



FY 2023 Survey on the International Operations of Japanese Firms -JETRO Overseas Business Survey-

May 2024

**Research & Analysis Department
Japan External Trade Organization (JETRO)**

Introduction

In recent years, overseas markets have become increasingly important to Japanese companies. In light of this situation, the survey analyzed trends related to overseas business development of Japanese companies, including trade initiatives, e-commerce initiatives, overseas expansion initiatives, supply chain reviews, employment of foreign personnel, and DX, human rights, and environmental efforts.

This is the 22nd time that we have conducted this survey, which began in 2002 for JETRO Members (firms that are members of JETRO's membership). From 2011, JETRO asks non-members (but those who have utilized our services) to answer this survey. This year, from November to December 2023, we sent answer sheets and the link of web answer form to 9,384 Japanese firms (including 3,316 JETRO Members and 6,068 non-members), and received responses from 3,196 firms (34.1% valid answer rate).

We would like to take this opportunity to thank the firms that cooperated in this survey. We hope that this report will be helpful to Japanese firms in developing strategies for overseas business expansion.

This survey was partially outsourced to Tokyo Business Service Co., Ltd.

May 2024

Japan External Trade Organization (JETRO) Research & Analysis Department

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1 | About this survey

1. Target

The FY2023 survey reached a total of 9,384 firms headquartered in Japan with interest in overseas business.

They include 3,316 JETRO member firms and 6,068 firms that have used JETRO services.

**This survey has been conducted annually since FY2002, and it marks the 22nd year for the survey. The survey had been initially conducted only for JETRO member firms, but its coverage was expanded in FY2011 to include non-JETRO member firms.*

2. Topics

- I. Profile of Responding Firms
- II. Outlook of Overseas Business
- III. Trade
- IV. Procurement
- V. Overseas Expansion
- VI. Efforts for Human Rights, Decarbonization, etc.
- VII. DX, Electronic Commerce (EC)

3. Survey method

JETRO asked target firms to answer this survey by mail or on the website by e-mail.

4. Period

November 14, 2023 to December 18, 2023

5. Responses

Valid responses: 3,196 firms (of which 1,107 are JETRO member firms)

Rate of valid response: 34.1%.

Profile of respondent firms (overall, by industry, and by firm size)

Total/Industry/Size	No. of firms	Share (%)
Total	3,196	100.0
Manufacturing	1,834	57.4
Food and beverage	521	16.3
Textiles / Clothing	103	3.2
Wood & wood products/furniture & building materials/paper & pulp	71	2.2
Chemicals	81	2.5
Medical products and cosmetics	66	2.1
Petroleum products/plastic/rubber products	88	2.8
Ceramics/earth & Stone	28	0.9
Iron & steel/non-ferrous metals/metal products	206	6.4
General machinery	161	5.0
Electric equipment	113	3.5
IT equipment/electronic parts & devices	53	1.7
Cars/car parts/other transportation machinery	85	2.7
Precision equipment	74	2.3
Other manufacturing	184	5.8
Non-manufacturing	1,362	42.6
Trade & wholesales	721	22.6
Retail	110	3.4
Construction	95	3.0
Transport	71	2.2
Finance and insurance	55	1.7
Communication, information & Software	84	2.6
Professional services	68	2.1
Other non-manufacturing	158	4.9
Large firms	484	15.1
Large firms (excluding leading medium-sized firms)	113	3.5
Leading medium-sized firms	371	11.6
Small and medium-sized enterprises (SMEs)	2,712	84.9
SMEs (excluding micro-businesses)	1,079	33.8
Micro-businesses	1,633	51.1

2 | Notes

- Percentages shown in charts and diagrams in this report are rounded off and therefore totals do not necessarily add up to 100%.
- Prefectures included in each region are as follows:
 “Hokkaido”: Hokkaido
 “Tohoku”: Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima
 “Kanto/Koshinetsu”: Ibaraki, Tochigi, Gunma, Tokyo, Saitama, Chiba, Kanagawa, Nagano, Shizuoka, Yamanashi, Niigata
 “Chubu”: Aichi, Gifu, Mie
 “Hokuriku”: Toyama, Ishikawa, Fukui
 “Kansai”: Shiga, Kyoto, Nara, Osaka, Wakayama, Hyogo
 “Chugoku”: Okayama, Tottori, Hiroshima, Shimane, Yamaguchi
 “Shikoku”: Kagawa, Ehime, Tokushima, Kochi
 “Kyushu/Okinawa”: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa
- Definitions of large-scale firms, SMEs, etc. are as follows:

Classification	Manufacturing and other	Wholesale	Retail	Service
Large firms	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs
Large firms (excluding leading medium-sized firms)	Large-scale firms other than leading medium-sized firms	Large-scale firms other than medium-sized firms	Large-scale firms other than medium-sized firms	Large-scale firms other than medium-sized firms
Leading medium-sized firms	More than 300 million yen or less, or more than 300 but 3,000 or fewer employees	More than 100 million yen but 300 million yen or less, or more than 100 but 1,000 or fewer employees	More than 50 million but 300 million yen or less, or more than 50 but 1,000 or fewer employees	More than 50 million but 300 million yen or less, or more than 100 but 1,000 or fewer employees
Small and medium-sized enterprises (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 (excluding micro-businesses)	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses
Micro-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: “Large-scale firms” and “SMEs” in the large categories are based on the Small and Medium-sized Enterprise Basic Act. The others are defined by JETRO.

**Profile of responding firms
(by overseas business status / by location)**

Total/Classification/Location	No. of firms	Share(%)
Total	3,196	100.0
Exporting firms	2,378	74.4
Importing firms	1,499	46.9
Firms with overseas bases	1,176	36.8
Domestic firms	290	9.1
Hokkaido	55	1.7
Tohoku	152	4.8
Kanto/Koshinetsu	1,430	44.7
Chubu	284	8.9
Hokuriku	112	3.5
Kansai	622	19.5
China	182	5.7
Shikoku	110	3.4
Kyushu/Okinawa	249	7.8

Note: “Domestic firms” are firms that do not conduct overseas business.

3 | List of industry name used in this report

[Manufacturing]

Original	Abbreviated
Food & beverages	Food & beverages
Textiles	Textiles/clothing
Clothing	
Wood & wood products (excluding furniture)	Wood & wood products/furniture & building materials/paper & pulp
Furniture & building materials	
Paper & pulp	
Chemicals	Chemicals
Medical products & cosmetics	Medical products & cosmetics
Coal & petroleum products	Petroleum products/plastics/rubber products
Plastics	
Rubber products	
Ceramics/earth & stone	Ceramics/earth & stone
Iron & steel	Iron & steel/non-ferrous metals/metal products
Non-ferrous metals	
Metal products	
General machinery	General machinery
Electrical equipment	Electrical equipment

Original	Abbreviated
IT equipment	IT equipment/electronic parts & devices
Electronic parts & devices	
Cars	Cars/car parts/other transportation machinery
Car parts	
Other transportation machinery	
Precision equipment (including medical devices)	Precision equipment
Other manufacturing	Other manufacturing

[Non-manufacturing]

Original	Abbreviated
Trade and wholesale	Trade & wholesale
Retail	Retail
Construction	Construction
Transport	Transport
Finance & insurance	Finance & insurance
Communication	Communication, information & software
Information & software	
Professional services (Consulting/legal etc.)	Professional services
Mining	Other non-manufacturing
Utilities	
Agriculture/forestry/fishery	
Printing & related industry	
Real estate	
Dining/lodging facilities	
Medical/welfare	
Other services (Travel/amusement etc.)	
Other non-manufacturing	

I. Profile of Responding Firms

1 | Current trade conditions

Firms with international trade operation (total, by industry, by firm size) (%)

Overall, Industry, Size	Currently exporting	Only Exporting	Not currently exporting	Currently importing	Only Importing
Overall (n=3,196)	74.4	34.6	25.6	46.9	7.1
Manufacturing (n=1,834)	85.3	40.8	14.7	49.1	4.6
Food & beverages (n=521)	88.9	62.4	11.1	28.8	2.3
Textiles/clothing (n=103)	78.6	37.9	21.4	49.5	8.7
Wood & wood products/furniture & building materials/paper & pulp(n=71)	78.9	42.3	21.1	45.1	8.5
Chemicals (n=81)	93.8	25.9	6.2	69.1	1.2
Medical products & cosmetics (n=66)	90.9	37.9	9.1	57.6	4.5
Petroleum products/plastics/rubber products (n=88)	88.6	30.7	11.4	61.4	3.4
Ceramics/earth & stone (n=28)	75.0	32.1	25.0	53.6	10.7
Iron & steel/non-ferrous metals/metal products(n=206)	81.1	29.1	18.9	59.2	7.3
General Machinery (n=161)	90.7	34.8	9.3	57.8	1.9
Electrical machinery (n=113)	83.2	28.3	16.8	59.3	4.4
IT equipment/electronic parts & devices(n=53)	81.1	34.0	18.9	56.6	9.4
Cars/car parts/other transportation machinery(n=85)	77.6	20.0	22.4	63.5	5.9
Precision instruments (n=74)	91.9	31.1	8.1	62.2	1.4
Other manufacturing (n=184)	78.8	35.9	21.2	50.0	7.1
Non-manufacturing (n=1,362)	59.8	26.3	40.2	44.0	10.5
Trading and wholesale (n=721)	81.6	30.1	18.4	63.8	12.3
Retail (n=110)	58.2	38.2	41.8	35.5	15.5
Construction (n=95)	31.6	17.9	68.4	21.1	7.4
Transport(n=71)	28.2	7.0	71.8	28.2	7.0
Finance & insurance(n=55)	1.8	1.8	98.2	1.8	1.8
Communication, information & software(n=84)	42.9	33.3	57.1	17.9	8.3
Professional services (n=68)	33.8	22.1	66.2	14.7	2.9
Other non-manufacturing (n=158)	32.9	20.9	67.1	21.5	9.5
Large firms (n=484)	65.1	15.9	34.9	53.9	4.8
SMEs(n=2,712)	76.1	37.9	23.9	45.6	7.5

Notes: 1) n is the total number of responding firms to this survey. 2) Includes indirect imports and exports through other firms.

3) Firms only exporting are those that export but do not import. 4) Firms that "do not currently export" are the number of firms that were excluded exporting firms from the total number of firms that responded. 5) Firms that only import are those that import but do not export.

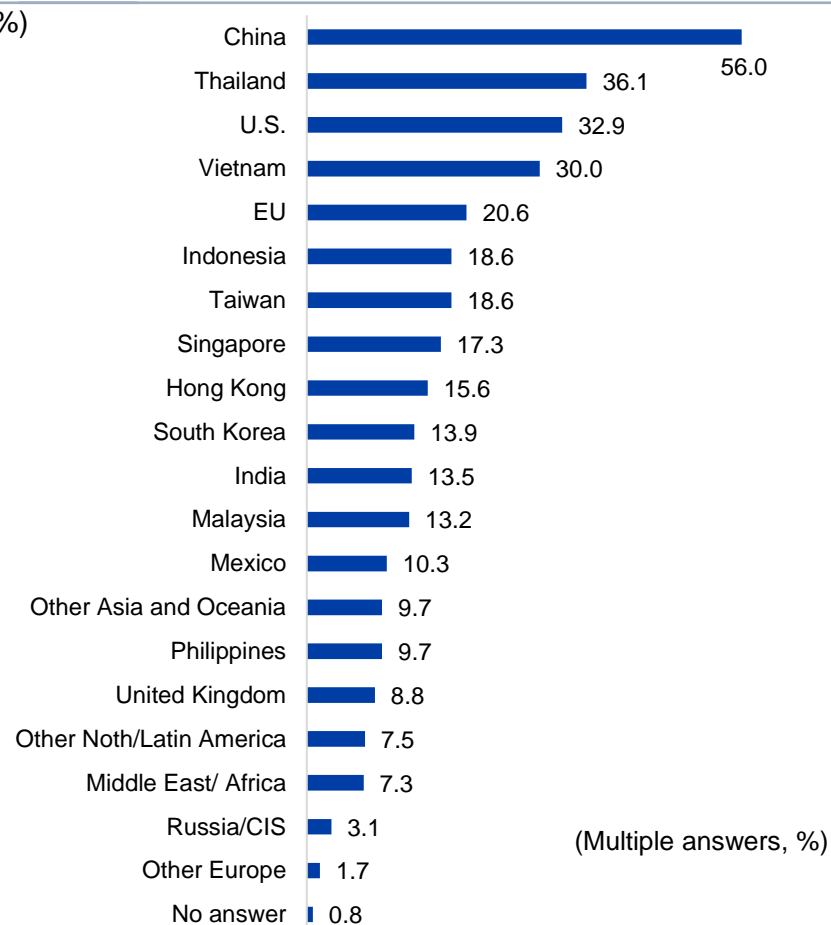
2 | Current Overseas Operations

Overseas offices (overall, by industry, by firm size)

Overall, Industry and Size	Exist (%)	None (%)
Overall (n=3,196)	36.8	63.2
Manufacturing (n=1,834)	37.7	62.3
Food & beverages (n=521)	17.3	82.7
Textiles/clothing (n=103)	28.2	71.8
Wood & wood products/furniture & building materials/paper & pulp(n=71)	25.4	74.6
Chemicals (n=81)	54.3	45.7
Medical products & cosmetics (n=66)	31.8	68.2
Petroleum products/plastics/rubber products (n=88)	51.1	48.9
Ceramics/earth & stone (n=28)	50.0	50.0
Iron & steel/non-ferrous metals/metal products (n=206)	48.1	51.9
General Machinery (n=161)	52.2	47.8
Electrical machinery (n=113)	49.6	50.4
IT equipment/electronic parts & devices(n=53)	34.0	66.0
Cars/car parts/other transportation machinery(n=85)	80.0	20.0
Precision instruments (n=74)	47.3	52.7
Other manufacturing (n=184)	38.6	61.4
Non-manufacturing (n=1,362)	35.5	64.5
Trading and wholesale (n=721)	34.3	65.7
Retail (n=110)	19.1	80.9
Construction (n=95)	45.3	54.7
Transport (n=71)	56.3	43.7
Finance & Insurance (n=55)	47.3	52.7
Communication, information & software(n=84)	32.1	67.9
Professional services (n=68)	33.8	66.2
Other non-manufacturing (n=158)	36.1	63.9
Large firms (n=484)	79.8	20.2
Large firms (excluding leading medium-sized firms) (n=113)	90.3	9.7
Leading medium-sized firms (n=371)	76.5	23.5
SMEs (n=2712)	29.1	70.9
SMEs (excluding Micro businesses) (n=1,079)	43.2	56.8
Micro-businesses (n=1,633)	19.8	80.2

Notes: 1) "n" is the total number of firms that responded to this survey.
 2) Agents are not included in overseas offices.

Countries and regions where overseas offices are located



Notes: 1) The Respondent firms are those who currently have overseas offices (1,176 firms). 2) "Other Asia and Oceania" refers to Asia/Pacific countries and regions excluding China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, and India. "Other North/Latin America" refers to the countries and regions in North and Latin America excluding the U.S. and Mexico. "Other Europe" refers to countries and regions in Europe excluding the EU member states and the U.K.

3 | Overseas sales as a percentage of total sales

Overseas sales ratio in FY2023 (Total, by industry, by firm size)

Overall, Industry, Firm Size	Less than 1%	1-5%	6-10%	11-20%	21-30%	31-40%	41-50%	51-60%	61-70%	71-80%	81-90%	91-100%	Non-response
Total (n=2,663)	19.7	24.2	13.7	11.9	7.0	5.1	3.0	3.8	2.3	2.0	1.7	2.6	3.2
Manufacturing (n=1,653)	17.0	25.1	15.5	12.7	8.0	5.7	3.1	4.1	2.5	1.7	1.1	0.8	2.7
Food & beverages (n=471)	22.1	36.5	16.8	10.8	5.3	2.5	0.8	0.6	1.5	0.0	0.0	0.4	2.5
Textiles/clothing (n=87)	28.7	26.4	10.3	4.6	8.0	5.7	4.6	3.4	0.0	1.1	0.0	2.3	4.6
Wood & wood products/furniture & building materials/paper & pulp (n=58)	24.1	31.0	13.8	19.0	5.2	0.0	0.0	3.4	1.7	0.0	0.0	0.0	1.7
Chemicals (n=78)	6.4	11.5	23.1	16.7	7.7	14.1	7.7	7.7	2.6	0.0	0.0	0.0	2.6
Medical products & cosmetics (n=61)	11.5	26.2	23.0	16.4	4.9	3.3	1.6	3.3	1.6	0.0	1.6	0.0	6.6
Petroleum products/plastics/rubber products (n=80)	16.3	17.5	13.8	15.0	11.3	8.8	5.0	3.8	2.5	0.0	2.5	0.0	3.8
Ceramics/earth & stone (n=25)	12.0	24.0	12.0	20.0	4.0	8.0	0.0	4.0	4.0	4.0	0.0	0.0	8.0
Iron & steel/non-ferrous metals/metal products (n=186)	14.5	24.2	16.1	12.9	9.7	6.5	3.8	3.2	1.6	4.3	1.1	0.5	1.6
General Machinery (n=151)	9.9	17.9	18.5	14.6	10.6	6.6	4.6	5.3	6.6	0.7	3.3	0.0	1.3
Electrical equipment (n=103)	14.6	20.4	13.6	18.4	9.7	5.8	1.9	1.9	2.9	2.9	2.9	1.9	2.9
IT equipment/electronic parts & devices (n=45)	20.0	13.3	11.1	11.1	4.4	6.7	0.0	15.6	4.4	8.9	0.0	0.0	4.4
Cars/car parts/other transportation machinery (n=80)	8.8	13.8	10.0	8.8	16.3	15.0	10.0	10.0	1.3	3.8	0.0	1.3	1.3
Precision equipment (n=70)	7.1	15.7	17.1	14.3	7.1	7.1	4.3	10.0	2.9	5.7	4.3	1.4	2.9
Other manufacturing (n=158)	20.3	22.8	11.4	10.8	8.9	4.4	3.2	5.7	3.8	1.9	1.9	2.5	2.5
Non-manufacturing (n=1,010)	24.1	22.7	10.6	10.5	5.4	4.2	2.9	3.5	1.9	2.4	2.5	5.6	3.9
Trade & wholesale (n=620)	17.3	20.6	11.6	10.8	5.6	5.8	3.7	4.2	2.3	3.5	3.1	8.4	3.1
Retail (n=72)	31.9	27.8	8.3	8.3	5.6	2.8	1.4	1.4	2.8	0.0	2.8	2.8	4.2
Construction (n=59)	32.2	45.8	8.5	11.9	0.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0
Transport (n=47)	17.0	23.4	2.1	14.9	8.5	4.3	4.3	10.6	2.1	2.1	2.1	4.3	4.3
Finance & insurance (n=27)	66.7	7.4	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.2
Communication, information & software (n=52)	36.5	23.1	15.4	9.6	5.8	0.0	3.8	0.0	1.9	0.0	1.9	0.0	1.9
Professional services (n=39)	38.5	23.1	5.1	10.3	10.3	0.0	0.0	0.0	0.0	0.0	5.1	2.6	5.1
Other non-manufacturing (n=94)	36.2	21.3	13.8	9.6	5.3	2.1	0.0	3.2	1.1	1.1	0.0	0.0	6.4
Large firms (n=436)	16.7	20.2	11.5	14	7.6	7.1	4.8	7.8	2.8	2.1	1.4	0.9	3.2
SMEs (n=2,227)	20.3	25.0	14.1	11.5	6.9	4.7	2.6	3.1	2.2	1.9	1.7	3.0	3.1

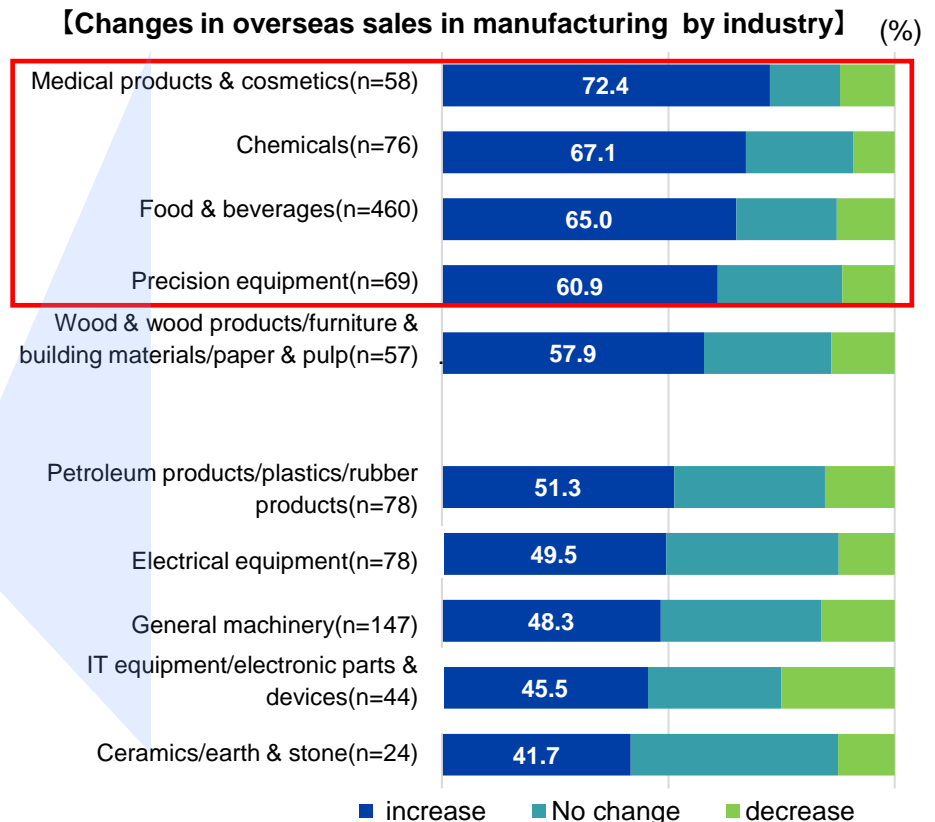
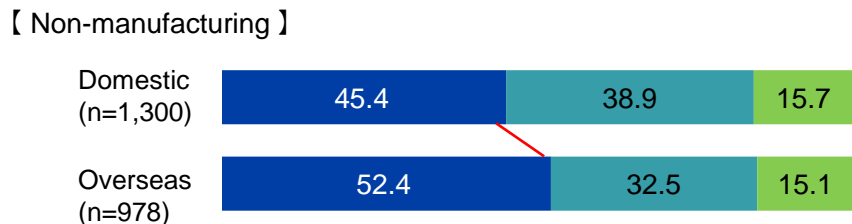
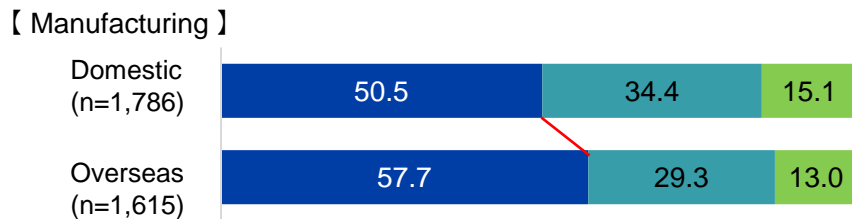
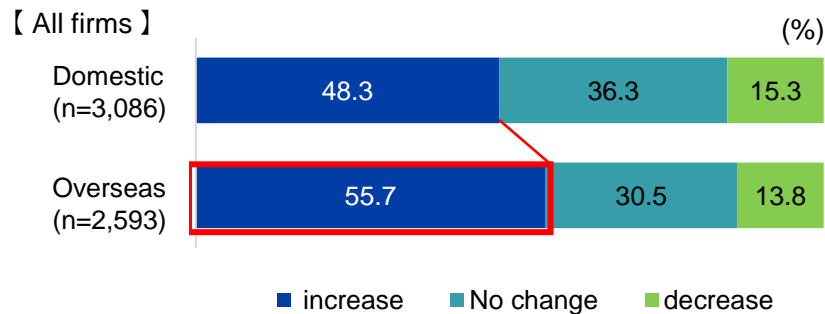
Note: 1) n is the number of firms exporting or expanding overseas. 2) In principle, sales based on exports are classified as overseas sales.

3) Bolded letters indicate a response ratio of 25% or higher.

4 | Over 50% of firms expect increase in overseas sales in FY2024

- **55.7% of all firms expect their overseas sales to "increase" in FY2024 compared to the previous year.** This is 7.3 percentage points higher than the percentage of firms that expect an increase in domestic sales.
- **More than 60% of medical products & cosmetics, chemicals, food & beverages, and precision equipment are expected to increase.**

Change in domestic and overseas sales in FY2024 (compared to FY2023)



Note: n is the number of firms excluding those that did not respond. Overseas n is the number of firms exporting or expanding overseas.

Note: The top five and bottom five industries are listed in descending order of percentage increase.

II. Outlook of Overseas Business

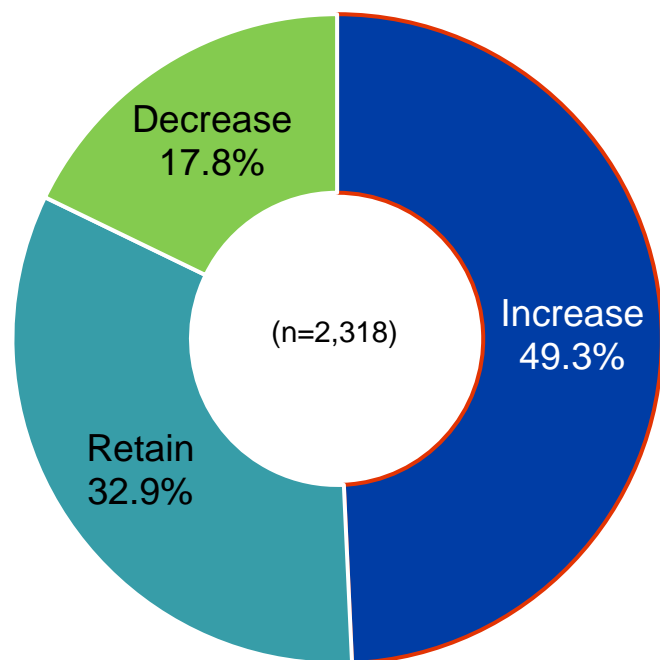
1) Trade

~Shifts from China to other markets in export as diversification efforts~

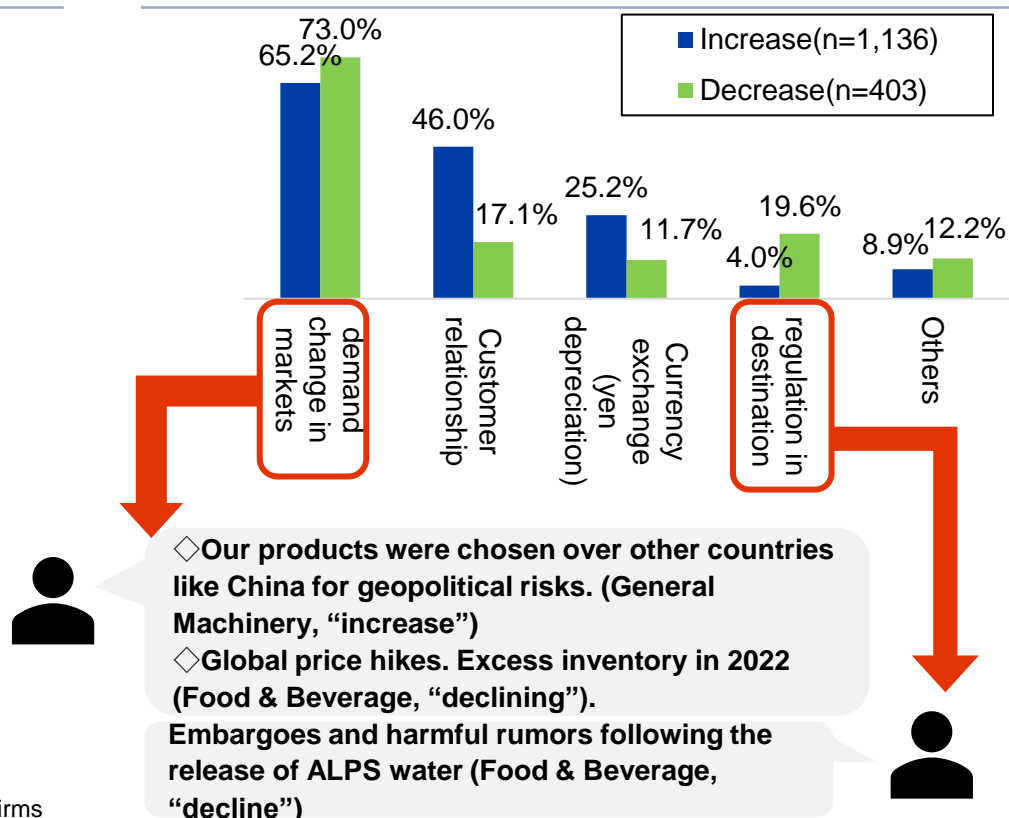
1 | Half exporters keep expanding under geopolitical risks

- **49.3% of exporters said that their export volumes in 2023 will "increase" from 2022.** Less than 20% responded "decrease." This ratio almost unchanged from the previous survey.
- Multiple factors, including geopolitical risk and inflation, affect demand in local markets. Some firms expect exports to decline due to import restrictions imposed by China.

