

Japanese Manufacturing Affiliates
in Europe and Turkey
- 2011 Survey -

January 2012

Japan External Trade Organization (JETRO)
Overseas Research Department

Preface

The survey on the “Japanese manufacturing affiliates in Europe and Turkey” has been conducted 27 times since the first survey in 1983 [*]. The latest survey, conducted from July 2011 to August 2011, focused on research and analyzed the business situation of Japanese manufacturing affiliates operating in Europe and Turkey, and their activities (outlook of operating profit, business problems, and procurement of parts and materials, sales and production).

1,108 Japanese manufacturing affiliates were confirmed to be in Europe and Turkey as of the end of 2010 (834 in Western Europe, 257 in Central and Eastern Europe, 17 in Turkey). Of these, 25 Japanese manufacturing affiliates (13 in Western Europe, 12 in Central & Eastern Europe) were additionally established in 2010. 323 of these affiliates also operate R&D and design centers. 157 affiliates set up only R&D and Designing Centers without engaging in production.

We would like to express our great appreciation to the affiliates for their kind cooperation regarding our survey, which, over the years, has enabled us to constantly improve both the survey itself and the report on the results. We hope that this report helps the affiliates and other parties understand business development in Europe and Turkey.

January 2012

Japan External Trade Organization (JETRO)
JETRO offices in Europe and Turkey
Overseas Research Department
Europe, Russia and CIS Division

*Central & Eastern Europe were added to these surveys since 1998, and Turkey was added since 1999.

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Overview of the Survey

This is the 27th of a series of surveys that has been conducted annually since 1983 by the JETRO offices based in Europe and Turkey.

1. Purpose of the Survey

This survey analyzes the activities of Japanese manufacturing affiliates operating in Europe and Turkey (i.e., the operating profit forecasts of each company, managerial issues, sales, the procurement of parts and materials, and production setups) for the purpose of assisting the implementation of strategic business planning and business activities at Japanese enterprises.

2. Targets of the Survey

The survey targeted manufacturing companies in Turkey, 17 countries in Western Europe*, and 10 countries in Central & Eastern Europe**—locations where Japanese manufacturing affiliates are located. The targeted companies derive 10% or more of their investment from Japanese companies, both directly and indirectly. The survey also included companies (subsidiaries) set up by Japanese affiliates already operating in Europe and other regions, as well as companies that have completed local corporate registration but have not yet begun operations.

* Western Europe: 17 countries (UK, Germany, France, Italy, Spain, The Netherlands, Belgium, Sweden, Ireland, Portugal, Denmark, Austria, Finland, Switzerland, Luxembourg, Norway and Greece)

**Central & Eastern Europe: 10 countries (Czech Republic, Poland, Hungary, Romania, Slovakia, Bulgaria, Lithuania, Serbia, Montenegro and Slovenia)

3. Method of Conducting the Survey

The survey was conducted by sending an e-mail containing an Internet link (URL) to the online questionnaire form to the respondents and by asking them to reply directly online. As exceptions, some of the questionnaire sheets were sent by postal mail or facsimile. The answers to the surveys sent by postal mail and facsimile have also been included in the tabulated results.

As this survey covered a number of companies operating overseas in various countries and industries, we endeavored to learn to the furthest extent possible the exact number of Japanese affiliates that have entered into (or withdrawn from) the surveyed regions since the previous (26th) survey. In the process, we added or deleted the Japanese affiliates that were established in or had withdrawn from the regions before 2009 but which we had been unable to access during the previous survey.

4. Period of the Survey

July through August 2011

5. Response Status

Of the 1,108 Japanese manufacturing enterprises identified as active in Europe or Turkey, we sent questionnaires to the 547 enterprises that had agreed to cooperate in the survey. Of those, we received responses from 373 companies (response rate of 68.2%).

6. Notes on the Survey Results

(1) The number of Japanese manufacturing affiliates was totaled using information sources that can be considered reliable by the JETRO offices in Europe and Turkey and through the cooperation of each company. However, we do not guarantee the accuracy and comprehensiveness of the information.

(2) Not all the respondents answered every question. The percentages in this report were calculated using the number of respondents who actually answered the specific question (rounded to two decimal places). The percentages do not necessarily add up to 100.0%.

Number of Japanese Manufacturing Affiliates in Europe and Turkey

As of the end of 2010

Europe and Turkey:	1,108
Western	834
Europe:	
Central & Eastern	257
Europe:	
Turkey:	17

Basis: Companies with 10% or more direct/indirect Japanese ownership

Source: Survey by JETRO centers/offices in Europe and Turkey

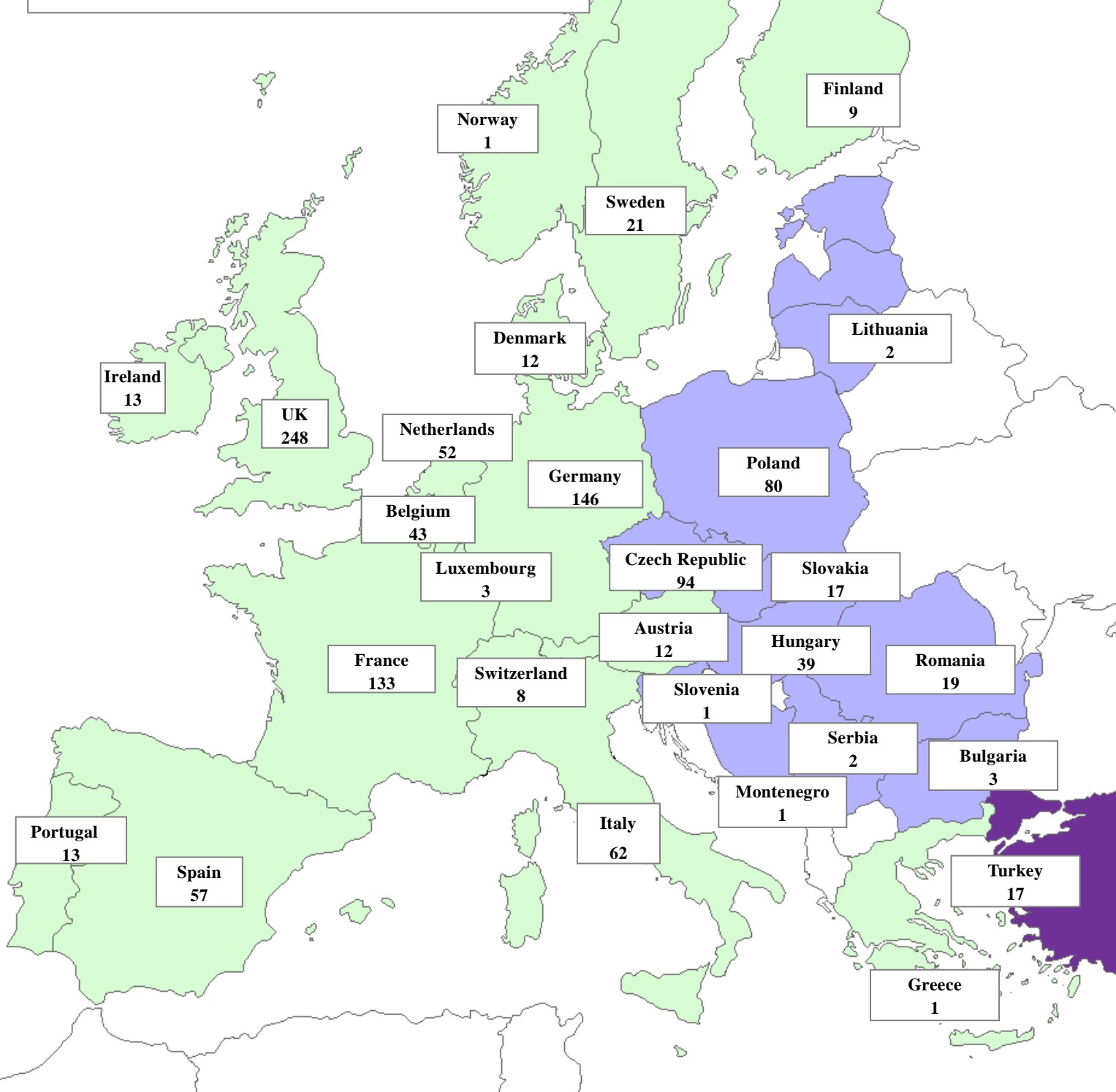


Table 1: Number of Japanese Manufacturing Affiliates in Europe and Turkey by Country (As of the end of each year)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
United Kingdom	32	44	49	57	67	75	87	107	141	170	219	265	281	293	293	305	320	337	351	366	366	370	376	364	353	328	308	290	268	254	249	248
Germany	33	35	37	45	47	52	56	66	79	87	105	120	134	140	139	140	149	145	145	146	148	146	151	153	148	149	141	148	142	140	146	146
France	27	33	39	45	50	58	70	84	99	110	133	147	162	167	159	166	162	171	171	176	171	180	187	185	191	196	194	196	157	132	133	133
Italy	14	17	20	21	22	21	23	30	33	40	53	64	70	70	69	72	70	73	71	74	75	75	78	77	78	75	77	73	67	63	63	62
Spain	21	24	26	29	33	37	38	41	48	56	67	74	83	80	80	85	81	76	77	79	81	81	85	81	78	77	76	71	65	59	60	57
Netherlands	13	14	17	20	23	24	28	34	36	34	44	44	51	54	57	59	58	62	63	66	70	69	71	64	60	58	60	62	60	53	52	52
Belgium	18	19	23	24	25	26	27	31	34	36	44	53	57	60	59	60	60	61	63	61	63	58	58	55	55	55	52	49	46	41	42	43
Sweden	1	1	1	1	1	3	3	3	7	8	9	11	11	14	17	20	19	20	23	21	22	23	25	25	24	25	23	21	22	21	21	21
Ireland	10	13	14	16	16	19	19	21	22	26	31	38	39	39	41	42	42	41	41	38	33	31	27	26	26	27	24	23	20	15	12	13
Portugal	8	8	9	9	9	8	8	8	8	11	15	18	16	18	19	18	20	21	22	24	23	22	24	23	20	20	20	18	20	17	13	13
Denmark	0	0	0	0	0	0	0	1	1	1	2	4	3	2	2	1	2	3	4	4	3	2	4	5	7	8	10	10	10	13	11	12
Austria	1	1	1	2	2	3	3	6	9	10	13	16	16	18	18	18	15	14	14	14	14	14	11	11	11	11	10	11	12	12	12	12
Finland	3	4	4	4	4	4	5	7	7	8	8	8	9	11	11	12	14	15	17	17	17	17	17	8	9	9	9	8	9	10	9	
Switzerland	4	4	4	4	4	4	4	5	8	9	9	11	11	12	12	11	11	11	11	9	10	8	8	8	3	3	4	4	6	6	8	8
Luzembourg	0	0	0	2	2	2	2	2	2	2	2	3	4	4	4	4	4	3	3	3	3	3	3	3	3	3	3	4	3	2	2	3
Norway	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
Greece	3	3	3	3	3	3	3	3	4	4	4	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	2	2	2	1
Iceland	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0	0	0	0	0
Western Europe Total	189	221	248	283	309	340	377	454	540	614	761	880	954	989	987	1,016	1,032	1,060	1,078	1,103	1,104	1,105	1,129	1,091	1,070	1,045	1,013	992	906	840	837	834
Czech Republic	0	0	0	0	0	0	0	0	0	0	0	0	4	8	11	12	15	19	22	23	26	32	46	62	72	83	85	86	91	89	90	94
Poland	0	0	0	0	0	0	0	0	0	0	0	0	0	1	3	3	6	7	9	16	20	21	25	34	43	47	54	71	77	78	76	80
Hungary	1	1	1	1	1	2	2	2	3	3	3	4	7	8	10	14	15	17	22	25	31	39	41	43	46	49	50	53	53	49	42	39
Romania	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	2	2	3	3	5	8	7	9	11	13	17	18	20	18	19
Slovakia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	5	5	6	10	10	9	10	12	15	17	16	17	16
Bulgaria	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	3	3	3	3	3
Lithuania	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	2	2	2	2	2	2
Serbia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	2
Montenegro	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1
Slovenia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	1	1
Central and Eastern Europe Total	1	1	1	1	1	2	2	2	3	3	3	4	11	17	25	30	37	46	58	73	86	104	132	159	182	204	218	250	264	260	251	257
Europe Total	190	222	249	284	310	342	379	456	543	617	764	884	965	1,006	1,012	1,046	1,069	1,106	1,136	1,176	1,190	1,209	1,261	1,250	1,252	1,249	1,231	1,242	1,170	1,100	1,088	1,091
Turkey	0	1	1	1	1	1	1	1	2	3	3	3	4	5	5	6	7	7	8	8	8	8	9	12	15	16	16	16	17	17	17	17
Total	190	223	250	285	311	343	380	457	545	620	767	887	969	1,011	1,017	1,052	1,076	1,113	1,144	1,184	1,198	1,217	1,270	1,262	1,267	1,265	1,247	1,258	1,187	1,117	1,105	1,108

Table 2: Number of Japanese Manufacturing Affiliates in Europe and Turkey by Industry (As of the end of each year)

	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Food products, agricultural and fisheries product processing	6	7	7	8	10	11	12	14	19	24	35	38	43	45	44	47	50	57	58	59	62	61	60	57	61	63	63	65	59	60	59	59	
Textiles (Yarn and woven materials, synthetic fiber)	8	8	8	9	9	9	9	10	11	12	14	17	18	16	16	17	17	17	15	16	16	17	19	18	17	16	15	15	10	9	9	9	
Apparel and textile products	4	6	8	9	10	11	11	12	15	17	22	26	30	32	31	30	28	28	28	27	27	23	24	23	23	21	21	21	19	15	14	14	
Timber/wood products (excluding furniture and	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	2	2	3	5	5	5	5	5	8	8	8	7	7	7	7	7	7	
Furniture and interior goods	1	1	1	1	1	2	2	4	5	6	7	11	10	10	8	7	6	6	6	6	7	7	7	5	5	5	5	3	2	2	2	2	
Paper and pulp	0	0	0	0	0	0	0	1	1	2	3	6	7	8	9	10	11	11	11	11	12	11	11	11	9	8	9	9	9	9	9	7	
Chemical/petrochemical products	28	30	30	35	35	41	41	62	86	90	106	117	121	130	134	137	139	142	146	152	158	157	155	142	143	145	127	124	117	104	101	101	
Plastic products	11	11	12	12	14	15	16	16	19	25	30	34	38	38	39	39	40	43	44	44	46	44	47	42	42	44	48	49	52	46	46	45	
Pharmaceutical products	7	8	8	11	12	14	14	17	19	20	26	30	34	34	33	36	37	39	41	42	41	40	40	41	40	40	36	37	31	28	28	32	
Rubber products	0	0	0	1	2	4	6	7	8	13	16	19	21	20	21	21	20	21	22	23	24	24	25	24	26	27	27	28	27	25	25	25	
Ceramics, soil and stone	5	6	12	13	13	12	13	13	14	15	18	19	28	29	32	32	34	36	37	38	37	38	39	39	39	38	38	43	40	38	38	38	
Iron and steel (including cast and wrought products)	7	7	7	7	8	9	10	10	13	13	14	15	15	16	13	14	13	12	12	12	10	13	13	14	13	13	11	11	9	8	8	7	
Nonferrous metal	2	2	2	3	3	3	3	4	4	6	9	10	10	10	12	13	13	10	11	11	11	11	10	10	10	9	8	6	6	6	6	7	
Metal products (including plated products)	0	0	0	0	0	1	1	4	4	6	11	15	20	21	22	23	23	23	22	23	23	20	19	19	21	23	25	25	25	25	27	26	
General machinery (including molds and machinery tools)	23	27	30	31	37	39	48	58	69	76	96	110	122	130	129	134	136	141	143	149	149	152	157	162	164	163	163	160	155	151	153	152	
Electric and electronic machinery	27	31	35	43	48	52	60	68	80	92	107	127	140	142	138	145	141	143	143	146	144	139	143	133	125	121	119	118	105	104	103	107	
Electric and electronic parts	12	16	20	23	25	29	33	37	45	53	68	85	88	88	89	92	94	96	102	105	102	108	108	110	105	103	104	109	102	86	82	84	
Transportation machinery (automobiles, motorcycles)	5	10	11	11	12	15	17	18	19	19	20	25	28	29	27	27	28	27	27	28	26	26	28	28	26	25	25	24	26	25	25	23	
Transportation machinery parts (automobiles, motorcycles)	10	15	15	15	18	20	23	30	38	47	62	77	82	93	98	100	118	131	139	152	163	184	213	231	243	244	246	254	242	233	227	227	
Precision machinery	8	10	13	16	16	16	18	27	29	30	34	33	35	38	39	40	44	43	46	47	52	52	55	52	51	48	48	46	41	36	37	37	
Medical devices	4	5	5	7	7	7	7	7	7	9	11	11	11	11	11	12	13	14	14	14	15	15	16	15	16	18	20	23	22	21	20	19	
Printing / publishing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2	2	2	4	4	4	4	4	4
Other manufacturing	22	23	26	30	31	33	36	38	40	45	58	62	67	70	71	74	69	70	72	74	68	70	76	77	78	81	80	77	77	75	75	76	
Total	190	223	250	285	311	343	380	457	545	620	767	887	969	1,011	1,017	1,052	1,076	1,113	1,144	1,184	1,198	1,217	1,270	1,262	1,267	1,265	1,247	1,258	1,187	1,117	1,105	1,108	

(Notes) (1) Indicates changes in the number of affiliates as at the end of each year.

(2) The figures only indicate manufacturing bases and not independent R&D or design centers.

Table 3: Number of Japanese Manufacturing Affiliates in Europe and Turkey by Country and Industry (As of the end of 2010)

	U K	G e r m a n y	F r a n c e	I t a l y	S p a i n	N e t h e r l a n d s	B e l g i u m	S w e d e n	I r e l a n d	P o r t u g a l	D e n m a r k	A u s t r i a	F i n l a n d	S w i t z e r l a n d	L u x e m b o u r g	N o r w a y	G r e c e	E u r o p e T o t a l	R e p u b l i c C z e c h	P o l a n d	H u n g a r y	R o m a n i a	S l o v e n i a	B u l g a r i a	L i t h u a n i a	S e r b i a	M o n t e n e g r o	S l o v e n i a	E u r o p e & C e n t r a l E u r o p e	T o t a l E u r o p e	T u r k e y	T o t a l	
Food products, agricultural and fisheries product processing	13	5	22	1		2	2			2	4			1				52		3	1	1				1				6	58	1	59
Textiles (Yarn and woven materials, synthetic fiber)	1	3	2	1	1	1												9												9		9	
Apparel and textile products	3		3	5	1													12	1					1						2	14		14
Timber/wood products (excluding furniture and interior goods)								4					3					7												7		7	
Furniture and interior goods			1		1													2												2		2	
Paper and pulp	1	3				1	1						1					7												7		7	
Chemical/petrochemical products	18	18	16	3	8	12	7	1		2	1	3		1	2		1	93	2	2	2		1							7	100	1	101
Plastic products	11	2	2	3	4	7	7					1		1				38	2	1	1	1	2							7	45		45
Pharmaceutical products	5	2	6	4	1	2	4	1	3		1		1					30	1			1								2	32		32
Rubber products	3	1	3	1	2	1	2		1	1								15		5	2	1								8	23	2	25
Ceramics, soil and stone	4	3	2	3	3	1	3	1					1					21	8	8	1									17	38		38
Iron and steel (including cast and wrought products)	1	2			2	1												6	1											1	7		7
Nonferrous metal	2		2							1								5	1	1										2	7		7
Metal products (including plated products)	5	3			3	1	1	1		1		1						16	3	6			1							10	26		26
General machinery (including molds and machinery tools)	43	28	17	10	4	11	1	3	4			2	1	2				126	11	11		3					1			26	152		152
Electric and electronic machinery	35	11	13	6	4	1	5	3		1	3			1	1	1		85	6	9	2		4			1				22	107		107
Electric and electronic parts	12	15	4	4		1	3	1	3		2	2		1				48	19	8	5	1	3							36	84		84
Transportation machinery (automobiles, motorcycles)	3		2	1	4	2		2		2			1					17	1		2									3	20	3	23
Transportation machinery parts (automobiles, motorcycles)	44	18	21	14	14	2	4	2		2			1					122	37	19	21	11	4	2	1		1			96	218	9	227
Precision machinery	9	11	6	1	1	4	1	1				1						35		1	1									2	37		37
Medical devices	6	5	4	1					2									18		1										1	19		19
Printing / publishing			1		1													2	1	1										2	4		4
Other manufacturing	29	16	6	4	3	2	2	1		1	1	2		1				68		4	1		1		1					7	75	1	76
Total	248	146	133	62	57	52	43	21	13	13	12	12	9	8	3	1	1	834	94	80	39	19	16	3	2	2	1	1		257	1,091	17	1,108

(Note) The figures only indicate manufacturing bases and not independent R&D or design centers.

