



2020 JETRO Survey on Business Conditions of Japanese Companies Operating Overseas

(Asia and Oceania)

Business confidence worsened due to the COVID-19 pandemic.
Changes in the trading environments had a wide-ranging impact.

Overseas Research Division,

Japan External Trade Organization (JETRO)

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Key points of the survey results

1. Business confidence and future business plan (1)

1-1. Business confidence fell to the lowest level due to the COVID-19 pandemic, while deterioration in China was mild (slide 1-[6])

- DI,* a statistical measure that shows business confidence, was $\Delta 40.7$, hitting a record low. This is the first time that DI was negative in every country and region since the start of this survey. There has been a negative impact from a change in the trading environments due to the U.S.-China conflict that surfaced in 2019. This situation worsened by a loss of markets both inside and outside of each country/region caused by the COVID-19 infection.
- Although the business confidence of Japanese companies operating in China worsened by 23.4 points, the level of worsening, which is down 19.6 points from the previous year, is milder within the region. This is because the COVID-19 infection was successfully controlled despite some negative impacts, and economic activities resumed at an early stage. The ratio of companies maintaining profitability fell in all countries and regions. However, in China, 63.5% of all companies (down five points from the previous year) remained profitable. The decline was the smallest among the countries and regions surveyed.
- Meanwhile, in Indonesia, where the infection is still spreading, the number of companies that recorded profits was $\Delta 65.9$ points, the worst in the region. This was followed by Thailand ($\Delta 57.4$ points), Philippines ($\Delta 51.2$ points), and India ($\Delta 50.3$ points), all under $\Delta 50$ points. About 90% of the companies in Indonesia, Thailand and India attributed the decline to a fall in sales in the local market, and 60% of the companies in Philippines attributed it to a decline in sales due to a slowdown in exports.

*Abbreviation of Diffusion Index, which is obtained by subtracting the percentage of companies which respond that operating profit is down from the percentage of companies which respond that operating profit is up.

1. Business confidence and future business plan (2)

1-2. Intention of business expansion in the next one to two years hit a new record low (slide 2-[1])

- When asked about the direction of business expansion in the next one to two years, the rate of companies which responded that they would expand started to decline in many countries and regions from the 2019 survey. In the 2020 survey, the rate fell in all countries and regions, hitting new record lows. This trend shows the impact of changes in trading environments such as the U.S.-China conflict, and that a decline in needs due to the COVID-19 pandemic have had a negative impact on the companies' motivation to expand their business.
- On the other hand, even under such a harsh environment, in India and Pakistan, more than half of the companies are still motivated to expand business (50.9% for India and 53.5% for Pakistan). In India, 84.2% of the companies that responded they would expand said they wanted to expand sales in the local market, while in Pakistan, 73.9% of the companies that responded they would expand attributed to high growth potential.

2. Impact of the spread of the COVID-19 pandemic

2-1. 70% of Japanese companies in China expect to recover from the negative impact of the pandemic in the first half of 2021, earlier than other countries/regions (slide 3-[1])

- When asked about when business will get back to normal, 80% of all companies responded that it would be by the end of 2021. While in China, 67.2% of the companies said that it would be before the end of the first half of 2021. Of these, 43.9% of the companies expected that it would be during 2020, showing a dramatic recovery in the countries and regions surveyed.

2-2. COVID-19 accelerated the digital shift of companies (slide 3-[4])

- In response to the pandemic, 52.2% of the companies reviewed or will review their business model.
- Specifically, 53.8% of the companies have increased working from home or remote working, 24.6% hold virtual exhibitions and online business meetings, and 23.8% use digital marketing and AI. The trend shows that companies are accelerating their digital shift.

3. Impact of changes in the trading environments

3-1. Negative impact of changes in the trading environments lingers: Significant deterioration in Hong Kong and Australia (slide 7-[1])

- The negative impact of the trading environments caused by the U.S.-China conflict that surfaced in 2019 was 23.1%, a deterioration of 3.4 points from 19.7% in the previous year. Hong Kong, in particular, recorded a 9.0 point deterioration year on year. Nearly half (46.3%) of the companies said there was a negative impact. Many of the respondents attributed this situation to a decline in exports to the United States from their Chinese customers due to the U.S.-China trade conflict and a shift of production from China to other countries/regions, such as ASEAN, which led to a decline in sales.
- In addition, in Australia, the negative impact was 31.7%, an increase of 14.2 points from 17.5% in the previous year. The increase was almost double the figure in the previous year. The factor behind this is considered to be souring trade relations between China and Australia. The responses point to the impact of China's import curbs on coal and beef from Australia.

3-2. In Vietnam and other countries, changes in the trading environments had a positive impact on business performance (year-on-year increase) (slide 7-[1])

- In Vietnam, Bangladesh and India, the positive impact of changes in the trading environment exceeded 10%, marking a significant year-on-year increase. In Vietnam, the figure rose 8.2 points year-on-year to 15.3%. In Bangladesh, it rose 2.9 points to 13.8%, and in India, it rose 6.6 points to 10.5%.
- For Vietnam and Bangladesh, many respondents said the shift of production to their countries caused by the U.S.-China trade frictions had a positive impact. In India, many respondents pointed out the positive impact of the shift of production from China to India, and the positive impact of increasing the purchase of Japanese products due to a decline in the imports of Chinese products to India against the backdrop of souring relations between China and India. In Vietnam, some pointed out the positive impact of the European Union-Vietnam Free Trade Agreement (EVFTA) which came into effect in August 2020.

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Survey Summary (1)

Purpose of Survey

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

Surveyed Countries/regions

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

Survey Period

- August 24 to September 25, 2020

Response Rate

- Of a total of 14,399 surveys sent out, we received valid responses from 5,976 companies (41.5%). The breakdown of respondents by country and region is provided in the table to the right.

Notes

- This survey has been conducted since 1987, making this year the 34th version.
- Since 2007, the survey has included non-manufacturing sectors.
- The numbers in parentheses in each slide indicate the number of the companies with valid responses.
- Numbers in tables are rounded up, so they do not necessarily add up to 100%.
- Surveys in Taiwan were conducted with the assistance of the Japan-Taiwan Exchange Association.

(Company, %)

	Companies surveyed	Companies responding		Category		Valid responses
		Valid(%)		Manufacturing	Non-manufacturing	
Total	14,399	5,976	100.0	2,621	3,355	41.5
Northeast Asia	2,853	1,661	27.8	706	952	58.2
China	1,600	886	14.8	522	368	55.4
Hong Kong/Macau	539	370	6.2	45	325	68.6
Taiwan	548	278	4.7	89	189	50.7
South Korea	166	127	2.1	53	74	76.5
ASEAN	9,882	3,623	60.6	1,645	1,978	36.7
Vietnam	1,786	905	15.1	474	431	50.7
Thailand	2,775	680	11.4	361	319	24.5
Indonesia	1,997	674	11.3	371	303	33.8
Singapore	1,113	622	10.4	143	479	55.9
Malaysia	946	257	4.3	147	110	27.2
Myanmar	468	203	3.4	35	168	43.4
Philippines	471	133	2.2	59	74	28.2
Cambodia	241	111	1.9	37	74	46.1
Laos	85	38	0.6	18	20	44.7
Southwest Asia	1,241	486	8.1	218	268	39.2
India	945	344	5.8	155	189	36.4
Bangladesh	169	69	1.2	32	37	40.8
Pakistan	63	43	0.7	21	22	68.3
Sri Lanka	64	30	0.5	10	20	46.9
Oceania	423	206	3.4	49	157	48.7
Australia	285	140	2.3	30	110	49.1
New Zealand	138	66	1.1	19	47	47.8

Survey Summary (2)

By industry category (manufacturing)

(Company, %)

	Valid	(%)
ManufacturingTotal	2,621	43.9
Transportation equipment parts	390	6.5
Iron/Nonferrous metals/Metals	387	6.5
Electrical machinery parts/Electronic device parts	224	3.7
Chemicals/Medicine	214	3.6
General machinery	193	3.2
Electrical machinery/Electronic devices	179	3.0
Food	164	2.7
Plastic products	162	2.7
Textiles/Textile apparel	159	2.7
Rubber/Ceramic/Stone and clay products	99	1.7
Transportation equipment	97	1.6
Paper/Wood products/Printing	91	1.5
Precision machinery/Medical equipment	80	1.3
Miscellaneous manufacturing industries	182	3.0

By industry category (non-manufacturing)

(Company, %)

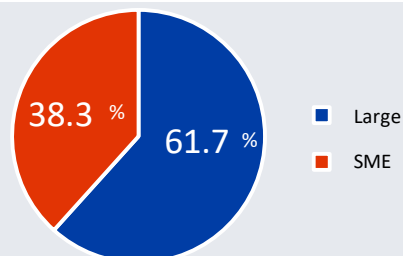
	Valid	(%)
Non-manufacturingTotal	3,355	56.1
Trading/Wholesale	709	11.9
Sales companies	574	9.6
Transport activities/Warehouse	361	6.0
Construction	318	5.3
Information and communications	300	5.0
Business services	278	4.7
Finance/Insurance	263	4.4
Real estate agencies/Real estate lessors	110	1.8
Travel/Amusement	88	1.5
Retail	62	1.0
Mining/Energy	59	1.0
Restaurant business	39	0.7
Education/Medical	37	0.6
Agriculture, forestry and fisheries	19	0.3
Other non-manufacturing industries	138	2.3

Companies by country/region

(Companies)

	Large	SME
Total	3,686	2,290
Northeast Asia	1,142	519
China	566	320
Hong Kong/Macau	254	116
Taiwan	217	61
South Korea	105	22
ASEAN	2,023	1,600
Vietnam	448	457
Thailand	243	437
Indonesia	447	227
Singapore	431	191
Malaysia	174	83
Myanmar	125	78
Philippines	78	55
Cambodia	61	50
Laos	16	22
Southwest Asia	355	131
India	260	84
Bangladesh	35	34
Pakistan	40	3
Sri Lanka	20	10
Oceania	166	40
Australia	126	14
New Zealand	40	26

Large/small and medium-sized enterprises (SMEs)



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

Survey Summary (3)

Note: Industry category details on the previous page are as follows: Starting this year, the industry category has been subdivided.

Number	Major group	Group	Number	Major group	Group
1	Food	Food/processed food, agricultural or fishery products	16	Mining/Energy	Mining Electricity/gas/heat supply/water supply
2	Textiles/Textile apparel	Textiles (Spun fabrics/Woven fabrics/Chemical fibers) Textile apparel/Textile products (including footwear, gloves, leather products, sewn products)	17	Construction	Construction/plant/engineering
3	Paper/Wood products/Printing	Lumber/Wood products, Furniture/Interior/Fixtures, Paper/Pulp, Printing/Publishing	18	Transport activities/Warehouse	Transport/warehousing
4	Chemicals/Medicine	Chemicals/Petroleum products, Medicines	19	Information and communications	Communications/IT/software/information systems/digital service BPO (Business Process Outsourcing) Media/mass media/content Advertising/marketing/research
5	Plastic products	Plastic products	20	Trading/Wholesale	Trading companies, Wholesale
6	Rubber/Ceramic/Stone and clay products	Rubber products Ceramic/Stone and clay products	21	Retail	Retail
7	Iron/Nonferrous metals/Metals	Iron and steel (including cast and wrought products) Nonferrous metals Fabricated metal products (including plated products)	22	Sales companies	Sales companies
8	General machinery	General-purpose machinery (including machines for general use, for production, machine tools/agricultural machinery and construction machinery/molds and machine tools)	23	Finance/Insurance	Banks Non-banks (Insurance/securities brokerage/credit card/leasing, etc.)
9	Electrical machinery/ Electronic devices	Electrical machinery/Electronic devices Information and communication electronics equipment/Office machines	24	Real estate agencies/ Real estate lessors	Real estate, Building and facility management/air conditioning/security/cleaning, Rental
10	Electrical machinery parts/ Electronic device parts	Electrical machinery parts/Electronic device parts	25	Business services	Consulting Professional services such as legal, accounting, and tax affairs Holding/managing company Design/architectonics Repair/maintenance/inspection and analysis Recruiting/temporary staffing
11	Precision machinery/ Medical equipment	Precision instruments (Analytical instruments/Optical instruments and apparatus, etc.) Medical equipment	26	Travel/Amusement	Hotel/travel Amusement/living-related and personal services (including events, sports facilities and hair-dressing/beauty salons)
12	Transportation equipment	Transportation equipment (Motor vehicles/motorcycles) Transportation equipment (Railroad vehicles/ships/aircraft/industrial trucks)	27	Restaurant business	Restaurants
13	Transportation equipment parts	Transportation equipment parts (Motor vehicles/motorcycles) Transportation equipment parts (Railroad vehicles/ships/aircraft/transportation vehicles)	28	Education/Medical	Education/research institutions Medical/welfare/health care
14	Miscellaneous manufacturing industries	Daily necessities/stationery/sundries Miscellaneous manufacturing industries	29	Other non-manufacturing industries	Other
15	Agriculture, forestry and fisheries	Agriculture, forestry and fisheries			

Survey Summary (4)

Number of expatriates from Japan at responding companies (by country/region)

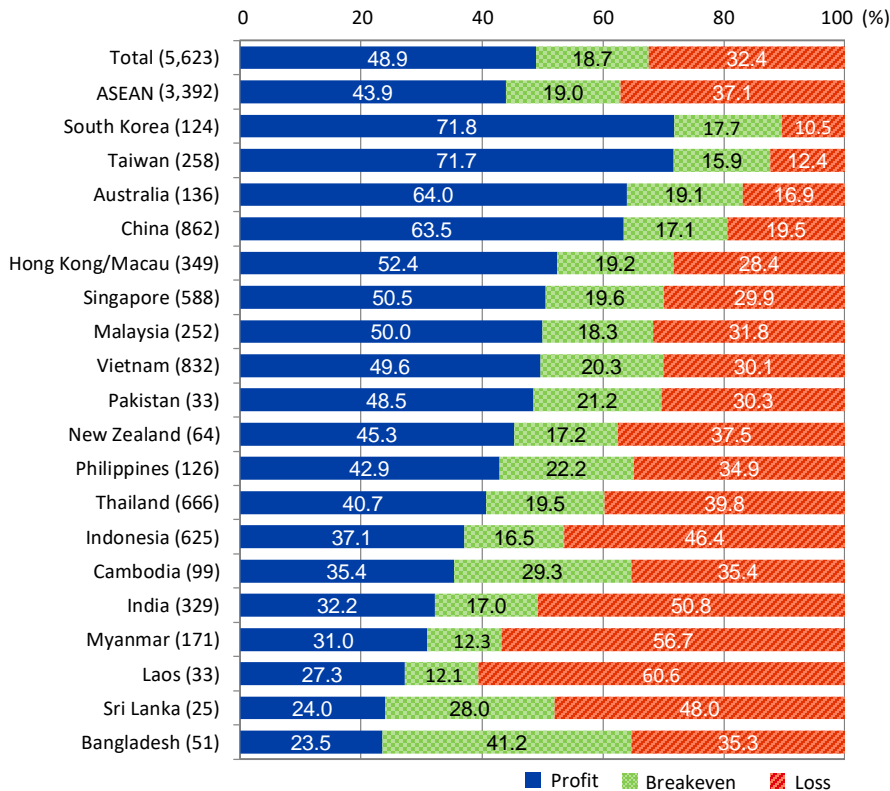
(Companies)



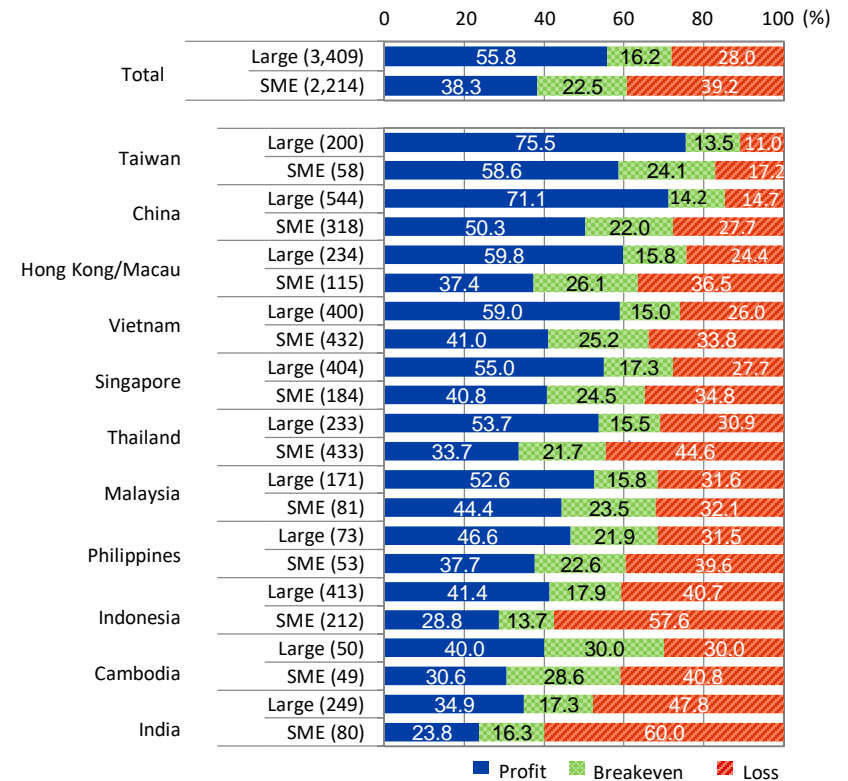
1 | Operating Profit Forecast (1)

- A total of 48.9% of the companies expect to generate an operating profit in 2020, down 16.6 pp from 65.5% in 2019. In contrast, 32.4% of the companies expect to incur an operating loss, up 14.7 pp from 17.7% in 2019.
- By country/region, the proportion of companies expecting operating profit was the highest in South Korea at 71.8%, and exceeded 60% in Taiwan, Australia, and China.
- A total of 55.8% of large enterprises expect operating profit, and this was higher than 38.3% of the SMEs by 17.5 pp. The proportion of positive forecasts were higher among large enterprises than among SMEs in all 11 countries/regions with valid responses from more than 30 large enterprises and SMEs. Particularly, there were differences of over 20 pp between large enterprises and SMEs in Hong Kong/Macau (22.4) and China (20.8).

Operating profit forecast for 2020 (by country/region)



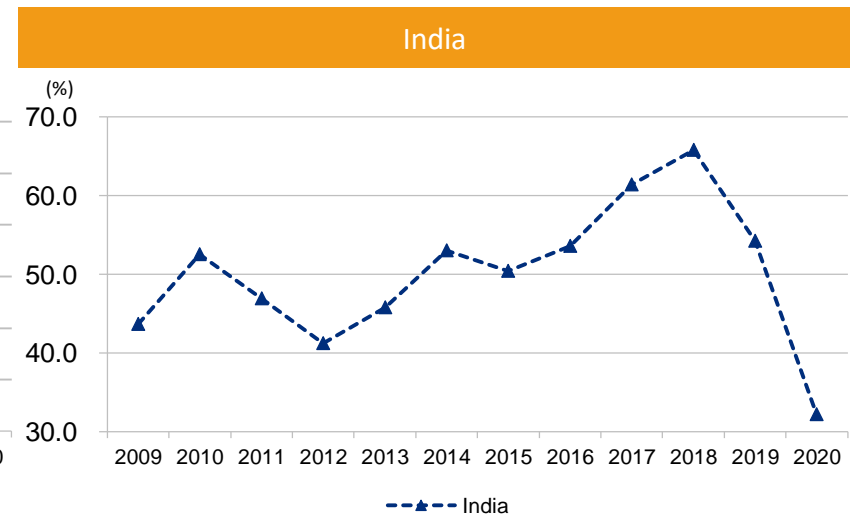
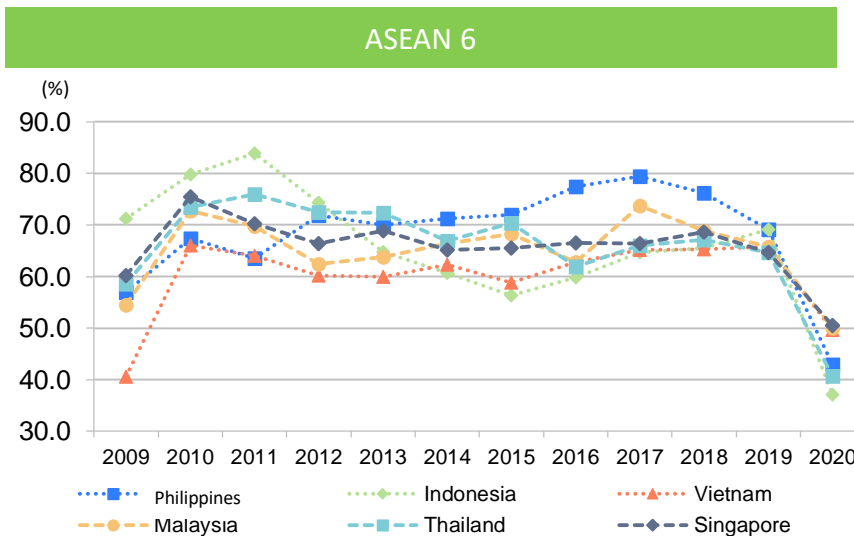
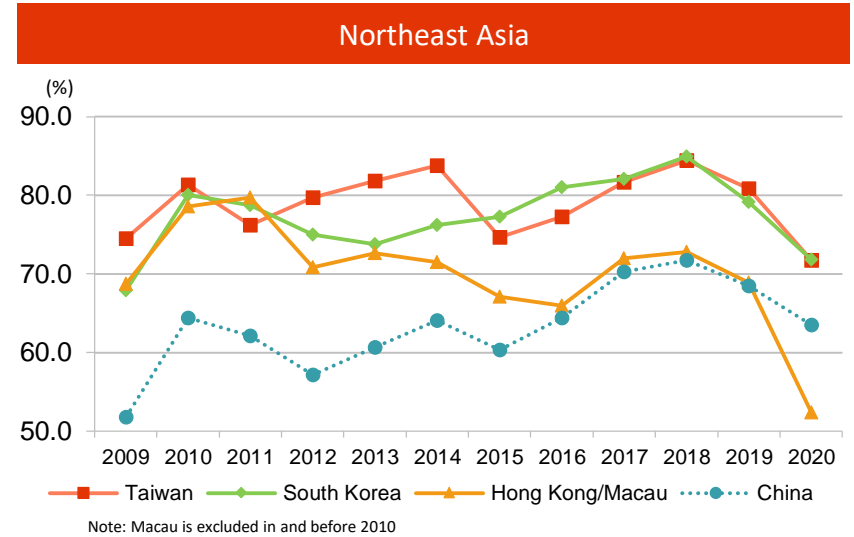
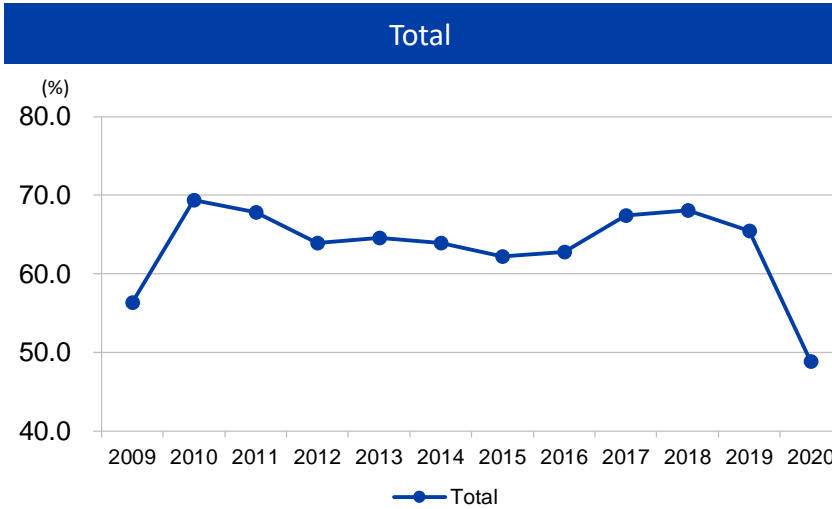
Operating profit forecast for 2020 (by country/region and company size)



Note: Countries/regions for which the number of valid respondents is 30 large/SME companies or more
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1 | Operating Profit Forecast (2)

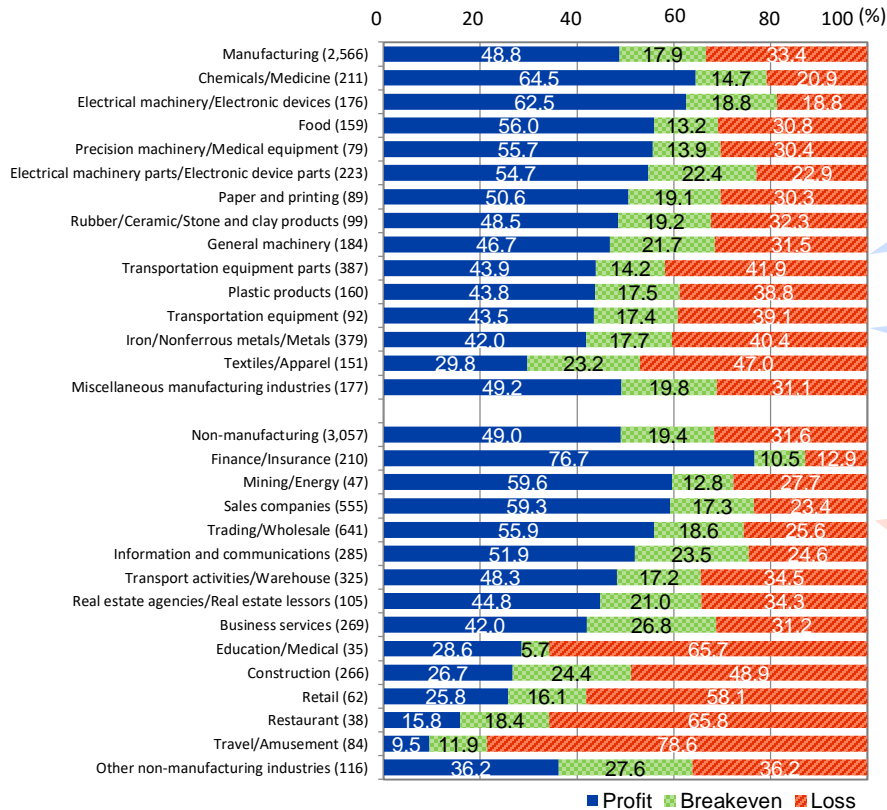
Proportion of profitable companies: 2009–2020 (by country/region)



1 | Operating Profit Forecast (3)

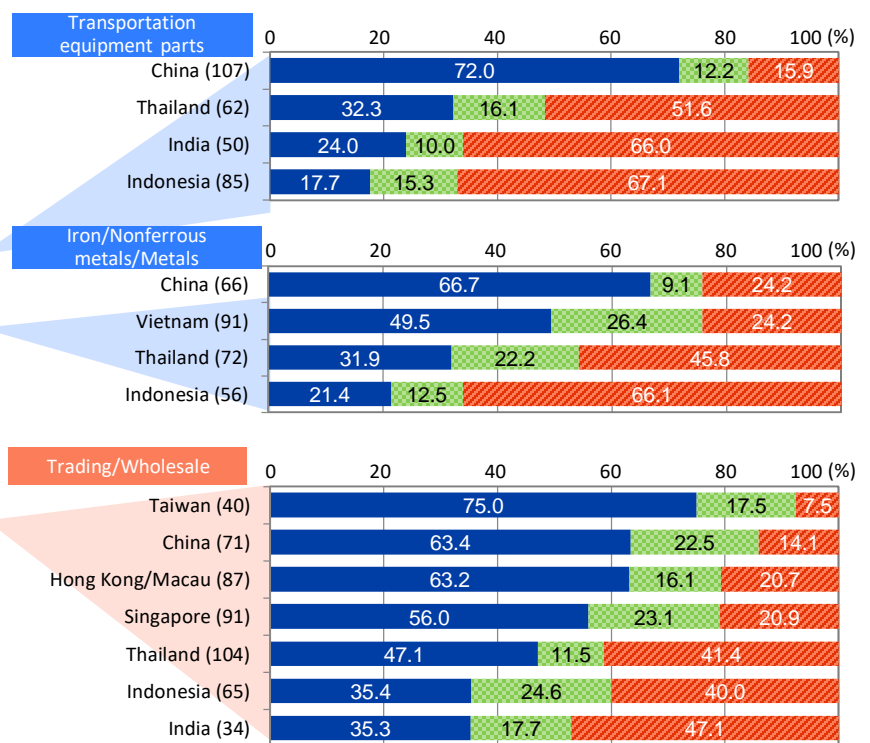
- Looking at the proportion of companies expecting operating profit in 2020 in manufacturing and non-manufacturing sectors, it is 48.8% in the manufacturing sector and 49.0% in the non-manufacturing sector. Compared to the previous year (2019 survey, manufacturing sector: 66.5%; non-manufacturing sector: 64.7%), the proportion decreased by 17.7 pp in the manufacturing sector and 15.7 pp in the non-manufacturing sector.
- In the non-manufacturing sector, the proportion of companies expecting profit in the finance/insurance industry exceeded 70%. Meanwhile, in travel/amusement, education/medical, restaurants, retail, and recruiting/temporary staffing among business services, the ratio of companies expecting a loss exceeded 50%.
- Looking at trends by major industry, in the transportation equipment parts industry, 72.0% of companies in China expect an operating profit. The proportion of companies that expect an operating profit in the iron/nonferrous metals/metals industry is 66.7% in China. Proportion of companies expecting a profit in trading/wholesale was the highest in Taiwan, at 75.0%.

Operating profit forecast for 2020 (by industry)



Operating profit forecast for 2020 (Major industry categories by country and region)

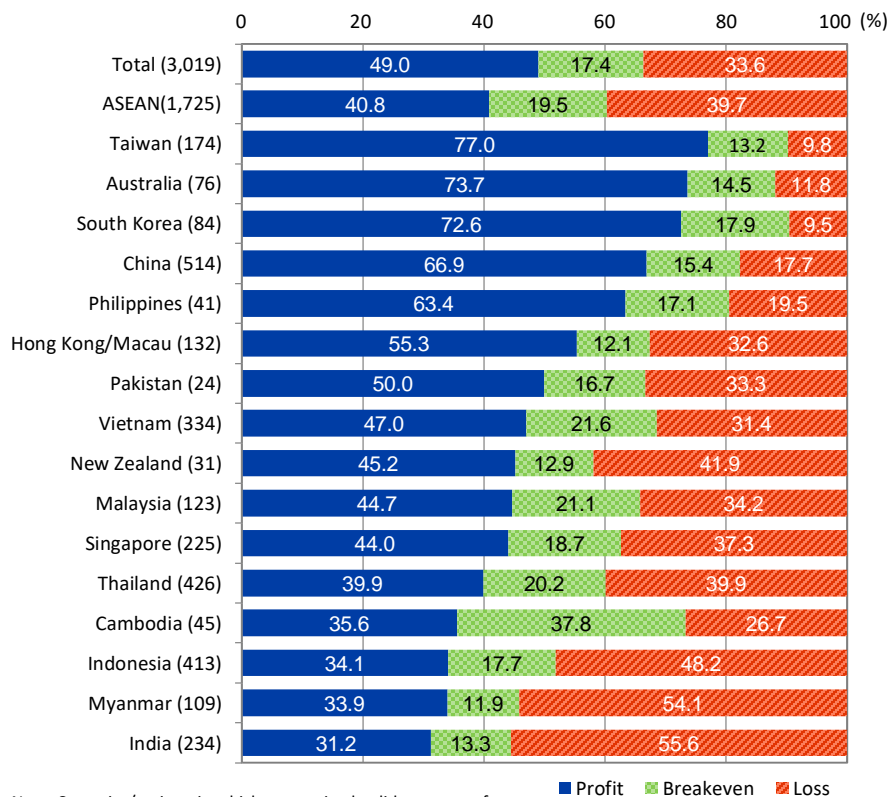
Note: Countries/regions for which the number of valid respondents is 30 companies or more



1 | Operating Profit Forecast (4)

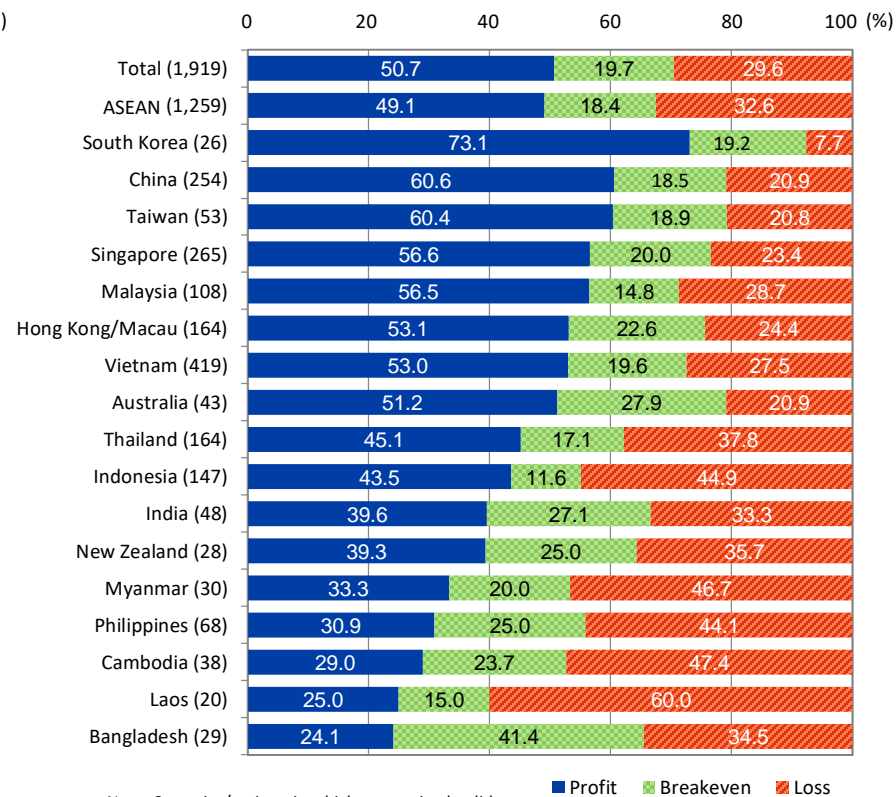
- The proportion expecting an operating profit (forecast) was 49.0% among domestic sales-oriented companies (export ratio < 50% in the operating country/region), while the proportion was 50.7% among export-oriented companies (export ratio ≥ 50% in the operating country/region). The proportion of companies forecasting profit decreased from the previous year by more than 15 pp in both domestic sales-oriented companies and export-oriented companies.
- By country/region, the proportion among domestic sales-oriented companies exceeded 70% in Taiwan, Australia, and South Korea. On the other hand, the proportion of export-oriented companies exceeded 70% only in South Korea.
- In Taiwan, South Korea and China, the proportion was higher than in other countries/regions among both domestic sales-oriented companies and export-oriented companies.

Operating profit forecast (domestic sales-oriented companies with export ratio < 50%) (2020, by country/region)



Note: Countries/regions in which we received valid responses from 15 or more companies

Operating profit forecast (export-oriented companies with export ratio with export ratio ≥ 50%) (2020, by country/region)



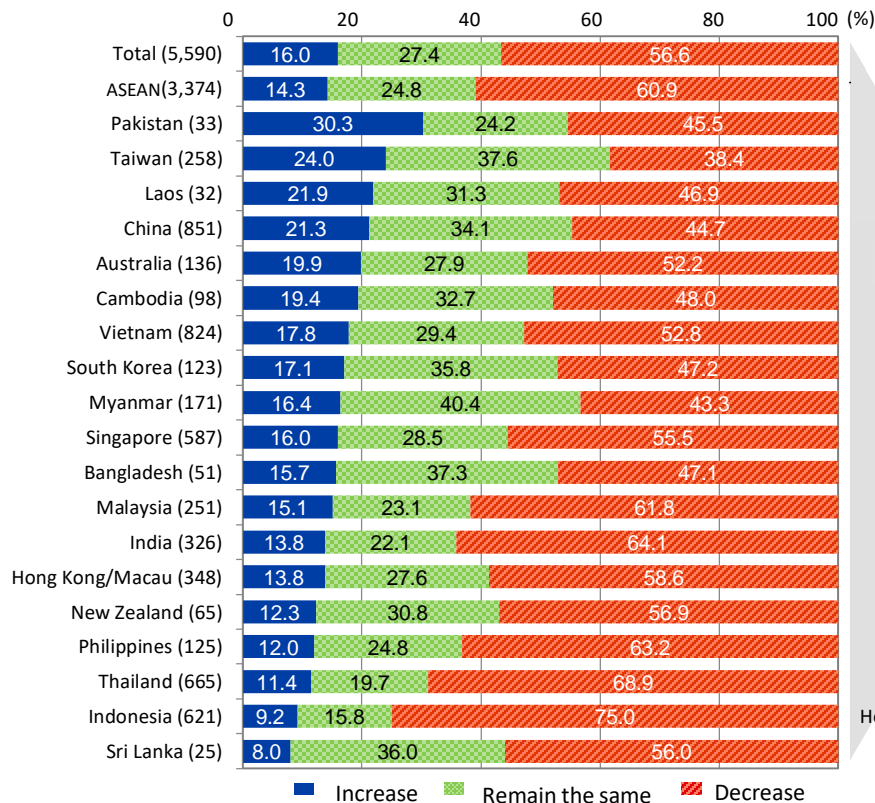
Note: Countries/regions in which we received valid responses from 15 or more companies

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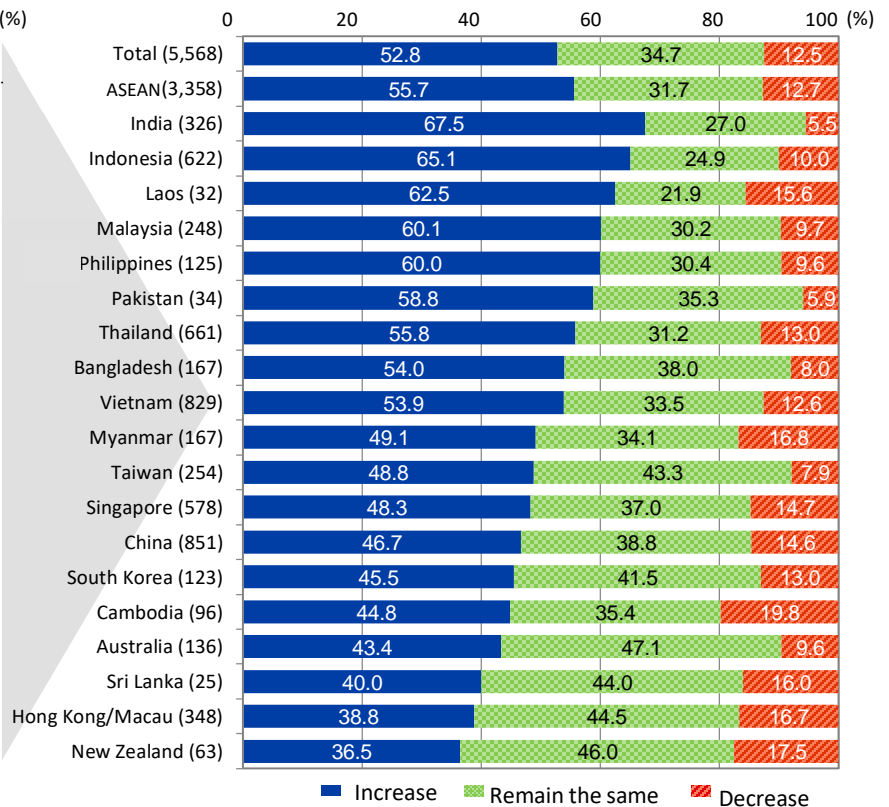
1 | Operating Profit Forecast (5)

- For 2020, a total of 16.0% of companies expect an increase in operating profit over 2019, down 17.1 pp from 33.1% in the 2019 survey. The proportion of companies expecting a decrease in operating profit was 56.6%, up 26.8 pp from the 2019 survey (29.8%).
- A total of 52.8% of the companies expect an increase in operating profit in 2021, up 10.7 pp from the 2020 forecast (42.1%) in the 2019 survey. Meanwhile, the proportion of companies expecting a decrease in operating profit was 12.5%, down 0.2 pp from the 2020 forecast (12.7%) in the 2019 survey.

**Operating profit forecast for 2020
(by country/region, comparison with 2019)**



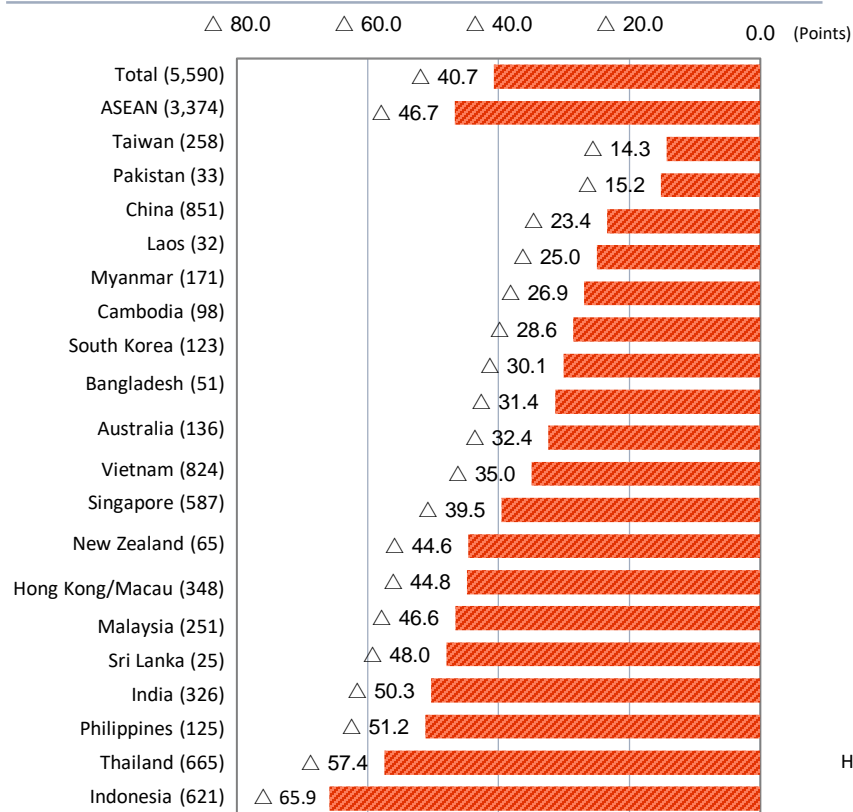
**Operating profit forecast for 2021
(by country/region, comparison with 2020)**



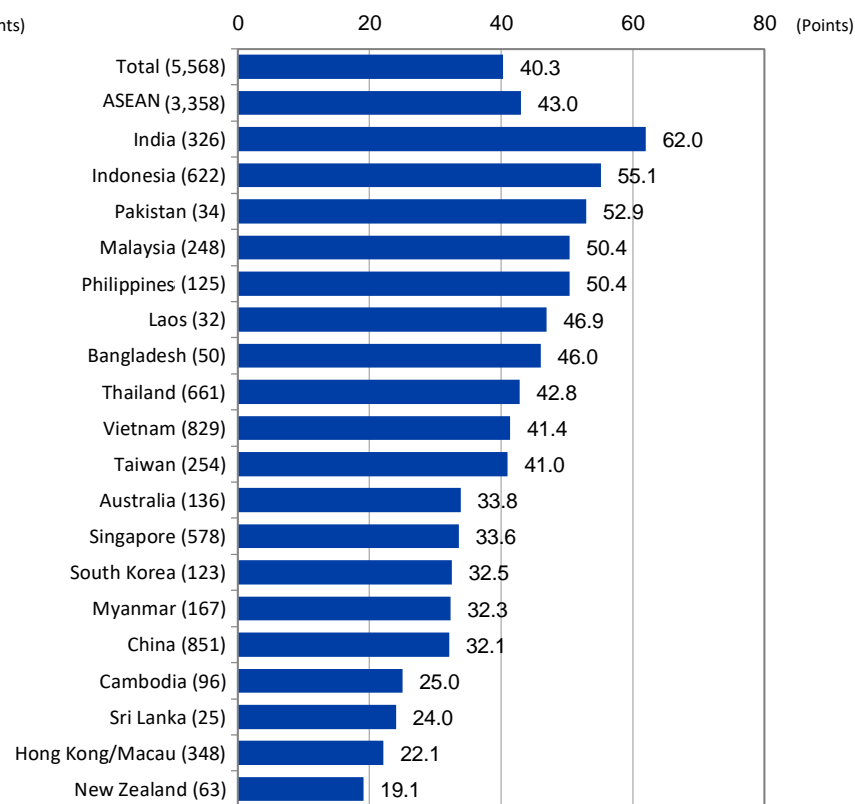
1 | Operating Profit Forecast (6)

- The DI (see Note), indicating business confidence for 2020 operating profit, was $\Delta 40.7$ points, falling below zero from 3.3 points in the 2019 survey. The DI of ASEAN was $\Delta 46.7$ points, 6 points lower than the overall figure. By country/region, large negative DI values are seen for Indonesia ($\Delta 65.9$), Thailand ($\Delta 57.4$), and Philippines ($\Delta 51.2$).
- The DI for 2021 was 40.3 points, 10.8 points higher than the DI for 2020 in the 2019 survey. By country/region, the DI was relatively high in India (62.0), Indonesia (55.1), Pakistan (52.9), Malaysia and Philippines (50.4).

2020 DI (by country/region)



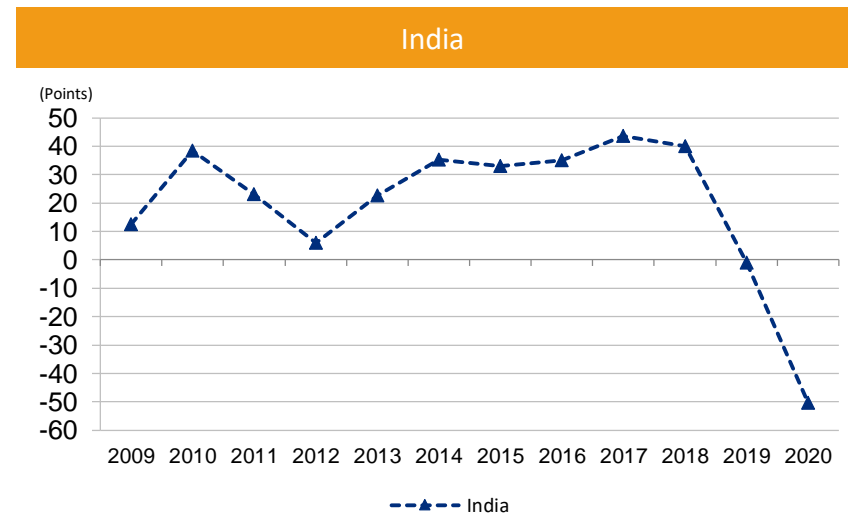
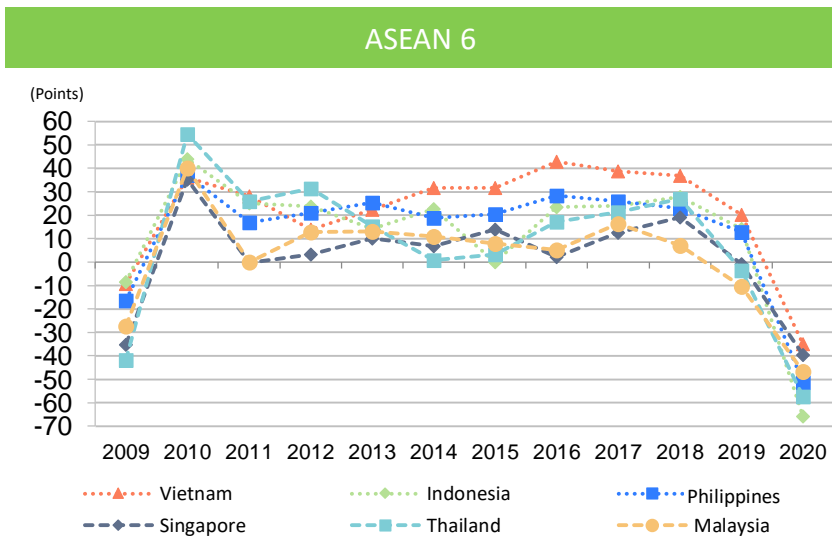
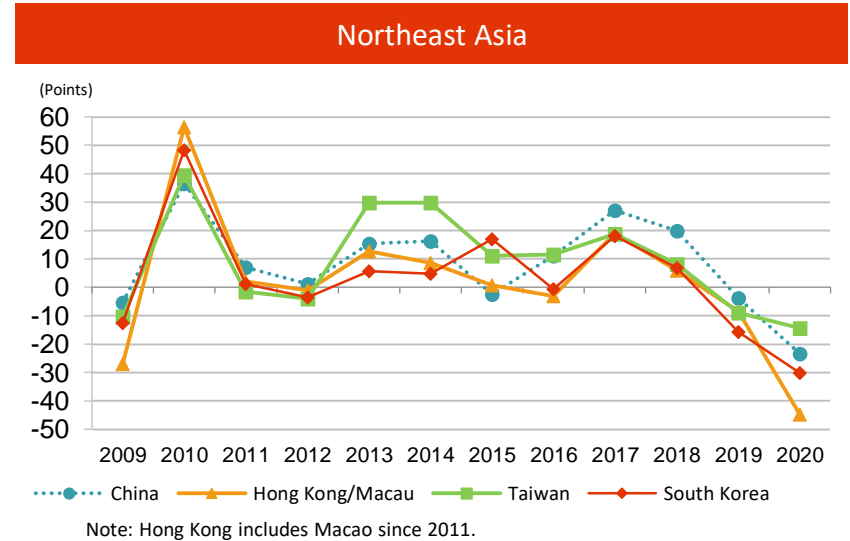
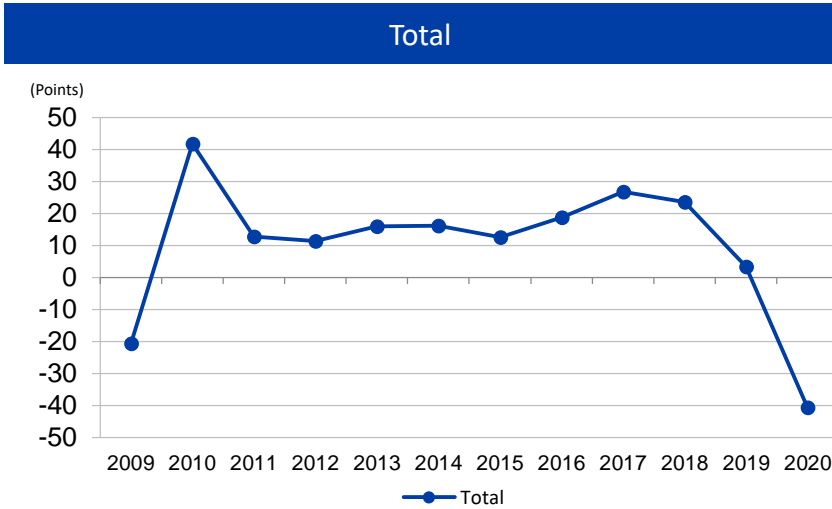
2021 DI (by country/region)



Note: DI is an abbreviation for Diffusion Index, which is the proportion of companies expecting an increase (improvement) minus the proportion of companies expecting a decrease (worsening). This figure reflects changes in business confidence.

