Japanese Manufacturing Affiliates in Europe and Turkey - 2010 Survey -

December 2010

Japan External Trade Organization (JETRO)

Overseas Research Department

Preface

The survey on the “Japanese manufacturing affiliates in Europe and Turkey” has been conducted 26 times since 1983*. The latest survey, conducted from July 2010 to August 2010, focused on research and analyzed the business situation and activities (outlook of operating profit, managerial issues, procurement of parts and materials, sales and production setups, etc.) of Japanese manufacturing affiliates operating in Europe and Turkey.

The survey revealed that, as of the end of 2009, there were 1,083 Japanese manufacturing affiliates operating in Europe and Turkey—819 in Western Europe, 247 in Central & Eastern Europe, and 17 in Turkey. Additionally, a total of 18 new Japanese manufacturing affiliates were established in 2009—16 in Western Europe and two in Central & Eastern Europe. Of the total number of Japanese manufacturing affiliates, 291 affiliates also operate R&D or design centers. Moreover, the number of Japanese affiliates in the surveyed region that operate only R&D or design centers without engaging in production totaled 152 affiliates.

We would like to express our great appreciation to the affiliates for their kind cooperation regarding our survey, which, over the years, has enabled us to constantly improve both the survey itself and the report on the results. We hope that this report helps the affiliates and other parties understand business development in Europe and Turkey.

November 2010

Europe, Russia and CIS Division
Overseas Research Department
JETRO centers/offices in Europe and Turkey
Japan External Trade Organization (JETRO)

* Countries in Central & Eastern Europe and Turkey were included in the survey from 1998 and 1999, respectively.

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Overview of the Survey

This is the 26th of a series of surveys that has been conducted annually since 1983 by the JETRO centers and offices based in Europe and Turkey.

1. Purpose of the Survey

This survey analyzes the activities of Japanese manufacturing affiliates operating in Europe and Turkey (i.e., the operating profit forecasts of each company, managerial issues, sales, the procurement of parts and materials, and production setups) for the purpose of assisting the implementation of strategic business planning and business activities at Japanese enterprises.

2. Targets of the Survey

The survey targeted manufacturing companies in Turkey, 16 countries in Western Europe*, and 10 countries in Central & Eastern Europe**—locations where Japanese manufacturing affiliates are located. The targeted companies derive 10% or more of their investment from Japanese companies, both directly and indirectly. The survey also included companies (subsidiaries) set up by Japanese affiliates already operating in Europe and other regions, as well as companies that have completed local corporate registration but have not yet begun operations.

* A total of 16 countries in Western Europe (Ireland, The Netherlands, Belgium, Luxembourg, Portugal, Finland, Sweden, Denmark, UK, Germany, France, Italy, Spain, Greece, Austria, and Switzerland)

** A total of 10 countries in Central & Eastern Europe (Lithuania, Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Slovenia, Serbia, and Montenegro)

3. Method of Conducting the Survey

The survey was conducted by sending an e-mail containing an Internet link (URL) to the online questionnaire form to the respondents and by asking them to reply directly online. As exceptions, some of the questionnaire sheets were sent by postal mail or facsimile. The answers to the surveys sent by postal mail and facsimile have also been included in the tabulated results.

As this survey covered a number of companies operating overseas in various countries and industries, we endeavored to learn to the furthest extent possible the exact number of Japanese affiliates that have entered into (or withdrawn from) the surveyed regions since the previous (25th) survey. In the process, we added or deleted the Japanese affiliates that were established in or had withdrawn from the regions before 2008 but which we had been unable to access during the previous survey.

4. Period of the Survey

July through August 2010

5. Response Status

Of the 1,083 Japanese manufacturing enterprises identified as active in Europe or Turkey, we sent questionnaires to the 561 enterprises that had agreed to cooperate in the survey. Of those, we received responses from 314 companies (response rate of 56.0%).

6. Notes on the Survey Results

(1) The number of Japanese manufacturing affiliates was totaled using information sources that can be considered reliable by the JETRO offices in Europe and Turkey and through the cooperation of each company. However, we do not guarantee the accuracy and comprehensiveness of the information.

(2) Not all the respondents answered every question. The percentages in this report were calculated using the number of respondents who actually answered the specific question (rounded to two decimal places). The percentages do not necessarily add up to 100.0%.

Number of Japanese Manufacturing Affiliates in Europe and Turkey

As of the end of 2009

Europe and Turkey:	**1,083**
Western Europe:	**819**
Central & Eastern Europe:	**247**
Turkey:	**17**

Basis: Companies with 10% or more direct/indirect Japanese ownership

Source: Survey by JETRO centers/offices in Europe and Turkey

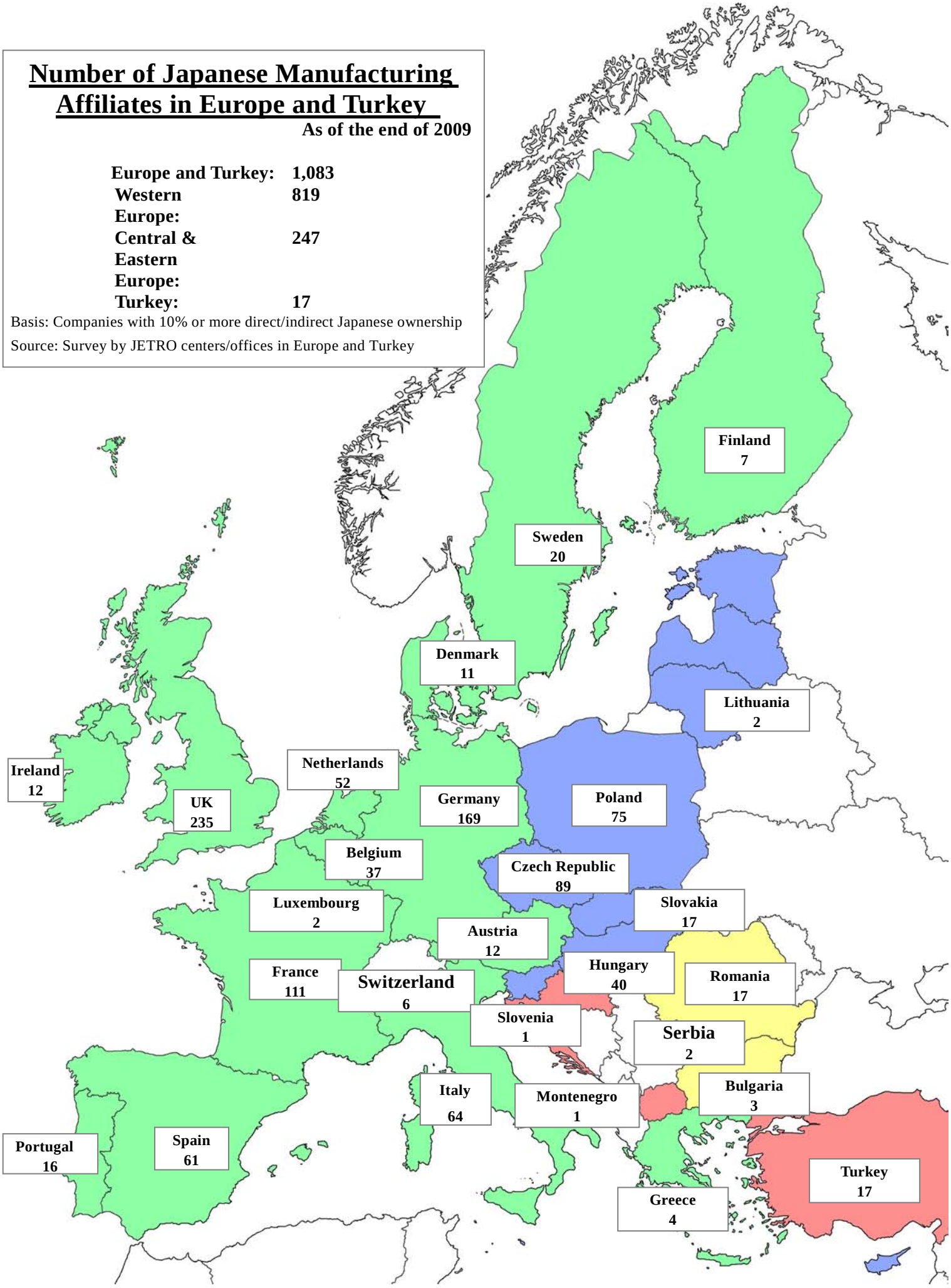


Table 1: Number of Newly Established Japanese Manufacturing Affiliates in Europe and Turkey by Country

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UK	36	28	45	49	27	22	12	15	21	22	19	17	18	22	9	5	7	4	7	1	8	2	4
France	15	10	22	23	18	7	5	10	11	15	3	9	4	10	11	7	7	7	6	7	1		
Germany	13	10	22	17	19	12	6	5	14	3	3	4	6	2	8	7	4	6	8	15	7	7	8
Netherlands	2	3	10	1	8	4	5	2	5	6	4	3	4	2	1				3	2	2	1	
Belgium	2	2	9	8	4	4	1	3	1	1	2		3					1	2				
Luxembourg			1	1	1															1			
Ireland	1	5	5	8	3	2	5	1	3		3	1			1	2		2	1	1			
Spain	8	8	12	9	9	1	4	5	3	2	2	3	4	3	4	2	2	1	2	4	1		1
Italy	3	8	13	11	6	1	4	5	3	5	3	3	2	2	3	3	1	4	3	4	3	1	2
Finland		1			1	2		1	2	2	2				1	1	1			1			
Sweden	1	1	2		3	3	3		1	4		1	1	2	1	3	1	1	1	2	1		1
Denmark			1	2					1	1	1				2	1	2	1	2			3	
Iceland																							
Austria	3	1	3	3		3					1			1					1	1	1	1	
Portugal		3	4	3		2	1	1	2	1	1	2			2						2		
Switzerland	2	1		2		2						1	2						1		2		
Greece	1															1				1			
Number of affiliates established within the year (Western Europe)	87	81	149	137	99	65	46	48	67	62	44	44	44	44	43	32	25	27	37	40	28	15	16
Poland						1	2		3	1	2	7	4	2	5	9	9	6	8	17	6	3	1
Czech Republic					4	5	3	1	2	4	3	1	3	6	16	17	10	10	4	8	6	3	1
Slovakia								1		1	1	3		2	4			1	2	3	2		
Hungary	1			1	3	1	2	3	1	1	5	4	6	9	3	4	4	4	2	4		1	
Romania							1			1		1		2	3	1	2	1	3	4	1	1	
Lithuania															1			1					
Serbia																				2			
Montenegro																1							
Bosnia-Herzegovina																	1						
Bulgaria											1									2			
Slovenia																				1			
Number of affiliates established within the year (Central and Eastern Europe)	1			1	7	7	8	5	6	8	12	16	13	21	32	32	26	23	19	41	15	8	2
Number of affiliates established within the year (Europe)	88	81	149	138	106	72	54	53	73	70	56	60	57	65	75	64	51	50	56	81	43	23	18
Turkey	1	1			1	1		1	1		1				1	3	3	1			1		
Number of affiliates established within the year (Total)	89	82	149	138	107	73	54	54	74	70	57	60	57	65	76	67	54	51	56	81	44	23	18

(Note) The figures only indicate manufacturing bases and not independent R&D or design centers.

Table 2: Number of Newly Established Japanese Manufacturing Affiliates in Europe and Turkey by Country (Only bases in existence as at the end of 2009 have been included)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UK	10	9	22	14	9	6	7	10	9	13	11	8	14	8	3	2	5	2	7	1	8	2	4
France	4	2	4	6	4	3	1	2	3	7	2	5	1	7	9	2	4	5	4	5	1		
Germany	3	5	10	9	12	7	4	2	6	2	3	4	5	1	5	5	3	6	6	14	6	6	8
Netherlands	1	2	4	1	4	2	2	2	2	3	1	3	1	1	1				1	2	2	1	
Belgium		1	5	3	2	2			1	1	1		2					1	2				
Luxembourg					1															1			
Ireland		1		1		1	1	1	2		1				1			1		1			
Spain	3	3	6	3	4		2	1	1	1	1	2	2	1	4	1	2	1	1	4	1		1
Italy	1	2	5	2	2		1	2	1	2	3	2	1	1	3	3	1	4	3	4	3	1	2
Finland						1		1		1	1				1		1			1			
Sweden		1			1	1	3						1	1	1	3		1		2	1		1
Denmark			1						1						2		1	1	2			3	
Iceland																							
Austria	1	1		1		1								1					1	1	1	1	
Portugal		1		2		2	1		1	1		2			1						2		
Switzerland						1							1								2		
Greece																				1			
Number of affiliates established within the year (Western Europe)	23	28	57	42	39	27	22	21	27	31	24	26	28	21	31	16	17	22	27	37	27	14	16
Poland							1		3	1	2	3	3	1	5	9	9	6	7	16	5	3	1
Czech Republic					4	5	2		1	4	3	1	2	3	13	14	8	10	3	7	6	2	1
Slovakia								1		1	1	1		2	3			1	2	3	2		
Hungary					1	1	1	2	1	1	2	3	4	6	2	3	3	3	2	4		1	
Romania												1		2	1		2	1	3	4	1	1	
Lithuania															1			1					
Serbia																				2			
Montenegro																1							
Bosnia-Herzegovina																							
Bulgaria											1									2			
Slovenia																				1			
Number of affiliates established within the year (Central and Eastern Europe)					5	6	4	3	5	7	9	9	9	14	25	27	22	22	17	39	14	7	2
Number of affiliates established within the year (Europe)	23	28	57	42	44	33	26	24	32	38	33	35	37	35	56	43	39	44	44	76	41	21	18
Turkey	1	1			1	1		1	1		1				1	3	3	1			1		
Number of affiliates established within the year (Total)	24	29	57	42	45	34	26	25	33	38	34	35	37	35	57	46	42	45	44	76	42	21	18

(Note) (1) Indicates changes in the number of affiliates as at the end of the year of establishment of each affiliate (1,083 affiliates).

(2) The figures only indicate manufacturing bases and not independent R&D or design centers.

Table 3: Number of Japanese Manufacturing Affiliates in Europe and Turkey by Country and Industry （As of the end of 2009)

	UK	France	Germany	Netherlands	Belgium	Luxembourg	Ireland	Spain	Italy	Finland	Sweden	Denmark	Austria	Portugal	Switzerland	Greece	Total Western Europe	Poland	Czech Republic	Slovakia	Hungary	Romania	Lithuania	Serbia	Montenegro	Bulgaria	Slovenia	Total Central and Eastern Europe	Total Europe	Turkey	Total
Food products, agricultural and fisheries product processing	12	15	4	2	2			1	1			4		2	1		44	2			1	1		2				6	50	1	51
Textiles (Yarn and woven materials, synthetic fiber)	1	2	3	1				1	1					1			10												10		10
Apparel and textile products	3	3						1	6								13		1							1		2	15		15
Timber/wood products (excluding furniture and interior goods)										3	4						7												7		7
Furniture and interior goods		1	1					1									3												3		3
Paper and pulp			5	1	1					1					1		9												9		9
Chemical/petrochemical products	17	12	20	12	7	2		9	4		1	1	3	2	1	1	92	2	2	1	2							7	99	1	100
Plastic products	11	2	3	8	7			4	3				1	1	1		41	1	2	1	1	2						7	48		48
Pharmaceutical products	6	5	2	2	2		2	1	4	1	1						26		1			1						2	28		28
Rubber products	3	3	1	1			1	2	1					1			13	5			2	1						8	21	2	23
Ceramics, soil and stone	4	2	3	1	3			3	3	1	1						21	8	9		1							18	39		39
Iron and steel (including cast and wrought products)	1		2	1				2								1	7		1									1	8		8
Nonferrous metal	2	2												1			5	1										1	6		6
Metal products (including plated products)	5		4	1				3			1		1	1			16	6	2	1								9	25		25
General machinery (including molds and machinery tools)	43	17	36	11	1		4	5	10		3		1		1		132	11	8			4			1			24	156		156
Electric and electronic machinery	35	10	14		4			4	5		2	3		1			78	9	7	5	3							24	102		102
Electric and electronic parts	13	2	17	1	2		3		3	1	1	2	3		1		49	5	19	3	5							32	81		81
Transportation machinery (automobiles, motorcycles)	3	2	1	2				4	2		2			1			17		1		3							4	21	3	24
Transportation machinery parts (automobiles, motorcycles)	43	20	17	2	5			15	15		2			4			123	18	35	5	20	8	1			2	1	90	213	9	222
Precision machinery	9	6	13	4	1			1	1		1		1				37	1			1							2	39		39
Medical devices	5	3	7				2		1								18												18		18
Printing / publishing								1								1	2	1	1									2	4		4
Other manufacturing	19	4	16	2	2			3	4		1	1	2	1		1	56	5		1	1		1					8	64	1	65
Total	235	111	169	52	37	2	12	61	64	7	20	11	12	16	6	4	819	75	89	17	40	17	2	2	1	3	1	247	1066	17	1083

(Note) The figures only indicate manufacturing bases and not independent R&D or design centers.

