

Survey of Japanese-Affiliated Firms in Asia and Oceania (FY2014 Survey)

December, 2014

Asia and Oceania Division
China and North Asia Division
Overseas Research Department

Japan External Trade Organization (JETRO)



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Survey Summary (1)

Purpose of Survey

To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate those findings widely.

Surveyed Countries/Regions

Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater) operating in a total of 20 countries/regions in northeast Asia (5), ASEAN countries (9), southwest Asia (4), and Oceania (2).

Survey Period

October 10 to November 14, 2014

Response Rate

Of a total of 10,078 surveys sent out, we received valid responses from 4,767 firms (47.3%). The breakdown of respondents by country and region is provided in the table to the right.

Notes

- The survey has been conducted since 1987, making this year the 28th version.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

(Firms, %)

	Firms surveyed	Firms responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
Total	10,078	4,767	100.0	2,522	2,245	47.3
Northeast Asia	2,263	1,559	32.7	824	735	68.9
China	1,412	976	20.5	616	360	69.1
Hong Kong/Macau	325	246	5.2	48	198	75.7
South Korea	259	231	4.8	104	127	89.2
Taiwan	267	106	2.2	56	50	39.7
ASEAN	6,455	2,427	50.9	1,341	1,086	37.6
Thailand	1,696	648	13.6	377	271	38.2
Indonesia	982	467	9.8	292	175	47.6
Vietnam	720	458	9.6	286	172	63.6
Singapore	1,505	318	6.7	57	261	21.1
Malaysia	982	292	6.1	202	90	29.7
Philippines	238	140	2.9	92	48	58.8
Myanmar	127	51	1.1	10	41	40.2
Cambodia	146	40	0.8	19	21	27.4
Laos	59	13	0.3	6	7	22.0
Southwest Asia	887	508	10.7	266	242	57.3
India	686	422	8.9	216	206	61.5
Bangladesh	93	38	0.8	25	13	40.9
Sri Lanka	77	29	0.6	13	16	37.7
Pakistan	31	19	0.4	12	7	61.3
Oceania	473	273	5.7	91	182	57.7
Australia	320	195	4.1	56	139	60.9
New Zealand	153	78	1.6	35	43	51.0

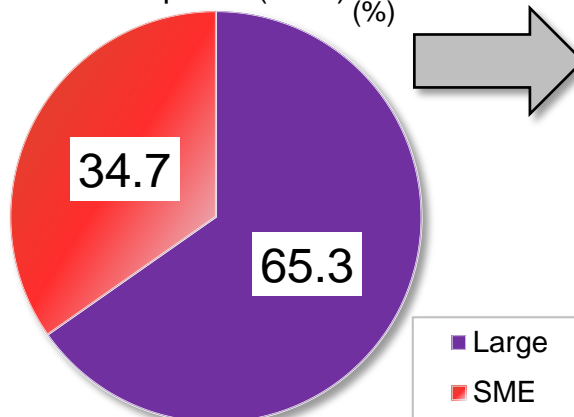
Survey Summary (2)

By industry category (Firms, %)

		Valid	(%)
Manufacturing	Total	2,522	52.9
	Motor vehicles/Motorcycles	453	9.5
	Electric machinery	439	9.2
	Chemical/Pharmaceutical	341	7.2
	Iron/Nonferrous metals/Metals	323	6.8
	Food	174	3.7
	General machinery	171	3.6
	Textiles	100	2.1
	Precision machinery	76	1.6
	Rubber/Leather	53	1.1
	Wood/Pulp	47	1.0
	Other manufacturing industries	345	7.2
Non-manufacturing	Total	2,245	47.1
	Wholesale/Retail	1,004	21.1
	Transport	245	5.1
	Construction	171	3.6
	Communications/Software	132	2.8
	Finance/Insurance	127	2.7
	Other non-manufacturing industries	566	11.9

Note: Wholesale/Retail includes the sales bases of manufacturing firms.

Large vs. Small and Medium-sized Enterprises (SME) (%)



Note: The definition of "small and medium-sized enterprises" here is based on the definition provided in Japan's Small and Medium-sized Enterprise Basic Act.

Note: Industry category details are as follows:

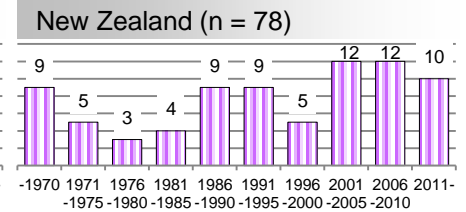
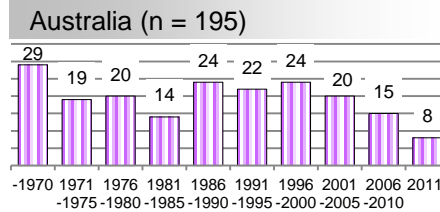
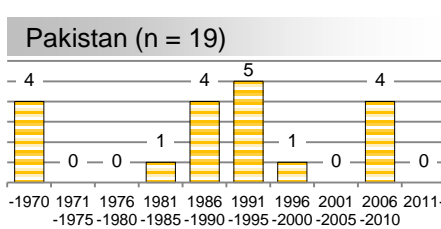
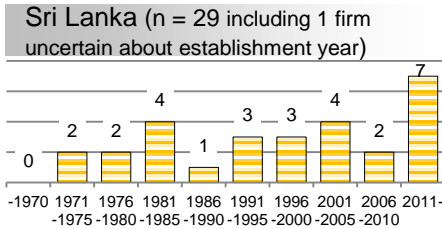
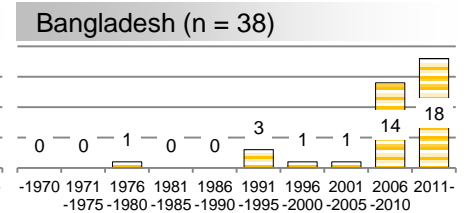
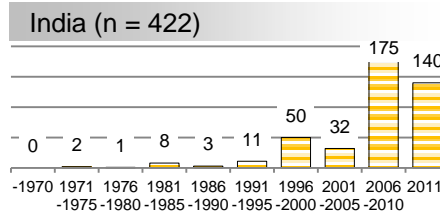
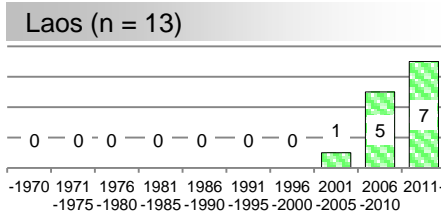
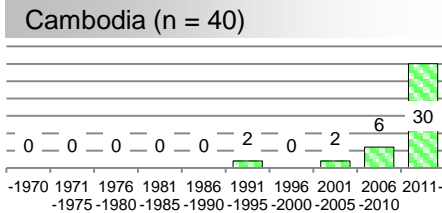
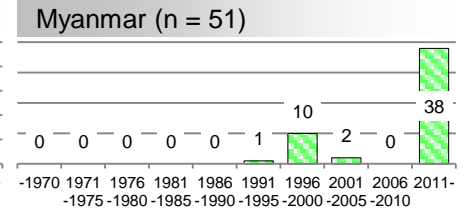
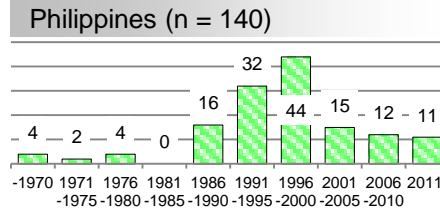
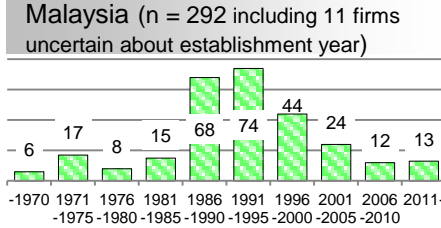
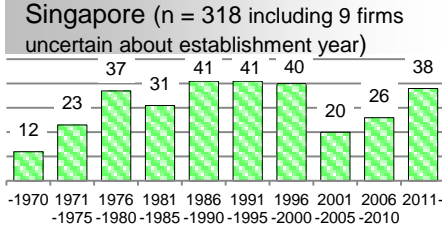
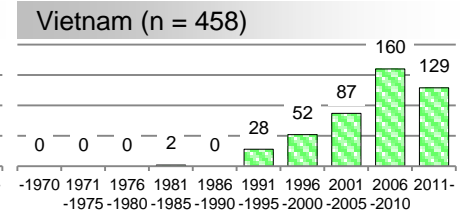
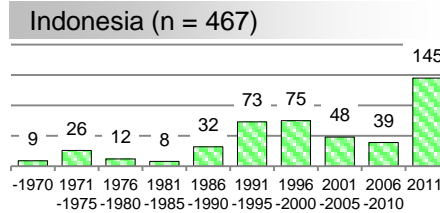
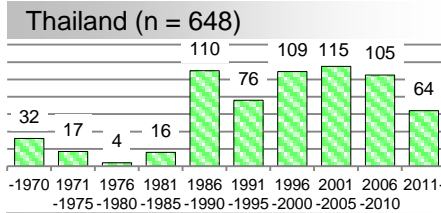
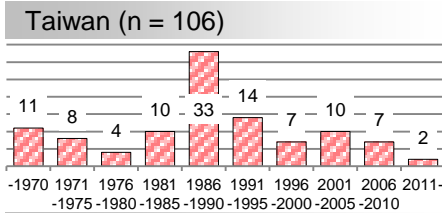
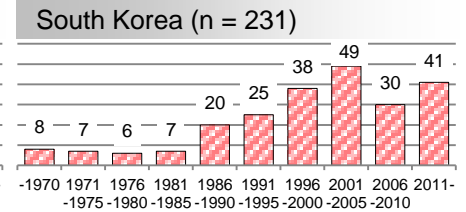
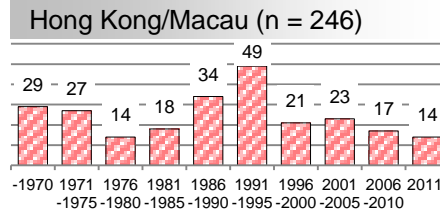
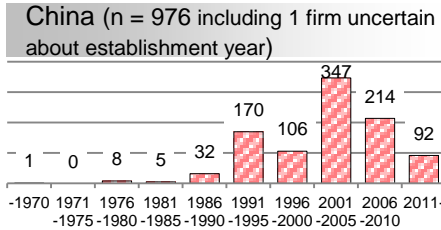
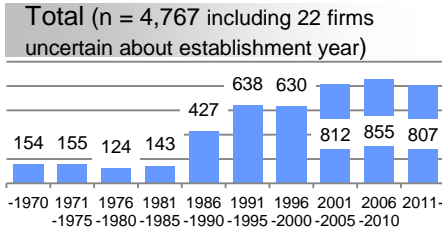
- 1. Food:** Foods, processed agricultural or marine products
- 2. Textiles:** Textiles (yarn, cloth, synthetic fabrics), apparel, textile products
- 3. Wood/Pulp:** Lumber and wood products, paper and pulp
- 4. Chemical/Pharmaceutical:** Chemicals and petroleum products, pharmaceuticals, plastic products
- 5. Iron/Nonferrous metals/Metals:** Iron and steel (including cast and forged products), nonferrous metals and products, fabricated metal products (including plated products)
- 6. General machinery:** General machinery (including metal molds and machine tools)
- 7. Electric machinery:** Electric machinery and electronic equipment, electric and electronic parts and components
- 8. Motor vehicles/Motorcycles:** Motor vehicles and motorcycles, motor vehicle and motorcycle parts and accessories
- 9. Precision machinery:** Precision instruments, medical devices
- 10. Wholesale/Retail:** Trading, logistics, and sales companies
- 11. Finance/Insurance:** Banks, insurance companies, and securities brokers

Firms by Country/Region (Firms)

	Large	SME
Total	3,112	1,655
Northeast Asia	1,103	456
China	636	340
Hong Kong/Macau	190	56
South Korea	189	42
Taiwan	88	18
ASEAN	1,408	1,019
Thailand	305	343
Indonesia	294	173
Vietnam	240	218
Singapore	243	75
Malaysia	190	102
Philippines	70	70
Myanmar	38	13
Cambodia	20	20
Laos	8	5
Southwest Asia	393	115
India	341	81
Bangladesh	15	23
Sri Lanka	19	10
Pakistan	18	1
Oceania	208	65
Australia	158	37
New Zealand	50	28

Survey Summary (3)

Year of establishment of responding firms (by country/region)



Key Points (1)

Motivation for expansion of business higher in ASEAN than in China

Results of JETRO's 2014 Survey on Business Conditions of Japanese-Affiliated Firms in Asia and Oceania

Japanese-affiliated firms in China with intention to expand business dropped below 50% for the first time ever since the survey began in 1998, while those indicating business would “remain the same” increased. In ASEAN, approximately 60% of firms answered that they would expand, a slight decrease from last year. In the least emerging countries including Cambodia, India and Bangladesh, strong intention to expand business continued, marking a high response rate beyond 70%. As the most serious problem in management, “increasing wages” continued to be reported. With the rising importance of high local procurement as an effective countermeasure to reduce costs, the afore-mentioned rate in China marked the highest since the survey began, with 66.2%. Meanwhile, ASEAN marked 41.9%, with the rates of the major countries remaining almost the same compared to 2010, except for an increase in Vietnam.

Summary points:

1. Firms with intention to expand business in China drop below 50% (Refer to Page 18,19 and 20)

Among firms, 56.3% expect business to “expand” in the next one or two years, a 3.5 point decrease from the 59.8% last year. Looking at the results by country and region, in China, respondents marking an “expansion” decreased by 7.7 points to 46.5%, which was the first time that the figure dropped below 50% ever since the survey began in 1998. Those indicating business would “remain the same” increased. In ASEAN, 60.3% of firms answered with “expansion”, marking a 2.8 point decrease. The proportion in ASEAN exceeded that of China in 2012, and since then the difference has widened to 13.8 points. In the Philippines, the rate has risen to 58.7% since 2009, with the lowest rate marked at 31.0%. High response rates were seen in emerging countries such as Cambodia (79.5%), India (78.2%) and Bangladesh (71.1%).

2. Most serious problem in management: increased wages (Refer to page 32,33,66 and 67)

Increased wages was the most commonly selected answer as management problems, marking 72.2%. The percentage accounted for more than 80% in China, Indonesia and Cambodia. Regarding the wage-increase rate, a double-digit increase was seen in seven countries such as Indonesia, Pakistan, Myanmar, Cambodia, India, Bangladesh and Sri Lanka, compared to the average rate of increase last year. In four countries including Indonesia, Pakistan, Cambodia and India, a double-digit increase is expected to continue in 2015. The rate of China has increased by double-digits since 2010, when the survey began, and is expected to be 7.9% in 2015, a single-digit increase since 2013. Many firms have still considered increased wages as a management issue.

Key Points (2)

3. Local procurement rate in China hits a record high of 66.2% (Refer to page 41,44,46,47 and 52)

As countermeasures for increasing costs, “cost-cutting (e.g., administration cost, indirect cost)” (49.5%) and “reconsidering suppliers of raw materials and procurement content” (41.4%) both exceeded 40%. In addition, 25.7% of firms indicated “encouraging recruitment of local staff, reduction of payroll cost”, while 21.5% marked “encouraging automation and labor-saving (e.g., introducing industrial robots)”, a 3.6% increase from the figure of three years ago.

Aimed at reducing material costs, which accounts for an average of 60.2% of production costs, 75.7% of firms answered with “cost-cutting by increasing local procurement rate”. China’s local procurement rate has risen every year, marking a record high of 66.2% from the 46.9% in 2005. Meanwhile, ASEAN marked 41.9%, with the major countries remaining almost the same as in 2010, except for an increase in Vietnam.

4. Percentage of firms expecting surplus remained at same level, while varying by country and region (Refer to page 8)

Firms expecting operating profits for 2014 to be a “surplus” accounted for 63.9%, which was almost at the same level as the previous year (64.6%). Looking at the results by country and region, the rate of Pakistan ranked the highest with 84.2%, followed by Taiwan (83.8%), Korea (76.2%), Australia (71.5%), Hong Kong/Macau (71.5%), the Philippines (71.2%) and so on. Meanwhile, the rate was relatively low in other countries like Myanmar (8.0%), Laos (23.1%) and Cambodia (25.6%), where many firms have a shorter operation history than in other countries. In terms of business scale, 69.9% of large-scale companies expected a surplus, which exceeds the rate of SMEs by 17.3 points with 52.6%. A gap of 20 or more points was seen in Indonesia, Hong Kong/Macau, Vietnam, Malaysia and China.

5. Business confidence for 2015 significantly improved, especially in emerging countries (Refer to page 13,14 and 16)

Regarding the business forecast for 2015, 49.1% of firms expect operating profits to “increase”, while those indicating a “decrease” declined to 11.7%. The diffusion index (DI) – “the proportion of businesses reporting increased operating profits” minus “those reporting decreased operating profits compared to the previous year” – marked 37.4 points, a 21.3 point increase from 2014. Among factors for improvement, “sales increase in local markets” was the most commonly cited. In emerging countries including Bangladesh and Cambodia, the DI marked beyond 60, representing a significant improvement of business confidence.

6. Utilization of FTA and EPA increases, centering on textiles and transportation machinery and equipment industries (Refer to page 58)

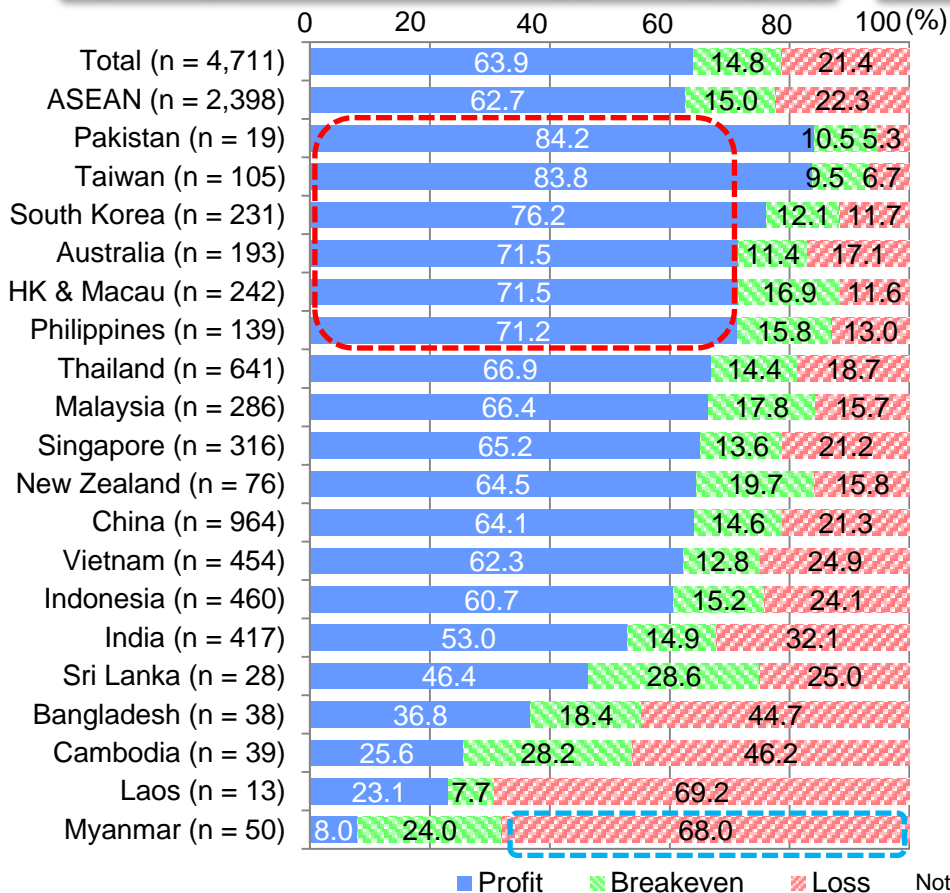
Among firms engaged in trading, 43.7% of those utilized free trade agreements (FTAs) and economic partnership agreements (EPAs), a 2.5 point increase from the 41.2% last year. (The figure includes utilization of FTAs and EPAs which Japan is not party to.) In terms of exports and imports, the utilization rate also increased by 2.5 points respectively. Looking at the results by country and region, Korea, Indonesia, New Zealand and Thailand marked relatively high rates with more than 50%. In terms of industry, textile, transportation machinery and equipment, chemical/medical and food product sectors are remarkable with a high rate of more than 50%.

7. Simplified regulation and procedures concerning customs clearance are expected in AEC and RCEP (Refer to page 61 and 63)

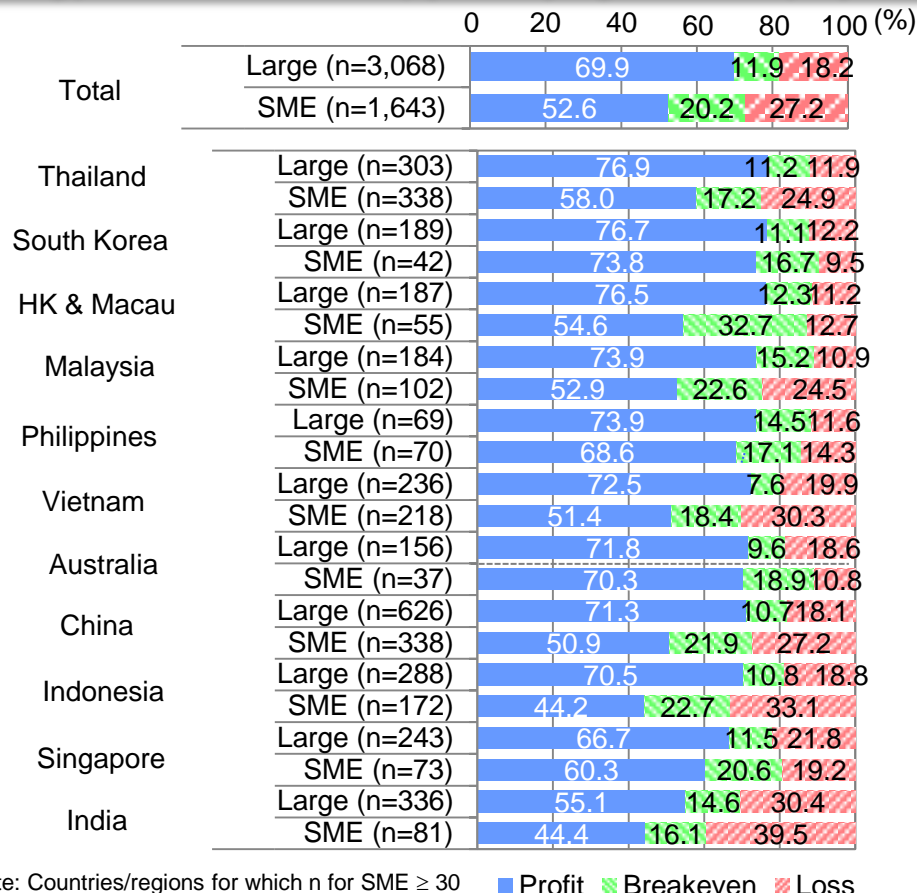
Regarding expectations for the ASEAN Economic Community (AEC), which is projected to launch in 2015, 63.9% of firms indicated “simplified customs clearance procedures (unified customs declarations and introduction of a single window system for import and export)”. Particularly firms in Indonesia and Laos had a high response rate with more than 70%. As for expectations for the Regional Comprehensive Economic Partnership (RCEP), “simplified customs-related systems/procedures” was the most commonly selected topic, marking 56.7%.

1. Operating Profit Forecast (1)

Operating profit forecast for 2014 (by country/region)



Operating profit forecast for 2014 (by country/region and company size)



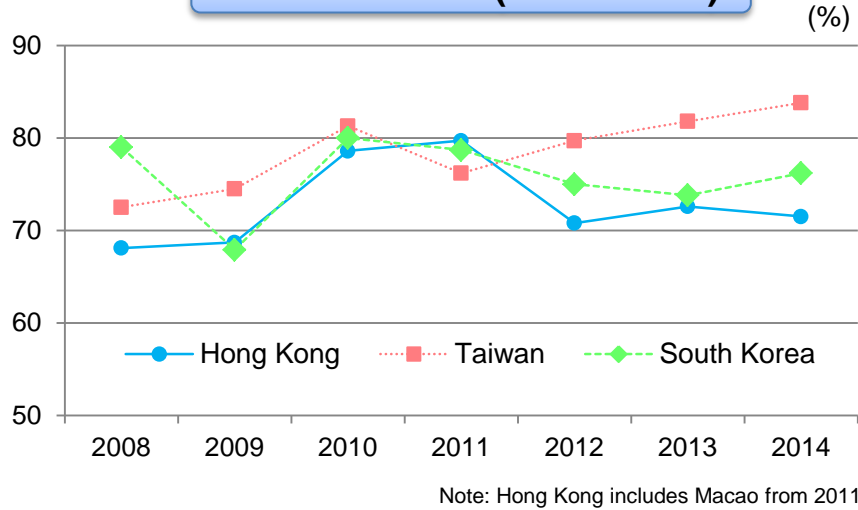
■ Profit ■ Breakeven ■ Loss Note: Countries/regions for which n for SME ≥ 30 ■ Profit ■ Breakeven ■ Loss

- 63.9% of all firms expect an operating "Profit" for 2014, down 0.7 percentage points (pp) from 64.6% (n = 4,514) in 2013; in contrast, 21.4% of all firms expect an operating "Loss," up 0.8 pp from 20.6% in 2013
- By country/region, the proportion of firms expecting an operating profit was highest in Pakistan at 84.2%, followed by Taiwan, South Korea, Australia, Hong Kong/Macau, and the Philippines at over 70%, respectively.
- In Myanmar, firms expecting an operating "loss" accounted for 68.0%, up 37.2 pp from 30.8% in 2013, as many of them are young firms.
- 69.9% of large enterprises expect an operating profit, which is higher than 52.6% of small and medium-sized enterprises (SMEs) by 17.3 pp. The proportion of positive forecasts was higher among large enterprises than SMEs in all 11 countries/regions with valid responses from more than 30 companies. In particular, the proportion of profitable firms was higher in large enterprises than in SMEs by over 20 pp in Hong Kong/Macau, Malaysia, Vietnam, China, and Indonesia.

