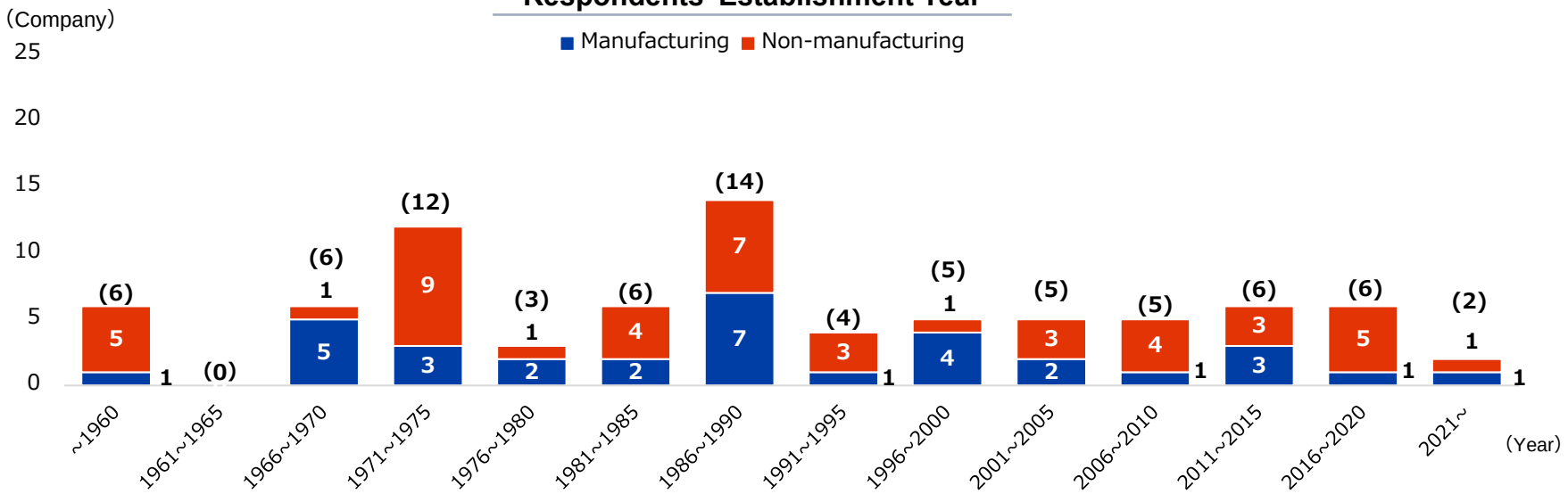
	Total	Comp. Ratio
All industries	80	100

By Industry					
Manufacturing	Total	Comp. Ratio	Non-manufacturing	Total	Comp. Ratio
	33	41.3		47	58.8
Automotive etc. parts	7	8.8	Trading/Wholesale	11	13.8
Iron/Non-ferrous metals/ Fabricated metal products	4	5.0	Sales companies/sales subsidiaries	11	13.8
Automobiles etc.	3	3.8	Travel/amusement	5	6.3
Plastic products	3	3.8	Information and communications	5	6.3
General machinery	3	3.8	Mining/energy	4	5.0
Electrical machinery/ Electronic device	2	2.5	Finance/insurance	4	5.0
Railway/ Transport vehicles etc. parts	2	2.5	Transport	3	3.8
Food	2	2.5	Professional and technical services	3	3.8
Chemicals/medicines	1	1.3	Other Non-manufacturing	1	1.3
Rubber/Ceramic/Stone and clay products	1	1.3			
Precision machines/ Medical equipment	1	1.3			
Other Manufacturing	4	5.0			
By Region(Manufacturing)			By Region (Non-manufacturing)		
Ontario	27	33.8	Ontario	23	28.8
British Columbia	2	2.5	British Columbia	18	22.5
Quebec	2	2.5	Quebec	3	3.8
Alberta	2	2.5	Alberta	3	3.8

(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 companies 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.

2 Respondents' Establishment Year, Location, Number of Plants

Respondents' Establishment Year



Breakdown of the Number of Respondent Sites

Number of respondents	69			
Number of sites	Number of companies			Number of sites
	Manufacturing	Non-manufacturing	Total	Total
1	17	19	36	210
2	8	9	17	
3	4	4	8	
4	2	0	2	
5	1	0	1	
6～10	0	2	2	
11 or more	0	3	3	
Total	32	37	69	

Breakdown of the Number of Respondent Plants

Number of respondents	56			
Number of sites	Number of companies			Number of sites
	Manufacturing	Non-manufacturing	Total	Total
No sites	2	26	28	39
1	21	1	22	
2	4	0	4	
3 or more	1	1	2	
Total	28	28	56	

3 Number of employees and number of employees dispatched from Japan: The median numbers per company are 64 and 2, respectively

- The respondents employ a total of 23,580 people, averaging 295 employees per company with a median of 64. The median for the manufacturing industry is 170, while the median for the non-manufacturing industry is 23.
- The total number of employees dispatched from Japan (expatriates) is 245, averaging 3.1 per company, with a median of 2. The median is 3 for the manufacturing sector and 1 for the non-manufacturing sector.

Average and median numbers of employees

(Unit: People)

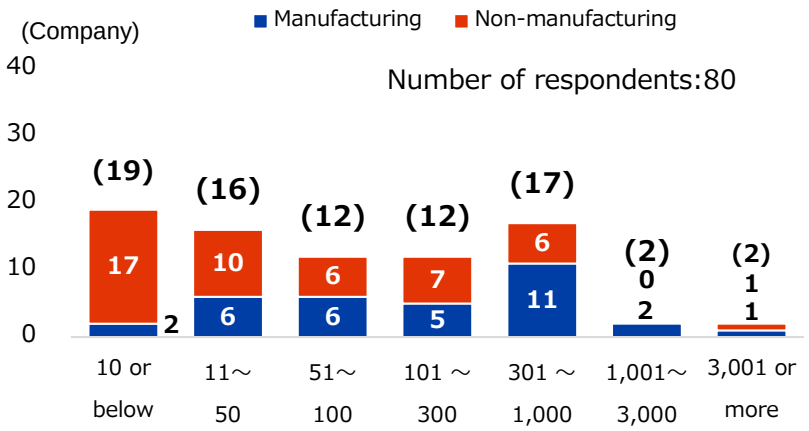
	Total number of employees	Average	Median
Total(80)	23,580	294.8	64
Manufacturing(33)	15,129	458.5	170
Non-manufacturing(47)	8,451	179.8	23

Average and median numbers of employees dispatched from Japan

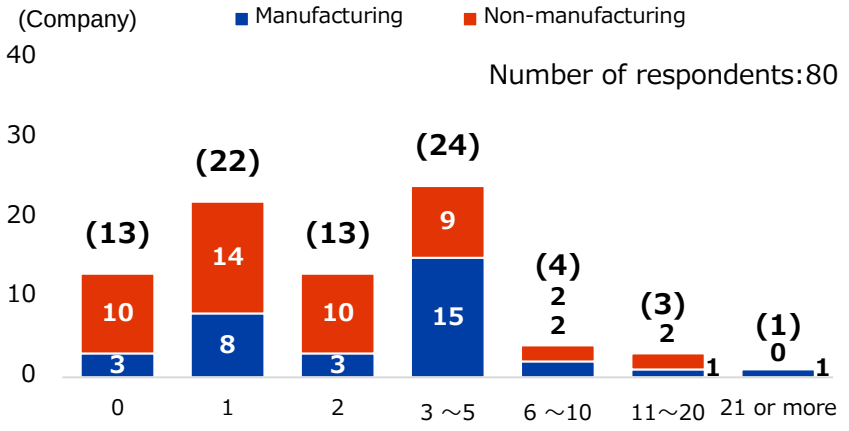
(Unit: People)

	The number of expatriates from Japan	Average	Median
Total(80)	245	3.1	2
Manufacturing(33)	134	4.1	3
Non-manufacturing(47)	111	2.4	1

