

# **Survey of Japanese-Affiliated Companies in Asia and Oceania (FY 2012 Survey)**

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December, 2012

Asia and Oceania Division  
China and North Asia Division  
Overseas Research Department

Japan External Trade Organization (JETRO)

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# Survey Summary (1)

(Firms, %)

## Purpose of Survey

To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate those findings widely.

## Survey Methods

Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater) operating in a total of 20 countries/regions in northeast Asia (5), ASEAN countries (9), southwest Asia (4), and Oceania (2).

## Survey Period

October 9 to November 15, 2012

## Response Rate

Of a total of 8,106 surveys sent out, we received valid responses from 3,819 firms (47.1%). The breakdown of respondents by country and region is provided in the table to the right.

## Notes

- The survey has been conducted since 1987, making this year the 26<sup>th</sup> year that the survey has been conducted.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

	Firms surveyed	Firms responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
<b>Total</b>	8,106	3,819	100.0	2,004	1,815	47.1
<b>Northeast Asia</b>	2,049	1,340	35.1	711	629	65.4
China	1,268	854	22.4	532	322	67.4
Hong Kong/Macau	291	195	5.1	40	155	67.0
Korea	328	165	4.3	77	88	50.3
Taiwan	162	126	3.3	62	64	77.8
<b>ASEAN</b>	4,682	1,789	46.8	1,019	770	38.2
Thailand	1,836	720	18.9	441	279	39.2
Vietnam	402	249	6.5	167	82	61.9
Malaysia	908	244	6.4	160	84	26.9
Singapore	715	214	5.6	31	183	29.9
Indonesia	486	184	4.8	120	64	37.9
Philippines	213	115	3.0	71	44	54.0
Cambodia	76	26	0.7	11	15	34.2
Myanmar	24	20	0.5	5	15	83.3
Laos	22	17	0.4	13	4	77.3
<b>Southwest Asia</b>	920	400	10.5	191	209	43.5
India	728	305	8.0	142	163	41.9
Bangladesh	83	34	0.9	18	16	41.0
Sri Lanka	74	33	0.9	17	16	44.6
Pakistan	35	28	0.7	14	14	80.0
<b>Oceania</b>	454	290	7.6	83	207	63.9
Australia	322	200	5.2	51	149	62.1
New Zealand	132	90	2.4	32	58	68.2



# Survey Summary (2)

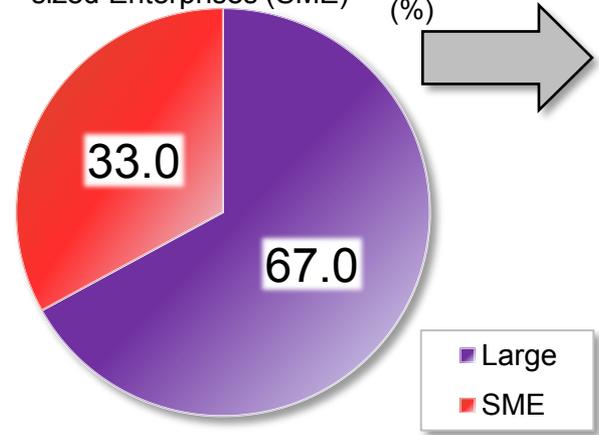
## By industry category (Firms, %)

	Valid	(%)
<b>Manufacturing</b>	<b>2,004</b>	<b>52.5</b>
Motor vehicles/Motorcycles	361	9.5
Electric machinery	357	9.3
Chemical/Pharmaceutical	285	7.5
Iron/Nonferrous metals/Metals	240	6.3
General machinery	136	3.6
Food	130	3.4
Textiles	99	2.6
Precision machinery	49	1.3
Wood/Pulp	42	1.1
Rubber/Leather	38	1.0
Other manufacturing	267	7.0

<b>Non-manufacturing</b>	<b>1,815</b>	<b>47.5</b>
Wholesale/Retail	809	21.2
Transport	195	5.1
Construction	133	3.5
Finance/Insurance	107	2.8
Communications/Software	102	2.7
Other non-manufacturing	469	12.3

Note: Includes wholesale and retail subsidiaries of manufacturing firms.

## Large vs. Small and Medium-sized Enterprises (SME) (%)



Note: The definition of "small and medium-sized enterprises" here is based on the definition provided in Japan's Small and Medium-sized Enterprise Basic Law.

Note: Industry category details are as follows:

- Food:** Food and processed agricultural and fishery products
- Textiles:** Fibers (yarn, fabrics, chemical fibers), clothing and other textile products
- Wood/pulp:** Lumber, wood products, paper, pulp
- Chemical/Pharmaceutical:** Chemical, petrochemical, pharmaceutical and plastics products
- Iron/Non-ferrous metals/Metals:** Ferrous metals (including castings), non-ferrous metals, metal products (including plated products)
- General machinery:** General machinery (including machine tools and molds)
- Electric machinery:** Electrical machinery, electronic devices, electrical and electronic components
- Motor vehicles/Motorcycles:** Transport equipment (cars, trucks, motorcycles) and parts
- Precision machinery:** Precision machinery and medical devices
- Wholesale/Retail:** Trading companies, logistics, sales companies
- Finance/Insurance:** Banks, insurance companies, securities brokers

## Firms by Country/Region (Firms)

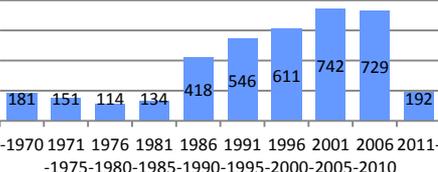
	Large	SME
<b>Total</b>	<b>2,558</b>	<b>1,260</b>
<b>Northeast Asia</b>	<b>936</b>	<b>404</b>
China	543	311
Hong Kong/Macau	156	39
Korea	140	25
Taiwan	97	29
<b>ASEAN</b>	<b>1,080</b>	<b>709</b>
Thailand	383	337
Vietnam	120	129
Malaysia	164	80
Singapore	173	41
Indonesia	135	49
Philippines	73	42
Cambodia	15	11
Myanmar	10	10
Laos	7	10
<b>Southwest Asia</b>	<b>316</b>	<b>84</b>
India	260	45
Bangladesh	16	18
Sri Lanka	17	16
Pakistan	23	5
<b>Oceania</b>	<b>226</b>	<b>63</b>
Australia	164	35
New Zealand	62	28



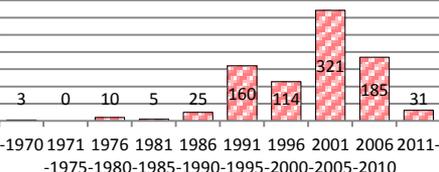
# Survey Summary (3)

## Year of establishment of responding firms (by country/region)

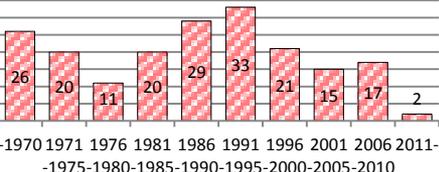
Total (n=3,819)



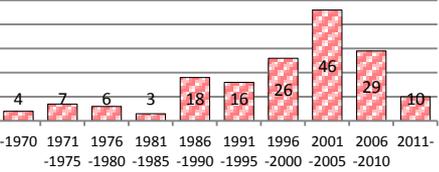
China (n=854)



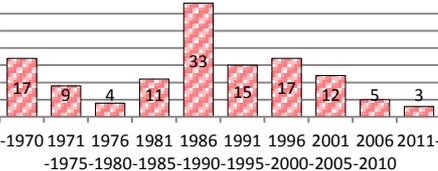
Hong Kong/Macau (n=195)



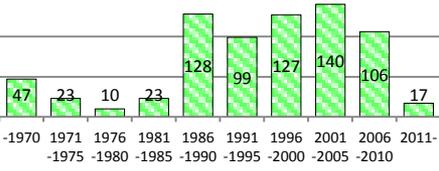
Korea (n=165)



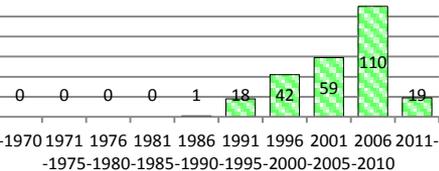
Taiwan (n=126)



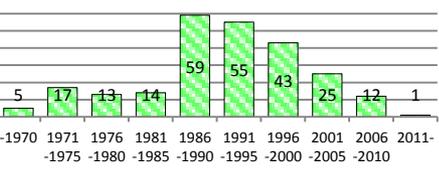
Thailand (n=720)



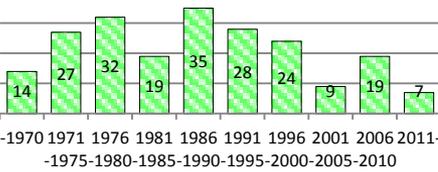
Vietnam (n=249)



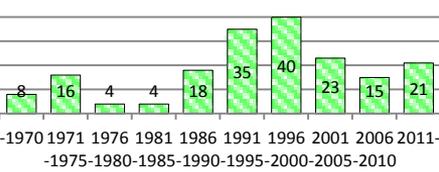
Malaysia (n=244)



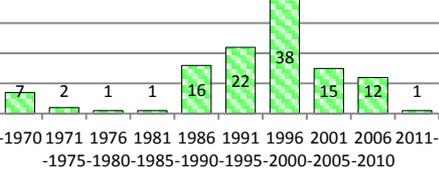
Singapore (n=214)



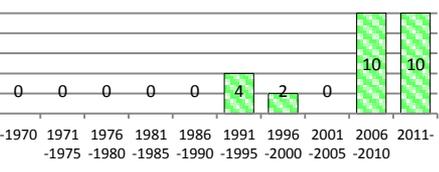
Indonesia (n=184)



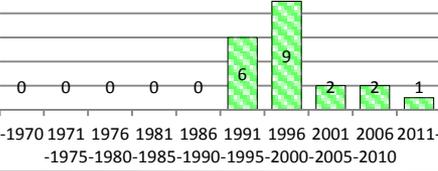
Philippines (n=115)



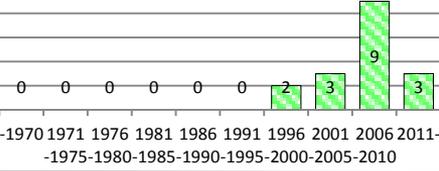
Cambodia (n=26)



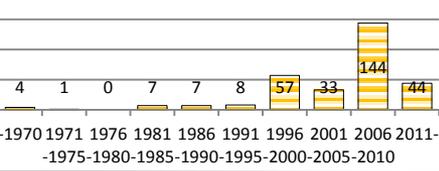
Myanmar (n=20)



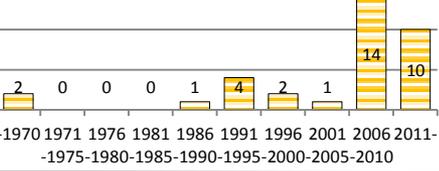
Laos (n=17)



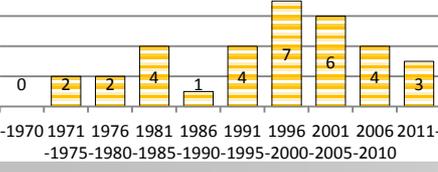
India (n=305)



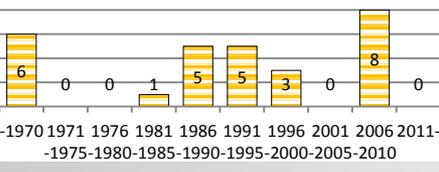
Bangladesh (n=34)



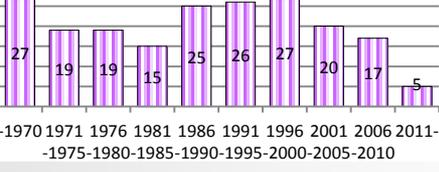
Sri Lanka (n=33)



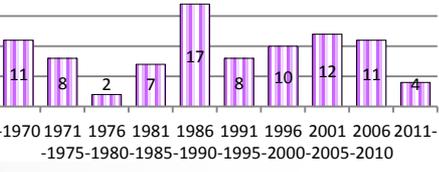
Pakistan (n=28)



Australia (n=200)



New Zealand (n=90)



# Key Points

## 1. Sales forecast

### (1) Two-year downturn in business confidence due to fewer firms expecting improved operating profits

63.9% of respondents expect an operating profit in 2012, a 3.9 point drop from the previous year, while those expecting an operating loss came to 19.8%, rising 5.6 points over the same period. The diffusion index (DI) – the proportion of businesses reporting increased operating profits minus those reporting decreased operating profits compared to the previous year – is used to measure business confidence and the estimate for 2012 came to 11.3 points, a slight decline from the 12.8 points in 2011. This is a two-year downturn as the DI for last year had also declined from 41.8 points in 2010. (P7, 11, 12)

### (2) Improved operating profits forecasted for 2013, centering on emerging countries

46.8% of firms forecasted improved operating profits for 2013, while those expecting decreased profits dropped by half, to 14.7%. The DI in 2013 is forecasted to be 32.1 points, up about 20.8 points from this year. The most common reason for the increase was “sales increase in local markets.” For emerging countries including Bangladesh, Cambodia, India, and Laos the figure is expected to exceed 50 points showing a drastic rise. (P11, 12, 14)

## 2. Future business plan

### (1) Double-digit decrease in the percentage of firms planning to expand business in China

The percentage of respondents planning to expand business operations in the next one or two years was 57.8% overall, a 5.8% point drop from the 63.6% in the previous year. The figure for China was 52.3%, a 14.5 point decline which was the greatest drop among the surveyed countries/regions. The percentage dropped for major ASEAN countries including Thailand, Malaysia and Singapore, from 2011. On the other hand, firms in emerging countries such as India, Indonesia, Laos, Bangladesh and Myanmar have particularly strong intentions to expand their business. (P16, 17)

### (2) Target market shifts toward local firms

Japanese firms put priority on local market development centering on India, South Korea, Indonesia and China, rather than developing exports, and they are shifting their future targets from Japanese-affiliated firms to local and other foreign ones in the local market. The immediate issues to tackle are product differentiation through quality or high added-value and securing and training human resources. (P29, 30, 37)

## 3. Management matters and countermeasures

### (1) Costs and human resources pose serious management problems

The most serious problem in management was increased wages of employees cited by more than 80% of respondents in China, Indonesia, Vietnam and Myanmar. Other issues placed high in the survey were “growing market shares of competitors in cost competition,” “lack of employee performance/awareness among local staff,” an “increase in procurement costs” and “quality of employees.” The results show that management problems largely fall under increased costs and human resources. (P39, 40)

### (2) Indonesia and Thailand achieve a double-digit wage growth rate following Vietnam, China and India

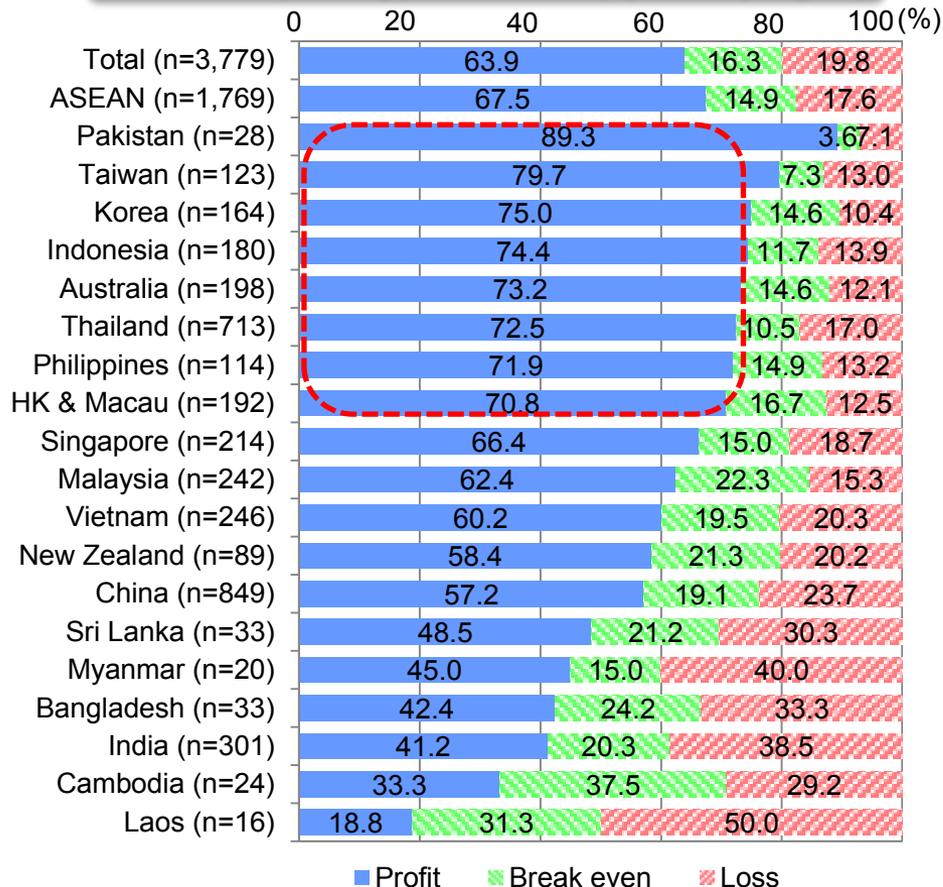
In addition to Vietnam, China and India, which have had wage rates increasing at more than 10% for the last few years, 10 countries and regions including Indonesia and Thailand realized an average double-digit rate of growth, compared to 2011. Also, the estimate for 2013 is expected to be a nearly 20% increase in the manufacturing industry of Indonesia and Vietnam. This momentum, fueled by the rising minimum wage in each country and region, will continue for the time being. (P62)

### (3) Local procurement of materials and parts accelerating

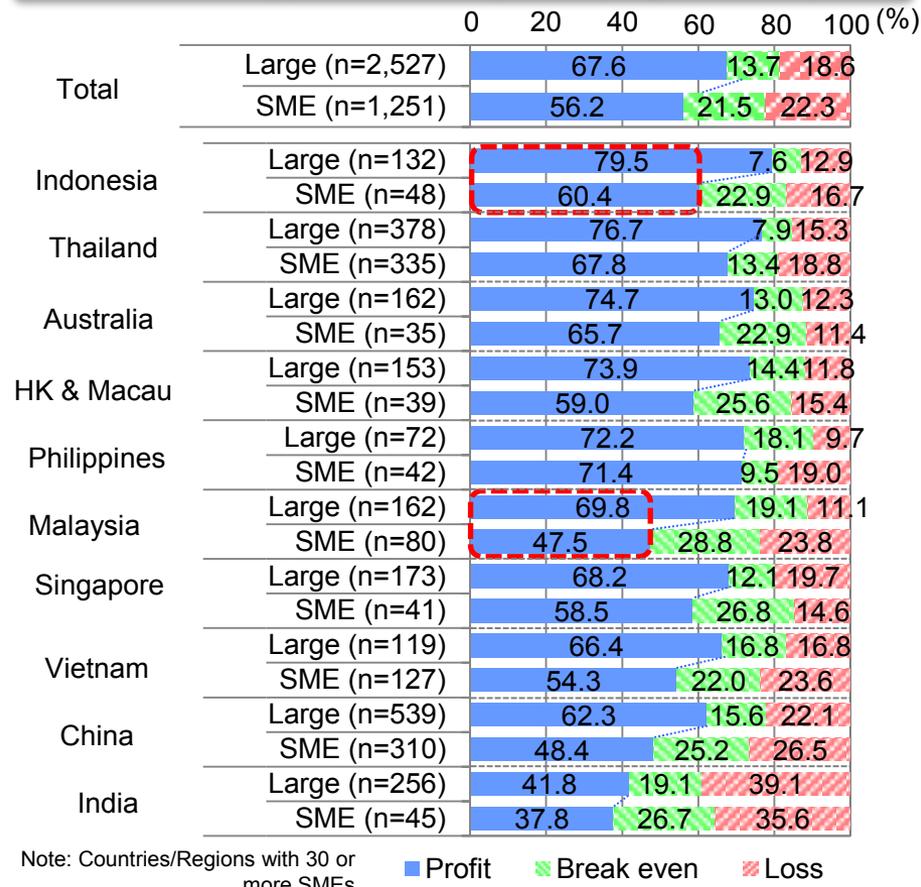
The ratio of cost of materials/parts to production was an average of 63.3%, and that of labor to production was an average of 17.2%. The survey indicated that production costs consist mostly of material costs. Shifting to local procurement in order to reduce costs is accelerating, especially in China, Taiwan and Thailand. According to the survey, more than 75% of firms intend to increase their local procurement rates in the future. Also for this purpose, they put priority on local companies as their suppliers rather than Japanese-affiliated ones. (P46, 48, 52, 54)

# 1. Business Outlook (1)

Estimated operating profit in 2012 (by country/region)



Estimated operating profit in 2012 (by country/region, industry scale)

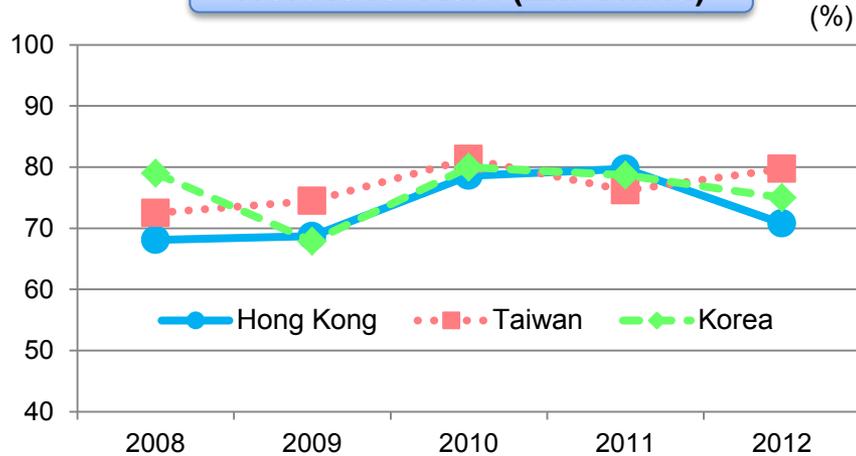


- 63.9% of firms expect to "make a profit" in 2012, down 3.9 percentage points from 67.8% in the previous year (2011: n=3,876). In contrast, 19.8% of firms expect to "make a loss," up 5.6 percentage points from 14.2% in the previous year.
- Broken down by country and region, the proportion of firms expecting to be profitable was highest in Pakistan at 89.3%, followed by Taiwan, Korea, Indonesia, Australia, Thailand, Philippines, and Hong Kong & Macao, where the same proportion exceeded 70%. The proportion of firms expecting to "make a loss" was relatively high in southwestern Asian countries, excluding Pakistan (India, Bangladesh and Sri Lanka) and CLM countries (Cambodia, Laos and Myanmar), compared to the major ASEAN countries and northeast Asian countries/regions.
- At 67.6%, the number of large firms expecting to be profitable exceeded that of SMEs (56.2%) by 11.4 percentage points. The numbers of large firms exceeded that of SMEs for this proportion in all countries/regions with 30 or more valid responses. In particular, in Malaysia and Indonesia the gaps between large firms and SMEs exceeded 15 percentage points.

# 1. Business Outlook (2)

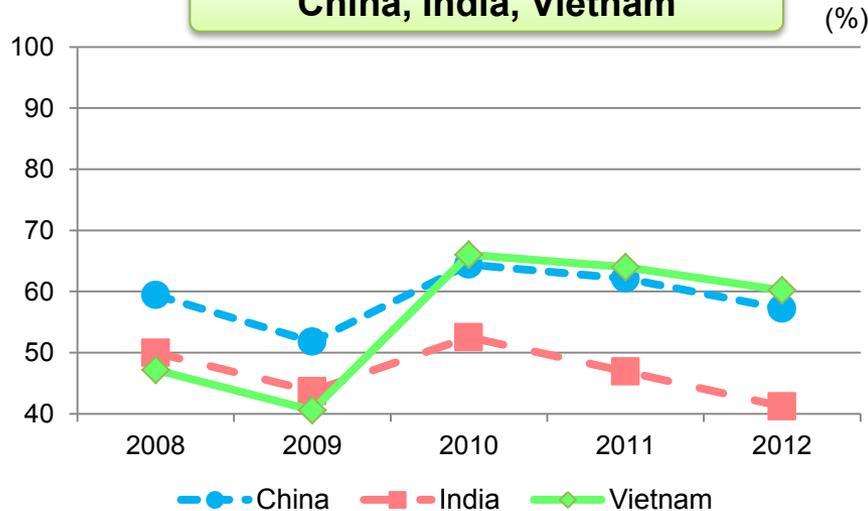
Proportion of profitable firms - 2008 to 2012 (by country/region)

## Northeast Asia (Ex. China)

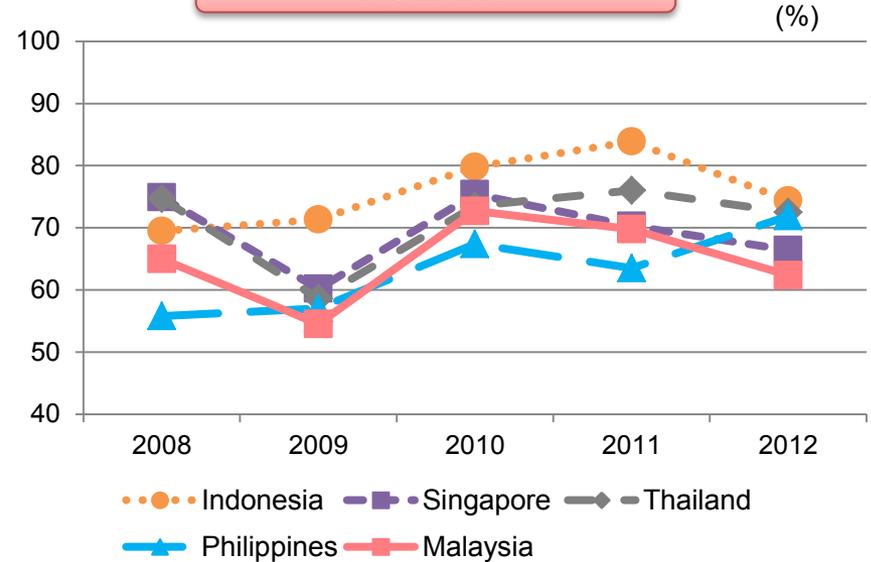


Note: Hong Kong includes Macao in 2011 and 2012

## China, India, Vietnam



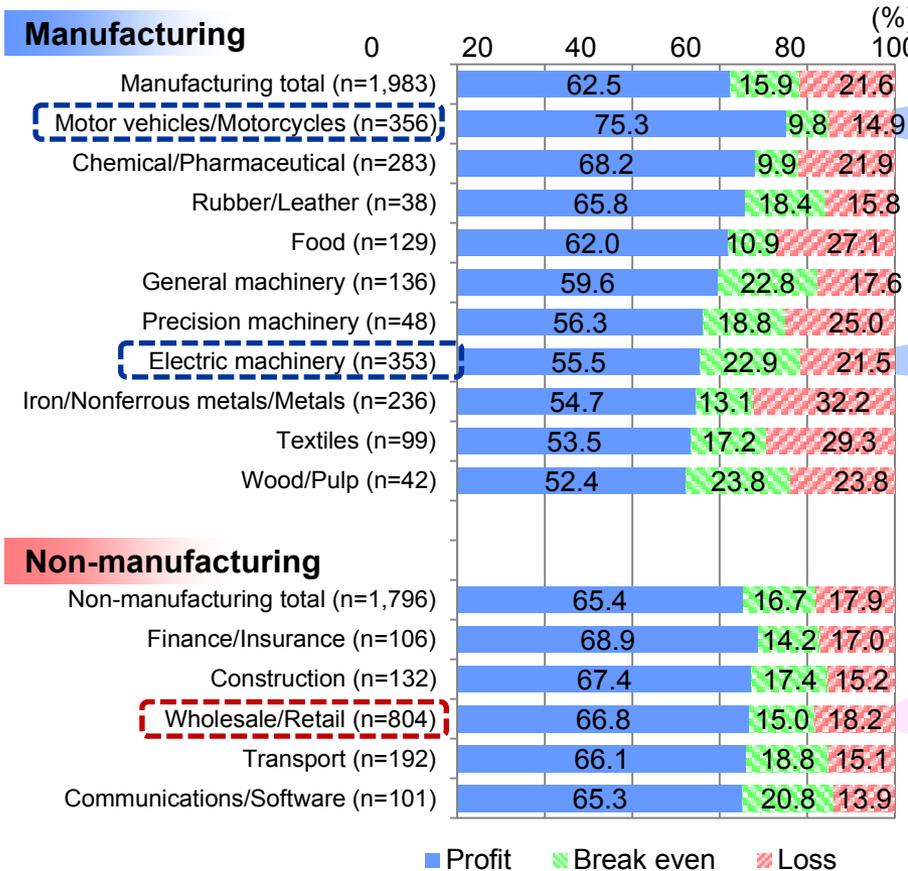
## ASEAN5



- The proportion of profitable firms declines slightly after 2010 for most major Asian countries and regions.
- In northeast Asia (excluding China), the proportion of profitable firms in Hong Kong and Korea declined from 2011 but still exceeds 70%, much higher than that of other countries/regions.
- For ASEAN 5, the proportion of profitable firms declined to below the 2010 level in each country except the Philippines. Even Indonesia, where the figure has increased in recent years, showed a decline of 9.4 percentage points from 2011.
- The proportion of profitable firms decreased for the third straight year in China, India and Vietnam. India had the worst showing across this five-year period.

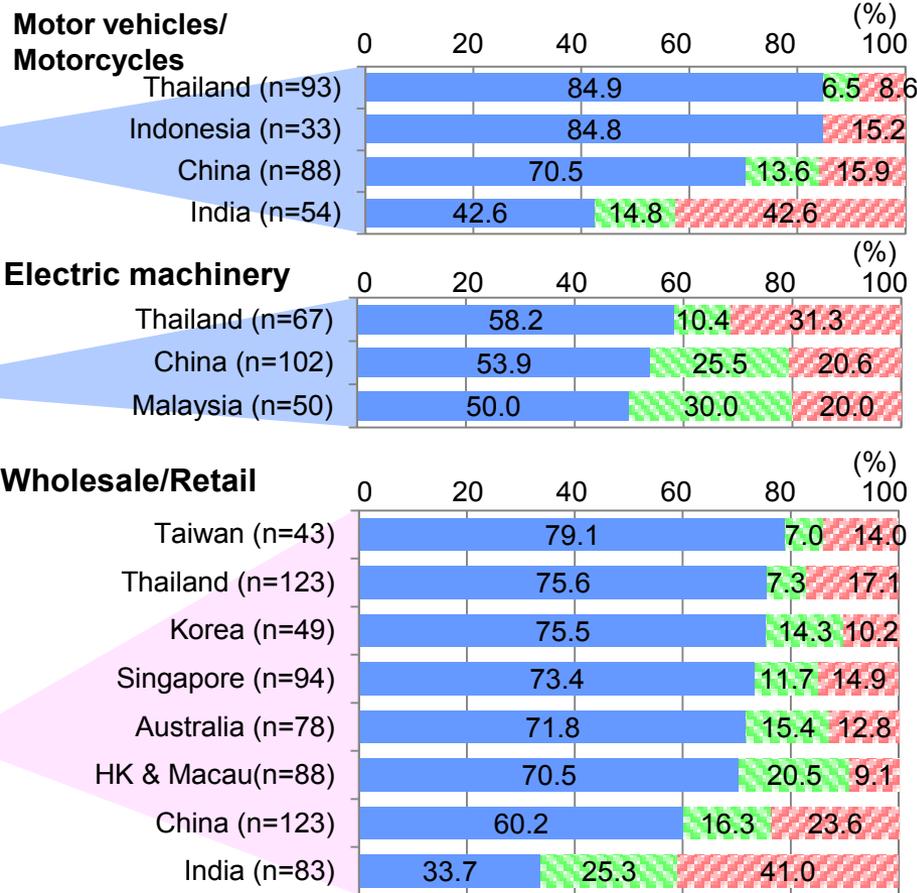
# 1. Business Outlook (3)

Estimated operating profit in 2012 (by industry category)



## Major industry categories by country and region

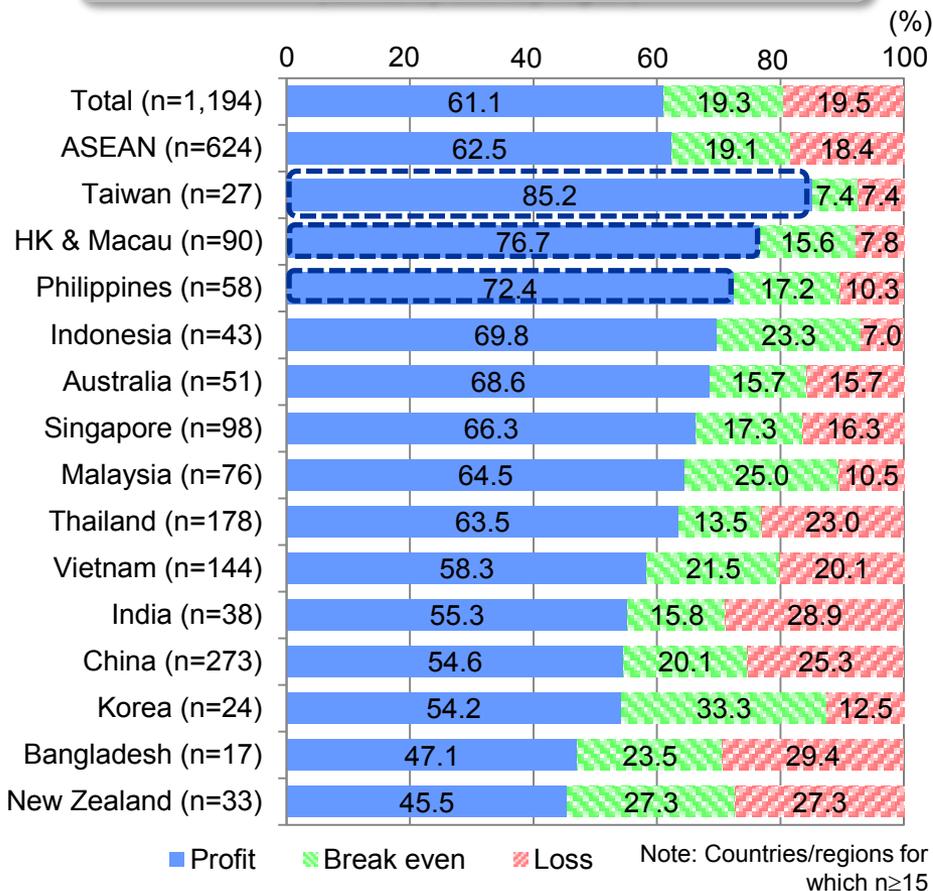
Note: Countries/regions for which n≥30



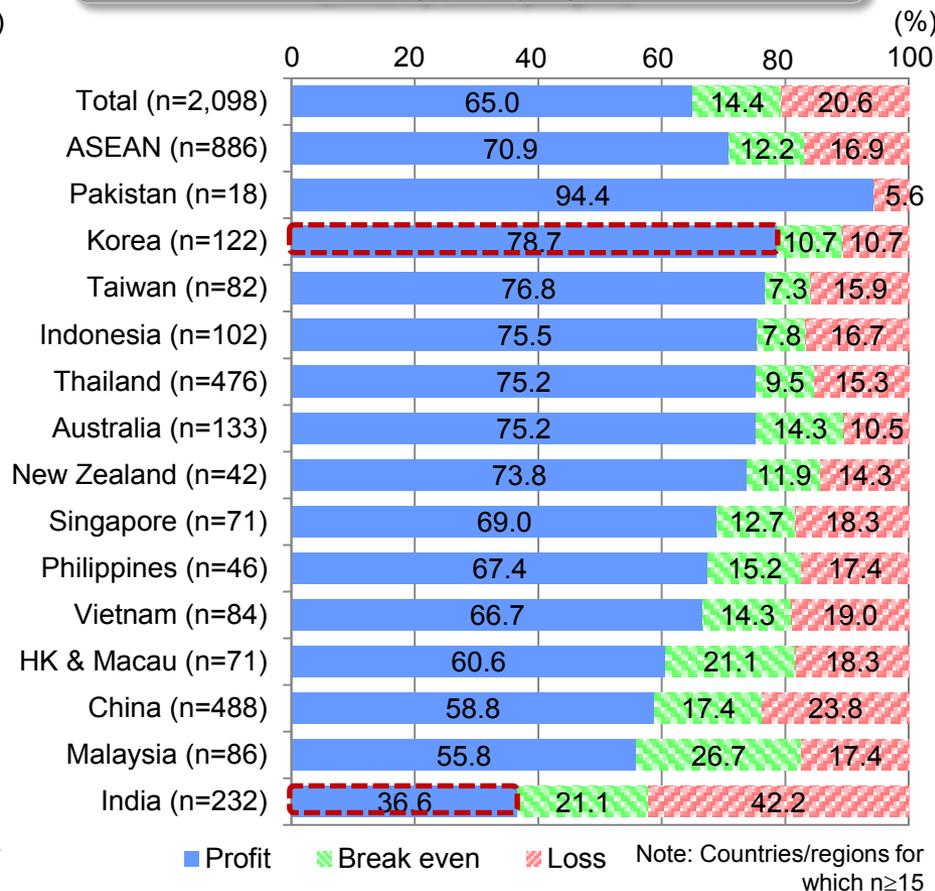
- The proportion of profitable firms in the non-manufacturing sector (65.4%) exceeded that in the manufacturing sector (62.5%) for estimated operating profits in 2012. Compared to the 2011 survey (manufacturing: 68.0%/non-manufacturing: 67.6%), the proportion of profitable firms in the manufacturing and non-manufacturing sectors declined by 5.5 and 2.2 percentage points, respectively.
- Broken down by industry, the proportion of firms expected to be profitable was highest in the motor vehicles/motorcycles (manufacturing sector) and the finance and insurance (non-manufacturing sector) industries. However, the proportion of profitable firms in the finance and insurance industry dramatically declined from 81.6% in 2011 to 68.9% in 2012.
- The trends by country/region of the 3 most profitable industries, based on valid survey responses, are as follows. In the motor vehicle/motorcycles industry, over 80% of firms in Thailand and Indonesia expected to be profitable. The proportion of profitable firms in wholesale/retail industries is expected to be highest in Taiwan at 79.1%, and to exceed 70% in Thailand, Korea, Singapore, Australia, and Hong Kong & Macao.

