FY2025 | Survey on the International Operations of Japanese Firms
24th JETRO Overseas Business Survey

The U.S. and China: Prominent Presence in Both Opportunities and Risks

Japan External Trade Organization (JETRO)
Research & Analysis Department

March, 2026

Introduction

In recent years, the international business environment for Japanese firms has changed significantly, prompting movements to strengthen and reassess overseas business operations. In light of these developments, this survey analyzes trends in Japanese firms' overseas business expansion based on questionnaire responses. Areas covered include trade, e-commerce (EC), overseas expansion, business trends in the U.S. and China, recognition of geopolitical risks and responses to economic security, personnel for overseas operations and foreign talent, sustainable management, and the utilization of investment agreements.

This survey, targeting JETRO Members (JETRO‘s membership program enrollees), began in FY2002 and marks its 24th iteration this year. Since FY2011, we have also requested cooperation from non-member firms that have utilized JETRO services in the past. For FY2025, questionnaires were sent to 9,647 Japanese firms (including 3,264 JETRO Members and 6,383 Non-Members who have previously used JETRO’s services) between November and December 2025. Responses were received from a total of 3,369 firms (valid response rate: 34.9%).

We would like to take this opportunity to express our sincere gratitude to the firms that cooperated in this survey. We hope this report will serve as a useful reference for Japanese firms in formulating strategies for their overseas business expansion.

Part of this survey was outsourced to Transbird Inc.

March 2026

Japan External Trade Organization (JETRO)

Research Department

Key Findings

Overseas Business Outlook

- **The US maintained its top position as the most important intended export destination** over the next three years **at 27.1%**, the highest level since comparable data became available in FY2018, further widening the gap with ASEAN and China.
- Regarding **overseas expansion strategies**, **the US was the most frequently selected** country/region for business expansion **for the fourth consecutive year.**
- While enthusiasm for US business remains strong, particularly for exports, risks are also reckoned. **Among firms citing countries/regions of interest for business diversification or relocation to mitigate US risks, 40% named the EU** as the top choice, followed by ASEAN and Japan.
- **Signs of improvement** are emerging **in intention to expand business in China**. Expectations regarding market size and growth potential remain strong for both the US and China.

Geopolitical Risks and Supply Chains

- Amid heightened geopolitical risks, **over 70% of** responding SMEs **recognize impacts on their business or express concerns**. The most frequently cited risk factor causing concern is **"U.S.-China relations/conflicts**."
- Regarding **risk countermeasures**, **"enhancing information gathering" was the most common at 40%,** closely followed by **"reviewing sales prices, passing on costs**." Geopolitical risks significantly impact procurement (imports), sales (exports), and logistics. **Among firms** sourcing key components overseas, **China accounts for 60% of their procurement**.
- Considering geopolitical risks and exchange-rate impacts, **over a quarter of all firms are reviewing (or considering reviewing) their supply chains**, rising to **about one-third among firms with overseas bases**. Firms prioritize "stability" and "geographic proximity", when selecting new suppliers.

Personnel Responsible for Overseas Expansion

- Regarding securing personnel for overseas operations, **nearly 90% of firms** responded that **they are "short on personnel or unable to secure them."**
- **The percentage of firms hiring foreign talent stands at 52.5%**, up 2.9 percentage points from the previous survey. This marks **the highest level since the surveys began in 2014**.
- The most common reason for hiring highly skilled foreign workers is "securing multilingual foreign talent." **Over 70% of these firms desire them to have an advanced or higher business Japanese language proficiency**.

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1 Survey Implementation Overview

1. Survey Target Firms

Japanese firms (Headquarters) with high interest in overseas business: 9,647

(Breakdown) JETRO Member Firms (JETRO Members): 3,264

Firms using JETRO services: 6,383

**This survey began in FY2002 targeting JETRO Members and is now in its 24th iteration. The survey scope expanded in FY2011. Surveys for FYs 2020–2021 were conducted online only.*

2. Survey Items

(1) Company overview, (2) Status of overseas business

(3) Trade initiatives, (4) Overseas expansion initiatives

(5) Business trends in the U.S. and China

(6) Perception of geopolitical risks and responses to economic security

(7) Overseas deployment personnel and foreign talent

(8) Sustainable management

(9) Utilization of investment agreements, etc.

3. Survey Method

Surveys conducted via online and mail formats.

4. Survey Period

November 4, 2025 to December 3, 2025

5. Response Status

Valid responses: 3,369 companies (including 1,087 JETRO Members)

Valid response rate: 34.9%

Profile of Respondent Firms (Overall, by Industry, and by Firm Size)

Total / Industry / Size	Number of Firms	Composition Ratio (%)
Total	3,369	100.0
Manufacturing	2,090	62.0
Food & beverages	699	20.7
Textiles/clothing	138	4.1
Wood/furniture/paper & pulp	78	2.3
Chemicals	80	2.4
Medical products & cosmetics	84	2.5
Petroleum/plastics/rubber	65	1.9
Ceramics/earth & stone	38	1.1
Iron & steel/non-ferrous metals/metal products	178	5.3
General machinery	133	3.9
Electrical equipment	97	2.9
IT equipment/electronic parts & devices	55	1.6
Cars/car parts/transportation machinery	86	2.6
Precision equipment	83	2.5
Other manufacturing	276	8.2
Non-manufacturing	1,279	38.0
Trade & wholesale	682	20.2
Retail	144	4.3
Construction	67	2.0
Transport	48	1.4
Finance & insurance	34	1.0
Communication/information & software	91	2.7
Professional services	54	1.6
Other non-manufacturing	159	4.7
Large firms	423	12.6
Large firms (excluding mid-sized firms)	122	3.6
Mid-sized firms	301	8.9
Small Medium Enterprises (SMEs)	2,946	87.4
SMEs (excluding small-scale firms)	1,012	30.0
Small-scale firms	1,934	57.4

2 Notes

1. Percentages shown in charts and diagrams in this report are rounded off and therefore totals do not necessarily add up to 100%.

2. The "Overseas Business Situation" is as follows
   "Exporting firms": direct or indirect exports.
   "Importing firms": imports.
   "Firms with overseas bases": (excluding distributors).
   "Domestic firms": Not conducting business overseas.

3. Definitions of Large firms, SMEs, etc. are as follows : (based on capital, number of regular employees, and sales volume)

Profile of Respondent Firms (By Overseas Business Status/by Location)

Total/Category/Location	Number of Firms	Percentage (%)
Overall	3,369	100.0
Exporting firms	2,746	81.5
Firms with overseas bases	1,147	34.0
Importing firms	1,502	44.6
Domestic firms	226	6.7
Hokkaido	68	2.0
Tohoku	162	4.8
Kanto/Koshinetsu	1,421	42.2
Chubu	316	9.4
Hokuriku	124	3.7
Kansai	697	20.7
Chugoku	186	5.5
Shikoku	138	4.1
Kyushu/Okinawa	257	7.6

Classification	Other manufacturing and Others	Wholesale Trade	Retail Trade	Service Industry
Large firms	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs
Large firms (excluding mid-sized firms)	Large firms excluding mid-sized firms	Large firms excluding mid-sized firms	Large firms excluding mid-sized firms	Large firms other than mid-sized firms
Mid-sized firms	Over ¥300 million and Over 300 up to 2,000 employees	Over ¥100 million or Over 100 up to 2,000 employees	Over ¥50 million and Over 50 up to 2,000 employees	Over ¥50 million and Over 100 up to 2,000 employees
SMEs	300 million yen or less or 300 employees or fewer	Up to ¥100 million or 100 employees or fewer	50 million yen or less or 50 employees or fewer	50 million yen or less or 100 employees or fewer
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 fewer	10 million yen or less or 5 employees or fewer	10 million yen or less or 5 employees or fewer	10 million yen or less or 5 employees or fewer

Note: The definition of "SMEs" in the main categories is based on the Basic Act on SMEs of Japan. The definition of mid-sized firms is based on the Act for Partial Revision of the Industrial Competitiveness Enhancement Act, etc. for Promoting New Business Creation and Investment in Industry (Industrial Competitiveness Enhancement Act). Others are based on JETRO. However, in this survey, the main category "Large firms" includes mid-sized firms in its totals.

3 List of Industry Names Used in the Report

Manufacturing

Official Name	Abbreviation
Food & beverages	Food & beverages
Textiles	Textiles/clothing
Clothing	
Wood & Wood Products (excluding furniture)	Wood/furniture/paper & pulp
Furniture & building materials	
Paper & pulp	
Chemicals	Chemicals
Medical products & cosmetics	Medical products & cosmetics
Coal & petroleum products	Petroleum/plastics/rubber
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
IT equipment	IT equipment/electronic parts & devices
Electronic parts & devices	

Official Name	Abbreviation
Cars	Cars/car parts/transportation machinery
Car parts	
Other transportation machinery	
Precision equipment (including medical equipment)	Precision equipment
Other manufacturing	Other manufacturing

Non-manufacturing

Official Name	Abbreviation
Trade & 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	
Others Services (Travel, Entertainment, etc.)	
Other non-manufacturing	

I. Overview of Responding Firms

1 Current Trade Conditions

Firms With International Trade Operations (Total, by Industry, by Firm Size) (%)

Overall, Industry, Size	Currently Exporting	Only Exporting	Not currently Exporting	Currently Importing	Only Importing
Total (n=3,369)	81.5	42.2	18.5	44.6	5.3
Manufacturing (n=2,090)	88.6	46.4	11.4	46.3	4.1
Food & beverages (n=699)	93.6	73.5	6.4	21.7	1.7
Textiles/clothing (n=138)	79.0	37.0	21.0	53.6	11.6
Wood/furniture/paper & pulp (n=78)	87.2	51.3	12.8	37.2	1.3
Chemicals (n=80)	92.5	26.3	7.5	70.0	3.8
Medical products & cosmetics (n=84)	89.3	42.9	10.7	46.4	0.0
Petroleum/plastics/rubber (n=65)	92.3	30.8	7.7	66.2	4.6
Ceramics/earth & stone (n=38)	89.5	52.6	10.5	42.1	5.3
Iron & steel/non-ferrous metals/metal products (n=178)	84.3	33.7	15.7	57.9	7.3
General machinery (n=133)	89.5	21.1	10.5	72.2	3.8
Electrical equipment (n=97)	85.6	25.8	14.4	69.1	9.3
IT equipment/electronic parts & devices (n=55)	85.5	27.3	14.5	61.8	3.6
Cars/car parts/transportation machinery (n=86)	80.2	19.8	19.8	64.0	3.5
Precision equipment (n=83)	95.2	33.7	4.8	62.7	1.2
Other manufacturing (n=276)	83.3	34.1	16.7	55.1	5.8
Non-manufacturing (n=1,279)	70.0	35.3	30.0	41.8	7.1
Trade & wholesale (n=682)	87.2	33.7	12.8	60.9	7.3
Retail (n=144)	79.9	56.9	20.1	28.5	5.6
Construction (n=67)	37.3	25.4	62.7	22.4	10.4
Transport (n=48)	29.2	12.5	70.8	20.8	4.2
Finance & insurance (n=34)	0.0	0.0	100.0	0.0	0.0
Communication/information & software (n=91)	54.9	44.0	45.1	19.8	8.8
Professional services (n=54)	37.0	33.3	63.0	5.6	1.9
Other non-manufacturing (n=159)	47.8	37.1	52.2	20.1	9.4
Large firms (n=423)	72.1	14.2	27.9	61.5	3.5
SMEs (n=2,946)	82.9	46.2	17.1	42.2	5.5

Notes: 1) “n” is the total number of responding firms in this survey. 2) Includes indirect imports/exports through other firms. 3) Firms engaged solely in exports are those conducting exports but not imports. 4) Firms "currently not engaged in exports" are the number remaining after excluding exporting firms from the total number of responding firms. 5) Importing firms are those that import but do not export.

2 Current Overseas Operations

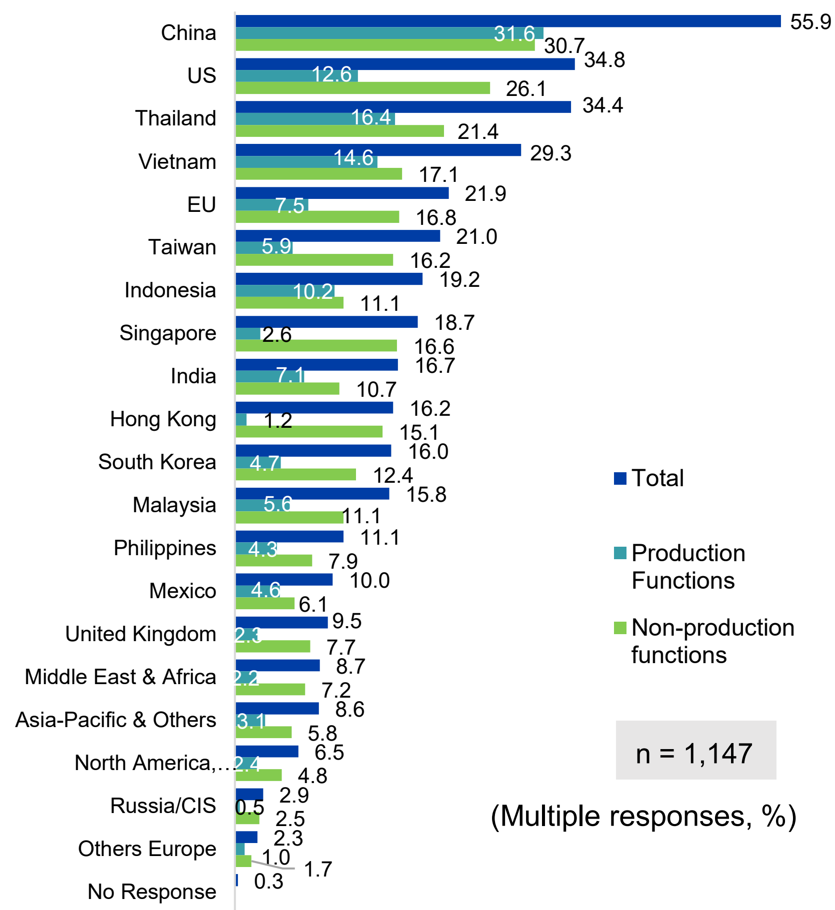
Overseas Offices (Overall, by Industry, by Firm Size)

(%)

Overall, Industry and Size	With Offices	Production Function	Non-Production Function	Without Offices
Total (n=3,369)	34.0	19.3	25.3	66.0
Manufacturing (n=2,090)	34.7	25.2	24.0	65.3
Food & beverages (n=699)	13.6	8.3	8.7	86.4
Textiles/clothing (n=138)	26.8	20.3	18.8	73.2
Wood/furniture/paper & pulp (n=78)	17.9	15.4	9.0	82.1
Chemicals (n=80)	57.5	45.0	42.5	42.5
Medical products & cosmetics (n=84)	36.9	17.9	25.0	63.1
Petroleum/plastics/rubber (n=65)	47.7	44.6	30.8	52.3
Ceramics/earth & stone (n=38)	34.2	23.7	23.7	65.8
Iron & steel/non-ferrous metals/metal products (n=178)	50.6	36.0	31.5	49.4
General machinery (n=133)	60.2	48.9	46.6	39.8
Electrical equipment (n=97)	55.7	42.3	42.3	44.3
IT equipment/electronic parts & devices (n=55)	56.4	30.9	50.9	43.6
Cars/car parts/transportation machinery (n=86)	75.6	69.8	44.2	24.4
Precision equipment (n=83)	47.0	26.5	42.2	53.0
Other manufacturing (n=276)	35.9	25.7	23.2	64.1
Non-manufacturing (n=1,279)	33.0	9.6	27.4	67.0
Trade & wholesale (n=682)	32.7	9.8	28.3	67.3
Retail (n=144)	18.1	6.9	12.5	81.9
Construction (n=67)	44.8	22.4	34.3	55.2
Transport (n=48)	58.3	6.3	52.1	41.7
Finance & insurance (n=34)	41.2	2.9	38.2	58.8
Communication/information & software (n=91)	33.0	7.7	23.1	67.0
Professional services (n=54)	33.3	1.9	33.3	66.7
Other non-manufacturing (n=159)	33.3	11.9	25.2	66.7
Large firms (n=423)	78.0	46.6	68.1	22.0
Large firms (excluding mid-sized firms) (n=122)	95.1	64.8	86.9	4.9
Mid-sized firms (n=301)	71.1	39.2	60.5	28.9
SMEs (n=2,946)	27.7	15.4	19.2	72.3
SMEs (excluding small firms) (n=1,012)	43.7	24.4	32.6	56.3
Small firms (n=1,934)	19.4	10.7	12.2	80.6

Notes: 1) n is the total number of responding firms in this survey. 2) Agents are not included in overseas bases.

Countries and Regions Where Overseas Offices Are Located



Notes: 1)"n" refers to firms with current overseas bases. 2) "Asia-Pacific and Other" refers to Asia-Pacific countries and regions excluding China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, and India. "North America, Central/South America, and Other" refers to North American and Central/South American countries and regions excluding the US and Mexico. "Other Europe" refers to European countries and regions excluding the EU and the United Kingdom.

II. Overseas Business Conditions

Geopolitics and Exchange Rates Drive Shifts and Diversification in Procurement and Production

1 Overseas Sales Ratio

Overseas Sales Ratio for FY2025 (Total, by Industry, by Company Size)

(%)

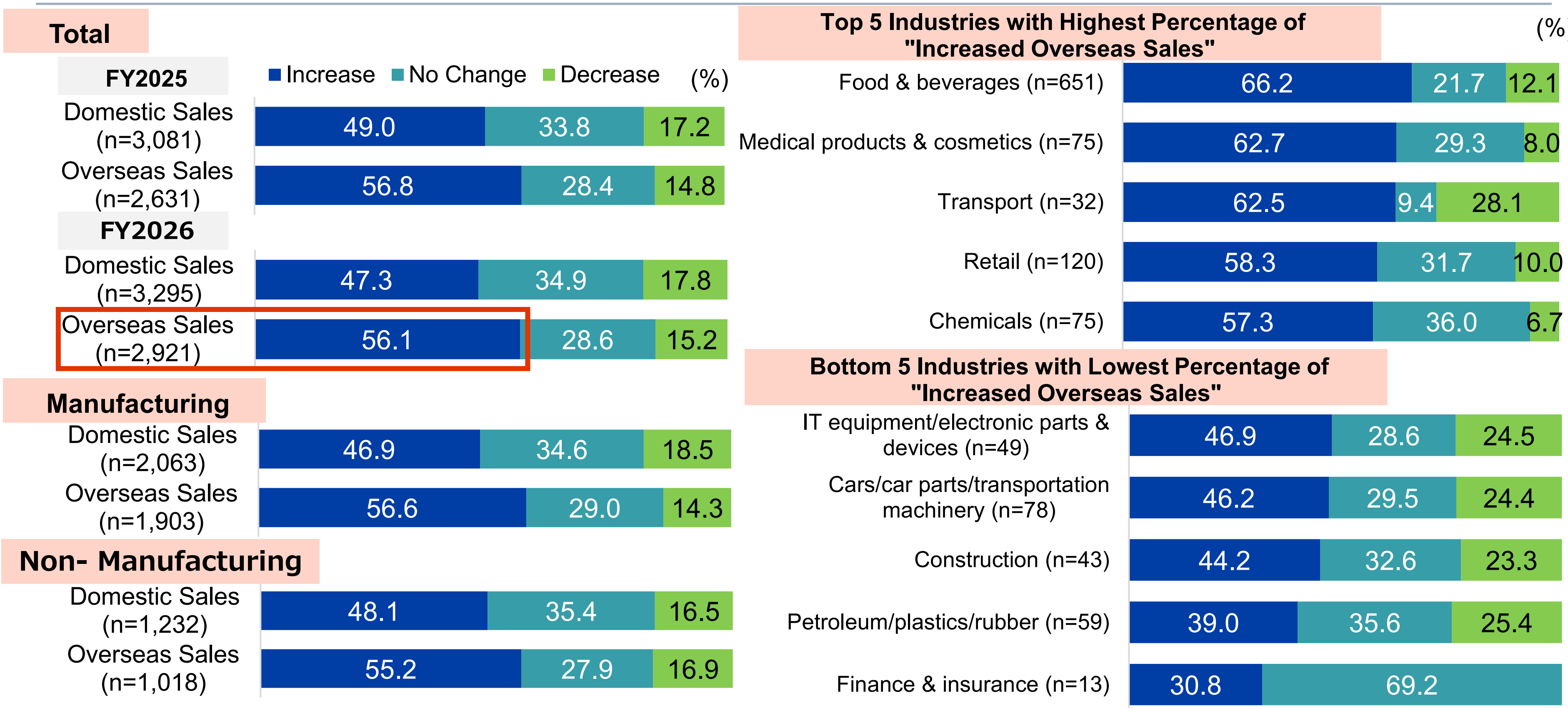
Total/Industry/Size	Less than 1%	1–5%	6–10%	11–20%	21–30%	31–40%	41–50%	51–60%	61–70%	71–80%	81–90%	91–100%	No Response
Total (n=3,143)	21.2	23.9	13.7	11.2	6.7	4.2	3.3	3.4	2.6	2.3	2.2	2.4	2.8
Manufacturing (n=1,991)	18.9	25.3	14.6	12.4	7.7	4.6	3.7	3.8	2.6	2.1	1.4	0.6	2.4
Food & beverages (n=667)	22.8	34.8	17.1	10.0	5.5	2.4	1.5	1.2	1.3	0.7	0.4	0.1	1.9
Textiles/clothing (n=130)	32.3	20.8	10.0	13.1	5.4	6.2	3.1	2.3	0.8	1.5	0.8	0.0	3.8
Wood/furniture/paper & pulp (n=70)	32.9	30.0	12.9	11.4	4.3	2.9	1.4	0.0	1.4	1.4	0.0	0.0	1.4
Chemicals (n=77)	6.5	15.6	16.9	9.1	13.0	7.8	9.1	9.1	6.5	2.6	0.0	1.3	2.6
Medical products & cosmetics (n=77)	13.0	32.5	16.9	18.2	6.5	3.9	1.3	1.3	1.3	0.0	0.0	1.3	3.9
Petroleum/plastics/rubber (n=63)	19.0	14.3	19.0	15.9	15.9	1.6	1.6	3.2	4.8	0.0	1.6	0.0	3.2
Ceramics/earth & stone (n=36)	16.7	13.9	16.7	19.4	16.7	2.8	2.8	0.0	0.0	0.0	5.6	0.0	5.6
Iron & steel/non-ferrous metals/metal products (n=171)	16.4	17.0	12.9	16.4	12.9	5.8	4.7	2.9	4.1	2.9	0.0	0.6	3.5
General machinery (n=129)	8.5	17.1	18.6	13.2	6.2	7.0	10.1	7.8	3.1	1.6	2.3	3.1	1.6
Electrical equipment (n=94)	11.7	23.4	13.8	14.9	6.4	3.2	4.3	7.4	0.0	7.4	5.3	0.0	2.1
IT equipment/electronic parts & devices (n=52)	11.5	17.3	5.8	15.4	9.6	3.8	7.7	13.5	3.8	5.8	3.8	1.9	0.0
Cars/car parts/transportation machinery (n=83)	8.4	10.8	6.0	10.8	10.8	13.3	2.4	14.5	12.0	2.4	2.4	0.0	6.0
Precision equipment (n=81)	11.1	14.8	14.8	17.3	11.1	8.6	7.4	4.9	2.5	3.7	2.5	1.2	0.0
Other manufacturing (n=261)	21.1	26.8	11.9	10.0	6.5	4.6	4.6	3.4	2.7	3.4	2.3	0.8	1.9
Non-manufacturing (n=1,152)	25.2	21.5	12.2	9.2	4.9	3.6	2.7	2.7	2.5	2.8	3.6	5.6	3.4
Trade & wholesale (n=656)	17.8	18.8	13.0	9.9	5.8	4.6	3.0	3.5	3.8	3.8	5.2	7.9	2.9
Retail (n=133)	31.6	26.3	8.3	8.3	3.0	3.0	3.8	3.8	0.0	0.8	3.0	4.5	3.8
Construction (n=51)	39.2	31.4	13.7	3.9	3.9	0.0	2.0	0.0	0.0	3.9	0.0	0.0	2.0
Transport (n=40)	5.0	25.0	10.0	17.5	10.0	7.5	10.0	2.5	2.5	2.5	0.0	5.0	2.5
Finance & insurance (n=24)	70.8	4.2	8.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.7
Communication/information & software (n=75)	38.7	32.0	9.3	5.3	1.3	4.0	0.0	2.7	1.3	0.0	0.0	2.7	2.7
Professional services (n=42)	21.4	19.0	11.9	11.9	9.5	4.8	2.4	0.0	0.0	7.1	7.1	0.0	4.8
Other non-manufacturing (n=131)	41.2	23.7	14.5	9.2	3.1	0.0	0.0	0.0	1.5	0.0	0.8	2.3	3.8
Large firms (n=403)	17.6	17.9	12.2	11.7	7.9	4.7	5.7	8.7	4.2	3.0	1.5	0.5	4.5
SMEs (n=2,740)	21.8	24.8	13.9	11.1	6.5	4.2	3.0	2.6	2.3	2.2	2.3	2.7	2.5

Notes: 1) "n" represents the number of firms engaged in exports or firms with overseas bases.
2) Sales based on exports are generally classified as overseas sales 3) Shaded areas indicate response rates of 25% or higher.

2 Overseas Sales Growth Trend Continues

- Regarding firms‘ projected domestic and overseas sales for FY 2026 (compared to the previous year), 56.1% of firms expect overseas sales to “increase,” exceeding the percentage for domestic sales (47.3%). Meanwhile, "no change" or "decrease" expectations rose slightly for both domestic and overseas sales.
- In Manufacturing, the proportion expecting overseas sales growth was 56.6% (down 2.3 percentage points YoY), while in Non-manufacturing it was 55.2% (up 1.9 percentage points), narrowing the gap between sectors. As in the previous survey, the Food & Beverages, Medical Products & Cosmetics sectors led in the proportion expecting overseas sales growth.

Projected Change in Domestic and Overseas Sales for FY2026 (vs. Previous Year)



Note: “n” represents the number of firms excluding non-respondents. For overseas sales, n represents the number of firms engaged in exports or firms with overseas bases. "FY2025" is based on the results of the previous survey on Japanese firms' overseas business expansion (FY2024).

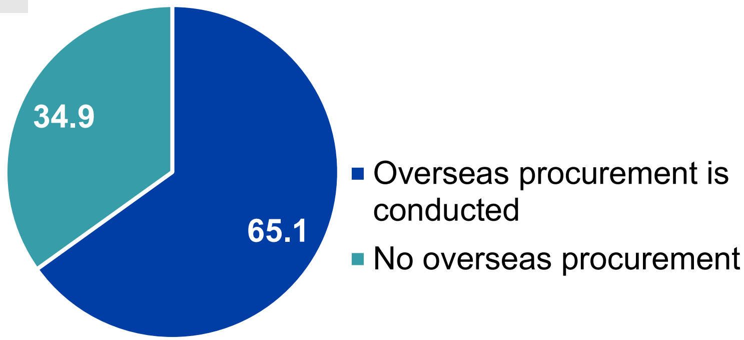
3 | Overseas Procurement of Key Raw Materials and Components is High for Electrical Equipment and Chemicals

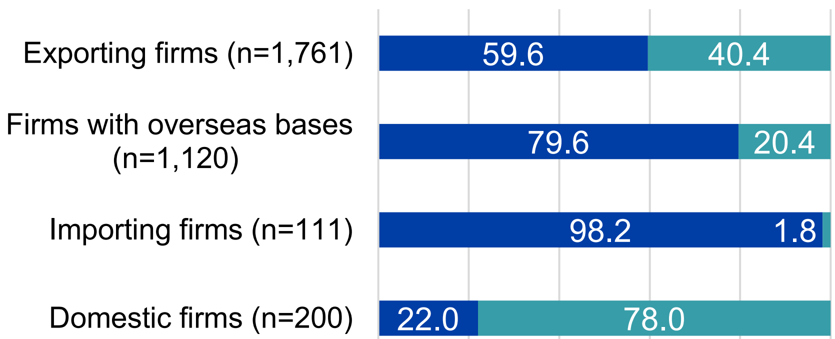
- Regarding the procurement of key raw materials and components essential for core products and services, **over 60% (65.1%) of respondents procure from overseas**.
- By industry, approximately 85% of firms in Electrical equipment and Chemicals engage in overseas procurement.

Overseas Procurement Status of Key Raw Materials and Components

n = 3,246

(%)



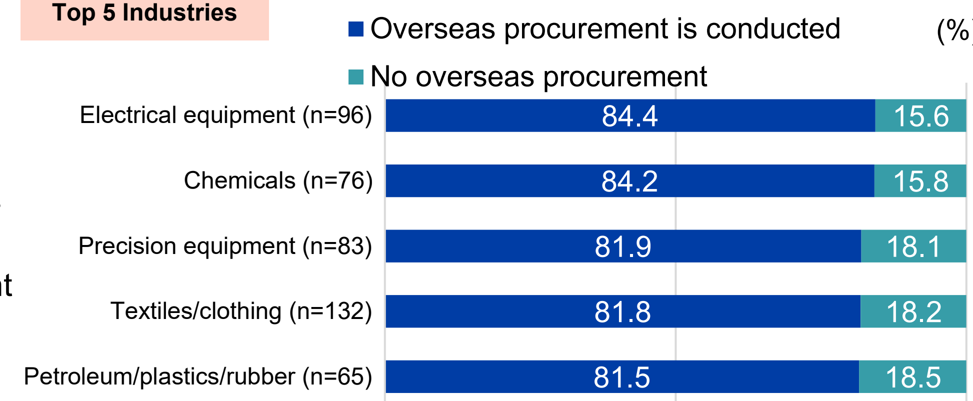


Notes: 1) “n” excludes non-responses. 2) "Engaging in overseas procurement" refers to the total of firms that responded regarding overseas procurement sources for key raw materials and parts essential to their main products and services. The "exporting firms" above are firms that export but have not expanded overseas. "Importing firms" are firms that only import (no exports, no overseas expansion). "Domestic firms" are firms that do not engage in exports, imports, or overseas expansion.

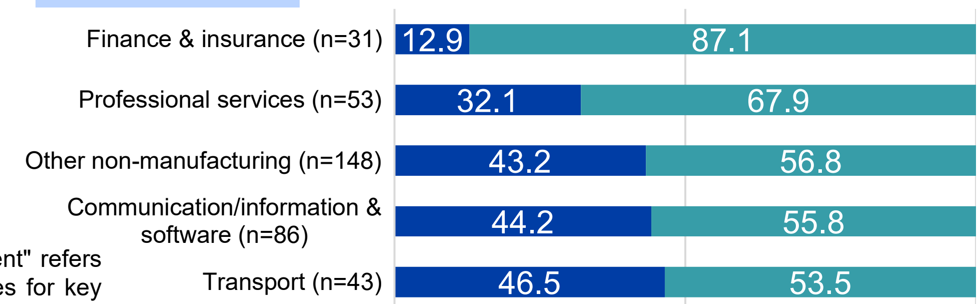
Overseas Procurement Status of Key Raw Materials and Components (Top 5 and Bottom 5 Industries)

Top 5 Industries

(%)



Bottom 5 Industries



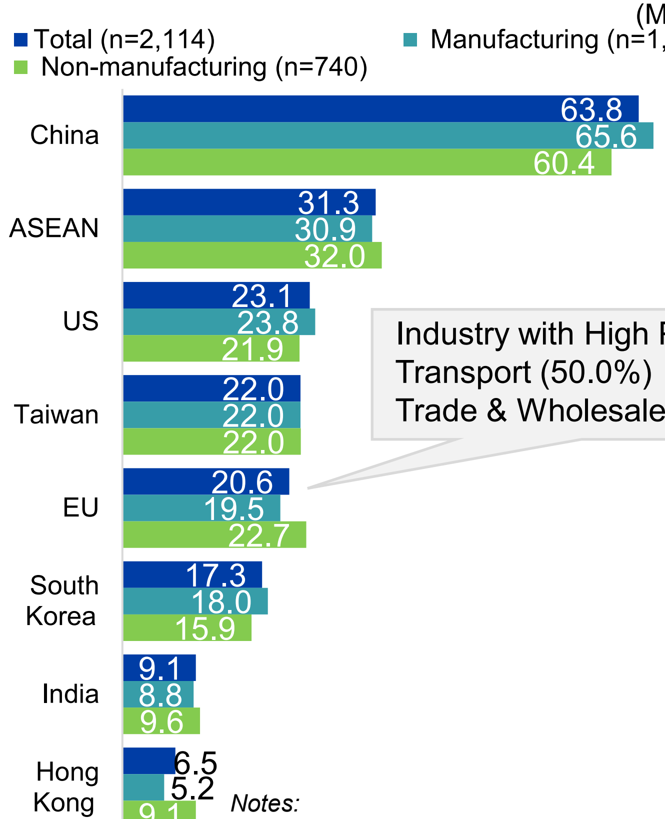
Note: “n” excludes non-responses.

4 Over 60% of Overseas Procurement of Key Materials and Components Sourced from China

- The proportion of firms sourcing from China exceeded 60% in both Manufacturing and Non-Manufacturing industries. Top sources were, in order, in Manufacturing: China, ASEAN and the US, and in Non-Manufacturing: China, ASEAN and the EU.
- Over 80% of firms in Cars/Car Parts/Transportation Machinery, Textiles/Clothing, and IT Equipment/Electronic Parts & Devices reported procuring from China.

Supplying Countries (Top 8 Countries/Regions, by Industry)

(Multiple responses,%)



Industry with High Proportion
Transport (50.0%)
Trade & Wholesale (24.7%)

Industries with High Proportion of Overseas Procurement from Major Countries/Regions

(%)

China	
Cars/car parts/transportation machinery (n=60)	83.3
Textiles/clothing (n=108)	81.5
IT equipment/electronic parts & devices (n=42)	81.0
Chemicals (n=64)	79.7
Electrical equipment (n=81)	77.8

ASEAN	
Transport (n=20)	70.0
Petroleum/plastics/rubber (n=53)	50.9
Construction (n=38)	47.4
Cars/car parts/transportation machinery (n=60)	43.3
Wood/furniture/paper & pulp (n=50)	38.0

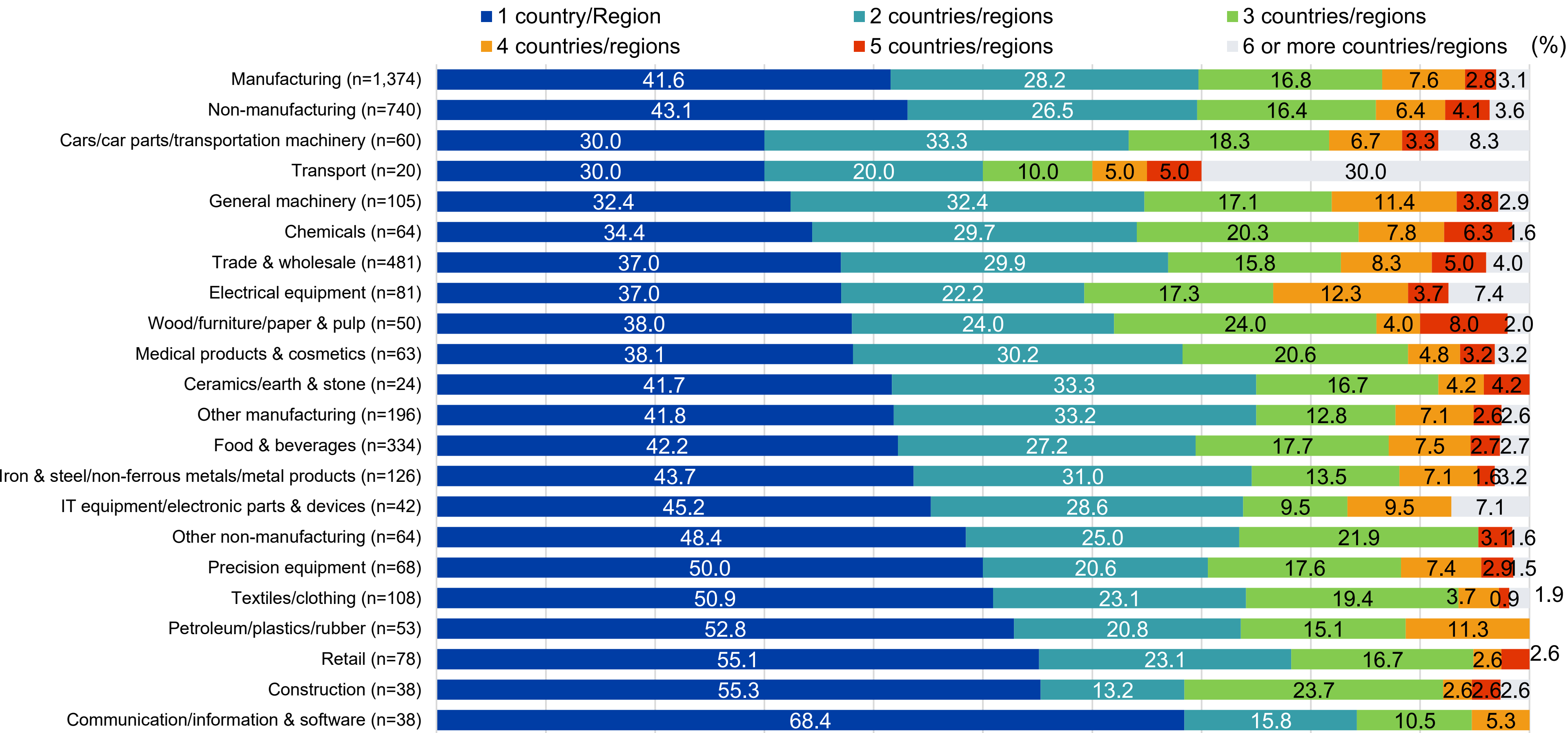
US	
Wood/furniture/paper & pulp (n=50)	42.0
Food & beverages (n=334)	41.6
Professional services (n=17)	41.2
Communication/information & software (n=38)	36.8
Transport (n=20)	35.0

Notes:
1)Other options: "Other Asia-Pacific," "Mexico," "Other Americas," "UK," "Other Europe (excluding Russia/CIS)," "Russia/CIS," "Middle East," and "Africa."
2) "n" excludes non-responses and firms selecting "No overseas procurement."

5 | 40% of Firms Source Key Raw Materials and Components from Only One Country or Region

- Among firms sourcing key raw materials and components, **approximately 40% in both Manufacturing and Non-Manufacturing sectors source from only one country/region**.
- 70% of Cars/Car Parts/Transportation Machinery and of Transport source from multiple countries/regions.

Number of Countries/Regions as Procurement Sources, by Industry



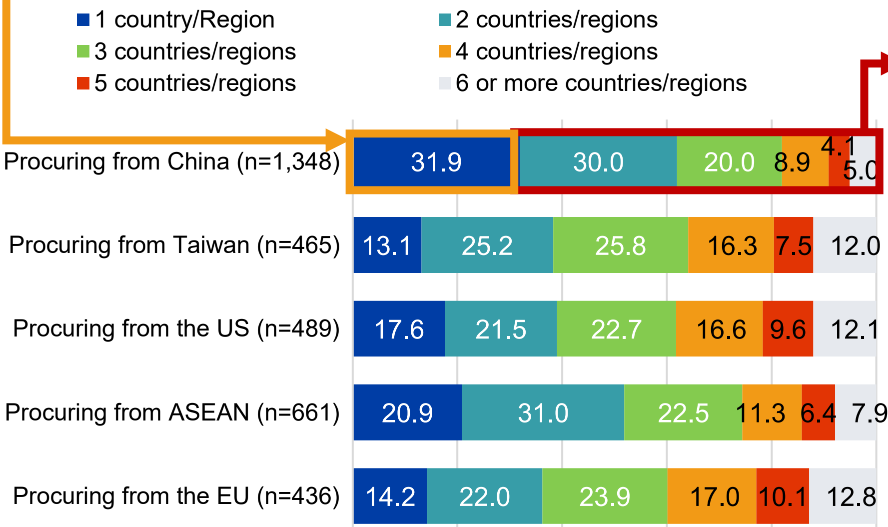
Notes: 1)"ASEAN," "EU," "Others Asia-Pacific," "Others Americas," "Others Europe (excluding Russia/CIS)," "Russia/CIS," "Middle East," and "Africa" are also counted as one country/region. 2) Only industries with n=20 or more.

6 70% of Firms Sourcing from China also Source from Other Regions

- **Approximately 20% of firms procuring exclusively from China**. **SMEs account for about 90%.**
- **Among firms sourcing from China, about 70% also source from other countries/regions**. Of these, over 40% cite ASEAN as other source. Conversely, South Korea was the largest response share for Precision equipment, and Taiwan for IT equipment/electronic parts & devices.

Percentage of Firms Sourcing Exclusively from China among All Firms with Overseas Procurement

Number of Suppliers by Procurement Country/Region



Notes: 1) "n" represents firms sourcing from the respective country/region. "1 country/region" refers to firms sourcing exclusively from that country. 2)"ASEAN," "EU," "Others Asia-Pacific," "Others Americas," "Others Europe (excluding Russia/CIS)," "Russia/CIS," "Middle East," and "Africa" are counted as one country/region.

Other Procurement Sources for Firms Sourcing from China

(Multiple responses, %)

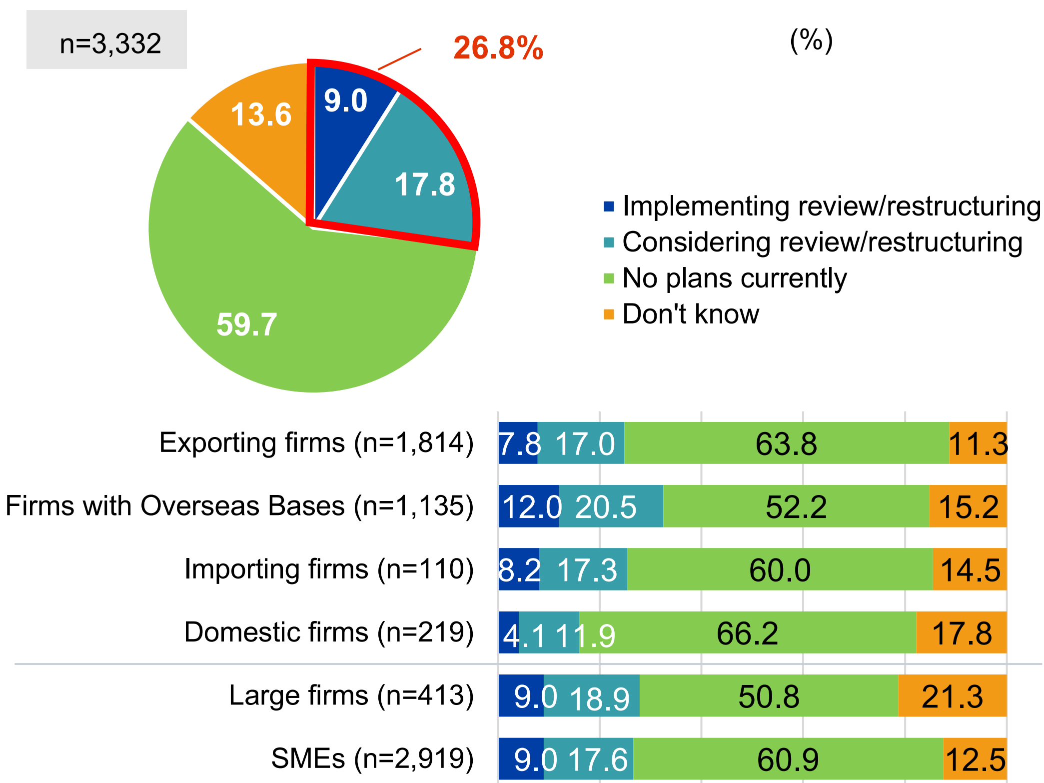
	ASEAN	Taiwan	South Korea	US	EU	India	Hong Kong
Total (918)	**44.9**	33.6	29.5	27.5	27.5	15.5	9.3
Wood/furniture/paper & pulp (20)	**70.0**	25.0	0.0	45.0	40.0	0.0	10.0
Textiles/clothing (48)	**68.8**	27.1	20.8	10.4	16.7	22.9	8.3
Petroleum/plastics/rubber (21)	**61.9**	47.6	33.3	9.5	19.0	4.8	4.8
Cars/car parts/transportation machinery (37)	**56.8**	37.8	29.7	29.7	29.7	21.6	5.4
Chemicals (35)	**54.3**	11.4	20.0	25.7	34.3	34.3	5.7
General machinery (57)	**52.6**	38.6	24.6	26.3	33.3	14.0	1.8
Electrical equipment (47)	**48.9**	46.8	46.8	27.7	27.7	12.8	17.0
Medical products & cosmetics (32)	**43.8**	25.0	34.4	18.8	37.5	12.5	3.1
Food & beverages (107)	42.1	10.3	23.4	**47.7**	24.3	12.1	9.3
Trade & wholesale (227)	**40.5**	38.3	31.7	27.3	29.1	18.1	7.9
Other manufacturing (100)	**40.0**	**40.0**	25.0	18.0	26.0	11.0	10.0
Precision equipment (26)	34.6	38.5	**46.2**	42.3	15.4	11.5	3.8
Iron & steel/non-ferrous metals/metal products (58)	29.3	**44.8**	**44.8**	22.4	24.1	13.8	6.9
IT equipment/electronic parts & devices (21)	28.6	**76.2**	42.9	23.8	14.3	9.5	9.5
Retail (22)	22.7	22.7	18.2	18.2	22.7	13.6	**27.3**

Notes: 1) Figures in parentheses indicate "n". "n" represents firms sourcing from China and at least one other country/region. Only industries with n ≥ 20 are included. 2) Bold text indicates the top response rate within each industry; red background color indicates the top three countries/regions within each industry.