Number of Employees by Industry



Number of Expatriates from Japan by Industry



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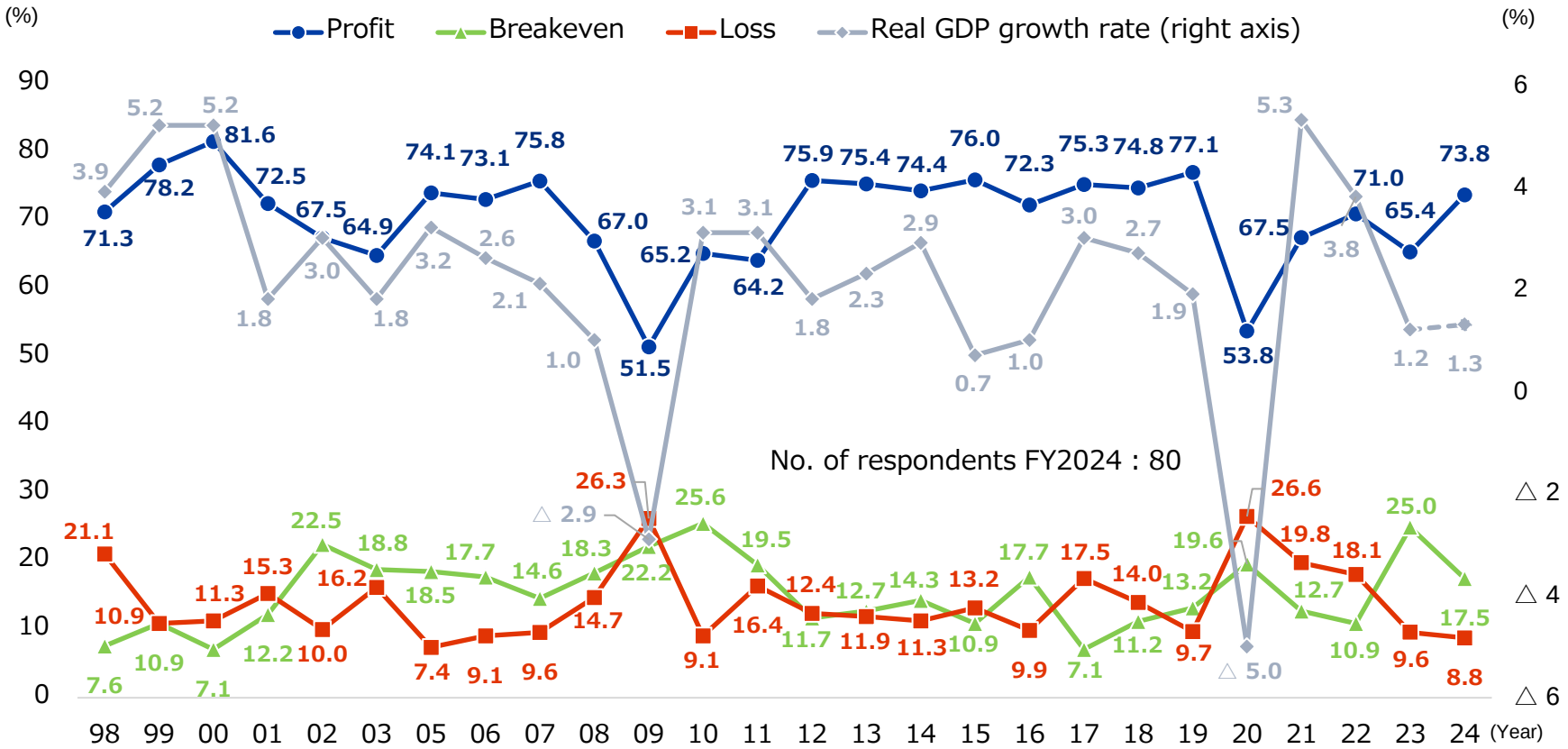
1 Operating profit forecast for 2024: The percentage of companies expecting to turn a profit has reached the highest level since the pandemic

- In 2023, 73.8% of companies expected to turn a profit, up 8.4 percentage points from the previous year (65.4%), falling short of the 2019 pre-COVID level (77.1%). Meanwhile, the number of companies expecting deficits stood at 8.8%, remaining below the 2019 level (9.7%), as in the previous year (9.6%).

Operating profit forecast and Canada's real GDP growth rate



(Note) Real GDP growth rates through 2023 are based on figures released by Statistics Canada in August 2024.
The real GDP growth rate for 2024 is a forecast released by the IMF in November 2024.
No survey was conducted in FY2004.

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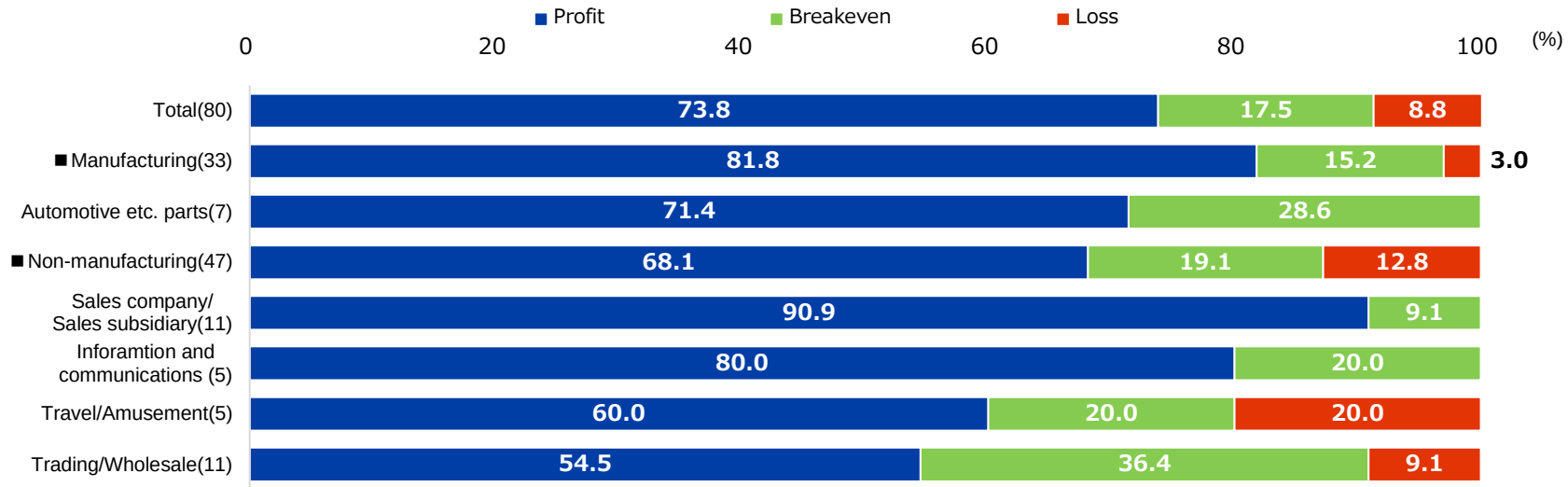
2 Operating profit forecast for 2024 (by industry): More companies across industries are expecting profits, with over 70% of Automotive etc. parts companies projecting positive returns

- All industries show strong forecasts, with 73.8% expecting to turn a profit, up from the previous year's 65.4%. The trend is especially notable in the manufacturing sector, with over 80% forecasting positive earnings.
- The percentage of companies projecting deficits was the highest in the Travel/Amusement industry at 20%, mainly due to the weak yen. However, the percentage of companies expecting deficits decreased across all industries compared to the previous year. No Automotive etc. parts companies are projecting deficits.

2024 operating profit forecast (by industry)



Factors contributing to positive operating profit outlooks (specific comments)

- Automobiles
  - Production increased due to alleviation of the semiconductor shortage that occurred during the COVID-19 pandemic.
- Automotive etc. parts
  - Production of finished vehicle manufacturers increased, and the resulting order volume also increased.
- Logistics
  - Demand is increasing due to the end of the pandemic.

Factors contributing to negative operating profit outlooks (specific comments)

- Travel/Amusement
  - Costs for the travel industry increased significantly mainly due to the weak yen, local inflation, and high fuel costs, making it difficult to stimulate demand from Japanese customers.

(Note) The list only includes industries with 5 or more valid responses.

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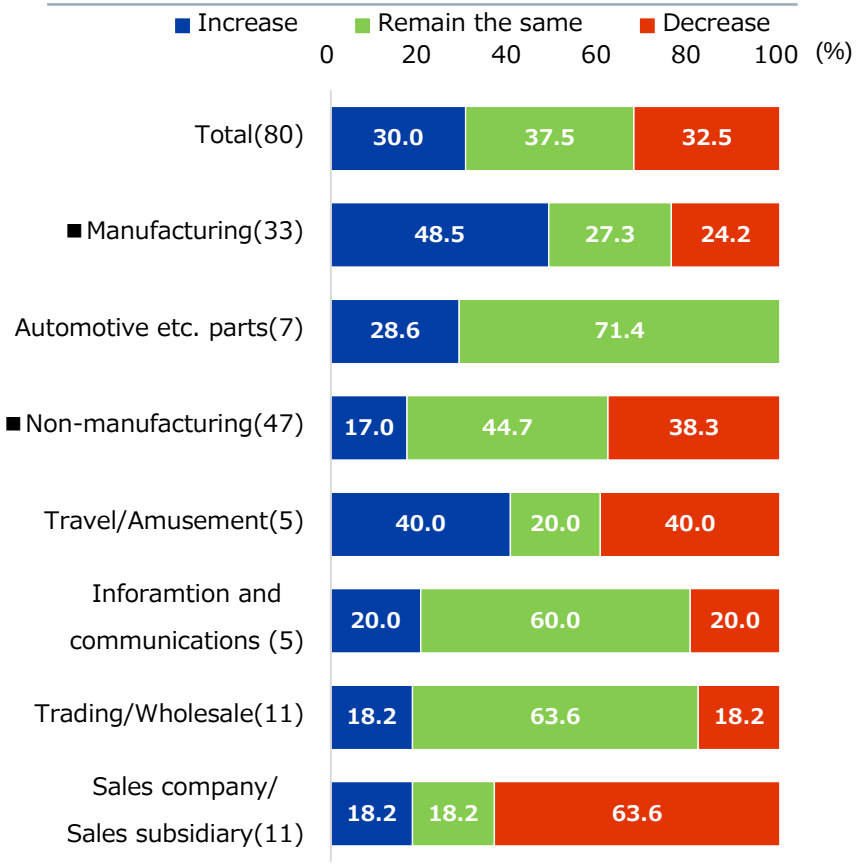
3 Projected operating profit compared to previous year (by industry): More companies are reporting flat or lower operating profits compared to those reporting higher profits

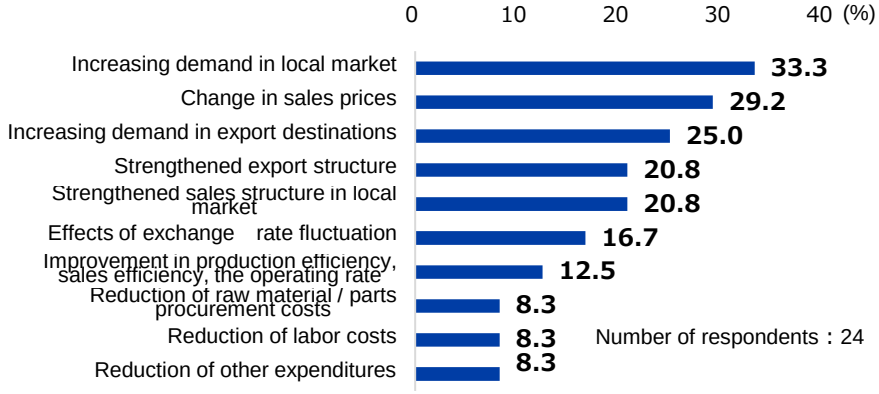
- Across all industries, the percentage of respondents projecting a decrease (32.5%) is higher than those expecting an increase (30.0%).
- Across the entire manufacturing sector, about half (48.5%) are expecting an increase, while just 24.2% forecast a decrease. Across the entire non-manufacturing sector, the largest group (44.7%) reported flat profits. Across industries, only the Travel/Amusement industries expect an increase (40%), while less than 20% in other industries project higher profits.