# 1. Business Outlook (4)

Estimated operating profits of firms in which exports account for more than 50% of business (2012, by country/region)



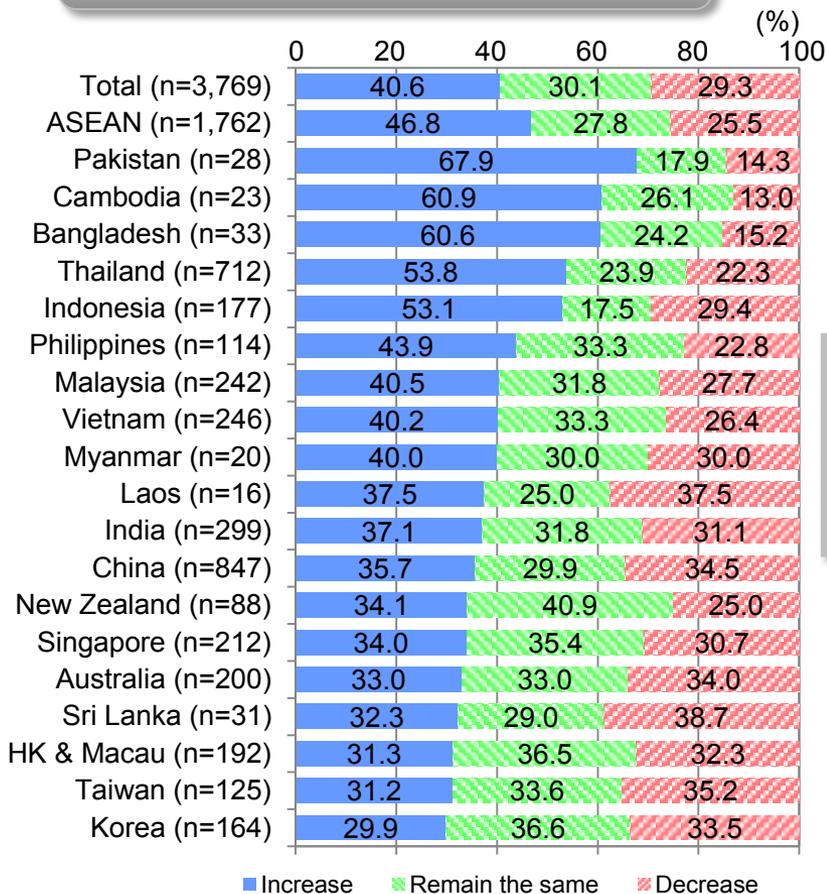
Estimated operating profits of firms in which exports account for less than 50% of business (2012, by country/region)



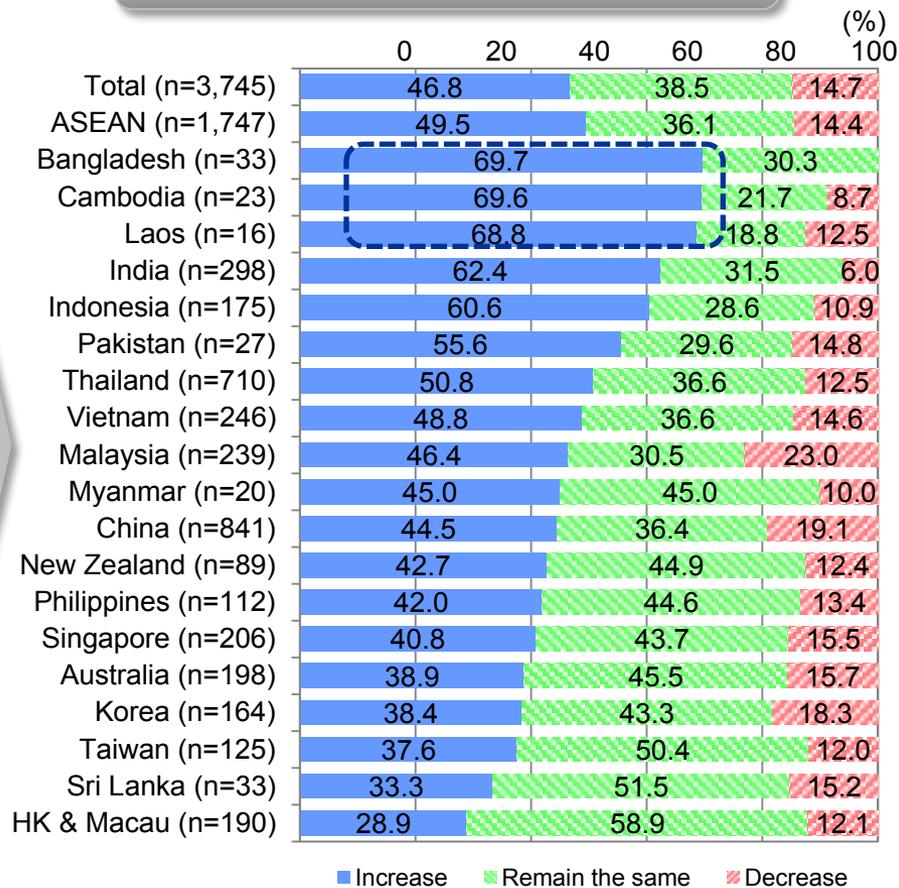
- At 65.0%, the proportion of profitable “domestic sale-type” firms, in which export activities in the country in which they are operating account for less than 50% of business, exceeds that of “export-type” firms (61.1%) by 3.9 percentage points.
- At 78.7%, the proportion of profitable “domestic sales-type” firms is particularly high in Korea, and exceeded that of “export-type” firms by 24.5 percentage points.
- The proportion of profitable “domestic sales-type” firms is low in India at 36.6%, and fell below that of “export-type” firms (55.3%) by 18.7 percentage points.
- In contrast, in Taiwan, Hong Kong & Macau and the Philippines, the proportion of profitable “export-type” firms was over 70% and exceeded that of “domestic sales-type” firms.

# 1. Business Outlook (5)

Estimated operating profits in 2012  
(by country/region, compared to 2011)



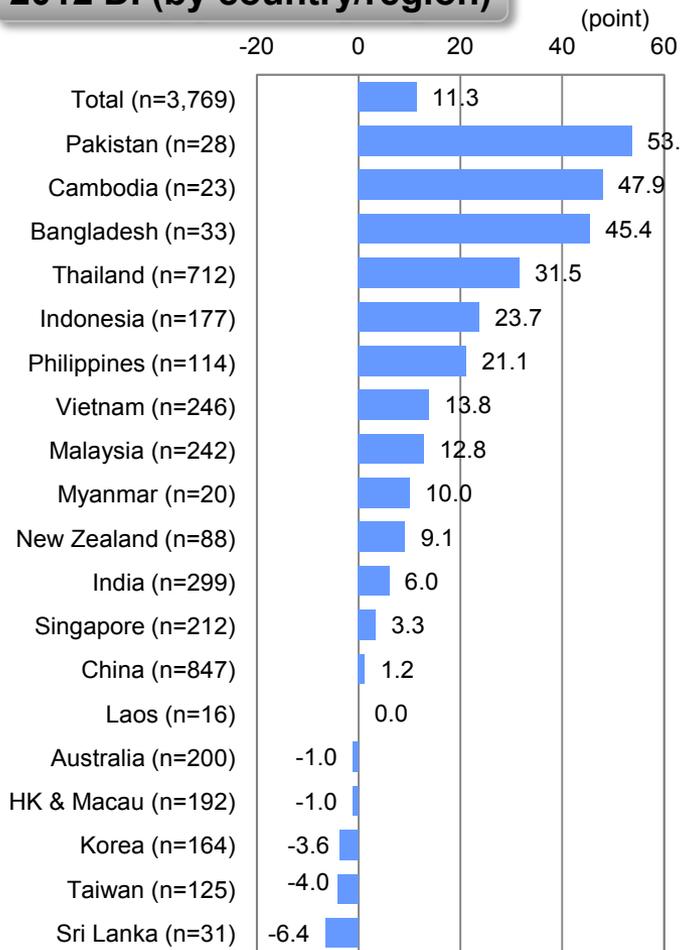
Estimated operating profits in 2013  
(by country/region versus, compared to 2012)



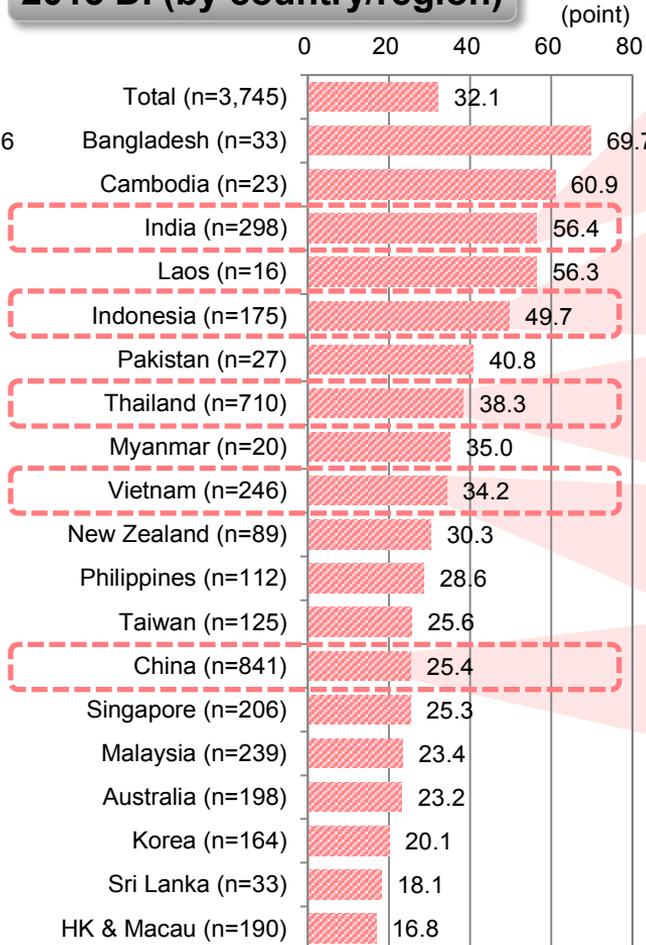
- The proportion of firms predicting that operating profits in 2012 would “increase” over 2011 was 40.6%, equal to the 41.6% firms making the same prediction in the 2011 (n=3,852). The proportion of firms expecting operating profits to “decrease” in 2012 compared to 2011 was 29.3%, equal to that in 2011 (28.8%).
- 46.8% of firms predicted that operating profits would “increase” in 2013, representing a 6.2 percentage point increase over 2012. Meanwhile, the proportion of firms expecting operating profits to “decrease” was 14.7 percentage points, almost half the figure in 2012, and decreased in all countries/regions included in the survey except Pakistan.
- The proportion of firms expecting operating profits to increase in 2013 was particularly high in emerging countries such as Bangladesh, Cambodia, and Laos.

# 1. Business Outlook (6)

## 2012 DI (by country/region)



## 2013 DI (by country/region)



## High DI industries

Note: Industry categories for which  $n \geq 10$

1. Wholesale/Retail (DI: 65.1)

2. Motor vehicles/Motorcycles (DI: 61.1)

1. Food (DI: 80.0)

2. Wholesale/Retail (DI: 77.8)

1. Finance/Insurance (DI: 72.7)

2. Communications/Software (DI: 70.0)

1. Wholesale/Retail (DI: 69.2)

2. Iron/Nonferrous metals/Metals (DI: 46.6)

1. Food (DI: 56.4)

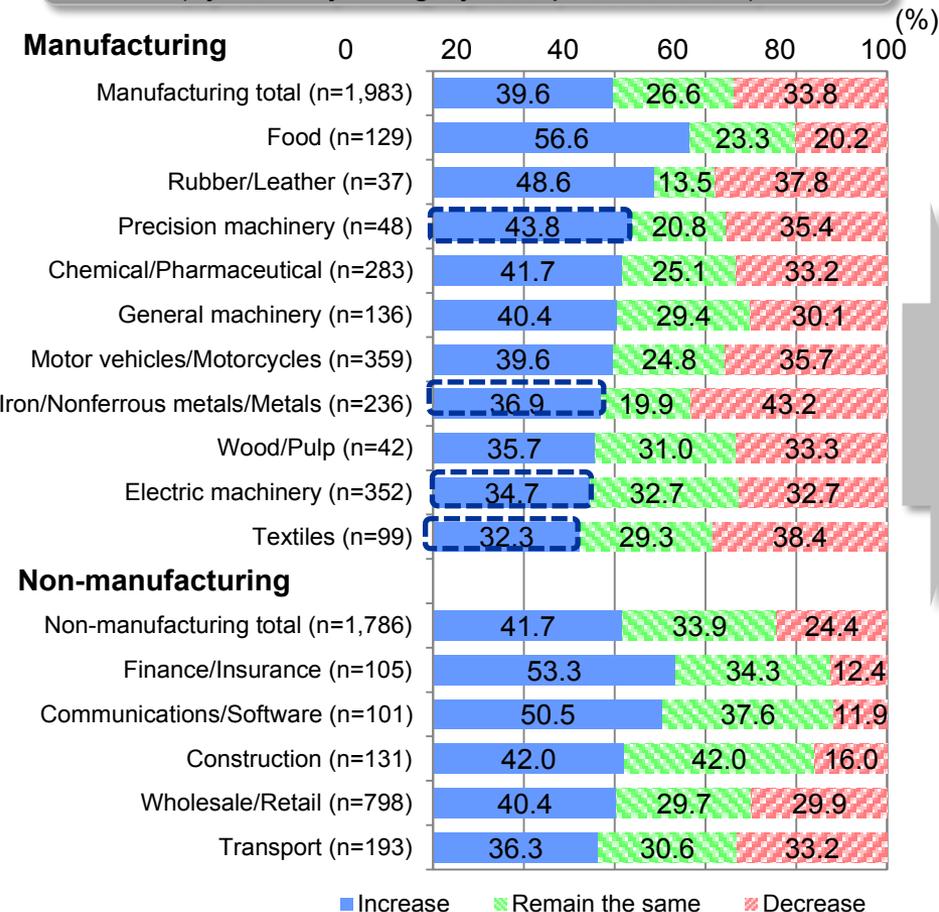
2. Finance/Insurance (DI: 50.0)

Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting improvement minus the proportion of firms expecting worsening. This figure reflects changes in business confidence.

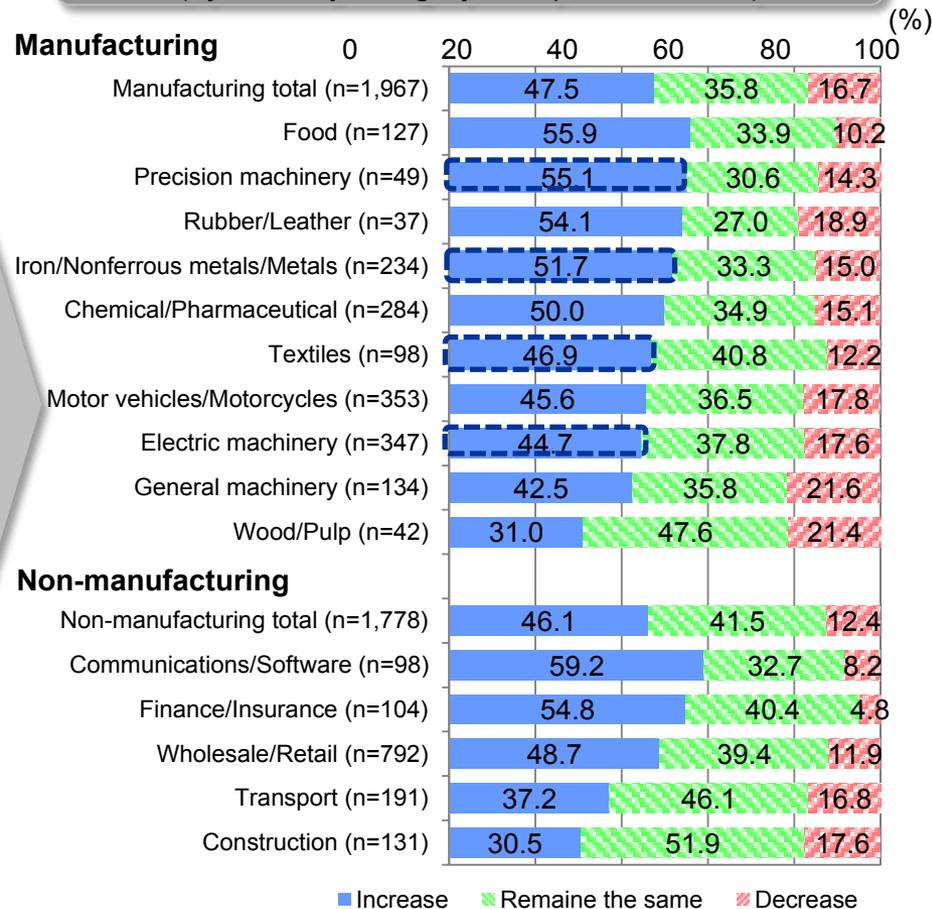
- The DI (see note at right), indicating business confidence for 2012 is 11.3 points, marking a slight decline from 12.8 points in the 2011 survey (n=3,852). The DI is higher and exceeds 40 points in Pakistan, Cambodia, and Bangladesh.
- The DI for 2013 is expected to be 32.1 points, increasing by 20.8 points from 2012. In particular, emerging countries such as Bangladesh and Cambodia showed strong expectations for improvement.
- With respect to the DI in major countries/regions broken down by industry, the DI is particularly high in the food industry (80.0 points) and wholesale/retail industry (77.8 points) in Indonesia and the finance/insurance industry in Thailand (72.2 points).

# 1. Business Outlook (7)

**Estimated operating profits in 2012**  
(by industry category, compared to 2011)



**Estimated operating profits in 2013**  
(by industry category, compared to 2012)

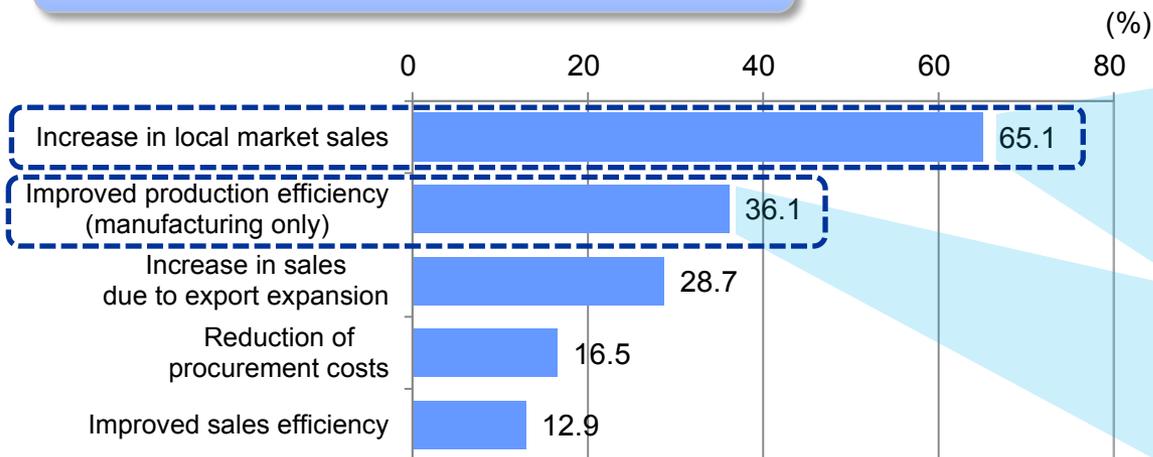


- Compared to the survey in the previous year (2011, n=2,146 in the manufacturing sector, n=1,706 in the non-manufacturing sector), the proportion of firms expecting operating profits to “increase” in 2012 showed no change in both in the manufacturing sector (39.7%⇒39.6%) and non-manufacturing sector (43.9%⇒41.7%). In the manufacturing sector, the proportion of firms expecting operating profits to “decrease” exceeded 30% for all industries except food.
- 47.5% of firms in the manufacturing sector and 46.1% in the non-manufacturing sector expect operating profits to increase in 2013, marking increases over the same figures for 2012. The proportions increased by over 10 percentage points in precision machinery, iron/nonferrous metals/metals, textiles, and electric machinery industries. The proportion of firms expecting operating profits to “decrease” decreased across the board, except for the construction industry.

# 1. Business Outlook (8)

## Reasons for expected increase in operating profits in 2012 (top 5, multiple answer)

Total (n=1,523)



Note: "Improved production efficiency" includes the improvement of production processes such as the cell production system and the electronic management of production.

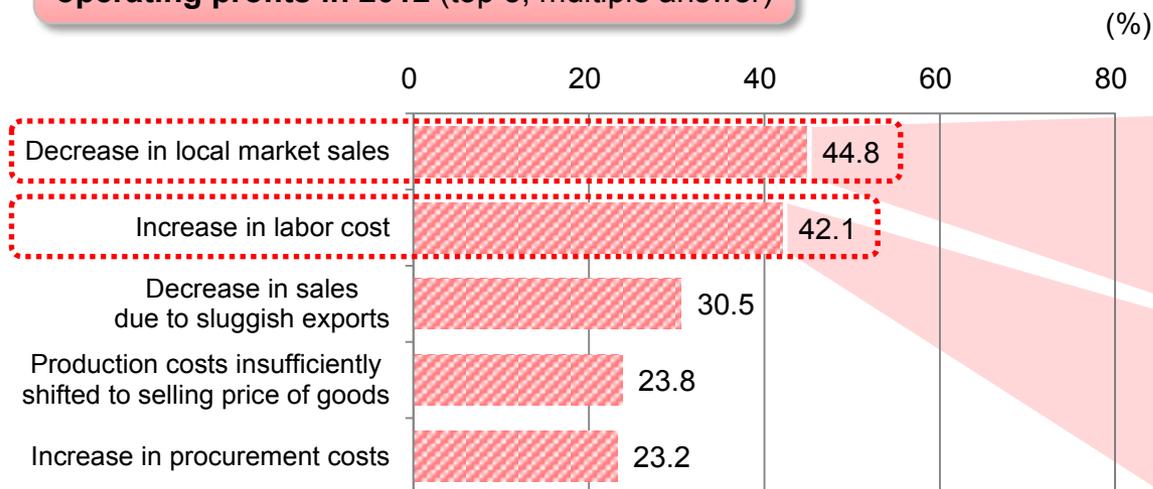
## Proportion of answers by country/region and industry category (rank order)

Country/region	Industry category
India (80.2%)	General machinery (80.0%)
Indonesia (79.3%)	Construction (80.0%)
Korea (77.6%)	Motor vehicles/Motorcycles (78.0%)
Thailand (76.5%)	Wholesale/Retail (77.2%)
China (65.3%)	Communications/Software (72.5%)
China (47.2%)	Textiles (50.0%)
Vietnam (46.9%)	Food (39.7%)
Malaysia (40.3%)	Electric machinery (39.3%)
Indonesia (32.1%)	Motor vehicles/Motorcycles (39.0%)
India (31.8%)	Iron/Nonferrous metals/Metals (33.3%)

Note: Countries/regions and industry categories for which n ≥ 30

## Reasons for expected decrease in operating profits in 2012 (top 5, multiple answer)

Total (n=1,102)



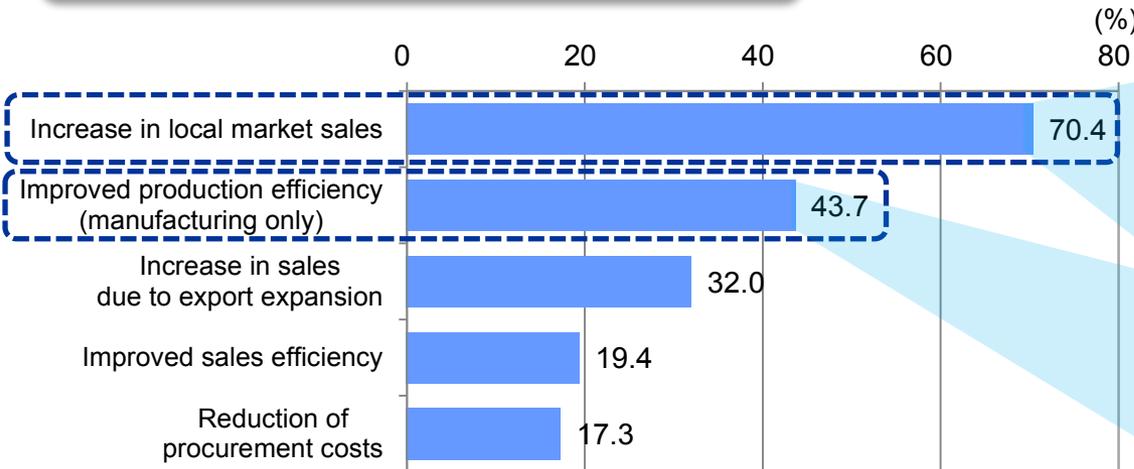
Country/region	Industry category
Korea (70.9%)	Wholesale/Retail (60.5%)
Taiwan (59.1%)	Construction (55.0%)
China (55.2%)	Motor vehicles/Motorcycles (50.8%)
HK & Macau (48.4%)	General machinery (46.3%)
Malaysia (47.0%)	Iron/Nonferrous metals/Metals (44.1%)
China (57.6%)	Communications/Software (58.3%)
Thailand (54.7%)	Finance/Insurance (53.8%)
Indonesia (48.1%)	Precision machinery (52.9%)
Australia (42.6%)	Textiles (52.6%)
Vietnam (40.0%)	Electric machinery (51.8%)

Note: Countries/regions and industry categories for which n ≥ 10

# 1. Business Outlook (9)

## Reasons for expected increase in operating profits in 2013 (top 5, multiple answer)

Total (n=1,752)



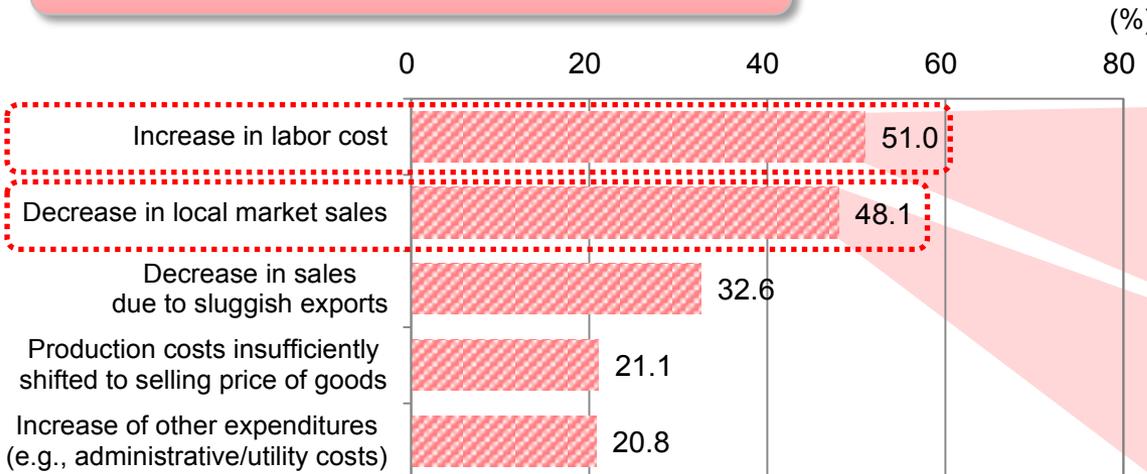
## Proportion of answers by country/region and industry category (rank order)

Country/region	Industry category
India (87.1%)	General machinery (84.2%)
Korea (79.4%)	Motor vehicles/Motorcycles (80.7%)
Indonesia (75.5%)	Construction (80.0%)
Thailand (74.7%)	Wholesale/Retail (79.8%)
China (73.0%)	Food (76.1%)
Vietnam (55.8%)	Textiles (50.0%)
Malaysia (46.5%)	Electric machinery (46.5%)
China (43.7%)	Iron/Nonferrous metals/Metals (45.8%)
Thailand (43.0%)	Food (45.1%)
Indonesia (34.8%)	General machinery (42.1%)

Note: Countries/regions and industry categories for which n ≥ 30

## Reasons for expected decrease in operating profits in 2013 (top 5, multiple answer)

Total (n=549)



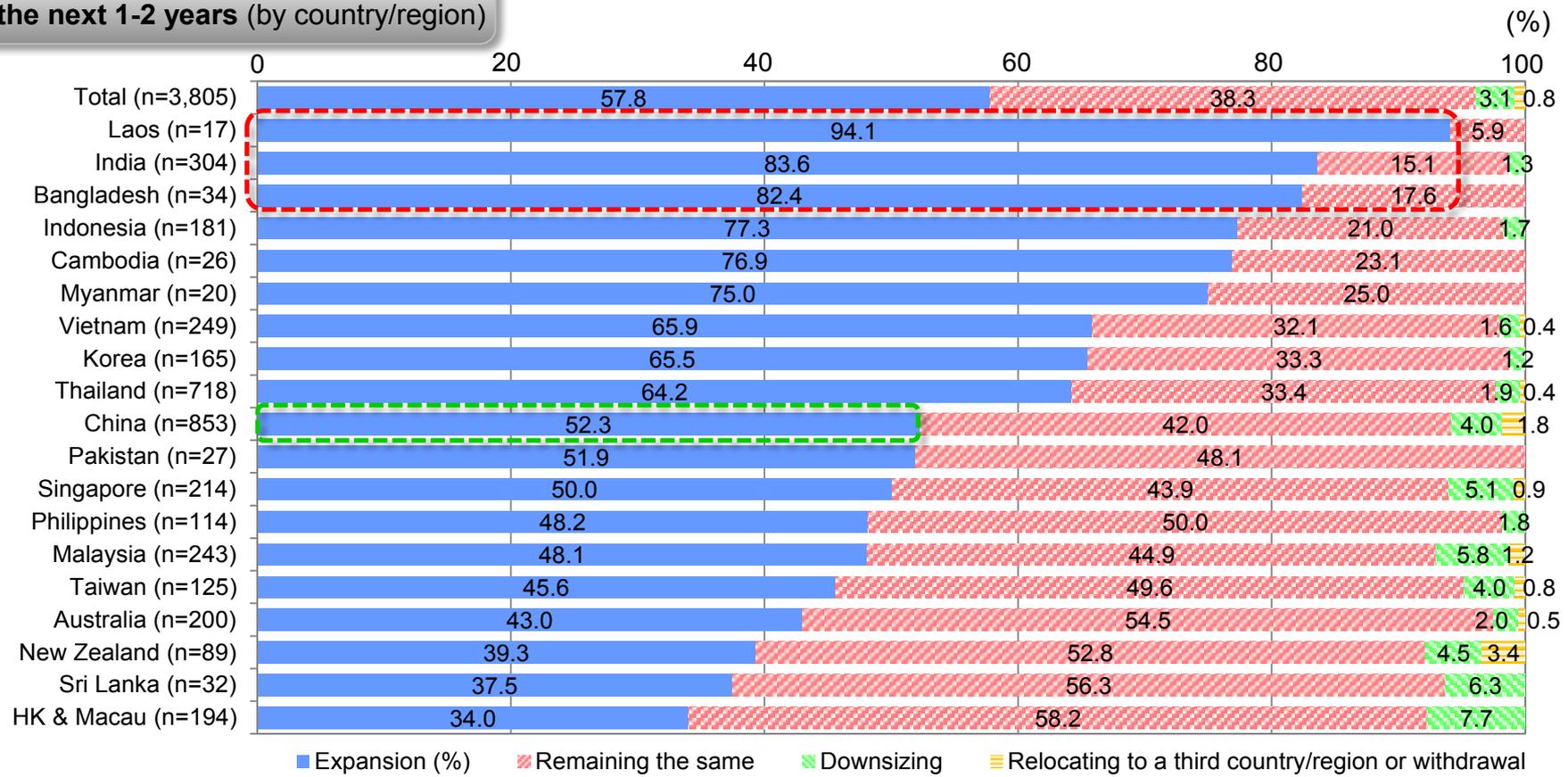
Country/region	Industry category
Indonesia (88.9%)	Textiles (75.0%)
China (62.7%)	Electric machinery (62.3%)
Vietnam (61.1%)	Motor vehicles/Motorcycles (59.7%)
Malaysia (58.2%)	Transport (56.3%)
Thailand (52.8%)	Chemical/Pharmaceutical (55.8%)
HK & Macau (69.6%)	Construction (82.6%)
China (64.0%)	Wholesale/Retail (72.3%)
Korea (63.3%)	Transport (56.3%)
Taiwan (53.3%)	General machinery (51.7%)
Thailand (47.2%)	Motor vehicles/Motorcycles (46.8%)

Note: Countries/regions and industry categories for which n ≥ 10



# 2. Future Business Development (1)

**Directions for business development in the next 1-2 years (by country/region)**



- 57.8% of firms responded that they intend to “expand” business in the next year or two, marking a decrease of 5.8 points from 63.6% (n=3,859) in the 2011 survey. Meanwhile, 3.9% of firms responded that they intend to “downsize” business or “relocate to a third country/region or withdraw,” marking a 0.7 percentage point increase over 2011.
- 52.3% of firms in China responded that they intend to “expand” business, marking a decrease of 14.5 points from 2011.
- Meanwhile, Laos marked the highest points, while 94.1% of firms responded that they intend to “expand” business. In addition, over 80% of firms in India and Bangladesh responded that they intend to “expand,” similar to figures in the 2010 and 2011 surveys. This trend is particularly strong in the textiles industries in Laos and Bangladesh and electric machinery and motor vehicle/motorcycle industries in India.



