FY2021 JETRO Survey on Business Conditions for Japanese Companies Operating Overseas (North America)

With the reopening of the economy, earnings of Japanese companies operating in North America are expected to improve.
Companies that have their sights set on business expansion in the next one to two years have surpassed the 2019 level.

March 25, 2022

This is the English version of the press release issued on December 17, 2021.

Japan External Trade Organizaton (JETRO)

Contents

Survey Results Summary

- With the reopening of the economy after the economic slowdown caused by the spread of Covid-19, a little less than 60% and close to 70% of Japanese companies operating in the U.S. and Canada, respectively, expect to be profitable in 2021, which is a 10-point increase from the preceding year for both countries; however, recovery is still not to the 2019 level. Compared to 2010 immediately after the financial crisis, the pace of recovery in the U.S. is slow, but Canada's recovery exceeded that of 2010.

- Close to 50% of companies in the U.S. and close to 40% of companies in Canada have set their sights on business expansion in the next one to two years, exceeding 2019 levels. The leading factor given for expansion was "sales increase in local markets."

- The issue of human rights in supply chains is recognized as a management issue in close to 60% and close to 70% of Japanese companies operating in the U.S. and Canada, respectively. Roughly half and a little over 60% of Japanese companies operating in the U.S. and Canada, respectively, have policies related to respecting human rights in supply chains, and a little over 40% of such companies in the U.S. and Canada are seeking compliance with such policies by their procurement sources.

- Regarding the impact on earnings from changes in the trade environment, the companies in the U.S. responded "Have no impact," "Do not know" and "Have a negative impact overall," each of which accounted for about 30 % of the responses. Compared to last year, the companies that responded "Do not know" increased by 10% or more.

- When asked about management challenges, the leading issue cited by the respondents was "Slow development of new customers" for both U.S. and Canada. As countermeasures for management challenges, "Differentiation from competing products" was the highest response in both countries.

- A little over 30% of the companies in the U.S. and a little over 40% of the companies responded that they were engaging in decarbonization. By industry, in the U.S., more than 50% of companies in the automobiles etc., the rubber/ceramic/stone and clay products, and electrical machinery/electronic devices industries responded that they were engaging in decarbonization.

- Regarding the impact of the Biden administration's policies on business activities, close to 40% of the respondents said "Do not know," a little over 20% said "Have no impact," and 10% said "Have a negative impact overall" and "Have a positive impact overall." When asked about which areas in the Biden administration's policies will have an impact on business, the top responses were "corporate tax plan," "countermeasures for Covid-19," "policies against China," and "environmental and energy policies (climate crisis measures)."

1. Operating Profit Forecasts

- 59.2% of Japanese companies operating in the U.S. expect to be profitable in 2021, a 12.1 points increase from the preceding year (47.1%). In Canada, at 67.5%, it was a 13.7 points increase from the preceding year (53.8%). Both countries had an increase of more than 10 points compared to the preceding year, but recovery was still not at the 2019 level (U.S. 66.1%; Canada 77.1%). The pace of recovery in the U.S. has been slower than in 2010, immediately after the financial crisis in 2010 (U.S. 70.2%; Canada 65.2%), but recovery in Canada exceeded that of 2010.

- Looking at operating profits by industry, in the U.S., because of recovery and increase in demand, 80% or more of the companies in the food (83.9%), sales company/sales subsidiary (80.0%), and transport (80.0%) industries expect to be profitable, but because of decrease in demand due to restrictions on activities and suspension of operations at factories due to a shortage of semi-conductors, more than 50% of businesses in the following industries forecast a loss: travel/amusement (64.3%), automobiles etc. (54.5%), and automotive etc. parts (51.6%). In Canada, 80% or more of the companies in the food (100%), general machinery (87.5%), and iron/non-ferrous metals/fabricated metal products (83.3%) forecasted expect to be profitable, but 60% or more of the companies in the travel/amusement (75.0%) and mining/energy industries (60.0%) forecast a loss.

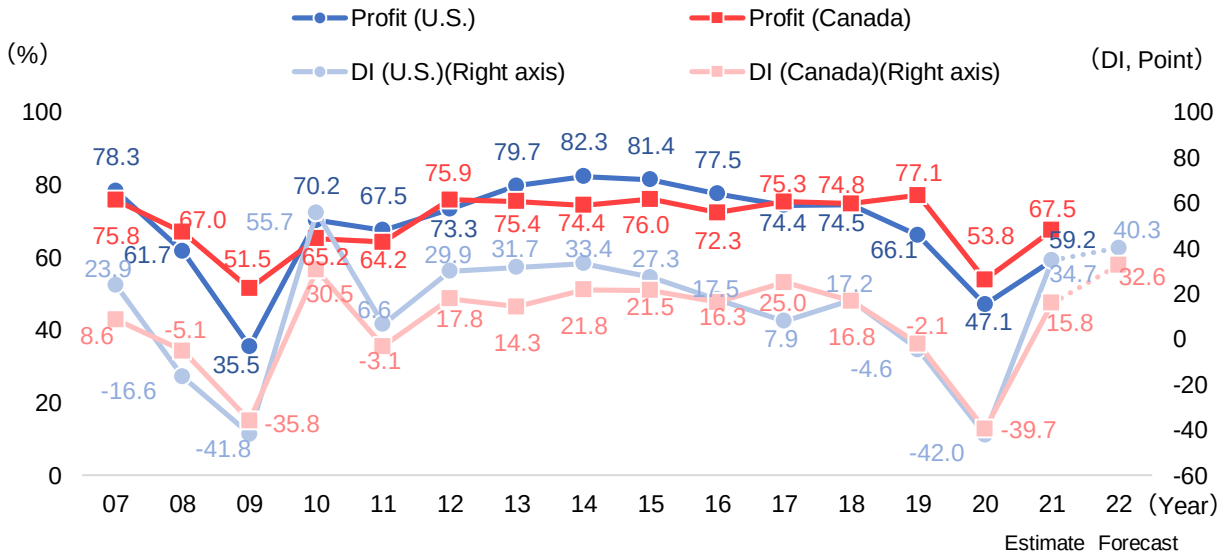
- Compared to the prior year, in 2021, more than half of the respondents in the U.S. forecasted an “increase” (51.6%) in their operating profit, a 34.8 points increase from the prior year’s 16.8%. Because of the restarting of economic activities and increased demand for housing, the percentage of respondents that forecasted “increase” in the retail (90.9%) and real estate/leasing industries (87.5%) were especially high. In Canada, the percentage of respondents forecasted an “increase” was a little less than 40% (39.4%), an increase of 25 points from the prior year (14.4%). By industry, 50% or more of transport (67.5%), sales company/sales subsidiary (52.4%), and general machinery (50.0%) forecasted an “increase.”

- Looking at the range in businesses forecasting increases and decreases in operating profits compared to the preceding year, in both the U.S. and Canada, more than 30% of the respondents expected “remain the same” (U.S. 31.5%, Canada (37.0%), and more than 20% of the respondents expected an “increase by 10-50%,” (U.S. 24.0%, Canada 22.8%). The DI Index (note) predicting business sentiment was 34.7 in the U.S. and 15.8 in Canada, a significant improvement from the preceding year for both countries (U.S. -42.0, Canada -39.7).

- Compared to 2019, before the spread of Covid-19, respondents expecting an “increase” in operating profit for 2021 was 39.3% in the U.S. By industry, more than 50% of the companies in food (61.3%) and electrical machinery/electronic devices (55.6%), which have done well even during the Covid-19 pandemic, expect an “increase.” On the other hand, the percentage of respondents that replied “decrease” was 32.8%, meaning operating profit forecasts for a little less than one-third of the companies have not returned to pre-Covid-19 levels. The DI index against 2019 was 6.5.

- In Canada, the percentage of companies that replied “increase” was 39.4%, the same as 2020. By industry, sales company/sales subsidiary (57.1%), transport (55.6%), and trading/wholesale (52.9%) exceeded 50%. On the other hand, the percentage of companies that replied “decrease” was 36.2%. For the travel/amusement (87.5%) and automotive etc. parts (72.7%), conditions continued to be difficult, with 70-90% expecting decrease. The DI index against 2019 was 3.2.

Changes in Percentage of Japanese Companies Operating in the U.S. and Canada Forecasting Profits and Diffusion Index for Business Sentiment (2007-2022)



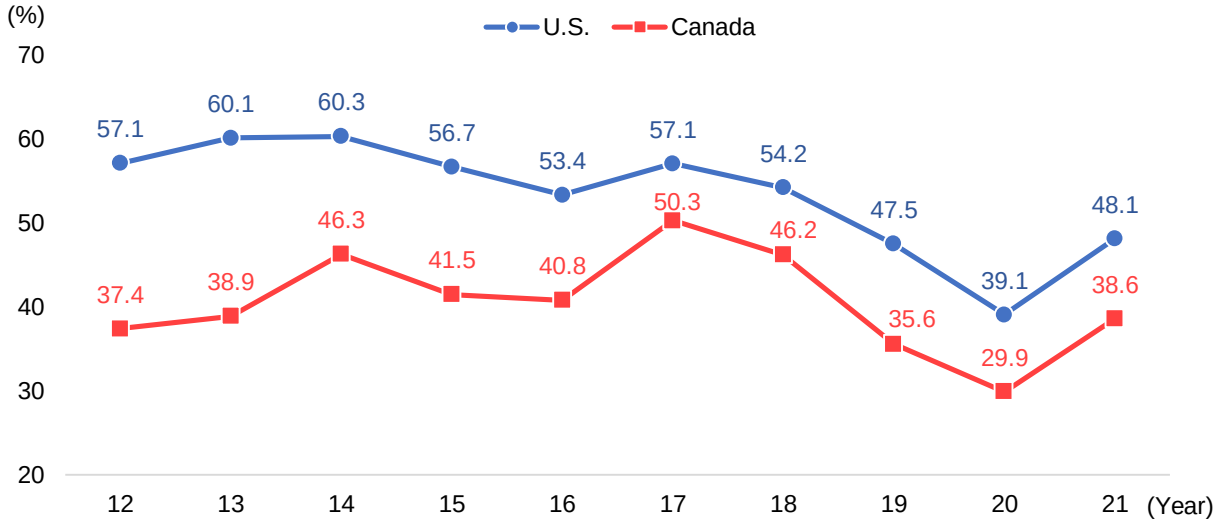
(Note) Short for Diffusion Index, this is the figure equal to the percentage of companies with an increased operating profit minus the percentage of companies with a decreased operating profit.

2. Future Business Expansion

- The percentages of respondents that said they had their sights on business “expansion” in the next one or two years were 48.1% and 38.6% in the U.S. and Canada, respectively, with both countries surpassing pre-Covid-19 figures (47.5% and 35.6%, respectively). In the U.S., more than 70% of the companies in food (74.2%) and precision machines/medical equipment (70.0%) industries, and in Canada, more than 80% of the companies in the iron/non-ferrous metals/fabricated metal products (83.3%) industry had their sights on business expansion.

- The main reason given for expansion was “sales increase in local markets” for both countries (U.S. 89.6%, Canada 77.6%). The top answers that were given as specific functions that the respondents planned to expand in the U.S. and Canada were sales function (65.4% and 54.2%, respectively), high-value added products production (35.1% and 25.0%, respectively), and general-purpose products production (20.1% and 33.3%, respectively).

Percentage of Businesses that Have Their Sight on Expansion in the Next One to Two Years



- With respect to business strategies, close to 30% of respondents in both countries (U.S. 27.3%, Canada 27.8%) said that they planned to reassess their sales strategy, reassessment of control/management systems was at the 20% level (25.1% and 21.4%, respectively), reassessment of procurement was about 20% (23.2% and 17.6%, respectively), and reassessment of production was at the 10% level (18.9% and 11.4%, respectively).

- When asked about reassessment of sales strategy, the most common answer in both countries was increasing selling prices at a little over 50% (U.S. 52.0%, Canada 51.4%). After that, in the U.S., change of sales destination (41.9%) and review of sales products (41.0%) came in second at more than 40%, while in Canada, promotion of digital tools (45.7%) and promoting use of virtual exhibitions (40.0%) came in second at 40% or more.

- In terms of the nature of the reassessment of procurement, many respondents said change of procurement source (U.S. 82.3%, Canada 86.4%) and implementation of multiple sourcing (U.S. 62.0%, Canada 59.1%). In the U.S., the top procurement sources to be changed were in the U.S. (43), Japan (40), and China (33), and the top procurement sources after the change were in the U.S. (45), ASEAN (16), and Mexico and other Asian/Oceana countries (12, respectively).

- When asked about reassessment of production, the most common answers in both countries were “increase in new investments/capital investments” (U.S. 59.0%, Canada 78.6%), “change of production sites” (U.S. 40.4%, Canada 42.9%), and “automation/labor conservation” (US 32.1%, Canada 50.0%). In the U.S., the top production sites to be changed were in the U.S. (30), Japan (8), and China (4), and the top production sites after the change were in the U.S. (11), Japan (11), and Mexico (9).

- When asked about reassessment of control/management systems, the most common answer in both countries was “expansion of the utilization of work from home and teleworking” (U.S. 59.7%, Canada 77.8%).

3. Supply Chain and Human Rights

- Regarding the issue of human rights in supply chains, 58.5% of the companies in the U.S. and 68.3% of the companies in Canada recognize it as a management challenge. There was a difference in the degree of recognition depending on the size of the business. In the U.S., the degree of recognition was 66.1% for large businesses (businesses with 100 or more employees), 11.8 points higher than the 54.3% for small and mediums sized businesses (businesses with less than 100 employees). In Canada as well, the degree of recognition was 8.3 points higher for large business (businesses with 50 or more employees, 72.1%) than small and mediums sized businesses (businesses with less than 50 employees, 63.8%).

- By industry, more than 70 to 80% of businesses in the automobiles etc. (81.6%), rubber/ceramic/stone and clay products (81.3%), electrical machinery parts/electronic device parts (75.0%), and transport (73.3%) industries recognized the issue. In Canada, 80% or more of trading/wholesale (88.2%) and food (80.0%) industries recognized the issue.

- A little less than half of the companies in the U.S. (49.9%) and more than 60% of the companies in Canada (63.7%) have policies on respecting human rights in the supply chain. Of those companies, more than 40% (U.S. 42.5%, Canada 42.9%) seek compliance with such policies by their procurement sources. In regard to the percentage of companies that have a policy to respect human rights and seek compliance with such policies by their procurement sources, 60-70% seek compliance by procurement sources in the host countries (U.S. 69.8%, Canada 65.6%), and more than 40% seek compliance by procurement sources in Japan (43.8% for both U.S. and Canada).

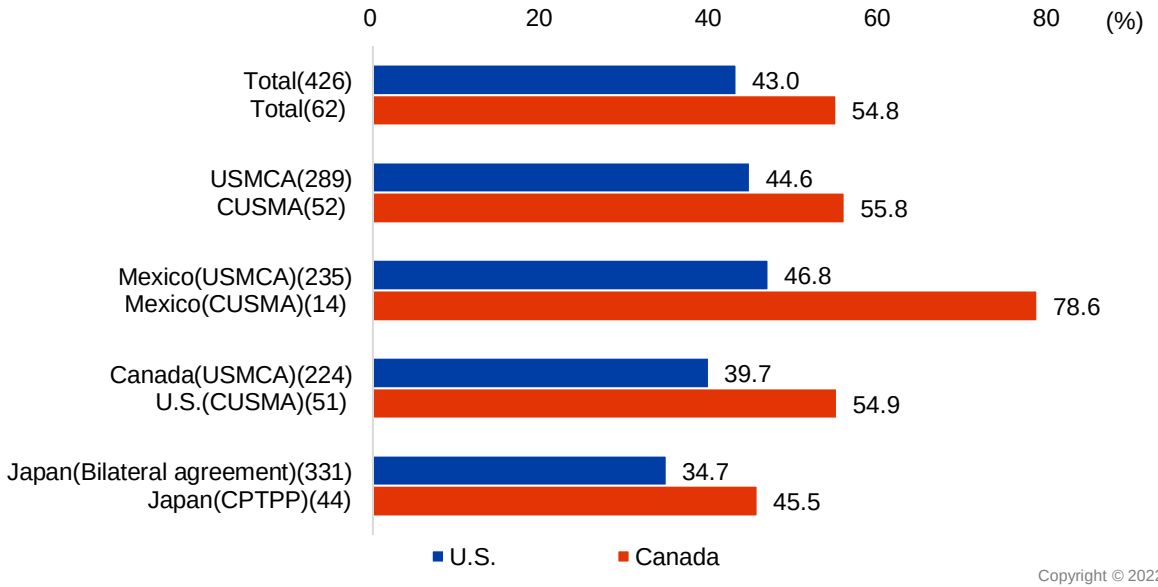
- On the other hand, the percentage of companies that were asked by customers to comply with policies concerning respect from human rights was about 30% for both countries (U.S. 34.0%, Canada 28.4%). The percentage of companies that were requested to comply with such policies by customers in host countries was a little over 20-30% (U.S. 31.0%, Canada 22.4%), and less than 10% by customers in Japan (U.S. 5.6%, Canada 6.9%).

4. Trade Agreement Utilization/Impact

- The use rate of trade agreements of companies that responded was 36.1% for the U.S. and 51.5% for Canada. The utilization rates for USMCA (Canada: CUSMA; hereinafter the same) were 29.2% and 46.8%, respectively; that of the U.S.-Japan trade agreement was 28.0%, and that of CPTPP for trade between Canada and Japan was 37.7%. The USMCA utilization rate for trade with Mexico was close to 30% for both countries (U.S. 26.4%, Canada 27.5%). For trade between U.S. and Canada, Canada (45.2%) was higher than the U.S. (22.6%).

- The utilization rate of trade agreements of companies engaged in exports or imports was 43.0% for the U.S. and 54.8% for Canada. The utilization rates of USMCA were 44.6% and 55.8%, respectively; that of the U.S.-Japan trade agreement was 34.7%, and that of CPTPP for trade between Canada and Japan was 45.5%. Canada's USMCA utilization rate for trade with Mexico was 78.6%, higher than the U.S.'s 46.8%. For trade between the U.S. and Canada, Canada (54.9%) was higher than the U.S. (39.7%).

Trade Agreement Utilization Rate (Companies Engaged in Export or Import Businesses)



5. Effect of Changes in the Trade Environment on Earnings

- When asked about effect from changes in the trade environment on their 2021 earnings, in the U.S., 32.9% said “Have no impact,” 29.0% said “Do not know,” and 26.2% said “Have a negative impact overall.” Compared to the prior year, “Do not know” increased by 13.1 points, but “Have a negative impact overall” decreased by 10.1 points. It appears that the reason for the increase in the answer of “Do not know” is due to the fact the trade policy announced by the Biden administration in March 2021 stated that policies that had been in in place will be reassessed, but the specific nature of the reassessment had not been specifically stated by the time the Survey was completed.

- In Canada, 40.7% said “Have no impact,” 31.4% said “Do not know,” and 16.9% said “Have a negative impact overall.” Compared to the preceding year, “Do not know” increased by 8.0 points while “Have no impact” decreased by 8.9 points.

- When asked to name specifically government policies with the most negative impact, “additional tariffs under Section 301 of the Trade Act” (U.S. 55.2%, Canada 35.0%), “China’s retaliatory tariffs against the U.S.” (32.0% and 55.0%, respectively), and “additional tariffs of the U.S. imposed on steel and aluminum” (24.1%, 35.0%, respectively) were the top answers.

6. Management Challenges

- When asked about management challenges amidst restrictions on business activities due to Covid-19, “slow development of new customers” was the top answer for both the U.S. (62.0%) and Canada (51.6%), followed by “increase in wages of employees” (57.9%) and “rising logistics costs” (53.3%) in the U.S., and “rising logistics costs” (50.0%) and “rising procurement costs” (46.9%) in Canada; many companies also cited challenges in hiring/labor, and raw materials/parts procurement.

- When asked about countermeasures they were taking to handle management challenges, the most common answer was “differentiation from competing products” in both the U.S. (47.5%) and Canada (49.2%), followed by “increasing wages” (46.7%) and “reviewing suppliers of materials/parts and procured contents“ (43.3%) in the U.S., and “responding to various rules” (44.9%) and “introducing remote work and web conferences” (44.1%) in Canada.

7. Digital

- 47.6% and 52.0% of the companies in the U.S. and Canada, respectively, said they already used digital technology. When asked about the advantages of using digital technology, the top answers in both the U.S. and Canada were “stabilization/enhancement of quality of products/services” (55.9% and 47.7%, respectively), and “ability to address the issues of increasing wages/labor shortages” (49.4% and 46.6%, respectively).

- When asked about the technology being used, many companies in both the U.S. and Canada answered “EC” (59.1%, 58.6%), “data accumulation and/or management platform” (37.2%, 41.4%), “robots” (32.2%, 22.4%). When asked about the technology they were considering using, the top answers were “artificial intelligence (AI)” (38.3%, 32.7%), “data accumulation and/or management platform” (36.6%, 51.0%), and “IoT” (30.0%, 32.7%).

8. Addressing Environmental Issues

- 33.5% of the companies in the U.S. and 43.2% of the companies in Canada were engaged in decarbonization. Looking at the answers by the size of the companies, more than half of the large companies in both the U.S. (53.6%) and Canada (52.2%) answered they were engaged in decarbonization. Looking at the answers by industry, in the U.S., more than 60% of the companies in automobiles etc. (63.5%), more than 50% of the companies in rubber/ceramic/stone and clay products (56.3%) and electrical machinery/electronic devices (51.4%) were engaged in decarbonization; in Canada, 100% of the companies in food industry and 66.7% of the companies in iron/non-ferrous metals/fabricated metal products were engaged in decarbonization.

- As for the reasons for engaging in decarbonization, the top answer at close to 70% in both the U.S. and Canada was “instructions/recommendations from the headquarters (parent company)” (U.S. 68.2%, Canada 66.7%), followed by “regulations and/or preferential treatments set by central/local governments in the country/region of our operation” (30.2% and 42.0%, respectively).

- As for the nature of decarbonization, the most common answers were “conservation of energy/resources” (U.S. 66.1%, Canada 58.0%) and “development of new environment-friendly products” (37.5% and 33.3%, respectively). When asked about challenges to decarbonization, human resources/capacity shortages and costs increases were some of the answers.

9. Biden Administration Policies

- When asked about the effect of the Biden administration's policies on business activities, 38.4% of the respondents said "Do not know," 22.3% said "Have no impact," 14.1% said "Have a negative impact overall," and 13.6% said "Have a positive effect overall." The reason "Do not know" is high is that a tax increase was one of President Biden's promises, but Congress has not passed it due to opposition by the Republican Party.

- Looking at the answers by industry, the percentage of companies that answered that the policies would have a negative impact was high in businesses in automobiles etc. (36.4%) and rubber/ceramic/stone and clay products (26.7%). The Biden administration's move toward electric vehicles is believed to be the reason for such answers. The percentages of the companies that answered that there were positive effects were high in the precision machines/medical equipment and professional and technical services (both 26.3%) industries.

- When asked about policy areas of the Biden administration that have an impact on business, 55.1% said "corporate tax plan," 44.0% said "countermeasures for Covid-19," 38.1% said "policies against China," 31.1% said "environmental/energy policies (climate crisis measures)," and 30.1% said "policies for immigration and foreign work visas."

JETRO

United States
（40th Annual Survey）

Overview of This Year's Survey

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese companies operating in the U.S., and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 8-28, 2021

Valid Responses

50.1%

(851 out of 1,697 companies)

Scope of Survey

Japanese-affiliated manufacturers and non-manufacturers operating in the U.S. that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese firms in the U.S.

Note

This is the 40th annual survey, conducted since 1981 (not conducted in 2004). Branches of Japanese companies were added to the scope of survey this time.

Respondents by Industry and Regions

(Unit: company, %)

	Total	Comp. Ratio
All industries	851	100
By Industry		
Manufacturing	488	57.3
Non-manufacturing	363	42.7
Automotive etc. parts	91	10.7
Chemical/Medicines	71	8.3
General machinery	59	6.9
Iron/Non-ferrous metals/Fabricated metal Products	52	6.1
Electrical machinery/Electronic devices	36	4.2
Food	31	3.6
Plastic products	29	3.4
Precision machines/Medical equipment	20	2.4
Rubber/Ceramic/Stone and clay products	16	1.9
Electrical machinery parts/ Electronic device parts	16	1.9
Automobiles etc.	11	1.3
Paper/Wood products/Printing	7	0.8
Textiles/Textile apparel	7	0.8
Railroad/Industrial vehicles etc.	7	0.8
Railroad/Industrial vehicles etc. parts	5	0.6
Other manufacturing	30	3.5
Sales companies/Sales subsidiaries	104	12.2
Trading/Wholesale	83	9.8
Information and communications	34	4.0
Transport	30	3.5
Professional and technical services	21	2.5
Travel/Amusement	15	1.8
Finance/Insurance	14	1.6
Construction	12	1.4
Retail trade	11	1.3
Mining/Energy	9	1.1
Real estate and leasing	8	0.9
Education/Medical	4	0.5
Restaurants	3	0.4
Agriculture/Forestry/Fisheries	1	0.1
Other non-manufacturing	14	1.6
By Region (Manufacturing)		
Midwest	176	36.1
South	165	33.8
West	93	19.1
Northeast	54	11.1
By Region (Non-Manufacturing)		
Midwest	66	18.2
South	66	18.2
West	143	39.4
Northeast	88	24.2

(1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
(2) The firms that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
(3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
(4) In cases where the denominator of the number of respondents for a given choice did not meet a certain number, that industry/choice was excluded from the survey.

The State the Respondents Are Located

Breakdown of Locations of the Respondents and Their Main Plants

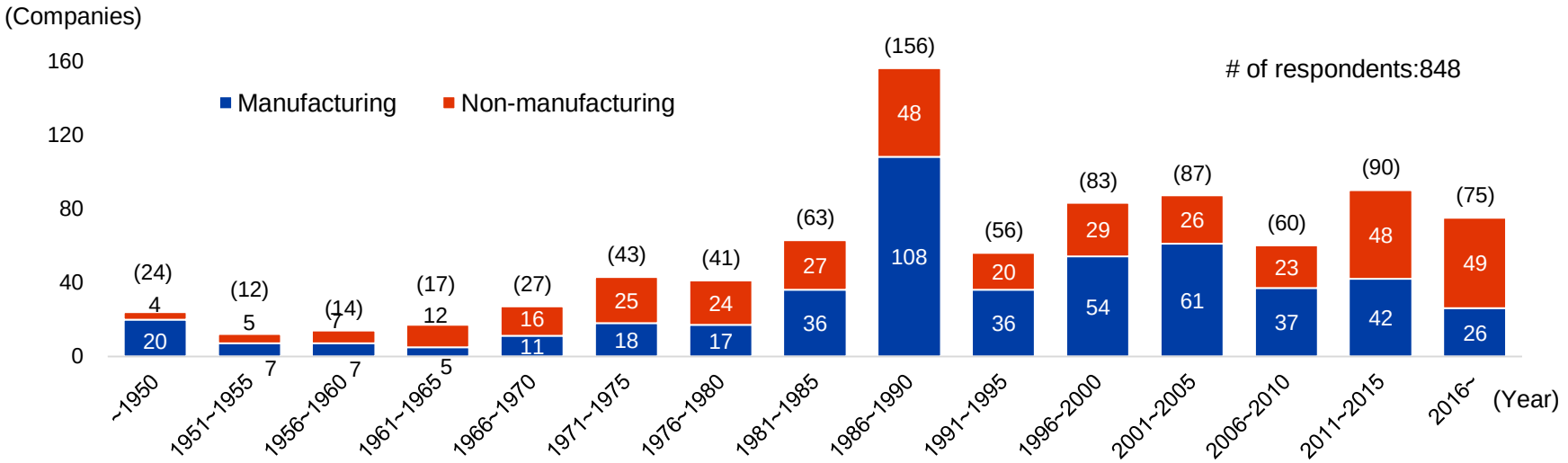
(unit: company)

	States Where Respondents are Located			Main Plant State
Number of respondents	851			553
	Manufacturing	Non-manufacturing	All industries	All industries
Northeast	54	88	142	46
CT	1	3	4	2
ME	0	1	1	1
MA	5	7	12	3
NH	2	0	2	3
NJ	15	17	32	6
NY	16	58	74	9
PA	13	1	14	20
RI	2	1	3	2
VT	0	0	0	0
Midwest	176	66	242	179
IL	55	47	102	27
IN	31	0	31	47
IA	2	0	2	3
KS	1	0	1	3
MI	31	14	45	25
MN	4	0	4	8
MO	3	0	3	7
NE	2	0	2	1
ND	1	0	1	1
OH	43	5	48	51
SD	0	0	0	0
WI	3	0	3	6

	States Where Respondents are Located			Main Plant State
	Manufacturing	Non-manufacturing	All industries	All industries
South	165	66	231	240
AL	7	0	7	17
AR	1	0	1	4
DE	0	0	0	0
FL	3	3	6	3
GA	42	14	56	50
KY	32	7	39	44
LA	1	1	2	2
MD	1	2	3	2
MS	3	0	3	9
NC	9	2	11	15
OK	2	0	2	2
SC	10	1	11	17
TN	21	2	23	34
TX	26	31	57	25
VA	3	2	5	13
WV	4	0	4	3
DC	0	1	1	0
West	93	143	236	88
AK	0	0	0	0
AZ	4	2	6	6
CA	76	127	203	59
CO	1	1	2	4
HI	1	6	7	3
ID	0	0	0	1
MT	0	0	0	0
NV	3	0	3	3
NM	0	0	0	2
OR	2	3	5	4
UT	1	0	1	0
WA	5	4	9	5
WY	0	0	0	1
Total	488	363	851	553

Respondents Establishment Year, Location, Number of Plants

Respondents' Establishment Year



(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

Breakdown of the Number of Respondent Sites

Number of Respondents	729			
	Number of Companies			Number of Sites
Number of sites	Manufacturing	Non-manufacturing	All industries	Overall total
No site	4	6	10	0
1-5	390	246	636	1,163
6-10	28	24	52	395
11-15	10	4	14	188
16-20	4	4	8	144
21-25	2	1	3	67
26-30	0	0	0	0
30 or more	3	3	6	715
Total	441	288	729	2,672

Breakdown of the Number of Respondent Plants

Number of Respondents	588			
	Number of Companies			Number of Plants
Number of Plants	Manufacturing	Non-manufacturing	All industries	Overall total
No plant	70	176	246	0
1-5	307	20	327	489
6-10	11	0	11	83
11 or more	4	0	4	61
Total	392	196	588	633

Numbers of Employees and Expatriates from Japan: 44 and 3 (Median Value Per Company), Respectively

■ The respondents had 633,258 employees in total, **with the per-company average coming out to 744 employees and the median value at 44 employees**. When we look at this by industry, the median value among manufacturers was 90, and the median value among non-manufacturers was 14.

■ Respondents had a total of 7,834 expatriates from Japan (expatriates), **with the per-company average being 9 and the median value being 3**. By industry, the median value among manufacturers was 4, while among non-manufacturers, the median value was 2.

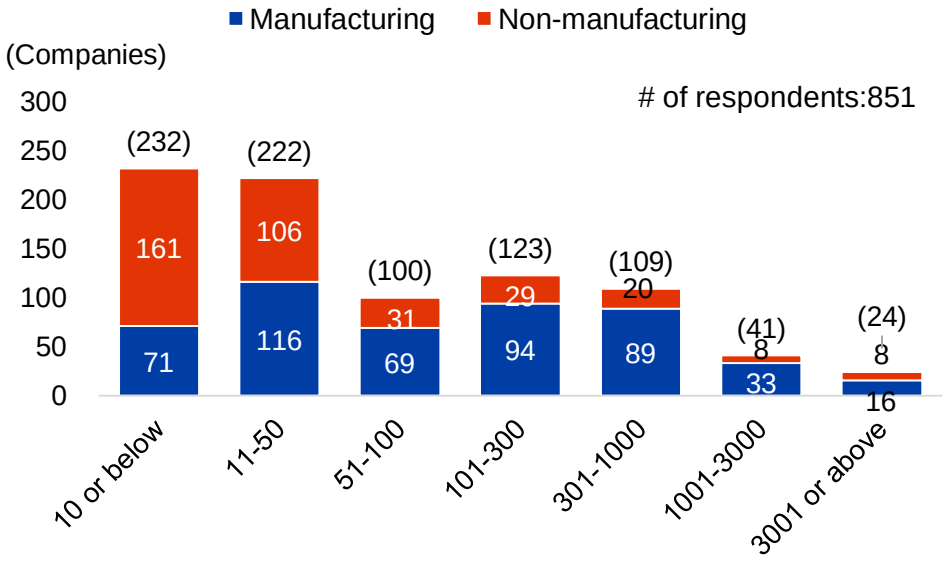
Number of Employees: Average and Median Values

	Overall No. of employees	Average value	Median value
All industries (851)	633,258	744	44
Manufacturing (488)	479,624	983	90
Non-manufacturing (363)	153,634	423	14

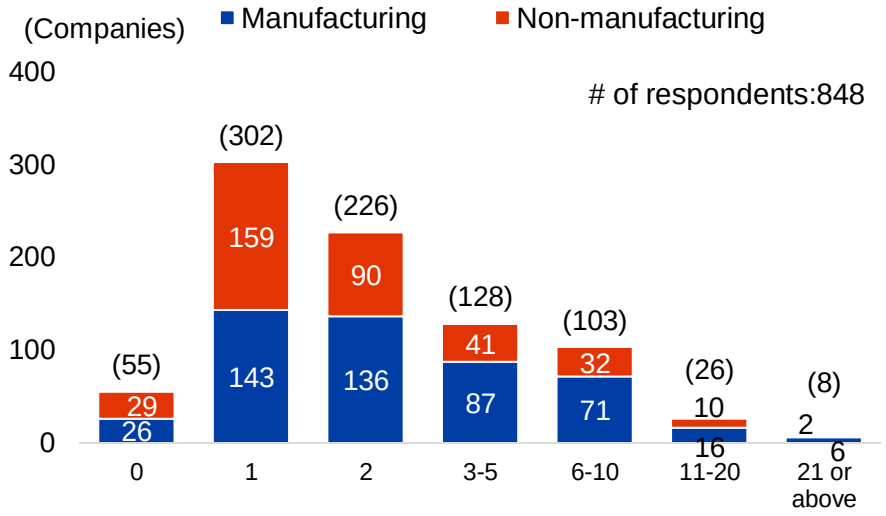
Number of Expatriates from Japan: Average and Median Values

	Overall No. of secondees	Average value	Median value
All industries (848)	7,834	9	3
Manufacturing (485)	5,371	11	4
Non-manufacturing (363)	2,463	7	2

Breakdown of Number of Employees by Industry



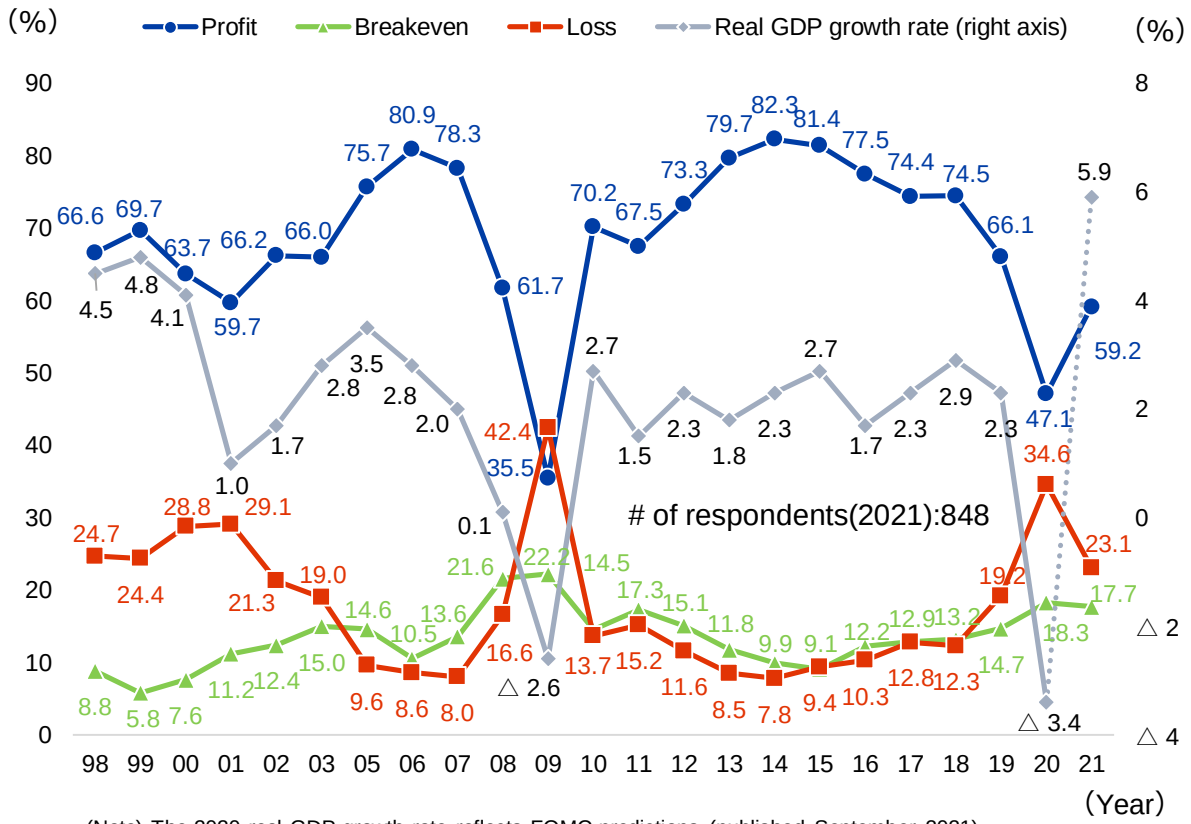
Breakdown of Number of Expatriates from Japan by Industry



1-1 2021 Operating Profits Forecasts: The Percentage of Companies Expecting Operating Profits Has Recovered to a Little Less than 60%

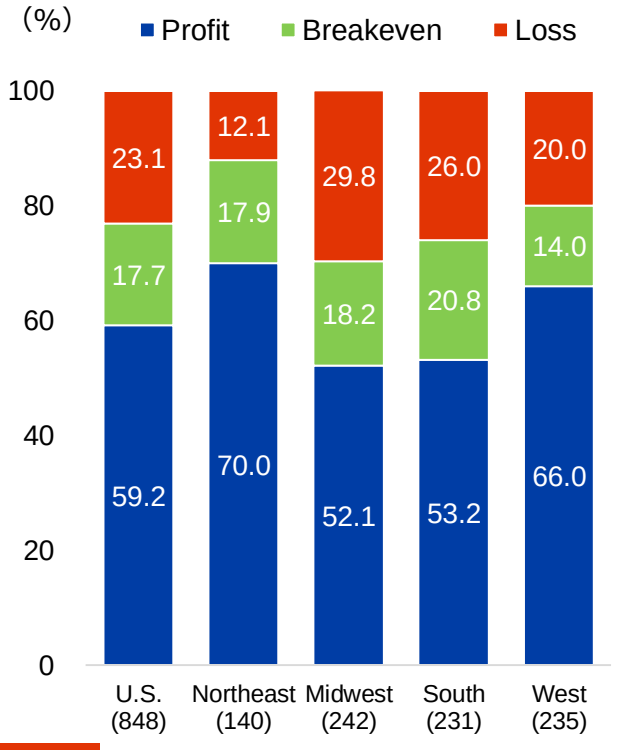
- **59.2% of companies expect to earn operating profit in 2021,** up 12.1 points from the prior year (47.1%). 23.1% expect to suffer a loss in **2021**, down 11.5 points from the prior year (34.6%). A trend in recovery from the Covid-19 can be seen. **By region**, the percentage of companies that anticipated a profit was high in the **Northeast (70.0%)** and the **West (66.0%)**, but in the **Midwest** and the **South**, where many of the manufacturers are located, the percentage was only a little above **50% (52.1% and 53.2%, respectively)**.

Operating Profit Forecasts and U.S.'s Real GDP Growth



(Note) The 2020 real GDP growth rate reflects FOMC predictions (published September 2021).
No survey was conducted in 2004.

2021 Operating Profit Forecasts (By Region)

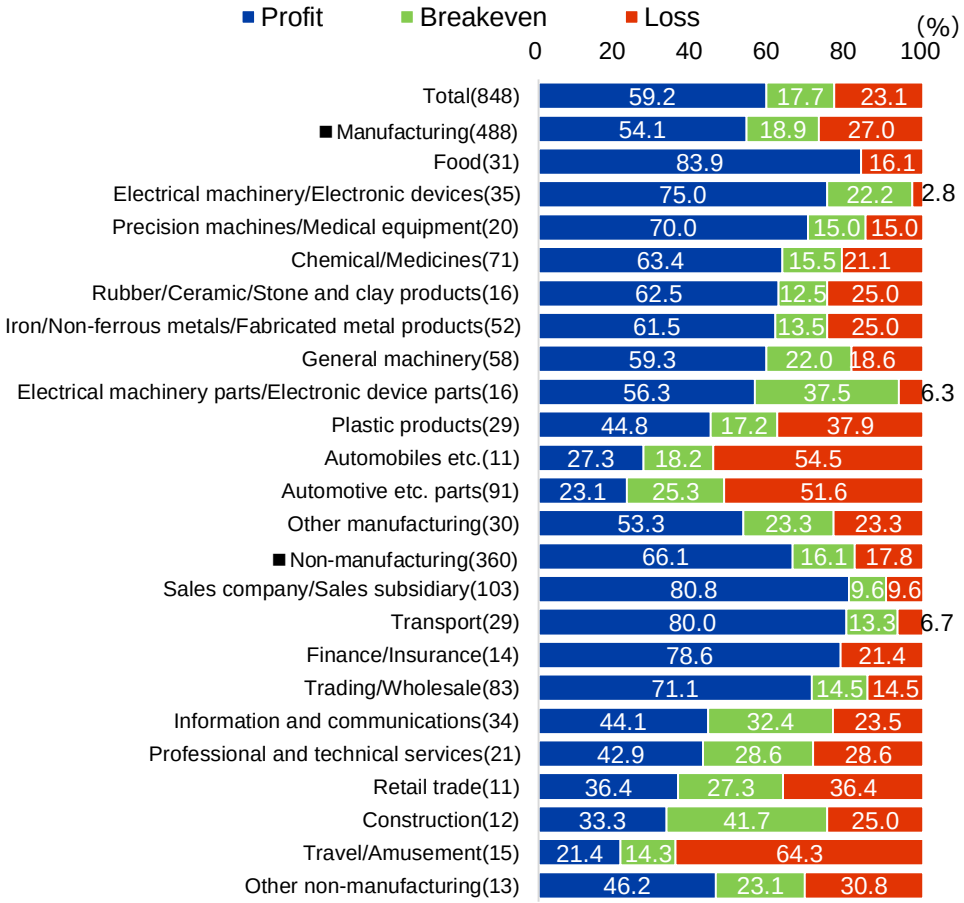


Profitability vs prior year	U.S. (848)	Northeast (140)	Midwest (242)	South (231)	West (235)
	25.7	30.1	25.5	19.6	23.8

1-2 2021 Operating Profit Forecast (By Industry): 80% or More of Food, Sales Company/Sales Subsidiary, Transport Industries

- **80% or more** of the companies in the **food** (83.9%), **sales company/sales subsidiary** (80.8%) and **transport** (80.0%) **industries expect to be profitable in 2021**.
- On the other hand, **more than 50%** of the companies in the **travel/amusement** (64.3%), **automobiles etc.** (54.5%) and **automotive etc. parts** (51.6%) **industries expect to suffer a loss**.

2021 Operating Profit Forecasts (By Industry)



Factors Affecting Operating Profit Forecasts (Free-form)

- Effect from stay-at-home consumption and government subsidies [sales company/sales subsidiary]
- While retail sales of products increased significantly during the prior year and have remained high due to stay-at-home consumption, products for restaurants have increased significantly [food]
- Higher demand in the U.S. market from development of Covid-19 vaccines and lower fixed costs [iron/non-ferrous metals/fabricated metal products]
- Revenge consumption and outdoor boom from Covid-19 [sales company/sales subsidiary]
- Drop in some areas of business are covered by robust sales of other products [precision machines/medical equipment]

Factors Affecting Operating Loss Forecasts (Free-form)

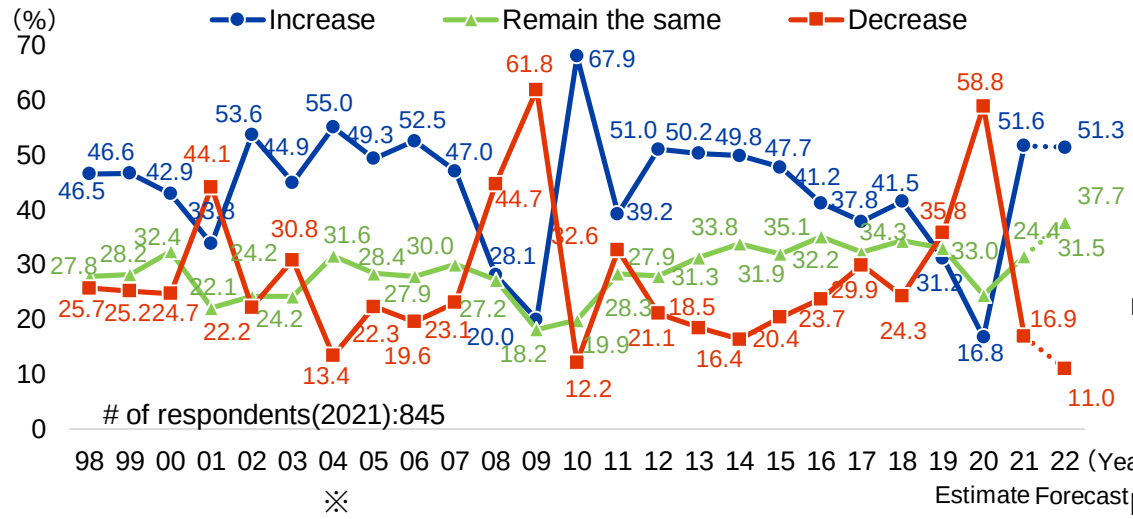
- Marked decline in large-scaled IT investments due to Covid-19 impact [information and communications]
- No group travel from Japan due to Covid-19 [travel/amusement]
- Lower production in the automobile industry caused by Covid-19 and shortage in semiconductor supply [automotive etc. parts]
- Shortage of containers between Asia and North America, soaring fares [trading/wholesale]
- Additional tariffs on Chinese goods [general machinery]

(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

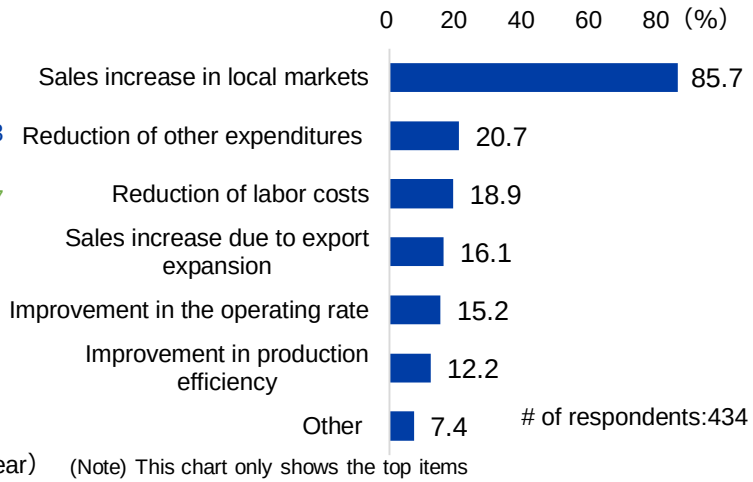
1-3 Business Sentiment DI: 34.7, a Major Improvement, Further Rebound Expected in 2022

- **The DI for business sentiment** (difference between improvement and deterioration) in **2021 stood at 34.7, a major improvement from the prior year** (-42.0), and further rebound (40.3) is expected in 2022.
- As the **main reason for such improvement**, **69.8%** of the respondents cited "**sales increase in local markets**."

Year-over-Year Operating Forecast Profit Changes

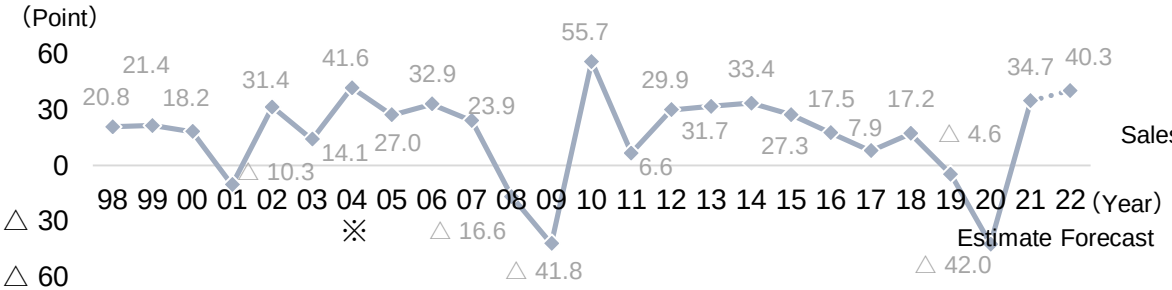


Reasons for Improved Operating Profit Forecasts for 2021 (Multiple Answers)



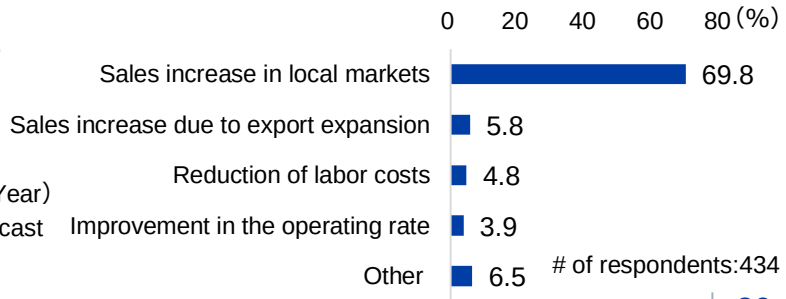
(Note) This chart only shows the top items

Business Sentiment DI Trends



(Note) Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey.

Reasons for Improved Operating Profit Forecasts for 2021(Main Reasons)

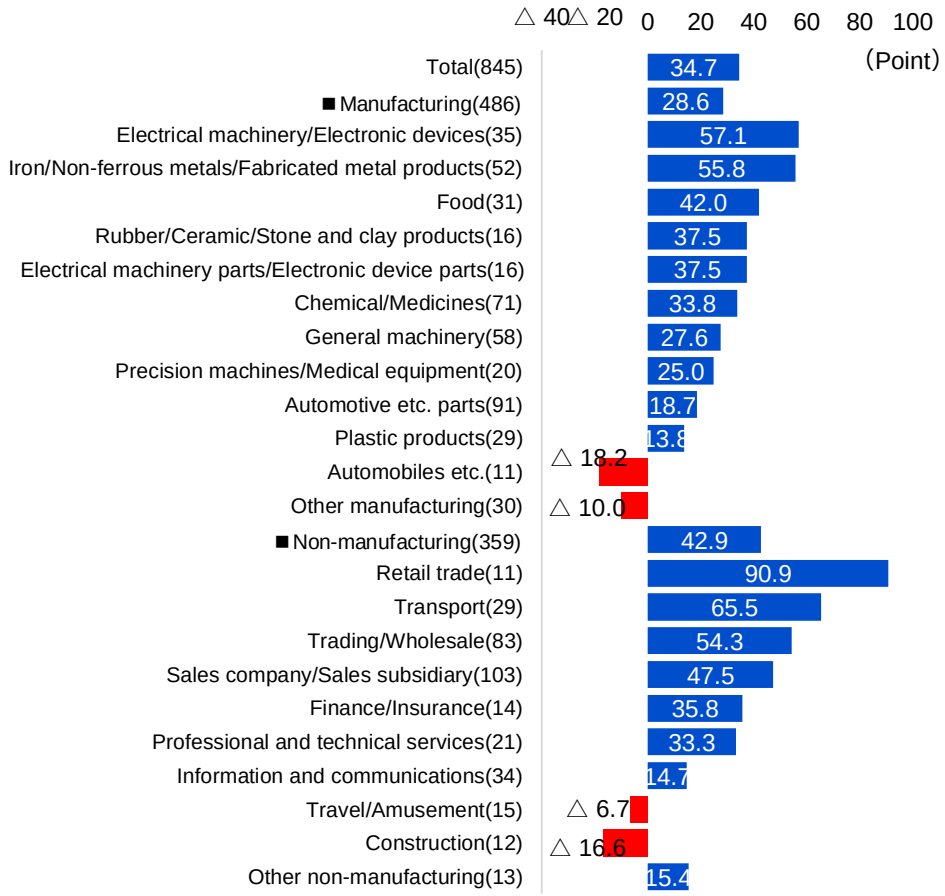


(Note) This chart only shows the top items.

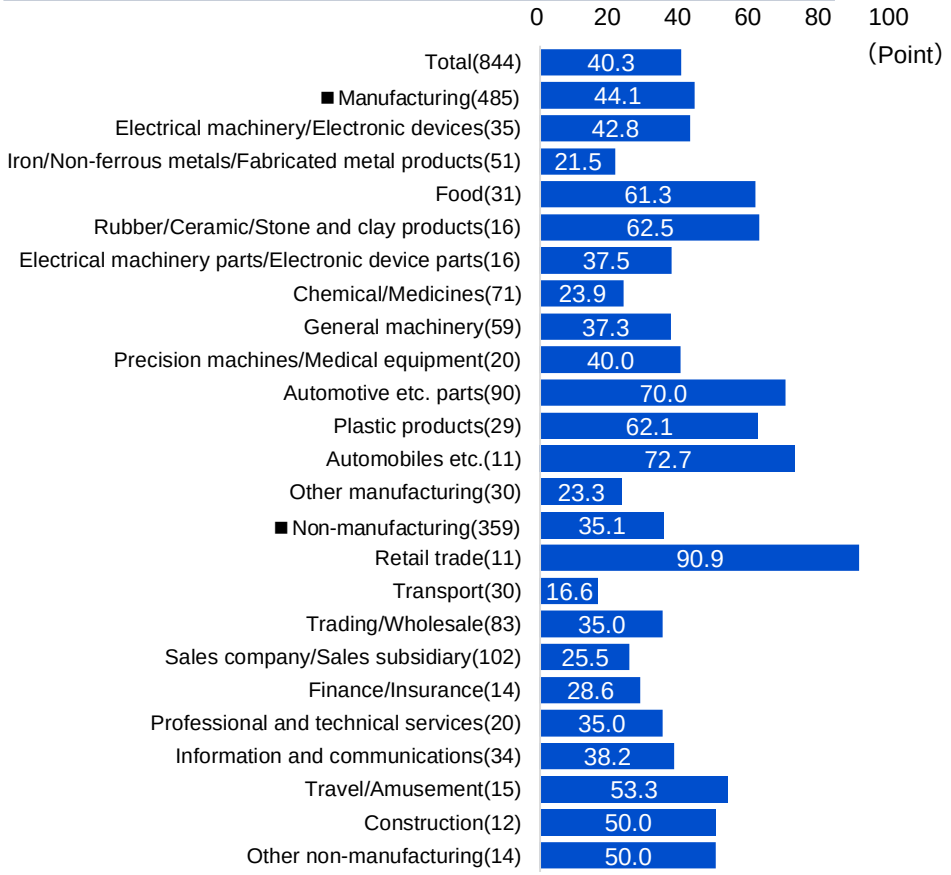
1-4 Business Sentiment DI (by Industry): All Industries Improved in 2021, Automobile-Related Industries to Improve in 2022

- **The DI for 2021 improved for all industries compared to the previous year**. In particular, **improvements of 100 points or more** were seen in **retail trade** (148.0 points increase), **real estate/leasing** (142.0 points increase), and **iron/non-ferrous metals/fabricated metal products** (117.2 points increase).
- As for **DI for 2022**, **a major improvement** is expected in **automobiles etc.** (90.9 points increase) and **automotive etc. parts** (51.3 points increase), but deterioration is expected in transport (49.8 points decrease) and real estate/leasing (37.5 points decrease).

Business Sentiment DI for 2021 (By Industry)



Business Sentiment DI for 2022 (By Industry)

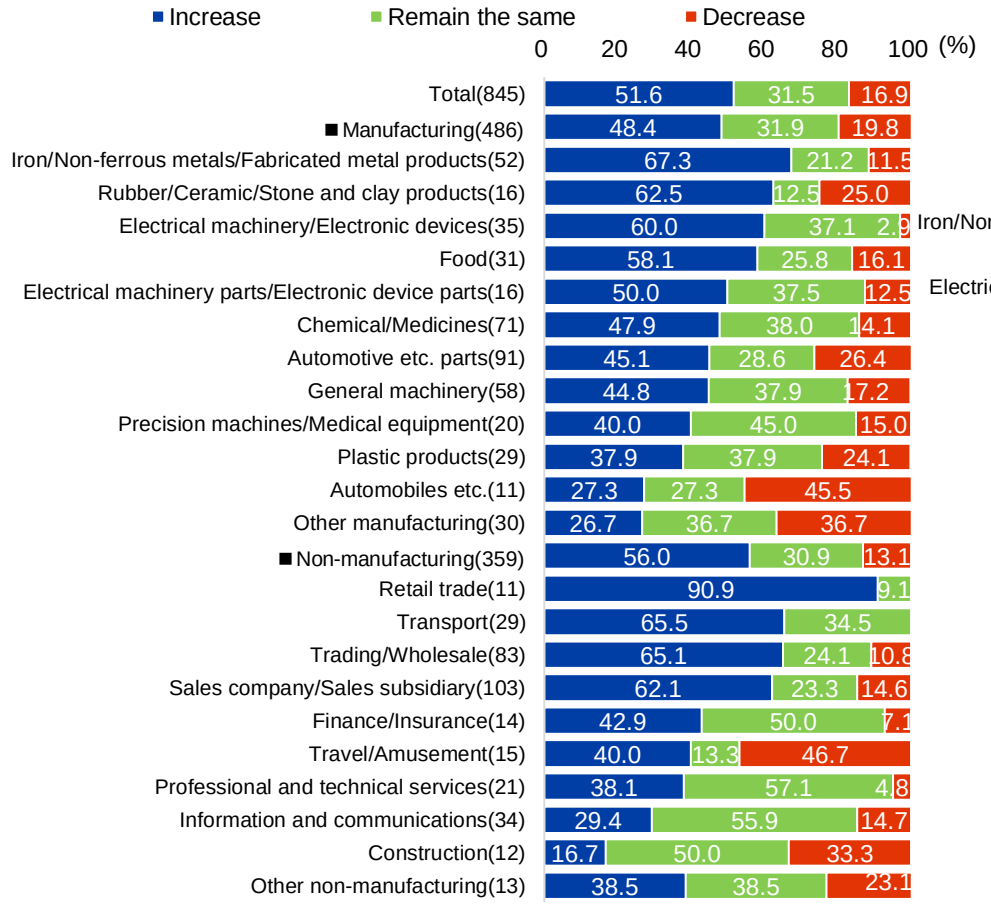


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

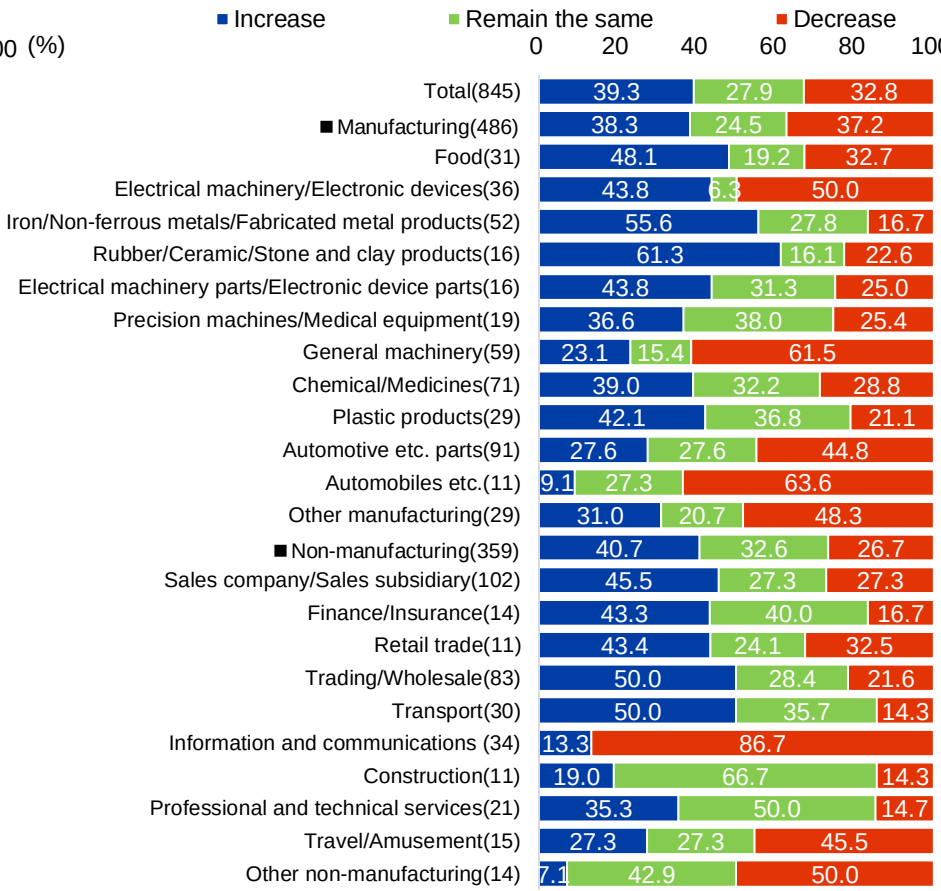
1-5 Compared to 2019 (Before the Covid-19 Pandemic): Operating Forecasts "Improvement" Decreases and "Deterioration" Increases

- **Comparing operating profit to before the Covid-19 pandemic**, **overall "improvement" was 39.3%, a 12.3 points decrease from the prior year** (51.6%), and **"deterioration" was 32.8%, a significant increase from the previous year** (16.9%).
- **By industry, "deterioration" was close to 90% in travel/amusement** (86.7%), and more than 60% in automobiles etc. (63.6%) and automotive etc. parts (61.5%), showing the huge impact caused by the Covid-19 pandemic.

Changes in Operating Profit Forecasts Compared to 2020 (By Industry)



Changes in Operating Profit Forecasts Compared to 2019 (By Industry)

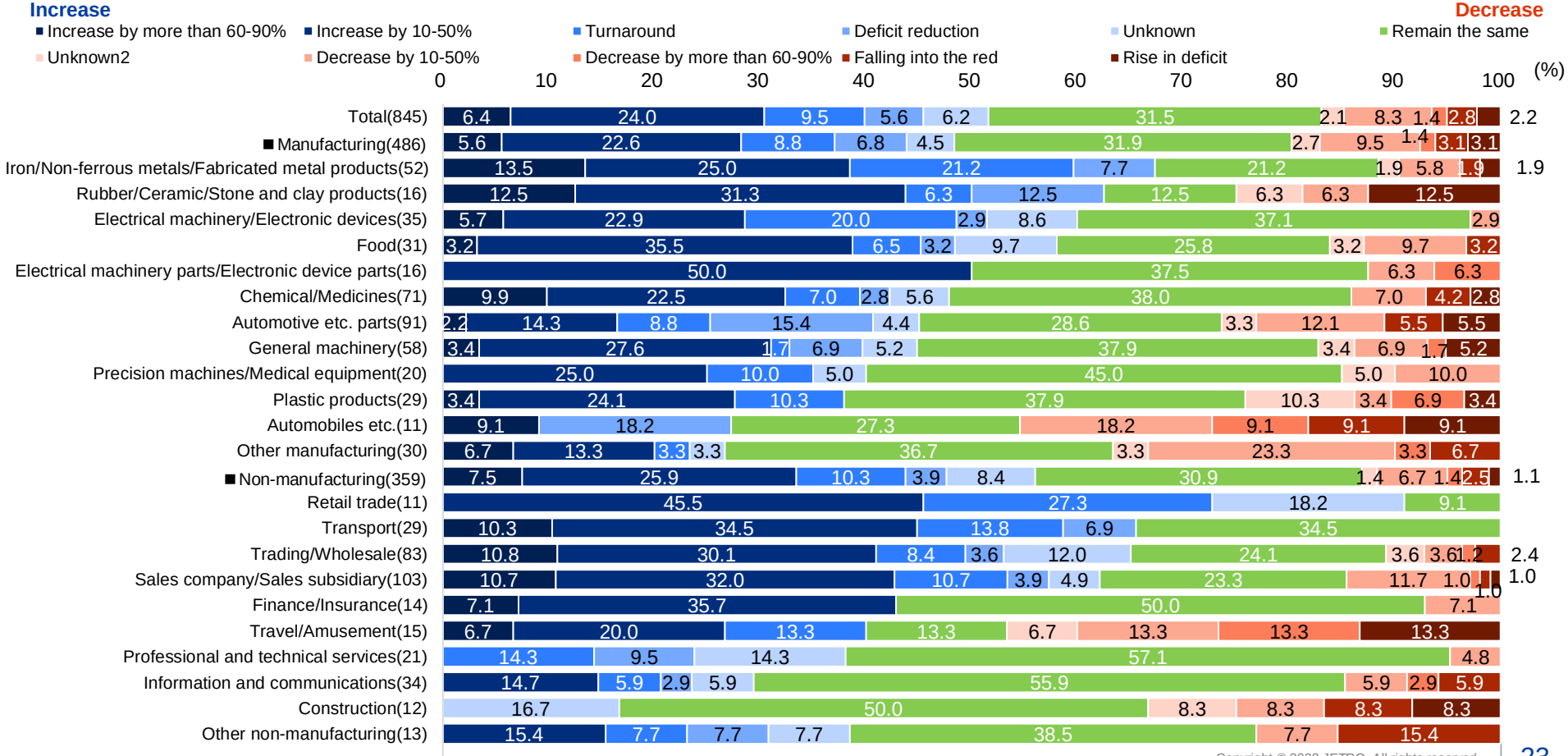


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

1-6 2021 Operating Forecasts Compared to Previous Years (Fluctuation): "Remain the Same" at More than 30%, and "Increase by 10-50%" at About 25%

■ **With regard to year-over-year fluctuations in the operating profit forecasts for 2021, a little over 30% replied "remain the same"** (31.5%), while **24% replied "increase by 10-50%,"** and **9.5% replied "turnaround."** Looking at this by industry, many of the respondents that answered "increase by 10-50%" were in the electrical machinery parts/electronic device parts (50.0%), retail trade (45.5%), financial/insurance (35.7%), and food (35.5%) industries. On the other hand, deterioration was high in the travel/amusement, automobiles etc., and other manufacturing industries.

