



FY2017 Survey on the International Operations of Japanese Firms - JETRO Overseas Business Survey -

March 7, 2018

Japan External Trade Organization
(JETRO)

Overseas Research Department

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Survey outline and profile of respondent firms

Survey outline

1. Survey targets

A total of 9,981 firms (headquarters) with interest in overseas business. The FY2017 survey covered 3,437 JETRO member firms plus 6,544 firms using JETRO services.

*This survey has been conducted annually since FY2002, directed only at JETRO member firms and this year marked its 16th edition. From FY2011, JETRO has expanded the number of subject firms.

2. Survey topics

- I. Firm Profile
- II. International Trade and Overseas Expansion
- III. Business Environment in Major Countries
- IV. Utilization of Free Trade Agreements (FTAs)
- V. Utilization of Foreign Personnel
- VI. Utilization of Digital Technology
- VII. CSR and Supply Chain-related Policies on Labor, Safety and Health, and Environment

3. Period

November 17, 2017 to January 5, 2018

4. Response

Number of valid replies: 3,195 (of which 1,256 are JETRO member firms)

Response rate: 32.0%

Definitions of large-scale firms, SMEs, etc.

	Manufacturing and other	Wholesale	Retail	Service
Large-scale firms	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs
Large-scale firms (excluding leading medium-sized firms)	Large-scale firms other than leading medium-sized firms	Large-scale firms other than leading medium-sized firms	Large-scale firms other than leading medium-sized firms	Large-scale firms other than leading medium-sized firms
Leading medium-sized firms	More than 300 million but less than 1 billion yen, or more than 300 but less than 3000 employees	More than 100 million but less than 300 million yen, or more than 100 but less than 1000 employees	More than 50 million but less than 300 million yen, or more than 50 but less than 1000 employees	More than 50 million but less than 300 million yen, or more than 100 but less than 1000 employees
Small and medium-sized enterprises (SMEs)	300 million yen or less, or 300 employees or less	100 million yen or less, or 100 employees or less	50 million yen or less, or 50 employees or less	50 million yen or less, or 100 employees or less
Small and medium-sized enterprises (excluding micro-businesses)	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses
Micro-businesses	50 million yen or less, or 20 employees or less	10 million yen or less, or 5 employees or less	10 million yen or less, or 5 employees or less	10 million yen or less, or 5 employees or less

Note: The larger categories of "large-scale firms" and "SMEs" are based on the Small and Medium-sized Enterprise Basic Act. The others have been defined by JETRO.

Profile of respondent firms

	No. of firms	Share (%)
All respondent firms	3,195	100.0
Manufacturing	1,748	54.7
Food & beverages	446	14.0
Textiles/clothing	105	3.3
Wood & woods products/furniture & building materials/paper & pulp	57	1.8
Chemicals	95	3.0
Medical products & cosmetics	70	2.2
Coal & petroleum products/plastics/rubber products	93	2.9
Ceramics/earth & stone	35	1.1
Iron & steel/non-ferrous metals/metal products	176	5.5
General machinery	158	4.9
Electrical equipment	89	2.8
IT equipment/electronic parts & devices	63	2.0
Cars/car parts/other transportation machinery	98	3.1
Precision equipment	61	1.9
Other manufacturing	202	6.3
Non-manufacturing	1,447	45.3
Trade and wholesale	681	21.3
Retail	123	3.8
Construction	110	3.4
Transport	76	2.4
Finance & insurance	72	2.3
Communication, information & software	97	3.0
Professional services	81	2.5
Other non-manufacturing	207	6.5
Large-scale firms	604	18.9
Large-scale firms (excluding leading medium-sized firms)	140	4.4
Leading medium-sized firms	464	14.5
Small and medium-sized enterprises (SMEs)	2,591	81.1
SMEs (excluding micro-businesses)	1,046	32.7
Micro-businesses	1,545	48.4
Firms with export operations	2,310	72.3
Firms with overseas bases	1,501	47.0
Domestic firms	329	10.3

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

Export destinations

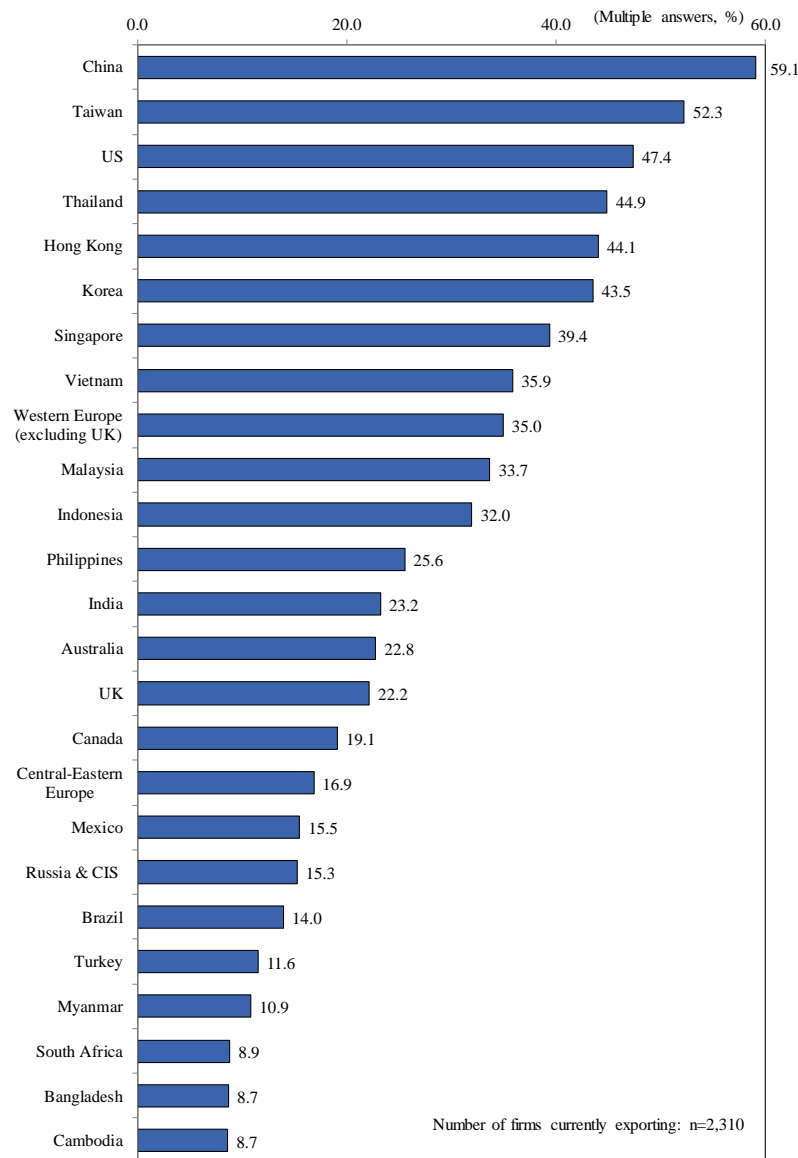
Firms with export operations (total, by industry, by firm size)

(%)

	Currently exporting	Exports only	Not currently exporting	No answer
	All respondent firms (n=3,195)	72.3	26.4	27.2
Manufacturing (n=1,748)	84.8	32.0	14.8	0.3
Food & beverages (n=446)	85.4	59.4	14.1	0.4
Textiles/clothing (n=105)	77.1	28.6	22.9	0.0
Wood & wood products/furniture & building materials/paper & pulp (n=57)	77.2	24.6	21.1	1.8
Chemicals (n=95)	89.5	14.7	9.5	1.1
Medical products & cosmetics (n=70)	91.4	31.4	8.6	0.0
Coal and petroleum products/plastics/rubber products (n=93)	81.7	17.2	17.2	1.1
Ceramics/earth & stone (n=35)	94.3	42.9	5.7	0.0
Iron & steel/non-ferrous metals/metal products (n=176)	75.6	21.0	24.4	0.0
General machinery (n=158)	94.9	25.9	4.4	0.6
Electrical equipment (n=89)	88.8	18.0	11.2	0.0
IT equipment/electronic parts & devices (n=63)	81.0	14.3	19.0	0.0
Cars/car parts/other transportation machinery (n=98)	83.7	19.4	16.3	0.0
Precision equipment (n=61)	91.8	18.0	8.2	0.0
Other manufacturing (n=202)	83.2	24.8	16.8	0.0
Non-manufacturing (n=1,447)	57.2	19.7	42.1	0.8
Trade and wholesale (n=681)	79.9	21.0	19.8	0.3
Retail (n=123)	59.3	30.1	38.2	2.4
Construction (n=110)	44.5	20.0	54.5	0.9
Transport (n=76)	30.3	9.2	68.4	1.3
Finance & insurance (n=72)	0.0	0.0	100.0	0.0
Communication, information & software (n=97)	34.0	20.6	64.9	1.0
Professional services (n=81)	30.9	13.6	69.1	0.0
Other non-manufacturing (n=207)	38.6	21.7	59.9	1.4
Large-scale firms (n=604)	69.0	10.8	30.8	0.2
Large-scale firms (excluding leading medium-sized firms) (n=140)	70.7	9.3	28.6	0.7
Leading medium-sized firms (n=464)	68.5	11.2	31.5	0.0
Small and medium-sized enterprises (SMEs) (n=2,591)	73.1	30.1	26.3	0.6
SMEs (excluding micro-businesses) (n=1,046)	74.0	20.1	25.6	0.4
Micro-businesses (n=1,545)	72.4	36.8	26.8	0.8

Notes: 1) Exports include indirect exporting through other firms. 2) "Exports only" refers to firms with export operations excluding firms currently importing. 3) "Not currently exporting" refers to firms other than firms with export operations and firms with no answer.

Export destinations of exporting firms



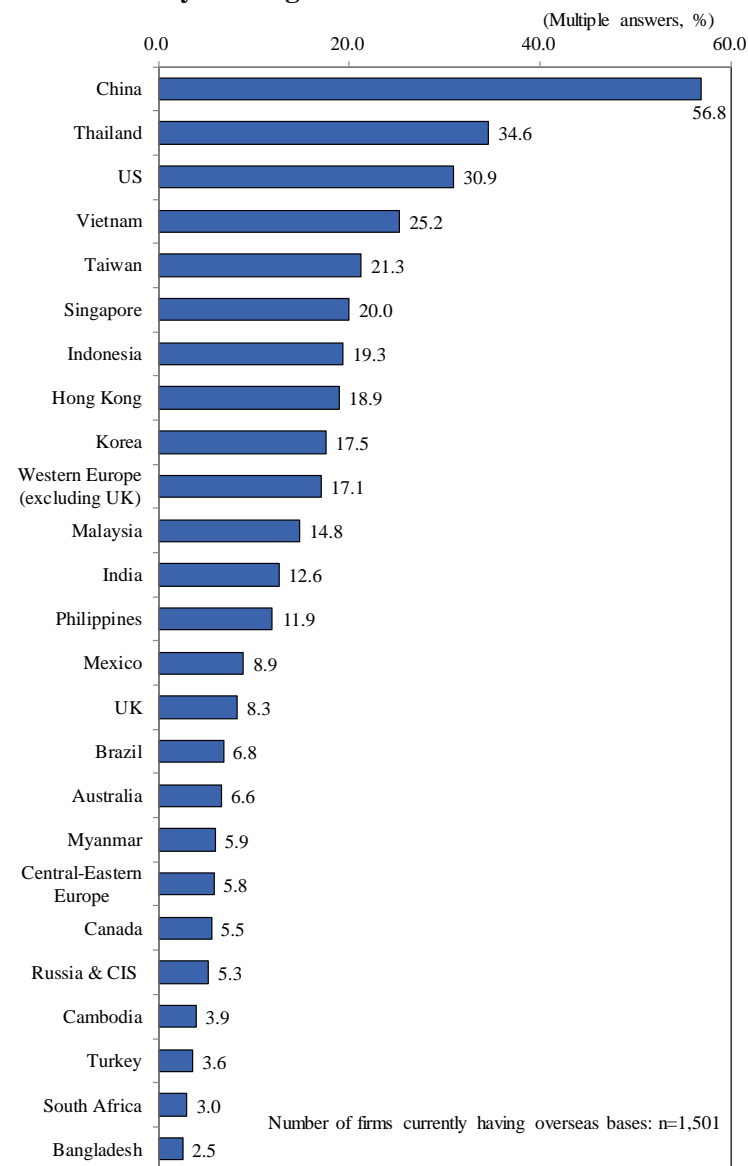
Profile of respondent firms (status of overseas expansion)

Firms with overseas bases (total, by industry, by firm size)

	(%)		
	With overseas bases	Without overseas bases	No answer
Total (n=3,195)	47.0	52.5	0.5
Manufacturing (n=1,748)	49.0	50.6	0.3
Food & beverages (n=446)	21.5	78.0	0.4
Textiles/clothing (n=105)	48.6	51.4	0.0
Wood & wood products/furniture & building materials/paper & pulp (n=57)	35.1	63.2	1.8
Chemicals (n=95)	64.2	34.7	1.1
Medical products & cosmetics (n=70)	51.4	48.6	0.0
Coal & petroleum products/plastics/rubber products (n=93)	61.3	37.6	1.1
Ceramics/earth & stone (n=35)	54.3	45.7	0.0
Iron & steel/non-ferrous metals/metal products (n=176)	58.0	42.0	0.0
General machinery (n=158)	58.9	40.5	0.6
Electrical equipment (n=89)	60.7	39.3	0.0
IT equipment/electronic parts & devices (n=63)	66.7	33.3	0.0
Cars/car parts/other transportation machinery (n=98)	77.6	22.4	0.0
Precision equipment (n=61)	73.8	26.2	0.0
Other manufacturing (n=202)	52.0	48.0	0.0
Non-manufacturing (n=1,447)	44.5	54.7	0.8
Trade and wholesale (n=681)	45.4	54.3	0.3
Retail (n=123)	32.5	65.0	2.4
Construction (n=110)	56.4	42.7	0.9
Transport (n=76)	55.3	43.4	1.3
Finance & insurance (n=72)	52.8	47.2	0.0
Communication, information & software (n=97)	39.2	59.8	1.0
Professional services (n=81)	45.7	54.3	0.0
Other non-manufacturing (n=207)	37.7	60.9	1.4
Large-scale firms (n=604)	81.3	18.5	0.2
Large-scale firms (excluding leading medium-sized firms) (n=140)	92.9	6.4	0.7
Leading medium-sized firms (n=464)	77.8	22.2	0.0
Small and medium-sized enterprises (SMEs) (n=2,591)	39.0	60.4	0.6
SMEs (excluding micro-businesses) (n=1,046)	50.9	48.8	0.4
Micro-businesses (n=1,545)	30.9	68.3	0.8

Note: Agencies are not included in overseas bases.

County and region of overseas bases

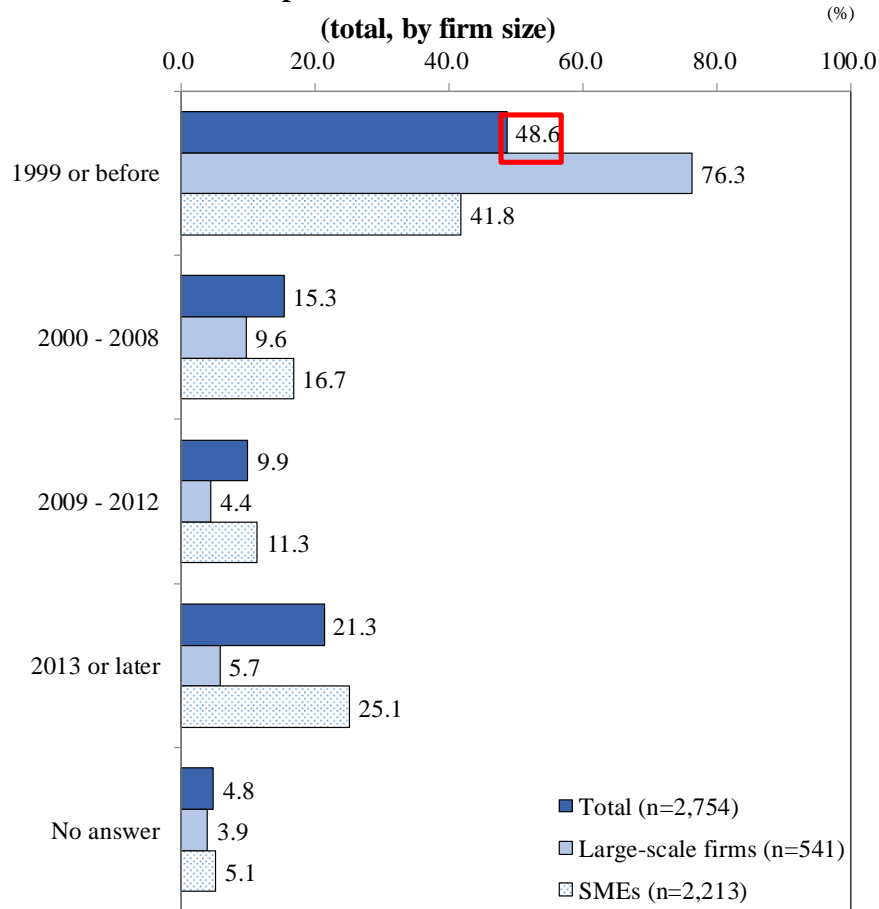


When respondent firms started overseas business

The largest number of respondent firms started overseas business (exports, imports, and overseas expansion) in “1999 or before,” constituting almost half of the total respondent firms (48.6%). By firm size, 76.3% of large-scale firms started overseas business in “1999 or before,” while the answers of SMEs were spread across a couple of time periods, such as 1999 or before (41.8%), 2013 or later (25.1%), and 2000-2008 (16.7%).

When respondents started overseas business

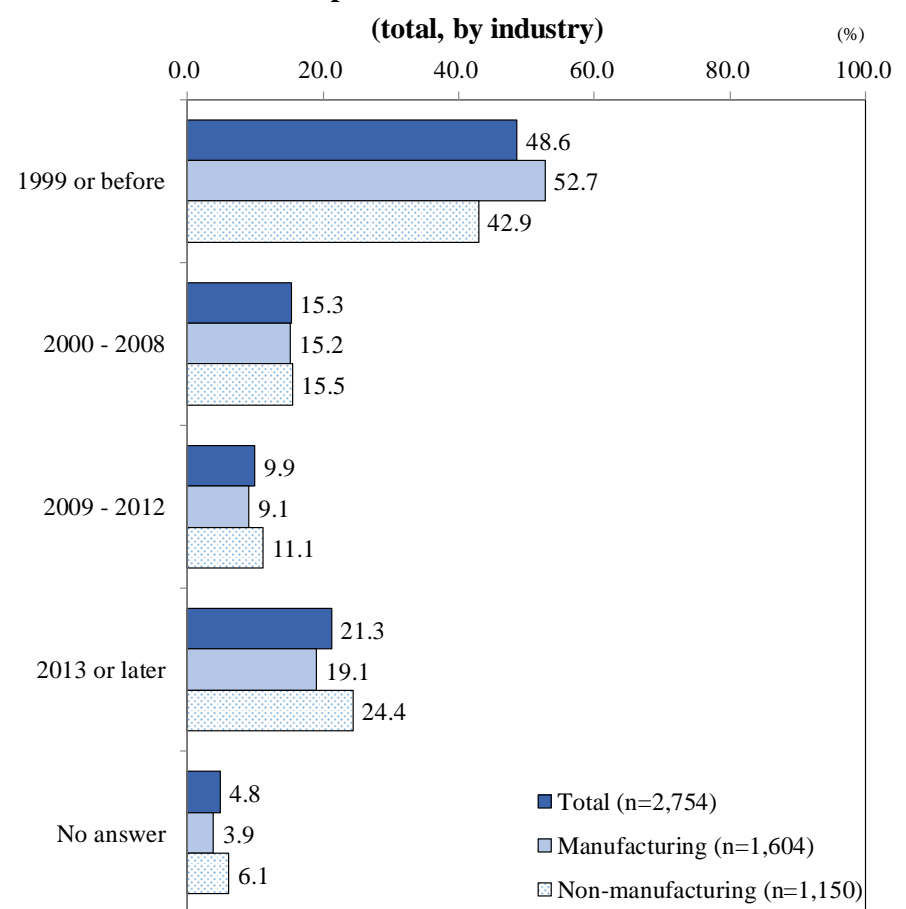
(total, by firm size)



Note: The population size is the number of firms exporting, importing, or expanding overseas (with overseas bases) out of all respondent firms.

When respondents started overseas business

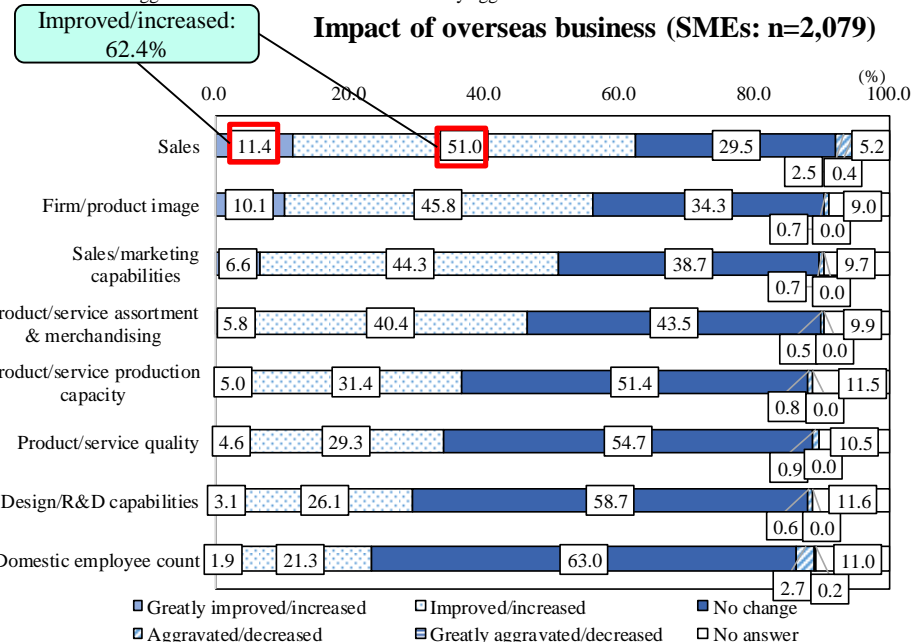
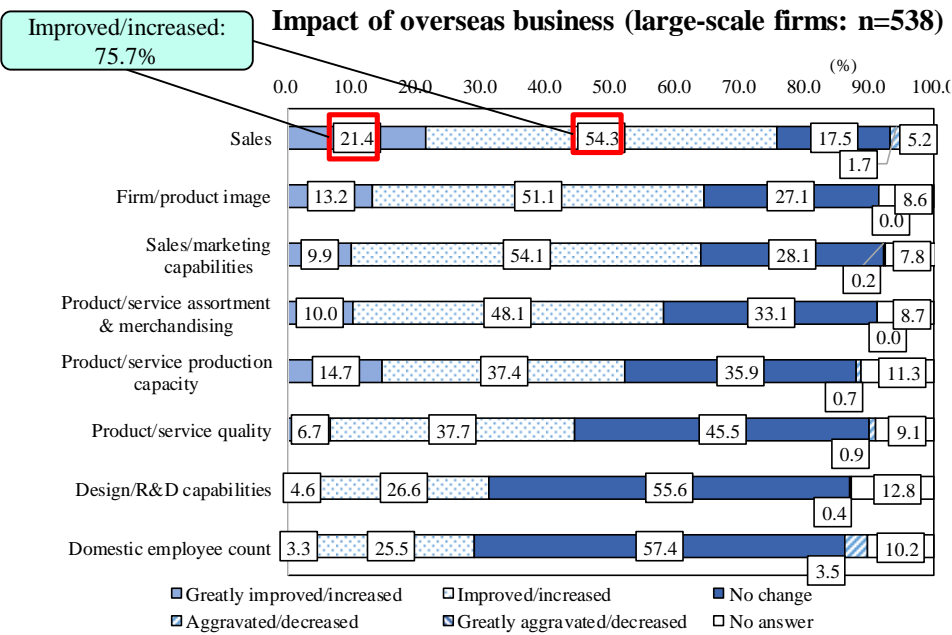
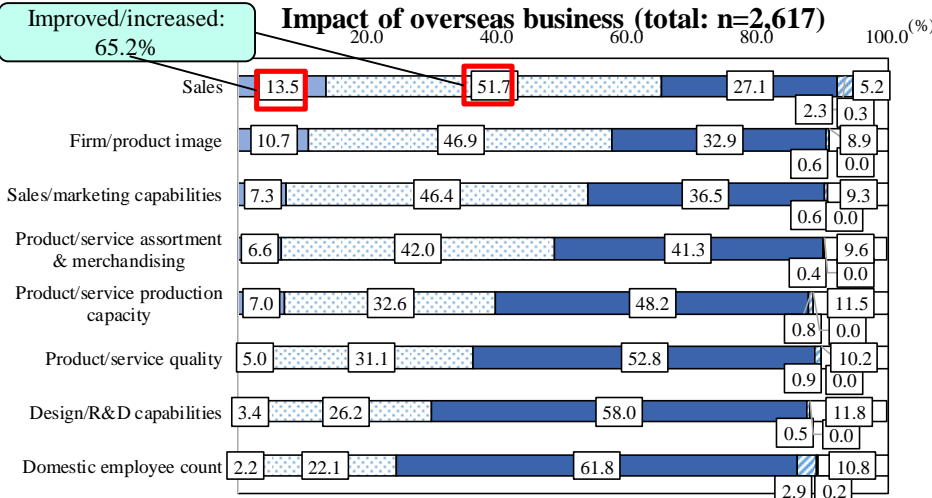
(total, by industry)



Note: The population size is the number of firms exporting, importing, or expanding overseas (with overseas bases) out of all respondent firms.