# 2. Future Business Development (2)

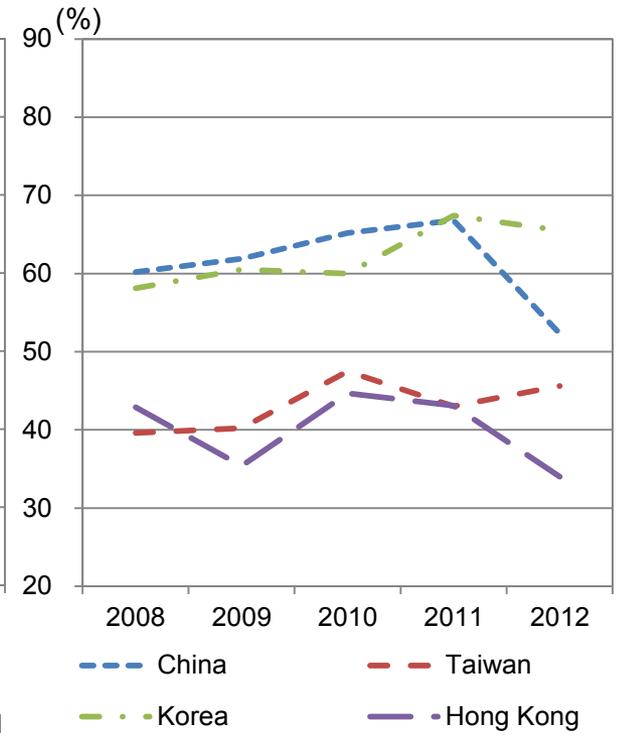
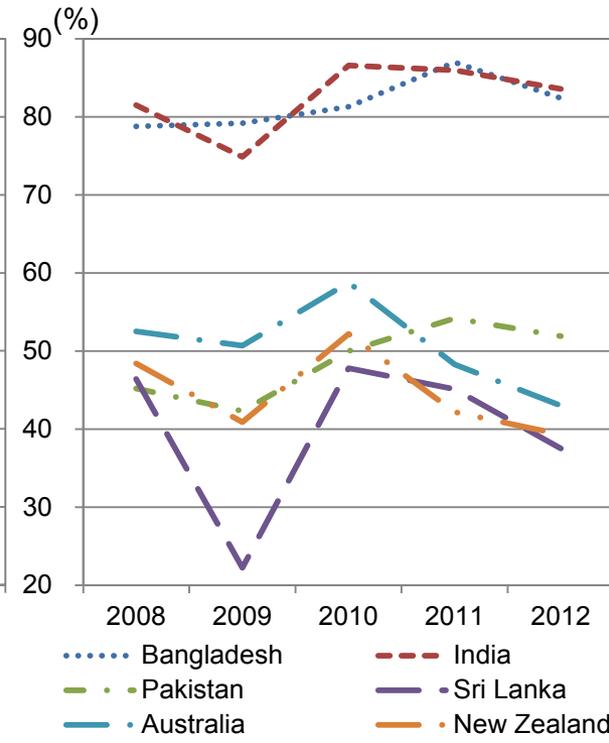
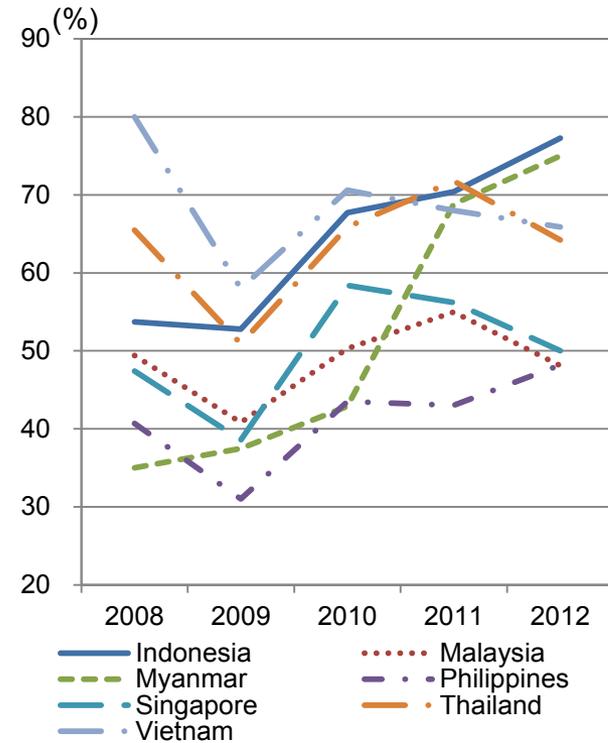
**Proportions of firms expecting to expand in the next 1-2 years (2008-2012 surveys)**

FY08 survey: ASEAN (n=1,302), Southwest Asia/Oceania (n=489), Northeast Asia (n=681)  
 FY09 survey: ASEAN (n=1,593), Southwest Asia/Oceania (n=532), Northeast Asia (n=820)  
 FY10 survey: ASEAN (n=1,847), Southwest Asia/Oceania (n=514), Northeast Asia (n=1,087)  
 FY11 survey: ASEAN (n=1,970), Southwest Asia/Oceania (n=634), Northeast Asia (n=1,255)  
 FY12 survey: ASEAN (n=1,782), Southwest Asia/Oceania (n=686), Northeast Asia (n=1,337)

## ASEAN

## Southwest Asia/Oceania

## Northeast Asia



Note: Cambodia and Laos are excluded since they were subject to the survey beginning in 2010 and 2011, respectively

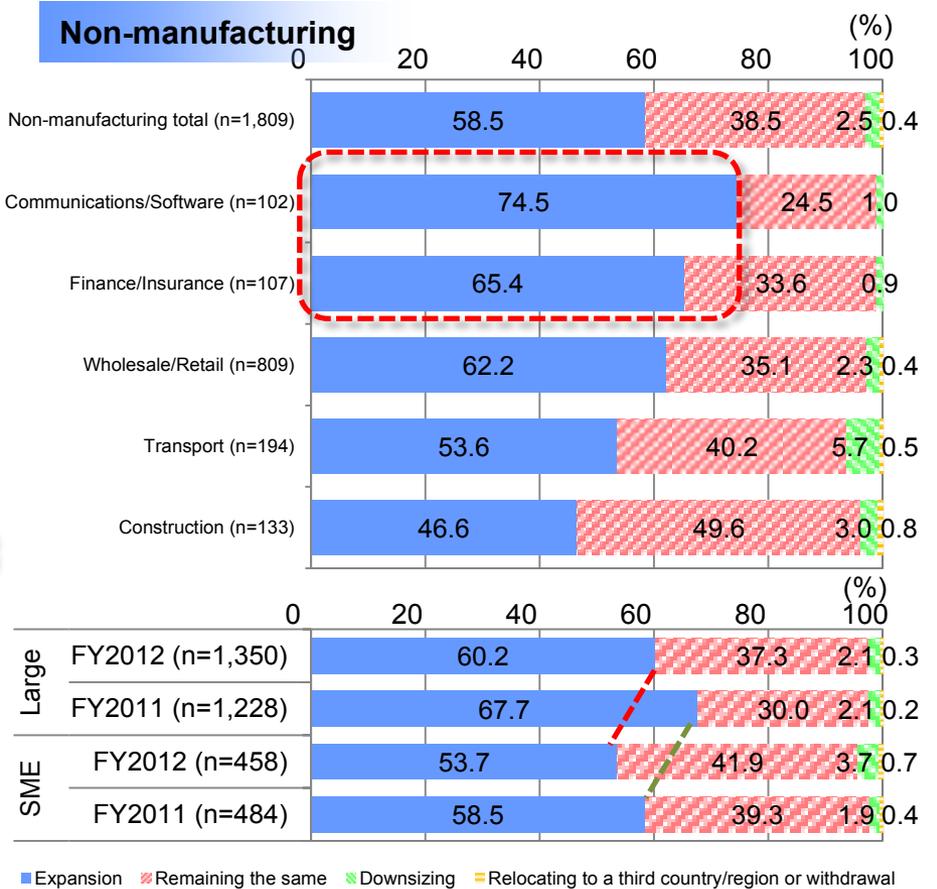
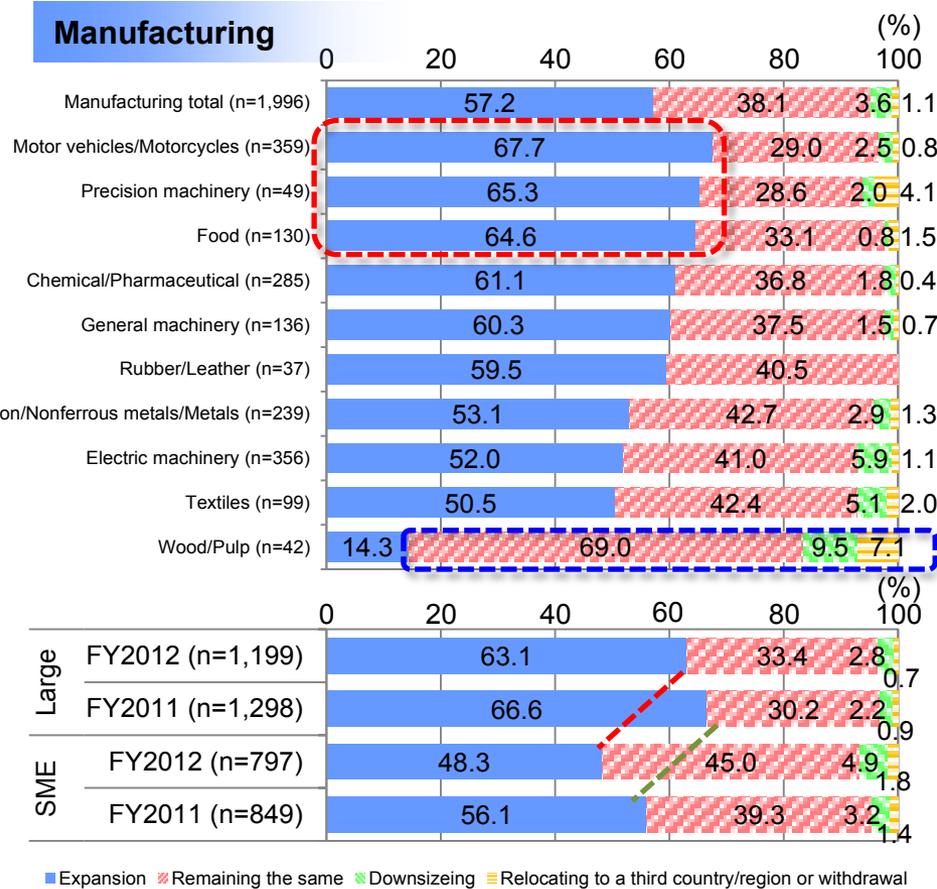
Note: Hong Kong includes Macao in 2011 and 2012

- Looking at trends over the last five years in the proportion of firms responding that they intend to “expand” in the next year or two, while the proportions increased dramatically in 2010, in most countries and regions, with the exception of a few, it is remarkable that those proportions remained the same or declined in 2011 and 2012.
- The proportion of firms responding that they intend to “expand” decreased by more than five points from 2011 in China, Hong Kong, Thailand, Sri Lanka, Malaysia, Singapore, and Australia.
- Meanwhile, the proportion for “expand” increased from 2011 in Indonesia, Myanmar, the Philippines, and Taiwan. In Indonesia and Myanmar, the proportion has increased over the past three years.



# 2. Future Business Development (3)

**Directions for business development in the next 1-2 years**  
(by industry category and scale)



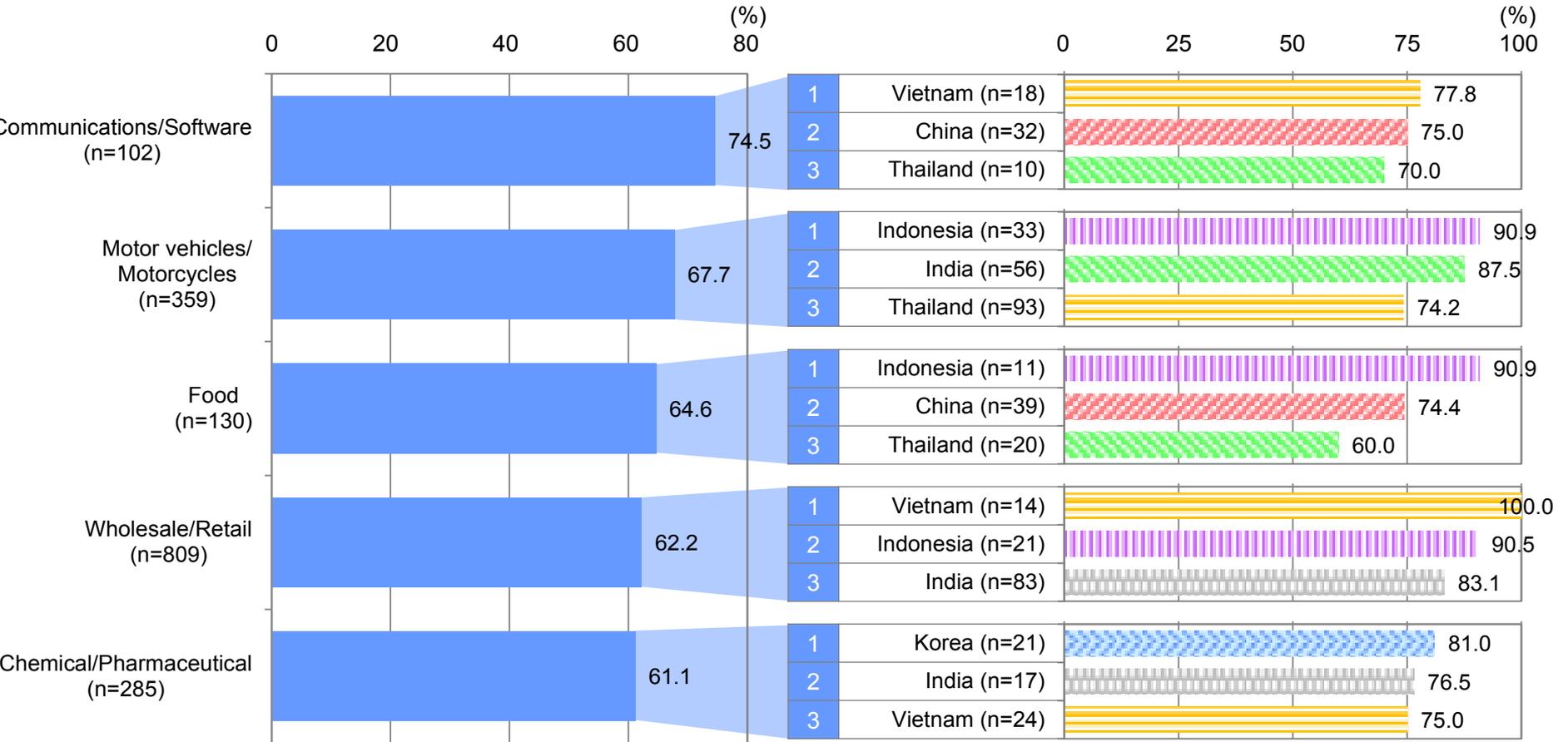
- In terms of industries in which firms intend to “expand” in the next year or two, in the manufacturing sector, the proportion is especially high in the motor vehicle/motorcycle (67.7%), precision machinery (65.3%) and food (64.6%) industries. In the non-manufacturing sector, the industries with the highest proportions include the communication/software (74.5%) and finance/insurance (65.4%) industries. Meanwhile, about 70% of firms in the wood/pulp industry responded that they intend to “remain the same” and, 16.6% of firms in the industry responded that they intend to “downsize” or “relocate to a third country/region or withdraw,” which is the highest among all the industries.
- The trend towards expansion for large firms exceeded that for SMEs. A gap of more than 10 points in the proportion of firms intending to expand existed between large firms and SMEs for both the 2011 and 2012 surveys.



# 2. Future Business Development (4)

## Countries/regions with high rates of expected business expansion in major industry categories

Note: Countries/regions for which n ≥ 10 when numbers of firms responding for each industry is n



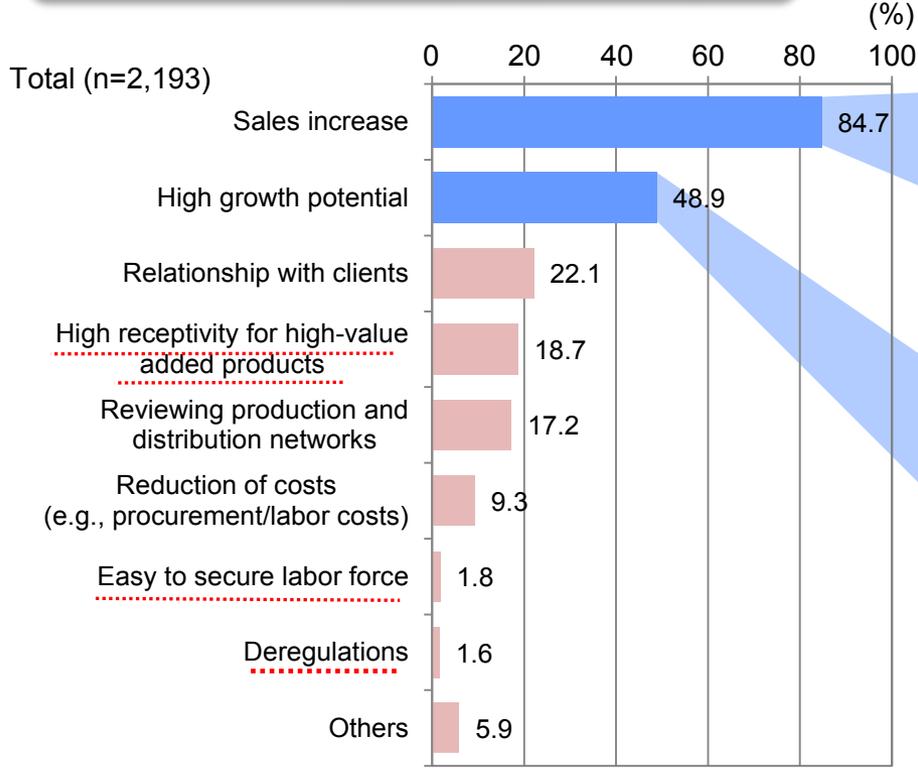
Note: Five industries in which the proportion of firms intend to “expand” is high and in which the numbers of firms responding in the top 3 countries/regions totaled more than 10 firms

- In terms of industries in which the proportion of firms intending to “expand” is high, among countries/regions with a high response rate, the proportion exceeded 90% in the “motor vehicles/motorcycles” industry in Indonesia. Indonesia recorded the greatest motor vehicle sales in ASEAN in 2011, with an active domestic market facilitating further business expansion.
- For the food and wholesale/retail industries, in addition to India and China, ASEAN countries with large markets, such as Indonesia and Vietnam, were high on the list.

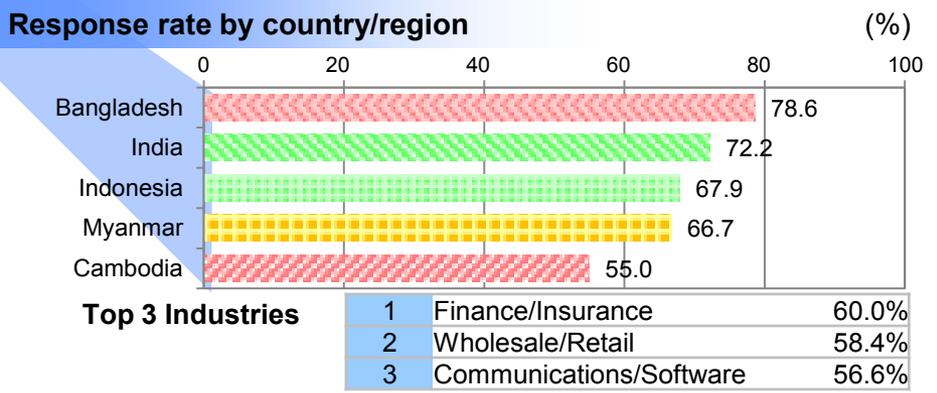
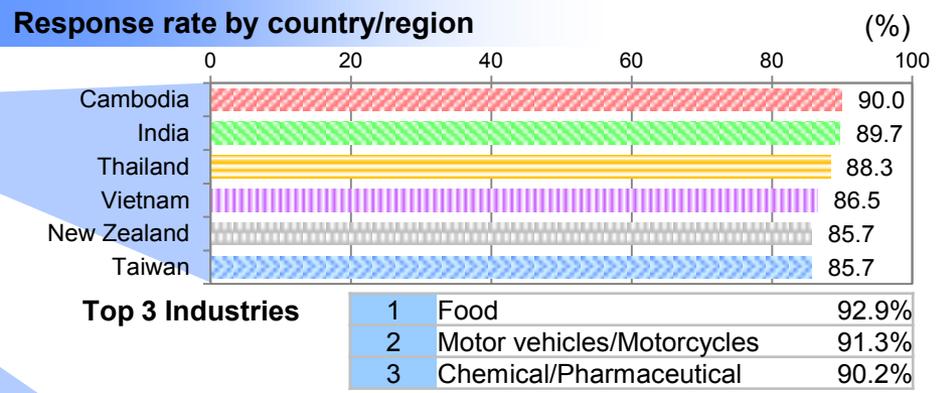


# 2. Future Business Development (5)

**Reasons for expected business expansion in the next 1-2 years (multiple answer)**



Note: Industry categories for which n≥10



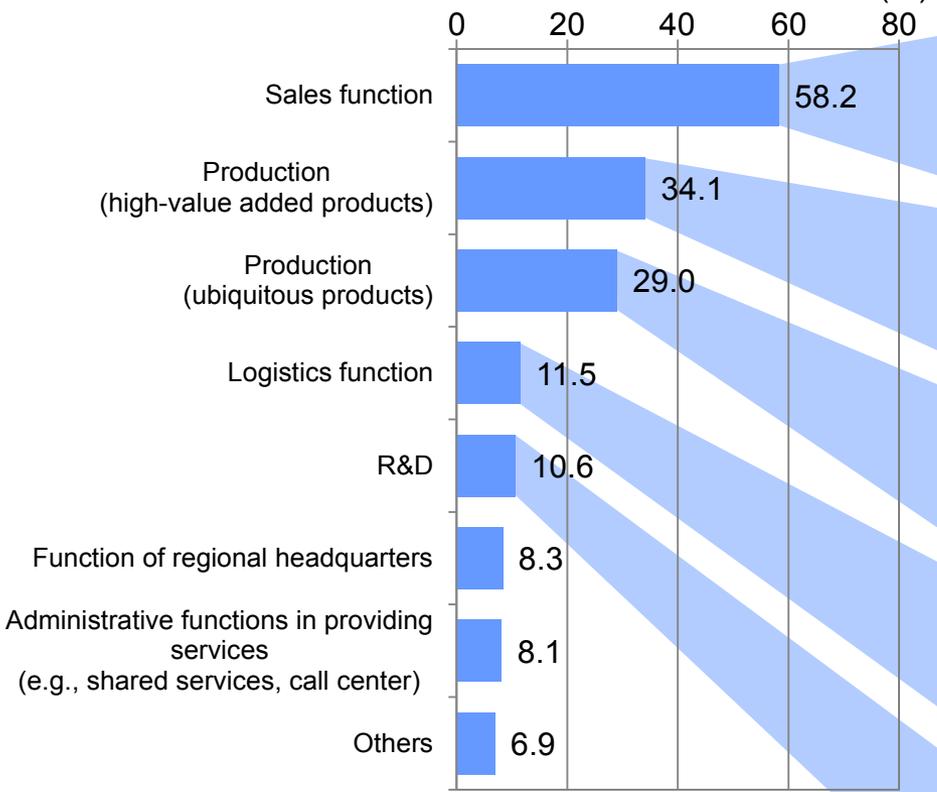
- The most commonly cited reason for business “expansion” was a “sales increase,” at 84.7%, followed by “high growth potential,” at 48.9%.
- Countries/regions in which the proportion of firms cited a “sales increase” as a major reason included Cambodia (90.0%), India (89.7%) and Thailand (88.3%). In contrast, the same proportion was relatively low in Laos (62.5%) and Myanmar (66.7%). By industry, the food industry (92.9%), the motor vehicles/motorcycles industry (91.3%) and the chemical/pharmaceutical industry (90.2%) had high response rates, all exceeding 90%.
- The top five countries/regions in which the proportion of firms cited “high growth potential” as a major reason were countries in southwest Asia and ASEAN, including Bangladesh (78.6%), India (72.2%) and Indonesia (67.9%). By industry, non-manufacturing sectors such as the finance/insurance industry (60.0%), the wholesale/retail industry (58.4%) and the communications/software industry (56.6%) ranked high.
- The proportion of firms responding “high receptivity for high-value added products” was high in Taiwan (30.4%), Korea (26.9%) and Malaysia (26.5%). Meanwhile, the proportion of firms responding “deregulations” was highest in Myanmar (26.7%), and “easy to secure labor force” was highest in the Philippines (16.4%).



# 2. Future Business Development (6)

## Functions to expand (multiple answer)

(n=2,142)



## Proportion of answers by country/region and industry category (rank order)

Country/region		Industry category	
	%		%
New Zealand (n=35)	80.0	Wholesale/Retail (n=493)	88.6
Taiwan (n=57)	77.2	Finance/Insurance (n=67)	76.1
HK & Macau (n=66)	75.8	Food (n=79)	70.9
Malaysia (n=106)	50.0	Iron/Nonferrous metals/Metals (n=126)	62.7
Thailand (n=455)	43.5	Textiles (n=49)	59.2
Vietnam (n=161)	38.5	Chemical/Pharmaceutical (n=171)	57.3
Bangladesh (n=27)	51.9	Rubber/Leather (n=22)	63.6
Vietnam (n=161)	44.7	Motor vehicles/Motorcycles (n=242)	61.6
Indonesia (n=130)	36.2	Textiles (n=49)	51.0
New Zealand (n=35)	20.0	Transport (n=101)	79.2
HK & Macau (n=66)	15.2	Wholesale/Retail (n=493)	19.7
Indonesia (n=130)	14.6	Food (n=79)	11.4
New Zealand (n=35)	17.1	Food (n=79)	30.4
Taiwan (n=57)	15.8	Communications/Software (n=72)	25.0
China (n=66)	15.1	Chemical/Pharmaceutical (n=171)	19.3

- Approximately 60% of firms who intend to expand business replied “sales capability” to the multiple-answer question on what capabilities they would expand.
- The second most common answer was “production,” in which the proportion of firms intending to expand production of high-value-added products (34.1%) exceeded that of ubiquitous products (29.0%).
- Over 10% of firms responded that they would expand the “logistics capability” and “R&D.”

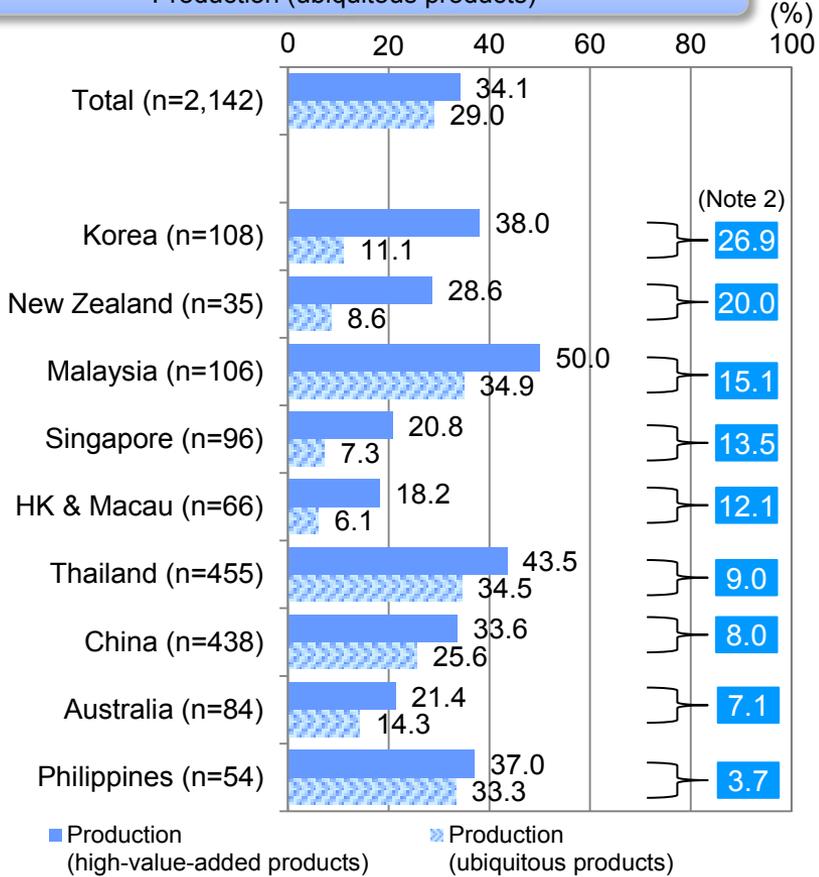
Note: Countries/regions and industry categories for which n≥20



# 2. Future Business Development (7)

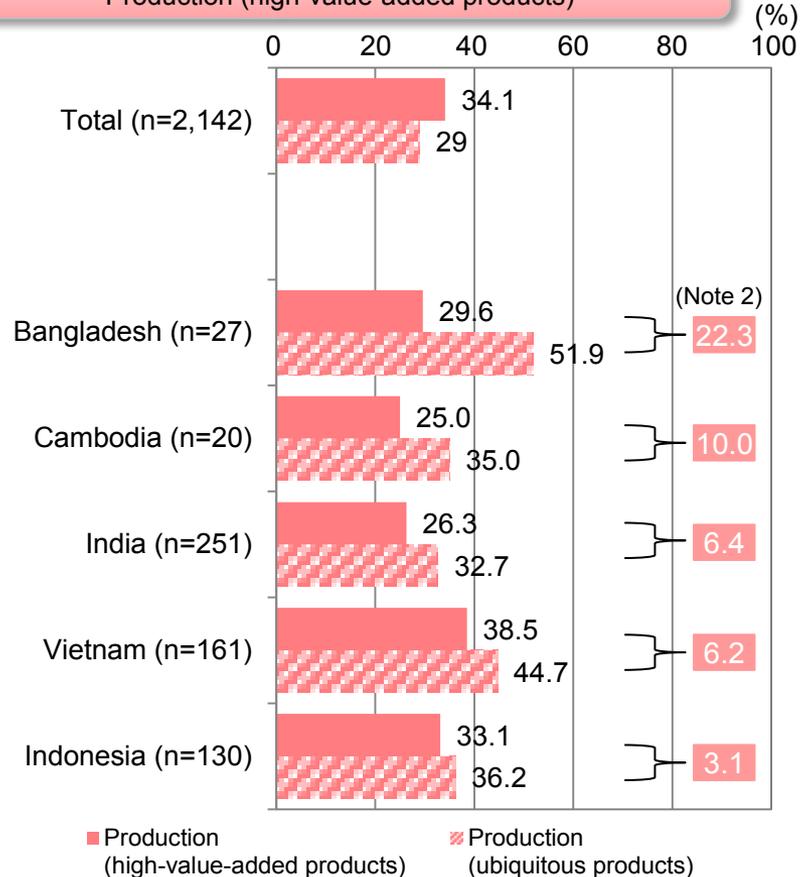
## Functions to expand (multiple answer)

Countries/regions for Production (high-value-added products) > Production (ubiquitous products)



Note 1: Countries/regions for which n ≥ 20  
 Note 2: Differences in response rate between "Production (high-value added products)" and "Production (ubiquitous products)"

Countries/regions for Production (ubiquitous products) > Production (high-value-added products)

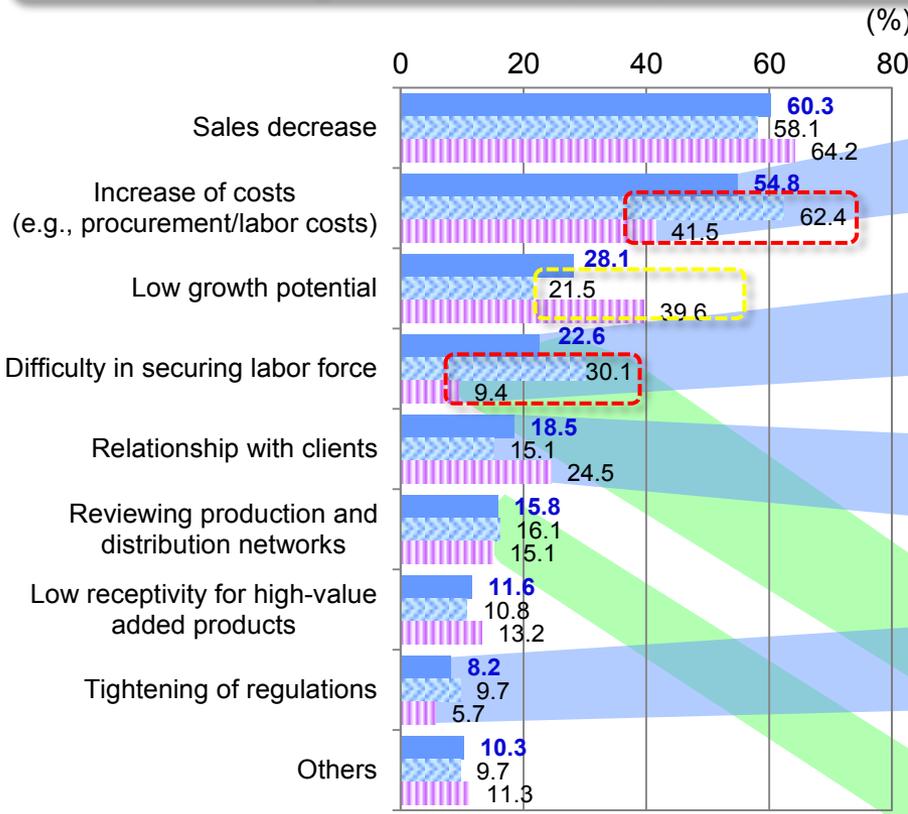


- Countries/regions in which the proportion of firms intending to "expand production of high-value-added products" exceeded the proportion of firms intending to "expand production of ubiquitous products" include Korea, New Zealand, Malaysia, Singapore, and Hong Kong & Macao. In Korea and New Zealand, the difference between the two was over 20 points.
- Conversely, the proportion of firms intending to "expand production of ubiquitous products" exceeded the proportion of firms intending to "expand production of high-value-added products" in Bangladesh, Cambodia, India, Vietnam and Indonesia. It is apparent that countries with relatively high income levels tend to focus on high-value-added products, while those with low income levels tend to focus on ubiquitous products.



# 2. Future Business Development (8)

## Reasons for downsizing, relocating or withdrawing of business (multiple answer)

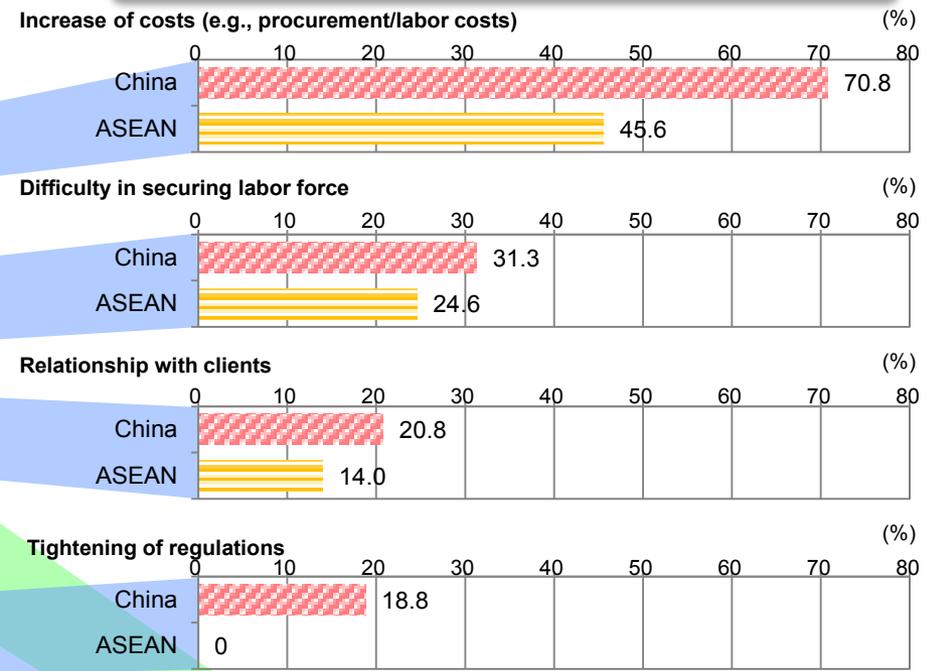


Total (n=146) ■ Total ■ Manufacturing ■ Non-manufacturing

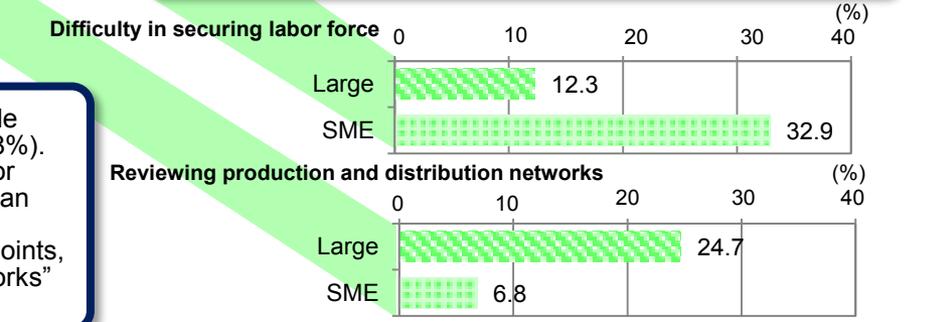
- The most common reasons for downsizing, relocating or withdrawing (multiple answer) were “sales decrease” (60.3%), followed by “increase of costs” (54.8%).
- Many more firms in China cited “increase of costs,” “difficulty in securing labor force,” “relationship with clients” and “tightening of regulations” as reasons than did firms in ASEAN.
- More SMEs cited “difficulty in securing labor force” than large firms by 20.6 points, while more large industries cited “reviewing production and distribution networks” than SMEs by 17.9 points.