Year-over-Year Fluctuation in 2021 Operating Profit Forecast (By Industry)

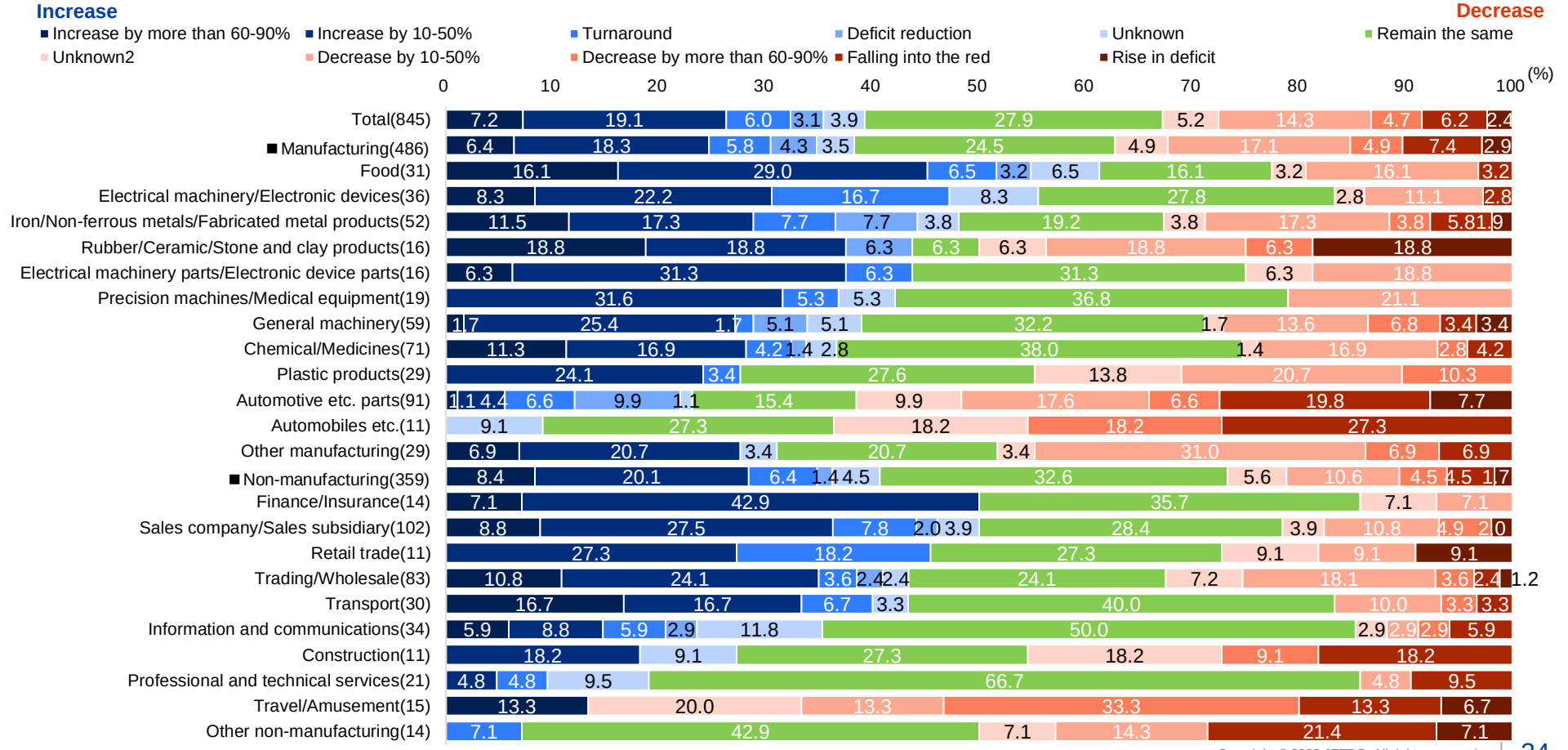


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

1-7 2021 Operating Profit Forecasts Compared to 2019 (Fluctuation): "Remain the Same" at Close to 30%, "Increase by 10-50%" at Less than 20%

- **With regard to the difference in the operating profit forecasts for 2021 compared to 2019, close to 30% responded "remain the same"** (27.8%), **19.1% responded "increase by 10-50%,"** and **14.3% responded "decrease by 10-50%."** Looking at this by industry, many of the respondents that answered "increase by 10-50%" were in the finance/insurance (42.9%) and precision machines/medical equipment (31.6%) industries. On the other hand, the percentage of deterioration was high in the travel/amusement and in the automobiles etc. industry, with 33.3% of former responding "decrease by 60-90%," and 27.3% of the latter responding "falling into the red."

Fluctuations in Operating Profit Forecasts in 2021 Compared to 2019 (By Industry)

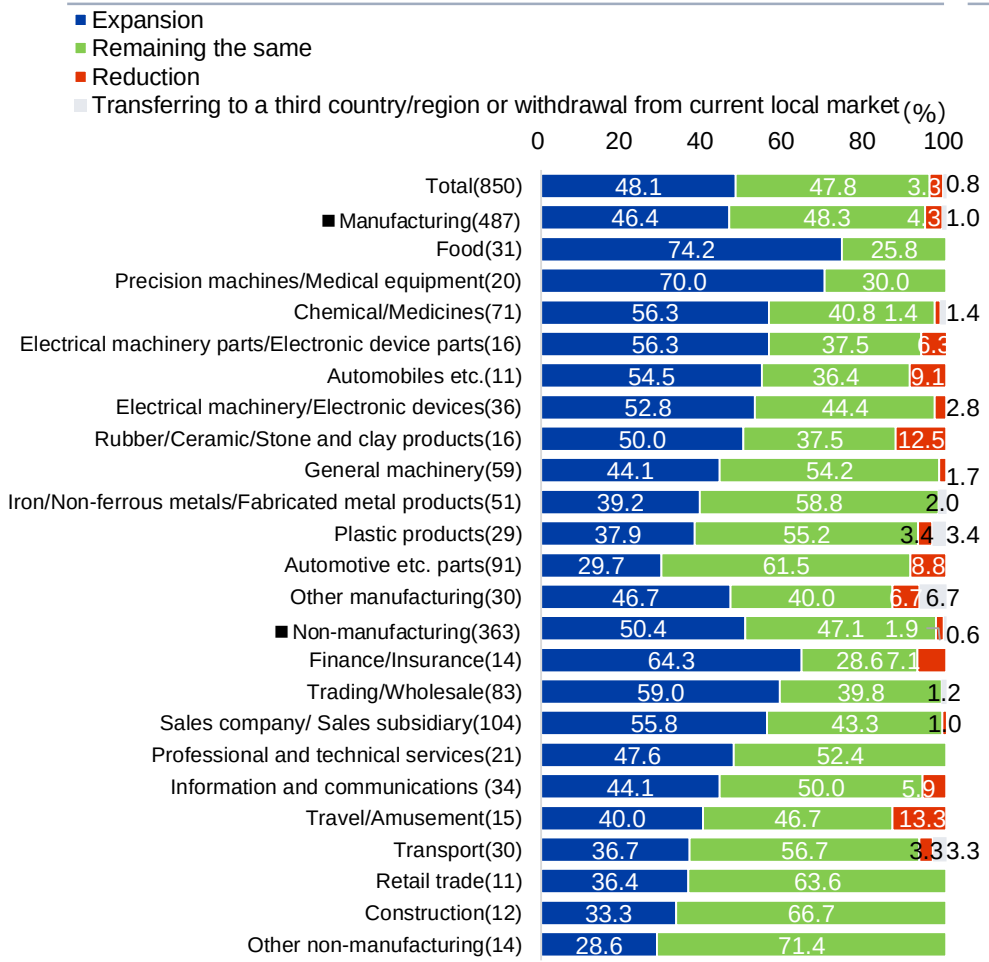


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

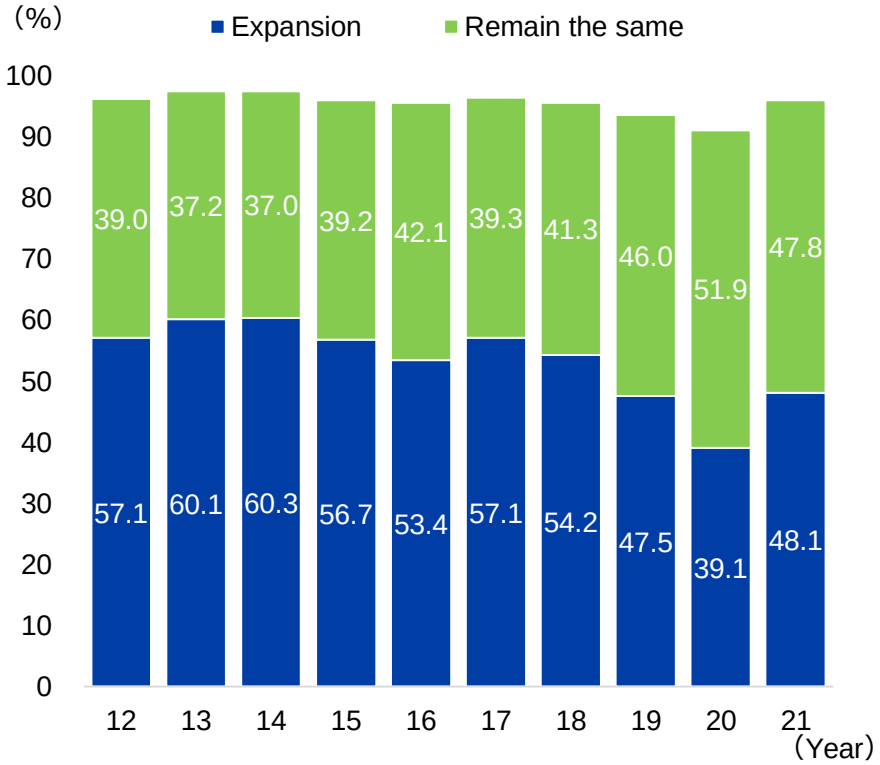
Future Business Direction:
2-1 Close to 50% Plan to Expand (Recovery)

- In the last survey, a little less than 40% (39.1) of respondents said **they had their sights on business expansion in the next one to two years, but in this survey, such respondents rose to close to 50%** (48.1%). Industries that showed a high “expansion” percentage were food (74.2%) and precision machines/medical equipment (70.0%) among manufacturers, and a finance/insurance (64.3%) among non-manufacturers.

Business Direction in the Next 1-2 Years (By Industry)



Trends in Business Expansion for Next 1-2 Years

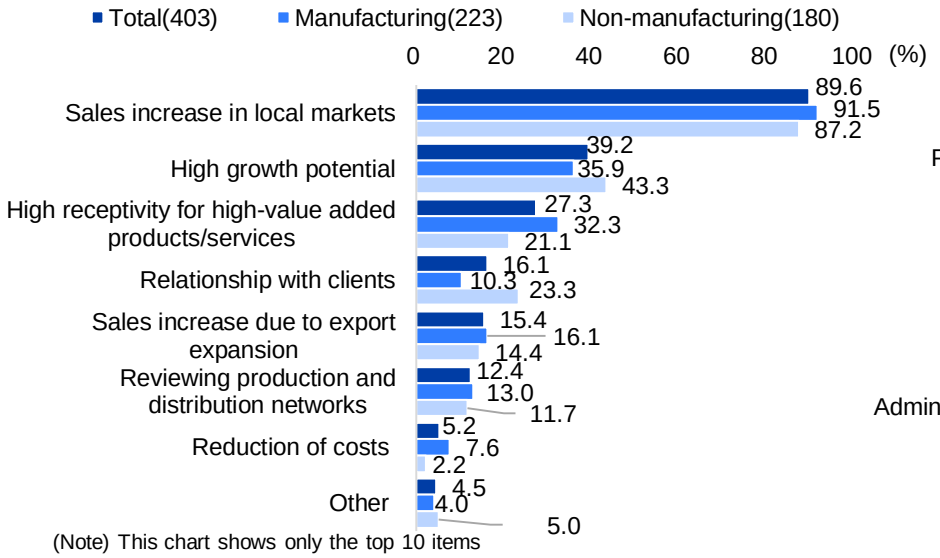


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

2-2 Reasons for Business Expansion: A Little Less than 90% Cite Sales Increase in Local Markets

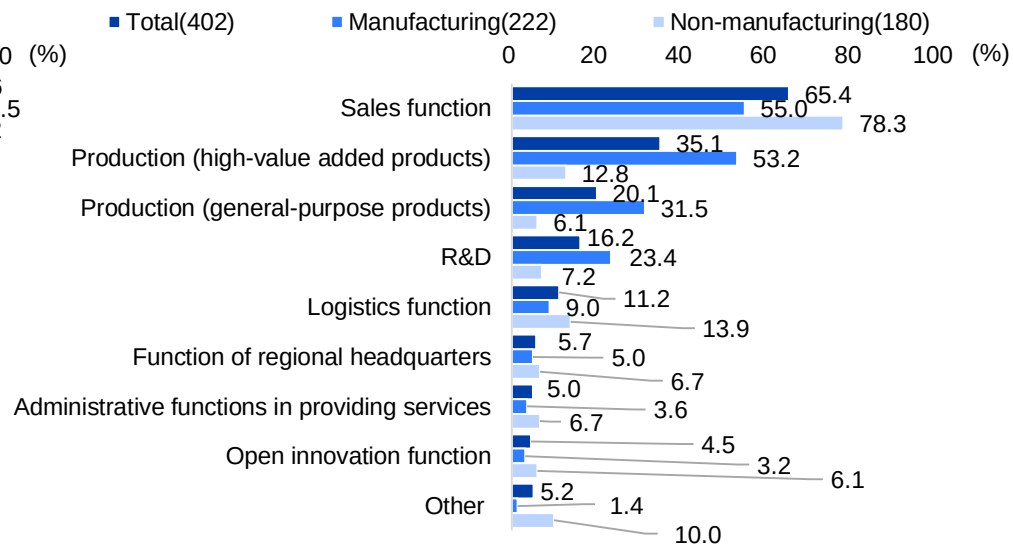
- When asked about **the main reason for business expansion in the next one to two years, a little less than 90%** (89.6%) **chose "sales increase in local markets,"** followed by "high growth/potential" (39.2%) and "high receptivity for high-value added products/services" (27.3%).
- When **asked about functions that will be expanded, 65.4% chose "sales function,"** followed by production (high-value added products, 35.1%) and production (general-purpose products, 20.1%).

Reasons for Business Expansion (Multiple Answers)



(Note) This chart shows only the top 10 items

Specific Functions to Be Expanded (Multiple Answers)



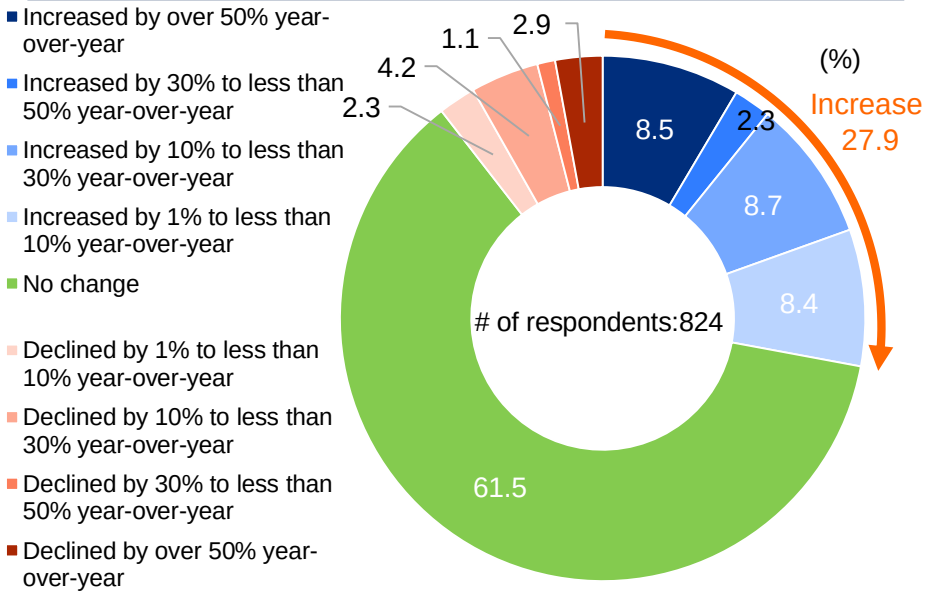
Specific Reason for "Other" as a Reason for Business Expansion (Free-form)

- Increase in imported goods volume and accompanying increase in warehouse use [transport]
- Recovery from Covid-19 and supply chain fragmentation [automotive etc. parts]
- Increase in deposit assets [finance/insurance]
- Circular business expansion and introduction of new products [sales company/sales subsidiary]
- New business expansion [textiles/textile apparel]
- New products and new production facilities [automobiles etc.]
- Enhance production capacity from capital investments [paper/wood products/printing]
- Facilitation of localization through aggressive investments [trading/wholesale]
- Expansion through funding/collaboration [electrical machinery parts/electronic device parts]
- Cultivation of new customers [paper/wood products/printing]
- Increased need for raw materials due to higher production at plant in India [iron/non-ferrous metals/fabricated metal products]
- Shift to domestic production in U.S. (reduce China risk) [electrical machinery parts/electronic device parts]
- In light of U.S. industrial policies, policy to proceed with certain localizations [general machinery]
- Infrastructure bills [sales company/sales subsidiary]

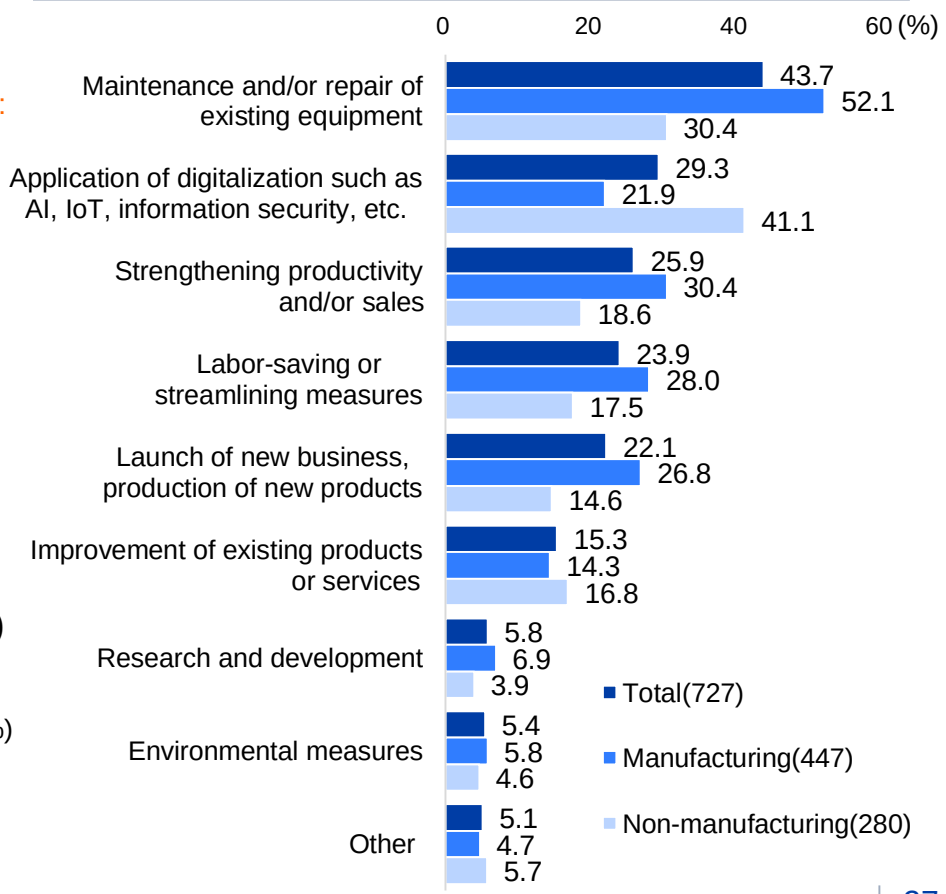
2-3 Changes in Capital Investments: Close to 30% of Companies' Investments Surpassed Prior Year

- **27.9% of respondents said their capital investments for 2021 surpassed those in the prior year** in terms of monetary amount, this **being 5.7 points up from the previous survey** (22.2%). Only 10.5% of **companies said they made smaller investments year-over-year**, which was **15.1 points lower** than last time (25.6%) and a significant improvement.
- **Top answers for the purposes of capital investment were "maintenance and/or repair of existing equipment"** (47.3%), "application of digitalization" (29.3%), "strengthening productivity and/or sales" (25.9%), and "labor-saving/streamlining measures" (23.9%).

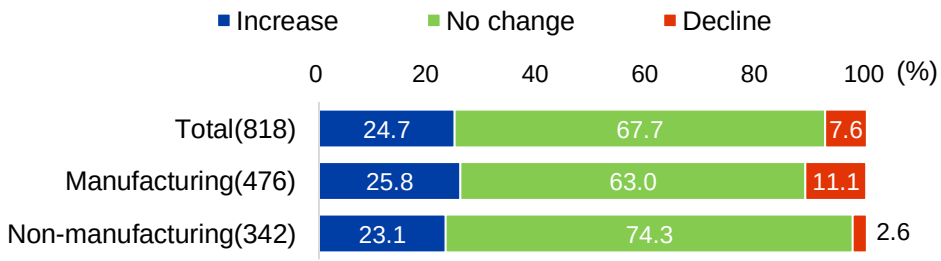
2021 Changes in Capital Investments



Purposes of Capital Investments (Multiple Answers)



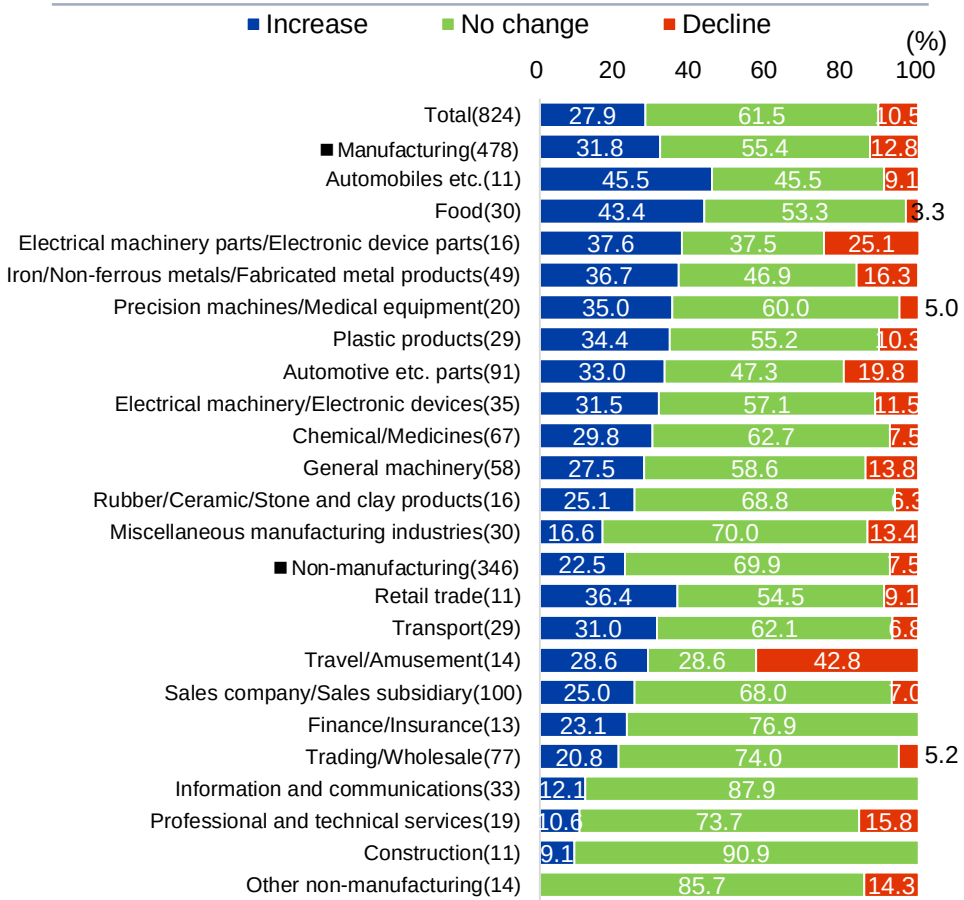
Capital Investment Plans for 2022 and Beyond (By Industry)



2-4 Changes in Capital Investments (by Industry): "Increased" Cited by More than 40% of Respondents in Automobiles etc. and Food

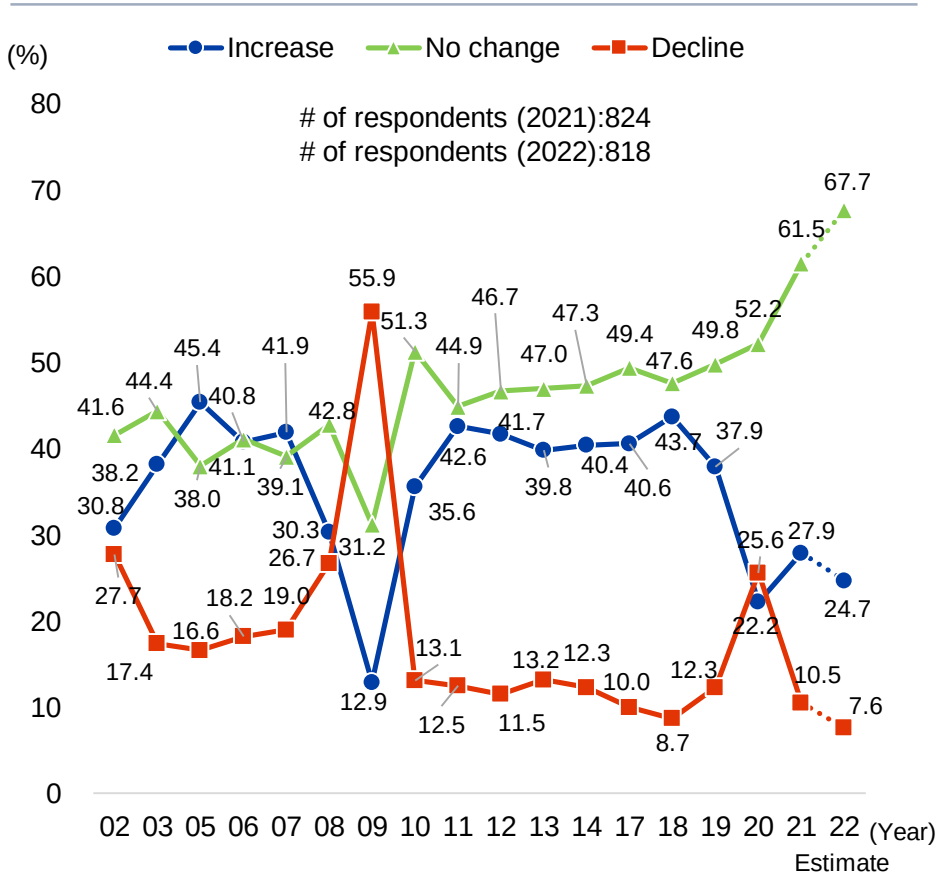
- A comparison **by industry of changes in capital investment in 2021** show that in **automobiles etc.** (45.5%) and **food** (43.4%) industries, **more than 40% of respondents had "increased" such investments**.
- The percentage of companies with **"increased" capital investments** had been declining since 2019, but **increased for the first time in three years in 2021**. A decline is expected again in 2022.

Changes in Capital Investments in 2021 Vs. Prior Year (By Industry)



(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

Trends in Annual Changes in Capital Investments (2002-2022 Forecasts)

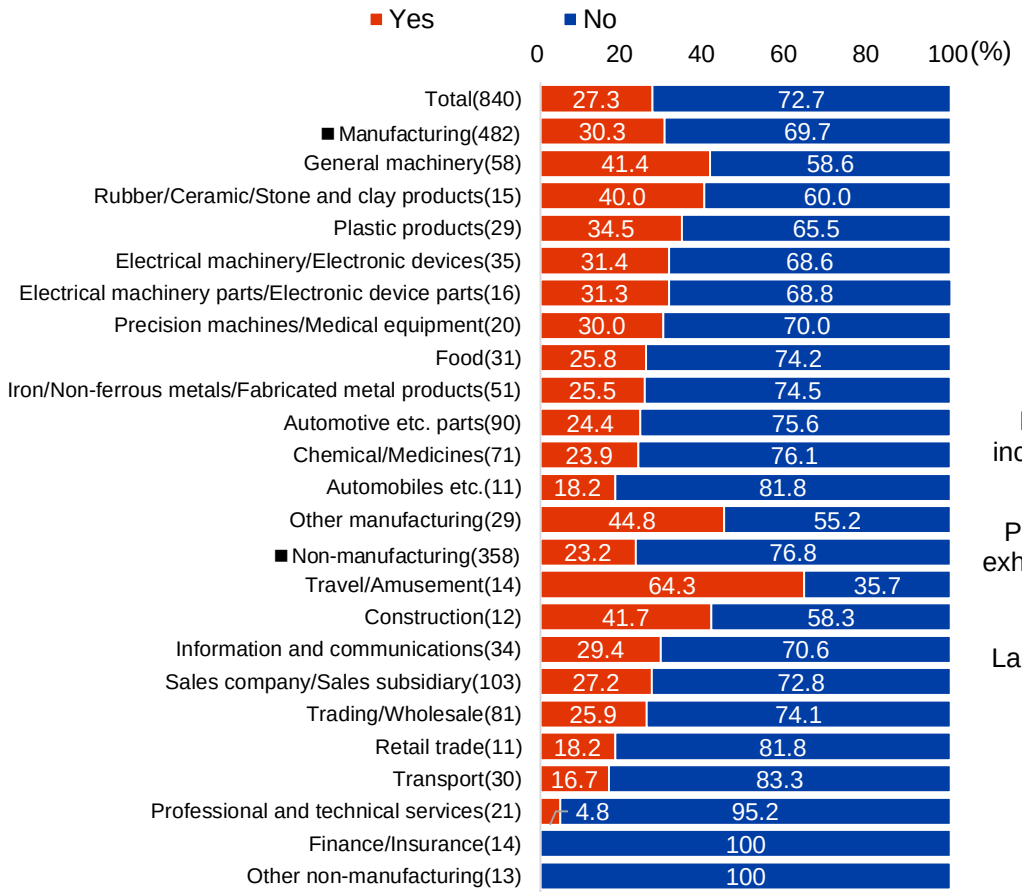


(Note) No survey was conducted in 2004. The question was not asked in 2015 and 2016.

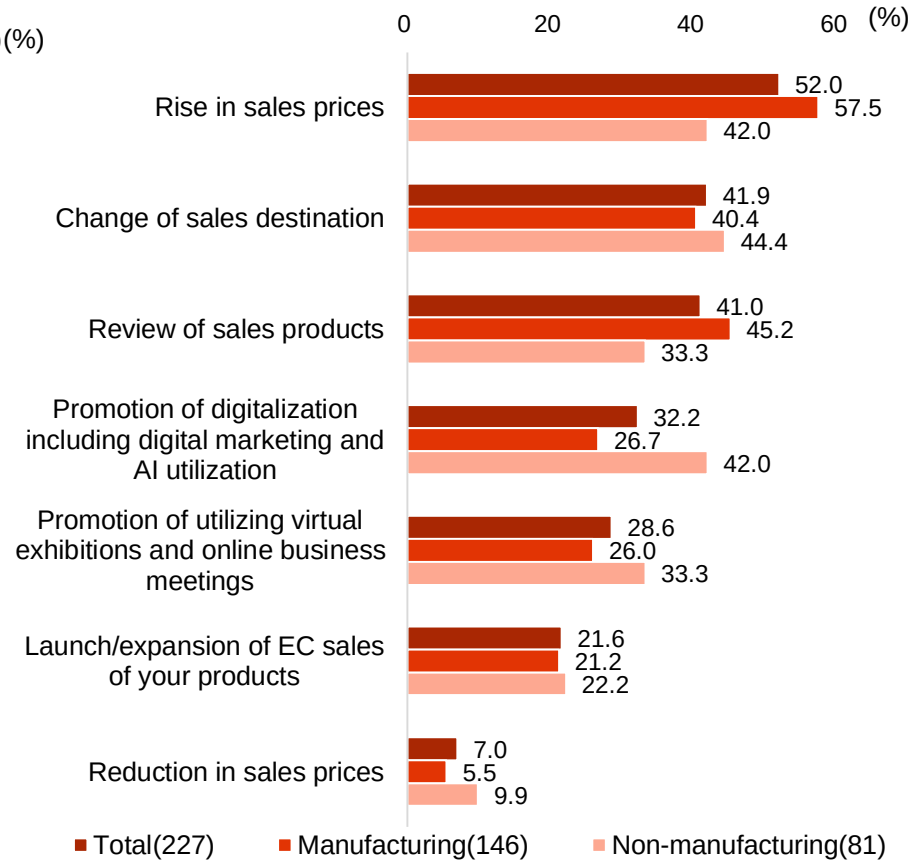
2-5 Reassessing Sales Strategies: Close to 30% "Have" Plans to Reassess Their Strategies

- **27.3% of the respondents "have" plans to reassess sales strategies; by industry, travel/amusement** (64.3%), **other manufacturing** (44.8%) and **construction** (41.7%) were the highest.
- **In terms of the nature of these reassessments**, the most common answers were **"rise in sales prices" at 52.0%**, **"change of sales destination" at 41.9%**, and "review of sales products" at 41.0%.

Plans to Reassess Sales Strategies (By Industry)



Nature of Reassessment of Sales Strategies (Multiple Answers)

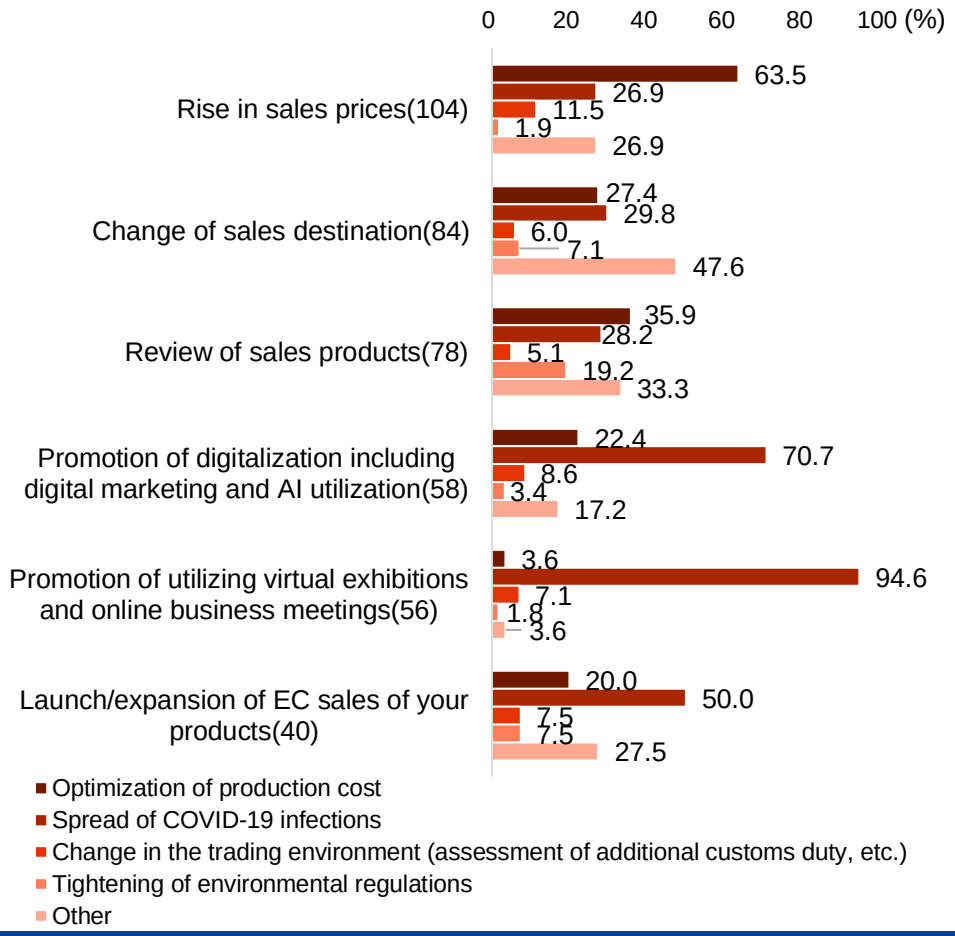


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

2-6 Reasons for Reassessment of Sales Strategies: The Main Reason for Raising Selling Prices Is “Optimization of Production Cost”

- As part of **reassessment of sales strategies**, the top **reason for “rise in sales price” and “review of sales products”** was **“optimization of production cost”** (63.5% and 35.9%, respectively), and the top reason for “change of sales destination” was “other” (47.6%).

Reasons for Reassessing Sales Strategies (Multiple Answers)

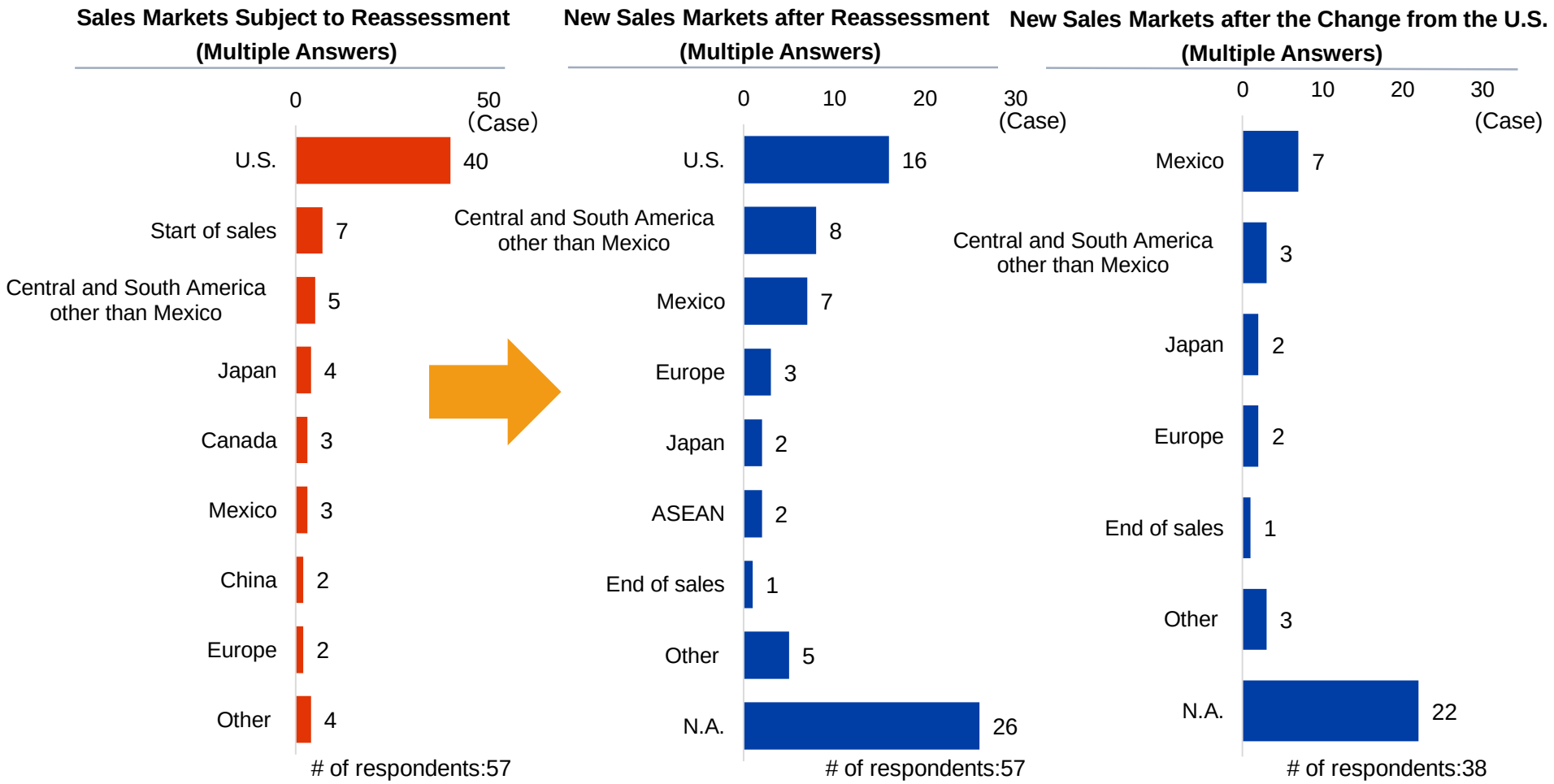


Specific Reason for “Other” as a Reason for Reassessment of Sales Market (Free-form)

- Improve dependability on existing customers [general machinery]
- Increase sales markets [iron/non-ferrous metals/fabricated metal] [sales companies/sales subsidiaries]
- Diversification of sales markets [precision machines/medical equipment]
- Coverage of sales areas [general machinery]
- Reassessment of sales networks [general machinery]
- Expansion of sales through changes in targets [construction]
- Expansion of sales channels to South America, etc. [information and communication]
- Changes to responsible territories within group companies [other manufacturing]
- Development of new markets for existing products [electrical machinery/electronic devices]
- Utilization of new distribution channels [general machinery]
- Choosing more suitable partners [food]
- Changes to sales channels [sales companies/sales subsidiaries]
- Cultivation of products for other industries [iron/non-ferrous metals/fabricated metal]
- Restrictions on sales to China [chemical/medicines]
- Organizational restructuring [construction]
- Optimization of distribution costs [rubber/ceramic/stone and clay products]

2-7 Reassessment of Sales Market Countries/Regions: Mainly Reassessment in the U.S.

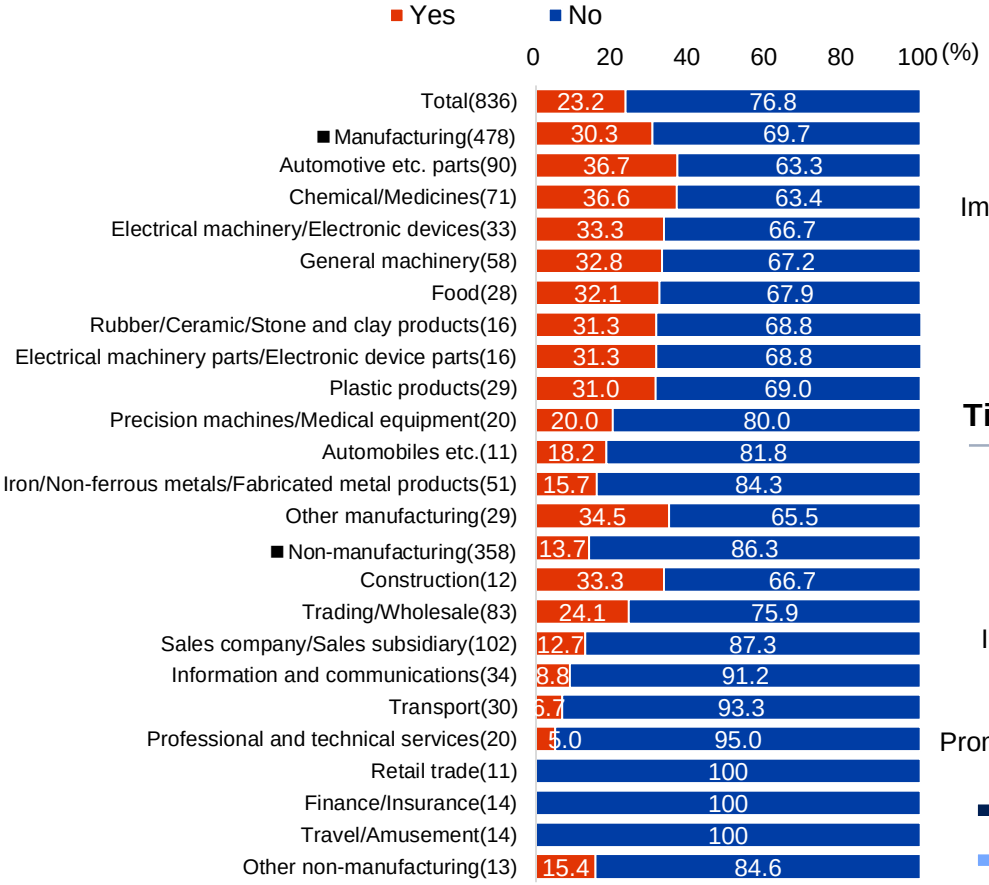
- **The U.S. was the top answer as a sales market to be reassessed, cited by 40 companies**. **The top sales markets after reassessment were the U.S. (16), Central and South American countries other than Mexico (8), and Mexico (7)**. Mexico and Central and South American countries other than Mexico were the top sales markets from the U.S. after the change.



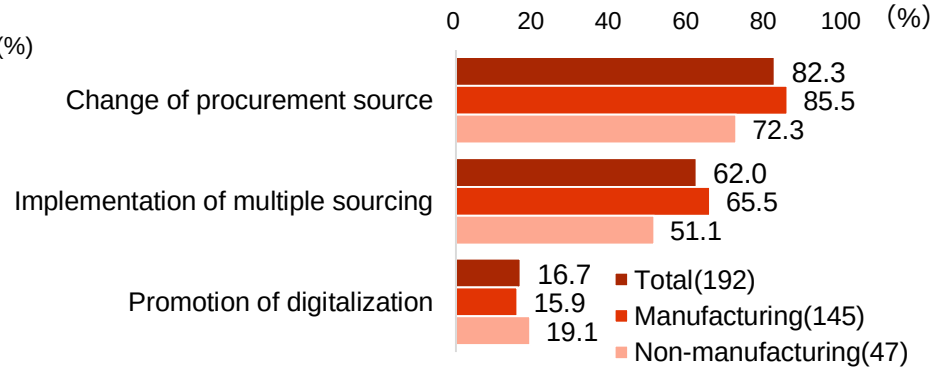
2-8 Reassessing Procurement: More than 20% "Have" Plans to Reassess Their Procurement

- **23.2% of the respondents "have" plans to reassess procurement**; **by industry, automotive etc. parts** (36.7%), chemical/medicines (36.6%), and other manufacturers (34.5%) had high percentages.
- In terms of **the nature of these reassessments**, **"change of procurement source" (82.3%)**, **"implementation of multiple sourcing" (62.0%)**, and "promotion of digitalization" (16.7%) were the highest, and in all answers, companies that had already commenced reassessment constituted the majority.

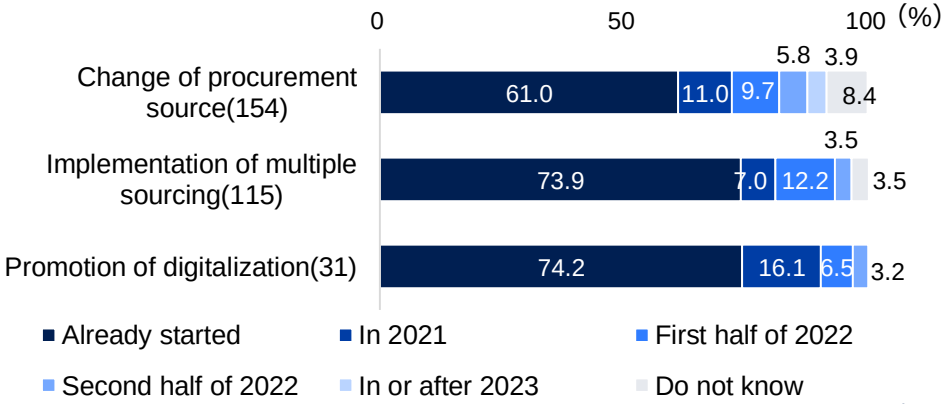
Plans to Reassess Procurement (By Industry)



Nature of Reassessment (Multiple Answers)



Timing of Commencement of Reassessment of Procurement

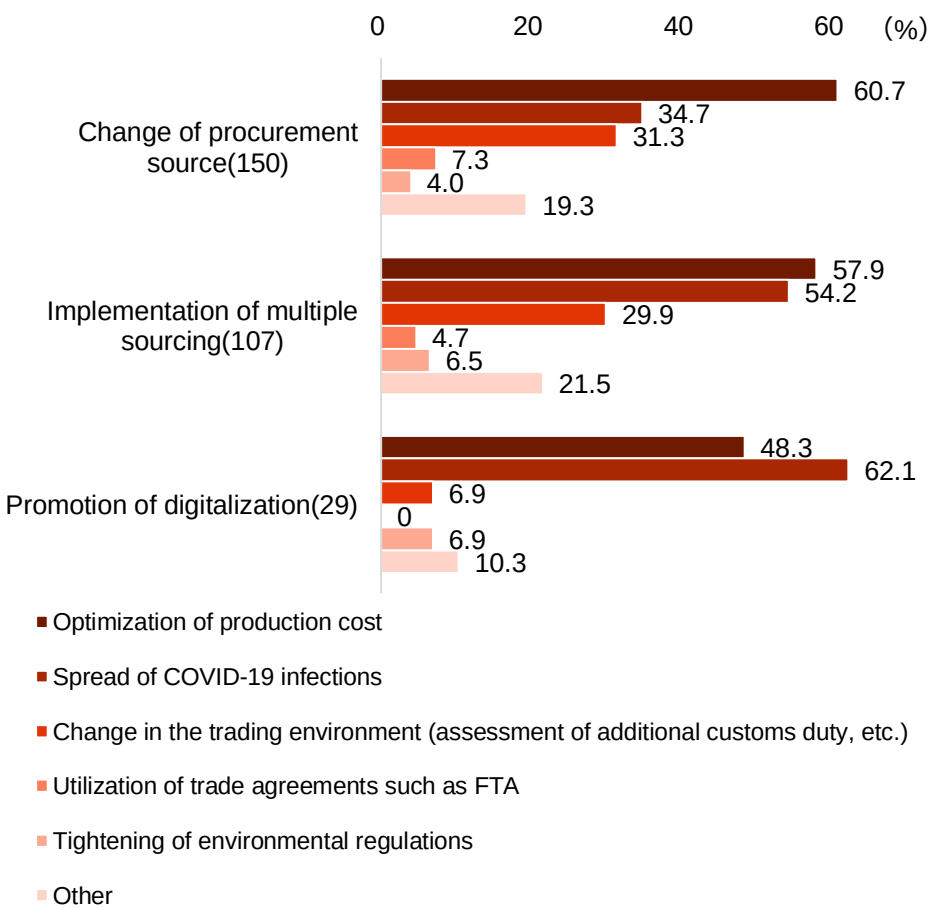


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

2-9 Reasons for Reassessing Procurement: "Optimization of Production Cost" and "Spread of Covid-19" Are Top Answers

- For **reassessing procurement**, **"optimization of production cost"** was the top reason for **"change of procurement source"** and **"implementation of multiple sourcing" (60.7% and 57.9% respectively)** and **"spread of Covid-19"** was the top reason for **"promotion of digitalization" (62.1%)**.

Reasons for Reassessing Procurement Sources (Multiple Answers)



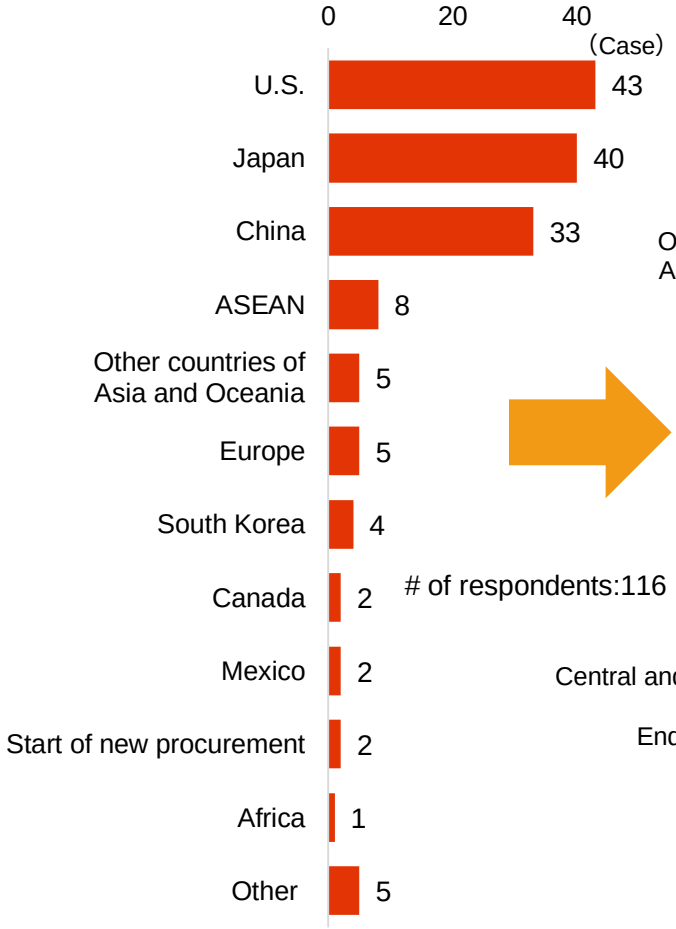
Specific Reason for "Other" as a Reason for Reassessing Procurement Sources

- Changes to supply and demand balance [other non-manufacturing]
- Cost reductions [general machinery]
- Measures against rise in raw material prices [general machinery]
- Soaring price of materials [construction]
- Diversification of procurement sources in conjunction with rising prices [rubber/ceramic/stone and clay products]
- Costs and lead time improvement [automotive etc. parts]
- Soaring transport costs [food]
- Distribution costs reduction [general machinery] [iron/non-ferrous metals/fabricated meta products]
- Shortage of raw material supplies and logistical stagnation in conjunction with Covid-19 [chemical/medicines]
- Longer delivery times of suppliers [sales company/sales subsidiary]
- U.S. steel materials supply delays [automotive etc. parts]
- As logistical stagnation is raising issues, review current dependency on procurements from the Japanese parent company, and commence procurement from North American companies [sales company/sales subsidiary]
- North American procurement facilitation [chemical/medicines]
- Supply chain changes [automotive etc. parts]
- Direct sale of service parts [other non-manufacturing]
- BCP strengthening [chemical/medicines]

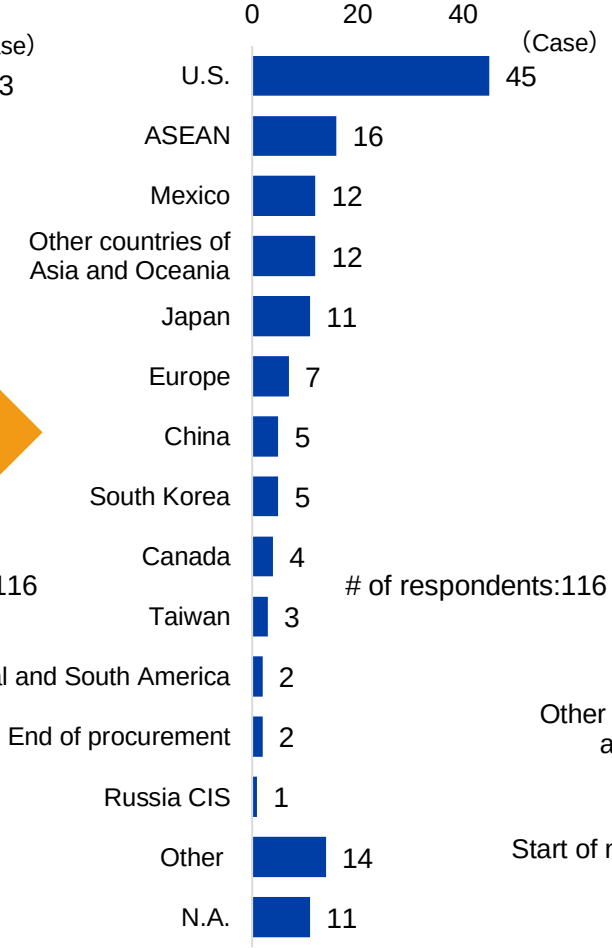
2-10 Countries/Regions Being Reassessed as Procurement Sources: Mainly Reassessment of Procurement from the U.S., Japan and China

- **Companies reassessing procurement sources are mainly reassessing procurement from the U.S.** (43), **Japan** (40) and **China** (33). Top **procurement sources after reassessment** are **the U.S.** (45), **ASEAN** (16) and **Mexico** (12). Procurement sources prior to shift to the U.S. include Japan, China, and ASEAN.

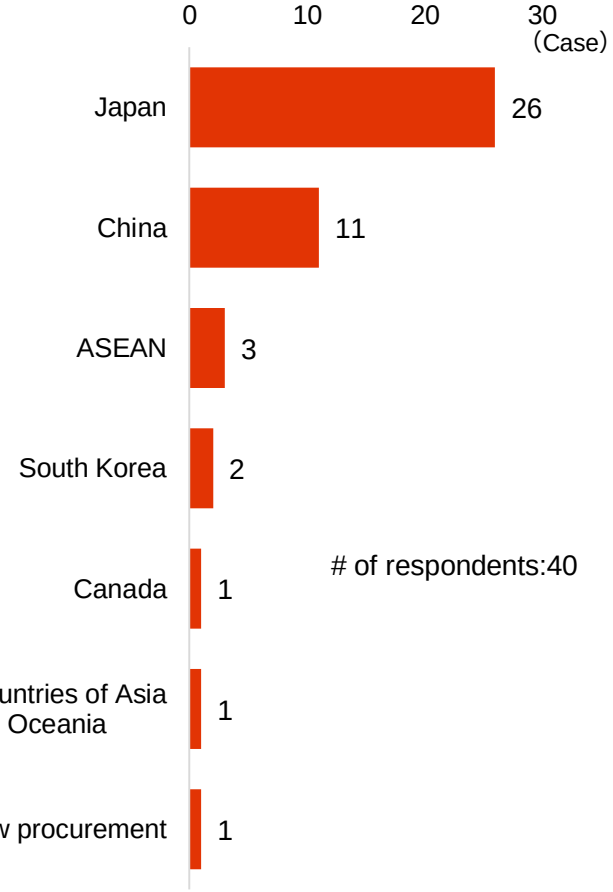
Procurement Sources Subject to Reassessment (Multiple Answers)



New Procurement Sources after Reassessment (Multiple Answers)



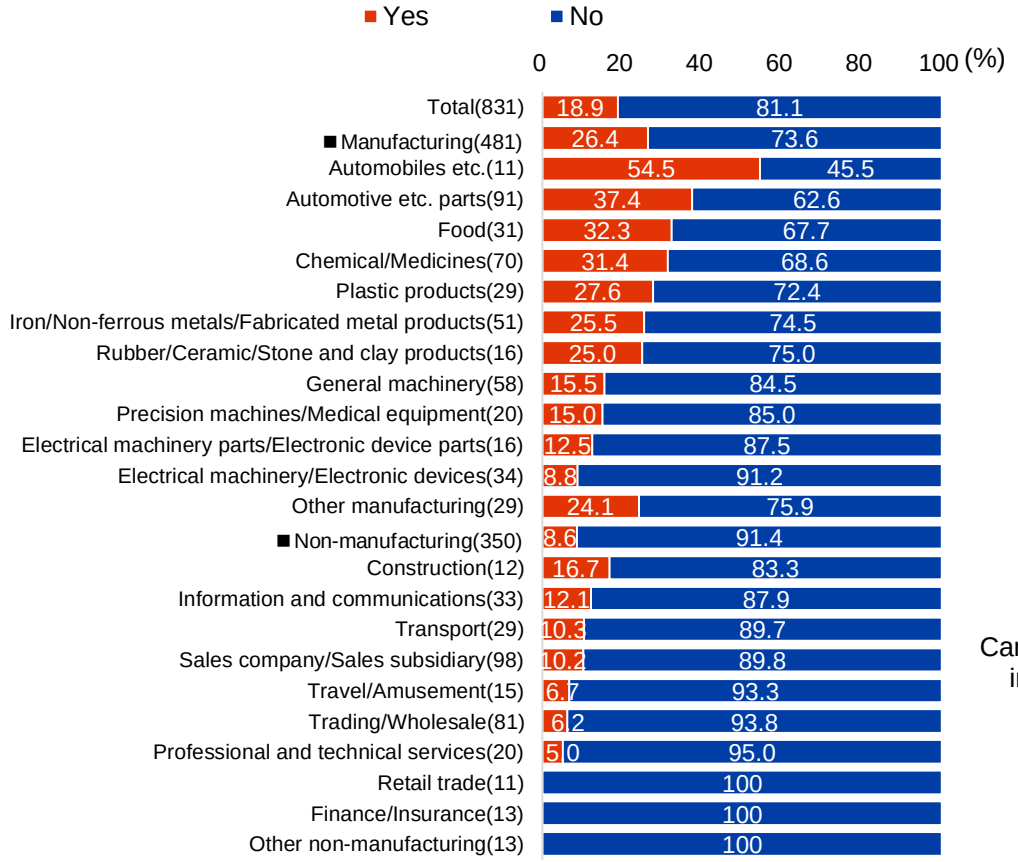
Procurement Sources Prior to Shift to the U.S. (Multiple Answers)



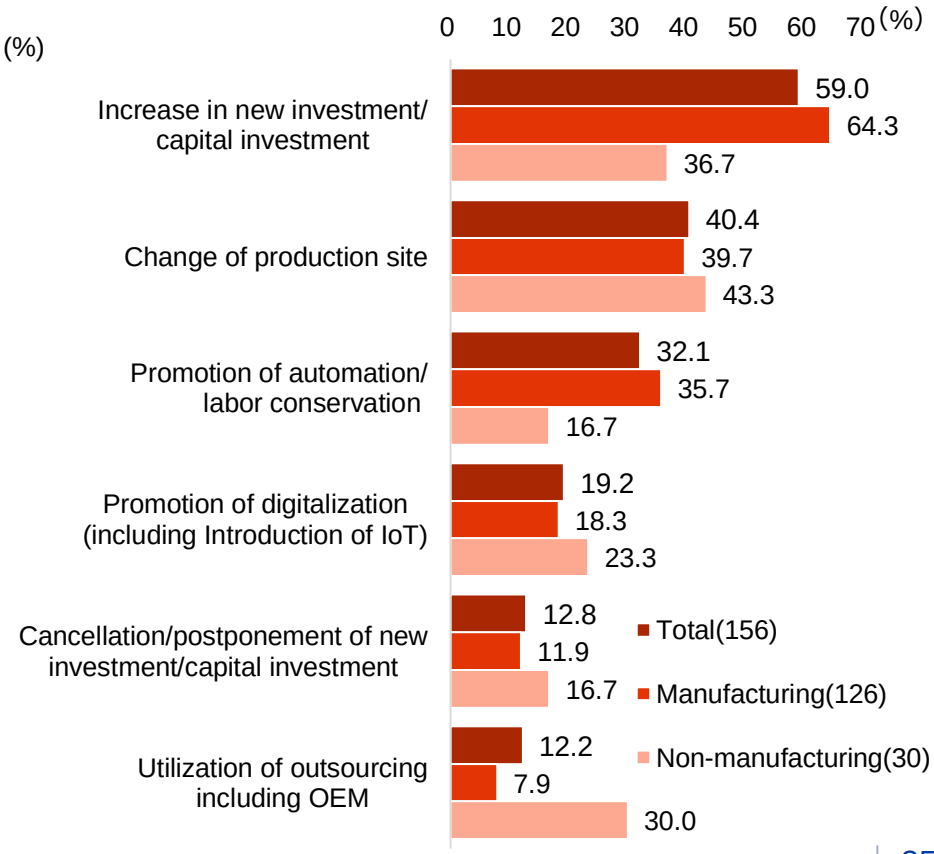
2-11 Reassessment of Production: Close to 20% "Have" Plans to Reassess Their Production

- **18.9% of the respondents said they "have" plans to reassess production**; **by industry**, **automobiles etc. at 54.5%** and **automotive etc. parts at 37.4%** were the highest.
- In terms of **the nature of the reassessment**, the top answers were **"increase in new investments/capital investment"** (59.0%), **"change of production site"** (40.4%) and **"promotion of automation/labor conservation"** (32.1%).