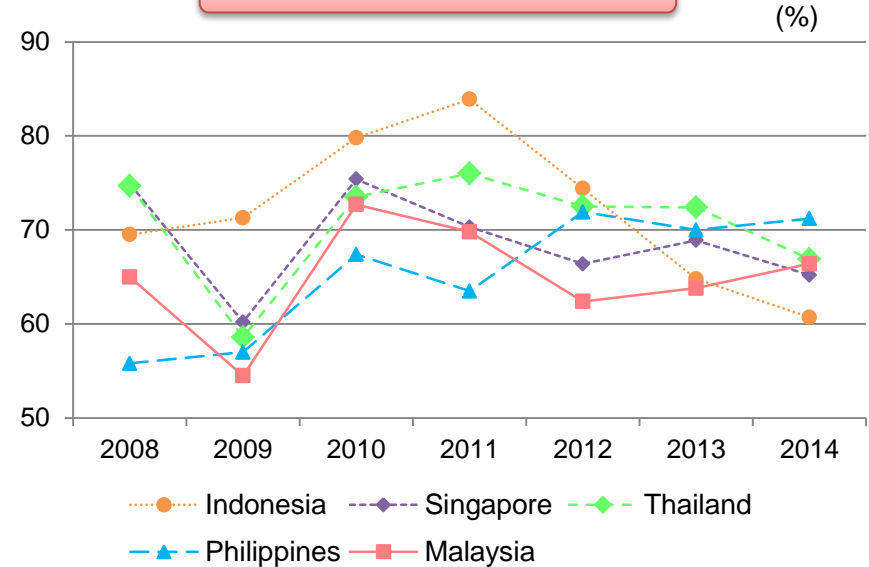
1. Operating Profit Forecast (2)

Proportion of profitable firms - 2008 to 2014 (by country/region)

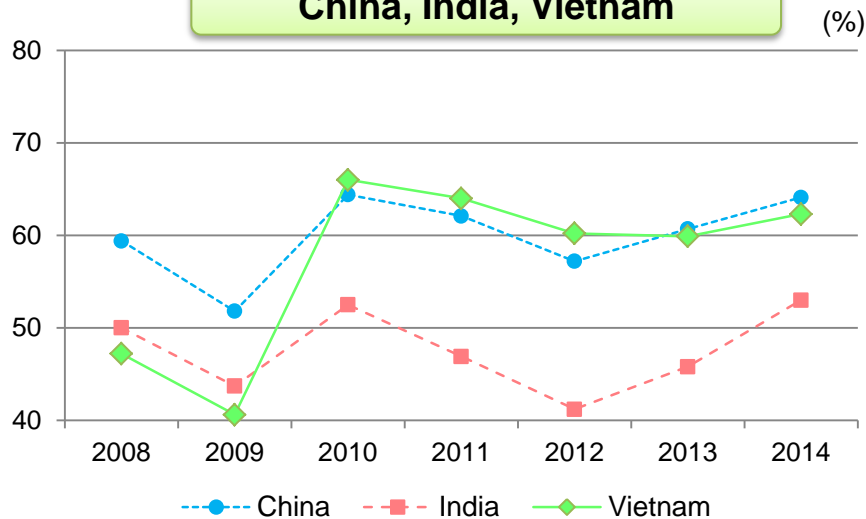
Northeast Asia (Excl. China)



ASEAN5



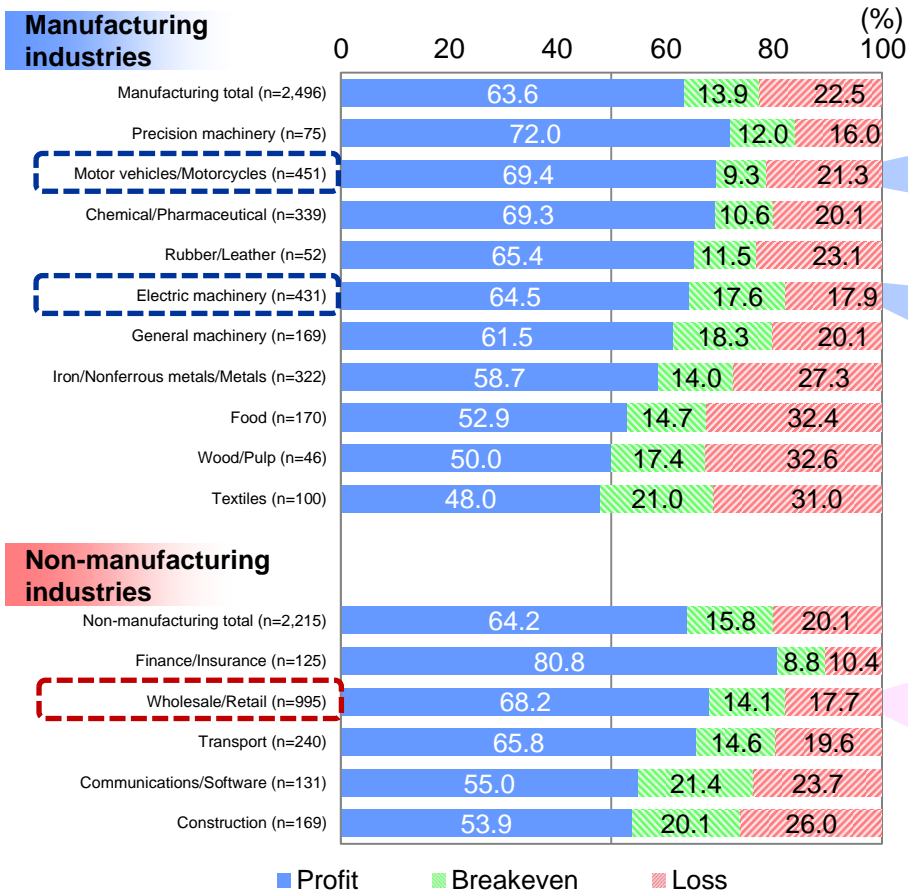
China, India, Vietnam



- In Northeast Asia (excluding China), profitable firms exceeded 70% in all countries/regions, although the proportion decreased from 2013 in Hong Kong/Macao. In Taiwan, profitable firms reached a record high of 83.8%.
- In ASEAN5, the proportion of profitable firms increased in two countries but decreased in three countries. In Indonesia, the proportion decreased by 4.1 pp from 2013, showing a three-straight-year decrease from 2011. The proportion of profitable firms exceeded 70% only in the Philippines.
- The proportion of profitable firms increased in China, India, and Vietnam. In India, the proportion increased to a record high of 53.0% by 7.2 pp from 2013. In China, the proportion increased to 64.1% by 3.4 pp from 2013.

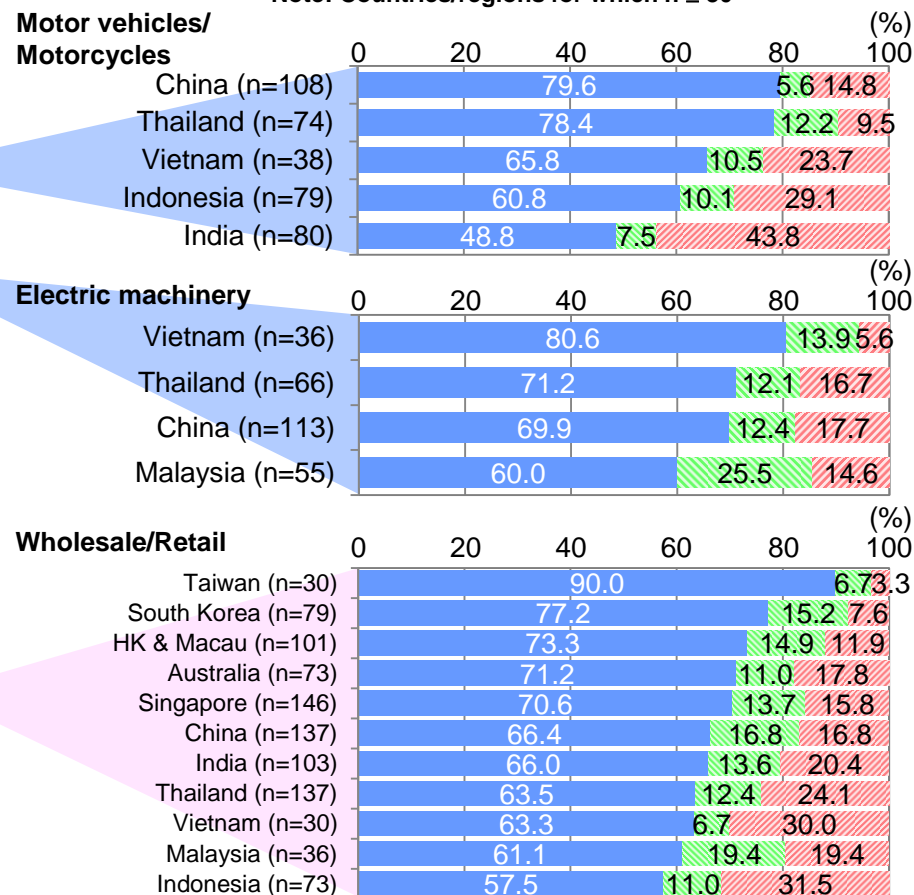
1. Operating Profit Forecast (3)

Operating profit forecast for 2014 (by industry)



Major industry categories by country and region

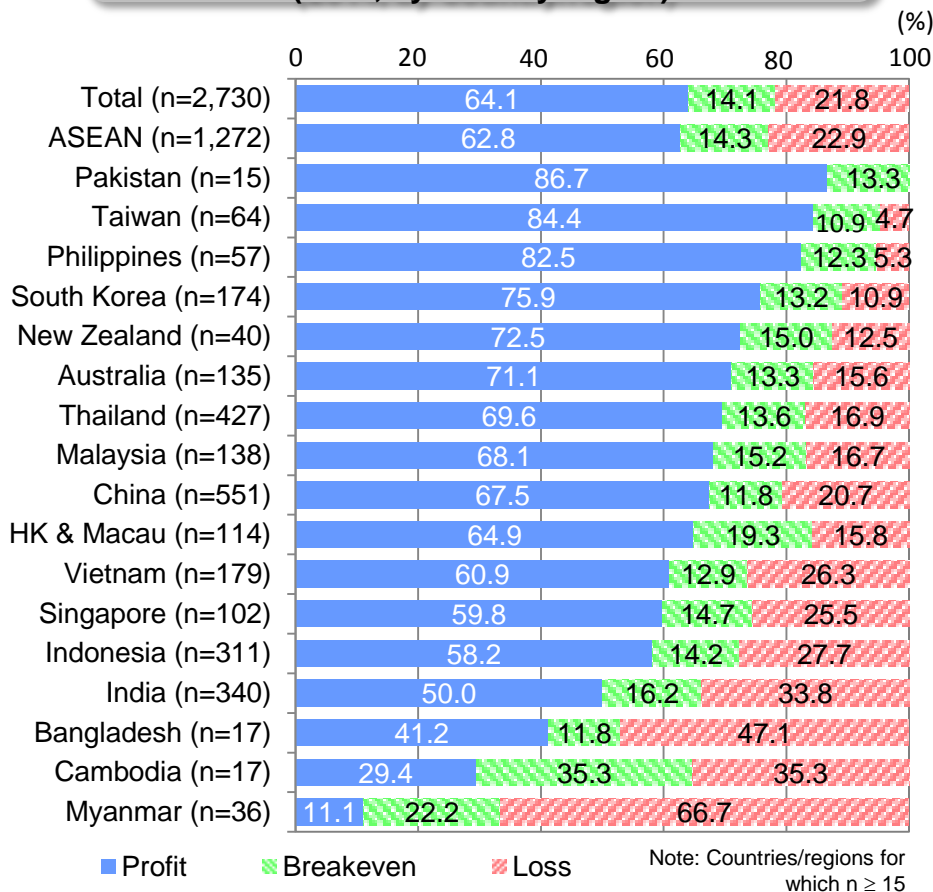
Note: Countries/regions for which n ≥ 30



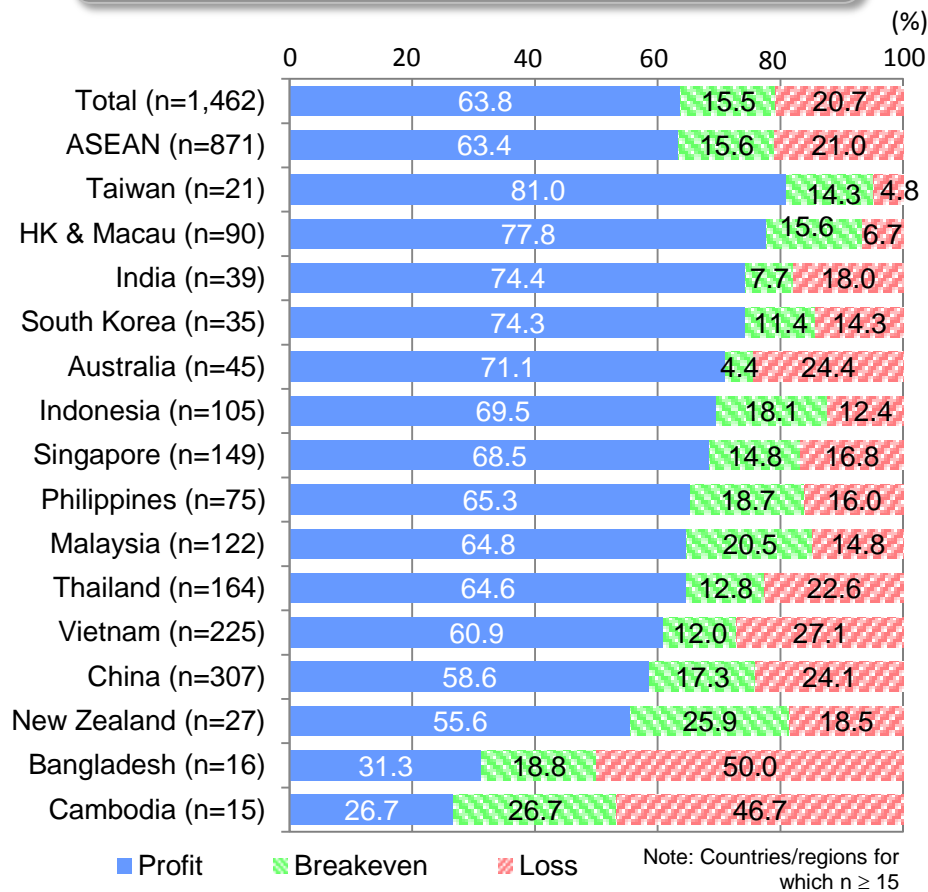
- The proportion of firms expecting an operating profit for 2014 was higher in the non-manufacturing sector (64.2%) than the manufacturing sector (63.6%). In comparison with the 2013 survey (manufacturing: 64.2%/non-manufacturing: 65.2%), the proportion decreased by 0.6 pp in the manufacturing sector and by 1.0 points in the non-manufacturing sector.
- By industry, the proportion of profitable firms exceeded 70% in Precision machinery (72.0%) (manufacturing) and Finance/Insurance (80.8%) (non-manufacturing).
- The trends by country/region of the three industries with the largest number of valid responses are as follows. In the Motor vehicles/Motorcycles industry, an operating profit is expected by 79.6% of all firms in China and by 78.4% of all firms in Thailand. In Wholesale/Retail, the proportion of profitable firms is the highest in Taiwan at 90.0%, followed by South Korea, Hong Kong/Macau, Australia, and Singapore at over 70%, respectively.

1. Operating Profit Forecast (4)

Operating profit forecast (domestic sales-oriented firms with export ratio < 50%) (2014, by country/region)



Operating profit forecast (export-oriented firms with export ratio ≥ 50%) (2014, by country/region)

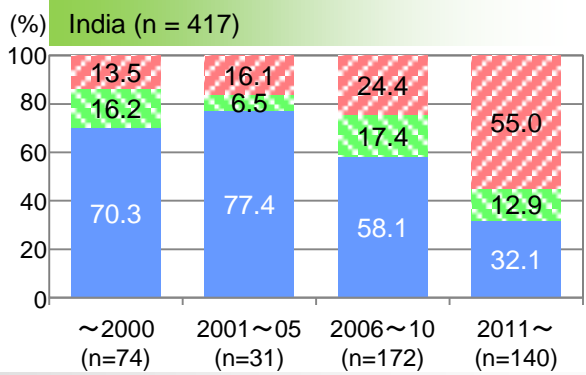
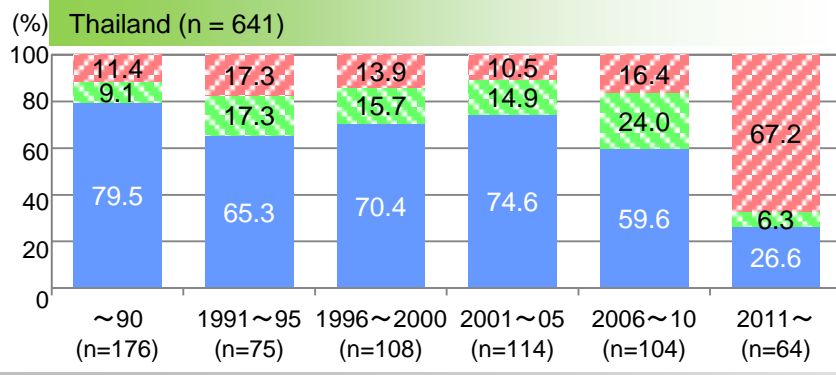
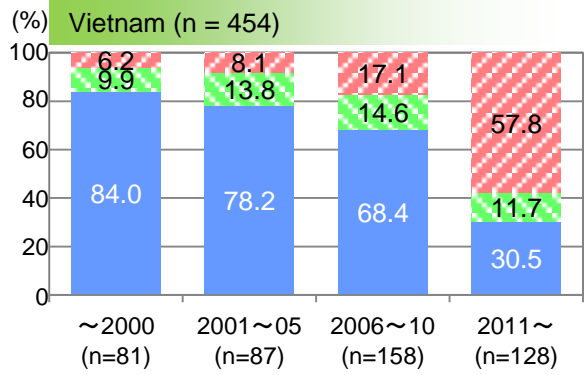
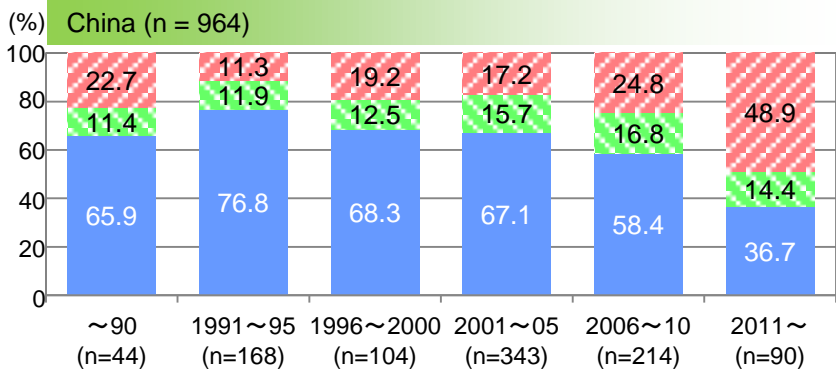
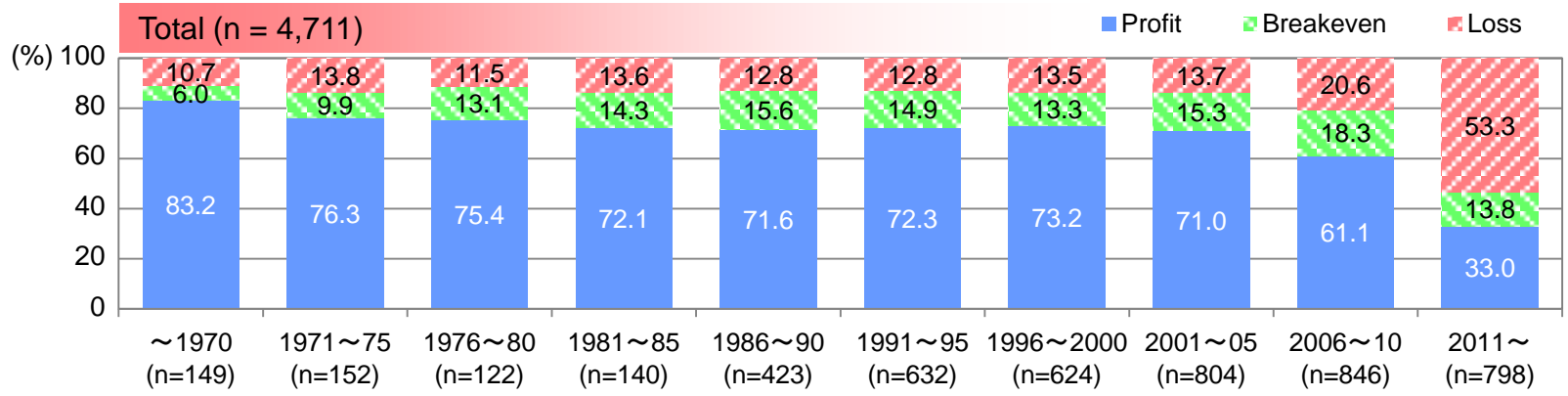


- The proportion of positive operating profit (forecast) was higher among domestic sales-oriented firms (less than 50% export ratio in the operating country/region) (64.1%) than export-oriented firms (50% or larger export ratio in the operating country/region) (63.8%) by 0.3 pp.
- In Taiwan, South Korea, and Australia, the proportion exceeds 70% among both domestic sales-oriented firms and export-oriented firms.
- In the Philippines and New Zealand, the proportion was higher among domestic sales-oriented firms than export-oriented firms by over 15 pp. The same was true in Bangladesh and China with a difference of 9.9 and 8.9 pp, respectively. In India, Hong Kong/Macau, and Indonesia, the proportion of profitable firms was higher among export-oriented firms than domestic sales-oriented firms by over 10 pp.



1. Operating Profit Forecast (5)

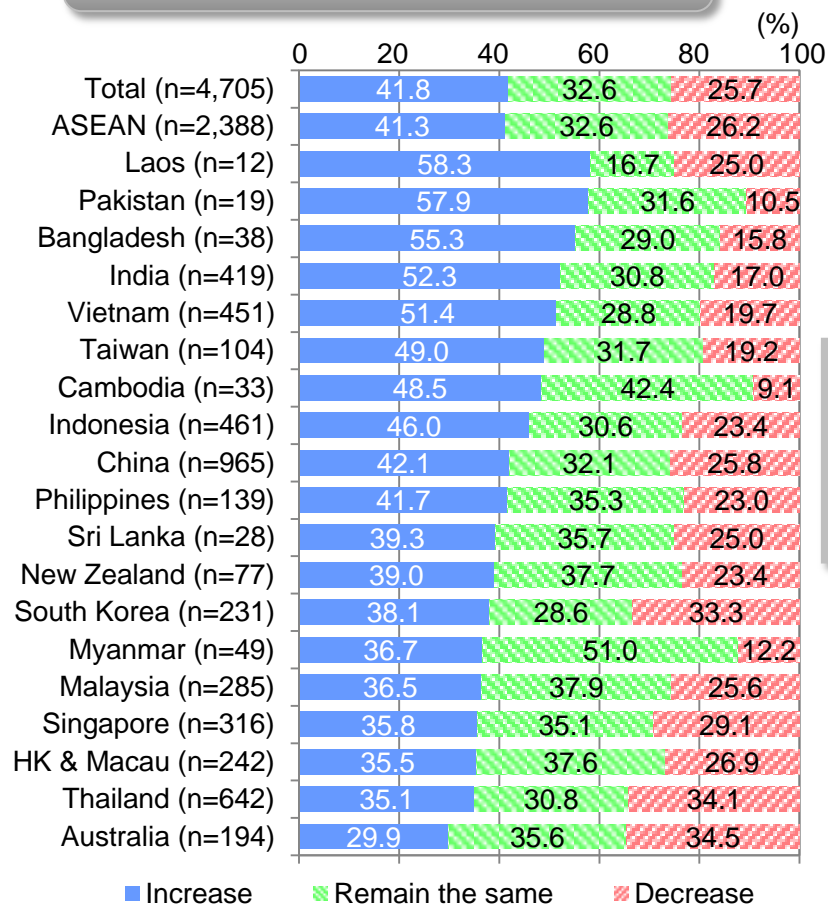
Operating profit forecast for 2014 (by year of establishment)



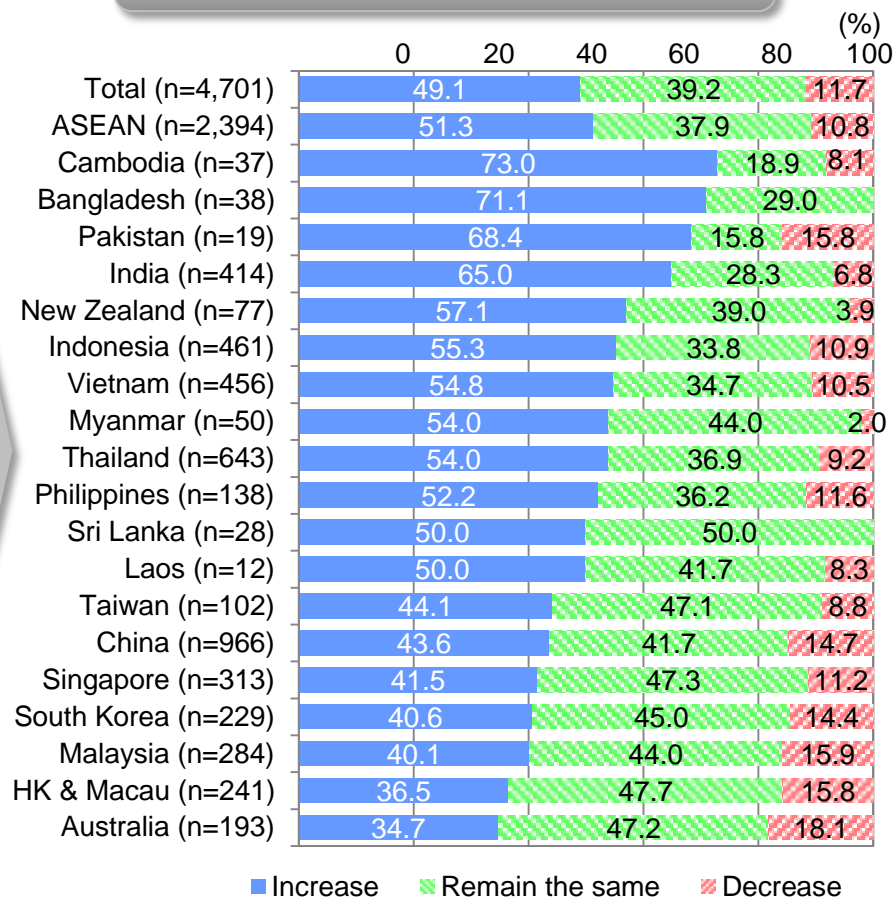
- By year of establishment, firms established in an earlier year are more likely to expect an operating profit for 2014.
- A majority of firms established in 2011 or later expect an operating loss.

1. Operating Profit Forecast (6)

**Operating profit forecast for 2014
(by county/region, comparison with 2013)**



**Operating profit forecast for 2015
(by county/region, comparison with 2014)**



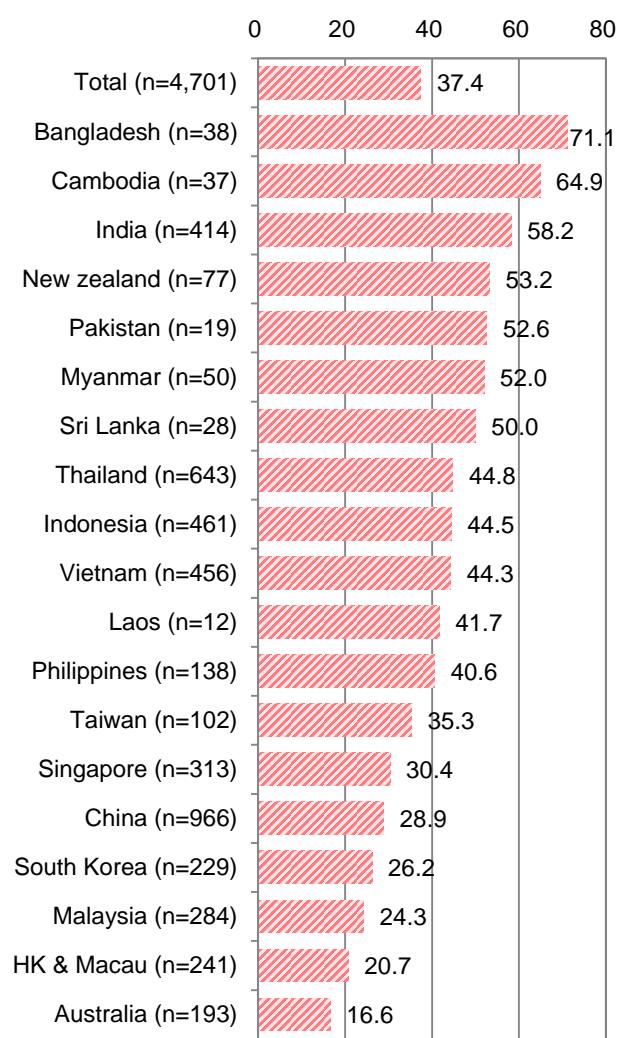
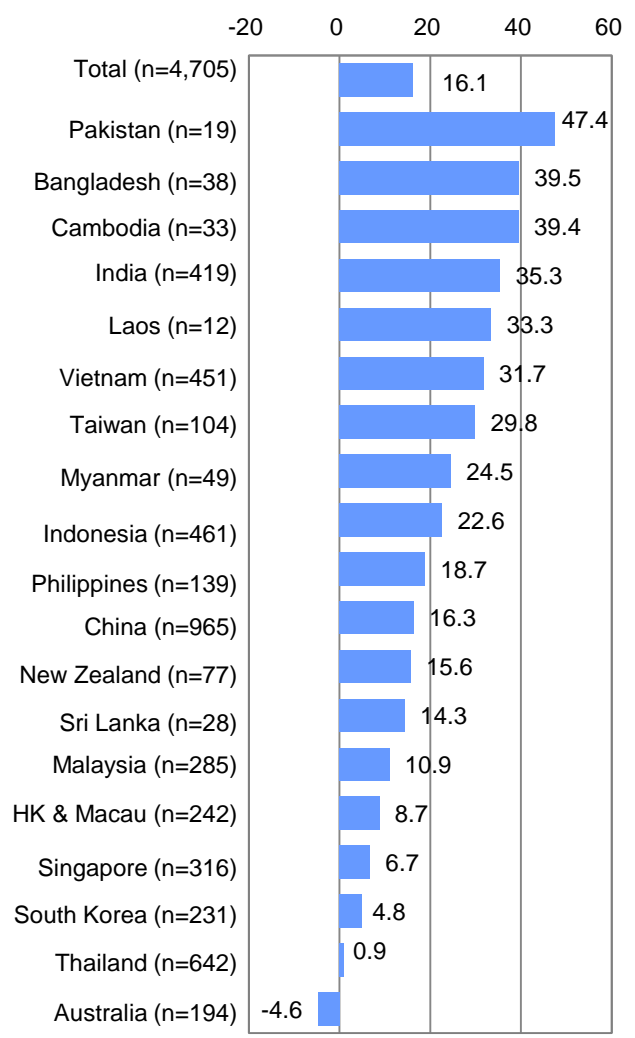
- 41.8% of all firms expect an operating profit “Increase” for 2014 (from 2013), down 1.2 pp from 43.0% in the 2013 survey (n = 4,504); the proportion of firms expecting an operating profit “Decrease” was 25.7%, down 1.3 pp from the 2013 survey (27.0%).
- 49.1% of all firms expect an “Increase” for 2015, down 1.5 pp from 50.6% in 2014 forecast in the 2013 survey. Meanwhile, the proportion of firms expecting an operating profit “Decrease” was 11.7%, up 1.0 pp from the 2014 forecast (10.7%) in the 2013 survey.
- The proportion of firms expecting an “Increase” in the 2015 forecast is higher in Cambodia, Bangladesh, Pakistan, and India.