Talble 4: Number of Japanese Manufacturing Affiliates in Europe and Turkey by Country (As of the end of each year)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
UK	138	166	211	255	271	281	282	292	305	323	337	352	354	357	360	348	337	313	293	274	252	239	235
France	100	110	132	146	161	166	158	165	161	170	169	173	167	176	183	182	186	189	187	188	144	113	111
Germany	86	96	117	132	148	156	156	157	169	166	166	167	169	166	171	173	168	170	162	170	164	163	169
Netherlands	37	35	45	45	52	55	58	60	59	63	64	67	71	70	71	64	60	58	60	62	60	53	52
Belgium	32	34	43	51	54	57	56	57	58	58	60	58	60	55	55	52	52	52	49	46	42	37	37
Luxembourg	2	2	2	3	4	4	4	4	4	3	3	3	3	3	3	3	3	3	3	4	3	2	2
Ireland	22	26	31	38	39	39	41	41	43	42	42	39	34	32	28	27	27	28	25	24	20	15	12
Spain	48	56	67	74	83	80	80	85	81	76	77	79	81	81	85	81	78	77	76	71	65	60	61
Italy	34	41	54	65	71	71	70	73	71	74	72	75	76	76	79	78	79	76	78	74	68	64	64
Finland	7	8	8	8	9	11	11	12	14	15	17	17	17	17	17	8	8	8	8	8	7	7	7
Sweden	8	9	11	11	14	17	20	19	20	23	21	22	23	24	24	23	24	22	20	21	20	20	20
Denmark	1	1	2	4	3	2	2	1	2	3	4	4	3	2	4	5	7	8	10	10	10	13	11
Iceland	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1							
Austria	8	9	12	15	15	17	17	17	14	13	13	13	13	13	10	10	10	10	10	10	11	12	12
Portugal	8	11	15	18	16	18	19	18	20	21	22	24	23	22	24	23	20	20	20	19	21	19	16
Switzerland	7	8	8	10	10	12	12	11	11	11	11	9	10	8	8	8	3	3	4	4	6	6	6
Greece	5	5	5	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	4	5	4	4	4
Number of affiliates established within the year (Western Europe)	544	618	764	880	955	991	991	1017	1037	1066	1083	1107	1109	1107	1127	1090	1066	1041	1009	990	897	827	819
Poland						1	3	3	6	7	9	16	20	21	25	34	43	47	54	71	77	77	75
Czech Republic					4	9	12	13	15	19	22	23	26	32	46	62	72	82	84	86	91	89	89
Slovakia								1	1	2	3	6	6	7	11	11	10	11	13	16	18	17	17
Hungary	2	2	2	3	6	7	9	12	13	14	19	22	28	36	38	40	43	46	48	51	51	47	40
Romania							1	1	1	2	2	3	3	5	8	7	9	10	13	17	18	19	17
Lithuania															1	1	1	2	2	2	2	2	2
Serbia																				2	2	2	2
Montenegro																1	1	1	1	1	1	1	1
Bosnia-Herzegovina																	1						
Bulgaria											1	1	1	1	1	1	1	1	1	3	3	3	3
Slovenia																				1	1	1	1
Number of affiliates established within the year (Central and Eastern Europe)	2	2	2	3	10	17	25	30	36	44	56	71	84	102	130	157	181	200	216	250	264	258	247
Number of affiliates established within the year (Europe)	546	620	766	883	965	1008	1016	1047	1073	1110	1139	1178	1193	1209	1257	1247	1247	1241	1225	1240	1161	1085	1066
Turkey	2	3	3	3	4	5	5	6	7	7	8	8	8	8	9	12	15	16	16	16	17	17	17
Number of affiliates established within the year (Total)	548	623	769	886	969	1013	1021	1053	1080	1117	1147	1186	1201	1217	1266	1259	1262	1257	1241	1256	1178	1102	1083

(Notes) (1) Indicates changes in the number of affiliates as at the end of each year.

(2) The figures only indicate manufacturing bases and not independent R&D or design centers.

Table 5: Number of Japanese Manufacturing Affiliates in Europe and Turkey by Industry (As of the end of each year)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Food products, agricultural and fisheries product processing	19	23	33	36	41	43	42	45	48	55	56	57	59	58	57	54	58	60	60	63	55	53	51
Textiles (Yarn and woven materials, synthetic fiber)	11	12	14	16	17	15	15	16	16	16	14	15	15	16	18	18	17	16	15	16	11	10	10
Apparel and textile products	17	19	24	28	32	34	33	32	30	30	30	29	29	25	25	24	24	22	22	22	20	16	15
Timber/wood products (excluding furniture and interior goods)					1	1	1	2	2	3	5	5	5	5	5	8	8	8	7	7	7	7	7
Furniture and interior goods	5	6	7	11	10	10	8	7	6	6	6	6	7	7	7	5	5	5	5	3	3	3	3
Paper and pulp	1	2	4	7	8	9	10	11	11	11	11	11	12	11	11	11	9	8	9	9	9	9	9
Chemical/petrochemical products	83	87	104	115	119	129	133	136	138	143	147	153	159	157	155	142	143	144	127	124	116	103	100
Plastic products	18	24	29	33	37	37	38	38	39	42	43	43	45	43	46	41	41	43	49	50	53	47	48
Pharmaceutical products	20	21	27	31	35	35	34	37	38	40	41	42	41	41	41	42	41	41	37	38	32	29	28
Rubber products	8	13	16	19	20	19	20	20	19	20	21	22	23	23	24	23	25	26	26	27	25	23	23
Ceramics, soil and stone	14	15	18	19	28	30	33	33	36	37	38	39	38	39	40	40	40	39	39	44	41	39	39
Iron and steel (including cast and wrought products)	13	13	14	15	15	16	13	14	13	12	12	12	10	13	13	14	13	13	11	11	9	8	8
Nonferrous metal	4	6	9	10	10	10	12	13	13	10	11	11	11	11	10	10	10	9	8	6	6	6	6
Metal products (including plated products)	5	7	11	14	19	20	21	22	22	22	21	22	22	19	18	18	20	21	23	23	23	23	25
General machinery (including molds and machinery tools)	70	78	98	112	125	133	132	135	139	144	146	152	152	155	160	166	169	168	168	165	160	157	156
Electric and electronic machinery	82	95	110	129	143	145	142	149	145	147	147	149	147	141	145	135	126	123	120	120	106	104	102
Electric and electronic parts	45	53	68	85	88	88	89	91	93	95	101	104	102	108	108	110	105	103	104	110	102	85	81
Transportation machinery (automobiles, motorcycles)	19	19	20	25	28	29	28	28	29	28	28	29	27	27	29	29	27	26	26	25	27	25	24
Transportation machinery parts (automobiles, motorcycles)	38	47	61	77	82	93	98	101	120	133	141	154	165	185	213	231	241	241	244	251	238	228	222
Precision machinery	29	30	34	33	35	39	40	41	45	44	47	49	54	54	57	54	53	50	50	48	43	38	39
(Note) (1) Includes R&D and Design Centers established on the manufacturing base premises and the stand-alone centers that operate as independent corporations and research centers. Figures in parentheses indicate bases with stand-alone R&D and Design Centers	7	9	10	10	10	10	10	11	12	13	13	13	14	14	15	14	15	17	19	22	21	19	18
Printing / publishing																1	1	1	1	4	4	4	4
Other manufacturing	40	44	58	61	66	68	69	71	66	66	68	69	64	65	69	69	71	73	71	68	67	66	65
Number of affiliates established within the year (Total)	548	623	769	886	969	1013	1021	1053	1080	1117	1147	1186	1201	1217	1266	1259	1262	1257	1241	1256	1178	1102	1083

(Notes) (1) Indicates changes in the number of affiliates as at the end of each year.

(2) The figures only indicate manufacturing bases and not independent R&D or design centers.

Table 6: Number of R&D and Design Centers held by Japanese Manufacturing Affiliates in Europe and Turkey (Only bases in existence as at the end of 2009 have been included)

	1996		1997		1998		1999		2000		2001		2002		2003		2004		2005		2006		2007		2008		2009		End of 2009	
UK	2		4	(2)	7	(4)	8	(3)	8	(3)	8	(7)	2	(2)	2	(1)	3	(3)	4	(1)	2	(1)	4	(1)			1		138	(56)
France	2	(1)	1		1				3		2	(1)					2	(1)	2	(1)			1						38	(11)
Germany	2	(1)	3	(2)	2	(2)	7	(3)	2	(1)	7	(4)	6	(2)	5	(3)	6		10	(5)	8	(1)	8	(3)	6	(3)	3	(2)	143	(58)
Netherlands	2		1	(1)					1												1								16	(1)
Belgium			2	(1)					1	(1)	1	(1)					1	(1)											24	(10)
Luxembourg																													3	(2)
Ireland			1				1	(1)									1				1								5	(1)
Spain	1	(1)									3	(1)			2				3	(2)	2								33	(5)
Italy	1								1	(1)	2																2		12	(3)
Finland			1																										1	
Sweden									1		1												1				1		9	
Denmark											1				1		1		1						1				6	(1)
Austria																					1								2	
Portugal																							1						6	
Switzerland																			1	(1)			1						3	(1)
Greece																					1	(1)							4	(3)
Western Europe Total	10	(3)	13	(6)	10	(6)	16	(7)	17	(6)	25	(14)	8	(4)	10	(4)	14	(5)	21	(10)	16	(3)	16	(4)	7	(3)	7	(2)	443	(152)
Poland					2	(1)							1	(1)					1				1						5	(2)
Czech Republic	1										1	(1)			1								1		2	(1)			6	(2)
Slovakia											1	(1)																	1	(1)
Hungary					1																								2	(1)
Romania					1																				1				2	
Lithuania																	1												1	
Serbia																														
Montenegro																														
Bulgaria																														
Central and Eastern Europe Total	1				4	(1)					2	(2)	1	(1)	1		1		1				2		3	(1)			17	(6)
Europe Total	11	(3)	13	(6)	14	(7)	16	(7)	17	(6)	27	(16)	9	(5)	11	(4)	15	(5)	22	(10)	16	(3)	18	(4)	10	(4)	7	(2)	460	(158)
Turkey																													1	
Total	11	(3)	13	(6)	14	(7)	16	(7)	17	(6)	27	(16)	9	(5)	11	(4)	15	(5)	22	(10)	16	(3)	18	(4)	10	(4)	7	(2)	461	(158)

(Note) (1) Includes R&D and Design Centers established on the manufacturing base premises and the stand-alone centers that operate as independent corporations and research centers.
Figures in parentheses indicate bases with stand-alone R&D and Design Centers.

(2) Indicates the changes during each year of the number of Japanese manufacturing affiliates that were in existence as at the end of 2009 (461 companies).

Japanese Manufacturing Affiliates in Europe and Turkey
- 2010 Survey -

I. Overview of Japanese Manufacturing Affiliates in Europe and Turkey

[Number of Japanese manufacturing affiliates in Europe and Turkey]

- The latest survey shows that there were 1,083 Japanese manufacturing affiliates in Europe and Turkey at the end of 2009; with 819 in Western Europe and 264 in Central & Eastern Europe and Turkey. A total of 18 new Japanese manufacturing affiliates were established in Europe and Turkey in 2009; with 16 in Western Europe and two in Central & Eastern Europe and Turkey.

[Country overview]

- The UK was home to the largest number of Japanese companies with 235, followed by Germany with 169 and France with 111. These three countries accounted for 47.6% of the total number of Japanese manufacturing affiliates in Europe and Turkey.
- The Czech Republic, which has the greatest number of Japanese manufacturing affiliates (89 companies) among Central & Eastern Europe and Turkey is the fourth largest manufacturing base for Japan among all European countries and Turkey, followed by Poland in fifth place with 75 companies. Hungary had the greatest rate of decline from the previous year with the withdrawal of seven companies.

[Industry overview]

- The transportation machinery parts industry accounts for the largest number of Japanese manufacturing affiliates with 222 (20.5% of the total), followed by the general machinery industry (including molds and machinery tools) with 156 affiliates (14.4%), the electric and electronic machinery industry with 102 affiliates (9.4%), and the chemical/petrochemical products industry with 100 affiliates (9.2%).
- Among the 18 newly established Japanese manufacturing affiliates in 2009, there was a pronounced presence by the metal products (including plated products), the general machinery (including molds and machinery tools), the electric and electronic parts, the transportation machinery parts (automobiles, motorcycles), the medical devices, and other manufacturing industries.

[Number of R&D and design centers]

- At the end of 2009, 461 Japanese manufacturing affiliates operated R&D and design centers in Europe and Turkey, of which 158 companies operated independent R&D and design centers.

1. Two of the top five Japanese manufacturing bases located in Central & Eastern Europe, as was the case in the previous survey

The latest survey shows that there were 1,083 Japanese manufacturing affiliates in Europe and Turkey at the end of 2009; with 819 in Western Europe and 264 in Central & Eastern Europe and Turkey. By country, the UK was the home to the largest number of Japanese companies with 235 affiliates, followed by Germany (169) and France (111). These three countries accounted for 47.6% of the total number of Japanese manufacturing affiliates in all of Europe and Turkey and 62.9% of the total in Western Europe.

The Czech Republic was the fourth largest European manufacturing base for Japan with 89 companies, followed by Poland with 75 companies, which resulted in two of the top five Japanese manufacturing bases being located in Central & Eastern Europe and Turkey. In terms of Central & Eastern Europe and Turkey, Hungary became home to 40 manufacturing affiliates, which represented a decrease of seven companies, the largest rate of decrease from the previous year, despite no new companies being established. The most pronounced is the three companies withdrawing in the electric and electronic parts industry.

The industry with the largest number of Japanese manufacturing affiliates was the transportation machinery parts (automobiles, motorcycles) with 222 companies (20.5% of the total), followed by the general machinery (including molds and machinery tools) with 156 companies (14.4%), the electric and electronic machinery with 102 (9.4%), the chemical/petrochemical products with 100 (9.2%). Together, these four industries accounted for 53.6% of the total number of Japanese manufacturing affiliates.

There were some dominant industries particular to certain countries/regions. In Western Europe, the dominant industries were the general machinery (including molds and machinery tools), the transportation machinery parts (automobiles, motorcycles), and the chemical/petrochemical products. In the UK, the transportation machinery parts (automobiles, motorcycles), the general machinery (including molds and machinery tools), and the electric and electronic machinery took the top spots. Meanwhile, in France, the transportation machinery parts (automobiles, motorcycles), the general machinery (including molds and machinery tools), and the food products, agricultural, and fisheries product processing industries were dominant. However, in Germany, the general machinery (including molds and machinery tools), the chemical/petrochemical products, the electric and electronic parts, and the transportation machinery parts (automobiles, motorcycles) were dominant. In Central & Eastern Europe and Turkey, Japanese manufacturing bases were highly concentrated in the transportation machinery parts (automobiles, motorcycles) with 99 companies, which accounted for 37.5% of the total number of Japanese manufacturing affiliates in Central & Eastern Europe, followed by the electric and electronic parts industry, with 32 companies (12.1% of the total).

Diagram 1: Top-five Industries by Country/Region (As of the end of 2009)

	1st	2nd	3rd	4th	5th
Europe and Turkey	Transportation machinery parts (automobiles, motorcycles)	General machinery (including molds and machinery tools)	Electric and electronic machinery	Chemical/petrochemical products	Electric and electronic parts
[1083]	222(20.5%)	156 (14.4%)	102 (9.4%)	100 (9.2%)	81 (7.5%)
Western Europe	General machinery (including molds and machinery tools)	Transportation machinery parts (automobiles, motorcycles)	Chemical/petrochemical products	Electric and electronic machinery	Other manufacturing
[819]	132(16.1%)	123 (15%)	92 (11.2%)	78 (9.5%)	56 (6.8%)
UK	General machinery (including molds and machinery tools)	Transportation machinery parts (automobiles, motorcycles)	Electric and electronic machinery	Other manufacturing	Chemical/petrochemical products
[235]	43 (18.3%)	43 (18.3%)	35 (14.9%)	19 (8.1%)	17 (7.2%)
France	Transportation machinery parts (automobiles, motorcycles)	General machinery (including molds and machinery tools)	Food products, agricultural and fisheries product processing	Chemical/petrochemical products	Electric and electronic machinery
[111]	20 (18.0%)	17 (15.3%)	15 (13.5%)	12 (10.8%)	10 (9.0%)
Germany	General machinery (including molds and machinery tools)	Chemical/petrochemical products	Electric and electronic parts	Transportation machinery parts (automobiles, motorcycles)	Other manufacturing
[169]	36 (21.3%)	20 (11.8%)	17 (10.1%)	17 (10.1%)	16 (9.5%)
Central & Eastern Europe and Turkey	General machinery (including molds and machinery tools)	Electric and electronic parts	General machinery (including molds and machinery tools)	Electric and electronic machinery	Ceramics, soil, and stone
[264]	99(37.5%)	32 (12.1%)	24 (9.1%)	24 (9.1%)	18 (6.8%)
Czech Republic	Transportation machinery parts (automobiles, motorcycles)	Electric and electronic parts	Ceramics, soil, and stone	General machinery (including molds and machinery tools)	Electric and electronic machinery
[89]	35 (39.3%)	19 (21.3%)	9 (10.1%)	8 (9.0%)	7 (7.9%)
Poland	Transportation machinery parts (automobiles, motorcycles)	General machinery (including molds and machinery tools)	Electric and electronic machinery	Ceramics, soil, and stone	Metal products (including plated products)
[75]	18 (24.0%)	11 (14.7%)	9 (12.0%)	8 (10.7%)	6 (8.0%)

2. Fewer new affiliates established due to the economic downturn in Central & Eastern Europe and Turkey

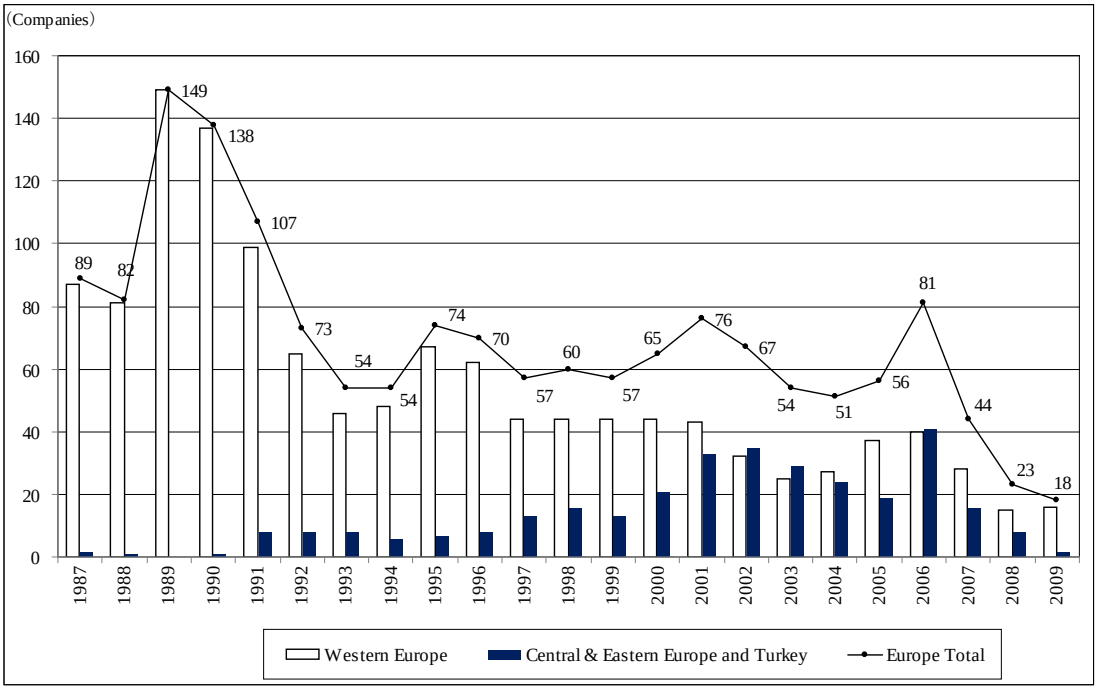
Only 18 new Japanese manufacturing affiliates (16 in Western Europe and two in Central & Eastern Europe and Turkey) were established during 2009, representing a consecutive decline from the previous year (2008) in which 23 new affiliates (15 in Western Europe and eight in Central & Eastern Europe and Turkey) were established. Over 80% of these new investments involved the acquisition of shares or equity participation, indicating the overall trend for the acquisition and consolidation of European companies by Japanese companies for the purpose of reinforcing their production and sales system in Europe. By country, the largest number of affiliates was established once again in Germany with eight companies, followed by the UK with four and Italy with two. In Germany, which was the top investment target in 2009, investments were spread over a wide range of product areas, including automobiles, machine tools, medical devices, and valve- and pump-related products.

