



Japan External Trade Organization

**FY2014 Survey on the International
Operations of Japanese Firms
– JETRO Overseas Business Survey –**

March 11, 2015

Japan External Trade Organization (JETRO)

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Survey outline and profile of the respondent firms

Survey outline

1. Survey targets

A total of 9,183 firms (headquarters) with interest in overseas business
The FY2014 survey covered 3,415 JETRO member firms plus 5,768 firms using JETRO services.

* This survey has been conducted annually since FY2002, only directed at JETRO member companies and this year marked its 13th edition. From FY2011, JETRO has expanded the number of subject firms.

2. Survey topics

- (1) International Trade
- (2) Overseas Expansion/Future Domestic Business Expansion
- (3) Utilization of Free Trade Agreement (FTA)
- (4) Business Environment in Emerging Countries
- (5) Globalization of Management

3. Period

December 5, 2014 to January 13, 2015

4. Response

Number of valid replies: 2,995 (of which 1,334 are JETRO member firms)
Response rate : 32.6%

Definitions of large-scale firms, SMEs, etc.

	Manufacturing and other	wholesale	Retail	Service
Large-scale firms	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs
Large-scale firms (not including second-tier firms)	Large-scale firms other than second-tier firms	Large-scale firms other than second-tier firms	Large-scale firms other than second-tier firms	Large-scale firms other than second-tier firms
Second-tier firms	More than 300 million but less than 1 billion yen, or more than 300 but less than 3000 employees	More than 100 million but less than 300 million yen, or more than 100 but less than 1000 employees	More than 50 million but less than 300 million yen, or more than 50 but less than 1000 employees	More than 50 million but less than 300 million yen, or more than 100 but less than 1000 employees
SMEs	300 million yen or less, or 300 employees or less	100 million yen or less, or 100 employees or less	50 million yen or less, or 50 employees or less	50 million yen or less, or 100 employees or less
SMEs (not including small businesses)	SMEs other than small businesses	SMEs other than small businesses	SMEs other than small businesses	SMEs other than small businesses
Small businesses	50 million yen or less, or 20 employees or less	10 million yen or less, or 5 employees or less	10 million yen or less, or 5 employees or less	10 million yen or less, or 5 employees or less

Note: The larger categories of "large-scale firms" and "SMEs" are based on the Small and Medium-sized Enterprise Basic Act.

Profile of respondent firms

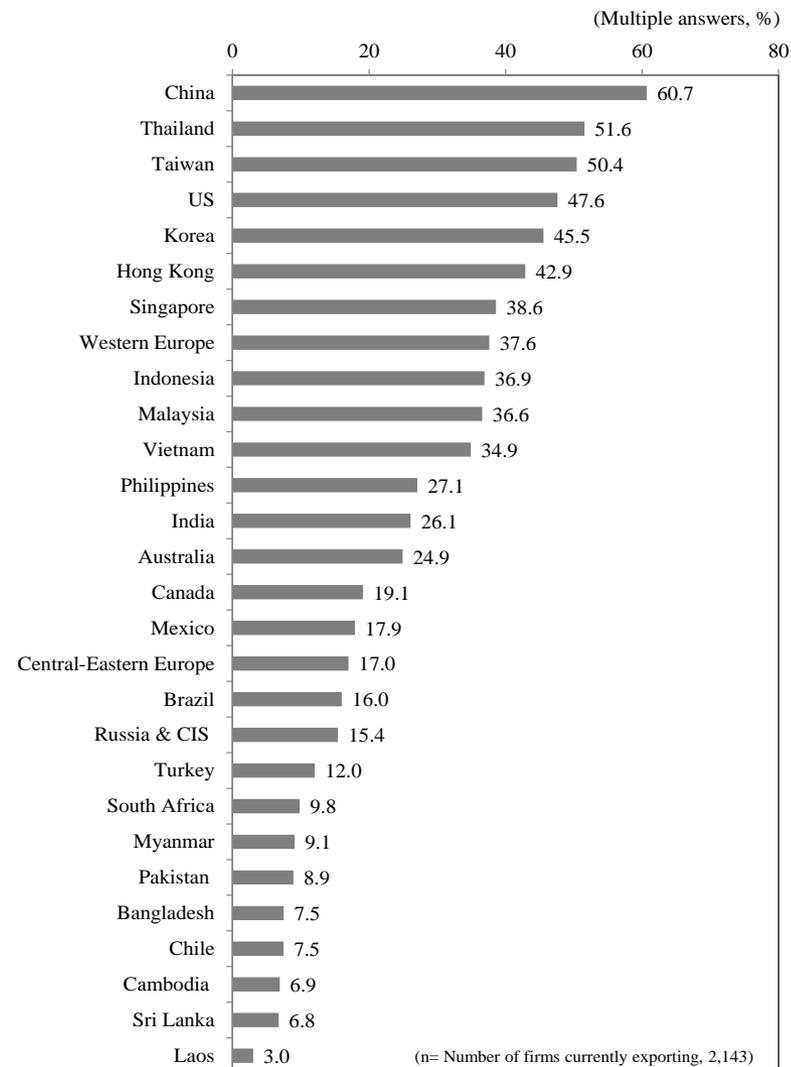
	No. of firms	(%)
All respondent firms	2,995	100.0
Manufacturing	1,707	57.0
Food & beverages	355	11.9
Textiles/clothing	84	2.8
Wood & wood products/furniture & building materials/paper & pulp	57	1.9
Chemicals	96	3.2
Medical products & cosmetics	67	2.2
Coal & petroleum products/plastics/rubber products	92	3.1
Ceramics/earth & stone	38	1.3
Iron & steel/non-ferrous metals/metal products	192	6.4
General machinery	165	5.5
Electrical equipment	92	3.1
IT equipment/electronic parts & devices	61	2.0
Cars/car parts/other transportation machinery	123	4.1
Precision equipment	71	2.4
Other manufacturing	214	7.1
Non-manufacturing	1,288	43.0
Trade and wholesale	613	20.5
Retail	104	3.5
Construction	75	2.5
Transport	37	1.2
Finance & insurance	87	2.9
Communication, information & software	83	2.8
Professional services	101	3.4
Other non-manufacturing	188	6.3
Large scale firms	661	22.1
Large-scale firms (not including leading medium-sized firms)	175	5.8
Leading medium-sized firms	486	16.2
Small and medium-sized enterprises (SMEs)	2,334	77.9
SMEs (not including small businesses)	888	29.6
micro-businesses	1,446	48.3

Profile of respondent firms (export destinations)

Firms with export operations (by industry and firm size)

	(%)				
	Currently exporting	Exports only	Not currently exporting	Imports only	No answer
All respondent firms (n=2,995)	71.6	28.7	28.0	9.7	0.4
Manufacturing (n=1,707)	82.8	34.6	17.0	7.1	0.2
Food & beverages (n=355)	79.4	53.2	20.0	5.9	0.6
Textiles/clothing (n=84)	75.0	26.2	25.0	13.1	0.0
Wood & wood products/furniture & building materials/paper & pulp (n=57)	66.7	29.8	33.3	15.8	0.0
Chemicals (n=96)	95.8	29.2	4.2	0.0	0.0
Medical products & cosmetics (n=67)	85.1	35.8	14.9	7.5	0.0
Coal & petroleum products/plastics/rubber products (n=92)	81.5	27.2	18.5	10.9	0.0
Ceramics/earth & stone (n=38)	81.6	31.6	18.4	10.5	0.0
Iron & steel/non-ferrous metals/metal products (n=192)	76.0	31.8	24.0	12.0	0.0
General machinery (n=165)	94.5	29.7	5.5	1.8	0.0
Electrical equipment (n=92)	85.9	27.2	14.1	6.5	0.0
IT equipment/electronic parts & devices (n=61)	83.6	11.5	16.4	8.2	0.0
Cars/car parts/other transportation machinery (n=123)	86.2	31.7	13.8	6.5	0.0
Precision equipment (n=71)	91.5	26.8	8.5	4.2	0.0
Other manufacturing (n=214)	80.8	34.1	18.7	6.5	0.5
Non-manufacturing (n=1,288)	56.6	20.9	42.6	13.2	0.8
Trade and wholesale (n=613)	81.1	22.2	18.8	15.8	0.2
Retail (n=104)	46.2	24.0	52.9	30.8	1.0
Construction (n=75)	38.7	21.3	60.0	12.0	1.3
Transport (n=37)	29.7	5.4	70.3	2.7	0.0
Finance & insurance (n=87)	1.1	1.1	94.3	0.0	4.6
Communication, information & software (n=83)	45.8	32.5	53.0	14.5	1.2
Professional services (n=101)	35.6	21.8	63.4	5.9	1.0
Other non-manufacturing (n=188)	36.7	21.3	62.8	6.9	0.5
Large scale firms (n=661)	72.2	14.1	27.1	3.9	0.8
Large scale firms (not including leading medium-sized firms) (n=175)	70.3	10.3	29.7	4.6	0.0
Leading medium-sized firms (n=486)	72.8	15.4	26.1	3.7	1.0
Small and medium-sized enterprises (SMEs) (n=2,334)	71.4	32.8	28.3	11.4	0.3
SMEs (not including small businesses) (n=888)	78.0	26.4	21.7	9.9	0.2
Micro-businesses (n=1,446)	67.3	36.8	32.3	12.3	0.4

Export destinations of exporting firms (by country and region)



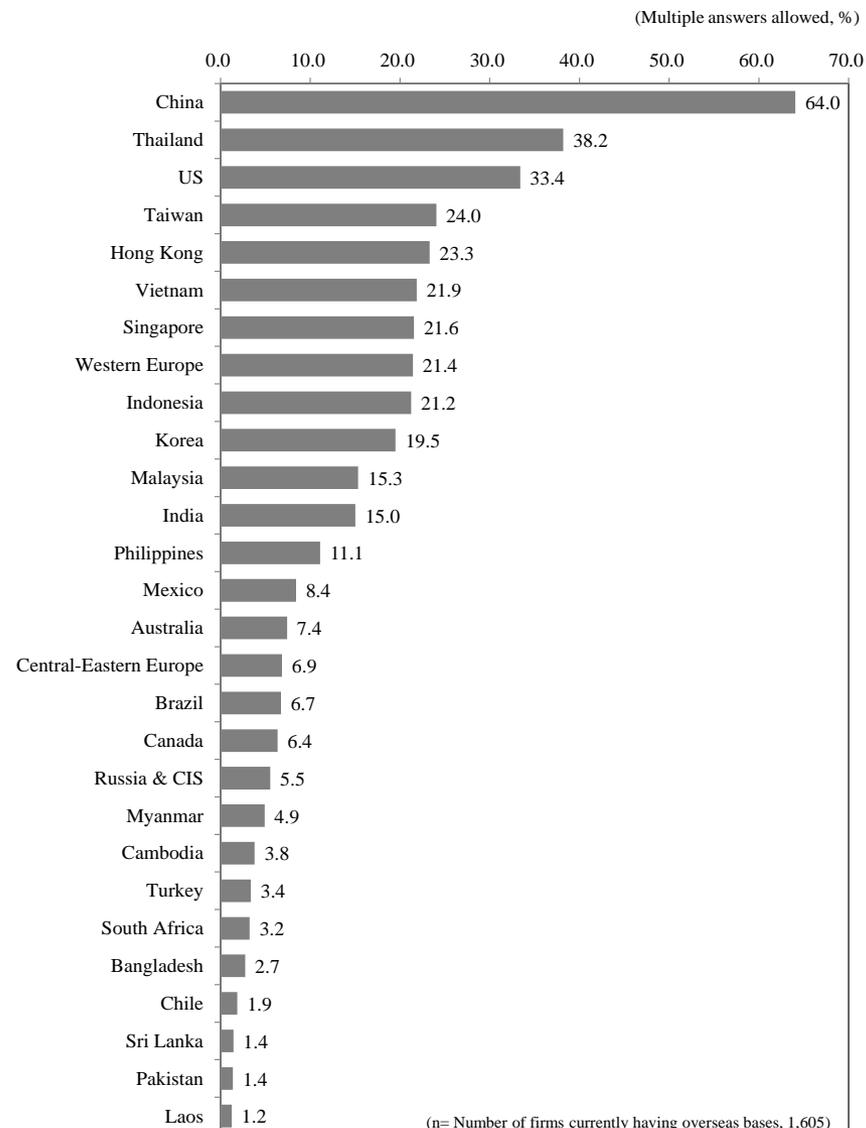
Profile of respondent firms (status of overseas expansion)

Firms with overseas bases (by industry and firm size)

	(%)		
	With overseas bases	Without overseas bases	No answer
All respondent firms(n=2,995)	53.6	46.0	0.4
Manufacturing(n=1,707)	56.8	43.0	0.2
Food & beverages(n=355)	35.5	63.9	0.6
Textiles/clothing(n=84)	51.2	48.8	0.0
Wood & wood products/furniture & building materials/paper & pulp(n=57)	52.6	47.4	0.0
Chemicals(n=96)	75.0	25.0	0.0
Medical products & cosmetics(n=67)	44.8	55.2	0.0
Coal & petroleum products/plastics/rubber products(n=92)	65.2	34.8	0.0
Ceramics/earth & stone(n=38)	52.6	47.4	0.0
Iron & steel/non-ferrous metals/metal products(n=192)	60.9	39.1	0.0
General machinery(n=165)	61.2	38.8	0.0
Electrical equipment(n=92)	71.7	28.3	0.0
IT equipment/electronic parts & devices(n=61)	75.4	24.6	0.0
Cars/car parts/other transportation machinery(n=123)	77.2	22.8	0.0
Precision equipment(n=71)	67.6	32.4	0.0
Other manufacturing(n=214)	54.2	45.3	0.5
Non-manufacturing(n=1,288)	49.3	49.9	0.8
Trade and wholesale(n=613)	51.4	48.5	0.2
Retail(n=104)	27.9	71.2	1.0
Construction(n=75)	56.0	42.7	1.3
Transport(n=37)	86.5	13.5	0.0
Finance & insurance(n=87)	46.0	49.4	4.6
Communication, information & software(n=83)	53.0	45.8	1.2
Professional services(n=101)	50.5	48.5	1.0
Other non-manufacturing(n=188)	43.6	55.9	0.5
Large scale firms(n=661)	84.0	15.3	0.8
Large scale firms(not including leading medium-sized firms)(n=175)	95.4	4.6	0.0
Leading medium-sized firms(n=486)	79.8	19.1	1.0
Small and medium-sized enterprises (SMEs)(n=2,334)	45.0	54.7	0.3
SMEs(not including small businesses)(n=888)	60.2	39.5	0.2
Micro-businesses(n=1,446)	35.6	64.0	0.4

[Notes] Agencies are not included in overseas bases.

Country and region of overseas bases



Profile of respondent firms (percentage of sales overseas)

■ In most industries, a majority of firms project increases in their percentages of sales overseas

The percentages of firms with 50% or more of sales overseas were more than 20% in the industries of IT equipment/electronic parts and devices (27.9%), transportation machinery (25.2%), trade and wholesale (20.9%), and general machinery (20.0%). Viewed by firm size, the percentage was higher among large-scale firms (15.3%) than among SMEs (10.5%). Among manufacturing firms, 54.7% projected an increase in the percentage of sales overseas in the future (within three years), while 39.3% of non-manufacturing firms projected an increase. In particular, the percentages projecting increases were more than 60% in the chemical (68.8%), transportation machinery (65.0%), and general machinery (61.2%) industries.

Percentage of sales overseas (current and projected)

	Percentage of overseas sales					Projections on percentage of overseas sales				(%)
	0-Less than 25%	26-Less than 50%	50-Less than 75%	75-100%	No answer	Increasing	Unchanged	Decreasing	No answer	
All respondent firms(n=2,995)	42.5	10.2	6.3	5.2	35.8	48.0	21.3	2.9	27.8	
Manufacturing(n=1,707)	48.5	12.5	7.4	3.4	28.2	54.7	22.1	2.5	20.8	
Food & beverages(n=355)	61.4	3.7	1.1	1.1	32.7	55.8	17.5	0.8	25.9	
Textiles/clothing(n=84)	48.8	6.0	3.6	2.4	39.3	42.9	15.5	6.0	35.7	
Wood & wood products/furniture & building materials/paper & pulp(n=57)	50.9	7.0	1.8	0.0	40.4	47.4	12.3	1.8	38.6	
Chemicals(n=96)	49.0	26.0	7.3	0.0	17.7	68.8	20.8	0.0	10.4	
Medical products & cosmetics(n=67)	56.7	6.0	3.0	1.5	32.8	49.3	19.4	3.0	28.4	
Coal & petroleum products/plastics/rubber products(n=92)	45.7	17.4	7.6	4.3	25.0	51.1	23.9	3.3	21.7	
Ceramics/earth & stone(n=38)	52.6	13.2	10.5	2.6	21.1	52.6	34.2	0.0	13.2	
Iron & steel/non-ferrous metals/metal products(n=192)	46.9	12.0	6.3	1.6	33.3	49.0	26.6	1.6	22.9	
General machinery(n=165)	44.2	19.4	15.2	4.8	16.4	61.2	27.3	5.5	6.1	
Electrical equipment(n=92)	40.2	19.6	13.0	6.5	20.7	55.4	28.3	1.1	15.2	
IT equipment/electronic parts & devices(n=61)	41.0	8.2	16.4	11.5	23.0	55.7	26.2	1.6	16.4	
Cars/car parts/other transportation machinery(n=123)	30.1	21.1	17.9	7.3	23.6	65.0	13.8	3.3	17.9	
Precision equipment(n=71)	49.3	15.5	11.3	1.4	22.5	46.5	39.4	2.8	11.3	
Other manufacturing(n=214)	44.9	12.1	4.7	5.6	32.7	52.8	20.6	3.7	22.9	
Non-manufacturing(n=1,288)	34.5	7.1	4.9	7.6	45.9	39.3	20.3	3.4	37.0	
Trade and wholesale(n=613)	39.5	9.3	7.5	13.4	30.3	42.6	29.7	4.1	23.7	
Retail(n=104)	26.9	1.0	2.9	3.8	65.4	33.7	9.6	4.8	51.9	
Construction(n=75)	44.0	5.3	2.7	0.0	48.0	40.0	22.7	0.0	37.3	
Transport(n=37)	43.2	18.9	2.7	2.7	32.4	51.4	18.9	2.7	27.0	
Finance & insurance(n=87)	9.2	2.3	0.0	0.0	88.5	11.5	6.9	0.0	81.6	
Communication, information & software(n=83)	43.4	7.2	1.2	2.4	45.8	45.8	13.3	6.0	34.9	
Professional services(n=101)	29.7	10.9	5.9	4.0	49.5	44.6	11.9	5.9	37.6	
Other non-manufacturing(n=188)	27.7	1.6	2.1	2.7	66.0	36.2	8.5	1.1	54.3	
Large scale firms(n=661)	38.0	16.3	11.2	4.1	30.4	59.9	16.5	1.1	22.5	
Large scale firms (not including leading medium-sized firms)(n=175)	32.0	18.3	16.6	8.0	25.1	71.4	8.6	0.6	19.4	
Leading medium-sized firms(n=486)	40.1	15.6	9.3	2.7	32.3	55.8	19.3	1.2	23.7	
Small and medium-sized enterprises(SMEs)(n=2,334)	43.8	8.4	5.0	5.5	37.3	44.7	22.7	3.4	29.3	
SMEs(not including small businesses)(n=888)	47.7	11.6	5.4	5.2	30.1	49.8	27.3	2.5	20.5	
Micro-businesses(n=1,446)	41.4	6.4	4.7	5.7	41.8	41.6	19.8	3.9	34.6	

[Notes] Cells highlighted in yellow indicate industries for which 20% or more of respondents reported percentages of sales overseas of 50-100% and those for which 50% or more of respondents reported projected increases in percentages of sales overseas.

1. International trade

- Benefits of yen depreciation for global firms -

International trade: Influence of exchange rate fluctuations

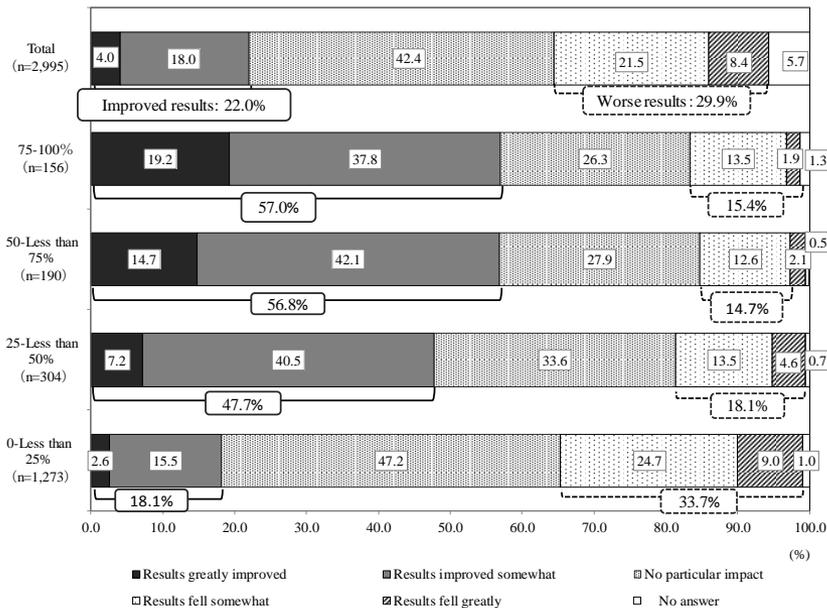
■ The more involved in global business development, the greater benefit from yen depreciation

Regarding impact of the recent depreciation of the yen, the response rate of “no particular impact” marked the highest at 42.4%, while 22.0% of respondents have experienced improved performance. The survey revealed that globally-expanding firms with a larger percentage of overseas sales are receiving more benefit from a depreciation of the yen: 57.0% of the firms with an overseas sales ratio in the range of 75-100% reported improved performance, followed by 56.8% of those in the 50-75% range and 47.7% of those in the 25-50% range. By industry, percentages of firms reporting improved results stood out in industries such as transportation machinery (41.5%), precision equipment (39.4%), IT equipment/electronic parts and devices (37.7%), and general machinery (36.4%).

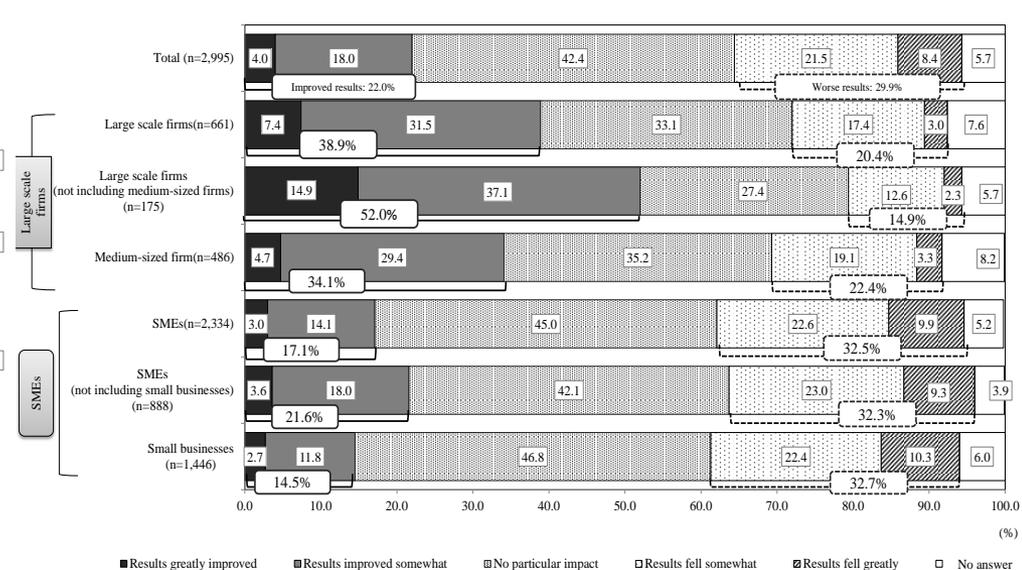
■ 17.1% of SMEs saw improved performance

By firm size, 38.9% of large-scale firms have experienced improved performance, while only 17.1% of SMEs reported the same. By industry, high percentages of firms in industries such as textiles/clothing (55.9%), wood & wood products (43.8%), trade and wholesale (40.1%), coal & petroleum products/plastics/rubber products (39.2%), food & beverages (36.6%), and retail (36.6%) reported that results had fallen due to the yen depreciation.