1 | Operating Profit Forecast (7)

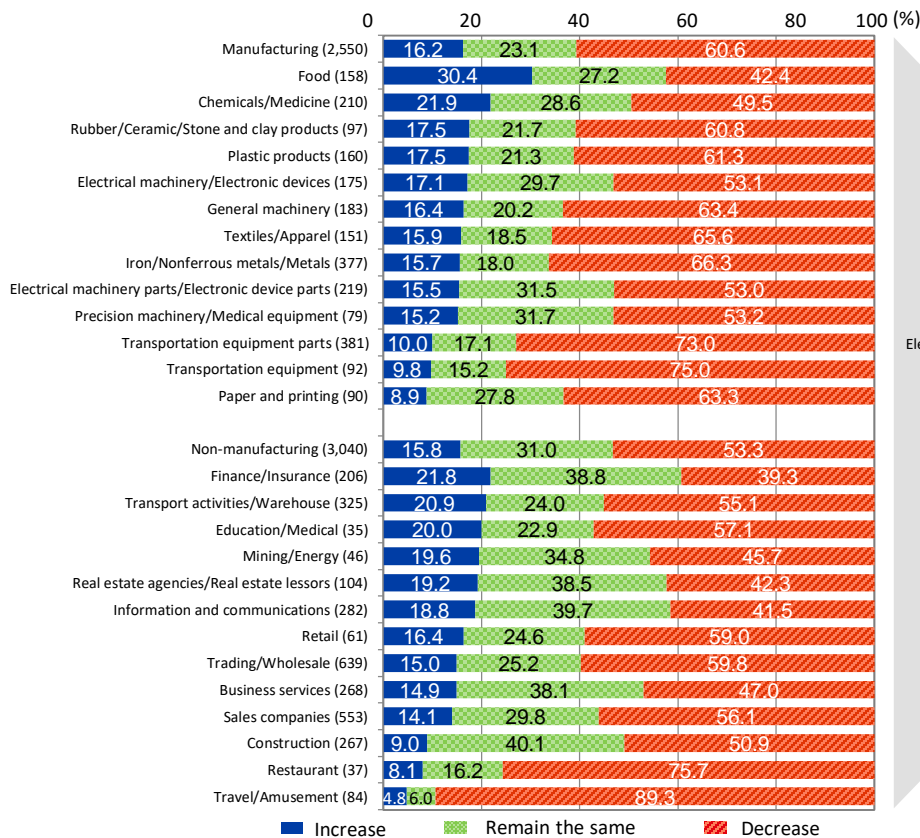
DI: 2009–2020 (by country/region)



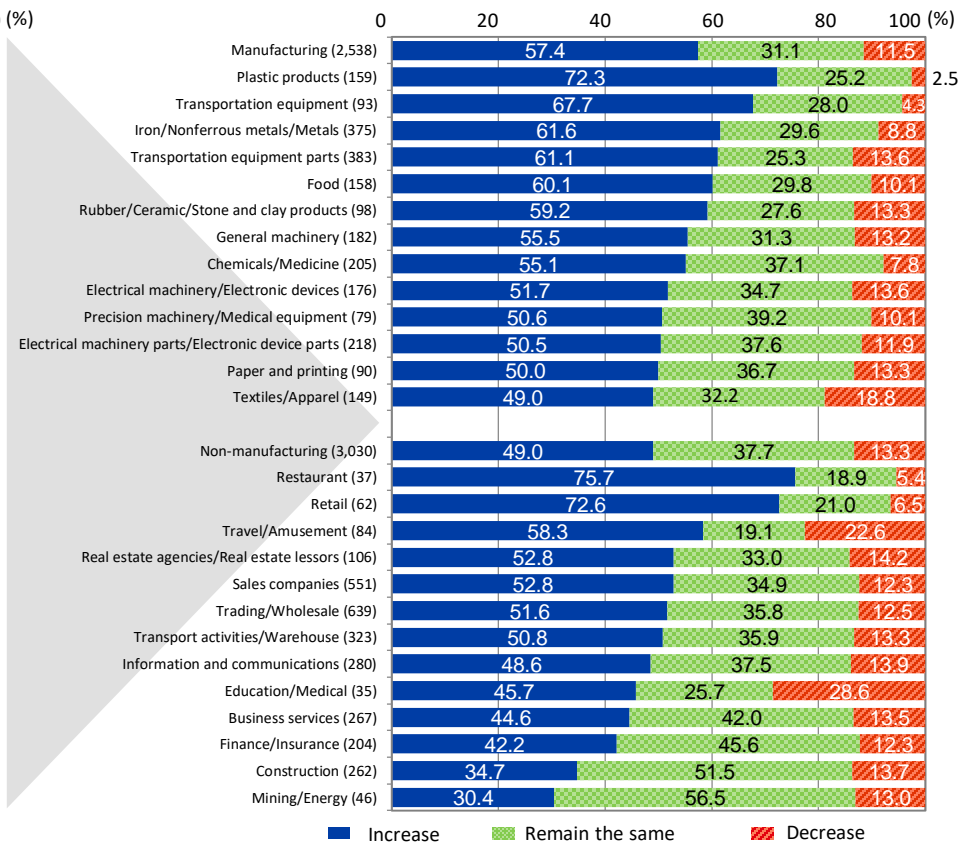
1 | Operating Profit Forecast (8)

- Compared with the 2019 survey, the proportion of companies expecting an increase in operating profit in 2020 decreased in both the manufacturing sector (31.1% → 16.2%, down 14.9 pp) and the non-manufacturing sector (34.8% → 15.8%, down 19.0 pp).
- Comparing the proportion of companies expecting an increase in operating profit in 2021 with the proportion of companies that expected an increase in operating profit in 2020 in the 2019 survey, the 2021 proportion was higher in both the manufacturing sector (57.4%) and the non-manufacturing sector (49.0%). By industry, more than 70% of companies expected an increase in the restaurant (75.7%), retail (72.6%), and plastic products (72.3%) industries.

**Operating profit forecast for 2020
(comparison with 2019, by industry)**

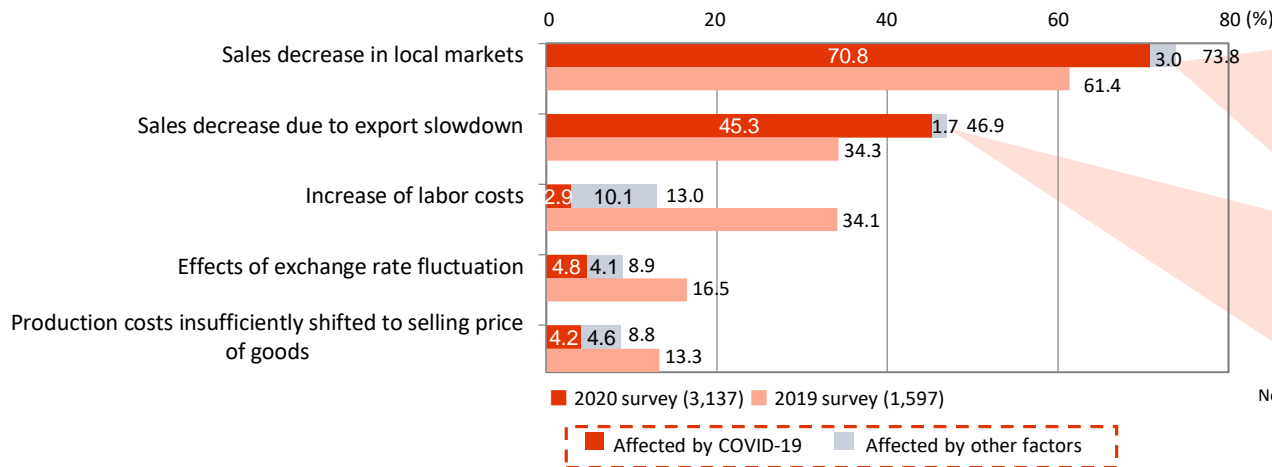


**Operating profit forecast for 2021
(comparison with 2020, by industry)**

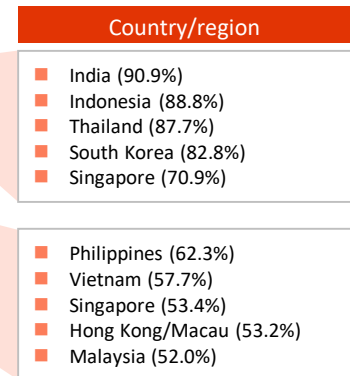


1 | Operating Profit Forecast (9)

Reasons for decreased operating profit forecast for 2020
 (Comparison with the reasons for the decrease of forecast for 2019 cited in the 2019 survey)
 (Top 5, multiple answers)

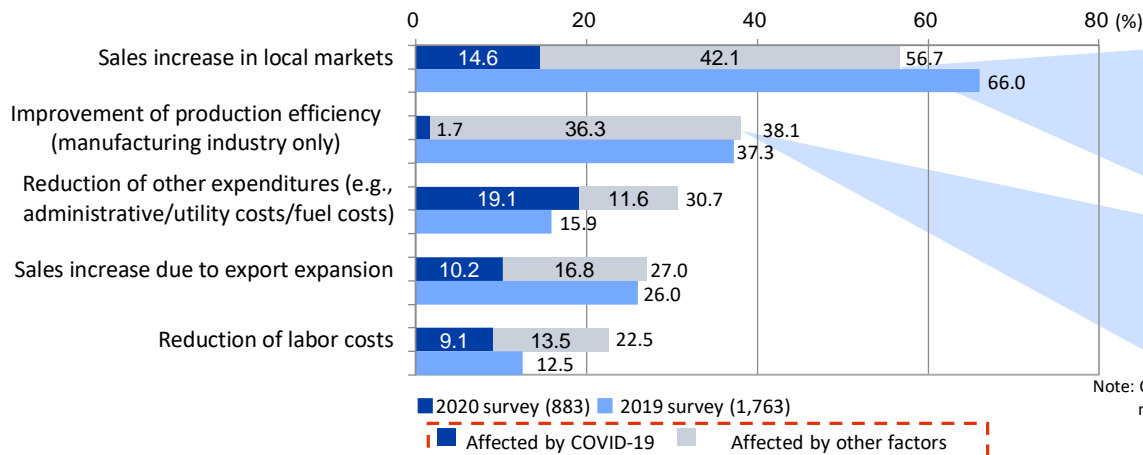


Response rate by country/region
 (Top 5)

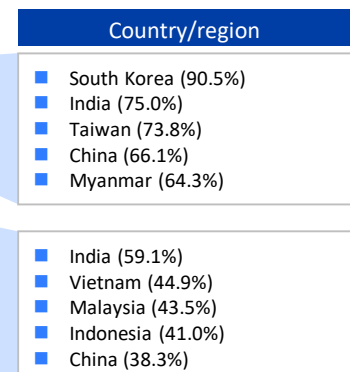


Note: Countries/regions and industry categories for which the number of valid respondents is 30 companies or more

Reasons for increased operating profit forecast for 2020
 (Comparison with the reasons for the increase of forecast for 2019 cited in the 2019 survey)
 (Top 5, multiple answers)



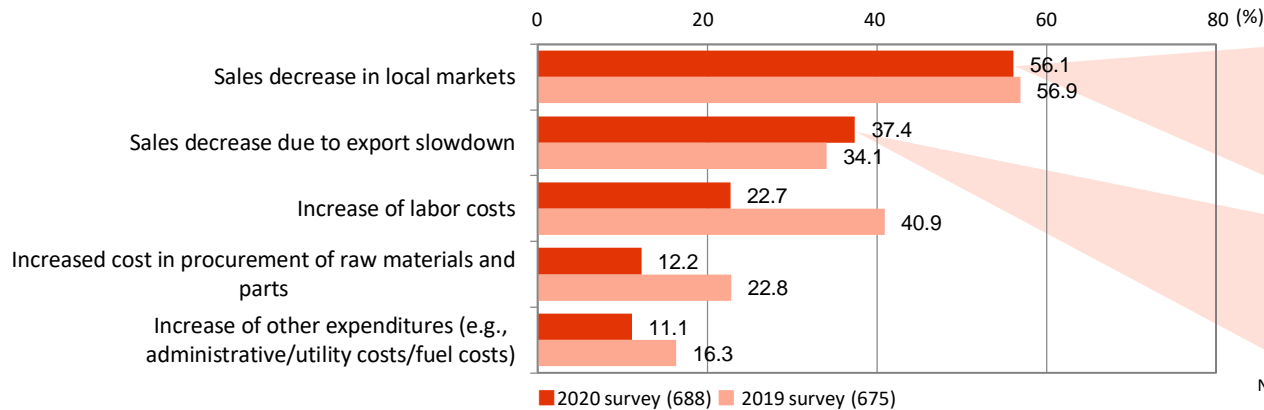
Response rate by country/region
 (Top 5)



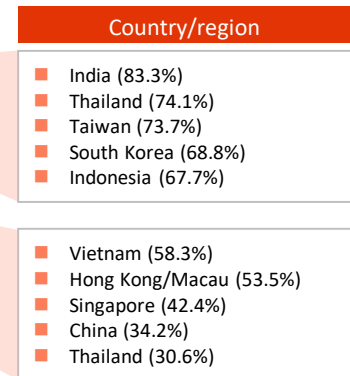
Note: Countries/regions and industry categories for which the number of valid respondents is 10 companies or more

1 | Operating Profit Forecast (10)

Reasons for decreased operating profit forecast for 2021
 (Comparison with the reasons for the decrease of forecast for 2020 cited in the 2019 survey)
 (Top 5, multiple answers)

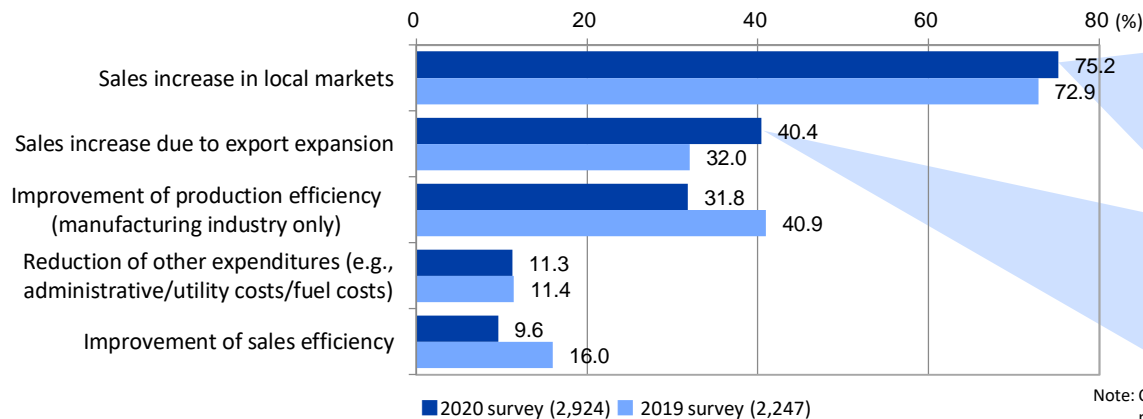


Response rate by country/region
 (Top 5)

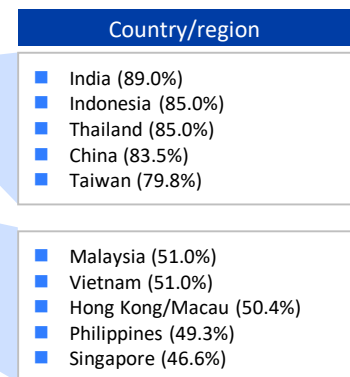


Note: Countries/regions and industry categories for which the number of valid respondents is 10 companies or more

Reasons for increased operating profit forecast for 2021
 (Comparison with the reasons for the increase of forecast for 2020 cited in the 2019 survey)
 (Top 5, multiple answers)



Response rate by country/region
 (Top 5)

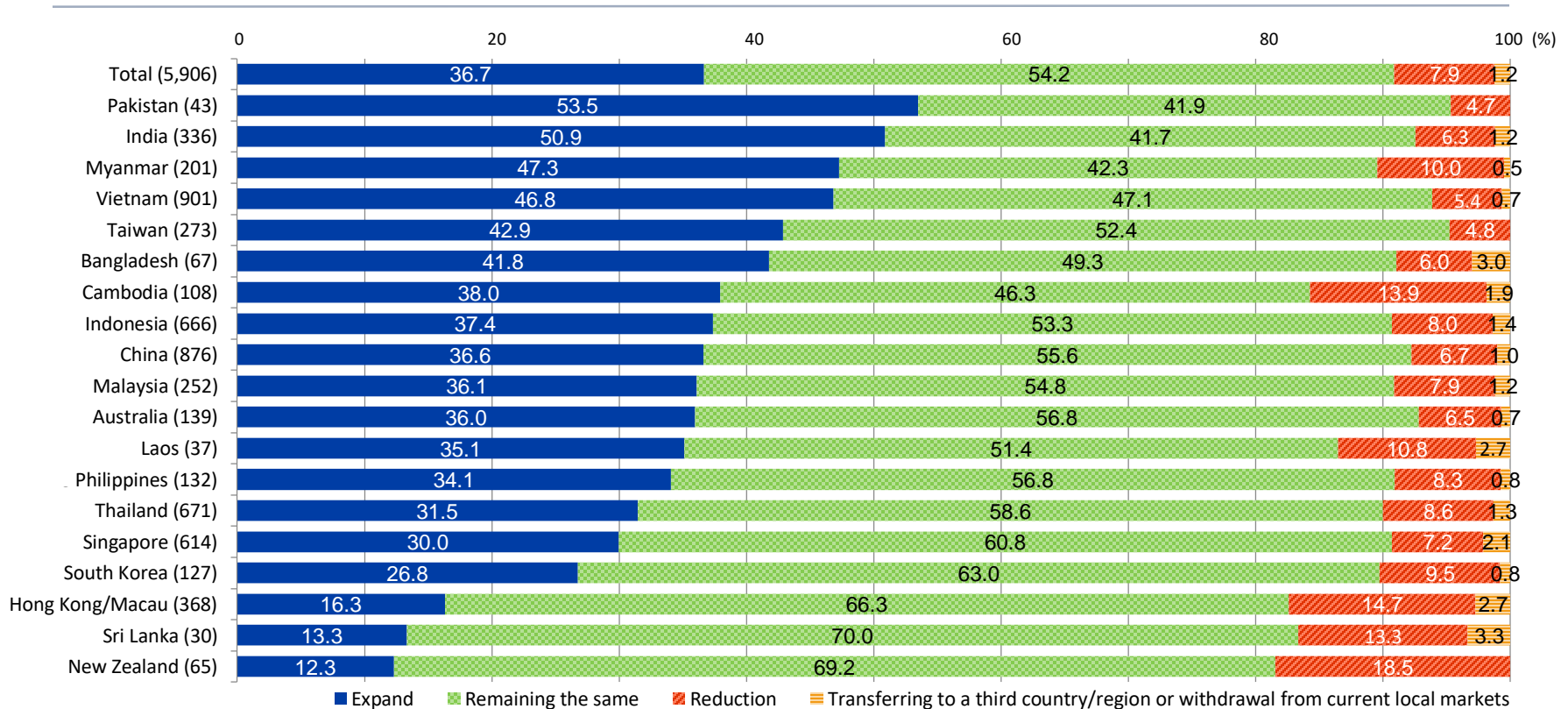


Note: Countries/regions and industry categories for which the number of valid respondents is 30 companies or more
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2 | Future Business Plans (1)

- A total of 36.7% of the companies selected “Expansion” as their approach to future business plans/activities in the next one or two years, down 12.2 pp from 48.9% in the 2019 survey. In contrast, 9.1% of companies selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets,” up 4.4 pp from 4.7% in the 2019 survey.
- By country/region, in Myanmar, Cambodia, Laos, Hong Kong/Macau, Sri Lanka, and New Zealand, over 10% of companies selected “Reduction.”
- In China, 36.6% of the companies selected “Expansion,” down 6.6 pp from the 2019 survey (43.2%).

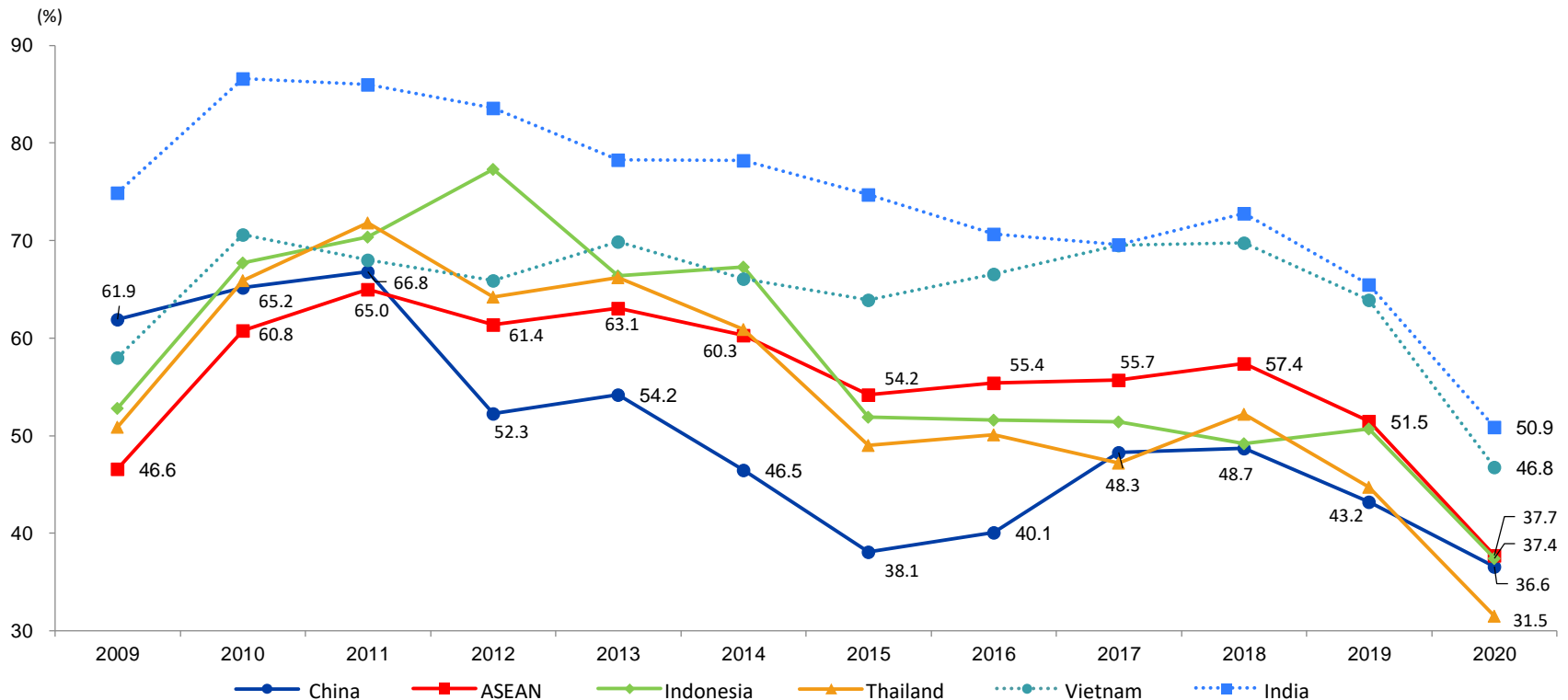
Approach to future business plans/activities in the next 1 to 2 years (by country/region)



2 | Future Business Plan (2)

- The proportion of companies that selected “Expansion” as their approach to future business plans/activities in the next one or two years decreased in all of China, ASEAN, Indonesia, Thailand, Vietnam and India. In five countries/regions excluding China, the proportion fell by more than 10pp from the 2019 survey. Compared to the survey for 2009, when global financial crisis occurred, the proportion fell in all countries/regions, hitting record lows.
- Comparing China with ASEAN, the proportion of companies that selected "Expansion" as their approach to future business plans/activities in the next one to two years was higher in China from 2009 to 2011. In 2012, however, ASEAN (61.4%) overtook China (52.3%). From 2012 to 2013, the proportion in ASEAN was about 9 pp higher than China, but from 2014 to 2016, the gap widened to more than 10 pp. In and after 2017, the gap between ASEAN and China narrowed again, and in 2020, the gap between China and ASEAN reduced to 1.1 pp.

Proportions of companies expecting to expand in the next 1 to 2 years (2009–2020)



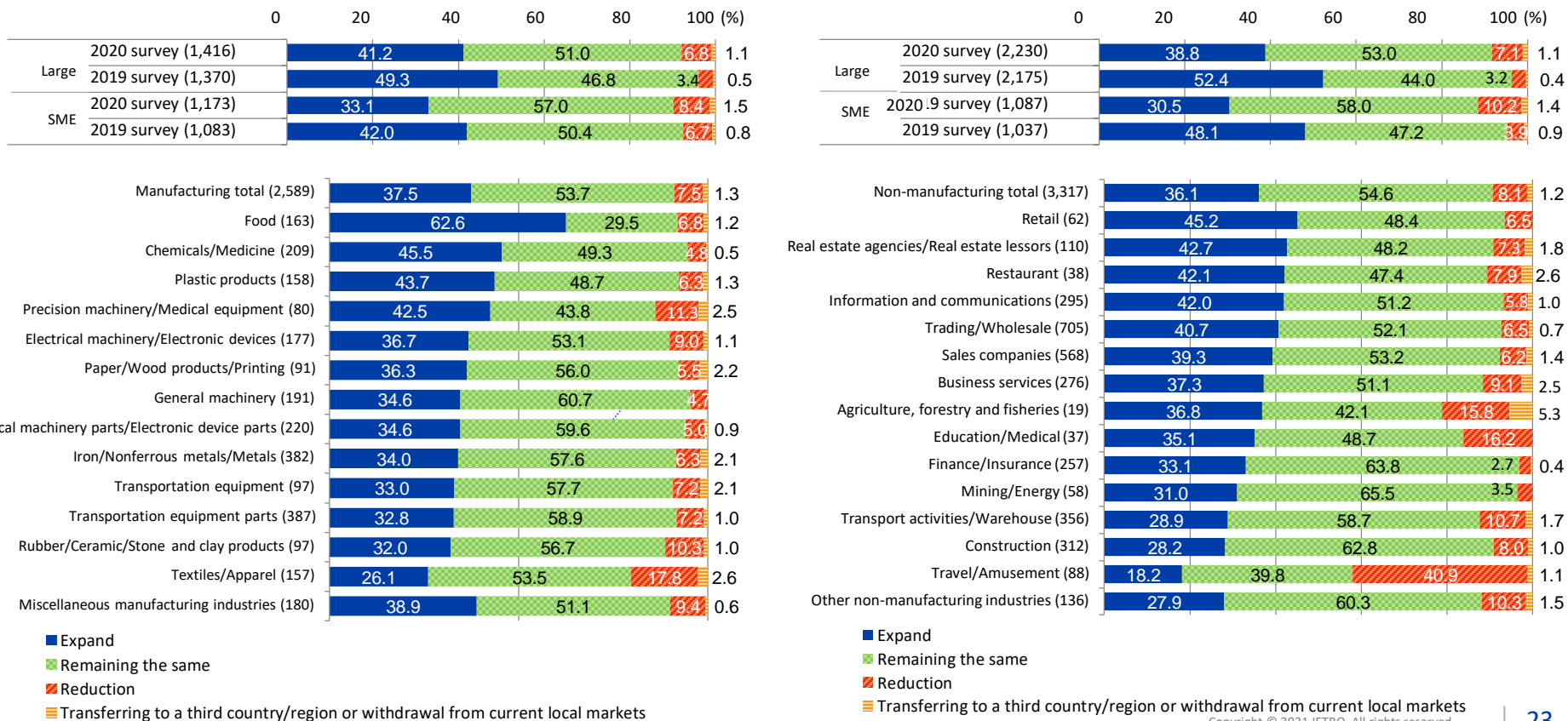
Note 1: ASEAN shows a weighted average of nine countries, excluding Brunei.

Note 2: Figures for Cambodia and Laos have been included in ASEAN average since 2010 and 2011, respectively.

2 | Future Business Plans (3)

- The proportion of companies that selected "Expansion" decreased from the 2019 survey in all industries.
- In the manufacturing industry, the proportion of companies that selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" exceeded 10% in precision machinery and medical equipment, electrical machinery/electronic devices, rubber/ceramic/stone and clay products, textiles/textile apparel. In miscellaneous manufacturing industries and non-manufacturing industries, the proportion also exceeded 10% in the restaurant, business services, agriculture, forestry and fisheries, education/medical, transport activities/warehouse, travel/amusement, and other non-manufacturing industries. Especially in travel/amusement, 40.9% selected "Reduction," which accounts for the largest among all responses.
- By company size, large enterprises are more likely to expand their businesses than SMEs in both the manufacturing and non-manufacturing sectors.

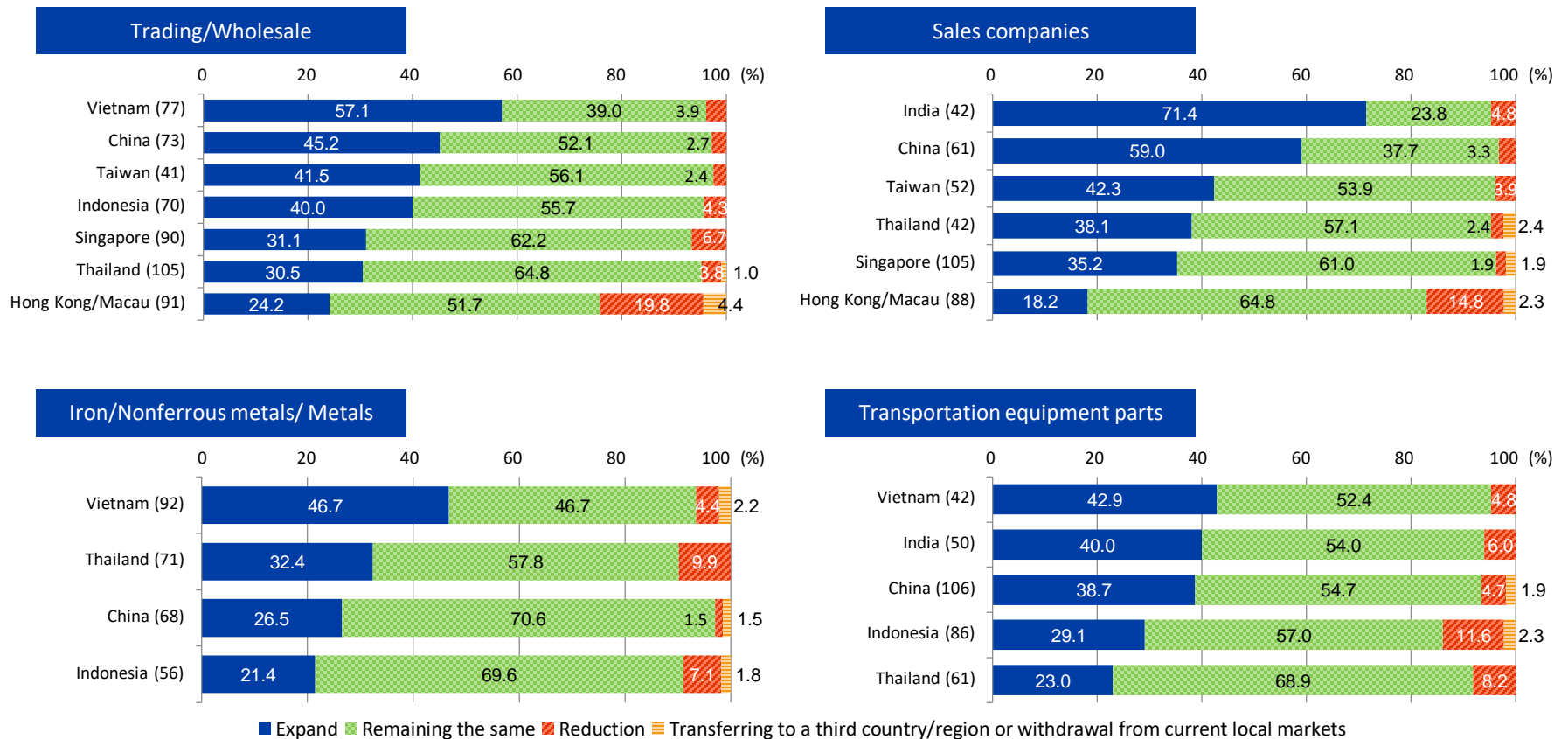
Approach to future business plans/activities in the next 1 to 2 years (by industry and company size)



2 | Future Business Plans (4)

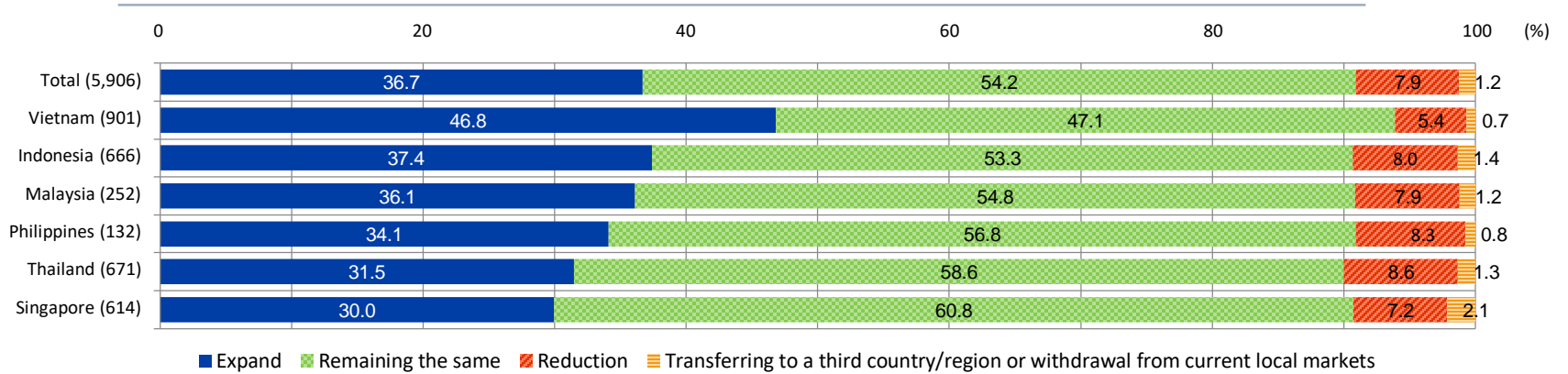
- The proportion of companies that selected "Expansion" in the trading/wholesale industry was the highest in Vietnam (57.1%).
- The proportion of companies that selected "Expansion" among sales companies is high in India (71.4%). On the other hand, in Thailand and Singapore, the proportion is in the 30% level, and in Hong Kong/Macau it is in the 10% level. This shows the companies are unwilling to expand business, but are looking to maintain the current level.
- The proportion of companies that selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" was higher in Hong Kong/Macau than in other countries/regions, with trading/wholesale at 24.2% and sales companies at 17.1%.

Approach to future business plans/activities in the next 1 to 2 years (by major industry and country/region)

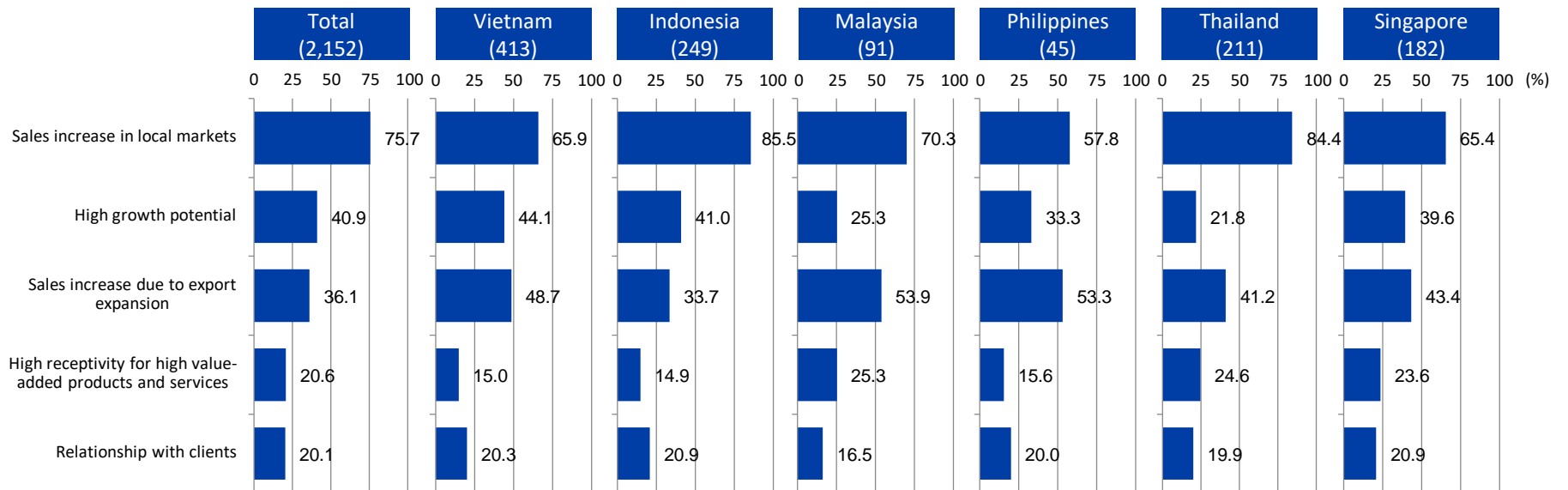


2 | Future Business Plans (5)

Approach to future business plans/activities in the next 1 to 2 years

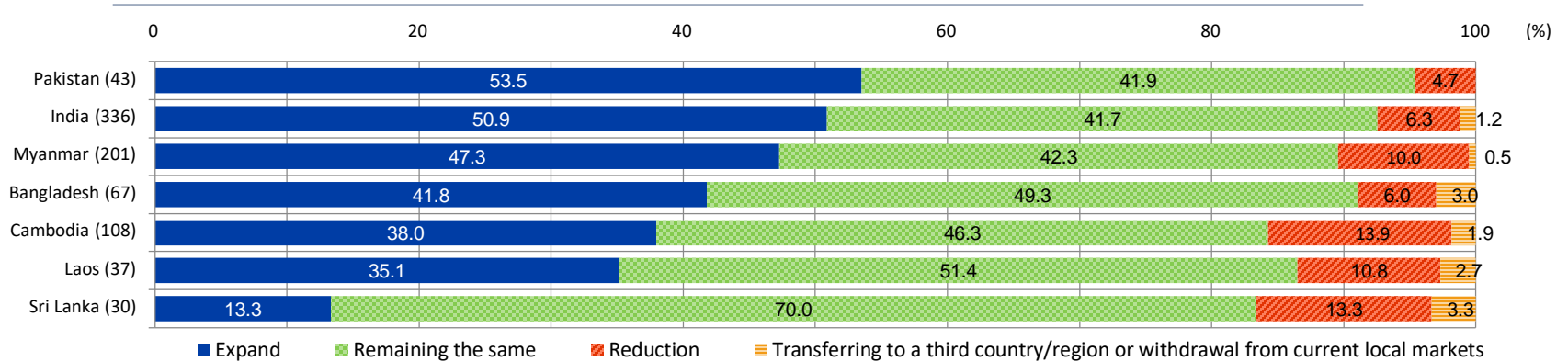


Reasons for the future business expansion in the next 1 to 2 years (multiple answers)

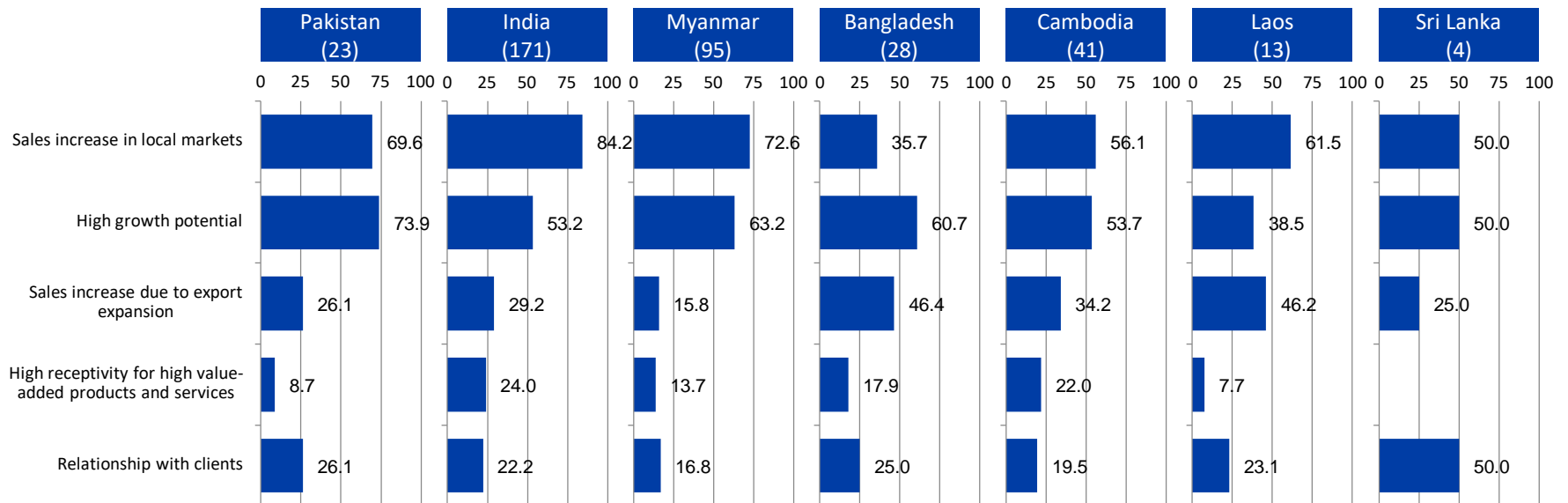


2 | Future Business Plans (6)

Approach to future business plans/activities in the next 1 to 2 years

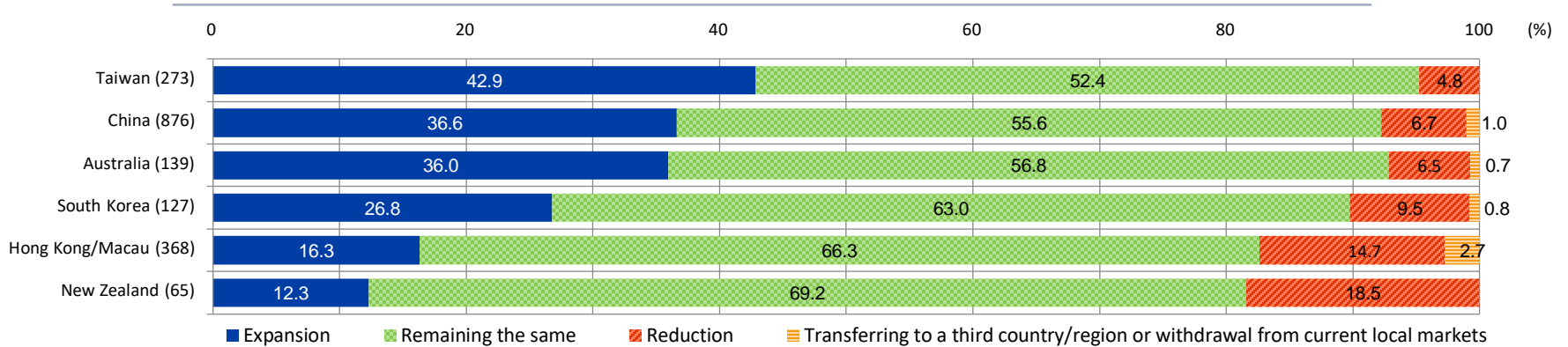


Reasons for the future business expansion in the next 1 to 2 years (multiple answers)

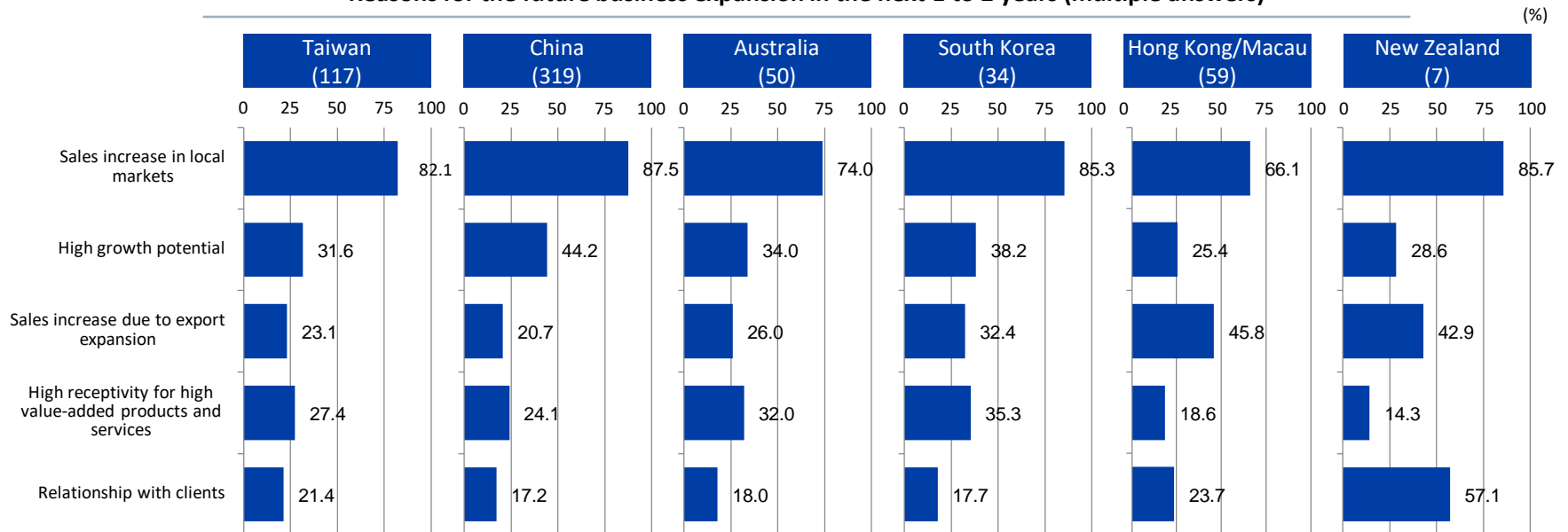


2 | Future Business Plans (7)

Approach to future business plans/activities in the next 1 to 2 years



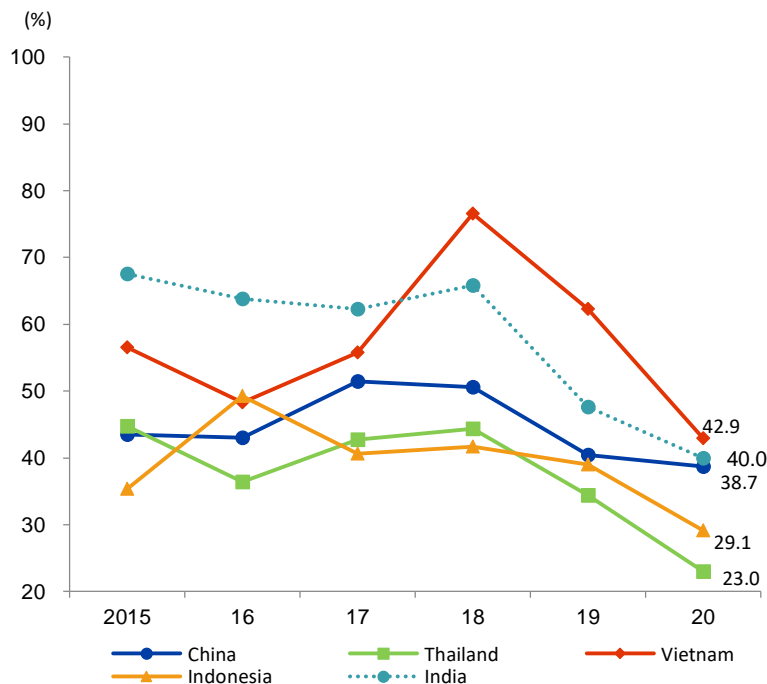
Reasons for the future business expansion in the next 1 to 2 years (multiple answers)



2 | Future Business Plans (8)

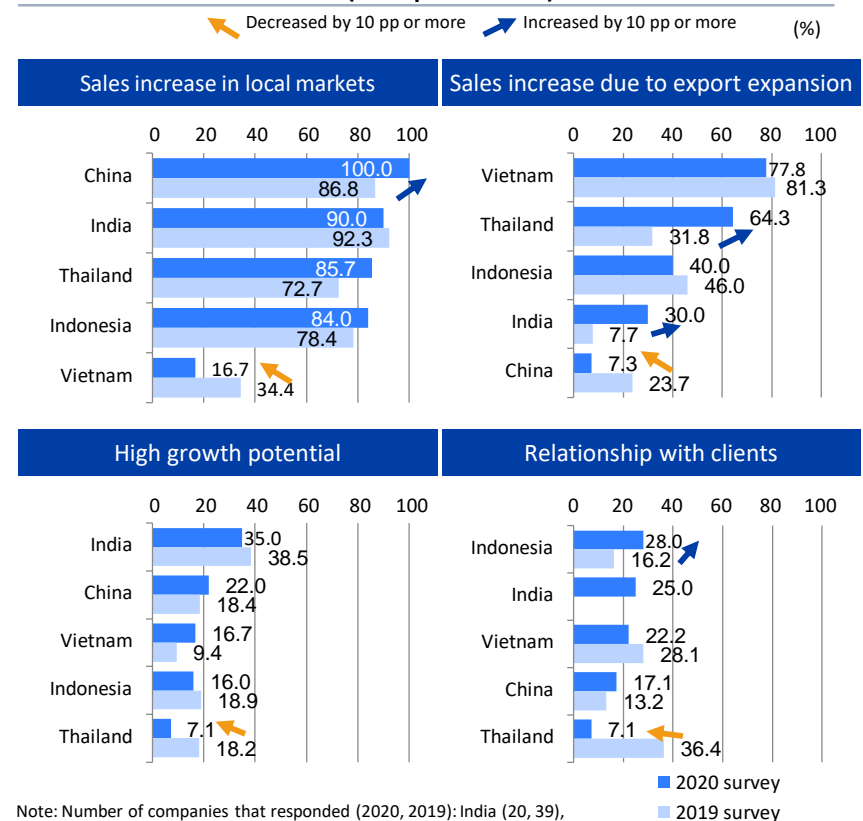
- Looking at changes in the proportion of transportation equipment parts companies that selected "Expansion" as an approach to future business plans/activities in the next one to two years from 2015 by country/region, the proportion decreased overall from 2015 to 2016. From 2017 to 2018, it was on an upward trend with some exceptions, but from 2019 to 2020, it decreased in Vietnam, India, China, Indonesia, and Thailand.
- In the 2020 survey, the reasons for "Expansion" decreased significantly from the previous year for the following items: "Sales increase in local markets" in Vietnam, "Sales increase due to export expansion" in China, "High growth potential" and "Relationship with clients" in Thailand. On the other hand, the most frequently cited reason for "Expansion" was: "Sales increase in local markets" for India, China, Indonesia and Thailand, and "Sales increase due to export expansion" for Vietnam.