7 One-Quarter of Firms are Implementing or Considering Supply Chain Reviews or Restructuring

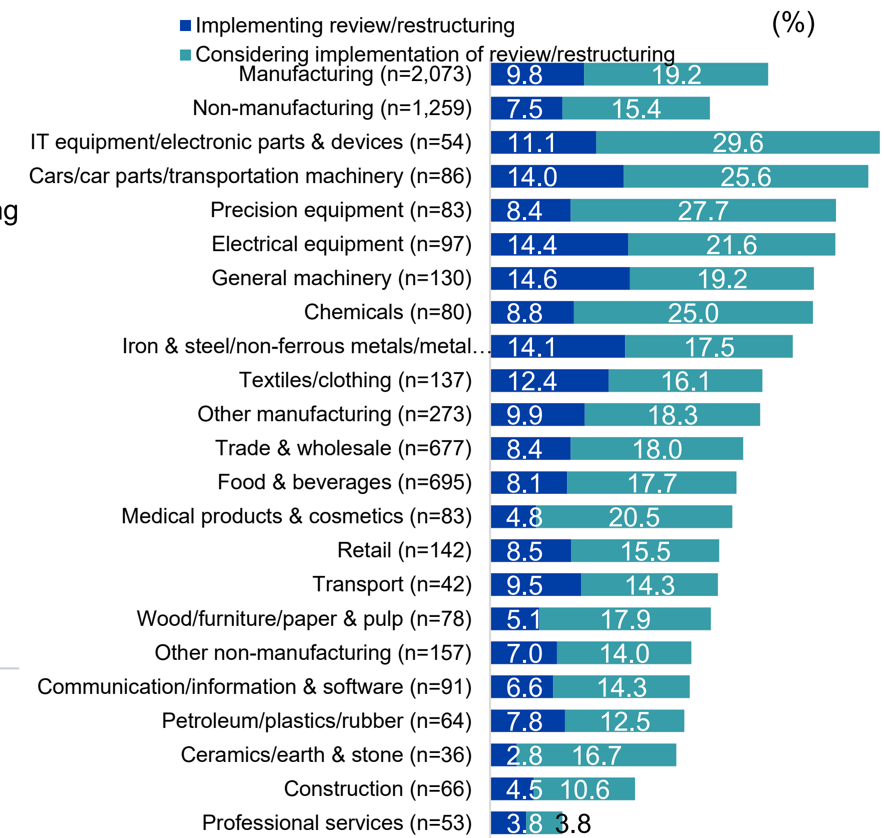
- **<u>The percentage of firms responding that they will implement supply chain reviews or restructuring within the next 1 to 2 years is 9.0%</u>. <u>Combined with firms responding that they are considering such actions (17.8%), this amounts to approximately one-quarter</u>. <u>There is a relatively high proportion among firms with overseas bases</u>.**
- By industry, approximately 40% of firms in IT Equipment/Electronic Parts & Devices and Cars/Car Parts/Transportation Machinery sectors responded that they are implementing or considering a review or restructuring.

Status of Supply Chain Review/Restructuring Over the Next 1-2 Years



Notes:1) "n" excludes non-responses. 2) "Exporting firms" above refer to firms that export but have not expanded overseas. "Importing firms" refer to firms that only import (no exports, no overseas expansion). "Domestic firms" refer to firms that do not export, import, or expand overseas.

Status of Supply Chain Review/Restructuring Over the Next 1-2 Years (by Industry)



Note:"n" excludes non-responses. The percentages of firms responding "No specific plans" or "Don't know" are not shown, so the total does not equal 100%.

8 Transfer and Diversification of Procurement and Production, as well as Reviews due to Yen Depreciation

- Some firms are moving toward relocation and diversification of both procurement and production to mitigate geopolitical risks. **Multiple firms are also reviewing suppliers and production countries to respond cost increases due to yen depreciation.**
- While there are multiple firms diversifying procurement and production away from China, some firms are expanding procurement and shifting production to China to reduce costs.

Supply Chain Review and Restructuring Measures (Implemented or Under Consideration)

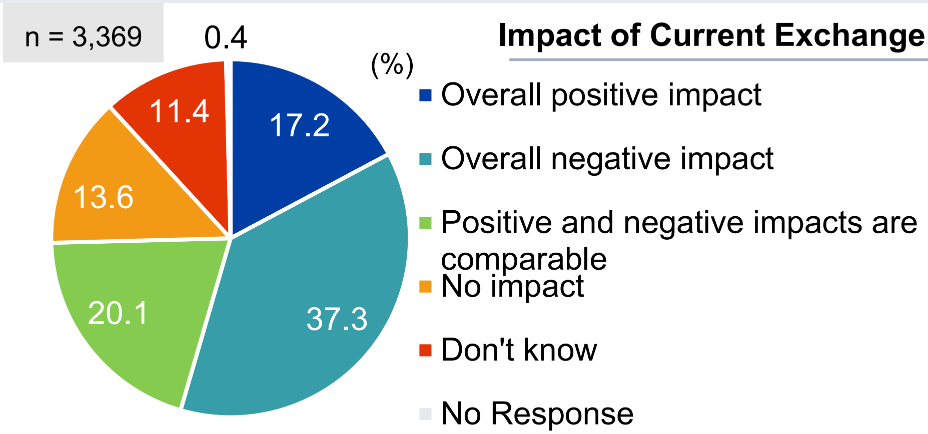
	Procurement	Production	Sales
Japan	-**Partially shifted to domestic procurement** based on a business continuity plan (BCP) perspective (Other manufacturing) -Overseas procurement halted due to quality concerns and yen depreciation; transitioning to **domestic procurement** (Trade & Wholesale)	-In light of China/Taiwan relations, **considering partial domestic production of some products and those currently assembled in Taiwan** (Precision Equipment) -Gradually reducing production share in China and **strengthening domestic production** (Clothing)	
Asia	-**Expanding procurement from China** to reduce costs (General Machinery) -Specifically for Chinese-sourced goods, **considering procurement/purchasing from multiple countries** (Trade & wholesale) -Reviewing raw materials highly dependent on China (Chemicals) -**Promotomg procurement from countries neighboring** Vietnam to strengthen BCP (General machinery) -Shift sourcing **to Taiwan and ASEAN** for products exported to the US (Trade & Wholesale)	-Shifting production to **India, Taiwan, China, Vietnam, and Thailand** as it has become difficult to achieve further cost reduction in Japan (Other Manufacturing) -Plans to shift production to other countries as customers reassess **production in Chinese** (Non-ferrous metals) -Scrutinizing production contractors to reduce outsourcing to China, **consider increasing outsourcing to ASEAN region** (Clothing) -**Shifting production from China to Southeast Asia or Central Asia due to declining cost competitiveness** (Trade & Wholesale)	-**Reducing sales of cosmetics to China to prevent risks** (Retail) -**Exploring new sales opportunities in China and India** (Trade & Wholesale) -**Strengthening sales to Taiwan and South Korea** (Trade & Wholesale)
North America		-**Considering to start producing in the US** to mitigate US-China risks (Electronic Parts & Devices)	-For **products destined for the US**, in addition to tariffs, logistics costs and handling fees, are making it increasingly difficult **to secure profits** (Food & beverages) -Considering **restructuring retail network in the US** (Precision Equipment) -**Expanding sales within the US** (Other Manufacturing)
Others Regions	-Considering overseas procurement due to rising domestic procurement costs (Electrical Equipment) -Mitigating procurement risks through sourcing diversification (Chemicals) -Reviewing procurement networks for rare earth-related components (Electrical Equipment)	-Evaluating optimal production locations due to tariffs (Car Parts) -Overseas manufacturing unsustainable under Japan's cost environment; accelerate shift to local production (Car Parts)	-**Expanding sales networks in Africa, Central Asia, and Europe** (Metal Products) -Shift focus from Asia/Oceania to strengthen sales in **EU, North America, and Latin America** (Trade & Wholesale)

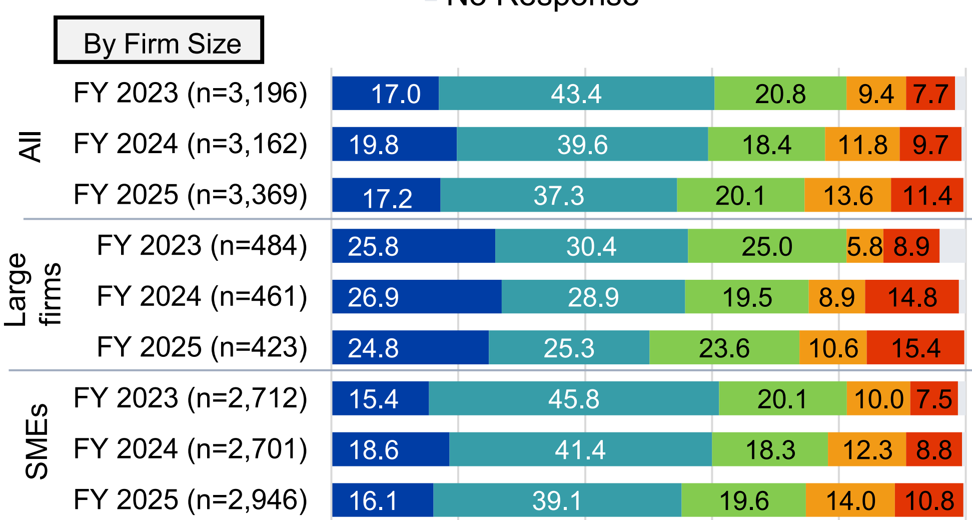
Note: Free-response answers are supplemented or edited where necessary to clarify the respondent's intent, without altering the original meaning.

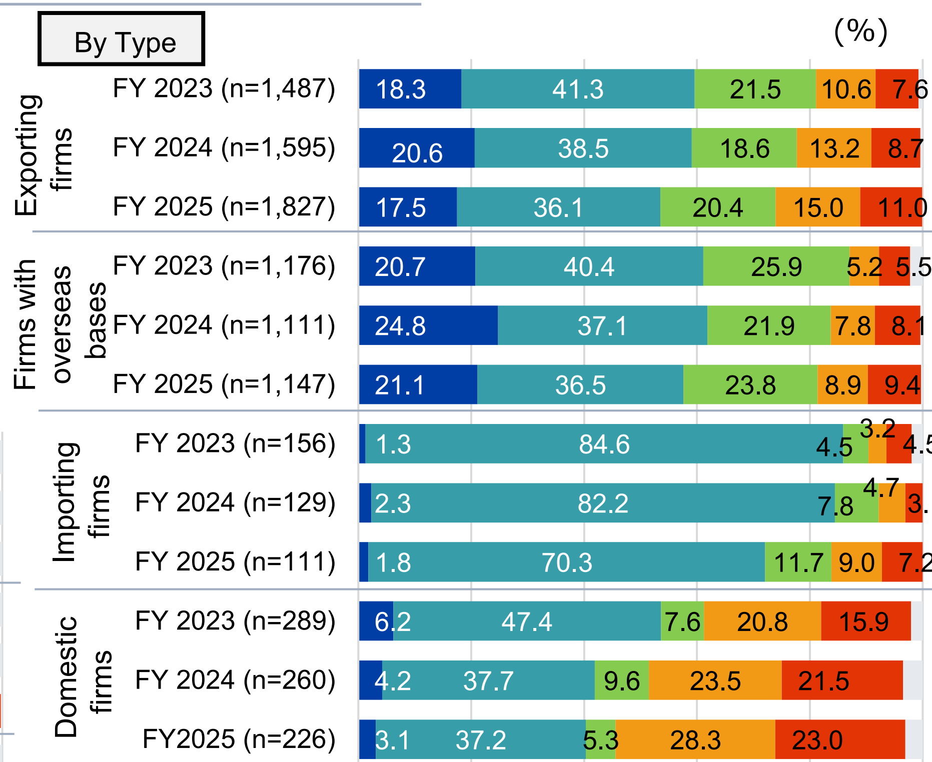
9 Mitigation of Negative Impact of Exchange Rates on Performance Continues

- **<u>Regarding the impact of yen depreciation on business performance in FY2025, 37.3% of firms responded an "overall negative impact,"</u>** a decrease of 2.3 points from the previous year's survey (39.6%). The proportion responding that "positive and negative impacts are comparable" increased by 1.7 points, exceeding the proportion of firms responding that there would be an "overall positive impact," which decreased by 2.6 points.
- By firm size, large firms reported a higher proportion of positive impacts, while by business type, firms with overseas bases reported a higher proportion of positive impacts.

Impact of Current Exchange Rates on FY2025 Performance







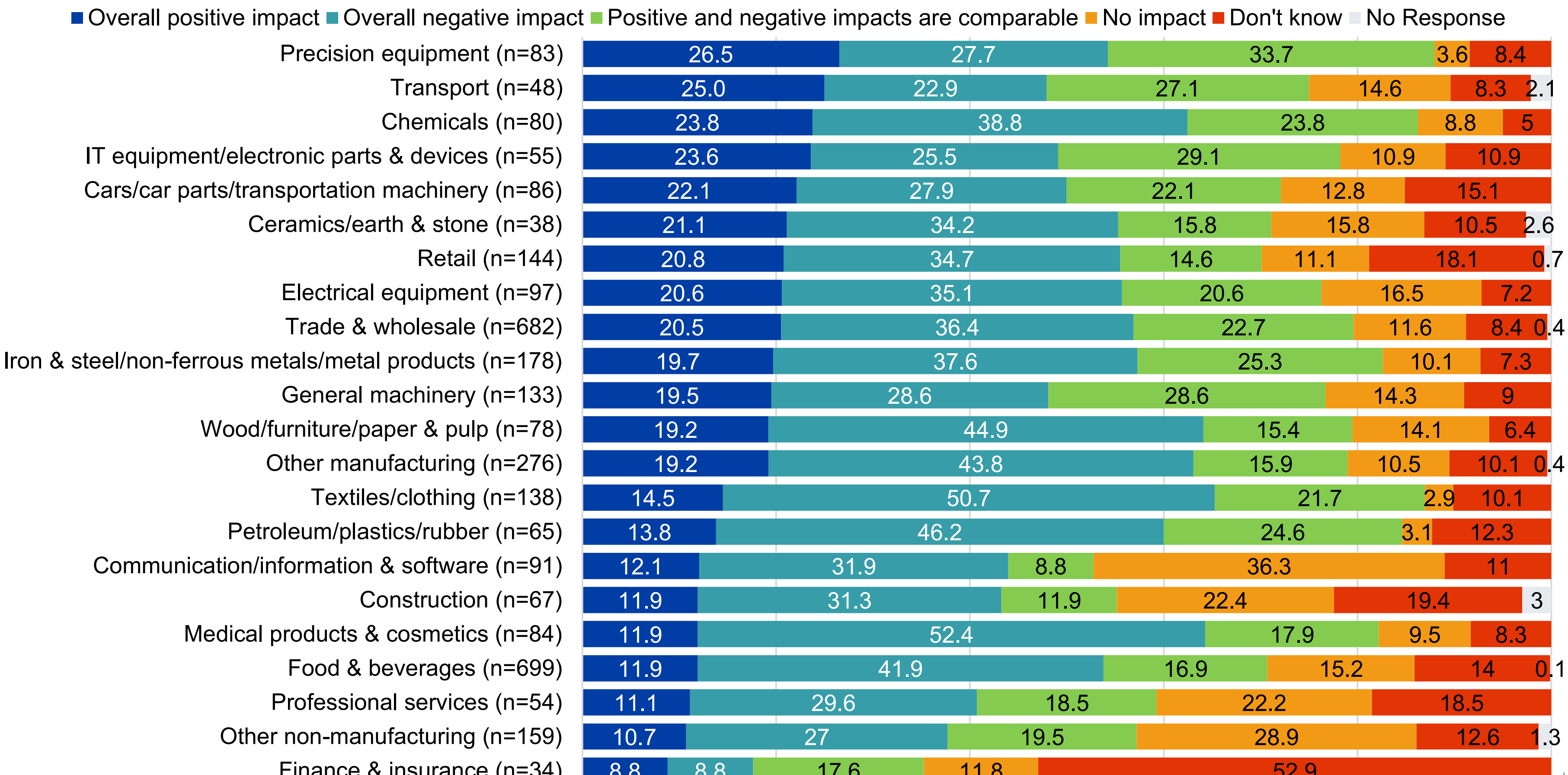
Note: "Exporting firms" above refer to firms that export but have not expanded overseas. "Importing firms" refer to firms that only import (no exports, no overseas expansion). "Domestic firms" refer to firms that do not export, import, or expand overseas.

10 Percentage of Firms in the Automotive Industry Experiencing “Positive Impact” Declines

- Looking at firms that stated exchange rates would have an “overall positive impact” on their performance in FY2025, **Precision Equipment had the highest percentage at 26.5%.** This represents a 5.5-point decrease compared to the previous year's survey. The largest decrease was in Cars/Car Parts/Transportation Machinery, down by 14.3 points.
- The proportion of firms responding that "positive and negative impacts are comparable" increased in many manufacturing sectors. Notably, in Precision Equipment, this proportion rose by 17.1 points to 33.7%.

Impact of Current Exchange Rates on FY2025 Performance (by Industry)

(%)

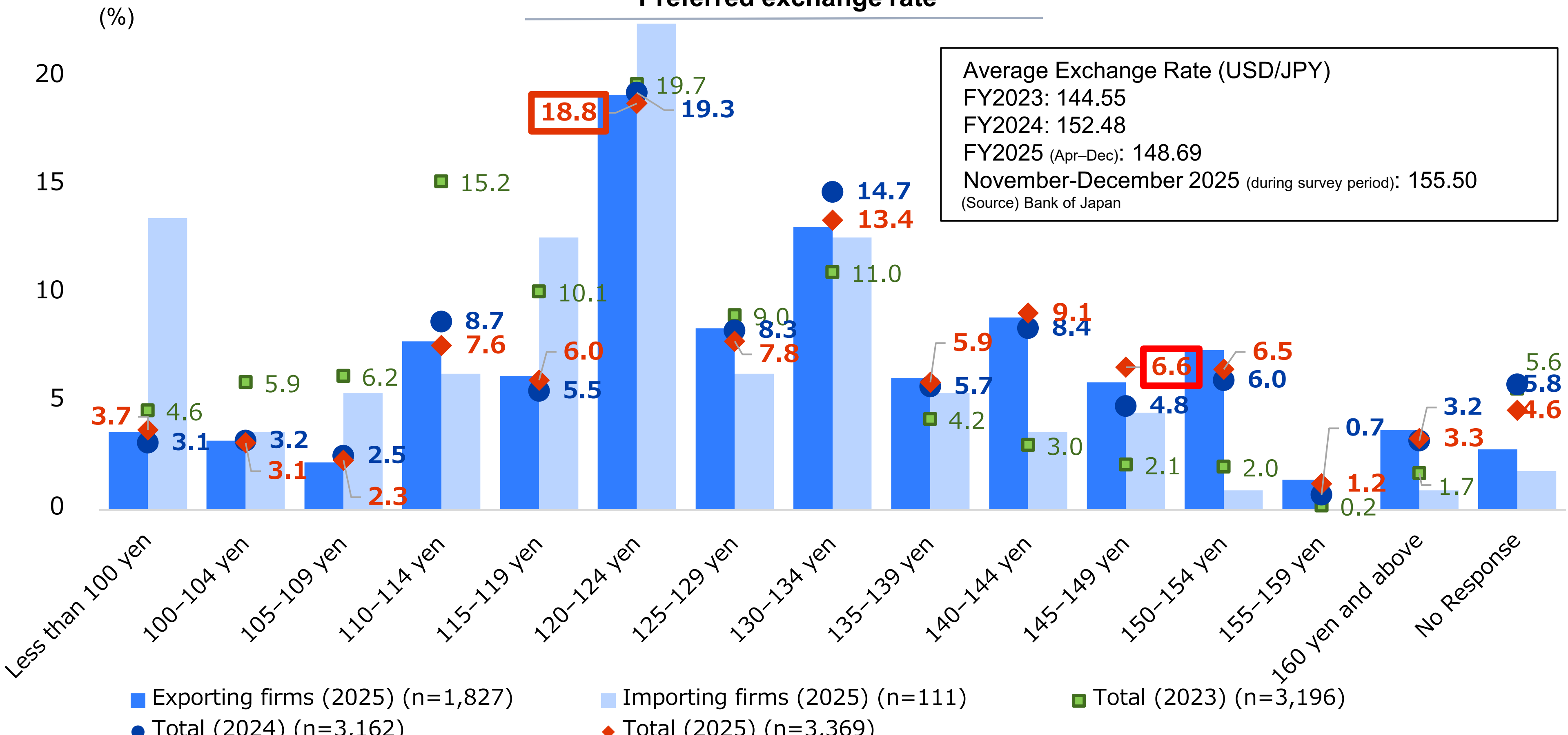


Note: In descending order of the percentage of respondents who answered "overall positive impact"

11 Continued Trend of Yen Depreciation in Preferred Exchange Rate

- **<u>The most common preferred exchange rate was 120-124 yen per dollar</u>**, selected by 18.8% of total respondents, unchanged from the previous year's survey. Meanwhile, the proportion of firms selecting 135 yen or higher increased from the previous year. Notably, the 145-149 yen range saw the largest increase, by 1.8 points.
- Following the previous year's survey, the preferred exchange rate continues to shift toward a weaker yen. This likely reflects a response to the prolonged depreciation of the yen.

Preferred exchange rate

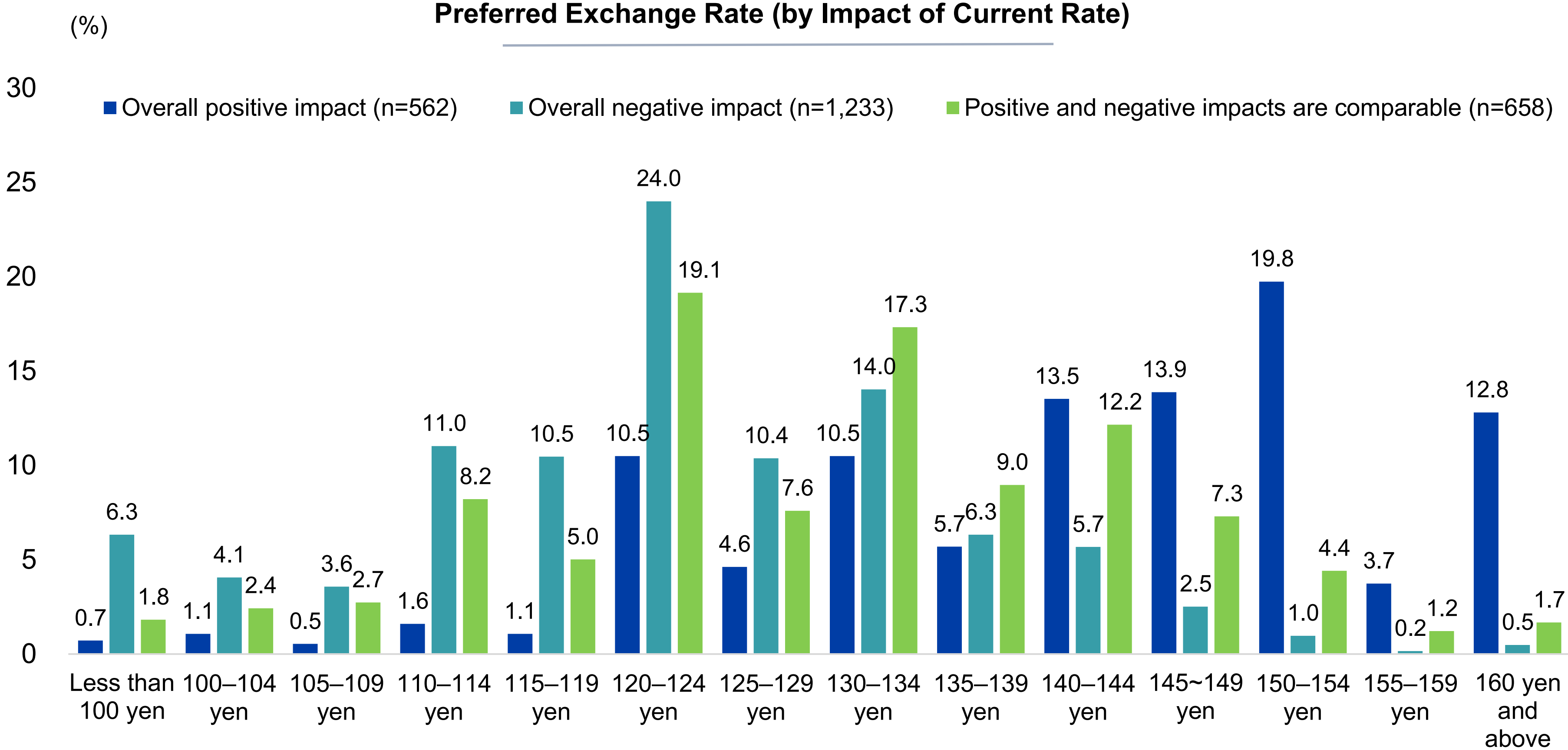


Note: "Exporting firms" above refer to firms that export but have not expanded overseas. "Importing firms" refer to firms that only import (no exports, no overseas expansion).

12 Among Firms Benefiting from Current Exchange Rate, 20% Prefer Rates in 150 Yen Range

- Looking at the impact of exchange rates on the performance in FY2025, among firms reporting an "overall positive impact," the largest proportion cited 150-154 yen as the desired rate. Over 10% of firms cited 160 yen or higher.
- Among firms responding that the impact would be “overall negative impact” or “positive and negative impacts are comparable," the largest proportion cited 120 to 124 yen.

Preferred Exchange Rate (by Impact of Current Rate)



Note: “n” represents firms that responded to this question, and provided answers regarding the impact of exchange rates on their business performance.

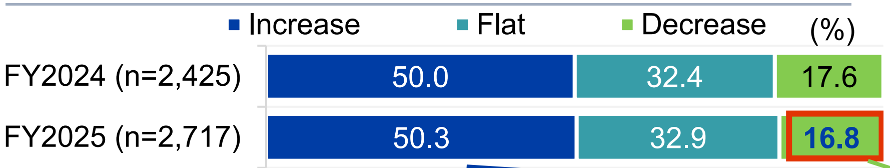
III. Trade Initiatives

Responses Identifying the US as the Most Important Export Destination Reach a Record High

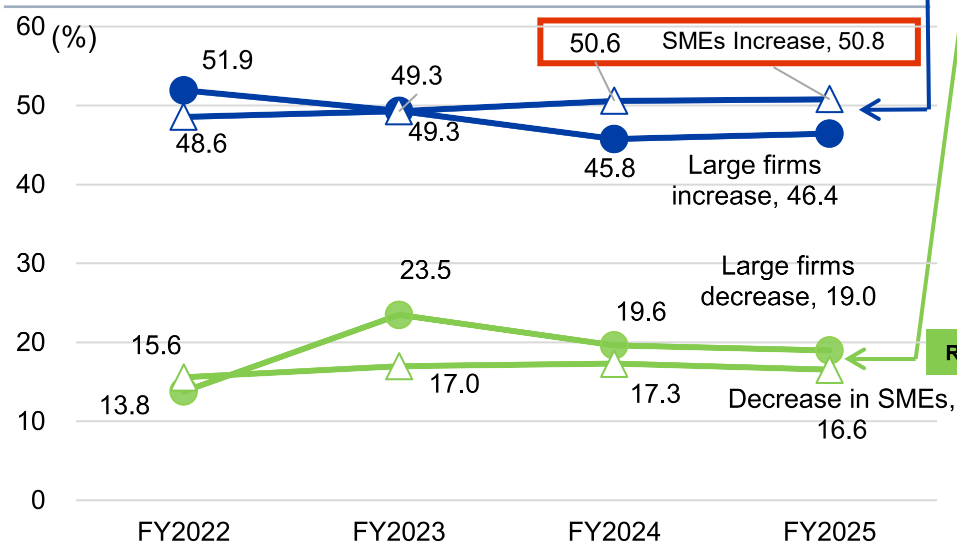
1 Export Outlook for FY 2025 Shows an Improving Trend Compared to the Previous Year

- Regarding the export outlook for FY2025, 50% of exporting firms expected their export volume to “increase.” **Firms responding "decrease" accounted for 16.8%, an improvement from the previous year (17.6%).**
- Looking at comparable data since FY2022, large firms reported a higher percentage of "increase" responses (51.9%) than SMEs (48.6%) in FY2022. However, for FY2025, **SMEs reported an "increase" for the second consecutive year, exceeding the response rate of large firms.**
- Reasons for decrease included "intensified competition," which increased by 4.7 percentage points year-on-year. **Additionally, 25.1% of firms cited the impact of US tariffs.**

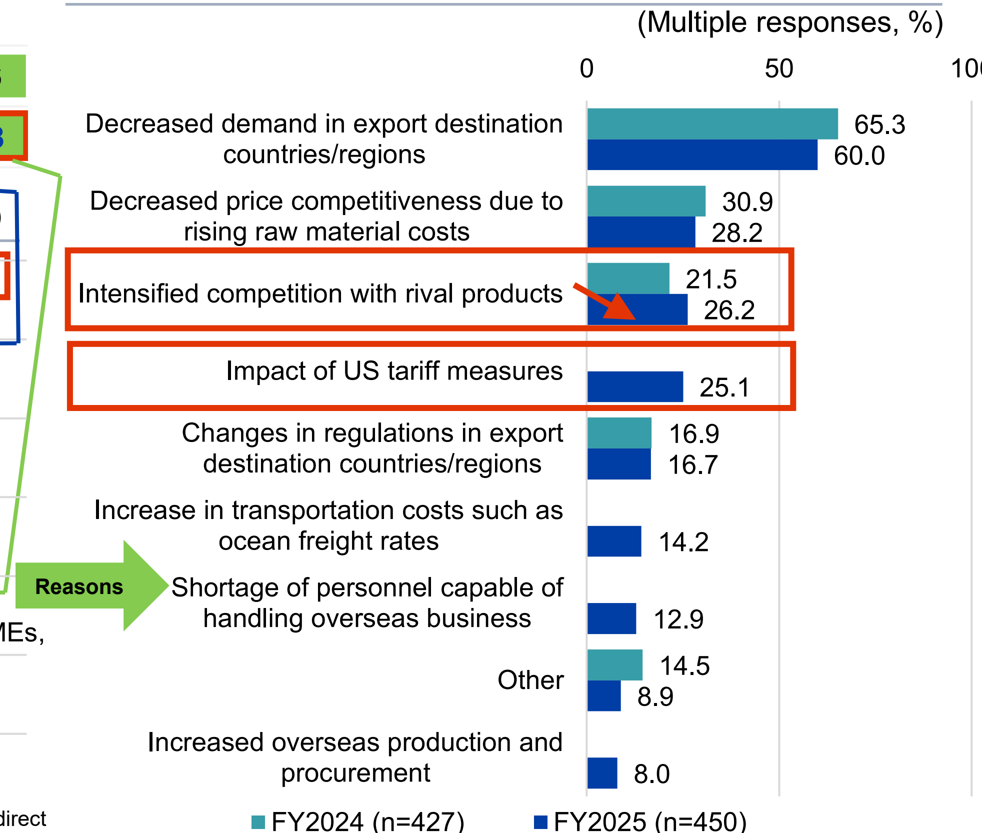
Export Outlook (Year-on-Year, Volume Basis)



Year-on-Year Comparison of Export Outlook (Large firms/SMEs)



Factors Contributing to Export Decline



Note: “n” represents the number of firms among all respondents to this survey that engage in direct exports by their own firm or indirect exports through other firms, excluding those that did not respond.The n in the left graph represents: FY2022 (Large n = 312, SME n = 2,035), FY2023 (Large n = 298, SME n = 2,020), FY2024 (Large n = 306, SME n = 2,119), FY2025 (Large n = 295, SME n = 2,422).

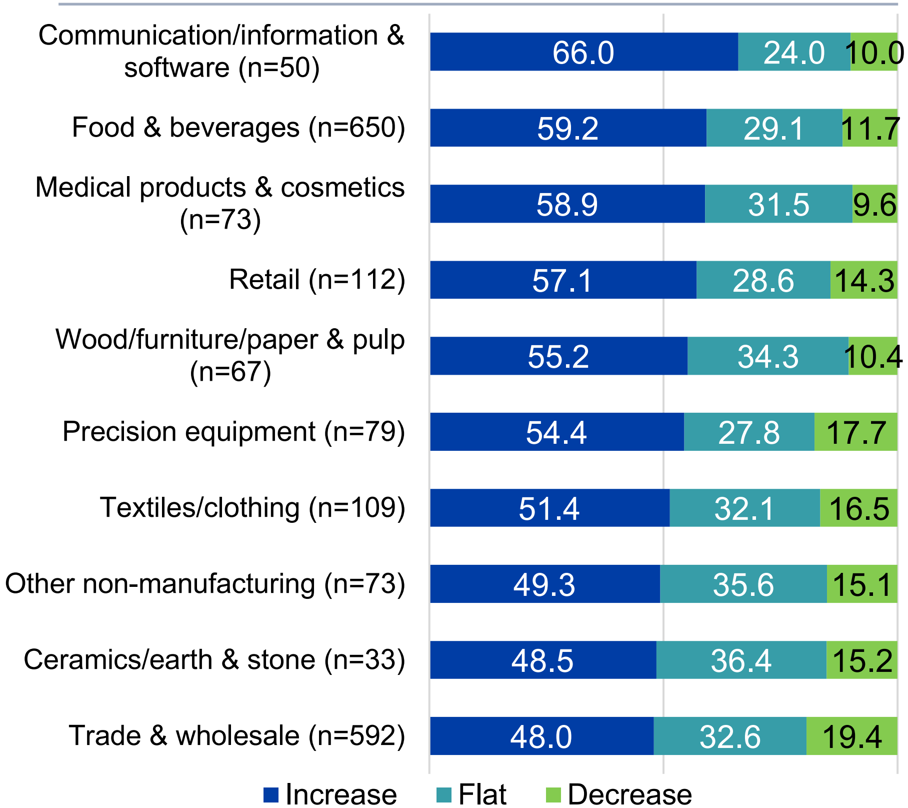
Note: “n” represents the number of firms forecasting a "decrease" in exports, excluding those with no response. Options listed only for FY2025 are newly added choices.

2 | Information & Software Shows Strong Export Outlook, While Plastics/Rubber Is Weak

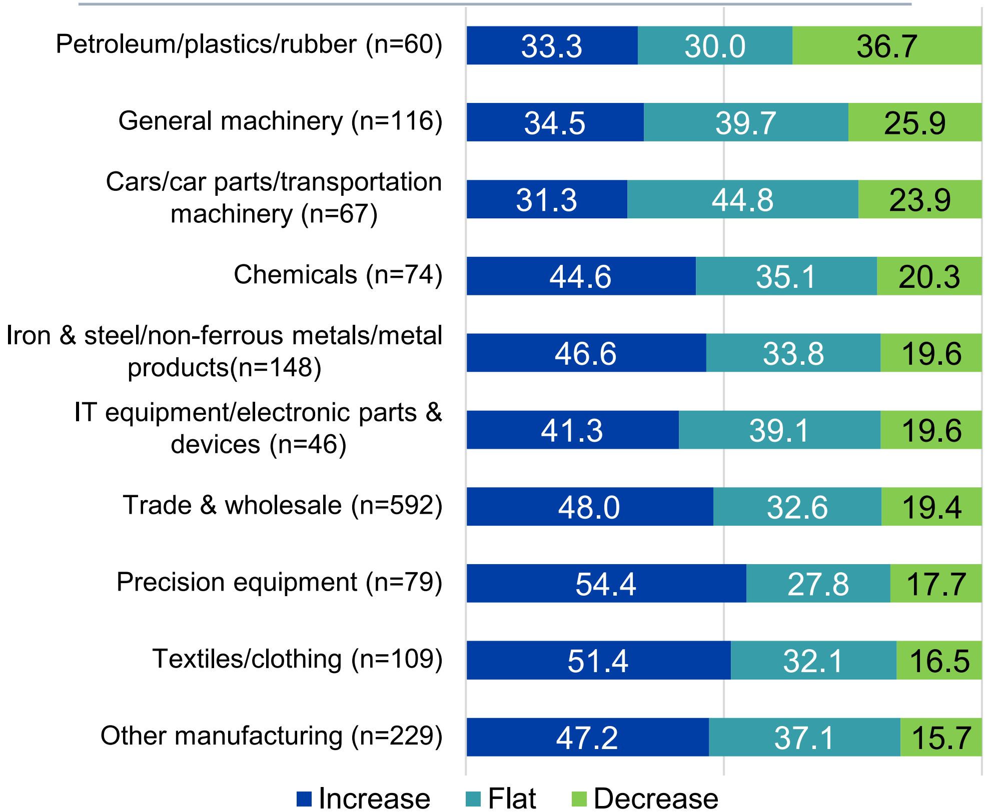
The highest percentage of firms expecting exports to "increase" was in the "Communication/Information & Software" sector at 66.0%.

In the “Petroleum/Plastics/Rubber” sector, 36.7% of firms foresaw a “decrease” in exports, up 15.7-points from the previous survey (21.0%). Within this sector, 36.4% of firms citing "decrease" listed "intensifying competition" as the reason, higher than the total average (26.2%).

Top 10 Industries With the Highest Percentage Of Companies Expecting Increased Exports



Top 10 Industries With the Highest Percentage Of Companies Expecting Decreased Exports

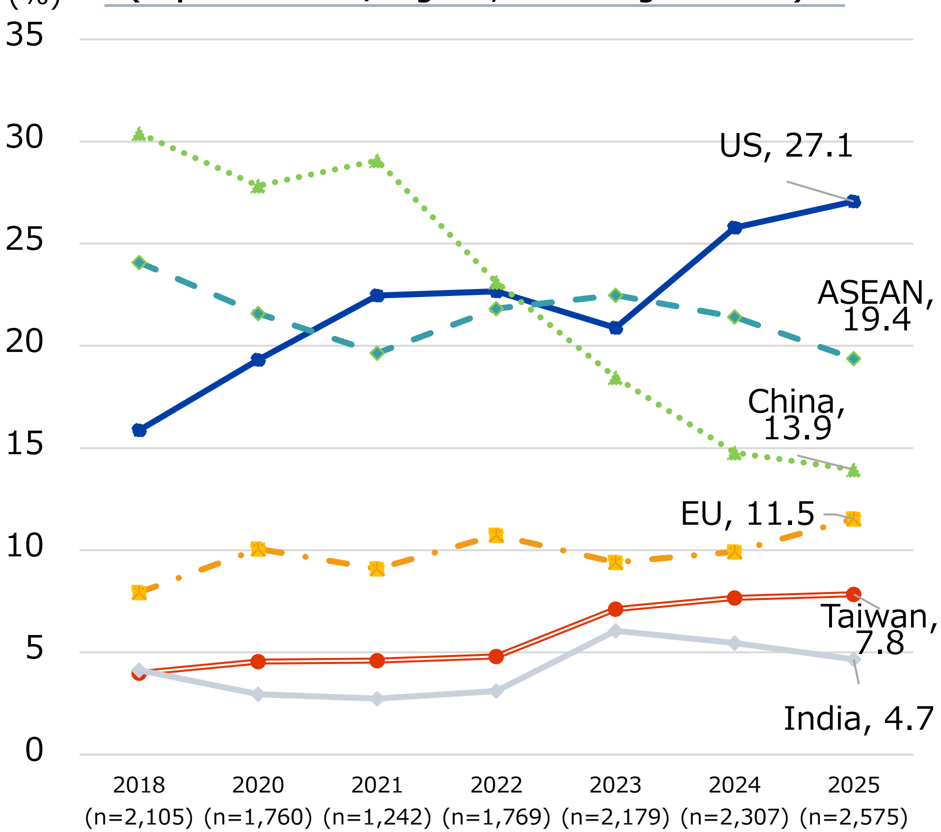


Note: “n” represents the number of firms that responded regarding their "export outlook," including those conducting direct exports or indirect exports through other firms. Excludes firms with fewer than 30 respondents.

3 | Even With Current Trade Policies, the US Remains Most Important Export Destination

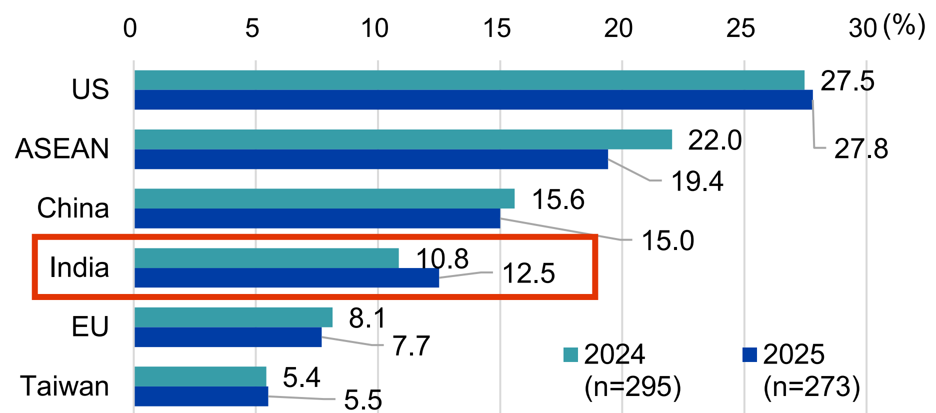
- **When asked about the most important export destination over the next three years, 27.1% cited the "US," widening the gap with other countries/regions** and maintaining the **top** position. Responses for China (13.9%) have continued to decline since 2022, and firms prioritizing ASEAN (19.4%) have also shown a decreasing trend since 2024.
- Among large firms, **responses naming "India" (12.5%)** as the most important export destination **increased by 1.7 percentage points**, following the US, ASEAN, and China. Among SMEs, **responses naming "EU" (12.0%)** as the most important **export destination increased by 1.8 percentage points**, following the top destinations.

Most Important Export Destinations (Top 6 Countries/Regions, Chronological Order)

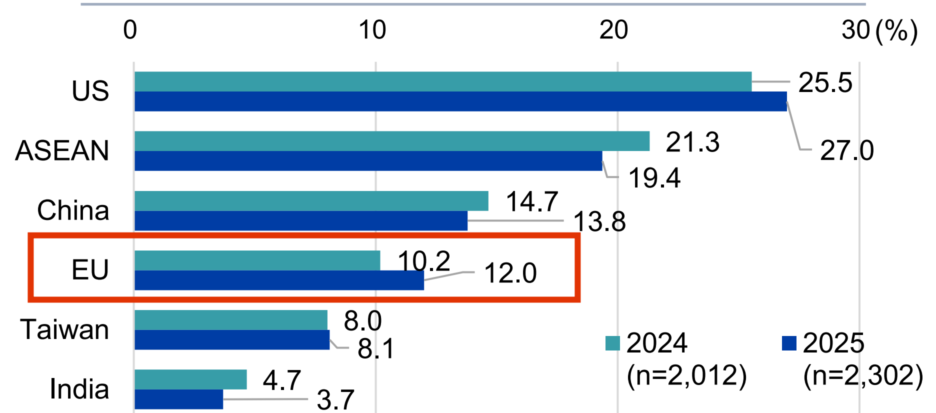


Notes: 1) The same survey question was not used in 2019. 2) EU refers to "Western Europe (excluding the UK)" for 2018–2021. 3) Excludes firms that did not respond.

