



FY2023

Survey on Business Conditions of Japanese-Affiliated Companies in Europe

— Moving toward recovery and expansion while responding to the situation in Ukraine, green regulations, and other issues —

Japan External Trade Organization (JETRO)

Research & Analysis Department

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Overview of the Survey

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| Purpose of the Survey | The purpose of the survey is to analyze the activities of Japanese-affiliated companies based in overseas and to provide the results to a wide range of Japanese companies and policymakers. |
| Survey method | A questionnaire was distributed and collected online to/from 1,457 Japanese companies (local corporations with at least 10% Japanese-affiliated capital investment, excluding expatriate offices, liaison offices, and local corporations founded by Japanese nationals) in 14 Western European countries and 9 Central and Eastern European countries selected through JETRO's overseas office network. Valid responses were received from 830 companies. The effective response rate was 57.0%. |
| Survey period | September 1 – 25, 2023 |
| Notes | <ul style="list-style-type: none"> • The Japanese-affiliated companies in Europe covered in this survey were selected by JETRO's European offices based on information sources considered to be reliable. However, there are no guarantees regarding the complete accuracy or comprehensiveness of the information concerning the aforementioned companies. • The companies that provided their responses to the questionnaire did not necessarily answer all the questions. The composition ratios indicated in the figures, etc. shown herein are rounded figures, so their sums are not always 100%. The same is true for the outcomes of the questions for which more than one answer could be provided. • The figure "n" indicates the number of effective answers that were provided for each of the questions. • Any industry, country, or answer from multiple choices selected by less than five companies have been excluded from the survey. |
| Topics covered in this report | <ol style="list-style-type: none"> 1. Operating profit forecast 2. Future business direction for the next one to two years 3. Employment environment 4. Operational challenges 5. European policies and regulations 6. Reconstruction assistance and business activity in Ukraine 7. Procurement and sales 8. European business environment after Brexit 9. EPA/FTA 10. Human rights initiatives 11. Decarbonization efforts |

Overview of the Survey

Manufacturing

- Food/Processed food, agricultural or fishery products
- Textiles
- Textile apparel / Textile products
- Lumber/Wood products
- Daily necessities / Stationery/Sundries
- Furniture/Interior / Fixtures
- Paper / Pulp
- Printing / Publishing
- Chemical and allied products / Petroleum products
- Medicines
- Plastic products
- Rubber products
- Ceramic / Stone and clay products
- Iron and steel
- Non-ferrous metals
- Fabricated metal products
- General machinery
- Medical equipment
- Precision machines and instruments
- Electrical machinery / Electronic devices
- Electrical machinery parts / Electronic device parts
- Information and communication electronics equipment / Office machines
- Transportation equipment (Motor vehicles/Motorcycles)
- Transportation equipment parts (Motor vehicles/Motorcycles)
- Transportation equipment (others)
- Transportation equipment parts (others)
- Miscellaneous manufacturing industries

Non-Manufacturing

- Agriculture / Forestry / Fisheries
- Mining
- Construction/Plant/Engineering
- Electricity / Gas / Heat supply / Water
- Transport activities / Logistics / Warehouse
- Communications / IT / Software / Information system / Digital service
- Wholesale
- Retail trade / Non-store retailing
- Advertising / Marketing/Research
- Business Process Outsourcing (BPO)
- Trading
- Sales company / Sales subsidiary
- Banks
- Non-banks
- Real estate
- Consulting
- Holding/managing company
- Worker dispatching/Staffing
- Specialty service such as legal, accounting and tax services
- Accommodations / Travel
- Restaurant
- Rental
- Amusement / Living-related and personal
- Education / Research institutions
- Medical / Welfare/Health care
- Media / Mass communication / Contents
- Repair / Maintenance / Inspection and analysis
- Building and facility management
- Design / Architectonics
- Others

| Number of respondents by country/region | Number of companies surveyed | |
|---|---------------------------------|------------------------|
| | Number of effective respondents | Composition ratios (%) |
| Totals | 830 | 100.0 |
| ■ Western Europe | 695 | 83.8 |
| Germany | 260 | 31.3 |
| United Kingdom | 98 | 11.8 |
| Netherlands | 84 | 10.1 |
| France | 70 | 8.4 |
| Belgium | 50 | 6.0 |
| Spain | 23 | 2.8 |
| Finland | 19 | 2.3 |
| Ireland | 18 | 2.2 |
| Switzerland | 17 | 2.1 |
| Austria | 13 | 1.6 |
| Portugal | 13 | 1.6 |
| Italy | 11 | 1.3 |
| Sweden | 10 | 1.2 |
| Denmark | 9 | 1.1 |
| ■ Central & Eastern Europe | 135 | 16.2 |
| Czechia | 49 | 5.9 |
| Hungary | 30 | 3.6 |
| Poland | 20 | 2.4 |
| Romania | 18 | 2.2 |
| Serbia | 6 | 0.7 |
| Bulgaria | 6 | 0.7 |
| Slovakia | 5 | 0.6 |
| Slovenia | 1 | 0.1 |
| North Macedonia | 0 | 0.0 |

Key Findings I

1. The situation in Ukraine continues to impact Japanese-affiliated companies' businesses in Europe in a major way.

- The "Situation in Ukraine" was identified as the No. 1 operational challenge (55.4%; year-on-year (YoY) decrease of 6.3 percentage) among the Japanese-affiliated companies across Europe, which was also the case the previous year. "Inflation" (53.4%) , which is in part caused by the Ukrainian situation, is also identified as a serious operational challenge among those companies (IV-1).
- 48.3% of the companies answered that they would be interested in providing reconstruction assistance and/or doing business in Ukraine in the future. In particular, the non-manufacturing companies operating in Central and Eastern Europe appeared highly interested, as 58.5% answered to that effect (VI-1). In terms of the areas of interest, many companies answered infrastructure in general as well as trading, sales, roads, logistics, etc. (VI-2).
- In terms of the countries that were considered as potentially major sales destinations in the future, 9.4% of respondents selected Ukraine. Although the number of companies selecting Ukraine significantly decreased in last year's survey (4.0% of respondents; 6.0% in the year prior) after it had been invaded, the figure rose again quite sharply. Many respondents said that they had selected Ukraine out of expectations of increased demands relating to "the country's reconstruction" and "higher post-war market requirements" (VII-2).

2. Green initiatives are the center of attention in terms of EU policies and regulations, the CBAM being the most impactful topic.

- All of the 10 EU policies and regulations of deepest concern to Japanese-affiliated companies were green and sustainability initiatives. "The Carbon Border Adjustment Mechanism (CBAM)", for which the transitional phase began in October 2023, drew the most attention, as 33.9% of respondents across all the industries selected it. The next items that were being paid most attention were the "Corporate Sustainability Reporting Directive (CSRD, amending the Non-Financial Reporting Directive)" that would come into effect from FY2024 (27.0%) and the Vehicles Emissions Targets of CO2 (26.8%) (V-1).
- In terms of the net-zero emission technologies that the respondents were interested in as business opportunities, "battery/storage technologies" were identified as the most promising, as 47.0% of respondents across all the industries selected it, following by " solar photovoltaic and solar thermal technologies" (34.6%) and "electrolysers and fuel cells for hydrogen production" (30.5%). The ratio of companies who showed interest in net-zero emission technologies in general were especially high in sales companies and trading companies (V-3).

Key Findings II

3. Operating profit forecasts return to pre-COVID levels, as the majority of respondents forecast that their businesses would likely to expand in the coming years.

- In terms of operating profit forecasts for 2023, 69.4% of respondents expected to achieve positive operating profit (YoY increase of 2.3 percentage points), and 14.1% projected operating loss (YoY decrease of 2.1 percentage points). These figures are closer to the levels gauged before the COVID pandemic than the results of the previous year's survey (I -1). The respondents operating manufacturing businesses in Central and Eastern Europe showed particularly significant improvements, as those expecting positive operating profit increased by 24.6 percentage points and those projecting operating loss decreased by 18.9 percentage points from the previous year (I -2).
- In terms of operating profit forecasts for 2024, the ratios of the companies that expected their figures to "increase" or "remain the same" started to rise from the previous year (by 2.2 percentage points and 4.0 percentage points, respectively). 45.3% of the manufacturing companies operating their businesses in Central and Eastern Europe expected to "increase", which was a higher ratio than the rest of the regions (I -5).
- The ratio of the companies that expected to "expand" their businesses in the next one to two years was 51.6%, a 5.4 percentage point increase from the previous year, surpassing the respondents that expected their businesses to "remain the same" for the first time in two years (II -1). The corporate functions that the respondents were intent on expanding the most were "sales" and "new business development" in the order (II -3).

4. Supply chains become increasingly more diversified and shorter while procurement volumes from China continue to decline.

- In terms of the respondents' supply chain strategy across all the industries for the next one to two years, many answered "diversification of procurement" (54.9%) and "shortening supply chains and nearshoring" (38.1%), especially higher percentages in manufacturing (VII-1).
- In terms of future procurement plans among Japanese-affiliated companies, 25.9% of those operating in Central and Eastern Europe answered that they would increase procurement from the countries where they were currently based, while 37.3% indicated that they would increase procurement from the rest of the EU (VII-4). Meanwhile, 36.7% of respondents indicated that they would decrease procurement from China (VII-5). It could be discerned from the data that the companies are trying to shift their key supply chains to the EU.
- In terms of the countries which are considered as major sales destinations in the future, Poland was No. 1 (27.9% of respondents) for five years in a row. Other countries ranked in the Top 10 included those in Central and Eastern Europe, namely Hungary (No. 4), Czechia (No. 5), Romania (No. 7), and Slovakia (No. 9) (VII-2).

Key Findings III

5. Over 60% of respondents face human resource shortages, especially those in manufacturing in terms of industry, and those operating in Central and Eastern Europe in terms of region.

- More than 60% of all Japanese-affiliated companies surveyed said they were facing a shortage in human resources. In terms of industry, 66.9% of respondents in manufacturing acknowledged the existence of this issue, while 60.7% of respondents in non-manufacturing did the same. In terms of region, over 70% of respondents in both manufacturing and non-manufacturing were experiencing human resource shortages in Central and Eastern Europe, which was higher than in Western Europe. In particular, the respondents in manufacturing operating in Central and Eastern Europe provided the most serious indication at 74.1% (III-1).
- In terms of the ratio of the companies indicating that the shortages in human resources was either “very serious” or “somewhat serious” by job type, 63.5% of those operating in Western Europe said “specialty occupations” (legal, accounting, engineering, etc.) were their No.1 concern, and 74.6% of those operating in Central and Eastern Europe reported the most crucial shortages in “factory workers” (III-2, III-3).
- In terms of measures being implemented to improve human resource recruiting and retention, many respondents from Western as well as Central and Eastern Europe said they had been increasing base salaries; however, the rates of base salary increases (nominal and average) in 2023 turned out to be lower than the rates of local inflation in over half of the countries surveyed (III-2, III-3, III-4).

6. As sustainability initiatives make progress, roughly 90% of respondents identify the respect of human rights as a major management challenge.

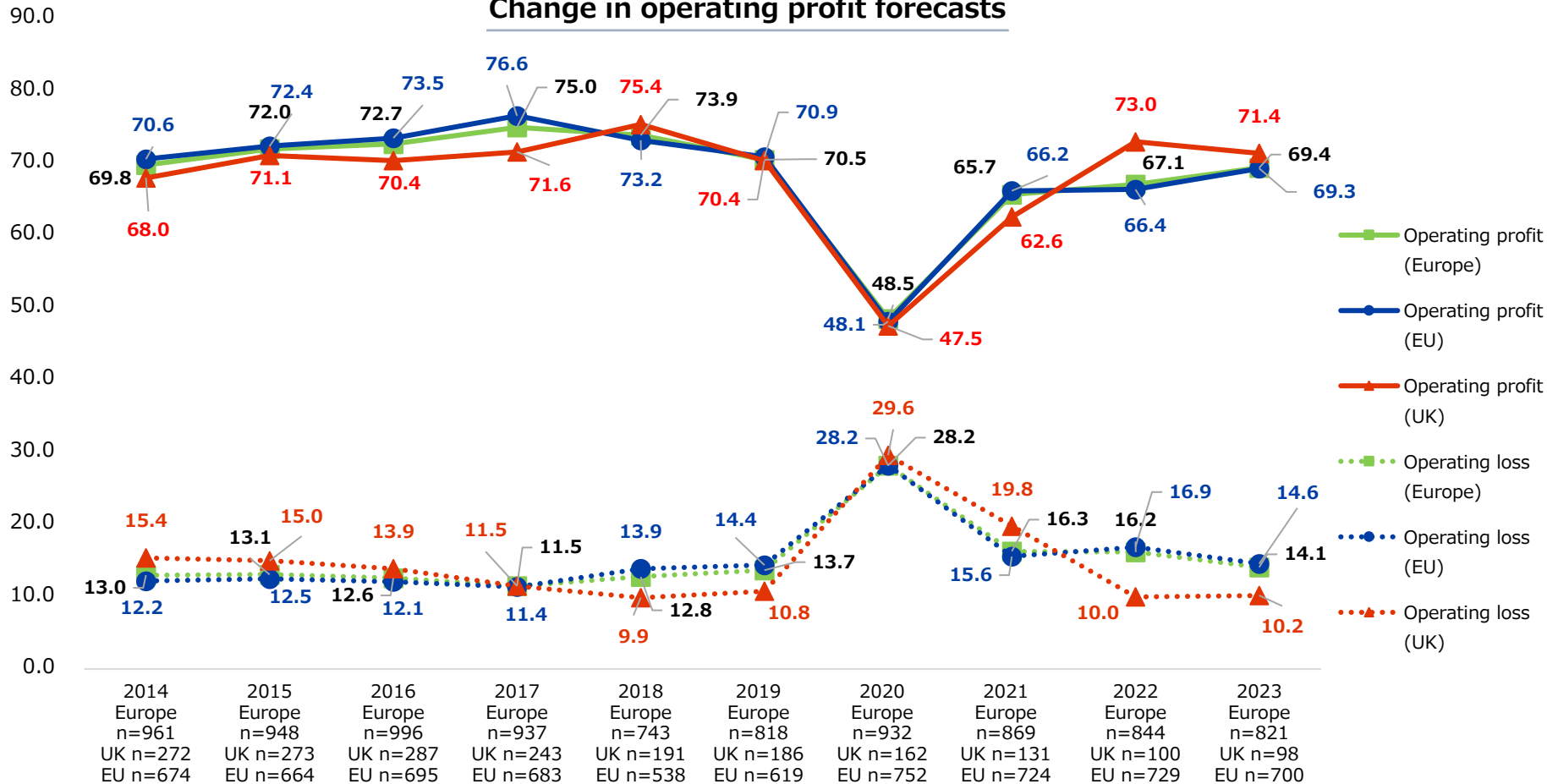
- 89.4% of respondents answered that human rights issues in their supply chains were an important management challenge. This figure increased from the previous year, from roughly 70% to 90% (X-1). Meanwhile, the ratio of companies that were reportedly “conducting human rights due diligence (DD)” was 38.0%, marking a small YoY increase of just 2.6 percentage points (X-2).
- In terms of the scope of human rights DD being conducted, as much as about 30% of the companies in manufacturing said that they were conducting DD on their indirect suppliers, customers, etc. (X-3). In terms of the specific initiatives being implemented on human rights DD, 80.3% of respondents answered “formulation and publication of human rights policy” which was the most common answer (X-4).
- The ratio of the companies that were making any specific effort toward decarbonization was 61.7%, indicating a YoY increase of 2.1 percentage points (XI-1). Among the companies in manufacturing, as much as 77.2% said they were implementing initiatives under Scope1 (direct greenhouse gas emissions by business themselves). Meanwhile, among the companies in non-manufacturing, as much as 41.8% reported that were implementing initiatives under Scope3 (emissions by other companies related to the business’ activities) (XI-2).

1 | Change in operating profit forecasts (over the past decade) The ratios of companies forecasting positive operating profit return to pre-COVID levels.

- As much as 69.4% of respondents from across Europe forecast positive operating profit for 2023, nearing the 2019 level (70.5%) before the COVID pandemic. For the UK, the figure was 71.4%, maintaining the same level as pre-COVID, as was also the case in the year prior (70.4%).
- The ratio of respondents across Europe expecting operating loss was 14.1%, a YoY decrease of 2.1 percentage points, which is almost back to the same level as 2019 (13.7%).

(Unit: %)

Change in operating profit forecasts



(Note) The n figures include the companies that answered "breakeven."

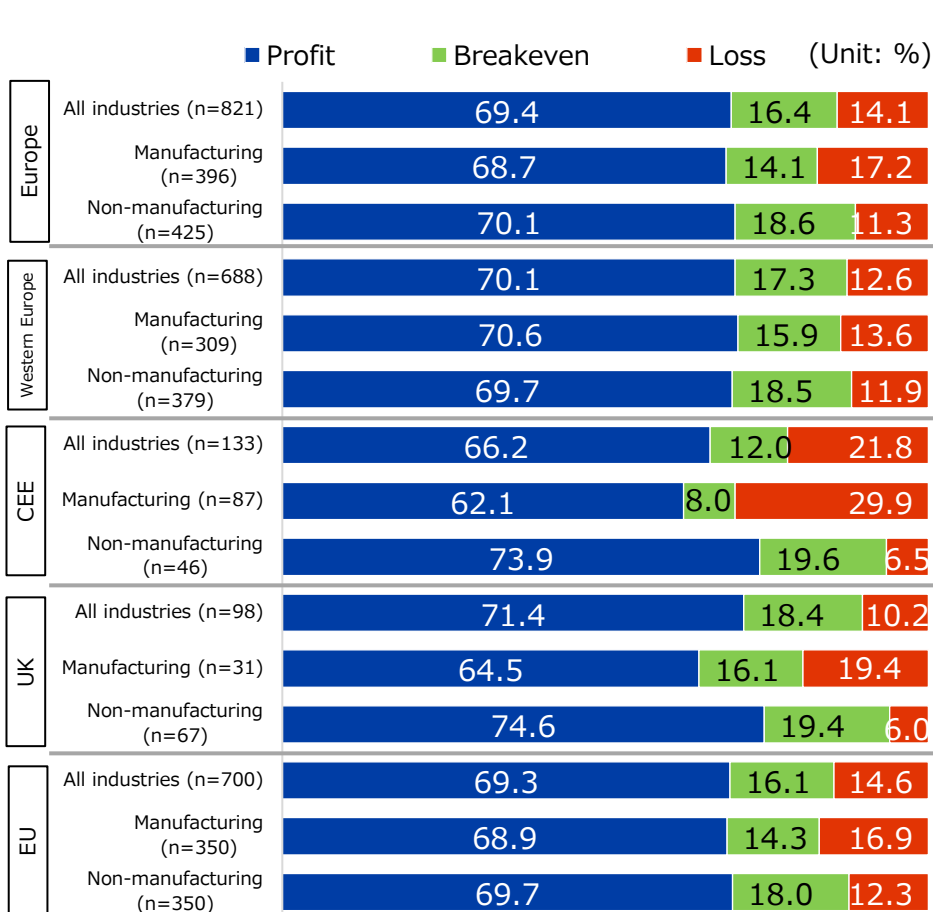
2

Operating profit forecast for 2023

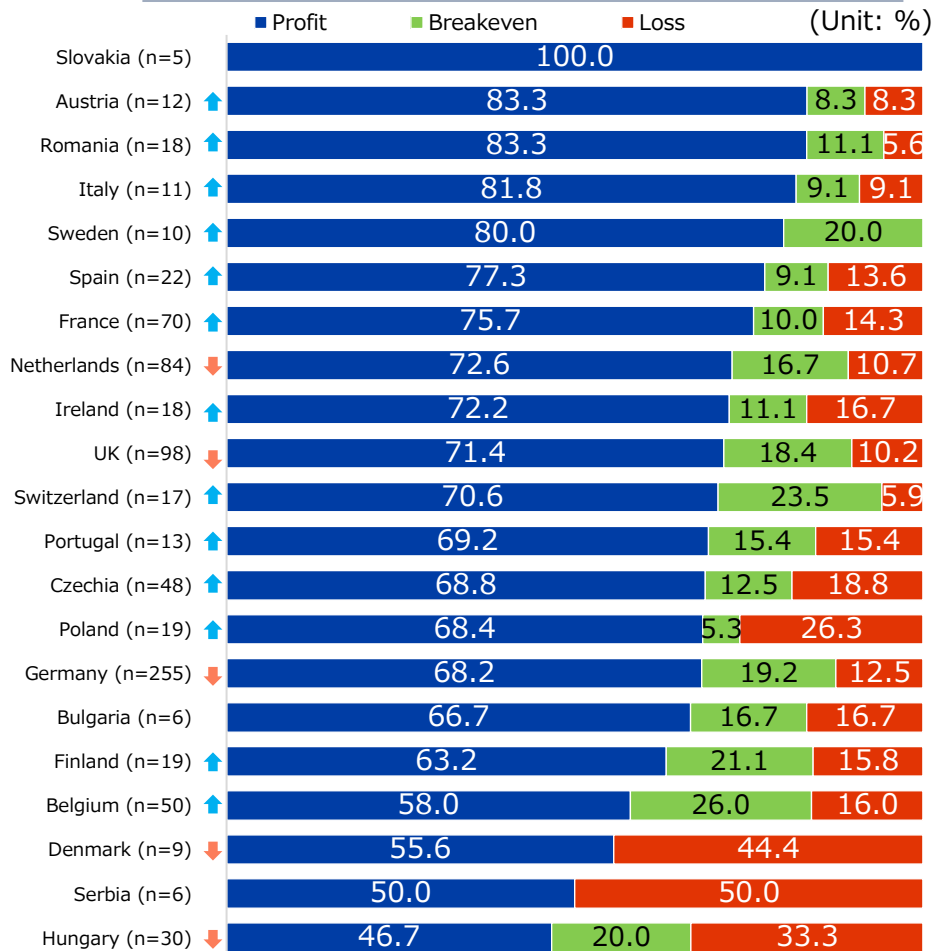
Number of manufacturing companies in Central and Eastern Europe forecasting operating loss significantly declines.

- The ratio of manufacturing companies forecasting operating profit increased by 7.0 percentage points from the previous year; the figure across all industries increased by 2.3 percentage points.
- In terms of manufacturing companies operating in Central and Eastern Europe, the ratio of them forecasting operating profit increased by 24.6 percentage points from the previous year, while those forecasting operating loss decreased by 18.9 percentage points.

2023 operating profit forecasts (by industry)



2023 operating profit forecasts (by country)



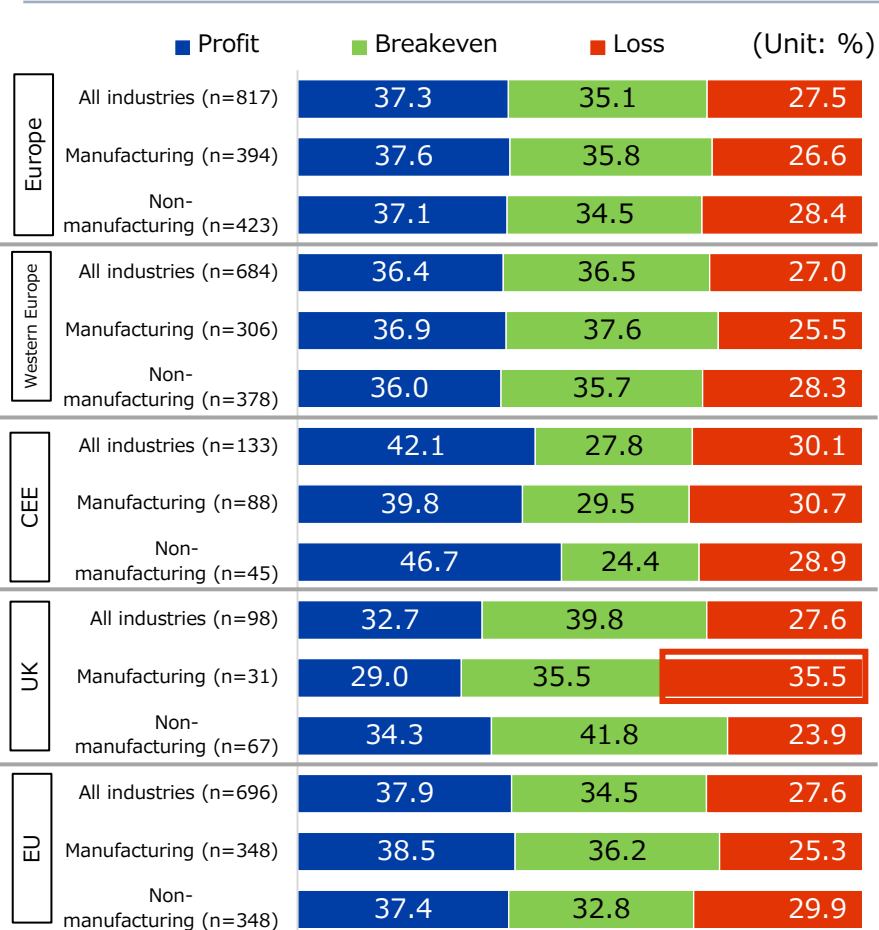
(Note) ↑ indicates profit increase from the previous year, while ↓ indicates profit decrease from the previous year. Blanks with no arrows indicate no data due to n ≤ 5 compared to the previous year.

3

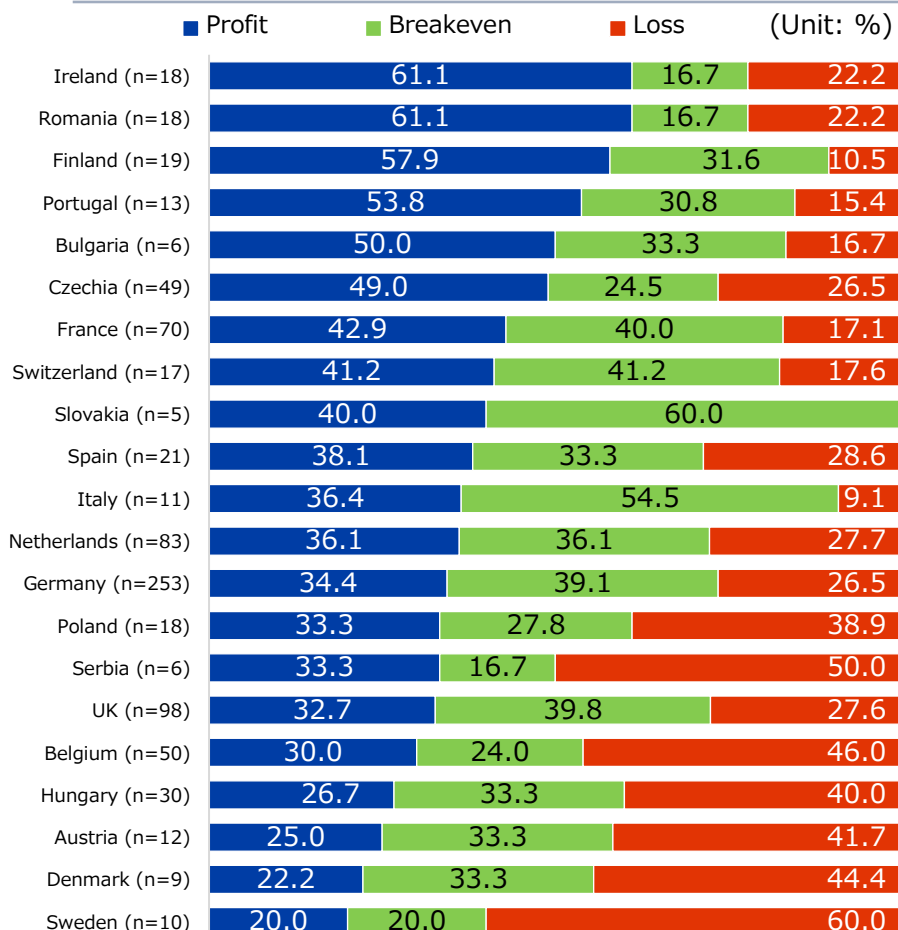
Operating profit forecast for 2023 compared to actual results for 2022 Negative forecasts for the UK significantly increase from the previous year.

- In terms of operating profit forecasts for 2023 relative to the previous year's results, the respondents that answered operating profit would increase exceeded those that forecast the figure would decrease, by 9.8 percentage points for all of Europe. The gap had narrowed from the previous year's survey, in which the former group outstripped the latter group by 14.1 percentage points.
- More respondents forecast that the figure would decrease than they did in the previous year's survey, as 14.9 percentage points of non-manufacturing companies operating in Central and Eastern Europe projected their operating profits would decline, as did 12.6 percentage points of manufacturing companies operating in the UK.

2023 operating profit forecasts relative to 2022 results (by industry)



2023 operating profit forecasts relative to 2022 results (by country)



4

Reasons behind increase/decrease in operating profit forecasts

Lower operating profit forecasts attributed to decline in demand and higher labor cost.

- Companies that forecast their operating profit would increase from the previous year (2022) across Europe selected “increasing demand in local market” as by far the main reason above the rest of the causal factors listed.
- In terms of the reasons behind decreases in their operating profit forecasts across Europe, the second-most selected answer for causal factor was “rising of labor costs,” which had increased by 11.4 percentage points from the previous year, when it was the sixth-most selected answer.

Reasons for increased operating profit forecast for 2023 (from the previous year; multiple answers allowed)

(Unit: %)

| Reasons for increased operating profit forecast (in order of rankings) | Europe | | | Western Europe | | | Central & Eastern Europe | | |
|--|------------------------|-----------------------|---------------------------|------------------------|-----------------------|---------------------------|--------------------------|----------------------|--------------------------|
| | All industries (n=300) | Manufacturing (n=145) | Non-manufacturing (n=155) | All industries (n=245) | Manufacturing (n=111) | Non-manufacturing (n=134) | All industries (n=55) | Manufacturing (n=34) | Non-manufacturing (n=21) |
| 1 Increasing demand in local market | 52.0 | 49.7 | 54.2 | 52.2 | 53.2 | 51.5 | 50.9 | 38.2 | 71.4 |
| 2 Strengthened sales structure in local market | 26.7 | 22.8 | 30.3 | 27.3 | 27.0 | 27.6 | 23.6 | 8.8 | 47.6 |
| 3 Increasing demand in export destinations | 22.0 | 28.3 | 16.1 | 23.3 | 30.6 | 17.2 | 16.4 | 20.6 | 9.5 |
| 4 Improvement in production efficiency, sales efficiency, the operating rate, etc. | 21.7 | 29.0 | 14.8 | 17.6 | 24.3 | 11.9 | 40.0 | 44.1 | 33.3 |
| 5 Reduction of other expenditures (e.g., administrative costs) | 16.3 | 21.4 | 11.6 | 14.3 | 17.1 | 11.9 | 25.5 | 35.3 | 9.5 |

Reasons for decreased operating profit forecast for 2023 (from the previous year; multiple answers allowed)

(Unit: %)

| Reasons for decreased operating profit forecast (in order of rankings) | Europe | | | Western Europe | | | Central & Eastern Europe | | |
|--|------------------------|----------------------|---------------------------|------------------------|----------------------|---------------------------|--------------------------|----------------------|--------------------------|
| | All industries (n=215) | Manufacturing (n=97) | Non-manufacturing (n=118) | All industries (n=179) | Manufacturing (n=74) | Non-manufacturing (n=105) | All industries (n=36) | Manufacturing (n=23) | Non-manufacturing (n=13) |
| 1 Decreasing demand in local market | 57.7 | 56.7 | 58.5 | 59.2 | 59.5 | 59.0 | 50.0 | 47.8 | 53.8 |
| 2 Rising of labor costs | 43.3 | 40.2 | 45.8 | 39.7 | 32.4 | 44.8 | 61.1 | 65.2 | 53.8 |
| 3 Rising raw material/parts procurement costs | 34.0 | 39.2 | 29.7 | 33.0 | 37.8 | 29.5 | 38.9 | 43.5 | 30.8 |
| 4 Decreasing demand in export destinations | 33.0 | 37.1 | 29.7 | 34.6 | 39.2 | 31.4 | 25.0 | 30.4 | 15.4 |
| 5 Intensified market competition with other companies | 25.6 | 19.6 | 30.5 | 26.8 | 21.6 | 30.5 | 19.4 | 13.0 | 30.8 |

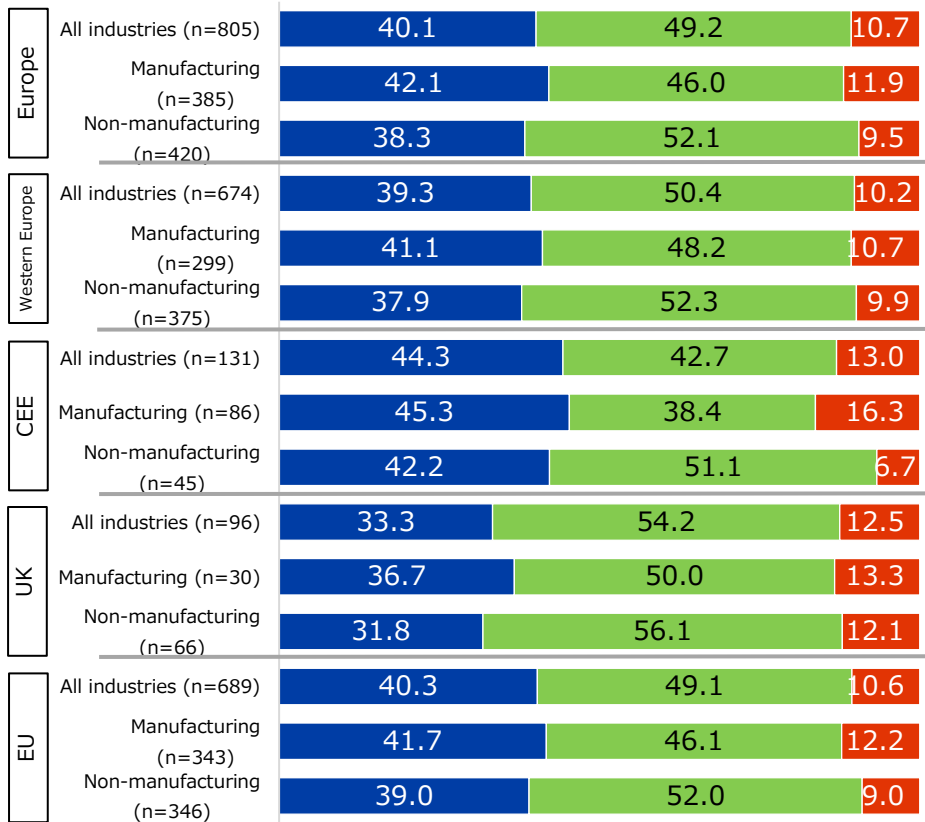
(Note) Each of the items highlighted in orange above is the No. 1 reason selected specific to a region or industry.