Export outlook in 2023 (YOY, volume basis)



Factors affecting export (by outlook, multiple answers)



Note: n is the number of firms that responded to this survey, excluding firms that responded "not engaged in export."

2 | Over half in manufacturing expects increase

- Medical products and cosmetics (65.5%) marked the highest for increase in export. More than half of all manufacturing sectors indicated that their exports will increase.

Export Outlook for 2023 and its Factors (by Industry)

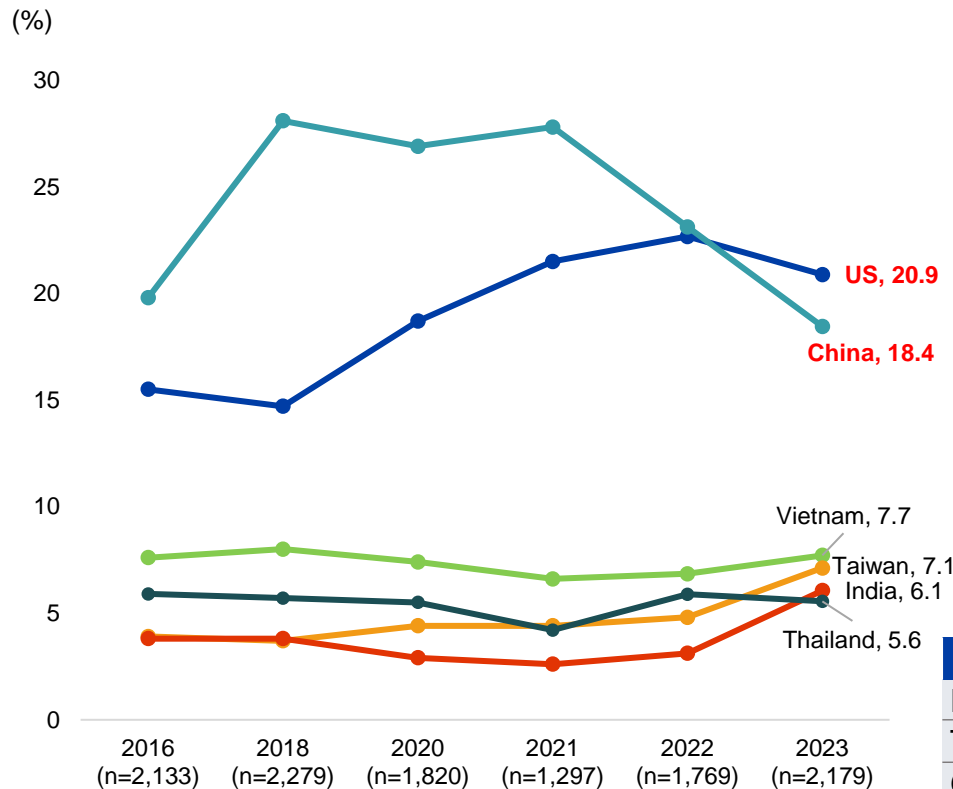
	No. of firms	Export outlook (%)			Factors affecting export (multiple responses, %)				
		Increase	Retain	Decrease	Demand Changes in markets	Customer Relation	Currency Exchange	Regulation in destination	Other
Overall	2,318	49.3	32.9	17.8	63.6	38.1	18.3	9.7	8.6
Manufacturing	1,537	52.2	30.7	17.0	64.5	37.0	17.8	8.5	8.6
Food & Beverage	459	59.7	24.8	15.5	62.7	43.4	16.8	12.2	8.1
Textiles/Clothing	76	48.7	42.1	9.2	59.2	43.4	19.7	1.3	10.5
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	54	44.4	42.6	13.0	57.4	37.0	14.8	7.4	5.6
Chemical	75	41.3	30.7	28.0	69.3	30.7	17.3	10.7	12.0
Medical Products & Cosmetics	58	65.5	22.4	12.1	58.6	37.9	17.2	17.2	8.6
Petroleum, Plastic & Rubber	75	46.7	37.3	16.0	56.0	44.0	12.0	5.3	6.7
Ceramics/Earth & Stone	20	55.0	30.0	15.0	65.0	55.0	35.0	0.0	5.0
Iron & Steel/Nonferrous Metals/Metal Products	164	53.0	29.3	17.7	64.6	26.2	15.9	6.1	11.0
General Machinery	146	42.5	36.3	21.2	67.8	30.1	24.7	9.6	8.2
Electrical Machinery	93	50.5	34.4	15.1	68.8	36.6	18.3	5.4	6.5
IT equipment/Electronic Parts & Devices	43	37.2	34.9	27.9	67.4	39.5	7.0	0.0	4.7
Cars/car parts/other transportation machinery	65	38.5	36.9	24.6	67.7	38.5	15.4	6.2	7.7
Precision Equipment	67	46.3	34.3	19.4	73.1	31.3	20.9	11.9	9.0
Other Manufacturing	142	59.9	26.8	13.4	67.6	31.0	20.4	4.9	10.6
Non-manufacturing	781	43.4	37.3	19.3	61.7	40.3	19.2	11.9	8.6
Trading/Wholesale	574	42.2	37.3	20.6	63.1	40.9	20.6	13.1	7.1
Retail	60	48.3	38.3	13.3	50.0	28.3	20.0	11.7	18.3
Construction	28	28.6	53.6	17.9	50.0	60.7	3.6	3.6	3.6
Transport	19	31.6	31.6	36.8	73.7	26.3	21.1	10.5	10.5
Finance and Insurance	32	59.4	28.1	12.5	65.6	46.9	6.3	6.3	9.4
Communication/Information/Software	19	57.9	36.8	5.3	47.4	47.4	10.5	10.5	15.8
Professional Services	48	47.9	35.4	16.7	66.7	33.3	22.9	8.3	12.5

Note: (1) n is the number of firms that export directly by themselves or indirectly through other firms and responded to the "Export Outlook" question, excluding firms with n = less than 10. (2) Shading indicates 50% or more.

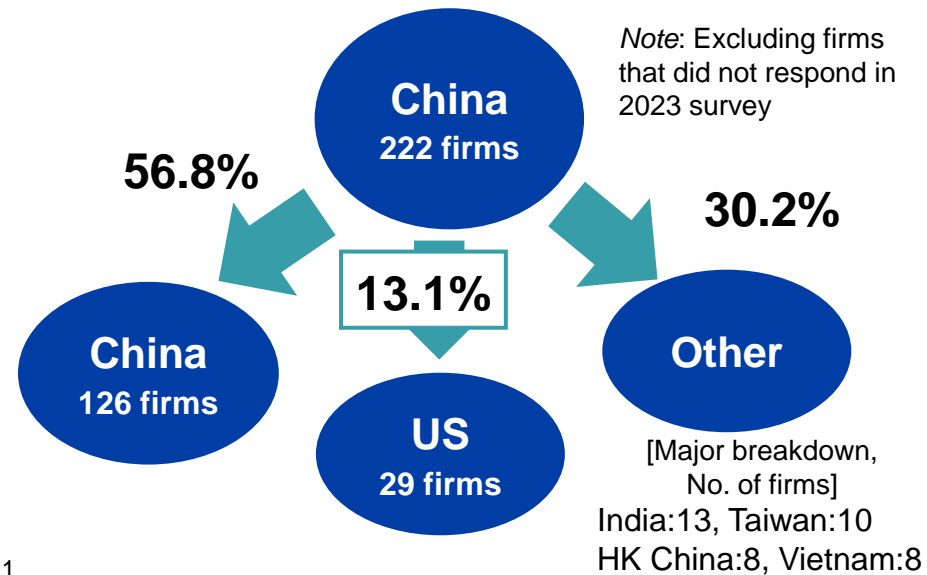
3 | US exceed China as the top priority in export

- Over 20% of respondents selected the U.S. as the most important export destination (top priority), indicating the US exceed China for the first time since 2016.
- Over 40% shifted from China to other markets like the U.S., India, and Taiwan. This shift is typical in the food and beverage, trading and wholesale, and machinery industries.

Top priority in export (top 6, time series)



Shift in top priority (consecutive respondents) (2022 [China] → 2023 [main answers])



Main industries (2022 [China] → 2023 [Others])

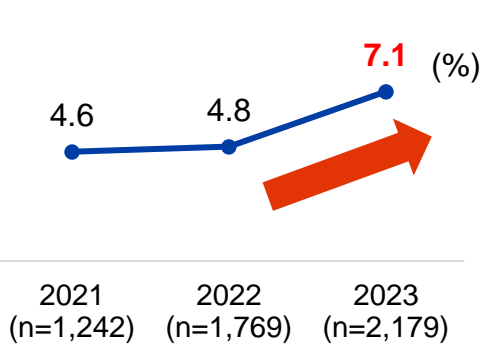
Industry	N	2023 top priority / N
Food & Beverage	26	US:11, Taiwan:3
Trading/Wholesale	20	India:4, Taiwan/Thailand:3
General Machinery/ Electro Machinery	15	India:5, etc.

Note: This survey were not surveyed in 2017 and 2019. Excluding EU. Excluding firms that did not respond.

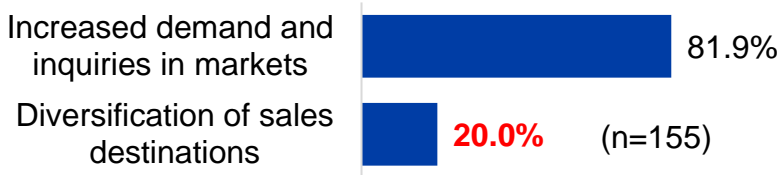
4 | Attention on India and Taiwan for diversification

- **India and Taiwan increased their ratio as the top priority in export, over consecutive 3 years.**
- Besides increased market demands, **Respondents expressed their motivation to diversify** export as they expand sales channels. (Taiwan in consumer-driven sectors like food and beverage / India in manufacturing-related industries.

Ratio as top priority



Top 2 Reasons
*Multiple response



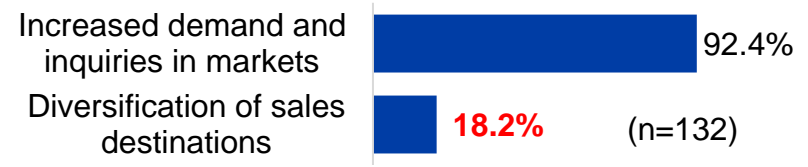
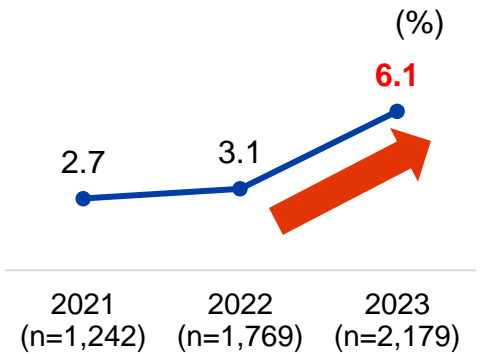
Main Industries

Food & Beverage	Trading /Wholesale	Medical products&cosmetics/ Other manufacturing
49 firms (31.6%)	34 firms (21.9%)	10 firms each (6.5%)

Comments



- ◇ We expect increased demand as material makers develop new cluster (Construction)
- ◇ Our local production base enables us to gather information like supply chain (Metal Products).



Trading/ Wholesale	General Machinery	Iron & Steel/Nonferrous Metals/Metal Products
27 firms (20.5%)	22 firms (16.7%)	13 firms (9.8%)

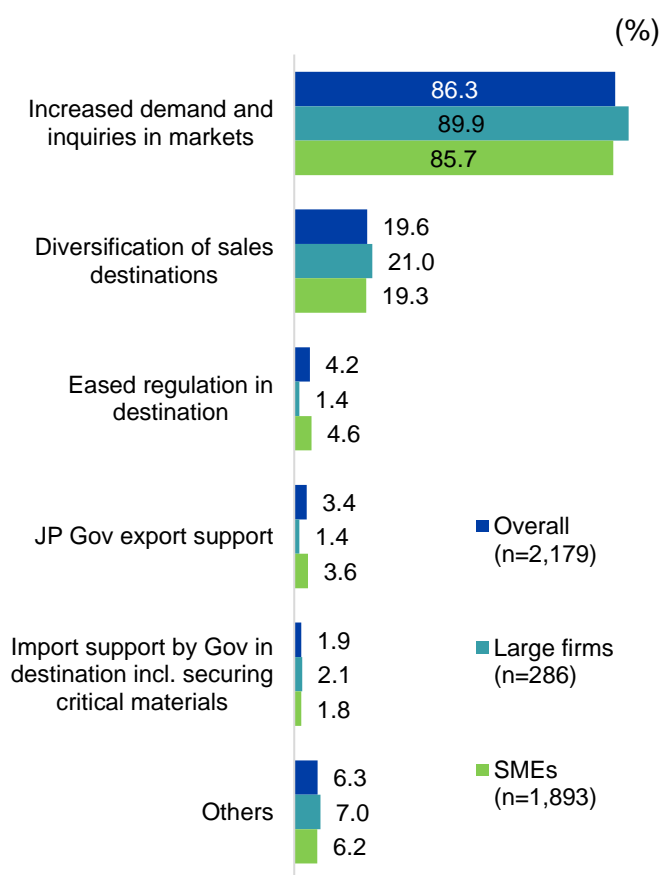


- ◇ We expand investments for sales. (Trading /Wholesale)
- ◇ Population and markets are attractive despite tough regulations. (Food & Beverage)

5 | Demand in markets as the most decisive reason

- Over 80% of respondents selected “Demand in markets” for a reason when they consider a top priority in export destination, followed by “diversify in sales” (19.6%).

Reasons for top priority in export destination



By industry

(Multiple responses, %)

	N	Increased demand and inquiries	Diversification of sales destinations	Eased regulation	JP Gov export support	Import support in destination
Overall	2,179	86.3	19.6	4.2	3.4	1.9
Manufacturing	1,462	87.4	17.9	3.4	3.4	1.7
Food & Beverage	436	87.2	20.9	6.2	6.9	2.8
Textiles/Clothing	72	80.6	19.4	0.0	4.2	2.8
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	52	88.5	13.5	1.9	1.9	1.9
Chemical	71	93.0	21.1	0.0	0.0	0.0
Medical Products & Cosmetics	56	89.3	12.5	8.9	1.8	1.8
Petroleum, Plastic & Rubber	72	86.1	22.2	0.0	2.8	0.0
Ceramics & Soil & Stone	18	88.9	22.2	0.0	0.0	5.6
Iron & Steel/Nonferrous Metals/Metal Products	153	85.6	15.0	2.6	0.7	0.0
General Machinery	144	90.3	13.9	3.5	1.4	1.4
Electrical Machinery	89	86.5	19.1	3.4	4.5	2.2
IT equipment/Electronic Parts & Devices	43	83.7	20.9	2.3	2.3	4.7
Cars/car parts/other transportation machinery	60	86.7	11.7	0.0	1.7	1.7
Precision Equipment	65	92.3	13.8	1.5	3.1	0.0
Other Manufacturing	131	87.0	17.6	1.5	1.5	0.8
Non-manufacturing	717	84.0	22.9	5.9	3.2	2.2
Trading/Wholesale	525	85.3	23.0	4.6	3.0	2.1
Retail	53	79.2	26.4	9.4	0.0	0.0
Construction	26	88.5	7.7	7.7	0.0	3.8
Transportation	18	88.9	11.1	5.6	0.0	0.0
Communication/Information/Software	31	90.3	32.3	12.9	9.7	6.5
Professional Services	18	61.1	22.2	5.6	11.1	0.0
Other non-manufacturing	45	73.3	24.4	11.1	4.4	4.4

Notes: 1) "n" represents the number of respondents who selected their top priority in export destination in this survey.

2) The table on the right excludes sectors with less than 10 respondents.

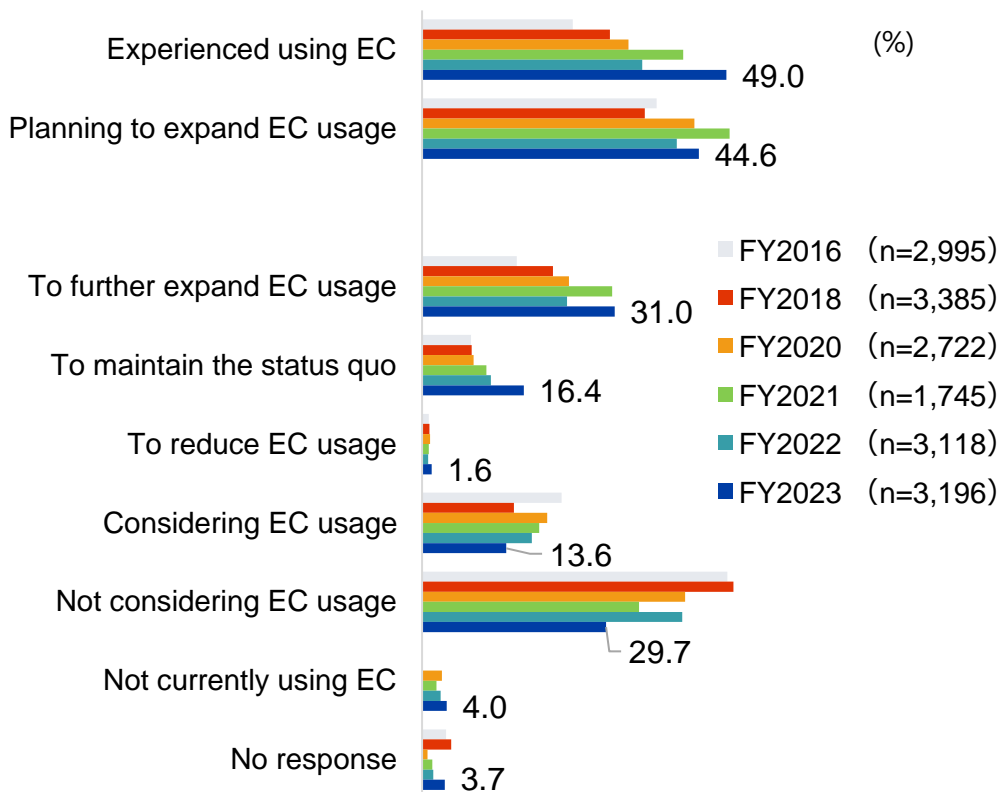
Ⅱ - ② Electronic Commerce (EC)

~1 out of 4 has established a specialized unit.
Half focuses on human resource development~

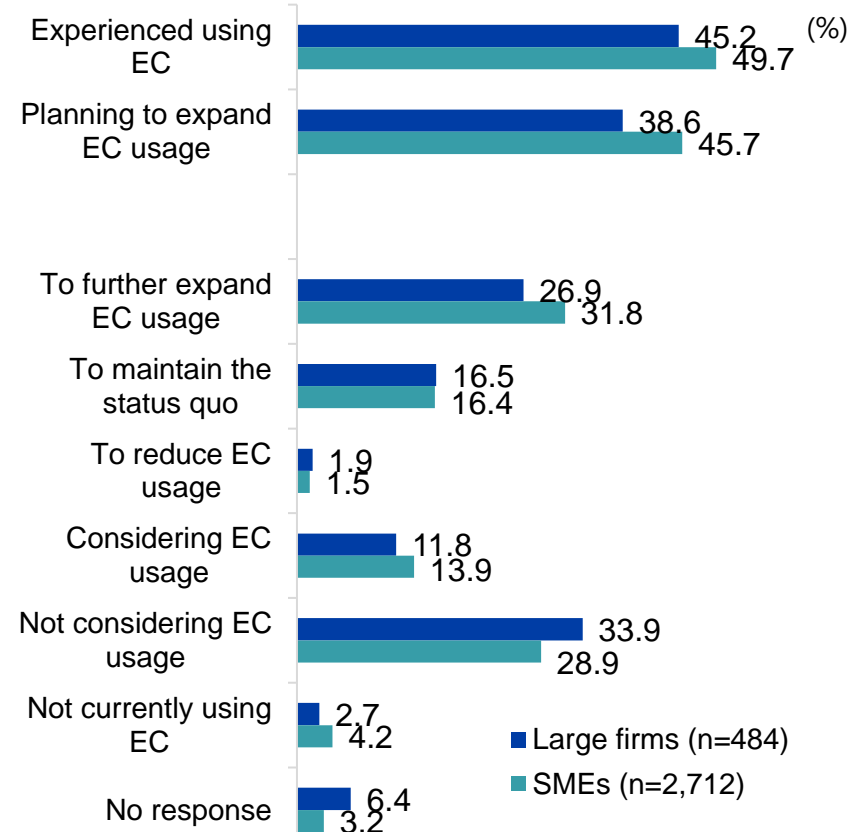
1 | Firms with EC experiences reached half

- The **ratio of firms that have used EC home or abroad is 49.0% (including opening stores and selling through third party)**. 44.6% answered that they would expand their EC. Both of these figures show an upward trend, compared from the previous survey.
- SMEs showed higher engagements both in experience and willingness to use EC.

EC usage (overall, by year)



EC usage (2023, by firm size)



Notes: 1) "n" is the total number of responses.

2) "Expanding use" is sum of "planning to further expand" among those using EC and "considering future use" among those who are not using EC.

2 | Usage rate exceeds 70% for textiles/apparel, medical products, cosmetics, etc.

- EC usage ratios were high in **“textiles/clothing”** and **“medical products & cosmetics”** at over **70%** and “food & beverage”, “retail,” and “ICT equipment/electronic parts & devices”.

EC use (by industry)

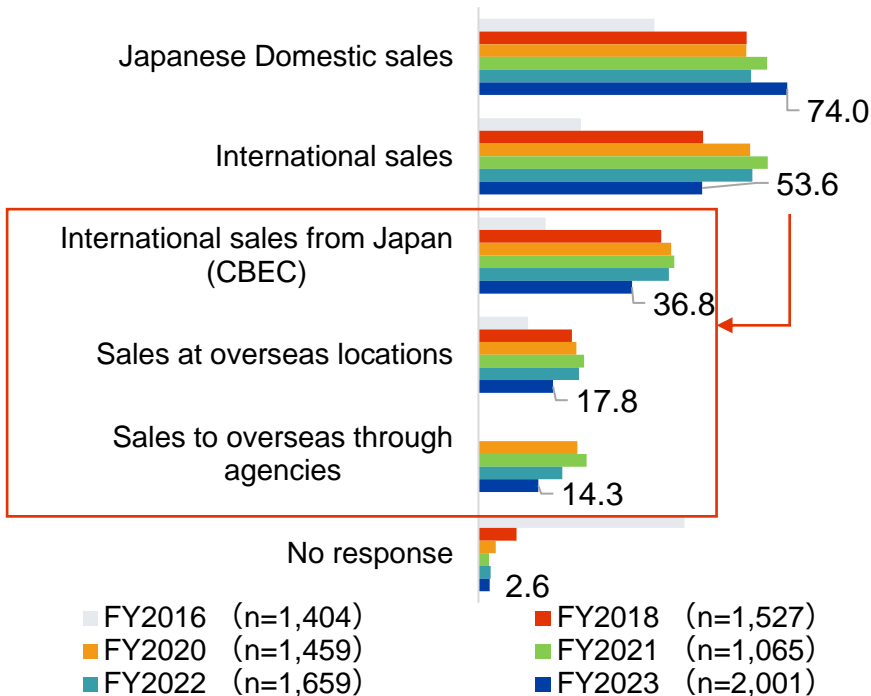
	N	Experience of EC usage				Never used, but considering to use	Never used and not considering to use	Have used, but not currently using	No response
		Overall	Expand	Maintain	Reduce				
Overall	3,196	49.0	31.0	16.4	1.6	13.6	29.7	4.0	3.7
Manufacturing	1,834	53.2	35.1	17.0	1.1	13.5	27.4	3.1	2.9
Food & Beverage	521	67.6	48.6	18.2	0.8	11.7	14.0	3.8	2.9
Textiles/Clothing	103	73.8	56.3	14.6	2.9	7.8	14.6	1.0	2.9
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	71	53.5	29.6	23.9	0.0	14.1	22.5	5.6	4.2
Chemical	81	45.7	28.4	14.8	2.5	16.0	35.8	1.2	1.2
Medical Products & Cosmetics	66	72.7	54.5	18.2	0.0	3.0	22.7	0.0	1.5
Petroleum, Plastic & Rubber	88	54.5	34.1	20.5	0.0	15.9	26.1	3.4	0.0
Ceramics & Soil & Stone	28	46.4	39.3	7.1	0.0	14.3	35.7	3.6	0.0
Iron & Steel/Nonferrous Metals/Metal Products	206	44.2	27.2	15.5	1.5	19.4	34.5	1.0	1.0
General Machinery	161	30.4	14.3	14.3	1.9	13.0	49.7	2.5	4.3
Electrical Machinery	113	41.6	23.0	16.8	1.8	20.4	34.5	1.8	1.8
IT equipment/Electronic Parts & Devices	53	56.6	28.3	24.5	3.8	9.4	26.4	5.7	1.9
Cars/car parts/other transportation machinery	85	25.9	14.1	10.6	1.2	12.9	49.4	3.5	8.2
Precision Equipment	74	37.8	21.6	16.2	0.0	16.2	39.2	4.1	2.7
Other Manufacturing	184	52.2	34.2	17.4	0.5	12.5	25.5	4.9	4.9
Non-manufacturing	1,362	43.5	25.6	15.6	2.2	13.7	32.7	5.3	4.8
Trading/Wholesale	721	51.9	29.3	19.8	2.8	13.9	25.1	5.8	3.3
Retail	110	61.8	41.8	16.4	3.6	16.4	11.8	5.5	4.5
Construction	95	22.1	10.5	8.4	3.2	18.9	54.7	0.0	4.2
Transport	71	16.9	14.1	2.8	0.0	16.9	62.0	2.8	1.4
Finance and Insurance	55	7.3	7.3	0.0	0.0	7.3	61.8	7.3	16.4
Communication/Information/Software	84	45.2	32.1	13.1	0.0	10.7	32.1	7.1	4.8
Professional Services	68	20.6	14.7	5.9	0.0	10.3	51.5	8.8	8.8
Other non-manufacturing	158	38.6	19.6	17.1	1.9	12.0	38.0	3.8	7.6

3 | Over 50% are using or considering EC abroad

- Of those who use or are considering using EC, **53.6% showed their usage intention for international sales**. Cross-border EC (CBEC) collected the largest responses at 36.8%.
- Large firms are more likely to sell through overseas locations, while SMEs relatively prefer CBEC.