1. Operating Profit Forecast (7)

2014 DI (by country/region)

2015 DI (by country/region)

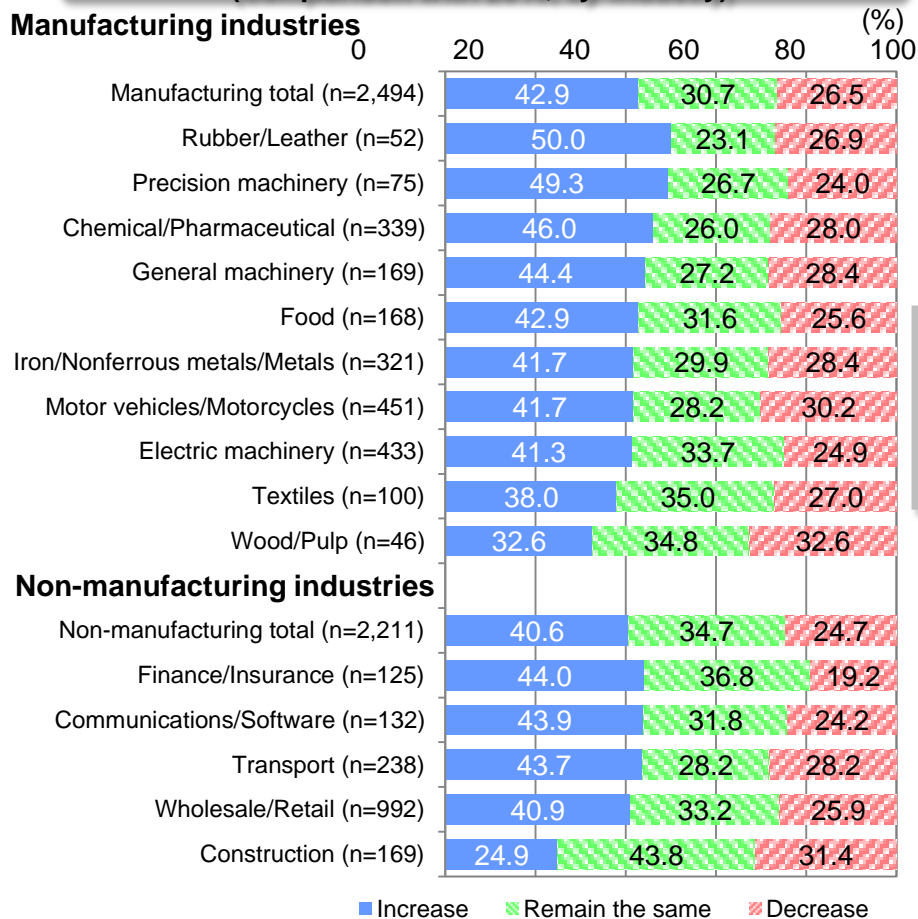


- The DI (see Note), indicating business confidence for 2014 operating profit was 16.1 points, up 0.1 pp from 16.0 points in the 2013 survey (n = 4,504). By country/region, the DI was higher in Pakistan, Bangladesh, and Cambodia.
- The 2015 DI (37.4 points) is higher than the 2014 DI by 21.3 points. In particular, the DI exceeded 60 points in Bangladesh and Cambodia, showing strong expectations for improvement.

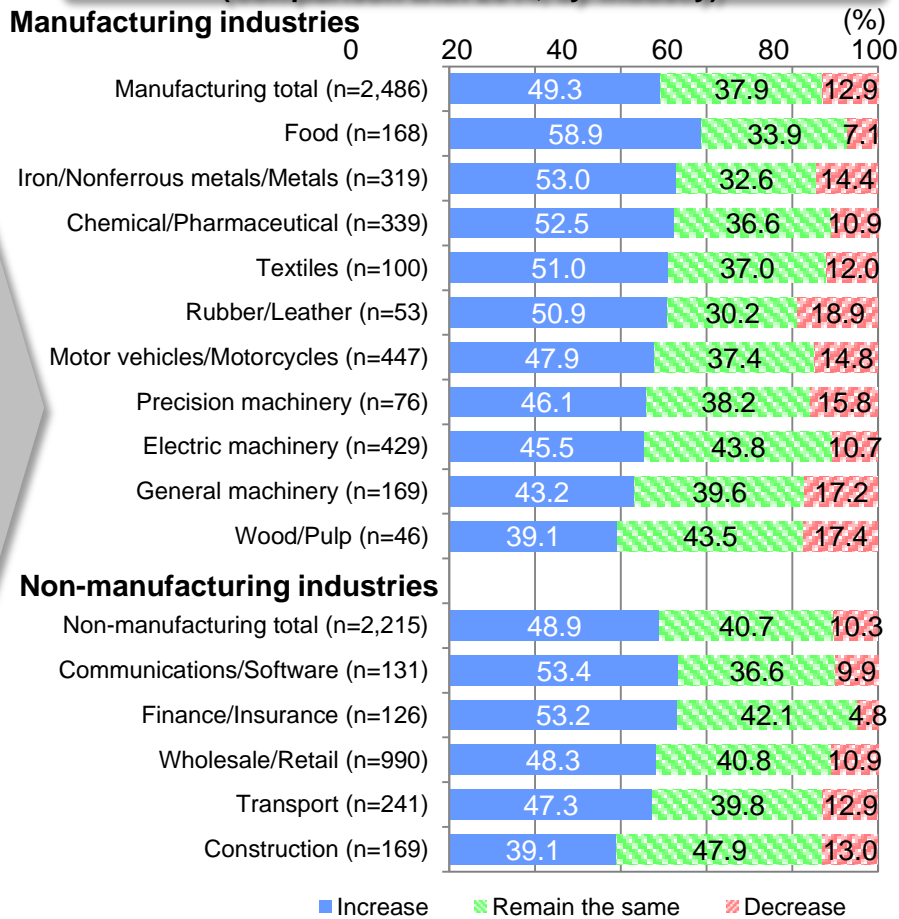
Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting improvement minus the proportion of firms expecting worsening. This figure reflects changes in business confidence.

1. Operating Profit Forecast (8)

**Operating profit forecast for 2014
(comparison with 2013, by industry)**



**Operating profit forecast for 2015
(comparison with 2014, by industry)**

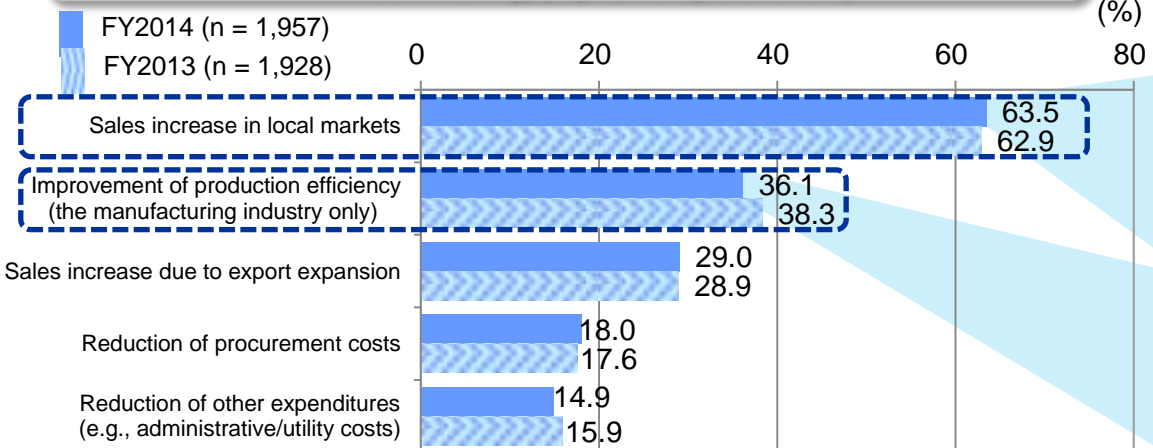


- Compared with the 2013 survey (manufacturing: n = 2,396/non-manufacturing: n = 2,108), the proportion of firms expecting an operating profit "Increase" for 2014 decreased by 1.2 pp both in the manufacturing sector (44.1% ⇒ 42.9%) and the non-manufacturing sector (41.8% ⇒ 40.6%).
- The proportion of firms expecting an operating profit "Increase" for 2015 decreased from the 2014 "Increase" forecast by 1.6 pp in the manufacturing sector (50.9% ⇒ 49.3%) and by 1.2 pp in the non-manufacturing sector (50.1% ⇒ 48.9%). The proportion of "Increase" forecast decreased from the 2013 survey (forecast for 2014) in many industries.



1. Operating Profit Forecast (9)

**Reasons for increased operating profits forecast for 2014
(comparison with the reasons for the increase forecast for 2013 cited
in the 2013 survey) (top 5, multiple answers)**



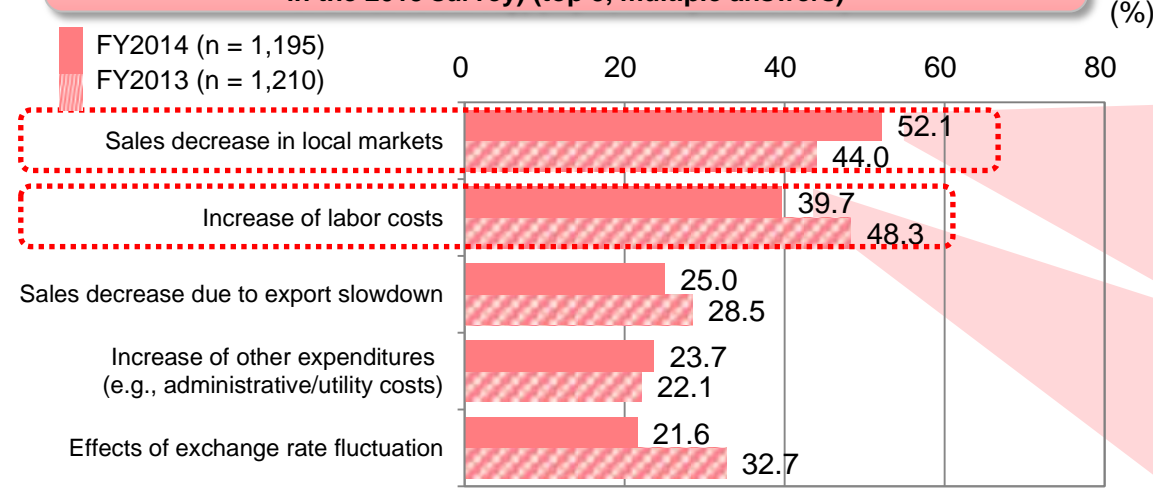
Note: "Improvement of production efficiency" here includes improvement of manufacturing procedures (e.g., introduction of a cell production system) and computerized production management.

Response rate by country/region and industry (top 5)

Country/region	Industry category
India (81.9%)	Finance/Insurance (80.0%)
Indonesia (72.2%)	Construction (78.6%)
South Korea (71.6%)	Wholesale/Retail (75.3%)
China (68.6%)	Food (73.2%)
Taiwan (68.6%)	Motor vehicles/Motorcycles (71.7%)
Taiwan (46.2%)	Precision machinery (48.7%)
Philippines (43.6%)	Electric machinery (43.8%)
China (42.5%)	Textiles (42.1%)
Vietnam (41.7%)	Motor Vehicles/Motorcycles (40.1%)
Malaysia (34.8%)	General machinery (32.4%)

Note: Countries/regions and industry categories for which n≥30

**Reasons for decreased operating profits forecast for 2014
(comparison with the reasons for the decrease forecast for 2013 cited
in the 2013 survey) (top 5, multiple answers)**



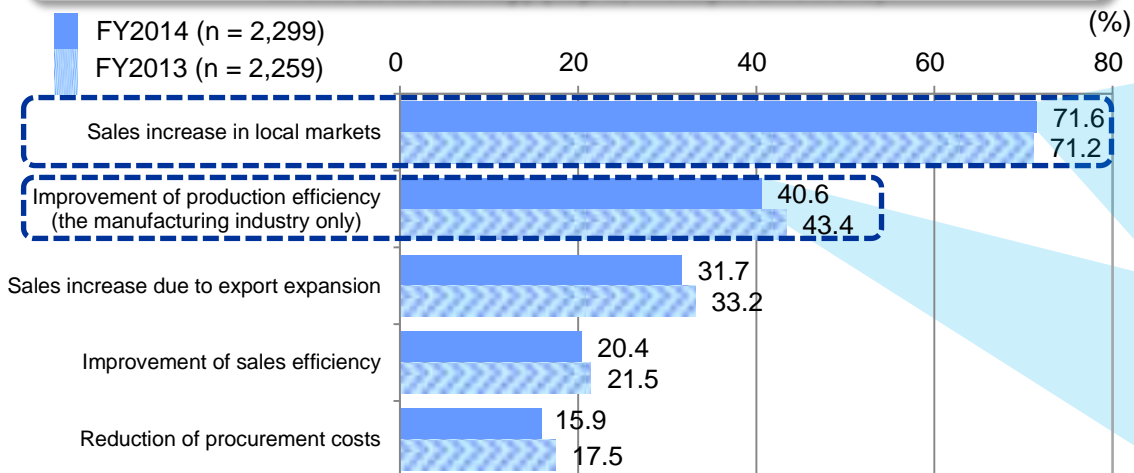
Country/region	Industry category
Thailand (75.0%)	General machinery (70.2%)
South Korea (56.6%)	Construction (69.2%)
Malaysia (54.8%)	Wholesale/Retail (67.2%)
Australia (53.0%)	Motor vehicles/Motorcycles (63.0%)
HK & Macau (52.3%)	Electric machinery (48.6%)
Indonesia (57.6%)	General machinery (53.2%)
China (54.5%)	Motor Vehicles/Motorcycles (51.1%)
HK & Macau (47.7%)	Communications/Software (50.0%)
Singapore (46.7%)	Food (50.0%)
Vietnam (39.3%)	Transport (47.8%)

Note: Countries/regions and industry categories for which n≥10



1. Operating Profit Forecast (10)

**Reasons for increased operating profits forecast for 2015
(comparison with the reasons for increase forecast for 2014 cited
in the 2013 survey) (top 5, multiple answers)**

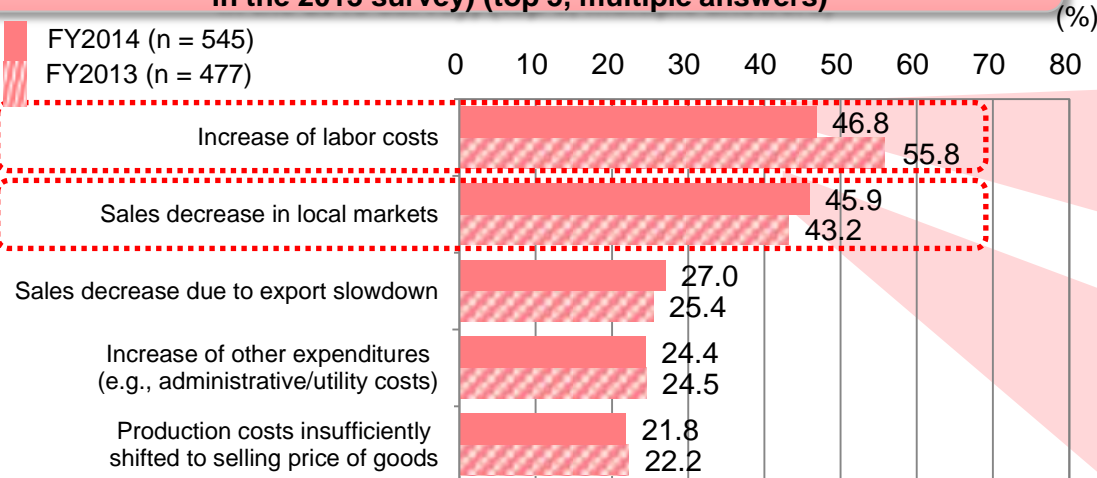


Response rate by country/region and industry (top 5)

Country/region	Industry category
India (85.5%)	Wholesale/Retail (84.5%)
South Korea (80.4%)	Construction (81.5%)
Thailand (78.2%)	Finance/Insurance (79.1%)
Australia (76.1%)	Motor vehicles/Motorcycles (76.4%)
China (75.1%)	Food (73.7%)
Philippines (64.6%)	Textiles (49.0%)
Taiwan (52.4%)	Electric machinery (47.2%)
China (50.6%)	Motor Vehicles/Motorcycles (40.6%)
Indonesia (44.2%)	General machinery (40.3%)
Malaysia (42.5%)	Iron/Nonferrous metals/Metals (38.5%)

Note: Countries/regions and industry categories for which n ≥ 30

**Reasons for decreased operating profits forecast for 2015
(comparison with the reasons for decrease forecast for 2014 cited
in the 2013 survey) (top 5, multiple answers)**



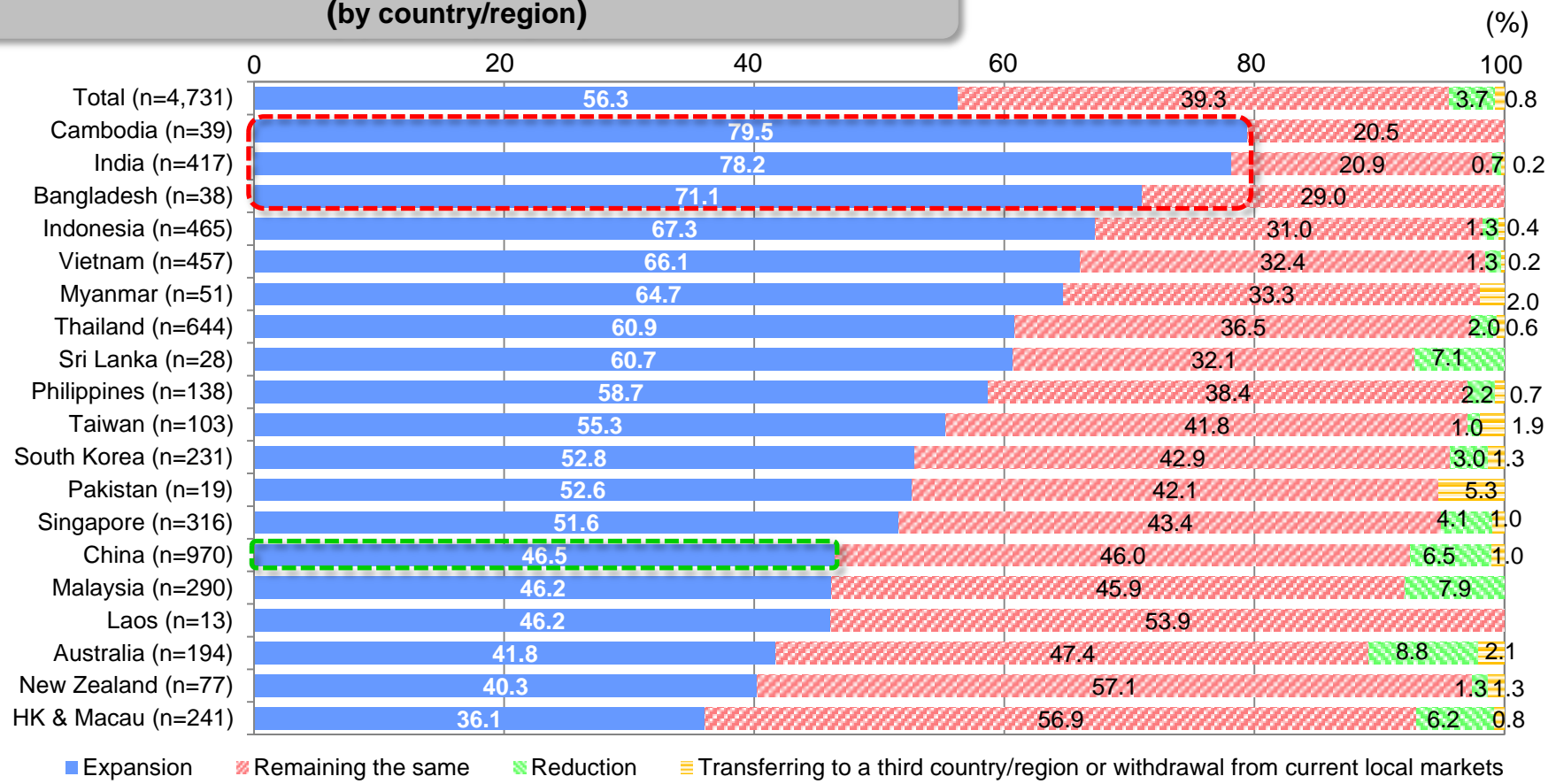
Country/region	Industry category
Indonesia (79.6%)	Motor Vehicles/Motorcycles (68.2%)
China (63.1%)	Iron/Nonferrous metals/Metals (56.5%)
Malaysia (46.7%)	Transport (45.2%)
Singapore (44.1%)	Electric machinery (43.5%)
South Korea (43.8%)	Chemical/Pharmaceutical (35.1%)
South Korea (59.4%)	Wholesale/Retail (59.6%)
Australia (54.3%)	Electric machinery (50.0%)
Thailand (54.2%)	Chemical/Pharmaceutical (48.7%)
Malaysia (53.3%)	Iron/Nonferrous metals/Metals (41.3%)
Singapore (52.9%)	Motor vehicles/Motorcycles (40.9%)

Note: Countries/regions and industry categories for which n ≥ 10



2. Future Business Plan (1)

Approach to future business challenges in the next 1 to 2 years (by country/region)



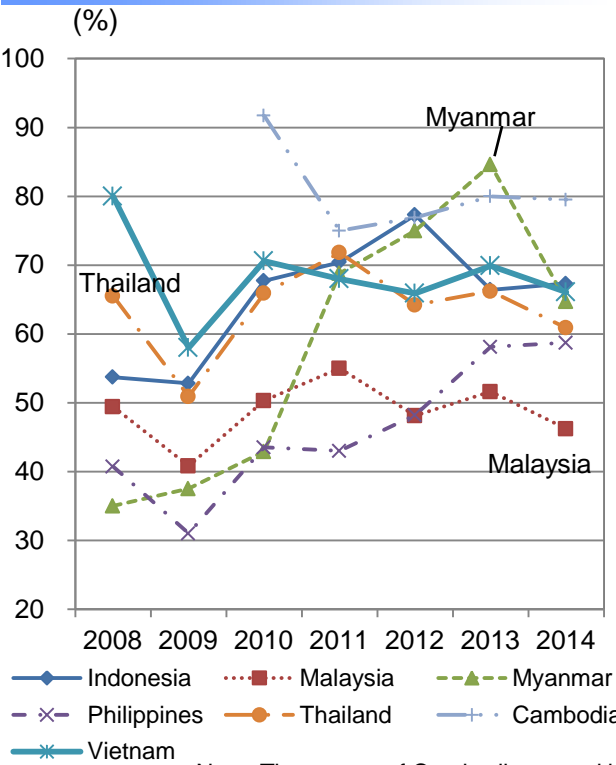
- 56.3% of all firms selected “Expansion” as their approach to future business challenges in the next one or two years, marking a decrease of 3.5 pp from 59.8% in the 2013 survey (n = 4,536). In contrast, 4.5% of all firms selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets,” up 0.6 pp from 3.9% in the 2013 survey.
- By country/region, Cambodia marked the highest proportion of “Expansion” at 79.5%, followed by India and Bangladesh at over 70%, respectively.
- In China, 46.5% of all firms selected “Expansion,” down 7.7 pp from the 2013 survey.



2. Future Business Plan (2)

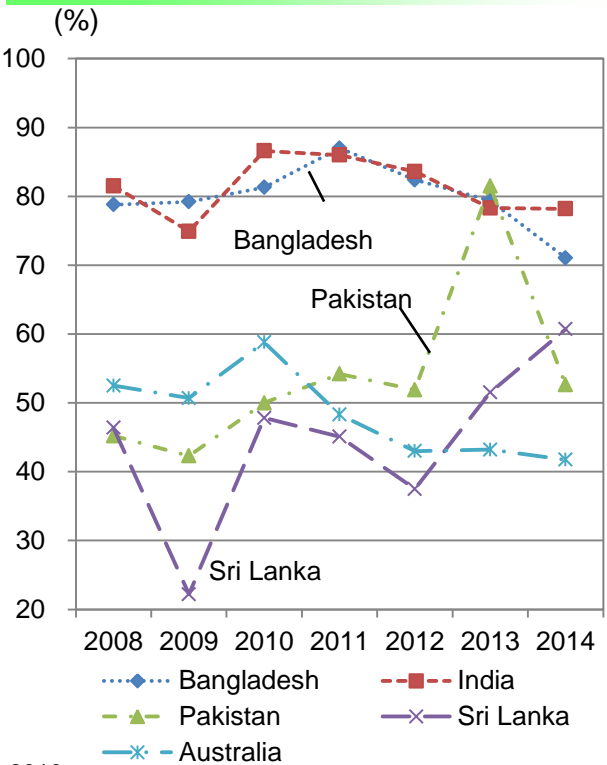
Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2014)

ASEAN

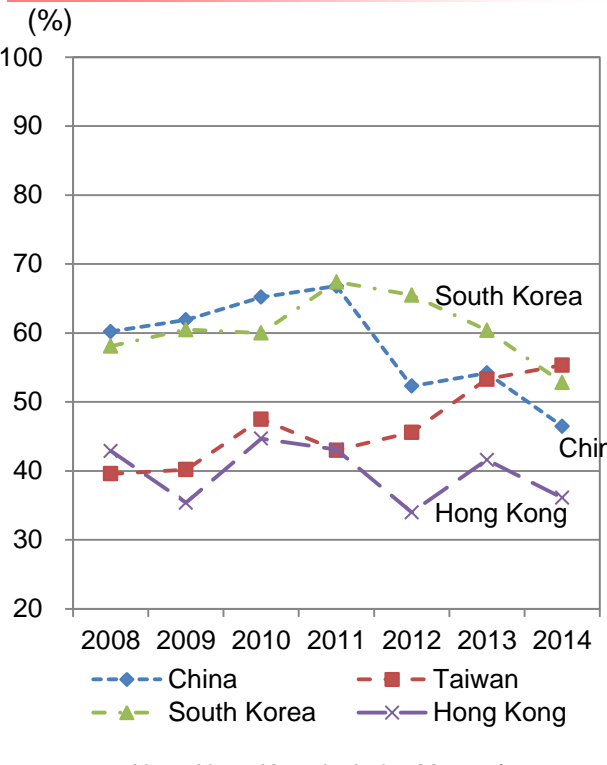


Note: The survey of Cambodia started in 2010.

Southwest Asia/Oceania



Northeast Asia



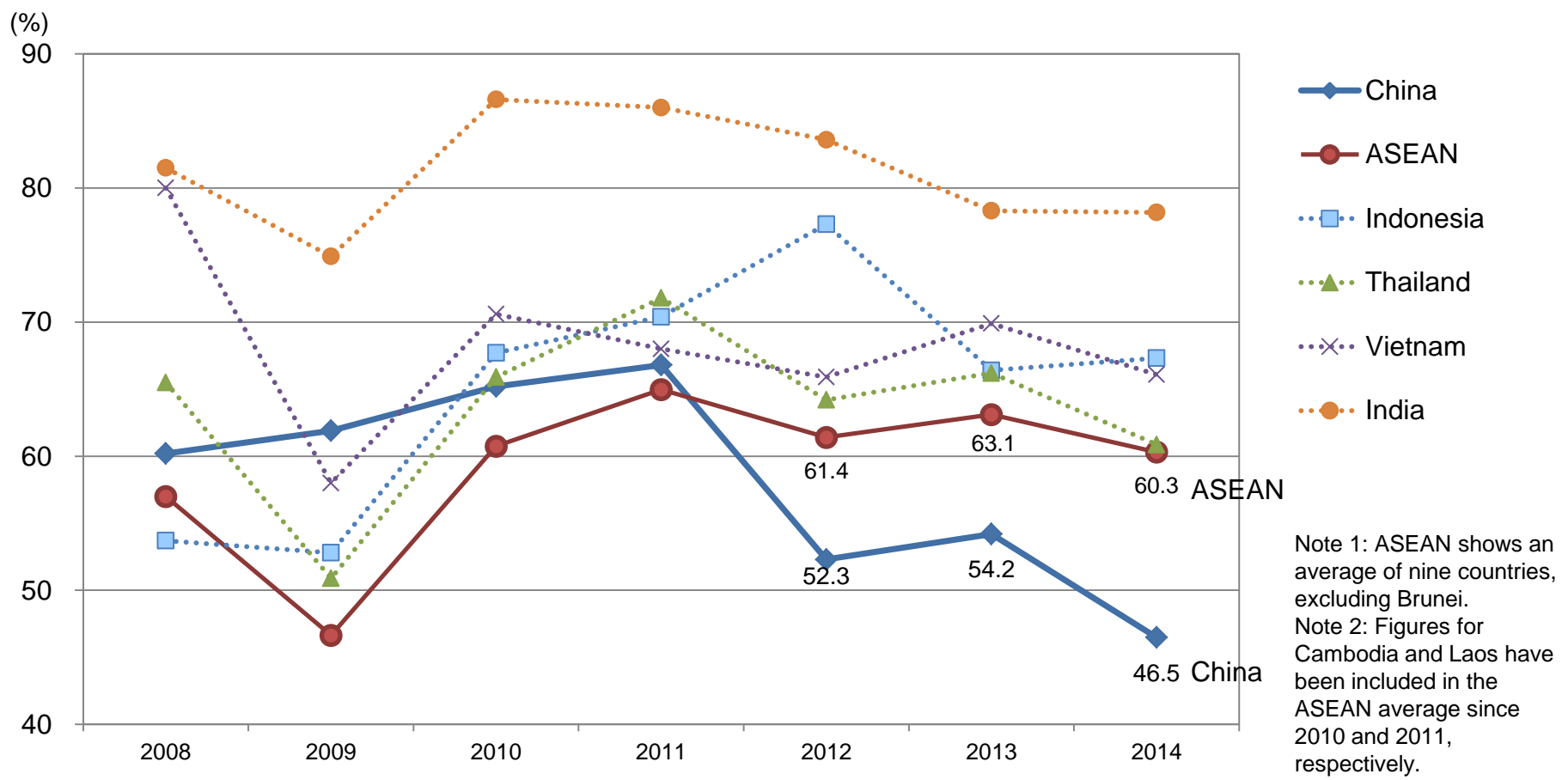
Note: Hong Kong includes Macao from 2011.