Investments in Central & Eastern Europe and Turkey were limited to one in Poland and another one in the Czech Republic, bringing the number of investments in this area to the lowest level since 2000. The number of new investments in Central & Eastern Europe and Turkey, which peaked in 2006 with 41 new investments, has been markedly declining, as a result of the economic downturn following the financial crisis in September 2008. By industry, investments were made most notably in the metal products (including plated products), the general machinery (including molds and

machinery tools), the electric and electronic parts, the transportation machinery parts (automobiles, motorcycles), the medical devices, and other manufacturing industries.

On the other hand, 37 Japanese manufacturing affiliates were closed in 2009; eight in the UK, seven in Hungary, and three each in Ireland, Portugal, and Poland. By industry, eight affiliates in the transportation machinery parts industry (automobiles, motorcycles) and six affiliates in the electric and electronic parts industry withdrew from business, with these two industries accounting for 37.8% of the total withdrawals in 2009.

Diagram 2: Changes in the Japanese Manufacturing Affiliates Established in Europe and Turkey



Survey Data of Japanese Manufacturing Affiliates in Europe and Turkey

In order to grasp the trends of Japanese manufacturing affiliates with greater precision, JETRO has conducted a review of this year's survey data.

Until the previous fiscal year, data on the trends of newly established affiliates had been prepared retroactively on the basis of affiliates that were in operation as at the time of the survey. However, starting from the current fiscal year, said data is prepared with the addition of companies that had withdrawn from business as at that time.

Take, for example, an affiliate that was established in 2000, but withdrew from business in 2005. Under the previous method, the company, as it no longer existed, would not have been included in the number of affiliates in 2000. However, as records of the affiliate being established remain, data under the new method will include said affiliate in the number of affiliates in 2000.

When we actually take a look at the data from 2000, data prepared under the previous method indicates 35 newly established Japanese manufacturing affiliates in Europe and Turkey for that year (Table 2). However, data prepared this year under the new method indicates the number of said affiliates to be 65 (Table 1), with the difference (30) indicating the number of affiliates that were established in 2000, but had already withdrawn as of the time of the survey this year.

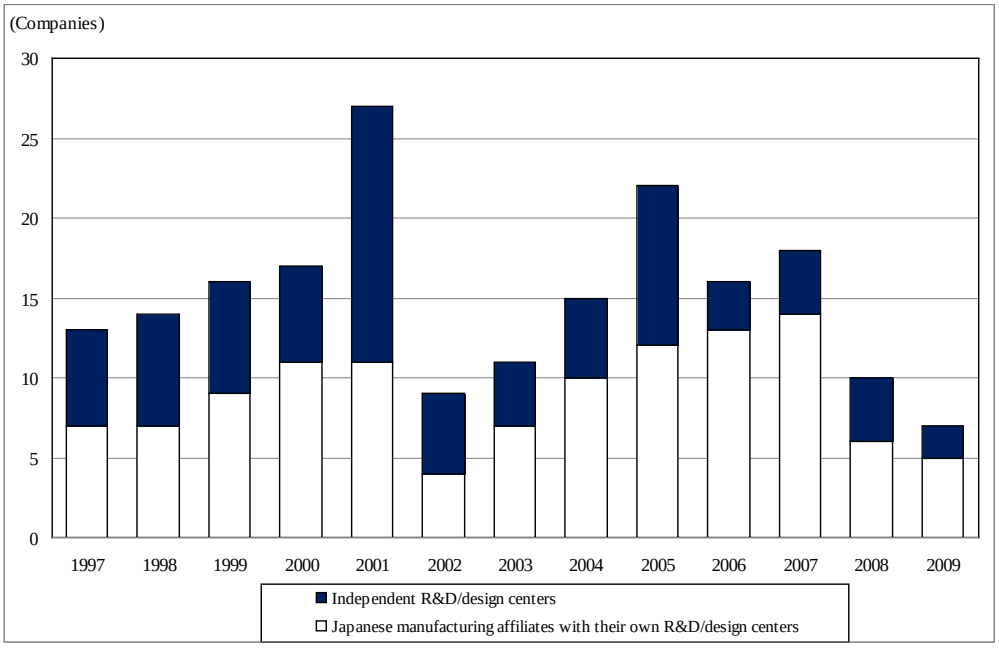
In order to facilitate comparison with previous data, this year's survey results will also include data prepared under the method, which had been in use up to the previous fiscal year (Table 2). Please also refer to the tables of the trends of manufacturing affiliates by country (Table 4) and by industry (Table 5), which reflect the number of affiliates that had withdrawn as of the end of each year, as they have been included in this report starting from this year.

3. Concentration of R&D and design centers in Western Europe remaining the same

At the end of 2009, 461 Japanese manufacturing affiliates in Europe had R&D and design centers, out of which 158 operated independent R&D and design centers. Out of these 461 companies, 443 affiliates, or 96.1%, had established R&D and design centers in Western Europe, with the remaining 18 affiliates, or 3.9%, having established such facilities in Central & Eastern Europe and Turkey, indicating the continuing trend for the concentration of such facilities in Western Europe. By country, Germany had the most facilities with 143, followed by the UK (138) and France (38).

In 2009, seven R&D and design centers were established in Europe, with the majority of them in Germany (with three facilities). No new R&D and design centers were established in Central & Eastern Europe and Turkey.

Diagram 3: Numbers of R&D and Design Centers Established Yearly



Note: Only bases in existence at the end of 2009 have been included.

II. Business Conditions and Prospects of Japanese Manufacturing Affiliates in Europe and Turkey

[Business Confidence]

Of the Japanese manufacturing affiliates in Europe and Turkey, 62.9% replied that their business in 2010 “improved” compared with the previous year, easily exceeding those who replied “declined” (14.1%). By region, 68.6% of the Japanese manufacturing affiliates in Western Europe replied “improved”, while the percentage of affiliates replying similarly in Central & Eastern Europe and Turkey was somewhat smaller at 45.5%.

Additionally, in terms of 2011, over 90% of all Japanese manufacturing affiliates in Europe and Turkey replied either “improved” or “remain the same” (“improved”: 39.1%, “remain the same”: 54.5%), indicating a steady economic recovery.

[Operating profit]

	Region	Profit	Loss
2009 Actual	Western Europe	52.8	39.6
	Central & Eastern Europe and Turkey	42.9	37.7
	Total	50.3	39.1
2010 Forecast	Western Europe	69.2	14.1
	Central & Eastern Europe and Turkey	58.4	22.1
	Total	66.6	16.1

Of the Japanese manufacturing affiliates in Europe and Turkey, 50.3% recorded operating “profit” for 2009, while 39.1% recorded operating “loss”, with more affiliates in Western Europe recording profits than in Central & Eastern Europe and Turkey.

For 2010, 66.6% forecast profit, while those forecasting “loss” decreased to 16.1%.

[Year-on-year comparison: Operating profit]

	Region	Improved	Declined
2009	Western Europe	33.9	53.0
	Central & Eastern Europe and Turkey	45.5	44.2
	Total	36.7	50.8
2010 Forecast	Western Europe	63.4	16.2
	Central & Eastern Europe and Turkey	46.8	32.5
	Total	59.3	20.2
2011 Forecast	Western Europe	48.7	5.7
	Central & Eastern Europe and Turkey	35.6	15.1
	Total	45.5	7.9

36.7% of the affiliates answered that their operating profit had “improved” as compared to the previous year (2008), while 50.8% said it had “declined”.

As reasons for “declined”, the “global economic downturn stemming from the financial crisis” was the most frequently cited answer (78.6%), followed by “decreased sales in the domestic market” and

"decreased sales in overseas markets", both of which were mentioned by over 60% of the affiliates.

In terms of the forecast for 2010, major economic recovery is expected, with 59.3% predicting that their operating profit would "improve" and 20.5% predicting "remain the same".

As the main reason for the improvement, 74.1% cited "increased sales in overseas markets" and 62.7% cited "increased sales in the domestic market". This shows that they are strongly hoping for domestic demand to recover, while actively engaging in exports to overseas markets.

Additionally, 45.5% predicted that their operating profit for 2011 would "improve", while 46.5% predicted "remain the same".

1. Business confidence

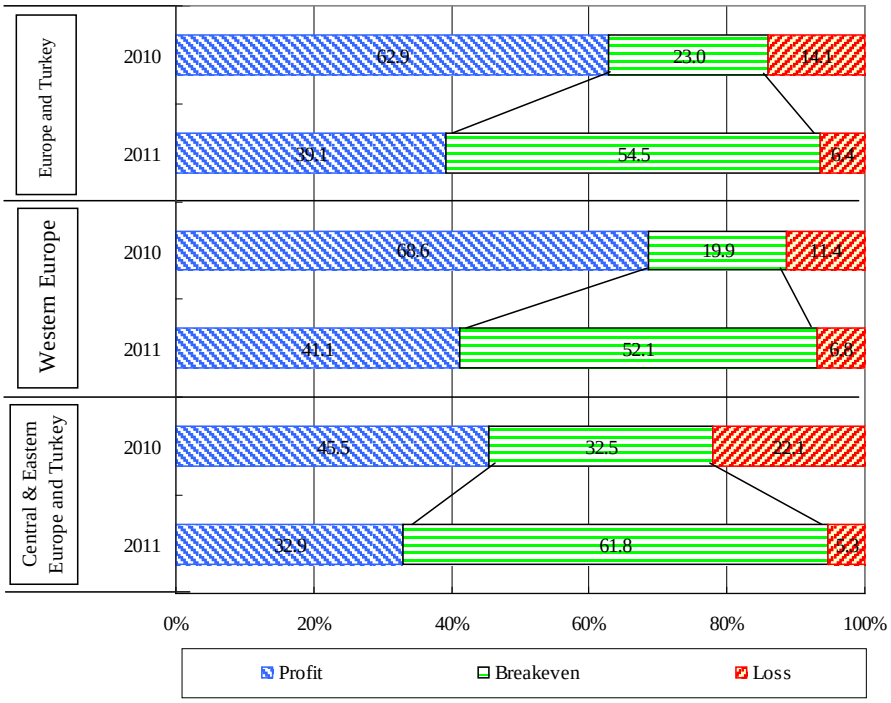
Of all Japanese manufacturing affiliates in Europe and Turkey, those replying that their business in 2010 had "improved" from 2009 accounted for 62.9% and easily exceeded those replying that their business had "declined" (14.1%).

In terms of 2011 also, a steady recovery could be noted, as the number of affiliates predicting that their businesses would "improve" and "remain the same" accounted for over 90% of all Japanese manufacturing affiliates in Europe and Turkey ("improve": 39.1%, "remain the same":54.5%).

By region, more affiliates in Western Europe replied that their business would "improve" than in Central & Eastern Europe and Turkey, both in terms of 2010 and 2011. Especially in terms of 2010, the percentage of those replying "improve" in Western Europe exceeded the percentage of affiliates replying the same in Central & Eastern Europe and Turkey by 20 percent points (Western Europe: 68.6%, Central & Eastern Europe and Turkey: 45.5%).

By product (final products/intermediate products), 54.4% of affiliates handling final products replied that their business would "improve" in 2010 and 27.2% replied "remain the same"; while 70.5% of affiliates handling intermediate products replied that their business would "improved" in 2010 and 19.3% replied "remain the same". In terms of 2011, 43.5% of the affiliates handling final products replied that their business would "improve" and 51.0% replied "remain the same"; while 35.2% of affiliates handling intermediate products replied that their business would "improve" and 57.6% replied "remain the same". Thus, a greater part of the companies that handled intermediate products seemed to think that economic recovery would set in from 2010.

Diagram 4: Business Confidence of Japanese Manufacturing Affiliates in Europe and Turkey



(Number of responses: [Western Europe] 2010, 2011: 236 companies, [Central & Eastern Europe and Turkey]: 2010: 77 companies, 2011: 76 companies)

2. Total of 50.3% reported operating profit and 39.1% reported operating loss in 2009

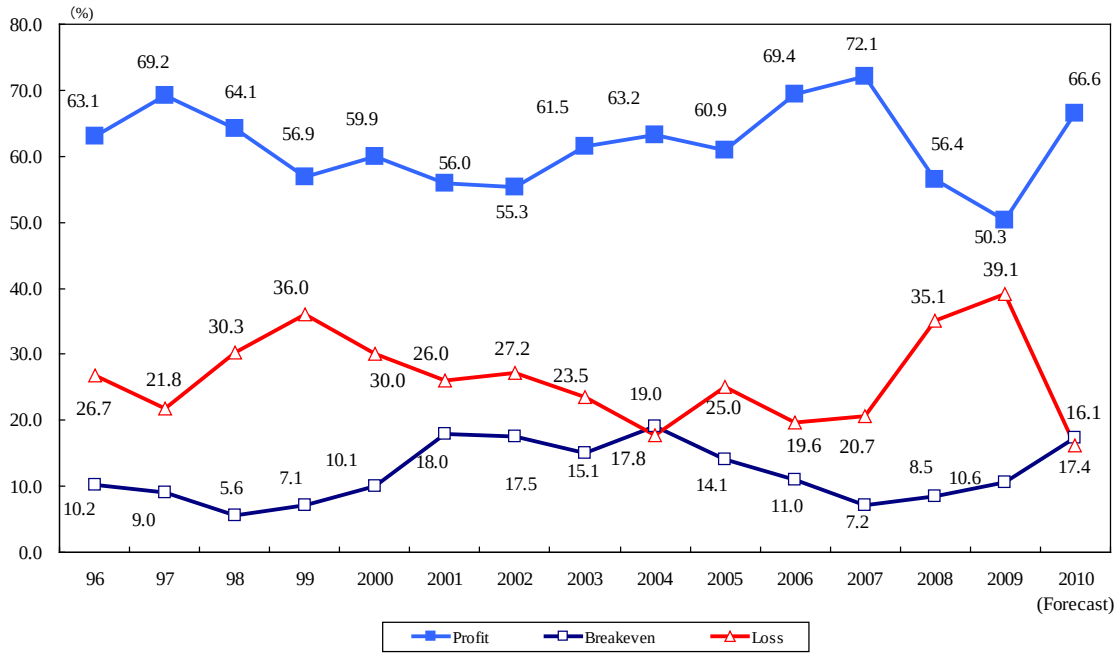
[Europe and Turkey]

In terms of operating profit for 2009, 50.3% of the Japanese manufacturing affiliates in Europe and Turkey replied that they recorded “profit” (down 6.1 percent points from the previous year), while 10.6% replied “breakeven” (up 2.1 percent points) and 39.1% replied “loss” (up 4.0 percent points), resulting in the lowest percentage of companies recording “profit” and the highest percentage of companies recording “loss” in the past 10 years. With regard to 2010, companies forecasting “profit” accounted for 66.6% of the total (up 16.3 percent points from the previous year), which is second to 2006 and 2007, when the economy was particularly favorable since 2000; while 16.1% (down 23.0 percent points) forecasted “loss”. These results show signs of recovery in the economy.

An industry breakdown of operating profit shows that the top three industries recording “profit” were “medical devices” (100% in both 2009 and 2010), “pharmaceutical products” (2009: 80%, 2010: 90%), and “food products, agricultural and fisheries product processing” (2009: 66.7%, 2010: 83.3%). A breakdown by size shows that a higher percentage of large-sized enterprises (2009: 52.9%, 2010: 69.2%) recorded “profit” than small- and medium-sized enterprises (2009: 31.6%, 2010 47.4%); while the breakdown by type of product indicated that companies handling final

products (2009: 54.4%, 2010: 67.6%) performed better than those handling intermediate products (2009: 46.7%, 2010: 65.7%).

Diagram 5: Operating Profit for Japanese Manufacturing Affiliates in Europe and Turkey

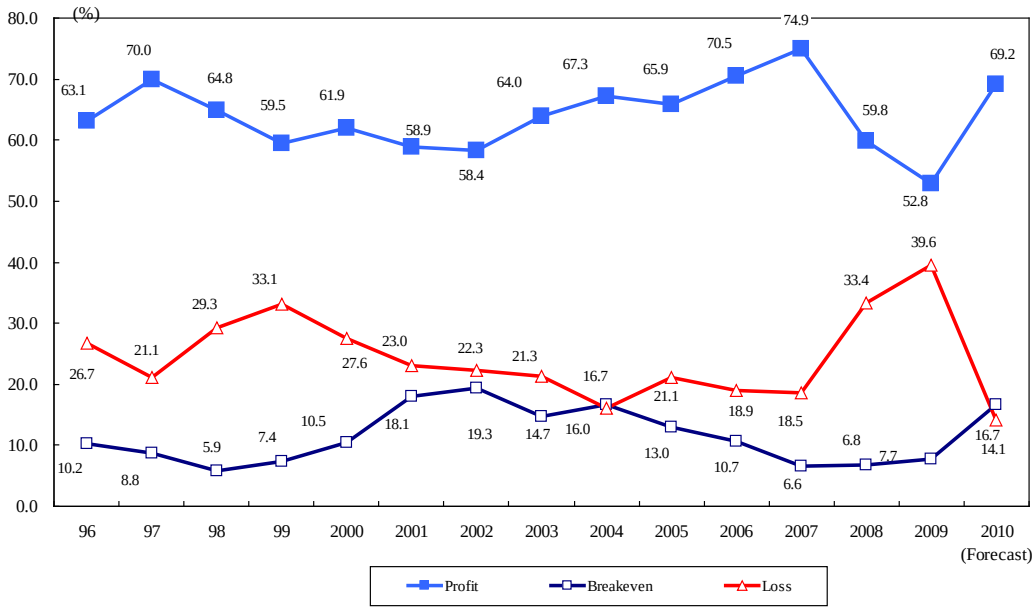


(Number of responses: 2009: 312 companies, 2010: 311 companies)

[Western Europe]

Of the Japanese manufacturing affiliates in Western Europe, 52.8% replied that, in terms of operating profit, they had recorded “profit” (down 7.0 percent points from the previous year) while 39.6% replied “loss” (up 6.2 percent points) in 2009, which indicated a trend similar throughout Europe and Turkey, where the percentage of companies recording profit declined and the percentage recording loss increased. As for the forecast for operating profit in 2010, 69.2% predicted “profit”, while 14.1% predicted “loss”, portending that a substantial recovery was imminent.