More than 60% say overseas business has a positive impact on sales

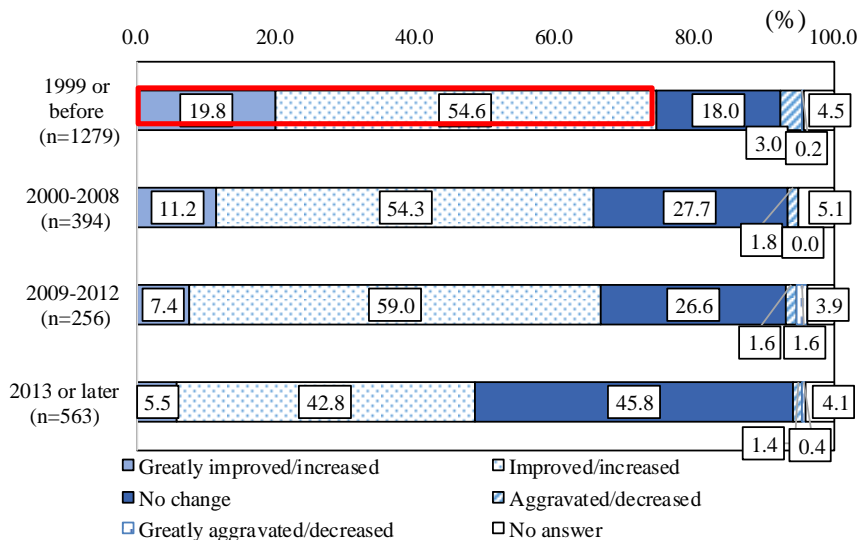
Asked about the operational impact of overseas business (limited to exports and overseas expansion), 65.2% of respondent firms say it has “greatly improved/increased” or “improved/increased” their sales. Irrespective of firm size, the largest number of respondents point out its impact on sales (75.7% for large-scale firms and 62.4% for SMEs). In contrast, “domestic employee count” was chosen by the largest number of respondents (61.8% for large-scale firms and 61.8% for SMEs) as “no change”.



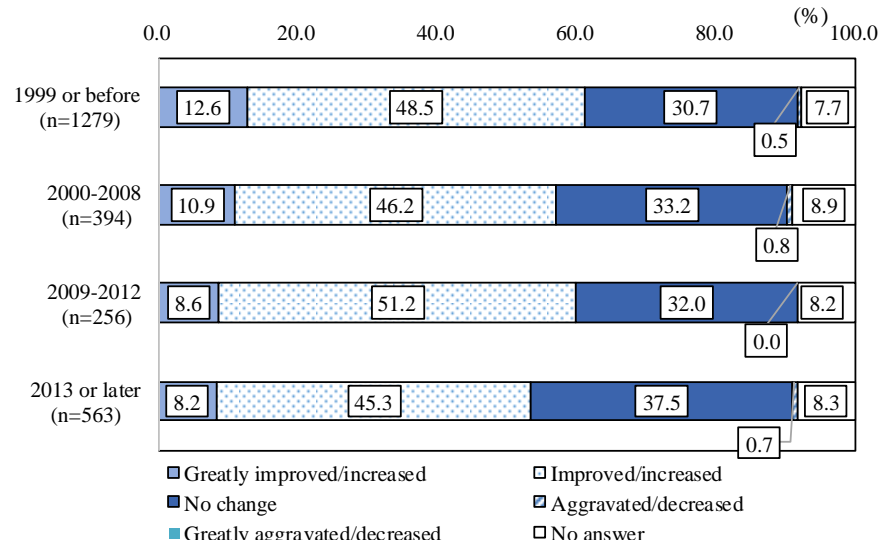
Note: The population size is the number of firms exporting or expanding overseas (with overseas bases).

Early starters observe greater impact on sales

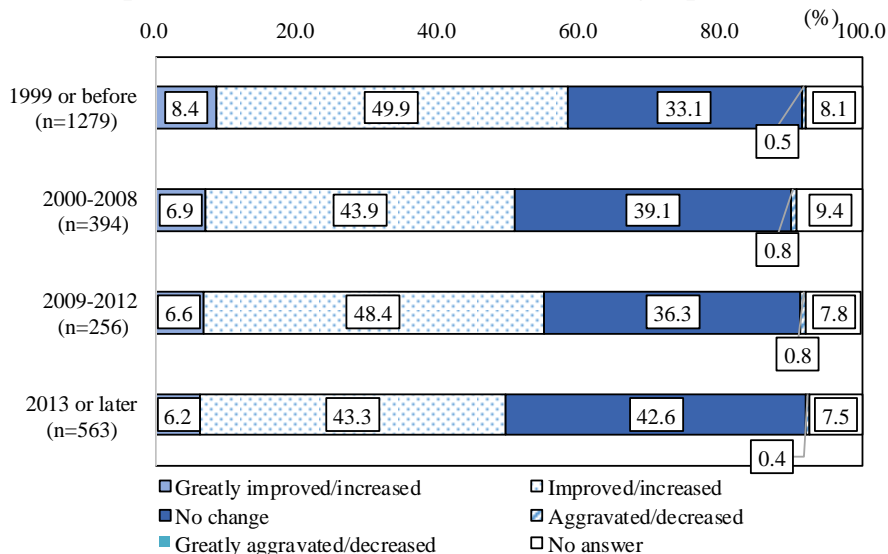
Impact of overseas business: Sales (total)



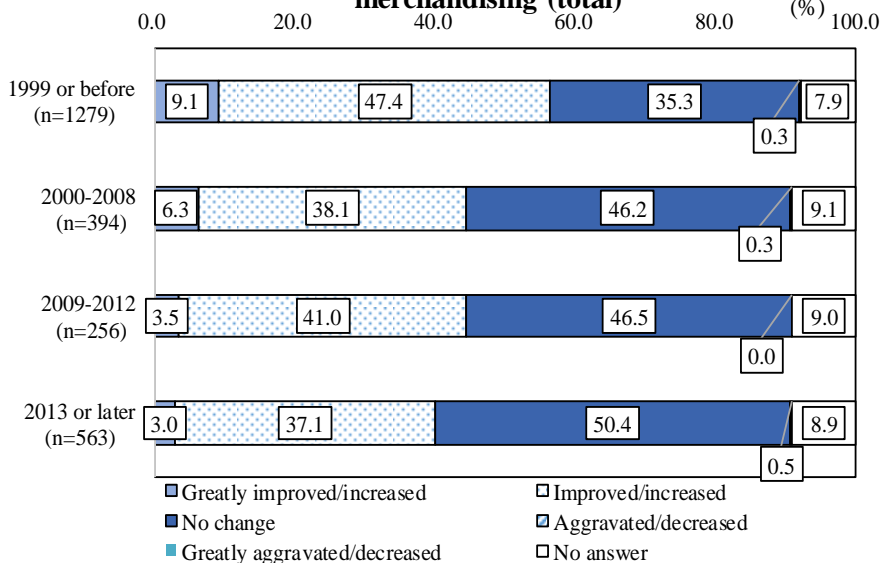
Impact of overseas business: Firm/product image (total)



Impact of overseas business: Sales/marketing capabilities (total)



Impact of overseas business: Product/service assortment & merchandising (total)



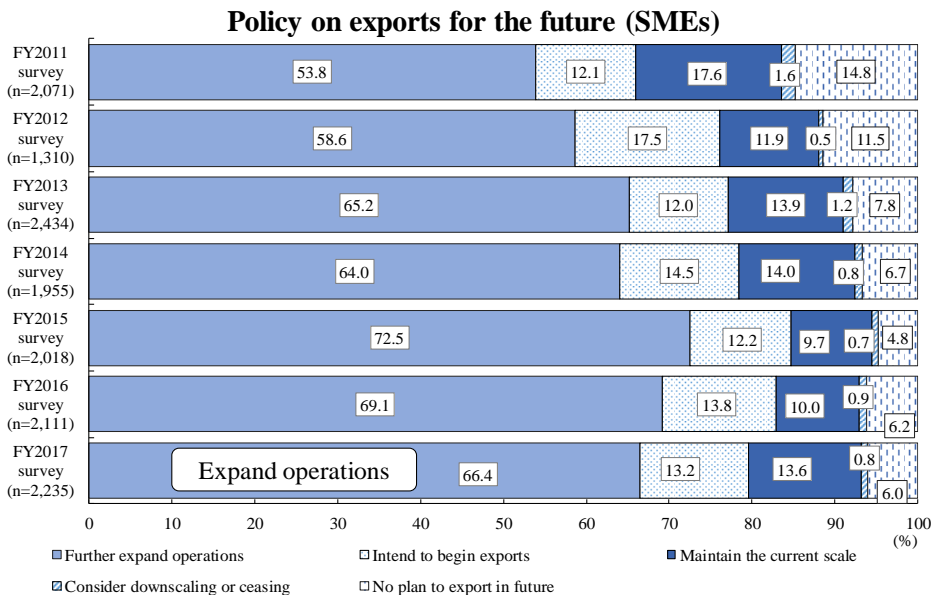
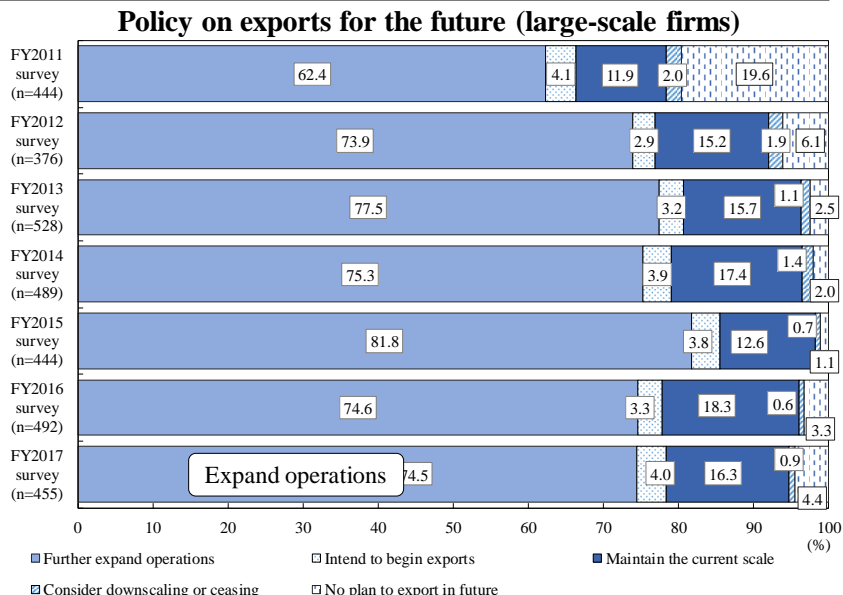
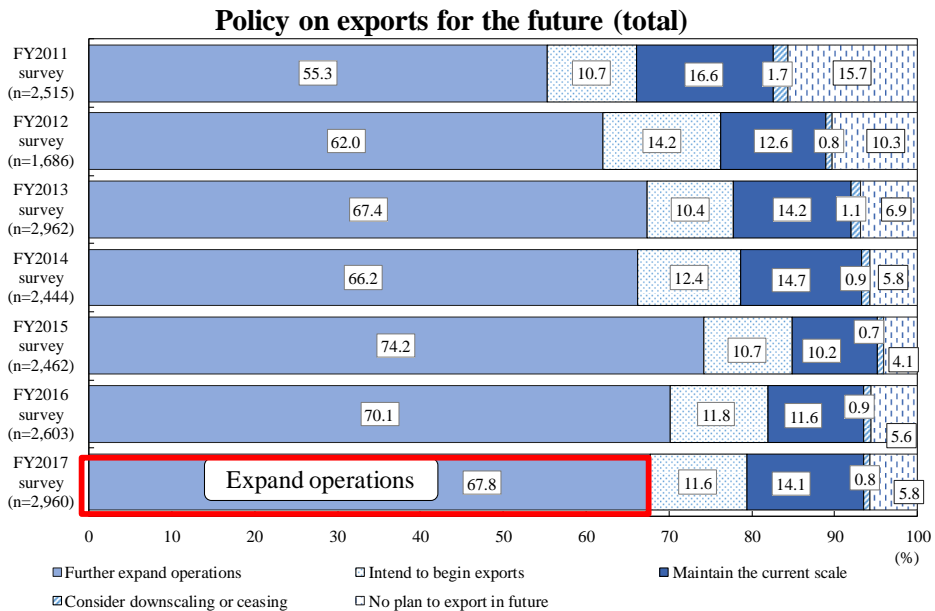
Note: No “greatly aggravated/decreased” answer was given to “firm/product image,” “sales/marketing capabilities,” and “product/service assortment & merchandising.”

1. International trade and overseas expansion

- Motivation to expand exports remains high, though showing signs of leveling off. Domestic business expansion exceeds 60% for first time -

70% plan to expand exports, though showing signs of leveling off

Regarding export policies over the next three years or so, the percentage of firms “planning to further expand exports” has slightly decreased to 67.8%. While remaining at a high level, this is the second consecutive year it has decreased, indicating it is in a lull. An increasing number of firms, in particular SMEs, are maintaining their current status, affected by factors such as a lack of personnel necessary for business expansion. By firm size, large-scale firms expanding exports maintain the trend from last year (74.5%), while SMEs show a slight decrease from last year (66.4%).



Note: The population size is the total number of respondent firms, excluding firms answering “No international trade for the operations (item created in FY2012)” and “No answer”

Non-manufacturing sectors tend to maintain the current export scale

Retail and general machinery are more motivated to export, while non-manufacturing sectors (e.g., trade and wholesale) increasingly tend to maintain the current export scale.

Policy on exports for the future (by industry)

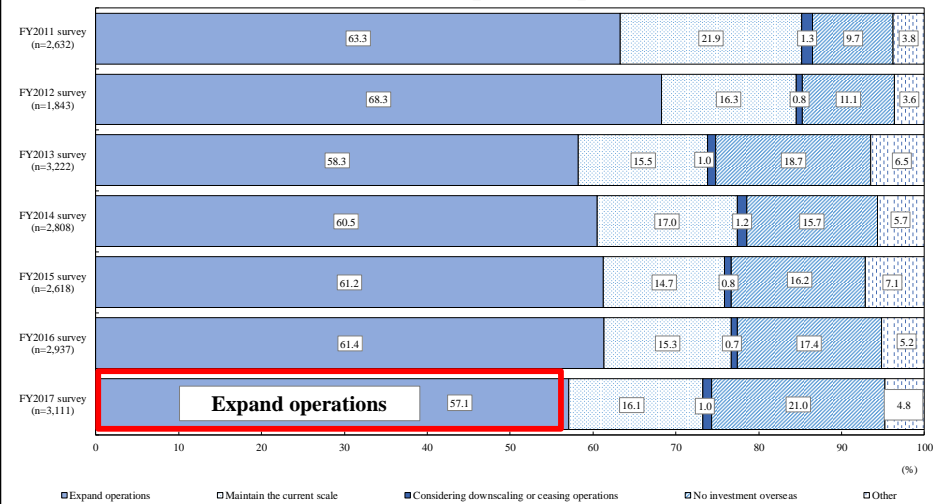
	No. of firms	Conducting export operations now and intending to expand them		Not conducting export operations now, but intending to begin exports		Conducting export operations now and maintaining the current scale		Conducting export operations now, but considering downscaling or ceasing		Neither conducting export operations now nor intending to export in future	
		FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17	FY16→ FY17
Total	2,690	67.8	Δ 2.3	11.6	Δ 0.2	14.1	+ 2.5	0.8	Δ 0.1	5.8	+ 0.2
Manufacturing	1,664	72.5	Δ 0.8	8.4	Δ 0.4	13.8	+ 0.6	0.6	Δ 0.2	4.8	+ 0.8
Food & beverages	428	75.5	Δ 0.6	9.8	Δ 4.0	10.5	+ 4.5	0.5	Δ 0.1	3.7	+ 0.1
Textiles/clothing	99	64.6	+ 0.8	16.2	+ 0.2	12.1	+ 1.5	0.0	Δ 2.1	7.1	Δ 0.4
Wood & wood products/furniture & building materials/paper & pulp	54	<i>63.0</i>	Δ 13.7	16.7	+ 6.7	13.0	+ 6.3	1.9	+ 0.2	5.6	+ 0.6
Chemicals	91	80.2	+ 1.6	2.2	Δ 1.2	<i>12.1</i>	Δ 5.9	2.2	+ 2.2	3.3	+ 3.3
Medical products & cosmetics	68	89.7	+ 3.3	7.4	+ 5.7	<i>2.9</i>	Δ 5.5	0.0	+ 0.0	0.0	Δ 3.4
Coal & petroleum products/plastics/rubber products	88	60.2	+ 0.2	11.4	+ 4.7	<i>20.5</i>	Δ 6.2	1.1	+ 0.0	6.8	+ 1.3
Ceramics/earth & stone	32	<i>75.0</i>	Δ 9.0	0.0	Δ 4.0	21.9	+ 21.9	0.0	+ 0.0	3.1	Δ 0.9
Iron & steel/non-ferrous metals/metal products	163	62.0	Δ 1.6	8.6	Δ 1.3	17.2	Δ 2.0	0.6	Δ 0.6	11.7	+ 5.5
General machinery	153	83.0	+ 6.0	2.6	Δ 2.4	13.7	+ 1.5	0.0	Δ 2.2	0.7	Δ 2.9
Electrical equipment	85	<i>76.5</i>	Δ 5.4	4.7	Δ 0.6	14.1	+ 2.4	0.0	+ 0.0	4.7	+ 3.6
IT equipment/electronic parts & devices	59	<i>61.0</i>	Δ 15.5	11.9	+ 9.9	20.3	+ 6.6	1.7	+ 1.7	5.1	Δ 2.8
Cars/car parts/other transportation machinery	95	60.0	+ 1.9	6.3	+ 2.5	<i>27.4</i>	Δ 6.9	0.0	Δ 1.9	6.3	+ 4.4
Precision equipment	59	81.4	+ 3.1	3.4	Δ 2.4	13.6	Δ 0.9	0.0	+ 0.0	1.7	+ 0.2
Other manufacturing	190	73.7	Δ 2.5	9.5	Δ 0.3	10.5	+ 1.9	1.1	+ 1.1	5.3	Δ 0.1
Non-manufacturing	1,026	60.2	Δ 4.9	16.9	+ 0.1	14.5	+ 5.6	1.1	+ 0.1	7.3	Δ 0.8
Trade and wholesale	616	<i>70.0</i>	Δ 6.1	10.4	+ 1.2	13.6	+ 6.2	0.6	Δ 0.3	5.4	Δ 0.9
Retail	101	56.4	+ 10.7	<i>20.8</i>	Δ 10.6	12.9	+ 4.3	3.0	Δ 1.3	6.9	Δ 3.1
Construction	75	40.0	+ 0.0	25.3	+ 7.2	22.7	+ 6.3	1.3	Δ 0.5	<i>10.7</i>	Δ 13.0
Transport	20	<i>55.0</i>	Δ 18.1	10.0	Δ 1.5	25.0	+ 13.5	5.0	+ 5.0	5.0	+ 1.2
Communication, information & software	56	41.1	+ 0.1	39.3	+ 4.9	8.9	Δ 4.2	0.0	+ 0.0	10.7	Δ 0.8
Professional services	34	<i>41.2</i>	Δ 13.7	23.5	Δ 2.3	29.4	+ 19.7	0.0	+ 0.0	5.9	Δ 3.8
Other non-manufacturing	120	43.3	Δ 4.4	30.8	Δ 4.6	12.5	+ 1.7	1.7	+ 1.7	11.7	+ 5.5

Notes: 1) Yellow-highlighted cells with a bold number indicate sectors with an increase of 5% or more from FY2016 and blue-highlighted cells with an italicized number indicate sectors with a decrease of 5% or more from FY2016. 2) The table only shows the industries where the number of respondent firms is 10 or more.

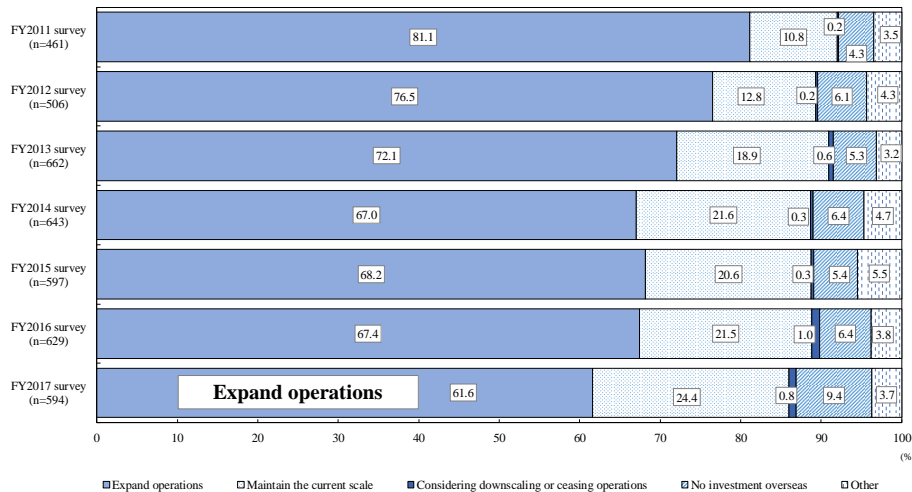
A majority of firms are motivated to expand business overseas

Regarding overseas (direct investment) expansion policies over the next three years or so, the ratio of firms “planning to expand overseas business,” while remaining over half, has slightly decreased to 57.1% from 61.4% the previous year. Increasing wages and production costs as well as labor shortages overseas have been indicated as reasons for this decline. By firm size, 61.6% of large-scale firms and 56.1% of SMEs plan to expand business overseas. Sectors more motivated to expand include medical products & cosmetics (75.0%), ceramics/earth & stone (73.5%), textiles/clothing (72.5%), and chemicals (66.3%).

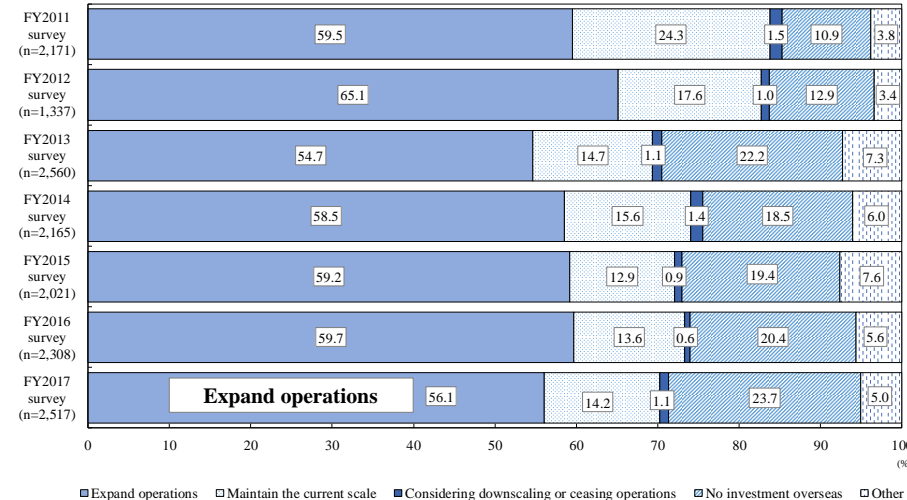
Future overseas expansion policy (total)



Future overseas expansion policy (large-scale firms)



Future overseas expansion policy (SMEs)



Notes: 1) The population size is the total number of respondent firms, excluding firms answering “no answer”. 2) Since the FY2013 survey, “expand operations” has included respondents reporting that they currently have overseas bases and are planning to expand them further in the future and those reporting that they currently have no overseas bases but intend to invest in the future. 3) The reason why we see an increase of “no plan to expand overseas in the future” in FY2017 can be attributed to a decrease of the ratio of firms with overseas bases out of this survey respondent (from 52.5% in FY2016 to 47.0% in FY2017).

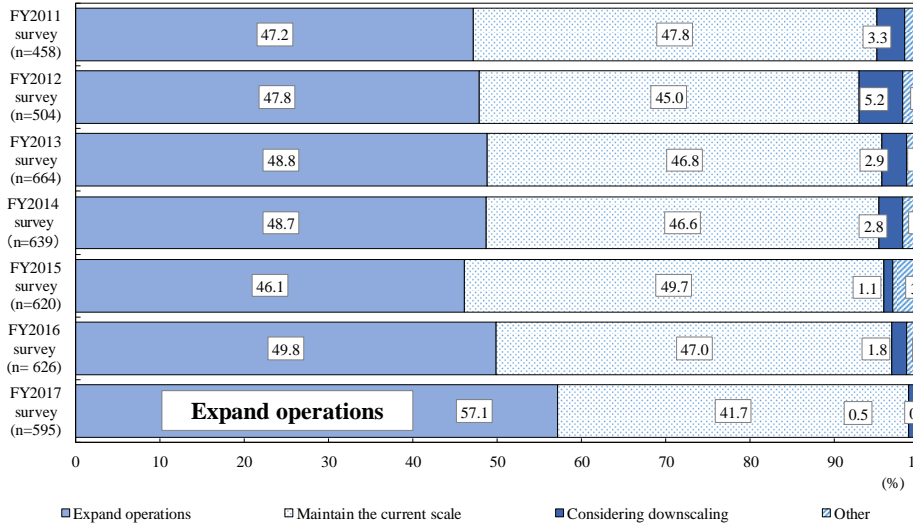
Domestic business expansion exceeds 60% for first time

Regarding domestic business expansion policies over the next three years or so, the percentage of firms “planning to expand domestic business” increased to 61.4%. This is the first time the ratio has passed 60% since FY2011, the earliest year for which comparative data is available. By firm size, this growing trend applies to both large-sized firms (57.1%) and SMEs (62.4%), making SMEs exceed the 60% ratio. Sectors more motivated to expand include communication, information and software (77.1%), wood & wood products/furniture & building materials/paper & pulp (72.7%), electrical equipment (71.9%), medical products & cosmetics (71.4%).