- Reviewing the survey results by country/region from 2008, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years increased significantly in 2010 when the global economy recovered from the downturn following the Lehman crisis. The proportion of “Expansion” remained generally the same from 2011 to 2013, excluding several countries/regions. In 2014, the proportion decreased from 2013 in many countries/regions.
- In the 2014 survey, the proportion of firms that selected “Expansion” decreased from 2013 by over 5 pp in Pakistan (-28.9 pp), Myanmar (-19.9 pp), Bangladesh (-8.4 pp), China (-7.7 pp), South Korea (-7.6 pp), Hong Kong (-5.5 pp), Malaysia (-5.4 pp), and Thailand (-5.3 pp). On the other hand, the proportion increased from 2013 by over 5 pp in Sri Lanka (9.2 pp).



2. Future Business Plan (3)

Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2014, China and other major countries in Asia)

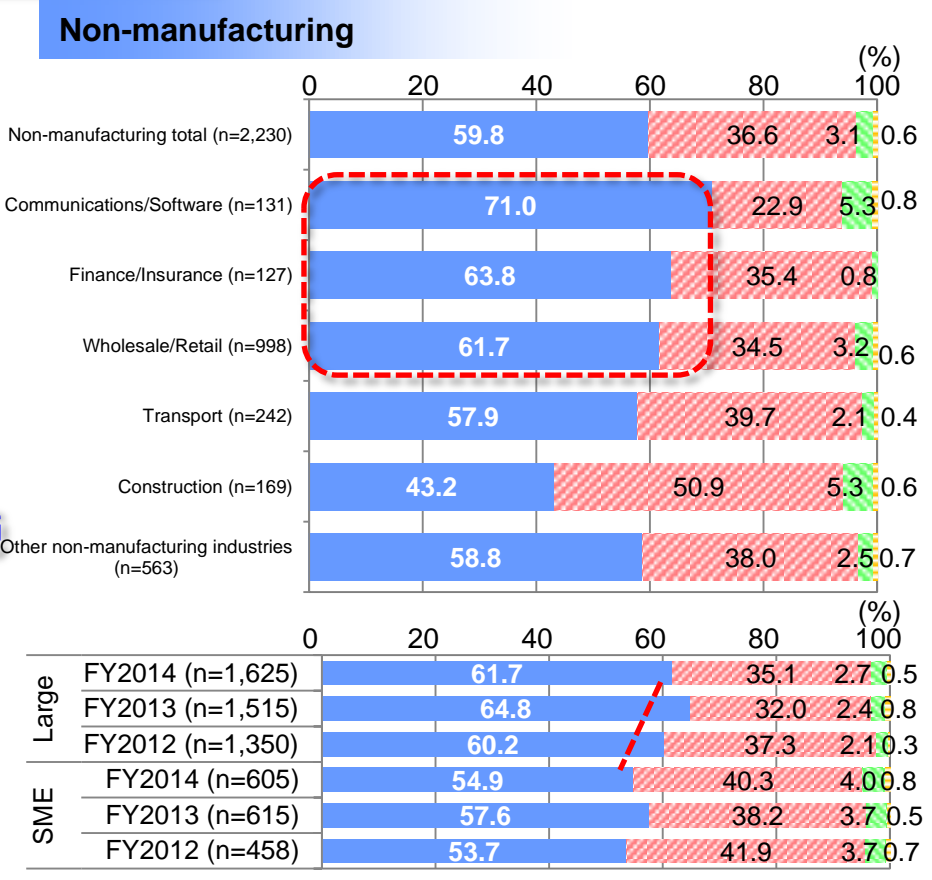
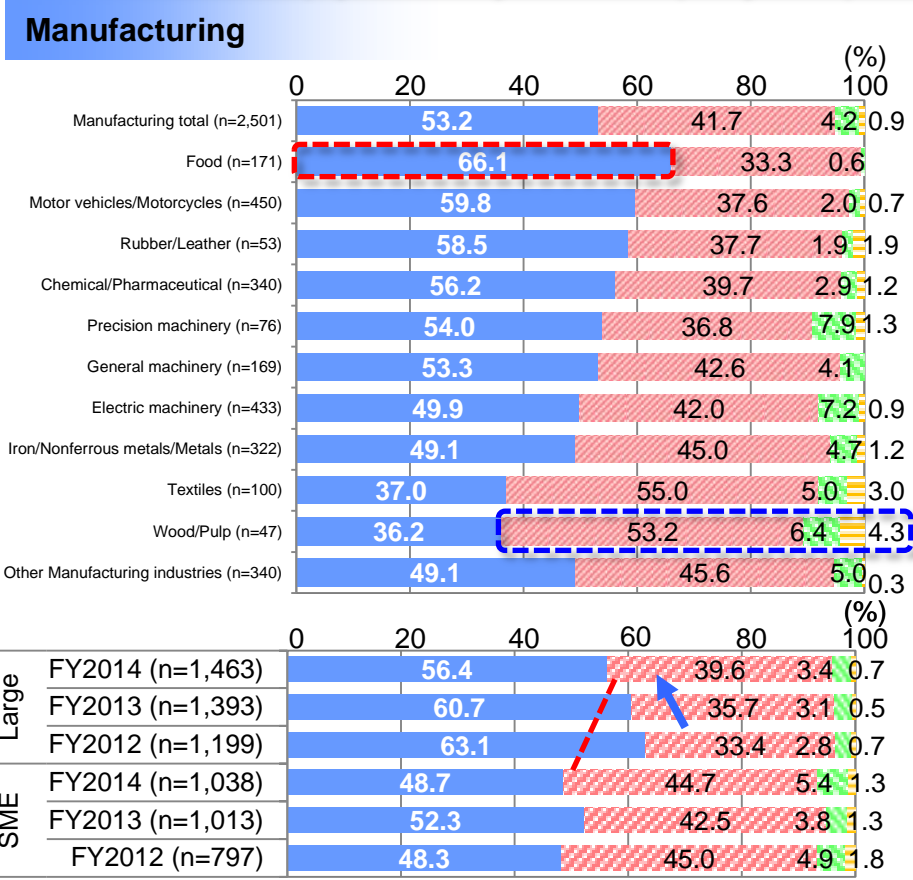


● Comparing China with ASEAN, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was higher in China from 2008 to 2011. In 2012, however, ASEAN (61.4%) overtook China (52.3%). ASEAN has been higher than China by around 10 pp since 2012. In the 2014 survey, the difference increased to 13.8 pp.



2. Future Business Plan (4)

Approach to future business challenges in the next 1 to 2 years
(by industry and company size)



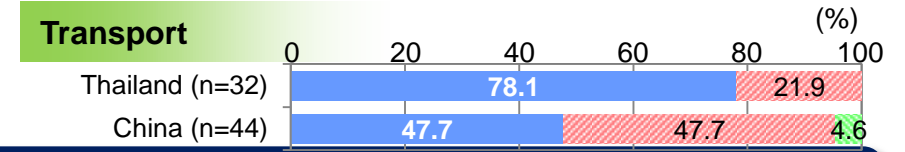
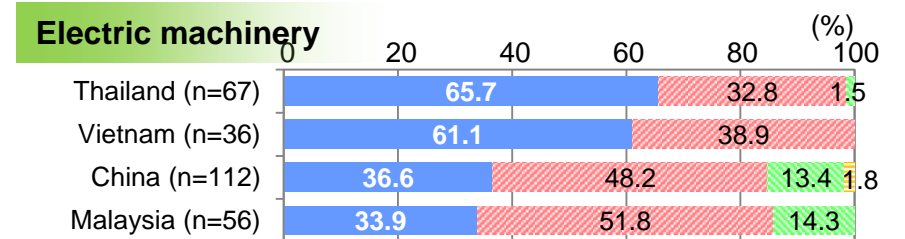
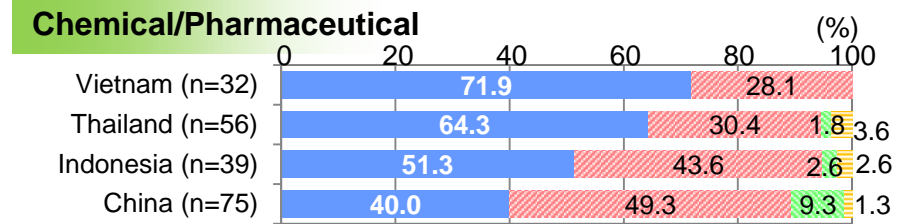
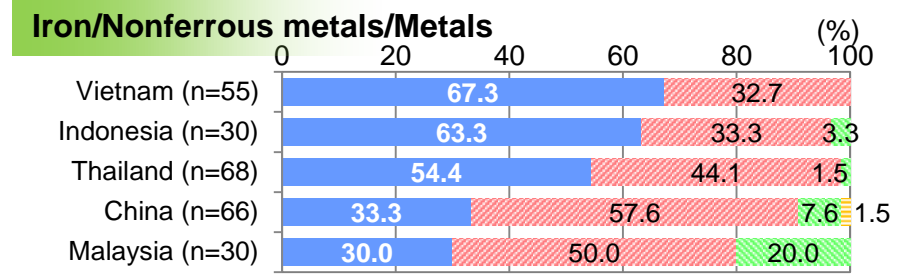
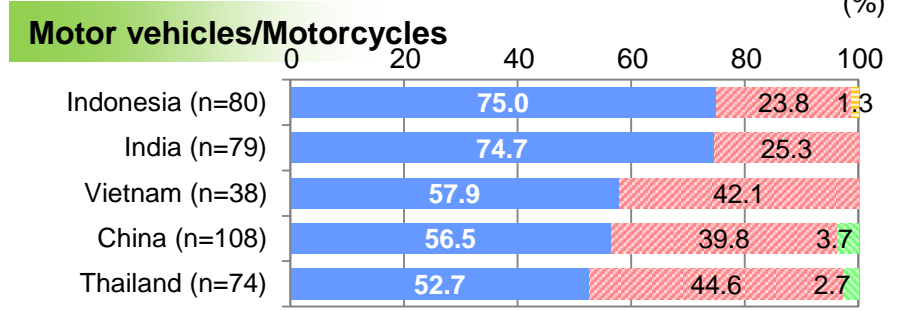
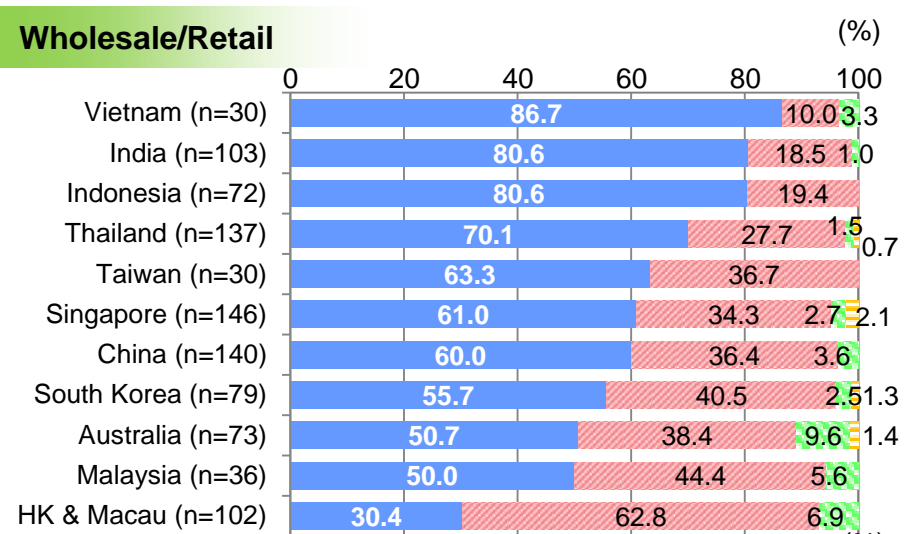
- By industry, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was especially high in Food (66.1%) in the manufacturing sector, with Communications/Software (71.0%), Finance/Insurance (63.8%), and Wholesale/Retail (61.7%) in the non-manufacturing sector. In the Wood/Pulp industry, on the other hand, the proportion of firms that selected “Remaining the same” exceeded 50% and the combined proportion of “Reduction” and “Transferring or withdrawal” was the highest (10.7%) of all industries.
- By company size, large enterprises are more likely to expand their businesses than SMEs. In the manufacturing sector, however, the proportion of large firms selecting “Expansion” has decreased continuously since 2011.



2. Future Business Plan (5)

Approach to future business challenges in the next 1 to 2 years (by major industry and country/region)

Note: Country/region by industry categories for which n ≥ 30



- Comparing major industries in countries/regions with valid responses from more than 30 companies, over 80% of all Wholesale/Retail firms selected “Expansion” as their approach to future business challenges in the next one or two years in Vietnam (86.7%), India (80.6%), and Indonesia (80.6%). On the other hand, “Remaining the same” exceeded 60% in Hong Kong/Macau.
- In the Motor vehicles/Motorcycles industry, “Expansion” exceeded 70% in Indonesia (75.0%) and India (74.7%).
- In China, “Remaining the same” outweighed “Expansion” in Iron/Nonferrous metals/Metals, Chemical/Pharmaceutical, and Electric machinery. In Malaysia, “Remaining the same” outweighed “Expansion” in Iron/Nonferrous metals/Metals and Electric machinery.



2. Future Business Plan (6)

Reasons for expected business expansion in the next 1 to 2 years (multiple answers)

Note: Country/region for which n ≥ 30 (%)

Sales increase	High growth potential	Relationship with clients	High receptivity for high-value added products	Reviewing production and distribution networks	Reduction of costs (e.g., procurement/labor costs)	Deregulations	Easy to secure labor force								
Total (n=2,642)	84.9	Total	47.8	Total	20.1	Total	19.4	Total	15.5	Total	8.1	Total	2.9	Total	2.5
Myanmar (n=33)	90.9	Myanmar	75.8	Thailand	23.5	South Korea	33.3	New Zealand	30.0	Taiwan	16.1	Myanmar	39.4	Cambodia	10.0
South Korea (n=120)	88.3	India	66.6	New Zealand	23.3	New Zealand	33.3	HK & Macau	25.6	New Zealand	13.3	Australia	5.0	Philippines	9.9
India (n=326)	87.7	Indonesia	59.3	Cambodia	23.3	Taiwan	32.1	Singapore	19.3	Australia	12.5	Vietnam	4.7	Vietnam	6.3
Taiwan (n=56)	87.5	Philippines	51.9	Philippines	22.2	Thailand	26.1	China	17.6	India	12.0	India	4.0	New Zealand	3.3
New Zealand (n=30)	86.7	Singapore	46.0	China	22.2	China	23.3	Taiwan	16.1	China	8.9	New Zealand	3.3	Singapore	3.1
Thailand (n=391)	86.2	China	46.0	Myanmar	21.2	Vietnam	17.0	Thailand	16.1	Vietnam	8.7	Cambodia	3.3	Myanmar	3.0
Malaysia (n=131)	85.5	Vietnam	45.0	South Korea	20.8	HK & Macau	16.3	India	14.7	HK & Macau	8.1	Thailand	2.3	Indonesia	2.3
Singapore (n=161)	85.1	Thailand	41.7	Indonesia	20.5	Australia	16.3	Malaysia	14.5	South Korea	7.5	China	2.2	India	1.5
Vietnam (n=300)	85.0	South Korea	38.3	Vietnam	20.3	Singapore	16.2	Vietnam	14.3	Thailand	6.9	Singapore	1.9	Malaysia	1.5
HK & Macau (n=86)	84.9	Australia	37.5	India	18.4	Philippines	16.1	Indonesia	13.4	Cambodia	6.7	South Korea	1.7	China	1.3
Indonesia (n=307)	84.7	New Zealand	36.7	Australia	17.5	Malaysia	16.0	Cambodia	13.3	Indonesia	6.5	Malaysia	1.5	HK & Macau	1.2
Philippines (n=81)	84.0	HK & Macau	36.1	HK & Macau	17.4	Cambodia	13.3	Australia	12.5	Philippines	6.2	HK & Macau	1.2	Thailand	0.3
China (n=450)	81.8	Taiwan	35.7	Malaysia	15.3	Indonesia	13.0	Philippines	11.1	Malaysia	3.1	Philippines	1.2	South Korea	0.0
Cambodia (n=30)	80.0	Cambodia	33.3	Singapore	11.8	India	12.9	South Korea	8.3	Singapore	3.1	Taiwan	0.0	Taiwan	0.0
Australia (n=80)	77.5	Malaysia	29.0	Taiwan	8.9	Myanmar	9.1	Myanmar	6.1	Myanmar	3.0	Indonesia	0.0	Australia	0.0

- The most commonly cited reason for business “Expansion” was “Sales increase” at 84.9%, followed by “High growth potential” (47.8%). “Sales increase” was selected by over 80% of all firms in many countries/regions, including Myanmar (90.9%), South Korea (88.3%), and India (87.7%).
- “High growth potential” exceeded 60% in Myanmar (75.8%) and India (66.6%). “Deregulations” was higher in Myanmar at 39.4% than other countries/regions.



2. Future Business Plan (7)

Functions to expand (multiple answers)

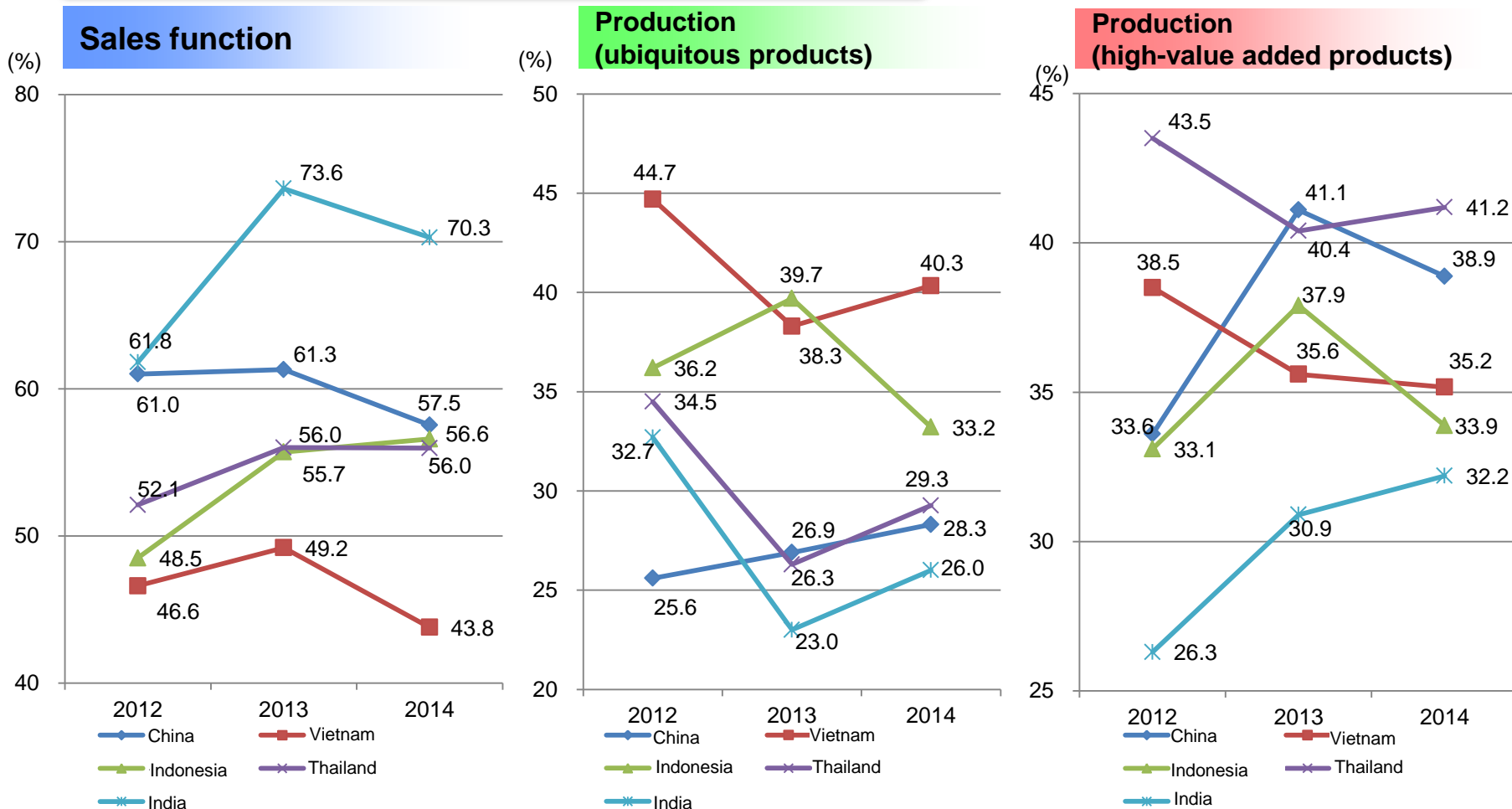
Note: Country/region for which n ≥ 50 (%)

Sales function	Production (high-value added products)	Production (ubiquitous products)	Logistics function	R&D	Function of regional headquarters	Administrative functions in providing services (e.g., shared services, call center)	
Total (n=2,600)	60.0	Total 33.5	Total 26.1	Total 12.9	Total 10.0	Total 7.6	Total 7.4
Singapore (n=158)	75.3	Philippines 44.4	Vietnam 40.3	Taiwan 22.8	South Korea 20.8	Singapore 23.4	Australia 10.0
Australia (n=80)	73.8	Thailand 41.2	Philippines 33.3	India 17.7	Taiwan 17.5	HK & Macau 12.9	India 9.3
HK & Macau (n=85)	72.9	China 38.9	Indonesia 33.2	HK & Macau 15.3	China 14.6	Taiwan 12.3	China 9.2
Taiwan (n=57)	71.9	South Korea 38.3	Thailand 29.3	Indonesia 14.5	India 10.5	China 8.1	Taiwan 8.8
South Korea (n=120)	70.8	Vietnam 35.2	China 28.3	Thailand 13.5	Singapore 10.1	Thailand 8.0	South Korea 8.3
India (n=323)	70.3	Indonesia 33.9	India 26.0	China 12.6	Thailand 8.6	India 7.1	Vietnam 7.6
Malaysia (n=121)	60.3	India 32.2	Malaysia 24.0	Singapore 11.4	Vietnam 8.6	Malaysia 6.6	Philippines 7.4
China (n=445)	57.5	Malaysia 32.2	Taiwan 14.0	Philippines 11.1	Philippines 7.4	Australia 6.3	HK & Macau 7.1
Indonesia (n=304)	56.6	Taiwan 26.3	South Korea 11.7	Australia 10.0	Indonesia 7.2	South Korea 5.8	Singapore 6.3
Thailand (n=386)	56.0	HK & Macau 18.8	Australia 11.3	South Korea 10.0	Malaysia 5.0	Philippines 3.7	Indonesia 5.6
Vietnam (n=290)	43.8	Australia 16.3	Singapore 6.3	Vietnam 7.9	HK & Macau 4.7	Indonesia 3.6	Thailand 5.4
Philippines (n=81)	43.2	Singapore 15.8	HK & Macau 4.7	Malaysia 7.4	Australia 3.8	Vietnam 3.5	Malaysia 2.5

- In a multiple-answer question on specific functions to be expanded as asked to firms expecting business expansion, “Sales function” (60.0%) was most frequently cited, followed by “Production (high-value added products)” (33.5%) and “Production (ubiquitous products)” (26.1%).
- “R&D” was more commonly cited in South Korea (20.8%) than other countries/regions, followed by Taiwan (17.5%) and China (14.6%).
- “Function of regional headquarters” was the highest in Singapore (23.4%).

2. Future Business Plan (8)

Functions to be expanded (by country, 2012 to 2014)

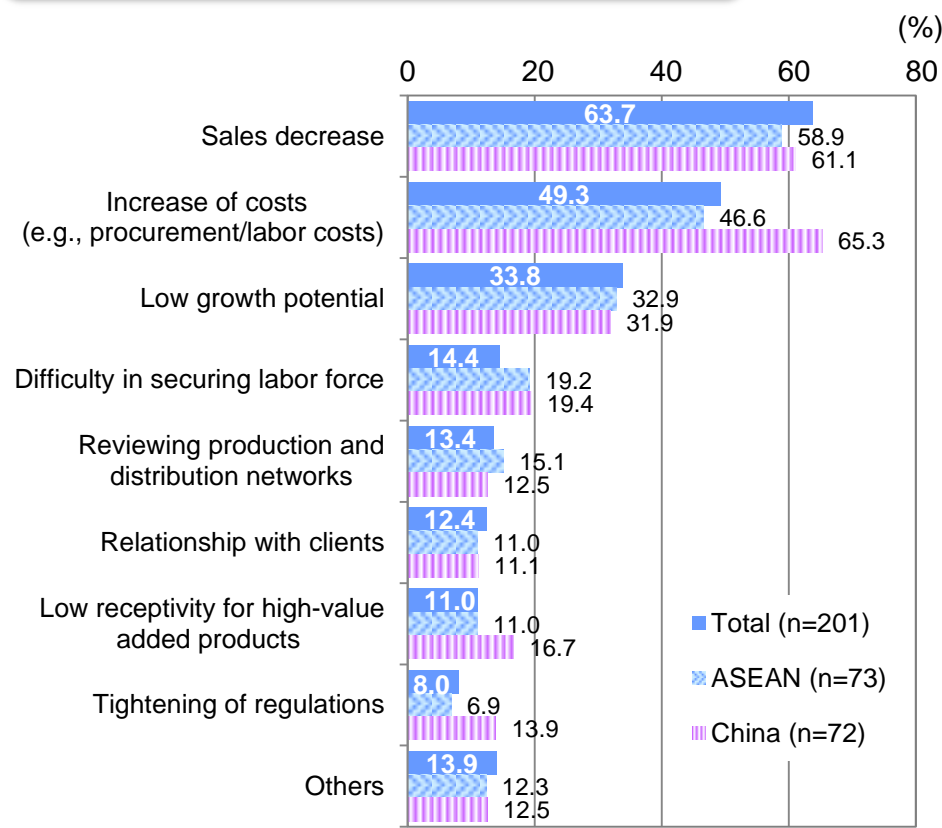


- In the 2014 survey, the proportion of firms intending to expand “Sales function” decreased from the 2013 survey in India, China, and Vietnam, but increased in Indonesia.
- The proportion of firms intending to expand “Production (ubiquitous products)” increased from 2013 in all countries, excluding Indonesia.
- The proportion of firms intending to expand “Production (high-value added products)” increased from 2013 in India and Thailand, but decreased in China, Vietnam, and Indonesia.