■ China: n=48    ■ ASEAN: n= 57  
■ Large: n=73    ■ SME: n= 73

### Answers revealing differences between China and ASEAN (total)



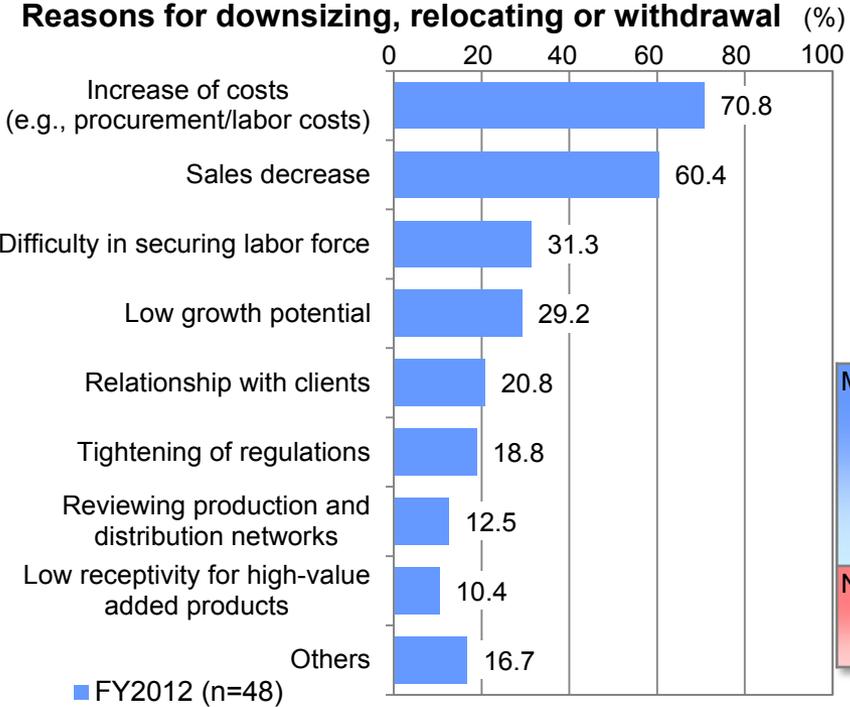
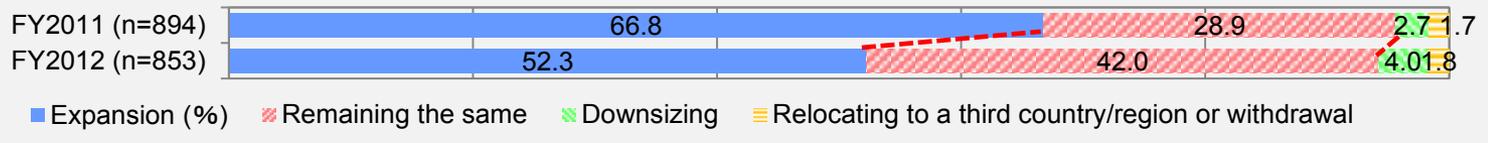
### Answers revealing differences between Large and SME (total)



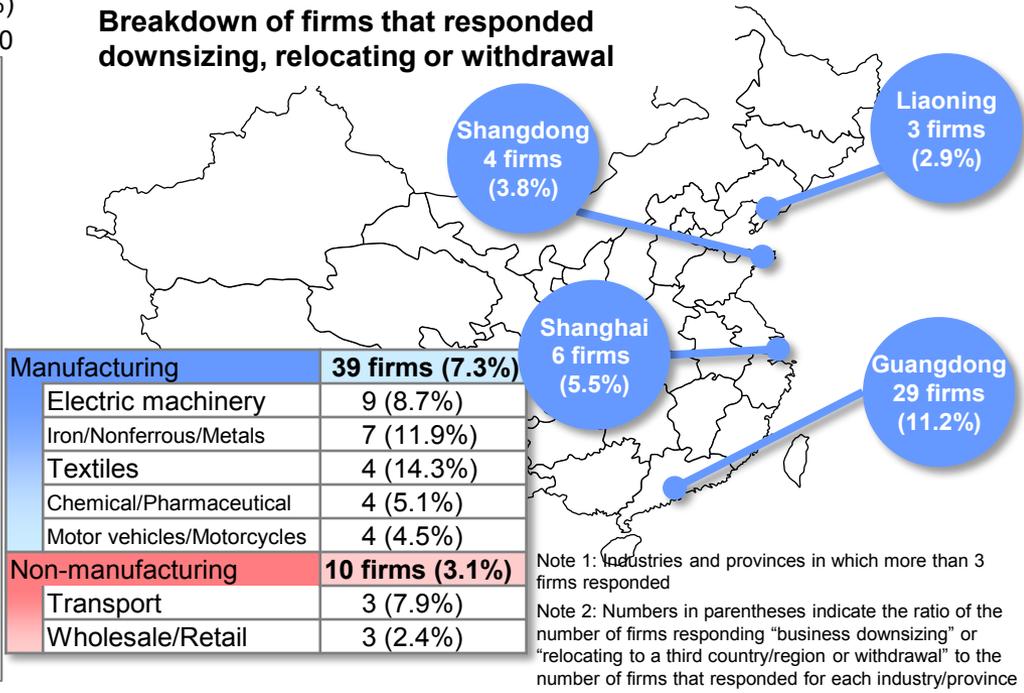


# 2. Future Business Development (9)

**Future business direction of Japanese affiliated companies in China in the next 1-2 years**



**Breakdown of firms that responded downsizing, relocating or withdrawal**



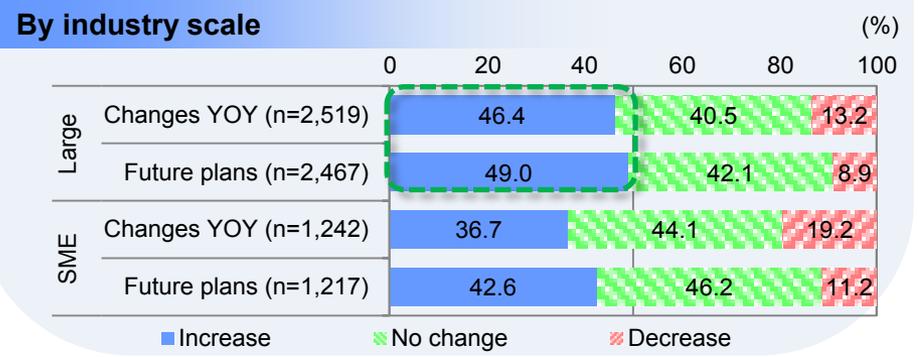
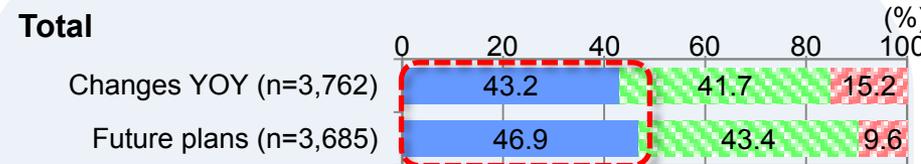
- 49 firms (composition ratio 5.7%) in China responded that they intend to "downsize" business (4.0%) or "relocate to a third country/region or withdraw from current markets" (1.8%), up only by 1.3 points from the previous year. Meanwhile, the proportion of firms citing "remaining the same" increased by 13.1 points to 42.0%.
- A large number of firms cited (multiple answer) "increase of costs" (70.8%) and "sales decrease" (60.4%) as reasons for business "downsizing" or "relocating" or withdrawal." Over 30% of firms cited "difficulty in securing labor force" as a reason.
- By industry, firms in manufacturing sectors (39 firms), including nine from the electric machinery industry and seven from the iron/nonferrous metals/metals industry, exceeded those in non-manufacturing sectors (10 firms). Among various industries, "downsizing" or "relocating or withdrawal" was most commonly cited by firms in the textile industry, four firms out of 28 (14.3%).



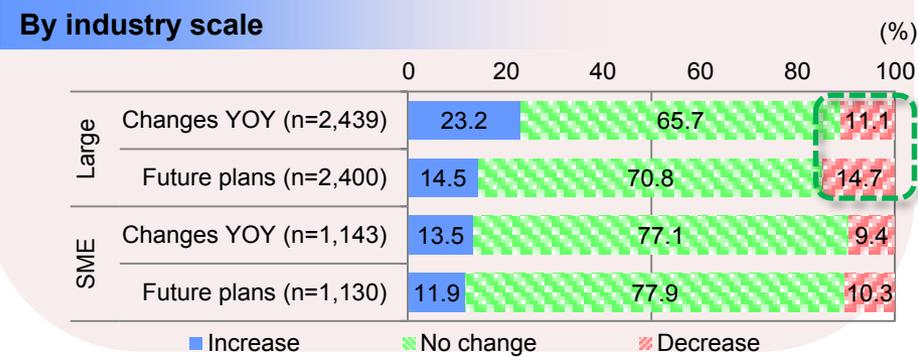
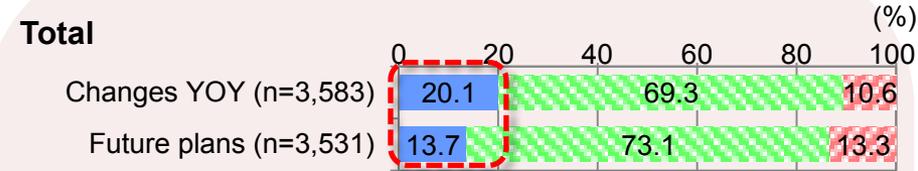
# 2. Future Business Development (10)

## Changes in the number of employees (Changes in a year-on-year comparison, future plans)

### Local employees



### Japanese expatriates



- 43.2% of firms responded that the number of local employees in their firm “increased” in the past year, and the same figure rose by 3.7 points to 46.9% in future plans.
- Meanwhile, approximately 70% of firms responded that the number of Japanese expatriates had and would have “no change” in the past year and in future plans. Only 20.1% of firms responded that the number “increased” in the past year, and this fell to 13.7% in future plans.

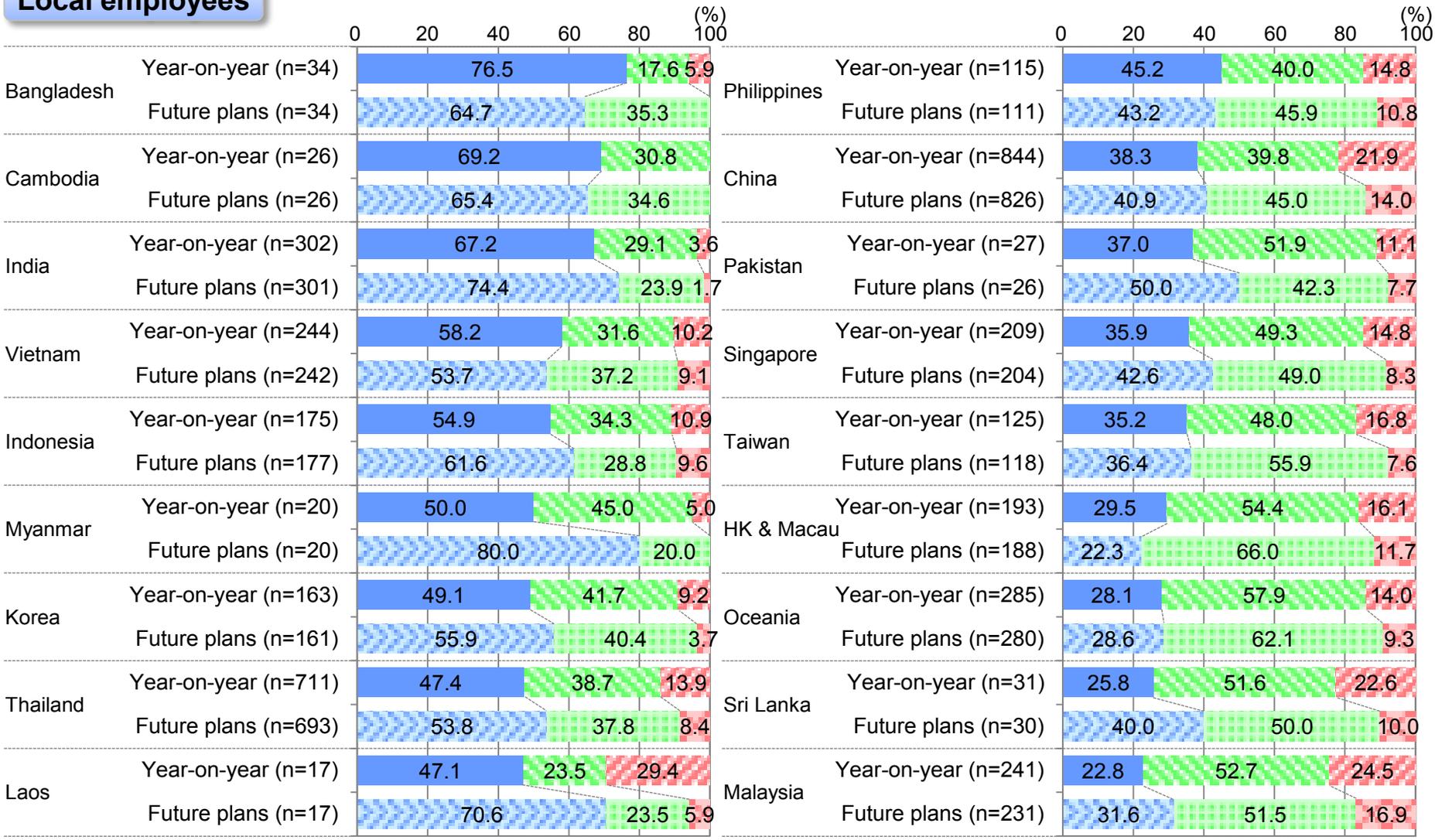


# 2. Future Business Development (11)

**Changes in the number of employees**  
 (Changes in a year-on-year comparison, future plans, by country/region)

- Increase
- No change
- Decrease

**Local employees**



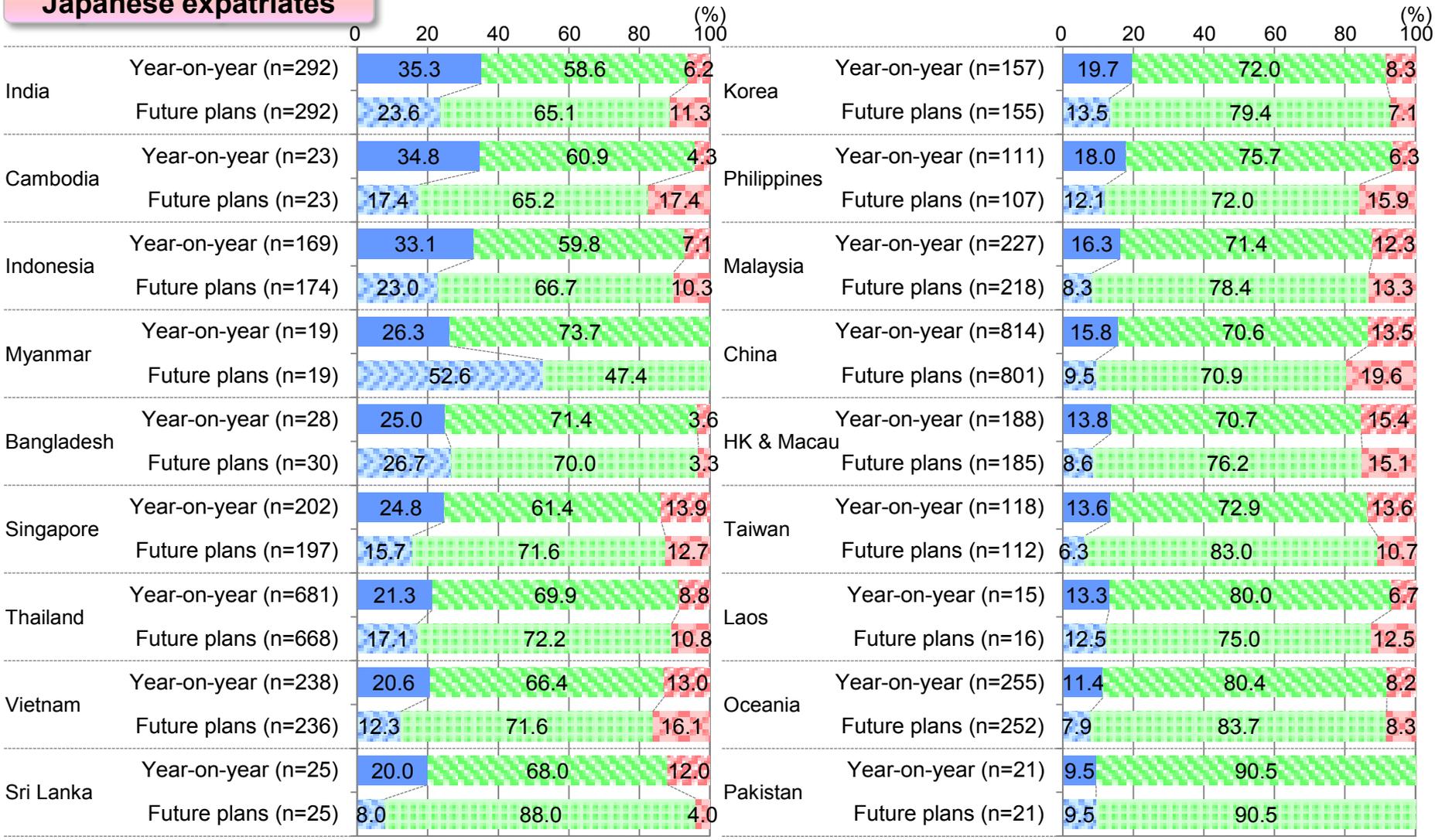


# 2. Future Business Development (12)

**Changes in the number of employees**  
 (Changes in a year-on-year comparison, future plans, by country/region)

- Increase
- No change
- Decrease

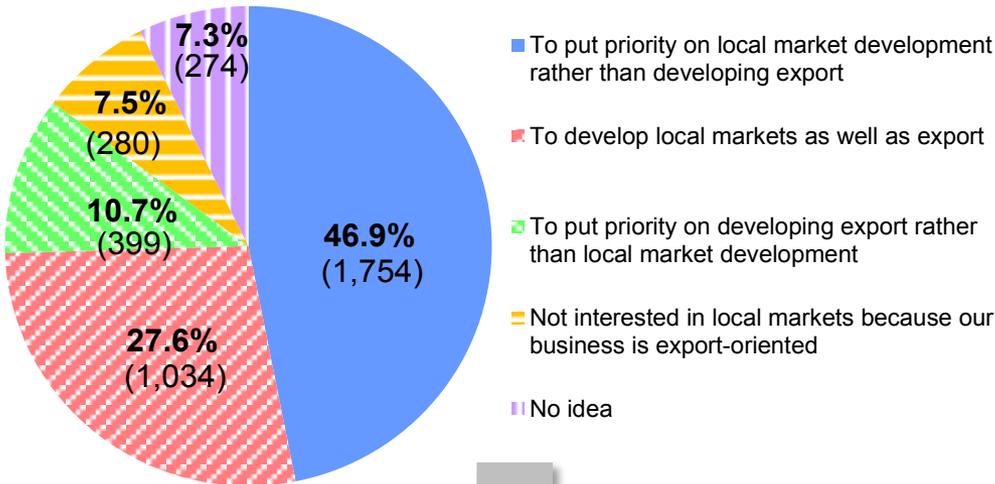
**Japanese expatriates**



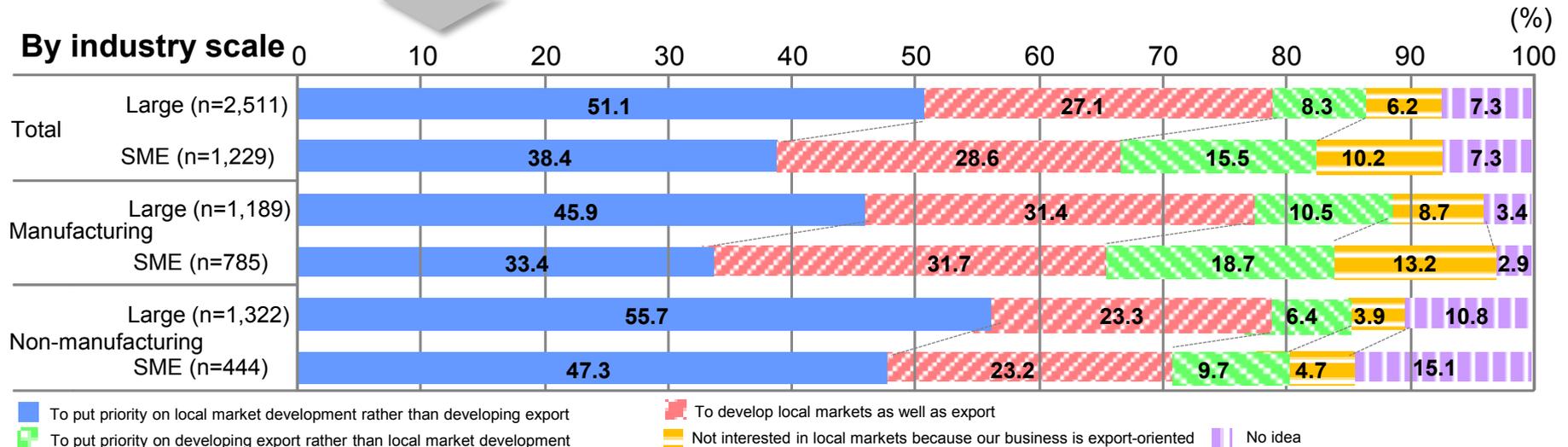
# 3. Challenges in Local Market Development (1)

## Future business strategies to develop local markets in target countries/regions (Total, by scale)

Total (n=3,741)



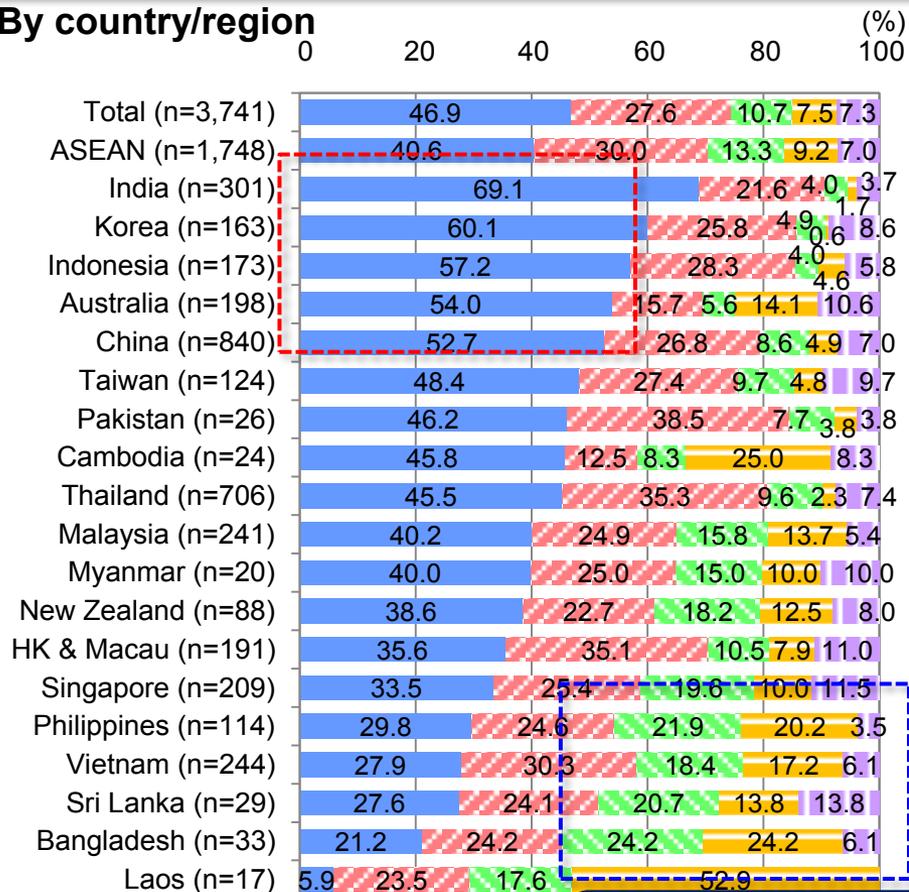
- The proportion of firms citing “to put priority on local market development rather than developing export” as future business strategies was 46.9% (1,754 firms), far exceeding the sum of the proportion of firms putting priority on developing export and export-oriented firms at 18.2% (679 firms). (Valid responses from 3,741 firms)
- In non-manufacturing sectors, industries running businesses for local markets and inside regions, such as the finance/insurance industry, the construction industry and the wholesale/retail industry, had high composition ratios, showing a stronger trend for local markets than in manufacturing sectors.
- The proportion of SMEs putting priority on local markets was lower than that of large firms in both manufacturing and non-manufacturing sectors. In contrast, SMEs were more export-oriented than large firms, and this tendency was stronger in manufacturing sectors.



# 3. Challenges in Local Market Development (2)

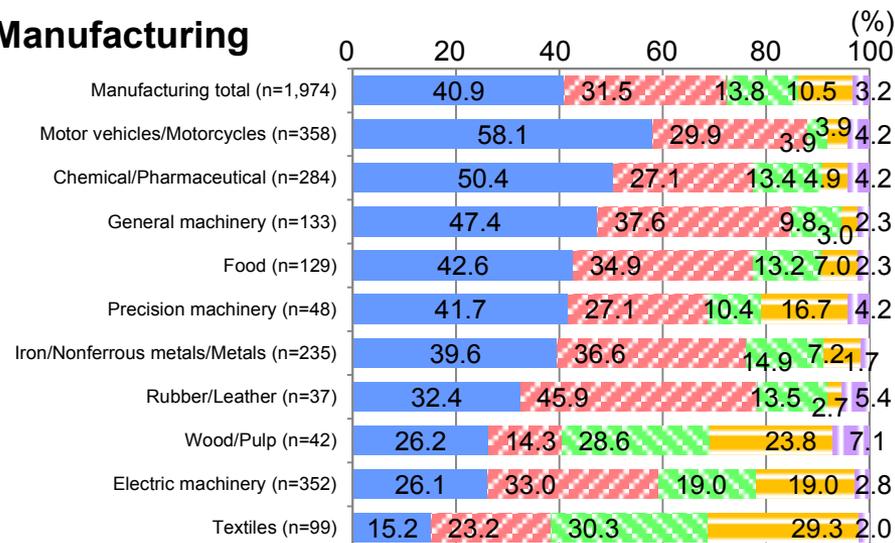
## Future business strategy to develop local markets in target countries/regions (by country/region, industry)

### By country/region

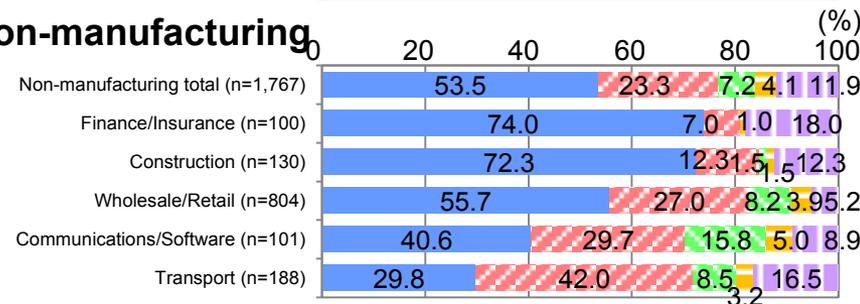


- To put priority on local market development rather than developing export
- To develop local markets as well as export
- To put priority on developing export rather than local market development
- Not interested in local markets because our business is export-oriented
- No idea

### Manufacturing



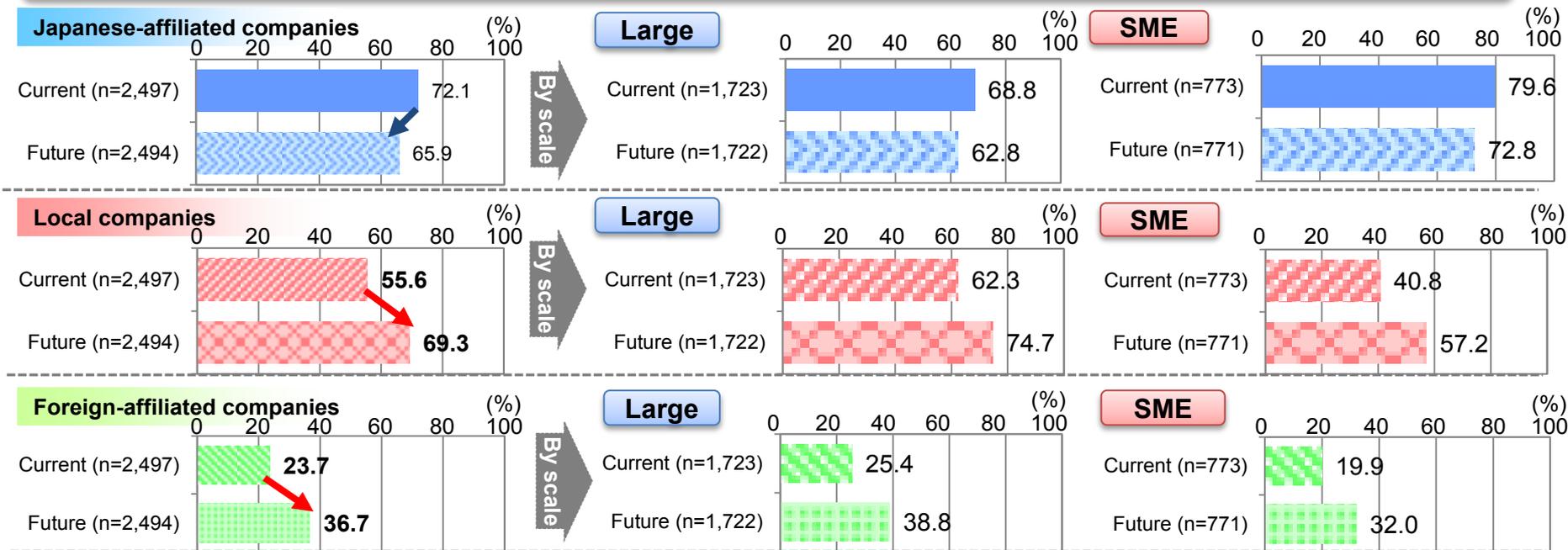
### Non-manufacturing



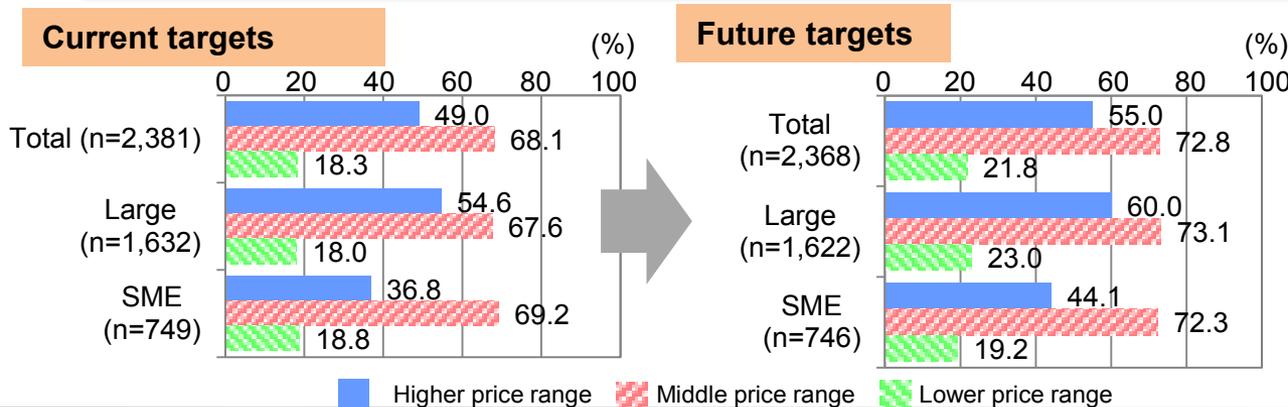
- In India, the proportion of firms citing “to put priority on local market development rather than developing export” was highest at approximately 70%. The proportion of firms putting priority on local market development was high, particularly in the electric machinery industry (87.5%) and the motor vehicles/motorcycles industry (76.8%), and was 75.2% overall in manufacturing sectors.
- In the Philippines, Vietnam, Sri Lanka, Bangladesh and Laos, the proportions of firms putting priority on developing export and of export-oriented firms were relatively high. Particularly in manufacturing sectors, the sum of firms putting priority on developing export and of export-oriented firms was over 70% in Bangladesh and over 90% in Laos.

# 3. Challenges in Local Market Development (3)

## <Corporate customers> Target segment in local market development (multiple answer, by industry scale)



## <Corporate customers> Target price range in local market development (multiple answer, by industry scale)

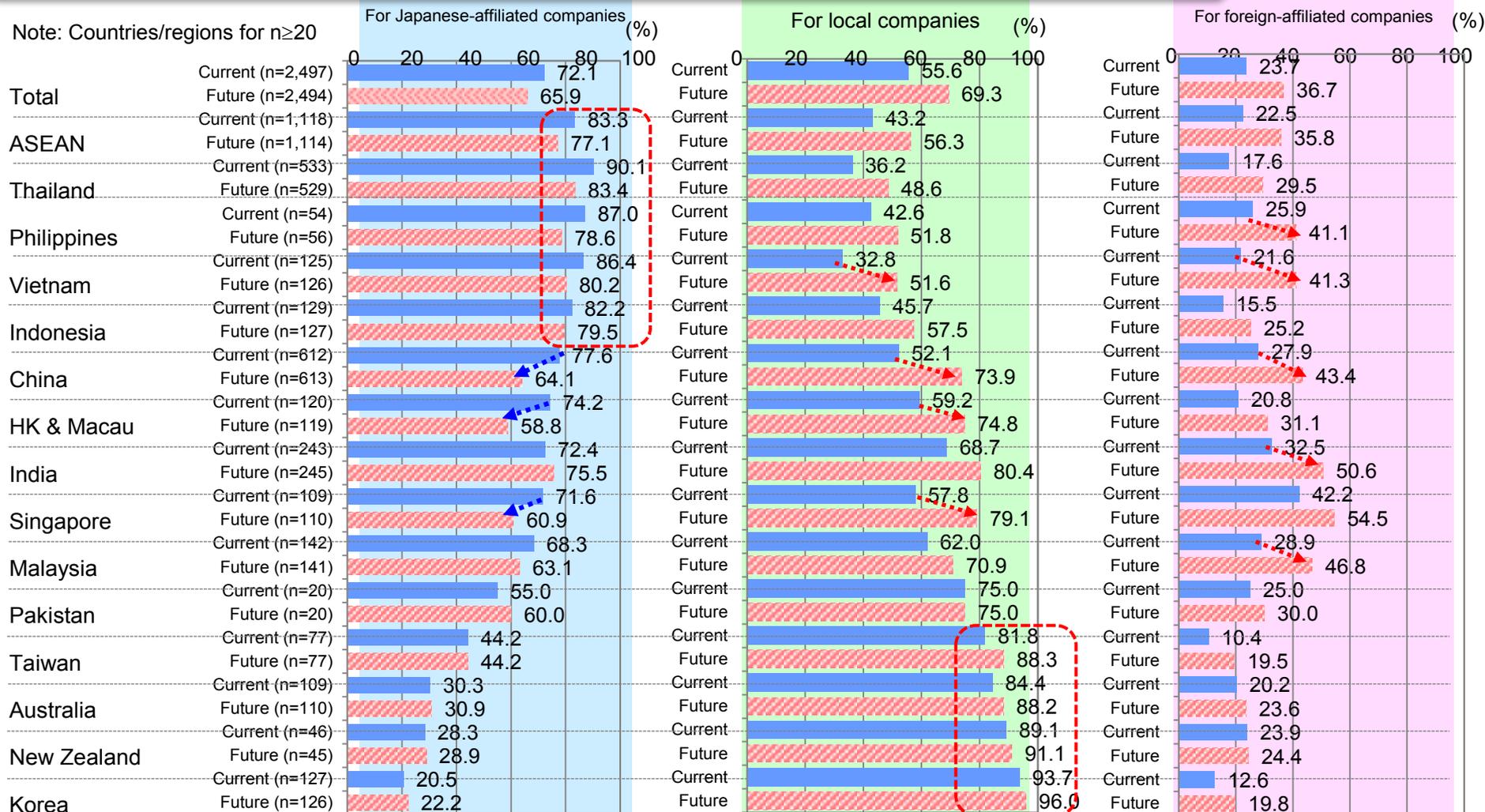


- In terms of current targets (corporate customers) in local markets, the most common response was “Japanese-affiliated companies,” exceeding 70%. However, the proportion of firms citing “local companies” as future targets increased, a reverse of the figures for Japanese-affiliated companies.
- The proportion of large firms targeting “local companies” and “foreign-affiliated companies” was greater than that of SMEs. Meanwhile, the motivation of SMEs to expand business for both targets increased enormously for the future.
- As to price ranges, “middle price range” was the most commonly cited for both current and future targets.

# 3. Challenges in Local Market Development (4)

## <Corporate customer> Target segment in local market development (multiple answer, by country/region)

▲ Increased by 15 points or more  
 ▼ Decreased by 10 points or more

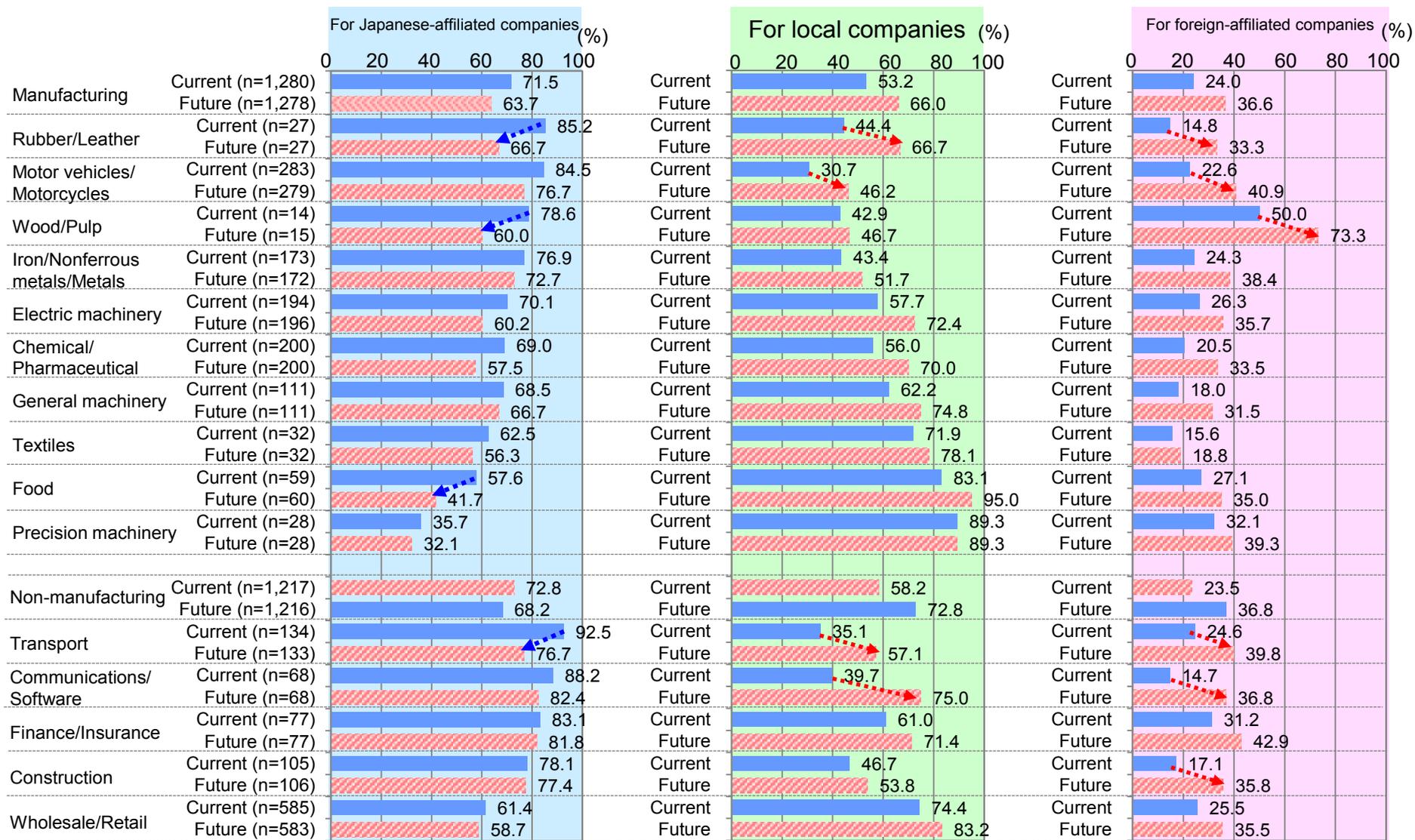


- The proportion of firms targeting Japanese-affiliated companies decreased in ASEAN and China. In particular, a greater decline was observed in China and Hong Kong & Macao.
- When comparing current and future targets, the proportion of firms targeting local companies increased by more than 20 points in China and Singapore, and by more than 15 points in Vietnam and Hong Kong and Macao.
- When comparing current and future targets, the proportion of firms targeting foreign-affiliated companies increased by more than 15 points in the Philippines, Vietnam, China, India and Malaysia.