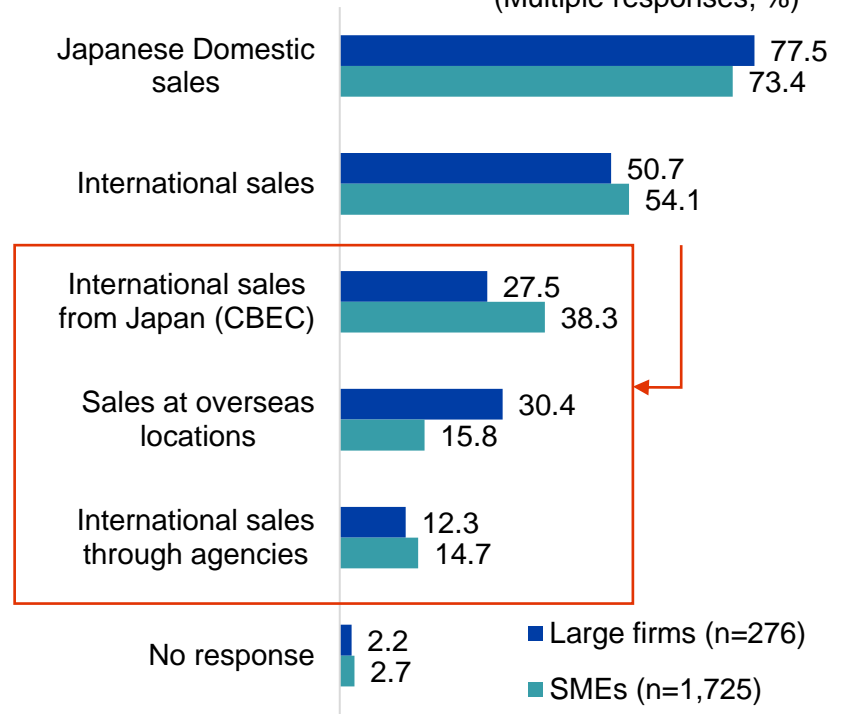
EC usage (time series)

(Multiple responses, %)



EC usage (FY2023, by firm size)

(Multiple responses, %)

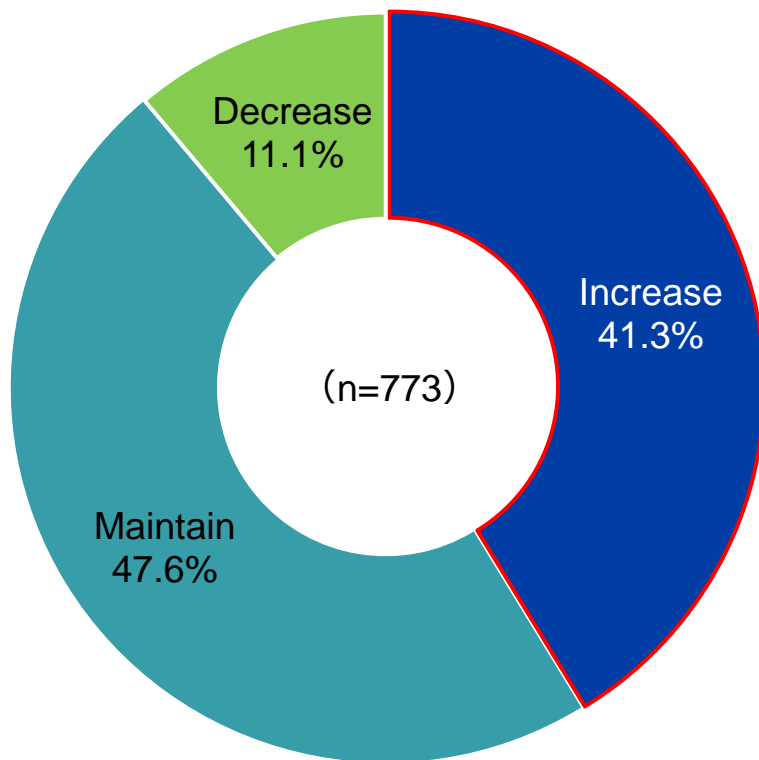


Notes: 1) "n" indicates firms that have used EC (excluding firms that are not currently using it) or are considering using it. 2) For overseas sales, firms selected either "sales from Japan to overseas (cross-border EC)," "sales at overseas bases," or "sales to overseas through agencies, etc.". Overseas sales through agencies will be newly established in FY2020.

4 | 90% of EC sales were "flat" or "increased"

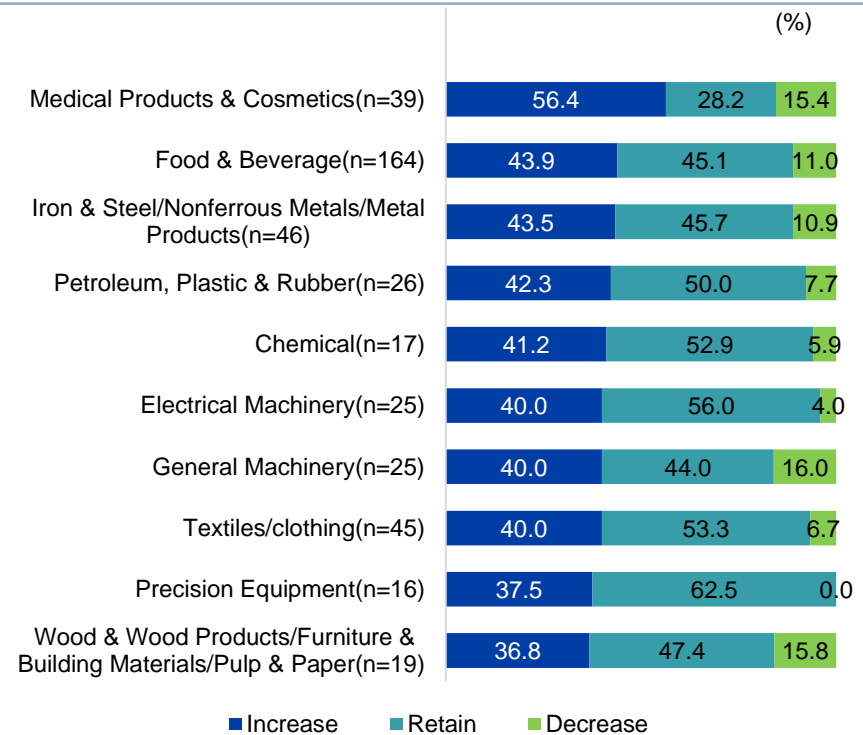
- About half (47.6%) of respondents expect their international EC sales remain the same in FY2023.
- 41.3% of respondents forecast increases of their EC sales. **56.4% of medical product and cosmetics firms responded "increase."** Food and beverage, with a high composition rate of the total respondents, marked a higher percentage of "increase" than the overall average.

International EC sales forecast (FY2023, value-basis, terms, YOY)



By industries

(manufacturing with increases in international EC sales)



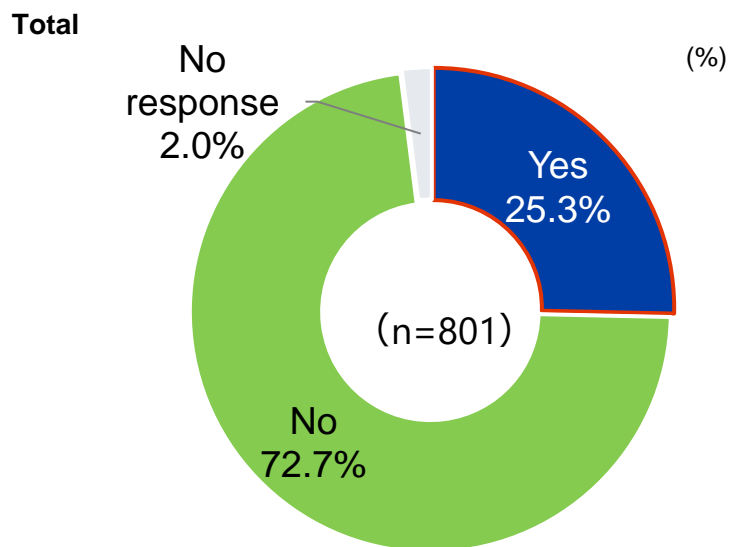
Note: Only industries with n=16 or more. Excluding "Other manufacturing".

Note: n is the number of respondents that have used EC (excluding non-responses).

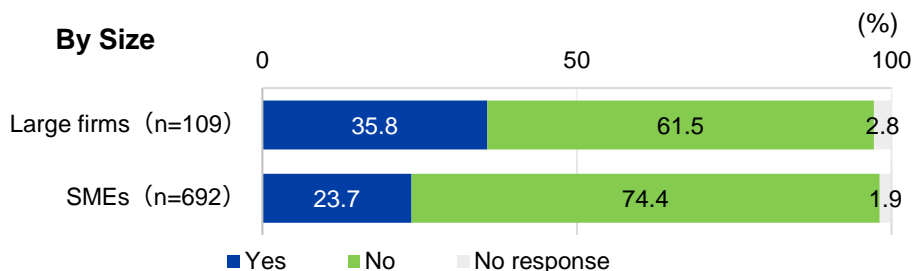
5 | 1 in 4 have specialized units. Apparel lead in development

- **One in four firms (25.3%) have established a department specialized for EC.**
- Nearly half engaged in human resource development, led by textiles/clothing industry. Some firms have taken immediate and effective measures such as mid-career hiring, utilizing outside personnel, and outsourcing.

Establishment of a special unit for EC

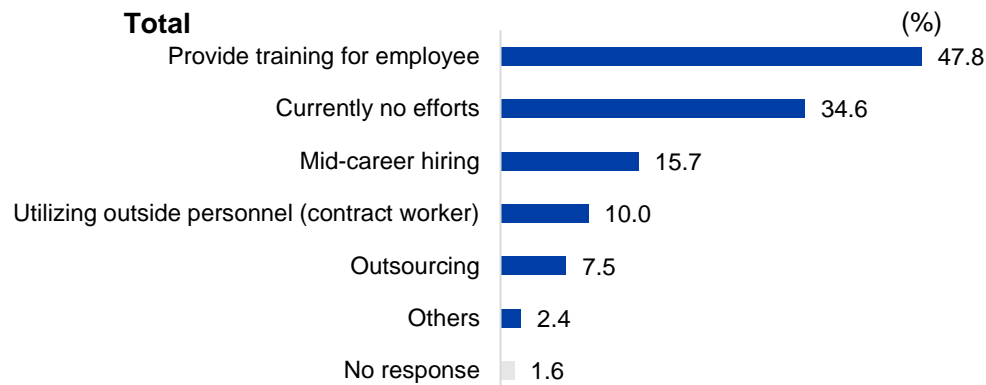


By Size

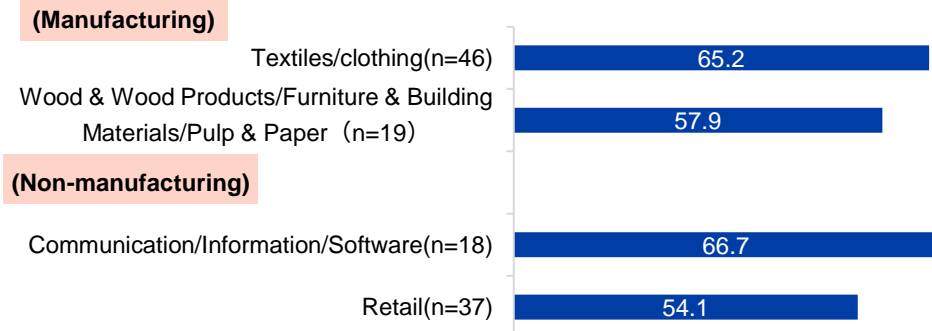


Note: n is the number of firms that have used EC.

Human Resource Development for EC



Sectors with the highest response for "provide training for employee"



Note: Only industries with n=10 or more. Excluding "Other manufacturing/non-manufacturing".

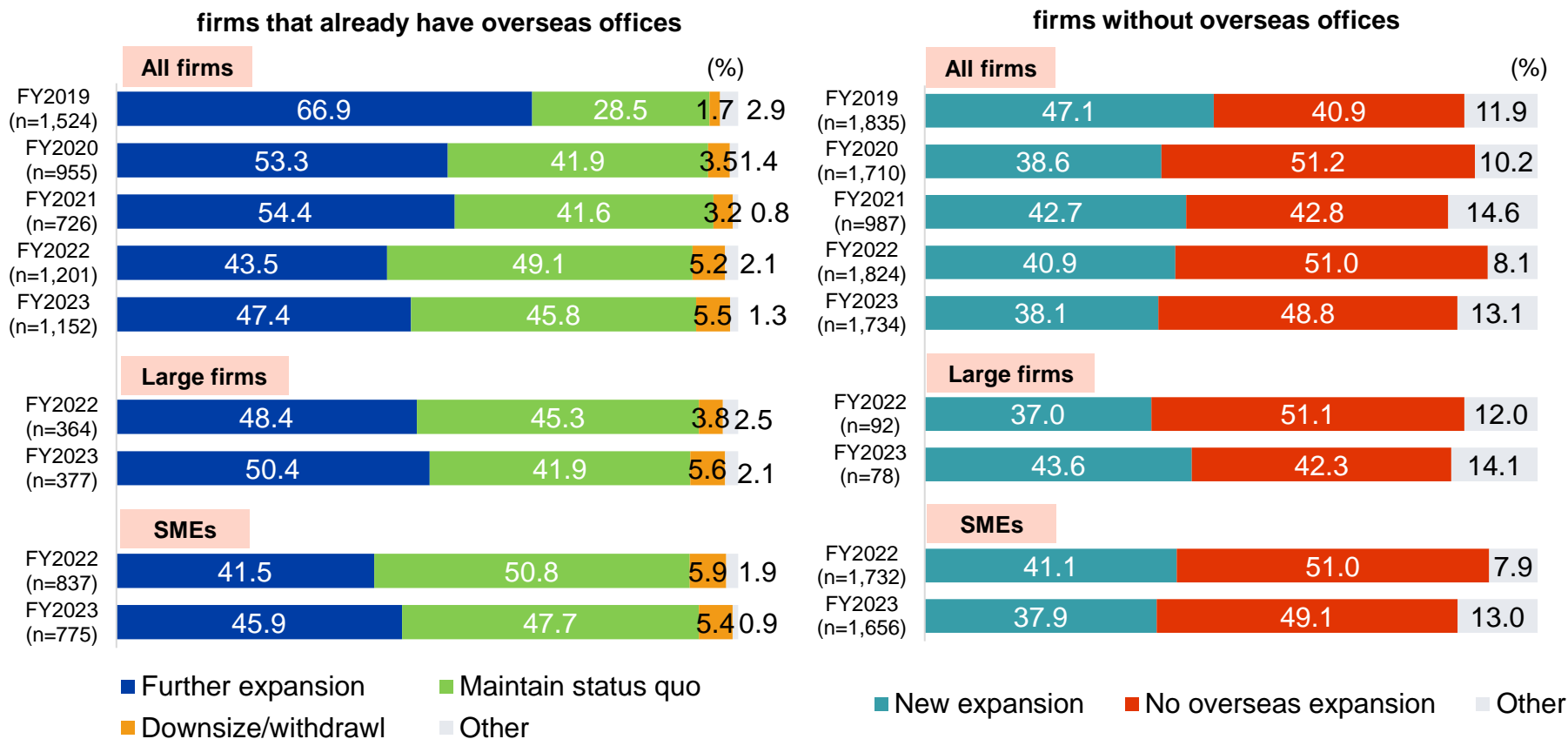
Ⅱ - ③ Overseas Expansion

~Willingness to expand overseas business increased from the previous year~

1 | Slightly improved willingness to expand overseas business

- Regarding their overseas expansion policy over the next three years or so, **47.4% of firms that already have overseas offices said they will "further expand," a slight uptick from the previous year (43.5%).**
- Among firms without overseas offices, the percentage of firms that "want new overseas offices" remained unchanged at about 40%. Small and medium-sized firms are more cautious.

Future Overseas Expansion Policy

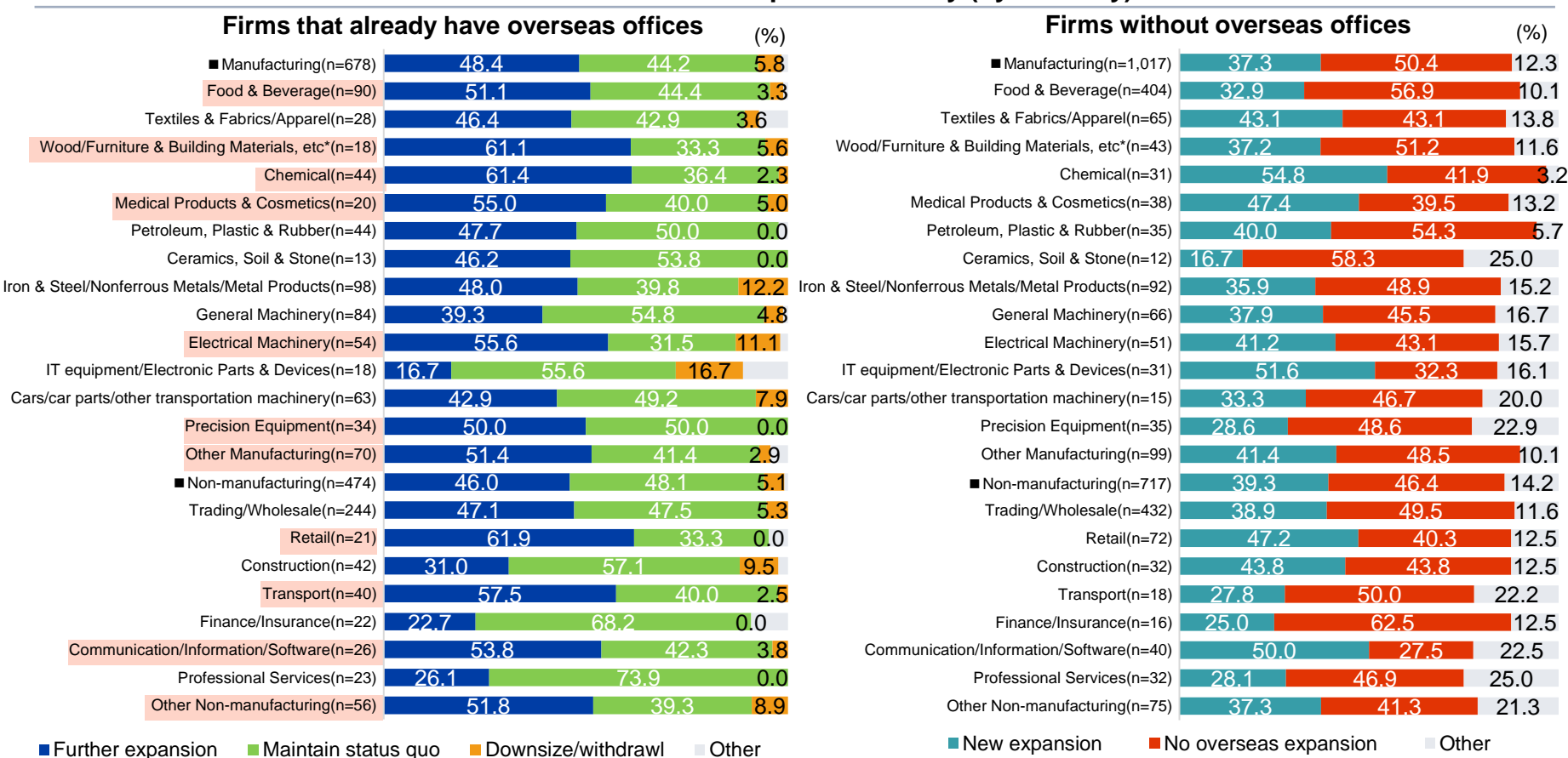


Note: The value of "n" does not include firms who selected "No Response."

2 | Future overseas expansion policy (by industry)

- Of the firms with overseas offices, **majority of respondents from 11 sectors, including retail, chemicals, wood/wood products/furniture/building materials/paper pulp, plan to expand their overseas operations.** Of these, 5 sector (food & beverage, chemicals, electrical machinery, communication/information/software, and other non-manufacturing) continued to become the majority of respondents, as in the previous year.

Future Overseas Expansion Policy (by industry)

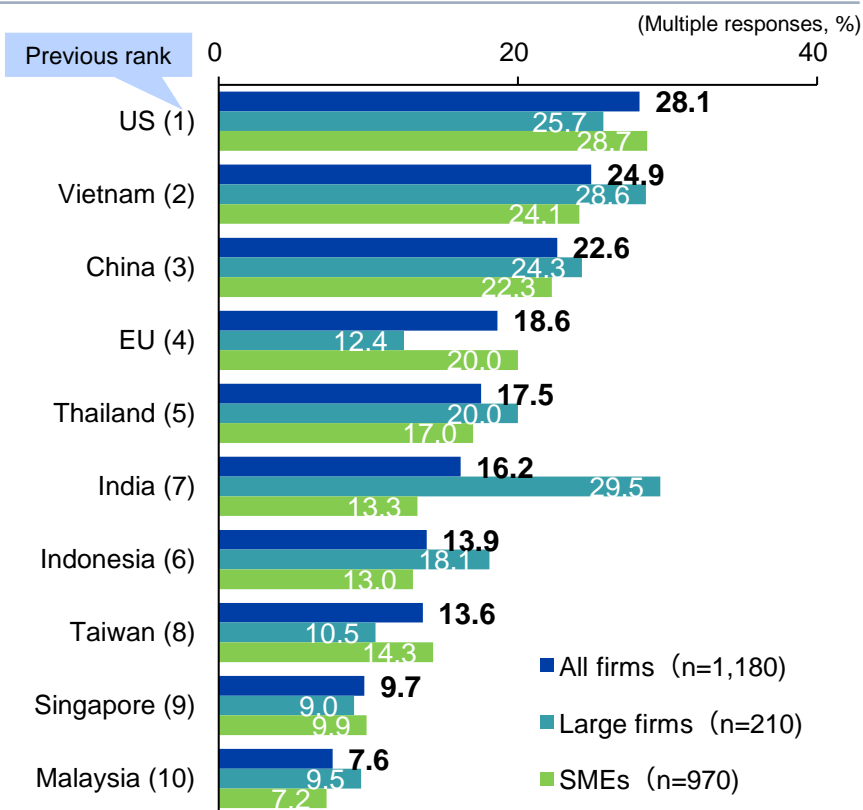


Notes: 1)The value of “n” does not include firms who selected “No Response.” 2)* : Wood & Woods Products/Furniture & Building Materials/Pulp & Paper
 3) Shading indicates sectors in which 50% or more of the respondents selected “Further expansion”.

3 | U.S. tops the list of future business expansion destinations, followed by Vietnam

- **The U.S. (28.1%) had the highest percentage of respondents planning to expand their overseas business,** followed by Vietnam and China. Among large firms, India (29.5%) ranked first, surpassing Vietnam (28.6%) and the U.S. (25.7%). Overall, India rose to 6th place from 7th the previous year.

Countries/Regions for Overseas Expansion (Top 10)



Countries/Regions for Overseas Expansion (11th and below)

	All firms (n=1,180)	Large firms (n=210)	SMEs (n=970)
11 Philippines	5.3	8.1	4.6
12 South Korea	5.2	4.3	5.4
13 Hong Kong	4.9	1.9	5.6
14 Other Asia & Oceania*	4.8	6.7	4.4
15 Middle East*	4.7	3.8	4.9
16 Africa*	3.6	5.2	3.2
17 United Kingdom	3.4	1.0	3.9
18 Mexico	2.9	4.8	2.6
19 Other Europe* (excl. Russia and CIS)	1.4	1.9	1.3
20 Other Americas*	1.1	1.4	1.0
21 Russia and CIS	0.7	0.5	0.7

Top 5 Destinations (Free answer in each region. by ratio of total)

(1) United Arab Emirates (3.3%), (2) Australia (2.6%), (3) Saudi Arabia (2.4%), (4) Brazil (0.9%), (5) Canada/Cambodia/Bangladesh (0.8% each)

Notes: 1) n is the number of firms that responded either “have existing base overseas and plan to expand further,” “do not have existing base overseas but want to expand overseas,” for selecting up to three locations for business expansion. 2) The percentage for each country/region is the ratio of the number of firms that responded to the question together with the reason for selecting the locations. The figures in parentheses indicate the rank of previous year. 3) EU is an EU-wide option only, and individual member states cannot be selected.

4 | The highest motivation for expansion in India in cars, parts, etc.

- By industry, the highest motivation for expansion in India is in electrical machinery, cars/car parts/other transportation equipment, and construction.
- The motivation for expansion in the U.S. is greatest in many of the manufacturing industries, including general machinery and food and beverage.

Overseas Business Expansion Locations (Top 10 Countries/Regions, by Industry)

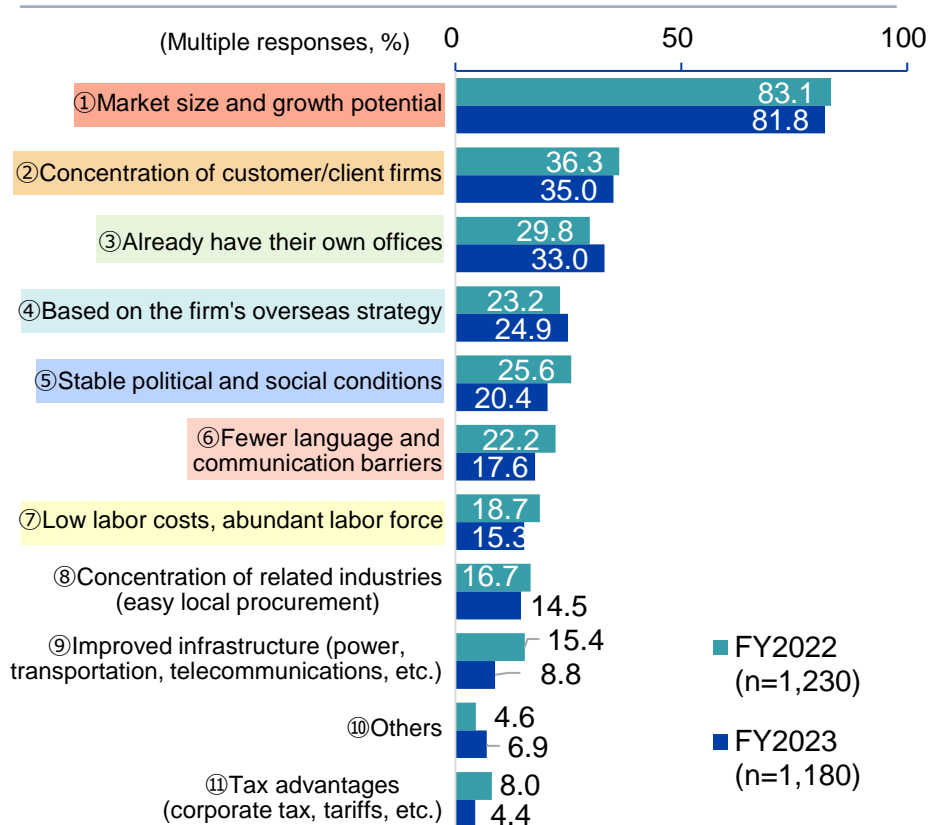
	No of firms	US (n=332)	Vietnam (n=294)	China (n=267)	EU (n=220)	Thailand (n=207)	India (n=191)	Indonesia (n=164)	Taiwan (n=161)	Singapore (n=115)	Malaysia (n=90)
Total	1,180	28.1	24.9	22.6	18.6	17.5	16.2	13.9	13.6	9.7	7.6
Manufacturing	698	33.7	23.5	24.1	21.1	17.2	17.2	13.8	13.9	9.5	7.2
Food & Beverage	174	42.5	16.7	23.6	20.7	18.4	6.9	13.2	20.1	17.8	10.3
Textiles & Fabrics/Apparel	42	26.2	16.7	19.0	35.7	2.4	9.5	7.1	11.9	9.5	0.0
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	29	34.5	20.7	31.0	20.7	17.2	20.7	17.2	24.1	3.4	6.9
Chemical	42	38.1	28.6	35.7	16.7	21.4	31.0	9.5	9.5	2.4	4.8
Medical Products & Cosmetics	32	12.5	21.9	25.0	15.6	25.0	12.5	18.8	25.0	15.6	9.4
Petroleum, Plastic & Rubber	35	34.3	28.6	28.6	25.7	11.4	2.9	20.0	8.6	2.9	8.6
Iron & Steel/Nonferrous Metals/Metal Products	79	26.6	35.4	19.0	22.8	19.0	16.5	11.4	10.1	3.8	6.3
General Machinery	56	42.9	26.8	21.4	26.8	23.2	25.0	17.9	7.1	1.8	3.6
Electrical Machinery	50	26.0	26.0	26.0	10.0	20.0	32.0	12.0	12.0	12.0	10.0
IT equipment/Electronic Parts & Devices	20	40.0	25.0	35.0	20.0	10.0	25.0	5.0	10.0	0.0	5.0
Cars/car parts/other transportation machinery	32	21.9	18.8	9.4	9.4	25.0	34.4	21.9	3.1	6.3	6.3
Precision Equipment	26	26.9	23.1	34.6	26.9	7.7	26.9	7.7	19.2	7.7	3.8
Other Manufacturing	72	33.3	26.4	23.6	22.2	13.9	16.7	13.9	12.5	11.1	5.6
Non-manufacturing	482	20.1	27.0	20.5	15.1	18.0	14.7	14.1	13.3	10.2	8.3
Trading/Wholesale	275	21.8	28.0	22.2	17.8	17.1	16.4	13.8	15.3	9.8	7.6
Retail	47	23.4	14.9	23.4	10.6	21.3	2.1	10.6	12.8	12.8	8.5
Construction	27	3.7	18.5	14.8	0.0	18.5	25.9	11.1	7.4	7.4	7.4
Transport	26	11.5	30.8	19.2	15.4	7.7	19.2	26.9	7.7	7.7	11.5
Communication/Information/Software	32	25.0	37.5	25.0	15.6	25.0	12.5	21.9	15.6	9.4	9.4
Other non-manufacturing	54	20.4	29.6	14.8	14.8	13.0	9.3	9.3	11.1	11.1	7.4

Notes: 1) n by industry refers to the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," for selecting up to three locations for business expansion, excluding those with less than 20 firms. n by each country/region refers to the number of firms that responded to the reason for selecting the locations. 2) The percentage of the total number of respondents for each sector. 3) The shading indicates the highest percentage in each industry.