**Influence of exchange rate fluctuations
(by percentage of overseas sales)**

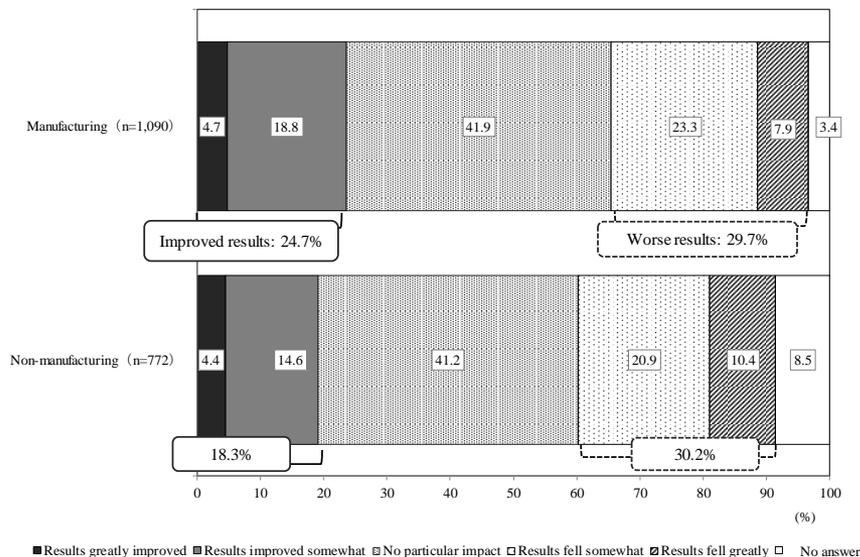


Influence of exchange rate fluctuations (by firm size)



International trade: Influence of exchange rate fluctuations

Influence of exchange rate fluctuations (by industry)



By industry and firm size

		Results greatly improved	Results improved somewhat	No particular impact	Results fell somewhat	Results fell greatly	No answer
Manufacturing	Large scale firms (n=328)	11.6	40.2	25.3	18.6	2.7	1.5
	SMEs (n=1,379)	2.5	15.7	46.8	23.3	8.3	3.3
Non-manufacturing	Large scale firms (n=333)	3.3	22.8	40.8	16.2	3.3	13.5
	SMEs (n=955)	3.8	11.8	42.4	21.7	12.3	8.1

By industry

	No. of Firms	Results greatly improved	Results improved somewhat	No particular impact	Results fell somewhat	Results fell greatly	No answer
All respondent firms	2,995	4.0	18.0	42.4	21.5	8.4	5.7
Manufacturing	1,707	4.3	20.4	42.7	22.4	7.3	2.9
Food & beverages	355	1.4	8.2	49.6	27.6	9.0	4.2
Textiles/clothing	84	3.6	15.5	20.2	34.5	21.4	4.8
Wood & wood products/furniture & building materials/paper & pulp	57	1.8	15.8	31.6	29.8	14.0	7.0
Chemicals	96	5.2	29.2	37.5	24.0	1.0	3.1
Medical products & cosmetics	67	6.0	16.4	58.2	16.4	3.0	0.0
Coal & petroleum products/plastics/rubber products	92	2.2	29.3	28.3	28.3	10.9	1.1
Ceramics/earth & stone	38	0.0	18.4	57.9	21.1	2.6	0.0
Iron & steel/non-ferrous metals/metal products	192	3.6	19.3	44.3	22.9	6.8	3.1
General machinery	165	5.5	30.9	44.8	14.5	3.6	0.6
Electrical equipment	92	5.4	25.0	43.5	18.5	4.3	3.3
IT equipment/electronic parts &	61	8.2	29.5	36.1	21.3	3.3	1.6
Cars/car parts/other transportation machinery	123	13.0	28.5	35.0	18.7	4.1	0.8
Precision equipment	71	5.6	33.8	45.1	7.0	7.0	1.4
Other manufacturing	214	3.3	17.3	46.3	20.6	7.9	4.7
Non-manufacturing	1,288	3.6	14.7	42.0	20.3	9.9	9.5
Trade and wholesale	613	6.0	19.4	30.2	25.4	14.7	4.2
Retail	104	1.9	7.7	48.1	26.0	10.6	5.8
Construction	75	0.0	14.7	44.0	13.3	6.7	21.3
Transport	37	0.0	29.7	29.7	21.6	5.4	13.5
Finance & insurance	87	1.1	10.3	48.3	2.3	0.0	37.9
Communication, information & software	83	1.2	8.4	60.2	20.5	3.6	6.0
Professional services	101	2.0	8.9	61.4	13.9	6.9	6.9
Other non-manufacturing	188	2.1	8.0	57.4	14.4	5.3	12.8

International trade: Future export plans

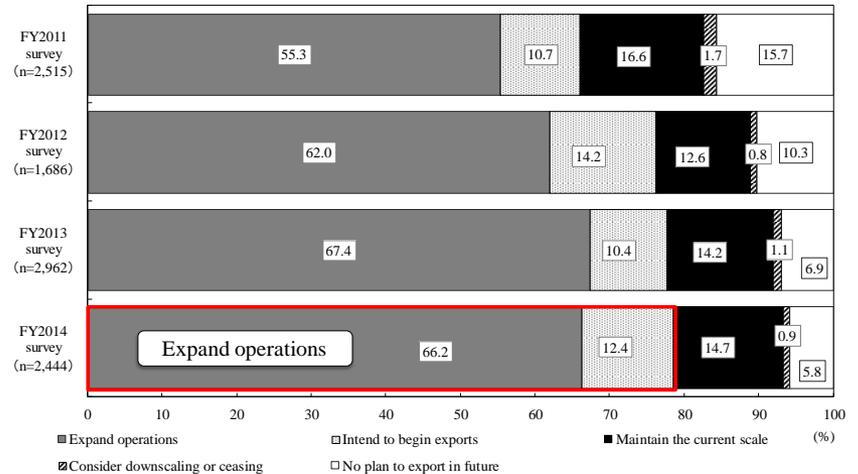
Appetite for expanding exports remains high

In terms of export policy for the next three years or so, 78.6% of firms continued to express high motivation to expand exports from the previous year: 66.2% “intending to further expand exports” and 12.4% “expecting to launch exports”.

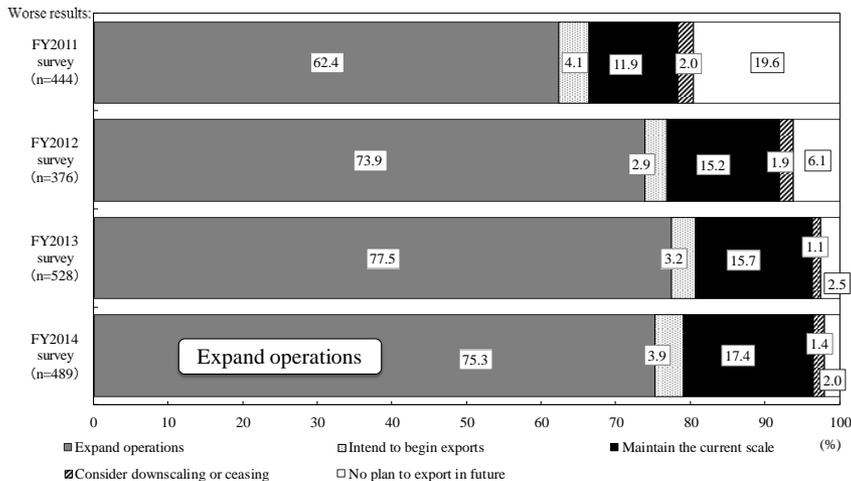
By firm size, 75.3% of large-scale firms said they intended to expand exports. Among SMEs this percentage reached 64.0%, and combining with the percentage who said they “intend to launch exports” (14.5%) results in a total of 78.5%.

The percentages of firms answering that they planned to “expand operations” were high in industries such as chemicals (81.7%), medical products & cosmetics (76.6%), and general machinery (74.4%). Percentages of firms reporting that they “intend to begin exports” were high in the textiles/clothing (18.4%), wood & wood products (14.9%), and food & beverages (14.8%) industries, among others.

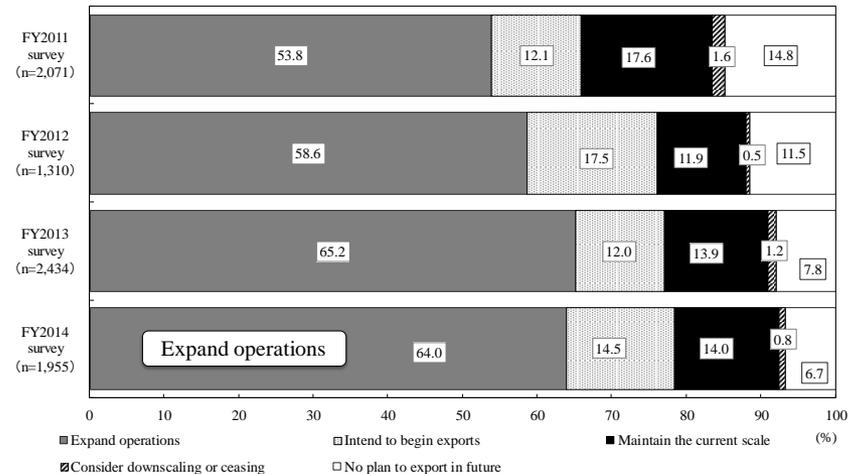
Policy on exports for about the next 3 years, including FY2014



Large-scale firms



SMEs

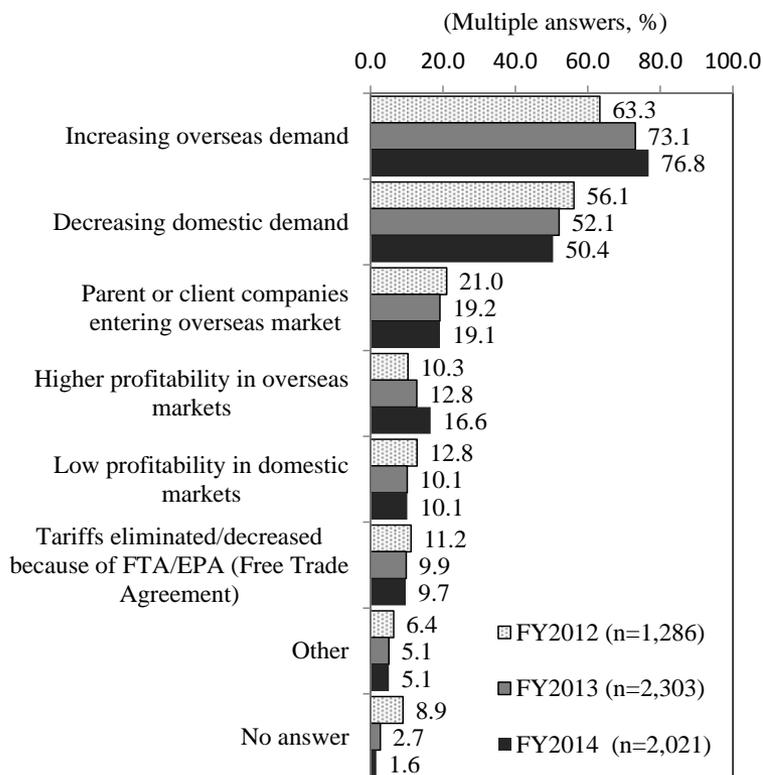


International trade: Reasons for expanding export operations

■ The biggest reason for efforts for international trade is increasing overseas demand

Regarding reasons for expanding exports, the most commonly cited reason remained “increasing overseas demand” (76.8%), while the percentage of “decreasing domestic demand” (50.4%) fell for the second consecutive year. The percentage answering “higher profitability in overseas markets” (16.6%) rose over the same period.

Reasons for expanding export operations (total)



By firm size (large-scale firms, leading medium-sized firms, SMEs, micro-businesses)

(Multiple answers, %)

	Total (n=2,021)	Large scale firms (n=391)	Large scale firms (n=96)	Leading medium-sized firm (n=295)	SMEs (n=1,630)	SMEs (n=622)	Micro businesses (n=1,008)
Increasing overseas demand	76.8	86.2	94.8	83.4	74.5	77.0	73.0
Decreasing domestic demand	50.4	55.5	46.9	58.3	49.1	50.2	48.5
Parent or client companies entering overseas market	19.1	36.8	34.4	37.6	14.9	22.2	10.4
Higher profitability in overseas markets	16.6	12.0	12.5	11.9	17.7	15.4	19.0
Low profitability in domestic markets	10.1	6.9	4.2	7.8	10.9	9.0	12.1
Tariffs eliminated/decreased because of FTA/EPA (Free Trade Agreement)	9.7	13.3	16.7	12.2	8.9	9.6	8.4
Other	5.1	3.3	3.1	3.4	5.5	4.2	6.3
No answer	1.6	1.5	1.0	1.7	1.6	1.8	1.5

[Notes] The subcategory of large scale firms indicates large scale firms not including leading medium-sized firms, and the subcategory of SMEs indicates SMEs not including micro businesses.

International trade: Reasons why exports have not increased as they did during previous depreciation of yen

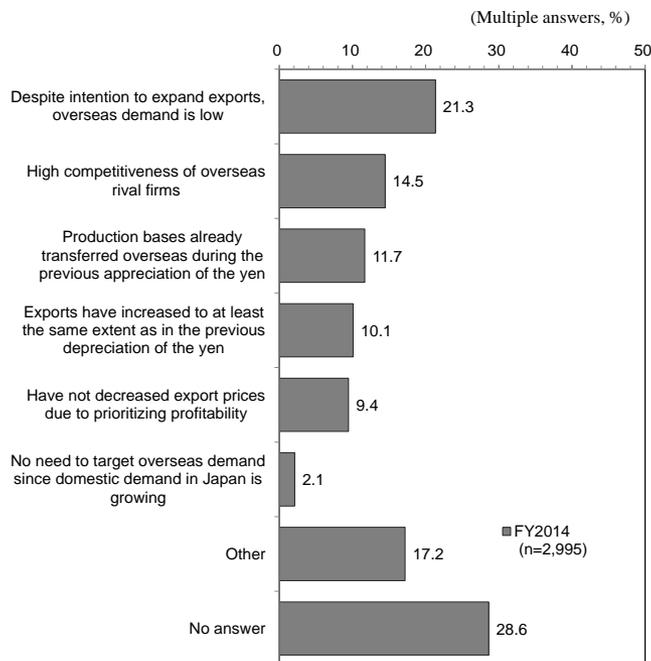
Major obstacles for export growth: sluggish overseas demand, competition and transfer of production overseas

Among reasons for the current weak growth in exports compared with the rise experienced in the previous depreciation of the yen, the most commonly cited answer was “despite intention to expand exports, overseas demand is low” with 21.3%, followed by “high competitiveness of overseas rival firms” (14.5%) and “production bases already transferred overseas during the previous appreciation of the yen” (11.7%). The response rate of “production bases already transferred overseas” marked the highest at 22.4% among large scale firms, and also ranked high in the industries of transportation machinery (47.2%) and IT equipment/electronic parts (31.1%). Also, notable percentages of respondents cited “high competitiveness of overseas rival firms” in industries such as general machinery (24.8%), precision equipment (23.9%), and IT equipment/electronic parts & devices (23.0%).

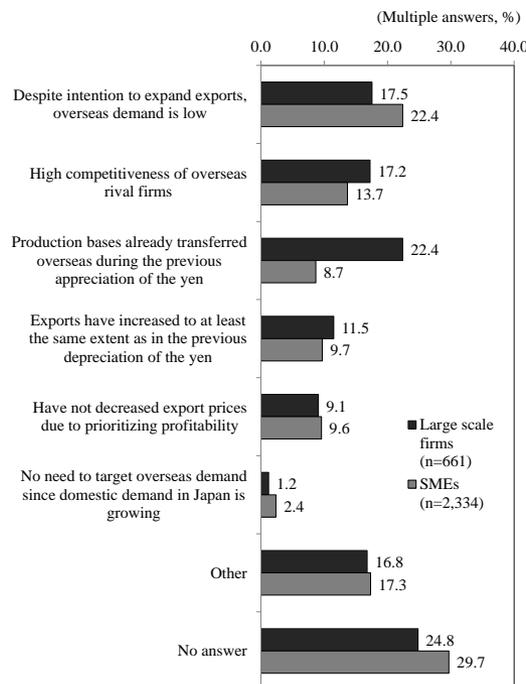
Effects of yen depreciation on increased exports relatively higher in industries such as general machinery

On the other hand, 10.1% of firms reported “exports have increased to at least the same extent as in the previous depreciation of the yen.” By industry, high percentages of firms gave this answer in the general machinery (16.4%) industry (including industrial machinery, construction machinery and food-processing machinery).

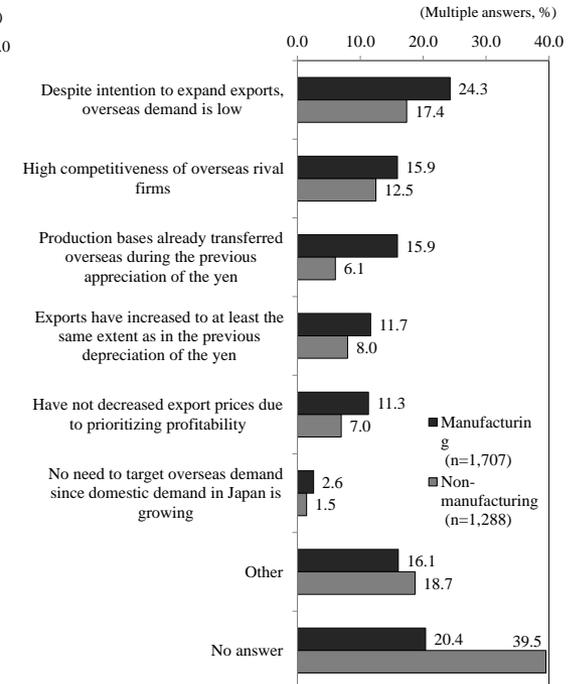
Reasons why exports have not increased as they did in previous depreciation of yen (total)



Large-scale firms/SMEs



Manufacturing/non-manufacturing



International trade: Reasons why exports have not increased as they did during previous depreciation of yen

By industry

(Multiple answers, %)

	Number of firms	Despite intention to expand exports, overseas demand is low	High competitiveness of overseas rival firms	Production bases already transferred overseas during the previous appreciation of the yen	Have not decreased export prices due to prioritizing profitability	No need to target overseas demand since domestic demand in Japan is growing	Exports have increased to at least the same extent as in the previous depreciation of the yen	Other	No answer
All respondent firms	2,995	21.3	14.5	11.7	9.4	2.1	10.1	17.2	28.6
Manufacturing	1,707	24.3	15.9	15.9	11.3	2.6	11.7	16.1	20.4
Food & beverages	355	20.0	8.5	2.5	12.1	2.8	13.5	18.6	31.5
Textiles/clothing	84	19.0	9.5	15.5	4.8	2.4	9.5	22.6	26.2
Wood & wood products/furniture & building materials/paper & pulp	57	19.3	7.0	10.5	15.8	0.0	10.5	7.0	35.1
Chemicals	96	32.3	21.9	18.8	17.7	0.0	14.6	11.5	13.5
Medical products & cosmetics	67	25.4	20.9	3.0	16.4	1.5	11.9	17.9	17.9
Coal & petroleum products/plastics/rubber products	92	23.9	16.3	27.2	7.6	2.2	6.5	20.7	15.2
Ceramics/earth & stone	38	26.3	10.5	5.3	13.2	0.0	15.8	10.5	28.9
Iron & steel/non-ferrous metals/metal products	192	24.0	18.2	15.6	12.0	4.7	11.5	16.1	20.8
General machinery	165	29.7	24.8	23.0	12.7	3.0	16.4	10.3	6.7
Electrical equipment	92	29.3	20.7	21.7	12.0	4.3	12.0	6.5	15.2
IT equipment/electronic parts & devices	61	21.3	23.0	31.1	8.2	0.0	11.5	11.5	21.3
Cars/car parts/other transportation machinery	123	13.0	11.4	47.2	8.9	0.8	8.9	14.6	12.2
Precision equipment	71	39.4	23.9	16.9	8.5	2.8	7.0	12.7	14.1
Other manufacturing	214	27.1	16.8	9.3	9.3	3.7	9.3	23.8	19.2
Non-manufacturing	1,288	17.4	12.5	6.1	7.0	1.5	8.0	18.7	39.5
Trade and wholesale	613	26.1	18.6	9.1	9.6	1.0	13.1	16.3	23.8
Retail	104	8.7	5.8	2.9	4.8	1.9	6.7	19.2	51.0
Construction	75	14.7	6.7	2.7	6.7	5.3	1.3	17.3	50.7
Transport	37	5.4	13.5	16.2	2.7	2.7	0.0	27.0	43.2
Finance & insurance	87	2.3	0.0	0.0	0.0	0.0	0.0	23.0	74.7
Communication, information & software	83	12.0	14.5	4.8	4.8	2.4	3.6	18.1	44.6
Professional services	101	11.9	6.9	2.0	5.0	2.0	4.0	23.8	48.5
Other non-manufacturing	188	9.6	6.4	2.7	5.9	1.1	4.3	20.7	55.9

[Notes] Highlighted cells indicate industries with response rates of 20% or higher.

2. Overseas expansion, future domestic business expansion

- SME motivation to expand overseas and domestic business on
the rise -**

Overseas expansion: Future overseas expansion policy

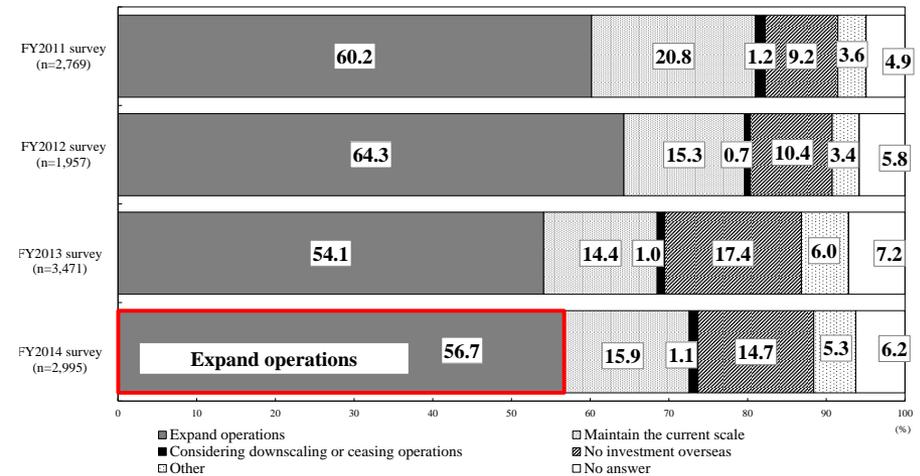
While intention to expand overseas operations remained largely unchanged overall, it rose among SMEs

When asked about future (the next three years or so) overseas expansion policies, the percentage answering “expand operations” was 56.7%, largely unchanged from the FY2013 survey (54.1%).

Although a majority of large-scale firms at 65.2% answered “expand operations,” this percentage is lower than last year’s (70.1%). The percentage of large-scale firms giving this answer has shown a downward trend since FY2011 (78.2%), while the percentage answering “maintain the current scale” has increased.

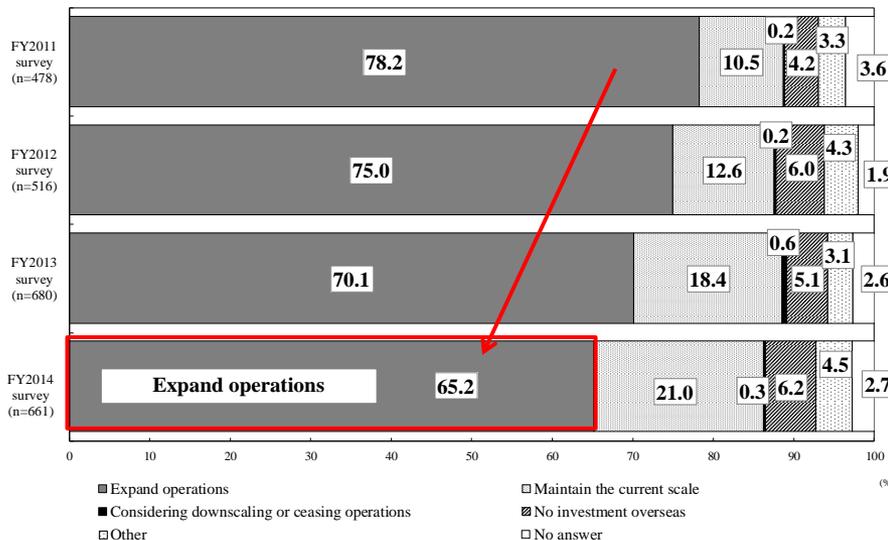
On the other hand, the percentage of SMEs that answered “expand operations” has risen to 54.3% from last year’s 50.2%.

Future overseas expansion policy (total)

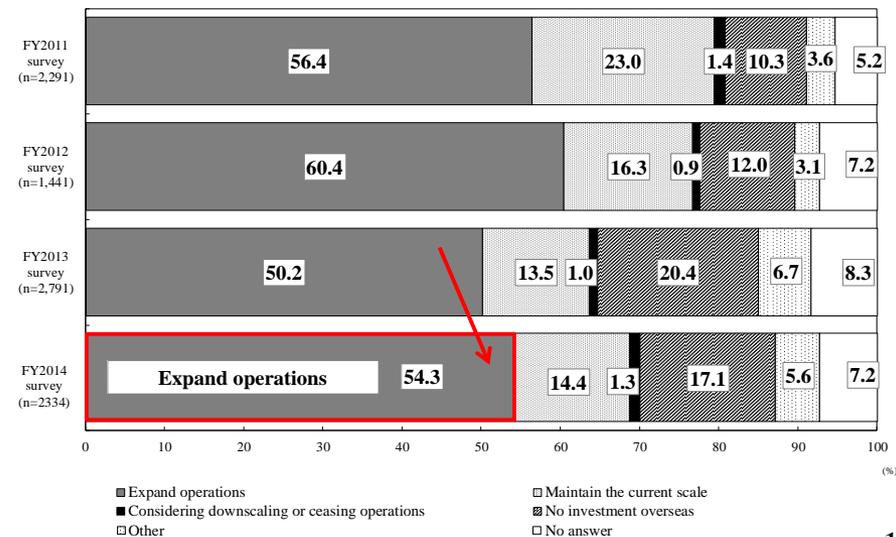


[Notes] Since FY2013 survey, "expand operations" include respondents reporting that they currently had overseas bases and planned to expand them further in the future and those reporting that they did not currently have overseas bases but intended to invest in the future.