# 3. Challenges in Local Market Development (5)

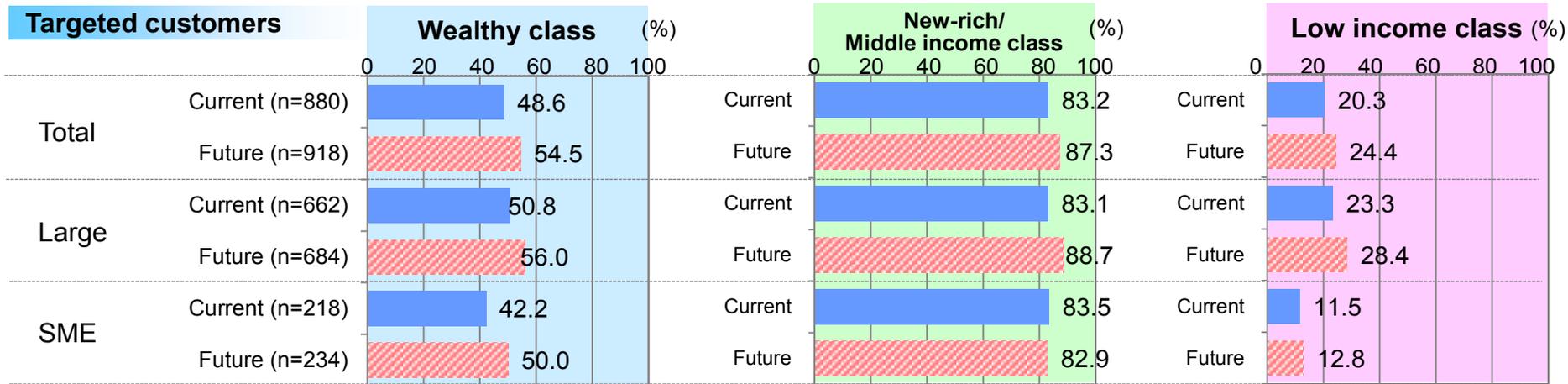
<Corporate customer> Target segment in local market development (multiple answer, by industry)

▶ Increased by 15 points or more  
▶ Decreased by 15 points or more



# 3. Challenges in Local Market Development (6)

**<Individual customer> Target segment in local market development**  
(multiple answer, by industry scale)



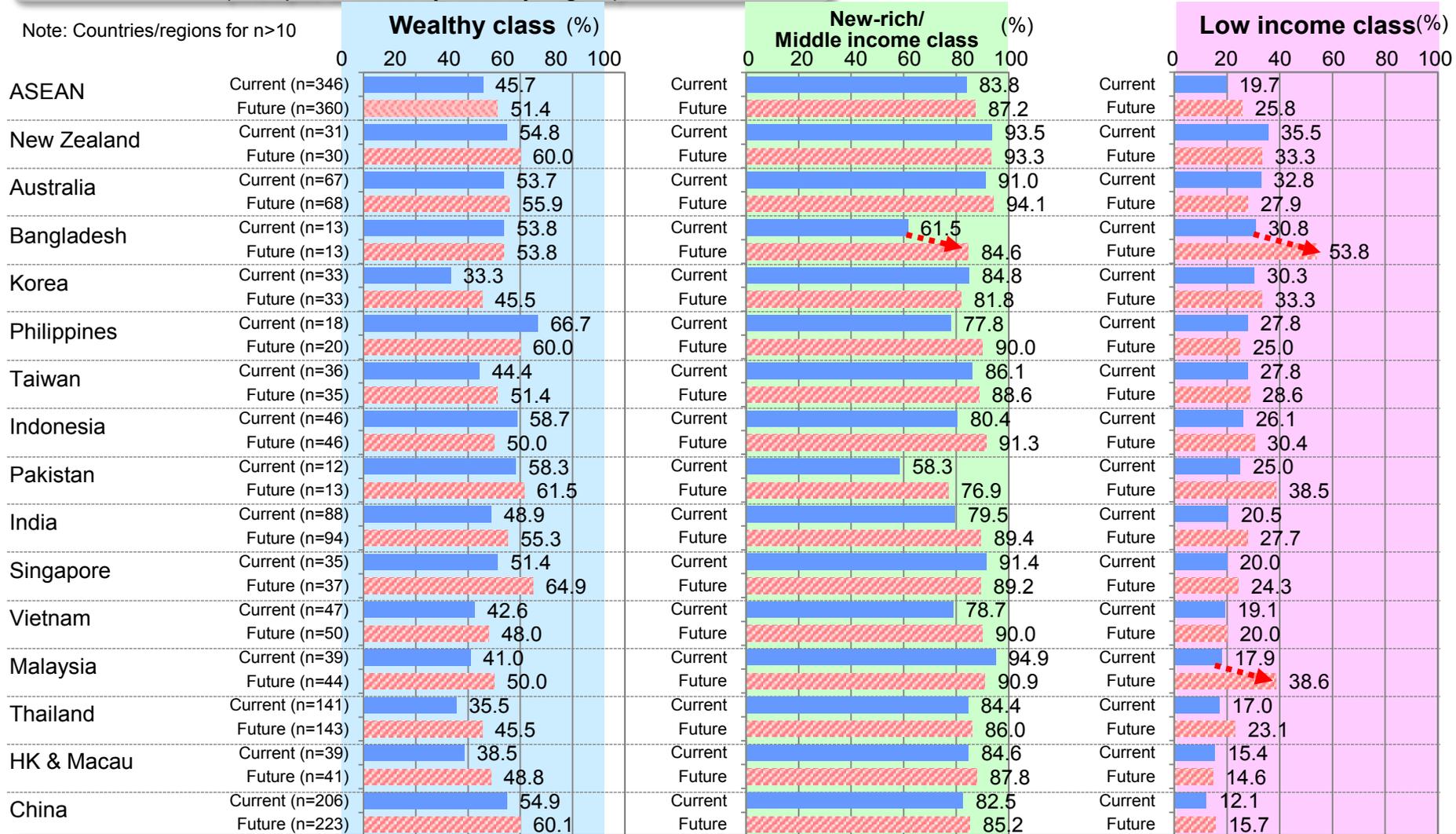
- Over 80% of firms responded that they targeted “new-rich/middle income class” as current and future targets. The proportion of firms citing “wealthy class” as future targets showed a great increase. In particular, the proportion of SMEs targeting “wealthy class” increased by 7.8 points when comparing current targets with future ones. At the same time, there is a tendency for large firms to expand their sales to the low income class.
- Concerning the targeting price range, “middle price range” was the most commonly cited. However, in a change from current targets to future ones, a strong tendency to strengthen “higher price range” was observed both at large firms and SMEs.

# 3. Challenges in Local Market Development (7)

**<Individual customer> Target segment in local market development**  
(multiple answer, by country/region)

..... Increased by 20 points or more

Note: Countries/regions for n>10



- Countries with relatively high-income consumers, including Korea, Singapore, and Hong Kong & Macao, tend to further expand their sales to the “wealthy class.”
- The proportion of firms targeting “new-rich/middle income class” and “low income class” in Bangladesh and the proportion of firms targeting “low income class” in Malaysia both marked over a 20-point increase.

# 3. Challenges in Local Market Development (8)

Competitors at this time (multiple answer; up to 3), competitors' competitive edge (multiple answer), by country/region

Note: Countries/regions for n≥10

## Countries/regions where "Local companies" was chosen as the top competitor (%)

Korea			
Competitor in local market (n=139)		Rivals' competitive edge (n=140)	
1	Local companies	76.3	1 Price/Cost competitiveness 79.3
2	Japanese affiliated-companies	41.0	2 Quality 36.4
3	European companies	28.8	3 Powerful corporate brand name 30.0

China			
Competitor in local market (n=665)		Rivals' competitive edge (n=661)	
1	Local companies	72.8	1 Price/Cost competitiveness 80.8
2	Japanese affiliated-companies	60.9	2 Quality 31.6
3	European companies	20.0	3 Ties/linkages with local governments 28.4

Taiwan			
Competitor in local market (n=93)		Rivals' competitive edge (n=93)	
1	Local companies	66.7	1 Price/Cost competitiveness 80.6
2	Japanese affiliated-companies	51.6	2 Powerful corporate brand name 36.6
3	Chinese companies	26.9	3 Quality 28.0

India			
Competitor in local market (n=273)		Rivals' competitive edge (n=273)	
1	Local companies	66.3	1 Price/Cost competitiveness 85.0
2	Japanese affiliated-companies	48.4	2 Powerful corporate brand name 38.8
3	European companies	38.5	3 Distribution network 25.6

Malaysia			
Competitor in local market (n=153)		Rivals' competitive edge (n=155)	
1	Local companies	60.8	1 Price/Cost competitiveness 91.0
2	Japanese affiliated-companies	52.3	2 Quality 26.5
3	Chinese companies	35.3	3 Powerful corporate brand name 25.2

Bangladesh			
Competitor in local market (n=15)		Rivals' competitive edge (n=15)	
1	Local companies	60.0	1 Price/Cost competitiveness 73.3
2	Chinese companies	33.3	2 Quality 26.7
3	Korean companies	26.7	2 Advertising 26.7
		2	Distribution network 26.7

Cambodia			
Competitor in local market (n=14)		Rivals' competitive edge (n=12)	
1	Local companies	57.1	1 Price/Cost competitiveness 66.7
2	Japanese affiliated-companies	21.4	2 Powerful corporate brand name 41.7
2	Korean companies	21.4	2 Distribution network 41.7
		2	Ties/linkages with local governments 41.7

Pakistan			
Competitor in local market (n=22)		Rivals' competitive edge (n=21)	
1	Local companies	59.1	1 Price/Cost competitiveness 71.4
2	Chinese companies	54.5	2 Powerful corporate brand name 33.3
3	Japanese affiliated-companies	40.9	3 Distribution network 28.6

Australia			
Competitor in local market (n=137)		Rivals' competitive edge (n=136)	
1	Local companies	51.8	1 Price/Cost competitiveness 80.1
2	Japanese affiliated-companies	39.4	2 Powerful corporate brand name 57.4
3	European companies	32.1	3 Product/Service lineups 30.9
		3	Distribution network 30.9

Sri Lanka			
Competitor in local market (n=15)		Rivals' competitive edge (n=15)	
1	Local companies	40.0	1 Price/Cost competitiveness 86.7
1	Chinese companies	40.0	2 Quality 26.7
3	Japanese affiliated-companies	33.3	2 Ties/linkages with local governments 26.7

# 3. Challenges in Local Market Development (9)

Competitors at this time (multiple answer; up to 3), competitors' competitive edge (multiple answer), by country/region

Note: Countries/regions for n≥10

## Countries/regions where “Japanese affiliated-companies” was chosen as the top competitor (%)

Thailand					
Competitor in local market (n=566)			Rivals' competitive edge (n=566)		
1	Japanese affiliated-companies	71.6	1	Price/Cost competitiveness	86.0
2	Local companies	49.8	2	Quality	30.6
3	Chinese companies	27.4	3	Powerful corporate brand name	23.0

Vietnam					
Competitor in local market (n=140)			Rivals' competitive edge (n=137)		
1	Japanese affiliated-companies	58.6	1	Price/Cost competitiveness	78.8
2	Local companies	53.6	2	Quality	27.0
3	Taiwan companies	25.7	3	Powerful corporate brand name	19.0

Indonesia					
Competitor in local market (n=148)			Rivals' competitive edge (n=147)		
1	Japanese affiliated-companies	64.2	1	Price/Cost competitiveness	85.0
2	Local companies	48.0	2	Quality	27.9
3	Chinese companies	27.7	3	Powerful corporate brand name	23.1

Philippines					
Competitor in local market (n=62)			Rivals' competitive edge (n=62)		
1	Japanese affiliated-companies	58.1	1	Price/Cost competitiveness	80.6
2	Local companies	40.3	2	Quality	25.8
3	Korean companies	37.1	3	Powerful corporate brand name	24.2

Hong Kong & Macau					
Competitor in local market (n=133)			Rivals' competitive edge (n=133)		
1	Japanese affiliated-companies	58.6	1	Price/Cost competitiveness	80.5
2	Local companies	51.1	2	Powerful corporate brand name	34.6
3	Chinese companies	45.9	3	Distribution network	30.1

Singapore					
Competitor in local market (n=115)			Rivals' competitive edge (n=122)		
1	Japanese affiliated-companies	57.4	1	Price/Cost competitiveness	84.4
2	Local companies	49.6	2	Powerful corporate brand name	24.2
3	Chinese companies	30.4	3	Quality	26.2

New Zealand					
Competitor in local market (n=54)			Rivals' competitive edge (n=54)		
1	Japanese affiliated-companies	42.6	1	Price/Cost competitiveness	74.1
2	Local companies	38.9	2	Powerful corporate brand name	53.7
3	Korean companies	29.6	3	Advertising	25.9

## Other countries/region (%)

Myanmar					
Competitor in local market (n=13)			Rivals' competitive edge (n=13)		
1	Korean companies	69.2	1	Price/Cost competitiveness	69.2
2	Local companies	61.5	2	Powerful corporate brand name	30.8
3	Japanese affiliated-companies	53.8	2	A swift decision-making process in management	30.8

# 3. Challenges in Local Market Development (10)

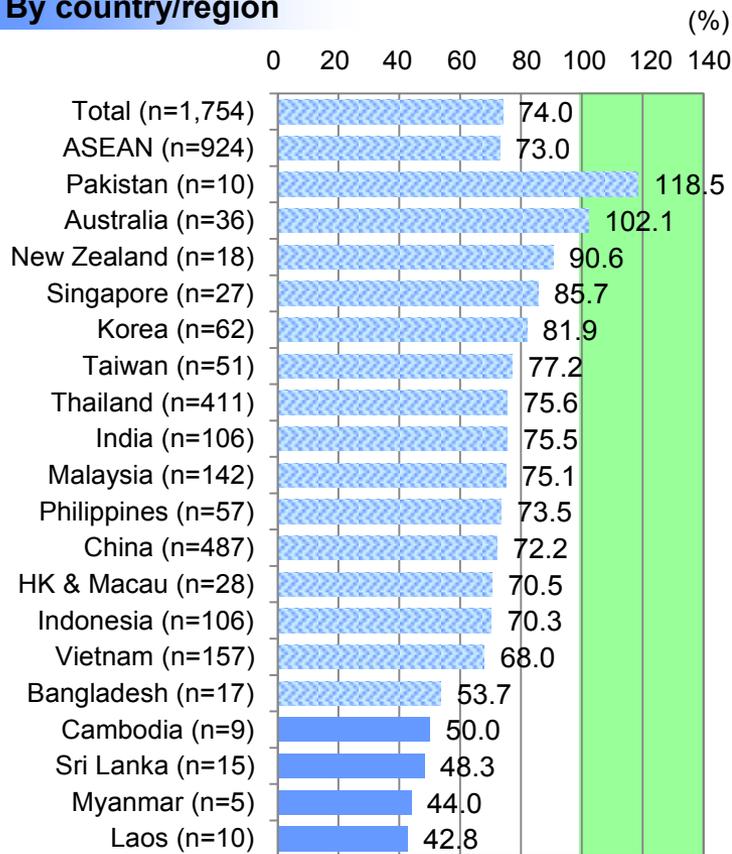
Immediate issues when expanding business to local markets (multiple answer, by country/region)

Country/region	Manufacturing <small>Note: Countries/regions for n≥20</small>				Non-manufacturing <small>Note: Countries/regions for n≥20</small>			
	Valid response	1st	2nd	3rd	Valid response	1st	2nd	3rd
<b>Total</b>	1,422	Product differentiation through quality/high added-value (66.7%)	To secure and train human resources (48.2%)	Cutting price (40.7%)	1,348	Product differentiation through quality/high added-value (62.2%)	To secure and train human resources (57.6%)	To strengthen brand awareness (37.9%)
<b>China</b>	405	Product differentiation through quality/high added-value (66.2%)	To secure and train human resources (49.9%)	Cutting price (46.9%)	258	To secure and train human resources (63.6%)	Product differentiation through quality/high added-value (62.4%)	To strengthen brand awareness (38.8%)
<b>Thailand</b>	349	Product differentiation through quality/high added-value (74.5%)	To secure and train human resources (48.7%)	Cutting price (36.7%)	218	To secure and train human resources (64.7%)	Product differentiation through quality/high added-value (58.3%)	To strengthen brand awareness (30.7%) Diversification of products/services (30.7%)
<b>India</b>	136	Product differentiation through quality/high added-value (62.5%)	To secure and train human resources (48.5%)	Cutting price (45.6%)	137	To secure and train human resources (60.6%)	Product differentiation through quality/high added-value (59.9%)	Cutting price (39.4%)
<b>Indonesia</b>	94	Product differentiation through quality/high added-value (67.0%)	To secure and train human resources (61.7%)	To promote efficiency of procurement (45.7%)	53	To secure and train human resources (75.5%)	Product differentiation through quality/high added-value (62.3%)	To improve channels to provide services/maintenance (37.7%)
<b>Malaysia</b>	91	Product differentiation through quality/high added-value (54.9%)	Cutting price (48.4%)	To secure and train human resources (42.9%)	65	Product differentiation through quality/high added-value (70.8%)	To secure and train human resources (47.7%)	To improve channels to provide services/maintenance (32.3%) Cutting price (32.3%) Diversification of products/services (32.3%)
<b>Vietnam</b>	87	Product differentiation through quality/high added-value (64.4%)	To secure and train human resources (52.9%)	To promote efficiency of procurement (36.8%)	54	Product differentiation through quality/high added-value (64.8%) To secure and train human resources (64.8%)		To strengthen brand awareness (40.7%)
<b>Korea</b>	67	Product differentiation through quality/high added-value (79.1%)	To secure and train human resources (50.7%)	To promote R&D (Product/Service development to customize for local markets) (35.8%)	73	Product differentiation through quality/high added-value (72.6%)	To secure and train human resources (52.1%)	To strengthen brand awareness (38.4%)
<b>Taiwan</b>	47	Product differentiation through quality/high added-value (70.2%)	Cutting price (48.9%) To secure and train human resources (48.9%)		46	Product differentiation through quality/high added-value (63.0%)	To secure and train human resources (47.8%)	To secure local partners (37.0%)
<b>Australia</b>	37	Product differentiation through quality/high added-value (62.2%)	To strengthen brand awareness (51.4%)	Cutting price (43.2%)	99	To strengthen brand awareness (59.6%)	Product differentiation through quality/high added-value (56.6%)	To secure and train human resources (46.5%)
<b>Philippines</b>	28	Cutting price (42.9%)	Product differentiation through quality/high added-value (39.3%)	To promote efficiency of procurement (35.7%) To enhance capability to handle customers' orders (35.7%)	33	Product differentiation through quality/high added-value (57.6%) To secure and train human resources (57.6%)		Cutting price (45.5%) To strengthen brand awareness (45.5%)
<b>HK &amp; Macau</b>	25	Product differentiation through quality/high added-value (60.4%)	To strengthen brand awareness (44.0%) Cutting price (44.0%)		107	Product differentiation through quality/high added-value (71.0%)	To secure and train human resources (54.2%)	To strengthen brand awareness (35.5%)
<b>Singapore</b>					112	Product differentiation through quality/high added-value (59.8%)	To secure and train human resources (53.6%)	To strengthen brand awareness (32.1%)
<b>New Zealand</b>					37	To strengthen brand awareness (64.9%)	Product differentiation through quality/high added-value (62.2%)	To establish new distribution channels, including agency (29.7%)

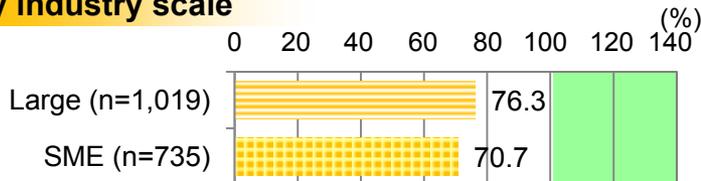
# 3. Challenges in Local Market Development (11)

[Manufacturing sectors only] Comparison of production costs between the Japan-made and the locally-produced (by country/region, and industry)

## By country/region

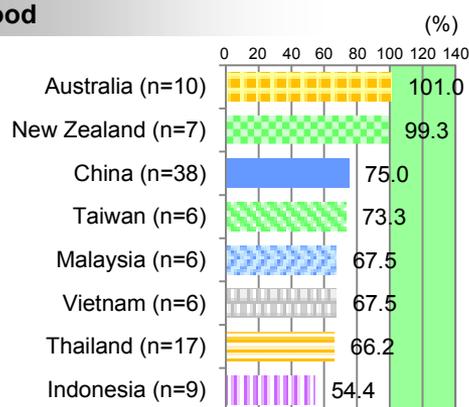


## By industry scale

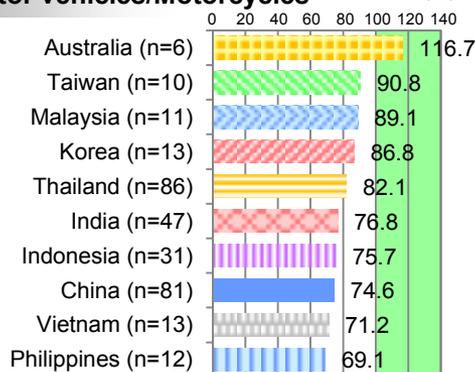


## Major industry by country/region

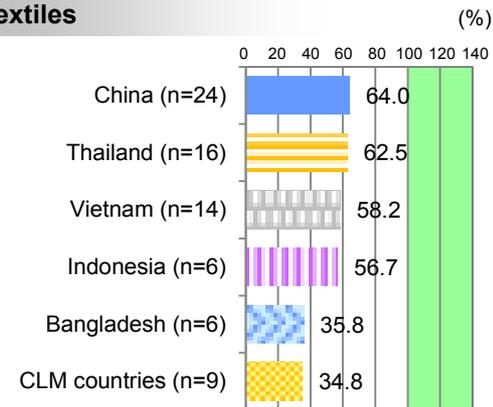
### Food



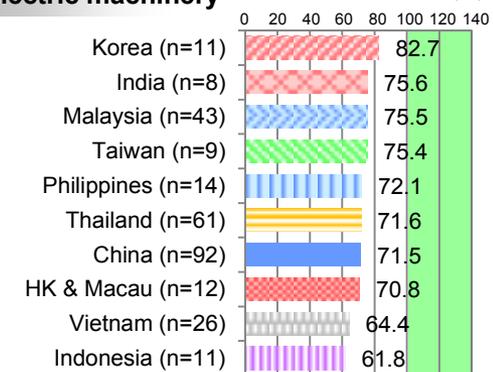
### Motor vehicles/Motorcycles



### Textiles



### Electric machinery



Note: Countries/regions for which n>5. n denotes the numbers of valid responses for each industry by country/region.

- When comparing production costs (average) of major products by country/region, in Pakistan and Australia, the production costs were higher than those of the same products made in Japan. In contrast, in Cambodia, Sri Lanka, Myanmar and Laos, the production costs were 50% or less those of the products made in Japan.
- By industry, local production costs were relatively low in the textile industry, at 40% below that in Japan in CLM countries and Bangladesh. In Indonesia and Vietnam, production costs were relatively low in the food, motor vehicles/motorcycles, and electric machinery industries.

# 4. Business Problems(1)

Problems common to all regions (top 10, multiple answer)

(%)

Answers	2012 (%)	2011 (%)	Change (points)	By industry		By scale	
				Manufacturing	Non-manufacturing	Large	SME
1 Wage increase	71.0	68.8	2.2	80.6	60.3	70.0	72.9
2 Competitors' market shares are growing (cost-wise competition)	53.0	52.0	1.0	55.3	50.5	54.9	49.3
3 Lack of employee performance/employee awareness among local staff	49.6	47.7	1.9	54.9	43.7	48.4	52.0
4 Increase in procurement costs	46.9	57.5	-10.6	46.9	-	47.1	46.4
5 Quality of employees	45.6	40.5	5.1	49.3	41.4	44.4	47.9
5 Difficulty in local procurement of materials/parts	45.6	39.4	6.3	45.6	-	46.2	44.6
7 No more room for cost-cutting	44.6	40.3	4.3	44.6	-	43.8	45.8
8 Major clients requesting lower prices	44.3	38.1	6.2	52.4	35.3	43.0	46.8
9 Difficulty in quality control	43.8	38.0	5.8	43.8	-	41.1	47.5
10 Difficulty in recruiting executive staff	41.8	39.1	2.7	42.9	40.6	41.6	42.1

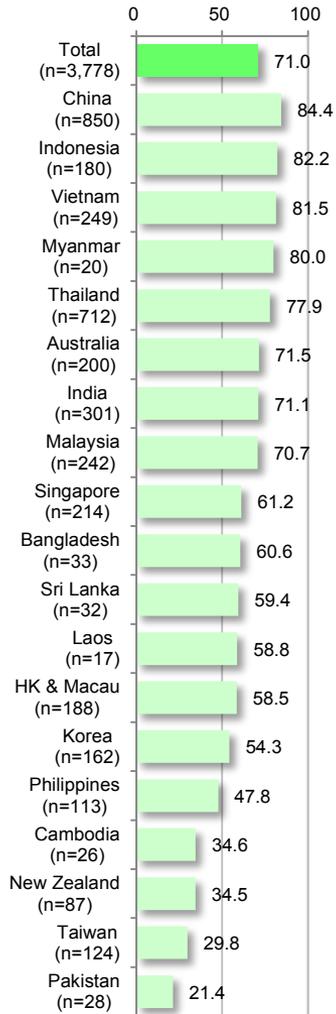
- The top answer under management matter was “wage increase” (71.0%), followed by “competitors’ market shares are growing (cost-wise competition)” (53.0%). The proportion of firms citing “wage increase” totaled for more than 80% in China (84.4%), Indonesia (82.2%), Vietnam (81.5%), and Myanmar (80.0%).
- The proportions of firms citing “wage increase,” “lack of employee performance/employee awareness among local staff,” “major clients requesting lower prices” were higher by 10 points or more in the manufacturing sector than in the non-manufacturing sector.
- Large firms and SMEs showed almost the same results, but 54.9% of large firms cited “competitors’ market shares are growing (cost-wise competition),” a larger number than SMEs (49.3%), while 47.5% of SMEs cited “difficulty in quality control” a larger number than large firms (41.1%). In both cases, the gap is greater than 5 points.

# 4. Business Problems(2)

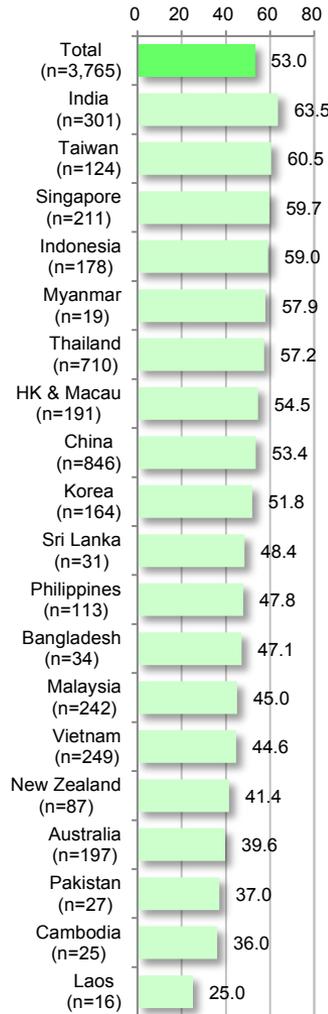
Problems common to all regions (top 10, multiple answer, response rate for each country/region)

(%)

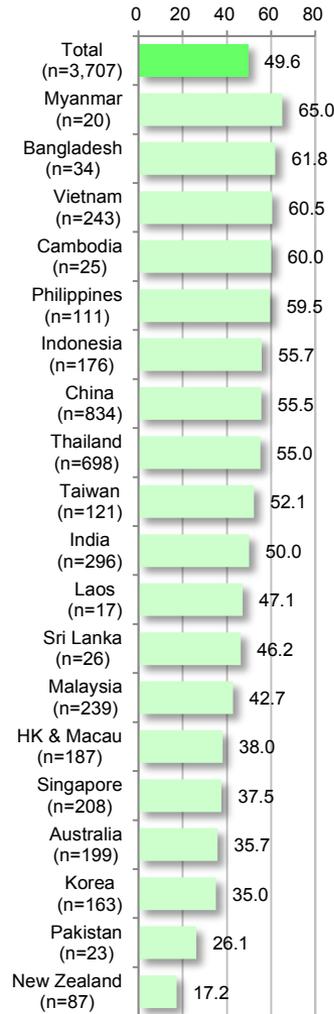
## Wage increase



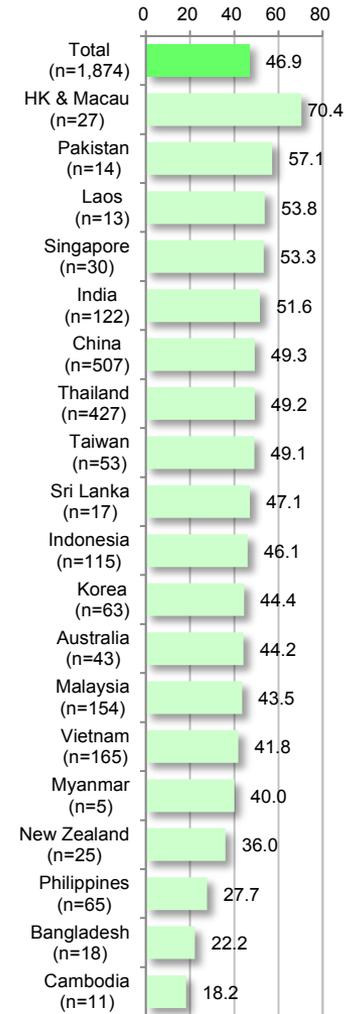
## Competitors' market shares are growing (cost-wise competition)



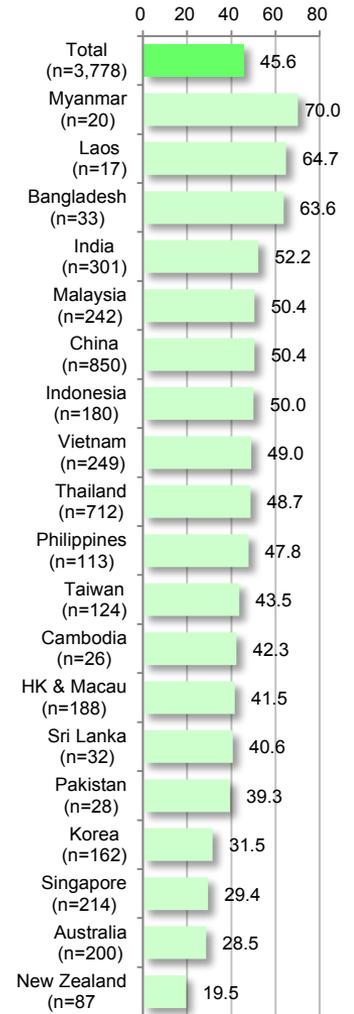
## Lack of employee performance/employee awareness among local staff



## Increase in procurement costs



## Quality of employees

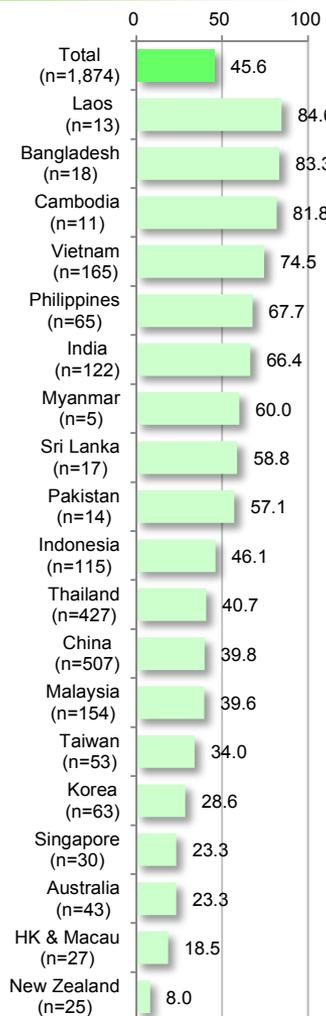


# 4. Business Problems(3)

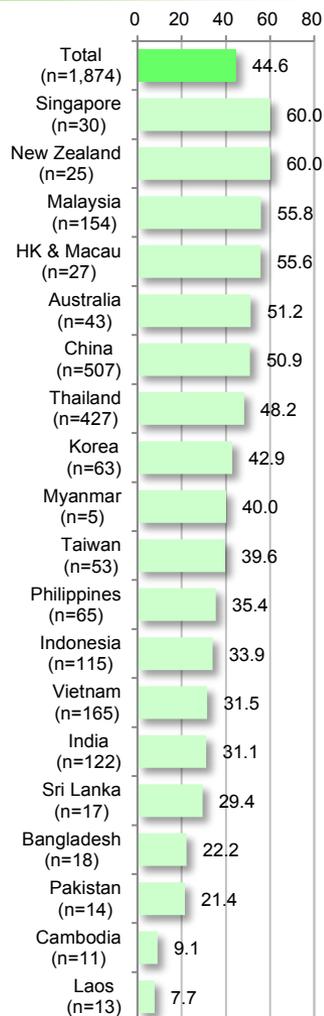
Problems common to all regions (top 10, multiple answer, response rate for each country/region)

(%)

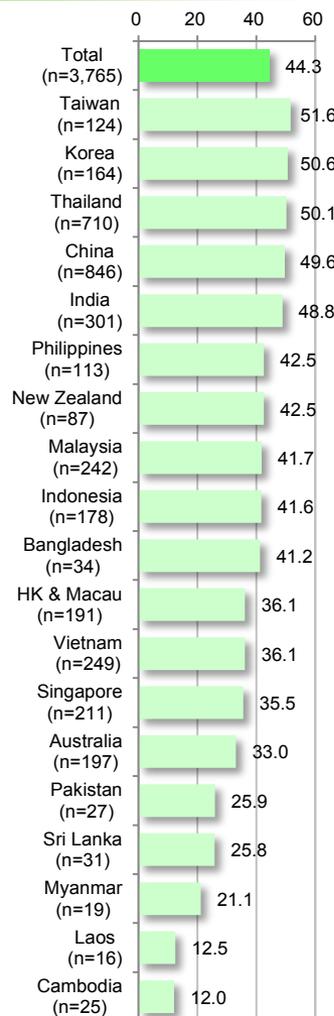
Difficulty in local procurement of materials/parts



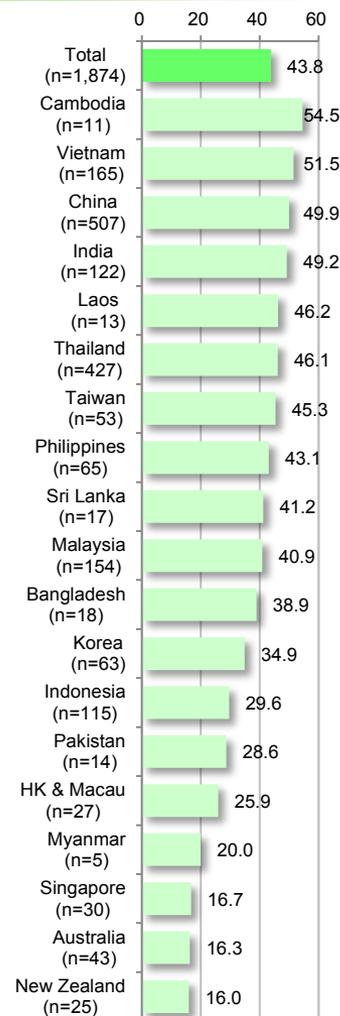
No more room for cost-cutting



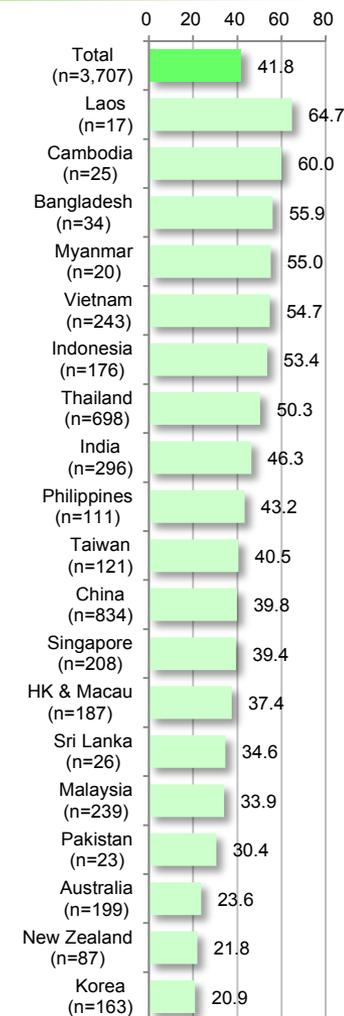
Major clients requesting lower prices



Difficulty in quality control



Difficulty in recruiting executive staff



# 4. Business Problems(4)

## Problems by country/region (top 5, multiple answer)

Singapore		(%)
1	Difficulty in recruiting general workers (Manufacturing only) (n=31)	61.3
2	Wage increase (n=214)	61.2
3	No more room for cost-cutting (n=30)	60.0
4	Competitors' market shares are growing (cost-wise competition) (n=211)	59.7
5	Increase in procurement costs (n=30)	53.3

Malaysia		(%)
1	Wage increase (n=242)	70.7
2	No more room for cost-cutting (n=154)	55.8
3	Quality of employees (n=242)	50.4
4	Competitors' market shares are growing (cost-wise competition) (n=242)	45.0
5	Increase in procurement costs (n=154)	43.5

Thailand		(%)
1	Wage increase (n=712)	77.9
2	Competitors market shares are growing (cost-wise competition) (n=710)	57.2
3	Lack of employee performance/employee awareness among local staff (n=698)	55.0
4	Difficulty in recruiting executive staff (n=698)	50.3
5	Major clients requesting lower prices (n=710)	50.1

Indonesia		(%)
1	Wage increase (n=180)	82.2
2	Competitors' market shares are growing (cost-wise competition) (n=178)	59.0
3	Lack of employee performance/employee awareness among local staff (n=176)	55.7
4	Difficulty in recruiting executive staff (n=176)	53.4
5	Difficulty in recruiting middle management staff (n=180)	51.1

Vietnam		(%)
1	Wage increase (n=249)	81.5
2	Difficulty in local procurement of raw materials and parts (n=165)	74.5
3	Lack of employee performance/employee awareness among local staff (n=243)	60.5
4	Difficulty in recruiting executive staff (n=243)	54.7
5	Complicated customs clearance procedures (n=243)	53.9

Philippines		(%)
1	Difficulty in local procurement of raw materials and parts (n=65)	67.7
2	Lack of employee performance/employee awareness among local staff (n=111)	59.5
3	Competitors market shares are growing (cost-wise competition) (n=113)	47.8
3	Wage increase (n=113)	47.8
3	Quality of employees (n=113)	47.8

Note: Top 5 responses, excluding "no particular problem." Pink-highlighted items are included in the overall top 10 most commonly cited problems presented in slide 4: Business Problems (1).