Reassessment of Production (By Industry)



Nature of Reassessment of Production (By Industry, Multiple Answers)

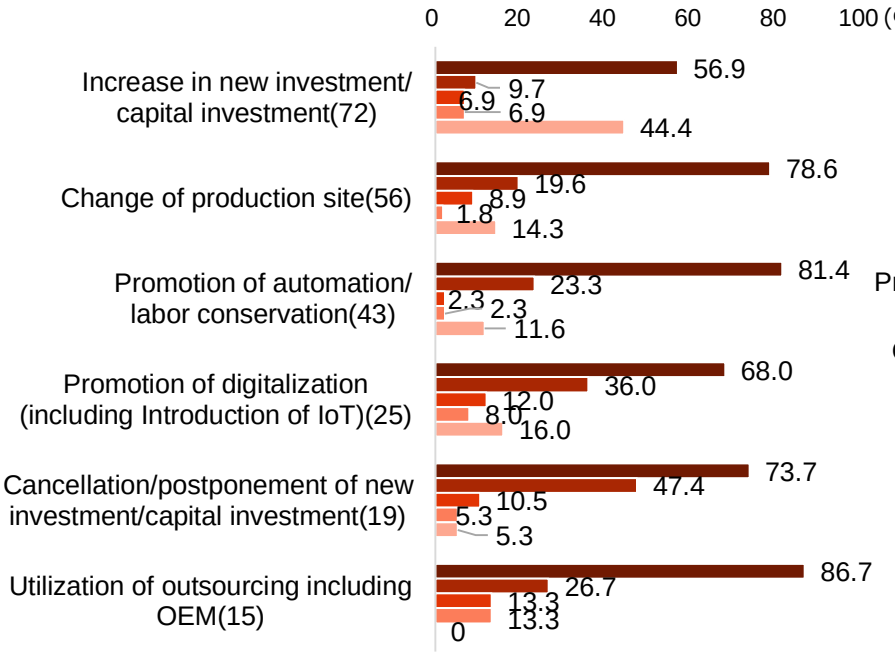


(Note) This charts lists only the industry types for which valid responses were received from at least 10 companies.

2-12 Reasons for Reassessing Production: "Optimization of Production Cost" Given as the Main Reason

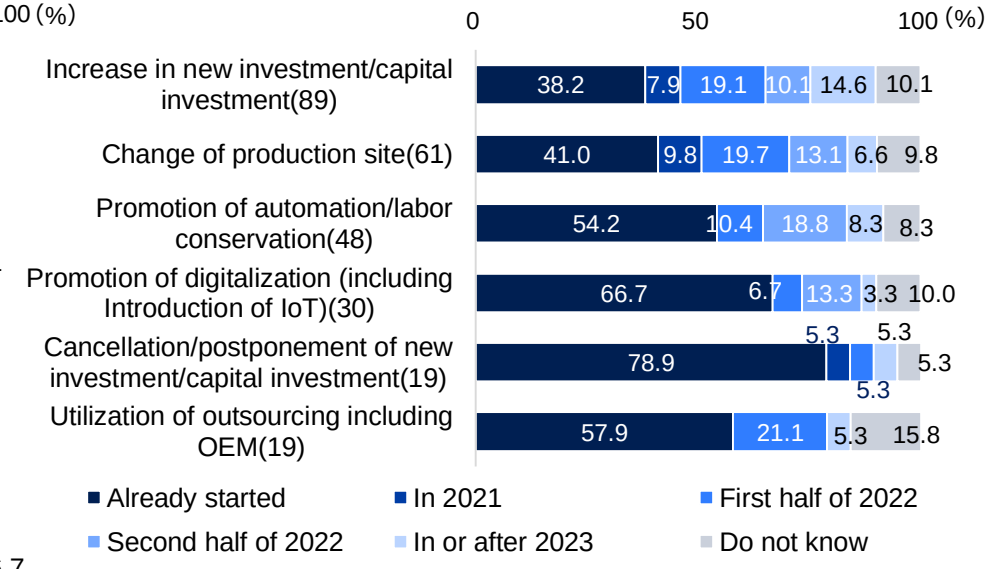
- Looking at the **reasons for reassessing production**, the **top answer was "optimization of production cost"** for every nature of reassessment.
- Looking at the **timing of commencement of reassessment of production**, the **top answer was "already started"** for every nature of reassessment.

Reasons for Reassessing Production (Multiple Answers)



- Optimization of production cost
- Spread of COVID-19 infections
- Change in the trading environment(assessment of additional customs duty, etc.)
- Tightening of environmental regulations
- Other

Timing of Commencement of Reassessment of Production



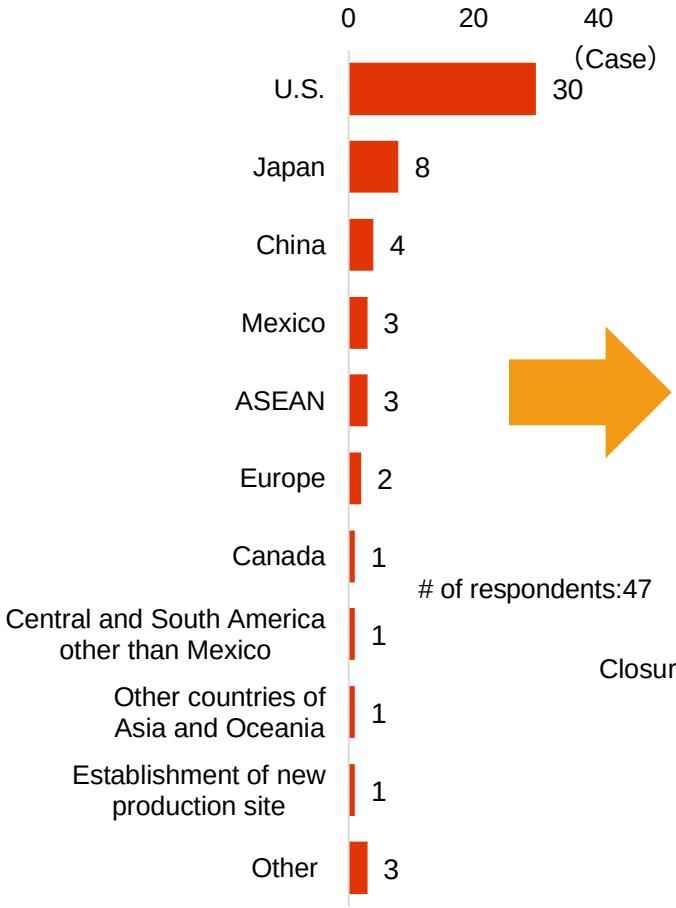
Specific Reason for "Other" as a Reason for Reassessment of Production Sites

- New launch [other manufacturing]
- Local production [chemical/medicines]
- U.S. labor shortage [automotive etc. parts]
- Costs and lead time improvement [automotive etc. parts]
- Soaring transport costs [food]
- Considering multiple sourcing [paper/wood products/printing]

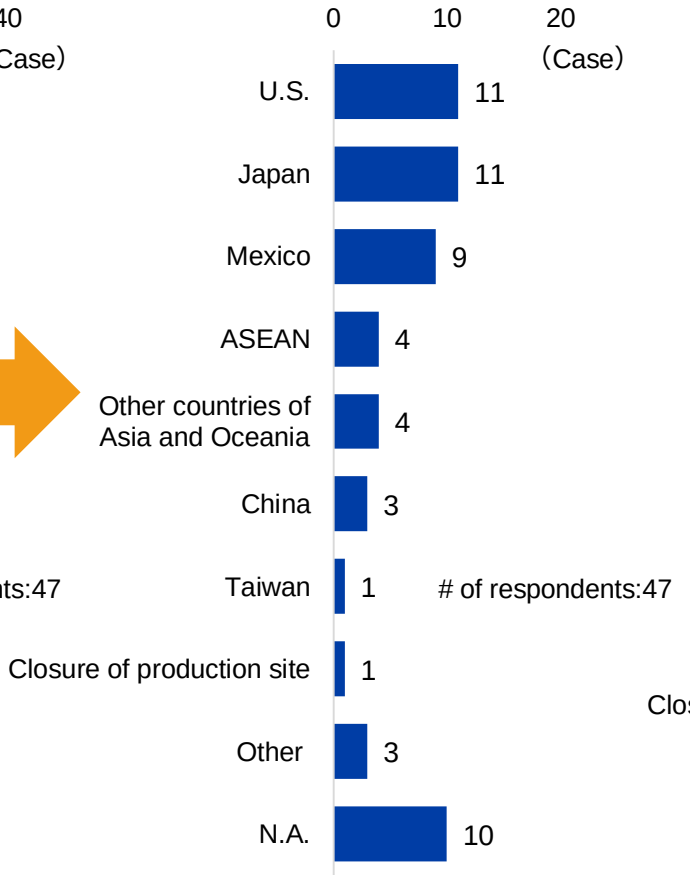
2-13 Countries/Regions Being Reassessed as Production Sites: Mainly Reassessing U.S. Sites

- **With 30 cases, the U.S. was by far the country with the highest number of production sites to be reassessed**, followed by Japan (8) and China (4).
- As **post-reassessment production sites**, **U.S.** (11), **Japan** (11), and **Mexico** (9) were the top answers. **Japan** (10) and **Mexico** (7) were the top answers for **production sites for companies moving out of the U.S.**

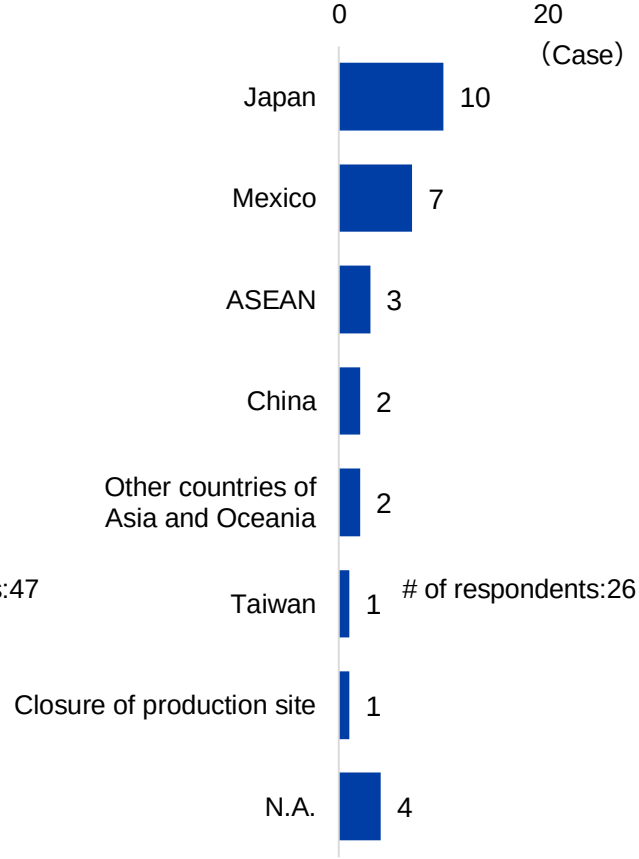
Production Sites Subject to Reassessment (Multiple Answers)



New Production Sites after Reassessment (Multiple Answers)



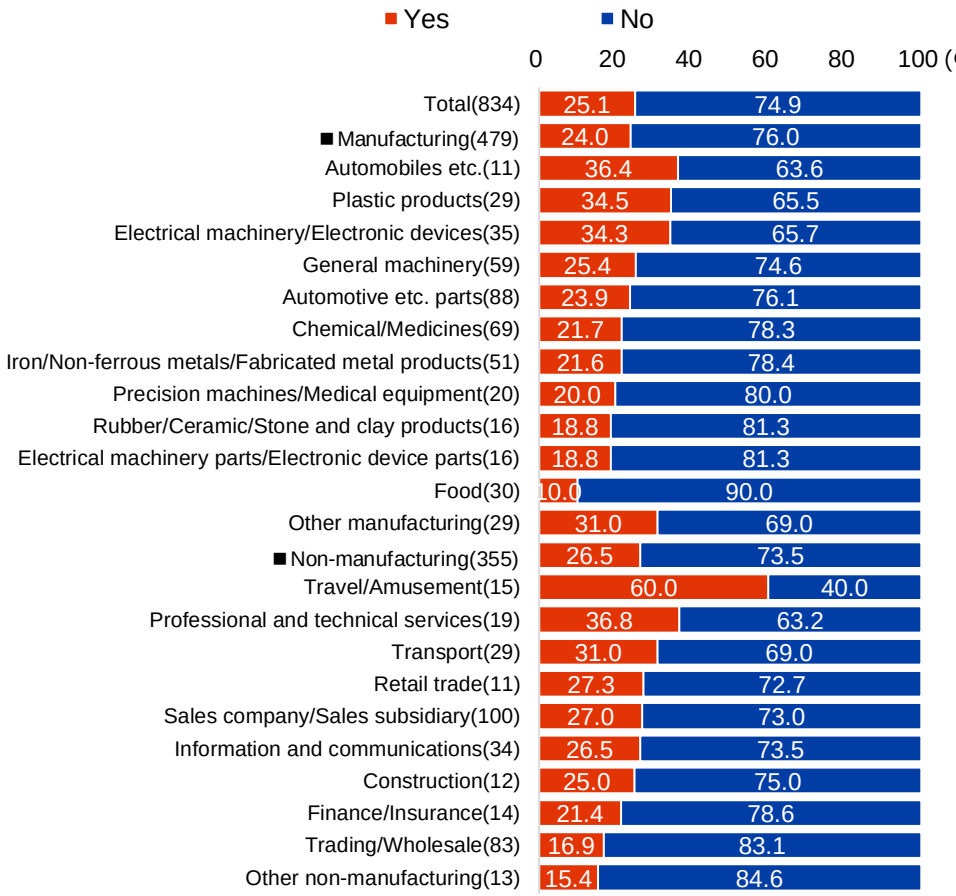
Sites Replacing the U.S. (Multiple Answers)



2-14 Reassessment of Control/Management System: About 25% "Have" Plans to Reassess Their Systems

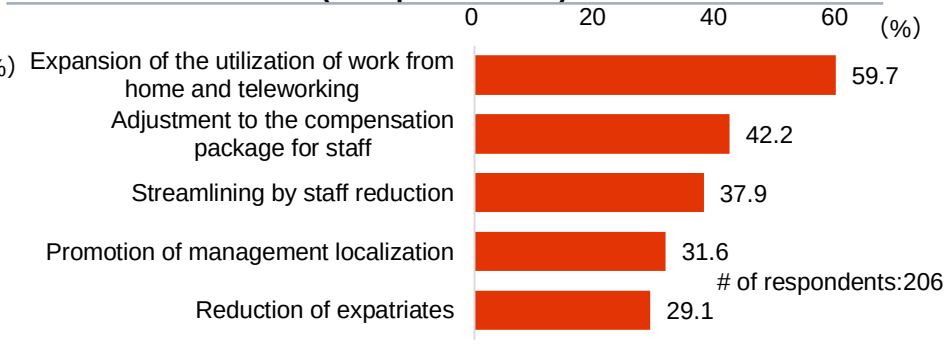
- **25.1% of the respondents said that they "have" plans to reassess their control/management system**. In terms of **the nature of the reassessment, 59.7% said "expansion of the utilization of work from home and teleworking"** and 42.2% said "adjustment to the compensation package for staff."
- As for **reasons for reassessing their control/management system**, the top answer for **"expansion of the utilization of work from home and teleworking" was the spread of Covid-19** (94.5%), and the top answer for "adjustment to the compensation package for staff" and "streamlining by staff reduction" was rising wages.

Plans to Reassess Control/Management Systems (By Industry)

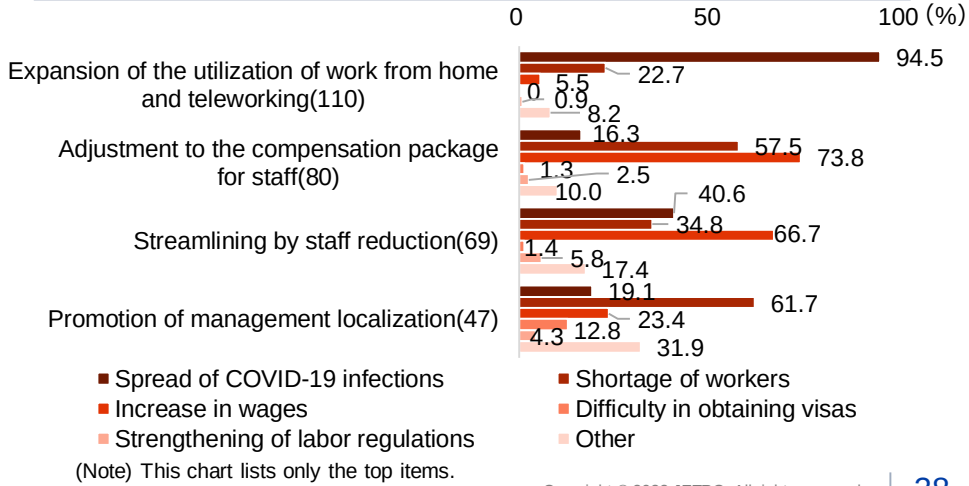


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Nature of Reassessment of Control/Management Systems (Multiple Answers)



Reasons for Reassessing Control/Management Systems (Multiple Answers)

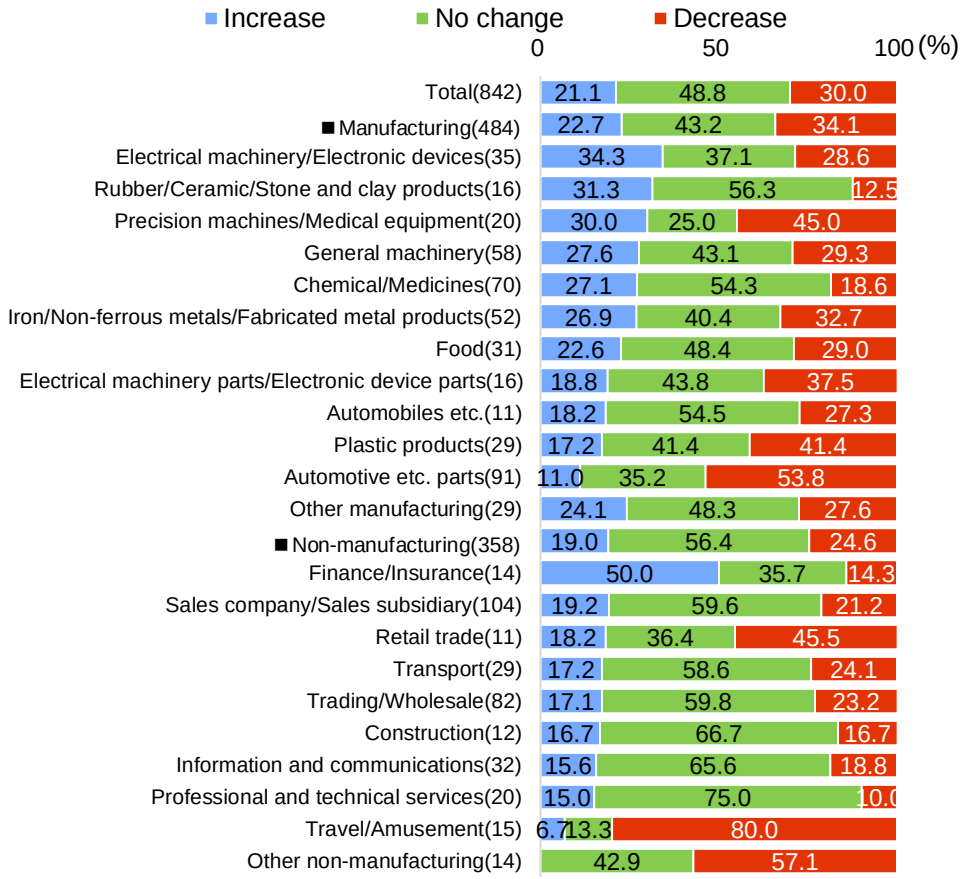


(Note) This chart lists only the top items.

3-1 Changes in Number of Local Employees (Change over the Past Year): More than 20% Said "Increase", a Slight Improvement from Previous Survey

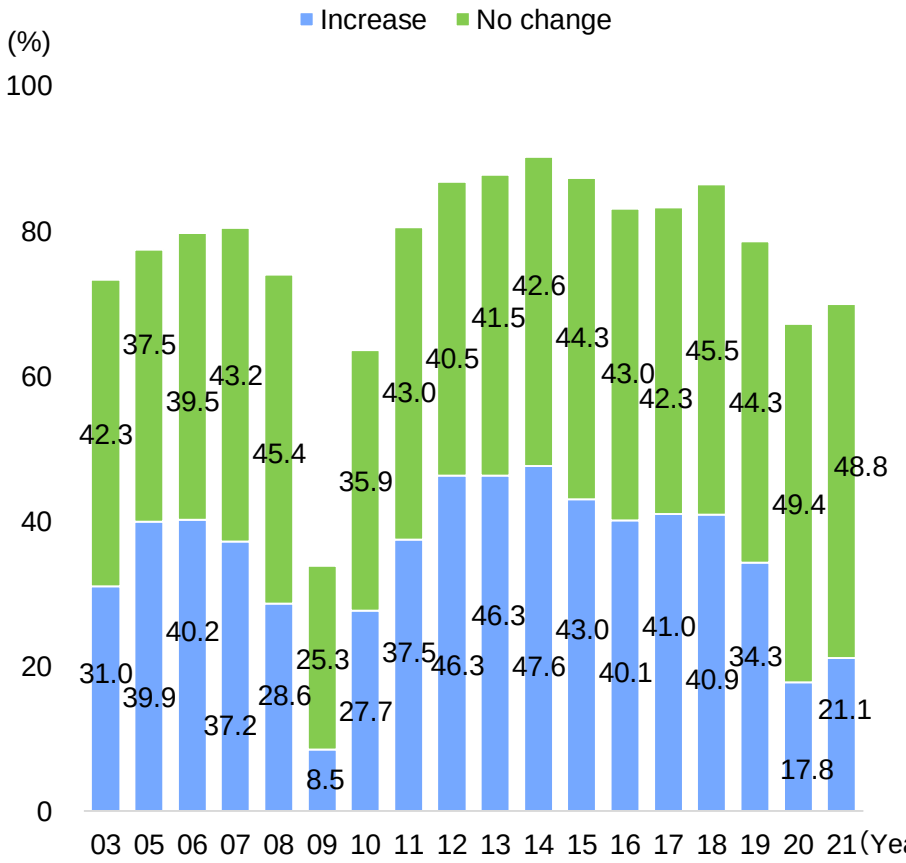
- **21.1% of the companies responded that the number of local employees had "increased" over the past year**; although such percentage is not at the pre-Covid-19 pandemic level (34.3%), **it is a 3.3-points improvement from the time of the previous survey**. Close to half of the companies maintained the number of their employees.
- Looking at this by industry, we see that 50% of companies in the finance/insurance said the number of local employees "increased," whereas 80% of companies in the travel/amusement said the number "decreased."

Changes in Number of Local Employees (Change over Past Year; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Trends in Changes in Number of Local Employees over the Past Year

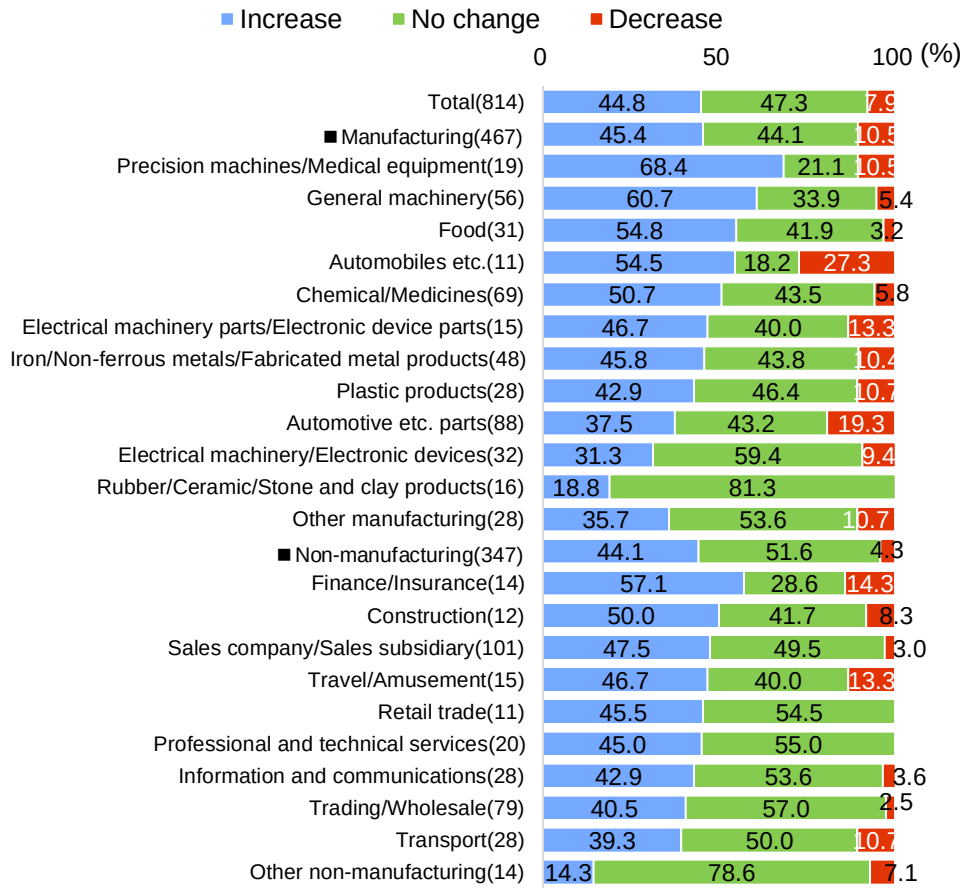


(Note) No survey was conducted in 2004.

3-2 Changes in Number of Local Employees (Plans Going Forward): About 45% Said “Increase”

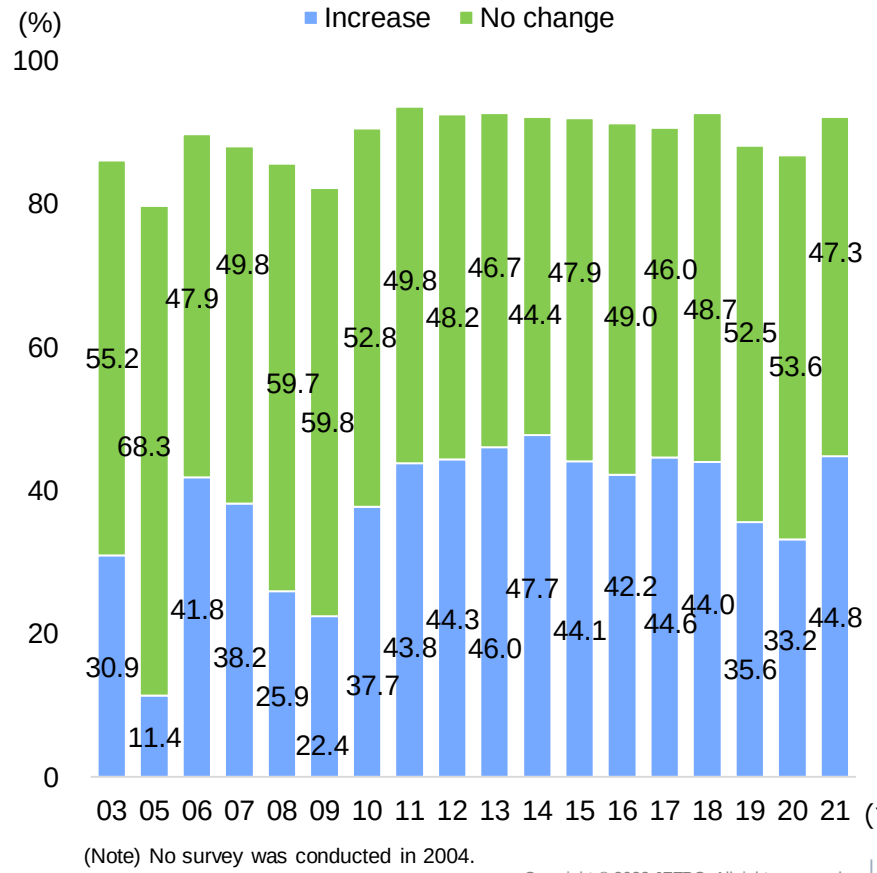
- Regarding **plans going forward, 44.8% of the companies responded that they were looking to increase the number of local employees**. Looking at this **by industry, more than 60%** of companies in the **precision machines/medical equipment** (68.4%) and the **general machinery** (60.7%) plan to “increase” the number of local employees.
- Improvement in employment is expected in travel/amusement (46.7%) and many other industries on which Covid-19 had a large impact, but for rubber/ceramic/stone and clay products, the percentage of companies expecting an “increase” decreased from 31.3% in 2021 to 18.8%.

Changes in Number of Local Employees (Plans Going Forward; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Trends in Future Forecasts for Number of Local Employees

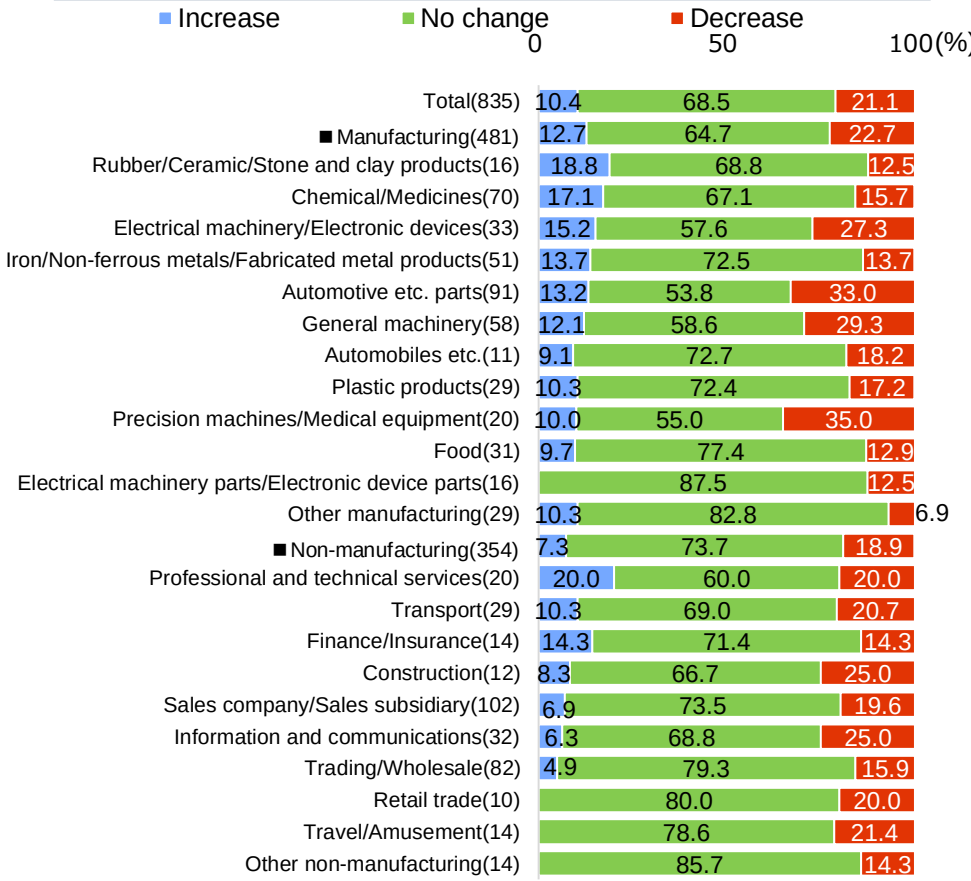


(Note) No survey was conducted in 2004.

3-3 Change in the Number of Expatriates from Japan (Change Over the Past Year): "Decrease" Down to a Little Over 20%

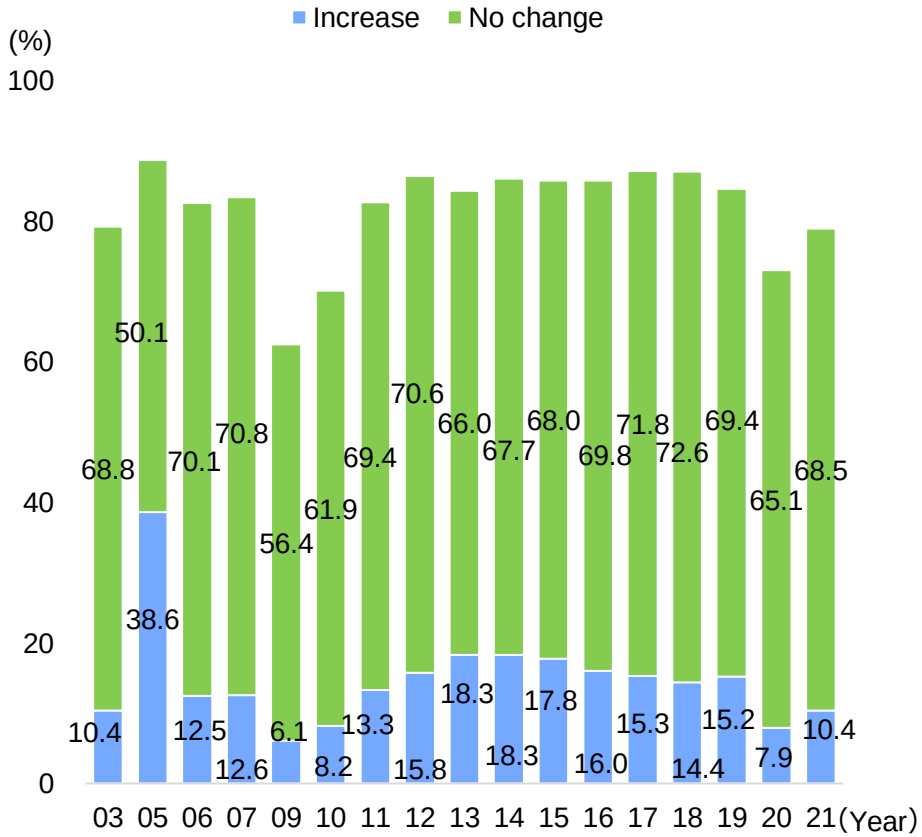
- With regard to **changes in the number of expatriates from Japan over the past year, the percentage of respondents that said that there was a "decrease" was 21.1%, down 5.9 points from the previous survey** (27.0%).
- Looking at this by industry, we see that the percentage of companies that "decreased" the number of expatriates from Japan exceeded 30% in the precision machines/medical equipment (35.0%) and automotive etc. parts (33.0%).

Changes in Number of Expatriates from Japan (Change over Past year; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Trends in Changes in Number of Expatriates from Japan over the Past Year

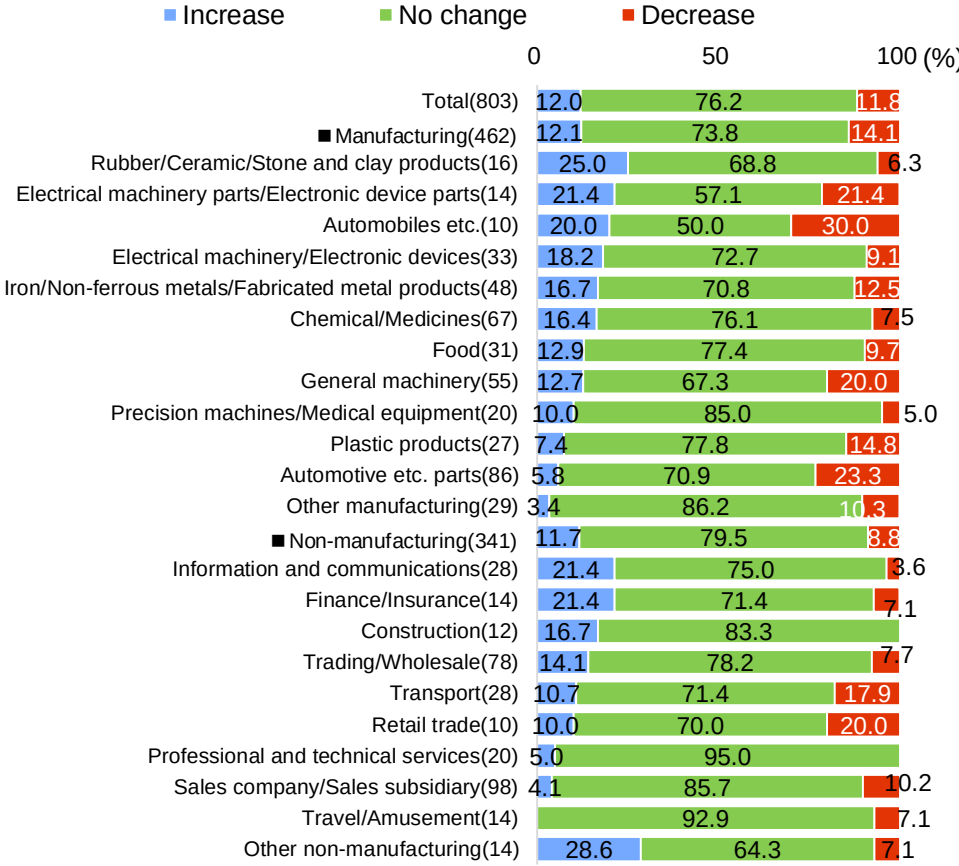


(Note) No survey was conducted in 2004.

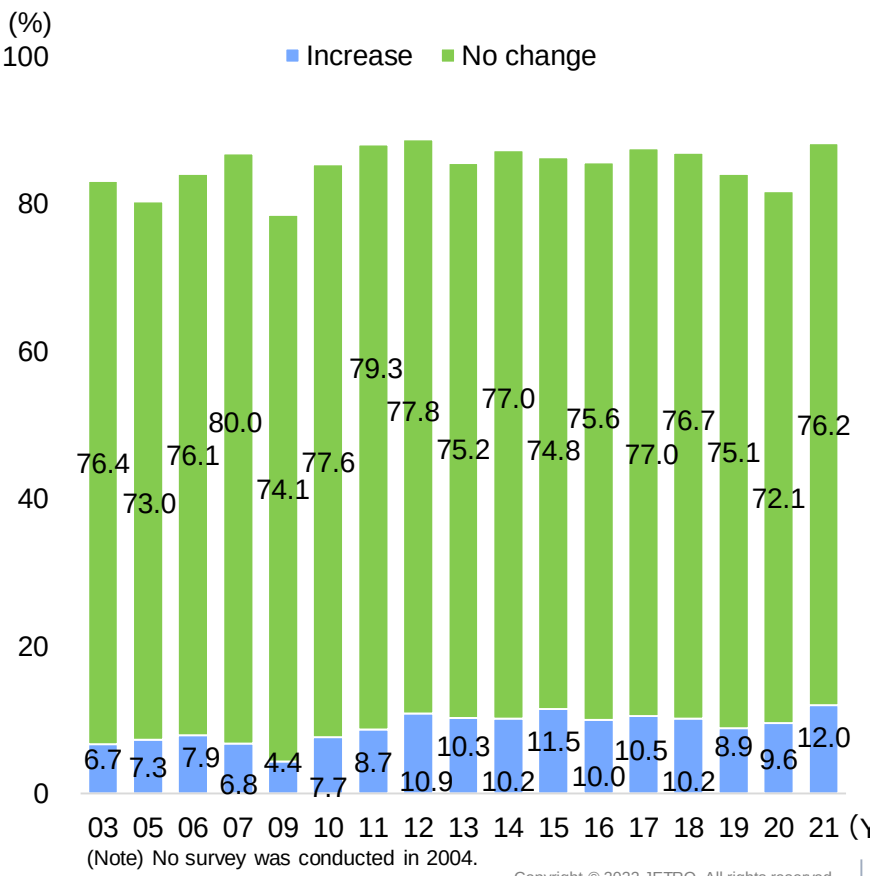
3-4 Change in Number of Expatriates from Japan (Plans Going Forward): "Decrease" Down by a Little Over 10%

- As for **plans going forward, the percentage of companies that planned to "increase" the number of expatriates from Japan was 12.0%, a 2.4 points increase from the previous survey** (9.6%), while the percentage of companies that planned to "decrease" was 11.8%, a 6.5 points decrease from the previous survey (18.3%).
- By industry, the percentage of companies that were planning to "increase" expatriates from Japan exceeded 20% in the non-manufacturers (28.6%), rubber/ceramic/stone and clay products (25.0%), electric machinery parts/electronic device parts (21.4%), information and communication (21.4%), and finance/insurance (21.4%).

Changes in Number of Expatriates from Japan (Plans Going Forward; By Industry)



Trends in Projected Number of Expatriates from Japan

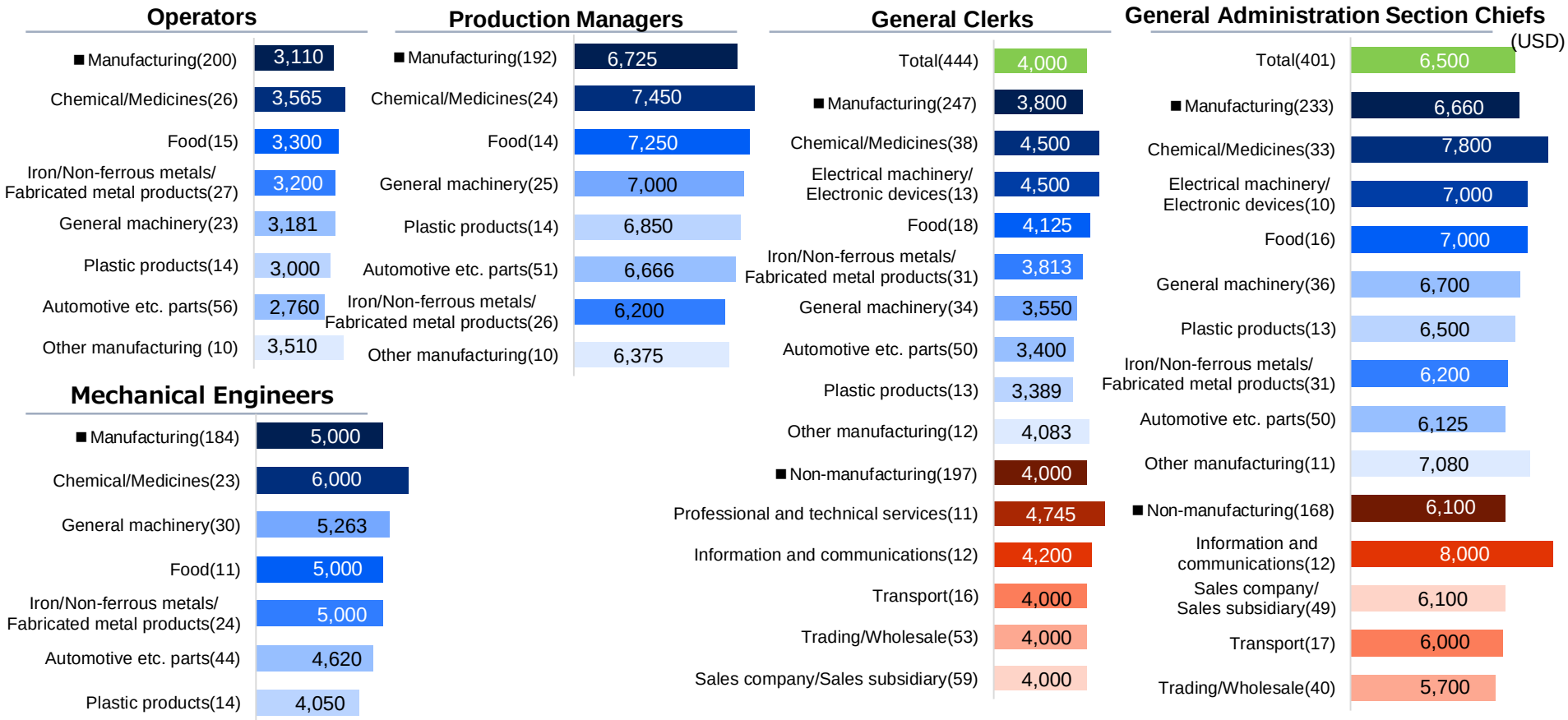


(Note) No survey was conducted in 2004.

(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

3-5 Wages (Monthly Base Pay): Median Value by Occupation Was $3,110-$6,725

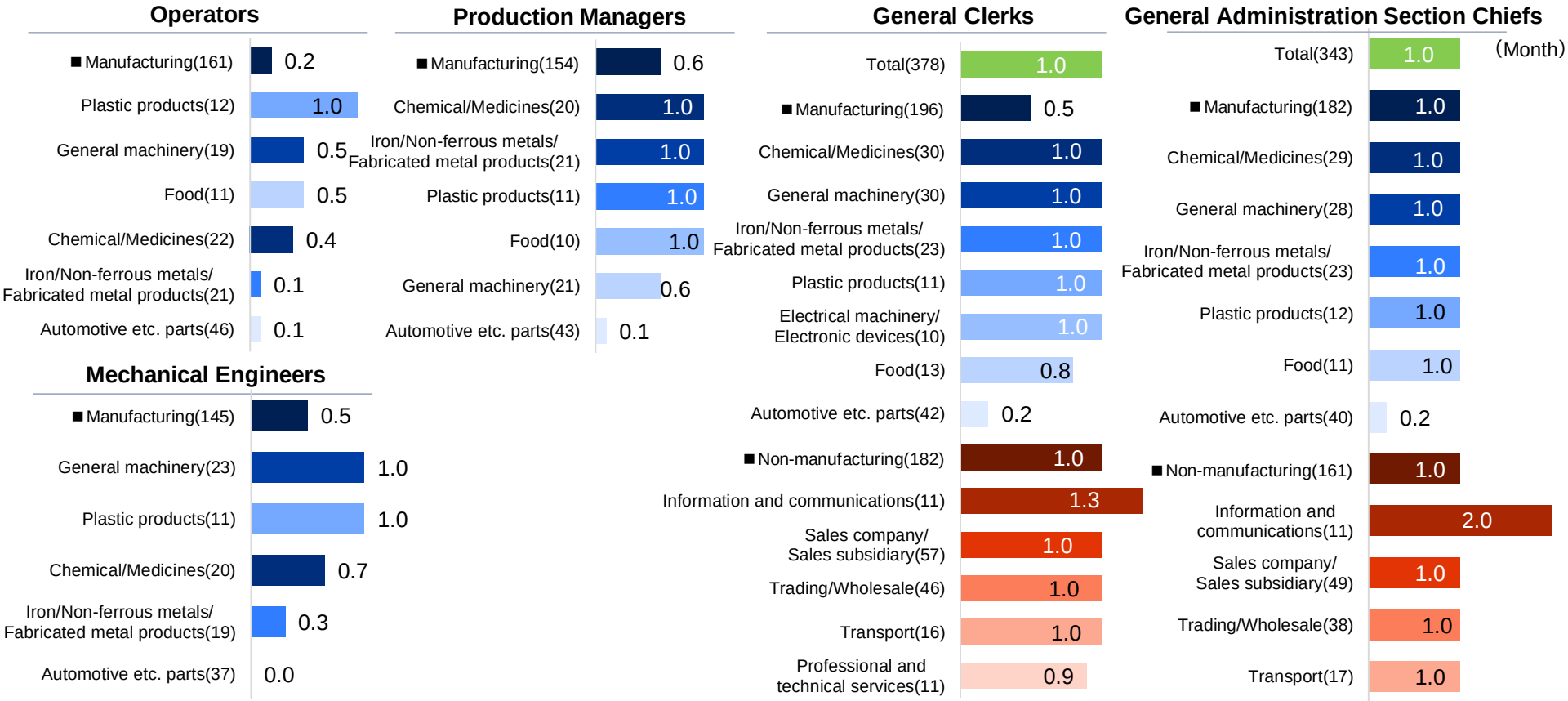
- **The median value of the monthly base pay at plants, etc., by occupation** was $3,110 for **operators** and $6,725 for **production managers**, which was higher than the prior year, whereas for **mechanical engineers**, it was $5,000, **a slight decrease**. The **corresponding median value for office work** was $4,000 for **general clerks** and $6,500 for **general administration section chiefs**, a **slight increase** from the prior year. **The (nominal) median value of the raise rate for FY2021 was 2.6%**; for FY2022, this rate is expected to be 3.0%.



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment) and production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
(Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

3-6 Wages (Annual Bonuses): Median Value by Occupation Was 0.2-1.0 Month's Pay

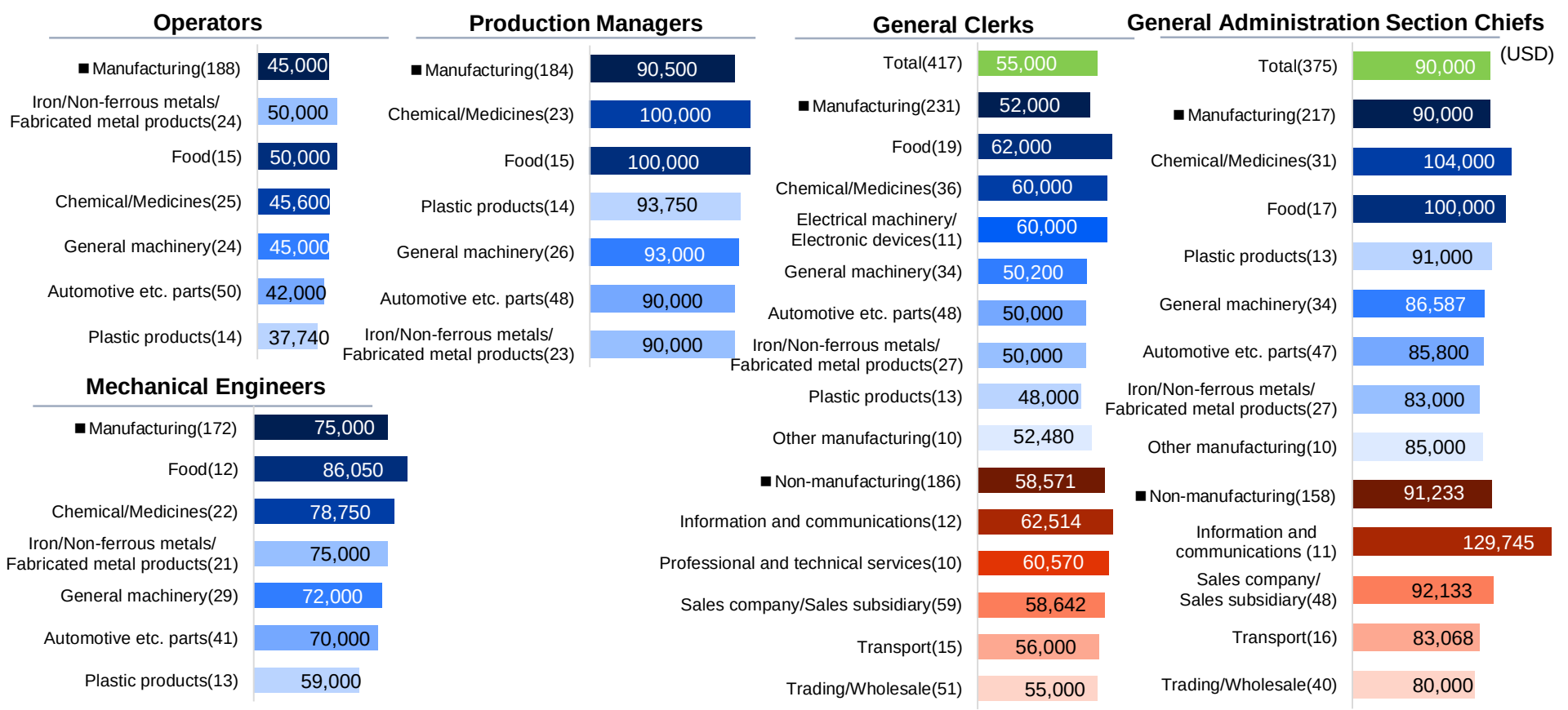
- **The median value of annual bonuses at plants, etc., by occupation** was 0.2 month's pay for **operators, a reduction from the prior year** (0.5 month's pay), 0.5 month's pay for **mechanical engineers, same as the prior year**, 0.6 month's pay for **production managers, a decrease** from the prior year (one month's pay). Meanwhile, **the median value of annual bonuses for office work etc. by occupation** was one month's pay for **both general clerks and general administration section chiefs, same as the prior year**.



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment) and production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
(Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

3-7 Wages (Actual Annual Burden): Median Value by Occupation Was $45,000-$95,000

- **The median value of the annual actual burden** at plants, etc., **by occupation** was $45,000 for **operators**, $75,000 for **mechanical engineers**, and $90,500 for **production managers**, **all of which were lower than the prior year**. **The corresponding value for office work according to occupation** was $55,000 for **general clerks** and $90,000 for **general administration section chiefs, both of which were unchanged from the prior year**.

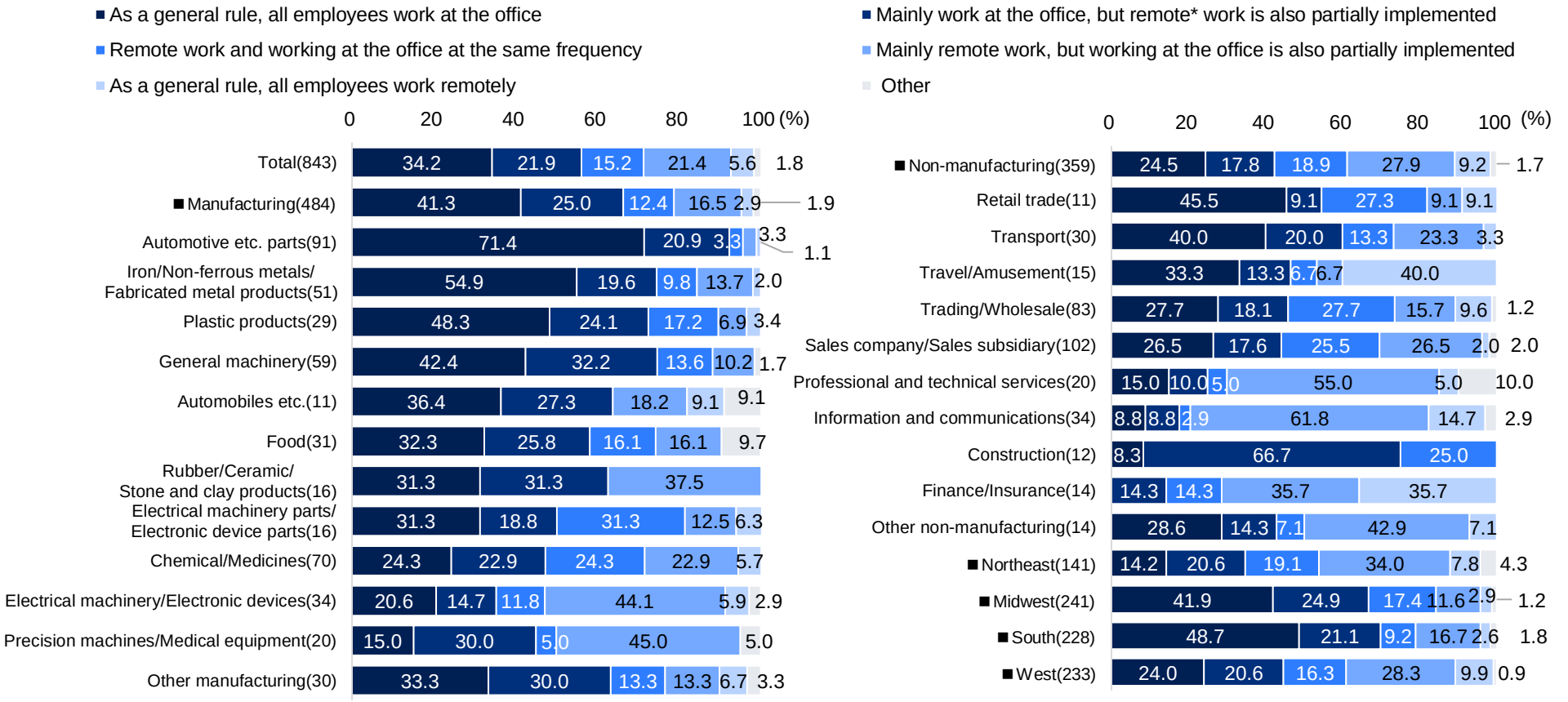


(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment) and production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
(Note 2) This chart lists only the industry types for which valid responses were received from at least 10 companies.

3-8 Working Arrangements (As of September 1, 2021): Employees Almost 60% of the Companies Are Commuting to Work

- **“As a general rule, all employees work at the office.”** was the highest response at **34.2%**, and with the response of “Mainly work at the office, but remote work is also partially implemented.” (21.9%), **most employees will commute to work at 56.1% of the companies**.
- 5.6% of the companies responded that “As a general rule, all employees work remotely”.

Working Arrangements as of September 1, 2021 (By Industry/By Region)

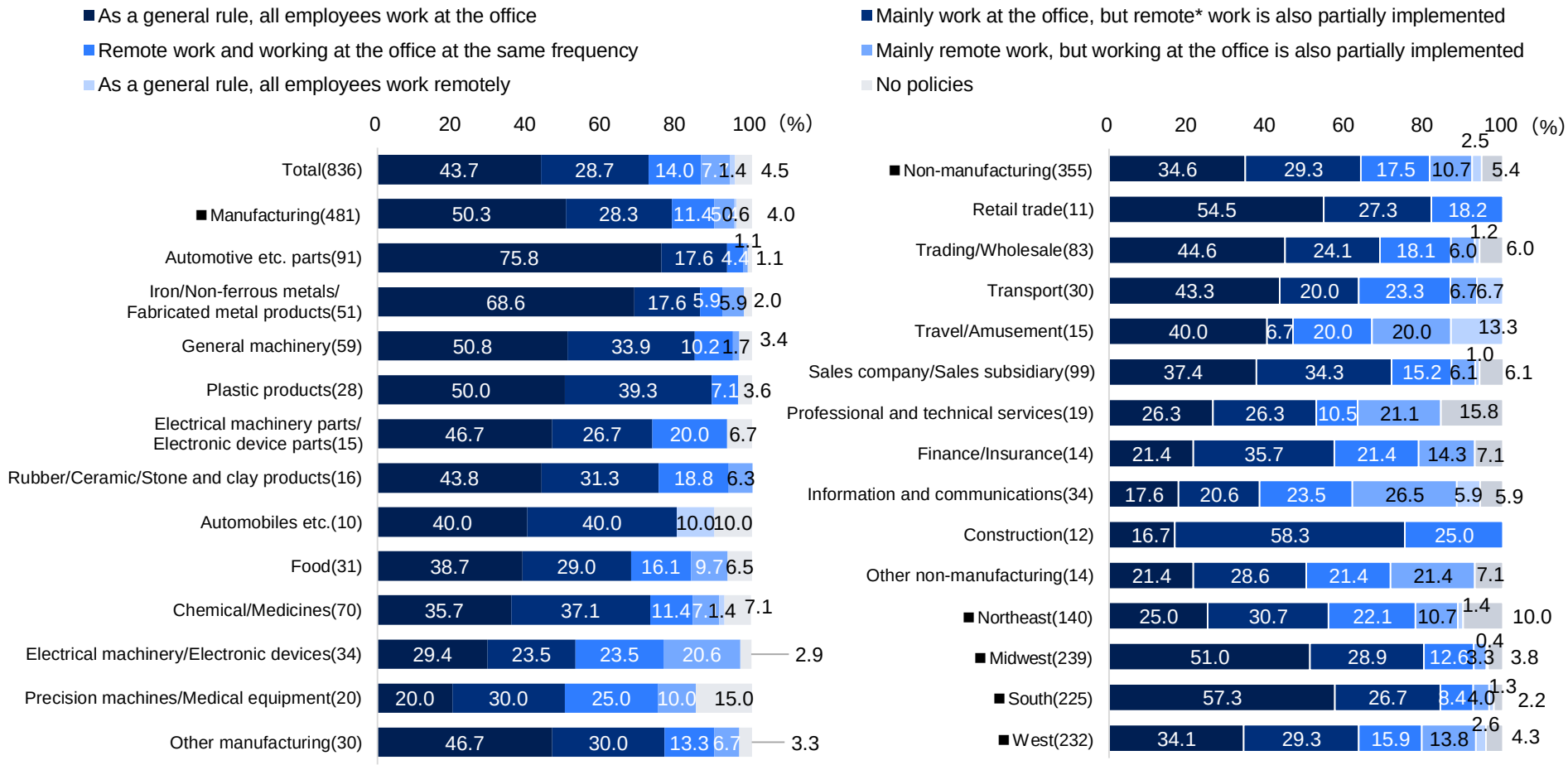


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.
“Remote work” means working from home and other places outside the office.

3-9 Working Arrangements (Post-Covid-19): Most Employees Will Commute to Work at More than 70% of the Companies

- **As for post-Covid-19 working arrangements**, the most frequent response was **"As a general rule, all employees work at the office." at 43.7%**, and with the response of "Mainly work at the office, but remote work is also partially implemented." (28.7%), **most employees will commute to work at 72.4% of the companies**. Only 1.4% of the companies responded that "As a general rule, all employees work remotely," and 4.5% said "No policies."

Post-Covid-19 working arrangements (By Industry/By Region)

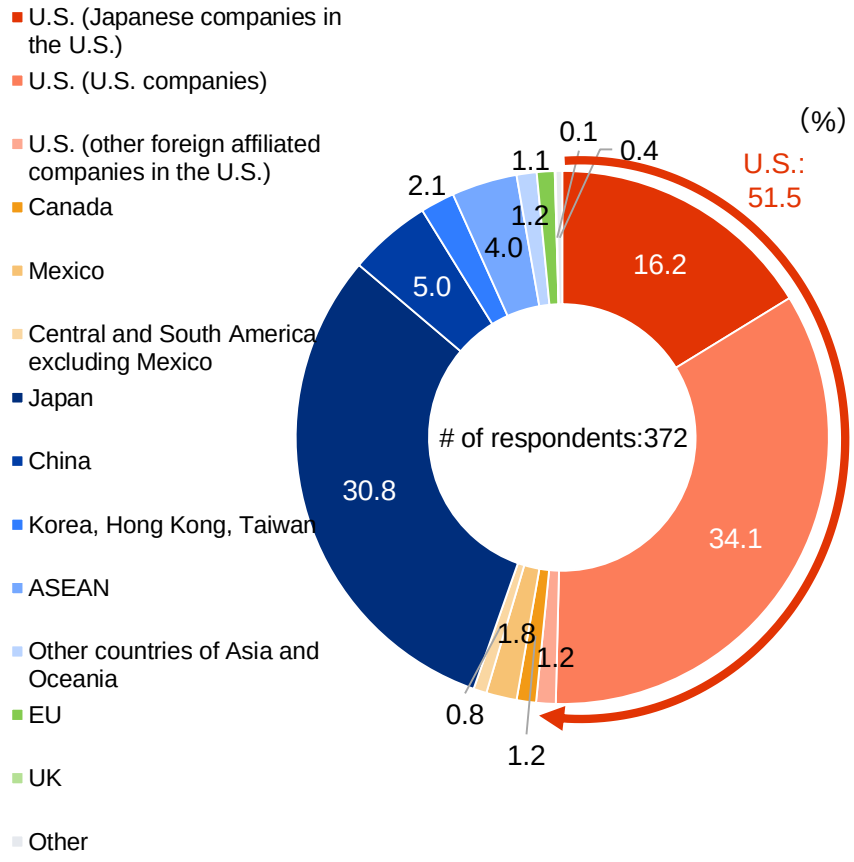


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.
"Remote work" means working from home and other places outside the office.

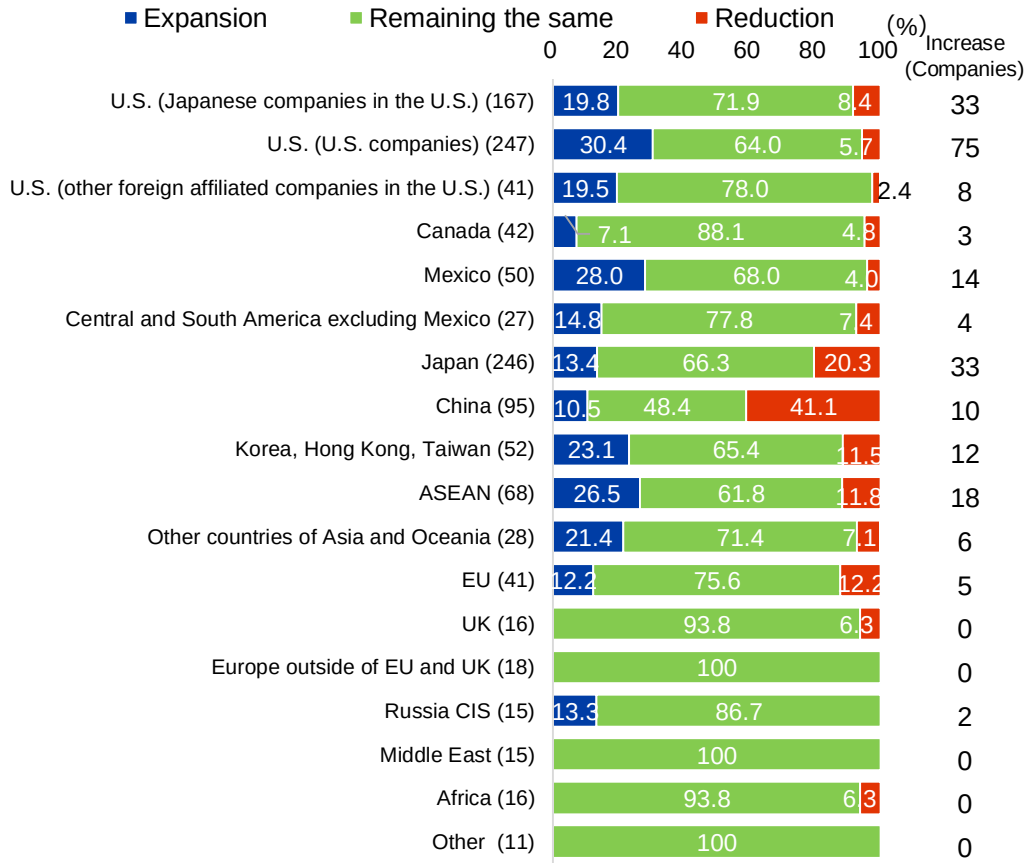
4-1 Procurement Sources (Manufacturers): More than Half Procured from within the U.S.