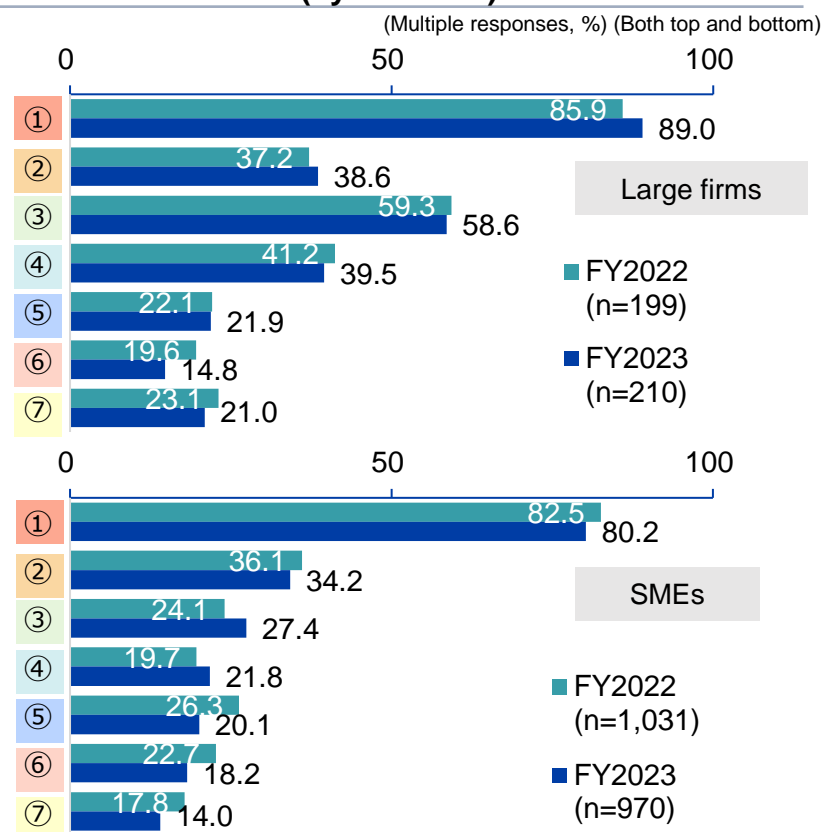
5 | Market size and growth potential are the most important reasons

- **The largest reason given by 81.8% of respondents for selecting a future business expansion location was “market size and growth potential,”** as in the previous year. Large firms placed greater emphasis on "market size and growth potential" than in the previous year, followed by those that "already have their own offices" (58.6%) and "based on the firm's overseas strategy" (39.5%).

Reasons for Selecting Business Expansion location



Reasons for Selecting Business Expansion location (by firm size)



Notes: n is the number of firms that responded either “have existing base overseas and plan to expand further,” “do not have existing base overseas but want to expand overseas,” for selecting up to three locations for business expansion.

6 | Over 90% of firms expect market size and growth potential of India

- **“Market size and growth potential”** were the most important reasons for selecting the top 10 countries/regions for business expansion. **Over 90% of firms expect market size and growth potential of India.**
- In Vietnam and China, "already have their own offices" followed. In Vietnam, "low labor costs, abundant labor force" (27.6%) were also major reasons.

Reasons for Selecting a Business Expansion Location (Top 10 Countries/Regions)

(Multiple responses, %)

US (n=332)		Vietnam (n=294)		China (n=267)		EU (n=220)		Thailand (n=207)		India (n=191)		Indonesia (n=164)		Taiwan (n=161)		Singapore (n=115)		Malaysia (n=90)	
①	86.1	①	76.9	①	81.3	①	75.5	①	66.2	①	93.7	①	82.9	①	66.5	①	59.1	①	66.7
②	30.4	③	31.6	③	38.6	②	28.6	②	33.8	②	25.7	②	25.0	②	29.2	⑤	32.2	④	28.9
③	23.8	⑦	27.6	②	27.0	⑤	18.6	③	31.9	③	25.7	③	19.5	④	15.5	④	20.0	②	25.6
⑥	19.3	②	22.8	④	24.0	④	15.5	④	23.2	⑦	19.9	④	18.3	⑥	14.9	②	14.8	③	20.0
⑤	19.0	④	20.1	⑧	13.9	⑥	14.1	⑧	15.5	④	19.4	⑦	14.6	⑤	13.7	⑥	14.8	⑤	18.9
④	16.3	⑤	16.0	⑥	9.4	③	13.6	⑤	12.6	⑥	9.4	⑧	6.7	③	12.4	③	13.0	⑥	14.4
⑨	7.8	⑧	12.2	⑨	6.4	⑩	6.8	⑦	9.2	⑧	7.9	⑤	6.1	⑧	8.7	⑧	12.2	⑧	14.4
⑧	6.9	⑨	5.8	⑦	5.2	⑨	5.9	⑨	8.2	⑨	3.1	⑥	3.0	⑩	7.5	⑨	11.3	⑦	6.7
⑩	2.1	⑥	4.8	⑤	1.9	⑧	4.5	⑩	5.8	⑤	2.6	⑨	3.0	⑨	4.3	⑪	8.7	⑨	5.6
⑪	1.2	⑩	4.8	⑩	1.9	⑪	1.8	⑥	3.9	⑩	2.6	⑩	3.0	⑦	1.2	⑩	4.3	⑪	4.4
⑦	0.3	⑪	2.7	⑪	1.9	⑦	0.5	⑪	3.4	⑪	0.5	⑪	2.4	⑪	0.6	⑦	0.9	⑩	4.4

①Market size and growth potential ②Concentration of customer/client firms ③Already have their own offices ④Based on the firm's overseas strategy ⑤Stable political and social conditions ⑥Fewer language and communication barriers ⑦Low labor costs, abundant labor force ⑧Concentration of related industries(easy local procurement) ⑨Improved infrastructure (power, transportation, telecommunications, etc.) ⑩Others ⑪Tax advantages(corporate tax, tariffs, etc.)

Notes: 1) n is the number of firms that responded either “have existing base overseas and plan to expand further,” “do not have existing base overseas but want to expand overseas,” for selecting up to three locations for business expansion, with the reason for selecting. 2)The percentage of firms that responded for each country/region. 3)Bolted figures indicate more than 20%, and red figures more than 80%.

7 | Reasons for choosing a business expansion destination (by industry)

- The response ratio for “market size and growth potential” was generally high in manufacturing sector, and exceeded 90% in the IT equipment/Electronic Parts & Devices, precision equipment, and food and beverage. In Communications/Information/Software sector, over 40% of firms focused on "low labor costs and abundant labor force".

Reasons for choosing a business expansion destination (by industry)

(Multiple responses, %)

	No. of firms	Market size and growth potential	Concentration of customer/client firms	Already have their own offices	Based on the firm's overseas strategy	Stable political and social conditions	Fewer language & communication barriers	Low labor costs, abundant labor force	Concentration of related industries	Improved infrastructure	Tax advantage
Total	1,180	81.8	35.0	33.0	24.9	20.4	17.6	15.3	14.5	8.8	4.4
Manufacturing	698	84.8	36.5	35.1	25.4	22.2	17.2	14.6	14.2	8.9	3.6
Food & Beverage	174	90.2	34.5	19.5	24.1	18.4	16.7	5.2	8.6	9.2	4.0
Textiles & Fabrics/Apparel	42	71.4	26.2	11.9	16.7	21.4	11.9	7.1	7.1	2.4	2.4
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	29	82.8	34.5	41.4	31.0	27.6	13.8	31.0	3.4	3.4	3.4
Chemical	42	88.1	47.6	40.5	38.1	35.7	21.4	23.8	26.2	19.0	7.1
Medical Products & Cosmetics	32	81.3	25.0	34.4	25.0	31.3	25.0	12.5	12.5	9.4	9.4
Petroleum, Plastic & Rubber	35	80.0	40.0	51.4	31.4	17.1	8.6	25.7	17.1	8.6	0.0
Iron & Steel/Nonferrous Metals/Metal Products	79	78.5	39.2	46.8	24.1	27.8	15.2	17.7	22.8	5.1	3.8
General Machinery	56	85.7	35.7	44.6	25.0	30.4	21.4	12.5	14.3	12.5	0.0
Electrical Machinery	50	88.0	28.0	34.0	26.0	18.0	20.0	22.0	18.0	14.0	4.0
IT equipment/Electronic Parts & Devices	20	100.0	55.0	25.0	20.0	25.0	10.0	5.0	15.0	5.0	5.0
Cars/car parts/other transportation machinery	32	84.4	53.1	65.6	28.1	18.8	21.9	34.4	25.0	9.4	6.3
Precision Equipment	26	92.3	42.3	30.8	19.2	15.4	11.5	7.7	11.5	3.8	3.8
Other Manufacturing	72	79.2	31.9	38.9	26.4	15.3	18.1	15.3	12.5	6.9	1.4
Non-manufacturing	482	77.4	32.8	29.9	24.3	17.8	18.3	16.2	14.9	8.7	5.6
Trading/Wholesale	275	77.8	36.0	27.6	24.7	17.8	17.5	13.1	17.5	6.9	6.2
Retail	47	72.3	14.9	29.8	17.0	12.8	19.1	14.9	8.5	6.4	6.4
Construction	27	70.4	37.0	33.3	25.9	37.0	18.5	29.6	29.6	22.2	7.4
Transport	26	76.9	50.0	46.2	34.6	15.4	15.4	11.5	7.7	7.7	0.0
Communication/Information/Software	32	84.4	28.1	37.5	15.6	18.8	37.5	40.6	6.3	12.5	6.3
Other Non-manufacturing	54	77.8	24.1	25.9	20.4	16.7	16.7	18.5	11.1	9.3	5.6

Notes: 1) n is the number of firms that responded either “have existing base overseas and plan to expand further,” “do not have existing base overseas but want to expand overseas,” for selecting up to three locations for business expansion, with the reason for selecting, excluding those with less than 20 firms. 2) The percentage of the total number of respondents for each sector. The “other” and “no response” categories are excluded. 3) Bolded figures indicate more than 80%. Shading in dark: 50% or more, light: 50-25% or more, unshaded: less than 10%.

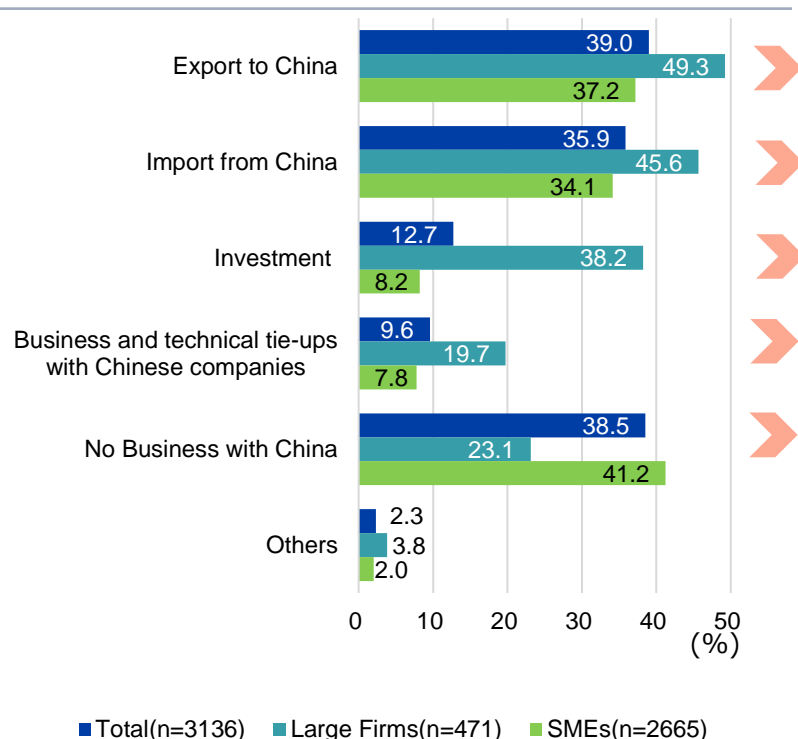
Ⅱ - ④ Policies for doing business with China

~Willingness to expand business with China is lowest in 10 years~

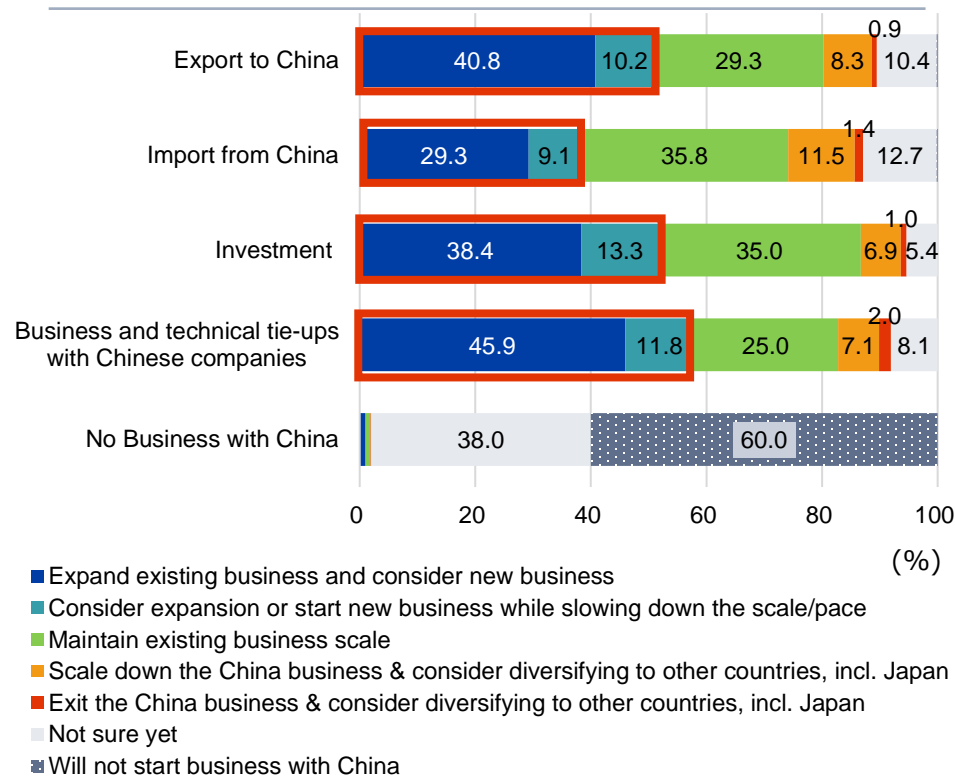
1 | Policies for future business development in China are largely divided.

- **61.5% of firms have some kind of business with** China, such as import/export, investment, or technical cooperation. About 40% (38.2%) of large firms have already expanded into China. On the other hand, only 8.2% of small and SMEs have already established a presence in China.
- **More than 50% of firms currently export to China, invest in China, or have business or technical tie-ups with China** indicate that they intend to **expand their current China business**. 60% of firms with no existing business with China intend not to expand their business in the future.

Status of Existing China Business (Overall)



Future business development policy in China

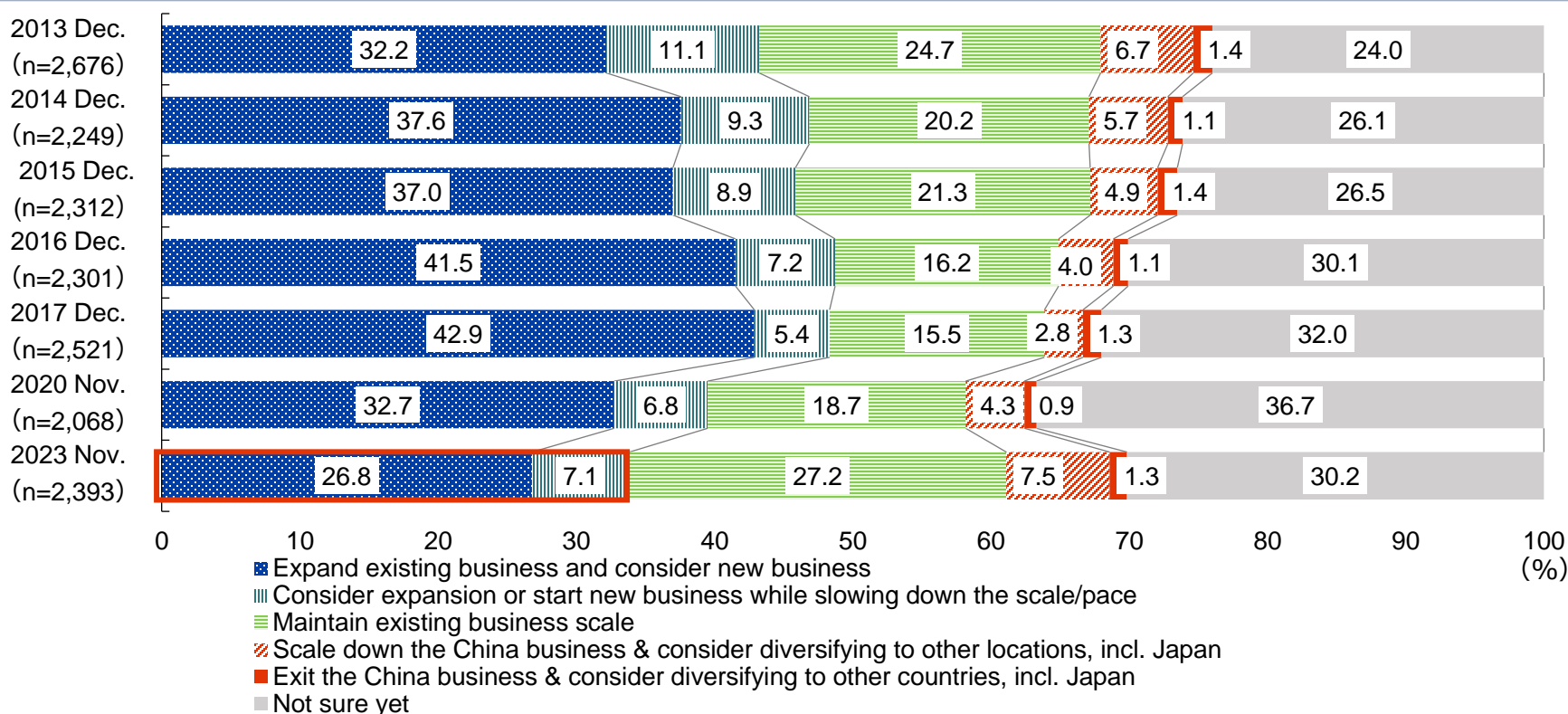


Note: Multiple responses are shown in the left chart except for "not implemented. Non-responses are excluded from the total (both left and right figures).

2 | Willingness to do business in China, lowest in 10 years

- The ratio of firms to expand existing business or consider new business in China is 33.9%. This is the **smallest since December 2013, when comparisons were possible under the same conditions**, while the percentage of firms maintaining the size of their existing business (27.2%) is the largest.
- Less than 10% of all firms are considering scaling back or withdrawing from China business. Only **1.3% are considering withdrawal**.

Policies for future business development in China (overall)

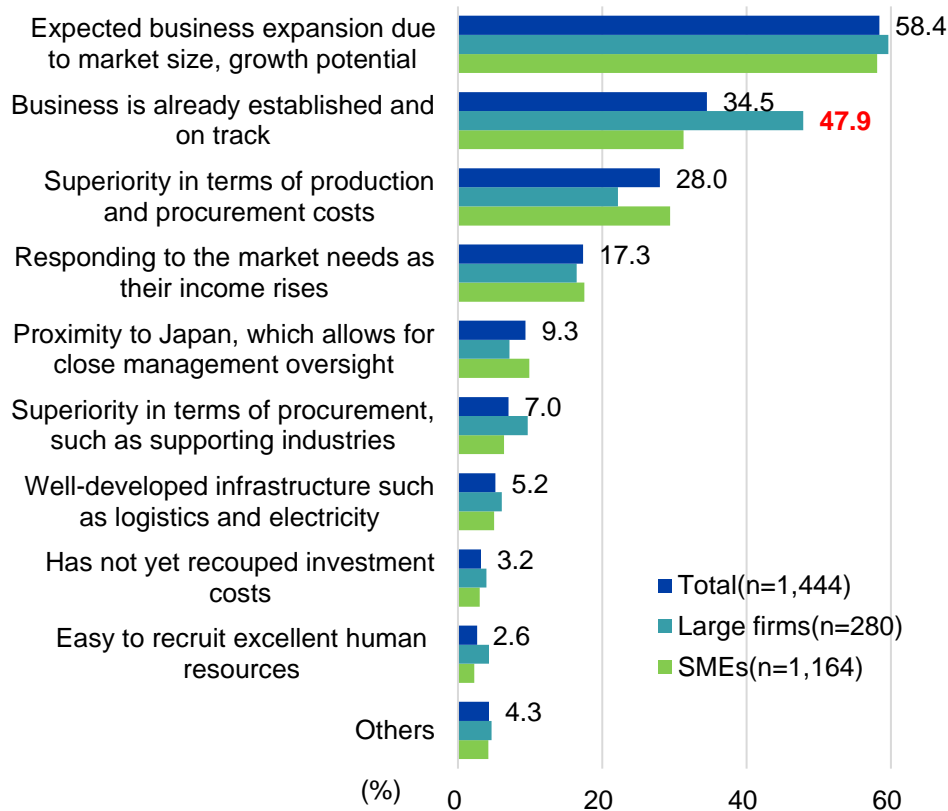


Notes: 1) The total (n) includes all responding firms (including those not conducting business in China at present), excluding "will not develop business in the future" and non-responses. 2) This question was not asked in FY18, FY19, FY21, and FY22.

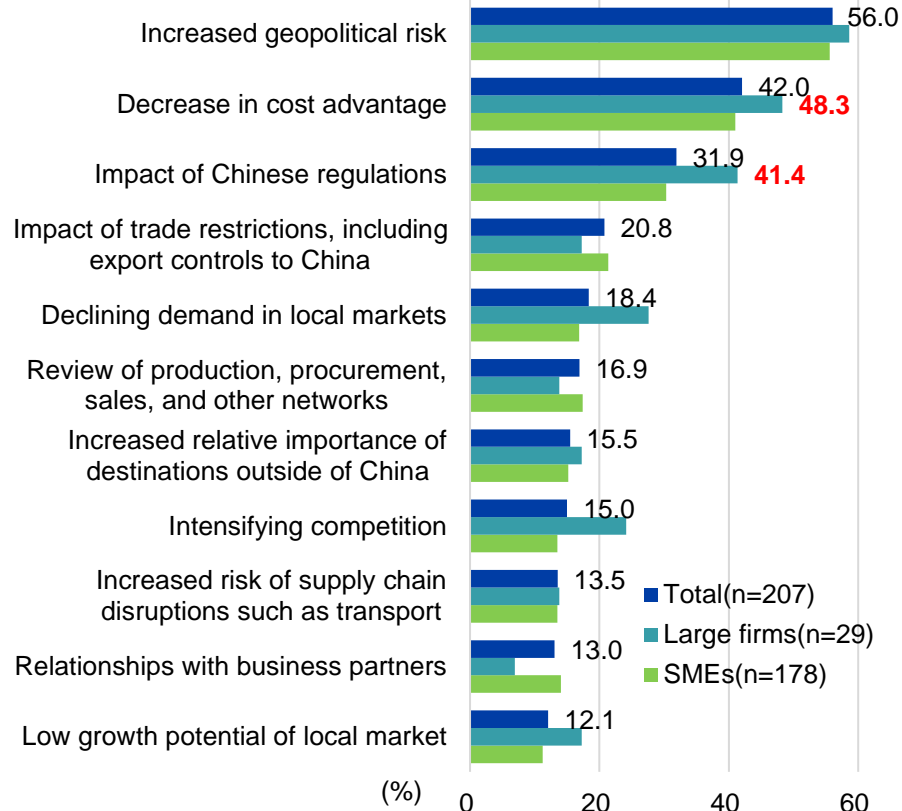
3 | Firms scaling back business with China, fearing heightened geopolitical risks

- **About 60% (58.4%) of the firms cited market size and growth as the reason for expanding or maintaining business in China.** About 50% of large firms cited that their business is already on track as a reason.
- On the other hand, **"Increased geopolitical risk" was the highest reason for downsizing or withdrawing (56.0%) among the reasons (207 valid responses).**

Reasons for expanding or maintaining business in China (multiple responses)



Reasons for scaling back or withdrawing from China business (multiple responses)



Note: "n" in the left chart indicates firms that responded "expand and consider new business" or "maintain existing business scale" in terms of their China business development policy. n in the right chart indicates firms that responded, "Will consider downsizing the China business and transferring it to another country," or "Will withdraw from the China business and consider developing business in another country." Both exclude non-responses.