Changes in operating profit forecasts compared to 2023 (by industry)

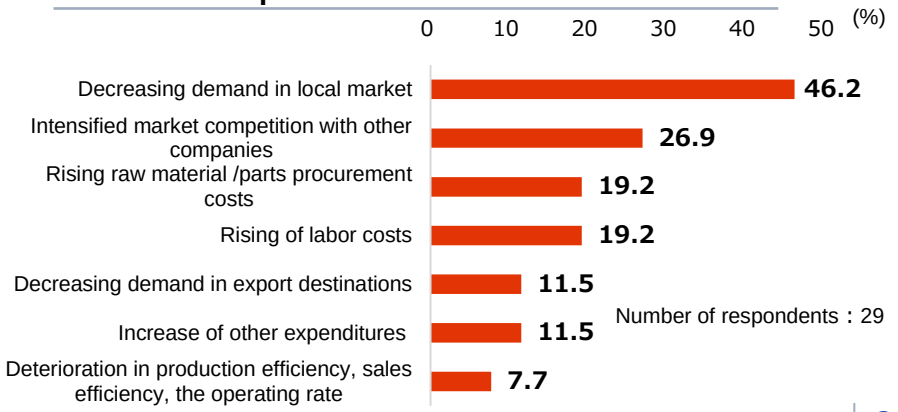


（Note） The list only includes industries with 5 or more valid responses.

Main factors driving improved operating profit outlooks for 2024



Main factors behind deteriorating operating profit outlooks for 2024



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1 Management challenges: Increasing employee wages is the primary challenge

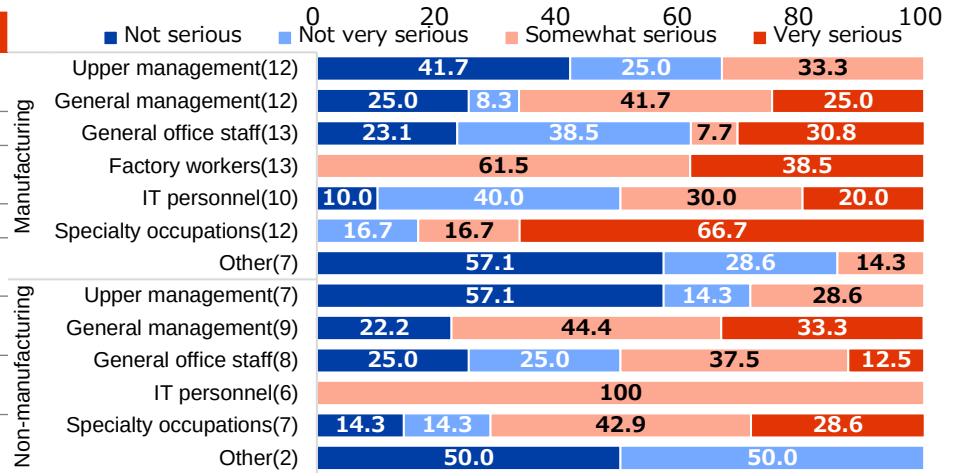
- Increasing employee wages is the primary challenge. Respondents also cited securing qualified employees (“quality of employees”) as an employment and labor-related challenge.
- Regarding labor shortage severity, 100% of respondents answered either “somewhat serious” or “very serious” for factory workers in the manufacturing sector and IT personnel in the non-manufacturing sector, indicating a pronounced labor shortage.

Management challenges (multiple answers allowed)

Main management issues	Classification	Rate(%)
Increase in wages of employees	**Employment and labor**	**44.2**
Rising procurement costs	**Procurement**	**41.6**
Slow development of new customers	**Sales**	33.8
Rising logistics costs	**Procurement**	29.9
Intensifying competition with competitors	**Sales**	26.0
Quality of employees	**Employment and labor**	24.7
Difficulty in recruiting employees	**Employment and labor**	22.1
Retention rate of employees	**Employment and labor**	22.1

Number of respondents: 77 （Note） Only the top items have been excerpted. Items that increased by 40% or more are shown in bold.

Labor shortage severity (by occupation and industry)



Specific challenges (specific comments)

- **Employment and labor**
  - Starting salaries for specialized positions have increased, causing a wage inversion between new hires and young employees with a couple years of experience. [Rubber/ Ceramic/Stone and clay products]
  - Locally recruiting qualified personnel has become particularly difficult since the COVID-19 pandemic. The weakness of wage competitiveness compared to other local industries cannot be denied. [Travel/Amusement]
  - It is difficult to recruit young people and the retention rate is low. We face challenges related to manufacturing capacity, including quality, as we struggle to fill the gaps left by retiring senior technicians. [Iron/Non-ferrous metals/Fabricated metal products]
  - As automation advances, there is a growing need to strengthen the workforce with knowledge on equipment maintenance, alongside implementing long-term succession planning. [Automotive etc. parts]
- **Rising procurement costs, decreased consumer demand**
  - Procurement costs are rising due to inflation and a decline in dining-out demand. [Food]
  - The price competition is intensifying due to sluggish consumption. Demand is shifting to lower-priced products. [Sales company]
- **Other (government regulations)**
  - Response to regulations on zero-emission vehicles (EV sales promotion) [Sales company]
  - New guidelines from the Office of the Superintendent of Financial Institutions (OSFI) regarding climate change risks [Finance/Insurance]
  - Personal information protection legislation (including AI regulations) [Communications]

（Note） Responses in the specific comment fields have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

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2 Countermeasures for management challenges: In addition to increasing wages, companies are pursuing cost reduction through labor-saving measures

- The most common countermeasure was to “increase the wages of existing employees.” Regarding employment and labor, at least 20% of respondents have strengthened their personnel structures as well as education and training, and improved their employment conditions.
- Cost-reduction initiatives such as encouraging automation and labor reduction, and reducing expenses other than labor costs, also ranked highly.

Countermeasures for management issues (multiple answers allowed)

Countermeasures	Rate (%)
Increasing wages of existing employees	**35.8**
Encouraging automation and labor reduction	**32.8**
Reducing expenses other than labor costs	29.9
Maintaining remote work and web conferences	29.9
Raising selling prices	28.4
Negotiating prices with suppliers	26.9
Review and strengthening of sales channels	26.9
Development of new products/services	26.9
Strengthening personnel structure	25.4
Strengthening communication with headquarters	23.9
Improving conditions of employment （Including employee welfare etc.）	22.4
Strengthening education/training	22.4
Improving brand power	22.4
Capital investment	20.9

Number of respondents: 67 companies
（Note） Only the top items have been excerpted. Items that increased by 30% or more are shown in bold.

Specific countermeasures (specific comments)

- **Employment and labor**
  - Restructure compensation packages so as to retain employees. [Iron/Non-ferrous metals/Fabricated metal products]
  - Engage with universities and industry organizations to recruit specialists. Hire talented individuals from Europe, North Africa, and South America, helping them obtain permanent residency. [Rubber/Ceramic/Stone and clay products]
  - Proactively consider securing qualified human resources from Japan, given the trend of the weak yen and the difficulty of hiring local personnel. [Travel/Amusement]
- **Strengthening of sales channels, and development of new products, etc.**
  - Partner with new sales channels to expand market reach. [Electrical machinery/Electronic device]
  - Implement data-driven digital marketing. [Sales company]
  - Restructure organizations to develop new products (e.g., establish new departments). [Food]

（Note） Responses in the specific comment fields have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

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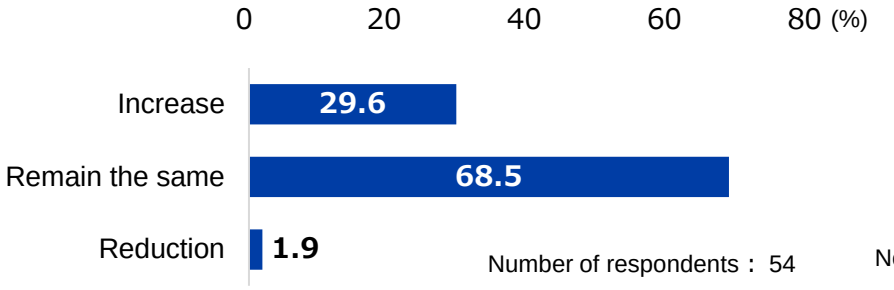
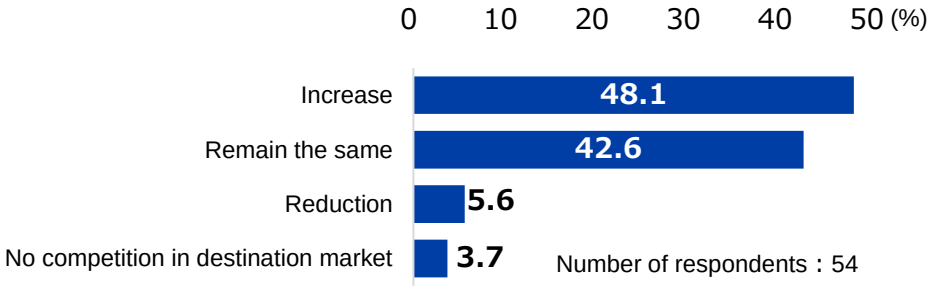
1 Changes in the competitive environment (1) : About half the companies have expanded their market share over the past five years

- Compared to five years ago (2019), just under 30% (29.6%) of respondents reported an increase in the number of competitors, while nearly 70% (68.5%) saw little change. Under such circumstances, approximately half (48.1%) of companies expanded the market shares of their main products and services.
- The main competitors are roughly evenly split between local companies (31.9%) and U.S. (Canada's neighboring country) companies (29.8%), each accounting for about 30%. Japanese companies (19.1%) and European companies (12.8%) followed.

