



FY2020 JETRO Survey on Business Conditions for Japanese Companies Operating Overseas

(North America)

—Earnings at Japanese companies deteriorated significantly due to the spread of Covid-19.
The U.S. visa issuance restrictions wider effects. —

Overseas Research Department

Japan External Trade Organization (JETRO)

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Overview of FY 2020 Survey

Survey Methodology	In September 2020, JETRO conducted an online survey of Japanese companies operating in the U.S. or Canada (local entities at least 10% owned by a Japanese parent), polling 1,757 companies (1,580 in the U.S., 177 in Canada) and receiving valid responses from 1,108 companies (961 in the U.S., 147 in Canada, percentage of valid responses: 63.1%).
About FY 2020	This survey is conducted generally once a year to ascertain the activities of the Japanese companies operating on the forefront of the business world. This is the 39 th survey in the U.S. and the 31 st in Canada. Non-manufacturers in the U.S. were added to the sample starting this fiscal year.
Questions Asked	1. Sales Forecast; 2. Future Business Plan; 3. Effect of the Spreading Coronavirus Disease 2019 (COVID-19); 4. Challenges in Management; 5. Impact of Changes in Trade Environment; 6. Procurement Sources, Manufacturing Ratios, and Sales Destinations by Country or Region; and 7. Utilization and Impact of FTAs/EPAs.

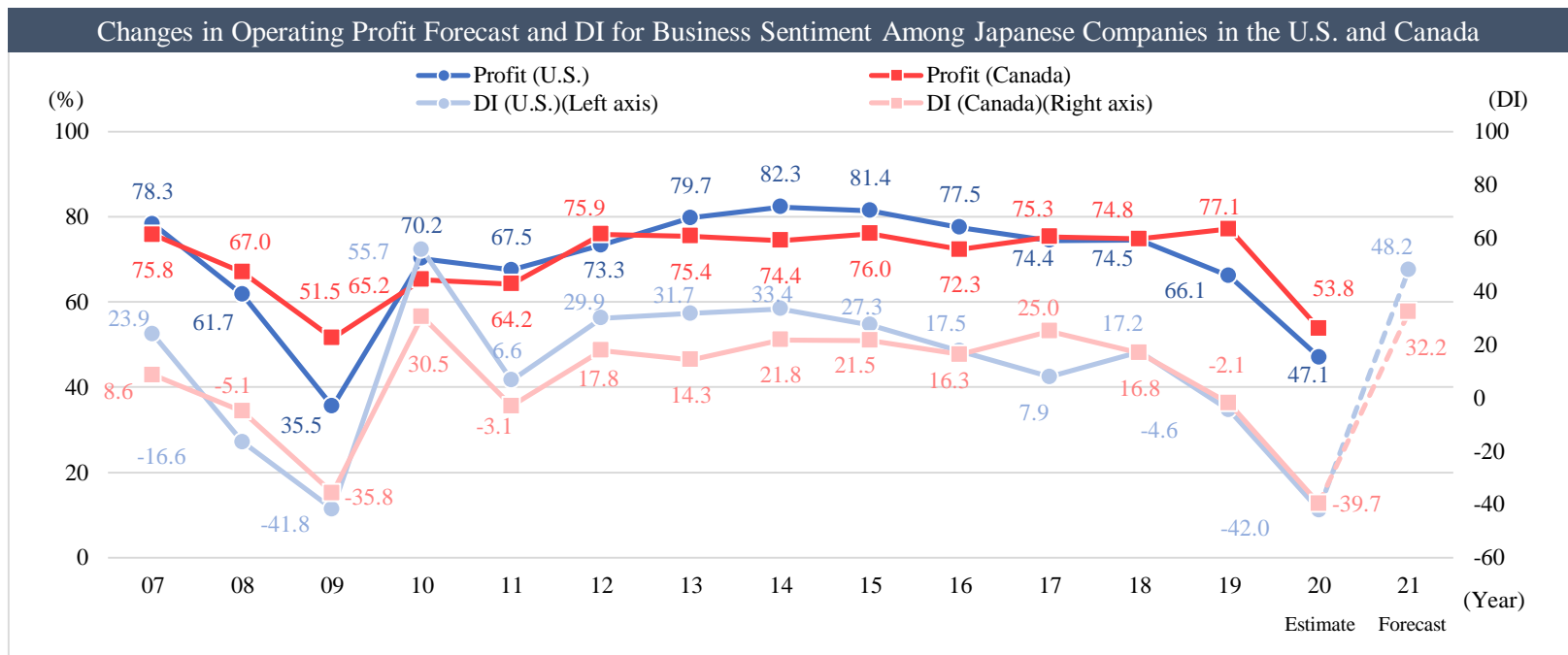
*An overview of operating profit forecasts and the expected timing of business returning to normal was published in [Fiscal 2020 Survey on Business Conditions for Japanese Companies Operating Abroad](#) dated Dec. 4.

Survey Results: Digest

- Earnings at Japanese companies deteriorated significantly due to the spread of Covid-19. **Both in the U.S. and Canada, only around 50% of companies expect to generate a profit for 2020, a drastic decrease from the prior year; still, the decline was not as steep as the one seen in 2009, immediately after the financial crisis.** The main cause was lower local sales. With restrictions on activities hampering companies' abilities to develop new customers, they are tapping into virtual exhibitions, e-commerce and other digital tools for marketing and sales.
- At the same time, **the effects of the spread of Covid-19 on supply chains, which had been a concern, turned out to be limited,** and companies that were changing procurement sources accounted for just around 10% each in the two countries. As a reason for such changing, more companies cited additional tariffs and higher costs than those citing the spread of Covid-19.
- Regarding the U.S. **visa issuance restrictions** (one of the biggest concerns for Japanese companies operating in the U.S.), **close to 50% of Japanese companies have been affected,** the survey found. Given that this ratio was 35% in the June 2020 survey (respondents: 958 companies), the latest survey shows that **wider effects have been felt.**

Survey Results Point 1: Operating Profit Forecast

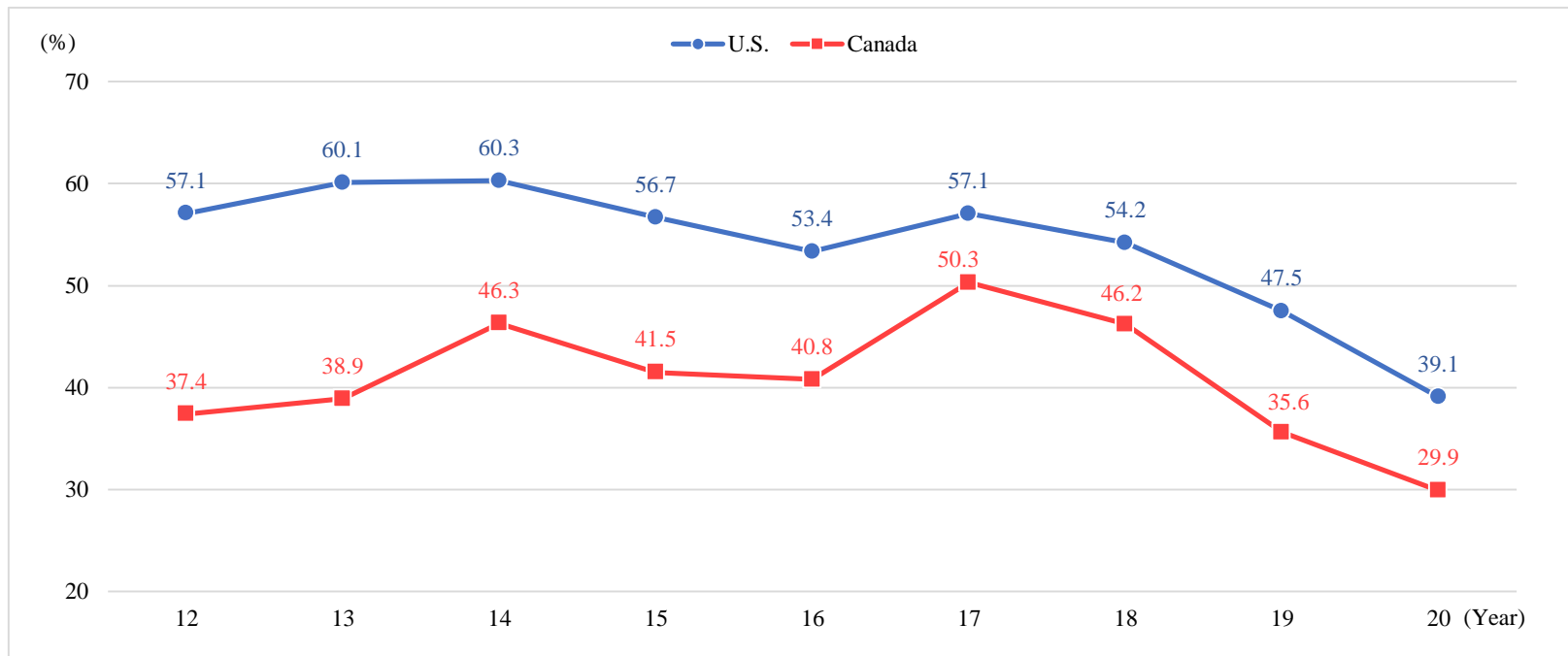
- **Just 47% of Japanese companies in the U.S. anticipated a profit** for 2020, **down 19 points** from 66% the prior year. The last time this proportion was below 50% in the U.S. was in 2009 (immediately after the financial crisis: 36%). **The percentage was low in Canada as well, with only 54% expecting a profit**, which represented a **decline of 23 points** from 77% the prior year. The last time this proportion was below 60% in Canada was in 2009 (52%) [[page 15](#) (U.S.), [page 61](#) (Canada)].
- **A total of 59% of companies in the U.S. see operating profit deteriorating in the year**, an increase of 23 points from 36% the prior year. In particular, the ratio of deterioration was **substantially high in the Travel/Amusement (94%) and Automobiles etc. (88%) industries. In Canada, 54% of companies see operating profit deterioration**, an increase of 20 points from 34% the prior year. **In terms of year-on-year change in operating profit, about 30% reported “down 10-50%” in both the U.S. and Canada.** The **Diffusion Index** for business sentiment was **-42 in the U.S. and -40 in Canada, hitting all-time lows** in both countries [[pages 17-19](#) (U.S.), [pages 63-64](#) (Canada)].
- On the other hand, in both countries, only around 30% of companies in the Food and Information and Communications industries anticipated year-on-year deterioration, with 20-40% of them even seeing improvement, indicating that different industries had different outlooks [[page 19](#) (U.S.), [page 64](#) (Canada)].



Survey Results Point 2: Future Business Plans

- **Companies considering business “expansion” in the next year or two totaled just 39% in the U.S. and 30% in Canada**, a record low for each country. Nonetheless, in the U.S., more than half of the companies in Food (68%) and Chemical/Medicines (54%) said they were considering “expansion” [[page 27](#) (U.S.), [page 72](#) (Canada)].

Percentage of Companies Considering Business “Expansion” in the Next Year or Two

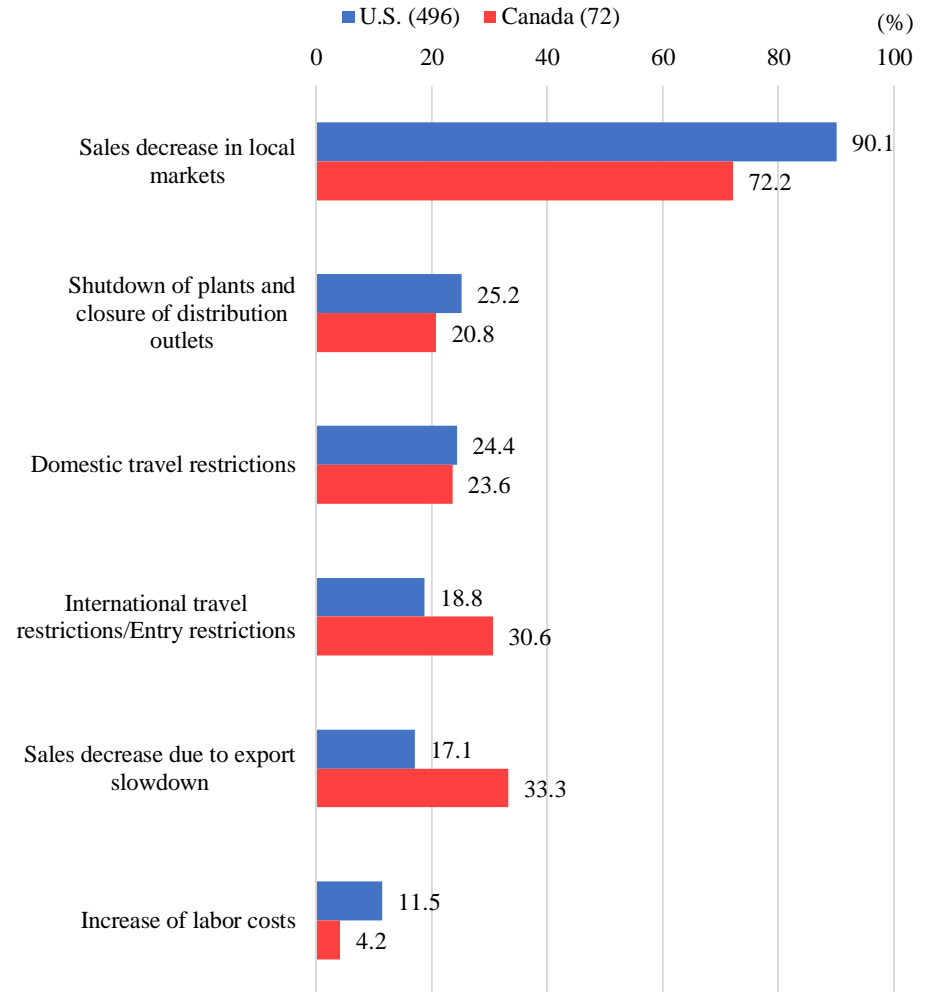


- Companies planning to **change their supply chains (procurement sources, production sites and sales markets)** were only **about 10% each in the U.S. and Canada**. Asked about the reason for changing procurement sources, a majority of the respondents cited “changes in trade environment”; among companies in the U.S., many cited changing procurement sources from China to the U.S. or the ASEAN region. With respect to changes in production sites, common plans included changing from the U.S. to Mexico, Japan or elsewhere, with many citing rising costs and difficulty in securing personnel in the U.S. [[pages 29-36](#) (U.S.), [pages 73-75](#) (Canada)].

Survey Results Point 3: Effects of the Spread of Covid-19 and State of Business Reassessment

- Asked about the negative effects of the spread of Covid-19 on their operating profits, 90% in the U.S. and 70% in Canada cited “Sales decrease in local markets.”** [[page 43](#) (U.S.), [page 79](#) (Canada)].
- Asked about the expected timing of business returning to normal, those answering **the first half or the second half of 2021 each** accounted for **around 30% in both countries.** **With respect to the demand environment after normalization, just under 50% in both countries anticipated it to “return to that before the spread of COVID-19”,** while a third of the respondents expected “a slight decline.” Meanwhile, about 10% in each country anticipated an increase in demand, with the rates particularly high in the U.S. in the Precision Machines/Medical Equipment (36%) and Rubber/Ceramic/Stone and Clay Products (24%) industries [[page 43](#) (U.S.), [page 79](#) (Canada)].
- Asked about ways to review business strategies and business models in response to the spread of Covid-19, about 80% in each country cited expansion of the utilization of work from home and teleworking,** followed by utilizing virtual exhibitions and online business meetings (40-50%) and streamlining by staff reduction (just under 40%) [[page 44](#) (U.S.), [page 80](#) (Canada)].

Negative Effects of the Spread of Covid-19 on Operating Profit (Multiple Answers)

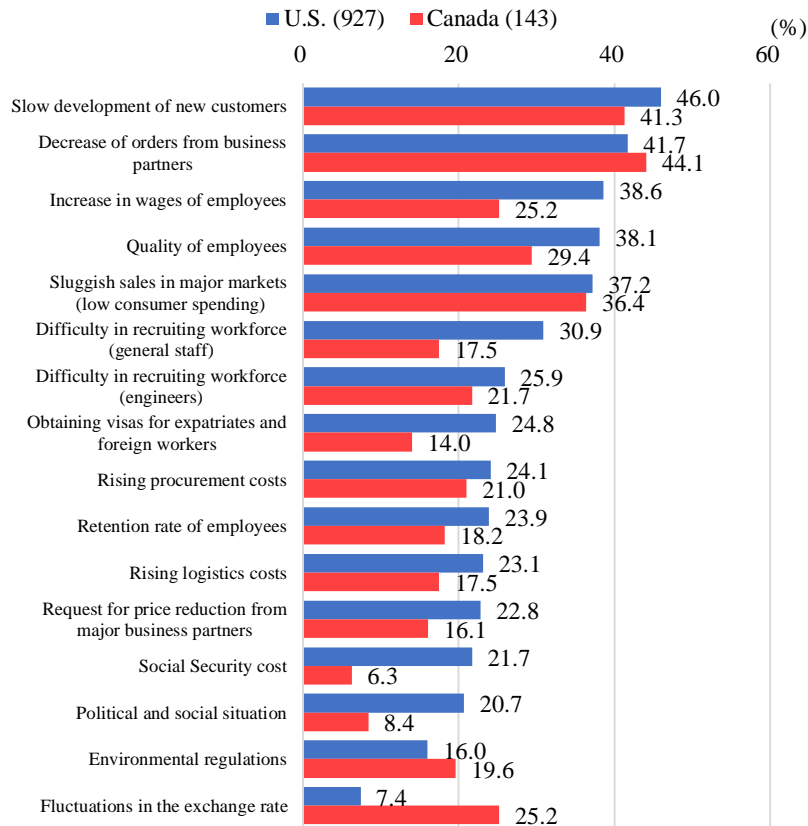


(Note) Up to 3 answers allowed per respondent. Only the most common items listed.

Survey Results Point 4. Management Challenges (1)

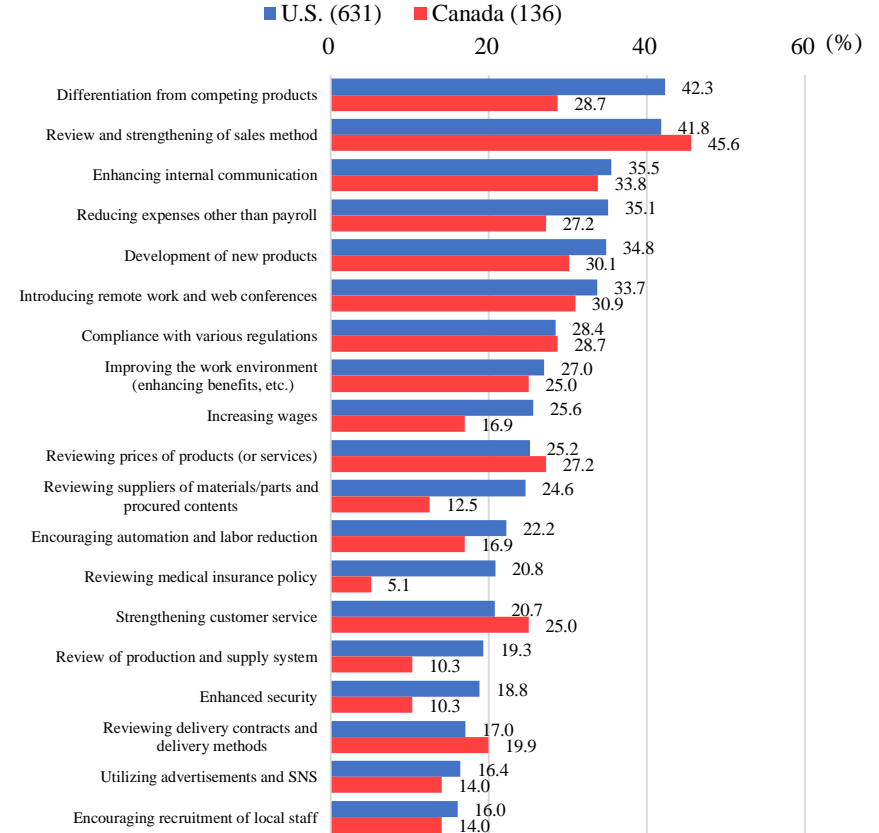
- **Asked about management challenges**, sales and marketing challenges were cited often, with **over 40% of respondents in both the U.S. and Canada answering “Slow development of new customers” and “Decrease of orders from business partners.”** The restrictions on business travel and meetings, stay-at-home guidelines and operation restrictions amid the spread of Covid-19 apparently dealt a blow. **In the U.S.**, these were followed by **“Increase in wages of employees” and “Quality of employees” and other employment and labor challenges (nearly 40%)** [[page 45](#) (U.S.), [page 81](#) (Canada)].
- As countermeasures for management challenges, **in the U.S., development of high added-value products and other ways to “Differentiation from competing products” and expansion of e-commerce and other steps toward the “Review and strengthening of sales methods” were each cited by over 40% of respondents. In Canada, “Review and strengthening of sales method” and “Enhancing internal communication” were the top answers** [[page 46](#) (U.S.), [page 82](#) (Canada)].

Management Challenges (Multiple Answers)



(Note) This chart lists only the top items.

Countermeasures for Management Challenges (Multiple Answers)

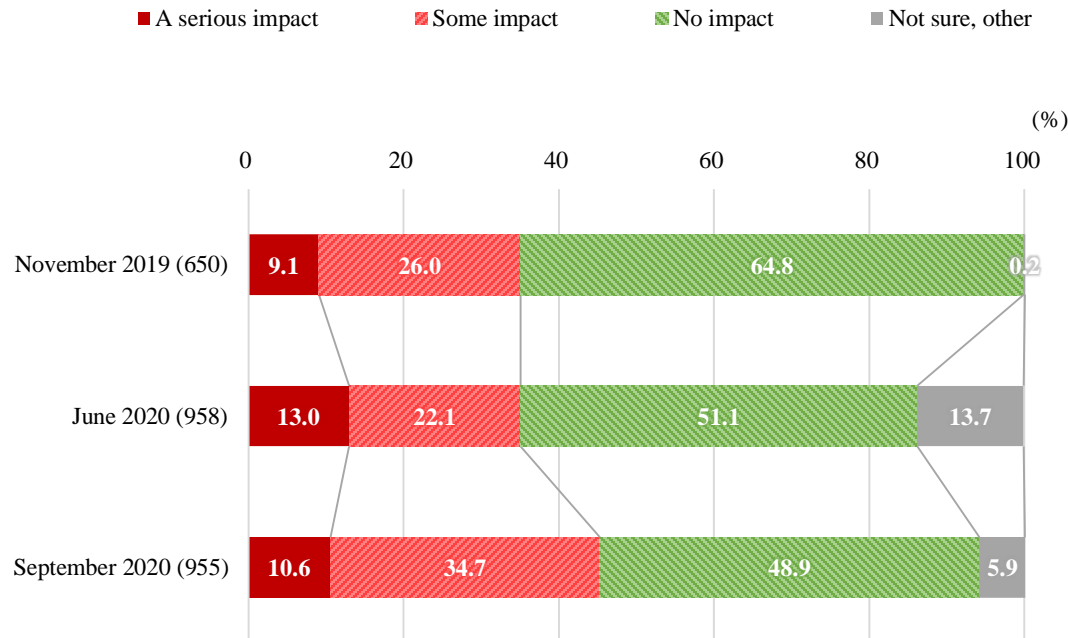


(Note) This chart lists only the top items.

Survey Results Point 4. Management Challenges (2)

- In response to the spread of Covid-19, the Trump administration restricted issuances of certain visas. **Visas issuance suspension, delay and denial have had “Some impact” on 35% of Japanese companies in the U.S. while “A serious impact” on about 10%.** The **percentage of companies being affected is up 10.2 points from the prior year’s survey (35.1%) and the Quick Survey Concerning Countermeasures for the Spread of Covid-19 (35.1%)** conducted in June 2020. Asked about specific issues, **more than 60% stated “We cannot conduct staff reshuffling or reassignment.”** highlighting the difficulty in responding to this challenge. **Among the types of visas being affected, about 60% answered L-1 Visa (Intra-company Transferee) and about 30% said E-2 Visa (Treaty Investor)** [page 47].

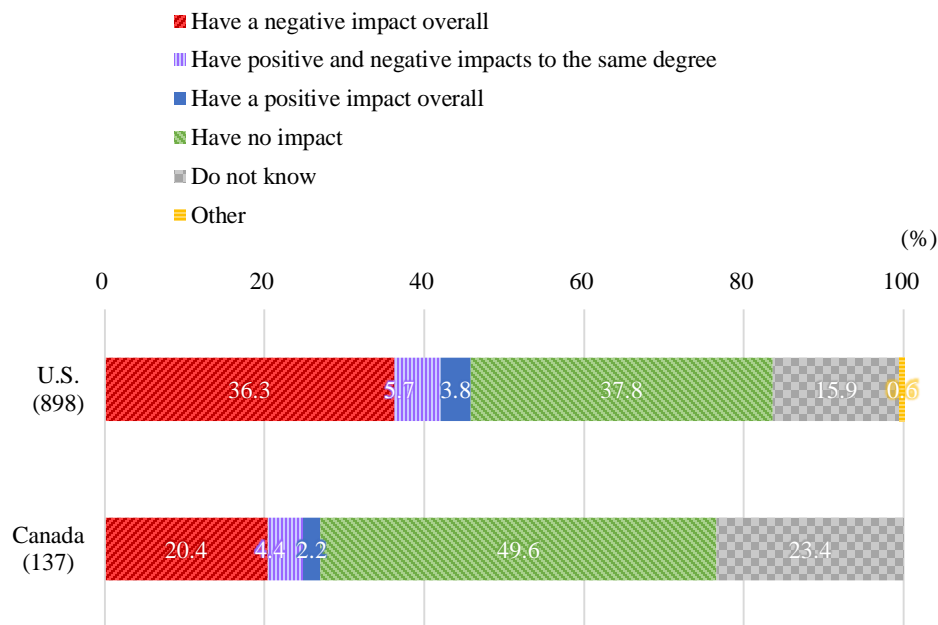
Impact of Suspension, Delay and Denial of Issuance of U.S. Visas



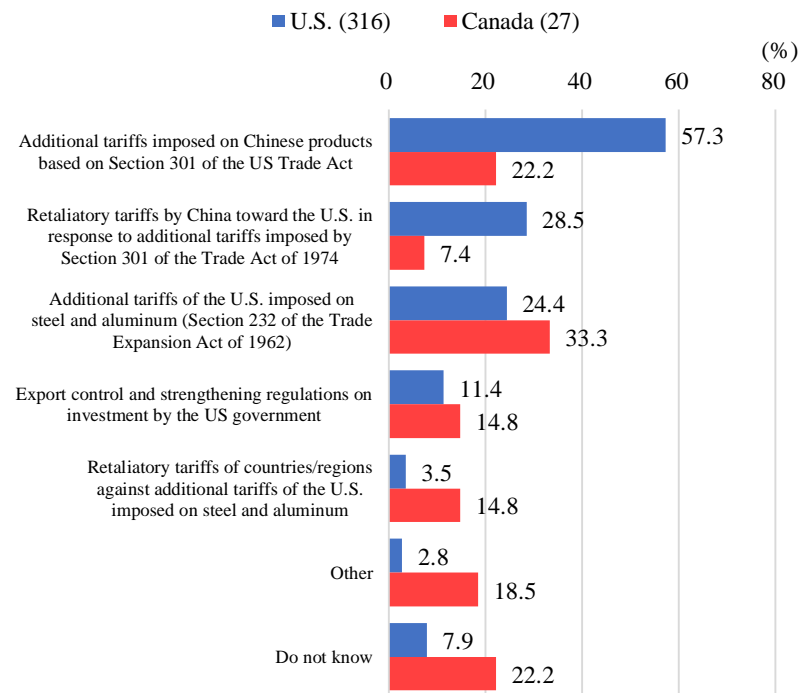
Survey Results Point 5: How Changes in Trade Environment Affect Earnings

- Regarding how changes in trade environment are affecting their 2020 earnings, 38% in the U.S. answered “Have no impact.” Meanwhile, 36% answered “Have a negative impact overall,” and when combined with the 6% that answered “Have positive and negative impacts to the same degree,” 42% were affected negatively. In Canada, 50% answered “Have no impact” and 23% said “Do not know,” while just 20% answered “Have a negative impact overall” [page 50 (U.S.), page 83 (Canada)].
- Asked about **specific policies having negative effects**, 57% in the U.S. cited “Additional tariffs imposed on Chinese products based on Section 301 of the U.S. Trade Act”, while 33% in Canada said “Additional tariffs of the U.S. imposed on steel and aluminum” [page 51 (U.S.), page 84 (Canada)].
- As for countermeasures for changes in trade environment, **common answers both in the U.S. and Canada** were “Strengthening of the system for gathering information” and “Effort at absorbing cost by improving productivity/efficiency” [page 52 (U.S.), page 85 (Canada)].

How Changes in Trade Environment Affect 2020 Earnings



Specific Policies Having Negative Effects (Multiple Answers)



— U.S. —
(39th Annual Survey)

Overview of FY 2020 Survey

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese companies operating in the U.S., and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 10-30, 2020

Valid Responses

60.8%

(961 out of 1,580 companies)

Scope of Survey

Japanese manufacturers and non-manufacturers operating in the U.S. that are at least 10% owned by a Japanese parent, directly or indirectly.

Note

This is the 39th annual survey, conducted since 1981 (not conducted in 2004). Non-manufacturers were added this time.

- (1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
- (2) The firms that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
- (3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
- (4) In cases where the denominator of the number of respondents for a given field did not meet a certain number, that industry/field was excluded from the chart.

Respondents by Industry and Region

(Unit: company, %)

		Total	Composition Ratio		
All industries		961	100		
By Industry					
Manufacturing	Total	Comp. Ratio	Non-manufacturing	Total	Comp. Ratio
	578	60.1		383	39.9
Automotive etc. parts	109	11.3	Sales companies/Sales subsidiaries	120	12.5
Chemical/Medicines	76	7.9	Trading/Wholesale	75	7.8
General machinery	63	6.6	Transport	31	3.2
Iron/Non-ferrous metals/Fabricated metal products	58	6.0	Information and communications	29	3.0
Electrical machinery/Electronic devices	40	4.2	Professional and technical services	26	2.7
Food	39	4.1	Finance/Insurance	23	2.4
Plastic products	33	3.4	Travel/Amusement	17	1.8
Electrical machinery parts/Electronic device parts	26	2.7	Construction	14	1.5
Precision machines/Medical equipment	22	2.3	Real estate and leasing	11	1.1
Rubber/Ceramic/Stone and clay products	17	1.8	Mining/Energy	8	0.8
Automobiles etc.	17	1.8	Education/Medical	7	0.7
Railroad/Industrial vehicles etc. parts	10	1.0	Retail trade	7	0.7
Railroad/Industrial vehicles etc.	9	0.9	Restaurants	6	0.6
Textiles/Textile apparel	8	0.8	Agriculture/Forestry/Fisheries	2	0.2
Paper/Wood products/Printing	6	0.6	Other non-manufacturing	7	0.7
Other manufacturing	45	4.7			
By Region (Manufacturing)			By Region (Non-Manufacturing)		
Midwest	211	22.0	Midwest	81	8.4
South	201	20.9	South	93	9.7
West	106	11.0	West	109	11.3
Northeast	60	6.2	Northeast	100	10.4

Respondents and the States They Are Located

Breakdown of Respondents and Their Main Plants

(unit: company)

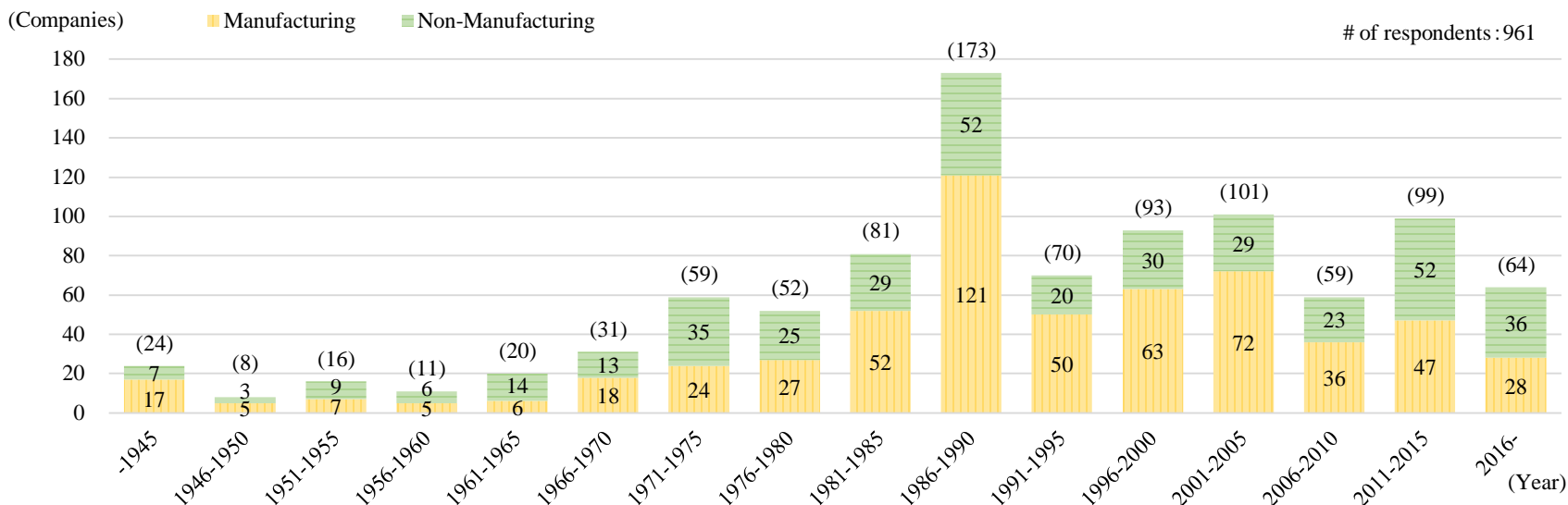
	States Where Respondents are Located			Main Plant State
	Manufacturing	Non-manufacturing	All industries	All industries
Number of Respondents	961			420
Northeast	60	100	160	57
CT	2	3	5	4
ME	0	1	1	1
MA	6	6	12	8
NH	2	1	3	4
NJ	15	12	27	9
NY	20	75	95	9
PA	13	1	14	20
RI	2	1	3	2
VT	0	0	0	0
Midwest	211	81	292	217
IL	63	54	117	38
IN	35	0	35	57
IA	1	0	1	3
KS	2	0	2	3
MI	37	21	58	30
MN	5	0	5	9
MO	3	0	3	5
NE	2	0	2	2
ND	1	0	1	1
OH	59	6	65	65
SD	0	0	0	0
WI	3	0	3	4

(Note) For the main plants, responses were tabulated up to a maximum of four sites per company.

	States Where Respondents are Located			Main Plant State
	Manufacturing	Non-manufacturing	All industries	
South	201	93	294	292
AL	7	0	7	18
AR	2	0	2	7
DE	0	0	0	0
FL	2	6	8	2
GA	40	18	58	49
KY	32	11	43	57
LA	2	1	3	6
MD	4	3	7	2
MS	6	0	6	15
NC	10	3	13	18
OK	3	0	3	4
SC	9	2	11	12
TN	29	2	31	39
TX	44	45	89	45
VA	7	1	8	13
WV	3	0	3	5
DC	1	1	2	0
West	106	109	215	104
AK	0	0	0	1
AZ	9	0	9	9
CA	82	100	182	63
CO	0	2	2	0
HI	2	5	7	4
ID	0	0	0	1
MT	0	0	0	1
NV	3	1	4	5
NM	0	0	0	2
OR	3	0	3	9
UT	1	0	1	0
WA	6	1	7	8
WY	0	0	0	1
Total	578	383	961	670

Respondents' Establishment Year, Locations, Number of Plants

Respondents' Establishment Year



(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

Breakdown of the Number of Respondent Sites

Respondents	805			
	Number of Companies			Number of Sites
Number of sites	Manufacturing	Non-manufacturing	All industries	Overall total
No site	1	7	8	0
1-5	455	242	697	1,284
6-10	36	22	58	448
11-15	13	5	18	231
16-20	4	7	11	202
21-25	1	2	3	69
26-30	1	2	3	86
30 or more	3	4	7	929
Total	514	291	805	3,249

Breakdown of the Number of Respondent Plants

Respondents	675			
	Number of Companies			Number of plants
Number of Plants	Manufacturing	Non-manufacturing	All industries	Overall total
No Plant	84	181	265	0
1-5	368	21	389	592
6-10	13	1	14	105
11 or more	5	2	7	96
Total	470	205	675	793

Numbers of Employees and Expatriates from Japan: 60 and 3 (Median Value Per Company), Respectively

The 961 respondents had 745,812 employees in total, with the per-company average coming out to 776 employees and the median value at 60 employees. When we look at this by sector, among manufacturers, 20.2% (117 companies), which was the highest percentage, said they had “11-50 persons”, with the median value being 110. Among non-manufacturers, 37.3% (143 companies) said they had “10 persons or fewer”, which was the highest percentage, while the median value came out to 20. Meanwhile, 953 respondents had a total of 11,628 expatriates from Japan, with the per-company average being 12 and the median value being 3. By sector, among manufacturers, having “1-2” was the top answer at 30.3% (173 companies), and the median value was 4. Among non-manufacturers, having “1-2” was also the top answer at 41.4% (158 companies), and the median value was 3.

Number of Employees: Average and Median Values

(unit: person)

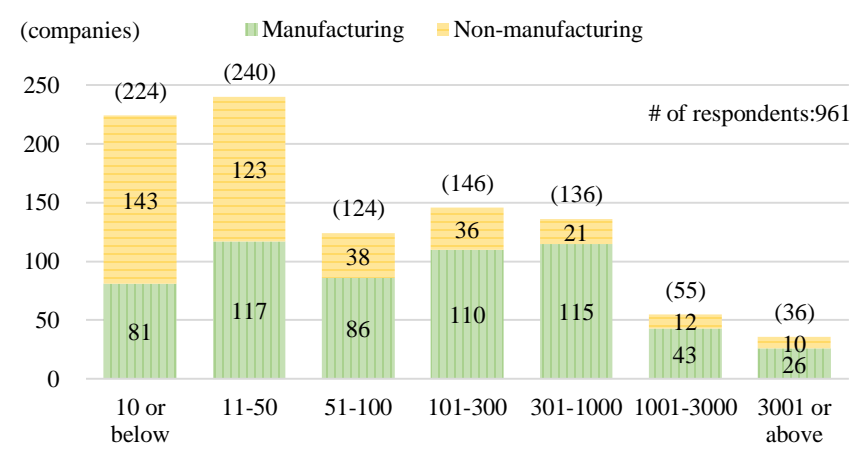
	Overall no. of employees	Average value	Median value
All sectors (961)	745,812	776	60
Manufacturing (578)	460,203	796	110
Non-manufacturing (383)	285,609	746	20

Number of Expatriates from Japan: Average and Median Values

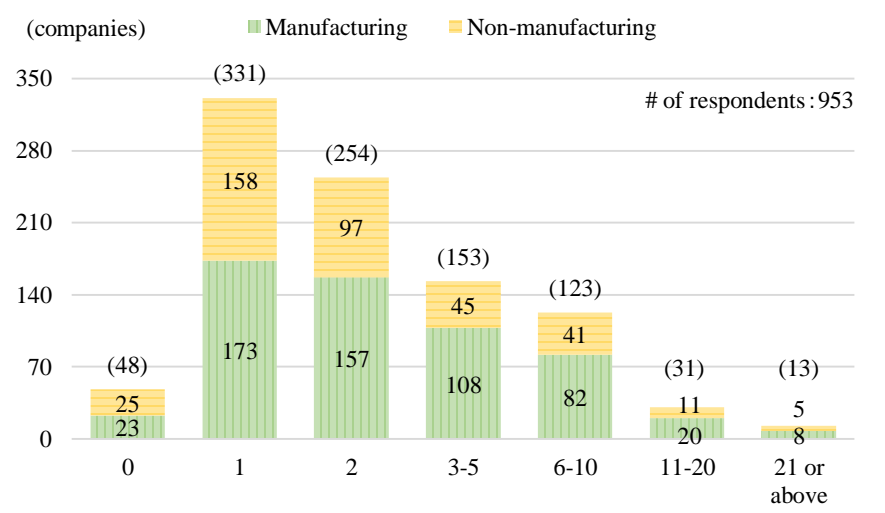
(unit: person)

	Overall no. of expatriates	Average value	Median value
All sectors (953)	11,628	12	3
Manufacturing (571)	8,397	15	4
Non-manufacturing (382)	3,231	8	3

Breakdown of Numbers of Employees by Sector



Breakdown of Numbers of Expatriates from Japan by Sector

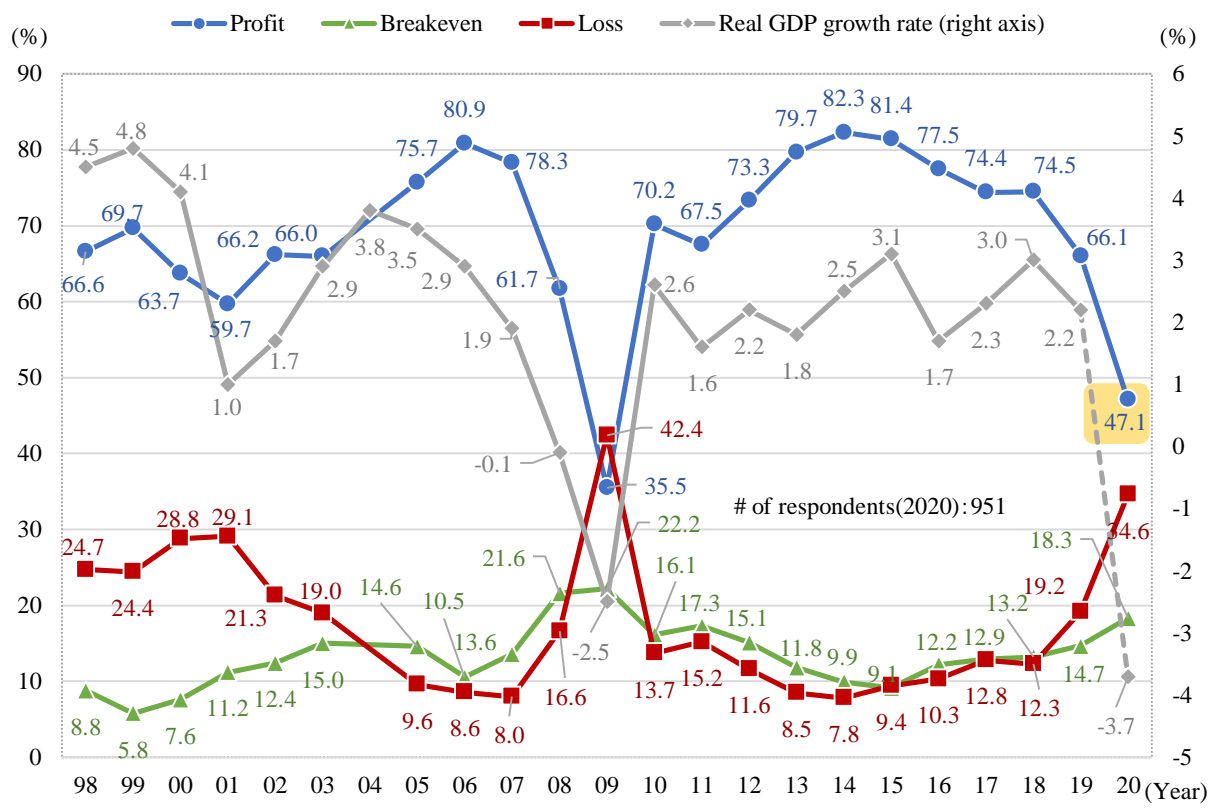


(Note) Parentheses indicate the number of respondents in all sectors (manufacturing and non-manufacturing included).

1. 2020 Profit Forecast: 47.1% Said Profitable, Under 50% for First Time in 11 Years

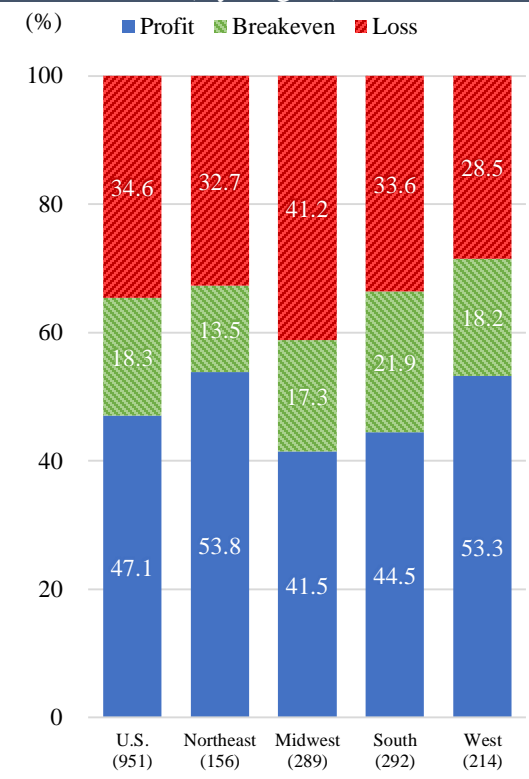
Just 47.1% of companies expect to earn an operating profit in 2020, down 19.0 points from the prior year (66.1%). This marks the first time in 11 years that fewer than half of respondents anticipated a profit (35.5% in 2009, right after the financial crisis). By region, the percentage was above 50% in the Northeast (53.8%) and the West (53.3%), but the Midwest recorded 41.5% and the South, 44.5%.

Operating Profit Forecasts and U.S. Real GDP Growth Rate



(Note) The 2020 real GDP growth rate reflects FOMC predictions (published September 2020). No survey was conducted in 2004.

2020 Operating Profit Forecast (By Region)

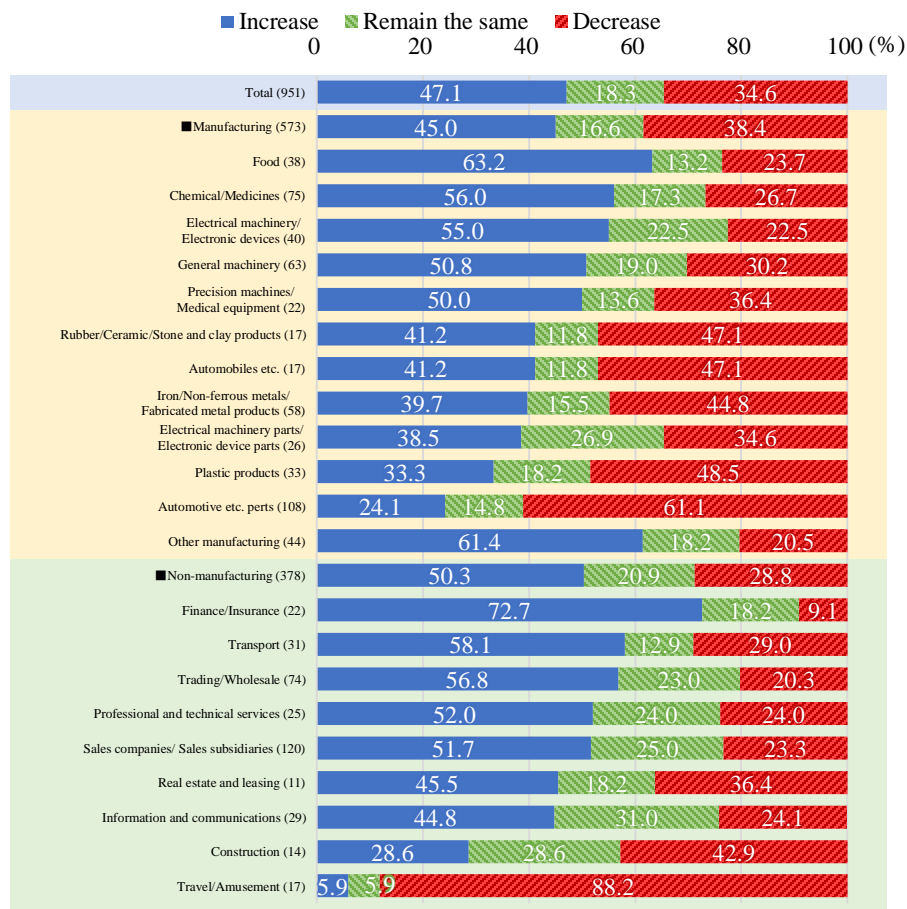


Region	Profitability vs. prior year
U.S.	-19.0
Northeast	-23.4
Midwest	-21.8
South	-20.2
West	-12.7

1. 2020 Profit Forecast (By Industry): Travel/Amusement, Retail Trade and Restaurants Stalled

Looking at the 2020 operating profit forecasts by industry, we see that among manufacturers, Paper/Wood Products /Printing (100%) and Food (63.2%) were strong, while those expecting a profit were only in the low-20% range among Railroad/Industrial Vehicles Parts (22.2%) and Automotive etc. parts (24.1%). Among non-manufacturers, Finance/Insurance exceeded 70% (72.7%), while weakness was seen with Travel/Amusement (5.9%), Retail trade (14.3%) and Restaurants (20.0%).

2020 Operating Profit Forecasts (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

Factors Affecting Operating Profit Forecasts (Free Description)

Companies expecting a profit

- Coronavirus-spurred demand and e-commerce lifting sales (Paper/wood products/printing)
- New product development and thorough cost management (Food)
- The outdoor/leisure market was stronger than expected (Other manufacturing)
- Effects of Covid-19 were mild and demand for pharmaceuticals remains robust; there also is special demand for coronavirus vaccines (Chemicals/Medicines)
- The semiconductor industry is strong (Electrical machinery/Electronic devices)
- The spread of Covid-19 somewhat decreased sales to the auto industry, but sales to the semiconductor industry grew sharply (General machinery)
- Demand grew for advice on alternative investment (Finance/Insurance)
- Robust pre-Covid earnings and cost cuts amid spread of Covid-19 (Transport)
- Strong demand in the semiconductor-making device market (Trading/Wholesale)

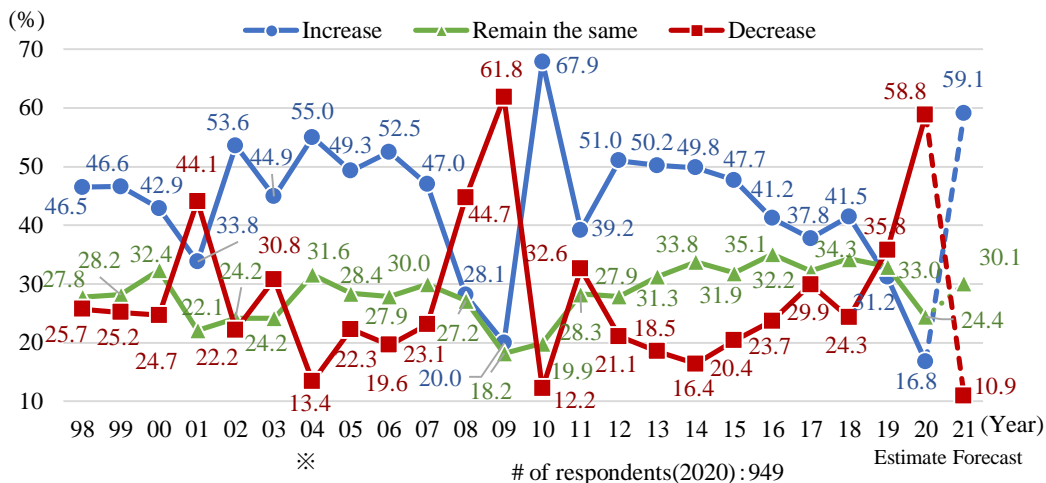
Companies expecting a loss

- Shutdown/reduced operating hours from late March to early June (Railroad/Industrial vehicle parts)
- Operation suspension at automakers amid spread of Covid-19. Additional tariffs on Chinese goods (Automotive etc. parts)
- Accommodating model change of main products (Plastic products)
- Due to Covid-19, travel from Japan tumbled to zero in April and onward (Travel/Amusement)
- Lockdown amid spread of Covid-19; delays in and restrictions on reopening (Retail)
- Due to Covid-19, 2 locations have been closed from April (as of September) (Restaurants)

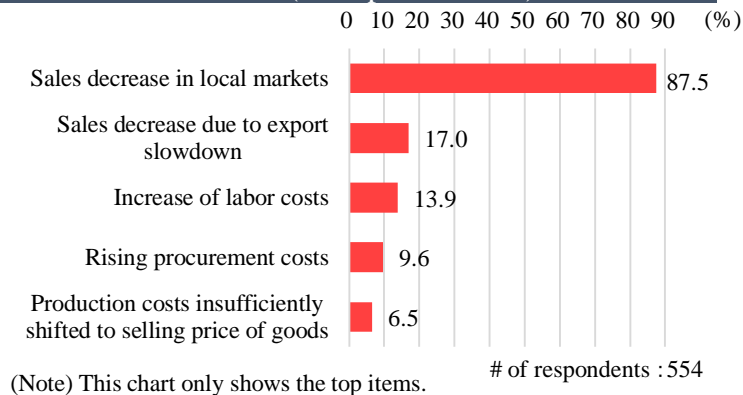
1. DI for Business Sentiment: Major Deterioration From the Prior Year; 2021 Forecast Predicts Rebound

The diffusion index (DI) for business sentiment (the difference between the rates of improvement and deterioration) in 2020 stood at -42.0 points, reflecting a deterioration of 37.4 points from the prior year (-4.6). Respondents expecting a “decrease” in their operating profit for 2020 made 58.8 % of all surveyed, up 23.0 points from the prior year (35.8%), while those anticipating an “increase” accounted for 16.8% of all respondents, down 14.4 points from the 2019 survey (31.2 %). As their main reason for such deterioration, 79.1 % of respondents cited “Sales decrease in local markets”. The DI predicting business sentiment for 2021 was 48.2, with companies seeing an “increase” making up 59.1%. By region, the South (51.0%), the Midwest (50.7%), and the West (48.8%) exceeded the average, but the Northeast was just 37.4%.