# 4. Business Problems (5)

## Problems by country/region (top 5, multiple answer)

India (%)	
1	Wage increase (n=301) 71.1
2	Difficulty in local procurement of raw materials and parts (n=122) 66.4
2	Power shortage or blackout (n=122) 66.4
4	Competitors' market shares are growing (cost-wise competition) (n=301) 63.5
5	Complicated customs clearance procedures (n=295) 55.6

Pakistan (%)	
1	Power shortage or blackout (n=14) 64.3
2	Difficulty in local procurement of raw materials and parts (n=14) 57.1
2	Increase in procurement costs (n=14) 57.1
2	Volatility of the local currency's exchange rate against the US dollar (n=28) 57.1
2	Volatility of the local currency's exchange rate against the Japanese yen (n=28) 57.1

Sri Lanka (%)	
1	Wage increase (n=32) 59.4
2	Difficulty in local procurement of raw materials and parts (n=17) 58.8
3	Competitors' market shares are growing (cost-wise competition) (n=31) 48.4
4	Increase in procurement costs (n=17) 47.1
5	Lack of employee performance/employee awareness among local staff (n=26) 46.2

Note: Top 5 responses, excluding "no particular problem." Pink-highlighted items are excluded in the overall top 10 most commonly cited problems presented in slide 4: Business Problems (1).

Bangladesh (%)	
1	Difficulty in local procurement of raw materials and parts (n=18) 83.3
2	Power shortage or blackout (n=18) 77.8
3	Quality of employees (n=33) 63.6
4	Lack of employee performance/employee awareness among local staff (n=34) 61.8
5	Wage increase (n=33) 60.6

Cambodia (%)	
1	Difficulty in local procurement of raw materials and parts (n=11) 81.8
2	Difficulty in recruiting executive staff (n=25) 60.0
2	Lack of employee performance/employee awareness among local staff (n=25) 60.0
4	Difficulty in quality control (n=11) 54.5
4	Difficulty in recruiting engineer staff (Manufacturing only) (n=11) 54.5

Laos (%)	
1	Difficulty in local procurement of raw materials and parts (n=13) 84.6
2	Inadequate logistics infrastructure (n=13) 69.2
3	Difficulty in recruiting middle management staff (n=17) 64.7
3	Quality of employees (n=17) 64.7
3	Difficulty in recruiting executive staff (n=17) 64.7

Myanmar (%)	
1	Power shortage or blackout (n=5) 100.0
2	Wage increase (n=20) 80.0
3	Quality of employees (n=20) 70.0
4	Lack of employee performance/employee awareness among local staff (n=20) 65.0
5	Difficulty in local procurement of raw materials and parts (n=5) 60.0
5	Inadequate logistics infrastructure (n=5) 60.0

# 4. Business Problems (6)

## Problems by country/region (top 5, multiple answer)

China (%)	
1	Wage increase (n=850) 84.4
2	Lack of employee performance/employee awareness among local staff (n=834) 55.5
3	Competitors' market shares are growing (cost-wise competition) (n=846) 53.4
4	No more room for cost-cutting (n=507) 50.9
5	Quality of employees (n=850) 50.4

Korea (%)	
1	Wage increase (n=162) 54.3
2	Volatility of the local currency's exchange rate against the Japanese yen (n=162) 53.7
3	Competitors' market shares are growing (cost-wise competition) (n=164) 51.8
4	Major clients requesting lower prices (n=164) 50.6
5	Increase in procurement costs (n=63) 44.4

Hong Kong & Macau (%)	
1	Increase in procurement costs (n=27) 70.4
2	Wage increase (n=188) 58.5
3	No more room for cost-cutting (n=27) 55.6
4	Competitors' market shares are growing (cost-wise competition) (n=191) 54.5
5	Sluggishness in major sales markets (consumption downturn) (n=191) 44.0

Australia (%)	
1	Wage increase (n=200) 71.5
2	No more room for cost-cutting (n=43) 51.2
3	Sluggishness in major sales markets (consumption downturn) (n=197) 50.3
4	Increase in procurement costs (n=43) 44.2
5	Volatility of the local currency's exchange rate against the US dollar (n=197) 41.1

Taiwan (%)	
1	Competitors' market shares are growing (cost-wise competition) (n=124) 60.5
2	Lack of employee performance/employee awareness among local staff (n=121) 52.1
3	Major clients requesting lower prices (n=124) 51.6
4	Sluggishness in major sales markets (consumption downturn) (n=124) 49.2
5	Increase in procurement costs (n=53) 49.1

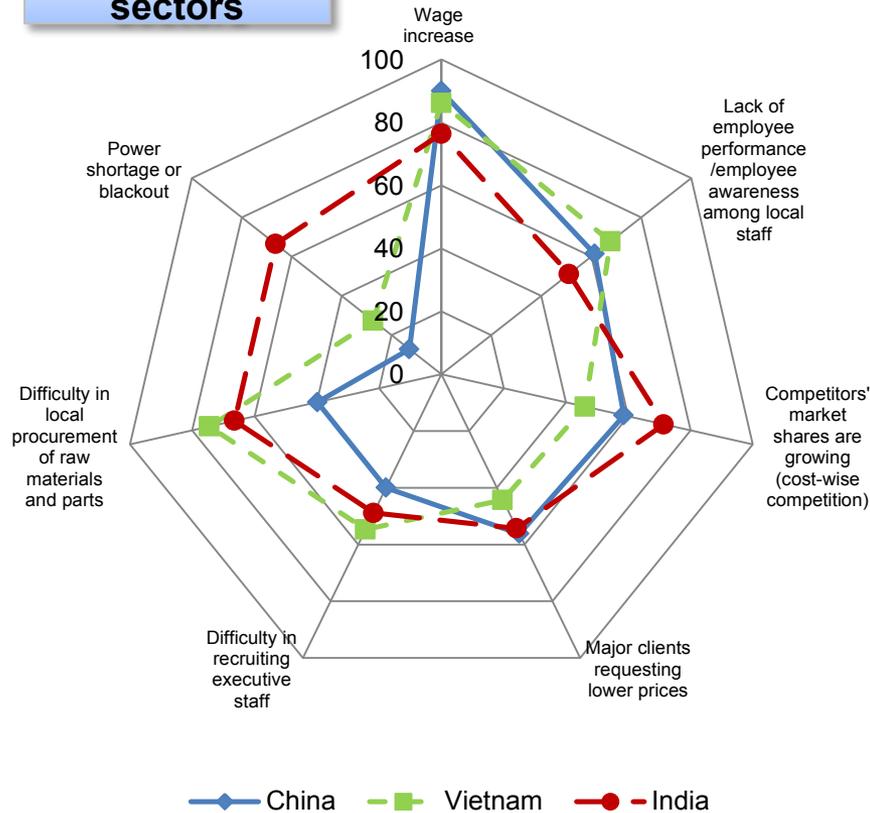
New Zealand (%)	
1	No more room for cost-cutting (n=25) 60.0
2	Sluggishness in major sales markets (consumption downturn) (n=87) 47.1
3	Major clients requesting lower prices (n=87) 42.5
4	Competitors' market shares are growing (cost-wise competition) (n=87) 41.4
5	Increase in procurement costs (n=25) 36.0

Note: Top 5 responses, excluding "no particular problem." Pink-highlighted items are excluded in the overall top 10 most commonly cited problems presented in slide 4 Business Problems (1).

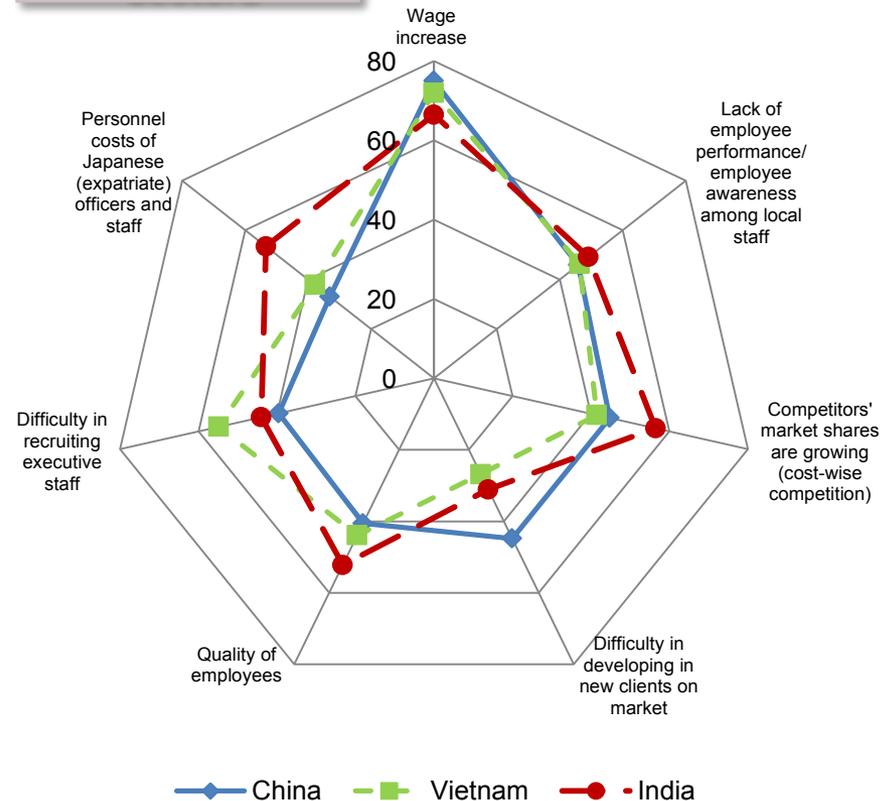
# 4. Business Problems (7)

Comparison of top 3 problems for China, Vietnam and India by manufacturing sector/non-manufacturing sector (multiple answer)

## Manufacturing sectors



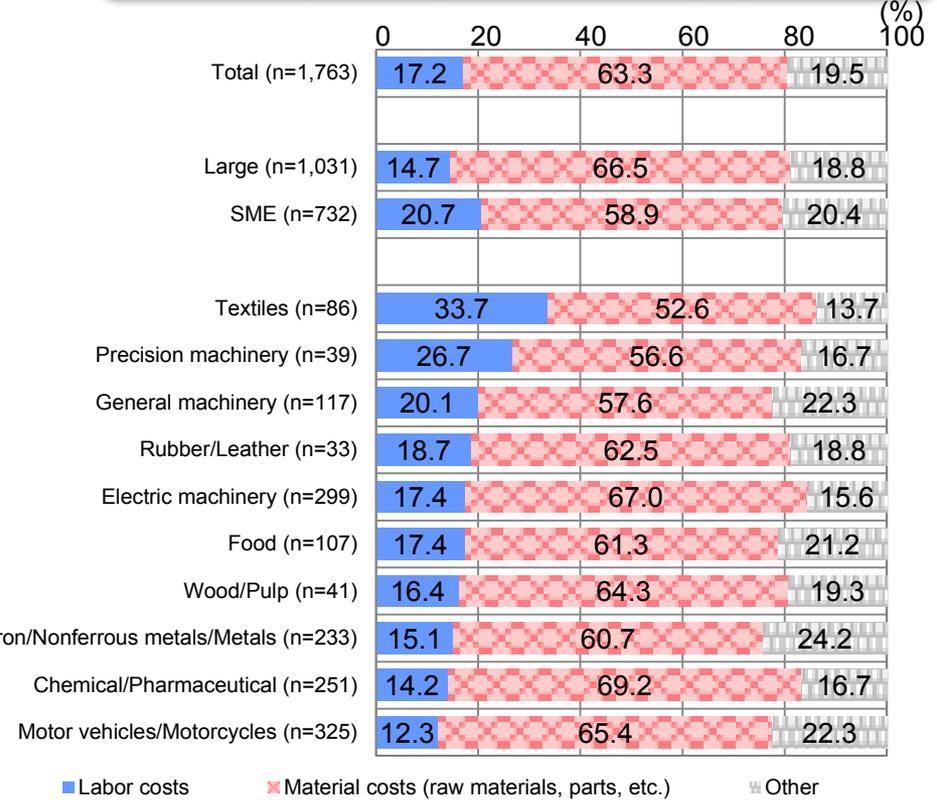
## Non-manufacturing sectors



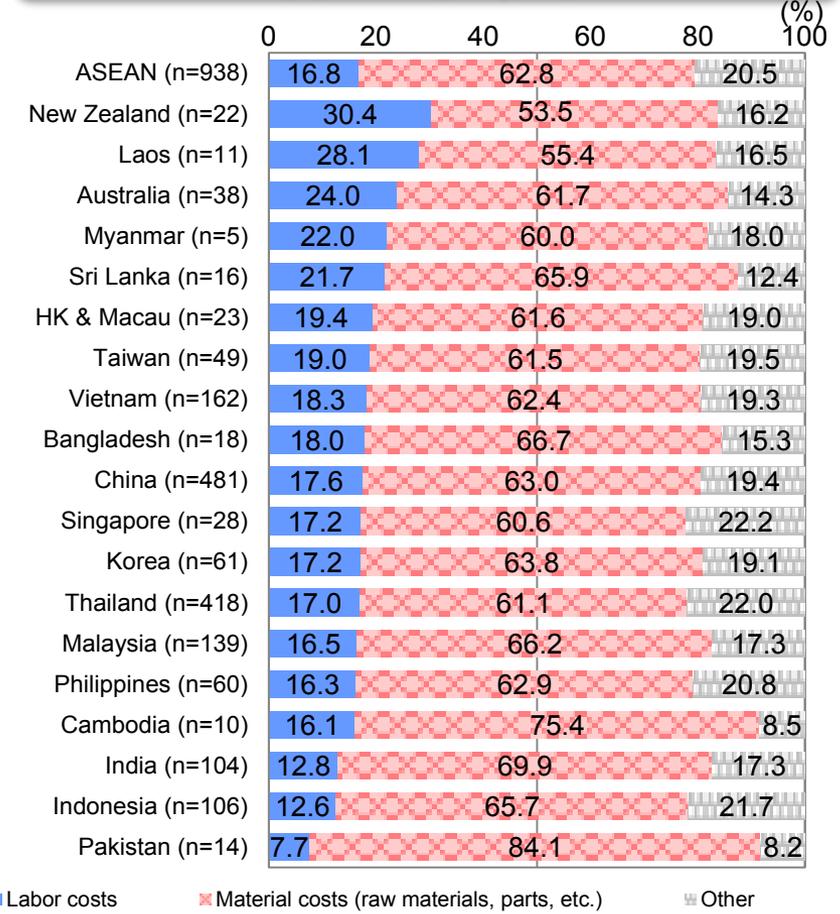
- When dividing management matters into manufacturing and non-manufacturing sectors and comparing trends in China, Vietnam and India, “wage increase,” “lack of employee performance/employee awareness among local staff” and “competitors’ market shares are growing (cost-wise competition)” appear to be common issues in the three countries.
- In manufacturing sectors, “difficulty in local procurement of raw materials and parts” was a major issue in Vietnam and India, while “power shortage or blackout” was also a major problem in India. In non-manufacturing sectors, the proportion of firms in India citing “personnel costs of Japanese (expatriate) officers and staff” as a management matter was high.

# 5. Procurement of Raw Materials and Parts (1)

**Ratio of labor/material costs to production costs (by industry scale and category)**



**Ratio of labor/material costs to production costs (by country/region)**



Note: "Production cost" includes the costs of all resources consumed in producing an item, such as materials, labor, and others.

- The ratio of labor costs to local production costs averaged 17.2% in Japanese-affiliated companies, while that of material costs to production costs averaged 63.3%. Given that material costs constitute the majority of overall costs, it appears that material cost reduction efforts are necessary to cut production costs.
- The ratio of labor costs was highest in the textile industry, at 33.7%. Meanwhile, in the chemical/pharmaceutical and motor vehicles/motorcycles industries, the ratio of labor costs was low and that of material costs was high.
- The ratio of labor costs was high in Oceania. Meanwhile, the ratio of material costs was relatively high in southwest Asian countries. The same ratio was 84.1% in Pakistan and exceeded 65% in India, Bangladesh and Sri Lanka. Among ASEAN countries, the ratio of material costs was particularly high in Cambodia.

# 5. Procurement of Raw Materials and Parts (2)

**Ratio of labor costs to production costs**  
(Response rate by country/region for major industries)

Note: Countries/regions for which n≥10. n denotes the number of valid responses by country/region for each industry.

Chemical/Pharmaceutical (n=251)		
1	India (n=11)	16.6%
2	Thailand (n=62)	16.0%
3	China (n=69)	15.6%
4	Singapore (n=11)	14.8%
5	Taiwan (n=10)	14.0%
6	Vietnam (n=24)	13.3%
7	Korea (n=14)	12.7%
8	Malaysia (n=18)	9.7%
9	Indonesia (n=14)	8.6%

Iron/Nonferrous metals/Metals (n=233)		
1	Thailand (n=73)	16.7%
2	China (n=58)	16.2%
3	Vietnam (n=30)	13.9%
4	Philippines (n=13)	13.2%
5	Malaysia (n=22)	12.4%
6	Indonesia (n=11)	9.6%

Electric machinery (n=299)		
1	Korea (n=11)	24.8%
2	Vietnam (n=27)	21.5%
3	Philippines (n=16)	17.6%
4	China (n=91)	17.5%
5	Malaysia (n=43)	17.4%
6	Indonesia (n=11)	15.2%
7	Thailand (n=62)	13.9%

Motor vehicles/Motorcycles (n=325)		
1	Malaysia (n=11)	19.5%
2	Korea (n=12)	15.8%
3	Taiwan (n=10)	15.0%
4	Thailand (n=85)	13.0%
5	China (n=83)	12.6%
6	Philippines (n=13)	12.2%
7	India (n=48)	10.1%
8	Indonesia (n=31)	9.4%
9	Vietnam (n=14)	8.6%

**Ratio of materials/parts costs to production costs**  
(Response rate by country/region for major industries)

Note: Same as left.

Chemical/Pharmaceutical (n=251)		
1	Korea (n=15)	75.4%
2	Indonesia (n=14)	74.1%
3	Malaysia (n=18)	73.1%
4	Vietnam (n=24)	71.9%
5	India (n=11)	69.6%
6	China (n=69)	69.2%
7	Taiwan (n=10)	65.4%
8	Thailand (n=62)	64.1%
9	Singapore (n=11)	62.1%

Iron/Nonferrous metals/Metals (n=233)		
1	Indonesia (n=11)	68.6%
2	Malaysia (n=22)	67.5%
3	Vietnam (n=30)	62.1%
4	China (n=58)	60.2%
5	Philippines (n=13)	57.6%
6	Thailand (n=73)	56.1%

Electric machinery (n=299)		
1	Thailand (n=62)	71.6%
2	Korea (n=11)	67.2%
3	Vietnam (n=26)	66.4%
4	Malaysia (n=43)	66.0%
5	China (n=91)	65.2%
6	Indonesia (n=11)	65.1%
7	Philippines (n=16)	63.3%

Motor vehicles/Motorcycles (n=325)		
1	Philippines (n=13)	70.7%
2	India (n=48)	69.8%
3	Vietnam (n=14)	67.2%
4	Korea (n=12)	65.9%
5	Taiwan (n=10)	65.6%
6	Indonesia (n=31)	64.9%
7	China (n=83)	64.9%
8	Malaysia (n=11)	64.5%
9	Thailand (n=86)	60.5%

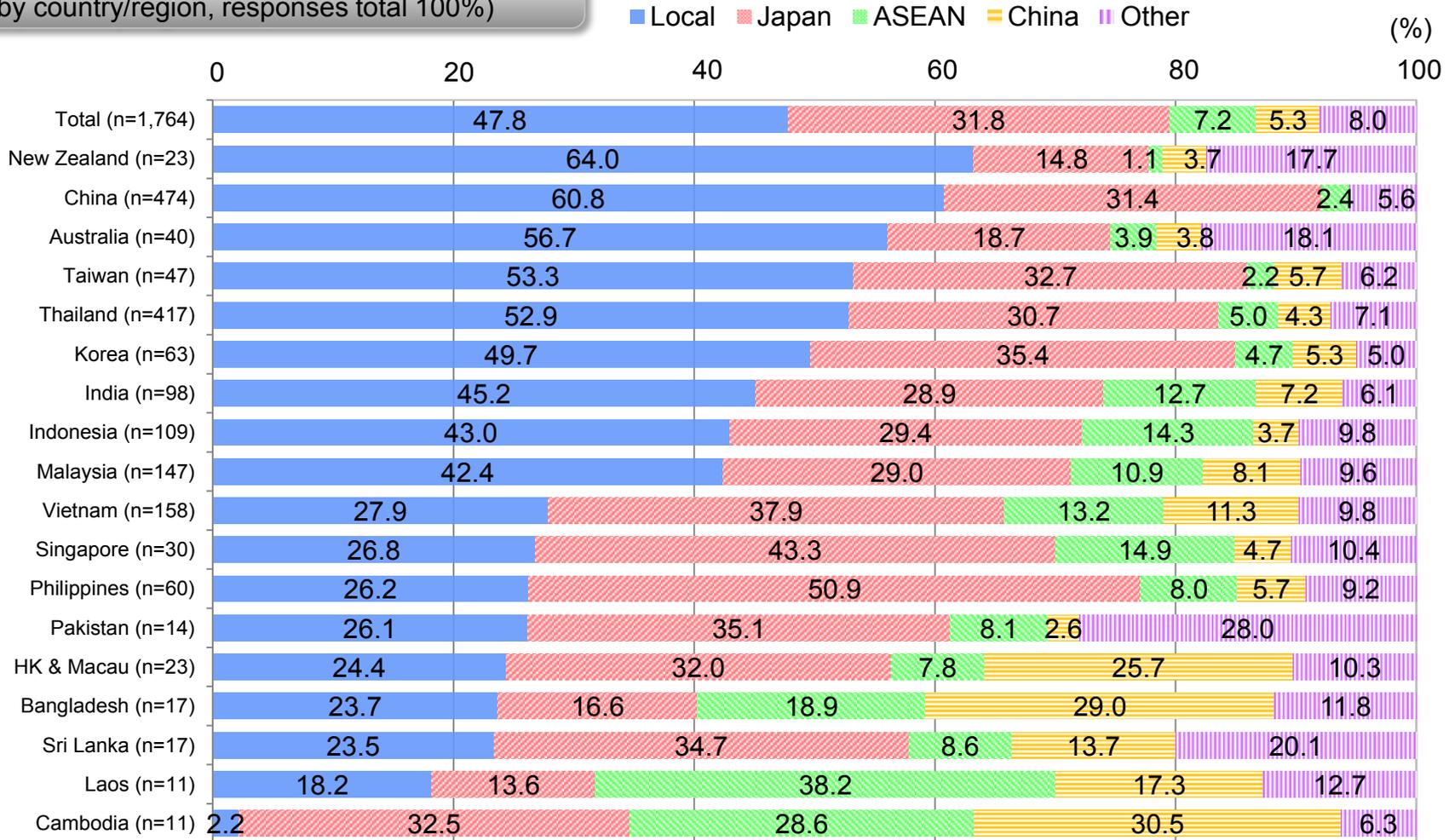
- The ratios of labor costs to production costs by country/region for the top 4 industries, based on valid survey responses, were as follows. In the electric machinery industry, Korea (24.8%) and Vietnam (21.5%) were more than 3 points higher than the other countries/regions. In the motor vehicles/motorcycles industry, the same ratio was highest in Malaysia (19.5%).
- The ratio of material costs to production costs was highest in Thailand for the electric machinery industry (71.6%), in the Philippines for the motor vehicles/motorcycles industry (70.7%) and in Indonesia for the iron/non-ferrous metals/metals industry (68.6%). In the chemical/pharmaceutical industry, the difference between Korea with the highest ratio (75.4%) and Singapore with the lowest ratio (62.1%) was 13.3 points.

# 5. Procurement of Raw Materials and Parts (3)

Manufacturing sectors only

**Procurement sources for raw materials and parts**  
(by country/region, responses total 100%)

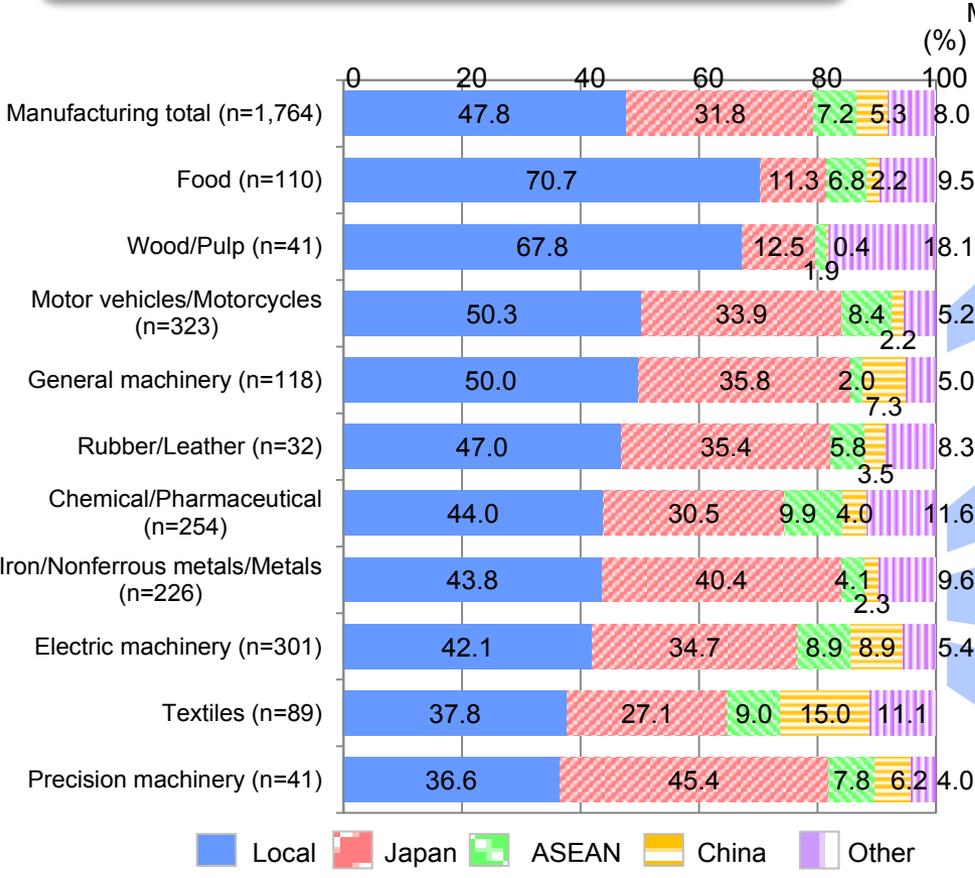
Note: Countries/regions for which n≥10



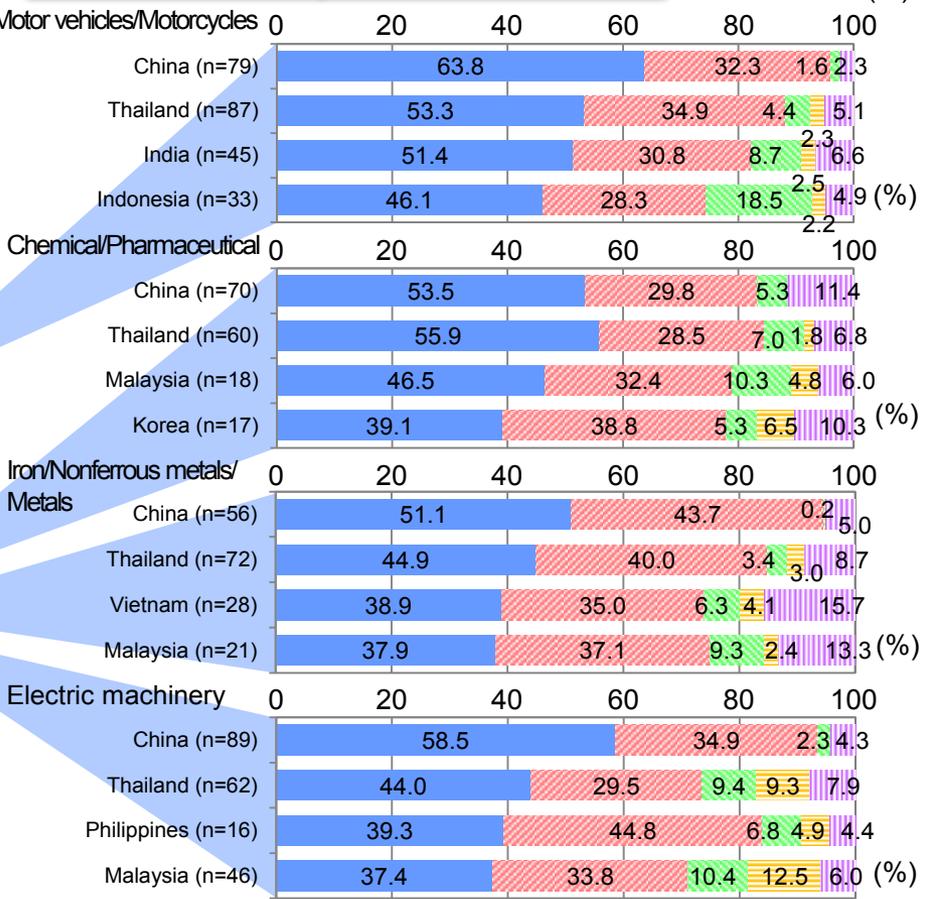
- The largest sources of raw materials and parts for Japanese affiliated-companies are “local” (47.8%), followed by “Japan” (31.8%) and “ASEAN” (7.2%). The local procurement rate remained unchanged from that in 2011 (48.1%). The procurement rate from Japan in 2012 slightly decreased from the previous year (33.4%).
- The local procurement rate is high in Oceania and China. The local procurement rate in China has been increasing for three straight years from 2010 (58.3%).
- The procurement rate from Japan is relatively high in the Philippines (50.9%), Singapore (43.3%), Vietnam (37.9%), Korea (35.4%), and Pakistan (35.1%).

# 5. Procurement of Raw Materials and Parts (4)

**Procurement sources for raw materials and parts**  
(by country/region, responses total 100%)



**Proportion of answers in major industries for the top 4 countries**

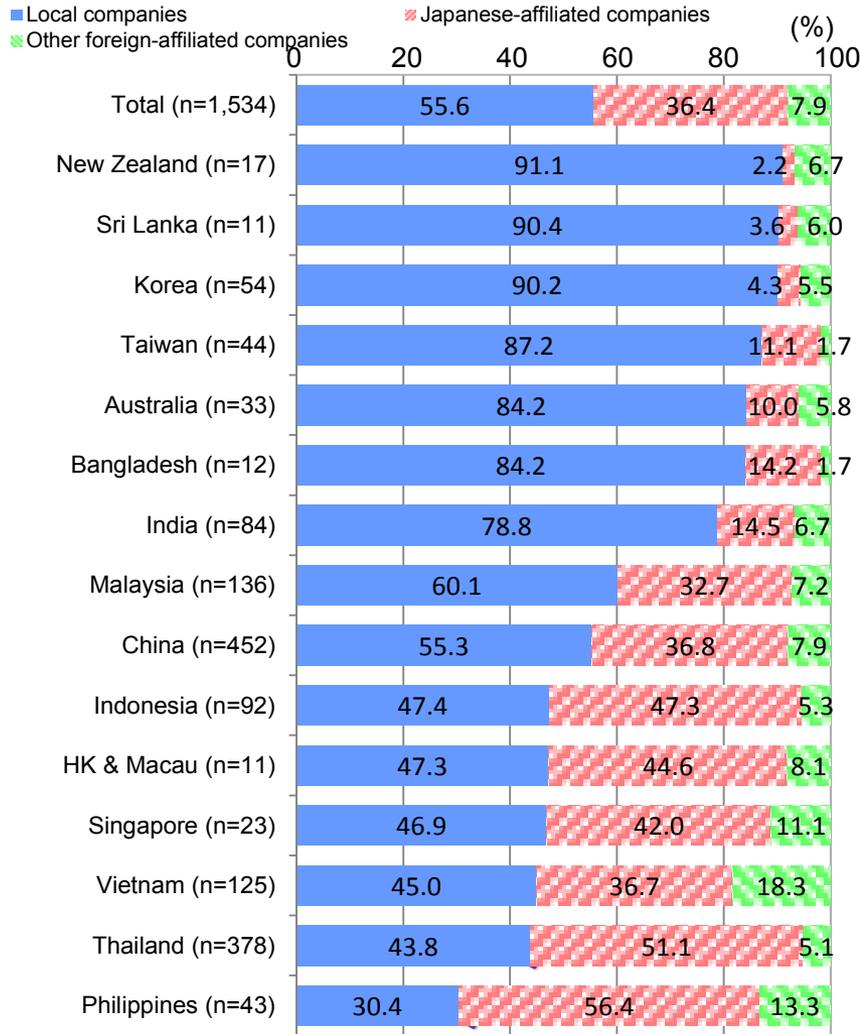


- Industries with high rates of local procurement of raw materials and parts are food (70.7%) and wood/pulp (67.8%). Meanwhile, precision machinery and iron/non-ferrous metal/metal industries have relatively high rates (over 40%) of raw materials and parts procurement from Japan.
- In terms of the four industries with the highest local procurement rates for raw material and parts, in China, the local procurement rates in each of these industries exceed 50%. In particular, the local procurement rate for the motor vehicles/motorcycles industry in China increased to 63.8%, 8.1 points over the 2011 figure (55.7%).
- The local procurement rate for the electric machinery industry in Thailand increased from 41.7% to 44.0% and in the Philippines from 24.8% to 39.3%.

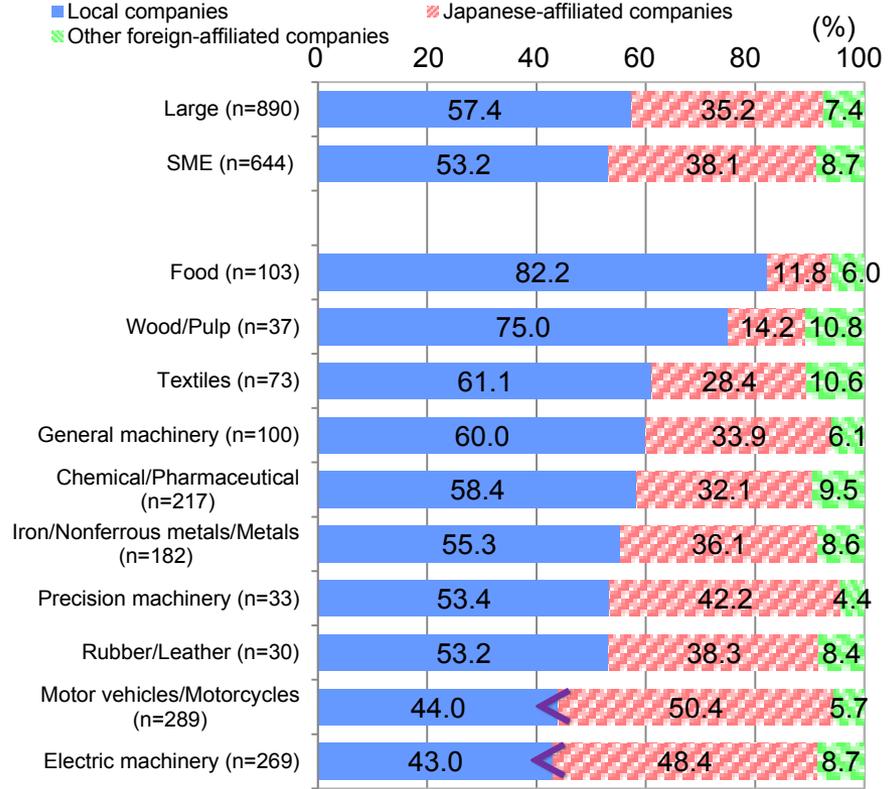
# 5. Procurement of Raw Materials and Parts (5)

**Local procurement sources for raw materials and parts**  
(by country/region, responses total 100%)

Note: Countries/regions for which n ≥ 10



**Local procurement sources for raw materials and parts**  
(by industry scale and category, responses total 100%)

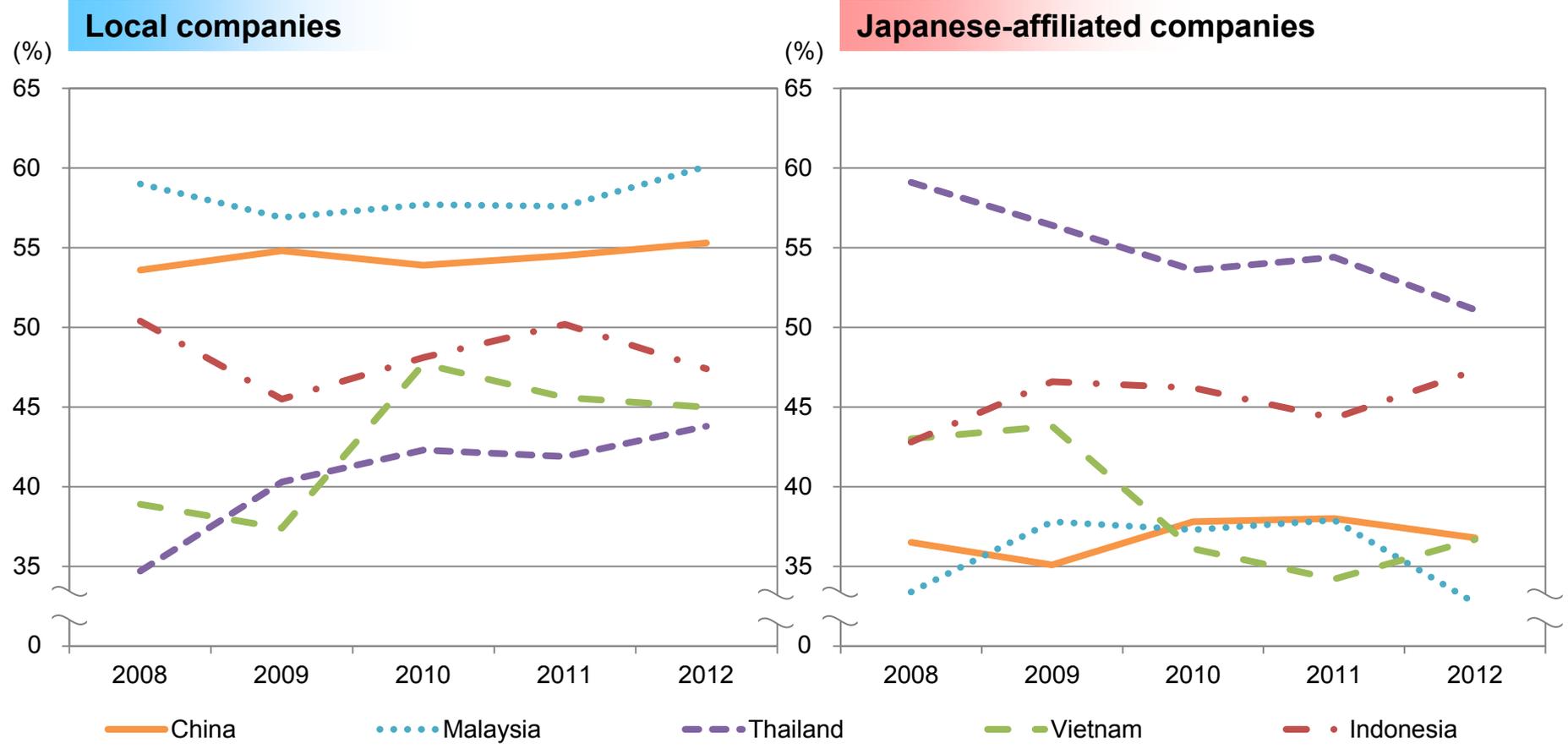


- At 55.6%, “local companies” was the largest local procurement source for raw materials and parts, followed by Japanese-affiliated companies, and other foreign-affiliated companies.
- In the Philippines and Thailand, Japanese-affiliated companies accounted for more than 50% of the sources for local procurement. In particular, Japanese-affiliated companies accounted for 73.1% in the motor vehicles/motorcycles industry in Thailand.
- In Vietnam and the Philippines, procurement rates from other foreign-affiliated companies are relatively high, at 18.3% and 13.3%, respectively.