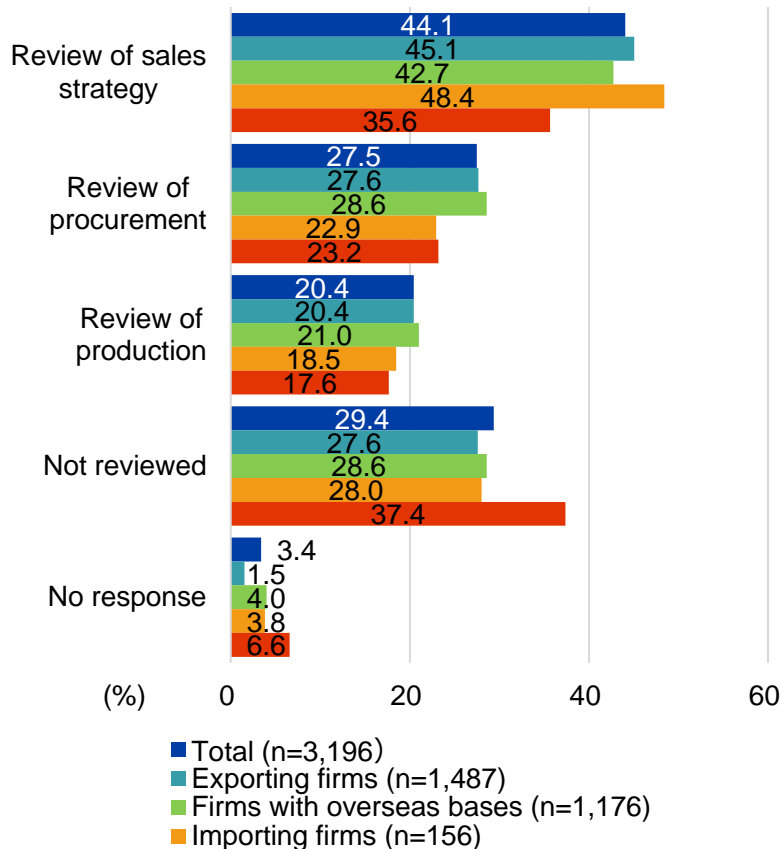
III. Review on Supply Chain

~Accelerating supply chain restructuring to cope with cost surge, changing demands or geopolitical risks ~

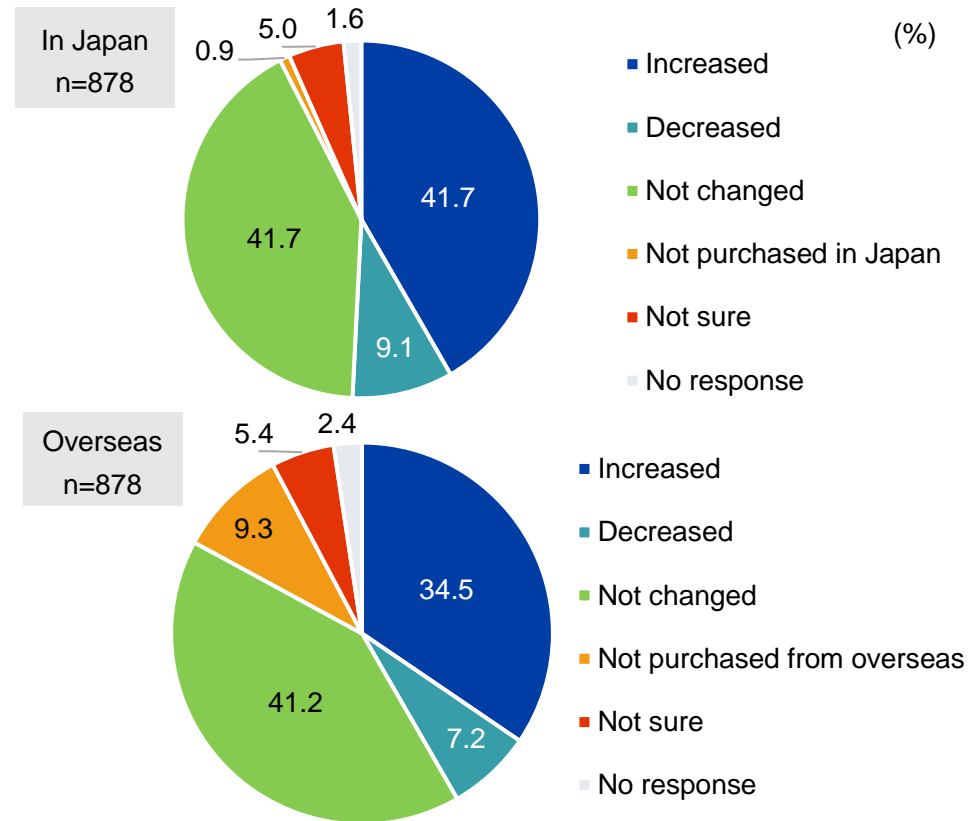
1 | About 30% of firms reviewed the procurement policies

- About 70% of the respondents had reviewed some kind of sales strategy, procurement, or production since 2023.
- **About 30% of firms responded that they had "review on procurement"**. Among these, approximately 50% of the respondents changed the number of suppliers in Japan and 40% of the respondents changed the number of suppliers overseas.

Firms that had undertaken some kind of strategy review since 2023
(including work in progress and scheduled to begin within the next 12 months)



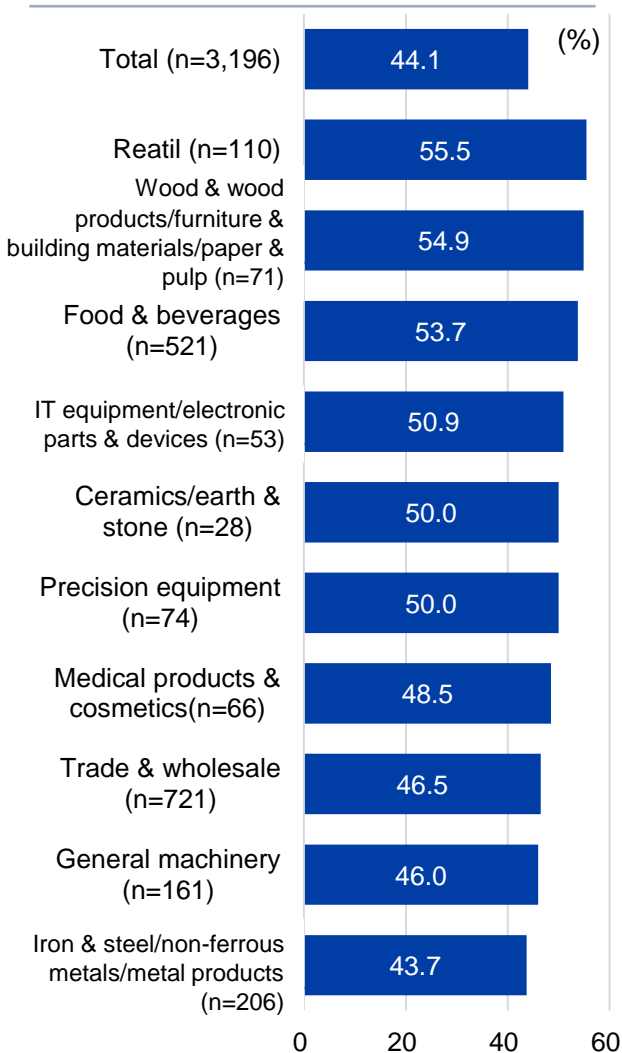
Firms that had changed the number of suppliers of major raw materials, parts or products



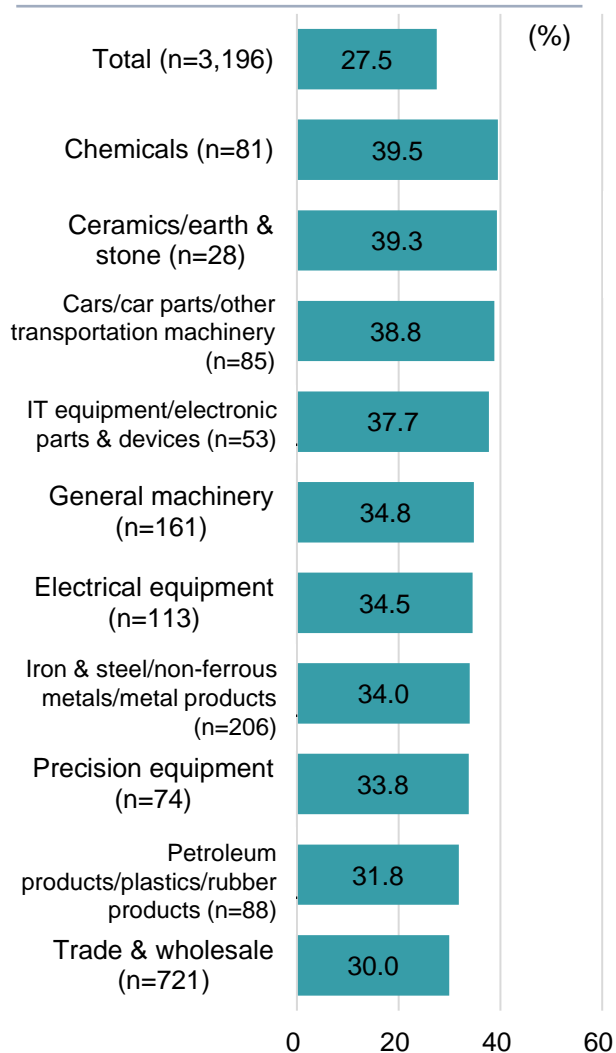
Note: n represents 878 firms that responded "review on procurement".

2 | Review of sales strategy/procurement/production (by industry)

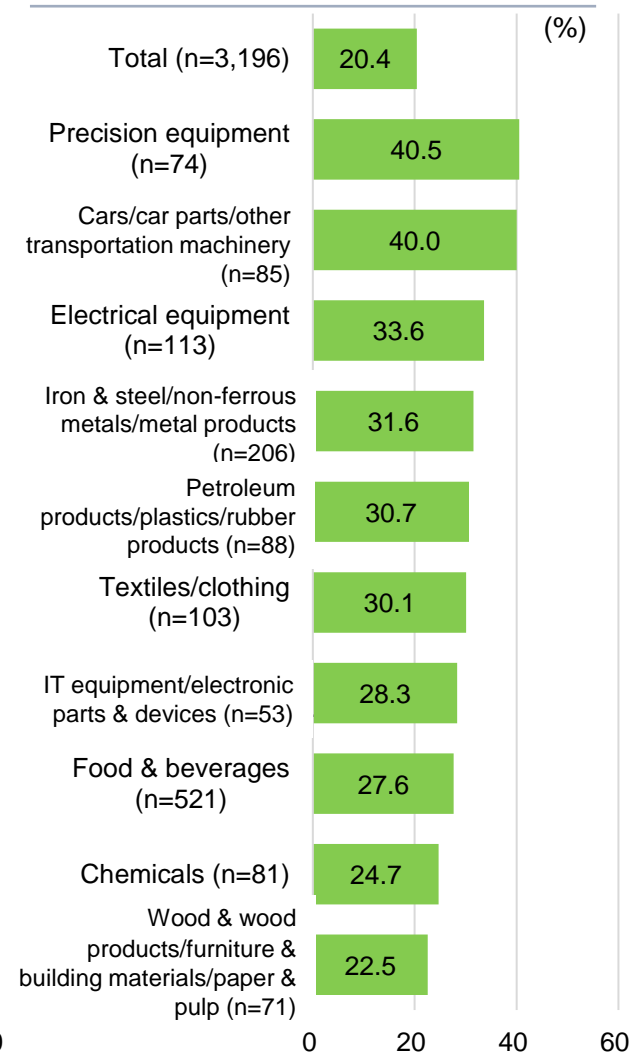
Review of sales strategy (top 10 industries)



Review of procurement (top 10 industries)



Review of production (top 10 industries)

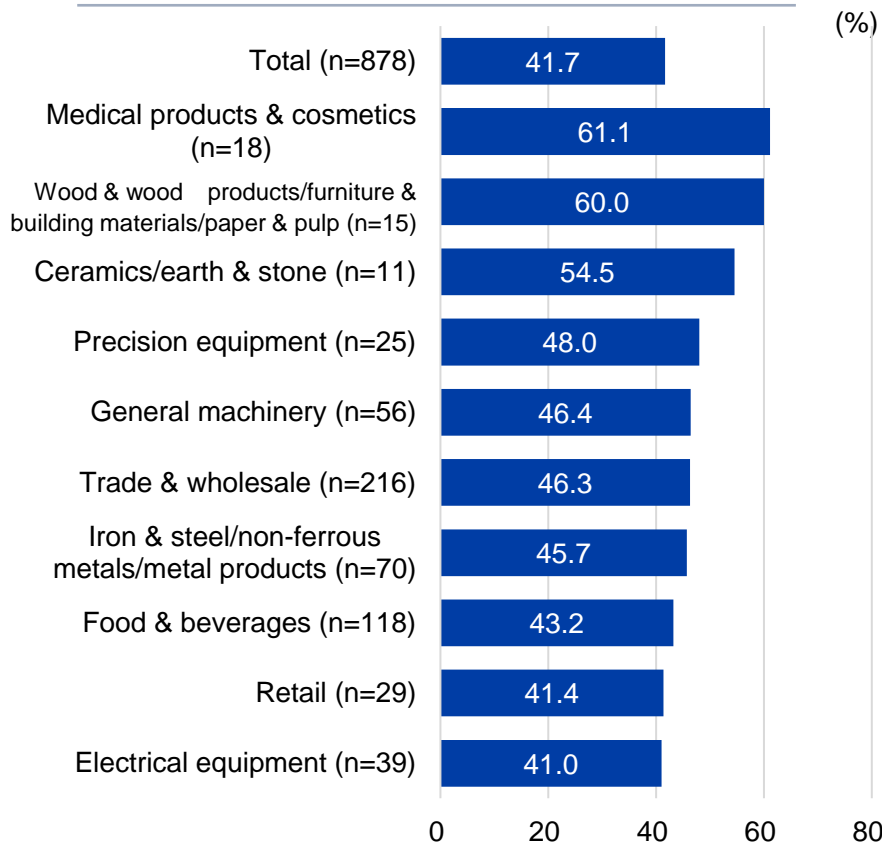


Note: Excluding other manufacturing and other non-manufacturing industries.

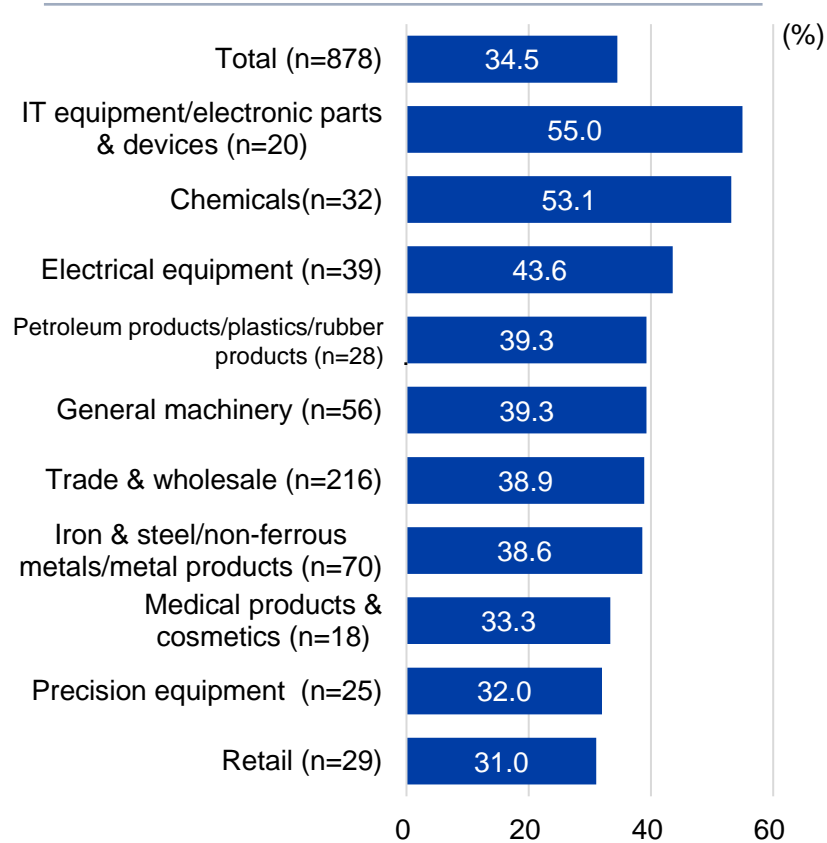
3 Firms increasing the number of suppliers in Japan/overseas (by industry)

- By industry, medical products and cosmetics (61.1%) and Wood & wood products/furniture & building materials/paper & pulp (60.0%) showed over 60% increase of the number of suppliers in Japan.
- More than half of the firms that increased the number of suppliers in overseas were in IT equipment/electronic parts & devices (55.0%) and Chemicals (53.1%).

Firms that increased the number of suppliers in Japan (Top 10 industries)



Firms that increased the number of suppliers in overseas (Top 10 industries)

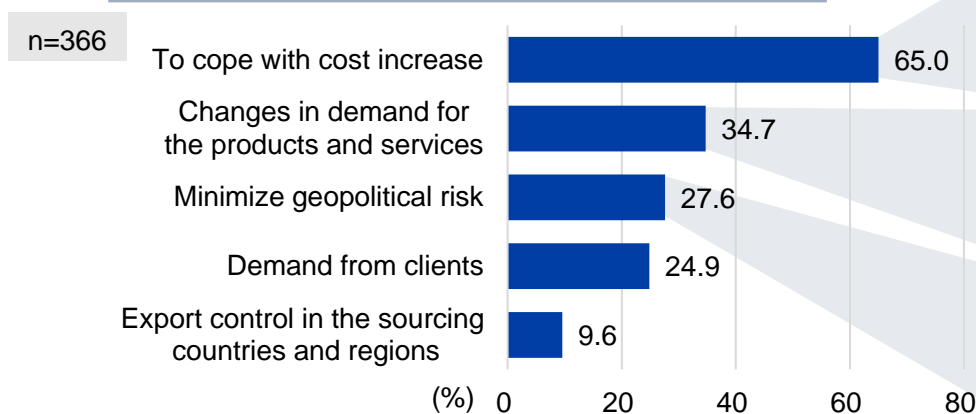


Notes: 1) n represents 878 firms that responded "review of procurement. 2) Only for industries with n≥10. Excluding other manufacturing and other non-manufacturing industries.

4 | Responding to cost increases was the main reason for the increase in the number of suppliers

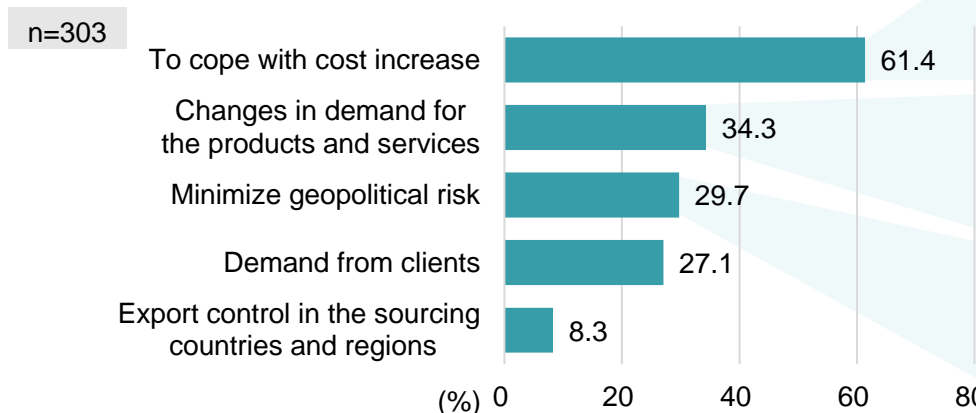
- The most common reason for “increasing” the number of suppliers was “to cope with cost increase” in Japan or overseas.
- In particular, the percentage of responses for “to cope with cost increases” was higher in the manufacturing sector, at 71.6% in Japan and 68.4% overseas, 16.9 points and 19.3 points higher respectively, than in the non-manufacturing sector.

Top 5 reasons for increasing the number of suppliers in Japan



Industry	Percentage (%)
Cars/car parts/other transportation machinery (n=11)	81.8
Electric equipment (n=16)	81.3
Iron & steel/non-ferrous metals/metal products (n=32)	78.1
Petroleum products/plastic/rubber products (n=10)	50.0
Trade & wholesale (n=100)	46.0
Iron & steel/non-ferrous metals/metal products (n=32)	37.5
Cars/car parts/other transportation machinery (n=11)	63.6
Precision equipment (n=12)	58.3
Chemicals (n=12)	36.4

Top 5 reasons for increasing the number of suppliers in overseas



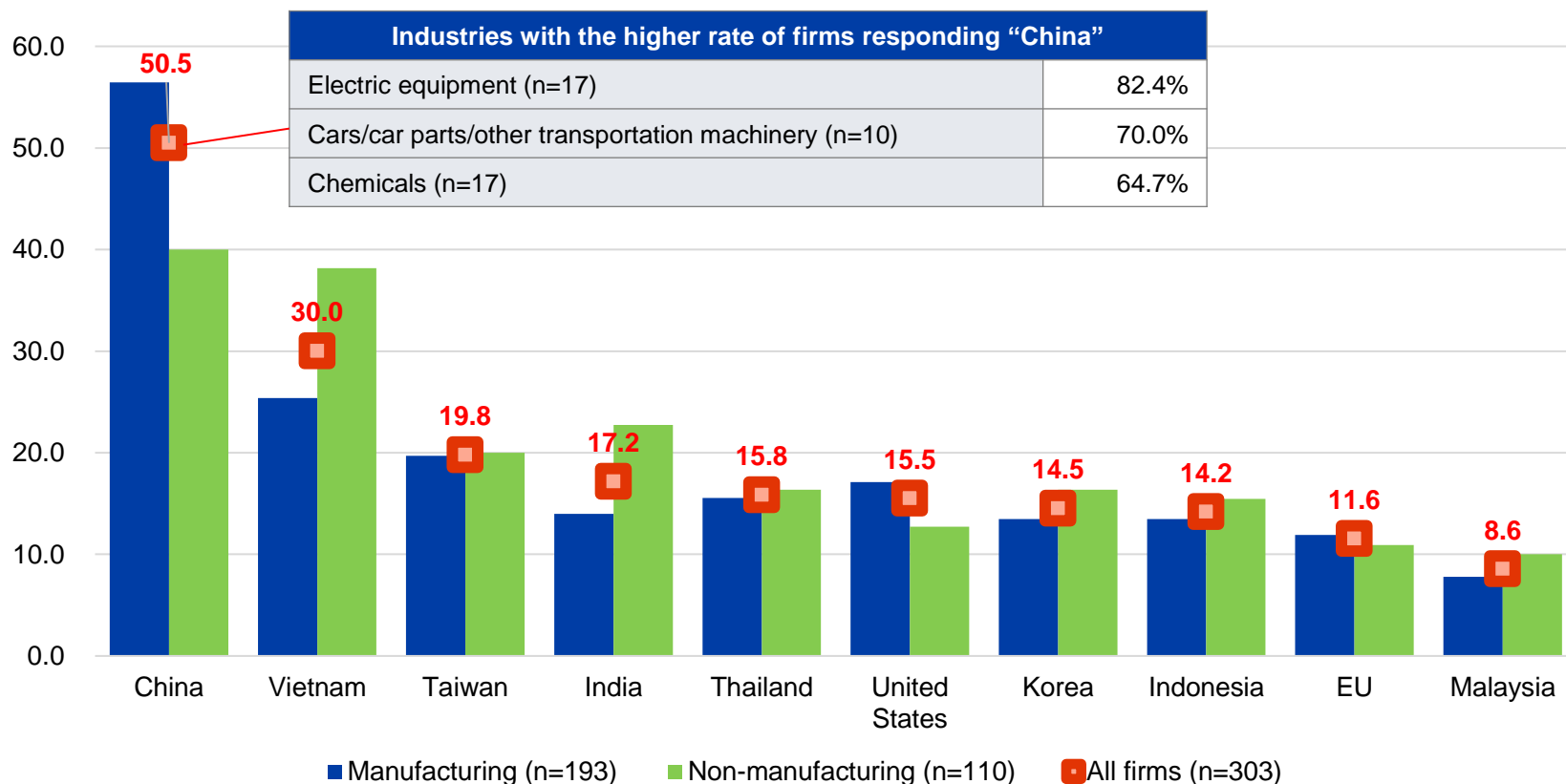
Industry	Percentage (%)
Petroleum products/plastic/rubber products (n=11)	90.9
Cars/car parts/other transportation machinery (n=10)	90.0
General machinery (n=22)	86.4
IT equipment/electronic parts & devices (n=11)	54.5
Electric equipment (n=17)	52.9
Trade & wholesale (n=84)	44.0
Cars/car parts/other transportation machinery (n=10)	60.0
Chemicals (n=17)	47.1
Food and beverage (n=35)	34.3

Note: n in the right table is the top 3 industries for each item (n≥10 only). Excluding other manufacturing and other non-manufacturing industries.

5 | Over 50% of firms focus on China as a future sourcing country

- **50.5% responded that “China” is the country that focus on/pay attention to as a future sourcing country.** “Electric equipment” had the highest at 82.4% (among industries with n=10 or more).
- In the non-manufacturing sector, Vietnam (38.2%) and India (22.7%) had higher than in the manufacturing sector.

Top 10 countries/regions of particular interest for procurement

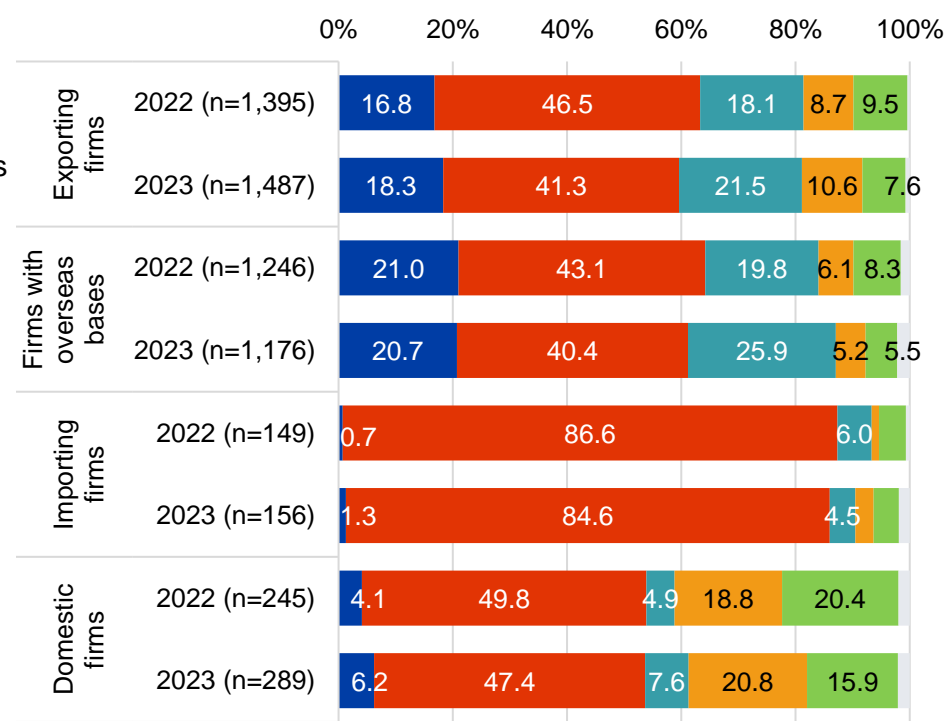
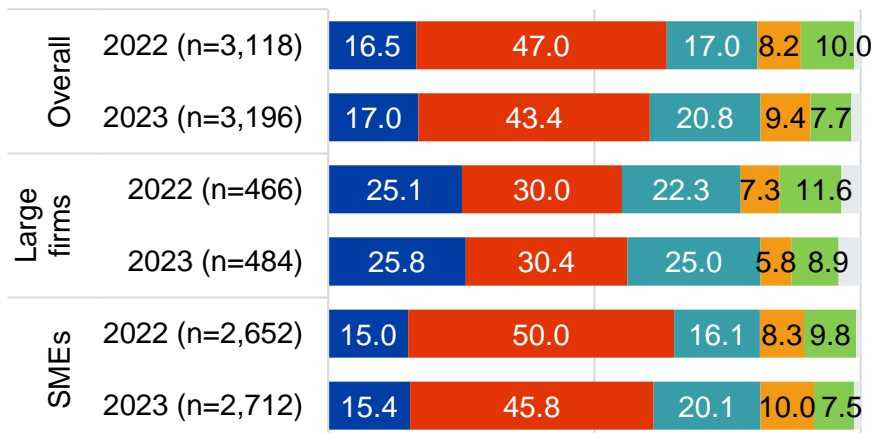
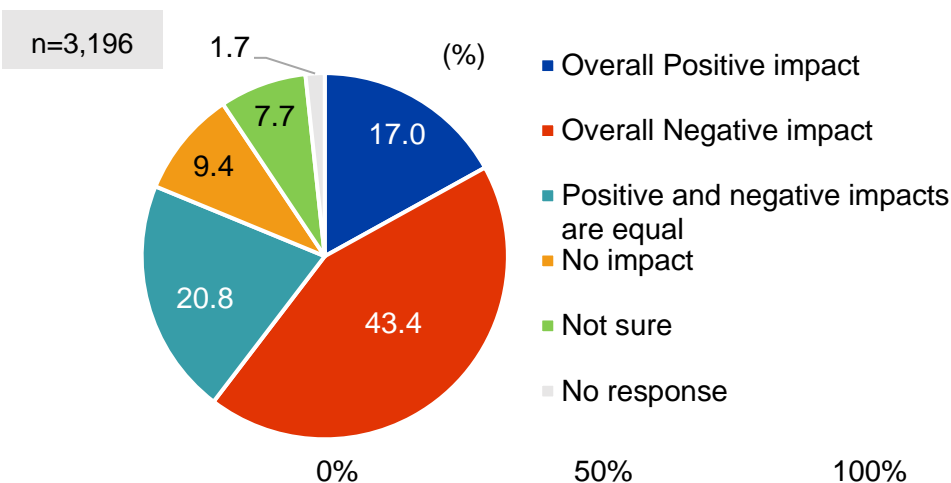


Notes: 1) n is the number of 303 firms that responded "increased" regarding the change in the number of business partners from overseas. 2) Only those industries with n≥10 answered "China" in a large proportion.