- **Manufacturers procured 51.5% of raw materials and parts from within the U.S.**, followed by 30.8% from Japan and 5.0% from China. By industry, procurement from within the U.S. was high for plastic products (78.9%) and automobiles etc. (71.0%). As for policies regarding procurement sources going forward, many were considering increasing procurement from local U.S. companies (75), Japanese companies operating in the U.S. (75), and Japan (33).

Procurement Sources for Raw Materials/Parts (By Country/Region)



Policies Going Forward for Procurement Sources of Raw Materials/Parts



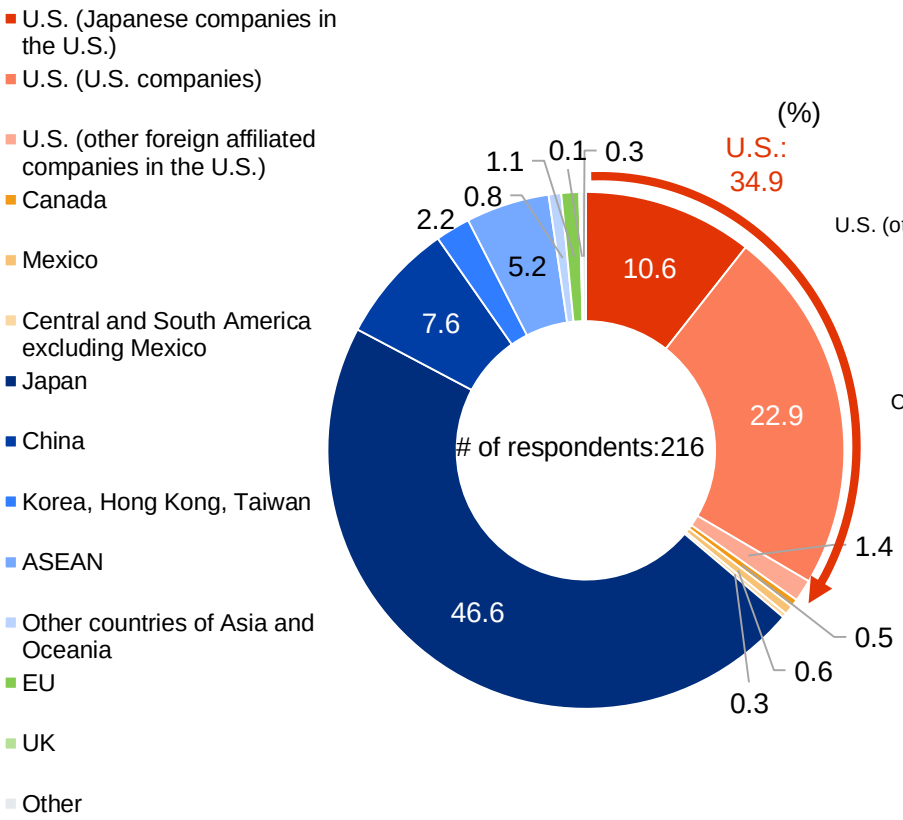
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

4-2 Procurement Sources (Non-Manufacturers): Close to 50% Procured from Japan

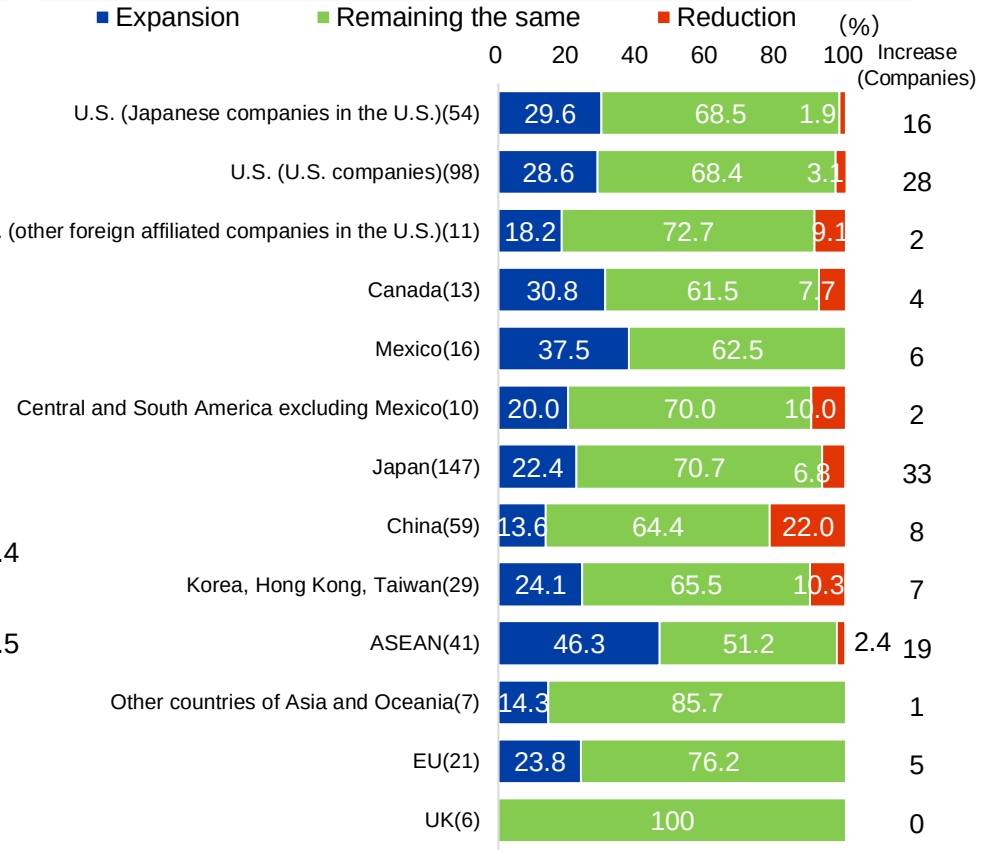
- **For non-manufacturers, Japan was the biggest procurement source at 46.6%, whereas sources within the U.S. accounted for 34.9%**. Industries highly reliant on Japan as a procurement source were sales company/sales subsidiary (61.7%) and retail trade (59.7%). Industries that actively procure within the U.S. were travel/amusement (91.7%) and construction (68.2%). As for procurement policies going forward, many were considering increasing procurement from Japan (33), local companies in the U.S. (28), and ASEAN (19), while more than 20% of the companies were considering reducing procurement from China.

Procurement Sources for Raw Materials/Parts (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Policies Going Forward for Procurement Sources of Raw Materials/Parts

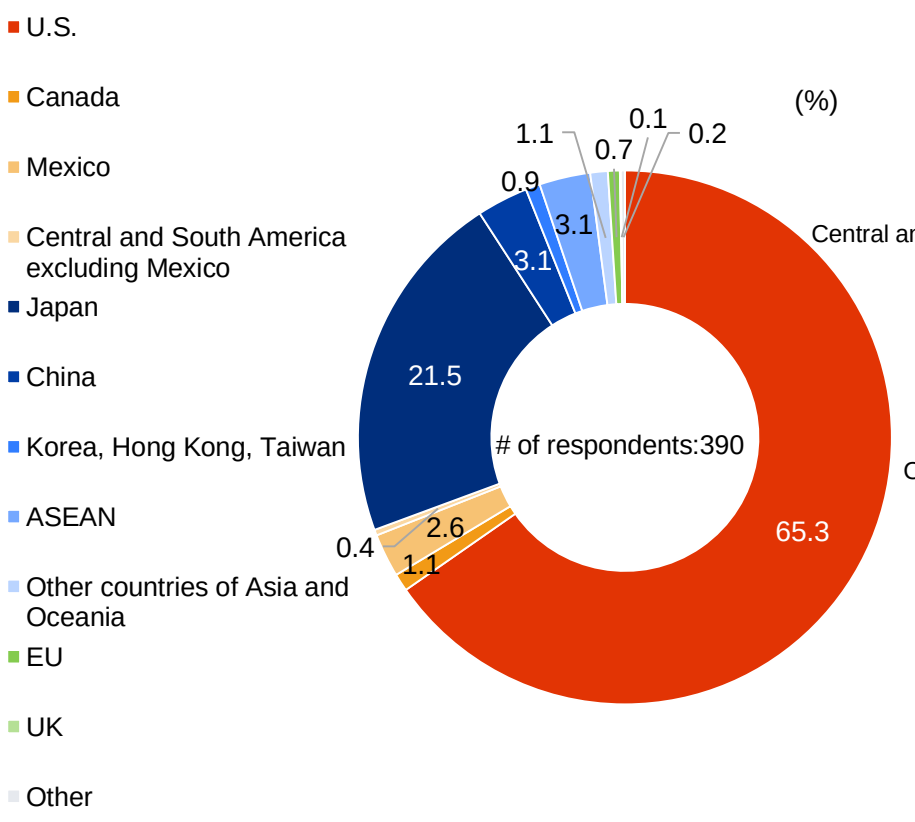


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

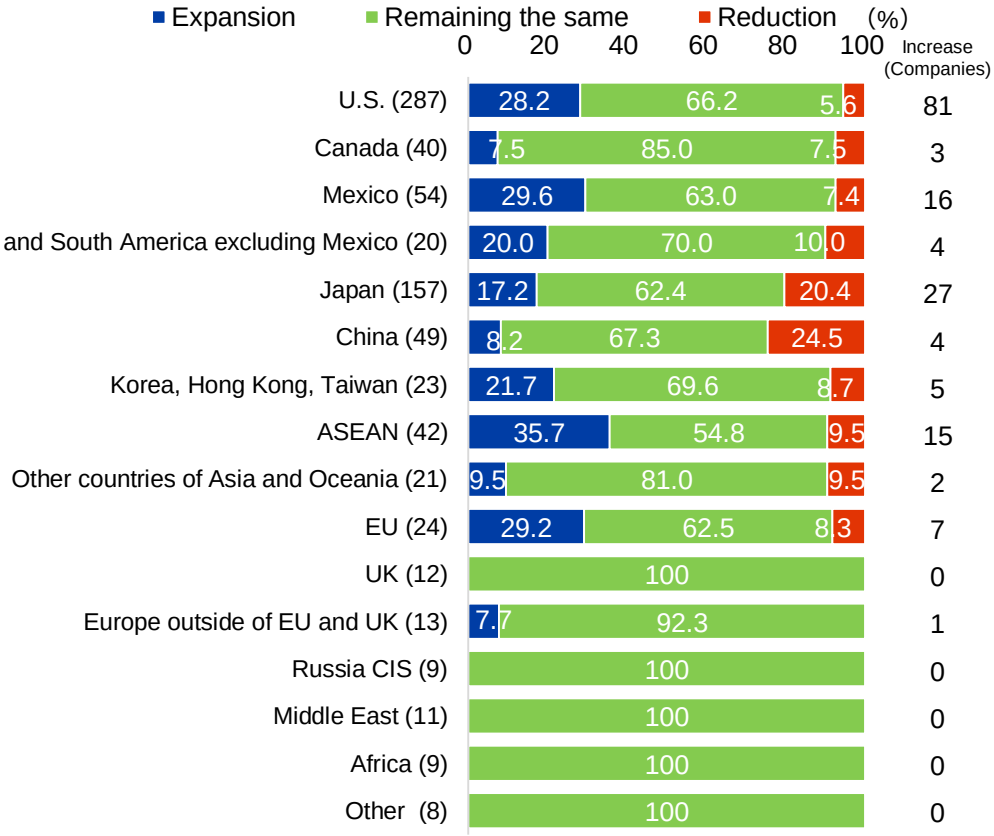
4-3 Production Sites for the U.S. Market: Production Structure Remains U.S.-Focused

- **As for production site of products for the U.S. market, the U.S. was the highest at 65.3%, followed by Japan at 21.5%.** Looking at this by industry, U.S. production rates exceeded 80% in the automobiles etc. (91.3%), automotive etc. parts (85.2%) and plastic products (81.4%) industries. As for the production structure going forward for sites producing products, many companies said they would expand production in the U.S. (81), Japan (27), and Mexico (16), and a little less than a quarter of the companies (12) said they would reduce production in China.

Production Sites of Products for the U.S. Market (By Country/Region)



Policies Going Forward for Production Sites of Products for the U.S. Market



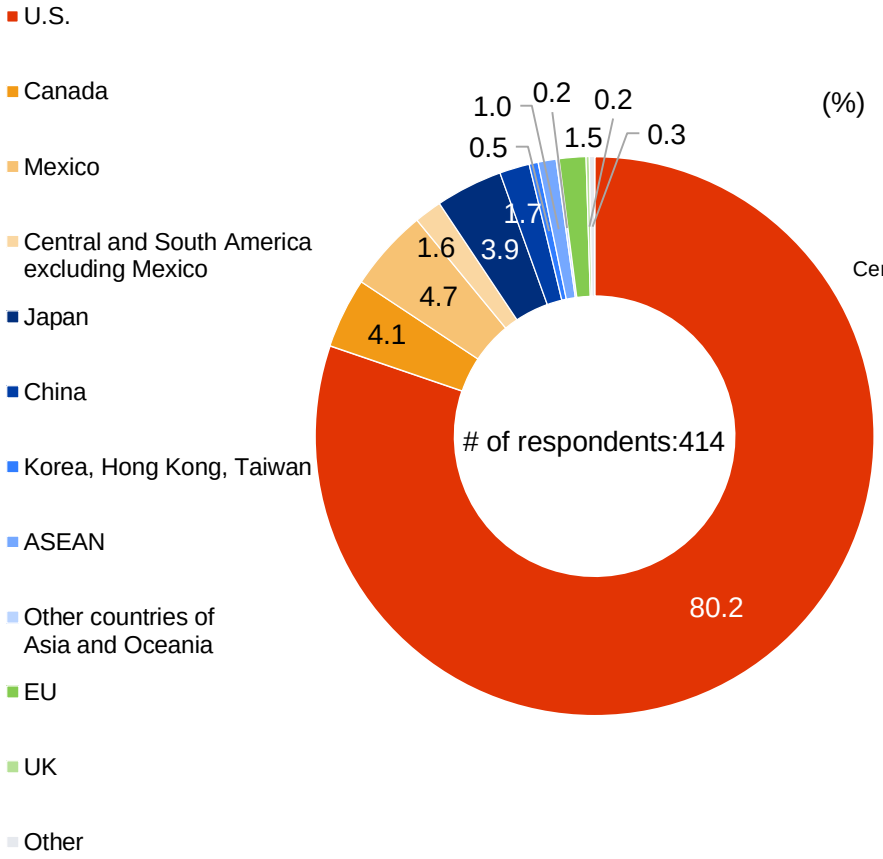
(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

4-4 Sales Markets (Manufacturers): Within U.S. Roughly 80%; USMCA Less than 90%

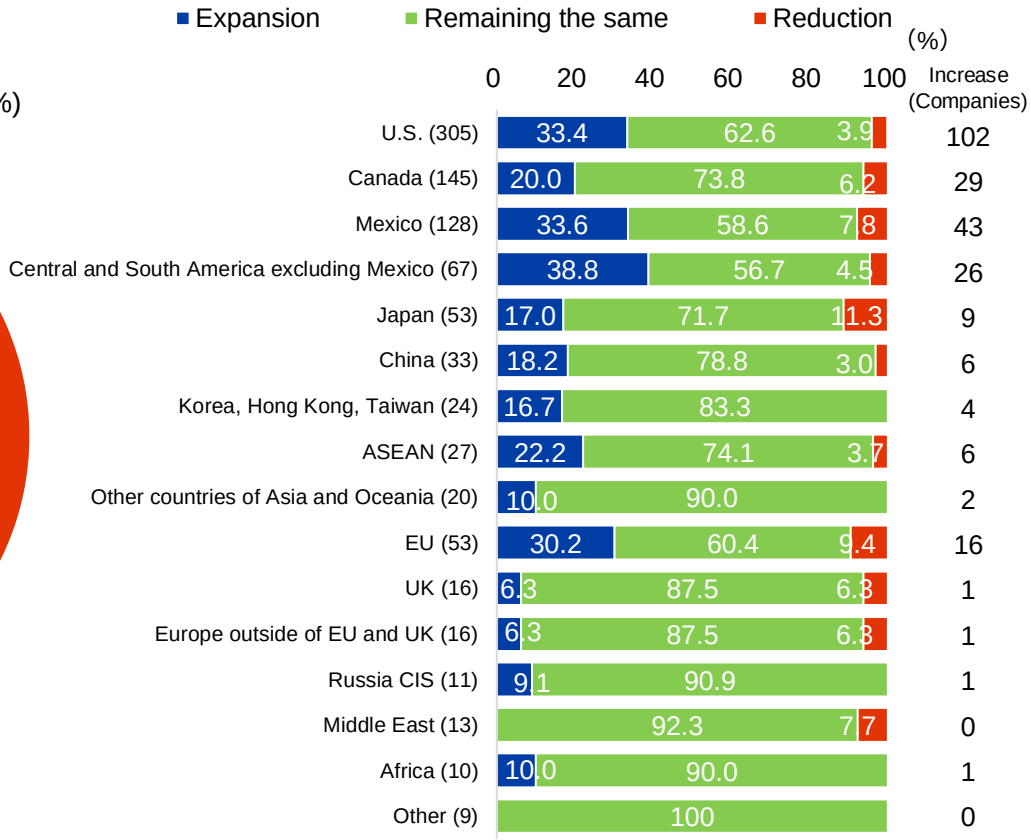
- **The U.S. market accounted for 80.2% of sales at manufactures, with the USMCA market (including Mexico and Canada) making up 89.0%**, and Japan accounting for 3.9%. By industry, the greatest percentage of sales were made in the U.S. for automobiles etc. (92.2%) and plastic products (87.2%). Regarding future sales policies for each sales markets, many companies said they were looking to expand sales in the U.S. (102), Mexico (43) and Canada (29).

Product Sales Markets (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Policies Going Forward for Product Sales Markets

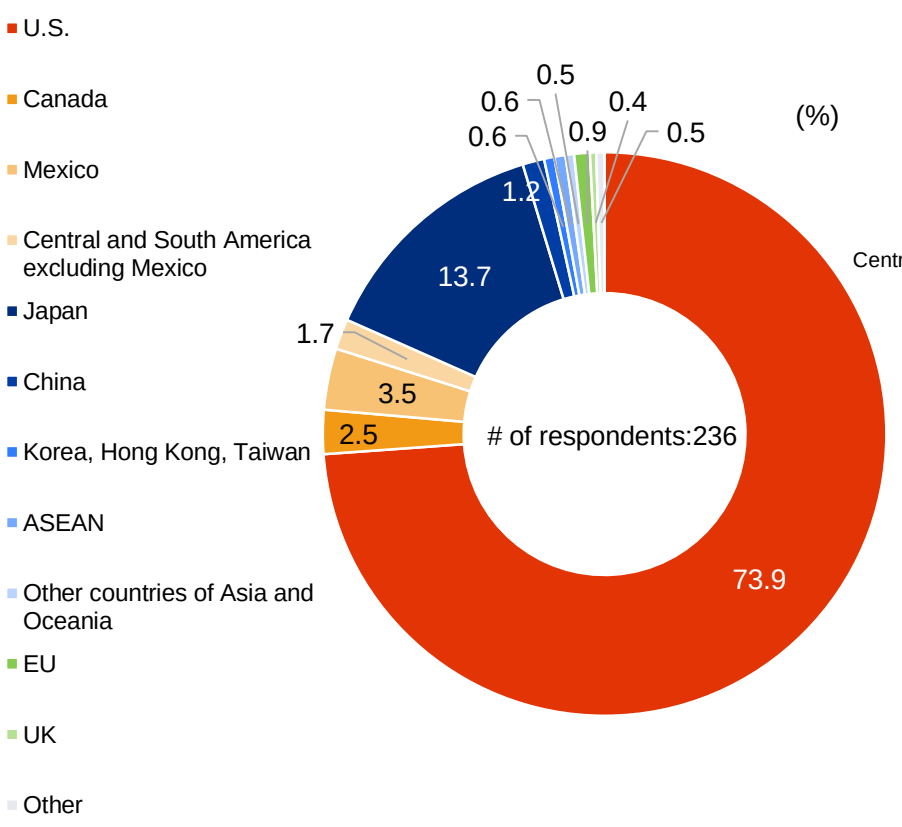


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

4-5 Sales Markets (Non-Manufacturers): Within the U.S. More than 70%, USMCA Less than 80%

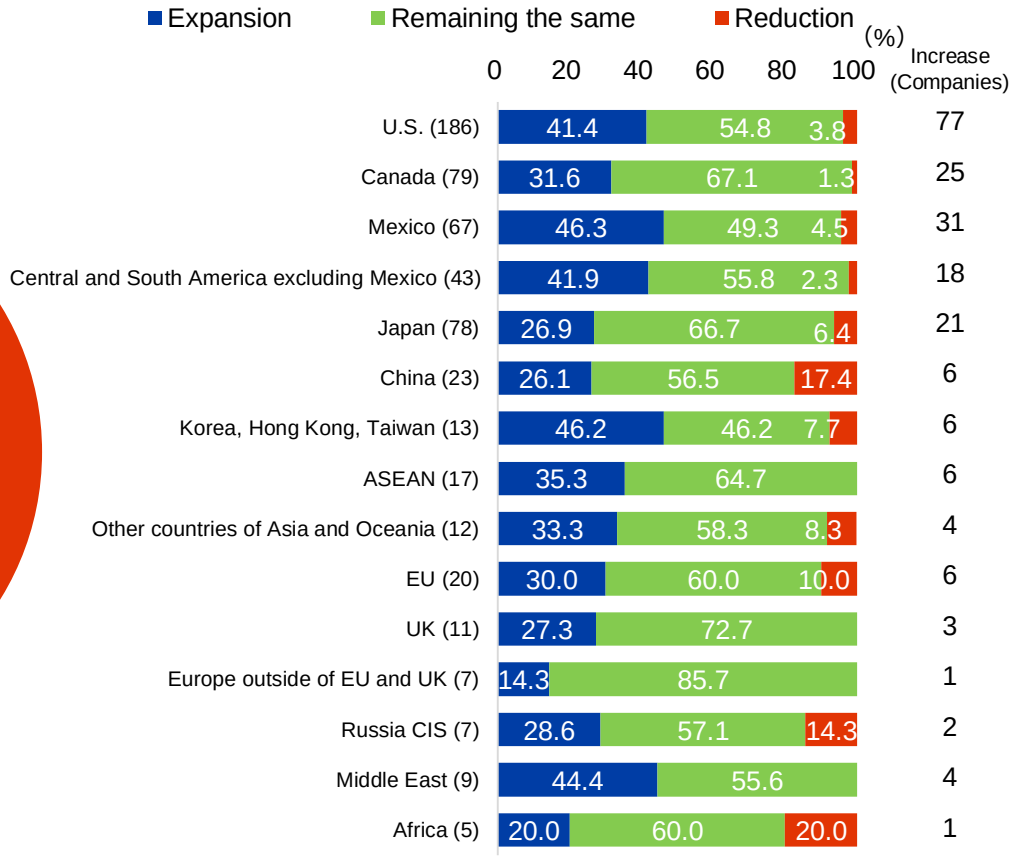
- **The U.S. market accounted for 73.9% of sales at non-manufacturers, with the USMCA market making up 79.9%**, and Japan accounting for 13.7%. By industry, more than 90% of sales were made in the U.S. for travel/amusement (95.4%) and retail trade (95.0%). Regarding policies for sales markets going forward, many companies said they were looking to expand sales in U.S. (77), Mexico (31), and Canada (25).

Product Sales Markets (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Policies Going Forward for Product Sales Markets

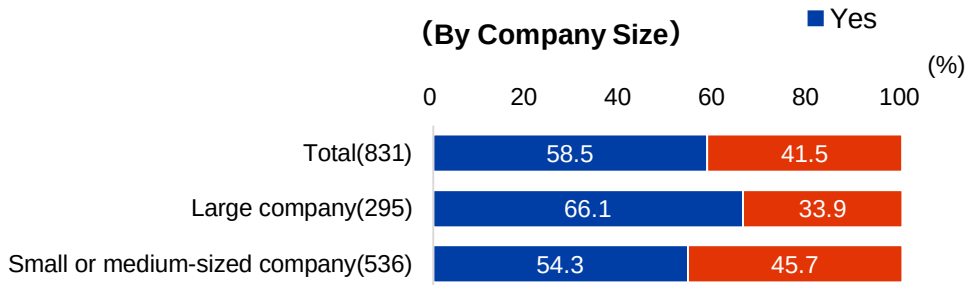


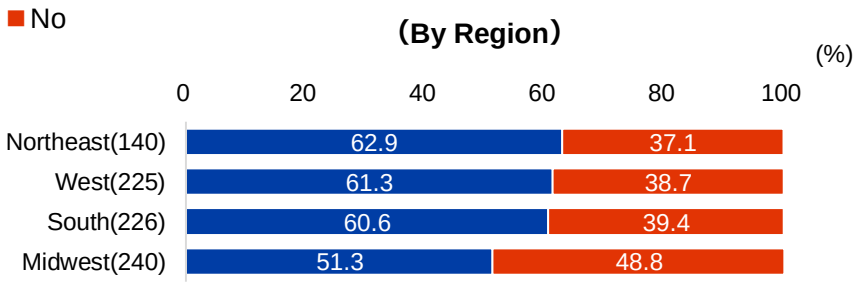
(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

5-1 Supply Chains and Human Rights: Recognized as a Management Challenge by Close to 60% of the Respondents

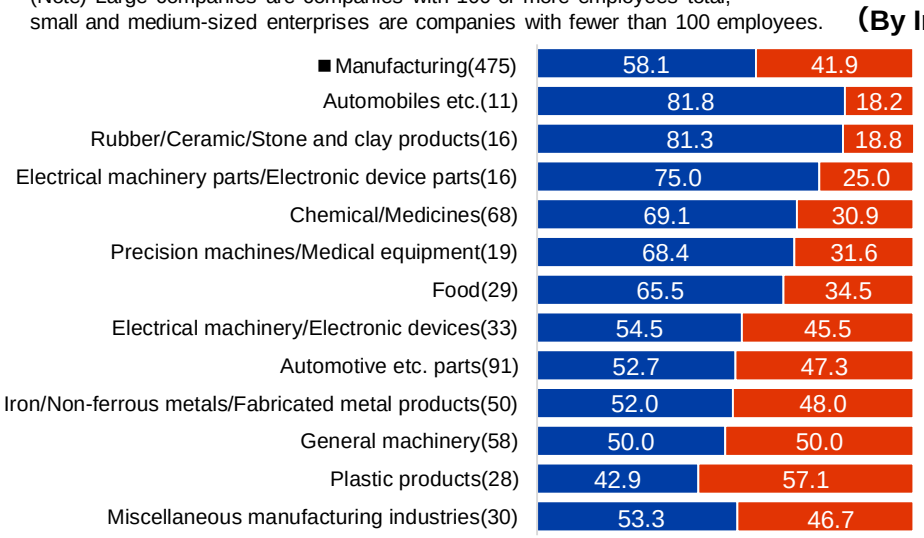
- **Close to 60%** (58.5%) of the companies said they recognize **the issue of human rights in the supply chain** as **a management challenge**.
- Looking at this by industry, among manufacturers, **at least three out of four companies in the automobiles etc., rubber/ceramics/stone and clay products, and electric machinery parts/electronic device parts**, and among non-manufacturers, **more than 70% of the companies in the transport industry** recognized it as a management challenge. The degree of recognition for large companies (66.1%) was 11.8 points higher than for small and medium-sized enterprises (54.3%), and so the results revealed a significant disparity in recognition according to company scale.

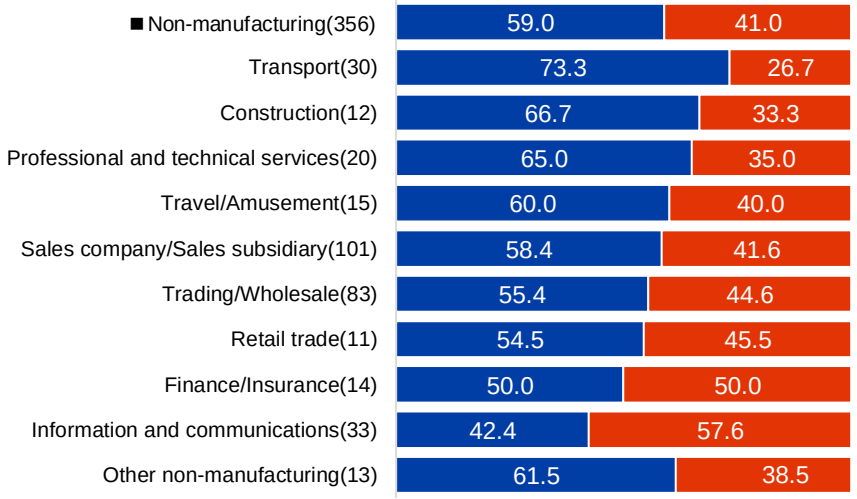
Whether the Issue of Human Rights Is Recognized as a Management Challenge





(Note) Large companies are companies with 100 or more employees total; small and medium-sized enterprises are companies with fewer than 100 employees.



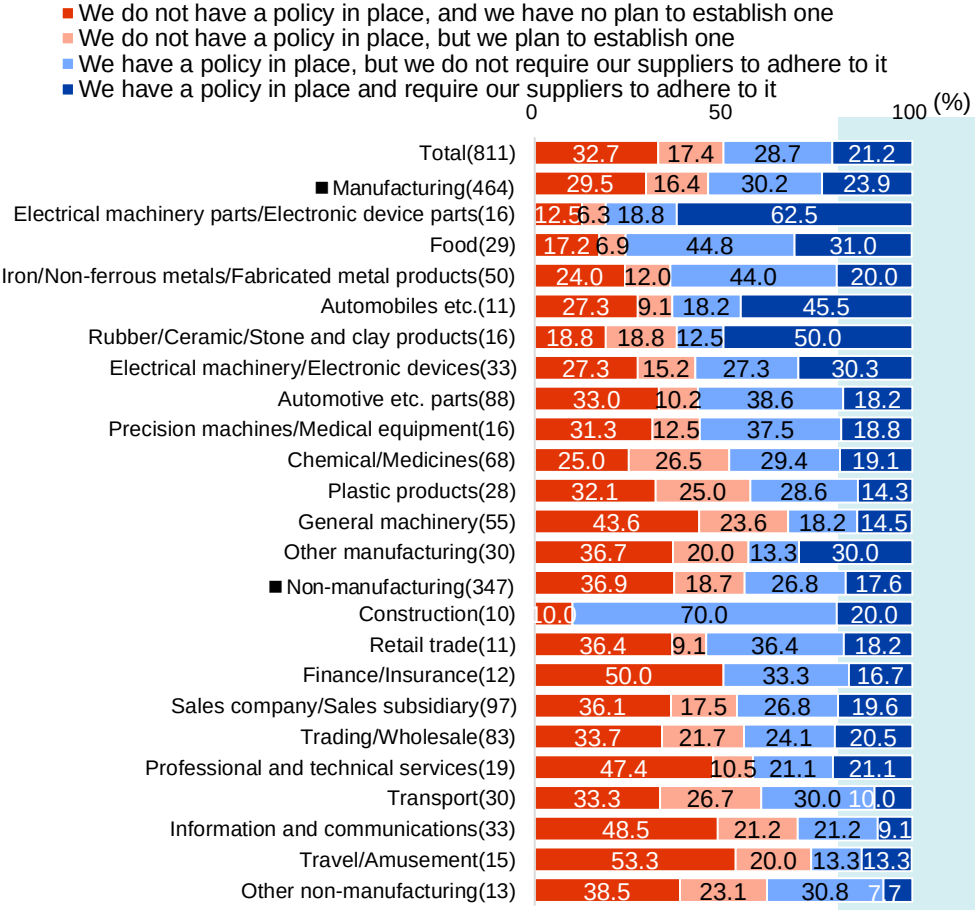


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

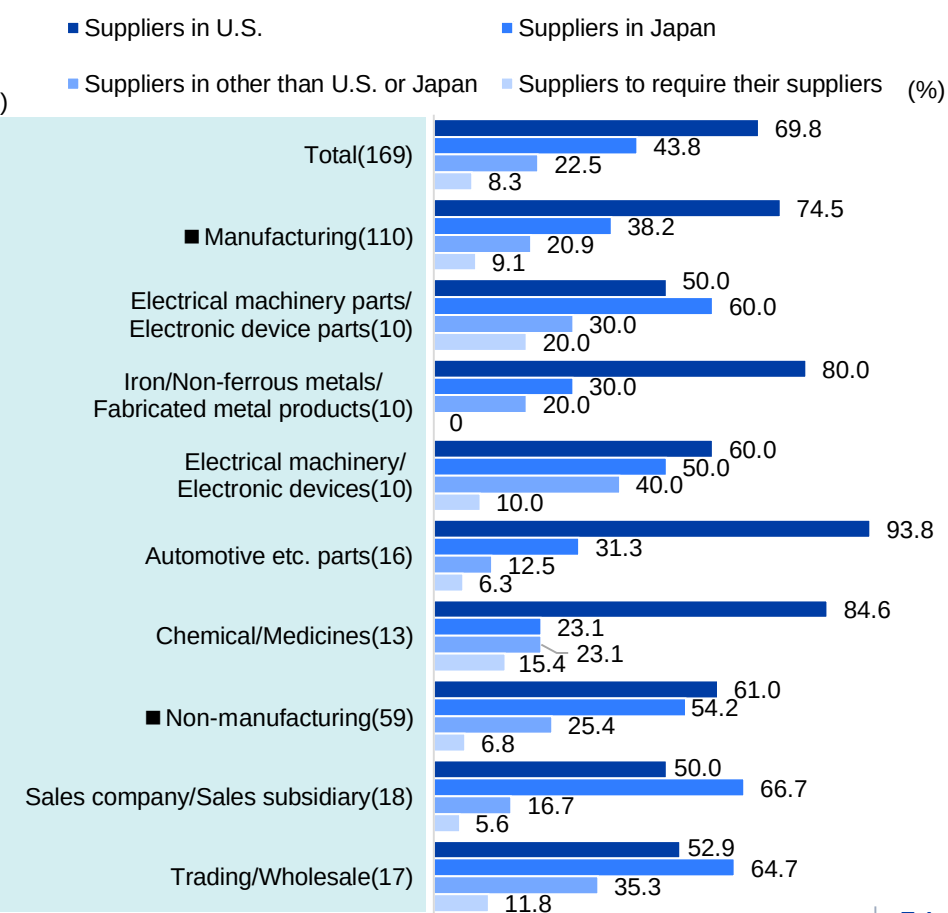
5-2 Supply Chains and Human Rights: Less than 50% Have Policies to Respect Human Rights

- **Less than 50% of the companies** (49.9%) **said they have policies concerning respect for human rights in the supply chain**. **Three out of four companies in the electric machinery parts/electronic device parts, food, and construction said they have such policies, and a little over 20%** (21.2%) **said that they are "seeking compliance with such policies by their procurement sources"**, while a little less than 30% (28.7%) are "not seeking compliance". Many companies are demanding that their U.S. procurement sources comply with such policies, while 37.5% of companies in the electric machinery parts/electronic device parts are seeking compliance from their procurement sources in Japan.

Policies to Respect Human Rights in the Supply Chain (By Industry)



Have Such Policies and Seeking Compliance by Procurement Sources (By Industry, Multiple Answers)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

5-3 Supply Chains and Human Rights: Measures to Prevent Forced Labor and Other Human Rights Violation Risks

- **Specific concerns** include the "**China/Xinjian Uyghur Autonomous Region Forced Labor Issue,"** which the Biden Administration has set as its highest priority in trade policies, as well as other **human rights violation risks at procurement sources**; there were also responses regarding internal labor such as "the racial makeup and disparity of treatment of staff." As measures to prevent human rights violation risks, "non-use of cotton made in the Xinjian Uyghur Autonomous Region" and "implementation of internal awareness programs and study sessions on diversity" were given.

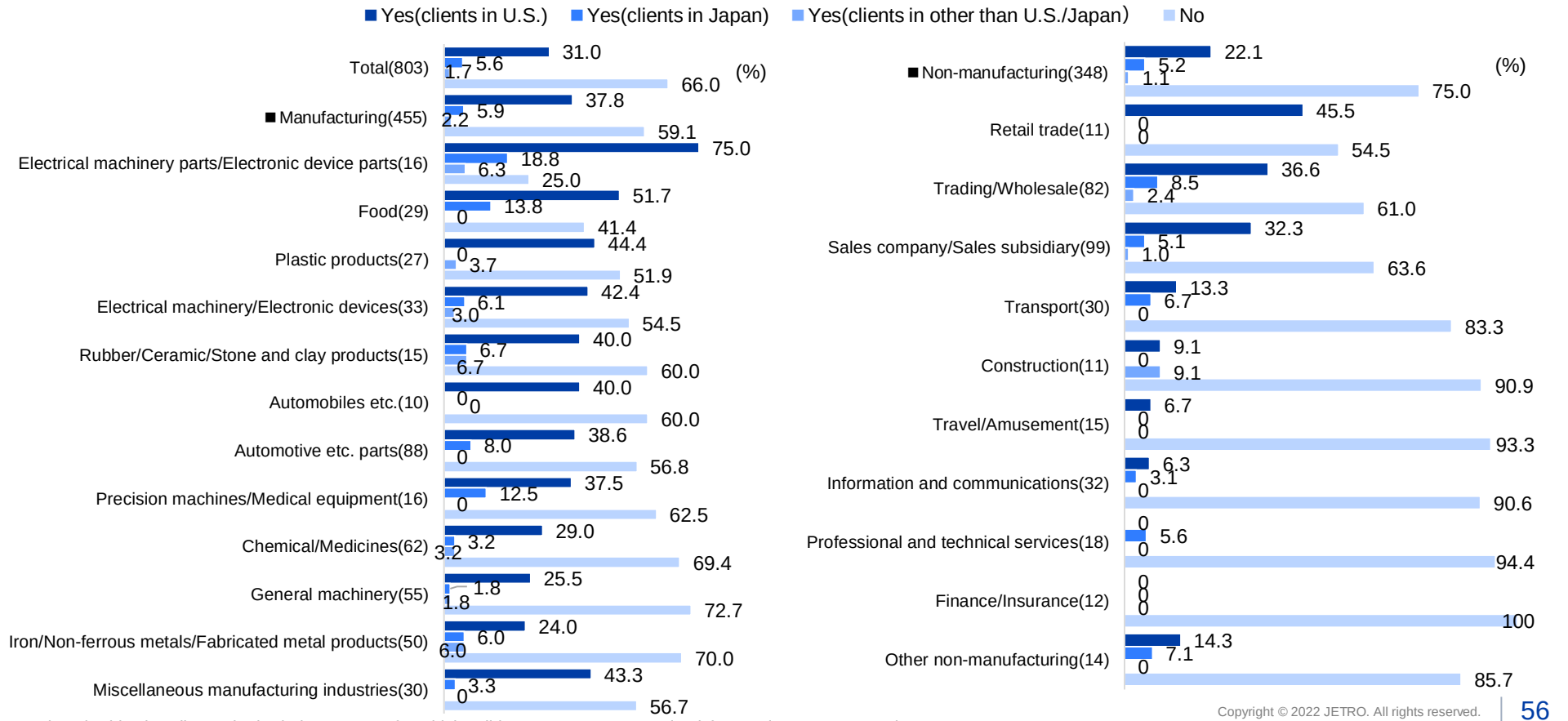
Measures to Prevent Human Rights Violation Risks (Free-form)

Main Risks	Prevention Measures
Forced/Child Labor	• When choosing new procurement sources, verify quality, and other parts and production processes and when necessary, visit local plants for such verification [automotive etc. parts] • Do not use cotton made in the Xinjian Uyghur Autonomous Region [textiles/textile apparel] • Do not use raw materials that rely on child labor [other manufacturing] • Do not employ anyone under the age of 15, or handle any products produced by using a labor force of children under the age of 15 [sales company/sales subsidiary]
Conflict minerals and resources	• Prohibit procurement of materials that contain minerals and resources from conflict zones [sales company/sales subsidiary] • Use materials that do not violate conflict minerals regulations [electrical machinery/electronic devices]
Labor standards/environment	• Promote dialogue among executives/managers and other employees, and work to ascertain any issues in advance [food] • "Safety first" policy work and production [general machinery]
Gender/racial discrimination	• Hold harassment seminars [food] • Implement internal awareness programs and study sessions on diversity [professional and technical services] • No discrimination on the basis of gender, age or religious beliefs in the hiring and maintenance of human resource utilization, and if it is learned that an employee discriminated against others in the company, immediate dismissal [automotive etc. parts] • Utilize minority businesses [automotive etc. parts]
Other	• Implement online training to avoid human rights violation risks [education/medical] • Purchase fair trade certified products [food]

5-4 Supply Chains and Human Rights: About 35% Are Asked by Customers to Comply with Human Rights Respect Policies

- **The percentage of the respondents that said that they "have" been asked by their customers to comply with policies related to respect for human rights in the supply chain was about 35%** (34.0%). 31% of the respondents said that they "have" been asked by their U.S. customers to comply with such policies, while 5.6% were asked the same by their Japanese customers. By industry, this is more common among manufacturers. Three out of four companies in electric machinery parts/electronic device parts and more than 50% of companies in food "have" been asked to do so by their U.S. customers. Among non-manufacturers, about 45% of companies in the retail trade "have" been asked to do so by their U.S. customers.

Whether Customers Have Asked for Compliance with Policies Concerning Respect of Human Rights (By Industry, Multiple Answers)

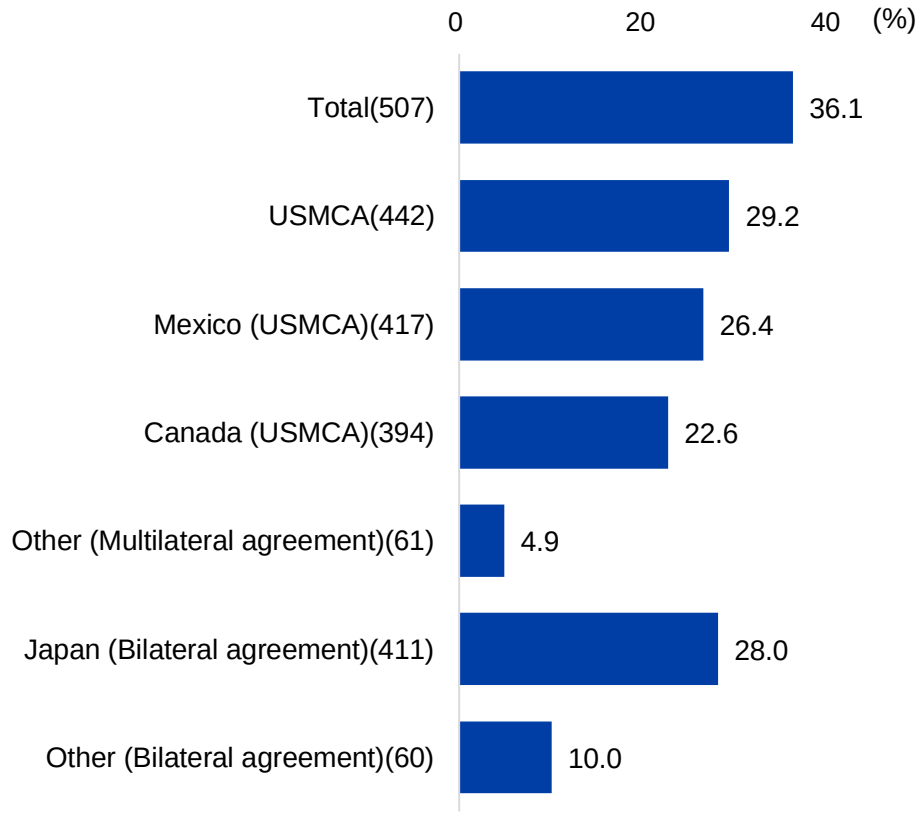


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

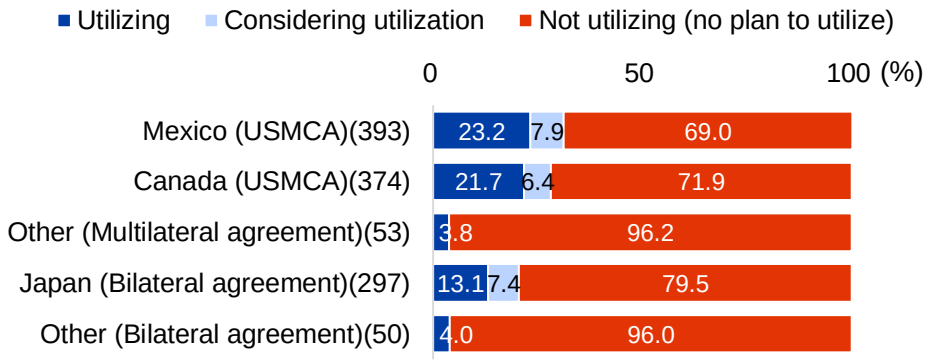
6-1 How Trade Agreements Are Being Used (Respondents): Nearly 40% Are Using Them; Nearly 30% Using USMCA

- **The percentage of respondents that were making use of trade agreements was 36.1%**. **29.2%** said they were **using USMCA**, and **28.0%** said they were using the **U.S.-Japan trade agreement**. The utilization rates when exporting were high for Mexico (USMCA) at 23.2%, Canada (USMCA) at 21.7%, and the U.S.-Japan trade agreement at 13.1%. The utilization rates when importing were also high for the U.S.-Japan trade agreement at 27.7%, Mexico (USMCA) at 14.3%, and Canada (USMCA) at 9.8%.

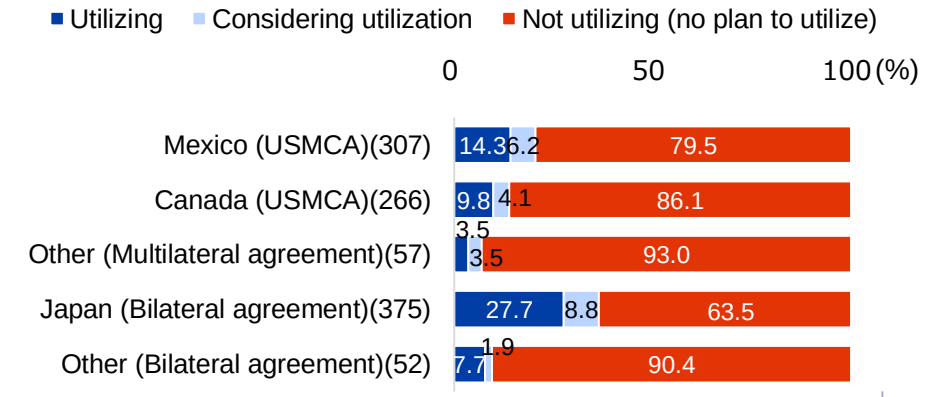
Utilization of Trade Agreement



Utilization of Trade Agreement for Exports from the U.S.



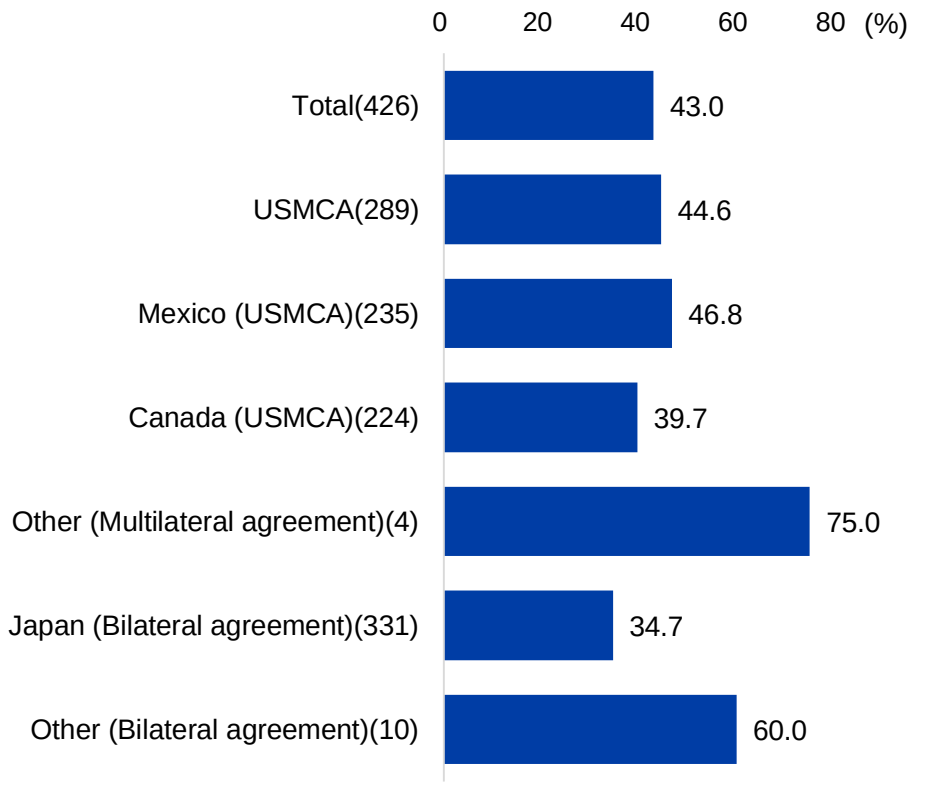
Utilization of Trade Agreement for Imports to the U.S.



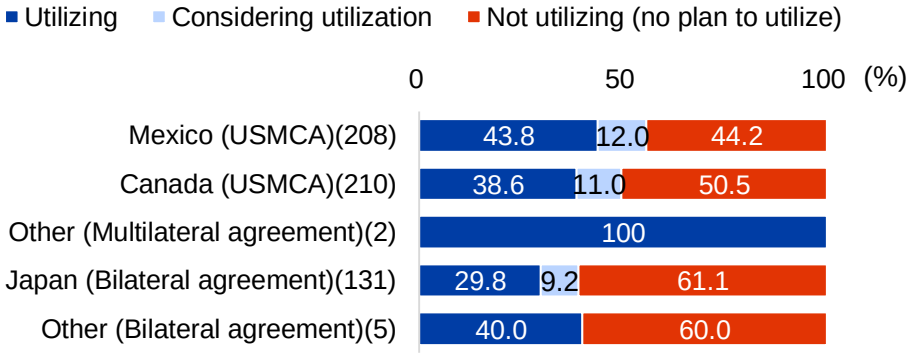
6-2 How Trade Agreements Are Being Used (Companies Engaged in Exports or Imports): More than 40% Are Using Them; About 45% Using USMCA

- **Among companies engaged in exports or imports, 43.0% were using trade agreements**. **44.6%** said they were **using USMCA** and **34.7%** said they were using the **U.S.-Japan trade agreement**. The utilization rates when exporting were high for Mexico (USMCA) at 43.8% and Canada (USMCA) at 38.6%. The utilization rates when importing were also high, especially for Mexico (USMCA) at 63.8% and Canada (USMCA) at 60.5%.

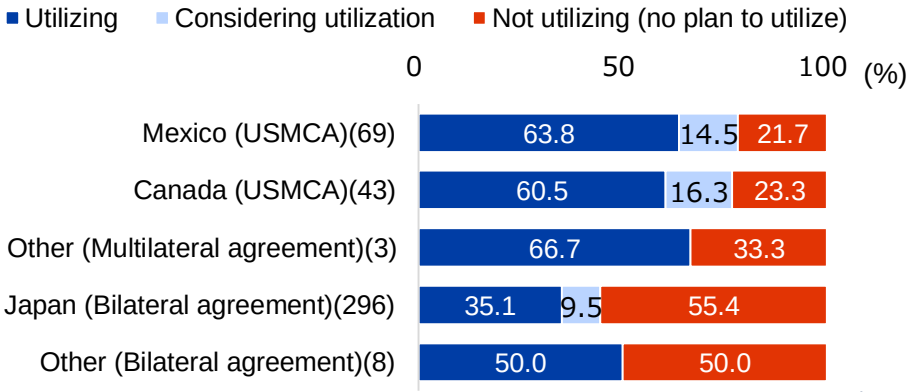
Utilization of Trade Agreement



Utilization of Trade Agreement for Exports from U.S.



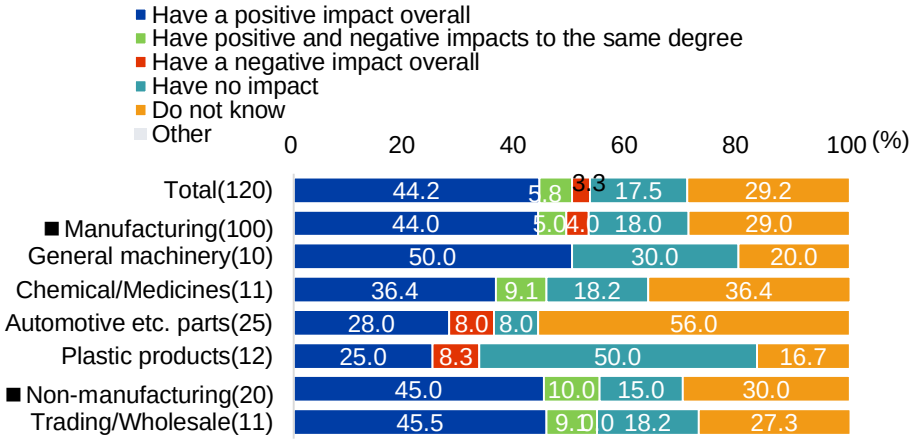
Utilization of Trade Agreement for Imports to the U.S.



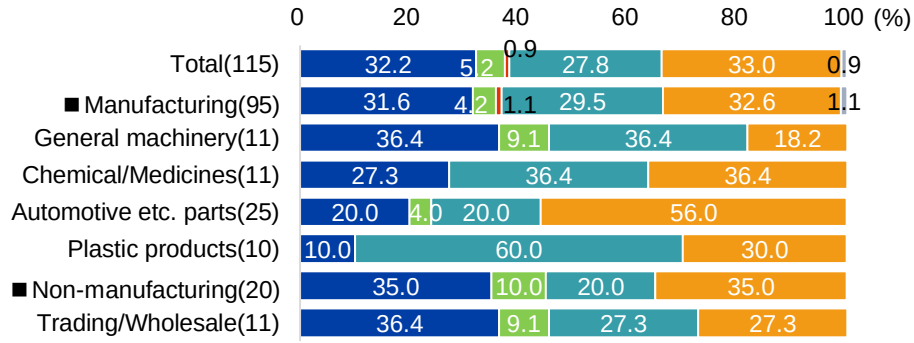
6-3 Impact of Trade Agreements: Almost 45% Say USMCA Has "Positive Impact"

- Among the **companies that were using USCMA, 44.2%** said that **USMCA has had a "positive impact"**; by industry, general machinery was high at 50%. Among companies that use the **U.S.-Japan trade agreement, 32.2% said that such agreement has had a "positive impact"**; by industry, general machinery and trading/wholesale were high at 36.4% each. The top information sources being used were "government offices/public institutions/chambers of commerce" (54.4%) and "parent company/main domestic clients" (37.3%).

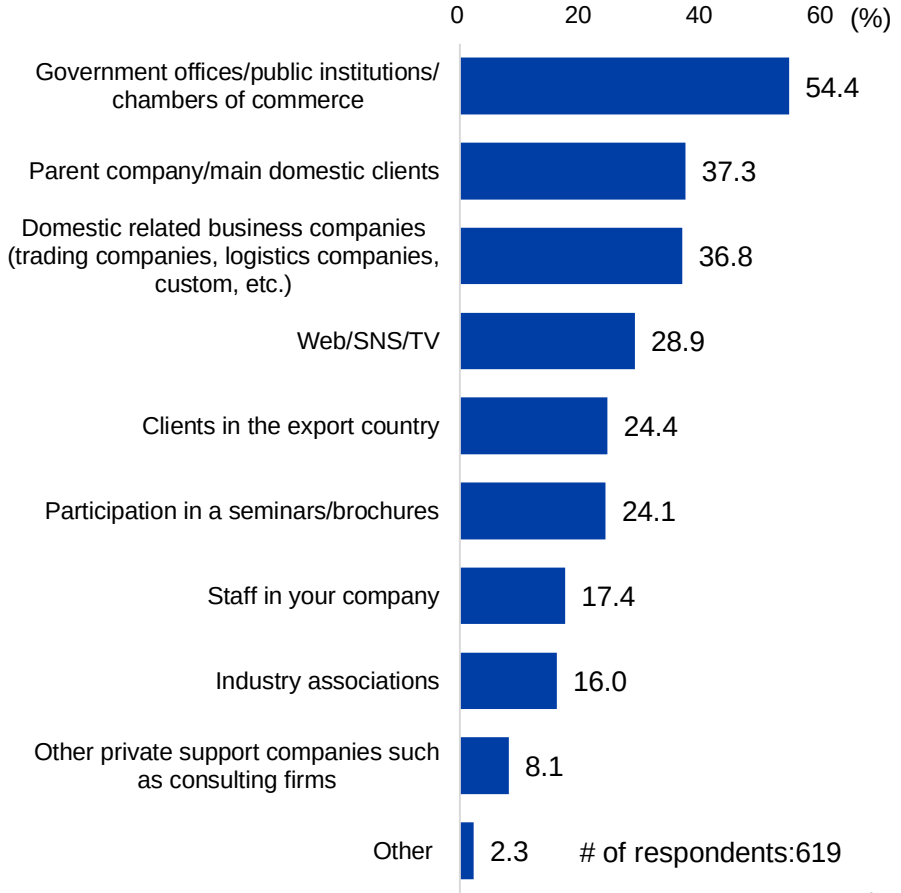
Impact of USMCA (By Industry)



Impact of Trade Agreement between Japan and the U.S. (By Industry)



Information Sources Being Used (Multiple Answers)

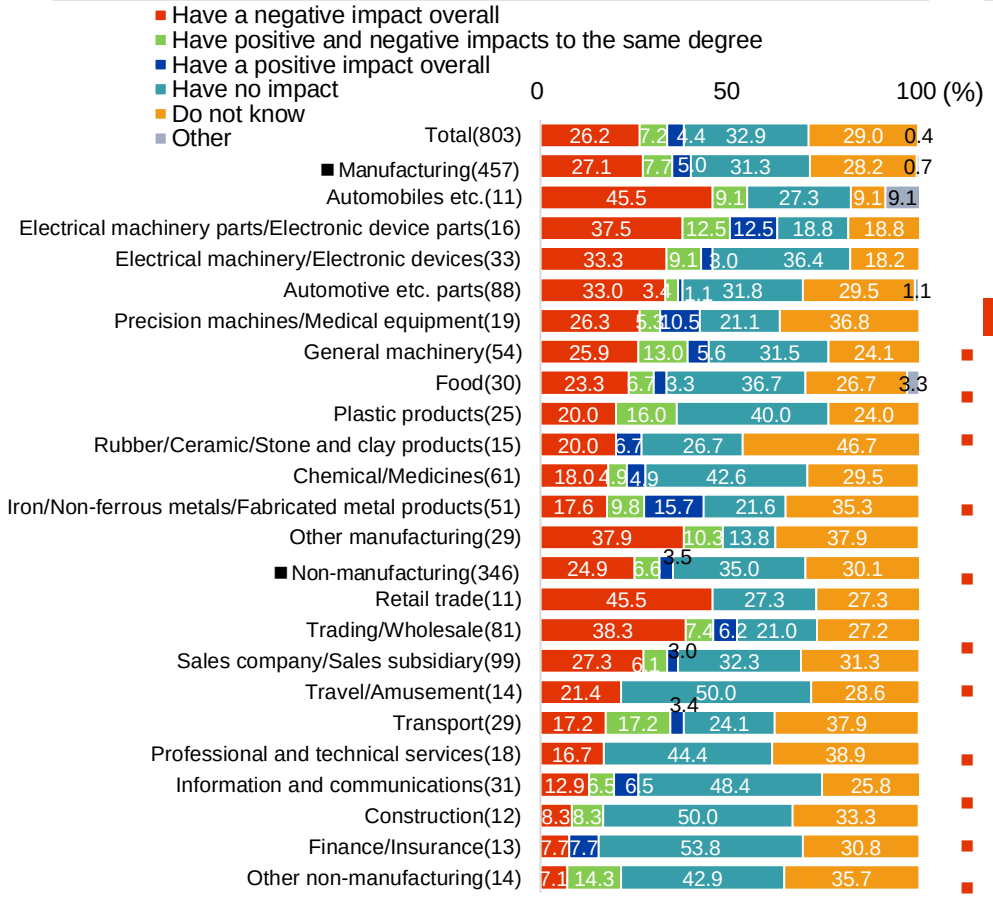


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

7-1 Changes in Trade Environment: Close to 30% Report "Negative Impact Overall"

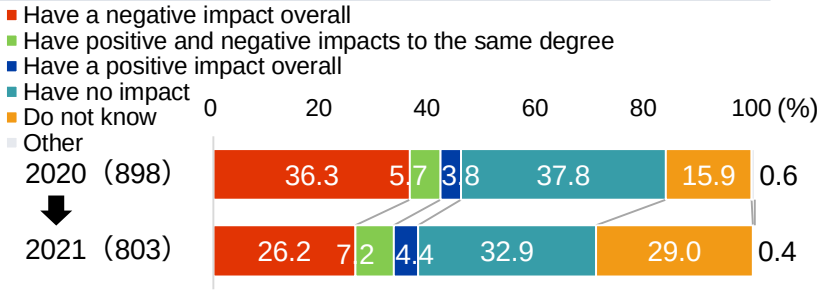
- Asked about **how changes in the trade environment will impact their 2021 earnings**, **32.9% said "have no impact," 29.0% said they "do not know,"** while **26.2% saw a "negative impact overall"** (previously 36.3%). While the proportion of those who answered they **"do not know" increased by 13.1 points**, those who saw **"negative impact overall" declined by 10.1 points**. By industry, those that answered a "negative impact overall" accounted for the mid-40% range (45.5% each) in automobiles etc. and retail trade.

Impact of Change in Trade Environment on 2021 Earnings (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

Impact of Change in Trade Environment on Earnings (Prior Year Comparison)



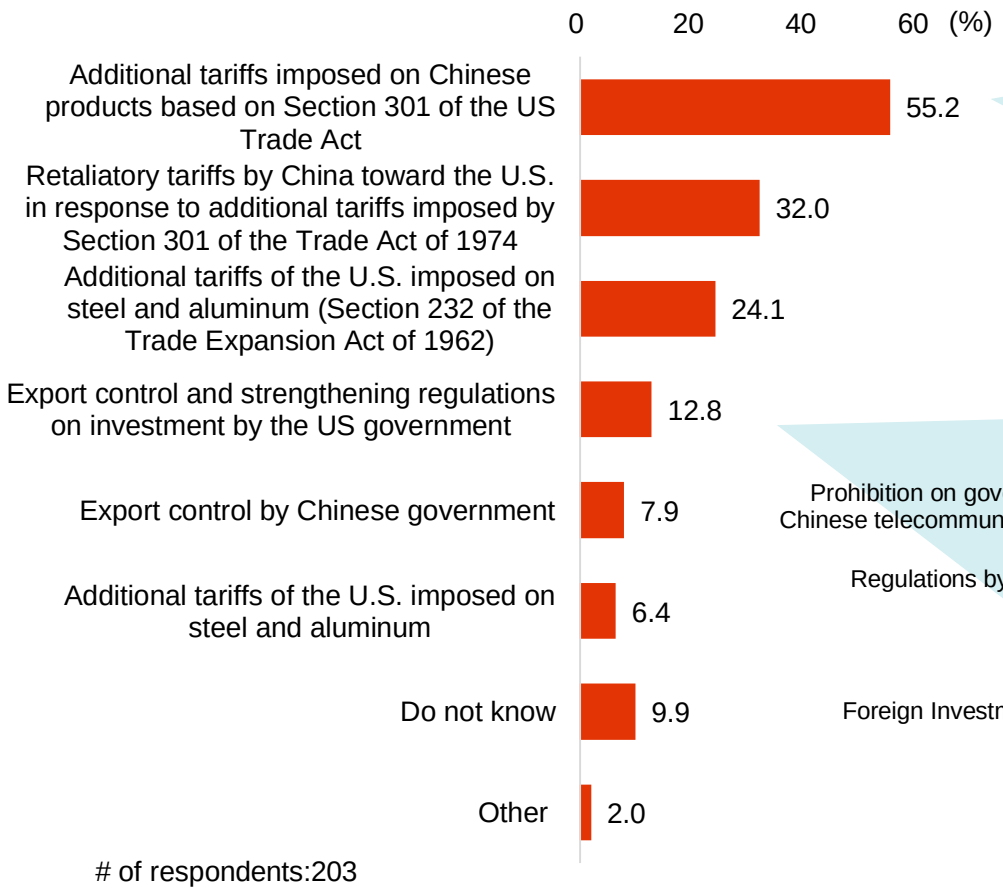
Specific Negative Impacts (Free-form)

- Tariffs on imports from China [automotive etc. parts]
- The impact of tariffs cannot be completely passed on to prices [automotive etc. parts]
- Additional tariff on steel materials and parts from Japan and China creates a heavy burden [general machinery]
- Tighter regulations increase tariffs and complicate processes, and customers' curbing of investments [sales company/sales subsidiary]
- Some products will no longer be exportable to a market outside the US [iron/non-ferrous metals/fabricated metal products]
- Tighter control of exports to China leads to a loss of customers [chemical/medicines]
- Global economic slowdown, investment and exports slump [sales company/sales subsidiary]
- Surge in steel prices [automotive etc. parts]
- Parts supplies delayed [automotive etc. parts]
- Higher prices for paper and other materials [paper/wood products/printing]
- China decreasing purchases of US-made aircraft [railroad/industrial vehicles etc.]