Diagram 6: Operating Profit for Japanese Manufacturing Affiliates in Western Europe



(Number of responses: 2009: 236 companies, 2010: 234 companies)

Diagram 7: Operating Profit by Country in Western Europe (2009/2010)

***** Countries receiving five or more replies have been included.

Countries with the most "profit" answers (%)

	Country	2009	2010
1	Sweden	20.0	100.0
2	Belgium	80.0	93.3
3	Germany	55.6	80.0

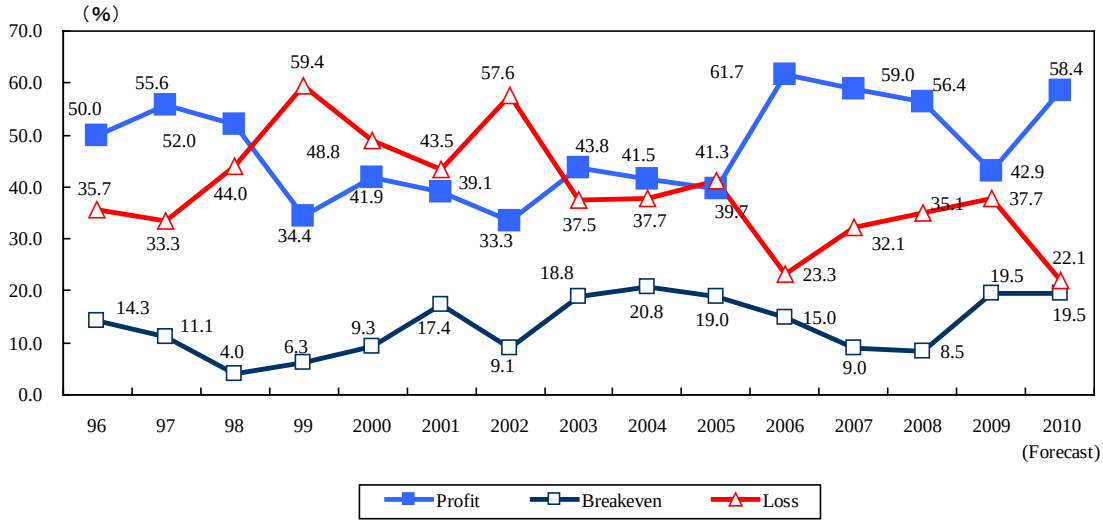
Countries with the most "loss" answers (%)

	Country	2009	2010
1	France	51.4	31.4
2	Spain	43.8	18.8
3	UK	39.6	14.6

[Central & Eastern Europe and Turkey]

The trend relating to operating profit in 2009 in Central & Eastern Europe and Turkey was more or less the same as in Western Europe. A total of 42.9% of the Japanese manufacturing affiliates replied that they had recorded "profit" (down 13.5 percent points from the previous year), 19.5% replied "breakeven" (up 11.0 percent points), and 37.7% replied "loss" (up 2.6 percent points). As for the forecast for operating profit in 2010, as Western Europe, as 58.4% predicted "profit" and 22.1% predicted "loss", in anticipation of a major turnaround.

Diagram 8: Operating Profit for Japanese Manufacturing Affiliates in Central & Eastern Europe and Turkey



(Number of responses: 2009, 2010: 77 companies)

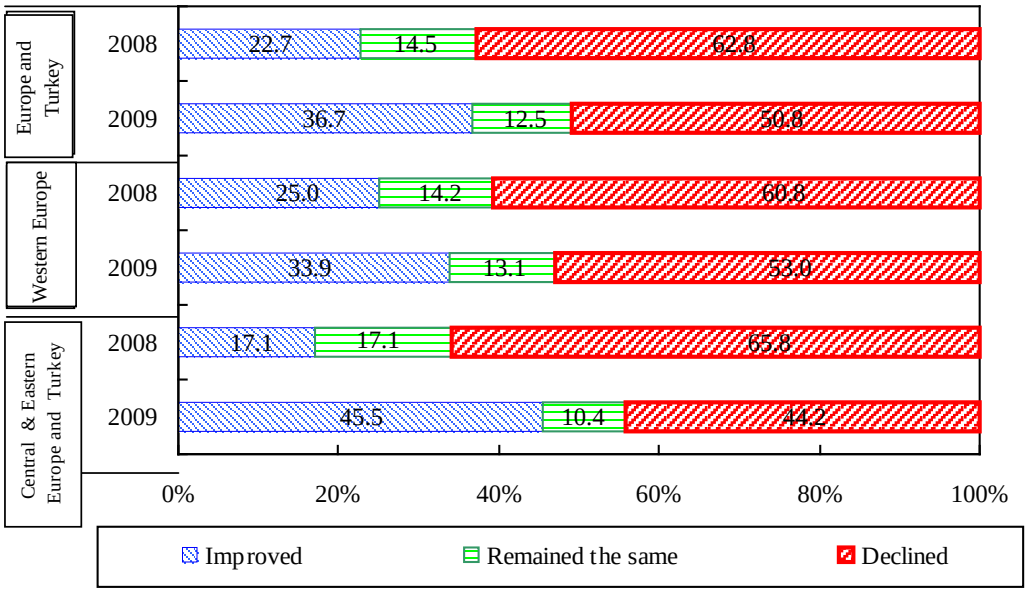
Note: Data for 2008 and earlier consists of data for "Central and Eastern Europe".

3. Increase in companies reporting "improved" operating profit through "increased sales"

More than half of the Japanese manufacturing affiliates in Europe and Turkey continued to reply that their operating profit had "declined", as 36.7% reported that their operating profit for 2009 had "improved" from the previous year (2008) (up 14.0 percent points from the previous year), while 50.8% replied "declined" (down 12.0 percent points). A total of 12.5% of the companies replied "remain the same".

By region, compared to those in Western Europe (39.9%), more Japanese manufacturing affiliates in Central & Eastern Europe and Turkey (45.5%) replied that their operating profit had "improved".

Diagram 9: Operating Results for Japanese Manufacturing Affiliates in Europe and Turkey (Compared to the Previous Year)



(Number of responses: [Western Europe] 2008: 296 companies, 2009: 236 companies, [Central & Eastern Europe and Turkey] 2008: 76 companies, (Central & Eastern Europe) 2009: 77 companies)

By industry, a large portion of companies replied that their operating profit had “improved” in the areas of pharmaceutical products, medical devices, and plastic products. On the other hand, the “declined” responses came mainly from the ceramics, soil and stone, metal products, and the nonferrous metal industries. In terms of products, 33.3% of the companies handling finished products replied “improved”, 19.0% replied “remain the same”, and 47.6% replied “declined”. Additionally, 39.8% of the companies handling intermediate products replied “improved”, 19.0% replied “remain the same”, and 53.6% replied “declined”, which pointed toward a wider range of performance among the companies handling intermediate products.

Diagram 10: Industries that Were Dominant and Where an "Improved" or "Declined" Replied Was Given Concerning Operating Profit (Europe and Turkey, 2009)

*Industries receiving five or more replies have been included.

Industry with the most "improved" answer (%)

	Industries	Responses	Improved	Declined
1	Pharmaceutical products	10	80.0	0.0
2	Medical devices	5	60.0	0.0
3	Plastic products	16	56.3	37.5
4	Electric and electronic parts	26	50.0	46.2
4	Food products, agricultural and fisheries product processing	12	50.0	33.3

Industry with the most "declined" answer (%)

	Industries	Responses	Improved	Declined
1	Ceramics, soil, and stone	5	20.0	80.0
2	Metal products	9	22.2	77.8
3	Nonferrous metal	6	33.3	66.7
3	Rubber products	6	0.0	66.7
3	Transportation machinery	9	11.1	66.7
3	Precision machinery	6	33.3	66.7

When asked why their operating profit had "improved" in 2009 (multiple answers allowed), the most frequently cited reason was "increased sales" (64.3%), followed by "reduction in personnel costs" (46.1%) and "improvements in productivity" (42.6%). A breakdown by product revealed that "increased sales" (final products: 69.4%, intermediate products: 60.6%), "acquisition of new customers" (final products; 28.6%, intermediate products: 7.6%) and "reduction in domestic procurement costs" (final products: 24.5%, intermediate products: 10.6%) were more cited by companies handing final products than intermediate products. This shows that a higher percentage of companies handling finished products achieved "improved" operating profit through expanding their sales channels and reducing both domestic and overseas procurement costs. Meanwhile, among the companies handling intermediate products, commonly cited reasons included "reduction of personnel costs" (final products: 38.8%, intermediate products: 51.5%) and "reduction in administrative and utility costs" (final products: 28.6%, intermediate products: 51.5%), showing that the efforts were made to improve their profits by cutting back on administrative costs.

On the other hand, "global economic downturn stemming from the financial crisis" was the number one reason for the "declined" reply (multiple answers allowed), with 78.6%. The percentage of companies citing this reason was particularly high among the small- and medium-sized enterprises, with 89.5%. Additionally, nearly twice as many small- and medium-sized enterprises (63.2%) as large-sized enterprises (32.1%) mentioned "fall in sales prices" as the reason for declined operating profit.

Diagram 11: Reasons for "Improvement" or "Decline" in Operating Profit in Europe and Turkey (2009) <Multiple Answers Allowed>

Reasons for Improvement (2009) (%)

1	Increased sales	64.3
2	Reduction in personnel costs	46.1
3	Improvements in productivity	42.6

Reasons for Decline (2009) (%)

1	Global economic downturn stemming from financial crisis	78.6
2	Decreased sales in overseas markets	69.2
3	Decreased sales in domestic markets	61.0

(Number of responses: [Improvement] 115 companies, [Decline] 159 companies)

[Western Europe]

The percentage of Japanese manufacturing affiliates in Western Europe that replied that their operating profit in 2009 had "improved" from the previous year increased by 8.9 percent points from the previous year to 33.9% (see Diagram 9).

However, more than half of the affiliates continued to reply that their operating profit had "declined" (53.0%), despite the percentage decreasing somewhat from the previous year (down 7.8 percent points from the previous year).

The country-by-country breakdown shows that Denmark, Ireland, and Belgium were the top three countries where the percentage of companies replying "improved" was high. On the other hand, many of the companies in Austria and Sweden replied "declined".

By industry, a large portion of companies replied that their operating profit had "improved" in the area of pharmaceutical products, medical devices, and plastic products, while many of the companies in the metal products, ceramics, soil and stone, and nonferrous metal industries replied "declined".

Diagram 12: Countries and Regions Where an "Improved" or "Declined" Replies Concerning Operating Profit Were Dominant (2009)

*Industries receiving five or more replies have been included.

Countries with the most "Improved" answers (%)

	Country	Responses	Improved	Declined
1	Denmark	6	66.7	16.7
2	Ireland	7	57.1	28.6
3	Belgium	15	53.3	40.0
4	Germany	55	40.0	45.5
5	Spain	16	37.5	56.3

Countries with the most "Declined" answers (%)

	Countries	Responses	Improved	Declined
1	Austria	5	20.0	80.0
2	Sweden	5	20.0	80.0
3	Italy	11	18.2	63.6
4	UK	48	25.0	60.4
5	France	37	29.7	59.5

Industries with the most "Improved" answers (%)

	Industry	Responses	Improved	Declined
1	Pharmaceutical products	10	80.0	0.0
2	Medical devices	5	60.0	0.0
3	Plastic products	15	53.3	40.0
4	Electric and electronic parts	16	50.0	50.0
4	Other manufacturing	14	50.0	42.9

Industries with the most "Declined" answers (%)

	Industry	Responses	Improved	Declined
1	Metal products	7	14.3	85.7
2	Ceramics, soil, and stone	5	20.0	80.0
2	Nonferrous metal	5	20.0	80.0
4	General machinery	31	19.4	71.0
5	Transportation machinery	6	0.0	66.7
5	Precision machinery	6	33.3	66.7

As a reason for "improved" operating profit in 2009 (multiple answers allowed), the affiliates in Western Europe most frequently mentioned "increased sales" (62.5%), followed by "reduction in personnel costs" (46.3%) and "reduction in administrative and utility costs" (43.8%), suggesting that, in addition to increased sales, the effects of their efforts to cut back on costs were becoming manifest.

As far as reasons for "declined" operating profit were concerned, "global economic downturn stemming from financial crisis" was most frequently mentioned with 79.2%, followed by "deceased sales in overseas markets" (66.4%), "decreased sales in domestic market" (64.8%), and "fall in sales prices" (36.8%).

[Central & Eastern Europe and Turkey]

For Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, 45.5% said that their operating profit had "improved" in 2009, which represented a rise of 28.4 percent points from the previous year and a higher rate of increase than that of Western Europe (see Diagram 9).

On the other hand, 44.2% said that their operating profit had "declined", which was down 21.6 points from the previous year.

As for the country-by-country breakdown, many affiliates in Poland (improved: 65.0%, declined:

30.0%), the Czech Republic (improved: 52.9%, declined: 41.2%), and Slovakia (improved 42.9%, declined: 28.6%) answered that their operating profit had "improved".

The main reason for the "improved" operating profit was "increased sales", cited by 68.6% of the manufacturing affiliates in Central & Eastern Europe and Turkey, followed by "improvements in productivity" (57.1%) and "reduction in personnel costs" (45.7%). That "improvements in productivity" placed high in the reasons for improved operating profit is characteristic to Central & Eastern Europe and Turkey compared to Western Europe.

As reasons for "declined" operating profit, many cited "decreased sales in overseas markets" (79.4%) and "global economic downturn stemming from financial crisis" (76.5%), which were followed by "decreased sales in domestic market" (47.1%) and "fall in sales prices" (32.4%).

Diagram 13: Top Reasons for Improvement (Decline) in Operating Profit in 2009
<Multiple Answers Allowed>

Japanese Affiliates in Western Europe (Improvement)

	Reason	No. of responses	(%)
1	Increased sales	50	62.5
2	Reduction in personnel costs	37	46.3
3	Reduction in administrative and utility costs	35	43.8
4	Improvements in productivity	29	36.3
5	Increase in sales prices	15	18.8
5	Acquisition of new customers	15	18.8

Japanese Affiliates in Western Europe (Decline)

	Reason	No. of responses	(%)
1	Global economic downturn stemming from financial crisis	99	79.2
2	Decreased sales in overseas markets	83	66.4
3	Decreased sales in domestic markets	81	64.8
4	Fall in sales prices	46	36.8
5	Foreign exchange losses	43	34.4

Japanese Affiliates in Central & Eastern Europe and Turkey (Improvement)

	Reason	No. of responses	(%)
1	Increased sales	24	68.6
2	Improvements in productivity	20	57.1
3	Reduction in personnel costs	16	45.7
4	Reduction in administrative and utility costs	13	37.1
5	Foreign exchange gains	12	34.3

Japanese Affiliates in Central & Eastern Europe and Turkey (Decline)

	Reason	No. of responses	(%)
1	Decreased sales in overseas markets	27	79.4
2	Global economic downturn stemming from financial crisis	26	76.5
3	Decreased sales in domestic markets	16	47.1
4	Fall in sales prices	11	32.4
4	Foreign exchange losses	11	32.4

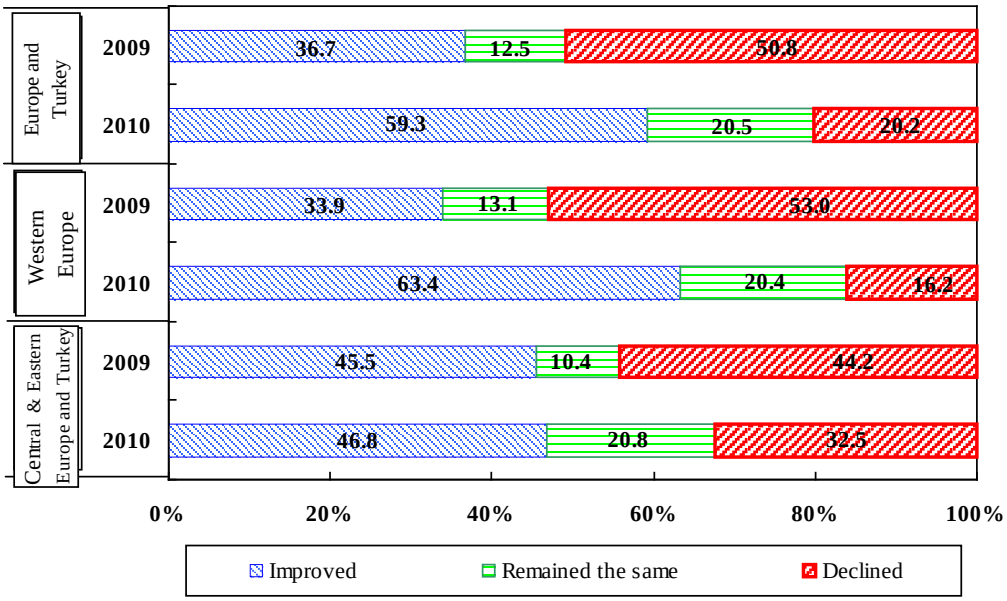
(Number of responses: [Western Europe] Improvement: 80 companies, Decline: 125 companies, [Central & Eastern Europe and Turkey] Improvement: 35 companies, Decline: 34 companies

4. “Improved” outlooks for 2010, and steady recovery forecast in 2011

To inquiries pertaining to the outlook for operating profit in 2010 as compared to 2009, 59.3% of the Japanese manufacturing affiliates in Europe and Turkey answered that it would “improve”, which represented 22.6 percent points increase from the previous year, while 20.5% answered “remain the same”, and 20.2 % (down 30.6 percent points) answered “decline”.

By region, 63.4% of the affiliates in Western Europe projected an improvement and 16.2% projected a decline, whereas in Central & Eastern Europe and Turkey, 46.8% of the affiliates projected an improvement, while 32.5% projected a decline, suggesting that the outlook was brighter in Western Europe.

Diagram 14: Operating Results for Japanese Manufacturing Affiliates in Europe and Turkey (Compared to the Previous Year)



(Number of responses: [Western Europe] 2009: 236 companies, 2010: 235 companies, [Central & Eastern Europe and Turkey] 2009, 2010: 77 companies)

As a major reason for predicting “improved”, “increased sales in overseas markets” was the number one reason in both Western Europe and Central & Eastern Europe and Turkey, with 75.2% and 69.4% of the affiliates, respectively. The second most frequently cited reason was “increased sales in domestic markets” among affiliates in Western Europe (69.1%) and “improvements in productivity” among affiliates in Central & Eastern Europe and Turkey (55.6%).

A breakdown by product revealed that, among affiliates handling final products, a 20-point

difference had opened up between the first place, “increased sales in overseas markets” (78.5%), and the second place, “increased sales in domestic markets” (58.2%), whereas among affiliates handling intermediate products there was only a five-point difference separating first and second place, which pointed toward the higher expectation for the recovery of the domestic economy in the intermediate products market.

