



**FY 2021 Survey on the International Operations
of Japanese Firms
-JETRO Overseas Business Survey-**

March, 2022

**Overseas Research Department
Japan External Trade Organization (JETRO)**

1 | About this survey

1. Target

The FY2021 survey reached a total of 13,456 firms headquartered in Japan with interest in overseas business. They include 3,227 JETRO member firms and 10,229 firms that have used JETRO's services.

**This survey has been conducted annually since FY2002, and it marks the 20th year for the survey. The survey had been initially conducted only for JETRO member firms, but its coverage was expanded in FY2011 to include non-JETRO member firms.*

2. Topics

- I. Profile
- II. International Trade
- III. E-Commerce (EC) Utilization
- IV. Overseas Expansion
- V. Revise Overseas Business
- VI. Digital Technology and DX Efforts
- VII. Efforts for Human Rights
- VIII. Action for De-carbonization and SDGs

3. Survey method

JETRO asked target firms to answer this survey on the website by email.

4. Period

November 4, 2021 to December 7, 2021

5. Responses

Valid responses: 1,745 firms (of which 595 are JETRO member firms)

Rate of valid response: 13.0%

Profile of respondent firms (total, by industry, by firm size)

Total/Industry/Firm size	No. of firms	Share (%)
Total	1,745	100.0
Manufacturing	1,098	62.9
Food & beverages	293	16.8
Textiles/clothing	56	3.2
Wood & wood products/furniture & building materials/paper & pulp	21	1.2
Chemicals	51	2.9
Medical products & cosmetics	50	2.9
Petroleum products/plastics/rubber products	57	3.3
Ceramics/earth & stone	14	0.8
Iron & steel/non-ferrous metals/metal products	130	7.4
General machinery	86	4.9
Electric equipment	53	3.0
IT equipment/electronic parts & devices	37	2.1
Cars/car parts/other transportation machinery	54	3.1
Precision equipment	54	3.1
Other manufacturing	142	8.1
Non-manufacturing	647	37.1
Trade & wholesales	289	16.6
Retail	51	2.9
Construction	54	3.1
Transport	36	2.1
Finance & insurance	29	1.7
Communication, information & software	54	3.1
Professional services	32	1.8
Other non-manufacturing	102	5.8
Large-scale firms	297	17.0
Large-scale firms (excluding leading medium-sized firms)	74	4.2
Leading medium-sized firms	223	12.8
SMEs	1,448	83.0
SMEs (excluding micro-businesses)	606	34.7
Micro business	842	48.3

2 | Notes

- Percentages shown in charts and diagrams in this report are rounded off and therefore totals are not necessarily 100%.
- Countries and regions included in the categories “advanced economies” and “emerging economies” are as follows:
 - Advanced economies: Hong Kong, Macao, Taiwan, Korea, Singapore, Australia, New Zealand, US, Canada, Western Europe, Central and Eastern Europe, Israel, Japan
 - Emerging economies: Countries and regions other than the above
- Prefectures included in each region are as follows:
 - “Hokkaido”: Hokkaido
 - “Tohoku”: Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima
 - “Kanto/Koshinetsu”: Ibaraki, Tochigi, Gunma, Tokyo, Saitama, Chiba, Kanagawa, Nagano, Shizuoka, Yamanashi, Niigata
 - “Chubu”: Aichi, Gifu, Mie
 - “Hokuriku”: Toyama prefecture, Ishikawa prefecture, Fukui
 - “Kansai”: Shiga, Kyoto, Nara, Osaka, Wakayama, Hyogo
 - “Chugoku”: Okayama, Tottori, Hiroshima, Shimane, Yamaguchi
 - “Shikoku”: Kagawa, Ehime, Tokushima, Kochi
 - “Kyushu/Okinawa”: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa
- Definitions of large-scale firms, SMEs, etc. are as follows:

Classification	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 medium-sized firms	Large-scale firms other than medium-sized firms	Large-scale firms other than medium-sized firms
Leading medium-sized firms	More than 300 million but 1 billion yen or less, or more than 300 but 3,000 or fewer employees	More than 100 million yen but 300 million yen or less, or more than 100 but 1,000 or fewer employees	More than 50 million but 300 million yen or less, or more than 50 but 1,000 or fewer employees	More than 50 million but 300 million yen or less, or more than 100 but 1,000 or fewer 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
SMEs (excluding micro-businesses)	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses
Micro-businesses	50 million yen or less, or 20 employees or 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: “Large-scale firms” and “SMEs” in the large categories are based on the Small and Medium-sized Enterprise Basic Act. The others are defined by JETRO.

Profile of respondent firms (by overseas business status, by location)

Total/Classification/Location	No. of firms	Share (%)
Total	1,745	100.0
Firms performing exports	1,401	80.3
Firms performing imports	890	51.0
Firms with overseas bases	738	42.3
Domestic firms	98	5.6
Hokkaido	37	2.1
Tohoku	89	5.1
Kanto/Koshinetsu	814	46.6
Chubu	157	9.0
Hokuriku	48	2.8
Kansai	330	18.9
Chugoku	83	4.8
Shikoku	62	3.6
Kyushu/Okinawa	125	7.2

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

3 | List of industry name used in this report

[Manufacturing]

Original	Abbreviated
Food & beverages	Food & beverages
Textiles	Textiles/clothing
Clothing	
Wood & wood products (excluding furniture)	Wood & wood products/furniture & building materials/paper & pulp
Furniture & building materials	
Paper & pulp	
Chemicals	Chemicals
Medical products & cosmetics	Medical products & cosmetics
Coal & petroleum products	Petroleum products/plastics/rubber products
Plastics	
Rubber products	
Ceramics/earth & stone	Ceramics/earth & stone
Iron & steel	Iron & steel/non-ferrous metals/metal products
Non-ferrous metals	
Metal products	
General machinery	General machinery
Electrical equipment	Electrical equipment

Original	Abbreviated
IT equipment	IT equipment/electronic parts & devices
Electronic parts & devices	
Cars	Cars/car parts/other transportation machinery
Car parts	
Other transportation machinery	
Precision equipment (including medical devices)	Precision equipment
Other manufacturing	Other manufacturing

[Non-manufacturing]

Original	Abbreviated
Trade and wholesale	Trade & wholesale
Retail	Retail
Construction	Construction
Transport	Transport
Finance & insurance	Finance & insurance
Communication	Communication, information & software
Information & software	
Professional services (Consulting/legal etc.)	Professional services
Mining	Other non-manufacturing
Utilities	
Agriculture/forestry/fishery	
Printing & related industry	
Real estate	
Dining/lodging facilities	
Medical/welfare	
Other services (Travel/amusement etc.)	
Other non-manufacturing	

Points to note in the Results of the Survey

1

Changes in Interest in Overseas Business

- Around 40% of firms increased their sales on overseas markets in 2021 over 2019. Although signs are encouraging compared to domestic markets, overseas markets are still only **midway in the process of recovery from the greatest crises of the past.**
- Stagnation of domestic markets has prompted a sudden recovery in interest in exports. Regarding export policies, **the percentage of firms responding with “further expand operations” was the highest ever.** The percentage of firms seeing US and China as the most important export markets has increased.
- While interest in expanding business overseas is on the rise, it has not returned to pre-pandemic levels. **The US is in top position as the market targeted for business expansion.**

2

Undertakings to Restructure the Value Chain

- A major increase was seen in the percentage of firms **reviewing their sales networks and raising prices** as their policy for reviewing the supply chain. Increases in firms **changing suppliers and switching to procurement from multiple suppliers** were also observed. The main reason for reviews was disorder in international transportation and rising costs.
- **Increasing use of EC** as a means of developing overseas markets amid the COVID-19 pandemic was observed. The percentage of firms using EC for overseas sales or considering its use was higher than the same percentage for domestic sales for the first time ever.

3

Response to Phenomena such as Climate Change and Human Rights

- Almost 40% of firms were planning to formulate or in the process of formulating policies on respect for human rights with a predominance of firms responding that they will “formulate policies within one year,” depending on the industry. The survey highlighted the fact that **calls from domestic and overseas clients are driving undertakings across the entire value chain.**
- Action for de-carbonization in Japan is significantly ahead of action overseas. The ratio of firms with overseas bases taking actions for de-carbonization overseas accounted for approximately 40% for large-scale firms and 15% for SMEs.

I. Profile of Respondent Firms

1 | Current state of international trade operation (1)

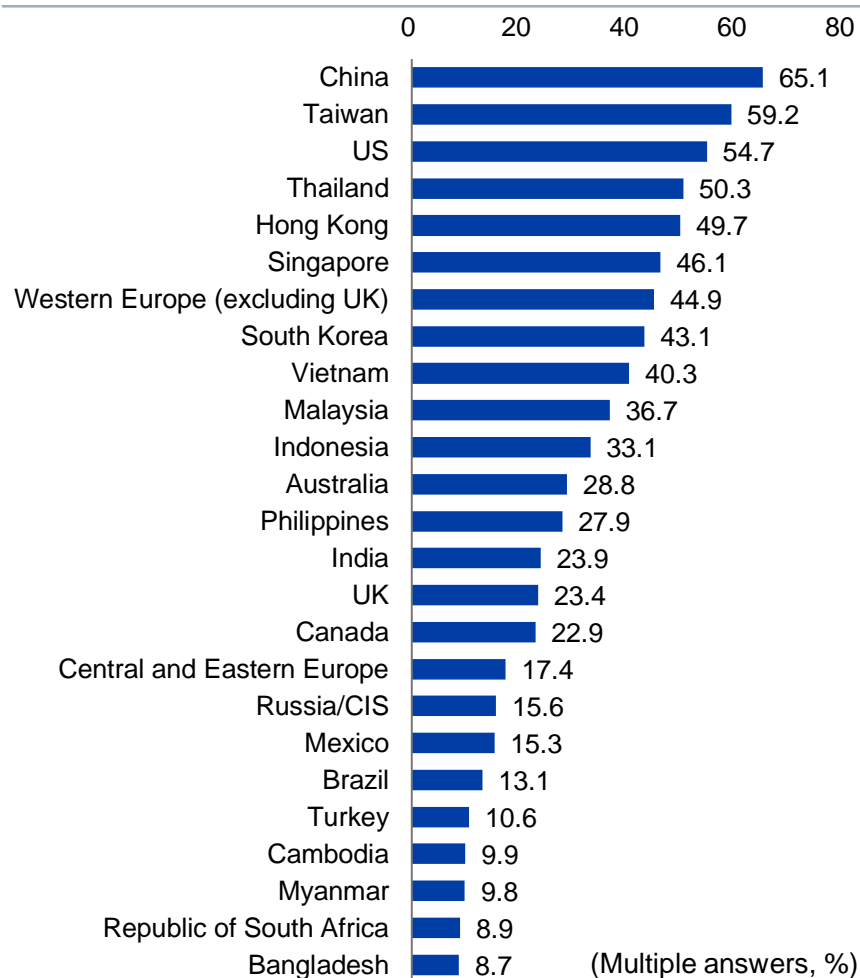
Firms with international trade operation (total, by industry, by firm size) (%)

Total/Industry/Firm size	Currently exporting	Only exporting	Not currently exporting	Currently importing	Only importing
Total (n=1,745)	80.3	34.5	19.7	51.0	5.2
Manufacturing (n=1,098)	90.2	37.6	9.8	56.2	3.6
Food & beverages (n=293)	95.2	65.5	4.8	31.1	1.4
Textiles/clothing (n=56)	85.7	35.7	14.3	57.1	7.1
Wood & wood products/furniture & building materials/paper & pulp (n=21)	85.7	23.8	14.3	66.7	4.8
Chemicals (n=51)	98.0	35.3	2.0	64.7	2.0
Medical products & cosmetics (n=50)	92.0	36.0	8.0	60.0	4.0
Petroleum products/plastics/rubber products (n=57)	84.2	15.8	15.8	77.2	8.8
Ceramics/earth & stone (n=14)	92.9	28.6	7.1	71.4	7.1
Iron & steel/non-ferrous metals/metal products (n=130)	83.8	24.6	16.2	63.8	4.6
General machinery (n=86)	94.2	23.3	5.8	72.1	1.2
Electrical equipment (n=53)	86.8	37.7	13.2	54.7	5.7
IT equipment/electronic parts & devices (n=37)	86.5	18.9	13.5	70.3	2.7
Cars/car parts/other transportation machinery (n=54)	79.6	16.7	20.4	74.1	11.1
Precision equipment (n=54)	96.3	29.6	3.7	66.7	-
Other manufacturing (n=142)	88.0	30.3	12.0	61.3	3.5
Non-manufacturing (n=647)	63.5	29.2	36.5	42.2	7.9
Trade & wholesales (n=289)	86.2	31.5	13.8	64.0	9.3
Retail (n=51)	82.4	60.8	17.6	29.4	7.8
Construction (n=54)	40.7	16.7	59.3	31.5	7.4
Transport (n=36)	36.1	11.1	63.9	25.0	-
Finance & insurance (n=29)	-	-	-	3.4	3.4
Communication, information & software (n=54)	51.9	33.3	48.1	25.9	7.4
Professional services (n=32)	28.1	12.5	71.9	21.9	6.3
Other non-manufacturing (n=102)	47.1	31.4	52.9	24.5	8.8
Large-scale firms (n=297)	65.7	15.8	34.3	53.9	4.0
SMEs (n=1,448)	83.3	38.3	16.7	50.4	5.5

Notes: 1) n = the total number of respondent firms. 2) Including indirect exporting/importing through other firms. 3) "Only exporting" means the number calculated by excluding firms with import operations currently from firms with export operations. 4) "Not currently exporting" means the number of firms other than firms with export operations. 5) "Only importing" means the number calculated by excluding firms with export operations from firms with import operations.

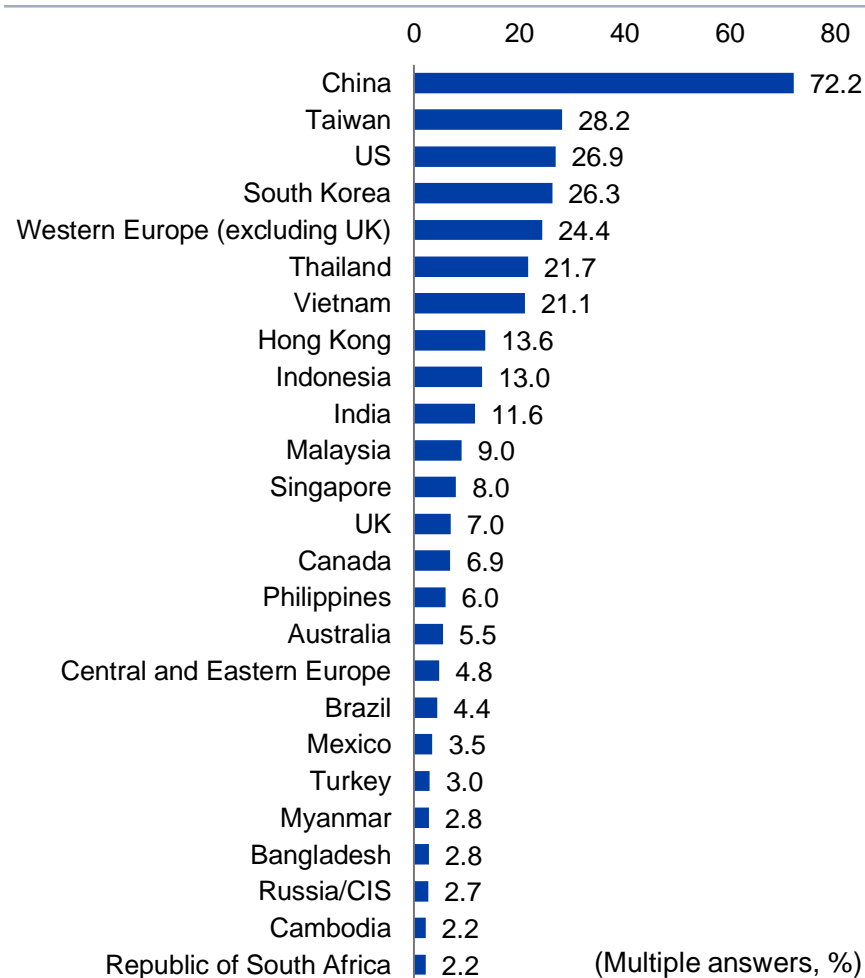
2 | Current state of international trade operation (2)

Main export destinations



Note: Answers were collected from firms with export operations currently (1,401 firms).

Main import sources



Note: Answers were collected from firms with import operations currently (890 firms).

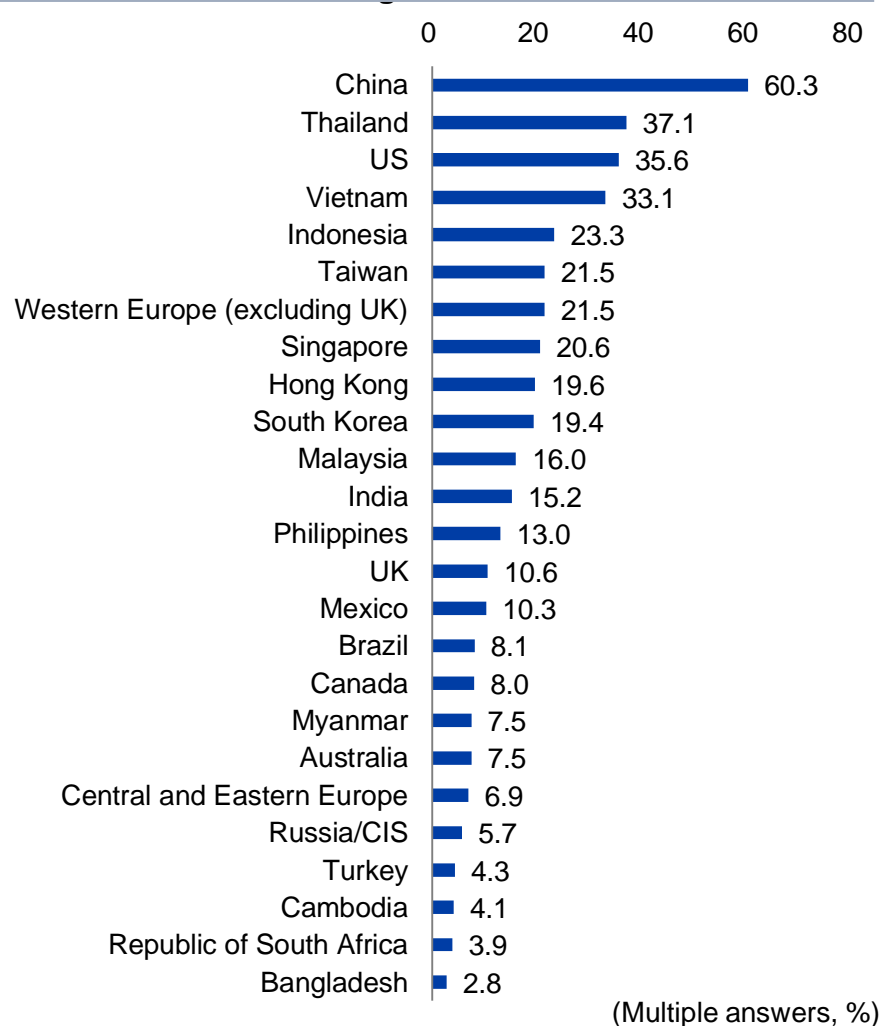
3 | Current state of overseas expansion

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

Total/Industry/Firm size	With overseas bases (%)	
	With overseas bases	None
Total (n=1,745)	42.3	57.7
Manufacturing (n=1,098)	42.5	57.5
Food & beverages (n=293)	18.1	81.9
Textiles/clothing (n=56)	28.6	71.4
Wood & wood products/furniture & building materials & pulp (n=21)	47.6	52.4
Chemicals (n=51)	62.7	37.3
Medical products & cosmetics (n=50)	52.0	48.0
Petroleum products/plastics/rubber products (n=57)	57.9	42.1
Ceramics/earth & stone (n=14)	35.7	64.3
Iron & steel/non-ferrous metals/metal products (n=130)	56.2	43.8
General machinery (n=86)	62.8	37.2
Electric equipment (n=53)	45.3	54.7
IT equipment/electronic parts & devices (n=37)	45.9	54.1
Cars and car parts/other transportation machinery (n=54)	83.3	16.7
Precision equipment (n=54)	48.1	51.9
Other manufacturing (n=142)	37.3	62.7
Non-manufacturing (n=647)	41.9	58.1
Trade & wholesales (n=289)	37.4	62.6
Retail (n=51)	23.5	76.5
Construction (n=54)	61.1	38.9
Transport (n=36)	72.2	27.8
Finance & insurance (n=29)	55.2	44.8
Communication, information & software (n=54)	42.6	57.4
Professional services (n=32)	37.5	62.5
Other non-manufacturing (n=102)	40.2	59.8
Large-scale firms (n=297)	80.1	19.9
Large-scale firms (excluding leading medium-sized firms) (n=74)	90.5	9.5
Leading medium-sized firms (n=223)	76.7	23.3
SMEs (n=1,448)	34.5	65.5
SMEs (excluding micro-businesses) (n=606)	48.2	51.8
Micro-businesses (n=842)	24.7	75.3

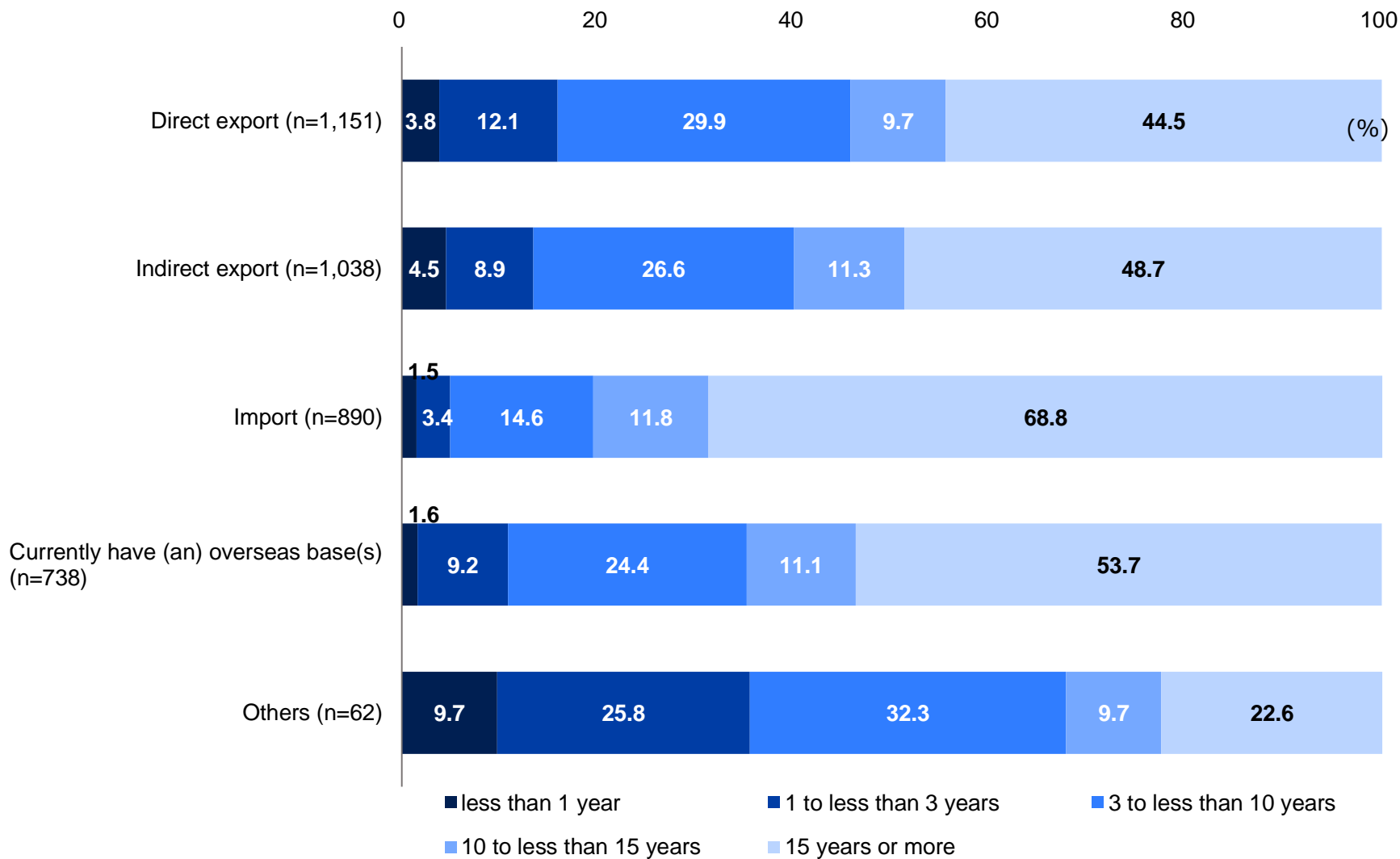
Note: 1) "n" is the total number of firms who responded to this survey.
 2) Agencies do not qualify as overseas locations.

Countries and regions of overseas bases



Note: Answers were collected from firms currently having overseas bases (738 firms).

4 | Length of overseas business experience



Note: n = the total number of firms responding to each choice.

5 | Ratio of domestic/overseas sales (1)

Ratio of domestic/overseas sales for FY2020 (average, total, by industry, by firm size)

Overall/Industry/Firm size	Domestic sales	Overseas sales	Asia Pacific		North America/Central and South America		Europe/Russia	Middle East/Africa
			China	US	US	US		
Total (n=1,417)	81.1	18.9	11.5	4.4	4.2	3.0	2.4	0.7
Manufacturing (n=948)	81.3	18.7	10.9	4.3	4.5	3.3	2.7	0.5
Food & beverages (n=264)	91.1	8.9	4.1	1.1	3.1	2.4	1.4	0.3
Textiles/clothing (n=44)	85.9	14.1	5.9	2.8	3.3	2.3	4.8	0.0
Wood & wood products/furniture & building materials/paper & pulp (n=18)	85.6	14.4	9.1	4.8	3.5	2.9	1.5	0.4
Chemicals (n=45)	71.6	28.5	20.3	7.2	5.0	3.5	2.7	0.5
Medical products & cosmetics (n=44)	84.5	15.5	9.1	3.3	3.3	1.9	2.7	0.3
Petroleum products/plastics/rubber products (n=50)	81.2	18.8	11.7	4.7	4.0	3.1	2.8	0.3
Ceramics/earth & stone (n=13)	80.2	19.8	12.2	5.1	4.8	3.2	1.5	1.4
Iron & steel/non-ferrous metals/metal products (n=106)	75.7	24.3	16.0	7.5	6.0	4.3	2.0	0.3
General machinery (n=79)	76.6	23.4	14.2	4.9	4.5	2.8	3.6	1.1
Electrical equipment (n=44)	79.9	20.1	13.0	7.6	4.0	1.9	2.2	0.9
IT equipment/electronic parts & devices (n=32)	69.0	31.0	18.4	9.5	8.9	6.9	2.7	1.0
Cars/car parts/other transportation machinery (n=45)	67.0	33.0	16.8	7.5	10.3	7.1	4.3	1.6
Precision equipment (n=46)	74.0	26.0	12.8	6.9	6.6	5.5	5.6	1.0
Other manufacturing (n=118)	80.0	20.0	12.5	2.6	3.6	2.8	3.6	0.3
Non-manufacturing (n=469)	80.8	19.2	12.6	4.6	3.6	2.4	1.8	1.2
Trade & wholesales (n=242)	75.4	24.6	17.3	6.3	3.9	2.4	2.1	1.2
Retail (n=40)	82.4	17.6	9.5	5.6	3.2	2.9	2.9	2.0
Construction (n=38)	92.3	7.7	5.2	0.5	0.2	0.1	0.1	2.1
Transport (n=23)	80.5	19.5	11.0	3.6	4.3	1.9	2.0	2.3
Finance & insurance (n=8)	/	/	/	/	/	/	/	/
Communication, information & software (n=37)	88.9	11.1	7.2	2.8	2.4	1.9	1.5	0.0
Professional services (n=18)	82.2	17.8	5.1	1.6	9.9	6.8	2.4	0.4
Other non-manufacturing (n=63)	87.1	12.9	8.1	2.6	3.6	2.9	0.6	0.6
Large-scale firms (n=219)	76.0	24.0	12.5	4.7	6.3	4.1	3.9	1.3
SMEs (n=1,198)	82.1	17.9	11.3	4.3	3.9	2.8	2.1	0.6

Notes: 1) n = the number of firms answered domestic and overseas sales for FY2020, among firms performing exports and/or expanding overseas.

2) n with a value of less than ten is indicated with a forward slash. 3) In principle, sales by export are classified as overseas sales.

4) Bold figures represent overseas sales ratios of 25% or more.