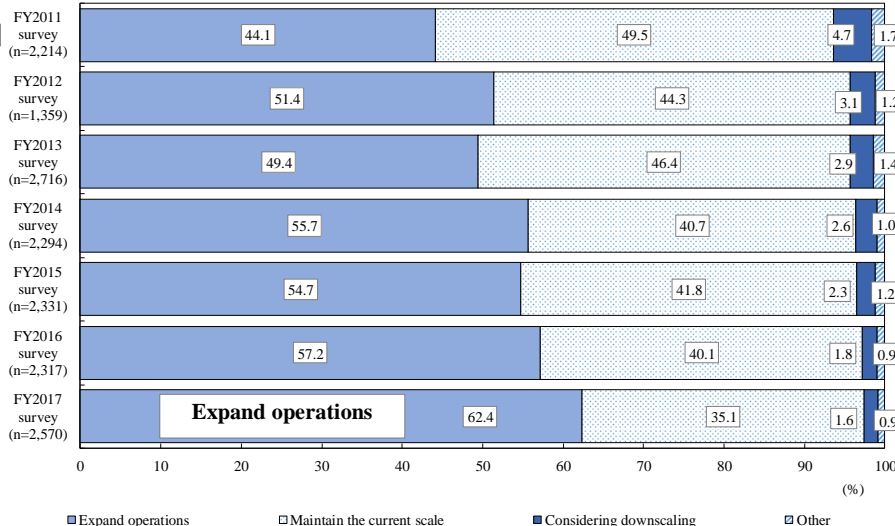
Future domestic business expansion (total)



Future domestic business expansion (large-scale firms)



Future domestic business expansion (SMEs)

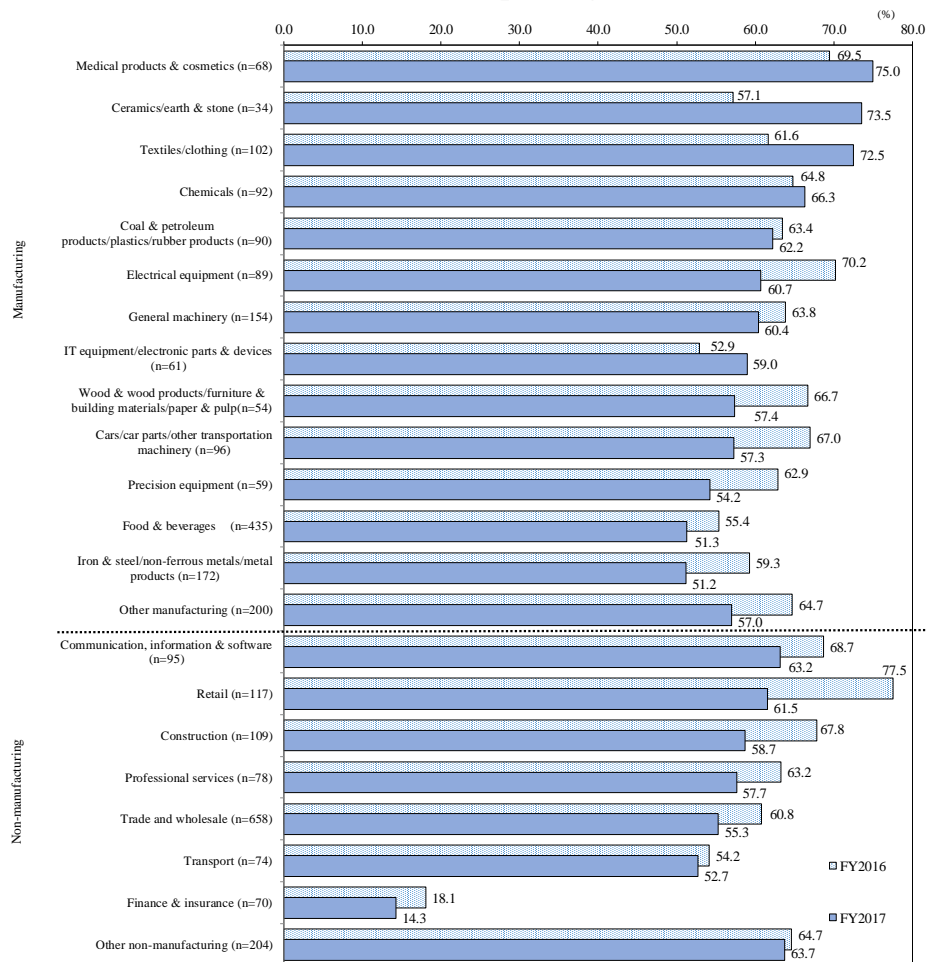


Note: The population size is the total number of respondent firms, excluding firms answering “no answer”.

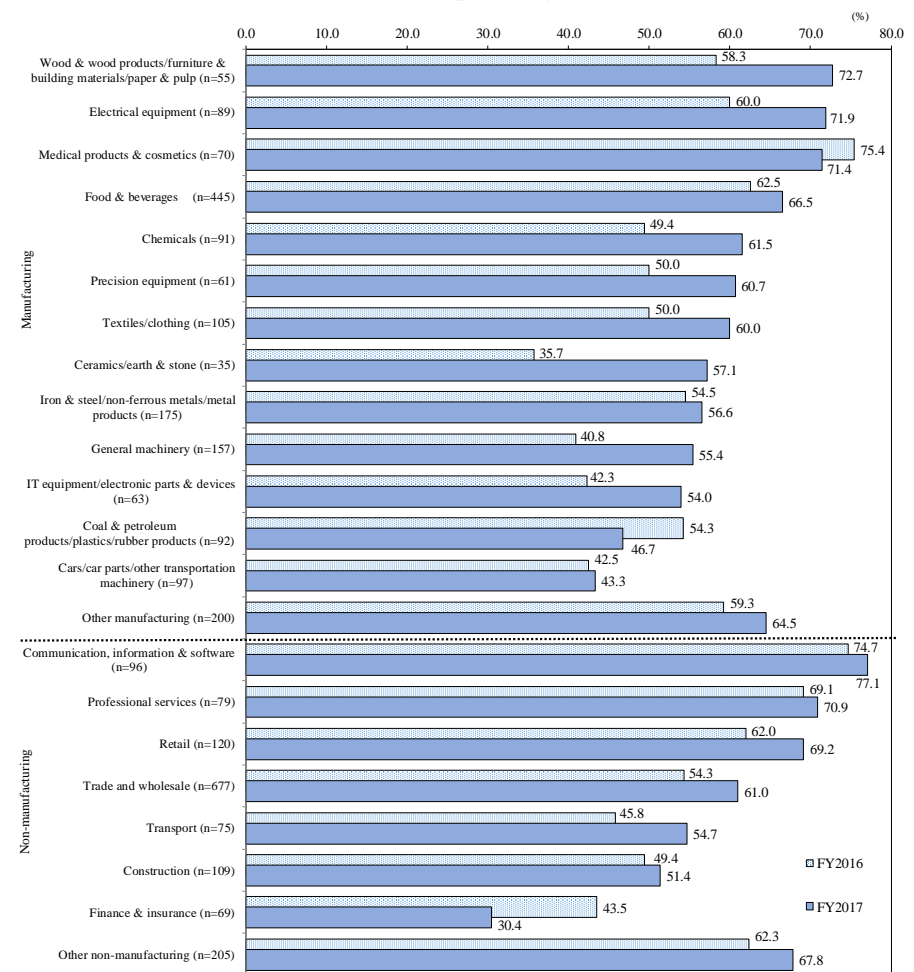
Motivation for expansion increased in most industries in domestic business

Many sectors in both manufacturing and non-manufacturing are more motivated to expand domestic business. With many sectors less motivated to expand business overseas, sectors such as medical products & cosmetics, ceramics/earth & stone, and textiles/clothing are more motivated to expand.

Ratio of firms expanding overseas business



Ratio of firms expanding domestic business

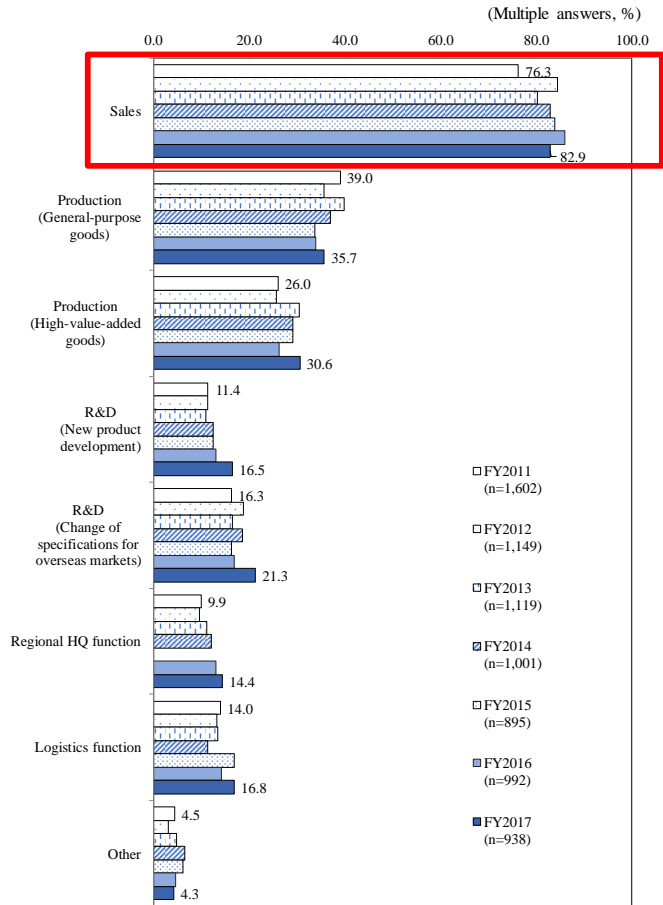


Notes: 1) The population size is the total number of respondent firms, excluding the number of firms answering "no answer". 2) "Expand operations" has included respondents reporting that they currently have overseas bases and are planning to expand them further in the future and those reporting that they currently have no overseas bases but intend to invest in the future.

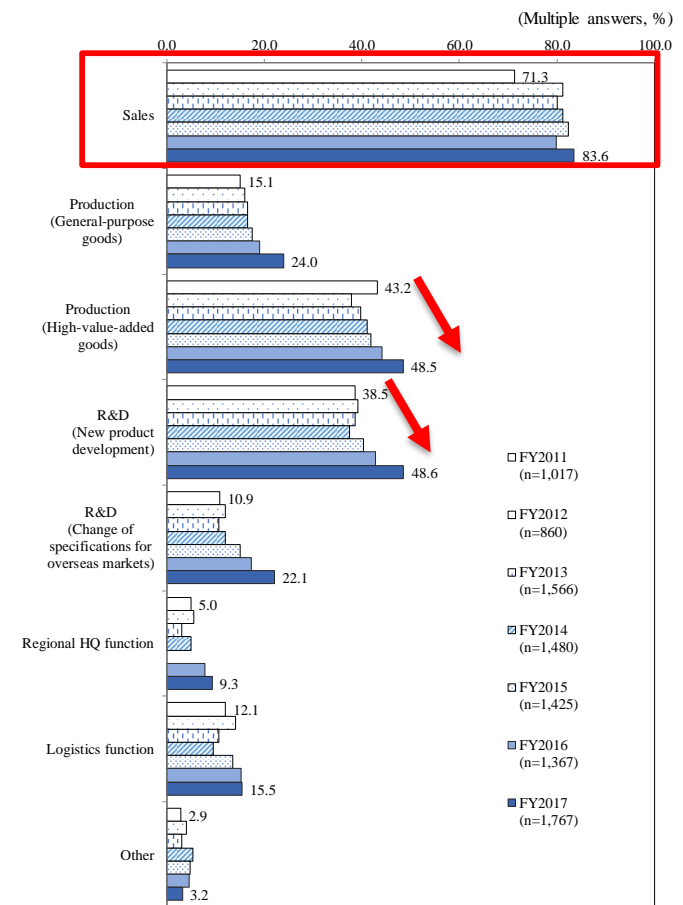
Sales function are being enhanced for both overseas and domestic business

Looking at functions to be expanded, more than 80% of respondents plan to expand “sales” for both overseas and domestic business. Respondents also emphasize “production of general-purpose goods” (35.7%) for overseas business and “new product development” (48.6%) and “high-value-added production” (48.5%) for domestic business.

Functions to be expanded overseas (total)



Functions to be expanded in Japan (total)



Notes: 1) For FY2011 and FY2012, the total number of firms answering “intending to begin to expand overseas and further expanding business overseas” excluding the number of firms with no answer for the function to be expanded. Starting in FY2013, the total number of firms answering “further expanding business overseas” excluding the number of firms with no answer for the function to be expanded. 2) The choices did not include “Regional HQ function” in FY2015.

Notes: 1) The population size is the total number of firms answering “planning to expand domestic business over the next three years or so” excluding the number of firms with no answer for the function to be expanded. 2) The choices did not include “Regional HQ function” in FY2015.

2. Overseas expansion (by country and region)

- Motivation to expand business in Vietnam shows growth for third consecutive year, currently ranking second after China -

Motivation to expand business in Vietnam shows growth for the third consecutive year, making Vietnam the second most popular country

Among firms answering that they “currently have an overseas base and are planning to expand,” the ratio choosing Vietnam as the target country or region for their overseas expansion increased for the third consecutive year (37.5%, compared to 34.1% in the previous year), coming in second place. China continues to be the top answer (49.4%, compared to 52.3% in the previous year).

Overseas expansion by country and region (top 20 countries and regions)

(Multiple answers, %)

Country/region	FY2017		FY2016		FY2015		FY2014	FY2013	FY2012	FY2011
	(n=938)	Rank	(n=992)	Rank	(n=895)	Rank	(n=1,001)	(n=1,119)	(n=1,149)	(n=1,602)
China	49.4	(1)	52.3	(1)	53.7	(1)	56.5	56.9	59.2	67.9
Vietnam	37.5	(2)	34.1	(3)	32.4	(4)	28.7	29.6	25.9	20.3
Thailand	36.7	(3)	38.6	(2)	41.7	(2)	44.0	47.0	41.2	27.9
US	29.0	(4)	33.5	(4)	33.7	(3)	31.3	25.4	26.0	21.1
Indonesia	24.8	(5)	26.8	(5)	31.8	(5)	34.4	35.0	32.0	24.7
Western Europe	21.5	(6)	19.7	(7)	20.6	(7)	18.1	15.7	15.9	15.7
Taiwan	20.0	(7)	20.6	(6)	21.6	(6)	21.0	20.0	21.8	18.5
India	18.2	(8)	18.5	(8)	20.1	(8)	16.1	19.2	19.4	21.8
Singapore	17.1	(9)	17.7	(9)	16.1	(10)	19.3	18.3	17.8	14.0
Malaysia	14.0	(10)	14.7	(11)	15.5	(11)	14.8	15.4	15.7	12.2
Hong Kong	13.6	(11)	14.1	(12)	14.2	(12)	16.1	15.4	15.8	14.2
Philippines	13.1	(12)	13.4	(13)	11.3	(14)	10.8	10.9	7.5	5.1
Korea	12.6	(13)	15.0	(10)	16.5	(9)	15.9	17.2	18.8	18.8
Myanmar	10.2	(14)	12.7	(14)	11.5	(13)	10.1	10.9	-	-
Mexico	6.9	(15)	8.5	(15)	10.9	(15)	10.1	7.6	5.6	3.1
Central-Eastern Europe	5.2	(16)	5.9	(16)	7.0	(16)	6.1	3.3	4.2	4.7
Cambodia	4.8	(17)	5.2	(17)	6.0	(17)	5.3	5.4	-	-
Australia	4.3	(18)	4.6	(19)	4.6	(19)	2.8	3.3	3.7	4.0
Russia & CIS	4.1	(19)	4.9	(18)	4.1	(20)	6.2	6.5	5.8	6.9
Brazil	4.1	(19)	3.4	(21)	5.1	(18)	6.9	8.0	8.4	7.4
ASEAN6	69.2		70.5		73.2		73.5	74.8	69.0	56.3

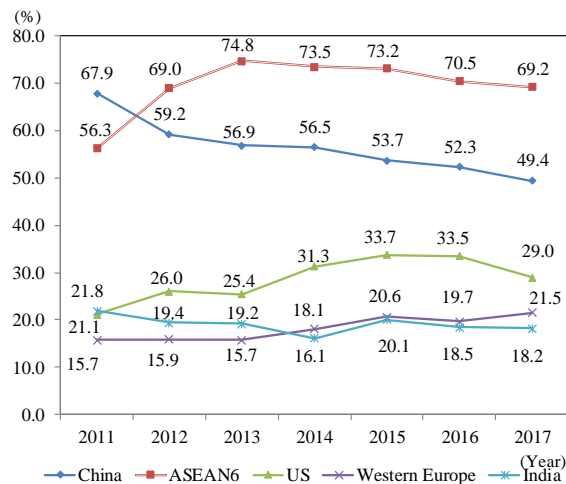
Notes: 1) For FY2011 and FY2012, the population size is the total number of firms answering “intending to begin to expand overseas and further expanding business overseas” excluding the number of firms with no answer for the function to be expanded. Starting in FY2013, the population size is the total number of firms answering “further expanding business overseas” excluding the number of firms with no answer for the function to be expanded. 2) ASEAN6 refers to the total for the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Vietnam (excluding duplication). No country breakdown for Western Europe, Russia & CIS and Central-Eastern Europe. Myanmar and Cambodia were not covered by the surveys before FY2013. Western Europe in FY2017 refers to either UK or Western Europe (excluding UK). 3) The data shows ratios of firms who expand at least one function in each country/region. If a firm expands multiple functions in a country/region, it is counted as one firm.

Gaps exist in motivation for business expansion in ASEAN

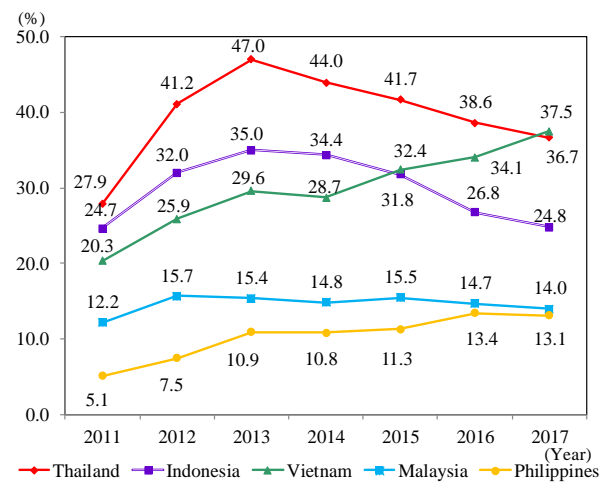
The countries of ASEAN6 as a whole (69.2%) have exceeded China (49.4%) for the sixth consecutive year as a major country/region for overseas expansion. Within ASEAN6, a significant increase in motivation to expand business is seen in Vietnam for non-manufacturing along with the Philippines in manufacturing. Meanwhile, the percentage for both Thailand and Indonesia is decreasing. The percentage of manufacturers intending to expand business in the US has decreased. The figure continues to decline for Mexico.

Countries/regions for overseas expansion

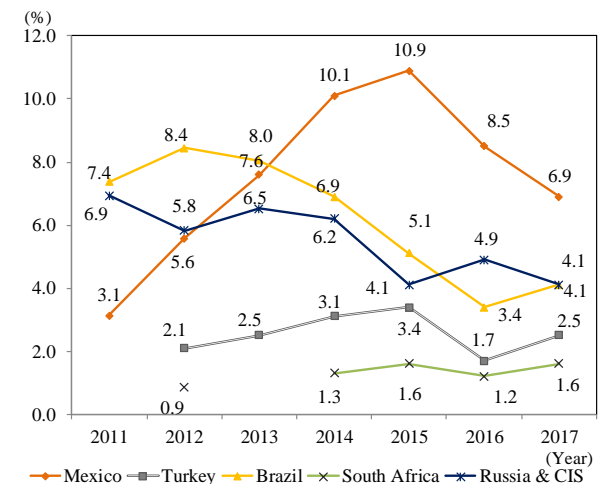
Major countries/regions (total)



Emerging markets in Asia (total)



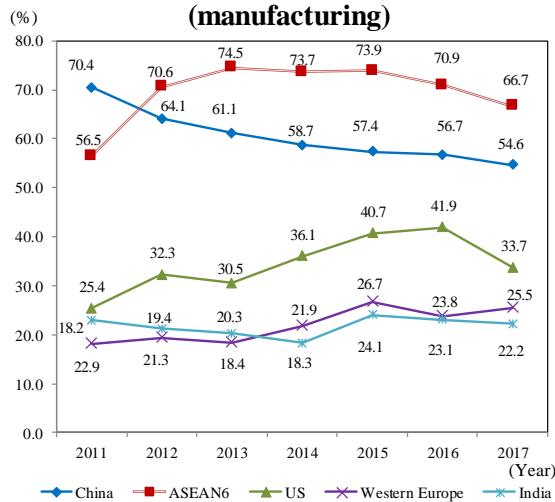
Other emerging markets (total)



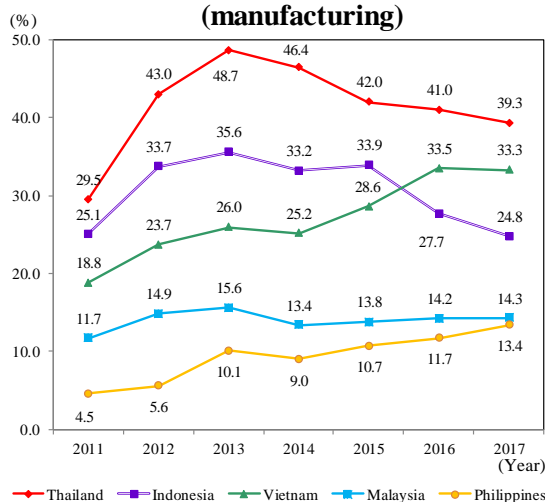
Notes: 1) The population size in FY2011 and FY2012 indicates the number of firms answering that they “intend to begin and expand overseas operations” after excluding the number of firms which gave no answer on functions planned to be expanded. The population size in FY2013 and thereafter indicates the number of firms “intending to expand overseas operations” after excluding the number of firms which gave no answer on functions planned to be expanded. 2) ASEAN 6 refers to the total for the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines and Vietnam (excluding duplication). Western Europe in FY2017 refers to either UK or Western Europe (excluding UK). The choices did not include “South Africa” in FY2013. 3) “Total” indicates the number of firms intending to expand one or more functions in each country and region. If a firm is intending to expand several functions to one country or region, it is counted as one firm only.

Countries/regions for overseas expansion (by industry)

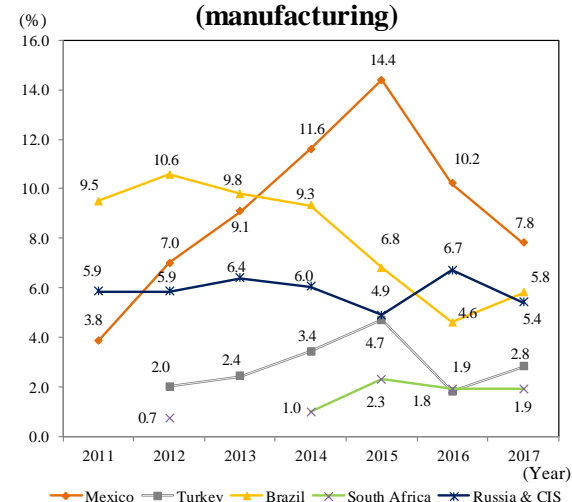
Major countries/regions (manufacturing)



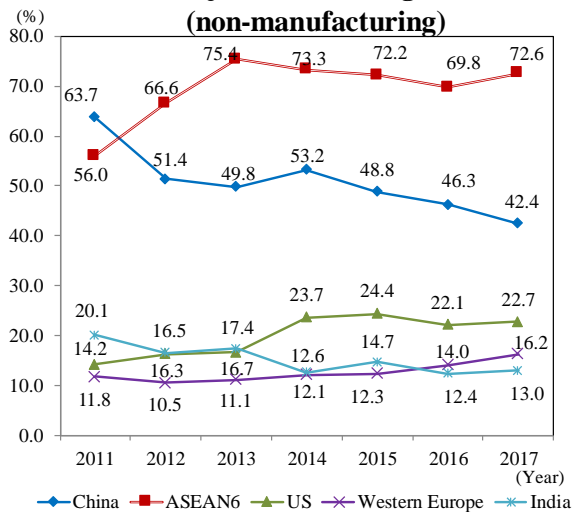
Emerging markets in Asia (manufacturing)



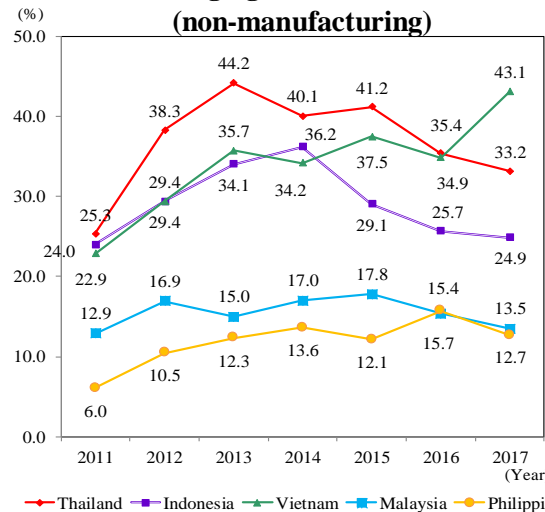
Other emerging markets (manufacturing)



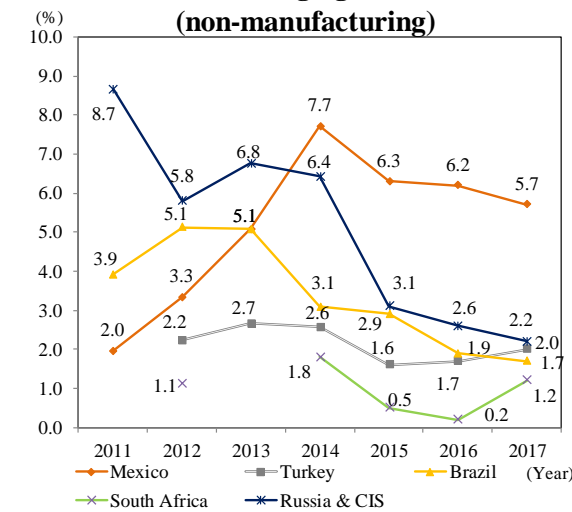
Major countries/regions (non-manufacturing)



Emerging markets in Asia (non-manufacturing)



Other emerging markets (non-manufacturing)



Notes: 1) The population size in FY2011 and FY2012 indicates the number of firms answering that they “intend to begin and expand overseas operations” after excluding the number of firms which gave no answer on functions planned to be expanded. The population size in FY2013 and thereafter indicates the number of firms “intending to expand overseas operations” after excluding the number of firms which gave no answer on functions planned to be expanded. 2) ASEAN 6 refers to the total for the six countries of Singapore, Thailand, Malaysia, Indonesia, the Philippines and Vietnam (excluding duplication). Western Europe in FY2017 refers to either UK or Western Europe (excluding UK). The choices did not include “South Africa” in FY2013. 3) “Total” indicates the number of firms intending to expand one or more functions in each country and region. If a firm is intending to expand several functions to one country or region, it is counted as one firm only.
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Sales and production functions are being enhanced in Vietnam

Looking at functions to be expanded overseas, Vietnam has become more important as the destination for expanding sales function for the second consecutive year (5th place in FY2015, 4th place in FY2016, 3rd place in FY2017). Vietnam is also becoming more important as the destination for “Production of general-purpose goods” (3rd place to 2nd place) and “New product development” (5th place to 3rd place).