Table 4: Number of R&D and Design Centers held by Japanese Manufacturing Affiliates in Europe and Turkey (Only bases in existence as at the end of 2010 have been included)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	End of 2010
UK	89 (22)	2	6 (2)	8 (4)	8 (3)	8 (2)	8 (5)	3 (2)	3 (1)	3 (3)	5 (1)	2 (1)	5 (1)		1		151 (47)
Germany	67 (29)	2 (1)	3 (2)	4 (2)	7 (3)	2 (1)	6 (4)	5 (2)	5 (3)	5	11 (6)	8 (1)	6 (3)	7 (3)	4 (2)	3 (1)	145 (63)
France	25 (8)	2 (1)	1	1		3	2 (1)			2 (1)	2 (1)	1	1			1 (1)	41 (13)
Spain	22 (5)						2		2		1	2					29 (5)
Belgium	19 (6)		2 (1)			1 (1)	1 (1)			1 (1)					1		25 (10)
Netherlands	12 (1)	2				1						1					16 (1)
Italy	7 (2)					1 (1)	2								2		12 (3)
Sweden	5					1	1						1		1		9
Portugal	6												1				7
Denmark	1 (1)						1		1	1	1			1			6 (1)
Switzerland	1										1 (1)		1		2 (2)		5 (3)
Ireland	1		1							1		1				1 (1)	5 (1)
Greece	3 (2)											1 (1)					4 (3)
Luxembourg	3 (2)															1	4 (2)
Finland			1						1								2
Austria	1																1
Western Europe Total	262 (78)	8 (2)	14 (5)	13 (6)	15 (6)	17 (5)	23 (11)	8 (4)	12 (4)	13 (5)	21 (9)	16 (3)	15 (4)	8 (3)	11 (4)	6 (3)	462 (152)
Czech Republic		1					1 (1)		1				1	2 (1)			6 (2)
Poland				2 (1)				1 (1)			1		1				5 (2)
Hungary	1 (1)			1													2 (1)
Romania				1										1			2
Slovakia							1										1
Lithuania										1							1
Serbia																	
Montenegro																	
Bulgaria																	
Central and Eastern Europe Total	1 (1)	1		4 (1)			2 (1)	1 (1)	1	1	1		2	3 (1)			17 (5)
Europe Total	263 (79)	9 (2)	14 (5)	17 (7)	15 (6)	17 (5)	25 (12)	9 (5)	13 (4)	14 (5)	22 (9)	16 (3)	17 (4)	11 (4)	11 (4)	6 (3)	479 (157)
Turkey	1																1
Total	264 (79)	9 (2)	14 (5)	17 (7)	15 (6)	17 (5)	25 (12)	9 (5)	13 (4)	14 (5)	22 (9)	16 (3)	17 (4)	11 (4)	11 (4)	6 (3)	480 (157)

(Note) (1) Includes R&D and Design Centers established on the manufacturing base premises and the stand-alone centers that operate as independent corporations and research centers.

Figures in parentheses indicate bases with stand-alone R&D and Design Centers.

(2) Indicates the changes during each year of the number of Japanese manufacturing affiliates that were in existence as at the end of 2010(480 companies).

**Japanese Manufacturing Affiliates in
Europe and Turkey
- 2011 Survey -**

I. An overview of Japanese manufacturing affiliates in Europe and Turkey

[Number of Japanese manufacturing affiliates in Europe and Turkey]

- At the end of 2010 there were 1,108 Japanese manufacturing affiliates operating in Europe and Turkey according to the survey. 834 were in Western Europe, 257 in Central and Eastern Europe and 17 in Turkey. 2010 saw 25 new Japanese affiliate entrants; 13 of which were in Western Europe, 12 in Central & Eastern Europe and Turkey. [Diagram: 2]

[By country]

- The UK is home to the largest number of Japanese affiliates with 248, followed by Germany with 146, and France with 133. These three countries together accounted for 47.6% of the total number of Japanese manufacturing affiliates in Europe and Turkey. [Diagram: 1]
- Within Central & Eastern Europe and Turkey, the highest concentration of affiliates is in the Czech Republic, at 94. The Czech Republic ranks fourth within Europe and Turkey combined and Poland ranks fifth with 80 affiliates. [Diagram: 1]

[By industry]

- 227 transportation machinery parts (automobiles, motorcycles) manufacturing affiliates make up the largest industry sector, accounting for 20.5% of the total. This is followed by 152 general machinery affiliates (including molds and machinery tool industries) (13.7%), 107 electric and electronic machinery affiliates (9.7%) and 101 chemical and petrochemical product industries (9.1%). [Diagram: 2]

[Number of R&D and design centers]

- At the end of 2010, 480 Japanese manufacturing affiliates had established R&D or design centers in Europe and Turkey; 157 of which were standalone R&D or design centers without associated manufacturing units. [Diagram: 4]

1. No change from Central & Eastern Europe within the top five countries for Japanese manufacturing affiliates

Among the 1,108 Japanese manufacturing affiliates in Europe and Turkey confirmed in this survey, 834 are in Western Europe, 257 in Central & Eastern Europe and 17 in Turkey. The UK is leading in the number of affiliates by country with 284, followed by Germany (146) and France (133). These three countries account for 47.6% of Europe and Turkey based locations and account for 63.2% of Western European affiliates. 2 out of the top 5 countries are in Central & Eastern Europe. The fourth largest number of affiliates are in Czech Republic, at 94, and Poland ranks 5th with 80. [Diagram: 1]

The most prominent sector of Japanese manufacturing affiliates is transportation machinery parts including automobile, motorcycles, at 227 or 20.5% of the total. This is followed by 152 general machinery affiliates (13.7%), 107 electric and electronic machinery (9.7%) and 101 chemical/petrochemical product companies (9.1%). These 4 industries account for 53.0% of the total affiliates. [Diagram: 1]

In Western Europe the top industries are general machinery, transportation machinery parts and chemical and petrochemical products. The top industries in UK are transportation machinery parts,

general machinery and electric and electronic machinery. In Germany the top industries are general machinery, chemical and petrochemical products and transportation machinery parts; in France, food products, agricultural and fisheries product processing, transportation machinery parts and general machinery.

In Central & Eastern Europe and Turkey, Japanese manufacturing bases were highly concentrated in the transportation machinery parts 105 affiliates made up 38.3% of the total number in this region. This was followed by the electric and electronic parts industry at 13.1% with 36 affiliates. [Diagram: 1]

Diagram 1 : Top-five industries by country/region (As of the end of 2010)

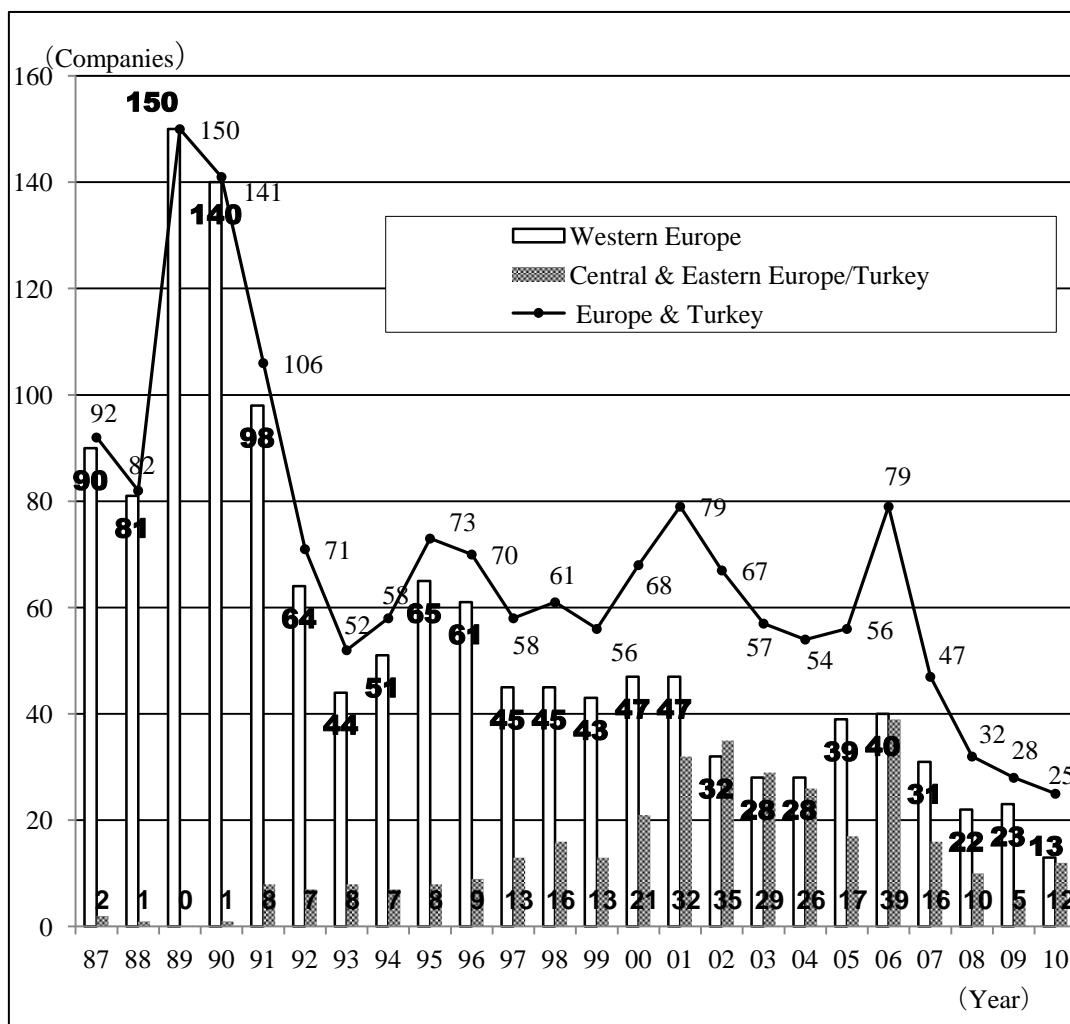
	1st	2nd	3rd	4th	5th
Europe and Turkey	Transportation machinery parts	General machinery	Electric and electronic machines	Chemical /petrochemical products	Electric and electronic parts
[1,108]	227 (20.5%)	152 (13.7%)	107 (9.7%)	101 (9.1%)	84 (7.6%)
Western Europe	General machinery	Transportation machinery parts	Chemical /petrochemical products	Electric and electronic machines	Other manufacturing
[834]	126 (15.1%)	122 (14.6%)	93 (11.2%)	85 (10.2%)	68 (8.2%)
UK	Transportation machinery parts	General machinery	Electric and electronic machines	Other manufacturing	Chemical /petrochemical products
[248]	44 (17.7%)	43 (17.3%)	35 (14.1%)	29 (11.7%)	18 (7.2%)
Germany	General machinery	Chemical /petrochemical products	Transportation machinery parts	Other manufacturing	Electric and electronic parts
[146]	28 (19.2%)	18 (12.3%)	18 (12.3%)	16 (11.0%)	15 (10.3%)
France	Food products, agricultural and fisheries product processing	Transportation machinery parts	General machinery	Chemical /petrochemical products	Electric and electronic machines
[133]	22 (16.5%)	21 (15.8%)	17 (12.8%)	16 (12.1%)	13 (9.8%)
Central & Eastern Europe and Turkey	Transportation machinery parts	Electric and electronic parts	General machinery	Electric and electronic machines	Ceramics, soil and stone
[274]	105 (38.3%)	36 (13.1%)	26 (9.5%)	22 (8.0%)	17 (6.2%)
Czech Republic	Transportation machinery parts	Electric and electronic parts	General machinery	Ceramics, soil and stone	Electric and electronic machines
[94]	37 (39.4%)	19 (20.2%)	11 (11.7%)	8 (8.5%)	6 (6.4%)
Poland	Transportation machinery parts	General machinery	Electric and electronic machines	Ceramics, soil and stone	Electric and electronic parts
[80]	19 (23.8%)	11 (13.8%)	9 (11.3%)	8 (10.0%)	8 (10.0%)

NB: Transportation machinery includes automobiles and bicycles. General machinery includes molds and machinery tools. Metal products include plating.

2. Number of new entries is reduced due to a slowdown in Central & Eastern Europe and Turkey

The number of new entries continues to reduce, with 25 new affiliates in 2010 (13 in Western Europe and 12 in Central & Eastern Europe and Turkey), compared to 28 new entries in 2009 (23 in Western Europe and 5 in Central & Eastern Europe and Turkey). The economic slowdown in Central & Eastern Europe and Turkey after the financial crisis in September 2008 had brought down the number of investments in 2009 to 5, the lowest since 2000, however 2010 saw a slight recovery to 12. [Diagram: 2]

Diagram 2: Changes in the Japanese manufacturing affiliates established in Europe and Turkey

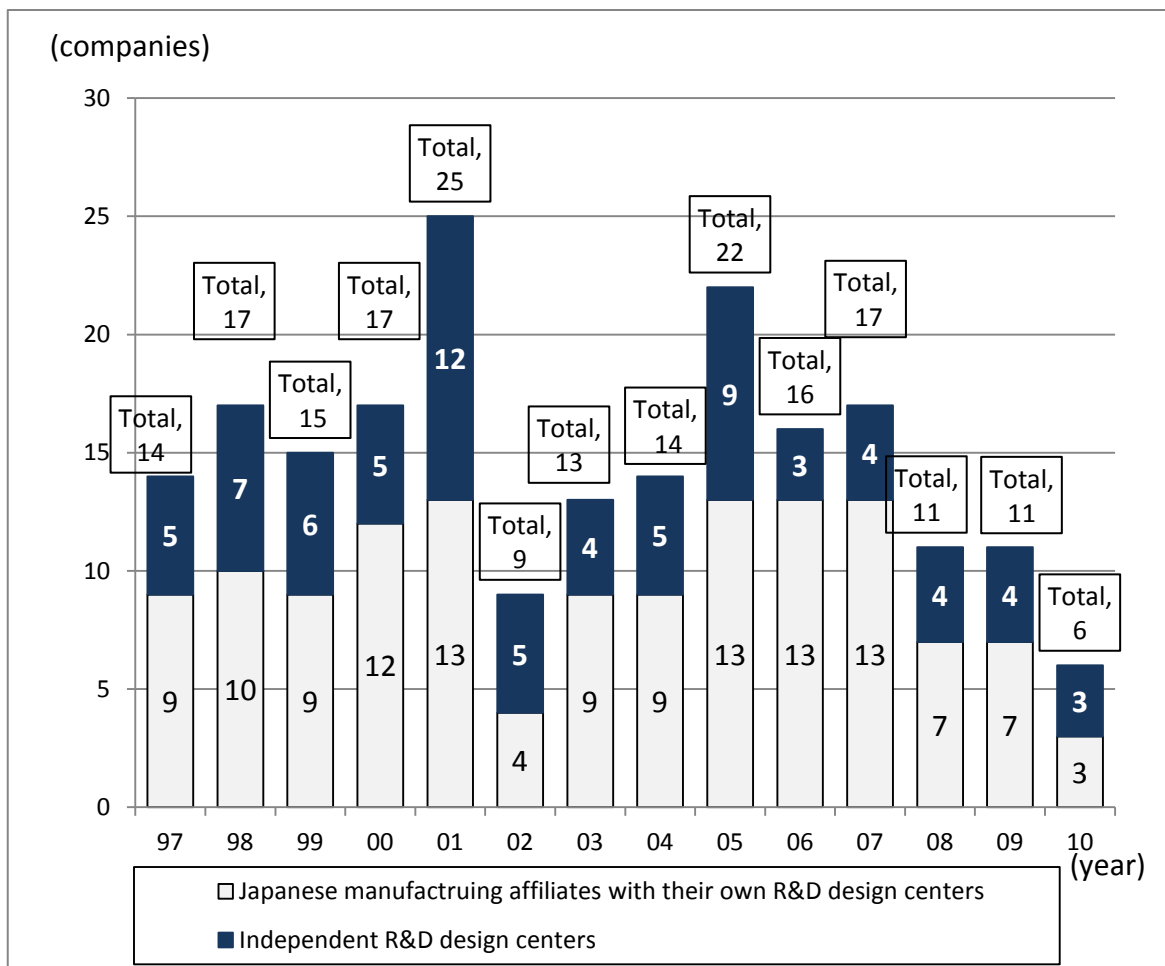


3. R&D and design center locations continue to be concentrated in Western Europe

At the end of 2010, 480 Japanese manufacturing affiliates had established R&D or design centers in Europe and Turkey; 157 of which were standalone R&D or design centers without associated manufacturing units. 462 R&D and design centers (96.3% of the total) were set up in Western Europe; the remaining 18 (3.7%) in Central and Eastern Europe and Turkey. Thus the trend of concentrating these centers in Western Europe remains unchanged. Focusing on figures by country, the largest number of R&D and design centers was in UK (151), followed by Germany (145) and France (41). [Diagram: 3]

6 new R&D and design centers were set up in 2010. Germany accounting for the most with 3 and no new R&D or design centers were set up in Central & Eastern Europe and Turkey. The number of new locations remains restrained since the financial meltdown of 2008. [Diagram: 3]

Diagram 3: Number of R&D and design centers established each year



NB: Figures accurate up until the end of 2010

II. Business conditions and prospects of Japanese manufacturing affiliates in Europe and Turkey

1. Business Confidence

Business confidence had “improved” in 45.3% of Japanese manufacturing affiliates based in Europe and Turkey in 2011, whereas 17.4% said that it had “declined”, showing an improvement from on the previous year. Regionally, 47.1% companies in Western Europe felt business confidence had “improved” whereas the ratio was relatively low in Central & Eastern Europe and Turkey at 39.8%.

As for 2012 expectations, the combined ratio of “improved” and “Remain the same” in Europe and Turkey on the whole exceeded 90%; 39.4% saying it had “improved” and 53.1% feeling it had not changed. [Diagram: 4]

2. Operating Profit

68.4% of the Japanese manufacturing affiliates in Europe and Turkey in 2010 reported “Profit” whereas 23.2% reported “Loss”. In the 2011 forecast, a relatively unchanged proportion of 67.6% were estimated to be in “Profit” and a reduced proportion to only 12.1% was expecting to report a “Loss”. [Diagram: 5]

3. Year-On-Year Operating Profit

Compared to 2009 figures, 2010 operating profit “improved” in 64.9% of companies, 17.0% saw a decline. [Diagram: 8]

The most common reasons for “improved” operating profit given were “Sales increases” at 88.3% followed by “Improvement in productivity” at 53.3%. [Diagram: 10]

2011 forecasts saw the proportion expecting year-on-year operating profit to “improve” to be 49.6%, whereas 21.0% expected it to “decline”. [Diagram: 8] Looking at the reasons given for “improved” expectations in 2011, “Increased sales in domestic market” at 58.7% was the most common reason followed by “Increased sales in overseas markets” at 53.8%.

2012 forecasts expect “Improved” year-on-year operating profits for 47.1% of companies, “Remain the same” for 42.9% and “Declined” expectations in 10.0% of companies. [Diagram: 14]

1. Business confidence

45.3% of Japanese manufacturing affiliates based in Europe and Turkey felt that their business confidence had “improved” in 2011 and 17.4% said that it had “declined” which was an improvement from 2010.

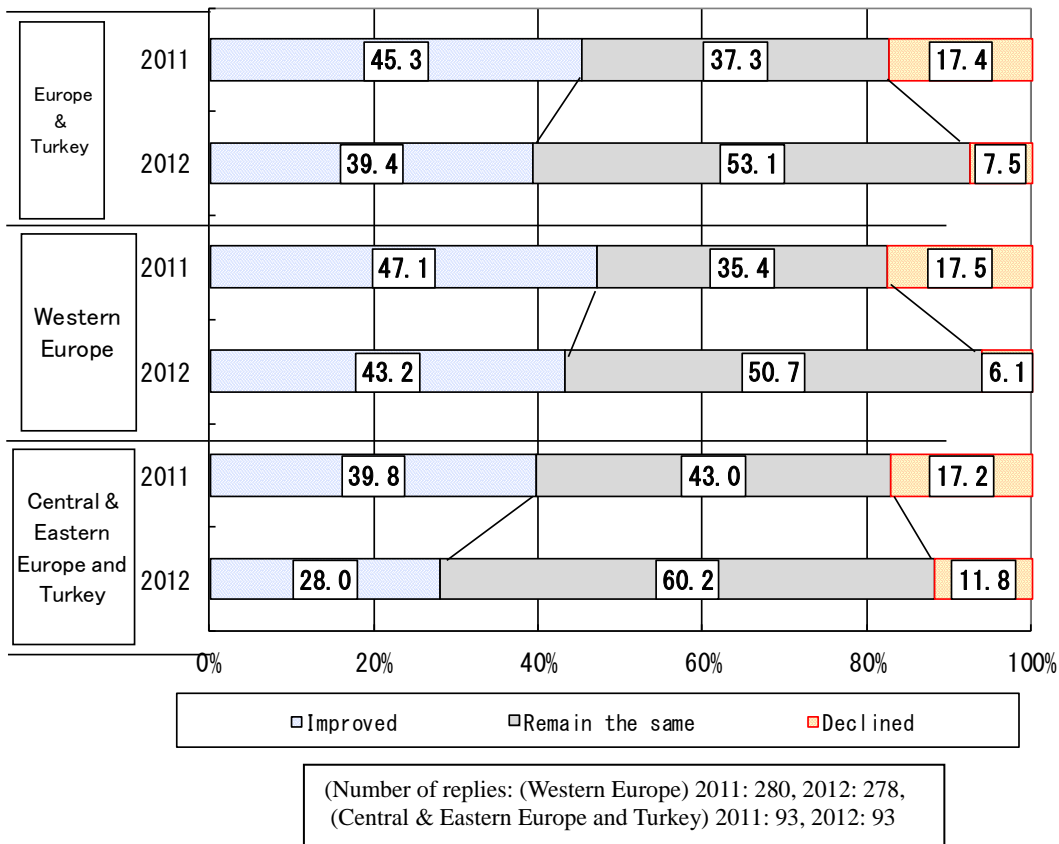
Companies in Europe and Turkey expecting business confidence to “improve” in 2012 were 39.4%, 53.1% expected no change (“Remain the same”) and the proportion of those expecting business confidence to “decline” were 7.5%.