Large-scale firms



SMEs



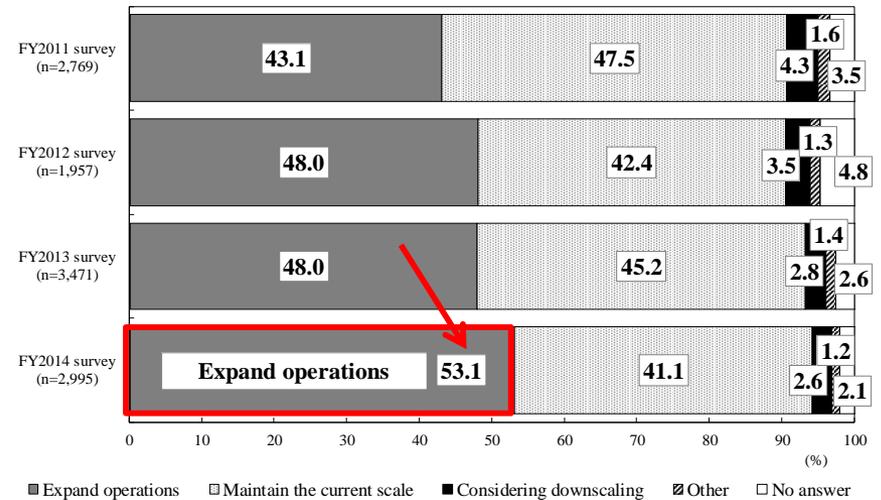
Domestic business: Future domestic business expansion

Appetite for domestic business expansion is growing for SMEs

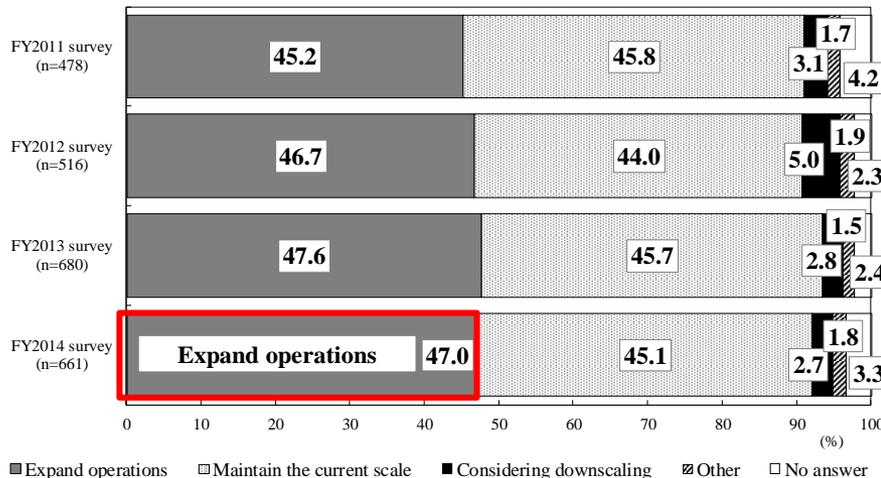
When asked about future domestic business expansion policies, the percentage answering “expand operations” was 53.1%, up from last year’s figure (48.0%). This was the first time the figure had exceeded 50% since collecting comparable data began in FY2011. While the percentage of large-scale companies answering “expand operations” remained largely unchanged at 47.0%, it rose among SMEs, from 48.0% to 54.8%. Among SMEs, 54.0% in manufacturing industries and 55.9% in non-manufacturing industries reported having policies to “expand operations.”

By industry, high percentages of firms in industries such as medical products & cosmetics (65.7%), food & beverages (65.4%), and communication, information and software (72.3%) reported having policies to “expand operations.”

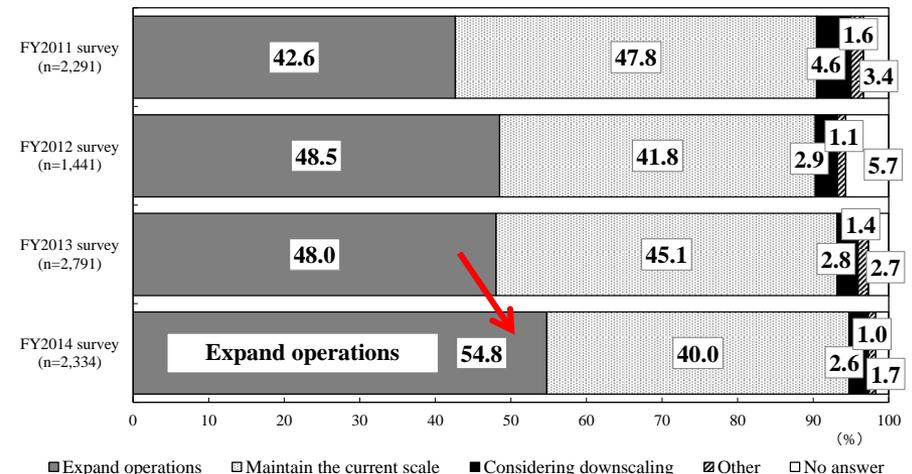
Future domestic business expansion (total)



Large-scale firms



SMEs



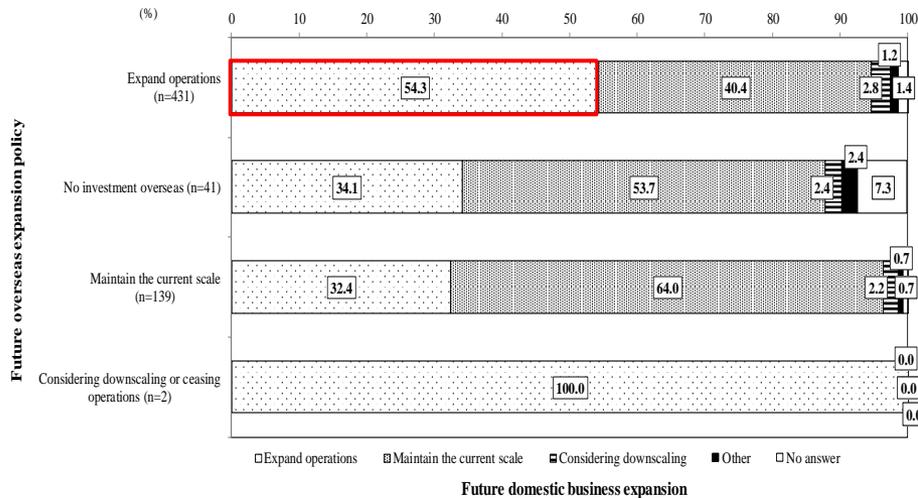
Future direction of domestic business, by policy toward overseas expansion

Firms intending to expand their overseas business also intend to expand their domestic business

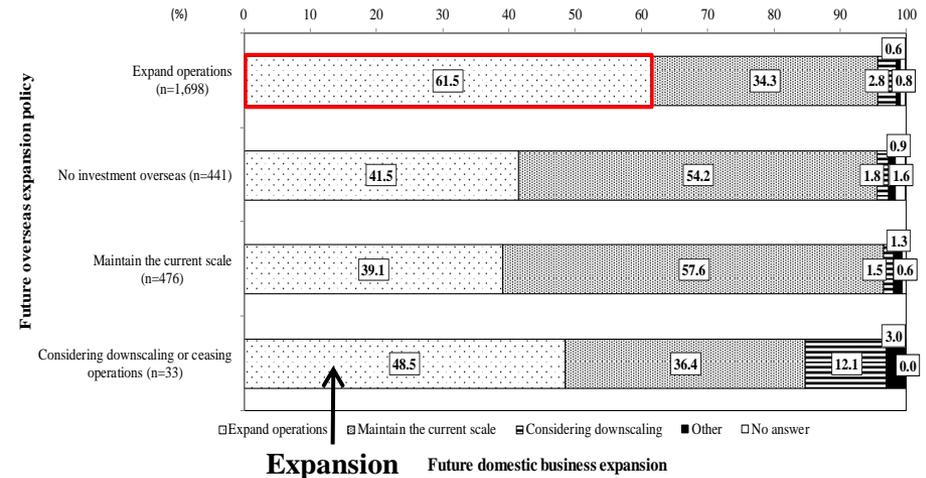
Among firms with policies of expanding overseas business, 61.5% said they would expand their domestic business as well. This percentage was higher among SMEs (63.9%) than among large-scale firms (54.3%).

On the other hand, among firms that answered “no investment overseas” or “maintain the current scale” with regard to overseas business expansion, only about 40% said they had policies of domestic business expansion. Among firms that answered “considering downscaling or ceasing operations” overseas, a high percentage also reported considering downscaling or ceasing operations” in domestic business.

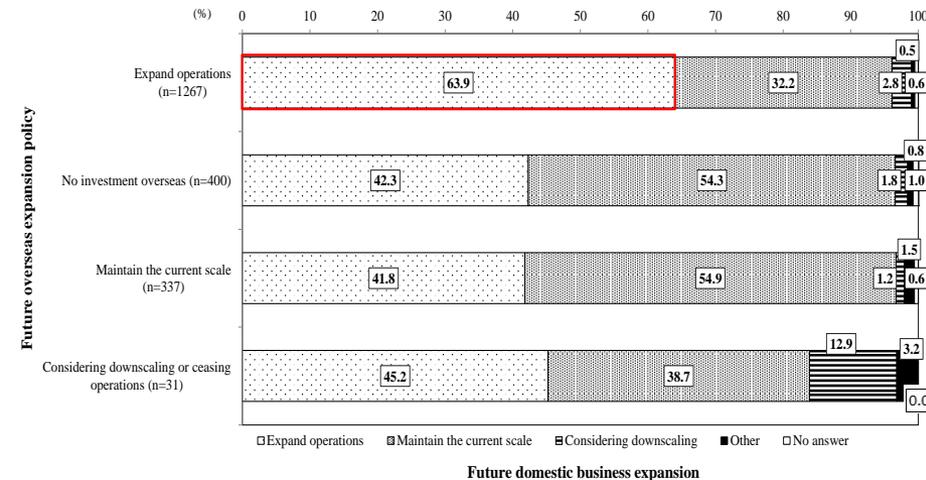
Large-scale firms



Future direction of domestic business, by policy toward overseas expansion (total)

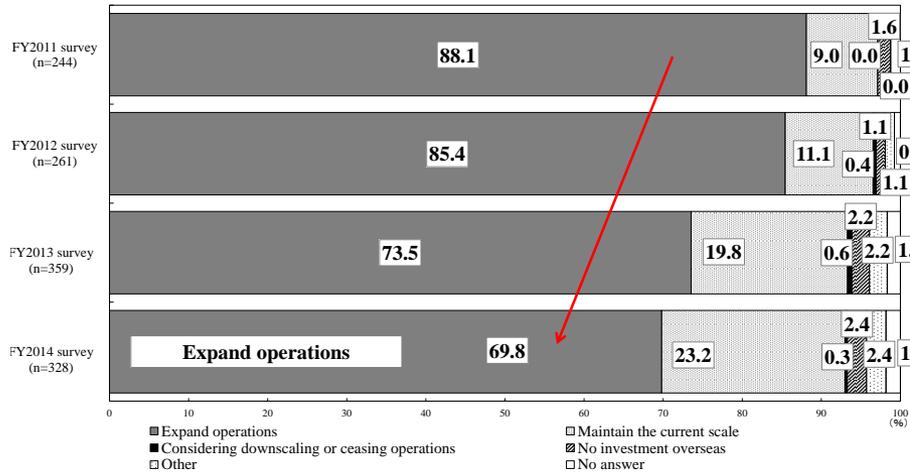


SMEs



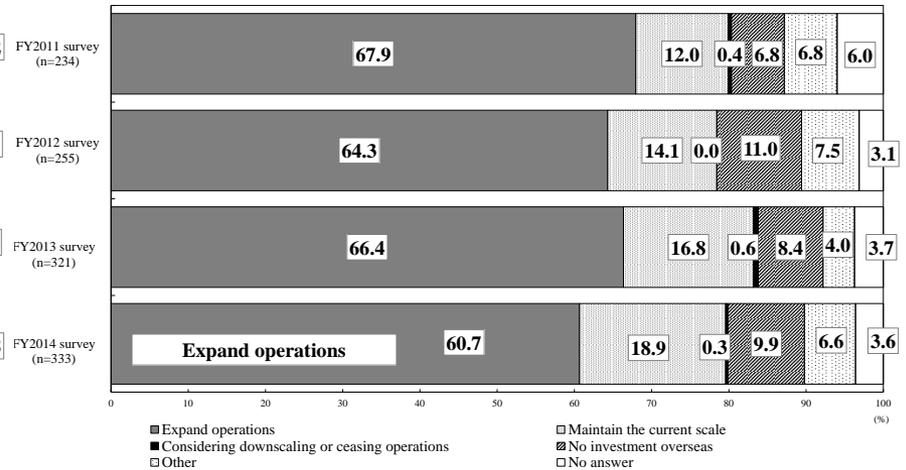
Overseas expansion: Future overseas expansion policy

Large-scale firms, manufacturing



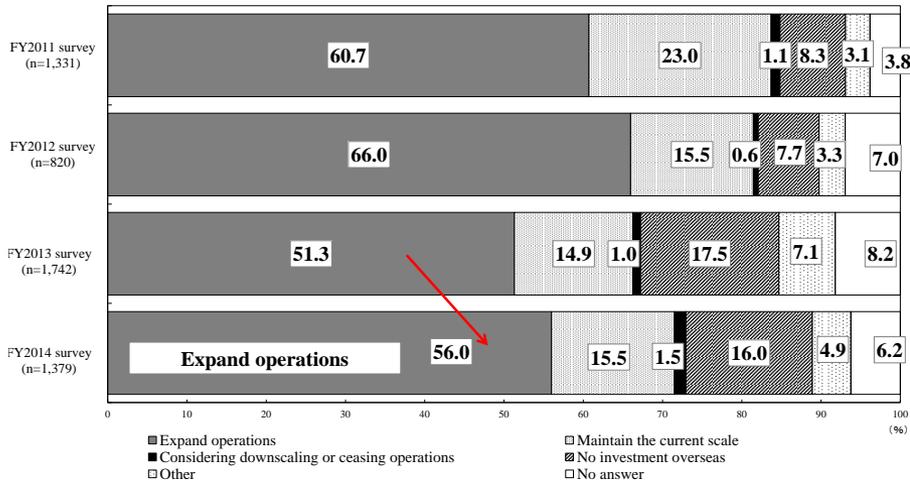
[Notes] Since FY2013 survey, "expand operations" include respondents reporting that they currently had overseas bases and planned to expand them further in the future and those reporting that they did not currently have overseas bases but intended to invest in the future.

Large-scale firms, non-manufacturing



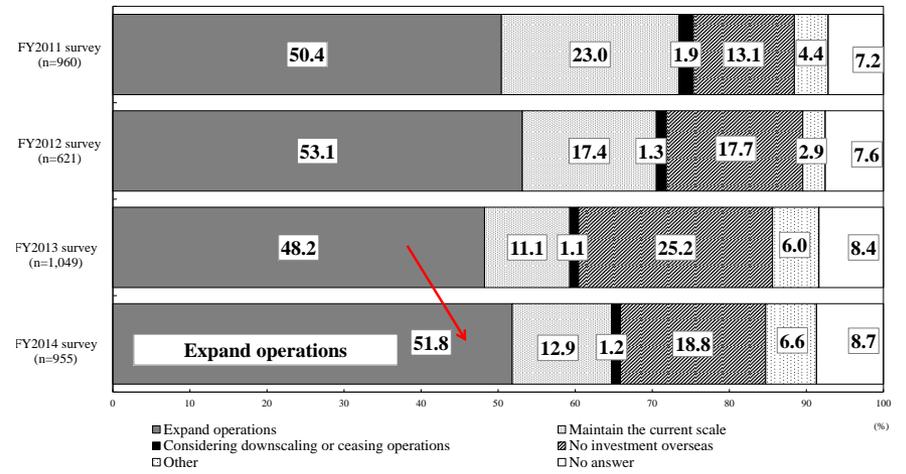
[Notes] Since FY2013 survey, "expand operations" include respondents reporting that they currently had overseas bases and planned to expand them further in the future and those reporting that they did not currently have overseas bases but intended to invest in the future.

SMEs, manufacturing



[Notes] Since FY2013 survey, "expand operations" include respondents reporting that they currently had overseas bases and planned to expand them further in the future and those reporting that they did not currently have overseas bases but intended to invest in the future.

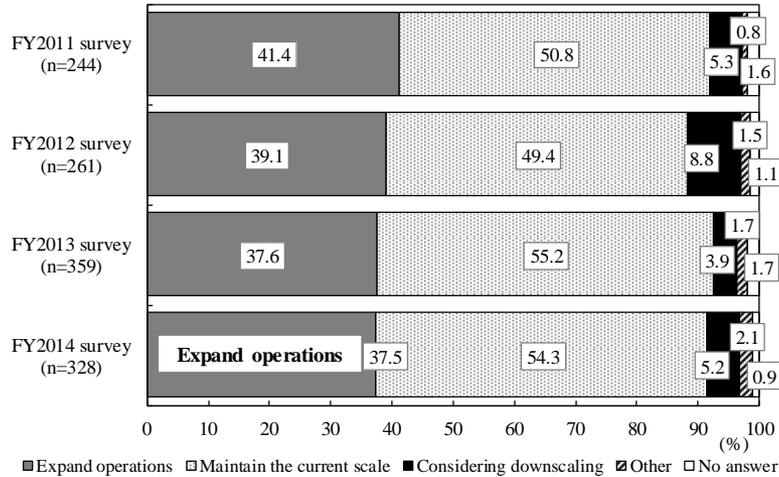
SMEs, non-manufacturing



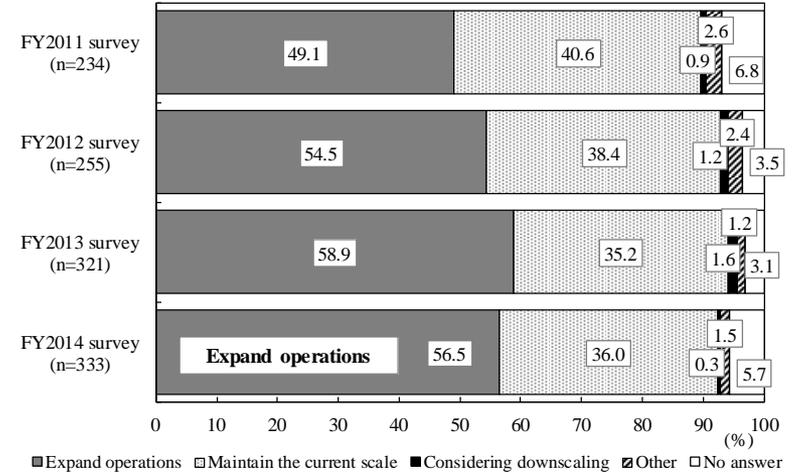
[Notes] Since FY2013 survey, "expand operations" include respondents reporting that they currently had overseas bases and planned to expand them further in the future and those reporting that they did not currently have overseas bases but intended to invest in the future.

Domestic business: Future domestic business expansion

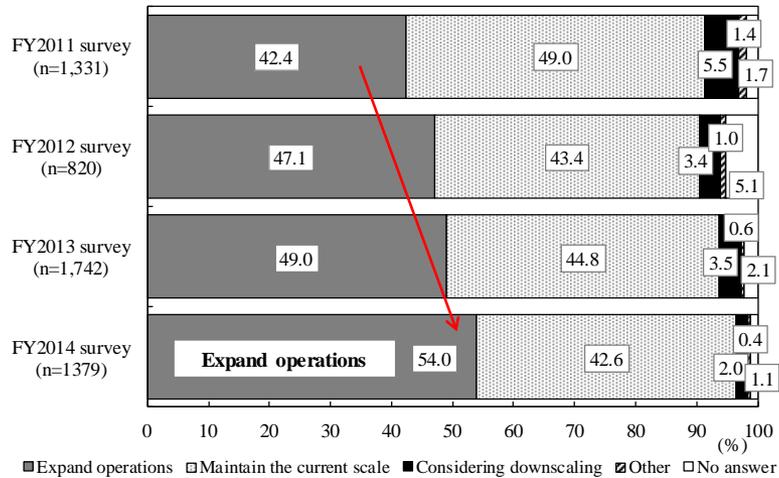
Large-scale firms, manufacturing



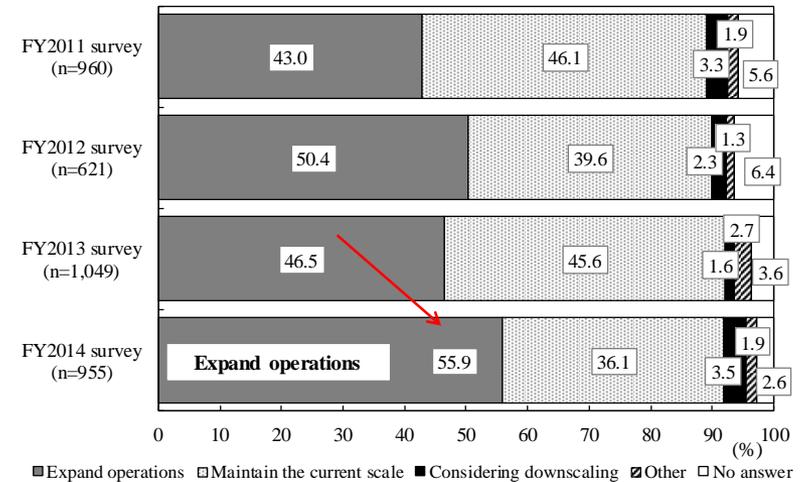
Large-scale firms, non-manufacturing



SMEs, manufacturing

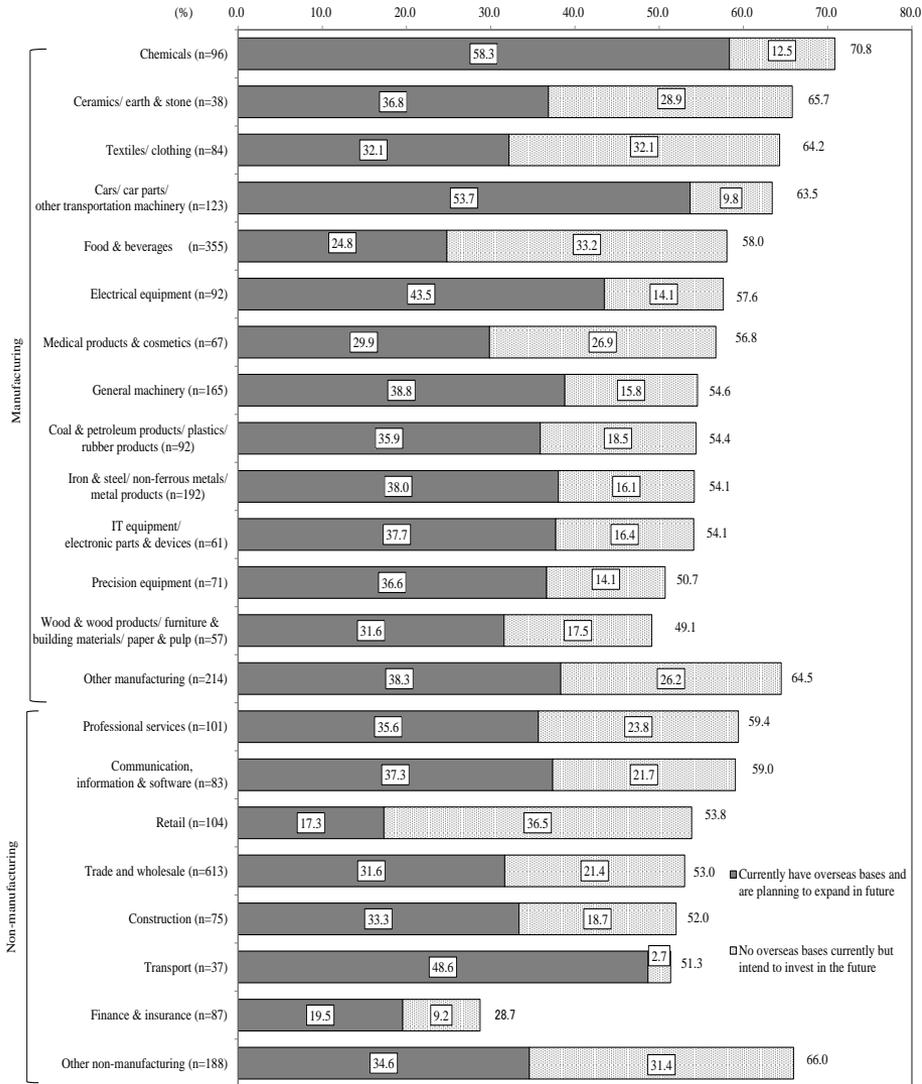


SMEs, non-manufacturing

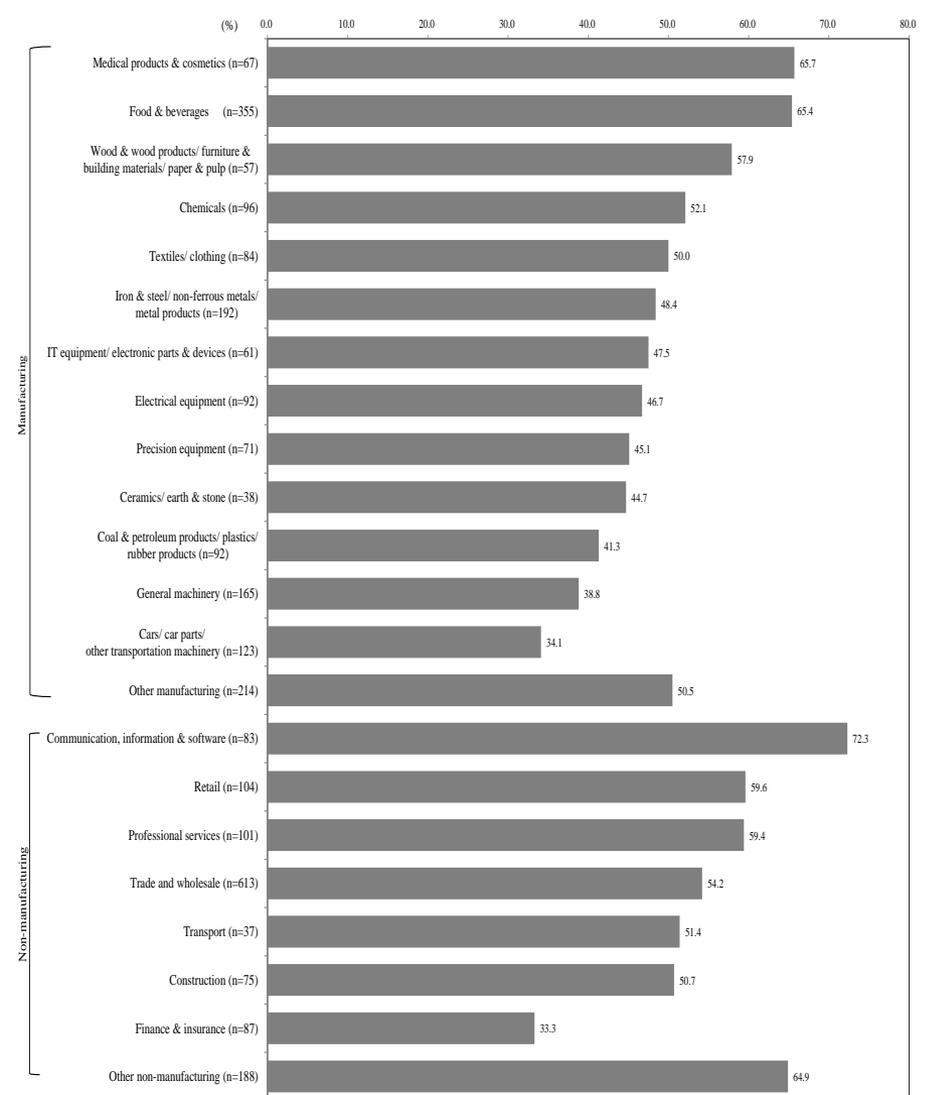


Future overseas expansion policy: Future domestic business expansion (by industry)