Most Important Future Export Destinations (Large firms)



Most Important Future Export Destinations (SMEs)

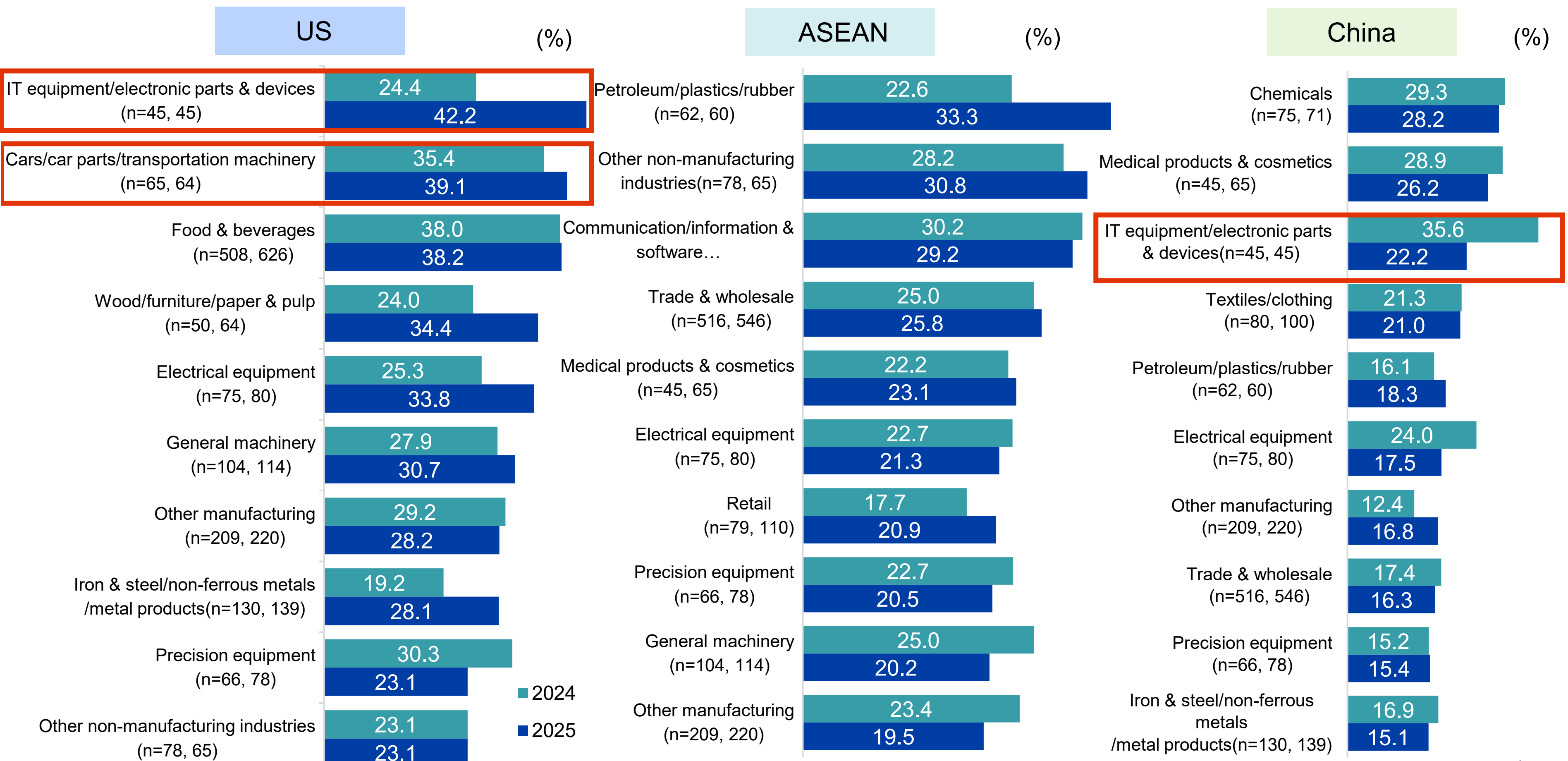


Note: Excludes firms that did not respond.

4 In Information and Communication Equipment/Electronic Components, 40% Cite the US as Their Most Important Export Destination

- **<u>In the Information and Communication Equipment/Electronic Components and Cars/Car Parts sectors, the proportion of firms naming the "US" as their most important export destination is particularly high at around 40%.</u>**
- In the Information and Communication Equipment/Electronic Components sector, responses citing "China" decreased by 13.4 percentage points compared to the previous year.

Most Important Export Destinations (by Industry, Top 10 Industries for 2025)



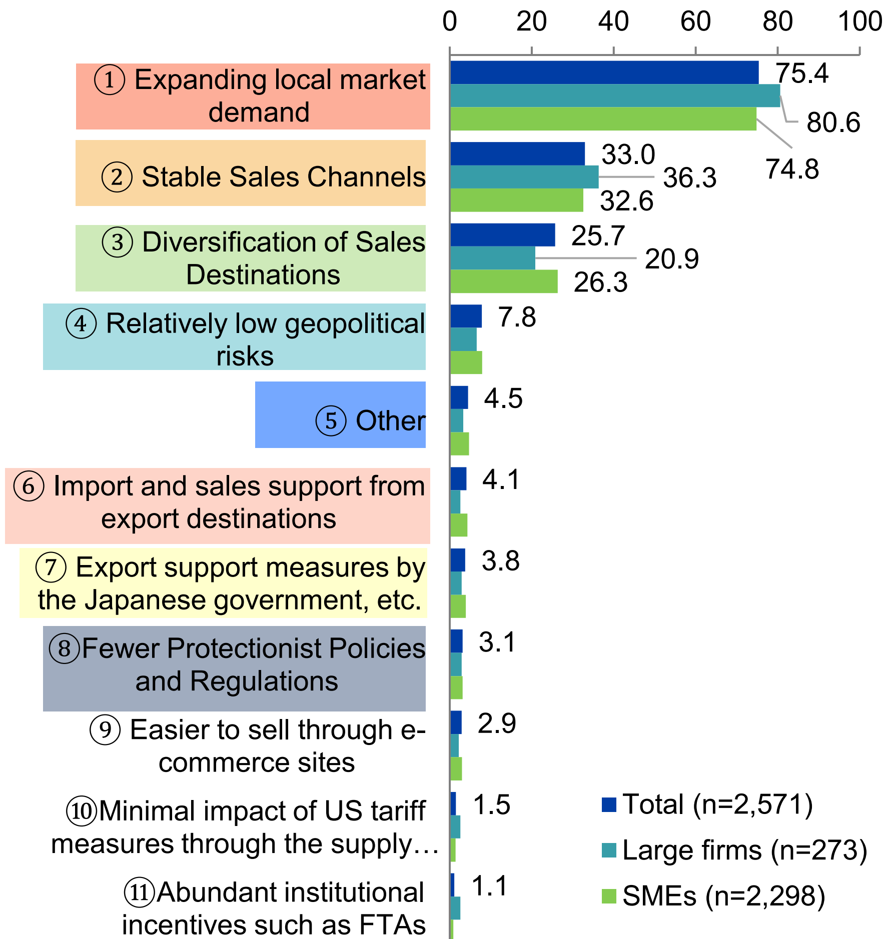
Note: Excludes firms that did not respond. Also excludes industries with fewer than 30 firms. n is denoted as (number of responses in 2024, number of responses in 2025).

5 India Attracts Demand Expectations, EU as a Risk Diversification Destination

- **The largest number of firms (75.4%) cited “expanding local market demand” for selecting the most important export destination.**
- Among firms selecting India, 94.2% cited “expanding local market demand.” For Thailand, 45.5 % cited "stable sales channels." The EU tends to be chosen as a risk diversification destination, with higher percentages for "diversification of sales destinations" (35.8%) and "relatively low geopolitical risks" (14.9%). In the US, besides demand expansion, "ease of e-commerce sales (8.2%)" was cited more frequently than in other countries.

Reasons for Selecting the Most Important Countries/Regions (by Firm Size)

(Multiple Responses, %)



Reasons for Selecting the Most Important Countries/Regions (Major Countries/Regions)

(Multiple Responses, %)

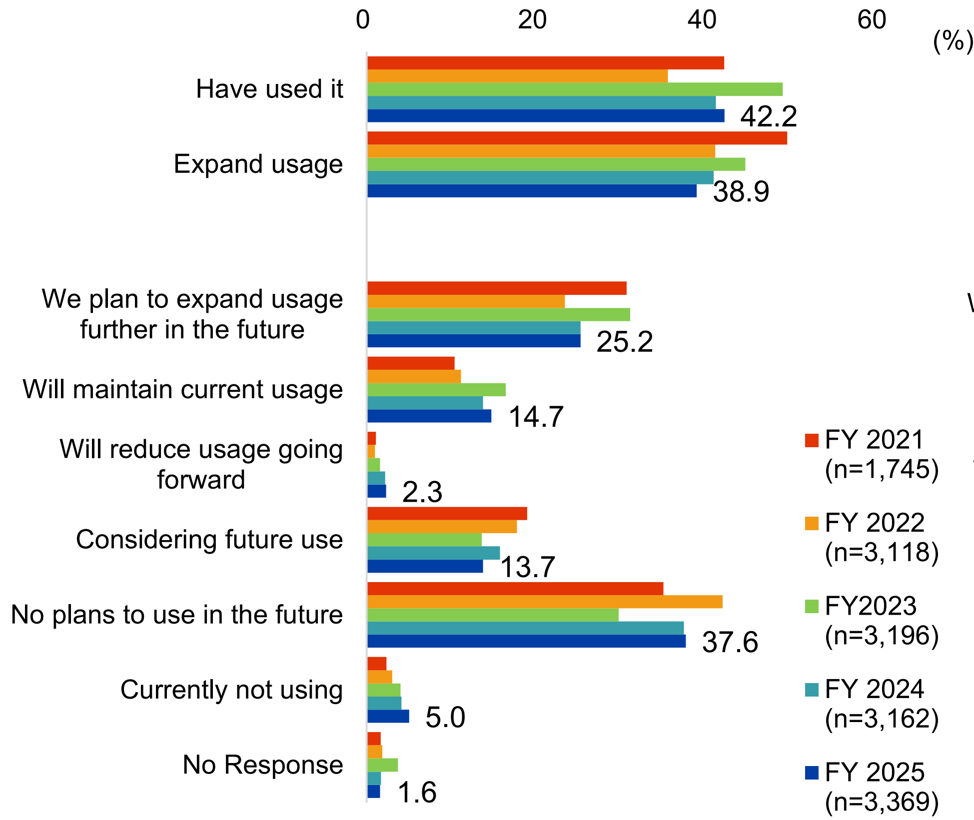
US (n = 697)		Vietnam (n = 154)		Thailand (n = 123)		China (n = 357)		EU (n = 296)		Taiwan (n = 201)		India (n =120)	
①	81.9	①	76.0	①	62.6	①	77.6	①	77.7	①	67.2	①	94.2
②	29.0	②	39.0	②	45.5	②	39.2	③	35.8	②	36.8	③	28.3
③	26.8	③	22.7	③	22.8	③	24.9	②	25.0	③	19.9	②	20.8
④	9.0	④	10.4	④	8.1	⑤	2.8	④	14.9	④	9.5	⑦	6.7
⑨	8.2	⑤	3.9	⑥	5.7	⑥	2.8	⑧	7.1	⑥	6.0	⑪	3.3
⑤	3.4	⑥	3.2	⑤	4.1	⑦	2.0	⑩	5.4	⑦	6.0	⑤	2.5
⑦	3.2	⑦	3.2	⑧	4.1	⑨	1.1	⑤	4.7	⑧	5.0	⑥	2.5
⑥	2.6	⑪	3.2	⑪	3.3	⑩	1.1	⑥	4.4	⑤	4.5	⑩	2.5
⑧	1.3	⑧	1.9	⑩	2.4	④	0.6	⑦	3.4	⑩	0.5	④	1.7
⑩	0.4	⑩	1.3	⑨	1.6	⑧	0.3	⑪	2.0	⑨	0.0	⑧	0.8
⑪	0.0	⑨	0.0	⑦	0.8	⑪	0.3	⑨	1.0	⑪	0.0	⑨	0.0

*Notes:*1) “n” represents firms that responded to "most important priority countries/regions" and their reasons for selection. 2) (Right table) In cases of equal rankings, countries/regions are listed in descending order of total percentage.

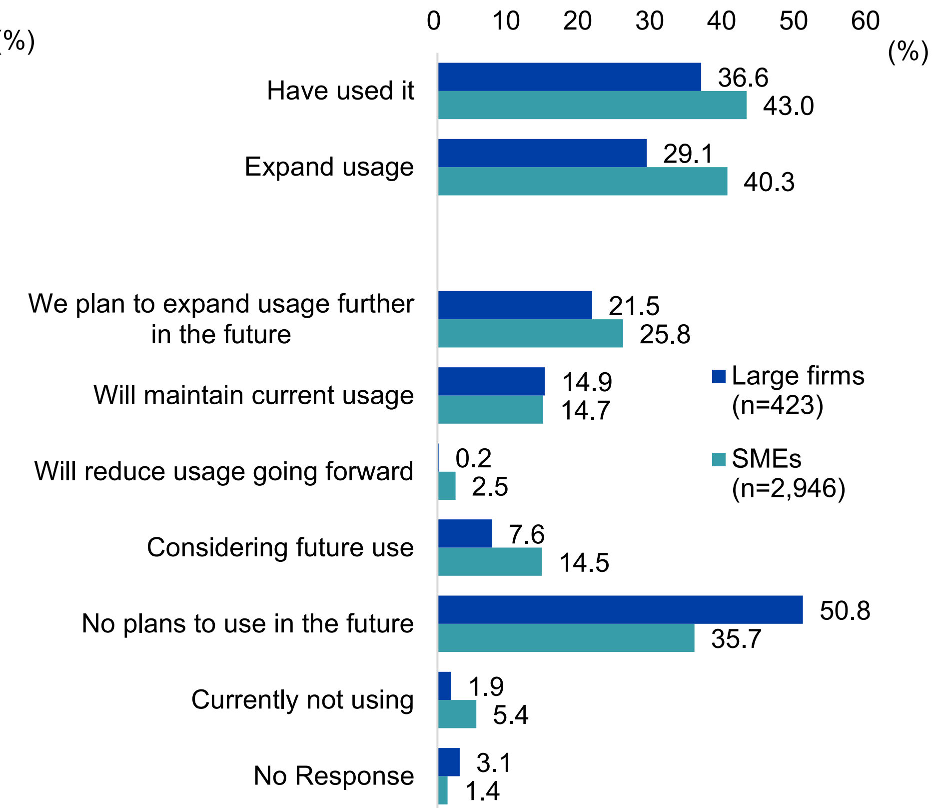
6 | 40% of Firms Have Experience Using E-Commerce (EC)

- **<u>42.2% of firms have with experience using EC (including opening stores and selling through intermediaries) domestically and internationally</u>**. Responses indicating plans to expand EC use in the future stood at 38.9%, showing a declining trend since peaking in FY 2021 (49.6%).
- By firm size, the percentage of firms that "have used EC" and "plan to expand EC use" was higher for SMEs than for large firms.

EC Usage Status (Time Series, Total)



EC Usage Status (FY2025, by Firm Size)



Notes: 1) "n" is the total number of responses to this survey.
2) "Expand usage" is the sum of firms that use EC and "plan to expand usage further in the future" and firms that have not used EC but are "considering future usage."

7-1 Over Half of Firms Across Six Manufacturing Industries Have Used EC

- The proportion of firms responding “have used EC” exceeded half across 7 industries (including non-manufacturing sector), surpassing the previous year (5 industries).

EC Usage Status (by Industry, manufacturing)

(%)

	Number of Companies	Have used	Plan to expand use in the future	Maintain current usage	Plan to reduce usage	Never used but considering doing so in the future	Never used it and have no plans of using it in the future	Have used it but not currently	No response
Total	3,369	42.2	25.2	14.7	2.3	13.7	37.6	5.0	1.6
Manufacturing	2,090	45.3	26.8	15.8	2.6	13.3	35.4	5.1	1.0
Food & beverages	699	52.8	30.6	18.6	3.6	17.0	23.9	5.4	0.9
Textiles/clothing	138	55.8	35.5	17.4	2.9	16.7	21.0	6.5	0.0
Wood/furniture/paper & pulp	78	59.0	35.9	21.8	1.3	16.7	17.9	5.1	1.3
Chemicals	80	33.8	23.8	10.0	0.0	15.0	50.0	1.3	0.0
Medical products & cosmetics	84	51.2	35.7	14.3	1.2	8.3	32.1	6.0	2.4
Petroleum/plastics/rubber	65	41.5	27.7	12.3	1.5	15.4	41.5	1.5	0.0
Ceramics/earth & stone	38	52.6	28.9	15.8	7.9	2.6	42.1	2.6	0.0
Iron & steel/non-ferrous metals/metal products	178	36.5	20.2	13.5	2.8	9.0	45.5	7.3	1.7
General machinery	133	24.8	10.5	10.5	3.8	12.0	54.1	7.5	1.5
Electrical equipment	97	35.1	17.5	14.4	3.1	10.3	51.5	2.1	1.0
IT equipment/electronic parts & devices	55	52.7	21.8	29.1	1.8	3.6	38.2	3.6	1.8
Cars/car parts/transportation machinery	86	29.1	14.0	14.0	1.2	8.1	58.1	4.7	0.0
Precision equipment	83	28.9	19.3	9.6	0.0	9.6	59.0	2.4	0.0
Other manufacturing	276	46.0	30.4	13.8	1.8	12.0	35.1	5.1	1.8

Notes: 1) “n” is the total number of responding firms in this survey.
2) Shaded areas indicate industries where 50% or more of firms reported having used EC.

7-2 Nearly 70% Have Used EC for Retail Purchases

- **Retail reached just under 70%, the highest among industries**. In Retail, over 40% stated they "plan to further expand usage going forward," indicating proactive future growth.

EC Usage Status (by Industry, non-manufacturing)

(%)

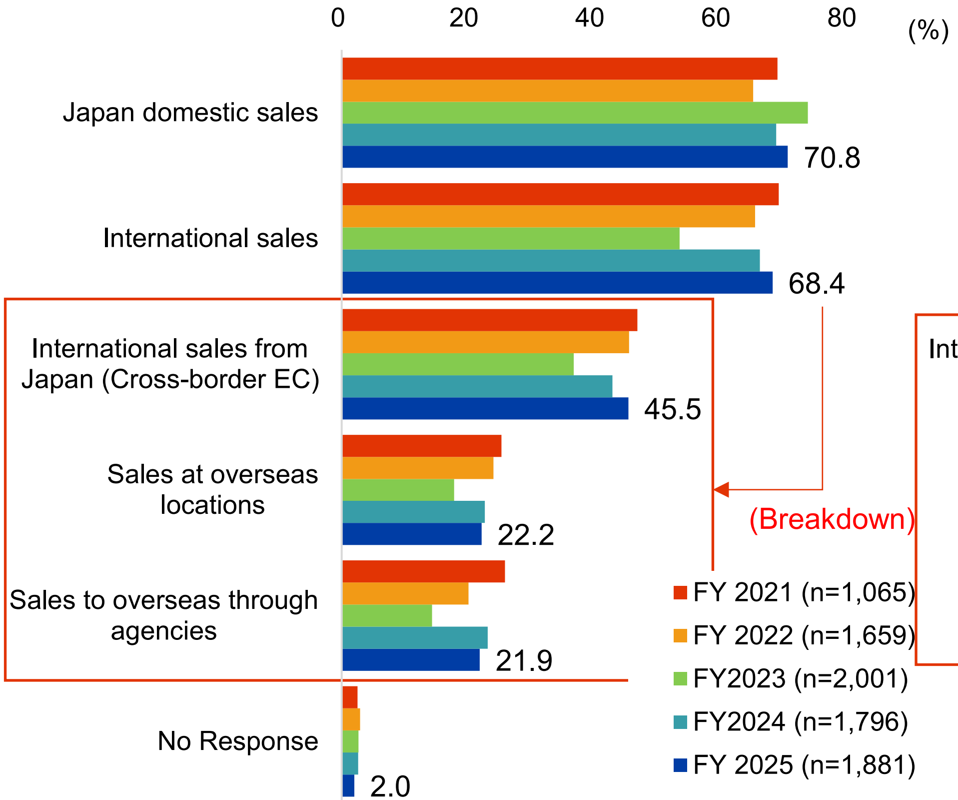
	Number of Companies	Have used	Plan to expand use in the future	Maintain current usage	Plan to reduce usage	Never used but considering doing so in the future	Never used it and have no plans of using it in the future	Have used it but not currently	No response
Total	3,369	42.2	25.2	14.7	2.3	13.7	37.6	5.0	1.6
Non-manufacturing	1,279	37.1	22.7	12.8	1.6	14.3	41.2	4.8	2.5
Trade & wholesale	682	40.3	23.2	14.8	2.3	15.4	35.9	6.2	2.2
Retail	144	68.1	44.4	21.5	2.1	9.0	18.8	2.8	1.4
Construction	67	10.4	4.5	6.0	0.0	13.4	73.1	1.5	1.5
Transport	48	8.3	4.2	4.2	0.0	4.2	79.2	0.0	8.3
Finance & insurance	34	14.7	8.8	5.9	0.0	5.9	70.6	2.9	5.9
Communication/information & software	91	23.1	18.7	4.4	0.0	24.2	49.5	3.3	0.0
Professional services	54	27.8	16.7	9.3	1.9	5.6	64.8	1.9	0.0
Other non-manufacturing	159	31.4	21.4	9.4	0.6	17.0	40.3	6.3	5.0

Notes: 1) "n" is the total number of responding firms in this survey.
2) Shaded areas indicate industries where 50% or more of firms reported having used EC.

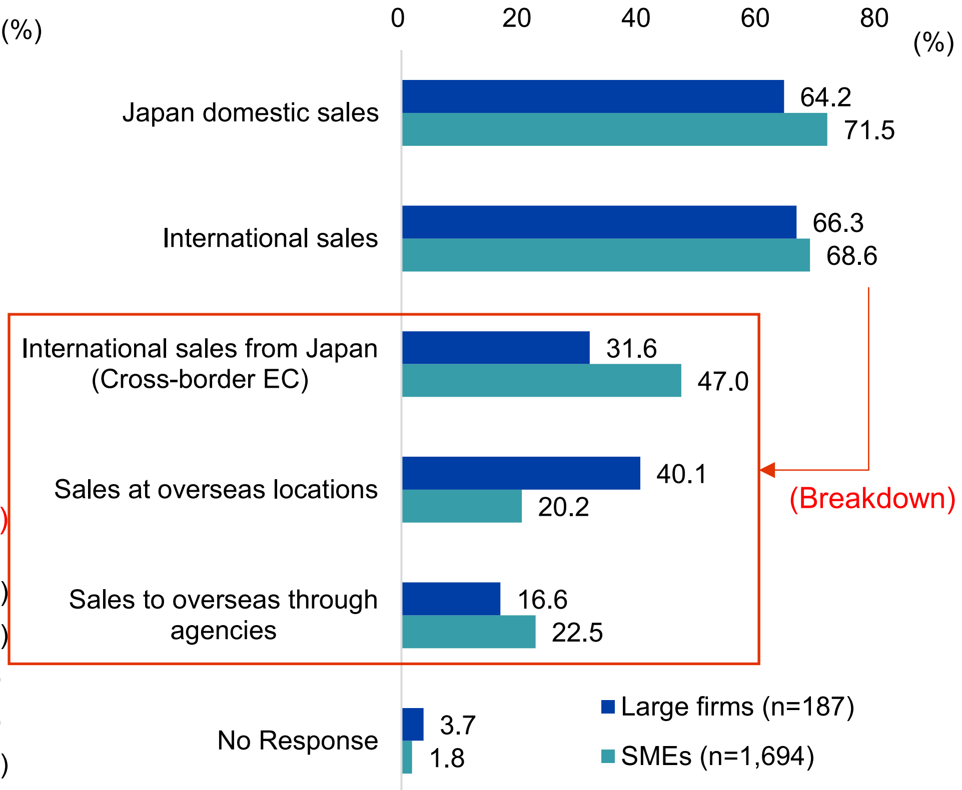
8 Approximately 70% of Overseas Sales Utilize EC (Including Those Under Consideration)

- Among firms that reported using or considering EC, **68.4% stated they utilize or are considering EC for overseas sales**. The most common specific sales method was cross-border EC at 45.5%.
- By firm size, over 40% of large firms reported sales through overseas branches. Conversely, cross-border EC accounted for 47.0% of sales among SMEs.

EC Usage Status (Time Series)



EC Usage Status (FY2025, by Firm Size)



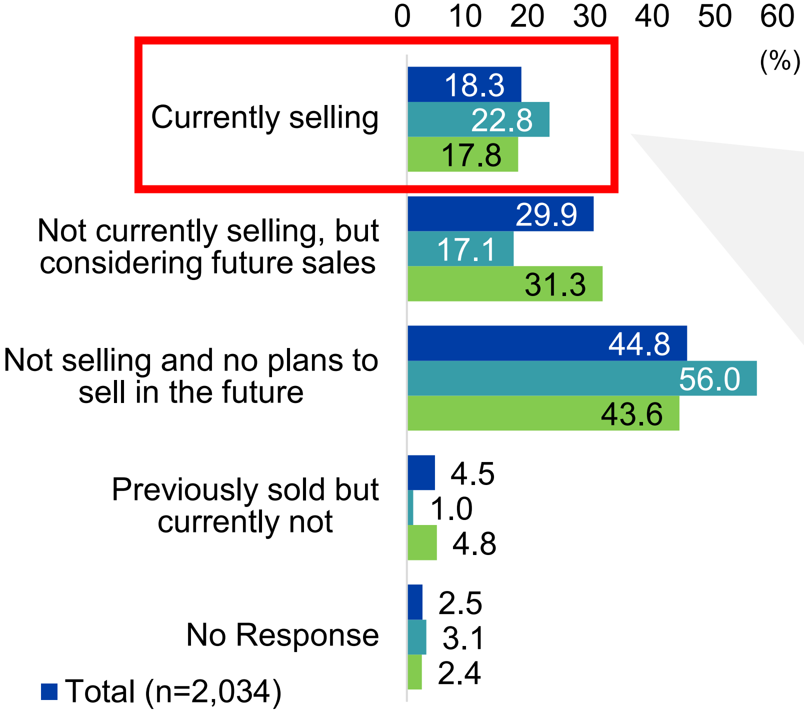
Notes: 1) "n" represents firms that have used EC or are considering using it (but not those who have stopped using it).
2) Firms that selected "International sales from Japan (Cross-border EC)," "Sales at overseas locations," or "Sales to overseas through agencies" for overseas sales.

9 Almost Half of US-Bound EC Firms Affected by the Elimination of the *De Minimis* Rule

- Among firms that have used EC, **about 20% sell to the US**. For SMEs, over 30% currently do not sell to the US but are considering future sales.
- **Among firms selling to the US via EC (n=372), nearly half reported being affected by the US *de minimis* rule repeal**. The main impacts included decline in sales, increase in customs and logistics costs, and product price revisions, each affecting about 40%.

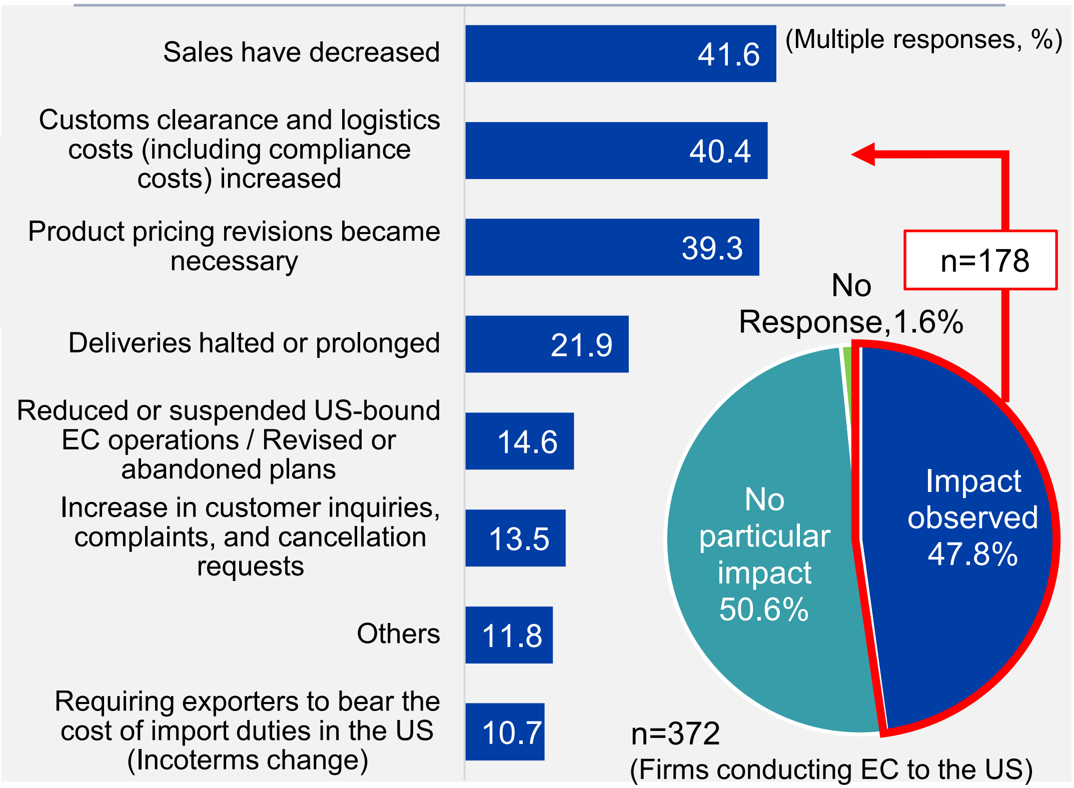
*The US previously had a *de minimis* rule allowing simplified customs clearance and exemption from duties for small import shipments valued at $800 or less. This rule has been suspended for all global shipments effective August 29, 2025.

EC Sales Status to the US



Note: "n" represents firms that responded they have used or are considering using EC.

Impact of US *De Minimis* Rule Suspension (Firms Conducting EC Sales to the US)



Note: Bar graph: Only options with n ≥10 are shown.
Pie chart: "Impacted" refers to firms that selected one or more specific impact options.

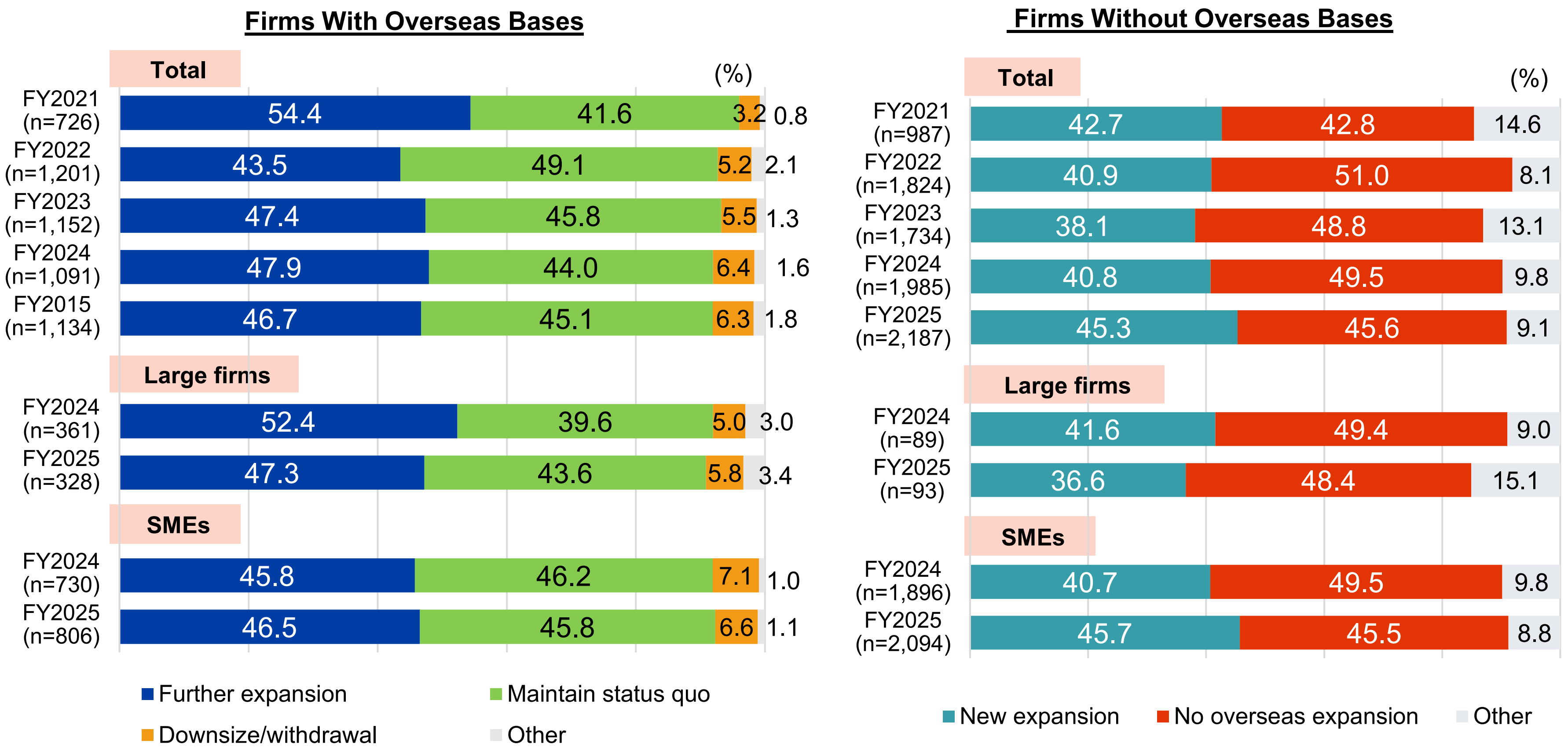
IV. Overseas Expansion Initiatives

The US Has Maintained Top Position
For the Fourth Consecutive Year for Future Business Expansion

1 Business Expansion Ambitions at Overseas Bases Remain Flat

- Regarding overseas expansion plans for the next three years, **46.7% of firms with overseas bases indicated they "aim to expand further." Expansion ambitions remain flat.**
- Among firms without overseas bases, 45.3% expressed a desire to establish "new overseas offices," marking the second consecutive year of increase.

Future Overseas Expansion Policy



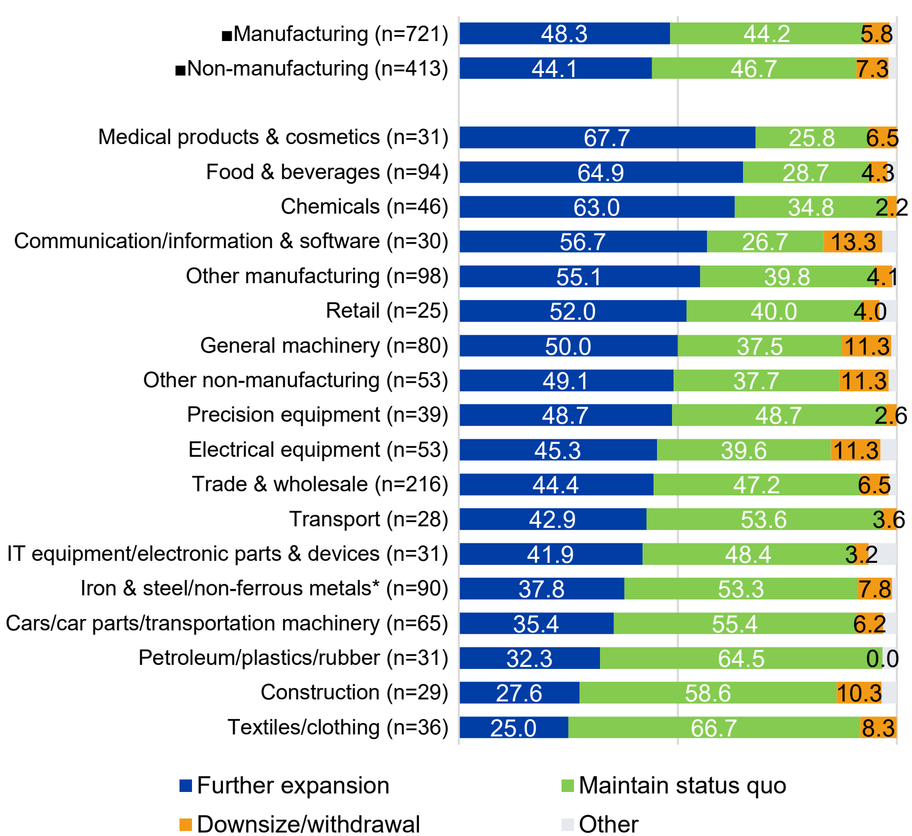
Note: The value of "n" does not include firms with non-responses.

2 Strong Business Expansion Ambitions in Medical Products & Cosmetics, Food & Beverages

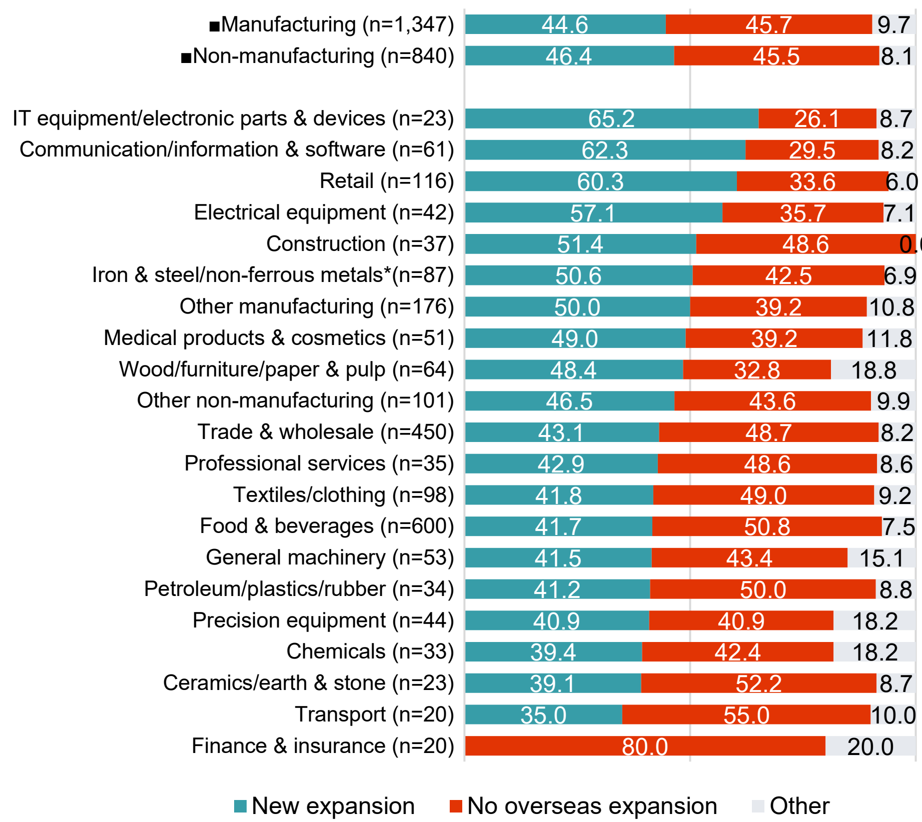
- Among firms with overseas bases, **more than half of the respondents planning to expand their overseas operations were concentrated in 7 industries, including Medical Products & Cosmetics, Food & Beverages.**

Future Overseas Expansion Plans (by Industry)

Firms With Overseas Bases



Firms Without Overseas Bases



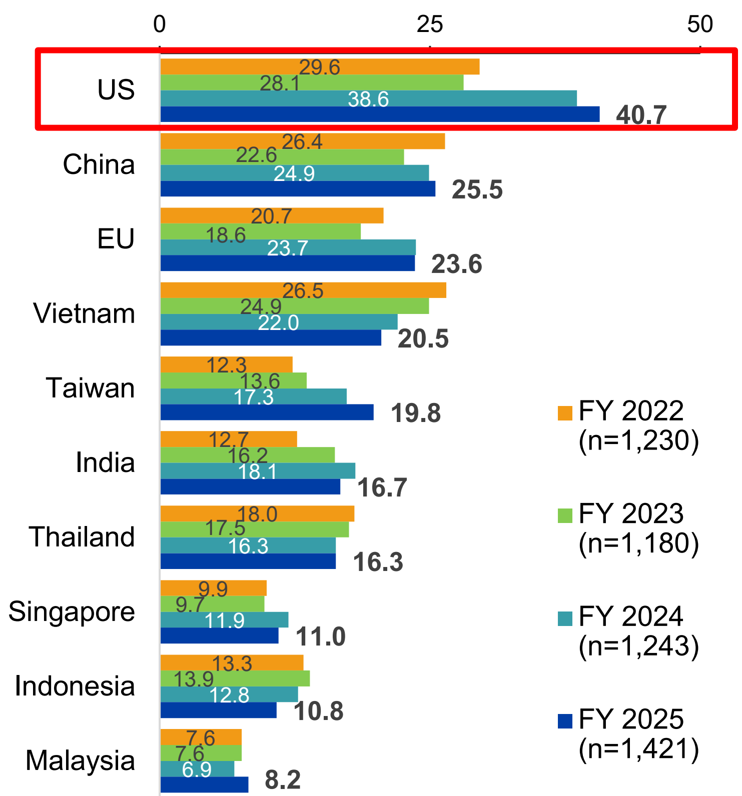
Notes: 1)The value of "n" does not include firms with non-responses. 2)* : Iron & steel/non-ferrous metals/metal products.
3) Excl. "n" less than 20 firms in each industry.

3 | The US Has Maintained Top Position for the Fourth Consecutive Year for Future Business Expansion

- **<u>Among countries and regions targeted for future overseas business expansion, the US (40.7%) received the highest response rate, maintaining its top position for the fourth consecutive year</u>.**
- Interest in Taiwan (19.8%) has increased, propelling it to fifth place, closing in on fourth-place Vietnam (20.5%).

Future Business Expansion Destinations (Top 10)

(Multiple responses, %)



Future Business Expansion Destinations (Ranked 11th and Below, FY2025)

(Multiple responses, %)

		Total (n=1,421)		Large firms (n=174)	SMEs (n=1,247)
			(FY2024)		
11	South Korea	7.5	(5.7)	4.6	7.9
12	Hong Kong	7.5	(6.4)	3.4	8.0
	Other Asia-Pacific*	7.5	(8.4)	10.3	7.1
14	Middle East*	7.0	(6.4)	8.6	6.7
15	United Kingdom	5.6	(3.8)	2.9	5.9
16	Philippines	4.5	(5.7)	6.9	4.2
17	Africa*	3.4	(2.3)	6.9	3.0
18	Other Europe* (excluding Russia/CIS)	3.1	(1.3)	0.6	3.4
19	Others Americas*	2.2	(2.3)	2.3	2.2
20	Mexico	1.3	(1.6)	2.9	1.0
21	Russia/CIS	0.6	(0.6)	0.0	0.7

Main Destinations (Free answer for each region (*), by ratio of total)

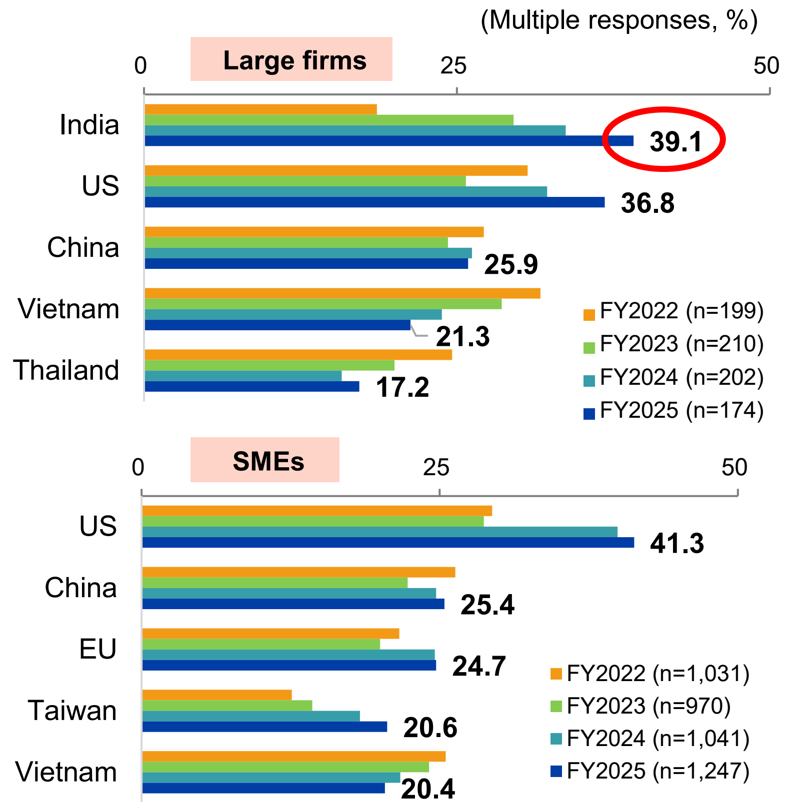
《Others Asia-Pacific》 Australia (2.3%), Bangladesh (0.6%)
《Middle East》 United Arab Emirates (1.8%), Saudi Arabia (0.8%)
《Other Americas》 Canada (0.7%), Brazil (0.6%)

Notes: 1) "n" is the number of firms that responded either "have an existing base overseas and plan to expand further", "do not have an existing base overseas but want to expand overseas", when selecting up to 3 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. 3) EU is an EU-wide option only, and individual member states cannot be selected.