# 5. Procurement of Raw Materials and Parts (6)

Manufacturing sectors only

Changes in local procurement sources for raw materials and parts for 2008-2012 (by country/region)

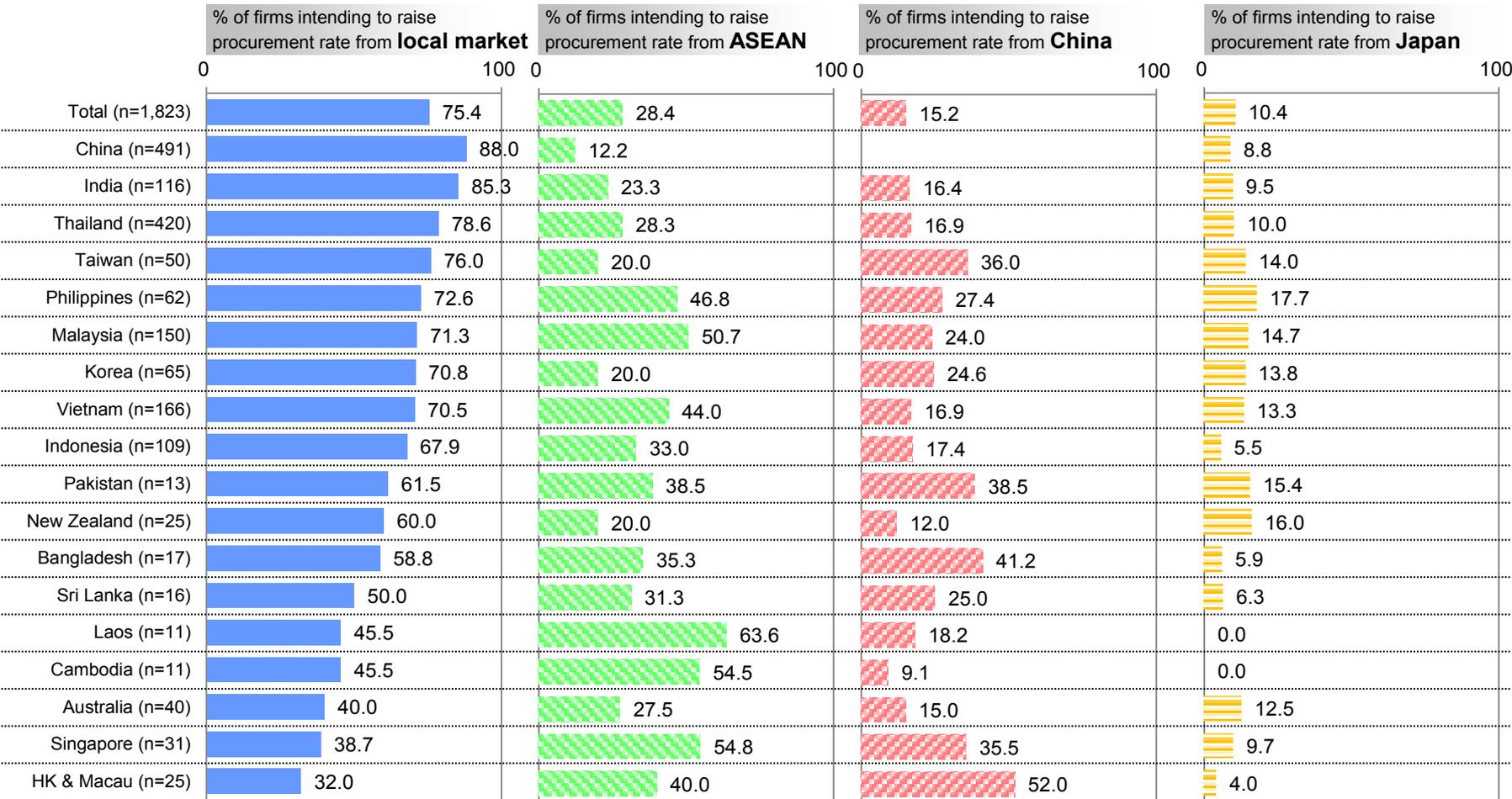


- Looking at trends since 2008 by country/region in the proportion of firms citing “local companies” or “Japanese-affiliated companies” as a local procurement source, the proportion of firms procuring from “local companies” was consistently high in Malaysia and China, and also showed rising trends in Thailand. In Indonesia, where the entry of new firms has accelerated in recent years, the proportion of firms procuring from “local companies” and “Japanese-affiliated companies” has maintained the same level since 2009.
- The proportion of firms procuring from “Japanese-affiliated companies” was inversely related to the proportion of firms procuring from “local companies.” Therefore, a downward trend in the proportion of firms procuring from Japanese-affiliated companies was seen in Thailand.

# 5. Procurement of Raw Materials and Parts (7)

**Future strategy to procure raw materials and parts (by country/region, multiple answer)**

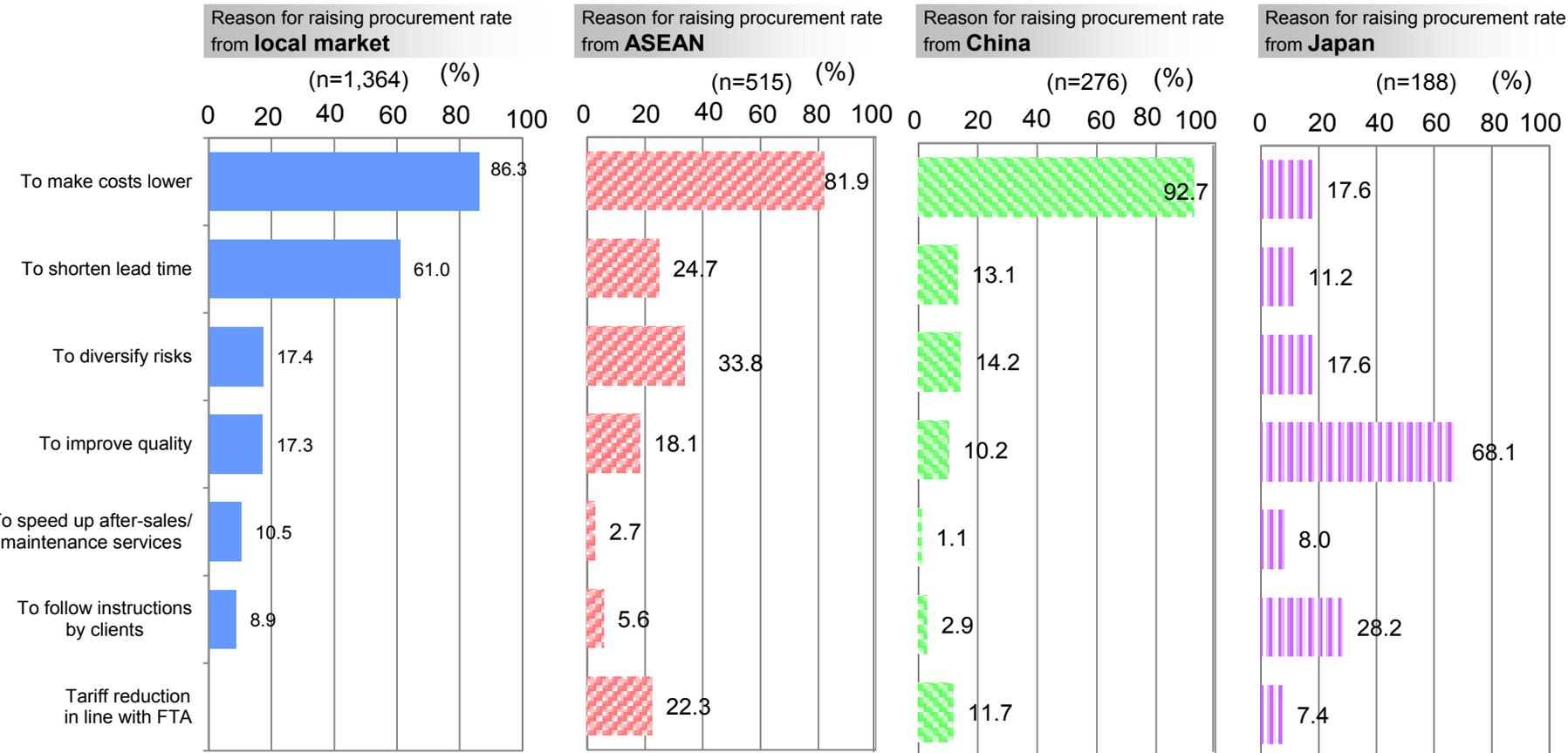
Note: Countries/regions for which n≥10 (%)



- In terms of future strategies for raw materials and parts procurement, the most common response (75.4) was “raise local procurement rate,” an increase of more than 15 points from 2011 (59.5%). This direction toward an increase of the local procurement rate was strongly displayed, particularly in China (88.0%), India (85.3%), and Thailand (78.6%), similar to the results in 2011.
- An average of 37.9% of firms in ASEAN countries responded that they intend to “raise procurement rate from ASEAN.” In particular, the ratio exceeded 50% in Laos, Singapore, Cambodia, and Malaysia.

# 5. Procurement of Raw Materials and Parts (8)

**Reasons for raising future procurement rate for raw materials/parts (multiple answer)**

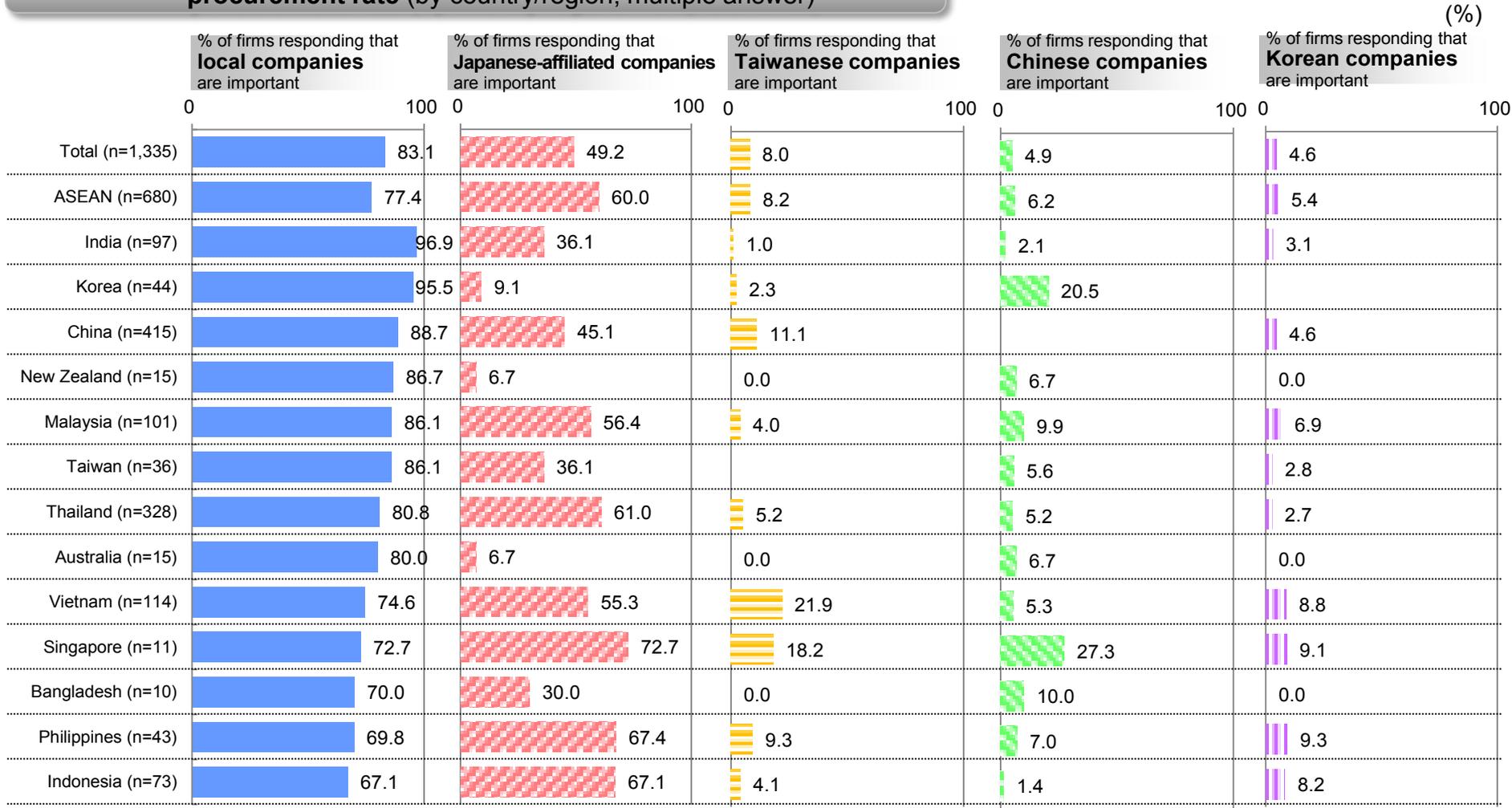


- The greatest number of firms that responded that they would raise the rate of procurement from local markets, ASEAN or China, cited “to make costs lower” as a reason. In particular, over 90% of firms that responded that they would raise the procurement rate from China cited the above reason.
- Major reasons for raising local procurement were “to make costs lower” (86.3%) and “to shorten lead time” (61.0%).
- As reasons for raising the procurement rate from ASEAN, a certain percentage of firms cited answers such as “to diversify risks” (33.8%), “to shorten lead time” (24.7%) and “tariff reduction in line with FTA” (22.3%), in addition to “to make costs lower” (81.9%).
- At 68.1%, the most common reason for raising the procurement rate from Japan was “to improve quality,” while nearly 30% of firms cited “to follow instructions by clients.”

# 5. Procurement of Raw Materials and Parts (9)

**Important Local procurement sources to raise the local procurement rate (by country/region, multiple answer)**

Note: Countries/regions for which n ≥ 10

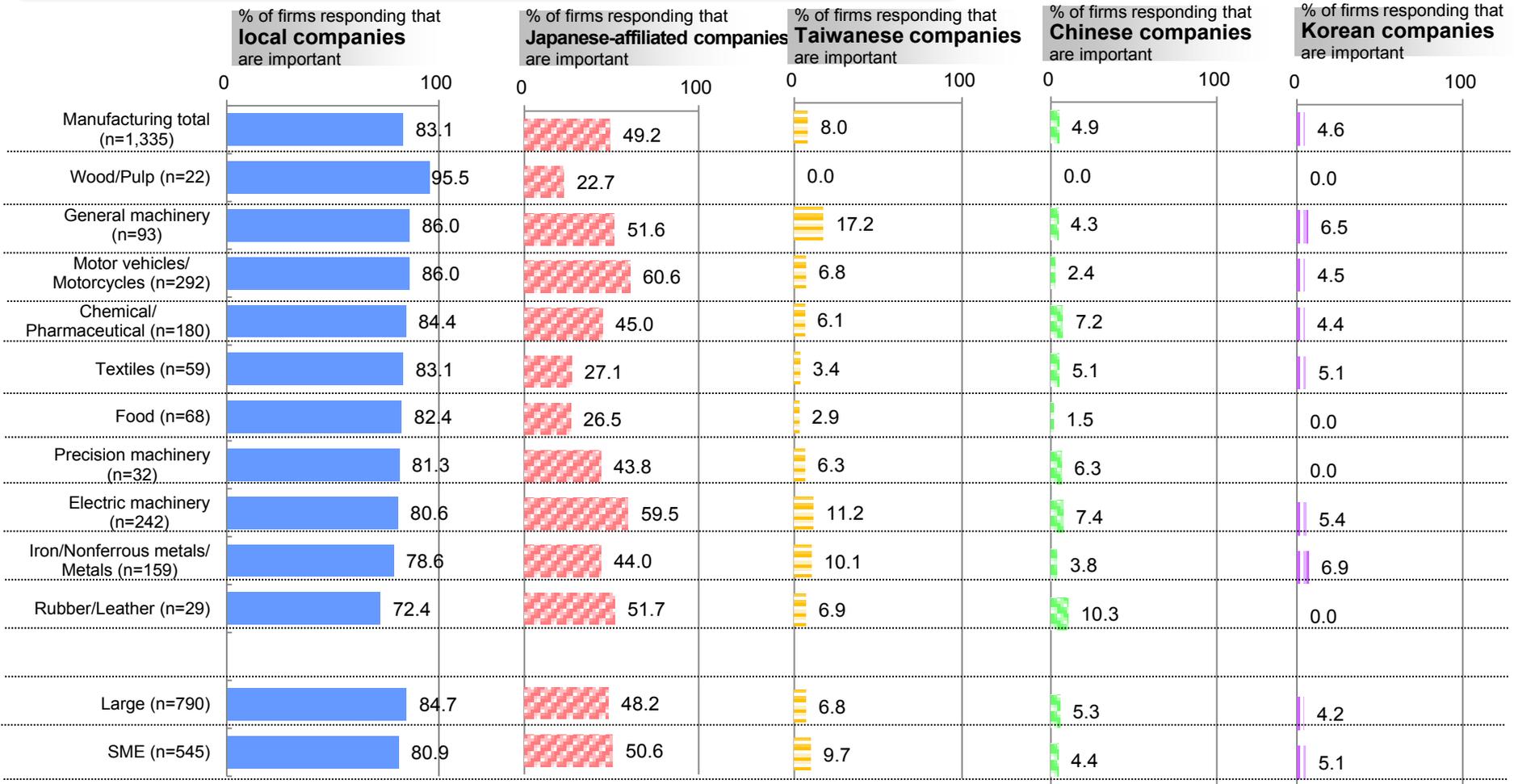


- To increase local procurement rate, 83.1% of firms cited “local companies” as local procurement sources that would be important in the future, and 49.2% of firms cited “Japanese-affiliated companies.” Although “local companies” were highlighted as local procurement sources in all countries/regions, the proportion of firms selecting “Japanese-affiliated companies” was greatly different depending on country/region.
- The proportions of firms citing “local companies” as important local procurement sources were especially high in India (96.9%), Korea (95.5%) and China (88.7%).
- Meanwhile, the proportions of firms citing “Japanese-affiliated companies” as important local procurement sources were high in Singapore (72.7%), the Philippines (67.4%) and Indonesia (67.1%).

# 5. Procurement of Raw Materials and Parts (10)

Manufacturing sectors only

**Important Local procurement sources to raise the local procurement rate (by country/region, multiple answer)**



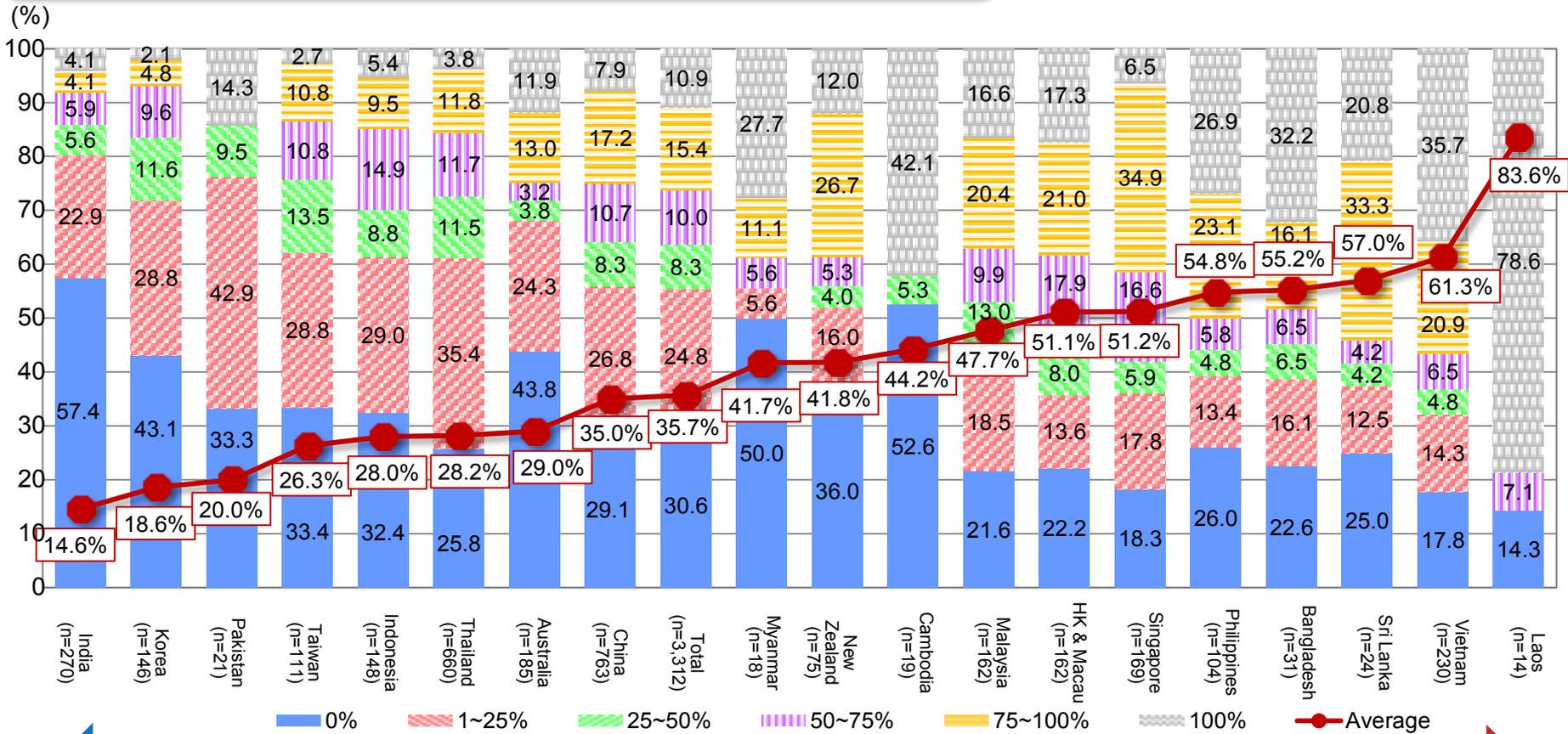
- The proportion of firms citing “local companies” as future important local procurement sources was especially high in the wood/pulp industry (95.5%), the general machinery industry (86.0%) and the motor vehicles/motorcycles industry (86.0%).
- Industries in which the high proportion of firms cited “Japanese-affiliated companies” as important local procurement sources included the motor vehicles/motorcycles industry (60.6%) and the electric machinery industry (59.5%). In contrast, the proportion was low in the wood/pulp industry (22.7%) and the food industry (26.5%), and varied greatly depending on the industry.



# 6. Exports/Imports (1)

**Export ratio to sales (by country/region, responses as 0-100%)**

Note: Countries/regions for which n>10



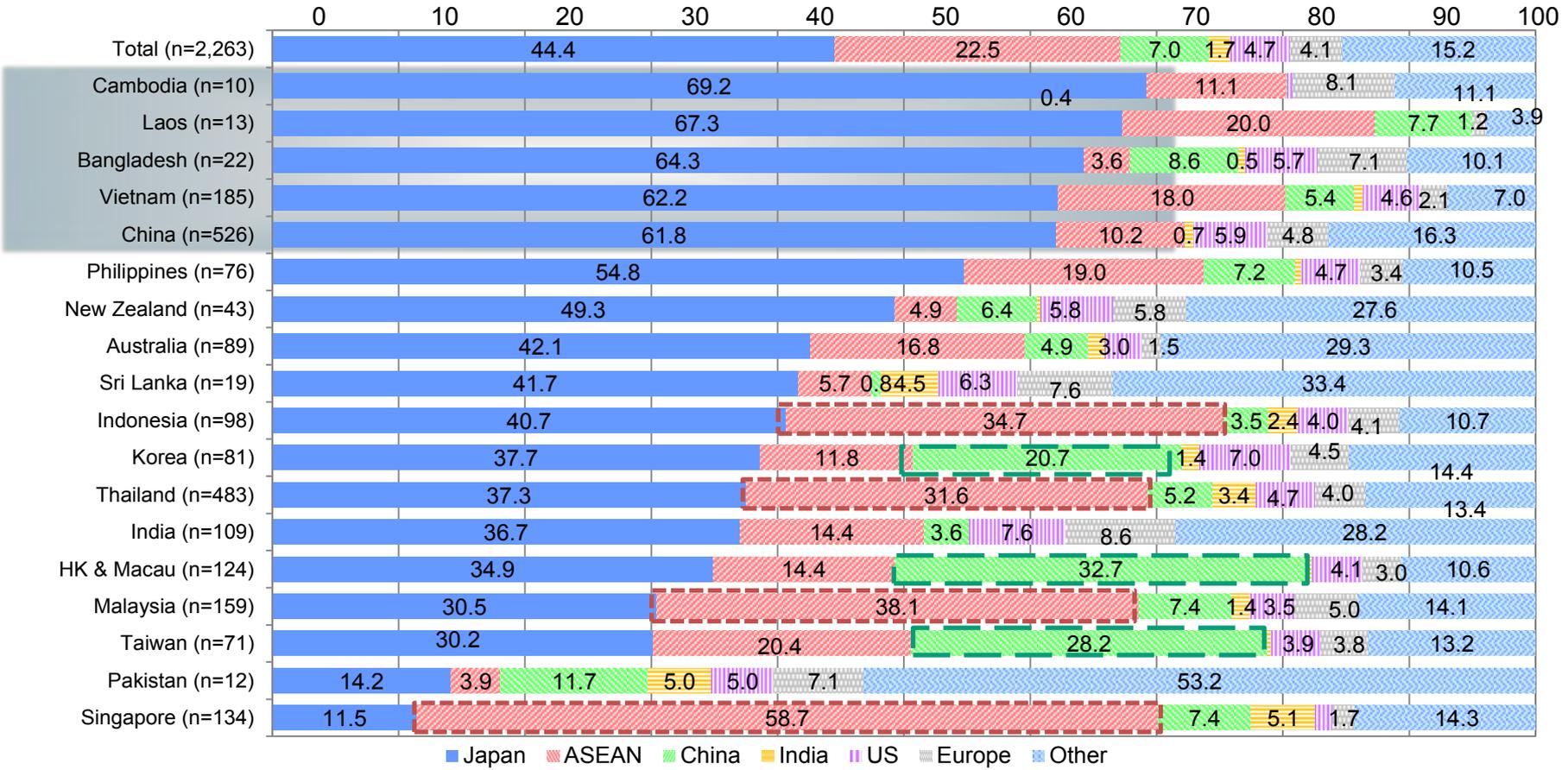
- Average exports by Japanese-affiliated companies accounted for more than 50% of total local sales in Laos (83.6%), Vietnam (61.3%), Sri Lanka (57.0%), Bangladesh (55.2%), the Philippines (54.8%), Singapore (51.2%), and Hong Kong & Macau (51.1), while they accounted for less than 20% of total sales for firms in India (14.6%), and Korea (18.6%), where domestic sales contributes substantially to overall sales.
- Proportions of firms that produce exclusively for export (i.e. exports account for 100% of sales) were high in Laos (78.6%), Cambodia (42.1%), Vietnam (35.7%), and Bangladesh (32.2%). Meanwhile, over 50% of firms in India (57.4%) and Cambodia (52.6%) produced exclusively for the domestic market (exports account for 0% of sales).



# 6. Exports/Imports (2)

**Export destinations (by country/region, responses total 100%)**

Note: Countries/regions for which n ≥ 10 (%)



- Japan was the most common destination for exports by Japan-affiliated companies (total of all countries/regions surveyed), accounting for an average of 44.4% of exports, followed by ASEAN, accounting for 22.5% of exports.
- There was little change in the overall composition of export destinations relative to 2011 (n=2,369). Exports to Japan increased by 1.1 percentage points, while exports to ASEAN decreased by 0.5 percentage point, and exports to China increased by 0.8 percentage point.
- Exports to “Japan” accounted for over 60% of total exports from Cambodia, Laos, Bangladesh, Vietnam, and China respectively. Japan was a particularly common destination for exports from Vietnam and China for the textile industry (90.8% and 82.0%, respectively) and the communication/software industry (98.1% and 96.9%, respectively).

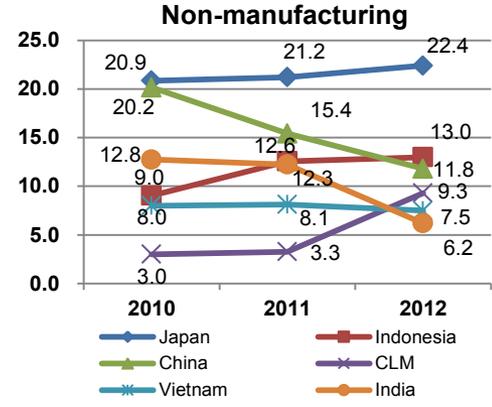
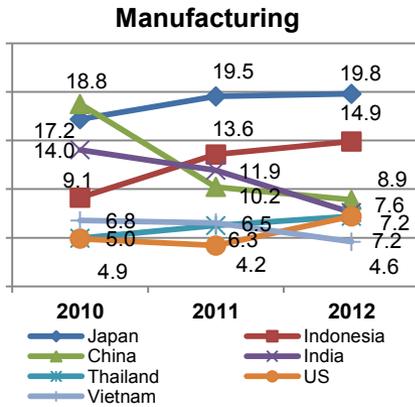
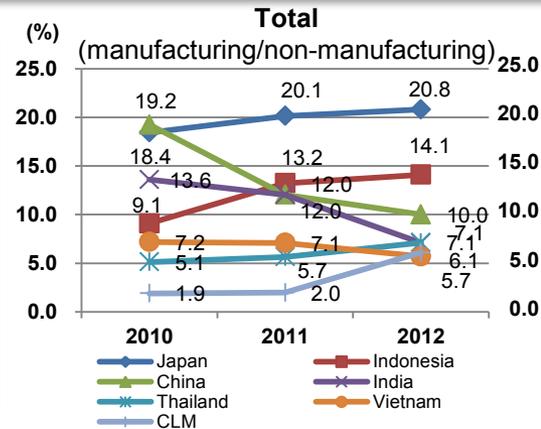


# 6. Exports/Imports (3)

## Most important export destination in the next 1-3 years (by country/region)

Note: Countries/regions for which n≥10

Total (2012)		
Total (n=2,702)		
Country	%	
1 Japan	20.8	
2 Indonesia	14.1	
3 China	10.0	
4 Thailand	7.1	
4 India	7.1	



Indonesia is most important		
Malaysia (n=180)		
Country	%	
1 Indonesia	32.8	
2 Japan	11.1	
3 Thailand	8.9	
Singapore (n=131)		
Country	%	
1 Indonesia	31.3	
2 India	13.0	
3 Malaysia	10.7	
Thailand (n=584)		
Country	%	
1 Indonesia	26.9	
2 Japan	15.6	
3 CLM (Cambodia, Laos, Myanmar)	14.7	

China is most important		
Taiwan (n=91)		
Country	%	
1 China	39.6	
2 Japan	14.3	
3 Vietnam	12.1	
Korea (n=112)		
Country	%	
1 China	36.6	
2 Japan	17.9	
3 Vietnam, India	5.4	
HK & Macau (n=145)		
Country	%	
1 China	35.2	
2 Indonesia	11.7	
3 Japan	11.0	

Japan is most important		
Philippines (n=87)		
Country	%	
1 Japan	27.6	
2 China	14.9	
3 Thailand	11.5	
Australia (n=121)		
Country	%	
1 Japan	25.6	
2 China	19.8	
3 Indonesia	11.6	

China (n=600)		
Country	%	
1 Japan	31.7	
2 US	10.8	
3 Thailand	10.2	
Cambodia (n=16)		
Country	%	
1 Japan	37.5	
2 Thailand, China	12.5	

Vietnam (n=197)		
Country	%	
1 Japan	28.4	
2 China	11.7	
3 Thailand	11.2	
Laos (n=14)		
Country	%	
1 Japan	42.9	
2 Thailand	28.6	

India (n=180)		
Country	%	
1 Japan	16.7	
2 Thailand	10.6	
3 Indonesia	10.0	
Myanmar (n=12)		
Country	%	
1 Japan	41.7	
2 China	16.7	

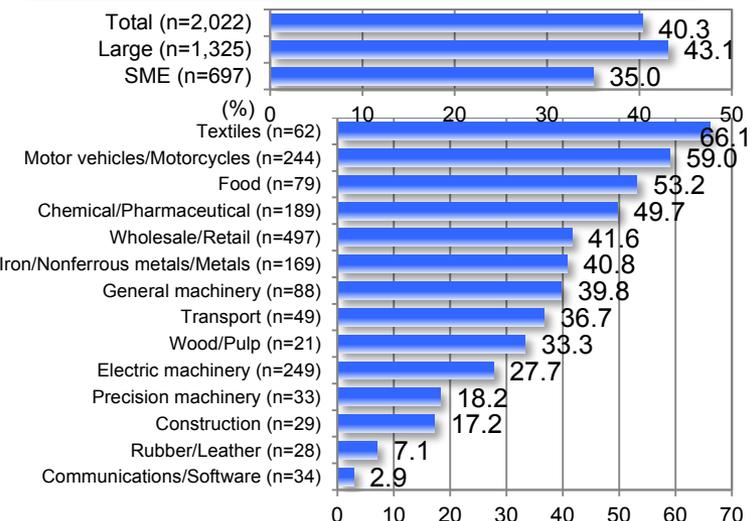
• The most promising export destinations in the next 1-3 years (total of all countries/regions surveyed) were, in order of importance, 1 Japan, 2 Indonesia, 3 China, and 4 Thailand and India (tied). Compared to the 2011 survey, Indonesia (+0.9%) and Thailand (+1.4%) moved up, while China (-2.0) and India (-4.9%) moved down.

# 6. Exports/Imports (4)

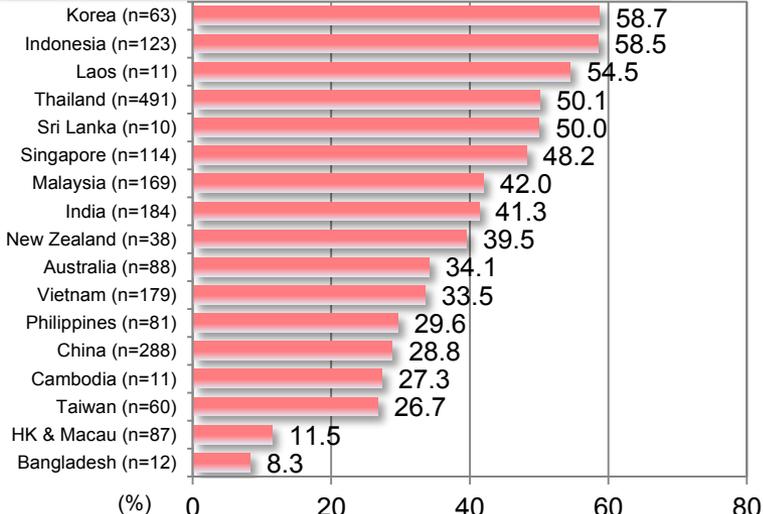
Note 1: The proportions in the 2 figures on the top are calculated as the ratio of firms that are using at least one FTA or EPA to firms that are involved in either export or import, or both.  
 Note 2: The proportions in the 2 figures on the bottom are calculated as the ratio of firms using FTA/EPAs for export (or import) to firms involved in export (or import).