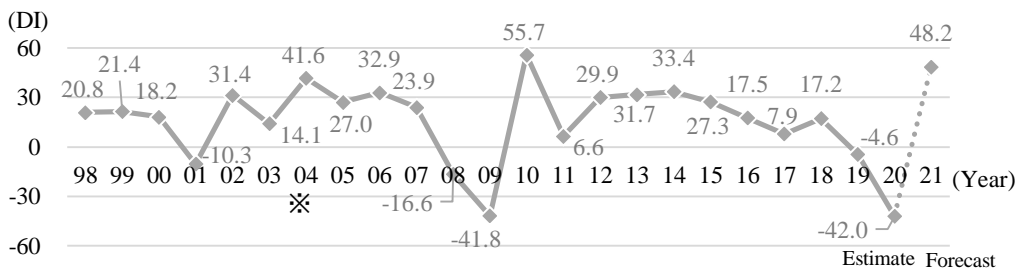
Year-over-Year Operating Forecast Profit Changes



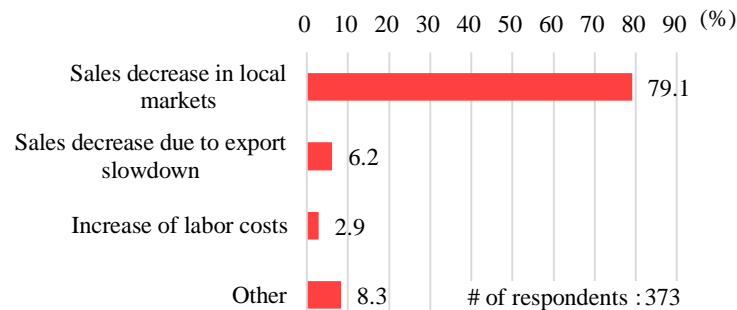
Reasons for Decreased Operating Profit Forecast for 2020 (Multiple Answers)



DI for Business Sentiment Trends



Reasons for Decreased Operating Profit Forecast for 2020 (Main Reasons)



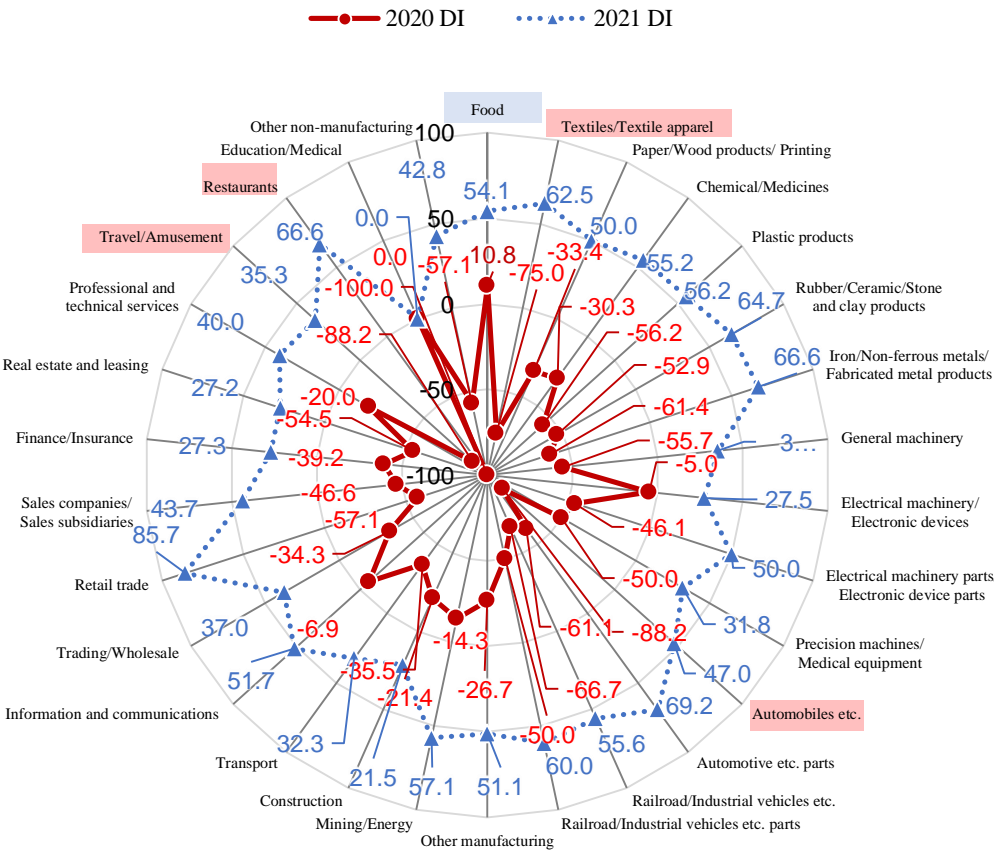
*Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey

(Note) This chart only shows the top items.

1. Business Sentiment DI by Industry: Amid spread of Covid-19, Most Industries Log Negative Figures

The business sentiment DI for 2020 by industry, only food (10.8) posted a positive figure, and all other industries logged negative numbers. In particular, amid the spread of Covid-19, industries deep in the negative included Restaurants (-100.0), Travel/Amusement (-88.2), Automobiles etc. (-88.2) and Textiles/Textile apparel (-75.0). For 2021, all industries are expected to move to positive territory, with Retail trade (85.7), Automotive etc. parts (69.2) and Restaurants (66.6) anticipating drastic improvement.

Business Sentiment DI for 2020 and 2021: Major Industries



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Effects of the Spread of Covid-19 (Free Description)

Increased demand

- Orders from Japanese automakers tumbled, but U.S. medical-related orders surged (General machinery)
- Sales to medical equipment, sanitation equipment industries increased. Delayed supply of Chinese-made competing products led to expansion of our U.S. market share (Sales companies/Sales subsidiaries)
- Lockdown and staying at home meant increased demand for mail-order service (Precision machines/Medical equipment)
- Dining out declined drastically and demand for eating in increased, lifting demand for frozen foods (Food)
- Mail order/e-commerce division saw a steep jump in sales (Sales companies/Sales subsidiaries)

Decreased demand

- The spread of Covid-19 depressed new investments, decreasing projects for which orders are placed or received, or implemented this fiscal year, leading to a decline from initial projections (Construction)
- Shutdowns of customer plants reduced our sales (Trading/Wholesale)
- Spread of Covid-19-induced budget freezes and project delays at customers eroded our profit (Information and communications)

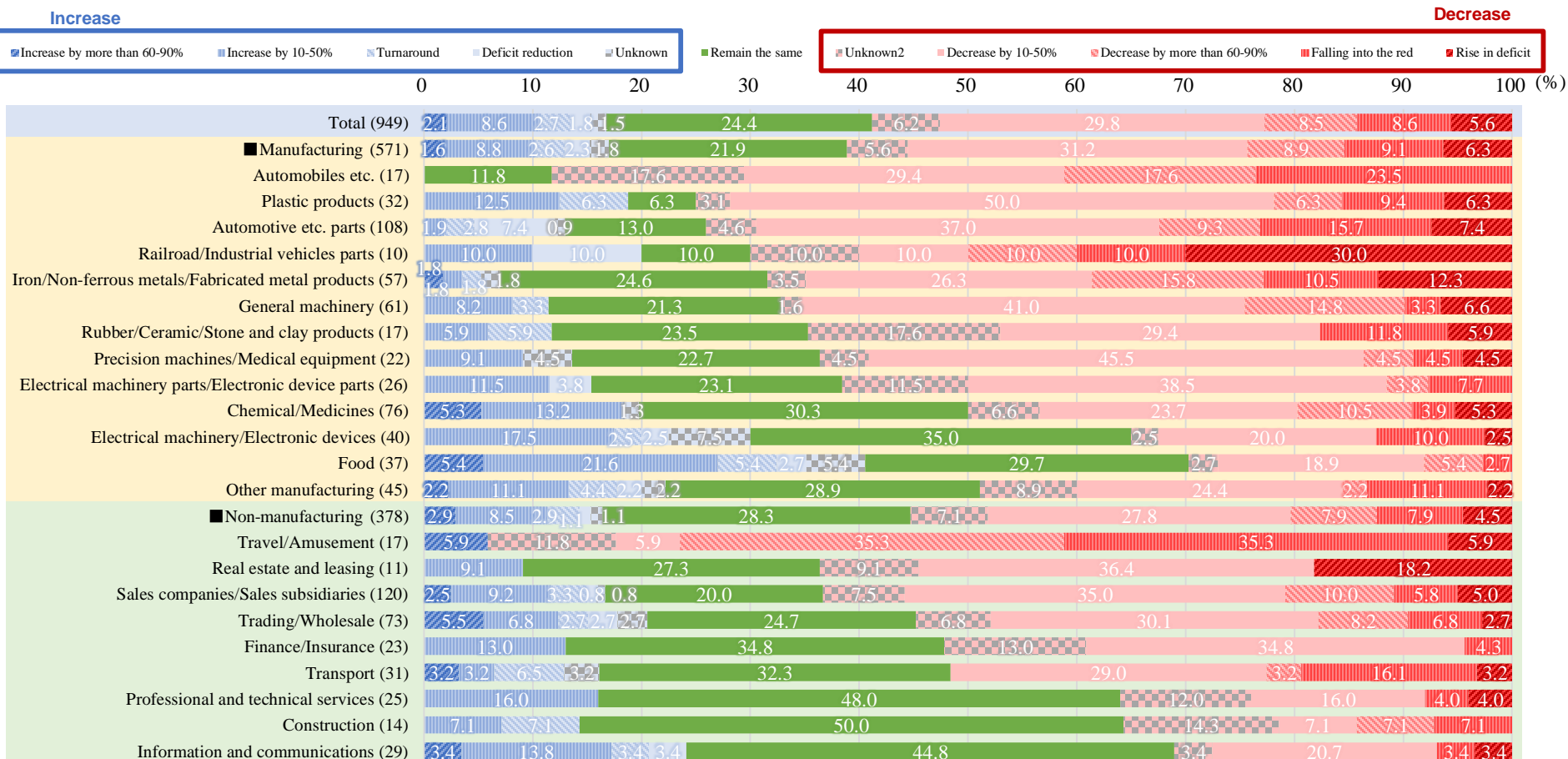
Other

- Forced temporary shutdowns of U.S. locations reduced our sales, but cuts in personnel and operating costs will enable us to secure a profit despite lower sales this fiscal year (Sales companies/Sales subsidiaries)
- Despite takeout-only service amid the spread of Covid-19, customers keep coming back (Restaurants)
- Hourly wage hikes of Plant workers and other factors led to a temporary increase in costs, but with procurement cost cuts and enhanced productivity we expect improvement on the year (Food)
- We have high ratio of product deliveries to food processing makers, and operations were considered essential business and were not subject to suspension (Trading/Wholesale)

1. 2020 Profit Forecast: Regarding Year-on-Year Fluctuation, Approximately 30% of All Respondents Said “10-50% Lower”

With regard to year-on-year fluctuations in the operating profit forecast for 2020, about 30% (29.8%) of respondents replied “10-50% lower”, followed by 24.4% whose answers were “remain the same as 2019,” while “an increase of 10%-50%” and “falling into the red” were cited by 8.6% each. Looking at this by key industry, among manufacturers, 88.2% in Automobiles etc. see operating profit forecasts “deteriorating,” with 29.4% expecting “a decline of 10-50%” and 23.5% anticipating to “falling into the red.” Meanwhile, Food was most optimistic by industry, with 40.5% expecting operating profit to “improve.” Among non-manufacturers, Travel/Amusement had a particularly high ratio (94.1%) of anticipation of operating profit “decreasing,” with 35.3% seeing “a decline of 60 to over 90%” and another 35.3% expecting to “fall into the red.”

Year-on-Year Fluctuation in 2020 Operating Profit Forecast (By Industry)

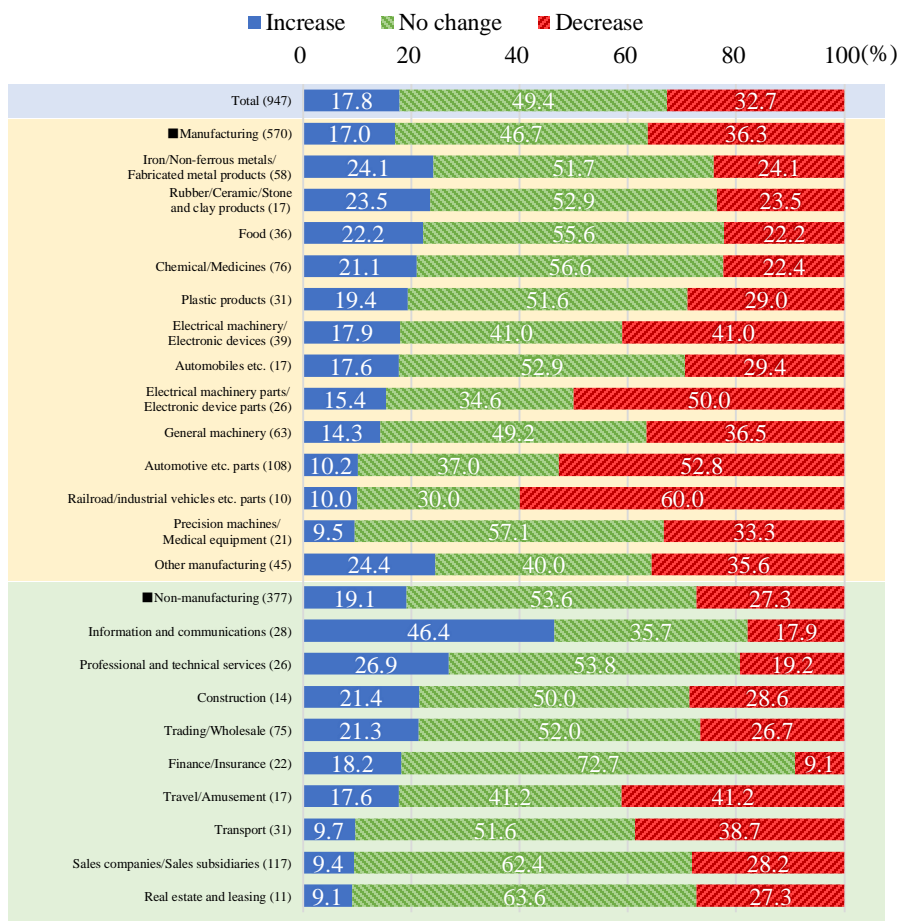


(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

2. Changes in Number of Local Employees (Changes in Past Year): “No Change” at Nearly Half

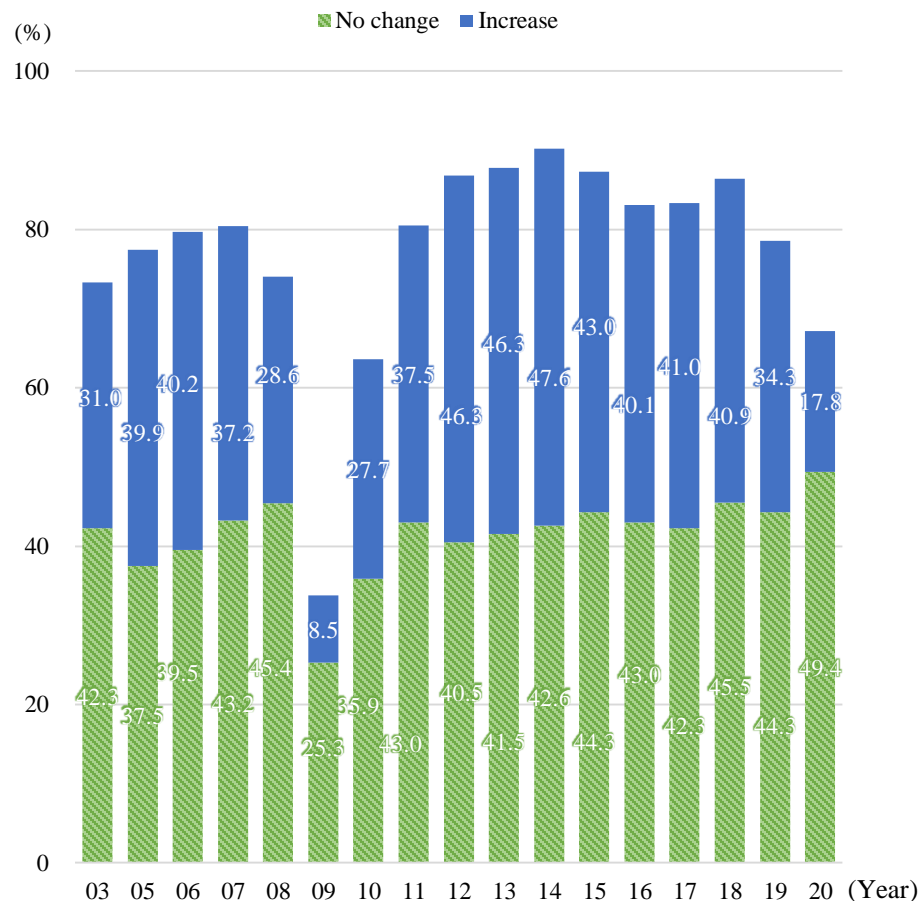
While 17.8% said they “increased” their local employees over the past year, the lowest since the fiscal 2009 survey (8.5%), nearly half of the companies said “no change” and maintained employment. By industry, 46.4% in Information and Communications “increased” their local employees, while those that answered “increase” were less than 10% in Real Estate/Leasing (9.1%) and Sales companies/Sales subsidiaries (9.4%).

Changes in Number of Local Employees (Change over Past Year, By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

Trends in Changes in Number of Local Employees over the Past Year

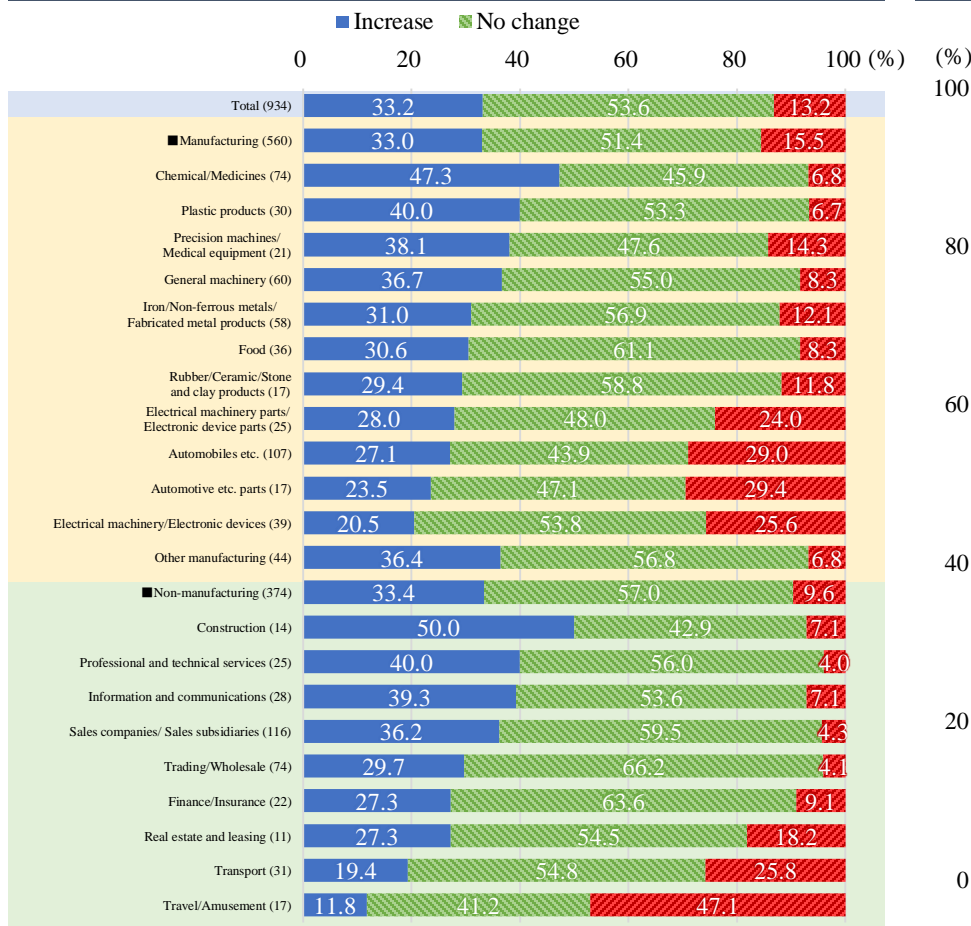


(Note) No survey was conducted in 2004.

2. Changes in Number of Local Employees (Plans Going Forward): 33.2% Plan “Increase”

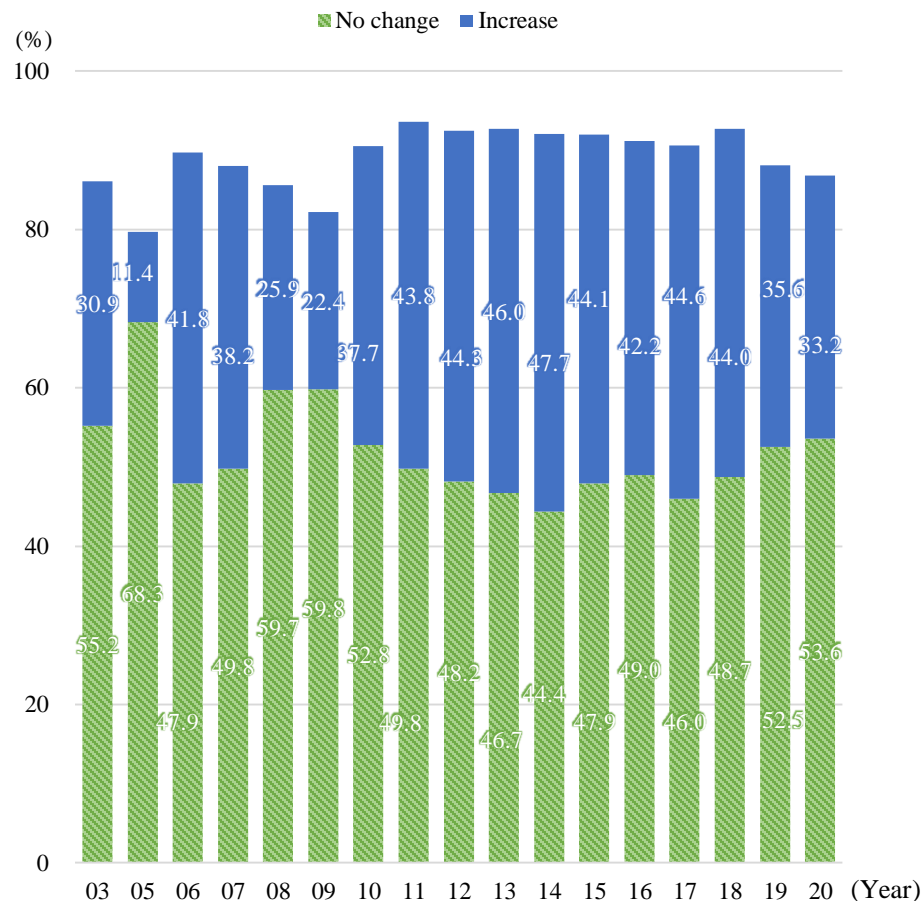
Asked about plans going forward, more than 30% (33.2%) said they will “increase” local employees. By industry, about half of companies in Construction (50.0%) and Chemical/Medicines (47.3%) plan to “increase” local employees. By contrast, in the industries hit hard by the spread of Covid-19, such as Travel/Amusement (11.8%) and Transport (19.4%), less than 20% plan an “increase.”

Changes in Number of Local Employees (Plans Going Forward, By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

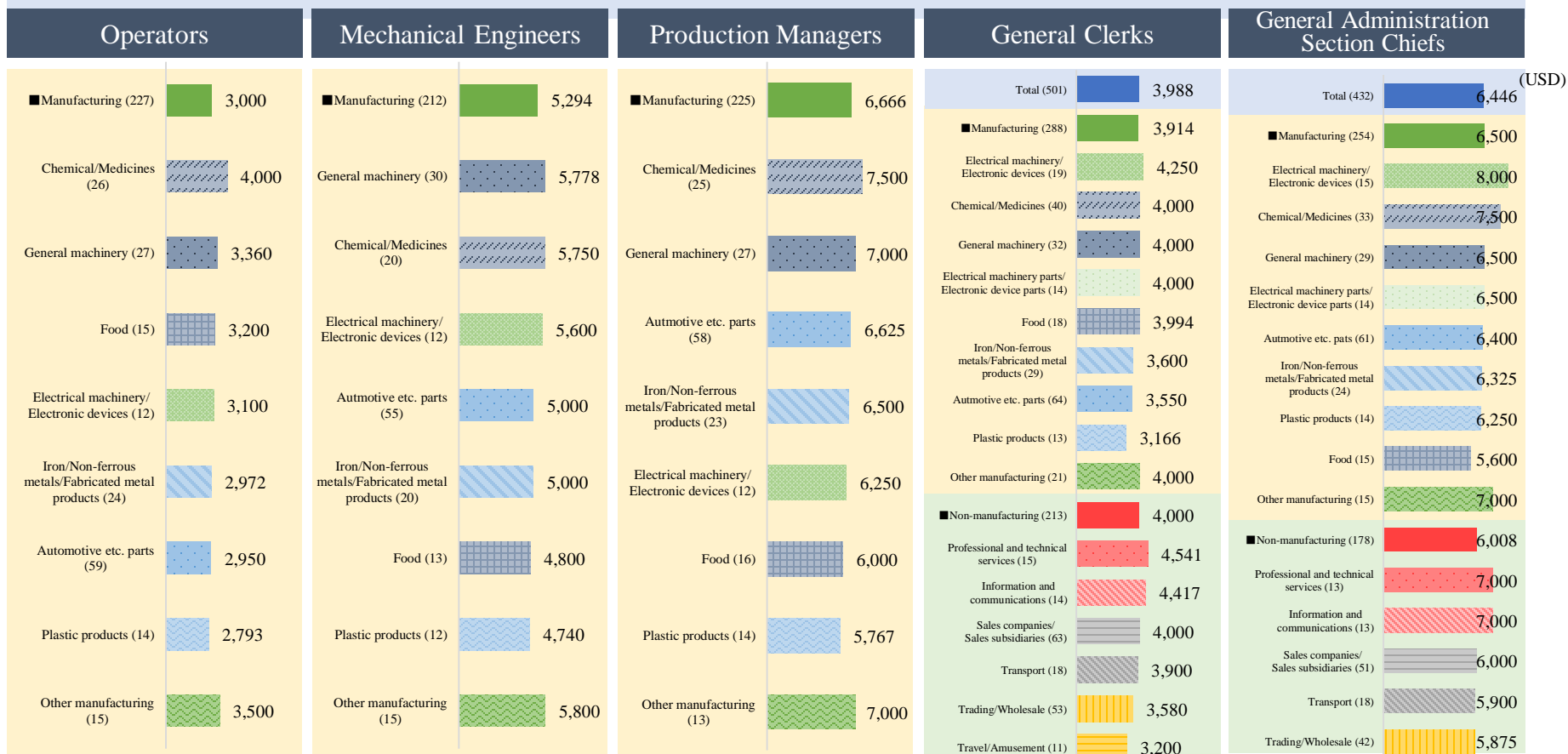
Trends in Changes in the Planned Number of Local Employees



(Note) No survey was conducted in 2004.

2. Wages (Monthly Base Salaries): Median Values Were \$3,000-\$6,666

The median value for monthly base salaries at plants etc. by occupation was \$3,000 for operators, \$5,294 for mechanical engineers, and \$6,666 for production managers, staying roughly unchanged from the prior year. For office work etc., the median value for monthly base salaries according to occupation was \$3,988 for general clerks and \$6,446 for general administration section chiefs. The (nominal) median value of raise rate for FY2020 was 2.4%, 0.6 point lower than last fiscal year (3.0%). For FY2021, this rate is expected to be 2.0%.

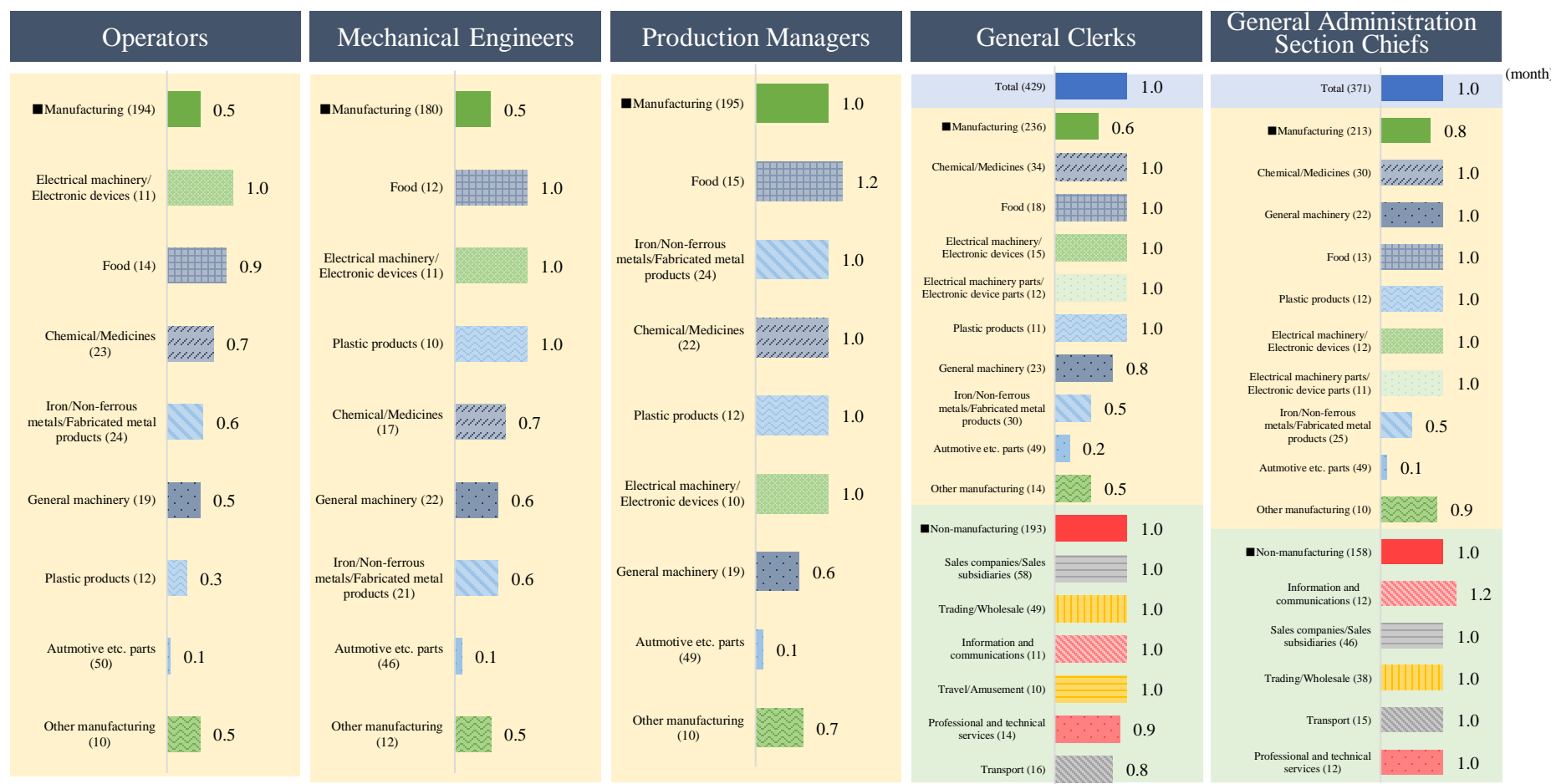


(1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(2) This chart lists only the industry types for which valid responses were received from at least ten companies.

2. Wages (Annual Bonuses): Median Values by Occupation Were 0.5-1.0 Month's Pay

The median value of annual bonuses at plants etc. by occupation was 0.5 month's pay for operators and mechanical engineers and 1.0 month for production managers (up slightly from 0.8 month in the prior year). Meanwhile, the median value of annual bonuses for office work etc. according to occupation was one month's pay for both general clerks and general administration section chiefs.

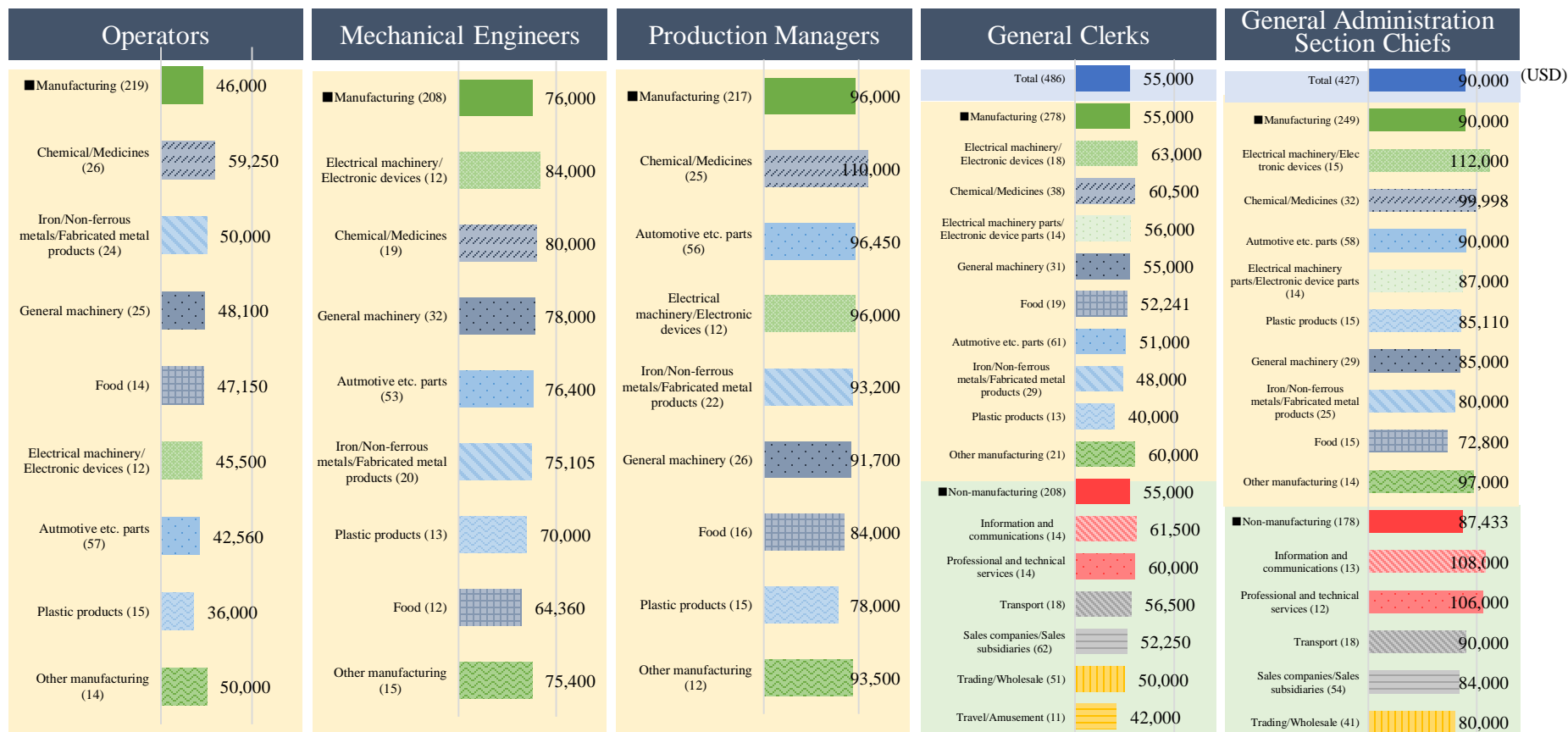


(1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(2) This chart lists only the industry types for which valid responses were received from at least ten companies.

2. Wages (Annual Salaries) : Median Values by Occupation Were \$46,000-\$96,000

The median value of the annual salaries at plants etc. by occupation was \$46,000 for operators, \$76,000 for mechanical engineers and \$96,000 for production managers, all increasing from the prior year (\$45,000, \$72,800 and \$93,000, respectively). The corresponding median value for office work etc. according to occupation was \$55,000 for general clerks and \$90,000 for general administration section chiefs.



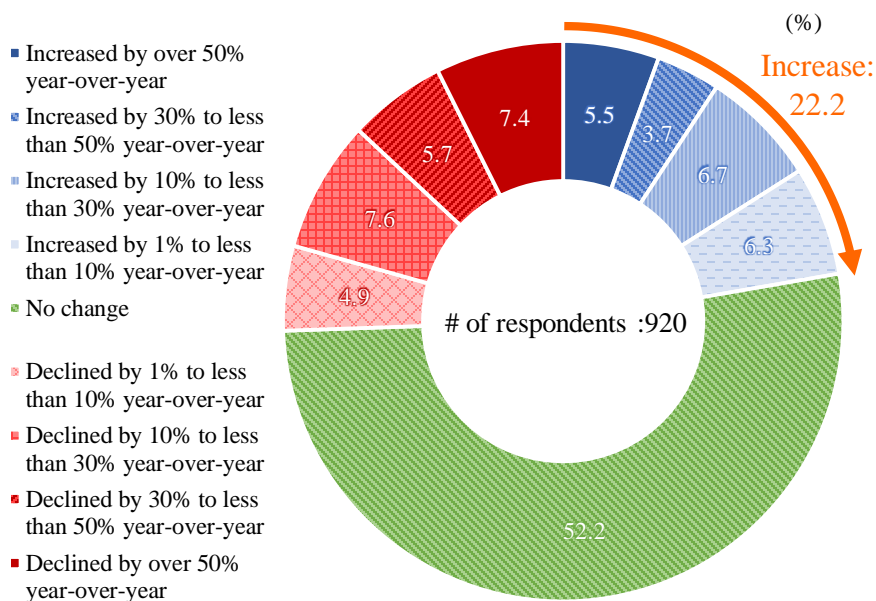
(1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(2) This chart lists only the industry types for which valid responses were received from at least ten companies.

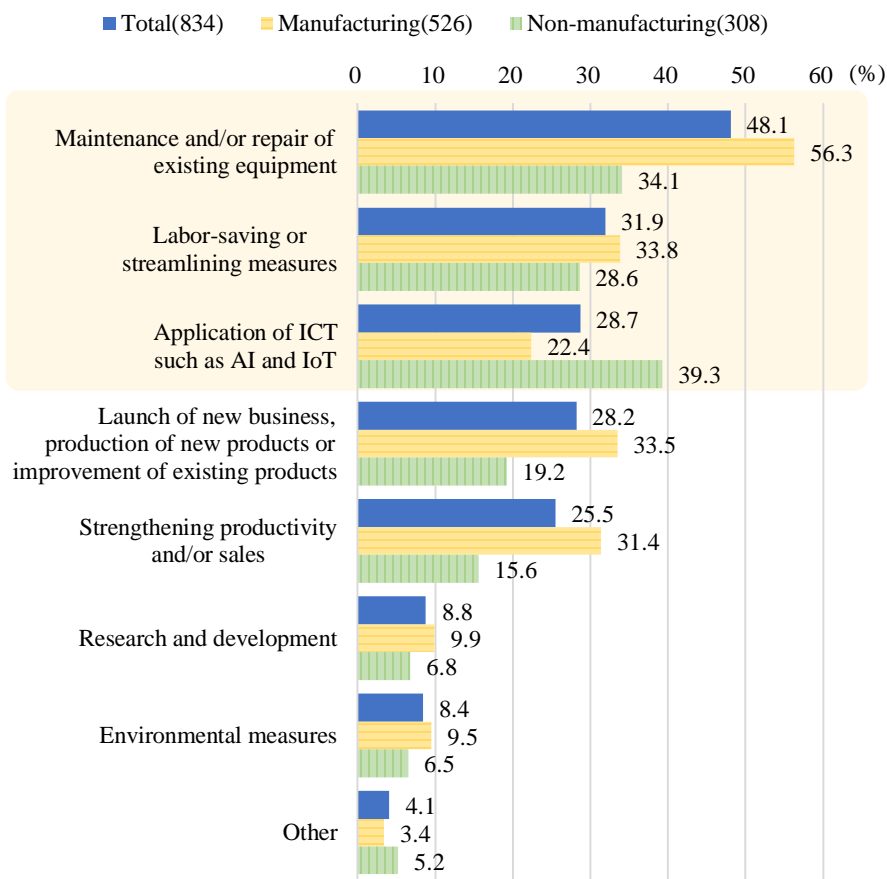
2. Changes in Capital Investments: “Maintenance and/or Repair of Existing Equipment” and “Labor-Saving or Streamlining Measures” Top Answers

22.2% of respondents said their capital investments for 2020 surpassed those in the prior year in terms of monetary amount, this being 15.7 points down from the previous survey (37.9%). Those with smaller investments on the year were 25.6%, up 13.3 points from the previous survey (12.3%) and exceeding 20% for the first time in 11 years (since 2009). Top answers for the purposes of capital investments were “maintenance and/or repair of existing equipment” (48.1%), “labor-saving or streamlining measures” (31.9%) and “application of ICT such as AI and IoT” (28.7%).

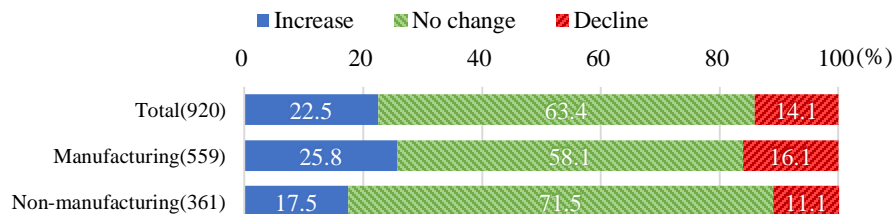
2020 Changes in Capital Investments



Purposes of Capital Investments (Multiple Answers)



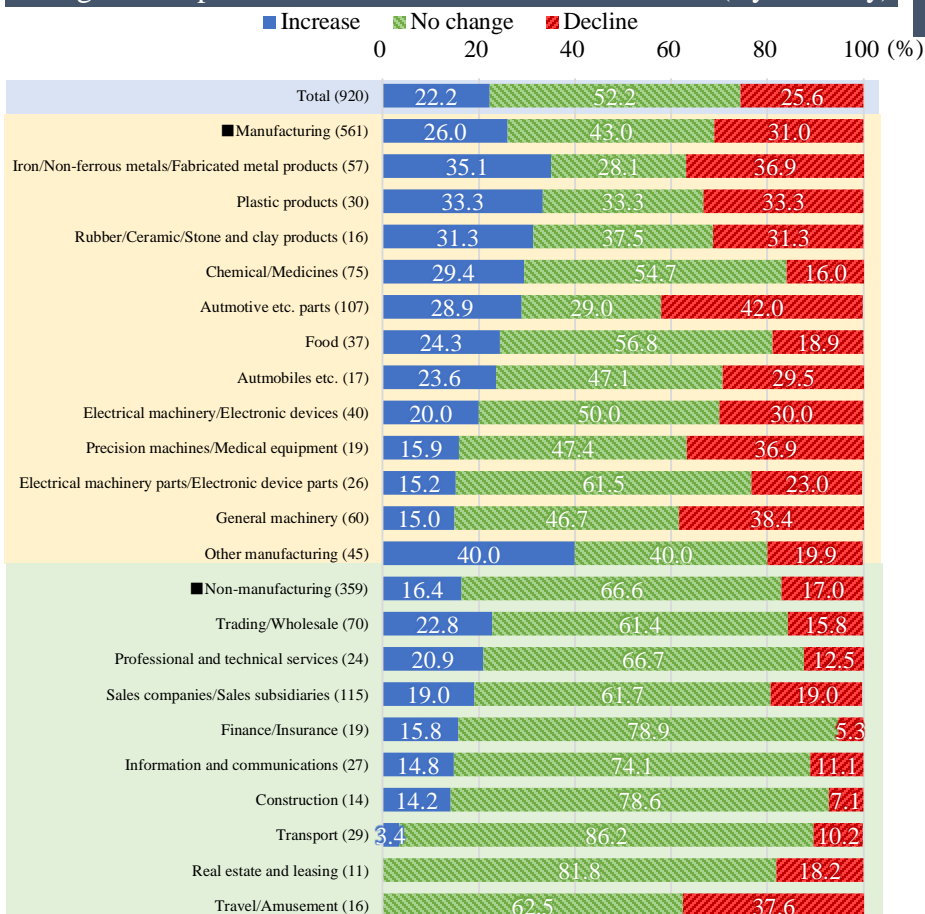
Capital Investment Plans for 2021 and Beyond (By Industry)



2. Changes in Capital Investments (By Industry): “Increased” Cited by 40% of Respondents in Other Manufacturing

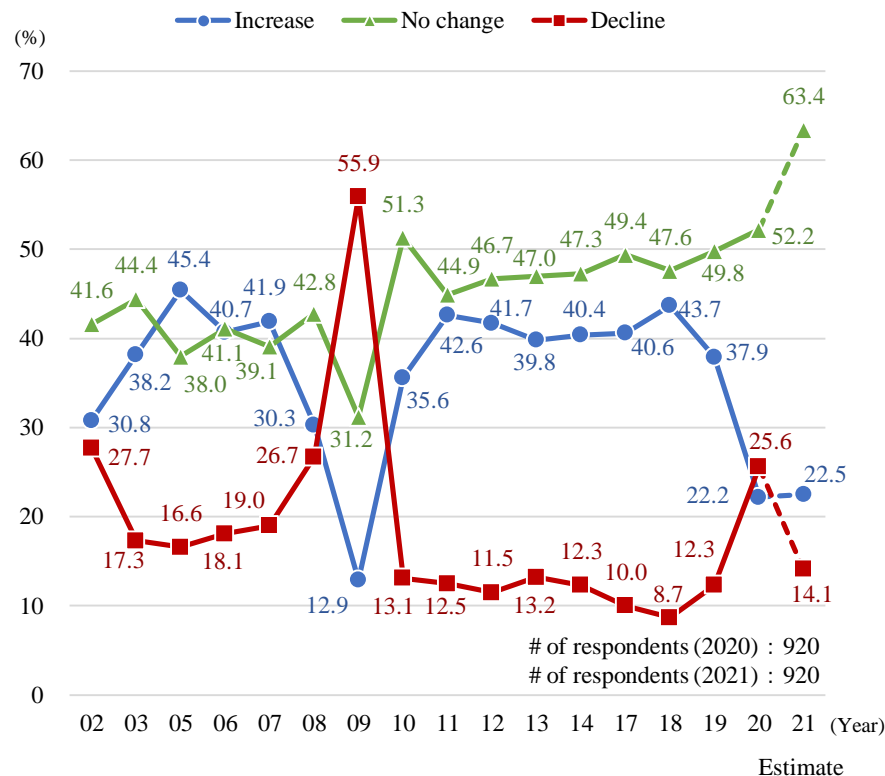
A comparison by industry of changes in capital investments in 2020 shows that in Other Manufacturing, some 40% of respondents had “increased” such investments from the prior year, while the percentage surpassed 30% among Iron/Non-ferrous metals/Fabricated metal products (35.1%), Plastic products (33.3%) and Rubber/Ceramic/Stone and clay products (31.3%) companies. Companies with “increased” capital investments had remained over 30% since 2010, but the percentage was just 22.2% in 2020 and is 22.5% for the 2021 forecast.

Changes in Capital Investments in 2020 Vs. Prior Year (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

Trends in Annual Changes in Capital Investments (2002-2021 Forecast)

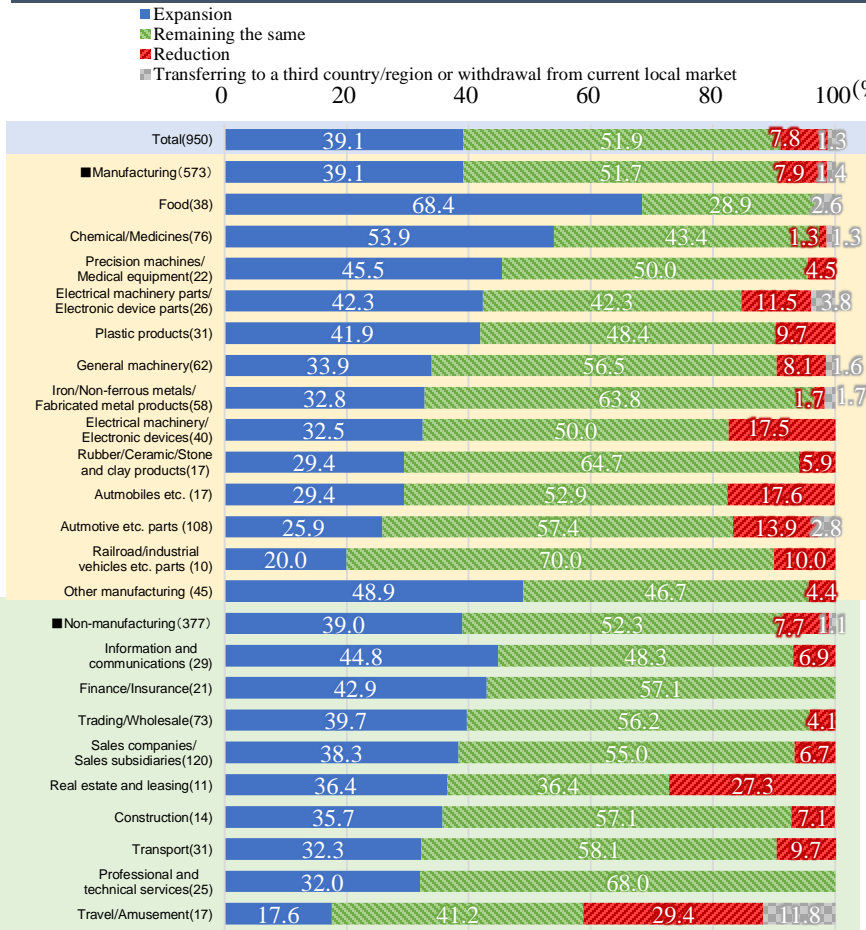


Note: No survey was conducted in 2004. This question was not asked in 2015 and 2016.