By region, business confidence expectations in Central & Eastern Europe remain less optimistic than in Western Europe. 47.1% of the Japanese manufacturing affiliates in Western Europe replied “improved” in 2011 and 43.2% expected “improvement” in 2012, whereas 39.8% in Central & Eastern Europe and Turkey replied “improved” in 2011 and 28.0% expected “improvement” in 2012. [Diagram: 4]

The results by products handled final or intermediate goods show that of the companies which “improved” in 2011, final goods handling companies (41.0%) had a worse forecast compared to that of intermediate goods handling companies (50.0%).

On the other hand, looking at companies that see improvement in 2012, final goods handling companies were at 40.9% and intermediate goods handling companies at 37.6%; contrary to the previous year’s forecast, intermediate goods handling company prospects are low.

Diagram 4: [Europe and Turkey] Business confidence of Japanese manufacturing affiliates



2. Operating profits in 2010

68.4% report a profit. 23.2% report a loss

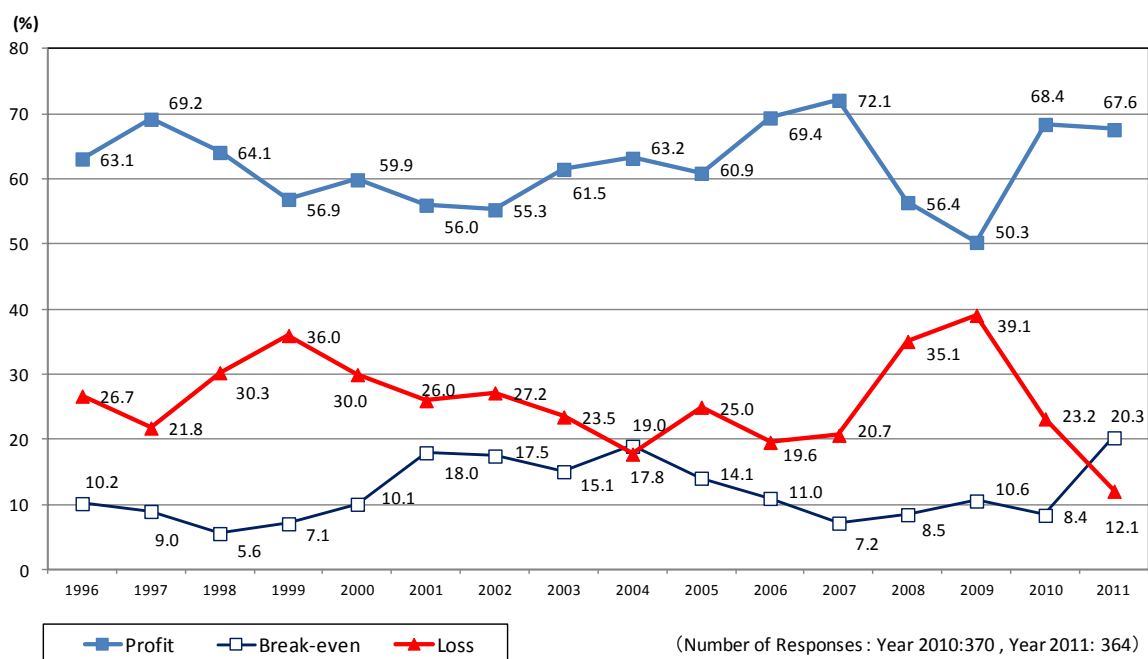
Europe and Turkey

Regarding 2010 operating profits, 68.4% of Japanese manufacturing affiliates in Europe and Turkey replied that they recorded “profits” (up 18.1points from the previous survey), while 8.4% replied “Break-even” (down 2.2 points) and 23.2% replied that they recorded a “loss” (down 15.9points). Subsequently, the profit against loss ratio increased significantly, indicating recovery.

Forecasts for 2011 saw the proportion expecting “Profit” at 67.6% (down 0.8points), “Break-even” at 20.3% (up 11.9points) and “Loss” at 12.1% (down 11.1points) showing a pessimistic outlook compared to the previous year’s survey. [Diagram: 5]

Looking at the operating profits of 2010 by industry, the top 3 industries in “Profit” were “Pharmaceutical products” (2010 92.3%, 2011 76.9%), “Food products, agricultural and fisheries product processing industries” (2010 86.7%, 2011 86.7%) and Chemical/ petrochemical products (2010 81.1%, 2011 77.8%). By company size, the ratio of large companies which were in “Profit” in 2010 (2010 70.3%, 2011 68.6%) was roughly double that of small to medium companies (2010 35.0%, 2011 50.0%).

Diagram 5: [Europe and Turkey] Operating profit for Japanese manufacturing affiliates

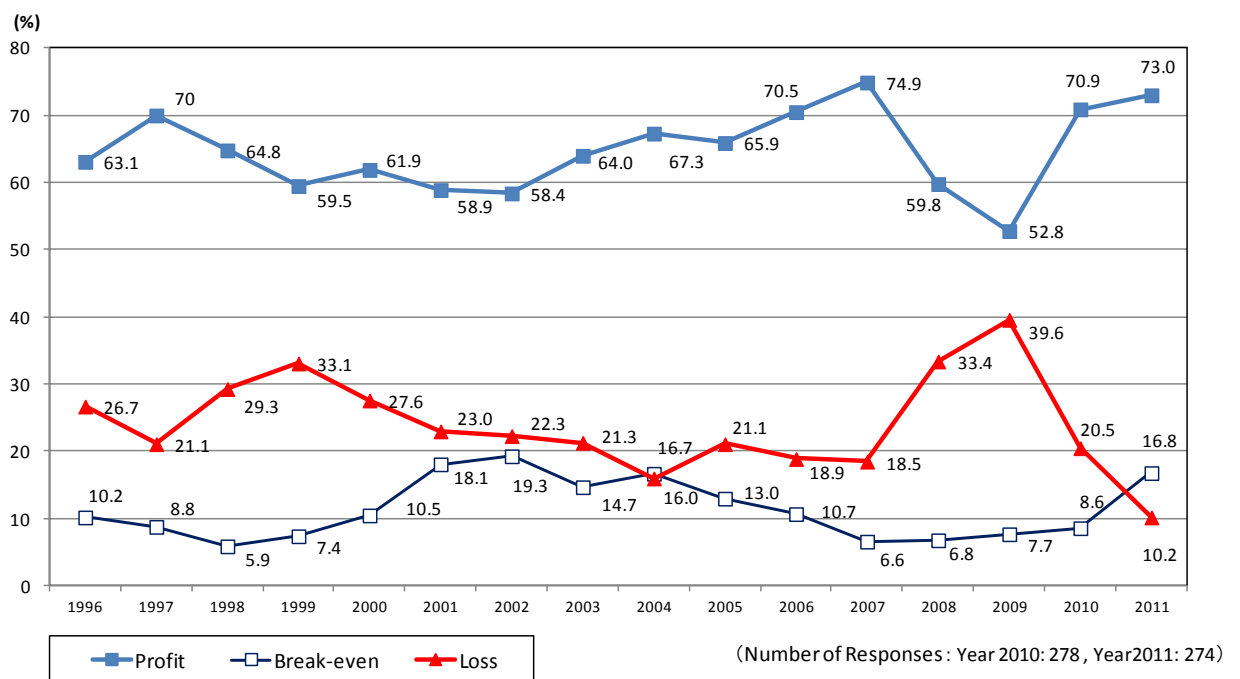


Western Europe

Operating profits in 2010 for Japanese manufacturing affiliates in Western Europe show 70.9% of companies in “Profit” (up 18.1% points from the previous survey), 8.6% “Break-even” (0.9% increase) and 20.5% showing a “Loss” (down 19.1points). The 2011 forecast shows that 73.0% were estimated to be in “Profit” (up 2.1points), 16.8% “Break-even” (up 8.2% points) and 10.2% “Loss” (down 10.3points).

There was a significant reduction in the number of companies showing loss in 2010 and expected loss in 2011 showing that companies of Japanese manufacturing affiliates in Western Europe continued to perform profitably. [Diagram: 6]

Diagram 6: [Western Europe] Transitions in operating profits of Japanese manufacturing affiliates

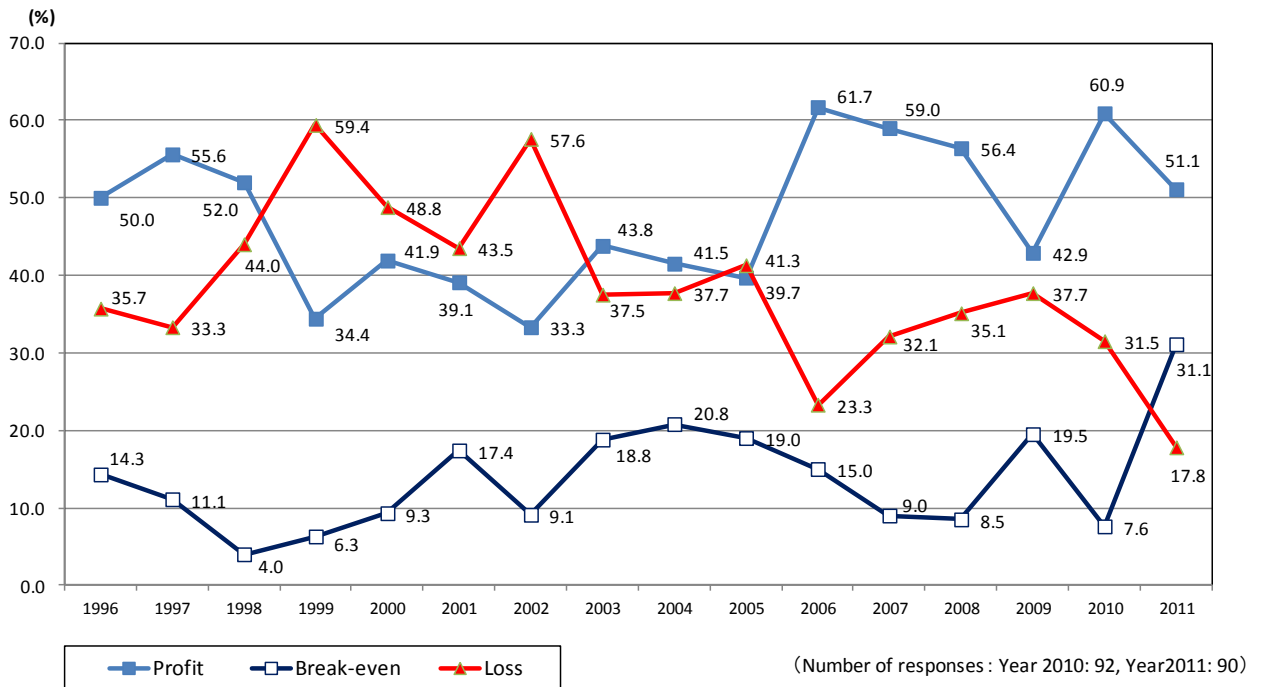


Central & Eastern Europe and Turkey

Among Japanese manufacturing affiliates in Central & Eastern Europe and Turkey in 2010, 60.9% reported operating “profits” (up 18.0 points from the previous survey), 7.6% were “Break-even” (down 11.9points) and 31.5% were “Loss” (down 6.2 points). 2011 forecasts of operating profit showed 51.1% expecting “Profit” (down 9.8% points), 31.1% “Break-even” (up 23.5%points) and 17.8% “Loss” (down 13.7% points).

Central & Eastern Europe and Turkey forecasts were relatively less optimistic compared to those in Western Europe. [Diagram: 7]

Diagram 7: [Central & Eastern Europe and Turkey] Transitions in operating profits of Japanese manufacturing affiliates



NB: Data for “Central & Eastern Europe” prior to 2008 does not include Turkey

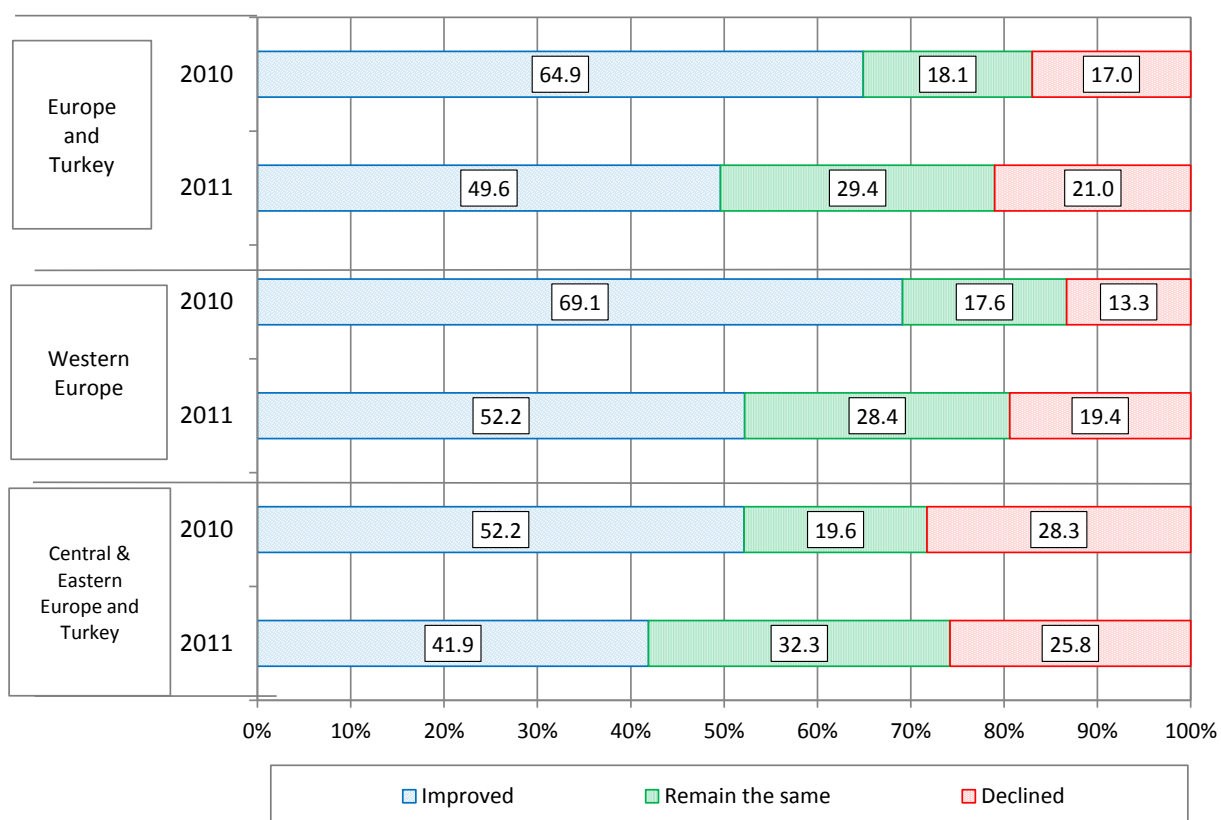
3. Analysis of factors affecting 2011 operating profit

Improvement in operating profit due to “sales increases”

Across Europe and Turkey, 64.9% of companies responded that their operating profits for 2010 “improved” (up 28.2 points from the previous survey), 18.1% said it had “not changed” (up 5.6 points) and 17.0% reported that operating profits had “Declined” (down 33.8% points). Most notable is the substantial increase in “improved” companies.

By region, percentage of companies whose operating profit had improved in Central & Eastern Europe and Turkey (52.2%) was substantially lower than in Western Europe (69.1%). [Diagram: 8]

Diagram 8: [Europe and Turkey] Operating profits of Japanese manufacturing affiliates
(Compared to the previous year)



(Number of respondents : Europe and Turkey: 2010: 370, 2011:371

Western Europe: 2010: 278, 2011:278

Central & Eastern Europe and Turkey: 2010:92, 2011:93)

2010 operating profits by industry show that more than 80% Ceramics, soil and stone products, Rubber products and Pharmaceutical products companies saw improvement. However, transportation machinery (automobiles and motorcycles), nonferrous metals, food products, agricultural and fisheries product processing industries all “declined” by more than 30%. In the nonferrous metals sector, a higher proportion replied “improved” than replied “declined” if only by a narrow margin. [Diagram: 9]

Looking at the results by company size, 65.4% of large companies replied operating profits had “improved”, 16.6% replied “Declined”, whereas, 55.0% of SMEs replied they had “improved”, 25.0% replied “declined”. Recovery is more evident in larger companies.

Diagram 9: [Europe and Turkey] 2010 Operating profits: industries showing the highest “improved” or “declined” ratios (2010)

Industries with highest % replies of “Improved”

	Industry	Number of replies	Improv	Decl
			ed	ined
			Ratio (%)	
1	Ceramics, soil and stone and products	5	100.0	0.0
2	Rubber products	9	88.9	0.0
3	Pharmaceutical products	13	84.6	7.7
4	Apparel and textile products	5	80.0	0.0
5	Chemicals and Petrochemical Products	37	78.4	8.1

Industries with highest % replies of “Declined”

	Industry	Number of replies	Impro	Decl
			ved	ined
			Ratio (%)	
1	Transportation machinery (automobiles and motorcycles)	11	45.5	45.5
2	Nonferrous metals	5	60.0	40.0
3	Food products, agricultural and fisheries products processing	15	66.7	33.3
4	Transportation machinery parts	88	55.7	22.7
5	Electric and electronic machines	24	54.2	20.8

“Improved” 2010 operating profits were attributed to “Increased sales” (88.3%) “Improvements in productivity” (53.3%) and “Reduction in personnel costs” (29.6%). [Diagram: 10]

Looking at the results by company size, “Improvements in productivity” which had the highest ratio in large companies (54.6%) was double than the medium to small companies (27.3%). “Reduction in personnel costs” were stated by 30.1% of large companies, 18.2% of Small and Medium sized business, and “Reduction in administrative and utility costs” was attributed by large companies (27.5%) and medium to small companies (18.2%) both showed that large companies were taking more positive efforts to reduce internal costs. On the other hand, “Increased sales” was the highest ranked factor in medium to small companies (90.9%) and large companies (88.2%) and “Reduction in domestic procurement costs” was relatively low at 18.2% in small to medium companies and 7.4% large companies.

Among the reasons for “declined” operating profit, “Exchange rate fluctuations” was the most common response at 48.4% and its impact was especially felt in medium to small companies (60.0%) compared to large companies (47.4%). “European economic downturn stemming from the Euro financial crisis” was also far greater in medium to small companies (60.0%) than large companies (28.1%). [Diagram: 10]

Diagram 10 : [Europe and Turkey] Reasons for “Improvement” or “Decline” in 2012 operating profits (Multiple answers allowed)

Factors for improvement (%)			Factors for decline (%)		
1	Increased sales	88.3	1	Exchange rate fluctuations	48.4
2	Improvements in productivity	53.3	2	Decreased sales in domestic market	38.7
3	Reduction in personnel costs	29.6	3	European economic downturn stemming from the Euro financial crisis	30.6

(Number of respondents: (Factors for improvement) : 240 : (Factors for decline) : 62)

Western Europe

Among Japanese manufacturing affiliates in Western Europe, 69.1% of companies replied that their operating profits for 2010 had “improved” in comparison to the previous year which was 35.2% higher than the previous year.

13.3% of companies reported a decline, down 39.7points from the previous year, thereby showing a marked improvement in the results of respondent companies. [Diagram: 8]

Countries showing the highest ratio of “improved” operating profits were Belgium and Portugal at more than 80% followed by Germany and Italy. Countries with the highest ratio of “declined” operating profits were Ireland and France, roughly amounting to one-third the total number. [Diagram: 11]

Diagram 11: [Western Europe] Countries and regions with the highest number of replies of “Improvement” and “Decline” in 2010 operating profits

Countries with the highest number of “Improved” responses

Countries with the highest number of “Declined” responses

	Country	Number of responses	Improved	Declined
			Ratio (%)	
1	Belgium	18	88.9	-
2	Portugal	8	87.5	-
3	Germany	52	76.9	7.7
4	Italy	15	73.3	20.0
5	Ireland	6	66.7	33.3

	Country	Number of responses	Improved	Declined
			Ratio (%)	
1	Ireland	6	66.7	33.3
2	France	36	61.1	22.2
3	Italy	15	73.3	20.0
4	UK	82	63.4	18.3
5	Finland	6	50.0	16.7

In Western Europe, among reasons attributed to “Improved” operating profits in 2010, increased sales” which had increased to 90.1of respondents was the most common, followed by “Improvements in productivity” (51.0%) and “Reduction of personnel costs” (31.8%).

Among the common reasons for “Declined” operating profit according to 36 responding companies, “Exchange rate fluctuations” were given by 50.0% of companies, followed by “Decreased sales in overseas markets” (44.4%), “European economic downturn stemming from the from Euro financial crisis” (30.6%), “Decreased sales in domestic market” (27.8%) and “Fall in sales prices” (25.0%). [Diagram: 12]

Diagram 12: [Western Europe] Most common reasons for “Improvement” of or “Decline” in 2010 operating profits(Multiple answers allowed)

Improved				Declined			
	Reasons	Number of responses	Ratio (%)		Reasons	Number of responses	Ratio (%)
1	Increased sales	173	90.1	1	Exchange rate fluctuations	18	50.0
2	Improvements in productivity	98	51.0	2	Decreased sales in overseas markets	16	44.4
3	Reduction in personnel costs	61	31.8	3	European economic downturn stemming from the from Euro financial crisis	11	30.6
4	Reduction in administrative and utility costs	53	27.6	4	Decreased sales in domestic market	10	27.8
5	Increase in sales prices	45	23.4	5	Fall in sales prices	9	25.0

(Number of responses : 192) (Number of responses : 36)

Central & Eastern Europe and Turkey

Among the Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, companies which replied year-on-year 2010 operating profits “Improved” were 52.2% (up 6.7points compared to the previous survey) and though the recovery was steady, it was not as pronounced as Western Europe (69.1%, up 35.2points). Companies reporting “Declined” 2010 operating profits were at 28.3%, down15.9points. [Diagram: 8]

Looking at the results by country, the highest improvement percentage was in Poland at 73.9%, (down13.0points) Czech Republic posted 31.3% “improved” operating profits (down 43.8points) and Turkey (40.0% “improved”, down 46.7%points) where “declined” respondents percentage was higher than “improved” companies.