## Use of existing (in force) FTA/EPA (only companies involved in export/import)

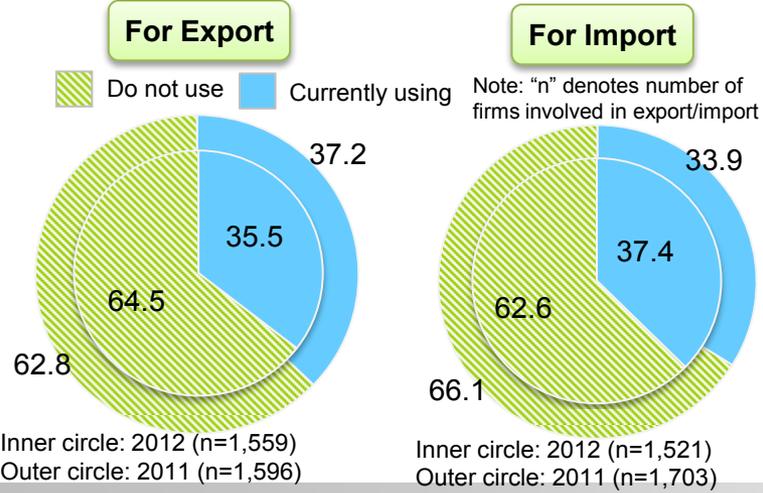
### Proportions of firms using FTA/EPAs (totals by industry)



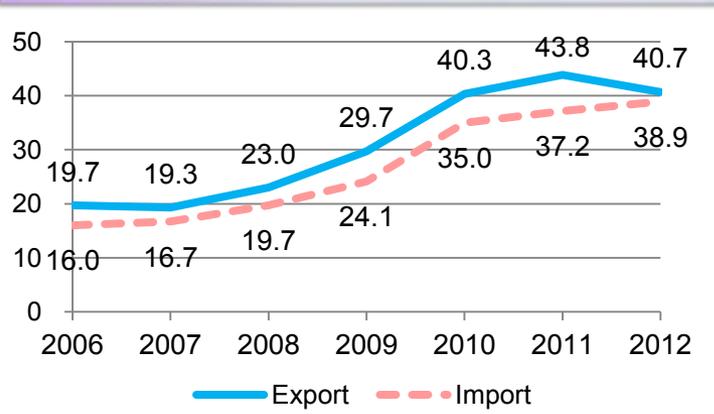
### Proportions of firms using FTA/EPAs (totals by country/region)



### Proportions of firms using FTA/EPAs in 2011 and 2012 (by export/import, total)



### Trend in FTA/EPA use by firms located in ASEAN



- 40.3% of Japanese-affiliated companies located in Asia and Oceania are using FTA/EPAs.
- A higher proportion of large firms (43.1%) is using FTA/EPAs than SMEs (35.0%).
- FTA/EPA use is highest in the textile and motor vehicle/ motorcycle industries.
- FTA/EPA use is highest in Korea, where 58.7% of Japanese-affiliated companies use FTA/EPAs, followed by Indonesia, Laos, and Thailand, all of which exceeded 50%.
- Use of FTA/EPAs in exports decreased by 1.7 percentage points relative to 2011. Meanwhile, over the same period, the use of FTA/EPAs in imports increased by 3.5 percentage points.
- Looking at the trend in FTA/EPA use by Japanese-affiliated companies located in ASEAN, although FTA/EPA use for exports declined in 2012, it is apparent that FTA/EPA use has increased steadily for imports since the 2007 survey.

# 6. Exports/Imports (5)

## FTA and/or EPA (5+ user firms)

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products. Bilateral FTA/EPAs are included in multi-lateral FTA/EPAs. The % of firms using FTA/EPAs is calculated as the ratio of firms making using of FTA/EPAs to firms involved in import/export

	Trade partners	Firms involved in import/export	Firms making using of FTA/EPAs	% of firms using FTA/EPAs	Top 3 industries where FTA/EPAs are used (numbers of firms)						Firms considering use of FTA/EPAs		
					1		2		3				
Thailand	Export	Japan	263	92	35.0	Wholesale/Retail	19	Chem./Pharma.	13	Motor Vehicles/cycles, etc.	11 each	33	
		ASEAN	254	119	46.9	Motor vehicles/cycles	27	Chem./Pharma.	20	Wholesale/Retail	18	37	
		China	112	42	37.5	Chem./Pharma., Wholesale/Retail	7 each	Electric machinery	Motor Vehicles/cycles	6 each		17	
		India	96	35	36.5	Electric machinery	8	Motor Vehicles/cycles, Wholesale/Retail	6	Chem./Pharma.	5	22	
		Australia	47	16	34.0	Electric machinery	Motor vehicles/cycles, Chem./Pharma., Wholesale/Retail	3 each				4	
		Korea	40	16	40.0	Electric machinery	5	Chem./Pharma., Wholesale/Retail	2	Iron/Nonferrous/Metals, etc.	1 each	6	
		New Zealand	17	8	47.1	Electric machinery	3	Motor Vehicles/cycles, General machinery, Chem./Pharma., etc.	1 each			1	
	Import	Japan	342	118	34.5	Wholesale/Retail	31	Motor Vehicles/cycles	19	Iron/Nonferrous/Metals	17	50	
		China	158	63	39.9	Wholesale/Retail	21	Electric machinery	11	Motor Vehicles/cycles	7	19	
		ASEAN	152	71	46.7	Wholesale/Retail	21	Motor Vehicles/cycles	20	Electric machinery	8	18	
		Korea	55	22	40.0	Wholesale/Retail	10	Iron/Nonferrous/Metals	3	Electric machinery, etc.	2 each	8	
		India	27	14	51.9	Wholesale/Retail	6	Motor Vehicles/cycles	3	Chem./Pharma.	2	4	
	Malaysia	Export	Japan	109	35	32.1	Chem./Pharma.	7	Wood/Pulp	5	Iron/Nonferrous/Metals	4	11
			ASEAN	99	48	48.5	Chem./Pharma.	10	Electric machinery	7	Motor Vehicles/cycles, etc.	6 each	12
China			57	25	43.9	Chem./Pharma.	8	Electric machinery	5	Wholesale/Retail	3	3	
India			28	14	50.0	Chem./Pharma.	7	Electric machinery	4	Textiles	2	3	
Korea			27	10	37.0	Chem./Pharma.	5	Electric machinery	2	Motor Vehicles/cycles	1	4	
Australia			23	5	21.7	Chem./Pharma.	2	Electric machinery, Iron/Nonferrous/Metals, Food	1 each			4	
Import		Japan	142	32	22.5	Motor vehicles/cycles	6	Chem./Pharma.	5	Iron/Nonferrous/Metals, etc.	4 each	23	
		ASEAN	82	26	31.7	Motor vehicles/cycles	6	Wholesale/Retail	4	Electric machinery, etc.	3 each	10	
		China	63	12	19.0	Motor vehicles/cycles	3	Electric machinery	2	Wholesale/Retail, etc.	1 each	5	
		Korea	30	6	20.0	Motor Vehicles/cycles, Chem./Pharma.	2 each		Wholesale/Retail	1		1	
Singapore		Export	ASEAN	106	50	47.2	Wholesale/Retail	28	Chem./Pharma.	11	Food	3	16
			India	52	14	26.9	Wholesale/Retail	7	Chem./Pharma.	5	Food	1	10
			Japan	43	16	37.2	Chem./Pharma.	7	Wholesale/Retail	6	Electric machinery	2	3
	China		41	21	51.2	Chem./Pharma.	10	Wholesale/Retail	6	Electric machinery, etc.	1 each	3	
	Australia		33	7	21.2	Chem./Pharma.	5	Wholesale/Retail	2			3	
	US		20	8	40.0	Chem./Pharma.	4	Wholesale/Retail	2	Electric machinery, etc.	1 each	0	
	Korea		18	7	38.9	Chem./Pharma.	5	General machinery, Wholesale/Retail	1 each				1

- Numerous firms in Thailand and Indonesia (see next page) are making use of AFTA within ASEAN as well as bilateral FTA/EPAs with Japan and China.
- In India, imports from ASEAN have increased as a result of using the ASEAN-India FTA (see next page).
- FTA/EPA use is also increasing in northeast Asia. More than 30% of firms in China are making use of FTA/EPAs for exports/imports between China and ASEAN, and firms in Taiwan are primarily making use of FTA/EPAs with China. In Korea, more than 50% of firms are making using of FTA/EPAs both with ASEAN and with the EU.

# 6. Exports/Imports (5)

## FTA and/or EPA (5+ user firms)

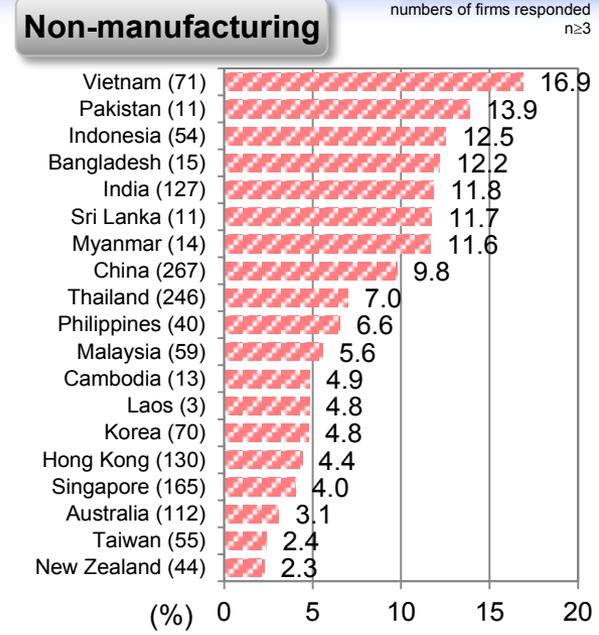
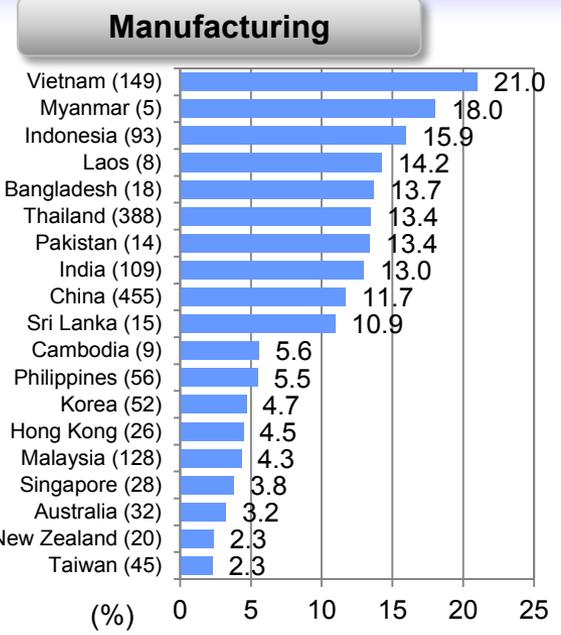
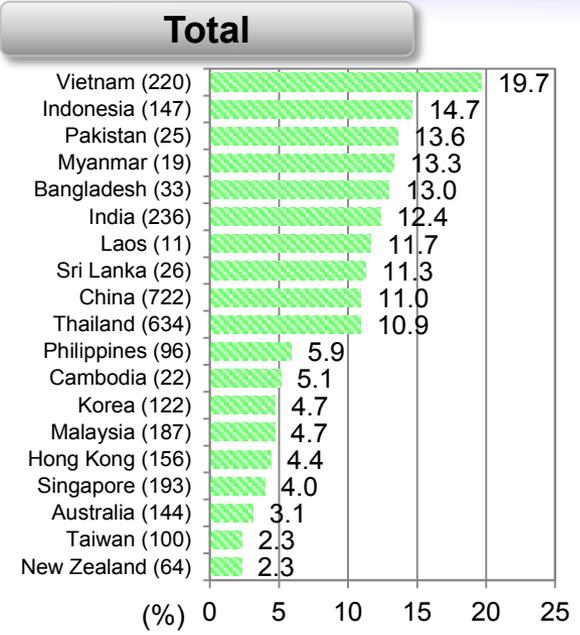
Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.  
Bilateral FTA/EPAs are included in multi-lateral FTA/EPAs.  
The % of firms using FTA/EPAs is calculated as the ratio of firms making using of FTA/EPAs to firms involved in import/export

		Trade partners	Firms involved in import/export	Firms making using of FTA/EPAs	% of firms using FTA/EPAs	Top 3 industries where FTA/EPAs are used (numbers of firms)			Firms considering use of FTA/EPAs	
						1	2	3		
Indonesia	Export	Japan	71	21	29.6	Wholesale/Retail	4Chem./Pharma., Textiles	3Motor Vehicles/cycles, etc.	2 each	8
		ASEAN	68	34	50.0	Motor vehicles/cycles	10Chem./Pharma., Wholesale/Retail	4Food, etc.	2 each	5
		China	21	7	33.3	Chem./Pharma.	3Motor Vehicles/cycles, Food	1 each		4
	Import	Japan	102	51	50.0	Motor vehicles/cycles	18Wholesale/Retail	10Chem./Pharma.	7	9
		ASEAN	80	52	65.0	Motor vehicles/cycles	17Wholesale/Retail	10Chem./Pharma.	6	6
		China	45	19	42.2	Wholesale/Retail	5Motor Vehicles/cycles	4General machinery	3	8
Vietnam	Export	Japan	132	33	25.0	Textiles	9Electric machinery	6Chem./Pharma., etc.	4 each	12
		ASEAN	72	25	34.7	Motor vehicles/cycles, Iron/Nonferrous/Metals	4Electric machinery, Textiles	3General machinery, Chem./Pharma., Food	2	11
		China	49	9	18.4	Motor vehicles/cycles	2Electric machinery, Iron/Nonferrous/Metals, Chem./Pharma., etc.	1 each		5
	Import	Japan	115	30	26.1	Electric machinery	6Chem./Pharma.	5Iron/Nonferrous/Metals	4	13
		ASEAN	79	22	27.8	Motor vehicles/cycles	5Electric machinery	4Textiles, etc.	3 each	11
		China	65	13	20.0	Electric machinery	3Iron/Nonferrous/Metals, Food, Wholesale/Retail	2 each		7
Philippines	Export	Japan	57	7	12.3	Motor Vehicles/cycles, Iron/Nonferrous/Metals, Wood/Pulp, Wholesale/Retail, Transport	1 each			5
		ASEAN	33	11	33.3	Motor vehicles/cycles	7Wholesale/Retail	2Iron/Nonferrous/Metals	1	1
		China	26	6	23.1	Wholesale/Retail	4Motor Vehicles/cycles, Wood/Pulp	1 each		3
	Import	Japan	59	15	25.4	Wholesale/Retail	5Motor Vehicles/cycles	4Wood/Pulp, etc.	1 each	4
		ASEAN	36	13	36.1	Motor Vehicles/cycles, Wholesale/Retail	6 each			3
		China	26	6	23.1	Wholesale/Retail	4Motor Vehicles/cycles, Wood/Pulp	1 each		3
China	Export	Hong Kong	145	26	17.9	Food	5Chem./Pharma., Iron/Nonferrous/Metals, Electric machinery	4 each		16
		ASEAN	113	34	30.1	Wholesale/Retail	8Motor Vehicles/cycles	7Chem./Pharma., etc.	5 each	16
		Taiwan	59	7	11.9	Motor Vehicles/cycles, Wholesale/Retail	2 each, Chem./Pharma., Iron/Nonferrous/Metals, etc.	1 each		10
	Import	Hong Kong	99	11	11.1	Iron/Nonferrous/Metals, Electric machinery	3 each	Chem./Pharma., etc.	1 each	11
		ASEAN	73	27	37.0	Wholesale/Retail	10Chem./Pharma.	6Motor Vehicles/cycles	4	9
		Taiwan	58	15	25.9	Motor vehicles/cycles	5Wholesale/Retail	3Electric machinery	2	10
Hong Kong	Export	China	74	5	6.8	Wholesale/Retail	4			10
Taiwan	Export	China	45	13	28.9	Wholesale/Retail	5Chem./Pharma., Iron/Nonferrous/Metals	2 each		10
Korea	Export	ASEAN	34	17	50.0	Chem./Pharma.	5Wholesale/Retail	4Motor Vehicles/cycles, etc.	2 each	6
		EU	21	12	57.1	Motor vehicles/cycles	6Chem./Pharma.	3Electric machinery	2	4
	Import	ASEAN	28	14	50.0	Wholesale/Retail	5Chem./Pharma.	3Textiles, etc.	2 each	5
India	Export	Japan	48	10	20.8	Wholesale/Retail	7Chem./Pharma., Transport	1 each		8
		ASEAN	47	16	34.0	Motor vehicles/cycles	8Wholesale/Retail	5Rubber/Leather, etc.	1 each	11
	Import	Japan	144	44	30.6	Wholesale/Retail	19Motor Vehicles/cycles	15General machinery	4	39
Australia	Export	ASEAN	112	44	39.3	Wholesale/Retail	17Motor Vehicles/cycles	15Electric machinery	3	37
		New Zealand	47	10	21.3	Wholesale/Retail	4Motor Vehicles/cycles	3General machinery, etc.	1 each	8
		ASEAN	37	8	21.6	Food	4Motor Vehicles/cycles, Wholesale/Retail	2 each		6
	Import	ASEAN	35	18	51.4	Wholesale/Retail	12Motor Vehicles/cycles	4Textiles, etc.	1 each	5
		US	24	6	25.0	Wholesale/Retail	2Food, General machinery, Motor Vehicles/cycles, Transport	1 each		3
		Australia	16	6	37.5	Wholesale/Retail	3Textiles	1		0
New Zealand	Export	Australia	21	7	33.3	Textiles, Wholesale/Retail	2 each	Iron/Nonferrous/Metals	1	1
		China	14	5	35.7	Food, Wholesale/Retail	2 each	Textiles	1	3
	Import	Australia	16	6	37.5	Wholesale/Retail	3Textiles	1		0

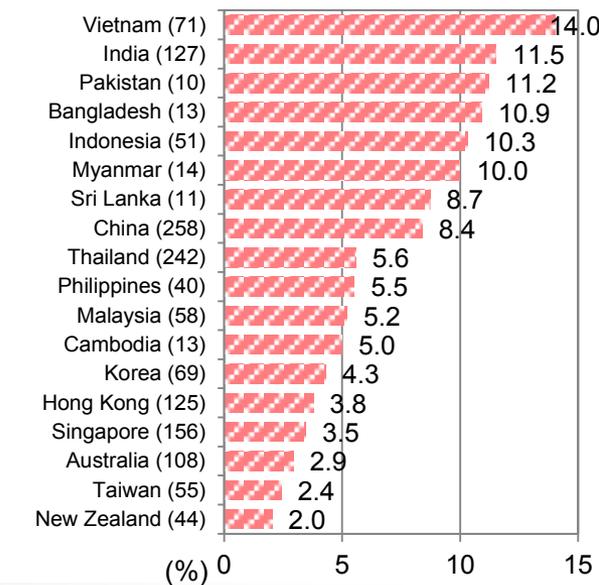
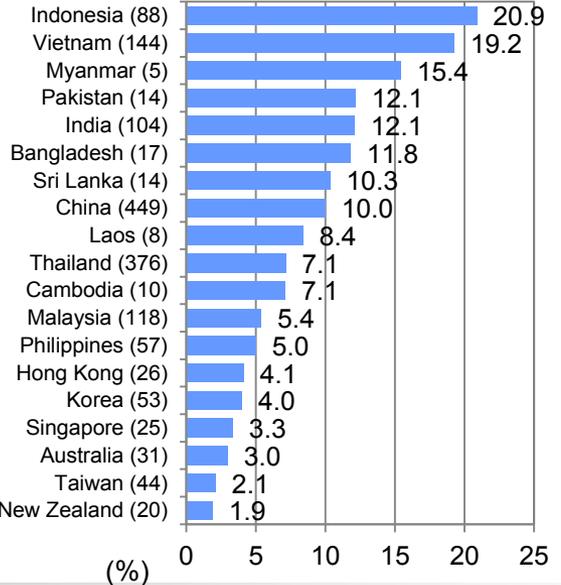
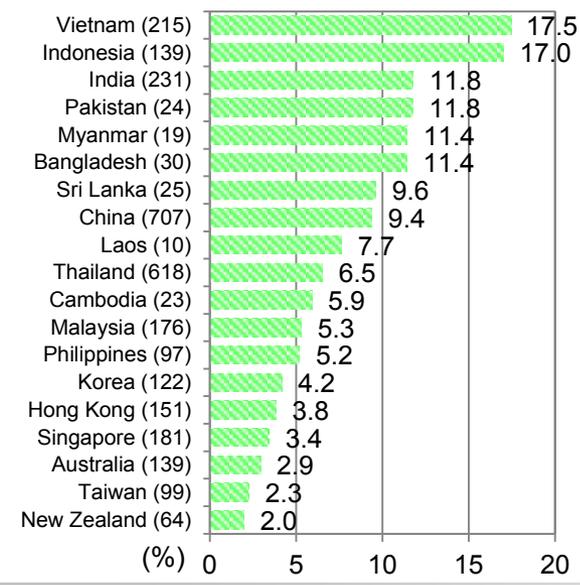
# 7. Wages (1) Wage Increases over the Previous Year

Numbers in parentheses indicate numbers of firms responded n≥3

2012 ← 2011



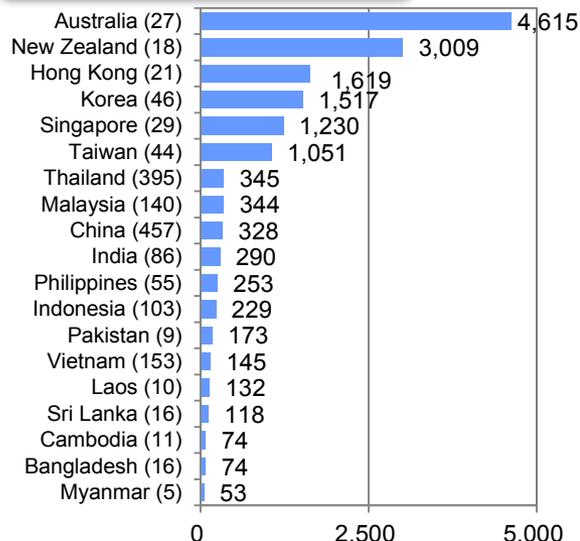
2013 ← 2012



# 7. Wages (2) Monthly Wages

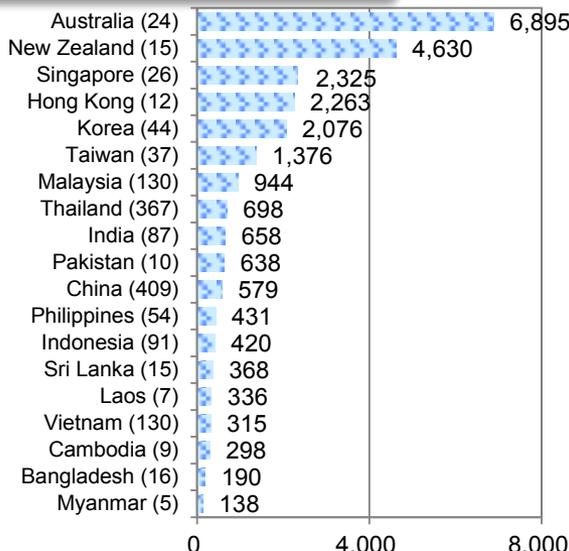
## Workers, Manufacturing

Unit: US\$



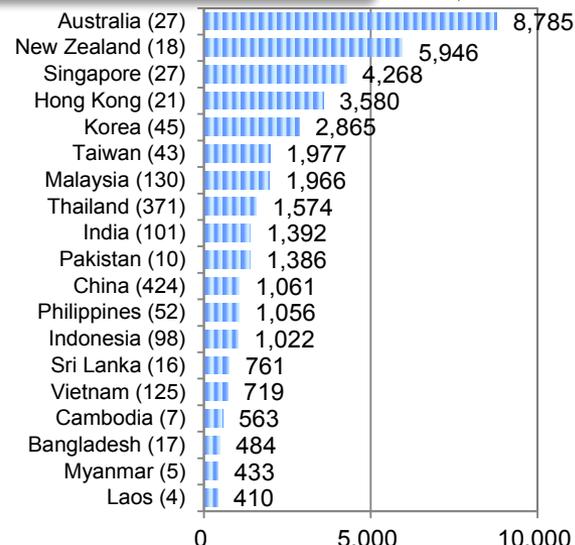
## Engineers, Manufacturing

Unit: US\$



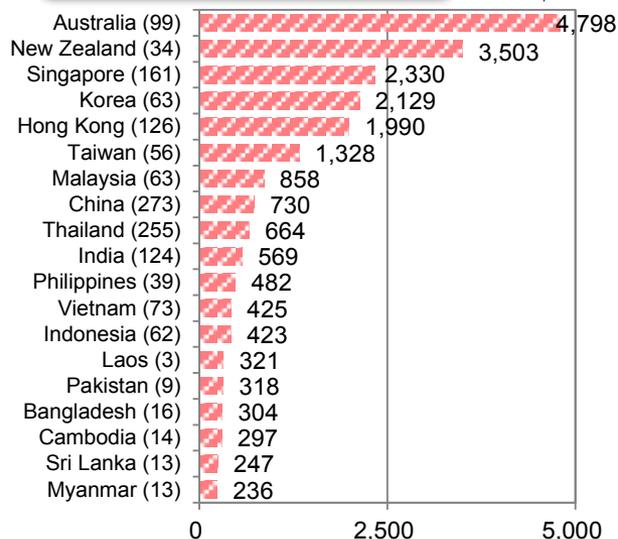
## Managers, Manufacturing

Unit: US\$



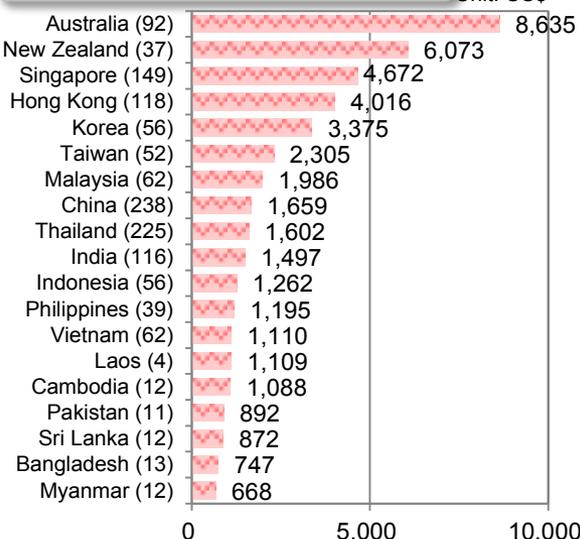
## Staff, Non-Manufacturing

Unit: US\$



## Managers, Non-Manufacturing

Unit: US\$



Base salary: as of October 2012, excluding benefits and allowances.

Worker: Full time employee with three years experience in manufacturing operations. Excludes contract and probationary workers.

Engineer: Full time employee who is a graduate of a vocational school or college with five years experience.

Manager (Manufacturing): Full time employee with college degree and the rank of section chief or higher, with ten years experience.

Staff: Full time employees with three years experience in routine office work. Excludes temporary and probationary employees.

Manager (Non-manufacturing): Full time employee with sales responsibility at the rank of section chief or above and ten years experience.

Note: Except for Cambodia, average total pay burdens were reported in local currency (it was selective between local currency or US dollars for Myanmar) and converted to US dollars at the average exchange rate as of October, 2012 (announced by each country's central bank). In Myanmar, because some firms used different currencies (the local currency or US\$), averages were calculated after converting salaries to US dollars.

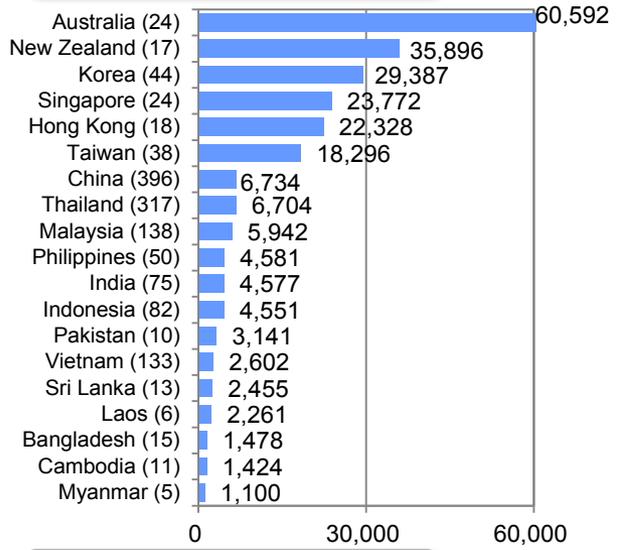


Numbers in parentheses indicate numbers of firms responded n≥3

# 7. Wages (3) Annual Total Pay Burden

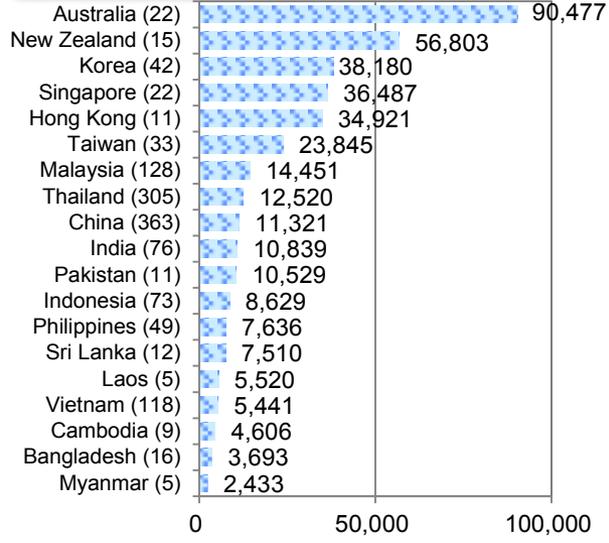
### Workers, Manufacturing

Unit: US\$



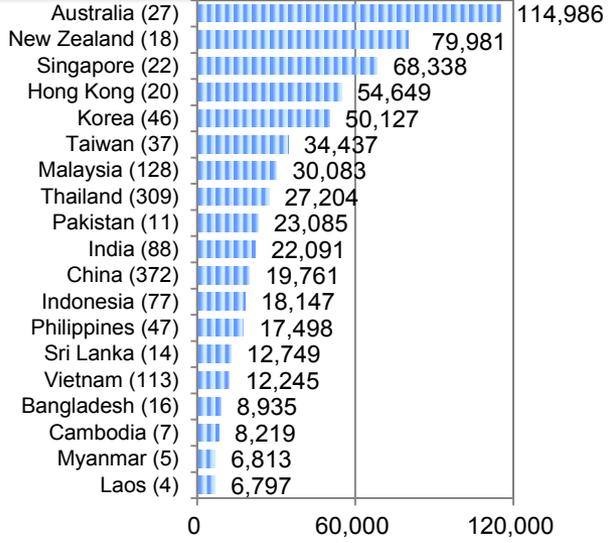
### Engineers, Manufacturing

Unit: US\$



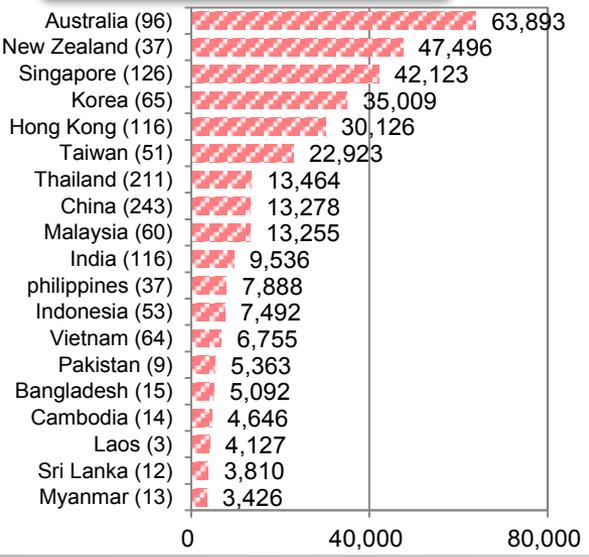
### Managers, Manufacturing

Unit: US\$



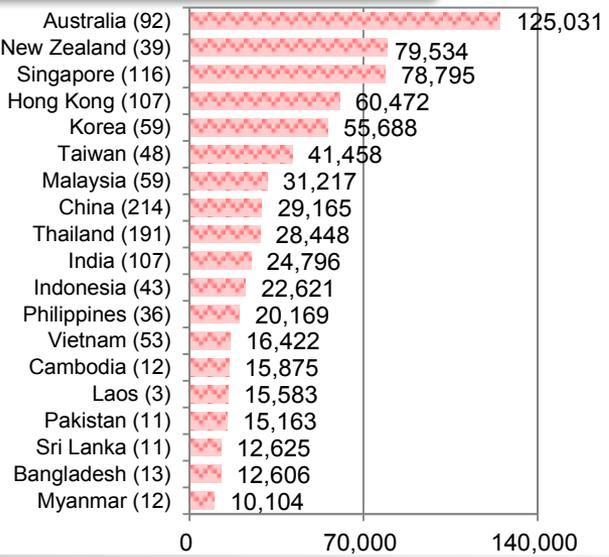
### Staff, Non-Manufacturing

Unit: US\$



### Managers, Non-Manufacturing

Unit: US\$



Annual total pay burden: Total annual payout per employee including base salary, allowances, social insurance premiums, overtime and bonuses, and excluding retirement allowances, as of 2012.

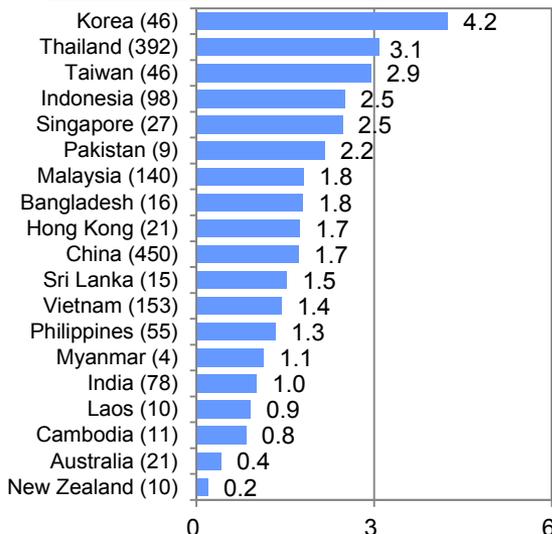
See previous page for definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

Note: Except for Cambodia, average annual total pay burdens were reported in local currency (it was selective between local currency or US dollars for Myanmar) and converted to US dollars at the average exchange rate as of October, 2012 (announced by each country's central bank). In Myanmar, because some firms used different currencies (the local currency or US\$), averages were calculated after converting salaries to US dollars.

# 7. Wages (4) Bonuses

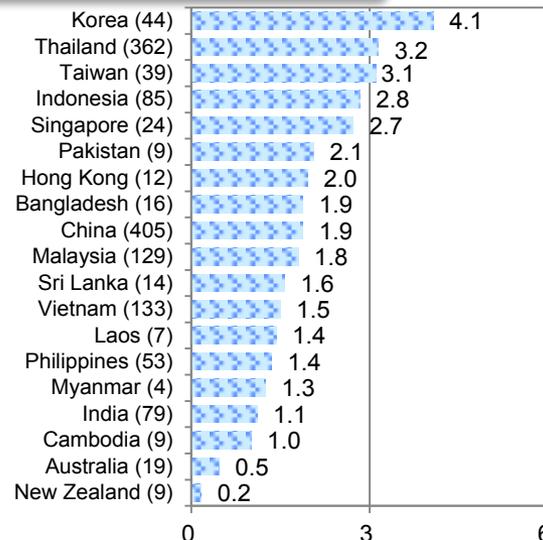
## Workers, Manufacturing

Unit: months



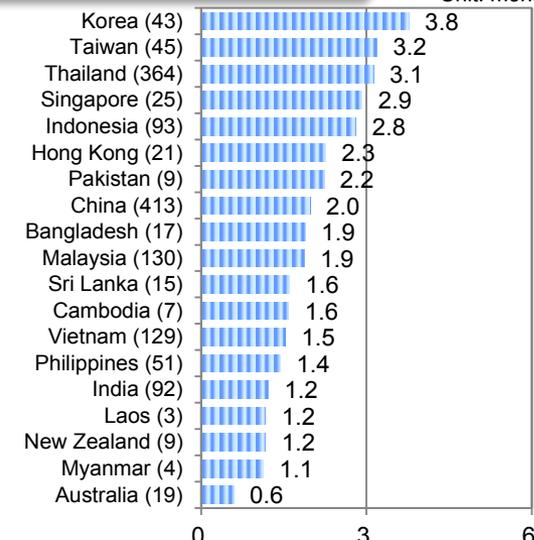
## Engineers, Manufacturing

Unit: months



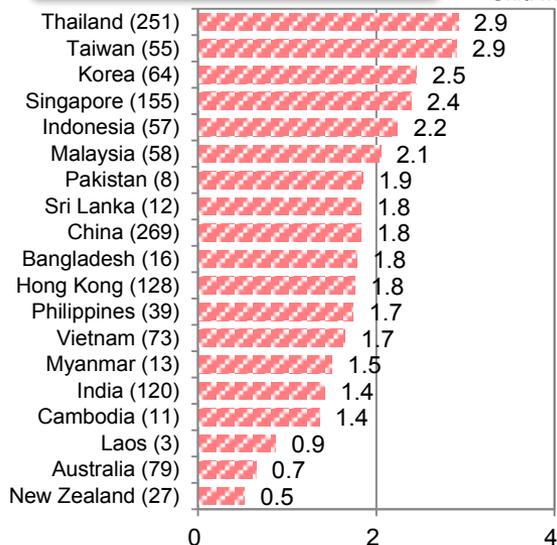
## Managers, Manufacturing

Unit: months



## Staff, Non-Manufacturing

Unit: months



## Managers, Non-Manufacturing

Unit: months