6 | Ratio of domestic/overseas sales (2)

Ratio of domestic/overseas sales for future (average, total, by industry, by firm size)

Overall/Industry/Firm size	Domestic sales	Overseas sales	Asia Pacific		North America/Central and South America		Europe/Russia	Middle East/Africa
			Asia Pacific	China	US	US		
Total (n=1,251)	72.7	27.3	16.1	5.3	6.1	4.0	4.1	1.1
Manufacturing (n=840)	73.1	26.9	15.2	5.3	6.6	4.4	4.3	0.9
Food & beverages (n=234)	81.8	18.2	8.7	2.1	5.9	4.2	3.0	0.7
Textiles/clothing (n=39)	72.7	27.3	12.1	5.3	5.6	3.8	9.5	0.1
Wood & wood products/furniture & building materials/paper & pulp (n=14)	78.1	21.9	13.1	6.6	5.7	3.4	2.9	0.2
Chemicals (n=41)	61.4	38.6	26.5	9.8	7.9	5.2	3.4	0.8
Medical products & cosmetics (n=36)	75.6	24.4	16.2	5.9	3.9	2.8	3.3	1.0
Petroleum products/plastics/rubber products (n=44)	76.1	23.9	14.6	4.8	5.3	3.5	3.4	0.6
Ceramics/earth & stone (n=12)	67.5	32.5	15.3	7.3	9.8	6.6	5.3	2.1
Iron & steel/non-ferrous metals/metal products (n=96)	70.4	29.6	17.8	6.6	7.1	4.1	4.0	0.6
General machinery (n=72)	68.0	32.0	18.3	6.3	6.8	4.0	5.3	1.7
Electrical equipment (n=38)	72.7	27.3	16.7	9.5	6.1	4.2	3.4	1.2
IT equipment/electronic parts & devices (n=28)	64.9	35.1	21.9	8.6	7.6	4.5	4.4	1.2
Cars/car parts/other transportation machinery (n=36)	61.2	38.8	20.2	8.6	12.4	9.4	4.7	1.6
Precision equipment (n=41)	68.5	31.5	15.0	6.1	7.7	5.2	7.1	1.7
Other manufacturing (n=109)	70.5	29.5	18.2	4.5	6.0	3.9	4.8	0.5
Non-manufacturing (n=411)	71.7	28.3	17.9	5.4	5.1	3.2	3.7	1.6
Trading & wholesales (n=211)	67.5	32.5	20.9	6.4	5.3	3.3	5.2	1.1
Retail (n=36)	68.7	31.3	18.9	9.6	7.7	5.4	2.0	2.8
Construction (n=36)	87.5	12.5	9.4	1.4	0.4	0.1	0.6	2.2
Transport (n=21)	74.3	25.7	16.0	4.1	4.8	1.6	1.3	3.5
Finance & insurance (n=6)								
Communication, information & software (n=32)	73.7	26.3	17.1	5.0	4.3	2.7	2.7	2.3
Professional services (n=15)	68.0	32.0	10.9	2.8	13.2	7.7	5.3	2.7
Other non-manufacturing (n=54)	76.2	23.8	15.9	3.6	4.8	3.7	2.2	1.0
Large-scale firms (n=181)	72.1	27.9	14.8	5.0	7.2	4.1	4.4	1.5
SMEs (n=1,070)	72.8	27.2	16.3	5.4	5.9	4.0	4.0	1.0

Notes: 1) n = the number of firms answered domestic and overseas sales for future, among firms performing exports and/or expanding overseas

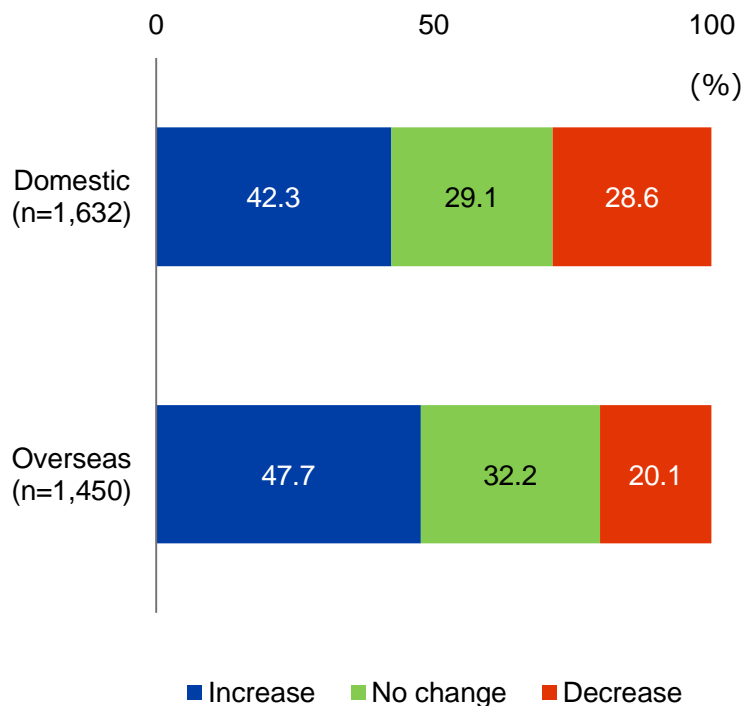
2) n with a value of less than ten is indicated with a forward slash. 3) In principle, sales by exports are classified as overseas sales.

4) Bold figures represent overseas sales ratios of 25% or more.

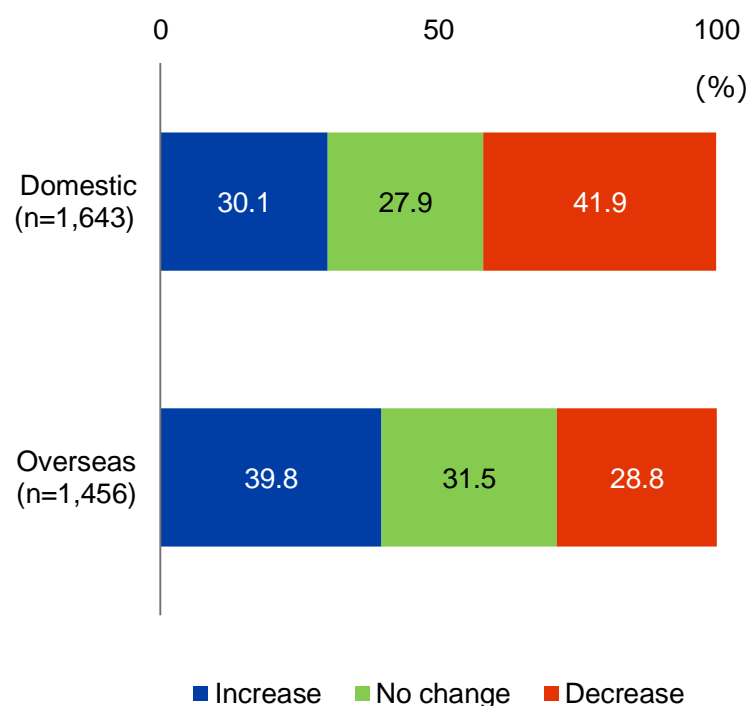
7 | Ratio of respondents indicating increased overseas sales exceeding domestic sales

- Approximately 50% of firms expected their overseas sales for FY2021 to “increase” from the previous year. However, at approximately 40% compared to FY2019, the overseas sales of many firms failed to top pre-COVID-19 levels.
- The ratio of firms surveyed who responded that they expected their overseas sales to “increase” exceeded that of those who responded that they expected their domestic sales to “increase.” This is attributable to the capture of demand in countries such as China and America, where recovery has been relatively rapid.

Increases and decreases in domestic and overseas sales in FY2021 (compared to FY2020)



Increases and decreases in domestic and overseas sales in FY2021 (compared to FY2019)



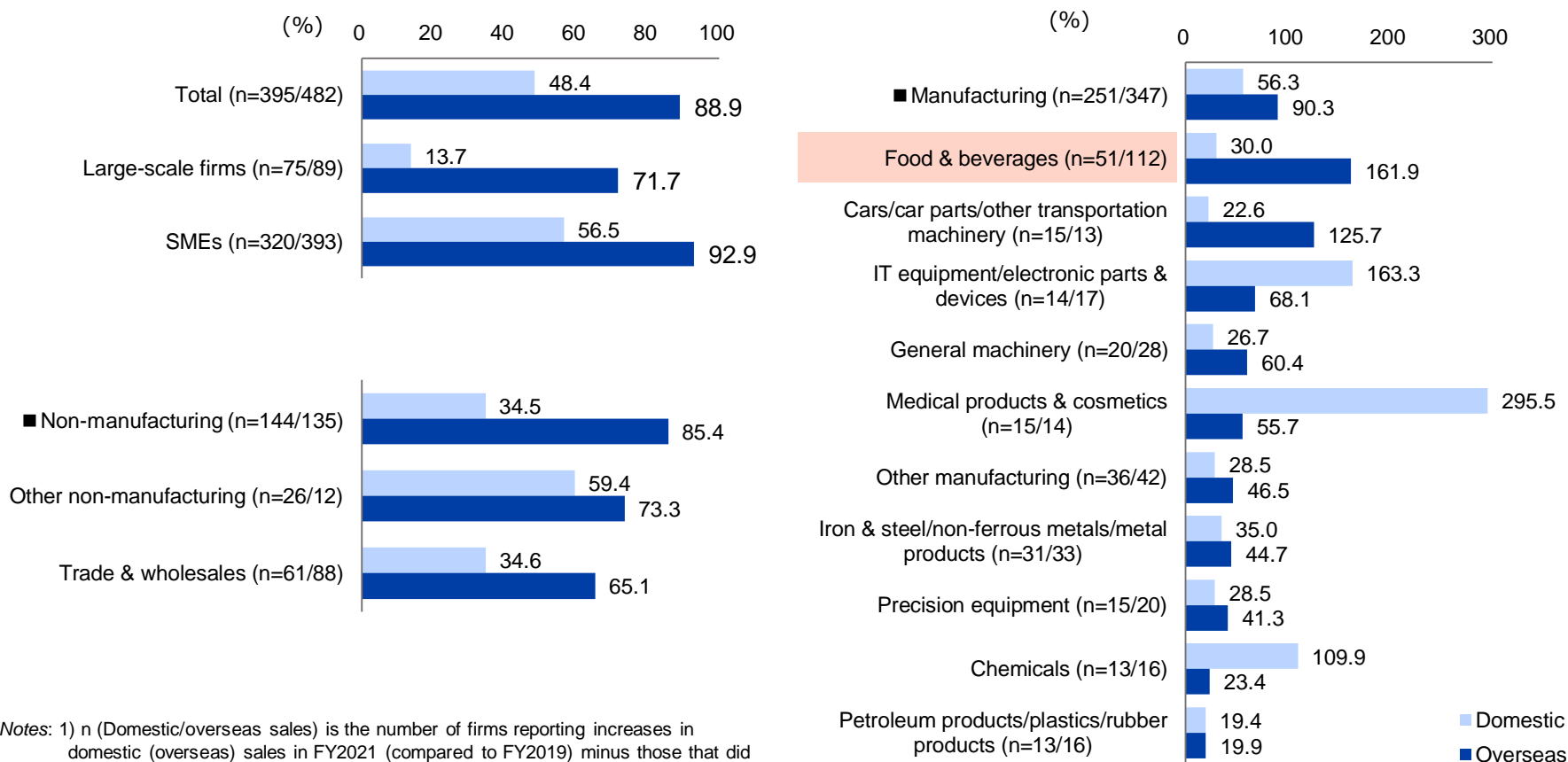
Note: For domestic sales, n is the number of firms responding to all survey items minus those that did not respond. For overseas sales, n is the number of firms engaged in exports or overseas expansion minus those that did not respond.

8

Ratio of increases in overseas sales tops domestic figures for products such as food & beverages

- The amount of increase in overseas sales for FY2021 compared to FY2019 (simple average) was greater than domestic sales.
- In both manufacturing and non-manufacturing industries, overseas sales saw an increase of approximately 90%. Sales of “food & beverages” especially increased by 2.6-fold. Against a background characterized by factors such as the popularity of food produced in Japan, increases in sales have been observed even amid the COVID-19 pandemic.

Amount of Increase in Sales in FY2021 (average, compared to FY2019)
(Overall, firm size-specific, industry-specific)



Notes: 1) n (Domestic/overseas sales) is the number of firms reporting increases in domestic (overseas) sales in FY2021 (compared to FY2019) minus those that did not respond. Of those, figures for overseas sales are for firms engaged in exports or overseas expansion. 2) Industries of which n for both domestic and overseas sales is ten or more are shown.

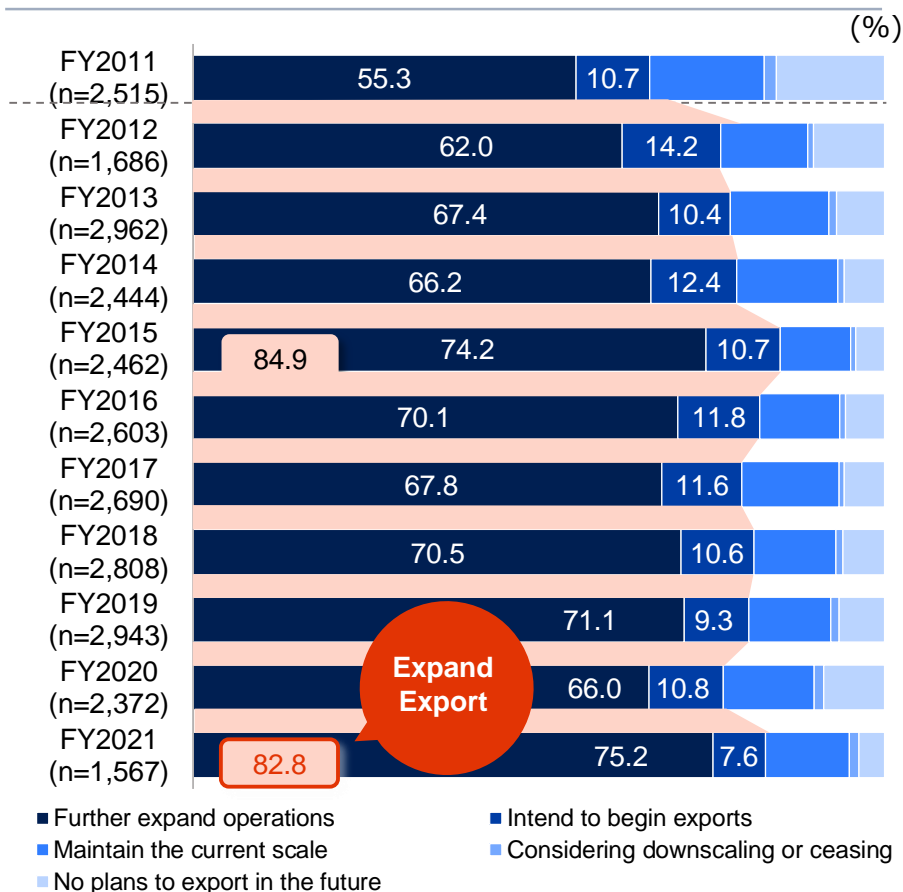
II. International Trade

- Declining trend of motivation to expand exports has bottomed out and the motivation has reached the highest level since 2015 -

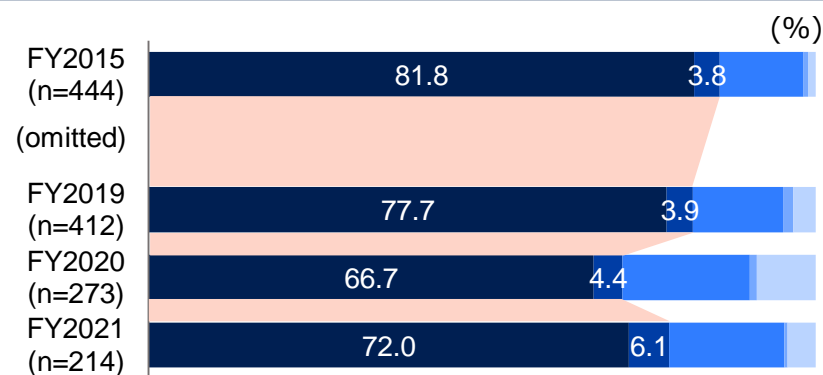
1 | Ratio of firms with an export policy of “expand exports” at a record high

- Regarding export policies over the next 3 years or so, 82.8% of firms answered that “they would expand exports.” It is the highest level since FY2015. Of these, the ratio of firms answered “further expand operations” (75.2%) was at a record high.
- On a firm size basis, the ratio of SMEs answered “expand operations” increased by approximately 6% points from the last survey, topping 80%. The ratio of “further expand exports” increased by almost 10% points, topping 75%.

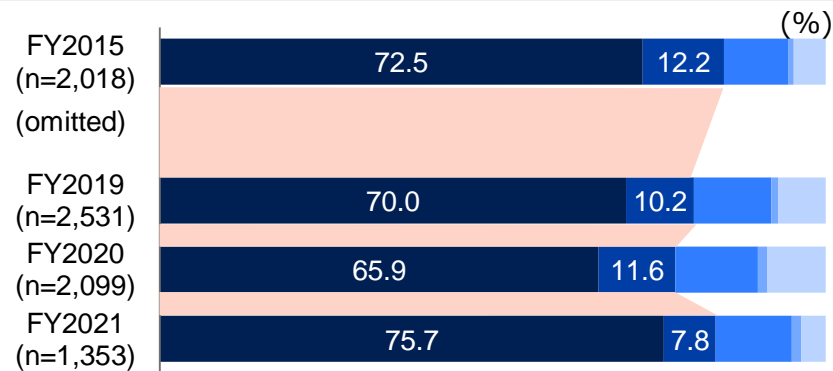
Policy on export for future (total, time series)



Policy on exports for future (Large-scale firms, time series)



Policy on exports for future (SMEs, time series)



Note: n is the number of firms minus those “not involved in exporting industries” (newly established in FY2012) and those “not responding.”

2 | Ratio of firms to expand export continues high in food & beverages etc.

- The ratio of firms planning to expand exports continues to be high in food & beverages (93.2%), medical products & cosmetics (91.8%), etc.
- Since the last survey, the ratio of firms planning to expand exports in “petroleum products/plastics/rubber products” has grown dramatically.

Policies on exports for future, changes from the last survey (by main industry)

Industry	Expand exports		Conducting export operations now and intending to expand them		Not conducting export operations now, but intending to begin exports	
		FY20→ FY21		FY20→ FY21		FY20→ FY21
■ Manufacturing (n=1,386/1,067)	83.3	4.4	78.1	6.1	5.2	-1.7
Food & beverages (n=374/292)	93.2	5.7	89.0	7.5	4.1	-1.8
Medical products/cosmetics (n=47/49)	91.8	2.5	83.7	0.7	8.2	1.8
Petroleum products/plastics/rubber products (n=52/55)	83.6	14.4	78.2	10.9	5.5	3.5
Ceramics/earth & stone (n=19/14)	85.7	1.5	85.7	6.8	-	Notes 3
Electrical equipment (n=71/51)	74.5	8.3	66.7	6.1	7.8	2.2
Cars/car parts/ other transportation machinery (n=66/53)	58.5	7.0	50.9	8.5	7.5	-1.5
Precision equipment (n=65/54)	83.3	6.4	79.6	10.4	3.7	-4.0
Other manufacturing (n=228/133)	87.2	8.7	81.2	12.3	6.0	-3.6
■ Non-manufacturing (n=986/500)	81.6	8.0	69.0	11.5	12.6	-3.5
Trade & wholesales (n=556/284)	83.1	5.6	75.7	7.7	7.4	-2.1
Retail (n=109/49)	77.6	5.1	69.4	17.1	8.2	-12.0
Construction (n=43/33)	75.8	10.6	45.5	12.9	30.3	-2.3
Transport (n=24/19)	78.9	20.6	57.9	16.2	21.1	4.4
Communication, information & software (n=83/39)	87.2	18.5	64.1	25.5	23.1	-7.0
Professional services (n=33/15)	80.0	19.4	46.7	10.3	33.3	9.1
Other non-manufacturing (n=137/60)	80.0	9.2	63.3	16.6	16.7	-7.4

Notes: 1) n (FY2020/FY2021) is the number of firms excluding those who responded that they are not involved in “exporting industries” and those who did not respond.

2) For manufacturing, the top five industries of the ratio in expand exports in FY2021 or of the amount of increases since FY2020 are shown. For non-manufacturing, only industries from which ten or more firms responded are shown.

3) No answer in FY2021.

3 | Some firms shift their export policy to export expansion

- When comparing responses regarding future export policies to the 2020 survey results, we see that the largest number of firms seeking to expand exports in 2021 reported a policy of “further expansion” in 2020. There are companies shifting their focus from maintaining the status quo to expanding exports.
- Some firms that are moving away from the status quo in favor of expansion view participation in exhibitions/expos as a path toward expanding sales. There is a firm that did not participate in survey during the previous year is seeking to expand exports with the weak yen.

Policy on exports for future

Response (FY2020)	Response (FY2021)	No. of firms	Share (%)
1 (Further expansion)	1or3(Export expansion)	427	63.7
1	2	32	4.8
1	4or5or6	9	1.3
2 (Maintain status quo)	1or3	27	4.0
2	2	34	5.1
2	4or5or6	4	0.6
3 (New expansion)	1or3	43	6.4
3	2	1	0.1
3	4or5or6	3	0.4
4 (Downsize/withdrawal)	1or3	2	0.3
4	2	2	0.3
4	4or5or6	2	0.3
5 (No overseas expansion)	1or3	4	0.6
5	2	1	0.1
5	4or5or6	21	3.1
6 (Does not apply)	1or3	3	0.4
6	2	1	0.1
6	4or5or6	54	8.1

Note: 1) Total answers of 670 were collected from firms answered their future export expansion policies in the FY2020 and FY2021 (excluding non-responses).

2) The selectable options were given as:

- 1: Conducting export operations now and intending to expand them
- 2: Conducting export operations now and maintaining the current scale
- 3: Not conducting export operations now, but intending to begin exports
- 4: Conducting export operations now, but considering downscaling or ceasing
- 5: Neither conducting export operations now nor intending to export in the future
- 6: No international trade for the operations

Main reasons for expanding exports (comments)

- **“Further expansion” (FY2020) → “Further expansion” (FY2021)**
 - Exports are down compared to previous years due to COVID-19, so we are aiming to **once again expand our sales channels as the pandemic subsides**. (Food & beverage, SME)
 - We have better outlook on new customers/clients and **expect sales to rebound as COVID-19’s impact diminishes**. (Food & beverage, SME)
 - **There are signs of a recovery in the markets of various countries in FY2021...** We believe that acquiring new international markets will be a major pillar of our business amid stagnant/shrinking domestic market. (Food & beverage, SME)
 - **As RCEP comes into force**, we aim to stimulate trade (exports) with member countries, especially in the Chinese market. (Food & beverage, SME)
- **“Maintain status quo” (FY2020) → “Further expansion” (FY2021)**
 - We need to develop new sales channels due to our **shrinking domestic market**. (Food & Beverage, SME)
 - **Our Japanese clients are moving production overseas**. (Trade & wholesales, SME)
 - Our sales in Japan are significant, but unbalanced. As such, we would like to **expand overseas sales and diversify regional risks**. (Metal Products, SME)
 - We plan to **expand sales by participating in the China International Import Expo in Nov. 2021**. (General machinery, SME)
- **Did not participate in survey (FY2020) → “Further expansion” (FY2021)**
 - We want to balance imports and exports due to the **impact of the weak yen**. (Trade & wholesales, SME)

4 | Increasing the ratio of respondents who rank China or the US as their most important export destinations

- Among firms with an export expansion policy, 27.8% viewed China as their most important destination, followed by the US (21.5%) and Western Europe (9.4%). Out of the top 10 ranked countries/regions, only China and the US saw an increase in percentage from the previous survey.
- Among respondents, China saw a large increase in importance for the chemical industry, while the US saw a similar increase for cars/car parts/other transportation machinery.

The most important country/region in the future (total, time series)

(%, percentage points)

Country /Region	Year (n)	FY2012 (1,286)	FY2016 (2,133)	FY2018 (2,279)	FY2020 (1,820)	FY2021 (1,297)	20→21
US	8.8	15.5	14.7	18.7	21.5	2.8	
Western Europe	1.8	6.5	7.9	10.4	9.4	-1.0	
Vietnam	3.0	7.6	8.0	7.4	6.6	-0.9	
Taiwan	1.8	3.9	3.7	4.4	4.4	-0.0	
Thailand	7.4	5.9	5.7	5.5	4.2	-1.3	
Hong Kong	0.6	3.0	3.2	3.6	3.2	-0.5	
Indonesia	6.2	3.5	2.9	2.9	2.8	-0.1	
India	5.2	3.8	3.8	2.9	2.6	-0.2	
Singapore	1.5	3.0	2.8	2.8	2.1	-0.7	

Change in responses from previous survey (manufacturing)

(%, percentage points)

Industry	China		US	
	20→21		20→21	
Manufacturing (n=1,094/889)	28.9	2.3	25.3	3.7
Food & Beverage (n=327/272)	25.0	-0.4	31.3	5.0
Textiles/clothing (n=67/45)	20.0	-2.4	8.9	-9.0
Wood & wood products/furniture & building materials/paper & pulp (n=37/16)	50.0	12.2	18.8	5.2
Chemicals (n=50/39)	38.5	12.5	15.4	-4.6
Medical products & cosmetics (n=42/45)	42.2	6.5	13.3	1.4
Petroleum products/plastics/ rubber products (n=36/46)	23.9	-6.6	23.9	10.0
Ceramics/earth & stone (n=16/12)	41.7	-8.3	16.7	4.2
Iron & steel/non-ferrous metals/metal products (n=109/89)	29.2	8.1	24.7	0.9
General machinery (n=78/71)	23.9	-4.3	29.6	9.1
Electrical equipment (n=47/38)	34.2	6.6	15.8	-5.5
IT equipment/electronic parts & devices (n=22/24)	37.5	5.7	25.0	6.8
Cars/car parts/other transportation machinery (n=34/31)	19.4	7.6	48.4	13.1
Precision Equipment (n=50/45)	33.3	-0.7	20.0	2.0
Other manufacturing (n=179/116)	31.0	5.3	25.0	6.0
Non-manufacturing (n=726/408)	25.5	-1.9	13.2	-1.1

Notes: 1) "n" (2020/2021 in the table on the right) represents the number of firms who indicated "further expansion" or "new expansion" as their future export policy.

2) The "20→21" column represents the difference between the FY2020 and FY2021 survey results.

3) The table on the left displays only the top 10 countries and regions ranked by the FY2021 survey response rate.

4) Bolded values in the table on the right indicate an increase of 10 percentage points or more from the FY2020 survey results.

5 Respondents view sales as the biggest challenge for future export destinations

- The highest percentage of firms marked “sales” as a challenge/deficiency, followed by “human resources” and “shipping.”
- In addition to “sales,” respondents for China rated “trade system” relatively high compared to the overall figures.

Challenges/deficiencies for the most important country/region in the future (total)

(Multiple answers, %, percentage points)

Total/Country/Region	R&D	Procurement	Production	Transport	Trade system	Sales	Human resources	Finance/Exchange	Information	Other	No Response
Total (n=1,242)	14.0	9.5	16.3	20.5	20.0	49.3	29.3	6.8	18.6	8.9	6.4
China (n=361)	14.7	10.8	21.1	17.2	27.1	46.0	25.8	7.5	17.5	11.4	5.8
US (n=279)	17.6	7.2	16.5	26.9	15.1	54.1	34.4	7.2	20.4	7.9	6.8
Western Europe (n=122)	14.8	8.2	15.6	25.4	18.9	47.5	25.4	4.1	15.6	2.5	7.4
Vietnam (n=85)	8.2	21.2	17.6	22.4	18.8	56.5	31.8	7.1	14.1	3.5	4.7
Taiwan (n=57)	15.8	3.5	8.8	10.5	15.8	49.1	29.8	5.3	19.3	10.5	10.5
Thailand (n=54)	14.8	16.7	16.7	16.7	16.7	63.0	40.7	3.7	16.7	5.6	5.6
Hong Kong (n=41)	19.5	4.9	2.4	22.0	9.8	48.8	29.3	4.9	14.6	14.6	7.3
Indonesia (n=36)	2.8	11.1	13.9	11.1	19.4	44.4	16.7	11.1	19.4	11.1	5.6
India (n=34)	11.8	8.8	23.5	20.6	29.4	41.2	20.6	5.9	14.7	11.8	8.8
Singapore (n=27)	14.8	3.7	3.7	22.2	14.8	59.3	37.0	-	25.9	3.7	3.7

Notes: 1) The value of “n” represents the number of firms who indicated “further expansion” or “new expansion” as their future export policy and answered the most countries/regions in the future.

2) This table lists only the top 10 export destination countries/regions.