A breakdown by region of the grounds for predicting “decline” showed that “foreign exchange losses” were the number one reason in Western Europe as well as in Central & Eastern Europe and Turkey, with 42.1% and 52.0% of the affiliates citing this reason, respectively. This was followed in Western Europe by “decreased sales in domestic market” (39.5%), “decreased sales in overseas markets” (36.8%), and “fall in sales prices” (36.8%). In Central & Eastern Europe and Turkey, “decreased sales in overseas markets” (40.0%), “fall in sales prices” (36.0%), and “the European economic downturn stemming from the Greek debt crisis” (32.0%) followed, pointing toward the deep-rooted impact of the financial crisis.

Diagram 15: Top Reasons for Improvement (Decline) in Operating Profit Forecast in 2010 <Multiple Answers Allowed>

Reasons for “Improvement” of Operating Profit (2010)

Japanese Affiliates in Western Europe

	Reason	Responses	(%)
1	Increased sales in overseas markets	112	75.2
2	Increased sales in domestic markets	103	69.1
3	Improvements in productivity	29	43.6
4	Reduction in personnel costs	41	27.5
5	Reduction in administrative and utility costs	32	21.5
5	Acquisition of new customers	32	21.5

Japanese Affiliates in Central & Eastern and Turkey

	Reason	Responses	(%)
1	Increased sales in overseas markets	25	69.4
2	Improvements in productivity	29	55.6
3	Increased sales in domestic markets	13	36.1
4	Reduction in administrative and utility costs	11	30.6
5	Reduction in personnel costs	9	25.0

Reasons for “Decline” of Operating Profit (2010)

Japanese Affiliates in Western Europe

	Reason	Responses	(%)
1	Foreign exchange losses	16	42.1
2	Decreased sales in domestic market	15	39.5
3	Decreased sales in overseas market	14	36.8
3	Fall in sales prices	14	36.8
5	Increase in overseas procurement costs	8	21.1
5	Increased competitiveness of rivals	8	21.1

Japanese Affiliates in Central & Eastern and Turkey

	Reason	Responses	(%)
1	Foreign exchange losses	13	52.0
2	Decreased sales in overseas markets	10	40.0
3	Fall in sales prices	9	36.0
4	European economic downturn stemming from Greek debt crisis	8	32.0
5	Decreased sales in domestic markets	6	24.0
5	Increase in overseas procurement costs	6	24.0

(Number of responses: [Western Europe] Improvement: 149 companies, Decline: 38 companies, [Central & Eastern Europe and Turkey] Improvement: 36 companies, Decline: 25 companies)

In terms of the forecast for operating profit for 2011 as compared to 2010, 45.5% of the Japanese manufacturing affiliates in Europe and Turkey replied “improve”, while 46.5% replied “remain the same” and 7.9% replied “decline”. By region, more affiliates in Western Europe predicted an improvement, as 48.7% of the affiliates in Western Europe and 35.6% of the affiliates in Central & Eastern Europe and Turkey replied that their operating profit would “improve”.

III. Procurement, Sales, and Production

This year's survey examined the percentage represented by each region (country) in the total procurement, sales, and production of the Japanese manufacturing affiliates.

1. Procurement source of materials and parts

- For all Japanese manufacturing affiliates in Europe and Turkey, the ratio of local procurement from Western Europe and Central & Eastern Europe combined was 52.0%, while 27.7% of the affiliates procured their materials and parts from Japan.
- Among Japanese manufacturing affiliates in Western Europe, the procurement ratio was 51.4% from Western Europe, 26.8% from Japan, and 4.7% from China. Among Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, the ratio of procurement from Japan was the highest at 30.4%, followed by that from Western Europe at 26.2% and 18.6% from Central & Eastern Europe.
- As promising sources of procurement, China was mentioned by 55 companies, the Czech Republic by 29 companies, and Poland by 24 companies, among others.

(1) Current procurement sources

[Europe and Turkey]

In response to inquiries on current major sources of procurement and average procurement ratios[1], 45.1% of the Japanese manufacturing affiliates in Europe and Turkey replied Western Europe, which was followed by Japan (27.7%), Central & Eastern Europe (7.0%), China (5.2%), ASEAN (5.1%), and the U.S.(1.9%). Other regions and countries were mentioned by less than 1.0% of the affiliates. The local procurement ratio from Western Europe and Central & Eastern Europe combined totaled 52.0%.

[1] The procurement ratios of the responding companies of each region was added up and divided by the number of responding companies.

Diagram 16: Procurement Sources and Average Procurement Ratios of Japanese Manufacturing Affiliates in Europe and Turkey

(%)

Countries/Regions	Procurement sources						
	Western Europe	Central & Eastern Europe	Turkey	Japan	China	ASEAN	U.S.A.
Europe and Turkey Total (294)	45.1	7.0	0.1	27.7	5.2	5.1	1.9
Western Europe (220)	51.4	3.0	0.6	26.8	4.7	3.9	2.0
Germany (49)	45.1	3.0	0.0	34.5	4.2	1.3	2.0
UK (48)	50.4	2.7	0.9	28.9	6.9	2.5	2.6
France (34)	52.9	5.4	0.0	22.4	6.6	7.1	0.6
Netherlands (18)	54.3	0.6	0.0	24.9	1.8	9.3	3.7
Spain (15)	60.3	3.9	0.0	16.1	5.3	3.7	1.3
Central & Eastern Europe and Turkey (74)	26.2	18.6	2.2	30.4	6.8	8.7	1.5
Poland (19)	21.3	20.3	0.0	34.4	1.7	13.4	0.5
Czech Republic (16)	35.6	27.8	0.0	22.6	8.3	2.6	0.2
Hungary (16)	19.5	18.6	0.0	31.1	10.9	11.4	3.1

By industry, the local (from Western Europe and Central & Eastern Europe combined) procurement ratios for the “plastics products” and the “food products, agricultural and fisheries product processing” industries both exceeded 80%, while the ratios of procurement from Japan were low at around 5%. On the other hand, industries that required complicated parts, such as the “electric and electronic machinery” (local procurement ratio: 19.7%), the “precision machinery” (33.0%), and the “electric and electronic parts” (38.4%) industries, were characterized by low local procurement ratios, while their ratios of procurement from Japan all exceeded 40%.

Diagram 17: Industries with High Local Procurement Ratios (Total of Western Europe, and Central & Eastern Europe) and High Procurement Ratios from Japan *Industries receiving five or more replies have been included.

Industries with high local procurement ratios			
	Industry	No. of responses	Percentage (%)
1	Plastic products	15	88.1
2	Food products, agricultural and fisheries product processing	11	81.8
3	Metal products	9	68.9

Industries with high procurement ratios from Japan		
Industry	No. of responses	Percentage (%)
Precision machinery	5	48.0
Electric and electronic machinery	21	43.0
Electric and electronic parts	25	42.8

[Western Europe]

In terms of the procurement sources and average procurement ratios of Japanese manufacturing affiliates in Western Europe, the procurement source for more than half of the affiliates was local, i.e. Western Europe at 51.4%, while Japan was the second source of procurement at 26.8%. The local (from Western Europe and Central & Eastern Europe combined) procurement ratio for affiliates in Western Europe was 54.4%, which was higher than that of the affiliates in Central & Eastern Europe and Turkey (44.8%).

Higher than average local procurement rates were seen in Sweden (75.0%), Spain (64.1%), and France (58.3%), while the local procurement rates of affiliates in Denmark, Ireland, Germany, and Italy were below 50%.

Diagram 18: Procurement Sources and Average Procurement Ratios of Japanese Manufacturing Affiliates in Western Europe (Major Countries)

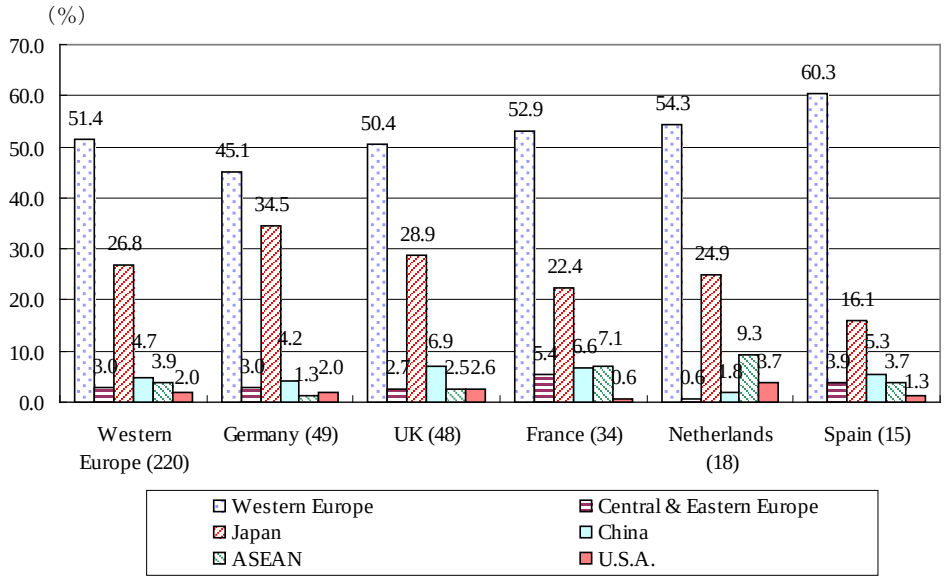


Diagram 19: Industries of Japanese Manufacturing Affiliates in Western Europe with High Local Procurement Ratios (Total of Western Europe and Central & Eastern Europe), Industries with High Procurement Ratios from Japan *Industries receiving five or more replies have been included.

Industries with high local procurement ratios			
	Industry	No. of responses	(%)
1	Plastic products	14	90.1
2	Food products and agricultural and fishery products processing	9	81.1
3	Chemical/petrochemical products	29	63.7

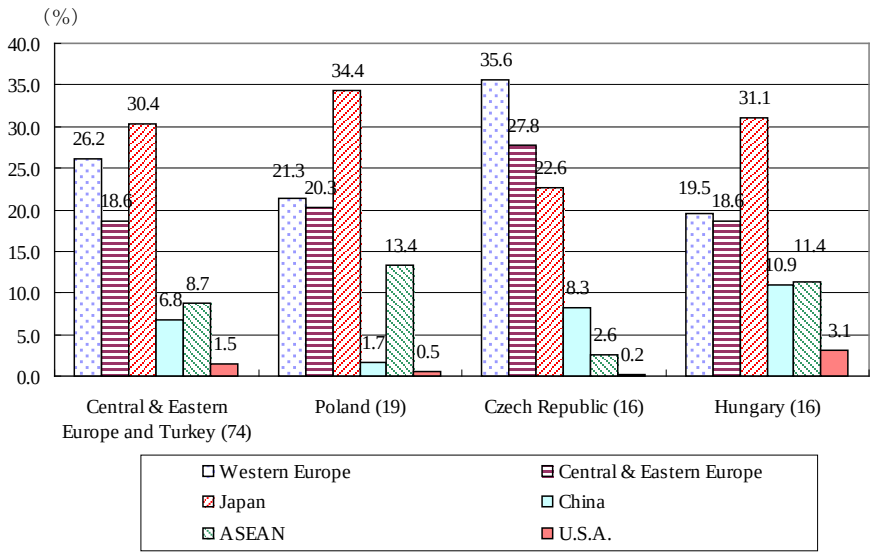
Industries with high procurement ratios from Japan		
Industry	No. of responses	(%)
Precision machinery	5	48.0
Electric and electronic machinery	16	46.7
Nonferrous metal	5	39.0

[Central & Eastern Europe and Turkey]

In terms of the procurement sources and average procurement ratios of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, the major procurement source was Japan (30.4%). This was followed by Western Europe (26.2%) and Central & Eastern Europe (18.6%). The local procurement ratio from Western Europe and Central & Eastern Europe combined was 44.8%.

Affiliates in the Czech Republic indicated a high local procurement ratio at 63.4%, while the local procurement ratios of affiliates in Poland and Hungary were limited to approximately 40% each.

Diagram 20: Procurement Sources and Average Procurement Ratios of Japanese Manufacturing Affiliates in Central & Eastern Europe (Major Countries)



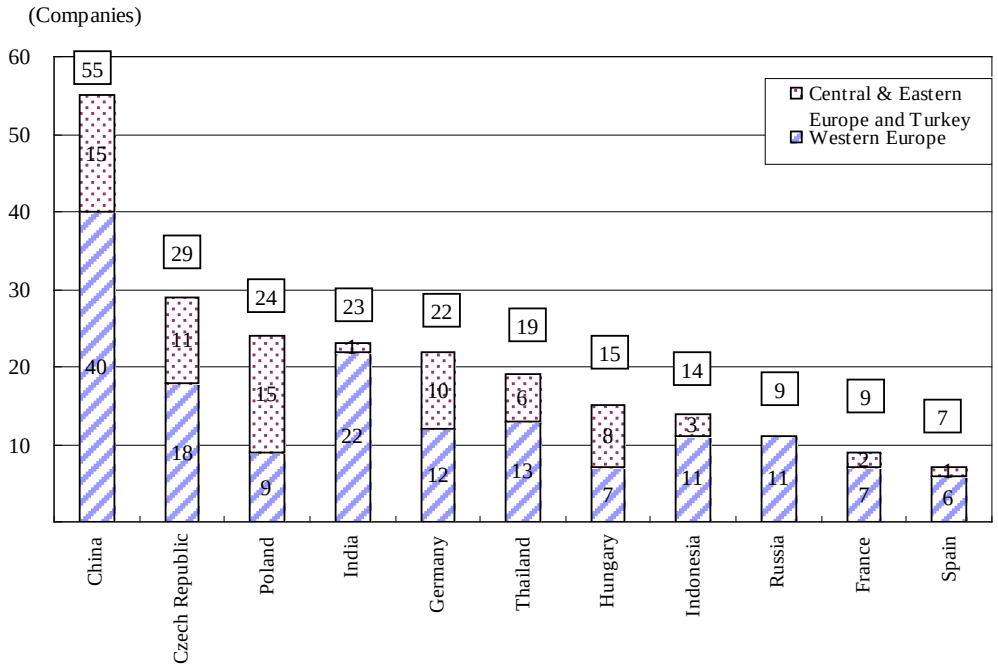
(2) Promising sources of procurement

Japanese manufacturing affiliates in Europe and Turkey gave the following replies on promising sources of procurement (multiple answers [maximum five countries] allowed).

The most common reply, as was the case in the previous survey, was China, which was mentioned by 55 companies. This was followed by the Czech Republic (29 companies), Poland (24 companies), India (23 companies), and Germany (22 companies).

A breakdown by size of company revealed that compared to the small- and medium-sized enterprises, a higher percentage of large-sized enterprises mentioned distant countries and regions, such as China, ASEAN, and North Africa, etc., as promising sources for procurement. Meanwhile the percentage of small- and medium-sized enterprises mentioning Western Europe was high at 42.9%, which was more than twice the percentage of large-sized enterprises (19.4%). It became evident that while large-sized enterprises aimed for global procurement, the small- and medium-sized enterprises had their eyes set on raising the local procurement rate, for the time being.

Diagram 21: Promising Sources of Procurement <Multiple Answers Allowed> (Max. Five Countries)



(Number of responses: [Western Europe] 139 companies, [Central & Eastern Europe and Turkey] 57 companies)

When asked why these countries and regions were considered promising sources of procurement, the majority mentioned, “Seeking to find new suppliers in the country/area” and “Our suppliers have

bases in the country/area." Some also replied, "Seeking to reduce procurement costs by utilizing FTAs, etc."

2. Sales destinations

For all Japanese manufacturing affiliates in Europe and Turkey, the average ratio of sales[2] to Western Europe was 68.0% and 12.8% to Central & Eastern Europe; and thus the combined 80.8% of sales was intended for Europe.

- Among Japanese manufacturing affiliates in Western Europe, the average ratio of sales to Europe was 73.7% and 5.9% to Central & Eastern Europe. Among Japanese manufacturing affiliates in Central & Eastern Europe, the average ratio of sales to Western Europe was 50.4% and 34.1% to Central & Eastern Europe.
- As promising sales destinations, Russia (75 companies) and China (27 companies) were popular choices because of the size of their respective markets.

(1) Current sales destinations

[Europe and Turkey]

In response to inquiries on current main sales destinations and average ratio of sales, 68.0% of the Japanese manufacturing affiliates in Europe and Turkey replied Western Europe was their main sales destination. This was followed by Central & Eastern Europe (12.8%), Japan (4.3%), Turkey (2.7%), U.S.A. (2.7%), Russia and CIS countries (1.5%), and China (1.2%). Other regions and countries were mentioned by less than 1.0% of the affiliates. The average ratio of sales to Europe, i.e., Western Europe and Central & Eastern Europe combined, totaled 80.8%.

[2] The ratio of sales to total sales of the responding companies of each region was added up and divided by the number of responding companies.

Diagram 22: Sales Destinations and the Average Ratios of Sales to Total Sales of Japanese Manufacturing Affiliates in Europe and Turkey (%)

Countries/Regions	Sales destinations				
	Western Europe	Central & Eastern Europe	Japan	Turkey	U.S.A.
Europe Total (301)	68.0	12.8	4.3	2.7	2.7
Western Europe (227)	73.7	5.9	5.1	0.7	3.3
Germany (52)	73.1	5.5	1.8	0.8	3.7
UK (48)	79.2	5.0	1.9	0.8	4.3
France (35)	82.0	4.4	4.1	0.3	2.6
Netherlands (18)	75.5	4.3	7.9	0.3	1.3
Spain (16)	78.8	5.9	1.0	1.3	1.4
Central & Eastern Europe and Turkey (74)	50.4	34.1	2.1	8.7	0.8
Poland (18)	48.1	44.4	0.6	3.1	0.7
Czech Republic (17)	48.5	45.1	1.5	0.3	0.6
Hungary (16)	49.2	42.0	7.0	0.6	0.6

By industry, the average ratios of sales on the European market of the “plastic products”, “electric and electronic machinery”, and the “transportation machinery” industries were over 90%. On the other hand, the “food products, agricultural and fisheries product processing” (57.8%) industry was characterized by a low average ratio of sales on the European market, with the sole exception being the average ratio of sales to Russia and CIS countries, which exceeded 10%.

Industries with high average ratios of sales on the European market were as follows (multiple answers [maximum five countries] allowed).