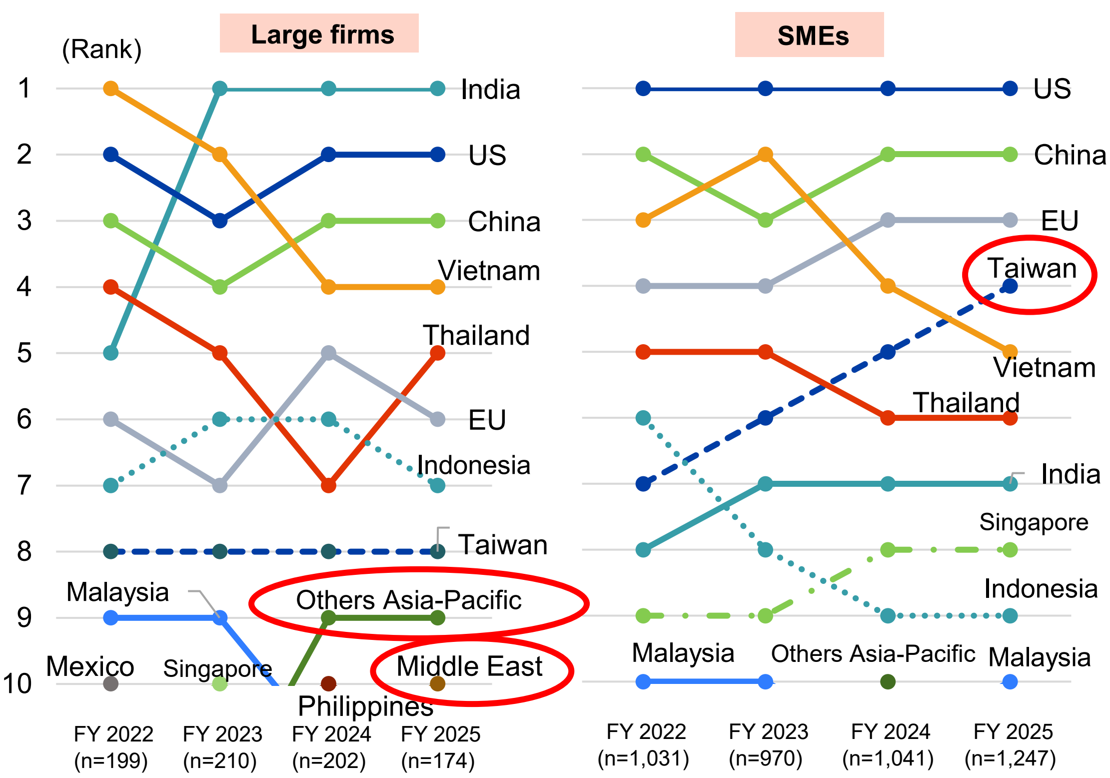
4 Large Firms Show Strong Interest in India, While SMEs Focus On Taiwan

- Among large firms, the intention to expand business in India (39.1%) is increasing year by year, approaching 40%. Furthermore, among large firms the intention to expand business is spreading to other countries and regions in Asia-Pacific and the Middle East.
- Among SMEs, interest in Taiwan has increased yearly, rising from 7th place in FY2022 to 4th place in FY2025.

Future Business Expansion Destinations (by Firm Size)



Future Business Expansion Destinations (Top 10 by Firm Size)

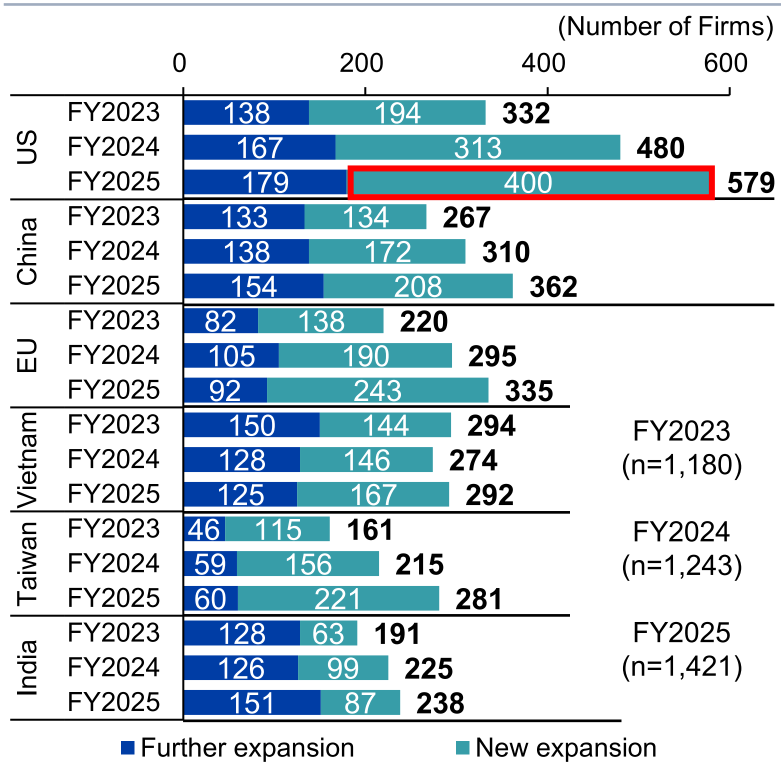


Notes: 1) "n" is the number of firms that responded either "have an existing base overseas and plan to expand further", "do not have an existing base overseas but want to expand overseas", when selecting up to 3 locations for business expansion. 2) The percentage for each country/region is the ratio of the number of firms that responded to the question together with the reason for selecting the locations. 3) EU is an EU-wide option only, and individual member states cannot be selected. 4) (Right figure) Numbers in parentheses for each FY represent "n".

5 | Firms Aiming for New Overseas Expansion Show Enthusiasm for Establishing Bases in the US

- **Among firms planning new overseas expansion, 400 expressed interest in establishing bases in the US**, while over 200 targeted the EU, Taiwan, and China. The industries most frequently citing the US as a destination for new bases included Food & Beverages (over 100 firms).
- Among firms with existing overseas operations, manufacturing firms highlight India, China, and Vietnam as key destinations for further business expansion.

Major Business Expansion Destinations (by Overseas Expansion Policy)



Business Expansion Destinations with the Highest Number of Responses (by Industry)

		Further expansion		New Expansion	
		FY24	→ FY25	FY24	→ FY25
Manufacturing	Food & beverages (n=285)	US	US	US	US
	Textiles/clothing (n=46)	EU	China	US	EU
	Wood/furniture/paper & pulp (n=31)	US/CN	China	EU	EU
	Chemicals (n=39)	China	India	US/CN	US/IN/TH
	Medical products & cosmetics (n=42)	US/EU	China	US/TW	China
	Petroleum/plastics/rubber (n=23)	US/VN	Vietnam	EU	EU
	Iron & steel/non-ferrous metals* (n=76)	US	Vietnam	US	US
	General machinery (n=59)	India	India	Vietnam	Vietnam
	Electrical equipment (n=46)	EU	US	US	US/EU
	IT equipment/electronic parts & devices(n=26)	US	India	US	US
	Cars/car parts/transportation machinery (n=28)	India	India	India	US
	Precision equipment (n=37)	US	India	US	US
Non-manufacturing	Trade & wholesale (n=275)	China	China	US	US
	Retail (n=75)	Taiwan	US/CN/TW	US	US
	Construction (n=26)	Indonesia	India	Vietnam	Vietnam
	Communication/information & software (n=53)	VN/ID	US/VN/IN	US	US
	Professional services (n=22)	Other Asia-Pacific	EU/ID	India	Vietnam

Notes: 1) "n" is the number of firms that responded either "have an existing base overseas and plan to expand further", "do not have an existing base overseas but want to expand overseas", for selecting up to 3 locations for business expansion. 2)(Right chart)Countries/Regions for Overseas Expansion with most frequent answer by industry. Excl. "n" less than 20 firms (FY2025) and excl. other manufacturing/other non-manufacturing industries. 3) (Right chart) *：Iron & steel/non-ferrous metals/metal products. CN: China, VN: Vietnam, ID: Indonesia, TW: Taiwan, IN: India, TH: Thailand

6 | Over 60% of IT Equipment/Electronic Components Plan to Expand Their Us Operations

- 60% of firms in the IT Equipment/Electronic Parts & devices Sector, indicated the US as their future business expansion destination, with the US ranking first across many industries.
- Over half of firms in the Cars/Car Parts/Transportation Machinery and Chemicals sectors expressed interest in expanding operations in India. India also received the most responses from the General Machinery sector.

Future Business Expansion Destinations (By Major Countries/Regions, by Industry)

(Multiple Responses, %)

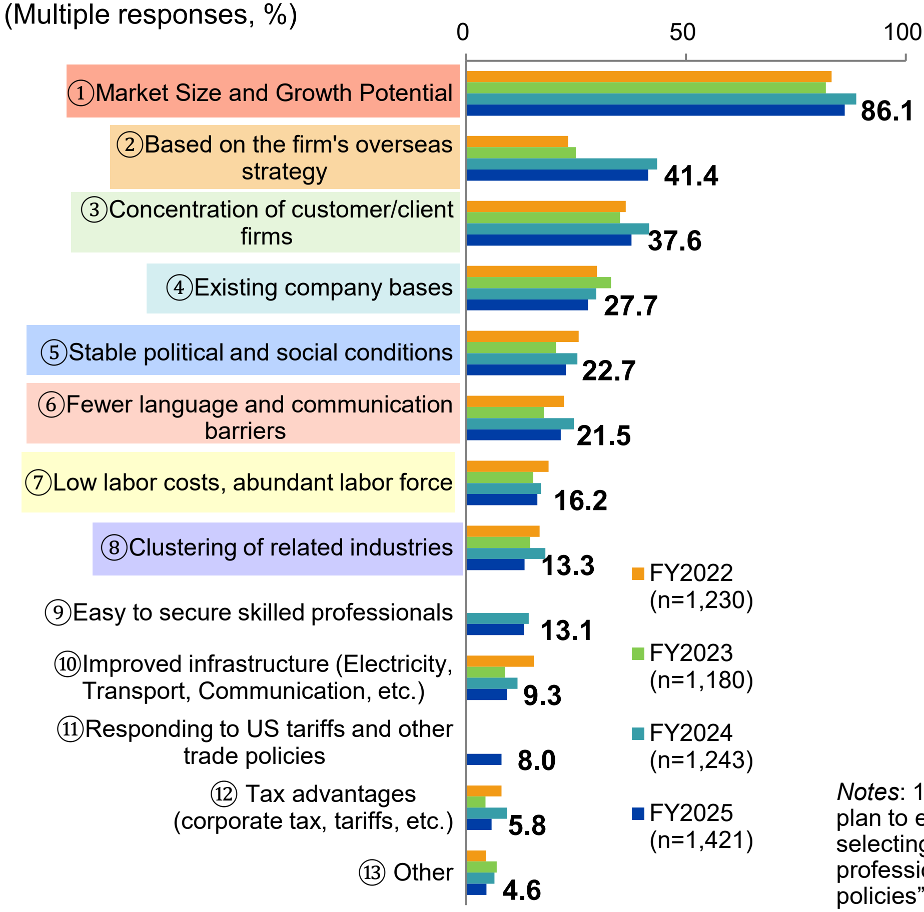
	No of Firms	US	China	EU	Vietnam	Taiwan	India	Thailand	Singapore	Indonesia	Malaysia
Total	1,421	**40.7**	25.5	23.6	20.5	19.8	16.7	16.3	11.0	10.8	8.2
Manufacturing	884	**44.6**	26.7	25.9	18.9	20.5	18.4	16.2	10.7	9.7	7.6
Food & beverages	285	**54.4**	16.5	25.3	16.5	31.6	4.9	15.8	18.2	8.1	9.1
Textiles/clothing	46	34.8	45.7	**54.3**	8.7	17.4	4.3	4.3	10.9	2.2	4.3
Wood/furniture/paper & pulp	31	35.5	16.1	**38.7**	12.9	25.8	0.0	9.7	22.6	9.7	16.1
Chemicals	39	38.5	35.9	23.1	17.9	7.7	**53.8**	28.2	5.1	15.4	2.6
Medical products & cosmetics	42	35.7	**50.0**	21.4	28.6	19.0	9.5	26.2	7.1	7.1	11.9
Petroleum/plastics/rubber	23	13.0	21.7	26.1	**39.1**	13.0	26.1	21.7	0.0	8.7	8.7
Iron & steel/non-ferrous metals*	76	**39.5**	23.7	26.3	26.3	18.4	17.1	14.5	0.0	9.2	3.9
General machinery	59	40.7	30.5	18.6	23.7	8.5	**44.1**	16.9	6.8	15.3	5.1
Electrical equipment	46	**50.0**	30.4	28.3	21.7	10.9	28.3	13.0	2.2	13.0	6.5
IT equipment/electronic parts & devices	26	**61.5**	42.3	19.2	0.0	11.5	46.2	11.5	11.5	3.8	3.8
Cars/car parts/transportation machinery	28	28.6	25.0	0.0	21.4	0.0	**53.6**	25.0	0.0	10.7	7.1
Precision equipment	37	**40.5**	29.7	32.4	16.2	10.8	29.7	16.2	2.7	10.8	2.7
Other manufacturing	133	**44.4**	30.1	23.3	16.5	20.3	18.0	17.3	12.0	12.8	7.5
Non-manufacturing	537	**34.5**	23.5	19.7	23.3	18.6	14.0	16.4	11.5	12.5	9.1
Trade & wholesale	275	**36.7**	27.6	24.0	23.6	20.7	14.5	18.9	11.6	9.1	9.1
Retail	75	**44.0**	26.7	14.7	17.3	26.7	1.3	10.7	16.0	8.0	9.3
Construction	26	7.7	11.5	7.7	**38.5**	11.5	19.2	15.4	7.7	15.4	3.8
Communication/information & software	53	**41.5**	20.8	17.0	17.0	15.1	18.9	7.5	7.5	15.1	13.2
Professional services	22	27.3	9.1	27.3	**31.8**	13.6	18.2	9.1	9.1	27.3	4.5
Other non-manufacturing	67	**29.9**	17.9	16.4	22.4	10.4	10.4	20.9	11.9	22.4	9.0

Notes: 1) "n" is the number of firms that responded either "have an existing base overseas and plan to expand further", "do not have an existing base overseas but want to expand overseas", for selecting up to 3 locations for business expansion. Excl. "n" less than 20 firms in each industry. 2)) The percentage of the total number of respondents for each industry. * : Iron & steel/non-ferrous metals/metal products. 3) The shading indicates the highest percentage in each industry.
Figures in red indicates 50% or more

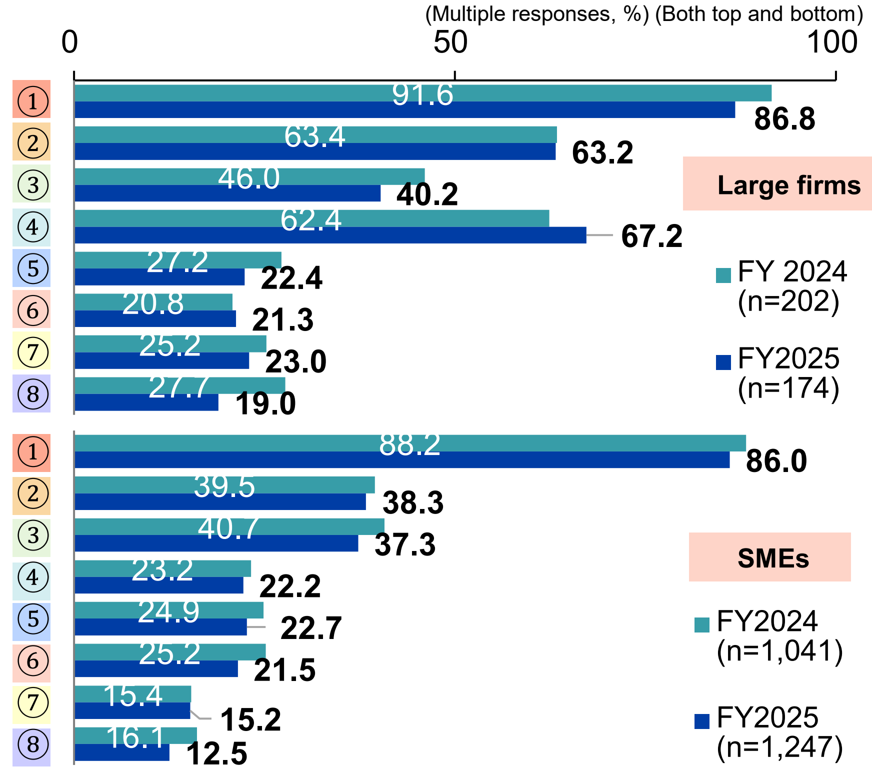
7 “Market Size and Growth Potential” Are The Top Priorities in Selecting Destination

- **<u>The primary reason for selecting future expansion destinations is "market size and growth potential" (86.1%)</u>**. On second place came "Based on the firm‘s overseas strategy," including base reorganization and diversification (41.4%), as in the previous survey. Among large firms, over 60% cited “Existing company bases" (67.2%) and “Based on the firm's overseas strategy" (63.2%).

Reasons for Selecting Expansion Destinations



Reasons for Selecting Business Expansion Destination (By Firm Size)



Notes: 1) “n” is the number of firms that responded either “have an existing base overseas and plan to expand further”, “do not have an existing base overseas but want to expand oversea”, for selecting up to 3 locations for business expansion. 2) Reason ⑨, “Easy to secure skilled professionals”, was newly added in FY2024, ⑪, “Responding to US tariffs and other trade policies” was newly added in FY2025.

8 In the US, About 10% of Firms Cite Trade Policy as a Reason

- Among the top countries/regions, **"market size and growth potential" was the most frequently selected reason**. Expectations are particularly high in India, Indonesia, the US, and Vietnam, where over 80% of firms cited this factor. The next most common reason was "based on firm's strategy," although for the EU "concentration of customer/client firms" and for Singapore "stable political and social conditions" were also prominent.
- **Among firms planning to expand in the US, about 10% cited "Responding to US tariffs and other trade policies"**".

Reasons for Selecting a Business Expansion Destination (Major Countries/Regions)

(Multiple responses, %)

US (n=579)		China (n=362)		EU (n=335)		Vietnam (n=292)		Taiwan (n=281)		India (n=238)		Thailand (n=231)		Singapore (n=157)		Indonesia (n=153)		Malaysia (n=116)	
①	**84.1**	①	77.9	①	78.5	①	**80.1**	①	61.6	①	**91.6**	①	61.0	①	56.1	①	**84.3**	①	71.6
②	28.8	②	35.4	③	35.2	②	35.3	②	32.0	②	37.0	②	34.2	⑤	32.5	②	29.4	②	33.6
③	28.7	④	32.0	②	24.8	⑦	29.8	③	29.5	③	27.7	③	31.2	②	28.0	④	20.9	③	32.8
⑥	19.3	③	31.8	⑤	23.0	④	27.4	⑥	19.9	④	26.5	④	23.4	③	27.4	⑦	19.6	⑤	27.6
④	18.5	⑧	14.4	⑥	14.0	⑨	21.9	⑤	13.9	⑦	22.7	⑤	15.6	⑥	24.8	③	13.7	⑥	20.7
⑤	14.0	⑥	13.0	④	10.7	③	20.5	④	10.0	⑨	16.8	⑧	13.0	④	8.9	⑨	11.1	④	14.7
⑪	10.5	⑦	8.8	⑧	8.1	⑤	18.2	⑩	6.8	⑧	8.8	⑦	11.3	⑫	8.3	⑧	8.5	⑦	12.9
⑩	7.9	⑨	7.2	⑩	5.4	⑧	7.9	⑧	6.0	⑥	8.0	⑥	8.7	⑩	7.6	⑤	7.8	⑨	11.2
⑧	7.6	⑩	6.4	⑪	4.5	⑩	6.5	⑨	5.0	⑤	4.6	⑩	8.7	⑧	7.0	⑥	7.2	⑧	10.3
⑨	2.8	⑤	2.8	⑬	3.6	⑥	4.1	⑬	3.6	⑬	2.9	⑨	7.8	⑬	3.8	⑩	3.9	⑩	6.9
⑬	2.4	⑪	2.8	⑫	3.3	⑪	3.4	⑫	2.1	⑩	1.3	⑫	4.3	⑪	3.8	⑪	3.3	⑫	6.9
⑫	2.1	⑫	1.1	⑨	2.7	⑬	3.1	⑪	0.7	⑫	0.8	⑬	3.5	⑨	3.2	⑫	2.6	⑪	5.2
⑦	0.5	⑬	0.8	⑦	1.5	⑫	2.7	⑦	0.4	⑪	0.4	⑪	2.6	⑦	0.6	⑬	2.6	⑬	4.3

①Market size and growth potential ②Based on firm's overseas strategy ③Concentration of customer/client firms ④Existing company bases ⑤ Stable political and social conditions ⑥Fewer language and communication barriers ⑦Low labor costs, abundant labor forces ⑧Clustering of related industries ⑨Easy to secure skilled professionals ⑩Improved infrastructure (Electricity, Transport, Communication, etc.) ⑪Responding to US tariffs and other trade policies ⑫Tax advantages (corporate tax, tariffs, etc.) ⑬Other

Notes: 1) "n" is the number of firms that responded either "have an existing base overseas and plan to expand further", "do not have an existing base overseas but want to expand overseas", for selecting up to 3 locations for business expansion, with the reason for selecting. 2)) Reason ⑨, "Easy to secure skilled professionals", was newly added in FY2024, ⑪, "Responding to US tariffs and other trade policies" was newly added in FY2025. 3)The percentage of firms that responded for each country/region.
4) Figures in red indicate over 80%.

9 Nearly 20% of Firms in the Chemicals and Electrical Equipment Sector Cite "Responding to US Trade Policy"

- Across all industries, the response rate for "Market size/growth potential" exceeded 80%. It surpassed 90% in five industries: Petroleum/Plastics/Rubber, Professional Services, Chemicals, etc. Likewise, 20% of Chemicals and Electrical Equipment firms also cited "Responding to US tariffs and other trade policies" as a reason.

Reasons for Selecting Business Expansion Destinations (by Industry)

(Multiple responses, %)

	No of firms	Market Size and Growth Potential	Based on the firm's overseas base strategy	Concent-ration of customer /client firms	Existing company bases	Stable political and social conditions	Fewer language & communication barriers	Low labor costs, abundant forces	Clustering of related industries	Ease of securing skilled pro-fessionals	Improved infra-structure	Respond-ing to US tariffs and other trade policies	Tax advantage
Total	1,421	86.1	41.4	37.6	27.7	22.7	21.5	16.2	13.3	13.1	9.3	8.0	5.8
Manufacturing	884	87.6	41.1	39.3	29.4	22.7	20.5	16.2	12.7	11.3	8.8	8.4	4.8
Food & beverages	285	89.8	36.1	36.5	15.4	23.9	25.3	10.5	7.4	5.3	8.1	7.0	5.6
Textiles/clothing	46	78.3	34.8	37.0	15.2	13.0	19.6	8.7	6.5	4.3	2.2	4.3	2.2
Wood/furniture/paper & pulp	31	80.6	22.6	38.7	6.5	29.0	22.6	19.4	12.9	9.7	6.5	9.7	6.5
Chemicals	39	**94.9**	48.7	51.3	53.8	15.4	15.4	10.3	25.6	7.7	10.3	17.9	2.6
Medical products & cosmetics	42	81.0	47.6	33.3	42.9	23.8	19.0	14.3	11.9	14.3	2.4	2.4	4.8
Petroleum/plastics/rubber	23	**95.7**	43.5	30.4	30.4	26.1	21.7	30.4	17.4	21.7	8.7	13.0	8.7
Iron & steel/non-ferrous metals*	76	89.5	38.2	39.5	31.6	25.0	19.7	22.4	10.5	19.7	9.2	7.9	3.9
General machinery	59	88.1	61.0	40.7	52.5	25.4	10.2	22.0	15.3	20.3	6.8	10.2	1.7
Electrical equipment	46	82.6	45.7	54.3	41.3	13.0	15.2	19.6	26.1	15.2	10.9	17.4	6.5
IT equipment/electronic parts & devices	26	**92.3**	34.6	50.0	30.8	15.4	19.2	19.2	11.5	7.7	7.7	11.5	7.7
Cars/car parts/transportation machinery	28	78.6	42.9	50.0	71.4	25.0	10.7	39.3	21.4	21.4	14.3	14.3	7.1
Precision equipment	37	**91.9**	56.8	43.2	37.8	32.4	27.0	24.3	16.2	16.2	18.9	10.8	8.1
Other manufacturing	133	88.0	38.3	33.1	30.8	21.1	18.8	14.3	14.3	11.3	11.3	5.3	3.0
Non-manufacturing	537	83.8	41.9	35.0	25.0	22.5	23.1	16.2	14.3	16.0	10.1	7.4	7.6
Trade & wholesale	275	84.7	42.9	43.3	25.1	22.9	27.3	13.8	18.2	13.1	11.3	10.9	6.9
Retail	75	77.3	32.0	29.3	12.0	18.7	20.0	8.0	4.0	8.0	5.3	5.3	6.7
Construction	26	88.5	42.3	38.5	26.9	30.8	15.4	23.1	7.7	26.9	7.7	3.8	3.8
Communication/information & software	53	83.0	41.5	26.4	26.4	24.5	22.6	18.9	13.2	22.6	9.4	3.8	11.3
Professional services	22	**95.5**	40.9	22.7	27.3	27.3	22.7	22.7	13.6	18.2	9.1	4.5	0.0
Other non-manufacturing	67	83.6	46.3	19.4	28.4	22.4	17.9	26.9	11.9	25.4	11.9	3.0	13.4

Notes: 1) "n" is the number of firms that responded either "have an existing base overseas and plan to expand further", "do not have an existing base overseas but want to expand oversea", for selecting up to 3 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 industry. * : Iron & steel/non-ferrous metals/metal products. "Other" and "non-responses" categories are excluded.
3) Bolded figures indicate more than 90%. Shading in dark: 50% or more, light: 50-25% or more.

10 Firms Prioritize Stable Operations at Existing Bases and "Maintaining the Status Quo"

- With respect to future overseas expansion policy, **over 70% cited "Focusing on current bases and continue stable operations" as the reason for "maintaining the status quo."** Over 40% of firms are considering future business expansion possibilities. Over half of firms considering "downsizing or withdrawal" cited "Declining profitability of local operations" (55.6%).
- Over 30% of firms with no plans for overseas bases rely on agents/partners to conduct overseas business.

Reasons for "Maintaining the Status Quo" at Existing Overseas Bases

Reasons for Considering Downsizing or Withdrawal

Reasons for Not Establishing Overseas Bases

Note: Some options are abbreviated.

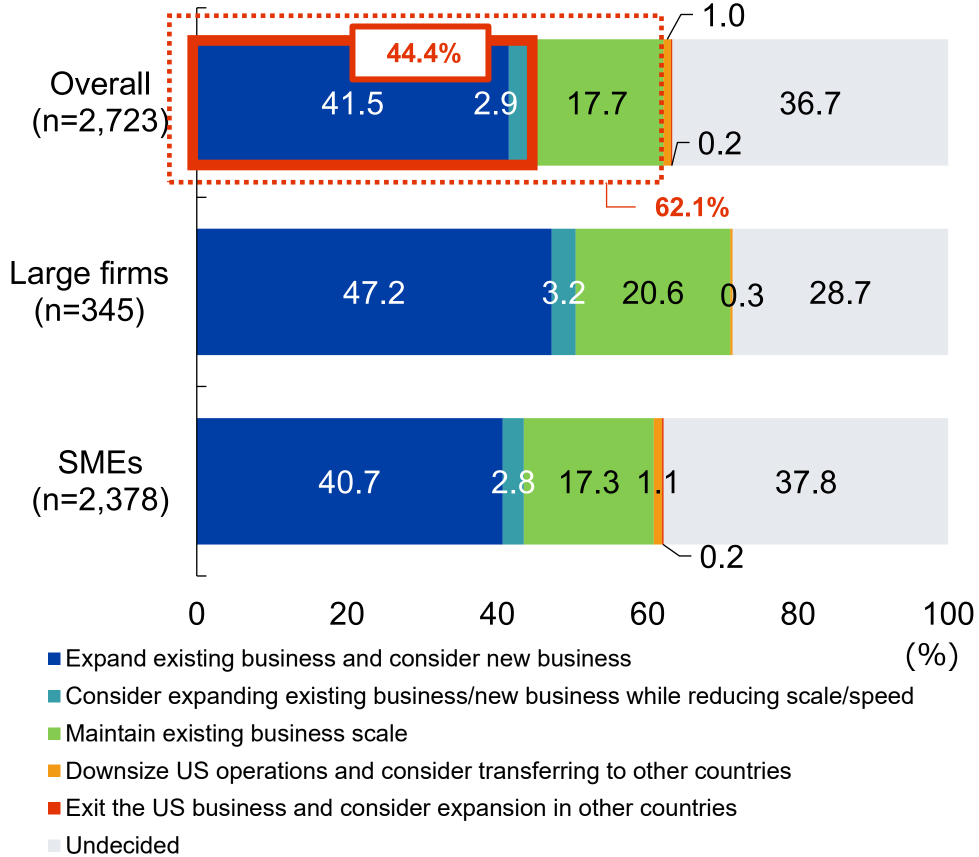
V. Business Trends With the US and China

About 60% Plan to Expand or Stay in the US,
While Interest in Expanding into China has Stabilized

1 Interest in US Business Remains Strong

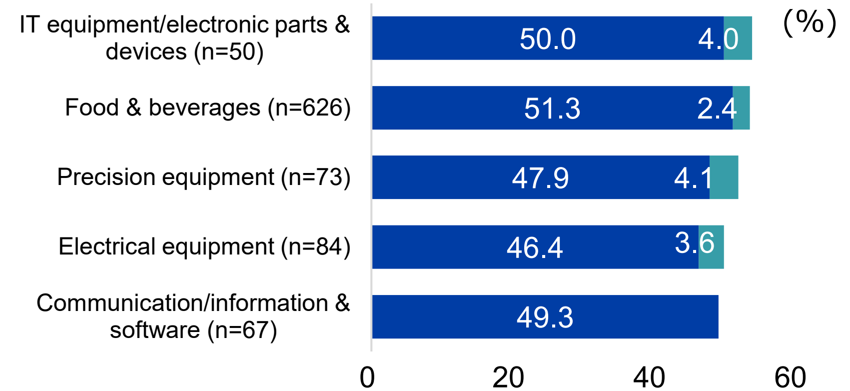
- 44.4% of firms are considering expanding or launching new business in the US. This figure rises to 62.1% when firms intending to maintain existing business are included. **Consideration of withdrawal or downsizing** is extremely limited, **at just 1.2%**.
- IT Equipment/Electronic Parts & Devices lead the way, with expansion intentions exceeding 50% across multiple industries. The most common means of expansion is increasing imports and exports, at 85.6%.

Policies for Future Business Development in the US

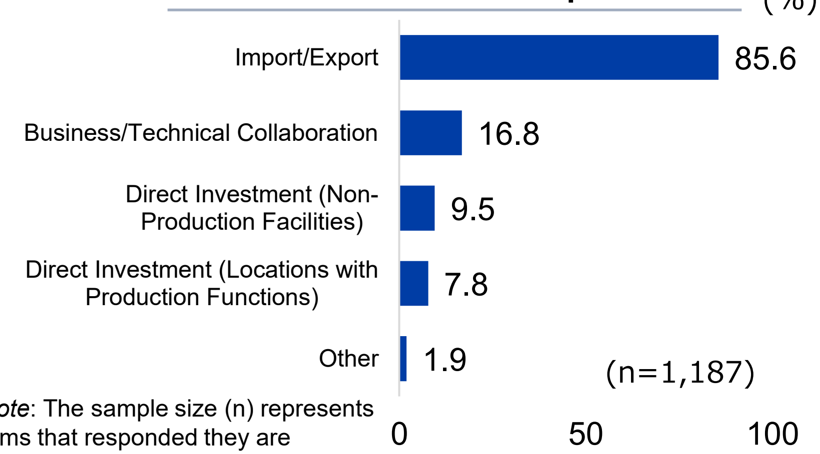


Note: The sample size (n) excludes firms that stated "will not pursue business expansion in the future" and those that did not respond, from all responding firms (including those not currently conducting US business).

Top 5 Industries with High Business Expansion Rates



Means of Business Expansion

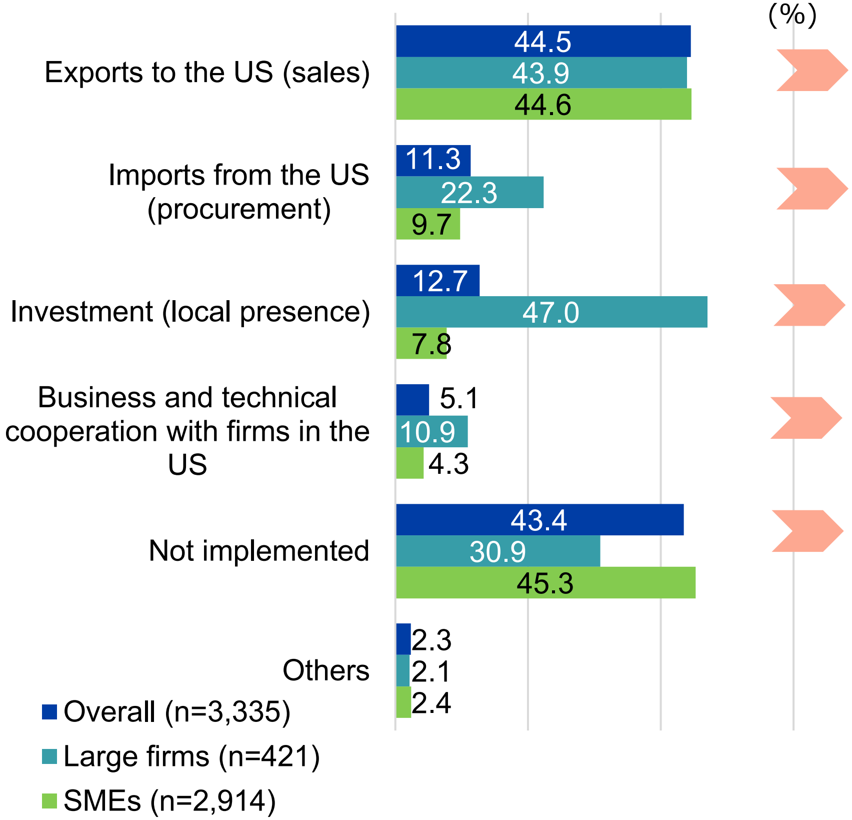


Note: The sample size (n) represents firms that responded they are considering expanding existing business or pursuing new business.

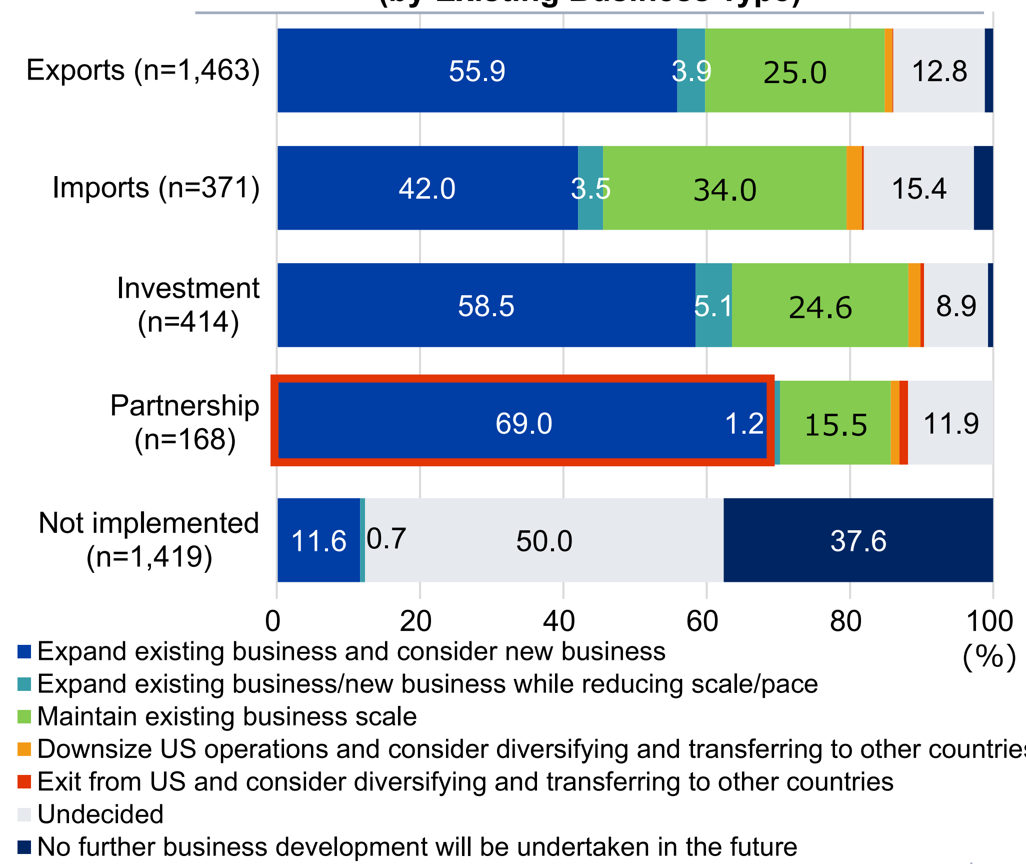
2 Future US Business: Expansion via Investment and Partnerships

- **Over 40% of both large firms and SMEs export to the US**. Nearly 50% of large firms have a local presence, compared to fewer than 10% of SMEs. Firms not doing business in the US account for 43.4%.
- **About 60% of exporting or investing firms plan to expand, and over 70% aim growing through operational and technical partnerships**. Even **over 10% of firms** without business in the US, **are considering expansion**.

Status of Existing US Business



Policies for Future Business Development in the US (by Existing Business Type)

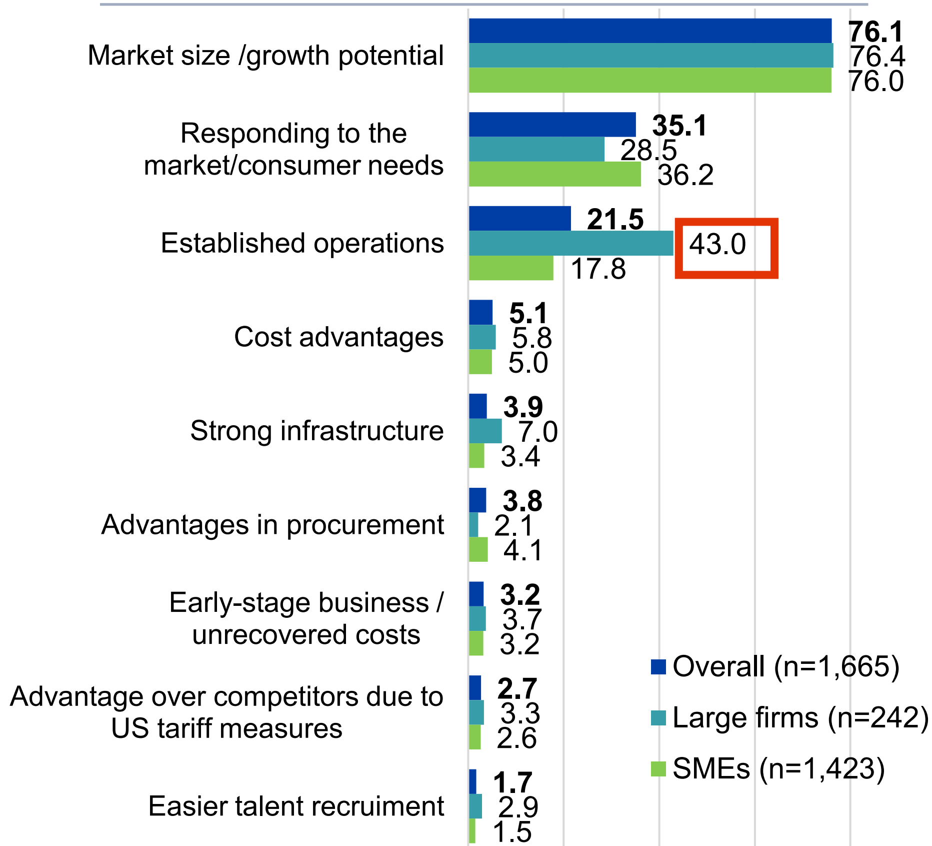


Note: The left chart excludes "not conducting business" and allows multiple responses. All responses exclude non-answers from the tally.

3 Expansion and Maintenance of US Business With a Positive Growth Outlook

- Among 1,665 firms, **76.1% cited the US market's size and growth potential as a key reasons for expansion or maintenance**, and over 40% of large firms noted that their business are running smoothly.
- Multiple SMEs also expressed positive expectations for **increased Japanese investment** and **rising local demand**.

Reasons for Expanding or Maintaining Business in the US (Multiple Responses) (%)



Note: "n" represents firms considering expansion of existing business or new business, and firms maintaining the scale of existing business. "Other" is omitted. Non-responses are excluded from the tally.

Main Comments on Reasons for Expansion/Maintenance

Market Size and Growth Potential

- We already have a user base which **requires and benefits from after-sales services**. (*Precision Equipment, SMEs*)
- We will raise capital goods exports in response to increasing investment from Japanese companies. (*Metal Products, SMEs*)
- We aim to develop **high-quality products that meet US consumer needs** and first increase sales through cross-border e-commerce. (*Trade & Wholesale, SMEs*)

Impact of Exchange Rates

- A weak yen makes it easier to boost sales when receiving payments in dollars. (*Other Manufacturing, SMEs*)
- We want to secure more revenues in dollars through overseas exports and sales. (*Metal Products, SMEs*)

US-China Frictions

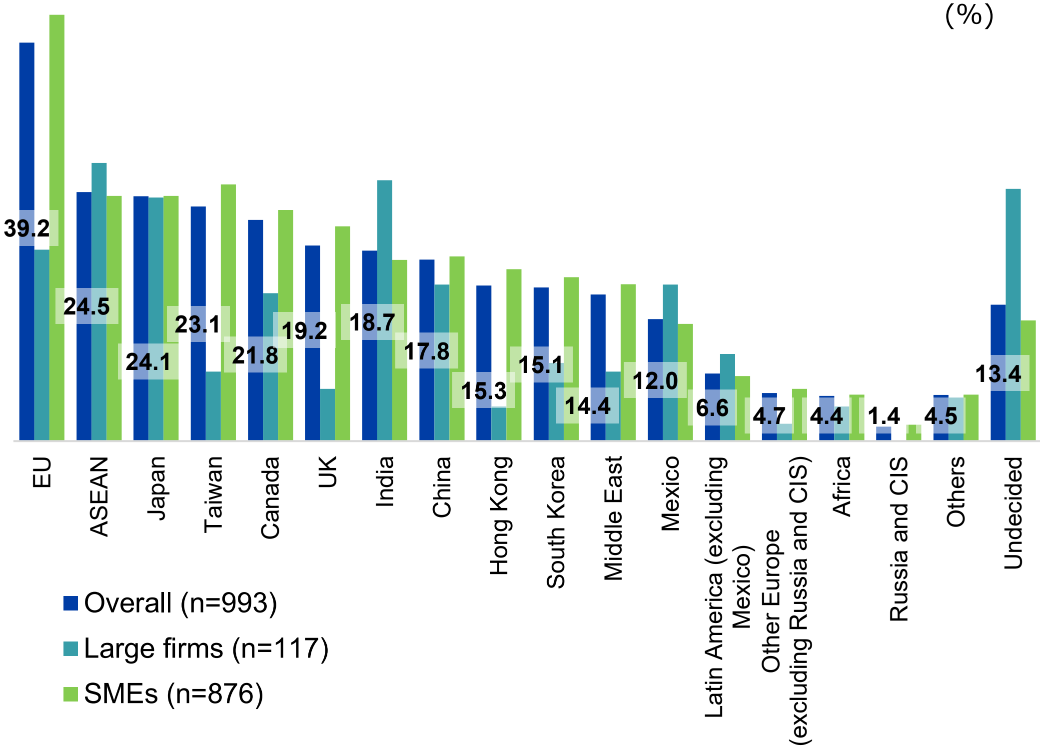
- In the US, consumers are increasingly avoiding Chinese products, leading to **rising inquiries for certain items**. (*Chemicals, SMEs*)

Note: Free-response answers have been supplemented or edited within the scope of preserving the original intent to clarify the respondent's meaning.