3. Future Business Plans: Less than 40% Plan to Expand

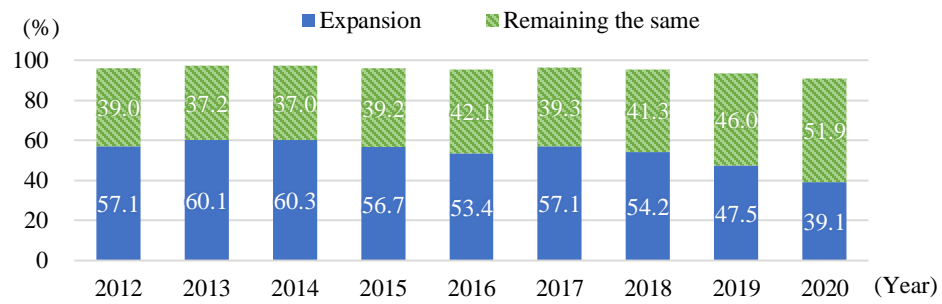
Less than 40% of respondents said they had set their sights on business expansion in the next one to two years, the first time below that level since the question was added in fiscal 2012. Still, some industries show high “expansion” percentages, including among manufacturers, Food (68.4%), Chemical/Medicines (53.9%) and Precision machines/Medical equipment (45.5%) and among non-manufacturers, Information and communications (44.8%). Top functions to be expanded include, among manufacturers, sales (52.5%), production (high-value added products, 52.0%), and among non-manufacturers, sales (77.2%) and logistics function (23.4%).

Business Direction in the Next 1-2 Years (By Industry)

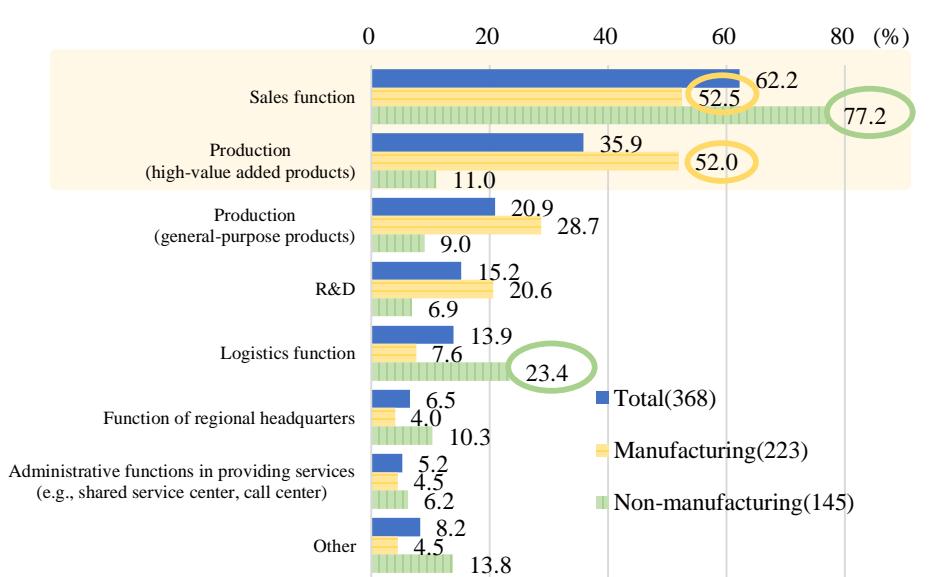


(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

Trends in Business Expansion for Next 1-2 Years



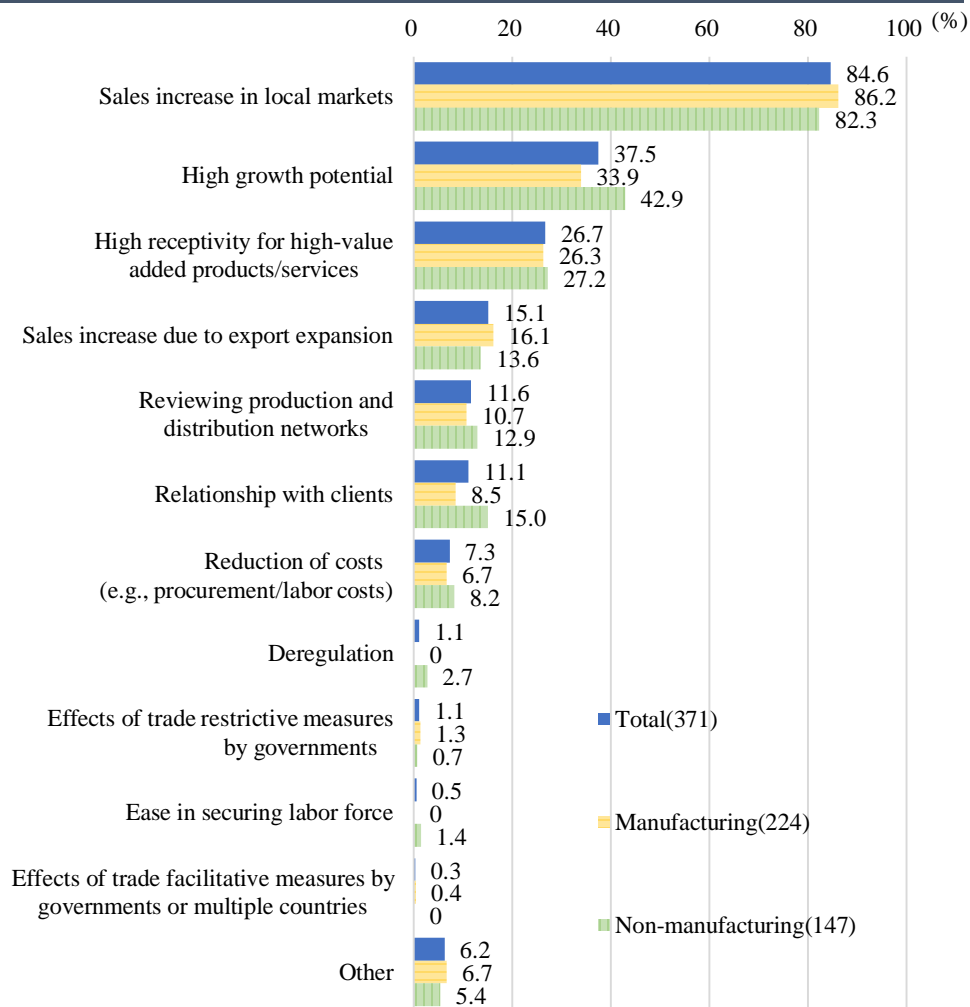
Specific Functions to Expand (Multiple Answers)



3. Reasons for Business Expansion: Over 80% Cite Sales Increase in Local Markets

Asked about the main reason for business expansion in the next one to two years, more than 80% chose “sales increase in local markets,” making it the top answer, followed by “high growth potential” and “high receptivity for high-value added products/services.”

Reasons for Business Expansion (Multiple Answers)



Specific Reasons (Free Description)

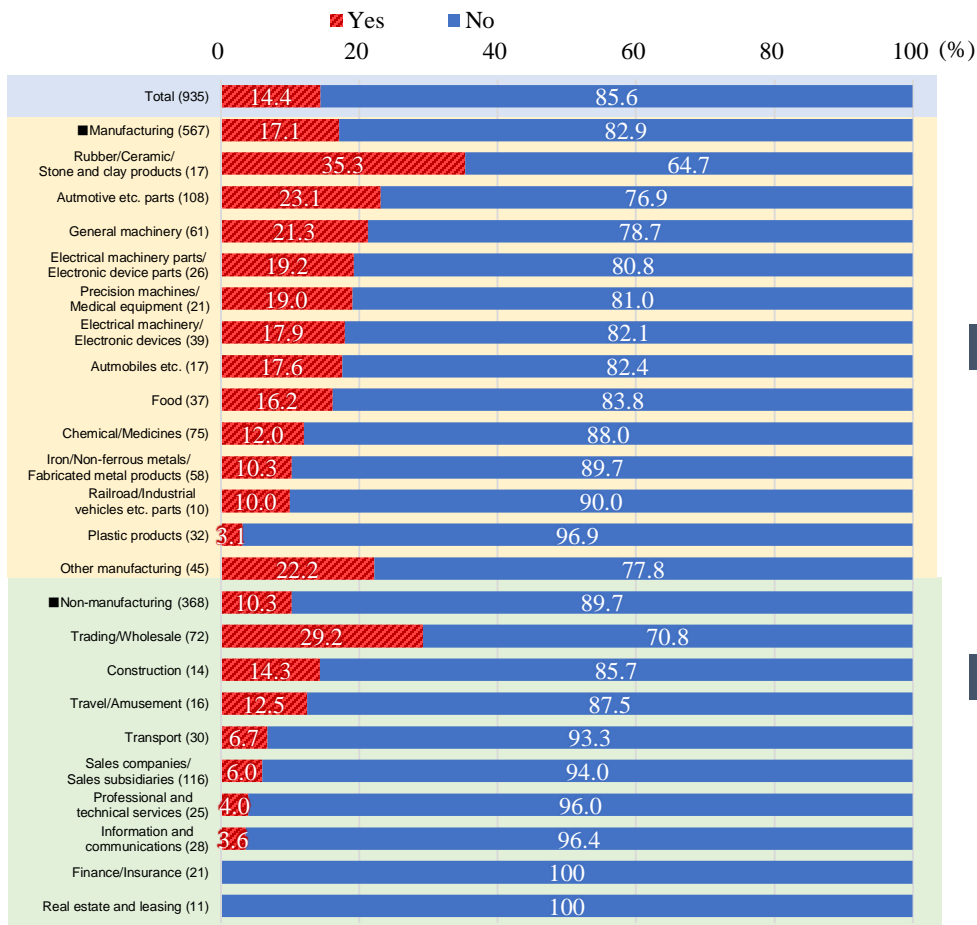
- Eyeing a recovery in local demand that has been affected by the spread of Covid-19 (Chemical/Medicines)
- The market conditions are tough, but we're planning proactive market expansion, ordering and investment activities (Construction)
- Add new customers and projects (Trading/Wholesale)
- Local procurement promotion for customers (Sales companies/Sales subsidiaries)
- Aim to increase sales through local production (Chemical/Medicines)
- New product development (Chemical/Medicines)
- Expand product development operations (Automobiles, etc.)
- Expecting U.S. protectionism to grow, will seek to increase production capacity in North America (Electrical machinery/Electronic devices)
- Implementation of USMCA (Iron/Non-ferrous metals/Fabricated metal products)
- Using U.S location as a regional oversight base, will enter Mexico, Central and South American countries and other uncultivated areas (Other manufacturing)
- To avoid customs charges (Electrical machinery/Electronic devices)
- Growth of e-commerce led to increased customer requests, including packing format and materials, and to increasing needs for direct shipping to end users, and thus the distribution function was strengthened. The distribution function also needed to be fortified to expand marketing territories (Sales companies/Sales subsidiaries)
- The acquisition of an affiliate company expanded our distribution network. To enhance customer satisfaction through quicker delivery time and to improve cost competitiveness, have bolstered the distribution function to achieve a format similar to IT-based “smart distribution” (Trading/Wholesale)
- Considering using an acquisition of a local company to expand not only sales locations, but also the manufacture, development and distribution functions (Food)
- A Plant upgrade is enabling us to produce in the U.S. intermediate materials previously imported from Japan. In conjunction with this move, increased R&D spending with the aim of creating products equivalent to Japanese-made ones (Chemical/Medicines)

U.S. 3. Change of Procurement Sources:

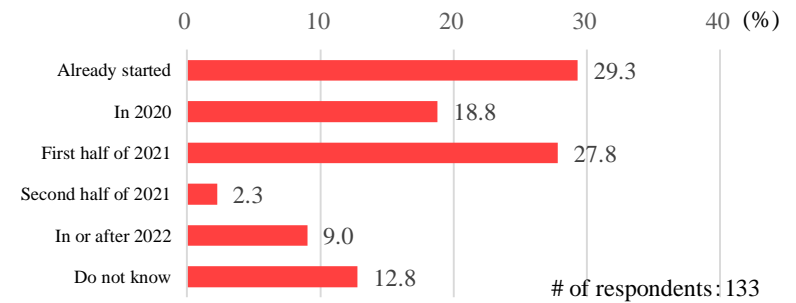
Majority Not Changing; 14.4% Plan to Make Changes

With respect to procurement sources, most companies (85.6%) are not changing them, with those planning to make changes accounting for 14.4%. Among Rubber/Ceramic/Stone and clay products, 35.3% are reassessing, as are more than 20% in the Automotive, etc. parts (23.1%) and General machinery (21.3%) industries. Three-quarters of these companies said their procurement source change will take place by the first half of 2021, including those that had already started. Nearly 80% said they are changing less than 30% of procurement sources. Close to 90% (88.4%) said the change will be for the medium-term.

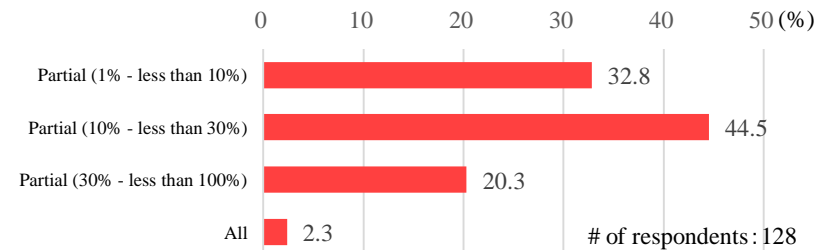
Change of Procurement Sources : Yes/No



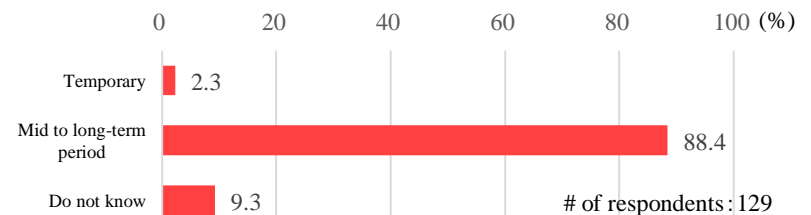
Start period of Procurement Sources Changes



Scale of Procurement Sources Change



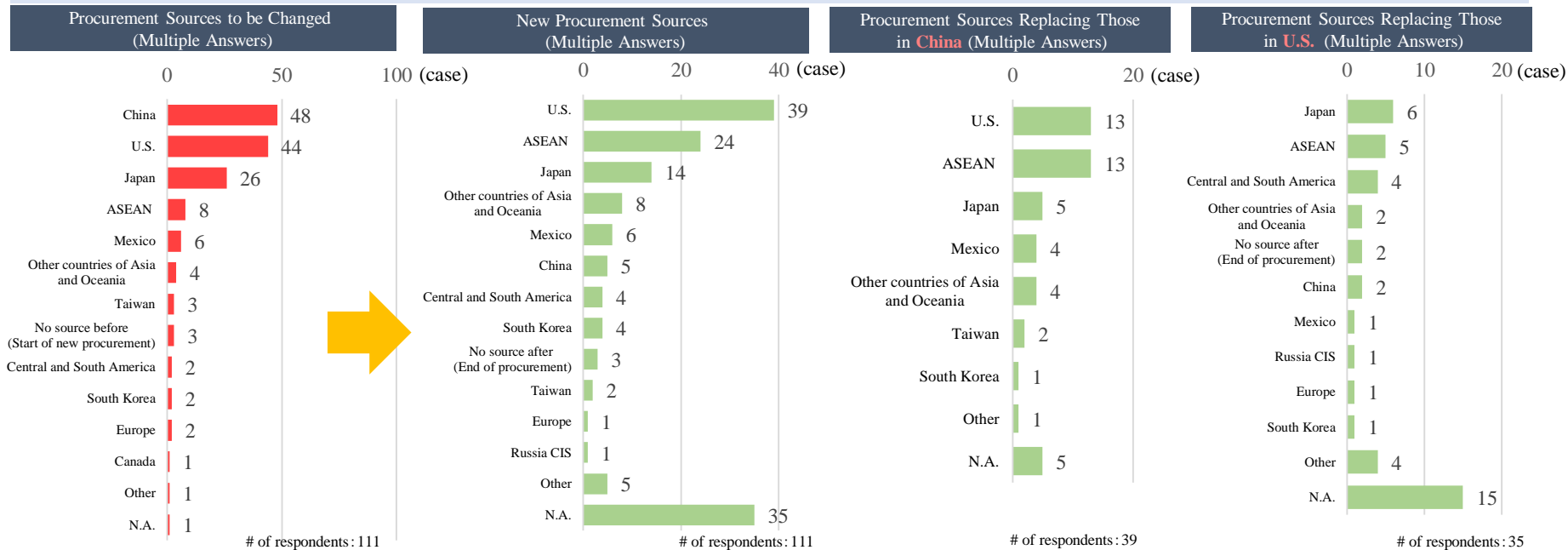
Duration of Procurement Sources Change



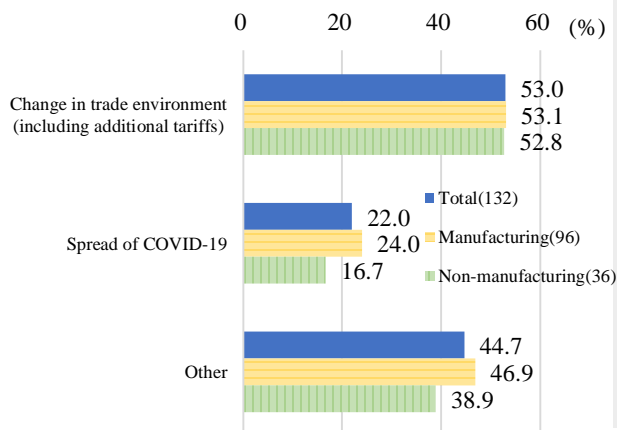
(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

3. Change of Procurement Sources: Reassessments Mainly Target Moves Away from China or U.S.

Companies changing procurement sources are chiefly targeting those in China or the U.S. Top new procurement source locations are the U.S., the ASEAN region and Japan. New procurement sources replacing those in China are in the U.S. and the ASEAN region, while new procurement sources replacing those in the U.S. are in Japan, the ASEAN region and Mexico, etc.



Reasons for the Change (All, Multiple Answers)



Other: Specific Reasons (Free Description)

China to U.S.

- Quicker deliveries (Automotive, etc. parts)
- For new category products (Electrical machinery/Electronic devices)
- Promote local procurement (Automotive, etc. parts)

China to the ASEAN region

- Cost cuts (General machinery, transportation equipment parts etc.)

China to India

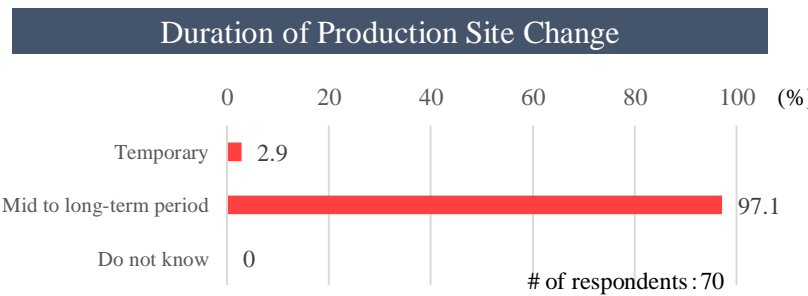
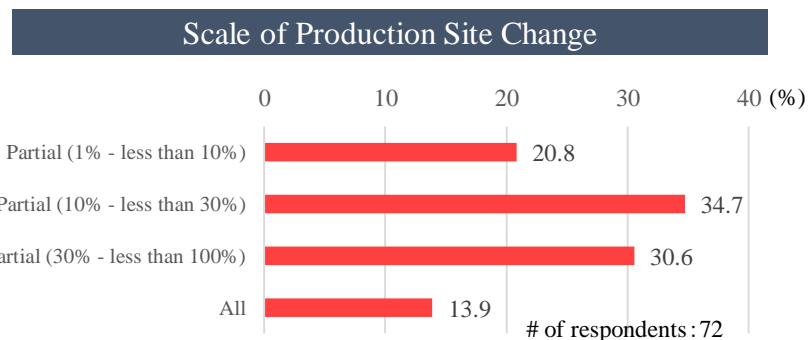
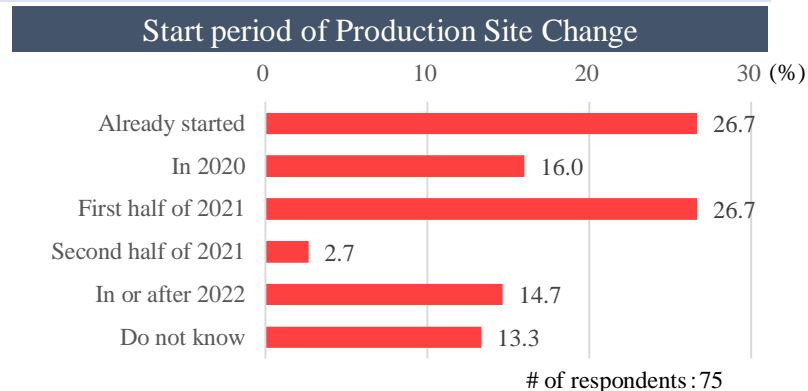
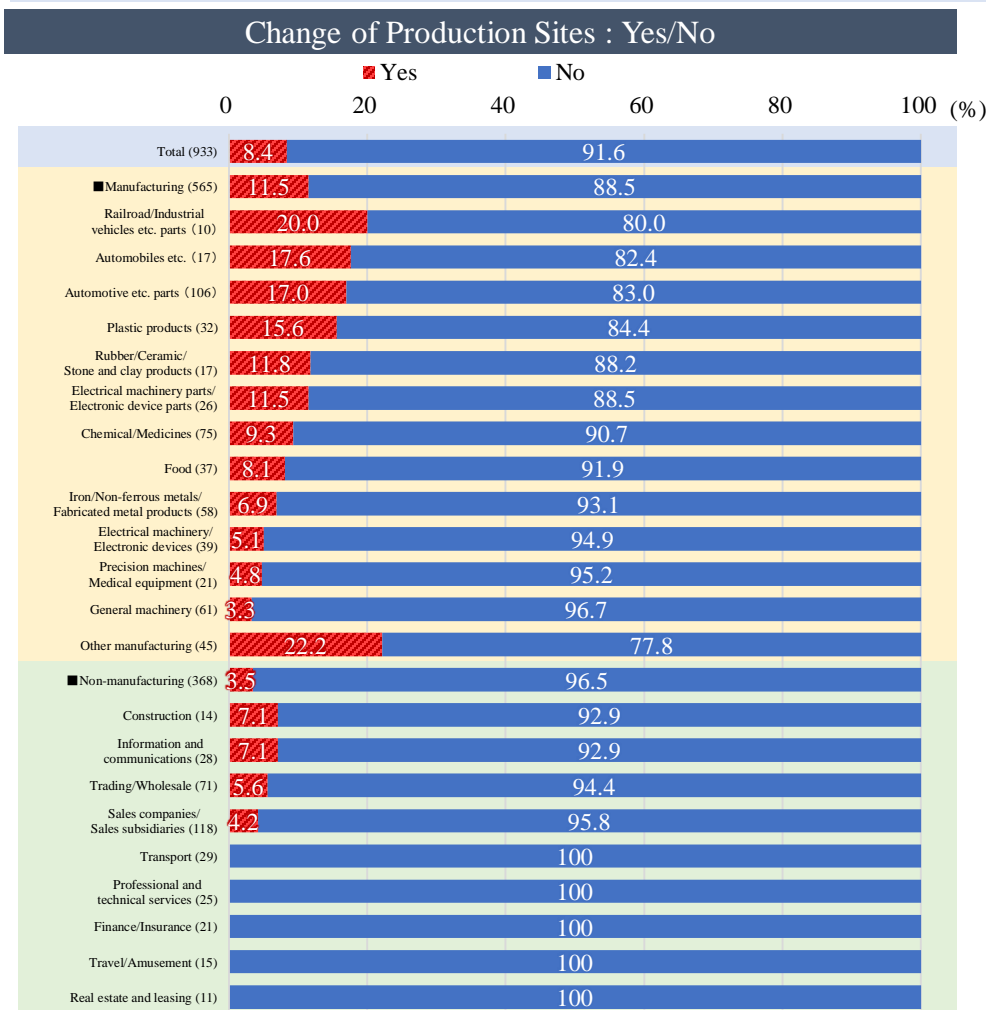
- Increase parts procurement from India, where prices are lower (General machinery)

Companies reassessing procurement in the U.S.

- Cost cuts (Electrical machinery/Electronic devices etc.)
- Meeting customer needs to cut prices (Automotive, etc. parts)
- To have multiple sources (Iron/Non-ferrous metals/Fabricated metal products)
- Due to the spread of Covid-19, U.S. procurement sources have delayed deliveries and raised parts unit prices, prompting us to consider switching to Thai or Japanese procurement sources (General machinery)
- Prior to the spread of Covid-19, we had manufactured and sold goods in the U.S.; but the spread of Covid-19-induced steep drop in orders pushed us into extreme financial difficulty, and we switched to procurement from a Chinese location (General machinery)
- Additional tariffs raised imported materials prices, sending product prices surging. Unable to remain competitive, we switched to procurement sources in the ASEAN region (Trading/Wholesale)

3. Change of Production Sites: Majority Not Changing; 8.4% Making Changes

Just 8.4% of the companies are changing production sites. However, in some industries, around 20% said they are changing: Other manufacturing (22.2%), Railroad/Industrial vehicles etc. parts (20.0%), Automobiles etc. (17.6%), Automotive etc. parts (17.0%). Nearly 70% said their production site changes will start taking place by the first half of 2021, while close to 30% have also begun the switches. More than half said they are changing less than 30% of production sites, while over 30% said they are changing more than 30%.



(Note) This chart lists only the industry types for which valid responses were received from at least ten companies

3. Change of Production Sites: Mexico, ASEAN Region Emerge as Post-Reassessment Production Sites

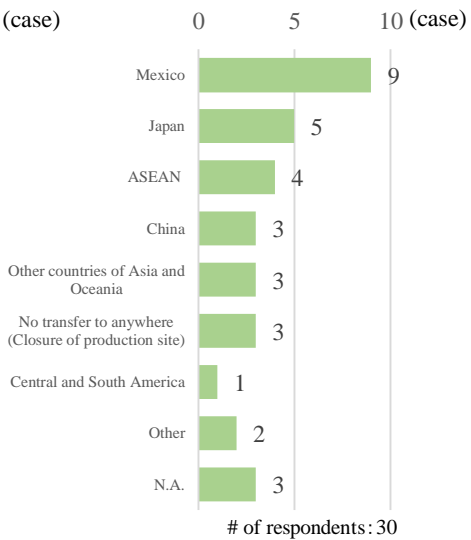
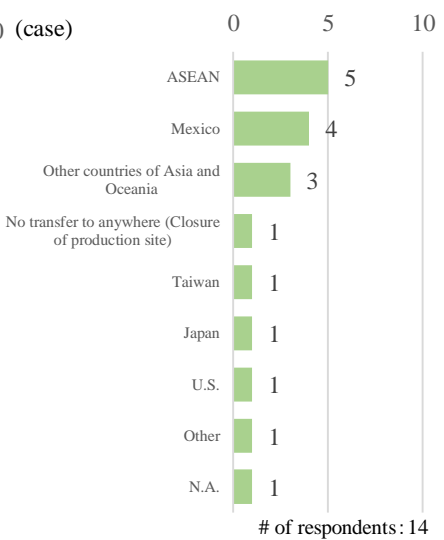
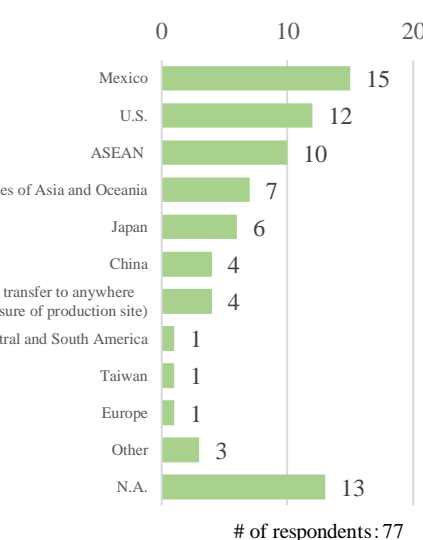
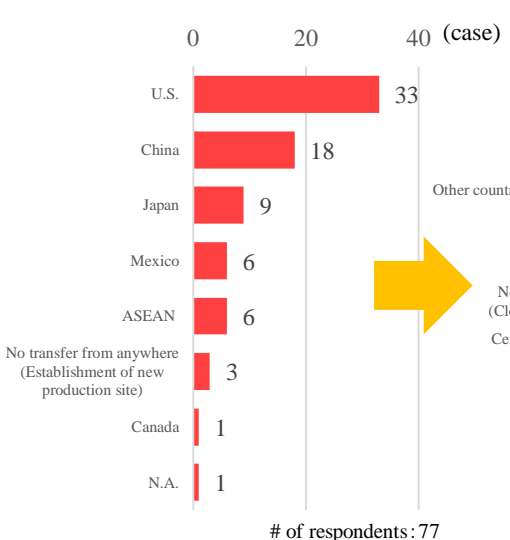
Production sites to be reassessed include the U.S. and China. As post-reassessment production sites, Mexico, the U.S. and the ASEAN region were the top answers. Those moving productions sites out of the U.S. are heading to Mexico and Japan, while those leaving China are going to the ASEAN region and Mexico. As reasons for production site reassessment, 35.6% cited “changes in trade environment” and 20.5% said “effects of the spread of Covid-19,” while more than half chose “other,” specifying higher costs and difficulty securing personnel, among other factors.

Production Sites to be Changed (Multiple Answers)

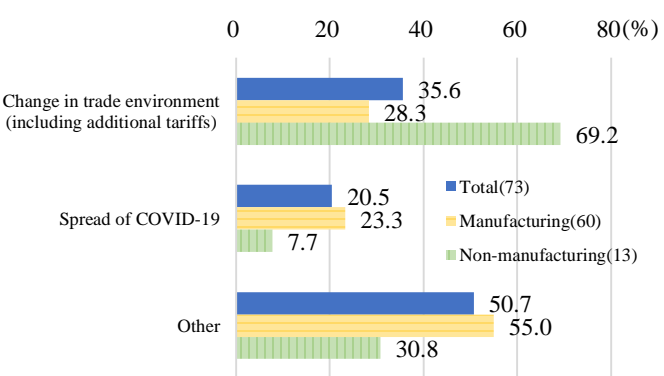
Production Sites After Changes (Multiple Answers)

Sites Replacing China (Multiple Answers)

Sites Replacing U.S. (Multiple Answers)



Reasons for the Change (All, Multiple Answers)



Other: Specific Reasons (Free Description)

U.S. to Mexico

- High costs in the U.S. (Automotive, etc. parts)
- Minimum wage hikes in the U.S. (Plastic products)
- Cost cuts (Electrical machinery/Electronic devices, Automotive, etc. parts, Plastic products, etc.)
- Difficulty securing personnel (Plastics products)

U.S. to Japan

- Difficulty securing personnel in the U.S. (Automotive, etc. parts)

U.S. to the ASEAN region

- Shifting commodified products to lower-cost countries (Automotive, etc. parts)
- Cost cuts (Automobiles, etc.)

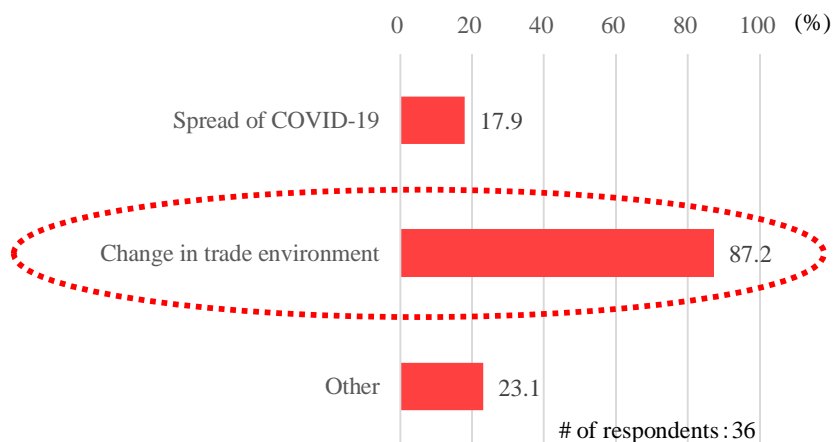
Japan to U.S.

- Cut costs (Automotive, etc. parts)
- Resume suspended plans for local production in the U.S. (Construction)

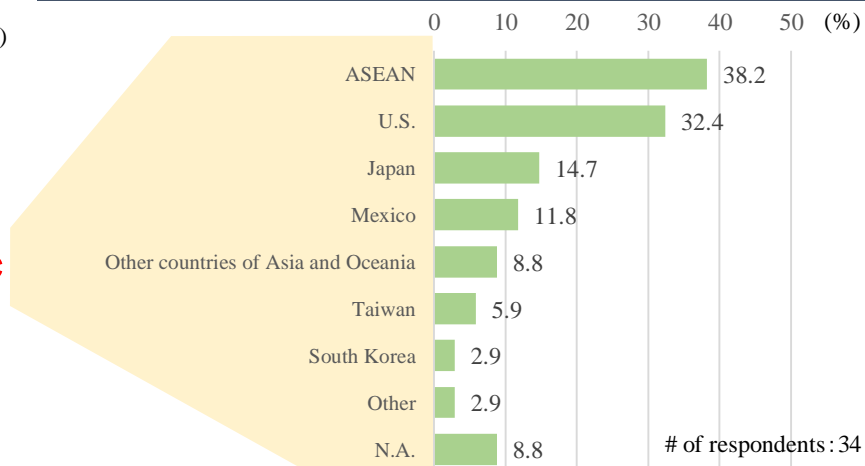
3. Change of Procurement Sources and Production in China: “Changes in Trade Environment” the Top Reason

Companies reassessing procurement sources or production in China said the main reason for doing so are “changes in trade environment” such as the U.S.-China friction and other reasons. Among those citing “changes in trade environment,” around 40% are changing procurement sources or production to the ASEAN region. The second-most common answer was the U.S. for both procurement sources and production, with the percentage exceeding 30% among those changing procurement sources.

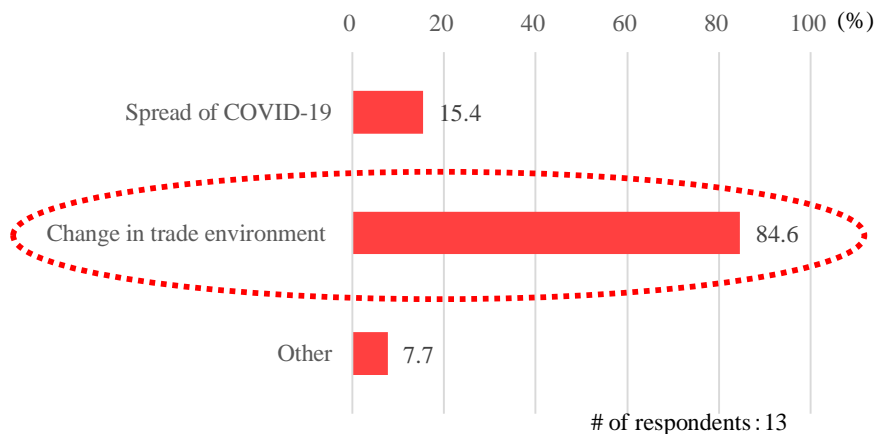
Reasons for Changing Procurement Sources in **China**
(Multiple Answers)



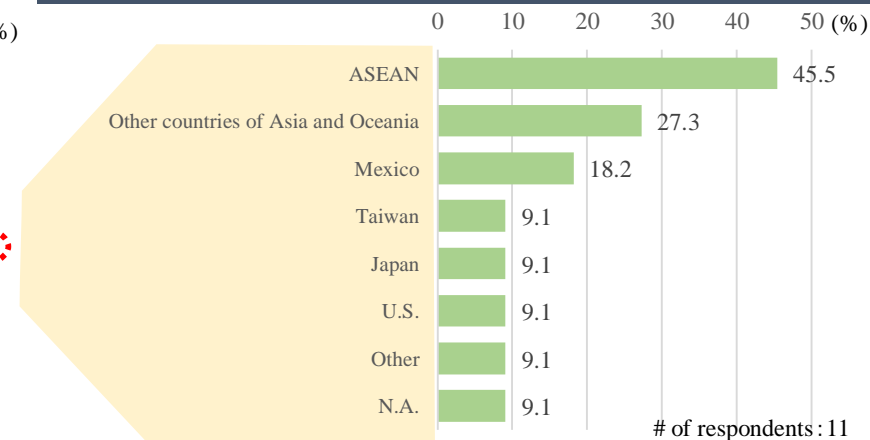
Procurement Sources Replacing Those in **China**
Because of Changes in Trade Environment (Multiple Answers)



Reasons for Changing Production in **China**
(Multiple Answers)



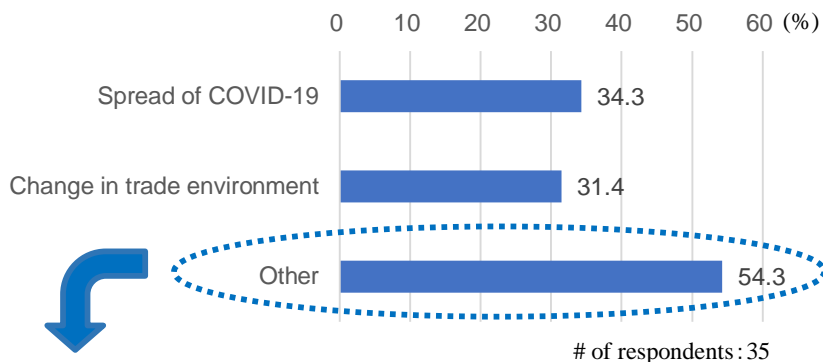
Production Sites Replacing **China**
Because of Changes in Trade Environment (Multiple Answers)



3. Change of Procurement Sources and Production in the U.S.: “High Costs” the Top Reason

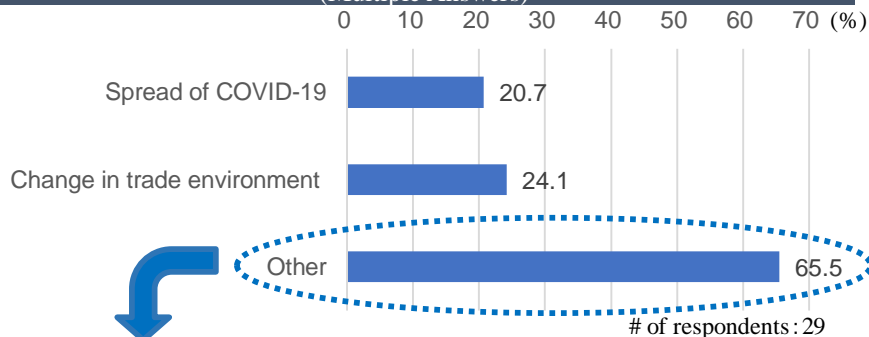
Among companies reassessing procurement sources or production in the U.S., over half said the main reason for doing so was “other,” with many specifying rising personnel and other costs in the U.S. Among companies that are moving production away from the U.S. due to rising costs and other reasons, Mexico was the choice for roughly 40%.

Reasons for Changing Procurement Sources in **the U.S.**
(Multiple Answers)



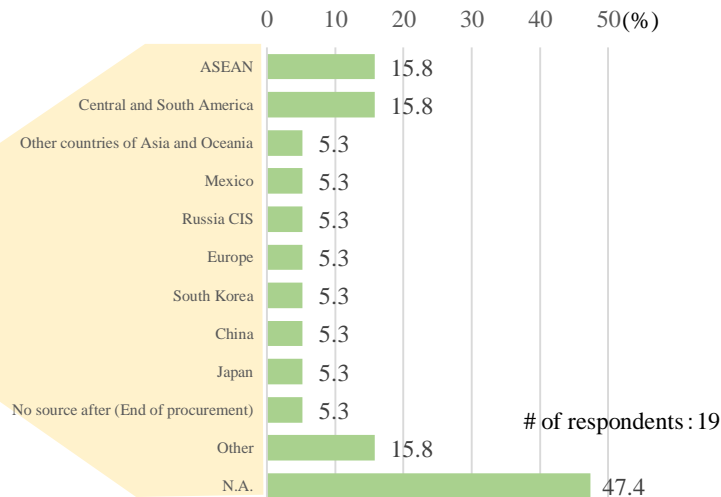
Of these, 47.3% (9 companies) cited cost cutting as the reason (“high-cost structure in the U.S.” “to meet customer requests to cut prices” “reduce costs”).

Reasons for Changing Production in **the U.S.**
(Multiple Answers)

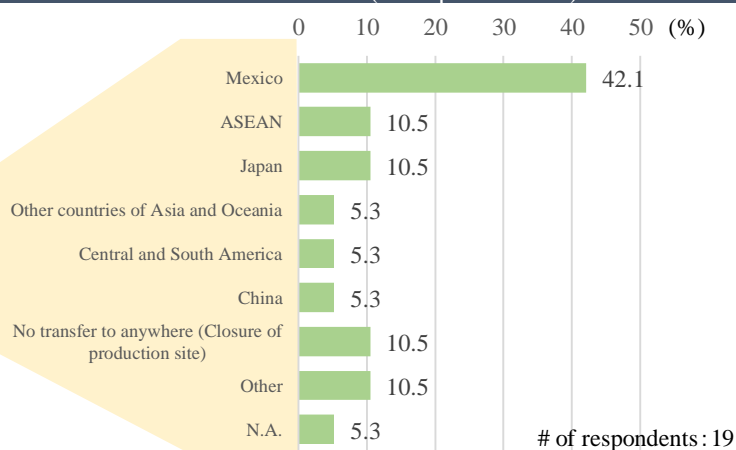


Of these, 68.4% (13 companies) cited rising costs in the U.S. as the reason (“rising expenses and a personnel shortage of in the U.S.” “rising minimum wages” “to reduce manufacturing costs” “product, personnel costs and difficulty securing personnel”).

Procurement Sources Replacing Those in **U.S.**
Because of Other Reasons (Multiple Answers)



Production Sites Replacing Those in **U.S.**
Because of Other Reasons (Multiple Answers)

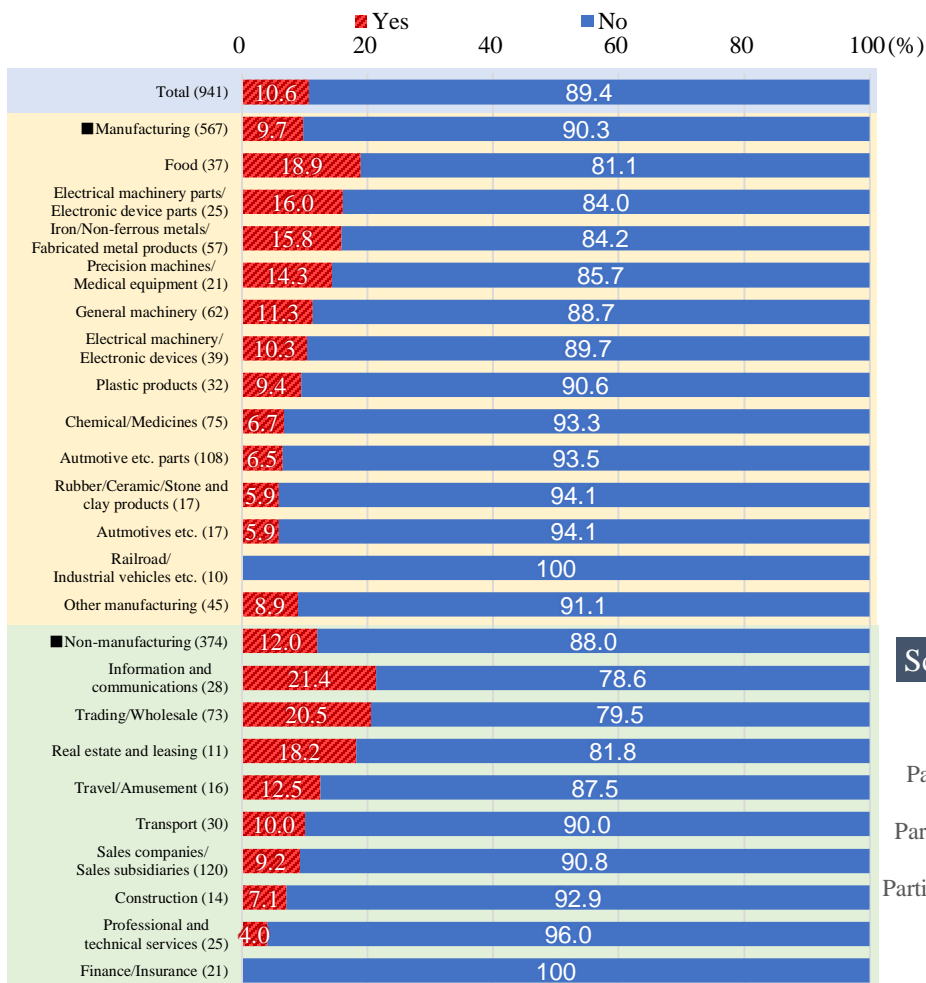


3. Change of Sales Destination:

About 10% Plan Reassessment, Mainly Due to Covid-19

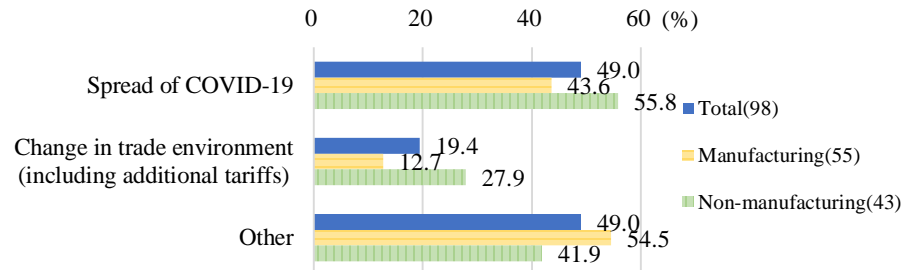
Asked if they planned to change their sales markets, 10.6% said “yes,” with the major reason given being the spread of Covid-19 (nearly half). About 40% have already started changing sales destination, and over 80% would start by the first half of 2021. In terms of scale of changes, about 70% said “less than 30%.”

Change of Sales Destination : Yes/No

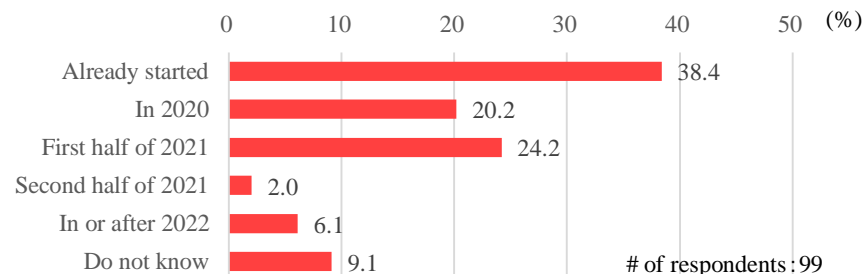


(Note) This chart lists only the industry types for which valid responses were received from at least ten companies.

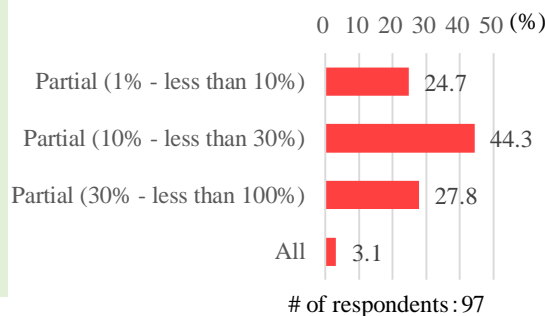
Reasons for the Change (Multiple Answers)



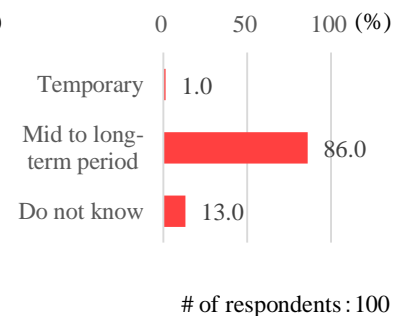
Start Period of Sales Destination Changes



Scale of Sales Destination Changes



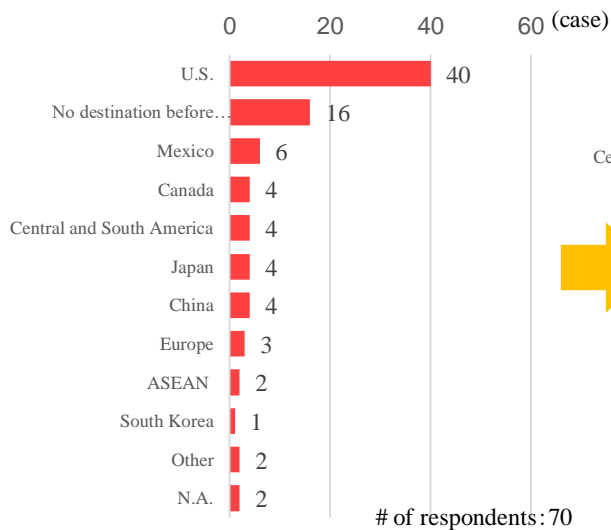
Duration of Sales Destination Change



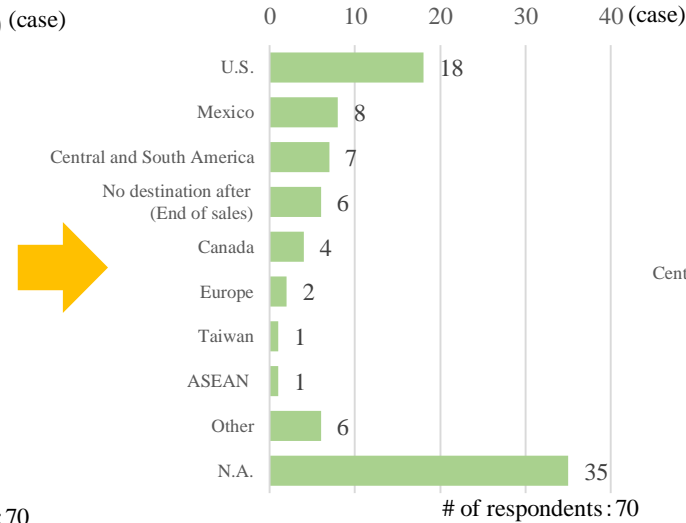
3. Sales Destination to be Changed: U.S. at the Top (40 Cases)

The U.S. was the top answer as a sales destination to be changed; 40 cases were cited. As specifics of reassessment, expansion to Mexico and other markets, a shift to online sales and cultivation of new customers were among the answers.