Functions to be expanded overseas (by function, by country/region)

(Multiple answers, %)

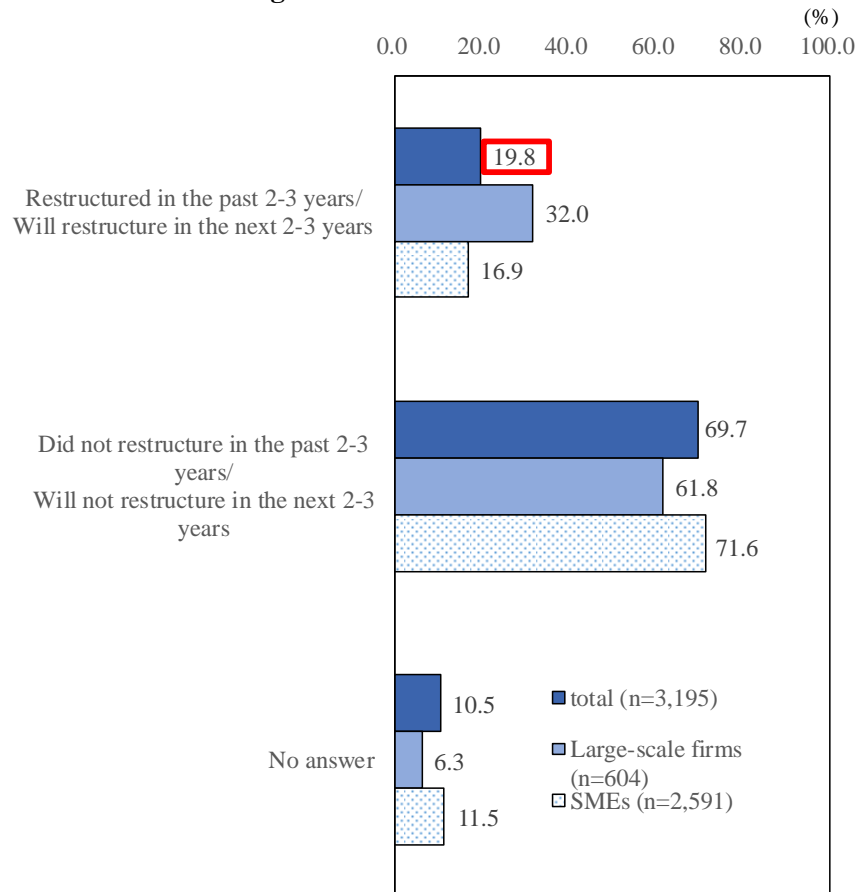
Sales			Production						R&D				Regional HQ function			Logistics					
			General-purpose goods			High-value added goods			New product development		Change of specifications for overseas markets										
Rank	Country/region	%	Rank	Country/region	%	Rank	Country/region	%	Rank	Country/region	%	Rank	Country/region	%	Rank	Country/region	%	Rank	Country/region	%	
1	China	40.4	1	China	15.6	1	China	14.6	1	China	7.8	1	China	9.1	1	China	3.7	1	China	6.3	
2	Thailand	27.9	2	Vietnam	11.2	2	Thailand	7.8	2	US	3.9	2	Thailand	5.4	2	Singapore	3.5	2	Thailand	4.4	
3	Vietnam	26.8	3	Thailand	9.8	3	Vietnam	7.2	3	Vietnam	3.7	3	US	5.1	3	Thailand	3.1	3	Vietnam	3.7	
4	US	25.3	4	Indonesia	5.0	4	US	5.3	4	Thailand	3.1	4	Vietnam	4.4	3	US	3.1	4	US	3.6	
5	Indonesia	20.9	5	India	4.3	5	Indonesia	4.2	5	Western Europe (excluding UK)	2.3	5	Western Europe (excluding UK)	3.0	5	Western Europe (excluding UK)	2.3	5	Western Europe (excluding UK)	2.0	
6	Taiwan	17.1	6	US	3.6	6	Western Europe (excluding UK)	3.3	6	India	2.0	6	Indonesia	2.9	6	Vietnam	2.1	6	Singapore	1.6	
7	Western Europe (excluding UK)	16.3	7	Taiwan	2.8	7	Korea	2.8	7	Taiwan	1.5	7	India	2.8	7	Hong Kong	1.3	7	Indonesia	1.5	
8	India	16.0	8	Myanmar	2.6	7	India	2.8	7	Korea	1.5	8	Taiwan	2.7	8	Malaysia	0.6	8	Hong Kong	1.4	
9	Singapore	13.1	9	Malaysia	2.3	9	Taiwan	2.6	9	Malaysia	1.3	9	Malaysia	2.1	8	Indonesia	0.6	8	India	1.4	
10	Malaysia	11.6	10	Western Europe (excluding UK)	2.2	10	Malaysia	2.2	9	Indonesia	1.3	10	Korea	1.5	10	Taiwan	0.5	10	Myanmar	1.3	
11	Hong Kong	11.3	11	Philippines	1.9	11	Philippines	1.9	11	Hong Kong	1.2	10	Singapore	1.5	10	Philippines	0.5	11	Taiwan	1.1	
12	Philippines	10.8	12	Korea	1.6	12	Singapore	1.6	12	Singapore	0.9	12	Hong Kong	1.4	10	Myanmar	0.5	11	Mexico	1.1	
13	Korea	9.8	12	Mexico	1.6	13	Hong Kong	1.2	12	Philippines	0.9	13	Philippines	0.9	10	India	0.5	13	Korea	0.9	
14	Myanmar	6.8	14	Bangladesh	1.3	13	Myanmar	1.2	14	Myanmar	0.6	14	Myanmar	0.7	14	UK	0.4	13	Malaysia	0.9	
15	Mexico	5.1	15	Cambodia	0.9	13	Mexico	1.2	15	Brazil	0.5	15	UK	0.5	15	Mexico	0.3	13	Philippines	0.9	
16	UK	4.2	15	Australia	0.9	16	Australia	0.5	16	UK	0.4	16	Brazil	0.4	15	Central-Eastern Europe	0.3	16	Australia	0.6	
17	Central-Eastern Europe	3.9	17	Brazil	0.7	16	UK	0.5	17	Bangladesh	0.3	17	Mexico	0.3	17	Korea	0.2	16	UK	0.6	
18	Australia	3.7	17	Central-Eastern Europe	0.7	16	Russia & CIS	0.5	17	Mexico	0.3	17	Russia & CIS	0.3	17	Cambodia	0.2	18	Cambodia	0.4	
18	Russia & CIS	3.7	19	Singapore	0.6	19	Brazil	0.4	19	Cambodia	0.2	19	Cambodia, Bangladesh, Australia, Central-Eastern Europe	0.2	17	Bangladesh	0.2	18	Central-Eastern Europe	0.4	
20	Brazil	3.5	20	Hong Kong	0.5	20	Bangladesh	0.3	19	Australia	0.2	19	Australia	0.2	17	Brazil	0.2	20	Turkey	0.3	
ASEAN6		52.9	ASEAN6		20.5	ASEAN6		15.8	ASEAN6		7.8	ASEAN6		10.6	ASEAN6		8.1	ASEAN6			7.9
(Reference) Western Europe		17.8	(Reference) Western Europe		2.2	(Reference) Western Europe		3.4	(Reference) Western Europe		2.6	(Reference) Western Europe		3.2	(Reference) Western Europe		2.6	(Reference) Western Europe			2.2
Sales (total)		82.9	General-purpose goods (total)		35.7	High-value added goods (total)		30.6	New product development (total)		16.5	Change of specifications for overseas markets (total)		21.3	Regional HQ function (total)		14.4	Logistics (total)			16.8

Notes: 1) Percentages of firms intending to expand particular functions over the next three years or so to the total (970 firms), excluding those with no answer about functions to be expanded (938 firms). 2) No country breakdown for Western Europe (excluding UK), Russia & CIS and Central-Eastern Europe. Western Europe given as reference data refers to UK and Western Europe (excluding UK). 3) ASEAN6 refers to the total for the following six countries: Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Vietnam (excluding duplication). 4) Highlighted cells indicate items chosen by 10% or more of the respondents.

Japan, China, and ASEAN are the focus of business restructuring

19.8% of respondents either “restructured domestic/overseas bases and functions in the past 2-3 years” or “will restructure them in the next 2-3 years.” Out of all restructuring cases (690 cases), the most popular pattern is the transfer of bases and functions from Japan to Vietnam (46 cases), followed by the transfer within China (43 cases), from Japan to China (42 cases), and from Japan to Thailand (30 cases). This shows that Japan, China, and ASEAN are the focus of business restructuring.

Restructuring of domestic and overseas bases and functions



Major restructuring patterns of bases and functions

(No. of cases, %)

	Shift from	Shift to	No. of cases	Ratio
Total number of restructuring cases			690	100.0
1	Japan	Vietnam	46	6.7
2	China	China	43	6.2
3	Japan	China	42	6.1
4	Japan	Thailand	30	4.3
5	China	Japan	29	4.2
6	Japan	US	28	4.1
7	China	Vietnam	27	3.9
8	China	No destination	14	2.0
8	Japan	Taiwan	14	2.0
10	Japan	Singapore	10	1.4
10	Japan	Indonesia	10	1.4
12	Japan	Malaysia	9	1.3
12	Japan	India	9	1.3
14	China	Thailand	8	1.2
14	Japan	Western Europe (excluding UK)	8	1.2
16	Hong Kong	China	7	1.0
16	Vietnam	Vietnam	7	1.0
16	Japan	Mexico	7	1.0
19	Japan	Philippines	6	0.9
20	China	Hong Kong	5	0.7
20	China	Philippines	5	0.7
20	Thailand	Thailand	5	0.7
20	Singapore	Thailand	5	0.7
20	Vietnam	No destination	5	0.7
20	Japan	Korea	5	0.7
20	Japan	Hong Kong	5	0.7

Notes: 1) The total number of restructuring cases is the sum of “Restructured bases and functions in the past 2-3 years” and “Will restructure bases and functions in the next 2-3 years.” The ratios are calculated against the total number of restructuring cases. Data is available only for restructuring patterns with at least 5 cases. 2) No country breakdown for Western Europe (excluding UK). 3) “No destination” refers to withdrawing from a market or stop doing business without transferring any bases or functions.

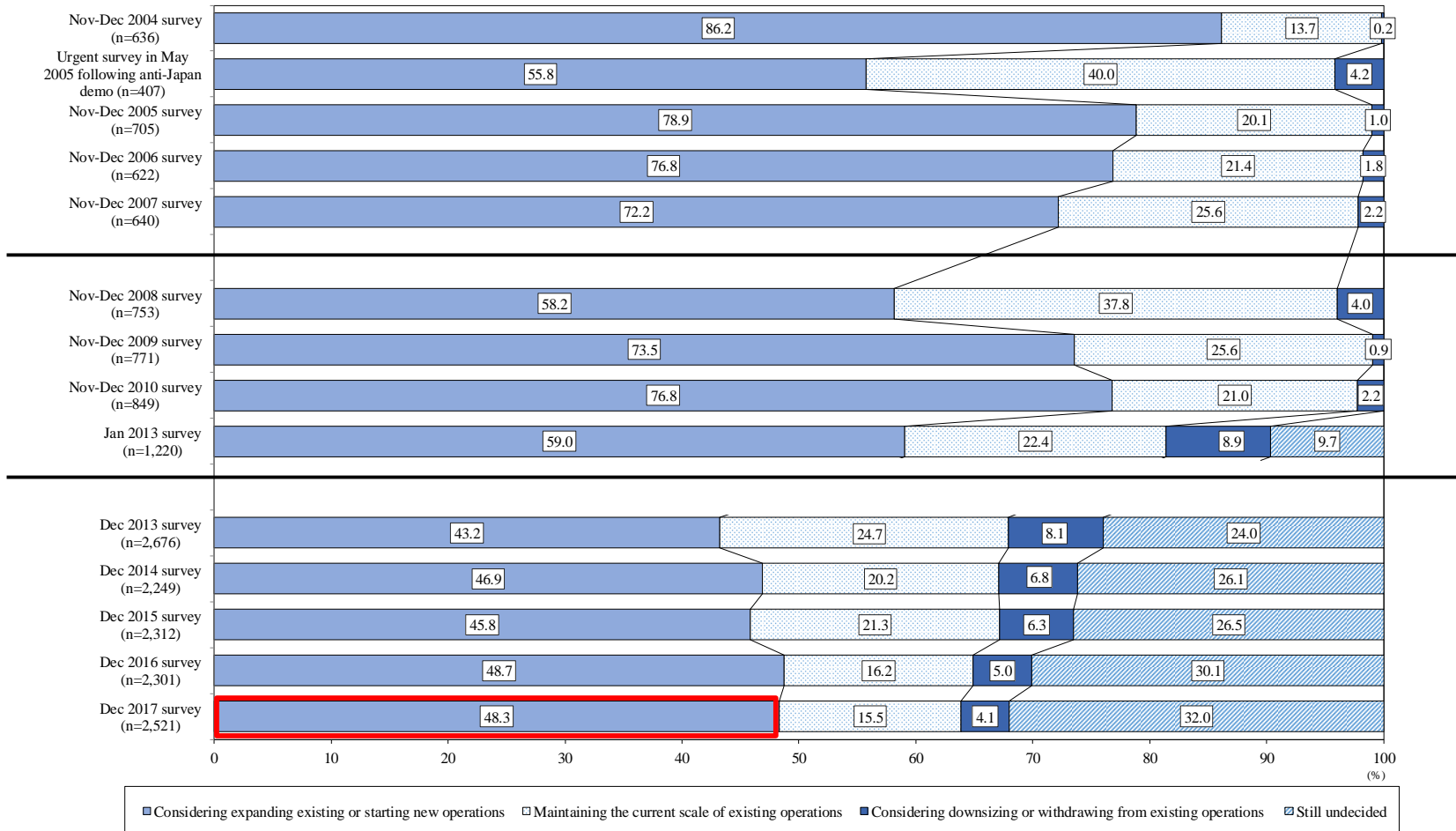
3. Business plans in China

- Signs of business expansion in China for large-scale firms -

About half of firms plan to expand business in China, while some continue to assume a wait-and-see attitude

The ratio of firms considering either expanding existing business or developing new business in China* over the next three years or so remained at about the same level as the previous year at 48.3% this year, while 32% answered “Still undecided.” * Business in China: trade, outsourcing, technical alliance, and direct investment

Business plans in China (total)



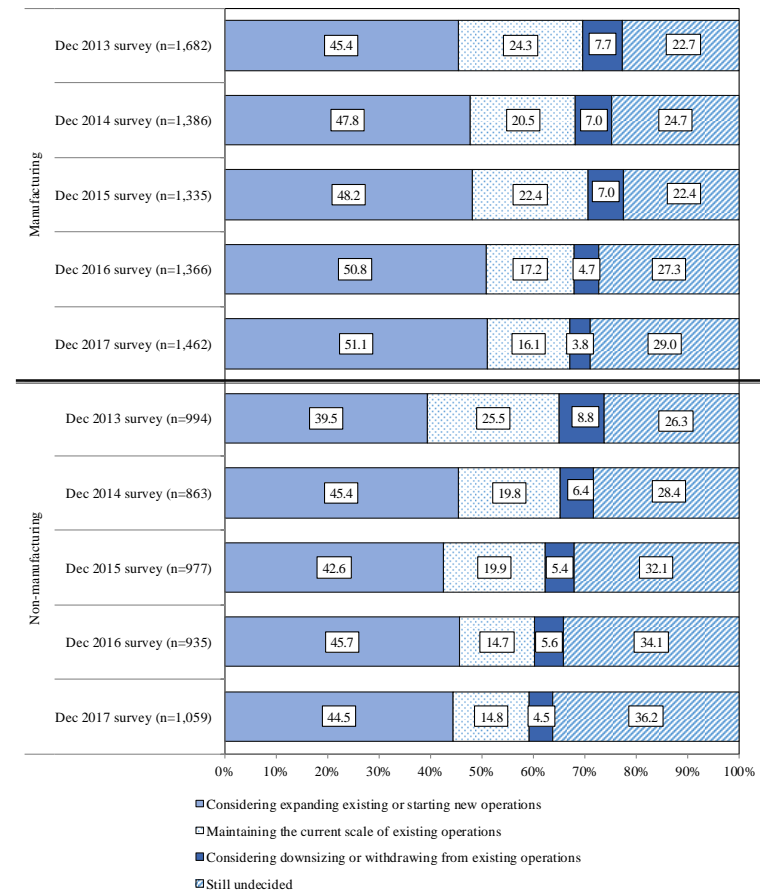
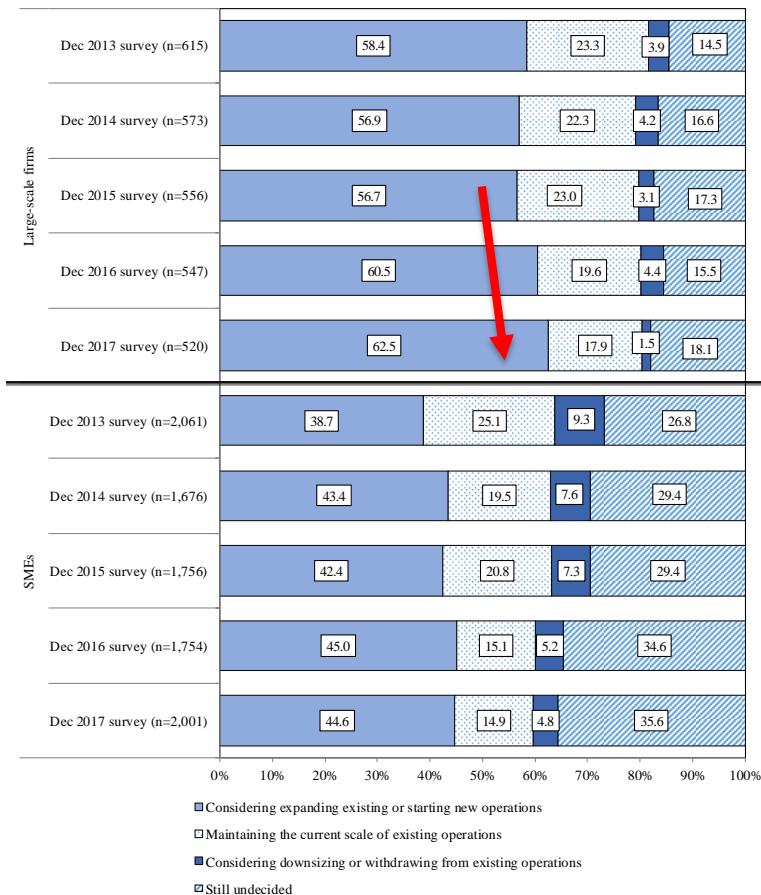
Notes: 1) The population size of each survey does not include the number of firms answering “no business plan in China” or giving “no answer.” Answers for 2010 or before are limited to those from JETRO members. 2) Answers for 2007 or before are limited to manufacturing, trade, wholesale and retail firms. 3) We partially adjust question items that are different year to year to calculate results. The “Still undecided” choice is only available starting with the January 2013 survey. 4) There was no question about business plans in FY2011.

Signs of business expansion in China for large-scale firms

Looking at the results by firm scale, the ratio of large-scale firms considering expanding existing business or developing new business in China increased for the second consecutive year to 62.5%, while the ratio considering downscaling or ceasing existing business has shrunk from last year (from 4.4% to 1.5% in this year) The ratio of SMEs considering expanding existing business or developing new business in China stays at the same level (from 45.0% to 44.6%).

Business plans in China (by firm size)

Business plans in China (by industry)

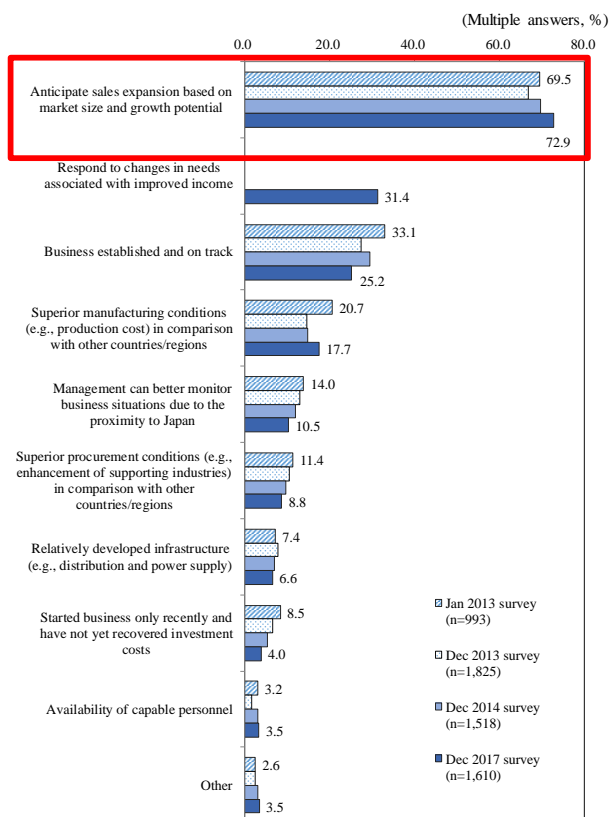


Note: The population size does not include the number of firms answering “no business plan in China” or giving “no answer.”

“Market size and growth potential” is the top reason for doing business in China

Regarding reasons for expanding or maintaining business in China, the percentage of firms answering with “market size and growth potential” remained the largest at 72.9%, followed by “changes in needs associated with improved income” (31.4%) and “business established and on track” (25.2%). From a sector perspective, coal & petroleum products/plastics/rubber products, textiles/clothing, and precision equipment point out “Superior manufacturing conditions (e.g., production cost),” while communication, information & software evaluates “Availability of capable personnel.”

Reasons for expanding or maintaining business in China



Notes: 1) The population size is the number of firms answering “considering expanding existing or starting new operations” or “maintaining the current scale of existing operations.” 2) The choice “respond to changes in needs associated with improved income” was added in FY2017.

Reasons for expanding or maintaining business in China (by industry)

	No. of firms	Anticipate sales expansion based on market size and growth potential	Respond to changes in needs associated with improved income	Business established and on track	Superior manufacturing conditions (e.g., production cost) in comparison with other countries/regions	Management can better monitor business situations due to the proximity to Japan	Superior procurement conditions (e.g., enhancement of supporting industries) in comparison with other countries/regions	Relatively developed infrastructure (e.g., distribution and power supply)	Started business only recently and have not yet recovered investment costs	Availability of capable personnel
Total	1,610	72.9	31.4	25.2	17.7	10.5	8.8	6.6	4.0	3.5
Manufacturing	982	75.8	31.1	23.8	16.8	9.8	7.6	6.1	3.8	2.4
Food & beverages	183	78.1	44.8	15.3	7.1	7.7	2.7	4.4	3.8	1.1
Textiles/clothing	58	53.4	44.8	20.7	25.9	20.7	17.2	12.1	1.7	3.4
Wood & wood products/furniture & building materials/paper & pulp	19	78.9	31.6	36.8	21.1	21.1	10.5	5.3	5.3	0.0
Chemicals	70	87.1	30.0	41.4	15.7	5.7	5.7	5.7	5.7	7.1
Medical products & cosmetics	51	92.2	54.9	29.4	5.9	5.9	5.9	3.9	5.9	0.0
Coal & petroleum products/plastics/rubber products	58	67.2	27.6	27.6	27.6	15.5	13.8	5.2	6.9	3.4
Ceramics/earth & stone	23	78.3	21.7	8.7	8.7	17.4	4.3	4.3	0.0	4.3
Iron & steel/non-ferrous metals/metal products	95	65.3	32.6	23.2	20.0	9.5	8.4	7.4	5.3	3.2
General machinery	107	77.6	18.7	24.3	19.6	7.5	3.7	4.7	1.9	1.9
Electrical equipment	54	74.1	25.9	20.4	11.1	13.0	9.3	3.7	0.0	3.7
IT equipment/electronic parts & devices	41	80.5	14.6	31.7	14.6	9.8	12.2	9.8	4.9	0.0
Cars/car parts/other transportation machinery	60	83.3	16.7	31.7	13.3	8.3	10.0	3.3	6.7	1.7
Precision equipment	42	71.4	19.0	23.8	23.8	9.5	11.9	11.9	2.4	2.4
Other manufacturing	121	76.0	26.4	19.8	25.6	7.4	7.4	7.4	2.5	2.5
Non-manufacturing	628	68.5	32.0	27.2	19.1	11.6	10.7	7.5	4.3	5.1
Trade and wholesale	387	68.7	34.4	28.2	24.8	13.2	11.4	8.8	3.6	3.6
Retail	47	76.6	36.2	23.4	21.3	10.6	14.9	4.3	6.4	2.1
Construction	23	60.9	0.0	39.1	17.4	4.3	13.0	0.0	4.3	8.7
Transport	32	71.9	21.9	46.9	3.1	9.4	0.0	12.5	9.4	9.4
Finance & insurance	24	54.2	29.2	33.3	4.2	4.2	12.5	4.2	0.0	4.2
Communication, information & software	30	70.0	33.3	16.7	10.0	20.0	16.7	13.3	10.0	26.7
Professional services	24	70.8	25.0	20.8	0.0	0.0	8.3	4.2	4.2	12.5
Other non-manufacturing	61	65.6	34.4	14.8	8.2	9.8	4.9	1.6	3.3	0.0

Notes: 1) The population size is the number of firms answering “considering expanding existing or starting new operations” or “maintaining the current scale of existing operations.” 2) Highlighted cells refer to top 3 choices for each sector.