4 40% Cite the EU as a Hedge for US Business

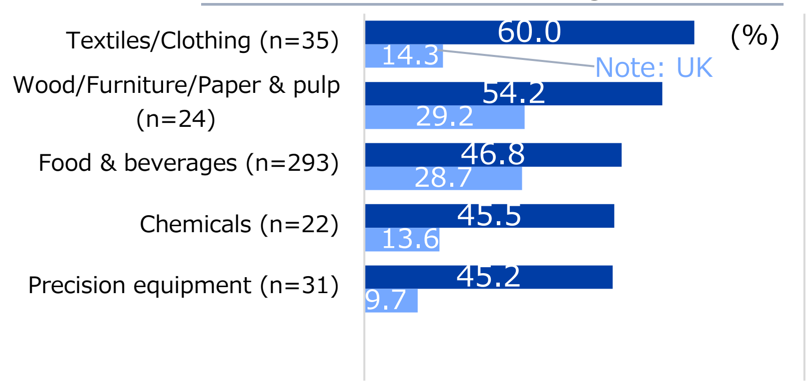
- Among firms responding to future US business development plans (993 responses), **the EU** was the top risk-mitigation destination at **39.2%**, followed by ASEAN and Japan.
- SMEs more often cited **Taiwan and Canada** in addition to the EU, while **large firms also showed notable interest in India**.
- By sector, **Europe** was favored in **consumer goods** (e.g., Textiles/clothing), whereas Asia was more frequently cited **in Manufacturing sectors** such as Cars and Electronics.

Countries/regions Considered as Destinations for Diversification/Transfer from the U.S.

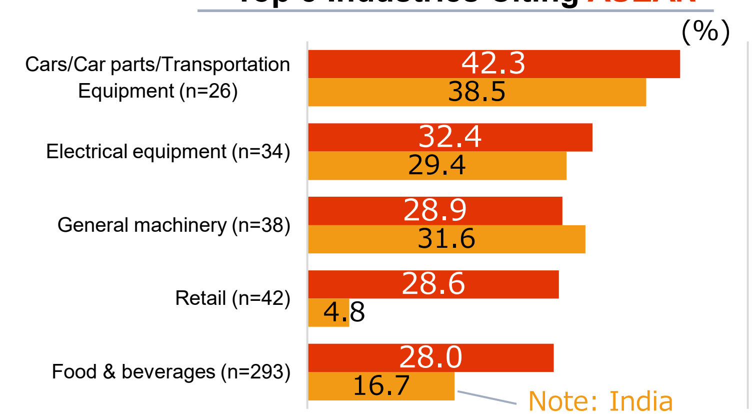


Note: For all figures, multiple responses were allowed, excluding "Not considering." Non-responses were excluded from the tally. Numbers within the box represent the Total.

Top 5 Industries Citing the EU



Top 5 Industries Citing ASEAN

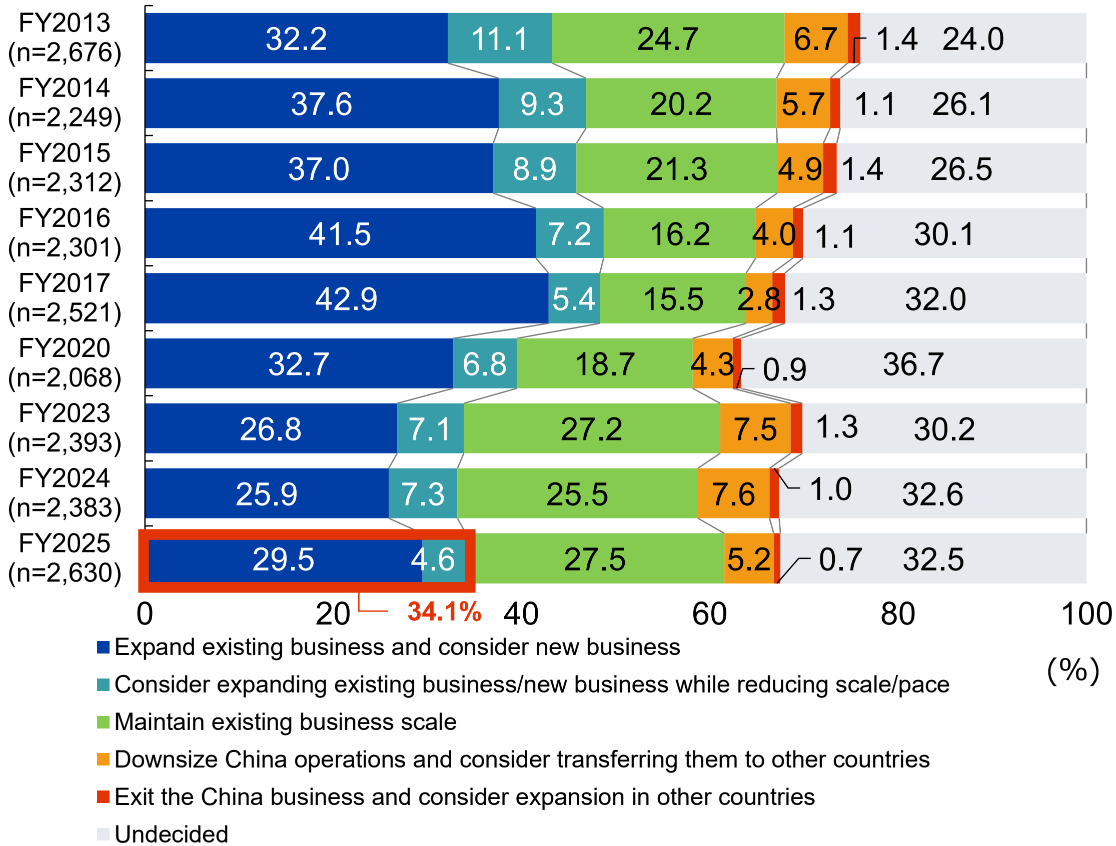


Note: Sectors with fewer than 20 companies are excluded.

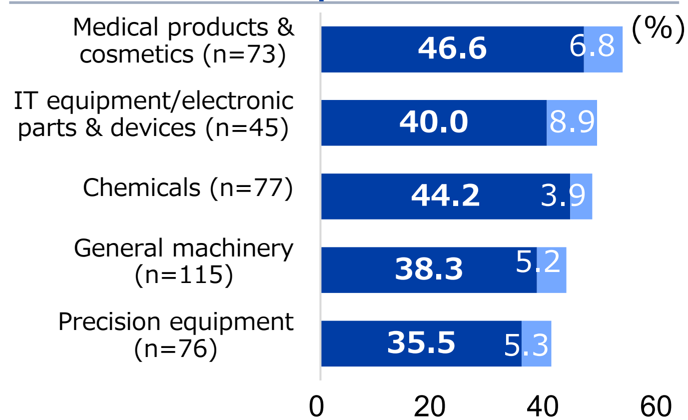
5 Halt in Drop of Expansion Intent for China Business

- Intentions to expand business in China stand at 34.1%, essentially flat for the second year but marking the first uptick in five years. Downsizing or withdrawal remains 5.9%, with **withdrawal at a record-low 0.7%**.
- By industry, over half of Medical Products & Cosmetic firms plan expansion, while many in the **Construction and Related sectors consider downsizing**.

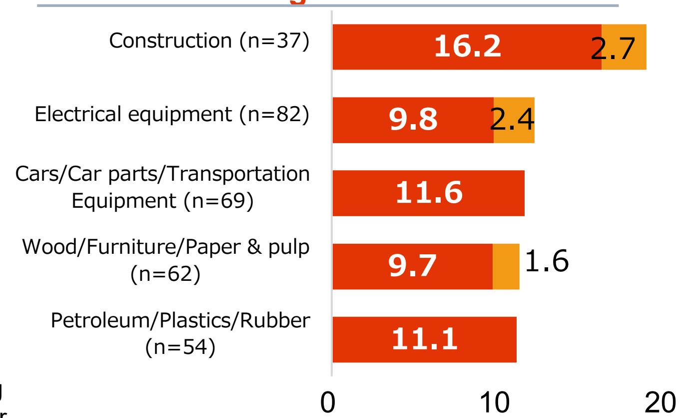
Policies for Future Business Development in China (Overall)



Top 5 Industries with Business Expansion Intent



Top 5 Industries with Business Downsizing/Withdrawal Intent

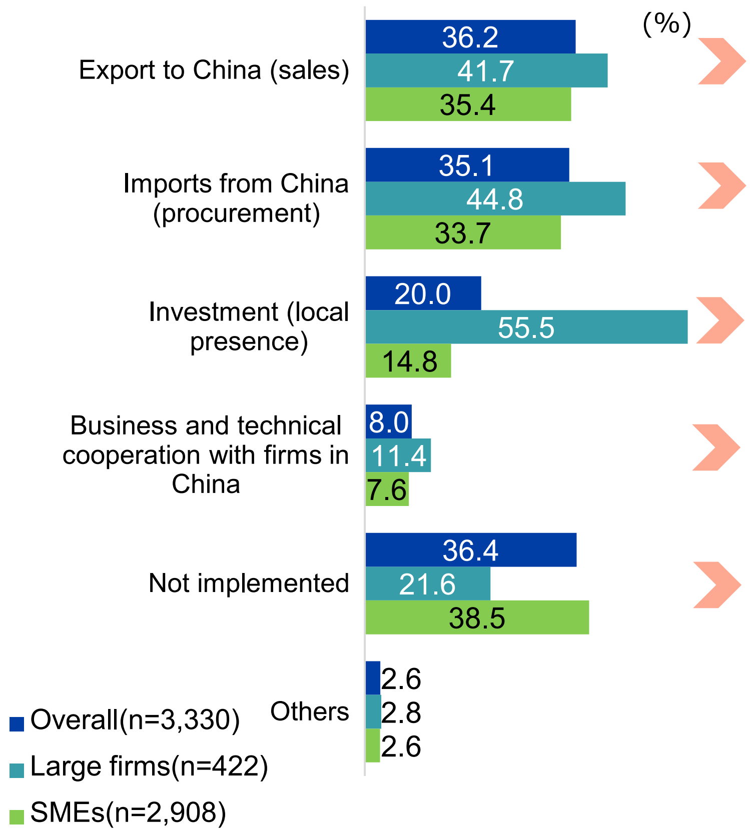


Notes: 1) The sample size (n) is based on all responding firms (including those not currently conducting business in China), excluding those who answered "Will not pursue business expansion in the future" or did not respond. 2) This question was not included in FY2018, FY2019, FY2021, or FY2022.

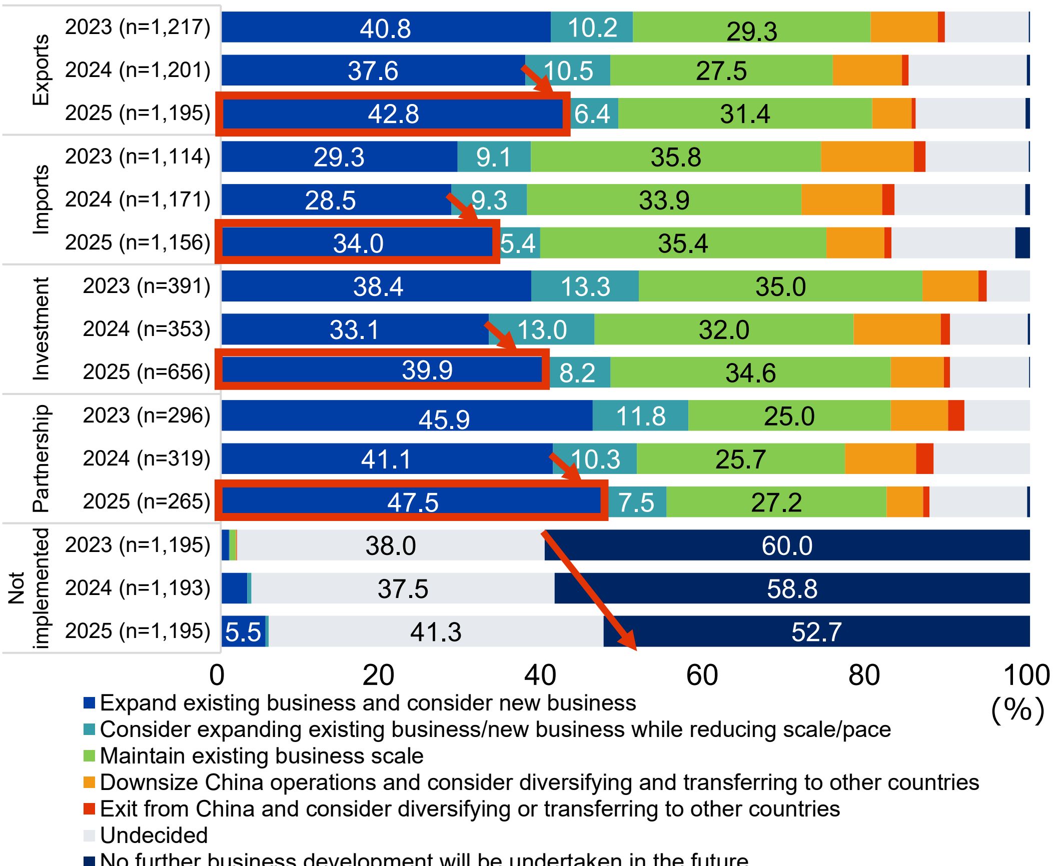
6 Intent Rising Across All Modes of Expansion

- Over 40% of large firms trade with China, and 55.5% have a local presence, compared with 14.8% of SMEs. Firms not engaged in China business account for 36.4%, now under 40%.
- Among firms exporting, investing, or partnering with China, about 50% plan expansion, with import-related expansion also **improving from the previous survey**. Even among firms not currently engaged in China, the share **rejecting future market entry has declined**.

Status of Existing China Business, FY2025



Policies for Future Business Development in China (by Existing Business Type)

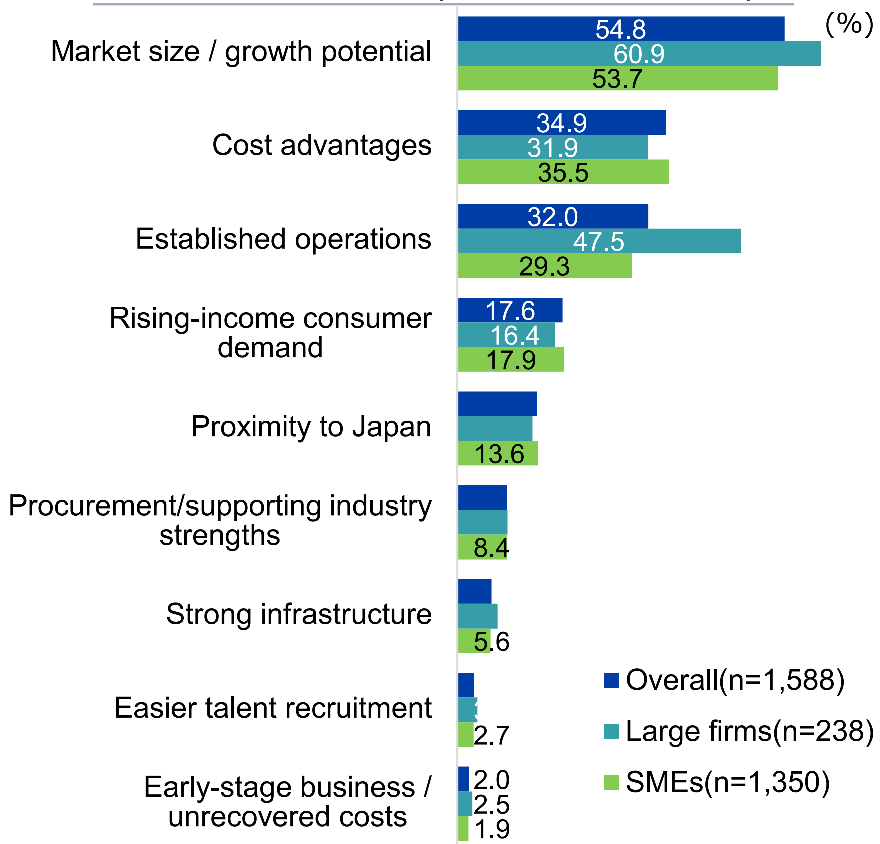


Note: The left chart excludes "not conducting business" and allows multiple responses. All responses exclude non-answers from the tally.

7 | Market and Growth Expectations Remain Solid

- Among 1,588 firms, **market size and growth potential** was the dominant reason for expanding or maintaining China business (54.8%), far ahead of cost advantages, while infrastructure and HR were rarely cited.
- Comments also noted **concern over intensifying competition**, alongside expectations for China's vast market.

Reasons for Expanding or Maintaining Business in China (Multiple Responses)



Note: "n" represents firms considering expansion of existing business or new business, and firms maintaining the scale of existing business. "Other" is omitted. Non-responses are excluded from the tally.

Main Comments on Reasons for Expansion/Maintenance

Market Size/Growth Potential

- China's **1.4-billion population and competitive wages** make it an attractive market and production base for exports. *(Trade & Wholesale, SMEs)*
- Rising **inbound tourism** enhances brand recognition. *(Clothing, SMEs)*
- Our main products hold over 90% share in China. *(Food & Beverages, SMEs)*
- **Established brands** ensure stable sales even if conditions shift. *(Other Manufacturing, SMEs)*

Responding to Intensifying Competition

- Need to **catch up with Chinese OEMs** expanding quickly into ASEAN. *(Car Parts, Large Firms)*
- Losing key electrification business in China would **undermine global expansion**. *(Car Parts, Large Firms)*

Addressing Regulations

- We need to respond to **domestic product-preference** policies. *(Precision Equipment, Large Firms)*
- Exporting from Japan is becoming increasingly difficult. *(Electrical Equipment, SMEs)*

Note: Free-response answers have been supplemented or edited within the scope of preserving the original intent to clarify the respondent's meaning.

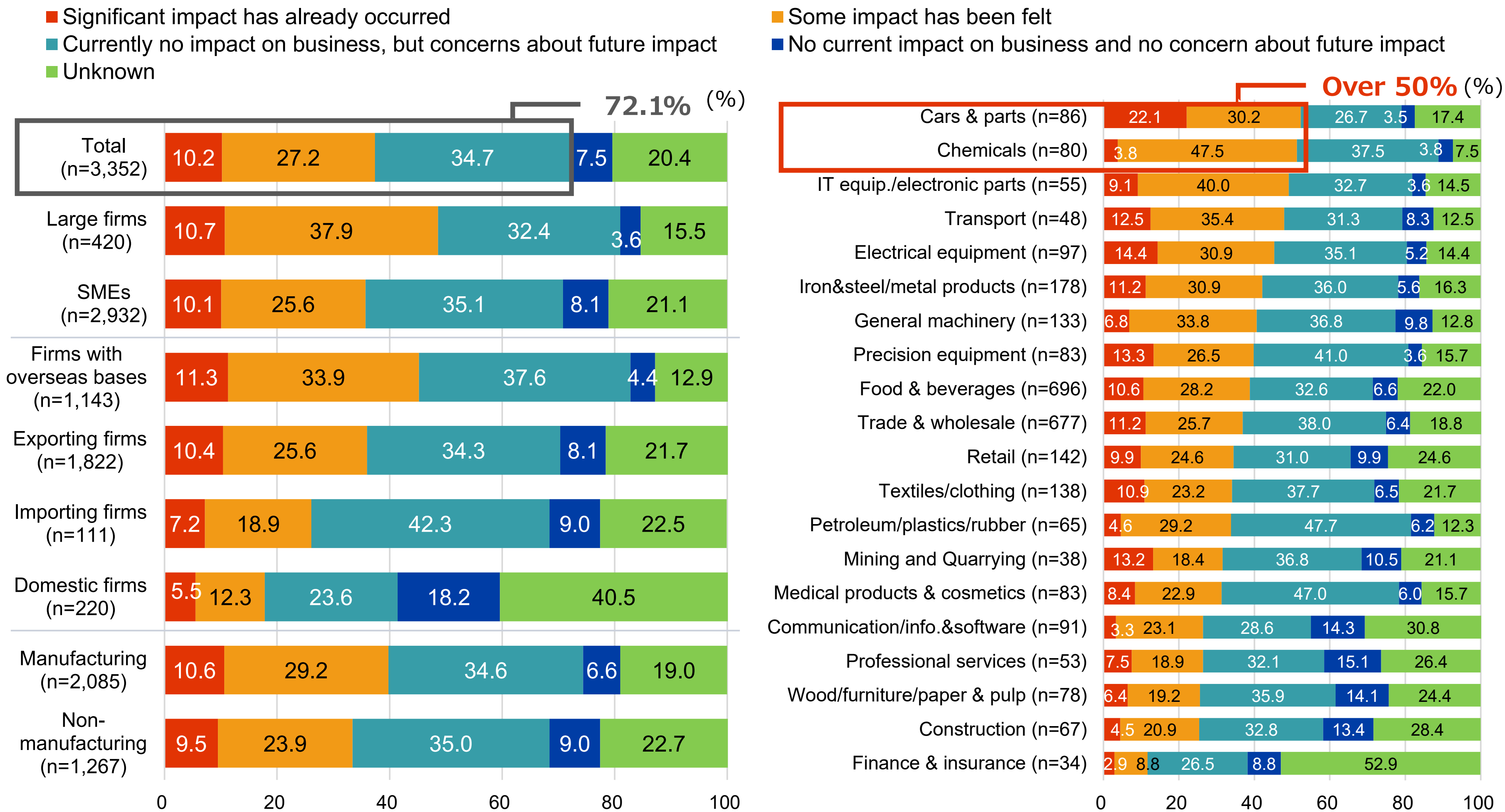
VI. Geopolitical Risks and Economic Security

SMEs and Regional Firms Are Also Unable to Avoid Impacts; Future Countermeasures Are Challenging

1 Over 70% Express Concern Over Geopolitical Risks

- Over 70% of firms are affected by (or concerned about) various geopolitical risks.

Impact of Geopolitical Risks on Business

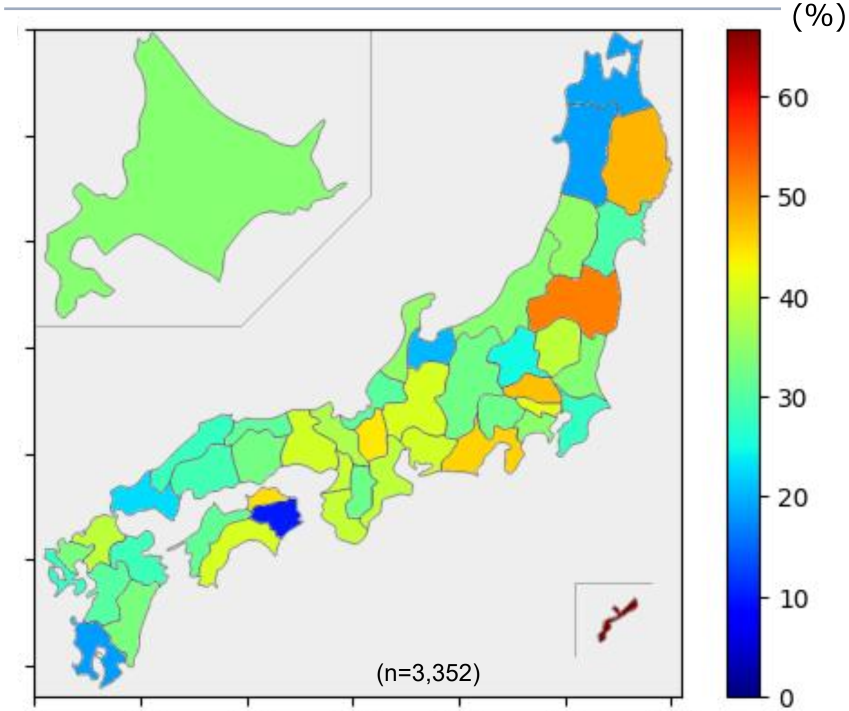


Note:"n" excludes non-responses. Industry excludes other manufacturing and other non-manufacturing. Respondents were asked about the impact of geopolitical risks on their business. The "exporting firms" above are those that export but have not expanded overseas."Importing firms" are those that only import (no exports, no overseas operations). "Domestic firms" are those that do not engage in exports, imports, or overseas operations.

2 Geopolitical Impacts Spread Nationwide

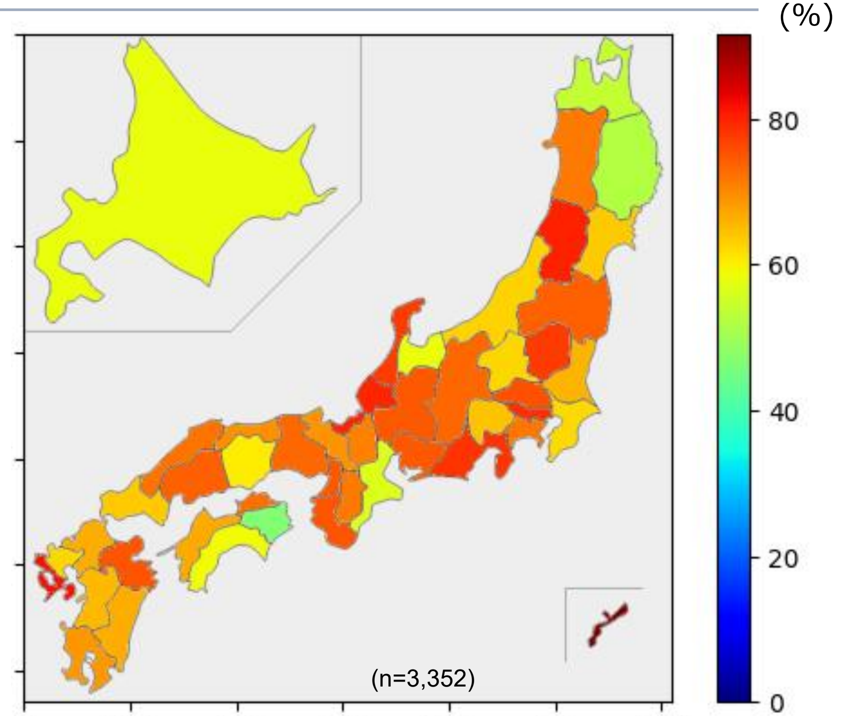
- By prefecture, Okinawa (66.7%) records the highest number of firms reporting being impacted by risks, followed by Iwate, Fukushima, Saitama, Shizuoka, and Shiga. Over 70% of firms in many regions are “concerned about future impacts,” with particularly strong concern in the Tokai and Hokuriku regions.

Percentage of Firms Impacted by Geopolitical Risks (by Prefecture)



Note: Percentage of firms responding that “significant impact has already occurred” or "somewhat affected."

Firms Impacted by Geopolitical Risk + Percentage of Firms Concerned About Future Impacts (by Prefecture)



Note: Companies that have already experienced “significant impact,” “some impact,” or "currently no impact on business, but concerns about future impact" due to geopolitical risks.

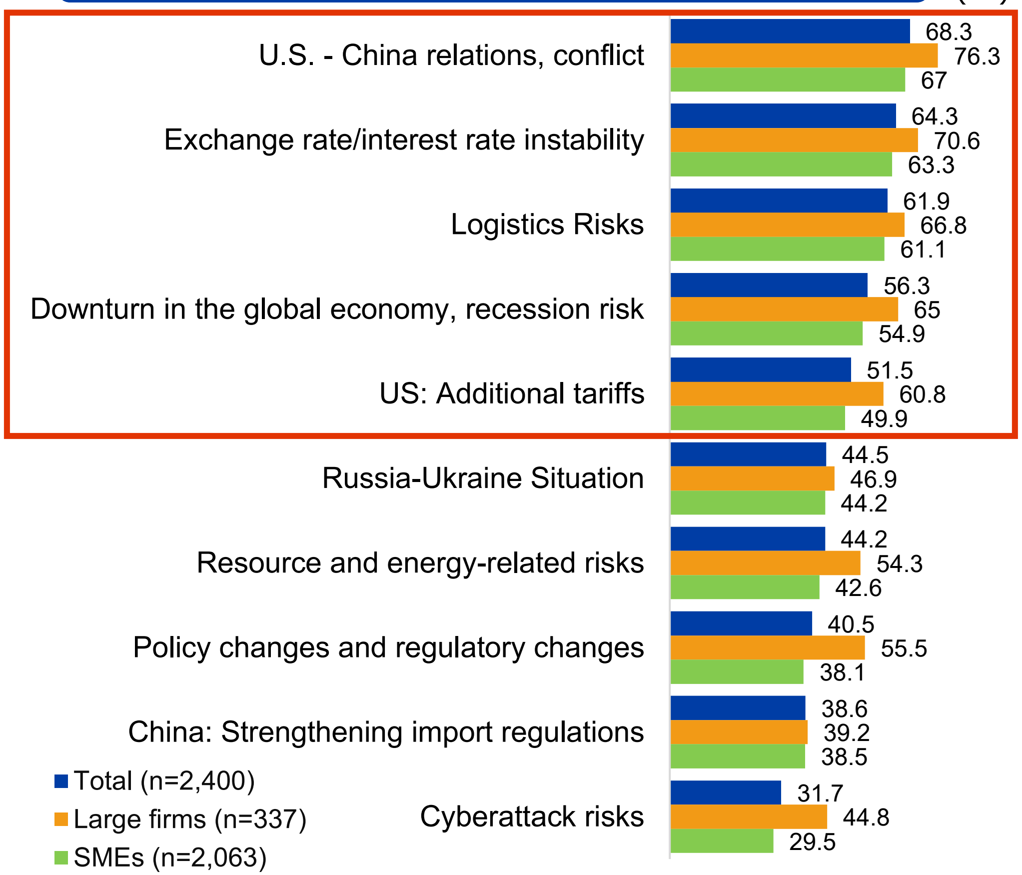
Note: “n” represents the number of firms excluding non-responses. Note some prefectures have fewer valid responses, such as Tottori (n=13), Shimane (n=18), Nagasaki (n=11), and Okinawa (n=12) with small sample sizes.

3 | Concerns Over the Impact of US-China Relations, Financial Markets, and Logistics Risks

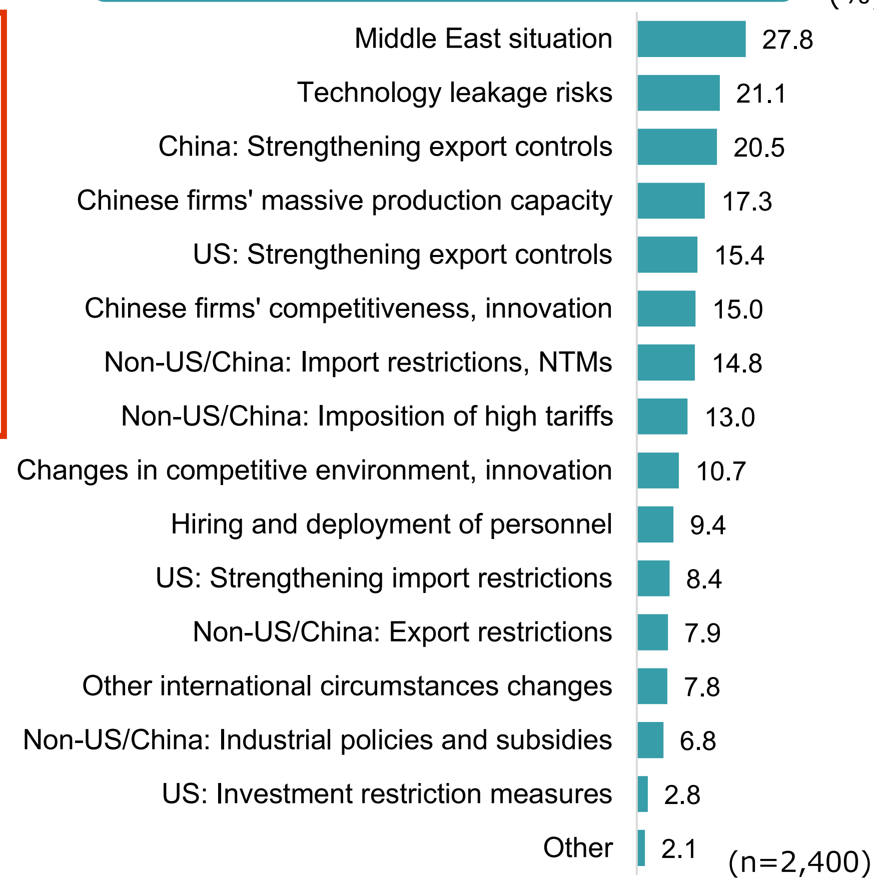
- Among firms experiencing (or concerned about) impacts from geopolitical risks, approximately 70% cite US-China relations. In addition to global risks related to the financial market, logistics, and recession, most firms report being affected by US tariff measures.

Various Geopolitical Risks with Potential Business Impact

Geopolitical Risks of Concern: Top 10 (by Firm Size)



Risks Ranked 11th and Below (Total only)



Note: “n” excludes non-responses. This question targeted firms that responded "already experiencing significant impact," "experiencing some impact," or "currently unaffected but concerned about future impact" due to geopolitical risks.

4 | Geopolitical Risks: Impact Varies by Industry Characteristics

▼Various Risk Items

Various Geopolitical Risks with Potential Business Impact (by Industry, Heat Map)

High ⟷ Low

① US-China relations, US-China confrontation
② Exchange rate fluctuations, interest rate fluctuations, financial market instability risks
③ Logistics risks (Soaring transportation costs, disrupted transportation)
④ Downside risks to the global economy and business sentiment, recession risk
⑤ US: Additional tariffs (reciprocal tariffs, car tariffs, etc.)
⑥ Russia-Ukraine situation
⑦ Risks related to resources and energy
⑧ Policy changes and regulatory tightening in various countries
⑨ China: Tightening import controls
⑩ Cyberattack risks
⑪ Middle East situation
⑫ Technology leakage and trade secret disclosure risks
⑬ China: Tightening of export controls (critical minerals, etc.)
⑭ Chinese firms' production capacity, supply/exports exceeding demand
⑮ US: Tightening export controls(Semiconductors, AI, etc.)
⑯ Rising international competitiveness and rapid technological innovation of Chinese firms
⑰ Non-US/China: Import restrictions, non-tariff measures
⑱ Non-US/China: Imposition of high tariffs

(Multiple Responses、%)

	n	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫	⑬	⑭	⑮	⑯	⑰	⑱
Manufacturing	1,540	69.4	64.4	63.1	57.6	55.3	45.3	49.1	40.6	40.1	33.1	27.1	23.4	22.1	18.8	15.7	16.9	13.5	13.2
Food & beverages	490	58.8	57.3	63.7	49.8	48.0	48.2	47.3	37.3	49.6	29.4	25.7	15.5	6.1	8.2	8.0	4.7	15.3	11.2
Textiles/clothing	99	71.7	69.7	66.7	60.6	40.4	43.4	48.5	37.4	36.4	33.3	28.3	14.1	13.1	27.3	9.1	12.1	6.1	11.1
Wood/furniture/paper & pulp	48	60.4	56.3	56.3	52.1	58.3	45.8	41.7	20.8	31.3	33.3	16.7	10.4	2.1	16.7	10.4	12.5	8.3	16.7
Chemicals	71	77.5	64.8	70.4	57.7	50.7	52.1	57.7	40.8	42.3	26.8	31.0	31.0	36.6	32.4	14.1	23.9	8.5	12.7
Medical products & cosmetics	64	57.8	57.8	60.9	56.3	42.2	46.9	43.8	45.3	54.7	25.0	28.1	18.8	12.5	15.6	7.8	25.0	7.8	7.8
Petroleum/plastics/rubber	53	73.6	71.7	75.5	62.3	47.2	35.8	62.3	28.3	26.4	24.5	32.1	22.6	18.9	20.8	11.3	22.6	18.9	17.0
Iron & steel/non-ferrous metals/metal products	138	71.0	65.9	47.8	64.5	63.8	41.3	51.4	36.2	31.2	35.5	23.2	30.4	36.2	28.3	15.9	21.0	15.9	9.4
General machinery	103	78.6	67.0	68.0	73.8	65.0	41.7	48.5	50.5	29.1	35.0	33.0	35.9	34.0	21.4	25.2	30.1	13.6	14.6
Electrical equipment	78	85.9	69.2	61.5	62.8	69.2	37.2	47.4	48.7	37.2	42.3	21.8	38.5	44.9	21.8	34.6	23.1	17.9	19.2
IT equipment/electronic parts & devices	44	88.6	68.2	65.9	65.9	68.2	43.2	40.9	40.9	36.4	50.0	13.6	34.1	52.3	15.9	43.2	25.0	9.1	13.6
Cars/car parts/transportation machinery	68	82.4	82.4	60.3	69.1	73.5	42.6	66.2	60.3	25.0	55.9	35.3	35.3	47.1	26.5	23.5	39.7	22.1	23.5
Precision equipment	67	83.6	67.2	65.7	58.2	62.7	50.7	50.7	50.7	49.3	40.3	38.8	28.4	37.3	19.4	32.8	23.9	7.5	9.0
Non-manufacturing	860	66.5	64.1	59.7	54.0	44.5	43.1	35.5	40.2	35.8	29.2	29.0	17.0	17.6	14.7	14.9	11.4	17.1	12.4
Trade & wholesale	505	68.7	69.9	64.8	55.6	47.9	43.4	36.0	38.2	41.4	26.7	28.9	15.0	20.4	17.4	15.0	13.1	20.8	13.3
Retail	91	56.0	47.3	62.6	46.2	41.8	45.1	30.8	29.7	27.5	20.9	23.1	17.6	8.8	6.6	11.0	3.3	11.0	13.2
Construction	39	69.2	59.0	64.1	48.7	35.9	41.0	48.7	46.2	17.9	23.1	17.9	23.1	12.8	10.3	7.7	7.7	7.7	15.4
Transport	37	86.5	56.8	89.2	70.3	59.5	62.2	43.2	54.1	62.2	51.4	40.5	13.5	43.2	21.6	43.2	24.3	32.4	16.2
Communication/information & software	50	56.0	54.0	20.0	60.0	26.0	26.0	10.0	48.0	18.0	36.0	22.0	30.0	6.0	8.0	22.0	16.0	10.0	10.0
Professional services	31	64.5	64.5	48.4	48.4	32.3	41.9	45.2	51.6	12.9	25.8	38.7	16.1	12.9	9.7	9.7	12.9	3.2	3.2

Note: "n" represents the number of firms excluding non-responses. Listed are risks ranked within the top 18 for Total and by industry with 30 or more valid responses. This question targeted firms that responded "already experiencing significant impact," "experiencing some impact," or "currently unaffected but concerned about future impact" due to geopolitical risks.

5 | Geopolitical Risks by Prefecture (1) Concerns About Various Risks Are Particularly Strong in Metropolitan Areas Home to Many Large Firms

Geopolitical Risks of Concern for Business Impact (by Prefecture, Heat Map)

High ⟷ Low

▼Various Risk Items

① US-China relations, US-China confrontation
② Exchange rate fluctuations, interest rate fluctuations, financial market instability risks
③ Logistics risks (Soaring transportation costs, Disrupted Transportation)
④ Downside risks to the global economy and business sentiment, recession risk
⑤ US: Additional tariffs (reciprocal tariffs, car tariffs, etc.)
⑥ Russia-Ukraine situation
⑦ Risks related to resources and energy
⑧ Policy changes and regulatory tightening in various countries
⑨ China: Tightening import controls
⑩ Cyberattack risk
⑪ Middle East situation
⑫ Technology leakage and trade secret disclosure risks
⑬ China: Tightening of export controls (Critical minerals, etc.)
⑭ Chinese firms' production capacity, supply/exports exceeding demand
⑮ US: Tightening export controls (Semiconductors, AI, etc.)
⑯ Rising international competitiveness and rapid technological innovation of Chinese firms
⑰ Non-US/China: Import restrictions, non-tariff measures
⑱ Non-US/China: Imposition of high tariffs

(Multiple responses, %)

	n	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫	⑬	⑭	⑮	⑯	⑰	⑱
Tokyo	600	69.5	68.5	64.2	60.3	52.8	45.2	45.0	44.3	40.2	33.5	29.8	22.7	25.0	18.3	20.2	17.5	17.3	15.0
Osaka	254	74.0	68.5	63.0	61.4	56.3	42.9	44.9	39.8	37.8	33.1	29.9	23.2	23.6	26.4	15.4	21.3	20.9	15.7
Aichi	149	71.8	61.1	60.4	55.7	49.7	45.6	47.7	36.9	31.5	36.9	34.2	17.4	28.2	23.5	11.4	17.4	12.1	12.8
Hyogo	110	74.5	64.5	65.5	49.1	47.3	48.2	40.9	42.7	44.5	25.5	26.4	17.3	20.9	14.5	11.8	10.0	12.7	10.9
Kanagawa	100	72.0	66.0	65.0	49.0	51.0	47.0	41.0	44.0	31.0	36.0	21.0	22.0	27.0	15.0	18.0	21.0	12.0	10.0
Kyoto	75	76.0	62.7	70.7	65.3	58.7	52.0	40.0	40.0	42.7	29.3	29.3	25.3	18.7	16.0	20.0	22.7	14.7	12.0
Fukuoka	65	56.9	50.8	47.7	41.5	35.4	33.8	35.4	27.7	30.8	29.2	20.0	18.5	10.8	12.3	7.7	10.8	9.2	13.8
Saitama	64	65.6	51.6	60.9	54.7	50.0	40.6	42.2	50.0	35.9	28.1	26.6	15.6	17.2	14.1	14.1	14.1	15.6	10.9
Shizuoka	64	57.8	62.5	59.4	62.5	67.2	43.8	50.0	35.9	29.7	40.6	31.3	28.1	20.3	21.9	18.8	20.3	10.9	15.6
Hiroshima	54	61.1	68.5	74.1	53.7	53.7	46.3	51.9	46.3	37.0	35.2	24.1	24.1	25.9	11.1	11.1	16.7	14.8	7.4
Gifu	53	73.6	62.3	56.6	54.7	45.3	47.2	37.7	37.7	41.5	28.3	24.5	15.1	7.5	17.0	11.3	13.2	15.1	13.2
Nagano	51	70.6	72.5	51.0	66.7	54.9	41.2	52.9	54.9	39.2	35.3	29.4	25.5	23.5	19.6	21.6	21.6	21.6	11.8
Niigata	43	67.4	67.4	62.8	53.5	67.4	46.5	39.5	25.6	44.2	32.6	32.6	20.9	11.6	14.0	14.0	9.3	9.3	4.7
Hokkaido	39	53.8	59.0	71.8	48.7	38.5	46.2	48.7	28.2	38.5	15.4	12.8	20.5	5.1	15.4	7.7	5.1	10.3	7.7
Fukui	39	66.7	66.7	56.4	61.5	51.3	38.5	38.5	20.5	41.0	28.2	28.2	20.5	20.5	17.9	15.4	7.7	15.4	15.4
Chiba	36	58.3	75.0	69.4	55.6	50.0	41.7	52.8	44.4	30.6	41.7	33.3	33.3	22.2	27.8	16.7	16.7	19.4	8.3
Okayama	34	76.5	76.5	64.7	67.6	55.9	47.1	52.9	50.0	17.6	23.5	20.6	23.5	23.5	14.7	8.8	11.8	2.9	5.9
Ishikawa	31	74.2	58.1	58.1	51.6	48.4	45.2	51.6	54.8	25.8	25.8	29.0	22.6	19.4	16.1	9.7	12.9	12.9	6.5
Ehime	30	66.7	50.0	63.3	46.7	53.3	36.7	30.0	30.0	53.3	40.0	23.3	16.7	23.3	10.0	20.0	3.3	6.7	6.7
Kgawa	29	58.6	62.1	65.5	37.9	41.4	34.5	44.8	20.7	51.7	13.8	31.0	13.8	3.4	10.3	10.3	0.0	17.2	13.8

Note: "n" represents the number of firms excluding non-responses. Risks ranked in the top 20 prefectures and Total top 18 are listed. This question targeted firms that responded "already significantly impacted," "somewhat impacted," or "currently unaffected but concerned about future impact" due to geopolitical risks.