3) Highlighted cells indicate the highest ranked challenge/deficiency for each country/region.

4) Bolded values represent an increase of 5 percentage points or more comparing to total.

6 | Many comments about agency-related in “sales” issues

- Regarding “sales” issues, there were many comments about agency-related.
- A significant about of comments regarding “human resources” mentioned shortages of talent in domestic, while many comments about “transport” referred to price increases due to the recent shipping container shortage and about “trade system” mentioned import and export regulations.

Frequently used words and comments regarding “sales” issues/deficiencies

Rank	Extracted term	No. of firms	Main examples*	Note:
1	Sales (販売)	103	Sales agency (販売代理店) (12)	Extracted from the responses of 483 firms comment regarding “sales” issues when exporting to important destination countries/regions.
2	Local (現地)	91	Local agency (現地代理店) (11)	
3	Agency (代理)	64	Agency (代理店) (63)	

We have no local **sales agency**. (The most important export destination: China, Industry: Electronic parts & devices, Firm size: SME)/Our **local agencies** have a weak sales force. (Western Europe excluding UK, Plastics, SME)/There are many **agencies** so it can be difficult to find the best. (Indonesia, Metallic products, SME)/Working without **agencies** severely limits sales activities when travel is difficult. (US, Printing & relate industry, SME)

Frequently used words and comments regarding “human resources” issues/deficiencies

Rank	Extracted term	No. of firms	Main examples*	Note:
1	Human resources (人材)	130	Deficiency of human resources (人材不足) (15) Securing human resources (人材確保) (11) Local human resources (現地人材)(6)	Extracted from the responses of 289 firms comment regarding “human resources” issues when exporting to important destination countries/regions.
2	Local (現地)	58	Local human resources (現地人材)(6)	
3	Deficiency (不足)	54	Deficiency of human resources (人材不足)(15)	

Deficiency of human resources to develop local markets (South Korea, Other manufacturing, SME)/**Deficiency of human resources** in language skills, experience, and knowledge. (China, Other manufacturing, SME)/**Securing human resources** for interaction with customers/clients and performing export-related work. (Taiwan, Food & beverage, SME)/ Hiring **local talent** and local laws and regulations related to employment (Thailand, Trade & wholesale, SME)

Note: * states the number of firms.

Frequently used words and comments regarding “transport” issues/deficiencies

Rank	Extracted term	No. of firms	Main examples*	Note:
1	Transport (輸送)	74	Transport fees (輸送費)(23) Transport costs (輸送コスト)(19)	Extracted from the responses of 214 firms comment regarding “transport” issues when exporting to important destination countries/regions.
2	Sudden rises in costs (高騰)	41	Sudden rises in shipping costs (運賃高騰)(5)	
3	Cost (コスト)	38	Transport cost(19)	

We are concerned about container shortages causing sharp rises in **transport fees** for now and about establishing shipping methods in future. (Western Europe excluding UK, Trade & wholesale, SME)/ High **transport fees** are a disadvantage during price competitions. (Western Europe excluding UK, Plastics, SME)/ **Transport costs** for both domestic and international shipments are rising sharply. (US, Textiles, SME)/ We are worried about **sudden rises in shipping costs** and disruptions such as skipping ports. (Vietnam, Other manufacturing, SME)

Frequently used words and comments regarding “trade system” issues/deficiencies

Rank	Extracted term	No. of firms	Main examples*	Note:
1	Regulations (規制)	40	Import regulations (輸入規制)(9) Export regulations (輸出規制)(5)	Extracted from the responses of 200 firms comment regarding “trade system” issues when exporting to important destination countries/regions.
2	Export (輸出)	26	Export restrictions (輸出規制)(5)	
3	Import (輸入) Tariff (関税)	24	Import restrictions (輸入規制)(9) Tariff rates (関税率)(5)	

Import regulations are relatively strict. (Indonesia, Metal products, Large-scale firm)/ **Import regulations** are more complex and difficult to than in other countries or regions. (China, Medical products & cosmetics, SME)/ **Export regulations** are tightening due to worsening US/China trade relations. (China, Other manufacturing, Large-scale firm)/ Sudden changes in local import **tariff rates** and custom rules. (India, Trading/wholesale, SME)

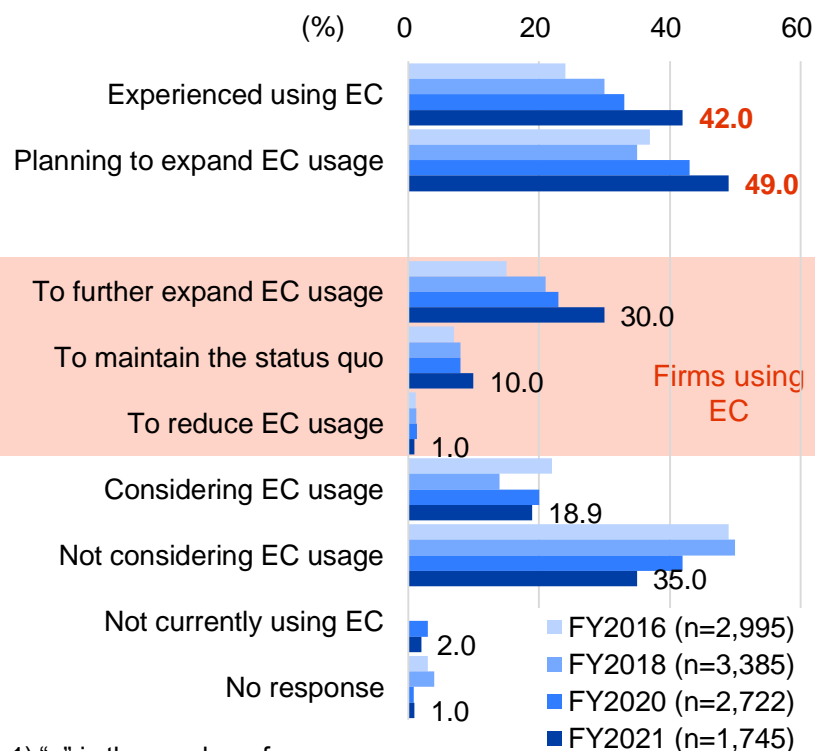
III. E-Commerce (EC) Utilization

The number of firms utilizing or considering EC for overseas sales has reached a record high.

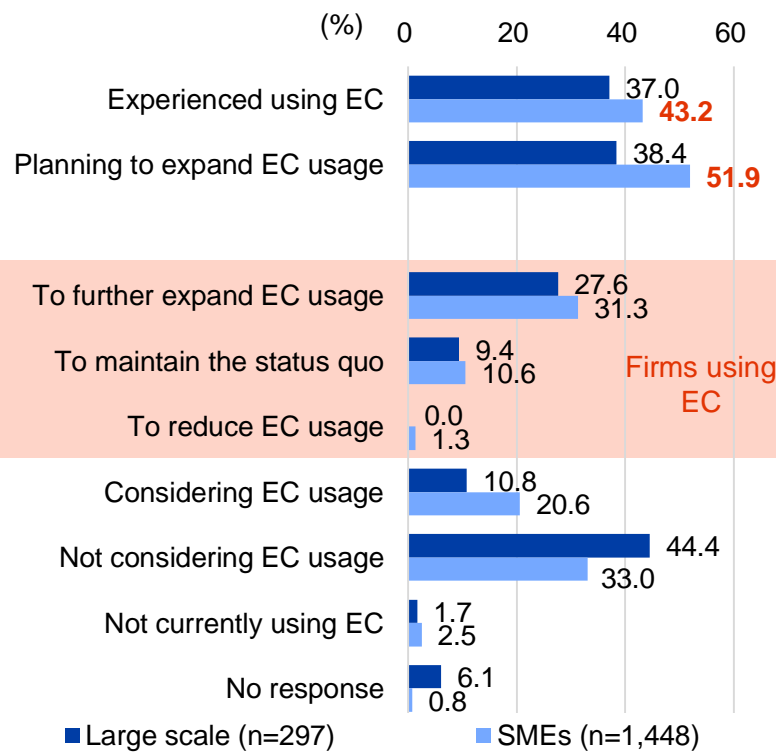
1 | Over 40% of firms use EC, with SMEs growing notably more open to the technology.

- 42.1% of all respondent firms utilized EC for domestic or international sales (see note). Among SMEs, this percentage was 43.2%, a striking increase from the last survey (34.3%).
- 49.6% of all respondent firms plan to expand their use of EC, while this figure was 51.9% among SMEs, over half of all SME respondents. As COVID-19 extends its prolonged influence over the world, focus on EC will only continue to grow.

EC Usage (Overall, listed by year)



EC Usage (2021, listed by firm size)



Notes: 1) "n" is the number of responses.

2) The percentage of firms currently using EC was calculated by subtracting the number of firms who responded with "Not currently using EC" from the number of firms with EC experience.

3) The figure for "Planning to expand EC usage" was calculated by adding the percentage of EC-use firms who responded with "To further expand EC usage" to the percentage of firms without EC experience who responded with "Considering EC usage".

2 | There is a high tendency of EC use among industries such as food & beverage and textiles/apparel.

- The percentage of respondents who have experience using EC exceeded 50% in the food & beverage, textiles & fabrics/apparel, lumber & wood products/furniture & building materials/pulp & paper, and retail industries
- EC appears to be attracting attention from firms selling products whose demand has remained firm throughout the COVID-19 pandemic such as clothing, food, and household-related goods.

EC Use (Listed by Industry) (%)

	No. of firms	Experienced using EC	To further expand EC usage	To maintain the status quo	To reduce EC usage	No experience but considering EC usage	No experience and not considering EC usage	Experienced but not currently using EC	No response
Overall	1,745	42.1	30.7	10.4	1.1	18.9	35.0	2.3	1.7
Manufacturing	1,098	45.0	32.0	11.8	1.2	17.8	33.2	2.5	1.5
Food & beverage	293	62.5	47.1	14.7	0.7	19.5	15.7	1.4	1.0
Textiles/clothing	56	62.5	53.6	8.9	0.0	21.4	14.3	1.8	0.0
Wood & wood products/furniture & building materials/pulp & paper	21	61.9	33.3	23.8	4.8	19.0	14.3	4.8	0.0
Chemicals	51	35.3	25.5	9.8	0.0	23.5	39.2	2.0	0.0
Medical products & cosmetics	50	46.0	36.0	8.0	2.0	22.0	26.0	4.0	2.0
Petroleum products, plastics & rubber products	57	43.9	24.6	17.5	1.8	21.1	28.1	3.5	3.5
Ceramics, earth & stone	14	35.7	35.7	0.0	0.0	14.3	50.0	0.0	0.0
Iron & steel/non-ferrous metals/metal Products	130	31.5	16.9	13.8	0.8	14.6	47.7	3.1	3.1
General machinery	86	24.4	10.5	14.0	0.0	15.1	53.5	3.5	3.5
Electrical equipment	53	24.5	15.1	7.5	1.9	18.9	49.1	5.7	1.9
IT equipment/electronic parts & devices	37	24.3	10.8	10.8	2.7	10.8	56.8	5.4	2.7
Cars/car parts/other transportation machinery	54	46.3	33.3	11.1	1.9	13.0	38.9	1.9	0.0
Precision equipment	54	25.9	18.5	5.6	1.9	16.7	55.6	1.9	0.0
Other manufacturing	142	48.6	38.7	7.7	2.1	16.2	32.4	1.4	1.4
Non-manufacturing	647	37.2	28.4	7.9	0.9	20.9	37.9	2.2	1.9
Trade & wholesale	289	47.8	36.7	10.0	1.0	24.6	24.2	3.1	0.3
Retail	51	60.8	49.0	11.8	0.0	15.7	19.6	3.9	0.0
Construction	54	5.6	1.9	3.7	0.0	29.6	61.1	0.0	3.7
Transport	36	13.9	11.1	0.0	2.8	5.6	72.2	2.8	5.6
Finance & insurance	29	13.8	10.3	3.4	0.0	3.4	75.9	0.0	6.9
Communication, information & software	54	38.9	29.6	7.4	1.9	14.8	42.6	1.9	1.9
Professional services	32	25.0	18.8	6.3	0.0	21.9	53.1	0.0	0.0
Other non-manufacturing	102	30.4	22.5	6.9	1.0	21.6	43.1	1.0	3.9

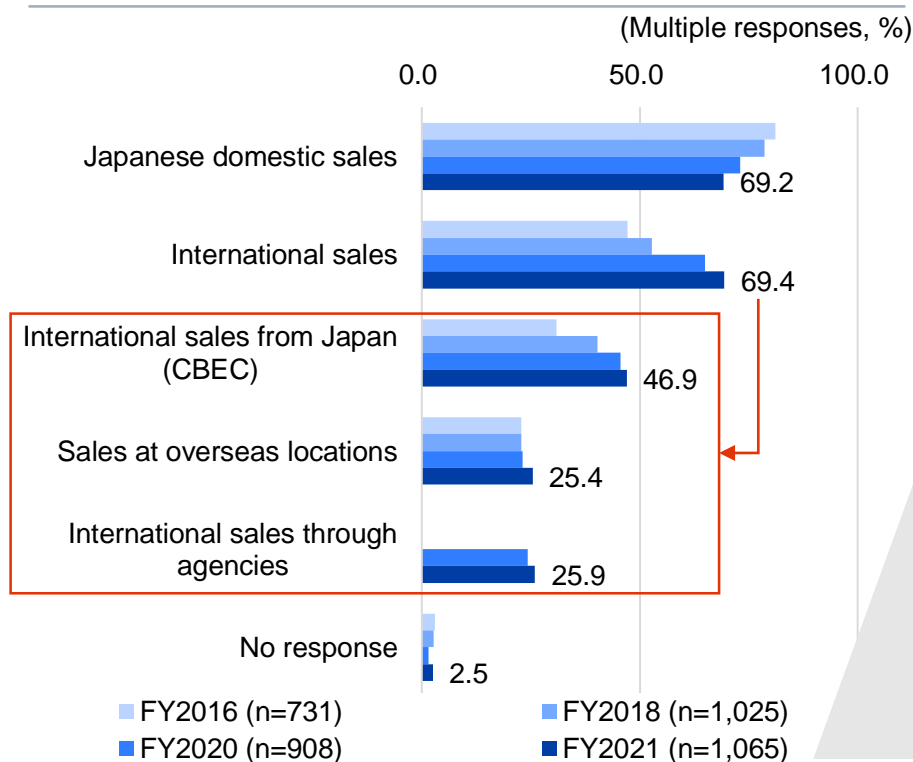
Notes: 1) "No. of firms" is the total number of firms who responded to this survey.

2) Highlighted cells indicate industries in which at least 50% of respondents indicated that they have experience with EC (excludes firms that do not currently use EC).

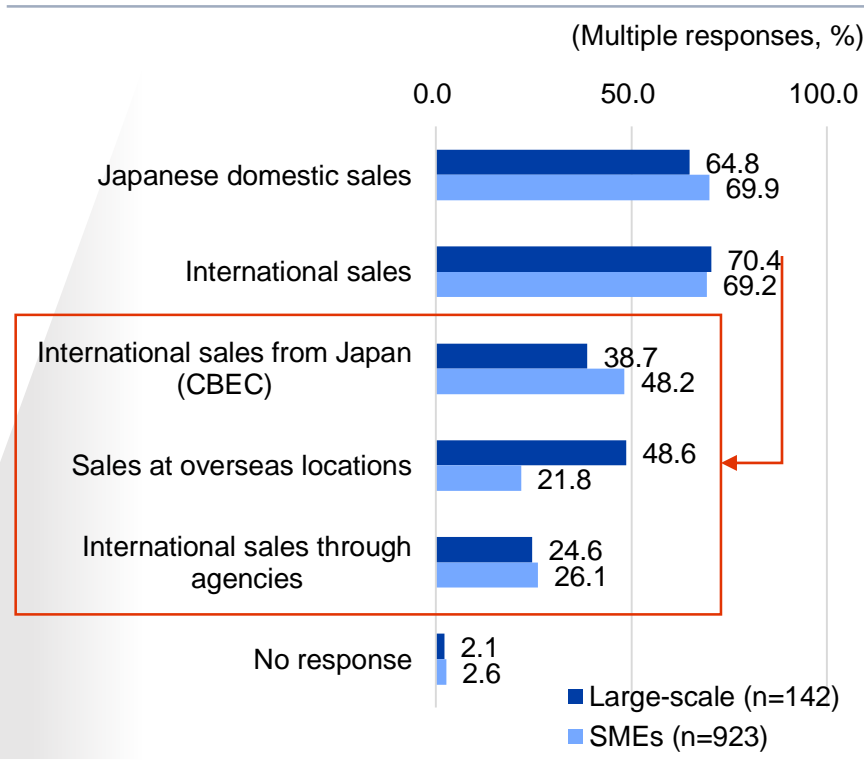
3 | 70% of firms are either using or considering EC for international sales.

- Of total that are either using or considering EC, 69.4% are doing so with overseas sales in mind. A high percentage (46.9%) cited cross-border EC (CBEC) as a specific sales method.
- When analyzing by firm size, large-scale firms were more likely to report sales at overseas locations (48.6%), and SMEs were more likely to report sales by CBEC (48.2%).

EC Usage(Listed by year)



EC Usage (2021, Listed by firm size)

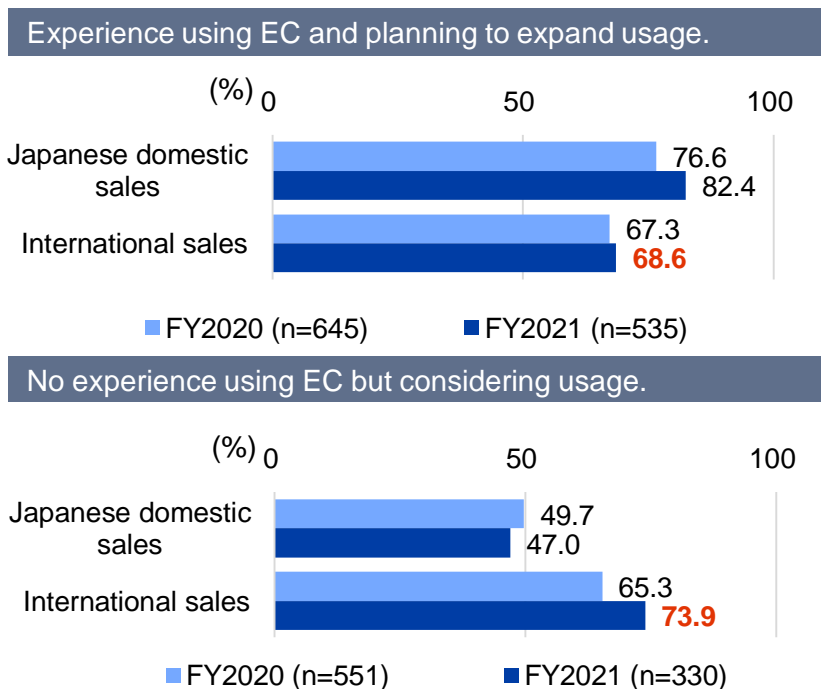


Notes: 1) "n" is the number of firms that either have experience using EC (excluding those not currently using it) or are considering using EC.
 2) "International sales" refers to firms who selected either "International Sales from Japan (CBEC)," "Sales at overseas locations," or "International sales through agencies." "International sales through agencies" refers to those newly established in FY2020.

4 Firms with an eye on overseas markets are increasingly considering EC.

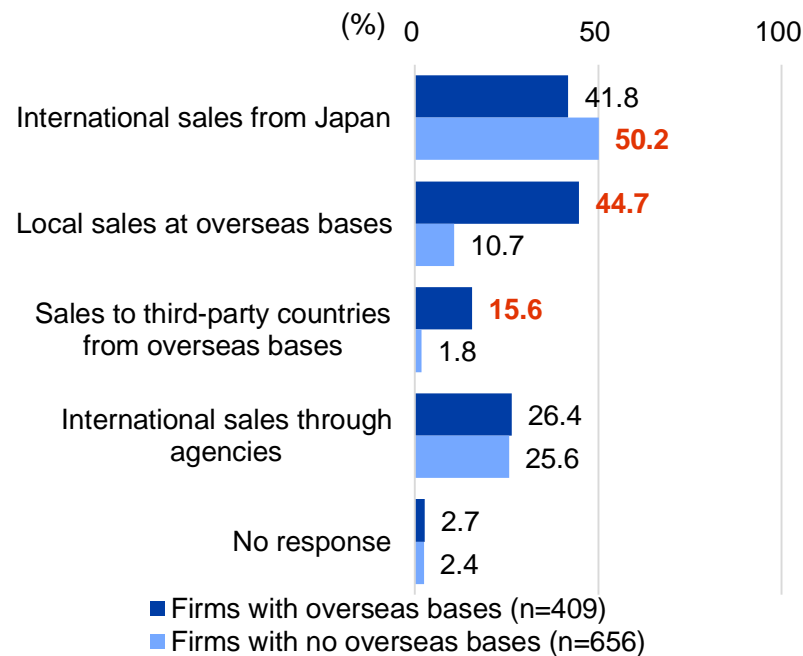
- Among firms considering the use of EC, 73.9% responded that they would use it for international sales, higher than the percentage of EC-experienced firms that are planning to expand usage (68.6%). This indicates that firms with an eye on large-scale overseas markets are considering the introduction of EC.
- Regarding overseas sales methods, a high percentage of firms with overseas bases reported sales at these sites. On the other hand, firms without overseas bases reported the usage or consideration of CBEC at a rate of about 10 percentage points higher than that of firms with overseas bases.

Sales Destinations by EC Usage Status (Listed by Year)



Note: "Experience using EC" indicates that the firm has experience with EC either domestically or internationally.

Method of EC Sales to Overseas Customers (Listed by Presence of Overseas Locations)



Note: "n" refers to the number of firms that are either using or considering using EC. Agencies do not qualify as overseas locations.

5 | A wide variety of industries use EC for nearly 70% of international sales.

- The percentage of overseas sales using EC exceeded 80% for the lumber & wood products/furniture & building materials/pulp & paper, medical products & cosmetics, and specialty services industries.
- More than 60% of respondents in the retail, specialty services, and communication/information/software industries reported CBEC usage.

EC Usage(Listed by Industry)

(Multiple responses, %)

	No. of firms	Japanese domestic sales	International sales	CBEC	Sales at overseas locations	International sales through agencies	No response
Overall	1,065	69.2	69.4	46.9	25.4	25.9	2.5
Manufacturing	689	71.1	69.2	43.7	25.8	28.6	2.3
Food & beverage	240	82.5	61.7	37.5	16.7	26.3	0.8
Textiles/clothing	47	78.7	72.3	53.2	27.7	23.4	0.0
Wood & wood products/furniture & building materials/pulp & paper	17	70.6	82.4	47.1	47.1	23.5	0.0
Chemicals	30	63.3	66.7	33.3	26.7	23.3	6.7
Medical products & cosmetics	34	50.0	82.4	52.9	35.3	47.1	0.0
Petroleum products, plastics & rubber products	37	59.5	73.0	51.4	32.4	32.4	8.1
Iron & steel/non-ferrous metals/metal products	60	66.7	76.7	41.7	31.7	36.7	1.7
General machinery	34	55.9	67.6	52.9	29.4	23.5	5.9
Electrical equipment	23	65.2	78.3	34.8	39.1	34.8	0.0
IT equipment/electronic parts & devices	13	84.6	76.9	53.8	30.8	30.8	0.0
Cars/car parts/other transportation machinery	32	56.3	71.9	50.0	43.8	21.9	0.0
Precision equipment	23	43.5	69.6	30.4	43.5	17.4	17.4
Other manufacturing	92	71.7	68.5	47.8	19.6	31.5	2.2
Non-manufacturing	376	65.7	69.7	52.9	24.5	21.0	2.9
Trade & wholesale	209	66.5	70.3	55.5	21.1	22.0	2.4
Retail	39	76.9	79.5	69.2	25.6	25.6	0.0
Construction	19	52.6	57.9	21.1	42.1	5.3	0.0
Communication, information & software	29	58.6	72.4	62.1	27.6	17.2	6.9
Professional services	15	46.7	80.0	66.7	40.0	6.7	6.7
Other non-manufacturing	53	73.6	60.4	32.1	22.6	24.5	3.8

Notes: 1) "No. of firms" is the number of firms that either have experience using EC (excluding those not currently using it) or are considering using EC.

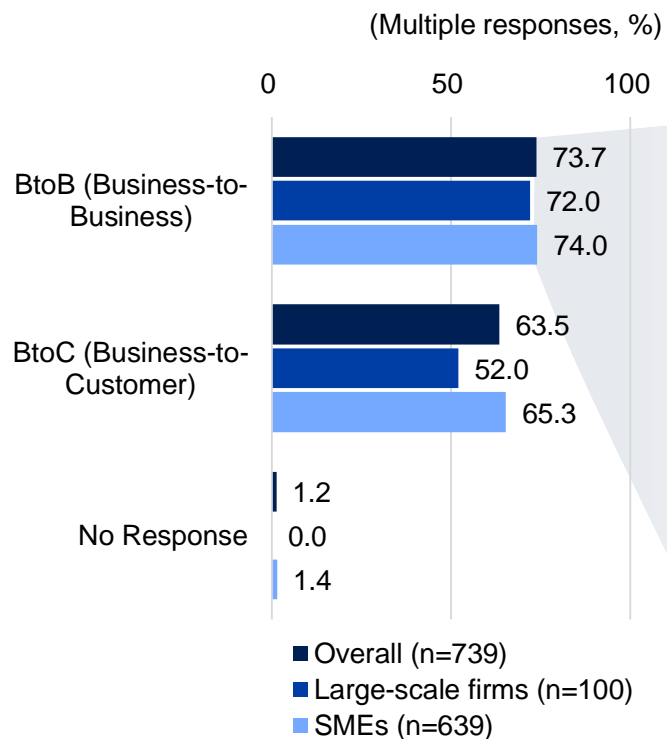
2) The table does not include industries with less than 10 responding firms.

3) Highlighted cells indicate industries in which more than 70% of respondents reported EC usage for international sales.

6 | BtoB sales account for approximately 70% of all international EC sales.

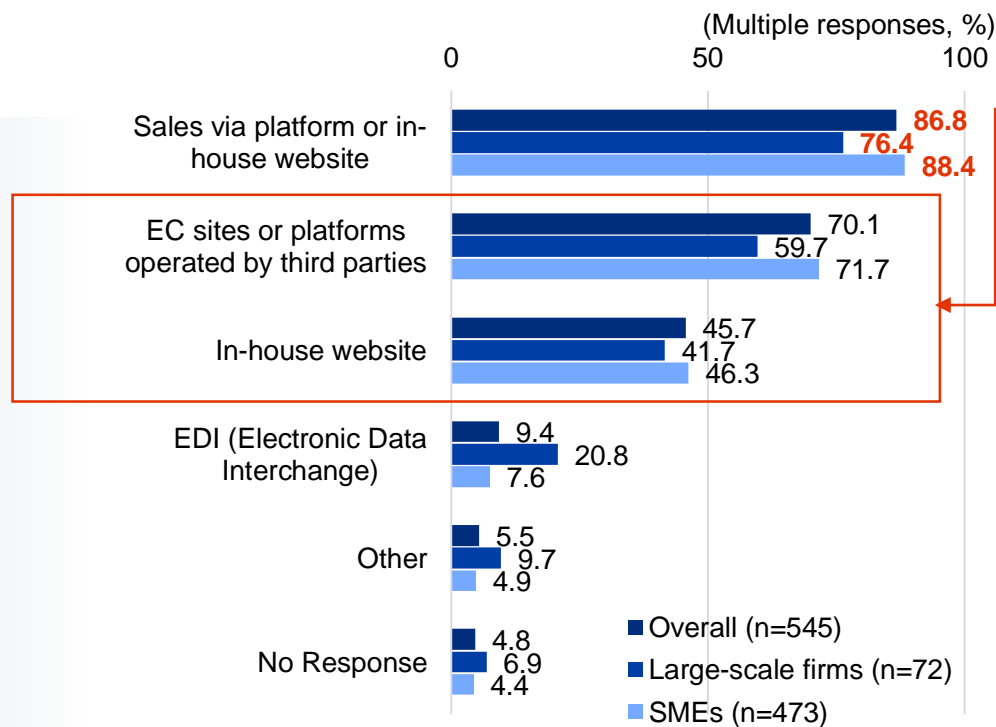
- When we asked firms that are either using or considering EC for international sales about their business models, 73.7% of respondents reported BtoB sales, while 63.5% reported BtoC sales.
- When asked about specifics of BtoB services (including those under consideration), 86.8% of firms reported using sales platforms or their own websites for sales purposes.

Business Models for International EC Sales (Listed by Firm Size)



Notes: 1) "n" is the number of firms either using or considering EC for international sales.
 2) Includes EDI.