Future overseas expansion policy (total)

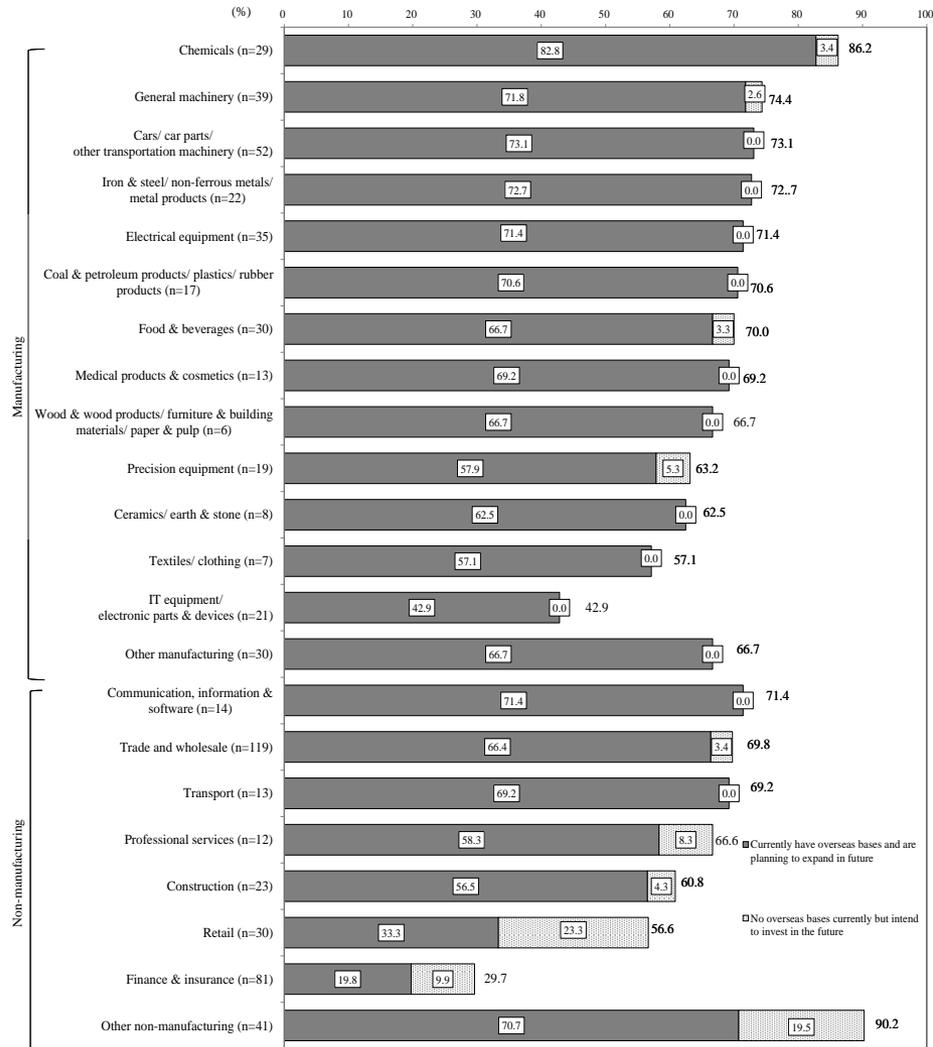


Future domestic business expansion (total)

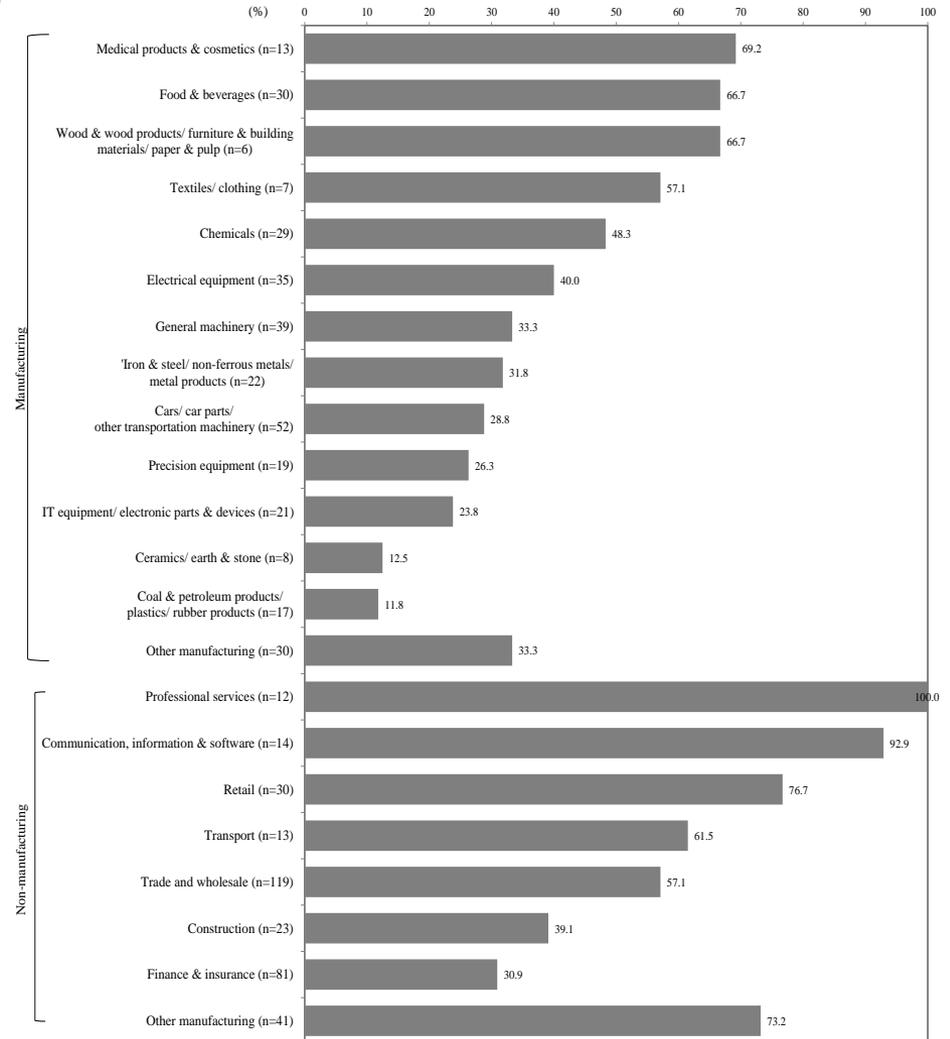


Future overseas expansion policy: Future domestic business expansion (by industry)

Future overseas expansion policy (large-scale firms)

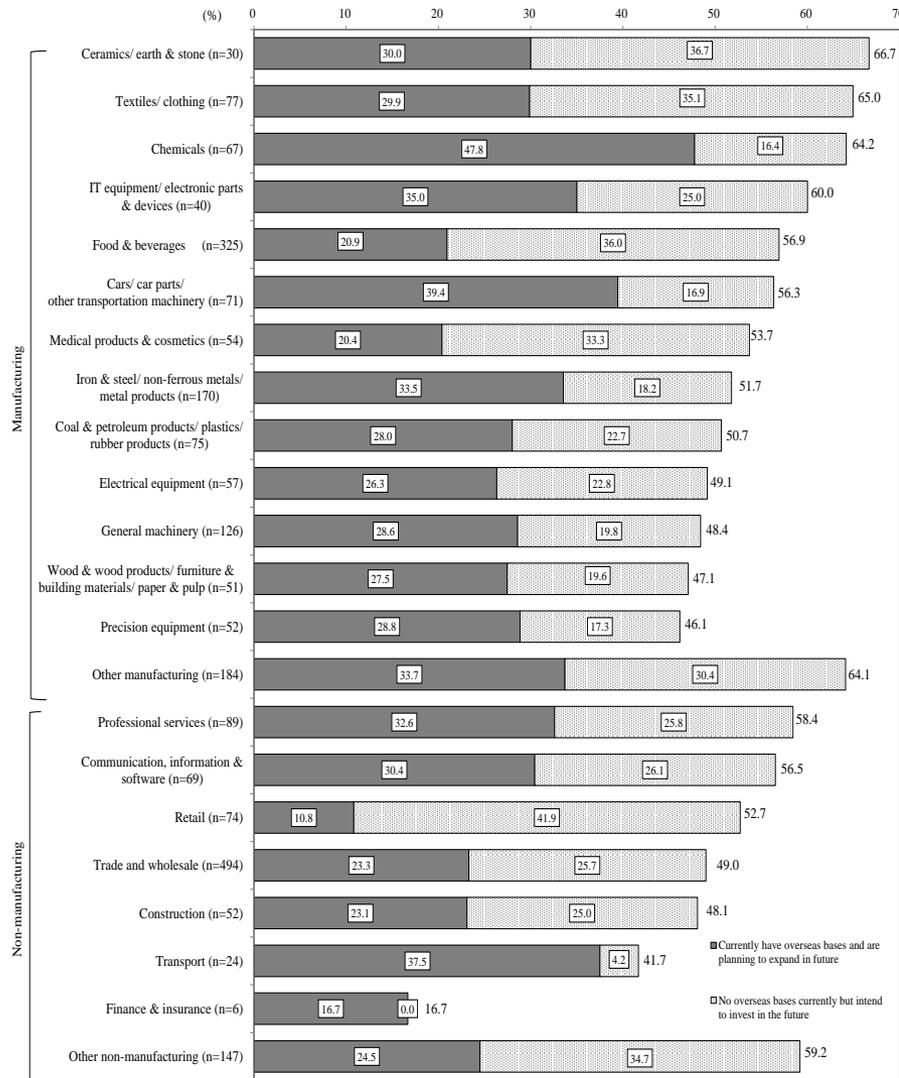


Future domestic business expansion (large-scale firms)

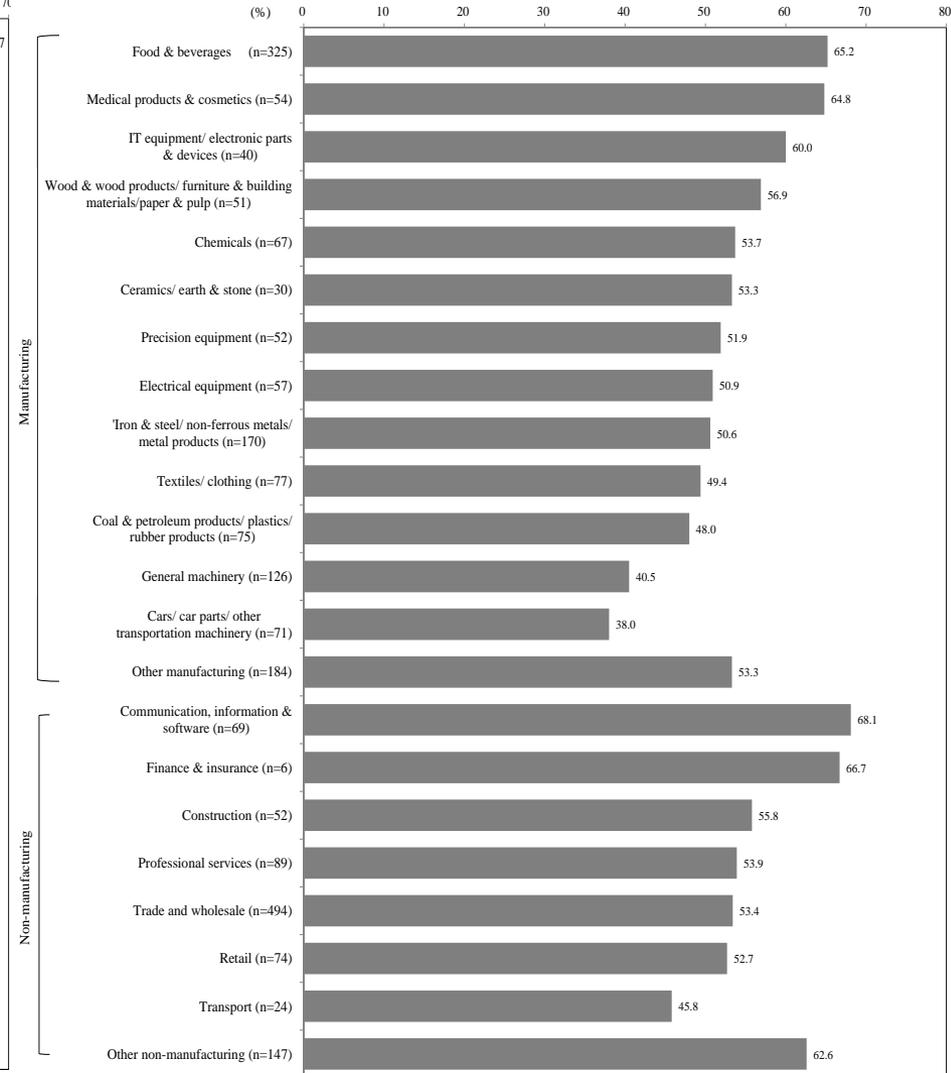


Future overseas expansion policy: Future domestic business expansion (by industry)

Future overseas expansion policy (SMEs)



Future domestic business expansion (SMEs)



3. Overseas expansion (by country/region, functions)

- Interest in expanding into US and Mexico on the rise.
Popularity of ASEAN countries continues to exceed that of
China for three consecutive years -**

Functions planned to be expanded overseas: By country and region

Many firms plan to expand their business in China, Thailand, Indonesia, US and Vietnam

Among companies that said they had policies of business expansion in the future (the next three years or so), the top countries and regions which they reported as targets for business expansion overseas were China (56.5%), Thailand (44.0%), Indonesia (34.4%), the US (31.3%) and Vietnam (28.7%). Many firms had policies of business expansion in other emerging markets as well, including India (16.1%), Malaysia (14.8%), the Philippines (10.8%), Mexico (10.1%) and Myanmar (10.1%). ASEAN as a whole scored higher than China. A marked percentage (4.3%) also reported plans to expand overseas business with regional HQ functions in Singapore.

Rankings of countries and regions by function

(Multiple answers, %)

Total			Sales function			Production				R & D				Regional HQ			Logistics function						
						General-purpose goods		High-valued added goods		New product development		Change specifications for local market											
Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%	Rank	Country or region	%			
1	China	56.5	1	China	46.1	1	China	18.0	1	China	13.4	1	China	5.4	1	China	11.2	1	China	5.0	1	China	5.0
2	Thailand	44.0	2	Thailand	33.5	2	Thailand	13.5	2	Thailand	8.7	2	US	4.9	2	Thailand	5.0	2	Singapore	4.3	2	Thailand	4.0
3	Indonesia	34.4	3	Indonesia	26.5	3	Vietnam	9.0	3	US	5.8	3	Thailand	2.8	3	US	4.4	3	Thailand	3.1	3	US	2.0
4	US	31.3	4	US	24.9	4	Indonesia	7.9	4	Vietnam	4.8	4	Western Europe	2.3	4	Indonesia	3.5	4	US	2.9	4	Vietnam	1.9
5	Vietnam	28.7	5	Vietnam	18.4	5	India	4.7	5	Indonesia	4.2	5	Taiwan	1.7	5	Taiwan	2.6	5	Western Europe	2.0	5	India	1.7
6	Taiwan	21.0	6	Taiwan	18.2	6	US	4.0	6	India	3.1	6	Vietnam	1.2	6	India	2.2	6	Indonesia	1.3	6	Indonesia	1.6
7	Singapore	19.3	7	Singapore	14.8	7	Myanmar	2.9	7	Taiwan	2.7	6	Indonesia	1.2	7	Western Europe	2.1	6	Hong Kong	1.3	7	Hong Kong	1.2
8	Western Europe	18.1	8	Korea	14.1	8	Taiwan	2.6	7	Western Europe	2.7	6	Korea	1.2	8	Vietnam	1.9	8	Vietnam	1.1	7	Mexico	1.2
9	Hong Kong	16.1	9	Hong Kong	13.9	9	Malaysia	2.3	9	Korea	2.2	9	Singapore	1.1	9	Singapore	1.5	9	India	0.7	9	Western Europe	1.1
9	India	16.1	10	Western Europe	13.7	9	Mexico	2.3	10	Malaysia	2.1	10	India	0.8	10	Korea	1.4	10	Malaysia	0.6	10	Myanmar	1.0
11	Korea	15.9	11	India	13.1	11	Philippines	2.1	11	Mexico	1.6	11	Hong Kong	0.6	11	Malaysia	1.1	11	Brazil	0.5	11	Singapore	0.9
12	Malaysia	14.8	12	Malaysia	12.0	12	Cambodia	1.9	12	Singapore	1.4	12	Bangladesh	0.5	12	Hong Kong	0.8	11	Mexico	0.5	12	Korea	0.7
13	Philippines	10.8	13	Philippines	8.3	13	Korea	1.5	13	Hong Kong	1.2	13	Malaysia	0.4	13	Brazil	0.7	13	Taiwan	0.4	13	Malaysia	0.5
14	Mexico	10.1	14	Mexico	8.0	14	Western Europe	1.3	14	Myanmar	1.0	13	Philippines	0.4	14	Myanmar	0.6	13	Korea	0.4	13	Taiwan	0.5
14	Myanmar	10.1	15	Myanmar	6.1	15	Singapore	1.1	14	Philippines	1.0	15	Brazil	0.3	15	Russia & CIS	0.5	15	Myanmar	0.2	13	Cambodia	0.5
16	Brazil	6.9	16	Brazil	5.7	15	Brazil	1.1	16	Brazil	0.8	16	Myanmar	0.2	15	Central and Eastern Europe	0.5	15	Philippines	0.2	16	Philippines	0.4
17	Russia & CIS	6.2	17	Central and Eastern Europe	5.4	17	Central and Eastern Europe	1.0	17	Bangladesh	0.7	16	Cambodia	0.2	17	Philippines	0.4	15	Bangladesh	0.2	16	Turkey	0.4
18	Central and Eastern Europe	6.1	17	Russia & CIS	5.4	18	Bangladesh	0.7	18	Cambodia	0.6	16	Russia & CIS	0.2	18	Bangladesh, Cambodia, Sri Lanka, Canada, Turkey	0.3	15	Cambodia	0.2	18	Brazil, Russia & CIS, Central and Eastern Europe, South Africa	0.3
19	Cambodia	5.3	19	Australia	2.8	19	Hong Kong	0.6	18	Central and Eastern Europe	0.6	19	Mexico, Central and Eastern Europe, Sri Lanka, Canada, Pakistan, South Africa	0.1	15	Australia	0.2	15	Australia	0.2	18	Central and Eastern Europe, South Africa	0.3
	ASEAN6	73.5		ASEAN6	56.6		ASEAN6	24.2		ASEAN6	15.8		ASEAN6	5.6		ASEAN6	8.9		ASEAN6	8.2		ASEAN6	6.2
	Developed countries	61.1		Developed countries	50.8		Developed countries	7.9		Developed countries	10.5		Developed countries	6.9		Developed countries	8.2		Developed countries	7.2		Developed countries	4.1
	Emerging countries	91.4		Emerging countries	74.1		Emerging countries	34.2		Emerging countries	24.8		Emerging countries	8.6		Emerging countries	15.8		Emerging countries	8.5		Emerging countries	9.3
	Total	100.0		Total	82.9		Total	37.1		Total	29.2		Total	12.4		Total	18.7		Total	12.1		Total	11.4

[Notes] 1) The variable "n" indicates the number of firms that "currently have overseas bases and are planning to expand in future"(1001 firms), excluding the firms which have not given an answer from the total (1,034 firms).

2) "Total" indicates the number of firms intending to expand one or more function in each country and region. If a firm is planning to expand several functions in one country or region, it is counted as one firm only.

3) No country break down for Western Europe, Russia & CIS, or Central and Eastern Europe

4) ASEAN6 refers to the total for the six countries Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Vietnam (excluding duplication).

5) Highlighted cells indicate items with response rates of 10% or higher.

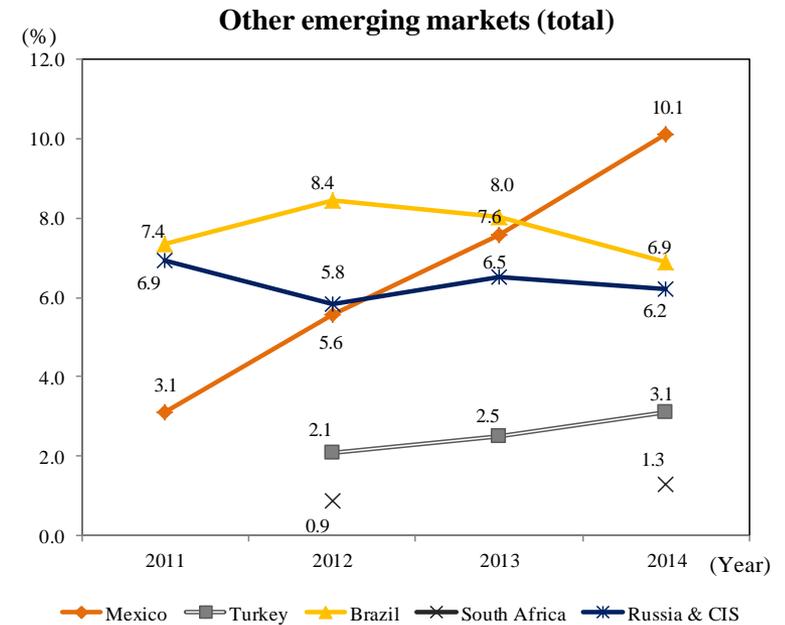
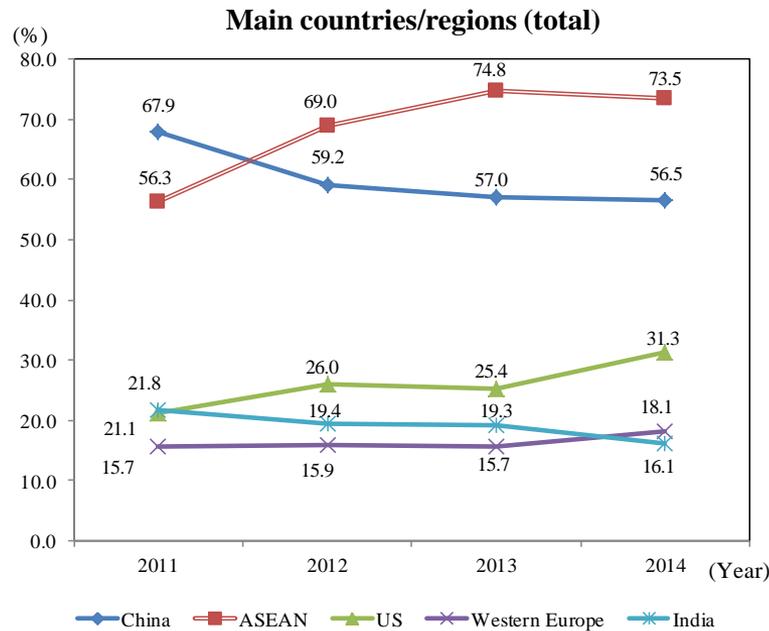
Overseas expansion by country and region (time-series comparison)

Increased appetite for expansion in US

31.3% of firms with policies of business expansion overseas choose the US for such expansion, up from 25.4% in the previous year. While the percentage among manufacturing firms (36.1%) is higher than among non-manufacturing firms (23.7%), both are up from last year.

ASEAN surpasses China for three consecutive years

Among countries and regions in Asia where respondents planned to expand their business, ASEAN was cited by 73.5% and China by 56.5%, as the ASEAN region has surpassed China for three consecutive years since 2012. Appetite for expansion in ASEAN was high among both manufacturing (73.7%) and non-manufacturing firms (73.3%). In China's case, the percentage choosing that country among manufacturing firms (58.7%) is down from last year (61.1%), while the percentage among non-manufacturing firms (53.2%) is up from last year (49.8%).



Notes: 1) The figure in each survey year consist of firms intending to expand overseas business in the next three years or so, after excluding those who did not answer on functions planned to be expanded. 2) ASEAN is the comparable sum of the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines and Vietnam (excluding duplication). 3) "Total" indicates the number of firms intending to expand one or more functions in each country and region. If a firm is intending to expand several functions to one country or region, it is counted as one firm only.

Overseas expansion by country and region (time-series comparison)

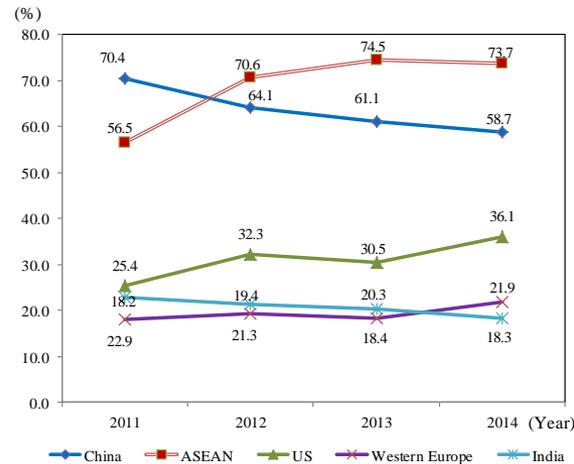
Appetite for business expansion in Mexico grows

The percentage of firms with policies of business expansion in Mexico also rose, to 10.1% from 7.6% last year, as it has continued to rise each year since 2011 (3.1%). While this percentage is growing among both manufacturing and non-manufacturing firms, the growth in appetite for expansion among manufacturing firms (11.6%) is higher than non-manufacturing firms (7.7%).