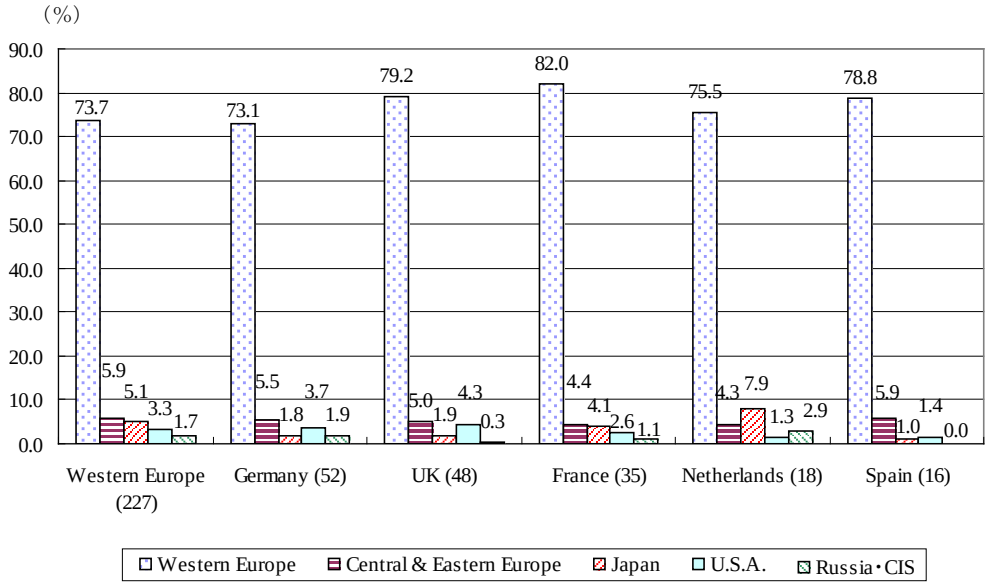
1. Plastic products 95.9% 16 companies
2. Electric and electronic machinery 92.6% 20 companies
3. Transportation machinery 91.7% 7 companies
4. Transportation machinery parts 86.0% 78 companies

[Western Europe]

In terms of major sales destinations and the average ratio of sales of Japanese manufacturing affiliates in Western Europe, most of their sales were local, i.e., in Western Europe at 73.7%, followed by sales to Central & Eastern Europe (5.9%) and Japan (5.1%). The average ratio of sales to Europe, i.e., Western Europe and Central & Eastern Europe combined was 79.6%.

By country, the average ratios of sales on the European market of affiliates in France, Spain, and the UK were relatively high at around 85%.

Diagram 23: Sales Destinations and the Average Ratio of Sales to Total Sales of Japanese Manufacturing Affiliates in Western Europe (Major Countries)



Among the Japanese manufacturing affiliates in Western Europe, industries with high average ratios of sales on the European market were as follows (multiple answers [maximum five countries] allowed).

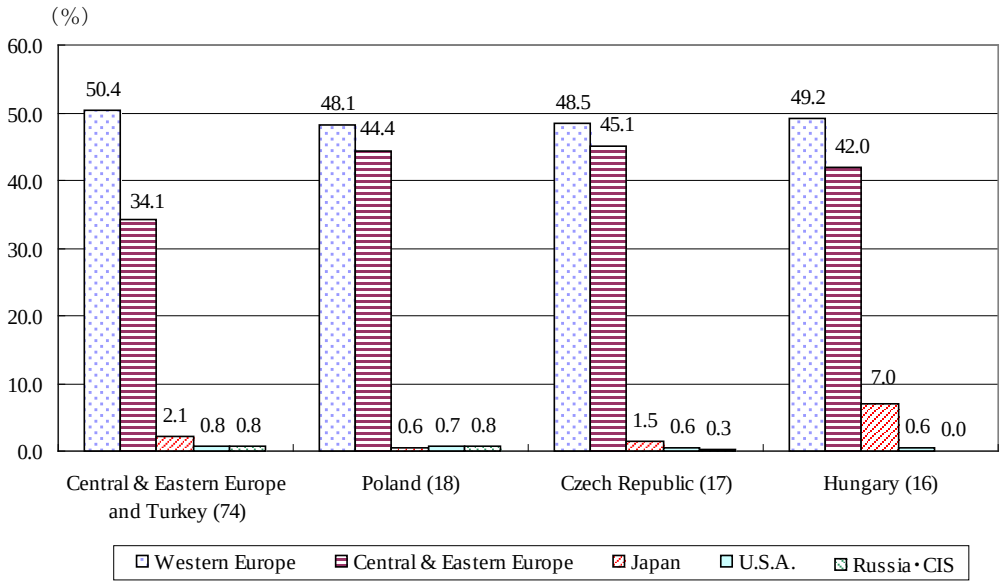
1. Plastic products	95.7%	15 companies
2. Electric and electronic machinery	93.2%	15 companies
3. Transportation machinery	89.4%	5 companies
4. Transportation machinery parts	88.1%	41 companies

[Central & Eastern Europe and Turkey]

In terms of major sales destinations and the average ratio of sales of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, most of their sales were to Western Europe (50.4%), followed by sales to Central & Eastern Europe (34.1%), for a total of 84.5% of their sales going to Europe. Sales to Turkey, which accounted for less than 1% among the affiliates in Western Europe, came in third with 8.7% among this group, as the Japanese manufacturing affiliates operating in Turkey maintained average ratios of sales to Turkey of 56.0%.

By country, the average ratios of sales on the European market of affiliates excluding those in Turkey and Romania exceeded 90%.

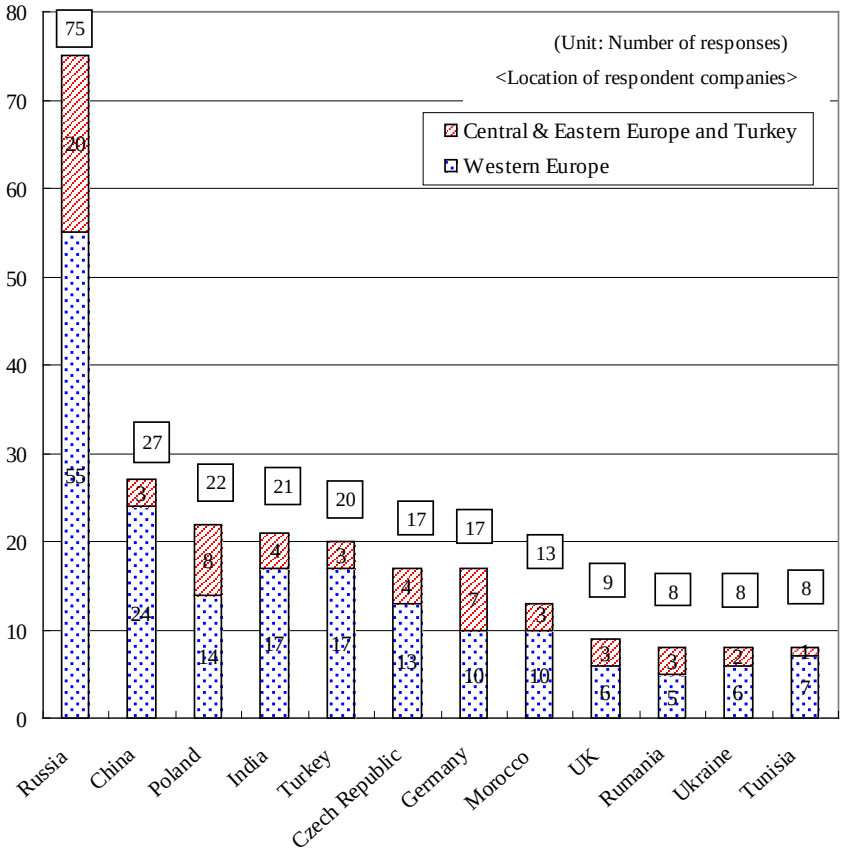
Diagram 24: Sales Destinations and the Average Ratios of Sales to Total Sales of Japanese Manufacturing Affiliates in Central & Eastern Europe and Turkey (Major Countries)



(2) Promising sales destinations

Japanese manufacturing affiliates in Europe and Turkey gave the following replies regarding promising sales destinations (multiple answers [maximum five countries] allowed). The most common reply, as was the case in the previous survey, was Russia, which was mentioned by 75 companies. This was followed by the China (27 companies), Poland (22 companies), India (21 companies), Turkey (20 companies), the Czech Republic (17 companies), Germany (17 companies), and Morocco (13 companies).

Diagram 25: Promising Sales Destination <Multiple Answers Allowed> (Max. Five Countries)



(Number of responses: [Western Europe] 144 companies, [Central & Eastern Europe and Turkey] 47 companies)

As reasons for considering Russia and China as promising sales destinations, “Big market size”, “Seeking to develop new market”, and “Existing clients have bases in the country/region” were ranked at the top.

In terms of countries that were ranked as the number one future sales destinations, Russia was mentioned by the most affiliates (51 companies), followed by China (17 companies), Poland (17 companies), and Turkey (12 companies).

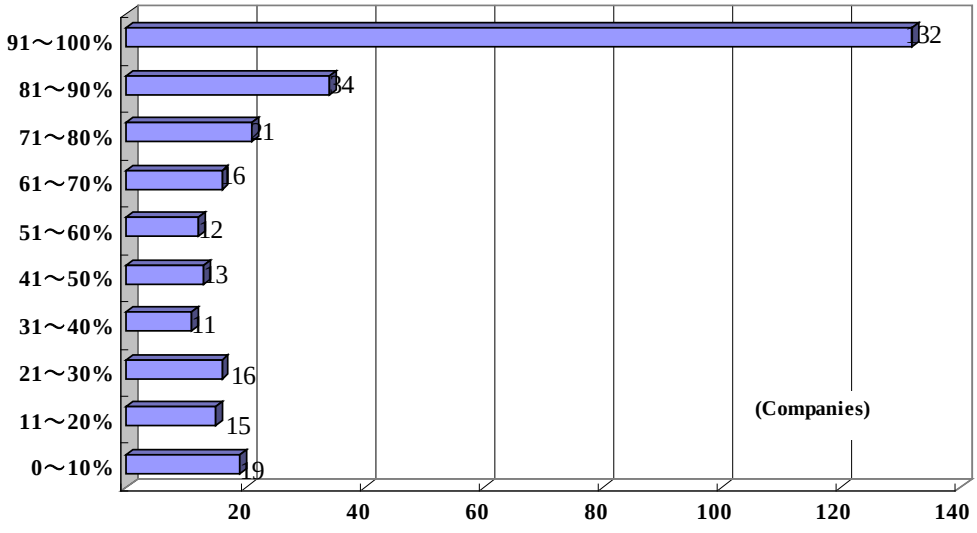
3. Production

- A total 45.7% of the Japanese manufacturing affiliates in Europe and Turkey maintained local production rates of 91–100%.
- When asked what the most favorable EUR/JPY exchange rate would be for conducting local operations, the average exchange rate was 1 EUR = 128 JPY, and more than 60% of the affiliates replied within the 1 EUR = 121–140 JPY range.
- A total of 42.9% of Japanese manufacturing affiliates planned for the “expansion” of their operations over the next 1–2 years. As to specific policies for expansion, “expansion/diversification of product lines” was mentioned most frequently.
- China, Russia, and India were mentioned as promising production bases in the mid- to long-term (5–10 years).

(1) Local production rate

When asked, in terms of the main products produced in Europe and Turkey, the local production rate in Europe and Turkey (the rate of production at the production bases in Europe and Turkey), 45.7% (132 companies) replied 91–100% and 11.8% (34 companies) replied 81–90%, indicating that 57.5% of the companies had local production rates of over 80%.

Diagram 26: Local Production Rates

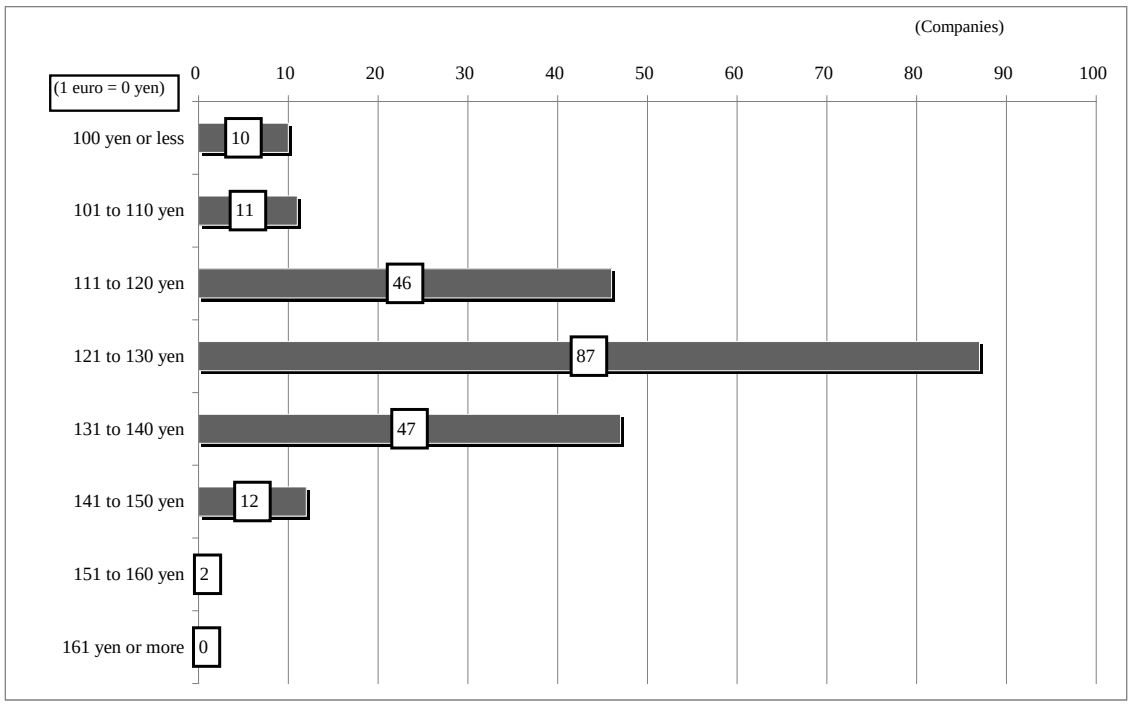


(Number of responses: 289 companies)

(2) Favorable exchange rates for local production activities

The average EUR/JPY exchange rate mentioned by Japanese manufacturing affiliates in Europe and Turkey (excluding the UK) as the most favorable for local production activities was 1 EUR = 128 JPY. The majority of the replies were in the 1 EUR = 121-130 JPY range, with 40.4% (87 companies). This was followed by the 1 EUR = 131-140 JPY range, mentioned by 47 companies (21.9%) and the 1 EUR = 111-120 JPY range, mentioned by 46 companies (21.4%). Since January 2010, the EUR/JPY exchange rate fell nearly 20% from the 1 EUR = mid-130 JPY range to the record low (for the survey period) of 1 EUR = 110 JPY, suggesting a vast gap between what the affiliates consider the ideal exchange rate and the actual exchange rate.

Diagram 27: Favorable EUR/JPY Exchange Rates



(Number of responses: 215 companies)

(3) Direction of business development (production setups) over the next 1–2 years

[Europe and Turkey]

With regard to business development (production setups) over the next 1–2 years, the percentage of Japanese manufacturing affiliates in Europe and Turkey planning the “expansion” of their operations was 42.9% (132 companies), representing an increase of 10 points from the previous survey (32.1%). A total of 49.0% (151 companies) replied “maintain present level” and 6.2% (19 companies) replied

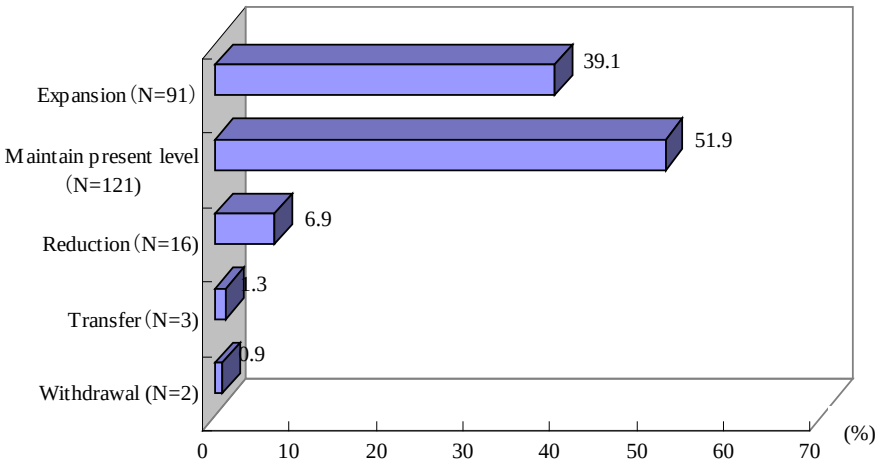
“reduction”.

[Western Europe]

In Western Europe, half or 51.9% of the companies (121 companies) replied “maintain present level”, while 39.1% (91 companies) replied “expansion”. The percentage of companies planning to expand has begun to increase from the previous survey (28.2%).

Despite the slight decline from the previous survey (59.5%), companies planning to “maintain present level” accounted for more than half of the total.

Diagram 28: Direction of Business Development (Production Setups) by Japanese Manufacturing Affiliates in Western Europe over the Next 1–2 Years



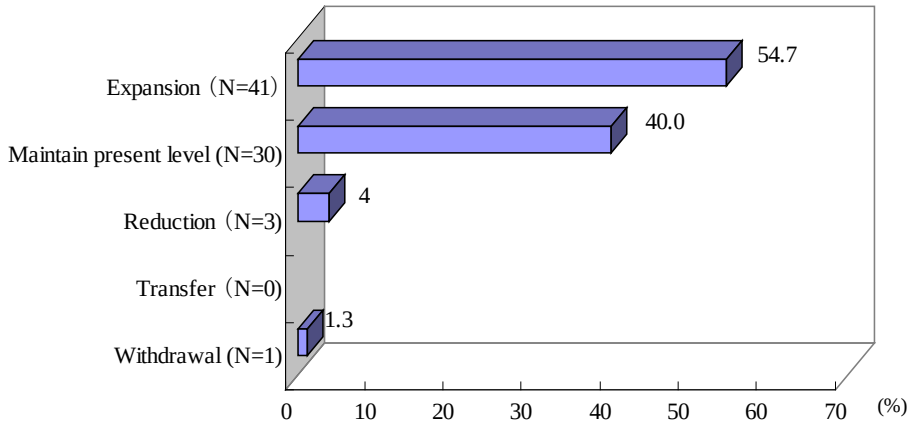
(Number of responses: 233 companies)

[Central & Eastern Europe and Turkey]

In Central & Eastern Europe and Turkey, the percentage of companies planning “expansion” accounted for more than half, with 54.7% (41 companies), and was higher than the percentage planning to “maintain present level” (40.0%, 30 companies).