Services Used for BtoB EC Sales (Listed by Firm Size)

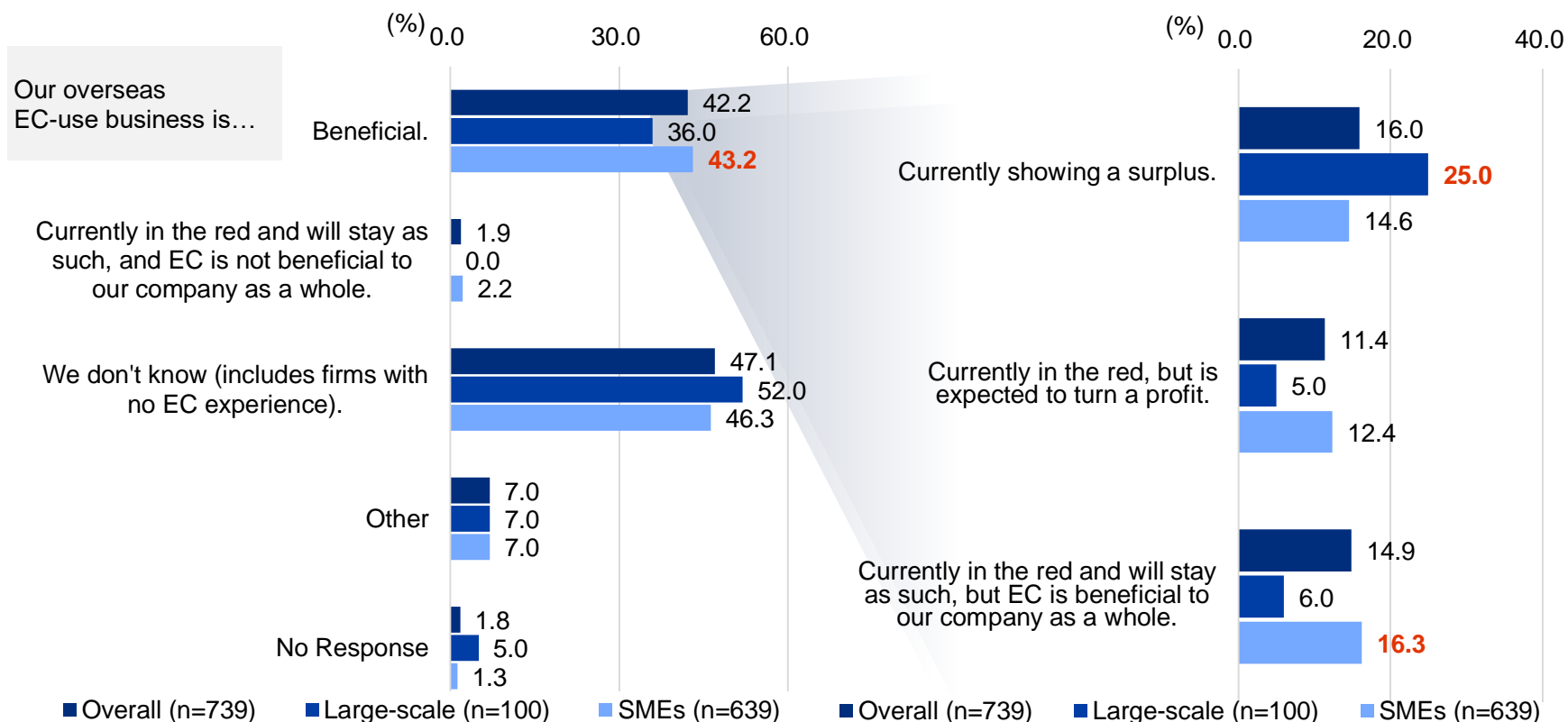


Note: "n" is the number of firms that responded with "B2B" as their EC business model for international markets. This figure includes firms considering the use of EC.

7 | 40% of firms find using EC for overseas sales profitable and beneficial.

- 42.2% of firms overall and 43.2% of SMEs that either use or are considering the use of EC for international sales consider EC to be profitable or beneficial (see note). 16.3% of SMEs indicated that their EC-use business was in the red. However, the percentage of SMEs that reported other benefits, such as increased recognition and access to customer data, was higher than the percentage for large-scale firms.

Benefits and Profitability of EC use for Overseas Sales (Listed by Firm Size)



Notes: 1) "n" is the number of firms either using or considering EC for international sales.

2) "Benefits" refer to factors that have a positive impact on a firm in non-EC areas, such as improving brand recognition and obtaining customer data.

3) The "Beneficial" percentage is the sum of the percentages for "Currently showing a surplus", "Currently in the red, but is expected to become profitable", and "Currently in the red and will stay as such, but EC is beneficial to our company as a whole".

8

More than 50% of firms in the textiles/apparel and retail industries find EC profitable and beneficial.

- More than 50% of firms in the textiles & fabrics/apparel, retail, trading/wholesale, and telecommunication machinery/electronic parts & devices industries reported profits or benefits related to EC-use.

Benefits and Profitability of EC use for Overseas Sales (Listed by Industry)

(%)

	No. of firms	Our overseas EC-use business is...				not beneficial.	We don't know.	Other	No response
		beneficial.	is showing a surplus.	is expected to turn a profit.	is in the red but benefits our firm.				
Overall	739	42.2	16.0	11.4	14.9	1.9	47.1	7.0	1.8
Manufacturing	477	38.8	17.4	8.6	12.8	2.1	48.4	8.6	2.1
Food & beverage	148	39.9	20.3	9.5	10.1	0.7	44.6	11.5	3.4
Textiles/clothing	34	58.8	17.6	14.7	26.5	0.0	32.4	8.8	0.0
Wood & wood products/furniture & building materials/paper & pulp	14	42.9	28.6	0.0	14.3	14.3	42.9	0.0	0.0
Chemicals	20	25.0	10.0	10.0	5.0	5.0	60.0	5.0	5.0
Medical products & cosmetics	28	32.1	17.9	3.6	10.7	10.7	50.0	3.6	3.6
Petroleum products, plastic & rubber products	27	40.7	11.1	18.5	11.1	0.0	44.4	11.1	3.7
Iron & steel/non-ferrous metals/metal products	46	43.5	13.0	6.5	23.9	2.2	52.2	2.2	0.0
General machinery	23	34.8	21.7	0.0	13.0	4.3	47.8	13.0	0.0
Electrical equipment	18	16.7	16.7	0.0	0.0	0.0	77.8	5.6	0.0
IT equipment/electronic parts & devices	10	50.0	40.0	10.0	0.0	0.0	50.0	0.0	0.0
Cars / Car Parts/other transportation machinery	23	26.1	17.4	0.0	8.7	4.3	56.5	8.7	4.3
Precision equipment	16	25.0	12.5	6.3	6.3	0.0	75.0	0.0	0.0
Other manufacturing	63	39.7	12.7	11.1	15.9	0.0	44.4	14.3	1.6
Non-manufacturing	262	48.5	13.4	16.4	18.7	1.5	44.7	4.2	1.1
Trade & wholesale	147	53.7	15.6	14.3	23.8	2.0	40.1	2.7	1.4
Retail	31	54.8	16.1	29.0	9.7	0.0	32.3	12.9	0.0
Construction	11	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Communication, information & Software	21	47.6	9.5	28.6	9.5	0.0	47.6	4.8	0.0
Professional services	12	41.7	16.7	0.0	25.0	0.0	58.3	0.0	0.0
Other non-manufacturing	32	37.5	6.3	12.5	18.8	3.1	50.0	6.3	3.1

Notes: 1) "No. of firms" is the number of firms using or considering EC for international sales.

2) "Benefits" refer to factors that have a positive impact on a firm in non-EC areas, such as improving brand recognition and obtaining customer data.

3) The table does not include industries with less than 10 responding firms.

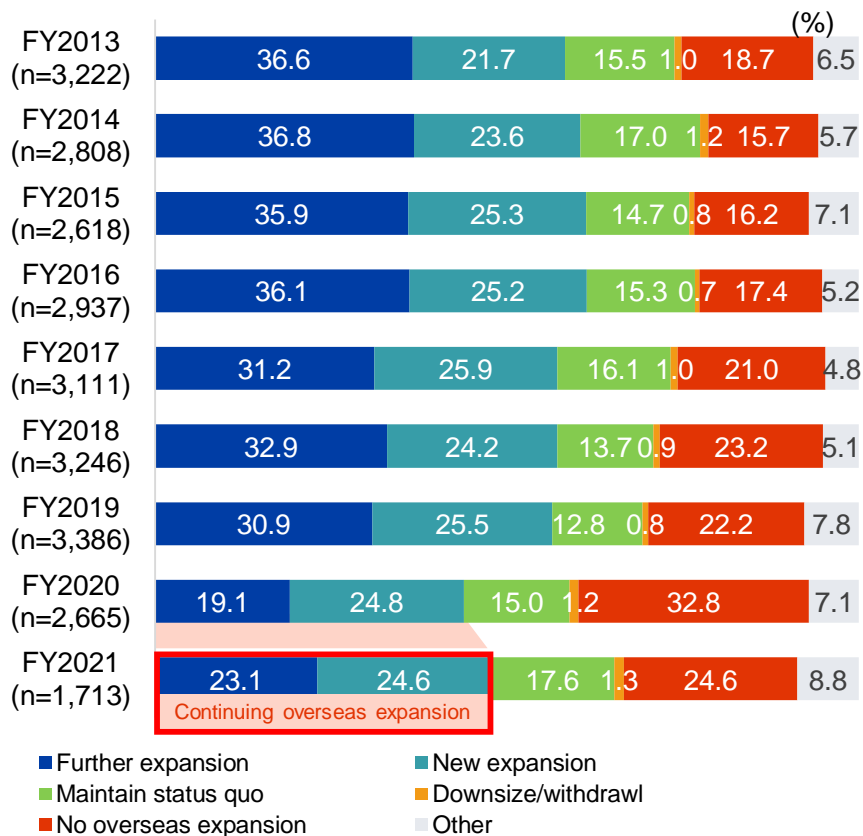
IV. Overseas Expansion

The U.S. tops the list of future business expansion destinations for the first time.

1 | The willingness of overseas bases to expand business is improving, but progress is slow.

- With regard to their overseas expansion policy for the next three years or so, the ratio of firms that "plan to expand overseas expansion" increased from the previous year, but is yet to reach pre-pandemic levels.
- The percentage of firms choosing to maintain the status quo increased for the second consecutive year. Many firms believe this is an appropriate policy during the prolonged COVID-19 pandemic.

Future Overseas Expansion Policies(Overall, By Year)



Reasoning for Future Overseas Expansion Policies (comments)

Further overseas expansion

- COVID-19 has broken the global supply chain, reaffirming the importance of having multiple manufacturing sites to provide a stable supply of products. (Chemical)
- Having overseas offices is more advantageous for securing sales, gathering information, and marketing. (Trading/Wholesale)
- Expansion enables the allocation of system development and production to overseas locations. (Information/Software)

Maintain the status quo

- Maintaining the status quo is appropriate since COVID-19 makes expansion difficult. (Trading/Wholesale)
- Production at our overseas locations fell far short of initial expectations due to COVID-19. Our top priority is returning production to our projected levels. (Medical Products & Cosmetics)
- We have halted area expansion. Our current focus is to consolidate tasks at our individual locations. (Chemical)

No overseas expansion

- Our main selling points are that we use Japan-made raw materials and produce our products domestically. (Food & Beverage)
- We have no need for overseas offices due to our global online presence. We are already capable of selling directly to international customers. (Apparel)
- We see few advantages for manufacturing overseas, as we have a wide variety of products that are made-to-order. (Electrical Parts/Devices)
- We have no plans to establish local overseas offices, but we will continue searching for distributors. (Precision Equipment)

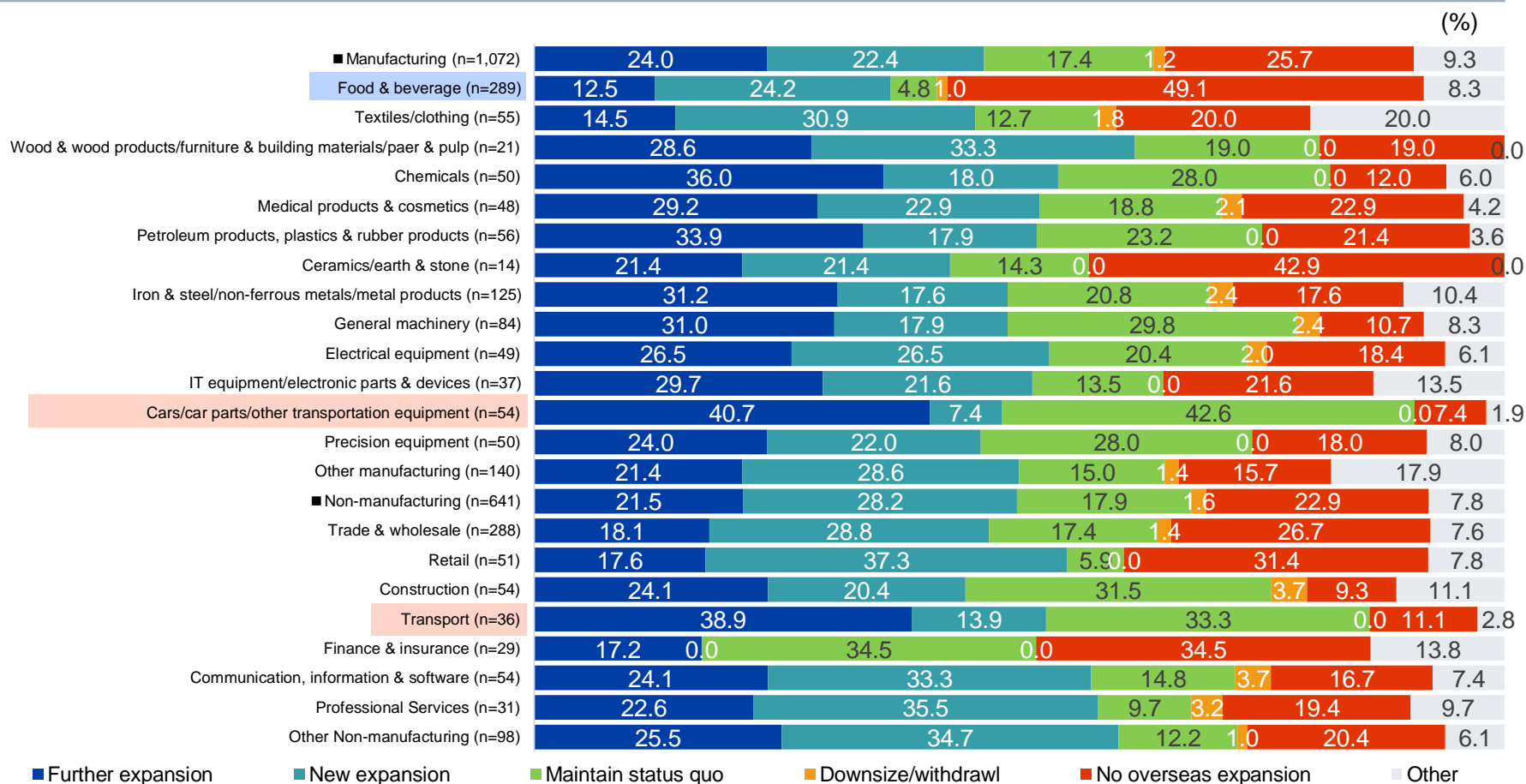
Note: The value of "n" does not include firms who selected "No Response."

2

Transport and transportation-related industries are moving to strengthen existing overseas bases.

- About 40% of firms in the cars/car parts/other transportation machinery and transport industries will expand their existing overseas locations.
- Almost half of respondents in the food & beverage industry indicated they will not expand overseas. However, they remain highly motivated to export their products, and will utilize distributors and EC websites.

Future Overseas Expansion Policies (by Industry)



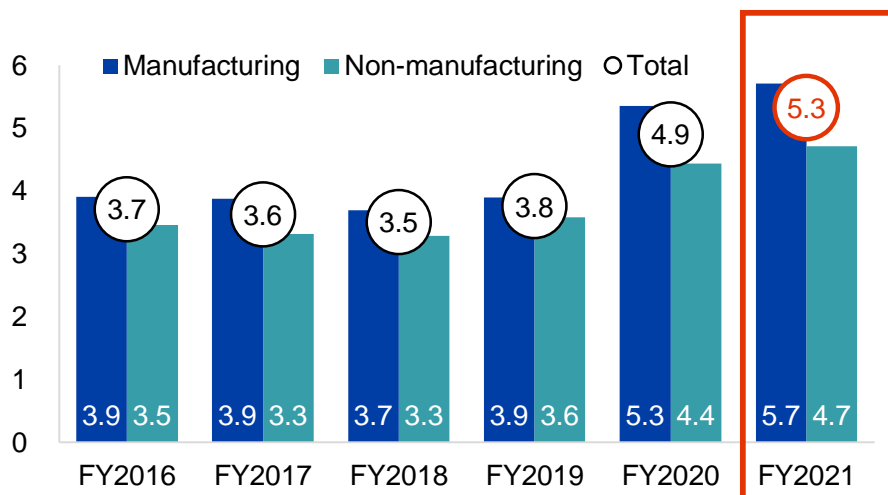
Note: "n" excludes the number of firms who did not give a response.

3 | More firms are considering expanding for coverage

- The number of target countries/regions for overseas expansion increased to 5.3 per firm, growing for the third consecutive year.
- The medical products & cosmetics showed the highest figure at 6.8, followed by the food & beverage at 6.5. For non-manufacturing industries, telecommunications/information/software and retail were the highest at 5.6 each.

**No. of Target Countries/Regions
for Overseas Expansion (Average)**

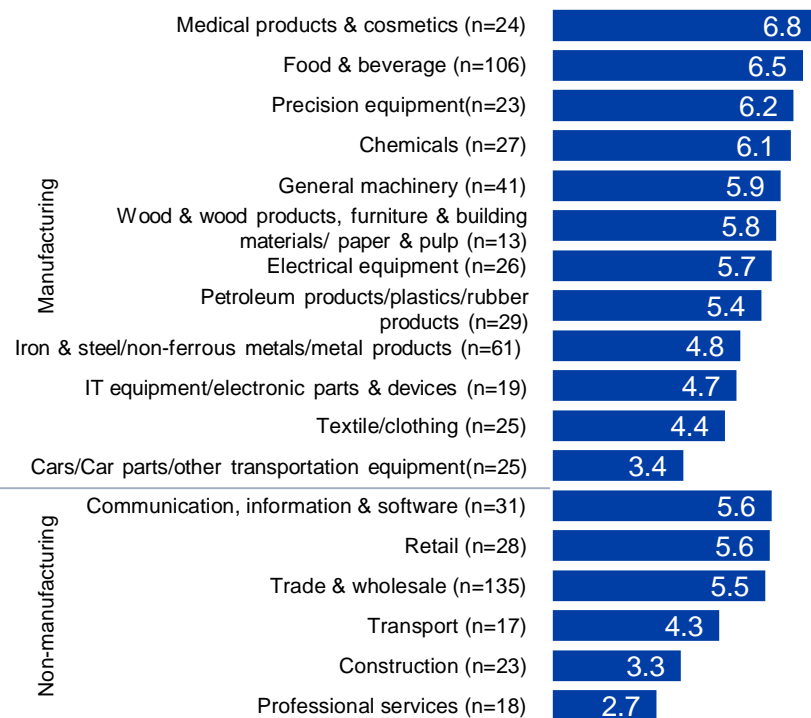
(No. of target countries/regions)



n	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total	1,654	1,703	1,800	1,871	1,156	810
Manu.	938	954	1,022	1,079	598	494
Non-manu.	716	749	778	792	558	316

**No. of Target Countries/Regions
for Overseas Expansion (by Industry)**

(No. of target countries/regions)



- Notes: 1) "n" is the number of firms that either currently have overseas locations and are planning further expansion or currently do not have overseas offices but would like to expand in the future. These firms also have the capabilities to expand.
 2) Even if a firm expands in multiple functions in one country/region, it only counts as one country/region.
 3) The average is calculated as the total number of responding countries/regions divided by "n".
 4) Only industries with at least 10 respondent firms are listed on the right figure, excluding "Other Manufacturing" and "Other Non-manufacturing".

4 | The U.S. tops the list of future business expansion destinations for the first time

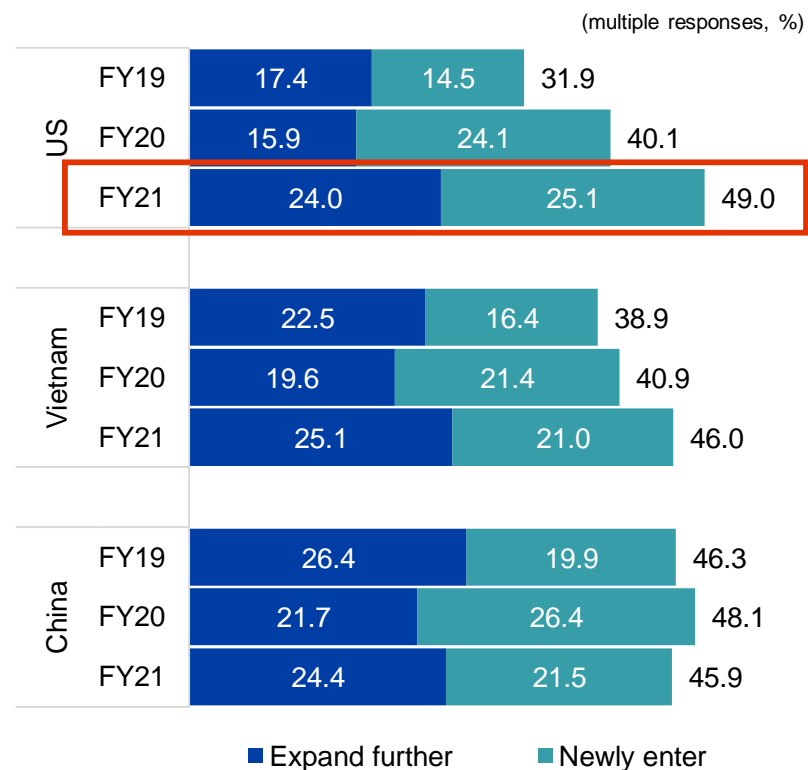
- Regarding countries/region where firms plan to expand their overseas business, the most common response was US (49.0%), the first time US was ranked No. 1.
- For China (45.9%), which had been the top choice, there was a decline in interest in newly entering the country from previous year but there is still strong movement to expand existing bases, behind Vietnam.

Countries/Regions for Overseas Expansion (Top 15)

(multiple responses, %)

	FY2021 (n=810)	FY2020 (n=1,156)	FY2019 (n=1,871)
1 US	49.0	40.1	31.9
2 Vietnam	46.0	40.9	38.9
3 China	45.9	48.1	46.3
4 Thailand	38.4	36.7	32.7
5 Western Europe	34.9	30.4	25.3
6 Taiwan	32.3	33.3	26.8
7 Singapore	26.8	25.1	20.0
8 Indonesia	25.8	25.8	22.3
9 Malaysia	23.7	23.1	15.3
10 Hong Kong	23.3	20.2	17.2
11 India	20.5	17.5	15.7
12 Philippines	18.4	17.8	12.0
13 South Korea	16.8	15.5	10.7
14 Canada	13.8	12.5	5.1
15 Australia	13.6	10.7	5.9
ASEAN6	69.8	65.4	69.4

Expand Business in US, Vietnam, or China (by overseas expansion plan)



Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," or "plan to expand function." 2) ASEAN6 refers to firms that selected either Singapore, Thailand, Malaysia, Indonesia, Philippines, or Vietnam. There is no breakdown for Western Europe. 3) The percentage of firms that will expand one or more functions in each country/region. Even if expanding multiple functions in a single country, it is counted as a single firm.

5 Countries/regions Countries/Regions for Overseas Expansion (time series)

Countries/Regions for Overseas Expansion (top 20 in FY2021, time series)

(multiple responses, %)

	FY2021		FY2020		FY2019		FY2018		FY2017		FY2016	
	(n=810)	Ranking	(n=1,156)	Ranking	(n=1,871)	Ranking	(n=1,800)	Ranking	(n=1,703)	Ranking	(n=1,654)	Ranking
US	49.0	(1)	40.1	(3)	31.9	(4)	30.2	(4)	31.8	(4)	33.4	(3)
Vietnam	46.0	(2)	40.9	(2)	38.9	(2)	34.0	(2)	35.3	(2)	32.9	(4)
China	45.9	(3)	48.1	(1)	46.3	(1)	49.9	(1)	44.7	(1)	46.4	(1)
Thailand	38.4	(4)	36.7	(4)	32.7	(3)	31.8	(3)	33.3	(3)	35.5	(2)
Western Europe	34.9	(5)	30.4	(6)	25.3	(6)	21.4	(6)	22.5	(6)	20.4	(8)
Taiwan	32.3	(6)	33.3	(5)	26.8	(5)	24.7	(5)	26.5	(5)	24.6	(5)
Singapore	26.8	(7)	25.1	(8)	20.0	(8)	18.2	(8)	20.3	(8)	21.4	(7)
Indonesia	25.8	(8)	25.8	(7)	22.3	(7)	20.8	(7)	21.4	(7)	24.5	(6)
Malaysia	23.7	(9)	23.1	(9)	15.3	(11)	14.2	(11)	15.3	(10)	15.0	(10)
Hong Kong	23.3	(10)	20.2	(10)	17.2	(9)	17.1	(9)	19.6	(9)	19.5	(9)
India	20.5	(11)	17.5	(12)	15.7	(10)	16.1	(10)	14.0	(11)	14.4	(11)
Philippines	18.4	(12)	17.8	(11)	12.0	(12)	9.9	(13)	11.0	(13)	11.8	(13)
South Korea	16.8	(13)	15.5	(13)	10.7	(13)	12.9	(12)	13.0	(12)	14.4	(11)
Canada	13.8	(14)	12.5	(14)	5.1	(18)	3.2	(19)	3.8	(20)	4.4	(17)
Australia	13.6	(15)	10.7	(16)	5.9	(15)	5.1	(15)	4.3	(16)	4.4	(17)
Central/Eastern Europe	10.5	(16)	9.3	(17)	5.4	(17)	4.3	(17)	5.9	(15)	6.1	(15)
Myanmar	9.5	(17)	11.1	(15)	10.0	(14)	8.1	(14)	8.5	(14)	10.4	(14)
Russia/CIS	9.3	(18)	8.1	(19)	5.1	(18)	3.6	(18)	4.3	(16)	4.2	(19)
Mexico	8.6	(19)	7.4	(20)	3.7	(20)	2.9	(20)	4.2	(19)	5.9	(16)
Cambodia	8.3	(20)	8.9	(18)	5.8	(16)	4.4	(16)	4.3	(16)	4.2	(19)
ASEAN6 (reference)	69.8		65.4		69.4		65.7		67.4		69.1	
UK	18.9	-	16.8	-	7.3	-	6.3	-	6.6	-	-	-
Western Europe (excluding UK)	33.6	-	28.2	-	23.5	-	19.4	-	20.5	-	-	-

Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," or "plan to expand function."

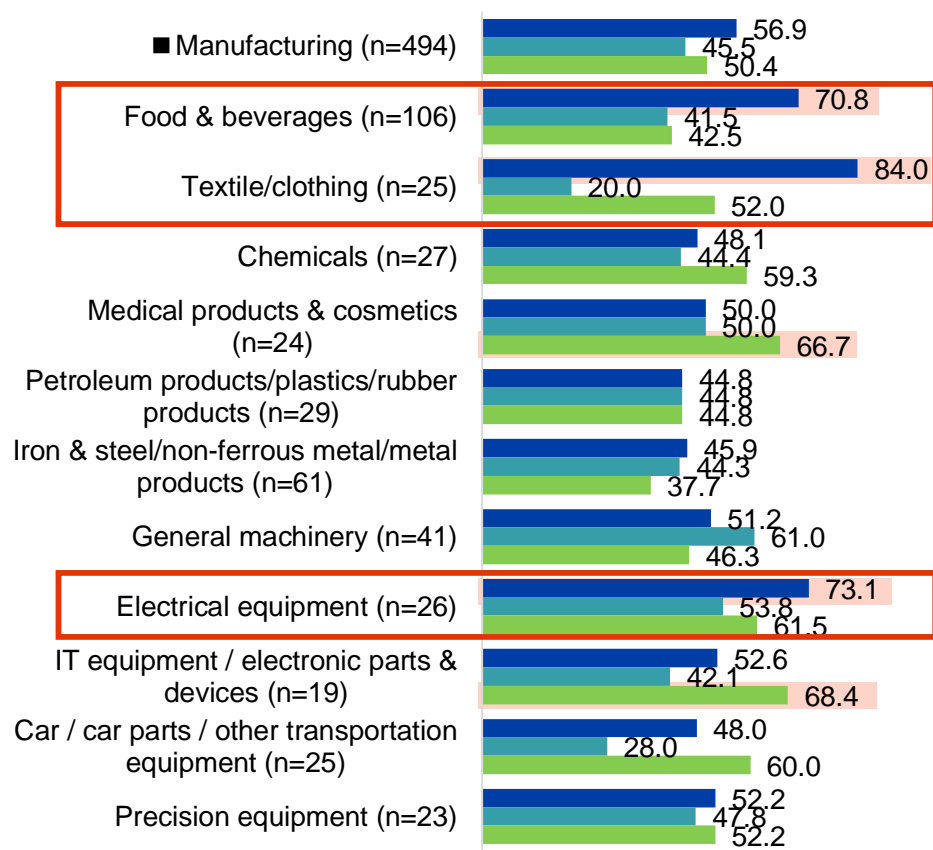
2) ASEAN 6 refers to firms that selected either Singapore, Thailand, Malaysia, Indonesia, Philippines, or Vietnam. There is no breakdown for Western Europe, Russia/CIS, or Central/Eastern Europe. For Western Europe for FY2017 and after, firms that selected either England or Western Europe (excluding England).