The most common reason for “improved” operating profit was “increased sales” with 81.3% of respondents attributing this, followed by “Improvement in productivity” (62.5%).

The most common reason given by companies for “declined” operating profit were “exchange rate fluctuations” at 46.2% (equivalent to Western Europe) followed by “Fall in selling prices” (34.6%).[Diagram: 13]

Diagram 13: [Central & Eastern Europe and Turkey] Most common reasons for “Improvement “or”Decline “ in 2010 operating profits(Multiple answers allowed)

Central & Eastern Europe and Turkey (Improved)				Central & Eastern Europe and Turkey (Declined)			
	Reasons	No. of replies	Ratio (%)		Reasons	Number of replies	Ratio (%)
1	Increased sales	39	81.3	1	Exchange rate fluctuations	12	46.2
2	Improvements in productivity	30	62.5	2	Fall in sales prices	9	34.6
3	Reduction in administrative and utility costs	12	25.0	3	European economic downturn stemming from the Euro financial crisis	8	30.8
4	Reduction in personnel costs	10	20.8	3	Decreased sales in overseas markets	8	30.8
5	Increase in sales prices	8	16.7	5	Increase in overseas procurement costs	7	26.9
5	Reduction in overseas procurement cost s(imports)	8	16.7				

(Number of responses: 48) (Number of responses:26)

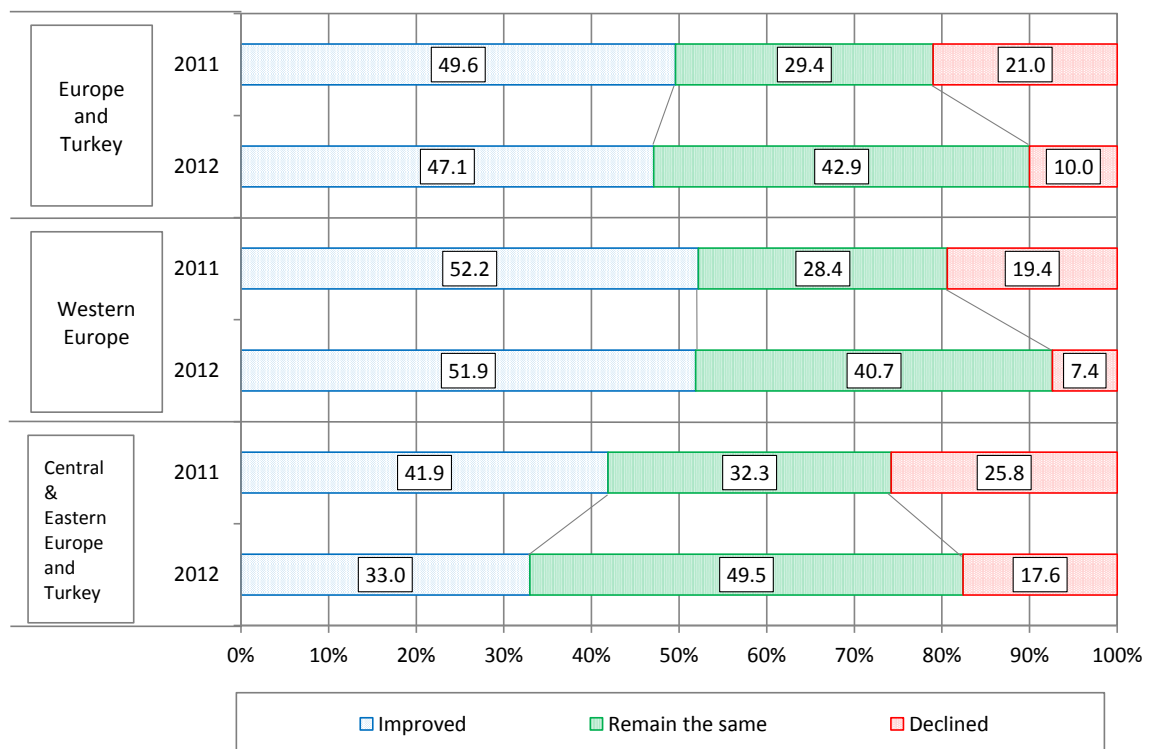
4. Analysis of factors for increase or decrease in operating profits in 2011 and 2012

Half of companies expected to improve in 2011, expectations of “no change” increased in 2012

Regarding expected operating profits in 2011 compared to 2010, approximately half (49.6%) in Europe and Turkey replied “improved”, 29.4% felt operating profits would “Remain the same” and 21.0% replied it would decline. In the forecast for 2012, “Improve” responses were at 47.1%, “Remain the same” at 42.9%, and “Decline” at 10.0%; the total number of “Remain the same” and “Declined” responses constituted more than half the ratio at 52.9%.

Focusing regionally, in Western Europe 52.2% of companies gave “improved” responses for 2011 2012 expectations were at a similar proportion at 51.9%. In Central & Eastern Europe and Turkey, “Improved” responses saw a decline from 41.9% for 2011 to 33.0% expected in 2012 showing that the future projections were more guarded in Central & Eastern Europe and Turkey than in Western Europe. [Diagram: 14]

Diagram 14: Expected operating profits of Japanese manufacturing affiliates compared to the previous year



(Number of responses: (Europe and Turkey) 2010: 371, 2011: 361

(Western Europe) 2010: 278, 2011: 270

(Central & Eastern Europe and Turkey): 2010:93, 2011:91)

The most common reason for “improved” forecast in operating profits in 2011 given in Western Europe was “Increased sales in domestic market” at 62.1%. In Central & Eastern Europe and Turkey the most common reason was “Improvements in productivity” (53.8%). In Central & Eastern Europe including Turkey “Improvements in productivity” was still the most prominently attributed factor.

The most common three reasons given for improvement in both regions were “Increased sales in domestic market”, “Increased sales in overseas markets” and “Improvements in productivity”.

Of the main reasons given for deterioration in Western Europe, the most common was “Exchange rate fluctuations” (37.0%) as the Yen continued to rise as the Euro depreciated. This was followed by “Reduction in overseas procurement costs” (33.3%) and “fall in sales prices” (31.5%).

In Central & Eastern Europe and Turkey, “Fall in sales prices” (58.3%) was the most common reason, followed by “Exchange rate fluctuations” (41.7%), “European economic downturn stemming from the Euro financial crisis” (37.5%). A reduction in selling prices due to economic slowdown put pressure on profits. [Diagram: 15]

Diagram 15: Top reasons for Improvement and Decline in 2011 operating profits

(Multiple answers allowed)

Reasons for “Improved” operating profits in 2011
(Western Europe) (Improved Reasons)

	Reasons	Number of replies	Ratio (%)
1	Increased sales in domestic market	90	62.1
2	Increased sales in overseas markets	82	56.6
3	Improvements in productivity	68	46.9
4	Increase in sales prices	51	35.2
5	Acquisition of new customers	45	31.0

(Number of responses : 145)

Reasons for “Declined” operating profits in 2011
(Western Europe) (Declined Reasons)

	Reasons	Number of replies	Ratio (%)
1	Exchange rate fluctuations	20	37.0
2	Increase in overseas procurement costs	18	33.3
3	Fall in sales prices	17	31.5
4	Decreased sales in overseas markets	15	27.8
5	Decreased sales in domestic market	14	25.9
5	Impacts from the Great East Japan Earthquake Disaster	14	25.9

(Number of responses: 54)

Central & Eastern Europe and Turkey
(Improved Reasons)

	Reasons	Number of replies	Ratio (%)
1	Improvements in productivity	21	53.8
2	Increased sales in domestic market	18	46.2
3	Increased sales in overseas markets	17	43.6
4	Acquisition of new customers	9	23.1
5	Increase in sales prices	8	20.5
5	Reduction in overseas procurement costs	8	20.5

(Number of responses: 39)

Central & Eastern Europe and Turkey
(Declined Reasons)

	Reasons	Number of replies	Ratio (%)
1	Fall in sales prices	14	58.3
2	Exchange rate fluctuations	10	41.7
3	European economic downturn stemming from the Euro financial crisis	9	37.5
4	Decreased sales in overseas markets	7	29.2
5	Increase in personnel costs	6	25.0

(Number of responses: 24)

III. Procurement, sales and production

1. Raw material and component procurement sources

- On average, Japanese manufacturing affiliates in Europe and Turkey procure 45.1% of their raw material and components from Western Europe and 27.7% from Japan. [Diagram: 16]
 - On average, Japanese manufacturing affiliates in Western Europe procure 52.4% of their supplies from Western Europe, 26.7% from Japan and 4.9% from China. Japanese manufacturing affiliates in Central & Eastern Europe and Turkey sourced most supplies from Japan (30.6%), followed by Western Europe (23.6%), and Central & Eastern Europe (16.4%). [Diagram: 16]
 - Prominent suppliers of the future include China (currently supply 87 affiliates), Germany (61 affiliates), Czech Republic (49 affiliates), Poland (45 affiliates) and Thailand (43 affiliates).
- *Average sales ratio: The total number of replies for each country and region divided by the number of responding affiliates.

(1) Current procurement sources

Europe and Turkey

Looking at current main procurement sources of the Japanese manufacturing affiliates in Europe and Turkey and average procurement ratios, Western Europe was the highest proportional supplier at 45.1%. This was followed by Japan (27.7%), Central & Eastern Europe (6.0%), China (5.3%), ASEAN (4.3%), USA (2.0%), and Turkey (1.5%). [Diagram: 16]

Diagram 16 : 【Europe and Turkey】 Procurement sources and average procurement ratios of Japanese manufacturing affiliates

(%)

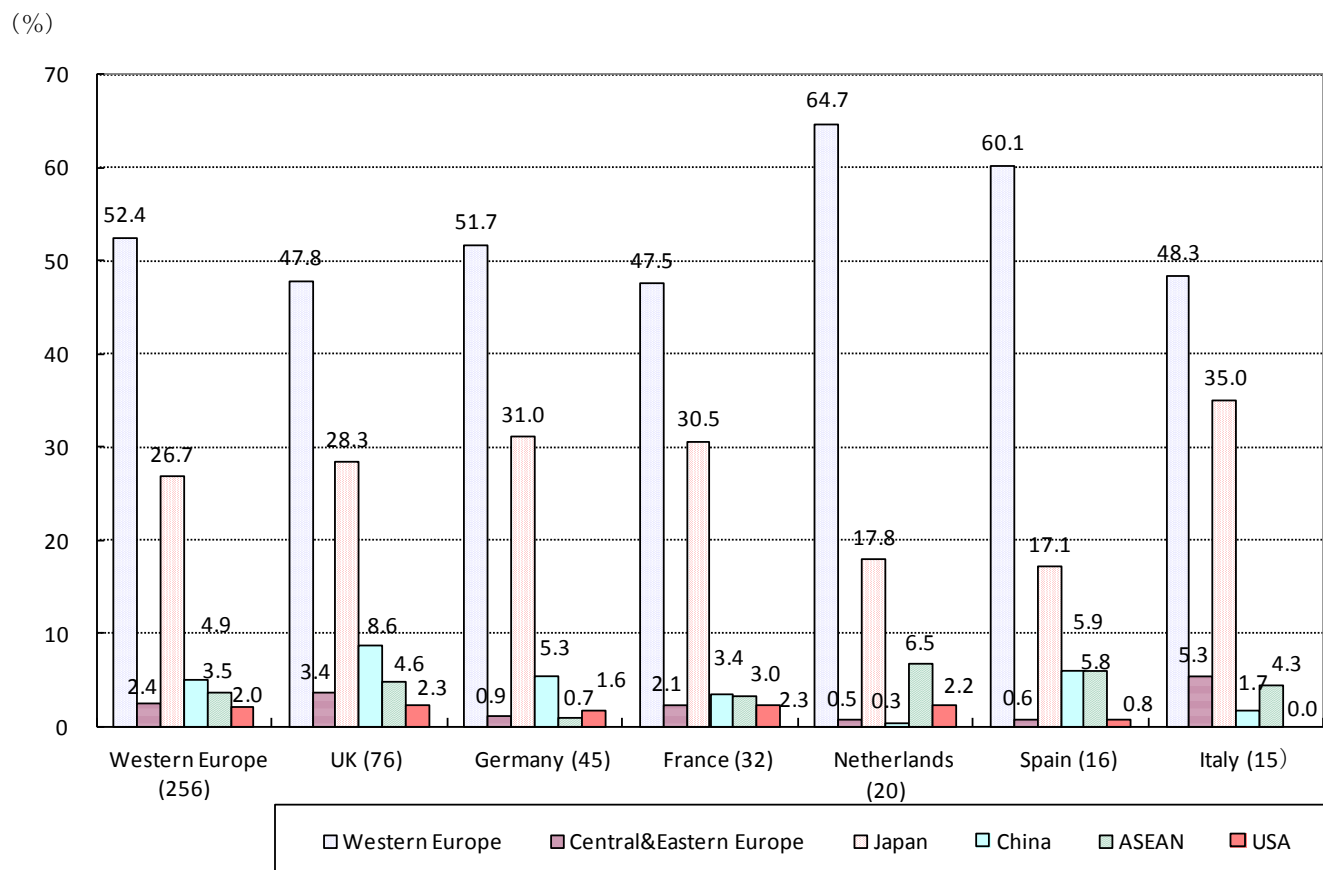
Country/Region (Number of replies:)	Procurement Sources						
	Western Europe	Central & Eastern Europe	Turkey	Japan	China	ASEAN	USA
Europe and Turkey (343)	45.1	6.0	1.5	27.7	5.3	4.3	2.0
Western Europe (256)	52.4	2.4	0.5	26.7	4.9	3.5	2.0
UK(76)	47.8	3.4	0.5	28.3	8.6	4.6	2.3
Germany(45)	51.7	0.9	0.9	31.0	5.3	0.7	1.6
France(32)	47.5	2.1	0.4	30.5	3.4	3.0	2.3
Netherlands (20)	64.7	0.5	1.5	17.8	0.3	6.5	2.2
Spain (16)	60.1	0.6	0.0	17.1	5.9	5.8	0.8
Central & Eastern Europe and Turkey (87)	23.6	16.4	4.2	30.6	6.5	6.8	2.1
Hungary(25)	25.0	18.6	0.2	36.3	4.2	7.0	2.0
Poland(20)	19.6	18.2	0.5	31.6	5.7	9.3	0.6
Czech Republic(15)	24.8	25.5	0.0	25.5	5.1	7.2	0.7

Western Europe

Looking at the procurement sources of Japanese manufacturing affiliates in Europe and Turkey, the average procurement ratio from Western Europe is 52.4%. Japan was second at 26.7%.

Among the main procuring countries in Western Europe, Netherlands had the highest ratio of procurement from Western Europe at 64.7%, followed by Spain at 60.1%. The average ratio of procurement from Japan by these two countries was relatively low at approximately 17%. The average ratio of procurement from Japan was comparatively higher in Germany, UK and France at around 30% and 35% in Italy. [Diagram: 17]

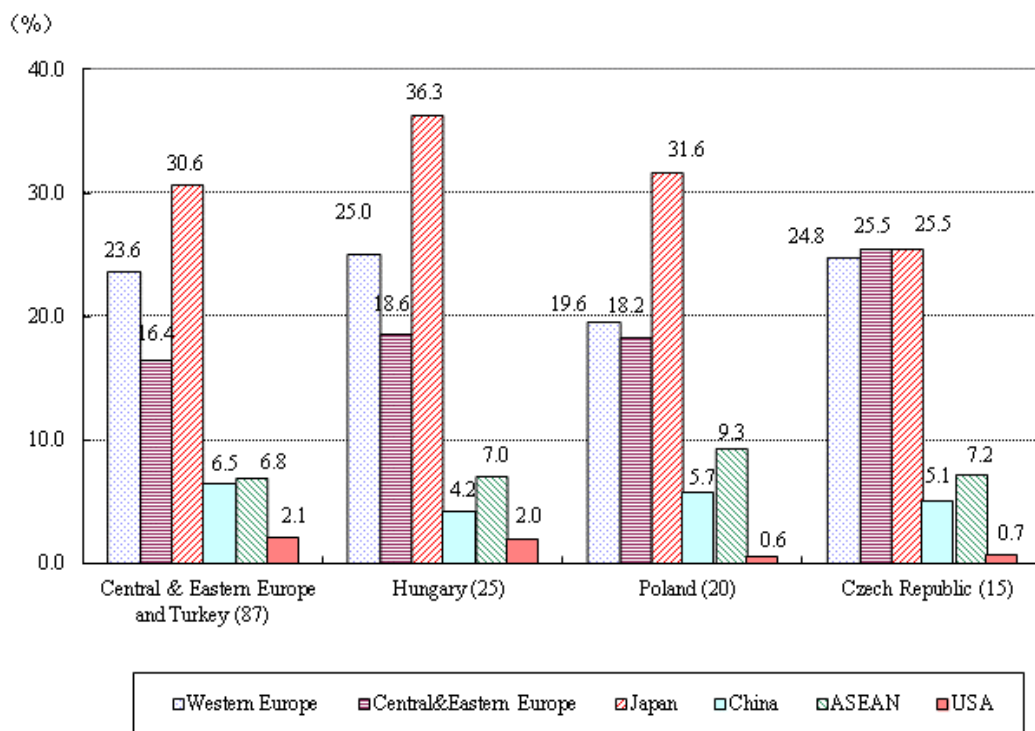
Diagram17 : Procurement sources and their average procurement ratios of Japanese manufacturing affiliates in Western Europe (major countries)



Central & Eastern Europe and Turkey

Looking at the procurement sources and average procurement ratio of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, the highest ratio of procurement was from Japan at 30.6%, followed by 23.6% from Western Europe and 16.4% from Central & Eastern Europe. Combined local procurement ratio from Western, Central & Eastern Europe was 40.0%. Local procurement ratio from Western, Central & Eastern Europe was the highest in the Czech Republic at 50.3%. [Diagram: 18]

Diagram18 : Procurement sources of Japanese manufacturing affiliates and their average procurement ratios in Central & Eastern Europe (major countries)



(2) Promising procurement sources

The most promising procurement source for Japanese manufacturing affiliates in Europe and Turkey was China (unchanged from 2010 results). 87 affiliates responded that China is the most promising procurement source. This was followed by Germany (61 affiliates), Czech Republic (49), Poland (45) and Thailand (43). [Diagram: 19]

Compared to medium and small companies, large companies gave higher procurement ratios for countries and regions separated from their production location: China (31.0%), ASEAN (22.5%), Middle East (16.6%).

On the other hand, compared to large companies, medium and small companies gave responses with higher ratios for Western Europe (50.0%) and Central & Eastern Europe (35.7%). Generally, large companies aim at global procurement including remote locations and medium and small companies think of procuring from nearby locations.

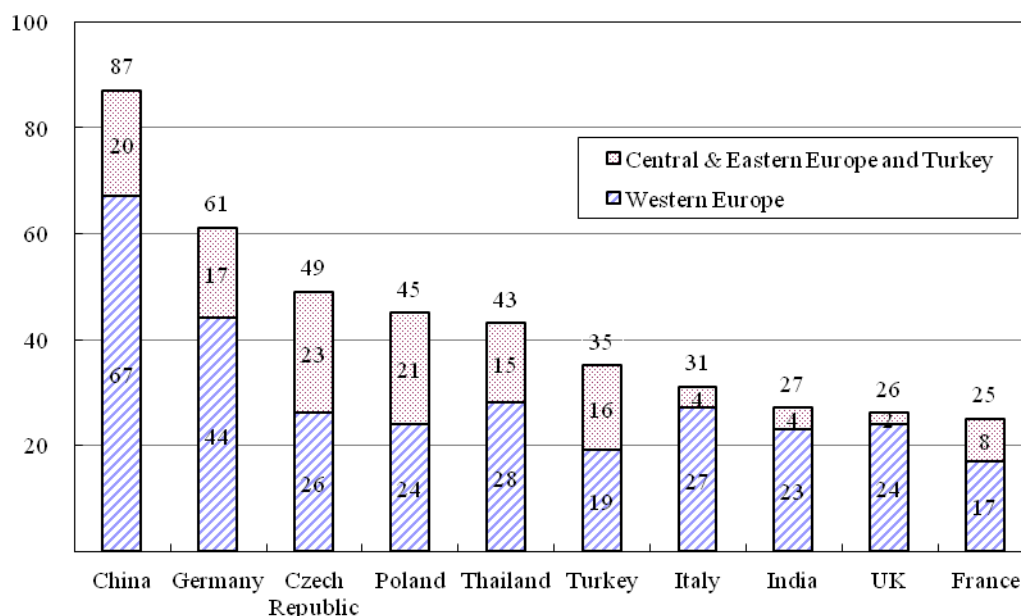
The most common reasons given for procurement sources being considered promising were “because our suppliers have bases in the country/area” at 50.0% for Western European respondents; for Central & Eastern European respondents, it was “because manufacturing costs are low” (54.8%).

For Russia and the CIS, responses of “because manufacturing costs are low” (46.2%) and “in order to disperse and diversify” (38.5%) were more prominent than from other regions’ responses. We see that compared to remote regions such as ASEAN countries, suppliers in geographically closer regions are considered for risk diversification.