Proportions of companies expecting to expand in the next 1 to 2 years (Transportation equipment parts, 2015–2020)



Note: In 2020, the industry name was changed to Transportation equipment parts from Motor vehicles/motorcycles, which was used up to 2019.

Reasons for the future business expansion in the next 1 to 2 years (multiple answers)

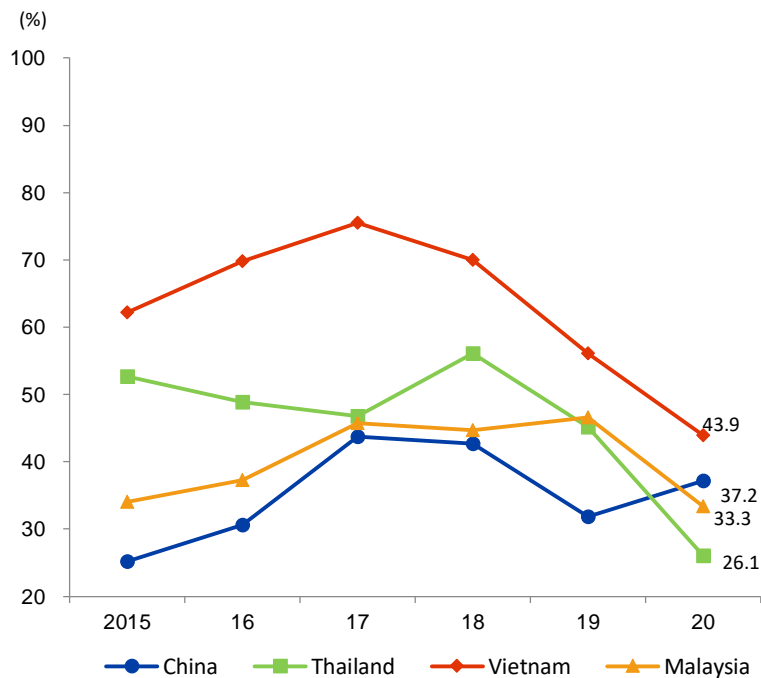


Note: Number of companies that responded (2020, 2019): India (20, 39), China (41, 38), Indonesia (25, 37), Thailand (14, 22), Vietnam (18, 32)

2 | Future Business Plans (9)

- Looking at changes from 2015 in the proportion of electrical machinery parts/electronic device parts companies in the four major countries that selected "Expansion" as an approach to future business plans/activities in the next one to two years, the proportion fell or remained flat in 2015, and from 2016 to 2017 it rose in all countries/regions except Thailand, but fell again in 2018. In 2019, it fell by more than 10 pp in Vietnam, China and Thailand. In 2020, it increased by 5.4 pp from the previous year in China, while falling by more than 10 pp in Thailand, Vietnam and Malaysia.
- The reason for "Expansion" with the highest proportion in the 2020 survey was: "Sales increase in the local markets" in China, and "Sales increase due to export expansion" in Thailand, Vietnam, and Malaysia.

**Proportions of companies expecting to expand in the next 1 to 2 years
(Electrical machinery parts/Electronic device parts, 2015–2020)**



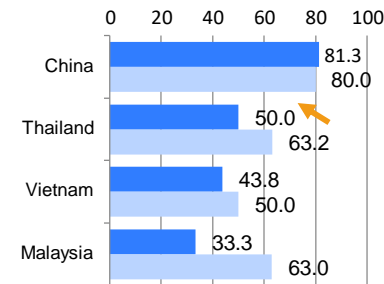
Note: In 2020, the industry name was changed to Electrical machinery parts/Electronic device parts from Electrical machinery parts, which was used up to 2019.

Reasons for the future business expansion in the next 1 to 2 years

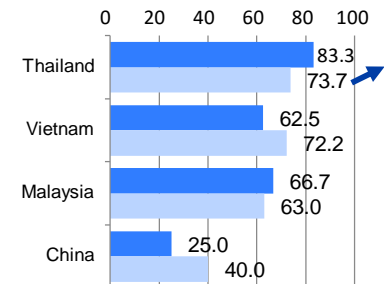
(multiple answers)

Decreased by five pp or more (orange arrow) / Increased by five pp or more (blue arrow) (%)

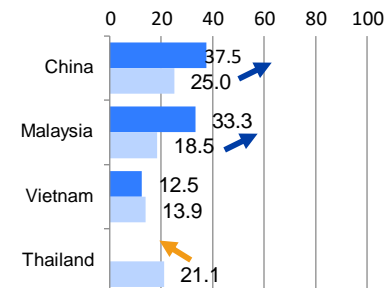
Sales increase in local markets



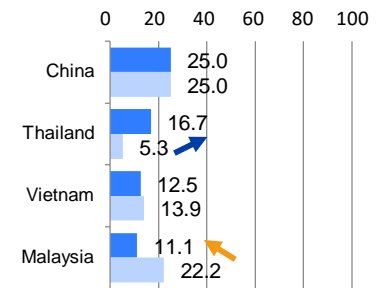
Sales increase due to export expansion



High growth potential



High receptivity for high value-added products and services



2020 survey (dark blue)

2019 survey (light blue)

Note: Number of companies that responded (2020, 2019): China (43, 20), Thailand (23, 19), Malaysia (27, 27), Vietnam (41, 36)

2 | Future Business Plans (10)

Functions to be expanded (multiple answers)

(%)

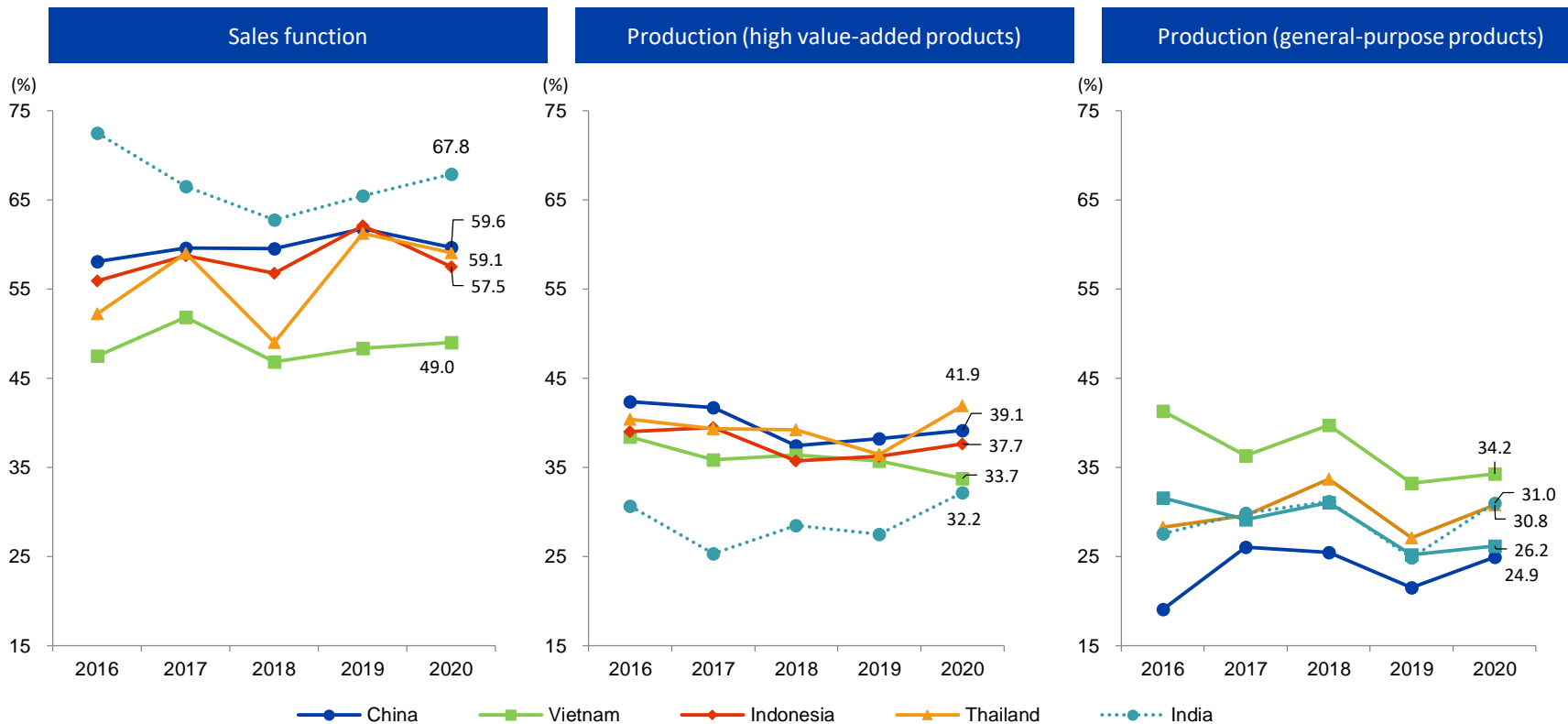


Note: Countries/regions for which the number of valid respondents is 30 companies or more

2 | Future Business Plans (11)

- The proportion of companies intending to expand their sales function remains at a high level in India (67.8%). From the 2019 survey to the 2020 survey, the proportion increased in India and Vietnam by 2.4 pp and 0.6 pp, respectively.
- The proportion of companies intending to expand "production (high value-added products)" exceeded 30% as in the previous year in China, Thailand, Indonesia, Vietnam, and India.
- The proportion of companies intending to expand production (general-purpose products) was on a downward trend in 2019, but increased in 2020 in all five countries.

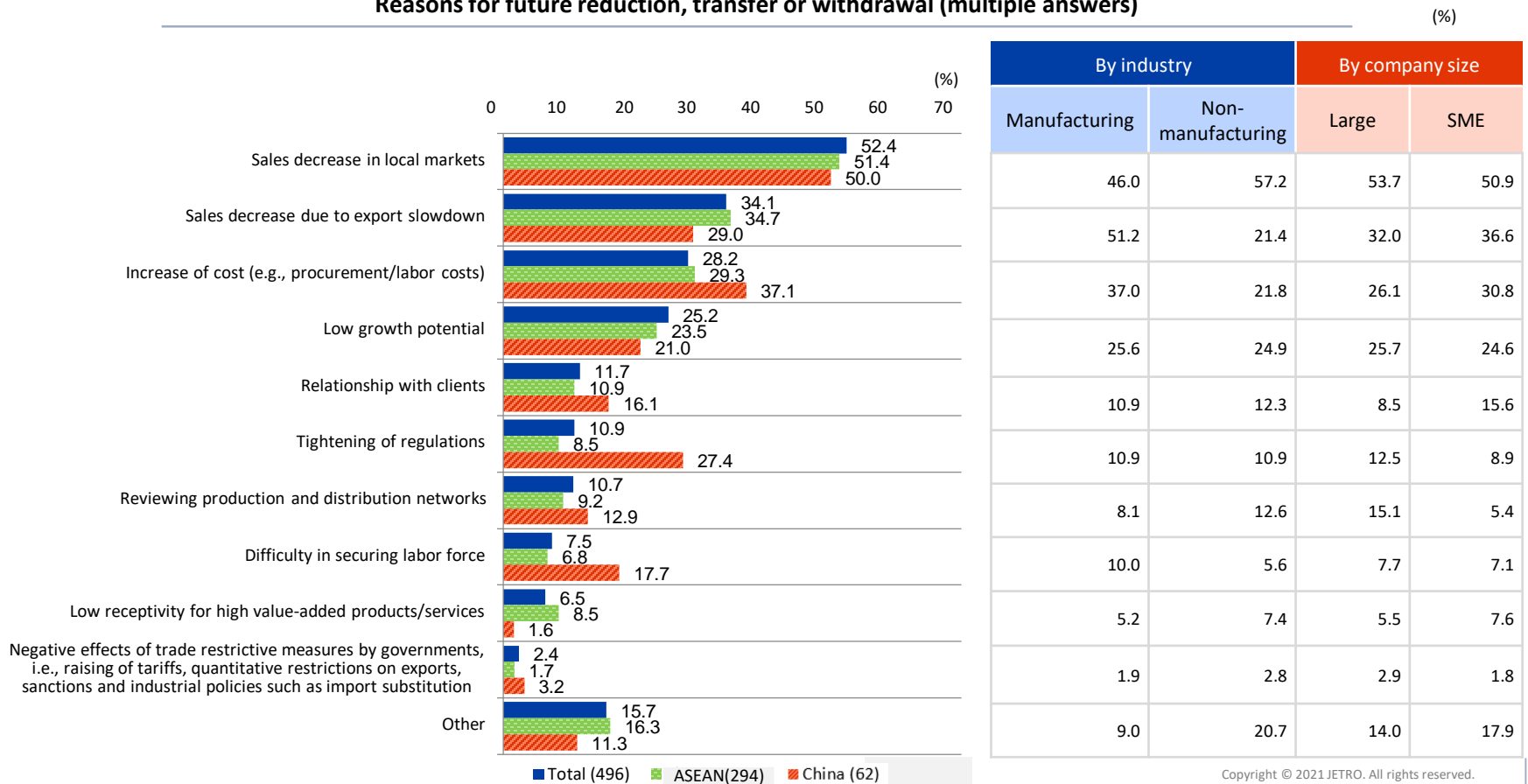
Functions to be expanded (by country, 2016–2020)



2 | Future Business Plans (12)

- In a multiple-choice question on the reason for business “reduction” or “transferring or withdrawal,” “sales decrease in local markets” had the highest proportion (52.4%), followed by “Sales decrease due to export slowdown” (34.1%) and “Increase of costs” (28.2%).
- When comparing ASEAN and China, the proportion of companies that selected “tightening of regulations” and “difficulty in securing labor force” were 18.9 pp and 10.9 pp higher in China than in ASEAN. By industry, the proportion of “sales decrease in local markets” was higher in the non-manufacturing sector than in the manufacturing sector by 11.2 pp. On the other hand, the proportions of companies that cited “sales decrease due to export slowdown” and “increase of costs” were 29.8 pp and 15.2 pp higher in the manufacturing industry than in the non-manufacturing industry, respectively.
- By company size, the proportion of large companies that cited “review production and sales network” was 9.7 pp higher than SMEs.

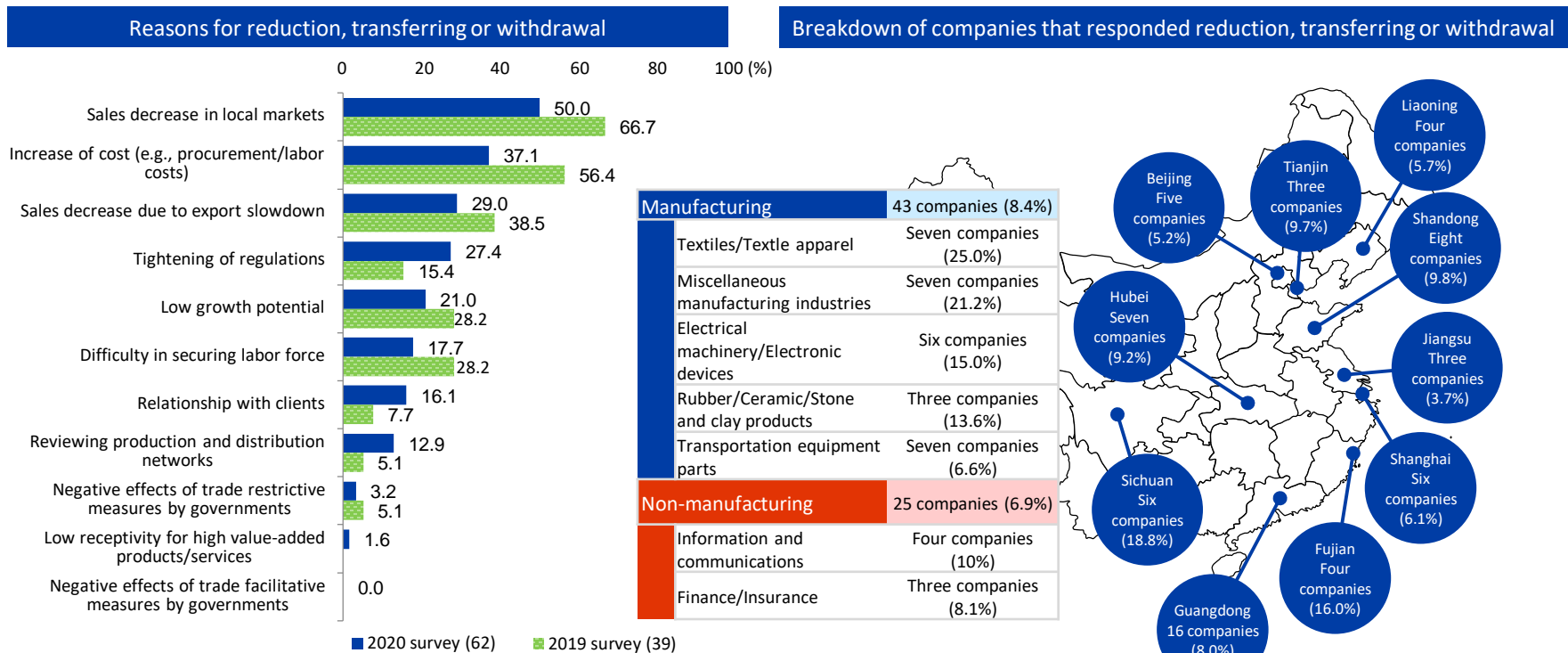
Reasons for future reduction, transfer or withdrawal (multiple answers)



2 | Future Business Plans (13)

- In a question on the approach to future business plans/activities in the next one or two years, the proportion of Japanese affiliated companies in China that selected “reduction” or “transferring to a third country/region or withdrawal from current local markets” was 7.7%, up 1.4 pp from the 2019 survey (6.3%). On the other hand, “expansion” decreased by 6.6 pp to 36.6%
- In a multiple choice question asking the reason for business reduction, transferring or withdrawal, “sales decrease in local markets” had the highest proportion at 50.0%. This was followed by “increase of costs” (56.4%) and “sales decrease due to export slowdown” (38.5%).

Approach to future business plans/activities of Japanese-affiliated companies in China in the next 1 to 2 years



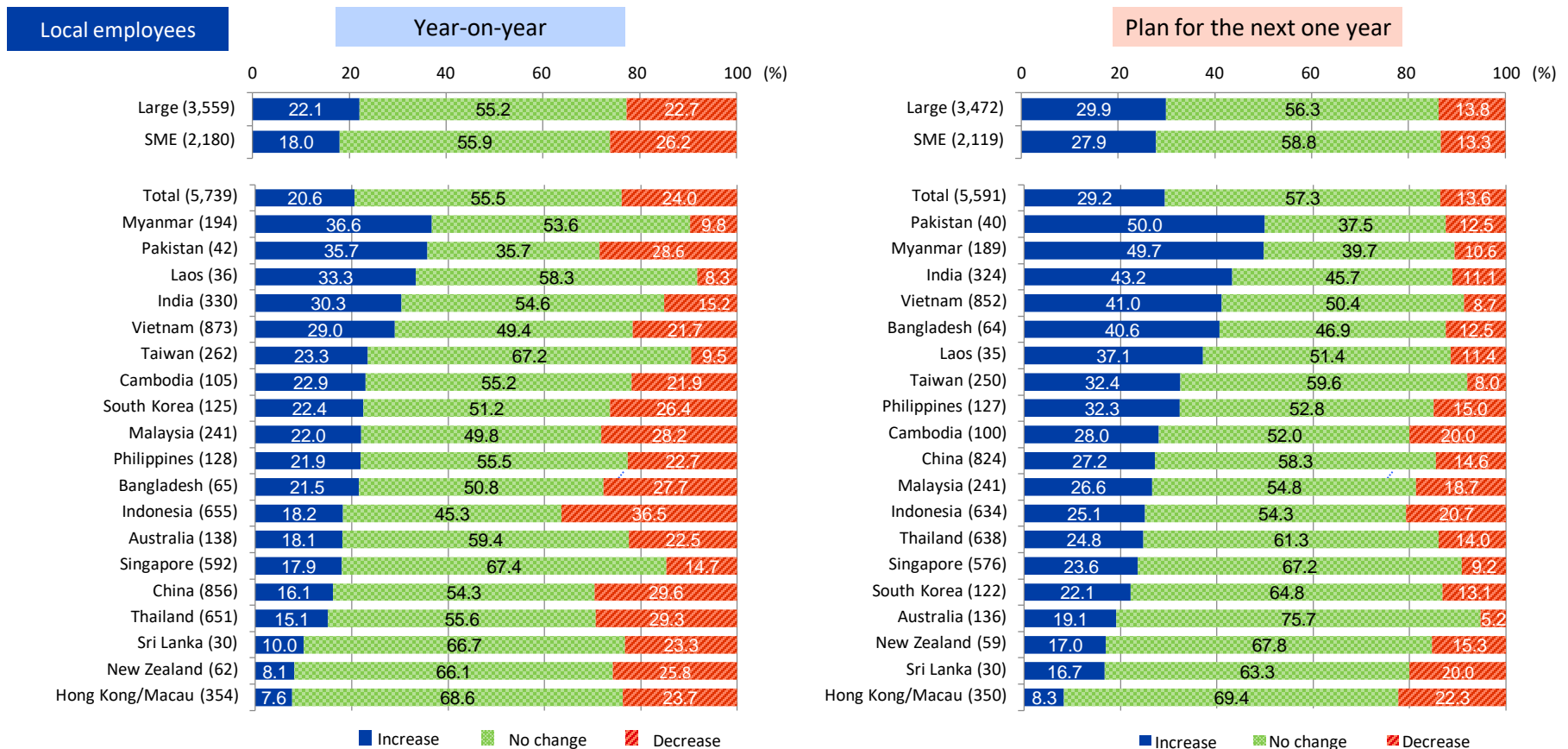
Note 1: Industries and provinces/municipalities with three or more companies that selected “reduction” or “transferring to a third country/region or withdrawal from current local markets”

Note 2: The percentages in parentheses indicate the proportion of companies that selected “reduction” or “transferring to a third country/region or withdrawal from current local markets” to the number of responding companies in the respective industries or provinces/municipalities.

2 | Future Business Plans (14)

- Regarding year-on-year changes in the number of local employees by country/region, the proportion of companies that selected “decrease” (24.0%) was higher than “increase” (20.6%) by 3.4 pp over the last year.
- For the next one year, 29.2% of the companies selected “increase,” which was 8.4 pp lower than 37.6% in the 2019 survey.
- Over the last year, the proportion of companies that selected “decrease” exceeded 20% in all countries except for Myanmar, Laos, India, Taiwan and Singapore. In the next one year, the proportion is relatively high for Cambodia (20.0%), Indonesia (20.7%), Sri Lanka (20.0%), Hong Kong/Macau (22.3%).

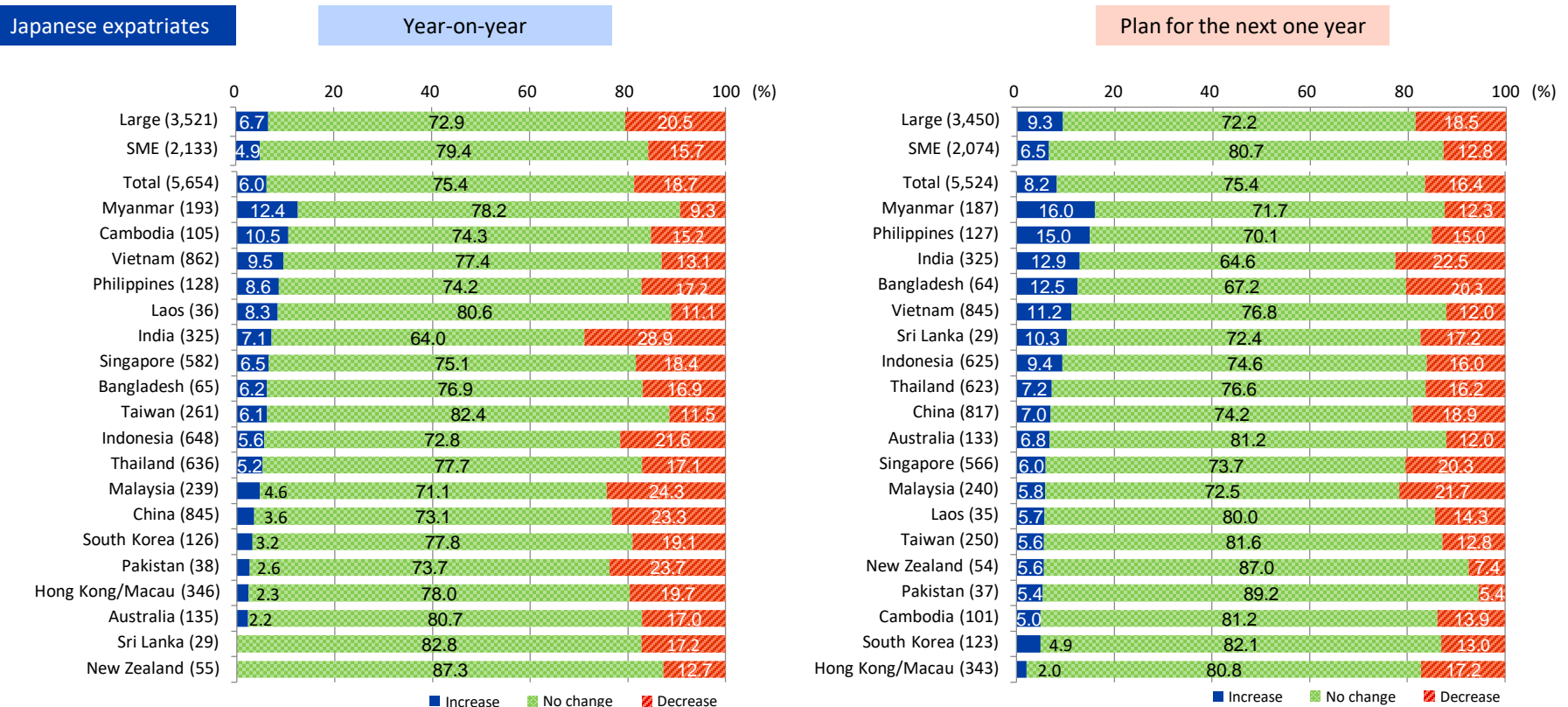
Changes in the number of employees (Changes in year-on-year comparison, future plans, by country/region)



2 | Future Business Plans (15)

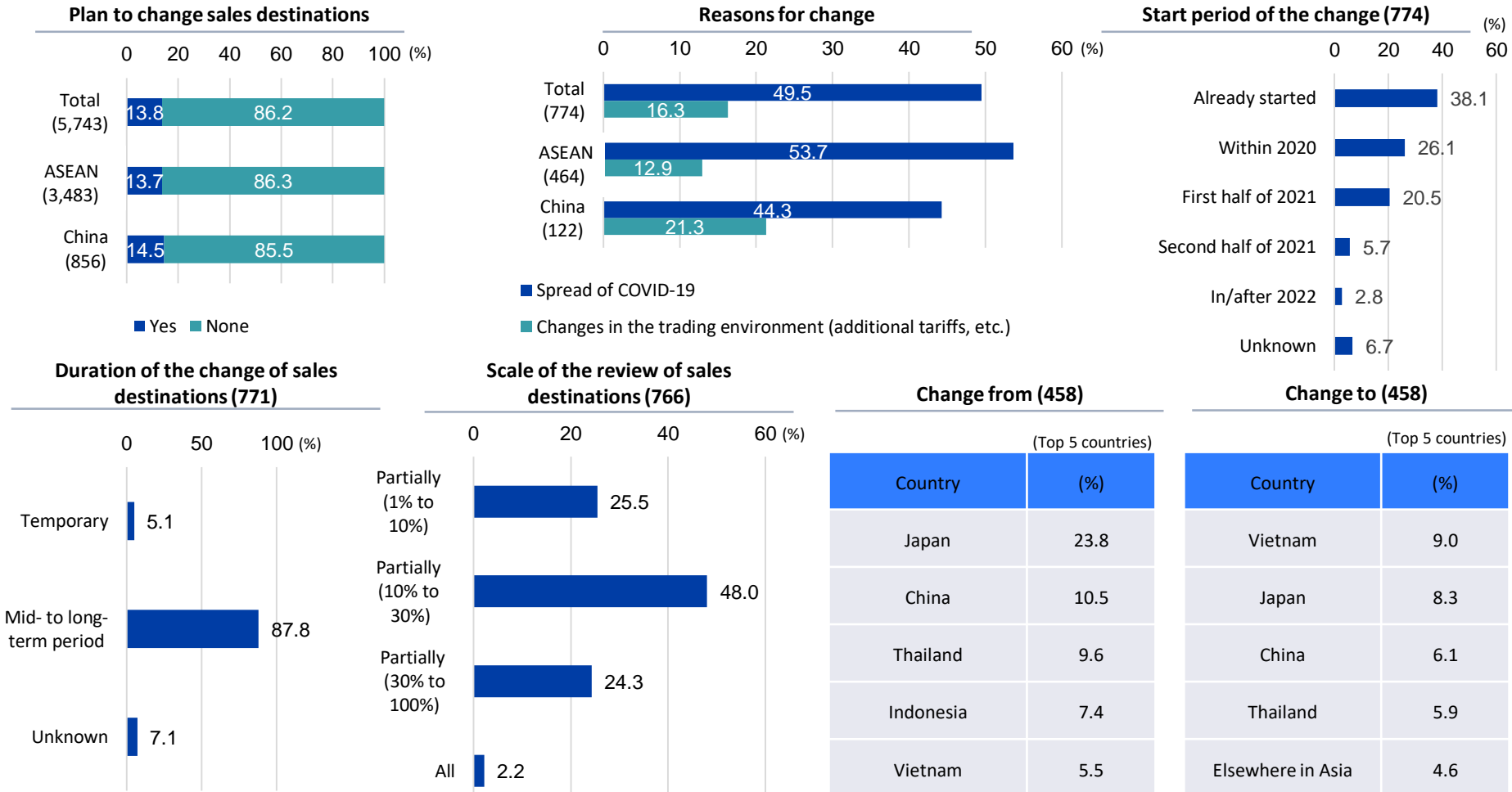
- Regarding changes in the number of Japanese expatriates by country/region, “no change” was most frequently selected in all countries/regions in both year-on-year comparison and in plans for the next one year.
- In a year on year comparison, the proportion of companies that selected “decrease” was the highest in India (28.9%), followed by Malaysia (24.3%), Pakistan (23.7%), China (23.3%), and Indonesia (21.6%).
- Regarding plans for the next one year, the proportion of companies that selected “increase” was relatively high in Myanmar (16.0%) and Philippines (15.0%). On the other hand, the proportion of companies that selected “decrease” was high in India (22.5%), Malaysia (21.7%), Bangladesh (20.3%) and Singapore (20.3%).

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



2 | Future Business Plans (16)

- The proportion of companies that selected “Yes” for “change in sales destination” was 13.8%, in total. The reasons for the review (multiple answers) included “spread of COVID-19” at 49.5% and “changes in trade environment” at 16.3%.
- Japan (23.8%) ranked first as the target for the sales destinations before change, and Vietnam (9.0%) ranked first as a new sales destination.

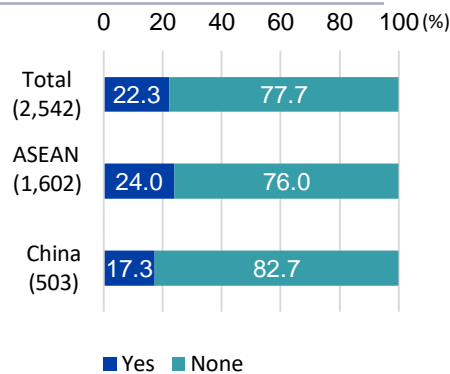


2 | Future Business Plans (17)

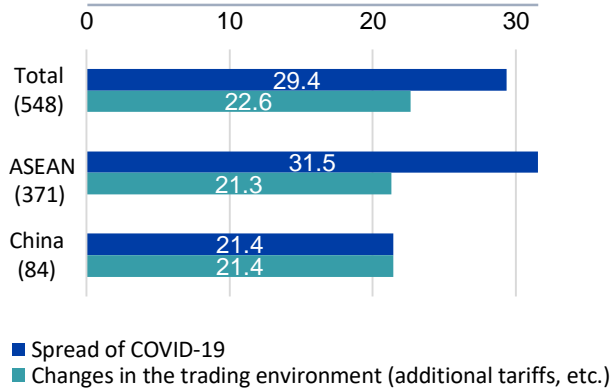
Manufacturing only

- The proportion of companies in the manufacturing sector that selected "Yes" for "changing procurement source" was 22.3% in total. The reasons for the review (multiple answers) were "spread of COVID-19" at 29.4% and "change in the trade environment" at 22.6%.
- Japan (34.5%) ranked first as the target procurement source for change, and Vietnam (18.8%) ranked first as a possible new procurement source.

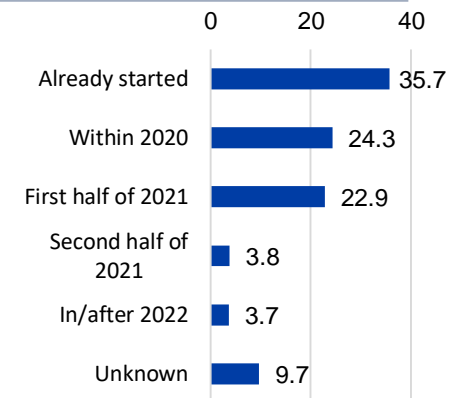
Plan to change procurement source



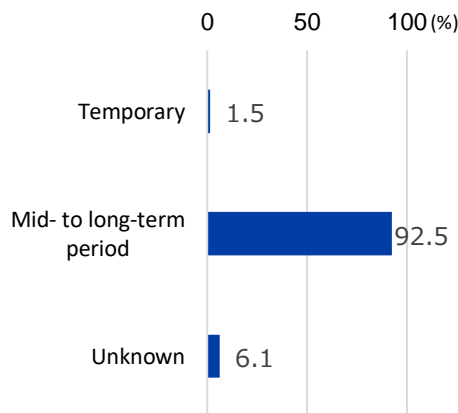
Reasons for change



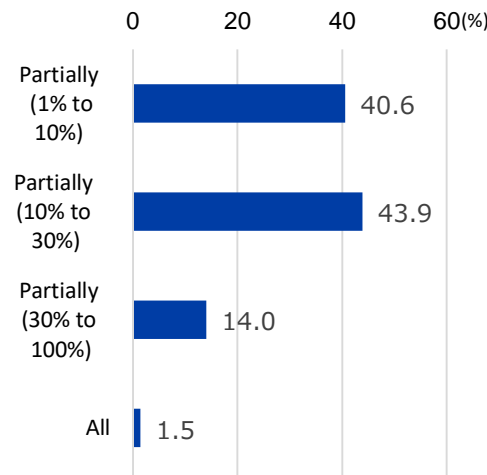
Start period of the change (547) (%)



Duration of the change of procurement source (543)



Scale (542)



Change from (420)

(Top 5 countries)	
Country	(%)
Japan	34.5
China	24.0
Thailand	11.2
Vietnam	4.3
India	4.0

Change to (420)

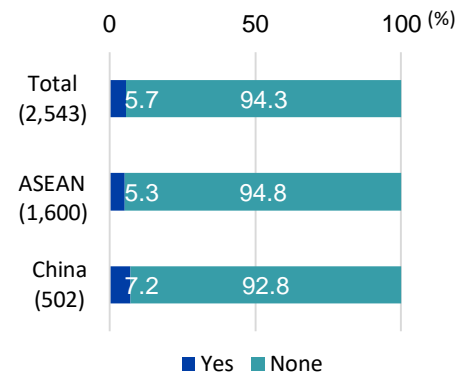
(Top 5 countries)	
Country	(%)
Vietnam	18.8
China	12.9
Thailand	9.3
Indonesia	8.3
India	6.0

2 | Future Business Plan (18)

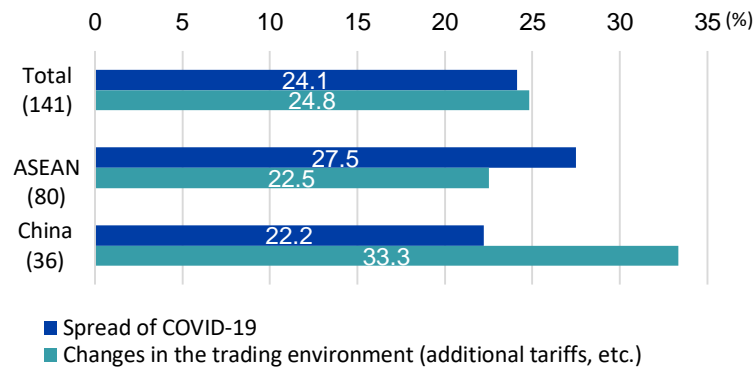
Manufacturing only

- The proportion of companies in the manufacturing sector that selected "Yes" for "reviewing production sites" was 5.7% in total. The reasons for the review (multiple answers) were "spread of COVID-19" at 24.1% and "changes in trade environment" at 24.8%.
- China ranked first (25.7%) as the production site before change, and Thailand ranked first (20.0%) as a new production site, followed by Vietnam (18.1%).

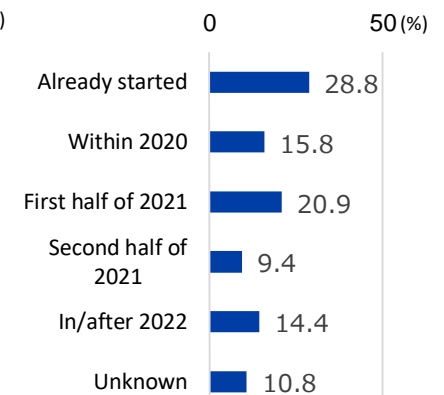
Plan to review production site



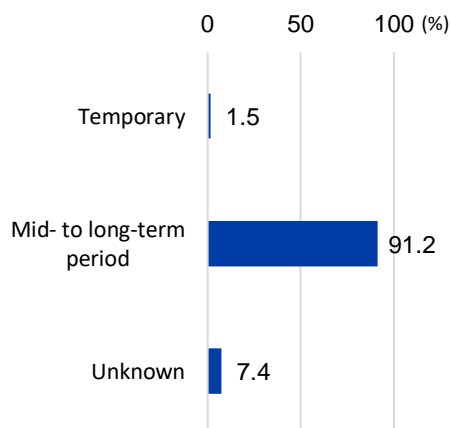
Reasons for change



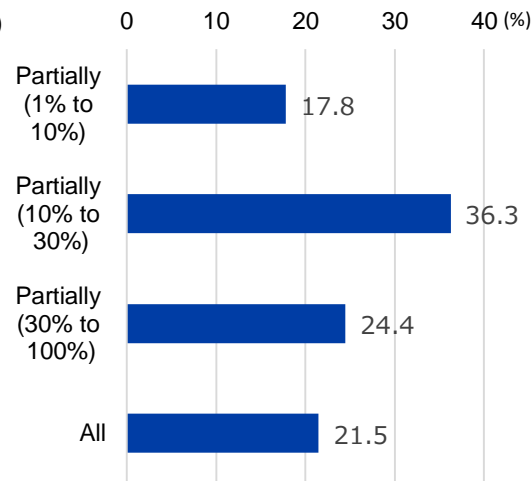
Start period of the change (139)



Duration of the change of sales destinations (136)



Review period of the production site (135)



Change from (105)

(Top 5 countries)	
Country	(%)
China	25.7
Japan	17.1
Thailand	8.6
Malaysia	7.6
Indonesia	7.6

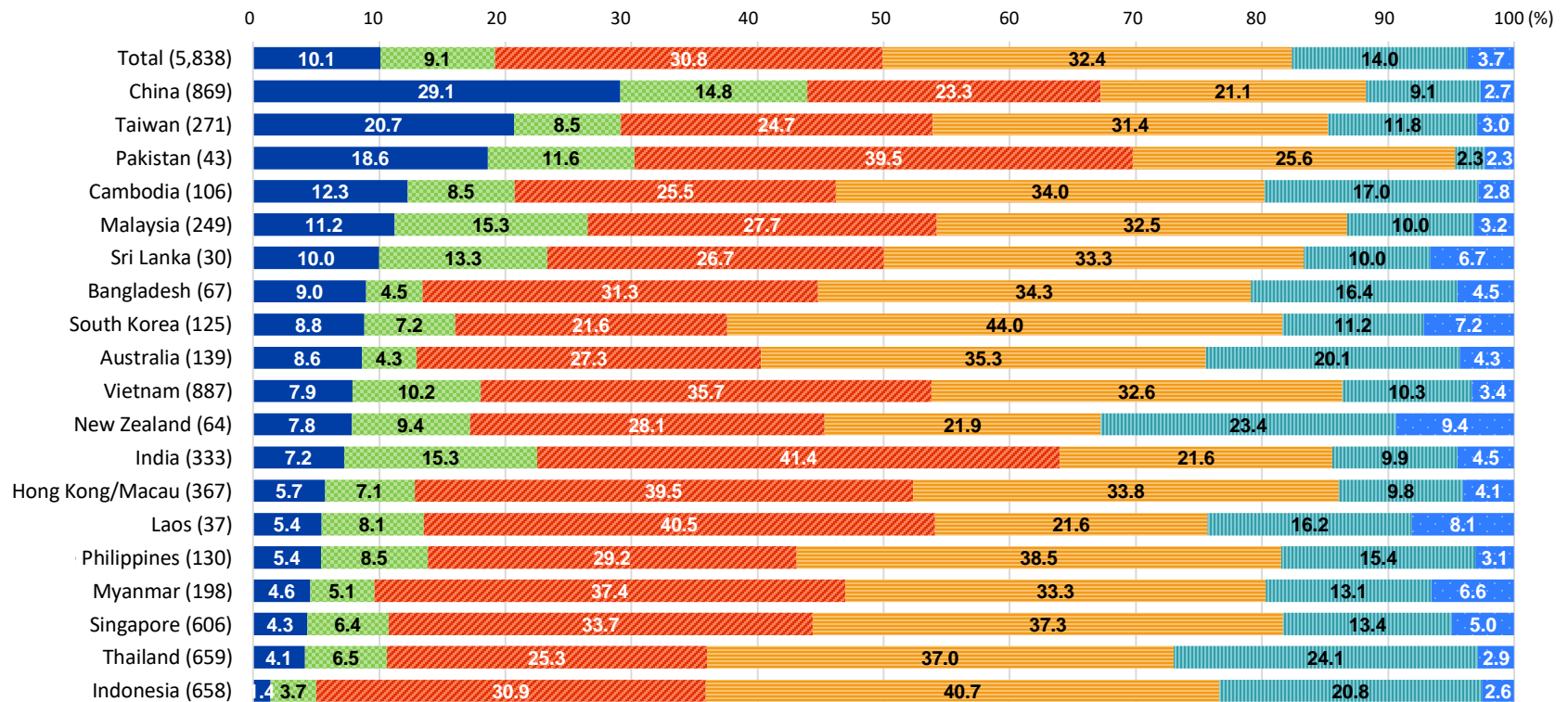
Change to (105)

(Top 5 countries)	
Country	(%)
Thailand	20.0
Vietnam	18.1
Malaysia	6.7
China	5.7
India	5.7

3 | Impact of the spread of COVID-19 (1)

- Many companies expect that their businesses will return to normal after the spread of COVID-19 in the “first half of 2021” or the “second half of 2021.”
- In China and Taiwan, more than 20% of the respondents answered that their businesses have “already normalized.”

When business activities will normalize after the spread of COVID-19

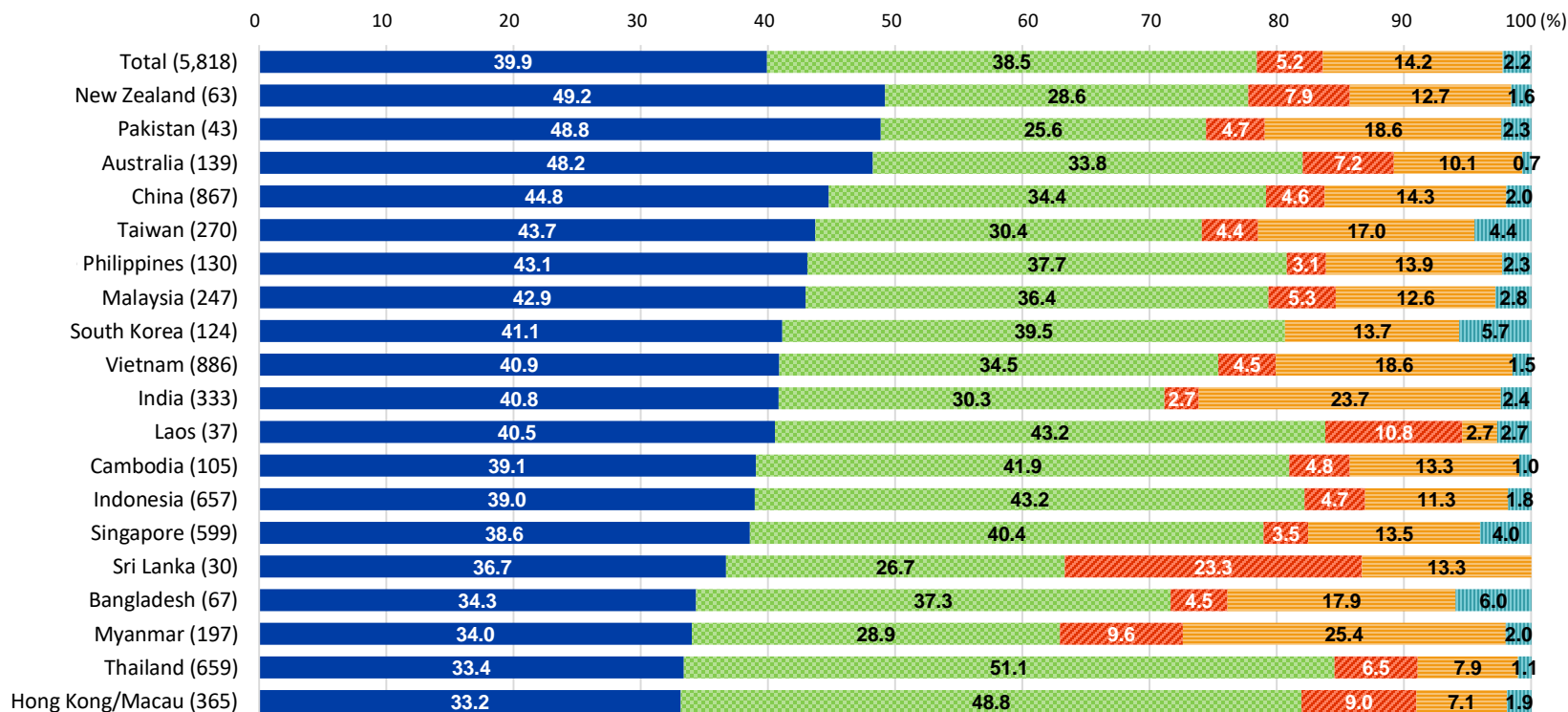


■ Already normalized
 ■ Within 2020
 ■ First half of 2021
 ■ Second half of 2021
 ■ In/after 2021
 ■ There is no prospect for the normalization of business activities

3 | Impact of the spread of COVID-19 (2)

- About 40% of the respondents answered that demand will return to the situation before the spread of COVID-19, or demand will slightly decrease compared to the state before the spread of COVID-19.
- In India and Myanmar, more than 20% of the respondents answered that demand will expand from before the spread of the infection.