5 | Operating profit forecast for 2024 compared to 2023 40% of respondents expect their 2024 operating profit to increase from 2023.

- In terms of operating profit forecast for 2024 compared to 2023, 40.1% of respondents across all industries for all of Europe forecast the figure would increase, which had risen by 2.2 percentage points YoY. 49.2% of respondents answered the figure would remain the same, a YoY increase of 4.0 percentage points. 10.7% of respondents forecast the figure would decrease, a drop by 6.1 percentage points from the previous year.
- In terms of responses by country, as with the previous year, in roughly 2/3 of the countries surveyed, the sum of respondents that answered either “remain the same” or “decrease” surpassed those that thought the figure would “increase.” In particular, more companies based in Central and Eastern Europe forecast the figure would “increase” than in the rest of the regions.

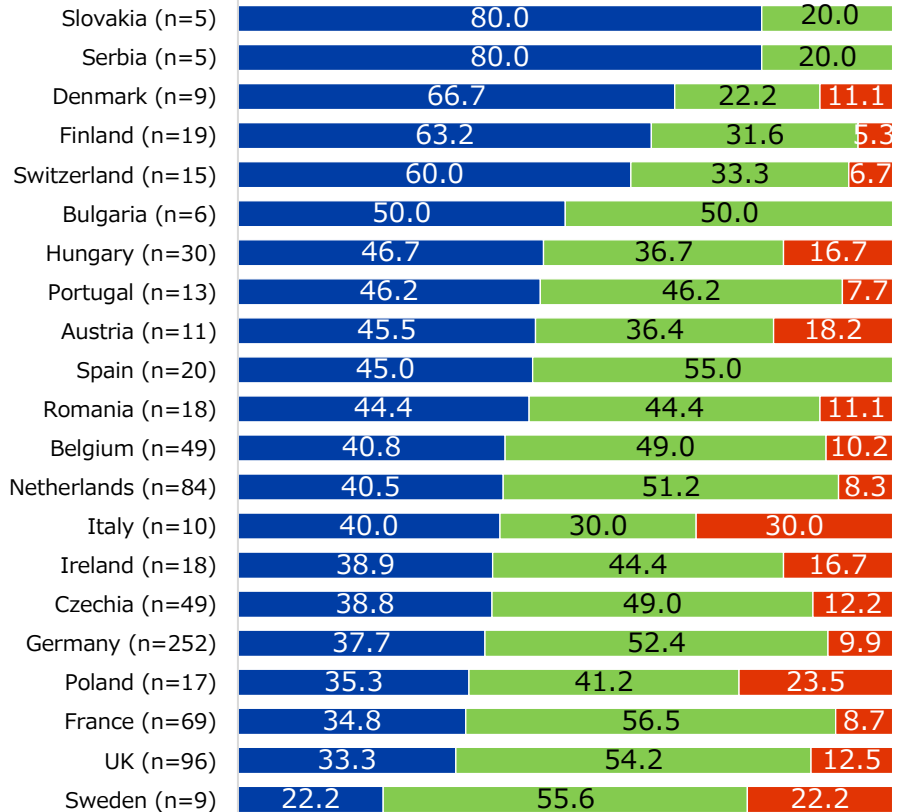
2024 operating profit forecasts relative to 2023 (by industry)

■ Increase ■ Remain the same ■ Decrease (Unit: %)



2024 operating profit forecasts relative to 2023 (by country)

■ Increase ■ Remain the same ■ Decrease (Unit: %)

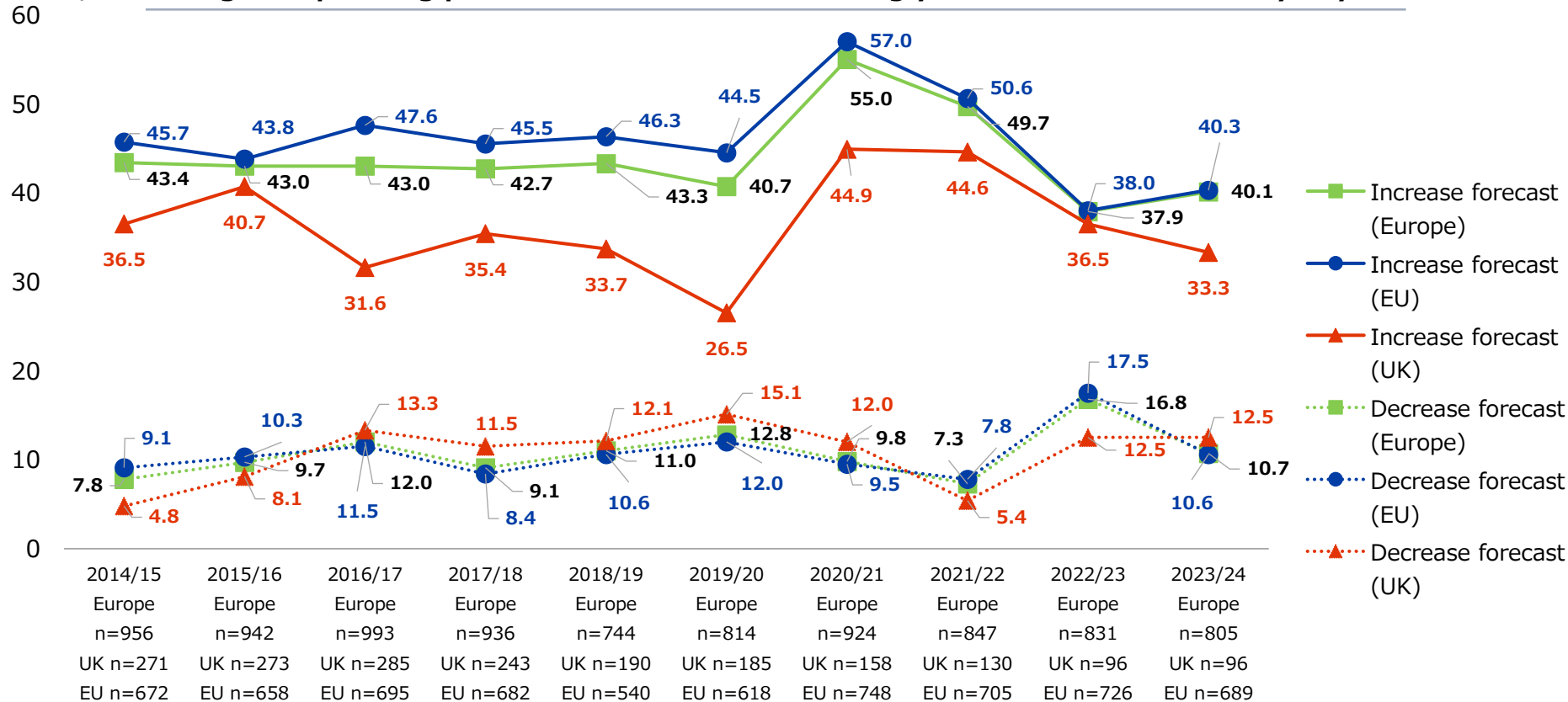


6

Change in operating profit forecasts for the following year relative to the surveyed year More companies provide increased operating profit forecasts for 2024, as less companies forecast decreased operating profit.

- In terms of operating profit forecast for 2024 compared to 2023, more Japanese-affiliated companies across Europe as well as in EU said their figures would increase than in the previous year's survey. Meanwhile, less companies said their figures would decrease than in the previous year's survey, indicating a return to pre-COVID levels.
- In terms of Japanese-affiliated companies operating in the UK, less of them expected their operating profit would increase, which was also the case in the previous year's survey, and the number of those that answered their figures would decrease remained the same.

(Unit: %) **Change in operating profit forecasts for the following year relative to the surveyed year**

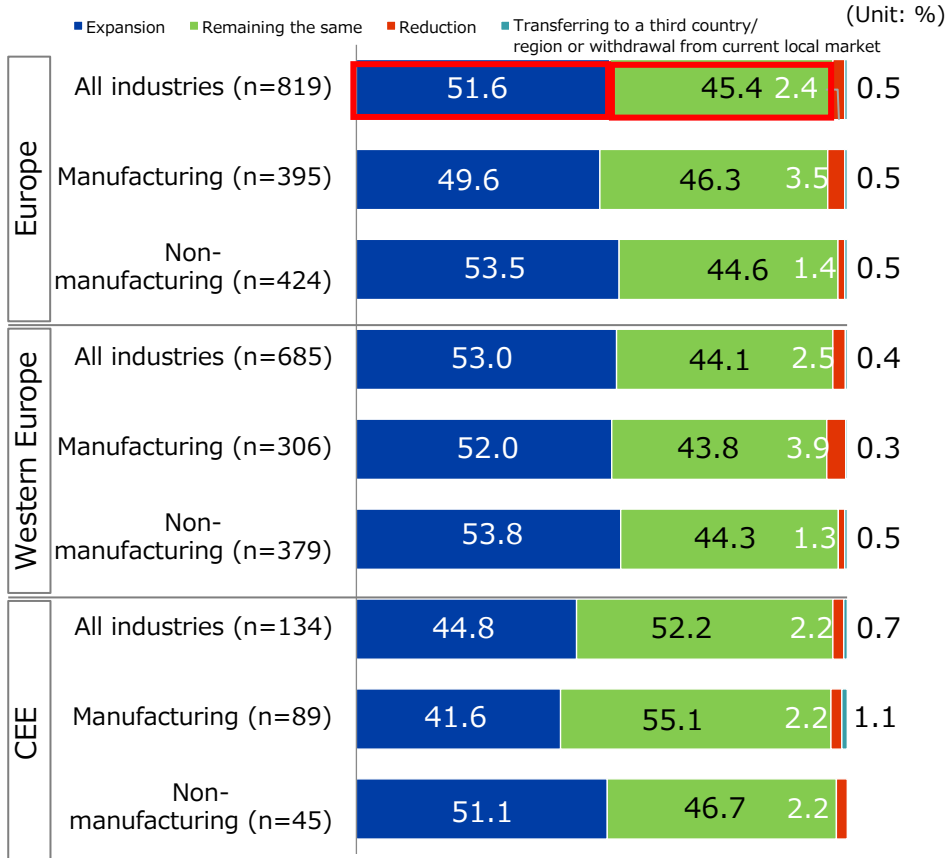


Note: n includes companies that said figures would be breakeven.

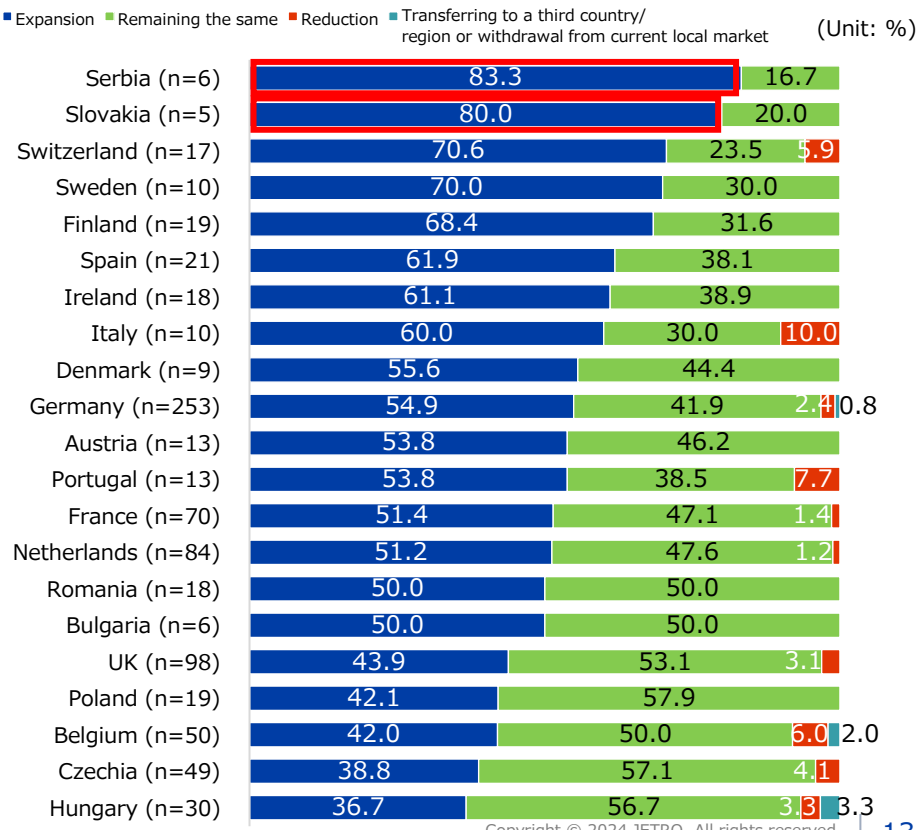
1 | Future business direction for the Next One to Two Years Companies anticipating business "expansion" increased, while "remaining the same" and "reduction" decreased slightly.

- 51.6% of respondents said they would likely see business expansion for the next one or two years, which is a YoY increase of 5.4 percentage points. Many selected "increase of local market demand" and "increase of exports" as reasons for their projected business expansion. Meanwhile, 45.4% of respondents thought their businesses would remain the same while 2.4% expected a reduction in business performance, which are YoY decreases of 3.4 percentage points and 1.8 percentage points, respectively.
- In terms of results by country, the general trends indicate higher prospects in the western parts and lower prospects in the eastern parts of Europe. However, Serbia and Slovakia performed well bucking such trends, as over 80% of respondents operating in those countries forecast business expansion, the main reasons being "increase of exports" and "increase of local market demand" due to their launching of new production sites, etc.

Future business direction for the Next One to Two Years (by industry)



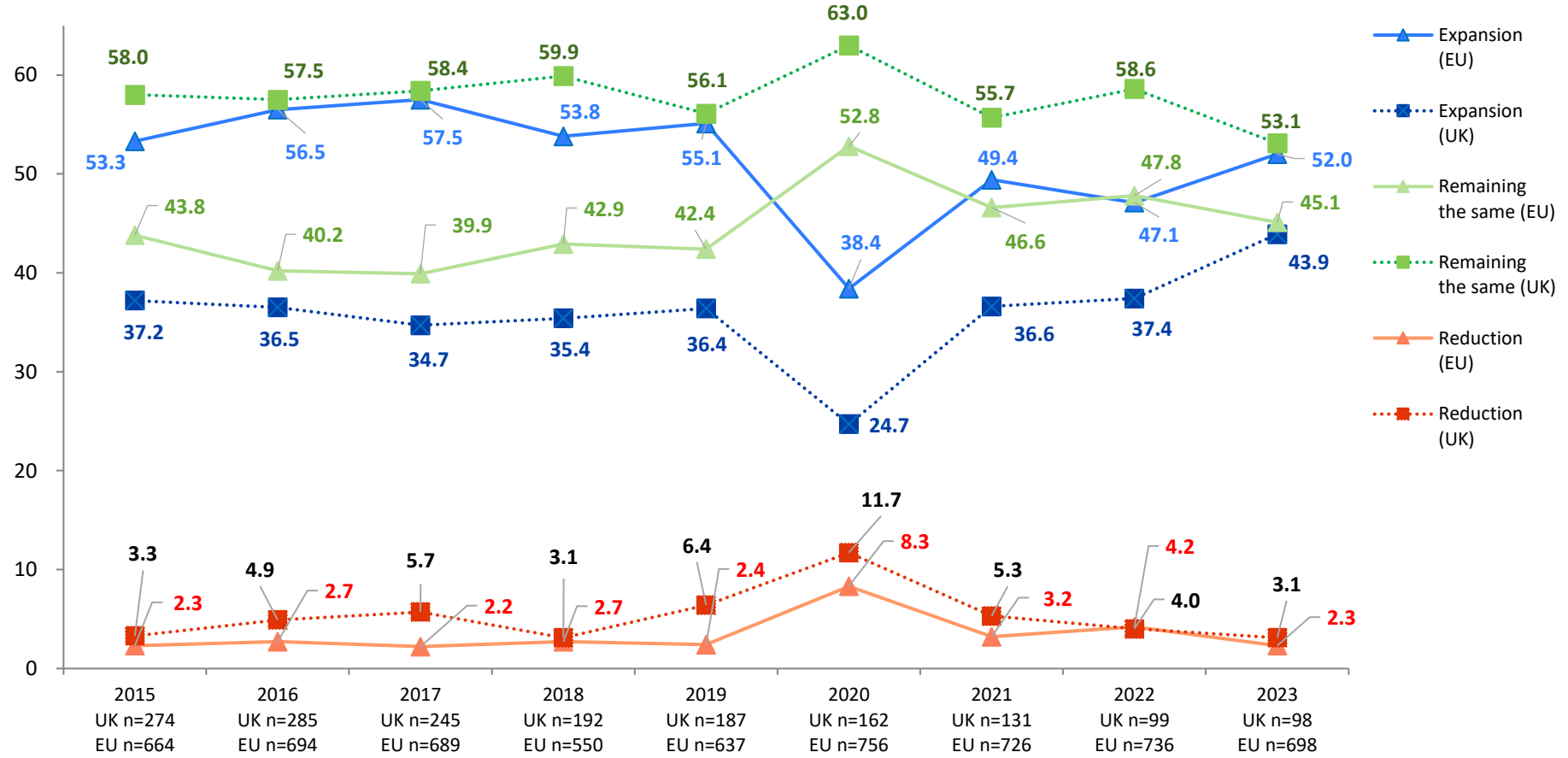
Future business direction for the Next One to Two Years (by country)



2 | Change in future business directions for the next one to two years Companies in the EU expecting business expansion surpass those expecting to remaining the same, for the first time in two years.

- In EU, the ratio of companies that expected business expansion over the next one to two years was 52.0%, supplanting “remaining the same” which was the No. 1 answer in the previous year’s survey. This was mainly attributed to recovering demand, etc. in their local markets.
- Meanwhile in the UK, the ratio of companies forecasting business expansion was 43.9%, as “remaining the same” continue to be the most common answer.

Change in future business directions for the next one to two years (all industries) (Unit: %)



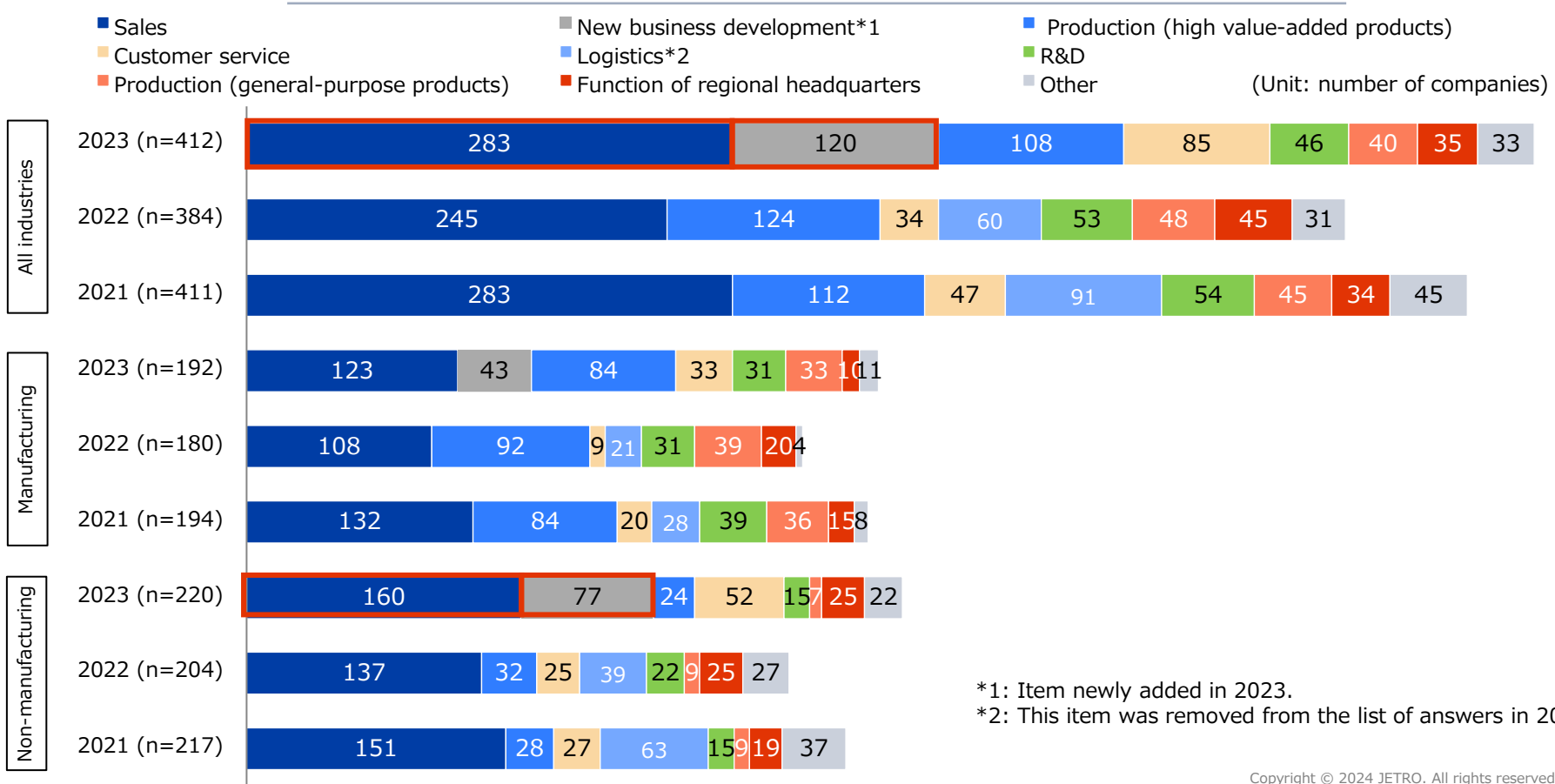
3

Corporate functions planned for expansion (by industry)

The corporate functions that got the highest and second-highest numbers of responses for future expansion are “sales” and “new business development.”

- The companies that had answered they would expand their businesses in the next one to two years were asked which corporate functions they would likely expand. The highest-priority function was “sales” as they expected increased needs of their local markets, which was also the case in the previous year’s survey. In this year’s survey, however, the second-highest-priority function across all industries and in non-manufacturing was “new business development.”
- In terms of the numbers of the respondents by industry that selected “new business development,” 25 trading companies were the highest figure, followed by 17 sales companies.

Corporate functions planned for expansion (multiple answers allowed)



*1: Item newly added in 2023.
 *2: This item was removed from the list of answers in 2023.

4 Corporate functions planned for expansion (by country) "Sales" is the corporate function being planned for expansion by country that got the highest number of responses.

- The top three countries where "sales" was the corporation function being planned for expansion more than the rest were Sweden, Austria, and Germany.
- In terms of the ratio of companies that answered they would expand the function of "new business development," Czechia was the highest in all of Europe, surpassing the Western European countries by significant margins.

Corporate functions planned for expansion (by country; multiple answers allowed)

(Unit: number of companies, %)

Western Europe

| Functions planned for expansion (in order of rankings) | Europe (n=412) | Western Europe (n=354) | Germany (n=136) | UK (n=42) | Netherlands (n=42) | France (n=33) | Belgium (n=21) | Spain (n=13) | Finland (n=13) | Ireland (n=11) | Switzerland (n=11) | Portugal (n=7) | Sweden (n=7) | Austria (n=7) | Denmark (n=5) |
|--|--------------------|------------------------|--------------------|------------|--------------------|---------------|----------------|--------------|----------------|----------------|--------------------|----------------|-------------------|------------------|---------------|
| Sales | 283 68.7 | 252 71.2 | 107 78.7 | 29 69.0 | 28 66.7 | 22 66.7 | 14 66.7 | 9 69.2 | 7 53.8 | 7 63.6 | 5 45.5 | 5 71.4 | 7 100.0 | 6 85.7 | 1 20.0 |
| New business development | 120 29.1 | 101 28.5 | 32 23.5 | 10 23.8 | 13 31.0 | 15 45.5 | 5 23.8 | 4 30.8 | 4 30.8 | 2 18.2 | 4 36.4 | 3 42.9 | 3 42.9 | 3 42.9 | 2 40.0 |
| Production (high value-added products) | 108 26.2 | 87 24.6 | 32 23.5 | 9 21.4 | 6 14.3 | 7 21.2 | 7 33.3 | 4 30.8 | 5 38.5 | 3 27.3 | 3 27.3 | 2 28.6 | 1 14.3 | 1 14.3 | 3 60.0 |
| Customer service | 85 20.6 | 73 20.6 | 24 17.6 | 10 23.8 | 11 26.2 | 8 24.2 | 4 19.0 | 4 30.8 | 2 15.4 | 2 18.2 | 0 0.0 | 2 28.6 | 1 14.3 | 3 42.9 | 1 20.0 |
| Production (general-purpose products) | 40 9.7 | 25 7.1 | 9 6.6 | 5 11.9 | 2 4.8 | 2 6.1 | 1 4.8 | 0 0.0 | 2 15.4 | 1 9.1 | 0 0.0 | 1 14.3 | 1 14.3 | 1 14.3 | 0 0.0 |
| R&D | 46 11.2 | 42 11.9 | 15 11.0 | 3 7.1 | 1 2.4 | 7 21.2 | 4 19.0 | 2 15.4 | 5 38.5 | 0 0.0 | 3 27.3 | 1 14.3 | 0 0.0 | 1 14.3 | 0 0.0 |
| Function of regional headquarters | 35 8.5 | 34 9.6 | 12 8.8 | 4 9.5 | 5 11.9 | 3 9.1 | 2 9.5 | 0 0.0 | 0 0.0 | 2 18.2 | 1 9.1 | 1 14.3 | 1 14.3 | 0 0.0 | 2 40.0 |

Central & Eastern Europe

| Functions planned for expansion (in order of rankings) | Europe (n=412) | Central & Eastern Europe (n=58) | Czechia (n=19) | Hungary (n=11) | Romania (n=9) | Poland (n=7) | Serbia (n=5) |
|--|--------------------|---------------------------------|-------------------|----------------|---------------|--------------|--------------|
| Sales | 283 68.7 | 31 53.4 | 11 57.9 | 3 27.3 | 6 66.7 | 5 71.4 | 2 40.0 |
| New business development | 120 29.1 | 19 32.8 | 10 52.6 | 3 27.3 | 3 33.3 | 0 0.0 | 0 0.0 |
| Production (high value-added products) | 108 26.2 | 21 36.2 | 6 31.6 | 6 54.5 | 2 22.2 | 3 42.9 | 2 40.0 |
| Customer service | 85 20.6 | 12 20.7 | 2 10.5 | 1 9.1 | 3 33.3 | 1 14.3 | 1 20.0 |
| Production (general-purpose products) | 40 9.7 | 15 25.9 | 5 26.3 | 3 27.3 | 1 1.1 | 3 42.9 | 1 20.0 |
| R&D | 46 11.2 | 4 6.9 | 2 10.5 | 1 9.1 | 0 0.0 | 0 0.0 | 1 20.0 |
| Function of regional headquarters | 35 8.5 | 1 1.7 | 0 0.0 | 1 9.1 | 0 0.0 | 0 0.0 | 0 0.0 |

- * The figures in parentheses underneath the countries and regions indicate the number of companies that forecast business expansion over the next one to two years.
- * The figures in the top cells in the rows of corporate functions indicate numbers of companies selecting those functions for planned expansion, among their multiple answers; the figures in the bottom cells indicate their ratios as percentages of [n].
- * The cells highlighted in orange indicate the top three countries in all of Europe.