7-2 Impact by Policy: "Sec. 301 of the Trade Act" Has Negative Impact, 55% Say

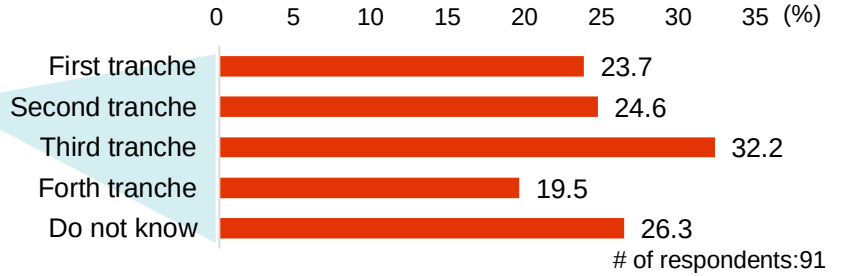
- Among the companies that said **"negative impact overall,"** **55.2%** said they are impacted by **"Additional tariffs imposed on Chinese products based on Section 301 of the US Trade Act"** (previously 57.3%), while **"China's retaliatory tariffs against the U.S."** was cited by **32.0%** (previously 28.5%) and "Additional tariffs of the U.S. imposed on steel and aluminum" by 24.1% (previously 24.4%). Looking at the increased tariffs under Section 301 of the U.S. Trade Act by round, the third tranche was most often cited (by 32.2%), followed by the second tranche (24.6%) and the first tranche (23.7%).

Specific Policy Having a Negative Impact (Multiple Answers)



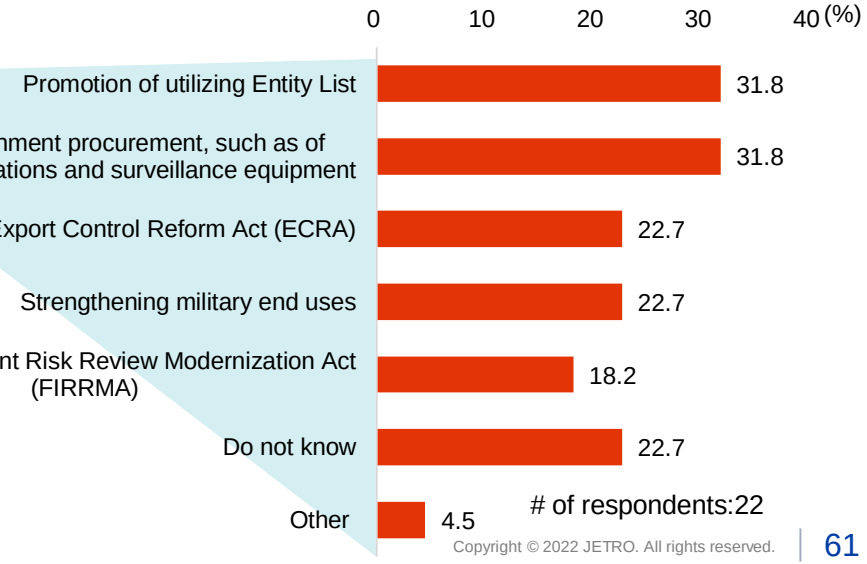
# of respondents:203

Additional Tariffs Under Sec. 301 of the Trade Act: Breakdown (Multiple Answers)



# of respondents:91

Tighter U.S. Export Control/Investment Restrictions: Breakdown (Multiple Answers)



# of respondents:22

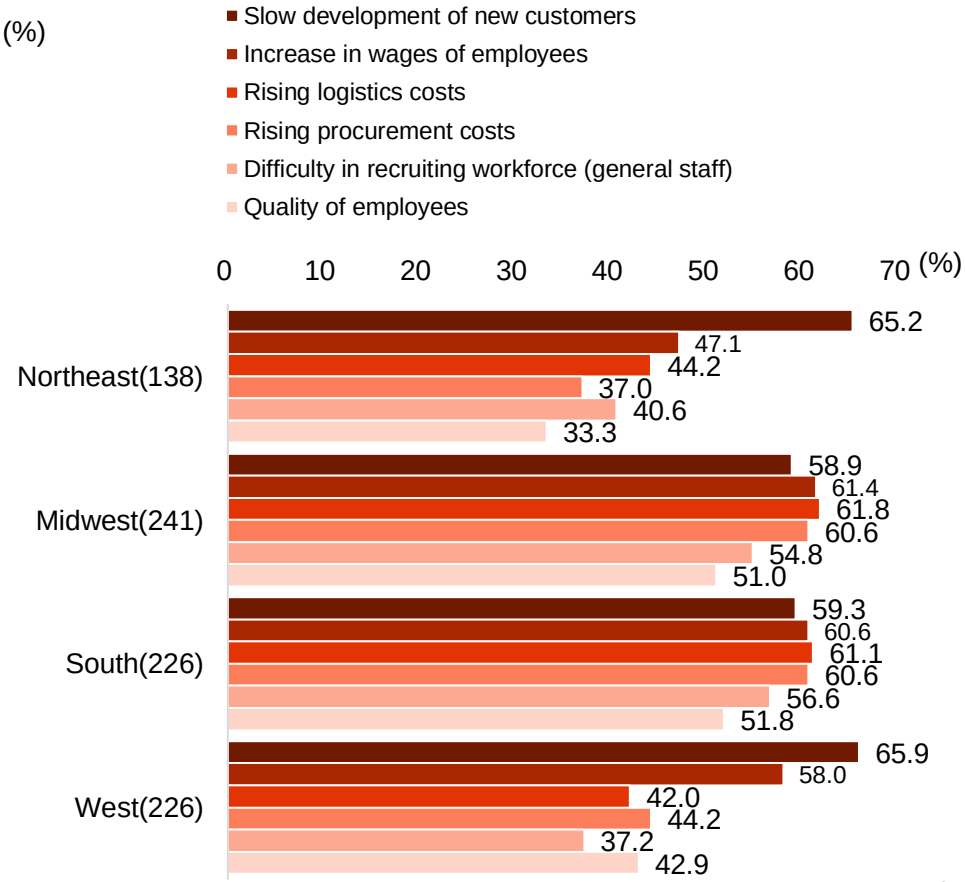
8-1 Management Challenges: "Slow Development of New Customers" and "Increase in Wages of Employees" Are Top Answers

- With respect to **management challenges**, **"slow development of new customers"** was the most common answer (62.0%), while **"increase in wages of employees"** (57.9%) and "rising logistics costs" (53.3%), "rising procurement costs" (52.2%) were cited by over 50% of the respondents. By industry, "slow development of new customers" was a widely shared challenge among retail trade (90.9%) and trading/wholesale (86.7%), while "increase in wages of employees" was cited by more than 80% of the respondents in textiles/textile apparel (85.7%), automotive etc. parts (84.4%) and automobiles etc. (81.8%).

Management Challenges (Multiple Answers)

(Note) Only the top response items are listed in this chart.

Management Challenges (By Region, Multiple Answers)



8-2 Countermeasures for Management Challenges: "Differentiating from Competing Products" and "Increasing Wages" Are Top Answers

- In a question about **countermeasures** against management challenges, **"differentiating from competing products"** (47.5%) and **"increasing wages"** (46.7%) were the most common answers. By industry, "differentiating from competing products" was widely mentioned by companies in textiles/textile apparel (71.4%) and precision machines/medical equipment (65.0%); "increasing wages" was popular among companies in automotive etc. parts (77.3%) and rubber/ceramic/stone and clay products (75.0%); and "reviewing suppliers of materials/parts and procured contents" was common among those in construction (75.0%) and textiles/textile apparel (71.4%).

Countermeasures for Management Challenges (Multiple Answers)

(Note) Only the top response items are listed in this chart.

# of respondents:811

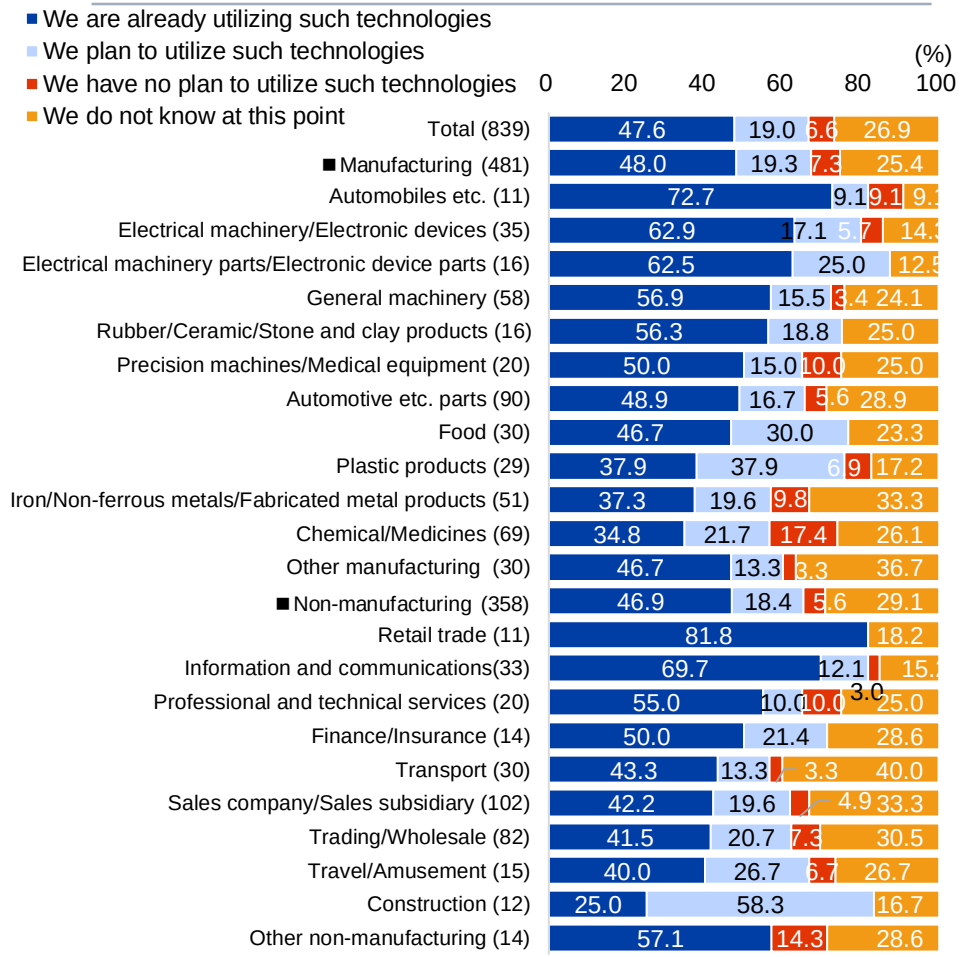
Specific Countermeasures (Free-form)

- To cultivate new customers, hired a marketing company to learn new methods [sales company/sales subsidiary]
- Given increasing difficulty securing personnel, offer one-time wage hikes and expand employee benefits [general machinery]
- Securing local employees is an urgent issue. The only way to achieve this is raise wages, and that's the current situation [electrical machinery parts/electronic device parts]
- To respond to labor shortage and wage hikes, tap IT to enhance work efficiency and use fewer workers [automotive etc. parts]
- Switch the product procurement source from the headquarters (currently about 30%) to local supplier [automobiles etc.]
- Accelerate product development and enhance product appeal [electrical machinery/electronic devices]
- For logistics, currently considering use of FTZ [chemical/medicines]
- Partner with agents for imports [sales company/sales subsidiary]
- To cut costs other than labor costs, we are using digital technology to the extent possible to curb activity costs [electrical machinery/electronic devices]
- Given difficulty adding talented workers, we are promoting digitization of routine operations and shifting them to the headquarters [information and communication]
- To respond to higher demand, ramp up production capacity and increase supply [food]

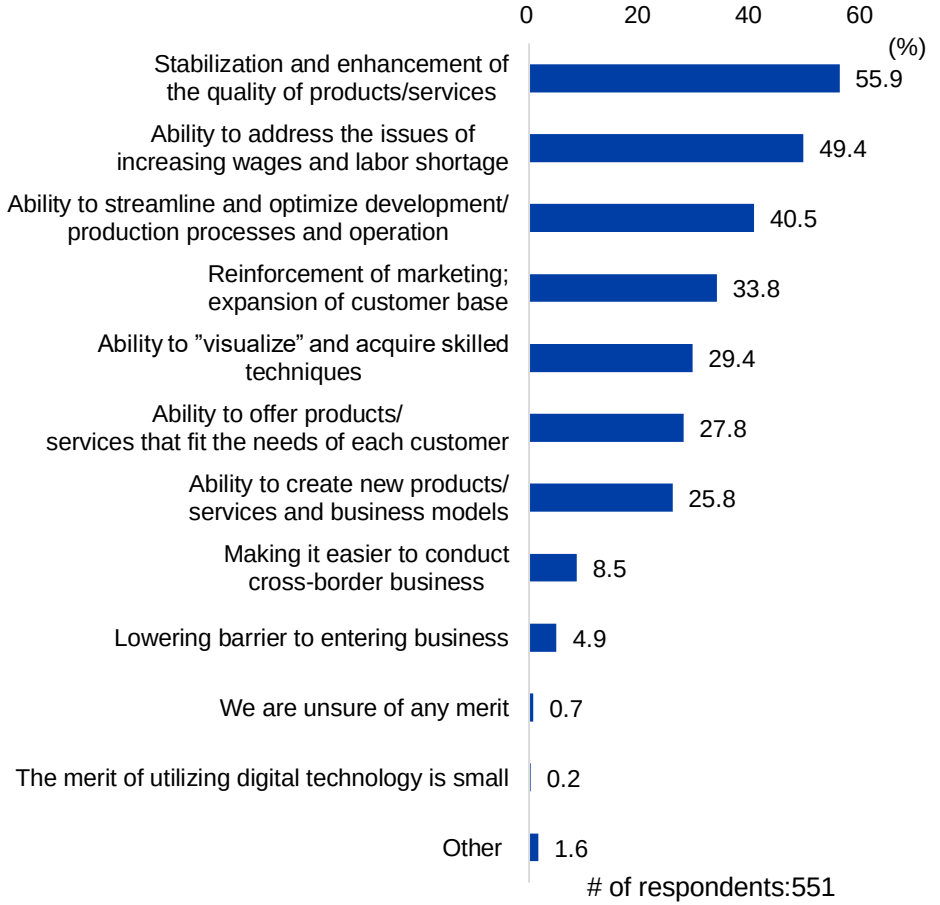
9-1 Use of Digital-Related Technologies: Nearly Half of Companies Already Use Digital Technologies

- **Close to half of the respondents already use digital technologies** (47.6%). In a question about the advantages of using digital technologies, “stabilization and enhancement of the quality of products/services” was the top answer (55.9%), followed by “ability to address the issues of increasing wages and labor shortage” (49.4%) and “ability to streamline and optimize development/production processes and operation” (40.5%).

How Digital Technologies Are Being Used (By Industry)



Advantages of Using Digital Technologies (Multiple Answers)

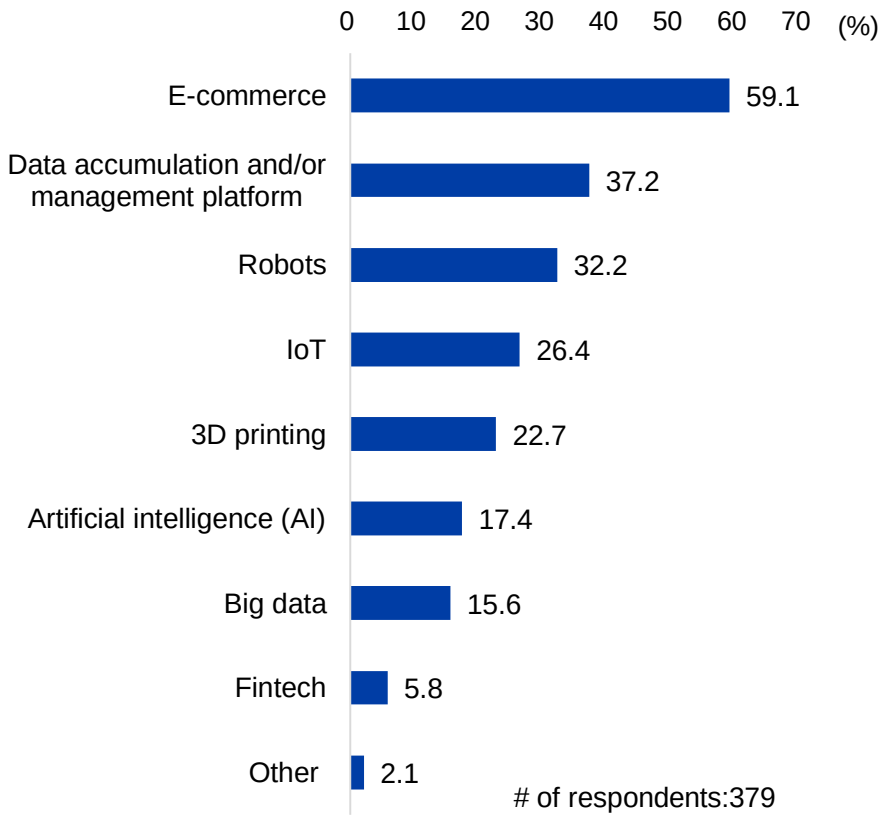


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

9-2 Use of Digital-Related Technologies: Nearly 60% Are Using E-Commerce

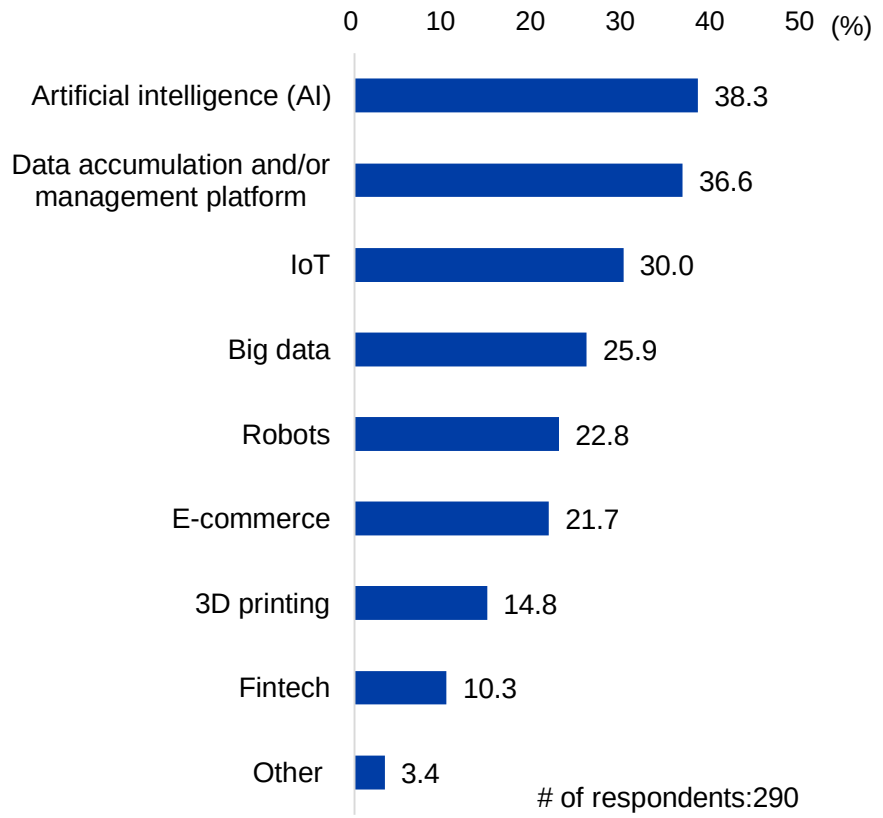
- Asked about **which technology they are already using**, **59.1% of respondents said "electronic commerce," 37.2% said "data accumulation and/or management platform,"** and 32.2% said "robots."
- Asked about **technology they were considering using**, **"AI" was cited by 38.3%**, **"data accumulation and/or management platform" was cited by 36.6%** and "IoT" by 30.0%.

Technology Already Being Used (Multiple Answers)



(Note) Only the top response items are listed in this chart.

Technology Being Considered For Use (Multiple Answers)

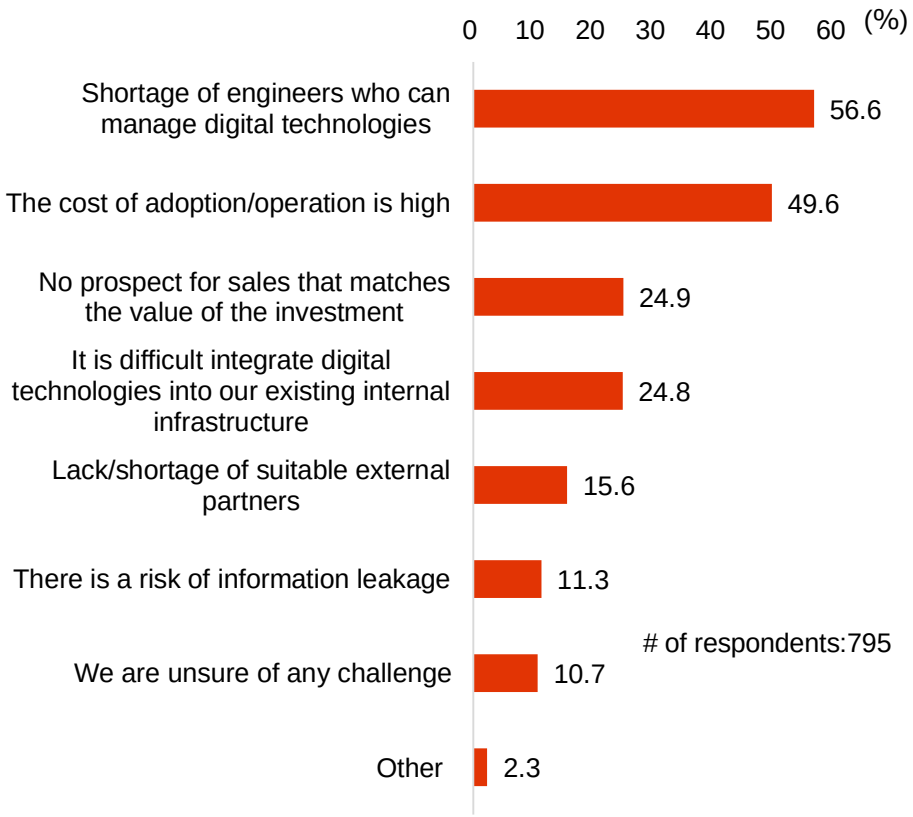


(Note) Only the top response items are listed in this chart.

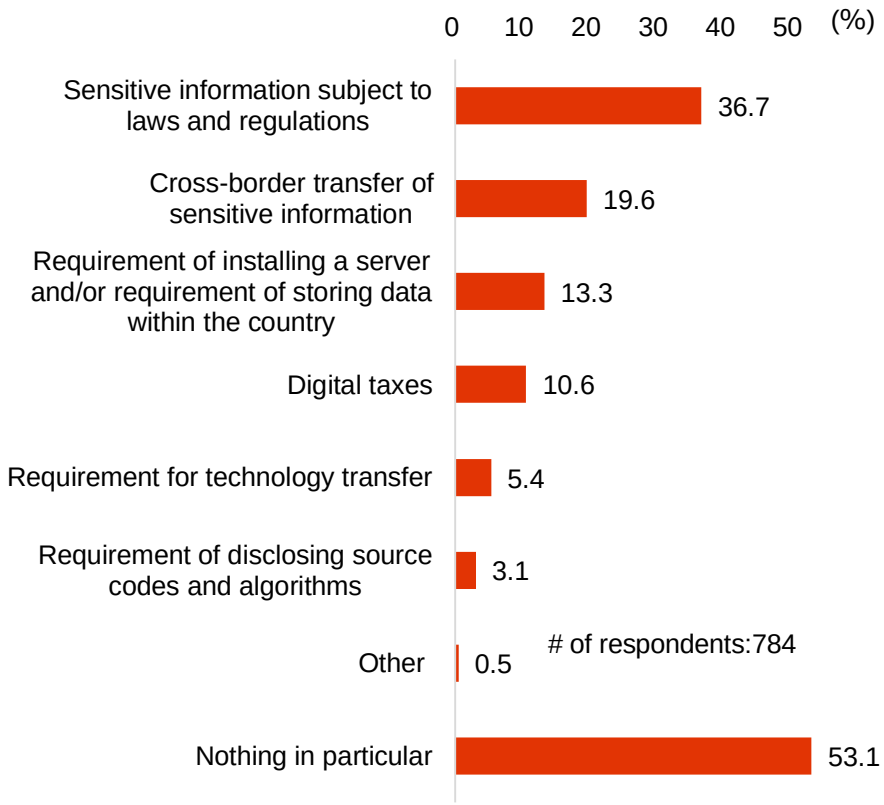
9-3 Challenges in Use of Digital-Related Technologies: Engineer/Talent Shortage and Adoption/Operation Costs Are Key Challenges

- In a question about **challenges in use of digital technologies**, **"shortage of engineers and other talent" was cited by 56.6%**, followed by "the cost of adoption/operation is high," cited by 49.6%.
- **Asked about policy items that they are interested with respect to use of digital technology, nearly 40% said "sensitive information subject to laws and regulations,"** while **over 50% said "nothing in particular."**

Challenges in Use of Digital Technologies (Multiple Answers)



Policy Items Companies Are Interested with Respect to Use of Digital Technologies (Multiple Answers)

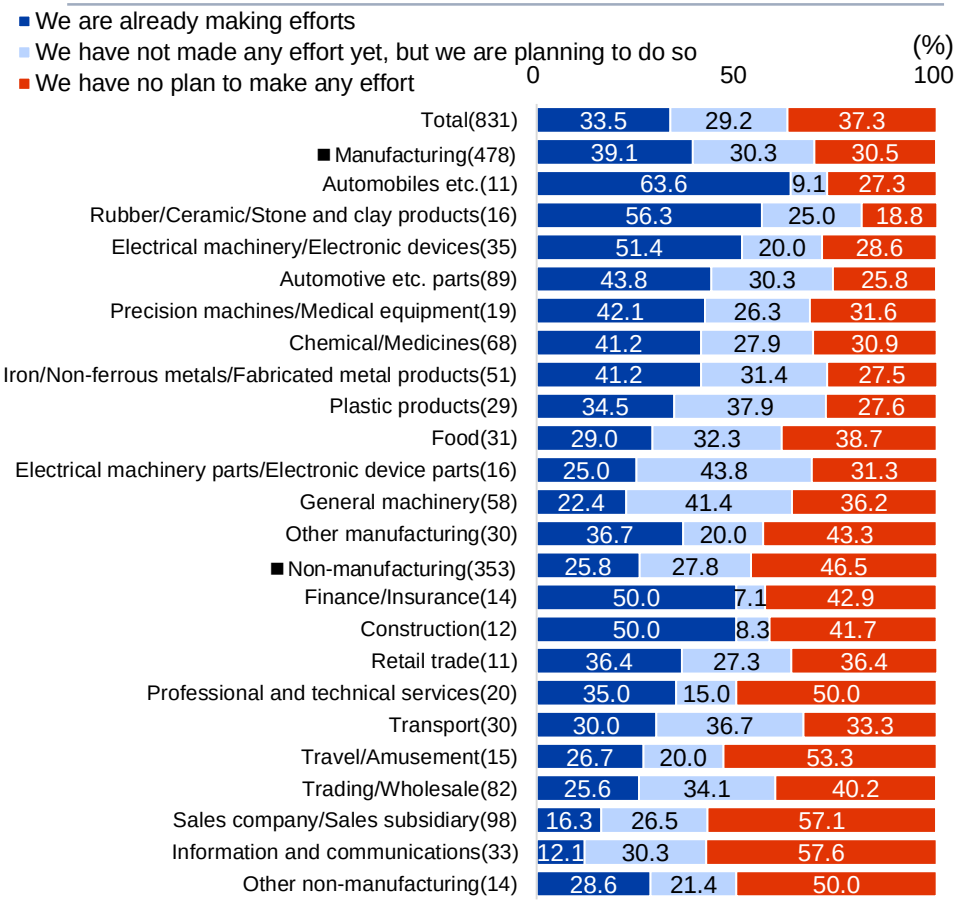


(Note) Only the top response items are listed in this chart.

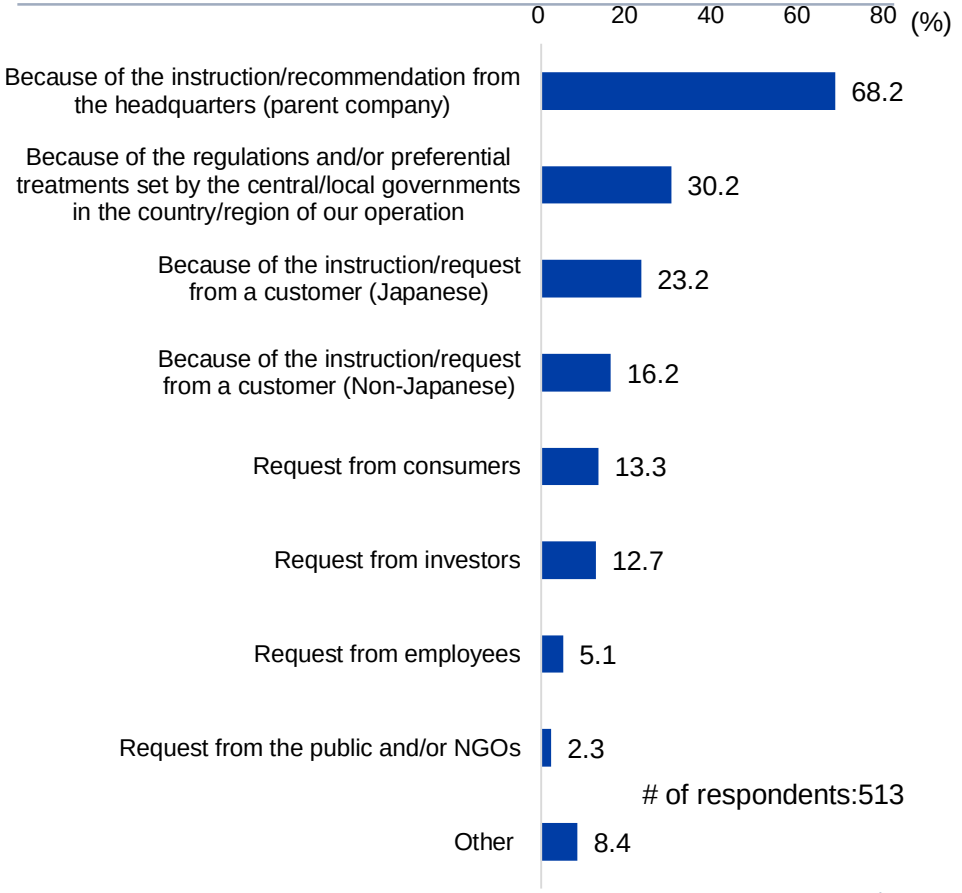
10-1 Decarbonization Efforts: Over 30% of Companies Already Engaged in Efforts

- **33.5% of the respondents are "already making efforts" in decarbonization.** Among large companies, such respondents accounted for 53.6%, but the proportion was just 22.5% among small and medium-sized enterprises. Those who said they "plan to engage moving forward" accounted for 29.2%.
- **As for the reasons for engaging in decarbonization, "instruction/recommendation from the headquarters (parent company)" was cited by 68.2%**, followed by "regulations and/or preferential treatments set by the central/local governments in the country/region of our operation" (30.2%).

Decarbonization Efforts (By Industry)



Reasons for Undertaking Decarbonization (Multiple Answers)

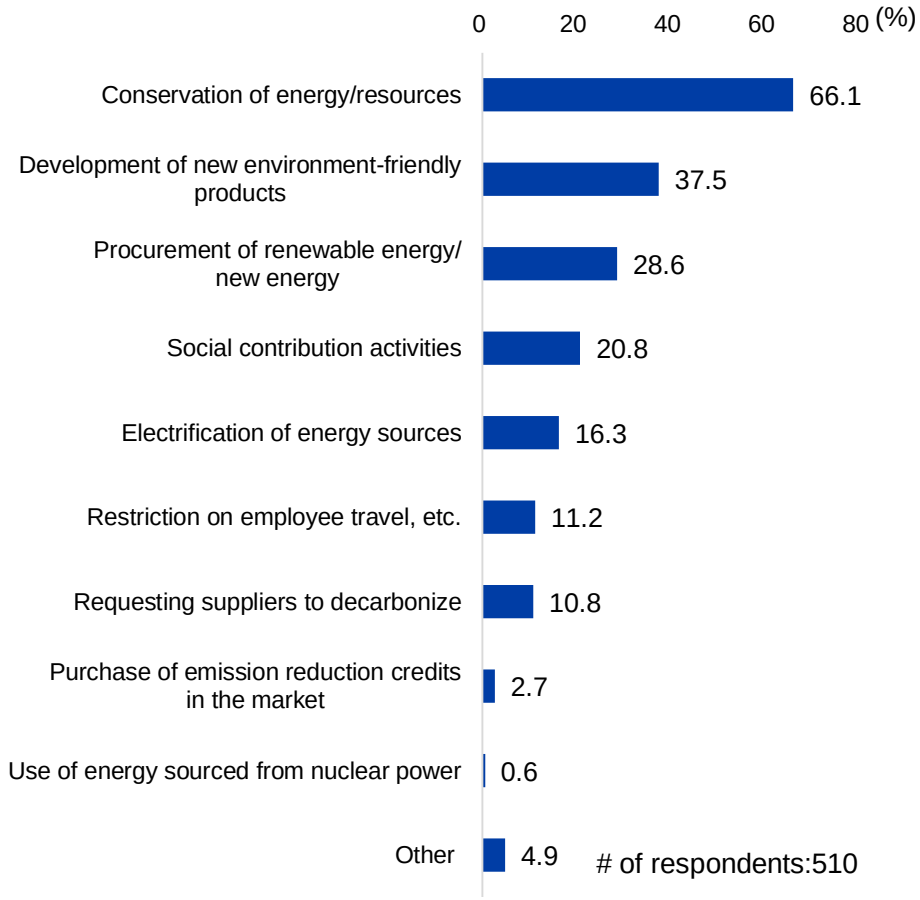


(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

10-2 Nature of Decarbonization Efforts: Conservation of Energy/Resources Cited by Nearly 70%

- As for the **nature of decarbonization efforts, "conservation of energy/resources" was the top answer at 66.1%.** This was followed by "developing of new environmentally-friendly products" (37.5%) and "procurement of renewable energy/new energy" (28.6%).
- Asked about specific efforts, many companies said they are pursuing installation of LED lighting and photovoltaic panels. As for challenges, costs increases were common answers.

Nature of Decarbonization Efforts (Multiple Answers)



Specific Efforts (Free-form)

- Full installation of LED lighting [general machinery]
- Install a photovoltaic system so renewable energy covers 40%-50% of electricity needed for production [chemical/medicines]
- Change production materials and seasonings, buy sustainable ingredients, develop new products using alternative ingredients [food]
- Ban use of plastic bottles and disposable plastic products at all group companies; switch company vehicles to hybrids [sales company/sales subsidiary]
- Invest in renewable energy business [finance/insurance]
- Form a climate change countermeasure committee at the head office to promote carbon neutrality and recycling and use of aluminum [iron/non-ferrous metals/fabricated metal products]

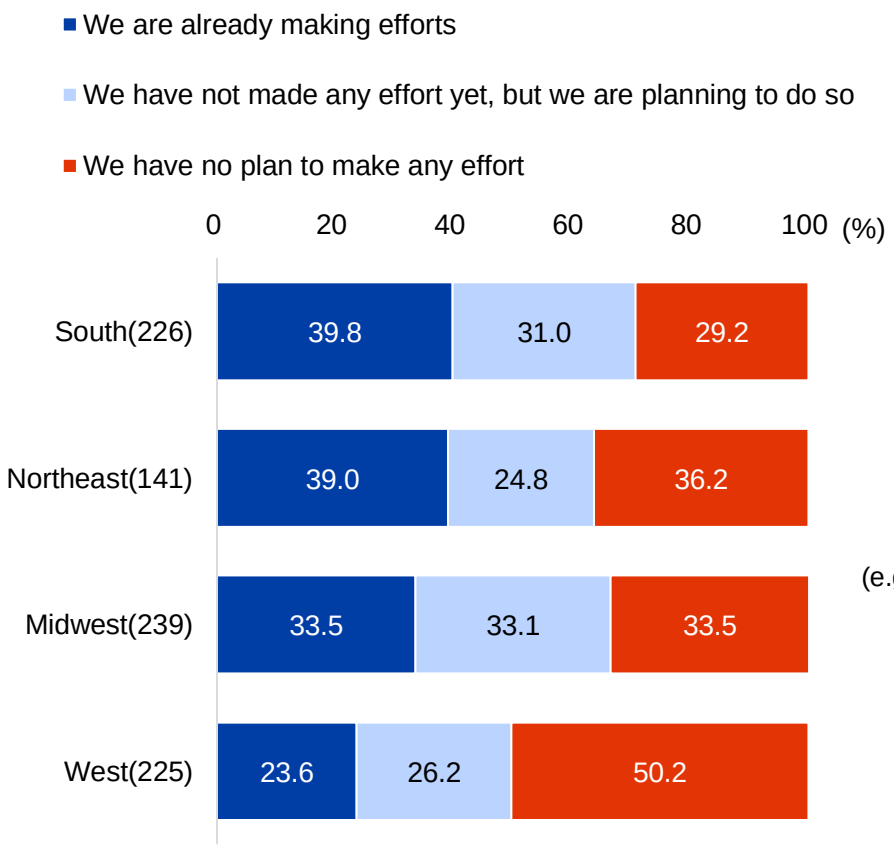
Challenges in Decarbonization (Free-form)

- Shortage of local talent capable of promoting decarbonization and capacity shortage [automotive etc. parts]
- How to procure renewable energy [other manufacturing]
- Difficult to ask suppliers in China and India to engage in decarburization [chemical/medicines]
- Finding decarbonization raw materials costing roughly the same as conventional raw materials [chemical/medicines]
- To inform all employees of decarbonization efforts and convince them to engage in them [electrical machinery parts/electronic device parts]
- Absorbing higher costs and investments associated with procuring renewable energy [automobiles etc.]

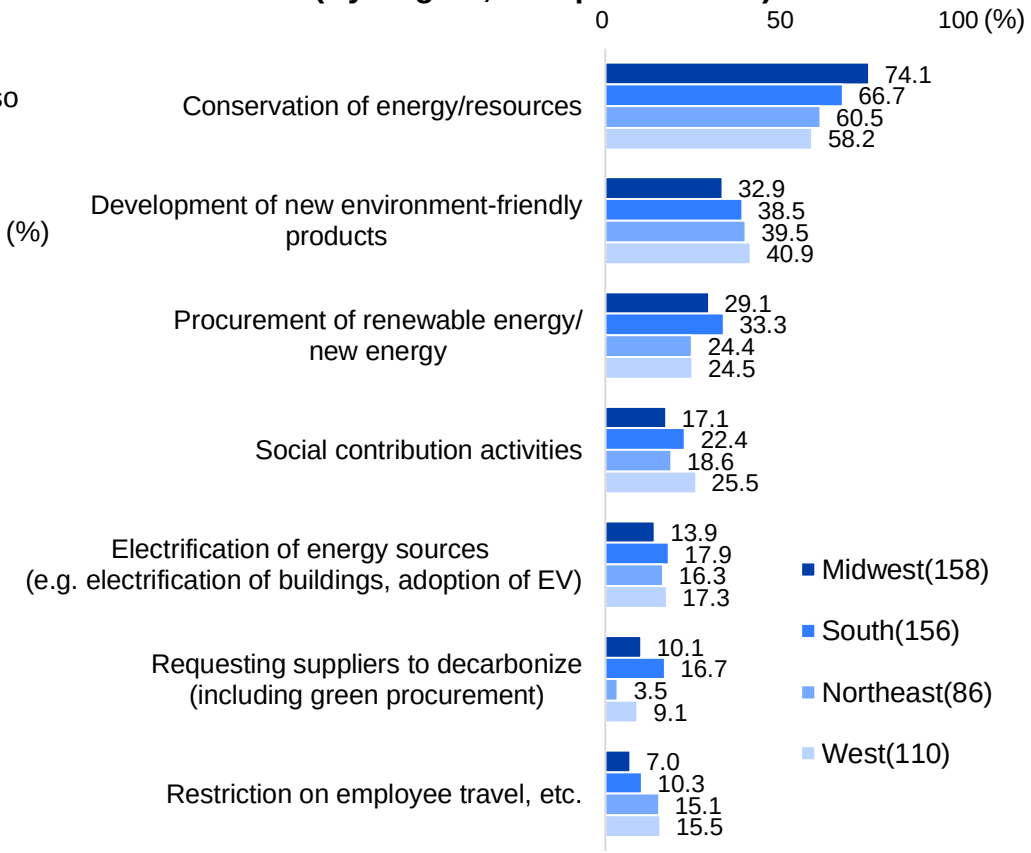
10-3 Decarbonization Efforts (by Region): 40% of Companies in the South, Northeast Engaged in Decarbonization Efforts

- Looking at the state of **decarbonization efforts by region**, those already engaged in such efforts accounted for **close to 40%** in the **South** (39.8%) and in the **Northeast** (39.0%). On the other hand, in the **West, half of companies "have no plans"** to do so.
- As for the nature of decarbonization efforts, "conservation of energy/resources" was a popular answer in the Midwest (74.1%), while "developing of new environmentally-friendly products" was common in the West (40.9%) and "procurement of renewable energy/new energy" in the South (33.3%).

Decarbonization Efforts (By Region)



Nature of Decarbonization Efforts (By Region, Multiple Answers)

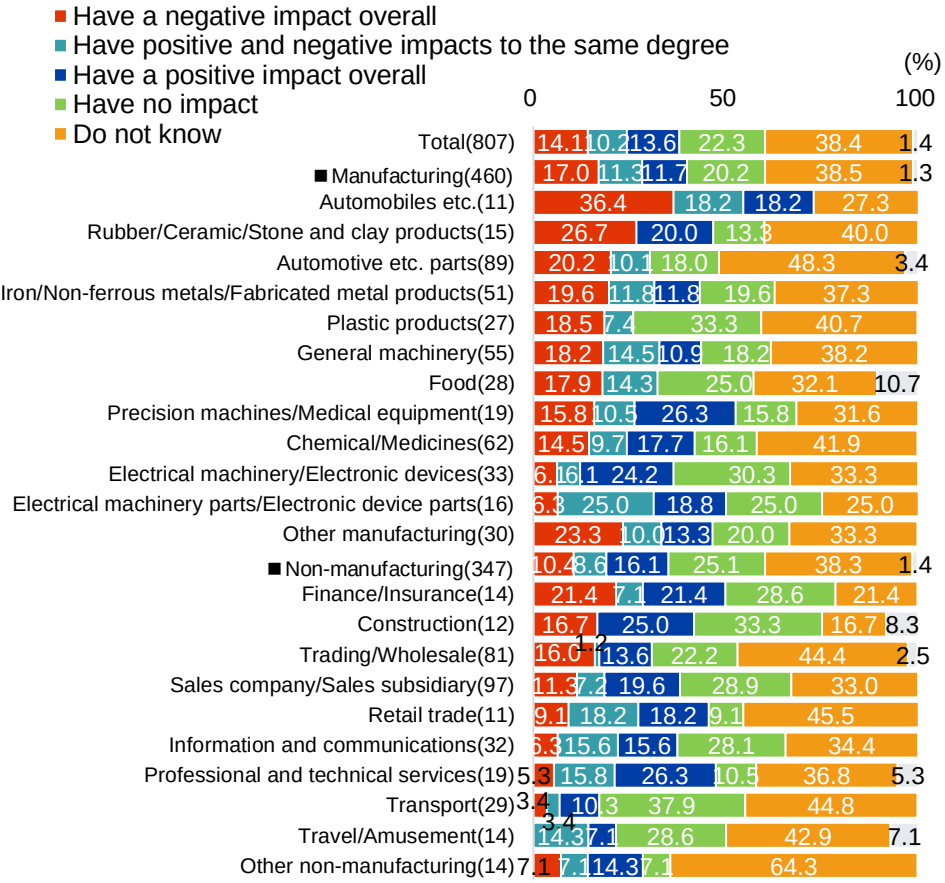


(Note) Only the top response items are listed in this chart.

11-1 Biden Administration Policies: Nearly 40% of Respondents "Do not Know"

- When asked about **the effects of the Biden Administration's policies on business activities**, **38.4%** said **"do not know,"** 22.3% said "have no impact"; less than 20% answered either "negative impact overall" (14.1%) or "positive impact overall" (13.6%).
- By industry, **"negative impact overall"** was common among **automobiles, etc.** (36.4%) and **rubber/ceramic/stone and clay products** (26.7%). **"Positive impact overall"** was common among **precision machines/medical equipment** (26.3%) and **professional and technical services** (26.3%).

Effects of Biden Administration's Policies on Business Activities (By Industry)



Negative Impact (Free-form)

- Vehicle electrification [automotive etc. parts]
- Tax rate increase, policy shackling return-to-work, insufficient measures to prevent China and other supply chain and logistics chain chaos [iron/non-ferrous metals/fabricated metal products]
- Due to excessive benefits, we can't get workers [plastic products]
- Tighter export regulations [iron/non-ferrous metals/fabricated metal products]
- Corporate tax rate is expected to increase [chemical/medicines]
- Relief payments have resulted in labor shortage. Labor shortage leading to higher prices [food]
- Responding to stricter environmental and labor standards [automotive etc. parts]
- Expanded Medicare and other plans squeezing medical institutions' finances [precision machines/medical equipment]

Positive Impact (Free-form)

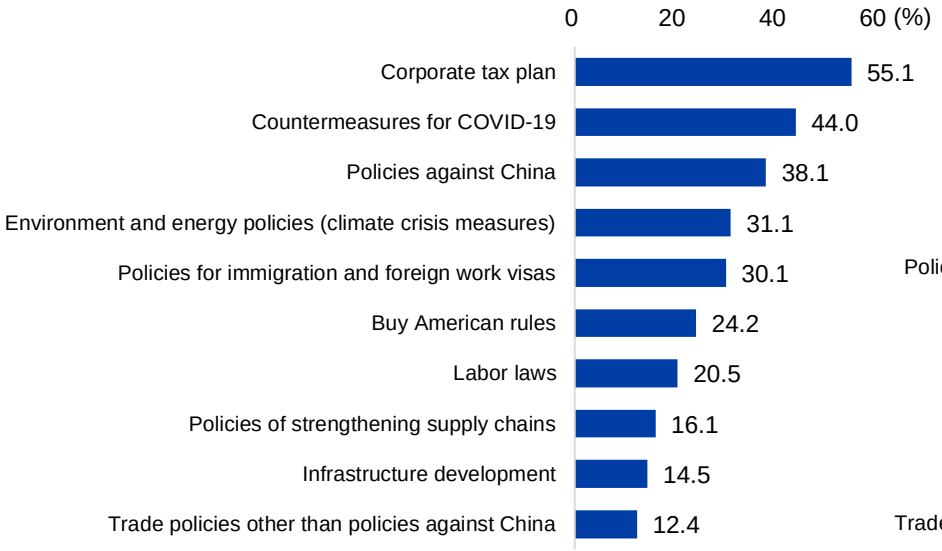
- Economic stimulus measures in medical and semiconductor manufacturing fields [precision machines/medical equipment]
- U.S. consumer economy improving [sales company/sales subsidiary]
- Clean energy investments providing opportunities [general machinery]
- Restart of visa processing enables increasing Japanese expats [other manufacturing]
- Infrastructure spending increases demand in construction industry [sales company/sales subsidiary]
- GHG emissions-cutting policy increasing interest in energy-saving vessels and alternative energy-powered vessels [transport]

(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

11-2 Policy Areas: U.S. Corporate Tax Plan Has Effects on Management: 55%

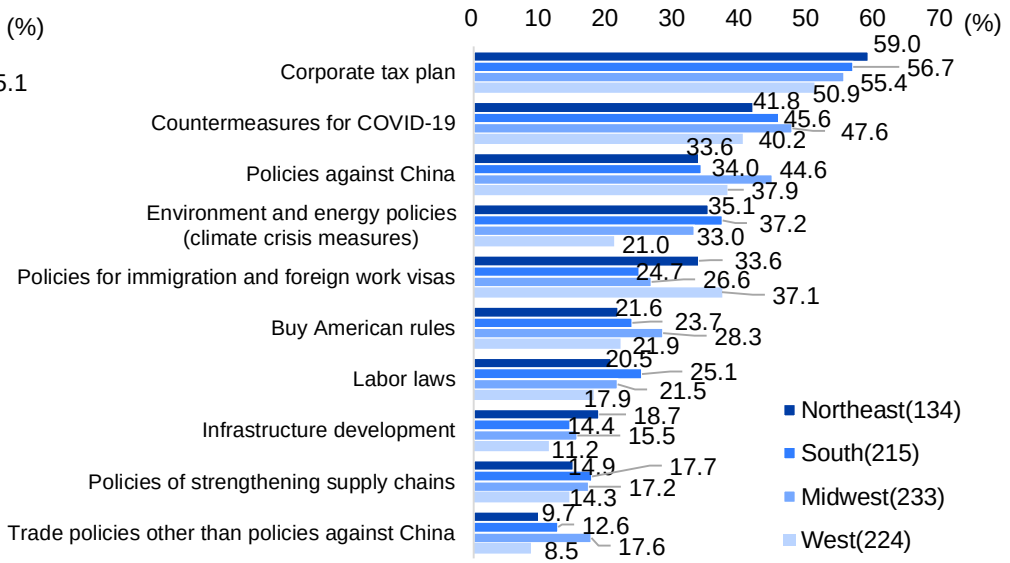
- Asked about **the Biden Administration's policy areas that have an impact on management**, **55.1% said "U.S. corporate tax plan,"** 44.0% said "countermeasures for Covid-19", and 38.1% said "policies against China," and 31.1% said "environmental/energy policies."
- **By region**, **"U.S. corporate tax plan" was cited by nearly 60% in the Northeast** (59.0%) while **"countermeasures for Covid-19" and "policies against China" were cited by over 40% in the Midwest** (47.6% and 44.6%, respectively).

Biden Administration's Policy Areas that Have Effects on Management (Multiple Answers)



(Note) Only the top response items are listed in this chart. # of respondents:806

Biden Administration's Policy Areas that Have Effects on Management (By Region, Multiple Answers)



(Note) Only the top response items are listed in this chart.

Responses and Efforts (Free-form)

- To prevent or curb Covid cases and enhance awareness of individuals, expand company system and improve workplace environment. Reassess supply chain and logistics arrangement chain. [iron/non-ferrous metals/fabricated metal products]
- Economic security and trade control regulations are handled by a dedicated department created at the parent company in Japan [professional and technical services]
- Cultivate suppliers outside of China [chemical/medicines]
- Remodeling to change or reduce supply from China [electrical machinery/electronic devices]
- Develop products that comply with environmental regulations [sales company/sales subsidiary]
- Raise wages to secure labor [food]
- Comply with USMCA [automotive etc. parts]
- Anticipating bolstering of domestic supply chain, consider investment in logistics facilities [transport]
- Closely monitor information and use that information to work with the head office [electrical machinery/electronic devices]
- Lobbying through industry group [precision machines/medical equipment]

Canada
（32nd Annual Survey）

Overview of This Year's Survey

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese-affiliated companies operating in Canada, and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 8-28, 2021

Percentage of Valid Responses

70.2%
(127 out of 181 companies)

Scope of Survey

Japanese-affiliated manufacturers and non-manufacturers operating in Canada that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese firms in Canada.

Note

This is the 32nd annual survey, conducted since 1989 (not conducted in 2004). Branches of Japanese companies were added to the scope of survey this time.

Respondents by Industry and Region

(Unit: company, %)

	Total	Composition Ratio
All Industries	127	100

By Industry					
Manufacturing	Total	Comp. Ratio	Non-Manufacturing	Total	Comp. Ratio
Automotive etc. parts	11	8.7	Sales companies/ Sales subsidiaries	21	16.5
General machinery	8	6.3	Trading/Wholesale	17	13.4
Iron/Non-ferrous metals/ Fabricated metal Products	6	4.7	Transport	9	7.1
Food	5	3.9	Travel/Amusement	8	6.3
Precision machines/ Medical equipment	5	3.9	Mining/Energy	5	3.9
Automobiles etc.	4	3.1	Information and communications	5	3.9
Plastic products	3	2.4	Finance/Insurance	3	2.4
Electrical machinery/ Electronic devices	3	2.4	Retail trade	2	1.6
Rubber/Ceramic/ Stone and clay products	2	1.6	Real estate and leasing	1	0.8
Railroad/Industrial vehicles etc.	2	1.6	Education/Medical	1	0.8
Chemical/Medicines	1	0.8	Other non-manufacturing	1	0.8
Other manufacturing	4	3.1			
Total	54	42.5	Total	73	57.5

(1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
(2) The firms that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
(3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
(4) In cases where the denominator of the number of respondents for a given choice did not meet a certain number, that industry/choice was excluded from the survey.

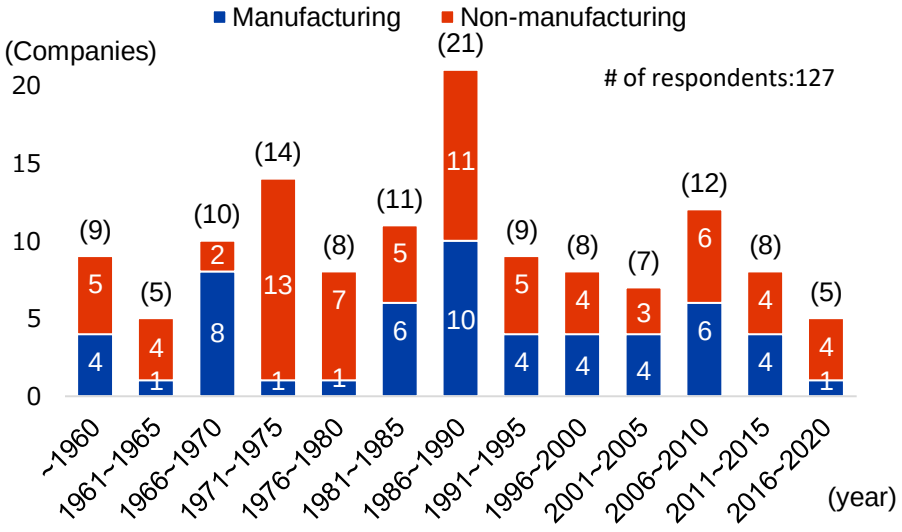
Breakdowns of the Provinces the Respondents and Their Main Plants Are Located, Their Establishment Years, Number of Locations, and Number of Plants

Breakdown of the Provinces Where the Respondents and Their Main Plants

	Provinces Where Respondents are Located			Provinces of their Main Plants
Number of Respondents	127			44
Province	Manufacturing	Non-manufacturing	All industries	All industries
Ontario	44	37	81	43
British Columbia	4	25	29	9
Alberta	1	6	7	4
Quebec	3	5	8	7
Manitoba	1	0	1	0
Saskatchewan	1	0	1	4
Total	54	73	127	67

(Note) For the main plants, responses were tabulated up to a maximum of four sites per company.

Respondents' Establishment Years



(Note) Parentheses indicate the number of respondents in all industries (manufacturing and non-manufacturing included).

Breakdown of the Number of Respondent Sites

Number of Respondents	104			
	Number of companies			Number of sites
Number of sites	Manufacturing	Non-manufacturing	All industries	Overall total
No sites	1	0	1	0
1	26	27	53	53
2	14	11	25	50
3	5	6	11	33
4	0	3	3	12
5	2	3	5	25
6-10	0	3	3	23
11 or more	0	3	3	52
Total	48	56	104	248

Breakdown of the Number of Respondent Plants

Number of Respondents	73			
	Number of companies			Number of plants
Number of plants	Manufacturing	Non-manufacturing	All industries	Overall total
No plants	6	27	33	0
1	29	1	30	30
2	6	1	7	14
3 or more	1	2	3	12
Total	42	31	73	56

Numbers of Employees and Expatriates from Japan: 65 and 2 (Median Value Per Company), Respectively

- The 127 respondents had 58,611 employees in total, with the **per-company average coming out to 461.5 employees and the median value at 65 employees**. When we look at this by industry, among manufacturers, the median value came out to 129.5 persons, while for non-manufacturers the median value was 30 persons.
- Meanwhile, respondents had a combined total of 409 expatriates from Japan (expatriates), with the **per-company average being 3.2 secondees, and the median value being 2**. By industry, the median value among manufacturers stood at 2 secondees, while that for non-manufacturers was 1.

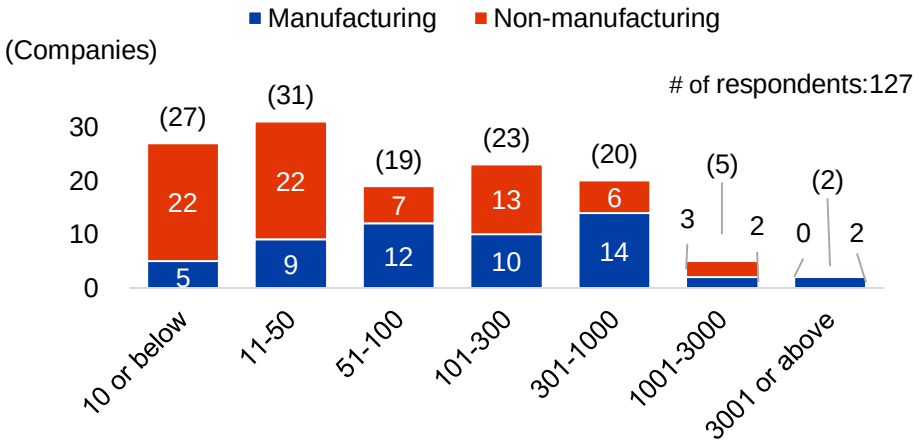
Number of Employees: Average and Median Values

	Overall No. of employees	Average value	Median value
All industries (127)	58,611	461.5	65
Manufacturing (54)	45,147	836.1	129.5
Non-manufacturing (73)	13,464	184.4	30

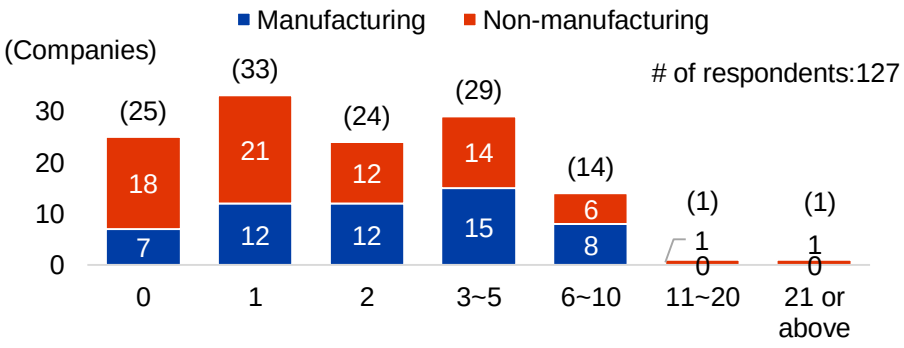
Number of Expatriates from Japan: Average and Median Values

	Overall No. of employees	Average value	Median value
All industries (127)	409	3.2	2
Manufacturing (54)	151	2.8	2
Non-manufacturing (73)	258	3.5	1

Breakdown of Numbers of Employees By Industry



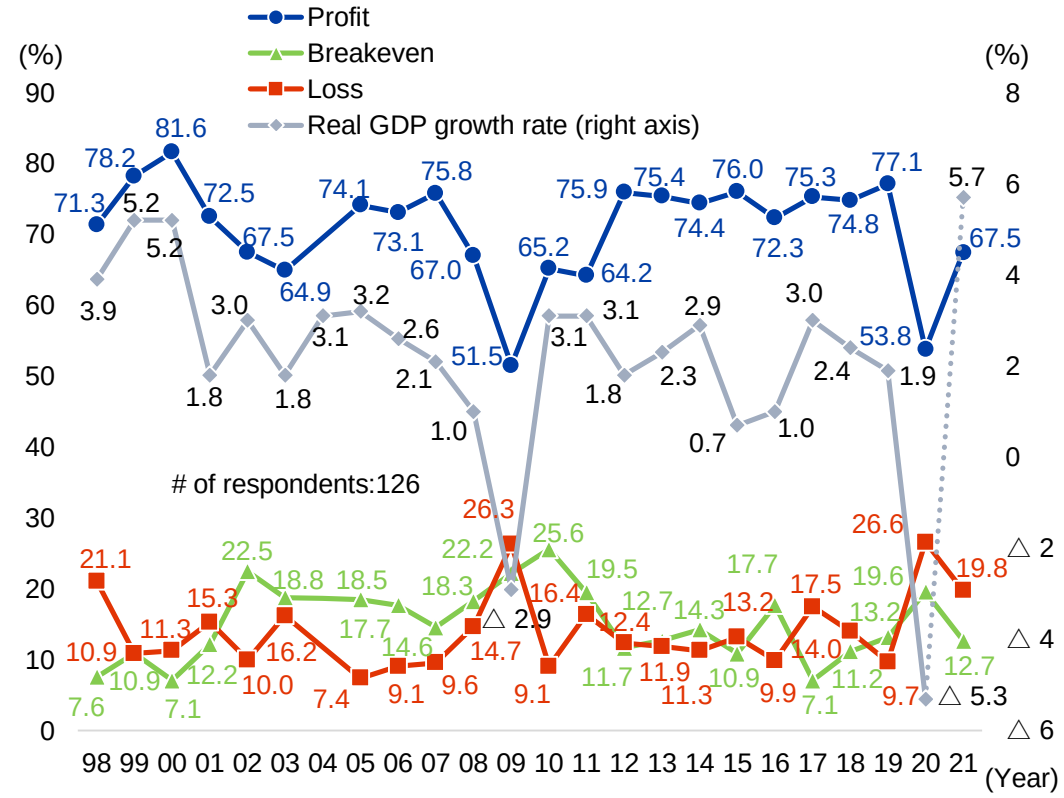
Breakdown of Numbers of Expatriates from Japan By Industry



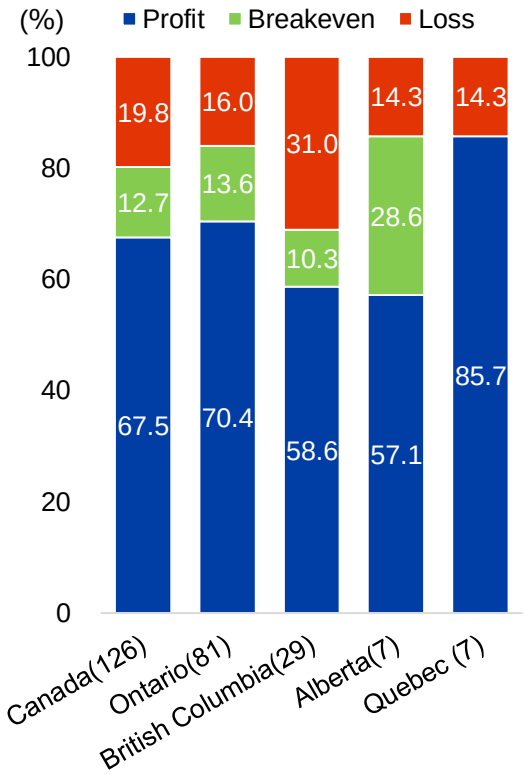
1-1 2021 Operating Profits Forecasts: Nearly 70% of Respondents Predict Profits, a Major Improvement

- **67.5% of respondents said they expected to earn operating profits in 2021**, which was 13.7 points up from last year (53.8%). Despite signs of recovery from the Covid-19 crisis, compared to the 2010s when this was in the 70% range, there are still expectations for further improvement.
- By region, Quebec had the most respondents expecting to earn operating profits, at 85.7%.