Results of past surveys showed that the percentage of companies planning expansion had changed from 75.4% in 2007 → 55.7% in 2008 → 46.8% in 2009 → 54.7% in 2010; and the decreasing trend, which had continued until 2009, has turned around starting from this survey (2010).

Diagram 29: Direction of Business Development (Production Setups) by Japanese Manufacturing Affiliates in Central & Eastern Europe and Turkey over the Next 1–2 Years



(Number of responses: 75 companies)

(4) Specific policies of companies that replied “expansion”

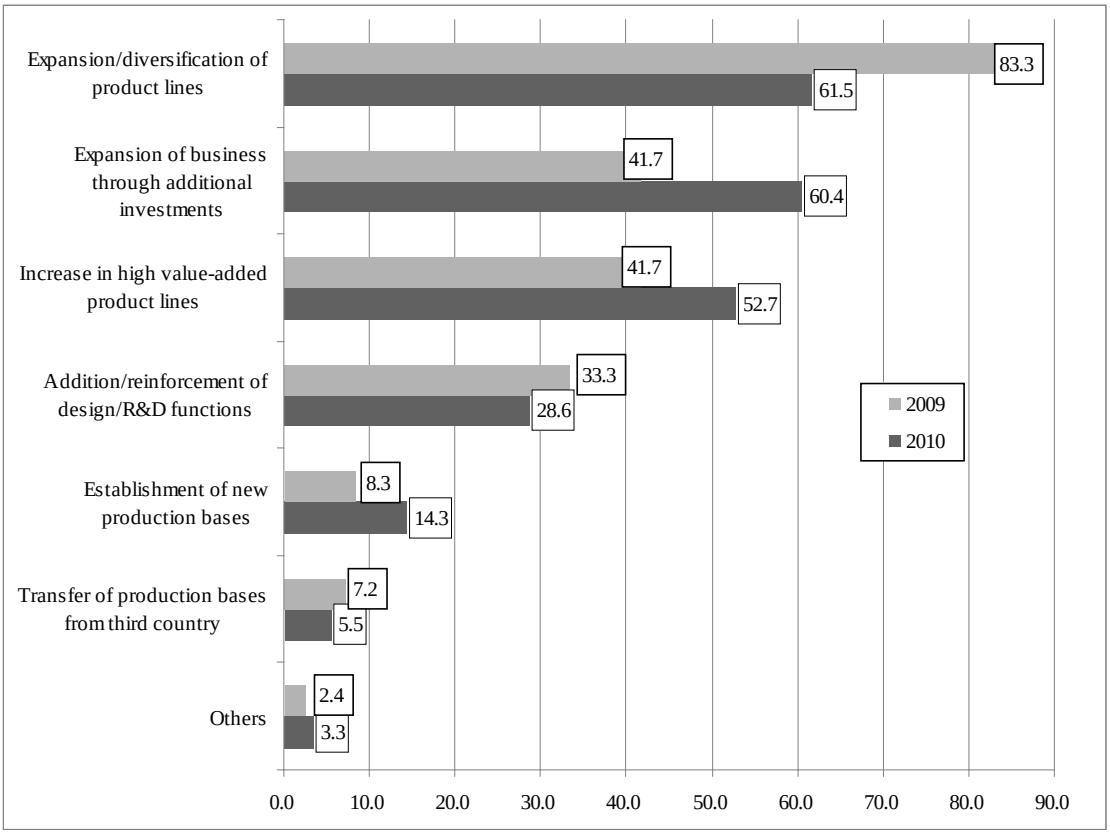
[Europe and Turkey]

When Japanese manufacturing affiliates in Europe and Turkey that replied “expansion” were asked about specific policies, “expansion/diversification of product lines” (64.9%) was the most frequently cited reply, which was also cited by a similar percentage in the previous survey (63.9%). A 19-point increase from the previous year was noted in the percentage of companies replying “expansion of business through additional investments” (58.8%), which came in second place.

[Western Europe]

In Western Europe also, the most frequently cited reply was “expansion/diversification of product lines” (61.5%), which was cited by a similar percentage in the previous survey (63.9%). “Expansion of business through additional investments” (60.4%), which came in second place, marked a significant increase from the previous survey (39.8%). The percentage citing “increase in high value-added product lines” (52.7%) remained more or less the same as the previous year (53.0%).

Diagram 30: Specific Policies of Business Expansion by Japanese Manufacturing Affiliates in Western Europe <Multiple Answers Allowed>

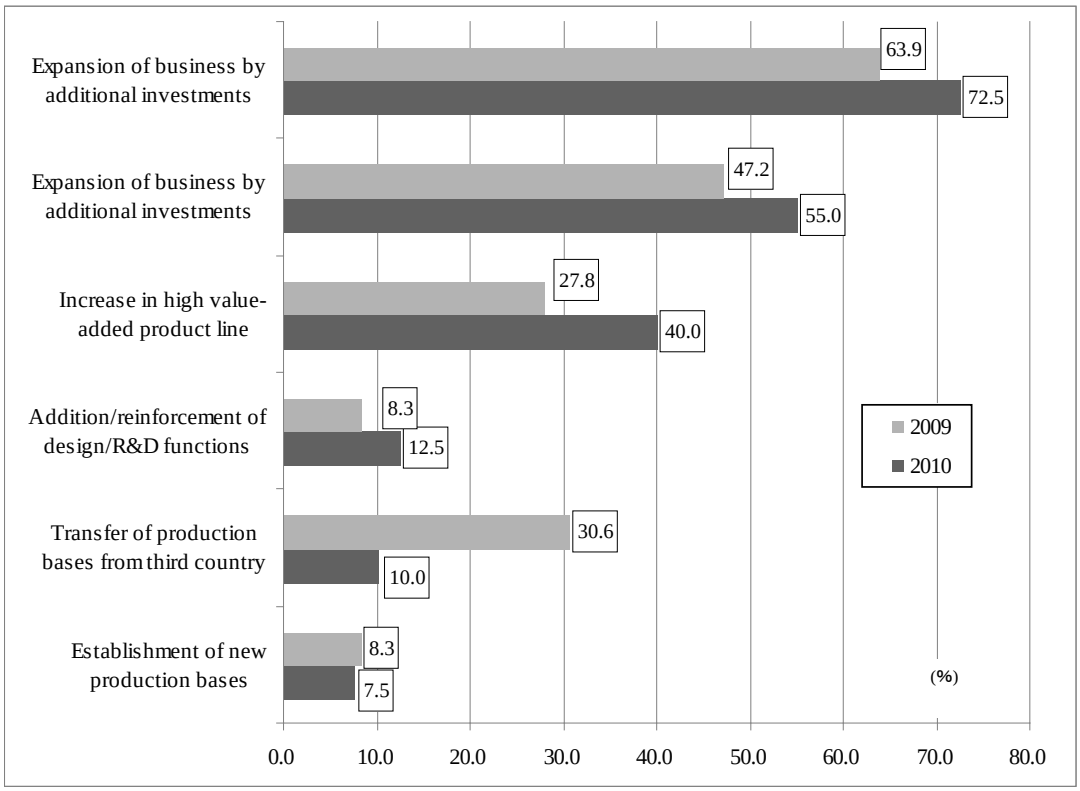


(Number of responses: 2009: 83 companies, 2010: 91 companies)

[Central & Eastern Europe and Turkey]

The top three policies mentioned by the Japanese manufacturing affiliates in Central & Eastern Europe and Turkey were the same as those mentioned in Western Europe. However, the percentage citing “expansion/diversification of product lines” was higher than that of Western Europe at 72.5%. This was followed by “expansion of business through additional investments” (55.0%). On the other hand, the percentage citing “addition/reinforcement of design/R&D functions” (12.5%) was less than half of those in Western Europe.

Diagram 31: Specific Policies of Business Expansion by Japanese Manufacturing Affiliates in Central & Eastern Europe and Turkey <Multiple Answers Allowed>



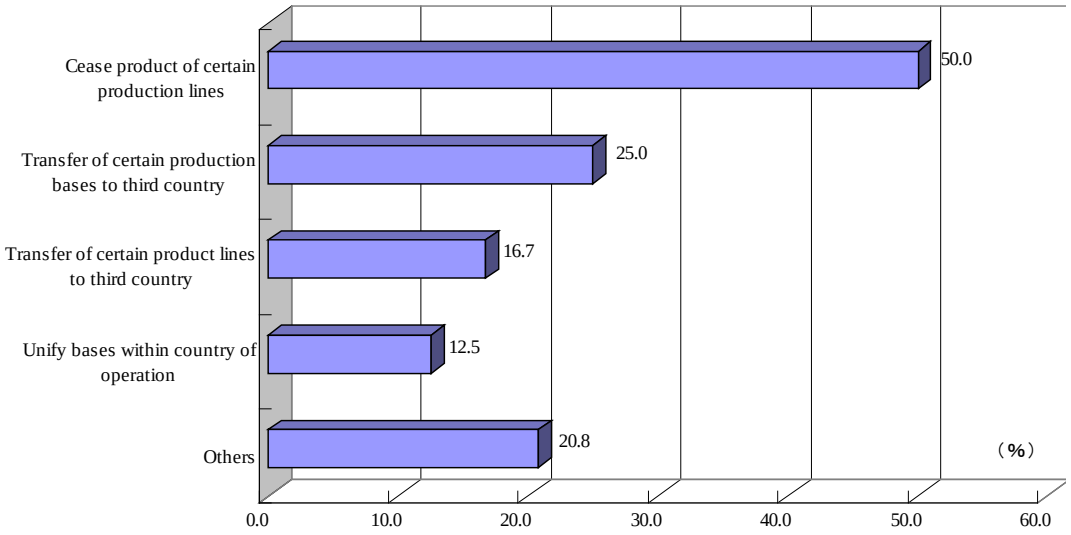
(Number of responses: 2009: 36 companies, [Central & Eastern Europe] 2010: 40 companies)

(5) Specific policies of companies that replied “reduction”, “transfer”, or “withdrawal”

The following diagram illustrates the specific policies of the companies that plan for “reduction”, “transfer”, or “withdrawal” as the direction for their business development over the next 1–2 years.

The most frequently cited policy was “cease production of certain product lines” (50.0%), followed by “transfer production base to third country” (25.0%).

Diagram 32: Specific Policies of Reduction, Transfer, or Withdrawal <Multiple Answers Allowed>

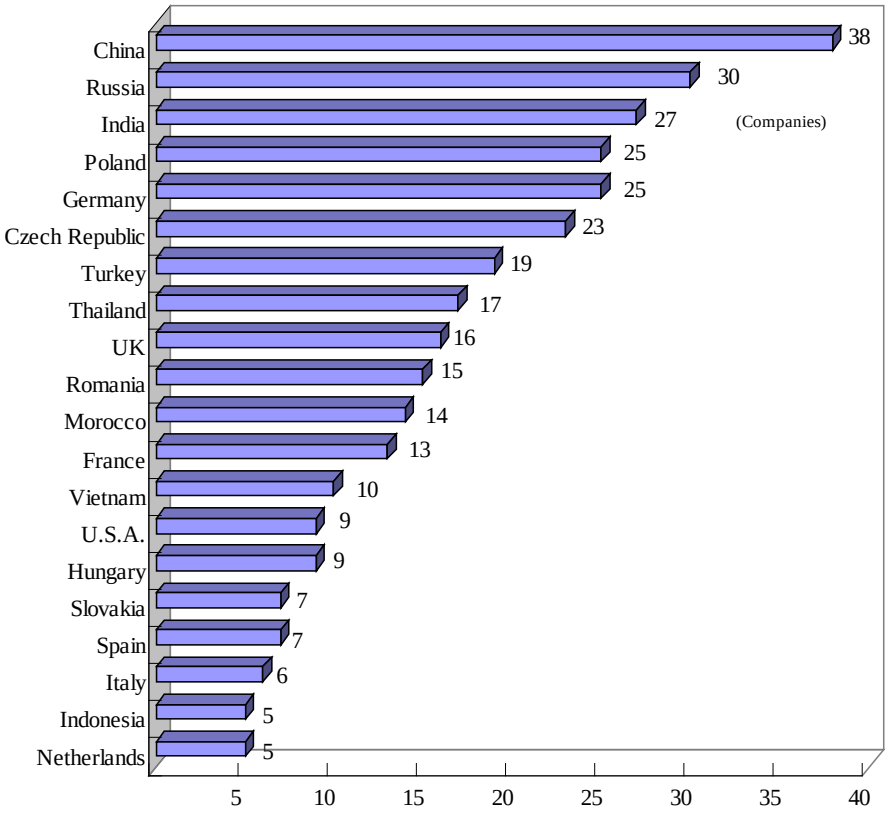


(Number of responses: 24 companies)

(6) Countries/regions being considered promising locations for production over the mid- to long-term (5–10 years)

The country considered most promising as a location for production (maximum five countries allowed) over the mid- to long-term (5–10 years) by Japanese manufacturing affiliates in Europe and Turkey was China (mentioned by 38 companies), which was followed by Russia (30 companies) and India (27 companies). Poland, which came in first place in the previous survey, fell to fourth place, and the third-place Czech Republic dropped to sixth place, illustrating the rise of Asia's emerging countries.

Diagram 33: Countries/Regions Considered Promising Production Bases over the Mid- to Long-Term <Multiple Answers Allowed> (Max. Five Countries)



(Number of responses: 213 companies)

In terms of countries that were ranked as the number one future production base, China was mentioned by the most number of affiliates (26 companies), followed by Germany (21 companies), Poland (17 companies), Russia (15 companies), and the Czech Republic (14 companies).

IV. Management Problems

[Europe and Turkey]

・”Exchange rate fluctuations” was the most frequently cited management problem of the Japanese manufacturing affiliates in Europe and Turkey. This was followed by “European economic downturn stemming from the Greek debt crisis”, “lower prices offered by competitors”, “high labor costs”, and “procurement costs”.

[Western Europe]

- “High labor costs” was the most common management problem encountered by Japanese manufacturing affiliates in Western Europe. This was followed by “exchange rate fluctuations”, “lower prices offered by competitors”, and “European economic downturn stemming from the Greek debt crisis”.
- “REACH” and “stringent dismissal laws” were also mentioned by a higher percentage of companies in this group when compared to their counterparts in Central & Eastern Europe and Turkey.

[Central & Eastern Europe and Turkey]

- “Exchange rate fluctuations” and “European economic downturn stemming from the Greek debt crisis” were the two most common management problems encountered by Japanese manufacturing affiliates in Central & Eastern Europe and Turkey.
- Compared to their counterparts in Western Europe, twice as many companies in Central & Eastern Europe and Turkey mentioned “high labor cost growth rate”. Meanwhile, “difficulty in securing managerial personnel” came in sixth place, which marks the first time this item has moved up ahead of “difficulty in securing engineers”.
- As was the case in the previous survey, problems relating to insufficient infrastructure, such as “general road conditions”, “highways”, and “power supply” also ranked high.

1. Management problems common to Japanese manufacturing affiliates in Western Europe and in Central & Eastern Europe and Turkey

Among the management problems faced by Japanese manufacturing affiliates in Europe and Turkey, “exchange rate fluctuations” was ranked at the top with 59.1%, followed by “European economic downturn stemming from the Greek debt crisis” (52.5%), “lower prices offered by competitors” (46.2%), “high labor costs” (42.5%), and “procurement costs” (39.3%).

By size of company, while “exchange rate fluctuation” (60.2%) was the number one management problem encountered by the large-size enterprises, small and medium-sized companies were mainly concerned with “procurement costs” (54.1%). By product, both companies handling final products and intermediate products found “exchange rate fluctuations” to be their number one concern, while more than half of the companies handling final products found “lower prices offered by competitors” to be their number two concern at 51.4%.

In terms of issues perceived to be the top concern of the affiliates, “exchange rate fluctuations” were mentioned by the most number of affiliates (12.8%), followed by “lower prices offered by competitors” (10.7%), “European economic downturn stemming from the Greek debt crisis” and “high labor costs” (10.3% each), and “procurement costs” (8.3%).

Diagram 34: Management Problems for Japanese Manufacturing Affiliates in Europe <Multiple Answers Allowed>

Japanese Manufacturing Affiliates Operating in Western Europe (n=228) <Multiple Answers Allowed>

	Category	Problem	Responses	(%)
1	Labor issues	High labor costs	131	57.5
2	Finance	Volatile exchange rate fluctuations	130	57.0
3	Competitors	Lower prices offered by competitors	113	49.6
4	Political, economics, and social conditions	European economic downturn stemming from Greek debt crisis	110	48.2
5	Parts and materials procurements	Procurement costs	94	41.2
6	Environmental regulations	REACH	81	35.5
7	Labor issues	Stringent dismissal laws	66	28.9
8	Tax systems/procedures	Transfer pricing taxation	62	27.2
9	Labor issues	Heavy social security burdens	60	26.3
10	Labor issues	Difficulty in securing engineers	58	25.4
11	Political, economics, and social conditions	Domestic economic conditions	53	23.2
12	Parts and materials procurements	Deliveries	47	20.6
13	Labor issues	Quality of workforce	44	19.3
13	Labor issues	Union activities/strikes	44	19.3
15	Investment legislation/procedures	Visa/work permits	43	18.9
16	Labor issues	Difficulty in securing managerial personnel	42	18.4
17	Competitors	Entry of new competitors	40	17.5
18	Parts and materials procurements	Shortage of domestic procurement sources	39	17.1
19	Labor issues	High labor cost growth rate	36	15.8
19	Parts and materials procurements	Quality	36	15.8
21	Competitors	Better quality of products offered by competitors	30	13.2
22	Investment legislation/procedures	Frequent legislation revisions	29	12.7
23	Environmental regulations	RoHS	28	12.3
24	Trade legislation/procedures	Customs clearance issues	26	11.4
25	Others	High costs of acquiring CE mark	25	11.0
26	Finance	Collection of receivables	24	10.5
27	Others	Extent of English language use	21	9.2
28	Labor issues	Difficulty in securing factory workers	20	8.8
28	Insufficient infrastructures	Communications	20	8.8
30	Finance	Availability of credit	19	8.3
31	Political, economics, and social conditions	Political conditions	17	7.5
32	Insufficient infrastructures	Power supply	16	7.0
33	Tax systems/procedures	Complicated administrative procedures and/or lack of transparency	13	5.7
33	Political, economics, and social conditions	Impact of volcanic eruption in Iceland	13	5.7
33	Others	Living environment for foreigners	13	5.7
36	Environmental regulations	WEEE	12	5.3
37	Labor issues	Difficulty in securing clerical workers	11	4.8
37	Environmental regulations	European regulation on new car CO2 emissions	11	4.8
39	Trade legislation/procedures	Complicated administrative procedures and/or lack of transparency	10	4.4
39	Environmental regulations	Others	10	4.4
41	Investment legislation/procedures	Lack of transparency in investment incentive schemes	8	3.5
41	Investment legislation/procedures	Complicated administrative procedures and/or lack of transparency	8	3.5
43	Trade legislation/procedures	Others	7	3.1
43	Parts and materials procurements	Others	7	3.1
43	Environmental regulations	Euro5	7	3.1
46	Insufficient infrastructures	Others	6	2.6
46	Others	Others	6	2.6
48	Investment legislation/procedures	Others	5	2.2
48	Labor issues	Others	5	2.2
50	Insufficient infrastructures	General road conditions	4	1.8
51	Environmental regulations	ELV	3	1.3
52	Insufficient infrastructures	Highways	2	0.9
52	Insufficient infrastructures	Railways	2	0.9
52	Environmental regulations	EuP	2	0.9
55	Tax systems/procedures	Others	1	0.4
55	Finance	Others	1	0.4