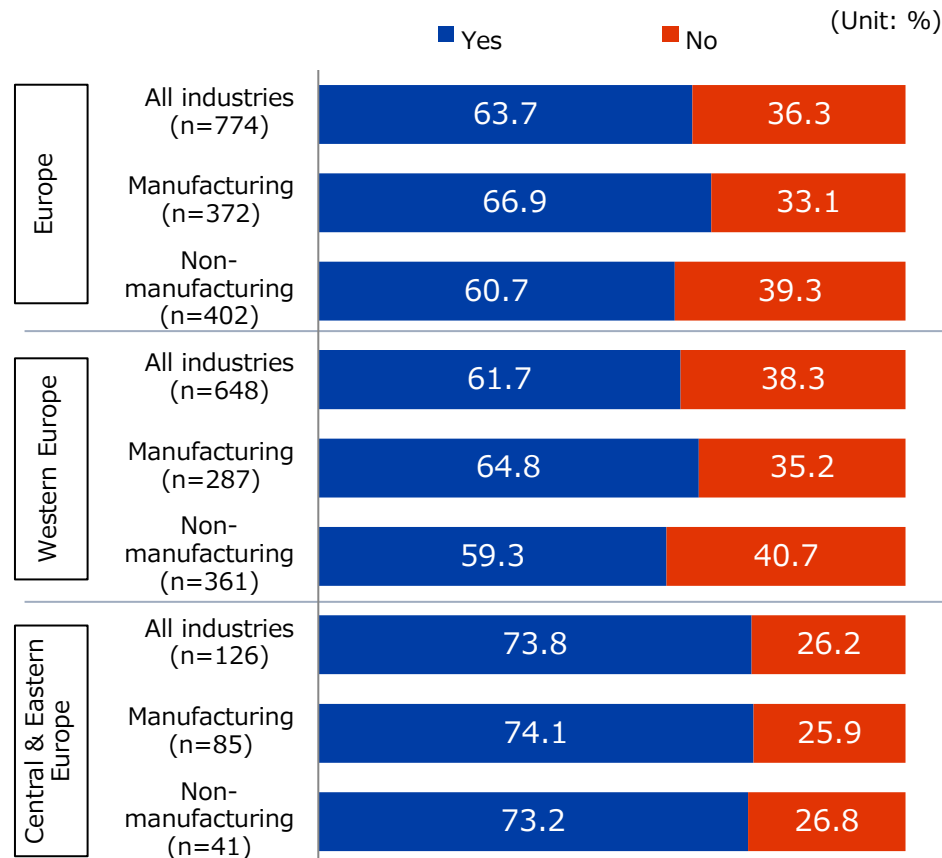
1

Situation of human resource shortages

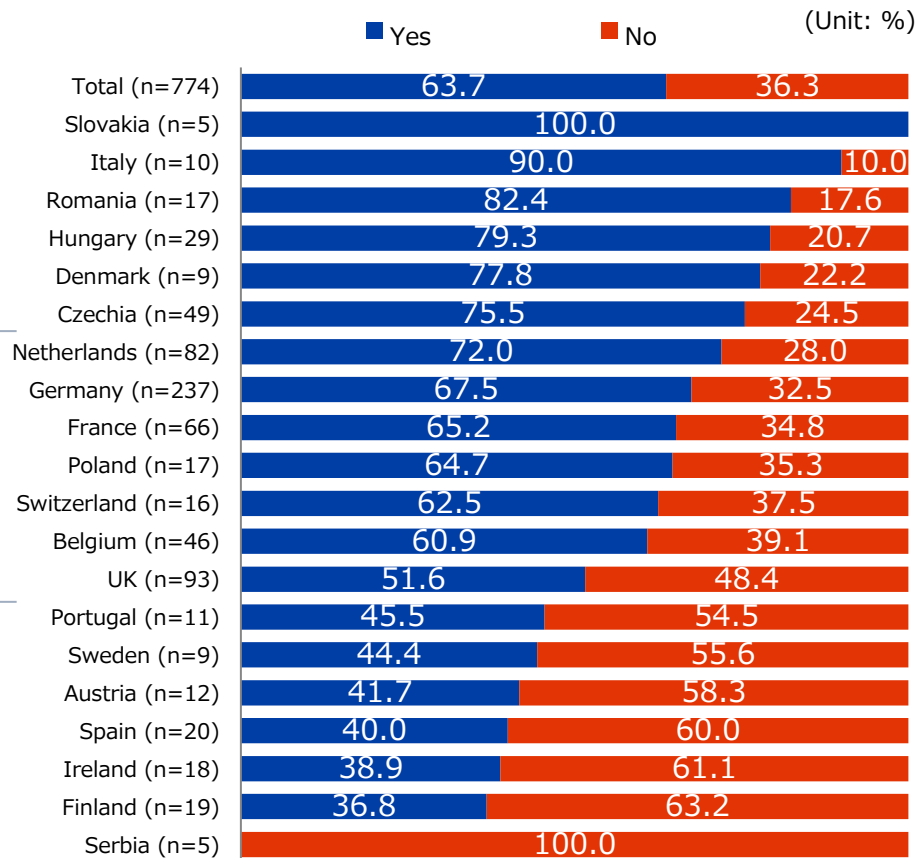
Over 60% of companies face the issue of human resource shortage, which is significantly pronounced in Central and Eastern Europe

- Over 60% of Japanese-affiliated companies reported they were facing the issue of human resource shortage. In terms of industry, 66.9% of manufacturing companies said they were facing the issue, which was higher than the figure for non-manufacturing by 6.2 percentage points. In terms of region, more manufacturing and non-manufacturing companies operating in Central and Eastern Europe reported the existence of this issue than did their counterparts in Western Europe.
- In terms of the countries, over 80% of respondents from Slovakia, Italy, Romania, and Hungary acknowledged they were facing this issue.

Whether human resource shortage is an issue (by industry)



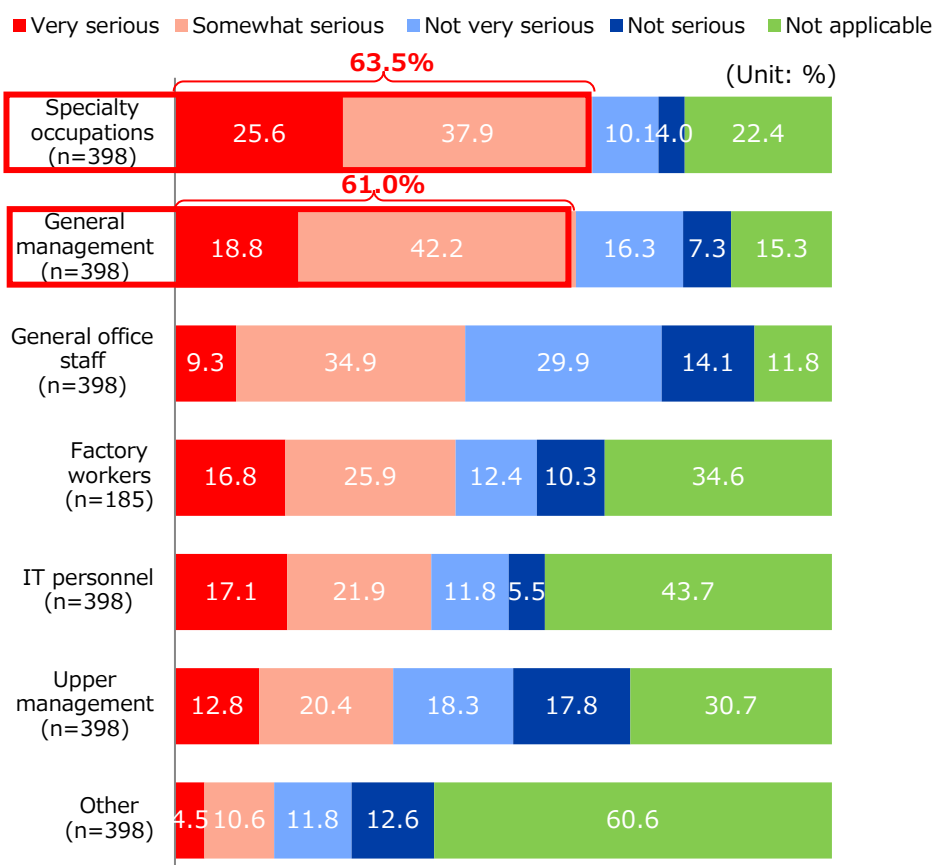
Whether human resource shortage is an issue (by country)



2 | Severity of human resource shortage by job type and specific measures being implemented (Western Europe) Shortage of human resources is quite serious for specialty occupations, but the situation is improved to a degree by wage increase and remote working.

- In terms of job type, many respondents operating in Western Europe reported that human resource shortage was particularly serious for specialty occupations (legal, accounting, engineering, etc.) and general management. The sum of ratios who reported that the issue had been “very serious” or “somewhat serious” in the job types were 63.5% and 61.0%, respectively.
- In terms of specific measures and best practices for improving human resource recruitment and retention, many companies reported that they were taking actions such as base salary increase, inflation bonus disbursement, remote working for workstyle enhancement, etc. with positive results. Meanwhile, some companies reported improved teamwork after abolishing their remote working.

[Western Europe] Severity of human resource shortage (by job type)



[Western Europe] Measures and best practices for human resource recruitment and retention

| Categories | Specific measures and best practices (by industry) |
|-------------------|---|
| Wages | <ul style="list-style-type: none"> • Base pay increase (non-banks, transport activities / logistics / warehouse, etc.). • Inflation bonus disbursement (plastic products, rubber products, communications / IT, etc.). • Implementation and revision of pay raise system (non-banks, precision machines and instruments, etc.). |
| Workstyle options | <ul style="list-style-type: none"> • Implementation of remote working (numerous cases across various industries). • Implementation of flextime (Sales company / sales subsidiary, trading, etc.). |
| Recruitment | <ul style="list-style-type: none"> • Internship program coordination with universities (Sales company / sales subsidiary, precision machines and instruments, etc.). • Implementation of referral-based recruiting program (employee referral) (trading). • Use of staffing agencies (paper / pulp, transport activities / logistics / warehouse, etc.). |
| Employee benefits | <ul style="list-style-type: none"> • Lunch support disbursement, provision of coffee, other beverages, etc. for free (Sales company / sales subsidiary, transportation equipment, medical equipment, etc.). |
| Communication | <ul style="list-style-type: none"> • Hosting of internal events (transportation equipment parts, non-banks, etc.). • Abolishment of remote working (general machinery) |

(Note) The n figures indicate numbers of companies that reported facing the issue of human resource shortage. “Not applicable” indicates instances where there are no such job types (and no plans for creating them in the future). The figures for factory workers only relate to manufacturing.

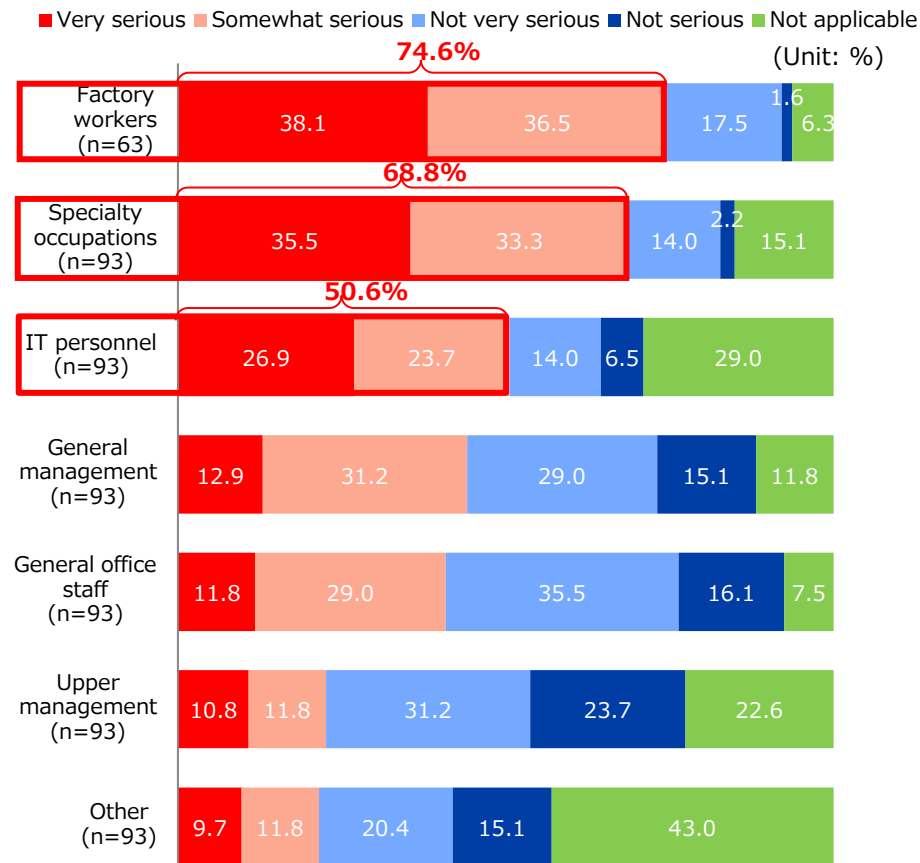
3

Severity of human resource shortage by job type and specific measures being implemented (Central and Eastern Europe)

Shortage of factory workers is a serious issue, as more and more companies are hiring foreign-national employees to address it.

- In terms of job types, the shortages of factory workers and specialty-occupation personnel are quite serious in Central and Eastern Europe, as 74.6% and 68.8% of companies reported the issue to be “very serious” and “somewhat serious,” respectively. The shortage of IT personnel is also quite serious, as over 50% of respondents acknowledged that was the case.
- In terms of specific measures and best practices for human resource recruitment and retention, many companies reported they had increased base salaries, which was also the case in Western Europe. Many of them were utilizing foreign-national employees by recruiting them from other countries and providing OJT in their native languages.

[Central & Eastern Europe] Severity of human resource shortage (by job type)



[Central & Eastern Europe] Measures and best practices for human resource recruitment and retention

| Categories | Specific measures and best practices (by industry) |
|--------------------------------|--|
| Recruitment | <ul style="list-style-type: none"> Recruitment of foreign national employees from other countries (fabricated metal products, construction / plant / engineering, etc.). Implementation of referral-based recruiting program (employee referral) (fabricated metal products, chemical and allied products / petroleum products) Diversification of recruiting channels (medicines, construction / plant / engineering). |
| Wages | <ul style="list-style-type: none"> Base salary increase (transportation equipment / communications / IT, etc.). Advance salary payment program (wholesale, transportation equipment parts). Remuneration program based on the length of service (transport activities / logistics / warehouse, Sales company / sales subsidiary, etc.). |
| Employee benefits | <ul style="list-style-type: none"> Meal aid disbursement (general machinery, chemical and allied products / petroleum products). Provision of medical packages (Sales company / sales subsidiary). |
| Communication | <ul style="list-style-type: none"> Hosting of internal events (chemical and allied products / petroleum products, non-banks, etc.). Proactive communication between management and employees (textile apparel / textile products, communications / IT, etc.). |
| Staff training and development | <ul style="list-style-type: none"> Enhancement of training (general machinery, fabricated metal products, etc.). OJT program for foreign-nationals in their native languages (textile products). |

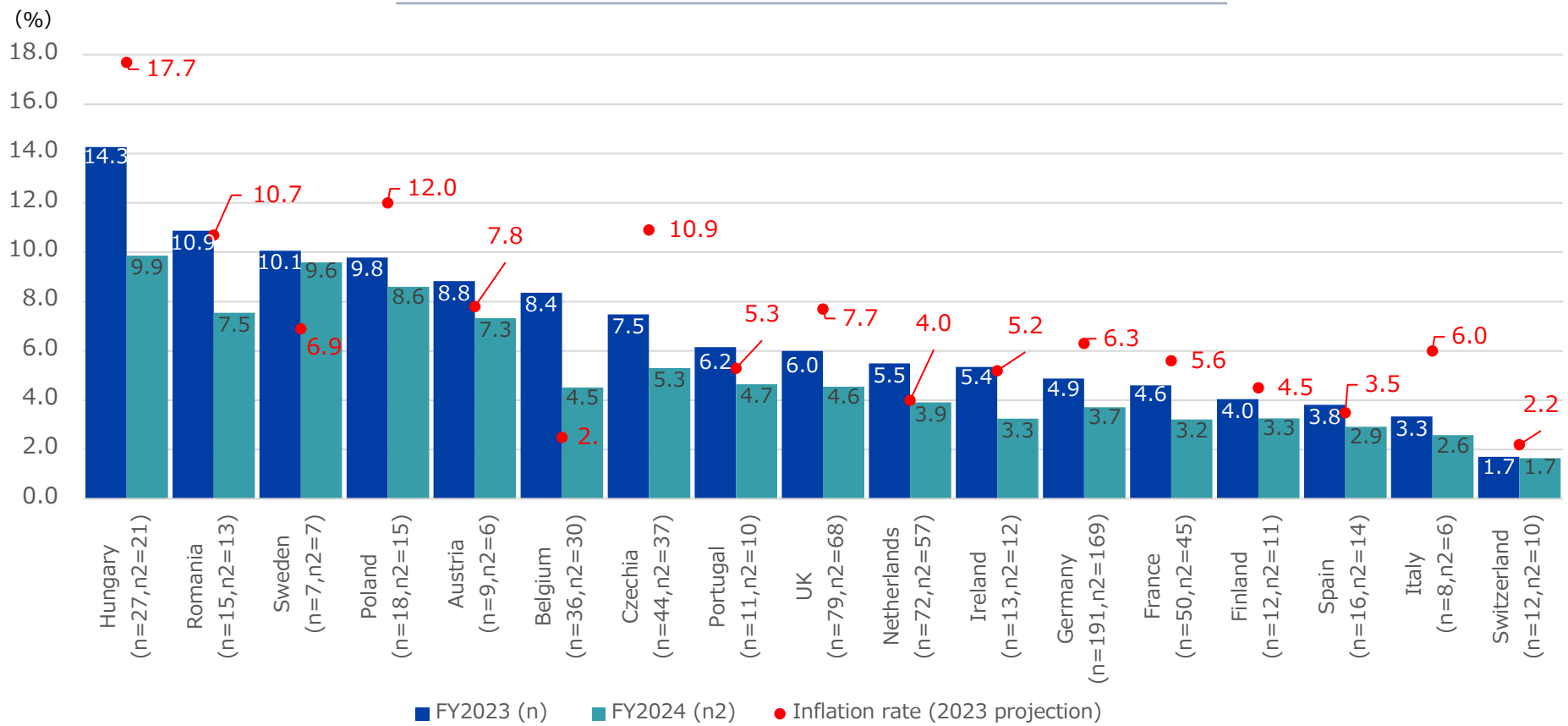
(Note) The n figures indicate numbers of companies that reported facing the issue of human resource shortage. “Not applicable” indicates instances where there are no such job types (and no plans for creating them in the future). The figures for factory workers only relate to manufacturing.

4 Average salary increase rates

The rates of salary increase in more than half of the countries were lower than their inflation rates.

- The base salary increase rates (nominal, average) for FY2023 were 14.3% in Hungary, 10.9% in Romania, and 10.1% in Sweden, which were the top 3. These rates are projected to decrease in the next fiscal year compared to FY2023 in all of the countries surveyed.
- In the majority of the countries, the rates of wage increase were lower than their local inflation rates. In the cases of Hungary and Czechia, the gap was more than 3 percentage points.

Average base salary increase rates (nominal, by country)



(Note) Inflation rates are as of October 2023. Source: IMF (World Economic Outlook, October 2023)

1 | Operational challenges in Europe

The situation in Ukraine and the securing of human resources remain as key operational issues in Europe.

- The most significant operational challenge across Europe continued to be the situation in Ukraine (55.4%) from the previous year. Securing of human resources remained the 2nd-most pressing issue from the previous year, as 55.0% of respondents reported so. Inflation, which was the 4th-most pressing issue the previous year, moved up to the 3rd place (53.4%).
- Rising energy cost, the 3rd-most pressing issue the previous year, dropped to 6th place (43.7%), a YoY decrease of 9.3 percentage points. Transportation costs, which were 5th-ranked the previous year, also dropped to the 7th place (32.0%), a YoY decrease of 15.8 percentage points.

Operational challenges in Europe (multiple answers allowed) (Unit: %, percentage points)

| | 2022 survey (n=779) | 2023 survey (n=749) | YoY change | By industry | | | | | |
|---|------------------------|------------------------|------------|-----------------|-----------------|------------|-------------------|-----------------|------------|
| | | | | Manufacturing | | | Non-manufacturing | | |
| | | | | 2022 (n=366) | 2023 (n=362) | YoY change | 2022 (n=413) | 2023 (n=387) | YoY change |
| 1 Situation in Ukraine | 61.7 | 55.4 | △6.3 | 63.4 | 58.0 | △5.4 | 60.3 | 53.0 | △7.3 |
| 2 Securing human resources | 54.8 | 55.0 | 0.2 | 59.0 | 60.8 | 1.8 | 51.1 | 49.6 | △1.5 |
| 3 Inflation | 49.9 | 53.4 | 3.5 | 50.0 | 55.2 | 5.2 | 49.9 | 51.7 | 1.8 |
| 4 Rapid labour costs growth | 45.8 | 50.3 | 4.5 | 47.0 | 53.6 | 6.6 | 44.8 | 47.3 | 2.5 |
| 5 High labour costs | 38.5 | 44.2 | 5.7 | 36.9 | 45.3 | 8.4 | 40.0 | 43.2 | 3.2 |
| 6 Rising energy costs | 53.0 | 43.7 | △9.3 | 60.1 | 50.8 | △9.3 | 46.7 | 37.0 | △9.7 |
| 7 Transportation costs | 47.8 | 32.0 | △15.8 | 54.9 | 35.6 | △19.3 | 41.4 | 28.7 | △12.7 |
| 8 Fluctuating exchange rate | 33.9 | 31.9 | △2.0 | 35.0 | 32.0 | △3.0 | 32.9 | 31.8 | △1.1 |
| 9 Procurement costs | 37.5 | 31.0 | △6.5 | 49.7 | 45.9 | △3.8 | 26.6 | 17.1 | △9.5 |
| 10 Economic recession, shrinking of markets | 24.0 | 29.2 | 5.2 | 24.3 | 29.3 | 5.0 | 23.7 | 29.2 | 5.5 |
| 11 Quality of workforce | 19.6 | 27.0 | 7.4 | 18.3 | 29.3 | 11.0 | 20.8 | 24.8 | 4.0 |
| 12 Lower prices of products offered by competitors | 21.2 | 26.7 | 5.5 | 23.2 | 31.8 | 8.6 | 19.4 | 22.0 | 2.6 |
| 13 Regulations related to personal data protection (EU GDPR, UK GDPR, Swiss FADP)*1 | 29.3 | 25.6 | △3.7 | 22.4 | 24.3 | 1.9 | 35.4 | 26.9 | △8.5 |
| 14 Strict dismissal laws | 19.5 | 22.6 | 3.1 | 16.7 | 21.3 | 4.6 | 22.0 | 23.8 | 1.8 |
| 15 Delivery dates | 29.1 | 22.2 | △6.9 | 34.2 | 24.9 | △9.3 | 24.7 | 19.6 | △5.1 |

*1: In the 2022 survey, EU GDPR, UK GDPR, and Swiss FADP were indicated as separate choices. Therefore, for the purposes of this table, the responses made specific to EU GDPR were tallied.

While EU GDPR, UK GDPR, and Swiss FADP were all presented as a single choice in the 2023 survey, the results from 2023 and 2022 cannot be compared directly but are provided as reference values.

*2: The figures indicated in red in the orange-highlighted cells are the top three choices for the industrial categories for 2023.

2

Operational challenges in Western Europe

The situation in Ukraine and the securing of human resources are also key operational issues in Western Europe.

- In Western Europe, the most pressing operational challenge continued to be the situation in Ukraine (53.3%) from the previous year; the securing of human resources came in 2nd (52.5%). Rising energy cost, which came in 3rd the previous year, dropped to the 6th place (39.6%), a YoY decrease of 11.3 percentage points.
- While services- and goods-related costs such as transportation costs (30.5%) and procurement costs (28.4%) dropped in rankings, high labour costs (45.7%) and rapid labour costs growth (45.3%) rose in rankings.

Operational challenges in Western Europe (multiple answers allowed)

(Unit: %, percentage points)

| | 2022 survey (n=652) | 2023 survey (n=623) | YoY change | By industry | | | | | |
|--|------------------------|------------------------|---------------|-----------------|-----------------|---------------|-------------------|-----------------|---------------|
| | | | | Manufacturing | | | Non-manufacturing | | |
| | | | | 2022 (n=291) | 2023 (n=277) | YoY change | 2022 (n=361) | 2023 (n=346) | YoY change |
| 1 Situation in Ukraine | 60.7 | 53.3 | △7.4 | 61.2 | 54.9 | △6.3 | 60.4 | 52.0 | △8.4 |
| 2 Securing human resources | 53.4 | 52.5 | △0.9 | 54.6 | 56.3 | 1.7 | 52.4 | 49.4 | △3.0 |
| 3 Inflation | 47.7 | 49.0 | 1.3 | 46.4 | 48.7 | 2.3 | 48.8 | 49.1 | 0.3 |
| 4 High labour costs | 41.9 | 45.7 | 3.8 | 41.9 | 47.7 | 5.8 | 41.8 | 44.2 | 2.4 |
| 5 Rapid labour costs growth | 40.6 | 45.3 | 4.7 | 39.9 | 45.8 | 5.9 | 41.3 | 44.8 | 3.5 |
| 6 Rising energy costs | 50.9 | 39.6 | △11.3 | 56.0 | 45.5 | △10.5 | 46.8 | 35.0 | △11.8 |
| 7 Transportation costs | 47.2 | 30.5 | △16.7 | 53.3 | 33.6 | △19.7 | 42.4 | 28.0 | △14.4 |
| 8 Fluctuating exchange rate | 32.7 | 29.9 | △2.8 | 32.3 | 28.2 | △4.1 | 33.0 | 31.2 | △1.8 |
| 8 Economic recession, shrinking of markets | 24.4 | 29.9 | 5.5 | 24.7 | 30.0 | 5.3 | 24.1 | 29.8 | 5.7 |
| 10 Procurement costs | 34.5 | 28.4 | △6.1 | 46.0 | 43.0 | △3.0 | 25.2 | 16.8 | △8.4 |
| 11 Regulations related to personal data protection (EU GDPR, UK GDPR, Swiss FADP)*1 | 30.2 | 26.3 | △3.9 | 22.7 | 25.3 | 2.6 | 36.3 | 27.2 | △9.1 |
| 12 Lower prices of products offered by competitors | 20.2 | 25.5 | 5.3 | 23.0 | 30.7 | 7.7 | 18.0 | 21.4 | 3.4 |
| 13 Strict dismissal laws | 20.7 | 24.2 | 3.5 | 18.6 | 23.5 | 4.9 | 22.4 | 24.9 | 2.5 |
| 14 Quality of workforce | 17.9 | 23.0 | 5.1 | 15.5 | 23.5 | 8.0 | 19.9 | 22.5 | 2.6 |
| 15 Delivery dates | 27.9 | 20.4 | △7.5 | 33.0 | 22.7 | △10.3 | 23.8 | 18.5 | △5.3 |

*1: In the 2022 survey, EU GDPR, UK GDPR, and Swiss FADP were indicated as separate choices. Therefore, for the purposes of this table, the responses made specific to EU GDPR were tallied.

While EU GDPR, UK GDPR, and Swiss FADP were all presented as a single choice in the 2023 survey, the results from 2023 and 2022 cannot be compared directly but are provided as reference values.

*2: The figures indicated in red in the orange-highlighted cells are the top three choices for the industrial categories for 2023.

3 | Operational challenges in Central and Eastern Europe

Rapid labour costs growth and inflation are key issues in Central and Eastern Europe.

- In Central and Eastern Europe, the situation in Ukraine remained a serious issue (65.9%) with similar figure from the previous year. Other items of high concern from the previous year, such as rapid labour costs growth (75.4%), inflation (75.4%) and securing of human resources (67.5%), rose in perceived importance relative to the rest of the issues.
- Adaption to the Carbon Border Adjustment Mechanism (CBAM), for which the transitional phase began on October 1, 2023, came in 14th (27.0%) making the list of top 15 operational challenges in a sharp rise. 32.9% of respondents in the manufacturing industry reportedly recognized this issue as highly important. Workforce quality, which was ranked 11th in the previous year's survey, rose to the 6th place, as 46.8% of respondents selected it, a YoY increase of 18.5 percentage points.

Operational challenges in Central and Eastern Europe (multiple answers allowed)

(Unit: %, percentage points)

| | 2022 survey (n=127) | 2023 survey (n=126) | YoY change | By industry | | | | | |
|--|------------------------|------------------------|---------------|----------------|----------------|---------------|-------------------|----------------|---------------|
| | | | | Manufacturing | | | Non-manufacturing | | |
| | | | | 2022 (n=75) | 2023 (n=85) | YoY change | 2022 (n=52) | 2023 (n=41) | YoY change |
| 1 Rapid labour costs growth | 72.4 | 75.4 | 3.0 | 74.7 | 78.8 | 4.1 | 69.2 | 68.3 | △0.9 |
| 1 Inflation | 61.4 | 75.4 | 14.0 | 64.0 | 76.5 | 12.5 | 57.7 | 73.2 | 15.5 |
| 3 Securing human resources | 62.2 | 67.5 | 5.3 | 76.0 | 75.3 | △0.7 | 42.3 | 51.2 | 8.9 |
| 4 Situation in Ukraine | 66.9 | 65.9 | △1.0 | 72.0 | 68.2 | △3.8 | 59.6 | 61.0 | 1.4 |
| 5 Rising energy costs | 63.8 | 63.5 | △0.3 | 76.0 | 68.2 | △7.8 | 46.2 | 53.7 | 7.5 |
| 6 Quality of workforce | 28.3 | 46.8 | 18.5 | 29.3 | 48.2 | 18.9 | 26.9 | 43.9 | 17.0 |
| 7 Procurement costs | 52.8 | 43.7 | △9.1 | 64.0 | 55.3 | △8.7 | 36.5 | 19.5 | △17.0 |
| 8 Fluctuating exchange rate | 40.2 | 42.1 | 1.9 | 45.3 | 44.7 | △0.6 | 32.7 | 36.6 | 3.9 |
| 9 Transportation costs | 50.4 | 39.7 | △10.7 | 61.3 | 42.4 | △18.9 | 34.6 | 34.1 | △0.5 |
| 10 High labour costs | 21.3 | 36.5 | 15.2 | 17.3 | 37.6 | 20.3 | 26.9 | 34.1 | 7.2 |
| 11 Visa/work permits | 42.5 | 34.9 | △7.6 | 45.3 | 37.6 | △7.7 | 38.5 | 29.3 | △9.2 |
| 12 Lower prices of products offered by competitors | 26.0 | 32.5 | 6.5 | 24.0 | 35.3 | 11.3 | 28.8 | 26.8 | △2.0 |
| 13 Delivery dates | 35.4 | 31.0 | △4.4 | 38.7 | 31.8 | △6.9 | 30.8 | 29.3 | △1.5 |
| 14 Introduction of the Carbon Border Adjustment Mechanism (CBAM) | 8.7 | 27.0 | 18.3 | 12.0 | 32.9 | 20.9 | 3.8 | 14.6 | 10.8 |
| 15 Economic recession, shrinking of markets | 22.0 | 26.2 | 4.2 | 22.7 | 27.1 | 4.4 | 21.2 | 24.4 | 3.2 |

(Note) The figures indicated in red in the orange-highlighted cells are the top three choices for the industrial categories for 2023.

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4

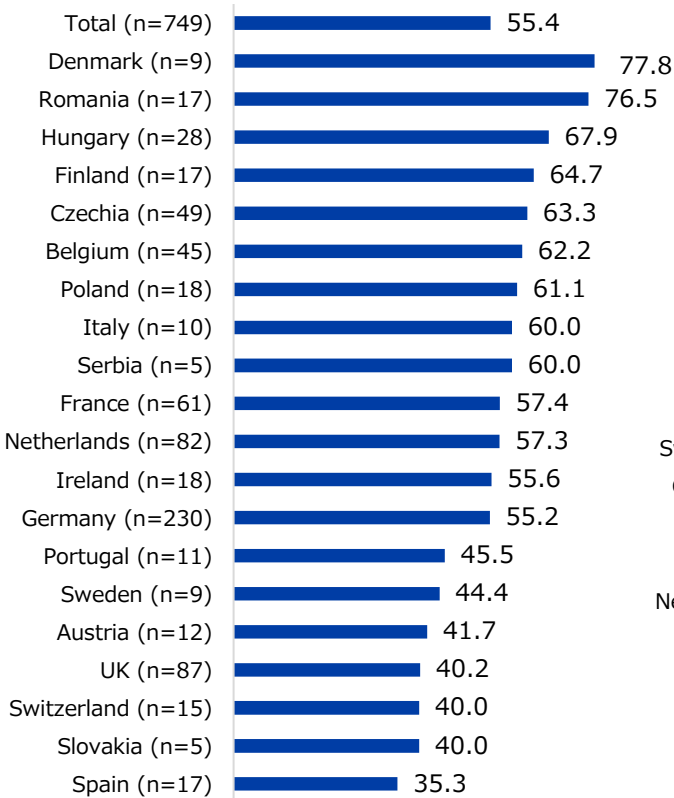
Operational challenges (situation in Ukraine, inflation, and energy costs)

The situation in Ukraine remains a grave issue in the majority of the countries surveyed.

- Across Europe, the situation in Ukraine remained the biggest operational challenge (55.4%). The ratios were particularly high in the Nordic and Central and Eastern European countries that shared borders with Russia and Ukraine. In 13 out of those 20 countries, over 50% of respondents recognized the situation as a major challenge.
- In Hungary, the ratio of respondents (78.6%) identifying inflation as a major challenge was the 2nd highest for all issues listed, and energy cost was more commonly identified as a challenge in the country (67.9%) than elsewhere.