Projections of demand environment after normalization

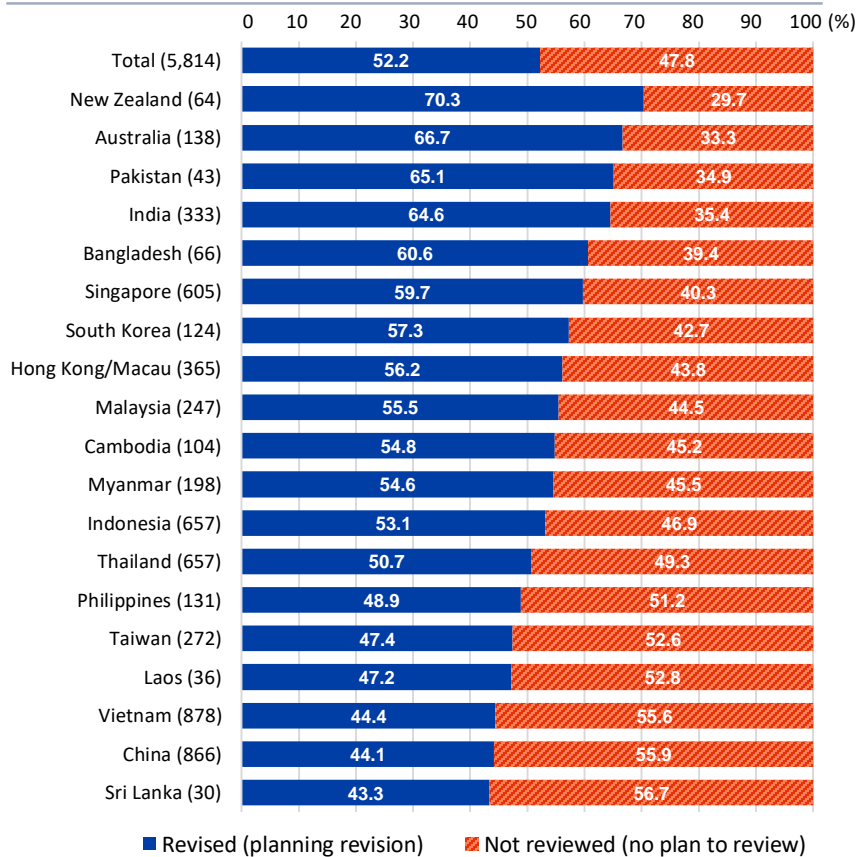


- Return to the demand environment before the spread COVID-19
- Demand for products and services will slightly fall when the situation returns to normal compared with the situation before the spread of COVID-19
- Demand for products and services will dramatically decrease when the situation returns to normal compared with the situation before the spread of COVID-19
- Demand for products and services will increase when the situation returns to normal compared with the situation before the spread of COVID-19
- Other

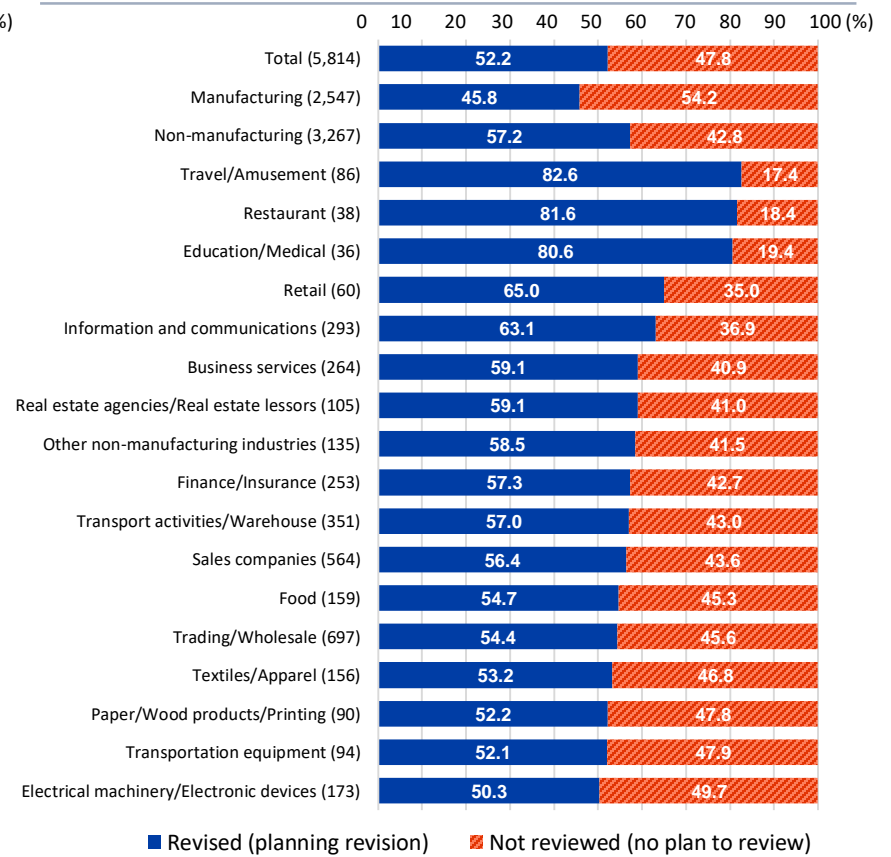
3 | Impact of the spread of COVID-19 (3)

- Regarding the review of local business strategies and business models in response to the spread of COVID-19, 52.2% of all the companies answered they have "reviewed or have a plan to review." More than 60% of companies reviewed or have a plan to review their local business strategies and business models in New Zealand (70.3%), Australia (66.7%), Pakistan (65.1%), India (64.6%), and Bangladesh (60.6%).
- By industry, the proportion of companies that selected "reviewed or plan to review" exceeded 80% for the companies that meet domestic demand in businesses involving human contact: "travel/amusement" (82.6%), "restaurants" (81.6%), and "education/medical" (80.6%).

Review/not review business strategies and business model (by country)



Review/not review business strategies and business model (by industry)

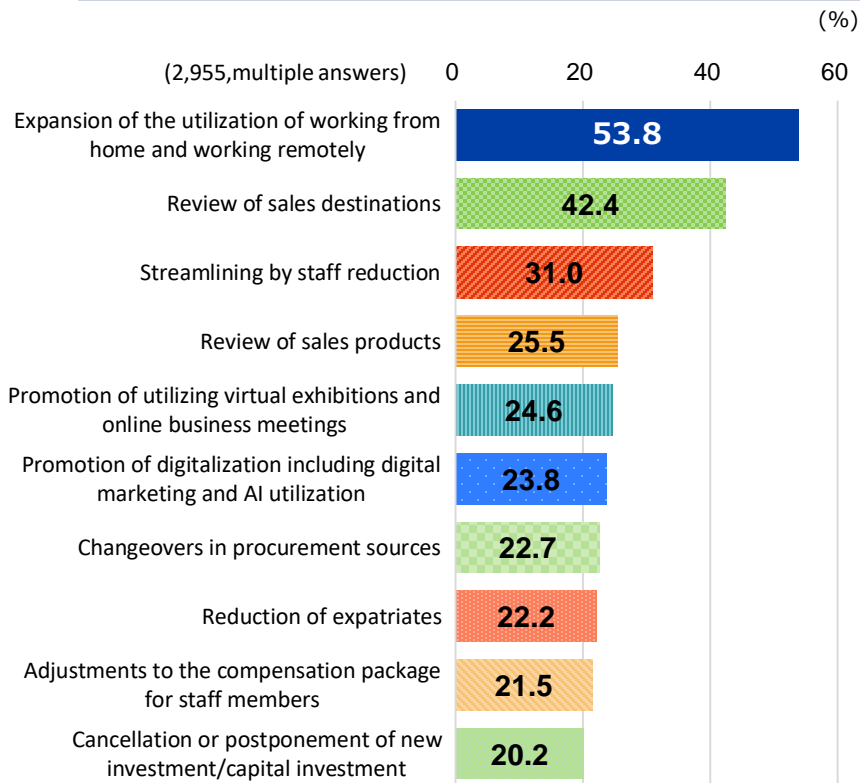


Note: Industries with a proportion of 50% or more for "reviewed or have a plan to review" are listed.

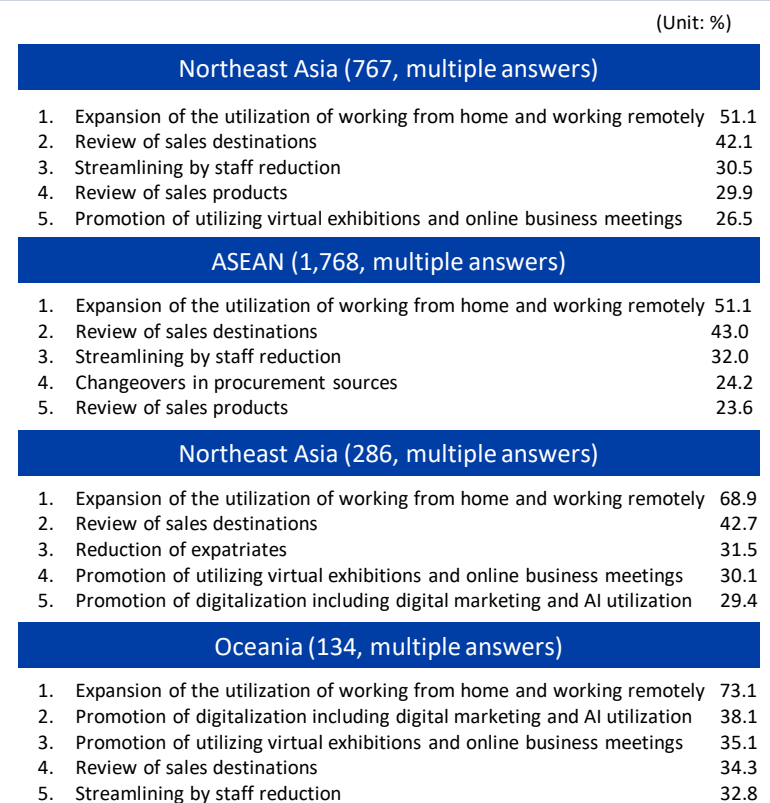
3 | Impact of the spread of COVID-19 (4)

- As for the details of the review, the proportion of "expansion of the utilization of working from home and working remotely" was the highest (53.8%). This was followed by "review of sales destinations" (42.4%), "streamlining by staff reduction" (31.0%), and "review of sales products" (25.5%). In general, many companies are focusing on changing sales strategies and business management systems.
- By region, in ASEAN, there are changes related to supply chains, such as changeovers in procurement sources. In Northeast Asia, Southwest Asia, and Oceania, there have been movements of digital shifts, such as "promotion of utilizing virtual exhibitions and online business meetings" and "promotion of digitalization including digital marketing and AI utilization."

Details of the review (top 10 items)



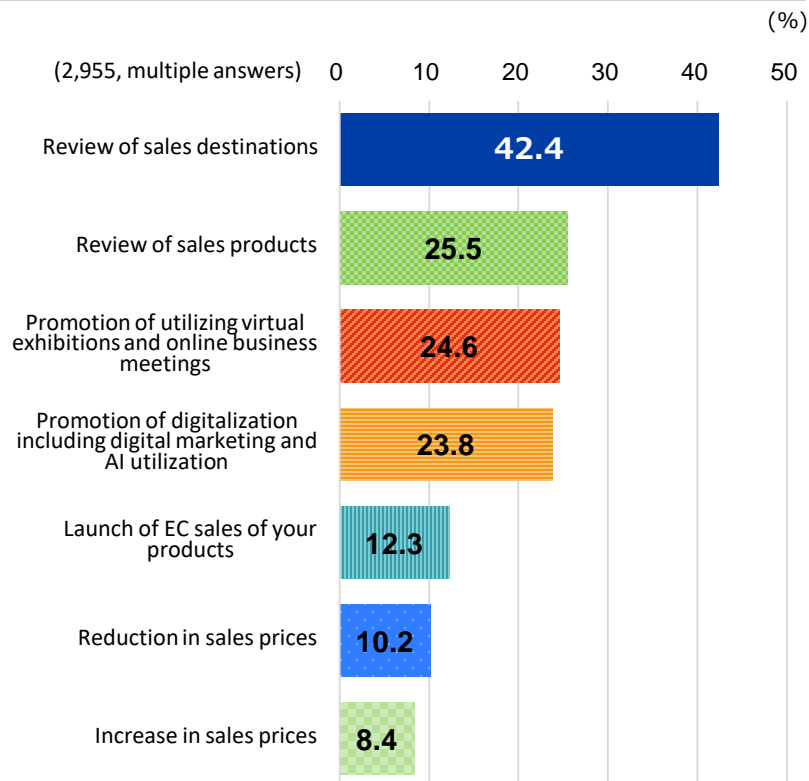
Review details (top 5 items by region)



3 | Impact of the spread of COVID-19 (5)

- As for the specific content of the review regarding sales strategy items, "review of sales destinations" (42.4%) was the highest, followed by "review of sales products" (25.5%), "promotion of holding virtual exhibitions, online business meetings, etc." (24.6%). On the other hand, the number of companies that will change prices is not large.
- By country, the proportion of companies that selected "review sales destination" exceeded 50% in Thailand and Cambodia. By industry, manufacturing-related industries ranked high. "Promotion of holding virtual exhibitions, online business meetings, etc." had a high response rate in India, in addition to developed countries such as Australia and Singapore. By industry, there is strong momentum to start such promotion in the non-manufacturing industry.

Details of the review (sales strategies)



Details of the review (countries/industries high in the list)

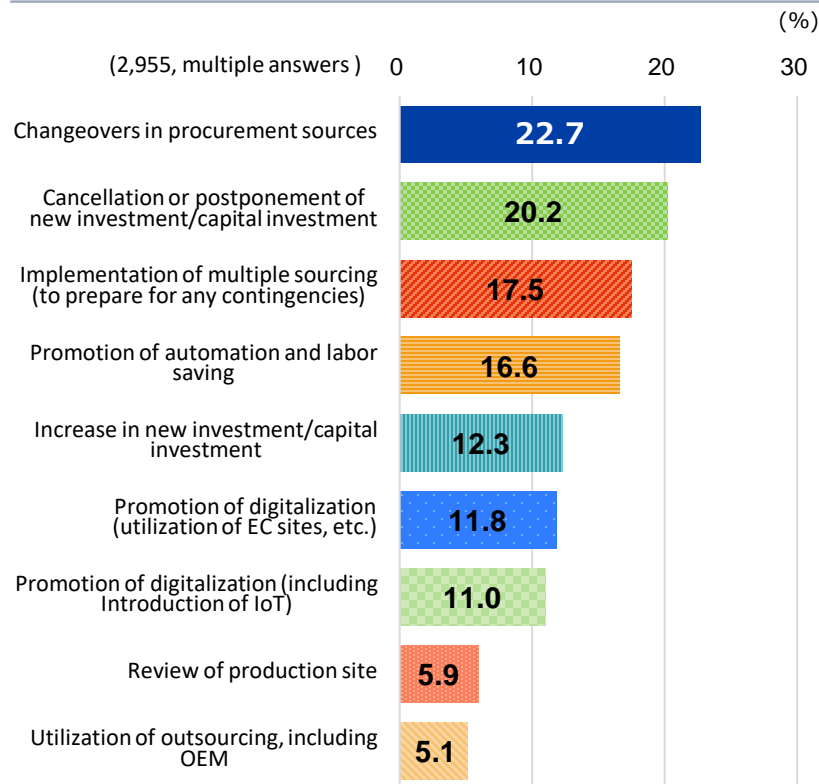
Review of sales destinations		Promotion of utilizing virtual exhibitions and online business meetings	
By country		By country	By industry
1. Thailand (322)	53.1	1. Australia (90)	35.6
2. Cambodia (53)	52.8	2. India (207)	35.3
3. China (369)	46.1	3. Singapore (350)	35.1
4. Philippines (62)	45.2	4. New Zealand (44)	34.1
5. India (207)	44.4	5. South Korea (71)	32.4
1. Textiles/Textile apparel (80)	67.5	1. Travel/Amusement (69)	49.3
2. Paper/Wood products/Printing (45)	62.2	2. Sales companies (314)	41.4
3. Plastic products (75)	58.7	3. Information and communications (181)	37.0
4. Food (83)	55.4	4. Transportation equipment (48)	35.4
5. Rubber/Ceramic/Stone and clay products (30)	53.3	5. Education/Medical (28)	32.1

Note: Countries and industries with valid responses from 20 or more companies are listed

3 | Impact of the spread of COVID-19 (6)

- As for the details of the review regarding procurement and production strategies, the proportion of "changeovers in procurement sources" (22.7%) was the highest, which was followed by "cancellation or postponement of new investment/capital investment" (20.2%), and "implementation of multiple sourcing" (17.5%). The main strategies in terms of procurement and production are moves to reconsider procurement sources and postponing investment. On the other hand, only 5.9% of companies are considering changing major supply chains by reviewing production sites.
- By country, many companies in countries along Mekong river, including Thailand, Cambodia, and Vietnam, answered that they are considering changeovers in procurement sources. The proportion is high in various industries, especially in the manufacturing sector. While there was not much difference by region for "cancellation or postponement of new investment/capital investment," 50% of transportation machinery companies said they will postpone investment.

Details of the review (procurement/production strategies)



Details of the review (countries/industries high in the list)

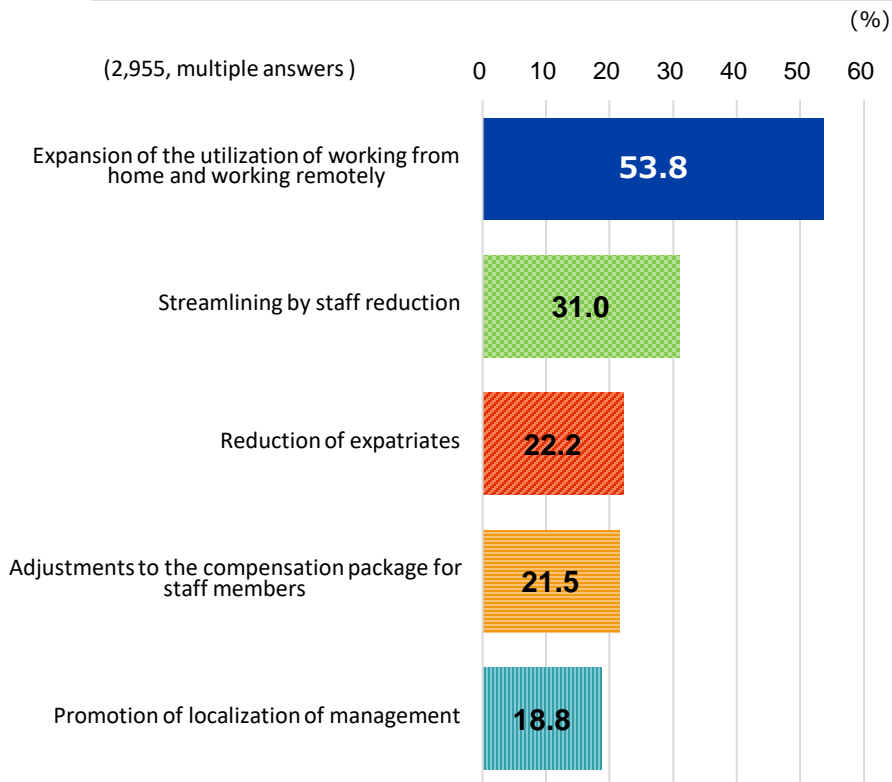
Changeovers in procurement sources		(Unit: %)	
By country		By industry	
1. Thailand (322)	32.0	1. Transportation equipment parts (162)	42.0
2. Cambodia (53)	28.3	2. Electrical machinery parts/Electronic device parts (82)	36.6
3. Vietnam (383)	26.6	3. General machinery (79)	35.4
4. India (207)	26.1	4. Iron/Nonferrous metals/Metals (160)	34.4
5. China (369)	24.9	5. Textiles/Textile apparel (80)	32.5
Cancellation or postponement of new investment/capital investment			
By country		By industry	
1. Indonesia (341)	31.4	1. Transportation equipment parts (162)	53.7
2. Malaysia (134)	26.9	2. Transportation equipment (48)	52.1
3. Thailand (322)	26.4	3. Rubber/Ceramic/Stone and clay products (30)	43.3
4. New Zealand (44)	25.0	4. Electrical machinery parts/Electronic device parts (82)	42.7
5. India (207)	23.2	5. Plastic products (75)	41.3

Note: Countries and industries with valid responses from 20 or more companies are listed

3 | Impact of the spread of COVID-19 (7)

- As for the details of the review regarding administration and management system, the proportion of "expansion of the utilization of working from home and working remotely" (53.8%) was the highest. This is followed by "streamlining by staff reduction" (31.0%) and "reduction of expatriates" (22.2%). There is a pronounced trend to focus on rationalization through personnel reduction rather than adjustments to the compensation package for staff members.
- By country, the ratio of "expansion of the utilization of working from home and working remotely" was high in developed countries such as South Korea, Singapore and Australia, and in Southwest Asian countries such as India and Pakistan. By industry, the response rate is high, especially in the non-manufacturing industry. The proportion of "streamlining by staff reduction" was the highest in Indonesia. By industry, the response rate was high in the manufacturing industry, mainly transportation equipment parts industry, and industries involving human contact, such as travel-related and restaurant industries.

Details of the review (administration/ management system)



Details of the review (countries/industries high in the list)

(Unit: %)

Expansion of the utilization of working from home and working remotely			
By country		By industry	
1. South Korea (71)	78.9	1. Finance/Insurance (141)	80.1
2. Singapore (350)	78.3	2. Information and communications (181)	70.2
3. Australia (90)	76.7	3. Sales companies (314)	68.8
4. Pakistan (28)	75.0	4. Transportation equipment (48)	66.7
5. India (207)	70.1	4. Travel/Amusement (69)	66.7
Streamlining by staff reduction			
By country		By industry	
1. Indonesia (341)	46.3	1. Transportation equipment parts (162)	59.9
2. Malaysia (134)	37.3	2. Rubber/Ceramic/Stone and clay products (30)	56.7
3. China (369)	36.3	3. Travel/Amusement (69)	56.5
4. Cambodia (53)	34.0	4. Restaurant (31)	51.6
5. Australia (90)	33.3	5. Electrical machinery parts/Electronic device parts (82)	47.6

Note: Countries and industries with valid responses from 20 or more companies are listed

3 | Impact of the spread of COVID-19 (8)

- As for when to start the review, looking at the measures to be implemented this year after the spread of COVID-19 stops by the companies that answered "planning to start this year" or "will begin after the spread of COVID-19 stops," the "Promotion of utilizing virtual exhibitions and online business meetings" and "expansion of the utilization of working from home and working remotely" are progressing in each country in Asia and Oceania. In most countries, the response rate of "cancellation or postponement of new investment/capital investment" is high. Generally, companies in each country are moving toward building a business model focusing on digitalization as a sales method while working from home, and cancelling new investment this year.

The proportion of companies that answered they are "planning to begin it this year" and "will begin after the spread of COVID-19 stops."

(Unit: %)

	Review of sales strategies				Review of procurement/production strategies				Review of administration/management system				
	Review of sales destinations	Review of sales products	Promotion of utilizing virtual exhibitions and online business meetings	Promotion of digitalization including digital marketing and AI utilization	Changeovers in procurement sources	Implementation of multiple sourcing (to prepare for any contingencies)	Cancellation or postponement of new investment/capital investment	Promotion of automation and labor saving	Expansion of the utilization of working from home and working remotely	Promotion of management localization	Rationalization by personnel reduction	Reduction of expatriates	Adjustments to the compensation package for staff members
Total	60.2	62.9	83.5	53.0	53.6	50.2	72.9	32.7	85.6	34.2	60.4	49.9	67.8
Cambodia	64.0	78.6	58.3	37.5	53.3	50.0	—	27.3	88.9	57.1	87.5	57.1	75.0
Indonesia	61.9	62.8	81.0	55.9	48.1	48.5	71.7	31.8	91.0	42.9	61.0	52.9	73.0
Malaysia	63.0	58.1	89.3	46.2	55.2	67.9	64.7	35.7	89.5	25.0	45.8	37.1	65.5
Myanmar	71.4	64.7	86.4	31.6	75.0	46.2	66.7	58.3	71.9	25.0	69.6	55.6	72.4
Philippines	50.0	72.7	85.7	54.5	60.0	—	50.0	36.4	88.9	23.1	81.3	56.3	75.0
Singapore	60.5	66.7	79.7	55.9	55.9	53.7	83.9	48.0	85.7	23.5	53.6	46.4	64.7
Thailand	53.4	52.4	68.8	49.2	50.0	48.9	66.2	23.5	85.9	41.3	63.6	48.2	75.0
Vietnam	60.6	69.0	89.4	57.1	55.6	51.5	71.2	28.6	85.5	31.7	69.5	50.8	61.7
India	61.1	68.8	86.6	57.9	57.7	61.0	77.8	41.7	83.1	30.6	76.0	73.9	85.7
Australia	76.9	68.4	87.1	47.4	70.0	—	88.9	14.4	85.3	—	76.7	43.8	85.0
New Zealand	70.6	70.0	85.7	63.6	—	—	80.0	—	87.5	—	75.0	—	77.8
China	64.0	60.4	83.1	44.3	53.9	50.0	83.3	30.7	89.9	38.0	43.9	43.7	55.3
Hong Kong/Macau	50.7	56.3	91.5	66.7	50.0	45.7	63.6	45.8	83.0	41.9	52.5	29.3	63.2
Taiwan	63.8	60.5	82.9	56.1	55.6	35.3	83.3	20.0	81.6	14.3	60.0	35.3	31.3
South Korea	56.0	58.8	90.9	58.1	25.0	28.6	—	—	83.3	25.0	50.0	—	46.7

Note 1: Items that have been answered by more than 400 companies are listed.

Note 2: "—" in the column of major countries means that the number of companies that responded is less than 10. Data for Laos, Bangladesh, Pakistan, and Sri Lanka, where the number of companies that responded for each item is small, are not listed.

Note 3: Colored when there are 70% or more answers.

Note 4: Multiple answers

4 | Management Matters (1)

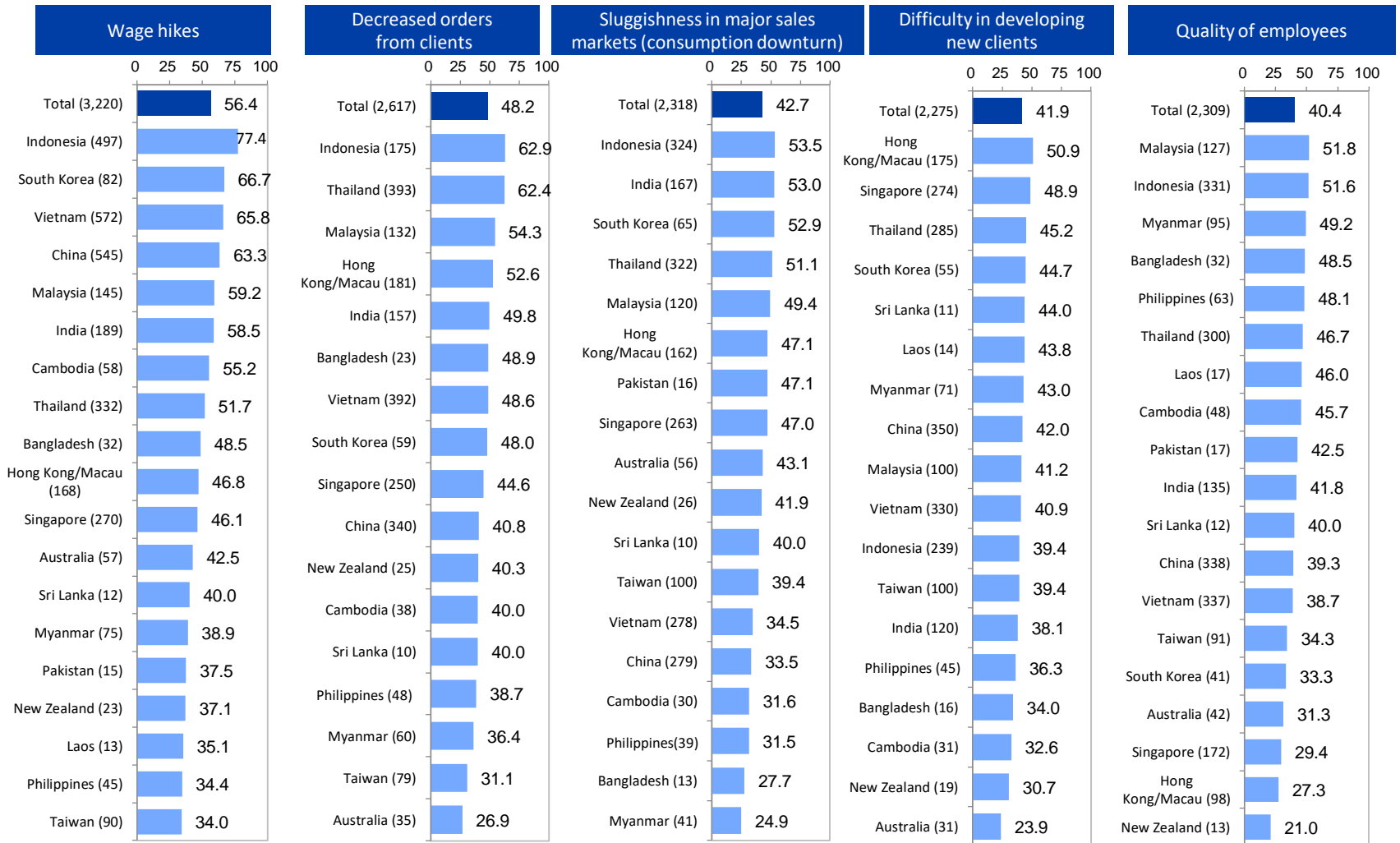
- “Wage hikes” (56.4%) was most frequently cited as a management matter, followed by “decreased orders from clients” (48.2%), and “sluggishness in major sales markets (consumption downturn)” (42.7%). Answers that showed improvements (response rate fell) compared to the 2019 survey include: “growing market shares of competitors (cost competition)” (down 14.4 pp), “wage hikes” (down 9.4 pp), and “pressure to lower prices from major clients” (down 4.1 pp). Meanwhile, answers that showed deterioration (response rate rose) include: “decreased orders from clients” (up 16.5 pp), “sluggishness in major sales markets (consumption downturn)” (up 7.6 pp) and “difficulty in developing new clients” (up 3.0 pp).
- Although “wage hikes” were controlled due to the global economic downturn caused by the spread of COVID-19, a decrease in order volume and sluggish consumption emerged as major issues.
- By country/region, the proportion of “wage hikes” exceeded 70% in Indonesia (77.4%), followed by South Korea (66.7%), Vietnam (65.8%) and China (63.3%). The proportion of “decreased orders from clients” was high in Indonesia (62.9%) and Thailand (62.4%), followed by Malaysia (54.3%) and Hong Kong/Macau (52.6%).
- By industry, the proportion of “wage hikes” was 18.5 pp higher in the manufacturing sector than in the non-manufacturing industry.

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

Answers		2020 (%)	2019 (%)	Change (pp)	By industry		By company size	
					Manufacturing	Non-manufacturing	Large	SME
1	Wage hikes	56.4	65.8	-9.4	66.7	48.2	57.4	54.7
2	Decreased orders from clients	48.2	31.7	16.5	53.0	44.2	44.7	53.6
3	Sluggishness in major sales markets (consumption downturn)	42.7	35.1	7.6	44.7	41.0	44.9	39.3
4	Difficulty in developing new clients	41.9	38.9	3.0	43.8	37.7	39.8	41.5
5	Quality of employees	40.4	43.5	-3.1	36.4	46.6	39.4	45.8
6	Growing market shares of competitors (cost-wise competition)	33.4	47.8	-14.4	37.6	29.9	36.1	29.3
7	Pressure to lower prices from major clients	28.7	32.8	-4.1	34.3	23.9	28.1	29.5
8	Complicated customs clearance procedures	25.8	26.6	-0.8	32.7	20.3	25.8	25.9
9	Tax burdens (i.e., corporate taxes and transfer pricing taxes)	25.7	27.1	-1.4	29.6	22.6	27.7	22.4
10	Volatility of local currency's exchange rate against the U.S. dollar	24.2	27.8	-3.6	30.3	19.4	26.9	19.8

4 | Management Matters (2)

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

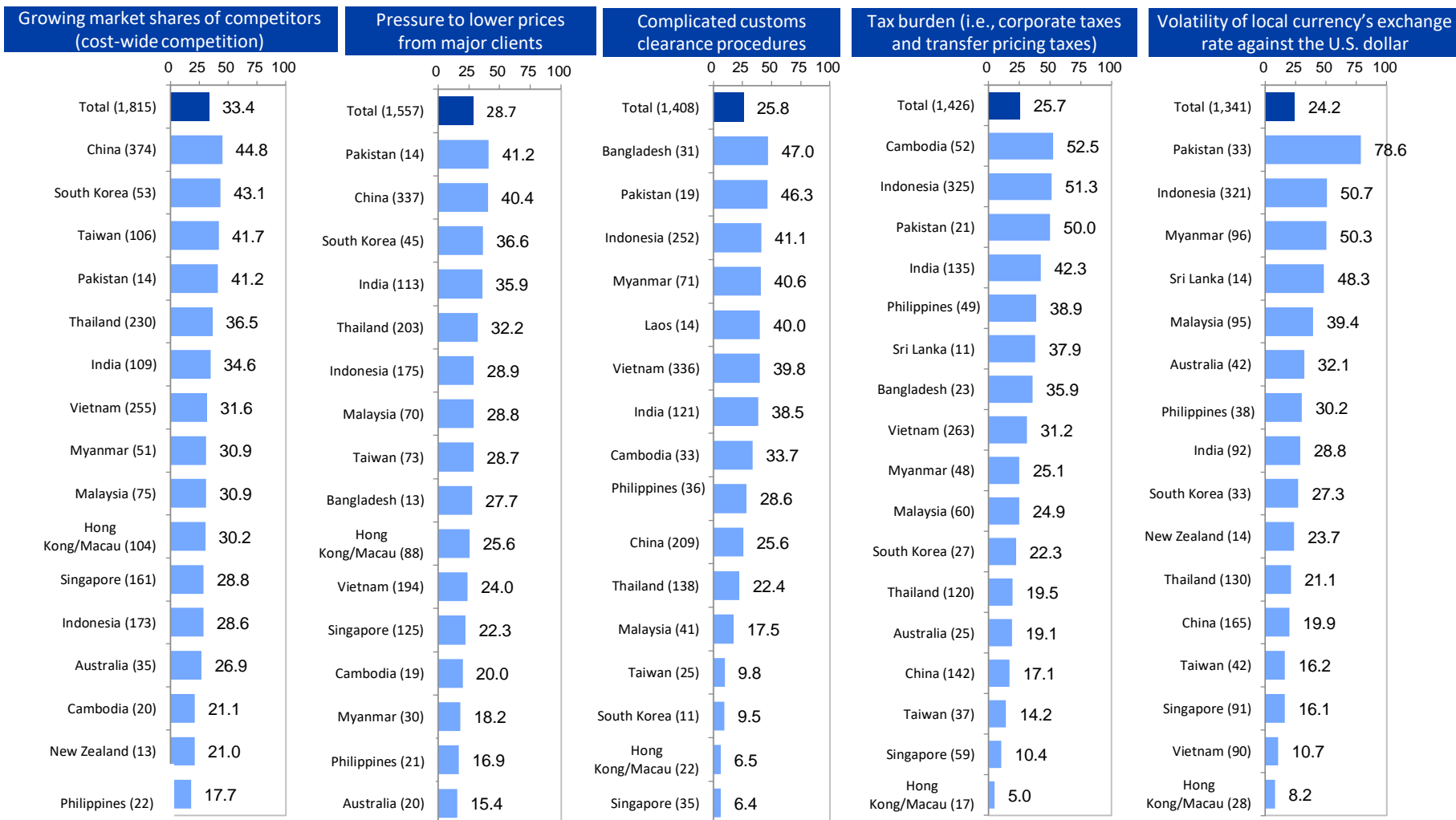


Note: Countries/regions for which the number of valid respondents is 10 companies or more

4 | Management Matters (3)

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

(%)



Note: Countries/regions for which the number of valid respondents is 10 companies or more

4 | Management Matters (4)

Problems by country/region (top 5, multiple answers)

(%)

Singapore		2020 survey	2019 survey
1	Difficulty in developing new clients (274)	48.9	41.9
2	Sluggishness in major sales markets (consumption downturn) (263)	47.0	36.8
3	Wage hikes (270)	46.1	56.5
4	No more room for cost-cutting (54)	45.4	36.5
5	Decreased orders from clients (250)	44.6	27.3

Malaysia		2020 survey	2019 survey
1	Wage hikes (145)	59.2	67.0
2	Decreased orders from clients (132)	54.3	37.0
3	Quality of employees (127)	51.8	53.7
4	Sluggishness in major sales markets (consumption downturn) (120)	49.4	41.6
5	No more room for cost-cutting (63)	45.7	47.2

Thailand		2020 survey	2019 survey
1	Decreased orders from clients (393)	62.4	39.9
2	Wage hikes (332)	51.7	63.5
3	Sluggishness in major sales markets (consumption downturn) (322)	51.1	36.9
4	Quality of employees (300)	46.7	47.0
5	No more room for cost-cutting (158)	46.3	42.2

Indonesia		2020 survey	2019 survey
1	Wage hikes (497)	77.4	84.0
2	Decreased orders from clients (381)	62.9	32.8
3	Sluggishness in major sales markets (consumption downturn) (324)	53.5	38.7
4	Difficulty in local procurement of raw materials and parts (182)	52.6	59.4
5	Quality of employees (331)	51.6	55.0

Vietnam		2020 survey	2019 survey
1	Wage hikes (572)	65.8	72.0
2	Difficulty in local procurement of raw materials and parts (253)	56.4	56.2
3	Decreased orders from clients (392)	48.6	24.1
4	Difficulty in developing new clients (330)	40.9	38.4
5	Difficulty with quality control (181)	40.3	49.9

Philippines		2020 survey	2019 survey
1	Difficulty in local procurement of raw materials and parts (31)	56.4	58.6
2	Quality of employees (63)	48.1	53.3
3	Time-consuming customs procedures (54)	42.9	36.9
4	Tax burdens (i.e., corporate taxes and transfer pricing taxes) (49)	38.9	43.8
5	Decreased orders from clients (48)	38.7	23.7

Note 1: Top 5 responses are listed above, except for “no particular problem.” Items highlighted in light pink are not included in the top 10 common problems in “3. Management Matters (1).”

Note 2: Items highlighted in pink increased by 10 pp or more from 2019. Items highlighted in light blue decreased by 10 pp or more from 2019.

4 | Management Matters (5)

Problems by country/region (top 5, multiple answers)

(%)

India		2020 survey	2019 survey
1	Wage hikes (189)	58.5	73.3
2	Sluggishness in major sales markets (consumption downturn) (167)	53.0	50.6
3	Difficulty in local procurement of raw materials and parts (69)	50.4	44.9
4	Decreased orders from clients (157)	49.8	34.4
5	Difficulty with quality control (61)	44.5	53.7
Pakistan		2020 survey	2019 survey
1	Volatility of local currency's exchange rate against the U.S. dollar (33)	78.6	82.1
2	High import duties (29)	70.7	66.7
3	Restrictions on foreign remittance (28)	66.7	53.9
4	Time-consuming customs procedures (26)	63.4	56.7
5	Difficulty in local procurement of raw materials and parts (12)	60.0	47.1
Sri Lanka		2020 survey	2019 survey
1	Difficulty in local procurement of raw materials and parts (7)	70.0	66.7
1	Difficulty with quality control (7)	70.0	50.0
3	Volatility of local currency's exchange rate against the U.S. dollar (14)	48.3	28.6
3	Time-consuming customs procedures (14)	48.3	40.7
5	Difficulty in developing new clients (11)	44.0	27.6
Bangladesh		2020 survey	2019 survey
1	Difficulty in local procurement of raw materials and parts (18)	66.7	70.8
2	Time-consuming customs procedures (37)	56.1	66.7
3	Power shortages or blackouts (15)	55.6	66.7
4	Decreased orders from clients (23)	48.9	14.6
5	Wage hikes (32)	48.5	50.8

Cambodia		2020 survey	2019 survey
1	Difficulty in local procurement of raw materials and parts (21)	60.0	70.3
2	Wage hikes (58)	55.2	75.7
3	Tax burdens (i.e., corporate taxes and transfer pricing taxes) (52)	52.5	48.7
4	Quality of employees (48)	45.7	55.0
5	Decreased orders from clients (38)	40.0	18.8
Laos		2020 survey	2019 survey
1	Difficulty in local procurement of raw materials and parts (8)	50.0	70.6
2	Quality of employees (17)	46.0	50.0
3	Difficulty with quality control (7)	43.8	52.9
3	Difficulty in developing new clients (14)	43.8	38.7
3	Power shortages or blackouts (7)	43.8	47.1
3	Inadequate logistics infrastructure (7)	43.8	29.4
Myanmar		2020 survey	2019 survey
1	Difficulty in local procurement of raw materials and parts (18)	60.0	65.4
1	Power shortages or blackouts (18)	60.0	69.2
3	Volatility of local currency's exchange rate against the U.S. dollar (96)	50.3	44.7
4	Quality of employees (95)	49.2	56.8
5	Difficulty in developing new clients (71)	43.0	37.0

Note 1: Top 5 responses are listed above, except for "no particular problem." Items highlighted in light pink are not included in the top 10 common problems in "3. Management Matters (1)."

Note 2: Items highlighted in pink increased by 10 pp or more from 2019. Items highlighted in light blue decreased by 10 pp or more from 2019.

4 | Management Matters (6)

Problems by country/region (top 5, multiple answers)

(%)

China		2020 survey	2019 survey
1	Wage hikes (545)	63.3	73.7
2	Tightening environmental regulations (227)	46.7	43.5
3	No more room for cost-cutting (224)	46.1	42.1
4	Growing market shares of competitors (cost-wise competition) (374)	44.8	50.0
5	Difficulty in developing new clients (350)	42.0	41.4

Hong Kong/Macau		2020 survey	2019 survey
1	Decreased orders from clients (181)	52.6	42.7
2	Difficulty in developing new clients (175)	50.9	45.5
3	Sluggishness in major sales markets (consumption downturn) (162)	47.1	42.1
4	Wage hikes (168)	46.8	60.1
5	Increased cost in procurement of raw materials and parts (17)	43.6	47.1

Taiwan		2020 survey	2019 survey
1	Growing market shares of competitors (cost-wise competition) (106)	41.7	50.4
2	No more room for cost-cutting (31)	40.3	46.4
3	Difficulty in developing new clients (100)	39.4	34.6
3	Sluggishness in major sales markets (consumption downturn) (100)	39.4	38.5
5	Quality of employees (91)	34.3	35.8

South Korea		2020 survey	2019 survey
1	Wage hikes (82)	66.7	65.4
2	Sluggishness in major sales markets (consumption downturn) (65)	52.9	51.1
3	Decreased orders from clients (59)	48.0	40.6
4	Difficulty in developing new clients (55)	44.7	38.4
5	Growing market shares of competitors (cost-wise competition) (53)	43.1	55.6

Australia		2020 survey	2019 survey
1	Sluggishness in major sales markets (consumption downturn) (56)	43.1	35.4
2	Wage hikes (57)	42.5	55.1
3	Volatility of local currency's exchange rate against the Japanese yen (45)	34.4	35.6
4	Volatility of local currency's exchange rate against the U.S. dollar (42)	32.1	42.5
5	Quality of employees (42)	31.3	28.9

New Zealand		2020 survey	2019 survey
1	Sluggishness in major sales markets (consumption downturn) (26)	41.9	37.4
2	Decreased orders from clients (25)	40.3	20.9
3	Wage hikes (23)	37.1	51.7
4	Difficulty in developing new clients (19)	30.7	29.7
5	Increased cost in procurement of raw materials and parts (5)	26.3	60.0
5	Difficulty in recruiting engineering staff (Manufacturing industry only) (5)	26.3	30.8
5	Difficulty in local procurement of raw materials and parts (5)	26.3	32.0

Note 1: Top 5 responses are listed above, except for "no particular problem." Items highlighted in light pink are not included in the top 10 common problems in "3. Management Matters (1)."

Note 2: Items highlighted in pink increased by 10 pp or more from 2019. Items highlighted in light blue decreased by 10 pp or more from 2019.

4 | Management Matters (7)

- Among management matters, “growing market shares of competitors” improved from the 2019 survey. This took 2nd place in the 2019 survey as a problem common to all regions, but ranked 6th in the 2020 survey (Δ 14.4 pp). By country/region, this problem improved most significantly in Bangladesh (Δ 24.6 pp), followed by Indonesia (Δ 23.4 pp), Malaysia (Δ 22.3 pp), Cambodia (Δ 21.7 pp) and Myanmar (Δ 21.3 pp).
- “Decreased orders from clients” worsened from the 2019 survey. (The response rate increased.) This took 11th place in the 2019 survey as a problem common to all regions but moved up to 2nd place in the 2020 survey (+16.5 pp). By country/region, this problem worsened most significantly in Bangladesh (+34.4 pp), followed by Indonesia (+30.1 pp), Vietnam (+24.5 pp), Thailand (+22.4 pp) and Cambodia (+21.3 pp).