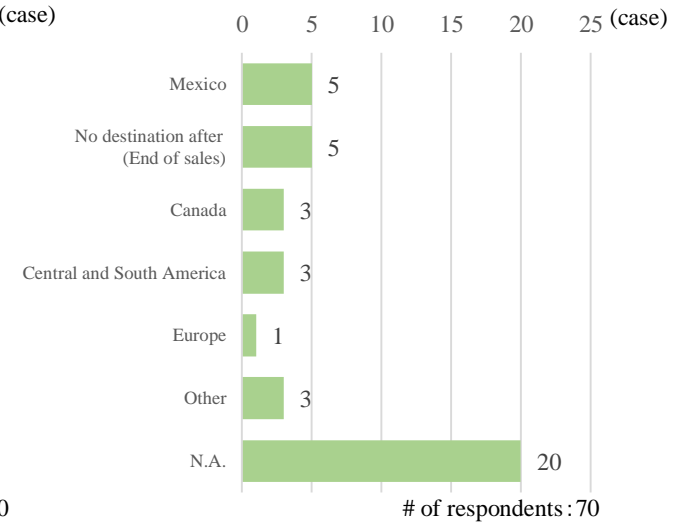
Sales Destination to be Changed (Multiple Answers)



Sales Destination After Changes (Multiple Answers)



Sales Destination Replacing U.S. (Multiple Answers)



Other: Specific Reasons (Free Description)

U.S. to Mexico

- Want to expand to other markets within the U.S. and Latin America (Retail trade)
- Cultivating new markets because our parent company changed (Plastics products)
- Reaching out to other companies' customers (Trading/Wholesale)

U.S. sales suspension

- Developing business in industries expected to grow after Covid-19 gets under control (General machinery)
- Scale back low-margin transactions (Trading/Wholesale)

Reassessing sales markets within the U.S.

- Shifting to online sales (Electrical machinery/Electronic devices)
- Migrating from store-front sales to e-commerce (Rubber/Ceramic/Stone and clay products)
- Currently sales mostly to commercial wholesalers, but will raise ratio for retail wholesalers from 20% to 40%. Also, as a new sales channel, plan to begin sales to e-commerce operators next year (Food)
- Specialize in and increase sales of high added-value products (Automotive, etc. parts)
- While maintaining a market share of Japanese customers, increase sales to American customers (Automotive, etc. parts)
- Our main customers are in apparel, but we're pursuing cultivation of non-apparel customers. Amid the spread of Covid-19, we're focusing on cultivating demand for medical and hygiene products (Iron/Non-ferrous metals/Fabricated metal products)

Starting sales in the U.S.

- Entering a new business (Mining/Energy)
- Diversifying sales markets (Iron/Non-ferrous metals/Fabricated metal products)
- Constantly searching for markets with higher prices (Other manufacturing)
- Release new products in the market (General machinery)
- Cultivating new customers (Electrical machinery/Electronic devices)

Mexico to U.S.

- Expecting growth of EVs, reassess sales strategy and industries (Trading/Wholesale)

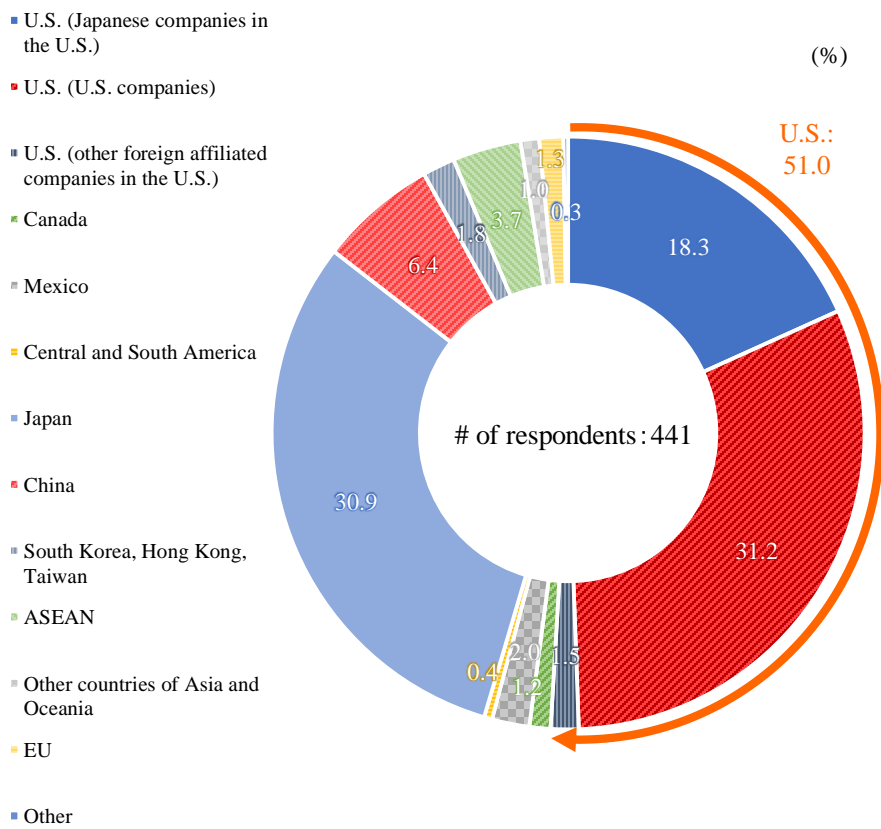
China to U.S.

- Risk of customs stagnation in China (Chemical/Medicines)

3. Procurement Sources (Manufacturers): Half of Raw Materials/Parts Procured within the U.S.

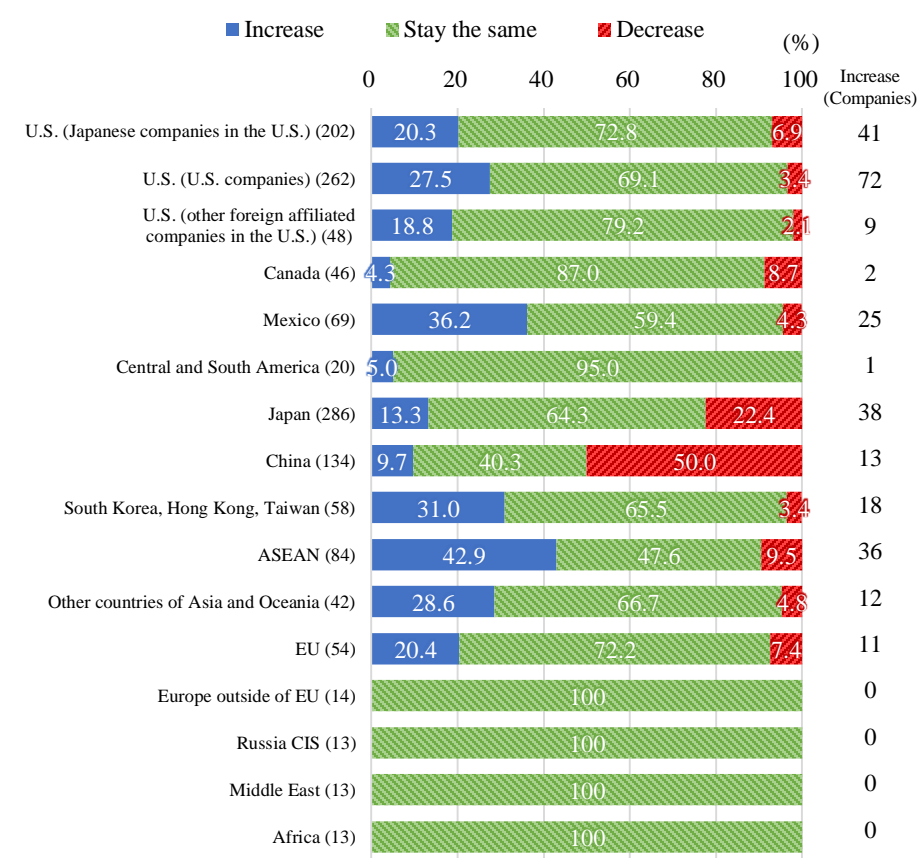
Manufacturers procured 51.0% of raw materials and parts within the U.S. (Japanese companies in the U.S.: 18.3%, U.S. companies: 31.2%, other foreign affiliated companies in the U.S.: 1.5%), with 30.9% from Japan and 6.4% from China. By industry, procurement from within the U.S. was high in the Food (71.4%), Iron/Non-ferrous metals/Fabricated metal products (67.9%) and Automobiles, etc. (65.5%) fields. As for policies going forward, many were considering increasing procurement U.S. companies and Japanese companies operating in the U.S. In contrast, large portions said they were considering reducing such procurement from China or Japan.

Procurement Sources (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Future Plans for Procurement Sources of Raw Materials/Parts

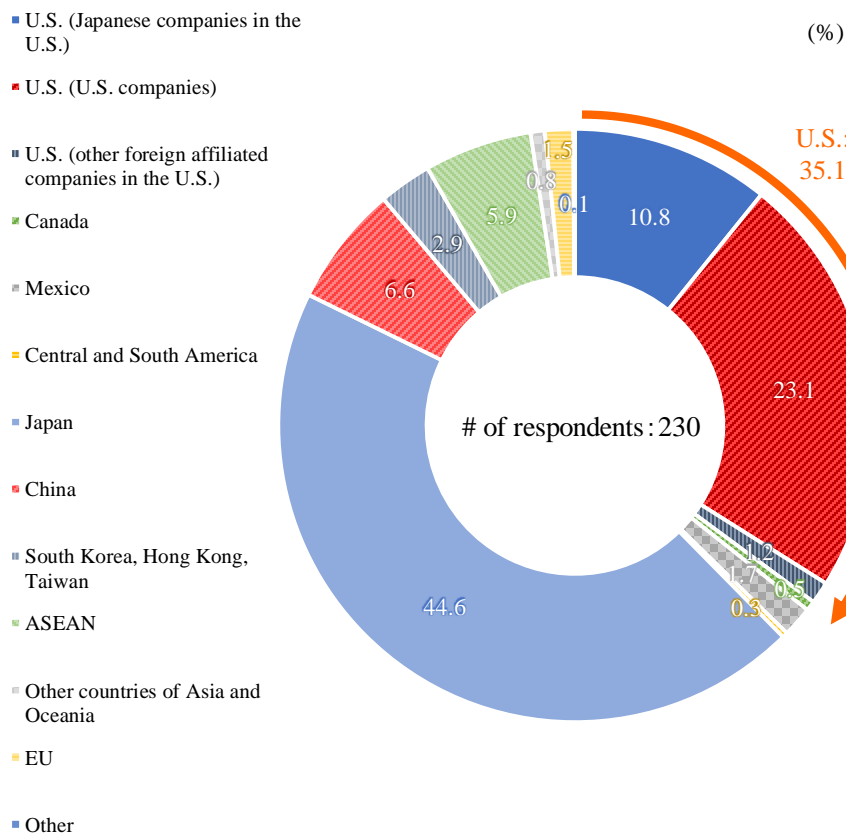


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

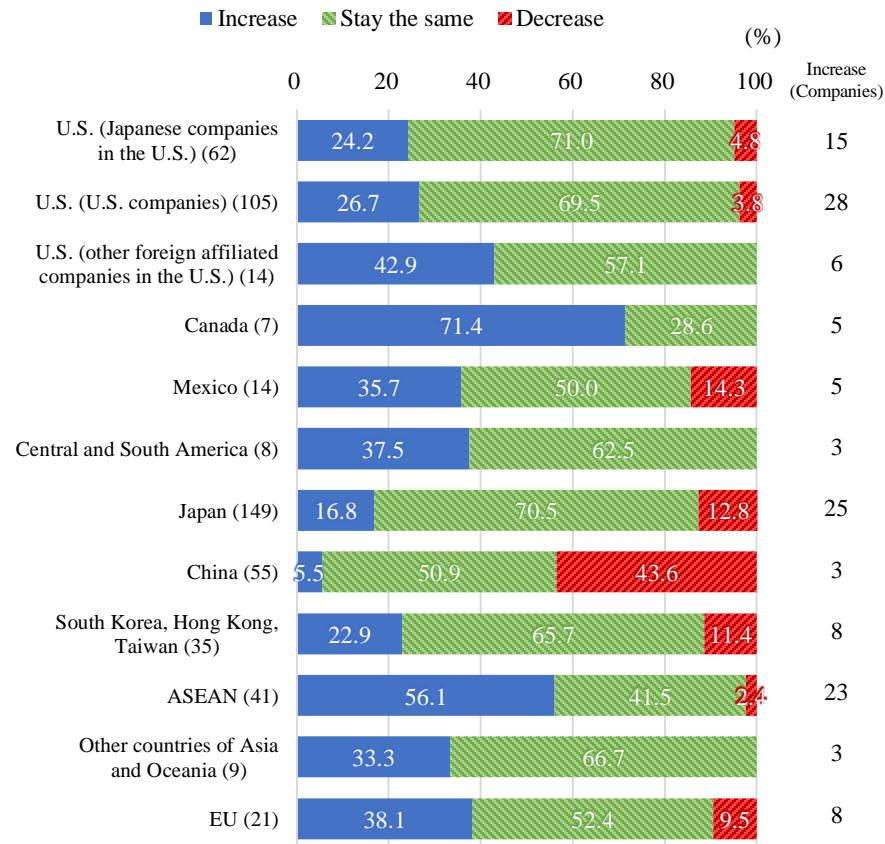
3. Procurement Sources (Non-Manufacturers): Japan Accounts for Over 40% of Raw Materials and Parts Procurement

For non-manufacturers, Japan was the biggest procurement source at 44.6%, whereas sources within the U.S. accounted for 35.1%. Industries highly reliant on Japan as a procurement source were Sales companies/Sales subsidiaries (63.2%) and Trading/Wholesale (45.6%). Industries that actively procure within the U.S. were Travel/Amusement (87.9%) and Other non-manufacturing (77.8%). As for policies going forward, many were considering increasing procurement from U.S. companies or Japan. In contrast, asked about procurement from China, a large portion (43.6%, 24 companies) said they were considering reducing such procurement.

Procurement Sources (By Country/Region)



Future Plans for Procurement Sources of Raw Materials/Parts



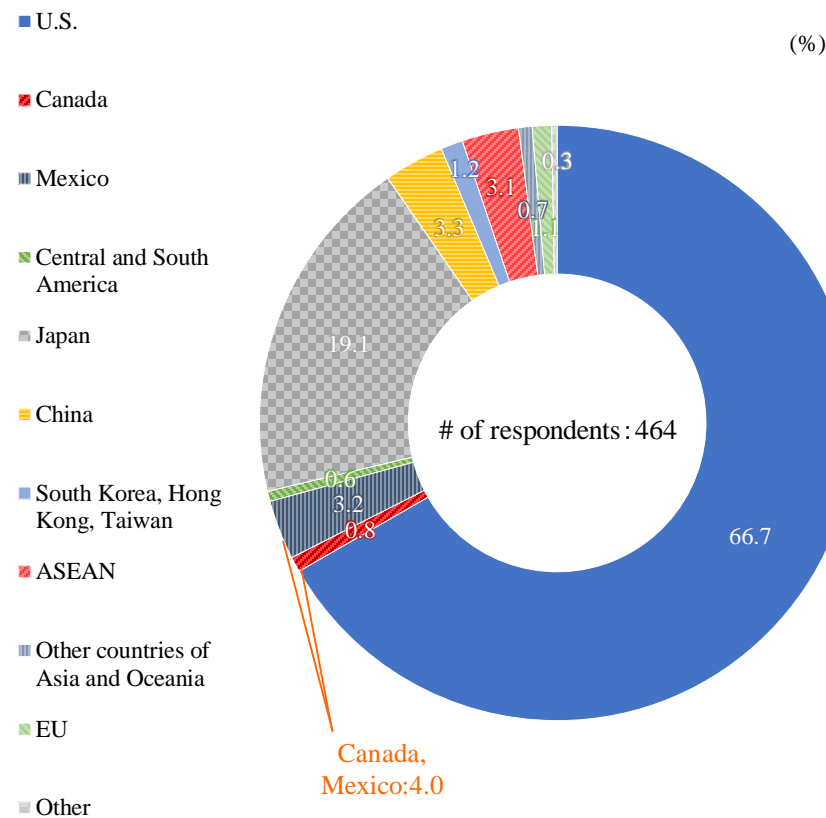
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Note: Only the countries and regions for which valid responses were received from at least five companies are listed.

3. Production Sites: Production Structure Remains U.S.-Focused

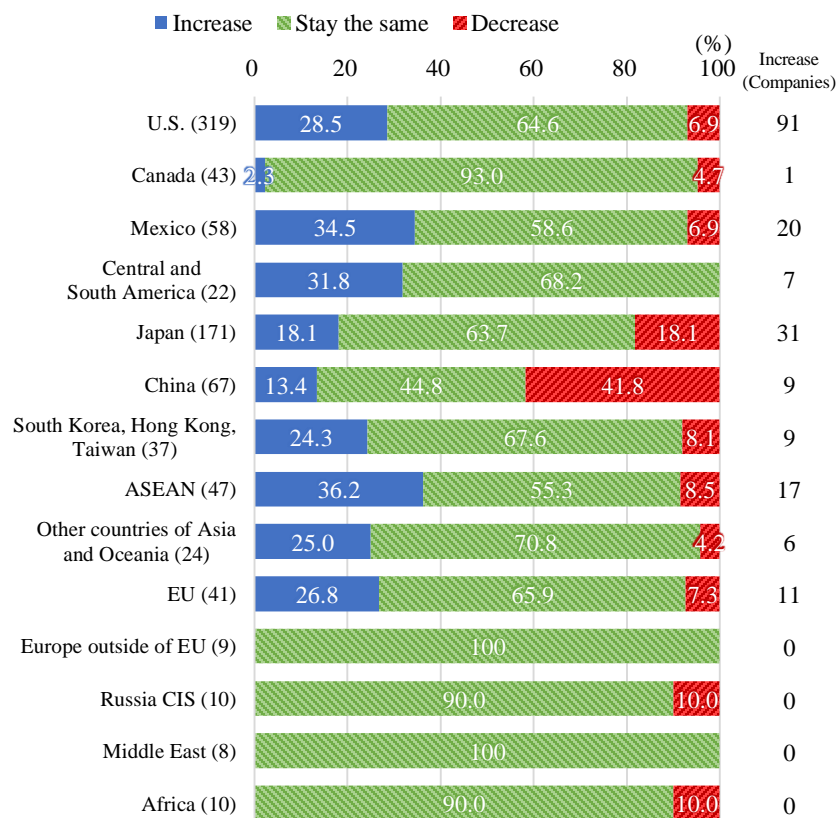
As for the production site of products for the U.S. market, the U.S. accounted for 66.7%, down 9.7 points from the previous survey (76.4%), whereas Japan's portion increased to 19.1%, up 7.8 points from the previous survey (11.3%). U.S. production ratios exceeded 80% in the Railroad/industrial vehicles etc. parts (84.3%), Automobiles, etc. (83.7%), Automotive, etc. parts (82.2%) industries. Japan's portion was high in the Precision machines/Medical equipment (54.8%), General machinery (40.8%) and other industries. Asked about Policies Going Forward for sites producing products for the U.S. market, higher ratios of companies were considering production expansion in the U.S., Mexico and the ASEAN region; in contrast, with respect to China, a high ratio of 41.8% (28 companies) said they were considering decreasing production there. With regard to Japan, 18.1% (31 companies) said production would be "increased" while another 18.1% said production would be "decreased."

Production Sites of Products for the U.S. Market (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Future Production Plans in Each Country and Region for the U.S. Market

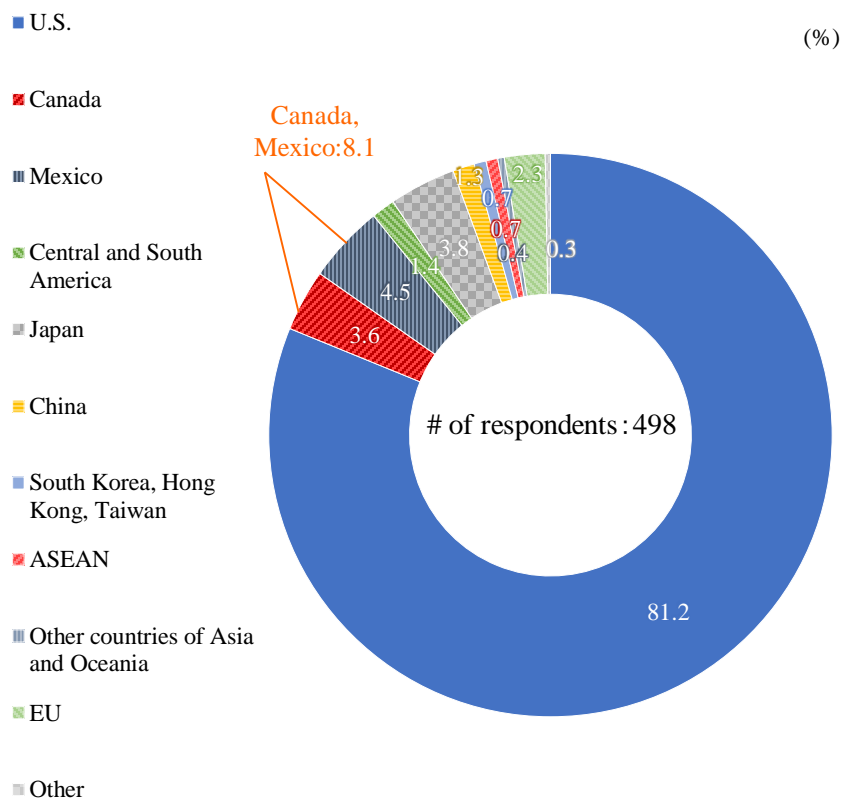


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

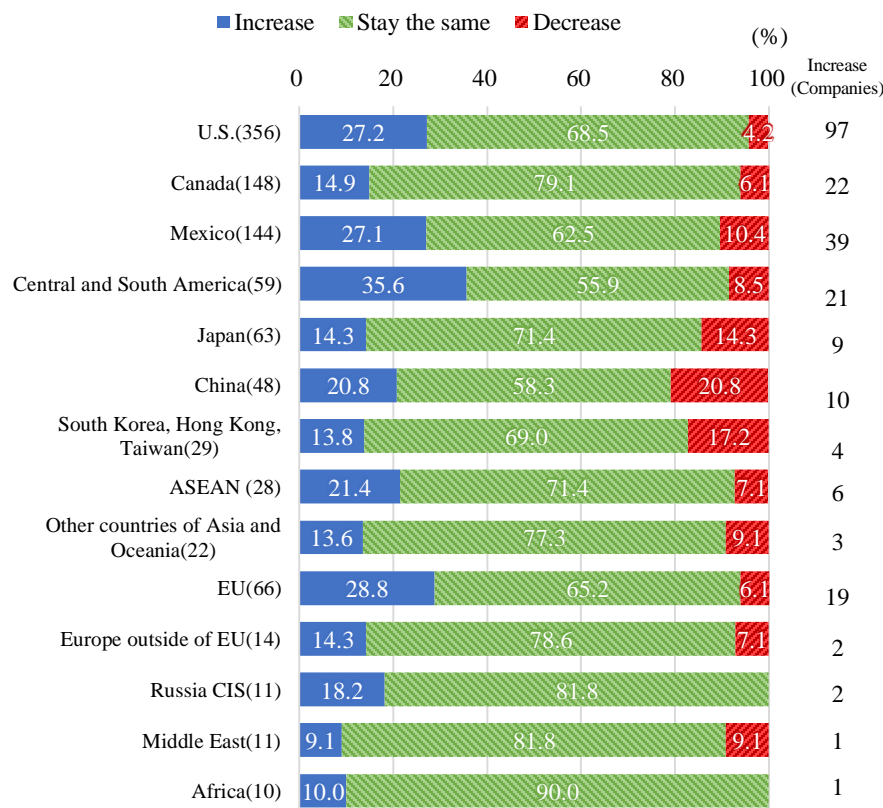
3. Sales Destination (Manufacturers): USMCA Market Makes Up 89.3%; Japan 3.8%

The U.S. market accounted for 81.2% of sales at manufacturers, with the USMCA market (including Canada and Mexico) making up 89.3%. Japan accounted for 3.8%. Markets often sited for future sales expansion were the U.S. (97 companies), Mexico (39 companies) and Canada (22 companies). By industry, the greatest proportion of sales were made in the U.S. for Automotive etc. parts (88.6%), in Mexico for Textiles/Textile apparel (10.8%), in Canada for Paper/Wood products/Printing (15.3%) and in Japan for Railroad/Industrial vehicles etc. (12.5%). Regarding future sales policies, many companies said they were looking to expand sales in the U.S., Mexico and the remainder of the Americas.

Product Sales Destination (By Country/Region)



Future Plans for Product Sales Destination



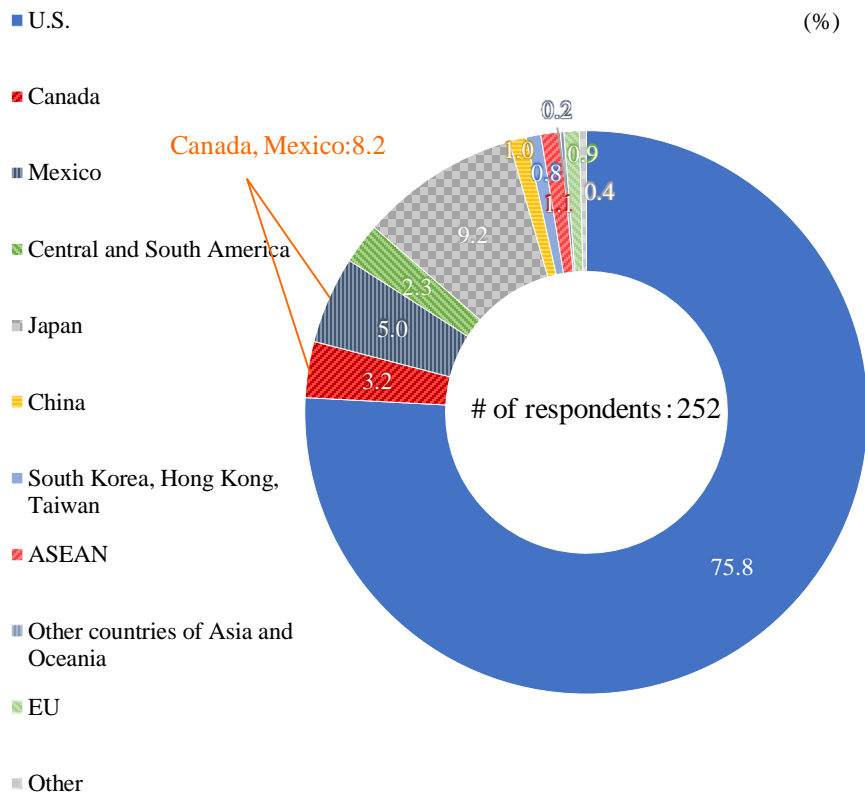
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its sales in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

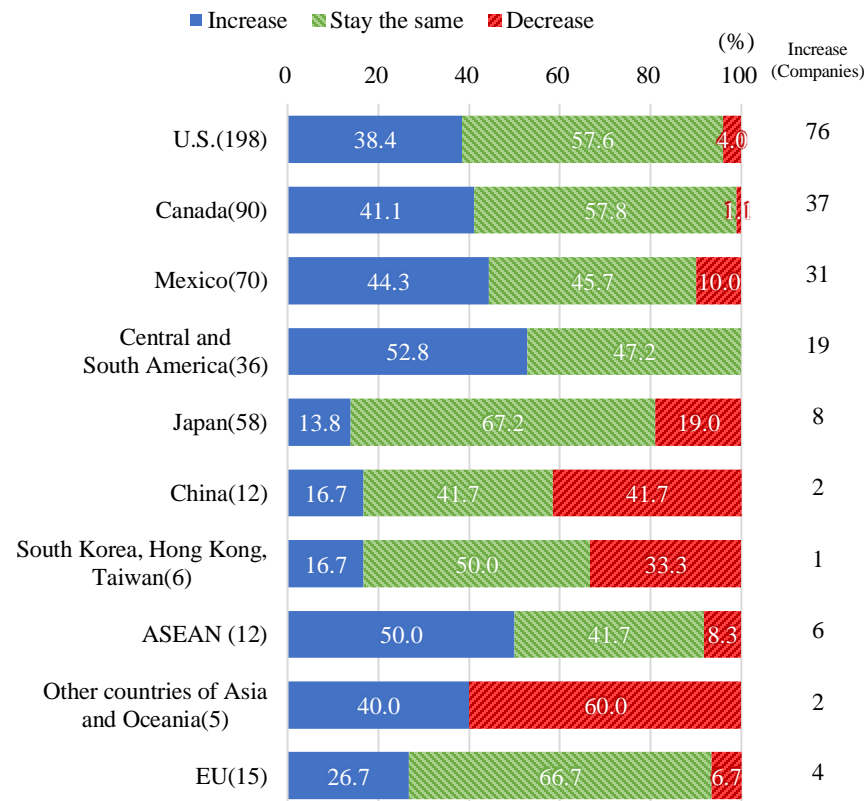
3. Sales Destination (Non-Manufacturers): USMCA Market Makes Up 84.0%; Japan 9.2%

The U.S. market accounted for 75.8% of sales at non-manufacturers, with the USMCA market (including Canada and Mexico) making up 84.0%. Japan accounted for 9.2%. Markets often sited for sales expansion going forward were the U.S. (76 companies), Canada (37 companies) and Mexico (31 companies). By industry, the greatest proportion of sales were made in U.S. for Retail trade (88.3%), in Mexico for Trading/Wholesale (7.4%), in Canada for Sales companies/Sales subsidiaries (5.0%) and in Japan for Real estate/Leasing (33.4%). Regarding sales policies going forward, many companies said they were looking to expand sales in the U.S., Canada and Mexico.

Product Sales Destination (By Country/Region)



Future Plans for Product Sales Destination



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its sales in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

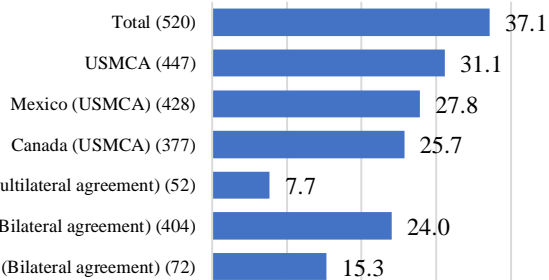
3. Utilization of Trade Agreements: Nearly 40% Are Using Them; About 30% Using USMCA

The percentage of respondents that were making use of a bilateral/multilateral trade agreement was 37.1%. Those that were using USMCA accounted for 31.1%, while 24.0% said they were using the U.S.-Japanese trade agreement. Among companies engaged in exports or imports, 42.1% were making use of either of the trade agreements: 42.8% for USMCA and 29.0% for the U.S.-Japanese trade agreement. The proportion of USMCA users exceeded 50% in Automobiles, etc. (55.6%) and Electrical machinery parts/Electronic device parts (52.9%).

Utilization of Trade Agreements (Respondents)

Utilization of Trade Agreements

0 10 20 30 40 (%)

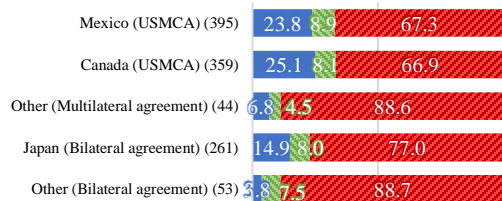


Utilization of Trade Agreements for Exports from the U.S.

for Exports from the U.S.

■ Utilizing
■ Considering utilization
■ Not utilizing (no plan to utilize)

0 50 100 (%)

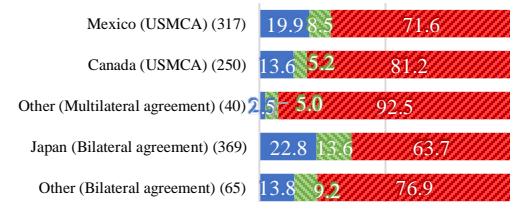


Utilization of Trade Agreements for Imports into the U.S.

for Imports into the U.S.

■ Utilizing
■ Considering utilization
■ Not utilizing (no plan to utilize)

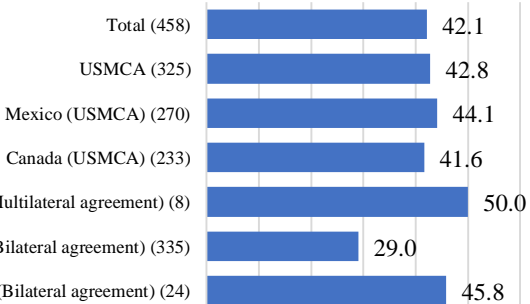
0 50 100 (%)



Utilization of Trade Agreements (Companies Engaged in Exports or Imports)

Utilization of Trade Agreements

0 10 20 30 40 50 60 (%)

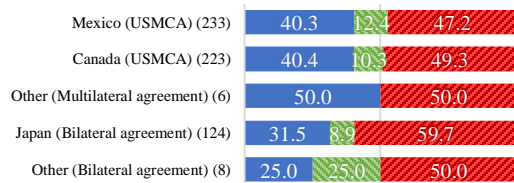


Utilization of Trade Agreements for Exports from the U.S.

for Exports from the U.S.

■ Utilizing
■ Considering utilization
■ Not utilizing (no plan to utilize)

0 50 100 (%)

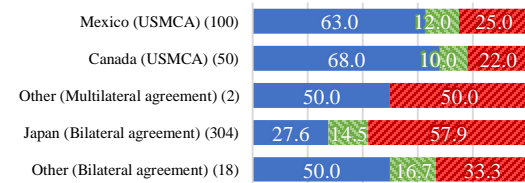


Utilization of Trade Agreements for Imports into the U.S.

for Imports into the U.S.

■ Utilizing
■ Considering utilization
■ Not utilizing (no plan to utilize)

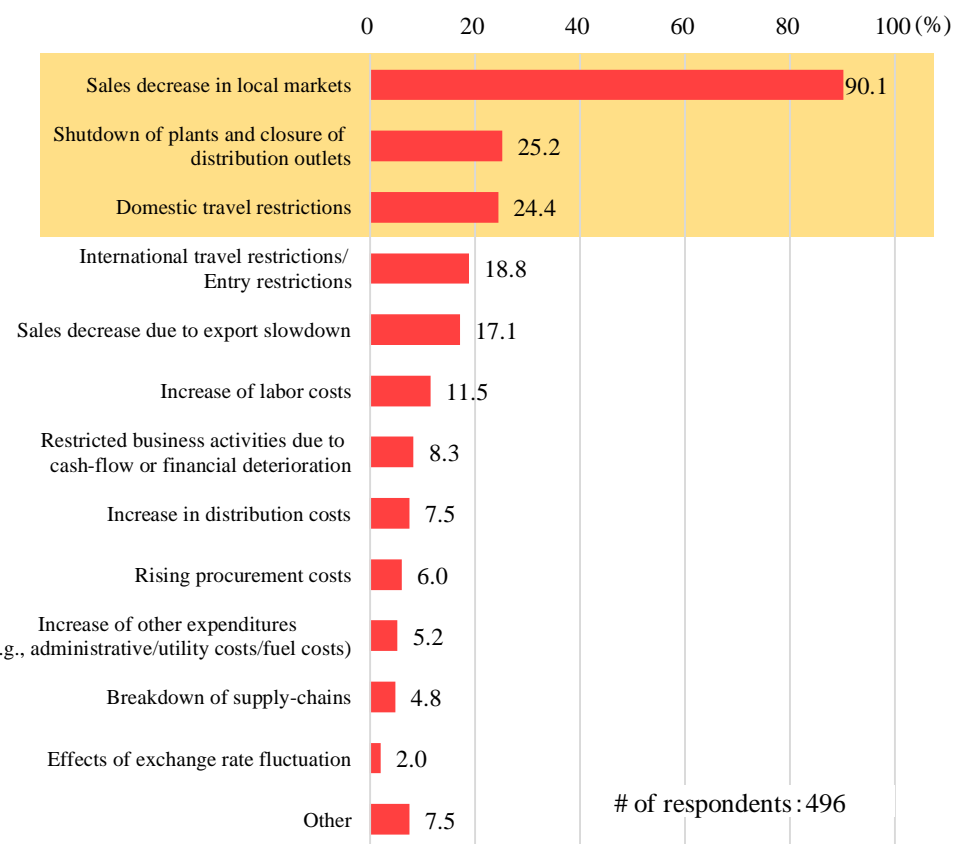
0 20 40 60 80 100 (%)



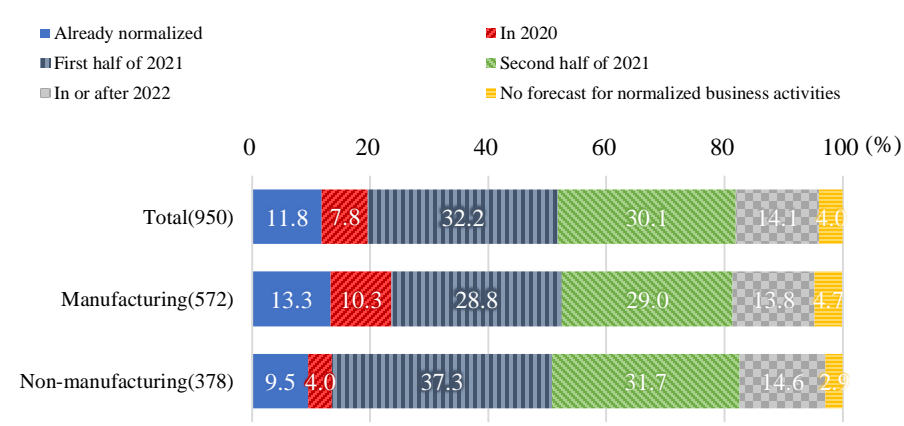
4. Negative Effects of Covid-19: “Sales Decrease in Local Markets” Cited by 90%

Asked about negative effects of the spread of Covid-19 on their operating profits, 90.1% said “sales decrease in local markets”, while 25.2% mentioned “shutdown of plants and closure of distribution outlets” and 24.4% said “domestic travel restrictions.” Regarding the timing at which business activities would normalize, 32.2% said the “first half of 2021” and 30.1% said the “latter half of 2021”. As for the post-normalization demand environment, less than half (45.6%) expected things to “return to pre-Covid levels”, while 35.1% said “decrease somewhat.” In contrast, 11.7% expected demand to “increase”, with the Precision machines/Medical equipment (36.4%) and Rubber/Ceramic/Stone and clay products (23.5%) posting high percentages.

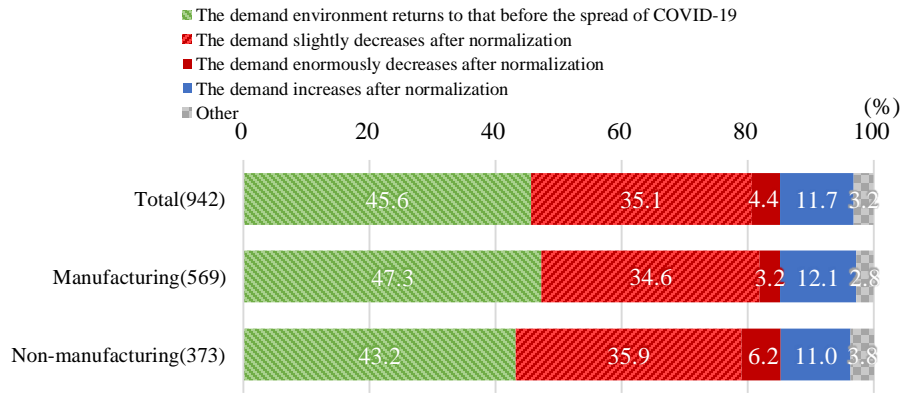
Negative Effects of Spread of Covid-19 on Operating Profits (Multiple Answers)



Timing of Normalization of Business Activities



Post-Normalization Demand Environment Outlook



(Note) Each company was allowed to provide up to three answers. This chart includes only the top items.

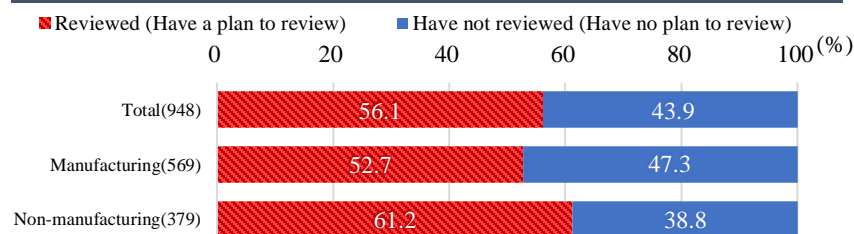
4. Reviewing Business Strategies Due to Covid-19: Expansion of the Utilization of Working from Home and Teleworking Cited by 80%

56.1% of respondents said they had reassessed (or plan to reassess) their business strategies and business models in the wake of the Covid-19 pandemic. By industry, non-manufacturers had a higher percentage of companies that made reassessment, such as Travel/Amusement (87.5%) and Information and Communications (75.9%). In terms of the nature of these reassessments, “expansion of the utilization of working from home and teleworking” was cited by 76.0%, followed by “promotion of utilizing virtual exhibitions and online business meetings.” (43.8%), “streamlining by staff reduction” (37.3%) and “promotion of digitalization including digital marketing and AI utilization” (37.1%).

Nature of Business Strategy and Business Model Reviews in Light of Covid-19 (Multiple Answers)



Business Review in Light of Covid-19



Specific Countermeasures (Free Description)

- Almost all operations are performed at home. Stepped up online conferencing system (Finance/Insurance)
- Virtual show room was set up on our website for use (via Zoom etc.) in product training sessions and business meetings (Sales companies/Sales subsidiaries)
- Stepped up digital marketing via our website, Google, LinkedIn etc. (General machinery)
- Increase focus on e-commerce customers (Sales companies/Sales subsidiaries)
- Find customers for sterilization and medical applications (Electrical machinery parts/Electronic device parts)
- Working on strengthening product and service lineup responding to changes in customer needs such as remote work and touchless operation (Electrical machinery/Electronic devices)
- Improve benefits for securing talented personnel (Chemical/Medicines)
- Expand employer-provided insurance, create new vacation days (Mining/Energy)
- Considering reducing office space to cut costs (Electrical machinery/Electronic devices)
- Use autonomous robots to for waste collection and materials shipping (Electrical machinery/Electronic devices)
- End procuring main materials from China (Other manufacturing)
- Promote programs developing future executives (General machinery)
- Use online distributors (Electrical machinery parts/Electronic device parts)
- Use IoT for process and traffic analysis (Electrical machinery/Electronic devices)
- Consider raising sale prices by 3 to 5% (General machinery)
- Start procuring from Southeast Asia and India, in addition to China (Trading/Wholesale)
- Clarify sourcing, check capacities and change ratios (Automotive etc. parts)
- Move production site for certain processes (Automotive etc. parts)
- Switch manufacture to the headquarters (Chemical/Medicines)

5. Management Challenges: “Slow Development of New Customers”, “Decrease of Orders from Business Partners” Take Top Spots

The top management challenges cited by respondents were sales and marketing issues such as “slow development of new customers” (46.0%) and “decrease of orders from business partners” (41.7%), followed by employment and labor issues such as “increase in wages of employees” (38.6%) and “quality of employees” (38.1%). By region, “slow development of new customers” and “decrease of orders from business partners” were cited by half of respondents in the Midwest, while “increase in wages of employees” was a common issue in the West (47.1%). Concerns about “slow development of new customers” was high in non-manufacturers, such as the Construction (71.4%), Transport (67.7%), Trading/Wholesale(66.7%), whereas “increase in wages of employees” was cited by over half of the following industries: Automobiles, etc. (60.0%), Railroad/Industrial vehicles etc. parts (60.0%), Plastic products (58.6%) and Food (55.6%).

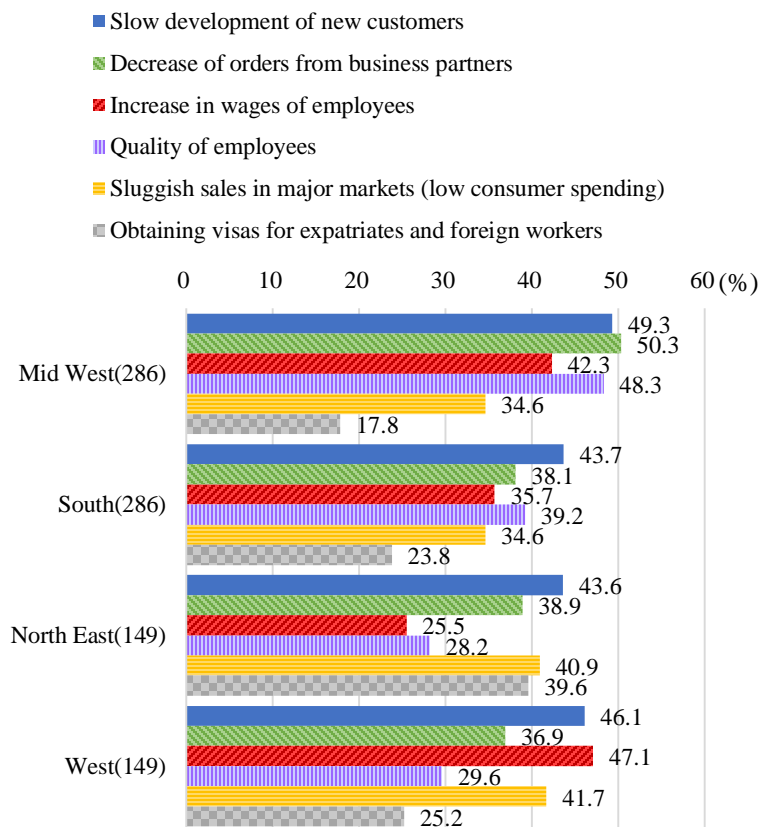
Management Challenges (Multiple Answers)



(Note) This chart lists only the top items.

of respondents: 927

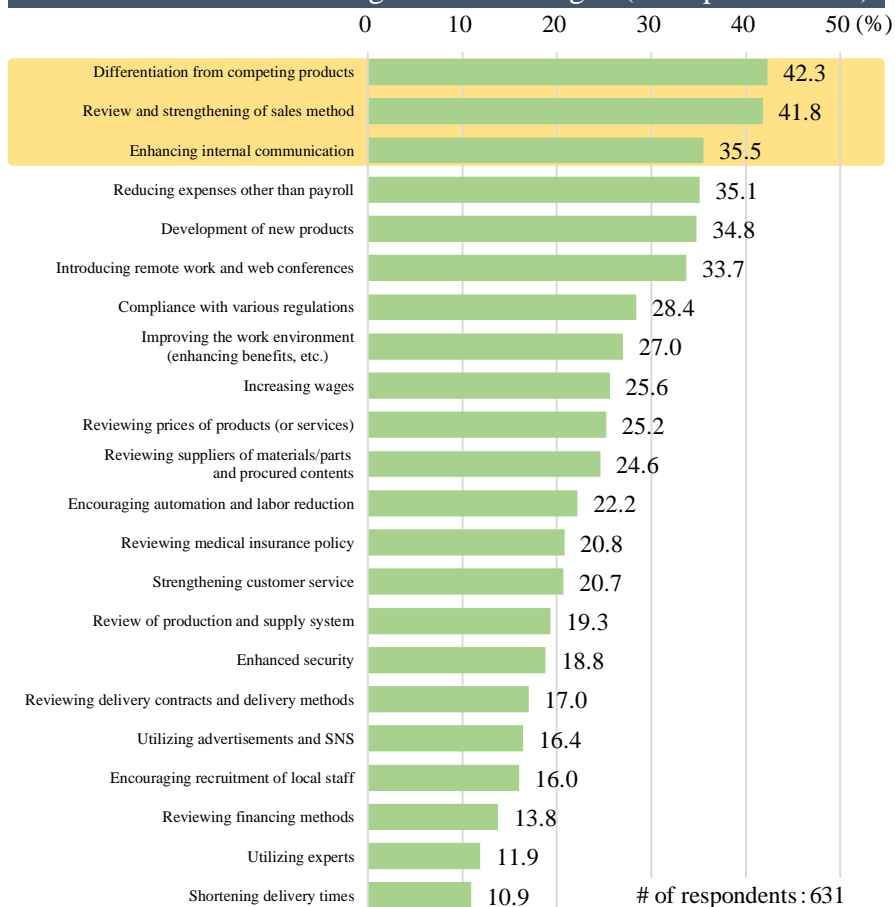
Management Challenges (By Region, Multiple Answers)



5. Countermeasures for Management Challenges: “Differentiation from Competing Products” Takes Top Spot

When asked about countermeasures taken to handle management challenges, respondents said “differentiation from competing products” (42.3%), “review and strengthening of sales method” (41.8%), “enhancing internal communication” (35.5%) as their top answers. By industry, “differentiation from competing products” was commonly cited by respondents in Food (55.6%) and Precision machines/Medical equipment (54.5%), whereas “review and strengthening of sales method” was among the top at Travel/Amusement (56.3%) and Electrical machinery parts/Electronic device parts (56.0%). “Enhancing internal communication” came in high for Rubber/Ceramic/Stone and clay products (53.3%) and Iron/Non-ferrous metals/Fabricated metal products (52.8%).

Countermeasures for Management Challenges (Multiple Answers)



(Note) This chart lists only the top items.

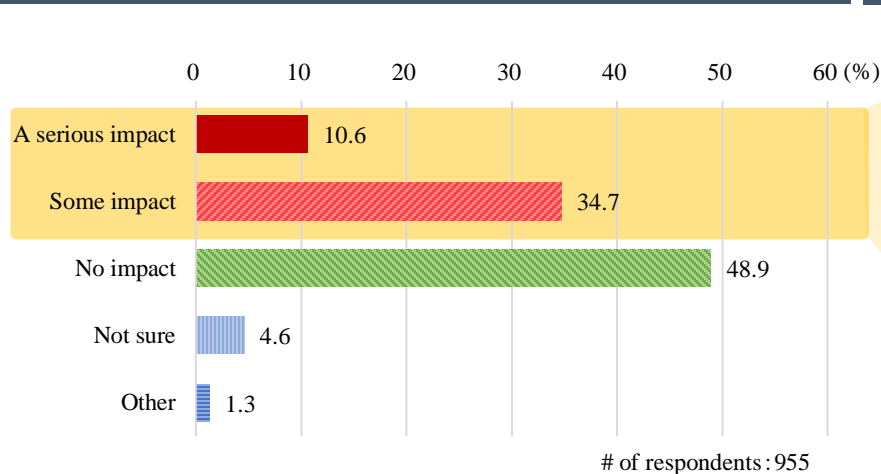
Specific Countermeasures (Free Description)

- Use social media and the web for stronger customer relations, demand-stimulating activities and activities for awareness of differentiation from rival companies (Sales companies/Sales subsidiaries)
- Establish technology for differentiation and cultivate new markets (Electrical machinery/Electronic devices)
- Thoroughly analyze specifications for each customer to different from rival companies (Electrical machinery parts/Electronic device parts)
- R&D activities for enhancing product quality (Chemical/Medicines)
- To differentiate from competing products, focusing on developing high added-value products (Trading/Wholesale)
- To enhance satisfaction of cost performance, provide high quality (including customer service) (Other non-manufacturing)
- In light of the rapidly growing online sales, considering measures to expand e-commerce business. In particular, emphasizing on swiftly increasing sales on our own e-commerce website (Other manufacturing)
- Hire experienced salespeople (General machinery)
- To strengthen sales, use a local U.S. dealer for broad PR activities (Sales companies/Sales subsidiaries)
- Consider sales to customers outside of aviation/automobile industries (Iron/Non-ferrous metals/Fabricated metal products)
- Step up sales and find new customers through local sales agencies (Trading/Wholesale)
- Cultivate new sales markets to reduce reliance on a small number of customers (Chemical/Medicines)
- After business reopening, increase sales from existing customers and capture new ones (Food)
- Implement digital marketing using content with strong appeal to broaden the customer base (Real estate/Leasing)
- Since engineers are always on business trips, go out of our way to have good communication (Sales companies/Sales subsidiaries)
- Reassess communication methods and work hours in light of introduction of remote work (Information and communications)
- Use automation and digitization to enhance efficiency and reduce costs (Automotive etc. parts)
- Improve production efficiency to reduce costs and slash general admin. expenses (Paper/Wood products/Printing)

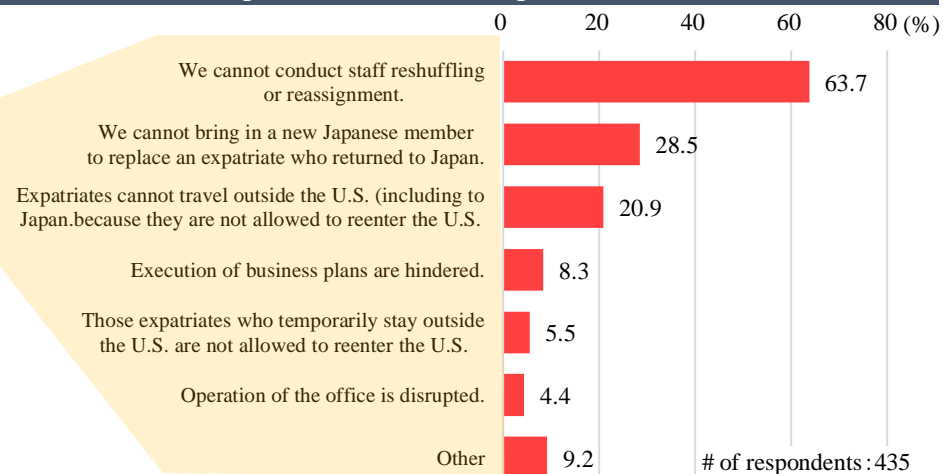
5. Changes in Environment for Visa Obtainment: “L-1” and “E-2” Visas Affected

Asked about impact of suspension, delay and denial of issuance of U.S. visas, 34.7% said they are “somewhat affected” and 10.6% said they are “severely affected”, meaning that a combined 45.3% have been impacted. Specifically, 63.7% said they have been unable to move forward with personnel reassignments and transfers. As affected visa types, 60.8% mentioned the L-1 visa (Intra-company Transferee).