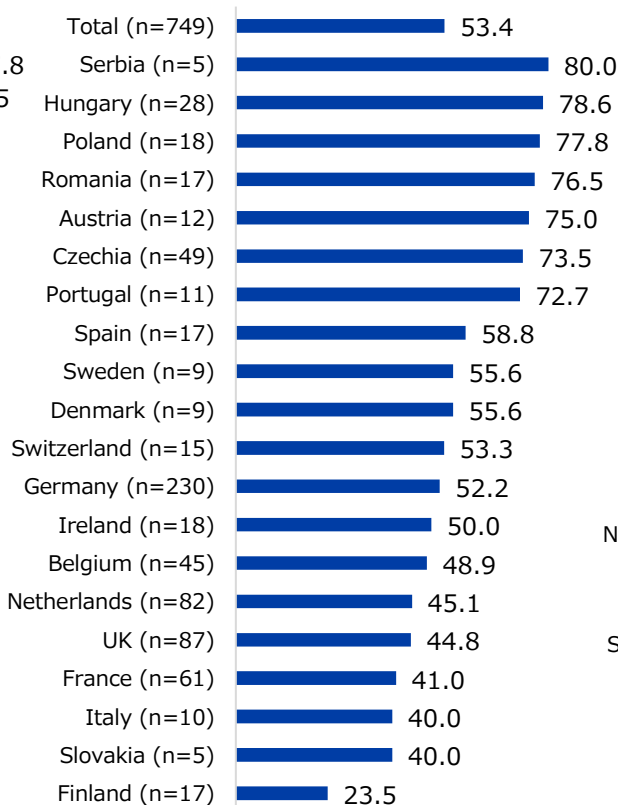
[The situation in Ukraine : Ratios of responses (by country)]

(Unit: %)



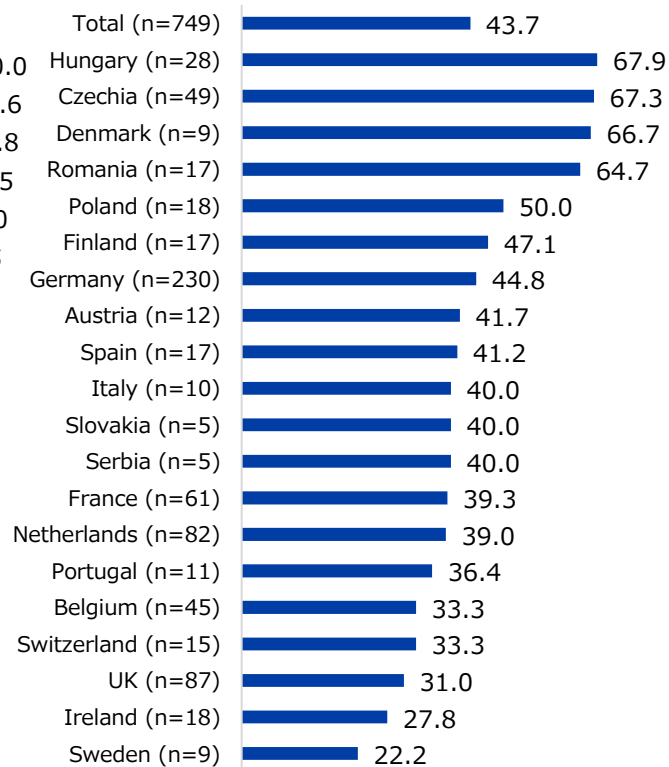
[Inflation: Ratios of responses (by country)]

(Unit: %)



[Energy costs: Ratios of responses (by country)]

(Unit: %)

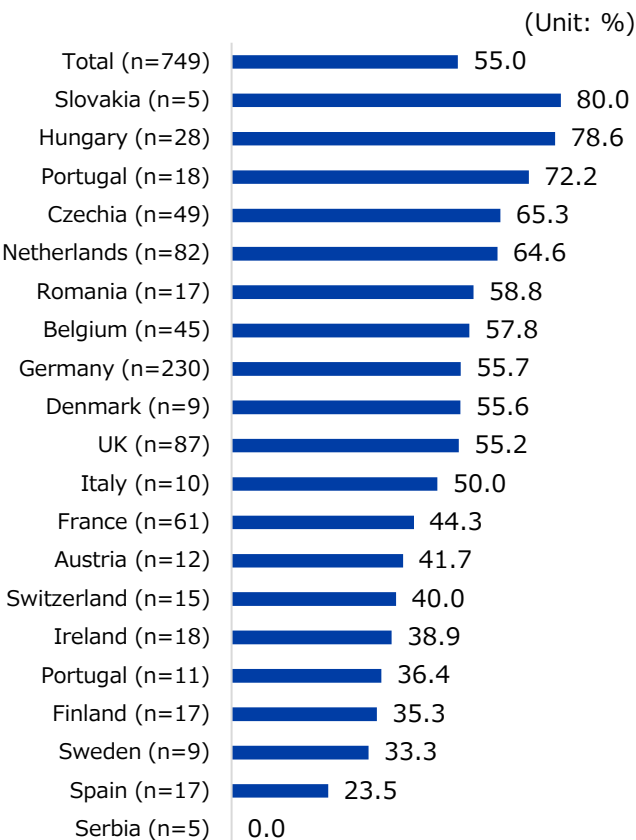


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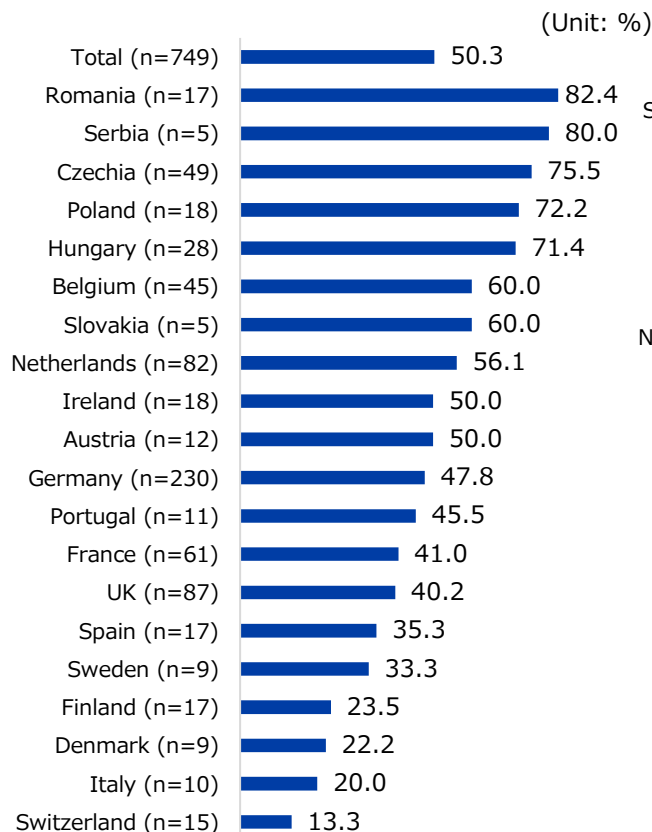
Operational challenges (securing human resources, rapid labour costs growth, high labour costs) Securing of human resources and rapid labour costs growth are crucial issues in Central and Eastern Europe.

- While securing human resources ranked 2nd across Europe (55.0%), the top 4 countries reporting the issue as serious are in Central and Eastern Europe. Likewise, while rapid growth in labour costs ranked 4th for all of Europe (50.3% of respondents), the top 5 countries that recognized the issue were from Central and Eastern Europe.
- While high labour costs are the 5th-most recognized operational challenge in all of Europe (44.2%), all highly ranked countries were from Western Europe except Hungary.

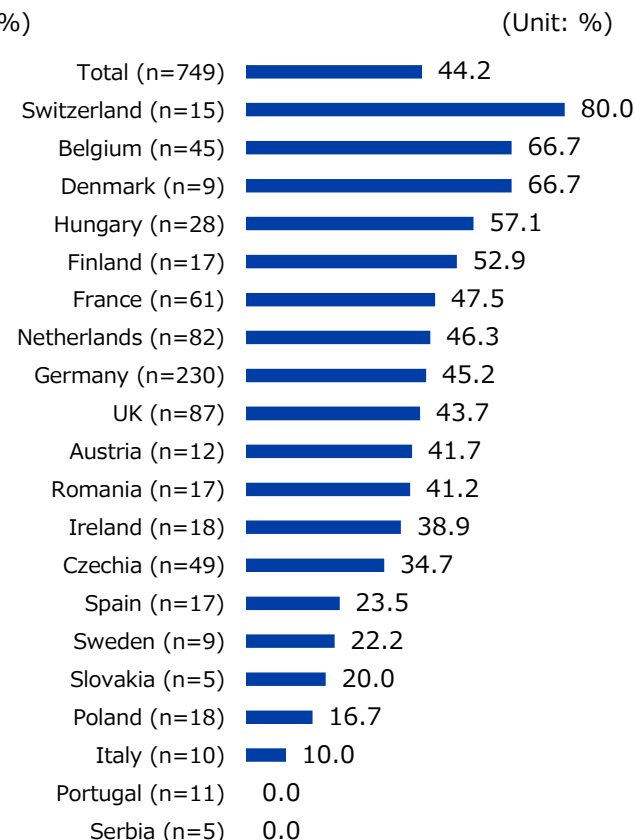
[Securing human resources: Ratios of responses (by country)]



[Rapid labour costs growth: Ratios of responses (by country)]



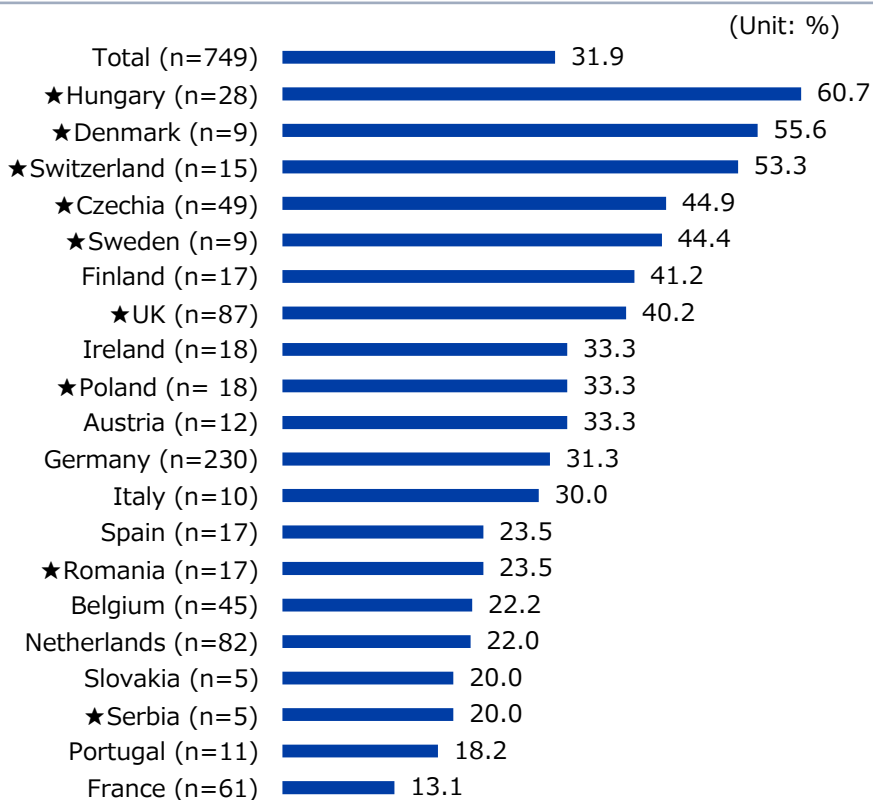
[High labour costs: Ratios of responses (by country)]



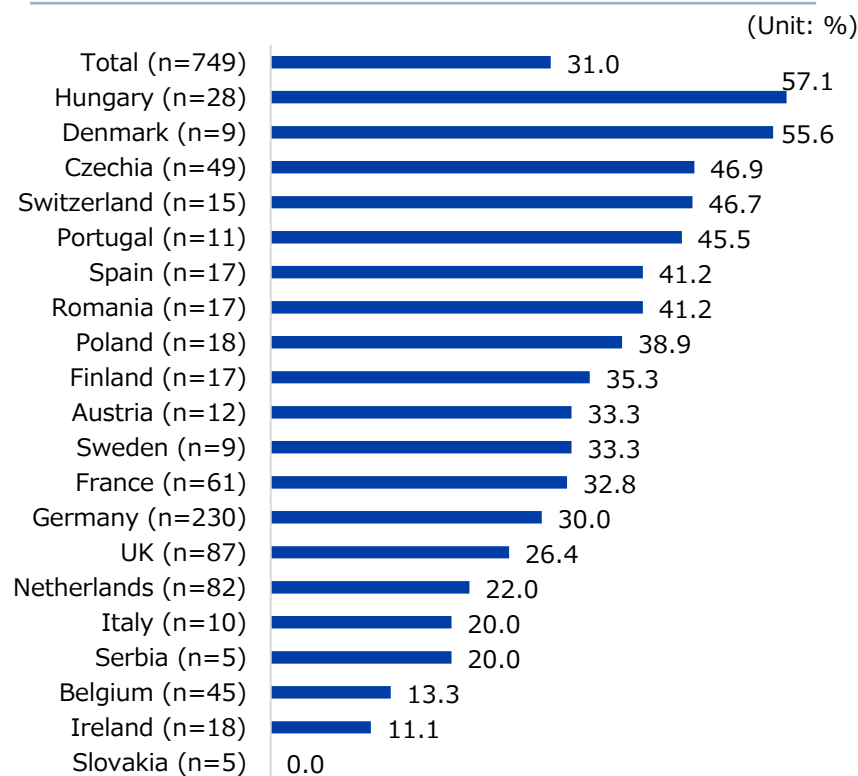
6 | Operational challenges (fluctuating exchange rates, procurement costs) Fluctuating exchange rates are viewed as a challenge in non-Euro-denominated countries.

- While fluctuating exchange rates are reported to be the 8th-most commonly recognized operational challenge in Europe (31.9%), the ratios of responses identifying it as an issue were relatively high in Hungary (60.7%) and in other countries that have not adopted the Euro as their official currency.
- For procurement costs, which ranked 9th for all of Europe (31.0%; a 6.5 percentage point YoY decline), the issue was felt most acutely in Hungary (57.1%; a 12.3 percentage point YoY increase), followed by Denmark (55.6%; a 22.3 percentage point YoY increase). In 2022, the issue was reported by the highest percentage of respondents in Czechia (46.9%); in 2023, the response ratio in the country dropped by 17.5 percentage points. The responses concerning this particular issue varied from countries to countries.

[Fluctuating exchange rates: Ratios of responses (by country)]



[Procurement costs: Ratios of responses (by country)]



(Note) ★ indicates countries that have not adopted the Euro as their official currency.

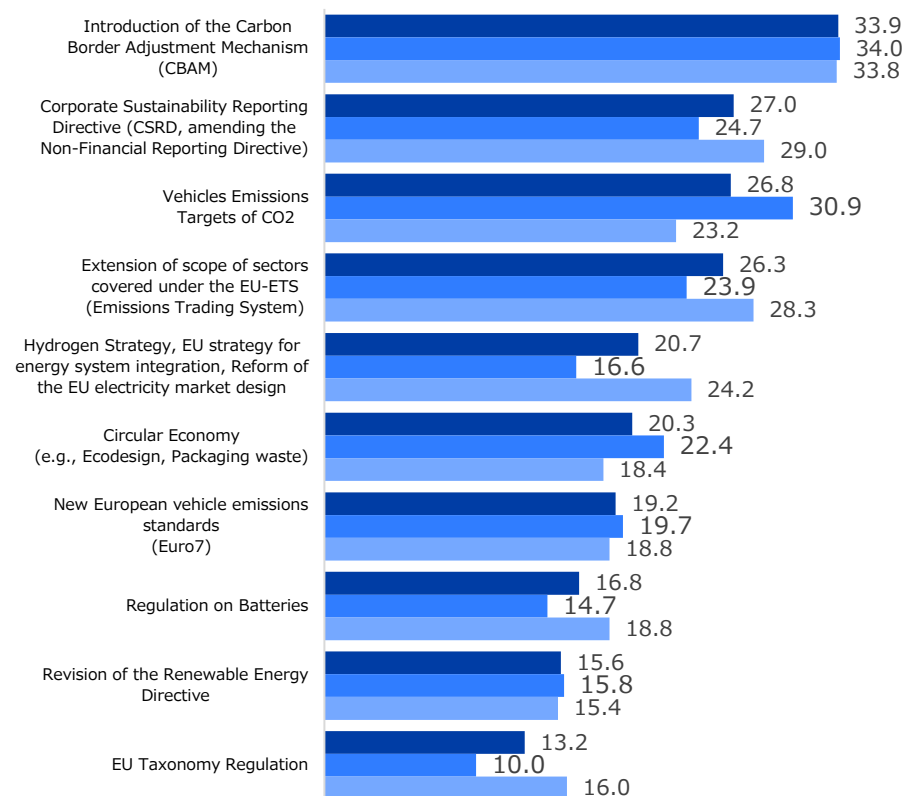
1

EU policies and regulations drawing attention

Carbon Border Adjustment Mechanism (CBAM) is the topic of most concern.

- In terms of the rankings of EU policies and regulations being tracked by Japanese-affiliated companies in Europe, the top 10 were all green- and sustainability-related. In particular, CBAM for which the transitional period began in October 2023 was an issue of concern to 30% of the respondents across all industries.
- In terms of the CO2 emission targets for vehicle, the following were the top 3 concerns: (1) 2035 CO2 emissions target (100 % reduction compared to 2021 levels); (2) treatment of internal-combustion engine vehicles using only e-fuels after 2035; and (3) 2030 CO2 emissions target (55 % reduction compared to 2021 levels).

Top 10 EU policies and regulations being monitored by Japanese-affiliated companies in Europe



■ All industries (n=552) ■ Manufacturing (n=259) ■ Non-manufacturing (n=293)

Numbers/ratios of companies tracking EU policies and regulations by industry (Unit: number and % of companies)

(Unit: number of companies, %)

| 1. CBAM | | | 4. EU ETS | | |
|--------------------------------------|----|------|---|----|------|
| Trading | 32 | 57.1 | Transport activities / logistics / warehouse | 21 | 48.8 |
| Transportation equipment parts | 23 | 47.9 | Trading | 17 | 30.4 |
| Sales company / sales subsidiary | 23 | 26.7 | Sales company / sales subsidiary | 14 | 16.3 |
| 2. CSRD | | | 5. Hydrogen strategy, etc. | | |
| Sales company / sales subsidiary | 23 | 26.7 | Trading | 21 | 37.5 |
| Trading | 18 | 32.1 | Sales company / sales subsidiary | 15 | 17.4 |
| Transportation equipment parts | 12 | 25.0 | Banks | 10 | 62.5 |
| 3. Vehicles Emissions Targets of CO2 | | | 6. Circular economy | | |
| Sales company / sales subsidiary | 29 | 33.7 | Sales company / sales subsidiary | 20 | 23.3 |
| Transportation equipment parts | 25 | 52.1 | Trading | 14 | 25.0 |
| Trading | 12 | 21.4 | Chemical and allied products / petroleum products | 9 | 26.5 |

(Note 1) These industrial rankings have been calculated among items of at least n=10.

(Note 2) The items in blue indicate that at least 50% of the companies were reportedly tracking the policies/regulations.

2

Specific concerns regarding CBAM, CSRD, and vehicle CO2 emission targets

With CBAM, companies are concerned about the potential expansion of product coverage, reporting methods, and increases in product prices.

- CSRD: Most companies had reportedly begun making necessary preparations and discussion in view of the regulation coming into force in FY2024. As with CBAM, certain opinions indicated that it is cumbersome and creating significant burdens in terms of reporting and other obligations.
- Vehicles Emissions Targets of CO2: While many automotive parts manufacturers voiced concerns regarding this topic, most manufacturers of electrical machinery parts and electronic device parts appeared hopeful, which was quite a contrast.

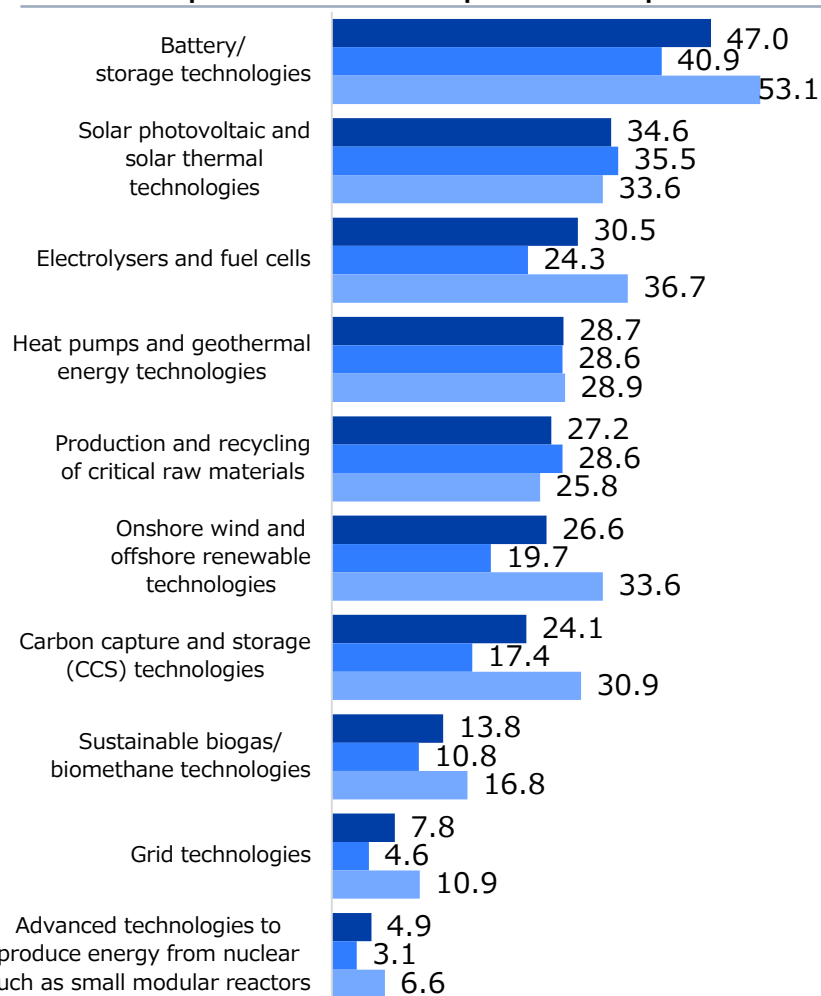
Comments from Japanese-affiliated European companies concerning the top three EU policies and regulations (open-ended question; answers are excerpts.)

| Policies and regulations | Concerns expressed by Japanese-affiliated companies in Europe | Policies and regulations | Concerns expressed by Japanese-affiliated companies in Europe |
|---|--|---|--|
| Carbon Border Adjustment Mechanism (CBAM) | <p>About the potential expansion of product coverage:</p> <ul style="list-style-type: none"> • Concern that the coverage may expand in the future to other products (trading) • Concern about inclusion of polymers in the future (sales company / sales subsidiary) • Concern about the timeline of the coverage expanding to chemical products (chemical and allied products / petroleum products) | Corporate Sustainability Reporting Directive (CSRD) | <p>About making preparations for reporting:</p> <p>Started making necessary preparations for information disclosure (general machinery) Implementation of sustainable operational structures and securement of necessary resources are of concern (transportation equipment parts) Investigation underway to determine the possibility of submitting consolidated reports as corporate groups (electrical machinery / electronic devices) Coordination would be required within corporate groups, including what decisions would be made by the head offices in Japan (sales company / sales subsidiary) Coordination with the UK Sustainability Disclosure Requirements (SDR) must be addressed (transport activities / logistics / warehouse)</p> |
| | <p>About reporting methods:</p> <ul style="list-style-type: none"> • What survey methods may be effective and should be adopted (electrical machinery parts / electronic device parts) • Requirements are excessive in terms of both quality and quantity. The period from publication to enforcement is too short, while the instructions are also too vague (electrical machinery / electronic devices) | | <p>About extra efforts:</p> <p>The scope is too broad and requirements too cumbersome (trading) Companies would end up assuming excessive additional burdens. The question of how third-party approval would be obtained is worrying (chemical and allied products / petroleum products).</p> |
| | <p>About increases in the prices of imports from outside EU:</p> <ul style="list-style-type: none"> • Increases in the prices of raw materials (rubber products) • Passing on to product prices which could affect competitiveness (transportation equipment parts) | Vehicles CO2 emission targets | <p>Other issues:</p> <p>Specific examples of deliverables, how other companies may adapt (non-banks)</p> |
| <p>Other issues:</p> <ul style="list-style-type: none"> • Meeting the requirements for the entire supply chains would be a challenge (transportation equipment parts) • It may be necessary to procure materials and produce products within Europe (electrical machinery parts / electronic device parts) • Relations with UK customers (transportation equipment parts) • Whether suppliers based in China and other countries in Asia could adapt to the changes (transportation equipment parts) • What sorts of regulations and management structures would be enforced (trading) • Fee-charging methods (transport activities / logistics / warehouse) | <p>Potential negative impacts:</p> <p>Impact on product development (transportation equipment parts) It is unclear how customers would adapt in the future, making it difficult to formulate medium- to long-term plans (transportation equipment parts).</p> | | |
| | | | <p>Expectations:</p> <p>A shift to EVs would be a welcome trend (electrical machinery parts / electronic device parts).</p> |

3 Net-zero emission technologies as promising business opportunities Battery and energy storage technologies gathering much attention from wide-ranging industries

- Most commonly identified technologies involved renewable energy, such as solar energy, thermal energy, geothermal energy, and onshore/offshore wind energy.
- Many sales companies and trading companies expressed keen interest in net-zero emission technologies in general.

Net-zero emission technologies drawing attention from Japanese-affiliated companies in Europe



Numbers/ratios of companies tracking net-zero emission technologies, by industry

(Unit: number of companies, %)

| 1. Battery/storage technologies | | | 4. Heat pumps and geothermal energy technologies | | |
|--|----|------|---|----|------|
| Sales company / sales subsidiary | 39 | 48.8 | Trading | 26 | 42.6 |
| Trading | 38 | 62.3 | General machinery | 16 | 53.3 |
| Chemical and allied products / petroleum products | 24 | 72.7 | Sales company / sales subsidiary | 16 | 20.0 |
| Transport activities / logistics / warehouse | 20 | 58.8 | Transport activities / logistics / warehouse | 9 | 26.5 |
| Transportation equipment parts | 18 | 45.0 | Transportation equipment parts | 9 | 22.5 |
| 2. Solar photovoltaic and solar thermal technologies | | | 5. Production and recycling of critical raw materials | | |
| Sales company / sales subsidiary | 22 | 27.5 | Sales company / sales subsidiary | 23 | 28.8 |
| Trading | 19 | 31.1 | Trading | 21 | 34.4 |
| Transportation equipment parts | 15 | 37.5 | Chemical and allied products / petroleum products | 9 | 27.3 |
| Electrical machinery parts / electronic device parts | 11 | 64.7 | Transportation equipment parts | 9 | 22.5 |
| Transport activities / logistics / warehouse | 11 | 32.4 | Food / processed food, agricultural or fishery products | 7 | 53.8 |
| 3. Electrolysers and fuel cells | | | 6. Onshore wind and offshore renewable technologies | | |
| Trading | 26 | 42.6 | Trading | 22 | 36.1 |
| Sales company / sales subsidiary | 24 | 30.0 | Sales company / sales subsidiary | 13 | 16.3 |
| Transport activities / logistics / warehouse | 14 | 41.2 | Transport activities / logistics / warehouse | 11 | 32.4 |
| Banks | 9 | 64.3 | Banks | 10 | 71.4 |
| Electrical machinery / electronic devices | 8 | 50.0 | General machinery | 10 | 33.3 |

(Note 1) These industrial rankings have been calculated among items of at least n=10.
 (Note 2) The items in blue indicate that at least 50% of the companies were reportedly tracking the technologies.

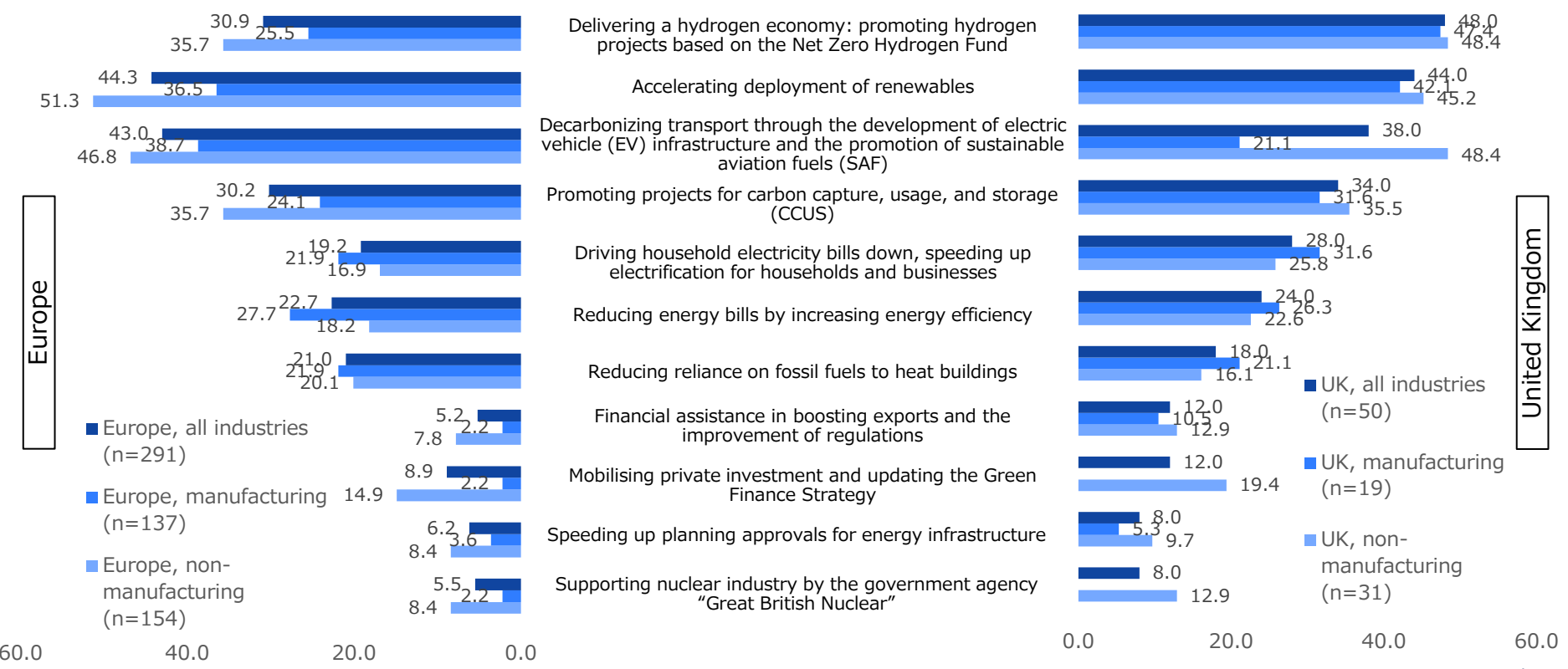
4

Notable policies under the UK's Powering up Britain campaign

Many Japanese-affiliated companies in Europe—especially non-manufacturing companies—are keenly interested in accelerating renewable energy implementation.

- When asked which policies were of most interest under the UK's "Powering up Britain" which was announced in March 2023 for developing and expanding the green industries, the Japanese-affiliated companies in the UK expressed their highest interest in "delivering a hydrogen economy" (48.0%) across all the industries.
- When considering the responses of Japanese-affiliated companies from all of Europe, the high interest shown by non-manufacturing companies in "accelerating deployment of renewables" (51.3%) was remarkable. The percentage of manufacturing companies across all Europe interested in the "development of the electric vehicle (EV) infrastructure" (38.7%) was nearly twice the percentage of manufacturing companies based in the UK that expressed the same interest (21.1%).