Diagram19 : 【Europe and Turkey】 Promising procurement sources

(Multiple answers allowed)

(Number of replies)



(Number of replies) Western Europe:209 ,Central & Eastern Europe and Turkey:76)

2. Sales Destinations

- The average sales ratio of total Japanese manufacturing affiliates in Europe and Turkey selling their products to Western Europe was 67.4%; to Central & Eastern Europe and Turkey it was 12.8% resulting in a combined total of 80.2%. [Diagram: 20]
- For Japanese manufacturing affiliates in Western Europe, the average sales ratio was 73.5% to Western Europe, 5.5% to Central & Eastern Europe.
For the Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, 49.7% was sold to Western Europe and 33.9% to Central & Eastern Europe. [Diagram: 20]
- Responses for the most promising sales destinations were Russia (87 affiliates), Germany (50) and Turkey (47).

*Average sales ratio: The total number of replies for each country and region divided by the number of responding affiliates.

(1) Current sales destinations

Europe and Turkey

Main current sales destinations and average sales ratios of Japanese manufacturing affiliates in Europe and Turkey show that 67.4% of sales were to Western Europe, 12.8% to Central & Eastern Europe, 4.4% to Japan, 3.2% to USA, 3.0% to Turkey, 1.4% to Russia & CIS, China 1.1%, and less than 1% for other countries and regions.[Diagram: 20]

Diagram 20 : 【Europe and Turkey】 Sales destinations and the average sales ratios of Japanese manufacturing affiliates

(%)

Country/Region	Sales destinations						
	Western Europe	Central & Eastern Europe	Japan	Turkey	USA	Russia/ CIS	China
Europe and Turkey(350)	67.4	12.8	4.4	3.0	3.2	1.4	1.1
Western Europe (260)	73.5	5.5	4.9	1.0	4.1	1.6	1.5
UK (76)	75.1	5.7	3.5	1.2	5.3	0.4	0.4
Germany (49)	75.6	4.6	2.1	1.1	4.7	0.4	3.0
France (32)	77.0	2.3	5.8	0.0	3.3	0.6	2.8
Netherland (22)	67.8	5.1	10.5	0.5	3.1	4.2	2.2
Spain (16)	74.4	7.1	1.2	1.8	3.1	0.0	1.3
Central & Eastern Europe/Turkey (90)	49.7	33.9	2.8	8.7	0.4	0.9	0.0
Hungary (25)	49.6	40.0	5.5	0.0	0.2	0.0	0.0
Poland (21)	48.7	40.8	0.6	2.5	0.5	0.0	0.0
Czech Republic (15)	53.4	43.7	1.0	0.2	0.3	0.3	0.0

The average sales ratio to the European market by industry is more than 90% for Ceramics, soil and stone products (98.8%), “Metal products” (92.5%) and “Plastic products” (91.8%) manufacturing industries. [Diagram: 21]

Diagram21 : Industries with the highest sales ratios to the European market

% (number of responses)

1. Ceramics, soil and stone products	98.8% (4)	4. Nonferrous metals	87.8% (5)
2. Metal products	92.5% (10)	5. Electric and electronic parts	86.9% (29)
3. Plastic products	91.8% (18)	6. Transportation machinery parts	86.4% (85)

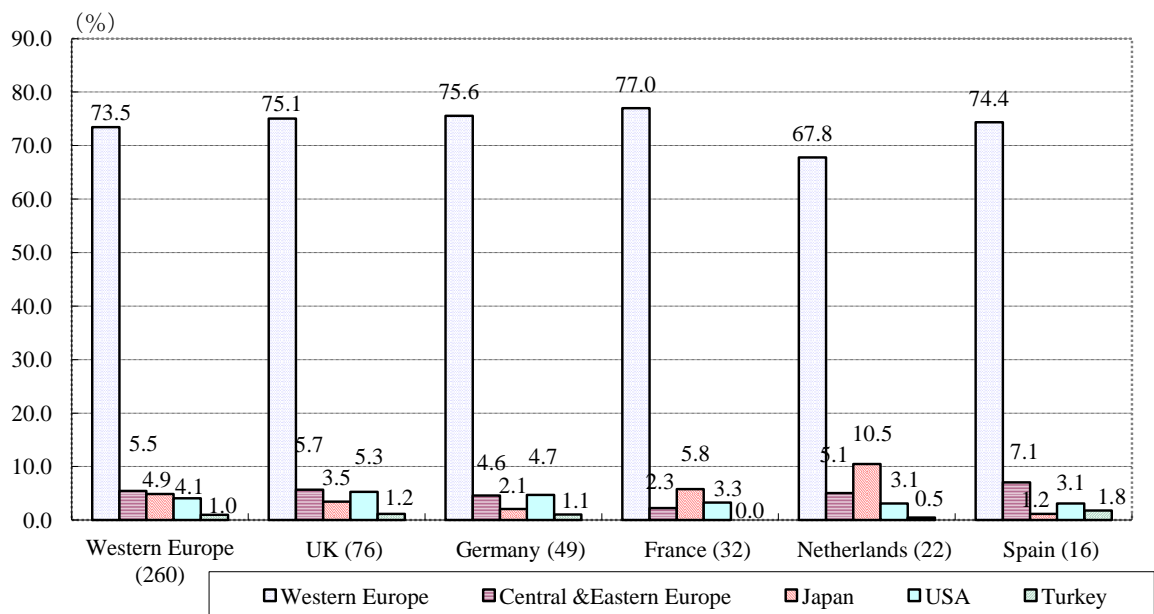
*The average sales ratio to the European market was obtained by dividing the total sales of Western, Central & Eastern Europe for each product, by the number of affiliates which replied.

Western Europe Region

Sales destinations and average sales ratio of Japanese manufacturing affiliates in Western Europe show that the highest ratio of sales goes to Western Europe (73.5%), followed by Central & Eastern Europe (5.5%), and Japan (4.9%).

Average sales ratio by country show that Japanese manufacturing affiliates in the Netherlands have a sales ratio of 67.8% to Western Europe, much lower than other countries and the average sales ratio to Japan was 10.5% which is comparatively high. [Diagram: 22]

Diagram 22 : [Western Europe] Sales destination and the average sales ratios of Japanese manufacturing affiliates (Main countries)

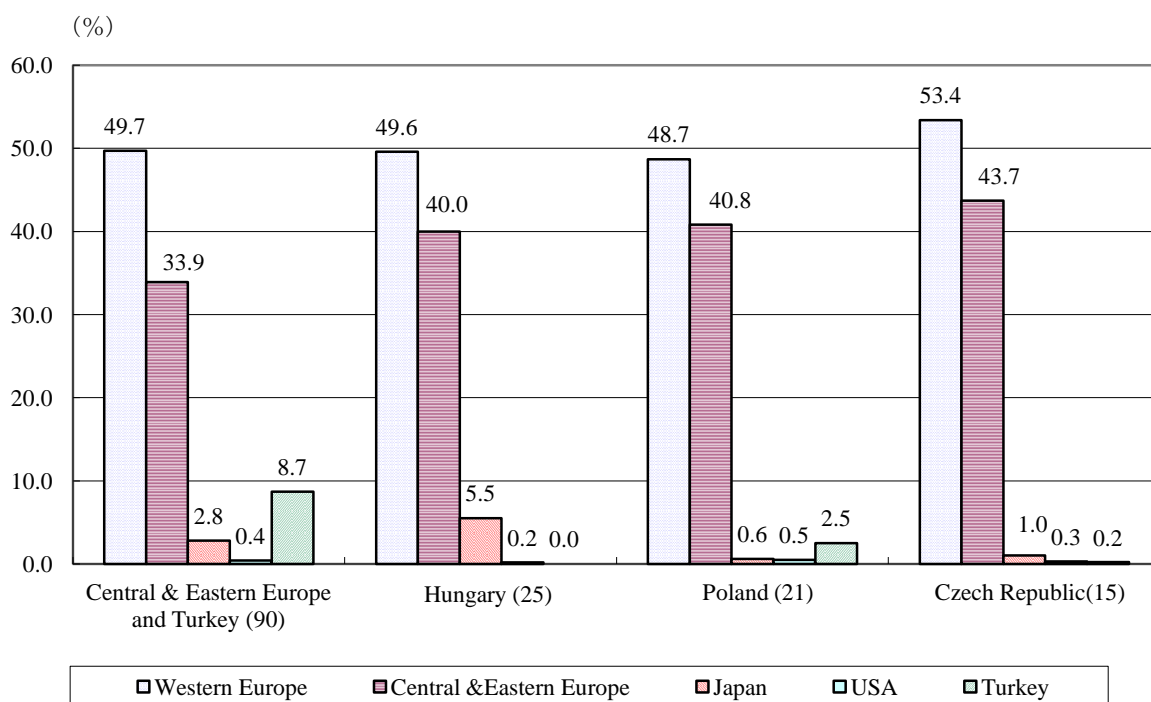


Regions in Central & Eastern Europe and Turkey

Sales destinations and average sales ratio of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey show that the largest sales were to Western Europe at 49.7%, followed by Central & Eastern Europe at 33.9%.

By country, sales destinations are fairly comparable; however the following chart shows some countries – notably Hungary, Poland and Czech Republic with a higher than average sales ratio to Europe. [Diagram: 23]

Diagram23 : Sales destination and the average sales ratios of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey (Main countries)



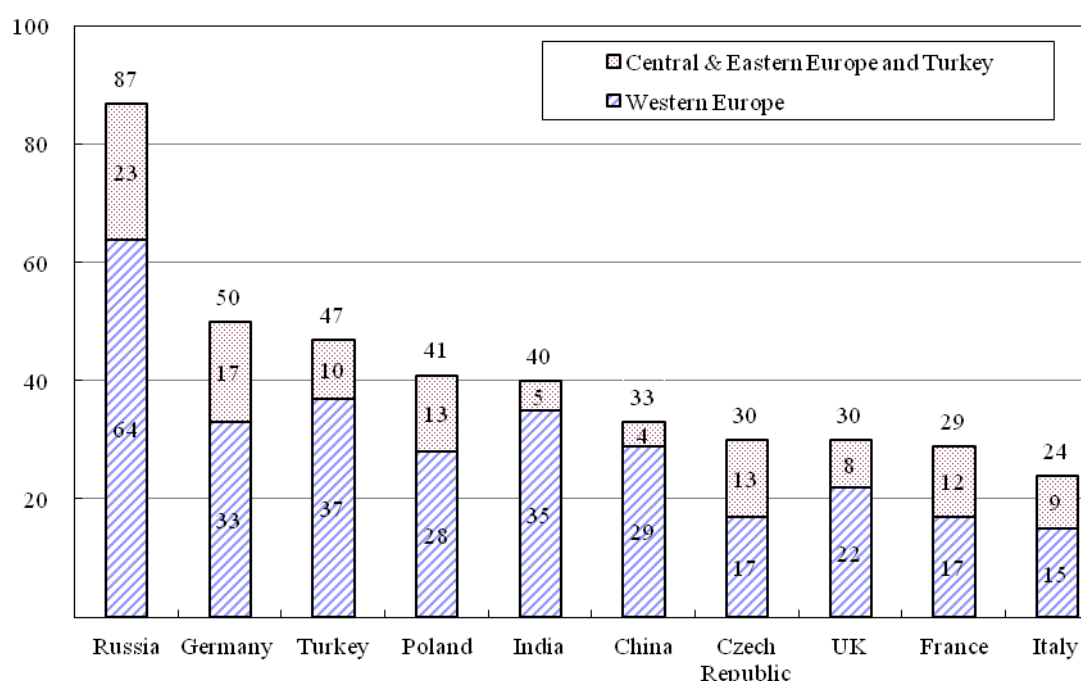
(2) Promising sales destinations

For Japanese manufacturing affiliates in Europe and Turkey, Russia was again seen as the most promising market for sales in the future with 87 affiliate responses, unchanged from 2010 results. Russia was followed by Germany (50 affiliates), Turkey (47 affiliates), Poland (41 affiliates), India (40 affiliates), China (33 affiliates), Czech Republic (30 affiliates), UK (30 affiliates), France (29 affiliates) and Italy (24 affiliates). [Diagram: 24]

Diagram 24 : Promising sales destinations for Japanese manufacturing affiliates

(Multiple answers allowed)

(Number of replies)



(Number of responses: (Western Europe) 200 (Central and Eastern Europe and Turkey) 68)

The largest number of replies for Russia and CIS holding promise were “its market is undeveloped, but the country is expected to grow” (72.4%), and for Western Europe holding promise “we already have customers there” was given by 50.6% of respondents.

Market under development and growth expectations were also given as the most common reasons in responses for the Middle East (60.4%) and Central & Eastern Europe (47.6%).

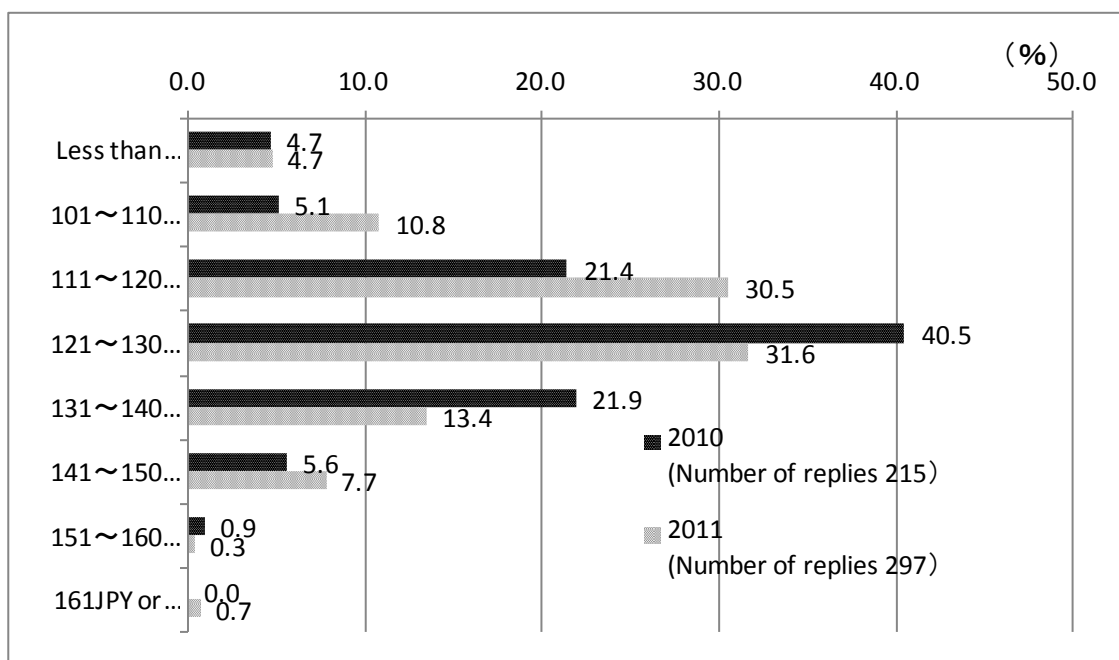
3. Production

- The average exchange rate ideal for carrying out local production activities was 1 EUR = 125 Yen. The value of JPY against the EUR during the period of this survey (July to August) was at a low of 1 EUR = 110 JPY. The value presumed by affiliates was very different from the actual exchange rate. [Diagram: 25]
- “Expansion” of business (production systems) expected in the next one or two years was 51.4% in Western Europe, and 49.5% in Central & Eastern Europe and Turkey. [Diagram:s 26, 27]
- Specific business expansion policy of most affiliates was “expansion of business size by additional investment” (62.7% of affiliates in Western Europe that responded “Expansion”), and 60.9% in Central & Eastern Europe and Turkey. [Diagram:s 28, 29]
- Among the countries and regions showing the most promise as production locations in the medium and long term (5 to 10 years), “China”, voted by 60 affiliates, was the top reply, followed by “Russia” (50 affiliates), and “India” (49 affiliates). [Diagram: 31]

(1) Favorable exchange rates for local production activities

The average EUR /JPY exchange rate mentioned by Japanese manufacturing affiliates in Europe and Turkey as the most favorable for local production activities was 1 EUR= 125 JPY. The JPY has become little stronger and EUR weaker since the annual survey result of 2010 (1 EUR = 128 JPY). However, the rate of the JPY against the EUR during the survey (July to August) reached a low of 1 EUR = 110 JPY, which was far different from the rate presumed by the companies. On the other hand, companies which felt that the ideal exchange rate level was “1 EUR =101 to 110 JPY” increased from 2010 at 5.1% to 10.8% in 2011. Moreover, companies that suggested a rate of “111 to 120 JPY” increased from 21.4% to 30.5%. Companies with a most favorable rate of “131 to 140 JPY” decreased from 21.9% to 13.4%. This shows that Japanese affiliates are shifting their production locations overseas to cope with the strong JPY. [Diagram: 25]

Diagram 25 Ideal EUR/JPY exchange rate levels for Japanese manufacturing affiliates



(2) Direction of business expansion in the next one to two years (Production system)

Europe and Turkey

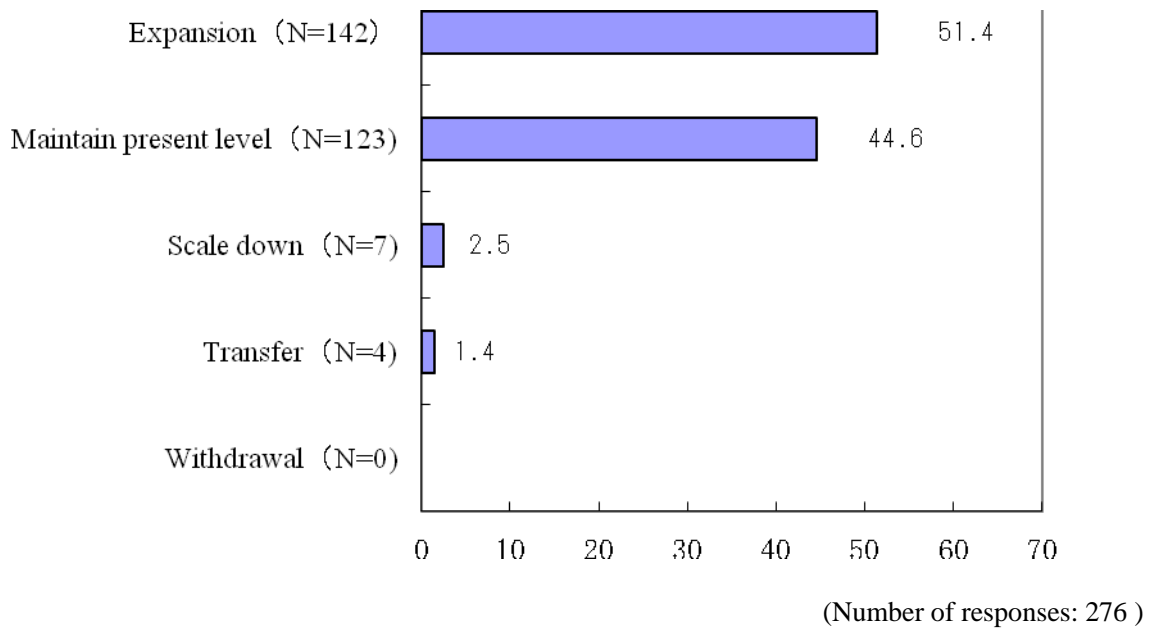
50.9% (188 affiliates) of Japanese manufacturing affiliates in Europe and Turkey hoped to “expand their business in the next 1 to 2 years”, which was 8.0% more than the 2010 survey results (42.9%).

44.7% of affiliates wished to “maintain present level”, and 3.3% were going to “scale down”.

Western Europe

51.4% of affiliates in Western Europe replied “expand”, which was 12.3% more than the 2010 survey result (39.1%). 44.6% replied “maintain present level”, and 2.5% replied “scale down”.
[Diagram: 26]

Diagram 26: Direction of business expansion in the next one to two years (production system) of Japanese manufacturing affiliates in Western Europe(%)



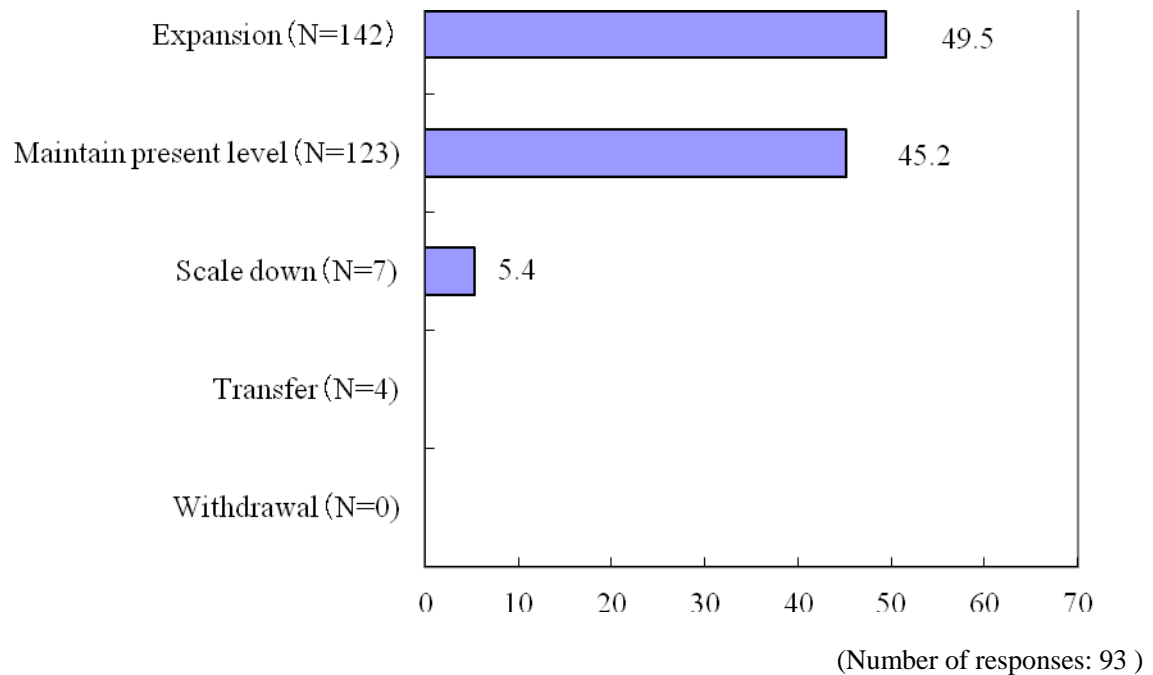
Central & Eastern Europe and Turkey

In Central & Eastern Europe and Turkey, 49.5% (46 affiliates) replied “expand”, which was 5.2% less than the 2010 survey results (54.7%).