Operating Profit Forecasts and Canada's Real GDP Growth Rate



2021 Operating Profit Forecast (By Region)

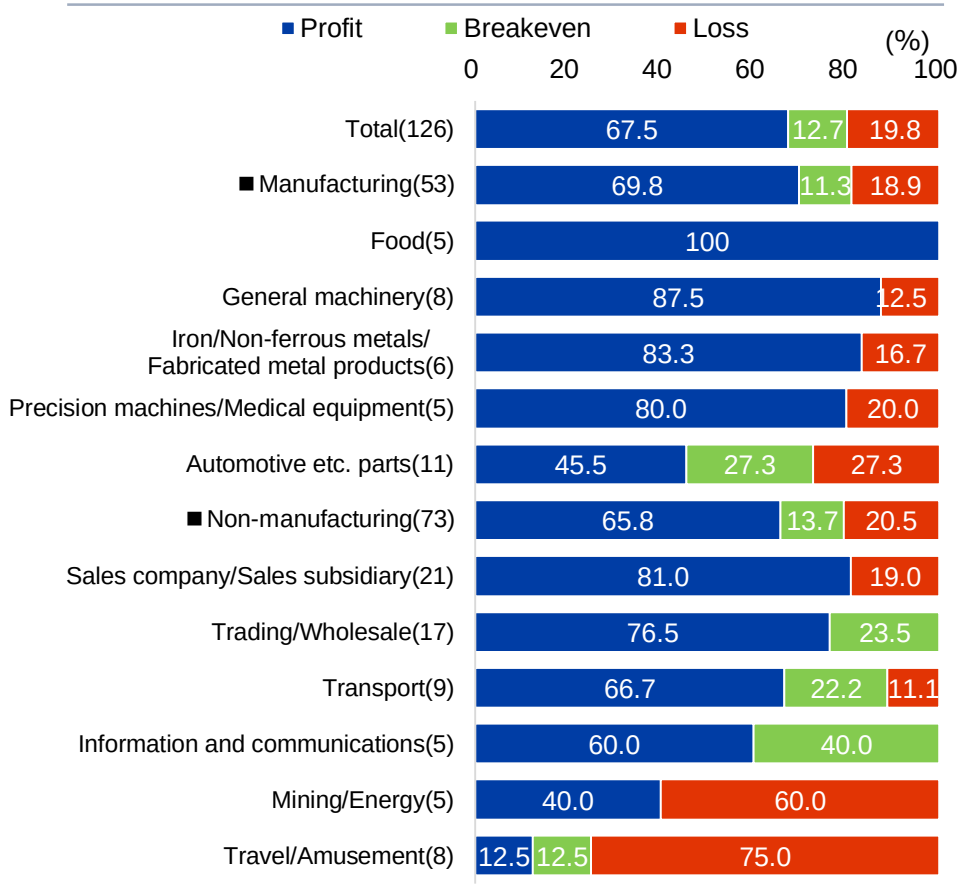


(Note) The 2021 real GDP growth rate reflects IMF predictions (published October 2021).
No survey was conducted in 2004.

1-2 2021 Operating Profits Forecasts (by Industry): Food, General Machinery, Iron/Non-ferrous Metals/Fabricated Metal Products etc. Report Favorable Outlooks

- **Looking at the 2020 operating profits forecasts by industry**, we see that the **food** (100%), **general machinery** (87.5%), and **iron/non-ferrous metals/fabricated metal products** (83.3%) industries had the highest percentages of respondents expecting to be profitable.
- Meanwhile, **negative profit forecasts** were the highest among respondents in the **travel/amusement** (75.0%) and **mining/energy** (60.0%) industries.

2021 Operating Profit Forecasts (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Factors Behind Positive Operating Profits Forecasts (Free-form)

- We have continued to keep our operations profitable. Healthcare-related demand has allowed us to ensure minimum levels of profits even during the pandemic [precision machines/medical equipment]
- Not only has domestic spending increased in place of overseas travel, but we have seen more tourists from the U.S. as well as more tourists from overseas [travel/amusement]
- The pandemic has led household spending to be more oriented toward domestic consumption, and staycation demand has revitalized the market [sales company/sales subsidiary]

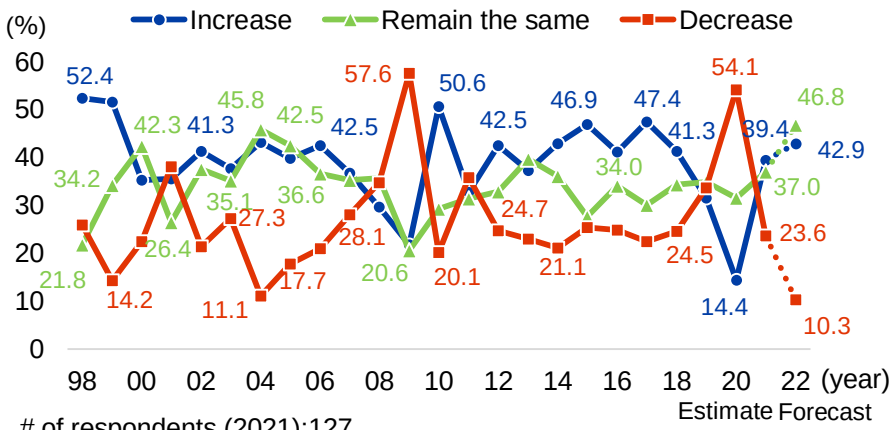
Factors Behind Negative Operating Profits Forecasts (Free-form)

- The semiconductor shortage caused by the pandemic led to lower production at our customers, and skyrocketing materials and transport costs resulted in higher expenses [automotive etc. parts]
- There has been a manpower shortage due to employee turnover because of the pandemic, and not enough skilled labor among urgent new hires to resolve this shortage [iron/non-ferrous metals/fabricated metal products]
- The pandemic has resulted in fewer travelers and fewer businesspersons in downtown [sales company/sales subsidiary]
- Lower operating profits for electric power products because of more intense competition, plus supply chain disruptions caused by the pandemic, as well as weak sales activity for automobiles resulting from the semiconductor shortage [sales company/sales subsidiary]
- Because of the abundant grain harvests in other production regions (Australia, Black Sea), Canadian grain could not compete in terms of price, so there has been no export demand [sales company/sales subsidiary]

1-3 Business Sentiment DI: Business Sentiment Significantly Improved at 15.8, 2022 Outlook Also Positive

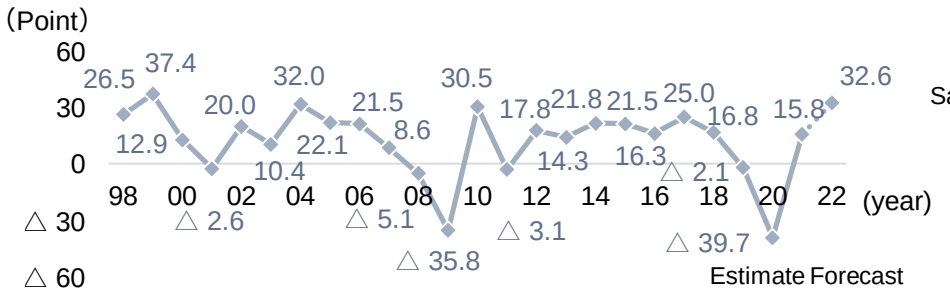
- **The DI for business sentiment** (the difference between improvement and deterioration) **in 2021** came out to 15.8, **showing a major improvement from the previous year** (-39.7). As the **main reason for the improvement in operating profits, most respondents cited "sales increase in local markets"** (78.0%).
- A high percentage of respondents said that their 2022 forecasts were positive, but their operating profits will be unchanged (46.8%).

Year-over-Year Operating Forecast Profit Changes

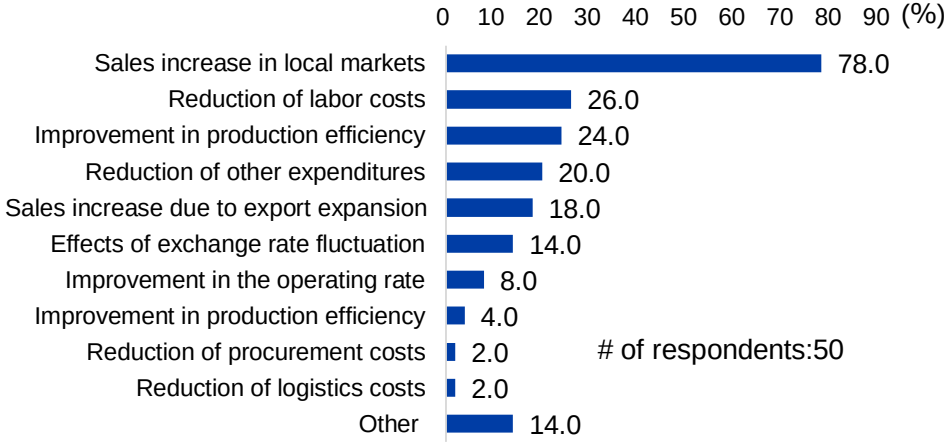


# of respondents (2021):127
# of respondents (2022):126

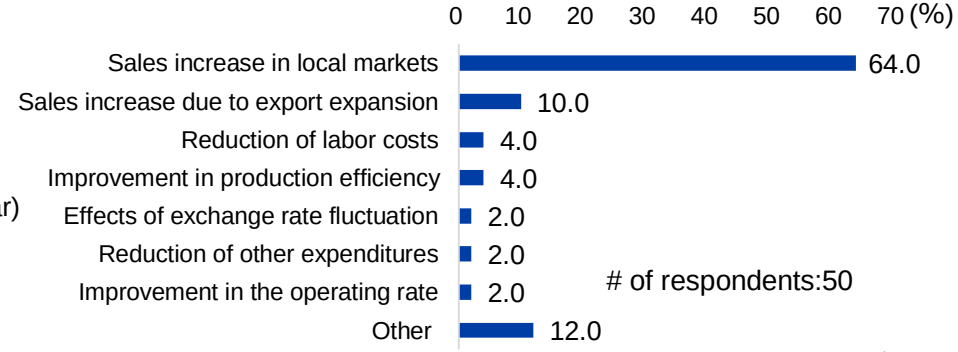
Business Sentiment DI Trends



Reasons for Improved Operating Profit Forecasts for 2021 (Multiple Answers)



Reasons for Improved Operating Profit Forecasts for 2021 (Main Reasons)

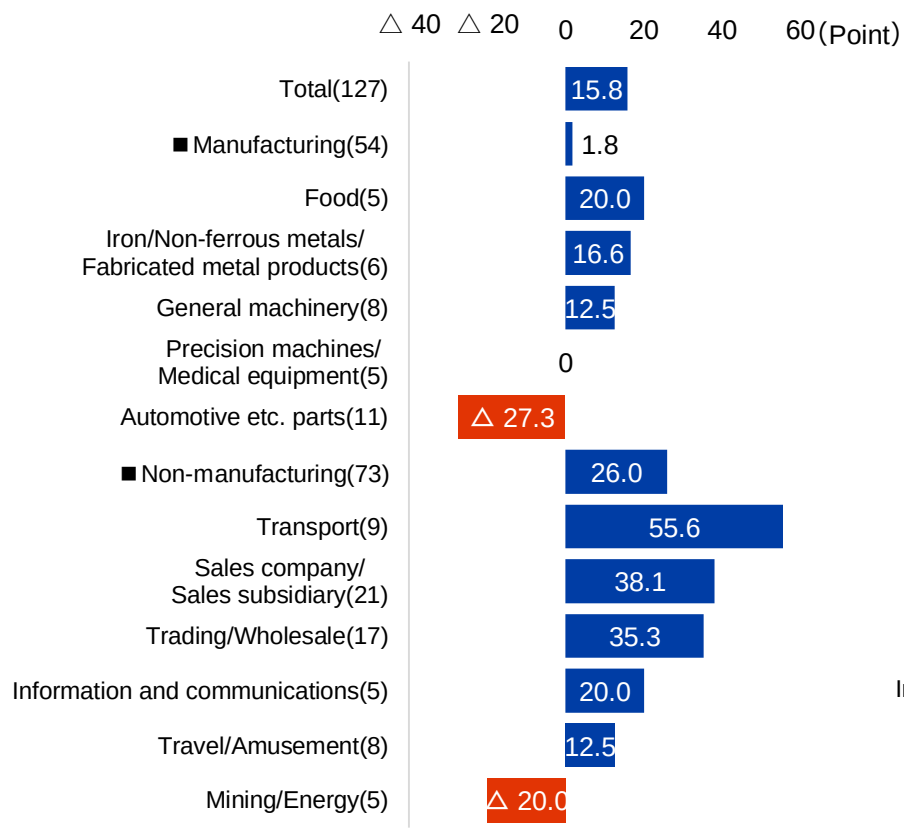


(Note) Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey.

1-4 Business Sentiment DI (By Industry): 2022 Will Bring Improvement for Nearly All Industries

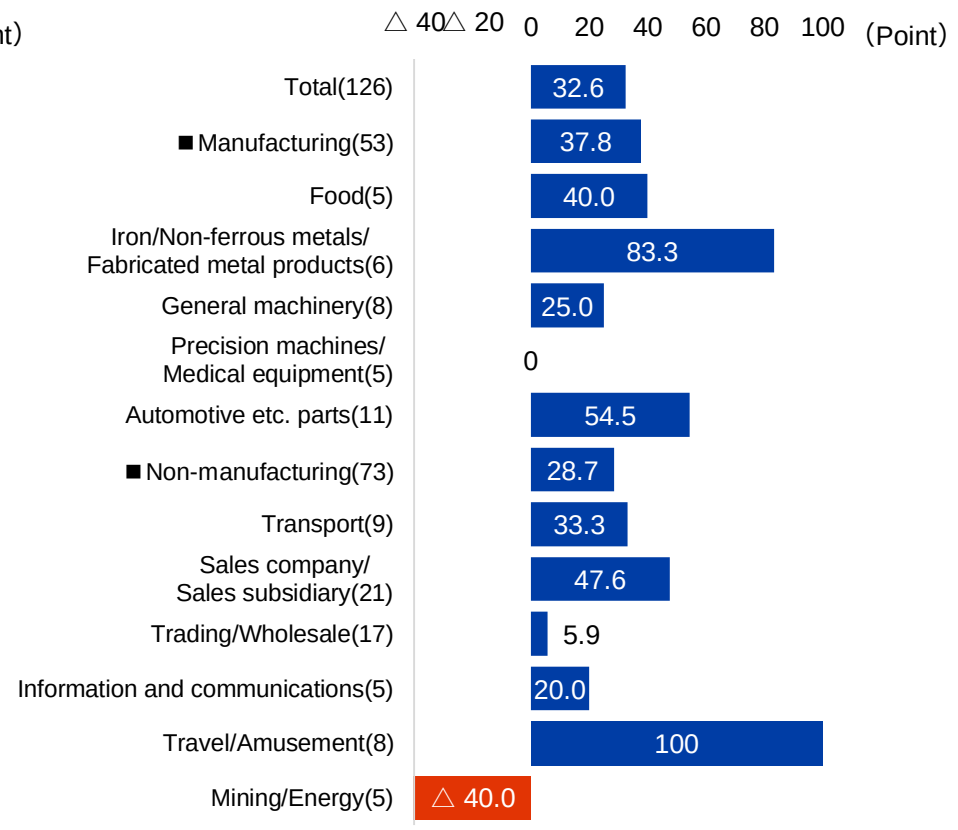
- **The DI for 2022 by industry** is expected to **surpass 2021 results in nearly all industries**, except for certain industries including transport and trading/wholesale.
- Meanwhile, respondents in the **mining/energy industry** expect **another year of negative results just as in 2021**, and **an even more dramatic downturn**.

Business Sentiment DI for 2021 (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Business Sentiment DI for 2022 (By Industry)

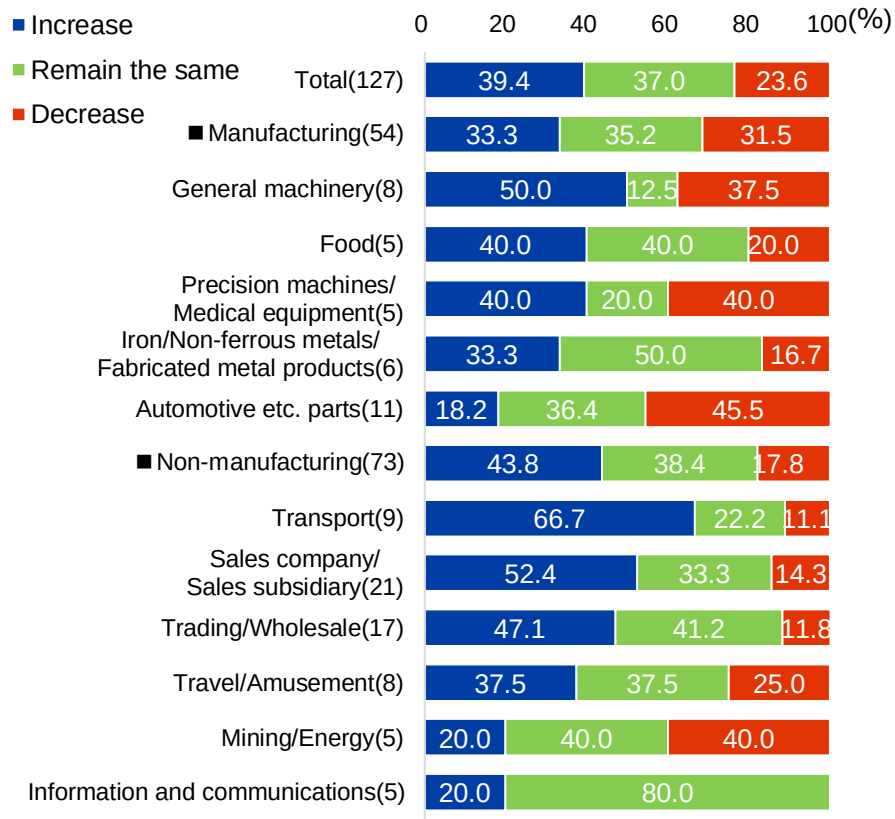


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

1-5 Compared to 2019 (Before the Covid-19 Pandemic): More Respondents Predicted “Deterioration” in Operating Profits

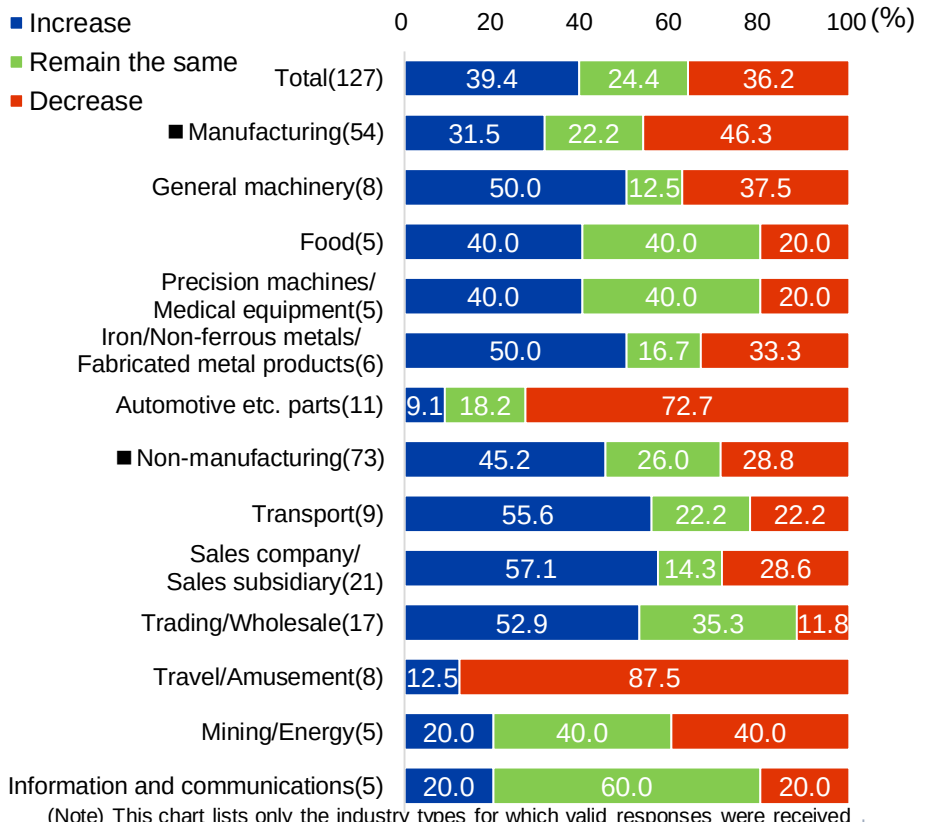
- Compared to **pre-pandemic operating profit expectations,** 39.4% of respondents overall said they expected an “improvement” versus the pre-pandemic period (the same as the result of 2020), but **36.2% of respondents expected a “deterioration” versus 2019, which was far higher than compared to 2020** (23.6%).
- **When viewed by industry**, the results show that over 50% of respondents in several industries reported expectations of “improvement,” specifically among **sales companies/sales subsidiaries** (57.1%), those in **transport** (55.6%), and those in **trading/wholesale** (52.9%). Meanwhile, between 70% and 90% of respondents in industries including **travel/amusement** (87.5%) and **automotive etc. parts** (72.7%) said that they expected a “deterioration” instead.

Changes in Operating Profits Compared to 2020 (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Changes in Operating Profits Compared to 2019 (By Industry)

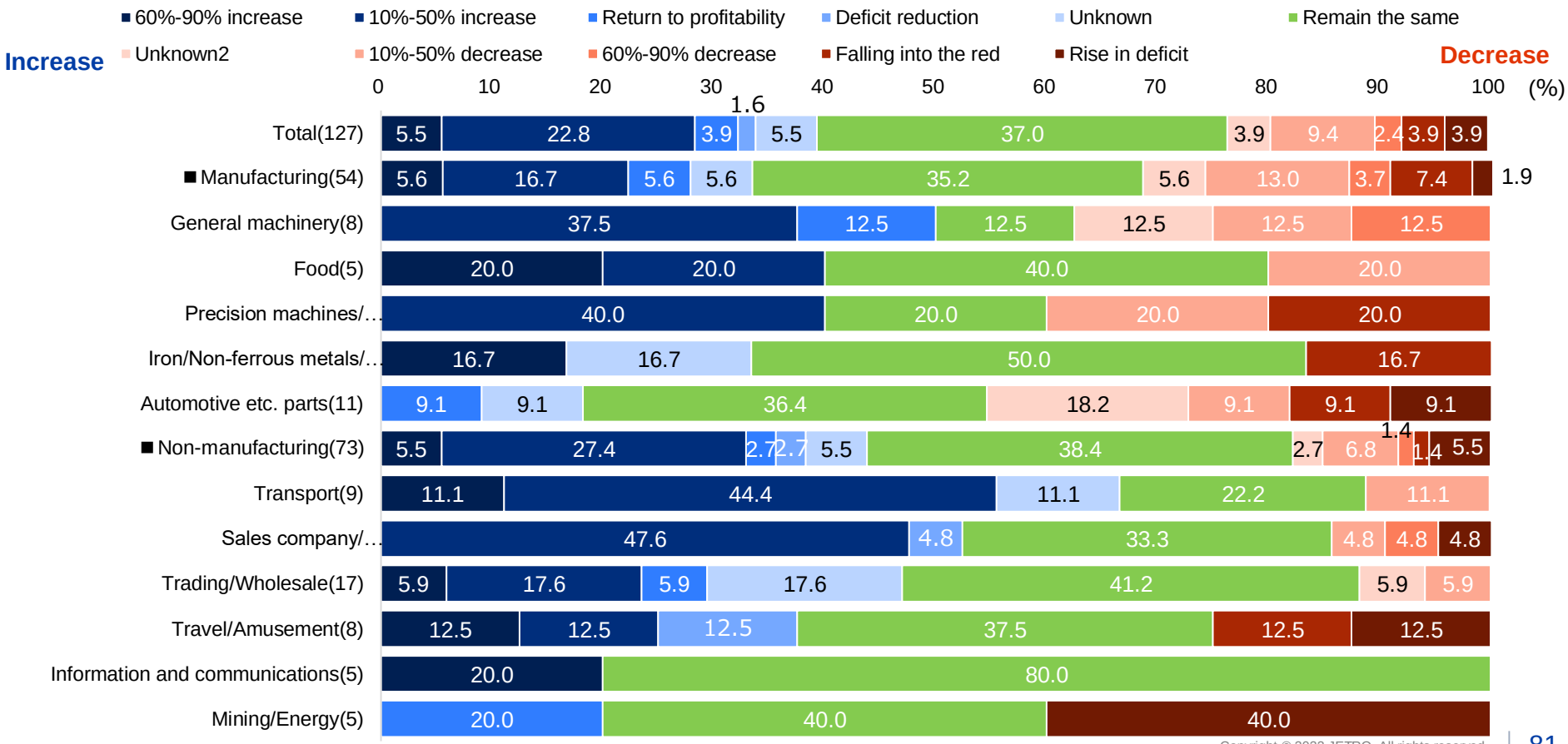


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

1-6 2021 Operating Profits Forecast as Year-over-Year Comparison (Fluctuation): "Remain the Same" at Nearly 40%, and "10-50% Increase" at Over 20%

- **With regard to year-over-year fluctuations in operating profit forecasts in 2021, 37.0% of all respondents said they expected "remain the same,"** followed by 22.8% who expected their operating profits to be 10-50% increase. The response "10-50% increase" was highest among sales companies/sales subsidiaries (47.6%) and among respondents in the transport (44.4%), precision machines/medical equipment (40.0%), and general machinery (37.5%) industries. In the mining/energy industry, "rise in deficit" was the response given by 40% of respondents.

Year-over-Year Fluctuation in Operating Profits Forecasts in 2021 (By Industry)

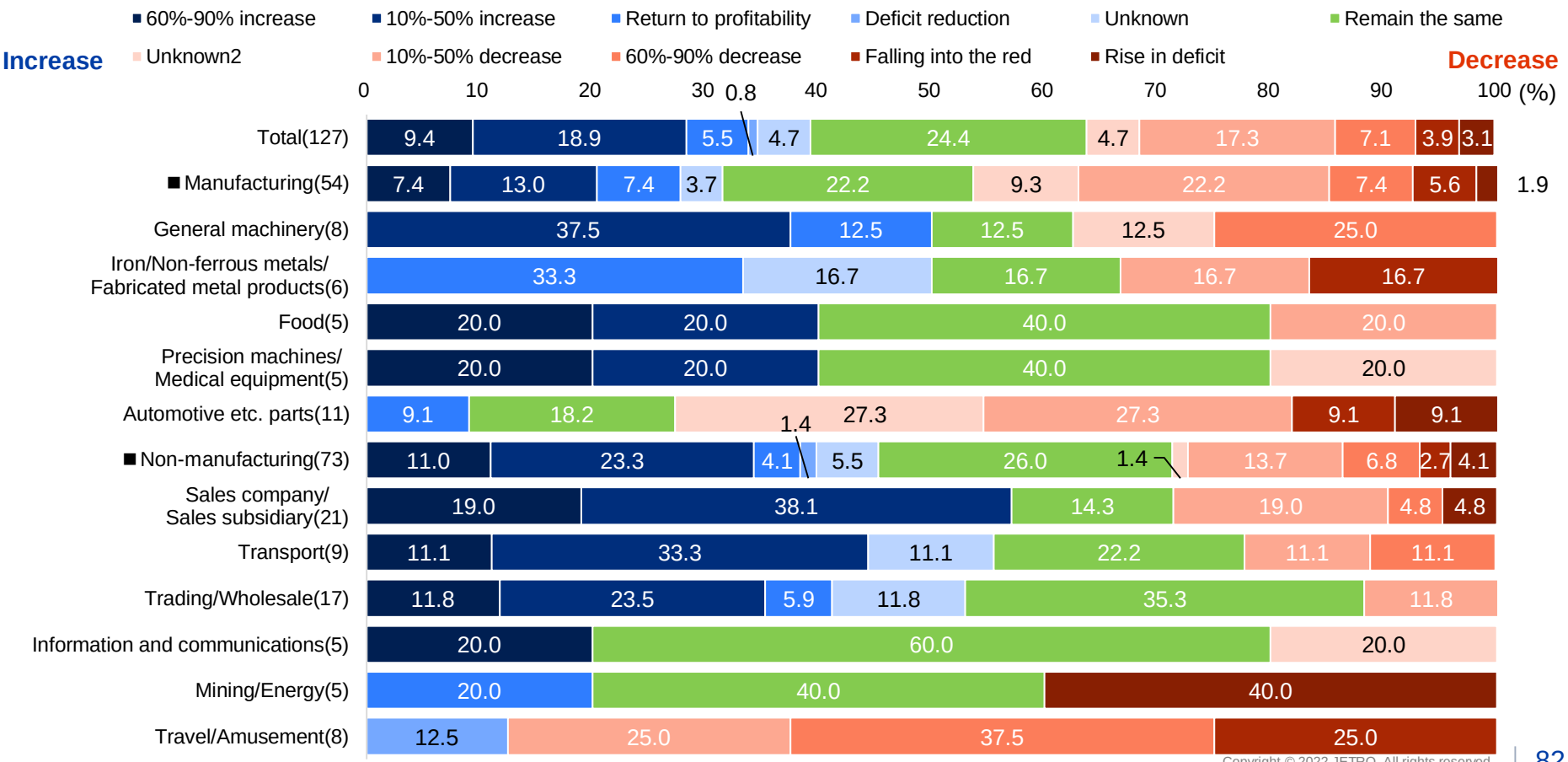


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

1-7 2021 Operating Profit Forecasts Compared to 2019 (Fluctuation): "Remain the Same" at Around 25%, "10-50% Increase" at Nearly 20%

■ **With regard to fluctuations in operating profit forecasts in 2021 versus 2019, 24.4% of all respondents said they anticipated "remain the same,"** followed by **18.9% who expected profits to be a "10-50% increase," and 17.3% who believed their profits would be a "10-50% decrease."** The response "10-50% increase" was given most by sales companies/sales subsidiaries (38.1%) and companies in general machinery (37.5%), transport (33.3%), and trading/wholesale (23.5%). A downward profit trend was most conspicuous among respondents in the travel/amusement industry.

Fluctuations in Operating Profit Forecasts in 2021 Compared to 2019 (By Industry)

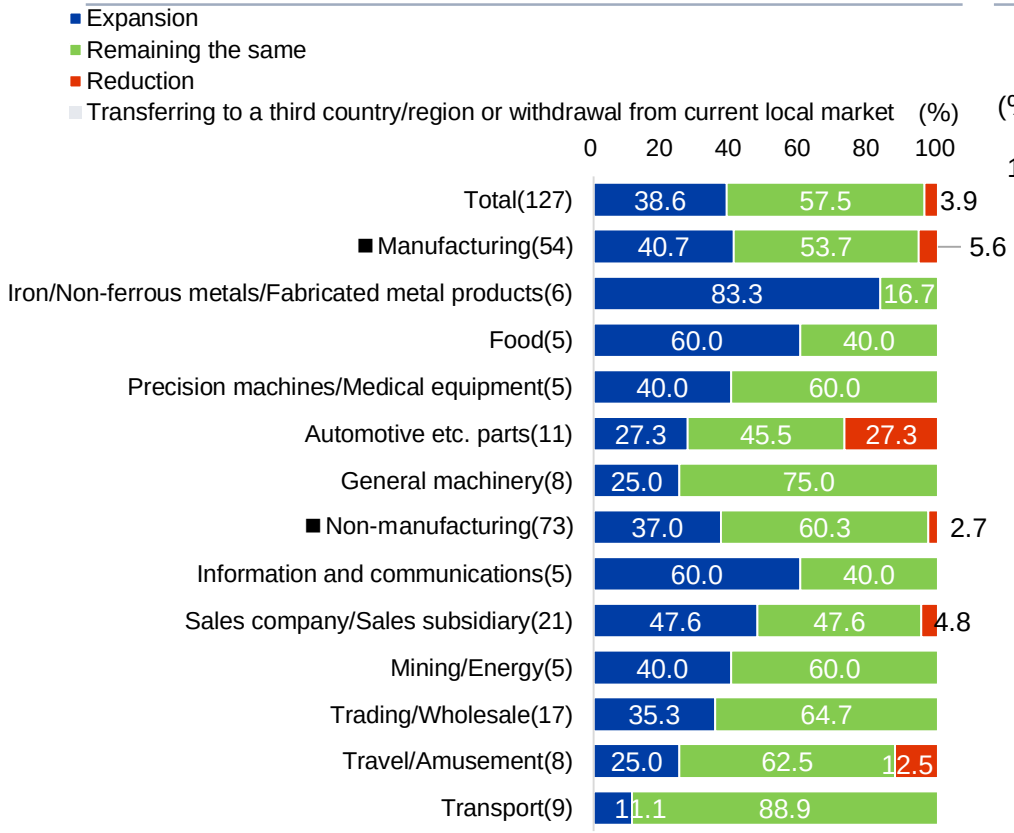


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

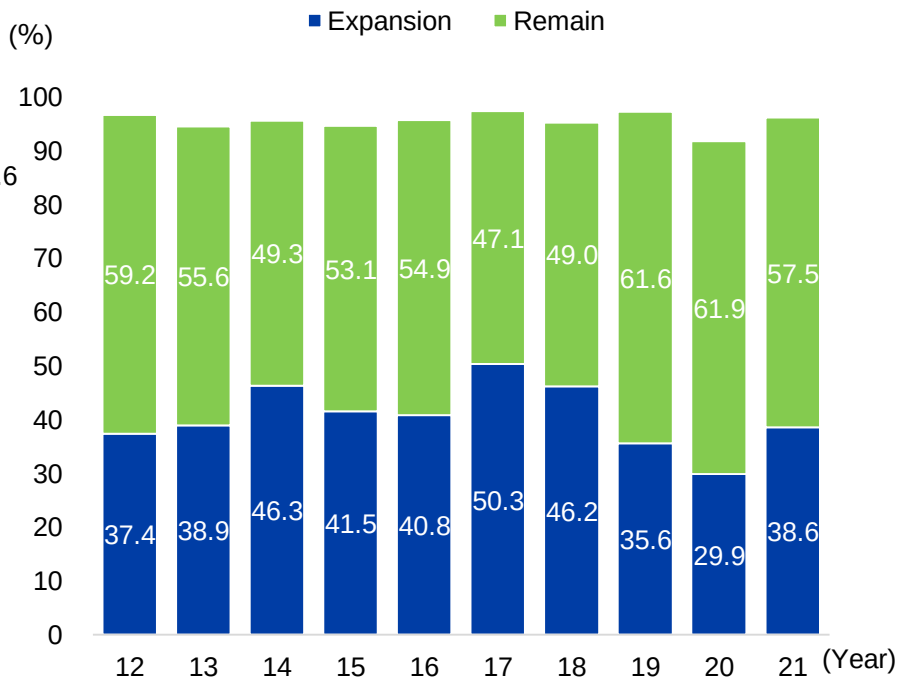
Future Business Direction:
2-1 Close to 40% Plan to Expand (Recovery)

- **The percentage of respondents** looking to **expand their business in the next 1-2 years was 38.6%**, which was **8.7 points higher than in the last survey** (29.9%).
- When this is viewed by industry, 40.7% of respondents in manufacturing expressed this intention, 11.9 points higher than in the last survey (28.8%), while 37.0% of respondents in non-manufacturing industries said the same, this being 6.3 points higher than last time (30.7%). In particular, it was in iron/non-ferrous metals/fabricated metal products, food, and information and communications that the highest percentages of respondents said they were looking to expand their businesses.

Business Direction in the Next 1-2 Years (By Industry)



Trends in Business Expansion for Next 1-2 Years

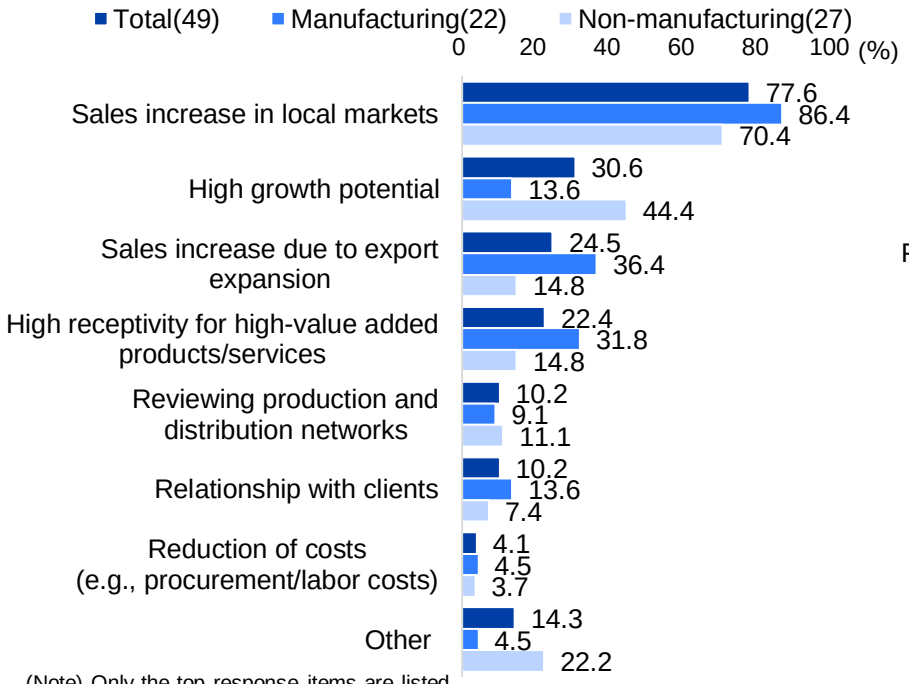


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

2-2 Reasons for Business Expansion: Nearly 80% Cite Sales Increase in Local Markets

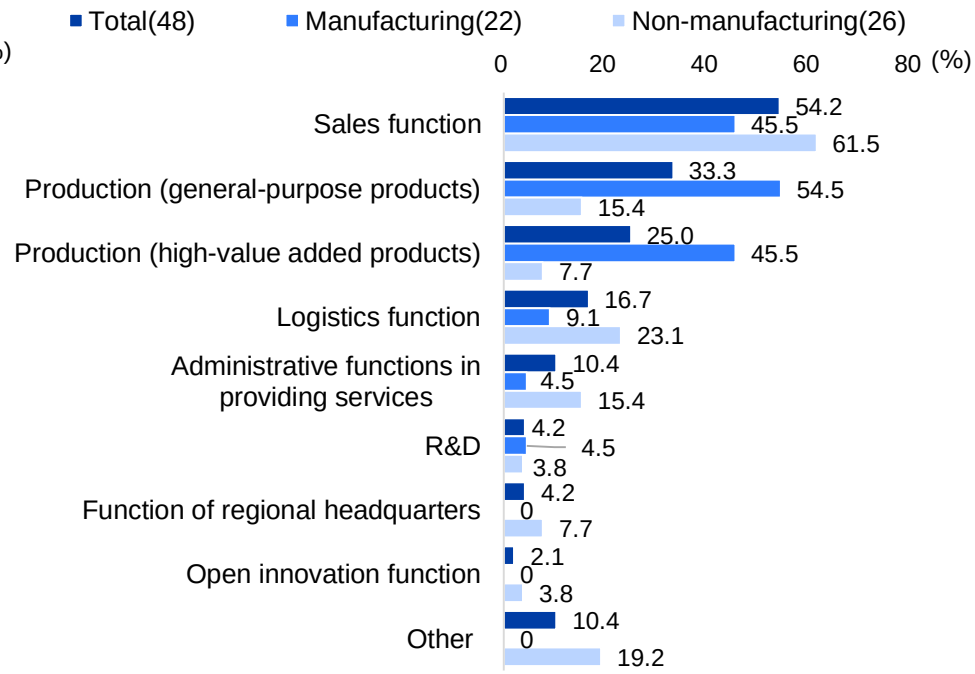
- **The main reason** cited by companies looking **to achieve business expansion** in the next one to two years was **"sales increase in local markets" for 77.6%** of respondents, which was the highest percentage of any answer, followed by "high growth potential" (30.6%) and "sales increase due to export expansion" (24.5%).
- In terms of the specific **functions that they wished to expand**, the top answers given were **"sales function"** (54.2%), **"production (general-purpose products)"** (33.3%), and **"production (high-value added products)"** (25.0%).

Reasons for Business Expansion (Multiple Answers)



(Note) Only the top response items are listed.

Specific Functions To be Expanded (Multiple Answers)



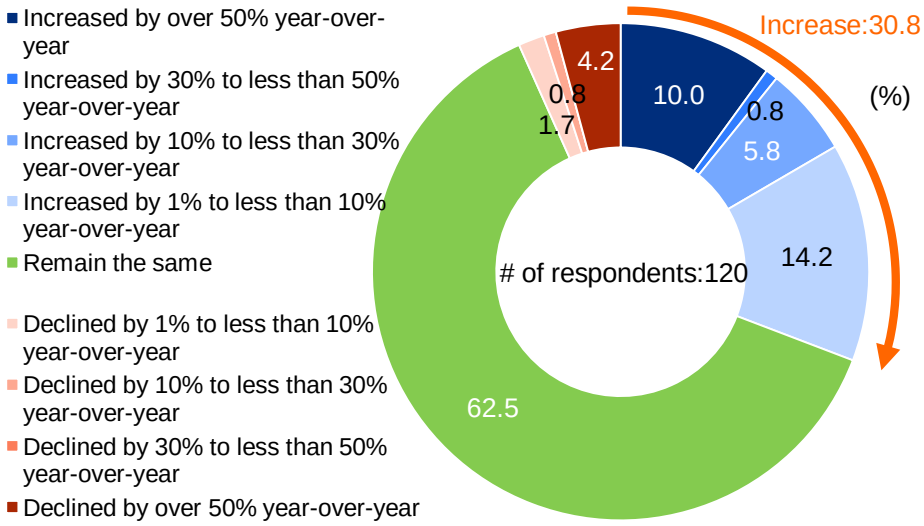
Reasons for Business Expansion: "Other" Specific Reasons (Free-form)

- Add new production lines as a result of new product development [plastics products]
- Rebounding interest rates [finance/insurance]
- In 2022, consumer confidence in economic activity will be higher than in 2020-2021 (when it dropped because of the pandemic), leading to higher business demand [travel/amusement]
- More new investment opportunities [trading/wholesale]
- Geological prospects for new ore deposits to be discovered, incentives from provincial governments [mining/energy]

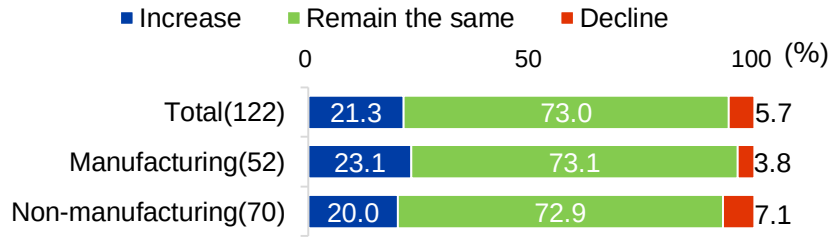
2-3 Changes in Capital Investments: Approximately 30% of Companies' Investments Surpassed Prior Year

- 30.8% of respondents said their **capital investments for 2021** surpassed those in the prior year in terms of monetary amount, this being an **increase of 12.2 points from the last survey** (18.6%). Only 6.7% of **companies said they made smaller investments year-over-year**, which was **19.5 points lower** than last time (26.2%) and a significant improvement.
- **The top answer for the purpose of these capital investments was "maintenance and/or repair of existing equipment," as was the case last year**, at 44.5%.

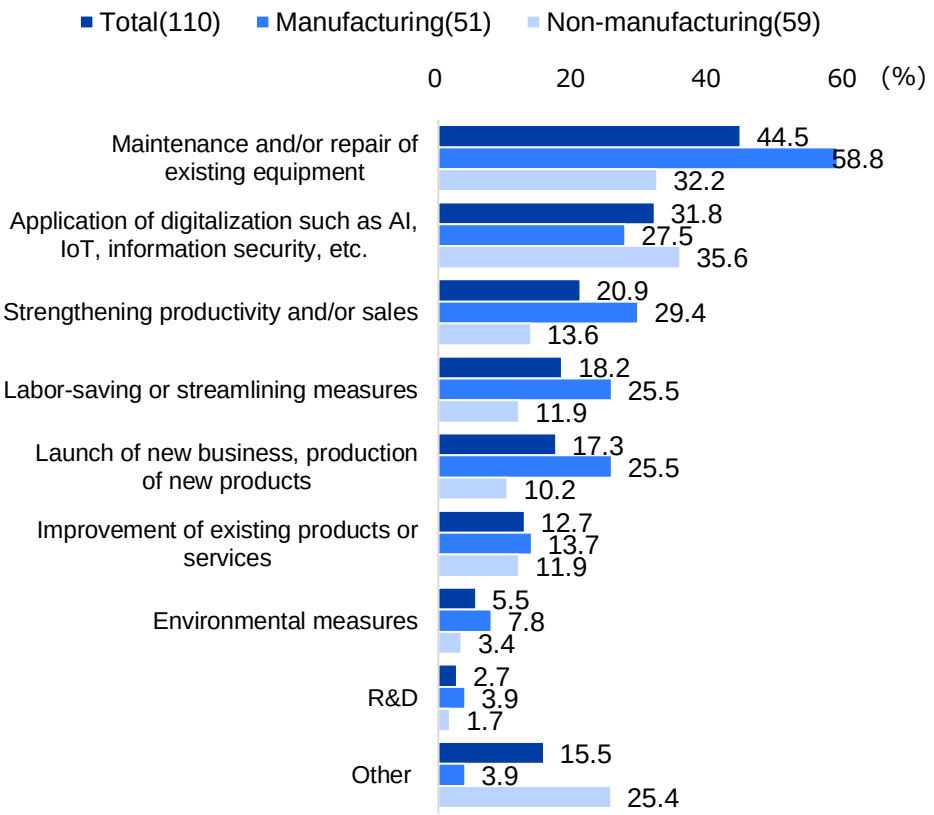
2021 Changes in Capital Investments



Capital Investment Plans for 2022 and Beyond (By Industry)



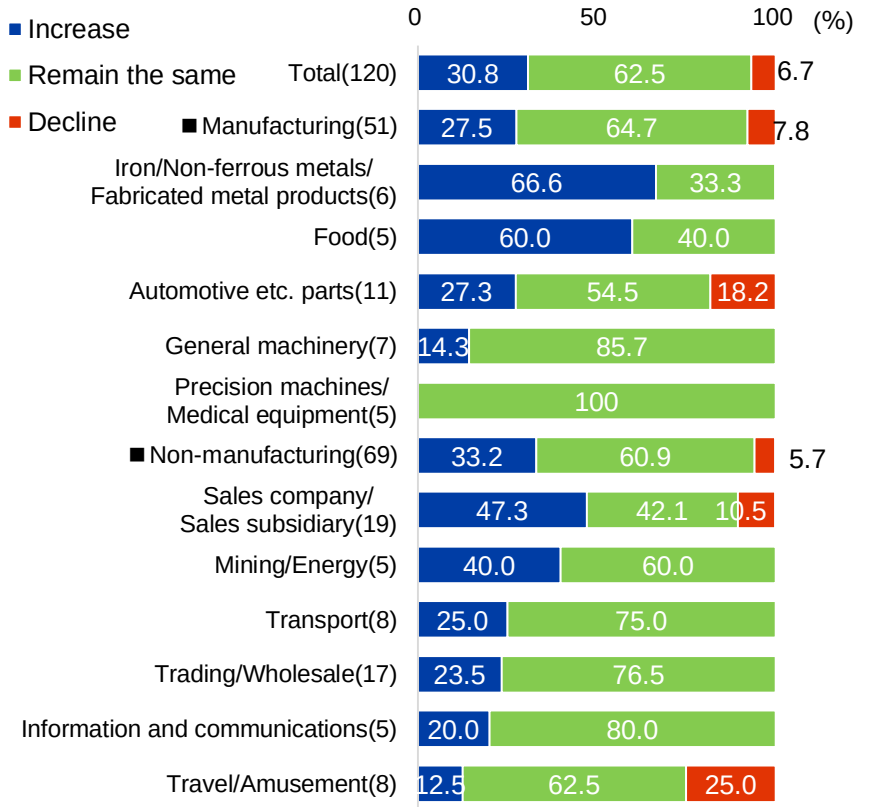
Purposes of Capital Investments (Multiple Answers)



2-4 Changes in Capital Investments (by Industry): "Increased" Cited by Nearly 70% of Respondents in Iron/Non-ferrous Metals/Fabricated Metal Products

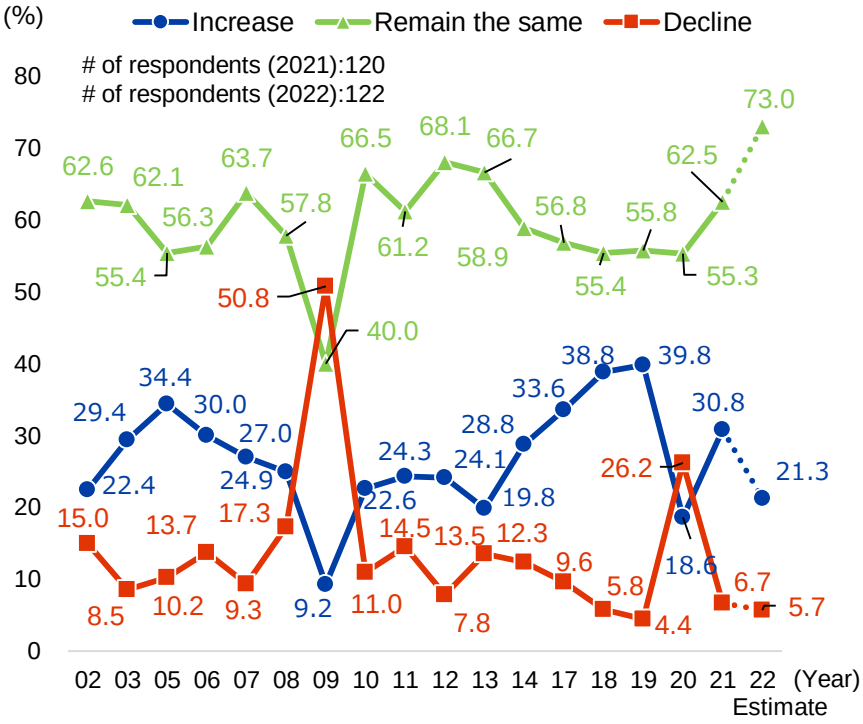
- A comparison **by industry of changes in capital investments in 2021 shows that the percentages of companies that had "increased" their capital investments year-over-year** were the highest in industries such as **iron/non-ferrous metals/fabricated metal products** (66.6%), **food** (60.0%), and **sales companies/sales subsidiaries** (47.3%).
- **The percentage of companies with "increased" capital investments from the prior year had remained over 30% for three straight years since 2017**, but then fell to around 20% in 2020. However, **2021 marked a rebound with a 12.2 points increase, accounting for 30.8% of respondents**. Forecasts suggest that this percentage will drop once again in 2022 (21.3%).

Changes in Capital Investments in 2021 Vs. Prior Year (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Trends in Annual Changes in Capital Investments (2002-2022 Forecast)

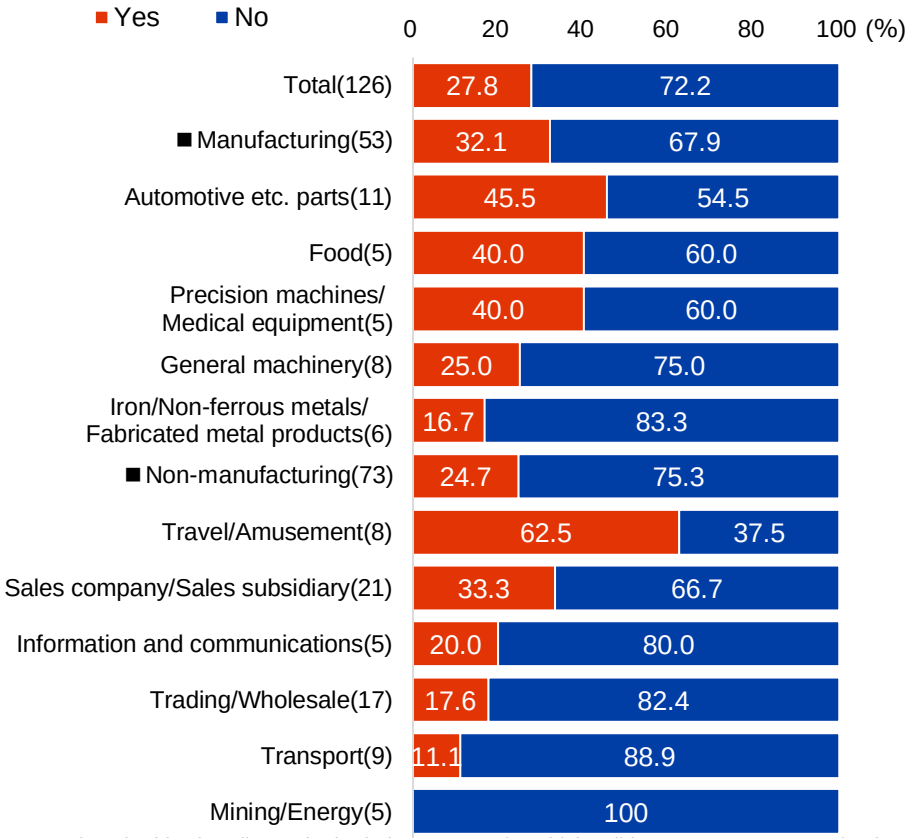


(Note) No survey was conducted in 2004. This question was not asked in 2015 and 2016.

2-5 Reassessing Sales Strategies: Close to 30% "Have" Plan to Reassess Their Strategies

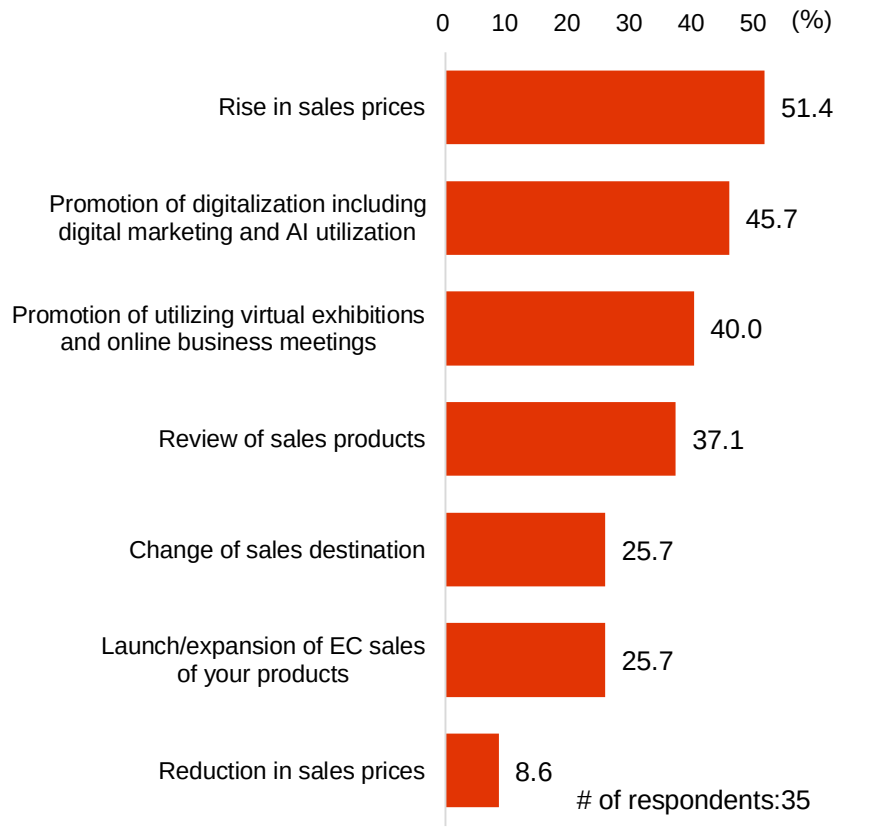
- **27.8% of respondents said that they had plans to reassess their sales strategies**, and when this is viewed **by industry**, it was the **travel/amusement** (62.5%) and **automotive etc. parts** (45.5%) industries where the most companies gave this response.
- In terms of **the nature of these reassessments**, the top answers were **"rise in sales prices"** (51.4%) and **"promotion of digitalization including digital marketing and AI utilization"** (45.7%).

Plans to Reassess Sales Strategies (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

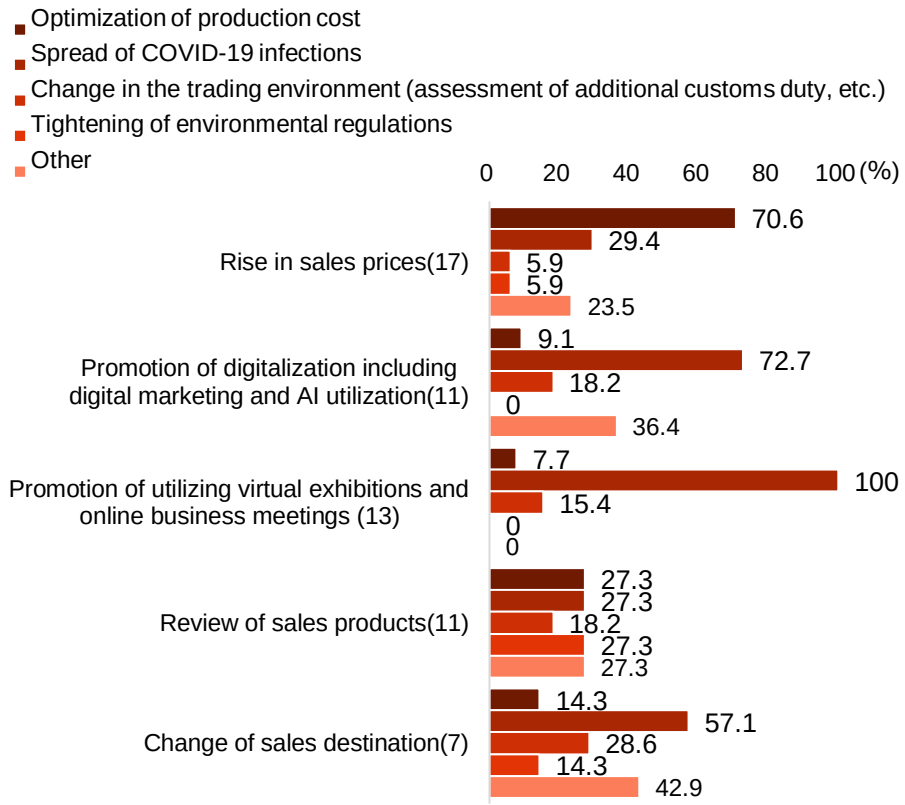
Nature of Reassessment of Sales Strategies (Multiple Answers)



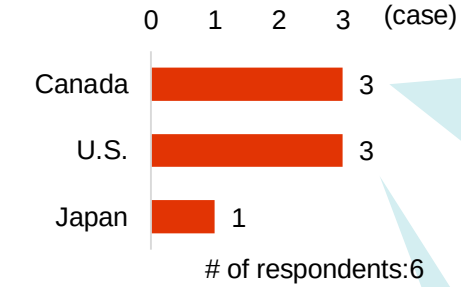
2-6 Reassessments of Sales Markets by Country and Region: Shifts Away from Canada, the U.S. Most Cited

- When we look more closely at the types of sales strategy reassessments, we see that **the biggest reason given by respondents for "rise in sales prices" was "optimization of production cost"** (70.6%), while **the top reason given for "promotion of digitalization" was "the spread of Covid-19"** (72.7%).
- **Regarding which sales markets were to be reassessed**, **shifts away from Canada and from the U.S.** were most cited (3).
- **For new sales markets after these changes**, **Canada** and **ASEAN** were each cited in two cases; the U.S. and Japan were each cited once.

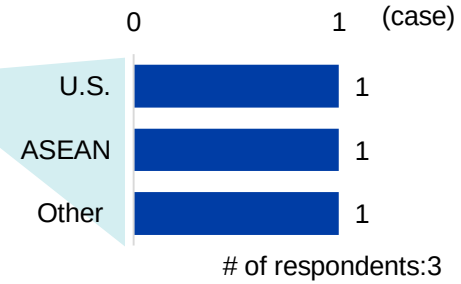
Reasons for Reassessing Sales Strategies (Multiple Answers)



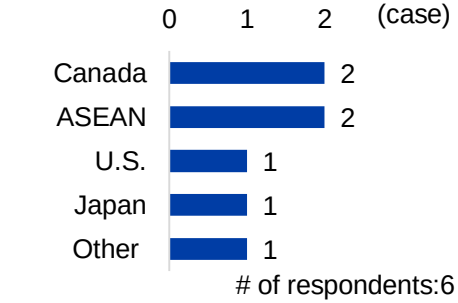
Sales Markets Subject to Reassessment (Multiple Answers)



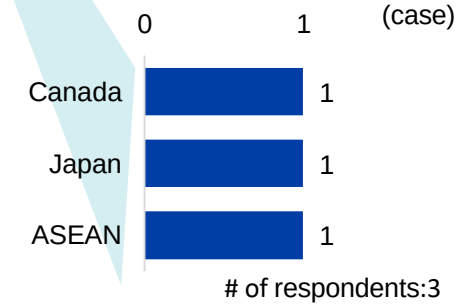
New Sales Markets After the Change from Canada (Multiple Answers)



New Sales Markets After Reassessment (Multiple Answers)



New Sales Markets After the Change from US (Multiple Answers)

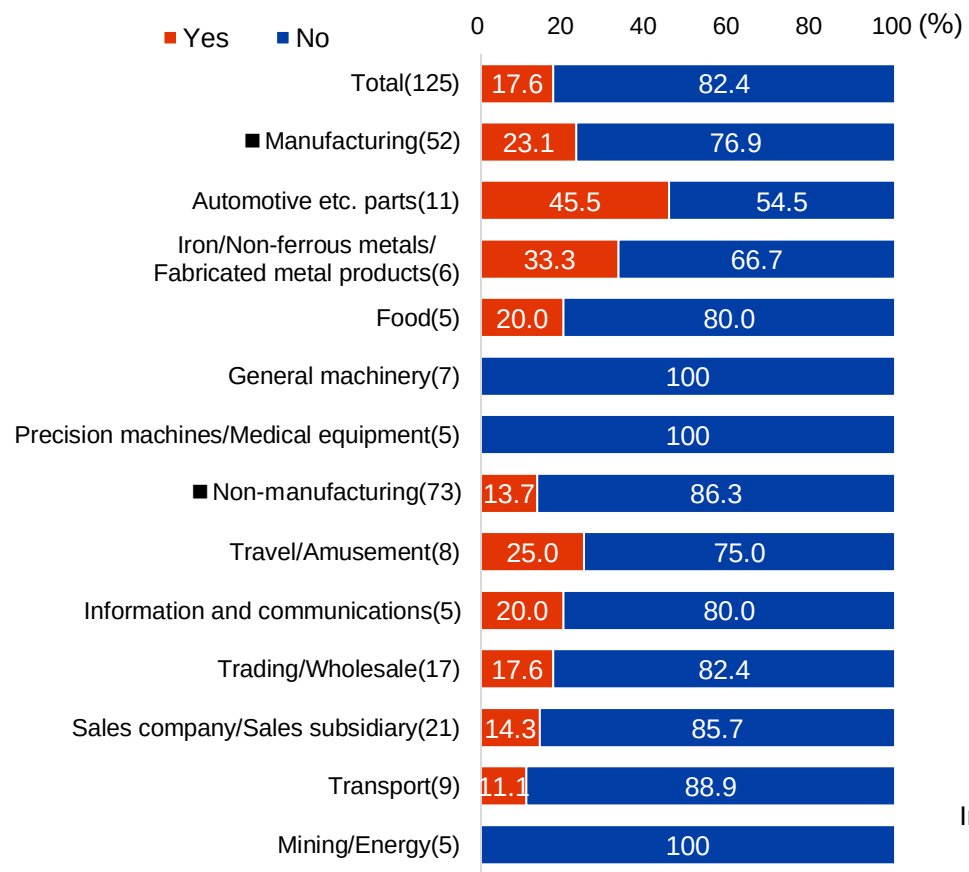


(Note) Only the top response items are listed.

2-7 Reassessing Procurement: Nearly 20% "Have" Plans to Reassess Their Procurement

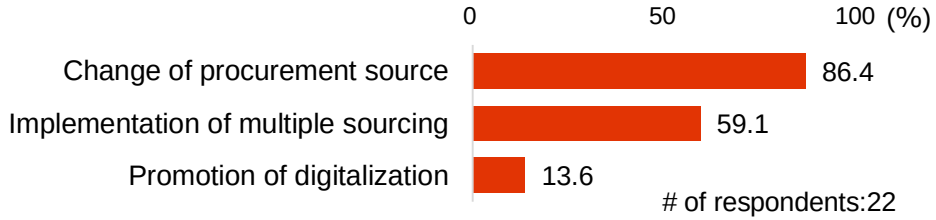
- **When asked if they had plans to reassess their procurement, 17.6% of respondents said "yes,"** with a higher percentage of manufacturers (23.1%) giving this response than non-manufacturers (13.7%).
- In terms of **the nature of these reassessments**, **86.4% of respondents cited "change of procurement source,"** while other top reasons given included "implementation of multiple sourcing" at 59.1%, as well as "optimization of production cost" and "the spread of Covid-19."