6 Geopolitical Risks by Prefecture (2) Impact of US Tariffs and Chinese Regulations Also Requires Regional Evaluation and Analysis

Various Geopolitical Risks with Potential Business Impact (by Prefecture, Heat Map)

High ⟷ Low

▼Various Risk Factors

① US-China relations, US-China confrontation
② Exchange rate fluctuations, interest rate fluctuations, financial market instability risks
③ Logistics risks (Soaring transportation costs, disrupted transportation)
④ Downside risks to the global economy and business sentiment, recession risk
⑤ US: Additional tariffs (reciprocal tariffs, car tariffs, etc.)
⑥ Russia-Ukraine situation
⑦ Risks related to resources and energy
⑧ Policy changes and regulatory tightening in various countries
⑨ China: Tightening Import Controls
⑩ Cyberattack risk
⑪ Middle East situation
⑫ Technology leakage and trade secret disclosure risks
⑬ China: Tightening of export controls (Critical minerals, etc.)
⑭ Chinese firms' production capacity, supply/exports exceeding demand
⑮ US: Tightening Export Controls (Semiconductors, AI, etc.)
⑯ Rising international competitiveness and rapid technological innovation of Chinese firms
⑰ Non-US/China: Import restrictions, non-tariff measures
⑱ Non-US/China: Imposition of high tariffs

(Multiple responses、%)

	n	①	②	③	④	⑤	⑥	⑦	⑧	⑨	⑩	⑪	⑫	⑬	⑭	⑮	⑯	⑰	⑱
Miyagi	27	48.1	77.8	51.9	51.9	51.9	37.0	37.0	66.7	37.0	22.2	14.8	25.9	14.8	11.1	14.8	18.5	18.5	0.0
Ibaraki	27	70.4	63.0	63.0	59.3	44.4	51.9	70.4	22.2	29.6	33.3	37.0	22.2	7.4	11.1	14.8	14.8	3.7	14.8
Mie	25	72.0	48.0	52.0	60.0	68.0	28.0	32.0	32.0	48.0	32.0	20.0	32.0	12.0	16.0	8.0	20.0	16.0	20.0
Tochigi	24	45.8	50.0	45.8	45.8	45.8	37.5	45.8	29.2	45.8	37.5	8.3	16.7	16.7	12.5	12.5	4.2	4.2	12.5
Gunma	24	54.2	66.7	41.7	50.0	37.5	41.7	45.8	41.7	20.8	33.3	33.3	20.8	0.0	4.2	0.0	8.3	8.3	16.7
Shiga	24	58.3	66.7	50.0	58.3	37.5	62.5	41.7	41.7	33.3	37.5	20.8	25.0	20.8	12.5	16.7	8.3	16.7	20.8
Oita	24	58.3	54.2	62.5	33.3	29.2	41.7	41.7	41.7	50.0	33.3	29.2	8.3	16.7	8.3	8.3	4.2	8.3	0.0
Wakayama	21	66.7	57.1	57.1	57.1	52.4	66.7	38.1	38.1	42.9	42.9	47.6	23.8	4.8	23.8	23.8	19.0	9.5	19.0
Fukushima	20	60.0	55.0	60.0	60.0	70.0	70.0	45.0	35.0	40.0	45.0	15.0	30.0	15.0	10.0	15.0	10.0	5.0	25.0
Toyama	20	75.0	55.0	70.0	50.0	30.0	40.0	40.0	40.0	50.0	25.0	20.0	25.0	25.0	20.0	10.0	5.0	20.0	0.0
Nara	20	85.0	55.0	75.0	65.0	35.0	35.0	50.0	55.0	45.0	25.0	30.0	15.0	20.0	20.0	5.0	5.0	20.0	15.0
Yamanashi	18	83.3	72.2	55.6	66.7	66.7	33.3	55.6	33.3	27.8	38.9	33.3	22.2	22.2	11.1	11.1	5.6	0.0	0.0
Yamagata	16	68.8	50.0	37.5	68.8	43.8	56.3	50.0	31.3	56.3	25.0	31.3	6.3	12.5	12.5	6.3	18.8	18.8	31.3
Akita	15	80.0	53.3	60.0	73.3	60.0	40.0	40.0	20.0	60.0	46.7	33.3	6.7	26.7	13.3	13.3	13.3	20.0	6.7
Shimane/Tottori/Yamaguchi	35	48.6	48.6	37.1	34.3	37.1	40.0	28.6	45.7	31.4	31.4	25.7	14.3	5.7	8.6	17.1	5.7	11.4	14.3
Kagoshima/Okinawa	33	78.8	69.7	69.7	42.4	54.5	30.3	36.4	36.4	54.5	12.1	24.2	6.1	18.2	12.1	18.2	12.1	12.1	12.1
Miyazaki/Kumamoto	31	64.5	54.8	67.7	48.4	51.6	58.1	32.3	38.7	54.8	22.6	19.4	19.4	9.7	6.5	19.4	6.5	16.1	22.6
Tokushima/Kochi	27	70.4	77.8	66.7	59.3	59.3	37.0	33.3	40.7	44.4	22.2	14.8	22.2	22.2	11.1	18.5	3.7	18.5	22.2
Aomori/Iwate	25	60.0	56.0	68.0	40.0	48.0	48.0	48.0	28.0	28.0	24.0	32.0	20.0	8.0	16.0	4.0	0.0	16.0	8.0
Saga/Nagasaki	24	62.5	62.5	58.3	66.7	45.8	54.2	66.7	54.2	41.7	16.7	33.3	16.7	20.8	12.5	12.5	8.3	8.3	4.2

Note: "n" represents the number of firms excluding non-responses. The top 18 risk items for the Total category are listed. This question targeted firms that responded to geopolitical risks with "already experiencing significant impact," "experiencing some impact," or "currently no business impact but concerns about future impact."

7 | Tariffs and Import Restrictions in India and ASEAN Countries Pose Risks

- In open-ended responses, protectionist policies in India, ASEAN countries, the EU, and South Korea were cited as risks other than those related to the US and China.
- Risks in the international community include Japan-China relations, China-Taiwan relations, and Myanmar. The increased competitiveness of Chinese firms is also a threat.

Various Geopolitical Risks With Potential Business Impact (Free-Response Comments; Terms by Frequency of Mention)

Protectionist Policies Beyond the US-China Context

Imposition of High Tariffs	
South Asia	India (13 firms) and others
ASEAN	Vietnam (7 firms), Thailand (5 firms), etc.
Others	South Korea (5 firms) and others

Import Restrictions and Non-Tariff Measures	
South Asia	India (23 firms) and others
ASEAN	Vietnam (11 firms), Indonesia (10 firms), Thailand (5 firms), etc.
Others	EU (17 firms), South Korea (5 firms), etc.

Export Restrictions	
Europe and others	EU (8 firms), India (6 firms), etc.

Industrial Policies and Subsidies Favoring Domestic Firms and Domestic Production	
South Asia	India (10 firms) and others
ASEAN	Indonesia (6 firms) and others

Risks Related to International Conditions: Others

Japan-China Relations	Japan-China relations, Japan-China conflicts, Japan-China dynamics, etc. (over 50 firms)
Taiwan Situation Cross-Strait Relations	Taiwan, Taiwan Situation, Taiwan Contingency, China-Taiwan Relations, China's Taiwan Policy, etc. (Over 50 firms)
Myanmar	Myanmar, Myanmar's political instability, etc. (approx. 10 firms)
Thailand Cambodia	Thailand-Cambodia conflict, etc. (approx. 10 firms)

Increased international competitiveness of Chinese firms, rapid technological innovation: Product sectors

Machinery	Machine tools, General machinery, Construction machinery, etc. (approx. 20 firms)
Equipment	Medical equipment, measuring instruments, precision equipment, etc. (over 15 firms)
Cars / EVs	Cars, car parts, electric vehicles (EVs), etc. (over 15 firms)
Others	Food, semiconductors, artificial intelligence (AI), etc.

Note: Numbers in parentheses indicate the number of firms that included the term in their free-form responses. Some firms listed multiple countries/regions, so the total reflects cumulative citations.

8 Geopolitical Risks Significantly Impact Procurement, Imports and Exports

■ Approximately half of firms are affected by geopolitical and economic security risks in procurement (imports) and sales (exports).

Business Activities Affected by Geopolitical Risks (Multiple Responses, %)

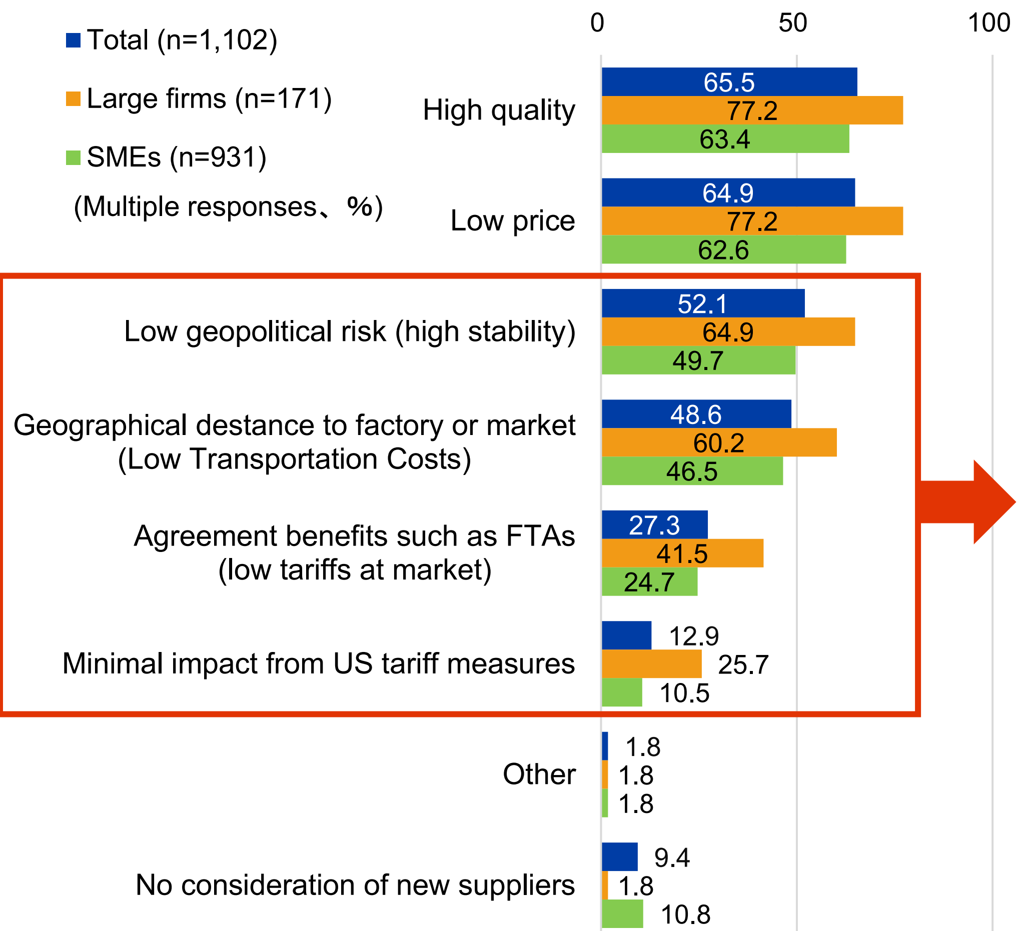
	Procurement (Imports)	Production	Sales (Exports)	Logistics	Technology Development
Total (n=2,406)	**47.9**	12.8	**45.8**	36.8	2.7
Large firms (n=340)	51.8	18.5	48.5	45.9	3.5
SMEs (n=2,066)	47.2	11.8	45.4	35.3	2.5
Manufacturing (n=1,546)	52.7	15.1	48.7	35.3	2.4
Food & beverages (n=494)	40.9	8.5	48.2	32.8	0.4
Textiles/clothing (n=99)	54.5	21.2	35.4	32.3	1.0
Wood/furniture/paper & pulp (n=48)	52.1	16.7	45.8	33.3	
Chemicals (n=71)	67.6	9.9	52.1	42.3	1.4
Medical products & cosmetics (n=65)	60.0	12.3	55.4	41.5	1.5
Petroleum/plastics/rubber (n=53)	50.9	20.8	47.2	41.5	3.8
Iron & steel/metal products (n=139)	56.8	14.4	49.6	28.8	1.4
General machinery (n=102)	52.0	17.6	56.9	27.5	5.9
Electrical equipment (n=78)	65.4	20.5	51.3	38.5	5.1
IT equipment/electronic parts (n=45)	64.4	15.6	42.2	46.7	8.9
Cars&parts/transport. machinery (n=68)	54.4	32.4	45.6	45.6	5.9
Precision equipment (n=67)	59.7	16.4	59.7	38.8	3.0
Non-manufacturing (n=860)	39.3	8.6	40.7	39.4	3.1
Trade & wholesale (n=504)	45.4	9.1	49.0	42.3	1.8
Retail (n=91)	35.2	9.9	41.8	46.2	
Construction (n=39)	56.4	12.8	20.5	35.9	5.1
Transport (n=37)	13.5		10.8	78.4	
Communication/info.&software (n=50)	26.0	8.0	26.0	8.0	16.0
Professional services (n=31)	9.7	6.5	29.0	25.8	9.7

Note:"n" represents the number of firms excluding non-respondents. Industries with 30 or more valid responses (excluding Other manufacturing and Other non-manufacturing). Graphs showing 50% or more are colored red.

9 When Considering New Suppliers, “Stability” and “Geographical Distance” are a Priority

- When considering new suppliers, firms **prioritize low-risk factors like "stability" and "geographic distance"** in addition to quality and price. Particularly in sectors like Electronic Components, Cars, Electrical Equipment, and Medical Products & Cosmetics, many firms prioritize stability.

Factors Emphasized When Considering New Suppliers



Note: “n” excludes non-responses. Based on firms that responded that geopolitical risks are affecting (or are a concern for) their procurement.

Factors Emphasized Beyond Quality and Price

Stability: Geopolitical risks due to relationships with production areas and sales destinations.
Distance: Geographical distance to production sites or markets.
FTA: Agreement benefits such as Free Trade Agreements (FTAs).
US Tariffs: Impact from US tariff measures.

[Multiple Responses, %]

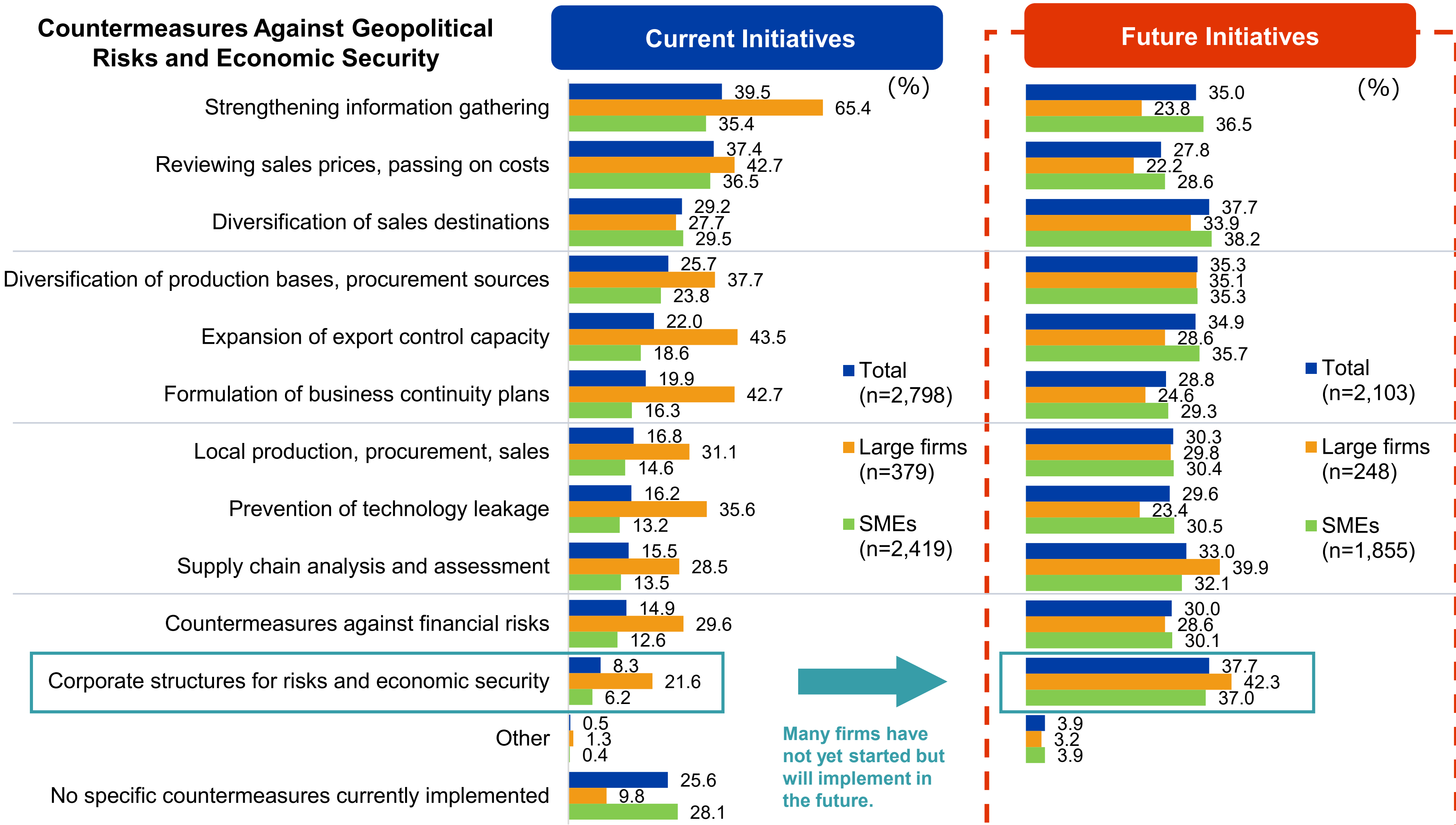
	n	Stability	Distance	FTA	US Tariffs
Manufacturing	778	52.4	50.0	26.3	13.2
Food & beverages	193	42.0	40.9	20.2	5.2
Textiles/Clothing	51	49.0	43.1	25.5	5.9
Wood/Furniture/Paper & pulp	25	36.0	40.0	16.0	4.0
Chemicals	47	53.2	57.4	23.4	12.8
Medical products & cosmetics	37	64.9	64.9	27.0	8.1
Oil/Plastics/Rubber	26	46.2	46.2	26.9	3.8
Iron & steel/ Metal products	76	50.0	46.1	25.0	15.8
General machinery	52	55.8	59.6	32.7	5.8
Electrical equipment	49	65.3	63.3	38.8	20.4
Electronic Components	28	71.4	46.4	14.3	21.4
Cars&parts/Trans. equipment	36	66.7	55.6	47.2	27.8
Precision equipment	37	48.6	59.5	21.6	21.6
Non-manufacturing	324	51.2	45.4	29.6	12.0
Trade & wholesale	218	52.3	48.2	32.6	13.8
Retail	31	58.1	38.7	35.5	9.7
Construction	20	40.0	40.0	20.0	5.0

Note: Valid responses exclude non-responses and are limited to industries with 20 or more firms. Response rates of 50% or higher are highlighted in red, 30% or more are highlighted in orange.

10 Status of Economic Security Measures

- Large firms are advancing their economic security initiatives. Even SMEs that have not yet started doing so have a clear intention to implement countermeasures going forward.

Countermeasures Against Geopolitical Risks and Economic Security

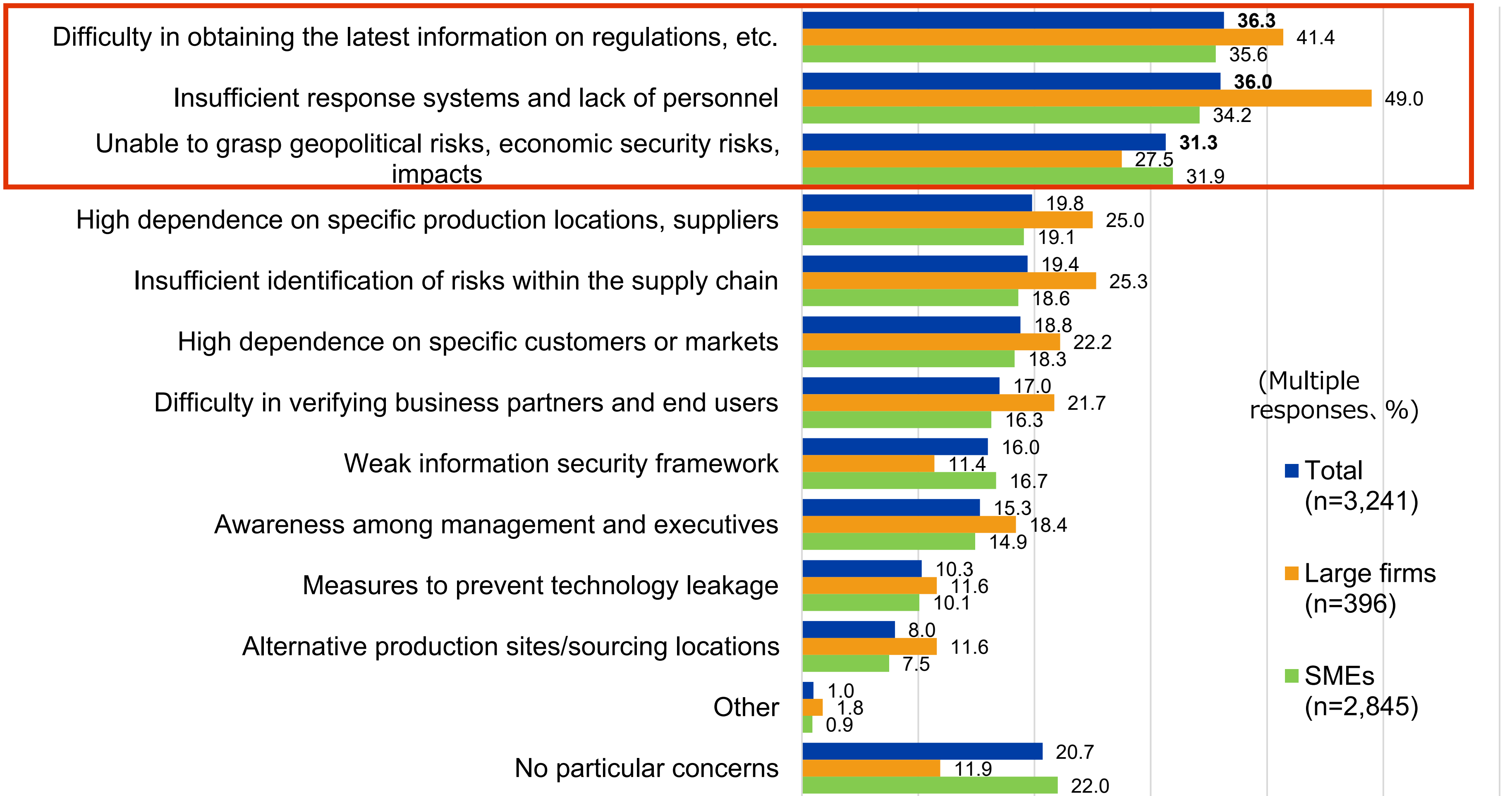


Note: "n" excludes non-responses. If "Current Initiatives" is selected, "Future Initiatives" cannot be selected.

11 Addressing Economic Security Challenges

- Over 30% of challenges in addressing geopolitical risks involve "obtaining the latest information," "establishing response systems," and "understanding risks and impacts."

Challenges Related to Geopolitical Risks and Economic Security



Note: "n" represents the number of firms excluding those that did not respond.

12 Large Firms and Firms With Overseas Bases Feel a Strong Sense of Urgency to Address These Issues and Are Rushing to Establish Response Systems

- A sense of urgency is driving large companies to focus on developing response systems and conduct supply chain analyses going forward. This sense of urgency is also shared by firms with overseas bases.

Challenges Related to Geopolitical Risks and Economic Security

① Difficulty in understanding geopolitical risks, economic security risks, and their impacts
② Difficulty in obtaining the latest information on regulations, etc.
③ Insufficient response systems and lack of personnel capable of responding
④ Insufficient understanding and awareness of issues among management and executives
⑤ Insufficient measures to prevent technology leakage and trade secret disclosure
⑥ Weak information security framework
⑦ Insufficient identification of risks lurking within the supply chain
⑧ Difficulty in verifying business partners and end users
⑨ High dependence on specific production locations, procurement sources, or suppliers
⑩ High dependence on specific sales destinations or markets (concentration of sales destinations)
⑪ Difficulty in developing alternative new production sites/sourcing locations
⑫ No particular concerns identified

New Initiatives to be Implemented

A) Strengthening information gathering (monitoring international developments, etc.)
B) Expanding export control systems (internal training, strengthening of review systems)
C) Establishing systems to address geopolitical risks and economic security
D) Measures to prevent technology leakage and trade secret disclosure
E) Formulation of business continuity plans (BCP)
F) Supply chain analysis (including risk assessment)
G) Diversification of production sites, procurement sources, and suppliers
H) Promotion of local production, procurement and sales
I) Reviewing sales prices and passing on costs
J) Diversification of sales destinations
K) Countermeasures against financial risks such as foreign exchange forward contracts
L) No response

High ← → Low

Challenges and Future Initiatives for "Large Firms" (n=396, %)

	A	B	C	D	E	F	G	H	I	J	K	L
①	6.6	5.1	11.4	6.6	6.3	10.6	7.1	7.1	5.3	7.8	6.8	7.8
②	7.3	8.3	14.9	7.1	8.8	13.1	9.6	10.1	6.1	10.1	9.1	14.6
③	10.4	14.4	18.9	9.8	10.9	17.2	16.7	14.1	8.6	14.1	12.1	10.4
④	5.3	6.1	8.8	3.8	2.8	8.8	6.1	6.8	4.3	8.3	6.8	2.3
⑤	2.8	2.8	5.3	4.3	2.8	5.1	4.3	4.0	3.3	4.8	4.0	2.3
⑥	2.0	2.8	3.5	2.3	3.0	4.8	3.5	3.3	2.8	3.0	3.3	2.3
⑦	5.3	5.3	9.3	6.1	4.5	10.9	6.8	6.3	4.0	6.1	6.6	7.1
⑧	2.5	3.8	6.6	3.8	3.5	7.1	4.8	4.8	3.5	5.3	3.8	7.3
⑨	4.3	5.6	9.6	4.0	4.8	8.3	7.3	7.1	4.0	7.1	6.3	5.6
⑩	3.8	5.8	6.1	4.0	3.8	7.3	4.8	6.8	4.3	6.8	4.0	5.3
⑪	1.0	1.8	4.0	1.5	1.5	4.3	2.8	2.8	1.3	2.3	2.5	4.0
⑫	1.5	1.0	1.3	0.8	0.8	0.8	1.3	1.0	1.0	1.0	1.3	7.8

Challenges and Future Initiatives for "Firms with Overseas Bases" (n=1,108, %)

	A	B	C	D	E	F	G	H	I	J	K	L
①	9.7	7.9	12.5	8.3	8.4	10.6	9.2	7.3	5.7	9.0	8.3	7.1
②	10.4	9.8	14.4	9.5	10.6	11.6	11.4	9.3	6.4	10.6	10.3	9.9
③	11.4	13.3	16.1	10.8	11.8	14.0	14.8	11.6	7.7	12.3	11.3	8.9
④	5.7	6.3	7.8	5.2	4.8	7.0	6.3	5.8	3.9	6.4	5.7	3.1
⑤	3.5	4.1	5.4	6.0	4.0	4.9	4.2	3.5	2.7	4.6	3.6	2.4
⑥	4.5	5.9	7.1	6.3	5.9	6.1	5.6	4.8	3.6	5.2	5.1	3.0
⑦	6.1	6.9	10.0	7.3	6.9	11.4	9.0	6.9	4.8	7.5	7.1	5.1
⑧	5.0	6.1	8.9	6.6	5.4	8.0	6.8	6.2	4.0	5.9	5.6	3.4
⑨	6.1	6.6	9.2	6.0	6.8	7.7	9.0	7.4	4.6	7.8	7.0	5.1
⑩	5.1	6.1	7.3	5.5	5.4	6.0	6.1	5.5	3.9	7.2	5.2	4.8
⑪	2.9	3.1	4.8	3.2	3.4	4.2	4.1	2.7	1.4	3.1	3.1	2.8
⑫	1.0	1.3	1.1	0.7	0.9	0.8	1.1	1.2	1.1	1.0	1.1	8.7

Note: Each figure indicates the percentage of “n”. "Firms with overseas bases" refers to firms currently operating overseas.

13 SMEs Tend to Recognize Challenges Only After Facing Geopolitical Risks

- While only a few SMEs perceive the current situation as challenging, they develop a sense of urgency and a willingness to take action when impacted by geopolitical risks.

Challenges Related to Geopolitical Risks and Economic Security

① Difficulty in understanding geopolitical risks, economic security risks, and their impacts
② Difficulty in obtaining the latest information on regulations, etc.
③ Insufficient response systems and lack of personnel capable of responding
④ Insufficient understanding and awareness of issues among management and executives
⑤ Insufficient measures to prevent technology leakage and trade secret disclosure
⑥ Weak information security framework
⑦ Insufficient identification of risks lurking within the supply chain
⑧ Difficulty in verifying business partners and end users
⑨ High dependence on specific production locations, procurement sources, or suppliers
⑩ High dependence on specific sales destinations or markets (concentration of sales destinations)
⑪ Difficulty in developing alternative new production sites/sourcing locations
⑫ No particular concerns identified

New Initiatives to be Implemented

A) Strengthening information gathering (monitoring international developments, etc.)
B) Expanding export control systems (internal training, strengthening of review systems)
C) Establishing systems to address geopolitical risks and economic security
D) Measures to prevent technology leakage and trade secret disclosure
E) Formulation of business continuity plans (BCP)
F) Supply chain analysis (including risk assessment)
G) Diversification of production sites, procurement sources, and suppliers
H) Promotion of local production, procurement, and aales
I) Reviewing sales prices and passing on costs
J) Diversification ofsSales destinations
K) Countermeasures against financial risks such as foreign exchange forward contracts
L) No response

Challenges and Future Initiatives for "SMEs" (n=2,845, %)

	A	B	C	D	E	F	G	H	I	J	K	L
①	11.0	9.6	10.5	9.0	8.0	9.0	8.9	7.8	7.4	10.5	8.4	7.8
②	11.6	11.2	12.3	10.3	9.4	10.3	10.5	10.1	8.1	11.3	9.9	7.2
③	11.2	11.9	12.1	10.1	9.8	11.2	10.5	9.9	7.5	10.9	9.8	6.0
④	5.1	5.7	5.3	4.7	3.9	5.0	5.1	4.5	3.3	5.0	4.2	2.8
⑤	3.3	4.0	3.9	5.3	3.4	3.8	3.4	3.4	2.3	3.7	3.3	1.7
⑥	5.2	6.0	6.1	5.8	5.7	5.6	5.1	5.1	3.7	5.2	5.1	3.0
⑦	6.0	6.5	7.8	6.0	5.9	8.1	7.0	6.3	4.6	6.5	5.9	2.8
⑧	5.4	6.0	7.0	5.4	4.6	6.0	5.4	5.2	4.7	5.7	5.0	2.6
⑨	5.1	5.4	6.3	4.9	5.0	5.6	6.8	5.6	4.0	5.9	5.0	3.5
⑩	4.6	5.0	5.7	4.4	4.5	4.4	4.8	4.3	3.7	5.9	4.3	3.9
⑪	2.4	2.2	2.6	2.1	2.2	2.6	2.8	1.9	1.4	2.3	1.9	1.4
⑫	2.1	2.0	1.4	1.3	1.4	1.4	1.9	1.6	1.9	2.5	1.3	16.0

High ⟷ Low

SMEs Affected by Geopolitical Risks (n=1,025, %)

	A	B	C	D	E	F	G	H	I	J	K	L
①	10.1	9.5	11.3	8.9	8.3	9.7	8.5	8.0	7.1	9.8	9.2	6.1
②	13.3	13.4	15.9	12.5	12.2	13.2	11.8	12.0	9.3	12.6	12.1	7.5
③	11.6	14.0	15.6	11.8	12.2	14.2	11.3	12.5	8.2	12.8	11.3	6.5
④	5.9	6.1	7.5	6.0	4.5	5.8	5.8	5.7	3.8	6.0	5.1	2.2
⑤	3.5	4.3	4.5	5.3	3.4	4.2	3.9	3.7	2.5	4.0	3.7	1.6
⑥	5.5	7.3	7.7	6.4	6.7	6.7	5.8	6.1	4.1	5.7	5.3	2.6
⑦	7.3	6.7	10.0	6.8	6.7	10.0	8.3	7.5	5.4	7.9	7.0	3.5
⑧	6.6	7.4	8.9	7.1	5.7	7.9	6.7	6.5	5.3	6.3	6.3	2.9
⑨	6.6	7.5	9.9	6.9	6.8	8.3	8.1	8.0	5.2	8.5	7.3	4.3
⑩	6.0	6.7	9.0	6.6	6.1	6.9	5.8	5.9	5.0	8.5	6.3	5.8
⑪	3.7	4.2	4.6	3.6	3.4	4.4	3.9	2.7	2.3	3.7	3.0	2.0
⑫	1.7	1.2	1.3	0.9	1.4	1.1	1.3	0.9	1.5	1.4	1.0	8.1

Note: Each figure indicates the percentage of “n”. The right table is limited to SMEs that have "already experienced significant impact" or "some impact" from geopolitical risks.

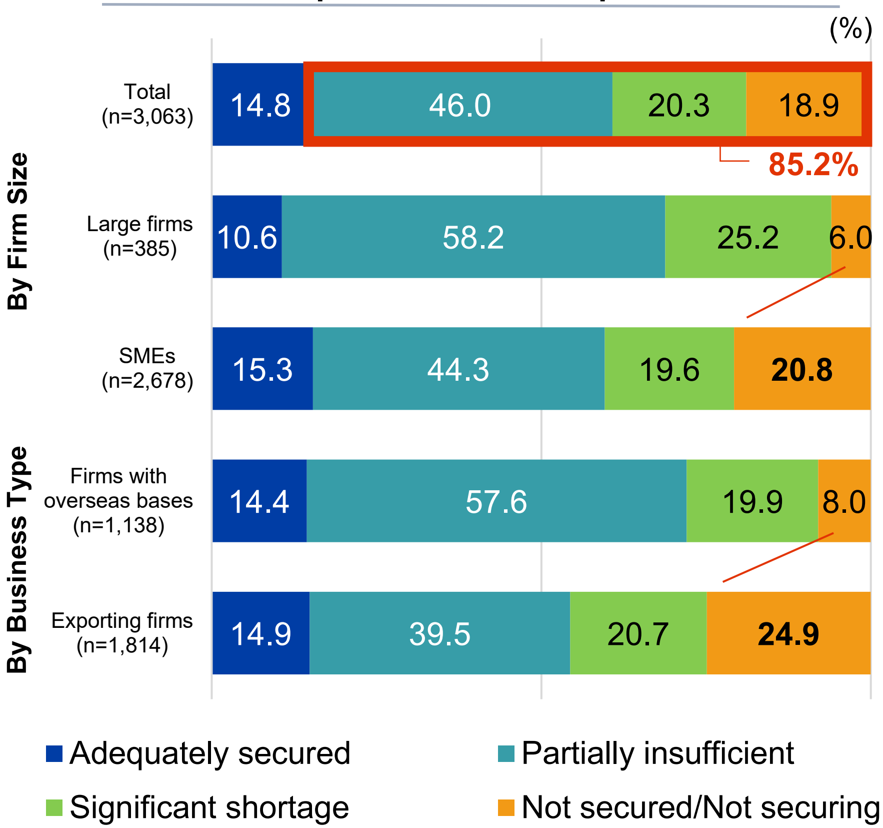
VII. Personnel for Overseas Expansion and Foreign Talent

Nearly 90% of Firms Lack Personnel to Handle Overseas Expansion, Foreign Talent Employment Rate Hits Record High

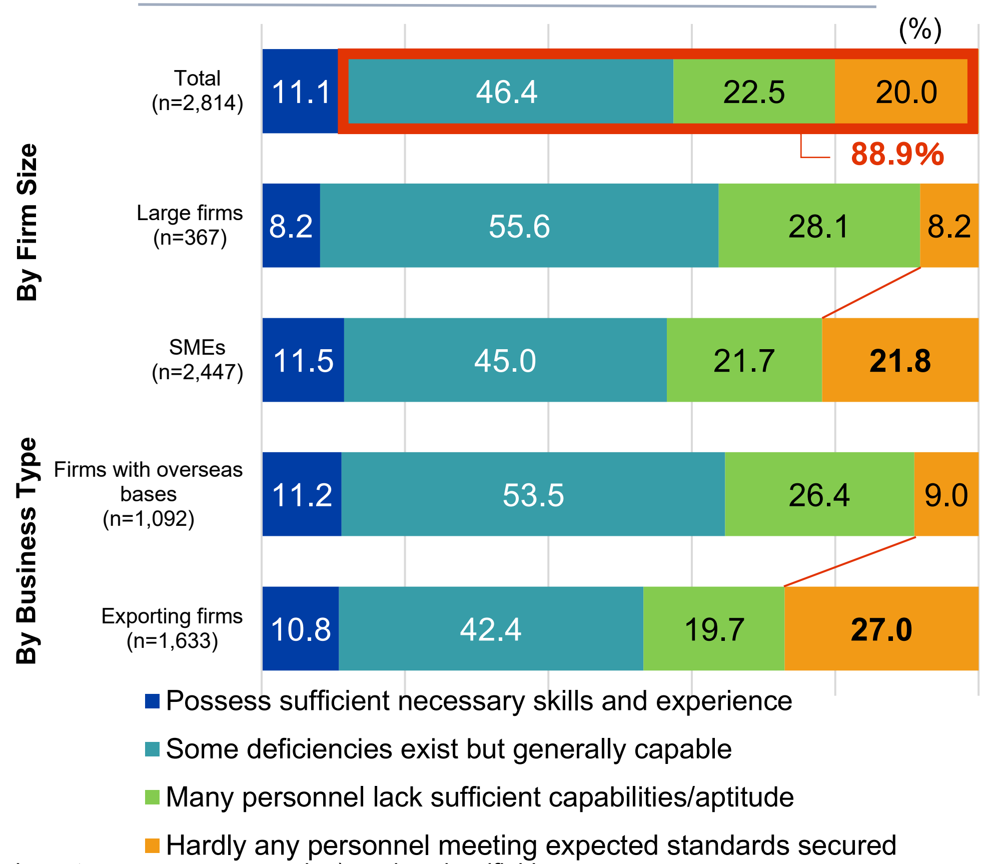
1 Nearly 90% of Firms Lack Personnel for Overseas Expansion

- Among firms engaged in overseas business, **85.2%** of firms responded that **personnel for international expansion** was “**insufficient or not secured**” at their headquarters and domestic offices. Regarding the capabilities and aptitude of personnel for overseas expansion, **88.9%** of firms responded that **they are "insufficient or do not meet expectations."**
- Among **SMEs and exporting firms**, **over 20%** responded that they "have not secured personnel" or that the personnel "do not meet expectations."

Overseas Expansion Talent Acquisition Status



Capabilities/Aptitudes of Overseas Expansion Talent



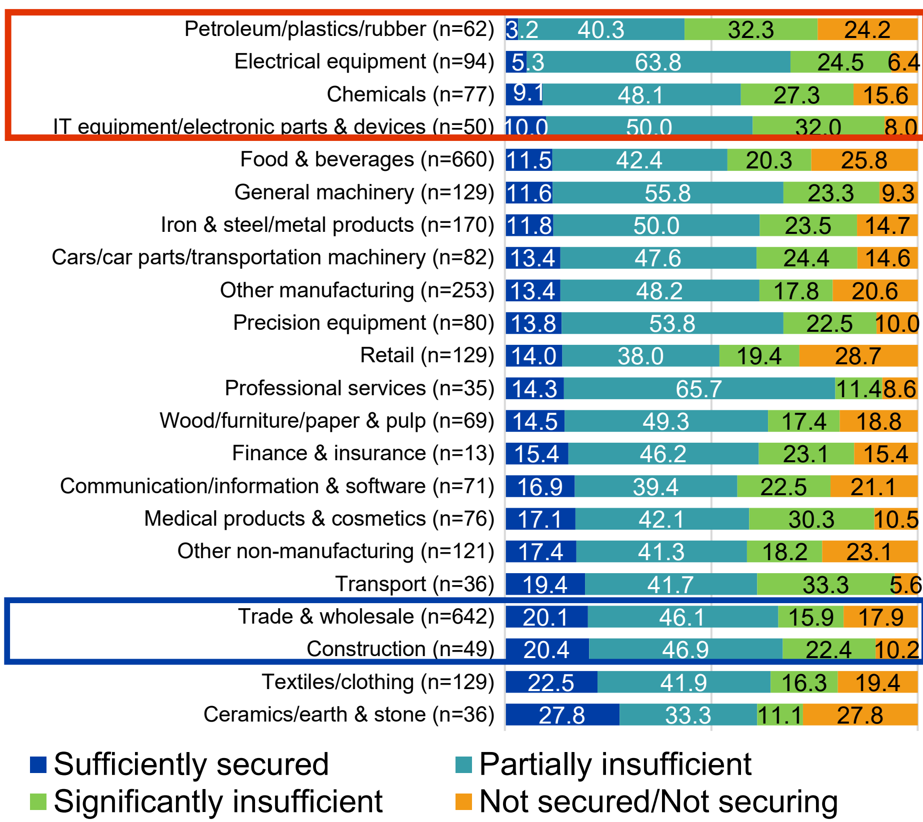
Notes: 1) “n” excludes non-responses, domestic firms (those not engaged in export, import, or overseas expansion), and unclassifiable firms. 2)Overseas expansion personnel refers to personnel (including Japanese and foreign nationals) capable of handling overseas expansion activities such as trade and overseas market entry. 3)"Exporting firms" are those engaged in export but not overseas expansion.

2 | Talent Shortage for Overseas Expansion in Chemical and Electronics Sectors

- By industry, both the number of personnel and their capabilities/aptitudes are insufficient in sectors requiring advanced expertise, such as **“Petroleum/Plastics/Rubber,” “Chemicals,” and “Information and Communication Equipment/Electronic Components.”** Meanwhile, in “Construction,” many firms have secured sufficient personnel, but many feel their capabilities/aptitudes are lacking.
- The “Textiles/Clothing” sector has a relatively high percentage of personnel with enough capabilities/aptitudes.

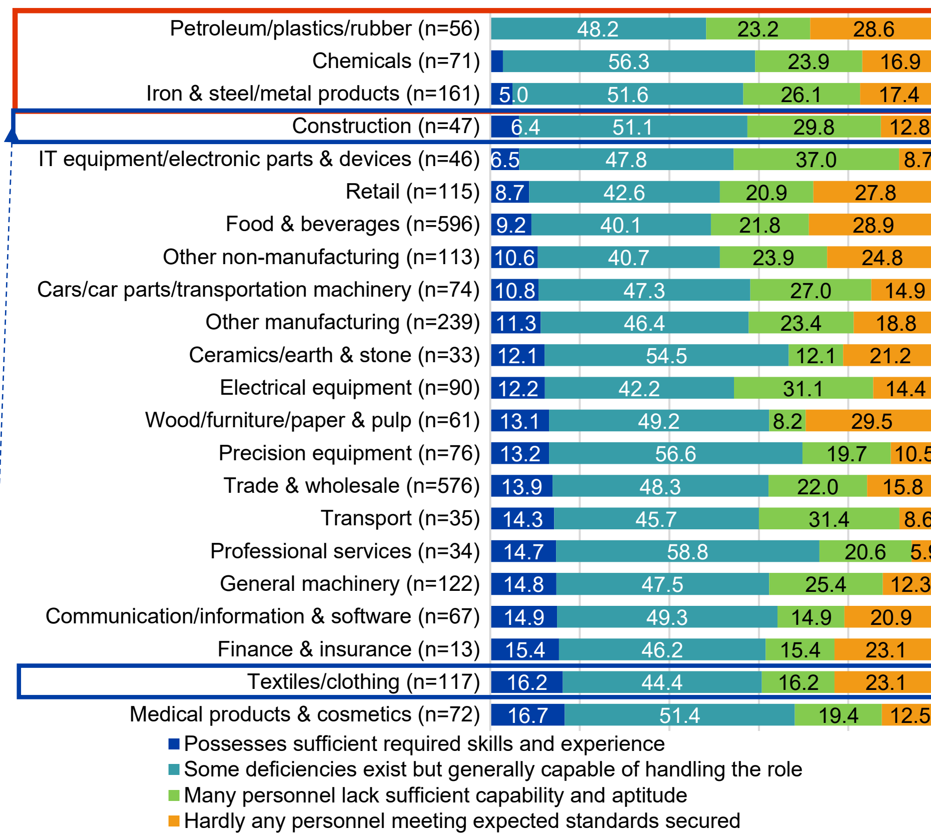
Overseas Expansion Personnel Acquisition Status (by Industry)

(%)



Capabilities and Suitability of Overseas Expansion Personnel (by Industry)

(%)



Notes: 1) n excludes non-responses, Domestic firms (those not engaged in export, import, or overseas expansion), and unclassifiable firms. 2) Only industries with 30 or more valid responses. 3) Overseas expansion personnel refers to personnel (including Japanese and foreign nationals) capable of handling overseas expansion activities such as trade and overseas market entry. 4) The scope covers headquarters and domestic offices.

3 Skills and Efficiency Gaps Constrain Overseas Growth

- Many firms cited insufficient skills such as **"language proficiency," "trade operations," and "knowledge"** as challenges in securing overseas expansion personnel.
- Other responses included **a shortage of experienced or willing candidates**, concerns that costs are not justified, and the time required for training.