45.2% affiliates replied that they will “maintain present level” and 5.4% replied they will “scale down”.

No company replied that they will “transfer” or “withdraw”. [Diagram: 27]

Diagram 27: Direction of business expansion in the next one to two years (production system) of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey(%)



(3) Specific policies of companies replying “expand”

Europe and Turkey

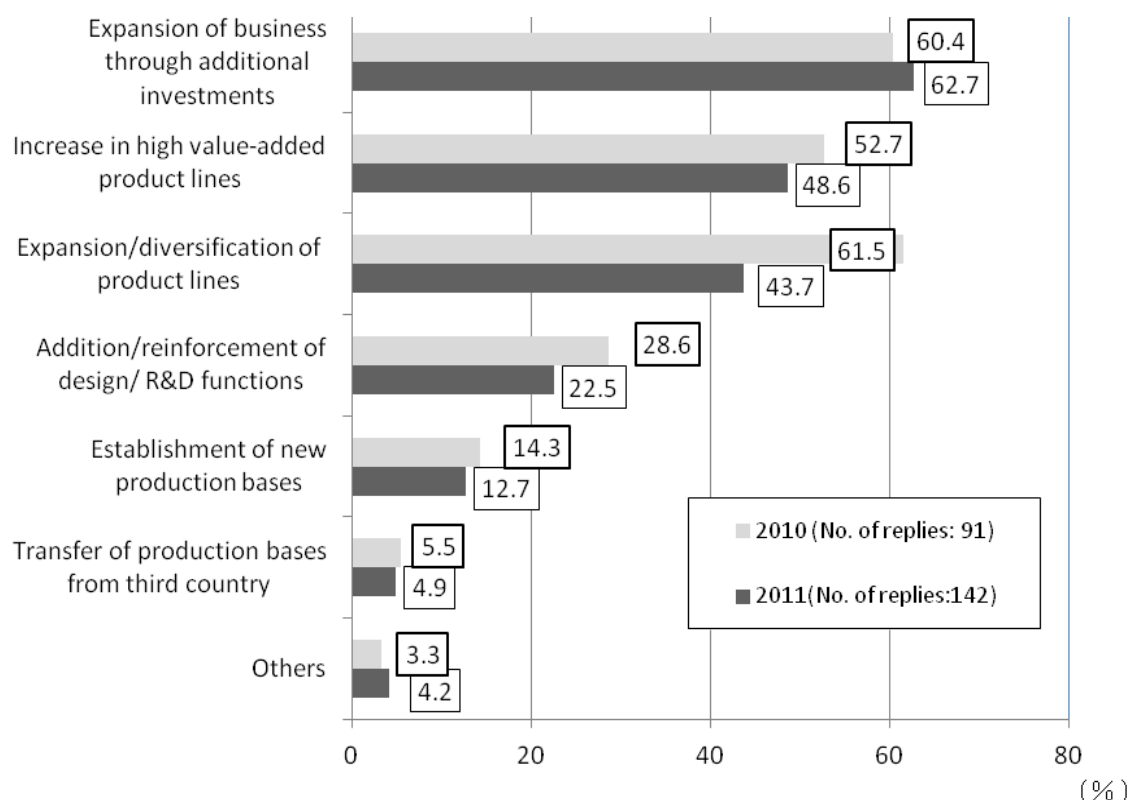
Of the companies that intended to “expand”, the specific business expansion policy of most was “expansion of business through additional investments” (62.2%), followed by “expansion/diversification of product lines” (46.8%) which was the top answer in the 2010 survey results (64.9%).

Western Europe

Of the companies that intended to “expand”, the specific business expansion policy of most was “expansion of business through additional investments” (62.7%), followed by “increase in high value-added product lines” (48.6%), and “expansion of business through additional investments” (43.7%).

The number of affiliates that replied “expansion/diversification of product lines” declined far below the 61.5% in the 2010 survey result. [Diagram: 28]

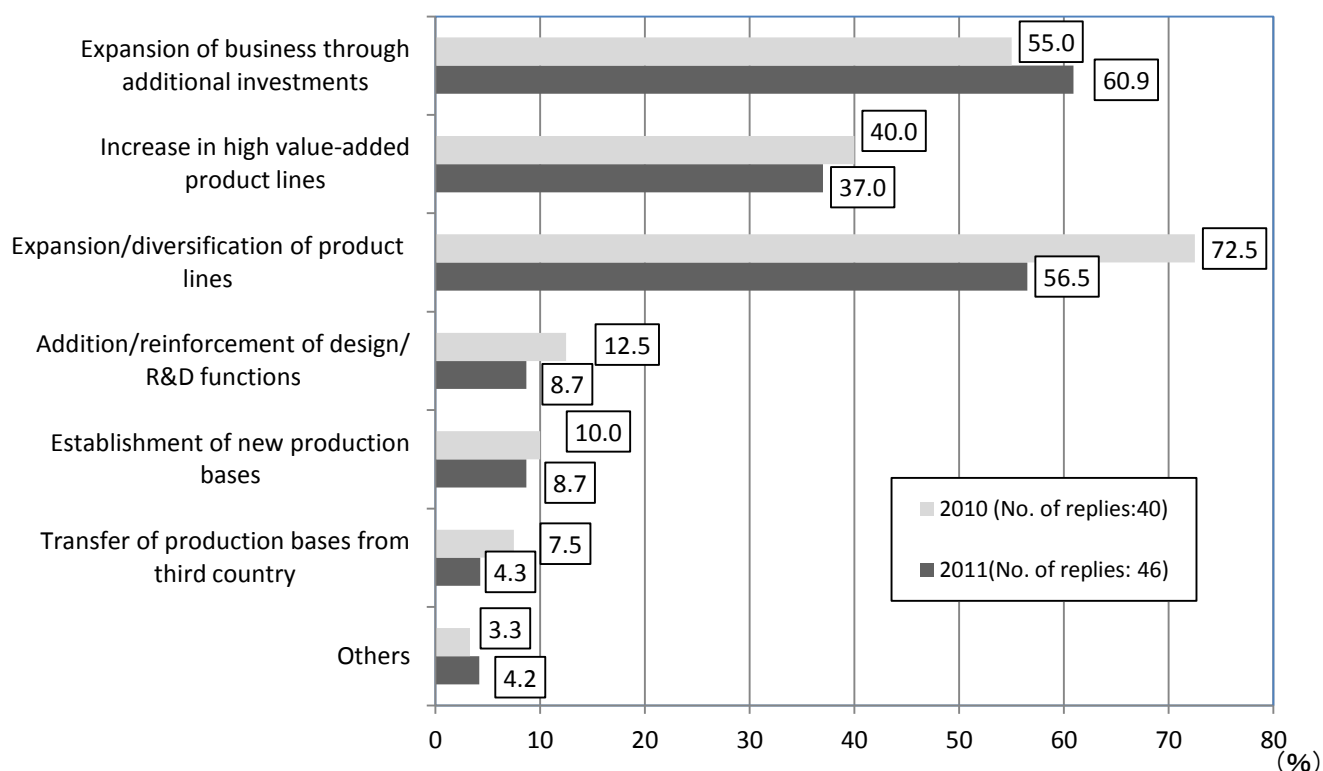
Diagram 28: Specific policy of business expansion by Japanese manufacturing affiliates in Western Europe (Multiple answers allowed)



Central & Eastern Europe and Turkey

The three highest responded expansion strategies for Central & Eastern Europe and Turkey were the same as Western Europe. The most prominent was “expansion of business through additional investments” at 60.9% of affiliates, followed by “expansion/diversification of product lines” (56.5%) and “increase in high value-added product lines” (37.0%). Also similarly to Western Europe, “expansion/diversification of product lines” had a marked decline from the 2010 survey result (72.5%). [Diagram: 29]

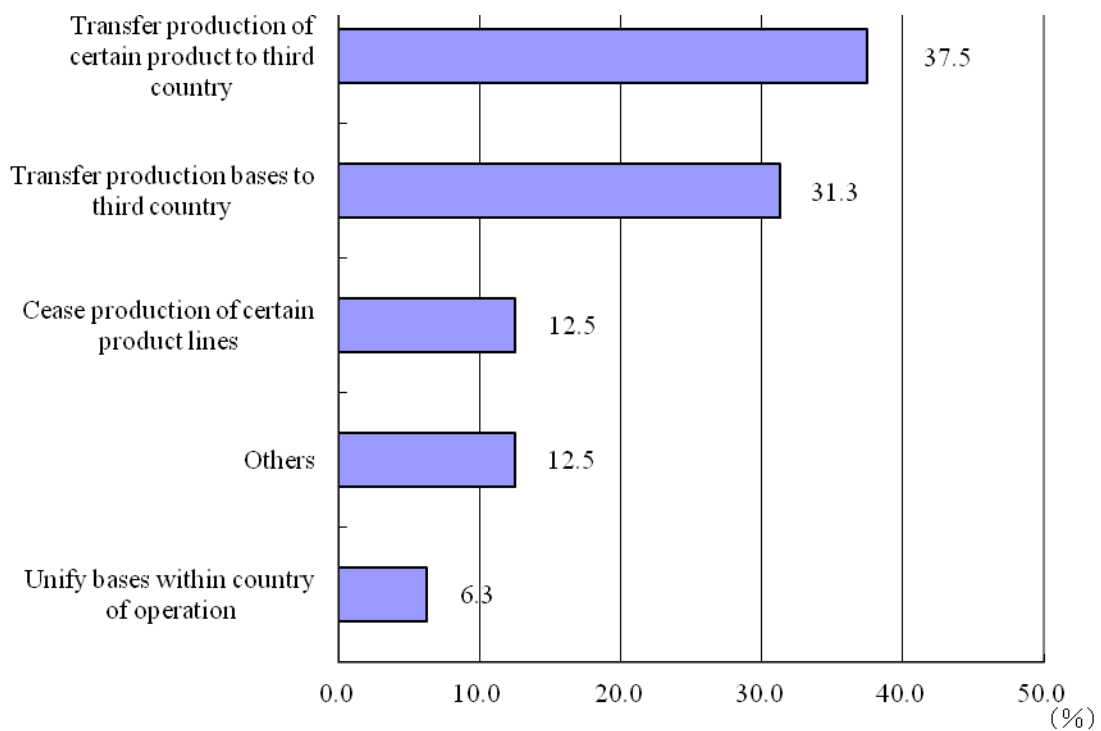
Diagram 29 :Specific policy of business expansion by Japanese manufacturing affiliates in Central & Eastern Europe and Turkey(Multiple answers allowed)



(4) Specific policy of companies replying that they consider “scale down,” “transfer” or “withdrawal”

Of the companies which replied “scale down,” “transfer” or “withdrawal” as the specific business policy in the next 1 to 2 years, most answered that they will “transfer production of certain product lines to third country” (37.5%), “Transfer production bases to third country” had a 31.3% response rate and “cease production of certain product lines” (12.5%).[Diagram: 30]

Diagram30: Specific policy of scale down, transfer or withdrawal by Japanese manufacturing affiliates (Multiple answers allowed)



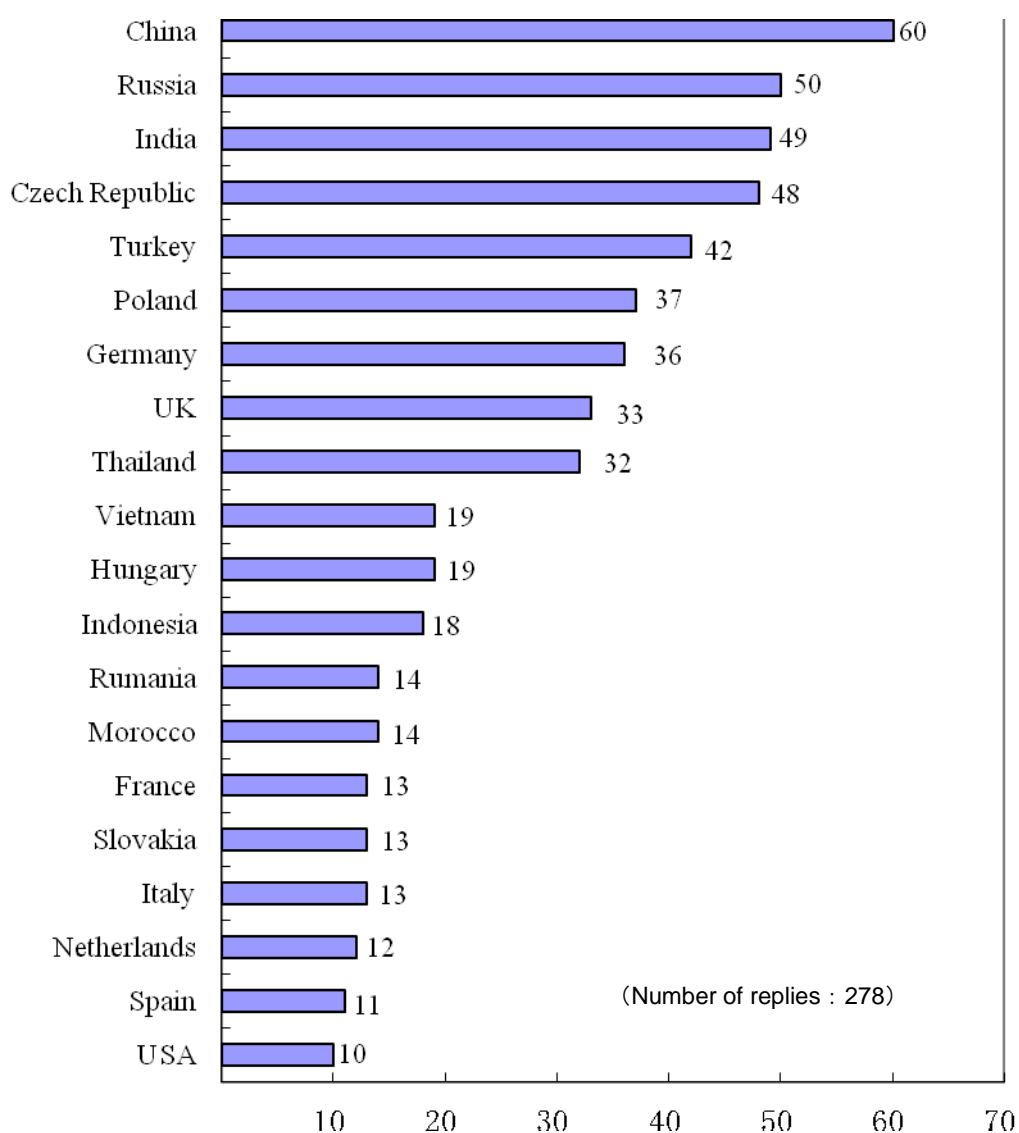
(Number of responses: 16)

(5) Most promising countries / regions as production bases in the mid\to-long term (5 to 10 Years)

Among the countries and regions thought to be the most promising as production locations by Japanese manufacturing affiliates in Europe and Turkey in the medium and long term, China once again scored the highest (60 affiliates). In the 2010 survey China's score was 38.

Russia was second with 50 affiliate responses, followed by India (49) at number three. The top 3 positions were the same as in the 2010 survey result. [Diagram: 31]

Diagram 31: Most promising countries/regions as production bases in the mid-to-long term (5 to 10 years) (Multiple answers allowed)



IV. Management problems

Europe and Turkey

- According to the survey, the most commonly responded management problem for the Japanese manufacturing affiliates in Europe and Turkey was related to "exchange rate fluctuations" at 47.7%, unchanged from 2010 results. A second concern was "European economic downturn stemming from the Euro financial crisis" (45.8%), followed by "Lower prices offered by competitors" (43.3%) and "High labor costs" (39.5%). [Diagram 32]

Western Europe

- Among the Japanese manufacturing affiliates in Western Europe, "high labor cost" (48.5%) was the most common concern. Second was "Exchange rate fluctuations" (47.4%), "decrease in the product value of the competitive enterprises" (44.9%), and "European economic downturn stemming from the Euro financial crisis" (44.1%). [Diagram 33]

Central & Eastern Europe and Turkey

- Among the Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, the most common concern was "European economic downturn stemming from the Euro financial crisis" (50.5%), "Exchange rate fluctuations" (48.4%), "Difficulty in securing engineers" (45.2%), and "decrease in the product value of the competitive enterprise" (38.7%). [Diagram 33].
- In Central & Eastern Europe and Turkey, the "increase in the rate of appreciation of labor cost" was an issue for 35.5% , almost double that of Western European regions (18.8%). [Diagram 33].
- Issues related to flaws in the infrastructure of "highways", "general road conditions", etc., as compared to Western Europe remained on the higher side. [Diagram 33]

1. Operational issues common to Japanese manufacturing affiliates in Western Europe and Central & Eastern Europe and Turkey.

According to the survey, the most common opinion that was given as an operational problem for Europe and Turkey based Japanese manufacturing affiliates related to "exchange rate fluctuations" with a proportion of 47.7%, unchanged from 2010 results. The second concern was "European economic downturn stemming from the Euro financial crisis" (45.8%) followed by "lower prices offered by competitors" (43.3%) and "high labor costs" (39.5%). [Diagram 32]

Diagram 32 : Management problems of Japanese manufacturing affiliates in Europe and Turkey (Multiple answers allowed)

		(Number of replies:)	
1	Exchange rate fluctuations	47.7%	174
2	European economic downturn stemming from the Euro financial crisis	45.8%	167
3	Lower prices offered by competitors	43.3%	158
4	High labor costs	39.5%	144
5	Procurement costs	38.4%	140

Looking at the result based on the size of company, the most prominent problem for big companies is "exchange rate fluctuations" at 47.2%. Issues of "exchange rate fluctuations" and "lower prices offered by competitors" for small to medium sized companies were both equally problematic at 55.0%.

With respect to product range, “exchange rate fluctuations” were the most prominent issue at 50.3% . The main concern for intermediate goods was “European economic downturn stemming from the Euro financial crisis” at 46.6%.