4. Business environment in each country

- Brexit seen as concern in Europe, while policies of new US administration seen as risk factors in various countries -

Attraction of Vietnam's "Market size" and "Clustering of customer firms" increases

The factor of "Market size/growth potential (Market size)" came first in terms of attractions and advantages for business in all 11 countries surveyed. For ASEAN the newly established factor, "Pro-Japanese feeling" ranked second or third. Compared to the previous survey (2013), there were conspicuous increases in response rates for "market size" for Vietnam and the Philippines, "clustering of customer firms" for Vietnam and Myanmar, "personnel quality" for India, and "labor cost and labor force" and "communications" for Mexico. In this survey, India and China, following the US and UK, received high evaluations for the new factor "technological capability."

Attractions and advantages in each country (top 10 items, by country)

(Multiple answers, %)

Rank	China (n=1,879)		Thailand (n=1,299)		Malaysia (n=732)		Indonesia (n=914)		Philippines (n=607)		Vietnam (n=1,261)	
1	Market size	89.8	Market size	69.2	Market size	66.1	Market size	84.1	Market size	72.7	Market size	82.2
2	Clustering of customer firms	27.4	Pro-Japanese feeling	52.1	Pro-Japanese feeling	28.6	Pro-Japanese feeling	28.3	Labor cost / labor force	29.7	Pro-Japanese feeling	42.8
3	Ease of local procurement	21.8	Clustering of customer firms	35.5	Clustering of customer firms	19.7	Labor cost / labor force	26.0	Pro-Japanese feeling	26.4	Labor cost / labor force	41.9
4	Labor cost / labor force	13.6	Living environment	20.2	Political and social stability	16.8	Clustering of customer firms	25.9	Communication	20.6	Personnel quality	20.2
5	Infrastructure	12.8	Ease of local procurement	19.6	Communication	13.0	Land, offices	8.5	Clustering of customer firms	18.1	Clustering of customer firms	19.8
6	Communication	10.1	Labor cost / labor force	17.7	Labor cost / labor force	12.0	Ease of local procurement	6.6	Land, offices	7.7	Political and social stability	17.8
7	Personnel quality	9.0	Infrastructure	13.9	Living environment	10.4	Political and social stability	5.1	Personnel quality	6.8	Land, offices	12.3
8	Technological capability	6.1	Political and social stability	11.2	Infrastructure	10.0	Personnel quality	4.9	Ease of local procurement	6.3	Ease of local procurement	8.7
9	Living environment	4.2	Personnel quality	10.9	Ease of local procurement	8.7	Communication	3.9	Political and social stability	5.6	Employee retention rate	7.0
10	Political and social stability	3.9	Land, offices	6.7	Personnel quality	7.5	Living environment	3.9	Living environment	3.5	Living environment	6.9

Rank	Myanmar (n=480)		India (n=679)		US (n=1,136)		Mexico (n=287)		UK (n=379)	
1	Market size	75.4	Market size	92.5	Market size	82.6	Market size	75.6	Market size	53.3
2	Labor cost / labor force	40.4	Labor cost / labor force	24.9	Communication	32.8	Clustering of customer firms	34.5	Communication	39.8
3	Pro-Japanese feeling	29.2	Clustering of customer firms	18.7	Political and social stability	30.2	Labor cost / labor force	23.7	Political and social stability	31.4
4	Land, offices	11.5	Pro-Japanese feeling	12.1	Clustering of customer firms	28.3	Pro-Japanese feeling	12.9	Infrastructure	20.6
5	Clustering of customer firms	8.8	Communication	11.2	Infrastructure	22.5	Ease of local procurement	12.5	Living environment	19.3
6	Personnel quality	5.4	Personnel quality	10.2	Living environment	18.0	Communication	6.6	Clustering of customer firms	16.4
7	Employee retention rate	2.9	Technological capability	9.3	Ease of local procurement	14.4	Infrastructure	6.3	Personnel quality	14.0
8	Ease of local procurement,	2.5	Ease of local procurement	8.5	Technological capability	13.8	Political and social stability	5.9	Technological capability	13.5
9	Tax system	2.5	Land, offices	6.9	Personnel quality	11.4	Tax system	4.9	Pro-Japanese feeling	11.6
10	Investment incentive system,	2.3	Political and social stability	5.6	Pro-Japanese feeling	11.0	Land, offices	4.5	Ease of local procurement	7.4
	Communication	2.3								

Notes 1) The population size (n) is the total number of firms that responded regarding attractiveness and advantages in each country (only for countries where they are currently doing business, or considering doing so).

2) The value in each cell is the response rate for each item for population size (n) for each country (= number of responses for each attraction or advantage / n)

3) Highlighted cells indicate that the response rate rose compared to the last survey (FY2013). Of which, orange highlighted cells with an italicized number indicate an increase of 5% or more and cells with a bold number indicate that the response rate declined by 5% or more.

However, two countries, the US and the UK, and two items, "technological capability" and "pro-Japan feeling," were not included in the previous survey, and so time series comparisons cannot be performed.

4) Refer to the reference material (p. 53) for the original expressions of the attractions and advantages.

5) "Technological capability" and "pro-Japanese feeling" were newly established factors in FY2017. "Clustering of customer firms (delivery destinations)" was "clustering of trading partners (delivery destination)" in FY2013.

"High employee quality, abundant highly qualified personnel" was "high employee quality" in FY2013. "Favorable tax system (corporate tax, customs, etc.);" was "tax incentives (corporate tax, customs, etc.)" in FY2013.

Rate of indication of issues for China declined for all items compared to 2015 survey

While China continues to rank high in terms of the rate of indicated issues, compared to the previous survey (2015) it declined for all items. Also, the rate of infrastructure being indicated as an issue declined in all countries. Meanwhile, countries where the issues indicated increased by 5 percentage points or more included the Philippines and Myanmar for “Political/social situations, security” and India for “Natural disasters, environmental pollution.” In addition, the rate of “No particular issues” declined by 5 percentage points or more for the Philippines, Myanmar, India, and Mexico.

Issues in the business environment in each country (top 10 items, by country)

(Multiple answers, %)

Rank	China (n=1,853)		Thailand (n=1,048)		Malaysia (n=588)		Indonesia (n=779)		Philippines (n=581)		Vietnam (n=952)	
1	High/rising labor cost	46.6	High/rising labor cost	25.3	No particular issues	44.4	Administrative procedures	26.1	Political/social situations, security	33.9	No particular issues	24.8
2	IP protection	40.5	No particular issues	24.9	High/rising labor cost	13.6	Political/social situations, security	25.4	No particular issues	25.6	Administrative procedures	24.5
3	Political/social situations, security	36.8	Political/social situations, security	24.6	Exchange risk	12.6	Legal system and its enforcement	24.6	Infrastructure	19.4	Legal system and its enforcement	21.1
4	Collection of bills	35.8	Labor shortage, difficulty in hiring	13.3	Collection of bills,	8.8	Infrastructure	21.6	Collection of bills	16.4	Infrastructure	20.0
5	Administrative procedures	29.7	Administrative procedures	12.9	Administrative procedures	8.8	No special problems	21.1	Legal system and its enforcement	15.0	High/rising labor cost	16.5
6	Legal system and its enforcement	22.0	Natural disasters, environmental pollution	12.0	Political/social situations, security	7.7	Exchange risk	17.8	Administrative procedures	14.6	Collection of bills	16.1
7	Tax system and procedures	19.6	Exchange risk	11.5	Clustering of related industries	7.3	Tax system and procedures	17.8	Clustering of related industries,	12.0	Tax system and procedures	14.0
8	Natural disasters, environmental pollution	18.4	Collection of bills	10.2	Labor shortage, difficulty in hiring	7.1	Collection of bills	17.2	Natural disasters, environmental pollution	12.0	Clustering of related industries	13.3
9	Exchange risk	15.8	Legal system and its enforcement	7.6	Legal system and its enforcement	6.0	High/rising labor cost	14.9	Exchange risk	10.7	Exchange risk	12.6
10	New US administration policies	13.8	Tax system and procedures	7.3	Tax system and procedures	5.3	Natural disasters, environmental pollution	9.9	Tax system and procedures	8.4	IP protection	10.1

Rank	Myanmar (n=516)		India (n=601)		US (n=1,026)		Mexico (n=388)		UK (n=523)	
1	Infrastructure	40.7	Infrastructure	33.3	New US administration policies	58.6	New US administration policies	52.8	Brexit risk	65.0
2	Political/social situations, security	39.7	Collection of bills	27.3	No particular issues	21.6	Political/social situations, security	27.6	No particular issues	23.3
3	Legal system and its enforcement	32.6	Administrative procedures	25.1	Exchange risk	20.1	No particular issues	24.5	Exchange risk	15.7
4	Clustering of related industries	24.8	Tax system and procedures	23.6	High/rising labor cost	19.5	Exchange risk	15.2	High/rising labor cost	12.2
5	No particular issues	19.4	Legal system and its enforcement	22.0	Administrative procedures	7.9	Collection of bills	10.3	New US administration policies	5.0
6	Administrative procedures	18.6	Natural disasters, environmental pollution	20.1	Labor shortage, difficulty hiring	5.6	Labor shortage, difficulty hiring	7.2	Land, offices	4.6
7	Collection of bills	18.0	No particular issues	19.5	Political/social situations, security	4.9	High/rising labor cost	6.4	Administrative procedures	4.0
8	Tax system and procedures	13.6	Political/social situations, security	18.3	Land, offices	4.8	Administrative procedures	5.9	Labor shortage, difficulty in hiring	3.6
9	Exchange risk	11.8	Exchange risk	12.1	Labor management problems	3.4	Legal system and its enforcement	5.2	Political/social situations, security	2.5
10	IP protection	10.7	Clustering of related industries	11.5	Tax system and procedures	3.1	Tax system and procedures	5.2	Collection of bills	1.9

Notes 1) The population size (n) is the total number of firms that responded regarding attractiveness and advantages in each country (only for countries where they are currently doing business, or considering doing so).

2) The value in each cell is the response rate for each item for population size (n) for each country (= number of responses for each attraction or advantage / n).

3) Highlighted cells indicate that the response rate rose compared to the last survey (FY2015). Of which, orange highlighted cells with an italicized number indicate an increase of 5% or more and cells with a bold number indicate that the response rate declined by 5% or more.

However, two countries, the US and the UK, and two items, “new US administration policies” and “Brexit risk,” were not included in the previous survey survey, and so time series comparisons cannot be performed.

4) Refer to the reference material (p. 54) for the original expressions of the issues.

5) “New US administration policies” and “Brexit risk” were added in FY2017. “Labor shortage, difficulty in hiring qualified personnel” was “labor shortage, difficulty hiring” in FY2015.

“Undeveloped infrastructure (electricity, transportation, communication etc.)” was “undeveloped infrastructure” in FY2015.

Brexit seen as concern in Europe, while policies of new US administration seen as risk factors in various countries

“Brexit risk” is considered to be the biggest issue for doing business in the UK and Europe, but it is hardly recognized as an issue in other regions. Meanwhile, “New US administration policies” is perceived as the biggest business issue, particularly in the US, Mexico, and Russia where the response rate exceeds 50%. The response rate also exceeded 20% in UAE, Canada, Korea, the Middle East, and Latin America.

Response rate for “there are risks/problems from the decision for the UK to leave the EU”

Respondent countries', regions' response rates (n)		Other countries', regions' response rates (open response) (n)	
UK	65.0 (523)	Germany	36.4 (11)
US	2.5 (1,026)	France	36.4 (11)
India	1.3 (601)	Taiwan	2.0 (49)
China	1.2 (1,853)	Singapore	0.0 (28)
Mexico	1.0 (388)	Korea	0.0 (14)
Malaysia	0.7 (588)	Russia	0.0 (12)
Myanmar	0.6 (516)	Hong Kong	0.0 (10)
Vietnam	0.4 (952)	Cambodia	0.0 (9)
Indonesia	0.4 (779)	Sri Lanka	0.0 (9)
Philippines	0.3 (581)	UAE	0.0 (7)
Thailand	0.3 (1,048)	Canada	0.0 (7)
		Bangladesh	0.0 (7)
		Turkey	0.0 (6)
		Australia	0.0 (5)
		Brazil	0.0 (5)
		Europe total	38.6 (57)
		Asia total	0.7 (140)
		Middle East total	0.0 (30)
		Africa total	0.0 (18)
		South America total	0.0 (15)
		Oceania total	0.0 (12)

Response rate for “there are risks/problems from the changed policies of the new Trump administration of the US”

Respondent countries', regions' response rates (n)		Other countries', regions' response rates (open response) (n)	
US	58.6 (1,026)	Russia	50.0 (12)
Mexico	52.8 (388)	UAE	28.6 (7)
China	13.8 (1,853)	Canada	28.6 (7)
Philippines	6.2 (581)	Korea	21.4 (14)
UK	5.0 (523)	Turkey	16.7 (6)
Vietnam	4.2 (952)	Taiwan	6.1 (49)
Myanmar	4.1 (516)	Singapore	0.0 (28)
Indoa	3.7 (601)	Germany	0.0 (11)
Indonesia	3.6 (779)	France	0.0 (11)
Malaysia	3.4 (588)	Hong Kong	0.0 (10)
Thailand	3.0 (1,048)	Cambodia	0.0 (9)
		Sri Lanka	0.0 (9)
		Bangla Desh	0.0 (7)
		Australia	0.0 (5)
		Brazil	0.0 (5)
		Middle East total	36.7 (30)
		South America total	20.0 (15)
		Asia total	4.3 (140)
		Europe total	3.5 (57)
		Africa total	0.0 (18)
		Oceania total	0.0 (12)

- Notes 1) The population size in parentheses (n) = total number of firms that responded for issues in each country or region (only for countries where they are currently doing business or are considering doing so).
 2) The value in each cell is the response rate for each item for population size (n) for each country or region (= number of responses for each issue / n).
 3) Highlighted cells indicate issues with 20% or greater response rate. Cells with a bold number indicate the issue with the biggest response rate for each country or region and cells with an italicized number indicate the issues with the second largest response rates.
 4) “Other” countries and regions (open response column) only shows countries and regions where the number of respondent firms is 5 or more. Each regional total includes countries and regions mentioned in “Other” (open response column), which are considered to be part of each respective country or region.

5. Utilization of digital technology

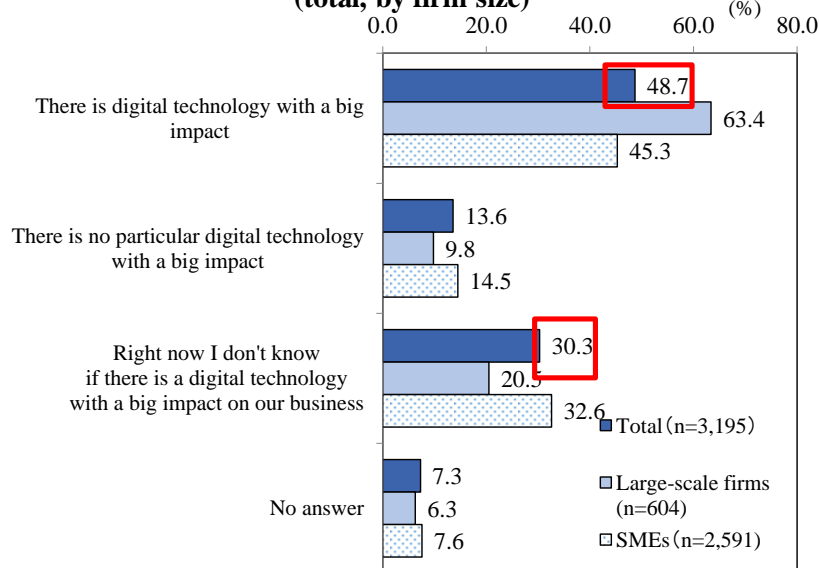
- IoT most influential digital technology for large-scale firms, EC for SMEs. EC most widely used for overseas business -

About half say digital technology has large impact, 30% say impact is unclear

Nearly half (48.7%) of firms responded that “there is digital technology with a big impact” on their firms’ business over the mid- to long-term (5 to 10 years) going forward. Meanwhile, 30.3% of firms responded that they “don’t know” about the impact. Only 13.6% of firms responded that “there is no particular digital technology with big impact.” By industry, “communication, information & software,” “finance & insurance,” “electrical equipment,” and “precision equipment” in particular had high rates of response for “there is digital technology with a big impact.”

Viewpoints on digital technology

(total, by firm size)



Note: The population size is the total number of respondent firms.

Note: The digital technology that is the subject of this survey refers to, “new digital technologies or business methods utilizing such technologies that can change existing business practices,” including electronic commerce (EC), robots, 3D printers, IoT (Internet of Things), big data, artificial intelligence (AI) and financial technology (Fintech).

Viewpoints on digital technology (by industry)

(%)

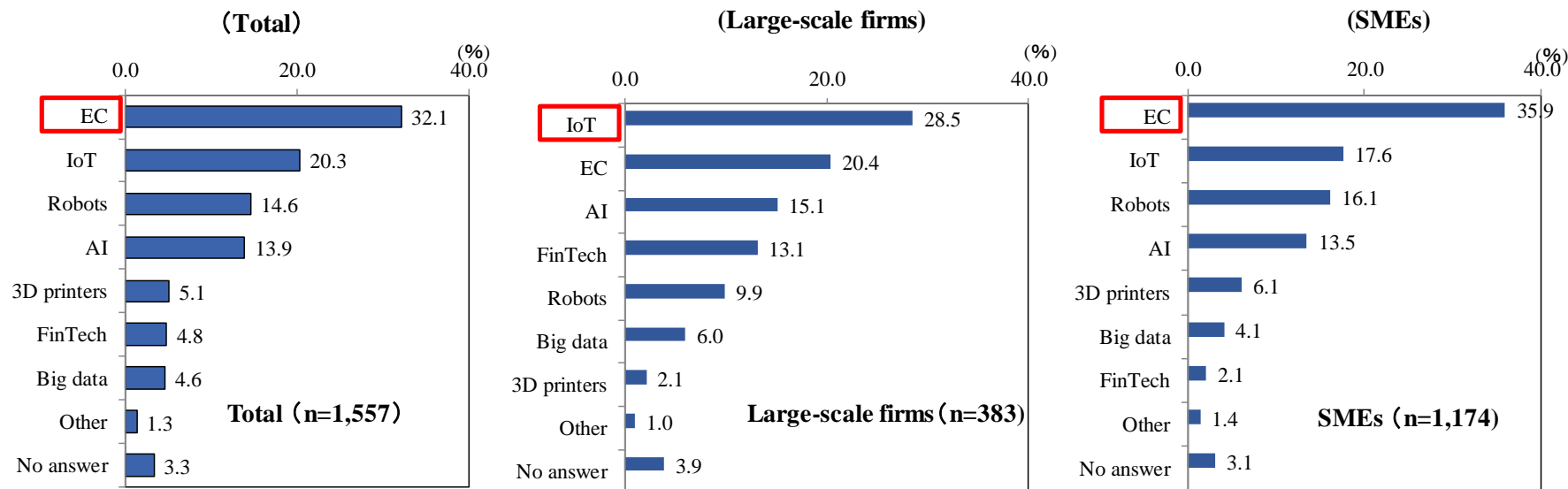
	Number of firms	There is digital technology with a big impact	There is no particular digital technology with a big impact	Right now I don't know if there is a digital technology with a big impact on our business	No answer
Total	3,195	48.7	13.6	30.3	7.3
Manufacturing	1,748	48.6	14.0	30.4	7.0
Food & beverages	446	38.8	11.9	37.7	11.7
Textiles/clothing	105	53.3	10.5	27.6	8.6
Wood & wood products/furniture & building materials/paper & pulp	57	29.8	22.8	38.6	8.8
Chemicals	95	45.3	12.6	36.8	5.3
Medical products & cosmetics	70	51.4	15.7	25.7	7.1
Coal & petroleum products/plastics/rubber products	93	43.0	16.1	37.6	3.2
Ceramics/earth & stone	35	48.6	17.1	25.7	8.6
Iron & steel/non-ferrous metals/metal products	176	51.1	17.6	27.8	3.4
General machinery	158	58.9	9.5	25.9	5.7
Electrical equipment	89	62.9	23.6	12.4	1.1
IT equipment/electronic parts & devices	63	65.1	15.9	15.9	3.2
Cars/car parts/other transportation machinery	98	55.1	11.2	26.5	7.1
Precision equipment	61	60.7	6.6	26.2	6.6
Other manufacturing	202	47.5	15.8	30.7	5.9
Non-manufacturing	1,447	48.9	13.1	30.3	7.7
Trade/wholesale	681	42.3	14.8	35.7	7.2
Retail	123	43.9	11.4	31.7	13.0
Construction	110	40.9	16.4	34.5	8.2
Transport	76	47.4	11.8	38.2	2.6
Finance/insurance	72	70.8	6.9	11.1	11.1
Communication, information & software	97	83.5	3.1	9.3	4.1
Professional services	81	56.8	18.5	17.3	7.4
Other non-manufacturing	207	51.7	12.1	28.0	8.2

Notes: 1) The population size is the total number of respondent firms. 2) Highlighted cells indicate the top five industries with the highest response rates for each item. Bold numbers indicate items with the highest response rate for each industry.

Digital technologies with biggest impact: IoT for large-scale firms, EC for SMEs

When we asked which digital technology had the biggest impact on their firm's business, the answers were in the order of electronic commerce (EC, 32.1%), IoT (20.3%), robots (14.6%), and artificial intelligence (AI, 13.9%). The trends differed by size of firm, with the following order for large-scale firms, IoT (28.5%), EC (20.4%), AI (15.1%) and financial technology (13.1%). For SMEs, EC (35.9%) was by far the highest, followed by IoT (17.6%), robots (16.1%) and AI (13.5%).

Digital technologies with the biggest impacts

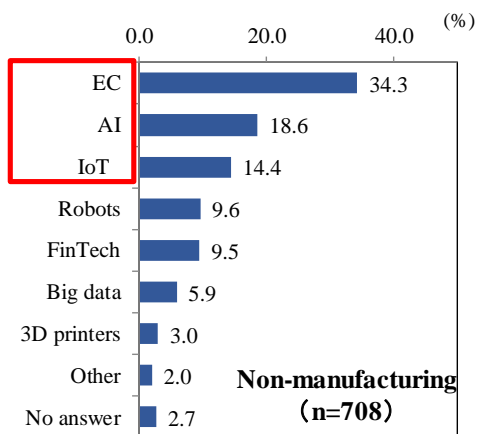
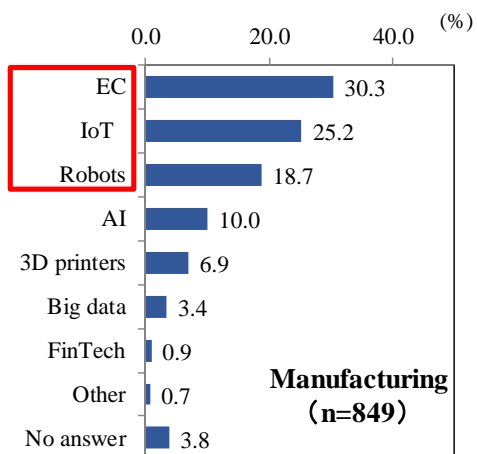


Note: The population size is the total number of firms that responded "there is a digital technology with a big impact."

EC, IoT, robots have biggest impact for manufacturing,

EC, AI, IoT for non-manufacturing

Looking at the responses to “the digital technology with the biggest impact” by industry, the highest responses in manufacturing were in the order of EC, IoT, robots, and AI. Meanwhile, for non-manufacturing the order was EC, AI, IoT, and robots, with AI higher than in manufacturing. Looking at the main industries with higher response rates, EC ranked high for non-durable consumer goods (medical & cosmetics, food & beverages, textiles & clothing), and distribution; IoT ranked high for manufacturing of machinery and transportation machinery; robots ranked high for wood & wood products etc., iron, steel & metal products, transportation machinery, and transport; AI ranked high for communication, information & software and professional services.