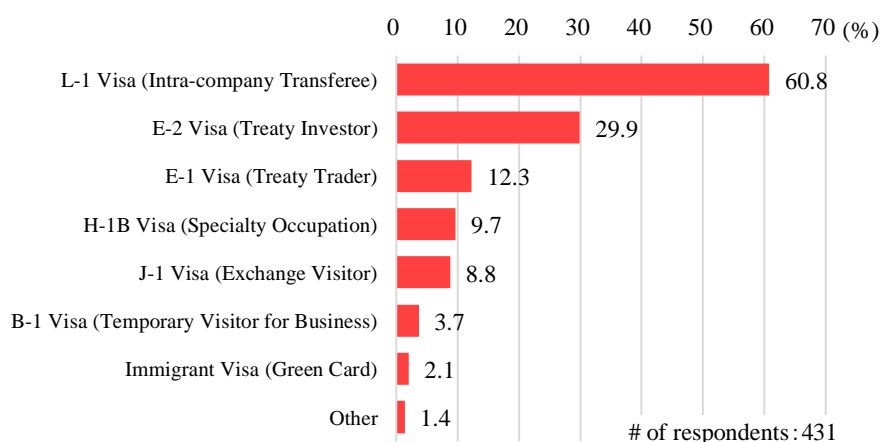
Impact of Visa Issuance Suspension, Delays and Rejections



Specific Effects (Multiple Answers)



Affected Visa Types (Multiple Answers)



Specific Countermeasures (Free Description)

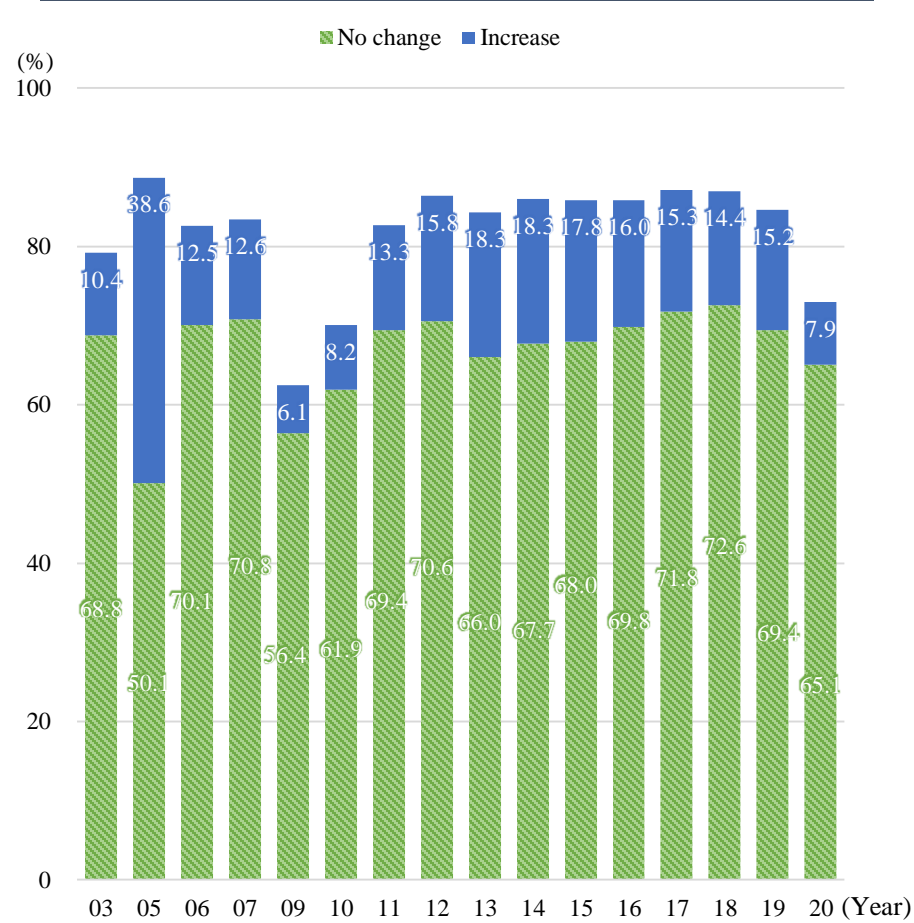
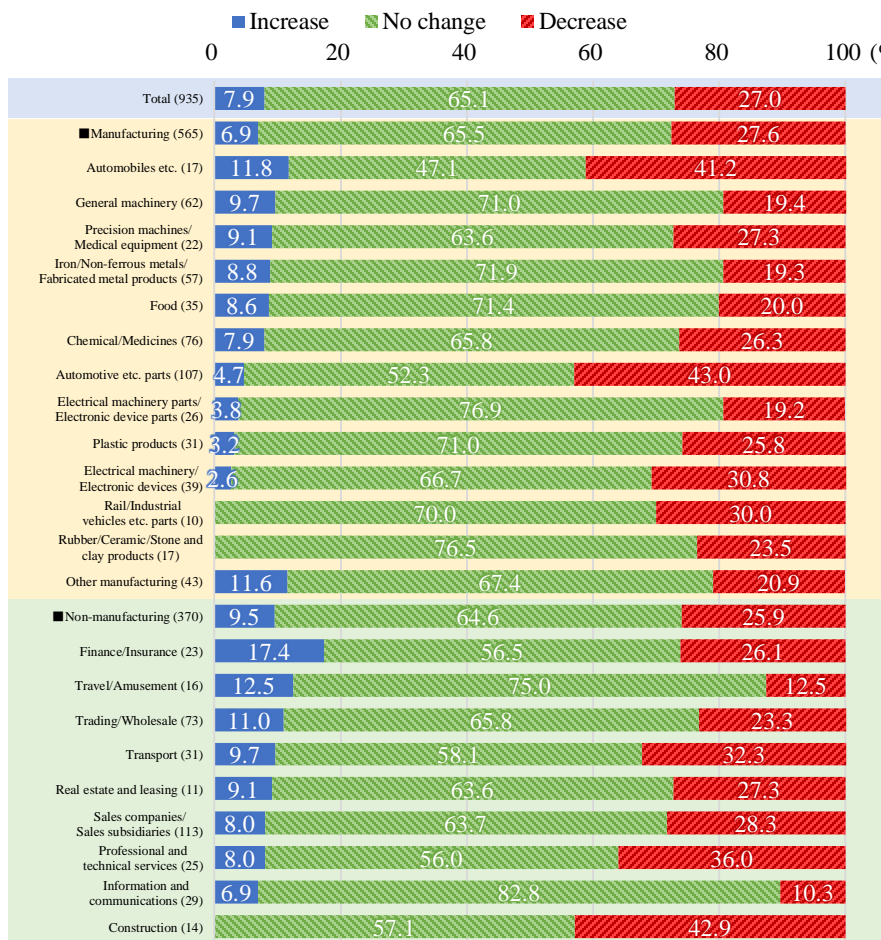
- Extend stays of expatriates (Automotive etc. parts)
- Apply for I-94 extension (Sales companies/Sales subsidiaries)
- Apply with the Immigration Services for I-129S extension (Automotive etc. parts)
- Extend visas by applying for emergency interviews (Electrical machinery/Electronic devices)
- Apply as an essential business (Construction)
- Previously used both L and E visas, but will only use E visas (Chemical/Medicines)
- The outlook of obtaining an L-1 visa is poor for a prospective expatriates; considering switching the application to an E-2 visa (Automobiles, etc.)
- Switch from L visas to E visas or temporary duty visas, etc. (Electrical machinery/Electronic devices)
- Staying in touch with a lawyer, moving forward with L-1 visa renewals (Sales companies/Sales subsidiaries)
- Suspend J-1 visa personnel exchanges for now (Automotive etc. parts)
- Postpone appointments and stop sending expatriates (Chemical/Medicines)
- Reassess plans for Japanese expatriates and promote use of local personnel (Automotive etc. parts)
- Increase local hiring but cannot be addressed 100% (Iron/Non-ferrous metals/Fabricated metal products)

5. Change in Number of Expatriates from Japan (Over the Past Year): “Decreased” Reported by Nearly 30%

With regard to changes in the number of expatriates from Japan in the past year, 65.1% of respondents said there had been “no change”, while 27.0% answered that the number had “decreased”. Looking at this by industry, we see that the proportion of companies that “decreased” the number of expatriates from Japan exceeded 40% in Automotive etc. parts (43.0%), Construction (42.9%) and Automobiles, etc. (41.2%).

Changes in Number of Expatriates from Japan (Change over Past Year, By Industry)

Trends in Changes in Number of Expatriates from Japan over the Past Year



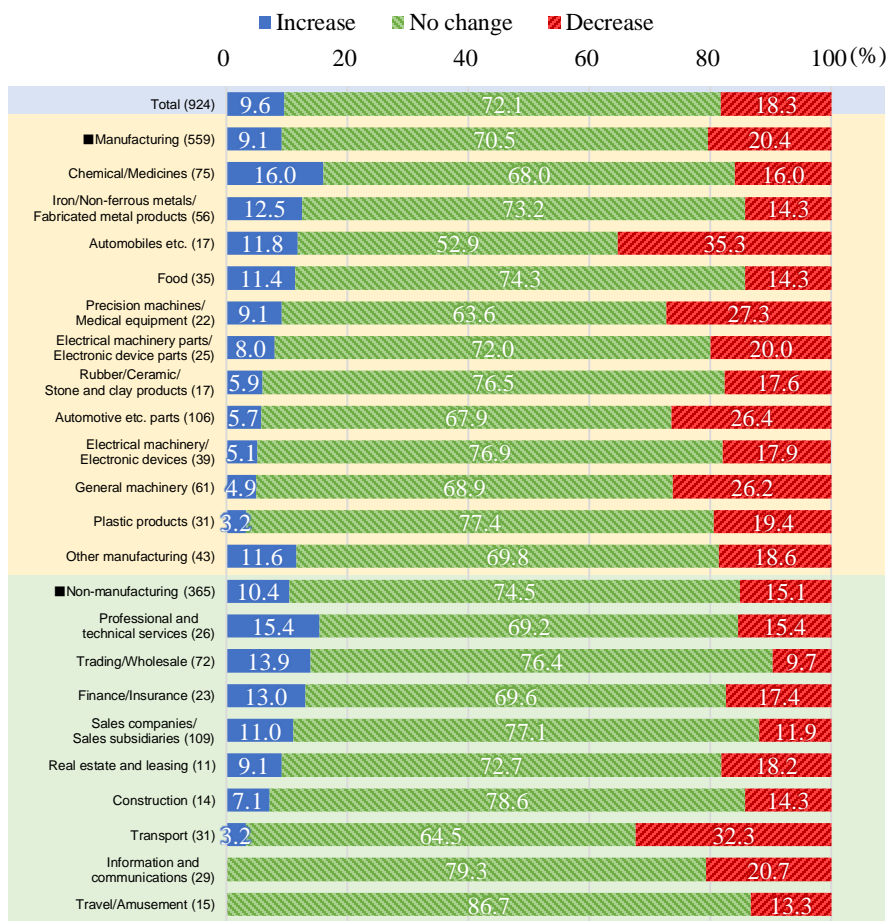
(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

(Note) No survey was conducted in 2004. This question was not asked in 2008.

5. Change in the Number of Expatriates from Japan (Plans Going Forward): 72.1% Plan “No Change”

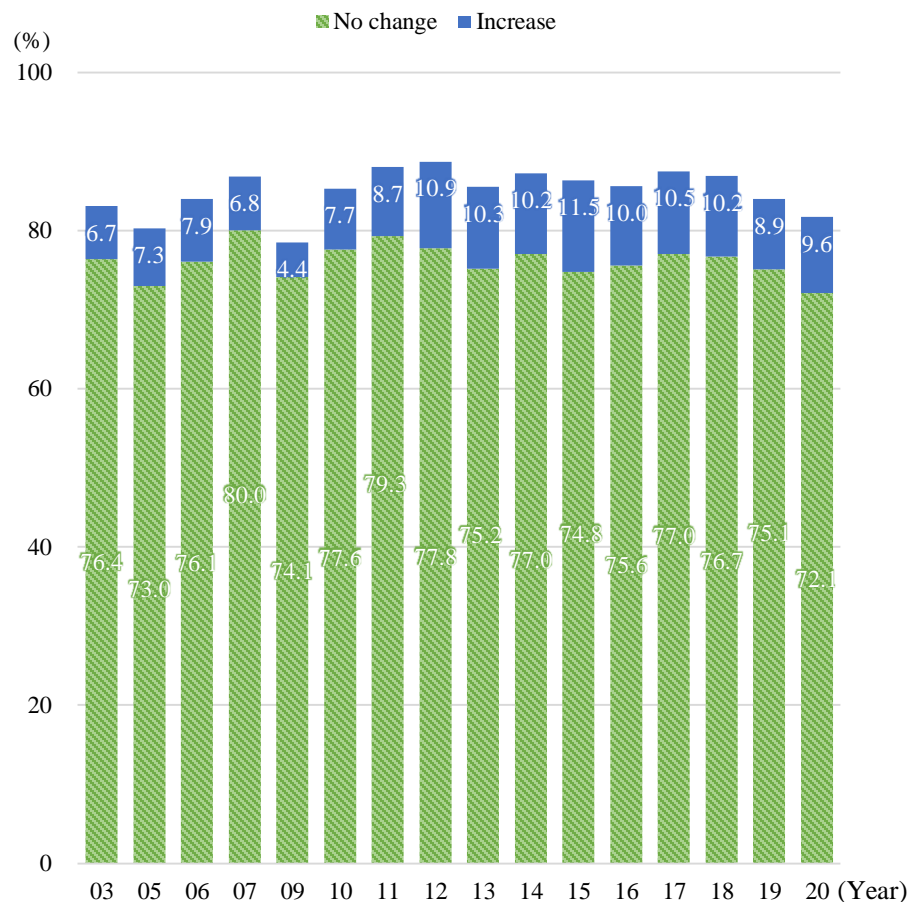
As for plans going forward, the percentage who replied “no change” in the number of expatriates from Japan going forward accounted for 72.1%, followed by 18.3% that planned “decrease.” By industry, the percentage of companies that were planning to “decrease” the number of expatriates from Japan exceeded 30% in the Automobiles, etc. (35.3%) and Transportation (32.3%).

Changes in Number of Expatriates from Japan (Plans Going Forward, By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Trends in Projected Number of Expatriates from Japan

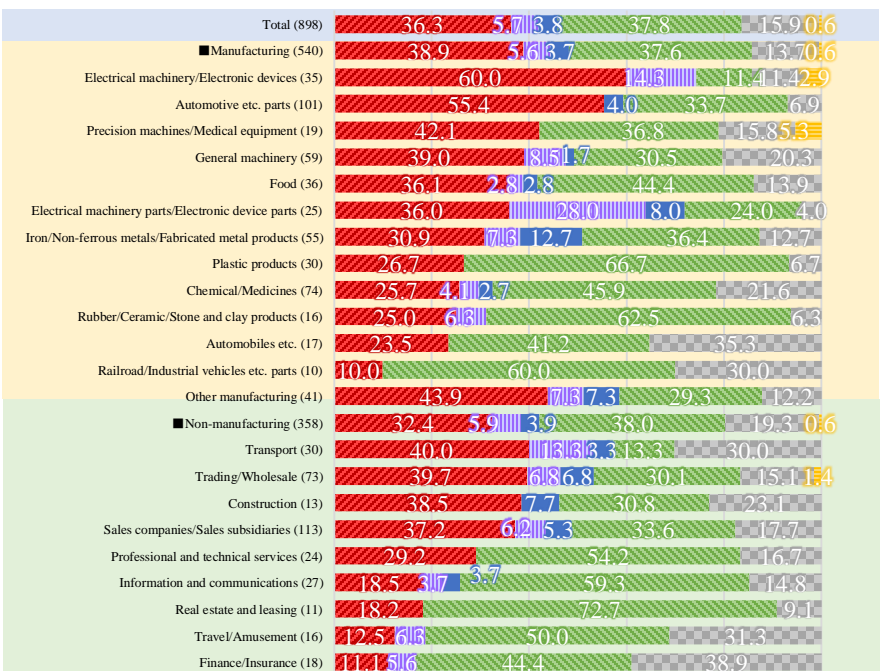
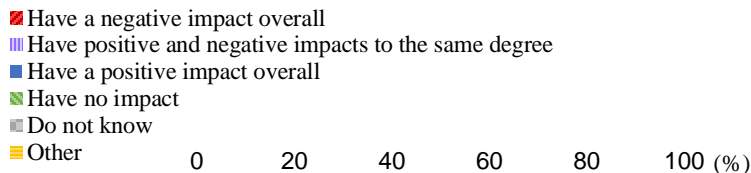


(Note) No survey was conducted in 2004.

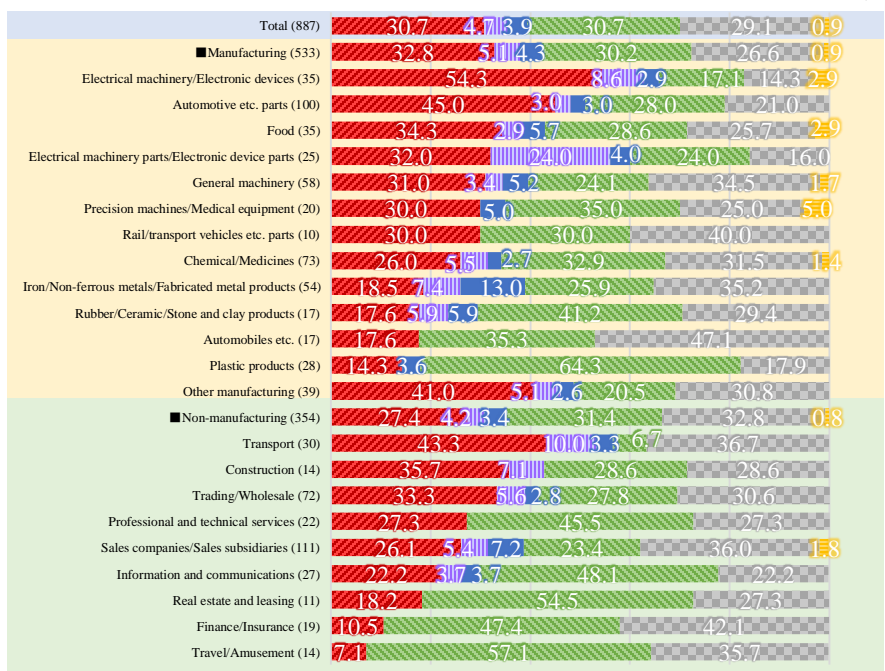
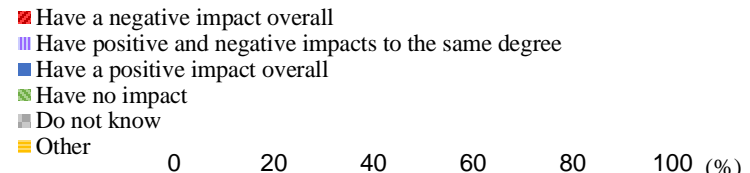
6. Impact of Changes in Trade Environment: 42% of Respondents Report Negative Impact

In terms of the impact from changes in the trade environment on their 2020 earnings, 36.3% said “negative impact overall” (previous survey: 40.8%) and 5.7% said “negative and positive impacts have been about equal” (previous survey: 9.7%), meaning a combined 42.0% (previous survey: 50.5%) were negatively affected to a degree. “No impact” was cited by 37.8%, up 16.8 points from the previous survey (21.0%). By industry, the percentage of respondents that said “negative impact overall” was highest for Electrical machinery/Electronic devices (60.0%) and Automotive etc. parts (55.4%), exceeding 50%. As for the impact of changes in the trade environment on earnings two to three years from now, “negative impact overall” and “no impact” were the top answers with 30.7% each, followed by “don’t know” at 29.1%.

Impact From Changes in Trade Environment on 2020 Earnings



Impact From Changes in Trade Environment on Earnings 2-3 Years from Now

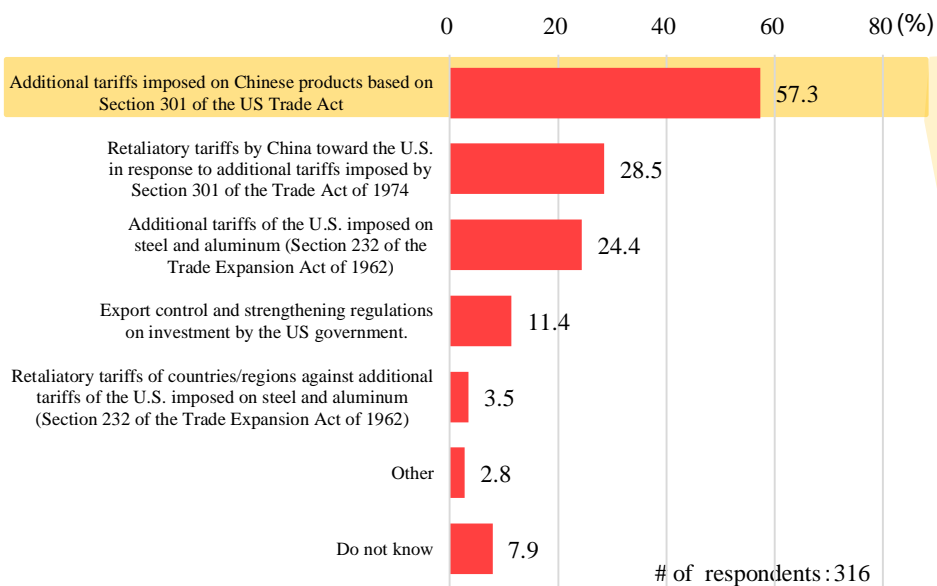


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

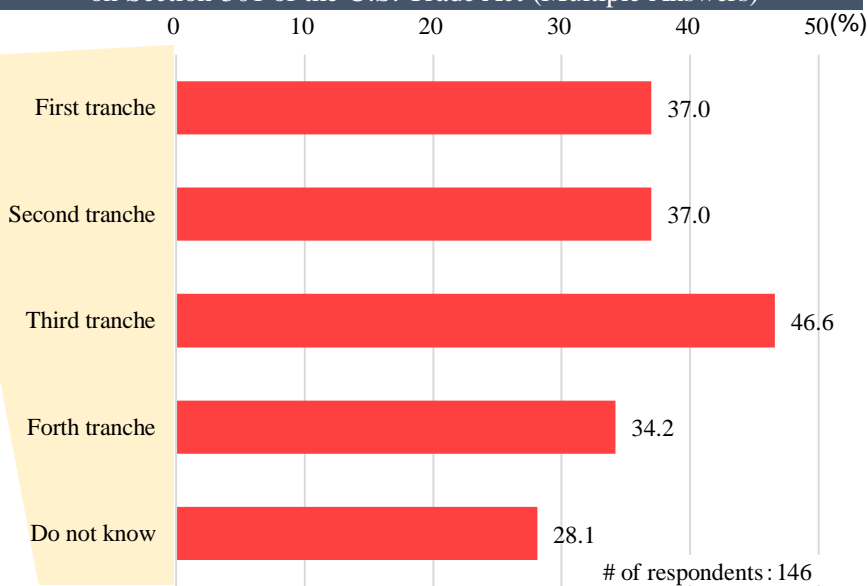
6. Impact By Policy: “Additional Tariffs Imposed on Chinese Products Based on Section 301 of the U.S. Trade Act” Sited by Majority

Out of the respondents that cited a “negative impact overall”, 57.3% (previous survey: 52.3%) named specifically as the most impactful policy the “additional tariffs imposed on Chinese products based on Section 301 of the U.S. Trade Act,” while 28.5% (previous survey: 23.9%) said China’s retaliatory tariffs against the U.S.” and 24.4% (previous survey: 42.4%) said “additional tariffs of the U.S. imposed on steel and aluminum.” By round, the third round of “additional tariffs imposed on Chinese products based on Section 301 of the U.S. Trade Act” was the most impactful with 46.6%, with the first and second rounds mentioned by 37.0% each and the fourth round cited by 34.2%. By industry, “additional tariffs imposed on Chinese products based on Section 301 of the U.S. Trade Act” was a top answer for Transportation (75.0%), Automotive etc. parts (67.9%) and Trading/Wholesale (66.7%).

Specific Policies Having Negative Impact (Multiple Answers)



Breakdown of Additional Tariffs Imposed on Chinese Products Based on Section 301 of the U.S. Trade Act (Multiple Answers)



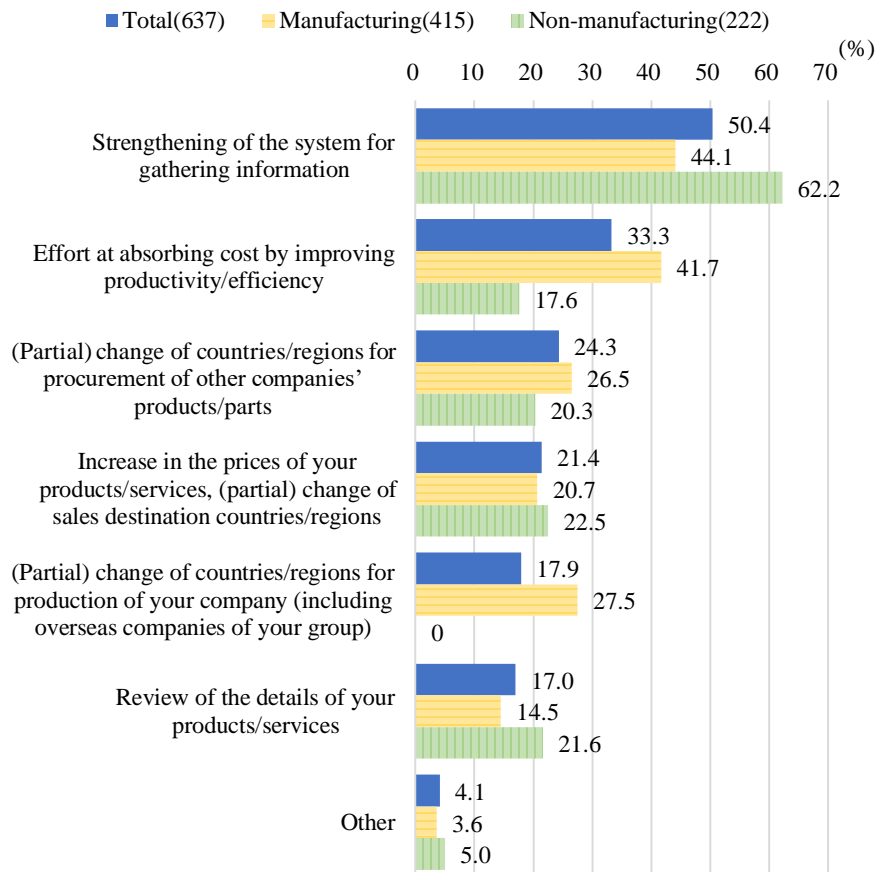
Adverse Effects (Free Description)

- Up to 25% of tariffs are imposed on imported goods from Chinese plants (Sales companies/Sales subsidiaries)
- Rising tariffs on parts imported from China and the resulting rises in prices on domestic materials (Automobiles, etc.)
- High tariffs are driving the move to use procurement sources only within the U.S. (Iron/Non-ferrous metals/Fabricated metal products)
- Had planned to import parts from China but quickly withdrew the plan (Automotive etc. parts)
- Tariffs worsened procurement prices, leading to earnings deterioration (Automotive etc. parts)
- The 25% rise in wholesale prices on Chinese goods sharply reduced sales opportunities in North America (Sales companies/Sales subsidiaries)
- Tariffs on imports from China, cost for switching to procurement in North America (Automotive etc. parts)
- Procurement from China etc. is taking longer transport time, and making shipment schedule unclear (Iron/Non-ferrous metals/Fabricated metal products)
- Section 232 of the Trade Expansion Act increased costs on imported steel and semi-finished products (Professional and technical services)
- The federal ban on procurement from companies using products of 5 Chinese companies and Chinese-bound export restrictions are having an impact on sales of our products and our procurement (Electrical machinery/Electronic devices)
- Surging prices on products and complication of import operations (Sales companies/Sales subsidiaries)
- Termination of India’s GSP status substantially increased tariff burden (Other manufacturing)

6. Measures for Changes in Trade Environment: Half of Respondents “Strengthening the System for Gathering Information”

When asked about measures considered or taken for handling changes in the trade environment, “strengthening of the system for gathering information” was the top answer for both manufacturers (44.1%) and non-manufacturers (62.2%). This was followed by, among manufacturers, “effort at absorbing cost by improving productivity/efficiency” (41.7%) and “(partial) change of countries/regions for production of your company (including overseas companies of your group)” (27.5%); among non-manufacturers, “increase in the prices of your products/services, (partial) change of sales destination countries/regions” (22.5%) and “Review of the details of your products/services” (21.6%).

Measures for Changes in Trade Environment (Multiple Answers)



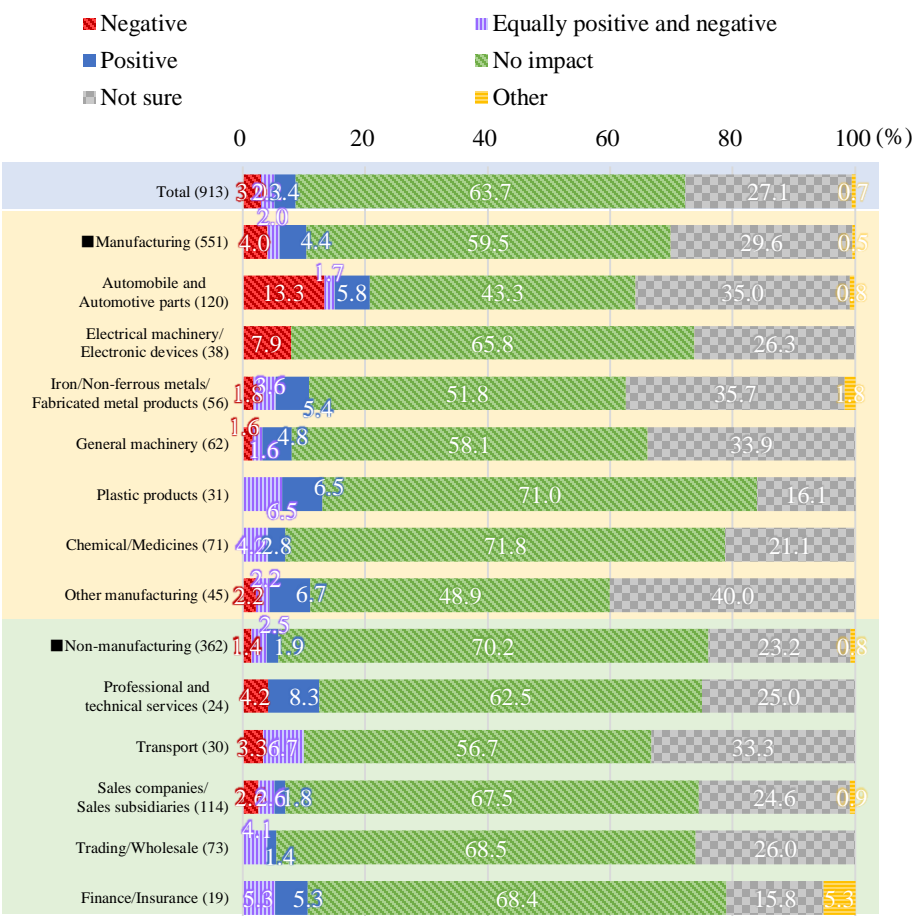
Specific Countermeasures (Free Description)

- Step up information-sharing among affiliate companies (Trading/Wholesale)
- Build a project team, tapping external lawyers as well (Information and communications)
- Gather information concerning relocation of customer production bases (Precision machines/Medical equipment)
- Use export control consultant (Education/Medical)
- Use Japan’s manufacturing technology (Chemical/Medicines)
- Robot-based automation and other steps for using fewer workers (Iron/Non-ferrous metals/Fabricated metal products)
- Automation, energy-saving and cycle improvement (Plastics products)
- Procurement process improvement (General machinery)
- Enter downstream processes (Iron/Non-ferrous metals/Fabricated metal products)
- ERP system deployment (General machinery)
- Facilities update for production capacity maximization (Chemical/Medicines)
- Increase procurement from places other than China (General machinery)
- Consider procurement from the ASEAN region (Automotive etc. parts)
- Switch procurement sources from China to Taiwan (Trading/Wholesale)
- Leave China and shift to local procurement for materials and facilities (Automotive etc. parts)
- Switch purchases from Chinese goods to Japanese goods (Trading/Wholesale)
- Change procurement sources from China to Thailand and Japan (Electrical machinery/Electronic devices)
- Shift portion of raw materials from China to India (Chemical/Medicines)
- Step up local-production, local-consumption supply chain management (Trading/Wholesale)
- Switch suppliers from China to Mexico (Automotive etc. parts)
- Collect information on parts that can be procured within the U.S. (General machinery)
- Tack on the tariff increase portion to sales prices (Automotive etc. parts)
- Branch out to Mexico and other countries and release high added-value products (Sales companies/Sales subsidiaries)
- Find customers in Central and South America and Asia (Agriculture/Forestry/Fisheries)
- Move portion of production from China to Thailand and Romania (Electrical machinery/Electronic devices)
- Change to supply from Mexican, Vietnamese and Japanese plants (Automotive etc. parts)
- Production at group companies in the ASEAN region to lower manufacturing costs (Automotive etc. parts)
- Launch Indian and Vietnamese locations (Iron/Non-ferrous metals/Fabricated metal products)
- Beef up aftermarket service network (Sales companies/Sales subsidiaries)
- Step up lobbying of U.S. federal government and Congress members (Trading/Wholesale)
- Consider the “first sale” scheme (Chemical/Medicines)

6. Impact of USMCA: Automobiles and Automotive Parts etc. Concerned About Negative Effect

With regard to the impact of the U.S.-Mexico-Canada Agreement (USMCA), the percentage of respondents saying “no impact” increased 6.3 points from the previous survey to 63.7%, while “don’t know” was down 3.6 points to 27.1%. The percentage for a “negative effect” declined 0.9 point from the previous survey to just 3.0%, but it was 13.3% for automobiles and automotive parts etc., higher than other industries.

Effects of USMCA Implementation



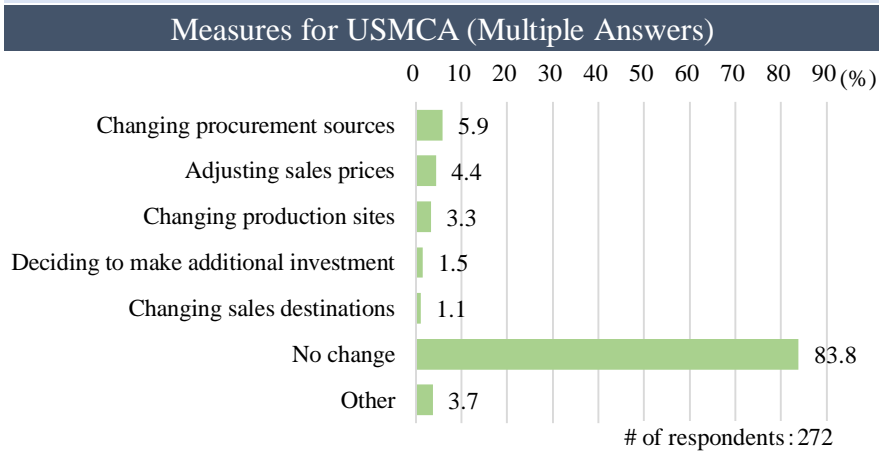
(Note) This chart lists only the industries for which valid responses were received from at least 10 companies and which have been negatively affected.

Specific Effects (Free Description)

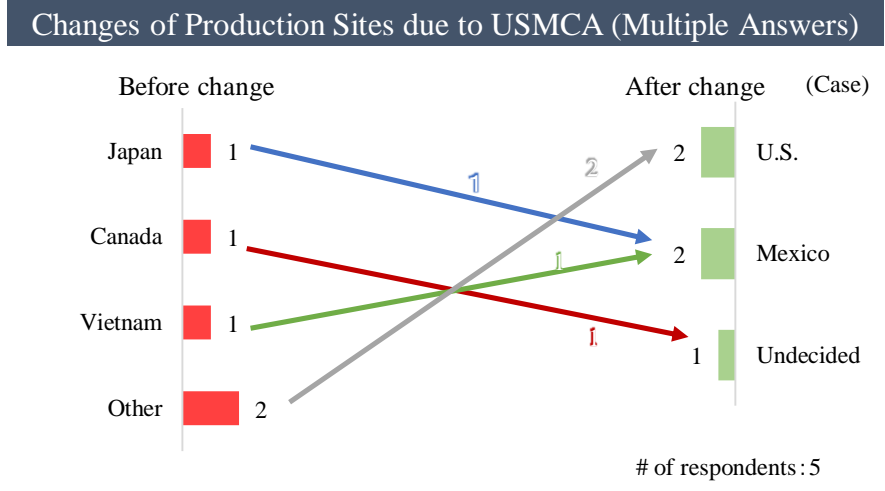
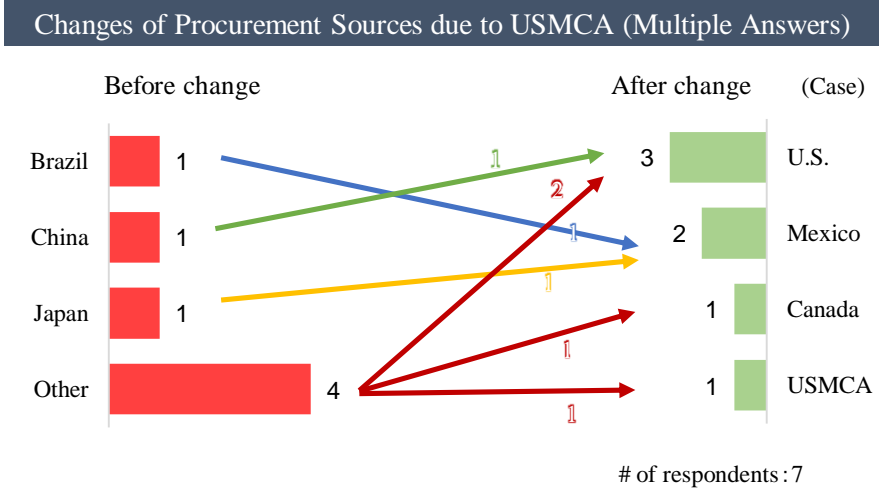
- Sales to Mexican assembly plants will increase (Automotive etc. parts)
- An increase in customers desiring U.S. production is expected to lift orders (Automotive etc. parts)
- Increase in inquiries for automation prompted by rising wages in Mexico (General machinery)
- Higher tariffs on imports from Mexico (Automotive etc. parts)
- Production costs are expected to increase at Mexican customers, and seeking to lower production costs, they will likely ask us to cut prices on our products (Automotive etc. parts)
- Potentially unable to clear the exemption standards for automotive related products (Electrical machinery/Electronic devices)
- Potentially lose orders as customers may change procurement sources (to switch to locally produced products) (Sales companies/Sales subsidiaries)
- Currently we don't have production in North America; expansion of procurement within North America would pose a serious threat to sales (Other manufacturing)
- Increase in goods produced within the bloc will have an impact on exports from Japan (Professional and technical services)
- An overhaul of production sites by primary automakers may have an impact (Iron/Non-ferrous metals/Fabricated metal products)
- Depending on to what extent customers want LVC compliance, labor costs may be impacted (Automotive etc. parts)
- Not sure at this point whether automakers and customers manufacturing in Mexico will bring production back to the U.S. (Automotive etc. parts)
- In light of the impact of the spread of Covid-19, moves for capital investments, chiefly in production facilities, after the agreement are not yet clear (Construction)
- OEM procurement strategies and proportion policy down to the parts level are not clear (Other manufacturing)

6. Measures for USMCA: Respondents Making “No Change” Increase Drastically

Regarding measures for USMCA, those who said “no change” increased 41.4 points from the previous survey to 83.8% (a majority). The top answer to Specific Countermeasures for USMCA was “changing production sources” at 5.9%, followed by “adjusting sales prices” at 4.4% and “changing production site” at 3.3%. In general, these numbers were lower than the previous survey. After USMCA took effect in July and details of the Uniform Regulations for the rules of origin became clear, companies concluding that they did not need to make any change apparently increased in number. As the local production, local consumption model within the North American market gains momentum, a certain number of companies said they were moving procurement sources or production sites from other countries to within the North American bloc.



- ### Specific Countermeasures (Free Description)
- Negotiate with customers about passing tariff portion (General machinery)
 - Pass on the cost increase portion on parts imported from Mexico (Automotive etc. parts)
 - Consider building a new factory due to sales channel expansion (Iron/Non-ferrous metals/Fabricated metal products)
 - Freeze capital investments in the U.S. (Transportation)
 - Change production sites to lower sales prices (General machinery)
 - To meet the rules of origin, changed supplier countries for a portion of materials and parts (Automobiles, etc.)
 - Customers want to production moved to within the USMCA bloc, and this has prompted consideration of increasing U.S. production for USMCA-origin status (Chemical/Medicines)
 - Keeping in mind the rules of origin for steel products, plan to change procurement sources from Mexico to the U.S. to avoid risk (Trading/Wholesale)
 - With the current production and procurement structure, there is a possibility of nonsatisfaction of RVC75% for one item; thus pursue local production and procurement in Mexico (Automotive etc. parts)



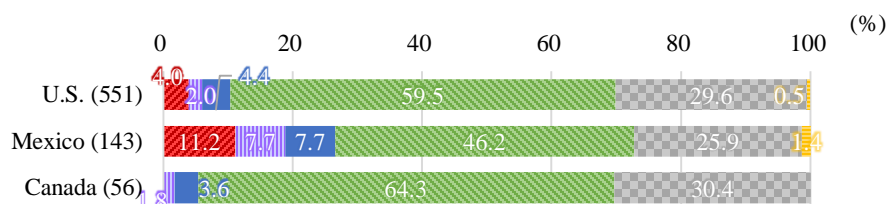
6. Impacts of USMCA on the Three Countries: The Most Respondents Cited “Negative Effects” in Mexico (11.2%)

Regarding the effects of USMCA, we compared our survey results with those of surveys separately conducted for Mexico and Canada, and found that the percentage of respondents that cited “negative effects” was the highest in Mexico at 11.2%, whereas it was 4.0% in the U.S. and 0% in Canada. In all the three countries, fewer companies reported negative effects from the previous survey and those answering “no effects” increased substantially. If we look by industry at the percentages of companies that reported negative effects, for Automobile and Automotive parts etc., the percentages were higher in Mexico (14.3%) and U.S.(13.3%). In addition, the highest proportion of respondents citing negative effects in Mexico were 21.4% by those in Iron/Non-ferrous metals/Fabricated metal products and 15.4% by those in Plastic products.

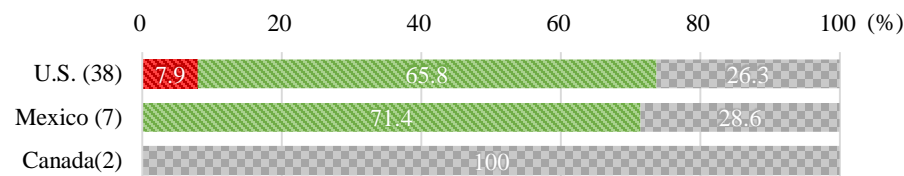
Degree of Impact from the Enactment of USMCA (U.S., Mexico and Canada)

■ Negative
 ■ Equally positive and negative
 ■ Positive
 ■ No impact
 ■ Not sure
 ■ Other

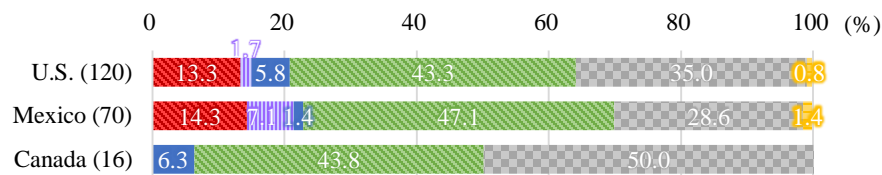
Manufactures



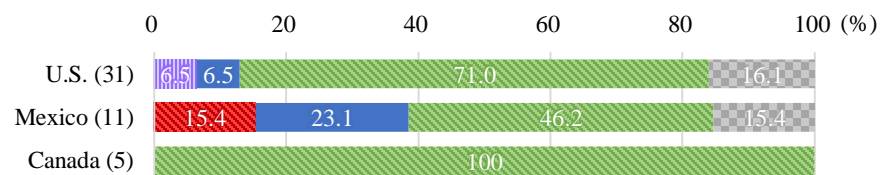
Electrical machinery/Electronic devices



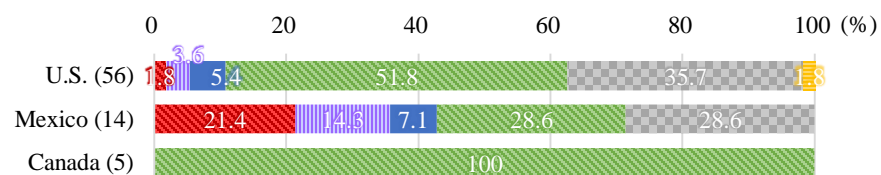
Automobile and Automotive parts etc.



Plastic products



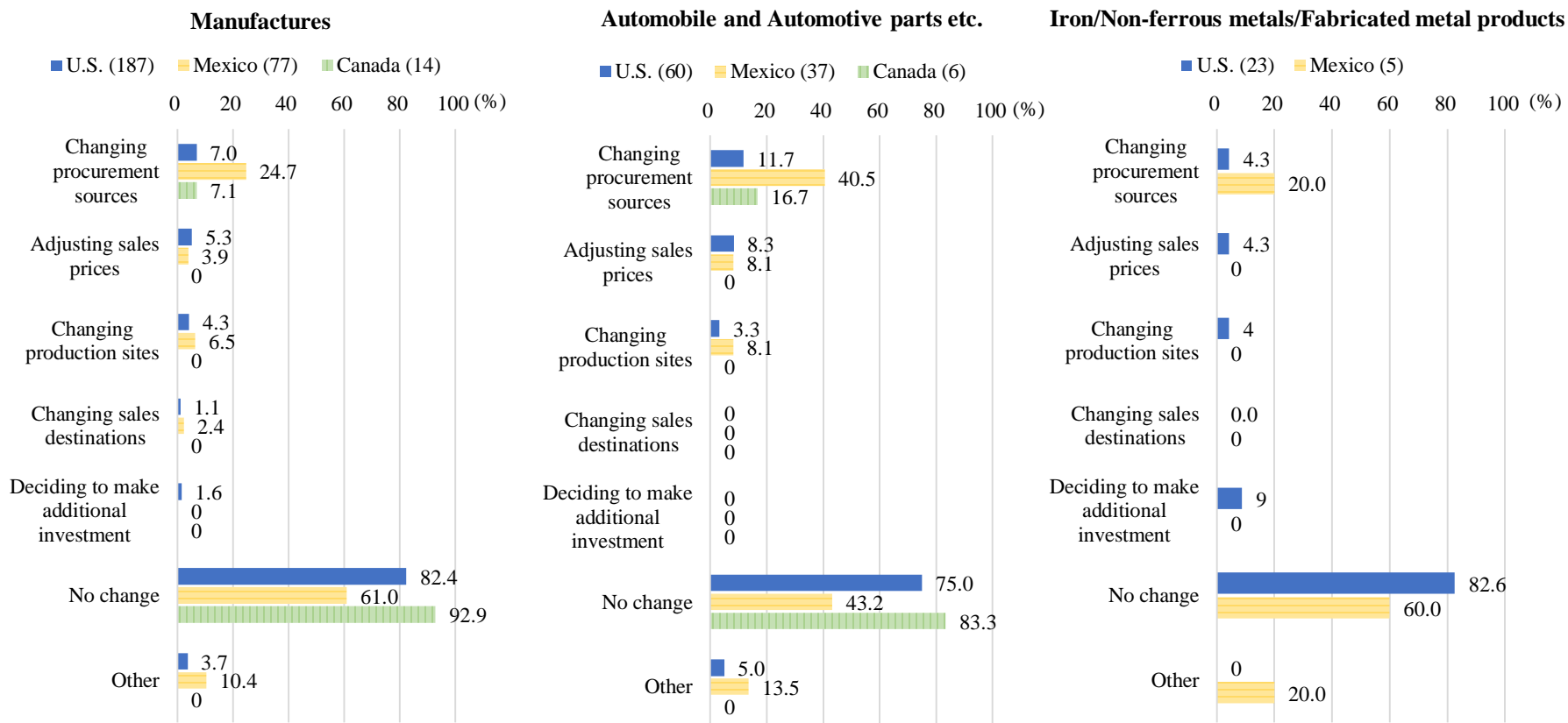
Iron/Non-ferrous metals/Fabricated metal products



6. Measures for USMCA in the Three Countries: Changes to Procurement Sources Made by 24.7% of Respondents in Mexico

Regarding measures for USMCA, we compared our survey results with those of the surveys separately conducted for Mexico and Canada. This showed that among manufacturers, “no change” accounted for approximately 60-90% of all responses (Canada: 92.9%; U.S.: 82.4%; Mexico: 61.0%), while “changing procurement sources” was cited most in Mexico (24.7%), and “changing production sites” was highly cited in Mexico (6.5%) and the U.S. (4.3%). When viewed by industry, changing to procurement sources were mostly highly cited in Mexico by respondents in Automobile and automotive parts etc. (8.3%) and likewise in Mexico by respondents in Automobiles and automotive parts etc. (8.1%).