6 | Sign of easing for negative impact on the business performance by Yen's depreciation

- **Regarding the impact of the yen's depreciation on business performance in 2023, 43.4% of firms responded overall "overall negative impact,"** down 3.6 points from the previous year (47.0%). The percentage of firms that responded, "Positive and negative impacts are equal" increased by 3.8 points. By business status, the negative impact on decreased by 5.2 points, indicating a shift to a positive impact.

Impact of the yen's depreciation on business performance in 2023

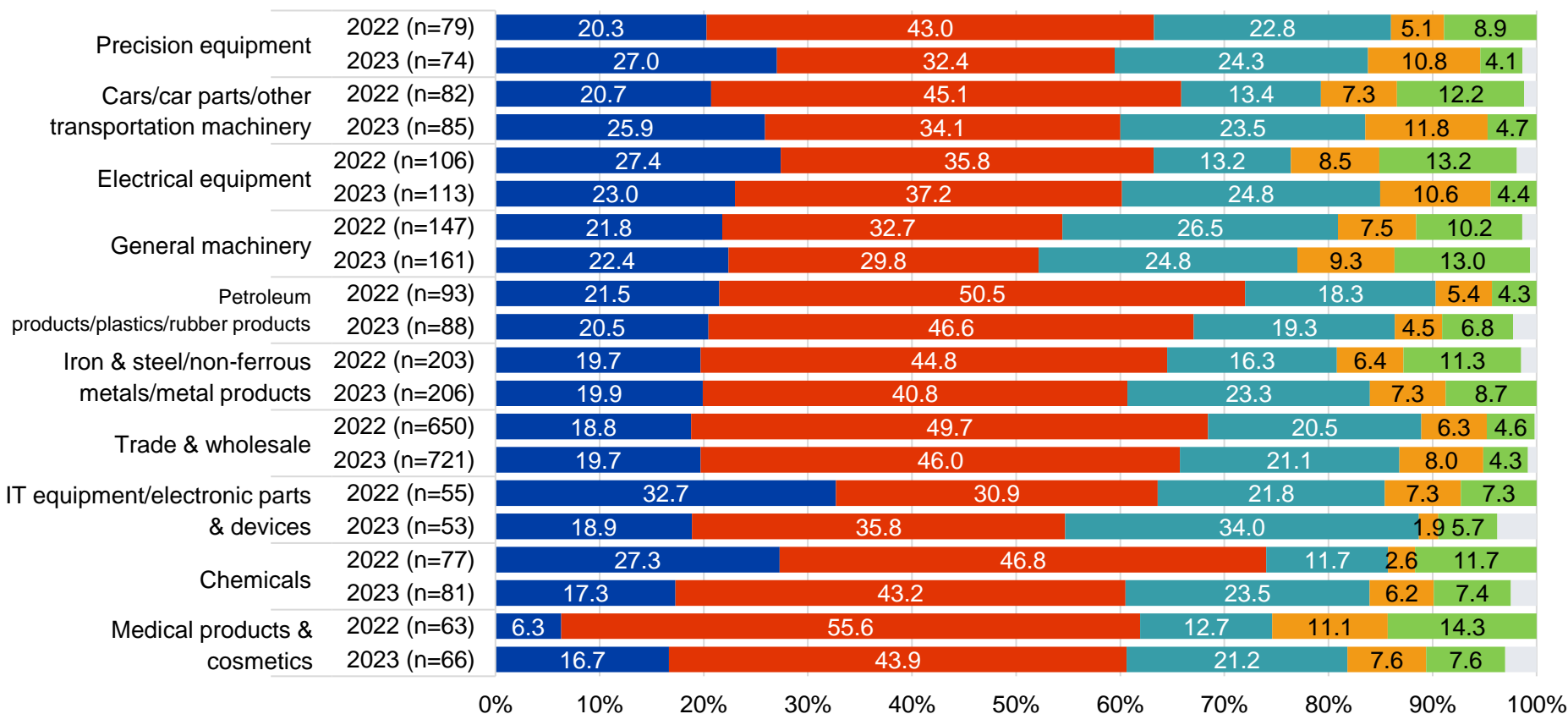


Note: "Exporting firms" above are firms that export but have not expanded overseas. "Importing firms" are firms that import only (no exports, no overseas expansion). "Domestic firms" are firms that do not export, import, nor expand overseas.

7 | Increased positive impact by yen's depreciation on medical products & cosmetics, precision equipment

- By industry, Medical products and cosmetics had the largest increase of the percentage that firms responded overall “overall positive impact” by 10.4 point to 16.7% even though which is lower than total average (17.0%).
- IT equipment/electronic parts & devices and Chemicals which had higher ratio of “overall positive impact” in 2022 decreased by approximately 10 points from previous year.

**Impact of Yen's depreciation on business performance
(Top 10 industries that responded overall “positive impact” 2023)**

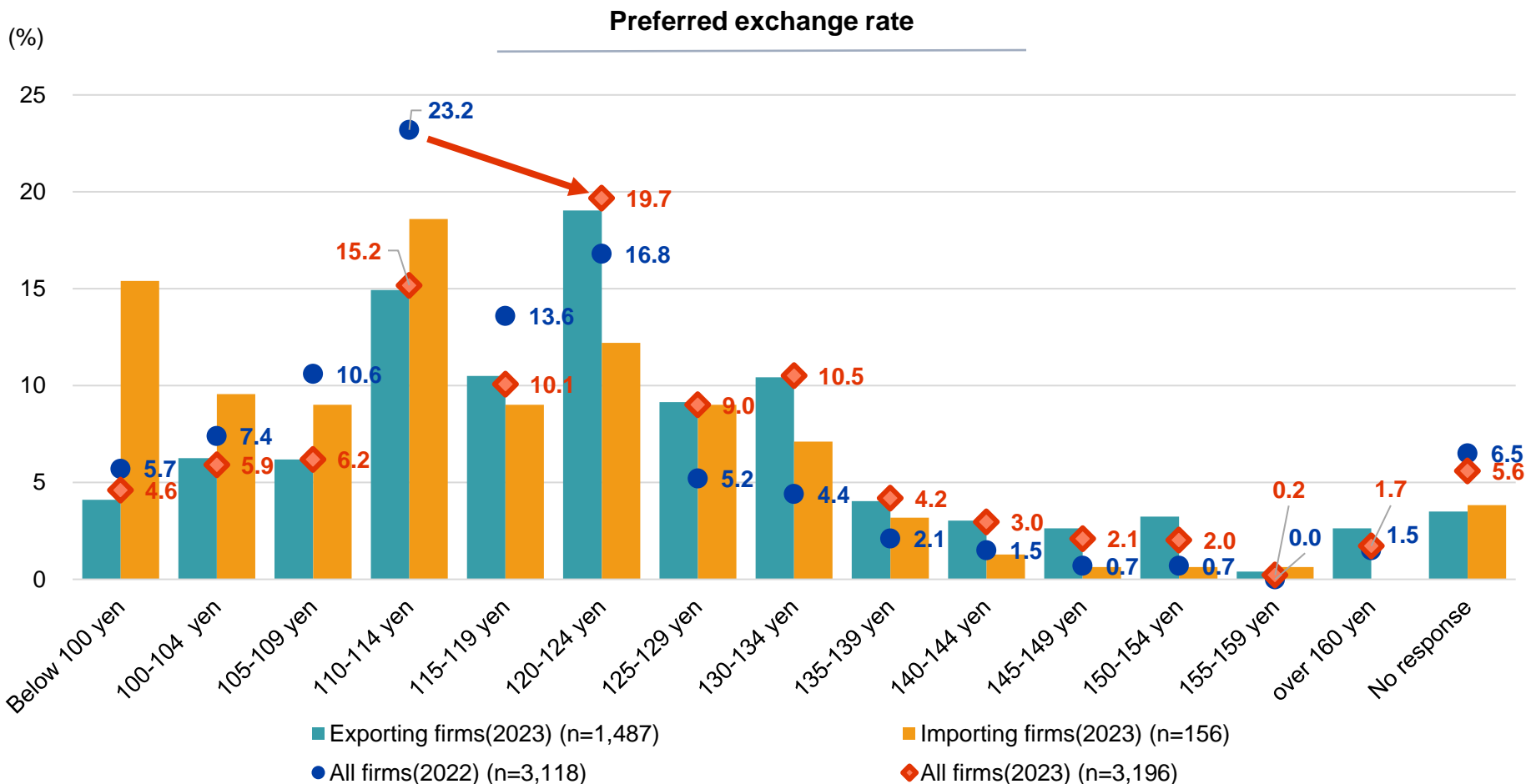


■ Overall positive impact ■ Overall negative impact ■ Equal amount of positive and negative impact ■ No impact ■ Not sure ■ No response

Note: Compared to the results of the 2022 survey for the top 10 industries that responded "positive impact" in the 2023 survey.

8 | Most preferred exchange rate is 120-124 yen, trending towards a weaker yen

- **The most preferred rate was 120-124 yen** (19.7%), increased by 2.9 points compared with the previous year. 130-134 yen had the largest increase (up 6.1 points) from the previous year.
- Compared to 2022, the preferred exchange rate has shifted toward a weaker yen. It is assumed that it was the response to the prolonged depreciation of the yen.

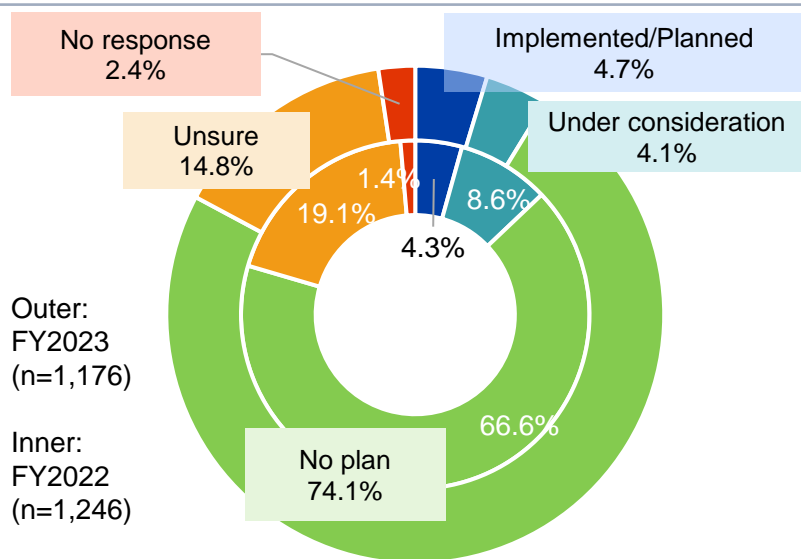


Note: "Exporting firms" above refers to firms that export but have no overseas operations, while "Importing firms" refers to firms that import only (no exports and no overseas operations). Copyright © 2024 JETRO. All rights reserved.

9 Firms with implementing or planning reshoring their overseas business were at the same level as the previous year.

- **The ratio of firms that have “implemented or plan reshoring their overseas operations)” (including some) was 4.7%, unchanged from the previous year (4.3%).** Among large firms, the ratio was 5.2%, up slightly from 3.0% in the previous year.
- The highest ratio of respondents that have already implemented/planned or are under consideration was cars/car parts/other transportation machinery(17.6%), followed by electrical machinery (16.1%) and chemicals (15.9%).

Reshoring their Overseas Operations



By firm size (Implemented/Planned, under consideration)



Note: In all cases, n (* in parentheses in the chart below) is the number of firms that currently have overseas offices.

Reshoring their Overseas Operations (by industry)

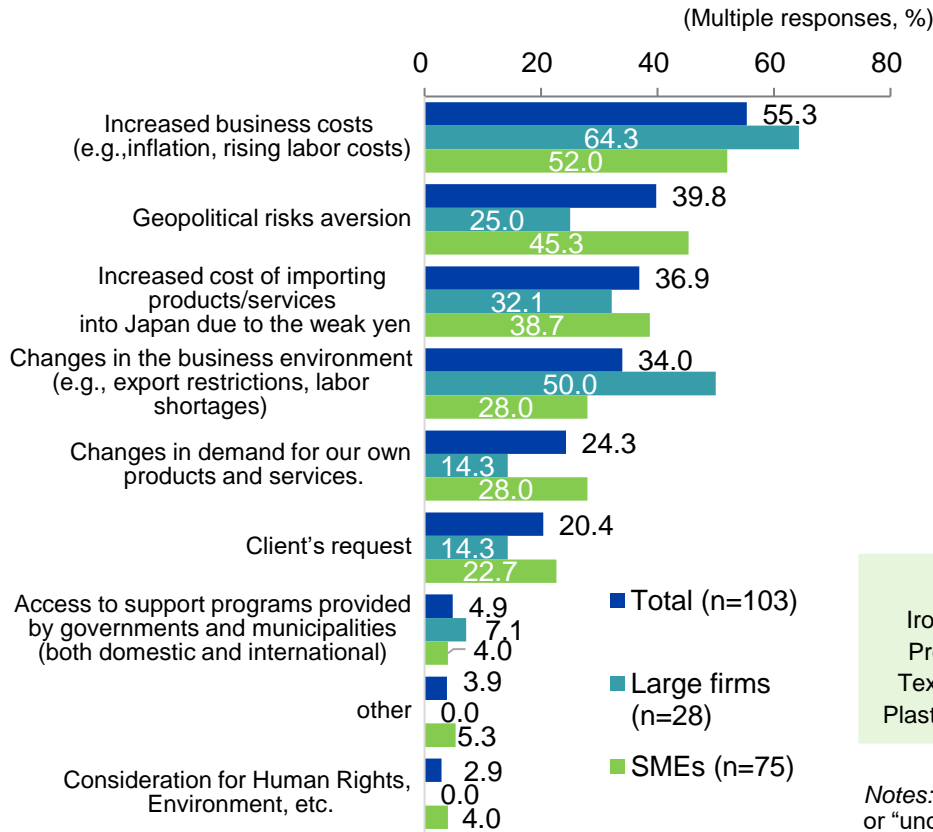
	No. of firms	Reshoring overseas operations (%)	
		Implemented / Planned	Under consideration
Total	1,176	8.8	4.7
Manufacturing	692	10.8	4.9
Food & Beverage	90	5.6	3.3
Textiles & Fabrics/Apparel	29	13.8	10.3
Chemical	44	15.9	9.1
Medical Products & Cosmetics	21	14.3	9.5
Petroleum, plastic & Rubber	45	11.1	4.4
Iron & Steel/Nonferrous Metals/Metal Products	99	9.1	1.0
General Machinery	84	11.9	6.0
Electrical Machinery	56	16.1	10.7
Cars/car parts/other transportation machinery	68	17.6	7.4
Other manufacturing	71	9.9	4.2
Non-manufacturing	484	5.8	2.9
Trading/Wholesale	247	8.9	4.0
Construction	43	7.0	2.3

Notes: 1) "n" is the number of firms that currently have overseas offices, excluding those with less than 20 firms. 2) Only for sectors in which the ratio of "Reshoring overseas operations" is 5% or more. Shading indicates 10% or more.

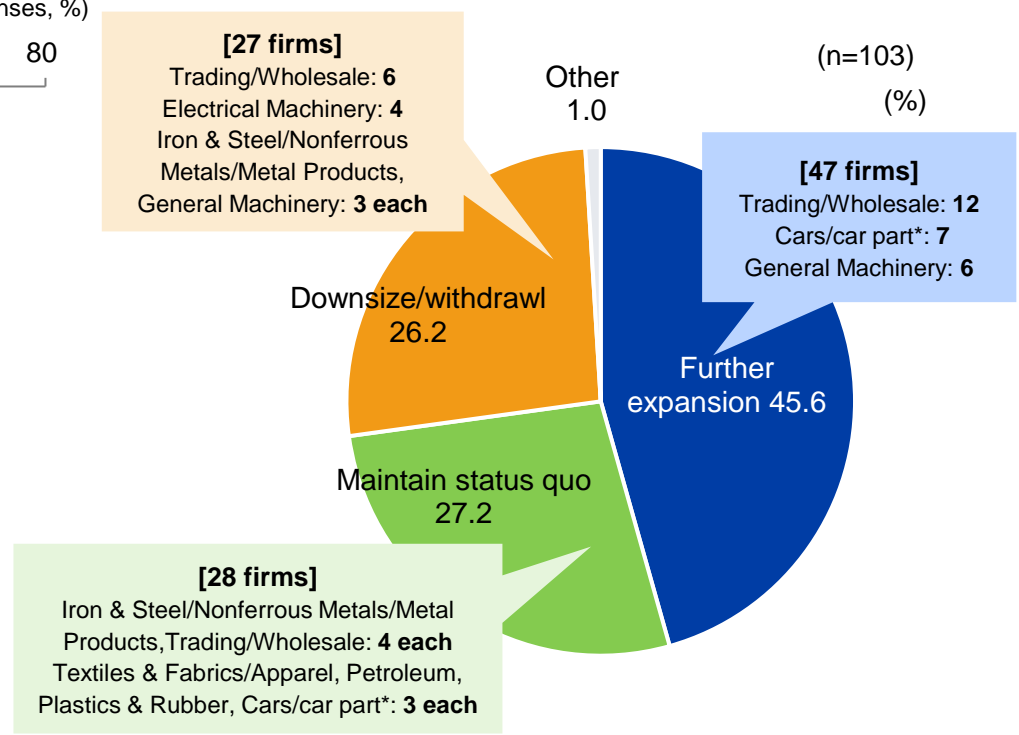
10 | Increased business costs are the main reason for reshoring

- The largest reason for reshoring was “Increased business costs in the destination country” (55.3%). For large firms, “changes in the business environment” followed. For SMEs, “Geopolitical risk aversion” was also a trigger.
- The largest share (45.6%) of the firms that have already implemented, or plan reshoring intend to "further expand" their overseas operations in the future. The main respondent sector were trading/wholesalers, cars/car parts/other transportation equipment, and general machinery.

Main Reason for Reshoring



Overseas Expansion Policies (The Firms that Implementing or Considering Reshoring)



Notes: 1) (both left and right) n is the number of firms that answered "Implemented/Planned" or "under consideration". 2) (Right graph) Top 3 responding firms by sector for each overseas expansion policy. *: Cars/car parts/other transportation equipment

IV. Business Transformation in response to the demands of the times and society

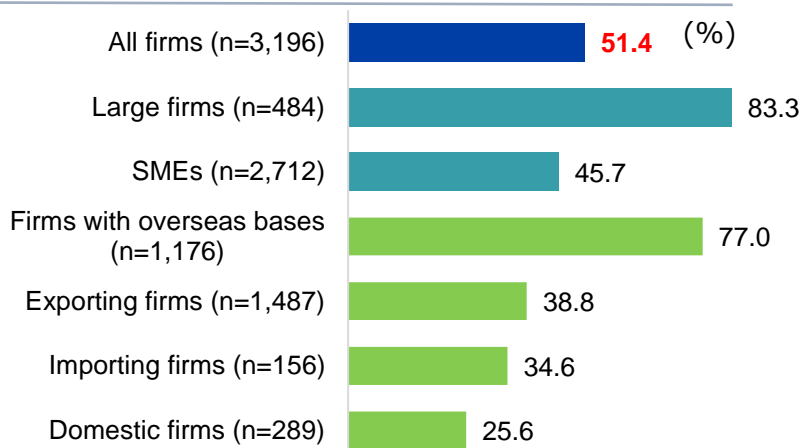
(1) Employment of Foreign Personnel

~Half of the respondents are hiring foreign personnel, and this number is expected to increase in the future~

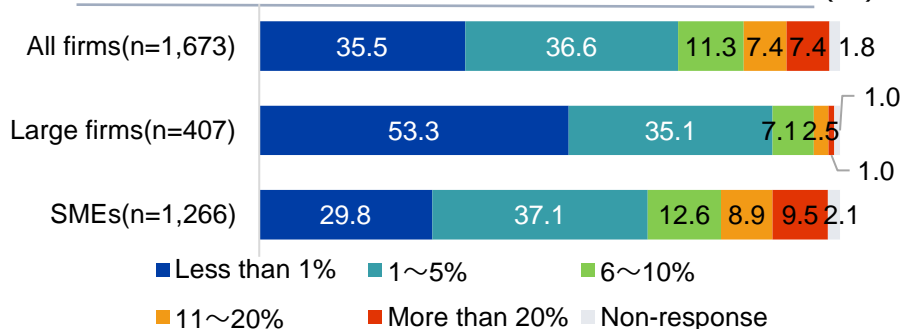
1 | Half of the respondents employ foreign personnel

- **The percentage of firms employing foreign personnel was 51.4%, nearly equal to the previous year (51.5%).** Among large firms, more than 80% employ foreign personnel. By industry, 82.4% of the firms in Cars/car parts/other transportation machinery industry employ foreign workers.
- About 70% of the total number of foreign employees accounted for 5% or less of the total number of full-time employees. Compared to large firms, SMEs have a higher percentage of foreign employees.

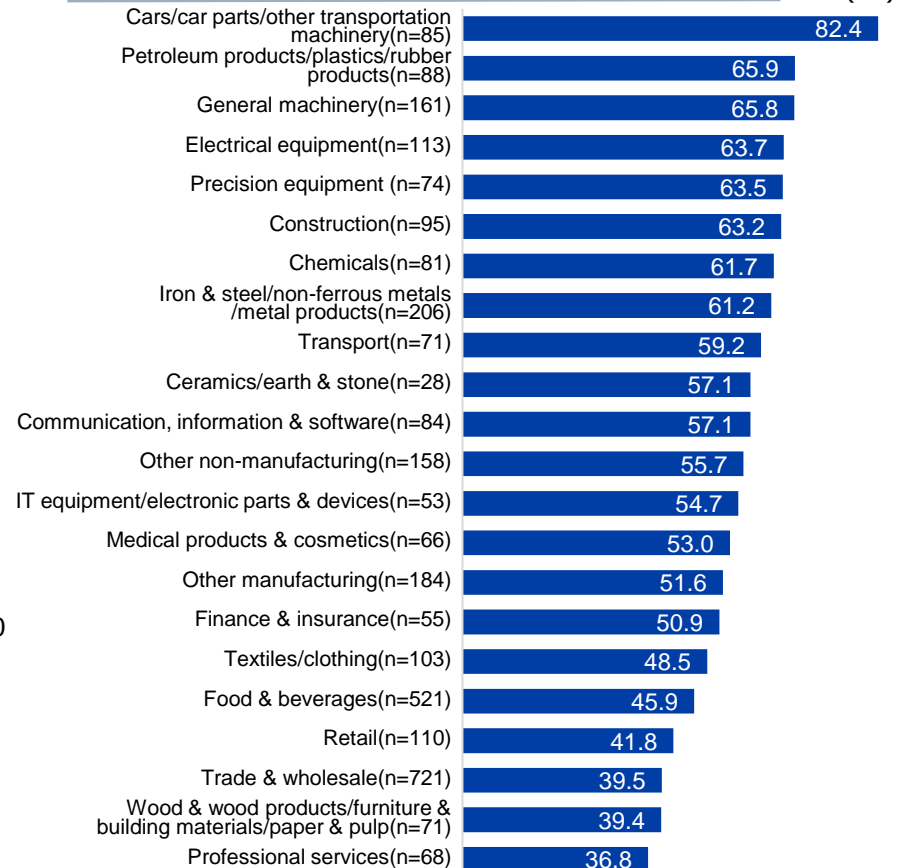
Percentage of firms employing foreign personnel



Percentage of foreign personnel in the number of permanent employees (%)



Percentage of firms employing foreign personnel, by industry (%)

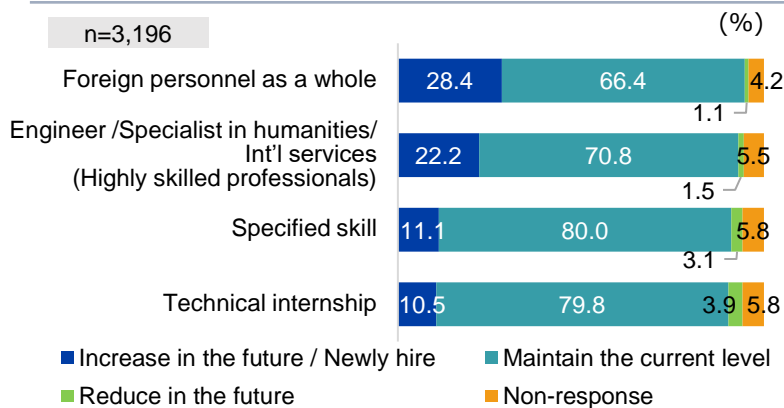


Note: n is the number of firms subtracting "not employing" from the total.

2 | About 30% of firms plan to increase or hire new foreign personnel in the future

- As for the employment policy of foreign workers over the next two to three years, **28.4% of all respondents answered they "will increase/new employment" in the future**. By status of residence, more than 20% of firms expect to increase their employment of technicians, humanities, and international services (advanced personnel).
- Firms that intend to newly enter overseas markets or expand overseas business in the future are eager to hire foreign human resources.

Future (2-3 years) plans for hiring foreign personnel



Future overseas expansion policy and plans to expand employment of foreign personnel

Percentage of respondents who answered "Increase in the future / Newly hire" (%) *foreign personnel as a whole

	Future Overseas Expansion Policy	
	Policy	Percentage (%)
Firms that already have overseas offices	Further expansion (n=536)	49.6
	Maintain status quo (n=518)	26.6
Firms without overseas office	New expansion (n=627)	35.9
	No overseas expansion (n=807)	17.0

Note: n excludes firms that did not respond to the question about their plans for hiring foreign personnel.

Percentage of respondents who answered "will increase/new hires" (by industry, %)

Type of industry	No. of firms	Foreign personnel as a whole	Technical internship	Specified skill	Highly skilled professionals
Manufacturing	1,834	29.3	12.6	13.8	22.8
Food & beverages	521	29.2	16.5	17.5	20.0
Textiles/clothing	103	30.1	12.6	11.7	21.4
Wood & wood products/furniture & building materials/paper & pulp	71	19.7	9.9	8.5	16.9
Chemicals	81	22.2	4.9	8.6	18.5
Medical products & cosmetics	66	22.7	0.0	1.5	13.6
Petroleum products/plastics/rubber products	88	30.7	12.5	6.8	23.9
Ceramics/earth & stone	28	25.0	17.9	14.3	17.9
Iron & steel/non-ferrous metals/metal products	206	31.6	15.0	19.4	25.7
General machinery	161	35.4	7.5	10.6	27.3
Electrical equipment	113	30.1	12.4	14.2	26.5
IT equipment/electronic parts & devices	53	26.4	9.4	11.3	28.3
Cars/car parts/other transportation machinery	85	29.4	16.5	17.6	22.4
Precision equipment	74	31.1	8.1	9.5	32.4
Other manufacturing	184	30.4	12.5	13.6	24.5
Non-manufacturing	1,362	27.2	7.6	7.6	21.4
Trade & wholesale	721	21.4	5.3	4.9	16.4
Retail	110	20.9	6.4	5.5	18.2
Construction	95	44.2	13.7	13.7	40.0
Transport	71	33.8	18.3	12.7	21.1
Finance & Insurance	55	14.5	1.8	1.8	12.7
Communication, information & software	84	42.9	4.8	7.1	36.9
Professional services	68	23.5	1.5	5.9	25.0
Other non-manufacturing	158	42.4	17.1	18.4	29.1

Note: The top three industries by status of residence are shaded in dark red, and the fourth and fifth industries are shaded in light red.