3) The percentage of firms that will expand one or more functions in each country/region. Even if expanding multiple functions in a single country, it is counted as a single firm.

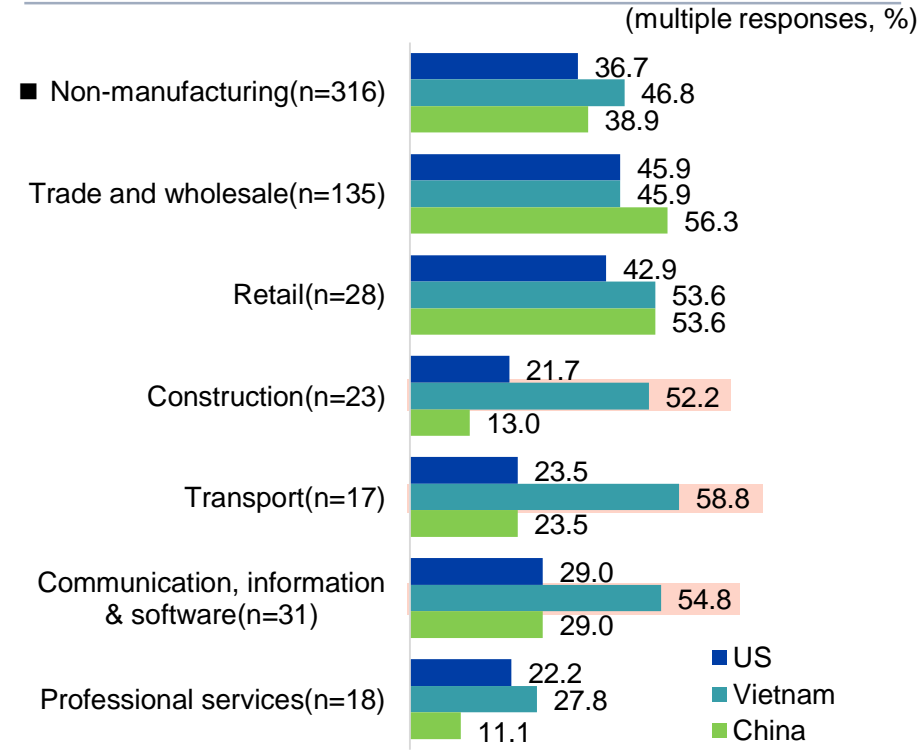
6 | Strong desire for expansion in the US in textile/clothing, etc

- For textiles/clothing, electrical equipment, and food & beverages, 70%–80% of firms cited the U.S. as a destination for business expansion. For medical products & cosmetics, IT equipment / electronic parts and devices, many firms cited China.
- For transport, communication, information, and software, and construction, the desire to expand business in Vietnam is particularly high.

Expand Business in US, Vietnam, or China (manufacturing)



Expand Business in US, Vietnam, or China (non-manufacturing)



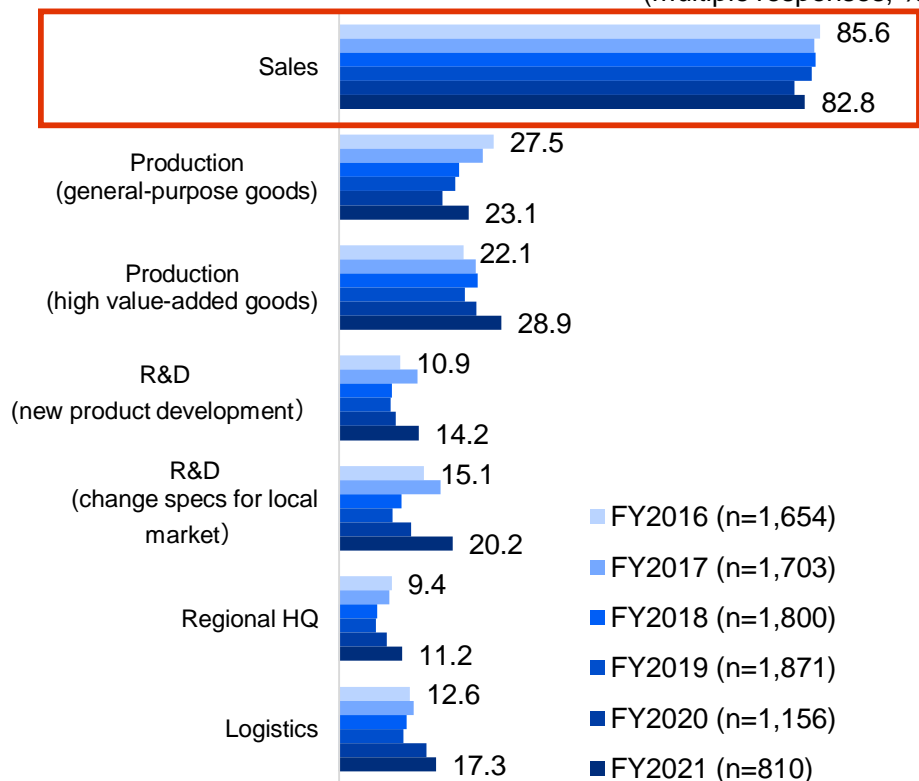
Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," or "plan to expand function." 2) The percentage is the ratio of firms that responded they will expand business in the particular country/region to n for the particular industry. 2) Only industries for which 15 or more firms responded.

7 | Continued to expand sales function, production function to be strengthened

- As for functions to be expanded overseas, more than 80% of firms continue to cite sales function. The U.S. (52.0%) accounted for the highest percentage of expansion destinations, followed by China (49.3%).
- The U.S. was the highest response as a destination for expansion in both R&D, regional HQ, and logistics functions.

Functions to be Expanded Overseas

(multiple responses, %)



Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," and answered about expansion functions. 2) (figure to the right) There is no breakdown for Western Europe (excluding UK).

Functions to be Expanded Overseas (Top 3 Country/Region for each function)

(multiple responses, %)

Function	Rank 1		Rank 2		Rank 3	
	Country/Region	%	Country/Region	%	Country/Region	%
Sales (n=671)	US	52.0	China	49.3	Vietnam	43.1
Production	China	37.4	Vietnam	36.9	Thailand	28.3
Production	China	35.0	Vietnam	31.2	US	30.3
R&D	US	38.3	China	33.0	Vietnam	25.2
R&D	US	42.1	China	39.0	Thailand	25.6
Regional HQ (n=91)	US	38.5	China	37.4	Western Europe (excl. UK)	26.4
Logistics (n=140)	US	37.9	China	31.4	Vietnam	31.4

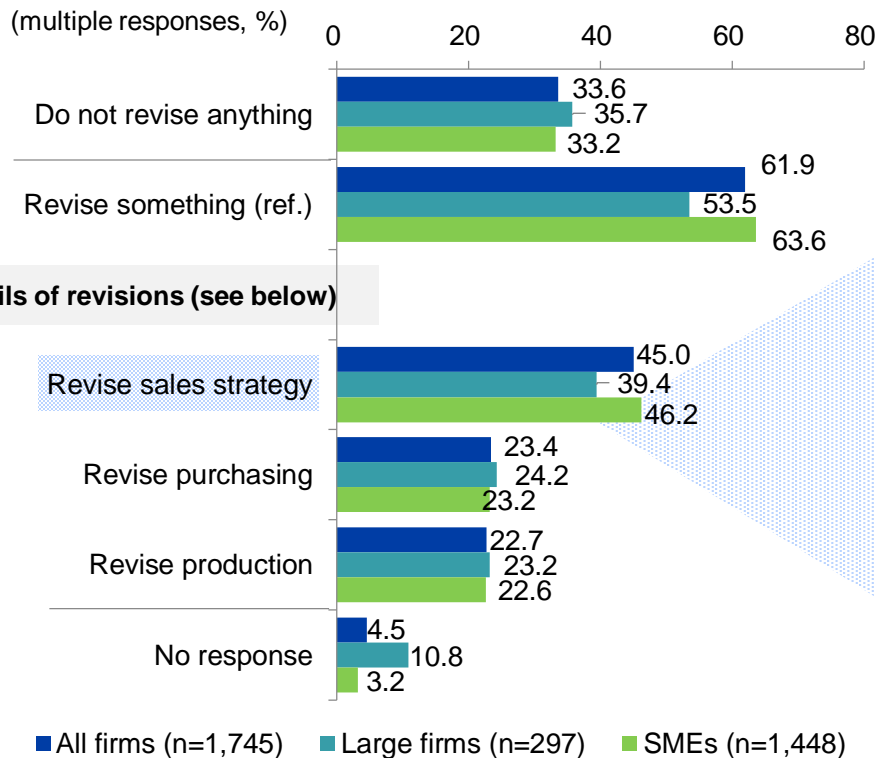
V. Revise Overseas Business

Forced to Respond to Disruption in International Shipping

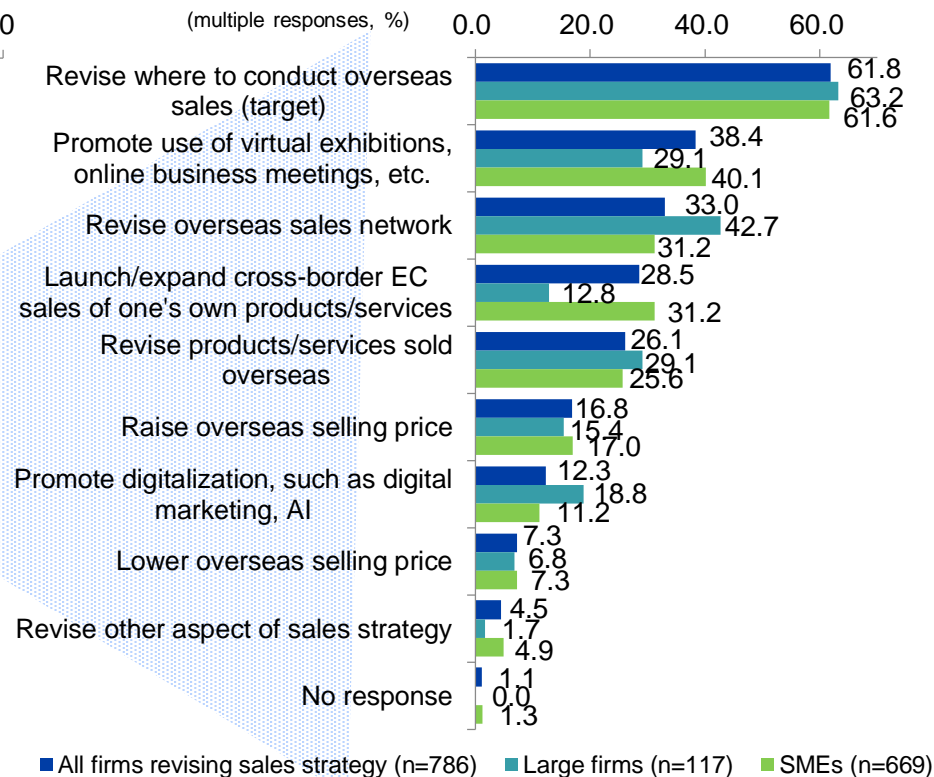
1 SMEs plan to revise sales through virtual exhibitions and use of cross-border EC

- The percentage of firms that said they will revise some aspect of their supply chain (sales, purchasing, or production) was 61.9%, and the most common response regarding what they would revise was “revise sales strategy” (45.0%). A larger percentage of SMEs (46.2%) than large-scale firms (39.4%) responded that they will revise their sales strategy.
- As for concrete measures for revising sales, the most common response was “revise where to conduct overseas sales” (61.8%). A large percentage of SMEs also gave “promote use of virtual exhibitions, online business meetings, etc.” (40.1%) and “launch/expand cross-border sales of one’s own products/services” (31.2%).

Plan to Revise Supply Chain and Details (by size of firm)



Concrete Measures for Revising Sales Strategy



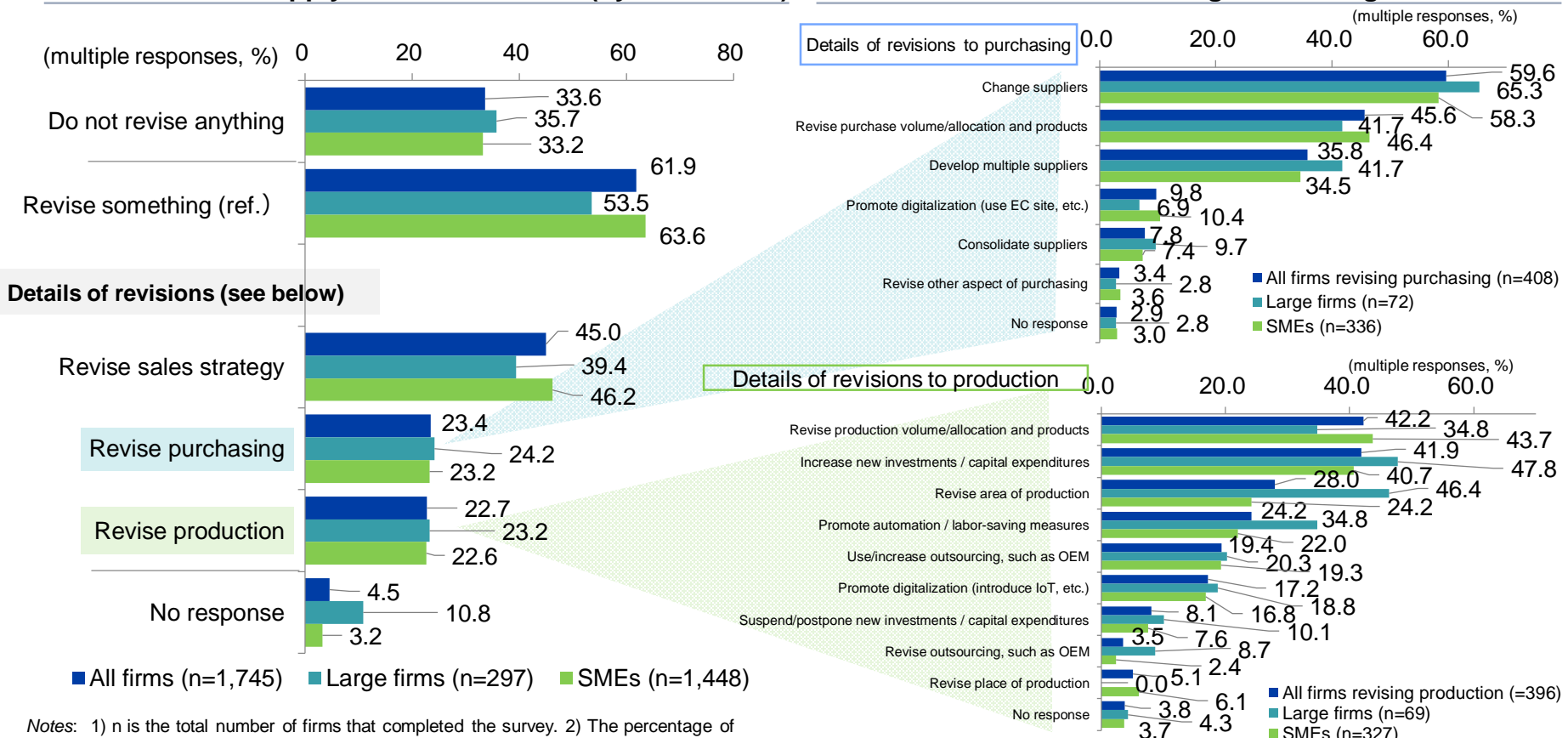
Notes: 1) n is the total number of firms that completed the survey. 2) The percentage of firms that responded “revise something” was calculated by subtracting the percentage of firms that responded “do not revise anything” and percentage who did not respond from 100%.

Note: n is the number of firms that selected “revise sales strategy” for what they plan to revise.
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2 | For revising purchasing, firms are moving quickly to changing suppliers, developing multiple suppliers, etc

- Looking at concrete measures for revising purchasing, the top responses were “change supplier” (59.6%), “revise volume/allocation of purchases and products purchased” (45.6%), and “develop multiple suppliers” (35.8%).
- Turning to revising production, the most common responses were “revise volume/allocation of production and products produced” (42.2%) and “increases new investments and capital expenditures” (41.9%). For large-scale firms, “change area of production” (46.4%) and “promote automation and labor-saving measures” (34.8%) were common responses.

Plans to Revise Supply Chain and Details (by size of firm) Concrete Measures for Revising Purchasing or Production



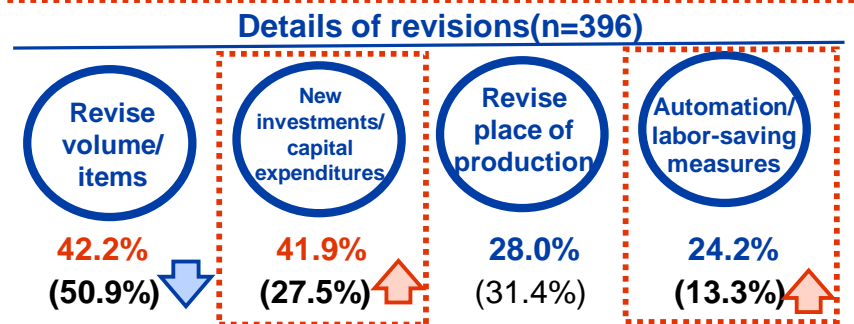
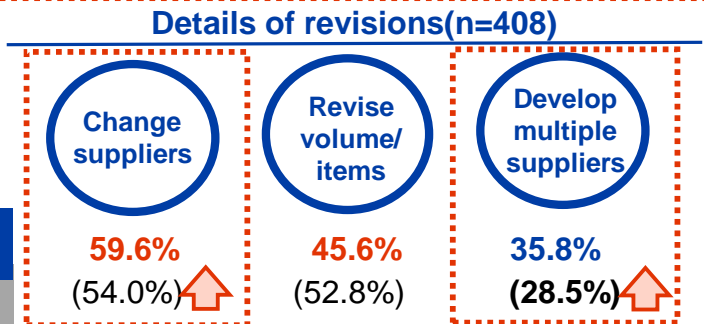
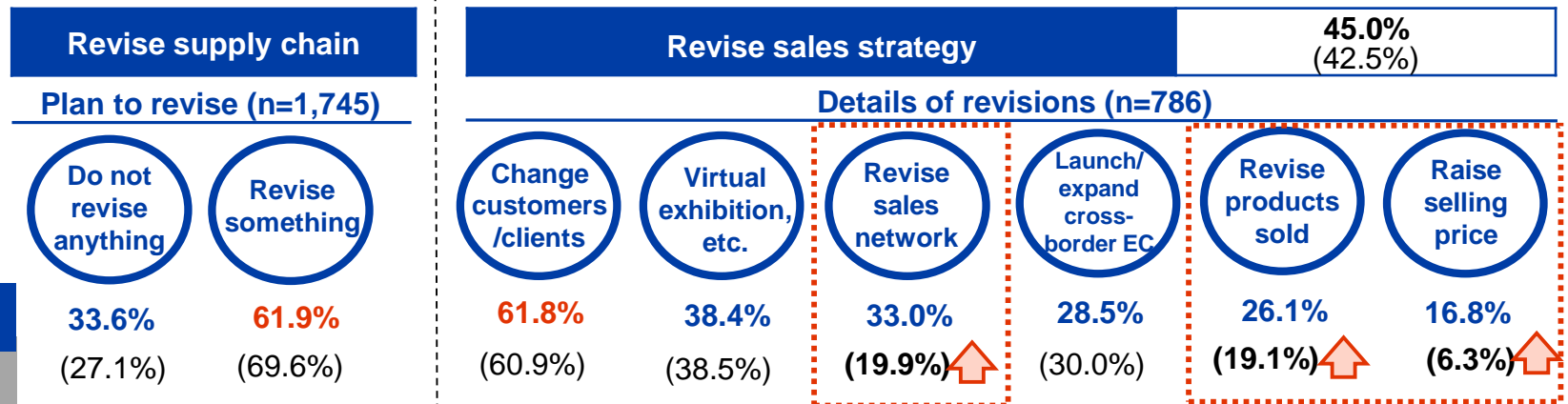
Notes: 1) n is the total number of firms that completed the survey. 2) The percentage of firms that responded “revise something” was calculated by subtracting the percentage of firms that responded “do not revise anything” and percentage who did not respond from 100%.

Note: n is the number of firms that selected “revise purchasing” or “revise production” for plans to revise.
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3 | Progress in raising selling price and revising sales network compared to previous survey

- For sales strategy, the percentage of firms that selected “revise sales network” and “raise selling price” rose 10 percentage points compared to the previous survey. This is in response to disruptions in international shipping, greater costs, etc.. The percentage of firms working to “change suppliers” and “develop multiple suppliers” increased.
- As for revising production, there was a dramatic increase in the percentage of firms that selected “new investments/capital expenditures” as demand recovers. In addition, progress was made in “automation and labor-saving measures” for responding to the risk of restrictions on workers going to offices because of the pandemic, promoting non-touch worksites, etc.

Details of Revisions to Supply Chain (compared to previous survey)



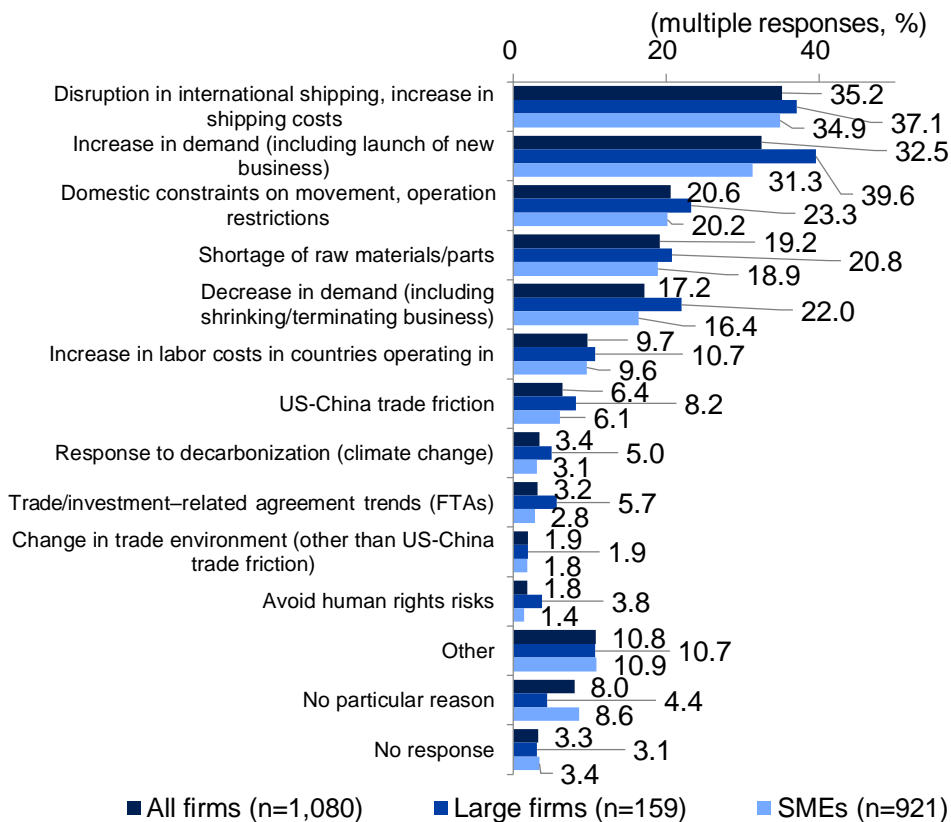
* Number in parenthesis for plans to revise is percent for previous survey.

Note: “Revise something” for the survey includes revising aspects other than supply chain (organization, etc.)

4 Main reason for revising supply chain is disruption in international shipping

- The main reasons for reviewing the supply chain were “disruption in international shipping / greater shipping costs” (35.2%) accompanying recovery in demand due to pandemic and “increase in demand” (32.5%).
- Among the free responses regarding issues and efforts related to revising supply chain were comments such as “limited the impact of disruptions in international logistics by cutting lot size and similar efforts” and “responding to shortage of raw materials and parts by securing multiple suppliers.”

Reason for Revising Supply Chain (by size of firm)



Comments Regarding Issues and Efforts Related to Revising Supply Chain

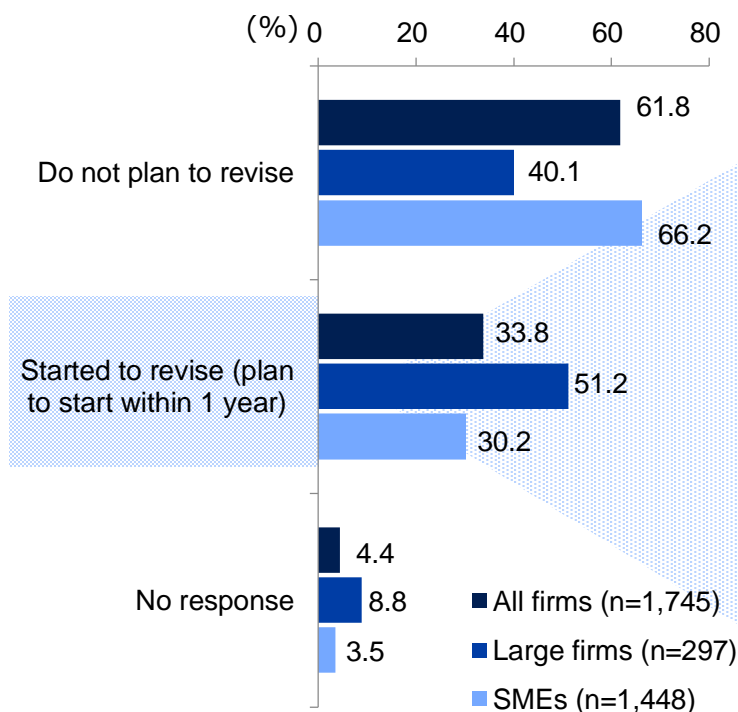
- **Comments regarding disruption in international shipping**
 “It is important to return to domestic purchasing routes on account of greater freight costs and to bring production in-house.” (rubber products)
 “We are making it possible to export by reducing the size of and combining lots (from orders being for containers)” (food & beverages)
 “We ship from Japan for individual orders, but for various reasons, including increase in shipping expenses, we are examining establishing (local) distribution centers.” (textiles/clothing)
- **Comments regarding increase in demand**
 “Logistics grow more efficient as sales increase.” (medical products & cosmetics)
 “Expanding domestic production system is an urgent task as demand from overseas increases.” (electronic parts and devices)
 “Although demand fell because of COVID-19, we are cautiously re-examining production forecasts as demand recovers.” (food & beverages)
- **Comments regarding constraints on movement and operation restrictions both in Japan and overseas**
 “Movement of both personnel and cargo is uncertain because of lockdowns and other reasons.” (textiles/clothing)
 “We do not know if this is actually a problem because we are unable to travel to the country as a result of restrictions on entering the country in order to prevent the spread of COVID-19.” (other manufacturing)
- **Comments regarding shortages of raw materials and parts**
 “Difficulty in obtaining raw materials and higher prices make it impossible to meet deadlines, and we will lose sales opportunities unless we can secure multiple suppliers.” (plastic products)
 “There is a shortage of electric parts, and we are preparing to obtain the same electric parts overseas.” (other manufacturing)

Notes: 1) n is the number of firms that selected “revise sales strategy,” revise purchasing,” or “revise production” for details of revisions. 2) Each firm could select up to three reasons for revising the aspect.