Measures for USMCA (U.S., Mexico, Canada; Multiple Answers)



— Canada —
(31st Annual Survey)

Overview of FY 2020 Survey

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese companies operating in Canada, and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations

Survey Period

September 10-30, 2020

Percentage of valid responses

83.1%
(147 out of 177 companies)

Scope of Survey

Japanese manufacturers and non-manufacturers operating in Canada that are at least 10% owned by a Japanese parent, directly or indirectly.

Note

This is the 31st annual survey, conducted since 1989 (not conducted in 2004).

Respondents by Industry and Region

(Unit: company, %)

		Total	Composition Ratio		
All Industries		147	100		
By Industry					
Manufacturing	Total	Comp. Ratio	Non-Manufacturing	Total	Comp. Ratio
Automotive etc. parts	14	9.5	Trading/Wholesale	22	15.0
Food	7	4.8	Sales companies/Sales subsidiaries	19	12.9
General machinery	6	4.1	Information and communications	11	7.5
Iron/Non-ferrous metals/Fabricated metal products	6	4.1	Mining/Energy	9	6.1
Plastic products	5	3.4	Travel/Amusement	8	5.4
Precision machines/Medical equipment	3	2.0	Transport	4	2.7
Rubber/Ceramic/Stone and clay products	2	1.4	Finance/Insurance	2	1.4
Chemical/Medicines	2	1.4	Professional and technical services	2	1.4
Electrical machinery/Electronic devices	2	1.4	Retail trade	2	1.4
Automobiles etc.	2	1.4	Real estate and leasing	2	1.4
Railroad/Industrial vehicles etc.	1	0.7	Education/Medical	1	0.7
Railroad/Industrial vehicles etc. parts	1	0.7	Construction	1	0.7
Other manufacturing	8	5.4	Other non-manufacturing	5	3.4
Total	59	40.1	Total	88	59.9

- (1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
- (2) The firms that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
- (3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
- (4) In cases where the denominator of the number of respondents for a given field did not meet a certain number, that industry/field was excluded from the chart.

Breakdowns of Respondents and Their Main Plants, Their Establishment Years, Number of Locations, and Number of Plants

Respondents and the Provinces Where Their Main Plants are Located

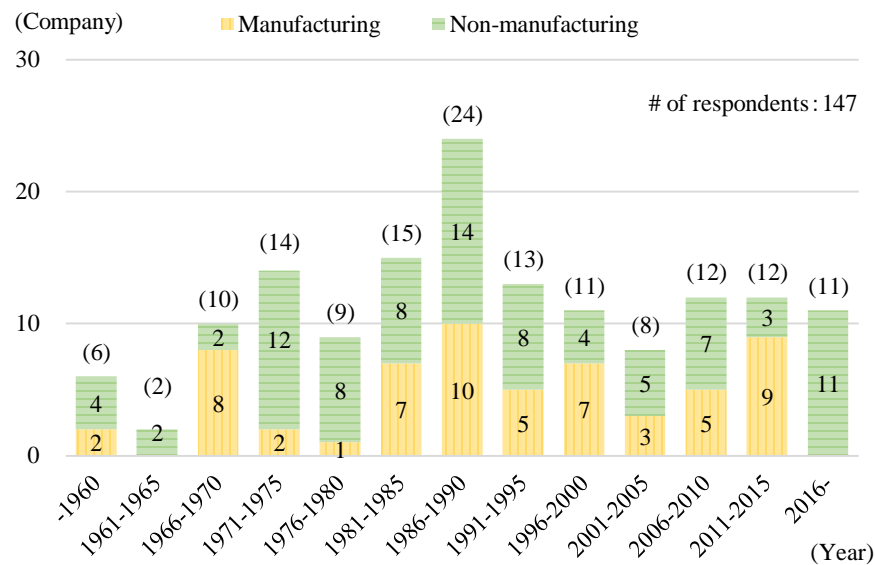
Number of Respondents	Provinces Where Respondents are Located			Provinces of their Main Plants
	Manufacturing	Non-manufacturing	All industries	All industries
	147			51
Province	Manufacturing	Non-manufacturing	All industries	All industries
Ontario	46	43	89	42
British Columbia	6	29	35	11
Alberta	2	9	11	4
Quebec	3	6	9	8
Manitoba	1	0	1	0
Saskatchewan	1	0	1	3
Nova Scotia	0	1	1	0
Total	59	88	147	68

(Note) For the main plants, responses were tabulated up to a maximum of four sites per company.

Breakdown of the Number of Respondent Sites

Respondents	109			
	Number of Companies			Number of Sites
Number of sites	Manufacturing	Non-manufacturing	All industries	Overall total
No sites	0	2	2	0
1	30	30	60	60
2	15	7	22	44
3	3	12	15	45
4	1	0	1	4
5	0	2	2	10
6-10	0	3	3	22
11 or more	0	4	4	85
Total	49	60	109	270

Respondents' Establishment Years



(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

Breakdown of the Number of Respondent Plants

Respondents	78			
	Number of companies			Number of plants
Number of plants	Manufacturing	Non-manufacturing	All industries	Overall total
No plants	6	29	35	0
1	31	3	34	34
2	6	1	7	14
3 or more	1	1	2	10
Total	44	34	78	58

Numbers of Employees and Expatriates from Japan: 56 and 1 (Median Value Per Company), Respectively

The 147 respondents had 32,307 employees in total, with the per-company average coming out to 220 employees and the median value at 56 employees. When we look at this by industry, among manufacturers, 27.1% (16 companies) said they had “51-100 persons”, with the median value being 75. Among non-manufacturers, 29.5% (26 companies) said they had “10 persons or fewer”, which was the highest percentage, while the median value came out to 33. Meanwhile, 143 respondents had a total of 332 expatriates from Japan (expatriates), with the per-company average being 2 and the median value being 1. Among manufacturers, 23.7% (11 companies) had only 1 expatriate, the median value being 2. The most common answer among non-manufacturers was also “1 person” at 35.2% (31 companies), and the median value was also 1 person.

Number of Employees: Average and Median Values

(unit: person)

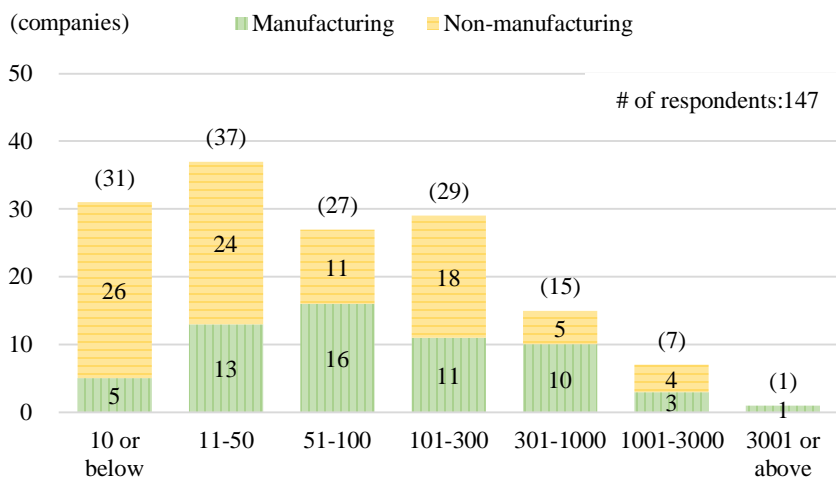
	Overall no. of employees	Average value	Median value
All industries (147)	32,307	220	56
Manufacturing (59)	16,992	288	75
Non-manufacturing (88)	15,315	174	33

Number of Expatriates from Japan: Average and Median Values

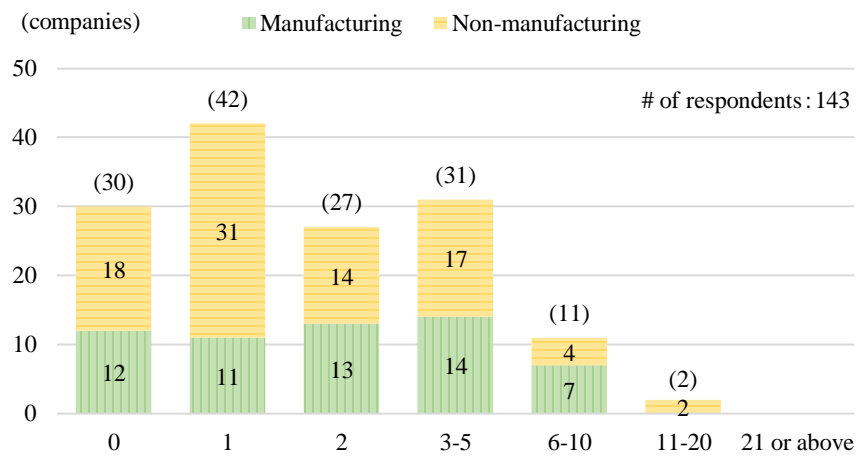
(units: person)

	Overall no. of expatriates	Average value	Median value
All industries (143)	332	2	1
Manufacturing (57)	143	3	2
Non-manufacturing (86)	189	2	1

Breakdown of Numbers of Employees by Industry



Breakdown of Numbers of Expatriates from Japan by Industry

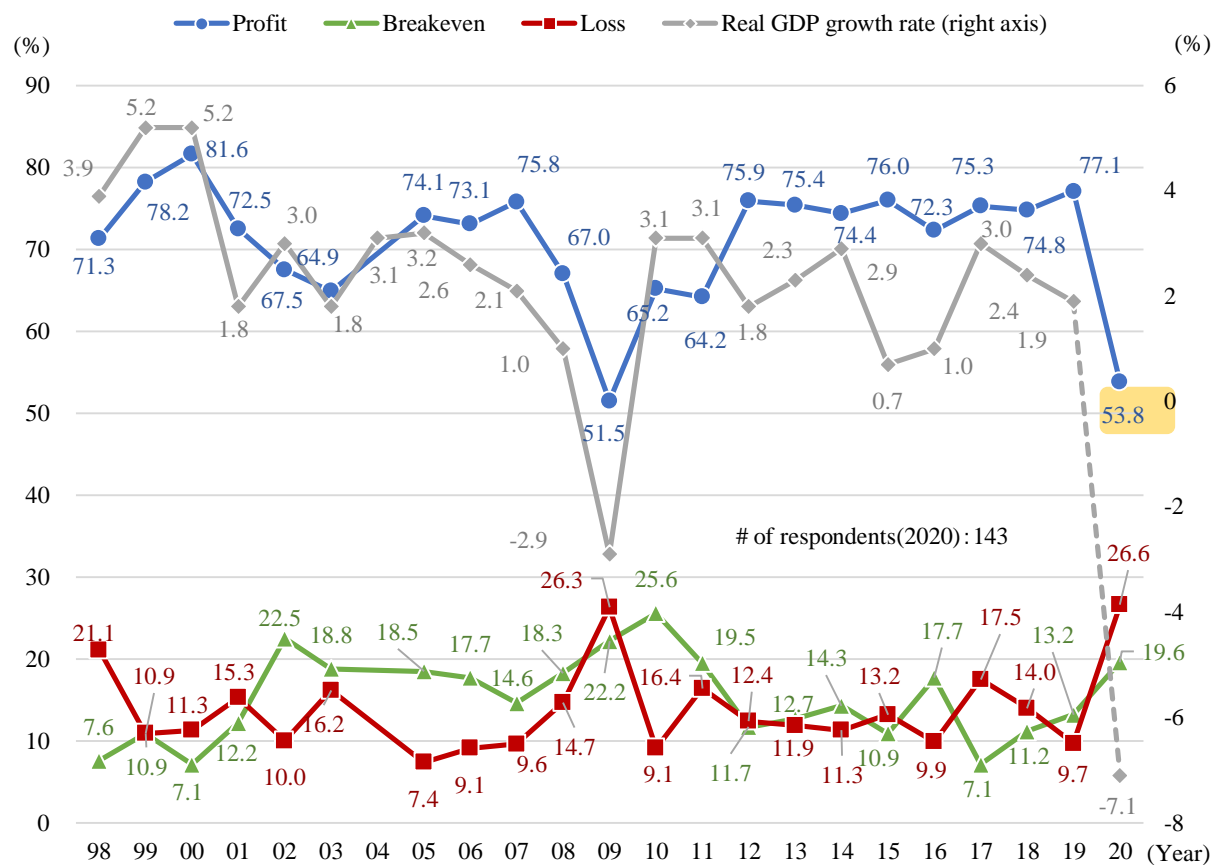


(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

1. 2020 Profit Forecast: 53.8% Said Profitable, Less Than 60% for First Time in 11 Years

For 2020, 53.8% of respondents expected to have a positive operating profit. This was 23.3% lower than in the prior year (77.1%), reflecting a major downturn in outlook. This was the first time in 11 years that the profit forecast percentage dipped below 60% since the 2009 survey (51.5%). When viewed by industry type, the results showed that 61.4% of manufacturers and 48.8% of non-manufacturers had this outlook. By region, 66.7%, i.e., nearly 70% of respondents in Quebec expected to be generate profits, but this outlook was shared by only 27.3% of respondents in British Columbia, where Travel/Amusement and Mining/Energy business operators are heavily concentrated.

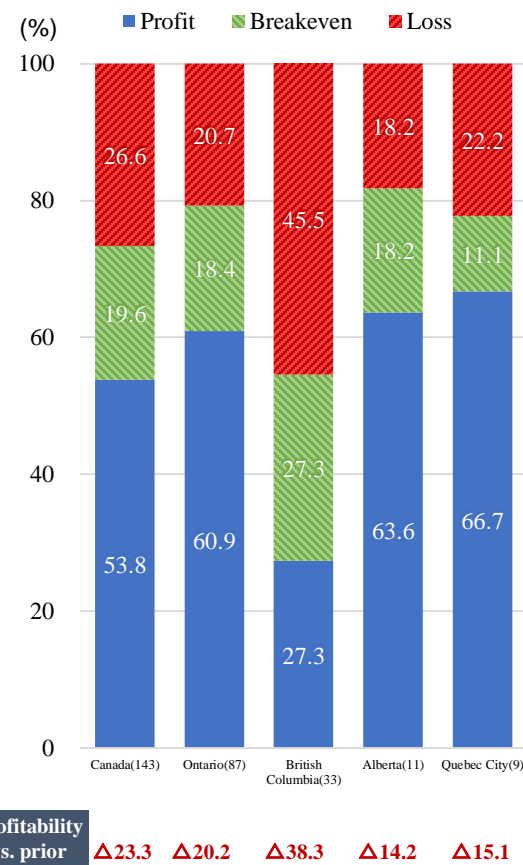
Operating Profit Forecasts and Canada's Real GDP Growth Rate



(Note) The 2020 real GDP growth rate reflects IMF predictions (published October 2020).

No survey was conducted in 2004.

2020 Operating Profit Forecast (By Region)

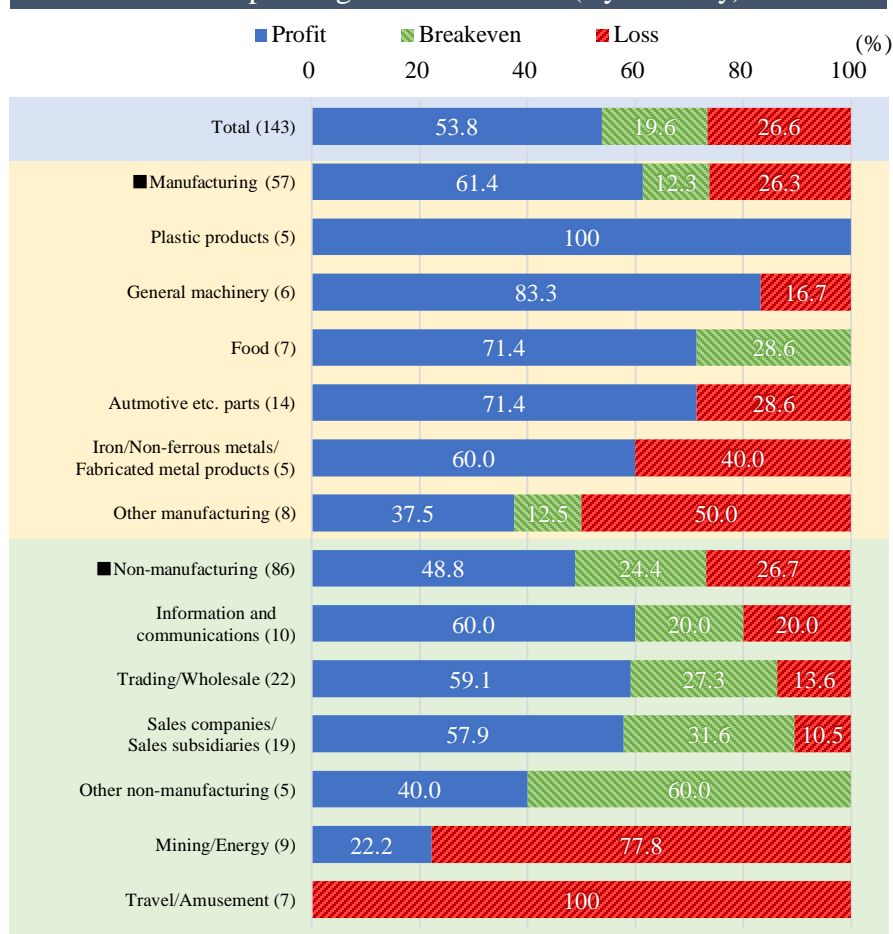


Profitability vs. prior year

1. 2020 Profit Forecast (By Industry): Travel/Amusement, Mining/Energy Businesses Stalled

Looking at the 2020 operating profit forecasts by industry, we see that among manufacturers, high percentages of respondents expected to generate profits in segments such as Plastic products (100%) and General machinery (83.3%), reflecting strong sentiment there. Among non-manufacturers, this outlook was shared by 60% of those in Information and Communications (60.0%) and Trading/Wholesale (59.1%), but by 0% of those in Travel/Amusement, while Mining/Energy business operators came in low at 22.2%.

2020 Operating Profit Forecasts (By Industry)



Factors Affecting Operating Profit Forecast (Free Description)

Companies expecting a profit

- Because of plant closures due to Covid-19, production was significantly down, but after the plants were back open, production numbers increased, so the loss was recovered to some extent (Automotive etc. parts)
- Quite a lot of items that were ordered by customers last year and have yet to be shipped. Personnel cuts etc. due to Covid-19 impaired production, but managed to maintain minimum operations as an essential business (Iron/Non-ferrous metals/Fabricated metal products)
- Sales grew dramatically due to outdoor-related demand after the lockdowns, because of staycations stemming from Covid-19 (Railroad/Industrial vehicles etc.)
- Even during the pandemic, the education business market was stable (Information and Communications)
- Cheap electricity costs, and stable raw material prices etc. (Trading/Wholesale)
- Received allowance from the Canada Emergency Wage Subsidy (CEWS) (Sales companies/Sales subsidiaries)
- PPE and project cargo shipments increased, and business trip expenses and entertainment expenses (indirect costs/direct costs) were significantly down due to Covid-19 (Transportation)

Companies expecting a loss

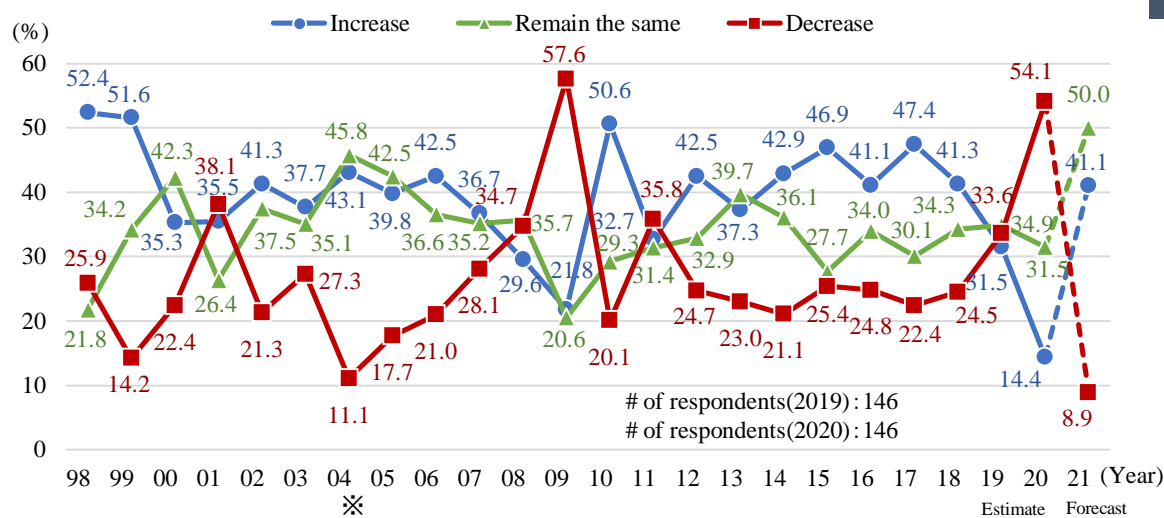
- Drop in production for the length of time that plants were shut down because of Covid-19 and due to business restructuring (Automotive etc. parts)
- Timber market conditions and soaring prices (Other manufacturing)
- Planned sales volumes could not be secured due to the drop in the price of coal and the impact of Covid-19 (Other manufacturing)
- Travel restrictions and isolation measures in Canada and Japan due to Covid-19 (Travel/Amusement)
- The drop in oil prices (Mining/Energy)
- Lower price competitiveness for sales to Japan in the North American market; lower demand for North American products and raw timber in Japan (Trading/Wholesale)
- Store closures and fewer customers due to Covid-19 (Sales companies/Sales subsidiaries)
- With the spread of Covid-19, the travel and arrival of expatriates, researchers, and doctors etc. from Japan is significantly postponed (Real estate/Leasing)

(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

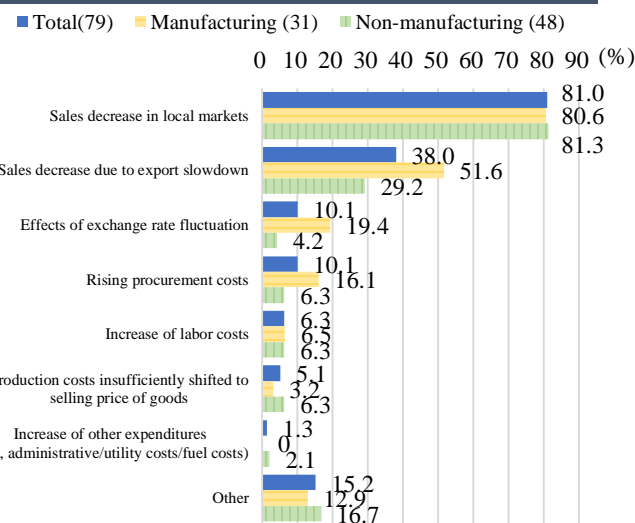
1. DI for Business Sentiment: Major Deterioration From the Prior Year at -39.7; 2021 Forecast Predicts Rebound

The diffusion index (DI) for business sentiment (the difference between the rates of improvement and deterioration) in 2020 stood at -39.7, reflecting a deterioration of 37.6 points from the previous year. Respondents expecting a “decrease” in their operating profit for 2020 made up 54.1% of all surveyed, up 20.5 points from the prior year (33.6%), while those anticipating an “increase” accounted for 14.4% of all respondents, down 17.1 points from the prior year (31.5%). As their main reason for such deterioration, 59.6% of respondents cited “sales decrease in local markets.” The DI predicting business sentiment for 2021 was 32.2, while the percentage of companies expecting a “decrease” in their operating profit fell to 8.9%.

Year-Over-Year Operating Forecast Profit Changes

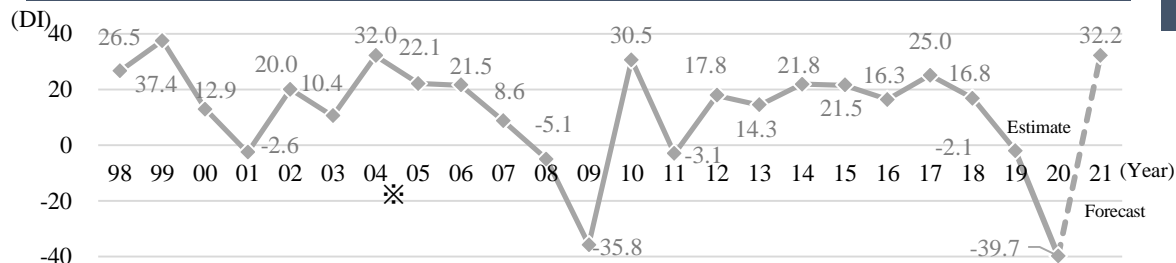


Reasons for Decreased Operating Profit Forecast for 2020 (Multiple Answers)



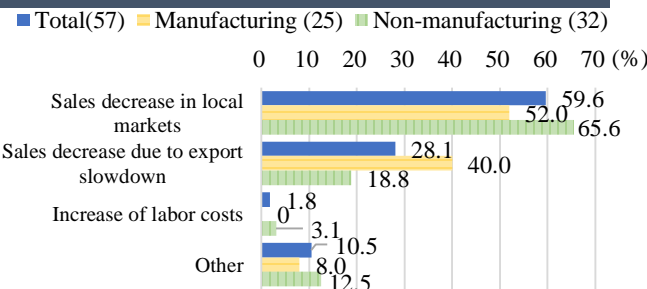
(Note) This chart only shows the top items.

Business Sentiment DI Trends



*Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey.

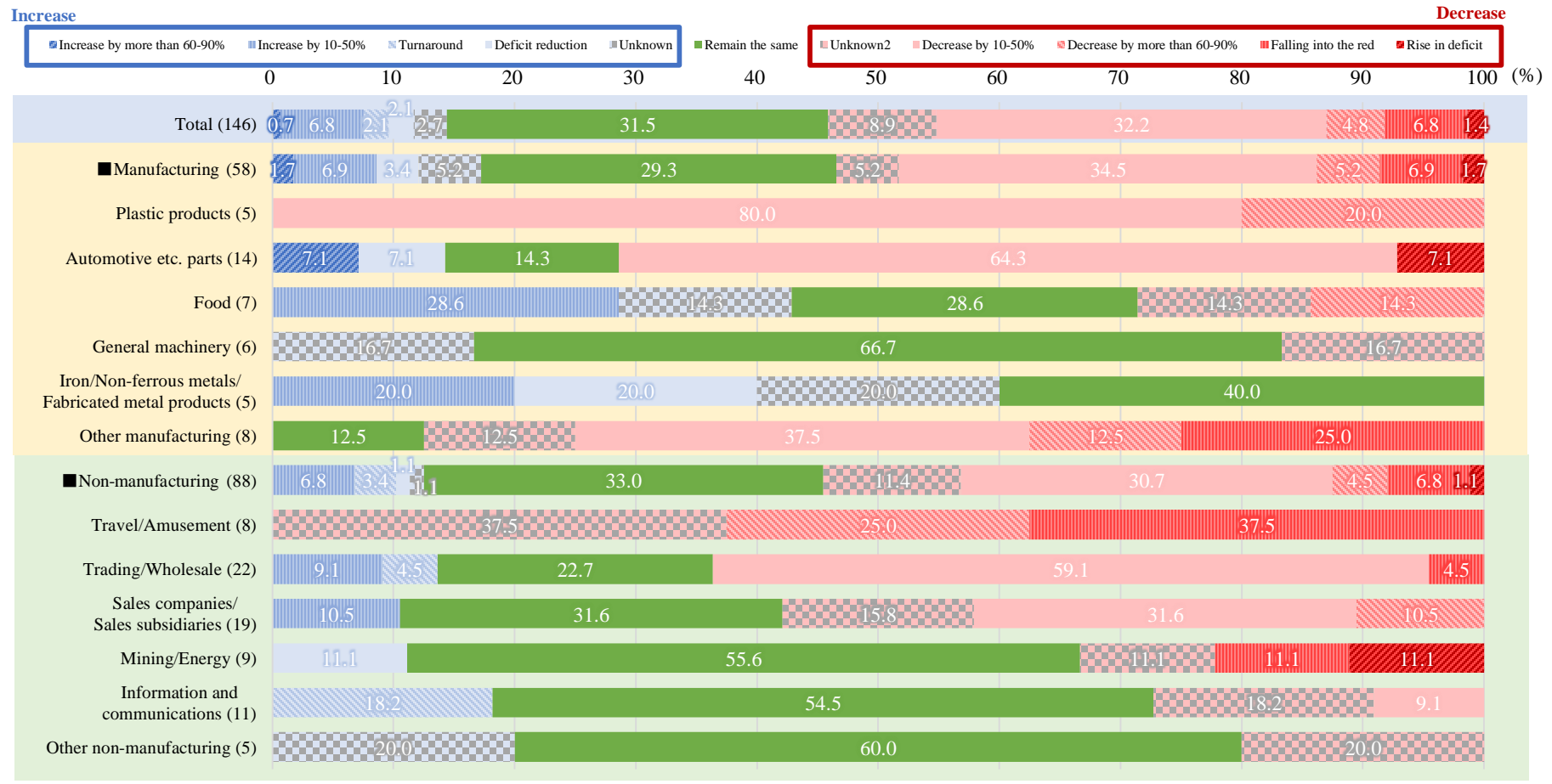
Reasons for Decreased Operating Profit Forecast for 2020 (Main Reason)



1. 2020 Profit Forecast : Regarding Year-on-Year Fluctuation, Approximately 30% of All Respondents Said “10-50% Lower”

With regard to year-on-year fluctuations in the operating profit forecast for 2020, 32.2% of respondents replied “10-50% lower”, followed by 31.5% whose answers were unchanged from 2019. Looking at this by industry, we see that among manufacturers, all involved in Plastic products replied “decrease” in their operating profit forecasts, with 80.0% citing a fluctuation of “10-50% lower”, while the remaining 20.0% said “60-90% lower”. Among non-manufacturers, those in the Travel/Amusement industry all had “decrease” for their operating profit forecasts, with 37.5% expecting to post deficits, and 25.0% predicting profits to be “over 60-90% lower”.

Year-on-Year Fluctuation in 2020 Operating Profit Forecast (By Industry)

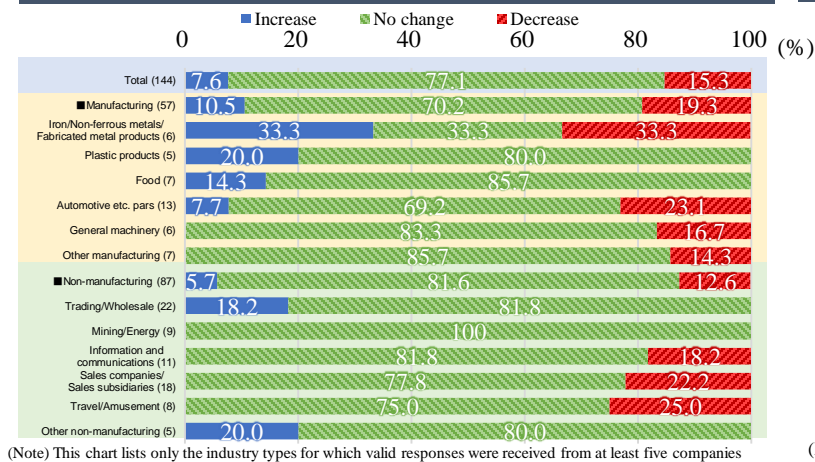


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

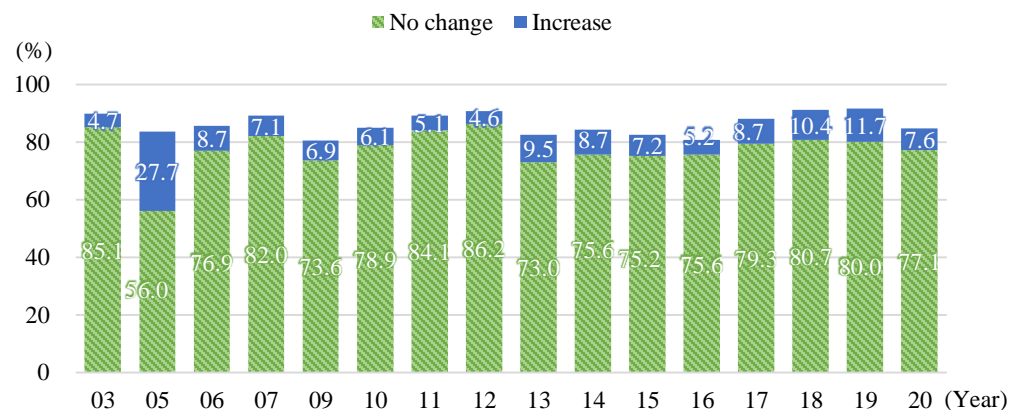
2. Changes in Number of Expatriates from Japan: Almost 80% Said “No Change” over Past Year, Same for Plans Going Forward

With regard to changes in the number of expatriates from Japan in the past year, 77.1% of respondents said there had been “no change”, while 15.3% answered that the number had “decreased”. Looking at this by industry, we see that in Iron/Non-ferrous metals/Fabricated metal products, the percentage of respondents who said their number of residents had “increased”, showed “no change”, or “decreased” was 33.3% for each answer. As for plans going forward, the percentage who replied “no change” accounted for 77.3% of respondents for all industries, whereas 14.9% answered “decrease”.

Changes in Number of Expatriates from Japan (Change over Past Year)

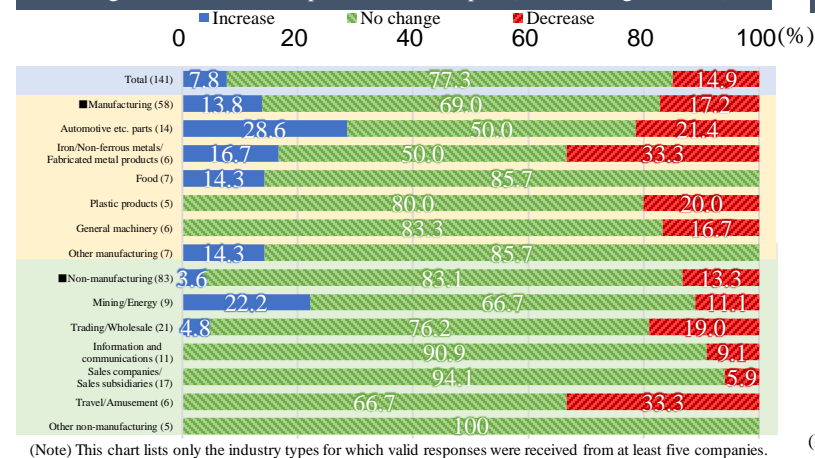


Trends in Changes in Number of Expatriates from Japan (Change over Past Year)

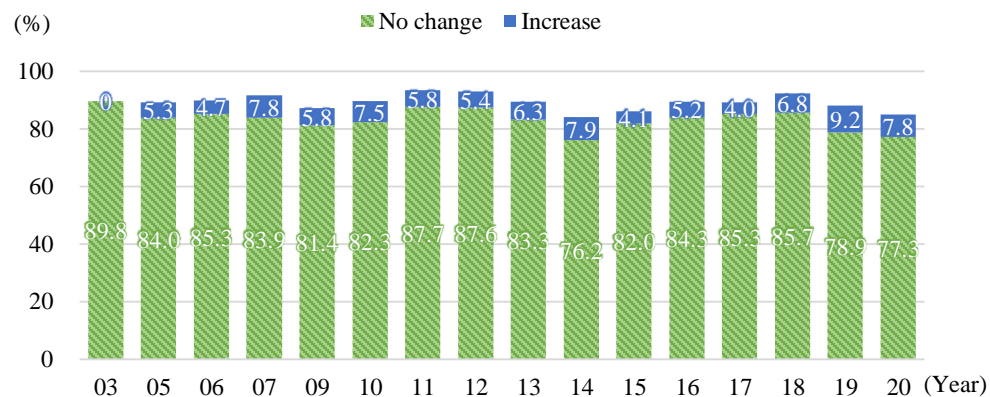


(Note) No survey was conducted in 2004. This question was not asked in 2008.

Changes in Number of Expatriates from Japan (Plans Going Forward)



Trends in Changes in Number of Expatriates from Japan (Plans Going Forward)

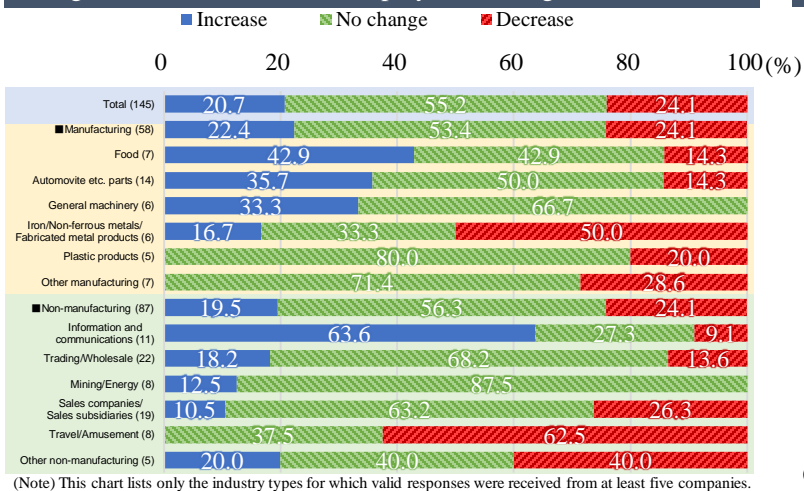


(Note) No survey was conducted in 2004. This question was not asked in 2008.

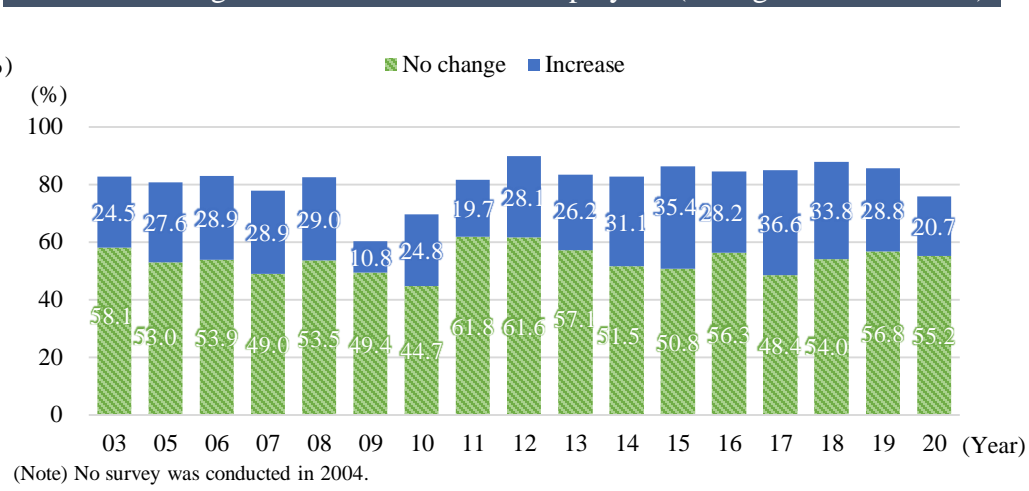
2. Changes in Number of Local Employees: Only 20% Said “Increased” Over Past Year

The percentage of respondents whose number of local employees had “increased” over the past year was 20.7%, down 8.1 points from the prior year (28.8%). Looking at this by industry, we see that 22.4% of manufacturers said this number had “increased”, whereas 19.5% of non-manufacturers had the same response. Regarding plans going forward, 27.0% of respondents said they were looking to “increase” this number, down 4.5 points from the prior year (31.5%).

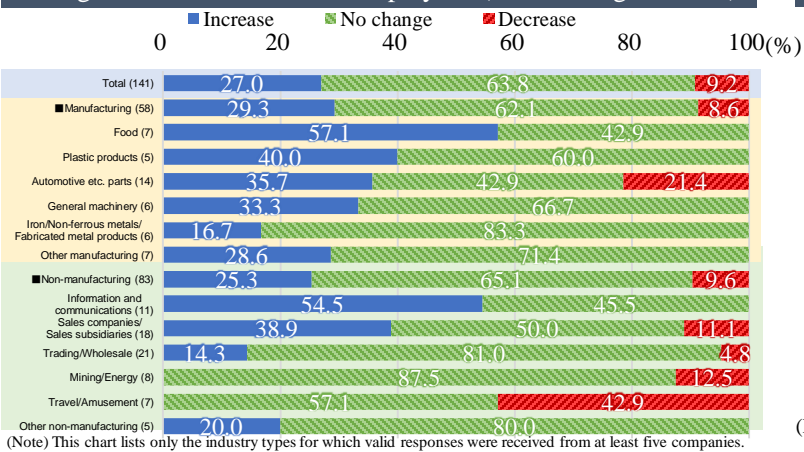
Changes in Number of Local Employees (Change over Past Year)



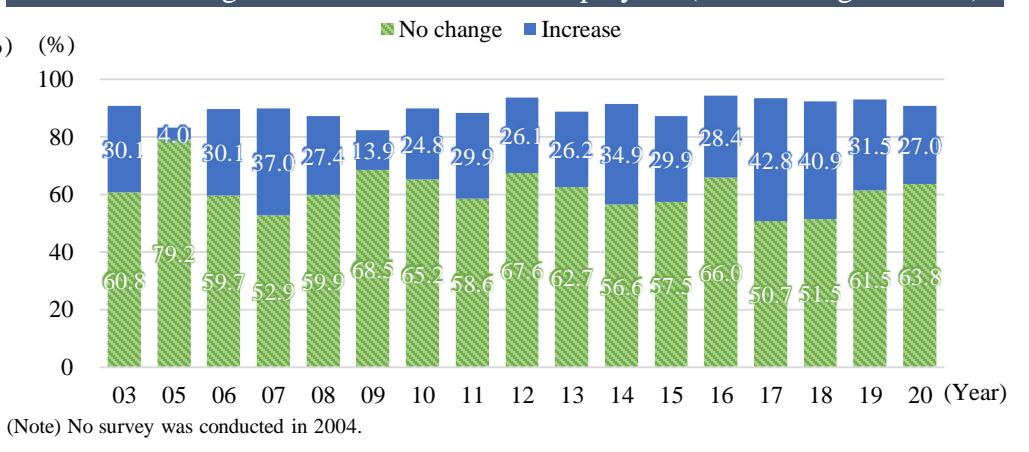
Trends in Changes in Number of Local Employees (Change over Past Year)



Changes in Number of Local Employees (Plans Going Forward)



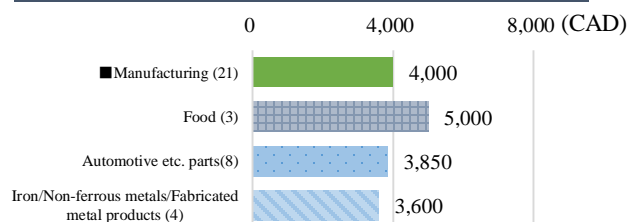
Trends in Changes in Number of Local Employees (Plans Going Forward)



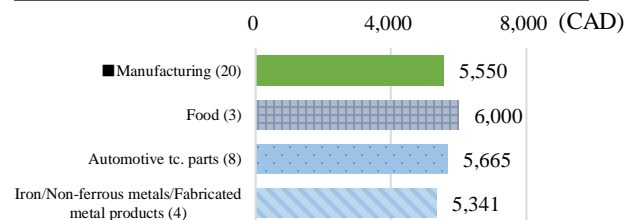
2. Wages (Monthly Base Salaries): Median Values Were CAN\$4,000-CAN\$7,500

The median value for monthly base salaries at plants etc. by occupation was CAN\$4,000 (\$4,000C) for operators, \$5,550C for mechanical engineers, and \$7,500C for production managers. The median value for monthly base salaries for office work etc. by occupation was \$4,119C for general clerks and \$6,700C for general administration section chiefs. Except for operators, wages rose for all occupations from the prior year. The (nominal) median value of the raise rate for FY2020 was 2.0%, which was 0.5 points lower than last fiscal year (2.5%). For FY2021, this rate is also expected to be 2.0%.

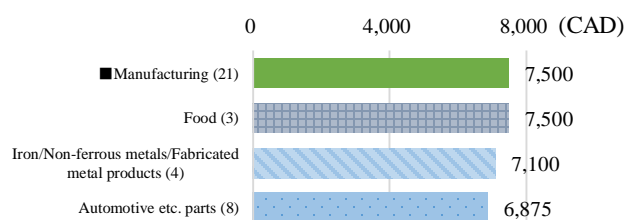
Operators



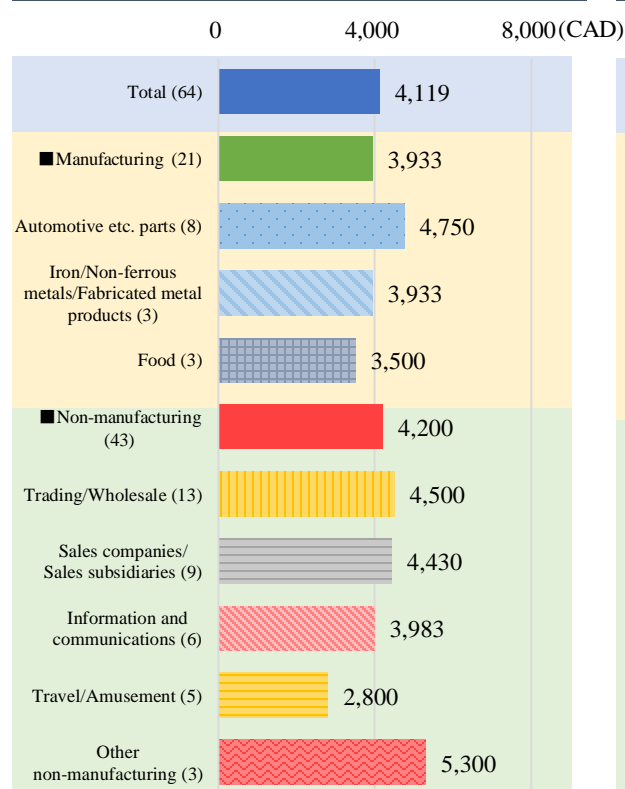
Mechanical Engineers



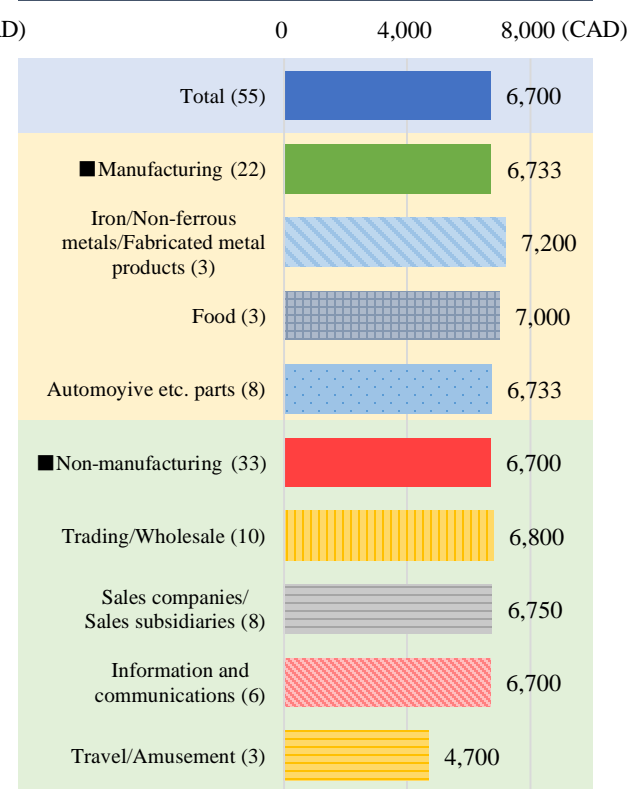
Production Managers



General Clerks



General Administration Section Chiefs



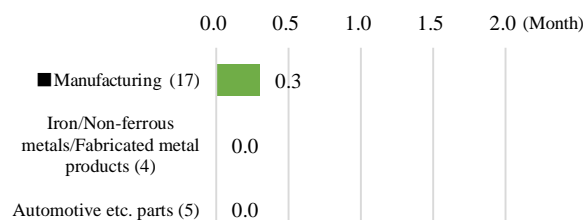
(1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment) and production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.

(2) This chart lists only the industry types for which valid responses were received from at least three companies.

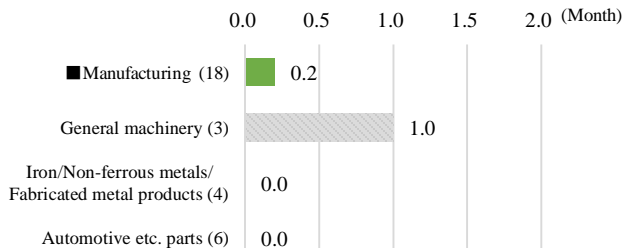
2. Wages (Annual Bonuses): Median Values by Occupation Were 0.2-1.0 Month's Pay

The median value of annual bonuses at plants etc. by occupation was 0.3 month's pay for operators, 0.2 month's pay for mechanical engineers, and one month's pay for production managers, all of which were roughly the same level as the prior year's figures. Meanwhile, the median value of annual bonuses for office work etc. by occupation was one month's pay for both general clerks and general administration section chiefs.

Operators



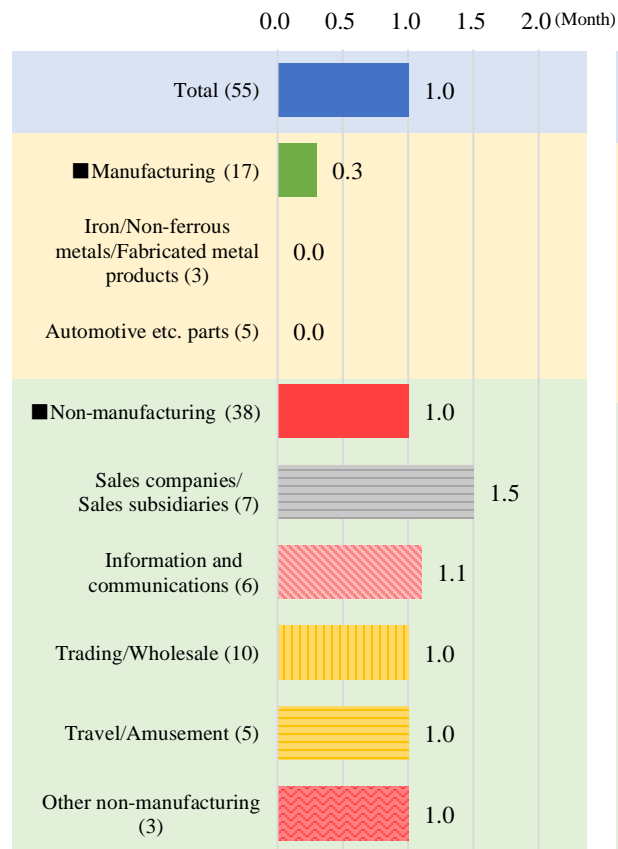
Mechanical Engineers



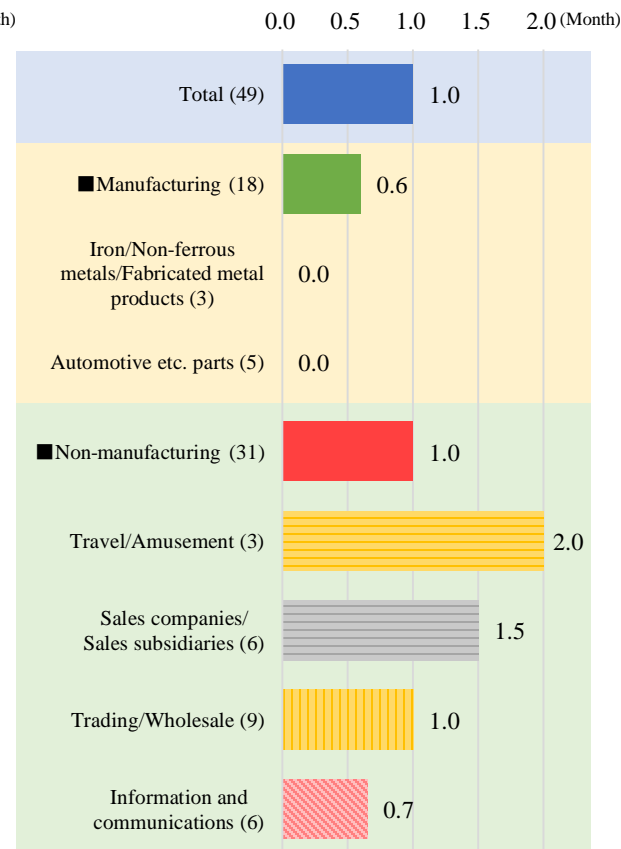
Production Managers



General Clerks



General Administration Section Chiefs



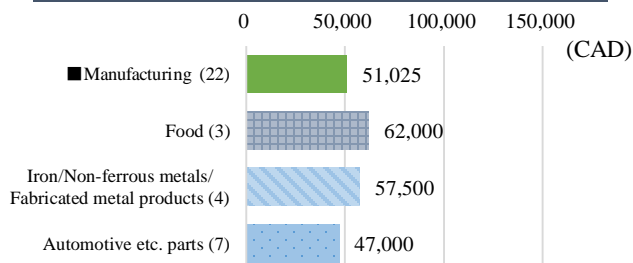
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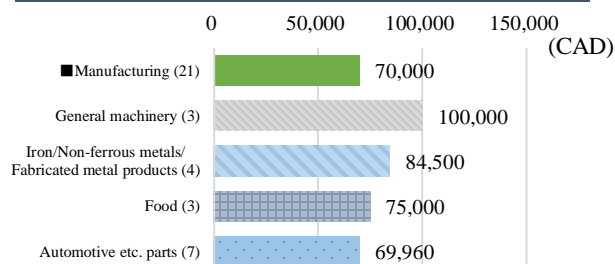
2. Wages (Annual Salaries): Median Values by Occupation Were \$51,025C-\$93,400C

The median value of the annual salaries at plants etc. by occupation was \$51,025C for operators, which was higher than the prior year, whereas for mechanical engineers it came to \$70,000C, and for production managers it was \$90,000C, both of which were lower year-on-year. The corresponding median value for office work etc. according to occupation was \$56,850C for general clerks and \$93,400C for general administration section chiefs.