2. Future Business Plan (9)

Reasons for the future reduction, transfer or withdrawal (multiple answers)



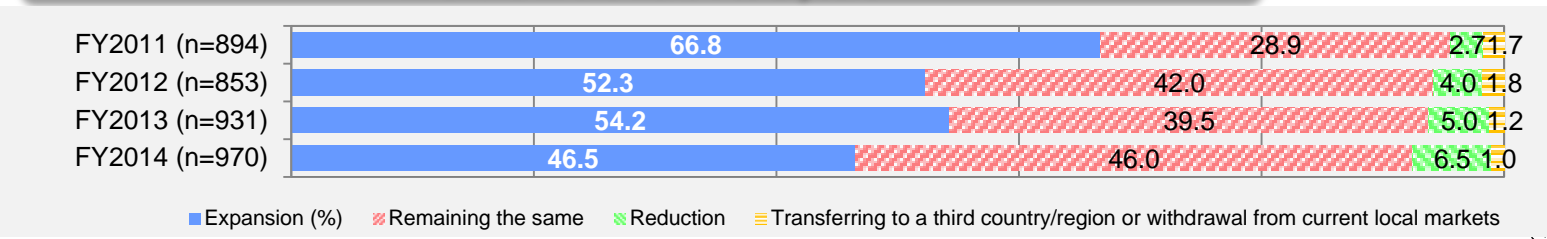
	By industry		By company size	
	Manufacturing	Non-manufacturing	Large	SME
Sales decrease	63.1	64.6	66.1	60.9
Increase of costs (e.g., procurement/labor costs)	58.2	35.4	44.0	55.4
Low growth potential	36.9	29.1	31.2	37.0
Difficulty in securing labor force	19.7	6.3	11.9	17.4
Reviewing production and distribution networks	12.3	15.2	14.7	12.0
Relationship with clients	11.5	13.9	10.1	15.2
Low receptivity for high-value added products	15.6	3.8	11.0	10.9
Tightening of regulations	10.7	3.8	9.2	6.5
Others	9.8	20.3	16.5	10.9

- In a multiple-answer question on the reason for business “Reduction” or “Transferring or withdrawal,” “Sales decrease” (63.7%) was most commonly cited, followed by “Increase of costs” (49.3%).
- In comparison between ASEAN and China, the proportion of firms that cited “Increase of costs” was higher in China than ASEAN by 18.7 pp.
- By industry, manufacturing industries cited “Increase of costs,” “Difficulty in securing labor force,” and “Low receptivity for high-value added products” more frequently than non-manufacturing industries by 22.8 pp, 13.4 pp, and 11.8 pp, respectively.
- By company size, SMEs cited “Increase of costs” more frequently than large enterprises, with a difference of 11.4 pp.

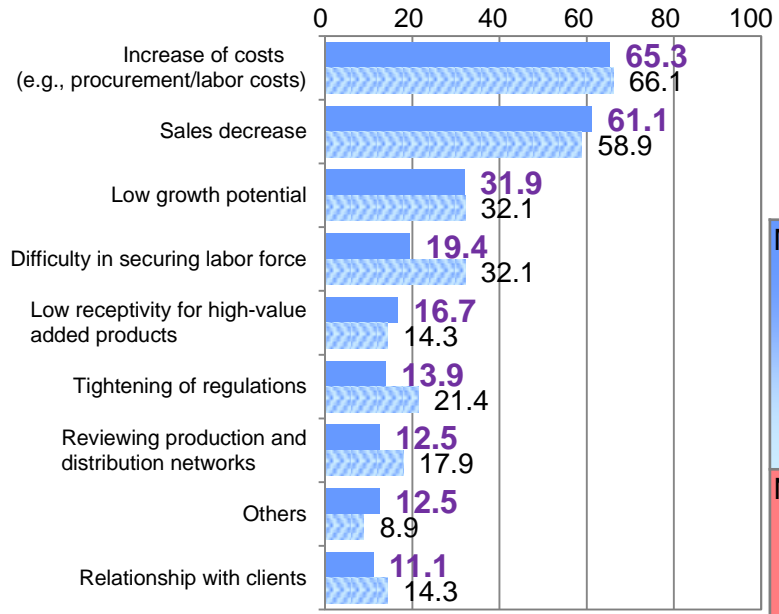


2. Future Business Plan (10)

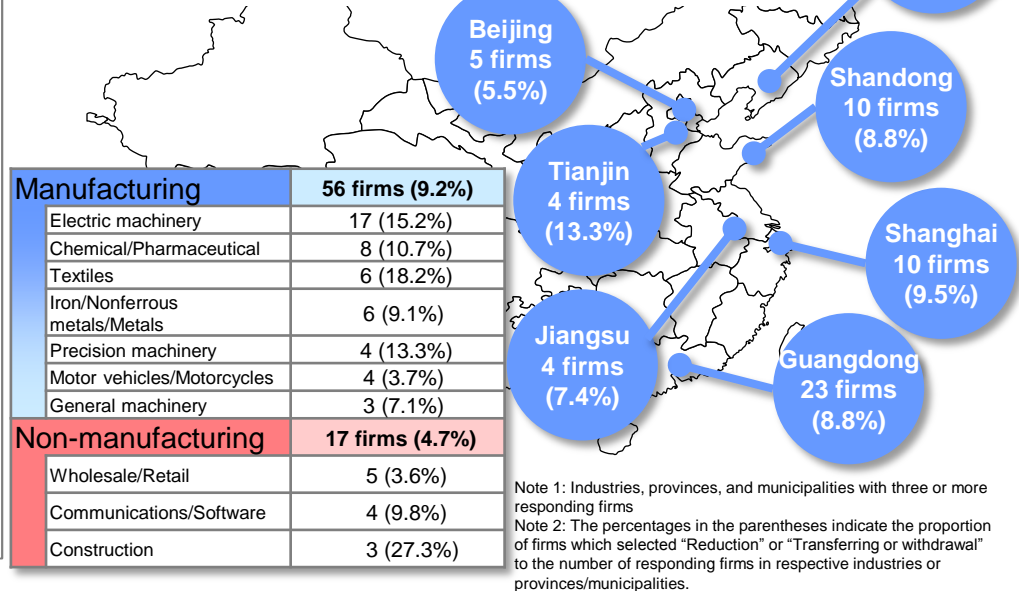
Approach to future business challenges of Japanese-affiliated firms in China in the next 1 to 2 years



Reasons for reduction, transferring or withdrawal (%)



Breakdown of firms that responded reduction, transferring or withdrawal



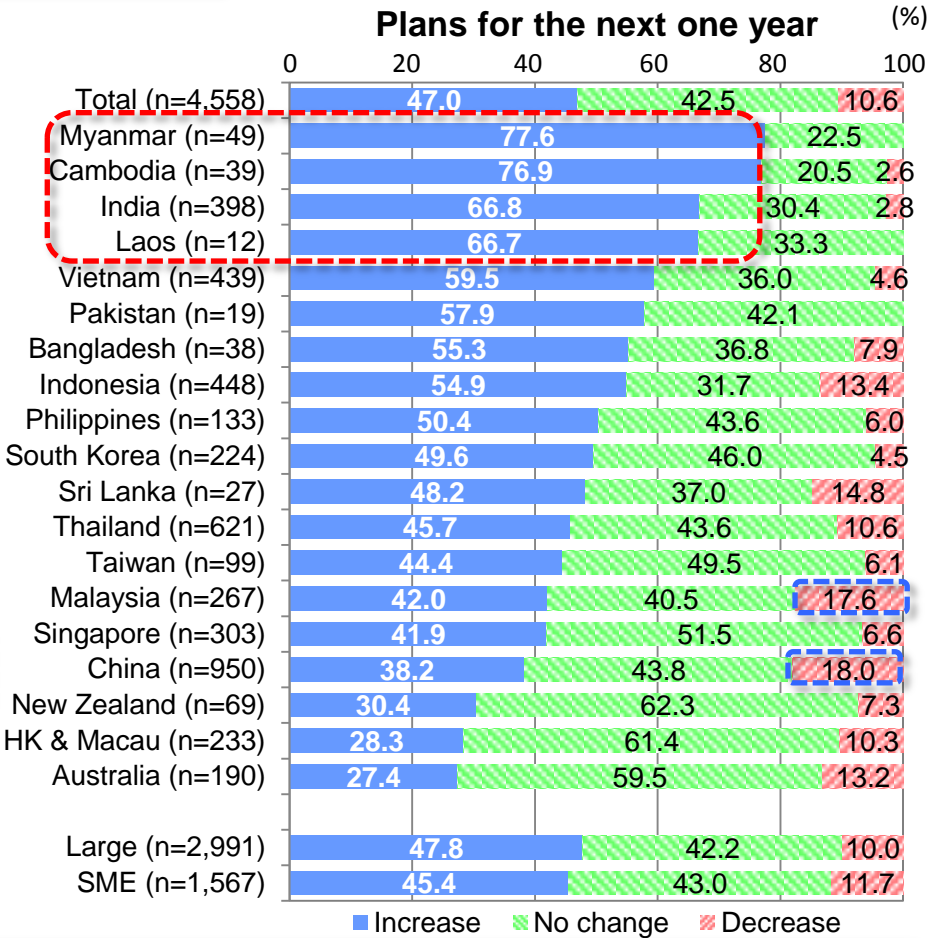
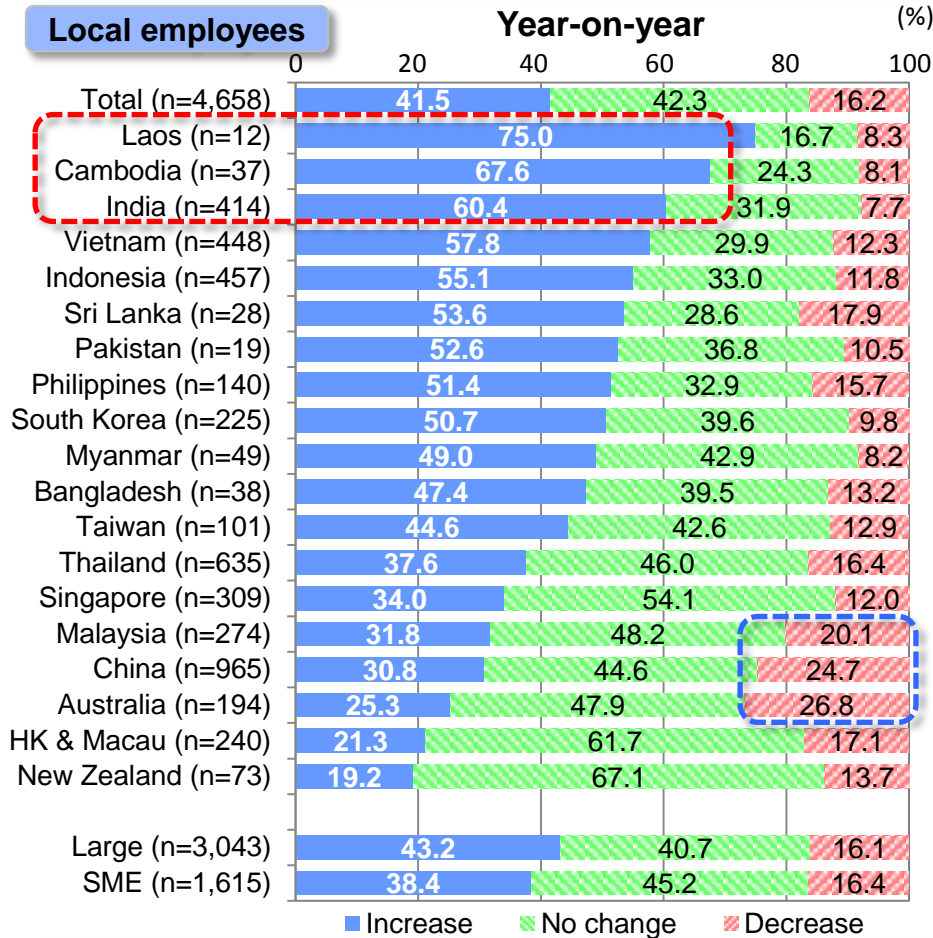
Note 1: Industries, provinces, and municipalities with three or more responding firms
 Note 2: The percentages in the parentheses indicate the proportion of firms which selected "Reduction" or "Transferring or withdrawal" to the number of responding firms in respective industries or provinces/municipalities.

- As the approach to future business challenges in the next one or two years, 73 firms in China (7.5%) selected "Reduction" (6.5%) or "Transferring to a third country/region or withdrawal from current local markets" (1.0%), marking a slight increase of 1.3 pp from 2013. Meanwhile, "Expansion" decreased by 7.7 pp to 46.5%.
- In a multiple-answer question asking the reason for business "Reduction" or "Transferring or withdrawal," "Increase of costs" (65.3%) and "Sales decrease" (61.1%) were most frequently cited, followed by "Low growth potential" (over 30%). "Difficulty in securing labor force" decreased from 2013 by 12.7 pp.
- By industry, a larger number of manufacturing firms (56 companies, including 17 electric machinery companies and eight chemical/pharmaceutical companies) selected "Reduction" or "Transferring or withdrawal" than non-manufacturing firms (17 companies). Textile firms were more likely to select "Reduction" or "Transferring or withdrawal," at 18.2% (six of 33 companies).



2. Future Business Plan (11)

Changes in the number of employees
(Changes in a year-on-year comparison, future plans, by country/region)



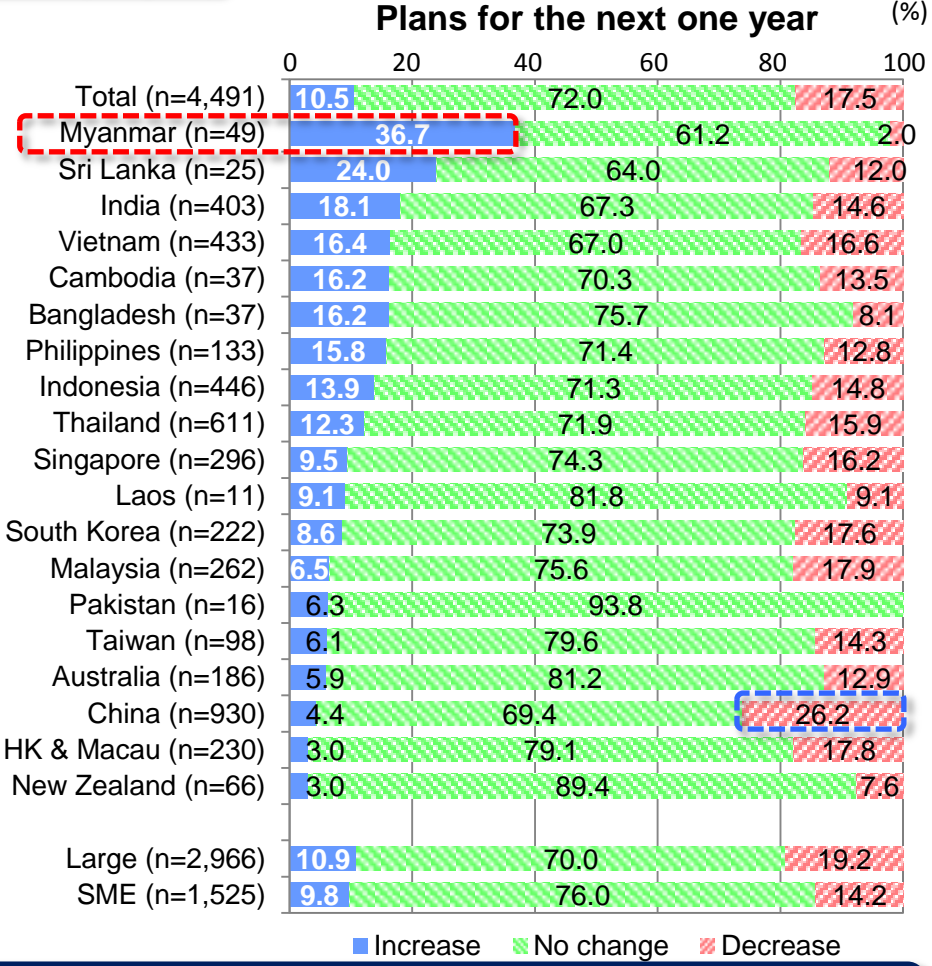
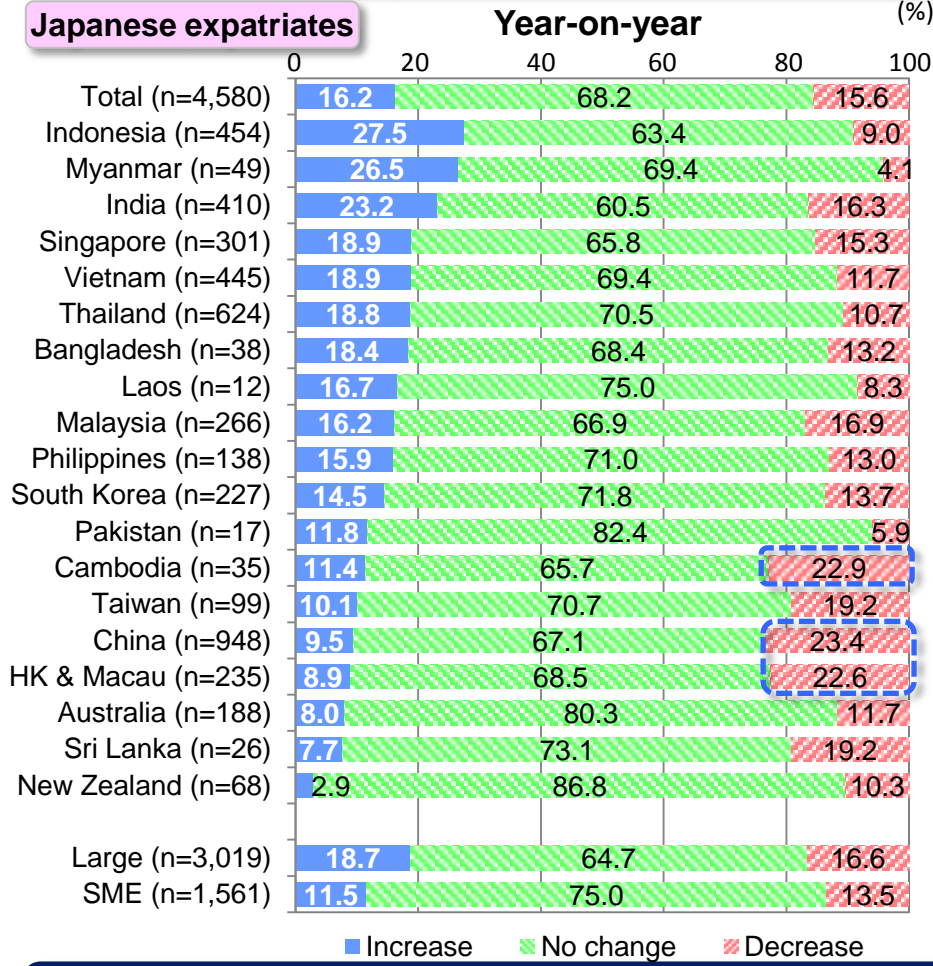
- Regarding year-on-year changes in the number of local employees by country/region, over 60% of all firms selected "Increase" in Laos, Cambodia, and India.
- The proportion of firms planning to "Increase" the number of local employees in the next one year was highest in Myanmar (77.6%), followed by Cambodia, India, and Laos, at over 60%, respectively.
- In Australia, China, and Malaysia, over 20% of all firms selected "Decrease" in a year-on-year comparison. The proportion of firms planning to "Decrease" local employees in the next one year was relatively high in China (18.0%) and Malaysia (17.6%).



2. Future Business Plan (12)

Changes in the number of employees
(Changes in a year-on-year comparison, future plans, by country/region)

Japanese expatriates



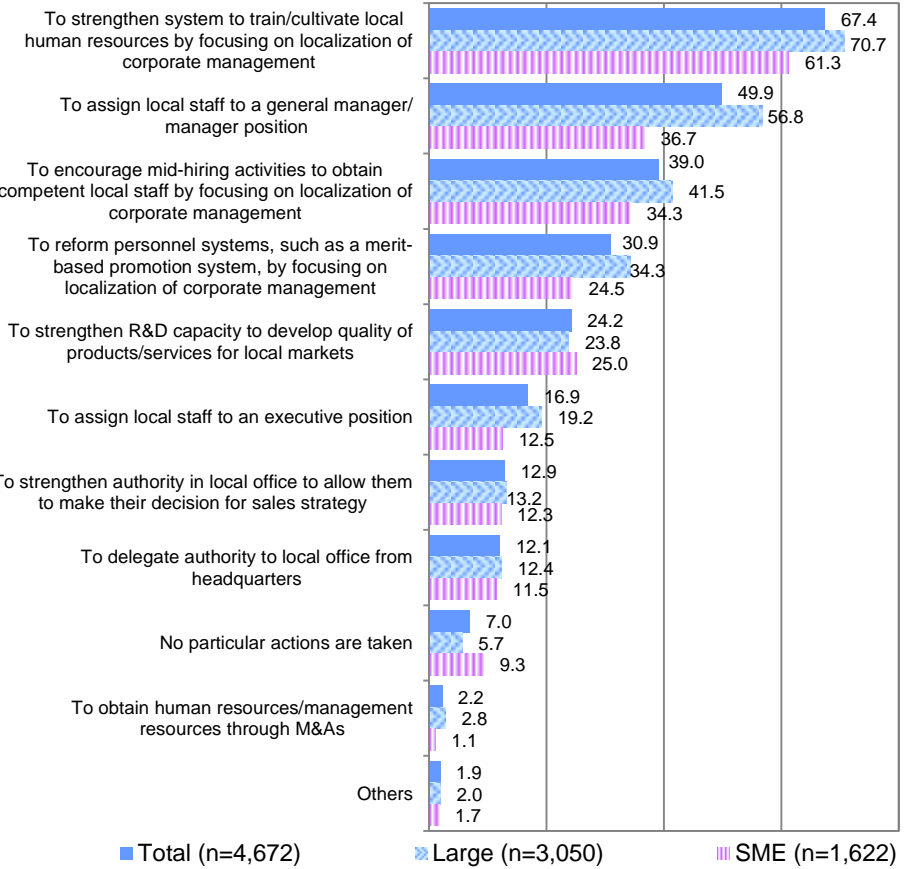
- Regarding changes in the number of Japanese expatriates by country/region, “No change” was most frequently selected in all countries/regions in both year-on-year comparison and plans for the next one year.
- In a year-on-year comparison, approximately 20% of all firms selected “Decrease” in China, Cambodia, and Hong Kong/Macau.
- As for plans for the next one year, “Increase” was most frequently selected in Myanmar at 36.7%. On the other hand, “Decrease” accounted for 26.2% in China.



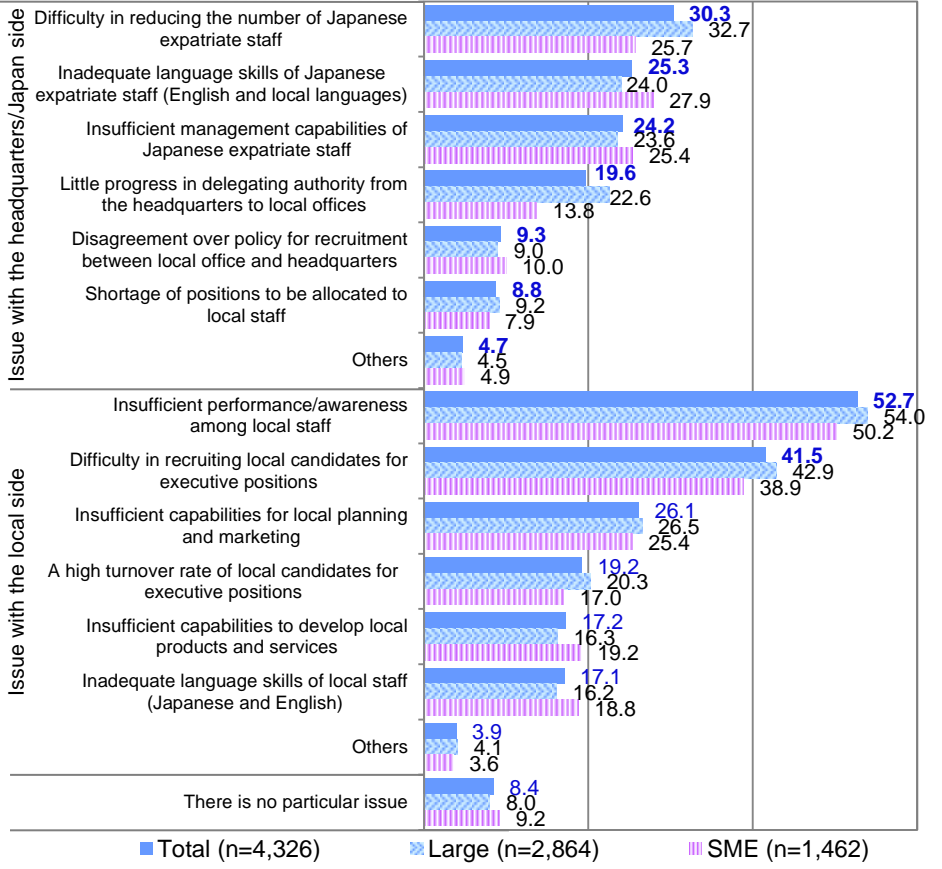
2. Future Business Plan (13)

Localization of corporate management

Measures to encourage the localization of corporate management (multiple answers) (%)



Problems in promoting management localization (multiple answers) (%)

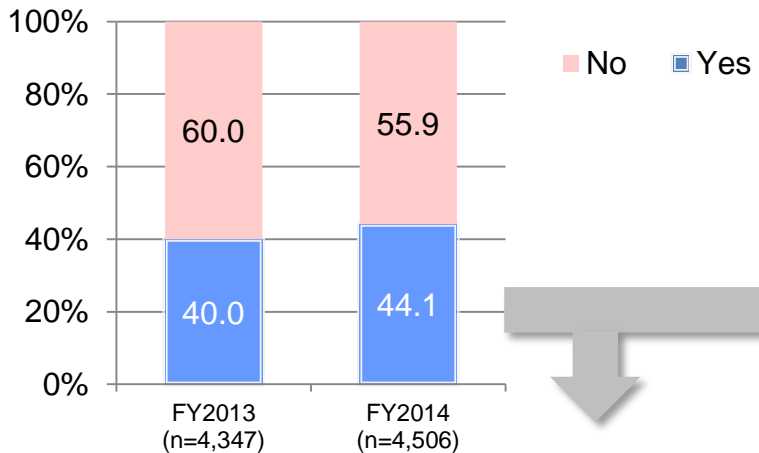


- As measures to encourage the localization of corporate management, “to strengthen system to train/cultivate local human resources by focusing on localization of corporate management” (67.4%) and “to assign local staff to a general manager/manager position” (49.9%) was cited most commonly. By company size, large enterprises cited “to assign local staff to a general manager/manager position” more frequently than SMEs with a difference of 20.1 pp. “To reform personnel systems, such as a merit-based promotion system, by focusing on localization of corporate management” and “to strengthen system to train/cultivate local human resources by focusing on localization of corporate management” were also cited by large enterprises more frequently than SMEs with a difference of nearly 10 pp.
- As “problems in promoting management localization,” a large proportion of firms cited local-side problems such as “Insufficient performance/awareness among local staff.”

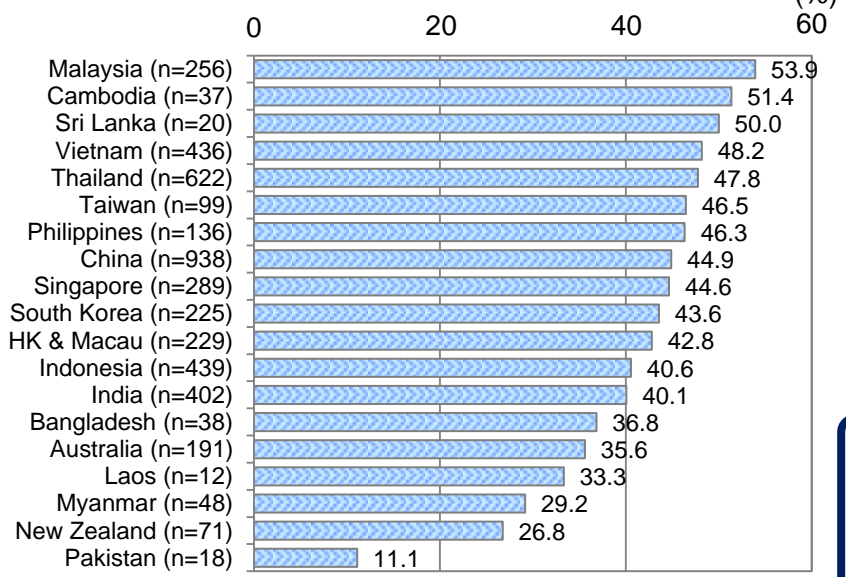


2. Future Business Plan (14)

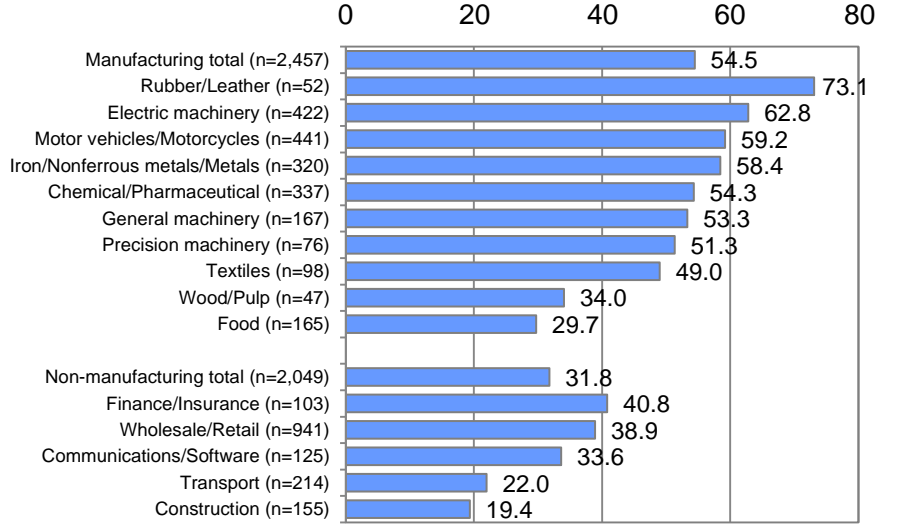
Alternative system to produce/supply goods domestically or abroad



Yes (by country/region)



Yes (by industry)



Note: Excluded "other manufacturing" and "other non-manufacturing"

Alternative country to produce/supply goods (multiple answers)

	Alternative country		
	Japan	China	Thailand
Total (n=4,506)	30.4	13.0	12.1
China (n=938)	32.3	4.1	12.7
Thailand (n=622)	38.3	16.9	2.3
Indonesia (n=439)	30.8	13.4	17.1
Vietnam (n=436)	33.3	17.7	14.0
India (n=402)	29.6	15.7	22.6

Note: Countries for which n ≥ 400

- 44.1% of all firms have set up an alternative system to produce/supply goods domestically or abroad, up 4.1 pp from 40.0% in the 2013 survey.
- Japan (30.4%) was most frequently cited as an alternative country, followed by China (13.0%) and Thailand (12.1%).