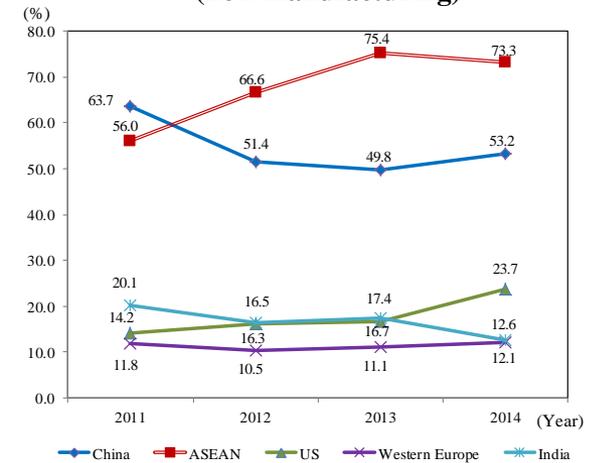
While appetite for business expansion in Brazil slows, it shows in an increasing trend in Turkey

The percentage of firms with policies of business expansion in Brazil has fallen to 6.9% from 8.0% last year. At the same time, an increasing trend is apparent in the percentage of firms with policies of business expansion in Turkey, which rose from 2.5% last year to 3.1%.

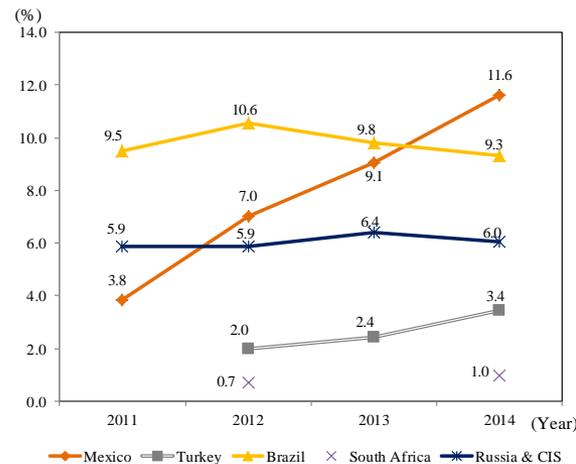
Main countries/regions (manufacturing)



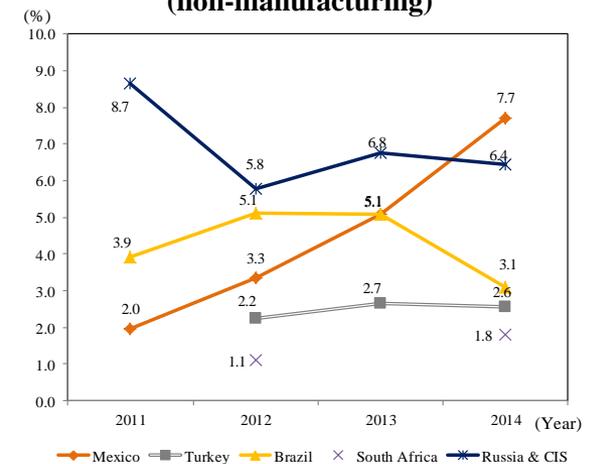
Main countries/regions (non-manufacturing)



Other emerging markets (manufacturing)



Other emerging markets (non-manufacturing)



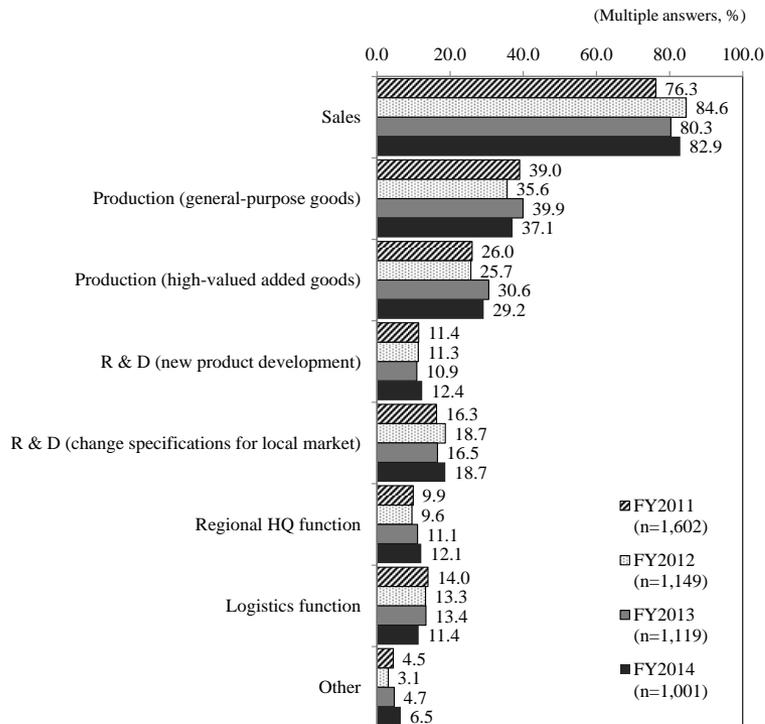
Notes: 1) The figure in each survey year consist of firms intending to expand overseas business in the next three years or so, after excluding those who did not answer on functions planned to be expanded. 2) ASEAN is the comparable sum of the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines and Vietnam (excluding duplication).

Functions to be expanded overseas: By firm size

■ The highest percentage of firms reported plans to expand sales functions, followed by production (general-purpose goods) and production (high value-added goods)

Among functions to be expanded overseas, the highest percentage of firms cited sales functions (82.9%), followed by production (general-purpose goods) (37.1%), production (high value-added goods) (29.2%), and R&D (change specifications for local market) (18.7%). Both large-scale firms and SMEs had high levels of desire for expansion of sales functions. In addition, 30.9% of large-scale firms reported plans to expand regional HQ functions.

Functions to be expanded overseas (total)



Note: The population above consists of firms reporting expansion plans not including those that did not give an answer concerning functions to be expanded.

By firm size (large-scale firms, leading medium-sized firms, SMEs, micro-businesses)

(Multiple answers, %)

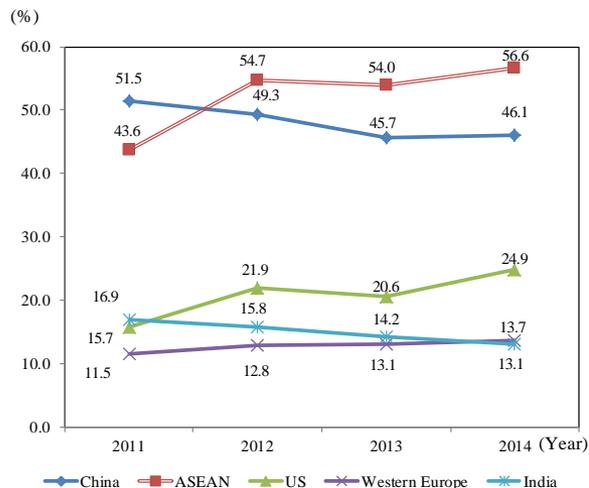
	Total (n=1,001)	Large scale firms (n=380)	Large scale firms (n=123)	Leading medium-sized firms (n=257)	SMEs (n=621)	SMEs (n=309)	Micro-businesses (n=312)
Sales	82.9	82.4	79.7	83.7	83.3	85.1	81.4
Production (general-purpose goods)	37.1	45.0	45.5	44.7	32.2	36.2	28.2
Production (high-valued added goods)	29.2	33.4	31.7	34.2	26.6	27.2	26.0
R & D (new product development)	12.4	13.9	17.9	12.1	11.4	11.7	11.2
R & D (change specifications for local market)	18.7	20.8	23.6	19.5	17.4	16.5	18.3
Regional HQ function	12.1	18.7	30.9	12.8	8.1	10.7	5.4
Logistics function	11.4	15.0	21.1	12.1	9.2	10.0	8.3
Other	6.5	9.2	12.2	7.8	4.8	2.9	6.7

[Notes] 1) The subcategory of large scale firms indicates large scale firms not including Leading medium-sized firms, and the subcategory of SMEs indicates SMEs not including Micro-businesses.

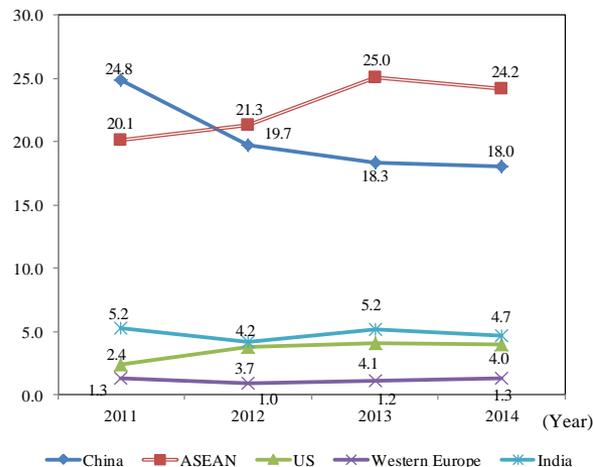
2) Highlighted cells indicate items with response rates of 30% or higher.

Functions to be expanded overseas: By country/region (time-series comparison)

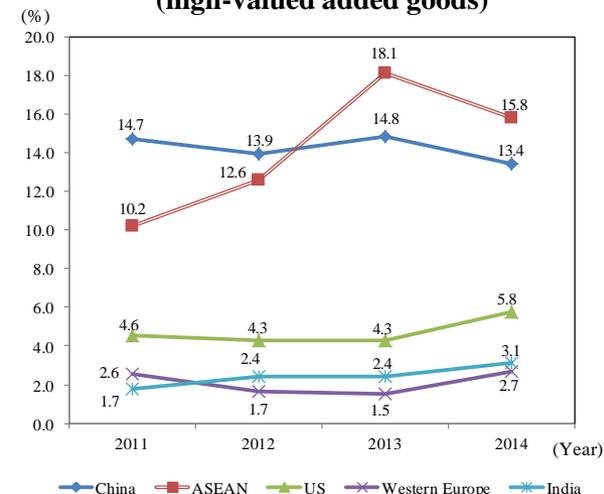
Main countries/regions (sales function)



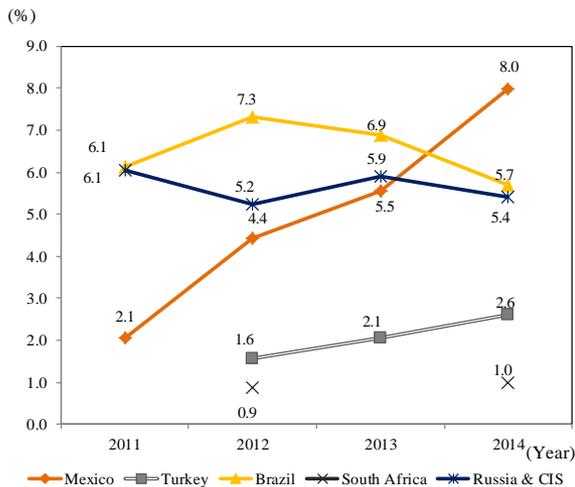
Main countries/regions (production of general-purpose goods)



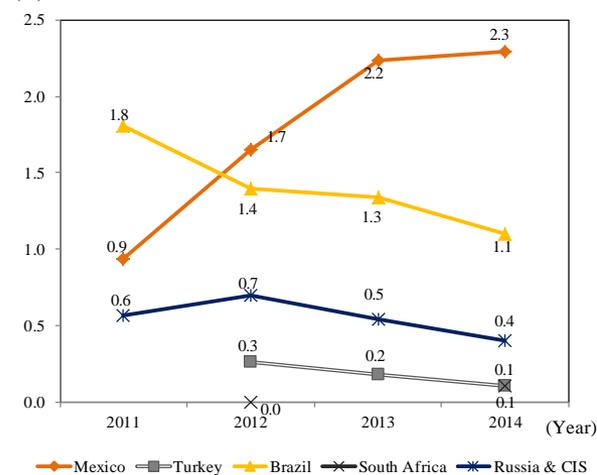
Main countries/regions (high-valued added goods)



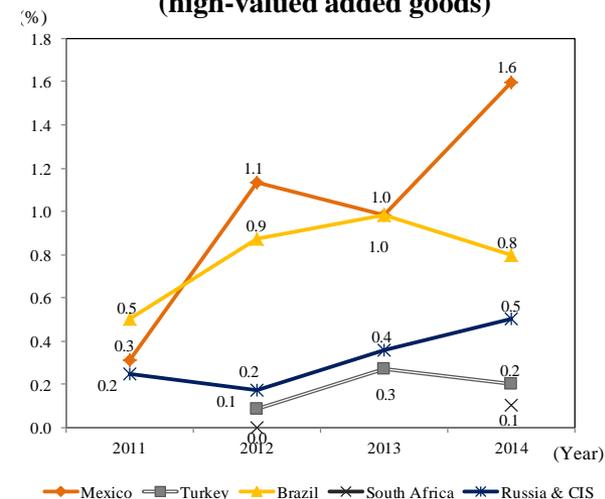
Other emerging markets (sales function)



Other emerging markets (production of general-purpose goods)



Other emerging markets (high-valued added goods)



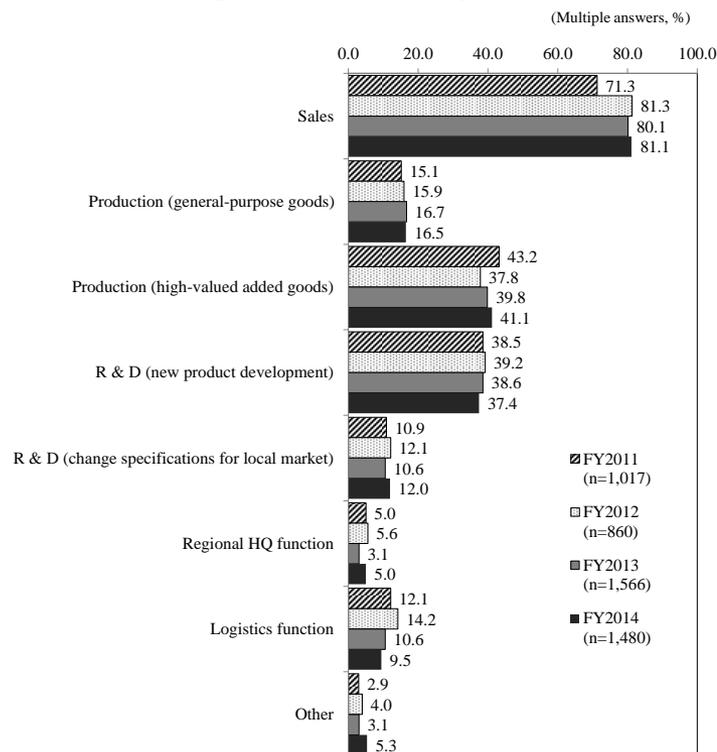
Notes: 1) The figure in each survey year consist of firms intending to expand overseas business in the next three years or so, after excluding those who did not answer on functions planned to be expanded. 2) ASEAN is the comparable sum of the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines and Vietnam (excluding duplication).

Functions to be expanded domestically

Domestically, 41% of expanding firms reported plans to expand production (high value-added goods) and 37% reported plans to expand R&D (new product development)

In domestic business expansion in Japan, 81.1% of firms that said they had plans to expand their business scale in Japan reported plans to expand sales functions. The next most common answers were expansion of production (high value-added goods), cited by 41.1%, and expansion of R&D (new product development), cited by 37.4%. Since the percentages of firms that said they planned to expand production (high value-added goods) and R&D (new product development) overseas were 29.2% and 12.4%, respectively, firms appear to have a stance of continuing to focus on Japan in these fields.

Functions to be expanded domestically (total)



Note: The figures above consists of firms reporting expansion plans not including those that did not give an answer concerning functions to be expanded.

By firm size (large-scale firms, leading medium-sized firms, SMEs, micro-businesses)

(Multiple answers, %)

	Total (n=1,480)	Large scale firms (n=274)	Large scale firms (n=75)	Leading medium-sized firms (n=199)	SMEs (n=1,206)	SMEs (n=447)	Micro-businesses (n=759)
Sales	81.1	75.9	66.7	79.4	82.3	80.5	83.4
Production (general-purpose goods)	16.5	16.4	12.0	18.1	16.5	14.5	17.7
Production (high-valued added goods)	41.1	39.4	34.7	41.2	41.5	39.8	42.6
R & D (new product development)	37.4	35.0	30.7	36.7	38.0	37.1	38.5
R & D (change specifications for local market)	12.0	9.5	4.0	11.6	12.5	12.5	12.5
Regional HQ function	5.0	7.3	9.3	6.5	4.5	3.8	4.9
Logistics function	9.5	13.1	16.0	12.1	8.6	8.3	8.8
Other	5.3	10.6	14.7	9.0	4.1	3.6	4.5

[Notes] 1) The subcategory of large scale firms indicates large scale firms not including Leading medium-sized firms, and the subcategory of SMEs indicates SMEs not including Micro-businesses.

2) Highlighted cells indicate items with response rates of 30% or higher.

4. Restructuring of functions of domestic and overseas bases

- Restructuring of bases and functions: Transfers from China to Vietnam stand -**

Restructuring of domestic and overseas bases

■ Pronounced shift of bases and functions from China to ASEAN

Regarding restructuring overseas and domestic bases and functions, the rate of cases of restructuring out of China increased to 27.8%, just below that of Japan with 49.1%. As transfer destinations, ASEAN countries have continued to mark the highest at 47.9% of the all cases, having received 46.2% the year before. By combinations of transfer sources and destinations, “transferring from Japan to ASEAN countries” (22.7%) and “transferring from China to ASEAN countries” (16.2%) made up notably large ratios. Among respondents selecting “transferring from China to ASEAN countries”, almost half of them (57 in 129 cases) selected Vietnam as the destination. Transfers to Japan account for 7.5% of all cases, which are mainly from China.

Restructuring of domestic and overseas bases and functions

(Multiple answers, %)

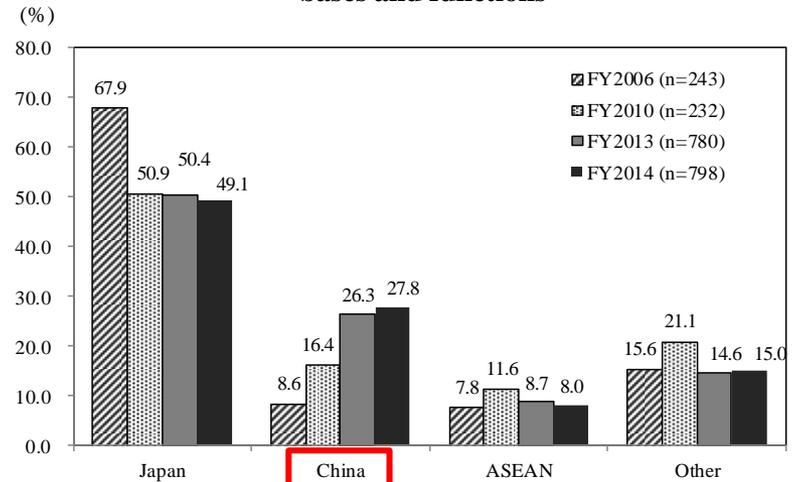
		Shift to				
		China (n=141)	ASEAN (n=382)	Japan (n=60)	Other (n=215)	Total (n=798)
Shift from	China (n=222)	3.5	16.2	4.6	3.5	27.8
	ASEAN (n=64)	0.4	5.8	1.1	0.8	8.0
	Japan (n=392)	12.0	22.7	0.4	14.0	49.1
	Other (n=120)	1.8	3.3	1.4	8.6	15.0
	Total (n=798)	17.7	47.9	7.5	26.9	100.0

[Notes] 1) The figures in the composition ratio are percentage of total.

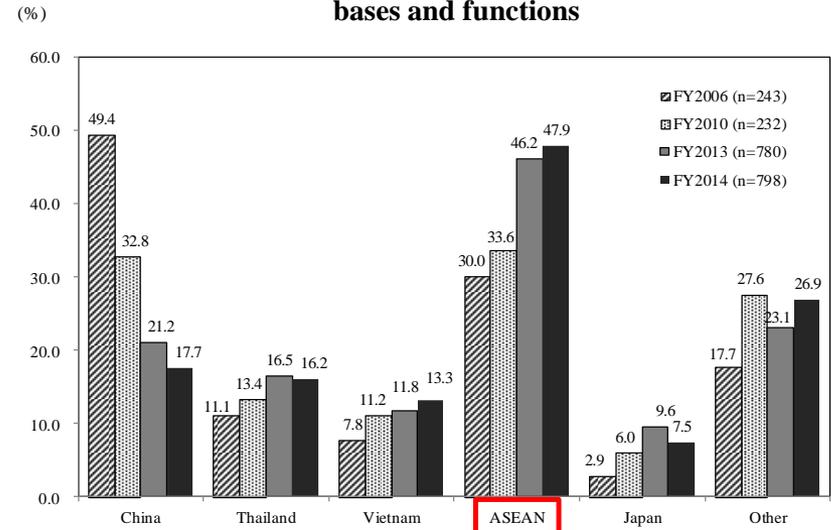
2) The figures in the composition ratio are the rounded up figures, so they do not necessarily match the total.

3) The figures above includes cases that reported restructuring of bases conducted in the past two to three years or planned for the coming two to three years.

Sources of relocation of domestic and overseas bases and functions



Destinations of relocation of domestic and overseas bases and functions



[Notes] 1) “Other” under sources and destinations of relocation includes responses that indicated no country name.

2) The surveys in FY2006 and FY2010 were of JETRO members only.

Restructuring of domestic and overseas bases

Main transfer pattern details

(Multiple answers, %)

Shift from	Shift to	Percentage	Main industry groups
Japan	ASEAN (n=181)	22.7	General machinery (13.8) Cars/ Car parts/ Other transportation machinery (13.8) Trade and wholesale (9.9)
	Thailand (n=74)	9.3	Cars/ Car parts/ Other transportation machinery (20.3) General machinery (16.2) Electrical equipment (10.8)
	Vietnam (n=38)	4.8	General machinery (23.7) Iron & Steel/ Non ferrous metals/ Metal products (10.5) Other manufacturing (10.5)
	Indonesia (n=23)	2.9	Cars/ Car parts/ Other transportation machinery (21.7) Construction (17.4) General machinery (13.0)
Japan	China (n=96)	12.0	General machinery (14.6) Cars/ Car parts/ Other transportation machinery (14.6) Trade and wholesale (14.6)
China	ASEAN (n=129)	16.2	Trade and wholesale (20.9) Textiles/ clothing (13.2) Electrical equipment (12.4)
	Vietnam (n=57)	7.1	Trade and wholesale (17.5) Other manufacturing (15.8) Iron & Steel/ Non ferrous metals/ Metal products (12.3)
	Thailand (n=27)	3.4	Trade and wholesale (29.6) Electrical equipment (25.9)
	Indonesia (n=15)	1.9	Textiles/ clothing (26.7)
China	Japan (n=37)	4.6	Other manufacturing (18.9) Electrical equipment (13.5) IT equipment/ electronic parts & devices (10.8)
China	China (n=28)	3.5	Chemicals (10.7) Precision equipment (10.7) Trade and wholesale (10.7)
Total(n=798)		100.0	Trade and wholesale (15.2) General machinery (9.3) Cars/ Car parts/ Other transportation machinery (8.8)

[Notes] Figures shown after the names of main industry groups are percentages (%) of each shift pattern.

Main transfer pattern details (time-series comparison)

(Multiple answers, %)

	FY2006	FY2010	FY2013	FY2014
From Japan to China	37.4	22.0	15.3	12.0
From Japan to ASEAN	19.8	19.0	24.2	22.7
From China to ASEAN	4.5	8.2	13.7	16.2
From ASEAN to China	2.5	3.4	0.3	0.4
From China to Japan	0.4	1.3	4.7	4.6
From ASEAN to Japan	0.8	0.4	1.8	1.1

Details of relocations to Japan (by industry)

(Multiple answers, %)

	Number of cases	Percentage
Total	60	100.0
Manufacturing	48	80.0
Food & beverages	2	3.3
Textiles/clothing	4	6.7
Wood & wood products/furniture & building materials/paper & pulp	1	1.7
Chemicals	0	0.0
Medical products & cosmetics	0	0.0
Coal & petroleum products/plastics/rubber products	3	5.0
Ceramics/earth & stone	0	0.0
Iron & steel/non-ferrous metals/metal products	5	8.3
General machinery	7	11.7
Electrical equipment	7	11.7
IT equipment/electronic parts & devices	5	8.3
Cars/car parts/other transportation machinery	3	5.0
Precision equipment	2	3.3
Other manufacturing	9	15.0
Non-manufacturing	12	20.0
Trade and wholesale	8	13.3
Retail	1	1.7
Construction	0	0.0
Transport	0	0.0
Finance & insurance	0	0.0
Communication, information & software	1	1.7
Professional services	1	1.7
Other non-manufacturing	1	1.7

Restructuring of domestic and overseas bases: Reasons for transfer

■ The biggest reason was rising production and labor costs

The most commonly cited reason for transfer of domestic and overseas bases was rising production and labor costs (41.0%). The percentage citing that reason for relocation from China was 66.7%, even higher than last year's figure of 58.5%.

Reasons for transfer (total)

(Multiple answers, %)

	Rising production and labor costs	Cope with fluctuations in domestic and overseas demands	Satisfy demands of client companies	Better to concentrate all functions in one place to improve efficiency	Slack in local sales	Tax incentives.	Large fluctuation in exchange rates	Increasing risks by concentration	Fearing risk from labor problems, etc	Very little or no tax incentives	Customs duty/ Non-tariff barriers planned to be reduced by FTA	Other
FY2006 (n=243)	55.6	-	-	15.6	9.1	5.3	-	7.8	-	1.2	3.7	18.9
FY2010 (n=232)	46.6	-	-	17.2	11.6	4.7	-	8.6	-	2.6	4.8	23.7
FY2013 (n=780)	36.9	29.0	21.3	12.3	7.8	5.6	4.7	4.6	4.6	1.3	1.3	14.5
FY2014 (n=798)	41.0	31.2	29.7	12.2	6.8	5.6	9.3	9.1	6.0	-	-	6.0

[Notes] 1) Dashes (-) above indicate items not included in the surveys for the respective fiscal years.