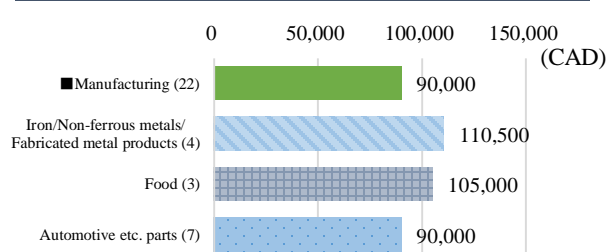
Operators



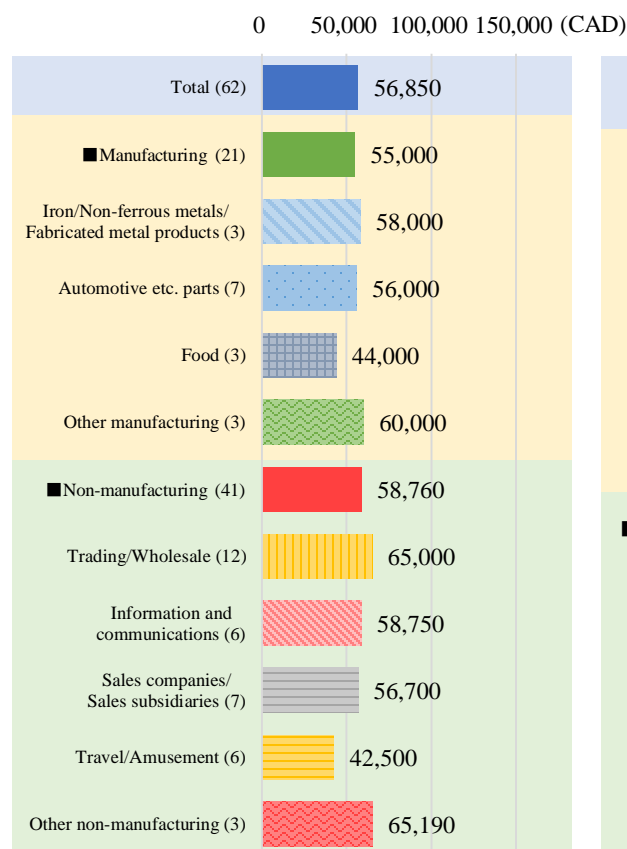
Mechanical Engineers



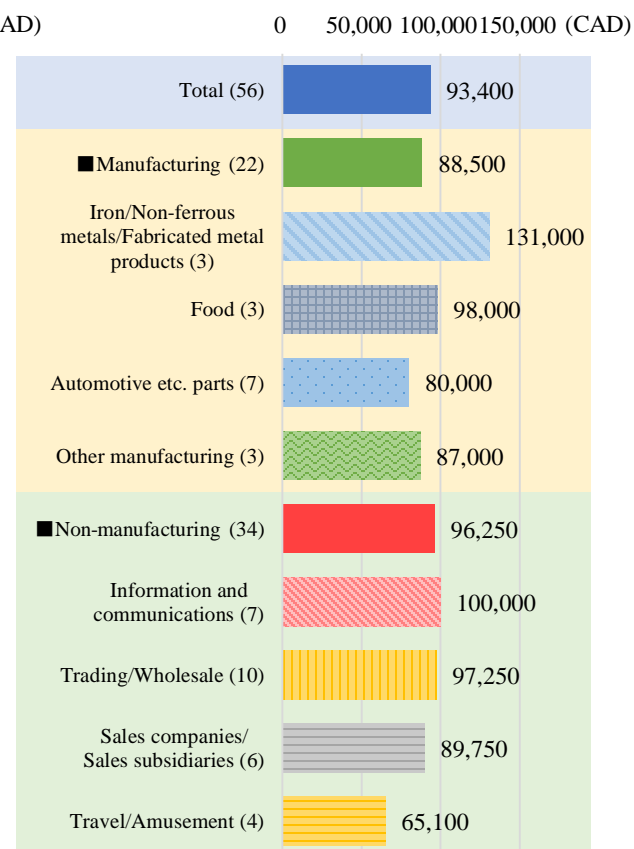
Production Managers



General Clerks



General Administration Section Chiefs



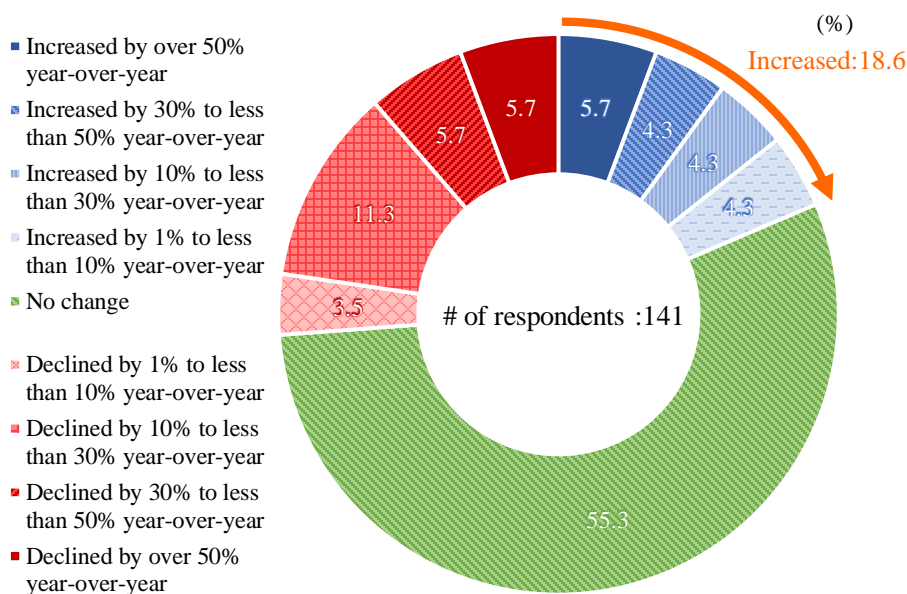
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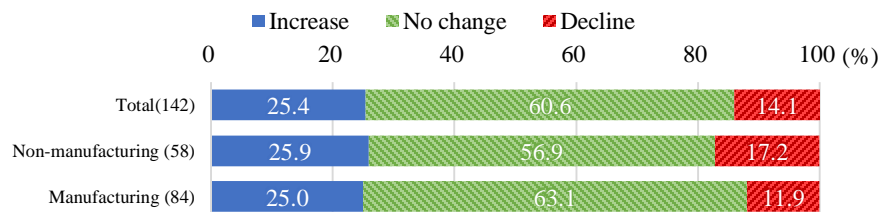
2. Capital Investments: In Terms of Monetary Amount, Roughly 20% of Companies Invested More Than the Prior Year

18.6% of respondents said their capital investments for 2020 surpassed those in the prior year in terms of monetary amount, this being 21.2 points down from the previous survey (39.8%). Asked about the purpose of the capital investments, 46.6% replied “maintenance and/or repair of existing equipment”, whereas 31.4% answered “labor-saving or streamlining measures”, up 6.0 points from last time (25.4%). The results by sector showed that “launch of new business, production of new products or improvement of existing products” was the response given by 45.1% of manufacturers, while the most frequent response for non-manufacturers was “application of ICT such as AI and IoT” at 38.8%. Meanwhile, 25.4% of respondents looked to “increase” capital investments in 2021, indicating higher investments on the horizon.

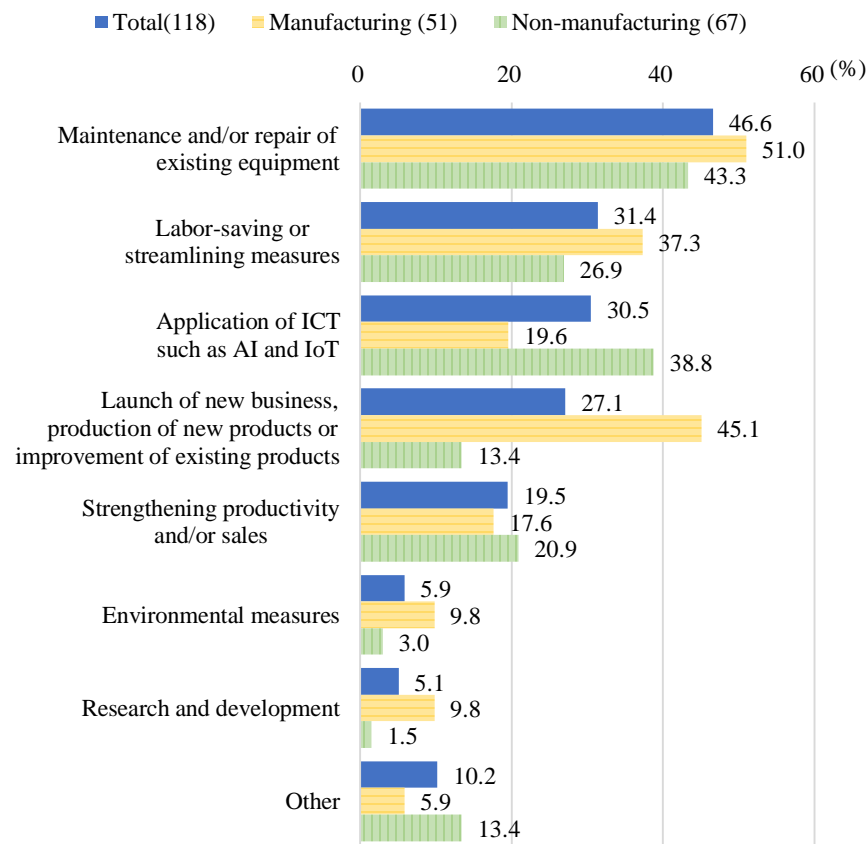
Changes in Capital Investments



Capital Investment Plans for 2021 and Beyond



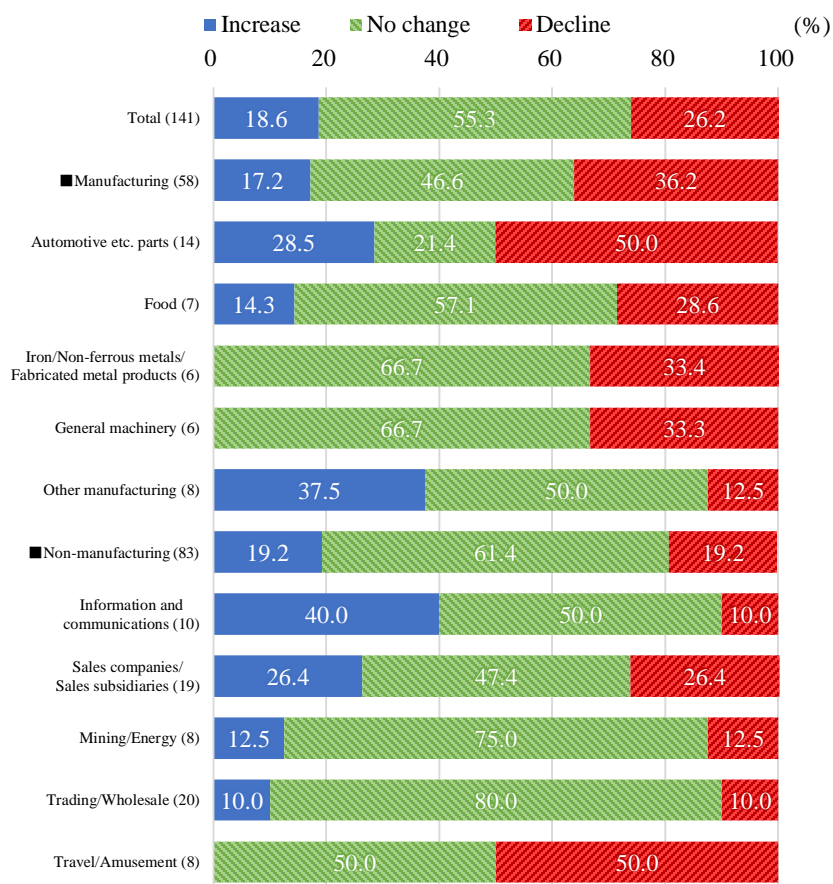
Purposes of Capital Investments (Multiple Answers)



2. Changes in Capital Investments (By Industry): “Increased” Cited by 40% of Respondents in Information and Communications

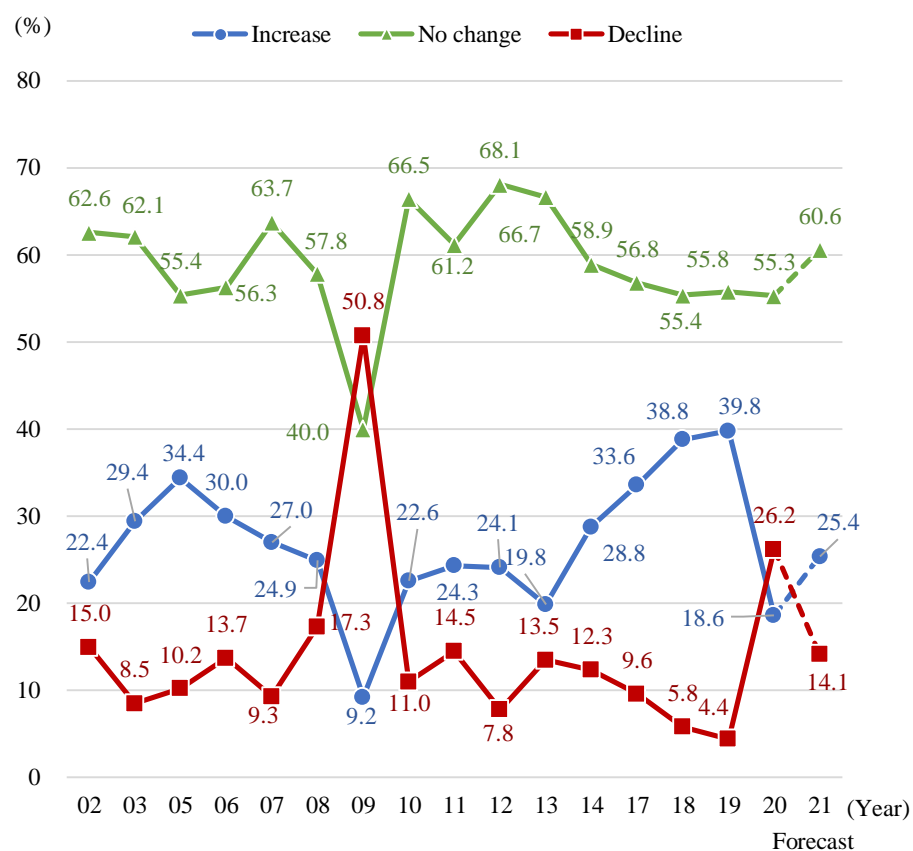
A comparison by industry of changes in capital investments in 2020 shows that in the Information and Communications field, some 40% of respondents had “increased” such investments from the prior year, with this answer also ranking high for those in Other manufacturing (37.5%) and Automotive etc. parts (28.5%). However, although the overall percentage of respondents that had “increased” their capital investments had stayed above 30% since 2017, reaching as high as 39.8% (its highest level since 2005), it showed a significant decline in 2020 down to just 18.6%.

Changes in Capital Investments in 2020 Vs. Prior Year (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Trends in Annual Changes in Capital Investments (2002-2021 Forecast)



(Note) No survey was conducted in 2004. The survey was conducted only for manufacturers in 2009 and 2014. This question was not included in the 2015 and 2016 surveys.

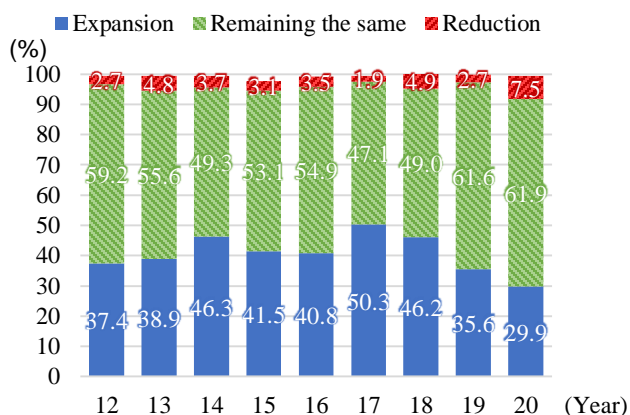
3. Future Business Plans: 29.9% of Companies Plan to Expand

29.9% of respondents said they had set their sights on business expansion in the next one to two years, down 5.7 points from the prior survey (35.6%). When viewed by sector, this response was given by 28.8% of manufacturers, down 7.4 points from the previous survey (36.2%), whereas 30.7% of non-manufacturers said the same, showing a drop of 4.4 points from last time (35.1%). The top reasons given for this “expansion” were “sales increase in local markets” (75.0%), “high receptivity for high-value added products/services” (38.6%), and “high growth and potential growth” (36.4%). At the top of the specific functions that they planned to expand were “sales functions” (56.8%) and “production (high-value added products)” (20.5%).

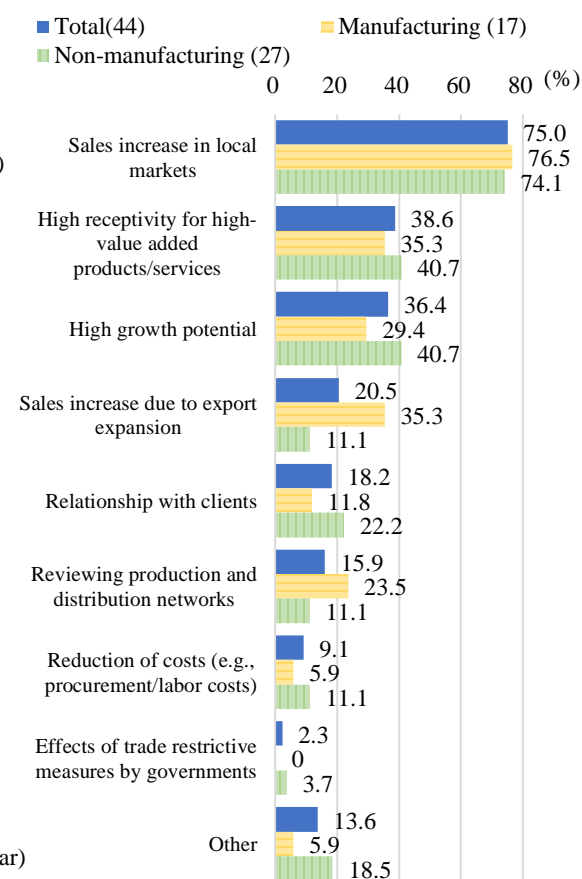
Business Direction in the Next 1-2 Years



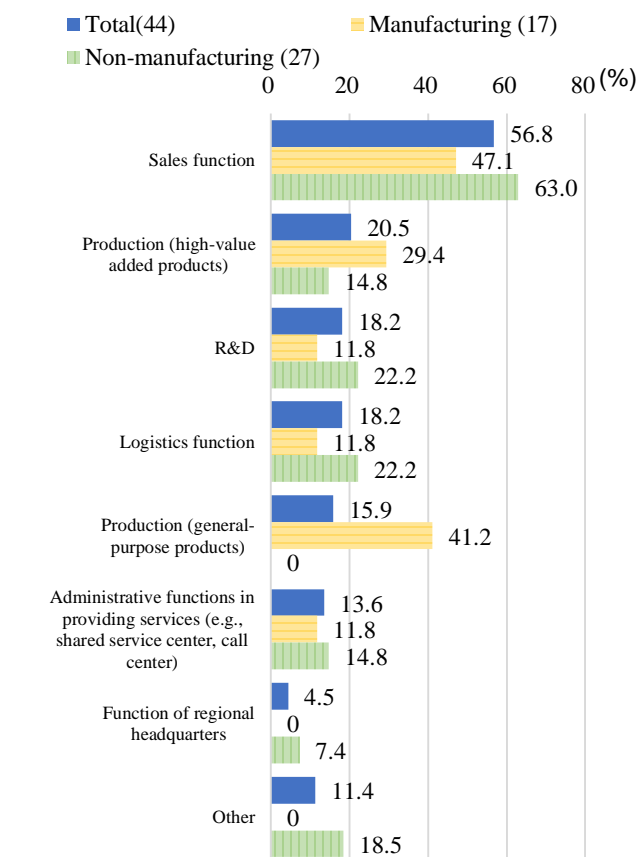
Trends in Business Expansion for Next 1-2 Years



Reasons for Expansion (Multiple Answers)



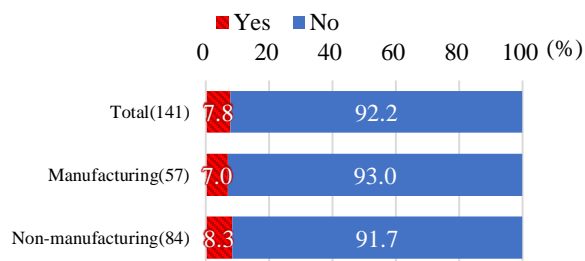
Specific Functions to Expand (Multiple Answers)



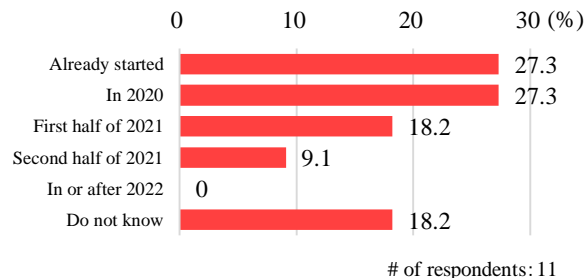
3. Change of Procurement Sources: 7.8% Are Planning to Make Changes

When asked if they planned to change their procurement sources, 7.8% of respondents said “yes”, with the most significant reasons for such reassessment being “changes in trade environment” (54.5%) and the “spread of Covid-19” or “other” (each 36.4%). As for the timing of these changes, the most common responses were “already started” and “by the end of 2020” (27.3% each), followed by the “first half of 2021” or “don’t know” (18.2% each). The procurement sources to be changed were mainly located in China and Japan, whereas the new procurement sources after the changes tended to be in Canada, the ASEAN region, Mexico, and Central and South America (other than Mexico).

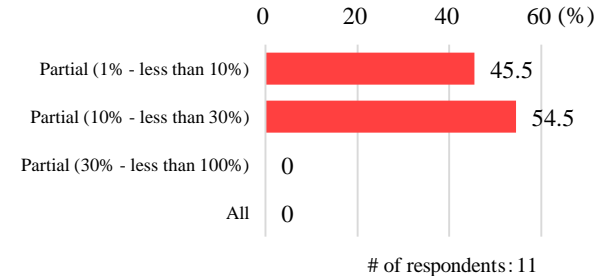
Change of Procurement Sources : Yes/No



Start period of Changes

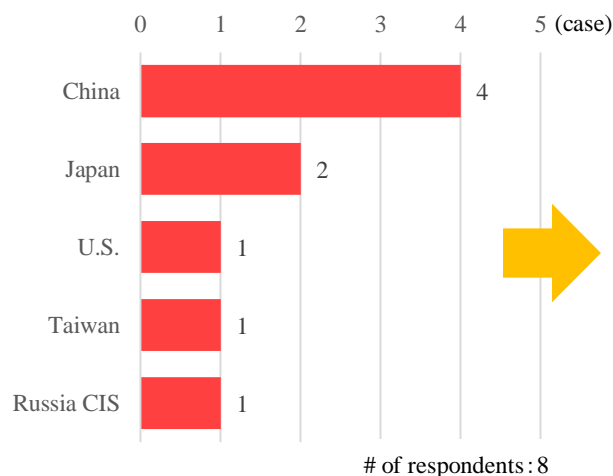


Scale of Procurement Source Reassessment

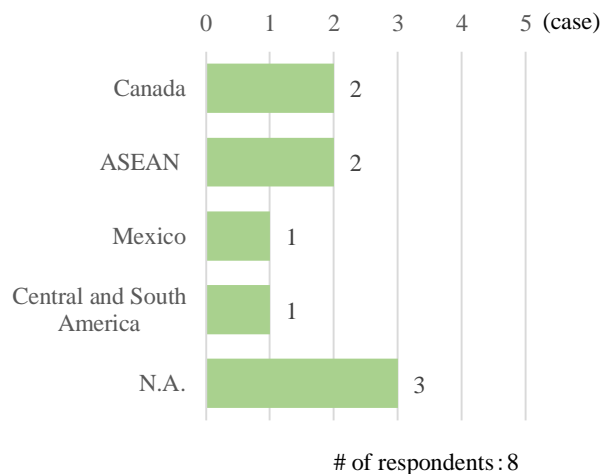


Main Changes to Procurement Sources

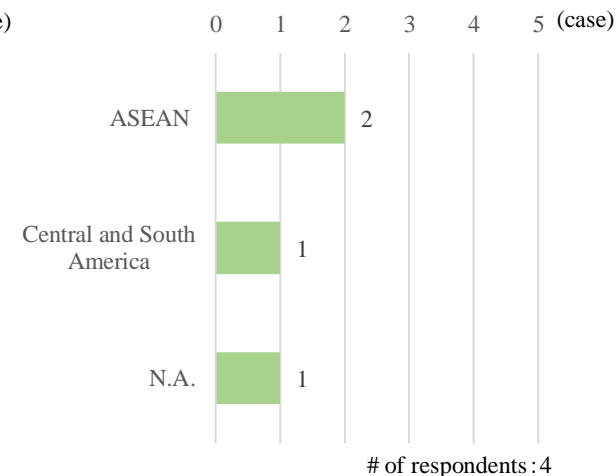
Procurement Sources to be Changed (Multiple Answers)



New Procurement Sources After Changes (Multiple Answers)

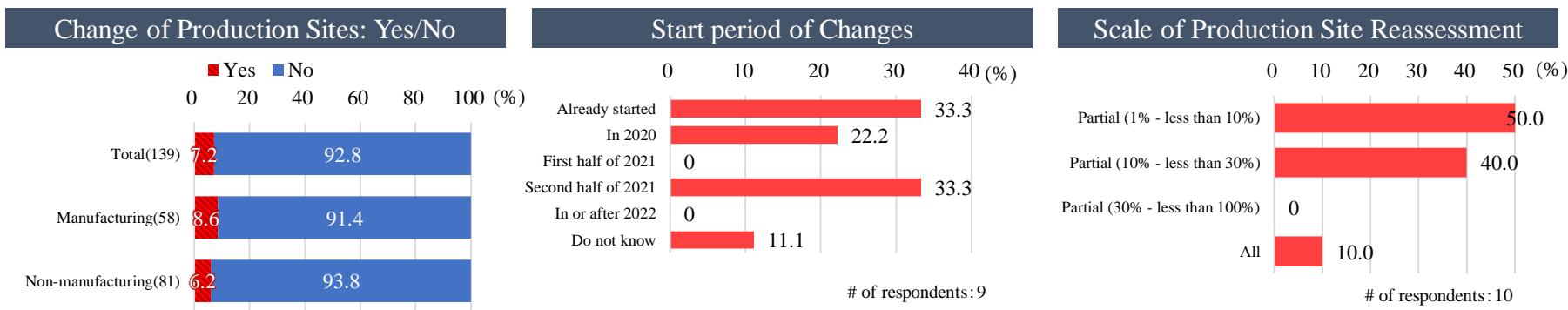


Procurement Sources After Changes for Companies Whose Sources Before Change Had Been China (Multiple Answers)



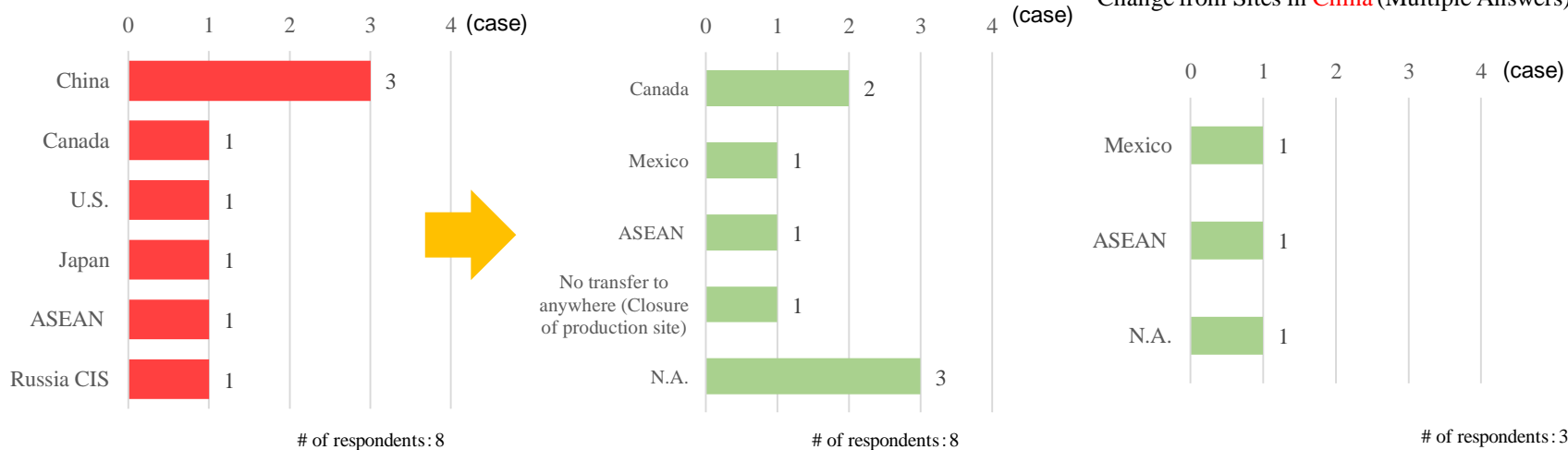
3. Change of Production Sites: 7.2% Are Planning to Change Sites

When asked if they planned to change their production sites, 7.2% of respondents replied “yes”, citing as their main reasons “changes in trade environment” (60.0%), followed by the “spread of Covid-19” (50.0%). As for the timing of these changes, “already started” and “latter half of 2021” each accounted for 33.3% of responses. China was the most highly cited production site to be changed, while most respondents said their new production sites after the changes would be in Canada, Mexico, and the ASEAN region. In addition, there was one instance where a production site in Canada was to be shuttered.



Main Changes to Production Sites

Production Sites to be Changed (Multiple Answers) New Production Sites After Changes (Multiple Answers) New Production Sites of Companies That Chose to Change from Sites in China (Multiple Answers)

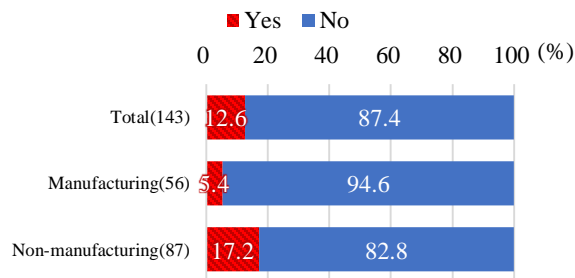


3. Change of Sales Destination :

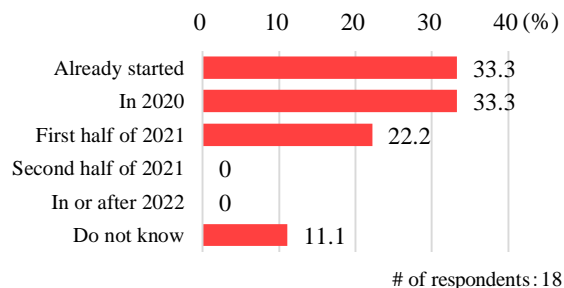
12.6% Are Planning to Reassess Their Sales Markets

When asked if they planned to change their sales destination, 12.6% of respondents said “yes”, with the major reasons given being the “spread of Covid-19” (55.6%) or “other” (50.0%). Regarding the timing of these changes, the same percentage said they had “already started” or would start “by the end of 2020” (33.3% each). Canada, Japan, and the U.S. were among the most highly cited sales destination to be changed, while most respondents named Canada, the U.S., or other locations as the countries where their sales activities would be redirected. Of the six respondents who had decided to sell to customers in Canada, four said they had begun new sales activities there.

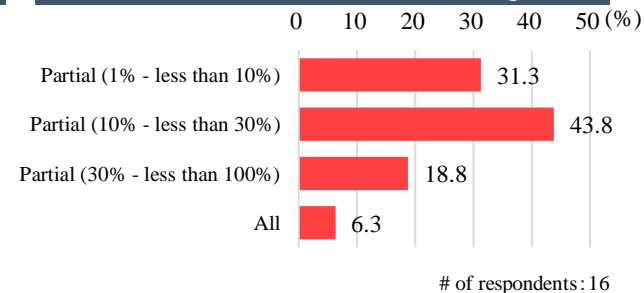
Change of Sales Destination : Yes/No



Start period of Changes

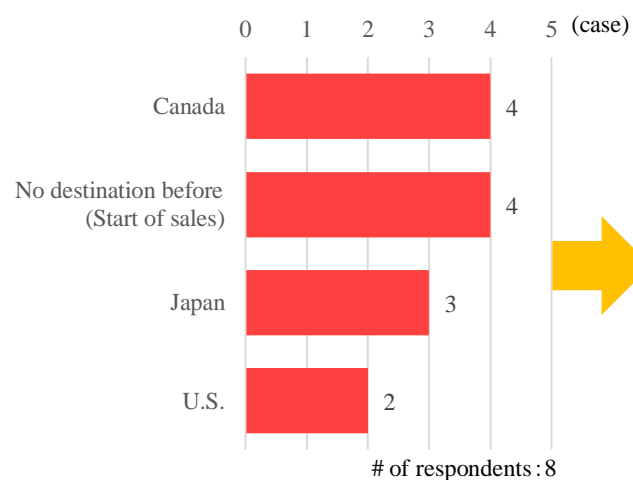


Scale of Sales Destination Changes

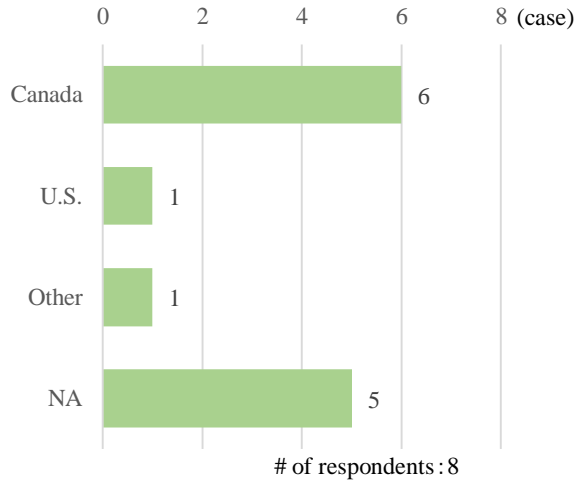


Main Changes to Sales Destination

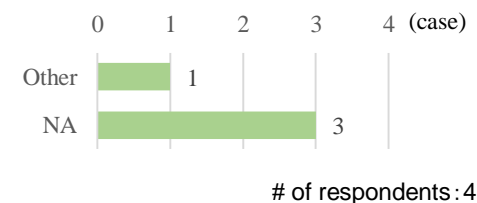
Sales Destination to be Changed (Multiple Answers)



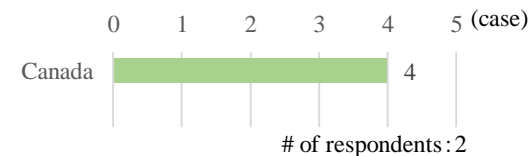
New Sales Destination After Changes (Multiple Answers)



New Sales Destination of Companies That Chose to Change from Sales Destination in **Canada** (Multiple Answers)



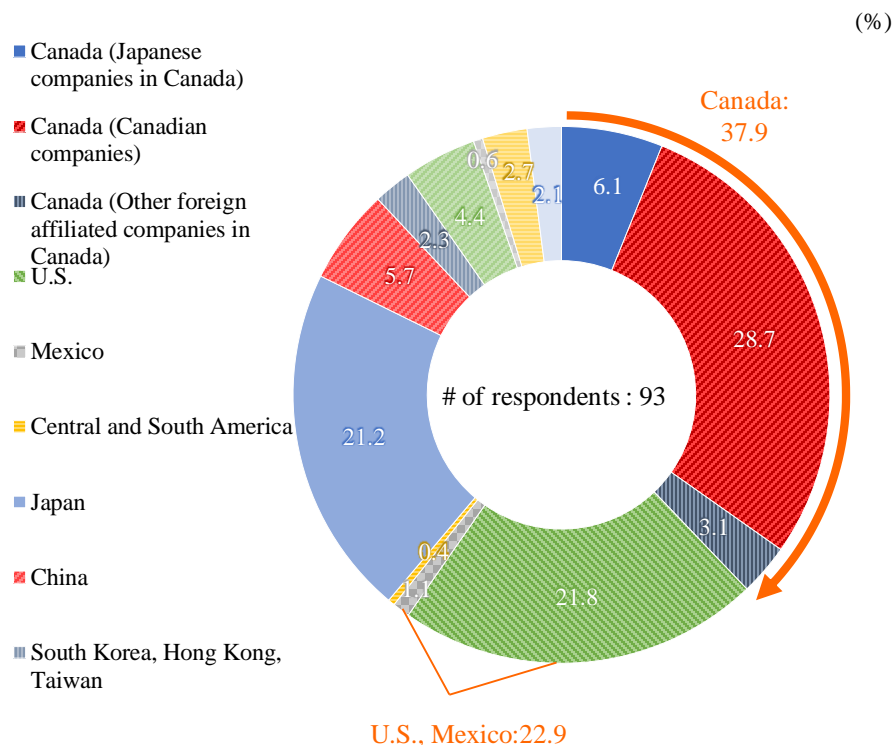
New Sales Destination of Companies That Chose to **Start of sales** (Multiple Answers)



3. Procurement: Companies Procuring More from within CUSMA Region, Less from Japan

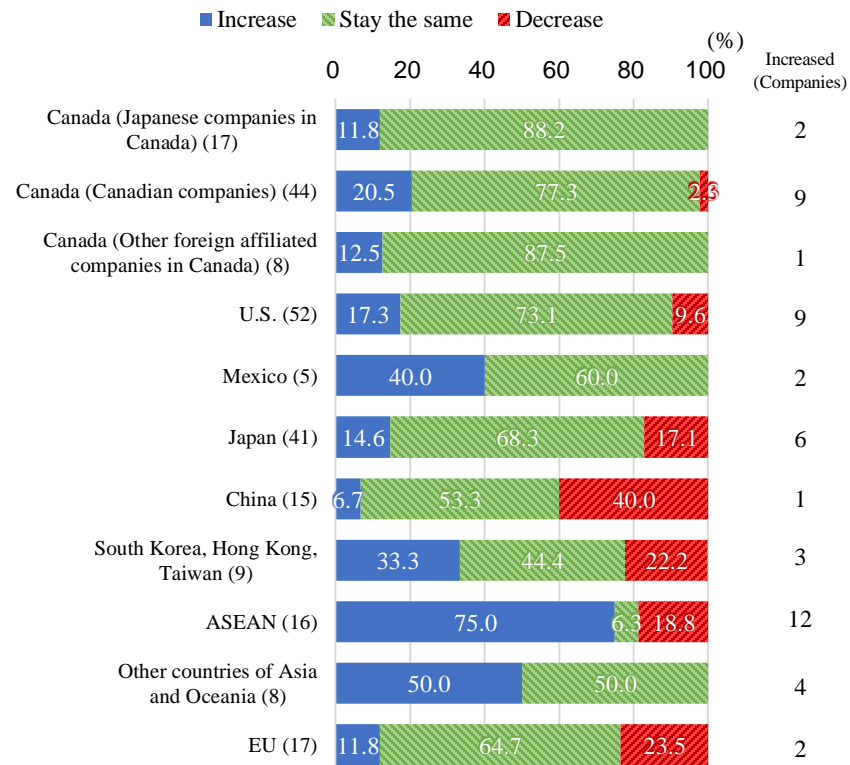
The ratio of procurement from within Canada came to 37.9%, reflecting a rise of 6.4 points from the prior year (31.5%), while the rate of procurement from within the CUSMA region including the U.S. (21.8%) and Mexico (1.1%) stood at 60.8%, up 4.7 points from the prior year (56.1%). Procurement from Japan was at 21.2%, having fallen 1.4 points from the prior year (22.6%), while that from China stood at 5.7% (8.2% the prior year), that from the ASEAN region was at 4.4% (4.4% the prior year), and that from South Korea, Hong Kong, and Taiwan was at 2.3% (4.3% the prior year). As for procurement going forward, respondents largely planned to maintain their current levels, but many companies indicated they were looking to procure more from the ASEAN region. Meanwhile, a large proportion of respondents were thinking of reducing their procurement from China, the EU, and South Korea, Hong Kong, and Taiwan.

Sources of Procurement of Raw Materials/Parts (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Future Policies for Procurement Sources of Raw Materials/Parts

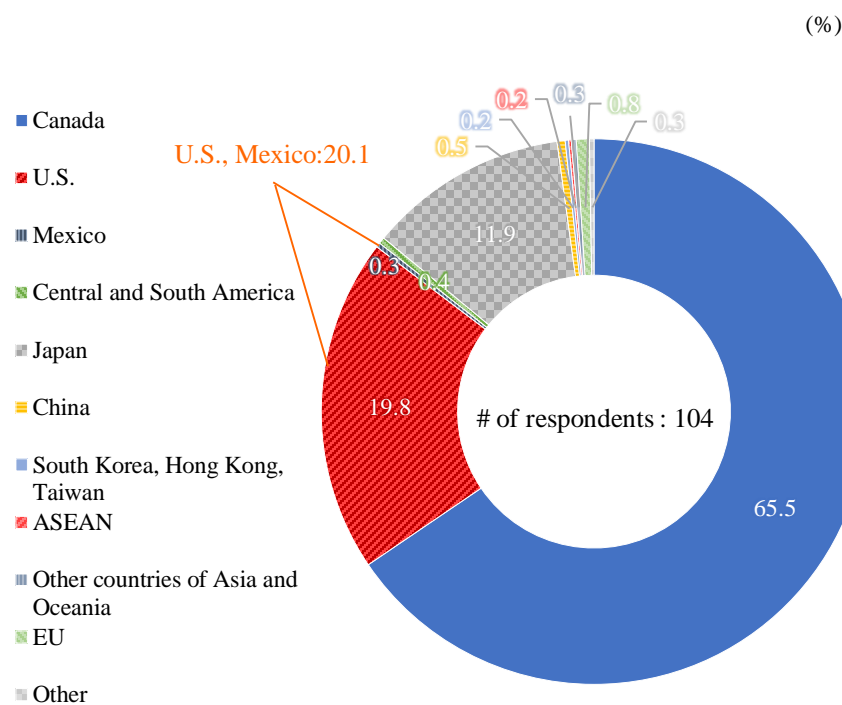


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

3. Sales: CUSMA Market Makes Up 85.6% of Sales; Japan 11.9%

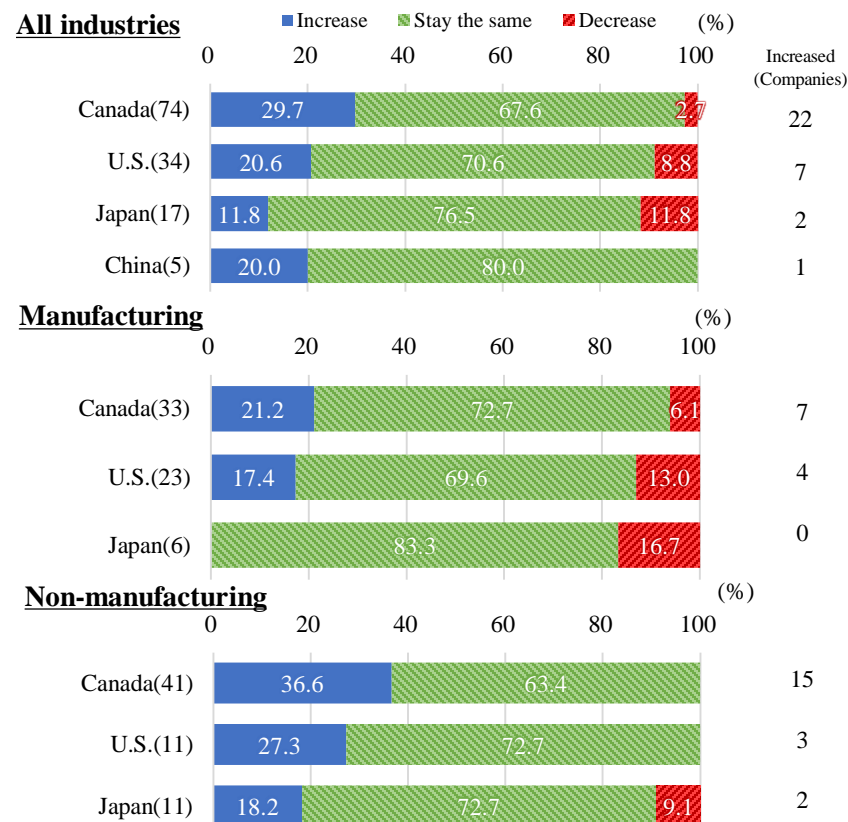
The Canadian market accounted for 65.5% of sales (64.0% the prior year), with the CUSMA region including the U.S. and Mexico accounting for 85.6% of sales (82.2% the prior year), and Japan making up 11.9% of sales (14.3% the prior year). By industry, the greatest proportion of sales were made in Canada for Sales companies/Sales subsidiaries (95.3%) and Trading/Wholesale (75.6%), whereas sales to Japan were highest for the Travel/Amusement industry (58.0%) and the Iron/Non-ferrous metals/Fabricated metal products industry (21.8%). Regarding future sales policies, the greatest proportion of companies said they were looking to expand sales in Canada and the U.S.

Product Sales Markets (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its sales in terms of monetary amount, and these numbers were then averaged.

Future Policies for Product Sales Markets



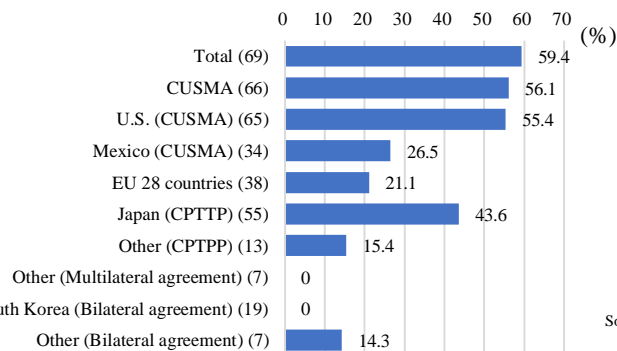
(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

3. Utilization of FTAs/EPAs: Around 60% Are Using Them; 56.1% Using CUSMA

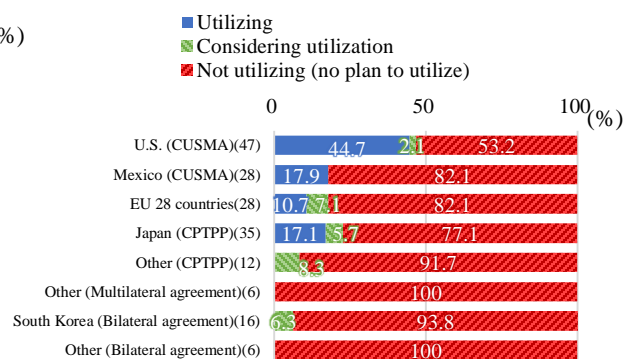
The percentage of respondents that were making use of FTA/EPA came to 59.4%, while 56.1% said they were using CUSMA. The percentage of respondents who were making use of CPTPP in their trade with Japan stood at 43.6%. When viewed in terms of companies engaged in exports or imports, 61.2% of respondents were making use of these agreements, with 60.7% using CUSMA and 48.0% using CPTPP with Japan.