Management matters that **improved** from 2019 (top 10 countries/regions with a significant decrease)

Growing market shares of competitors (cost-wise competition)		2020survey (%)	2019survey (%)	Change (pp)
1	Bangladesh	19.2	43.8	-24.6
2	Indonesia	28.6	51.9	-23.4
3	Malaysia	30.9	53.2	-22.3
4	Cambodia	21.1	42.7	-21.7
5	Myanmar	30.9	52.2	-21.3
6	Singapore	28.8	48.8	-20.0
7	India	34.6	53.0	-18.4
8	Philippines	17.7	35.9	-18.1
9	Vietnam	31.6	48.0	-16.4
10	Australia	26.9	40.4	-13.5

Management matters that **worsened** from 2019 (top 10 countries/regions with a significant increase)

Decreased orders from clients		2020survey (%)	2019survey (%)	Change (pp)
1	Bangladesh	48.9	14.6	34.4
2	Indonesia	62.9	32.8	30.1
3	Vietnam	48.6	24.1	24.5
4	Thailand	62.4	39.9	22.4
5	Cambodia	40.0	18.8	21.3
6	New Zealand	40.3	20.9	19.4
7	Myanmar	36.4	17.4	19.0
8	Malaysia	54.3	37.0	17.4
9	Singapore	44.6	27.3	17.3
10	India	49.8	34.4	15.5

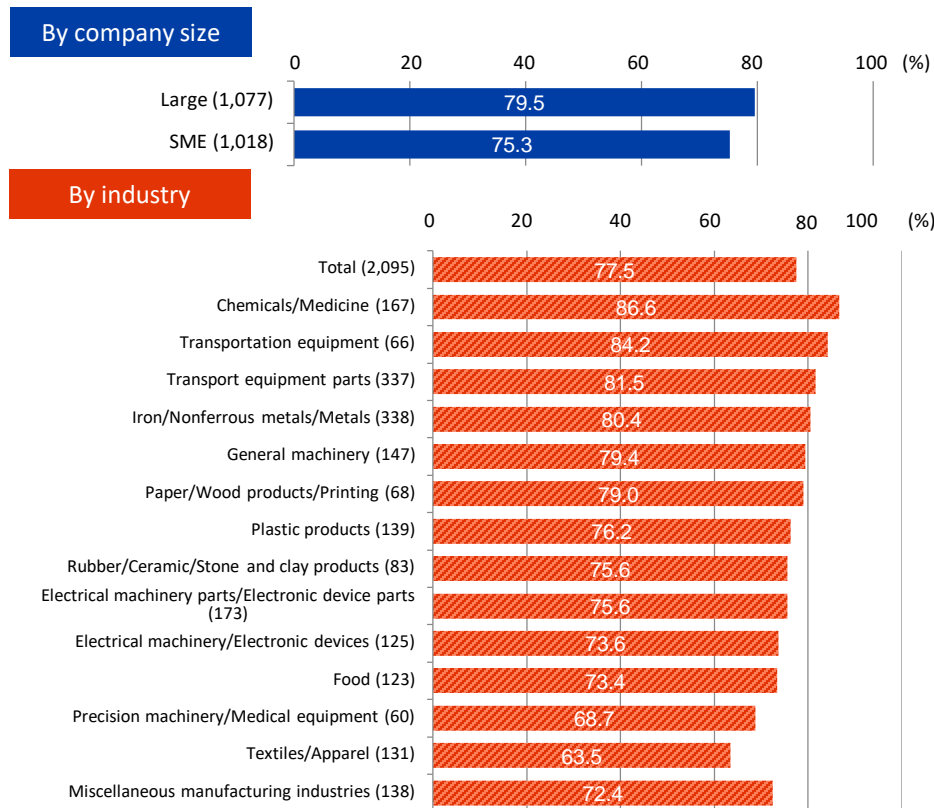
Note: Countries/regions for which the number of valid respondents is 10 companies or more

5 | Procurement of Raw Materials and Parts (1)

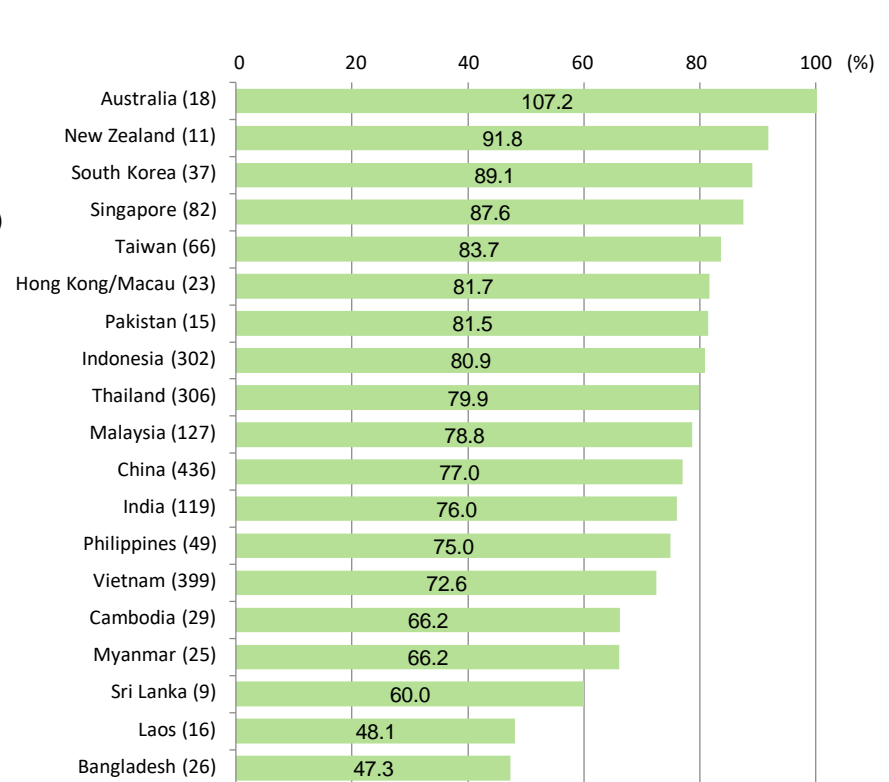
Manufacturing only

- Compared with the production cost in Japan, which is taken as 100, the average local production cost decreased from 78.5 in the 2019 survey by 1.0 pp to 77.5.
- By industry, production costs were relatively high in chemicals/medicine and transportation equipment, while the cost is lower in textiles/apparel at 63.5.
- By country/region, production costs were higher in Australia than in Japan. In New Zealand and South Korea, the costs were about 90% of the costs in Japan, while in Laos and Bangladesh, the costs were less than 50% of Japan.

Local production cost in comparison with production cost in Japan, which is taken as 100 (by company size and industry)



Local production cost in comparison with production cost in Japan, which is taken as 100 (by country/region)



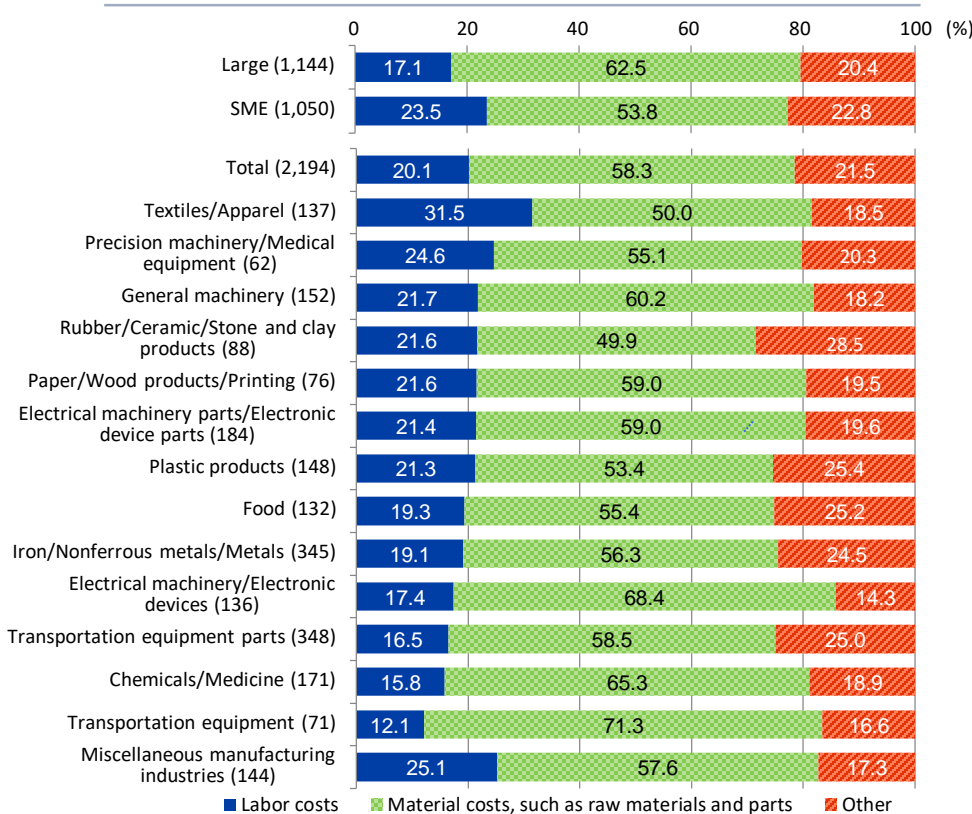
Note: "Production cost" includes the costs of all resources consumed in producing a product, such as materials and labor.

5 | Procurement of Raw Materials and Parts (2)

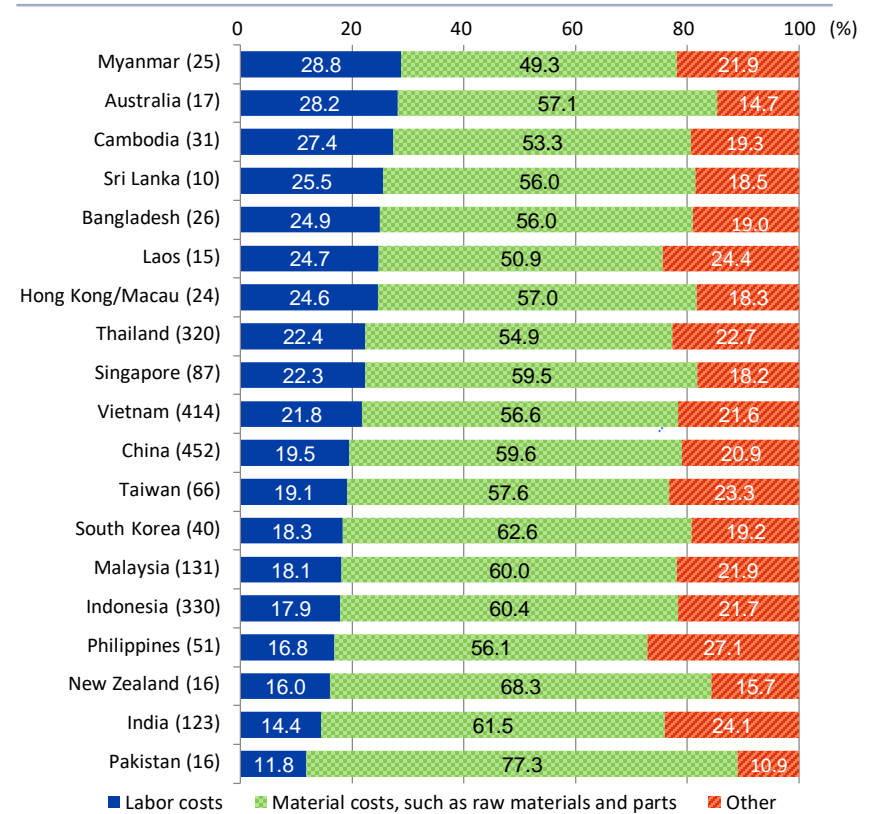
Manufacturing only

- The ratio of labor costs to local production costs of Japanese-affiliated companies averaged 20.1% (+0.2 pp from the previous year), while the ratio of material costs averaged 58.3% (Δ0.2 pp from the previous year).
- By country/region, the ratio of labor cost is relatively high in Myanmar, Australia and Cambodia. By industry, the ratio of labor cost for textiles/apparel was about 30%, while the ratio of material cost for transportation equipment and electrical machinery/electronic devices was about 70%.

Ratio of labor/material costs to production costs (by company size and industry)



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



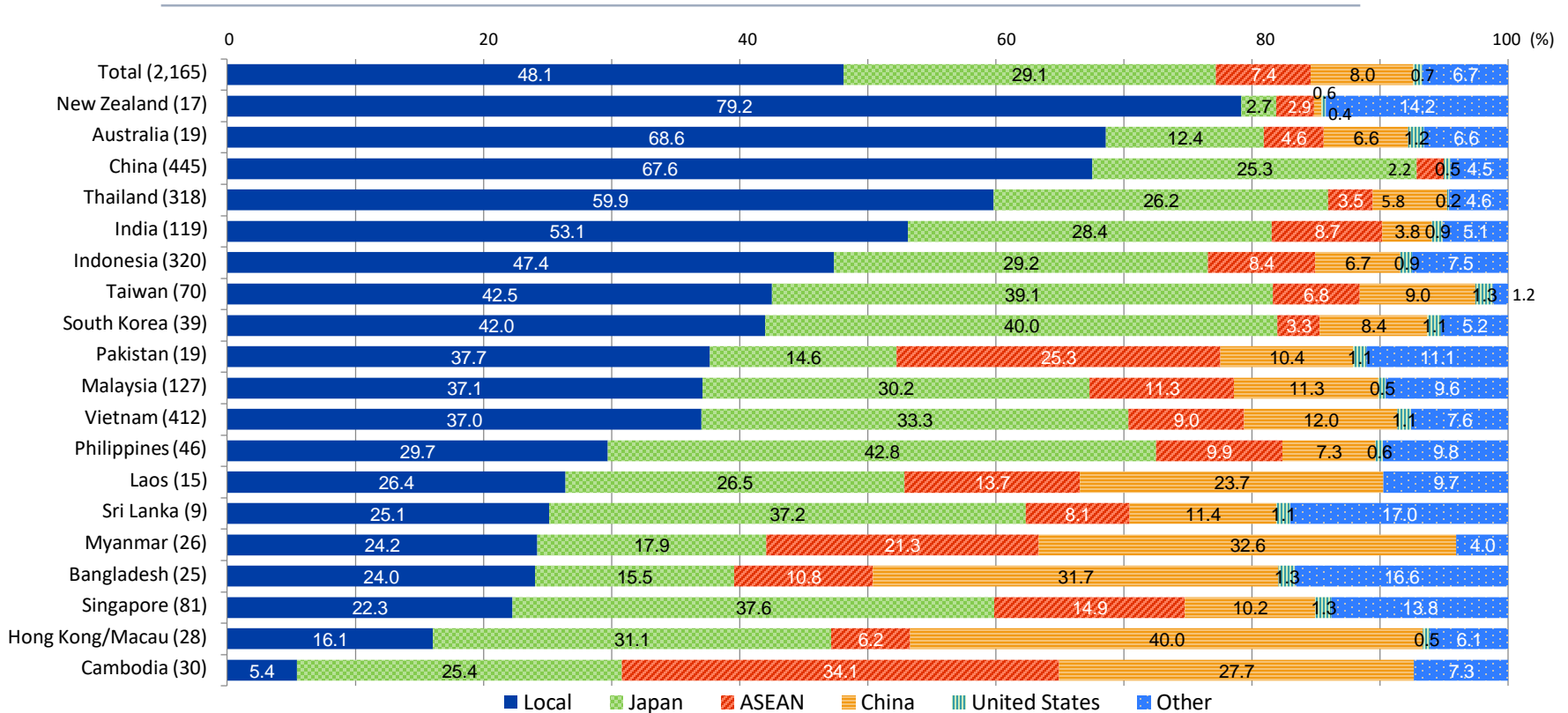
Note: "Production cost" includes the costs of all resources consumed in producing a product, such as materials and labor.

5 | Procurement of Raw Materials and Parts (3)

Manufacturing only

- Japanese-affiliated companies in the local market procure 48.1% of their raw materials and parts locally, and the rest are procured mainly from Japan, China and ASEAN.
- The rate of local procurement increased by 0.2 pp from the 2019 survey (47.9%). The rate was the highest in New Zealand (79.2%), while lowest in Cambodia (5.4%).
- The rate of procurement from Japan, ASEAN, and China was down 0.2 pp, up 0.6 pp, and up 0.7 pp, respectively, compared to the 2019 survey.
- The rate of procurement from Japan, ASEAN, and China were the highest in Philippines, Cambodia, and Hong Kong/Macau, respectively.

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

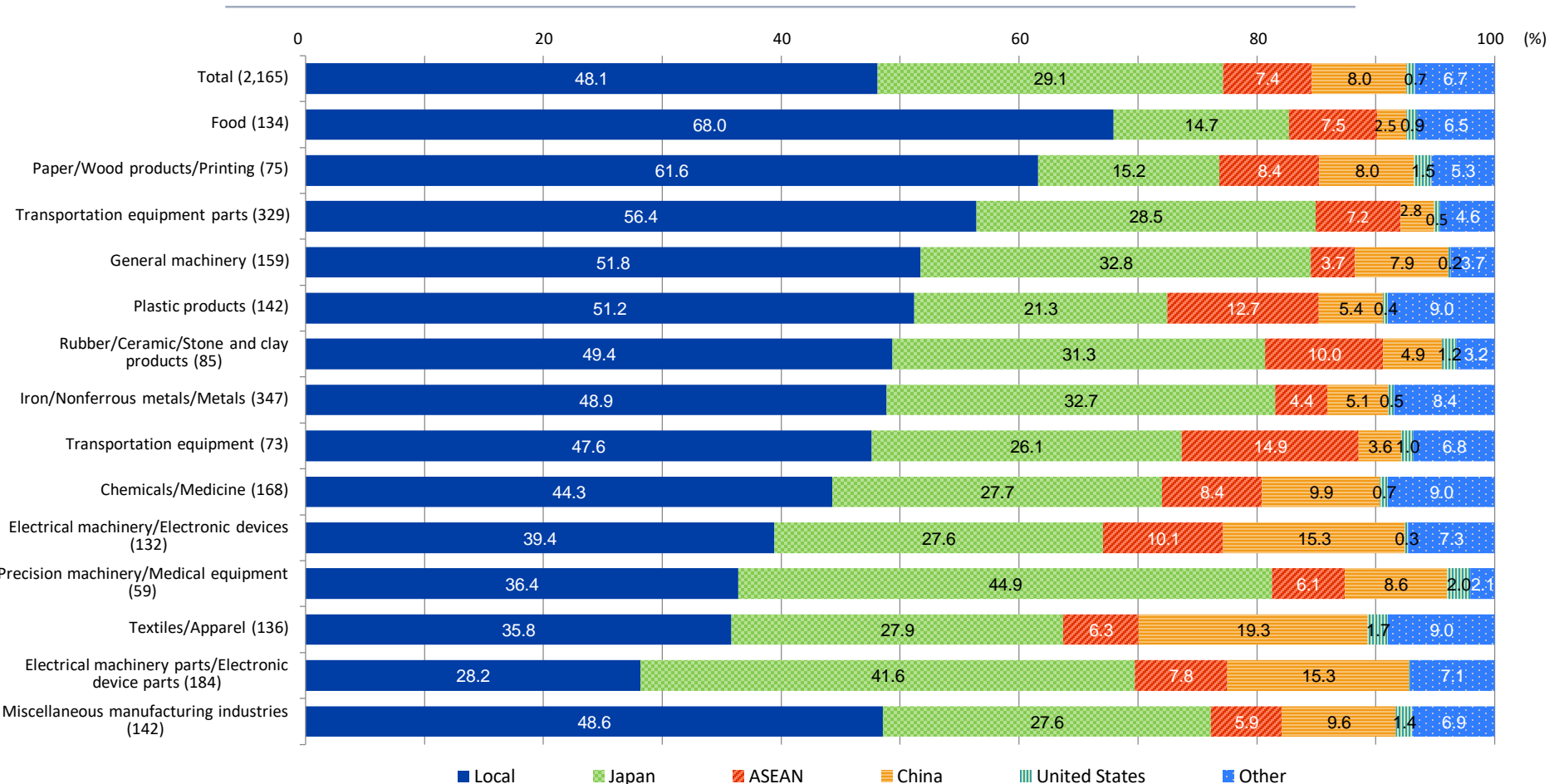


5 | Procurement of Raw Materials and Parts (4)

Manufacturing only

- By industry, the local procurement rate of raw materials and parts was high in food at 68.0%.
- The rate of procurement from Japan, ASEAN, and China were the highest for precision machinery/medical equipment, transportation equipment, and textiles/apparel, respectively.

Procurement sources for raw materials and parts (by industry, responses total 100%)

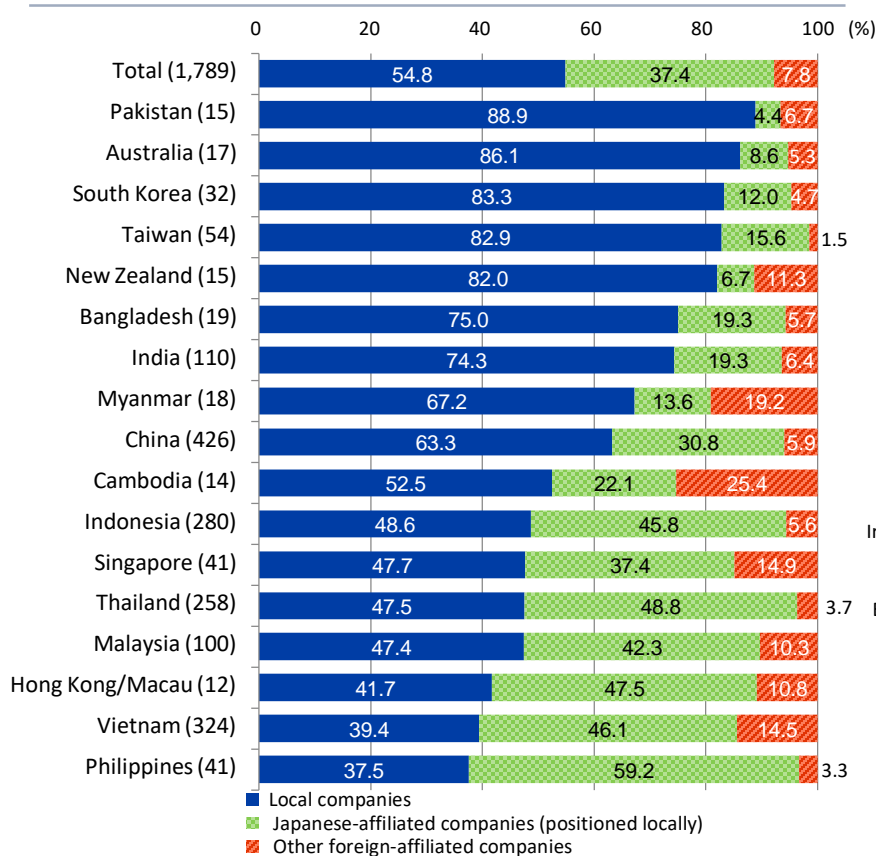


5 | Procurement of Raw Materials and Parts (5)

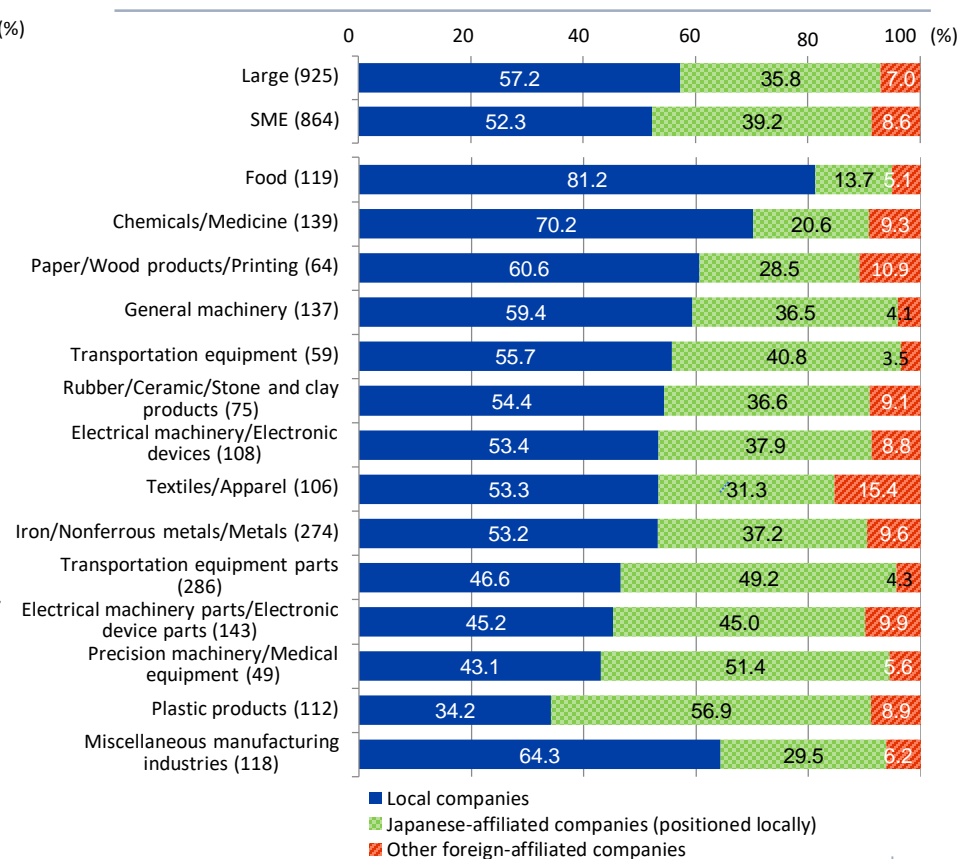
Manufacturing only

- “Local companies” was the largest local procurement source, at 54.8%, an increase of 2.9 pp from the 2019 survey (51.9%).
- “Japanese-affiliated companies positioned locally” was the largest procurement source in Philippines (59.2%).
- By industry, the proportion of “local companies” is the highest at 81.2% in the food industry. On the other hand, the proportion of procurement from “Japanese-affiliated companies positioned locally” was relatively high in plastic products, precision machinery and medical equipment, transportation equipment, and others.

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



Local procurement sources for raw materials and parts (by company size and industry, responses total 100%)

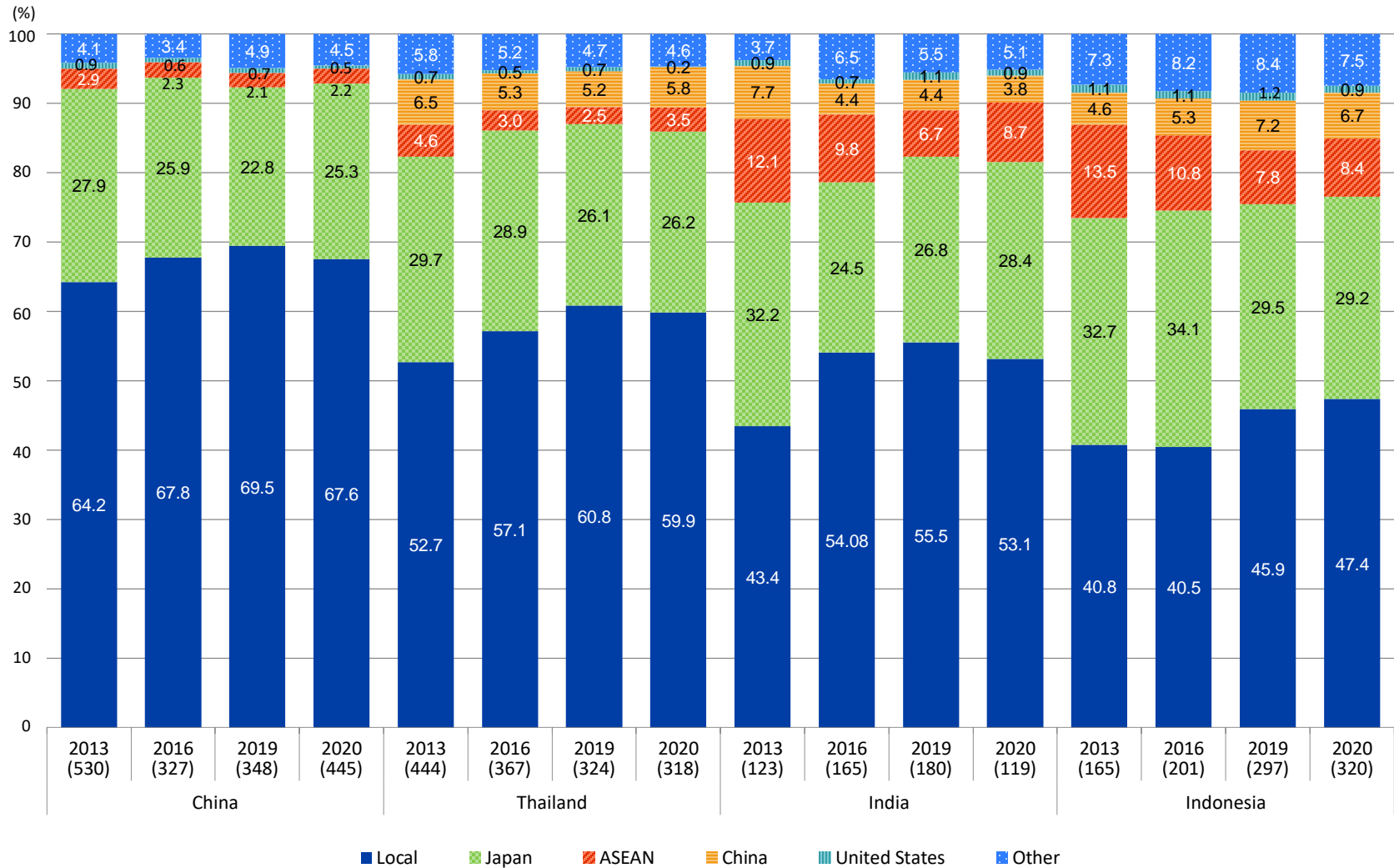


Note: Countries/regions for which the number of valid respondents is 10 companies or more

5 | Procurement of Raw Materials and Parts (6)

Manufacturing only

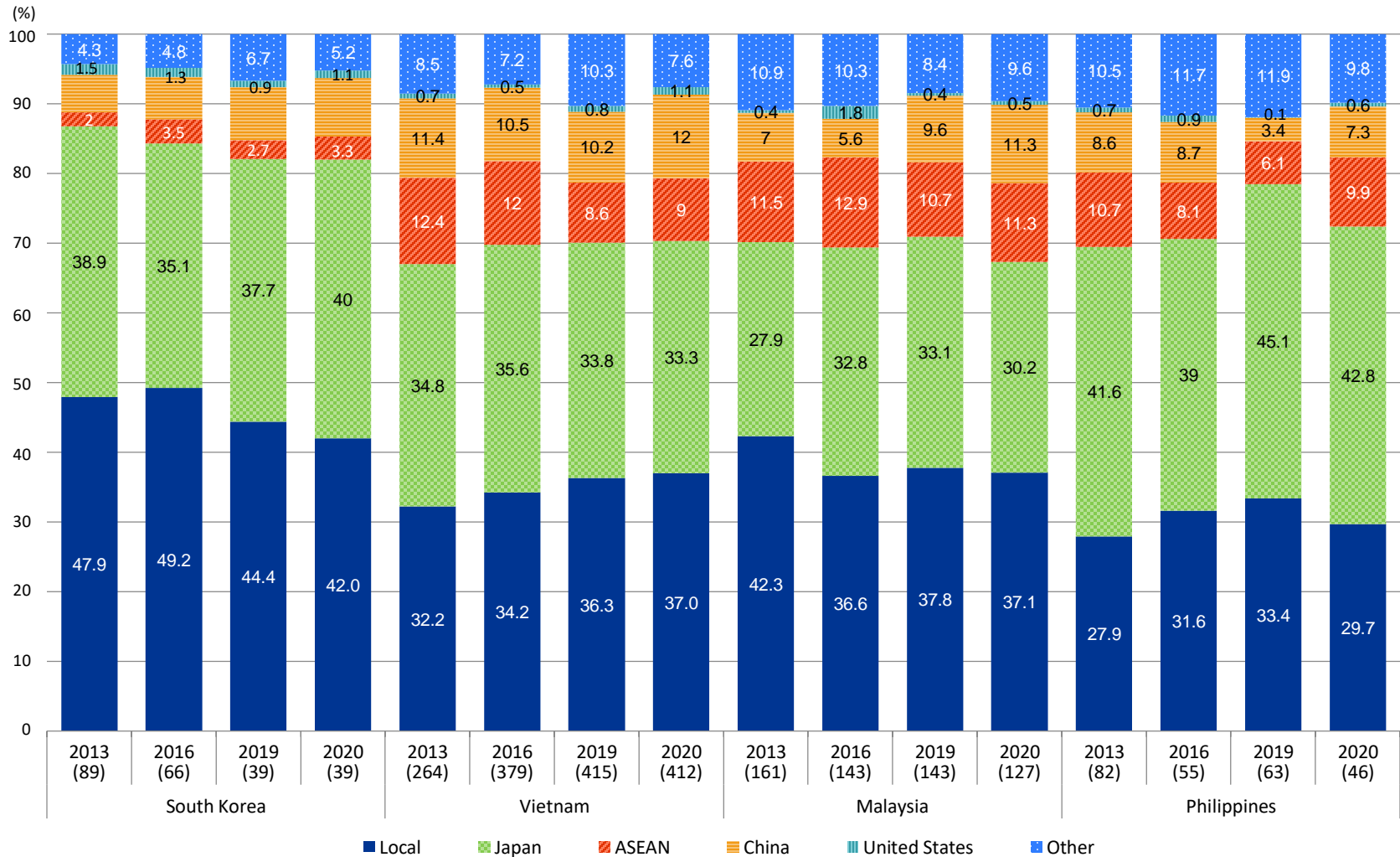
Procurement sources of major countries (comparison between the 2013 survey, the 2016 survey, the 2019 survey and the 2020 survey)



5 Procurement of Raw Materials and Parts (7)

Manufacturing only

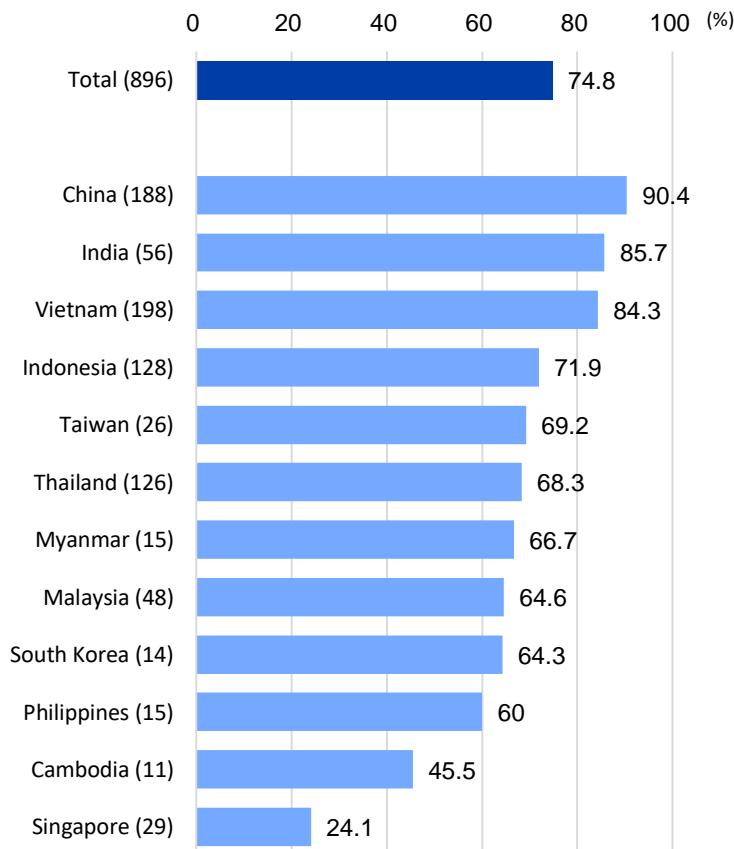
Procurement sources of major countries (comparison between the 2013 survey, the 2016 survey, the 2019 survey and the 2020 survey)



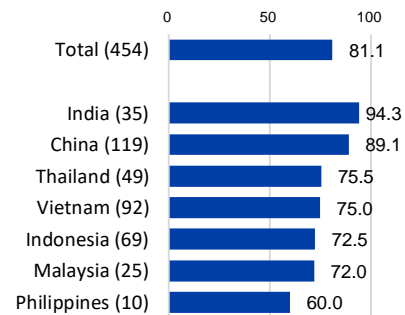
5 | Procurement of Raw Materials and Parts (8)

- Of 2,165 companies, 896 companies (41.4%) plan to increase procurement over the next one to three years. 74.8% of these companies are planning to expand local procurement.
- Of the companies planning to expand local procurement, about 80% plan to procure from local companies and about 30% of the companies plan to procure from Japanese-affiliated companies (valid responses: 454 companies).

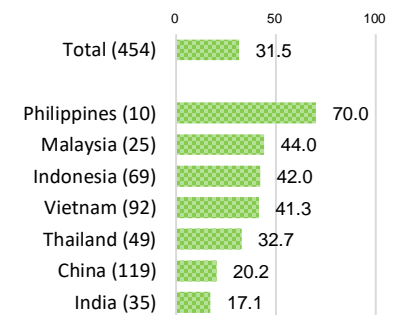
Planning to expand local procurement over the next 1 to 3 years (by country/region)



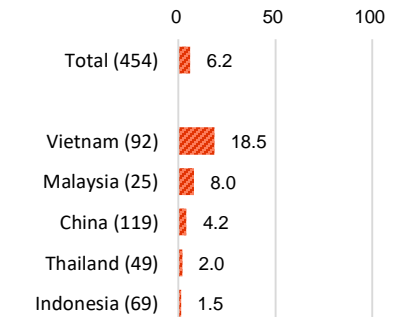
Procurement from local companies



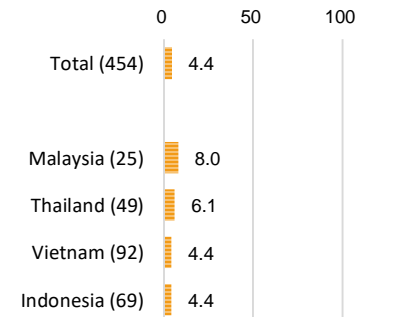
Procurement from Japanese-affiliated companies



Procurement from Taiwanese companies



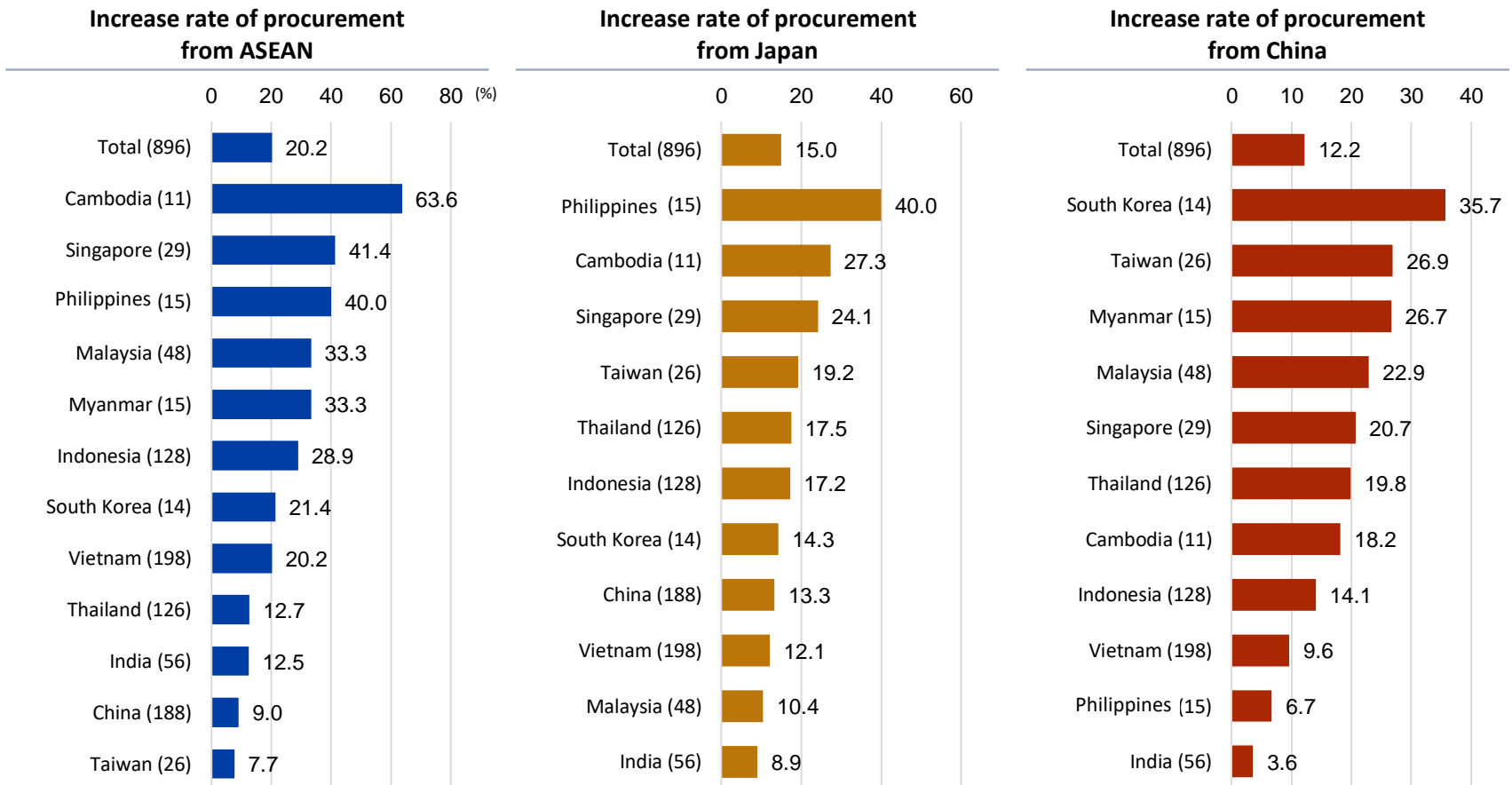
Procurement from Chinese companies



Note: Countries/regions for which the number of valid respondents is 10 companies or more

5 | Procurement of Raw Materials and Parts (9)

- Of the companies planning to expand procurement over the next one to three years, 20.2% plan to procure from ASEAN, such as Cambodia, Singapore, and Philippines.
- The proportion of companies planning to expand procurement from Japan is 15.0%, and the proportion in Philippines, where many companies procure from Japan, was the highest.
- The proportion of companies that will increase procurement from China was 12.2%, especially high in the Northeast Asia.

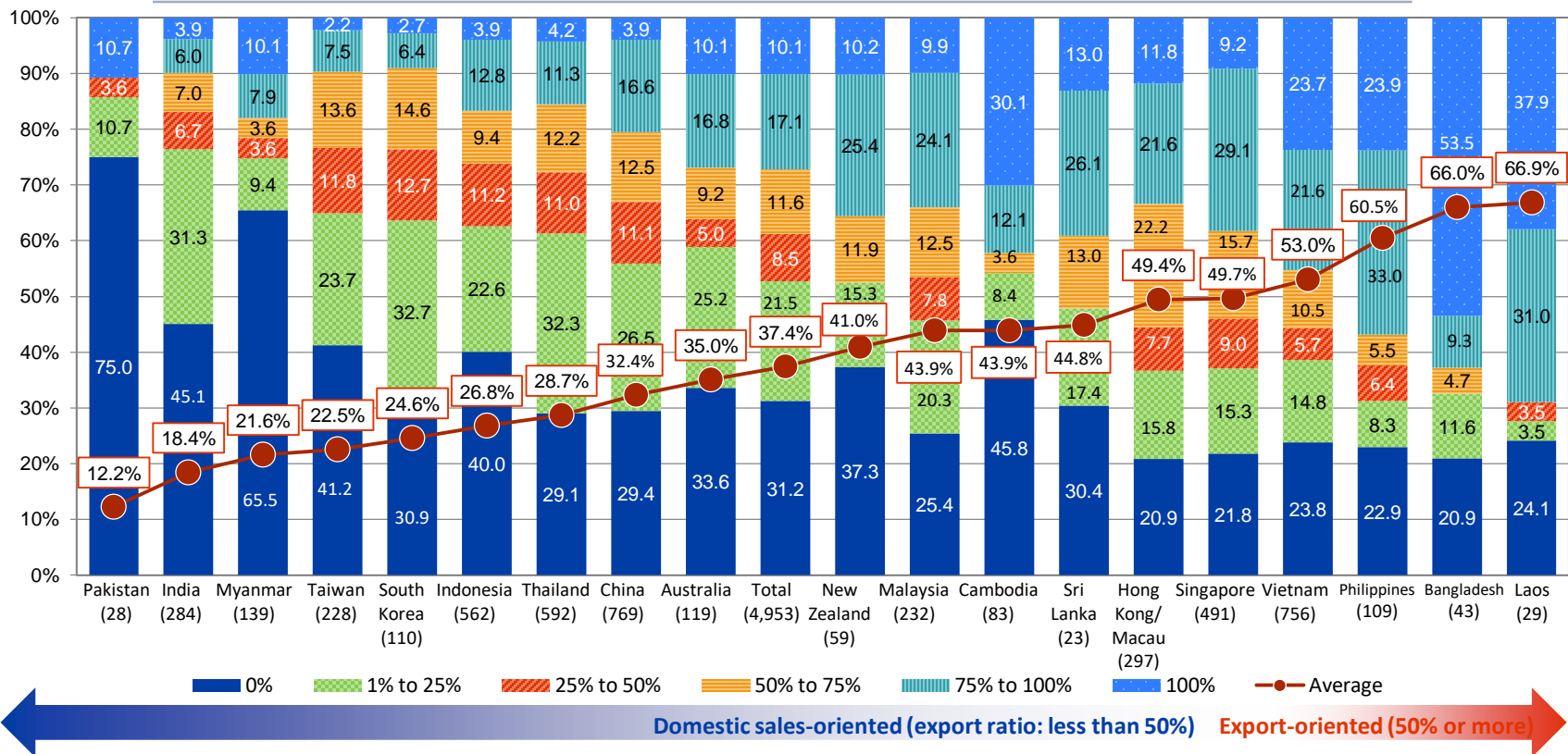


Note: Countries/regions for which the number of valid respondents is 10 companies or more

6 | Exports/Imports (1)

- The average proportion of export sales to total sales among Japanese-affiliated companies was 37.4% (up 0.9 pp from the previous year).
- By country/region, the proportion exceeded 50% in Laos (66.9%), Bangladesh (66.0%), Philippines (60.5%) and Vietnam (53.0%). On the other hand, the export ratio was less than 20% in Pakistan (12.2%) and India (18.4%), where the ratio of domestic sales is high.
- The proportion of totally export-oriented companies (those with an export ratio of 100%) is high in Bangladesh (53.5%), Laos (37.9%) and Cambodia (30.1%). On the other hand, the proportion of totally domestic sales-oriented companies (those with an export ratio of 0%) was over 70% in Pakistan (75.0%).

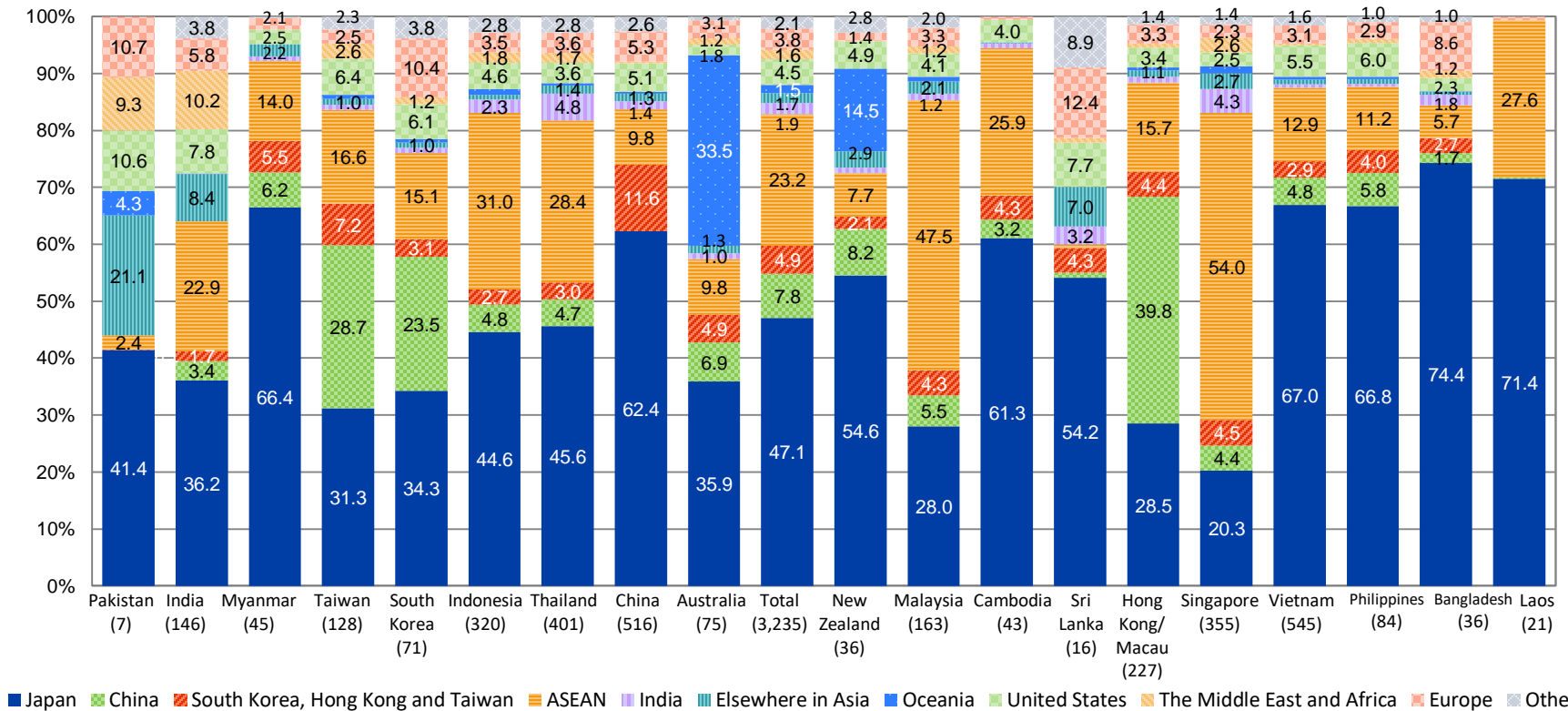
Proportion of export sales to total sales (by country/region, responses at 0–100%)



6 | Exports/Imports (2)

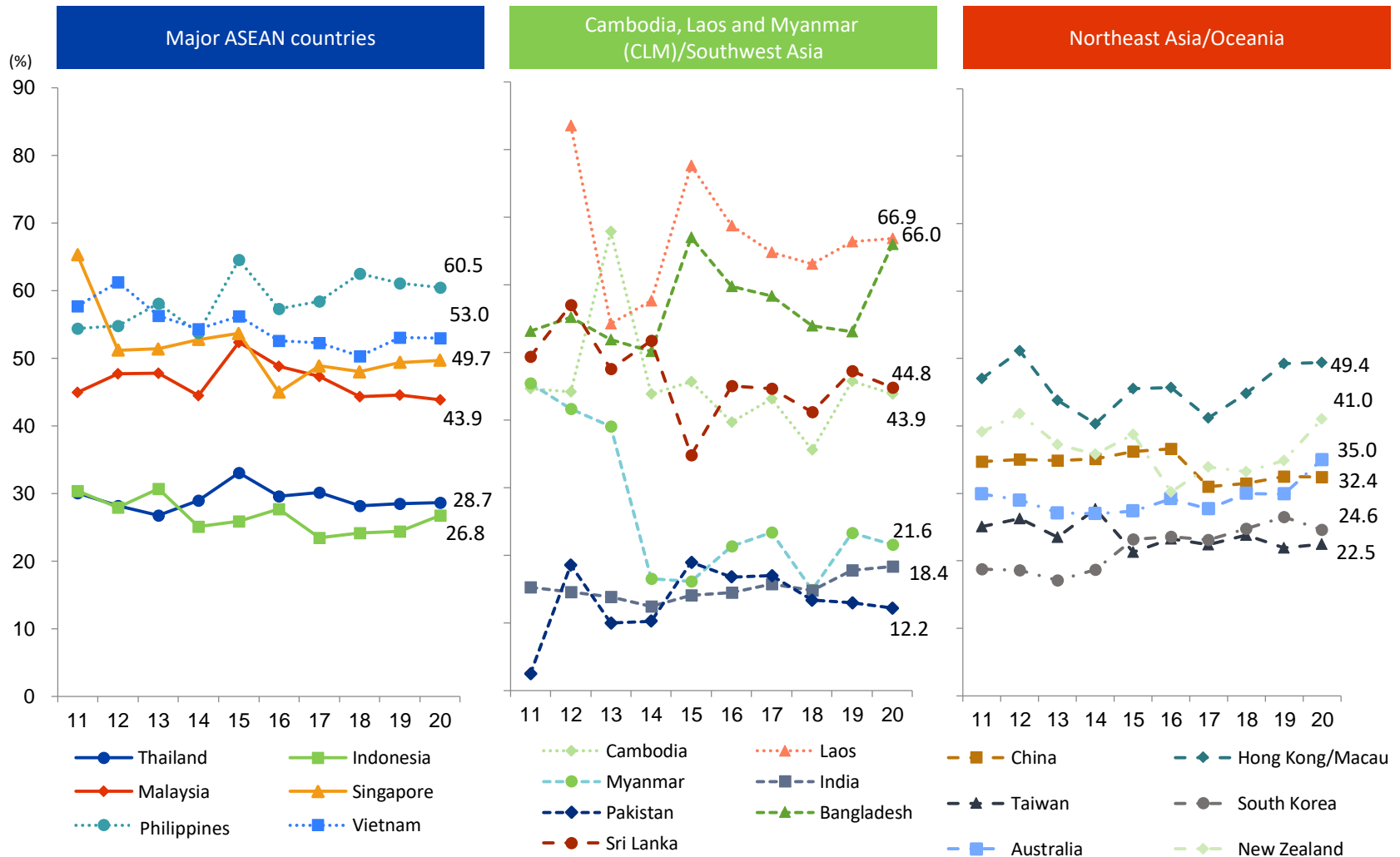
- The breakdown (average) of export destinations by Japanese-affiliated companies was 47.1% (up 1.8 pp from the previous year) for Japan, 23.2% (up 0.2 pp) for ASEAN, and 7.8% (up 1.2 pp) for China.
- In the countries focusing on export (average export ratio of 50% or more: Laos, Bangladesh, Philippines and Vietnam) on the previous page, Japan accounted for about 70% of all export destinations. In Myanmar, China, New Zealand, Cambodia and Sri Lanka, all domestic sales-oriented countries, more than 50% of exports are to Japan.