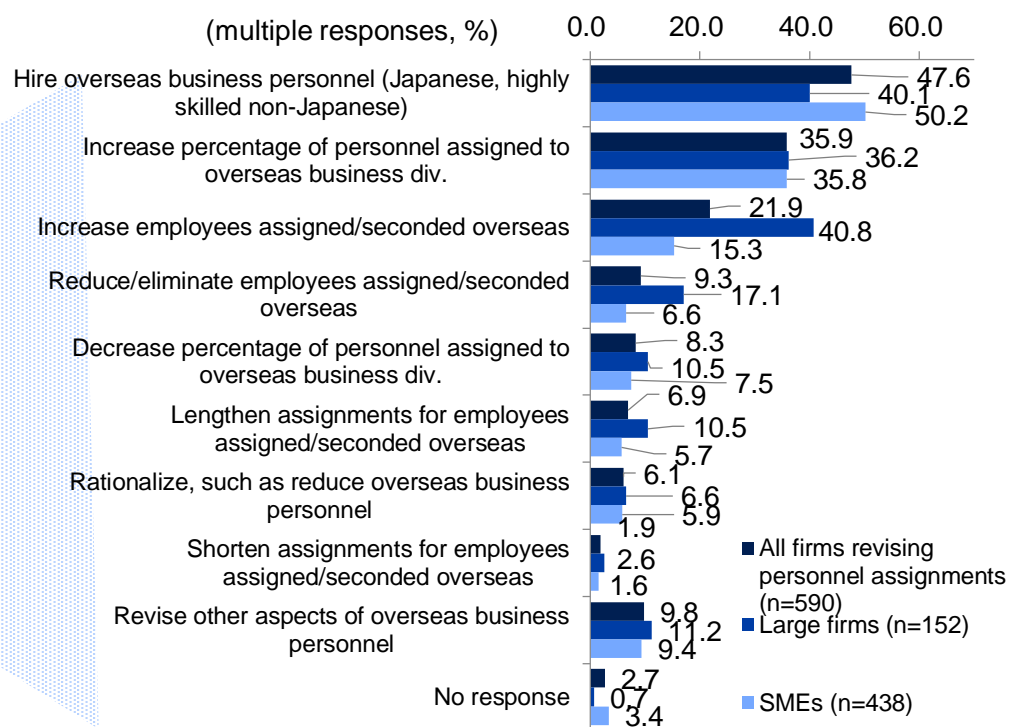
5 | More than half of large-scale firms are revising overseas business personnel assignments

- Regarding overseas business personnel assignments, the most common response was “no plans to revise” (61.8%). By size of firm, 66.2% of SMEs responded “no plans to revise,” but more than half (51.2%) of large-scale firms will revise assignments.
- Among firms that will revise personnel assignments, the top responses were related to increasing overseas business personnel, including “recruiting” (47.6%) or “increasing percentage of employees with overseas assignments” (35.9%) and “expanding or newly assigning” personnel, such as personnel posted overseas (21.9%).

Plans to Revise Overseas Business Personnel Assignments (by size of firm)



Details of Revision to Overseas Business Personnel Assignments (by size of firm)



Notes: 1) n is the total number of firms that completed the survey.
 2) The percentage of firms that responded “revise something” was calculated by subtracting the percentage of firms that responded “do not revise anything” and percentage who did not respond from 100%.

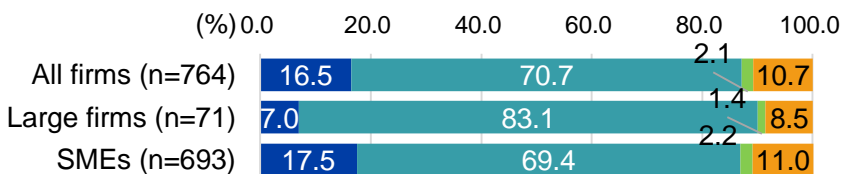
Note: n is the number of firms who selected “started to revise” for plans to revise overseas business personnel assignments.

6 | Almost half of firms will raise the real wage level for local employees

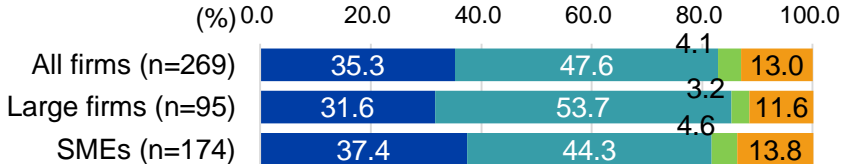
- Regarding revising real wage level for overseas business personnel, a large percentage (70.7%) said that there will be no change for workers in Japan. On the other hand, for local workers, 48.1% of firms said they will raise wages, surpassing the percentage that responded “no change” (41.6%).
- Among the free responses regarding issues and efforts related to revising real wage level of overseas business personnel were comments that in addition to the normal issues related to raising wage levels, there was distress regarding raising them because of COVID-19.

Plans to Revise Real Wage Level for Overseas Business Personnel (by size of firm)

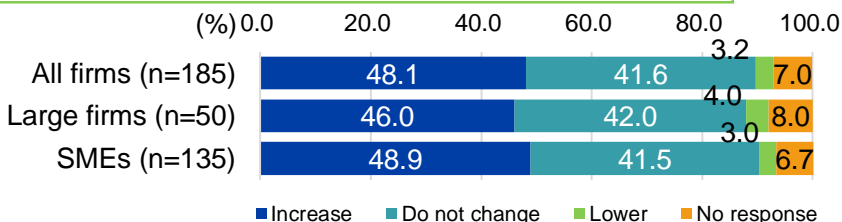
Overseas business personnel working in Japan (Japanese and non-Japanese)



Overseas business personnel working overseas (Japanese and non-Japanese)



Local workers at overseas production factories, stores, etc.



■ Increase ■ Do not change ■ Lower ■ No response

Comments Regarding Issues When Revising Real Wage Level of Overseas Business Personnel and Related Efforts

- **Comments regarding overseas business personnel working in Japan**
 “Length of overseas assignments was extended because it was not possible for employees assigned overseas to return to Japan due to COVID-19. How to handle this also become an issue. Furthermore, there are few employees who want to replace them, and wages, including risk allowance, was raised.” (trade and wholesale)
 “Expected future overseas business trips were cancelled because of the COVID-19, making it difficult to evaluate performance.” (other non-manufacturing)
- **Comments regarding overseas business personnel working overseas**
 “Issues including revising the hardship (danger) allowance related to working during the pandemic and deterioration in law and order in overseas areas where employees are assigned and creating standards.” (car parts)
 “Size of salary cuts while sales activities were suspended due to COVID-19 restrictions (set wage to maintain necessary personnel to quickly restart operations when sales are relaunched.” (other services (travel, entertainment, etc.))
- **Comments regarding local workers at overseas production factories, stores, etc.**
 “Wages for new employees are increasing, leading to a gap with workers who were hired long ago.” (clothing)
 “Increasing compensation and clarifying rules boosts labor productivity.” (metal products)
 “The issue is ensuring sales as labor costs rise overseas.” (trade and wholesale)
- **Comment related to other**
 “As remote work becomes common, it is necessary to redefine the meaning of “stationed.” (professional services (consulting, legal services, etc.))

Note: n is the number of firms that selected any of the various items related to raising the real wage level for overseas business personnel.

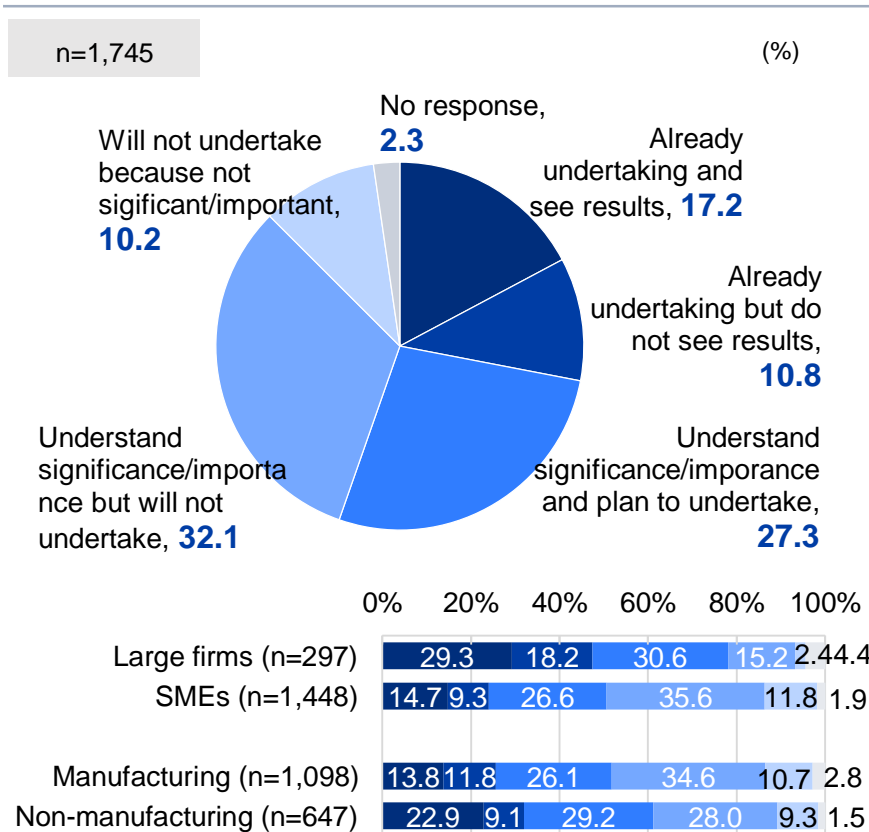
VI. Digital Technology and DX Efforts

30% of firms are undertaking DX, securing personnel is an issue

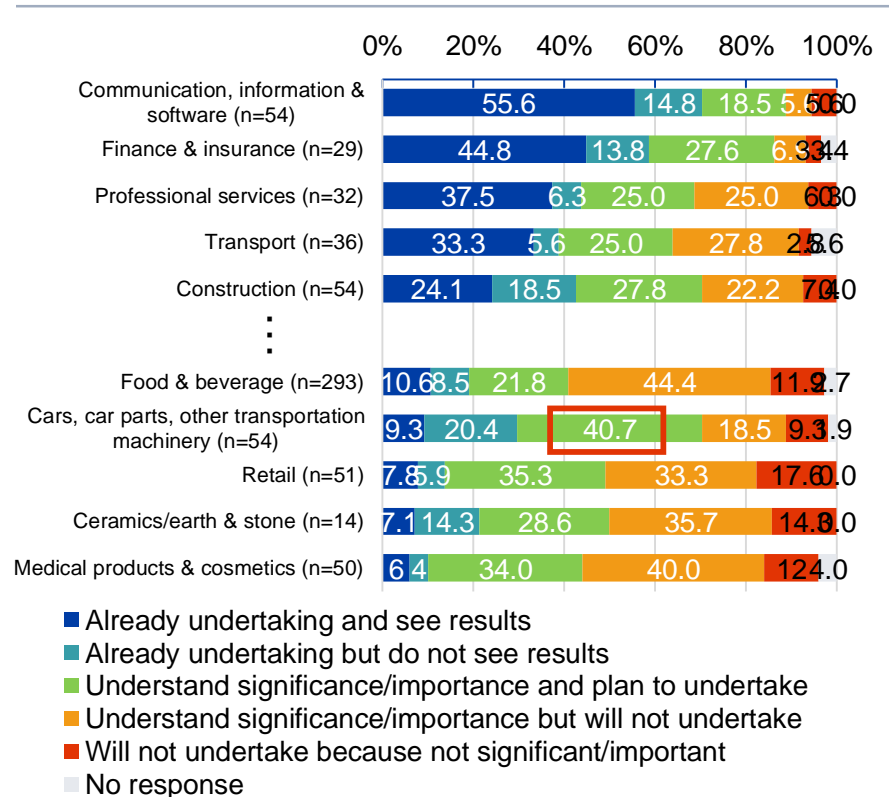
1 | Of firms undertaking DX, 17% see results

- Around 28.0% firms are undertaking DX. Of those, 17.2% see results, while 10.8% have yet to see results. Furthermore, more than 80% of firms not undertaking DX are aware of its significance/importance.
- Looking at the state of DX efforts by industry, many non-manufacturing firms in fields such as communication, information and software, finance and insurance, and transport are aware of results. On the other hand, many firms (40.7%) in the field of cars and car parts plan to take action.

State of DX



State of DX (by industry)

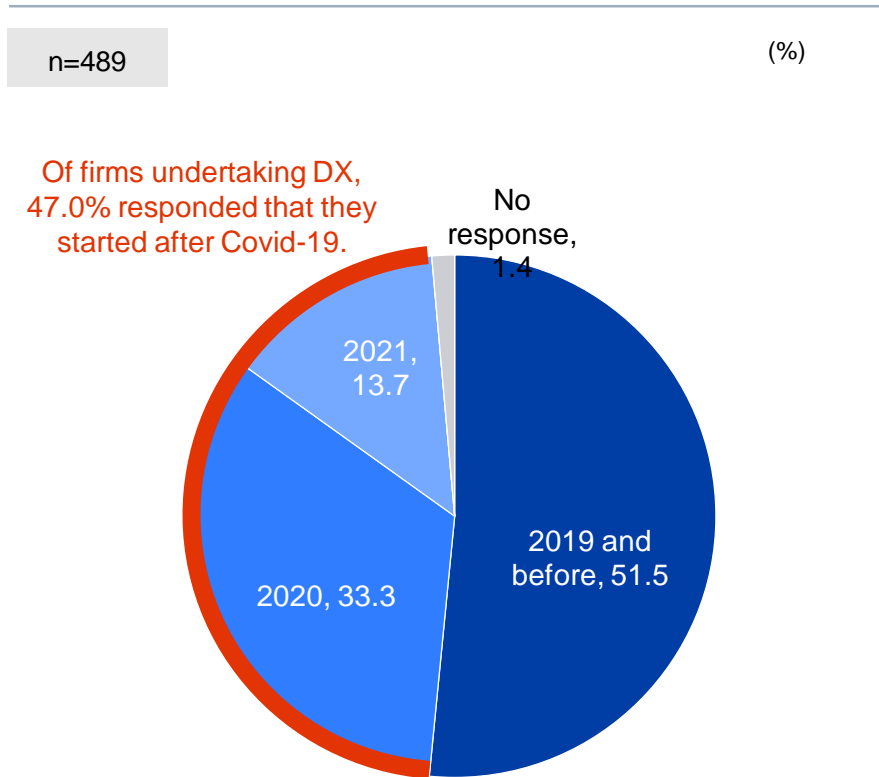


Note: The top and bottom five industries are listed.

2 | Accelerating DX after Covid-19, still a long way to go

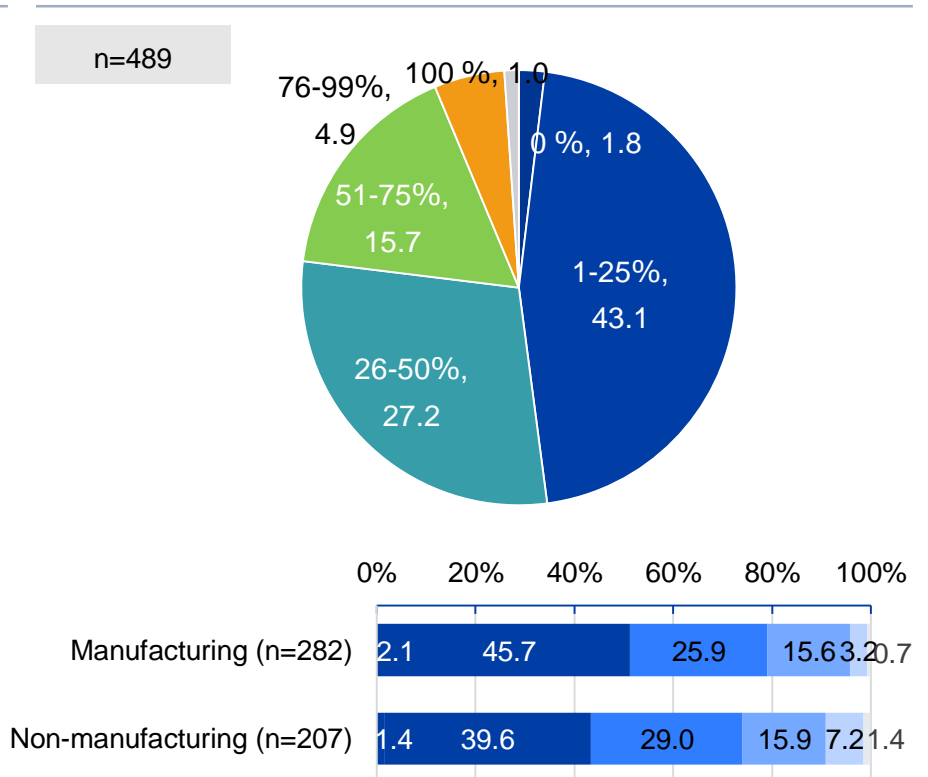
- Of firms already undertaking DX, 47.0% launched after 2020, indicating that about half of them started DX after Covid-19.
- On the other hand, more than half of firms have achieved less than 25%, indicating that most firms have not achieved their goals. Only about 5.9% of total responded they have achieved 76% or more.

When Launching DX



Note: n is the number of firms that responded they are already undertaking a DX.

Degree DX Achievement

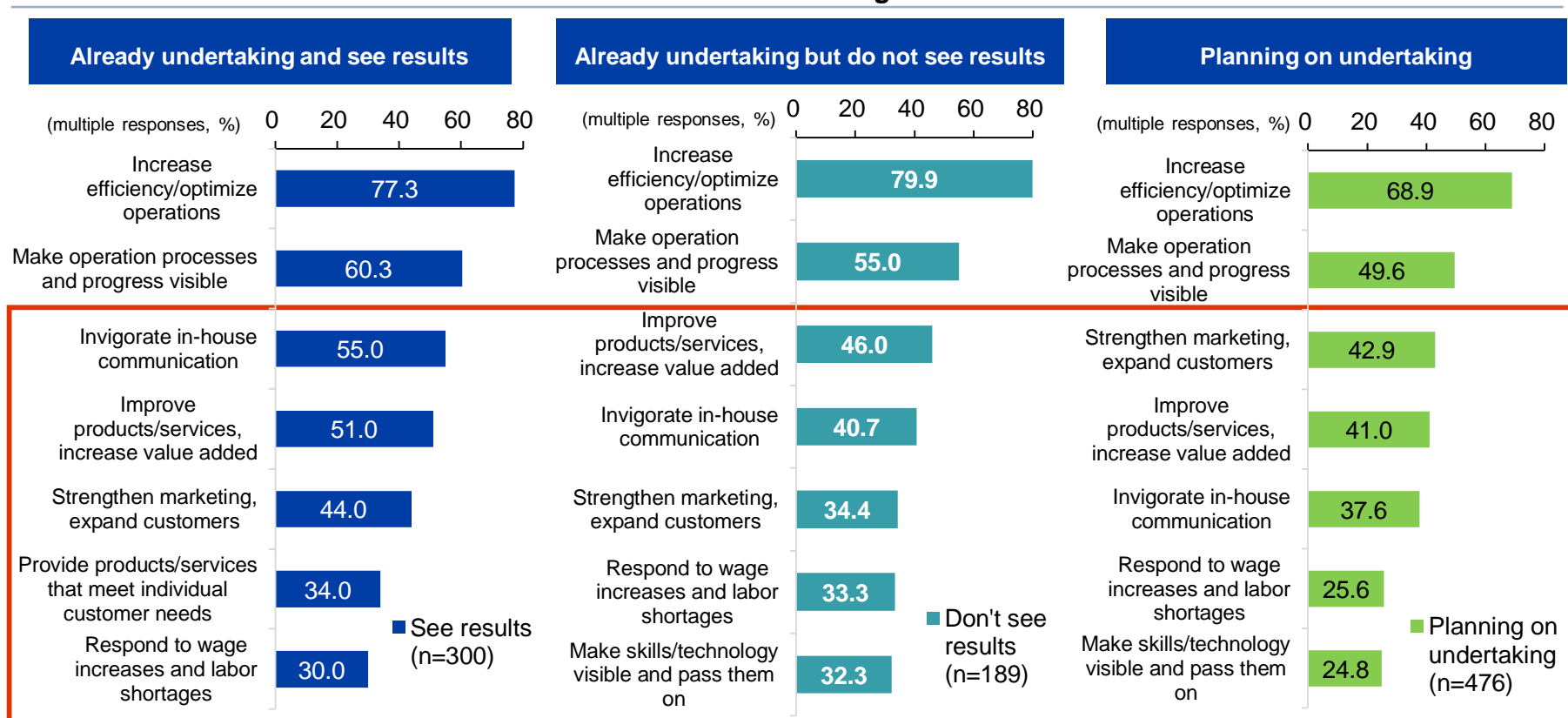


Note: n is the number of firms that responded they are already undertaking a DX.

3 Main objective is increasing operational efficiency

- When asked about the purpose of their DX efforts by stage—firms already undertaking DX and see results, firms already undertaking DX but do not see results, and firms planning on undertaking a DX— differences were seen in the third place and below.
- Firms planning to implement DX in the future will consider “improve/optimize operational efficiency” and “make visible operation processes and state of progress” but also to “strengthen marketing and expand sales network” and “improve products and services” and “increase value added.”

Goal for Promoting DX



Note: Only the top 7 items are given

4 | DX promotion challenge is securing HR

- Regarding challenges in promoting DX, the most common response was a lack of personnel. Some commenters said that they could not increase personnel expenses due to shrinking sales in the Covid-19. Each company will be forced to take measures such as assigning dedicated personnel and hiring highly-skilled foreign personnel.
- In addition, some firms cited costs (e.g. lack of cost-effectiveness), lack of information and knowledge, and lack of in-house understanding as well as their counter measures.

Comments Regarding Issues Related to Promoting DX and Responses

Comments from firms with issues

- Due to a lack of digital personnel, effective marketing is not being done. This fiscal year, we started to focus on providing product information via SNS and expect to see results. (information and software)
 - **Sales have shrunk due to the pandemic, we lack the wherewithal to increase labor costs.** (clothing)
 - It is unclear if the personnel we have recruited can undertake an effective DX. (trade and wholesale)
-
- Costs, such as those for operation and maintenance, are growing. (IT equipment)
 - Because the various systems are interrelated in a complex manner, it is necessary to use a complex structure when introducing a new system. **The benefits, therefore, will be limited considering costs,** which is a problem. (trade and wholesale)
-
- **Not sure what systems,** etc., could be used due to the small size of the company. (food & beverages)
 - It is difficult to effectively examine how to operate the system because **there are few examples.** (food & beverages)
 - Since we have not examined any concrete measures, we want to determine what organizations we can consult with regarding future problems and gather information. (construction)
-
- Due to a lack of understanding within the company, the person in charge is promoting the project within the scope of his/her own discretion. As a result, the company has not made any major moves, and only local improvements have been made (printing and related services).
 - We are a small company and feel that the only way to get employees to do it is for the **president to show how it is done.** (food and beverages)

Personnel

Costs

Information/
knowledge

In-house
understanding

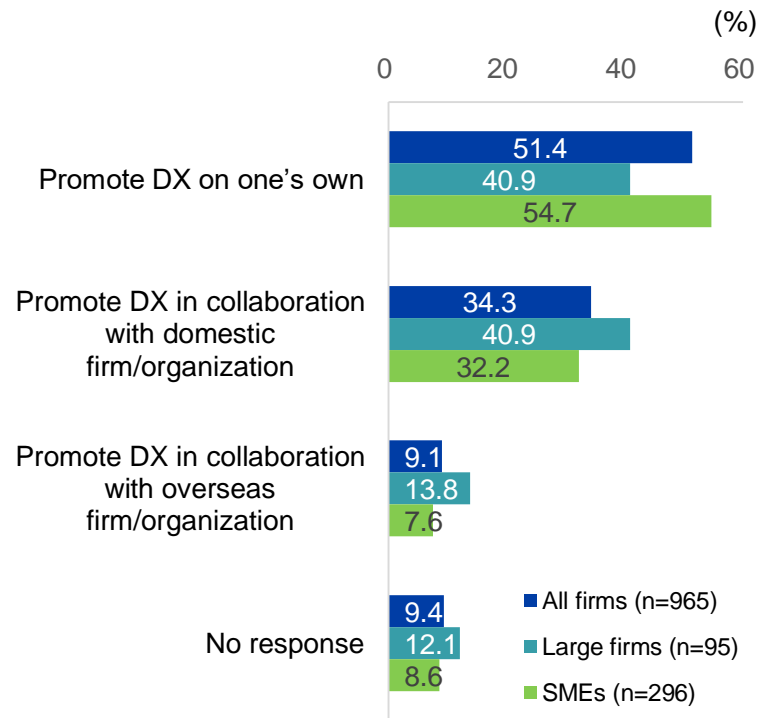
Comments of firms responding to issues

- There is an extreme shortage of skilled personnel for cross-border EC. Some of the work is outsourced. (agricultural, forestry, marine products)
 - We hired **skilled overseas personnel from Thai** in response to difficulty to recruit DX personnel. (construction)
 - The main issue is a shortage of engineers, and a dedicated person has been selected to deal with issues intensively. Progress and results are announced monthly, and action is taken to address any issues (other manufacturing).
-
- Regarding the high introduction and operating costs, it would be desirable to introduce a system that can contribute to an increase in sales (trade and wholesale)
 - Because there are a wide range of issues, such as personnel, costs, and cost benefit, **we are moving forward with what can be done by prioritizing.** (general machinery)
-
- The project has also been set up for training and is proceeding **under the facilitation of external experts (consultants)** (general machinery).
 - DX training is provided for new employees at technical colleges and universities and for those with programming experience, to build a system that enables a certain level of programming in-house, while at the same time **cooperating with external partners** to address the issue (chemicals).
-
- To promote in-house understanding, we **conduct interdepartmental seminars** and cultivate an environment in which each department can feel the need for DX. (food and beverages)
 - There is a lack of awareness of DX, including at the management level, so efforts are being made **starting with awareness raising through external training,** etc. (chemicals)

5 | For DX, collaborating with outside see greater results

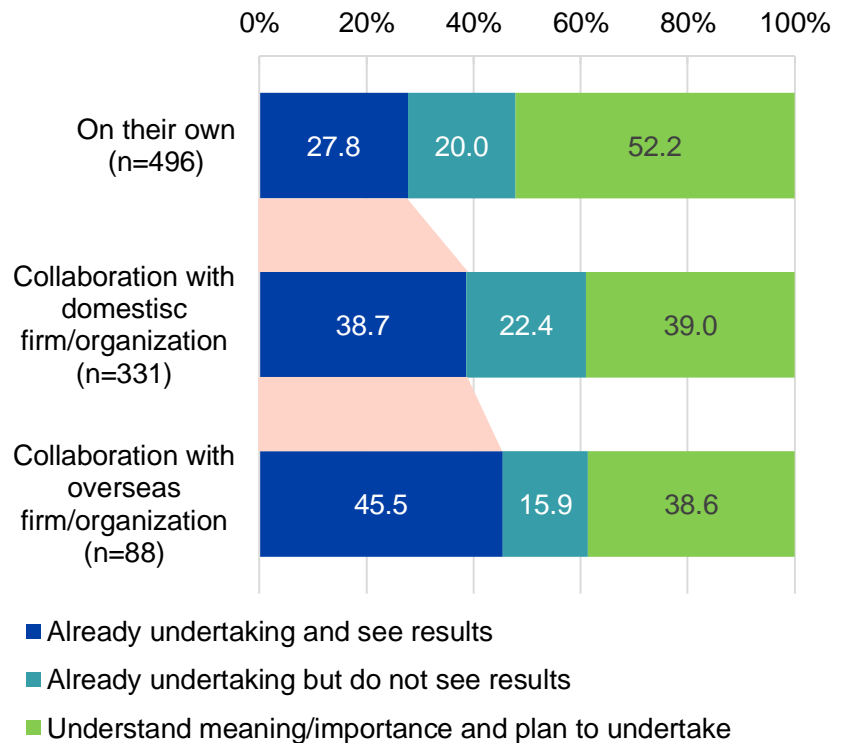
- More than half (51.4%) of firms are undertaking DX solely on their own. In addition, 34.3% responded “undertake DX in collaboration with domestic firm/organization” and 9.1% responded “undertake DX in collaboration with overseas firm/organization.”
- Multiplying the degree of collaboration and results, firms that undertake DX in collaboration with a domestic or overseas partner are more likely to see results than firms that undertake DX on their own.

Collaboration Method to Promote DX (including plans)



Note: n is the number of firms that responded they are undertaking DX or understand the significance/importance of DX. Multiple responses were OK only for firms conducting DX in collaboration with domestic or overseas entity.