2) FY2006, FY2010 survey targeted JETRO member firms only.

Reasons for transfer (relocation from China)

(Multiple answers, %)

	Rising production and labor costs	Cope with fluctuations in domestic and overseas demands	Satisfy demands of client companies	Better to concentrate all functions in one place to improve efficiency	Slack in local sales	Tax incentives.	Large fluctuation in exchange rates	Increasing risks by concentration	Fearing risk from labor problems, etc	Very little or no tax incentives	Customs duty/ Non-tariff barriers planned to be reduced by FTA	Other
FY2006 (n=21)	4.9	-	-	1.2	0.0	0.0	-	4.1	-	0.8	0.4	0.8
FY2010 (n=38)	50.0	-	-	7.9	10.5	2.6	-	28.9	-	10.5	18.4	28.9
FY2013 (n=205)	58.5	12.2	9.8	11.2	7.8	6.3	7.8	10.7	10.7	4.9	2.4	14.6
FY2014 (n=222)	66.7	13.1	11.7	11.3	9.5	9.0	12.2	23.0	15.3	-	-	4.5

[Notes] 1) Dashes (-) above indicate items not included in the surveys for the respective fiscal years.

2) FY2006, FY2010 survey targeted JETRO member firms only.

5. Business environment in emerging countries

- Majority of firms recognize labor costs and labor shortages as issues in China and Thailand -**

Issues in the business environment in emerging countries

Personnel costs and labor shortage, a concern in China and Thailand

A lot of firms indicated labor-related matters as a concern in China and Thailand. "Increased or increasing personnel costs" was commonly cited in China (48.8%), Thailand (29.1%) and Indonesia (21.2%). The response rate of "labor shortage or difficulty in recruitment" was also relatively high in Thailand (18.6%) and China (14.4%).

Inadequate infrastructure, a concern in Myanmar, Cambodia, India, and elsewhere

"Inadequate infrastructure" was commonly cited in Myanmar (53.9%), Cambodia (44.9%), India (44.8%), Laos (38.7%), Vietnam (38.0%), Bangladesh (36.7%), and Indonesia (36.2%) among other countries.

(Multiple answers, %)

	Increased or increasing personnel costs			Labor difficulties			Labor shortage or difficulty in recruitment			Inadequate infrastructure			Insufficient land and office space, rising land prices and rent			Undeveloped legal system and problems in application of laws			Complexity of taxation system and tax procedures								
	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12						
China	48.8	50.8	49.5	China	22.7	22.3	34.1	Thailand	18.6	19.6	-	Myanmar	53.9	70.5	60.4	Myanmar	10.8	9.0	-	China	41.9	44.5	45.1	India	26.4	13.9	15.0
Thailand	29.1	29.3	30.1	India	13.2	13.4	23.7	China	14.4	14.3	-	Cambodia	44.9	-	-	China	10.6	9.5	-	Myanmar	32.6	42.5	39.3	China	25.0	18.9	23.2
Indonesia	21.2	19.9	21.0	Indonesia	12.6	13.9	22.1	Malaysia	7.6	9.5	-	India	44.8	55.7	56.8	Indonesia	7.1	6.3	-	Vietnam	28.1	31.9	27.8	Brazil	17.9	19.4	19.5
Malaysia	16.2	17.8	15.9	Brazil	8.1	9.9	13.5	Mexico	6.6	6.3	-	Laos	38.7	-	-	Thailand	5.0	5.4	-	India	27.9	28.7	29.6	Vietnam	17.0	7.9	9.8
Vietnam	12.8	12.6	18.1	Mexico	7.8	7.2	12.8	Vietnam	6.6	6.2	-	Vietnam	38.0	48.7	43.6	Brazil	4.4	2.6	-	Indonesia	26.9	24.5	27.2	Indonesia	16.2	11.1	13.7
Brazil	9.7	16.4	14.5	Vietnam	6.8	6.5	11.9	Indonesia	5.4	6.5	-	Bangladesh	36.7	-	-	Russia	4.4	3.7	-	Cambodia	23.5	-	-	Myanmar	12.0	5.8	9.3
India	7.3	7.7	7.9	Thailand	6.4	5.4	12.7	Cambodia	5.0	-	-	Indonesia	36.2	41.5	36.4	India	3.8	3.4	-	Russia	17.4	-	-	Russia	11.8	12.8	16.9
Russia	5.2	8.3	10.2	Russia	5.2	6.1	9.2	Myanmar	4.3	3.8	-	Philippines	26.8	31.4	28.6	Vietnam	3.7	4.3	-	Laos	17.4	30.7	32.7	Mexico	10.2	6.5	7.6
Mexico	4.8	5.2	7.3	Philippines	5.1	3.8	8.8	India	4.0	3.9	-	Pakistan	26.3	-	-	Mexico	3.4	1.8	-	Bangladesh	16.5	-	-	Thailand	9.7	4.4	5.6
Philippines	4.8	5.8	6.0	Bangladesh	4.9	-	-	Russia	3.2	3.2	-	Sri Lanka	23.2	-	-	Bangladesh	3.2	-	-	Brazil	14.1	16.0	16.5	Cambodia	9.1	-	-
Turkey	4.4	6.4	6.2	Cambodia	4.8	-	-	Laos	3.1	-	-	Brazil	13.1	14.2	15.5	Malaysia	2.9	2.1	-	Philippines	14.0	12.2	15.6	Laos	7.9	-	-
Myanmar	3.7	2.6	3.3	Malaysia	4.7	5.3	9.3	Bangladesh	3.0	-	-	Mexico	12.0	14.9	15.6	Cambodia	2.6	-	-	Pakistan	13.9	-	-	Philippines	7.6	4.4	8.3
Cambodia	3.7	-	-	Myanmar	4.7	3.6	9.6	Brazil	2.8	5.2	-	Russia	11.0	11.8	18.7	Laos	2.1	-	-	Mexico	10.2	7.2	11.2	Turkey	6.0	-	-
Chile	3.1	-	-	Pakistan	4.6	-	-	South Africa	2.7	4.3	-	South Africa	10.7	18.6	20.1	Pakistan	2.0	-	-	Thailand	9.3	7.1	6.5	Bangladesh	5.4	3.6	5.3
South Africa	3.0	5.7	6.2	South Africa	4.0	6.7	11.5	Philippines	2.6	3.2	-	Chile	10.3	-	-	Chile	1.9	-	-	Sri Lanka	7.1	-	-	Pakistan	5.3	-	-
Sri Lanka	2.4	-	-	Laos	3.8	-	-	Chile	1.7	-	-	China	9.5	9.9	11.6	Philippines	1.7	1.6	-	Turkey	6.7	6.8	7.1	Malaysia	4.8	2.5	4.9
Bangladesh	1.6	-	-	Sri Lanka	3.2	-	-	Pakistan	1.3	-	-	Malaysia	9.0	11.7	10.0	Turkey	1.7	0.5	-	South Africa	6.2	11.9	11.5	Sri Lanka	4.5	-	-
Pakistan	1.5	-	-	Turkey	3.0	1.8	4.9	Sri Lanka	1.3	-	-	Thailand	8.3	9.1	10.5	Sri Lanka	1.6	-	-	Chile	6.1	-	-	South Africa	3.5	2.9	4.8
Laos	1.3	-	-	Chile	2.5	-	-	Turkey	1.2	2.7	-	Turkey	7.9	7.3	10.7	South Africa	1.0	1.0	-	Malaysia	5.9	7.1	6.8	Chile	3.3	-	-
	Complexity of administrative procedures			Problems in protection of intellectual property rights			Foreign exchange at high risk			Related industries not concentrated nor developed			Risks and problems related to collection of receivables			Natural disaster risks or environmental pollution problems			Political risks or problems in social conditions and law and order								
	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12	FY14	FY13	FY12						
China	34.6	-	-	China	52.6	51.3	53.1	Russia	22.4	17.6	13.7	Myanmar	23.3	28.0	32.2	China	41.4	40.3	45.6	Thailand	21.4	28.8	41.6	China	49.8	59.8	64.6
India	26.6	-	-	India	11.1	8.3	6.9	China	20.5	20.5	12.3	Vietnam	18.2	17.9	23.0	India	23.7	23.5	23.1	China	21.1	27.2	4.8	Thailand	37.3	46.4	15.3
Vietnam	22.0	-	-	Myanmar	10.0	8.1	8.7	Brazil	17.5	31.2	21.9	Cambodia	18.1	-	-	Russia	22.0	27.5	25.0	Philippines	18.9	23.6	14.4	Russia	34.4	27.5	22.2
Indonesia	21.3	-	-	Vietnam	9.5	8.0	8.7	Indonesia	16.2	21.8	12.4	Laos	16.9	-	-	Myanmar	16.8	14.5	21.0	Indonesia	12.3	12.8	18.5	Pakistan	30.1	-	-
Russia	20.6	-	-	Cambodia	8.2	-	-	India	12.8	21.5	13.8	Bangladesh	15.1	-	-	Pakistan	15.4	-	-	Bangladesh	8.4	-	-	Mexico	28.9	32.2	12.4
Brazil	17.7	-	-	Pakistan	8.1	-	-	Vietnam	11.5	15.7	14.2	Philippines	13.7	11.6	15.2	Brazil	14.9	17.3	18.2	India	8.3	9.3	5.3	Philippines	26.5	23.2	15.4
Myanmar	17.1	-	-	Laos	7.4	-	-	Thailand	11.1	13.1	10.4	India	12.3	11.4	18.5	Bangladesh	14.6	-	-	Myanmar	4.7	4.7	5.2	Brazil	25.0	27.5	6.7
Thailand	10.8	-	-	Bangladesh	7.2	-	-	Mexico	9.0	17.0	14.4	Pakistan	11.9	-	-	Vietnam	14.2	14.2	15.7	Pakistan	4.6	-	-	South Africa	24.6	34.8	18.7
Cambodia	10.4	-	-	Indonesia	7.0	6.4	6.5	South Africa	8.9	15.7	13.9	Sri Lanka	10.8	-	-	Cambodia	12.7	-	-	Chile	4.5	-	-	Myanmar	21.8	32.7	35.8
Philippines	9.8	-	-	Philippines	6.4	5.2	6.4	Myanmar	8.8	12.0	8.7	Indonesia	9.2	9.4	11.1	Mexico	12.5	14.1	14.0	Russia	4.0	2.6	3.2	Indonesia	21.5	22.6	14.3
Bangladesh	9.5	-	-	Russia	6.2	5.8	7.4	Turkey	8.4	15.9	9.3	Russia	7.8	10.9	12.0	Philippines	12.2	11.4	15.4	Cambodia	3.9	-	-	Bangladesh	18.8	-	-
Laos	8.7	-	-	Sri Lanka	5.8	-	-	Philippines	8.3	11.6	8.8	South Africa	7.2	12.4	14.4	Sri Lanka	12.1	-	-	Vietnam	3.8	4.3	3.4	Cambodia	16.2	-	-
Malaysia	8.1	-	-	Brazil	5.4	4.6	6.1	Chile	7.8	-	-	Chile	6.4	-	-	Laos	11.8	-	-	Sri Lanka	3.4	-	-	India	15.9	17.9	8.9
Mexico	7.6	-	-	Thailand	5.1	4.5	4.8	Malaysia	7.2	11.8	9.7	Turkey	6.2	9.1	10.2	Indonesia	11.2	12.9	15.8	Brazil	3.4	1.2	2.4	Turkey	13.1	20.5	9.8
Turkey	7.1	-	-	Turkey	4.7	3.6	3.1	Cambodia	6.9	-	-	Malaysia	6.1	7.1	10.0	South Africa	9.7	17.1	12.9	South Africa	3.2	2.4	2.9	Sri Lanka	12.1	-	-
Pakistan	6.8	-	-	Mexico	4.4	4.0	3.6	Pakistan	6.6	-	-	Mexico	6.0	7.6	9.6	Malaysia	8.7	9.9	11.9	Mexico	3.0	1.4	4.0	Laos	11.8	-	-
Sri Lanka	6.1	-	-	Chile	4.2	-	-	Bangladesh	6.0	-	-	Brazil	6.0	5.6	7.1	Chile	8.4	-	-	Laos	2.8	-	-	Chile	10.9	-	-
Chile	4.5	-	-	Malaysia	3.9	4.9	3.4	Laos	5.9	-	-	Thailand	3.5	2.1	5.5	Turkey	7.9	14.1	10.2	Turkey	2.5	2.3	5.3	Vietnam	8.8	8.2	7.2
South Africa	4.0	-	-	South Africa	3.2	4.3	3.8	Sri Lanka	5.8	-	-	China	3.0	1.9	3.3	Thailand	7.3	7.1	9.9	Malaysia	2.3	3.4	3.8	Malaysia	5.6	5.7	2.1

[n (FY14) = China: 1,946, Thailand: 1,288, Malaysia: 767, Indonesia: 1,003, Philippines: 687, Vietnam: 996, Myanmar: 601, Cambodia: 463, Laos: 390, India: 755, Pakistan: 395, Bangladesh: 431, Sri Lanka: 379, Mexico: 502, Brazil: 504, Chile: 359, Russia: 500, Turkey: 406, South Africa: 403]

[n (FY13) = China: 2,018, Thailand: 1,217, Malaysia: 566, Indonesia: 886, Philippines: 500, Vietnam: 878, Myanmar: 468, India: 648, Mexico: 276, Brazil: 324, Russia: 313, Turkey: 220, South Africa: 210]

[n (FY12) = China: 1,304, Thailand: 750, Malaysia: 472, Indonesia: 615, Philippines: 409, Vietnam: 612, Myanmar: 366, India: 507, Mexico: 250, Brazil: 297, Russia: 284, Turkey: 225, South Africa: 209]

[Notes: 1) The population (n) above indicates the total number of firms currently operating businesses or considering new businesses in each country.

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3) "Complexity of taxation system and tax procedures" was referred to as "Tax risks and problems" in the FY2012 and FY2013 surveys.

Issues in the business environment in emerging countries (by country)

■ A rising percentage cited “foreign exchange at high risk” in Russia

The percentage of firms citing “foreign exchange at high risk” in Russia was up to 22.4% from last year’s 17.6%. The ruble has weakened massively in Russia since the second half of 2014, due to the effects of low oil prices.

■ Top issues cited for China were “problems in protection of intellectual property rights” and “political risks or problems in social conditions and law and order”

The top issue cited for China was “problems in protection of intellectual property rights” (52.6%), followed by “political risks or problems in social conditions and law and order” (49.8%).

(Multiple answers, %)																			
Rank	China	FY14			Rank	Thailand			Rank	Malaysia			Rank	Indonesia					
		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12			
1	Problems in protection of intellectual property rights	52.6	51.3	53.1	1	Political risks or problems in social conditions and law and order	37.3	46.4	15.3	1	Increased or increasing personnel costs	16.2	17.8	15.9	1	Inadequate infrastructure	36.2	41.5	36.4
2	Political risks or problems in social conditions and law and order	49.8	59.8	64.6	2	Increased or increasing personnel costs	29.1	29.3	30.1	2	Inadequate infrastructure	9.0	11.7	10.0	2	Undeveloped legal system and problems in application of laws	26.9	24.5	27.2
3	Increased or increasing personnel costs	48.8	50.8	49.5	3	Natural disaster risks or environmental pollution problems	21.4	28.8	41.6	3	Risks and problems related to collection of receivables	8.7	9.9	11.9	3	Political risks or problems in social conditions and law and order	21.5	22.6	14.3
4	Undeveloped legal system and problems in application of laws	41.9	44.5	45.1	4	Labor shortage or difficulty in recruitment	18.6	19.6	-	4	Complexity of administrative procedures	8.1	-	-	4	Complexity of administrative procedures	21.3	-	-
5	Risks and problems related to collection of receivables	41.4	40.3	45.6	5	Foreign exchange at high risk	11.1	13.1	10.4	5	Labor shortage or difficulty in recruitment	7.6	9.5	-	5	Increased or increasing personnel costs	21.2	19.9	21.0
Rank	Philippines	FY14			Rank	Vietnam			Rank	Myanmar			Rank	Cambodia					
		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12			
1	Inadequate infrastructure	26.8	31.4	28.6	1	Inadequate infrastructure	38.0	48.7	43.6	1	Inadequate infrastructure	53.9	70.5	60.4	1	Inadequate infrastructure	44.9	-	-
2	Political risks or problems in social conditions and law and order	26.5	23.2	15.4	2	Undeveloped legal system and problems in application of laws	28.1	31.9	27.8	2	Undeveloped legal system and problems in application of laws	32.6	42.5	39.3	2	Undeveloped legal system and problems in application of laws	23.5	-	-
3	Natural disaster risks or environmental pollution problems	18.9	23.6	14.4	3	Complexity of administrative procedures	22.0	-	-	3	Related industries not concentrated nor developed	23.3	28.0	32.2	3	Related industries not concentrated nor developed	18.1	-	-
4	Undeveloped legal system and problems in application of laws	14.0	12.2	15.6	4	Related industries not concentrated nor developed	18.2	17.9	23.0	4	Political risks or problems in social conditions and law and order	21.8	32.7	35.8	4	Political risks or problems in social conditions and law and order	16.2	-	-
5	Related industries not concentrated nor developed	13.7	11.6	15.2	5	Complexity of taxation system and tax procedures	17.0	7.9	9.8	5	Complexity of administrative procedures	17.1	-	-	5	Risks and problems related to collection of receivables	12.7	-	-
Rank	Laos	FY14			Rank	India			Rank	Pakistan			Rank	Bangladesh					
		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12			
1	Inadequate infrastructure	38.7	-	-	1	Inadequate infrastructure	44.8	55.7	56.8	1	Political risks or problems in social conditions and law and order	30.1	-	-	1	Inadequate infrastructure	36.7	-	-
2	Undeveloped legal system and problems in application of laws	17.4	-	-	2	Undeveloped legal system and problems in application of laws	27.9	28.7	29.6	2	Inadequate infrastructure	26.3	-	-	2	Political risks or problems in social conditions and law and order	18.8	-	-
3	Related industries not concentrated nor developed	16.9	-	-	3	Complexity of administrative procedures	26.6	-	-	3	Risks and problems related to collection of receivables	15.4	-	-	3	Undeveloped legal system and problems in application of laws	16.5	-	-
4	Political risks or problems in social conditions and law and order	11.8	-	-	4	Complexity of taxation system and tax procedures	26.4	13.9	15.0	4	Undeveloped legal system and problems in application of laws	13.9	-	-	4	Related industries not concentrated nor developed	15.1	-	-
4	Risks and problems related to collection of receivables	11.8	-	-	5	Risks and problems related to collection of receivables	23.7	23.5	23.1	5	Related industries not concentrated nor developed	11.9	-	-	5	Risks and problems related to collection of receivables	14.6	-	-
Rank	Sri Lanka	FY14			Rank	Mexico			Rank	Brazil			Rank	Chile					
		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12			
1	Inadequate infrastructure	23.2	-	-	1	Political risks or problems in social conditions and law and order	28.9	32.2	12.4	1	Political risks or problems in social conditions and law and order	25.0	27.5	6.7	1	Political risks or problems in social conditions and law and order	10.9	-	-
2	Risks and problems related to collection of receivables	12.1	-	-	2	Risks and problems related to collection of receivables	12.5	14.1	14.0	2	Complexity of taxation system and tax procedures	17.9	19.4	19.5	2	Inadequate infrastructure	10.3	-	-
2	Political risks or problems in social conditions and law and order	12.1	-	-	3	Inadequate infrastructure	12.0	14.9	15.6	3	Complexity of administrative procedures	17.7	-	-	3	Risks and problems related to collection of receivables	8.4	-	-
4	Related industries not concentrated nor developed	10.8	-	-	4	Undeveloped legal system and problems in application of laws	10.2	7.2	11.2	4	Foreign exchange at high risk	17.5	31.2	21.9	4	Foreign exchange at high risk	7.8	-	-
5	Undeveloped legal system and problems in application of laws	7.1	-	-	4	Complexity of taxation system and tax procedures	10.2	6.5	7.6	5	Risks and problems related to collection of receivables	14.9	17.3	18.2	5	Related industries not concentrated nor developed	6.4	-	-
Rank	Russia	FY14			Rank	Turkey			Rank	South Africa									
		FY14	FY13	FY12		FY14	FY13	FY12		FY14	FY13	FY12							
1	Political risks or problems in social conditions and law and order	34.4	27.5	22.2	1	Political risks or problems in social conditions and law and order	13.1	20.5	9.8	1	Political risks or problems in social conditions and law and order	24.6	34.8	18.7					
2	Foreign exchange at high risk	22.4	17.6	13.7	2	Foreign exchange at high risk	8.4	15.9	9.3	2	Inadequate infrastructure	10.7	18.6	20.1					
3	Risks and problems related to collection of receivables	22.0	27.5	25.0	3	Inadequate infrastructure	7.9	7.3	10.7	3	Risks and problems related to collection of receivables	9.7	17.1	12.9					
4	Complexity of administrative procedures	20.6	-	-	3	Risks and problems related to collection of receivables	7.9	14.1	10.2	4	Foreign exchange at high risk	8.9	15.7	13.9					
5	Undeveloped legal system and problems in application of laws	17.4	30.7	32.7	5	Complexity of administrative procedures	7.1	-	-	5	Related industries not concentrated nor developed	7.2	12.4	14.4					

(n (FY13) = China: 1,946; Thailand: 1,288; Malaysia: 767; Indonesia: 1,003; Philippines: 687; Vietnam: 996; Myanmar: 601; Cambodia: 463; Laos: 390; India: 755; Pakistan: 395; Bangladesh: 431; Sri Lanka: 379; Mexico: 502; Brazil: 504; Chile: 359; Russia: 500; Turkey: 406; South Africa: 403)

(n (FY14) = China: 2,018; Thailand: 1,217; Malaysia: 760; Indonesia: 886; Philippines: 800; Vietnam: 878; Myanmar: 468; India: 648; Mexico: 276; Brazil: 324; Russia: 313; Turkey: 220; South Africa: 210)

(n (FY12) = China: 1,304; Thailand: 750; Malaysia: 472; Indonesia: 615; Philippines: 409; Vietnam: 612; Myanmar: 366; India: 507; Mexico: 250; Brazil: 297; Russia: 284; Turkey: 225; South Africa: 209)

(Notes) 1) The population (n) above indicates the total number of firms currently operating businesses or considering new businesses in each country.

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6. Approach to future business in China

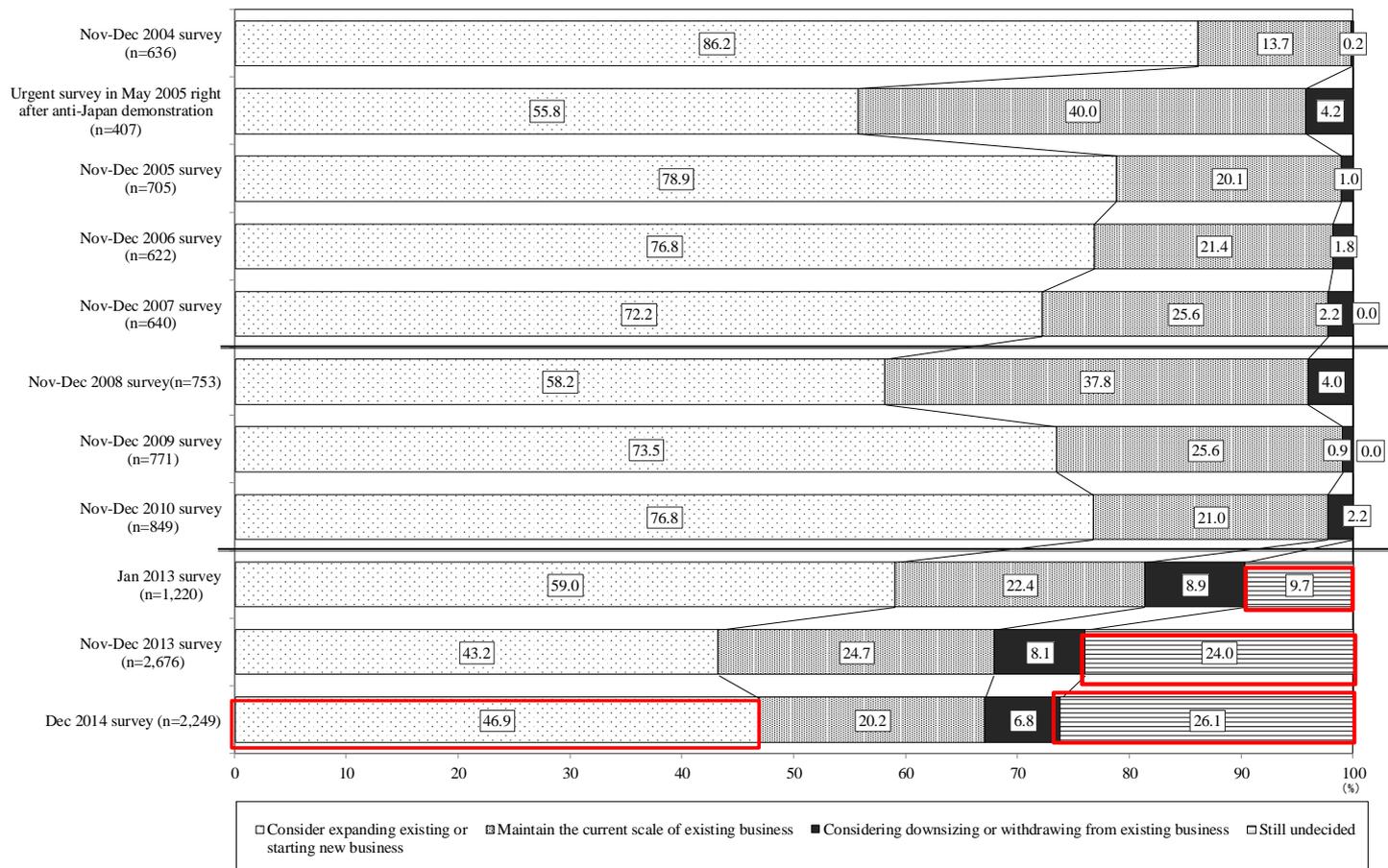
- Motivation to expand business in China recovers among SMEs -**

Business in China: Business plans

Japanese firms appear to have a hesitant stance regarding business in China

The percentage of firms reporting that they would “Consider expanding existing or starting new business” in China rose from 43.2% last year to 46.9% this year. At the same time, the percentage reporting that they were “still undecided” on their China policies rose to 26.1%, as Japanese firms appear to have a hesitant stance regarding business in China.