Breakdown of export destinations (by country/region, responses total 100%)



6 | Exports/Imports (3)

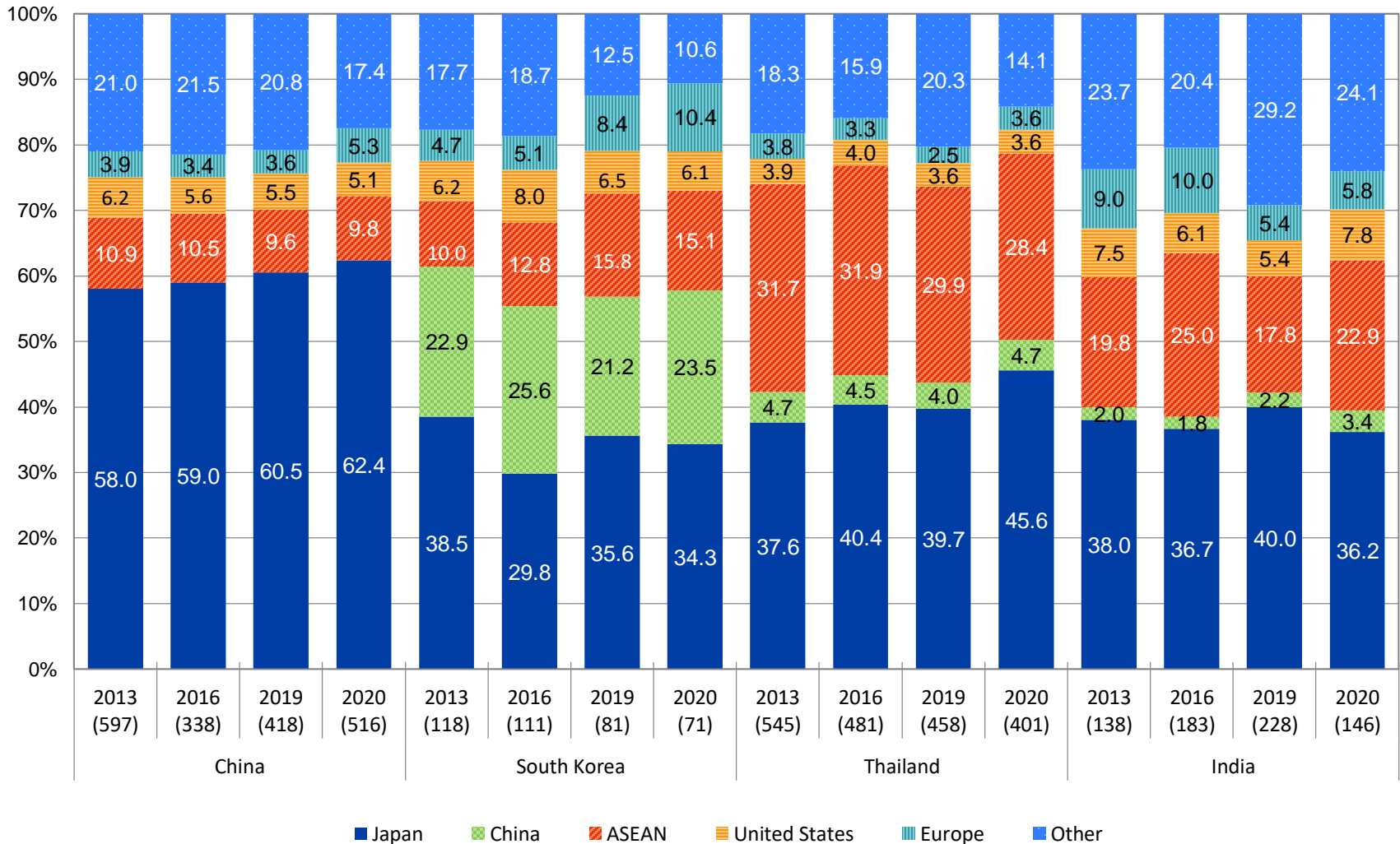
Proportion of export sales to total sales: Trends in averages (2011–2020)



Note: Hong Kong includes Macao since 2011.

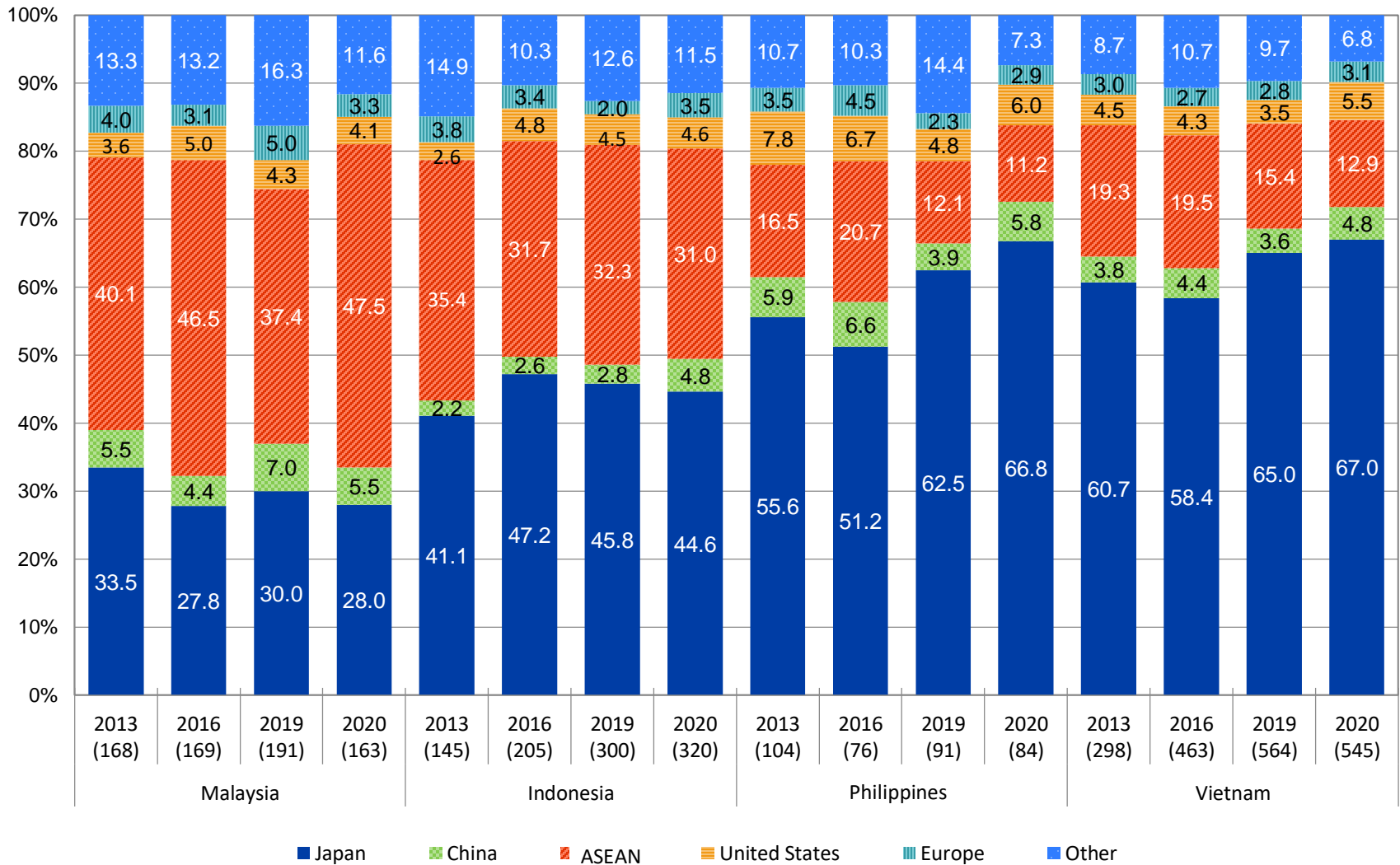
6 Exports/Imports (4)

Export destinations of major countries (comparison between the 2013 survey, the 2016 survey, the 2019 survey and the 2020 survey)



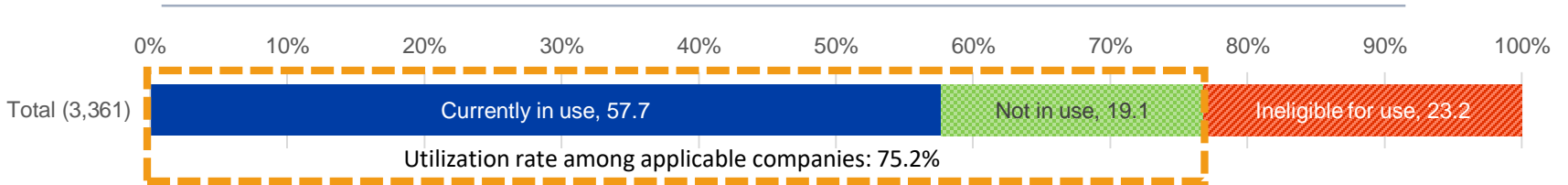
6 Exports/Imports (5)

Export destinations of major countries (comparison between the 2013 survey, the 2016 survey, the 2019 survey and the 2020 survey)

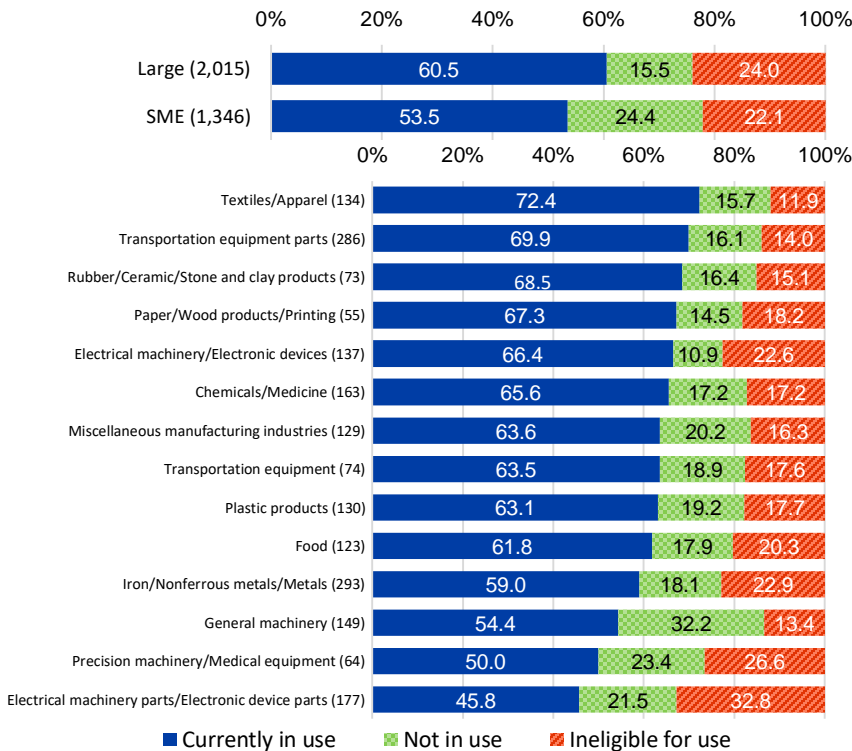


6 | Exports/Imports (6)

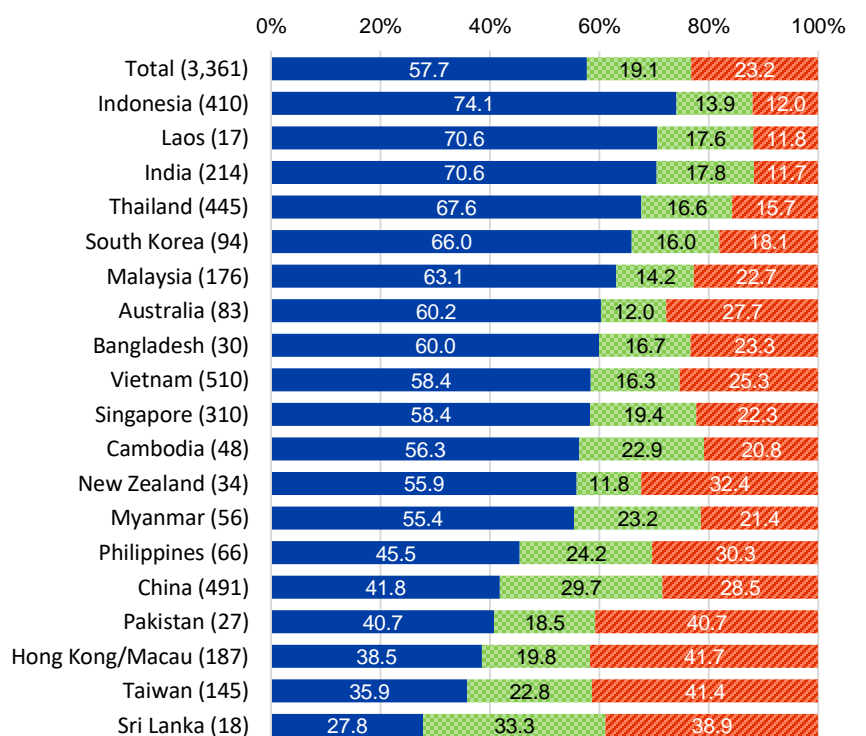
Utilization of existing (in force) FTAs/EPAs (only companies involved in exporting/importing)



Proportions of companies utilizing FTAs/EPAs (total, by company size and industry)



Proportions of companies utilizing FTAs/EPAs (by country/region)



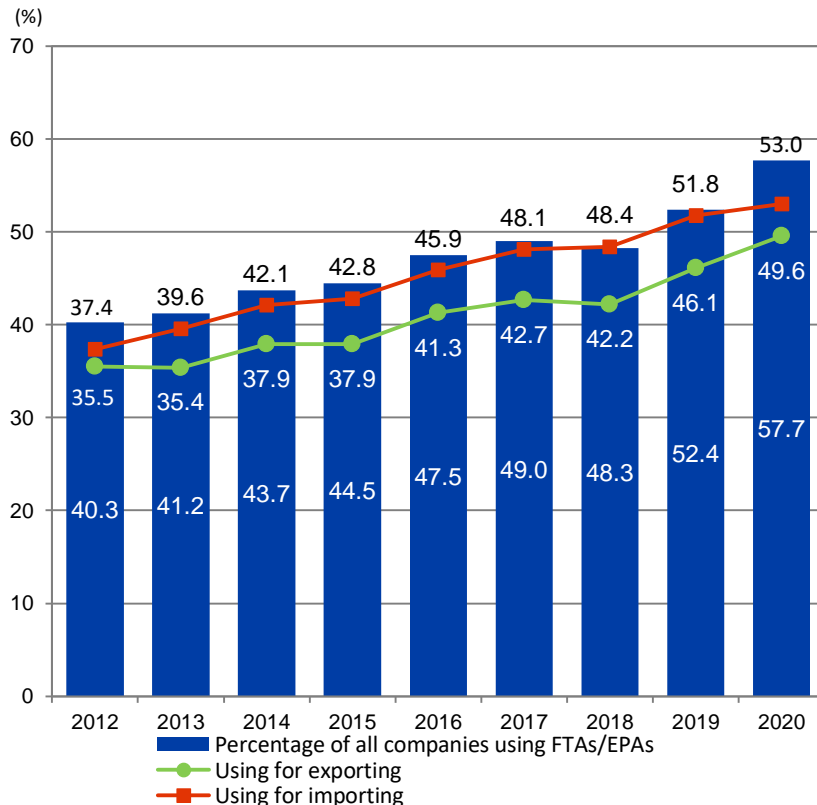
Note: The proportions of utilization are calculated as the ratio of companies that are using FTA/EPA/GSP to companies that are involved in exporting/importing.

6 | Exports/Imports (7)

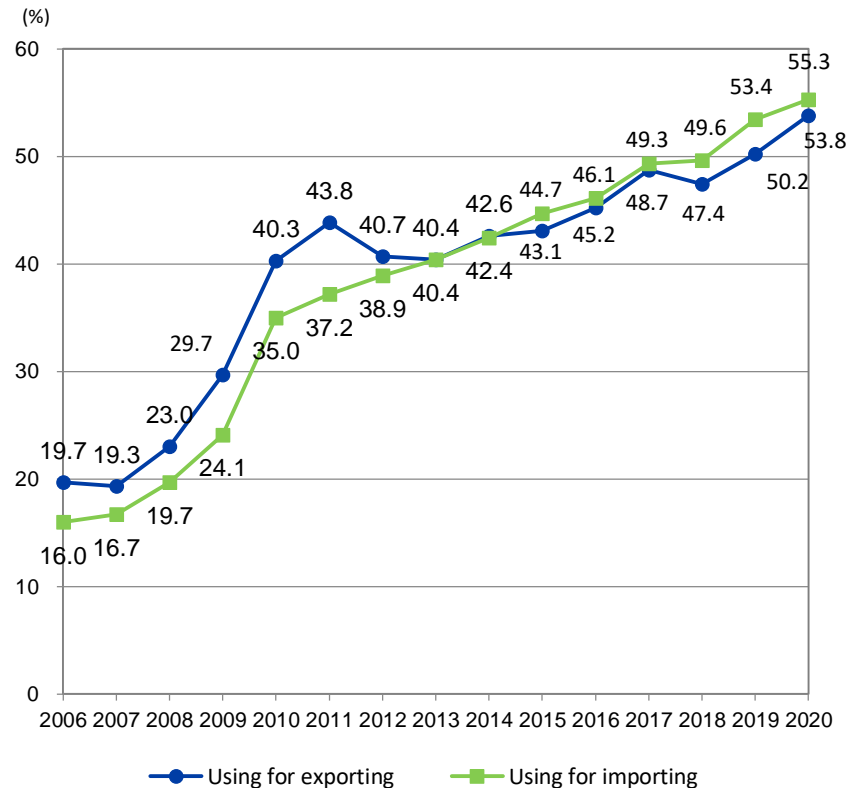
- A total of 57.7% of the Japanese-affiliated companies engaged in exporting/importing are using FTAs, EPAs, and GSPs (Generalized System of Preferences). Of this, the utilization rate, excluding companies that answered that they were ineligible for use because the tariffs on import/export items were 0%, was 75.2% (see the previous page).
- Looking at the rate for Japanese-affiliated companies in ASEAN over the long term from 2006, the utilization rate increased for both export and import.

Utilization of existing (in force) FTAs/EPAs (only companies involved in exporting/importing)

Proportions of companies utilizing FTAs/EPAs (2012–2020)



Trends in FTA/EPA utilization by Japanese-affiliated companies in ASEAN (2006–2020)



Note: The utilization rates are calculated as the ratio of companies that are using at least one FTA or EPA to companies that are involved in exporting/importing. For 2020, the rate is calculated as the ratio of companies that are using FTA/EPA/GSP to companies that are involved in exporting/importing. The utilization rates for exporting (importing) are calculated as the ratio of companies that are using at least one FTA or EPA for exporting (importing) to companies that are involved in exporting (importing).

6 | Exports/Imports (8)

FTA/EPA utilization (ASEAN)

	Export				Import			
	Trade partner country/ region	Companies involved in exporting	Companies using FTAs/ EPAs	Percentage of all companies using FTAs/ EPAs (%)	Trade partner country/ region	Companies involved in importing	Companies using FTAs/ EPAs	Percentage of all companies using FTAs/ EPAs (%)
Thailand	ASEAN	151	88	58.3	ASEAN	92	57	62.0
	China	65	34	52.3	China	132	65	49.2
	Japan	205	82	40.0	Japan	328	187	57.0
	South Korea	19	13	68.4	South Korea	32	20	62.5
	India	54	28	51.9				
	United States (GSP)	28	13	46.4				
Vietnam	ASEAN	142	77	54.2	ASEAN	155	75	48.4
	China	78	33	42.3	China	147	54	36.7
	Japan	298	119	39.9	Japan	355	141	39.7
	Japan (GSP)	22	18	81.8				
	South Korea	43	25	58.1	South Korea	48	19	39.6
	Hong Kong	29	10	34.5	Hong Kong	36	7	19.4
	India	33	21	63.6				
	Mexico	16	11	68.8				
Indonesia	ASEAN	140	99	70.7	ASEAN	189	141	74.6
	China	54	37	68.5	China	145	92	63.4
	Japan	157	82	52.2	Japan	315	208	66.0
	South Korea	27	20	74.1	South Korea	66	39	59.1
	India	32	21	65.6	India	31	18	58.1
	United States (GSP)	41	17	41.5				
	EU (GSP)	33	17	51.5				

	Export				Import			
	Trade partner country/region	Companies involved in exporting	Companies using FTAs/EPAs	Percentage of all companies using FTAs/EPAs (%)	Trade partner country/ region	Companies involved in importing	Companies using FTAs/EPAs	Percentage of all companies using FTAs/EPAs (%)
Singapore	ASEAN	176	92	52.3	ASEAN	102	44	43.1
	China	58	27	46.6	China	88	28	31.8
	Japan	94	42	44.7	Japan	181	63	34.8
	South Korea	33	17	51.5	South Korea	33	9	27.3
	Taiwan	34	14	41.2	Taiwan	37	5	13.5
	Hong Kong	35	7	20.0				
	Australia	52	21	40.4				
	New Zealand	22	10	45.5				
	India	74	34	45.9				
	Sri Lanka	24	7	29.2				
	United States	36	12	33.3				
	Malaysia	ASEAN	86	52	60.5	ASEAN	88	52
China		44	24	54.5	China	65	30	46.2
Japan		69	31	44.9	Japan	128	57	44.5
South Korea		16	12	75.0	South Korea	29	12	41.4
India		26	15	57.7				
Philippines								
	Japan	32	11	34.4	Japan	38	12	31.6
Myanmar								
					ASEAN	26	15	57.7

Notes: Bilateral FTAs/EPAs are included in multilateral FTAs/EPAs. The usage rate of FTAs/EPAs is calculated as the ratio of companies using FTA/EPA to the companies engaged in exporting/importing. Countries/regions with valid responses from 20 or more companies involved in importing/exporting or valid responses from 10 or more FTA/EPA-using companies

6 | Exports/Imports (9)

FTA/EPA utilization (East Asia/India/Australia)

	Export				Import			
	Trade partner country/region	Companies involved in exporting	Companies using FTAs/EPAs	Percentage of all companies using FTAs/EPAs (%)	Trade partner country/region	Companies involved in importing	Companies using FTAs/EPAs	Percentage of all companies using FTAs/EPAs (%)
China	ASEAN	107	48	44.9	ASEAN	68	42	61.8
	South Korea	72	23	31.9	South Korea	45	15	33.3
	Hong Kong	89	23	25.8	Hong Kong	54	11	20.4
	Taiwan	44	10	22.7	Taiwan	31	12	38.7
	Singapore	36	13	36.1				
Hong Kong/Macau	China	118	25	21.2	China	104	19	18.3
	ASEAN	77	22	28.6	ASEAN	53	17	32.1
Taiwan	China	54	27	50.0	China	62	21	33.9
	Singapore	20	6	30.0				
South Korea	ASEAN	23	14	60.9	ASEAN	22	17	77.3
	China	42	19	45.2	China	40	27	67.5
	EU	24	16	66.7	EU	17	12	70.6
	United States	21	13	61.9				
India	ASEAN	42	21	50.0	ASEAN	85	61	71.8
	Japan	55	20	36.4	South Korea	21	13	61.9
					Japan	158	94	59.5
Australia	Japan	27	10	37.0	ASEAN	26	16	61.5
					China	21	11	52.4
					Japan	45	24	53.3

Notes: Bilateral FTAs/EPAs are included in multilateral FTAs/EPAs. The usage rate of FTAs/EPAs is calculated as the ratio of companies using FTA/EPA to the companies engaged in exporting/importing. Countries/regions with valid responses from 20 or more companies involved in importing/exporting or valid responses from 10 or more FTA/EPA-using companies

6 | Exports/Imports (10)

- The reason most frequently given from Japanese-affiliated companies for not using FTA/EPA was “We do not understand the systems and/or procedures” (40.9%).
- Among Japanese-affiliated companies in ASEAN, the proportion of companies that answered as above was high in Cambodia, Singapore, and Vietnam.

Reasons for not using FTA/EPA (multiple answers): Japanese-affiliated companies in ASEAN

(number of cases, %)

Reasons for not using FTA/EPA	Total	ASEAN	Vietnam	Thailand	Singapore	Indonesia	Malaysia	Philippines	Myanmar	Cambodia
Number of valid responses	601	329	82	71	55	54	25	16	13	11
We do not understand the systems and/or procedures	40.9	42.6	48.8	33.8	52.7	35.2	24.0	43.8	46.2	72.7
We are unsure if the item is applicable	35.8	33.1	37.8	29.6	43.6	22.2	28.0	31.3	15.4	54.6
The volume and amount of imports/exports are small	28.3	28.0	30.5	39.4	16.4	29.6	24.0	18.8	23.1	9.1
Not requested from our client companies	15.8	15.5	18.3	11.3	25.5	5.6	24.0	0.0	30.8	9.1
The procedures are complex and costly (including the acquisition of a certificate of origin)	13.0	17.0	8.5	22.5	14.6	33.3	20.0	0.0	7.7	9.1
Excessive administrative burden (Confirmation to see if the rules of origin are met, etc.)	10.8	12.2	7.3	16.9	16.4	14.8	12.0	0.0	7.7	9.1
Our exports are indirect via trading firms or the like	10.3	9.1	11.0	5.6	16.4	9.3	4.0	6.3	7.7	0.0
Other	7.8	9.1	9.8	9.9	5.5	5.6	16.0	25.0	7.7	0.0

Note: Only countries/regions in which we received 10 or more valid responses

6 | Exports/Imports (11)

- The reason most frequently given from Japanese-affiliated companies in Northeast Asia for not using FTA/EPA was “We do not understand the systems and/or procedures” (40.4%).
- On the other hand, in Southwest Asia and Oceania, the most common answer was “We are unsure if the item is applicable,” at 46.9% and 40.0%, respectively.

Reasons for not using FTAs and EPAs (multiple answers), companies in Northeast Asia, Southwest Asia, and Oceania

(number of cases, %)

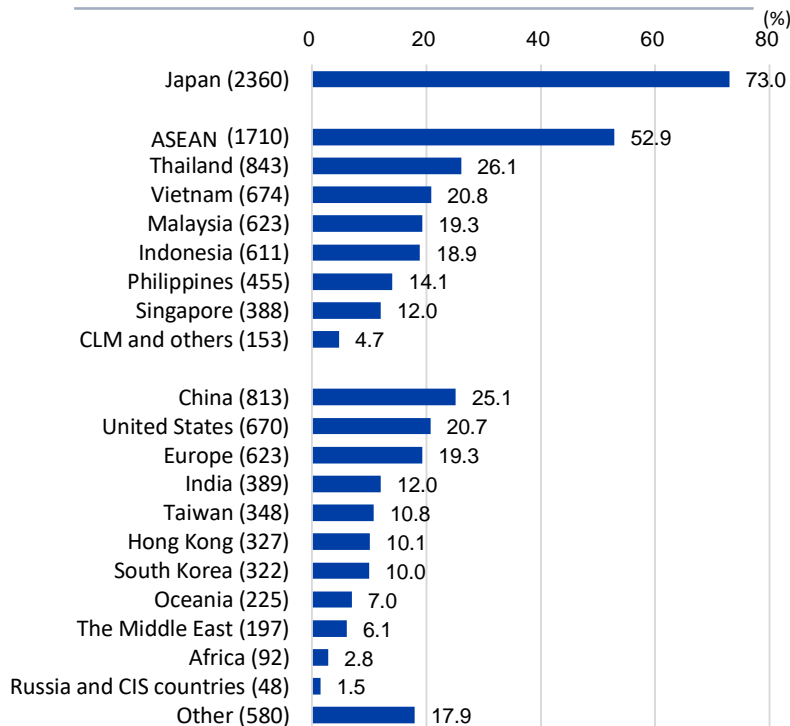
Reasons for not using FTA/EPA	Northeast Asia	China	Hong Kong and Macau	Taiwan	South Korea	Southwest Asia	India	Oceania
Number of valid responses	213	135	34	31	13	49	35	10
We do not understand the systems and/or procedures	40.4	45.2	29.4	35.5	30.8	36.7	25.7	20.0
We are unsure if the item is applicable	37.1	41.5	41.2	22.6	15.4	46.9	40.0	40.0
The volume and amount of imports/exports are small	30.5	32.6	14.7	32.3	46.2	26.5	22.9	0.0
Not requested from our client companies	17.4	12.6	29.4	22.6	23.1	8.2	5.7	30.0
The procedures are complex and costly (including the acquisition of a certificate of origin)	4.7	5.9	5.9	0.0	0.0	24.5	31.4	0.0
Excessive administrative burden (Confirmation to see if the rules of origin are met, etc.)	4.2	3.0	8.8	0.0	15.4	32.7	42.9	0.0
Our exports are indirect via trading firms or the like	13.2	14.8	14.7	9.7	0.0	6.1	5.7	10.0
Other	4.7	4.4	2.9	9.7	0.0	10.2	14.3	20.0

Note: Only countries/regions in which we received 10 or more valid responses

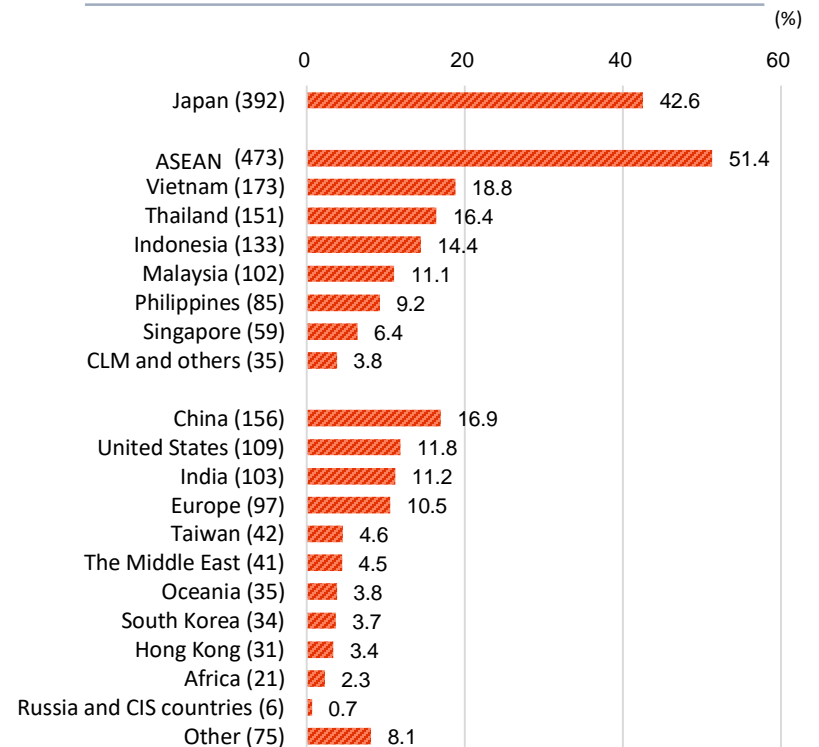
6 | Exports/Imports (12)

- Of the Japanese-affiliated companies engaged in export (3,235 valid responses), 73.0% are exporting to Japan. The countries to which they are planning to increase their exports in the next one to three years (921 companies) include those in ASEAN (473 companies, 51.4%), which is the largest, with Vietnam on the highest.
- Looking at the countries planning to increase exports (next page), many Japanese-affiliated companies in ASEAN countries, such as Singapore, Thailand, Malaysia, and Indonesia, will increase exports to ASEAN.
- Among Japanese-affiliated companies operating in Vietnam, the ratio of those expanding exports to the United States is relatively high (22.8%) (next page).

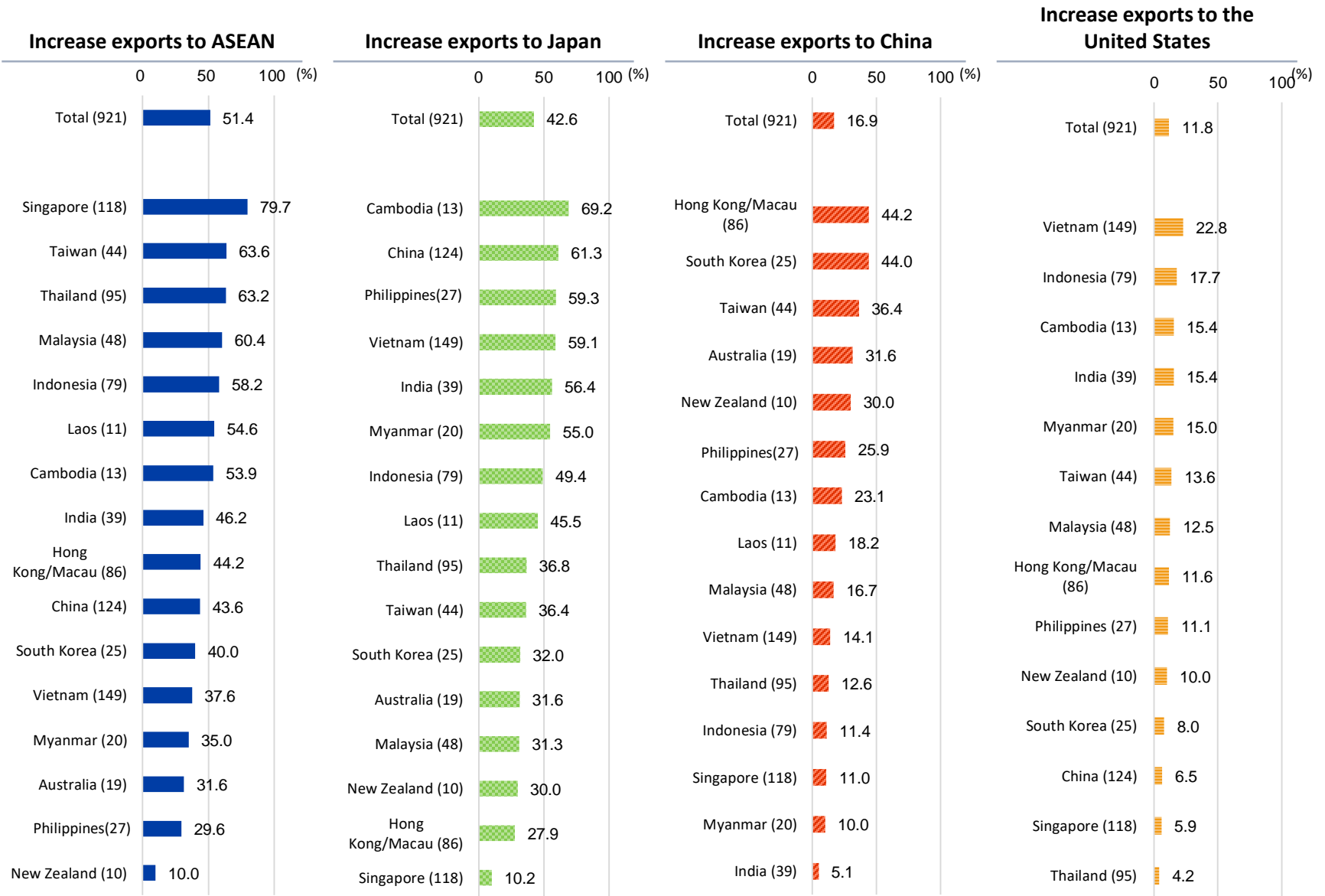
**Breakdown of export destinations
(by country/region, multiple answers, 3,235)**



**Countries/regions planing to increase export
over the next 1 to 3 years (Multiple answers, 921)**



6 | Exports/Imports (13)

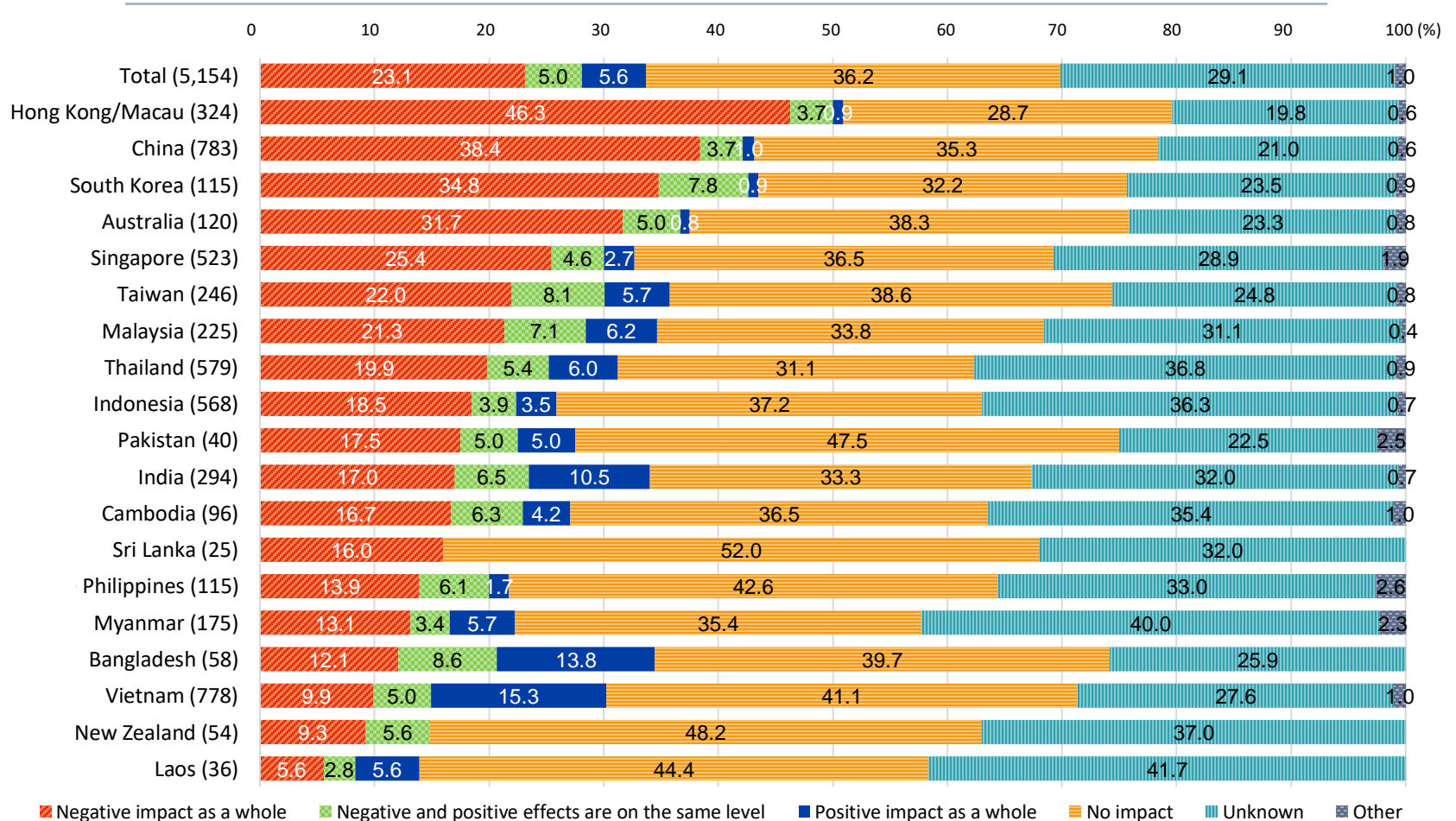


Note: Only countries/regions in which we received valid responses from 10 or more companies

7 | Impact of Changes in Trade Environment (1)

- Looking at the impact of changes in the trade environment on performance in 2020, the overall proportion of “No impact” or “Unknown” was high. The proportion of “Negative impact” exceeded 30% in Hong Kong/Macau (46.3%), China (38.4%), South Korea (34.8%), and Australia (31.7%).

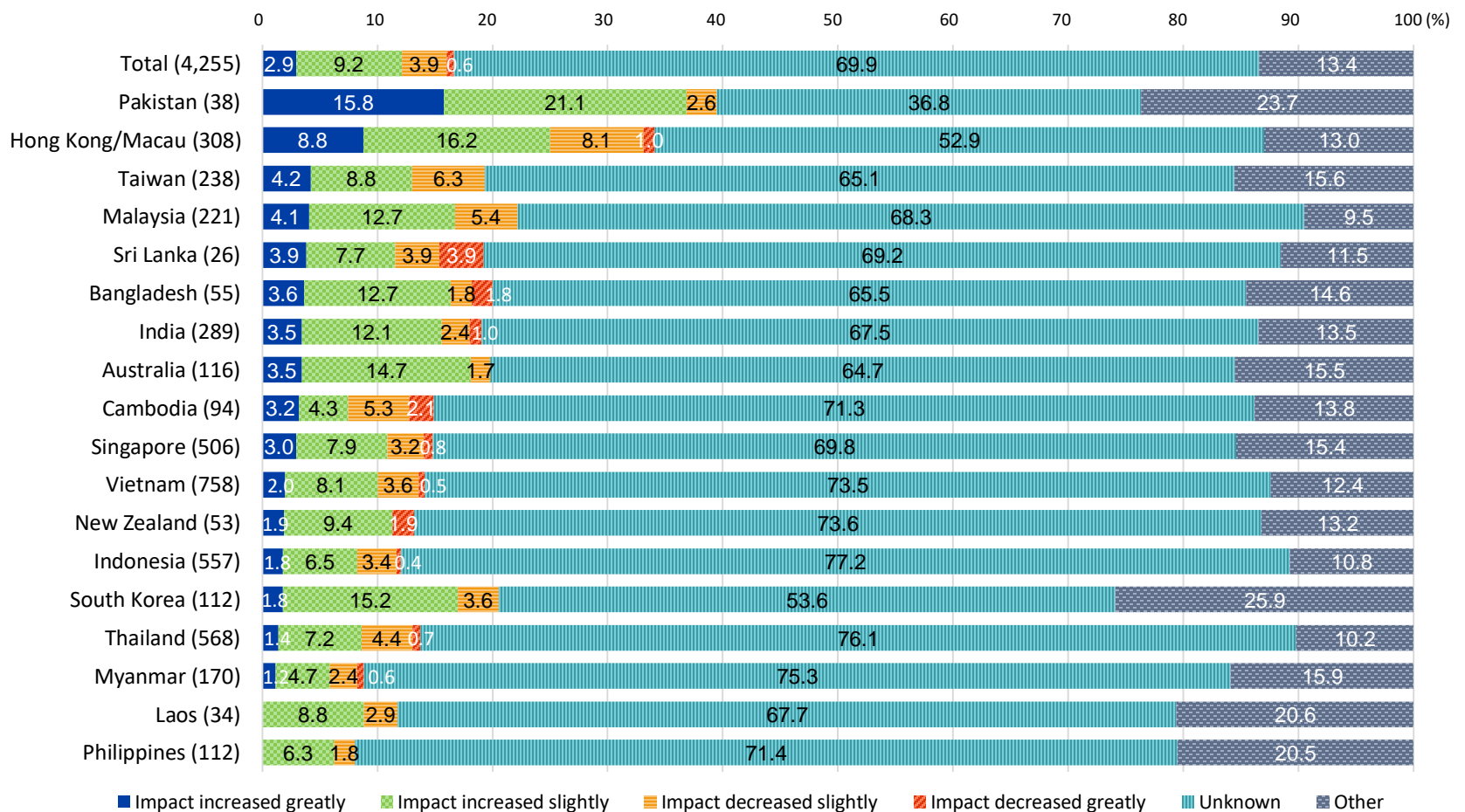
Impact of changes in the trade environment on performance in 2020



7 | Impact of Changes in Trade Environment (2)

- Looking at the magnitude of the impact of changes in the trade environment on business performance (compared to 2019), about 70% of all respondents selected "Unknown."
- The proportion of "Significantly increased" was relatively high in Pakistan (15.8%) and Hong Kong/Macau (8.8%). The proportion of "Slightly increased" was high in the above country/regions, South Korea (15.2%), and Australia (14.7%). Most of "Other" (13.4%) was "No impact."