3. Management Matters (1)

Problems common to all regions (top 10, multiple answers)

Answers		2014 (%)	2013 (%)	Change (points)	By industry		By company size	
					Manufacturing	Non-manufacturing	Large	SME
1	Wage increase	72.2	70.9	1.3	77.8	65.9	73.7	69.4
2	Competitors' market shares are growing (cost-wise competition)	51.4	53.2	- 1.8	53.5	49.1	54.8	45.1
3	Quality of employees	48.4	46.6	1.8	52.9	43.5	48.3	48.6
4	Difficulty in quality control	46.0	44.9	1.1	46.0	-	44.0	48.8
5	Difficulty in local procurement of raw materials and parts	44.6	43.2	1.4	44.6	-	44.6	44.6
6	Major clients requesting lower prices	38.9	40.2	- 1.3	45.6	31.4	39.0	38.8
7	No more room for cost-cutting	38.9	39.3	- 0.4	38.9	-	39.1	38.7
8	Increase in financing costs	38.8	39.5	- 0.7	38.8	-	38.8	38.8
9	Difficulty in developing in new clients on market	37.8	36.6	1.2	34.6	41.4	35.4	42.4
10	Complicated customs clearance procedures	35.4	33.7	1.7	43.2	26.4	34.8	36.3

- “Wage increase” (72.2%) was most frequently cited as a management matter, followed by “Competitors’ market shares are growing (cost-wise competition)” (51.4%). In particular, over 80% of all firms cited “Wage increase” in China (83.9%), Indonesia (83.8%), and Cambodia (80.0%).
- By industry category, manufacturing industries cited “Wage increase” and “Major clients requesting lower prices” more commonly than non-manufacturing industries with a difference of over 10 pp.
- By company size, there was no major difference between large enterprise and SMEs. However, large enterprises (54.8%) cited “Competitors’ market shares are growing (cost-wise competition)” more frequently than SMEs (45.1%) with a difference of 9.7 pp, while SMEs (42.4%) cited “Difficulty in developing in new clients on market” more commonly than large enterprises (35.4%), with a difference of 7.0 pp.



3. Management Matters (2)

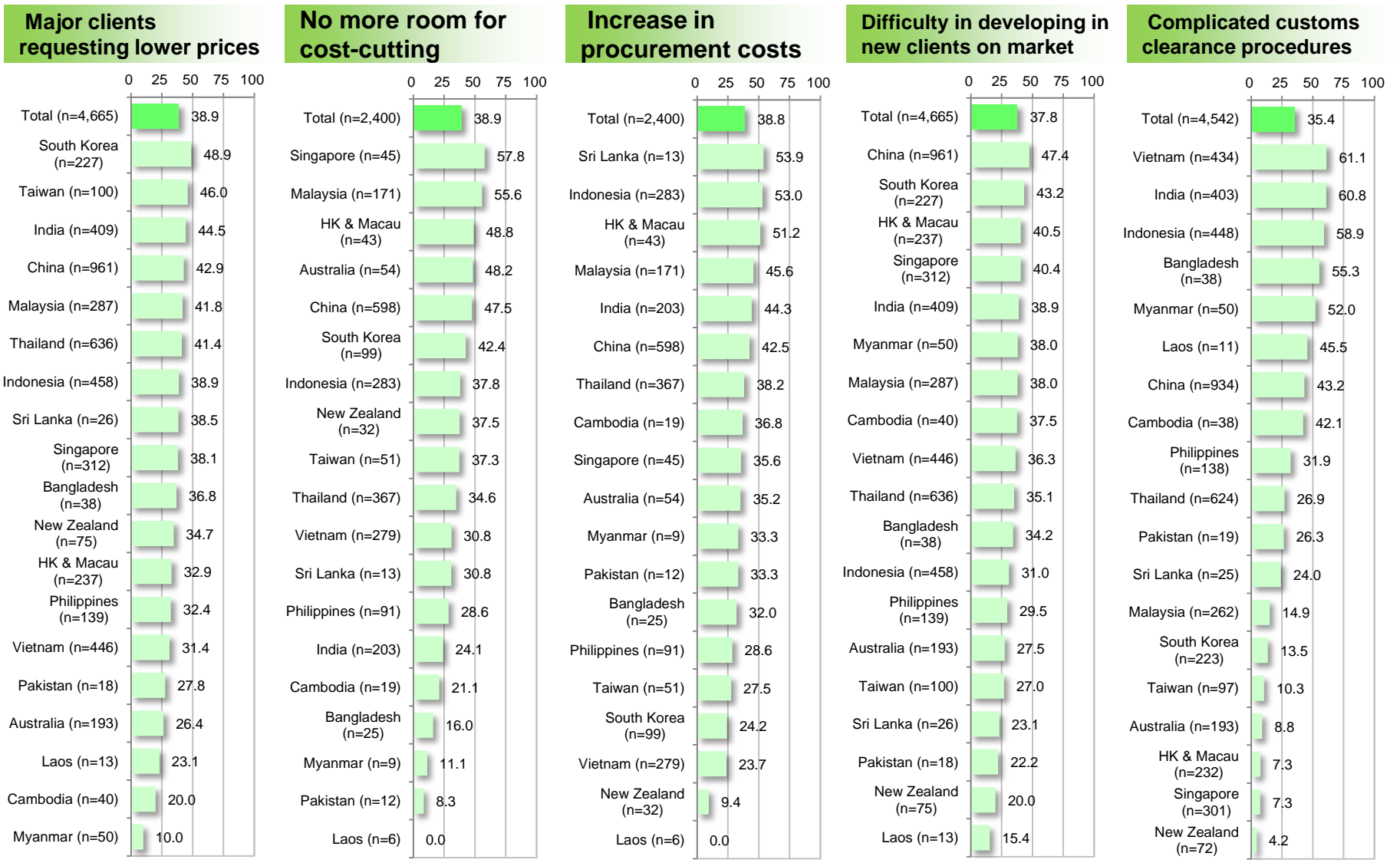
Problems common to all regions (top 10, multiple answers, response rate for each country/region) (%)





3. Management Matters (3)

Problems common to all regions (top 10, multiple answers, response rate for each country/region) (%)



3. Management Matters (4)

Problems by country/region (top 5, multiple answers)

Red-highlighted items increased by 10 pp or more from 2013.
Blue-highlighted items decreased by 10 pp or more from 2013.
Figures in parenthesis are from the 2013 survey.

Singapore		(%)	
1	Wage increase (n=314)	72.9	(63.7)
2	No more room for cost-cutting (n=45)	57.8	(56.3)
3	Competitors' market shares are growing (cost-wise competition) (n=312)	54.5	(58.2)
4	Difficulty in recruiting general workers (n=314)	41.1	(39.0)
5	Difficulty in developing in new clients on market (n=312)	40.4	(42.2)

Malaysia		(%)	
1	Wage increase (n=289)	68.9	(70.5)
2	No more room for cost-cutting (n=171)	55.6	(52.7)
2	Quality of employees (n=289)	50.5	(49.1)
4	Competitors' market shares are growing (cost-wise competition) (n=287)	49.8	(49.6)
5	Increase in financing costs (n=171)	45.6	(44.2)

Thailand		(%)	
1	Wage increase (n=635)	70.2	(73.4)
2	Difficulty in quality control (n=367)	52.0	(47.1)
3	Quality of employees (n=635)	50.4	(51.4)
4	Competitors' market shares are growing (cost-wise competition) (n=636)	47.8	(55.5)
5	Sluggishness in major sales markets (consumption downturn) (n=636)	42.5	(27.1)

Indonesia		(%)	
1	Wage increase (n=458)	83.8	(87.5)
2	Volatility of the local currency's exchange rate against the US dollar (n=455)	63.3	(55.9)
3	Time-consuming customs procedures (n=448)	62.7	(63.0)
4	Difficulty in local procurement of raw materials and parts (n=283)	61.1	(50.6)
5	Complicated customs clearance procedures (n=448)	58.9	(51.9)

Vietnam		(%)	
1	Wage increase (n=445)	74.4	(78.2)
2	Difficulty in local procurement of raw materials and parts (n=279)	70.3	(71.0)
3	Complicated customs clearance procedures (n=434)	61.1	(64.5)
4	Difficulty in quality control (n=279)	50.2	(49.3)
5	Quality of employees (n=445)	49.0	(46.3)

Philippines		(%)	
1	Difficulty in local procurement of raw materials and parts (n=91)	58.2	(62.1)
2	Quality of employees (n=138)	49.3	(49.3)
3	Inadequate logistics infrastructure (n=91)	45.1	(16.8)
4	Wage increase (n=138)	44.2	(41.8)
5	Difficulty in recruiting engineer staff (n=138)	44.0	(38.9)

Note: Top 5 responses are listed above, except for "no particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."

3. Management Matters (5)

Problems by country/region (top 5, multiple answers)

Red-highlighted items increased by 10 pp or more from 2013. Blue-highlighted items decreased by 10 pp or more from 2013. Figures in parenthesis are from the 2013 survey.

India (%)

1	Wage increase (n=413)	71.7	(72.2)
2	Competitors' market shares are growing (cost-wise competition) (n=409)	64.3	(65.3)
3	Time-consuming customs procedures (n=403)	61.0	(56.8)
4	Complicated customs clearance procedures (n=403)	60.8	(55.9)
5	Quality of employees (n=413)	57.9	(52.7)

Pakistan (%)

1	Volatility of the local currency's exchange rate against the US dollar (n=19)	73.7	(74.1)
2	Power shortage or blackout (n=12)	50.0	(50.0)
2	Difficulty in local procurement of raw materials and parts (n=12)	50.0	(42.9)
2	Inadequate logistics infrastructure (n=12)	50.0	(35.7)
5	Time-consuming customs procedures (n=19)	47.4	(28.0)

Sri Lanka (%)

1	Difficulty in local procurement of raw materials and parts (n=13)	61.5	(46.7)
2	Competitors' market shares are growing (cost-wise competition) (n=26)	53.9	(46.9)
2	Increase in financing costs (n=13)	53.9	(46.7)
4	Difficulty in recruiting general workers (n=27)	46.2	(40.0)
4	Difficulty in quality control (n=13)	46.2	(53.3)

Bangladesh (%)

1	Quality of employees (n=38)	68.4	(64.7)
2	Wage increase (n=38)	60.5	(73.5)
3	Inadequate logistics infrastructure (n=25)	60.0	(61.5)
4	Time-consuming customs procedures (n=38)	57.9	(52.9)
5	Power shortage or blackout (n=25)	56.0	(76.9)

Cambodia (%)

1	Wage increase (n=40)	80.0	(63.3)
2	Difficulty in local procurement of raw materials and parts (n=19)	79.0	(78.6)
3	Quality of employees (n=40)	60.0	(63.3)
4	Power shortage or blackout (n=19)	57.9	(57.1)
4	Difficulty in recruiting middle management staff (n=40)	45.0	(56.7)

Laos (%)

1	Lack of thorough information of trade rules and regulations (n=11)	72.7	(30.4)
2	Difficulty in quality control (n=6)	66.7	(45.5)
3	Wage increase (n=13)	61.5	(47.8)
4	Difficulty in recruiting middle management staff (n=13)	53.9	(52.2)
4	Cash flow shortage for expansion of business scale (n=13)	53.9	(17.4)

Myanmar (%)

1	Wage increase (n=50)	68.0	(76.9)
2	Power shortage or blackout (n=9)	66.7	(100.0)
3	Restrictions on foreign remittance (n=50)	62.0	(53.8)
4	Time-consuming customs procedures (n=50)	56.0	(50.0)
5	Difficulty in local procurement of raw materials and parts (n=9)	55.6	(100.0)

Note: Top 5 responses are listed above, except for "no particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."



3. Management Matters (6)

Problems by country/region (top 5, multiple answers)

Red-highlighted items increased by 10 pp or more from 2013.
 Blue-highlighted items decreased by 10 pp or more from 2013.
 Figures in parenthesis are from the 2013 survey.

China		(%)	
1	Wage increase (n=962)	83.9	(85.3)
2	Quality of employees (n=962)	55.6	(52.9)
3	Competitors' market shares are growing (cost-wise competition) (n=961)	53.7	(57.1)
4	Difficulty in quality control (n=598)	53.7	(53.8)
5	No more room for cost-cutting (n=598)	47.5	(49.2)

HK & Macau		(%)	
1	Wage increase (n=241)	66.0	(56.6)
2	Increase in financing costs (n=43)	51.2	(54.3)
3	No more room for cost-cutting (n=43)	48.8	(48.6)
4	Competitors' market shares are growing (cost-wise competition) (n=237)	46.4	(45.6)
5	Difficulty in developing in new clients on market (n=237)	40.5	(43.3)

Taiwan		(%)	
1	Competitors' market shares are growing (cost-wise competition) (n=100)	51.0	(61.5)
2	Major clients requesting lower prices (n=100)	46.0	(45.9)
3	No more room for cost-cutting (n=51)	37.3	(45.6)
4	Difficulty in recruiting engineer staff (n=100)	36.5	(33.3)
5	Wage increase (n=100)	34.0	(30.6)

South Korea		(%)	
1	Wage increase (n=227)	67.4	(57.8)
2	Competitors' market shares are growing (cost-wise competition) (n=227)	56.8	(62.7)
3	Major clients requesting lower prices (n=227)	48.9	(43.1)
4	Volatility of the local currency's exchange rate against the Japanese yen (n=226)	47.8	(48.9)
5	Difficulty in developing in new clients on market (n=227)	43.2	(39.6)

Australia		(%)	
1	Wage increase (n=194)	71.1	(71.3)
2	No more room for cost-cutting (n=54)	48.2	(47.2)
3	Competitors' market shares are growing (cost-wise competition) (n=193)	45.1	(42.6)
4	Volatility of the local currency's exchange rate against the US dollar (n=192)	35.4	(40.5)
5	Sluggishness in major sales markets (consumption downturn) (n=193)	35.2	(36.8)

New Zealand		(%)	
1	Competitors' market shares are growing (cost-wise competition) (n=75)	38.7	(42.4)
2	No more room for cost-cutting (n=32)	37.5	(38.7)
3	Major clients requesting lower prices (n=75)	34.7	(40.0)
4	Volatility of the local currency's exchange rate against the Japanese yen (n=72)	33.3	(38.8)
5	Wage increase (n=76)	32.9	(25.0)

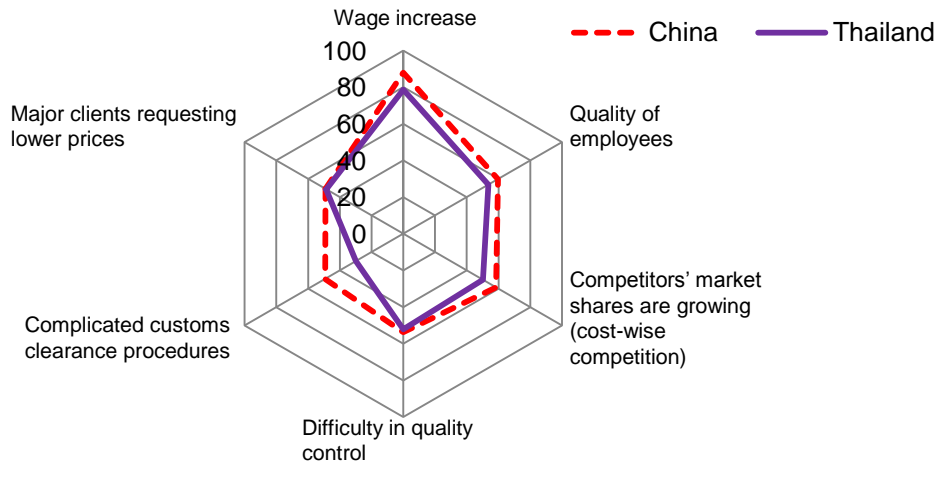
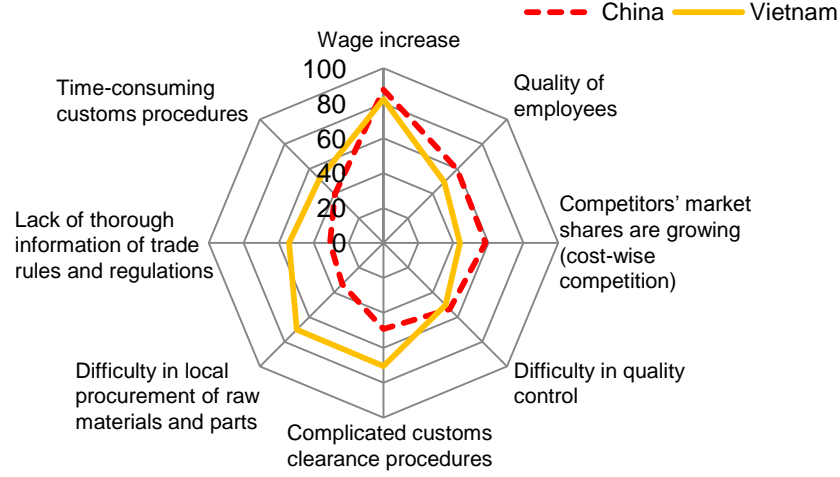
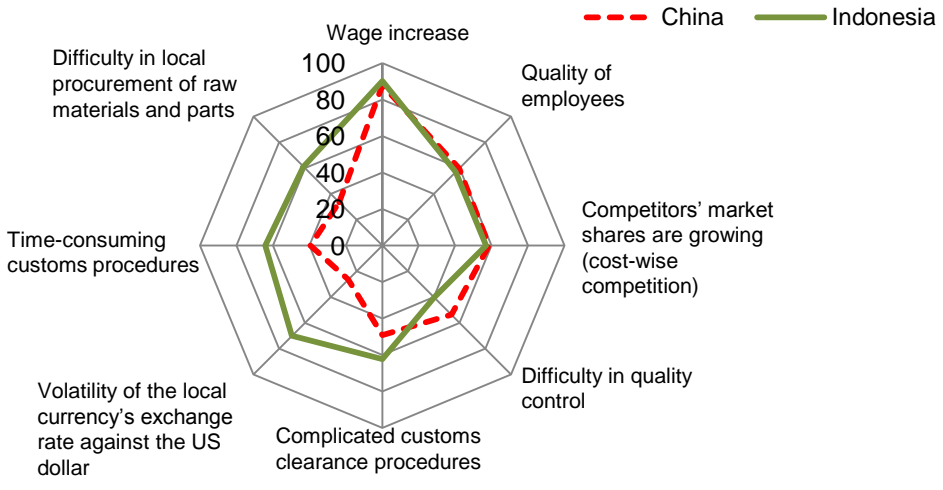
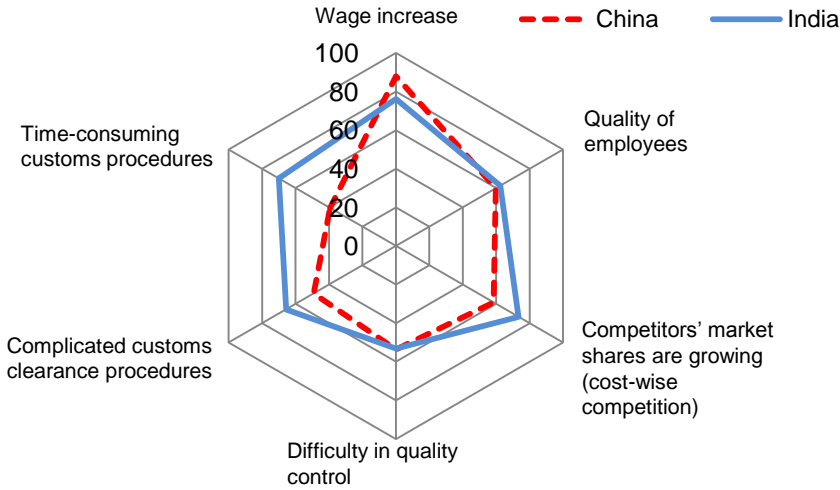
Note: Top 5 responses are listed above, except for "no particular problem."

Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."



3. Management Matters (7)

Comparison of top 5 problems between China and other major countries in Asia (manufacturing, multiple answers)



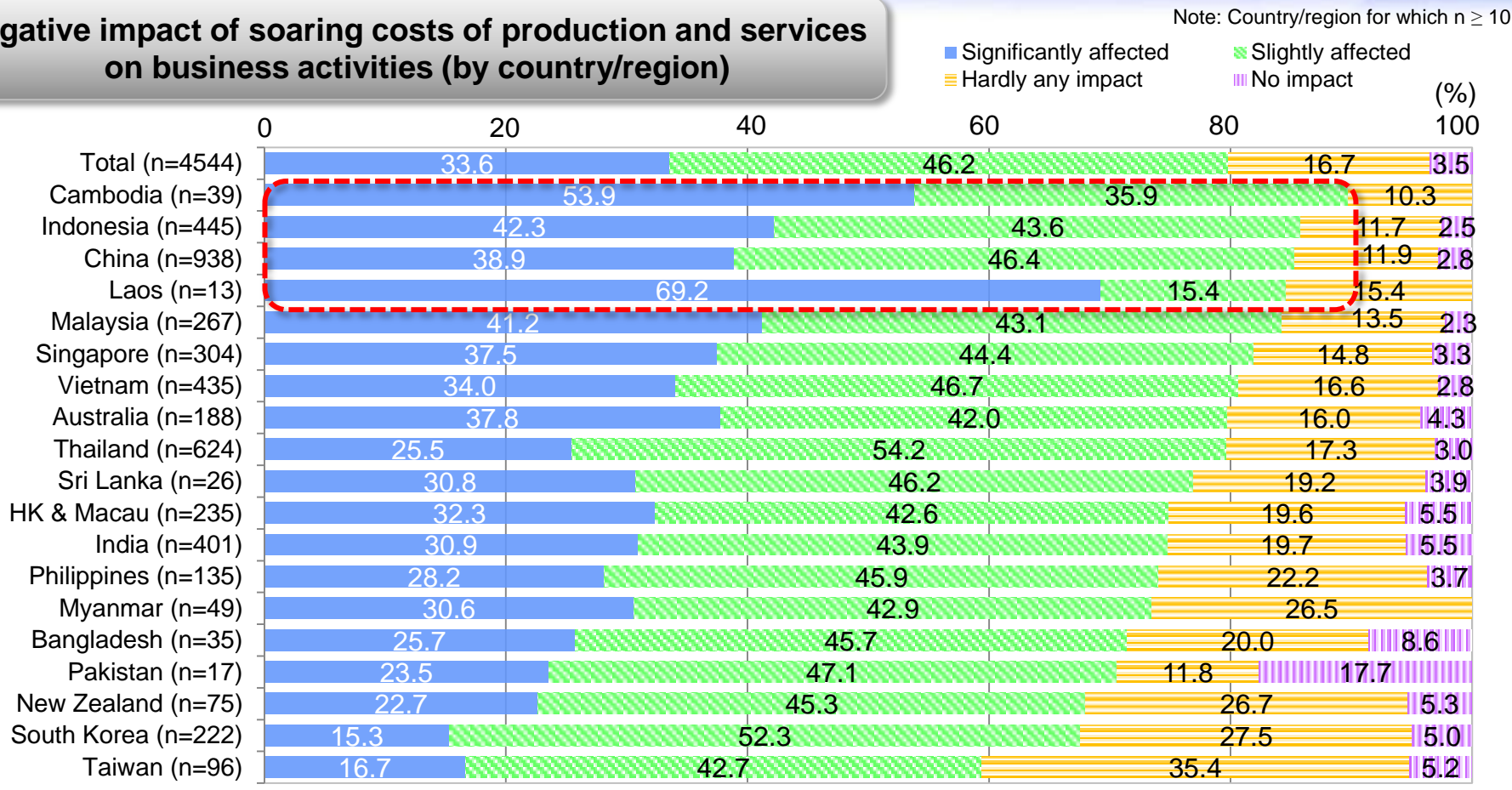
Note: The above charts compare the top 5 problems in China and other major countries in Asia.

- Customs-related problems such as “Time-consuming customs procedures” and “Complicated customs clearance procedures” were cited more commonly in India, Indonesia, and Vietnam than in China.
- China and Thailand have many problems in common.



4. Rising Costs of Production and Services (1)

Negative impact of soaring costs of production and services on business activities (by country/region)

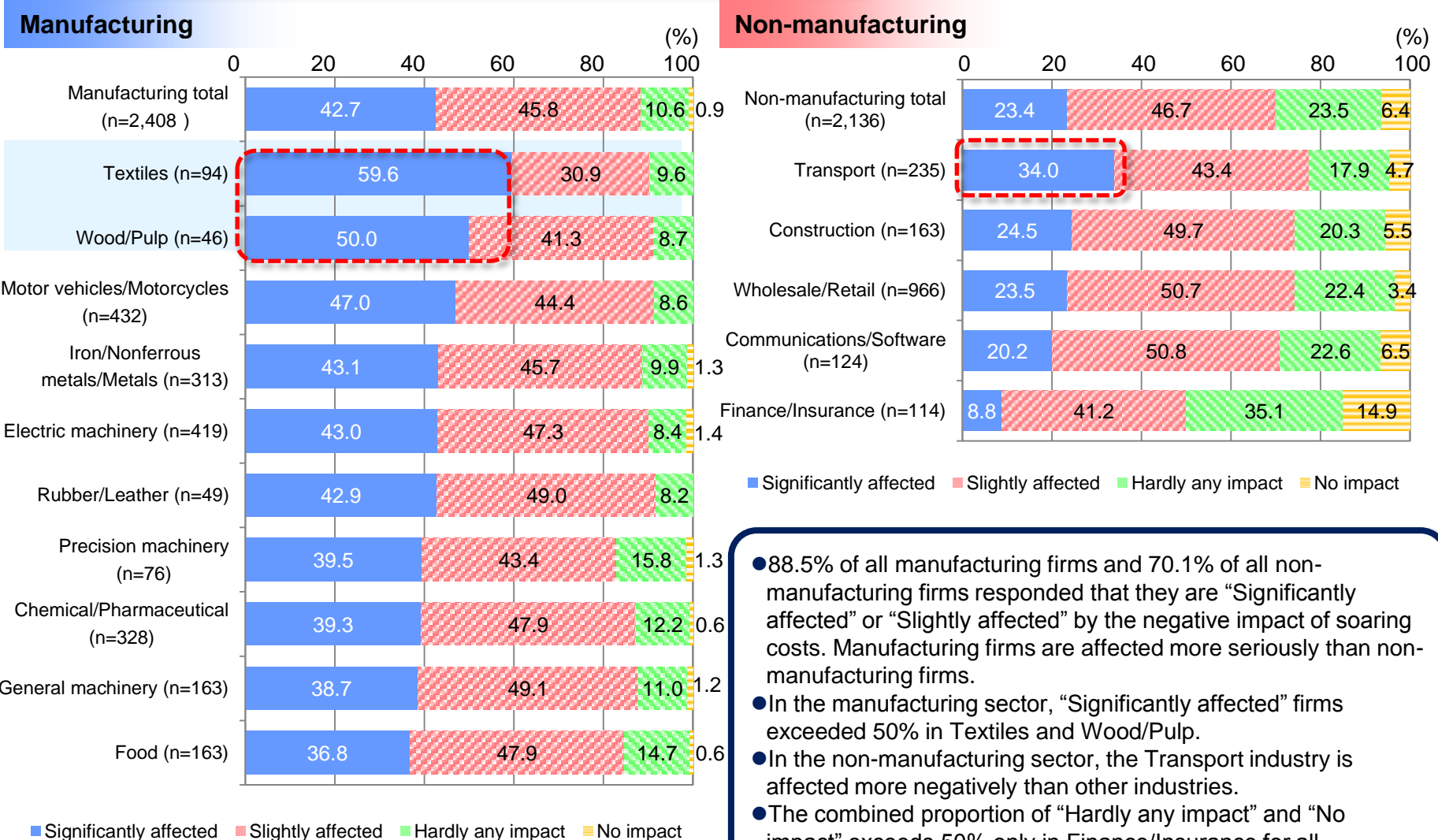


- A combined 79.8% of all firms responded that their business activities are “Significantly affected” or “Slightly affected” by a negative impact of increased production and service costs resulting from soaring labor costs and energy/raw material prices. This indicates that approximately 80% of all firms in Asia and Oceania are affected negatively.
- The proportion of firms receiving negative impact was the highest in Cambodia at 89.8%, followed by Indonesia, China, and Laos.
- By industry category in Indonesia, the impact was most serious in Textiles, with 85.7% of all firms selecting “Significantly affected.”
- By industry category in China, over 50% of all firms selected “Significantly affected” in Textiles (59.4%), Electric machinery (55.6%), and Rubber/Leather (53.9%).