Diagram 33 : Management problems of Japanese manufacturing affiliates in Europe

(Multiple answers allowed)

Western Europe

(No. of replies: 272)

	Problem	(%)
1	High labor costs	48.5
2	Exchange rate fluctuations	47.4
3	Lower prices offered by competitors	44.9
4	European economic downturn stemming from the Euro financial crisis	44.1
5	Procurement costs	38.6
6	Entry of new competitors	32.7
7	Stringent dismissal laws	30.5
8	Difficulty in securing engineers	28.7
9	Transfer pricing taxation	26.8
10	Heavy social security burdens	25.7
11	REACH	24.3
12	Difficulty in securing managerial personnel	21.0
13	Quality of workforce	20.6
14	Deliveries	20.2
15	High labor cost growth rate	18.8
16	Domestic economic conditions	18.8
17	Visa/work permits	18.4
18	Union activities/strikes	18.0
19	Shortage of domestic procurement sources	16.9
20	Quality	16.5
21	Collection of receivables	16.2
22	Better quality of products offered by competitors	12.9
23	Customs clearance issues	12.1
24	Difficulty in securing factory workers	10.7
25	Political conditions	10.3
26	Impacts from the Great East Japan Earthquake Disaster	8.8
27	RoHS	8.1
28	Frequent legislation revisions	6.3
28	Change in tax rate	6.3
28	Difficulty in securing clerical workers	6.3
28	Communications	6.3
32	Difficulty in obtaining credit	5.9
33	Procedures for VAT refunds are complex and/or lack transparency	5.1
34	Environmental regulations:Others	4.8
35	WEEE	4.4
36	Power supply	3.3
37	General road conditions	2.9
38	Lack of transparency in investment incentive	2.6
38	Tax:Complicated administrative procedures and/or lack of transparency	2.6
38	Tax systems/procedures:Others	2.6
38	Fluctuating interest rates	2.6
38	Railways	2.6
43	Investment :Complicated administrative procedures and/or lack of transparency	2.2
43	Trade:Complicated administrative procedures and/or lack of transparency	2.2
43	European regulation on new car CO2 emissions	2.2
46	Trade legislation/procedures:Others	1.5
46	Parts and materials procurement:Others	1.5
46	Highways	1.5
46	Insufficient infrastructure:Others	1.5
50	Tax systems/procedures:Others	1.1

Central & Eastern Europe and Turkey

(No. of replies: 93)

	Problem	(%)
1	European economic downturn stemming from the Euro financial crisis	50.5
2	Exchange rate fluctuations	48.4
3	Difficulty in securing engineers	45.2
4	Lower prices offered by competitors	38.7
5	Procurement costs	37.6
6	High labor cost growth rate	35.5
6	Difficulty in securing managerial personnel	35.5
8	Shortage of domestic procurement sources	32.3
9	Transfer pricing taxation	29.0
10	Visa/work permits	28.0
11	Heavy social security burdens	25.8
11	Quality of workforce	25.8
11	Entry of new competitors	25.8
14	Customs clearance issues	23.7
14	Quality	23.7
16	Highways	22.6
17	Frequent legislation revisions	21.5
18	Stringent dismissal laws	20.4
18	General road conditions	20.4
20	Deliveries	17.2
21	REACH	16.1
22	Difficulty in securing factory workers	16.1
22	Union activities/strikes	16.1
22	Power supply	16.1
22	Political conditions	16.1
26	Procedures for VAT refunds are complex and/or lack transparency	14.0
27	High labor costs	12.9
28	Change in tax rate	11.8
28	Fluctuating interest rates	11.8
28	Communications	11.8
31	Lack of transparency in investment incentive	10.8
31	Better quality of products offered by competitors	10.8
33	Tax:Complicated administrative procedures and/or lack of transparency	9.7
33	Difficulty in securing clerical workers	9.7
35	RoHS	8.6
36	Investment :Complicated administrative procedures and/or lack of transparency	7.5
36	Trade:Complicated administrative procedures and/or lack of transparency	7.5
38	Parts and materials procurement:Others	6.5
38	Railways	6.5
38	Impacts from the Great East Japan Earthquake	6.5
41	Tax systems/procedures:Others	5.4
41	Domestic economic conditions	5.4
43	Difficulty in obtaining credit	4.3
44	Trade legislation/procedures: Others	3.2
44	Collection of receivables	3.2
44	WEEE	3.2
44	ELV	3.2
44	European regulation on new car CO2 emissions	3.2
49	Labor issues:Others	2.2
49	Insufficient infrastructure:Others	2.2

2. Management problems of Japanese manufacturing affiliates in Western Europe

Among Japanese manufacturing affiliates across Western Europe, the most common concern raised was “high labor costs” (48.5%), unchanged from 2010 results. Second most common was “exchange rate fluctuations” (47.4%) followed by “lower prices offered by competitors” (44.9%). In 2010, a new concern raised was “European economic downturn stemming from the Euro financial crisis” at 44.1%, fourth most concerning issue. In 6th place was the “entry of new competitors” at 32.7%. [Diagram 33] With respect to capital nationalities of competitors, more than 60% was from China. [Diagram 35]

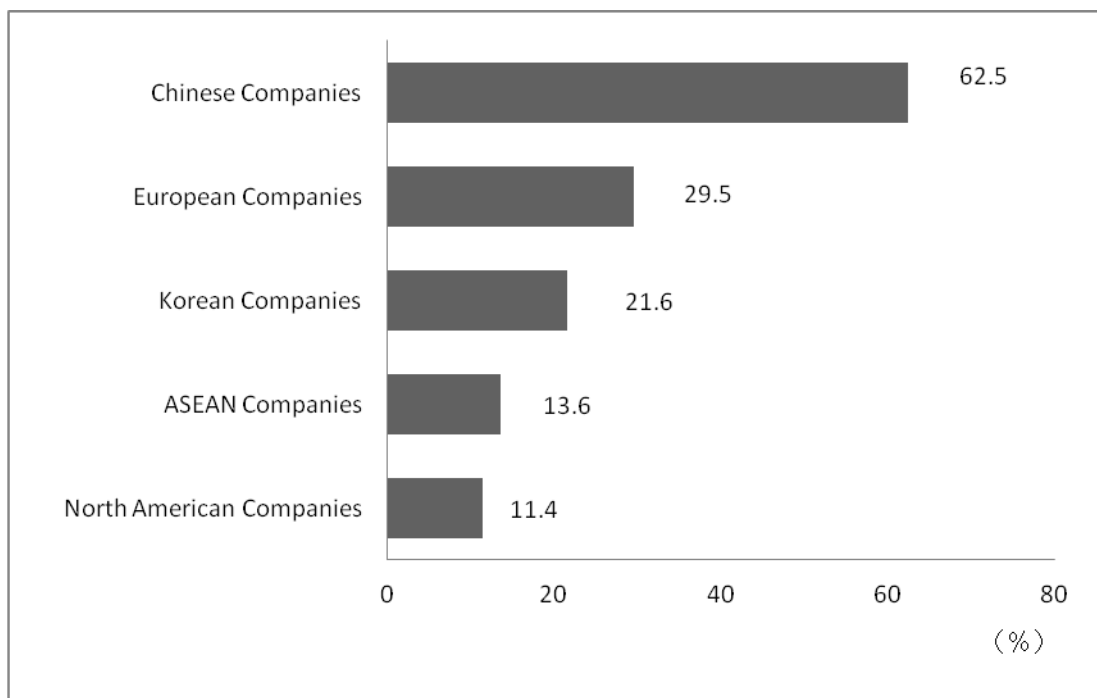
Looking at individual countries, the main concern raised by UK was “exchange rate fluctuations” (61.4%), Germany “high labor costs” (61.7%), France “European economic downturn stemming from the Euro financial crisis” (51.4%), Spain “stringent dismissal laws” (47.1%). [Diagram 34]

Diagram 34 : Management problems of Japanese manufacturing affiliates in Western Europe (UK, Germany, France and Spain)

(Multiple Answers Allowed)

	UK (Number of replies: 83)		Germany (Number of replies: 47)		France (Number of replies: 35)		Spain (Number of replies: 17)	
		(%)		(%)		(%)		(%)
1	Exchange rate fluctuations	61.4	High labor costs	61.7	European economic downturn stemming from the Euro financial crisis	51.4	Stringent dismissal laws	47.1
2	Lower prices offered by competitors	43.4	Lower prices offered by competitors	44.7	High labor costs	48.6	Procurement costs	47.1
3	European economic downturn stemming from the Euro financial crisis	43.4	Procurement costs	40.4	Union activities/strikes	48.6	Lower prices offered by competitors	47.1
4	Difficulty in securing engineers	39.8	European economic downturn stemming from the Euro financial crisis	38.3	Exchange rate fluctuations	48.6	Domestic economic conditions	47.1
5	Procurement costs	38.6	Stringent dismissal laws	36.2	Lower prices offered by competitors	40.0	Visa/work permits	41.2
6	High labor costs	36.1	Exchange rate fluctuations	36.2	Transfer pricing taxation	37.1	High labor costs	35.3
7	Entry of new competitors	32.5	Difficulty in securing engineers	34.0	Stringent dismissal laws	37.1	Union activities/strikes	29.4
8	Shortage of domestic procurement sources	27.7	Transfer pricing taxation	29.8	Procurement costs	37.1	Exchange rate fluctuations	29.4
9	Visa/work permits	25.3	High labor cost growth rate	29.8	Heavy social security burdens	34.3	Entry of new competitors	29.4
10	Quality of workforce	22.9	Heavy social security burdens	29.8	Entry of new competitors	34.3	Transfer pricing taxation	23.5
11	REACH	22.9	REACH	29.8	Deliveries	28.6	Deliveries	23.5
12	Transfer pricing taxation	21.7	Deliveries	27.7	Difficulty in securing managerial personnel	22.9	REACH	23.5
13	Difficulty in securing managerial personnel	21.7	Entry of new competitors	27.7	Quality of workforce	22.9	European economic downturn stemming from the Euro financial crisis	23.5
14	Domestic economic conditions	21.7	Difficulty in securing managerial personnel	23.4	Customs clearance issues	17.1	Customs clearance issues	17.6
15	Product Quality	20.5	Better quality of products offered by competitors	19.1	Difficulty in securing engineers	17.1	High labor cost growth rate	17.6
16	Stringent dismissal laws	19.3	Quality of workforce	17.0	Domestic economic conditions	17.1	Collection of receivables	17.6
17	Deliveries	18.1	Political conditions	17.0	Collection of receivables	14.3	Shortage of domestic procurement sources	17.6
18	Impacts from the Great East Japan Earthquake Disaster	18.1	Difficulty in securing factory workers	12.8	Product Quality	14.3	Political conditions	17.6
19	Heavy social security burdens	13.3	RoHS	12.8	High labor cost growth rate	11.4	Heavy social security burdens	11.8
20	High labor cost growth rate	12.0	Procedures for VAT refunds are complex and/or lack	10.6	Difficulty in securing factory workers	11.4	Quality of workforce	11.8

Diagram 35 : 【Western Europe】 Capital nationalities of competitive companies



(Number of responses: 88)

3. Management problems of Japanese manufacturing affiliates in Central & Eastern Europe and Turkey

Among Japanese manufacturing affiliates in Central & Eastern Europe and Turkey, the most common concern raised was “European economic downturn stemming from the Euro financial crisis” (50.5%), in second place was “exchange rate fluctuations” (48.4%). In third spot was “difficulty in securing engineers”. (45.2%) [Diagram 3] “Difficulty in securing engineers” was especially an issue in Hungary, being the topmost concern at 72.0%; shortfall in human resources is a serious issue seen in Hungary. [Diagram 36]

Furthermore, the fourth most prominent concern of Central & Eastern Europe and Turkey based Japanese manufacturing affiliates was “lower prices offered by competitors” (38.7%). Similarly to the survey conducted in 2010, the issue of “high labor costs” at 35.5% in Central & Eastern Europe and Turkey was close to double the proportion in Western Europe (18.8%). Issues relating to defects in infrastructure such as “highways” and “general road conditions” remain higher than that in Central Europe. [Diagram 33]

In Poland, the topmost concern raised was “European economic downturn stemming from the Euro financial crisis” (47.8%), while in Czech Republic the highest concern was “Visa/work permits” (81.3%). [Diagram 36]

Moreover, for Japanese manufacturing affiliates in Central & Eastern Europe and Turkey the capital nationality of the most significant major competitor was Korea at 54.2% [Diagram 37]

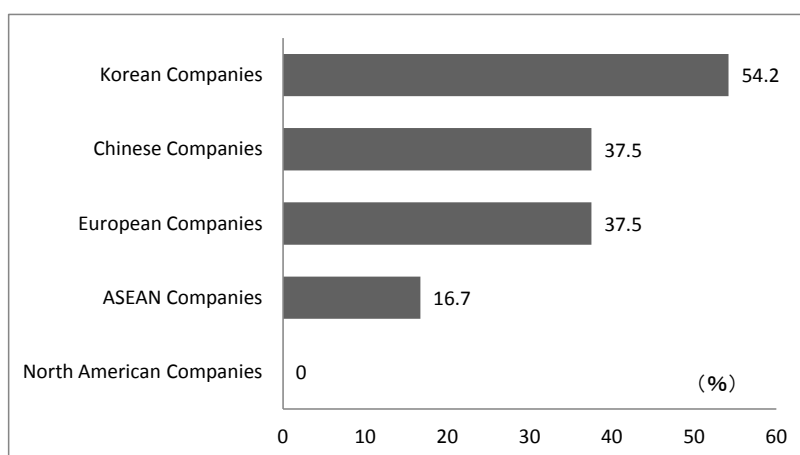
Diagram 36 : Management problems of Japanese manufacturing affiliates in Central & Eastern Europe (Poland, Czech Republic, Hungary) (Multiple Answers Allowed)

	Hungary (Number of replies: 25)		Poland (Number of replies: 23)		Czech Republic (Number of replies: 16)	
		(%)		(%)		(%)
1	Difficulty in securing engineers	72.0	European economic downturn stemming from the Euro financial crisis	47.8	Visa/work permits	81.3
2	Difficulty in securing managerial personnel	48.0	Highways	43.5	Exchange rate fluctuations	62.5
3	Heavy social security burdens	44.0	High labor cost growth rate	39.1	Lower prices offered by competitors	56.3
4	Quality of workforce	44.0	Exchange rate fluctuations	39.1	European economic downturn stemming from the Euro financial crisis	56.3
5	Transfer pricing taxation	40.0	Lower prices offered by competitors	39.1	Difficulty in securing engineers	50.0
6	Exchange rate fluctuations	40.0	General road conditions	39.1	Procurement costs	50.0
7	Shortage of domestic procurement sources	40.0	Transfer pricing taxation	34.8	Quality	37.5
8	Entry of new competitors	40.0	Difficulty in securing engineers	34.8	Deliveries	37.5
9	Lower prices offered by competitors	40.0	Procurement costs	34.8	Transfer pricing taxation	31.3
10	High labor cost growth rate	36.0	Shortage of domestic procurement sources	34.8	Heavy social security burdens	31.3
11	Procurement costs	36.0	Customs clearance issues	30.4	Difficulty in securing managerial personnel	31.3
12	European economic downturn stemming from the Euro financial crisis	32.0	Difficulty in securing managerial personnel	30.4	Quality of workforce	31.3
13	Quality	28.0	Frequent legislation revisions	26.1	Entry of new competitors	31.3
14	Frequent legislation revisions	24.0	Visa/work permits	21.7	REACH	31.3
15	Complicated administrative procedures and/or lack of transparency	24.0	Procedures for VAT refunds are complex and/or lack transparency	21.7	Frequent legislation revisions	25.0
16	Change in tax rate	20.0	Difficulty in securing factory workers	21.7	High labor cost growth rate	25.0
17	Stringent dismissal laws	20.0	Quality of workforce	21.7	Customs clearance issues	18.8
18	Domestic economic conditions	20.0	Entry of new competitors	21.7	Procedures for VAT refunds are complex and/or lack transparency	18.8
19	Political conditions	20.0	REACH	21.7	High labor costs	18.8
20	Difficulty in securing factory workers	16.0	Lack of transparency in investment incentive schemes	17.4	Shortage of domestic procurement sources	18.8

Diagram 37. : Capital nationalities of competitive companies

(Central & Eastern Europe and Turkey)

(Number of replies: 24)



V. The effects of Free Trade Agreement

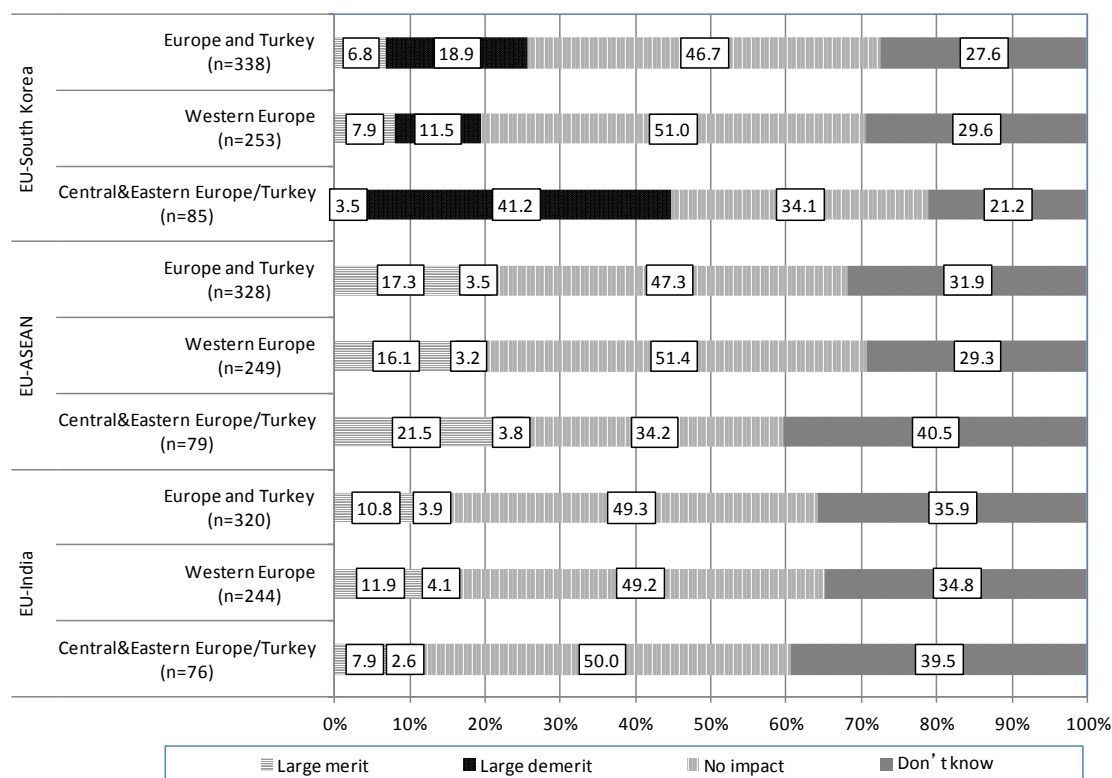
1. Effects of EU Free Trade Agreement

With regards to the effects of the EU-Korea Free Trade Agreement (FTA), replies received throughout Europe and Turkey were as follows: “Large merit” 6.8%, “Large demerit” 18.9%, “No impact” 46.7%, “Don’t know” 27.6%. The EU-Korea FTA was the only FTA that gave a “large demerit” response exceeding that of “large merit” responses. With the conclusion of the EU- Korea FTA, elimination of tariffs are expected to lead to a reduction of resource costs of finished goods and parts (goods made in the home country) and is therefore likely to cause a gradual increase in price competition. In Central & Eastern Europe and Turkey, companies saying there are “Large demerit” were about 41.2%, exceeding three times that of companies in Western Europe at 11.5%. [Diagram : 38]

Considering results by industry, within the transportation machinery (automobiles/ motorcycles) sector “Large demerit” was prominent at 70.0%.

EU-ASEAN was considered to have “Large merit” (17.3%) than “Large demerit” (3.5%). Even for EU-India, the responses of “Large merit” (10.8%) exceeded by 10% and it was understood that the purchasing and sales destinations were not only Japan and European regions but also diverse markets emerging in Asia. [Diagram : 38]

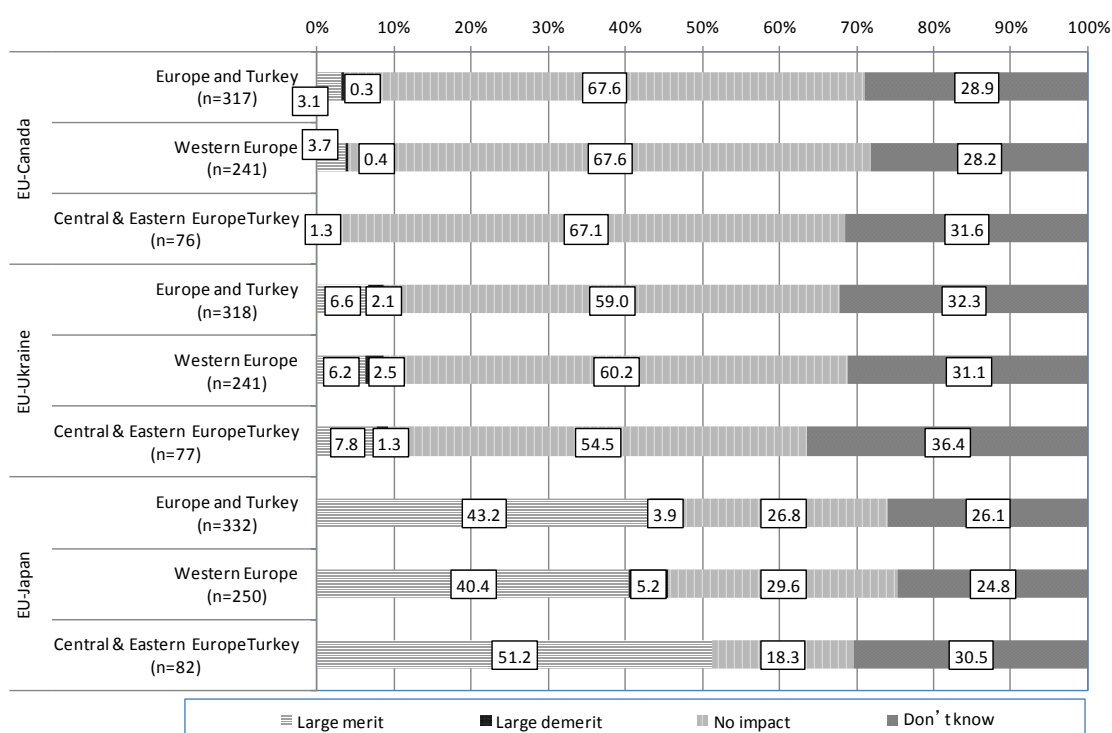
Diagram 38 : Effects of FTA (1)



The potential influence of EU- Japan EIA (EPA) is seen to be large. 43.2% of respondents proposed it to have “Large merit”. Particularly in Central & Eastern Europe and Turkey, where 51.2% of respondents replied with “large Merit” responses, greatly exceeding that of Western Europe at 40.4%. [Diagram : 39]

Looking at results by industry, in the transportation machinery sector (automotive/ motorcycles) there was an overwhelming response of 87.5 % of companies saying that it has “Large merit”.