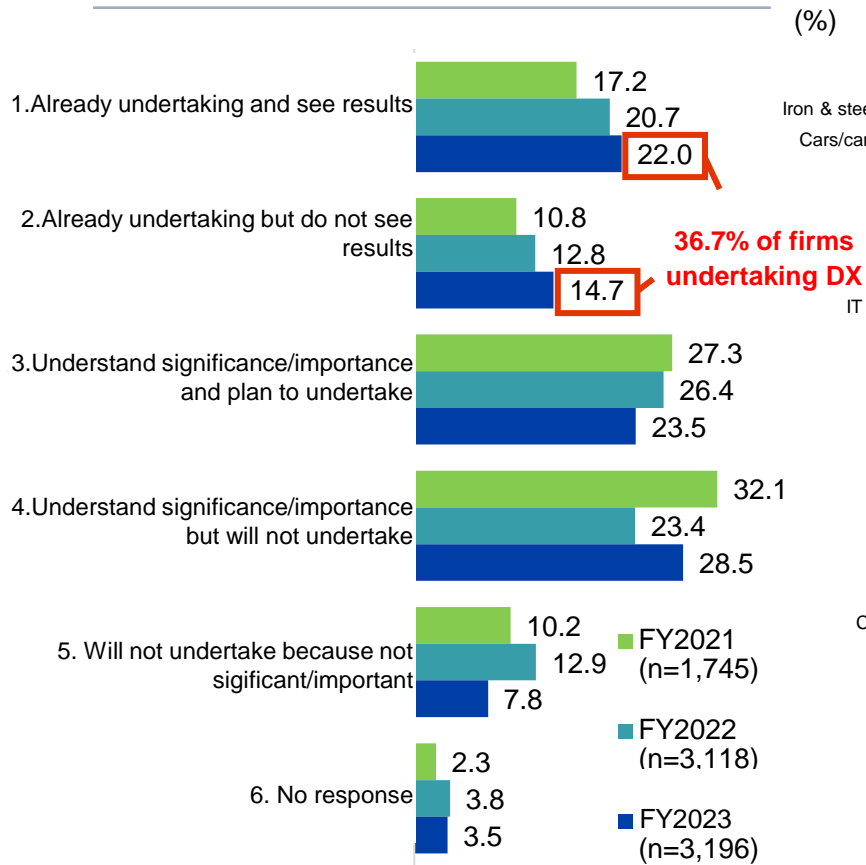
IV-② DX Efforts

~36.7% of firms are undertaking Digital transformation~

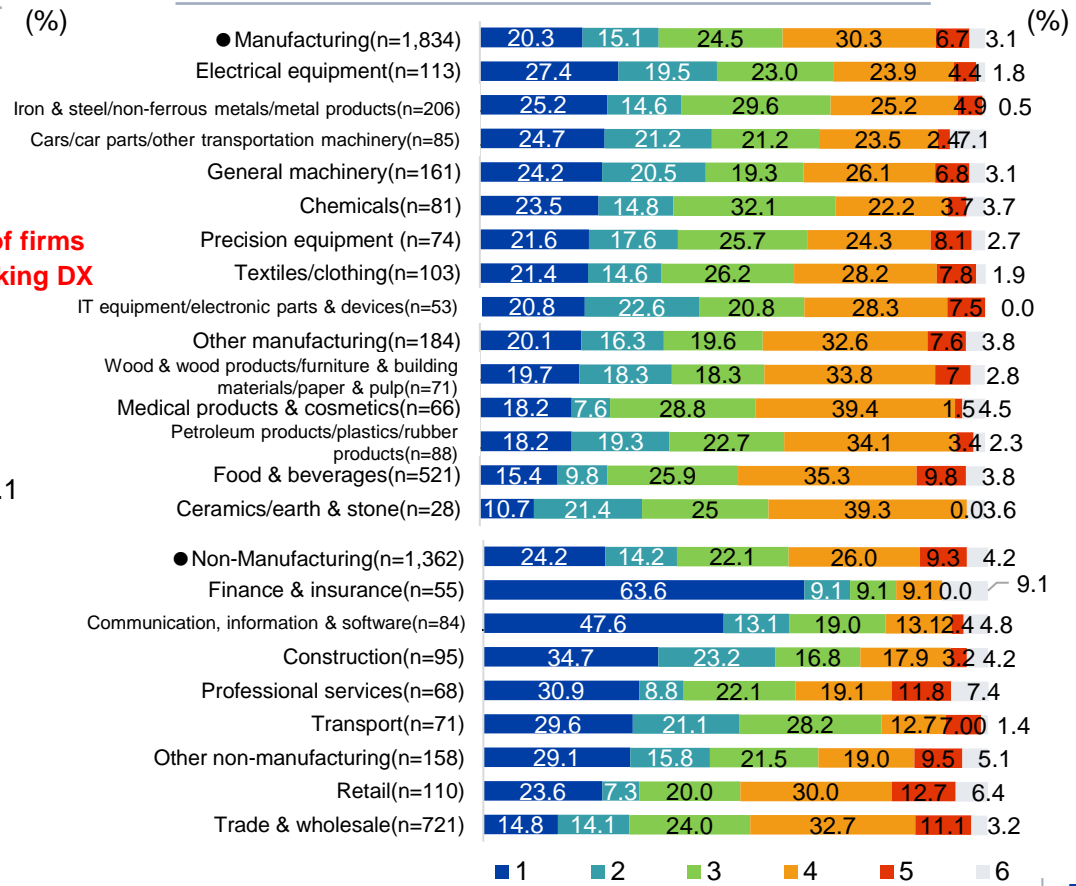
1 | Firms Engaged in DX Expand for Second Consecutive Year

- The number of firms working on DX **increased to 36.7% from 33.5% in the previous survey**. Of these, 22.0% of the firms are even aware of the results, while 14.7% are not aware of the results.
- By industry, many firms in non-manufacturing industries, such as finance/insurance and communications, information & software, are aware of the results. Pharmaceuticals/cosmetics and food & beverages industries have the highest percentages of firms that understand the significance and necessity but are not engaged in such activities.

Status of DX



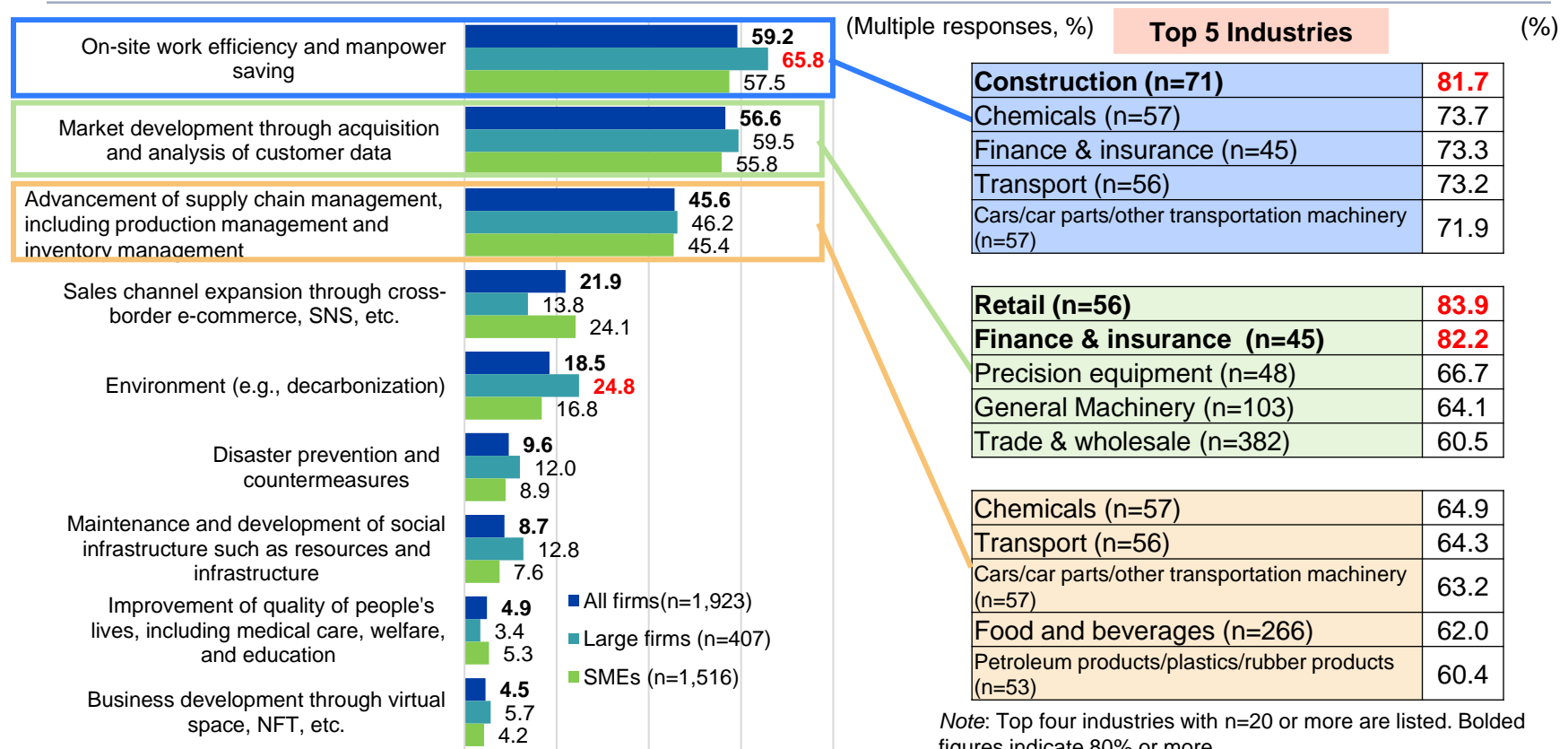
Status of DX (by industry)



2 | DX promotion aims to improve work efficiency and develop new markets

- Regarding the aims of DX, 60% of the firms responded that they "develop and provide technologies and services that contribute to improving work efficiency and solving labor shortages in the field," and "develop new markets and business areas through the acquisition and analysis of customer data."
- In addition to "improving work efficiency and reducing labor shortages in the field" (65.8%), large firms were more likely than SMEs to respond "develop and provide digital technologies and services related to the " (24.8%).

Goal for Promoting DX



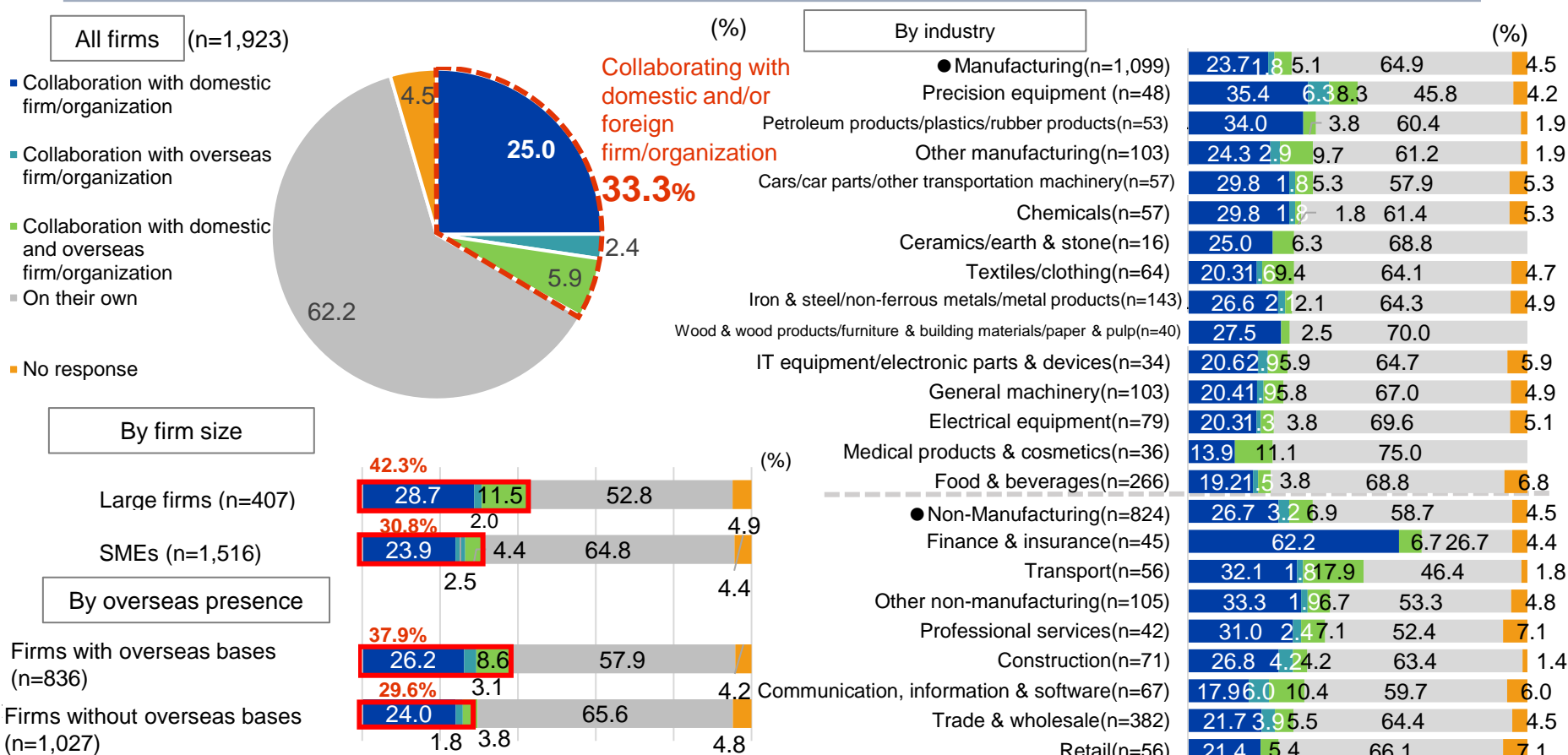
Note: Top four industries with n=20 or more are listed. Bolded figures indicate 80% or more.

Notes: 1) "n" is the number of firms that answered "already working on DX and recognize results," "already working on DX but do not recognize results," or "understand the significance and necessity of DX and plan to work on DX in the future. The number of firms that responded "already working on DX", "already working on DX but do not recognize the results", or "understand the significance and necessity of DX and plan to work on it".

3 | Collaboration with domestic/overseas firms

- **One-third of all firms responded that they are collaborating with domestic and/or overseas firms/organization.** 60% of firms are promoting DX solely within their organizations.
- Around 40% of large firms and firms with overseas bases said they are cooperating with domestic and/or overseas firms/organization. By industry, the finance/insurance, transport, and precision equipment industries had a significantly high percentage of firms working with domestic and/or foreign firms and institutions, at more than 50%.

Collaboration to Promote DX

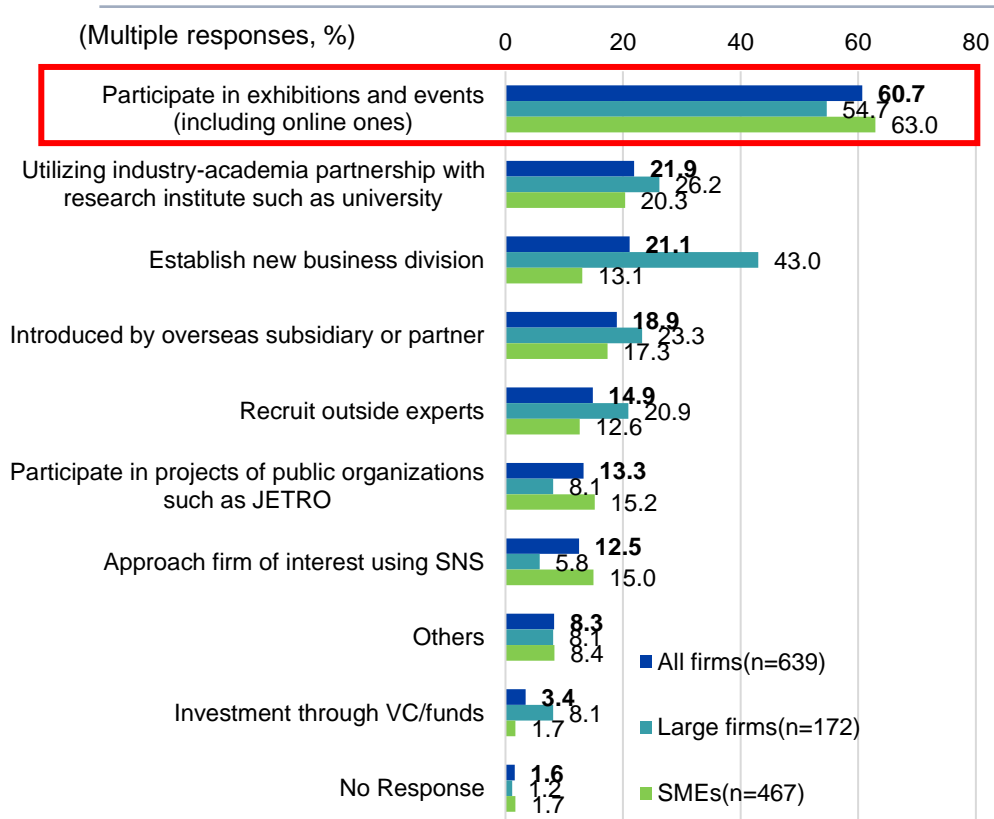


Note: n is the number of firms that answered "already working on DX and recognize the results," "already working on DX but do not recognize the results," or "understand the significance and necessity of DX and plan to work on DX in the future."

4 | 60% of firms found a DX partners at exhibition

- In terms of methods of seeking business partners, "participation in exhibitions" was the highest, accounting for 60% of the total. Among large firms, the response rate for "Establish new business division" (43.0%) was much higher than that of SMEs.
- The second highest method of seeking out business partners in Japan was "utilizing industry-academia partnership with research institutes such as universities" while the second highest method of seeking out business partners overseas was "introduced by overseas subsidiaries and partners."

Partner Affiliation and Method Used to Find Partner



Collaboration with domestic firm/organization (n=480) (%)	
1 Participate in exhibitions and events	60.6
2 Utilizing industry-academia partnership with research institute such as university	20.2
3 Establish new business division	19.6
4 Recruit outside experts	13.1
5 Approach firm of interest using SNS	11.5
Collaboration with domestic and overseas firm/organization (n=113)	
1 Participate in exhibitions and events	67.3
2 Introduced by overseas subsidiary or partner	46.9
3 Utilizing industry-academia partnership with research institute such as university	31.9
4 Establish new business division	24.8
5 Participate in projects of public organizations such as JETRO	23.0
Collaboration with overseas firm/organization (n=46)	
1 Participate in exhibitions and events	45.7
2 Introduced by overseas subsidiary or partner	41.3
3 Establish new business division	28.3
4 Participate in projects of public organizations such as JETRO	26.1
5 Approach firm of interest using SNS	17.4

Note: n is the number of firms that answered "already working on DX and recognize the results," "already working on DX but do not recognize the results," or "understand the significance and necessity and plan to work on DX in the future," and that are promoting DX in cooperation with domestic and foreign firms and institutions as a means of promoting DX. Number of firms that responded that they are promoting DX in cooperation with domestic and foreign firms and institutions as a means of promoting DX.

Note: Only the top five items are listed.

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IV-③. Efforts for Environment

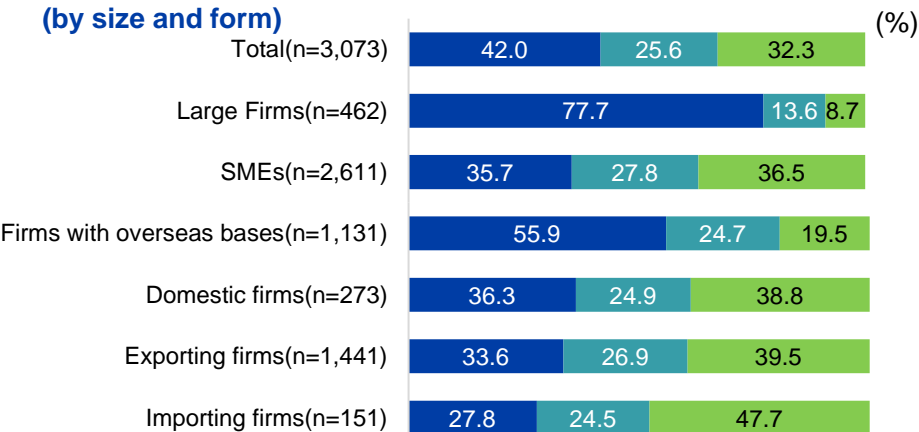
~Widening gap between large and small firms~

1 | Decarbonization efforts show little progress from the previous year

- In Japan, 40% of all firms answered that they are “already working” on decarbonization. No progress was seen from the previous year. While less than 10% of large firms said that they have “no plans to work on it”, the percentage of SMEs increased for the second year in a row.
- Overseas efforts for firms with overseas operations remained almost unchanged from the previous year. The **total number of firms that “already working” and firms that “plan to make efforts in the future” on decarbonization exceeds 60% of the total**, suggesting that overseas efforts may reach the level of domestic efforts in the future.

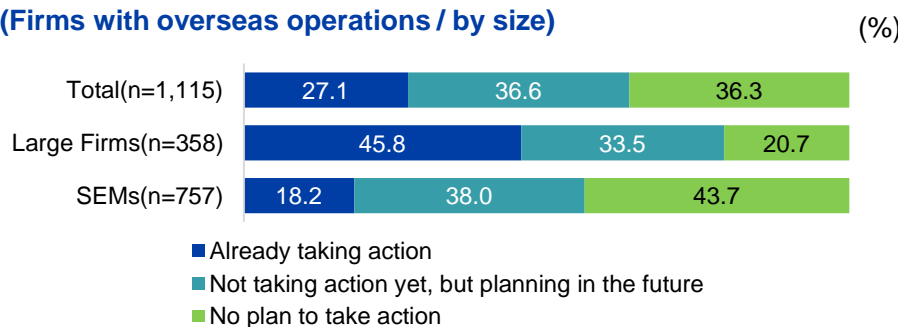
Domestic decarbonization efforts

(by size and form)



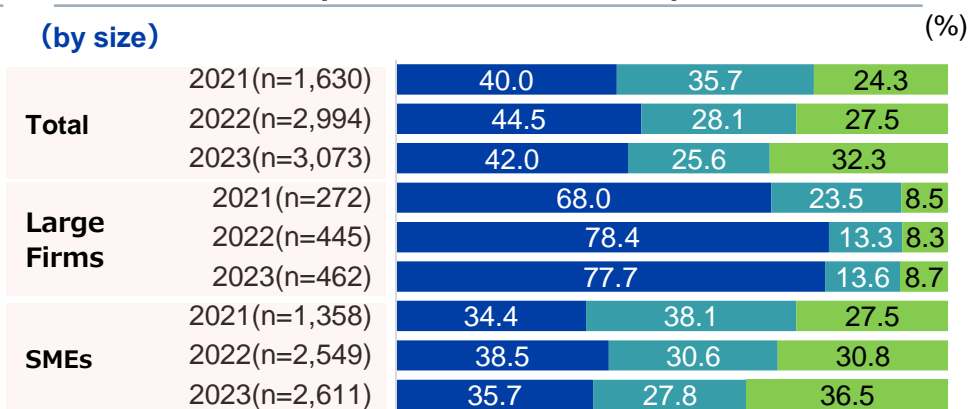
Overseas Decarbonization efforts

(Firms with overseas operations / by size)



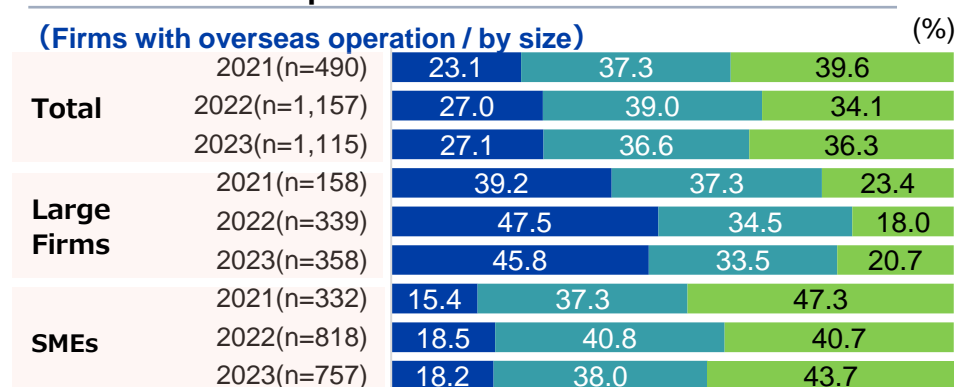
Comparison of Efforts in Japan

(by size)



Comparison of Overseas Efforts

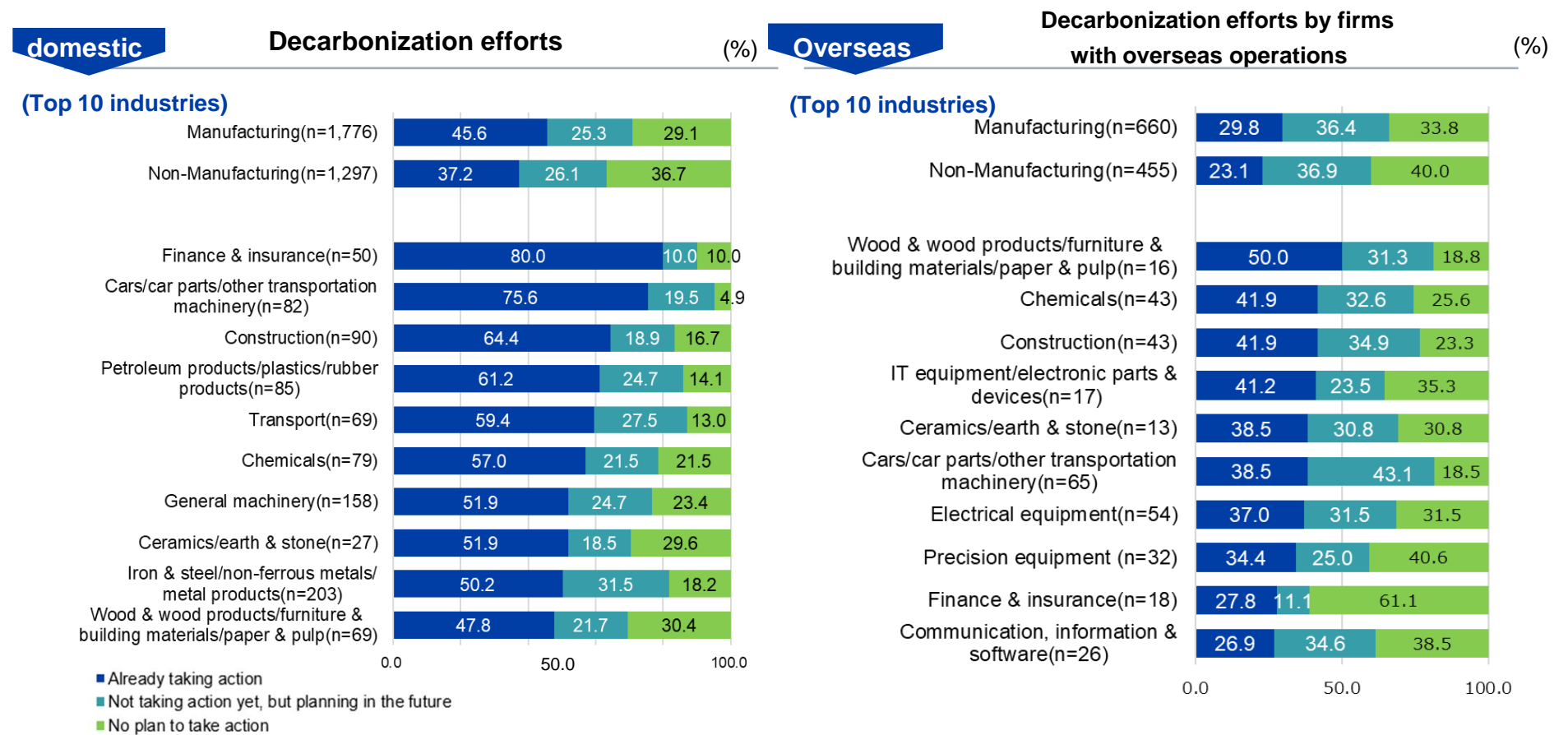
(Firms with overseas operation / by size)



Note: Domestic: n is the number of firms excluding "no answer" from the number of responding firms; Overseas: n is the number of firms excluding "no answer" from the number of responding firms with overseas operations.