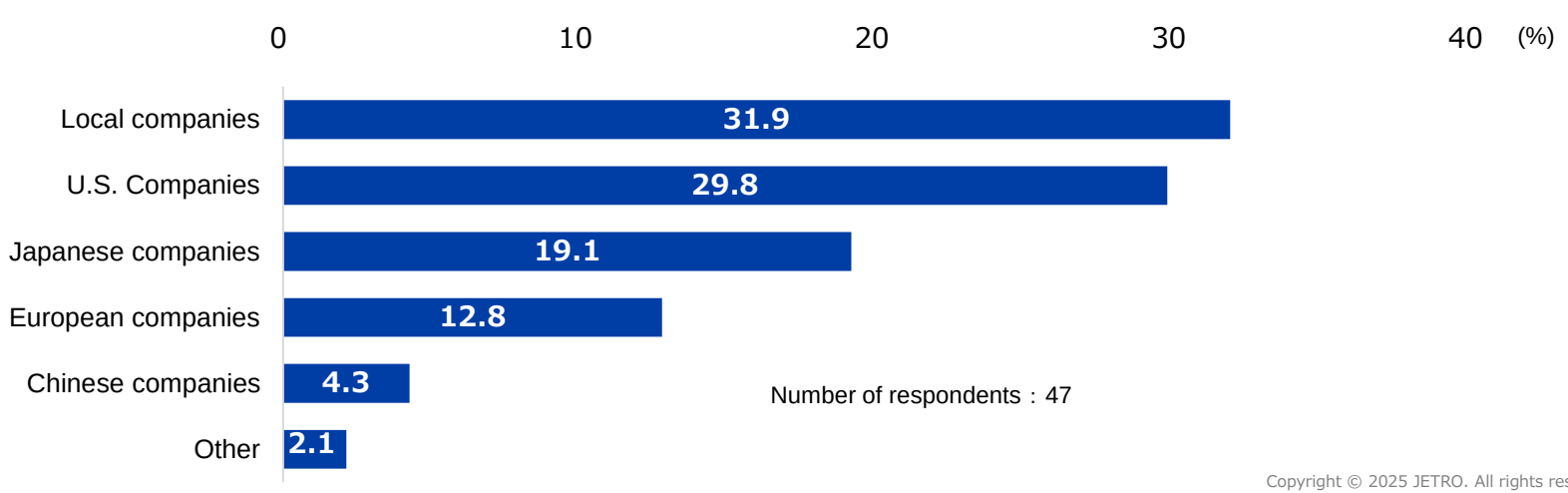
Number of competitors compared to 5 years ago



Changes in the market share of main products and services compared to 5 years ago



The most competitive company in the destination market



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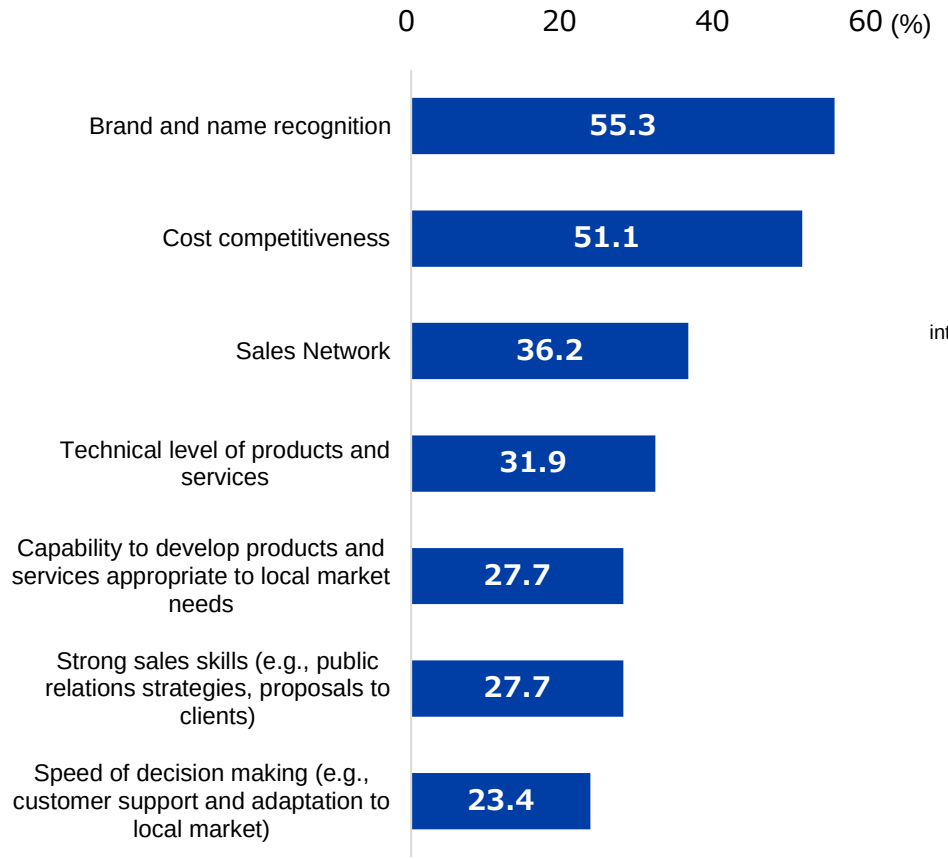
2 Changes in the competitive environment (2): Brand and name recognition are the top competitive challenge

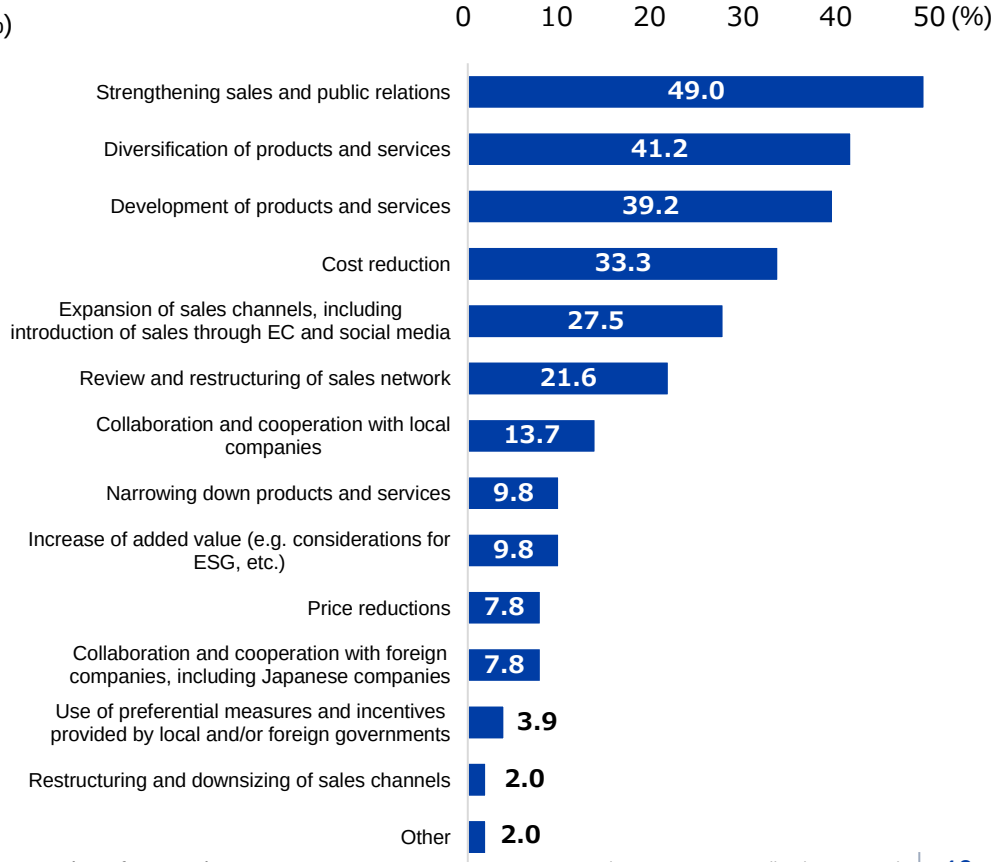
- About 55% (55.3%) of companies cited brand and name recognition as their primary reason for considering competitors to be strong. This was followed by cost competitiveness at 51.1%. The order in the U.S. was the opposite.
- Regarding countermeasures, strengthening sales and public relations (49.0%) ranked the highest, aligning with the perception of brand and name recognition as the top competitive factor. This was followed by diversifying products and services (41.2%) and developing products and services (39.2%).