Japanese Manufacturing Affiliates Operating in Central & Eastern Europe and Turkey (n=75)

<Multiple Answers Allowed>

	Category	Problem	Responses	(%)
1	Finance	Volatile exchange rate fluctuations	49	65.3
1	Political, economics, and social conditions	European economic downturn stemming from Greek debt crisis	49	65.3
3	Labor issues	High labor cost growth rate	33	44.0
4	Parts and materials procurements	Shortage of domestic procurement sources	29	38.7
5	Competitors	Lower prices offered by competitors	27	36.0
6	Labor issues	Difficulty in securing managerial personnel	25	33.3
6	Parts and materials procurements	Procurement costs	25	33.3
6	Insufficient infrastructures	General road conditions	25	33.3
9	Labor issues	Heavy social security burdens	23	30.7
10	Insufficient infrastructures	Highways	21	28.0
11	Labor issues	Difficulty in securing engineers	20	26.7
11	Parts and materials procurements	Deliveries	20	26.7
13	Tax systems/procedures	Transfer pricing taxation	19	25.3
13	Labor issues	Quality of workforce	19	25.3
13	Others	High costs of acquiring CE mark	19	25.3
16	Insufficient infrastructures	Power supply	18	24.0
17	Tax systems/procedures	Complicated administrative procedures and/or lack of transparency	17	22.7
17	Parts and materials procurements	Quality	17	22.7
17	Environmental regulations	REACH	17	22.7
17	Political, economics, and social conditions	Domestic economic conditions	17	22.7
17	Others	Extent of English language use	17	22.7
22	Investment legislation/procedures	Visa/work permits	16	21.3
23	Trade legislation/procedures	Customs clearance issues	15	20.0
23	Investment legislation/procedures	Frequent legislation revisions	15	20.0
25	Political, economics, and social conditions	Political conditions	14	18.7
25	Others	Living environment for foreigners	14	18.7
27	Trade legislation/procedures	Complicated administrative procedures and/or lack of transparency	12	16.0
28	Competitors	Entry of new competitors	11	14.7
29	Investment legislation/procedures	Complicated administrative procedures and/or lack of transparency	10	13.3
29	Competitors	Better quality of products offered by competitors	10	13.3
31	Insufficient infrastructures	Railways	9	12.0
32	Insufficient infrastructures	Communications	8	10.7
33	Investment legislation/procedures	Lack of transparency in investment incentive schemes	7	9.3
33	Labor issues	Difficulty in securing factory workers	7	9.3
33	Labor issues	Stringent dismissal laws	7	9.3
36	Tax systems/procedures	Others	6	8.0
36	Labor issues	High labor costs	6	8.0
36	Labor issues	Difficulty in securing clerical workers	6	8.0
36	Labor issues	Union activities/strikes	6	8.0
36	Labor issues	Others	6	8.0
36	Environmental regulations	ELV	6	8.0
42	Environmental regulations	RoHS	5	6.7
42	Environmental regulations	Euro5	5	6.7
42	Political, economics, and social conditions	Impact of volcanic eruption in Iceland	5	6.7
45	Finance	Collection of receivables	4	5.3
45	Environmental regulations	European regulation on new car CO2 emissions	4	5.3
47	Finance	Availability of credit	3	4.0
47	Insufficient infrastructures	Others	3	4.0
49	Trade legislation/procedures	Others	2	2.7
49	Environmental regulations	Others	2	2.7
49	Others	Others	2	2.7
52	Investment legislation/procedures	Others	1	1.3
52	Parts and materials procurements	Others	1	1.3
52	Environmental regulations	WEEE	1	1.3
52	Environmental regulations	EuP	1	1.3

2. Management problems encountered by Japanese manufacturing affiliates in Western Europe

The management problem most frequently mentioned by Japanese manufacturing affiliates in Western Europe was “high labor costs”. Among the affiliates in the major European countries, this problem was mentioned by the highest percentage of affiliates in Germany (64.2%), followed by the UK (43.8%) and Spain (50.0%). This item has consistently been a major concern for the affiliates as indicated by its past ranking: first place in 2008 (54.7%) → second place in 2009 (59.0%, first place was “global economic downturn stemming from the financial crisis”) → first place in 2010 (57.5%).

Meanwhile, “exchange rate fluctuations”, mentioned by 57.0% of the affiliates, came in second, which represented an increase of 15.0 points from the previous year (42.0%). As was the case in the previous year, this remained the number one management problem, particularly in the UK, where it was mentioned by 72.9% of the affiliates, suggesting that both the GBP/JPY and GBP/EUR exchange rates were deeply impacting the procurement of the affiliates operating in the UK.

The new item in this year’s survey, “lower prices offered by competitors”, was cited by 49.6% of the affiliates and came in third. In Germany, France, and Spain, this problem was mentioned by over 50% of the affiliates. When asked, “Which issue was the top concern of your company?”, this item came in first alongside “high labor costs”, which indicated the urgency felt by the affiliates to enhance their price competitiveness in order to compete with companies such as those from South Korea, whose major strengths were their low prices.

Among the Japanese manufacturing affiliates in Western Europe, “European economic downturn stemming from the Greek debt crisis” was mentioned by 48.2% of the affiliates and came in fourth place, while it was the top concern of their counterparts in Central & Eastern Europe and Turkey, where it was mentioned by 65.3% of the affiliates. Although the impact of the European economic downturn seems to have been somewhat lighter on Western Europe, a breakdown by country revealed that affiliates in Spain mentioned this item as their top management problem (62.5%).

Diagram 35: Management Problems for Japanese Manufacturing Affiliates in Western Europe (UK, Germany, France, Spain) <Multiple Answers Allowed>

	Germany		UK		France		Spain	
	(Respondent companies: 53)	(%)	(Respondent companies: 48)	(%)	(Respondent companies: 36)	(%)	(Respondent companies: 16)	(%)
1	High labor costs	64.2	Volatile exchange rate fluctuations	72.9	Union activities/strikes	55.6	Procurement costs	62.5
2	Lower prices offered by competitors	54.7	Procurement costs	52.1	Stringent dismissal laws	52.8	European economic downturn stemming from Greek debt crisis	62.5
3	Volatile exchange rate fluctuations	45.3	European economic downturn stemming from Greek debt crisis	47.9	Volatile exchange rate fluctuations	52.8	Lower prices offered by competitors	56.3
4	European economic downturn stemming from Greek debt crisis	43.4	High labor costs	43.8	Lower prices offered by competitors	50.0	High labor costs	50.0
5	REACH	39.6	Lower prices offered by competitors	39.6	Heavy social security burdens	47.2	Volatile exchange rate fluctuations	50.0
6	Difficulty in securing engineers	34.0	REACH	37.5	High labor costs	38.9	Domestic economic conditions	50.0
7	Transfer pricing taxation	32.1	Domestic economic conditions	33.3	REACH	38.9	Union activities/strikes	43.8
8	Stringent dismissal laws	30.2	Visa/work permits	29.2	European economic downturn stemming from Greek debt crisis	38.9	Stringent dismissal laws	43.8
9	Procurement costs	30.2	Difficulty in securing engineers	29.2	Transfer pricing taxation	36.1	Visa/work permits	37.5
10	Difficulty in securing managerial personnel	20.8	Quality of workforce	29.2	Procurement costs	36.1	Quality of workforce	31.3
11	Deliveries of parts and materials	20.8	Shortage of domestic procurement sources	27.1	Difficulty in securing managerial personnel	22.2	Communications	31.3
12	Domestic economic conditions	18.9	Quality of parts and materials	22.9	Frequent legislation revisions investment legislation/procedures	19.4	REACH	31.3
13	Better quality of products offered by competitors	17.0	Deliveries of parts and materials	22.9	Entry of new competitors	19.4	Transfer pricing taxation	25.0
14	Customs clearance issues	15.1	Transfer pricing taxation	20.8	Visa/work permits	16.7	Heavy social security burdens	25.0
15	Heavy social security burdens	13.2	Entry of new competitors	20.8	Difficulty in securing engineers	16.7	Difficulty in securing managerial personnel	25.0
16	Collection of receivables	13.2	Heavy social security burdens	18.8	Deliveries of parts and materials	16.7	Shortage of domestic procurement sources	25.0
17	Entry of new competitors	13.2	Frequent legislation revisions in investment legislation/procedures	16.7	Domestic economic conditions	16.7	Entry of new competitors	25.0
18	RoHS	13.2	RoHS	16.7	Quality of workforce	13.9	Extent of English language use	25.0
19	High labor cost growth rate	11.3	Difficulty in securing managerial personnel	14.6	Better quality of products offered by competitors	13.9	High labor cost growth rate	18.8
20	Quality of workforce	11.3	Availability of credit	14.6	Extent of English language use	13.9	Quality of parts and materials	18.8
21	Extent of English language use	11.3	High costs of acquiring CE mark	14.6	Customs clearance issues	11.1	Political conditions	18.8
22	Union activities/strikes	9.4	Customs clearance issues	10.4	High labor cost growth rate	11.1	Customs clearance issues	12.5
23	Shortage of domestic procurement sources	9.4	Communications	10.4	Quality of parts and material	11.1	Frequent legislation revisions in investment legislation/procedures	12.5
24	WEEE	5.7	Complicated administrative procedures and/or lack of transparency in trade	8.3	Shortage of domestic procurement sources	11.1	Difficulty in securing engineers	12.5
25	High costs of acquiring CE mark	5.7	Difficulty in securing factory workers	8.3	Communications	11.1	Availability of credit	12.5
26	Frequent legislation revisions in investment legislation/procedures	3.8	Difficulty in securing clerical workers	8.3	WEEE	11.1	Deliveries of parts and materials	12.5
27	Complicated administrative procedures and/or lack of transparency in Tax systems/procedures	3.8	Power supply	8.3	RoHS	11.1	Better quality of products offered by competitors	12.5
28	Difficulty in securing factory workers	3.8	WEEE	8.3	High costs of acquiring CE mark	8.3	Power supply	12.5
29	Difficulty in securing clerical workers	3.8	Political conditions	8.3	"Others" in environmental regulations	5.6	RoHS	12.5
30	Availability of credit	3.8	Living environment for foreigners	8.3	Complicated administrative procedures and/or lack of transparency in investment legislation/procedures	5.6	European regulation on new car CO2 emissions	12.5

3. Management problems encountered by Japanese manufacturing affiliates in Central & Eastern Europe and Turkey

A look at the management problems mentioned by the Japanese manufacturing affiliates in Central & Eastern Europe and Turkey revealed that out of the 70 choices presented in the survey, 22 of the items had response rates of over 20%. In Western Europe, only 12 of the items had response rates of over 20%, suggesting that affiliates in this region faced a harsh management environment, plagued by a wide range of problems.

The management problems most frequently mentioned by Japanese manufacturing affiliates in Central & Eastern Europe and Turkey were “exchange rate fluctuations” and “European economic downturn stemming from the Greek debt crisis”, mentioned by 65.3% of the affiliates each. “Exchange rate fluctuations” came in first place once again this year, and among the issues, which were perceived as particularly serious management problems or risks, this item was also mentioned by the highest percentage of affiliates at 20.3%.

Meanwhile, “high labor cost growth rate”, which ranked third (45.5%) in the previous survey, once again took third place (44.0%). The percentages of affiliates that mentioned this item were high in Poland (50.0%) and Hungary (43.8%), but low in the Czech Republic (13.3%).

Furthermore, “shortage of domestic procurement sources”, which was mentioned by twice as many affiliates in this group (38.7%) as their counterparts in Western Europe, came in fourth place. “Procurement costs” rose significantly from 13th place in the previous survey to seventh place in the current survey. Through these results it is evident that, in addition to the shortage of domestic procurement sources, the yen’s sharp climb against the euro and the ensuing rise in procurement costs from Japan were bearing down on corporate performance.

In addition, “difficulty in securing managerial personnel”, mentioned by 33.3% of the affiliates, came in sixth place, which marked the first time this item moved up ahead of “difficulty in securing engineers”. When asked, “Which issue was the top concern of your company?”, this item was ranked fifth (7.2%), which suggests that the task of locally securing personnel with superior managerial skills is likely to become even more of a problem in the future.

The abundance of infrastructure-related problems is also unique to Central & Eastern Europe and Turkey, as evidenced by the high percentage of affiliates citing “general road conditions” (33.3%), “highways” (28.0%), and “power supply” (24.0%). Insufficient infrastructure seemed to be a major management problem, especially in Poland, with 65.0% citing “general road conditions” and 60.0%

citing “highways”.

Diagram 36: Management Problems for Japanese Manufacturing Affiliates in Central & Eastern Europe and Turkey (Poland, Czech Republic, Hungary) <Multiple Answers Allowed>

	Poland		Czech Republic		Hungary	
	(Respondent companies: 20)	(%)	(Respondent companies: 15)	(%)	(Respondent companies: 16)	(%)
1	Volatile exchange rate fluctuations	70.0	European economic downturn stemming from Greek debt crisis	73.3	Volatile exchange rate fluctuations	75.0
2	General road conditions	65.0	Volatile exchange rate fluctuations	66.7	European economic downturn stemming from Greek debt crisis	68.8
3	Highways	60.0	Heavy social security burdens	53.3	Heavy social security burdens	62.5
4	European economic downturn stemming from Greek debt crisis	55.0	Procurement costs	53.3	Difficulty in securing managerial personnel	50.0
5	High labor cost growth rate	50.0	Difficulty in securing engineers	46.7	High labor cost growth rate	43.8
6	Difficulty in securing managerial personnel	40.0	Lower prices offered by competitors	40.0	Procurement costs	43.8
7	Shortage of domestic procurement sources	40.0	Transfer pricing taxation	33.3	Transfer pricing taxation	37.5
8	Extent of English language use	40.0	Difficulty in securing managerial personnel	33.3	Shortage of domestic procurement sources	37.5
9	Procurement costs	35.0	Quality of parts and materials	33.3	Domestic economic conditions	37.5
10	Transfer pricing taxation	30.0	Quality of workforce	26.7	Political conditions	37.5
11	Lower prices offered by competitors	30.0	Deliveries of parts and materials	26.7	Complicated administrative procedures and/or lack of transparency in investment legislation/procedures	31.3
12	Customs clearance issues	25.0	Complicated administrative procedures and/or lack of transparency of Tax systems/procedures	20.0	Quality of workforce	31.3
13	Visa/work permits	25.0	Shortage of domestic procurement sources	20.0	Entry of new competitors	31.3
14	Lack of transparency in investment incentive schemes	25.0	REACH	20.0	Lower prices offered by competitors	31.3
15	Quality of workforce	25.0	Domestic economic conditions	20.0	Living environment for foreigners	31.3
16	Quality of parts and materials	25.0	Frequent legislation revisions of investment legislation/procedures	13.3	Difficulty in securing engineers	25.0
17	Deliveries of parts and materials	25.0	Visa/work permits	13.3	Power supply	25.0
18	Better quality of products offered by competitors	25.0	High labor costs	13.3	High costs of acquiring CE mark	25.0
19	Power supply	25.0	High labor cost growth rate	13.3	Extent of English language use	25.0
20	REACH	25.0	Difficulty in securing factory workers	13.3	Quality of parts and materials	18.8
21	High costs of acquiring CE mark	25.0	Difficulty in securing clerical workers	13.3	Deliveries of parts and materials	18.8
22	Frequent legislation revisions in investment legislation/procedures	20.0	Entry of new competitors	13.3	Customs clearance issues	12.5
23	Complicated administrative procedures and/or lack of investment legislation/procedures	20.0	Highways	13.3	Complicated administrative procedures and/or lack of transparency in trade systems/procedures	12.5
24	Difficulty in securing engineers	20.0	RoHS	13.3	Complicated administrative procedures and/or lack of transparency in Tax systems/procedures	12.5
25	Railways	20.0	High costs of acquiring CE mark	13.3	High labor costs	12.5
26	Complicated administrative procedures and/or lack of transparency in trade legislation/procedures	15.0	Extent of English language use	13.3	Difficulty in securing clerical workers	12.5
27	Difficulty in securing factory workers	15.0	Customs clearance issues	6.7	General road conditions	12.5
28	Domestic economic conditions	15.0	Stringent dismissal laws	6.7	REACH	12.5
29	Living environment for foreigners	15.0	General road conditions	6.7	ELV	12.5
30	Complicated administrative procedures and/or lack of transparency in Tax systems/procedures	10.0	Power supply	6.7	Impact of volcanic eruption in Iceland	12.5

V. Environmental Regulations

As part of their economic stimulus policies, European governments are granting “environmental incentives”, including subsidies and tax credits to encourage the replacement of older cars and electrical appliances with more energy-efficient products and enhancing the energy efficiency of housing. When asked about the impact of these measures on Japanese companies, the following replies were received (Diagram 37).

A total of 16.2% of the Japanese manufacturing affiliates throughout Europe and Turkey replied “substantial advantage” and 32.8% replied “modest advantage”, resulting in nearly half of the affiliates viewing the measures as having a positive impact.

The breakdown by size of company revealed that large-size enterprises were enjoying the benefits of the economic stimulus measures to a greater degree than the small- and medium-sized enterprises, as 50.2% of large-size enterprises replied “substantial advantage” or “modest advantage”, while similar replies were given by only 40.5% of the small- and medium-sized enterprises. By product, while only 36.5% of the companies handling final products admitted to any positive impact from the economic stimulus measures, a substantial 60.1% of the companies handling intermediate products recognized their positive effects.

By region, in Western Europe, 41.3% of the affiliates (“substantial advantage” [13.2%], “modest advantage” [28.1%] combined) recognized positive impact from the economic stimulus measures, while in Central & Eastern Europe and Turkey, 73.9% of the affiliates (“substantial advantage” [26.0%], “modest advantage” [47.9%] combined) recognized positive impact, illustrating the higher percentage of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey recognizing positive impact from the economic stimulus packages, when compared to those in Western Europe.

Diagram 37: Impact of Economic Stimulus Measures, including Environmental Incentives