UK's Powering up Britain policies gathering the attention of Japanese-affiliated companies in Europe (left) and in the UK (right)



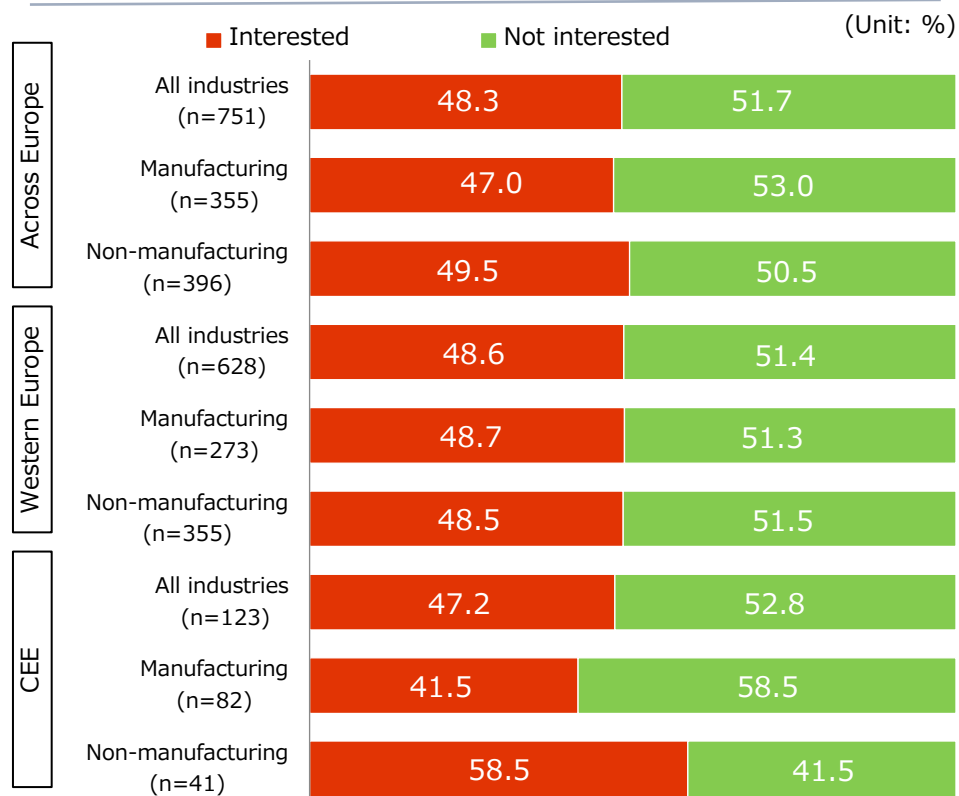
1

Companies' interest in providing reconstruction assistance and doing business in Ukraine

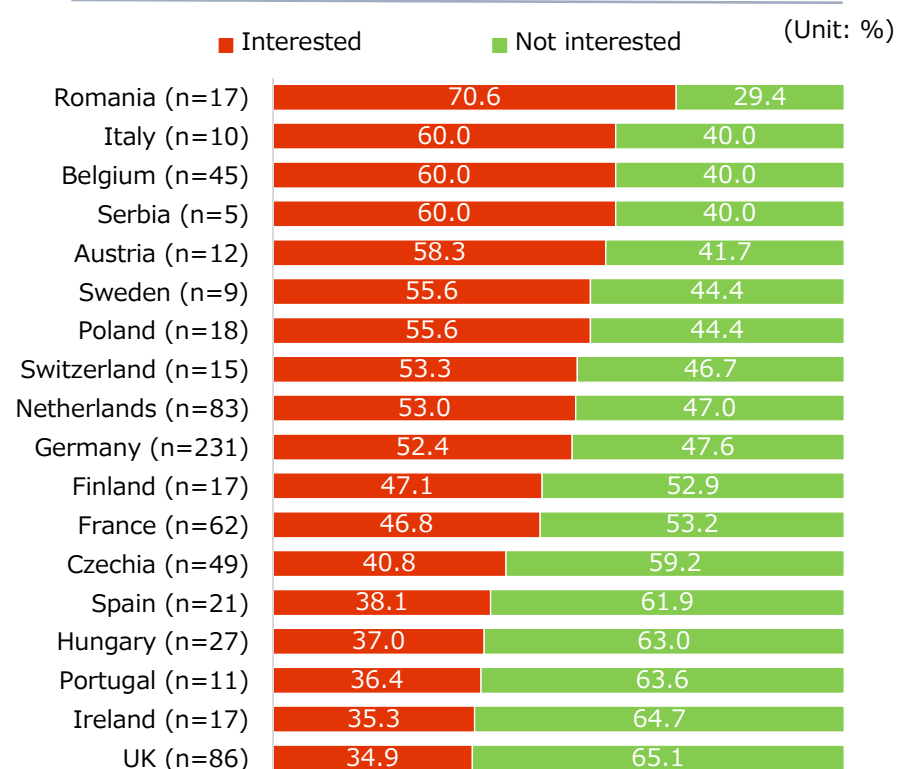
Nearly 50% of companies interested in supporting Ukraine's reconstruction efforts.

- 48.3% of companies expressed interest in supporting Ukraine's reconstruction and undertaking business in the country. This trend was especially pronounced among non-manufacturing companies operating in Central and Eastern Europe (58.5%). All of the 8 companies under the category of "transport activities / logistics / warehouse" in Central and Eastern Europe expressed such interest, indicating that it is a major concern in the industry. Romania ranked first, in terms of the highest ratio of companies who expressed such interest (70.6%).
- In manufacturing, the industrial categories indicating the highest levels of interest were plastic products (70.0%), rubber products (66.7%), and electrical machinery / electronic devices (60.0%). In non-manufacturing, they were construction / plant / engineering (70.0%), transport activities / logistics / warehouse (61.7%), banks (61.1%), etc.

Interest in providing reconstruction assistance and doing business in Ukraine (by industry / region)



Interest in providing reconstruction assistance and doing business in Ukraine (by country)



2

Areas of interest in providing reconstruction assistance and doing business in Ukraine

Infrastructure-related areas drew the most interest. Expectations also loom for resuming business operations in the country.

- As for the specific areas of interest in supporting Ukraine's reconstruction and undertaking business, many companies were keen on infrastructure-related assistance, such as the reconstruction of roads and logistical networks, residences, and other buildings. Other commonly reported intents include the restoration of existing commercial channels, provision of support to local sales agencies, and resumption of own business operations.
- Companies were apparently aiming to provide assistance through a multi-faceted approach, leveraging their areas of specialty, which would be to supply various types of parts for construction machinery and machining apparatuses in manufacturing, or to lend assistance in financing, insurance, etc. in service, and also energy procurement, waste disposal, etc.

Areas of interest in providing reconstruction assistance and doing business in Ukraine

(Total number of respondents: 194 companies)

| Areas of interest | No. of responses | Areas of interest | No. of responses |
|---|------------------|---|------------------|
| Infrastructure in general | 28 | Overall reconstruction assistance | 13 |
| Trading / sales | 27 | Motor vehicles / transportation equipment | 10 |
| Roads / logistics | 25 | IT / software / communications | 9 |
| Services | 21 | Food / agriculture | 9 |
| Residential houses / buildings / construction | 19 | Medical / livelihood support | 8 |
| Construction machinery / power tools | 15 | Energy | 8 |
| Manufacturing in general | 14 | Other | 11 |

(Note) Answers to the open-ended question were classified into the most suitable categories. In each instance in which a company provided answers falling into different categories, they were counted as multiple answers.

Areas of interest in providing reconstruction assistance and doing business in Ukraine (individual answers)

| Areas of interest | Individual answers (country, industrial category) |
|---|---|
| Infrastructure / roads / logistics | <ul style="list-style-type: none"> Various types of investments and expansion of own business operations related to the rebuilding of infrastructure for the country's recovery (Belgium, transportation equipment parts) Construction of logistical networks between Eurasia and Europe by applying railway networks through Ukraine(UK, transport activities / logistics / warehouse) |
| Trading / sales | <ul style="list-style-type: none"> Restoration of existing commercial operations that had been disrupted by the conflict (Germany, general machinery) Support for own sales agencies to resume normal business activities (Netherlands, transportation equipment) Extending help to apparel manufacturers in Ukraine that may be experiencing difficulty procuring materials (Italy, textile products) |
| Services | <ul style="list-style-type: none"> Provision of loans and currency exchange service to exporters and infrastructure-building companies (France, banks) Waste disposal (Germany, construction / plant / engineering) Provision of various types of insurance to reconstruction-supporting projects (Belgium, non-banks) |
| Residential houses / buildings / construction | <ul style="list-style-type: none"> Reconstruction of residential housing (Sweden, lumber / wood products) Sharing of residences with Ukrainian evacuees, supplying of residential houses in post-war construction projects (Netherlands, holding / managing company / regional headquarters) |
| Other areas | <ul style="list-style-type: none"> Automobiles, automotive parts, and related supply chains (Czechia, textile products) Agriculture, especially the transport of grains from Ukraine (Romania, sales company) Support in the form of parts supplies for construction machinery, etc. that are necessary for the country's reconstruction efforts (Poland, rubber products) Energy procurement, decarbonization, etc. (Poland, transportation equipment parts) |

(Note) Answers to the open-ended question were classified into the most suitable categories. Some answers are excerpts.

3

Issues potentially affecting reconstruction assistance and business activity in Ukraine

The biggest issue is lack of information. Safety and risk management also posed concerns.

- In terms of issues and bottlenecks in providing reconstruction assistance and doing business in Ukraine, the ones most often expressed were the current situation in the country, including safety concerns, and the lack of information that would be essential when examining the feasibility of providing assistance and undertaking business there. Some respondents said the safety risks would need to improve for them to provide reconstruction assistance; others were apparently worried that their products may be repurposed for military applications.
- While two sides being inseparable with some of the areas of interest presented, many respondents believed that Ukraine's impaired infrastructure and logistical capabilities were the very issues and bottlenecks that would impede their business activities in the country. As the situation drags on, it is becoming increasingly clear that providing support to the Ukrainians working outside the country is quite a challenge.

Issues, bottlenecks, and requests in providing reconstruction assistance and doing business in Ukraine

(Total number of respondents: 101 companies)

| Issues | No. of responses | Individual answers (country, industrial category) |
|--|------------------|--|
| Information | 33 | <ul style="list-style-type: none"> • Difficult to assess the actual situation in Ukraine, Russia's invasion still continuing (Germany, sales company / sales subsidiary) • Sharing of information with Japanese nationals and companies in the reconstruction phase (UK, communications / IT / software, etc.) • Information on companies doing business and investments being made in Ukraine (Czechia, transport activities / logistics / warehouse) • Lack of information (Switzerland, consulting) |
| Safety, risk management | 25 | <ul style="list-style-type: none"> • Unable to enter into Ukraine. Reconstruction support is difficult unless the risk of Russian attacks is eliminated (France, trading company) • Must be certain that the final uses of own products won't be military applications in the war (Switzerland, rubber products) • Assurance of safety, removal of landmines and explosives (Hungary, construction / plant / engineering) |
| Infrastructure, logistics | 16 | <ul style="list-style-type: none"> • Customs system-related issues. Difficulty in telecommunication (Poland, transport activities / logistics / warehouse) • Uncertainty about stable product supply from Ukrainian companies and the reliability of local logistics (UK, trading) • Reorganization of local entities, securing of logistical networks, restoration of electricity and other infrastructure (Germany, electrical machinery / electronic devices) |
| Financial resources, payment collection, insurance | 15 | <ul style="list-style-type: none"> • Inability to obtain cargo insurance (Poland, transport activities / logistics / warehouse) • Collection of payments (Belgium, transport activities / logistics / warehouse) |
| Human resources, entry into, and departure from, the country | 9 | <ul style="list-style-type: none"> • How to continuously support Ukrainians that had evacuated the country in terms of employment environments and social security programs (Poland, transportation equipment parts) • Easing of visa issuance requirements, etc. to allow to hire Ukrainian nationals as workforces (Germany, communications / IT / software, etc.) |
| No particular issues | 8 | <ul style="list-style-type: none"> • Continuously doing business in Ukraine by switching routes from Russia to Germany (Germany, sales company / sales subsidiary) |
| Government, systems, and programs | 7 | <ul style="list-style-type: none"> • Need to see improvements in the country's legal system and business environment (Germany, sales company / sales subsidiary) • Lack of transparency in the country's market (corruption, etc.) (Netherlands, holding / managing company / regional headquarters) |
| Undecided | 5 | <ul style="list-style-type: none"> • Not yet in the phase to consider the possibility (Finland, general machinery) • Unclear at this time (Sweden, iron / steel) |

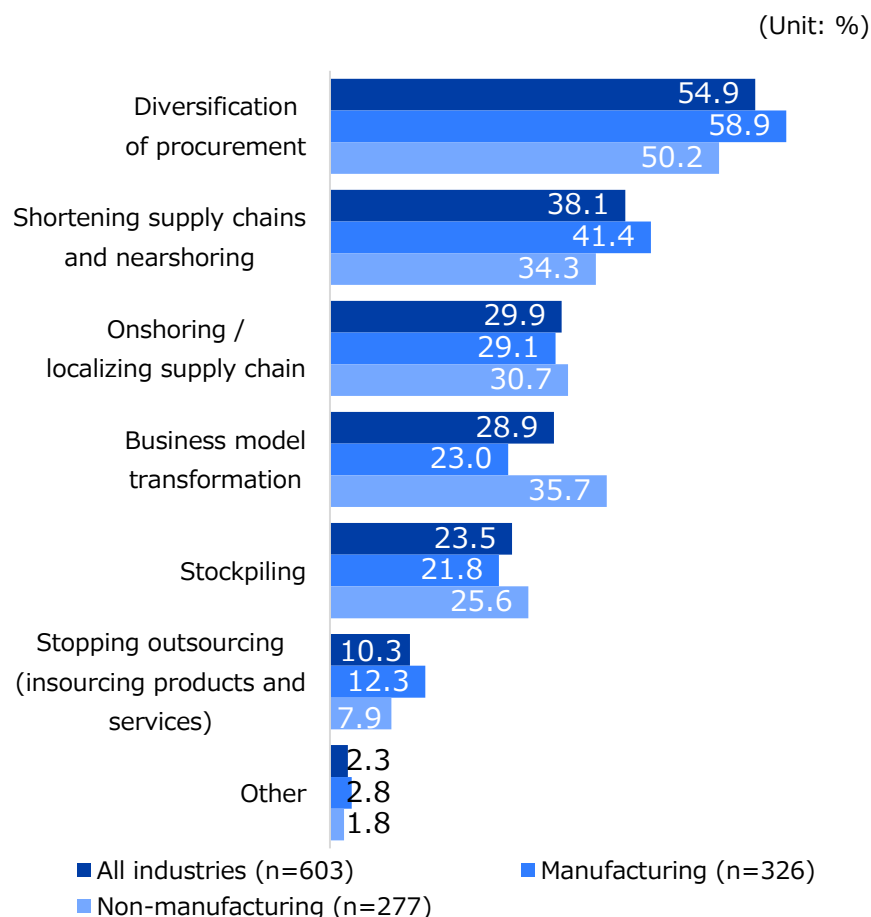
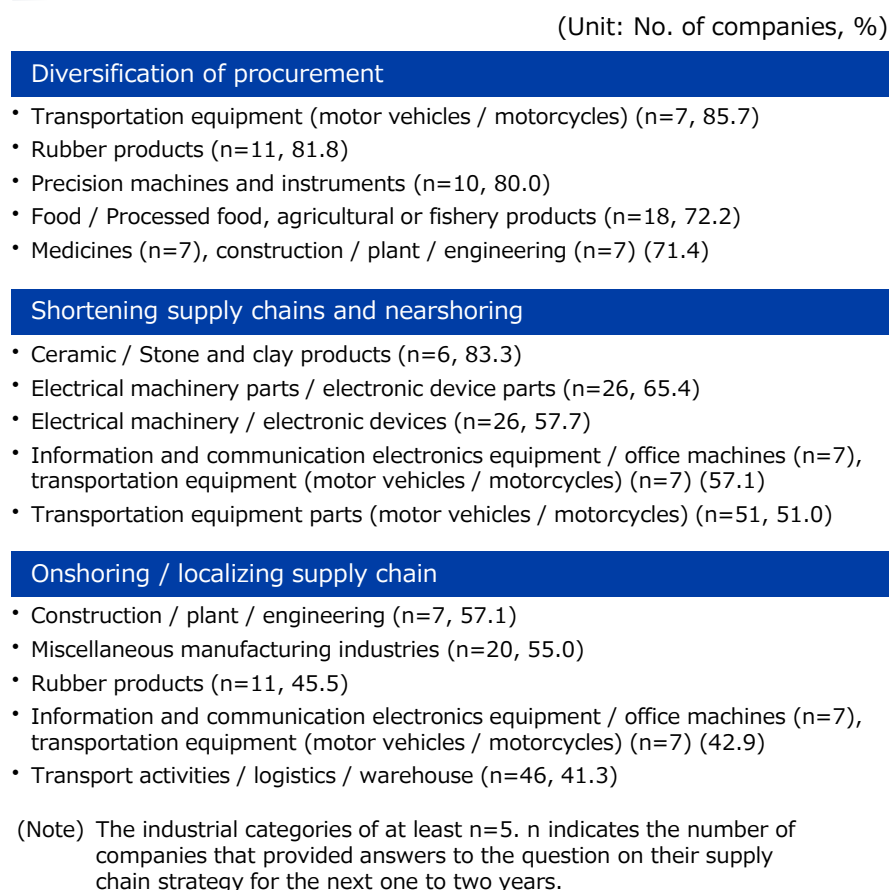
(Note) Answers to the open-ended question were classified into the most suitable categories. In each instance in which a company provided answers falling into different categories, they were counted as multiple answers.

1

Supply chain strategy for the next 1 to 2 years

Diversification and shortening of supply chains are remarkably common.

- In terms of supply chain strategy for the next 1 to 2 years, 54.9% of companies selected “diversification of procurement” across all industries. 58.9% of companies in manufacturing made the selection.
- Also in manufacturing sector, many companies were exploring the possibility of “diversification of procurement” as well as “shortening supply chains and nearshoring.”

Supply chain strategy for the next 1 to 2 years
(by industry, multiple answers allowed)Industries selecting top 3 strategies
in the figure on the left

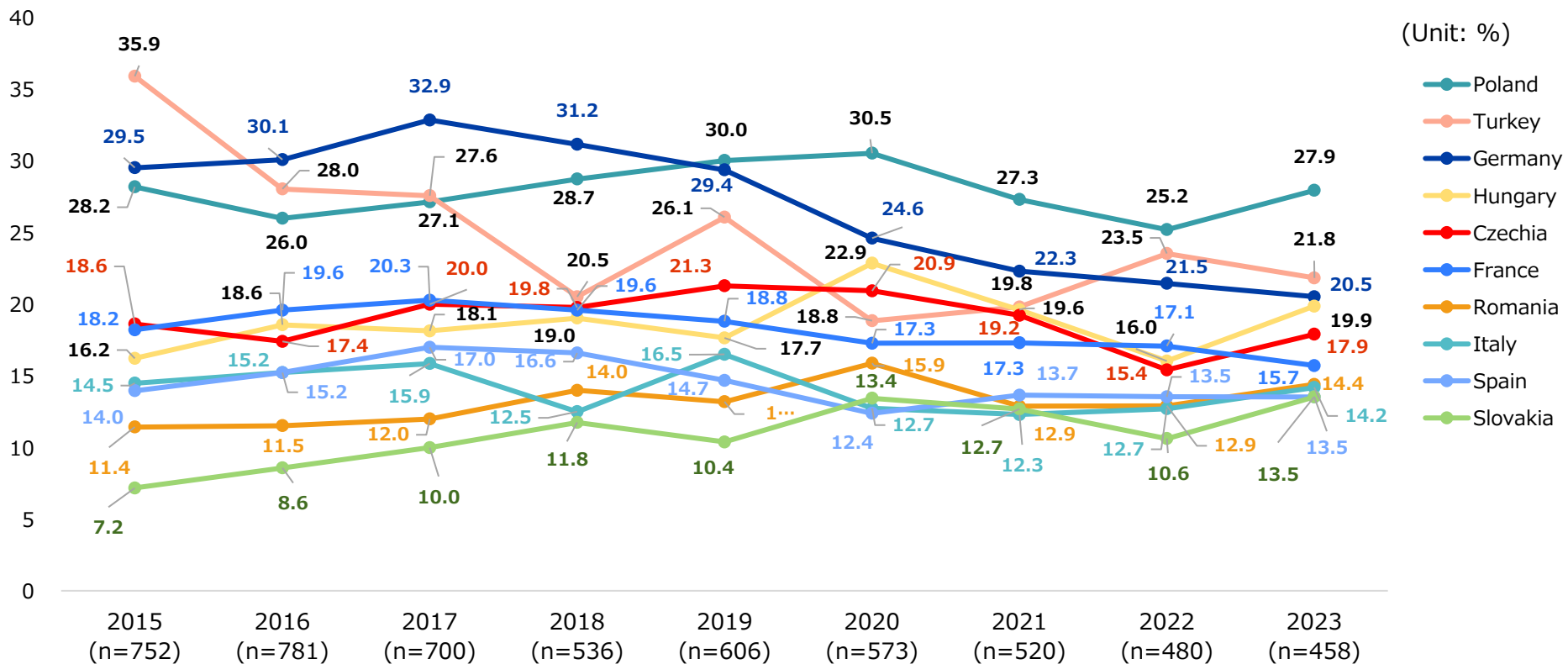
2

Changes in future sales destinations

5 Central and Eastern European countries make Top 10 as promising future sales destinations.

- Poland ranked at No.1, 5 years in a row. Slovakia was ranked 9th, tying Spain, making a return to Top 10 after 2 years. The UK, which was ranked 10th last year but dropped to 12th. Other countries from Central and Eastern Europe that made Top 10 besides Poland include Hungary (fourth), Czechia (5th), Romania (7th), and Slovakia (9th).
- The number of companies that selected Ukraine, which had remarkably declined in the previous year's survey, was 43 for this year, accounting for 9.4% of all companies (19 companies (4.0%) a year ago; 31 companies (6.0%) two years ago). Many companies that selected Ukraine did so out of expectation for increased demands related to reconstruction efforts, post-war market activities, etc.

Changes in future sales destinations (Top 10 countries from the 2023 survey) <Multiple answers allowed>



3

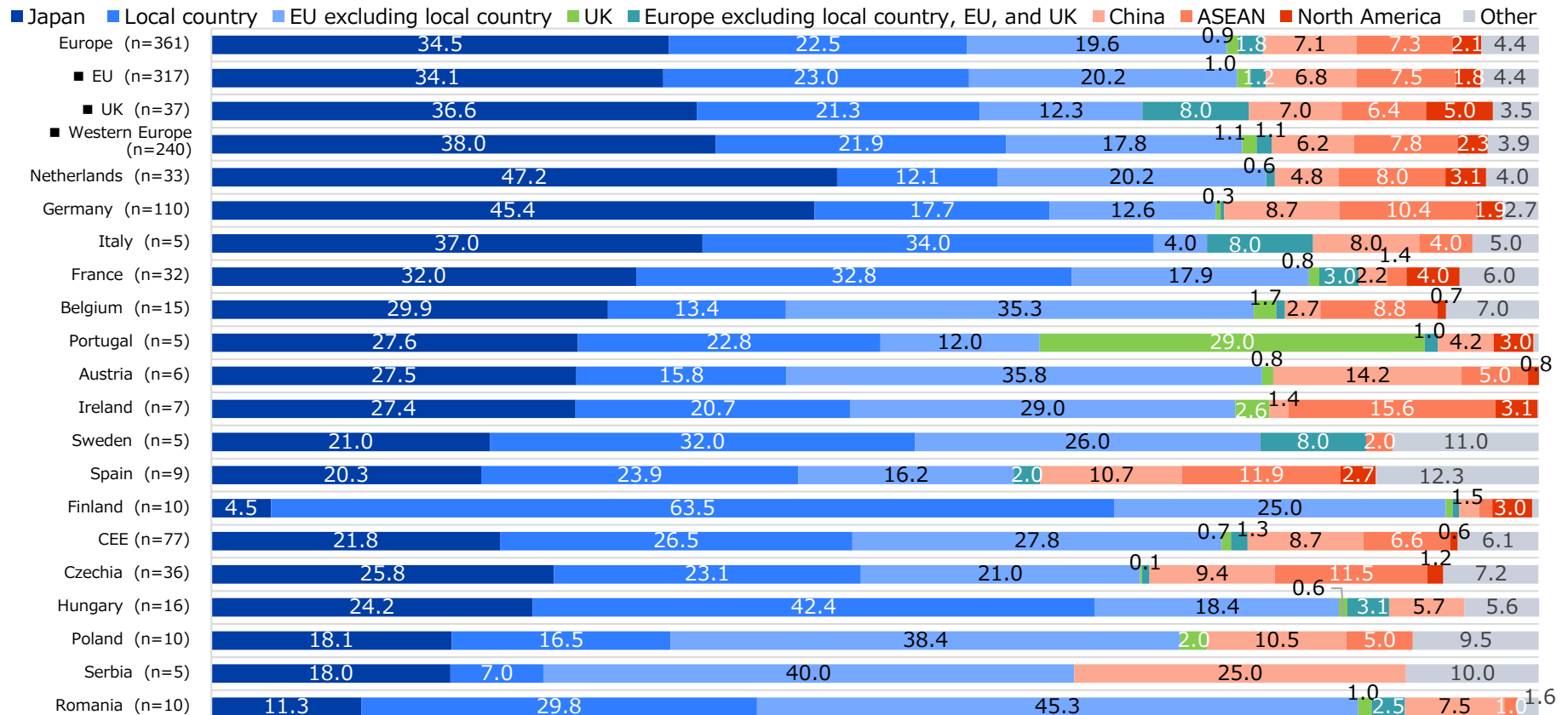
Sources for parts and raw materials procurement (by country/region)

Procurement of parts and raw materials from within the EU steadily rises, surpassing 40%.

- Sources for parts and raw materials procurement by country/region were calculated by simple averaging of the ratios of responses based on monetary amounts.
- The average ratio of sourcing from Japan was 34.5%, which continued to be the No.1 country for procurement, followed by local countries (22.5%) and the EU excluding local countries (19.6%), the sum of the latter two accounting for over 40% of all sourcing. Such trend of sourcing from local and nearby countries continued to emerge. In the case of Central and Eastern Europe, 26.5% of companies were sourcing from local countries, while 27.8% of them reported procurement from the EU excluding their local countries, the sum of which surpassed 50%.

Breakdown of sources of parts and raw materials procurement (by country/region) (based on monetary amounts)

(Unit: %)



(Note 1) Average ratios of responses by companies were calculated. The sum of all sources of procurement by each company is 100%.
 (Note 2) Each country that was not answered by at least five companies has been excluded.
 (Note 3) Only the countries that are EU member states have been included, for both Western Europe and Central and Eastern Europe.
 (Note 4) The selection by UK-based companies of "EU excluding local country" was taken to mean "EU excluding Ireland."

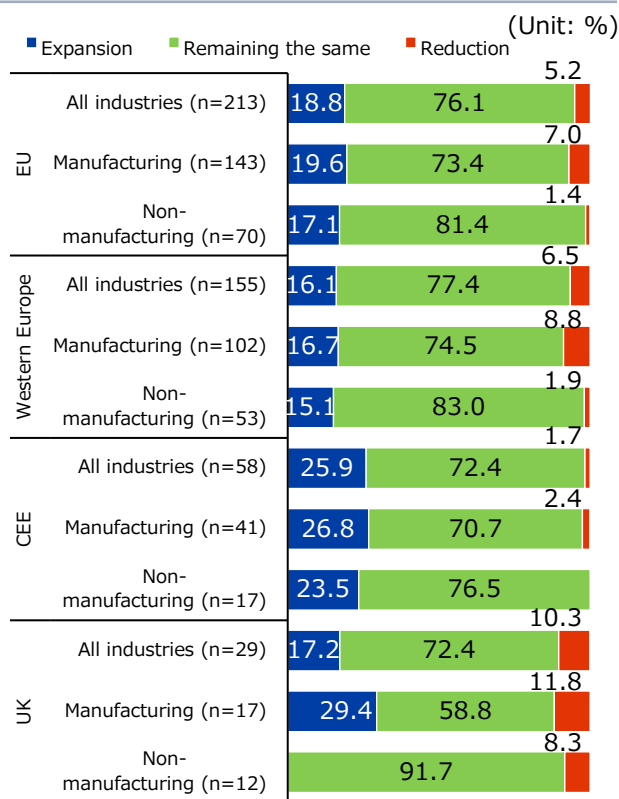
4

Future procurement plans

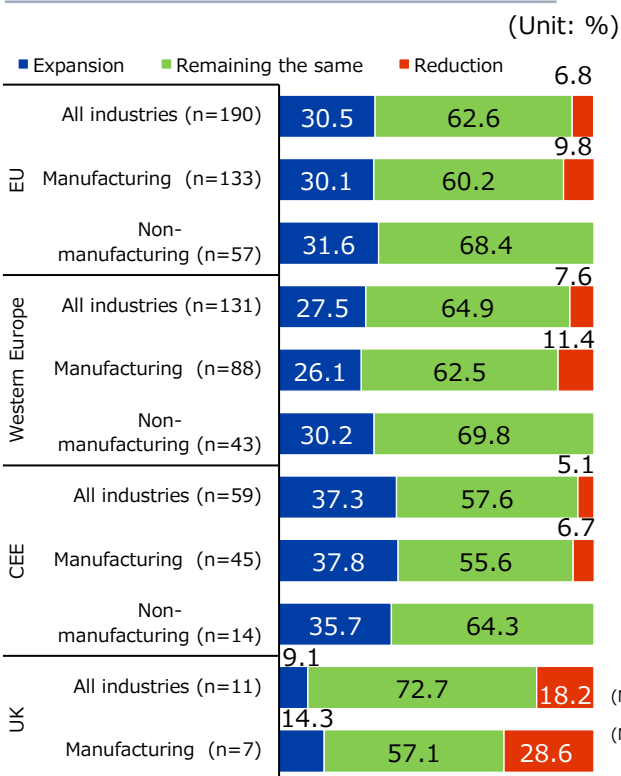
More companies expect procurement to “remain the same” compared to the previous year’s survey.

- In terms of future procurement from their local countries, 18.8% of Japanese-affiliated companies in the EU projected an “expansion” while 76.1% expected it to “remain the same.” The ratio of companies expecting it to “stay the same” increased by 5.1 percentage points from the previous year’s survey, in which many companies reported plans to “expand” local procurement.
- As for the companies’ future plans for procurement from within the EU, 30.5% said they would “expand” it, a YoY decline of 7.3 percentage points, while 62.6% said it would “remain the same,” an increase of 4.4 percentage points. The Japanese-affiliated companies in Central and Eastern Europe apparently tended to “expand” their procurement from within the EU, which had been a trend.
- In terms of the plans of Japanese-affiliated companies in the EU for procurement from the UK, 21.2% said they would “reduce” it, which had risen by 4.1 percentage points from the previous year’s survey. This trend of reducing procurement from the UK was especially pronounced among non-manufacturing companies in Western Europe, as 27.3% said they would procure less from the UK.

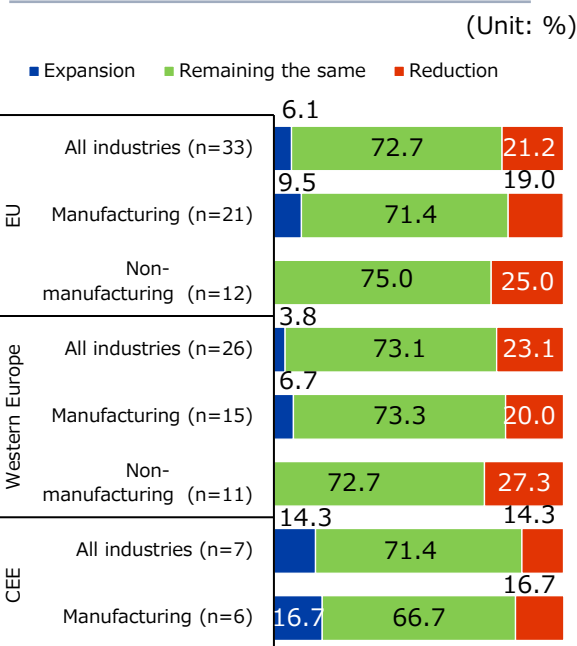
Plans for procurement from local countries



Plans for procurement from within EU*



Plans for procurement from the UK



(Note 1) Any industrial category that was selected by less than five companies has been excluded.
 (Note 2) Only the countries that are EU member states have been included, for both Western Europe and Central and Eastern Europe.

*: Excluding the countries in which the respondents are operating. In the case of UK-based companies, Ireland was excluded.