4. Rising Costs of Production and Services (2)

Negative impact of soaring costs of production and services on business activities (by industry)



- 88.5% of all manufacturing firms and 70.1% of all non-manufacturing firms responded that they are “Significantly affected” or “Slightly affected” by the negative impact of soaring costs. Manufacturing firms are affected more seriously than non-manufacturing firms.
- In the manufacturing sector, “Significantly affected” firms exceeded 50% in Textiles and Wood/Pulp.
- In the non-manufacturing sector, the Transport industry is affected more negatively than other industries.
- The combined proportion of “Hardly any impact” and “No impact” exceeds 50% only in Finance/Insurance for all industries.



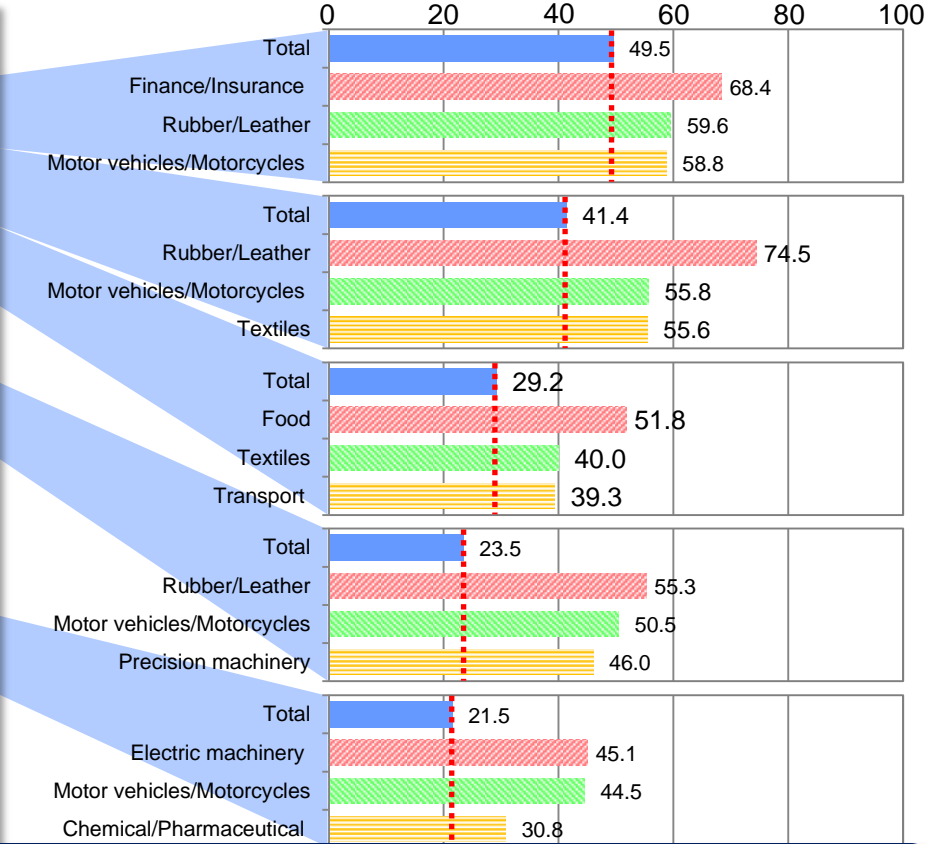
4. Rising Costs of Production and Services (3)

Specific type(s) of inflation countermeasures (multiple answers)

Total (n = 3,634)
 Note: China includes a shift of production/service capabilities to other areas in the mainland.

Industries with a significantly higher response rate than average (%)

Answers		Response rate
1	Cost-cutting (e.g., administration cost, indirect cost)	49.5
2	Complicated/Reconsidered suppliers of raw materials and procurement content	41.4
3	Raised the prices of products (services)	29.2
4	Encouraged recruitment of local staff, reduced payroll cost	25.7
5	Cost-cutting by increasing local procurement rate	23.5
6	Complicated/Reconsidered productions (Consolidation of lineup, improvement, adding of value)	23.0
7	Cost-cutting by mass production and volume sales	22.1
8	Encouraged automation and power-saving (e.g., introduced industrial robots)	21.5
9	No particular measures	4.3
10	Shifted production/service capabilities to the third country/areas(*)	4.1



- The most common inflation countermeasure was “Cost-cutting (e.g., administration cost, indirect cost)” at 49.5%. In particular, this countermeasure is taken (considered) more commonly by non-manufacturing industries such as Finance/Insurance and Transport.
- The Food, Textiles, and Rubber/Leather industries are more likely to raise product (service) prices. This suggests that these industries have no choice but to raise product prices when labor and raw material costs increase because these costs account for a relatively high proportion in product prices.
- In the Motor vehicles/Motorcycles industry, 50.5% of all firms implement (consider) “Cost-cutting by increasing local procurement rate” while 44.5% of all firms implement “Encouraged automation and power-saving.” This industry is making more cost-cutting efforts than other industries.



4. Rising Costs of Production and Services (4)

Specific type(s) of inflation countermeasures (by country/region) (multiple answers) (1/2)

Note 1: Countries/regions for which n ≥ 50
 Note 2: China includes a shift of production/service capabilities to other areas in the mainland.

(%)

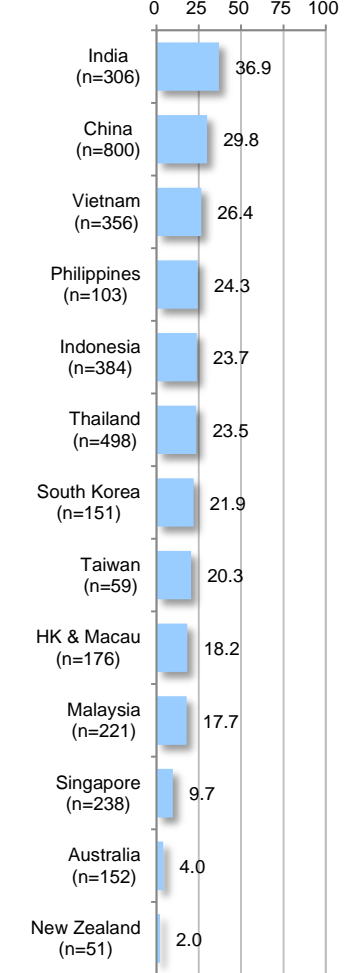
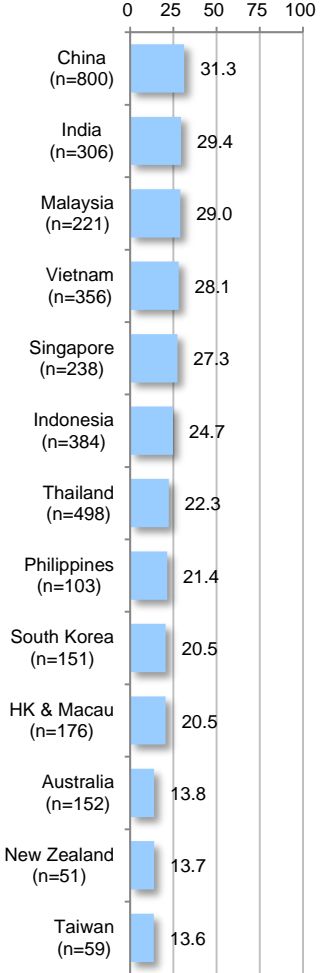
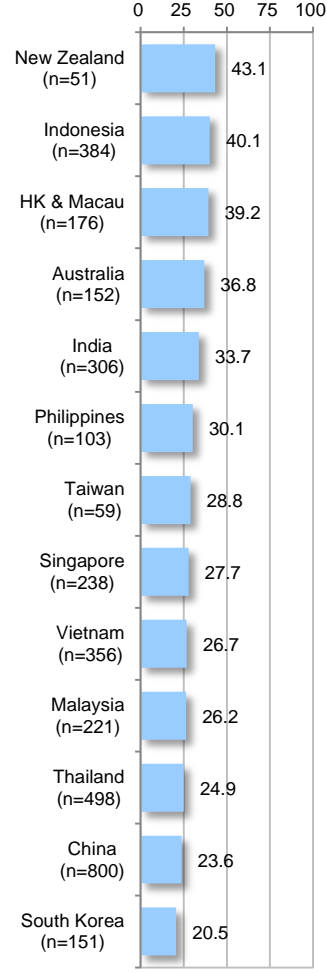
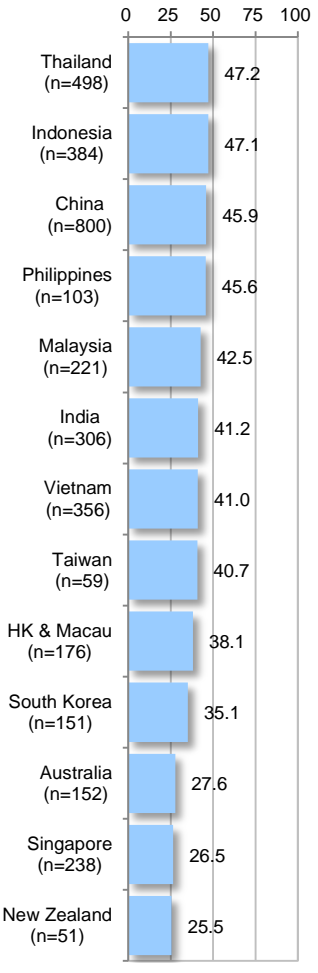
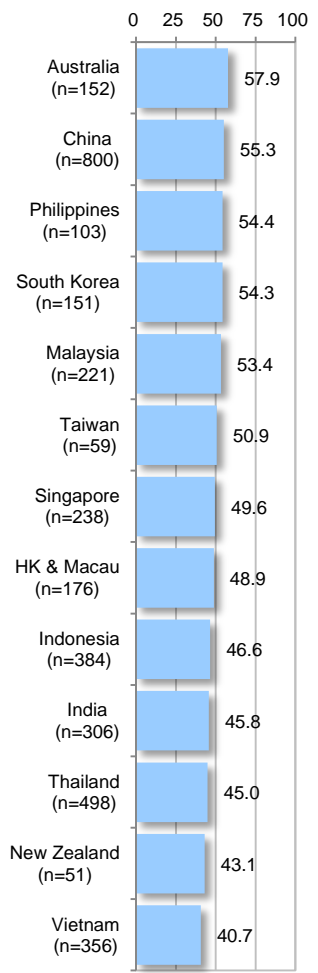
Cost-cutting (e.g., administration cost, indirect cost)

Complicated/Reconsidered suppliers of raw materials and procurement content

Raised the prices of products (services)

Encouraged recruitment of local staff, reduced payroll cost

Cost-cutting by increasing local procurement rate





4. Rising Costs of Production and Services (5)

Specific type(s) of inflation countermeasures (by country/region) (multiple answers) (2/2)

Note 1: Countries/regions for which n ≥ 50
 Note 2: China includes a shift of production/service capabilities to other areas in the mainland.

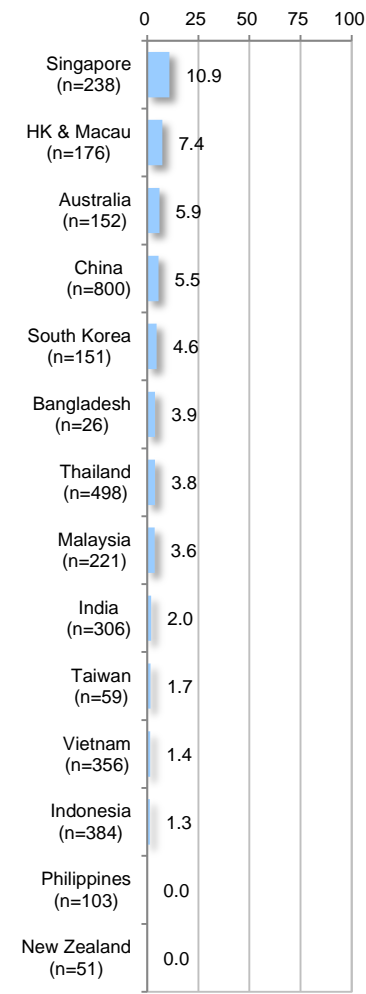
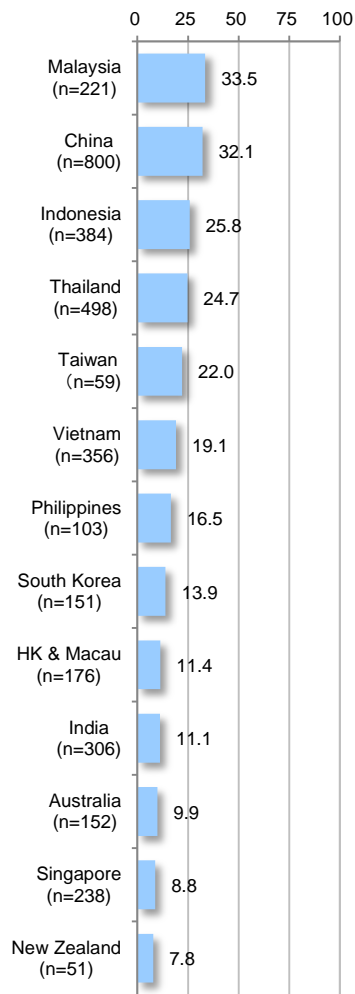
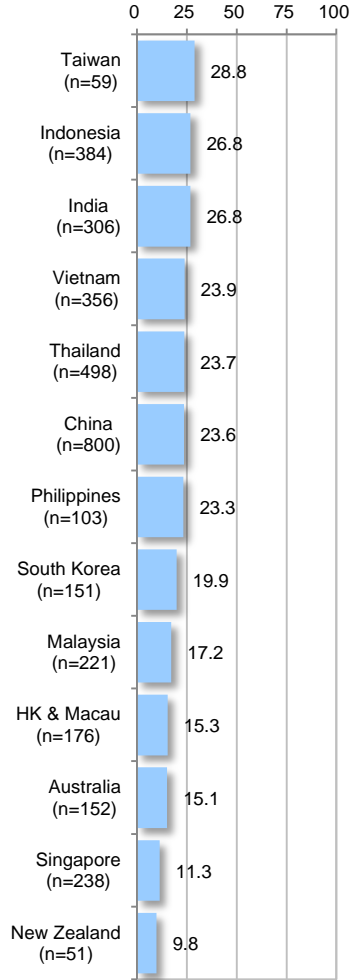
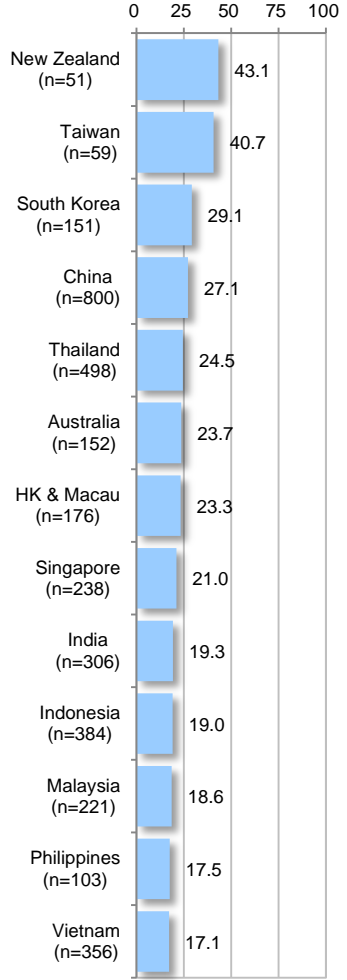
(%)

Complicated/Reconsidered productions
 (Consolidation of lineup, improvement, adding of value)

Cost-cutting by mass production and volume sales

Encouraged automation and power-saving
 (e.g., introduced industrial robots)

Shifted production/service capabilities to the third country/areas

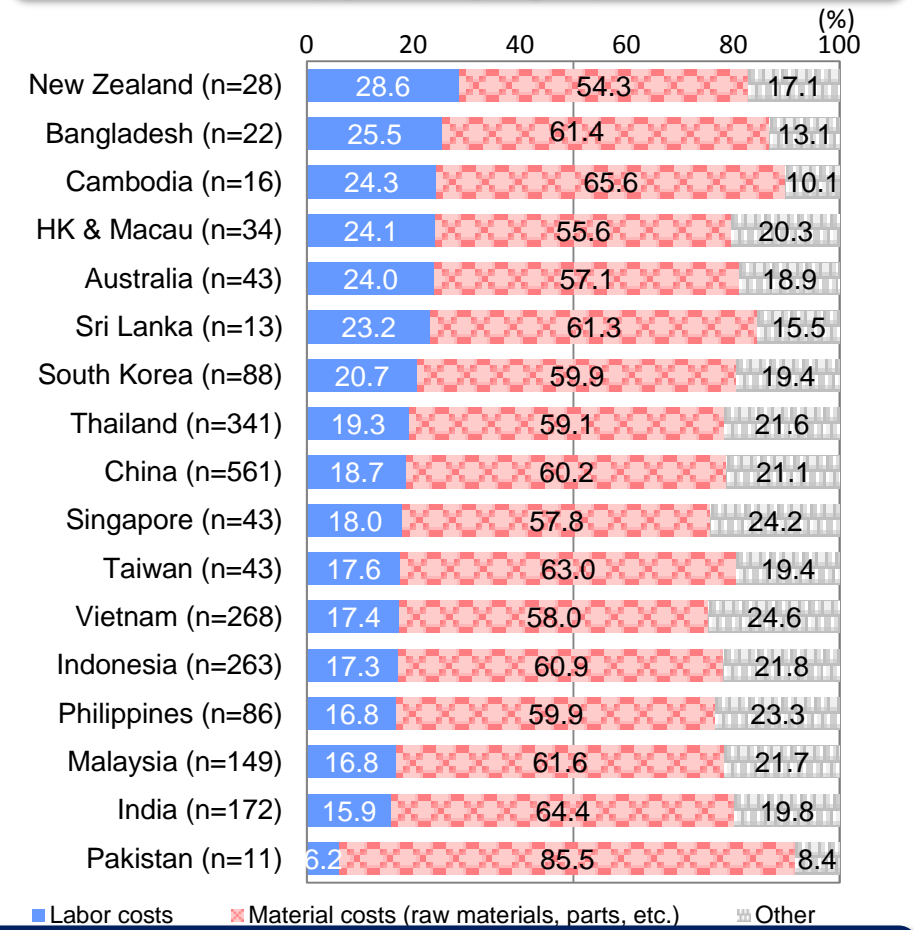
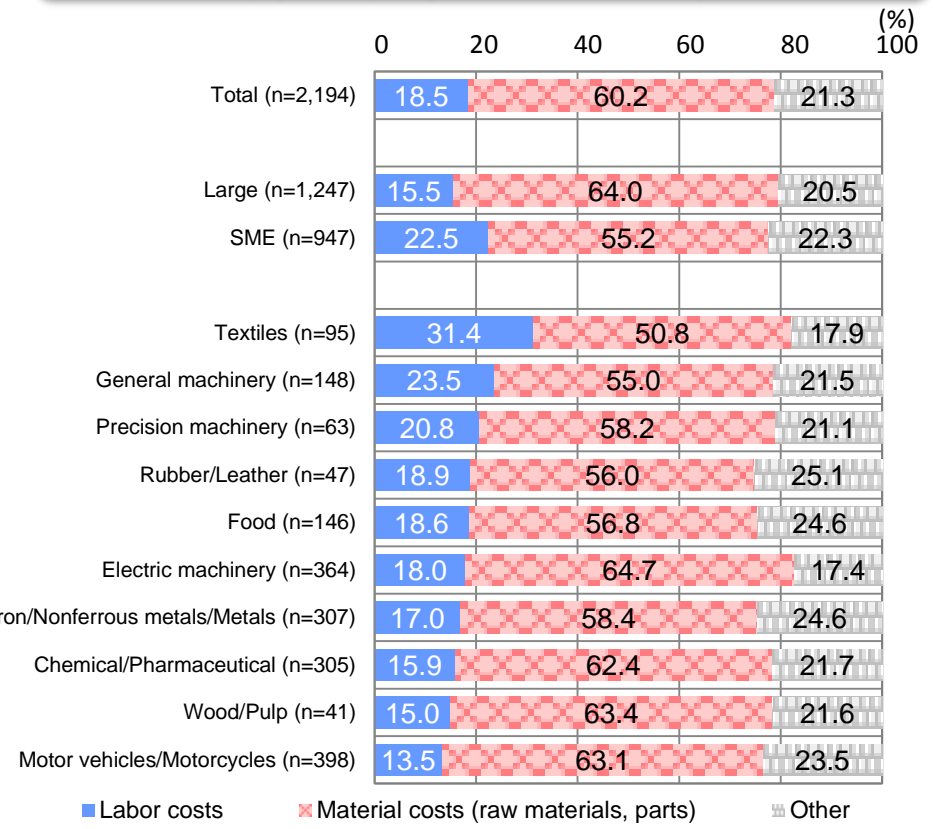


Note: Country/region for which n ≥ 10

5. Procurement of Raw Materials and Parts (1)

Ratio of labor/material costs to production costs (by company size and industry)

Ratio of labor/material costs to production costs (by country/region)



Note: "Production cost" includes the costs of all resources consumed in producing an item, such as materials, labor, and others.

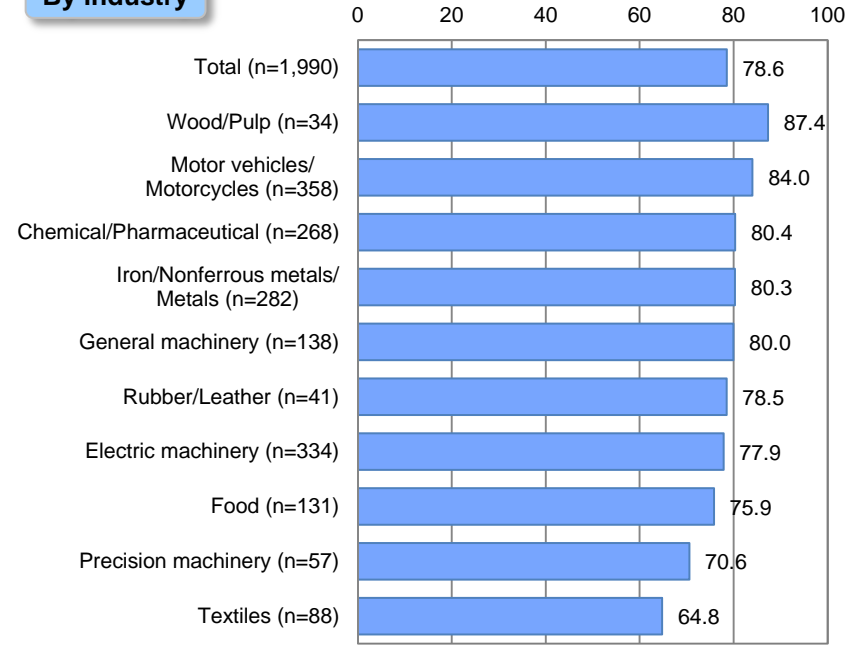
- The ratio of labor costs to local production costs of Japanese-affiliated firms averaged 18.5%, while the ratio of material costs averaged 60.2%. Thus, the material costs constitute a majority of local production costs. In comparison with 2013, labor costs increased by 1.3 pp while material costs decreased by 1.0 pp.
- By country/region, the ratio of labor costs is relatively high in Bangladesh and Cambodia, where there are many textiles firms. On the other hand, the ratio of material costs is usually the highest in Pakistan (85.5%), where Motor vehicles/Motorcycles is the major industry, followed by India and Malaysia exceeding 60%, respectively.

5. Procurement of Raw Materials and Parts (2)

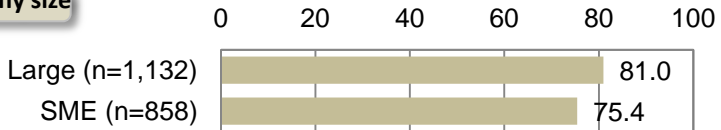
Local production cost in comparison with production cost in Japan, which is taken as 100 (by company size and industry)

Local production cost in comparison with production cost in Japan, which is taken as 100 (by country/region)

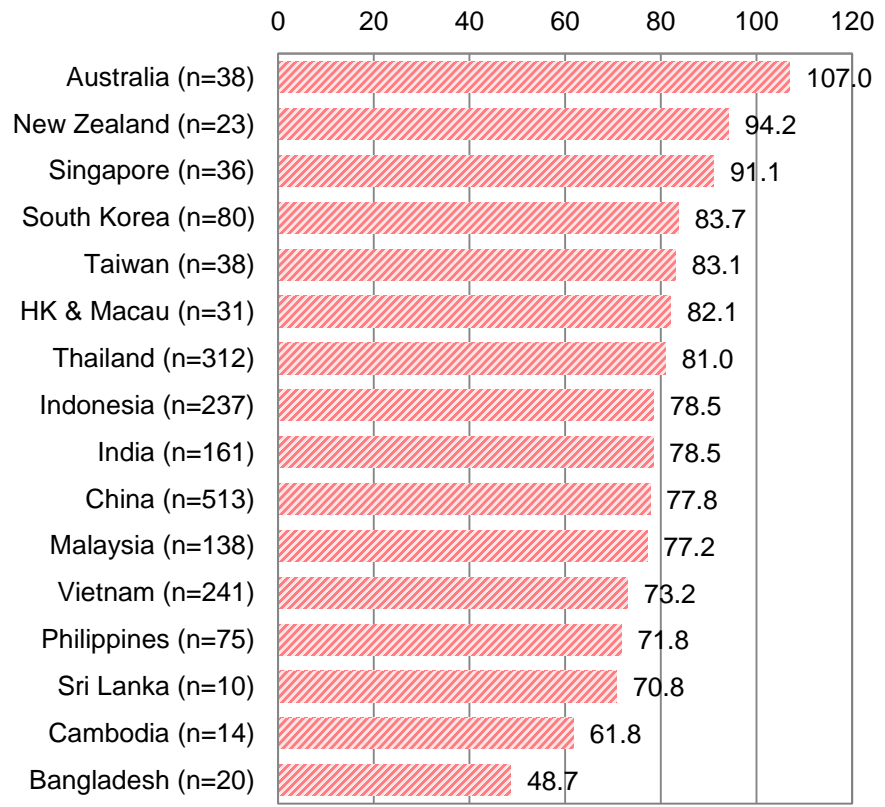
By industry



By company size



Note: Country/region for which n ≥ 10



Note: "Production cost" includes the costs of all resources consumed in producing goods, such as materials, labor, and others.