Technologies with the most impact (by industry)

	No. of firms	EC	robots	3D printers	IoT	Big data	AI	FinTech	Other	No answer
Total	1,557	32.1	14.6	5.1	20.3	4.6	13.9	4.8	1.3	3.3
Manufacturing	849	30.3	18.7	6.9	25.2	3.4	10.0	0.9	0.7	3.8
Food & beverages	173	52.0	22.5	0.6	9.2	1.2	8.1	2.3	0.0	4.0
Textiles/clothing	56	50.0	5.4	12.5	10.7	0.0	5.4	1.8	1.8	12.5
Wood & wood products/furniture & building materials/paper & pulp	17	29.4	41.2	0.0	11.8	5.9	11.8	0.0	0.0	0.0
Chemicals	43	25.6	18.6	4.7	23.3	7.0	11.6	2.3	0.0	7.0
Medical products & cosmetics	36	63.9	2.8	5.6	5.6	2.8	16.7	0.0	0.0	2.8
Coal & petroleum products/plastics/rubber products	40	42.5	12.5	10.0	27.5	0.0	5.0	0.0	0.0	2.5
Ceramics/earth & stone	17	29.4	17.6	29.4	11.8	0.0	5.9	0.0	0.0	5.9
Iron & steel/non-ferrous metals/metal products	90	21.1	27.8	10.0	27.8	3.3	7.8	0.0	0.0	2.2
General machinery	93	5.4	23.7	4.3	44.1	5.4	10.8	0.0	2.2	4.3
Electrical equipment	56	8.9	8.9	3.6	53.6	7.1	16.1	0.0	0.0	1.8
IT equipment/electronic parts & devices	41	7.3	9.8	4.9	48.8	7.3	14.6	2.4	2.4	2.4
Cars/car parts/other transportation machinery	54	7.4	25.9	9.3	40.7	3.7	7.4	1.9	1.9	1.9
Precision equipment	37	18.9	18.9	5.4	29.7	0.0	24.3	0.0	0.0	2.7
Other manufacturing	96	36.5	16.7	14.6	16.7	5.2	7.3	0.0	1.0	2.1
Non-manufacturing	708	34.3	9.6	3.0	14.4	5.9	18.6	9.5	2.0	2.7
Trade/wholesale	288	51.4	7.3	5.6	14.6	4.2	8.3	4.2	1.4	3.1
Retail	54	59.3	7.4	1.9	11.1	3.7	13.0	0.0	0.0	3.7
Construction	45	8.9	17.8	2.2	24.4	8.9	24.4	0.0	6.7	6.7
Transport	36	30.6	25.0	0.0	5.6	5.6	22.2	0.0	8.3	2.8
Finance/insurance	51	0.0	3.9	0.0	0.0	0.0	3.9	90.2	0.0	2.0
Communication, information & software	81	14.8	6.2	0.0	21.0	8.6	42.0	3.7	2.5	1.2
Professional services	46	21.7	4.3	2.2	13.0	13.0	39.1	2.2	0.0	4.3
Other non-manufacturing	107	24.3	15.9	1.9	16.8	8.4	26.2	4.7	1.9	0.0

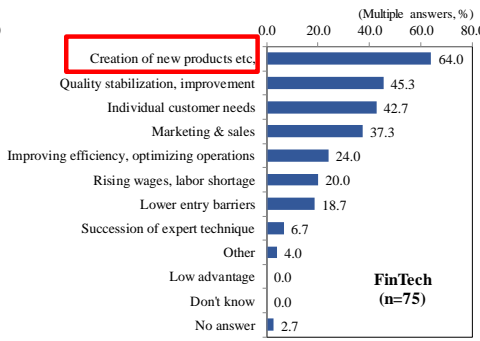
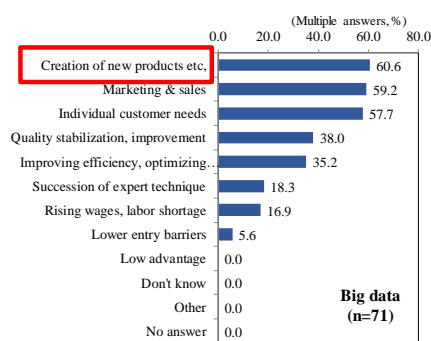
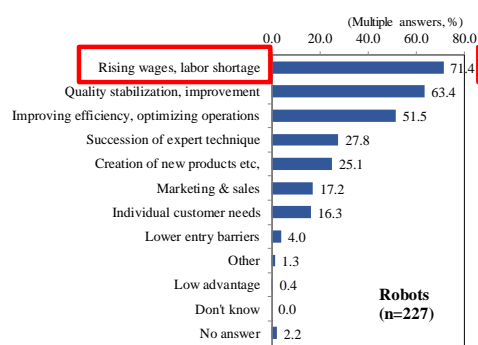
Note: The population size is the total number of firms that responded that, "there is a digital technology that has a big impact."

Notes: 1) The population size is the total number of firms that responded, "there is digital technology with a big impact." 2) Highlighted cells indicate technologies with the highest response rates for each industry. Bold numbers indicate industries with response rates above the overall average for each technology.

Different advantages of utilization, depending on the digital technology

When we asked about the advantages of using the digital technologies with the biggest impact, it was revealed that the respondents saw different advantages for different technologies: the biggest perceived advantages of using EC is for “marketing and sales”, IoT for “quality stabilization, improvement”, robots and AI for “dealing with rising wages and labor shortages”, 3D printing for “improving efficiency, optimizing operations”, and big data and Fintech for “creation of new products etc.”

Advantages of utilizing digital technology (by technologies with the biggest impact, total)

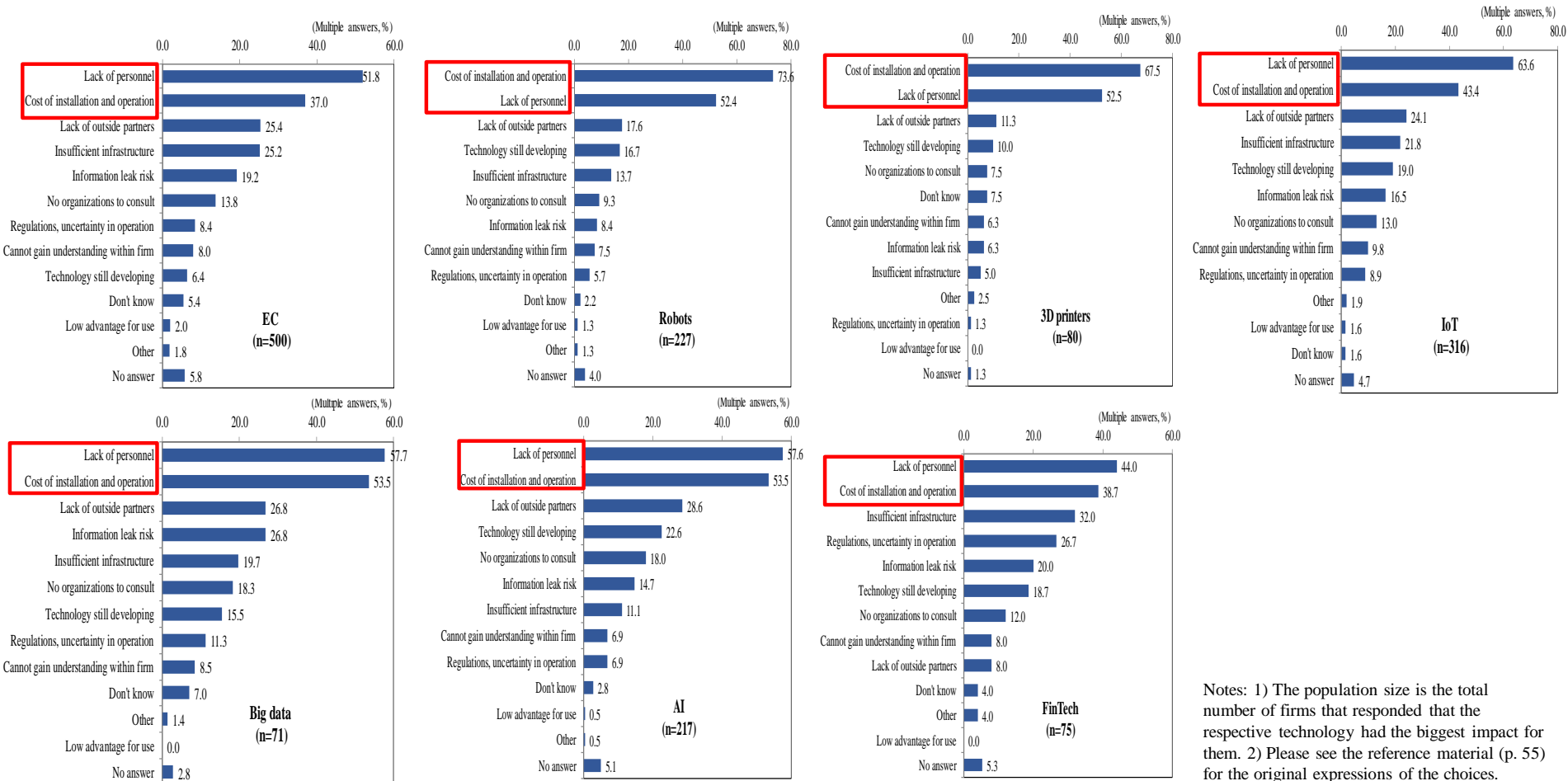


Notes: 1) The population size is the total number of firms that responded that the respective technology had the biggest impact for them. 2) Please see the reference material (p.55) for the original expressions of the choices.

Obstacles of utilizing digital technology are “lack of personnel” and “cost of installation and operation”

When we asked about obstacles for the use of digital technologies that had the biggest impacts, “lack of personnel” and “the cost of installation and operation” were the two dominant issues mentioned among all technologies. The 3rd issue for all technologies other than Fintech was “lack of outside partners.” There were similar trends when observing the results by firm size and sector (manufacturing and non-manufacturing).

Obstacles of utilizing digital technology (by technologies with the biggest impacts, and total)

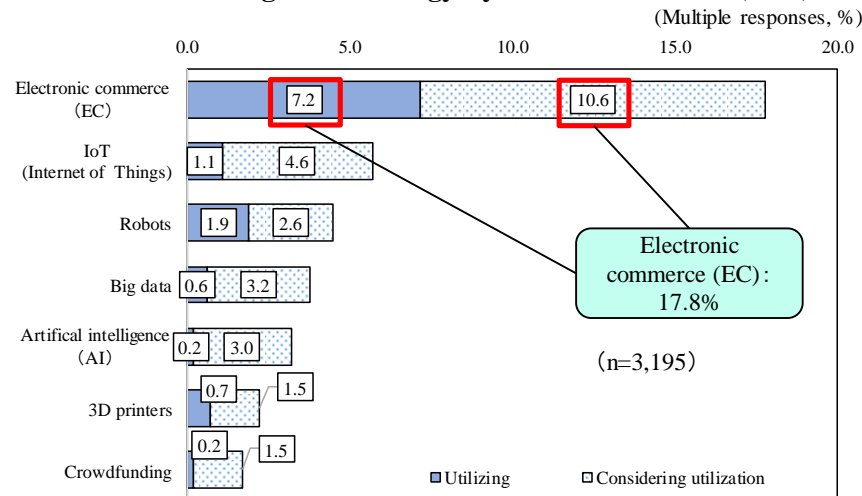


Notes: 1) The population size is the total number of firms that responded that the respective technology had the biggest impact for them. 2) Please see the reference material (p. 55) for the original expressions of the choices.

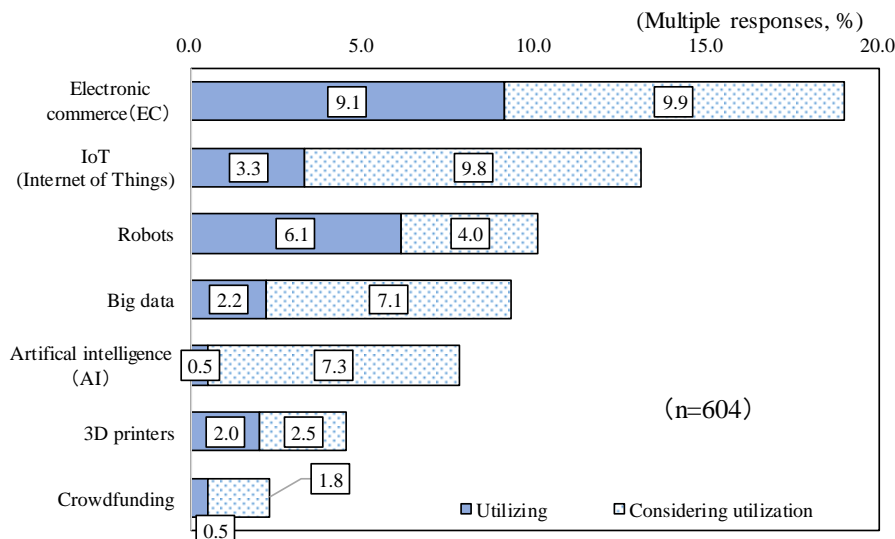
EC as most popular technology to use in overseas business

Regarding the utilization of the digital technologies in overseas business, the percentage of firms choosing “EC” was the largest (17.8% in total, combining “utilizing” and “considering utilization”), followed by IoT (5.7%), and robots (4.5%). In the use of other technologies, for IoT, robots, AI, and big data in particular, there were more than 5% points difference between large-scale firms and SMEs.

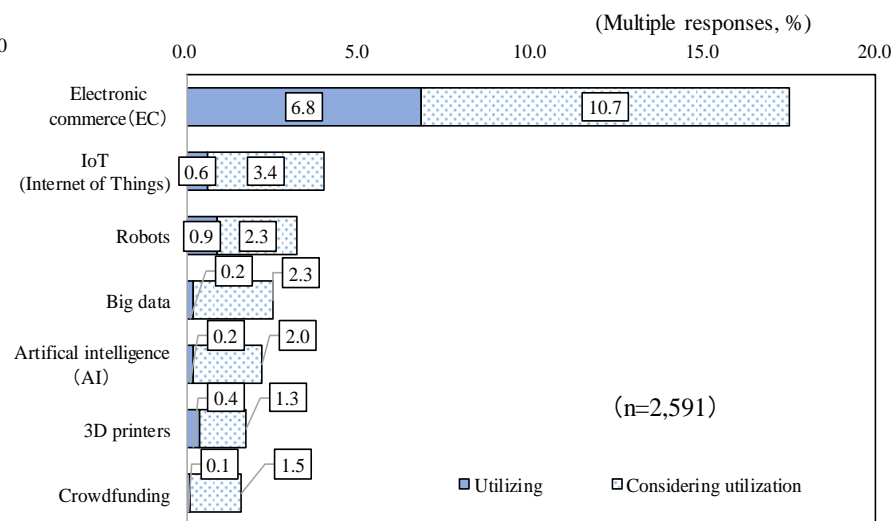
Utilization of digital technology by overseas business (total)



Utilization of digital technology by overseas business (large-scale firms)



Utilization of digital technology by overseas business (SMEs)

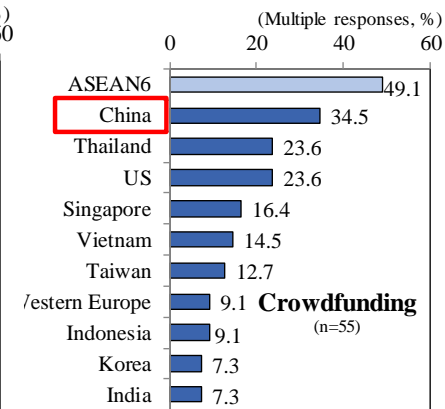
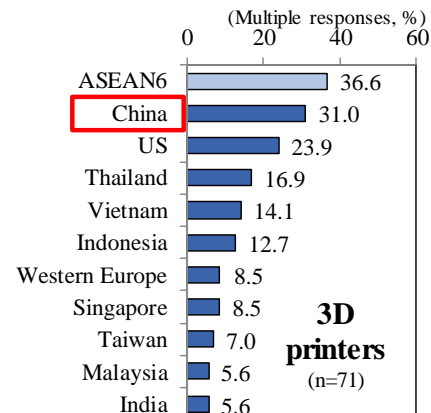
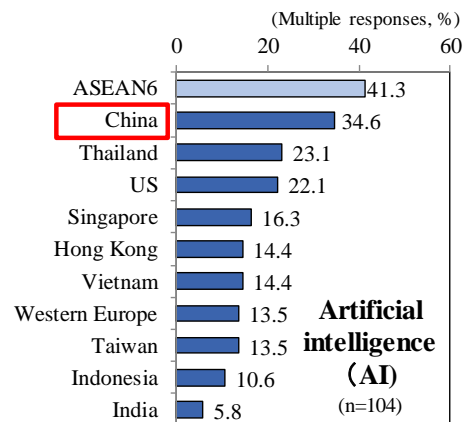
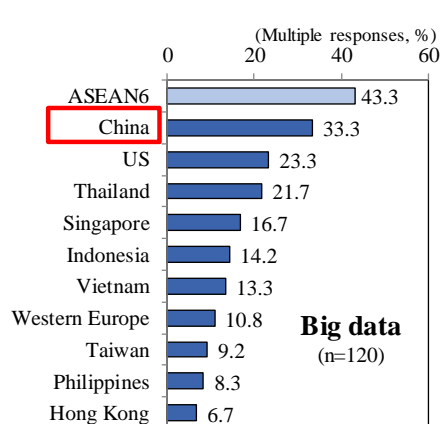
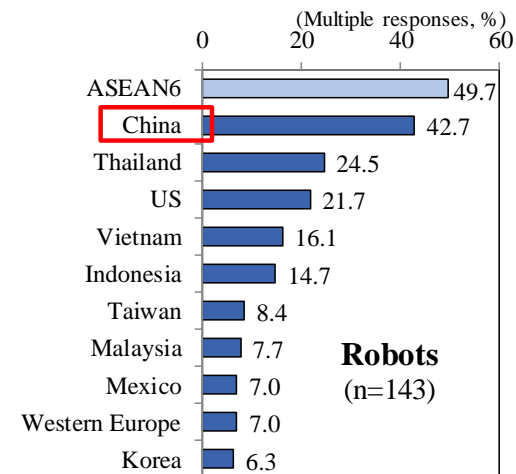
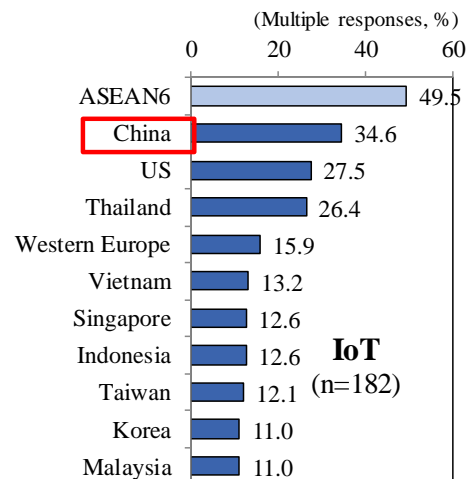
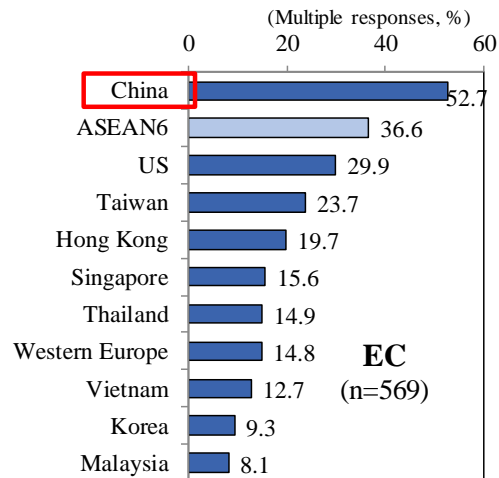


Notes: 1) “Overseas businesses” includes those that use the relevant technology in overseas bases, as well as for cross-border EC, collection and analysis of data from overseas, and to raise funds for business goals overseas. 2) The population size is the total number of respondent firms. Therefore, firms other than those who responded “currently utilizing” or “considering utilization” include those who did not respond to this question. 3) Firms that responded both, “currently utilizing” and “considering utilization” were classified as “currently utilizing.” 4) Because there are many types of financial technology, this question asked about crowdfunding as one example of financial technology.

China ranked first as a country for utilization of all technologies listed

Looking at the countries and regions where firms (intend to) utilize digital technology in overseas business, the largest number of firms responded with China for electronic commerce (EC), while ASEAN6 was the highest for the other technologies. By country, China was at the top for all technologies.

Countries and regions where firms utilize digital technologies (total)



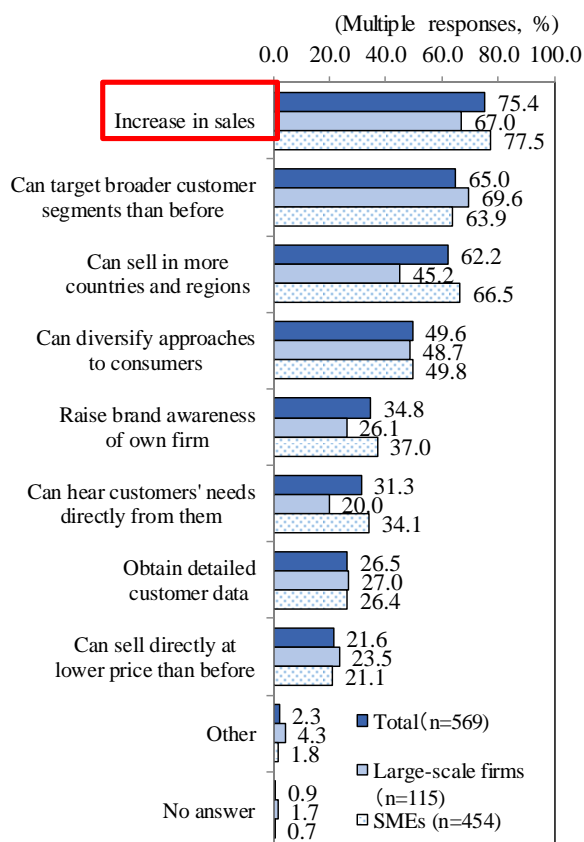
Notes: 1) The population size is firms that responded that they are “currently utilizing” or “considering utilization” of digital technology in their overseas business. 2) The top 10 countries or regions and ASEAN6 are listed. 3) ASEAN6 refers to the total of six countries- Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Vietnam (excluding duplicate firms). 4) Countries or regions that have the same response rate have the same ranking.

Increased sales as advantage for SMEs of utilizing EC in overseas business

When we asked respondents that are “currently utilizing” or “considering utilization” of EC in their overseas business about the advantages of using EC, “increase in sales” (75.4%) was the top answer, followed by “can target broader customer segments than in the past” (65.0%), and “can sell in more countries and regions” (62.2%). Looking at the answers by firm size, SME response rates were higher than those of large-scale firms for five choices, including “increased sales.”

Advantages of using EC (total, by firm size)

Advantages of using EC (total, by industry)



(Multiple responses, %)

	No. of firms	Increase in sales	Broader customer segments	Sales in more countries/regions	Diversify approaches	Raise brand awareness	Hear customers' needs	Obtain customer data	Low price, direct sales
Total	569	75.4	65.0	62.2	49.6	34.8	31.3	26.5	21.6
Manufacturing	327	78.6	64.5	61.2	48.6	33.6	32.1	26.9	21.7
Food & beverages	76	85.5	67.1	64.5	51.3	39.5	36.8	26.3	21.1
Textiles/clothing	33	87.9	72.7	63.6	60.6	45.5	42.4	24.2	18.2
Chemicals	10	80.0	80.0	70.0	70.0	20.0	50.0	40.0	40.0
Medical products & cosmetics	29	96.6	75.9	72.4	69.0	51.7	24.1	27.6	10.3
Coal & petroleum products /plastics/rubber products	25	92.0	68.0	68.0	40.0	24.0	16.0	12.0	28.0
Iron & steel/non-ferrous metals/metal products	26	80.8	53.8	57.7	50.0	38.5	34.6	26.9	26.9
General machinery	14	64.3	50.0	28.6	28.6	21.4	28.6	21.4	50.0
Electrical equipment	16	56.3	62.5	50.0	31.3	12.5	18.8	31.3	25.0
IT equipment/electronic parts & devices	11	72.7	54.5	45.5	27.3	18.2	18.2	36.4	18.2
Cars/car parts/other transportation machinery	23	43.5	47.8	60.9	34.8	17.4	26.1	34.8	26.1
Precision equipment	11	81.8	63.6	45.5	18.2	27.3	27.3	63.6	27.3
Other manufacturing	41	70.7	63.4	58.5	58.5	36.6	41.5	19.5	9.8
Non-manufacturing	242	71.1	65.7	63.6	50.8	36.4	30.2	26.0	21.5
Trade/wholesale	136	71.3	66.9	61.8	51.5	35.3	31.6	22.8	14.7
Retail	42	73.8	69.0	76.2	52.4	40.5	26.2	26.2	26.2
Transport	11	72.7	36.4	54.5	27.3	18.2	18.2	27.3	27.3
Communication, information & software	20	85.0	75.0	75.0	40.0	25.0	35.0	30.0	40.0
Other non-manufacturing	20	60.0	65.0	50.0	70.0	55.0	35.0	30.0	30.0

Notes: 1) The population size is the number of firms that responded that they are currently utilizing or considering utilization of electronic commerce (EC) in their overseas business.

2) Highlighted cells indicate items that received 60% or higher response rates. 3) Only industries with 10 or more firms are listed.

Note: The population size is the number of firms that responded that they are currently utilizing electronic commerce (EC) in their overseas businesses or are considering utilization.

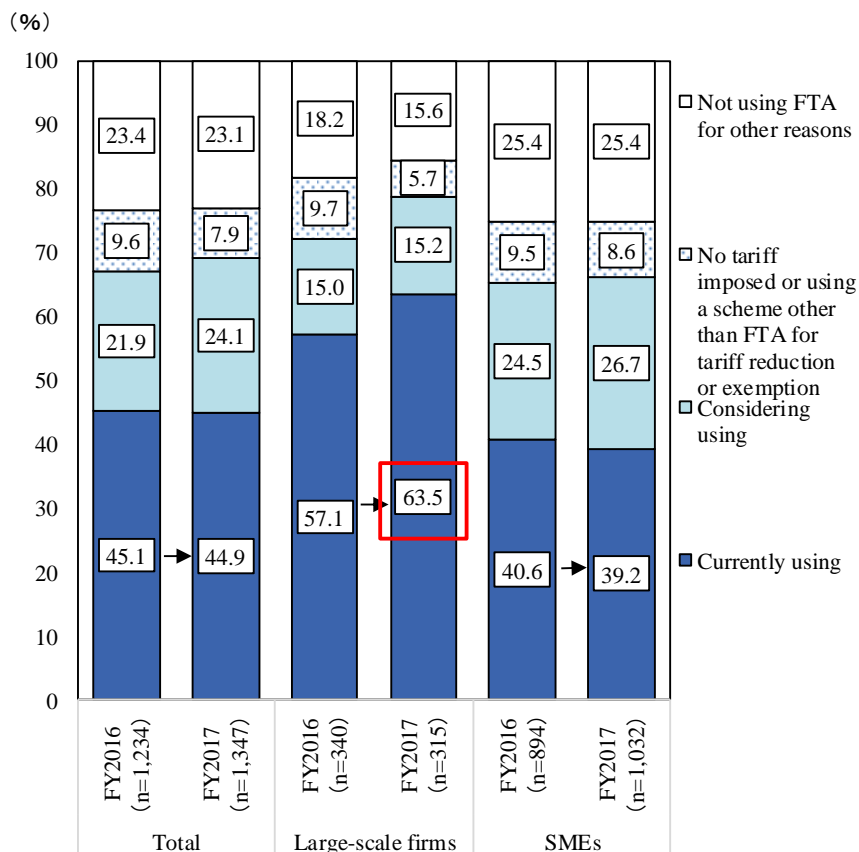
6. Utilization of free trade agreements (FTAs)

- Among firms that export to EU, 52.1% are considering using Japan-EU EPA -

FTA use climbs to 63.5% among large-scale firms

Among firms that export to countries with which Japan has concluded FTAs, 44.9% use FTAs with one or more countries, about the level with the previous year. Large-scale firms' usage is 63.5%, an increase of 6.4 percentage points over the previous year. By industry, "cars/car parts/other transportation machinery" was the highest at 73.4%.