Why do you consider the company to be your biggest competitor? (multiple answers allowed)



Number of respondents:47

What measures are you taking to maintain your competitive advantage? (multiple answers allowed)



Number of respondents:51

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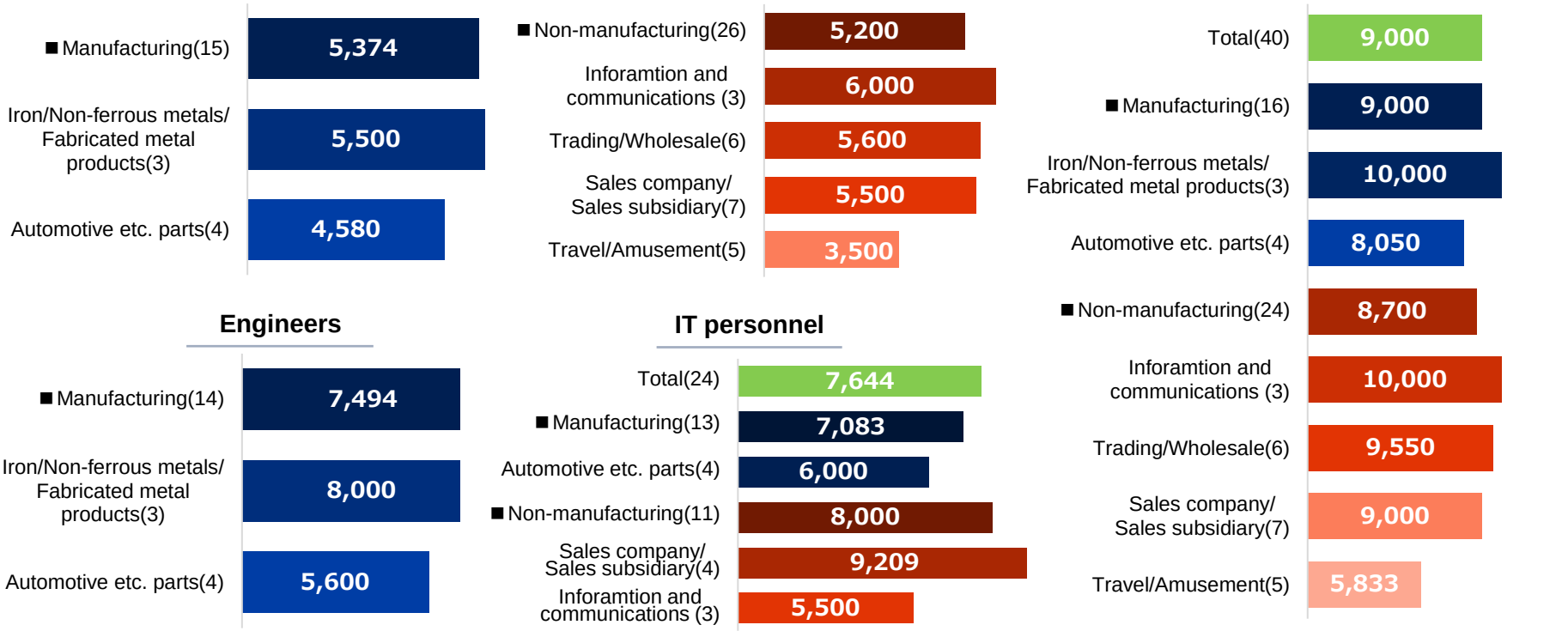
1 Wages (basic monthly salary, median): The median increase in nominal base salaries is 3.5% in the manufacturing sector

- The median increase in nominal base salary for this fiscal year (FY2023 to FY2024) is 3.5% in the manufacturing sector and 3.0% in the non-manufacturing sector. Both figures fell below the median estimated increase in nominal base pay (around 3.7% for both) reported in the previous year's survey.
- Both the manufacturing sector and the non-manufacturing sector project a 3.0% median increase for the next fiscal year (FY2024 to FY2025).

(CAD)



Note 1: Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience);
Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

Note 2: The list only includes industries with 3 or more valid responses.

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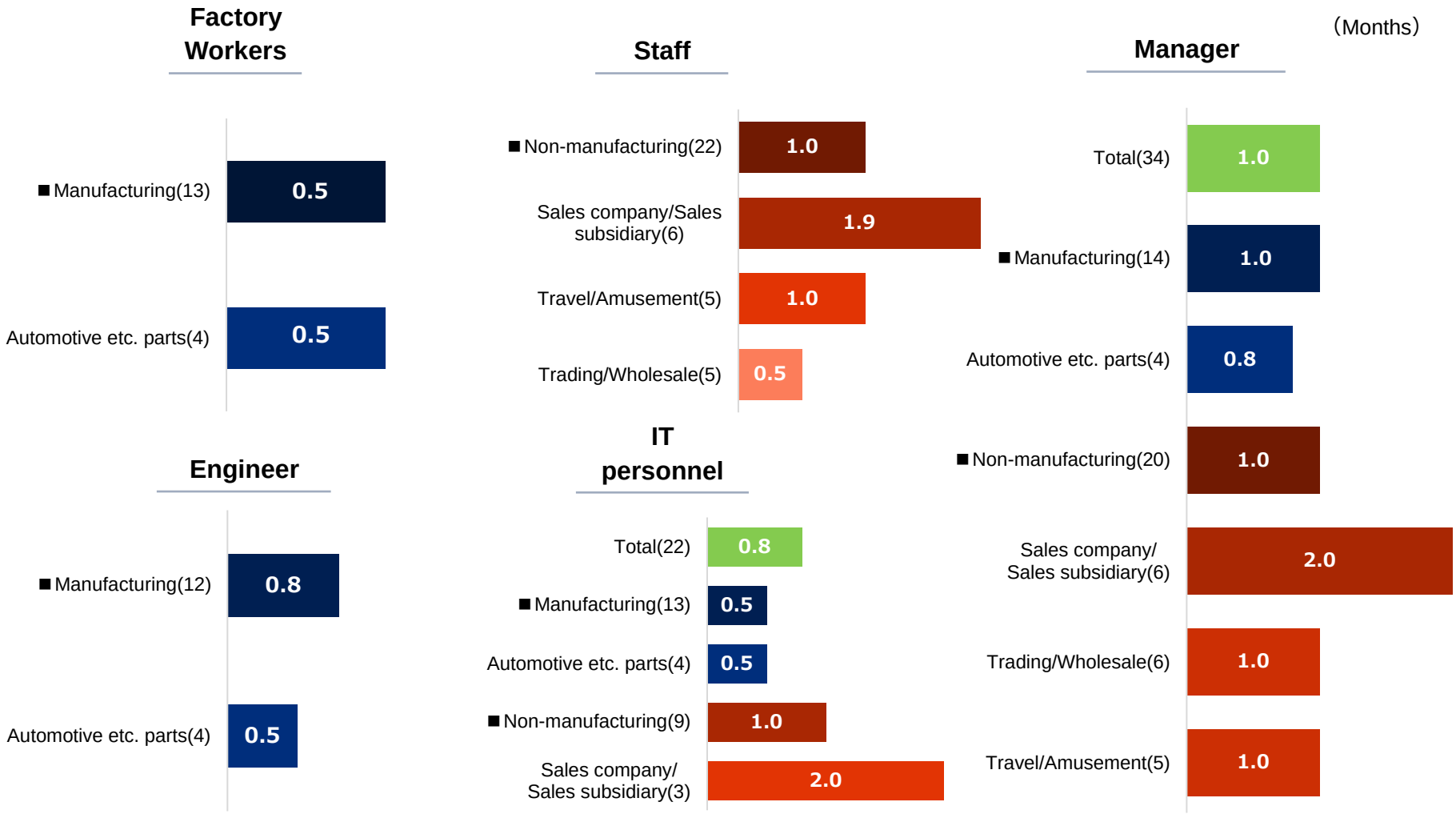
2 Wages (Annual bonus, median): Median for each occupation: 0.5-2.0 months



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Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

Note 2: The list only includes industries with 3 or more valid responses.

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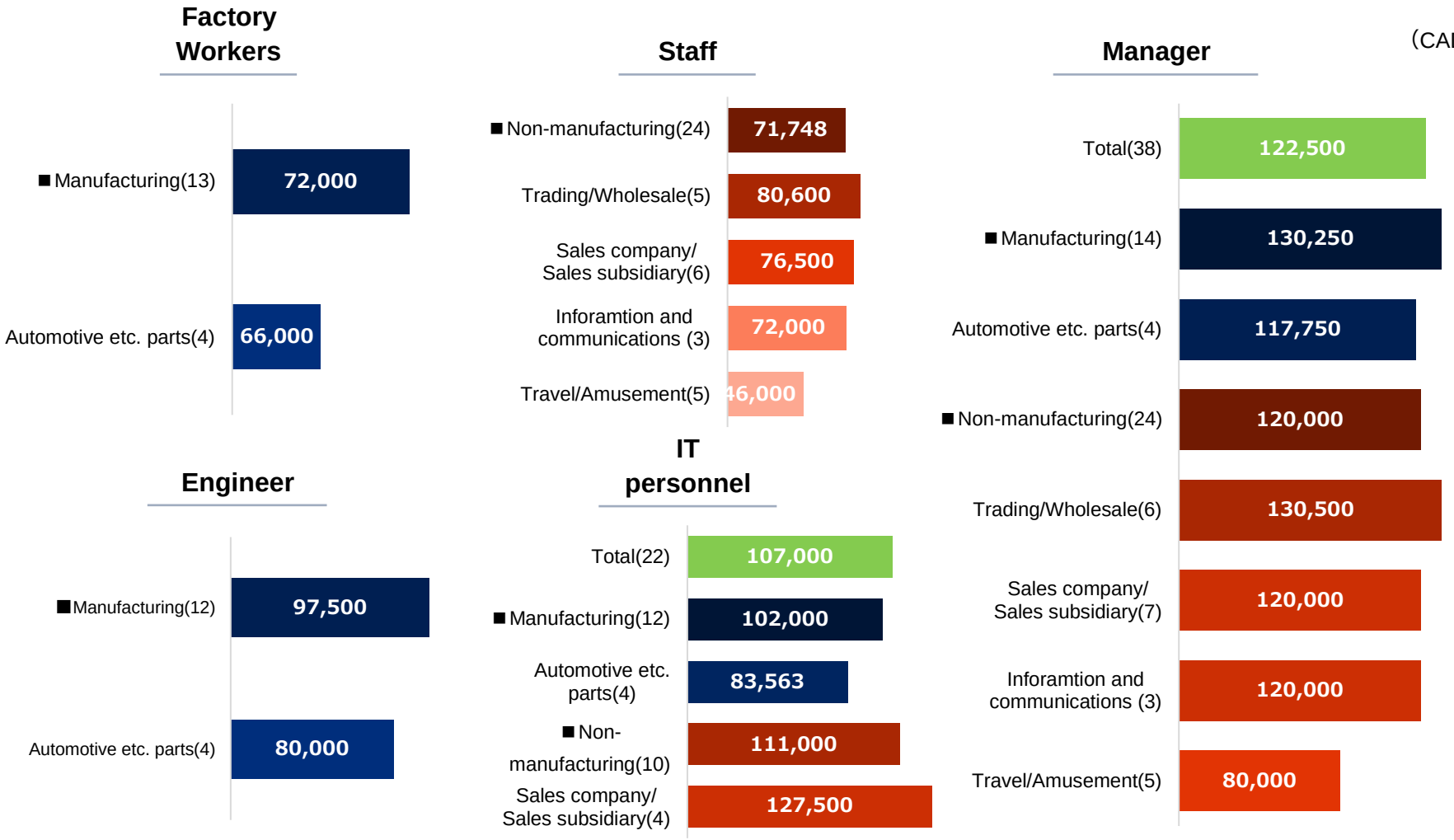
3 Wages (Actual annual cost, median): Median by occupation, $46,000 to $130,500 CAD