Plans to Reassess Procurement (By Industry)

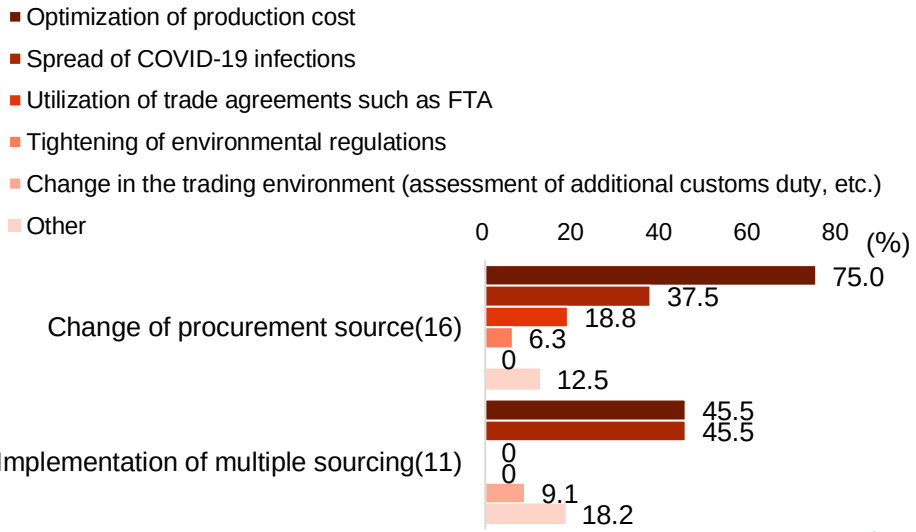


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Nature of Reassessment of Procurement (Multiple Answers)



Reasons for Reassessing Procurement Sources (Multiple Answers)

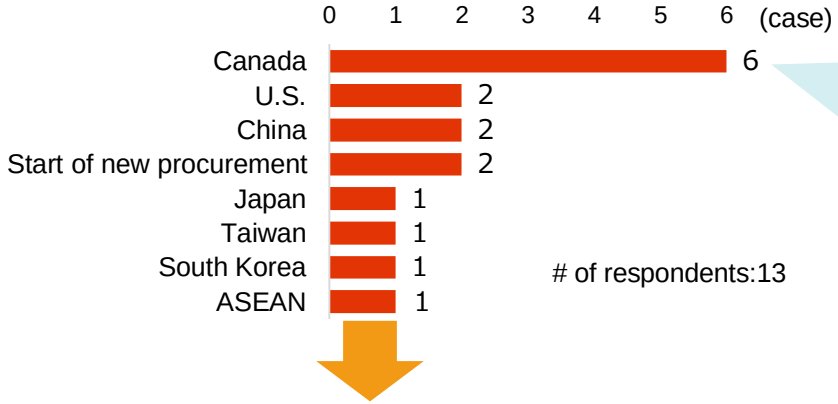


(Note) Only the top response items are listed.

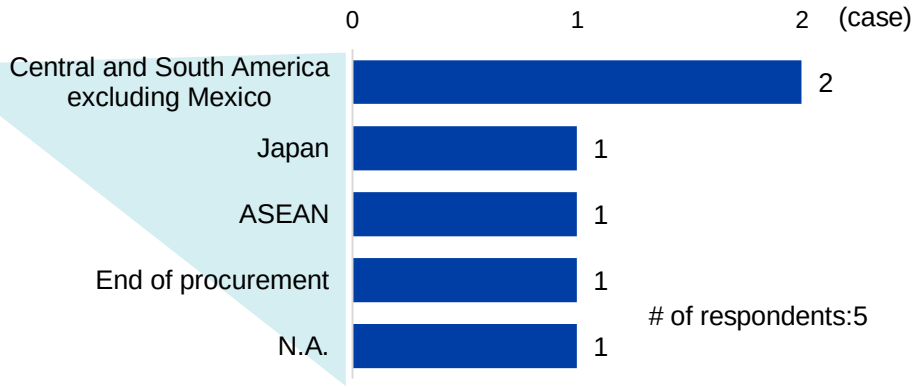
2-8 Countries/Regions Being Reassessed as Procurement Sources: Shift Away from Canada, Shift to the U.S. Most Cited

- **Most respondents cited Canada as the country from which they were looking to shift their procurement**, while **the U.S. was most often cited as the new site of procurement**.
- **When asked where they would be procuring their materials after shifting away from Canada**, respondents cited **Central and South America (other than Mexico)**, Japan, and ASEAN. Some companies even stated that they would simply be terminating their procurement.

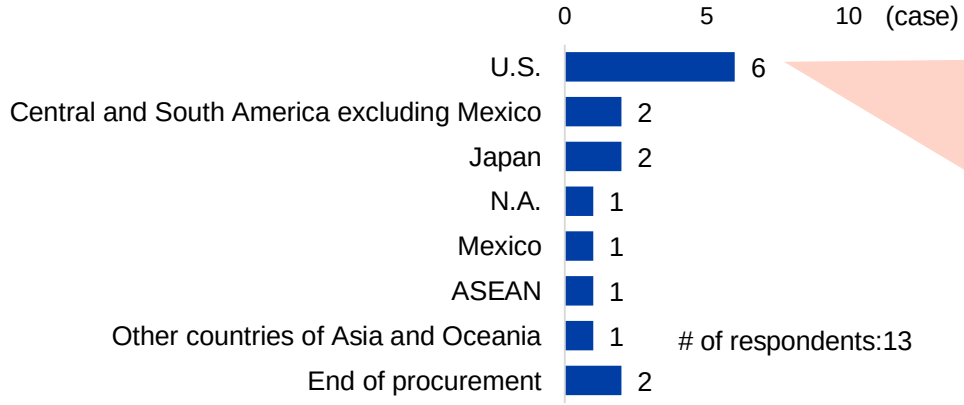
Procurement Sources Subject to Reassessment (Multiple Answers)



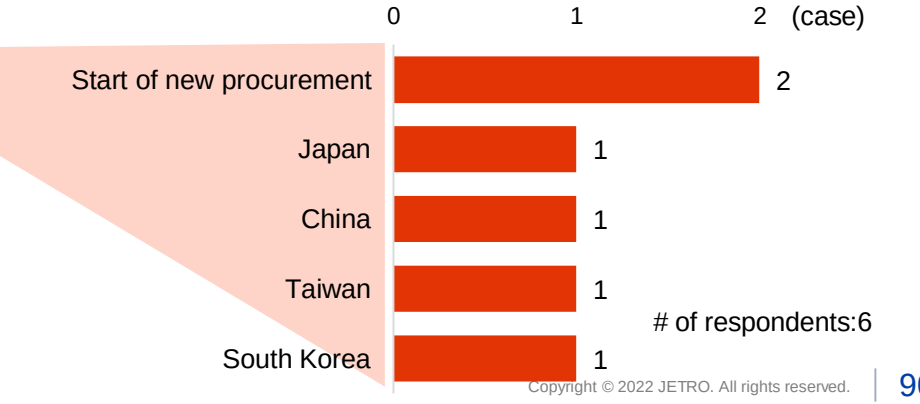
New Procurement Sources After Shift from Canada (Multiple Answers)



New Procurement Sources after Reassessment (Multiple Answers)



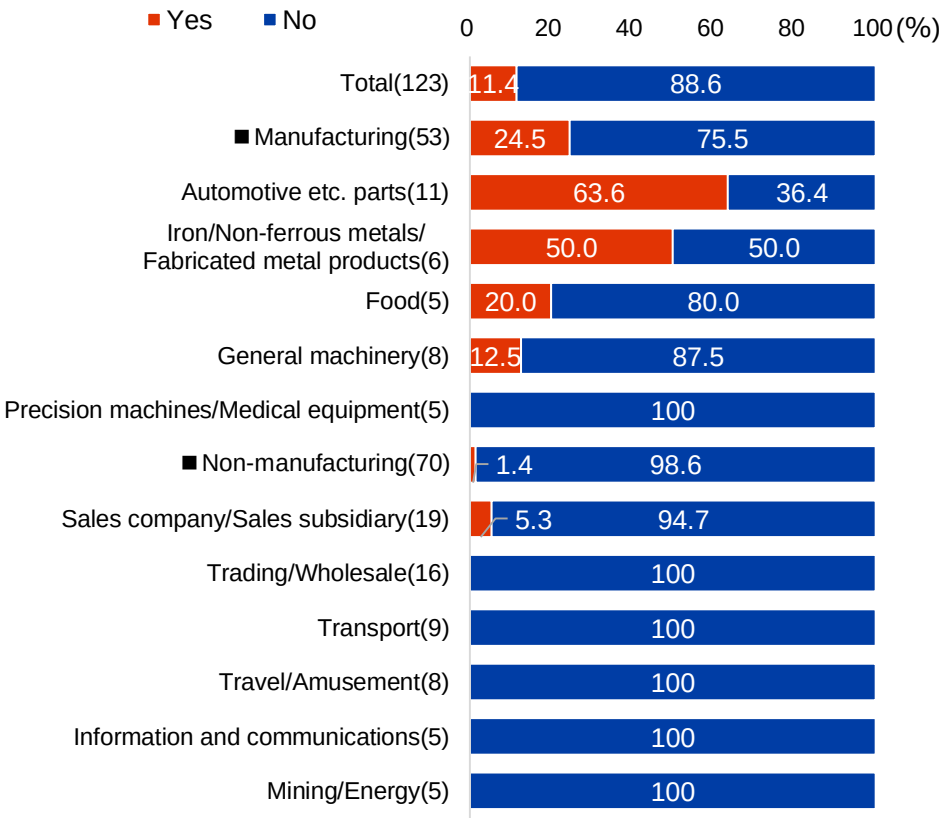
Procurement Sources Prior to Shift to the U.S. (Multiple Answers)



2-9 Reassessments of Production: Over 10% "Have" Plans to Reassess Their Production

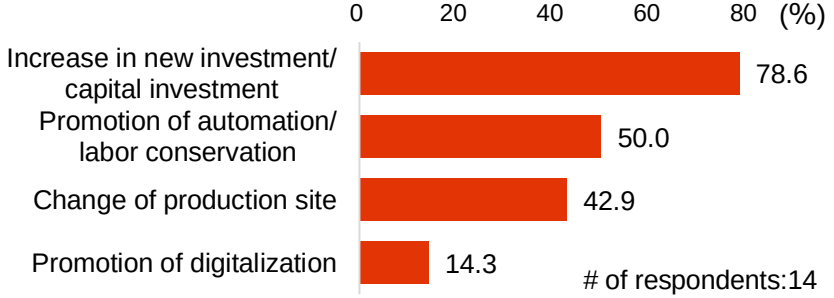
- **When asked if they had plans to reassess their production, 11.4% of companies said "yes,"** and **regarding the nature of these reassessments**, **"increase in new investment/capital investment" (**78.6%) and **"promotion of automation/labor conservation**" (50.0%) took the top spots.
- **As far as their reasons for reassessing their production**, the most highly cited reason behind "increase in new investment/capital investment," "promotion of automation/labor conservation," and "change of production site" was **"optimization of production cost."**

Plans to Reassess Production (By Industry)



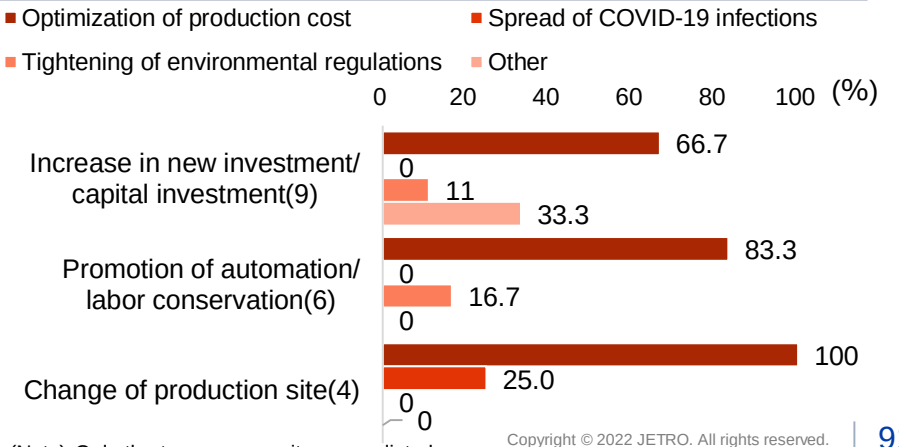
(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Nature of Reassessment of Production (Multiple Answers)



(Note) Only the top response items are listed.

Reasons for Reassessing Production (Multiple Answers)

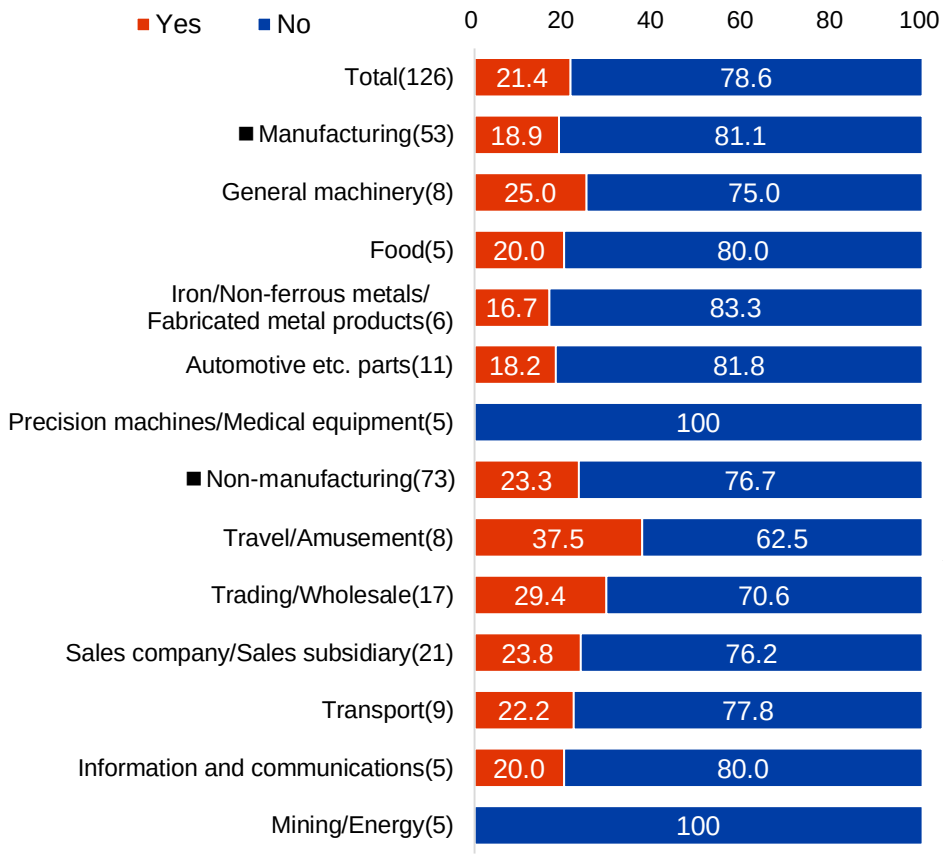


(Note) Only the top response items are listed.

2-10 Reassessment of Control/Management System: More than 20% "Have" Plans to Reassess Their Systems

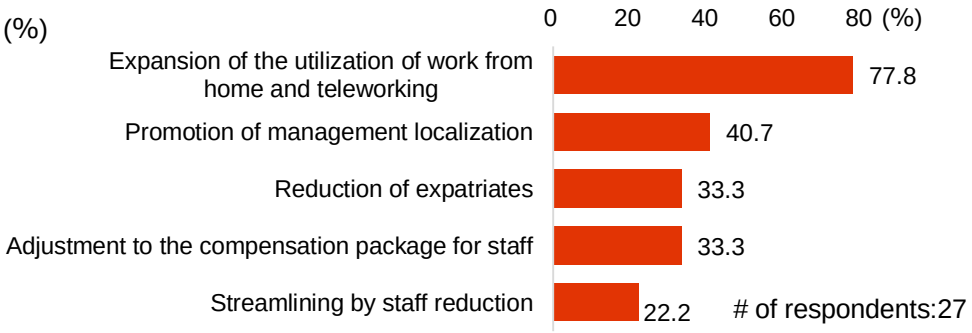
- **21.4% of respondents said that they "have" plans to reassess their control/management systems**. Regarding **the nature of these reassessments, 77.8% said "expansion of the utilization of work from home and teleworking,"** while 40.7% said "promotion of management localization."
- The **top reasons** that respondents gave **for reassessing their control/management systems were "the spread of Covid-19" and "increase in wages,"** among others.

Plans to Reassess Control/Management Systems (By Industry)

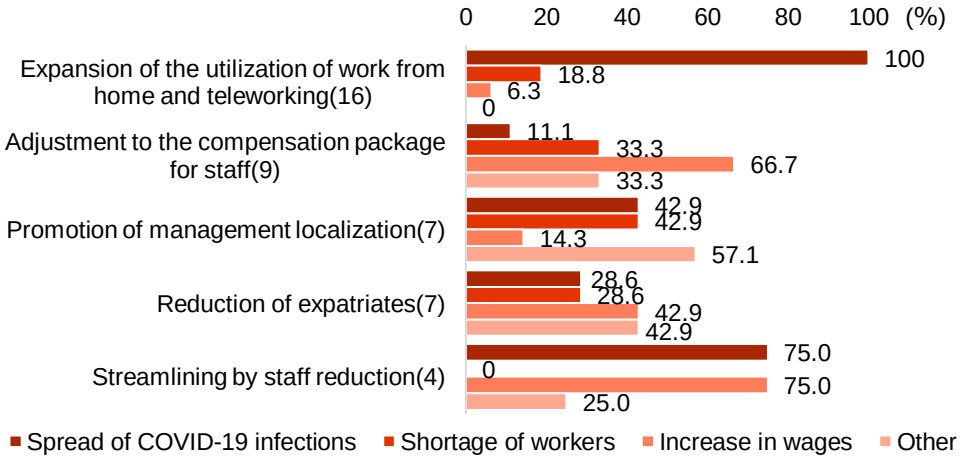


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Nature of Reassessment of Control/Management Systems (Multiple Answers)



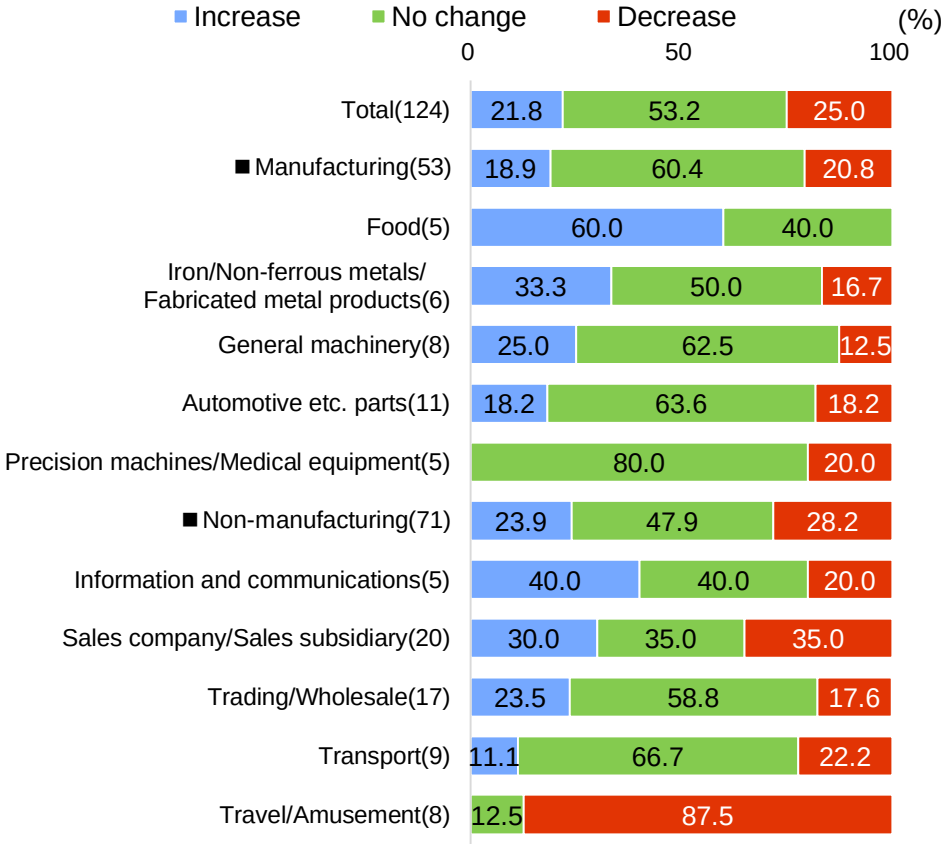
Reasons for Reassessment of Administration/Management Systems (Multiple Answers)



3-1 Changes in Number of Local Employees (Change over the Past Year): Only a Little Over 20% Said "Increased" in the Past Year

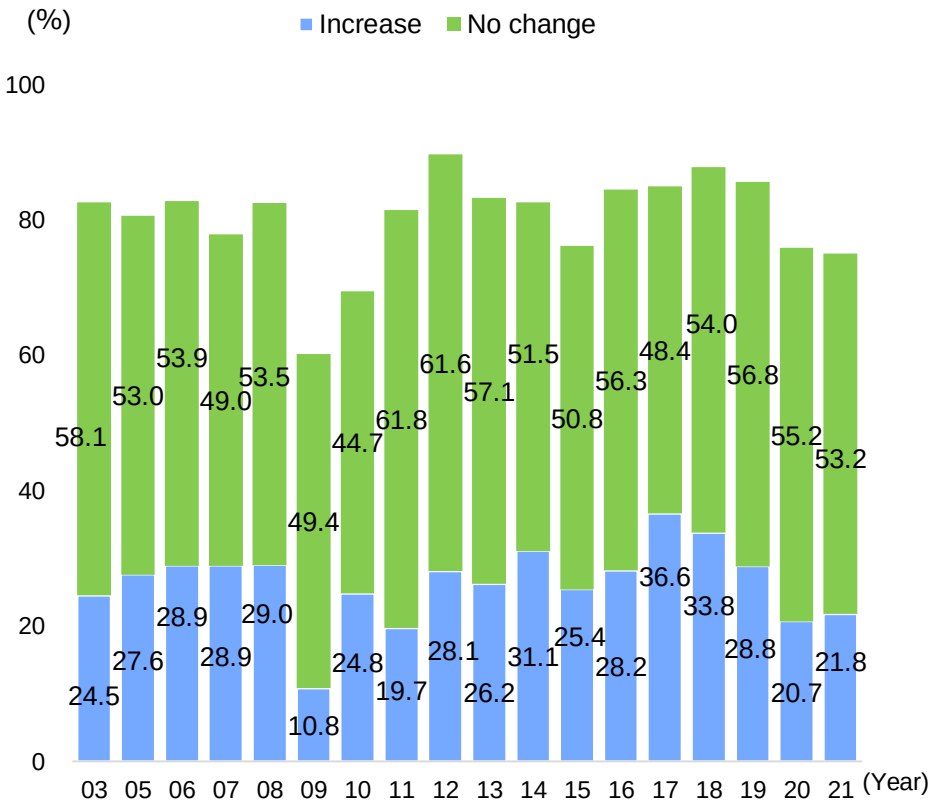
- **21.8% of respondents said they had "increased" the number of local employees in the past year**, which was **1.1 points higher** than last year (20.7%).
- When viewed **by industry**, the results show that hiring is on the rebound in many industries such as **"food" (60.0%)**, whereas **87.5% of respondents in travel/amusement** reported a decrease.

Changes in Number of Local Employees (Change over Past Year; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Trends in Changes in Number of Local Employees over the Past Year

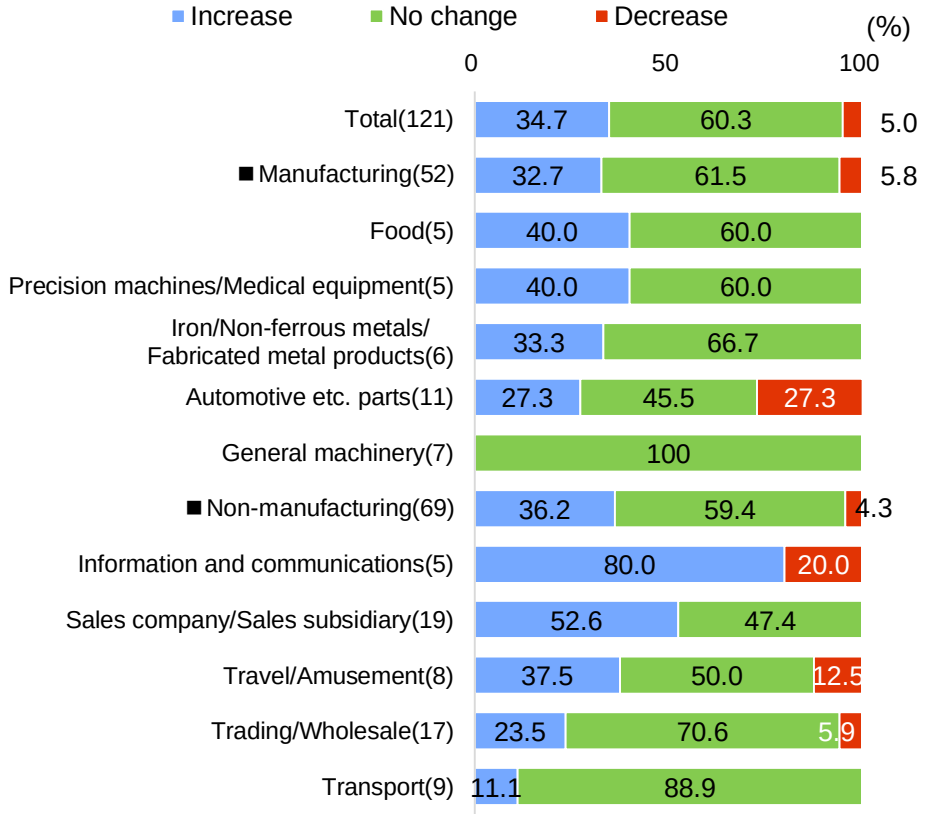


(Note) No survey was conducted in 2004.

3-2 Changes in Number of Local Employees (Plans Going Forward): About 35% Said "Increase"

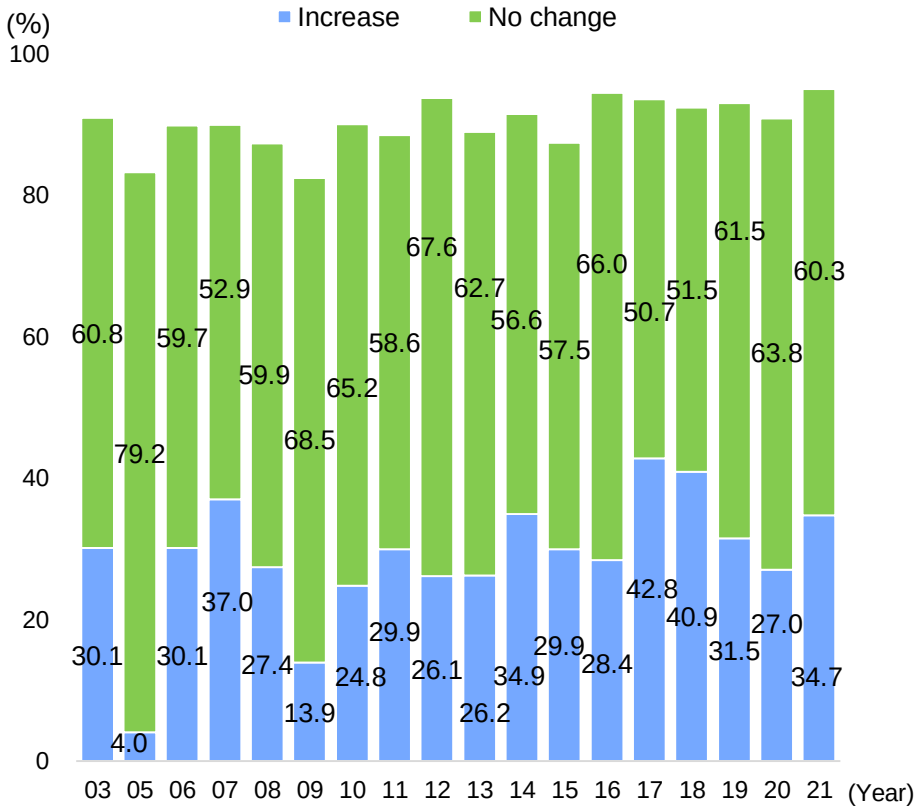
- **34.7% of respondents said they planned to "increase" the number of local employees going forward, with this reflecting a rise of 7.7 points from the prior year** (27.0%).
- By industry, some 80% of companies in information and communications (80.0%) said they had plans to "increase" this number. In automotive etc. parts, the percentage of respondents that replied "increase" and the percentage that replied "decrease" were the same (27.3%).

Changes in Number of Local Employees (Plans Going Forward; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Trends in Future Forecasts for Number of Local Employees

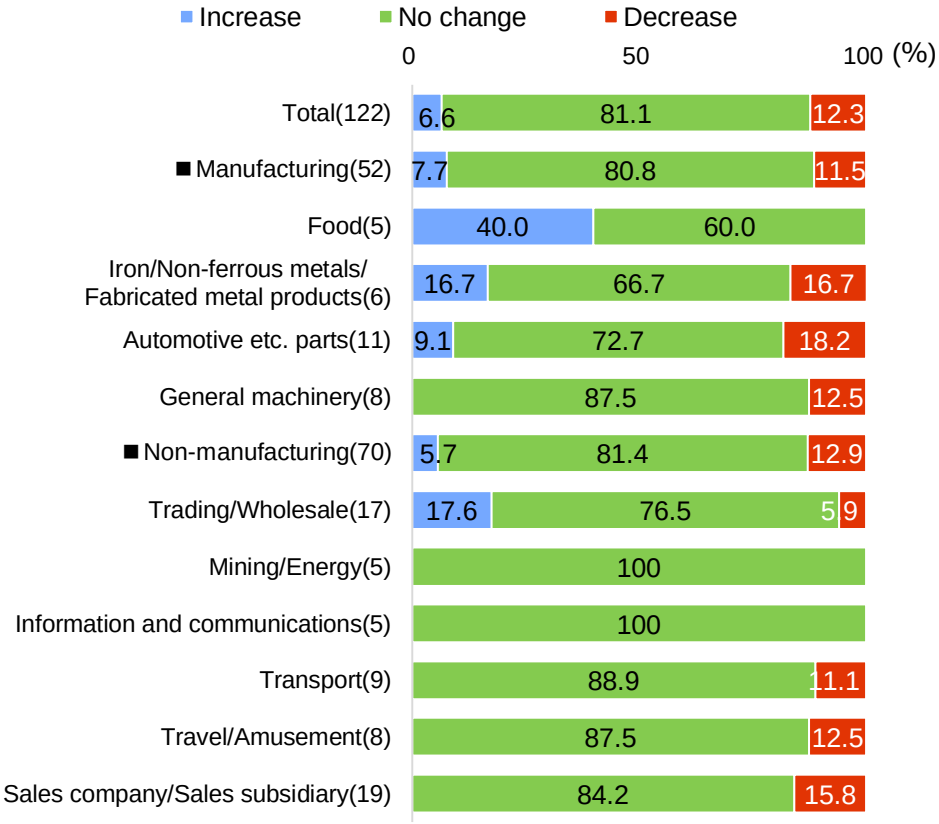


(Note) No survey was conducted in 2004.

3-3 Changes in Number of Expatriates from Japan (Change Over the Past Year): More than 80% Said "No Change"

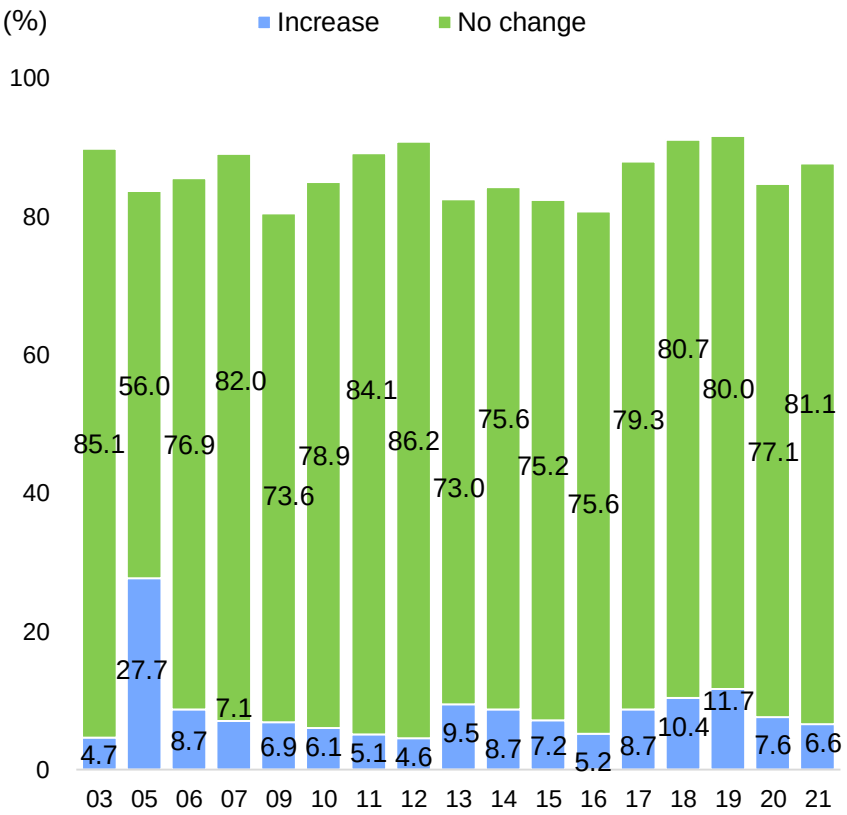
- **The percentage of respondents who said there had been "no change" in the number of expatriates from Japan in the past year** came out to **81.1%**, while 12.3% said this number had "decreased" for them.
- By industry, the number of expatriate workers had "increased" for companies in the food industry most prominently, with this percentage having risen from 14.3% last year to 40.0% this year.

Changes in Number of Expatriates from Japan (Change over Past Year; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Trends in Changes in Number of Expatriates from Japan over the Past Year

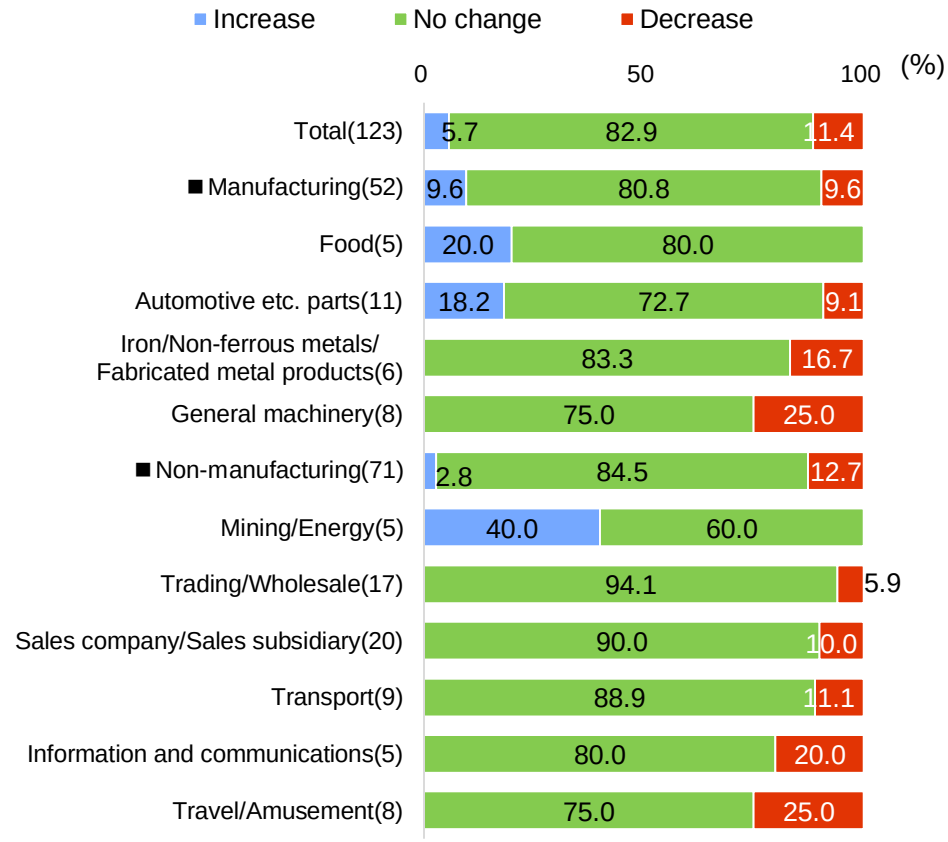


(Note) No survey was conducted in 2004.

3-4 Change in Number of Expatriates from Japan (Plans Going Forward): More than 80% Said "No Change"

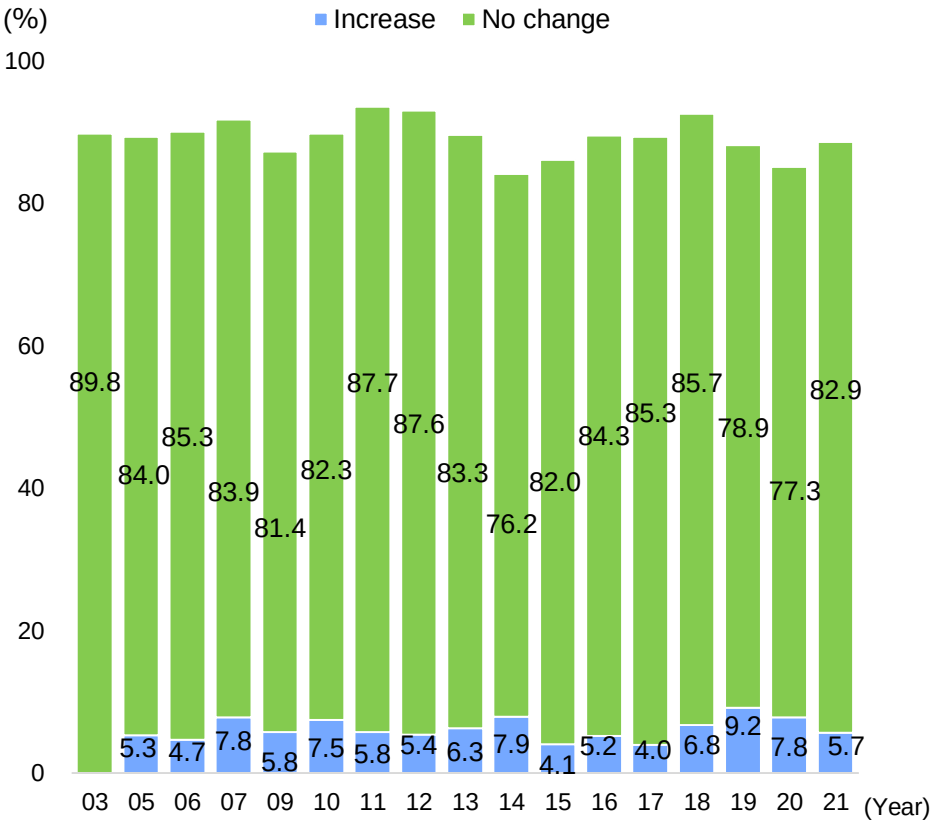
- **When asked about their plans regarding the number of expatriates from Japan going forward, 82.9% of companies said there would be "no change,"** this being **5.6 points higher than last year** (77.3%). Meanwhile, **11.4%** said this number would **"decrease,"** which was **3.5 points lower than the year before** (14.9%). When we look at the results by industry, the percentage of respondents in mining/energy who had plans to "increase" their number rose from last year (22.2%) to 40.0%.

Changes in Number of Expatriates from Japan (Plans Going Forward; By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

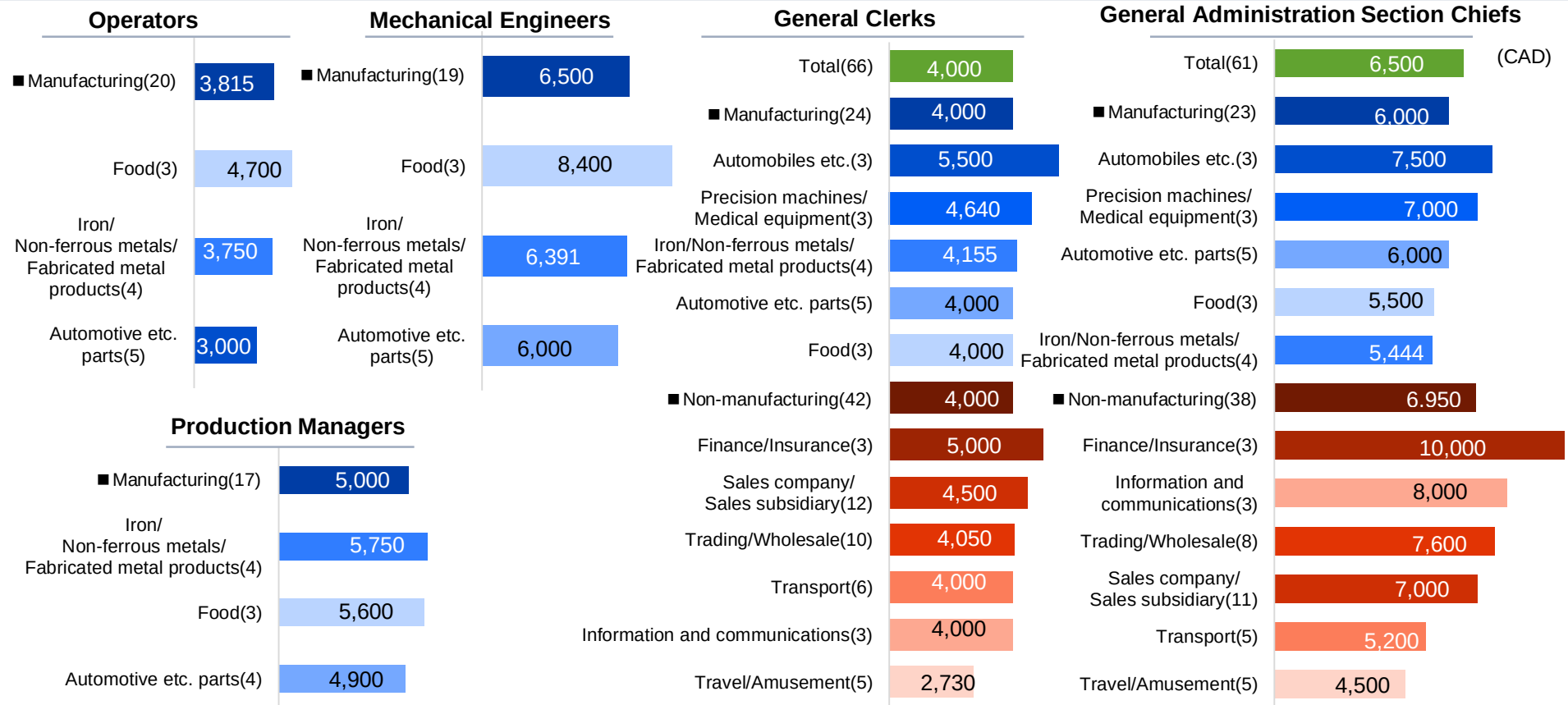
Trends in Projected Number of Expatriates from Japan



(Note) No survey was conducted in 2004.

3-5 Wages (Monthly Base Pay): Median Value by Occupation Was CAN$3,815-CAN$6,500

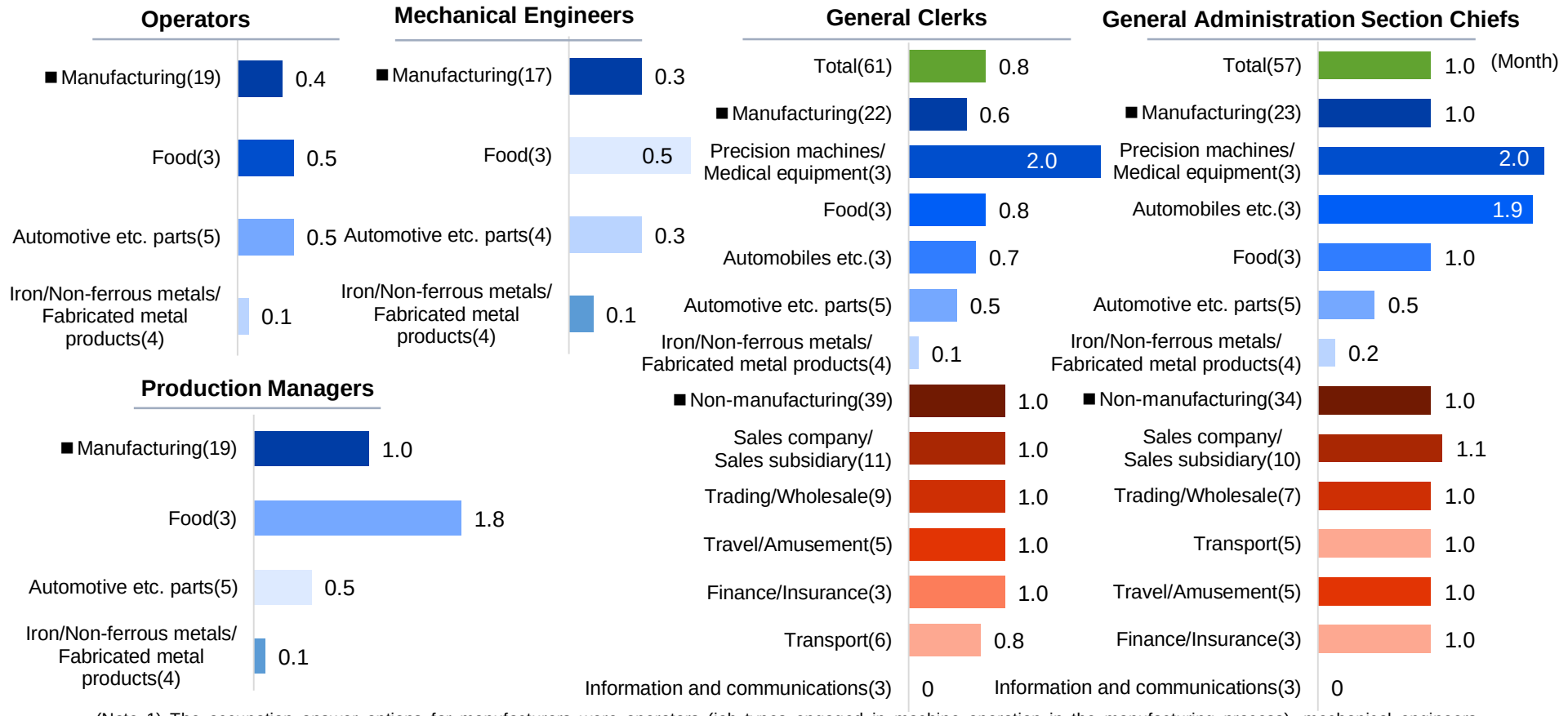
- **The median value of the monthly base pay at plants, etc., by occupation** was CAN$3,815 ($3,815C) for **operators**, $5,000C for **mechanical engineers**, and $6,500C for **production managers**. The median value for monthly base pay for office work was $4,000C for **general clerks** and $6,500 for **general administration section chiefs, falling below the values from last year in all industry categories**. **The (nominal) median value of the raise rate for FY2021 was 2.0%, the same as it was last fiscal year (2.0%)**. The raise rate is expected to be 2.5% in FY2022.



(Note 1)The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment) and production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
(Note 2) This chart lists only the industry types for which valid responses were received from at least three companies.

3-6 Wages (Annual Bonuses): Median Value by Occupation Was 0.3-1.0 Month's Pay

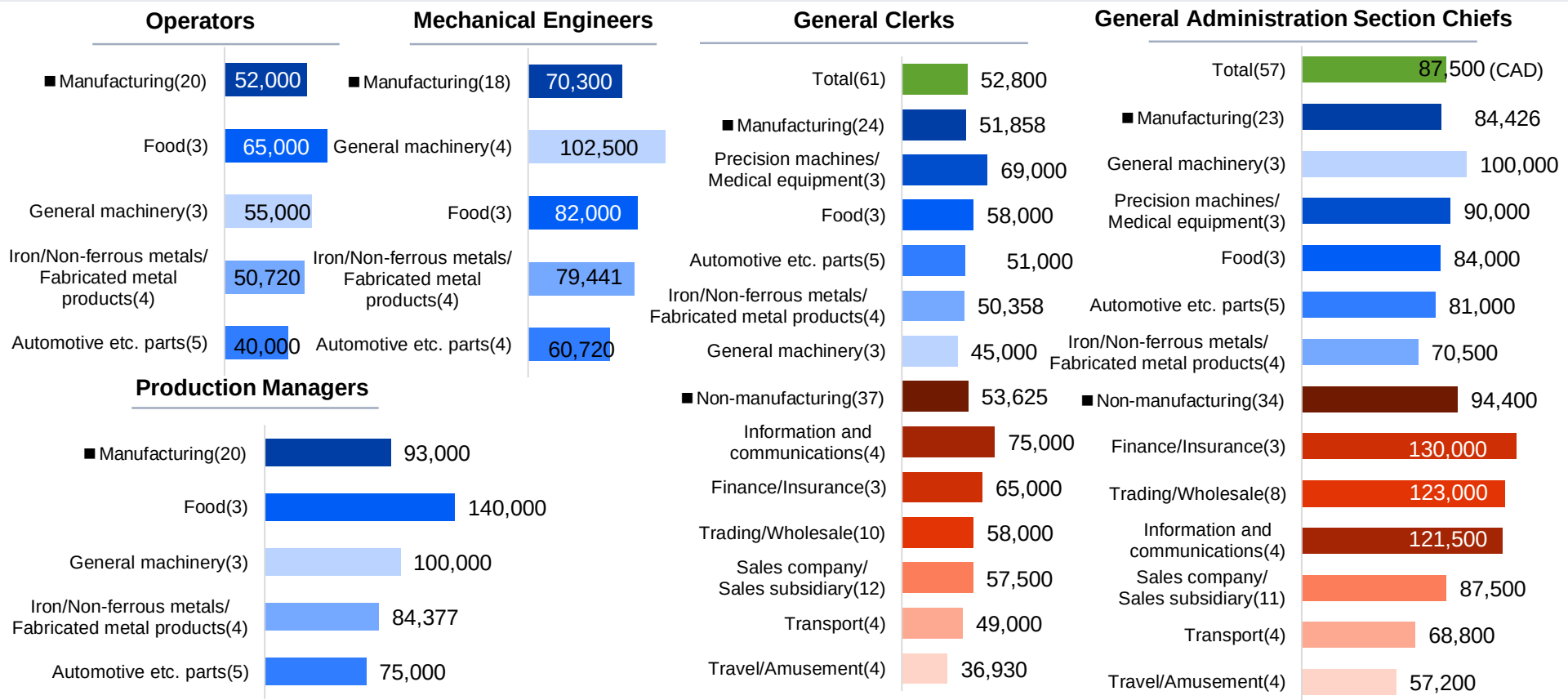
- **The median value of annual bonuses at plants, etc., by occupation was** 0.4 month's pay **for operators**, and was 0.3 months pay for **mechanical engineers**, both of these being **slightly greater than last year** (0.1 month's pay), while for **production managers** there was **no change** at 1.0 month's pay.
- For office work, the median value of annual bonuses by occupation was 0.8 month's pay for **general clerks**, which was **0.2 month's worth less than last year**, while for **general administration section chiefs** it was 1.0 month's pay, **as was also true last year**.



(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
(Note 2) This chart lists only the industry types for which valid responses were received from at least three companies.

3-7 Wages (Actual Annual Burden): Median Value by Occupation Was CAN$52,000-CAN$93,000

- **The median value of the annual actual burden** at plants, etc., **by occupation** was $52,000C **for operators**, $70,300C for **mechanical engineers**, and $93,000C for **production managers**, **in all cases showing an increase from the previous year**.
- The corresponding median value for office work, etc., according to occupation was $52,800C for **general clerks** and $87,500C for **general administration section chiefs**, **which were both lower figures year-over-year**.

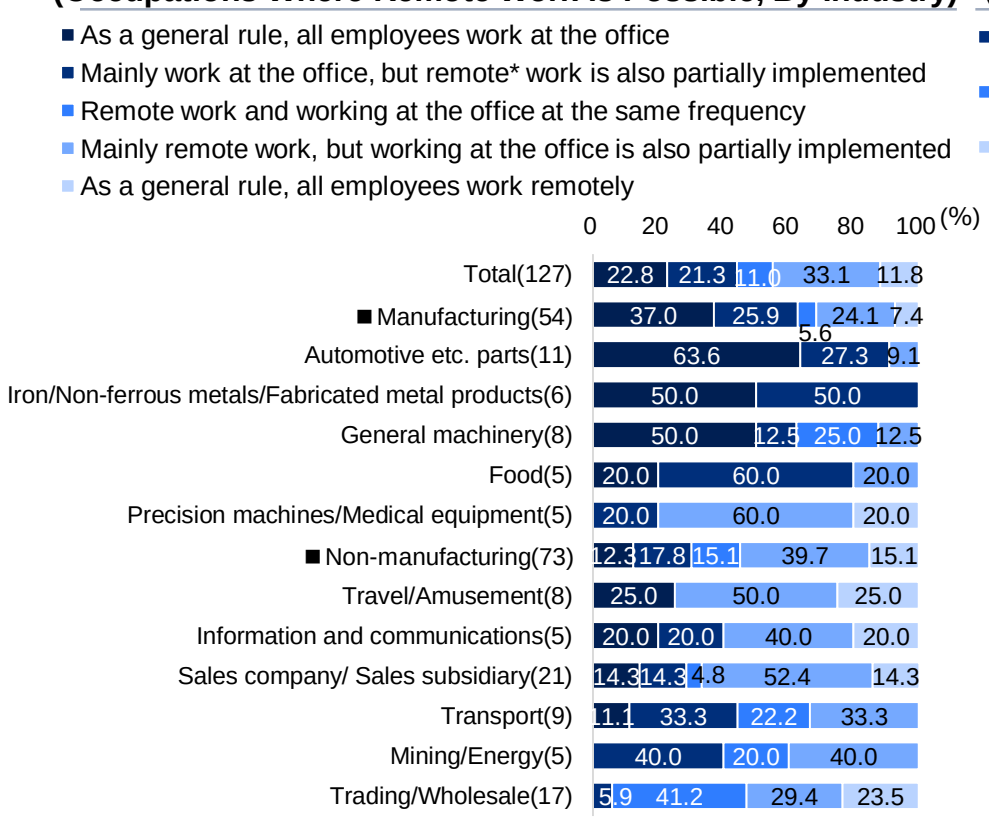


(Note 1) The occupation answer options for manufacturers were operators (job types engaged in machine operation in the manufacturing process), mechanical engineers (technical positions for designing, manufacturing and managing machines and equipment), production managers (section chiefs of production management departments), general clerks (general office workers) and general administration section chiefs (section chiefs of general affairs departments). The options for non-manufacturers were general clerks and general administration section chiefs.
(Note 2) This chart lists only the industry types for which valid responses were received from at least three companies.

3-8 Working Arrangements (As of September 1, 2021): About 45% of Companies Principally Doing Remote Work

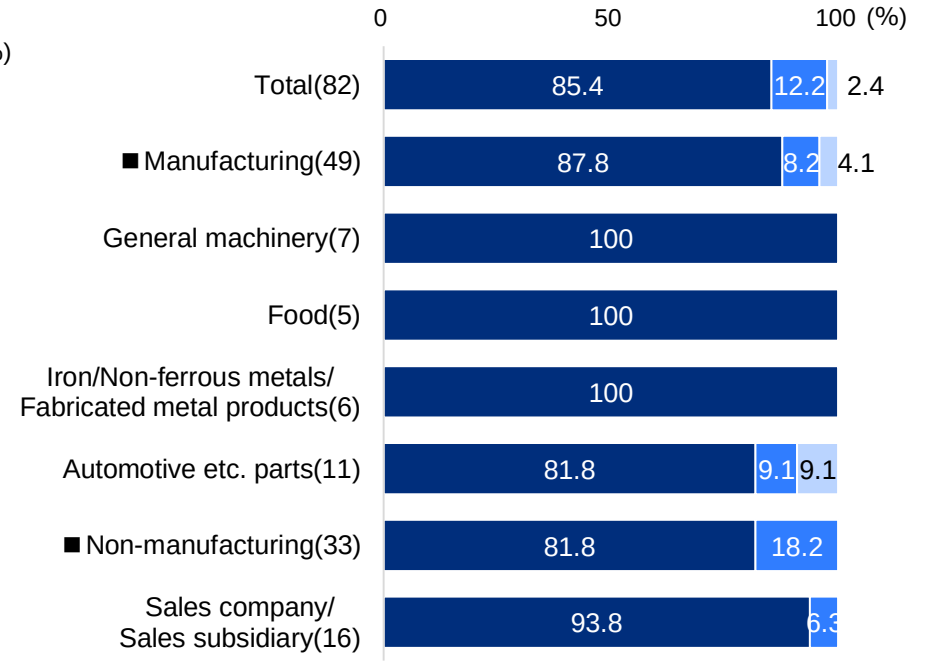
- **In occupations where remote work is possible**, “Mainly remote work, but working at the office is also partially implemented.” was the highest response at 33.1%. When this is combined with the response “As a general rule, all employees work remotely.” (11.8%), **44.9% of companies said they had adopted a structure centered on remote work**.
- **In occupations not conducive to remote work**, “As a general rule, all employees work at the office.” was the answer given by 85.4% of respondents.

Working Arrangements as of September 1, 2021 (Occupations Where Remote Work Is Possible, By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.
(Note) “Remote work” means working from home and other places outside the office.

Working Arrangements as of September 1, 2021 (Occupations Not Conducive to Remote Work, By Industry)

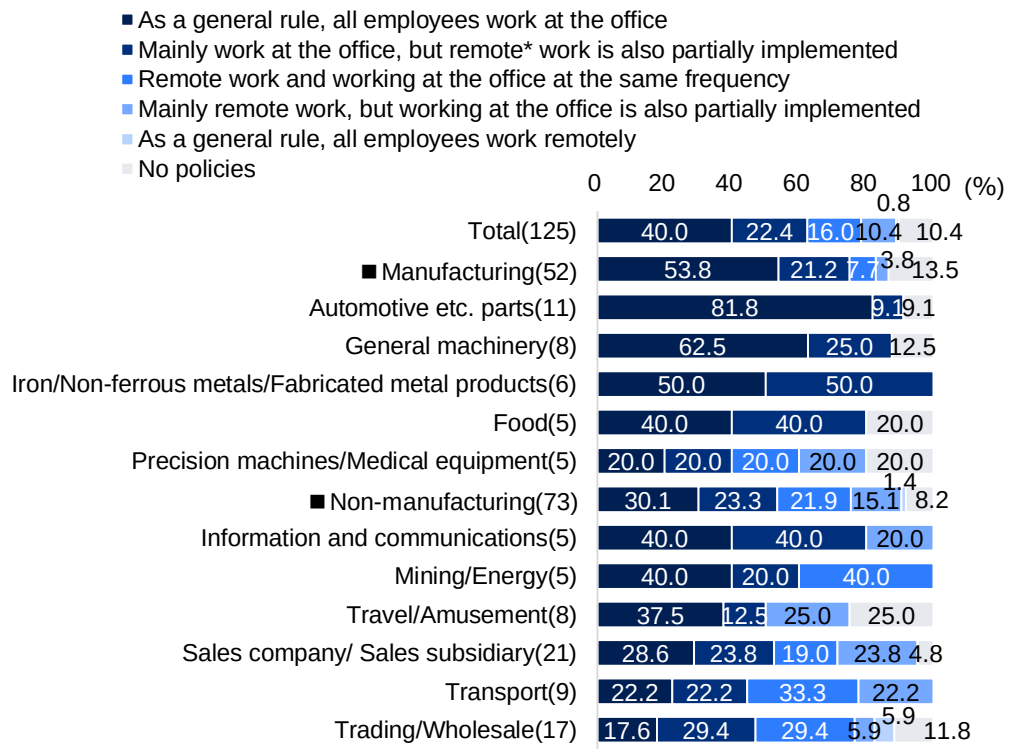


(Note) “Remote work” means working from home and other places outside the office.

3-9 Working Arrangements (After Covid-19 Gets Under Control): More than 60% of Companies Will Mainly Have Employees Commute

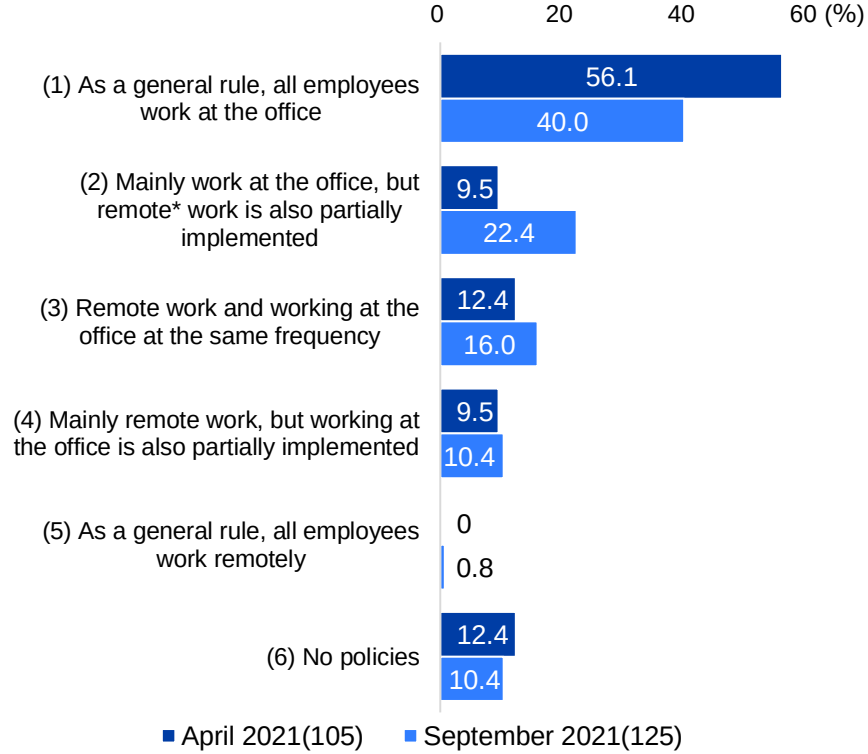
- **As for post-Covid-19 working arrangements**, the top response given was **"As a general rule, all employees work at the office." at 40.0%**, and when this is combined with the response "Mainly work at the office, but remote work is also partially implemented." (22.4%), **62.4% of companies** are planning to adopt work systems **requiring most employees to commute to work**.
- **Compared to the survey results from April 2021**, the response **"As a general rule, all employees work at the office." fell by 16.1 points**.

Post-Covid-19 Working Arrangements (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.
(Note) "Remote work" means working from home and other places outside the office.

Post-Covid-19 Working Arrangements (Compared to April 2021 Survey Results)

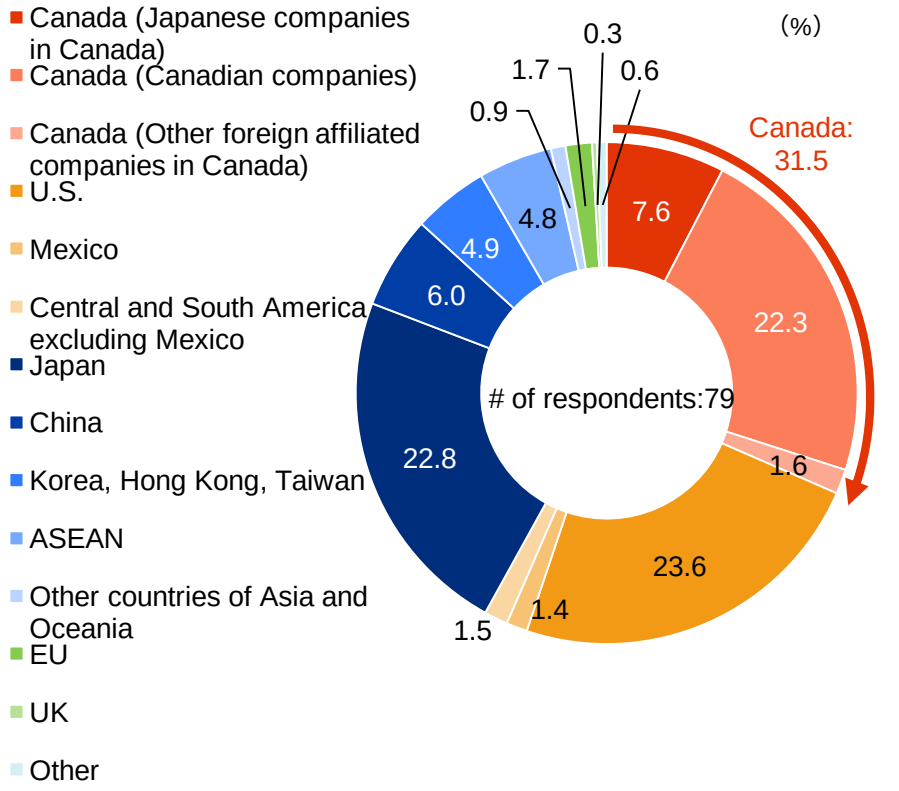


(Note) "Remote work" means working from home and other places outside the office.