Business plans in China (time-series comparison)



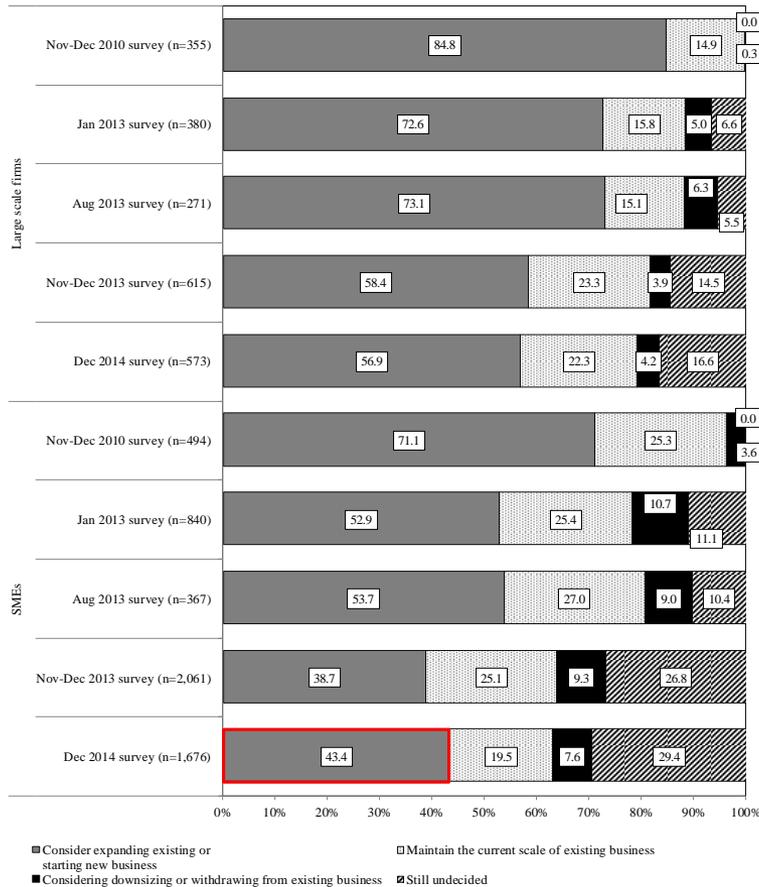
[Notes] 1) Results of the surveys in January 2013, November-December 2013, and December 2014 were totaled for all firms, while totals for other surveys were limited to responses from JETRO members only.
2) Results through 2007 were limited to manufacturing/trading/wholesale/retail only. 3) Totals reflect adjustments for some questions that differed by year.

Business in China: Business plans

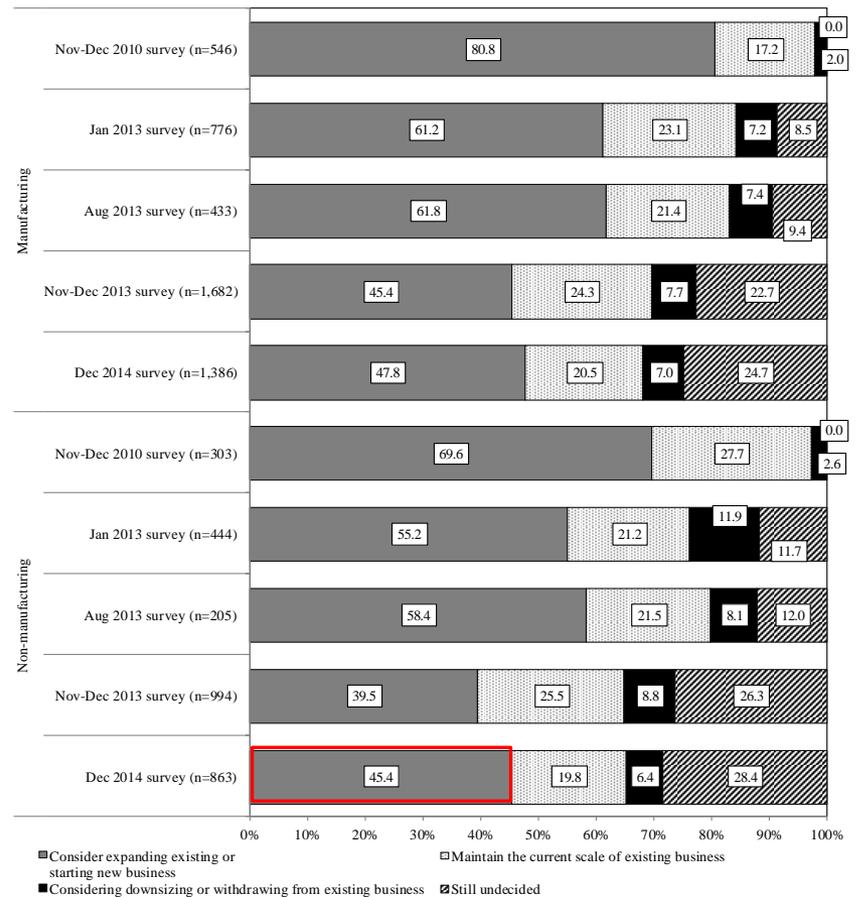
Intension for expanding business in China has recovered among SMEs and non-manufacturing industries

While the percentage of firms reporting that they would “consider expanding existing or starting new business” in China remained largely unchanged among large-scale firms, it recovered among SMEs. By industry, the motivation to expand business in China rose from last year among non-manufacturing industries.

Business plans in China (by firm size, time-series comparison)



Business plans in China (by industry, time-series comparison)



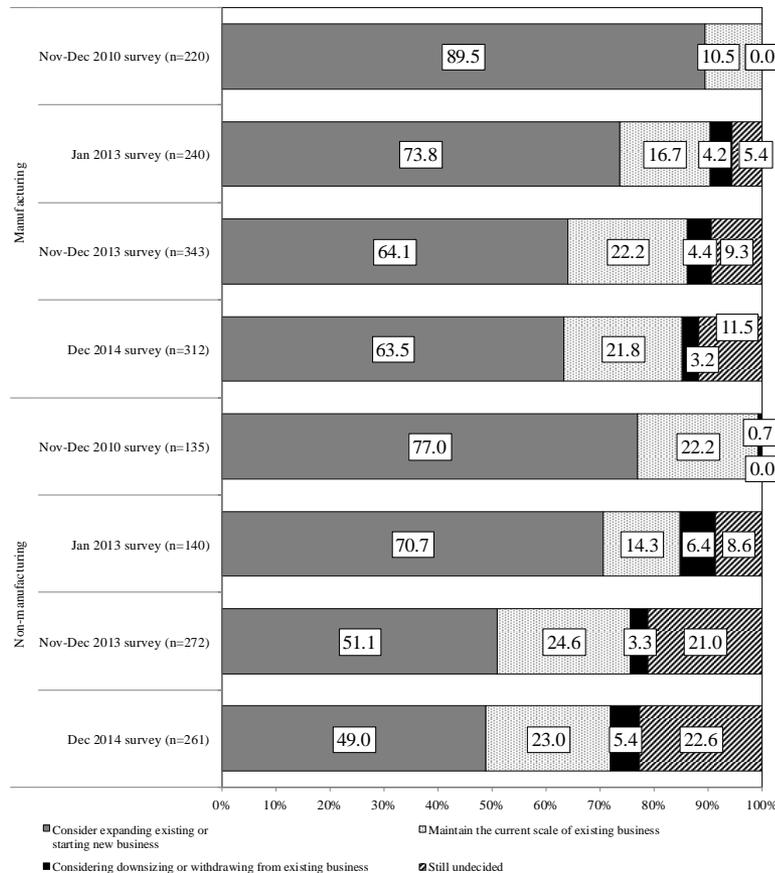
[Note] November-December 2010 survey limited to responses from JETRO members only.

Business in China: Business plans

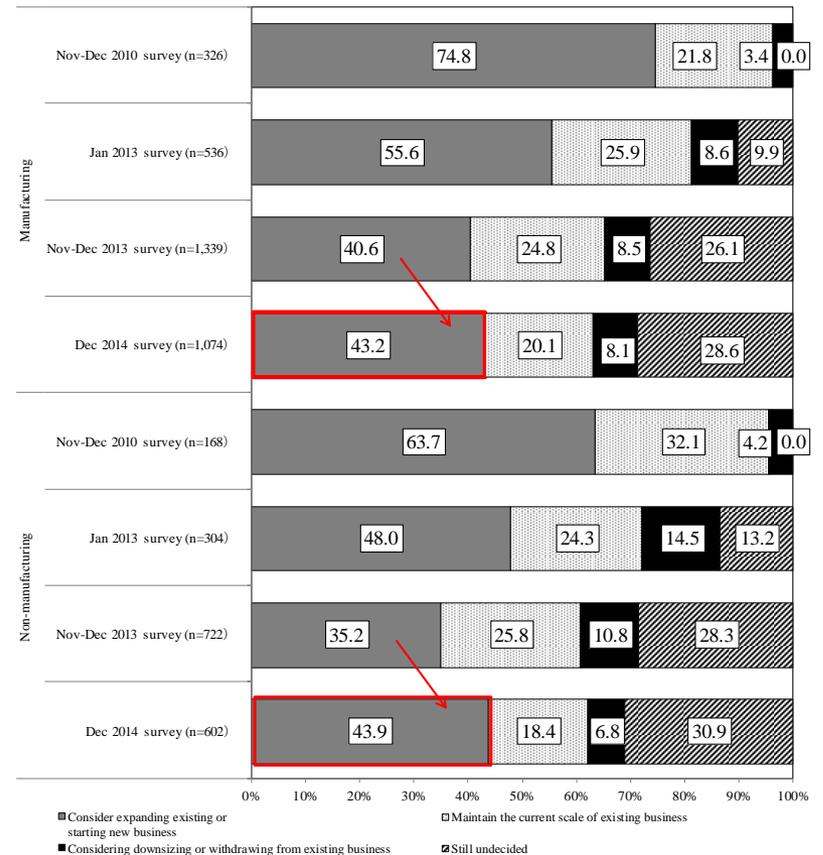
■ The recovery of SME's plan for expanding business in China is clear in non-manufacturing industries

The percentage of firms reporting that they would “consider expanding existing or starting new business” in China rose from 40.6% last year to 43.2% this year among manufacturing industries, and from 35.2% last year to 43.9% this year among non-manufacturing industries.

**Business plans in China
(large-scale firms, by industry, time-series comparison)**



**Business plans in China
(SMEs, by industry, time-series comparison)**



[Note] November-December 2010 survey limited to responses from JETRO members only.

7. Utilization of free trade agreement (FTA)

- Expectations for trade liberalization, easing of restrictions on foreign investment in the service sector and more -**

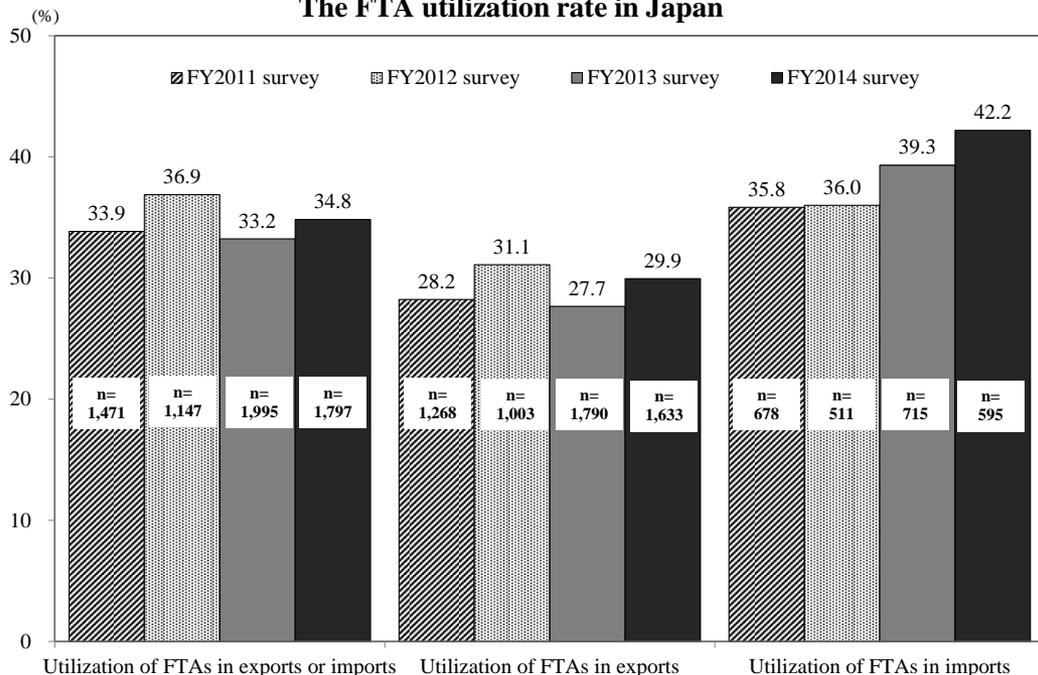
Utilization of free trade agreement (FTA): Status of FTA utilization in Japan

34.8% of Japanese firms use FTAs

The percentage of Japanese firms using FTAs (export/import) was 34.8% (626 respondents). The FTA utilization rate for exports was 29.9% (489). Frequently used FTAs were those with Thailand (360 respondents, 32.6%) and Indonesia (205, 25.9%), with FTA utilization increasing. By industry, FTAs were used widely in industries such as general machinery (52, 36.1%), cars (41, 46.1%), and chemicals (40, 49.4%).

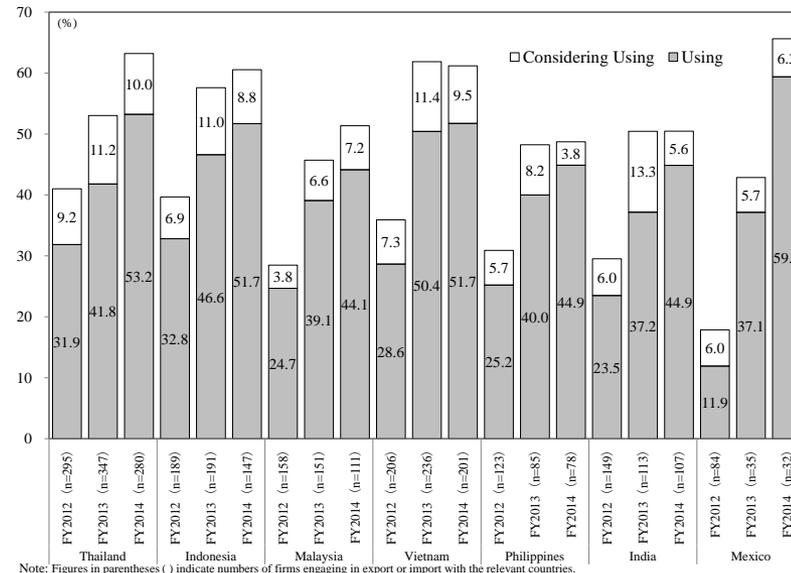
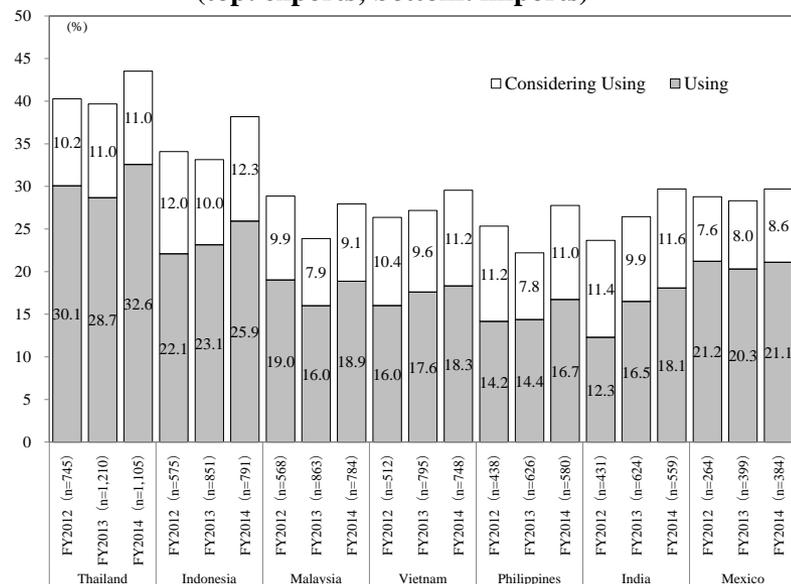
The FTA utilization rate for imports rose to 42.2% (251 respondents). Use of FTAs in imports from ASEAN countries such as Thailand (149 respondents, 53.2%), Vietnam (104, 51.7%), and Indonesia (76, 51.7%) increased. By industry, FTAs were used widely in the food & beverage (22, 50.0%), textiles/clothing (17, 73.9%), and chemical (13, 59.1%) industries.

The FTA utilization rate in Japan



Note: Figures in boxes above indicate numbers of firms engaging in export or import with one or more of the subject countries and regions (Malaysia, Indonesia, the Philippines, Vietnam, other ASEAN countries, India, Mexico, Chile, Peru [starting in FY2012], and Switzerland). Although Japan has bilateral FTAs with both Singapore and Brunei, these are included under "other ASEAN." The population includes respondents who gave no answer.

FTA utilization rates by counterparty country (top: exports; bottom: imports)



Note: Figures in parentheses () indicate numbers of firms engaging in export or import with the relevant countries. The population includes respondents who gave no answer.

Utilization of free trade agreement (FTA): Status of FTA utilization outside Japan

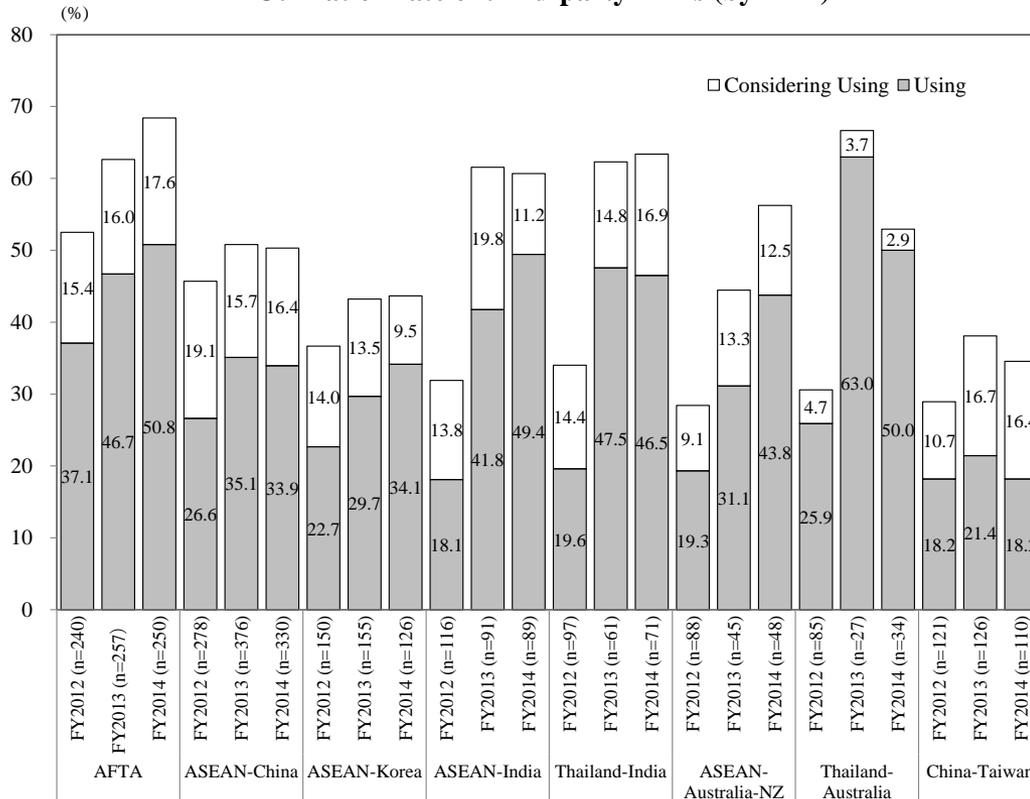
Use of AFTA increases

The most commonly used FTA between third-party countries in Asia was AFTA (used by 127 respondents, for a usage rate of 50.8%), followed by the ASEAN-China FTA (112, 33.9%), the ASEAN-India FTA (44, 49.4%), and the ASEAN-South Korea FTA (43, 34.1%). By industry, third-party FTAs were generally well used in autos (28, 68.3%), chemicals (19, 55.9%), and electrical equipment (14, 53.8%).

Access to information remains issue in third-party FTAs

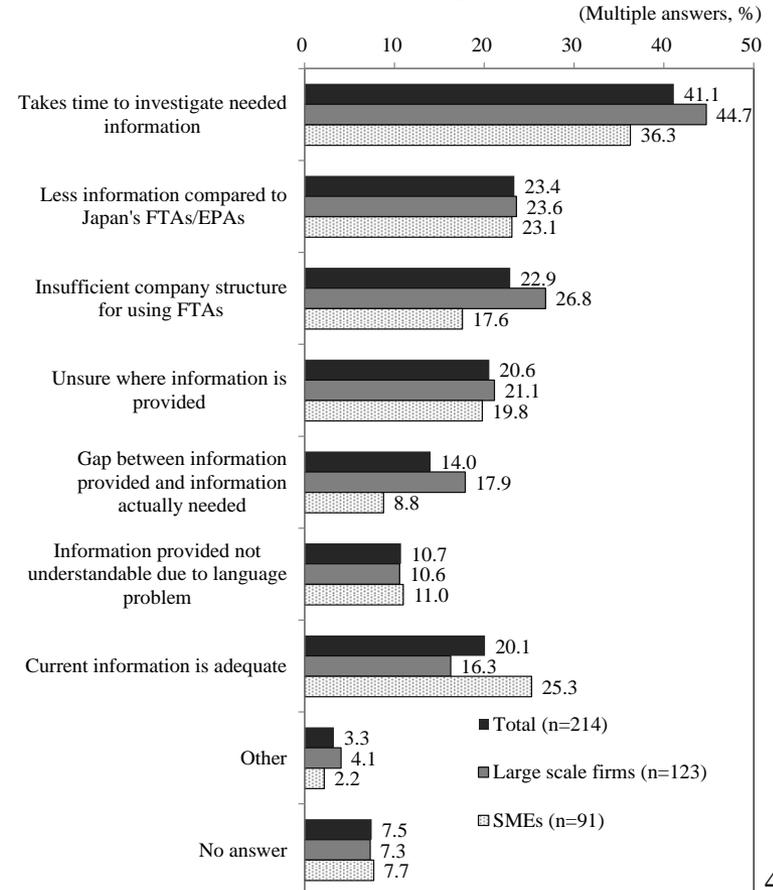
The largest issue identified with regard to use of third-party FTAs was that time is required to “investigate needed information” (41.1%), while others frequently cited that there is “less information compared to Japan’s FTAs/EPAs” (23.4%) and “insufficient company structure for using FTAs” (22.9%).

Utilization rate of third-party FTAs (by FTA)



Notes: Figures in parentheses () indicate numbers of firms engaging in trade with the relevant countries or regions. The population includes respondents who gave no answer.

About information when using third-party FTAs

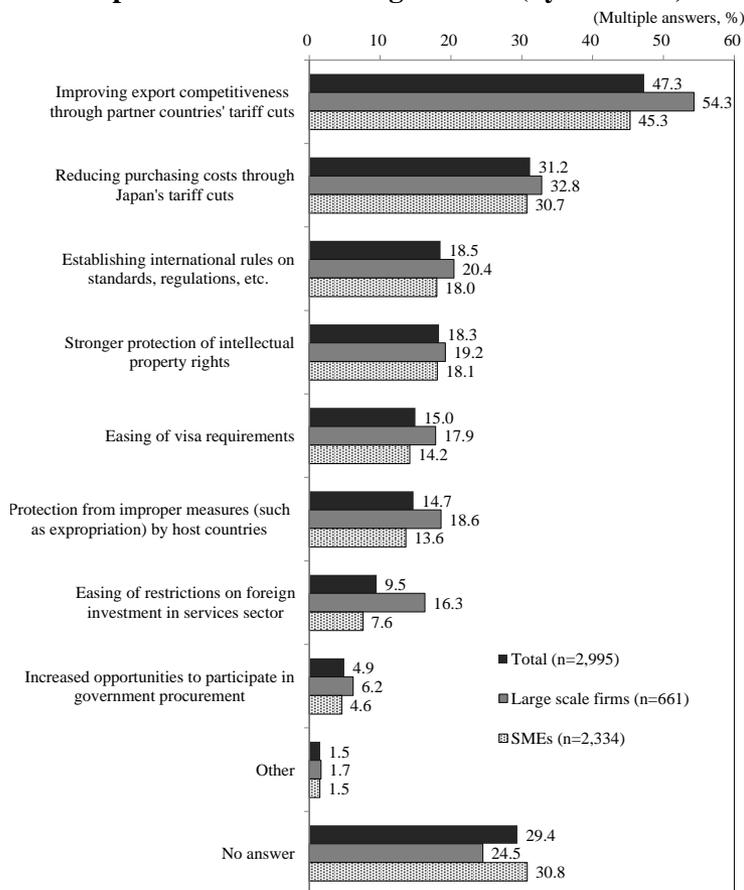


Utilization of free trade agreement (FTA): Expectations for FTA negotiations

■ Greatest concern in trade liberalization, while non-manufacturing industries have high expectations for “easing of restrictions on foreign investment in services sector”

The most common responses on expectations for FTA negotiations concerned trade in goods: “Improving export competitiveness through partner countries’ tariff cuts” (47.3%) and “reducing purchasing costs through Japan’s tariff cuts” (31.2%). By industry, in addition to these two items, industries such as chemicals, ceramics/earth & stone, and communication, information and software showed high levels of interest in “stronger protection of intellectual property rights,” while chemicals, general machinery, electrical equipment, finance & insurance, and professional services were highly interested in “establishing international rules on standards, regulations” and many non-manufacturing industries were interested in “easing of restrictions on foreign investment in services sector” and “easing of visa requirements.”