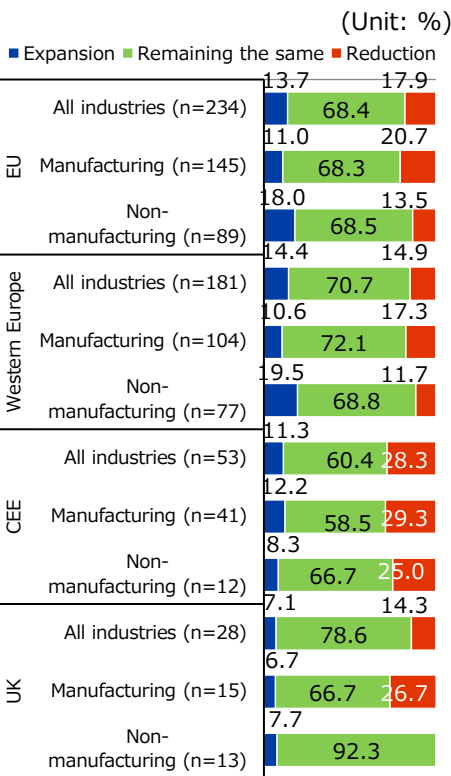
5

Future procurement plans

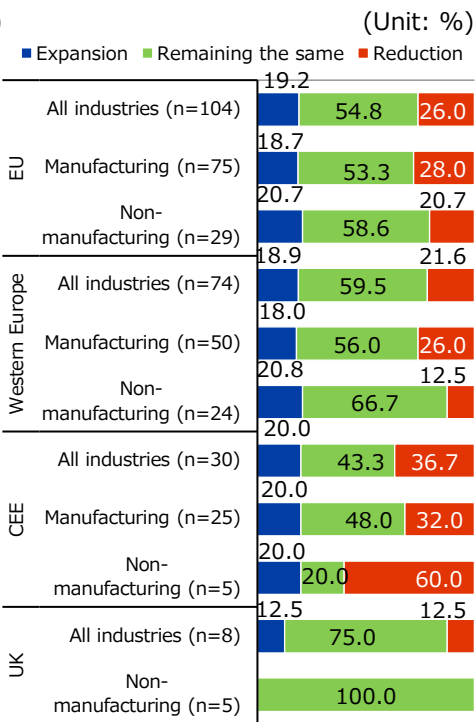
More companies expect their procurement from outside Europe to “remain the same” and from China to “reduce.”

- 13.7% of Japanese-affiliated companies based in the EU said they would expand procurement from Japan, while 68.4% of them reported it would remain the same, an increase of 3.8 percentage points from the previous year’s survey. Also, 26.0% of them expected to see their procurement from China “reduce.” As much as 33.8% of the companies reported plans to expand procurement from ASEAN, in line with the trend seen in the previous year’s survey.
- The ratio of Japanese-affiliated companies in Central and Eastern Europe that intended to “reduce” procurement from Japan and China continued to remain high from the previous year’s survey. As indicated on the previous page, there had been a steady trend among companies to procure more from their local countries and within the EU, as they had been intent on shifting their key supply chains to the EU.

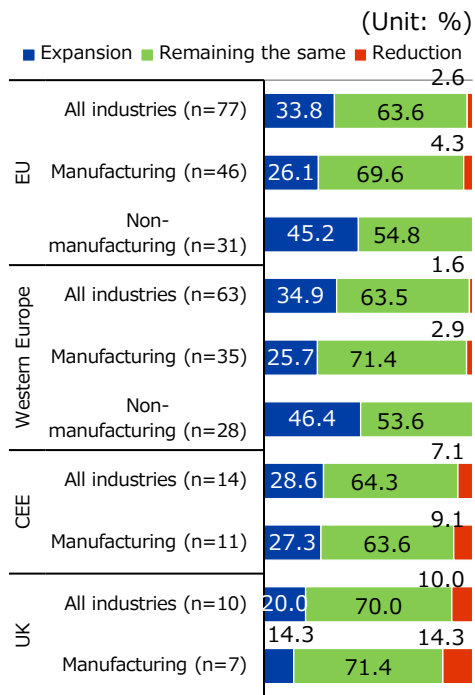
Plans for procurement from Japan



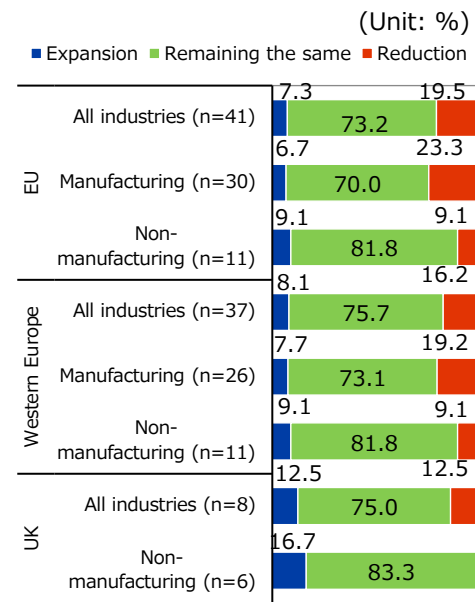
Plans for procurement from China



Plans for procurement from ASEAN



Plans for procurement from United States



(Note 1) Any industrial category that was selected by less than five companies has been excluded.
 (Note 2) Only the countries that are EU member states have been included, for both Western Europe and Central and Eastern Europe.

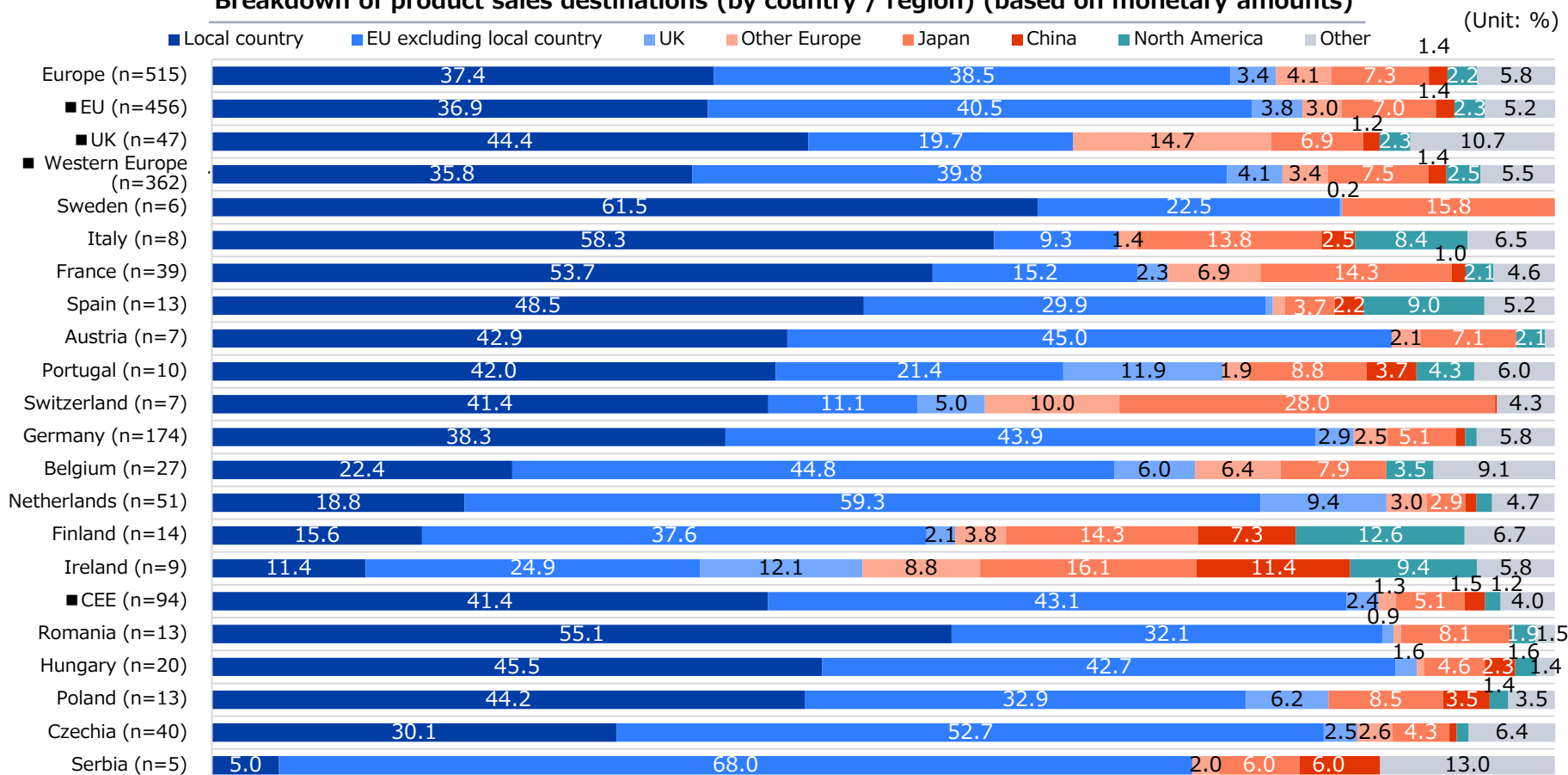
6

Product sales destinations (by country/region)

Main sales destinations continue to be local countries and the EU.

- Sales destinations (by country/region) were calculated by simple averaging of the ratios of responses based on monetary amounts.
- Among all Japanese-affiliated companies in Europe, the average ratio of companies selecting their local countries as sales destinations was 37.4%, while the figure for the EU excluding local countries was 38.5%, both of which remained high in line with previous trends.
- Among Japanese-affiliated companies in Central and Eastern Europe, EU including their local countries had remained an increasingly dominant sales destination, as 84.5% of respondents so reported.

Breakdown of product sales destinations (by country / region) (based on monetary amounts)

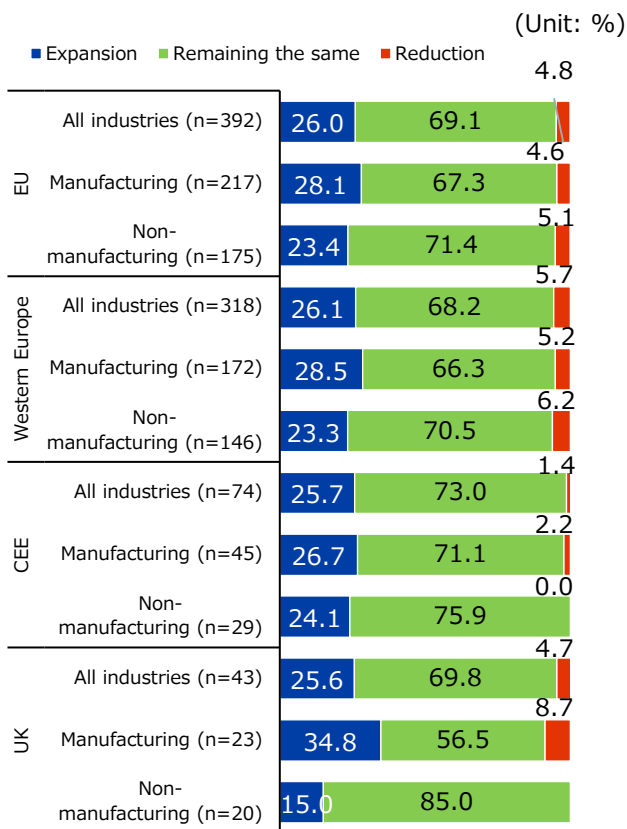


(Note 1) Average ratios of responses by companies were calculated. The sum of all sources of procurement by each company is 100%.
 (Note 2) Each country that was not answered by at least five companies has been excluded.
 (Note 3) Only the countries that are EU member states have been included, for both Western Europe and Central and Eastern Europe.

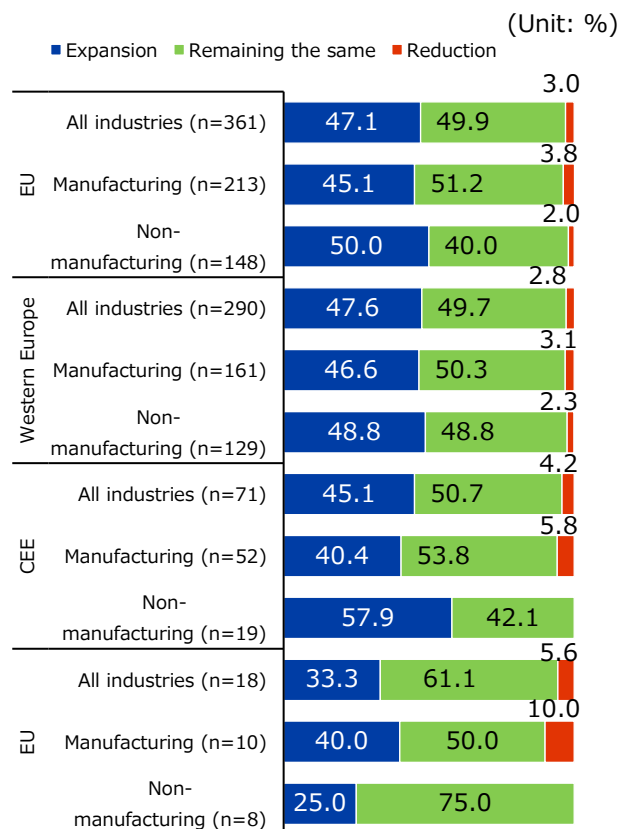
7 Future sales plans Many companies intend to expand sales in the EU, in line with the previous year's trend.

- In terms of future plans of Japanese-affiliated companies in the EU for sales in their local countries, 26.0% of them projected an “expansion,” while 47.1% of them reported plans to expand sales across the EU, in line with the previous trend to boost sales in all of the EU. In particular, many non-manufacturing companies in Central and Eastern Europe, as much as 57.9% of them, expressed their intent to expand sales in the EU.
- In terms of future plans of Japanese-affiliated companies in the EU for sales in the UK, 24.5% said their sales in the country would expand, a decline of 5.2 percentage points from the previous year's survey, while 63.6% of them expected their sales in the country to remain the same, an increase of 9.2 percentage points.

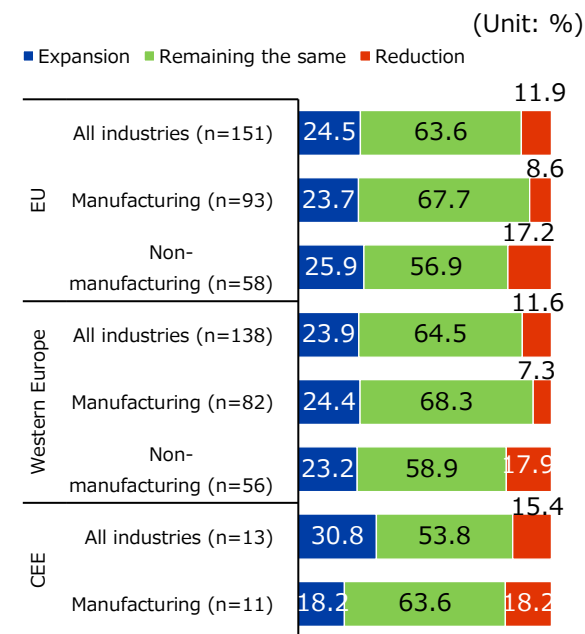
Plans for sales in local countries



Plans for sales in EU*



Plans for sales in the UK



(Note 1) Any industrial category that was selected by less than five companies has been excluded.
 (Note 2) Only the countries that are EU member states have been included, for both Western Europe and Central and Eastern Europe.

*: Excluding the countries in which the respondents are operating. In the case of UK-based companies, Ireland was excluded.

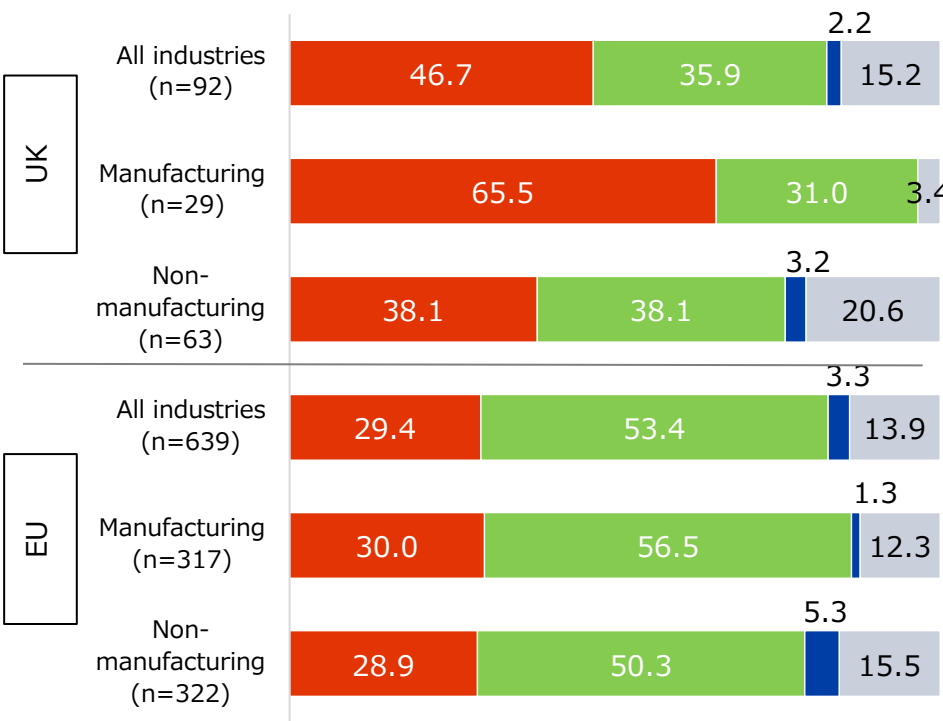
1 Business impact of Brexit Negative effects of Brexit linger among nearly 50% of UK-based companies.

- In terms of the ratio of respondents reporting any “negative impact” of Brexit, 46.7% of Japanese-affiliated companies in the UK selected the answer, while 29.4% of those in the EU answered the same.
- As for the ratio of UK-based non-manufacturing companies reporting any “negative impact,” the figure reduced by 7.8 percentage points from the previous year, while the ratio of those that selected “don’t know” increased by 7.5 percentage points, from which it could be discerned that the respondents had become more cautious about assessing the impacts of Brexit after two years since the UK’s full exit.

Business impact of Brexit (by industry)

(Unit: %)

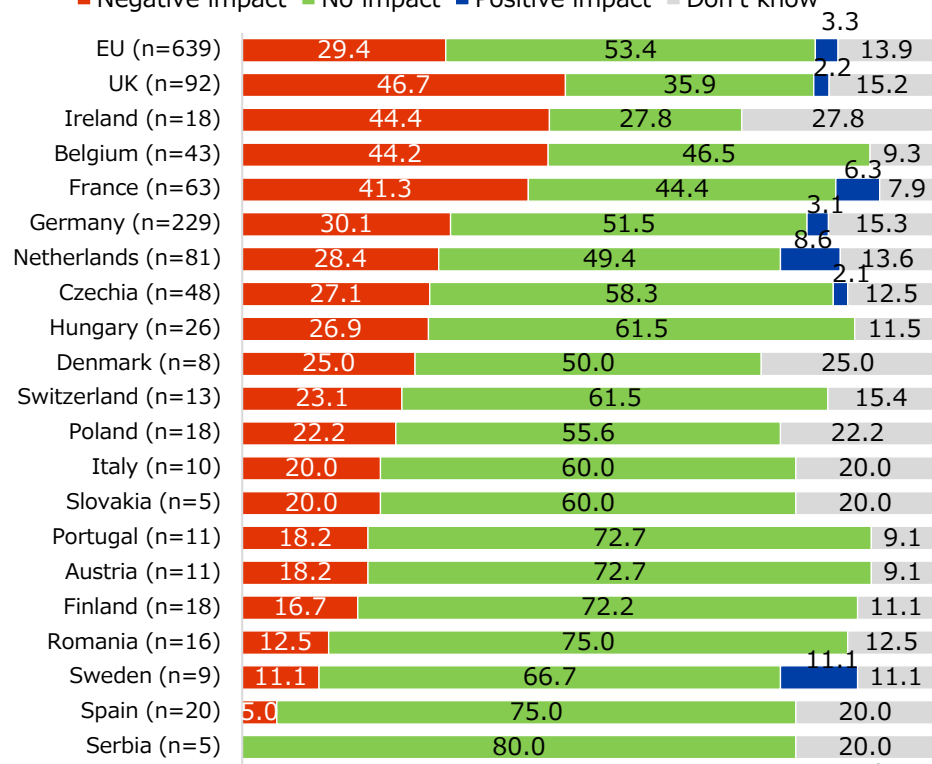
■ Negative impact ■ No impact ■ Positive impact ■ Don't know



Business impact of Brexit (by country)

(Unit: %)

■ Negative impact ■ No impact ■ Positive impact ■ Don't know



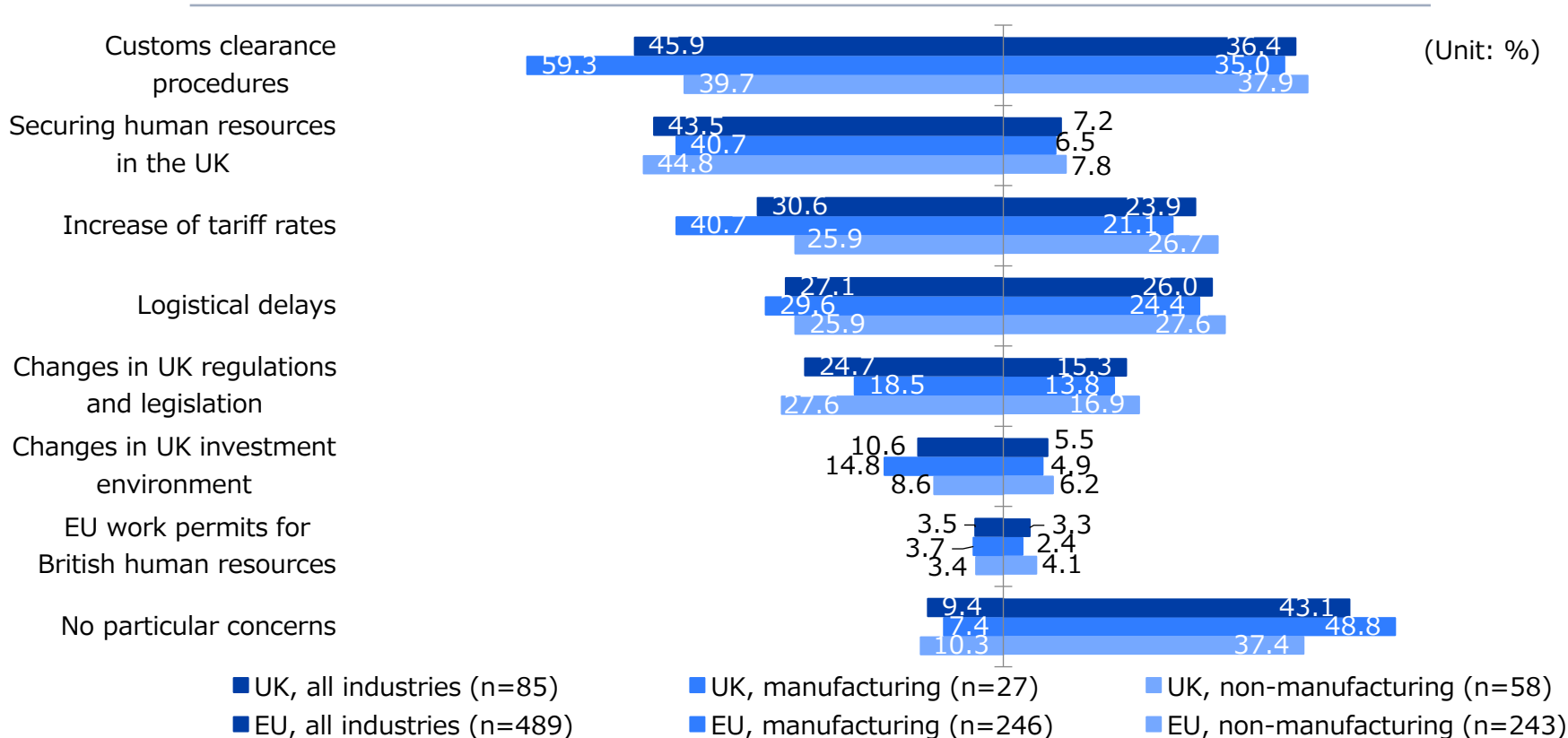
2

Concerns regarding post-Brexit business environment

Many Japanese-affiliated companies in the UK and the EU express concerns regarding customs clearance procedures.

- In terms of concerns regarding post-Brexit business environment, many Japanese-affiliated companies in the UK and the EU identified “customs clearance procedures,” “increase of tariff rates,” and “compliance with UK regulations” as issues for transactions crossing the UK-EU border.
- A high ratio of Japanese-affiliated companies in the UK continued to identify “securing human resources in the UK” as a problem as they answered in the previous year’s survey. Due to the discontinuation of people’s free movement between the UK and the EU, those companies are apparently experiencing a challenge in securing sufficient human resources.

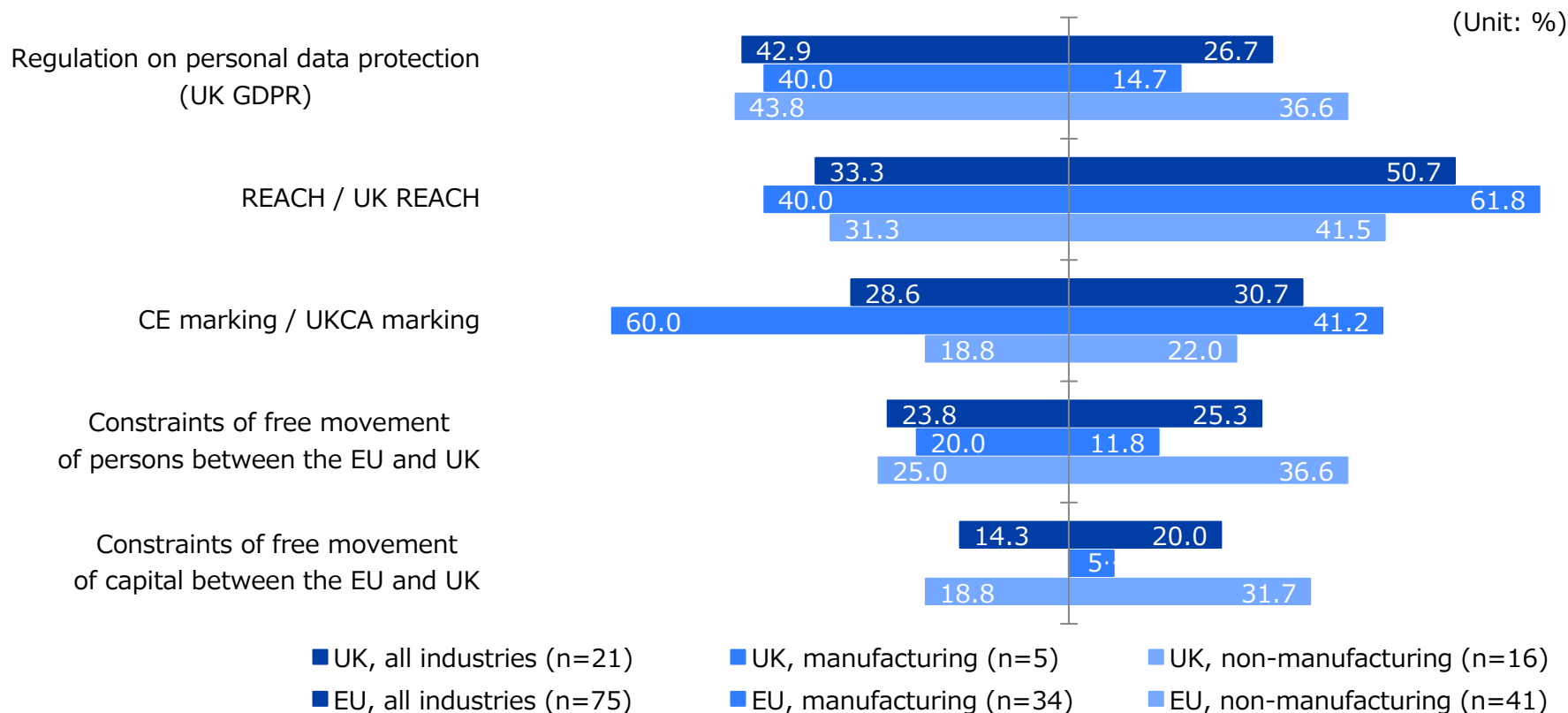
Concerns regarding business environment among Japanese-affiliated companies
 <left: UK, right: EU>



3 | Concerns regarding post-Brexit business environment (regulations and legislation) More companies are concerned about REACH / UK REACH.

- In terms of specific concerns regarding changes in UK regulations and legislation, the Japanese-affiliated companies in the EU were most concerned about REACH / UK REACH, which also recorded the largest increase of 17.4 percentage points from the previous year. The rate of increase on this concern among UK-based companies was also high, at 14.1 percentage points.
- As for CE marking / UKCA marking, which was the most-voiced concern among Japanese-affiliated companies in the previous year, the ratio of selection dropped by 21.4 percentage points among UK-based companies and by 11.8 percentage points among EU-based companies.

Concerns regarding UK regulations and legislation <left: UK, right: EU>



1

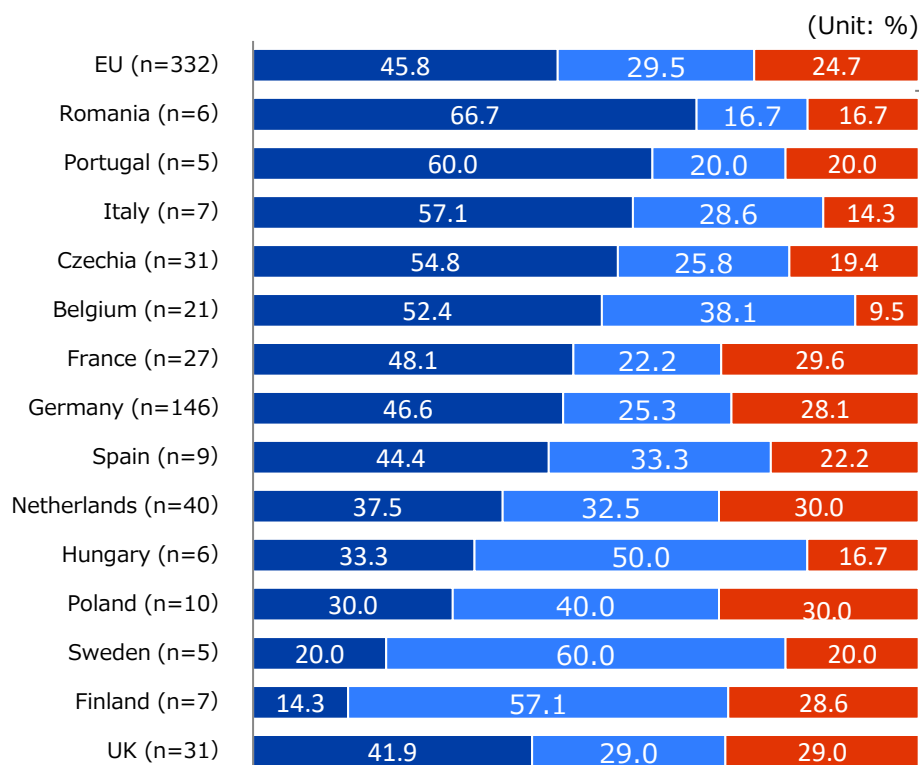
Status of Japan-EU EPA utilization (imports to EU from Japan)

Nearly 50% of companies utilize the EPA. The ratio is the highest among the manufacturers of plastics and transportation equipment.

- In terms of the status of Japan-EU EPA utilization among Japanese-affiliated companies in the EU, 45.8% said they were already utilizing this for imports to the EU from Japan. Over 50% of respondents were utilizing this in Romania (66.7%), Portugal (60.0%), Italy (57.1%), Czechia (54.8%), and Belgium (52.4%).
- In terms of the breakdown by industry, over 70% of respondents in the manufacturing of plastic products and transportation equipment (motor vehicles / motorcycles) and 60% of respondents in food / processed food, agricultural or fishery products reported that they were taking advantage of the EPA.