Utilization rates for Japan's FTA in effect



Status of use of FTA by industry (total for all FTA)

Industry	No. of firms	Using or considering using (%)		Not using (%)		
		Currently using	Considering using	No tariff imposed or using a scheme other than FTA for tariff reduction or exemption	No tariff imposed or using a scheme other than FTA for tariff reduction or exemption	
Total	1,347	69.0	44.9	24.1	31.0	7.9
Large-scale firms	315	78.7	63.5	15.2	21.3	5.7
SMEs	1,032	66.0	39.2	26.7	34.0	8.6
Manufacturing	910	71.9	48.5	23.4	28.1	6.9
Food & beverages	172	68.6	47.7	20.9	31.4	6.4
Textiles/clothing	35	74.3	37.1	37.1	25.7	2.9
Chemicals	67	70.1	52.2	17.9	29.9	10.4
Medical products & cosmetics	46	76.1	45.7	30.4	23.9	2.2
Coal & petroleum products/plastics/rubber products	49	87.8	67.3	20.4	12.2	4.1
Iron & steel/non-ferrous metals/metal products	87	79.3	54.0	25.3	20.7	5.7
General machinery	112	66.1	44.6	21.4	33.9	8.9
Electrical equipment	54	68.5	50.0	18.5	31.5	5.6
IT equipment/electronic parts & devices	32	46.9	34.4	12.5	53.1	21.9
Cars/car parts/other transportation machinery	64	85.9	73.4	12.5	14.1	3.1
Precision equipment	43	65.1	37.2	27.9	34.9	14.0
Other manufacturing	108	75.0	43.5	31.5	25.0	4.6
Non-manufacturing	437	62.9	37.5	25.4	37.1	10.1
Trade/wholesale	307	67.1	45.0	22.1	32.9	10.7
Construction	32	68.8	28.1	40.6	31.3	9.4
Other non-manufacturing	36	52.8	22.2	30.6	47.2	11.1

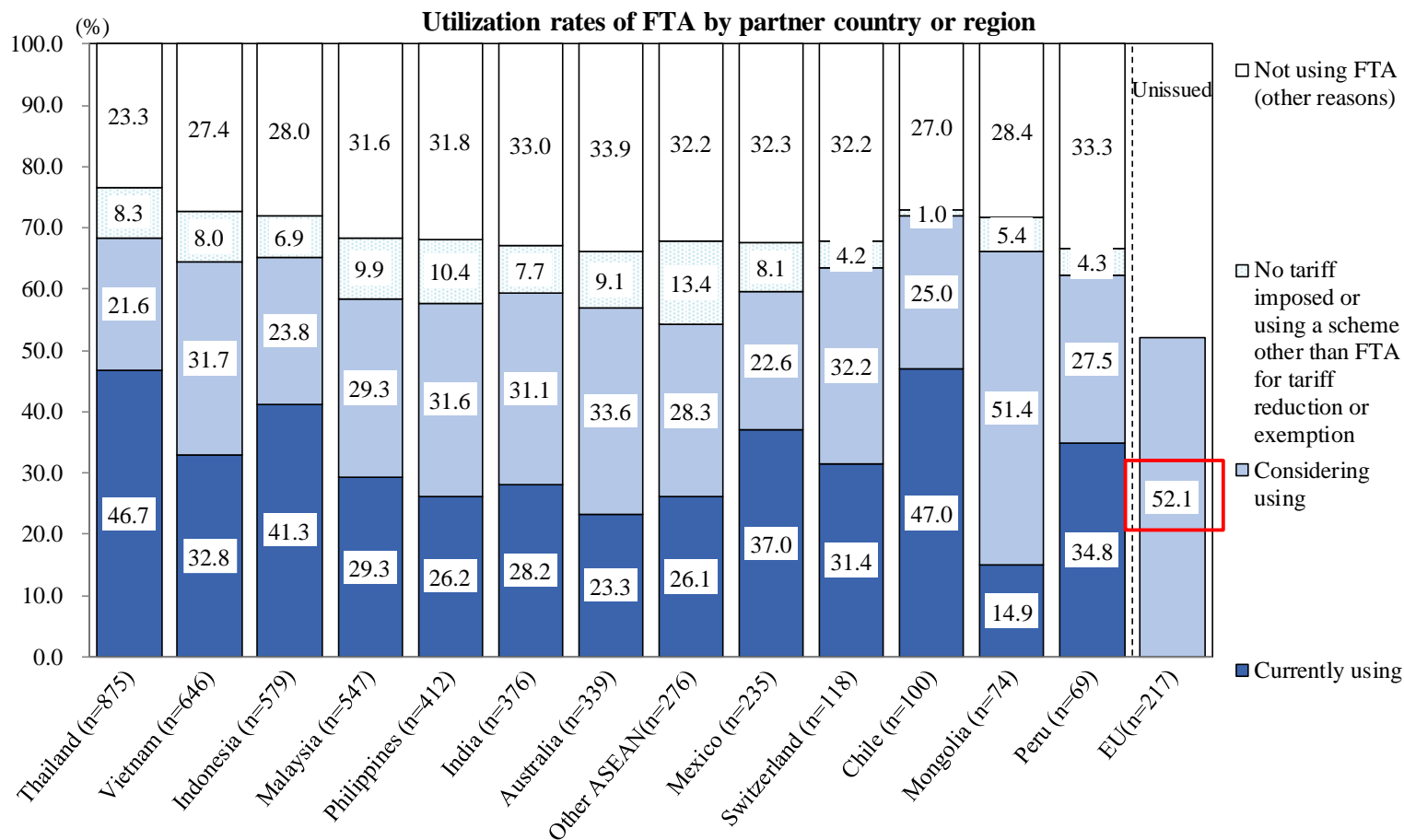
Notes: 1) The population size is the industries with 30 or more firms only.

2) Highlighted cells indicate top five industries.

Note: The population size is the number of firms exporting to any one or more of the subject countries or regions

More than 50% of firms exporting to EU consider using Japan-EU EPA

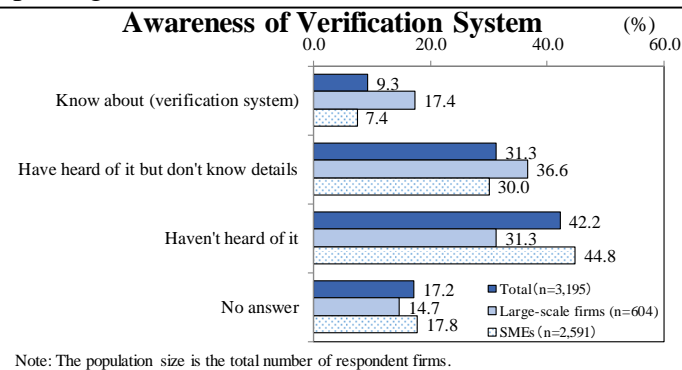
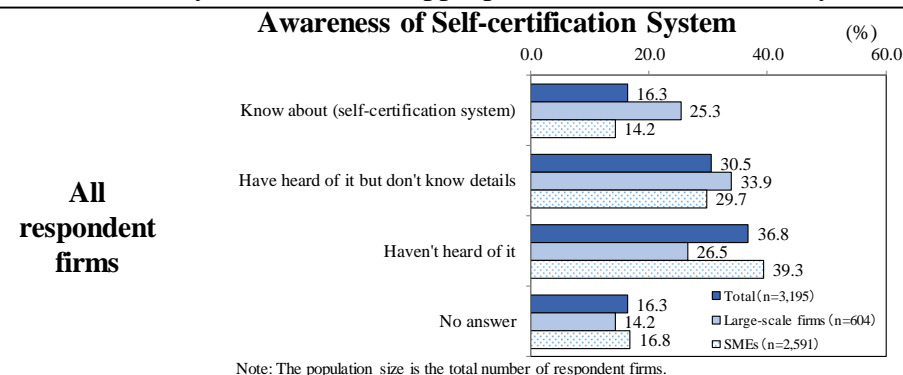
FTA with Thailand is the most commonly used FTA for exports (409 firms, usage rate of 46.7%), followed by other ASEAN countries, including Indonesia (239, 41.3%), Vietnam (212, 32.8%), and Malaysia (160, 29.3%). There were no major changes in the trends from the previous year. More than half, 52.1% (113 firms) of firms responded they are considering using the Japan-EU EPA, the negotiation of which was finalized in December 2017.



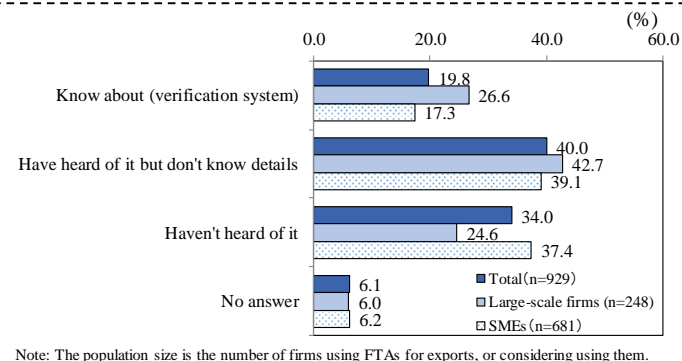
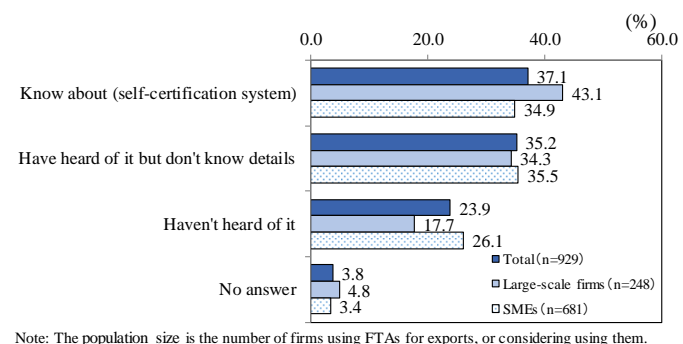
Notes: 1) The population size is the number of firms exporting to the subject countries and regions. 2) Firms are listed from the left in order of highest exports to the relevant countries and regions.

Awareness of self-certification system, firms using FTA at 50%

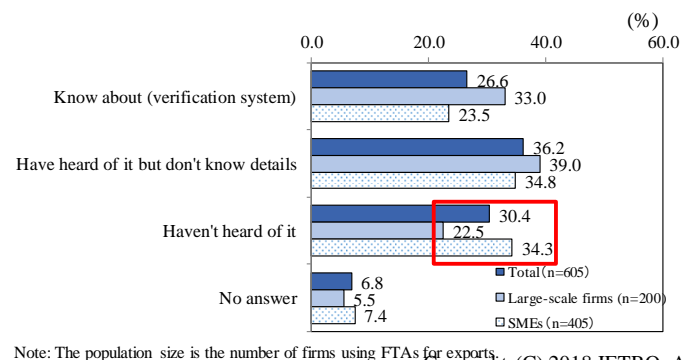
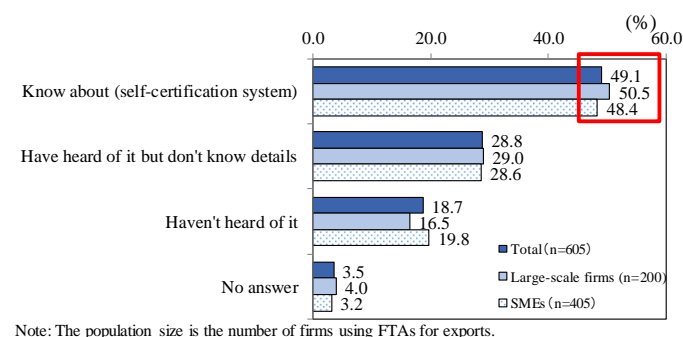
About half of the firms that use FTAs responded that they are aware of the “self-certification of origin system” being used in the certificate of origin system in the Japan-EU EPA and TPP. About 30% of firms that use FTAs responded that they “have not heard” of the “verification system” to check appropriateness of use of FTA by customs in importing countries.



Firms using or considering using FTAs



Firms using FTAs

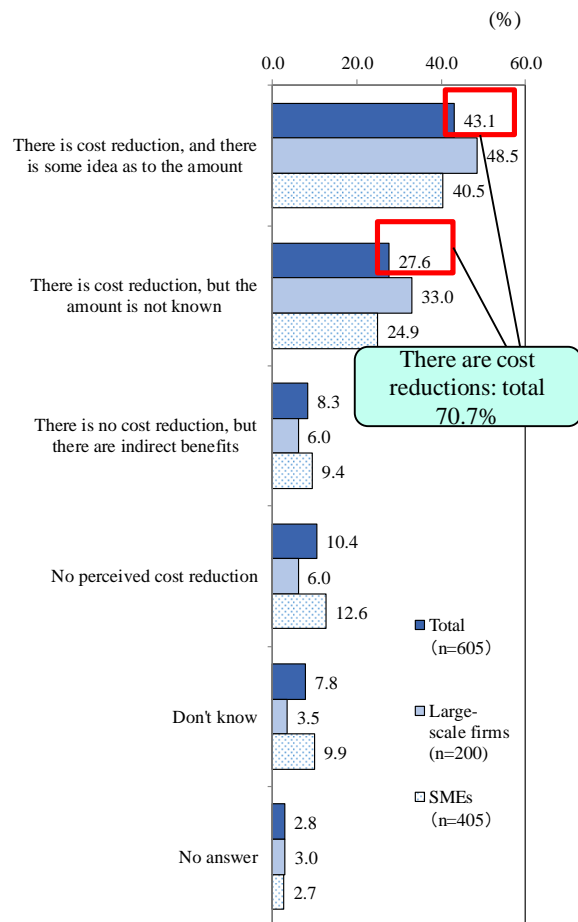


Nearly 70% realize cost reductions by using FTA for exports

Asked whether there were any perceived cost reductions (see Note) resulting from the use of FTAs for exports, 43.1% responded, “there is cost reduction, and there is some idea as to the amount,” and 27.6% responded, “there is cost reduction, but the amount is not known.” On the other hand 10.4% responded, “no perceived cost reduction,” and that ratio was higher among SMEs.

•Note: Refers to increased export competitiveness due to elimination of tariffs, and reduction of procurement costs due to elimination of tariffs.

Cost reductions due to FTAs (by firm size)



Cost reductions due to FTAs (by industry)

	No. of firms	There is cost reduction			There is no cost reduction, but there are indirect benefits	No perceived cost reduction	Don't know	No answer
		There is cost reduction, and there is some idea as to the amount	There is cost reduction, but the amount is not known					
Total	605	70.7	43.1	27.6	8.3	10.4	7.8	2.8
Large-scale firms	200	81.5	48.5	33.0	6.0	6.0	3.5	3.0
SMEs	405	65.4	40.5	24.9	9.4	12.6	9.9	2.7
Manufacturing	441	71.9	43.1	28.8	7.5	10.4	7.7	2.5
Food & beverages	82	68.3	39.0	29.3	9.8	12.2	9.8	0.0
Textiles/clothing	13	77.0	46.2	30.8	15.4	0.0	0.0	7.7
Wood & wood products/furniture & building materials/paper & pulp	8	100.0	75.0	25.0	0.0	0.0	0.0	0.0
Chemicals	35	77.1	45.7	31.4	8.6	8.6	2.9	2.9
Medical products & cosmetics	21	80.9	23.8	57.1	9.5	9.5	0.0	0.0
Coal & petroleum products/plastics/rubber products	33	69.7	42.4	27.3	6.1	15.2	6.1	3.0
Iron & steel/non-ferrous metals/metal products	47	63.9	36.2	27.7	4.3	10.6	14.9	6.4
General machinery	50	54.0	26.0	28.0	8.0	20.0	12.0	6.0
Electrical equipment	27	74.0	48.1	25.9	18.5	7.4	0.0	0.0
IT equipment/electronic parts & devices	11	72.8	45.5	27.3	9.1	0.0	18.2	0.0
Cars/car parts/other transportation machinery	47	89.4	66.0	23.4	2.1	6.4	2.1	0.0
Precision equipment	16	68.8	43.8	25.0	6.3	12.5	12.5	0.0
Other manufacturing	47	74.4	48.9	25.5	4.3	8.5	8.5	4.3
Non-manufacturing	164	67.7	43.3	24.4	10.4	10.4	7.9	3.7
Trade/wholesale	138	70.3	44.9	25.4	11.6	6.5	7.2	4.3
Retail	5	40.0	20.0	20.0	20.0	40.0	0.0	0.0
Construction	9	66.6	44.4	22.2	0.0	33.3	0.0	0.0
Other non-manufacturing	8	50.0	25.0	25.0	0.0	37.5	12.5	0.0

Notes: 1) The population size is the number of firms using FTAs for exports. Only industries with five or more firms are shown.

2) Highlighted cells are industries that are the top five ratios for each factor.

Note: The population size is the firms using FTAs.

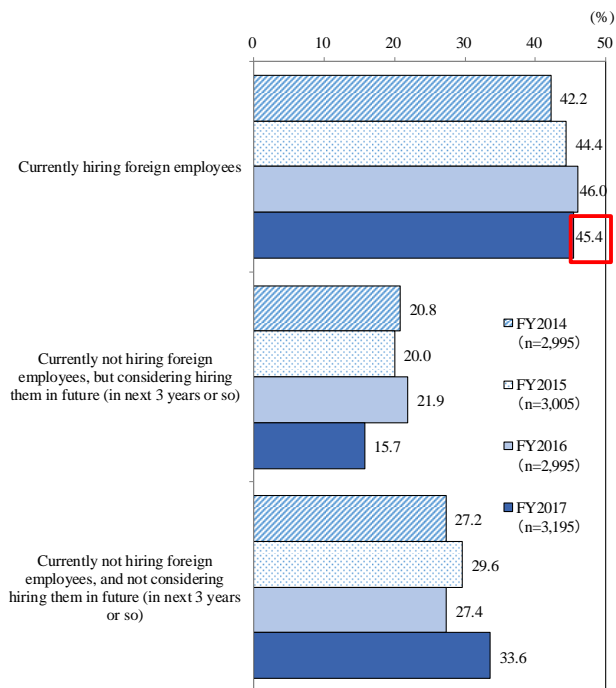
7. Utilization of foreign personnel

- About half of firms employ foreign employees, and the growing need for foreign executives is expected in the mid- to long-term -

About half of firms employ foreign staff

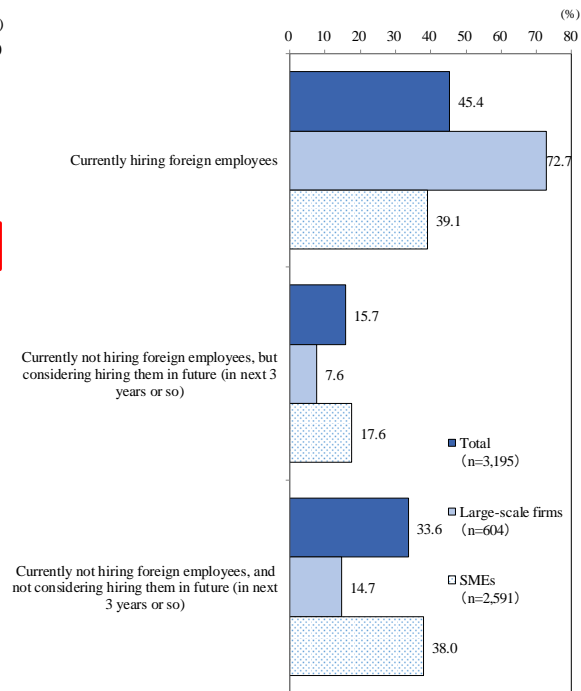
45.4% of the firms surveyed are currently employing foreign employees in offices in Japan, a ratio similar to that of last year. While the percentage of large-scale firms "currently hiring foreign employees" was 72.7%, such SMEs accounted only 39.1%. Among firms with foreign employees, the percentage of firms answering that they are working as "general office staff" was the largest (50.3%), followed by "general plant staff" (40%) and "engineers" (24.1%).

**Hiring of foreign employees
(Total, comparison over time)**



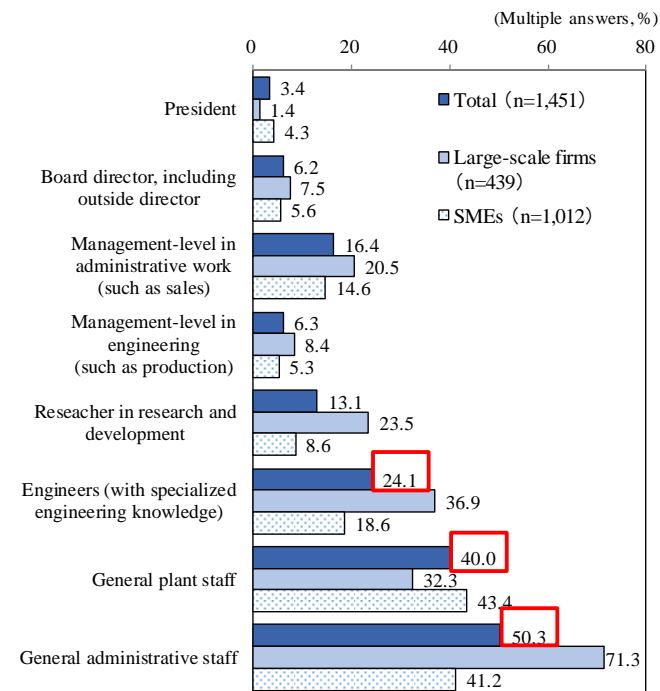
Note: The population size is the total number of respondent firms.

**Hiring of foreign employees
(Total, by firm size)**



Note: The population size is the total number of respondent firms.

**Position of foreign employees
(Total, by firm size)**

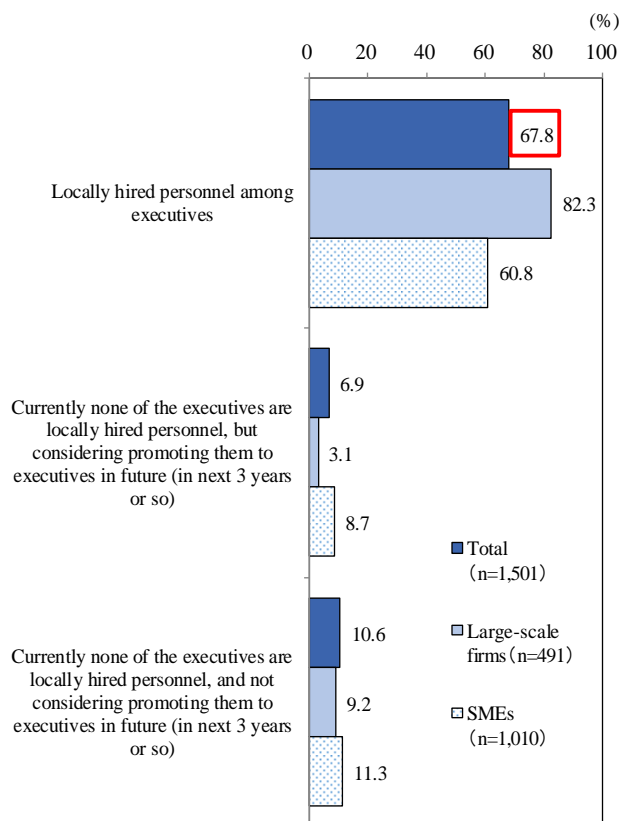


Note: The population size is the number of firms answering "currently hiring foreign employees."

70% of firms with overseas bases promote local hire

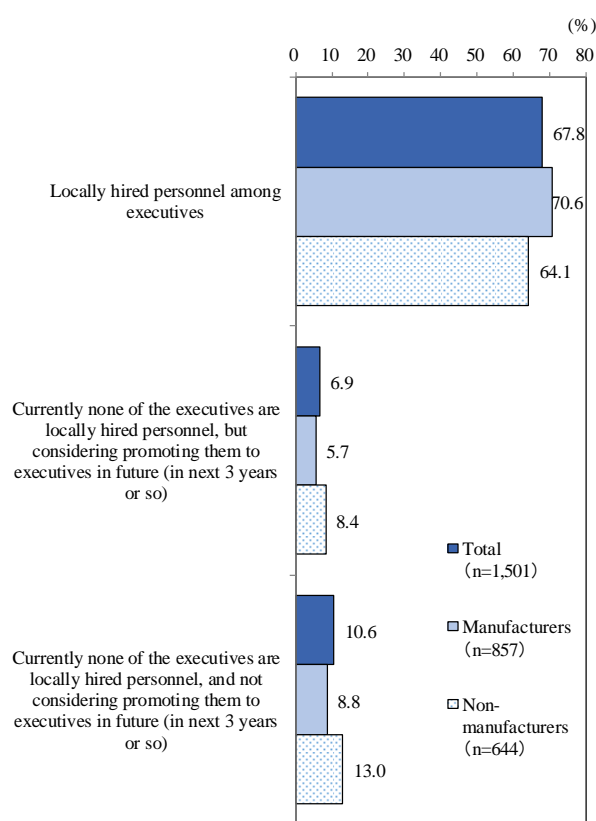
About 70% (67.8%) of firms that have overseas bases promote local hires to executive positions (president, board director, management-level employee, researcher in research and development). Combined with firms that are considering promoting local hires in the future, 74.7% of firms have a plan to promote locally hired staff. The most common position for promoting local hires is management-level employee in administrative work (79.0%).