Collaboration Method and Extent of Seeing Results

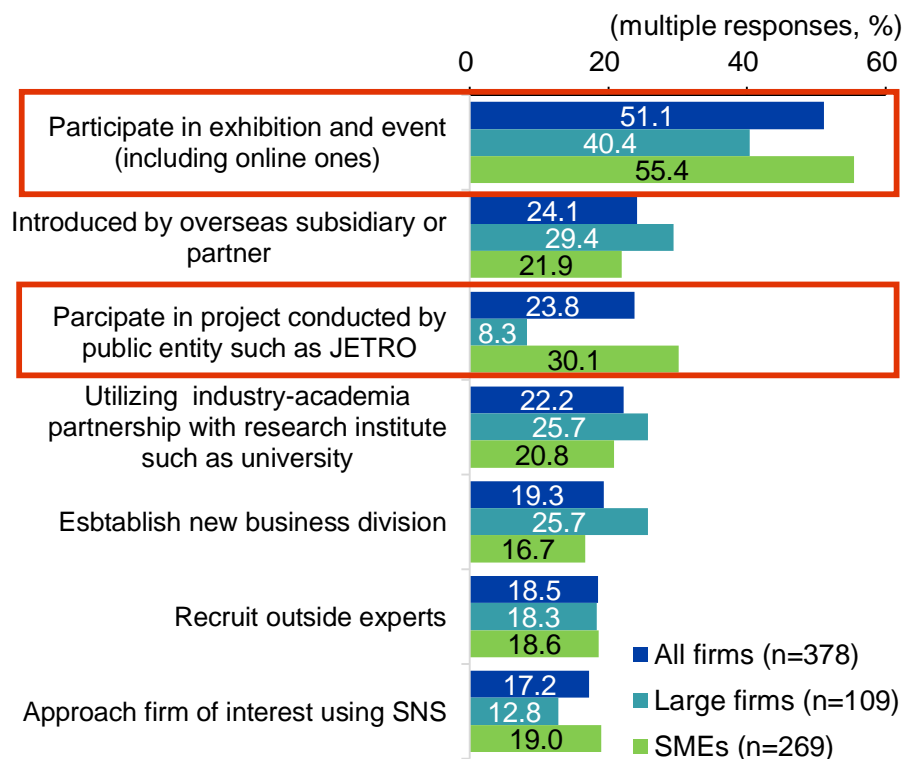


Note: n is the number of firms that responded they are undertaking DX or recognize the significance/importance of DX.

6 | Half of firms found a DX partners at exhibition

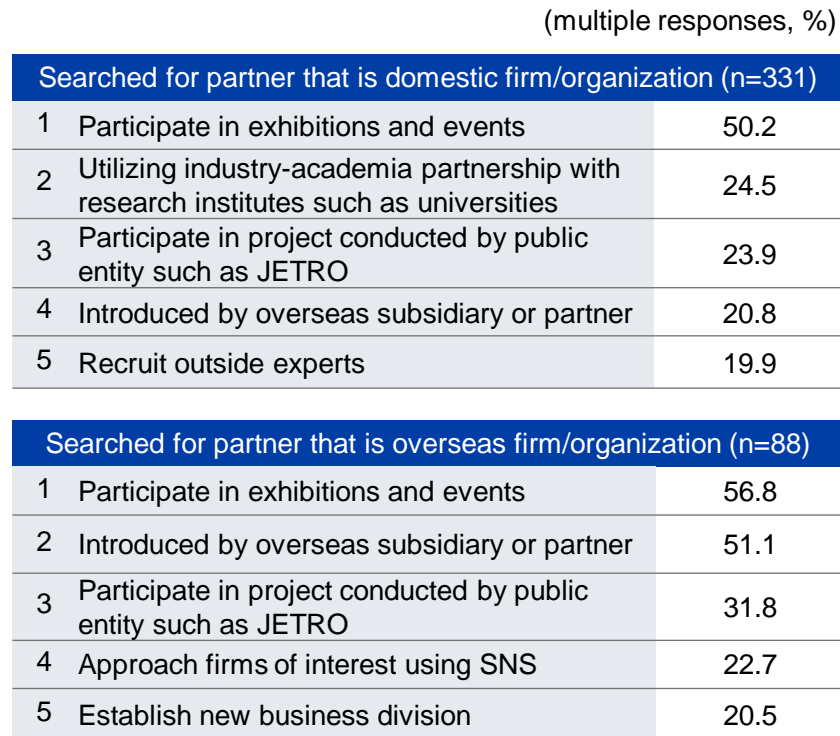
- In terms of attributes/methods of seeking business partners, "participation in exhibitions" was the most common, accounting for more than half of the respondents. Among SMEs, 30.1% utilize "participation in project conducted by public entity, such as JETRO."
- The second most common method of seeking out business partners in Japan was "utilizing industry-academia partnership with research institutes such as universities" while the second most common method of seeking out business partners overseas was "introduced by overseas subsidiaries and partners."

Partner Affiliation and Method Used to Find Partner



Note: n is the number of firms that responded they are undertaking (or plan to undertake) DX in collaboration with domestic or overseas firm. Only the top 7 responses are listed.

Partner Affiliation and Method Used to Find Partner



Note: n is the number of firms that selected the particular collaboration method. Only the top 5 responses are listed.

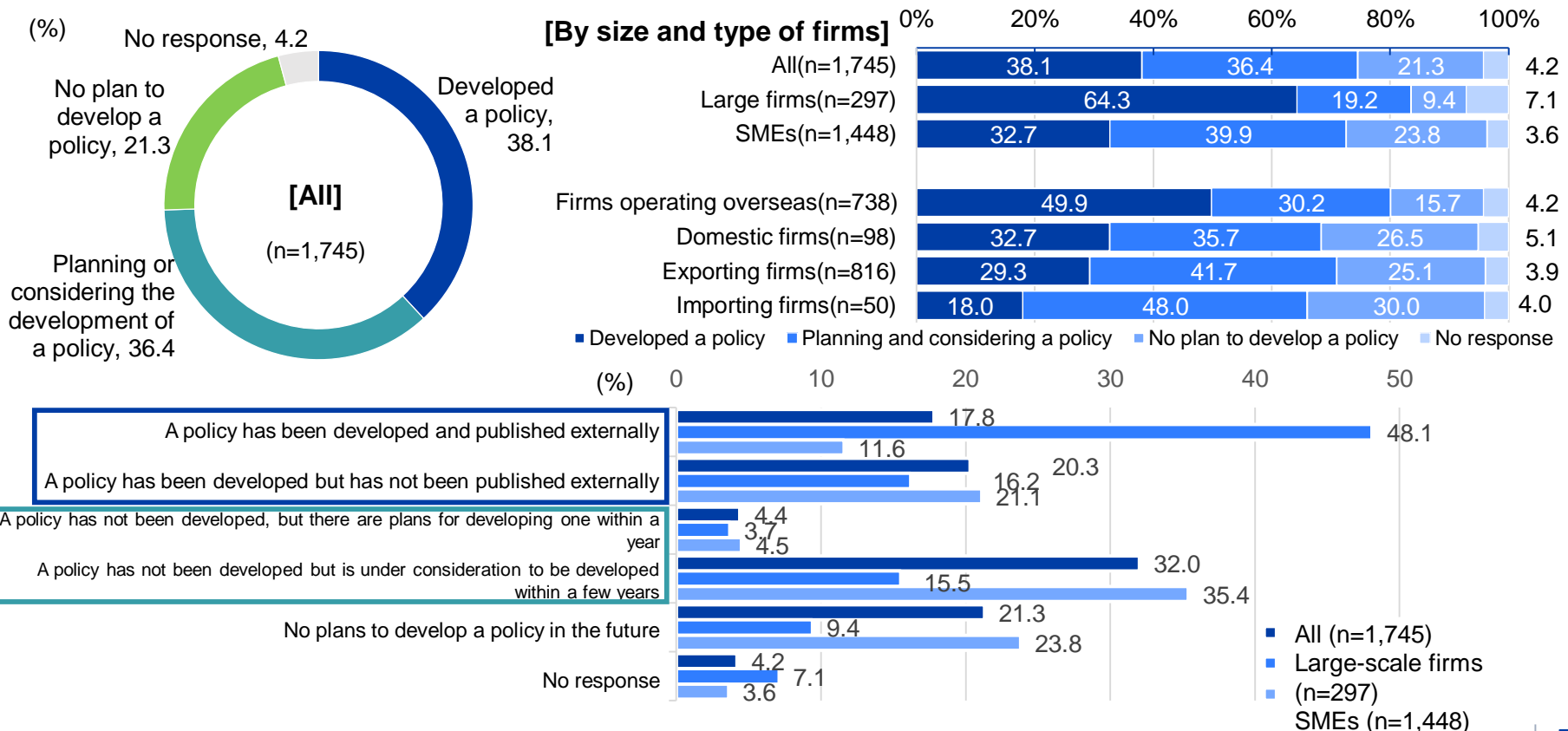
VII. Efforts for Human Rights

-2021 as a milestone for the development and consideration of a human rights policy-

1 | 36.4% are either developing or considering a policy on the respect for human rights

- 38.1% responded that they have “developed” a policy on the respect for human rights, while 60% have not. 36.4% are either planning or considering the development of one, when “planning to develop one within a year” and “considering to develop one within a few years” are combined.
- Percentage of firms which have already developed a policy was 64.3% for large-scale firms, while it was 32.7% for SMEs. This shows a large gap between firms of a different size.

Status of development and publication of a policy on respect for human rights

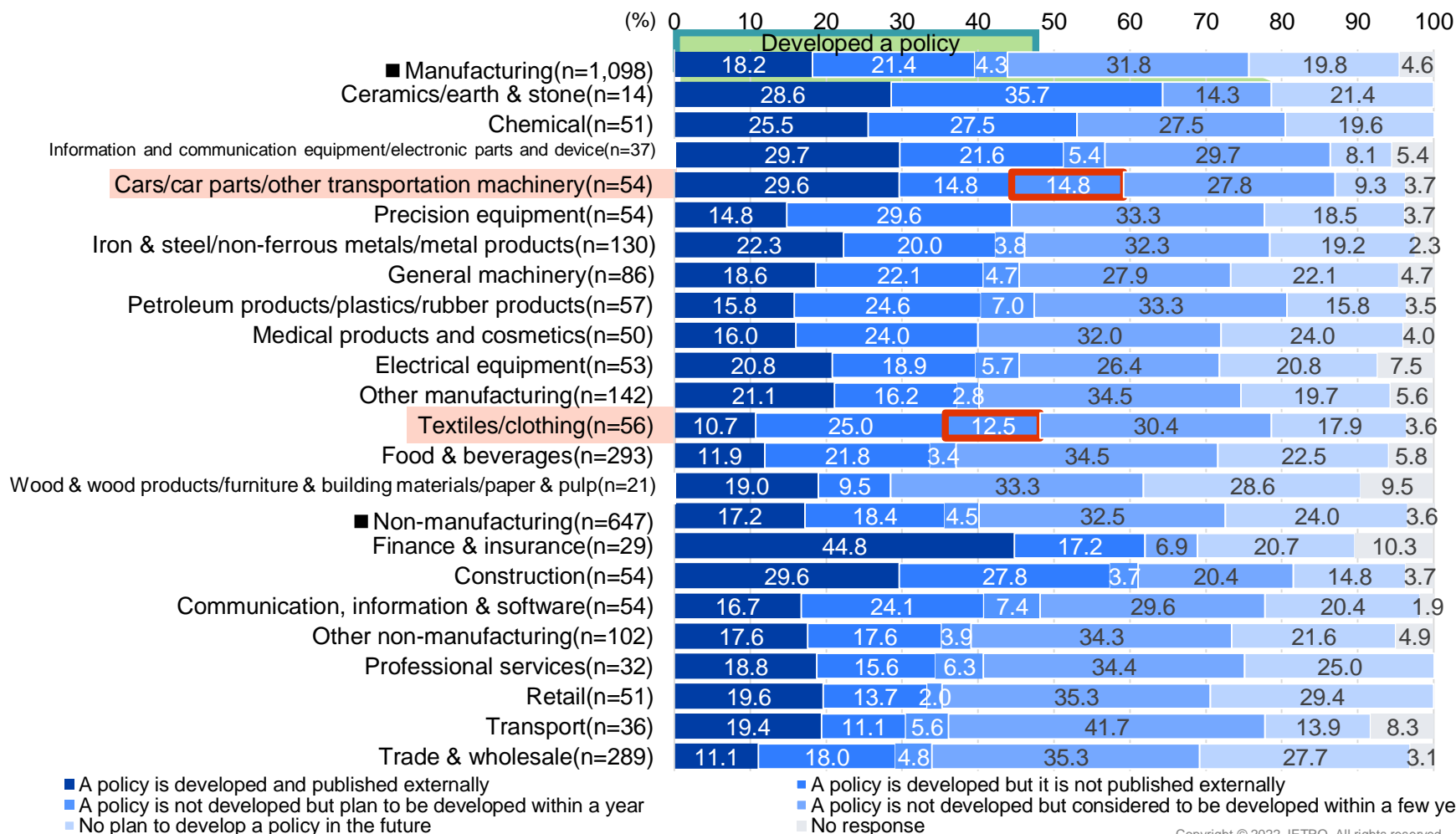


Note: "n" represents the total number of firms responded.

2 | 10% in automobile and textiles/clothing plan to develop a policy within a year

- 50% or more firms have already developed a human rights policy in ceramics/earth & stone, chemical, IT equipment/electronic parts & devices, as regards the manufacturing sector; and in finance, insurance, and construction, as regards non-manufacturing sectors. Many from the cars and car parts and textiles/clothing sectors said they “plan to develop one within a year.”

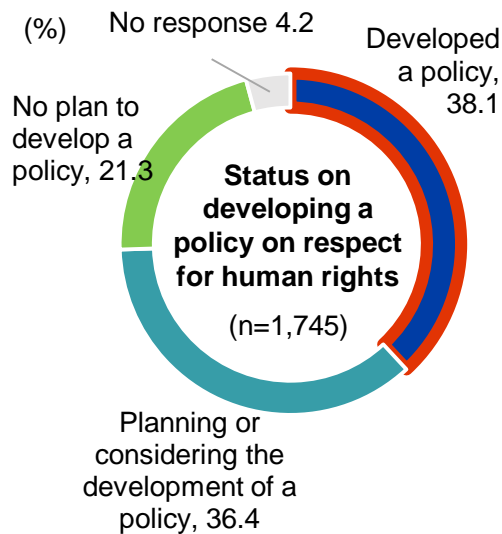
Status of the development and publication of a policy on the respect for human rights (by industry type)



Note: "n" represents the total number of firms responded.

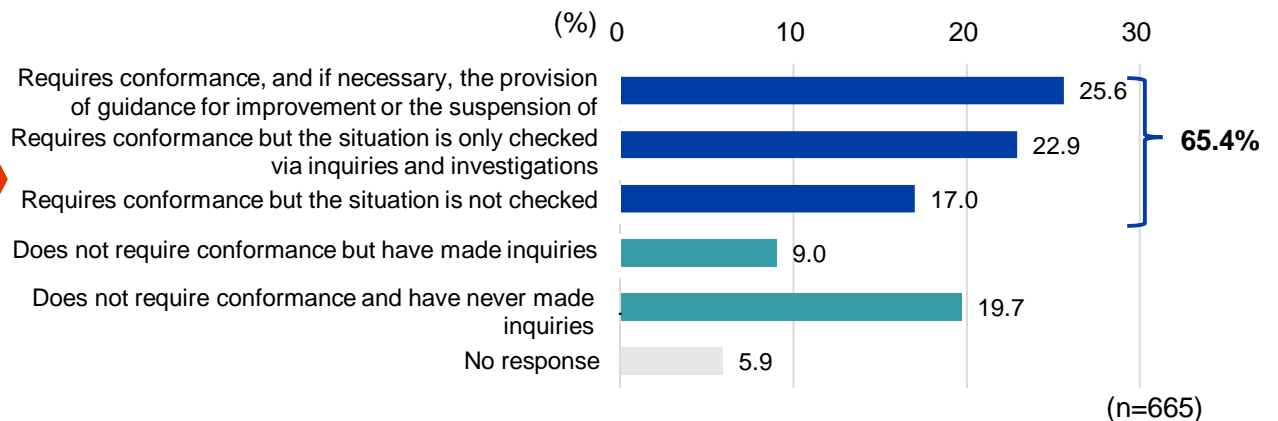
3 | Over 60% of firms with a policy requested conformity from suppliers

- 65.4% of the firms with a human rights policy asked their suppliers to conform to the policy on workers' rights, safety and health.
- 81.6% of domestic suppliers and 26% of foreign suppliers were asked to conform.



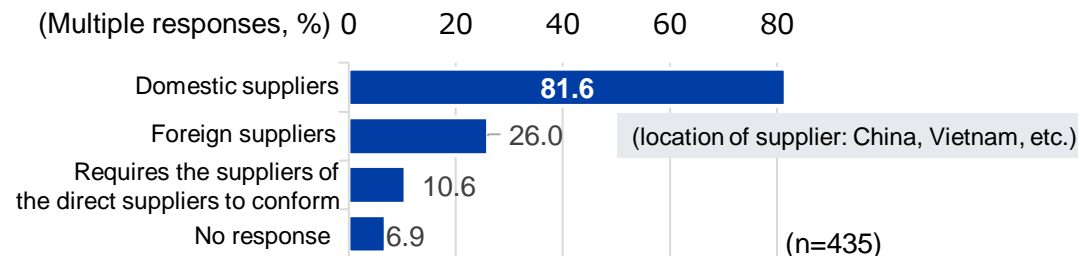
Note: "n" represents the total number of firms responded.

Status on the request for conformity with the policy on workers' rights, safety and health from suppliers (Firms with developed policy)



Note: "n" represents the number of firms that responded, "a policy is developed and published externally" and "a policy is developed, but it is not published externally"

Suppliers required to conform

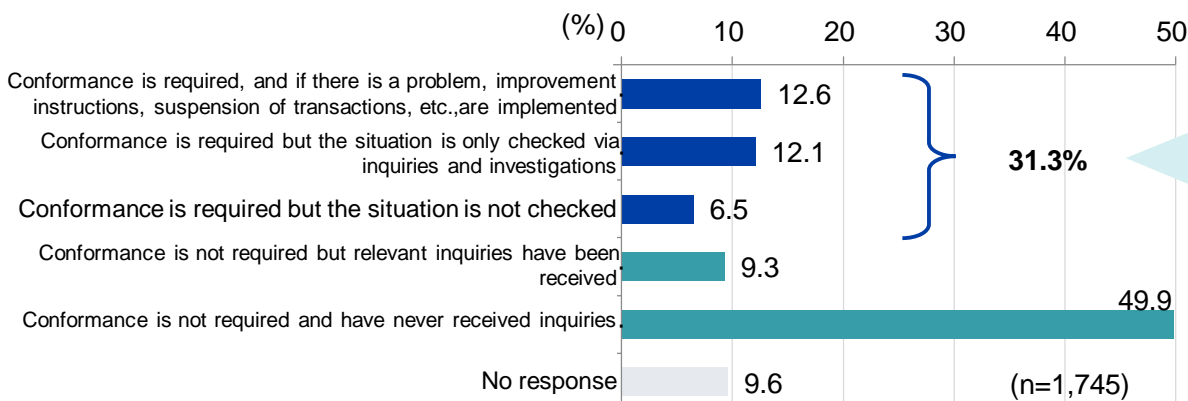


Note: "n" represents the number of firms which responded that they required their suppliers to conform to the policy on workers' rights and safety and health.

4 | 30% of firms were required to conform with the human rights policy by clients

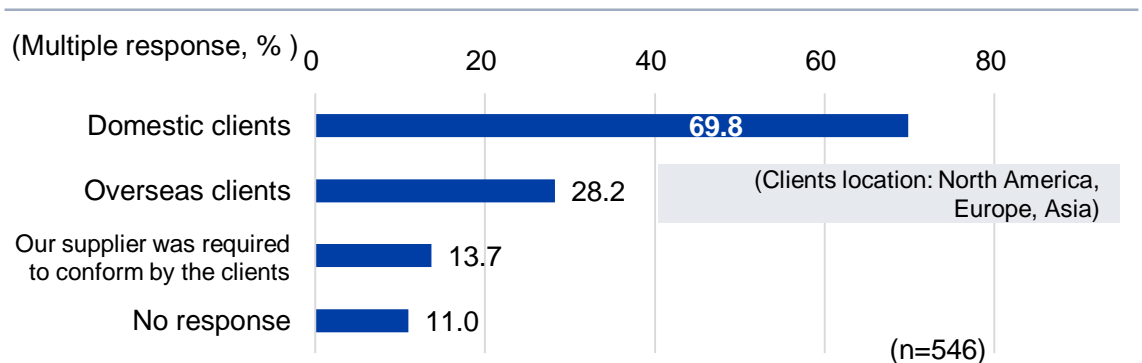
- 31.3% of total were required to conform with the policy on respect for human rights by clients at home and abroad. If the firms receiving relevant inquiries are included, 40% in total were involved in the handling of human rights by clients to a certain extent.
- Of the firms that were requested to conform with the policy by clients, 66.7% had developed a policy on the respect for human rights.

Status of conformity with the policy on workers' rights and safety and health by clients



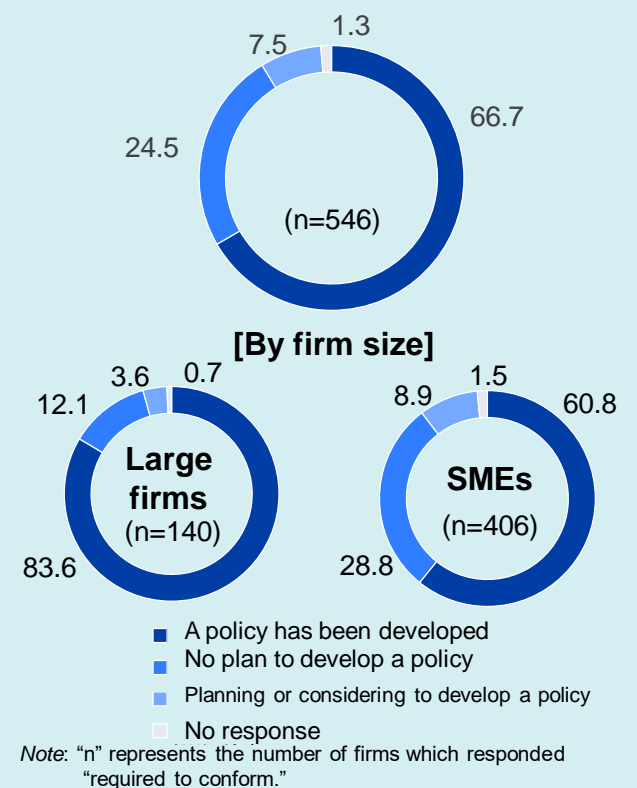
Note: "n" represents the total number of firms responded.

Clients required to conform with the policy



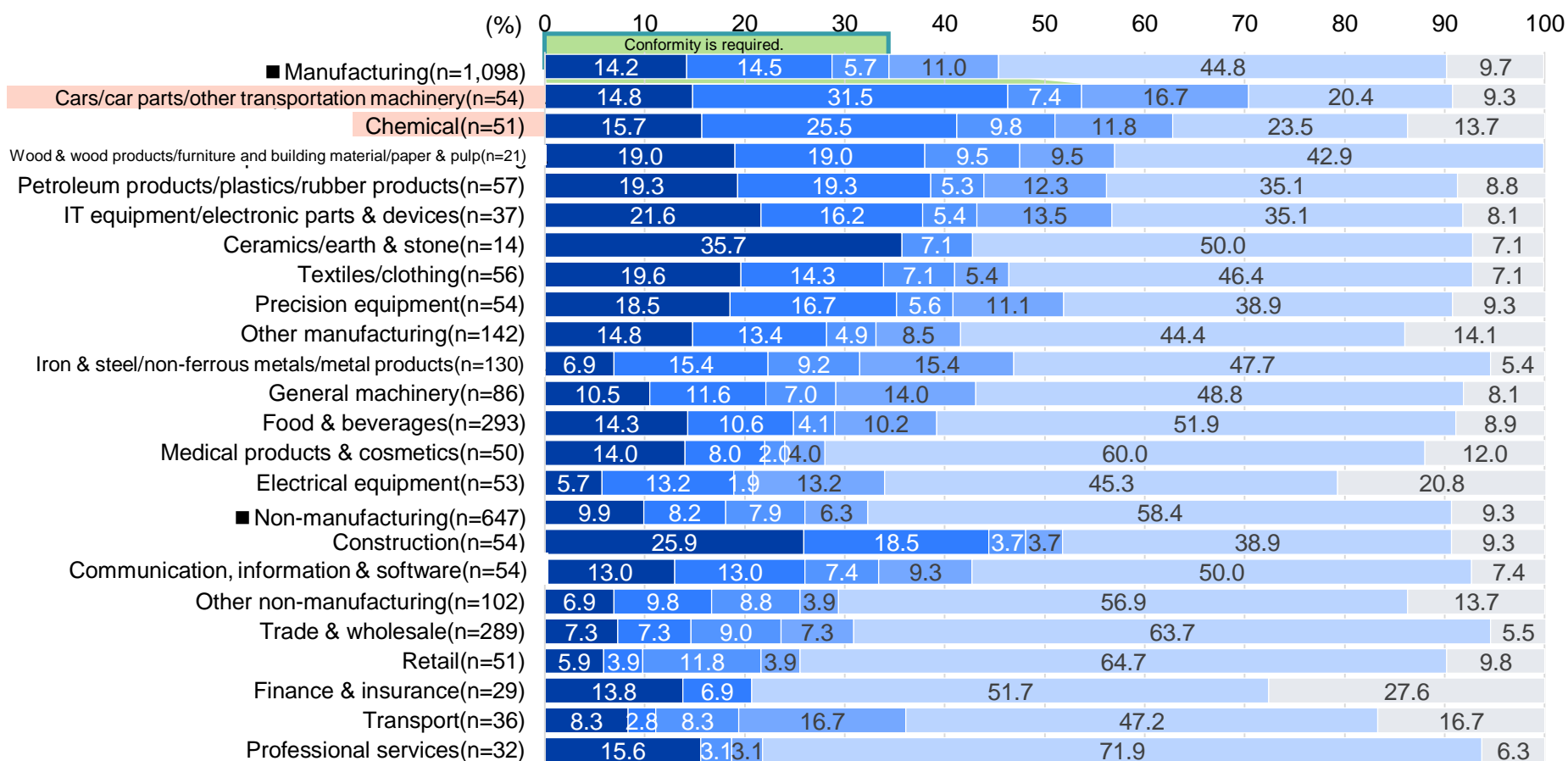
Note: "n" represents the total number of firms responded.

Status of the development of a policy on the respect for human rights by the firms required to conform to the policy by the clients



5 | 50% or more in the automobile and chemical sectors were required to conform with the policy by the clients

Status of conformity with the clients policy on workers' rights, safety and health (by industry)



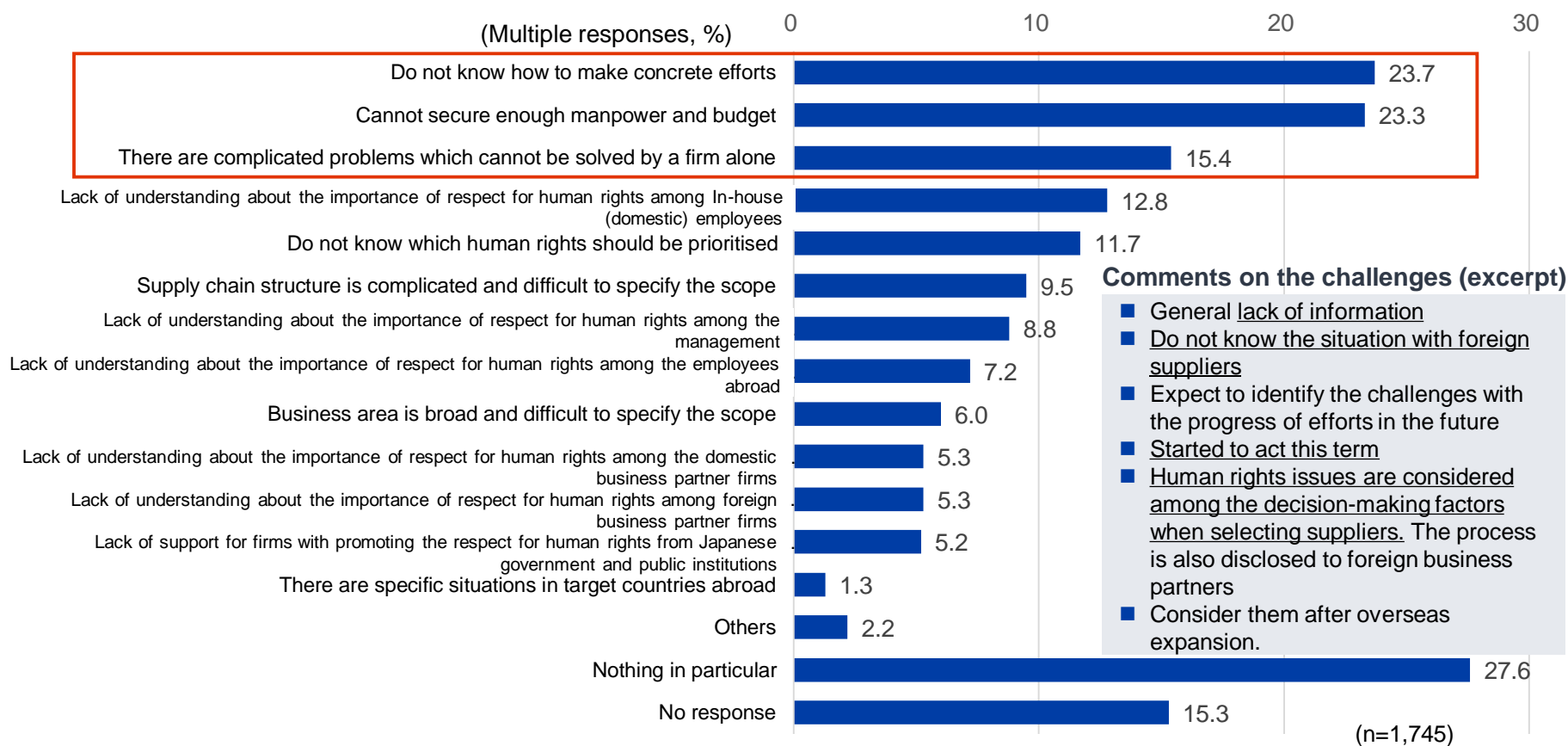
- Conformity is required, and if there is a problem, the measures for guidance for improvement or suspension of transactions are indicated
- Conformity is required, but only the situation is checked by inquiries and investigations, and measures including instructions for improvement or suspension of transactions are not indicated
- Conformity is required, but the actual situation is not checked
- Conformity is not required, but the relevant inquiries and investigations have been made
- Conformity is not required, and neither relevant inquiries nor investigations have been made
- No response

Note: "n" represents the total number of firms responded.