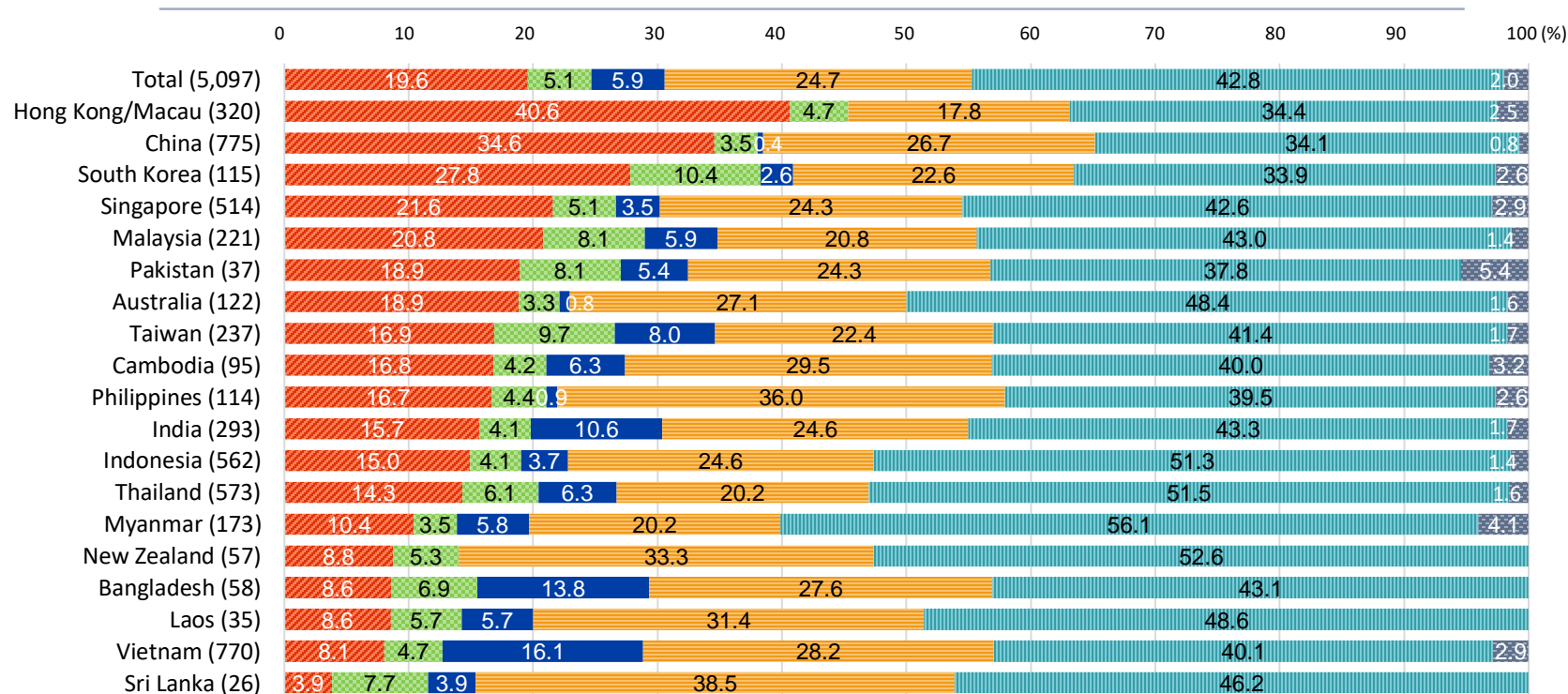
Magnitude of the impact of changes in the trade environment on business performance (compared with 2019)



7 | Impact of Changes in Trade Environment (3)

- Looking at the impact of changes in the trade environment on business performance over the next two to three years, the proportion of "Unknown" was the highest at 42.8%, which shows that there are concerns, but the outlook is uncertain. On the other hand, the proportion of "Negative impact" was the highest in Hong Kong/Macau (40.6%), followed by China (34.6%), South Korea (27.8%), Singapore (21.6%) and Malaysia (20.8%), all exceeding 20%.
- Meanwhile, the proportion of "Positive impact" was relatively high in Vietnam (16.1%), Bangladesh (13.8%), and India (10.6%).

Impact of changes in the trading environment on business performance for the next 2 to 3 years

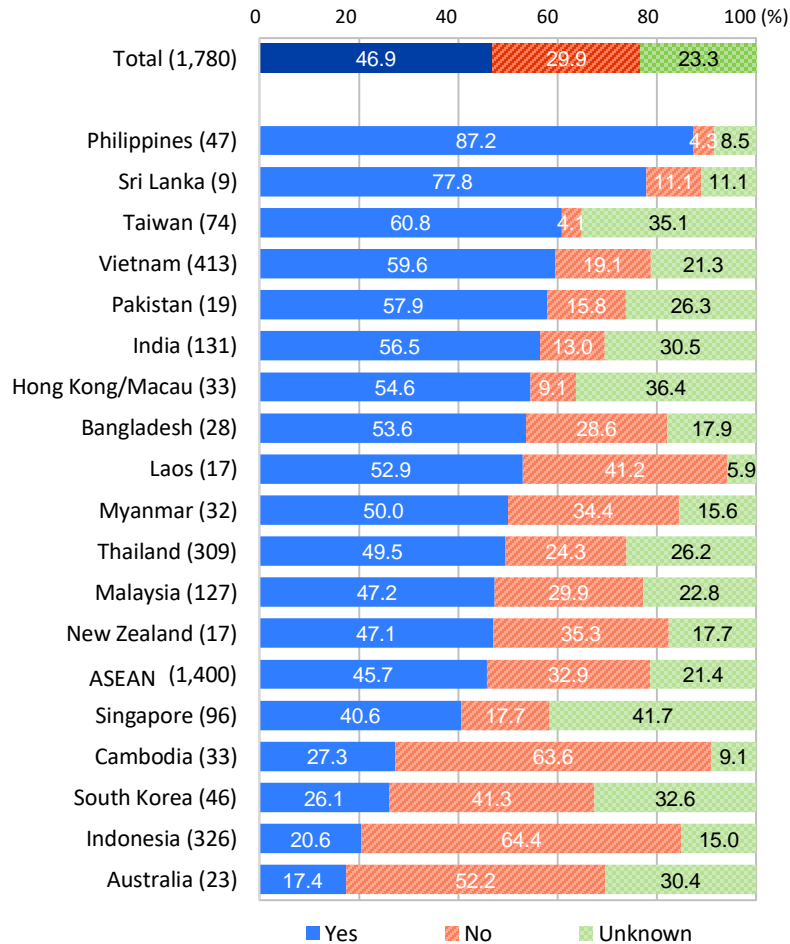


■ Negative impact as a whole
 ■ Negative and positive effects are on the same level
 ■ Positive impact as a whole
 ■ No impact
 ■ Unknown
 ■ Other

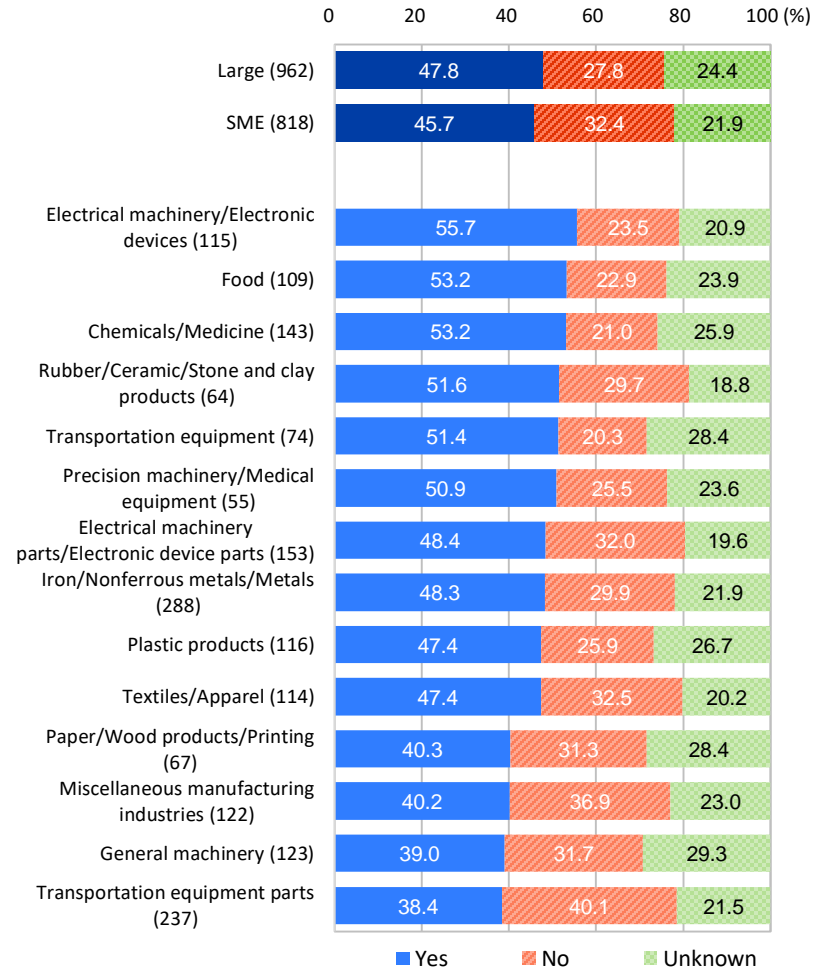
8 | Productivity, Innovation and Digital (1)

Appropriateness of the minimum wage set by the government in the country/region, from the perspective of productivity

By country/region



By company size and industry

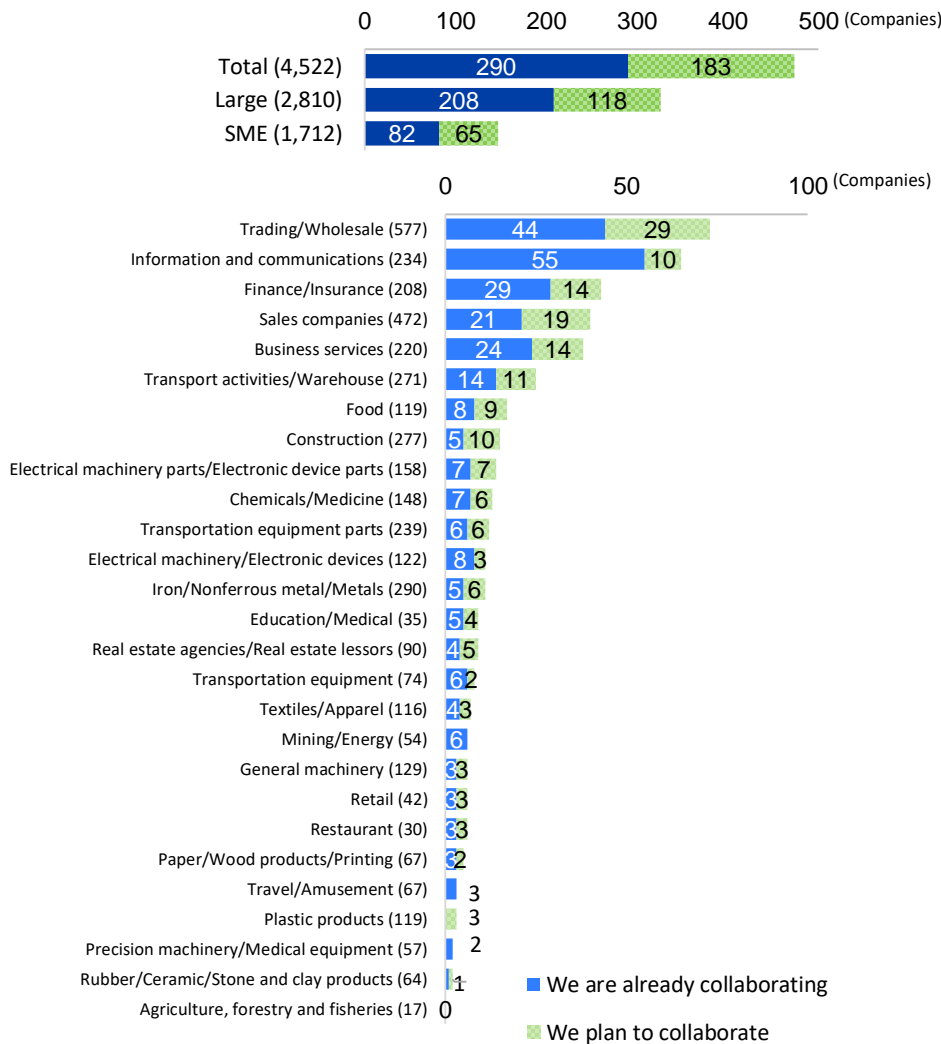


8 | Productivity, Innovation and Digital (2)

Collaborating with local startups

Note: The number of valid responses in the figure on the right is the same as that in the figure on the left.

Already collaborating or planning to collaborate (by company size and industry)



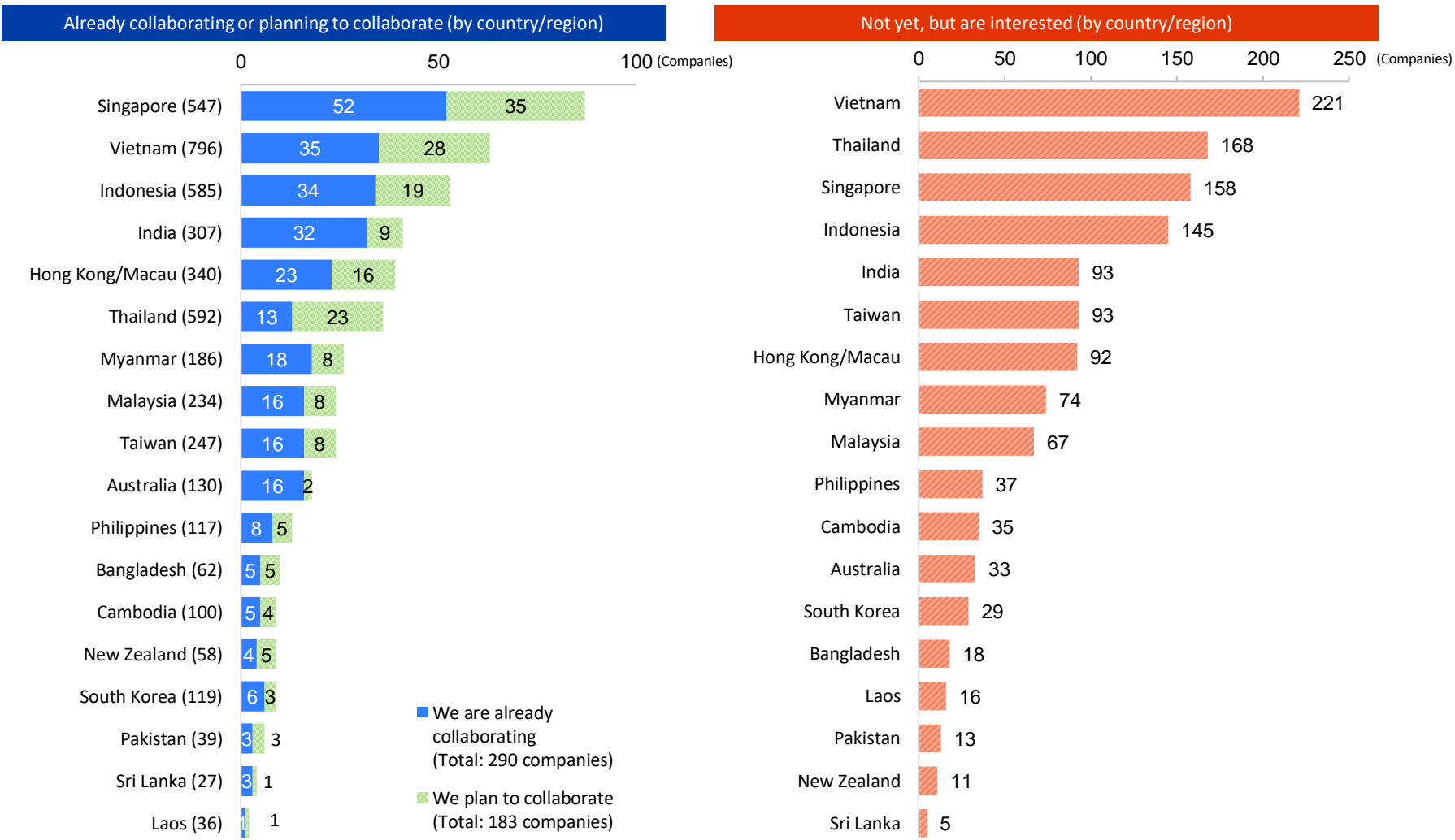
Not yet, but are interested (by company size and industry)



8 | Productivity, Innovation and Digital (3)

Collaborating with local startups

Note: The number of valid responses in the figure on the right is the same as that in the figure on the left.

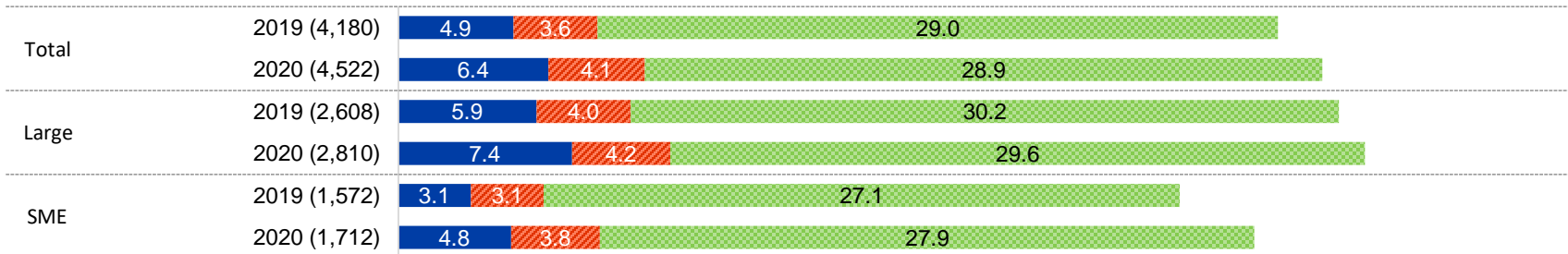


8 | Productivity, Innovation and Digital (4)

Collaborating with local startups

The proportion of companies that are collaborating or planning to collaborate and companies not yet collaborating but are interested (year-on-year)

(%)



■ We are already collaborating

■ We plan to collaborate

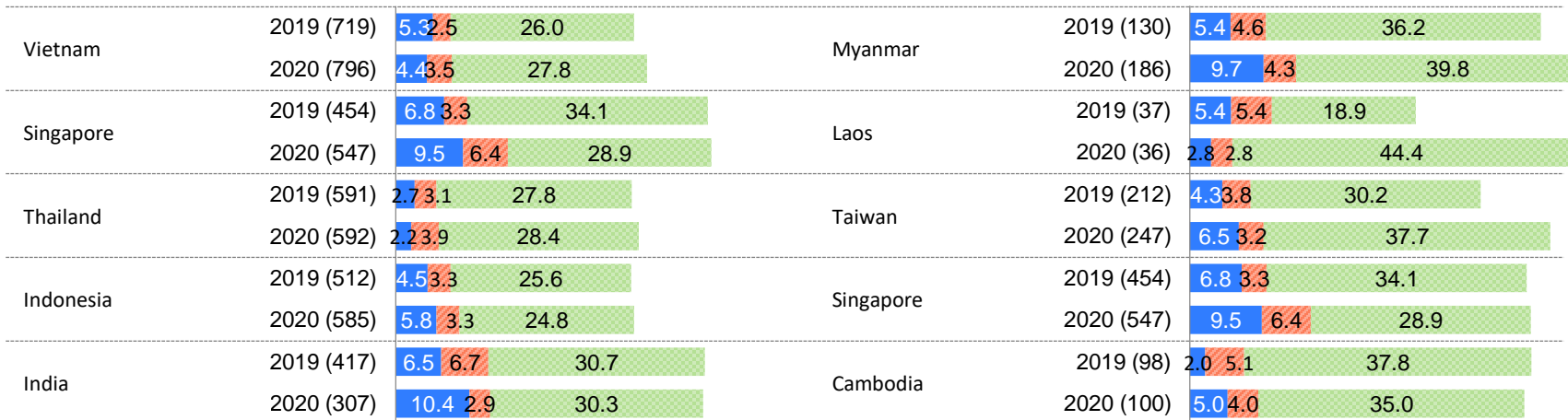
■ Not collaborating yet, but interested in doing so

(Top 5 countries in terms of the number of companies)

(%)

(Top 5 countries in terms of the rate)

(%)



8 | Productivity, Innovation and Digital (5)

Target market for working with local startups (by country/region, multiple answers)

(Companies)

Country/region	Number of valid responses	Local	ASEAN	Japan	China	South Korea · Taiwan · Hong Kong	India	United States	Europe	Oceania	South Asia (excluding India)	The Middle East	Africa
Total	1,682	969	752	548	197	152	132	123	91	79	64	40	39
ASEAN	1,182	676	613	371	75	91	96	70	56	38	36	18	17
East Asia	262	142	86	99	105	44	23	26	15	11	7	5	5
Southwest Asia	168	113	38	65	12	13	8	25	18	2	21	16	16
Oceania	70	38	15	13	5	4	5	2	2	28	0	1	1
Vietnam	275	180	115	115	16	19	8	23	19	6	3	2	2
Singapore	230	101	172	78	19	33	45	18	11	18	16	10	7
Thailand	197	116	100	66	12	13	14	6	6	2	2	1	1
Indonesia	191	113	88	37	10	9	11	6	5	6	9	2	4
Hong Kong/Macau	123	49	37	42	73	27	9	10	6	5	2	2	2
India	116	87	25	46	3	8	0	18	9	1	11	11	12
Taiwan	105	66	41	43	26	14	11	10	7	5	3	1	2
Myanmar	92	59	39	17	2	6	3	2	3	2	2	0	1
Malaysia	88	46	45	20	3	2	7	9	6	4	4	3	1
Australia	50	25	12	7	4	4	5	1	2	21	0	1	1
Philippines	49	28	19	21	6	1	5	4	2	0	0	0	0
Cambodia	42	25	22	10	5	7	2	2	3	0	0	0	0
South Korea	34	27	8	14	6	3	3	6	2	1	2	2	1
Bangladesh	27	11	8	12	8	5	7	5	8	1	6	4	2
New Zealand	20	13	3	6	1	0	0	1	0	7	0	0	0
Laos	18	8	13	7	2	1	1	0	1	0	0	0	1
Pakistan	16	10	3	5	0	0	1	1	0	0	3	1	2
Sri Lanka	9	5	2	2	1	0	0	1	1	0	1	0	0

Note: The cells highlighted in red indicate markets with responses from 100 or more companies, the cells highlighted in orange indicate markets with responses from 50 or more companies, and the cells highlighted in green indicate markets with responses from 10 or more companies.

8 | Productivity, Innovation and Digital (6)

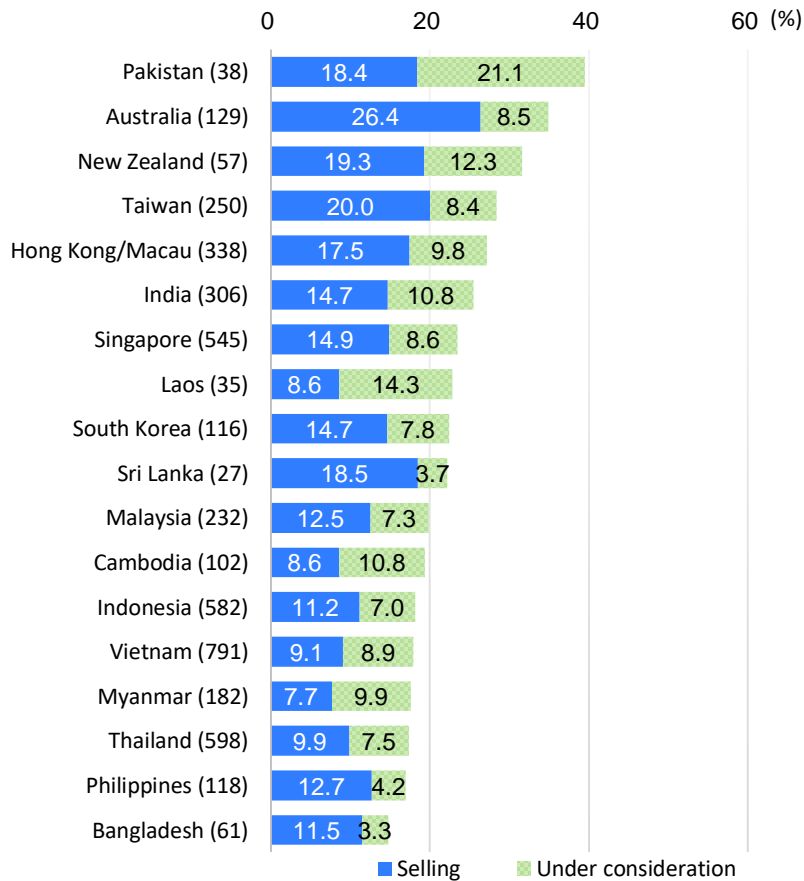
Selling products through an e-commerce website

(%)

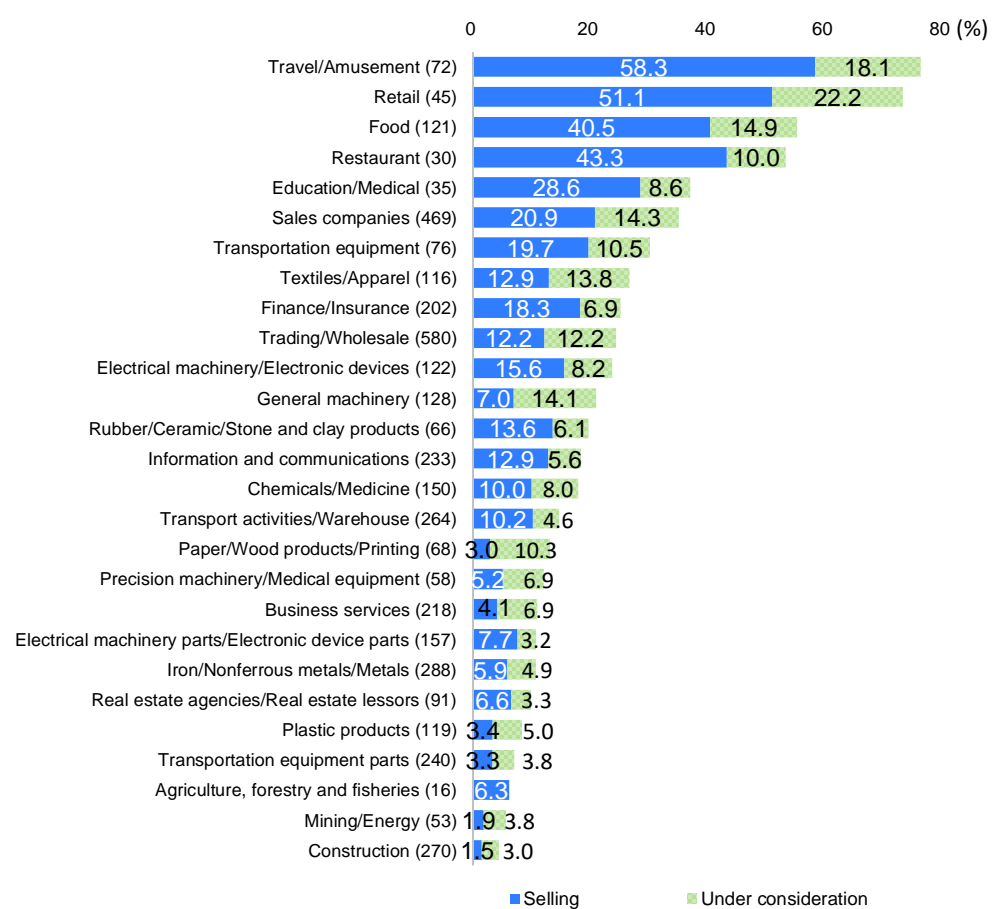


■ Selling ■ Under consideration ■ Not selling

By country/region



By industry



■ Selling ■ Under consideration

8 | Productivity, Innovation and Digital (7)

Sales tools used by companies selling products through e-commerce (EC) sites

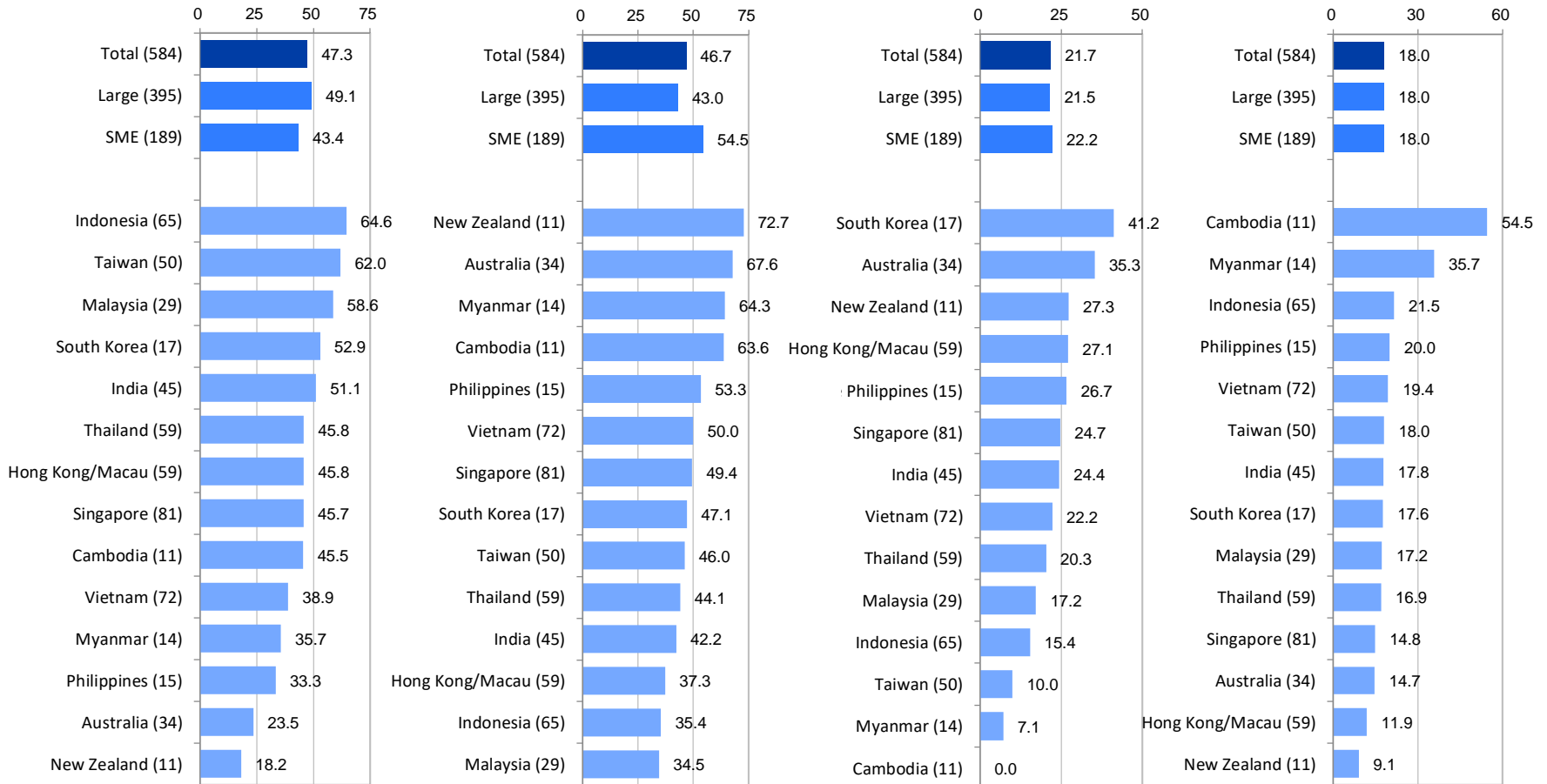
(%)

Conducting online sales through EC sites, such as online malls, and through applications (B2C-EC, B2B2C)

Conducting online sales directly to consumers through their own website (D2C)

Conducting online sales to businesses through business-to-business transaction sites, EDI* order processing systems, etc. (B2B-EC)

Working on the alignment of online and real stores (Omni-channel, O2O)



Note: Countries/regions in which we received valid responses from 10 or more companies

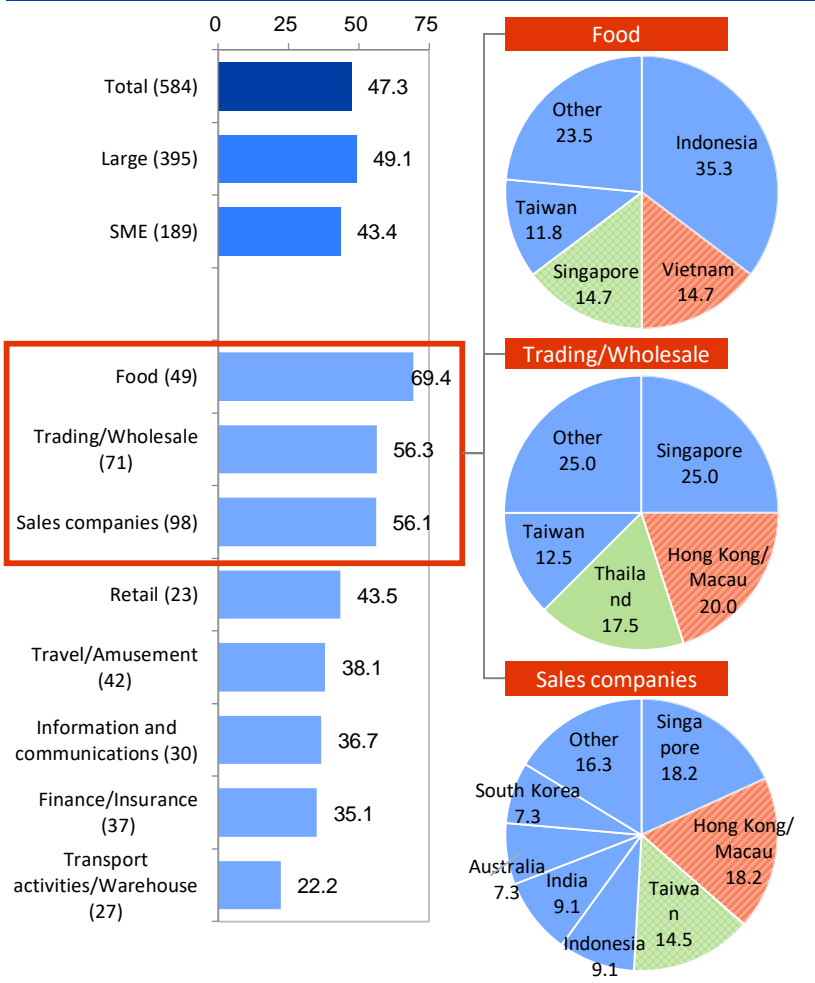
*EDI: Electronic Data Interchange

8 | Productivity, Innovation and Digital (8)

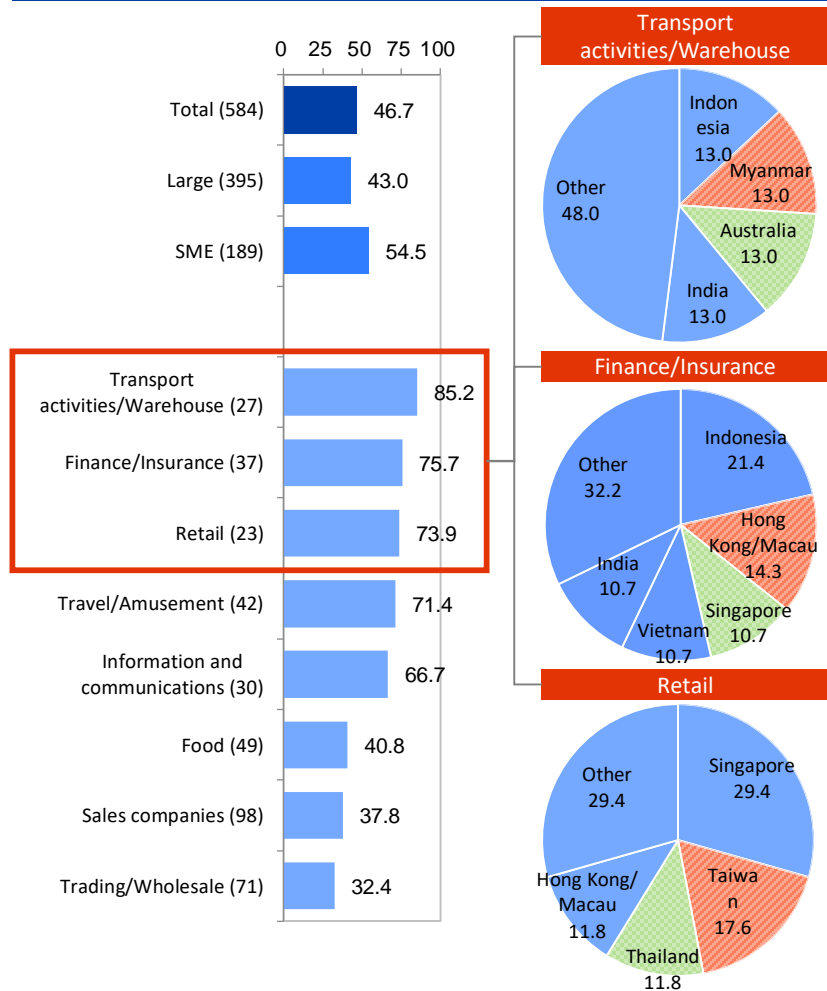
Sales tools used by companies selling products through e-commerce (EC) sites

(%)

Conducting online sales through EC sites, such as online malls, and through applications (B2C-EC, B2B2C)



Conducting online sales directly to consumers through their own website (D2C)



Note: The number of valid respondents is 20 companies or more

8 | Productivity, Innovation and Digital (9)

Planning to introduce EC for BtoB transactions

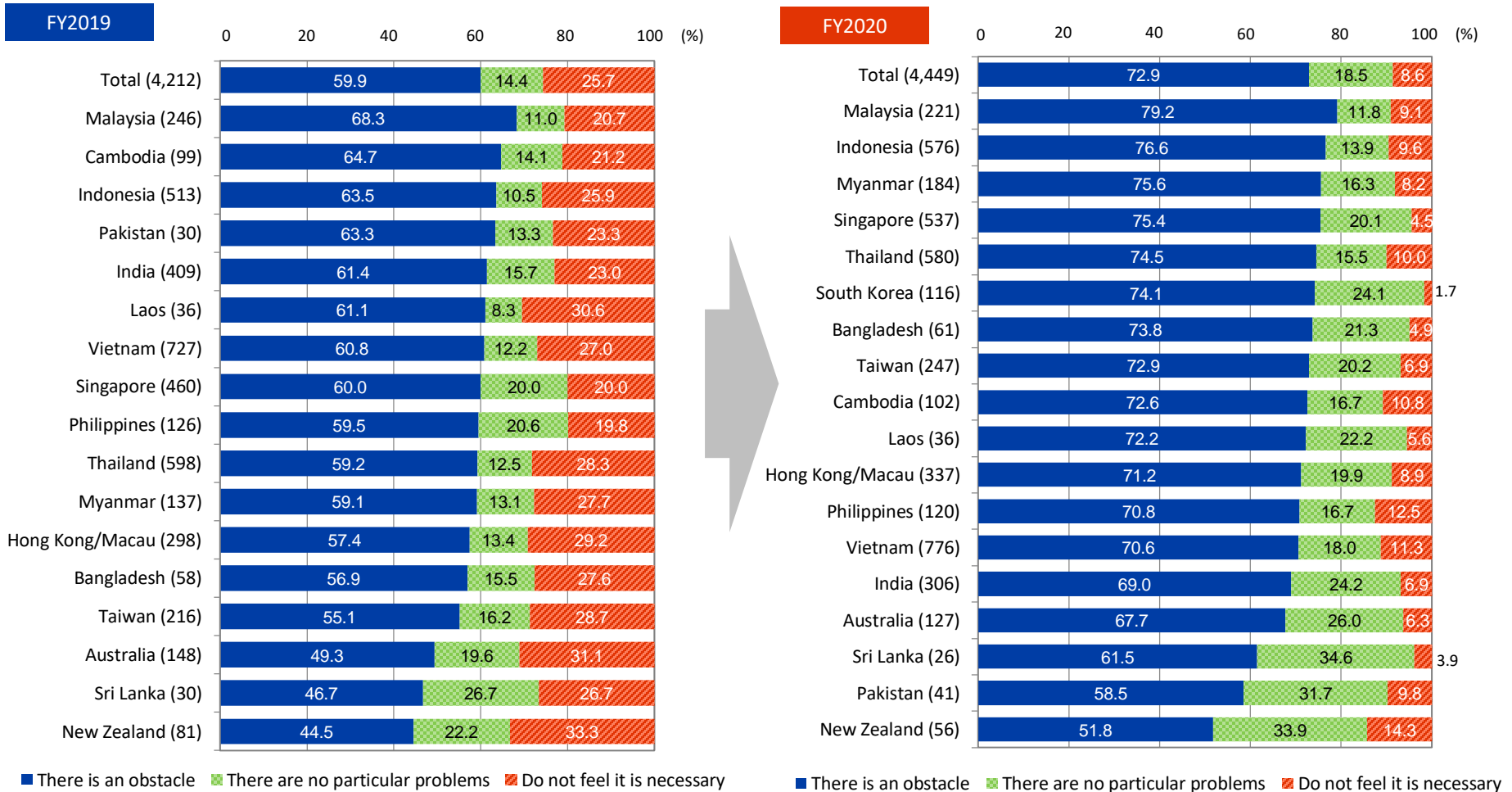


■ Planning to introduce within one year ■ When to introduce it has not been determined yet, but it is under consideration ■ When to introduce it has not been determined yet, but we plan to consider it

Note: Countries/regions and industries for which the number of valid respondents is 10 companies or more for each item

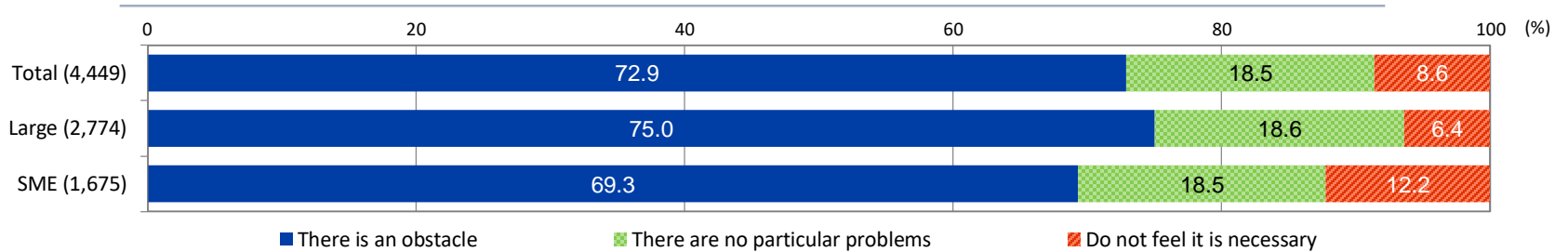
8 | Productivity, Innovation and Digital (10)

Obstacles to introducing digital technology (by country/region)

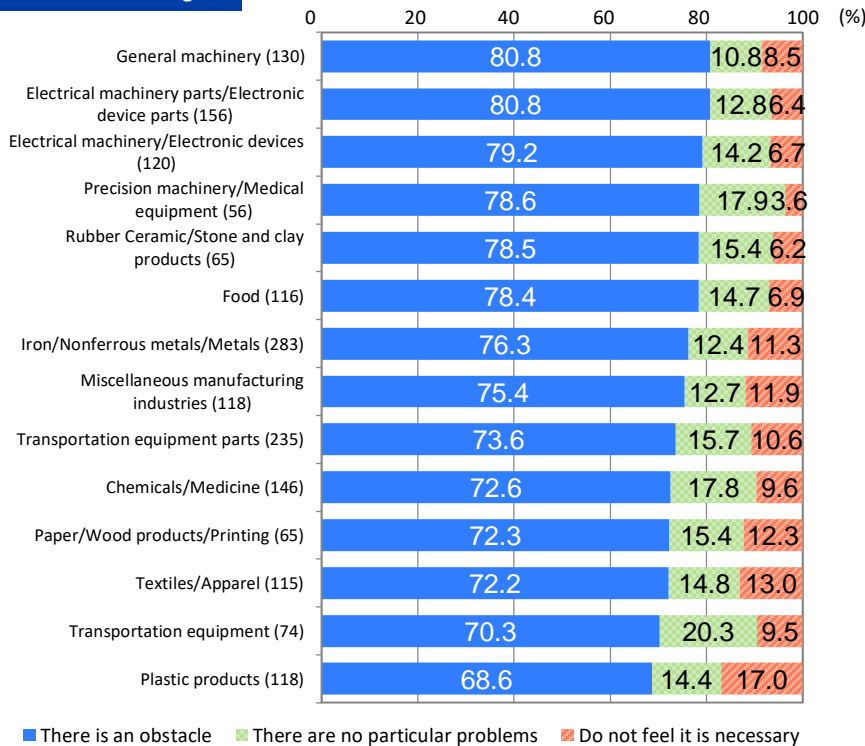


8 | Productivity, Innovation and Digital (11)

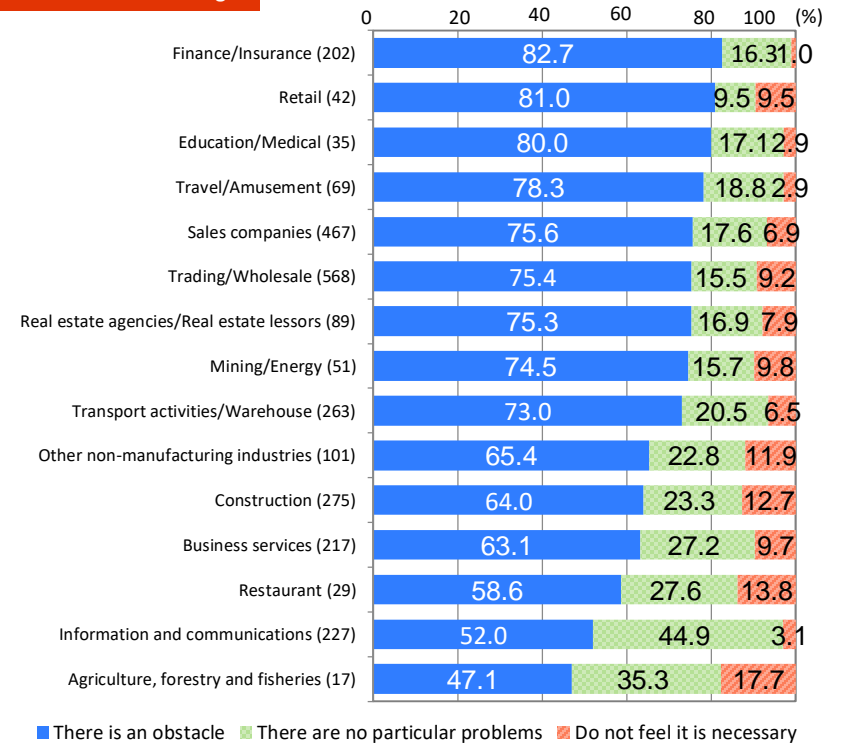
Obstacles to introducing digital technology (by industry)



Manufacturing



Non-manufacturing

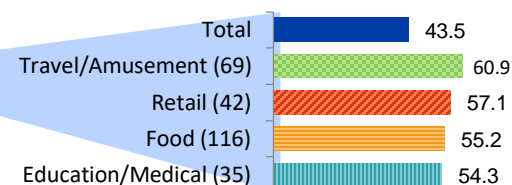


8 | Productivity, Innovation and Digital (12)

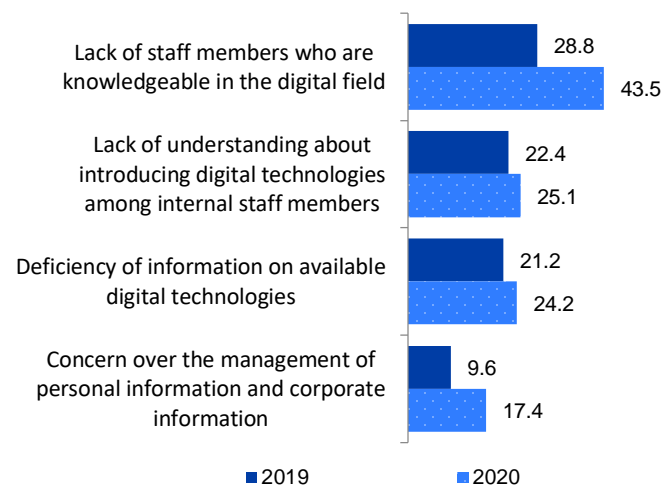
Obstacles to introducing digital technology (multiple answers)

	Answers (Top 10 items)	Total (%) (4,449)	By company size	
			Large (2,774)	SME (1,675)
1	Lack of staff members knowledgeable in digital field	43.5	43.3	43.9
2	Introduction cost is high	29.8	30.9	28.1
3	Lack of understanding about introducing digital technologies among internal staff members	25.1	25.9	23.6
4	Deficiency of information on available digital technologies	24.2	23.9	24.8
5	There are concerns about the management of personal information and company information	17.4	19.3	14.2
6	Insufficiency in IT and communications-related infrastructure (such as the Internet)	16.3	16.2	16.4
7	Difficulty in changing the traditional business practice of the industry	14.5	15.9	12.2
8	Difficulty in integrating with the existing infrastructure for internal information	8.8	10.4	6.0
9	No directions from the Headquarters/Regional Headquarters	7.9	8.7	6.5
10	There are systems that are obstacles to introducing digital technologies, such as requiring signatures on original documents	7.6	8.9	5.3