2 Domestic automotive and construction industries are moving toward decarbonization

- In Japan, **80.0% of firms in the "Finance & Insurance" category answered that they are "already working on it, "Finance & Insurance" is the highest for the third consecutive year since the question was first asked.** The percentages for **"Cars/Car parts/other transportation machinery" (up 10.2 points)** and **"Construction" (up 8.0 points) also increased significantly** from the previous year. Law and regulations in these industries in Europe and other countries and regions are also affecting the status of domestic efforts.
- The number of firms with overseas operations already engaged in decarbonization **remained almost unchanged in the manufacturing (29.5% in the previous survey) and non-manufacturing (23.4% in the previous survey) sectors.**



Notes: 1) Domestic: n is the number of firms excluding "no answer" from the number of responding firms; Overseas: n is the number of firms excluding "no answer" from the number of responding firms with overseas operations. 2) Excluding other manufacturing and other non-manufacturing industries.

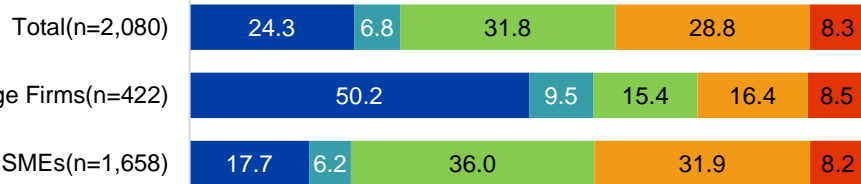
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3 | Progress in Scope 2 and Scope 3 reduction

- Among firms that are (or will be) decarbonizing, those with Scope 2 and Scope 3 reduction policies in place increased by 2.8 and 1.3 percentage points, respectively, over the previous year. **Growth was driven by large firms.**
- The industries with the highest percentage of respondents formulating reduction policies are almost the same in all Scope. In the **manufacturing industry, Cars etc, Ceramic/earth & stones, Chemicals, and Electrical Machinery; and in the non-manufacturing industry, Finance&Insurance and Transportation are in the process of formulating reduction policies.**

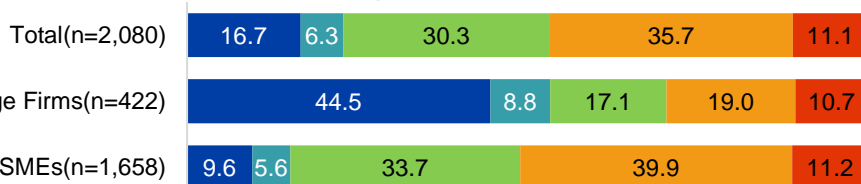
Establishment of greenhouse gas emission reduction policy (domestic)

(Scope 1: Greenhouse gases directly emitted by the firm)

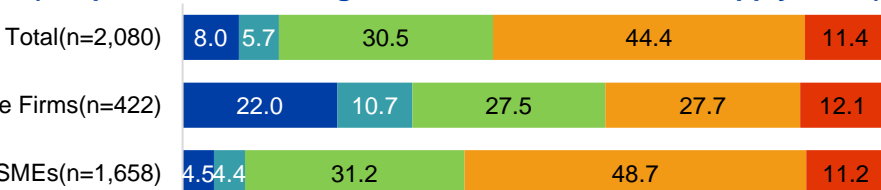


(%)

(Scope 2: Greenhouse gases indirectly emitted by the firm)



(Scope 3: Greenhouse gases associated with own supply chain)



- Reduction Policy already established
- Reduction Policy to be established within 12 months
- Reduction Policy to be established within 2-5 years
- No plan to develop a policy in the future

(Note: n is the number of firms which answered that they are "already working on decarbonization" or "not yet working on decarbonization but planning in the future.")

Top 5 industries that responded that they have "already formulated a reduction policy"

(%)

Finance & insurance (n=45)	53.3
Ceramics/earth & stone (n=19)	47.4
Cars/car parts/other transportation machinery (n=78)	46.2
Chemicals (n=62)	38.7
Transport(n=60)	35.0
Finance & insurance (n=45)	48.9
Ceramics/earth & stone (n=19)	36.8
Cars/car parts/other transportation machinery (n=78)	33.3
Chemicals (n=62)	29.0
Electrical machinery (n=80)	25.0
Finance & insurance (n=45)	22.2
Cars/car parts/other transportation machinery (n=78)	15.4
Transport(n=60)	13.3
Chemicals (n=62)	12.9
Electrical machinery (n=80)	11.3

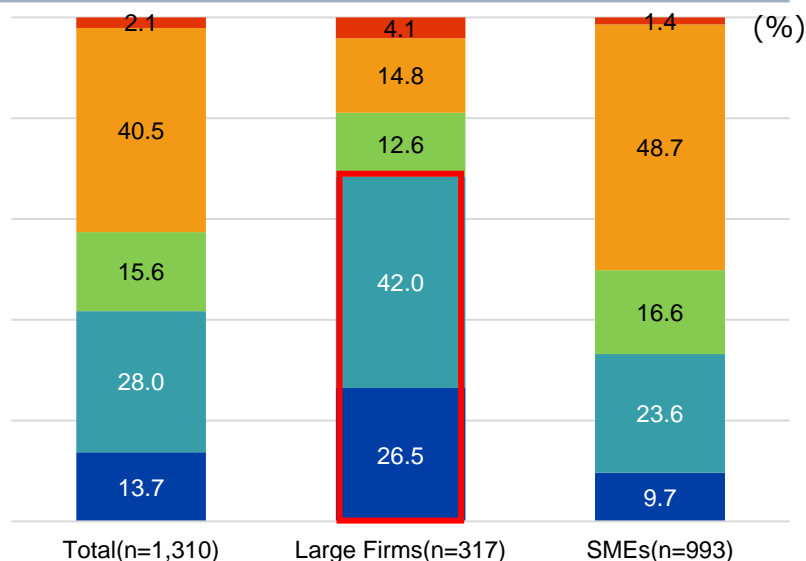
Top 3 Scope 3 actions (total n=919, multiple answers allowed)

- (1) Products and services purchased (52.7%)
 - (2) Transportation and delivery (52.2%)
 - (3) Processing of sold products, use and disposal by consumers, and transportation and disposal of waste(35.3%)
- (Note) n is the number of firms that have "formulated" or "plan to formulate" a Scope 3 reduction policy.

4 | 70% of large firms know their overall emissions

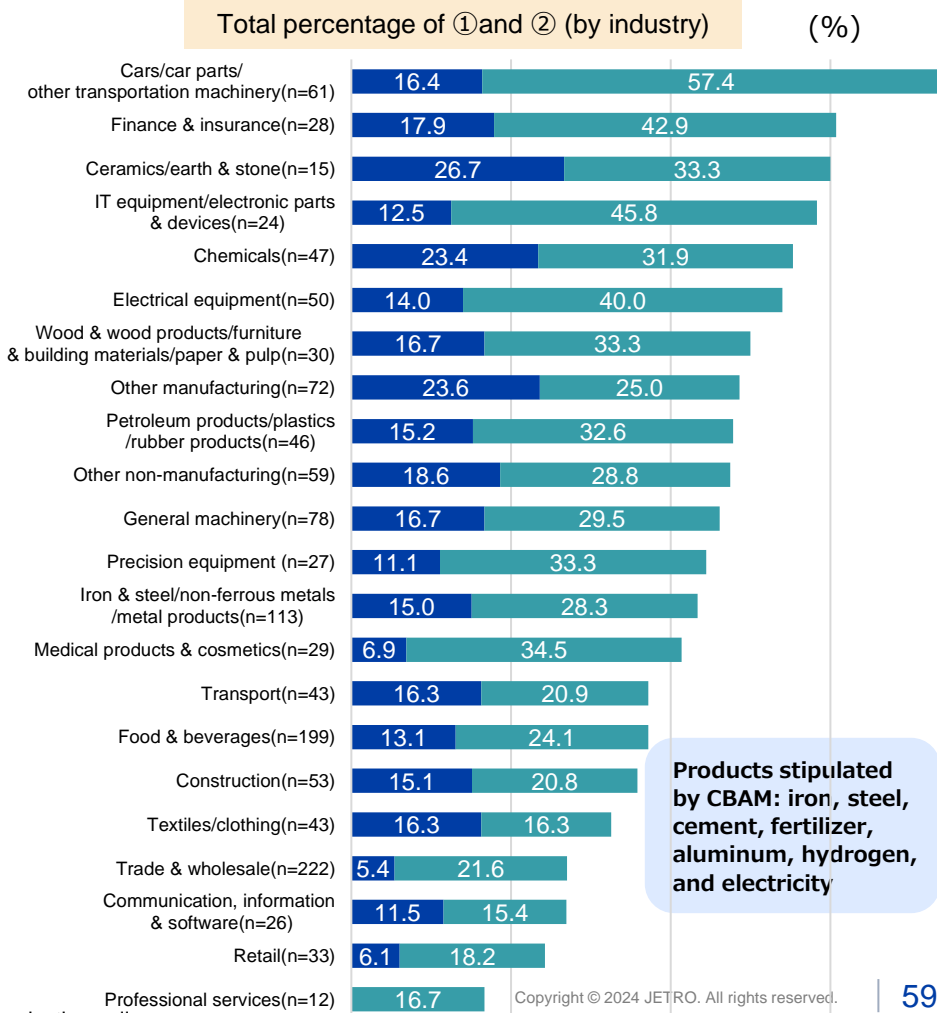
- Among the firms that have established or plan to establish a Scope 1 emission reduction policy, **nearly 70% of large firms have grasped their total greenhouse gas emissions. On the other hand, about half of the SMEs have not yet tracked their emissions.**
- In the EU, the regulation called “Carbon border adjustment mechanism(CBAM)”, which stipulates importers to report emission per unit of product or service for specific products as an initial stage of regulation began in 2024. **Only 13.7% of the respondent firms answered that they know their emissions per unit of product or service.**

Grasping firm’s own greenhouse gas emissions



- ⑤ No answer
- ④ Although the firm is working to reduce emissions, the firm does not track the amount of its own emissions
- ③ The firm knows emissions for specific process but not the amount of overall emissions
- ② The firm knows the overall emissions but not emissions per units of its products and services
- ① The firm knows the amount of emissions per units of its products and services

Note: n is the number of firms that answered that they have “established”, “will establish within the next 12 months”, or “will establish within the next 2 to 5 years” a Scope 1 reduction policy.



Products stipulated by CBAM: iron, steel, cement, fertilizer, aluminum, hydrogen, and electricity

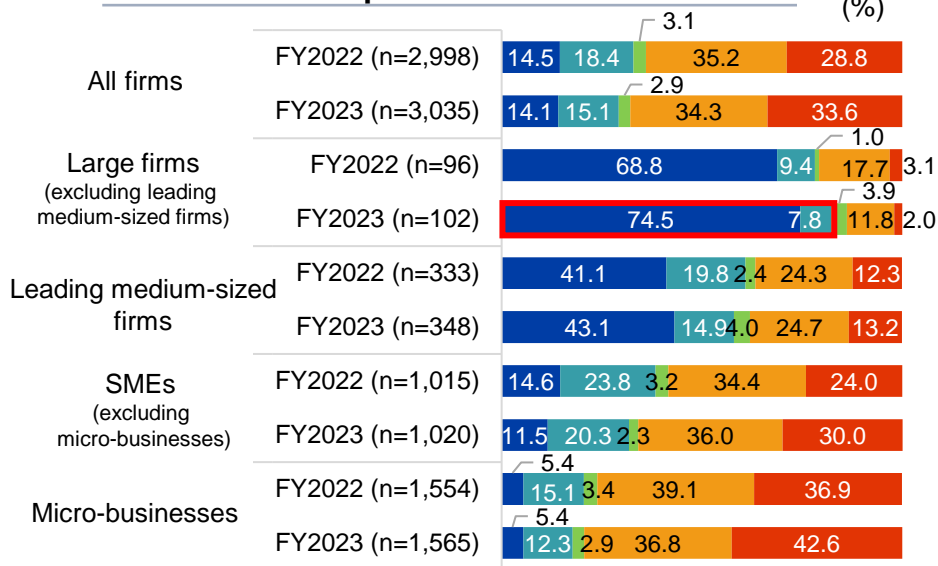
IV-④ Efforts for Human Rights

~Large firms have made progress in respecting human rights,
but there are challenges in spreading the concept~

1 Large firms have made progress in formulating and publicizing human rights policies

- **82.4% of large firms (excluding medium-sized firms) have developed a policy on the respect for human rights.** Differences in formulation and disclosure of policies are widening by firm size.
- While 14.5% of all firms require their suppliers to comply with human rights policies in their supply chain, 22.9% of all firms require their customers to comply with their customers' human rights policies.

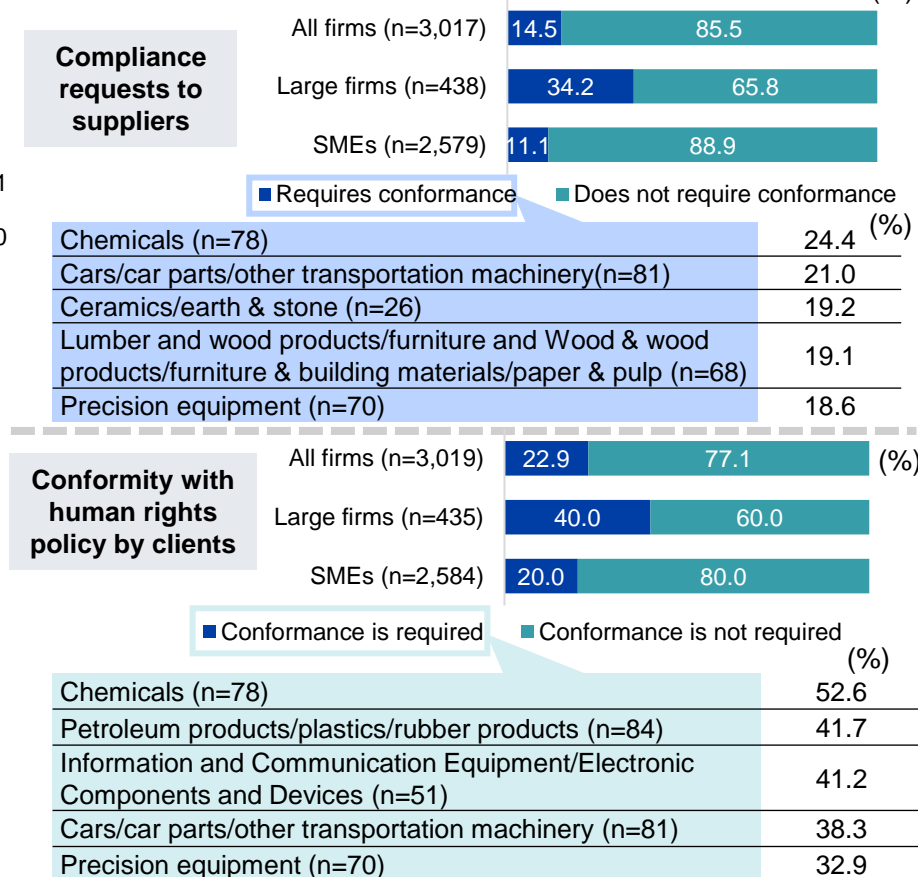
Status of human rights policy development and disclosure (%)



- A policy has been developed and published externally
- A policy has been developed but has not been published externally
- A policy has not been developed, but there are plans for developing one within a year
- A policy has not been developed but is under consideration to be developed within a few years
- No plans to develop a policy in the future

Note: n is the number of firms excluding non-response.

Status of human rights policy compliance requests (%)

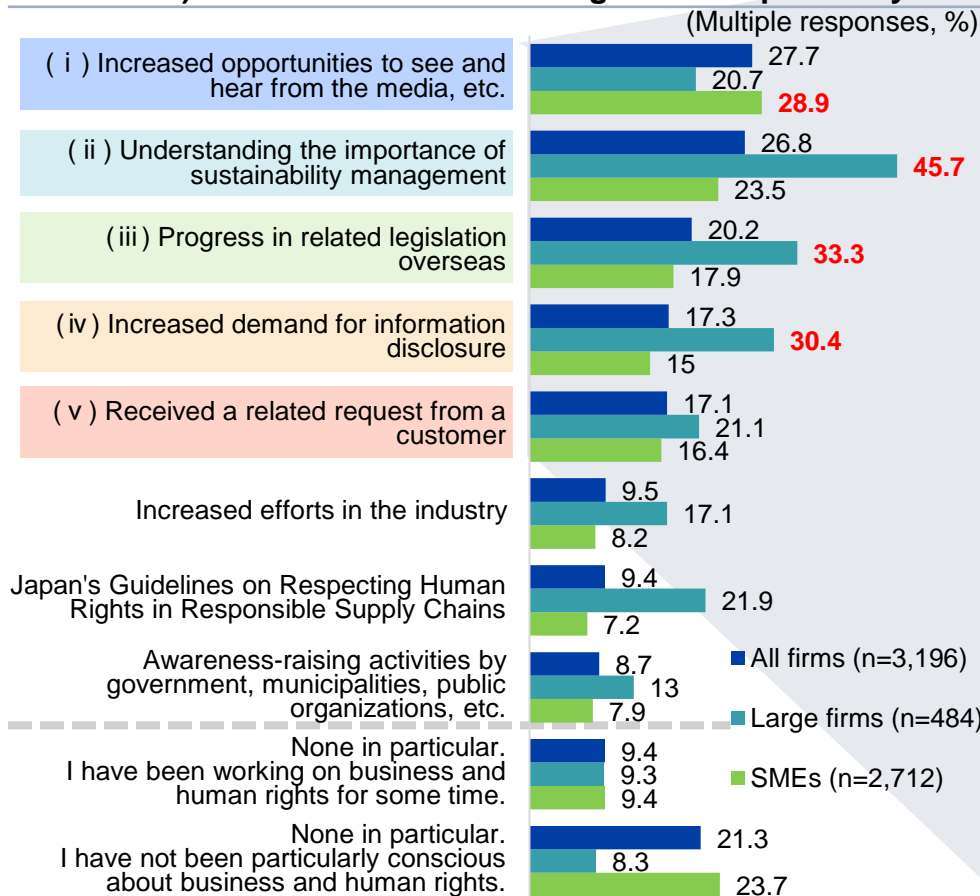


Note: The top five industries in each category are listed. n is the number of firms excluding non-response.

2 | Awareness of business and human rights in the past 2-3 years

- The top reason for awareness of business and human rights was **“increased opportunities to see and hear from the media, etc.” (27.7%)**. SMEs (28.9%) outnumbered large firms (20.7%).
- The next highest percentage for “understanding the importance of sustainability management” (26.8%), “progress in related legislation overseas” (20.2%), and “increasing demand for information disclosure” (17.3%) were in the 30% to 40% range among large firms, with large differences by industry sector.

Top 10 reasons for becoming aware (or strengthening their awareness) of business and human rights in the past 2-3 years

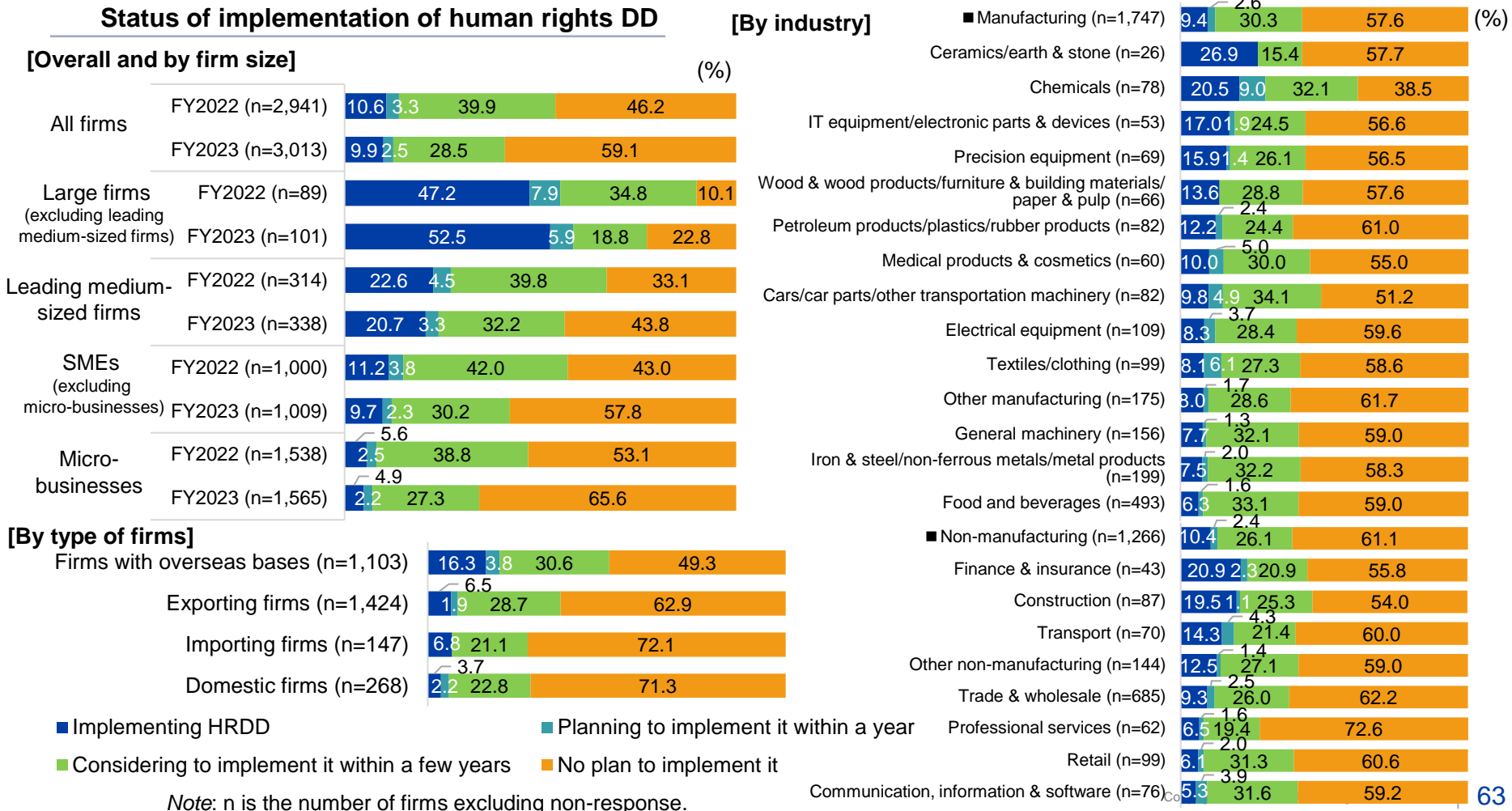


	(%)
(i) Ceramics/earth & stone (n=28)	35.7
Medical products & cosmetics (n=66)	34.8
Transport (n=71)	33.8
Retail (n=110)	31.8
Professional services (n=68)	30.9
(ii) Chemicals (n=81)	44.4
Ceramics/earth & stone (n=28)	42.9
Cars/car parts/other transportation machinery(n=85)	40.0
Construction (n=95)	37.9
Textiles/clothing (n=103)	37.9
(iii) Precision equipment (n=74)	32.4
Chemicals (n=81)	28.4
Electrical equipment (n=113)	26.5
IT equipment/electronic parts & devices (n=53)	26.4
Other manufacturing (n=184)	25.0
(iv) Chemicals (n=81)	33.3
IT equipment/electronic parts & devices (n=53)	30.2
Ceramics/earth & stone (n=28)	28.6
Precision equipment (n=74)	24.3
Medical products & cosmetics (n=66)	21.2
(v) Chemicals (n=81)	35.8
Petroleum products/plastics/rubber products (n=88)	28.4
Cars/car parts/other transportation machinery (n=85)	27.1
IT equipment/electronic parts & devices (n=53)	26.4
Precision equipment (n=74)	24.3
Iron & steel/non-ferrous metals/metal products (n=206)	24.3

Note: Top 10 items are shown on the left. The top 5 industries for each of the top 5 items (6 industries for item (v)) are listed on the right.

3 Large firms increasingly implementing HRDD, but challenges remain in penetration

- About 10% of all firms are conducting human rights due diligence (HRDD). The percentage of **large firms* increased 5.3 percentage points from the previous year to 52.5%**, but the overall percentage of firms with “no plans to implement it” increased, indicating that the penetration of DD is still an issue. *Excluding leading medium-sized firms.
- More than 20% of firms in ceramic/earth & stone (26.9%), chemicals (20.5%), and finance & insurance (20.9%) are conducting HRDD.



4 Promoting outreach and collaboration with business partners

Specific HRDD initiatives in relationships with business partners (selected excerpts)

Require compliance with own human rights and procurement policies / Compliance with supplier's policies, etc

- Explanation of policy on human rights issues (Electronic parts & devices)
- Explain CSR procurement policy and obtain written consent (Electrical equipment)
- Suppliers are provided with purchasing guidelines that include items related to human rights, and are asked to give consideration to human rights (Utilities)
- Both our company and partners are made aware of the "Basic Human Rights Policy" through a handbook (General machinery)
- The code of conduct based on the customer's human rights policy is communicated internally and awareness-raising activities are conducted to ensure compliance in all workplaces (Car parts)

Understand the status of human rights risks and response to human rights of business partners

- Confirmation of the status of human rights initiatives through supplier questionnaires (Rubber products)
- Conduct questionnaires to suppliers, and if the results indicate a high risk, conducting on-site inspections and corrective discussions (Other manufacturing)
- Conduct questionnaires to ascertain the actual status of suppliers (Trade and wholesale)
- Conduct periodic surveys and inspections of suppliers (Medical products & cosmetics)
- Audits and questionnaires on working environment at production sites (Trade and wholesale)

Reflection on business and contracts

- Contract signed with a clause on respect for human rights included in the contract (Trade and wholesale)
- Demanding compliance from suppliers when concluding contract clauses and individual contracts (Construction)
- In the "Terms and Conditions" section of the request for quotation, state that the company's human rights policy is a prerequisite for approval (Construction)
- Limited to transactions with firms that establish and practice a production environment that does not violate the spirit of fair trade, etc. (Electrical equipment)

Other

- Enlightenment and information communication on human rights (Construction) / exchange of information (Chemicals) / periodic mutual confirmation (Electronic parts & devices)
- Build equal relationships with business partners based on mutual understanding (Construction) / Always deal with them as partners, not horizontally or vertically (Textiles)
- Ensure adequate workforce (Transport) / Strictly manage overtime work (Textiles) / Do not request short delivery times, etc. (Textiles) / Do not accept excessive or aggressive discounting or delivery date negotiations in order to protect the economic or labor environment for producers and transportation chains (Retail)

Note: Of the 529 firms that responded to the question, some of the responses from those firms implementing HRDD (165 firms) are excerpted.

After reading this report, please fill out the questionnaire
(Japanese, takes about 1 minute).



<https://www.jetro.go.jp/form5/pub/ora2/20230045>

[Report version] FY 2023 | Overseas Business Survey
Survey on the International Operations of Japanese Firms

**Japan External Trade Organization
(JETRO)
Research Department
International Economy Division**



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