Promotion of locally hired personnel in overseas bases (Total, by firm size)



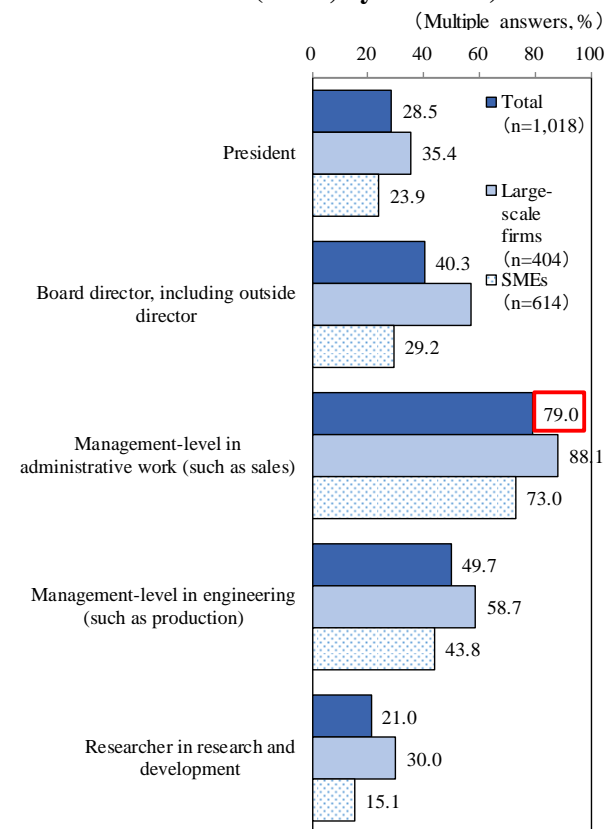
Note: The population size is the number of firms with overseas bases.

Promotion of locally hired personnel in overseas bases (Total, by industry)



Note: The population size is the number of firms with overseas bases.

Promotion of locally hired personnel in overseas bases (Total, by firm size)

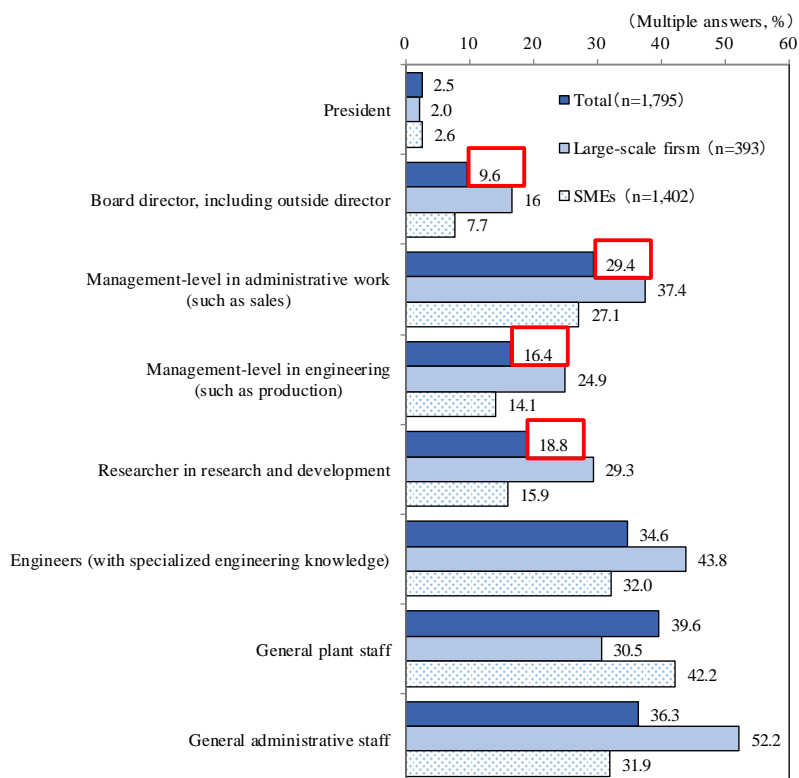


Note: The population size is the number of firms that have locally hired personnel among executives.

Growing need for foreign executives expected in the mid- to long-term

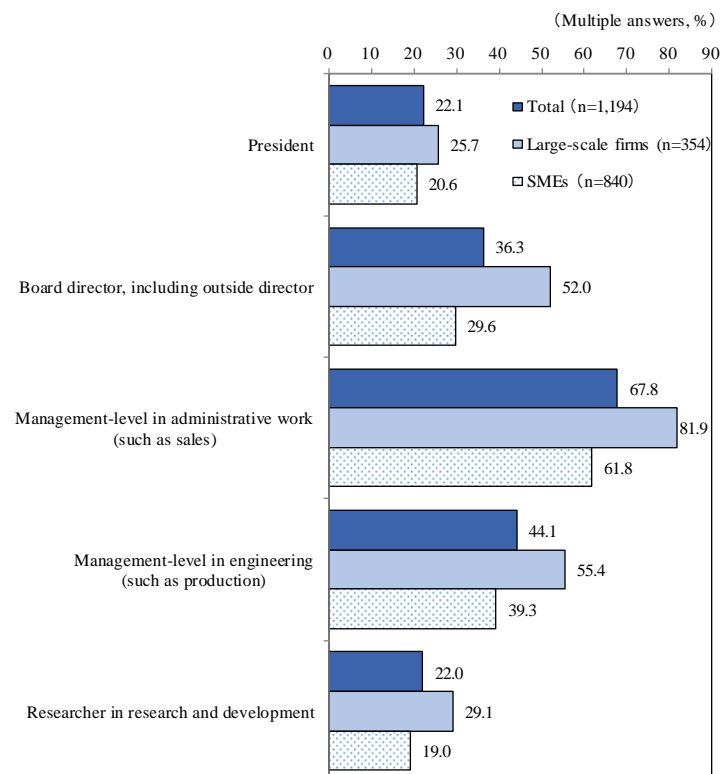
In offices in Japan, a need for foreign executives is likely to increase mainly among large-sale firms. Asked which job categories there is expected to be an increased need for foreign employees in the mid- to long-term (about five to 10 years), within the executive tier, the percentage of firms answering with "management-level employee in administrative work" was the largest (29.4%), followed by "researcher in research and development" (18.8%), "management-level employee in engineering" (16.4%) and "board director, including outside director" (9.6%).

Positions with a high demand in the mid- to long-term for foreign personnel (offices in Japan) (Total, by firm size)



Note: The population size is the number of firms that answered they would have a higher demand for foreign personnel in the mid- to long-term.

Positions with a high demand in the mid- to long-term for foreign personnel (overseas bases) (Total, by firm size)

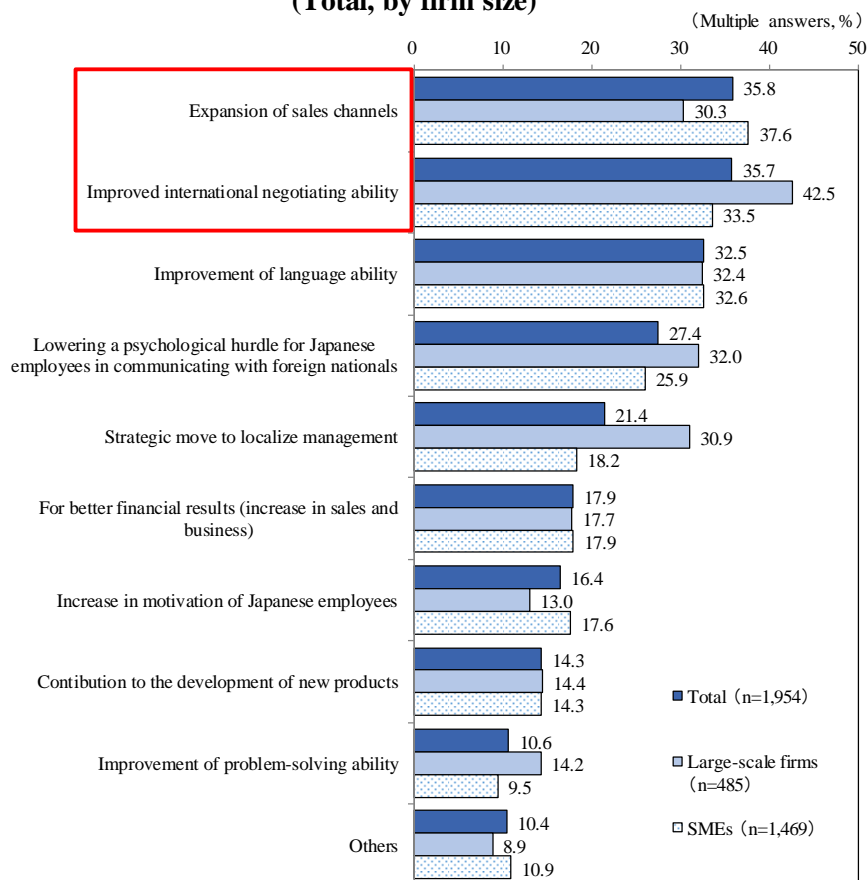


Note: The population size is the firms that answered they would have a higher demand for locally hired personnel in the mid- to long-term.

Benefits of utilizing foreign personnel: Expansion of sales channels and improved international negotiating ability

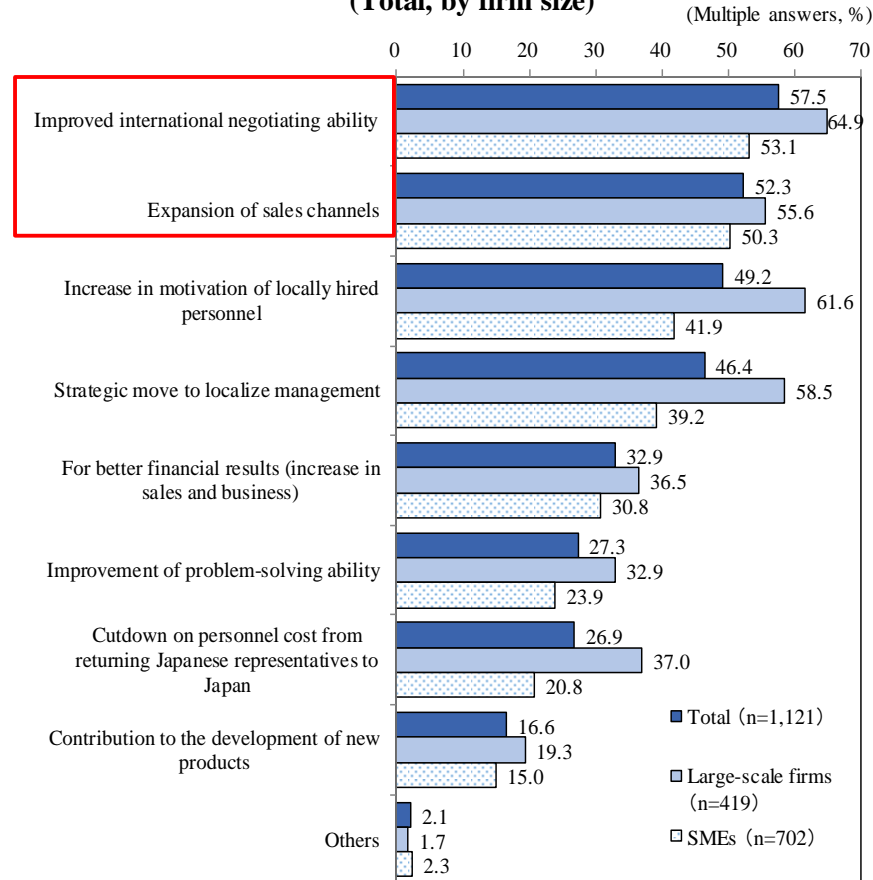
Firms that are currently hiring foreign employees in offices in Japan or that are considering hiring them in the future answered “expansion of sales channels” (35.8%) and “improved international negotiating ability” (35.7%) as benefits of utilizing foreign personnel. On the other hand, firms that are promoting local hires to executive or considering doing so answered “improved international negotiating ability” (57.5%) as a benefit of having locally hired personnel among executives.

Benefits of hiring foreign personnel (offices in Japan)
(Total, by firm size)



Note: The population size is the firms that answered "currently hiring foreign employees" or "considering hiring them in the future."

Benefits of promoting locally hired personnel (overseas bases)
(Total, by firm size)



Note: The population size is the firms that answered "currently promoting locally hired personnel to executives" or "considering promoting locally hired personnel to executives in the future."

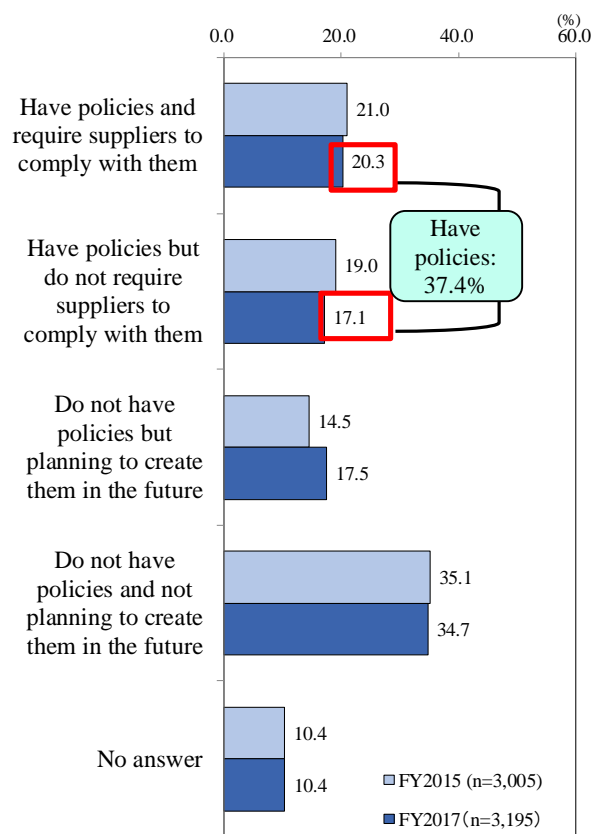
8. Supply chain-related policies on labor, safety and health, and environment

- Attitude varies significantly depending on firm size -

About 40% of firms have policies, but only 20% require suppliers to comply

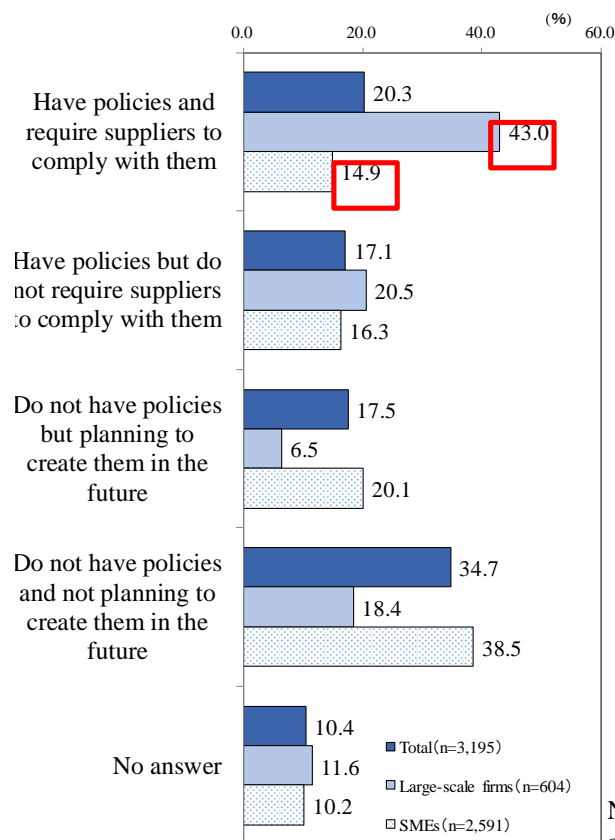
The percentage of firms answering they have policies regarding suppliers on labor, safety and health, and environment remained at 37.4%, 2.6 points drop from the last survey in 2015. 20.3% of these firms require their suppliers to comply with the policies. By firm size, while 43.0% of large-scale firms responded they require the suppliers to comply, only 14.9% of SMEs answered the same.

Firms that have policies regarding suppliers on labor, safety and health, and environment (total, over time)



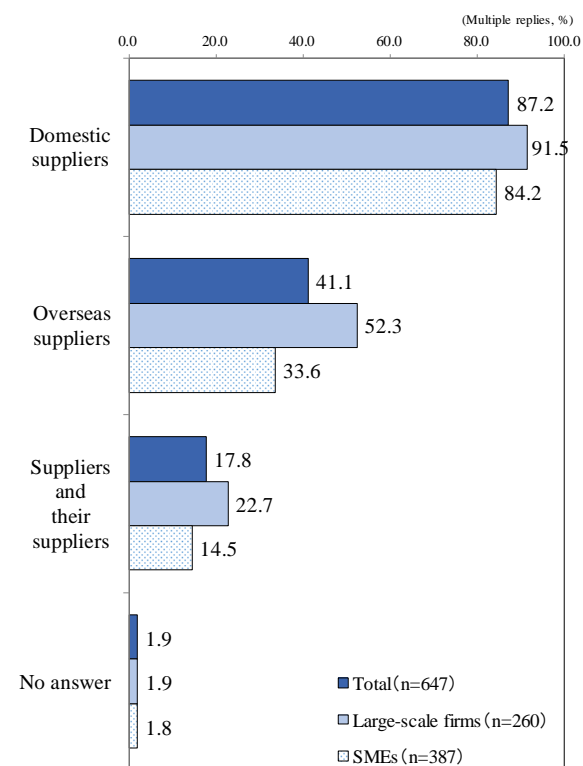
Note: The population size is the total number of respondent firms.

Firms that have policies regarding suppliers on labor, safety and health, and environment (total, by firm size)



Note: The population size is the total number of respondent firms.

Type of suppliers that firms require to comply with their policies (total, by firm size)

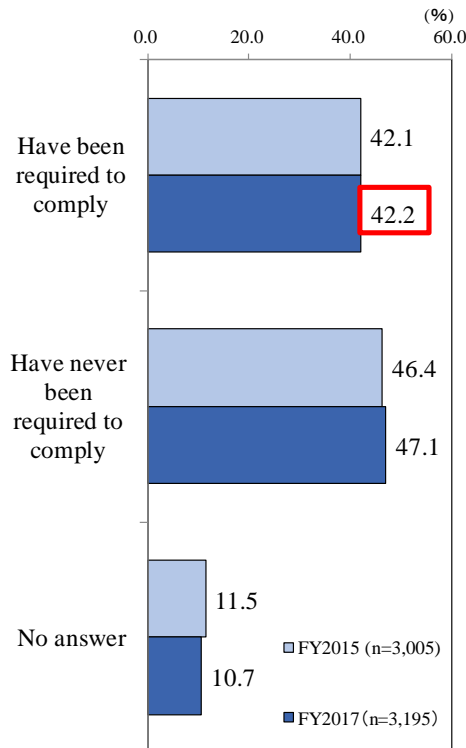


Note: The population size is the number of firms that answered "have policies regarding labor, safety and health, and environment, and require suppliers to comply with them."

Over 50% of large-scale firms comply with policies set by clients

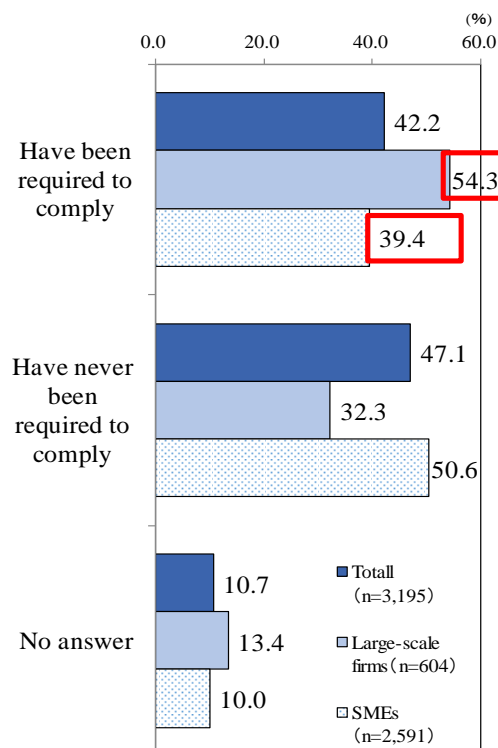
The percentage of firms answering that they have been required by clients (customers) to comply with their policies on labor, health and safety, and environment in factories or work place remained about the same level as the last survey (FY2015) at 42.2%. By firm size, while more than half of the large-scale firms (54.3%) answered they have been required, only 39.4% of SMEs answered they have.

Firms required to comply with clients' (customers) policies on labor, safety and health, and environment (total, over time)



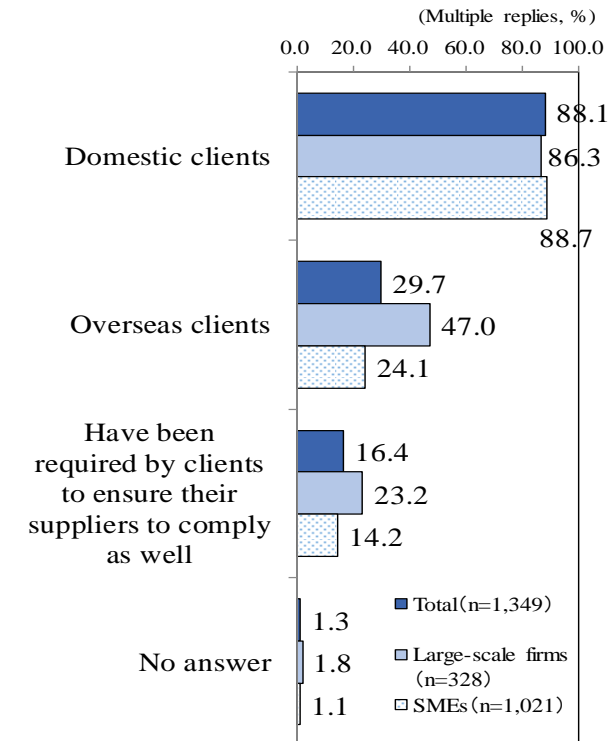
Note: The population size is the total number of respondent firms.

Firms required to comply with clients' (customers) policies on labor, safety and health, and environment (total, by firm size)



Note: The population size is the total number of respondent firms.

Types of clients that have required suppliers to comply with their policies (total, by firm size)



Note: The population size is the number of firms answering they have been required by clients (customers) to comply with their policies on labor, safety and health, and environment. Copyright (C) 2018 JETRO. All rights reserved.

Reference materials

(Reference) Original expressions for attractions and advantages in each country

List of abbreviations and original expressions of attractions and advantages

Categories	Attractions and advantages (abbreviations)	Attractions and advantages (original expressions)
Market	Market size	Market size and growth potential
Clustering of firms etc.	Ease of local procurement	Clustering of related industries (easy to procure locally)
	Clustering of customer firms	Clustering of customer firms (delivery destinations)
	Technological capability	Technological capability of local firms and universities, etc.
Labor force	Labor cost / labor force	Low labor cost and abundant labor force
	Employee retention rate	High retention rate
	Personnel quality	High employee quality, abundant highly qualified personnel
Infrastructure	Infrastructure	Well-developed infrastructure (electricity, transportation, communication, etc.)
	Land, offices	Plenty of land and office space, low land price and rent
Procedures/institutions	Speedy procedures	Various speedy procedures
	Tax system	Favorable tax system (corporate tax, customs, etc.)
	Investment incentive system	Well-developed system to encourage investment
Politics/society, etc.	Political and social stability	Stable political and social conditions
	Communication	Lower language and communication barrier
	Living environment	Excellent living environment for expatriate staff
	Pro-Japanese feeling	Pro-Japanese feeling
	Other	Other (open response)

(Reference) Original expressions for business environment issues in each country

List of abbreviations and original expressions of business environment issues

Categories	Issues (abbreviations)	Issues (original expressions)
Current affairs	New US administration policies	There are risks/problems from the changed policies of the new Trump administration of the US
	Brexit risk	There are risks/problems from the decision for the UK to leave the EU
Foreign exchange	Exchange risk	High exchange risk
Business partners	Clustering of related industries	No clustering or development of related industries
	Collection of bills	There are risks/problems in collecting bills
Labor force	High/rising labor cost	High or rising labor cost
	Labor shortage, difficulty hiring	Labor shortage, difficulty in hiring qualified personnel
	Labor management problems	Labor management problems
Infrastructure	Infrastructure	Underdeveloped infrastructure (electricity, transportation, communication, etc.)
	Land, offices	Shortage of land and office space, increasing land price and rent
Procedures/institutions	Legal system and its enforcement	Undeveloped legal system and its problematic enforcement
	IP protection	Problems with protection of intellectual property (IP)
	Tax system and procedures	Tangled tax system and procedures
	Administrative procedures	Tangled administrative procedures (obtaining permits, etc.)
Politics / society, etc.	Political/social situations, security	Risks in political situations, problems with social situations and security
	Natural disasters, environmental pollution	Risks of natural disasters or environmental pollution
	Other	Other (open response)
None	No particular issues	No particular risks or issues recognized

(Reference) Original expressions for advantages and obstacles of utilizing digital technology

List of abbreviations and original expressions for advantages and obstacles of utilizing digital technology

	Abbreviations	Original expressions
Advantages	Rising wages, labor shortage	Enable to respond to rising wages and labor shortage
	Succession of expert technique	Help "visualize" and pass down expert techniques
	Quality stabilization, improvement	Help stable and improve product and service quality
	Marketing & sales	Enhanced marketing, expanded sales outlet
	Improving efficiency, optimizing operations	Streamlining and optimization of development/production process and business operations (shortening of time, cost reduction, etc.)
	Individual customer needs	Enable to provide products and service catered to individual customer's' needs
	Lower entry barriers	Help lower barrier to entry
	Creation of new products, etc.	Help the creation of new products, service, and business models
	Low advantage	Low advantages to use digital technology
	Don't know	Not sure about advantages
Other	Other (open response)	
Obstacles	Cost of installation and operation	High installation and operation cost
	Cannot gain understanding within firm	Cannot gain understanding within firm to utilize digital technology
	Lack of personnel	Lack of skilled workers with knowledge about digital technology
	Lack of outside partners	Lack of appropriate outside partners
	No organizations to consult	No organizations to consult about the utilization of digital technology
	Insufficient infrastructure	Underdeveloped relevant infrastructure (communication environment, logistics network, payment system, etc.)
	Regulations, uncertainty in operation	Regulations (regulations regarding data, etc.), uncertainty in operation
	Information leak risk	Risk of information leak
	Technology still developing	Technology is still in progress or there are multiple standards, and not sure which technology to use
	Low advantage for use	Low advantages to use or do not feel the need to use digital technology
	Don't know	Not sure about obstacles
Other	Other (open response)	

FY2017 Survey on the International Operations of Japanese Firms

-JETRO Overseas Business Survey -

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Note: Figures may not sum up to the total because some are less than one unit.

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