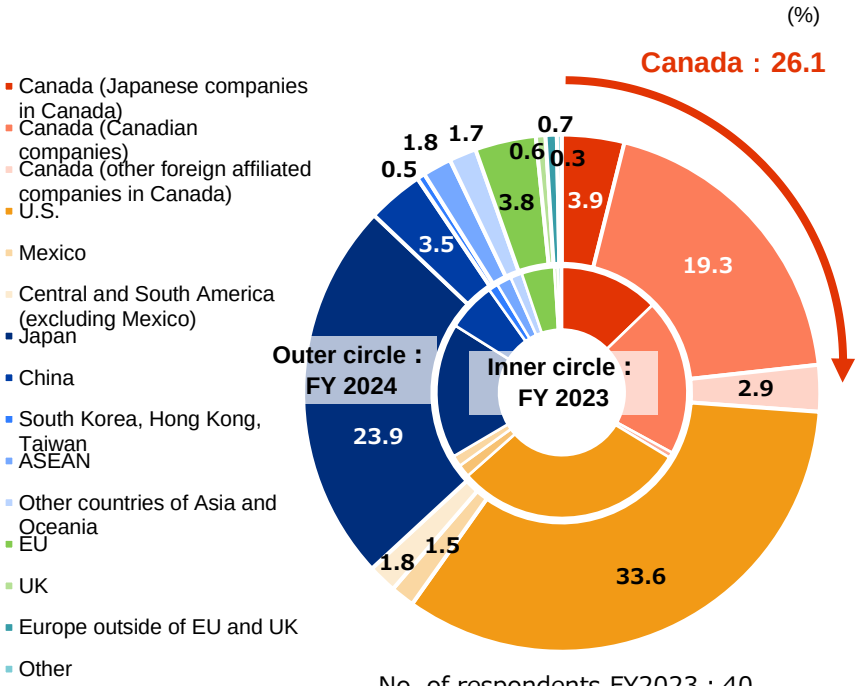
Note 1: Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience);
Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

Note 2: The list only includes industries with 3 or more valid responses.

1 Procurement sources: The U.S. is the largest procurement source for the manufacturing sector, while non-manufacturing companies mainly purchase supplies from Canada

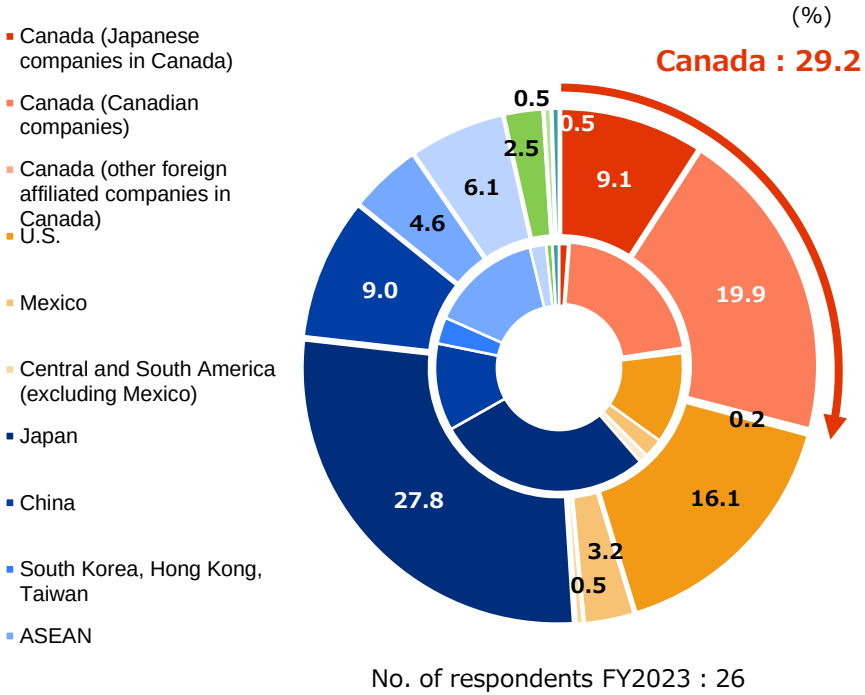
- Manufacturers procure 33.6% of raw materials and parts from the U.S., up from 29.8% in the previous year. Canada ranks second at 26.1% (33.7%). Similarly, the figure for Japan increased to over 20% (23.9%), up from 17.4% in the previous year.
- In the non-manufacturing sector, Canada's share as a source for products and services rose to 29.2% from 23.1% in the previous year. Japan's share approached 30% (27.8%), following the previous year's 28.2%.

Procurement sources for raw materials and parts (by country/region, manufacturing)



No. of respondents FY2023 : 40
No. of respondents FY2024 : 29

Procurement sources for products and services (by country/region, non-manufacturing)



No. of respondents FY2023 : 26
No. of respondents FY2024 : 22

(Note) The ratio of each country/region was calculated by setting the total amount to 100 for each company and averaging.

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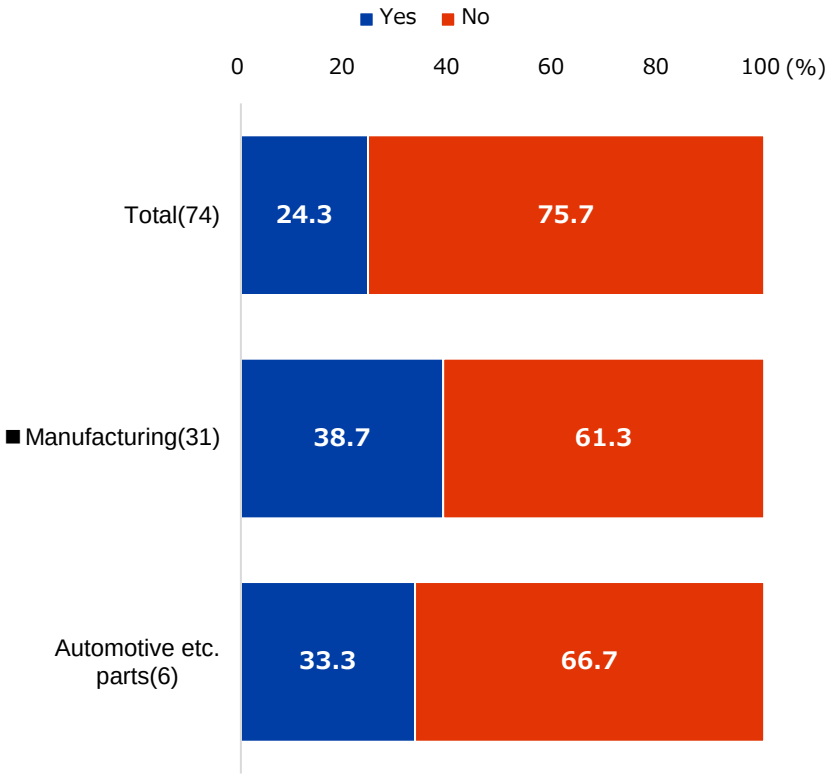
2 Plans to review procurement sources: There was a nearly 40% increase in the manufacturing sector

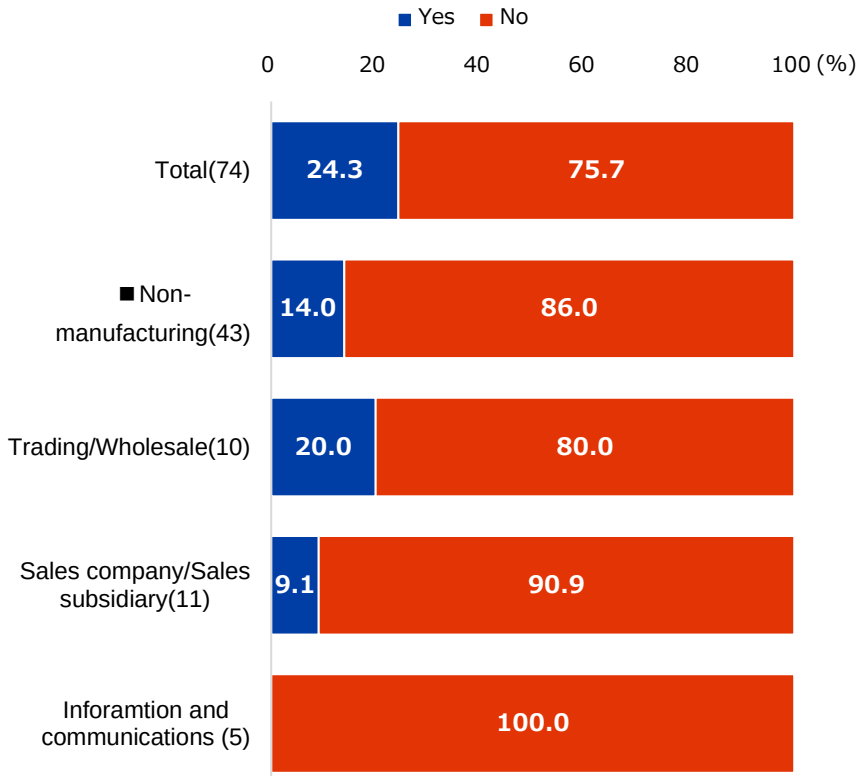
- The percentage of companies planning to review their procurement sources was 24.3%, nearly unchanged from the previous year's 24.5%. The percentage for the manufacturing sector increased to 38.7% from the previous year's 30.4%.
- The percentage for the non-manufacturing sector was just 14.0%, down from the previous year's 19.2%.