Challenges in Securing Overseas Expansion Personnel (Free Responses; Terms Listed by Frequency)

Skill-related	**Language skills** (872 firms)	・"Beyond basic labor shortages and hiring difficulties, overseas-oriented talent with language skills is prone to move away from regional areas." ・"Shortage of personnel possessing both language skills and business expertise."
	Knowledge (515 firms)	・"Lack of product knowledge and initiative." ・"Lack of knowledge regarding overseas operations (local systems, international taxation, logistics, trade, etc)."
	Trade/Practical Skills (approx. 500 firms)	・"Lack of knowledge in trade operations." ・"Acquiring trade operations skills takes too long."
	Sales (83 firms)	・"Even with language skills, personnel struggle due to lack of sales ability."
Human Resources Aspects	**Experience** (293 firms)	・"Personnel with experience managing overseas bases is lacking." ・"Challenges in securing experienced personnel who can be immediately effective in business development, procurement, and project execution in global markets."
	Willingness (265 firms)	・"While the number of employees requesting overseas assignments has decreased, the level of skills required locally (sales ability, management skills, strategic planning and execution capabilities) has increased." ・"Shortcomings remain due to a limited applicant pool and post-overseas posting career development pathways are not yet fully systematized." ・"Due to global instability, we cannot sufficiently secure candidates willing to work overseas." ・"There is a shortage of employees willing to work overseas. There is a significant shortage of personnel, particularly at the manager level, who can serve as local leaders abroad." ・"Most candidates seeking overseas assignments are recent hires, and there are challenges related with visa issuance."
	Recruitment (74 firms)	・"Intensified recruitment competition for overseas expansion personnel due to labor shortages and success rates in hiring new graduates are declining."
Efficiency	**Costs/Budget/Labor Costs/Funding/Expenses** (approx. 70 firms)	・"Securing top talent requires high labor costs, which executives view unfavorably." ・"Bearing recruitment costs and expenses for supporting stays in Japan."
	Training and Education (approx. 60 firms)	・"High turnover among young employees makes personnel development difficult."
	Time Requirements (37 firms)	・"It is difficult to hire personnel who meet standards from the outset, requiring them to acquire practical know-how from scratch through OJT training, taking them several years to reach an adequate level of job-skills proficiency."

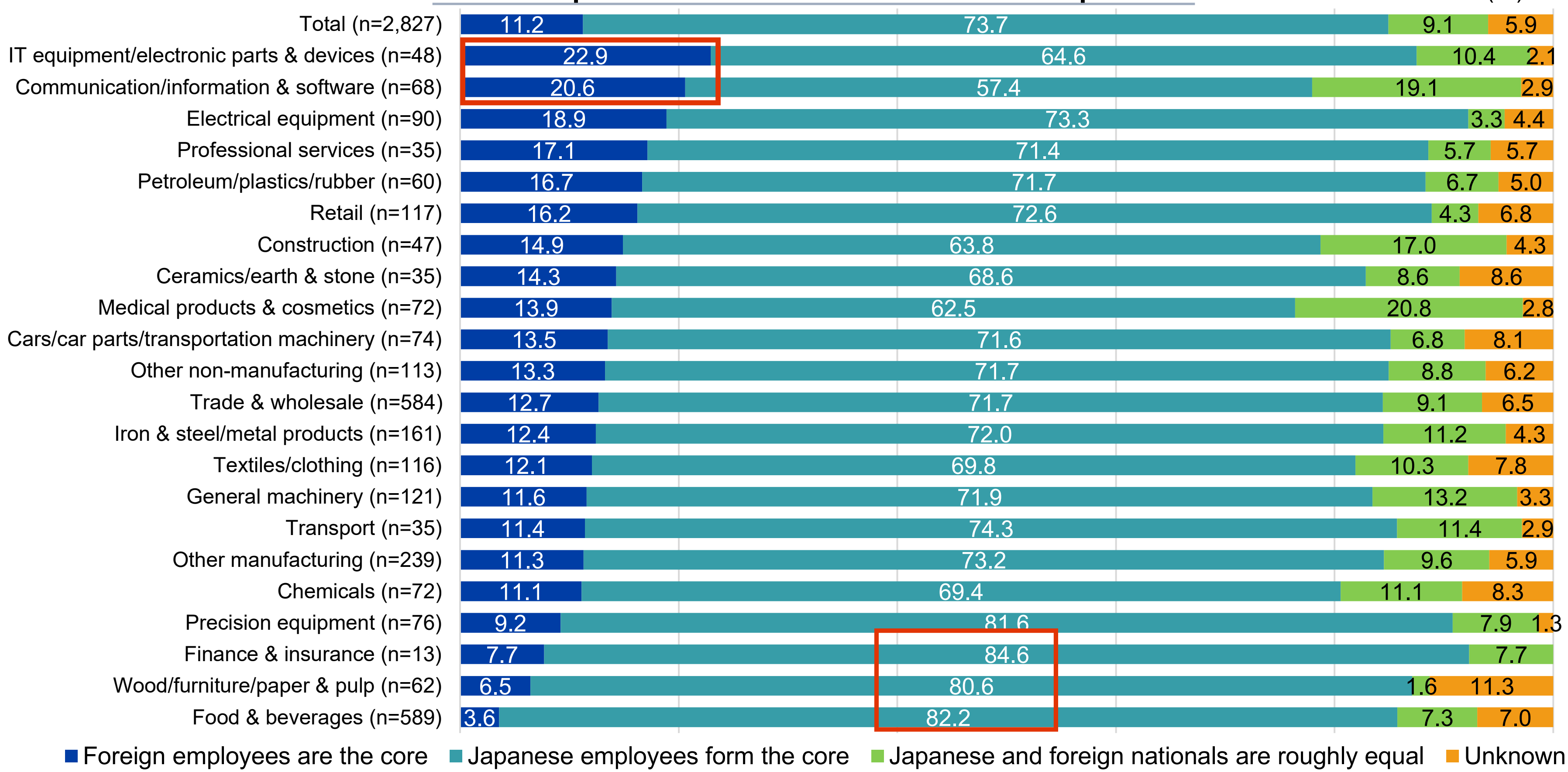
Notes: 1) Overseas expansion personnel refers to personnel (including Japanese and foreign nationals) capable of handling overseas expansion activities such as trade and overseas market entry.
2) Free-response answers have been edited or supplemented within the scope of preserving the original intent to clarify the respondent's meaning.

4 Proportion of Foreign Personnel in Overseas Expansion is High in Industries such as IT

- Regarding the composition of personnel for overseas expansion, 11.2% of firms responded that "foreign employees form the core," while 73.7% of firms total responded that "Japanese employees form the core."
- By industry, **over 20% of firms in IT-related industries responded that "foreign employees form the core**." Conversely, over 80% of firms in "Finance & Insurance," "Food & Beverages," "Precision Equipment," and "Wood/Furniture/Paper & Pulp" responded that "Japanese employees form the core."

Main Composition of Personnel for Overseas Expansion

(%)

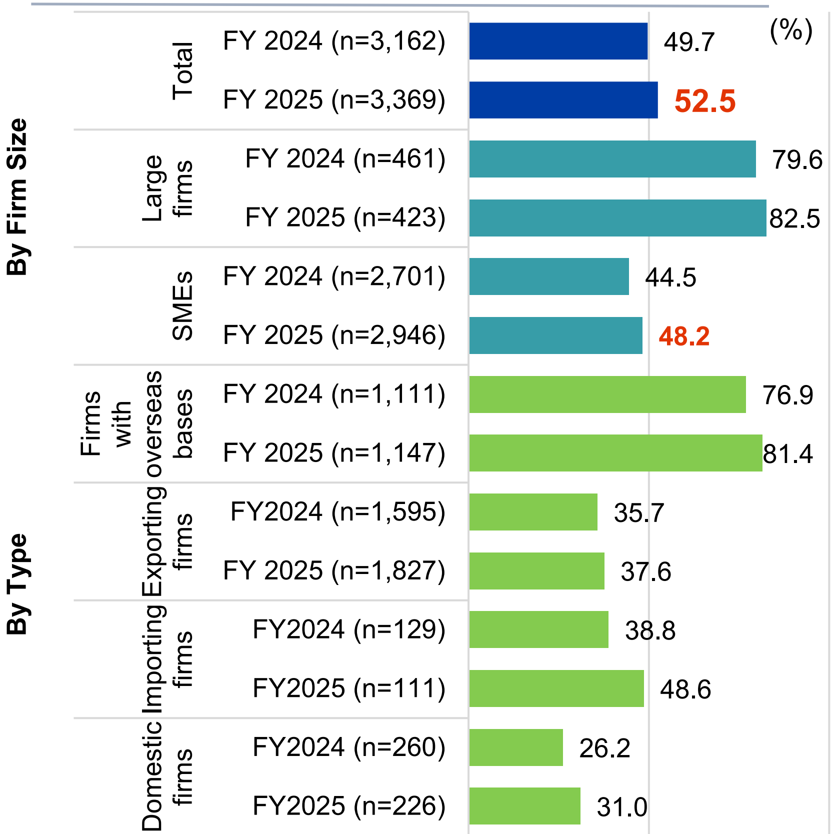


Notes: 1) n excludes non-responses, domestic firms (those not engaged in export, import, or overseas expansion), and unclassifiable firms. 2) Overseas expansion personnel refers to personnel (including Japanese and foreign nationals) capable of handling overseas expansion activities such as trade and overseas market entry. 3) The scope covers headquarters and domestic offices.

5 Record-High Employment Rate of Foreign Personnel

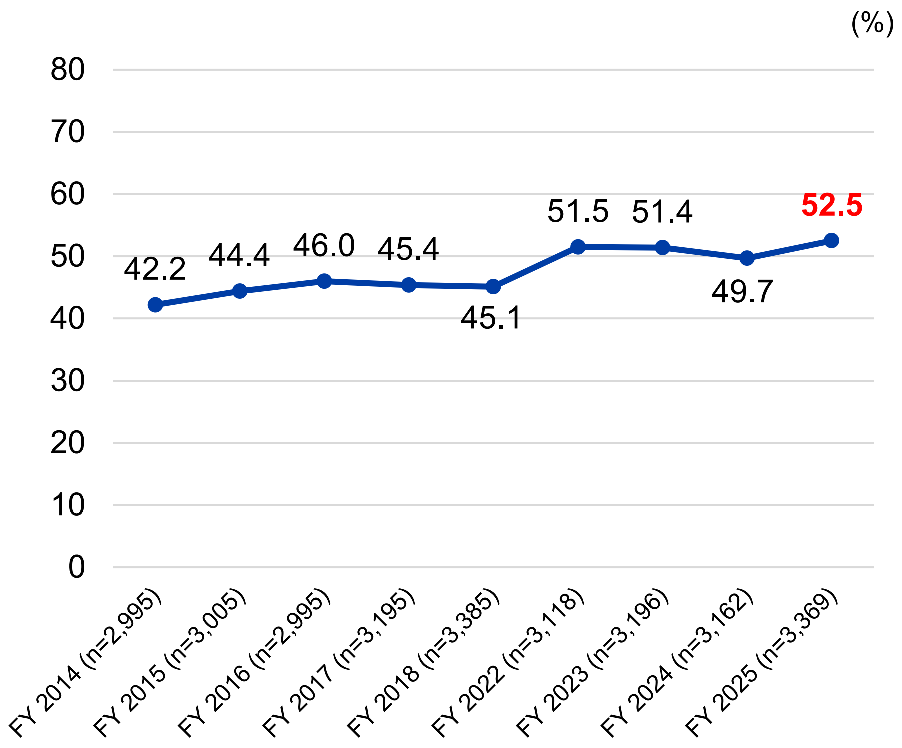
- The **proportion** of firms employing foreign workers reached **52.5%**, an increase of 2.9 percentage points from the previous FY. Among SMEs, the rate rose to 48.2%, up 3.7 percentage points.
- Looking at the time series, the proportion of firms employing foreign personnel in FY2025 reached 52.5%, **the highest since surveying began in FY 2014.**

Percentage of Firms Hiring Foreign Personnel



Notes:1) "n" includes non-responses. 2) "Exporting firms" above are firms that export but have not expanded overseas. "Importing firms" are firms that only import (no exports, no overseas expansion). "Domestic firms" are firms that do not engage in exports, imports, or overseas expansion. 3) The scope covers headquarters and domestic offices.

Percentage of Firms Employing Foreign Workers (Time Series)

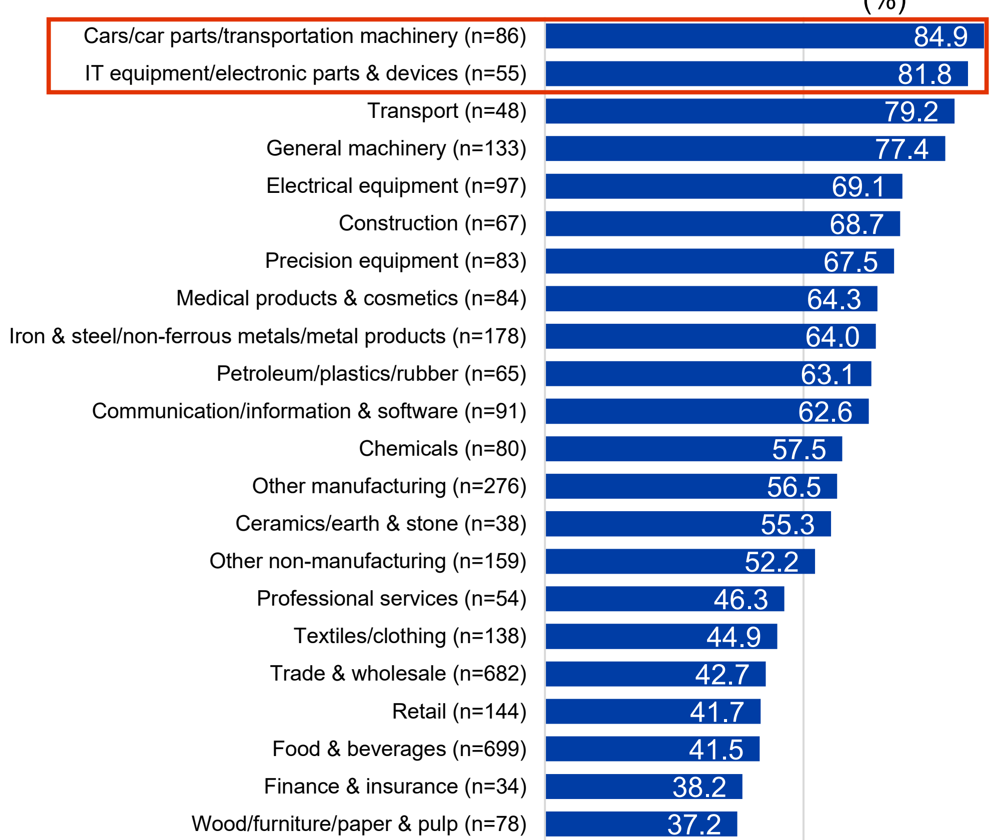


Notes: 1) The denominator is the total number of responding firms in this survey. 2) The FYs 2019-2021 are excluded because this question was not included in the survey during those periods.

6 | Proportion of Foreign Personnel in the Workforce is Rising

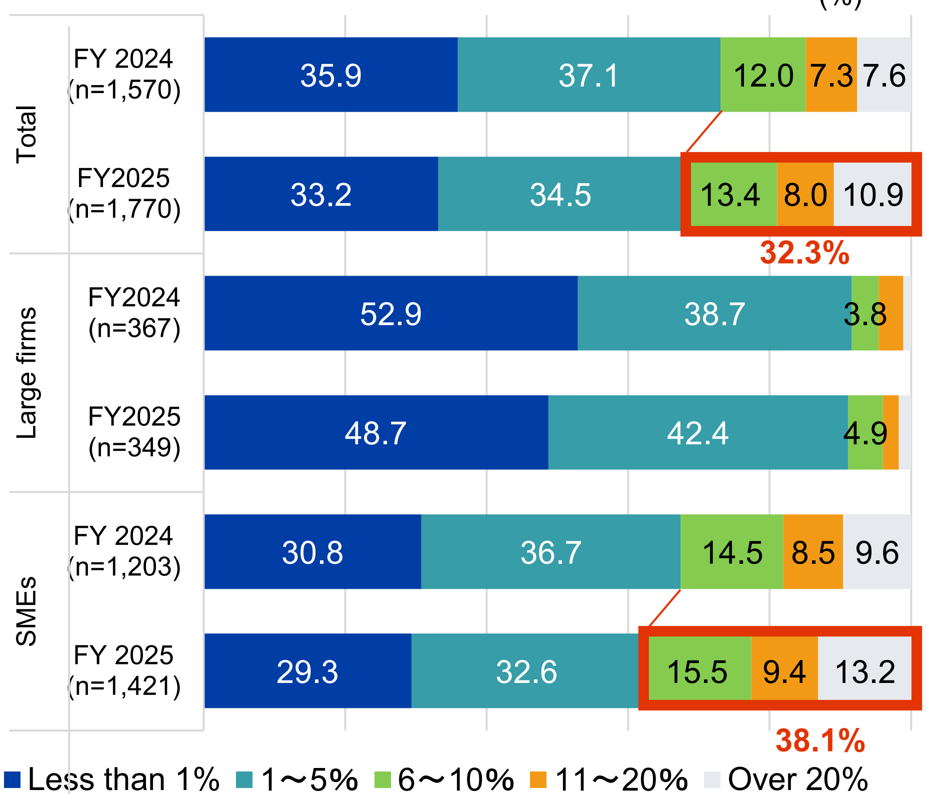
- By industry, over 80% of firms in "Cars/Car parts/Transportation Equipment" and "Information and Communication Equipment/Electronic Components" employ foreign workers at their headquarters and domestic locations.
- **Over 30% of firms employ 6% or more** foreign personnel as part of the regular workforce, an increase of 5.4 percentage points from the previous FY, showing an upward trend. Notably, this proportion rose to nearly **40% among SMEs**.

Percentage of Firms Employing Foreign Personnel (by Industry)



Note: "n" includes non-responses.

Percentage of Foreign Personnel in the Number of Permanent Employees



Notes: 1) "n" represents the number of firms excluding those that "do not employ" foreign workers and those with no response, for the proportion of foreign workers among regular employees.
2) The scope covers headquarters and domestic offices.

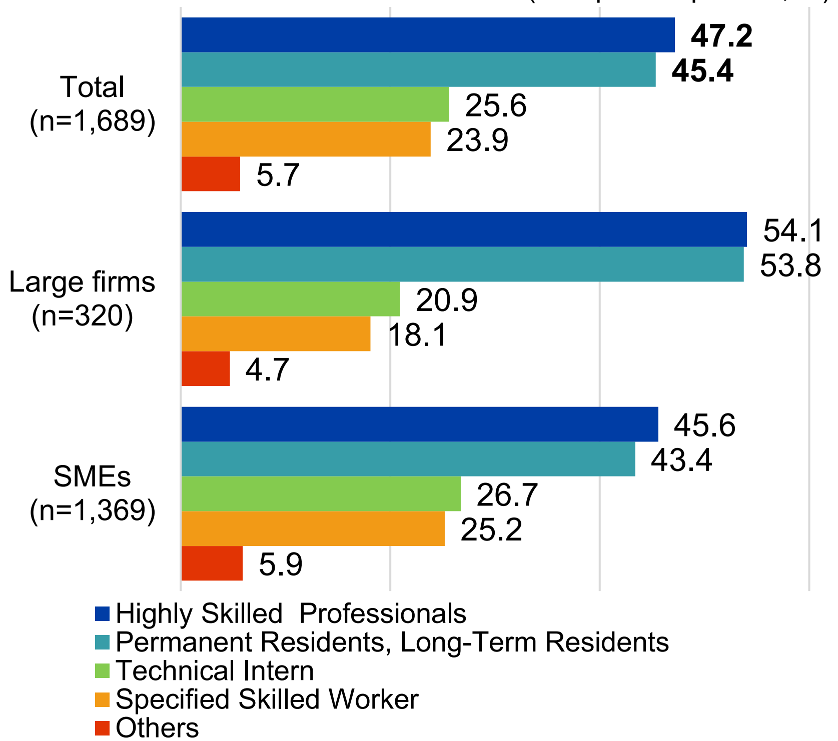
7 Approximately Half of Firms Hiring Foreign Personnel Recruit Highly Skilled Professionals

- Nearly **half** of **firms hire** personnel whose residence status is **either "highly skilled professional"** or **"permanent resident / long-term resident".**

- **Over 50%** cite **"securing multilingual foreign talent" and "strengthening sales capabilities for overseas expansion"** as reasons for hiring highly skilled foreign professionals. Nearly 40% of large firms hire highly skilled foreign workers for "diversity and multicultural coexistence."

Residence Status of Foreign Workers

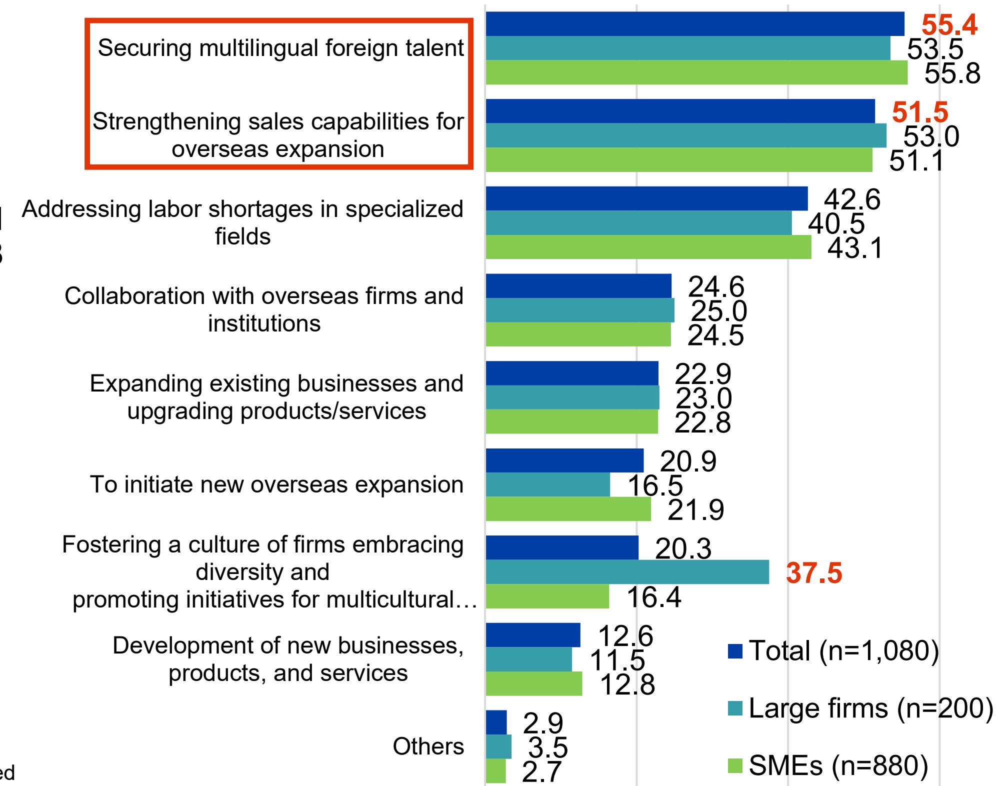
(Multiple Responses, %)



Notes: 1)"n" is the number of firms employing foreign talent, excluding those that did not respond. 2)Residence statuses for highly skilled foreign professionals include "Highly Skilled Professional," "Engineer, Specialist in Humanities, or International Services," "Management," and "Legal/Accounting Services." 3)Permanent residents and long-term residents include spouses of Japanese nationals and spouses of permanent residents, etc. 4) Others include intra-company transfers, etc. 5) The scope covers headquarters and domestic offices.

Reasons for Hiring Highly Skilled Foreign Professionals

(Multiple Responses, %)

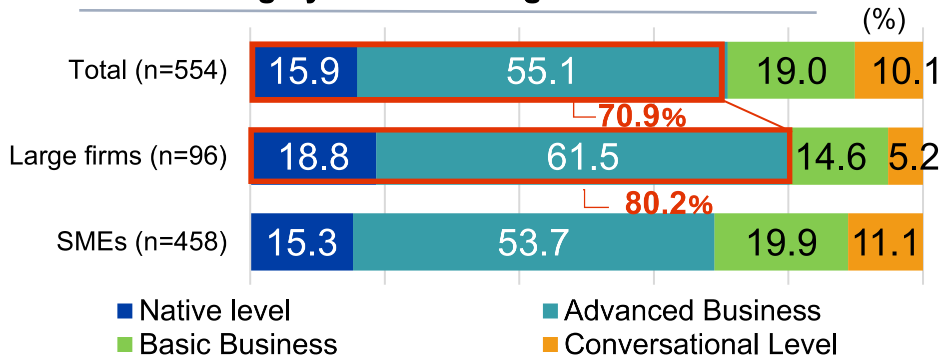


Note: "n" represents the number of firms currently employing or planning to employ highly skilled foreign workers, excluding those that did not respond.

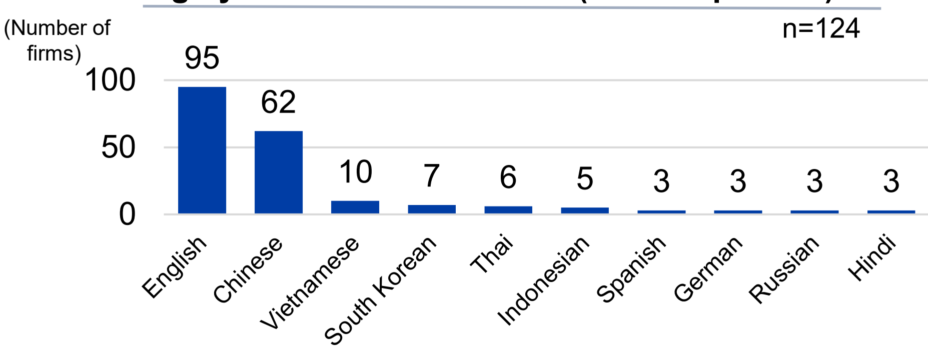
8 Shortage of Overseas Sales and Science / Engineering Talent Amid Growing Demand for Advanced Japanese Proficiency

- **Over 70% of firms** selecting multilingual capabilities as a reason for hiring highly skilled foreign talent **desire Japanese language proficiency at the business advanced level or higher**. Notably, 80% of large firms require business advanced Japanese or higher. **English and Chinese** were frequently cited as other required foreign languages.
- Among firms citing "addressing labor shortages in specialized fields" as a reason for hiring highly skilled foreign talent, nearly half reported shortages in **"overseas sales/marketing" and "science/engineering personnel."**

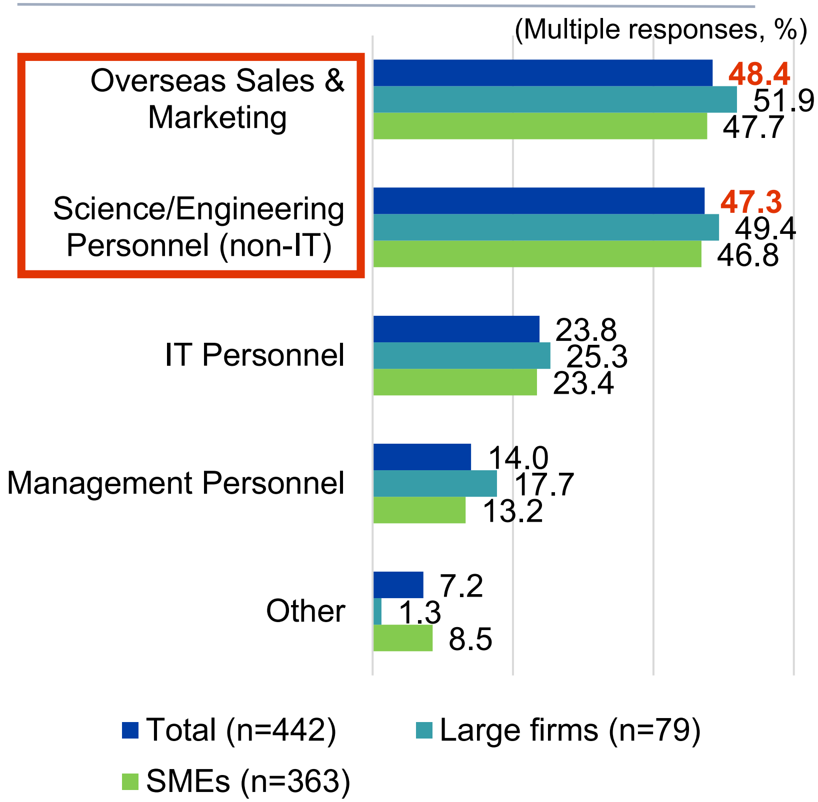
Desired Japanese Language Level for Highly Skilled Foreign Professionals



Desired Foreign Languages for Highly Skilled Professionals (Free responses)



Talent Shortage in Specialized Fields



Notes: 1)"n" represents the number of firms that selected "Securing foreign talent capable of multilingual support" as a reason for hiring highly skilled professional, excluding those with no response. 2)The residence statuses of highly skilled foreign professionals include "Highly Skilled Professional," "Engineering, Humanities, and International Services," "Management and Administration," "Legal and Accounting Services," etc.

Note: "n" represents the number of firms that answered "Addressing talent shortages in specialized fields" as a reason for hiring highly skilled foreign professionals, excluding those that did not respond.

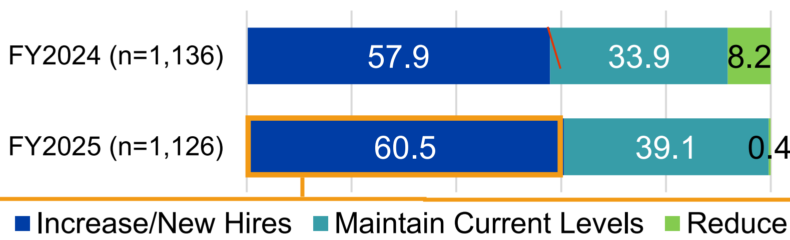
9 | Firms with 50 or Fewer Employees are also Eager to Hire Highly Skilled Foreign Professionals

- Regarding employment policies, **60.5% of firms responded that they would "increase" hiring** highly skilled foreign professionals, a 2.6-point increase from FY 2022.

- **Among firms** planning to "increase" their number of highly skilled professionals, **49.9% have not yet hired any**. **84.6%** of firms plan to **increase their** highly skilled foreign workforce by **1 to 4** employees. Among these, approximately half are **SMEs with 50 or fewer employees**.

Future Employment Policy for Highly Skilled Foreign Workers

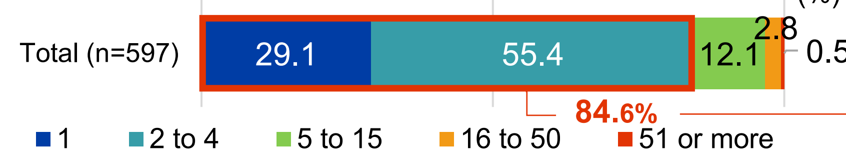
(%)



(Firms increasing or newly hiring highly skilled foreign professionals)

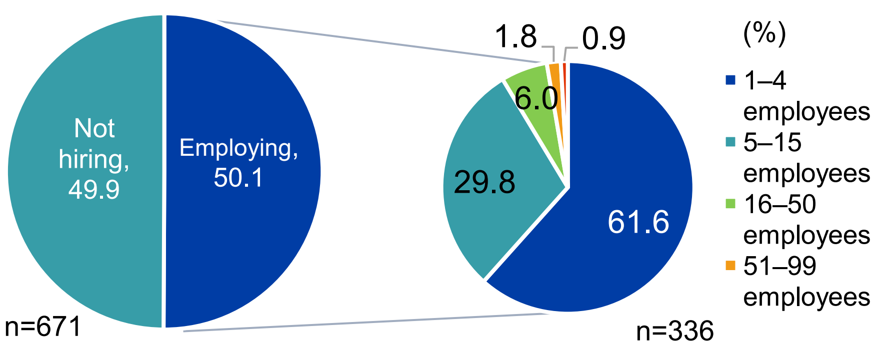
Number of Highly Skilled Foreign Professionals To Be Increased in the Future

(%)



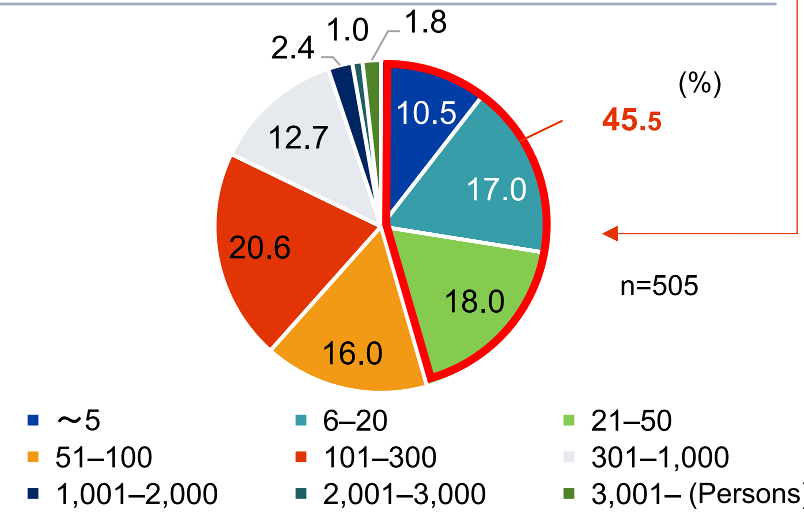
(Firms increasing or newly hiring highly skilled professionals)

Current Number of Employees



(Firms planning to increase or newly hire 1–4 highly skilled foreign workers)

Total Number of Employees (Permanent)

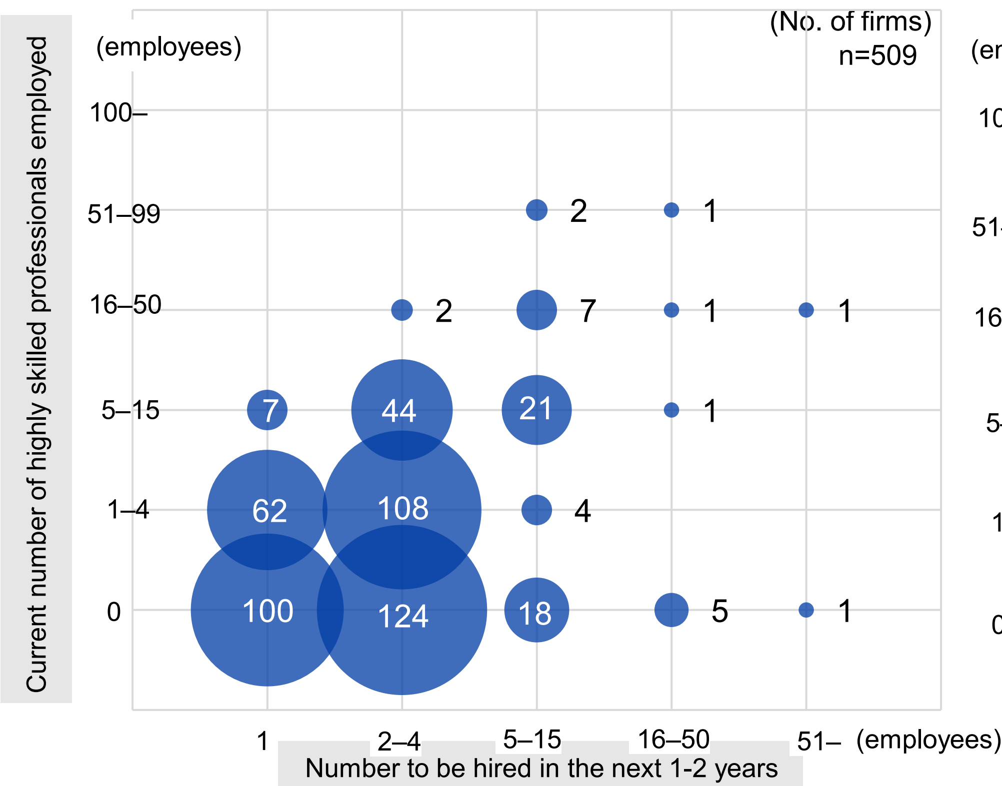


Notes: 1) "n" excludes non-responses. However, "Maintain current level" in the upper-left chart excludes firms not currently employing Highly skilled professionals. 2) "Future" is defined as 2-3 years ahead for FY2024 and 1-2 years ahead for FY2025.3) Residence statuses for highly skilled professionals include "Highly Skilled Professional," "Engineering, Humanities, and International Services," "Management and Administration," "Legal and Accounting Services," etc. 4) The scope covers headquarters and domestic offices.

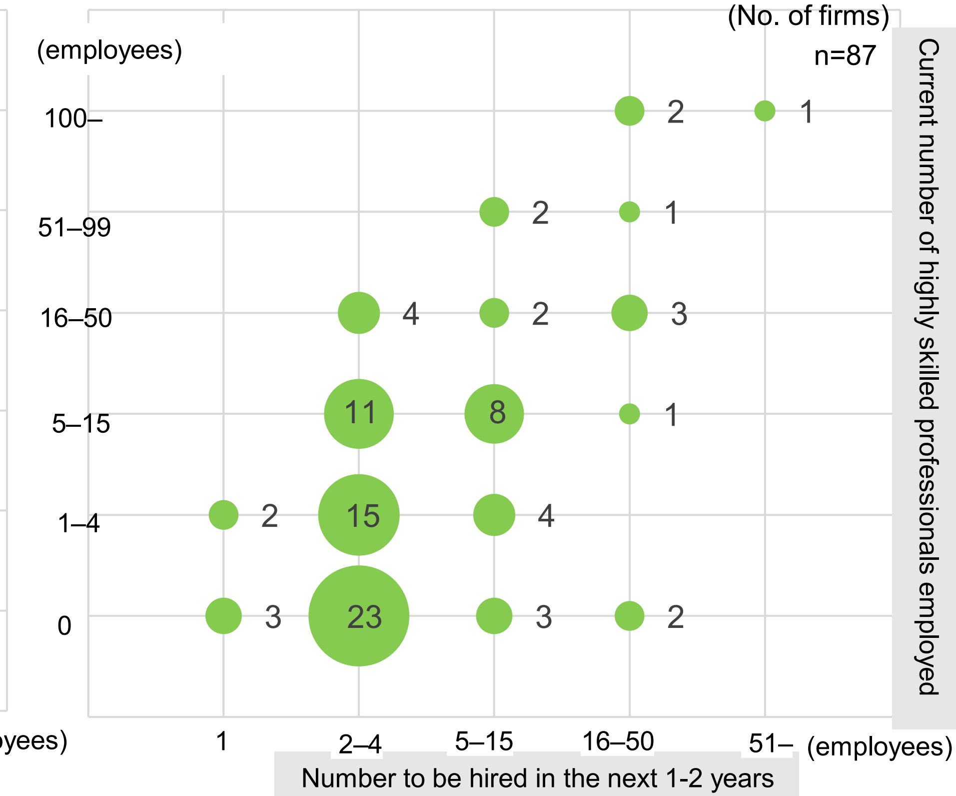
10 Hiring Plans for Highly Skilled Professionals: Small to Moderate at SMEs, Large at Some Large Firms

- **<u>Among SMEs, the largest group (124 firms) currently employs 0 highly skilled professionals and plans to hire 2-4 in the future</u>**. The next largest group (108 firms) currently employs 1-4 and plans to hire 2-4.
- Among large firms, the most common plan was "currently 0 ⇒ future 2-4" (23 firms). However, some large-scale hiring plans, such as "future 16-50" and "future 51+," were also observed.

Current Number of Highly Skilled Professionals Employed by SMEs × Number to be Hired in the Future



Current Number of Highly Skilled Professionals Employed by Large Firms × Number to be Hired in the Future



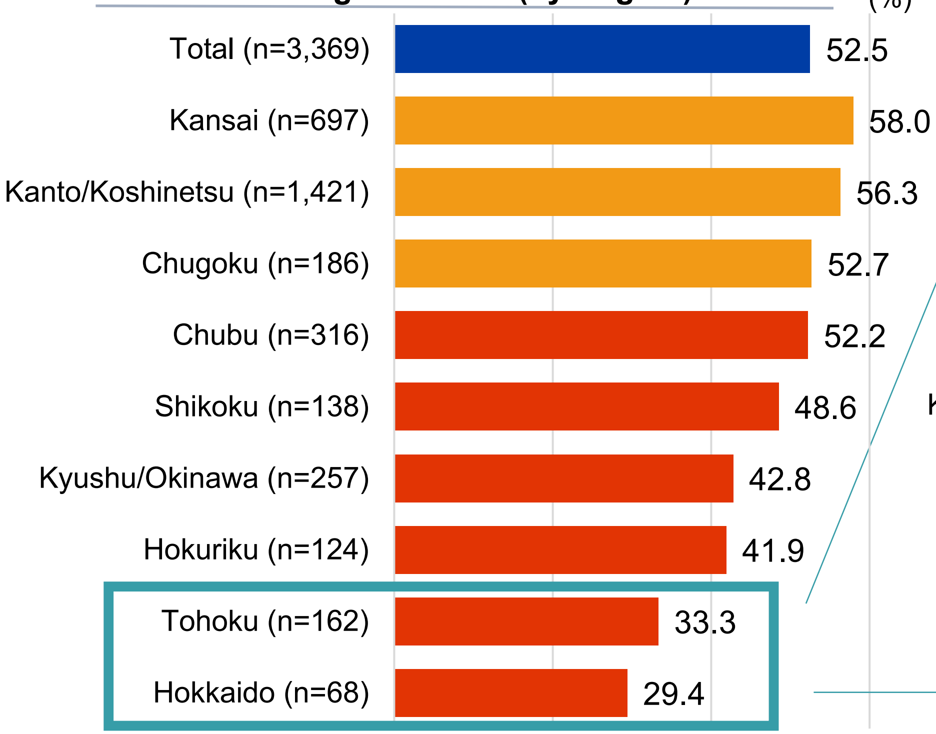
Notes: 1) "n" represents the number of firms that responded "plan to increase" in the "Policy for Hiring Highly Skilled Professionals" survey, excluding those that did not respond. 2) The residence statuses of highly skilled professionals include "Highly Skilled Professional," "Engineering, Humanities, and International Services," "Management and Administration," "Legal and Accounting Services," etc. 3) Headquarters and domestic offices are included.

11 Interest in Hiring Highly Skilled Professionals Grows in Tohoku

- Regarding foreign talent employment rates by region, **Kansai (58.0%) ranked first, followed by Kanto/Koshinetsu (56.3%) and Chugoku (52.7%)**. These regions exceeded the national average. Conversely, Hokkaido (29.4%) and Tohoku (33.3%) had foreign talent employment rates below 40%.

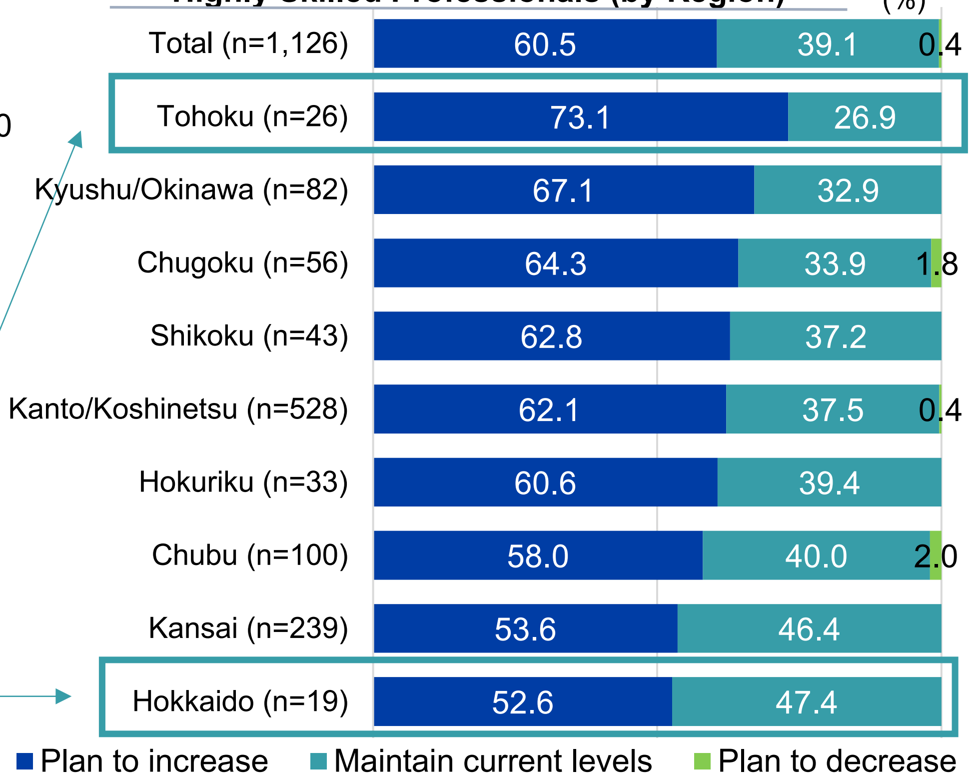
- Looking at future employment policies for highly skilled professionals by region, **over 70% of Tohoku firms responded that they would "increase hiring."**

Percentage of Firms Employing Foreign Workers (by Region)



Notes: 1) "n" includes non-responses. 2) Includes head offices and domestic locations. 3) Areas above the national average are shaded orange; below are shaded red.

Future Employment Policies for Highly Skilled Professionals (by Region)



Notes: 1) "n" excludes non-responses. However, "Maintain Current Status" excludes firms not currently employing highly skilled professionals. 2) Residence statuses for highly skilled professionals include "Highly Skilled Professional," "Engineering, Humanities, and International Services," "Management and Administration," "Legal and Accounting Services," etc.