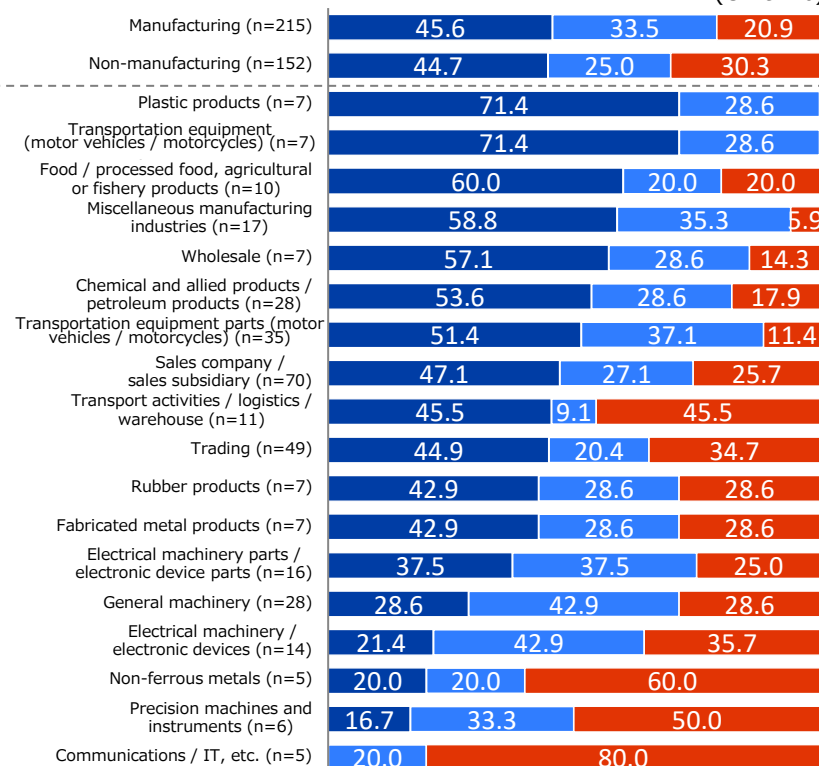
Status of Japan-EU EPA utilization Imports to the EU from Japan (Japan → EU) (by country)

- Currently utilizing
- Considering to utilize
- Not (planning to) utilize



Status of Japan-EU EPA utilization among Japanese-affiliated companies in EU Imports to the EU from Japan (Japan → EU) (by industry)

- Currently utilizing
 - Preparing for application
 - Considering to utilize
- (Unit: %)



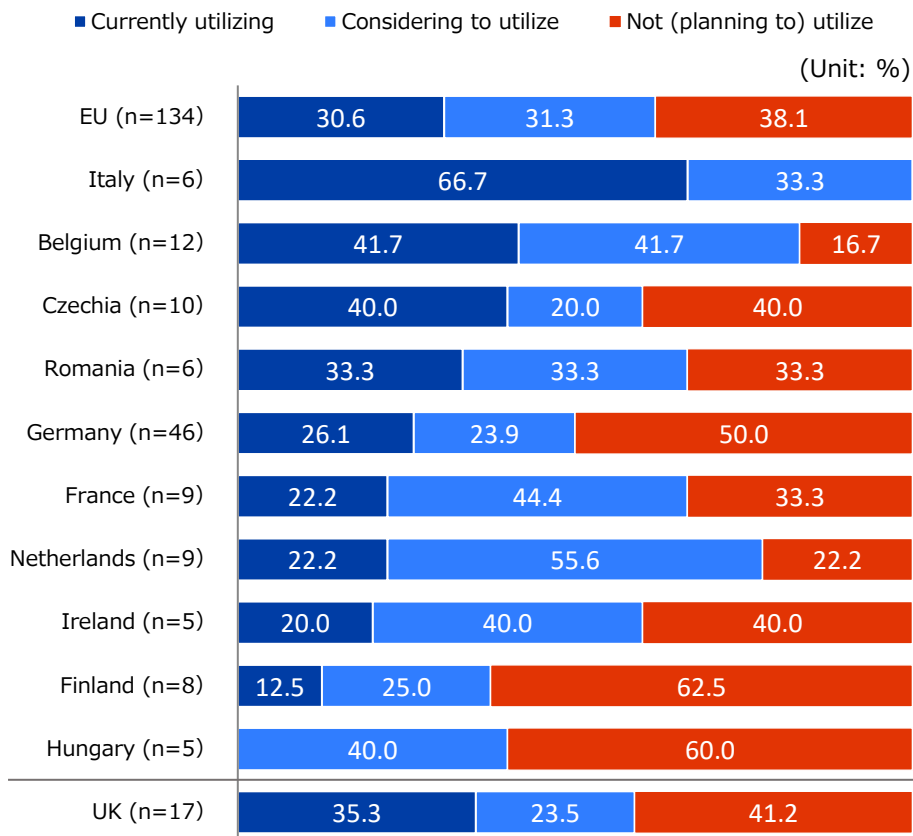
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Status of Japan-EU EPA utilization (exports from EU to Japan)

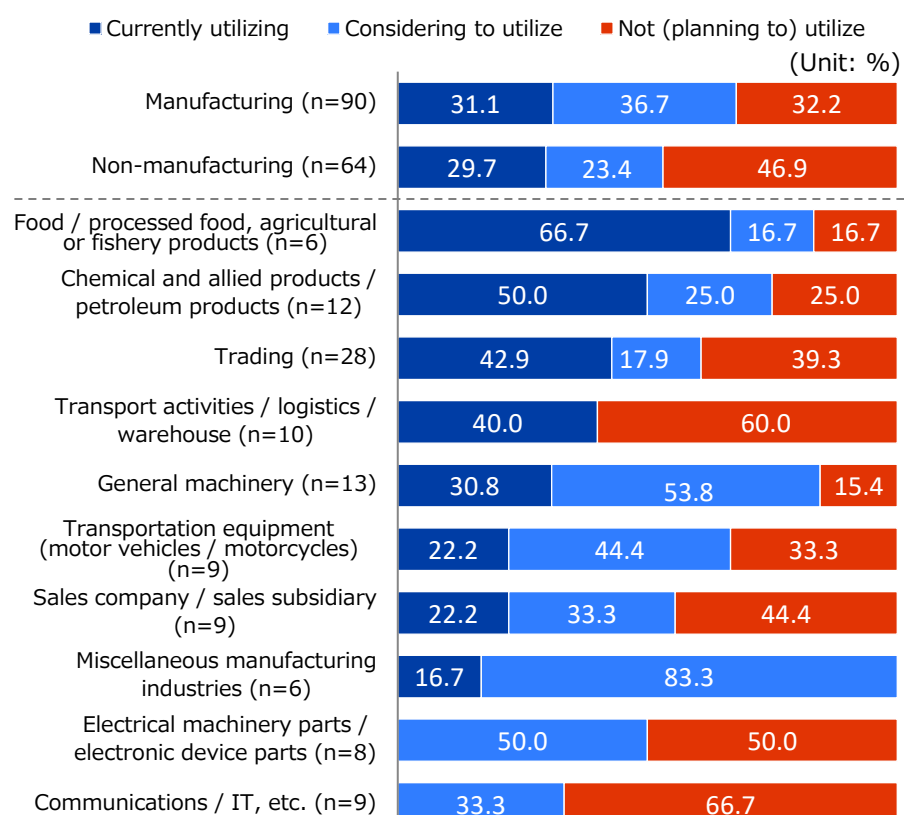
Roughly 30% of companies utilize the EPA. The ratio is the highest in food and chemical products.

- In terms of the status of Japan-EU EPA utilization among Japanese-affiliated companies in the EU, 30.6% said they were already utilizing this for exports from the EU to Japan. The ratio was especially high in Italy (66.7%).
- In terms of the breakdown by industry, about 30% of respondents were applying the EPA in both manufacturing and non-manufacturing. The ratio was the highest in food / processed food, agricultural or fishery products (66.7%) followed by chemical and allied products / petroleum products (50.0%).

Status of Japan-EU EPA utilization
Exports from the EU to Japan (EU → Japan)
(by country)



Status of Japan-EU EPA utilization among Japanese-affiliated companies in the EU
Exports from the EU to Japan (EU → Japan) (by industry)



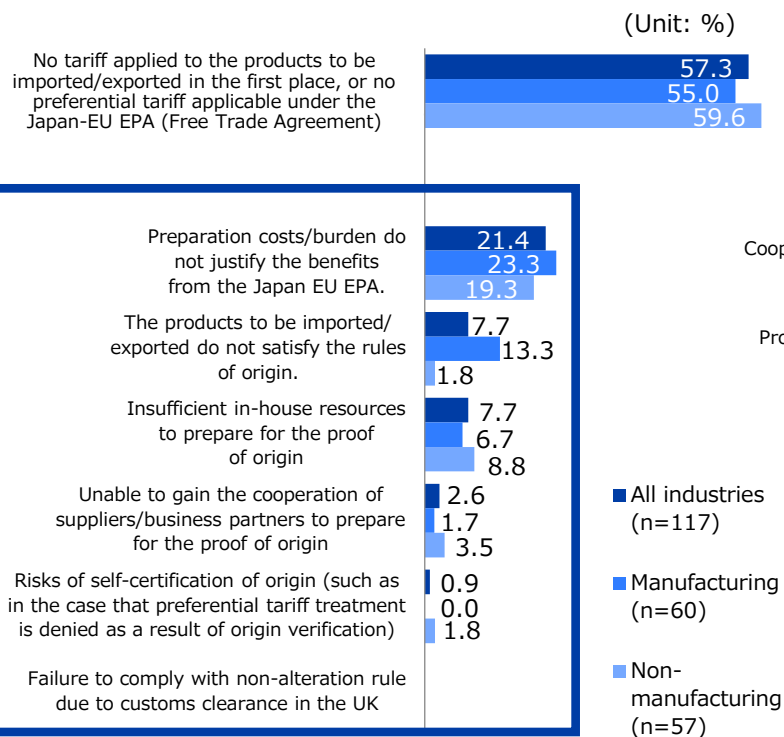
3

Reasons underlying non-utilization of Japan-EU EPA, issues hindering EPA utilization

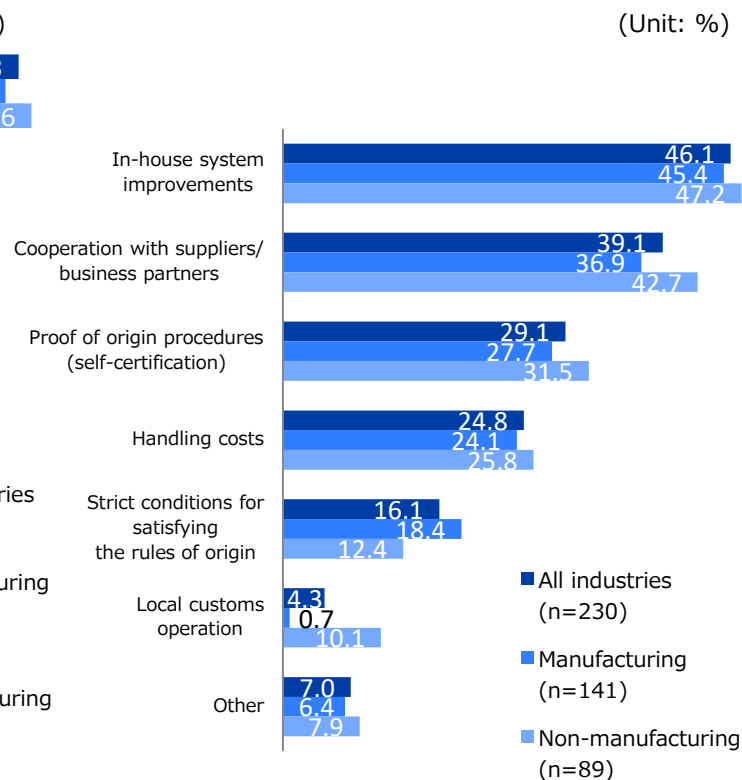
Company “in-house system improvements” remains a key issue impeding the utilization of the Japan-EU EPA.

- As for the reasons underlying the non-utilization of the Japan-EU EPA among companies engaged in exports/imports between Japan and EU, the most common reason was that “no tariff applied to the products to be imported/exported in the first place, or no preferential tariff applicable under the Japan-EU EPA,” accounting for 57.3% of all responses.
- In terms of the issues hindering their utilization of the Japan-EU EPA, the most common response among EU-based companies was “in-house system improvements,” accounting for 46.1% of all responses. As the number of responses selecting “proof of origin procedures (self-certification)” had dropped by 9.5 percentage points from the previous year, those procedures appear to have been handled adequately.

Reasons for decisions not to utilize the Japan-EU EPA and their ratios* (multiple answers allowed)



Issues impeding the utilization of Japan-EU EPA (only EU-based companies) <Multiple answers allowed>



In-house system improvements

Staff not adequately arranged to prepare necessary documents internally.

Cooperation with suppliers, etc.

It depends on the suppliers' ability to cooperate properly.

Proof of origin procedures (self-certification)

Time and cost are required for preparing proof-of-origin certificates.

Handling costs

Cost increase resulting from more man-hours spent handling the additional work.

Strict conditions for satisfying the rules of origin

It's difficult to identify and verify the sites of production for all parts and materials in use each time.

Other

Much of the required information is of the nature that the manufacturers preferred not to disclose them.

*: Ratios among Japanese-affiliated companies in Europe engaged in exports/imports between EU and Japan.

4

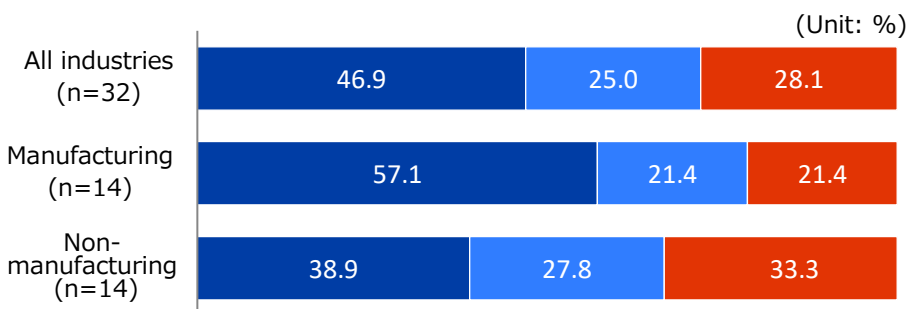
Utilization of Japan-UK EPA

Nearly 50% of companies are utilizing this for imports, but the issue of “in-house system improvements” remains.

- As for the status of utilizing the Japan-UK EPA that entered into effect in January 2021, 46.9% of Japanese-affiliated companies in the UK said they were utilizing this for imports to the UK from Japan, while only 25.0% of them utilized it for exports from the UK to Japan.
- The most common issue (54.2%) impeding their utilization of the Japan-UK EPA was “in-house system improvements,” which was also the No.1 issue in the previous time. In terms of the breakdown by industry, the most common obstacle was “proof of origin procedures (self-certification)” in manufacturing, accounting for 66.7%, a YoY increase of 33.4 percentage points. In both manufacturing and non-manufacturing, the second-most reported issue (including a tie) was “handling costs.”

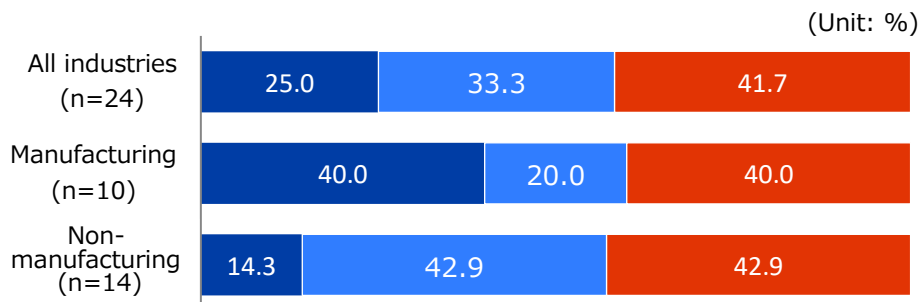
Status of Japan-UK EPA utilization among Japanese-affiliated companies in the UK Imports to the UK from Japan (Japan → UK)

■ Currently utilizing ■ Considering to utilize ■ Not (planning to) utilize



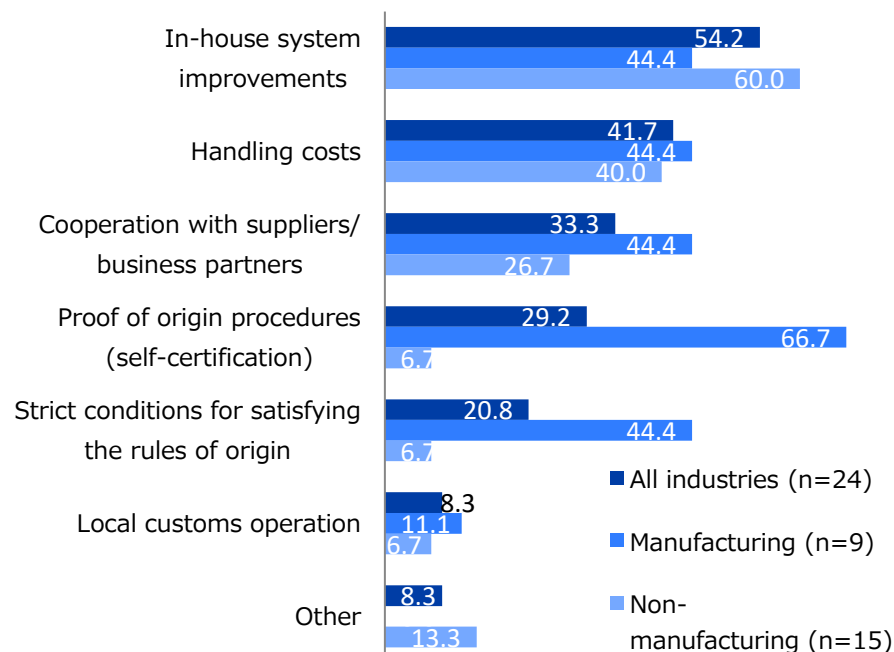
Status of Japan-UK EPA utilization among Japanese-affiliated companies in the UK Exports from the UK to Japan (UK → Japan)

■ Currently utilizing ■ Considering to utilize ■ Not (planning to) utilize



Issues impeding the utilization of Japan-UK EPA (only UK-based companies) <Multiple answers allowed>

(Unit: %)



5 Utilization of bilateral/multilateral FTAs

Many companies are utilizing the EU-Vietnam and EU-Turkey FTAs.

- Of all bilateral/multilateral FTAs in effect, many companies reported that they were utilizing FTAs with Vietnam, Turkey, and South Korea for imports to the EU. For exports from the EU, many companies said the same about the utilization of the EU's FTAs with Turkey, Switzerland, and Norway/Iceland/Liechtenstein.

Status of bilateral/multilateral FTAs utilization (in Europe) <multiple answers allowed>

(Unit: No. of companies, %)

| Status of preferential tariff rate utilization under FTA for importing to the EU or UK | No. of responses | Currently utilizing | Considering to utilize | Not (planning to) utilize |
|--|------------------|---------------------|------------------------|---------------------------|
| (Reference) Japan → EU | 367 | 166 | 110 | 91 |
| | 100.0 | 45.2 | 30.0 | 24.8 |
| UK → EU | 64 | 23 | 14 | 27 |
| | 100.0 | 35.9 | 21.9 | 42.2 |
| Vietnam → EU | 30 | 18 | 7 | 5 |
| | 100.0 | 60.0 | 23.3 | 16.7 |
| Turkey → EU | 28 | 15 | 7 | 6 |
| | 100.0 | 53.6 | 25.0 | 21.4 |
| South Korea → EU | 25 | 15 | 5 | 5 |
| | 100.0 | 60.0 | 20.0 | 20.0 |
| Japan → Switzerland*2 | 21 | 5 | 5 | 11 |
| | 100.0 | 23.8 | 23.8 | 52.4 |
| Mexico → EU | 12 | 6 | 4 | 2 |
| | 100.0 | 50.0 | 33.3 | 16.7 |
| Switzerland → EU | 11 | 3 | 3 | 5 |
| | 100.0 | 27.3 | 27.3 | 45.5 |
| Singapore → EU | 10 | 4 | 3 | 3 |
| | 100.0 | 40.0 | 30.0 | 30.0 |
| Mediterranean countries → EU | 9 | 3 | 2 | 4 |
| | 100.0 | 33.3 | 22.2 | 44.4 |
| Turkey → UK | 7 | 4 | 1 | 2 |
| | 100.0 | 57.1 | 14.3 | 28.6 |

| Status of preferential tariff rate utilization under FTA for exporting from the EU or UK | No. of responses | Currently utilizing | Considering to utilize | Not (planning to) utilize |
|--|------------------|---------------------|------------------------|---------------------------|
| (Reference) EU → Japan | 154 | 47 | 48 | 59 |
| | 100.0 | 30.5 | 31.2 | 38.3 |
| EU → UK | 120 | 34 | 30 | 56 |
| | 100.0 | 28.3 | 25.0 | 46.7 |
| EU → Turkey | 77 | 31 | 16 | 30 |
| | 100.0 | 40.3 | 20.8 | 39.0 |
| EU → Switzerland | 75 | 22 | 17 | 36 |
| | 100.0 | 29.3 | 22.7 | 48.0 |
| EU → Norway/Iceland/Liechtenstein*1 | 45 | 14 | 12 | 19 |
| | 100.0 | 31.1 | 26.7 | 42.2 |
| EU → Mediterranean countries*3 | 41 | 10 | 11 | 20 |
| | 100.0 | 24.4 | 26.8 | 48.8 |
| EU → South Korea | 19 | 8 | 4 | 7 |
| | 100.0 | 42.1 | 21.1 | 36.8 |
| EU → Mexico | 16 | 5 | 5 | 6 |
| | 100.0 | 31.3 | 31.3 | 37.5 |
| EU → Vietnam | 13 | 7 | 3 | 3 |
| | 100.0 | 53.8 | 23.1 | 23.1 |
| EU → Canada | 13 | 5 | 4 | 4 |
| | 100.0 | 38.5 | 30.8 | 30.8 |
| EU → Singapore | 12 | 4 | 3 | 5 |
| | 100.0 | 33.3 | 25.0 | 41.7 |

*1: These three countries are member states of the European Economic Area (EEA) outside the EU.

*2: Between Japan and Switzerland, the preferential rate applies to imports to Switzerland from Japan (Japan → Switzerland)

*3: These Mediterranean countries include Morocco, Tunisia, Jordan, Israel, Egypt, and other Middle East and North African states (excluding Turkey).

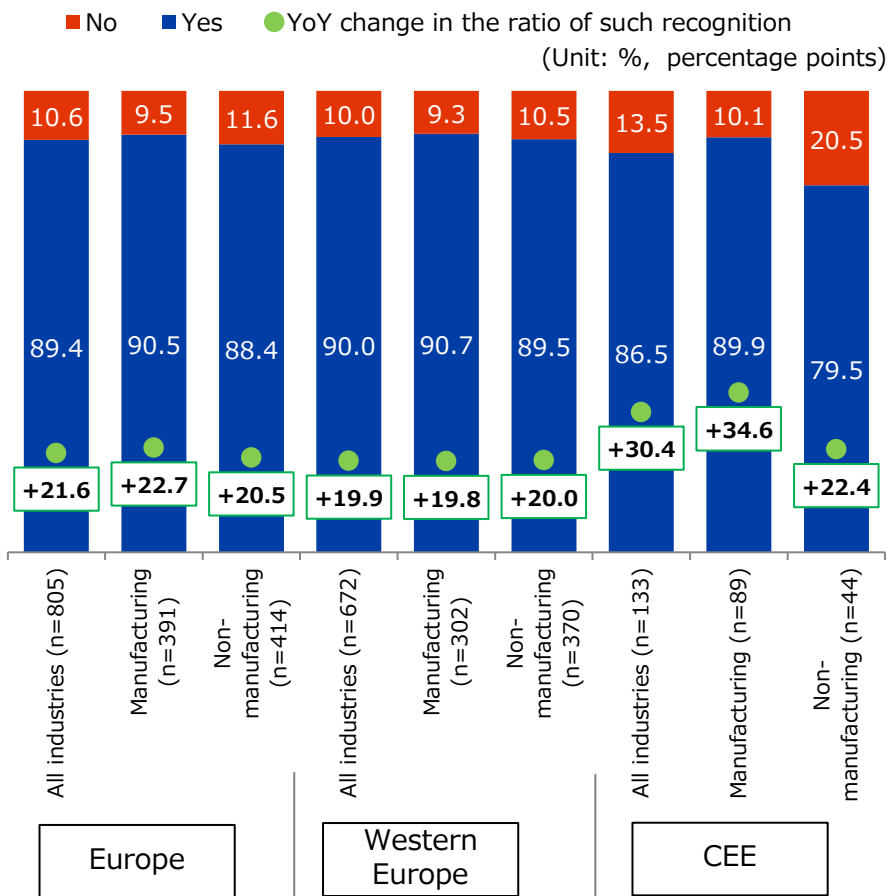
1

Human rights issues in supply chains

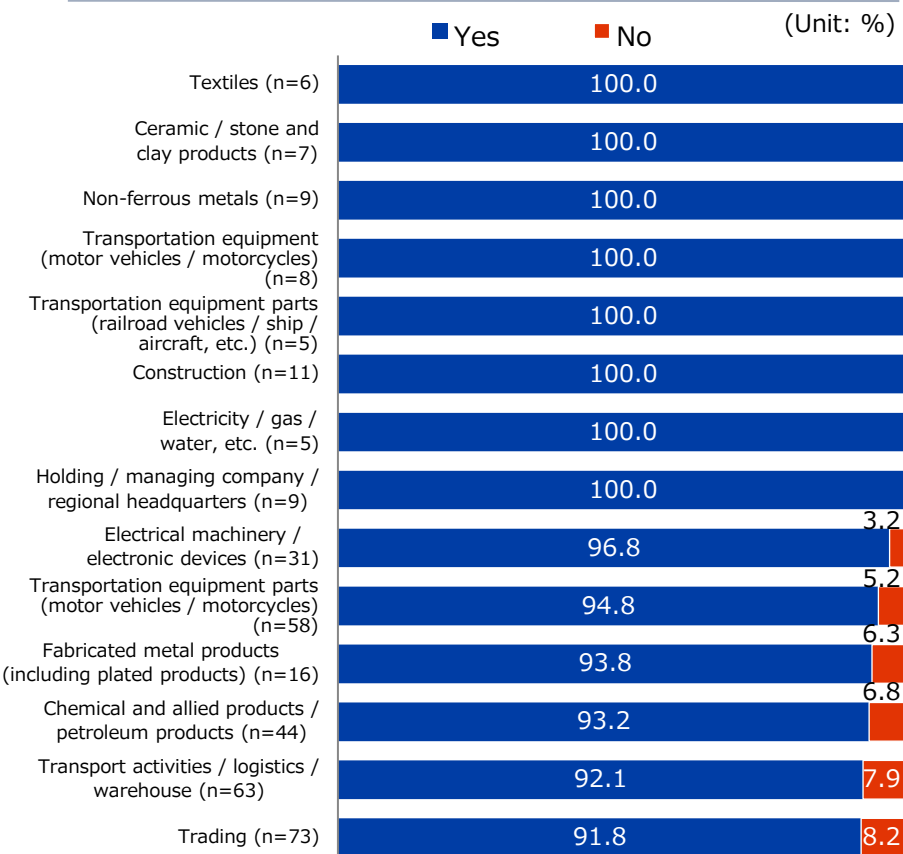
Nearly 90% of companies recognize human rights issues in supply chains as key management challenges.

- Of all Japanese-affiliated companies surveyed in Europe, 89.4% recognized human rights issues in their supply chains as key management challenges, which rose from roughly 70% in the previous year's survey. Further, 100% of companies surveyed in eight industrial categories, which were mostly manufacturing, had this understanding.
- As more and more laws addressing this topic are being drafted, passed, and enforced in Europe, the recognition of this issue is apparently becoming quite widespread in all industries, across all regions of Europe.

Recognition of human rights issues as a key management challenge (by industry)



Recognition of human rights issues as a key management challenge (by detailed industrial category)



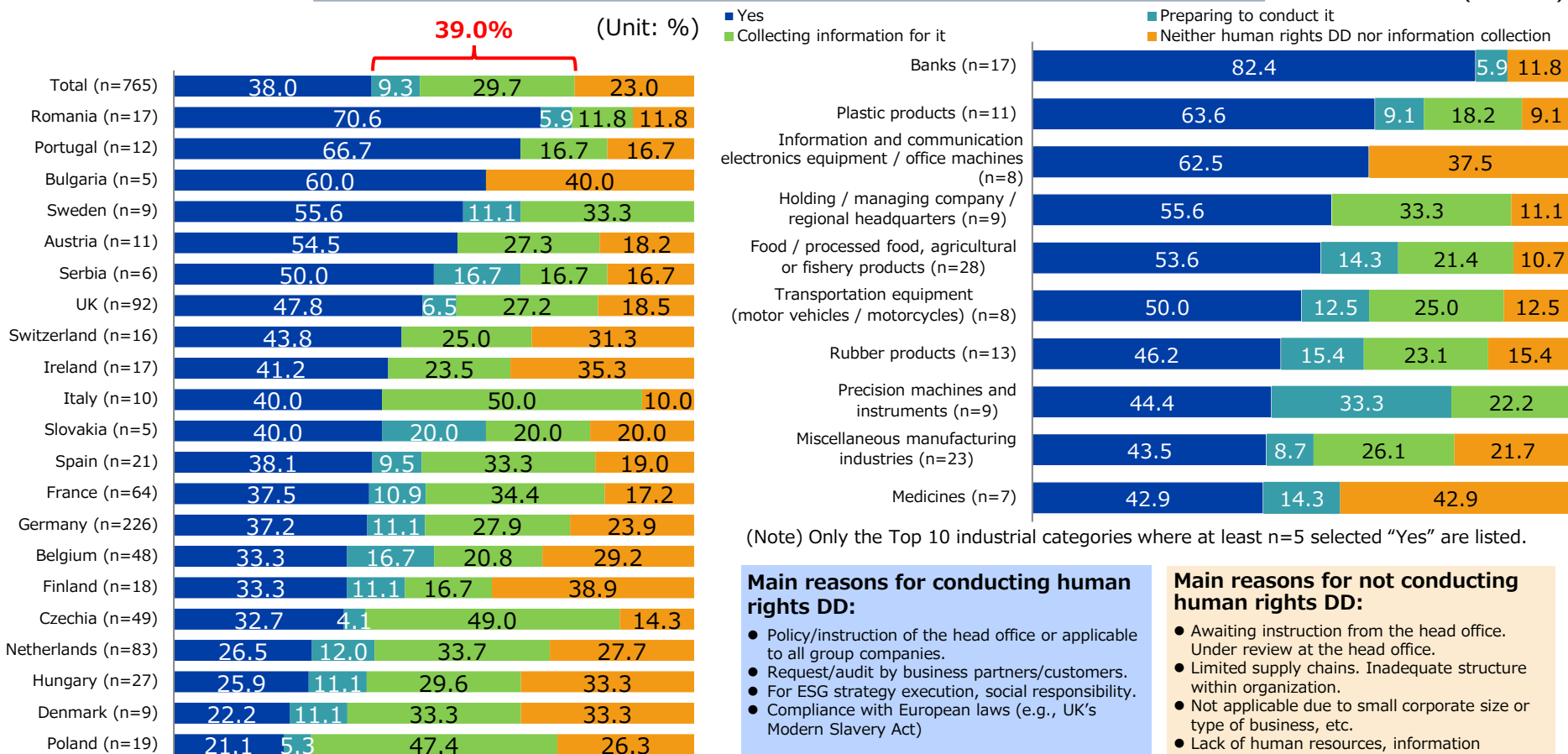
(Note) Only the Top 14 industrial categories where at least n=5 selected "Yes" are listed.

2 | Status of human rights due diligence (DD) Nearly 40% of companies are conducting human rights due diligence.

- Of Japanese-affiliated companies in Europe, 38.0% said they were conducting human rights due diligence (DD), a slight increase from the previous year (35.4%); 39.0% said they were either preparing or collecting information to do so.
- In terms of adoption rates by country, in the UK where its human rights DD law had come into effect (The Modern Slavery Act 2015), 47.8% of companies had reportedly adopted the practice (46.2% in the previous year), while in Germany (where the Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) entered into effect in January 2023), 37.2% of companies did the same (30.3% in the previous year). The DD adoption rate improved from the previous year in both of these countries.

Conducting human rights due diligence? (by country, by industry)

(Unit: %)



(Note) Only the Top 10 industrial categories where at least n=5 selected "Yes" are listed.