Diagram 39 : Effects of FTA (2)



2. Contents expected in EU-Japan EIA (EPA) (Other than elimination of tariffs)

With regards to detail expected in EU-Japan EIA (EPA), aside from the elimination of tariffs, the most expected inclusions in Western Europe and Central & Eastern Europe and Turkey were “Facilitate customs clearance procedures“, “Resolution of custom classification issues”, “Mutual recognition and harmonization of standards“ and “Smooth transfer within companies“. [Diagram : 40,41]

Diagram 40 : Contents expected other than elimination of tariffs by Japanese manufacturing companies in Western Europe (Multiple answers allowed)

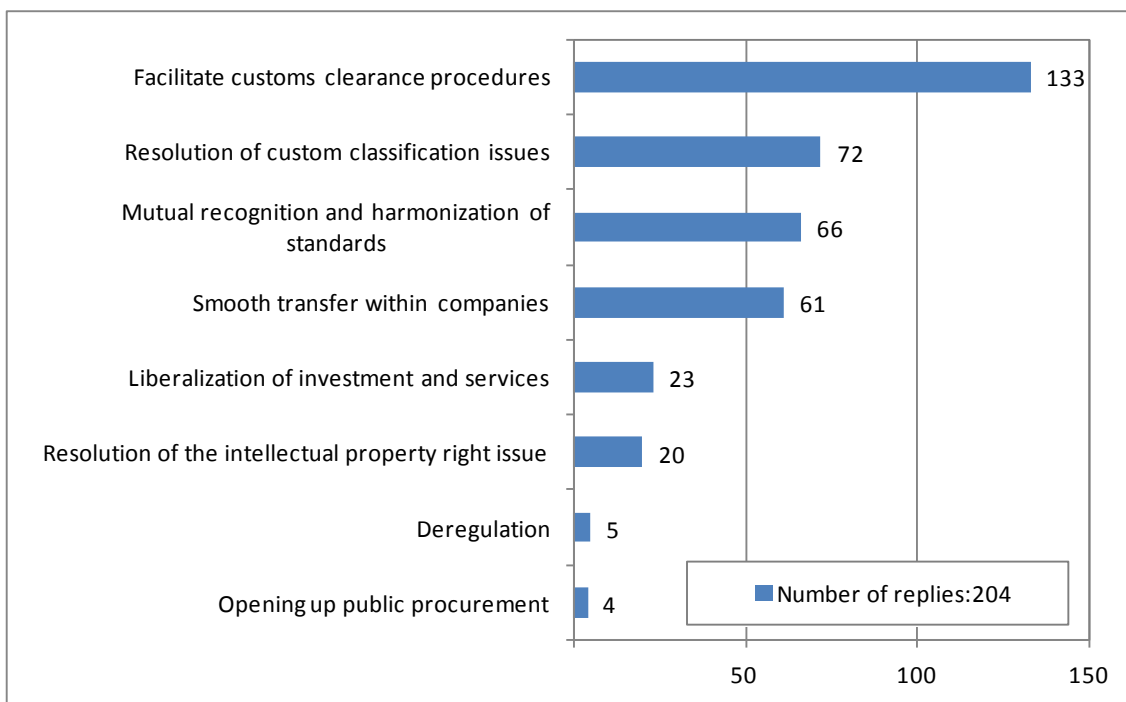
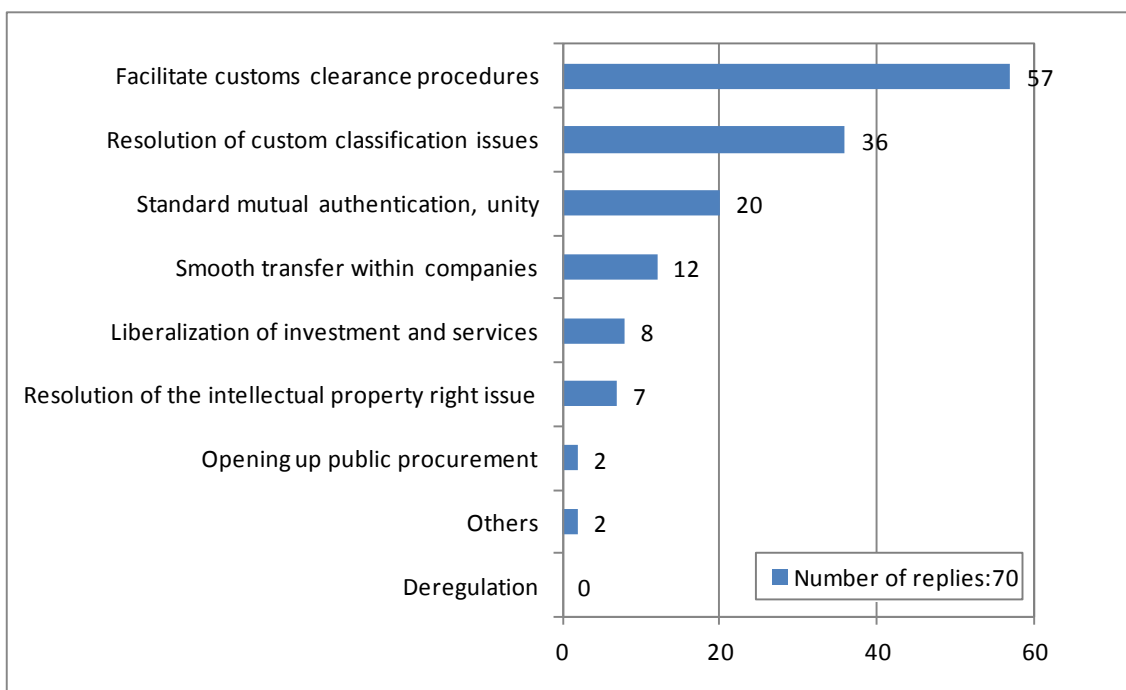


Diagram 41 : Contents expected other than elimination of tariffs by Japanese manufacturing affiliates in Central & Eastern Europe and Turkey (Multiple answers allowed)



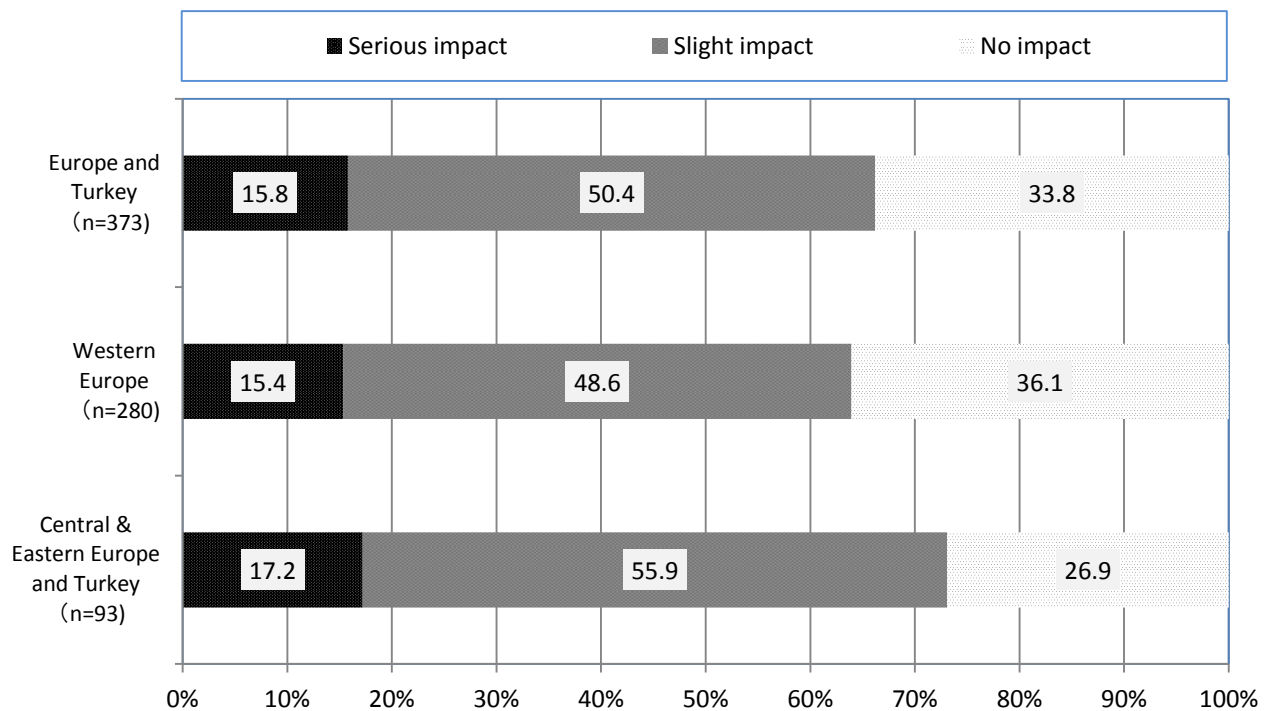
VI. The impact of the Great East Japan Earthquake

1. Perceived impact of the Great East Japan Earthquake

15.8% of respondents in Europe and Turkey reported a “serious impact”, responses stating a “slight impact” were 50.4%; overall, 66.2% of respondent companies report some impact.

Results at regional level show in Western Europe 15.4% of companies reported “serious impact”, 48.6% said there was a slight impact; overall 64.0% companies said they had been affected. In Central & Eastern Europe and Turkey, 17.2% reported serious impact whereas 55.9% said there was slight impact. Over proportion of respondents in Central & Eastern Europe and Turkey reported an effect was 73.1%. All of which taken into account, Central & Eastern Europe and Turkey was comparatively more affected. [Diagram : 42]

Diagram 42 : Impact of the Great East Japan Earthquake



Looking at the results by industry, most affected was transportation machinery (automobiles/motorcycles), 54.5% were seriously impacted, 27.3% slightly impacted; totaling to 81.8% of respondents impacted. The second largest impact was on transportation machinery parts (automobiles/motorcycles) sector at 79.8%, of which seriously impacted businesses were 27.0% and slightly impacted were 52.8%. Electric and electronic parts were 75.0% out of which seriously impacted were 8.3% and slightly impacted were 66.7%. The least impacted industry was plastic products of which 72.2% said they were unaffected. [Diagram : 43]

Diagram 43 : Impacts of the Great East Japan Earthquake (by business type)

Major industries (Replied by more than 10 companies)			(%)			
			Serious impact	Slight impact	Affected	No impact
1	Transportation machinery (automobiles/motorcycles)	(n=11)	54.5	27.3	81.8	18.2
2	Transportation machinery,parts (Automobiles/motorcycles)	(n=89)	27.0	52.8	79.8	20.2
3	Electric and Electrical machinery	(n=24)	8.3	66.7	75.0	25.0
4	Foods products, agricultural and fisheries product processing	(n=15)	20.0	53.3	73.3	26.7
5	Electric and electronic parts	(n=29)	24.1	44.8	68.9	31.0
6	General machinery (Inc. molds and machinery tools)	(n=52)	3.8	61.5	65.3	34.6
7	Chemical /petrochemical products	(n=37)	10.8	51.4	62.2	37.8
8	Pharmaceutical products	(n=13)	15.4	46.2	61.6	38.5
9	Metal products (Inc. plated products)	(n=10)	10.0	50.0	60.0	40.0
10	Precision machinery	(n=10)	0.0	50.0	50.0	50.0
11	Plastic products	(n=18)	0.0	27.8	27.8	72.2

2. Details of impact of the Great East Japan Earthquake

With regards to the specific details of the effects of the earthquake, the topmost impact factor on 145 companies was a “reduction in purchase or procurements from Japan”. [Diagram : 44]

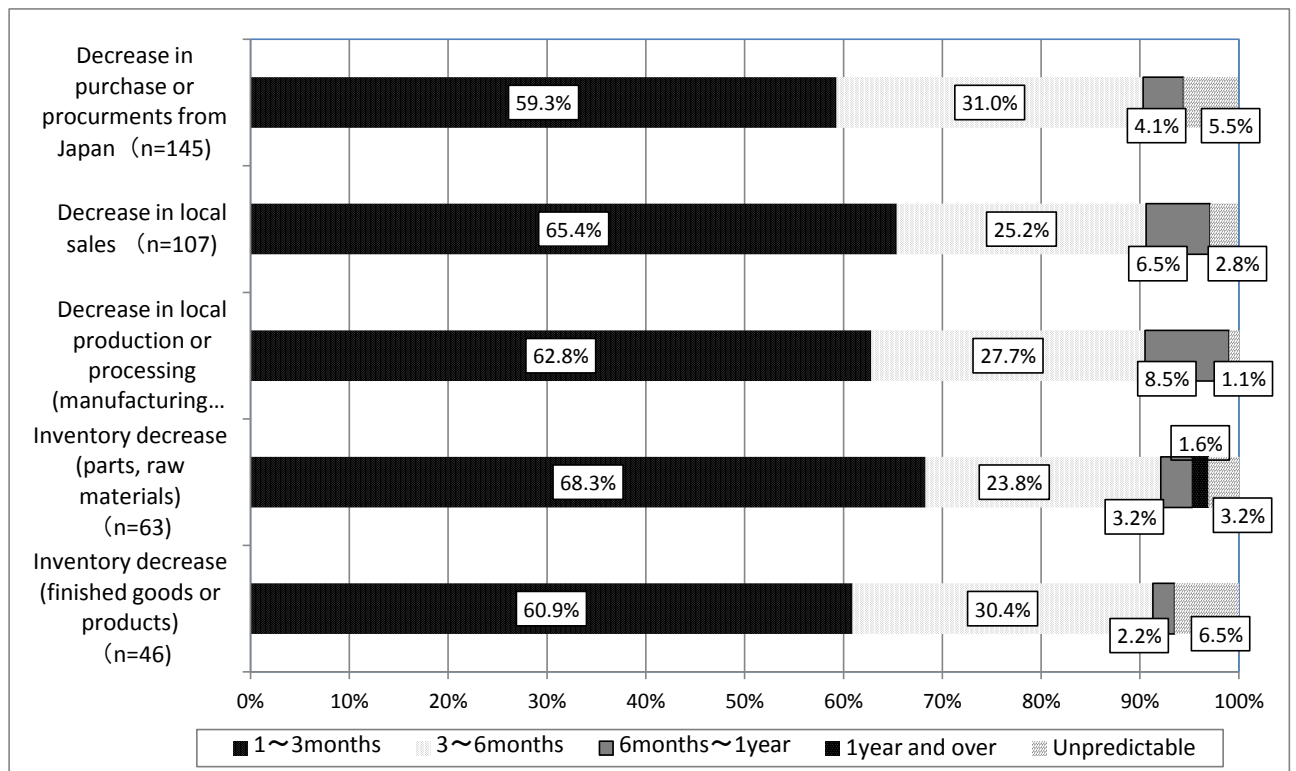
Many companies were affected for about 6 months; approximately 60 percent were affected for about 3 months. It is considered that the impact of the Earthquake on Japanese manufacturing affiliates in Europe and Turkey was comparatively short term. [Diagram : 45]

Diagram 44 : Specific details of the impact of the Great East Japan Earthquake

(Number of responses)

1	Inventory decrease (finished goods or products)	145
2	Inventory decrease (parts, raw materials)	109
3	Decrease in local production or processing (manufacturing only)	95
4	Decrease in local sales	65
5	Decrease in purchase or procurements from Japan	47

Diagram 45 : Impact period on the business activities from the Great East Japan Earthquake

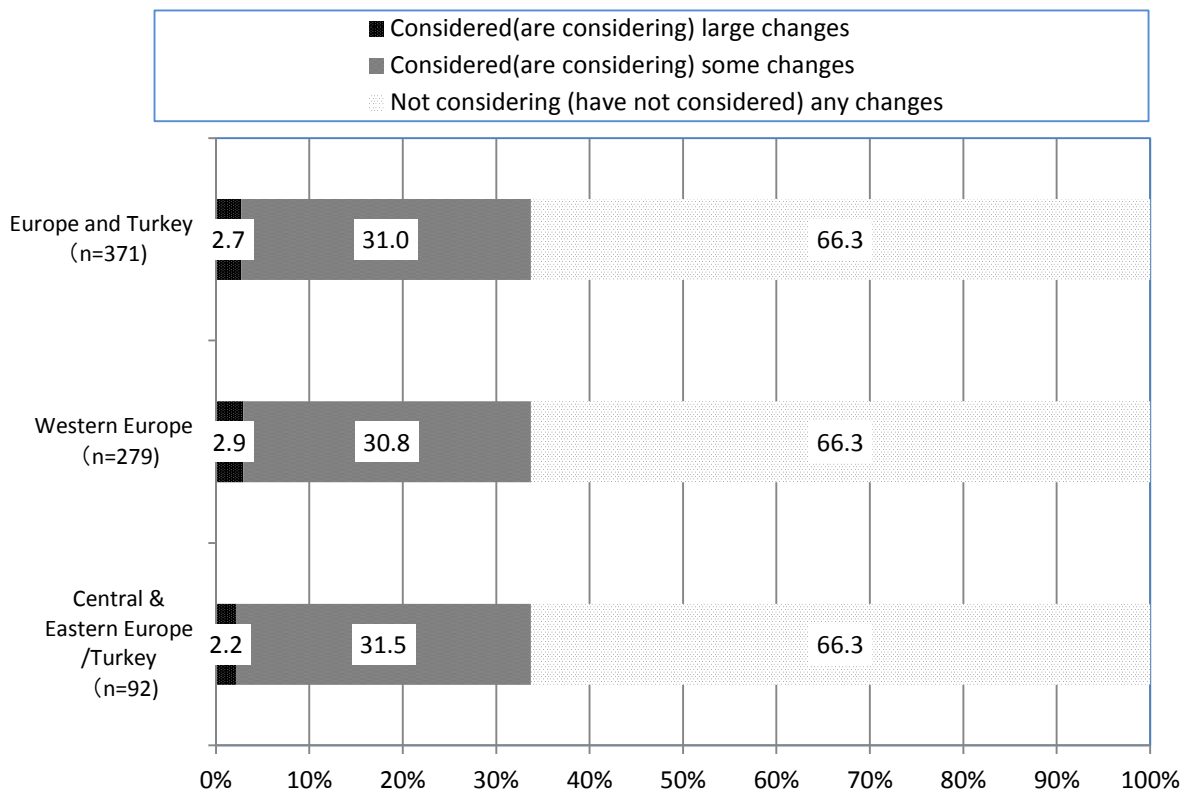


3. Business strategy and policy after the earthquake

(1) Survey on whether the companies reviewed their business strategy and policy

With regards to the business strategy or policy post-earthquake, companies that had considered or are considering a large change were 2.7%, those which considered or are considering some changes 31.0% and companies that had not considered or are not considering any changes were 66.3%; these data show that a majority had not reviewed their strategies. [Diagram : 46]

Diagram 46 : Review of business strategy and policy after the Earthquake



(2) Specific details of business strategy and policy review

Specific details of business strategy and policy review after the Earthquake mostly relate to the “downsizing of purchases or procurements from Japan”; 45.6% of the companies had reviewed this area. The second largest was “expansion of local procurements or purchases” (40.0%), followed by “inventory accumulation (parts, raw materials)” (24.8%). [Diagram : 47]

With respect to reasons for not being able to review effects of the earthquake; “supply chain has already been restored” was the highest responses at 44.3%, “purchasing parts and raw materials difficult to be substituted from Japan“ was second at 23.9% and “we have always used dispersed suppliers. “ came in at 22.4%. [Diagram : 48]

Diagram 47 : Specific review policy (Multiple Answers Allowed)

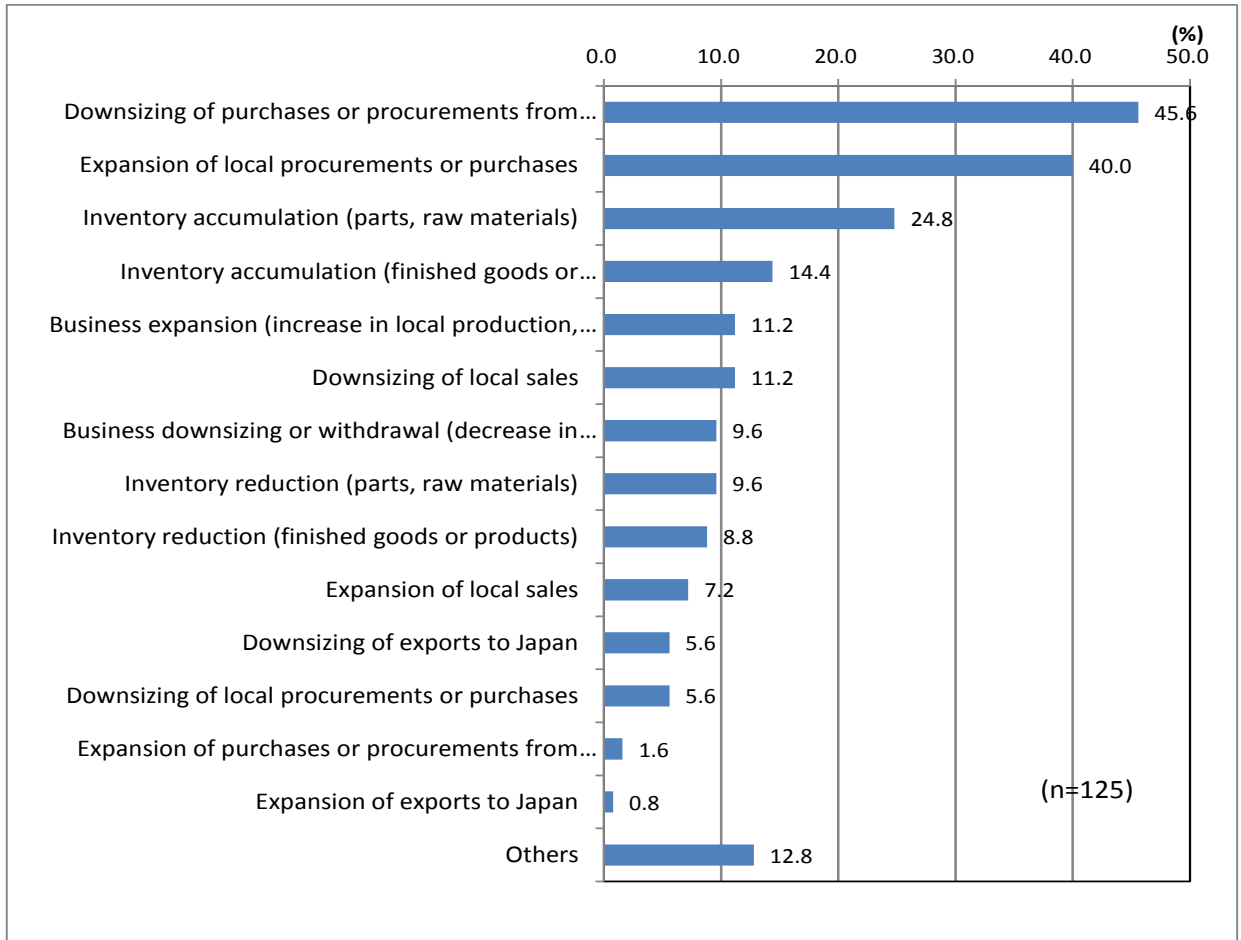


Diagram 48 : Reasons for not reviewing (Multiple Answers Allowed)