Do you have plans to review procurement sources? (manufacturing)



(Note) The list only includes industries with 5 or more valid responses.

Do you have plans to review procurement sources? (Non-manufacturing)

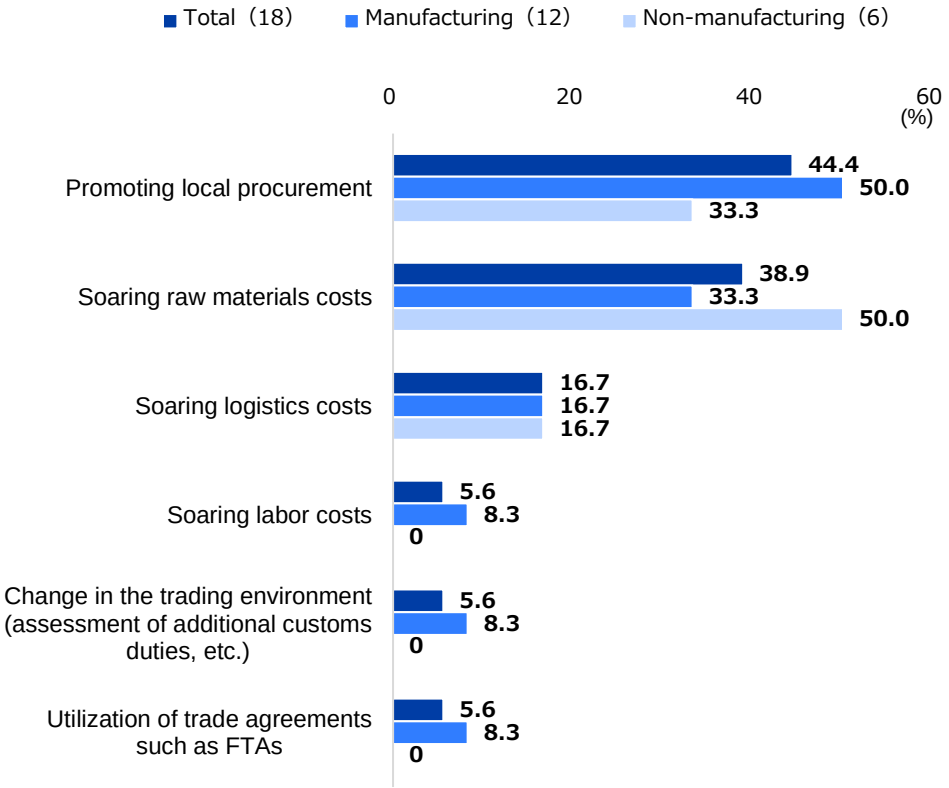


(Note) The list only includes industries with 5 or more valid responses.

3 Why do companies plan to review procurement sources, and what will the changes look like?
Promotion of local procurement is the main motive for manufacturers

- By sector, the primary motive for manufactures to review their procurement sources is to promote local procurement (50.0%), while the most common motive for non-manufacturers is soaring raw material costs (50.0%).
- Canada was the most popular destination with six respondents, three of whom plan to switch from Japan.

Why do you plan to review your procurement sources? (multiple answers allowed, by industry)



（Note） Only the top items have been excerpted.

What will the changes look like? (multiple answers allowed)

(Cases)

Change from \ Change to	Canada	U.S.	EU	NA	Total
Japan	**3**	1			**4**
Canada	1				1
Mexico				1	1
ASEAN			1		1
EU	1				1
No source before (Start of new procurement)	1				1
Total	**6**	1	1	1	**9**

（Note） Changes planned by 3 or more companies are shown in bold, while those planned by 5 or more companies are bordered by blue frames.

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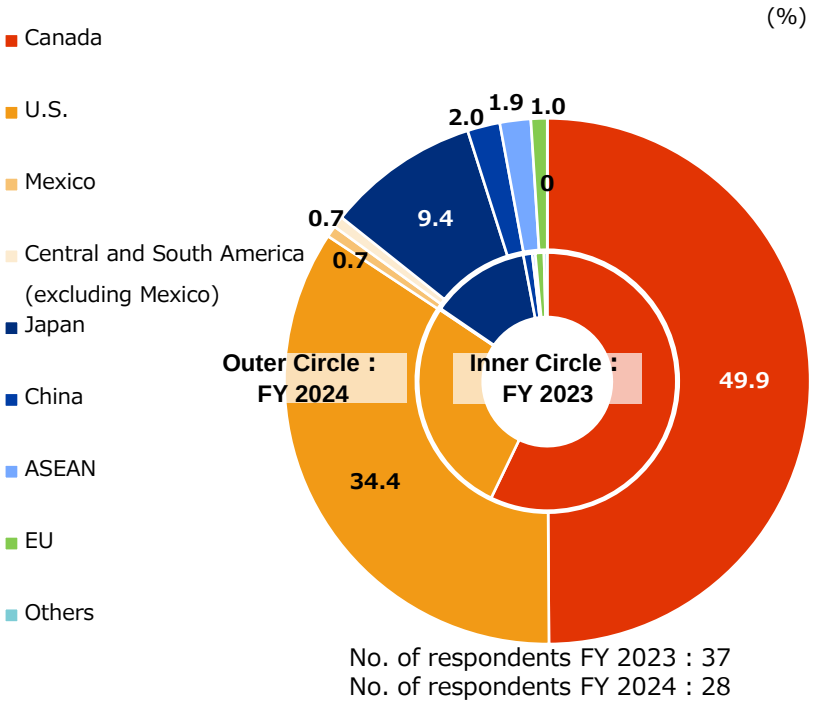
4 Production sites and plans to reconsider them for products for the Canadian market: Approximately 50% of respondents source supplies from Canada, and few have plans to reconsider

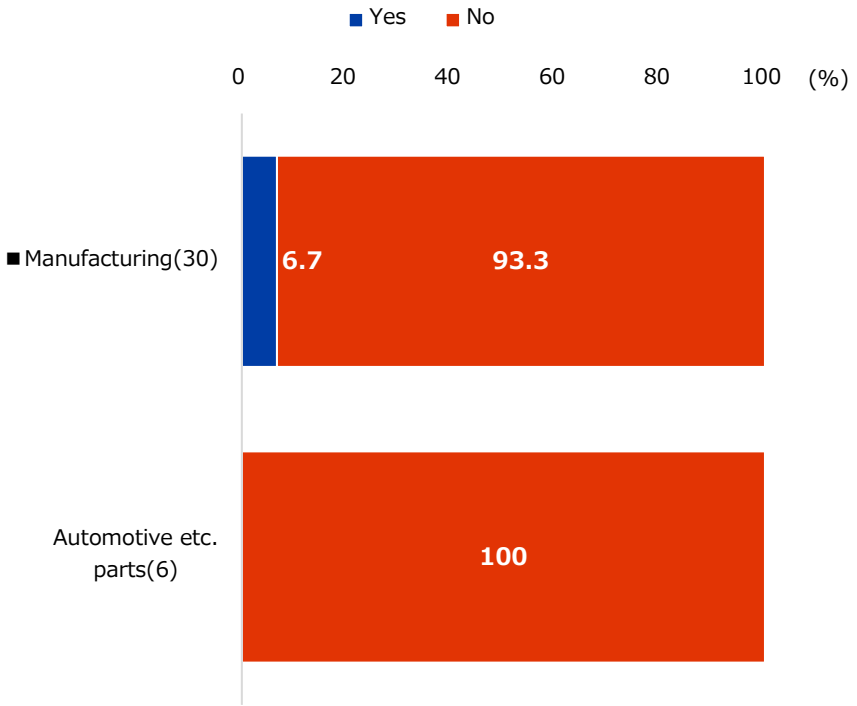
- Canada is the primary production location for products destined for the Canadian market at 49.9%, down from 57.2% in the previous year. This is followed by the U.S., which accounts for 34.4% (27.2%).
- Just 6.7% of companies plan to review their production sites, indicating that most companies intend to continue procuring supplies from their current sources. No automotive and related part companies plan to review their production sites.

Production sites for products for the Canadian market (by country/region, manufacturing)



(Note) The ratio of each country/region was calculated by setting the total amount to 100 for each company and averaging.