- Main reasons for conducting human rights DD:**
- Policy/instruction of the head office or applicable to all group companies.
 - Request/audit by business partners/customers.
 - For ESG strategy execution, social responsibility.
 - Compliance with European laws (e.g., UK's Modern Slavery Act)

- Main reasons for not conducting human rights DD:**
- Awaiting instruction from the head office. Under review at the head office.
 - Limited supply chains. Inadequate structure within organization.
 - Not applicable due to small corporate size or type of business, etc.
 - Lack of human resources, information

3

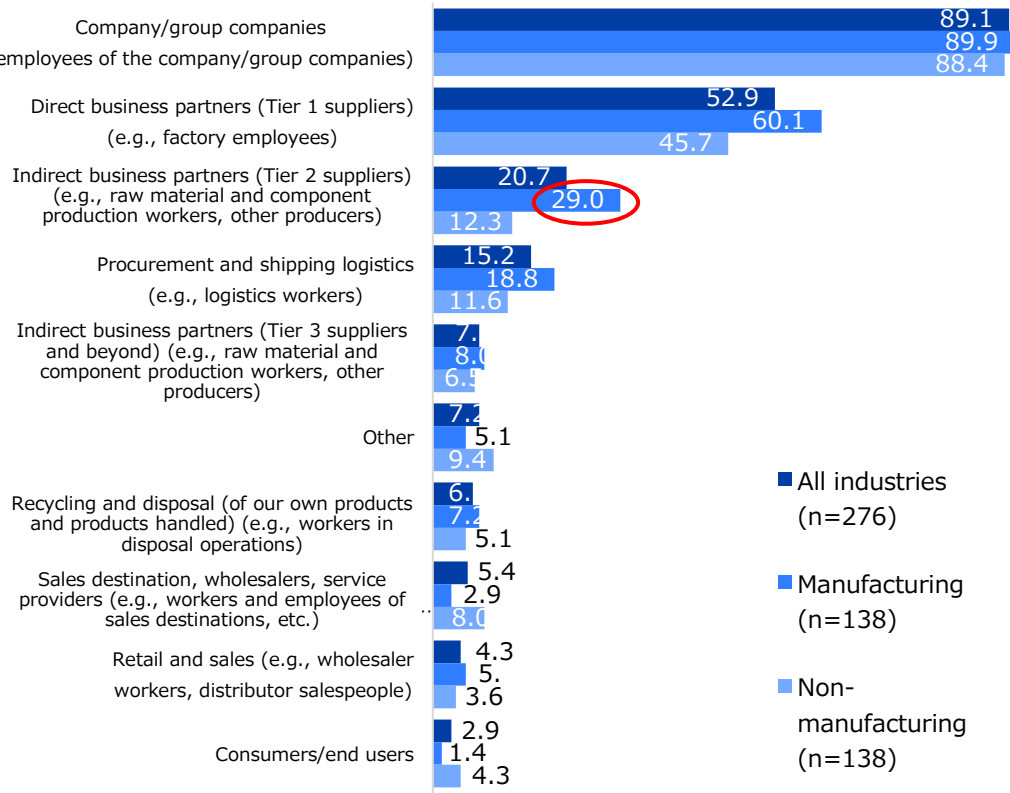
Scope of human rights DD across supply chains, etc.

Most common to conduct DD within own companies/groups, as issues exist for companies to be able to broaden the scope of DD.

- As for the scope of human rights DD, the most common answer (89.1%) was within “own company/group companies,” followed by “direct business partners” (52.9%). In manufacturing, roughly 30% of companies said they were conducting human rights DD also on indirect business partners and customers in their supply chains.
- Many companies were apparently facing various issues such as making requests, providing instructions, and checking compliance status, etc. with their business partners in order to conduct human rights DD broadly across their supply chains.

Extent of human rights DD being conducted in supply chains

(Unit: %)



(Note) n indicates the number of companies that answered that they were “conducting human rights DD.”

Challenges faced in conducting human rights due diligence

<Understanding supply chains, requesting cooperation>

- Scope of supply chains too broad (Germany)
- Difficult to comprehensively investigate within supply chains and check the status of compliance (Netherlands)
- Methods of making requests, providing instructions, and offering support to business partners (Germany)
- Difficult to deal with small-scale supplies sometimes (Hungary)

<Inadequate internal structure, resource shortage>

- Lack of capable personnel and relevant know-how in executing it (Germany)
- Employee training remains a challenge (Germany)
- Inadequate implementation structure (UK)

<Legal and regulatory compliance>

- Information disclosure laws in Germany and EU (Germany)
- Management of, and adaption to, ever-changing regulations and programs (Belgium)

<Differences with the head office, between countries/regions>

- Points of emphasis vary on human rights DD depending on the region (Germany)
- While the head office is mainly responsible for this initiative, there is a gap between them and operations in Europe in terms of awareness (Czechia)
- The head office does not know how to implement the initiative in a manner suitable for Europe (Germany)

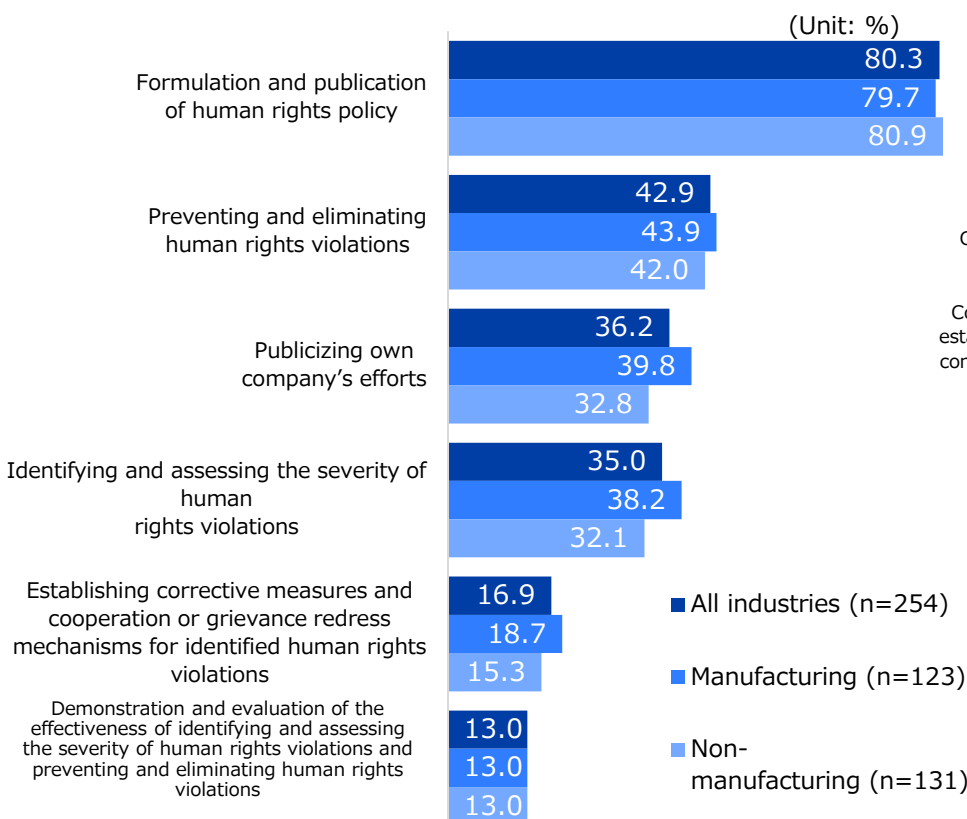
(Note) Prominent issues identified by respondents are stated above, whether or not they had been conducting human rights DD.

4

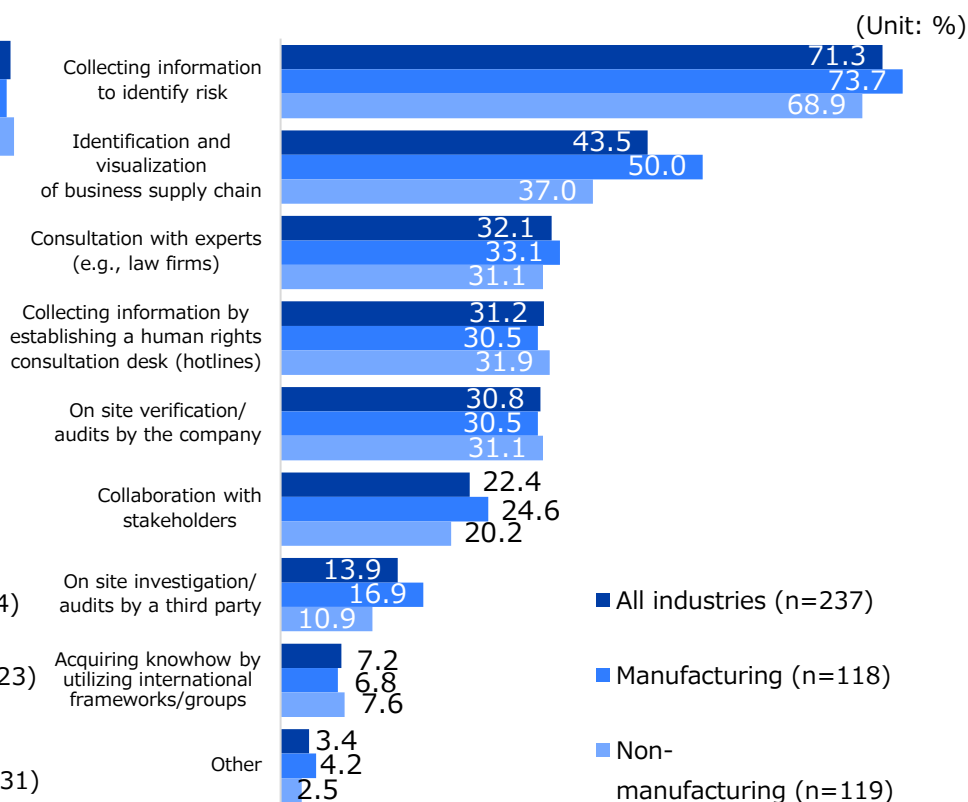
Human rights DD, identification and assessment of human rights risks “Formulation and publication of human rights policy” is the core activity of companies’ human rights DD.

- Among all human rights DD activities, the most commonly conducted one was the “formulation and publication of human rights policy” as 80.3% of respondents so reported, followed by “preventing and eliminating human rights violations” (42.9%) and “publicizing own company’s efforts” (36.2%). Such result indicates that the different types of human rights DD activities being implemented were skewed.
- In terms of the activities of human rights risk identification and assessment, the most commonly implemented one was “collecting information to identify risk,” accounting for 71.3%. There was a significant gap between manufacturing and non-manufacturing, most notably for the “identification and visualization of business supply chain.”

Specific activities of human rights DD being implemented (multiple answers allowed)



Activities for identifying and assessing human rights risks (multiple answers allowed)

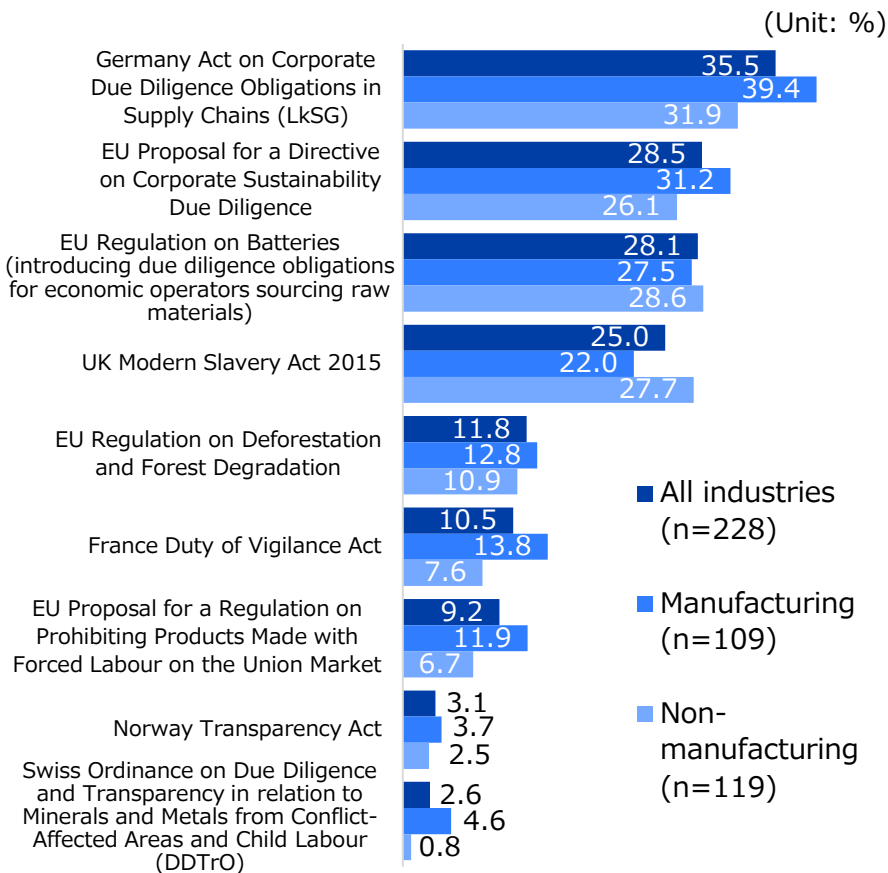


(Note) n indicates the number of companies that answered that they were “conducting human rights DD.”

5 | Laws and regulations on human rights and environmental due diligence (DD) The most significant effects of laws on human rights and environmental DD reported in Germany.

- Of all laws and regulations on human rights and environmental DD being created and implemented in Europe, Germany's Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) that went into effect in January 2023 was the most recognized one that was affecting or might affect the companies in the future, as 35.5% of them reported it.
- As for the Proposal for a Directive on Corporate Sustainability Due Diligence currently under review in the EU, nearly 30% of respondents reported its potential impact. As such, companies are keeping a close eye on these legislative developments across the EU.

Laws and regulations on human rights and environmental DD having effect or with potential future effect (multiple answers allowed)



| Laws and regulations on human rights and environmental DD | Comments on specific effects |
|---|--|
| Germany Act on Corporate Due Diligence Obligations in Supply Chains (LkSG) | <ul style="list-style-type: none"> More inquiries from customers and business partners requesting DD and asking about the status of conformance (Germany, UK., Belgium) Impacts on raw material suppliers (Portugal) |
| UK Modern Slavery Act 2015 | <ul style="list-style-type: none"> Must publish reports annually detailing what actions are being taken in business operations and supply chains to address the risks of slave labour and human trafficking (Ireland, Belgium, Germany). More inquiries from vendors (UK). |
| EU Proposal for a Directive on Corporate Sustainability Due Diligence | <ul style="list-style-type: none"> Parent companies will be eventually responsible for reporting under the Directive (UK). More reporting duties pursuant to the Corporate Sustainability Reporting Directive (CSRD), EU taxonomy, etc. (Netherlands, Portugal) Making preparations to comply (Netherlands) |
| EU Regulation on Batteries (introducing due diligence obligations for economic operators sourcing raw materials) | <ul style="list-style-type: none"> Must conduct investigation on the raw materials of the batteries being used in products (Ireland). Must reconsider which raw materials should be used (Belgium). New business opportunities might arise with battery collection and waste disposal processes (Finland). |
| EU Regulation on Deforestation and Forest Degradation | <ul style="list-style-type: none"> Making preparations to comply (Netherlands) Must achieve traceability covering even second- and third-tier suppliers (Germany, Netherlands). Considering obtaining certification (Germany) |

1

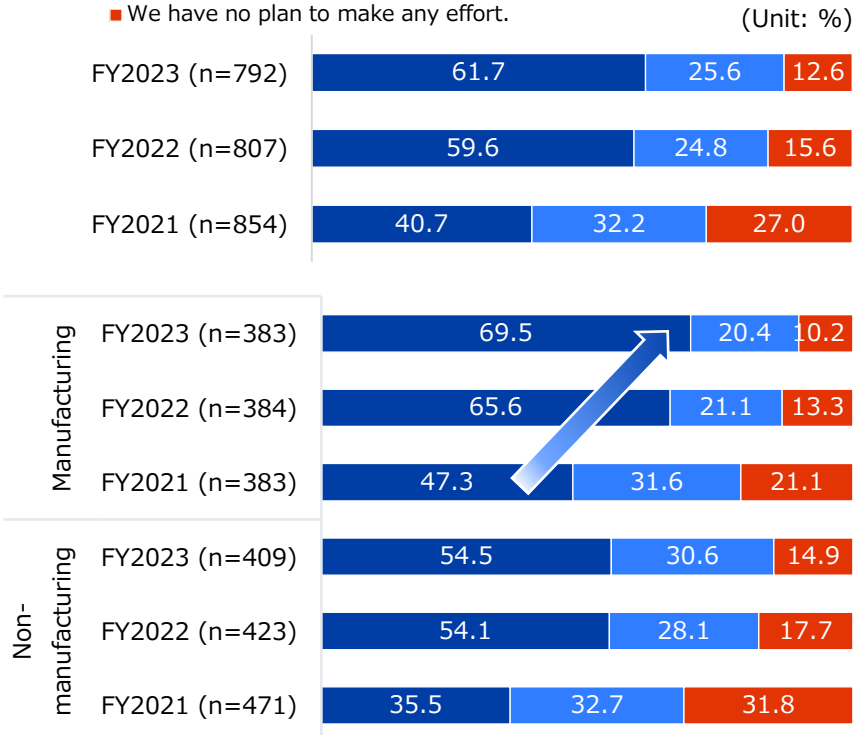
Status of decarbonization activities

60% of companies already implement some sorts of decarbonization initiatives, as manufacturers in particular make steady progress.

- 61.7% of companies said they were implementing some kind of decarbonization action, a 2.1 percentage point increase from the previous year's survey (59.6%). Compared to their non-manufacturing peers, manufacturing companies are making more progress, as 69.5% of them reported they were "already making efforts" for the cause. In terms of the breakdown by industry, the most active industries were information and communication electronics equipment/office machines (87.5%) and ceramic / stone and clay products (85.7%).
- In all countries surveyed except Italy and Denmark, over 50% of companies answered they were "already making efforts."

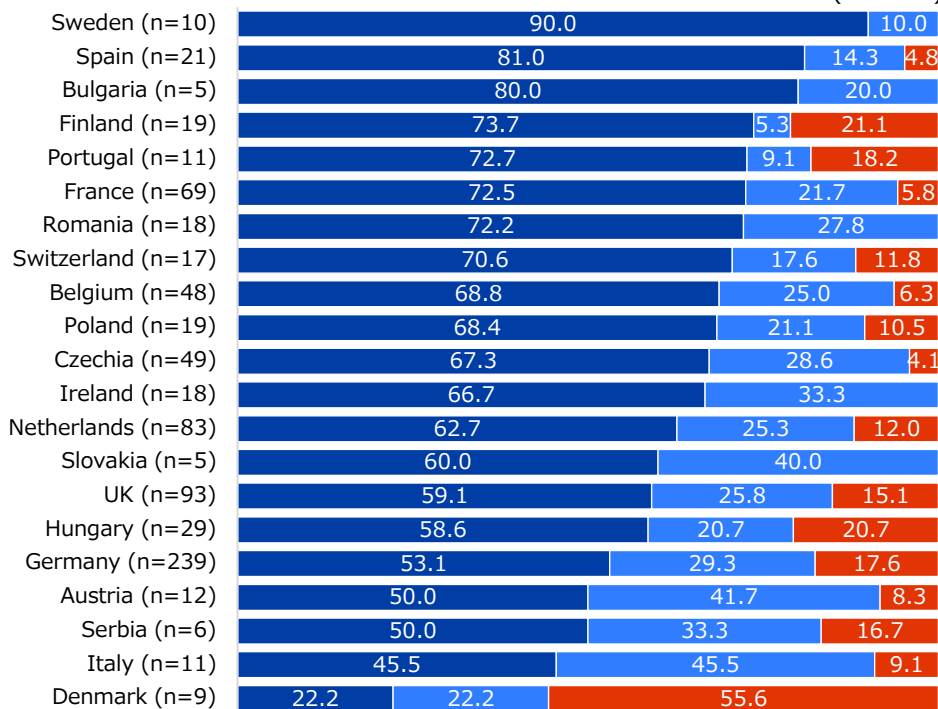
Status of decarbonization efforts

- We are already making efforts.
 - We have not made any effort yet, but we are planning to do so.
 - We have no plan to make any effort.
- (Unit: %)



Status of decarbonization efforts (by country)

- We are already making efforts.
 - We have not made any effort yet, but we are planning to do so.
 - We have no plan to make any effort.
- (Unit: %)



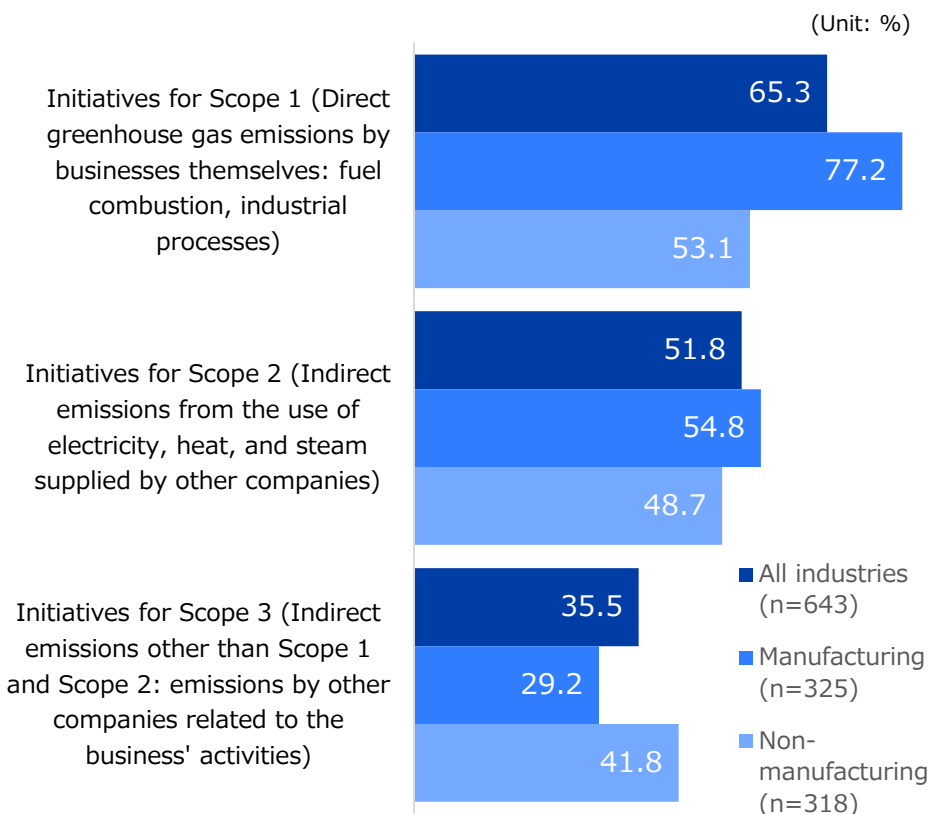
2

Targets of decarbonization efforts

Manufacturing companies make progress under Scope 1 as do non-manufacturing companies under Scope 3.

- Across all industries, Scope 1 (direct greenhouse gas emissions by businesses themselves) was the most common target, accounting for 65.3% of companies. In manufacturing, this figure was 77.2%, markedly outstripping non-manufacturing’s 53.1%.
- In non-manufacturing where company operations do not involve any manufacturing processes, many companies were taking steps under Scope 3 (indirect emissions by other companies related to the business’ activities), focusing on emissions along their supply chains, which accounted for 41.8% of non-manufacturing companies, surpassing their manufacturing peers’ 29.2%.

Targets of decarbonization efforts specific to Scopes 1 through 3 (by industry, multiple answers allowed)



(Note) n indicates the number of companies reporting they were “already making” or “planning to make” some sorts of decarbonization efforts (reduction of greenhouse gas emissions) in their locales.

Top 3 industries actively engaged in efforts under Scopes 1 through 3 (by industry, multiple answers allowed)

(Unit: No. of companies, %)

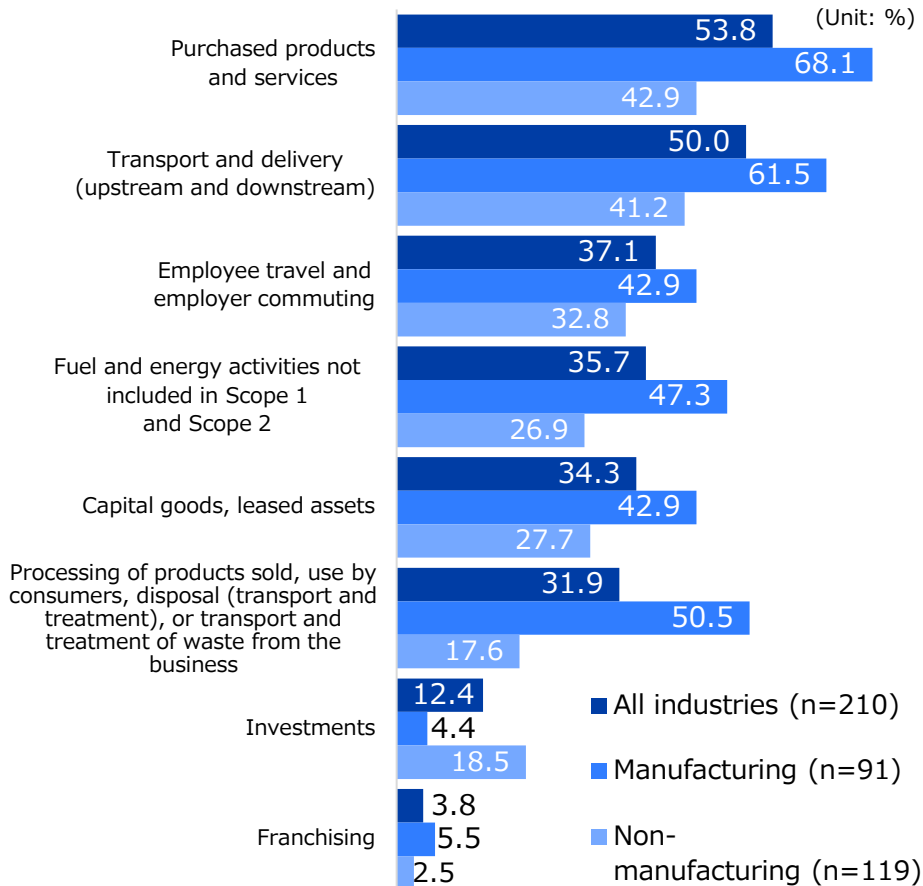
| Scope | Industry | Top 3 Industries |
|----------|-------------------|--|
| Scope 1: | Manufacturing | <ul style="list-style-type: none"> Information and communication electronics equipment / office machines (n=6, 100) Transportation equipment (railroad vehicles / ship / aircraft / industrial trucks) (n=5, 100) Rubber products (n=11, 90.9) |
| | Non-manufacturing | <ul style="list-style-type: none"> Banks (n=15, 73.3) Transport activities / logistics / warehouse (n=56, 67.9) Wholesale (n=9, 66.7) |
| Scope 2: | Manufacturing | <ul style="list-style-type: none"> Rubber products (n=11, 81.8) Ceramic / stone and clay products (n=6), information and communication electronics equipment / office machines (n=6), medical equipment (n=6), medicines (n=6) (66.7) Fabricated metal products (including plated products) (n=11) (63.6) |
| | Non-manufacturing | <ul style="list-style-type: none"> Banks (n=15, 80.0) Holding / managing company / regional headquarters (n=6, 66.7) Construction / plant / engineering (n=10, 60.0) |
| Scope 3: | Manufacturing | <ul style="list-style-type: none"> Chemical and allied products / petroleum products (n=39, 51.3) Medicines (n=6), medical equipment (n=6) (50.0) Transportation equipment (railroad vehicles / ship / aircraft / industrial trucks) (n=5, 40.0) |
| | Non-manufacturing | <ul style="list-style-type: none"> Banks (n=15, 66.7) Accommodations / travel (n=7, 57.1) Non-banks (n=25, 56.0) |

(Note) Only the industries where at least n=5 are listed. n indicates the number of companies reporting they were “already making” or “planning to make” some sorts of decarbonization efforts under each of the Scopes.

3 | Targets of decarbonization efforts (Scope 3) Decarbonization efforts to address the movement of people and goods make headway.

- Over 50% of manufacturers engaged in reducing carbon emissions under Scope 3 were working across their entire supply chains, encompassing their purchased products and services, transport and delivery, and the consumption and disposal of the products they sold. Also in non-manufacturing, companies reported on their activities encompassing the products and services they purchased, transport and delivery, business travels and commutes, etc.
- Irrespective of industries, decarbonization efforts addressing the movement of people and goods (transport and delivery, business travels and commutes, etc.) appeared to be commonplace.

Targets of decarbonization efforts specific to Scope 3 (by industry, multiple answers allowed)



Examples of key activities under Scope 3

Purchased products and services:

- Facilitation of green procurement (banks, chemical and allied products / petroleum products, etc.)
- Paperless operations (non-banks)
- Requesting suppliers to cooperate in decarbonization (banks, electrical machinery / electronic devices)

Transport and delivery (upstream and downstream):

- Switch sourcing from outside Europe to within Europe (transportation equipment parts)
- Shift from air freight to ship and rail transport, etc. (sales company / sales subsidiary, general machinery)
- Optimization of transport efficiency in terms of product quantity carried per truck, by reducing packing materials (transportation equipment parts)

Employee travel and employer commuting:

- Recommending use of bicycles and public transport for commute (medical equipment)
- Use of rail transport and SAF flights for business travel (transport activities / logistics / warehouse, accommodations / travel, etc.)
- Recommending remote work (sales company / sales subsidiary, trading, etc.)

Processing of products sold, use by consumers, or transport and treatment of waste from the business:

- Development of new products that are less harmful to the environment (information and communication electronics equipment / office machines, accommodations / travel, etc.)
- Considering to sell carbon-free and low-carbon fuels (chemical and allied products / petroleum products)
- Reduction of packing materials and disposable plastics (food / processed food, agricultural or fishery products, trading, etc.)

Challenges with decarbonization efforts

4 | Legal and regulatory adaptation remains a major challenge. Companies must also work on expanding the scope of their efforts beyond their organizations.

- As more and more new laws and regulations continued to be introduced, many companies appeared to be struggling to comply with them while also absorbing the additional costs of decarbonization and finding an economically rational balance among them.
- As companies had also been required to make efforts outside their organizations to cooperate with various partners that comprised their supply chains while meeting the requirements of Scope 3, etc., handling of all these had become quite a challenge for them.

Challenges with decarbonization efforts, local regulations and programs that are difficult to obey

| | | | |
|----------------------|--|---------------------------------------|---|
| Costs | <ul style="list-style-type: none"> • Finding a balance between the additional costs of decarbonization and economic rationality (UK, Netherlands, etc.) • Transferring of cost increases to sales prices (Germany, Spain) | Infrastructure | <ul style="list-style-type: none"> • Installation of decarbonization equipment in buildings by property owners (Germany, Bulgaria) • Lack of EV-charging infrastructure (Italy, Romania, etc.) |
| Laws and regulations | <ul style="list-style-type: none"> • Compliance with the CBAM (Czechia, Germany, etc.) • Compliance with the EU ETS (UK) • Compliance with the Corporate Sustainability Reporting Directive (CSRD) (Netherlands, Belgium) • Shortage of solar panel and other equipment installation areas due to green ratio regulations (Hungary) • Discrepancies between the EU Directives and other countries' regulations in terms of implementation timelines and expressions of requirements (Spain) | Supply chain | <ul style="list-style-type: none"> • Shortage of SAF supply, expensive cost (Belgium, Austria, etc.) • Cooperation with partners along supply chains (Belgium, Czechia, etc.) • High levels of carbon reduction requirements from customers (Poland) |
| Policies | <ul style="list-style-type: none"> • Lack of incentives to promote the adoption of renewable energy, EVs, etc. (France, Bulgaria, etc.) • Creation of demand, establishment and expansion of government support (Spain, Portugal, etc.) | Visualization | <ul style="list-style-type: none"> • No unified calculation formulas (Germany, Belgium, etc.) • Different calculation formulas between Japan and Europe (UK, Czechia, etc.) • Calculations of emissions under Scope 3 (calculation method, obtaining data from suppliers, etc.) (Germany, Belgium, etc.) |
| Human resources | <ul style="list-style-type: none"> • Lack of human resources (France, Czechia, etc.) • Difficult to train human resources that are adept at understanding local laws and regulations relating to decarbonization and capable of facilitating necessary action (UK) | Product development and manufacturing | <ul style="list-style-type: none"> • Decarbonization of companies' own sold products, development of products with less environmental impacts (France) • Decarbonization of product processes (Poland) |

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