Expectations for FTA negotiations (by firm size)



Expectations for FTA negotiations (by industry)

	Number of firms	(Multiple answers, %)									
		Improving export competitiveness through partner countries' tariff cuts	Reducing purchasing costs through Japan's tariff cuts	Easing of restrictions on foreign investment in services sector	Protection from improper measures by host countries	Stronger protection of intellectual property rights	Easing of visa requirements	Increased opportunities to participate in government procurement	Establishing international rules on standards, regulations, etc.	Other	No answer
Total	2,995	47.3	31.2	9.5	14.7	18.3	15.0	4.9	18.5	1.5	29.4
Manufacturing firms	1,707	53.0	31.3	4.0	14.1	20.6	13.5	4.4	18.4	1.7	27.3
Food & beverages	355	49.3	26.5	2.8	10.4	16.1	7.9	2.8	16.1	2.3	33.8
Textiles/ clothing	84	44.0	41.7	3.6	7.1	20.2	10.7	2.4	10.7	0.0	28.6
Wood & wood products/ furniture & building materials/ paper & pulp	57	56.1	38.6	8.8	21.1	21.1	10.5	5.3	14.0	0.0	24.6
Chemicals	96	63.5	39.6	5.2	18.8	30.2	12.5	5.2	28.1	2.1	20.8
Medical products & cosmetics	67	55.2	14.9	3.0	6.0	22.4	6.0	1.5	19.4	0.0	34.3
Coal & petroleum products/ plastics/ rubber products	92	52.2	32.6	2.2	12.0	18.5	8.7	2.2	12.0	5.4	25.0
Ceramics/ earth & stone	38	47.4	23.7	2.6	15.8	28.9	18.4	2.6	15.8	0.0	23.7
Iron & steel/ non-ferrous metals/ metal products	192	50.5	35.9	2.6	15.6	24.0	19.3	3.6	17.7	1.0	27.6
General machinery	165	59.4	30.3	5.5	15.2	20.6	20.6	4.2	26.1	1.8	23.6
Electrical equipment	92	56.5	32.6	4.3	20.7	17.4	12.0	8.7	27.2	1.1	17.4
IT equipment/ electronic parts & devices	61	50.8	32.8	3.3	16.4	16.4	6.6	6.6	23.0	0.0	26.2
Cars/ car parts/ other transportation machinery	123	64.2	35.8	6.5	22.0	16.3	19.5	4.9	16.3	0.8	20.3
Precision equipment	71	47.9	25.4	2.8	15.1	16.9	15.5	7.0	16.9	5.6	36.6
Other manufacturing	214	49.5	30.8	4.7	11.7	26.2	16.8	6.5	16.4	1.4	27.1
Non-manufacturing	1,288	39.7	31.0	16.8	15.5	15.3	16.9	5.7	18.7	1.3	32.1
Trade and wholesale	613	49.9	40.8	7.8	12.2	11.3	11.6	3.8	16.2	1.5	27.2
Retail	104	36.5	41.3	12.5	15.4	14.4	13.5	2.9	15.4	1.9	29.8
Construction	75	30.7	22.7	25.3	30.7	17.3	33.3	12.0	22.7	1.3	28.0
Transport	37	37.8	18.9	29.7	18.9	2.7	10.8	0.0	27.0	5.4	35.1
Finance & insurance	87	37.9	19.5	39.1	11.5	19.5	20.7	5.7	27.6	0.0	40.2
Communication, information & software	83	19.3	15.7	26.5	6.0	33.7	20.5	8.4	12.0	0.0	44.6
Professional services	101	27.7	12.9	28.7	26.7	25.7	21.8	13.9	29.7	1.0	37.6
Other non-manufacturing	188	28.2	20.7	21.8	19.7	14.9	25.0	6.4	18.6	1.1	38.3

Note: Items with response rates of 20% or higher are outlined in red.

8. Utilization of human resources in global business

- 60.4% of large scale firms recruit foreign students, as opposed to only 43.2% of SMEs-**

Human resources strategies aimed at overseas business development

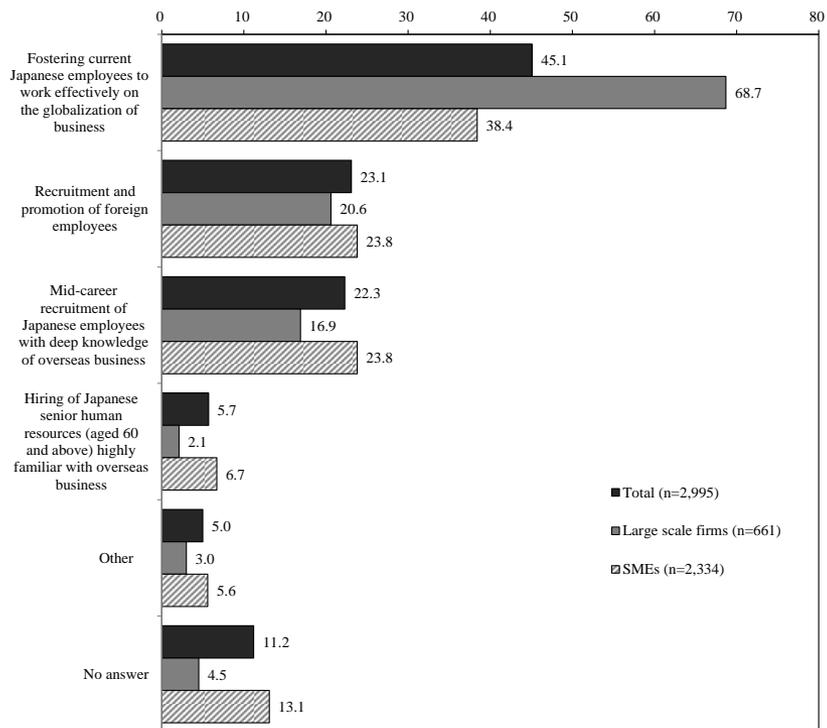
Focus on utilization of foreign employees together with training Japanese employees as global human resources, and at SMEs on recruitment human resources who can offer immediate contribution

Regarding human resources strategies aimed at overseas business development, “fostering current Japanese employees to work effectively on the globalization of business” marked the highest at 45.1%, followed by “recruitment and promotion of foreign employees” (23.1%) and “mid-career recruitment of Japanese employees with deep knowledge of overseas business” (22.3%). Higher percentages of SMEs than large-scale firms cited each of the strategies of “recruitment and promotion of foreign employees” (23.8%), “mid-career recruitment of Japanese employees with deep knowledge of overseas business” (23.8%), and “hiring of Japanese senior human resources (aged 60 and above) highly familiar with overseas business” (6.7%), indicating a focus on hiring human resources who can contribute immediately upon hiring.

Gap between large-scale firms and SMEs on efforts toward training Japanese employees as global human resources

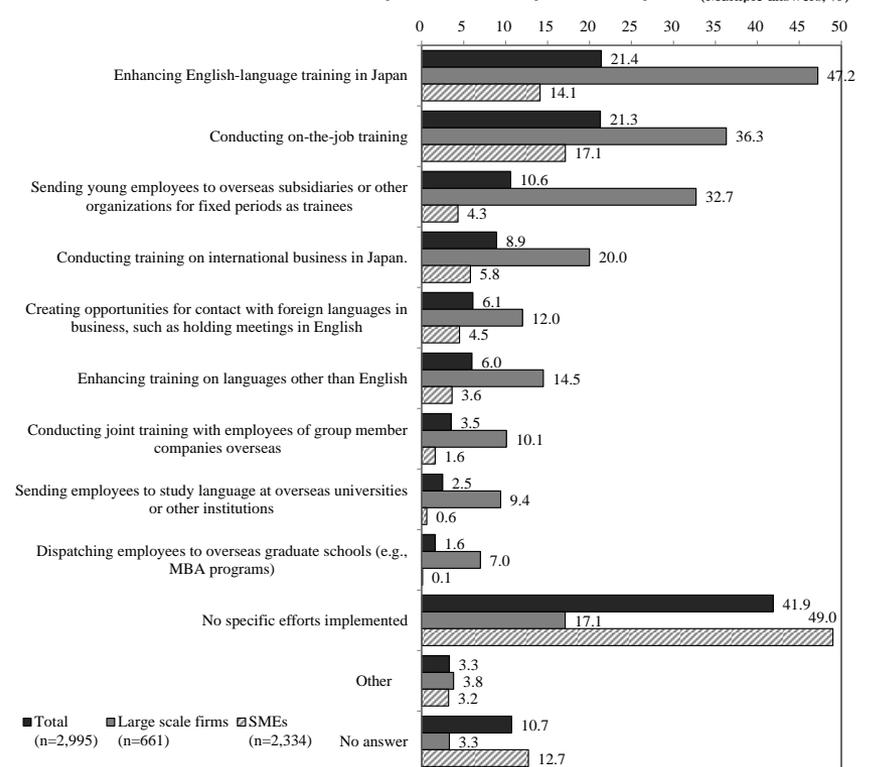
The effort made most commonly by firms to train Japanese employees as global human resources was “enhancing English-language training in Japan” (21.4%), employed by roughly one-half of large-scale firms. On the other hand, while only 17.1% of large-scale firms reported “no specific efforts implemented,” this figure rose to 49.0% among SMEs, indicating that 49% of SMEs were making few specific efforts to train Japanese employees as global human resources.

Human resources strategies aimed at overseas business development (by firm size) (%)



[Notes] Totals above include some firms that provided multiple answers.

Efforts toward training Japanese employees as global human resources (by firm size/by industry) (Multiple answers, %)



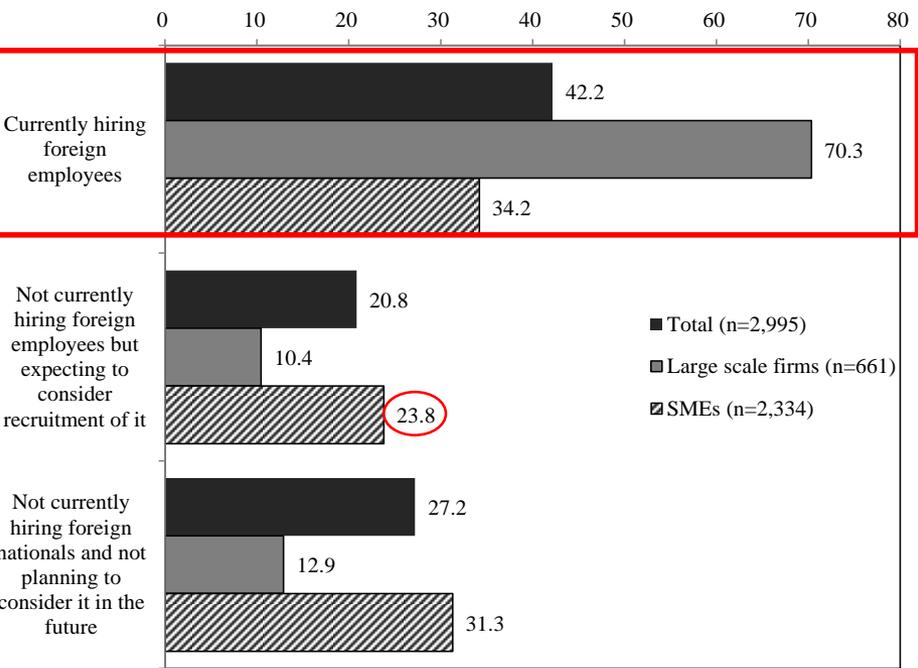
Hiring of foreign employees

■ Roughly 40% of firms hire foreign employees

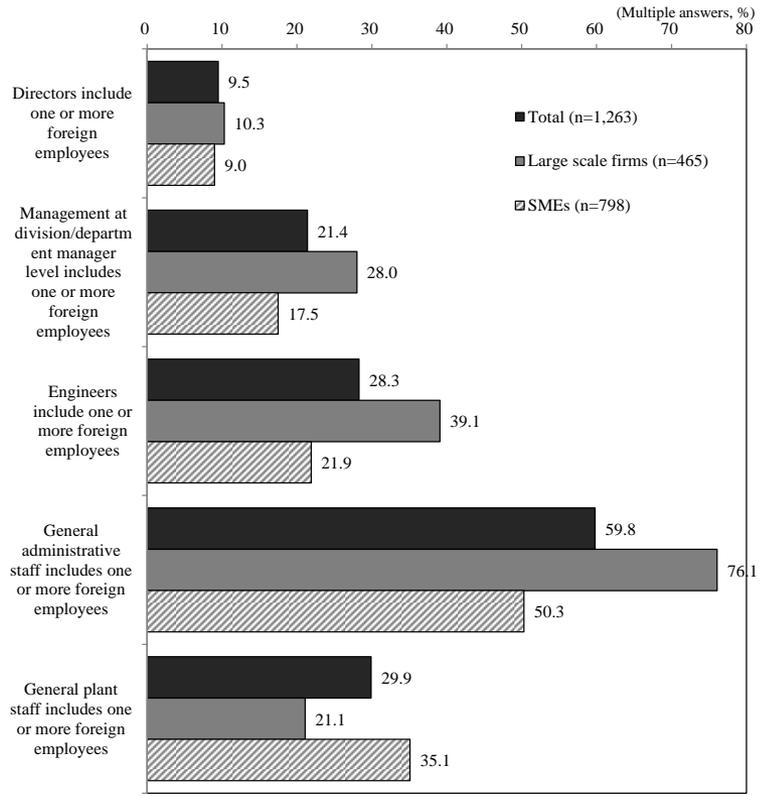
The response rate of “currently hiring foreign employees” was 42.2%, with that of large scale firms reaching 70.3%. Although the rate of SMEs remained as low as 34.2%, they showed interests in recruitment of foreign employees, as can be seen in the percentage of those responding “not currently hiring foreign employees but expecting to consider recruitment of it” (23.8%).

A look at the employment status of foreign employees at the firms employing them, by position, shows that the highest percentage of 59.8% reported “general administrative staff includes one or more foreign employees”. This figure was more than one-half among both large-scale firms (76.1%) and SMEs (50.3%).

Hiring of foreign employees



Employment status of foreign employees (by position)



[Notes] Totals above include partial answers.

[Notes] Totals above are restricted to firms that reported hiring foreign nationals.

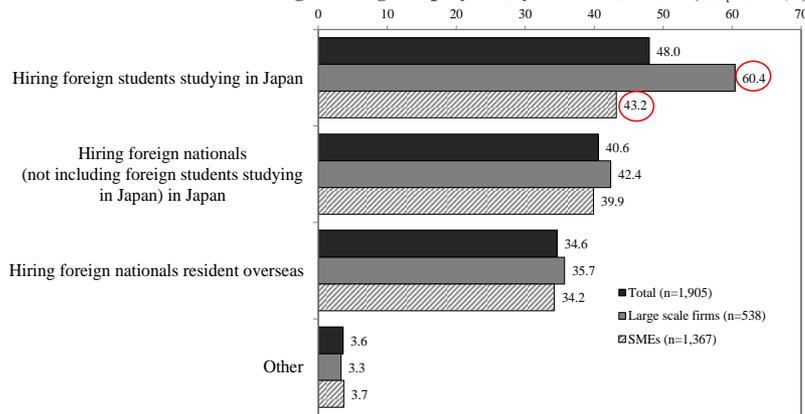
Methods of hiring foreign employees

While more than 60% of large-scale firms said they hired foreign students studying in Japan, only a little more than 40% of SMEs reported doing so

Among firms that reported that they were “currently hiring foreign employees” or “expecting to consider recruitment of foreign employees,” the highest percentage of 48.0% reported that they were hiring (or expecting to consider recruitment) foreign students studying in Japan. Meanwhile, there is a gap between large scale firms (60.4%) and SMEs (43.2%) concerning the recruitment of foreign students studying in Japan.

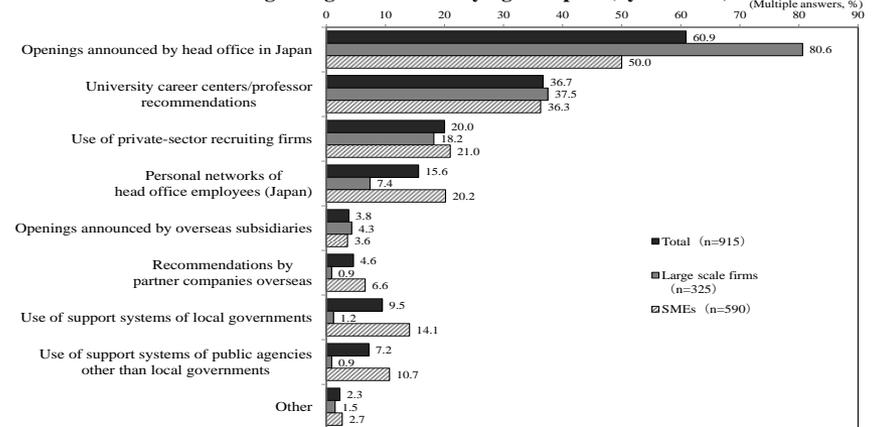
While the most commonly used hiring method among large-scale firms was “openings announced by head office in Japan,” among SMEs many respondents used employees’ personal networks or the services of local governments or other public agencies.

Hiring of foreign employees (by firm size) (Multiple answers, %)



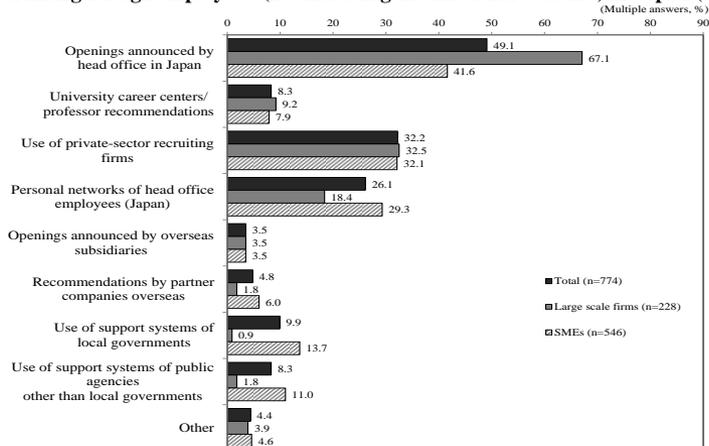
[Note] Responses totaled only for firms that reported that they were hiring or planned to consider hiring foreign nationals and answered this question.

Methods of hiring foreign students studying in Japan (by firm size) (Multiple answers, %)



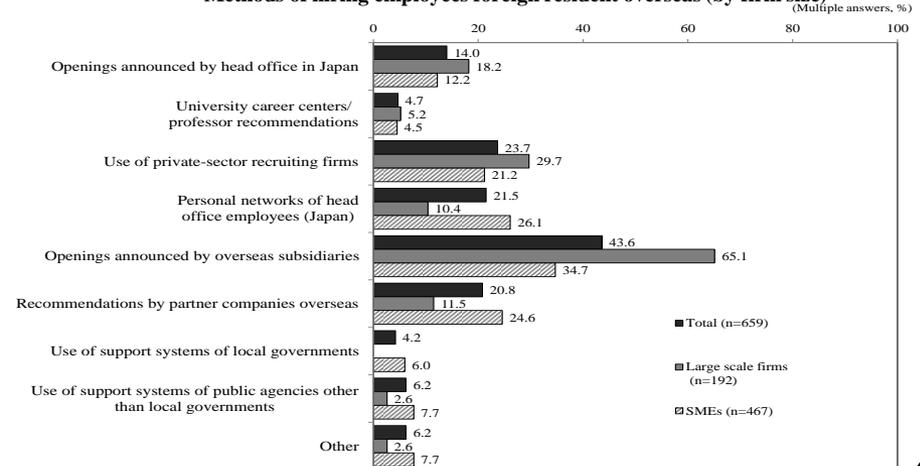
[Note] Responses totaled only for firms that reported that they were hiring or planned to consider hiring international students in Japan from abroad.

Methods of hiring foreign employees (not including international students) in Japan (by firm size) (Multiple answers, %)



[Note] Responses totaled only for firms that reported that they were hiring or planned to consider hiring foreign nationals other than international students in Japan from abroad.

Methods of hiring employees foreign resident overseas (by firm size) (Multiple answers, %)



[Note] Responses totaled only for firms that reported that they were hiring or planned to consider hiring foreign nationals resident overseas.

Benefits of/issues in hiring and employing foreign employees

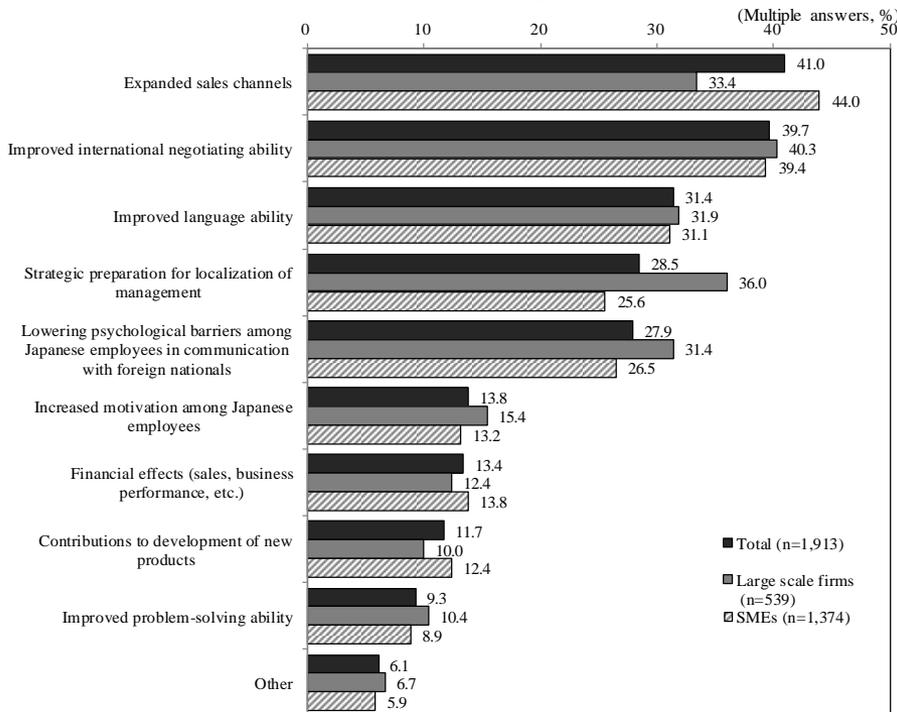
■ Firms hiring or considering hiring foreign employees saw expanded sales channels, improved international negotiating ability, and improved communication ability among Japanese employees as benefits from such hiring

Among firms that reported that they were hiring/employing foreign employees or considering doing so, together with “expanded sales channels” (41.0%) and “improved international negotiating ability” (39.7%), many firms recognized related benefits in improving the communication abilities of Japanese employees, for example through “improved language ability” (31.4%) and “lowering psychological barriers among Japanese employees in communication with foreign nationals” (27.9%). By firm size, more large-scale firms (36.0%) than SMEs cited “strategic preparation for localization of management,” while more SMEs (44.0%) than large-scale firms cited “expanded sales channels.”

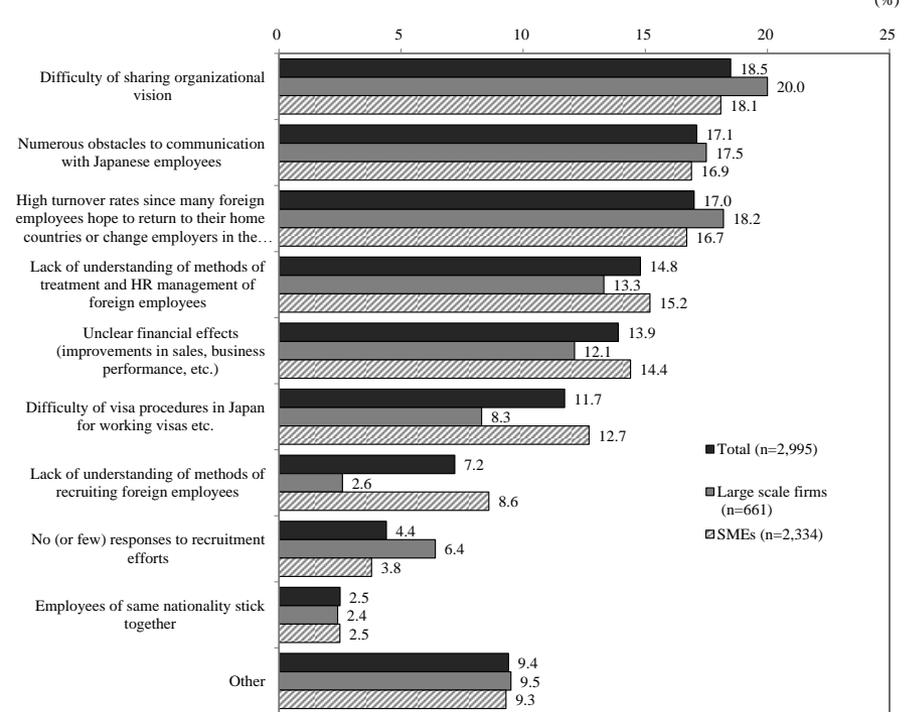
■ “Difficulty of sharing organizational vision” issue in hiring and employing foreign employees

Frequently cited issues in hiring/employing foreign employees were “difficulty of sharing organizational vision” (18.5%), “numerous obstacles to communication with Japanese employees” (17.1%), and “high turnover rates since many foreign employees hope to return to their home countries or change employers in the future” (17.0%). By firm size, more SMEs than large-scale firms cited “lack of understanding of methods of recruiting foreign employees” (8.6%) and “difficulty of procedures in Japan for working visas.” (12.7%).

Benefits of hiring/employing foreign employees (by firm size)



Issues in hiring/employing foreign employees (by firm size)



[Note] Responses totaled only for firms that reported that they were hiring or planned to consider hiring foreign nationals and answered this question.

FY2014 Survey on the International Operations of Japanese Firms
- JETRO Overseas Business Survey -

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