Do you have plans to review production sites? (manufacturing)

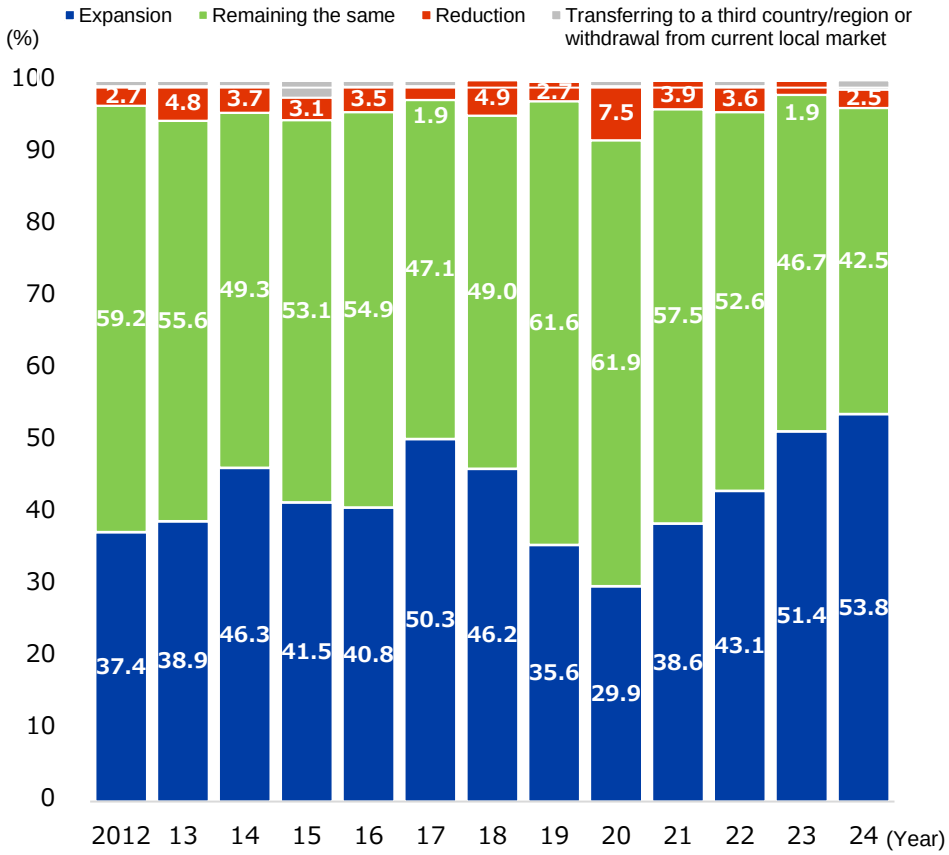


(Note) The list only includes industries with 5 or more valid responses.

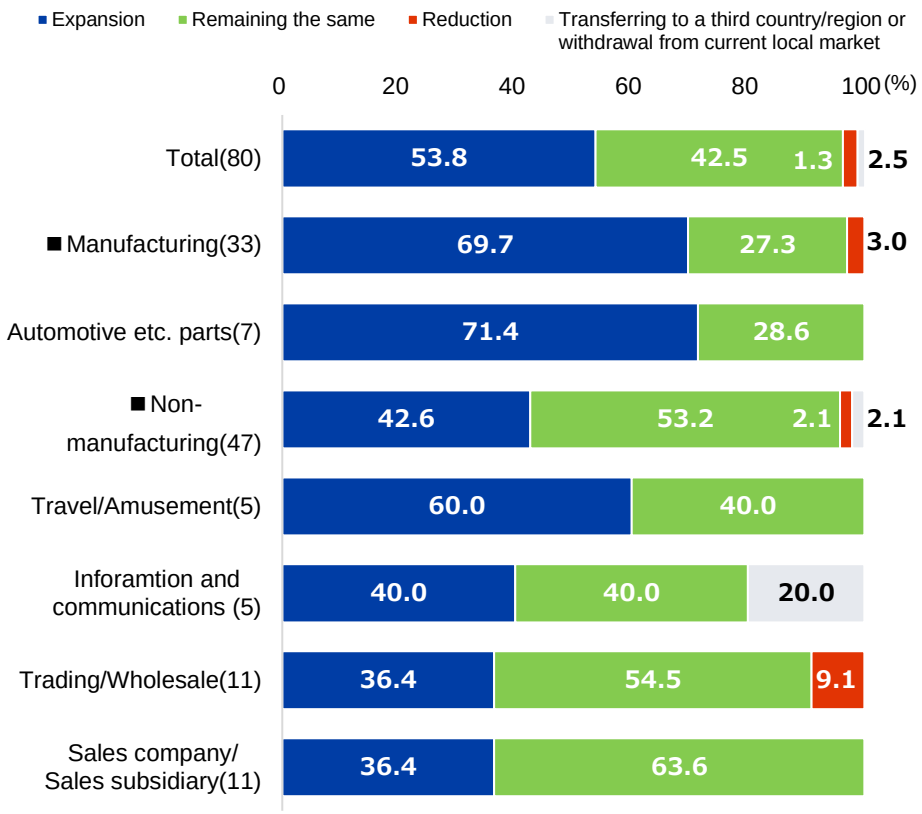
1 Future business direction: More than half of the respondents to expand their operations in Canada

- The percentage of companies that plan to expand their operations in the next couple years is over 50% (53.8%), up from the previous year's 51.4%.
- In the manufacturing sector, the Automotive etc. parts industry shows the highest rate of 71.4%. Across the entire sector, nearly 70% of companies plan to expand their operations. In the non-manufacturing sector, the percentage of companies planning to expand their operations (42.6%) was 10 percentage points lower than the percentage of those maintaining their current footprints (53.2%).

Business direction for the next couple years (all industries)



Business development forecast for the next couple years (by industry)

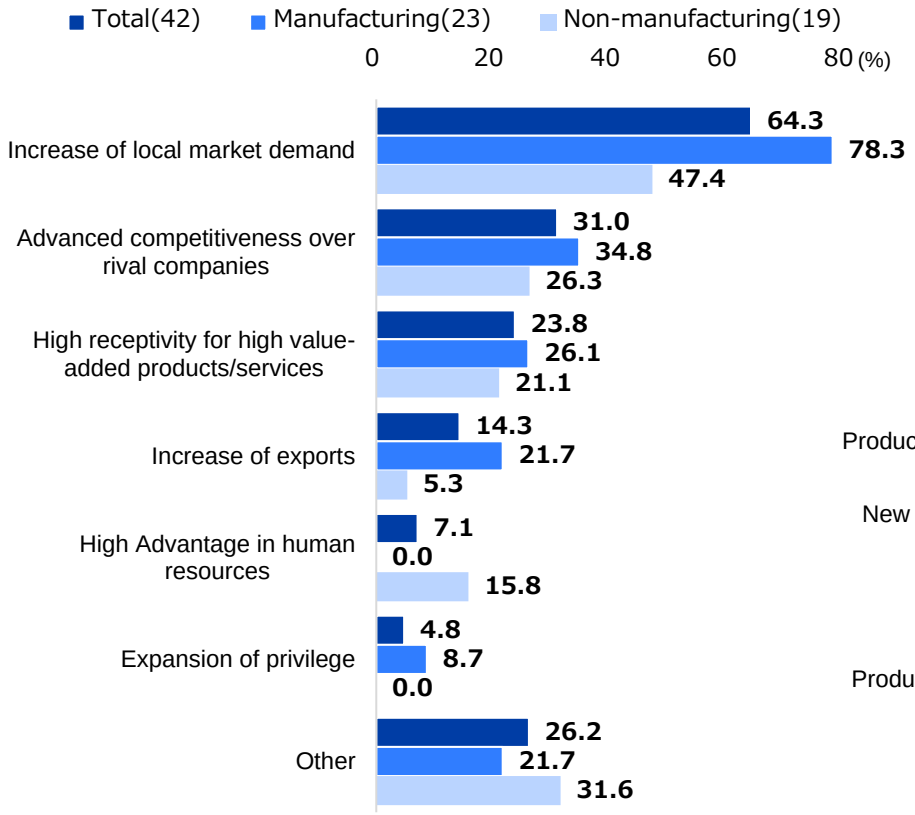


(Note) The list only includes industries with 5 or more valid responses.

2 Reasons for expansion: Around 65% cite growing local market demand, driven mainly by increasing EV production volumes

- The most common reason for expanding operations in the next couple years was “increase of local market demand” (64.3%). Companies cite increasing EV production volumes and growing demand related to decarbonization.
- Specifically, sales was the main focus for expansion at 57.1%, followed by production of high-value-added products (33.3%) and new business development (21.4%).

Reasons for expansion (multiple answers allowed)

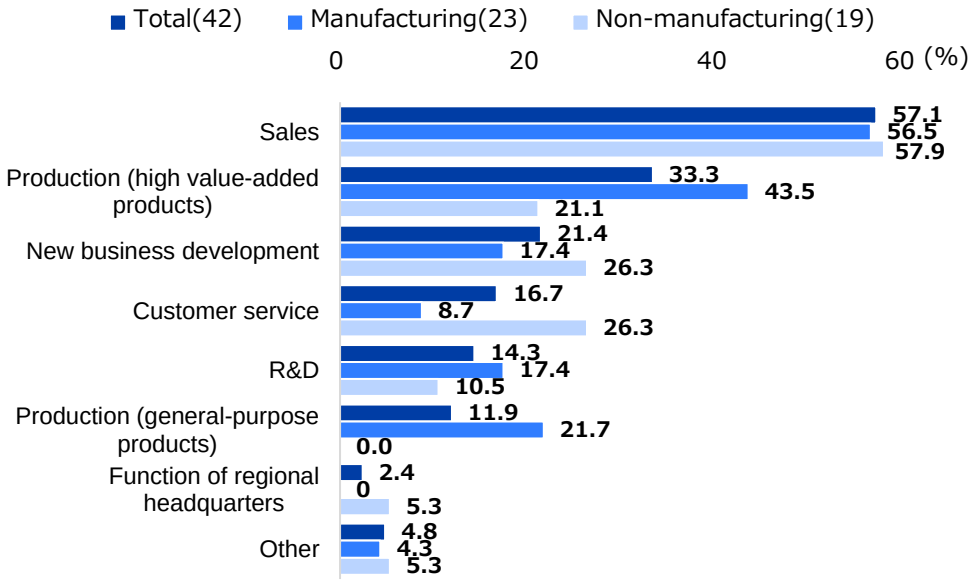


(Note) The list only includes top items.

Specific reasons for expansion (specific comments)

- Increasing EV production volumes
  [Transportation equipment, rubber/ceramic/stone and clay products, trading, logistics, warehousing, etc.]
- Carbon dioxide (CO_2) recovery and decarbonization needs
  [General machinery, iron/non-ferrous metals/fabricated metal products, etc.]
- Leisure demand remains strong. [Travel/amusement]

Specific functions to expand (multiple answers allowed)



(Note) The list only includes top items.

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