Utilization of FTAs/EPAs (Respondents)

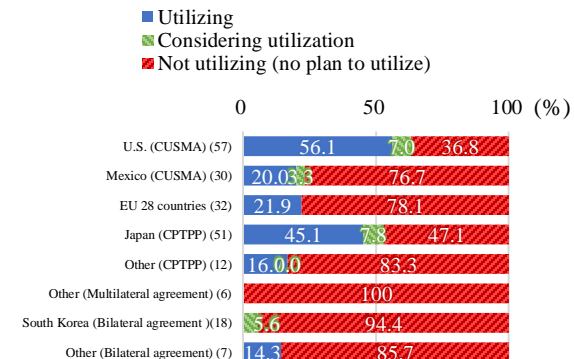
Utilization of FTAs/EPAs



Utilization of FTAs/EPAs for Exports From Canada

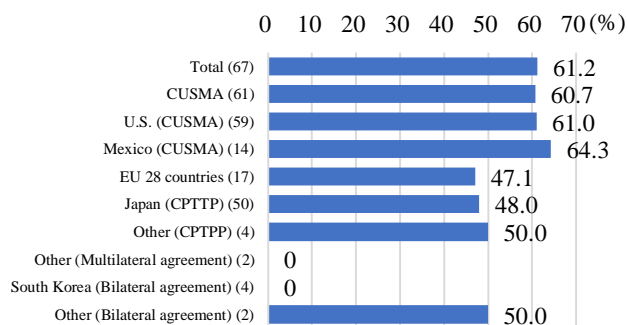


Utilization of FTAs/EPAs for Imports Into Canada

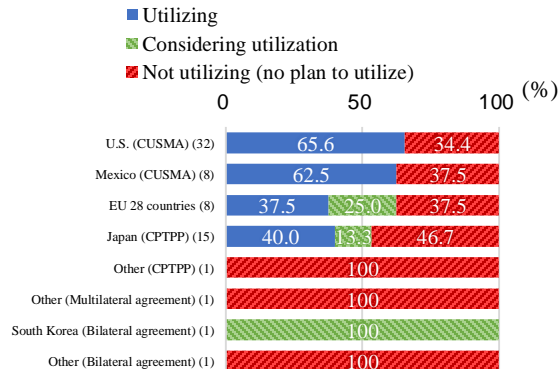


Utilization of FTAs/EPAs (Companies Engaged in Exports or Imports)

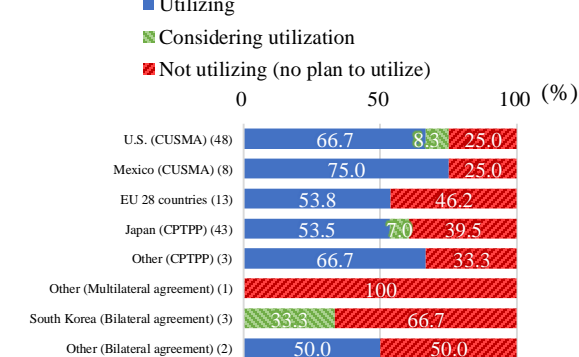
Utilization of FTAs/EPAs



Utilization of FTAs/EPAs for Exports From Canada



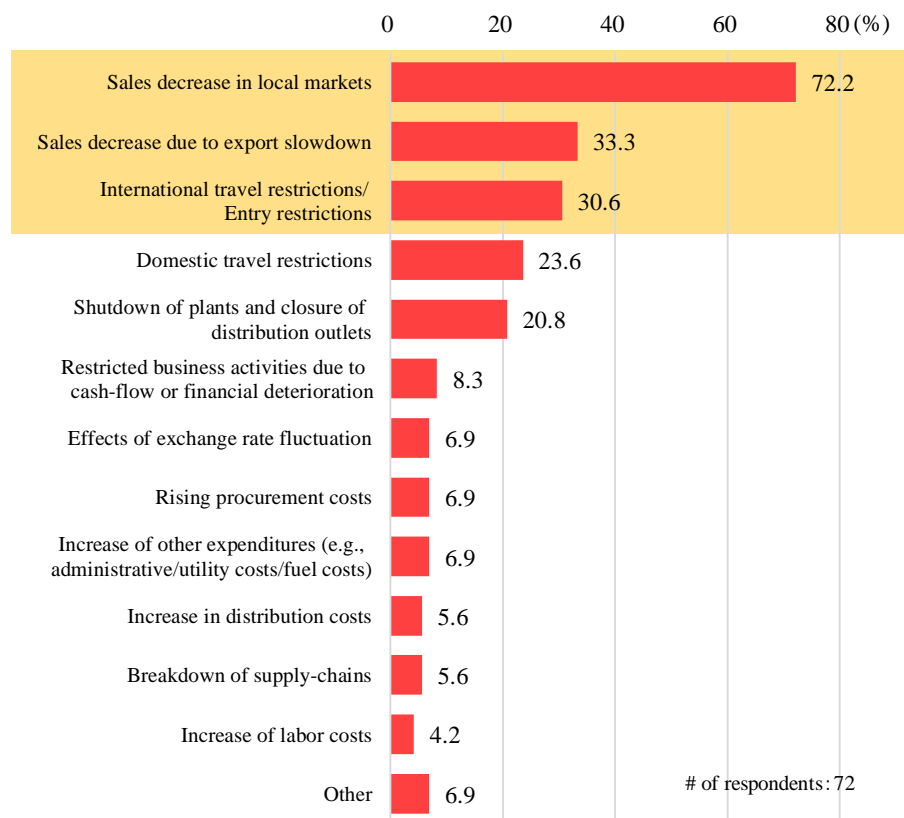
Utilization of FTAs/EPAs for Imports Into Canada



4. Negative Effects of Covid-19: “Lower Sales in Local Market” Cited by 72.2%

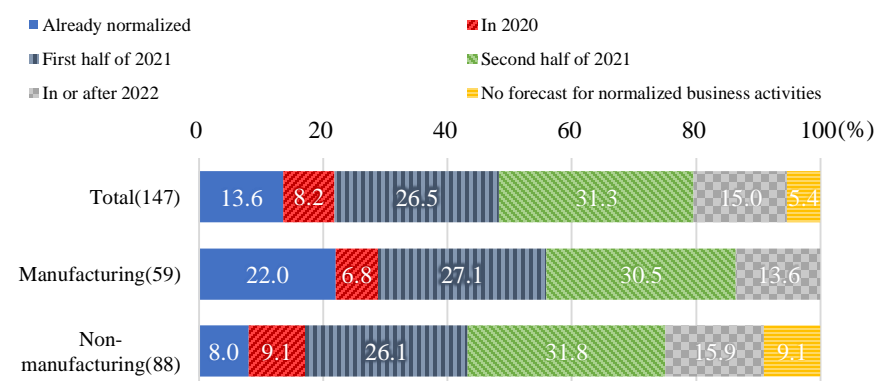
When asked about the negative effects of the spread of Covid-19 on their operating profits, 72.2% of respondents cited “sales decrease in local market”, while 33.3% mentioned “sales decrease due to export slowdown”, and 30.6% stated “international travel restrictions/entry restrictions”. Regarding the timing at which business activities would normalize, 31.3% of respondents said the “latter half of 2021”, whereas 26.5% said the “first half of 2021”, meaning that over half of respondents expected normalization to occur in 2021. As for the post-normalization demand environment, 45.8% (i.e., just under half) of respondents expected things to “return to pre-Covid levels”, while 33.3% believed the demand environment would be “decreased somewhat”.

Negative Effects of Spread of Covid-19 on Operating Profits (Multiple Answers)

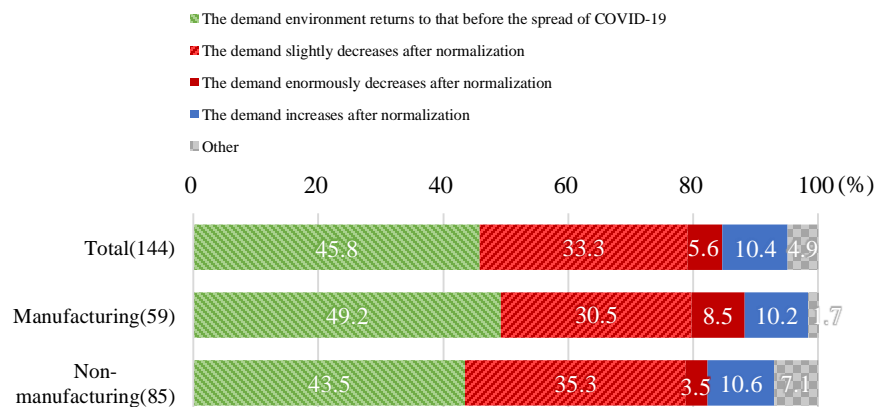


(Note) Each company could provide up to three answers.
This chart includes only the top items.

Timing of Normalization of Business Activities



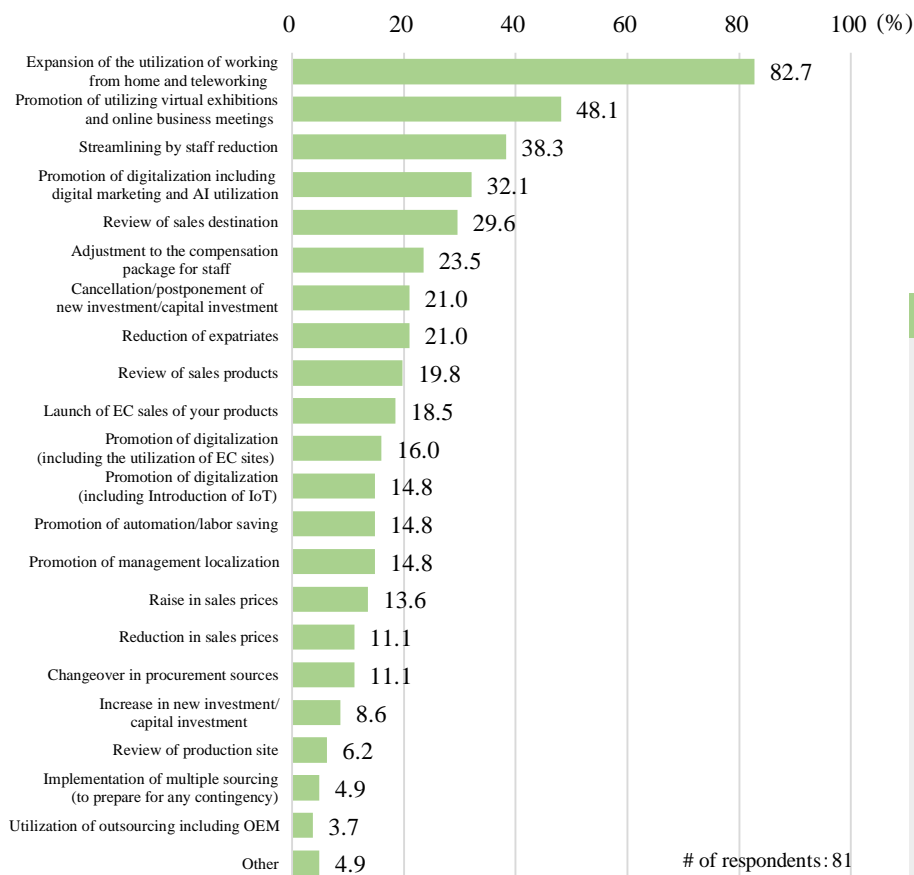
Post-Normalization Demand Environment Outlook



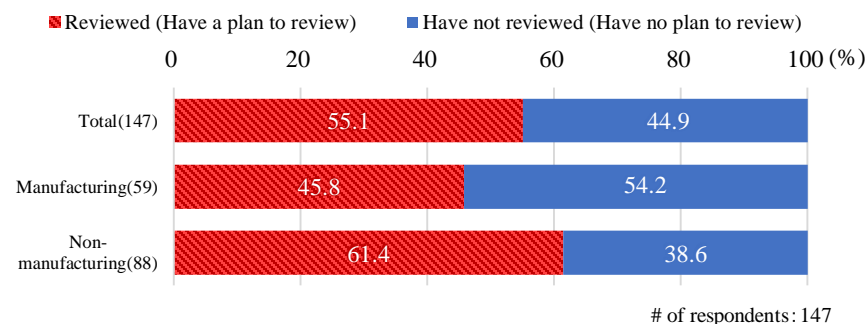
4. Reviewing Business Strategies Due to Covid-19: Expansion of the Utilization of Working from Home and Teleworking Cited by 80%

55.1% of respondents said they had reassessed their business strategies and business models in the wake of the Covid-19 pandemic (including those planning to do so). When viewed by industry, the percentage of companies that had made these reassessments were highest in Travel/Amusement (87.5%) and Sales companies/Sales subsidiaries (73.7%). In terms of the nature of these reassessments, the most common answer was “expansion of the utilization of working from home and teleworking” at 82.7%, followed by “promotion of utilizing virtual exhibitions and online business meetings.” (48.1%) and “streamlining by staff reduction” (38.3%).

Nature of Business Strategy and Business Model Reviews in Light of Covid-19 (Multiple Answers)



Business Reviews in Light of Covid-19



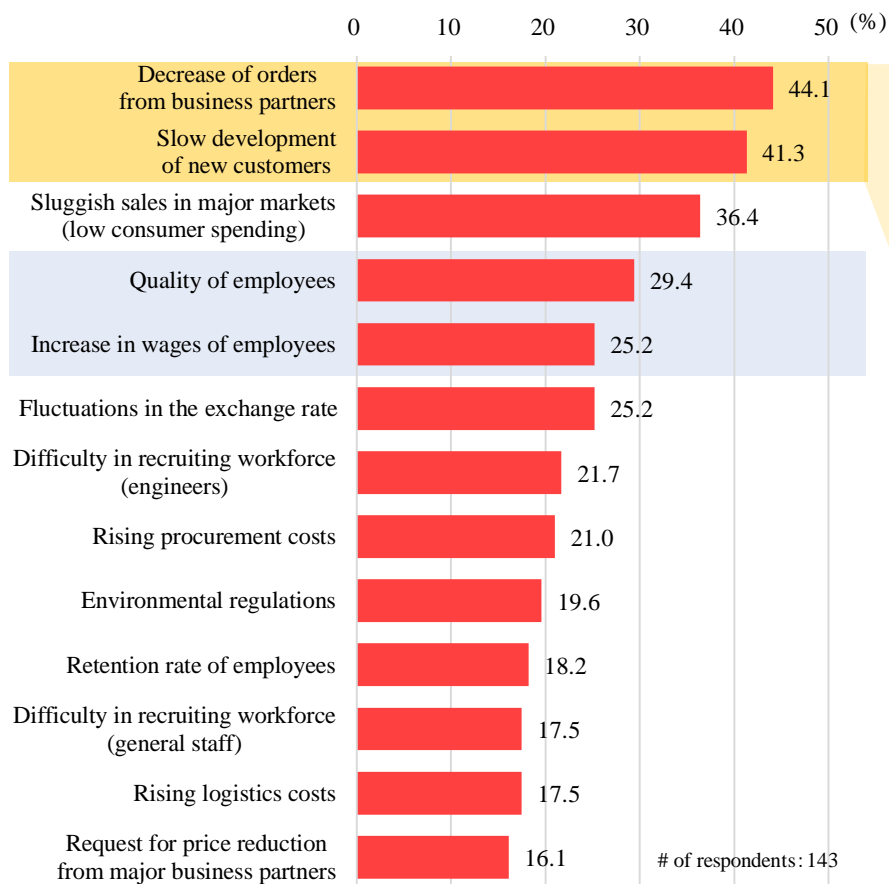
Specific Countermeasures (Free Description)

- Gave out notebook PCs to all our employees, enabling them to use VPN and virtual desktop applications to gain access safely from anywhere, and to work wherever they are (Information and Communications)
- To promote new orders, sent samples and product description leaflets to all the customers, and prepared various types of data and promotion videos etc. (Sales companies/Sales subsidiaries)
- Conducted new product presentations online for dealers, and then carried out marketing activities (Other manufacturing)
- Sold travel programs online (Travel/Amusement)
- Held webinars for clients (Information and Communications)
- Conducted online activities for internal/external meetings (Trading/Wholesale)
- Guided customers to access the company’s web purchase site, added SNS, and maximally utilizing Teams and other tools (Electrical machinery/Electronic devices)
- Introduced a companywide paperless initiative, and improved the information available on the company website (Sales companies/Sales subsidiaries)
- Aggressively expanded digital marketing using SNS. Utilized framework that involves guiding customers from the product landing page to dealer locations (Other manufacturing)

5. Management Challenges: “Decrease of Orders from Business Partners”, “Slow Development of New Customers” Take Top Spots

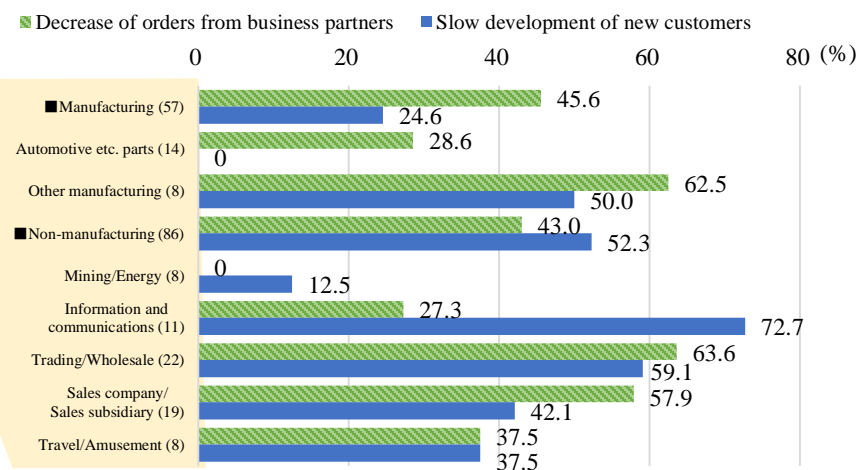
The top management challenges cited by respondents in terms of their sales and business operations were said to be “decrease of orders from business partners” (44.1%) and “slow development of new customers” (41.3%). By industry, “decrease of orders from business partners” was the top answer for those in Trading/Wholesale (63.6%) and Other manufacturing (62.5%), whereas “slow development of new customers” was cited as a top challenge by those in Information and Communications (72.7%) and also those in Trading/Wholesale (59.1%). Further, with regard to hiring and labor-related challenges, “quality of employees” (29.4%) and “increase in wages of employees” (25.2%) were the standout responses.

Management Challenges (Multiple Answers)



(Note) This chart lists only the top items.

Main Challenges Concerning Sales/Business Operations (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

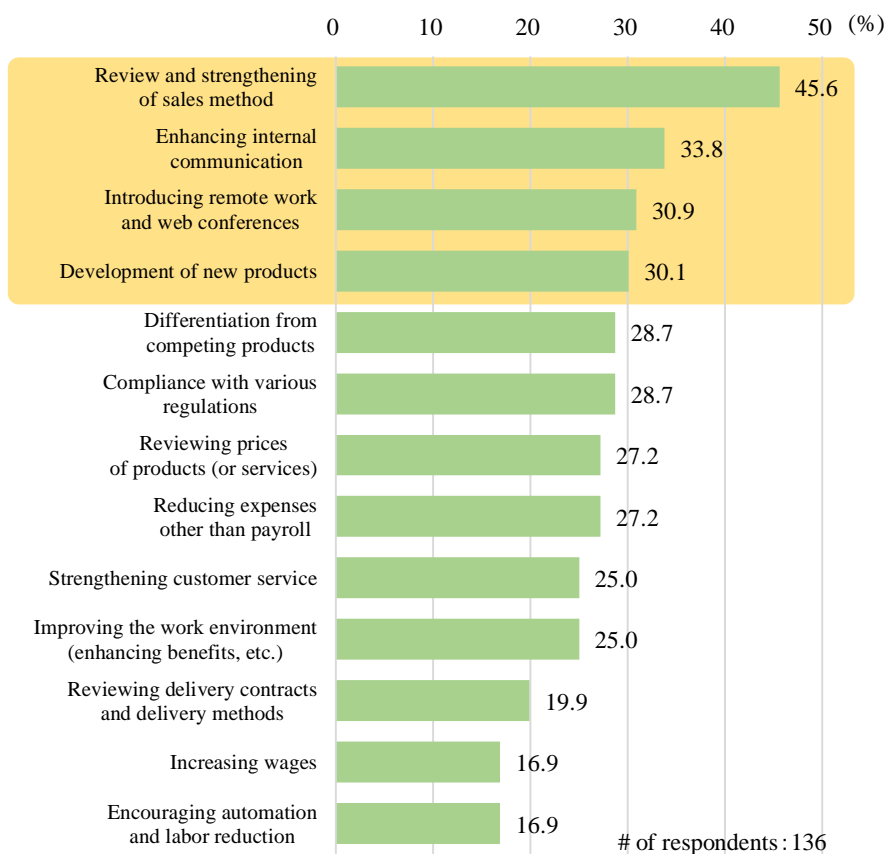
Specific Challenges (Free Description)

- Fewer orders were placed for products that require installation (e.g., security cameras, high-brightness projectors) (Electrical machinery/Electronic devices)
- While Covid-19 had a major impact, Canada’s economy had been slowing down even before that, and orders placed by customers were down by half (Trading/Wholesale)
- With the increase in remote work, stationery sales related to schools and to wholesale suppliers for companies are seeing a severe downturn, down 20% vs. last year (Sales companies/Sales subsidiaries)
- Clearly identifying new customers, setting appointments with them, and receiving orders from them in line with the sales strategy (Sales companies/Sales subsidiaries)
- Reduced digital capabilities because back-office talents are staying on longer, and reduced communication capacity and frequency due to telework (Other manufacturing)
- With the minimum wage hike in Ontario and British Columbia, wages across the board will have to be raised (Travel/Amusement)

5. Countermeasures for Management Challenges: “Review and Strengthening of Sales Method” Takes Top Spot

When asked about what countermeasures they were taking to handle management challenges, respondents said “review and strengthening of sales method” (45.6%), “enhancing internal communication” (33.8%), “introducing remote work and web conferences” (30.9%), and “development of new products” (30.1%) as their top answers. By industry, “review and strengthening of sales method” was the top response for Other manufacturing at 75.0%, for Sales companies/Sales subsidiaries at 68.4%, and for Trading/Wholesale at 54.5%. “Enhancing internal communication” took the top spot for those in Plastic products at 60.0%, and came in high for Trading/Wholesale as well at 50.0%.

Countermeasures for Management Challenges (Multiple Answers)



(Note) This chart lists only the top items.

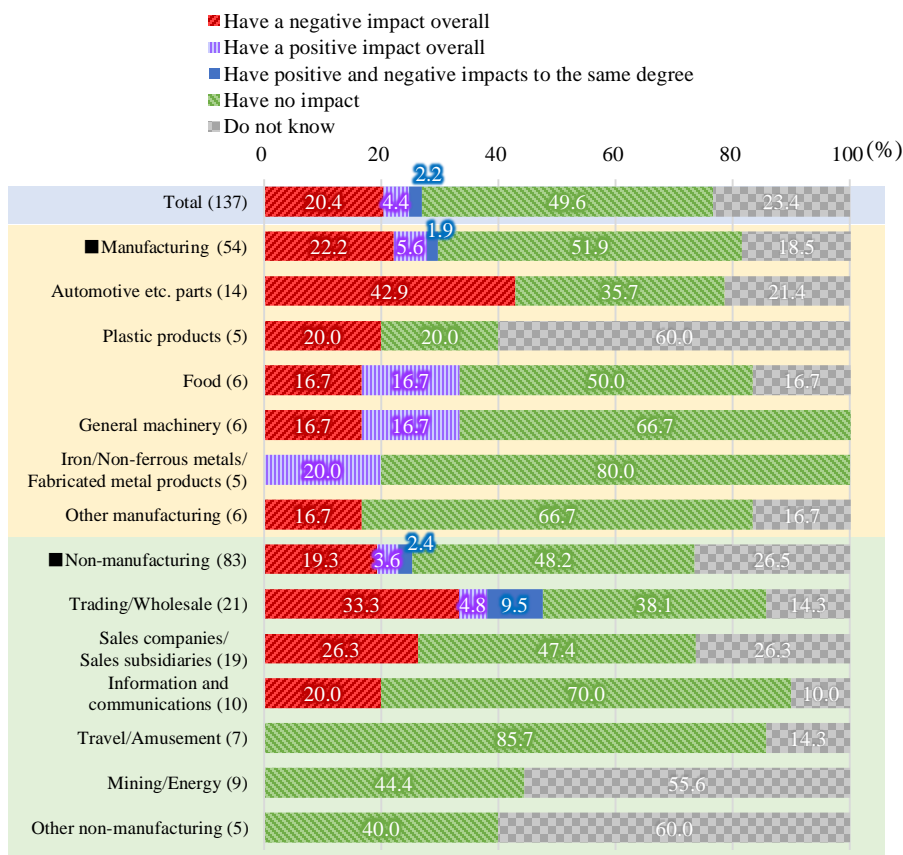
Specific Countermeasures (Free Description)

- 100% of our handling volume is being sold to our parent company in Japan, but Japan’s purchasing power has slumped. To break out of the status quo, we are looking into developing new sales markets and handling new products within North America (Trading/Wholesale)
- Building a proprietary service structure with higher added value (Trading/Wholesale)
- Enhanced sales capabilities, more advanced IT capabilities, and outsourcing. Especially given the Covid situation, there are many concerns about IT security in an at-home context, and greater IT use reduces the amount of work done by humans. Ultimately, personnel cuts achieved through more IT are also being considered. Further, we are pursuing outsourcing for areas outside our specialty (marketing, environmental regulations) (Sales companies/Sales subsidiaries)
- Improving our workplace environment to keep outstanding personnel with us (Automotive etc. parts)
- Making effective use of IT communication tools to increase opportunities for information sharing (Mining/Energy)
- In terms of dealing with low prices, we’re pursuing product development using low-cost raw materials (Food)
- We’ve begun using railways to move auto parts from Vancouver to Toronto, and we’ll be increasing the proportion of that use to lower logistics costs (Automotive etc. parts)
- For parts procurement, while of course paying attention to quality, we’ll search for inexpensive suppliers to handle costs (Automotive etc. parts)
- To make our customer support more robust, we’re doing training with experts (Sales companies/Sales subsidiaries)
- With customers asking for price drops in annual contracts due to the Covid-19 crisis, we’re doing what we can to be flexible and ease their hardships, thus strengthening our trust relationships (Electrical machinery/Electronic devices)
- To retain technicians, we’re considering a wide range of options, including making our contract forms more flexible and hiring local personnel (Information and Communications)
- To promote automation/labor-saving by continuing telework as a result of the Covid-19 crisis, we’re now reviewing our entire process (Transportation)
- We’re making capital investments to produce facilities that can avoid contamination (Food)

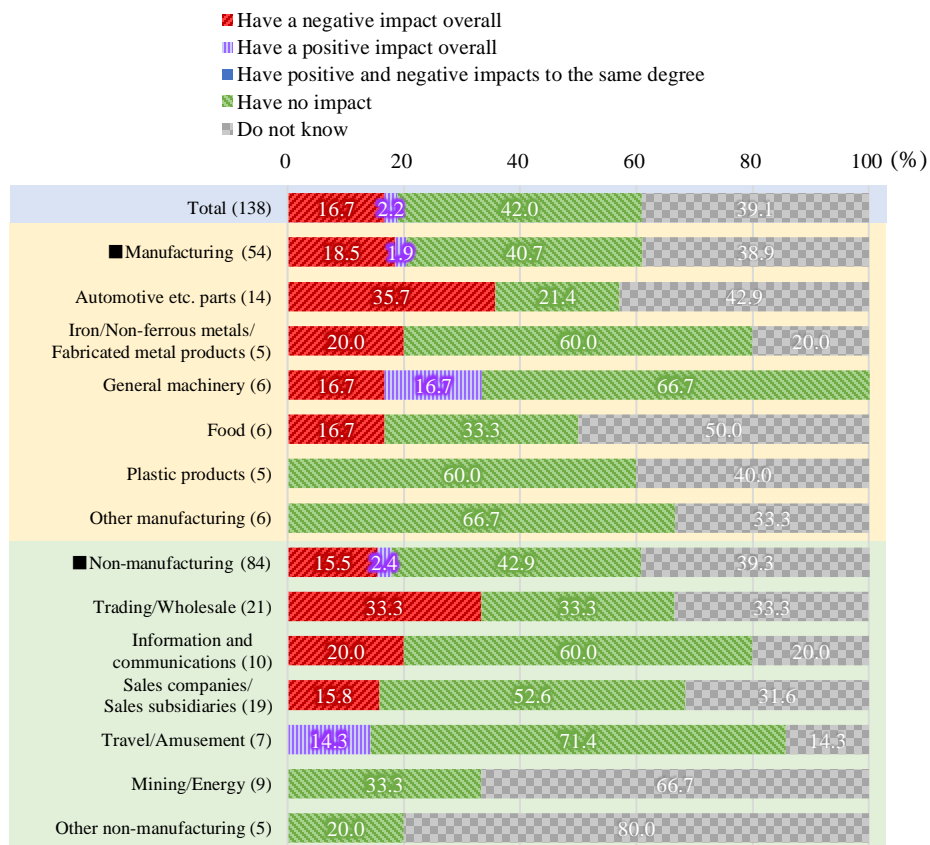
6. Impact of Changes in Trade Environment: 24.8% of Respondents Report Negative Impact

In terms of the impact thus far from changes in the trade environment, 20.4% of respondents (28 companies) said “negative impact overall”, whereas 4.4% (6 companies) said “negative and positive impacts have been about equal”. By industry, the percentage of respondents who said “negative impact overall” was highest for Automotive etc. parts (42.9%), Trading/Wholesale (33.3%), and Sales companies/Sales subsidiaries (26.3%). As for the impact two to three years from now, 16.7% (23 companies) said “negative impact overall”, with 2.2% (3 companies) saying “negative and positive impacts will be about equal”.

Impact Thus Far From Changes in Trade Environment



Impact 2-3 Years From Now From Changes in Trade Environment

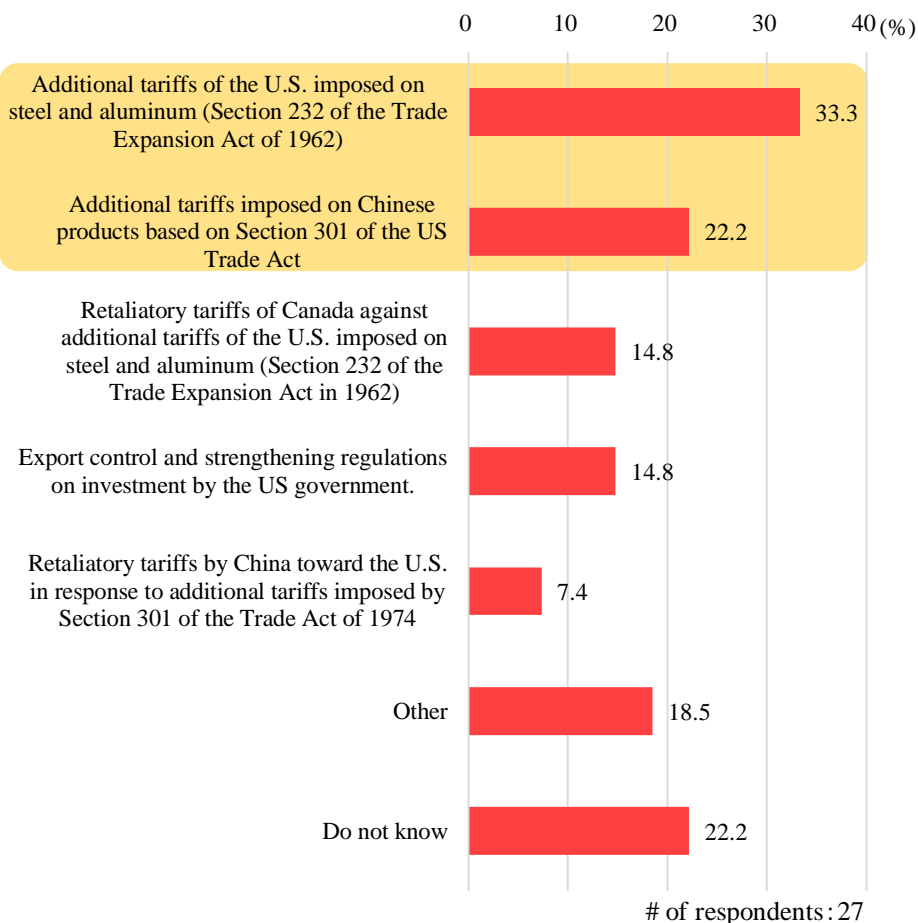


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

6. Impact By Policy: “Additional Tariffs of the U.S. Imposed on Steel and Aluminum” the Highest Response

Out of the respondents that cited a “negative effect overall”, 33.3% (9 companies) named specifically as the most impactful policy the “additional tariffs of the U.S. imposed on steel and aluminum”. This was the top response, followed by “additional tariffs imposed on Chinese products based on Section 301 of the U.S. Trade Act”, given by 22.2% (6 companies). In terms of the product lines most affected, respondents cited steel products and aluminum materials, automobiles and auto parts, coal, and lumber, as well as Chinese-made surveillance cameras and AV equipment etc.

Specific Policies Having Negative Impacts (Multiple Answers)



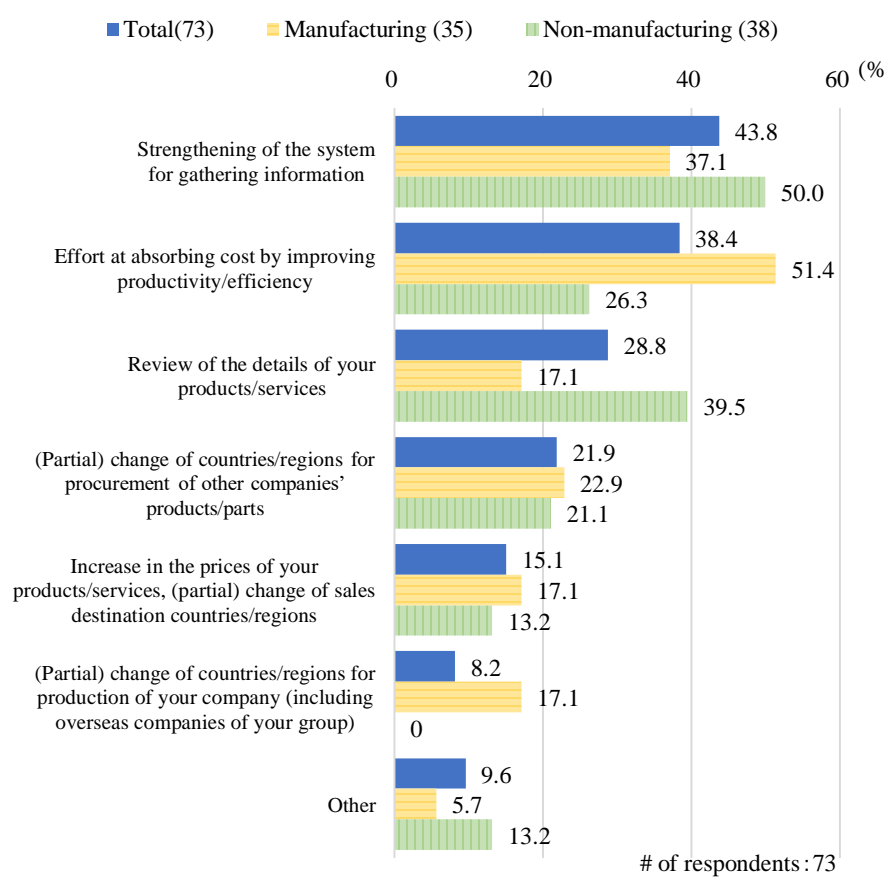
Specific Impacts From Changes in Trade Environment (Free Description)

- Dumping to neighboring countries due to products driven out from the U.S. (Sales companies/Sales subsidiaries)
- Heavier import restrictions on most of the products we sell (Trading/Wholesale)
- Changes in supply and demand from tariffs on steel and aluminum have been negative for us overall (Trading/Wholesale)
- Paying additional tariffs on molds procured from China (Plastic products)
- Because of the U.S. NDAA, there are concerns from customers about surveillance cameras etc. using Chinese chipsets (Electrical machinery/Electronic devices)
- In cases where products from Chinese plants are imported into the U.S. and then reshipped to Canada, the indirect tax burden is growing. There are also higher indirect costs for products going to Canada, due to uniform cost increases for products from Chinese plants having the same product numbers as U.S. products (Electrical machinery/Electronic devices)
- Given the tariffs against China that apply to Canadian processed goods which partially use Chinese raw materials, we decided to discontinue manufacturing for the U.S. market. Also, competitors in China have diverted their unsold inventory arising from U.S. tariffs against China to the Canadian market, and this has affected market conditions here in some cases (Food)
- The effects of tariffs on softwoods (Other manufacturing)
- The effects of the additional tariffs brought about by U.S.-China frictions have caused supplier's export volumes to China to fall significantly, and consequently, the supplier-side profit environment has worsened. In light of this deterioration, we are seeing effects such as higher costs and sluggish yield (Trading/Wholesale)
- China-related trade is generally at risk of declining (Transportation)

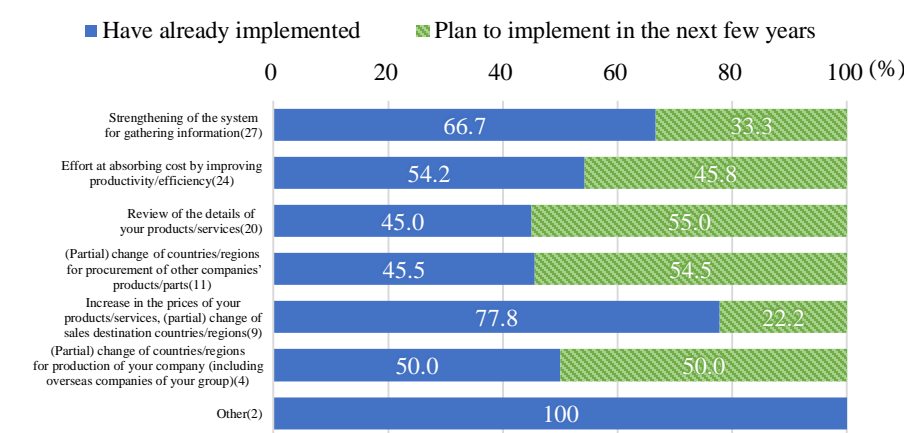
6. Measures for Changes in Trade Environment: “Strengthening of the System for Gathering Information” the top Answer

When asked about measures for handling changes in the trade environment, 43.8% of respondents (32 companies) said “strengthening of the system for gathering information”, the most prominent answer, followed by “effort at absorbing cost by improving productivity/efficiency” as cited by 38.4% of respondents (28 companies). When viewed by industry, among manufacturers the top response was “effort at absorbing cost by improving productivity/efficiency” (51.4%), while among non-manufacturers the top answer was “strengthening of the system for gathering information” (50.0%). As for the timing for implementing these measures, 66.7% (18 companies) said they had “already implemented” measures for “strengthening of the system for gathering information”, while 54.2% (13 companies) said the same with regard to “effort at absorbing cost by improving productivity/efficiency.”

Measures for Changes in Trade Environment (Multiple Answers)



Timing of Implementation



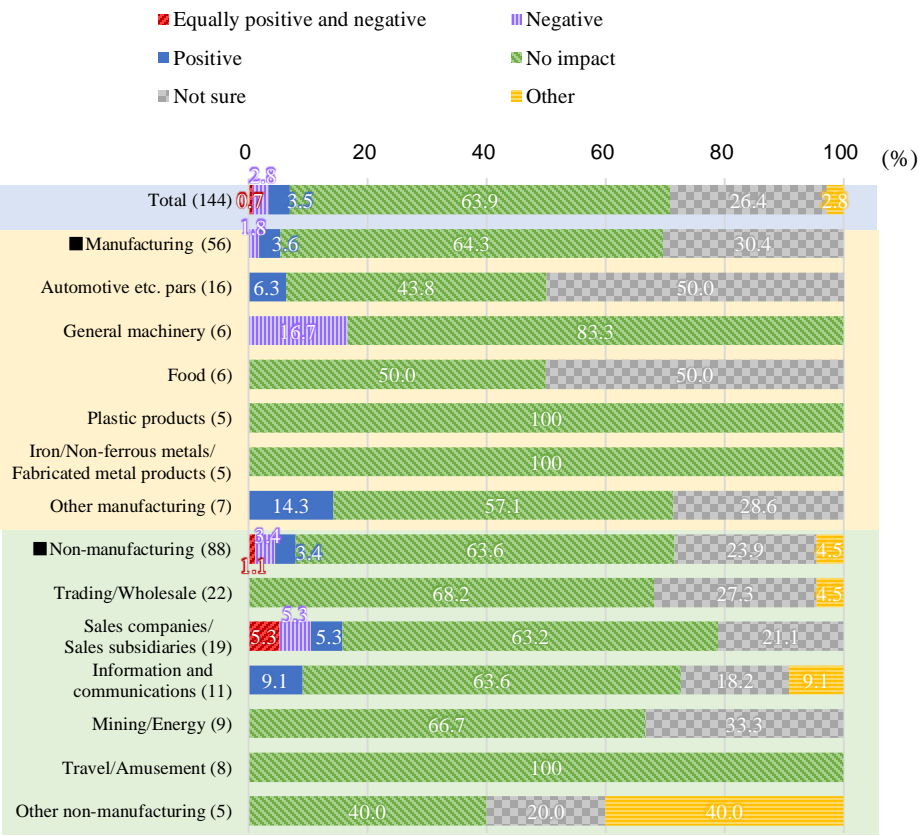
Specific Initiatives (Free Description)

- Joining industry associations (Food)
- Sharing information with our group companies in various countries etc. (Precision machines/Medical equipment)
- Procuring cheaper parts, controlling wage increases (Automotive etc. parts)
- Automating internal operations, digitalization (Trading/Wholesale)
- Consolidating production lines, improving the yield (Rubber/Ceramic/Stone and clay products)
- Watching price fluctuations and taking appropriate steps (Sales companies/Sales subsidiaries)
- Researching market developments to find new profit sources (Professional and technical services)

6. Impact of CUSMA on Japanese Companies in Canada, and Countermeasures: “No Impact” Reported by 63.9% of Respondents

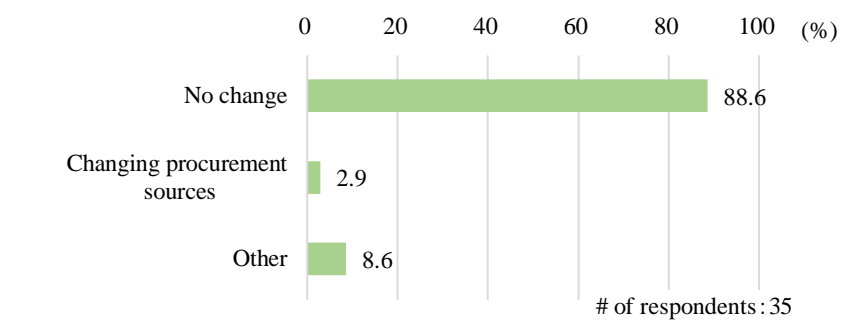
With regard to the impact of the Canada-United States-Mexico Agreement (CUSMA) on Japanese companies in Canada, the percentage of respondents who said it had had “no impact” rose 9.9 points from the prior year (54.0%) to reach 63.9%, while “don’t know” was down 0.9 points at 26.4%, followed by “positive impact” cited by 3.5%. Although only 0.7% (5.0% in prior year) said there had been a “negative impact”, when viewed by industry, it was slightly higher for Sales companies/Sales subsidiaries (5.3%). A majority of respondents, specifically 88.6%, said their response to CUSMA had “no change”, with this percentage having risen 43.9 points from the last survey (44.7%).

Impacts from the Passing of CUSMA



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Measures (Multiple Answers)



Companies Changing their Procurement Sources Because of CUSMA (Ex.)

Industry	Pre-change		Post-change
Automotive etc. parts	China	→	Mexico

Specific Impacts (Free Description)

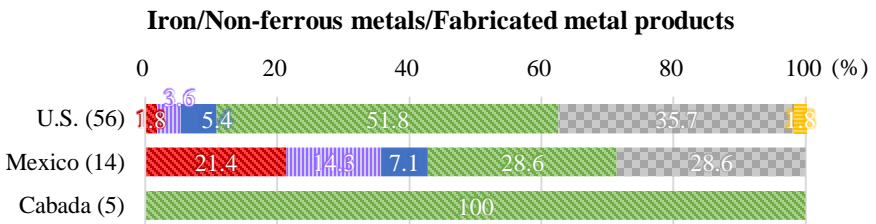
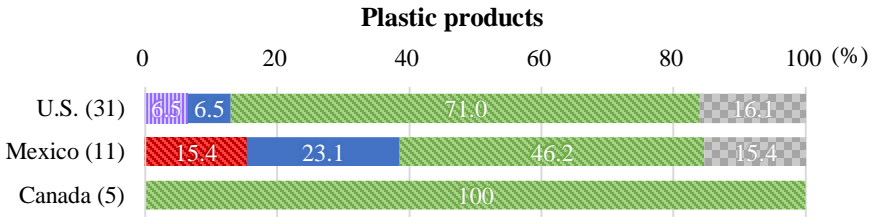
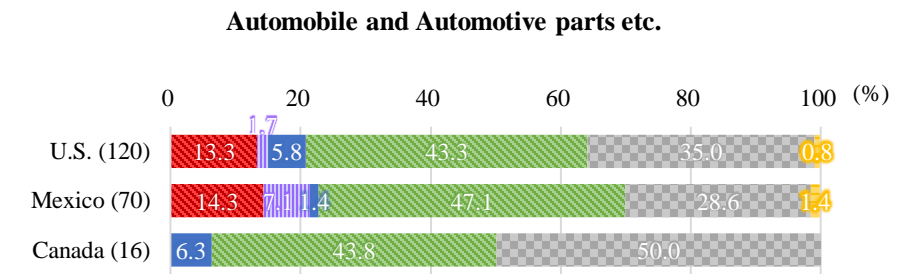
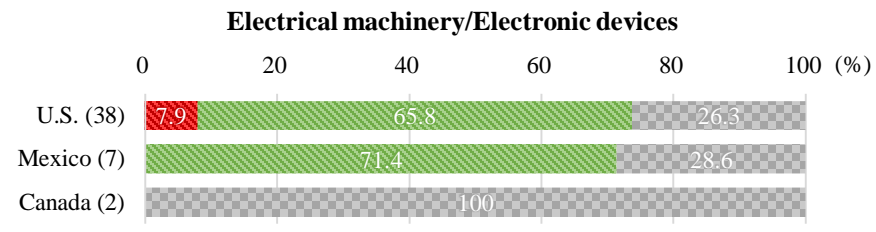
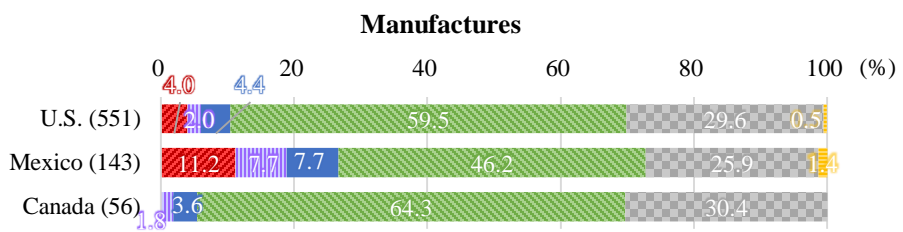
- As we pursue localization, we’re considering procuring parts from suppliers in Mexico (Automotive etc. parts)
- Trade among the three countries is more active (Transportation)
- We’re purchasing Mexican goods obtained via the U.S. duty-free, and the fact that we’ve been able to continue this is a plus (Sales companies/Sales subsidiaries)
- The specific extent of the impacts is still unclear (Multiple industries)

6. Impacts of CUSMA on the Three Countries: The Most Respondents Cited “Negative Effects” in Mexico (11.2%)

Regarding the effects of CUSMA, we compared our survey results with those of surveys separately conducted for the U.S. and Mexico, and found that the percentage of respondents in manufacturing that cited “negative effects” was the highest in Mexico at 11.2%, whereas it was 4.0% in the U.S. and 0% in Canada. Fewer companies reported negative effects this year in all three countries compared to the prior year, while more companies answered “no impact” this time. If we look by industry at the percentages of companies that reported negative effects, for Automobile and Automotive parts etc., the percentages were the highest in Mexico (14.3%) and the U.S. (13.3%). In addition, the highest proportions of respondents citing negative effects in Mexico were 21.4% by those in Iron/Non-ferrous metals/Fabricated metal products and 15.4% by those in Plastic products.

Degree of Impact from the Enactment of CUSMA (U.S., Mexico, Canada)

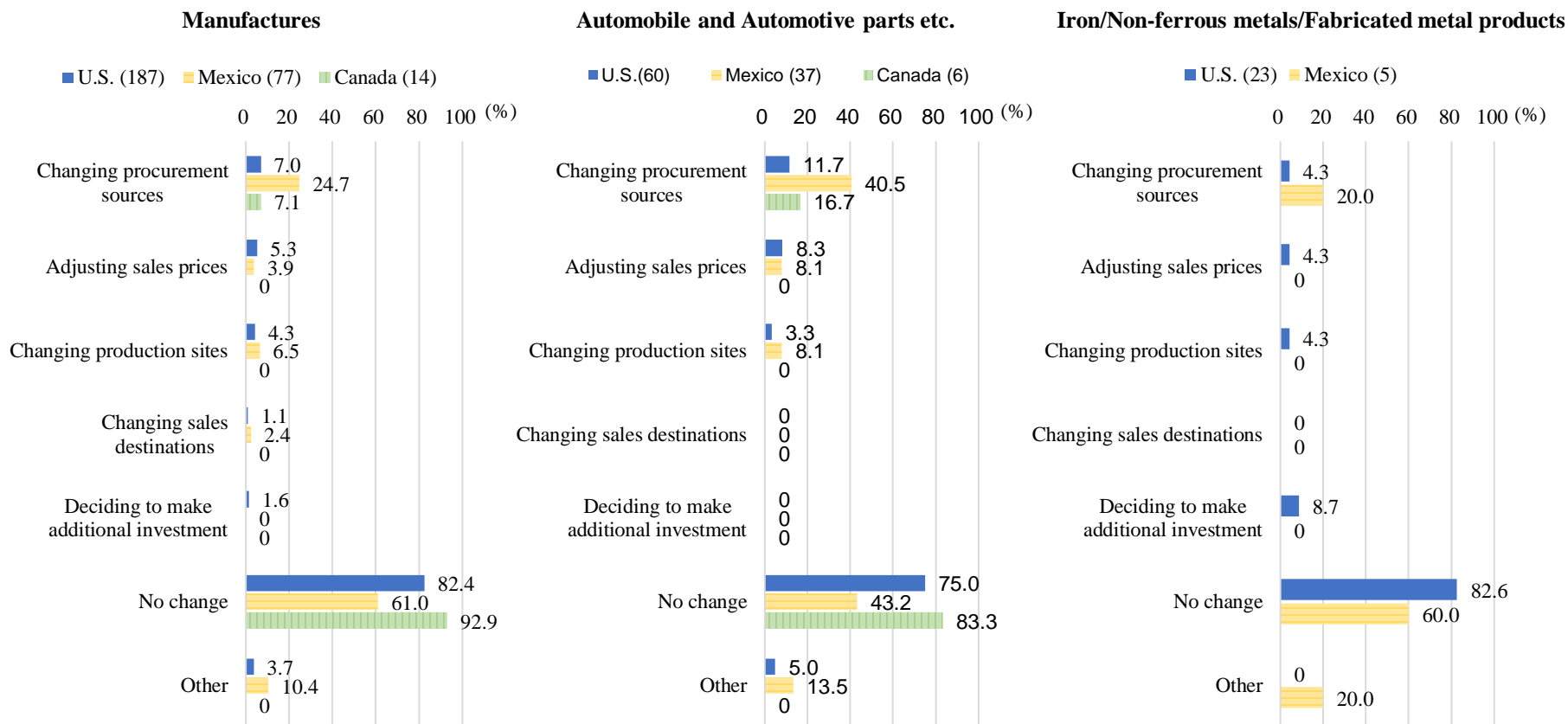
■ Negative
 ■ Equally positive and negative
 ■ Positive
 ■ No impact
 ■ Not sure
 ■ Other



6. Measures for CUSMA in the Three Countries: Changes to Procurement Sources Made by 24.7% of Respondents in Mexico

Regarding measures for CUSMA, we compared our survey results with those of the surveys separately conducted for the U.S. and Mexico. This showed that among manufacturers, “no change” accounted for approximately 60-90% of all responses (Canada: 92.9%; U.S.: 82.4%; Mexico: 61.0%), while “changed procurement sources” was cited most in Mexico (24.7%), and “changed production sites” was highly cited in Mexico (6.5%) and the U.S. (4.3%). When viewed by industry, changes to procurement sources were most highly cited in Mexico by respondents in Automobile and automotive parts etc. (40.5%) and in Iron/Non-ferrous metals/Fabricated metal products (20.0%), while “selling price adjustments” were most highly cited in the U.S. by respondents in Automobiles and automotive parts etc. (8.3%), and likewise in Mexico by respondents in Automobiles and automotive parts etc. (8.1%), and likewise in Mexico by respondents in Automobiles and automotive parts etc. (8.1%).

Measures for CUSMA (U.S., Mexico, Canada; Multiple Answers)





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