Industries that have a response rate with a wide gap from the average



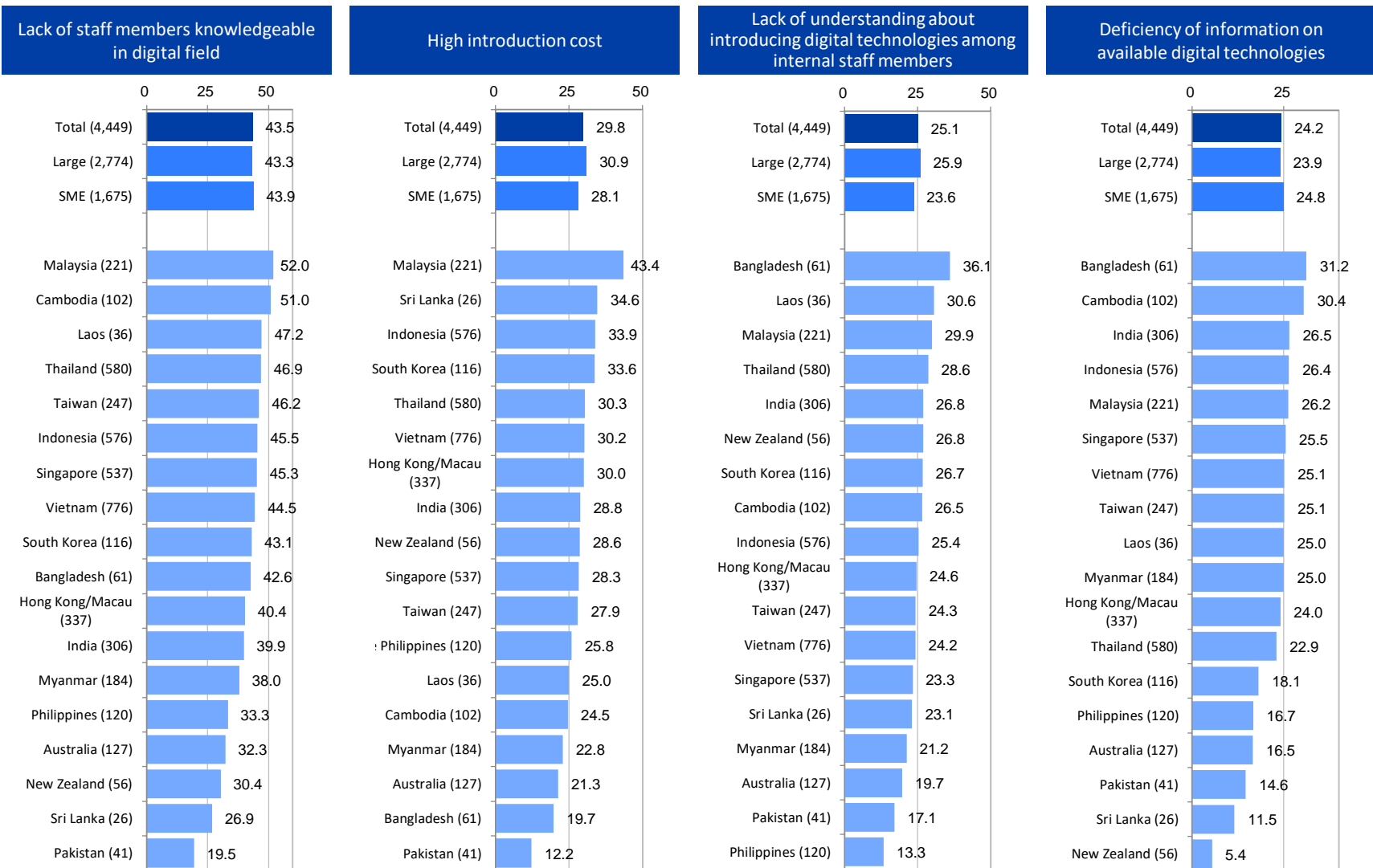
Change in the response rate from last year



8 | Productivity, Innovation and Digital (13)

Obstacles to introducing digital technology (by country/region, multiple answers)

(%)



8 | Productivity, Innovation and Digital (14)

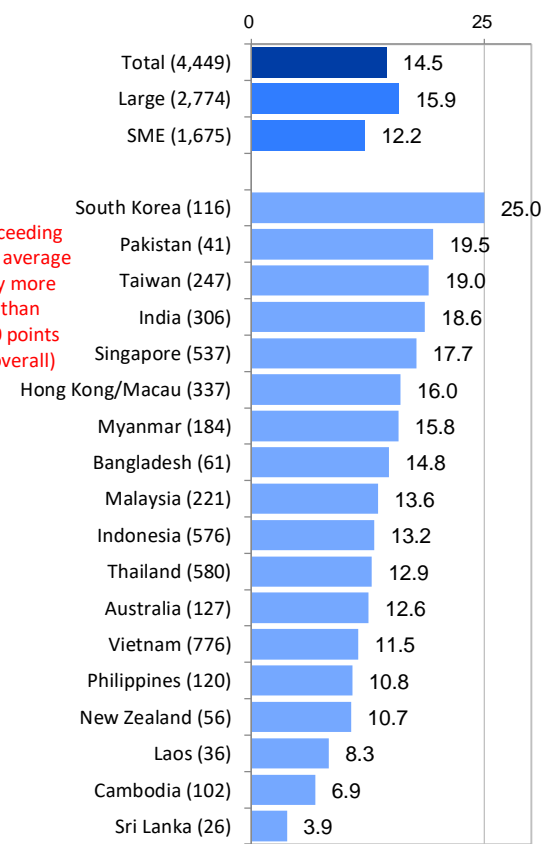
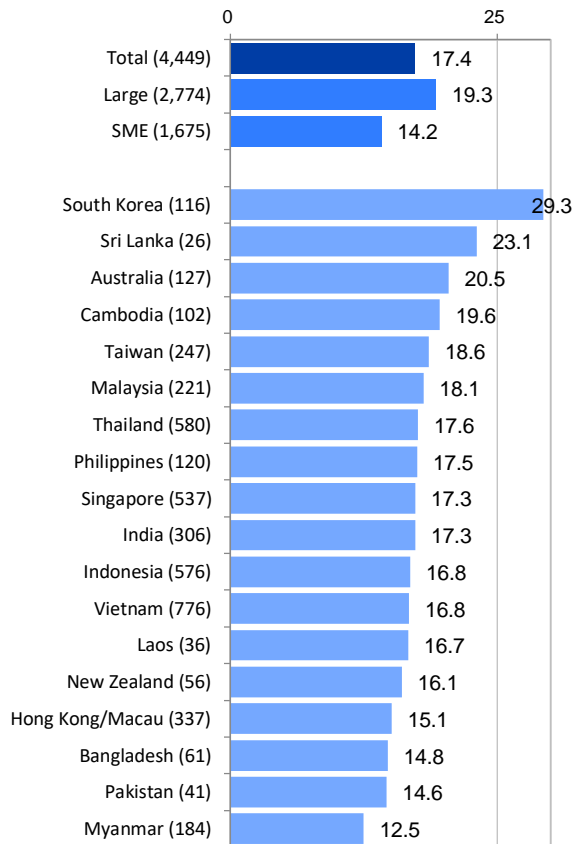
Obstacles to introducing digital technology (by country/region, multiple answers)

(%)

There are concerns about the management of personal information and company information

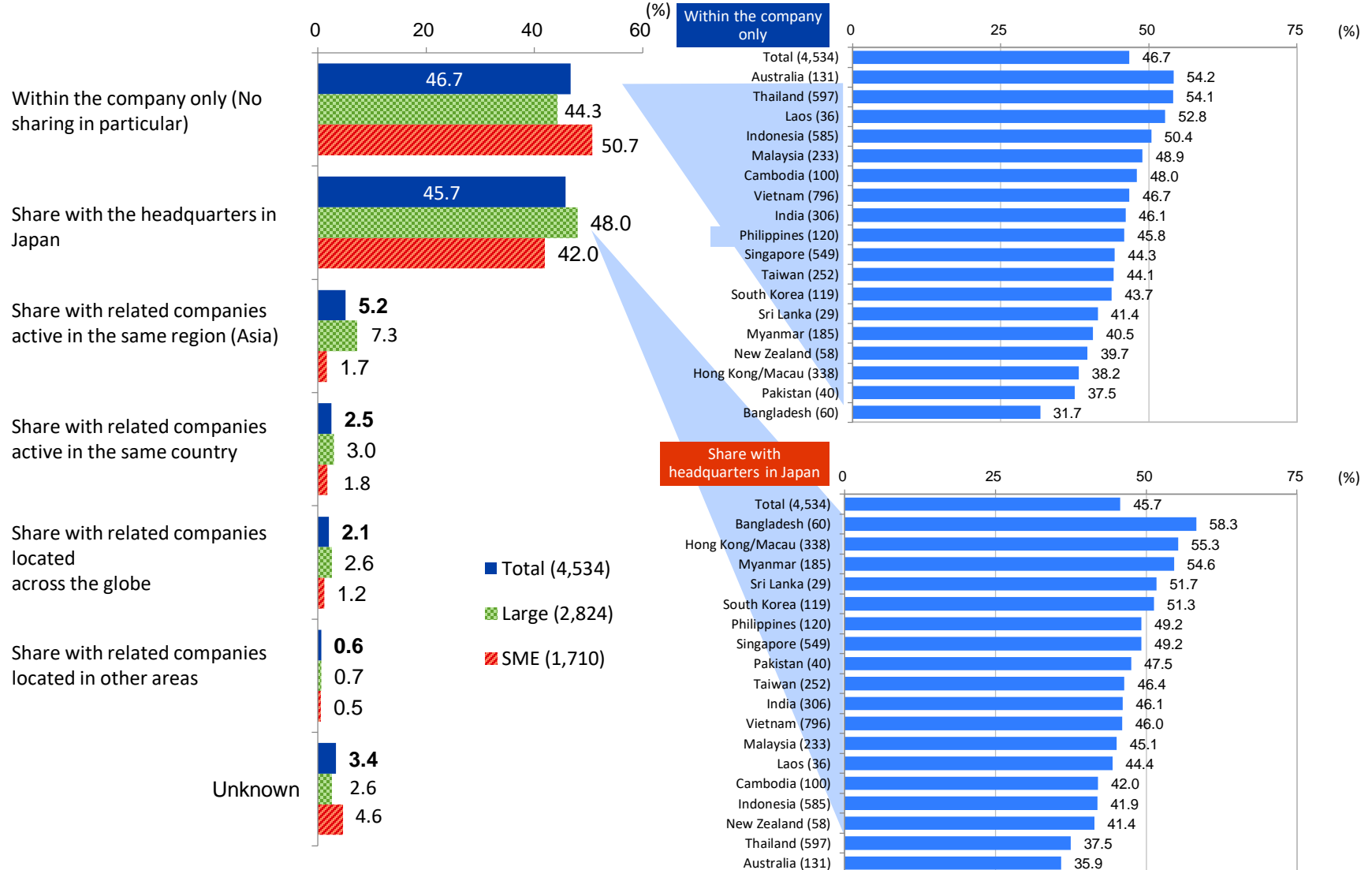
Insufficiency in IT and communications-related infrastructure (such as the Internet)

Difficulty in changing the traditional business practice of the industry



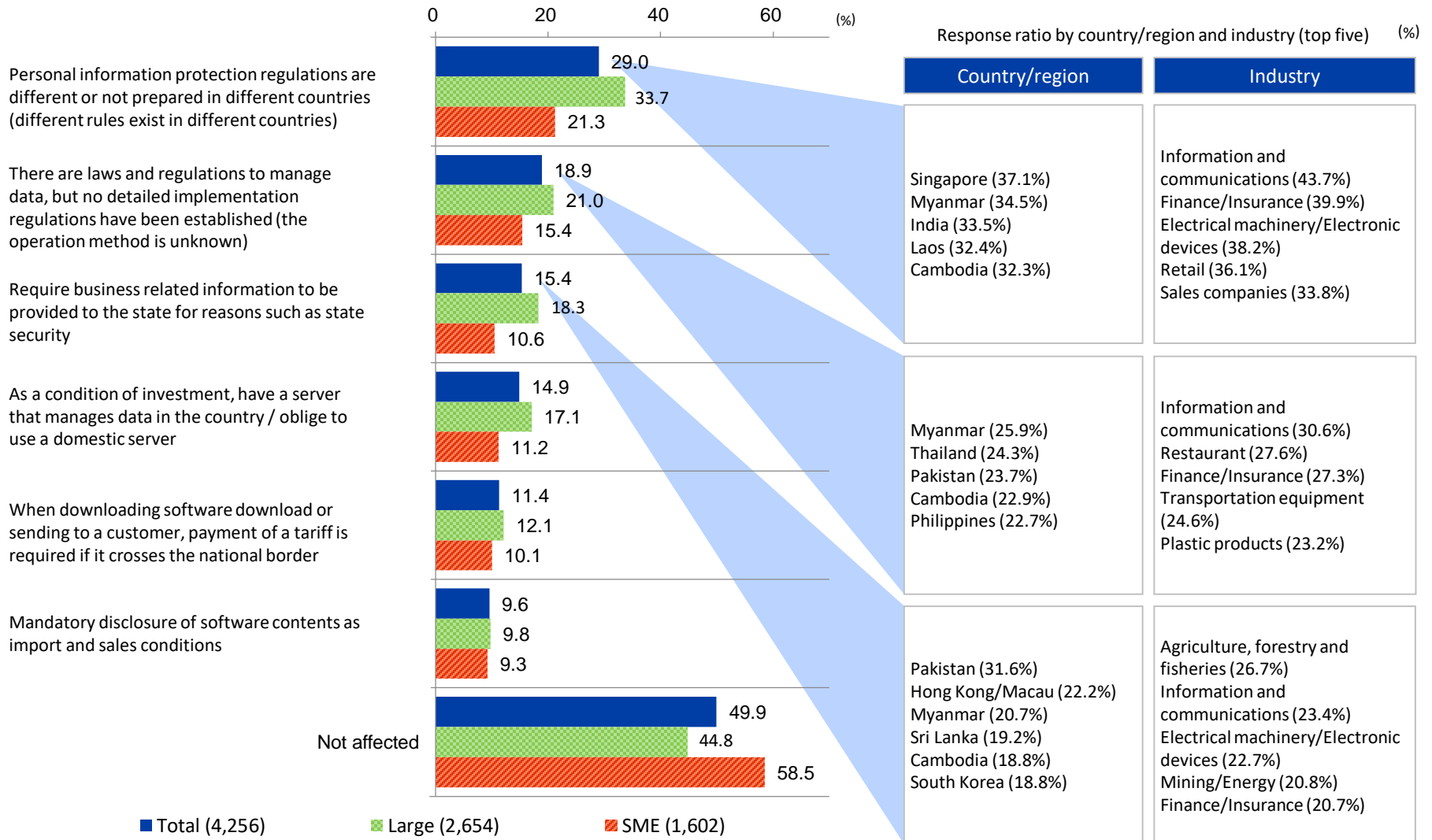
8 | Productivity, Innovation and Digital (15)

Rate of sharing of personal information (customer information, salaries of employees) (multiple answers)



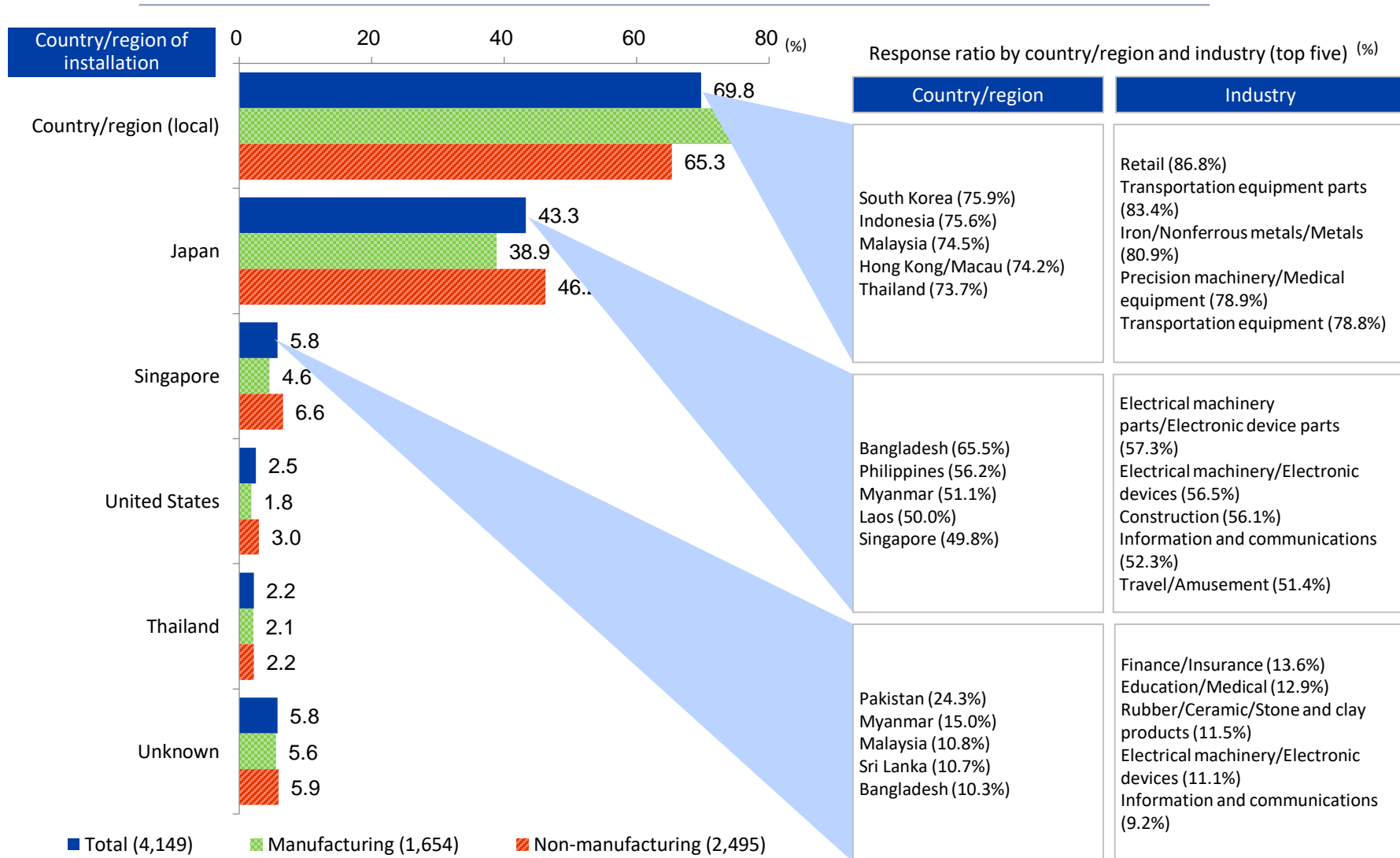
8 | Productivity, Innovation and Digital (16)

Regulations with a large impact on handling personal and company information (multiple answers)



8 | Productivity, Innovation and Digital (17)

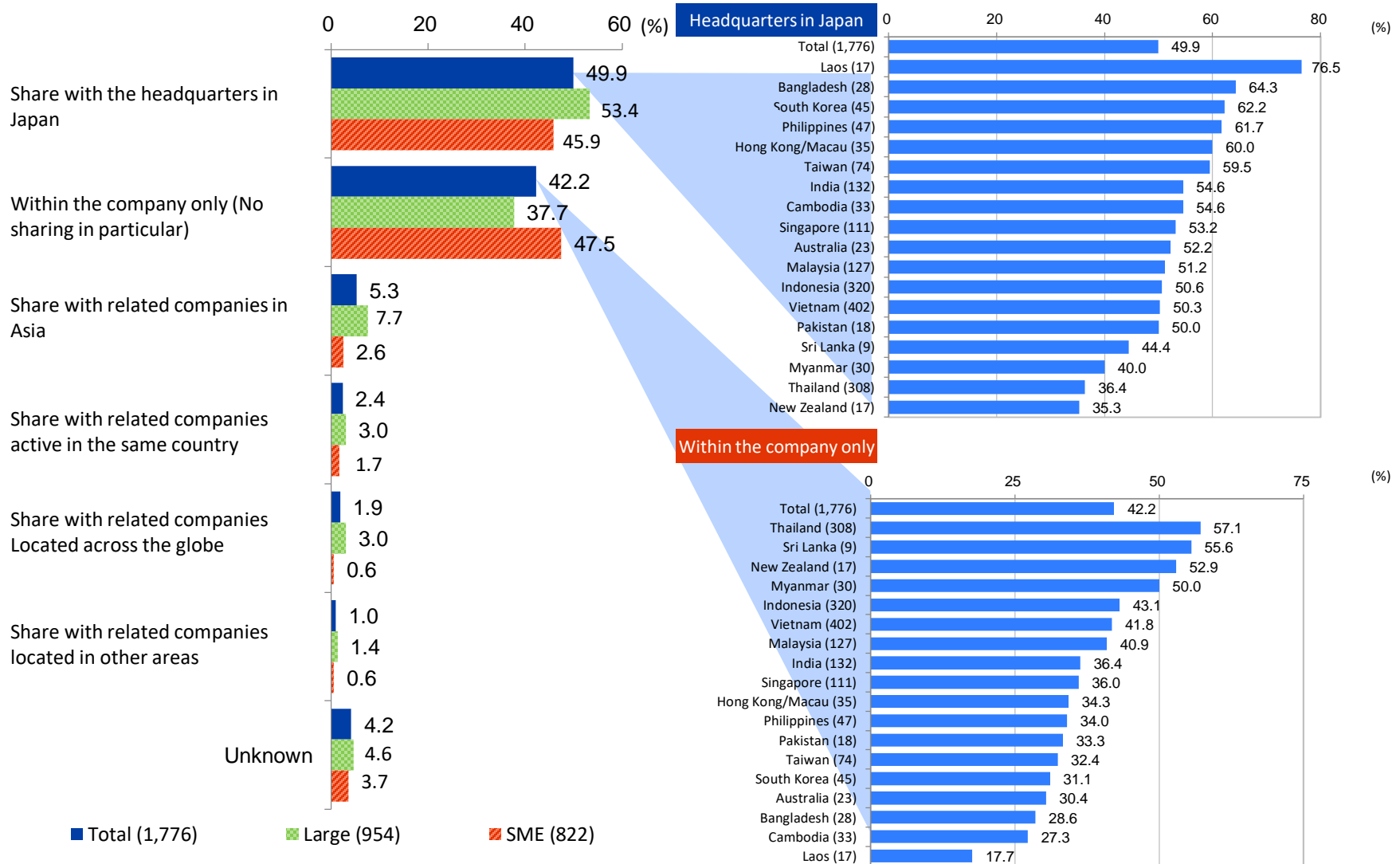
Countries/regions where company servers store data (multiple answers)



8 | Productivity, Innovation and Digital (18)

Manufacturing only

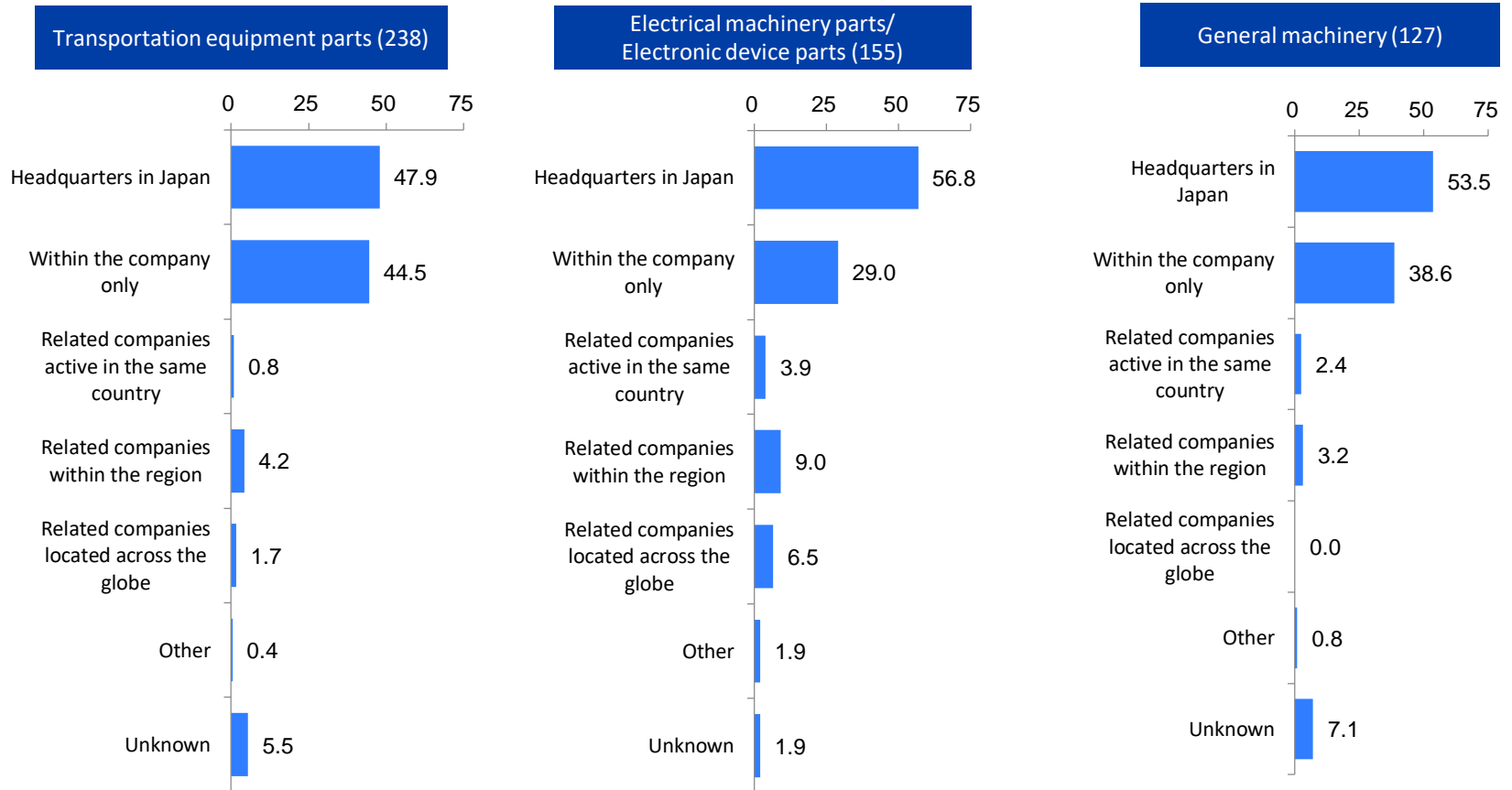
Sharing of data related to manufacturing (multiple answers) (procurement, inventory and production lines)



8 | Productivity, Innovation and Digital (19)

Sharing of data related to manufacturing (procurement, inventory and production lines)
(by industry, multiple answers)

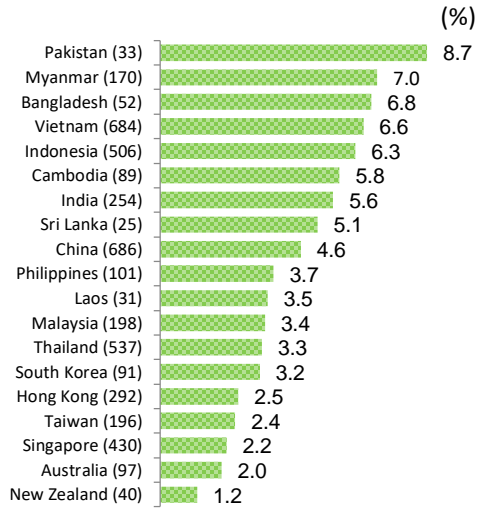
(%)



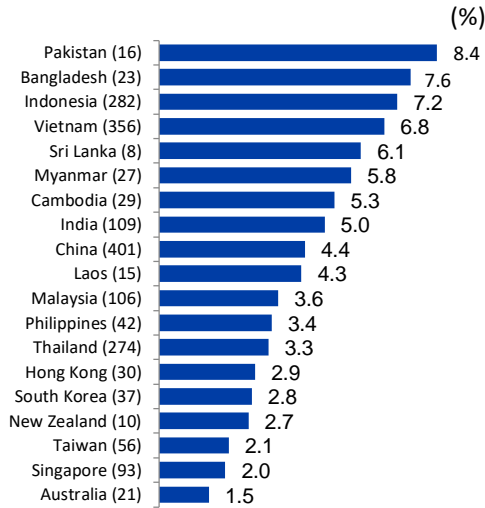
9 | Wages (1) Year-on-Year Wage Increase Rate

FY2020 ← FY2019

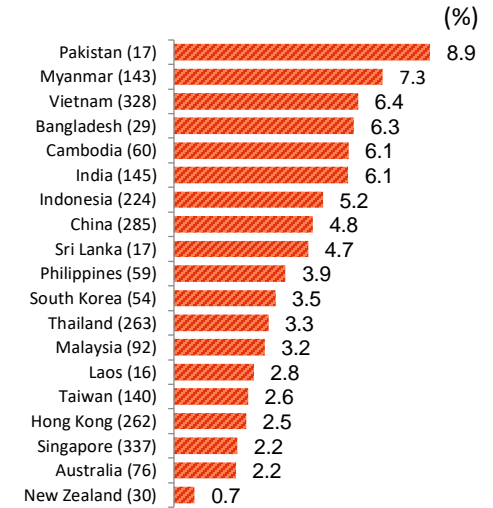
Total



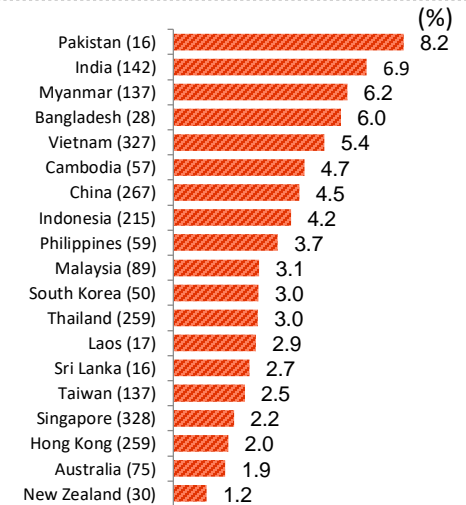
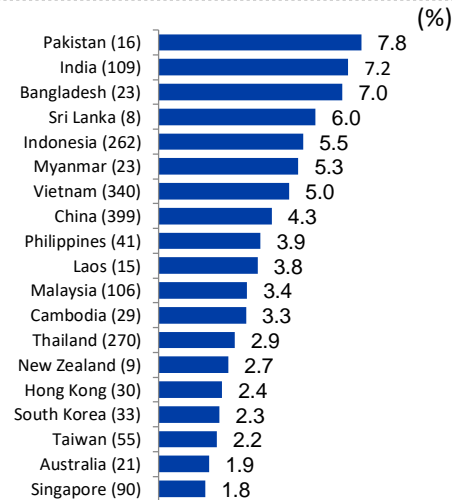
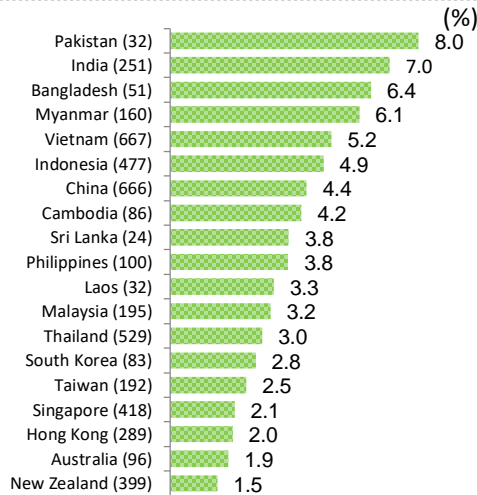
Manufacturing



Non-manufacturing

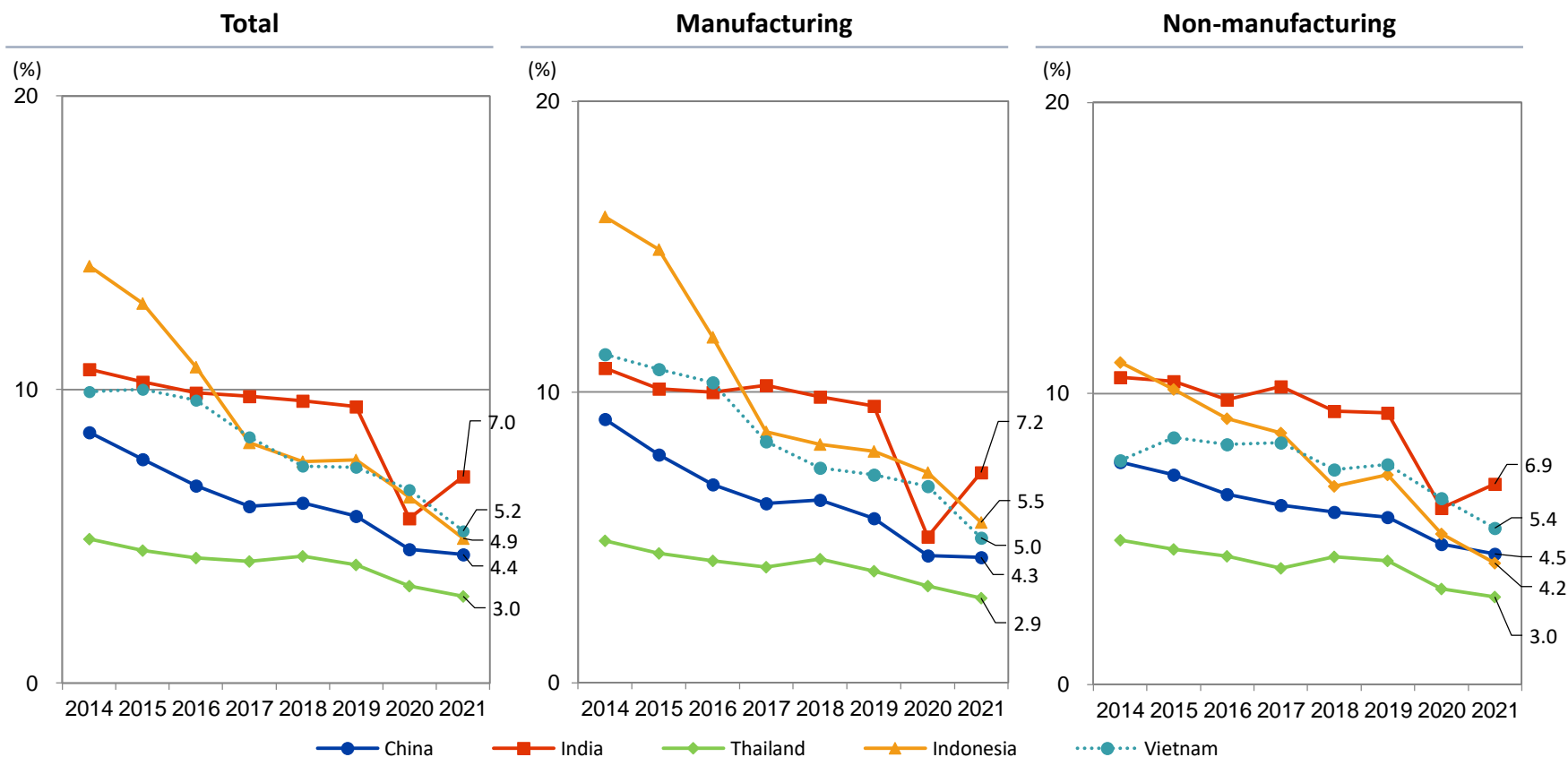


FY2021 ← FY2020



9 | Wages (2) Year-on-year wage increase rate (China and other major countries)

- In 2020, the wage increase rate (total, the same applies to the following) decreased in China and other major countries. It decreased by 3.8 pp in India. In China, Thailand, Indonesia and Vietnam, it decreased by 1.1 pp, 0.7 pp, 1.3 pp and 0.8 pp, respectively.
- The wage increase rate has been declining year by year in China after peaking out at 12.9% in 2011, to 4.6% in 2020 and 4.4% in 2021 (forecast).
- The wage increase rate has been declining year by year in Indonesia after peaking out at 24.7% in 2014, to 6.3% in 2020 and 4.9% in 2021 (forecast).
- The wage increase rate in 2021 (forecast) is expected to decline gradually in China, Thailand, Indonesia, and Vietnam. Meanwhile, it is forecast to increase by 1.4 pp only in India.

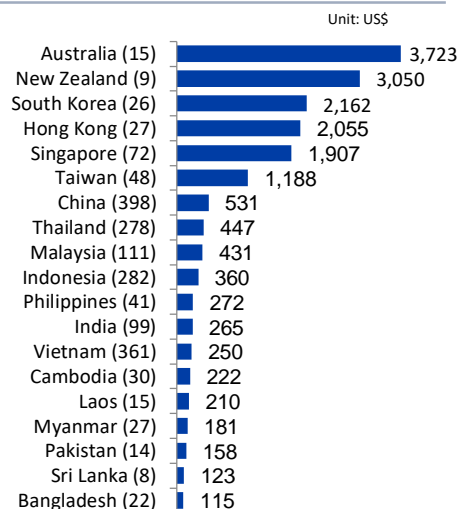


Note: 2021 rates are forecasts.

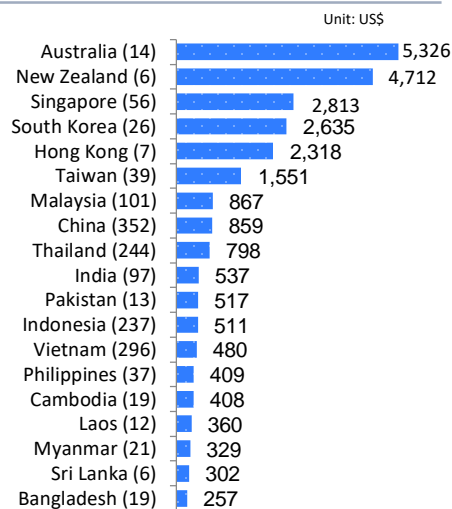
9

Wages (3) Base Salary (Monthly)

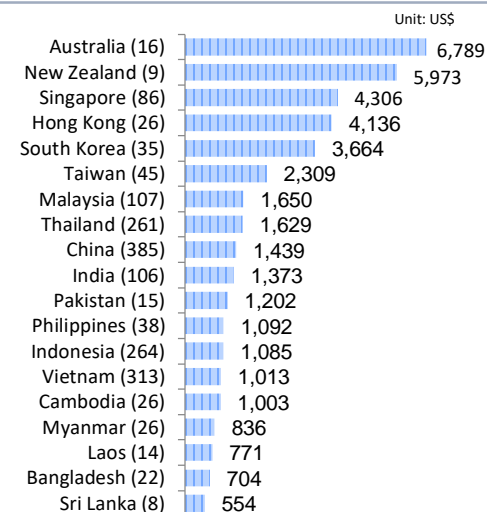
Manufacturing: Worker



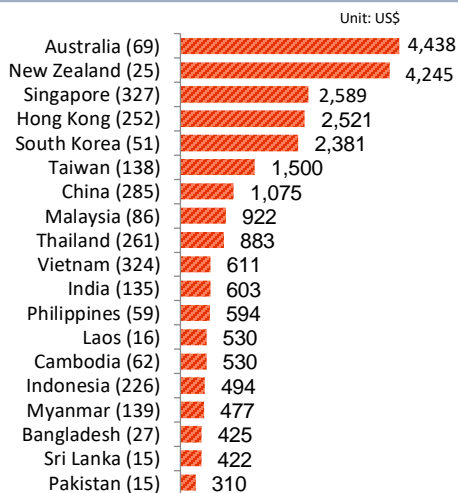
Manufacturing: Engineer



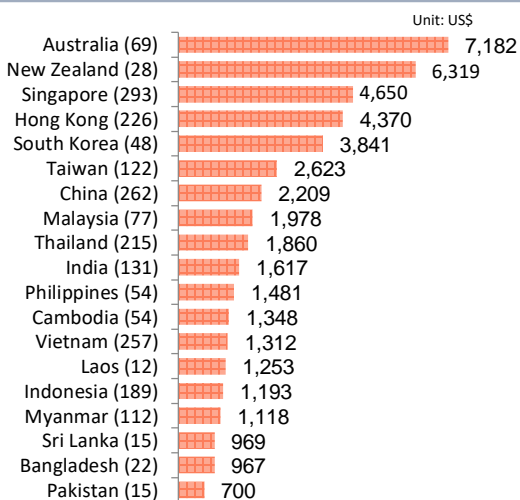
Manufacturing: Manager



Non-manufacturing: Staff member



Non-manufacturing: Manager

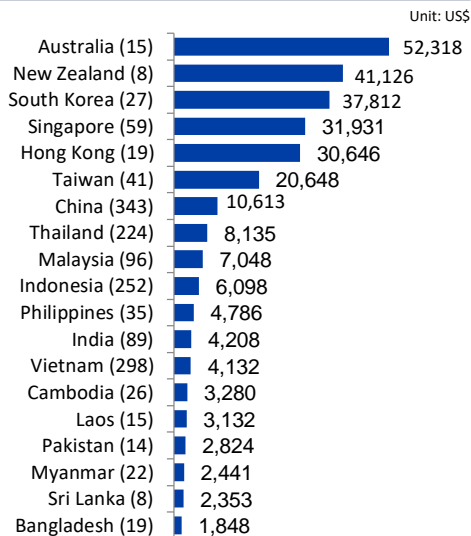


- Base salary: Salary excluding benefits, as of August 2020
- Worker: Regular general workers with 3 years of work experience, not including contract based and probationary workers
- Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have five years of experience
- Manager (Manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience
- Staff member: Regular general workers with 3 years of work experience, not including dispatched and probationary workers
- Manager (Non-manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience

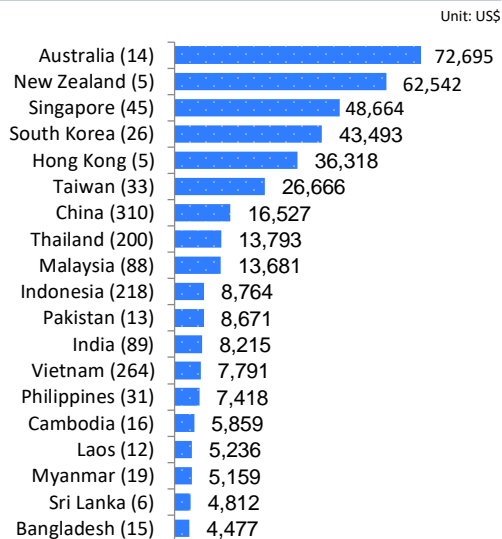
Note: Note: Except for Cambodia, base salaries were reported in local currencies. (For Myanmar, salaries were reported either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to U.S. dollars using the average exchange rate of August 2020 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where companies reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars, and then the average was calculated.

9 | Wages (4) Annual Salary

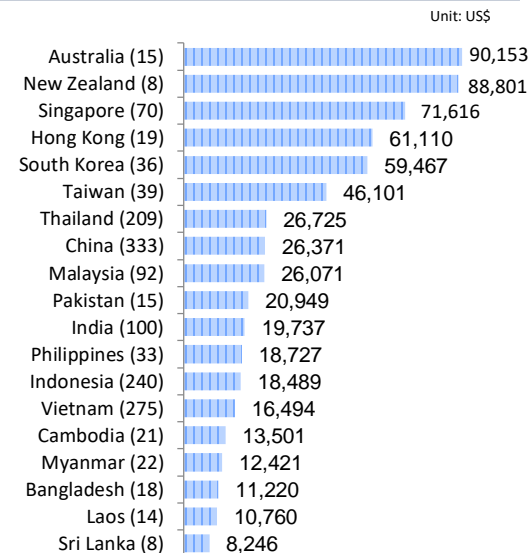
Manufacturing: Worker



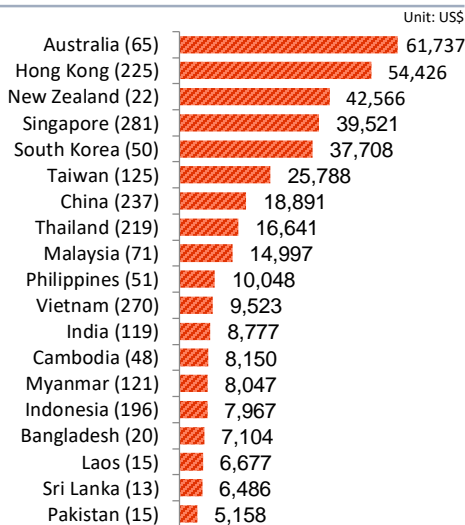
Manufacturing: Engineer



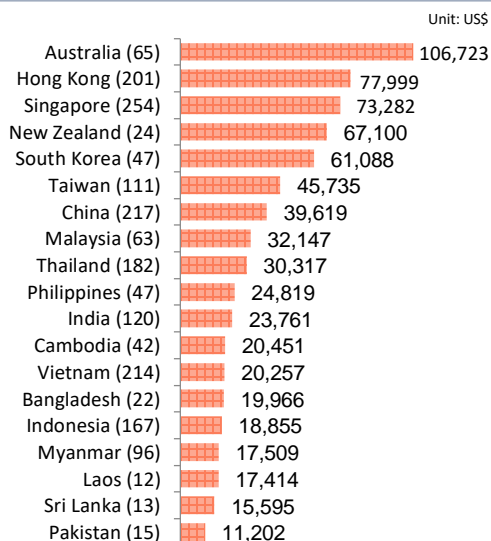
Manufacturing: Manager



Non-manufacturing: Staff member



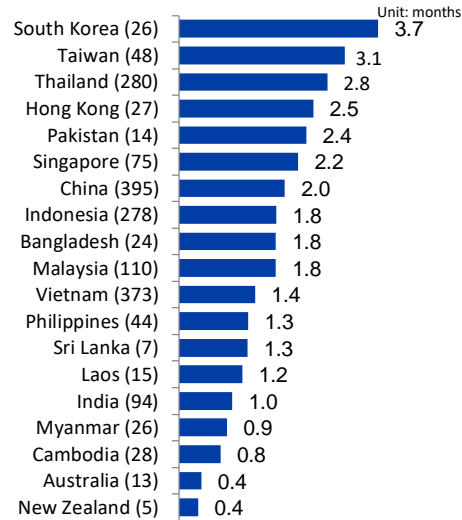
Non-manufacturing: Manager



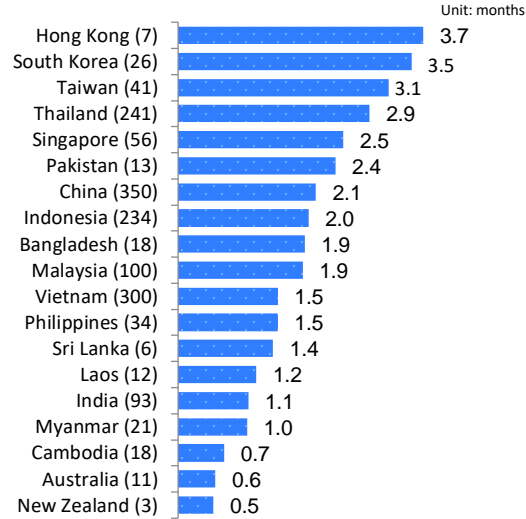
- Annual salary (annual amount of real obligation fees): Total liability for an employee (the total of annual base salary, benefits, social security, overtime allowances, and bonuses, excluding severance benefits, as of FY2020)
- See the previous page for the definitions of worker, engineer, manager (manufacturing), staff member, and manager (non-manufacturing).
- Note: Except for Cambodia, annual salaries were reported in local currencies. (For Myanmar, salaries were reported either in the local currency or in U.S. dollars.) The annual salary for each job type in the local currency was converted to U.S. dollars using the average exchange rate of August 2020 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where companies reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars, and then the average was calculated.

9 | Wages (5) Bonus

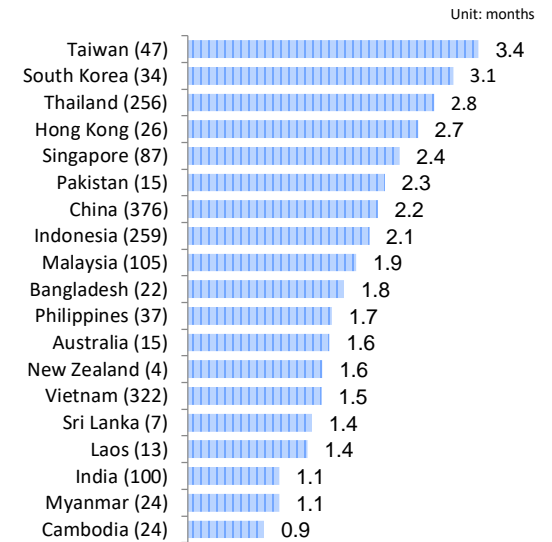
Manufacturing: Worker



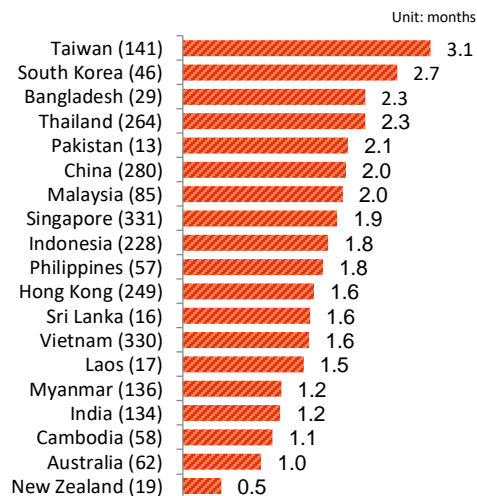
Manufacturing: Engineer



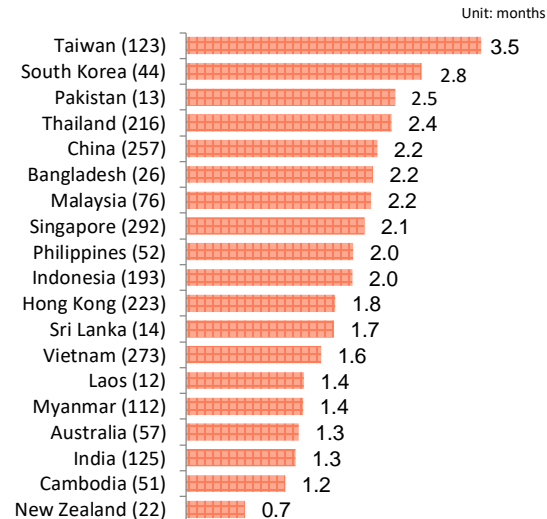
Manufacturing: Manager



Non-manufacturing: Staff member



Non-manufacturing: Manager



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Asia and Oceania Division, China and North Asia
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