6 | Challenge is lack of information, manpower and cost

- “Don’t know how to make concrete efforts” (23.7%), “cannot secure enough of a budget” (23.3%), and “there are complicated problems that cannot be solved by the firm alone” (15.4%) were listed as the top three challenges for building a supply chain abroad that respects human rights.

Challenges for building a supply chain abroad that respects human rights



Note: "n" represents the total number of firms that responded.

VIII. Action for De-carbonization and SDGs

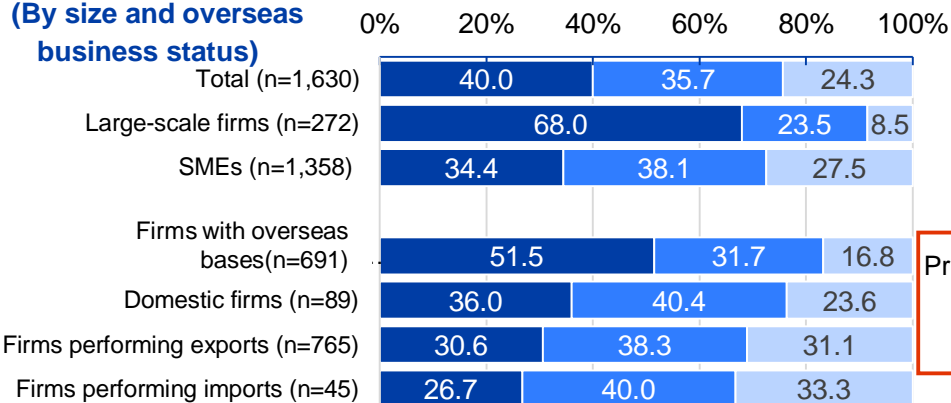
-Signs of accelerating action in certain industries -

1 | Difference on the level of action for de-carbonization

- On the de-carbonization in Japan, 40% responded “already taking action”. SMEs has lower ratio responded “already taking action”, compared to large-scale firms in actions both in Japan and overseas.
- In “supply of renewable energy and new energy power” and the “implementation of social contribution activities”, each ratio of SMEs is 10 or more points lower than large-scale firms. Profitability is considered to be one of the bottlenecks when SMEs implement de-carbonization.

Action for de-carbonization in Japan

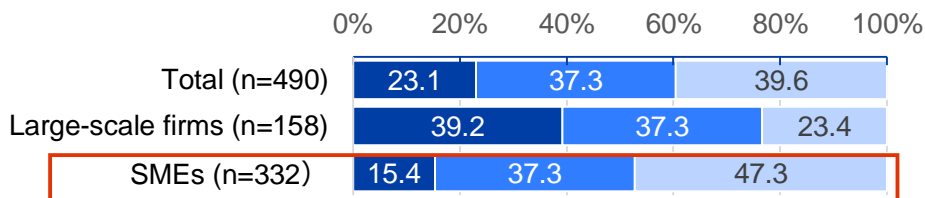
(By size and overseas business status)



Note: “n” represents the number of firms that responded excluding ones with “no response.”

Action for de-carbonization overseas

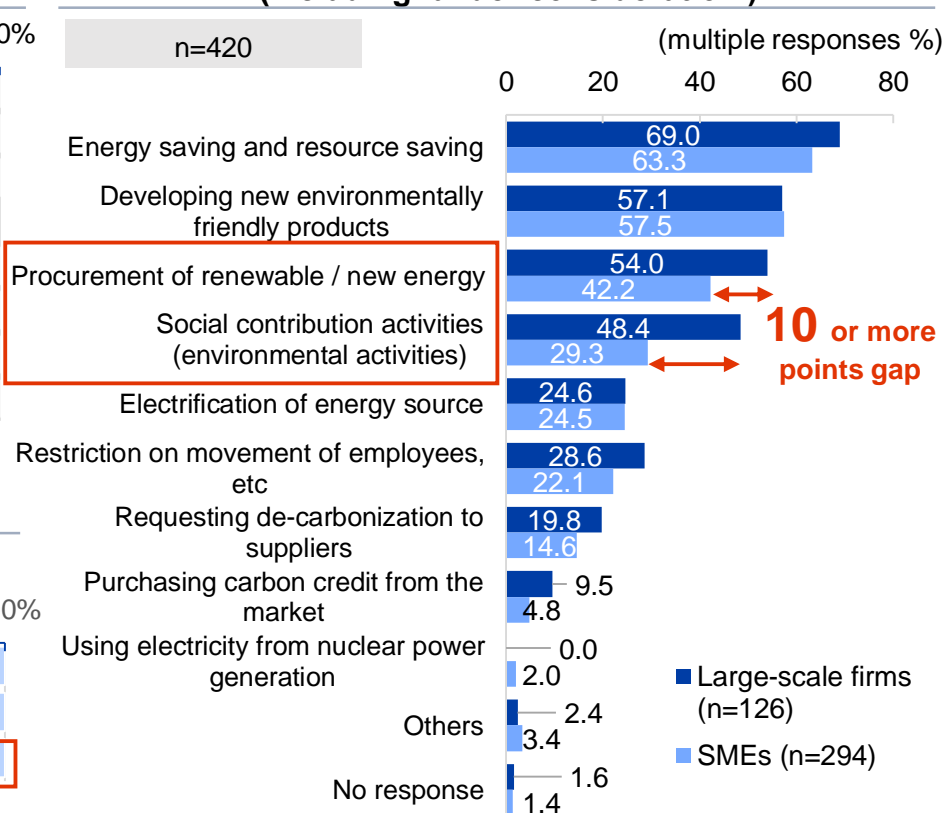
(Only firms with overseas basis)



- Already taking action
- Not taking action yet, but under consideration
- No plan to take action

Note: n= total number of respondent firms, excluding “no response.”

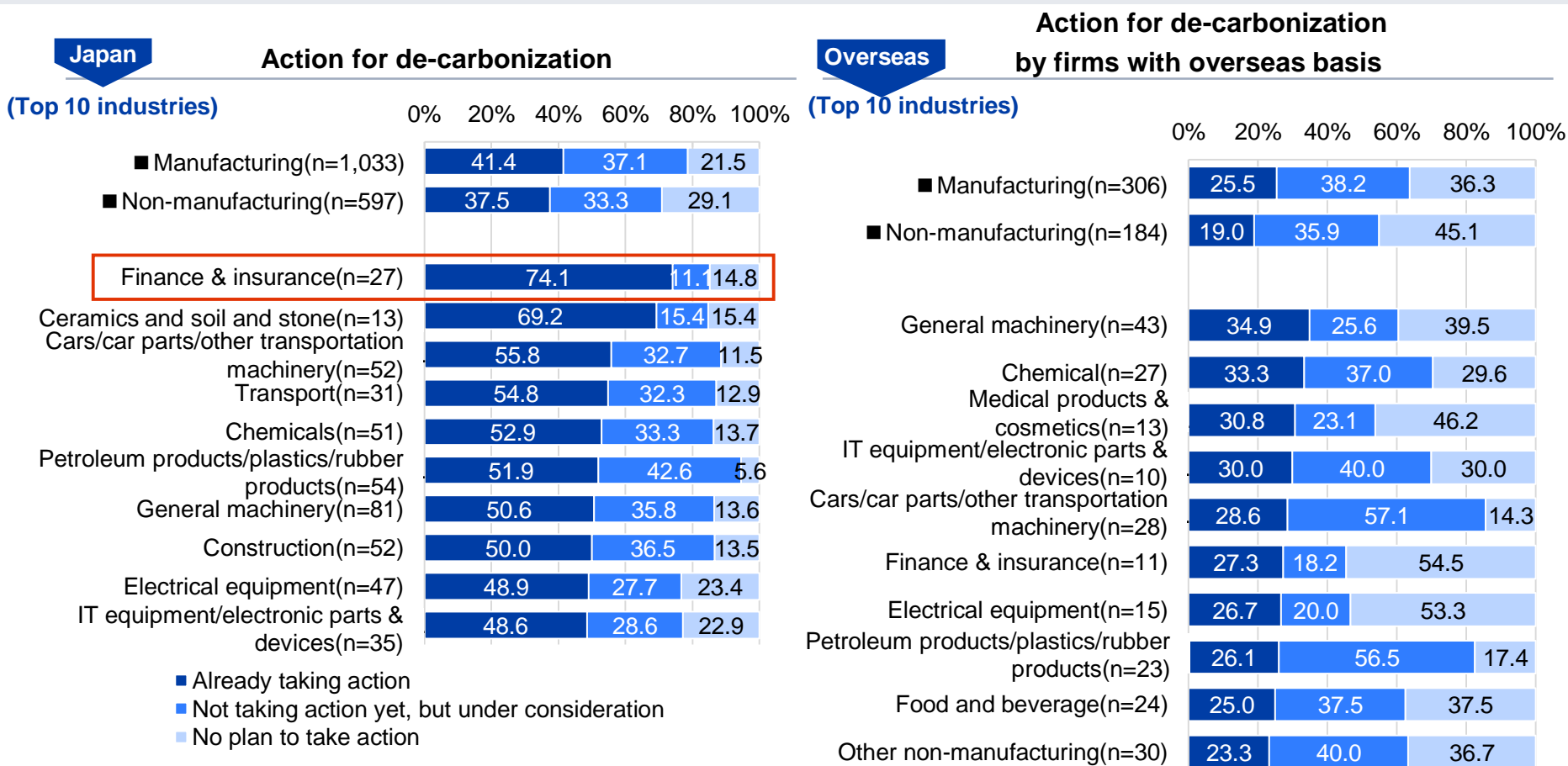
Specific action for de-carbonization (including ‘under consideration’)



Note: n= total number of respondent firms that responded “already taking action” or “not taking action yet, but planning in the future.”

2 | “Finance and insurance” is leading in Japan

- Manufacturing has a higher ratio of selecting “already taking action” compared with non-manufacturing. It can be presumed the emission of carbon of manufacturing is more than non-manufacturing.
- “Finance and insurance” has the highest ratio of “already taking action” in Japan at 74.1%. The main actions include providing green finance and limiting the loans and insurance underwriting for carbon emission-related projects. “General machinery” was the highest at 34.9% regarding the action overseas.

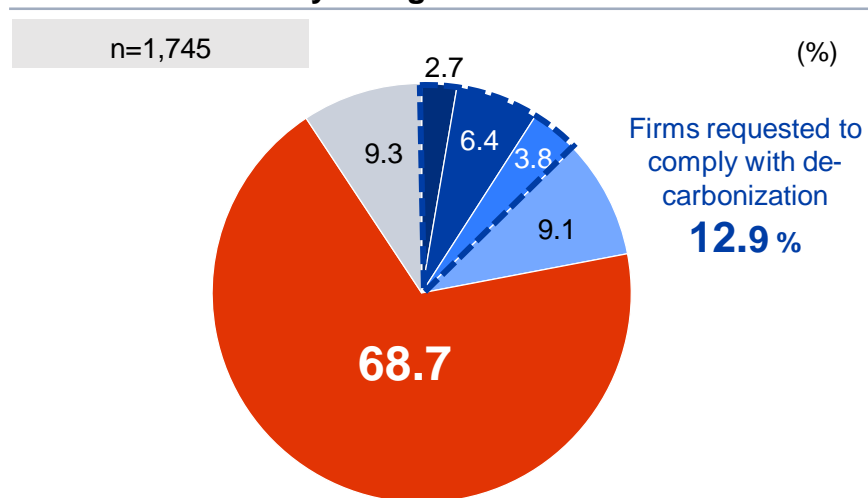


Note: n= total number of respondent firms, excluding “no response.”
The industry in which the number of firms is less than 10 is not displayed.

3 | Requests by clients increasing in certain industries

- About 70% of firms responded “No requested to comply, and no any related inquiries and investigations”.
- Total ratio including “requested to comply” stays at 12.9%. Some firms have requested by foreign clients in some industries such as transportation equipment, ceramics, information and communication equipment/electronic parts and devices, and chemical.

Request for complying with de-carbonization policy by foreign clients



- Requested to comply, and measures such as instructions for improvement or suspension of transactions are indicated clearly if problem occurs
- Requested to comply, but limited to checking of status by inquires and investigations
- Requested to comply, but actual checking of status is not carried out
- No requested to comply, but received related inquiries and investigations
- No requested to comply, and no any related inquiries and investigations
- No response

Request for complying with de-carbonization policy by foreign clients (top 5 industries)

(%)

Requested to comply, and measures such as instructions for improvement or suspension of transactions are indicated clearly if problem occurs	(%)
Cars/car parts/other transportation machinery (n=54)	7.4
Ceramics, soil and stone (n=14)	7.1
Finance & insurance (n=29)	6.9
IT equipment/electronic parts & devices(n=37)	5.4
Petroleum products/plastics/rubber products(n=57)	5.3

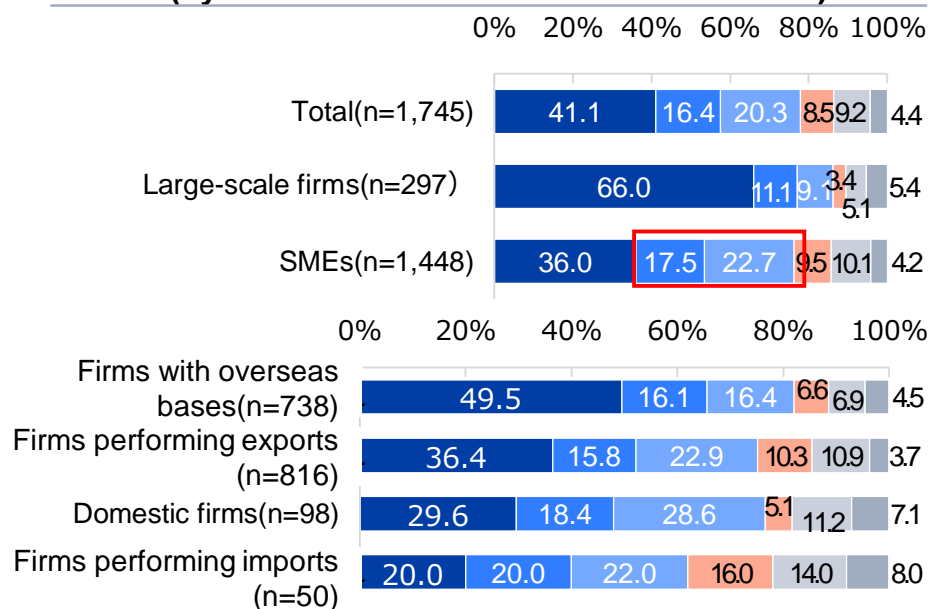
Requested to comply, but limited to checking of status by inquires and investigations	(%)
Chemical (n=51)	21.6
Cars/car parts/other transportation machinery(n=54)	16.7
IT equipment/electronic parts & devices(n=37)	10.8
Textiles/clothing (n=56)	10.7
Petroleum products/plastics/rubber products(n=57)	10.5

Requested to comply, but actual checking of status is not carried out	(%)
Ceramics, soil and stone (n=14)	14.3
Wood & wood products/furniture & building materials/paper & pulp (n=21)	9.5
Cars/car parts/other transportation machinery(n=54)	9.3
Chemicals (n=51)	7.8
General machinery (n=86)	5.8

4 Main action for SDGs focusing on “de-carbonization”

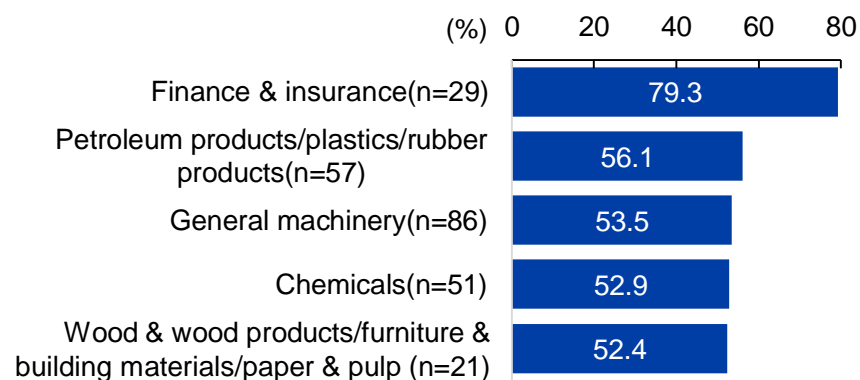
- About 70% of the large-scale firms responded, “already taking action.” SMEs have a lower ratio at 36.0% responded “taking actions,” but the ratio including responses of under consideration became another 40% .
- Main actions for SDGs included “energy conservation”, “renewable energy introduction”, “decreasing environmental burden”, “developing environmentally friendly products”, and “recycling” which relates with the goals of “7: energy”, “12: responsible consumption and production”, and “13: climate change”.

Action for the contribution to achieve SDGs
(by size and and overseas business status)

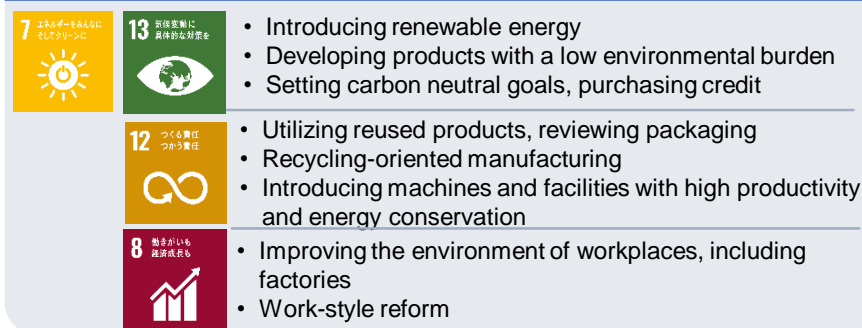


Action for the contribution to achieve SDGs
(by industry)

Top 5 industries with a high ratio of “taking actions”



Main actions to contribute to achieve SDGs

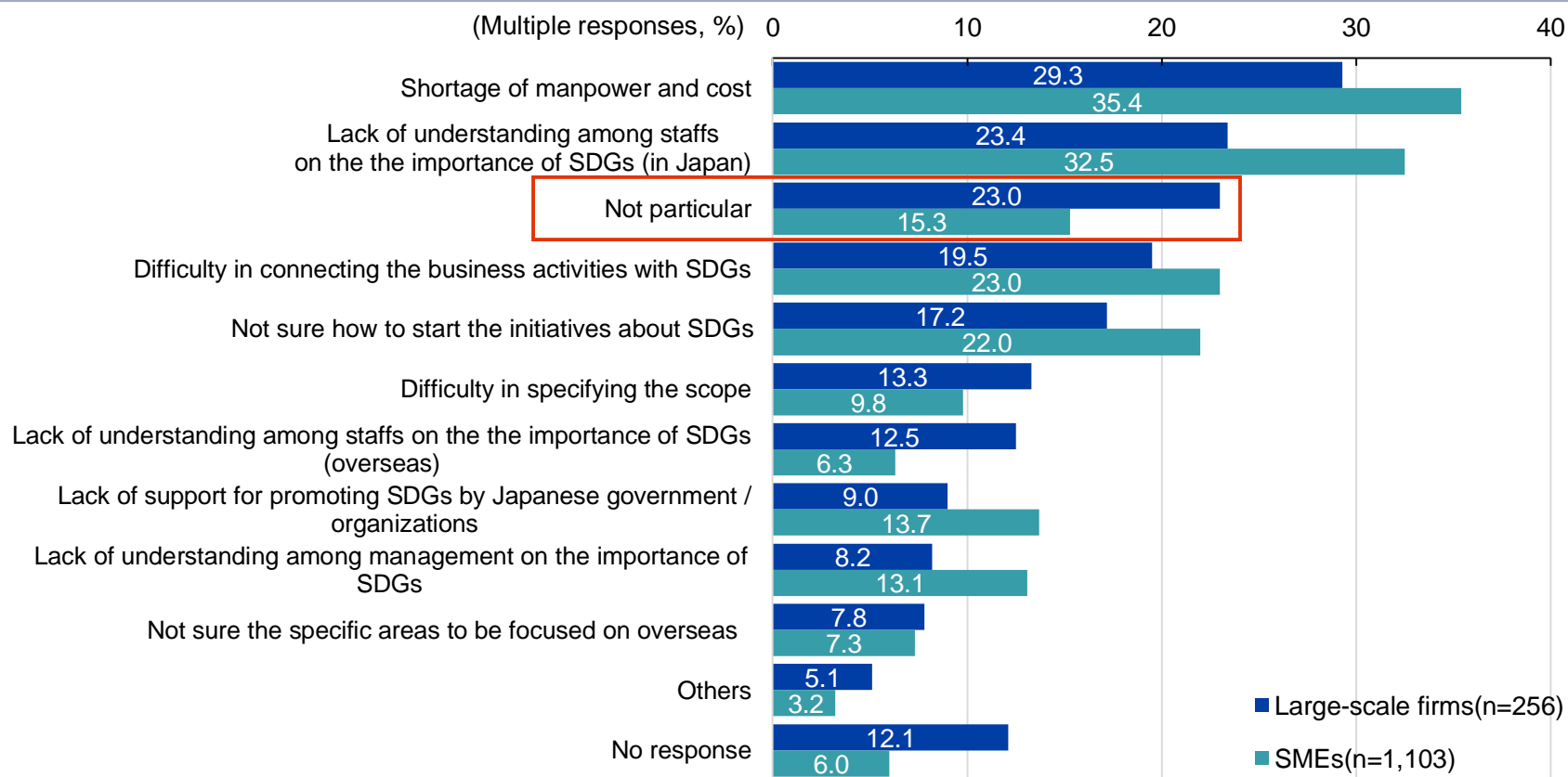


- Taking actions
- Not taking actions, but under consideration with concrete plan
- Not taking actions, but planning in a few years
- No plans
- Not sure
- No response

5 | Main challenges: Shortage of manpower and cost

- 29.3% of large-scale firms and 35.4% of SMEs selected “Shortage of manpower and cost” as the main challenges in contributing to achieve SDGs through their main business. Each ratio of SMEs is lower than that of large-scale firms.
- On the other hand, 23.0% of large-scale firms and 15.3% of SMEs selected “Not particular.”

Challenges in contributing to achieve SDGs through the main business

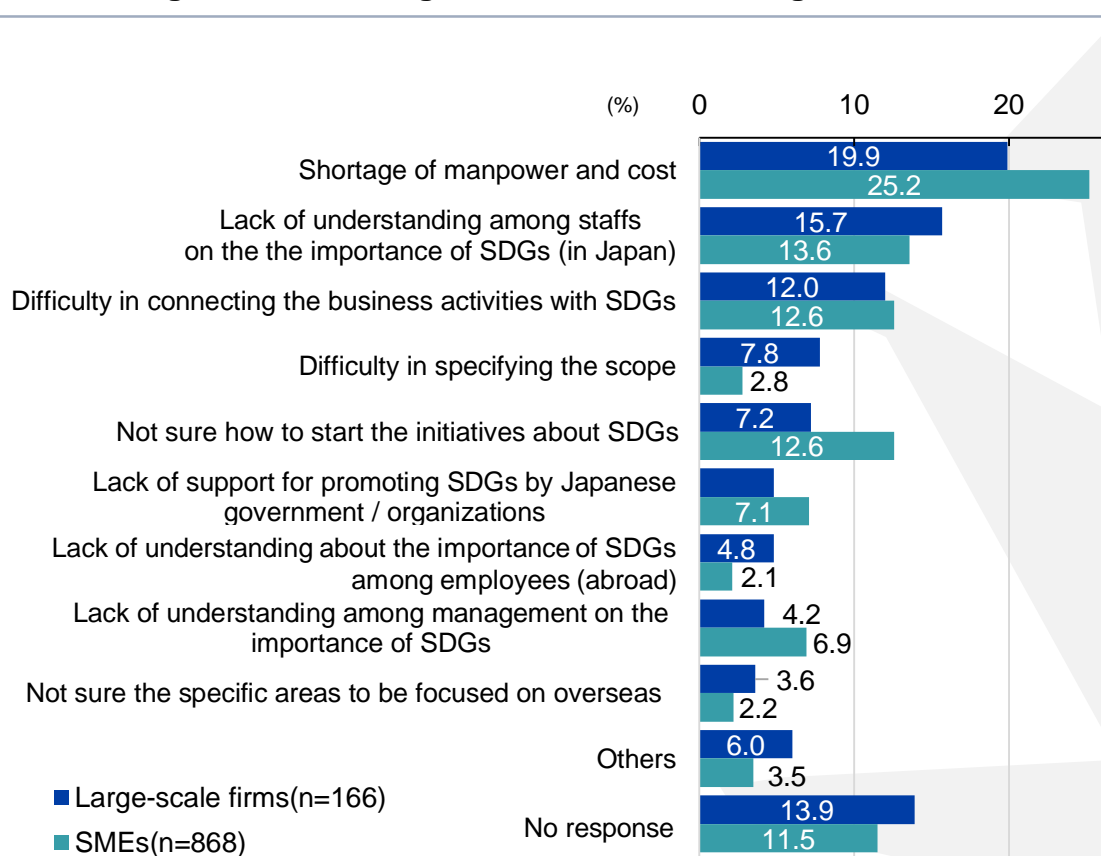


Note: Maximum 3 items are selected challenges in contributing to achieve SDGs through the main business

6 | Biggest challenge: Cost-effectiveness

- The ratio which regards is the cost-effectiveness and shortage of manpower issues as the biggest challenge is highest both at 19.9% of large-scale firms and 25.2% of SMEs. Some firms pointed out the lack of supports by Japanese government or organizations.
- Other challenge is the lack of understanding and interest among their staffs, clients and consumers.

Biggest challenge in contributing to achieve SDGs through the main business



Main comment on challenges

- **Cannot absorb the cost** associated with SDG efforts (food and beverage, SMEs)
- Leads to **supply cost increases**. Cannot pass on the increased product cost to customers (fiber, SMEs)
- Want to obtain the global standard of SDGs "**FSC Certification System**", but it is costly(lumber and wooden products, SMEs)
- **Lack of resources in development departments**(other manufacturing, large-scale firms)
- Cannot get **cooperation from financial institutions**(electronic parts and devices, large-scale firms)
- **Difficult to establish an evaluation method**, such as a quantitative indicator(other manufacturing, large-scale firms)
- **Not many options for the materials** in environmentally compatible products(plastic products, SMEs)
- **Cannot find the suppliers, difficult to procure the products** leading to the attainment of SDGs(trading companies and wholesale, large-scale firms)
- Difficult to **combine with profitability**(trading companies and wholesale, SMEs)
- Response to SDGs is **not linked to consumer trends**(plastic products, SMEs)
- **Difficult to collect or disclose information to clients**(electric machinery, SMEs)

Note: The biggest challenge was chosen from the 3 items which were selected concerning the challenges for contributing to achieve SDGs through the main business

[Report version] FY 2021 | Overseas Business Survey
Survey on the International Operations of Japanese Firms

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■ Notice

[Note] Figures may not match the total because some are less than one unit.

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