4-1 Procurement Sources: More than 30% of Materials Procured from within Canada, Nearly 60% Procured from within CUSMA

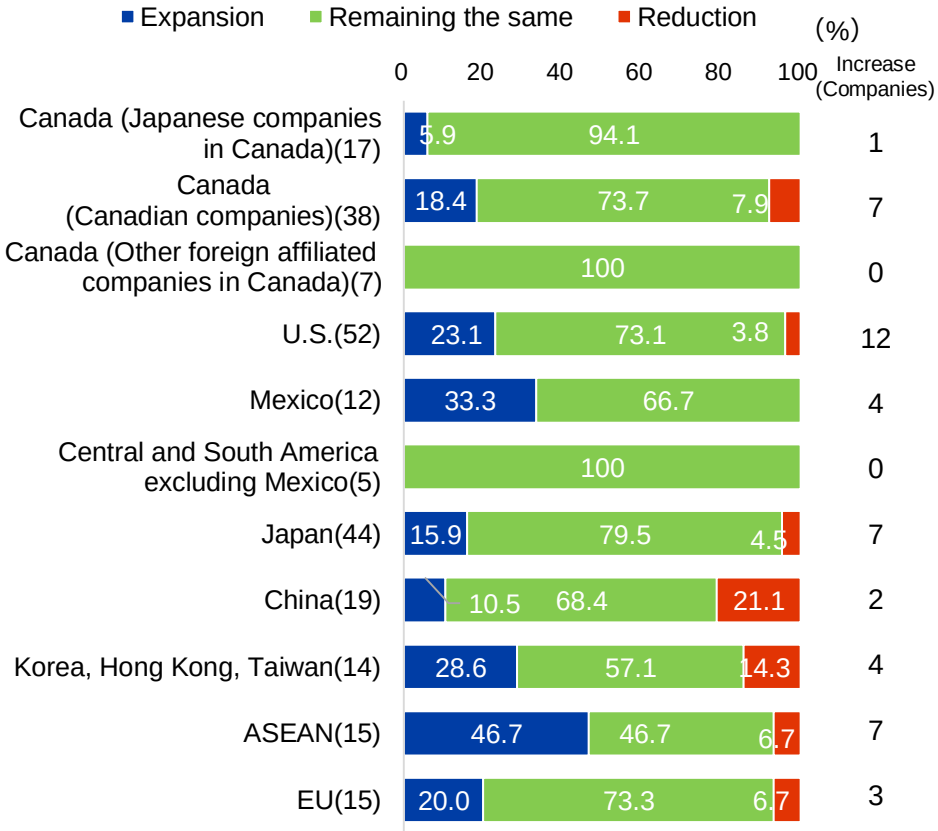
- **Respondents procured 31.5% of their raw materials and parts from within Canada, and procured 56.5% of their materials from within CUSMA** including the U.S. (23.6%) and Mexico (1.4%). From Japan it was 22.8%, which was 1.6 points higher than last year (21.2%).
- When asked about their procurement policies going forward for sources, 12 companies were looking to expand their procurement from the U.S., and 7 each said they would be procuring more from Canada (local companies), Japan, and ASEAN.

Procurement Sources for Raw Materials/Parts (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

Policies Going Forward for Procurement Sources of Raw Materials/Parts

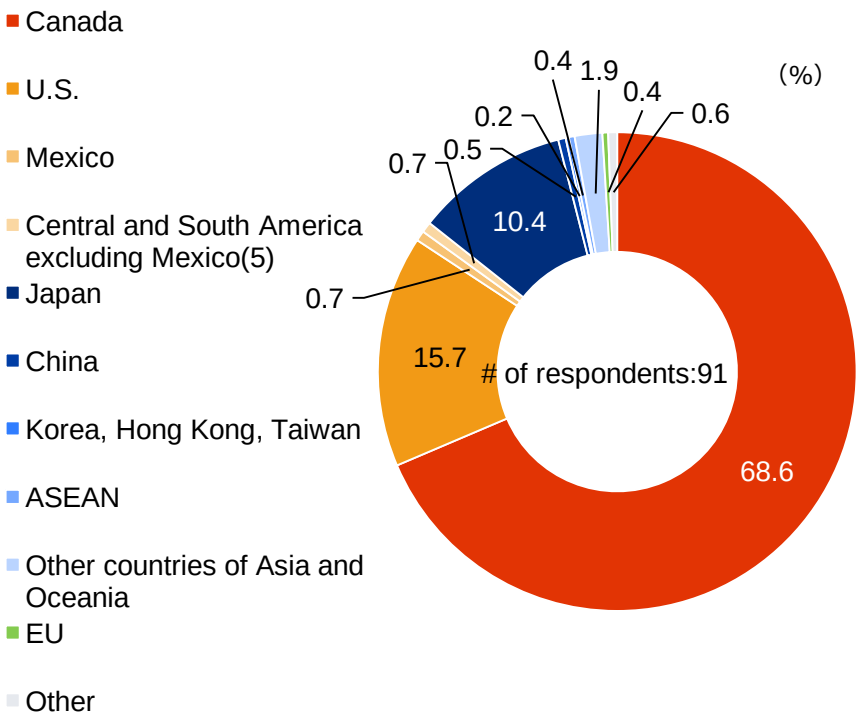


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

4-2 Sales Markets: Canadian Market Accounts for Nearly 70%, CUSMA for 85%

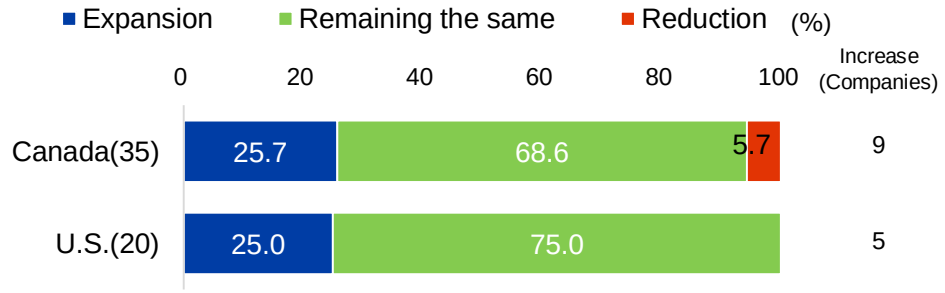
- **The Canadian market accounted for 68.6% of sales, while the CUSMA market including the U.S. and Mexico made up 85.0% of sales**, and the Japanese market accounted for 10.4%. By industry, the Canadian market made up the largest percentages of sales for sales companies/sales subsidiaries (89.0%) and those in precision machines/medical equipment (83.4%).
- When asked about their sales policies going forward in various markets, 21 companies (9 manufacturers, 12 non-manufacturers) said they would be looking to expand sales in Canada, while 10 companies (5 manufacturers, 5 non-manufacturers) were planning to expand sales in the U.S., these being the top answers.

Product Sales Markets (By Country/Region)



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its sales in terms of monetary amount, and these numbers were then averaged.

Policies Going Forward for Product Sales Markets (Manufacturers)

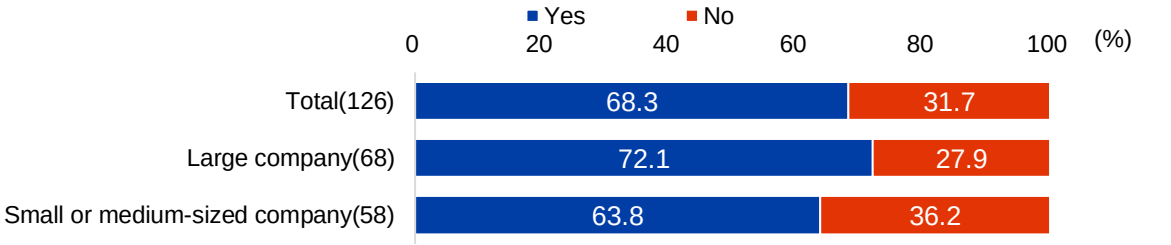


(Note) This chart lists only the countries and regions for which valid responses were received from at least five companies.

5-1 Supply Chains and Human Rights: Nearly 70% Recognize Human Rights as a Management Challenge

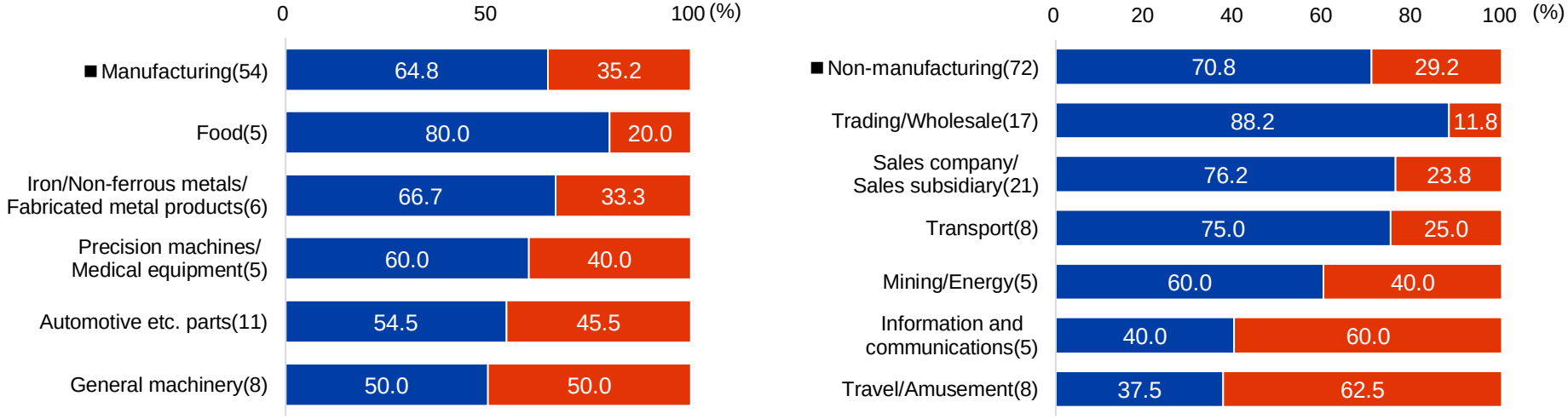
- **Nearly 70%** (68.3%) **of respondents recognized human rights in the context of their supply chains as a management challenge**.
- **By industry**, among manufacturers **at least three out of every four companies in the food industry saw it as a management challenge**, while among non-manufacturers, **at least three out of four companies in trading/wholesale, in sales companies/sales subsidiaries, and in transport were also of this view**. The degree of recognition was 8.3 points higher for large companies than for small and medium-sized enterprises, and so the results revealed a significant disparity in recognition according to company scale.

Whether the Issue of Human Rights Is Recognized as a Management Challenge (By Company Scale)



(Note) Large companies are companies with 50 or more employees total; small and medium-sized enterprises are companies with fewer than 50 employees.

(By Industry)

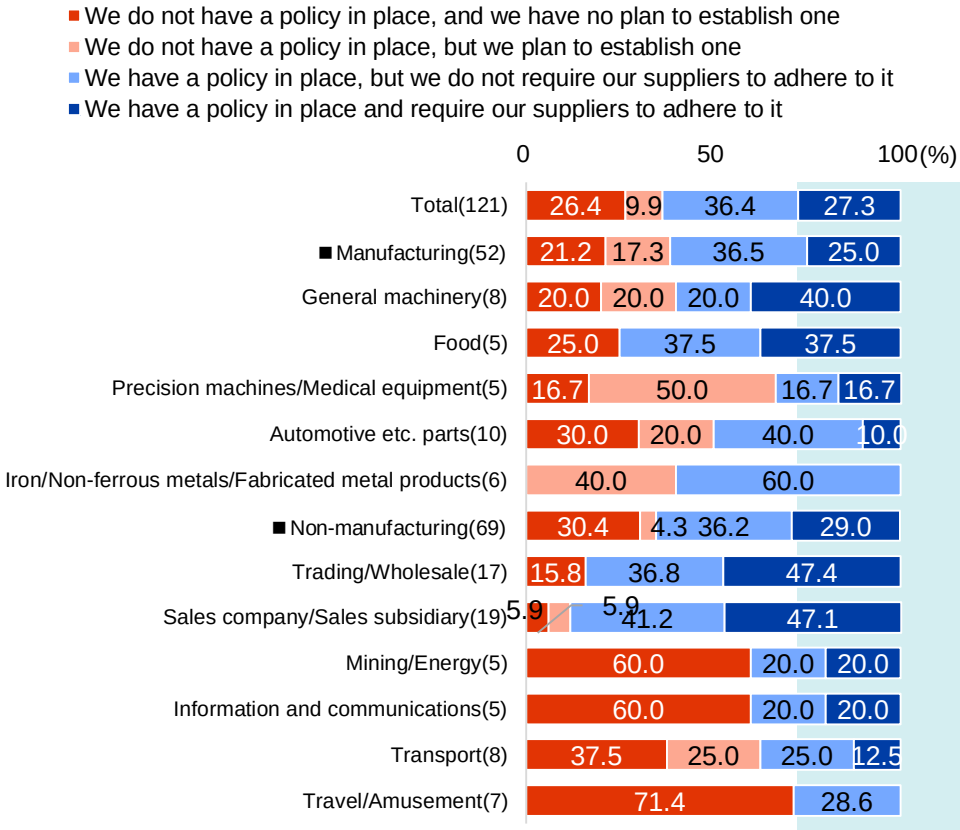


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

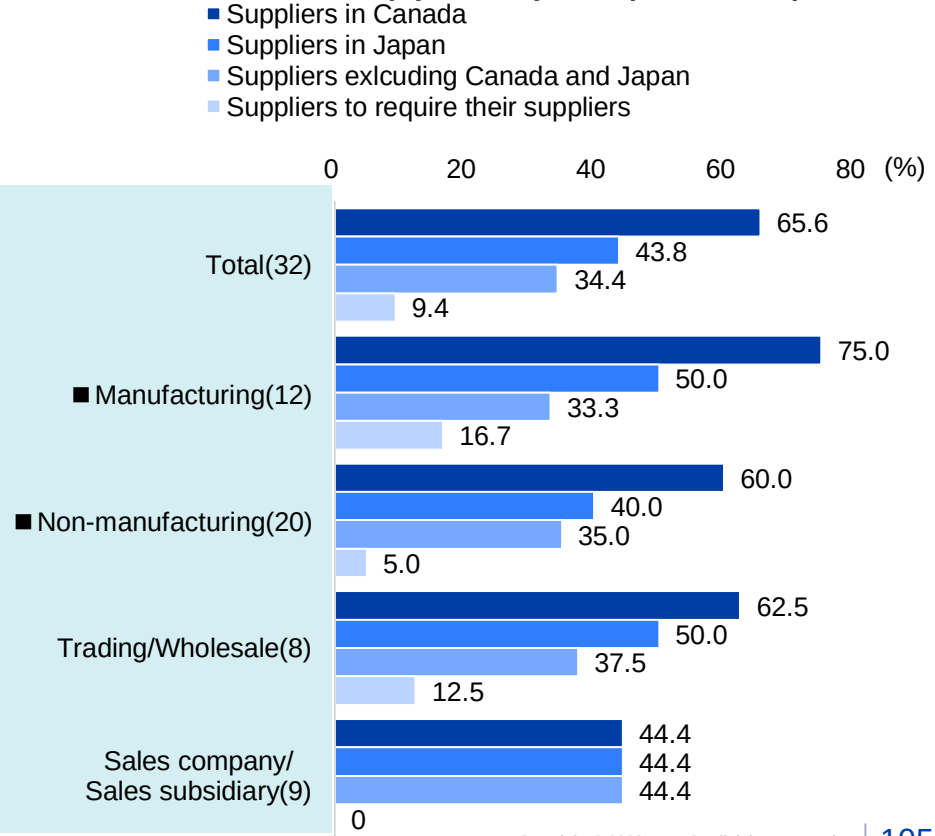
5-2 Supply Chains and Human Rights: More than 60% Have Policies to Respect Human Rights

- **More than 60%** (63.7%) **of companies said they have policies concerning respect for human rights in their supply chains**. By industry, we see that **at least three out of every four companies have such policies in the trading/wholesale industry, in sales companies/sales subsidiaries, and in general machinery**.
- **Nearly 30%** (27.3%) **of companies said they are "seeking compliance with such policies from procurement sources,"** while around 40% (36.4%) said they "are not seeking compliance." Many companies are demanding that their Canadian procurement sources comply with such policies, with 29.4% of companies in trading/wholesale seeking such compliance from their procurement sources in Canada.

Have Policies to Respect Human Rights in the Supply Chain (By Industry)



Have Such Policies and Seeking Compliance by Procurement Sources (By Industry, Multiple Answers)

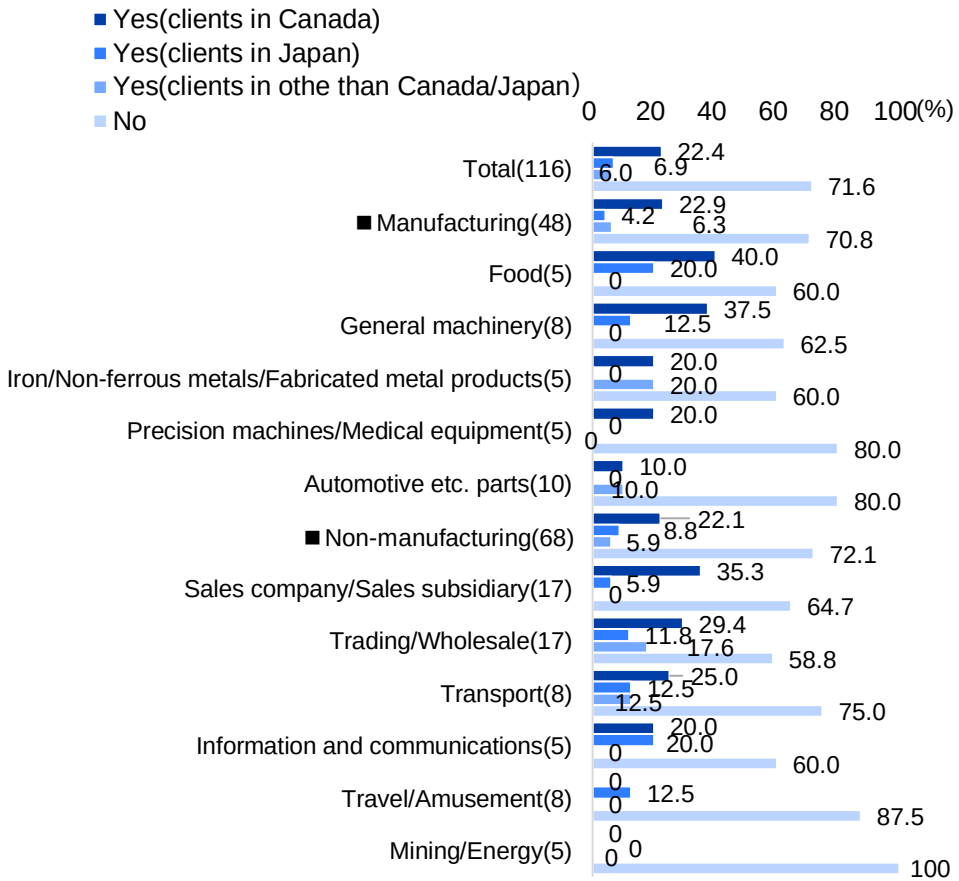


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

5-3 Supply Chains and Human Rights: Nearly 30% Are Asked by Customers to Comply with Policies Respecting Human Rights

- **The percentage of the respondents that said they "have" been asked by their customers to comply with policies related to respect for human rights in the supply chain was around 30%** (28.4%), with the most companies (22.4%) having received such requests from their Canadian customers, while 6.9% said they had been asked the same by their Japanese customers. When viewed by industry, the results showed that at least one in three companies in food, general machinery, and sales companies/sales subsidiaries "have" been asked to do so by their Canadian customers.

Whether Customers Have Asked for Compliance with Policies Concerning Respect of Human Rights (By Industry, Multiple Answers)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

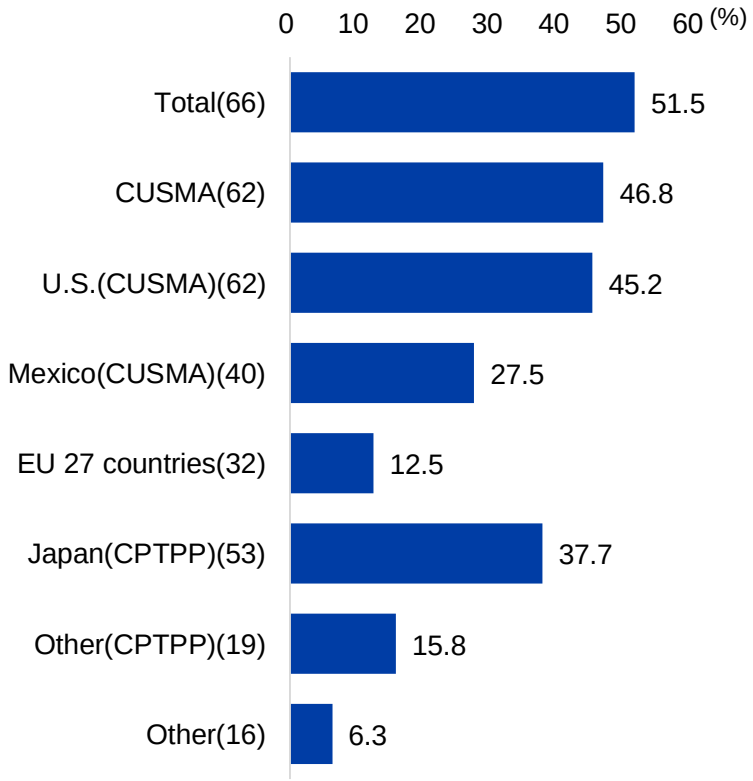
Concerns and Preventive Measures Regarding Human Rights Violation Risks (Free-form)

- Forced labor, etc., used to procure precious metals [trading/wholesale]
- Child labor [chemicals/medicines]
- As our suppliers don't know all the companies upstream in the supply chain, it's hard to check whether human rights violations are not occurring in such companies. [precision machines/medical equipment]
- Cotton produced in the Xinjiang Uyghur Autonomous Region of China, and child labor in Southeast Asia. We are requesting survey participation and doing local audits, etc., as part of our Group's CSR procurement program (local audits suspended because of Covid-19) [sales companies/sales subsidiaries]

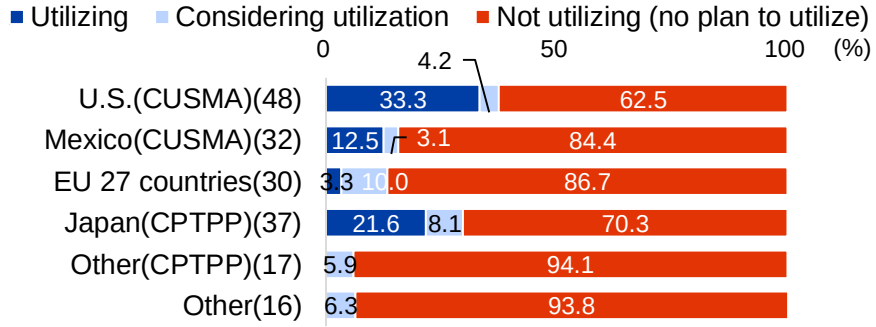
6-1 How Trade Agreements Are Being Used (Respondents): Over 50% Are Using Them, Nearly 50% Using CUSMA

- **The percentage of respondents that were making use of trade agreements was 51.5%**. **Those that were using CUSMA** accounted for **46.8%** of respondents, while **those using CPTPP in trade with Japan** accounted for **37.7%** of respondents.
- The utilization rates when exporting were high for the U.S. (CUSMA) at 33.3%, and for Japan (CPTPP) at 21.6%, and the utilization rates when importing were also high for the U.S. (CUSMA) at 44.2%, and for Japan (CPTPP) at 37.0%.

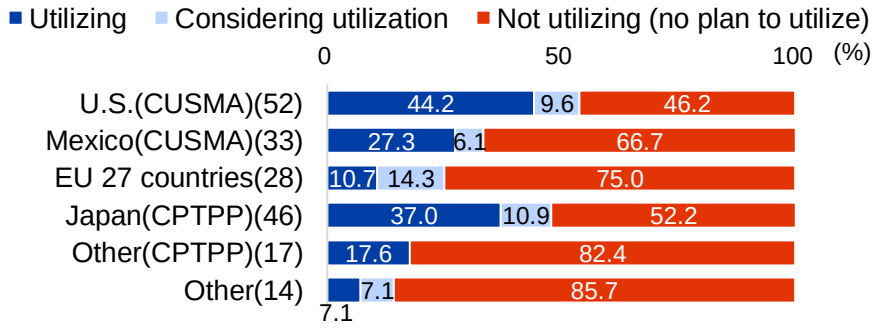
Utilization of Trade Agreement



Utilization of Trade Agreement for Exports from Canada



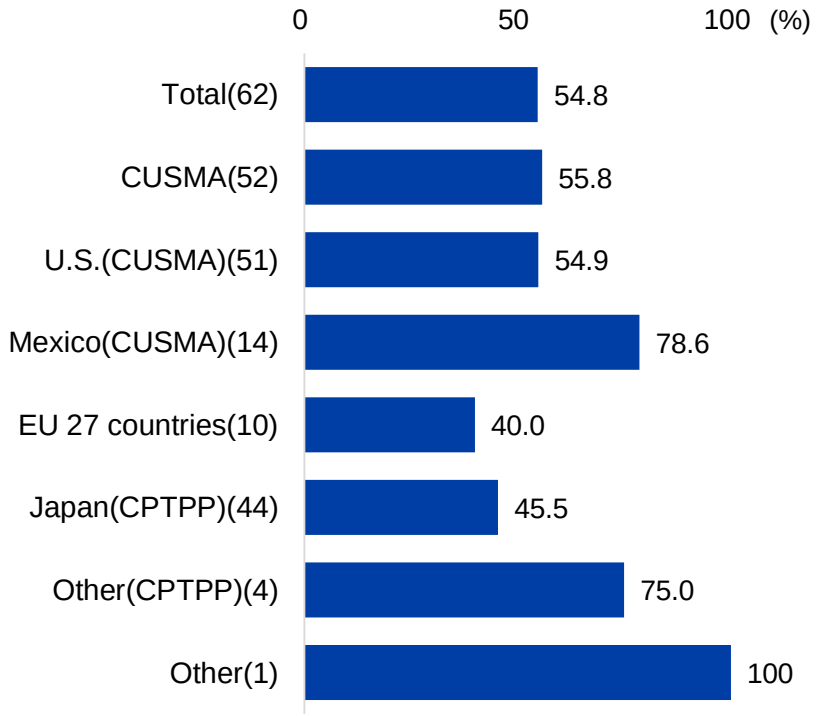
Utilization of Trade Agreement for Imports into Canada



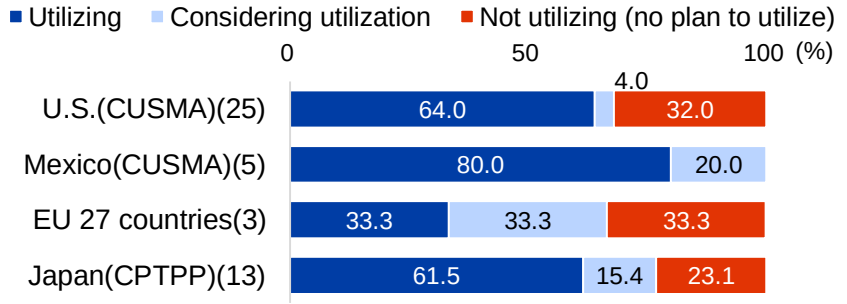
6-2 How Trade Agreements Are Being Used (Companies Engaged in Exports or Imports): 55% Using Trade Agreements, 45% Are Using in Trade with Japan (CPTPP)

- **Among companies engaged in exports or imports, 54.8% were using trade agreements**. Those that were **using CUSMA** accounted for **55.8% of companies**, while those **using CPTPP in trade with Japan** accounted for **45.5%**.
- The utilization rates when exporting were high for Mexico (CUSMA) at 80.0%, for the U.S. (CUSMA) at 64.0%, and for Japan (CPTPP) at 61.5%. The utilization rates for importing were high for Mexico (CUSMA) at 81.8% and for the U.S. (CUSMA) at 56.1%.

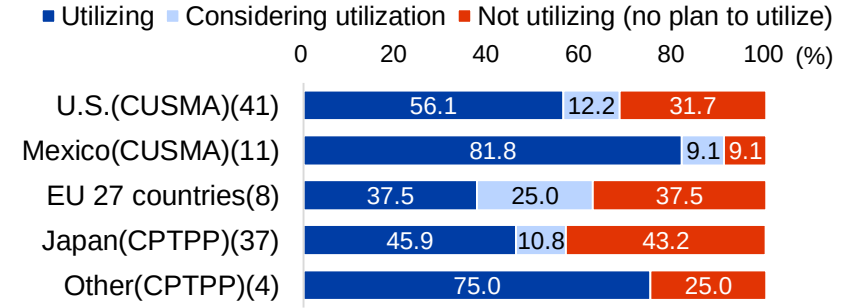
Utilization of Trade Agreement



Utilization of Trade Agreement for Exports from Canada



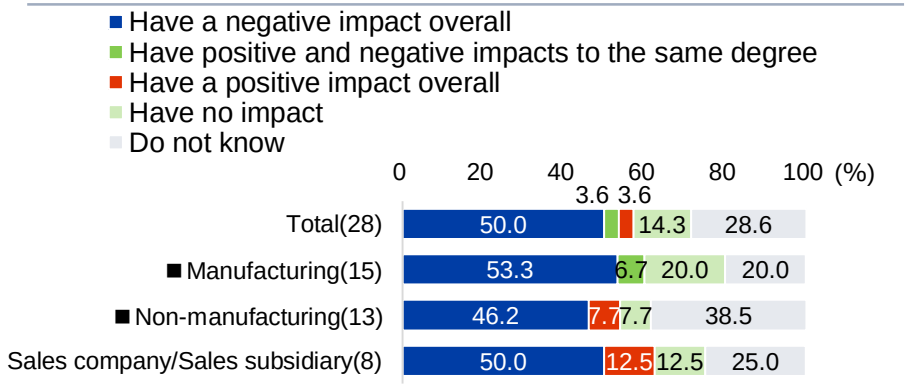
Utilization of Trade Agreement for Imports into Canada



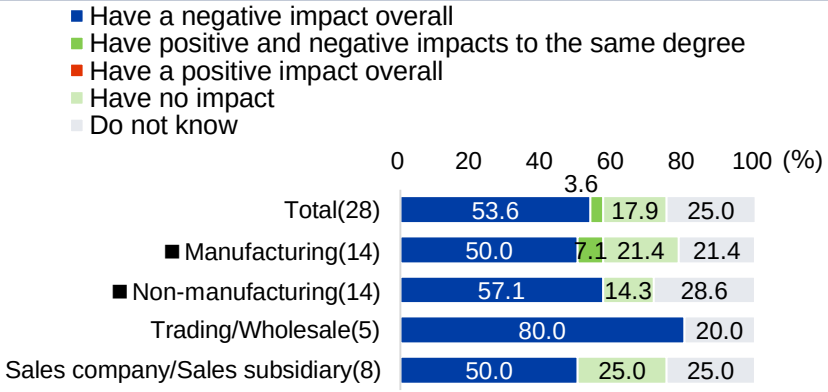
6-3 Impact of Trade Agreements: Half or More Say CUSMA or CPTTP Has "Positive Impact"

- When asked about **the effects that trade agreements have had**, **50.0% of companies said that CUSMA had a "positive impact," and 53.6% said the same about CPTPP**. Regarding the use of trade agreements, the top information sources being used were "government offices, public institutions, and chambers of commerce" (58.1%), followed by "parent company and main domestic clients" (43.0%) and "domestic related business companies" (40.9%).

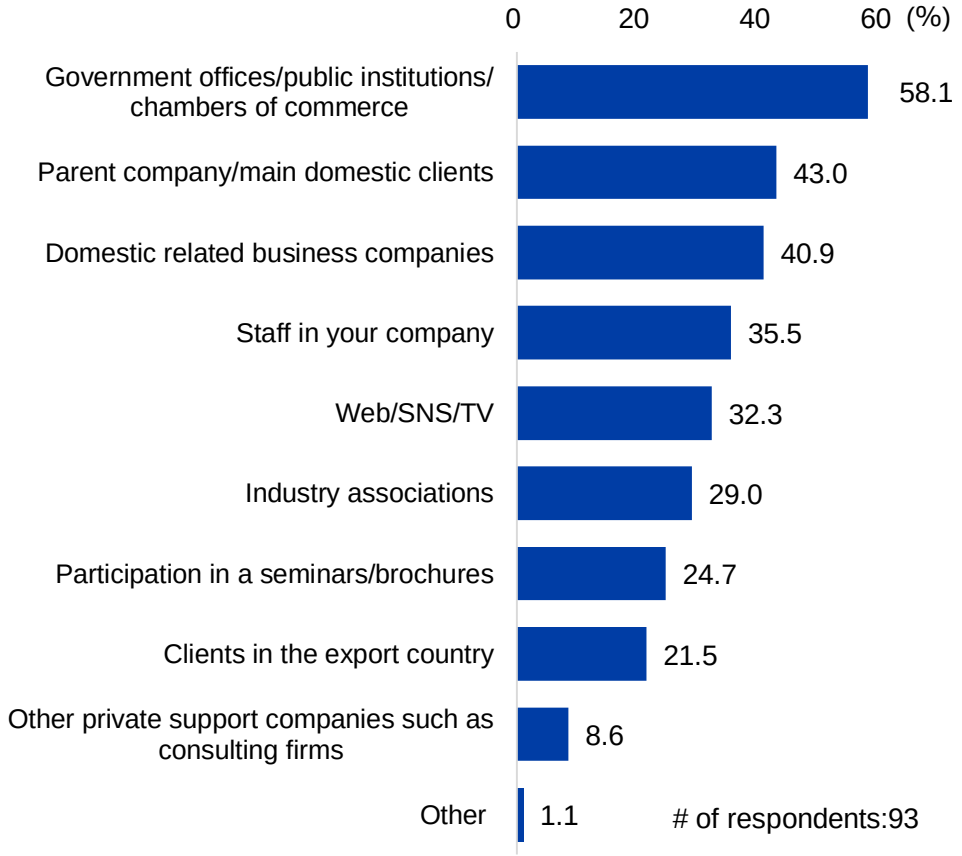
Impact of CUSMA (By Industry)



Impact of CPTPP (By Industry)



Information Sources Being Used (Multiple Answers)

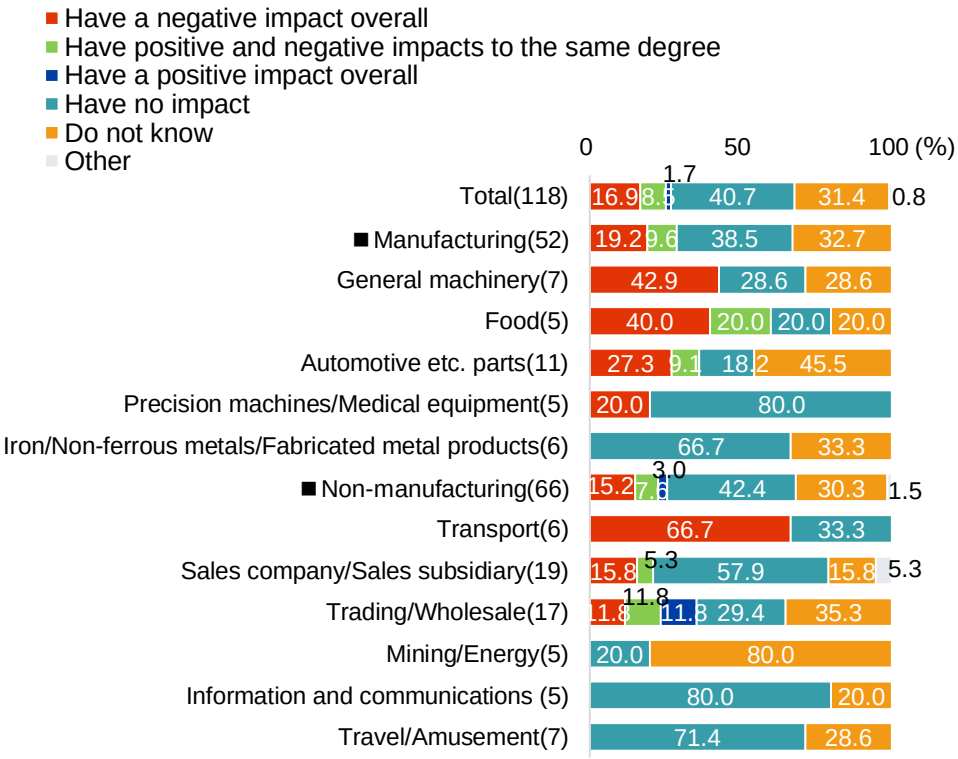


(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

7-1 Changes in Trade Environment: Close to 20% Report "Negative Impact Overall"

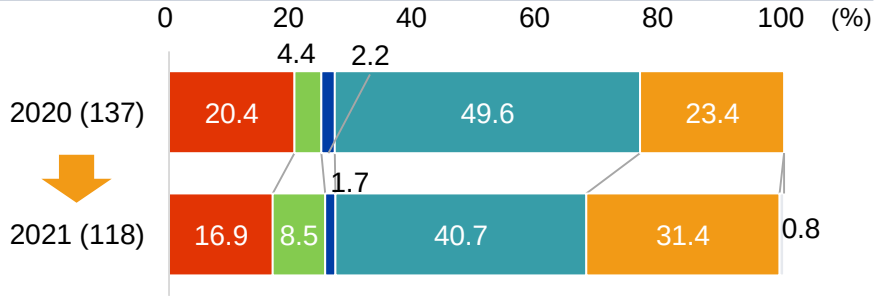
- In terms of **the impact from changes in the trade environment, 40.7% of respondents answered "have no impact," with another 31.4% saying they "do not know,"** and with **16.9% reporting a "negative impact overall"** (20.4% last year).
- **Compared to last year, the percentage of respondents who said they "do not know" rose 8.0 points**, while that of respondents **reporting "have no impact" dropped 8.9 points**. By industry, a "negative impact overall" was most highly reported by respondents in the transport (66.7%), general machinery (42.9%), and food (40.0%) industries.

Impact of Change in Trade Environment on 2021 Earnings (By Industry)



(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Impact of Change in Trade Environment on Earnings (Prior Year Comparison)



Positive Impact from Changes in Trade Environment (Free-form)

- Canada has not placed tariffs on aluminum ingot exports to the U.S.
  [trading/wholesale]

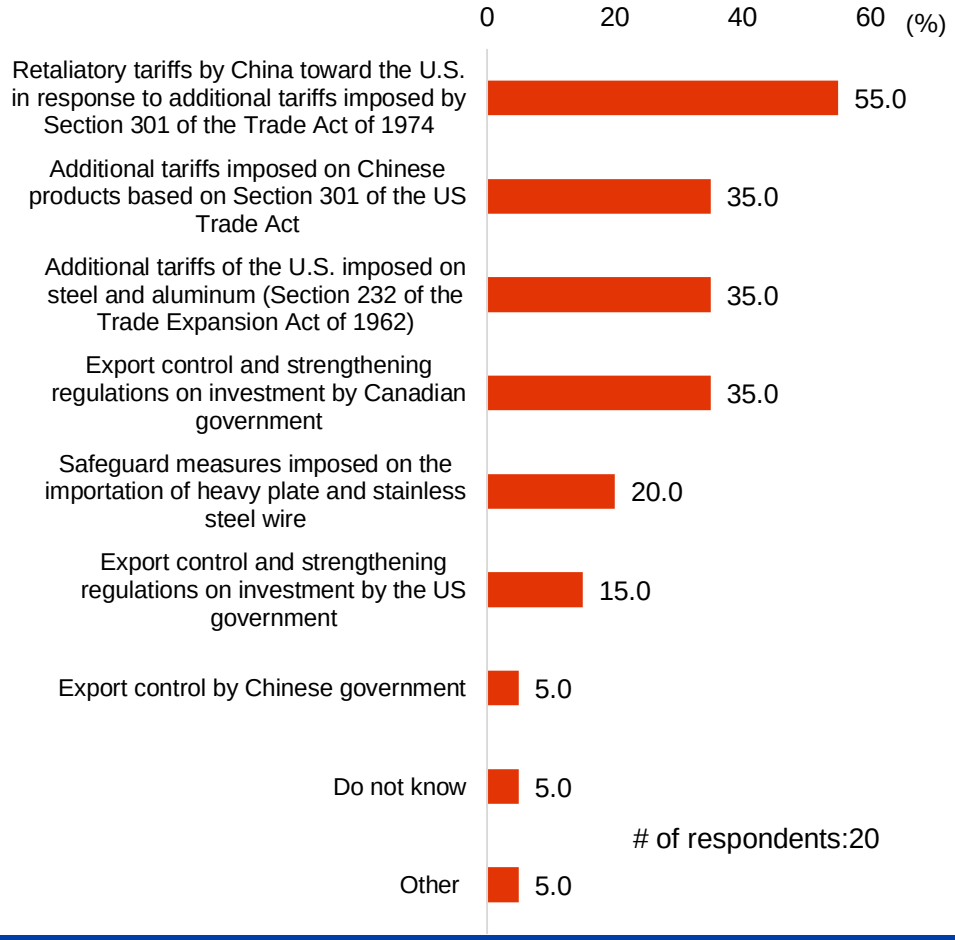
Why Changes in Trade Environment Have Not Affected Business Performance (Free-form)

- We do not handle products affected by restrictive measures
  [iron/non-ferrous metals/fabricated metal products]
- Given our small business scale, the overall impact is negligible
  [precision machines/medical equipment]

7-2 Impact by Policy: Tariffs Imposed by US/China Are a Major Negative Factor

- In terms of **specific policies having a negative impact**, **"retaliatory tariffs by China against the U.S."** were cited the most, by **55.0% of respondents**. This was followed by **"additional tariffs under Section 301 of the U.S. Trade Act,"** **"additional tariffs imposed on US steel and aluminum,"** and **"export control and strengthening regulations on investment by Canadian government,"** cited by **35.0% of respondents**.

Specific Policies Having Negative Impacts (Multiple Answers)



Specific Negative Impacts from Changes in Trade Environment (Free-form)

- Fewer exports to China being made by us or our customers [precision machines/medical equipment]
- Persistently high additional Chinese import duties caused by US-Chinese trade frictions [food]
- Given up importing from China because of high tariffs [trading/wholesale]
- Procedures involving raw materials/parts delivered to us via the U.S. have become more complicated [automotive etc. parts]
- Fewer investment opportunities and less distribution [finance/insurance]
- Product import restrictions [sales companies/sales subsidiaries]
- Skyrocketing raw material costs [automotive etc. parts]

8-1 Management Challenges: "Slow Development of New Customers," "Rising Logistics Costs" Take Top Spots

- **The top management challenge cited by respondents was "slow development of new customers"** (51.6%). **"rising logistics costs"** (50.0%) **and "rising procurement costs"** (46.0%) were the top answers given **in terms of supply chain problems as well**.
- **Regarding "other" specific challenges**, respondents cited supply chain issues including the **"semiconductor shortage"** and **"port congestion,"** as well as human rights issues including **"employee-focused labor laws."**

Management Challenges (Multiple Answers)

(Note) Only the top response items are listed in this chart.

# of respondents:124

"Other" Specific Challenges (Free-form)

- Influx of parallel goods, soaring logistics costs [sales companies/sales subsidiaries]
- The semiconductor shortage (product shortages/inability to secure enough products because of production decreases; production declines resulting from semiconductor shortage) [sales companies/sales subsidiaries]
- Product shortages caused by lack of microchips [sales companies/sales subsidiaries]
- Port congestion [sales companies/sales subsidiaries]
- Intense competition with Mexican companies [automotive etc. parts]
- Employee-focused labor laws [sales companies/sales subsidiaries]
- Lower interest rates, enhanced supervisory standards [finance/insurance]
- Market interest rate fluctuations [trading/wholesale]
- Revisions to capital regulations [finance/insurance]
- Sales efficiency improvements [retail trade]
- Changes in personal consumer behavior [other manufacturing]
- Fluctuations in price of gold, increased startup costs, deficiencies in operators' abilities, impact of Covid-19 on operations [mining/energy]
- Fewer customers coming into stores [automobiles etc.]
- Covid-19 [travel/amusement]
- Cyberattacks or cybersecurity [sales companies/sales subsidiaries] [railway/transport vehicle etc. parts]
- Electrification [automotive etc. parts]
- Launching new ventures apart from logistics [trading/wholesale]
- Building close relationships with indigenous tribes [mining/energy]

8-2 Responding to Management Challenges: "Differentiate from Competing Products," "Comply with Various Regulations" Take Top Spots

- **When asked about what countermeasures they were taking to address management challenges, over 40% of respondents said they were working to "differentiate from competing products"** (49.2%), **"comply with various regulations"** (44.9%), and **"introduce remote work/web conferences"** (44.1%).
- **In terms of specific countermeasures** being taken, respondents cited **going online with aspects of their education system** such as "training" or "training in Japan/locally," and **cost-cutting measures** including "surcharges to pass logistics costs onto business partners."

Countermeasures for Management Challenges (Multiple Answers)

# of respondents:118

(Note) Only the top response items are listed in this chart.

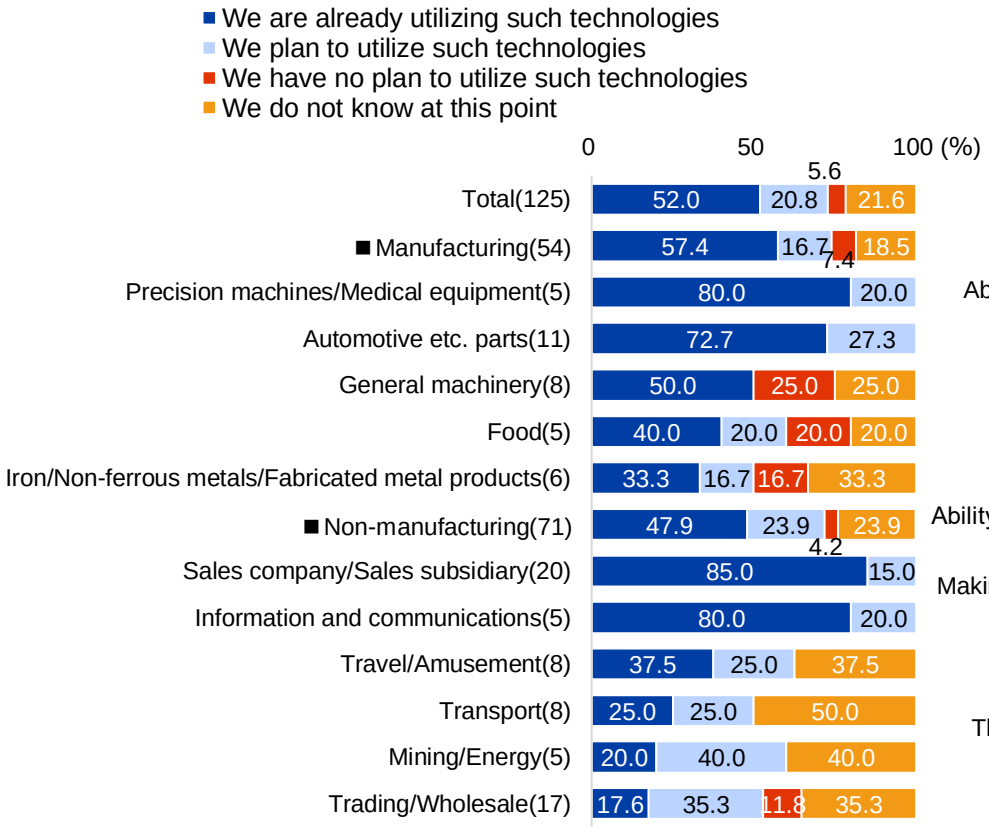
Specific Countermeasures (Free-form)

- Gather information, deal with environmental regulations as needed (electrification, zero-emission cars, greenhouse gases) [trading/wholesale]
- Flexibly adjust working hours, explore non-travel business areas [travel/amusement]
- Provide product information/digitalize training etc. in a way that is appropriate for the current remote work environment [sales companies/sales subsidiaries]
- Hedge risks, strengthen monitoring of expenditures, enhance engineering reviews [mining/energy]
- Expand in-house education system [railroad/industrial vehicles etc. parts]
- Enhance training in Japan/locally (virtual) [electrical machinery/electronic devices]
- Negotiate/request sale price increase with/from customers, request quality accommodations, reduce costs [automobiles etc.]
- Surcharges to pass logistics costs onto business partners [sales companies/sales subsidiaries]
- Increase inventory volume [sales companies/sales subsidiaries]
- Leverage various products, optimize fixed-point observation, upgrade information network [finance/insurance]
- Enhance security using external specialized firm [travel/amusement]
- Further develop new business areas (including investments), enhance ties with US regional headquarters [trading/wholesale]
- Procure funding from head office, develop products matching customer needs [automotive etc. parts]

9-1 Use of Digital-Related Technologies: Over 50% Are Using Digital Technologies

- **More than 50% of respondents** said they **are already using digital technologies**.
- Regarding the advantages of using these technologies, respondents' top answers were "stabilization/enhancement of product/service quality" (47.7%), "ability to address the issues of increasing wages and labor shortage" (46.6%), "reinforcement of marketing; expansion of customer base" (40.9%).

How Digital Technologies Are Being Used (By Industry)



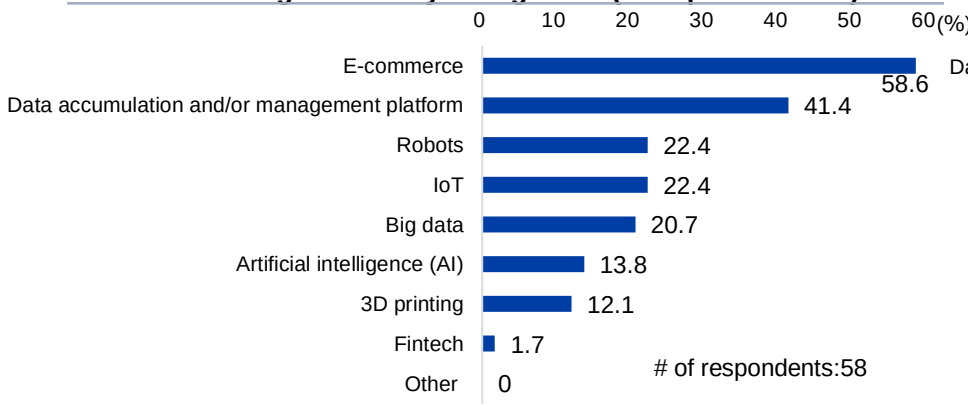
(Note) This chart lists only the industry types for which valid responses were received from at least five companies.

Advantages of Using Digital Technologies (Multiple Answers)

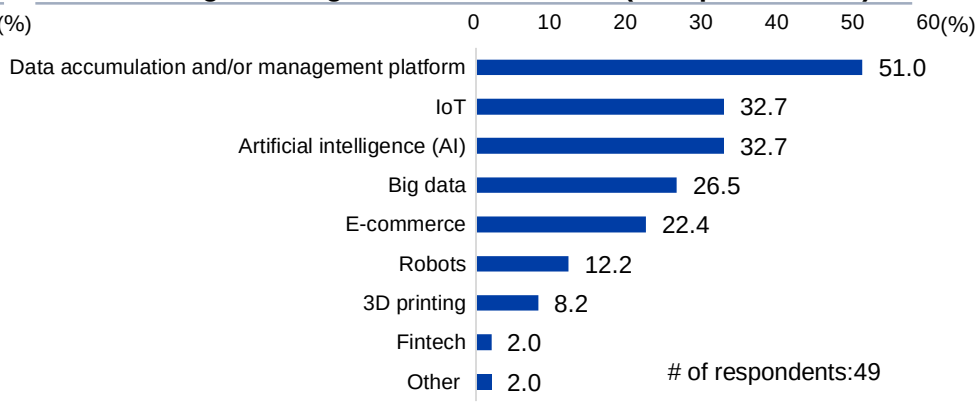
9-2 Use of Digital-Related Technologies: Nearly 60% of Companies Using E-Commerce, Cite High Costs as a Challenge

- **In terms of digital technologies that are already being used**, the top answer was **"electronic commerce (EC)"** (58.6%), while most respondents cited **"data accumulation and/or management platform"** (51.0%) as a **technology they were considering using**.
- While respondents generally demonstrated **a high level of interest in policy issues relating to sensitive information**, such as sensitive information subject to legal regulations and transfers of such information across national borders, **nearly half of respondents indicated "nothing in particular"** when it came to specific policy issues of interest.

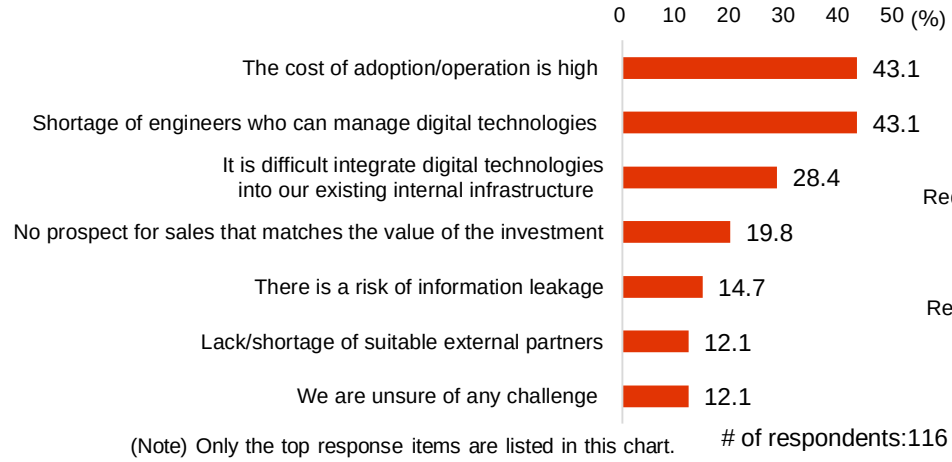
Technologies Already Being Used (Multiple Answers)



Technologies Being Considered For Use (Multiple Answers)

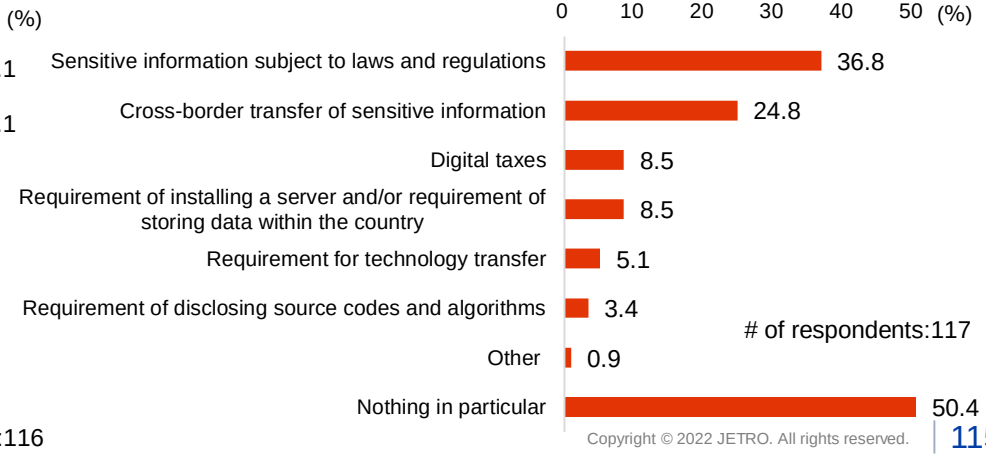


Challenges in Using Digital Technologies (Multiple Answers)



(Note) Only the top response items are listed in this chart.

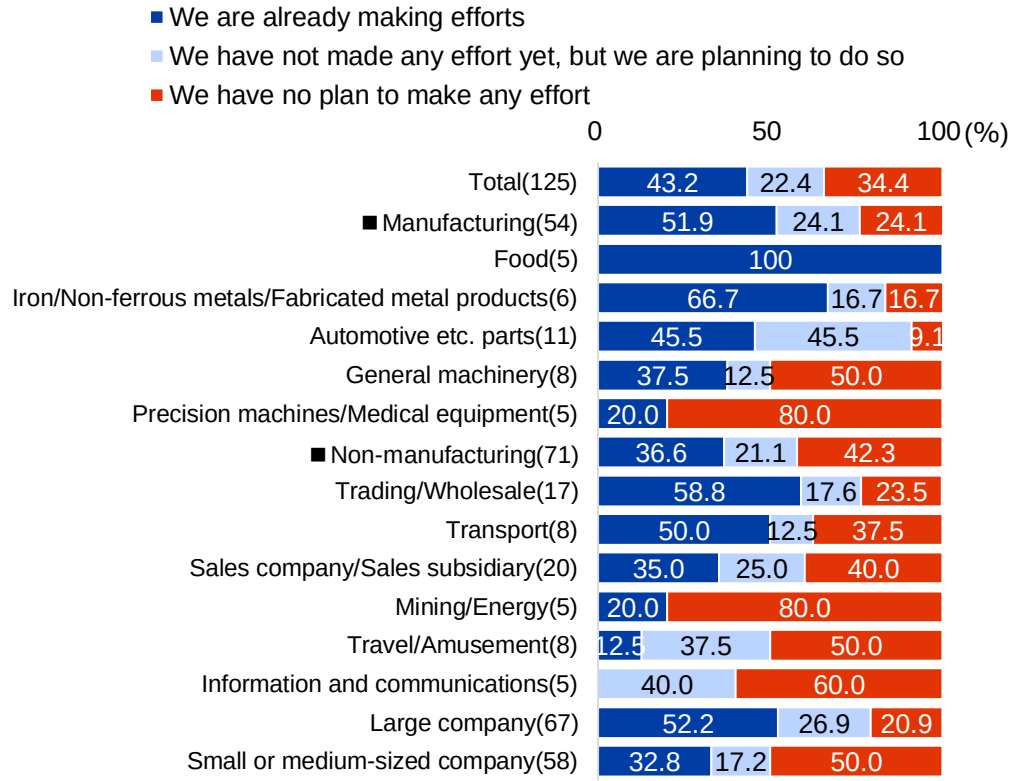
Policy Issues of Interest in the Use of Digital Technologies (Multiple Answers)



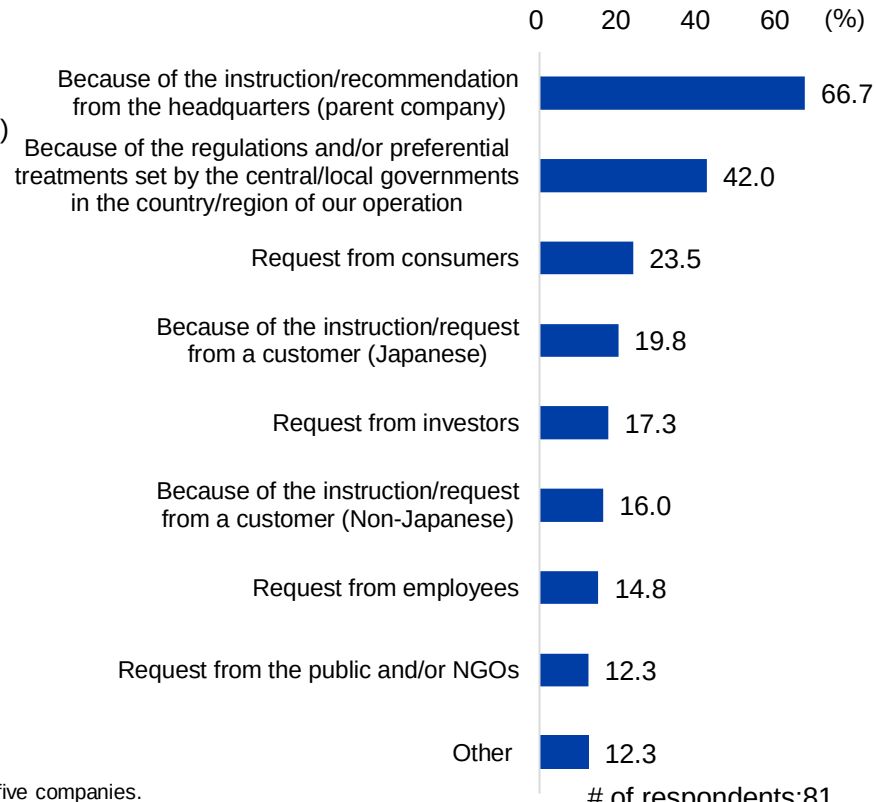
10-1 Decarbonization Efforts: More than 40% of Companies Are Engaged in Decarbonization

- **43.2% of respondents said they are already making efforts in decarbonization**. Among large companies this answer was given by 52.2% of respondents, while among small and medium-sized enterprises it was given by just 32.8%. Meanwhile, 34.4% of respondents had no plans to undertake such efforts. **By industry, the food** (100%) and **iron/non-ferrous metals/fabricated metal products** (66.7%) industries saw the most affirmative responses.
- **Regarding the reasons for undertaking decarbonization,** the top response was **"instruction/recommendation from the headquarters (parent company)" at 66.7%**, followed by "regulations and/or preferential treatments set by the central/local governments in the country/region of our operation" (42.0%).

Decarbonization Efforts (By Industry, By Company Scale)



Reasons for Undertaking Decarbonization (Multiple Answers)



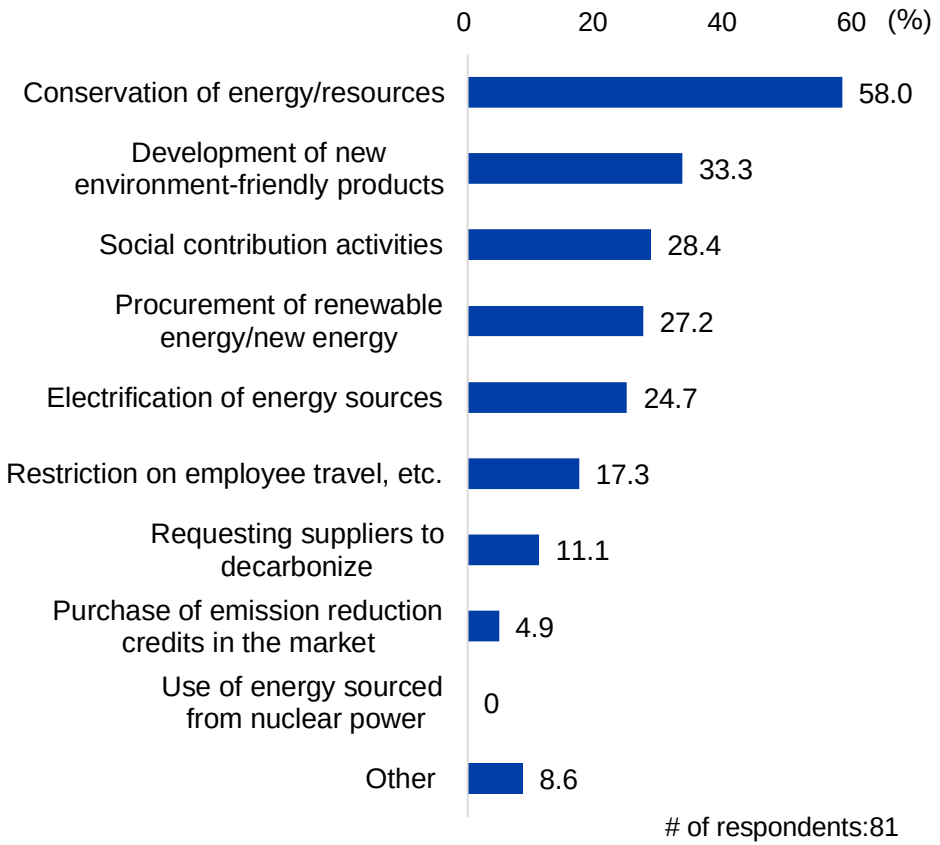
# of respondents:81

(Note) This chart lists only the industry types for which valid responses were received from at least five companies.
(Note) Large companies are companies with 50 or more employees total; small and medium-sized enterprises are companies with fewer than 50 employees.

10-2 Nature of Decarbonization Efforts: "Conservation of Energy/Resources" Cited by Nearly 60%

- Regarding **the nature of these decarbonization efforts, the top answer given was "conservation of energy/resources" at 58.0%**, followed by "developing of new environmentally-friendly products" (33.3%) and "social contribution activities" (28.4%).

Nature of Decarbonization Efforts (Multiple Answers)



# of respondents:81

Specific Efforts (Free-form)

- Expand sales of energy-saving high-efficiency products, support conservation industry associations [sales companies/sales subsidiaries]
- Develop electric vehicles [sales companies/sales subsidiaries]
- Participate in funds that look to invest in startups engaged in reducing greenhouse gas emissions [mining/energy]
- Reducing electricity used at peak hours by storing nighttime power [iron/non-ferrous metals/fabricated metal products]
- Consider investing in companies that have decarbonization technology [trading/wholesale]
- Reduce greenhouse gas emissions by deploying dump trucks with trolley assist systems powered by electricity [iron/non-ferrous metals/fabricated metal products]
- Prohibiting creation of paper-based manuals, use of paper-based guides/application forms [retail trade]

Challenges in Decarbonization Efforts (Free-form)

- Restrictions on activities for social or environmental reasons as a result of the spread of Covid-19 [food]
- Monetizing decarbonization [mining/energy]
- We are engaged in the hydrogen business, but because the industry is still undeveloped, there are very few opportunities for commercialization [trading/wholesale]

For Inquiries, Please Contact:

Japan External Trade Organization

Americas Division,
Overseas Research Department

+81-3-3582-5545

ORB@jetro.go.jp

6F ARK Mori Building., 1-12-32
Akasaka, Minato, Tokyo, 107-6006, Japan

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