VIII. Sustainable Management

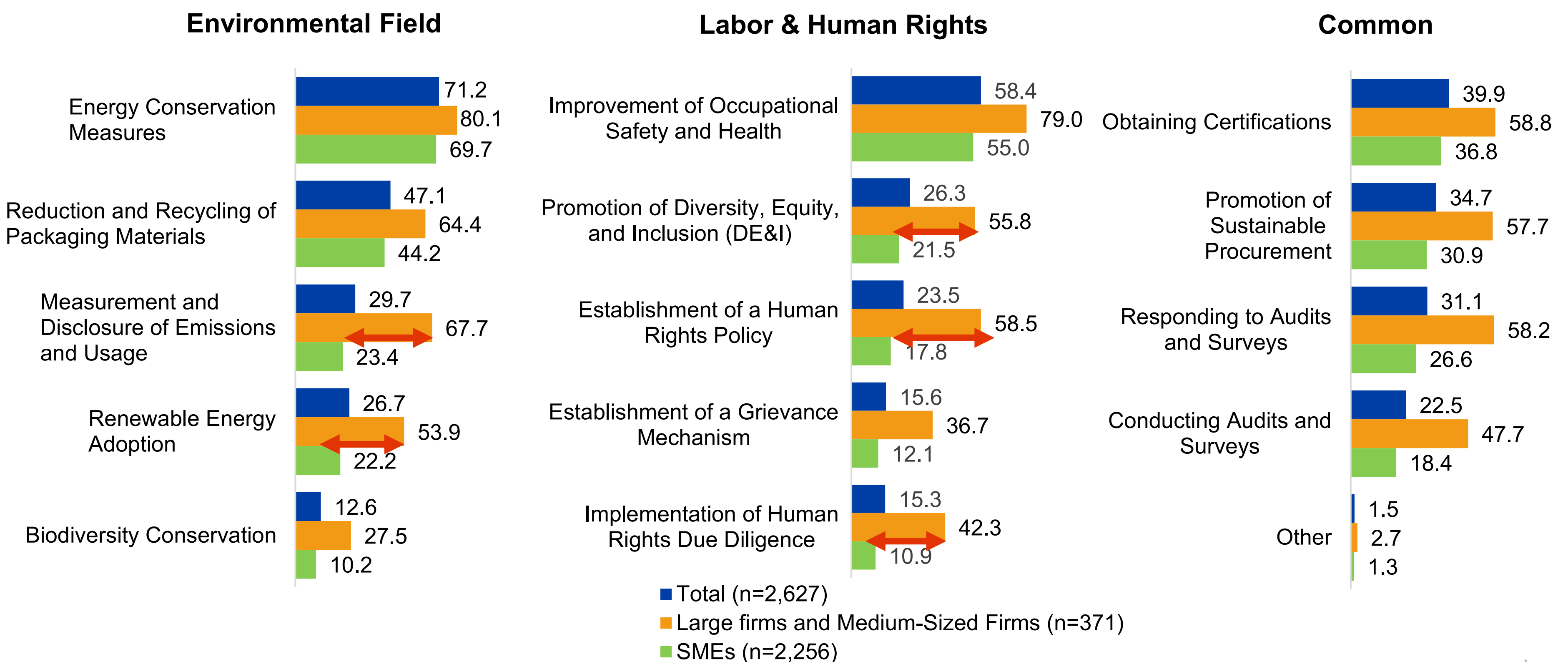
Complying with Regulations, Acquiring Certifications, and the Need to Manage Information Across the Entire Supply Chain

1 Significant Gaps Between Large Firms and SMEs in Emissions Measurement and Human Rights Policy Development

- Large firms tend to show a higher level of commitment to energy conservation, packaging reduction, and improvements in occupational safety and health.
- In terms of environmental initiatives, large firms outperform SMEs by 44.3 percentage points in emissions measurement and disclosure and by 31.7 percentage points in adopting renewable energy. In terms of human rights initiatives, the gap is 40.7 percentage points for establishing human rights policies, 34.3 percentage points for promoting Diversity, Equity, and Inclusion (DE&I), and 31.4 percentage points for implementing human rights due diligence.

Current Sustainability Initiatives (by Field)

(Multiple Responses, %)



Notes: 1) Some options are abbreviated. 2) "n" excludes non-responses.

2 Initiatives Prominent in the Chemicals, Information and Communication Equipment, Finance and Insurance Industries

- Manufacturing industries are highly engaged in initiatives throughout the supply chain, such as measuring energy use and responding to external audits.
- Among manufacturing industries, in the chemicals industry initiatives are particularly widespread, while in non-manufacturing industries, the finance and insurance sector shows a high level of engagement in sustainability initiatives.

Current Sustainability Initiatives (by Industry)

(Multiple Responses, %)

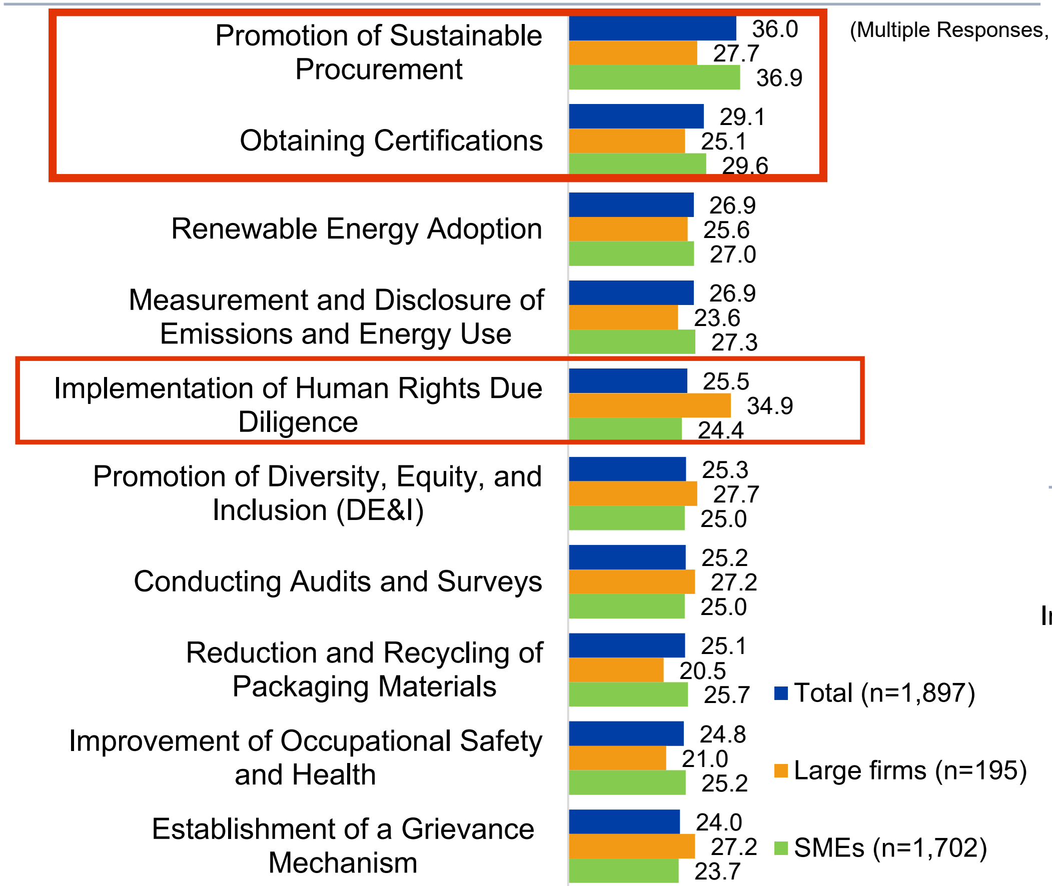
	Number of firms	Energy Conservation measures	Renewable Energy Introduction	Measurement and Disclosure of Emissions and Energy Use	Reduction and Recycling of Packaging Materials	Biodiversity Conservation	Improvement of Occupational Safety and Health	Promotion of Diversity, Equity, and Inclusion (DE&I)	Establishment of a Human Rights Policy	Implementation of Human Rights Due Diligence	Establishment of a Grievance Mechanism	Promotion of Sustainable Procurement	Conducting Audits and Survey	Responding to Audits and Surveys	Obtaining Certifications	Other
Total	2,627	71.2	26.7	29.7	47.1	12.6	58.4	26.3	23.5	15.3	15.6	34.7	22.5	31.1	39.9	1.5
Manufacturing	1,759	76.6	29.6	32.6	49.2	13.2	61.8	25.4	23.0	15.4	15.6	36.0	25.6	33.2	44.3	1.0
Food & beverages	569	78.4	25.8	21.8	45.9	14.4	54.5	20.0	17.4	11.1	14.1	33.6	17.9	27.1	48.0	1.1
Textiles/clothing	117	68.4	25.6	18.8	50.4	6.8	48.7	22.2	20.5	16.2	12.8	36.8	12.0	21.4	32.5	1.7
Wood/furniture/paper & pulp	66	68.2	30.3	24.2	51.5	18.2	51.5	24.2	25.8	10.6	13.6	43.9	13.6	22.7	24.2	4.5
Chemicals	76	78.9	40.8	55.3	52.6	21.1	75.0	34.2	36.8	32.9	23.7	48.7	42.1	53.9	59.2	1.3
Medical products & cosmetics	59	67.8	25.4	35.6	47.5	25.4	69.5	33.9	27.1	11.9	27.1	42.4	32.2	40.7	52.5	1.7
Petroleum/plastics/rubber	59	72.9	25.4	35.6	64.4	8.5	64.4	20.3	22.0	16.9	11.9	33.9	35.6	39.0	45.8	0.0
Ceramics/earth & stone	30	73.3	33.3	40.0	50.0	10.0	63.3	33.3	23.3	13.3	20.0	40.0	16.7	20.0	40.0	0.0
Iron & steel/non-ferrous metals/metal products	158	84.2	32.3	45.6	49.4	7.6	65.8	25.9	25.9	18.4	17.1	32.3	31.6	41.1	44.3	0.0
General machinery	115	82.6	39.1	45.2	46.1	9.6	73.0	33.9	23.5	15.7	15.7	31.3	29.6	40.9	48.7	0.0
Electrical equipment	87	79.3	39.1	48.3	59.8	10.3	70.1	32.2	28.7	23.0	19.5	37.9	39.1	42.5	47.1	0.0
IT equipment/electronic parts & devices	46	76.1	26.1	56.5	58.7	13.0	73.9	37.0	41.3	23.9	19.6	41.3	45.7	54.3	63.0	0.0
Cars/car parts/transportation machinery	83	81.9	55.4	56.6	50.6	15.7	80.7	32.5	34.9	22.9	19.3	41.0	42.2	39.8	48.2	2.4
Precision equipment	71	67.6	12.7	23.9	50.7	9.9	63.4	26.8	16.9	9.9	16.9	35.2	36.6	39.4	49.3	0.0
Other manufacturing	223	73.1	24.7	26.9	46.2	15.2	61.0	22.9	21.5	14.3	10.8	35.4	21.5	27.4	29.6	0.9
Non-manufacturing	868	60.3	20.9	23.6	42.7	11.3	51.5	28.3	24.5	15.2	15.6	32.0	16.4	26.8	31.1	2.5
Trade & wholesale	448	57.1	15.6	18.1	44.2	9.2	46.9	23.7	20.8	13.2	12.3	36.8	15.4	27.5	31.7	1.8
Retail	87	49.4	20.7	11.5	50.6	9.2	44.8	16.1	16.1	9.2	10.3	21.8	11.5	11.5	25.3	3.4
Construction	52	67.3	34.6	44.2	40.4	15.4	71.2	30.8	38.5	28.8	23.1	36.5	25.0	34.6	28.8	5.8
Transport	43	74.4	39.5	53.5	37.2	7.0	79.1	37.2	30.2	18.6	25.6	27.9	9.3	41.9	39.5	2.3
Finance & insurance	28	89.3	53.6	53.6	46.4	17.9	53.6	50.0	50.0	32.1	39.3	32.1	14.3	32.1	21.4	7.1
Communication/information & software	50	54.0	14.0	24.0	24.0	8.0	54.0	50.0	30.0	12.0	16.0	16.0	18.0	26.0	30.0	2.0
Professional services	37	45.9	13.5	18.9	24.3	16.2	35.1	24.3	29.7	10.8	13.5	21.6	13.5	16.2	24.3	8.1
Other non-manufacturing	123	71.5	25.2	27.6	47.2	18.7	58.5	37.4	26.8	18.7	19.5	30.9	22.8	29.3	35.8	0.8

Notes: 1) Excludes non-responses. 2) Shaded areas indicate the top 5 industries by response rate for each initiative item.

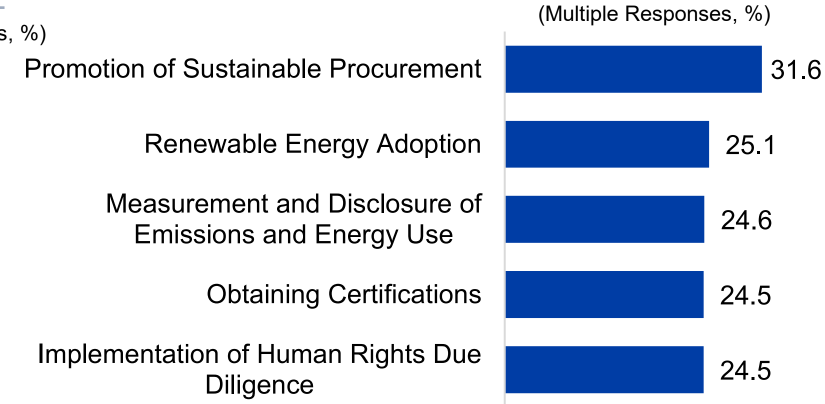
3 Future Initiatives Among SMEs Are Likely to Focus on Procurement and Certification

- Many respondents indicated plans to strengthen existing initiatives or introduce new initiatives related to sustainable procurement and obtaining certifications within the next two to three years.
- More than 30% of large firms plan to strengthen existing initiatives or introduce new ones related to human rights due diligence. Among firms already implementing such measures, energy conservation and improvements in occupational safety and health ranked high among future initiatives to be strengthened.

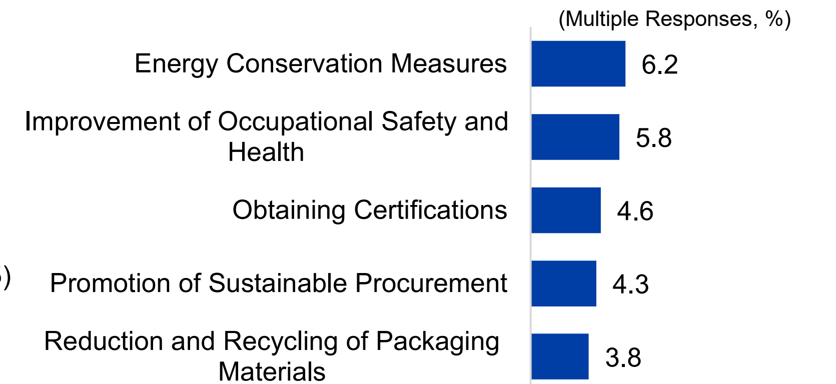
Top 10 Initiatives to Be Strengthened or Newly Introduced In the Next Two to Three Years (by Firm Size)



Top 5 New Initiatives



Top 5 Initiatives to Be Strengthened



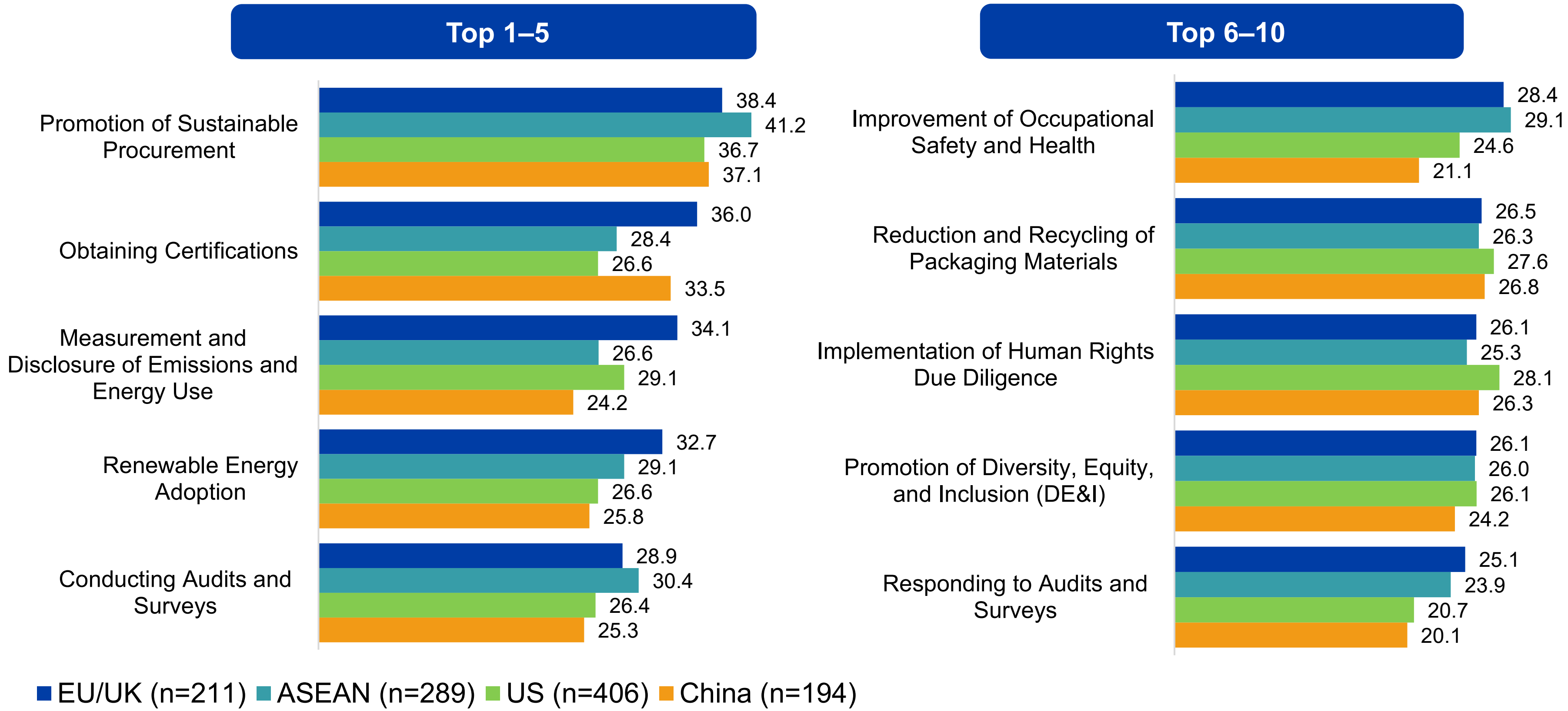
Notes: 1) n excludes non-responses. The n values in the right figure are the same as those in the left figure (n=1,897). 2) Some options are abbreviated.

4 Firms Are Highly Interested in Exporting to the EU/UK and ASEAN

- Looking at interest in specific initiatives by key future export destination, firms targeting the EU/UK show a high level of interest overall in obtaining certifications, measuring and disclosing emissions, and adopting renewable energy.
- Meanwhile, firms targeting ASEAN also show strong interest in promoting sustainable procurement, conducting audits and surveys, and improving occupational safety and health.

Initiatives to Be Strengthened or Newly Introduced in the Next Two to Three Years (by Most Important Future Export Destination)

(Multiple responses, %)



Notes: 1) The chart shows the top 10 items with the highest response rates among firms selecting the EU or the UK as their most important future export destination.. 2) n excludes non-responses. 3) Some options are abbreviated.

5-1 Responding to External Demands Such as Regulatory Requirements and Certification Needs Is Burdensome

- Companies face growing burdens in responding to increasingly complex external requirements, particularly compliance with overseas regulations, acquisition of certifications, and rising requests from customers and business partners. These demands are creating significant time, cost, and resource constraints, especially for SMEs.

Challenges in Sustainability Initiatives
(Free Responses; Terms Appearing Most Frequently Listed)

Compliance with External Regulatory and Certification Requirements	**Regulations (315 firms)**	・"Compliance with various regional regulations, such as the EU's CSDDD, Germany's Supply Chain Due Diligence Act, and the U.S. Uyghur Forced Labor Prevention Act." ・"Addressing overseas laws and regulations is a challenge. We will also need to examine how to comply with the PPWR going forward." ・"It is difficult to comply with overseas laws and regulations while gathering information in a timely manner."
	Certifications and Related Systems (278 firms)	・"The need to obtain various certifications in different regions imposes significant cost and time burdens on SMEs." ・"Demands from large firms are particularly stringent regarding international certifications, human rights, and environmental issues." ・"We are responding to requests from overseas business partners to obtain certifications."
	External Requests (133 firms)	・"External requests are increasing." / "External requests have increased significantly." ・"In overseas business, demands related to the environment, labor, and human rights from various countries are intensifying year by year, creating compliance challenges." ・"External compliance requests are becoming increasingly diverse and sophisticated each year, straining our resources."

Note: Free-response answers have been edited or supplemented within the scope of preserving the original intent to clarify the respondents' meaning.

5-2 Responding to External Demands Such as Regulatory Requirements and Certification Needs Is Burdensome

- Shortages of personnel and financial resources are becoming increasingly apparent as firms respond to increasingly diverse regional regulations, certification requirements, and requests from business partners. Key challenges include securing personnel, establishing response systems, and gathering information in a timely manner.
- Many firms emphasize the need to assess sustainability not only internally but also across business partners and suppliers. Some firms are considering to survey business partners for risk management and information disclosure purposes.

Challenges in Sustainability Initiatives
(Free Responses; Terms Appearing Most Frequently Listed)

Internal Structure	**Organizational Structure** (188 firms)	・“Inquiries regarding responses to external requests are on the rise, and we are becoming increasingly aware of the need to strengthen internal systems." ・"Internal systems, including those for handling external requests, are insufficient and need to be strengthened." ・"Preparing documentation and establishing management systems for food safety standards and certifications in various countries requires significant time and specialized knowledge."
	Human Resources, Personnel (117 firms)	・“We lack sufficient knowledge and personnel to become certified." “We need more personnel to acquire certifications." ・“The increasing diversification and sophistication of external compliance requests is pushing us to acquire more personnel to address them."
Supply Chain	**Supply Chain** (136 firms)	・“Identifying human rights and environmental risks across the total supply chain and complying with local laws and regulations is challenging and requires enhanced risk assessment and dialogue with key suppliers." ・"Challenges include measuring total CO_2 emissions across the supply chain and improving calculation accuracy." ・“As sustainability and related disclosures become increasingly important, we recognize the need to gather various information across the supply chain in its entirety, including overseas partners."
	Survey (15 firms)	・"We want to survey the CSR compliance status of our suppliers, but we lack the manpower and have been unable to get started."

Note: Free-response answers have been edited or supplemented within the scope of preserving the original intent to clarify the respondents' meaning.

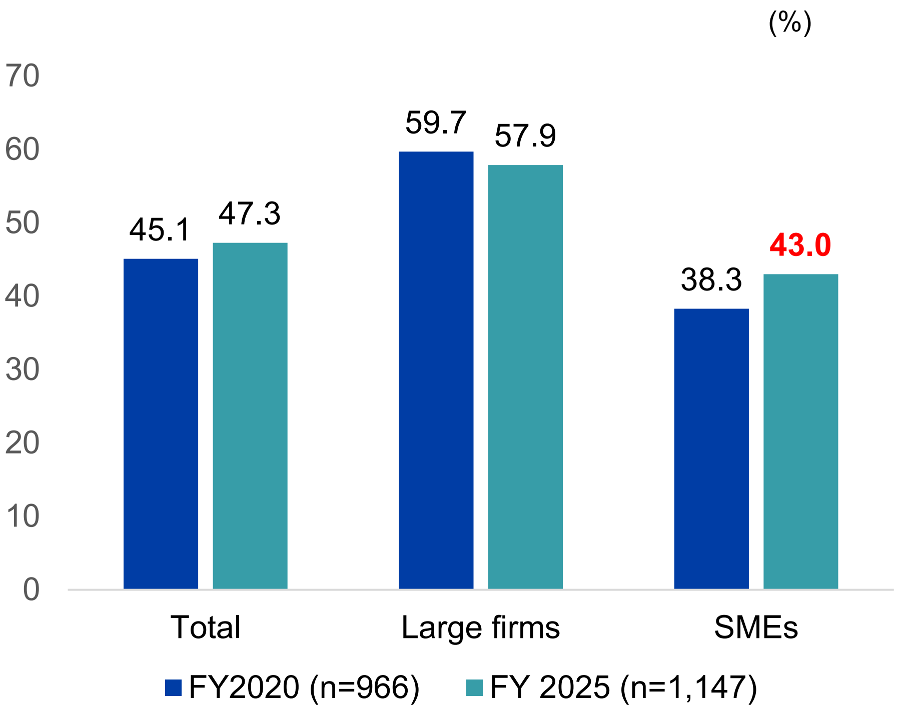
IX. Utilization of Investment Agreements

SMEs Are Becoming Slightly More Aware of the Agreements, No Significant Change Observed Since the Previous Survey (FY2020)

1 | Awareness of Investment Agreements Rises Slightly Among SMEs

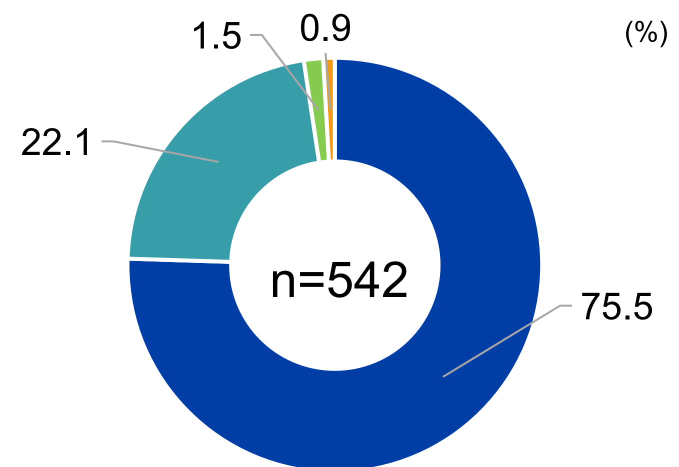
- Among firms with overseas bases, 47.3% are aware of investment agreements (Note). Awareness among SMEs stands at 43.0%, a 4.7-point increase compared to a similar question asked in FY 2020. (Note: Investment agreements and investment-related provisions in FTAs/EPAs)
- Among firms aware of investment agreements, 75.5% selected “Awareness that investment agreements are treaties protecting overseas business operations." Only 24.5% had taken more specific actions related to them.

Awareness of Investment Agreements



Note: “n” represents firms reporting overseas bases (excluding agencies). FY2020: 310 large firms, 656 SMEs; FY2025: 330 large firms, 817 SMEs. Awareness excludes firms selecting "completely unaware of investment agreements" and non-responses (see right chart for each option).

Level of Awareness of Investment Agreements



- Awareness that investment agreements are treaties protecting overseas business operations
- Have considered the relationship between investment agreements and their company's overseas business expansion.
- Referenced an investment treaty when facing business disputes overseas.
- Have raised a violation of an investment agreement with the host country government, including through the Investor-State Dispute Settlement (ISDS) mechanism, or have considered doing so internally.

Note: “n” represents firms that responded they have overseas bases (excluding agencies), excluding those selecting "I am completely unaware of investment agreements" and those with no response.

2 | Systems Lacking Clarity, Sudden Regulatory Changes, and Unfair Tax Measures Pose Challenges

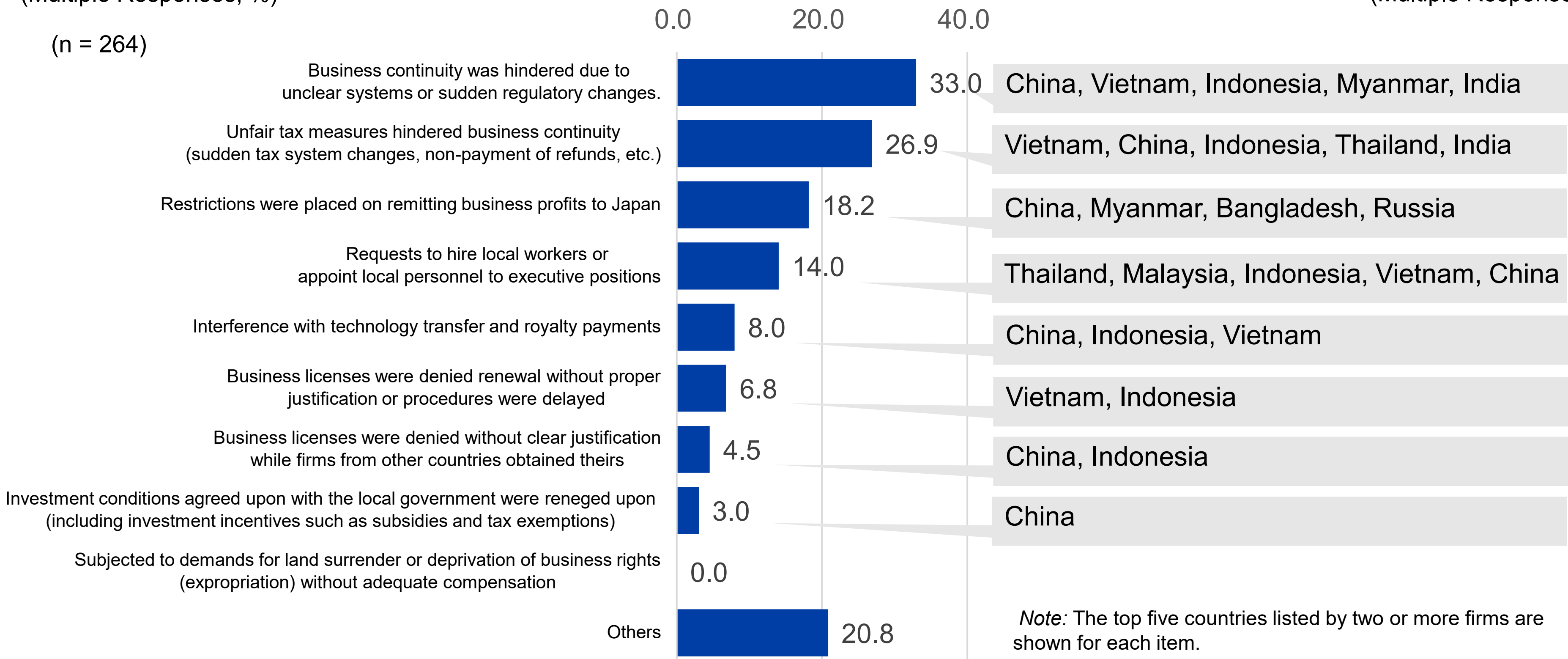
- "Business continuity was hindered due to lack of clarity in systems and sudden regulatory changes" ranked highest. Multiple firms also cited Russia, Saudi Arabia, Thailand, and the US, in addition to the top five countries.
- "Unfair tax measures (sudden tax system changes, non-payment of refunds, etc.) hindering business continuity" ranked as the second- highest challenge. Multiple firms also cited the Philippines, Bangladesh, Kenya, and Mexico as challenging countries, in addition to the top five.

Challenges Faced Due to Host Government Responses/Measures

(Multiple Responses, %)

Main Target Countries Facing Challenges

(Multiple Responses)



Note: The top five countries listed by two or more firms are shown for each item.

Note: "n" represents firms (excluding agents) with overseas bases that selected one or more challenges faced due to the response/measures of the local government (including government-affiliated organizations) in their host country.

3 Challenges Faced in the Target Market (Free Responses)

- Free responses about challenges faced revealed issues such as “lack of clarity in systems and sudden regulatory changes," "unfair tax measures (sudden tax system changes, unpaid refunds, etc.)," and “problems with host countries' fulfillment of investment conditions.”
- The trend of host countries facing challenges was to a certain extent proportional to the distribution of the number of firms operating there. China, Vietnam, Indonesia, Thailand, and India were mentioned in multiple items.

Challenges Faced Due to Host Government Responses/Measures

(Free Responses)

Lack of Clarity in Systems and Sudden Regulatory Changes

- **China**: Difficulty in procuring magnets containing rare earth elements. Export permits were denied. (Plastics, Mid-Sized firms)
- **China:** Regular business license renewals impose regulations that exclude foreign firms, making document preparations difficult. (Non-Ferrous Metals, SMEs)
- **Vietnam:** Conditions for registering Japanese products for sale are frequently changed. (Metal Products, SMEs)
- **Vietnam:** Approval criteria differ by administrative district and individual official. (Non-Ferrous Metals, SMEs)
- **Indonesia**: Several years after establishing the company locally, we were ordered to pay fines for alleged violations in land acquisition. (Medical Products & Cosmetics, SMEs)
- **India:** Compliance with the Bureau of Indian Standards (BIS) mandatory certification system. (Coal & Petroleum Products, SMEs)
- **US:** Struggling to respond as stricter regulations than Japan's are being announced one after another. (Food & Beverages, SMEs)
- **US:** Additional expenses are expected due to state government legal revisions (IT Equipment, SMEs)
- **Mexico:** Prolonged closure of legal courts. (Metal Products, Mid-Sized firms)

Unfair Tax Measures

- **Vietnam**: Following a tax audit, we were handed excessive additional taxes. (Non-Ferrous Metals, Mid-Sized firms)
- **Thailand:** Unreasonable taxation imposed on expatriate employees (Coal & Petroleum Products, SMEs)

Others

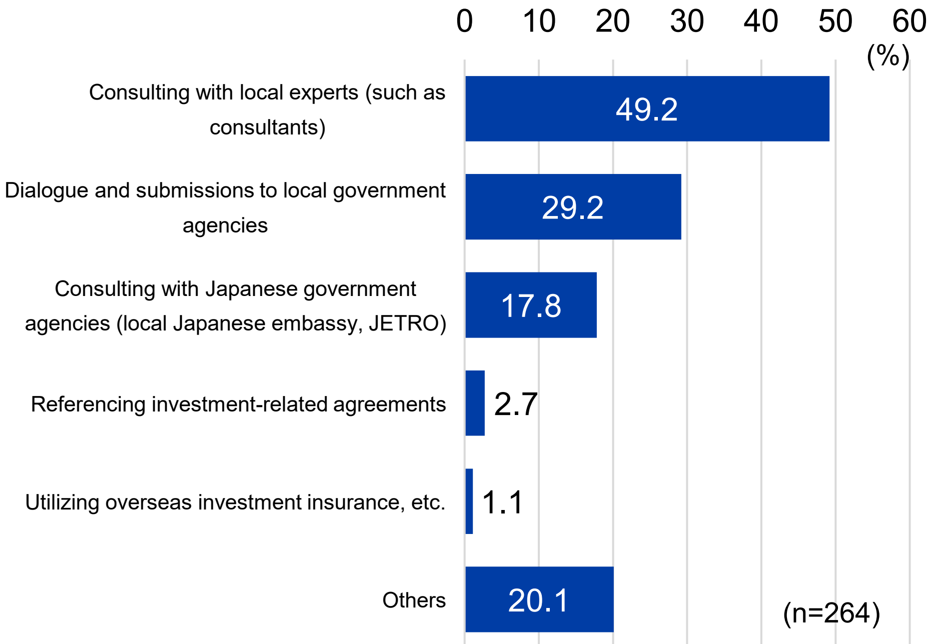
- **China:** Received an order to vacate the land. (Coal & Petroleum Products, SMEs)
- **China:** Payment of investment-related subsidies was delayed. (Chemicals, Mid-Sized firms)
- **Vietnam**: Despite following prescribed procedures to liquidate the local subsidiary, permits were not granted due to frequent changes in personnel. (Metal Products, SMEs)
- **Bangladesh:** Applications for (investment) incentive benefits are not being approved. (Car Parts, SMEs)
- **Myanmar:** Risk of forced conscription of local employees (Other Transportation Machinery, Large firms)

Note: Categories were organized based on responses from 32 firms that provided answers regarding challenges in the free-form section. Some excerpts and additions were made without altering the original meaning.

4 Consulting Local Experts and Engaging with Local Governments were the Most Common Responses

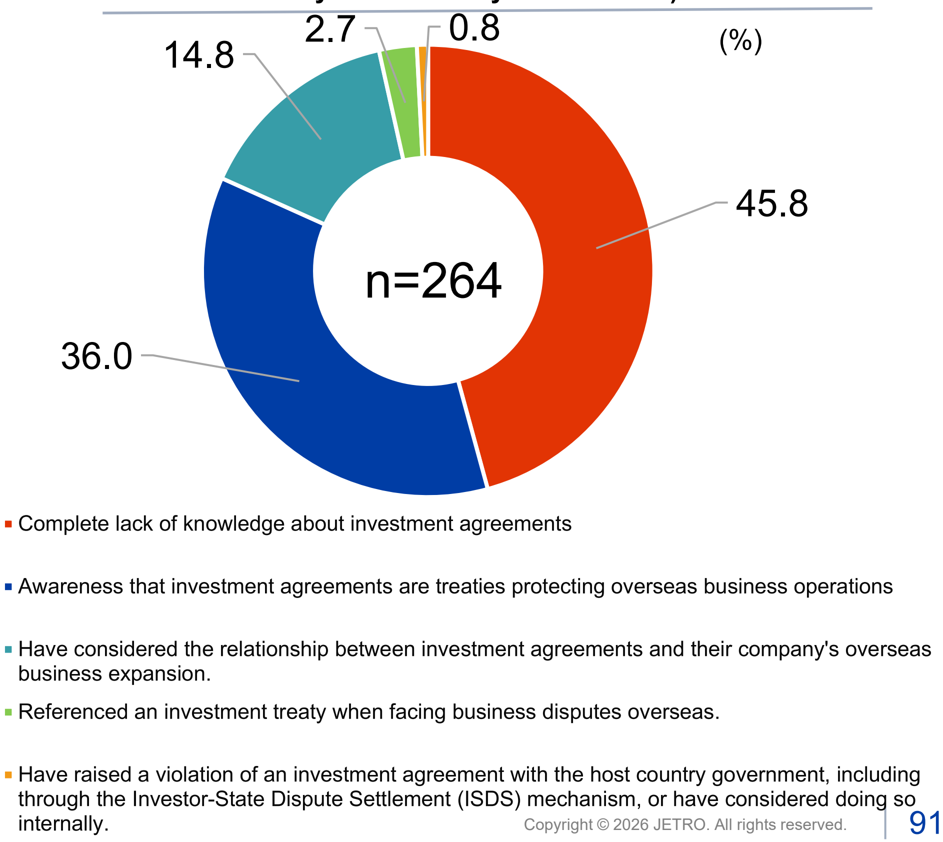
- When asked how firms were addressing challenges due to host country government measures, nearly half cited consulting local experts. This was followed by dialogue/submitting petitions to local government agencies (29.2%) and consulting Japanese government agencies (17.8%).
- Only 2.7% of firms reported actually referring to investment agreements, a slight increase from the FY2020 survey (0.6%). Even among firms facing challenges, 45.8% stated they were completely unaware of investment agreements, indicating that raising awareness of these agreements remains an ongoing challenge.

Approaches to Addressing Challenges Encountered in Host Countries



Notes: 1) Dialogue/submissions with local government agencies include submissions made through external organizations such as local Japanese Chambers of Commerce and Industry. 2) n represents firms (excluding agents) with overseas bases that selected one or more challenges faced in the host country due to responses/measures by the local government (including government-affiliated agencies). The same applies to the chart on the right.

Level of Awareness of Investment Agreements
(Firms Facing Challenges Due to Measures/Responses By Host Country Government)



Reference

Comparison Table of Abbreviated Answer Options (1)

Reasons for Selecting the Most Important Export Countries/Regions (p. 28)

Abbreviation	Original Answer Option
Expanding local market demand	Expansion of (potential) local market demand and increased inquiries
Stable sales channels	Stable sales channels with local subsidiaries, distributors, etc.
Support for imports and sales at export destinations	Support for imports and sales at the destination country/region (e.g., critical material procurement support)
Relatively low geopolitical risks	Relatively low geopolitical risks and stable sociopolitical systems
Ease of selling through e-commerce sites	Ease of selling through e-commerce sites like Amazon

Reasons for Maintaining the Status Quo, Considering Downsizing or Withdraw, or Not Establishing Overseas Bases Regarding Future Overseas Expansion Policies (p. 43)

Abbreviation	Original Answer Option
Potential expansion on hold	While expansion remains a possibility, it is on hold for now
Lack of corporate resources	Lack of corporate resources (capital, personnel)
Changes in the market environment	Changes in the market environment (declining demand for our products/services, intensifying local competition)
Declining profitability of local operations	Declining profitability of local operations (increased operating costs)
Rising geopolitical risks	Rising geopolitical risks and security concerns
Response to US trade policy	Response to US tariffs and other trade policies
Exports from domestic bases	Exports from domestic bases (including cross-border e-commerce)
Insufficient cost-benefit effectiveness	Insufficient cost-benefit effectiveness of overseas expansion in relation to firm's scale

Various Geopolitical Risks With Potential Business Impact (pp. 55-58)

Abbreviation	Original Answer Option
Logistics-related risks (soaring transportation costs, transportation disruptions)	Logistics risks (soaring transportation costs, transportation disruption or chaos)
Fluctuations in exchange and interest rates, financial market instability	Fluctuations in exchange and interest rates, financial market instability risks
US: Additional tariffs (reciprocal, automotive, etc.)	Various measures by the US, risks related to US additional tariffs (reciprocal, automotive, iron & steel/aluminum, etc.)
Resource and energy-related risks (increased procurement costs, etc.)	Resource and energy-related risks (increased procurement costs, supply disruptions, etc.)
China: Tightening of import restrictions	Various measures and risks related to China, such as tightening of import restrictions
China: Tightening of export controls (critical minerals, etc.)	Various measures and risks related to China, such as tightening of export controls (related to critical mineral products such as rare earths and rare metals, re-export restrictions, etc.)
Chinese firms' overproduction capacity, supply/exports exceeding demand	Chinese firms' overproduction capacity, supply and exports exceeding international market demand
US: Tightening export controls (Semiconductors, etc.)	Various US measures and related-risks: Tightening of export controls (Semiconductors/AI, re-export regulations, etc.)
US: Tightening of import regulations (UFLPA, etc.)	Various US measures and related-risks: Tightening of import controls (Uyghur Forced Labor Prevention Act, etc.)
Non-US/China: Preferential domestic industrial policies & subsidies	Risks related to countries/regions other than the US and China: Industrial policies and subsidies favoring domestic firms and production

Reference

Comparison Table of Abbreviated Answer Options (2)

Status of Response to Geopolitical Risks and Economic Security

Abbreviation	Original Answer Option
Enhanced information gathering (monitoring international situations, specific risks, etc.)	Strengthening information gathering (on international affairs, monitoring specific risks, etc.)

Geopolitical Risks and Economic Security Challenges (Trade Management, Investment Regulations, etc.)

Abbreviation	Original Answer Option
Difficulty in developing alternative new production sites/sourcing locations (e.g., rare earths)	Difficulty in developing alternative new production sites/sourcing locations (e.g., rare earths, rare metals, specialized raw materials/components, or common commodities with limited suppliers)

Environmental, Labor, and Human Rights Initiatives

Abbreviation	Original Answer Option
Energy Saving Measures	Energy Saving Measures (e.g., shifting to LED lighting, upgrading to high-efficiency equipment)
Renewable Energy Adoption	Adopting renewable energy (on-site power generation, procurement of renewable energy electricity, etc.)
Measurement and Disclosure of Emissions and Energy Use	Measurement and Disclosure of CO_2 Emissions and Energy Use
Reduction and Recycling of Packaging Materials	Reducing plastic and packaging materials, recycling
Improvement of Occupational Safety and Health	Enhancing occupational safety and health at domestic and international sites (strengthening safety education, improving workplace environments, etc.)
Promotion of Diversity, Equity, and Inclusion (DE&I)	Promoting DE&I (Diversity, Equity, and Inclusion) (Accepting diverse talent and work styles, providing fair opportunities, etc.)
Establishment of a Grievance Mechanism	Establishment of a grievance mechanism within the firm
Promotion of Sustainable Procurement	Promotion of sustainable procurement (formulation of procurement policies, etc.)
Conducting Audits and Surveys	Conducting audits and surveys of suppliers
Responding to Audits and Surveys	Responding to audits and surveys from external parties (Customers, suppliers, third-party organizations, etc.)

After reading the report, please take a moment to complete our survey (Estimated time: 1 minute).
Thank you for your cooperation.

https://www.jetro.go.jp/form5/pub/ora2/20250042

[Report Version] **FY2025 | Overseas Business Survey**

24th Survey on Overseas Business Expansion by Japanese Firms

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■ Important Notice

[Note] Due to the inclusion of amounts less than one unit, the totals may not add up exactly.

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