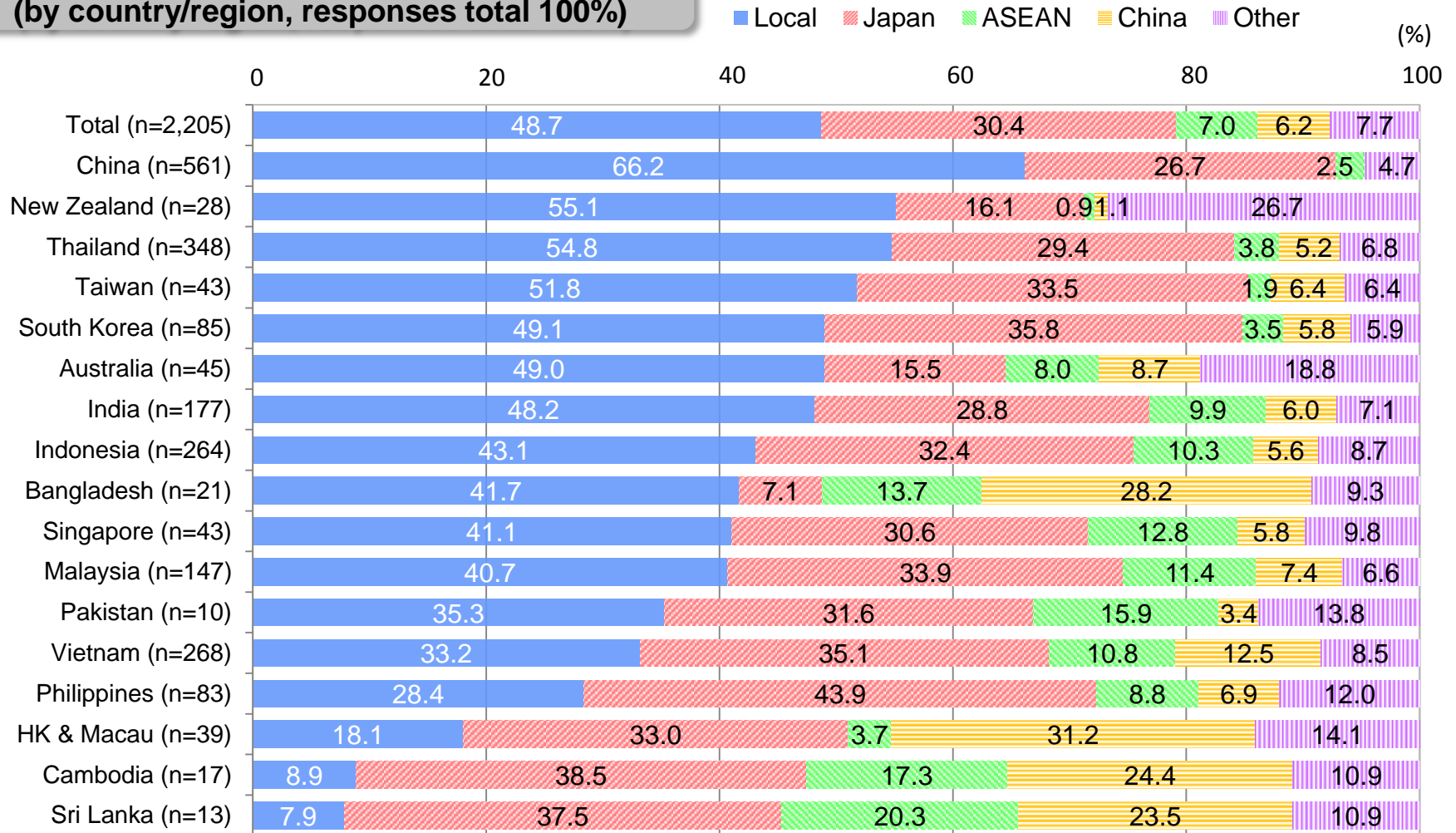
- Compared with the production cost in Japan, which is taken as 100, local production cost averaged 78.6.
- By industry category, production costs are relatively high in Wood/Pulp, Motor vehicles/Motorcycles, Chemical/Pharmaceutical, and Iron/Nonferrous metals/Metals, while the cost is lower in Textiles, at 64.8.
- By company size, the costs of SMEs (75.4) were lower than those of large enterprises (81.0) by 5.6 pp. The difference increased by 1.9 pp from the 2013 survey (with a difference of 3.7 pp).
- By country/region, Australia (107.0) surpassed Japan in production costs, while the costs are lower in Bangladesh (48.7) and Cambodia (61.8).

5. Procurement of Raw Materials and Parts (3)

Manufacturing sectors only

Procurement sources for raw materials and parts (by country/region, responses total 100%)

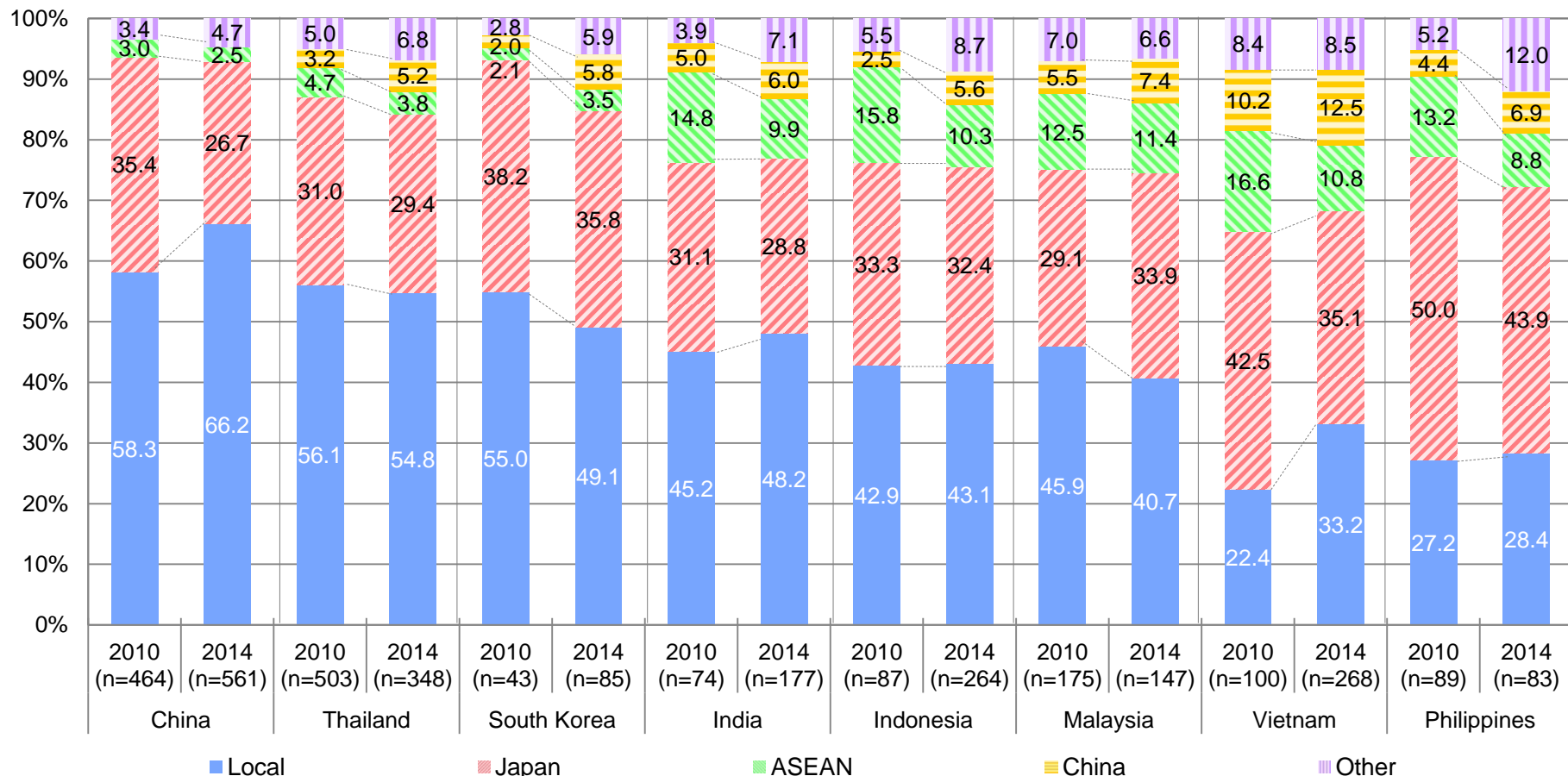
Note: Country/region for which n ≥ 10



- The largest procurement source for raw materials and parts in the local production activities of Japanese-affiliated firms was “Local” (48.7%), followed by “Japan” (30.4%) and “ASEAN” (7.0%). The local procurement rate increased slightly from 2013 (48.0%). The procurement rates from Japan and China remained almost at the same level. The procurement rate from ASEAN decreased slightly.
- By country/region, the local procurement rate is high in China, increasing for five consecutive years from 2009 (45.8%).
- The procurement rate from Japan is relatively high in the Philippines (43.9%), Cambodia (38.5%), Sri Lanka (37.5%), South Korea (35.8%), and Vietnam (35.1%).

5. Procurement of Raw Materials and Parts (4)

Procurement sources of major countries (comparison with the 2010 survey)



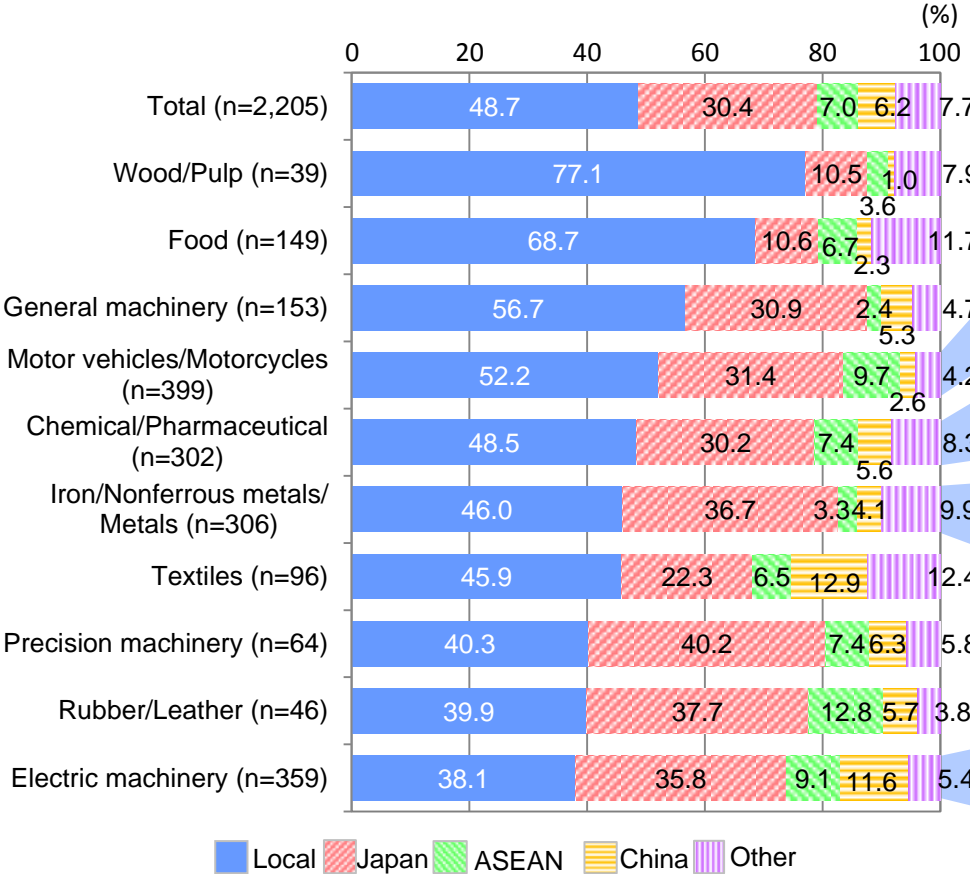
- Comparing with the procurement sources for raw materials and parts in eight major countries in the 2010 survey, local procurement rates increased in China, India, Indonesia, Vietnam, and the Philippines. In Vietnam, the local procurement rate increased by over 10 pp in the four years.
- The procurement rate from Japan decreased in seven countries/regions, excluding Malaysia.
- The procurement rate from China increased in all seven countries/regions. The rate is particularly high in Vietnam at 12.5%.

5. Procurement of Raw Materials and Parts (5)

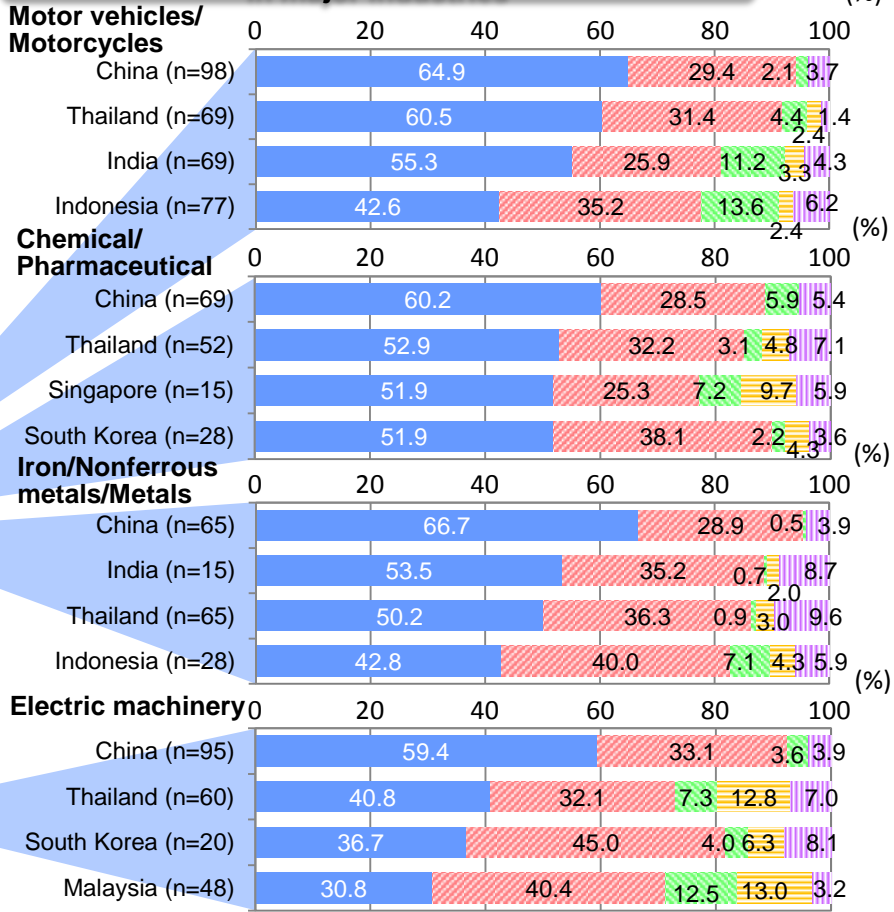
Manufacturing sectors only

Note: Countries/regions for which n>10. "n" indicates the numbers of valid responses for each industry by country/region.

Procurement sources for raw materials and parts (by industry, responses total 100%)



Top 4 countries regarding the local procurement rate in major industries



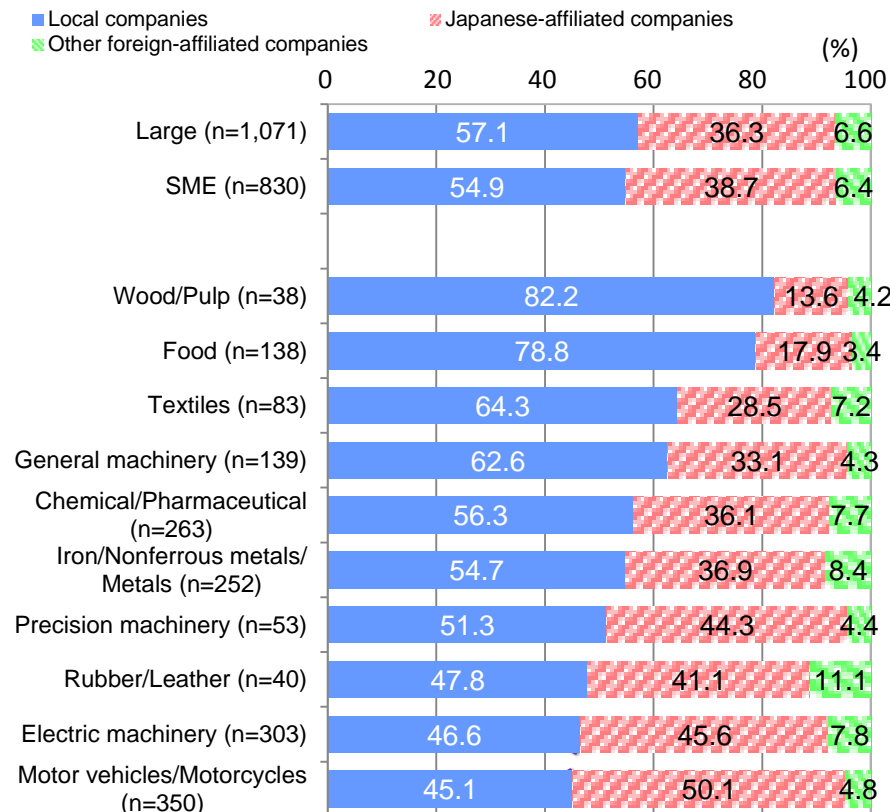
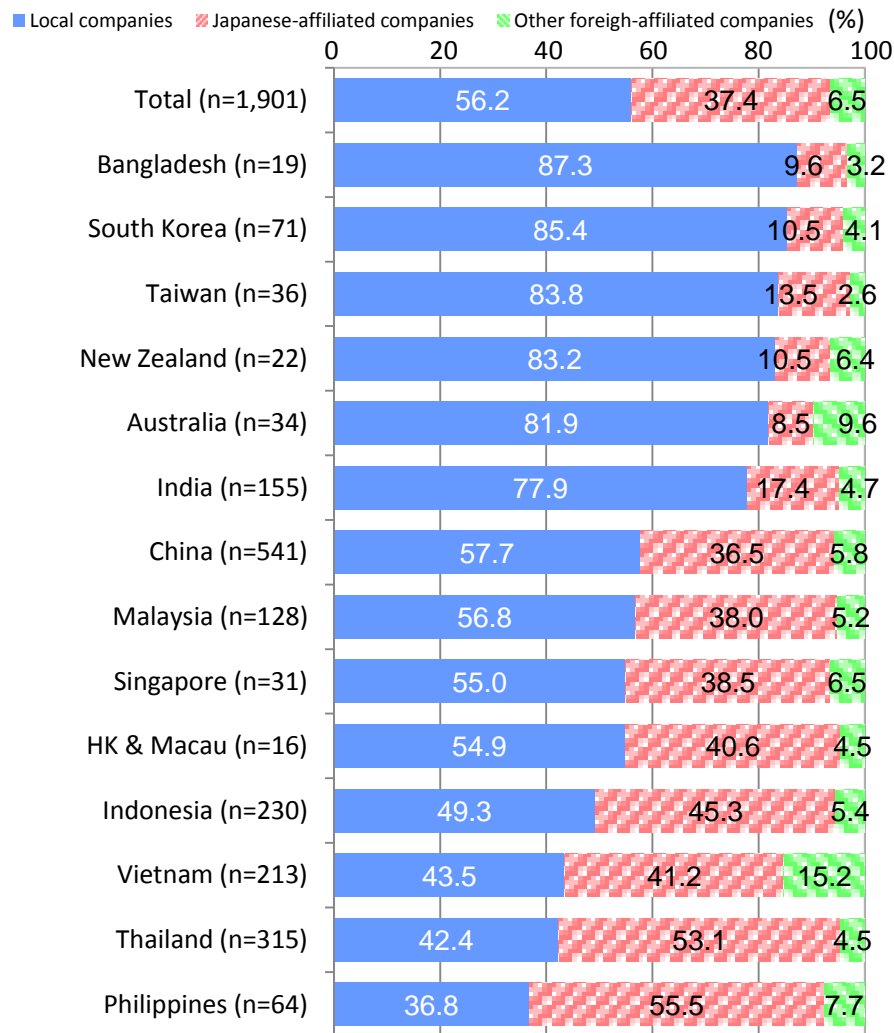
- By industry category, the local procurement rate of raw materials and parts is high in Wood/Pulp and Food at 77.1% and 68.7%, respectively. Meanwhile, the procurement rate from Japan is relatively high (over 40%) in Precision machinery.
- In the Electric machinery industry, the local procurement rate decreased to 38.1% by 3.1 pp from 2013 (41.2%), but the procurement rate from Japan increased by 2.7 pp.
- In all the four industries with valid responses from more than 300 companies, the local procurement rate exceeded 50% in China. In the Iron/Nonferrous metals/Metals industry, in particular, the local procurement rate in China increased to 66.7% by 1.3 pp from 65.4% in 2013.

5. Procurement of Raw Materials and Parts (6)

Local procurement sources for raw materials and parts (by country/region, responses total 100%)

Local procurement sources for raw materials and parts (by company size and industry, responses total 100%)

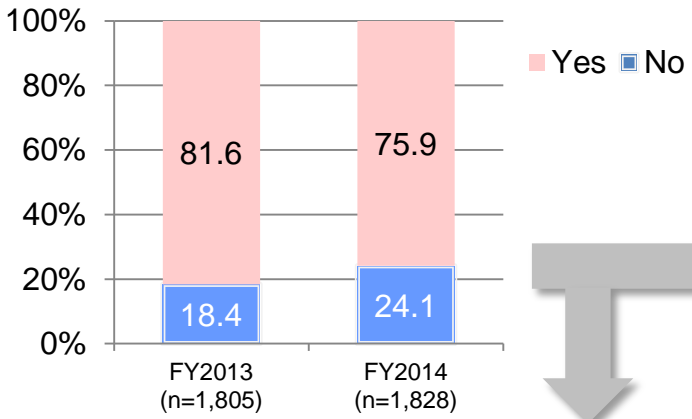
Note: Countries/regions for which n ≥ 10



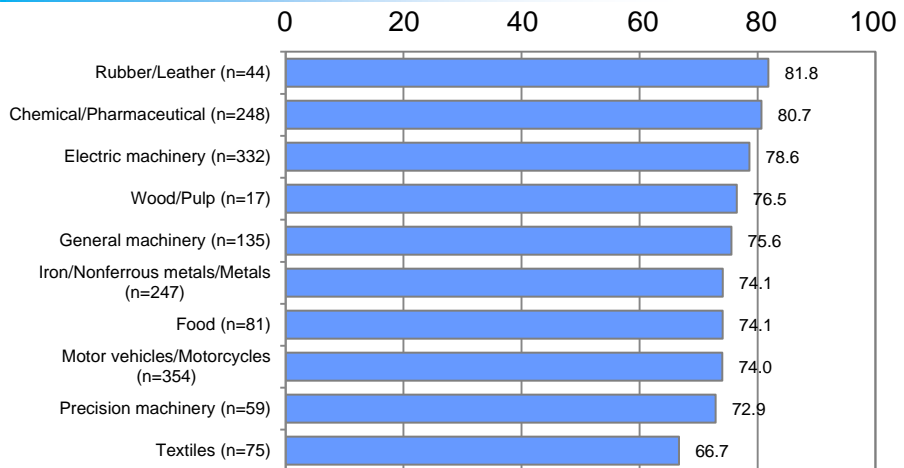
- “Local companies” was the largest local procurement source at 56.2%, followed by “Japanese-affiliated companies” (37.4%) and “Other foreign-affiliated companies” (6.5%).
- In the Philippines and Thailand, “Japanese-affiliated companies” accounts for over 50% as a procurement source.
- By industry category, “Local companies” exceeded 80% in Wood/Pulp.

5. Procurement of Raw Materials and Parts (7)

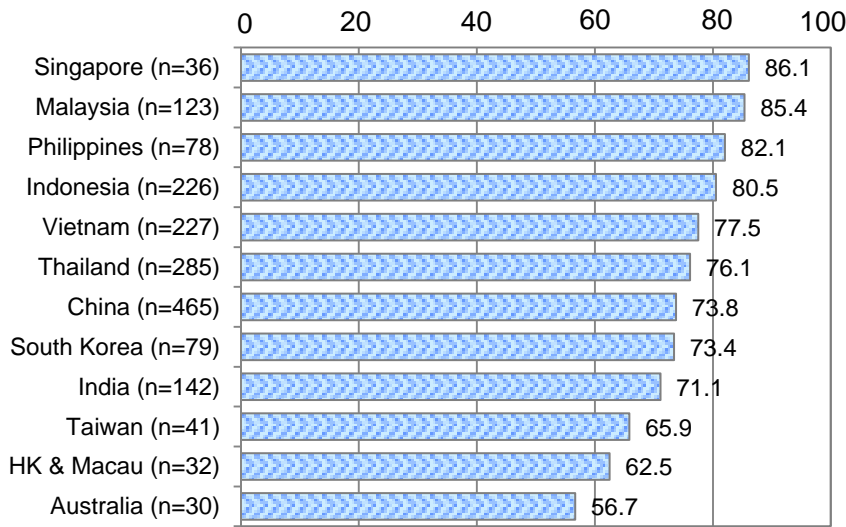
Raw materials/parts that can be purchased only in Japan



Yes (by industry)



Yes (by country/region)



Note: Countries/regions for which n ≥ 15

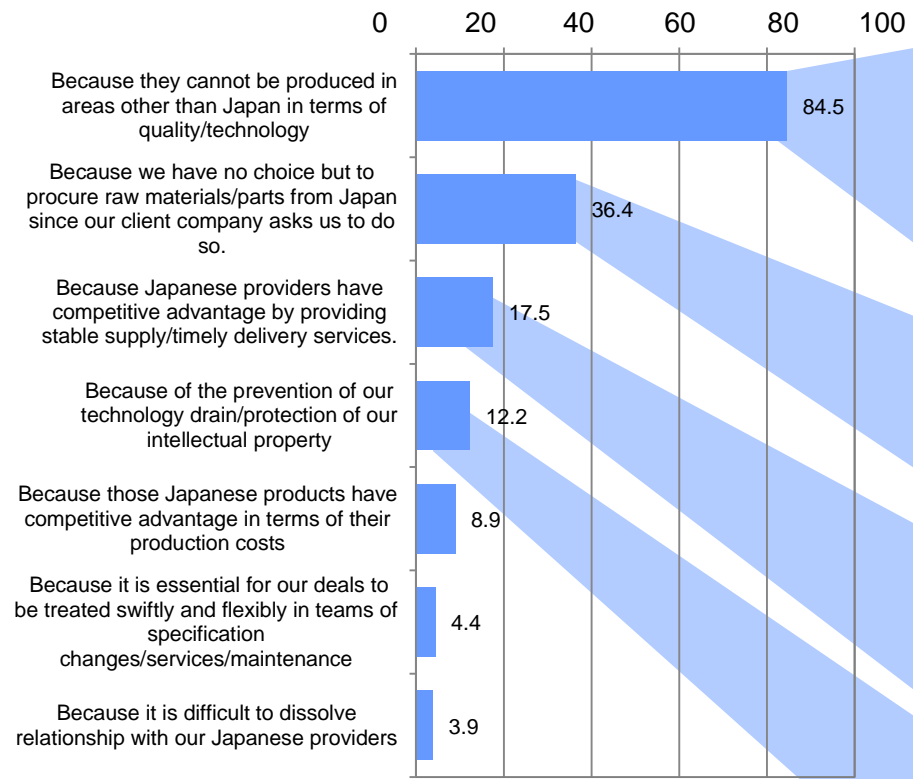
- Firms that procure raw materials and parts from Japan were asked if there are any raw materials/parts that can be procured only from Japan. As a result, 75.9% of all firms answered "Yes" to this question. The percentage decreased by 5.7 pp from 2013 (81.6%).
- By industry category, over 70% of all firms in all industries excluding Textiles responded "Yes."
- Major raw materials and parts included in the responses are as follows:
 - [Rubber/Leather] Chemicals, special chemical products, and synthetic rubber
 - [Chemical/Pharmaceutical] Special resin materials, special plastic raw materials, coating materials, additives, and pigments
 - [Electric machinery] Semiconductors, special resin materials, electric wires, steel products, and substrates
 - [Wood/Pulp] Raw materials and base cardboard papers
 - [General machinery] Steel products, motors, and special processed products
 - [Iron/Nonferrous metals/Metals] Hot-rolled steel sheets, special steel products, special metal products, steel products, and bearings
 - [Food] Special fragrances, food additives, seasoning, and packaging materials
 - [Motor vehicles/Motorcycles] Cold-forged products, fuel ejection parts, and core engine parts
 - [Precision machinery] Precision conveyor parts, chemical agents, and electronic circuit parts
 - [Textiles] Chemicals, special cloth, raw cotton, and artificial leather



5. Procurement of Raw Materials and Parts (8)

Reasons for difficulty in procuring the raw materials/parts from countries other than Japan

(n=1,368)



- As to the reason why it is difficult to procure the raw materials/parts from countries other than Japan, 84.5% of all firms mentioned "quality/technology," followed by "materials/parts designated by the client company," at 36.4%.
- Precision machinery firms cited various reasons at a high percentage, including "quality/technology," "stable supply/timely delivery," and "prevention of technology drain/protection of intellectual property."

Response rate by country/region and industry category (rank order)

By country/region		By industry category	
Country/Region	%	Manufacturing sectors only	%
India (n=99)	89.9	Precision machinery (n=43)	95.4
South Korea (n=58)	89.7	Food (n=60)	91.7
Malaysia (n=102)	87.3	Rubber/Leather (n=35)	88.6
Indonesia (n=179)	86.0	Motor vehicles/Motorcycles (n=260)	85.8
Thailand (n=214)	86.0	Textiles (n=49)	83.7
Vietnam (n=174)	43.1	Iron/Nonferrous metals/Metals (n=181)	51.4
Philippines (n=64)	42.2	Motor vehicles/Motorcycles (n=260)	41.2
China (n=338)	41.1	Electric machinery (n=256)	41.0
Malaysia (n=102)	20.6	Textiles (n=49)	26.5
Philippines (n=64)	20.3	Rubber/Leather (n=35)	22.9
Thailand (n=214)	20.1	Iron/Nonferrous metals/Metals (n=181)	22.1
South Korea (n=58)	25.9	Precision machinery (n=43)	16.3
Malaysia (n=102)	17.7	Chemical/Pharmaceutical (n=197)	15.7
China (n=338)	15.7	General machinery (n=101)	13.9

Note: Country/region and industry category for which n ≥ 30

5. Procurement of Raw Materials and Parts (9)

Future raw materials/parts procurement policy (by country/region, multiple answers)

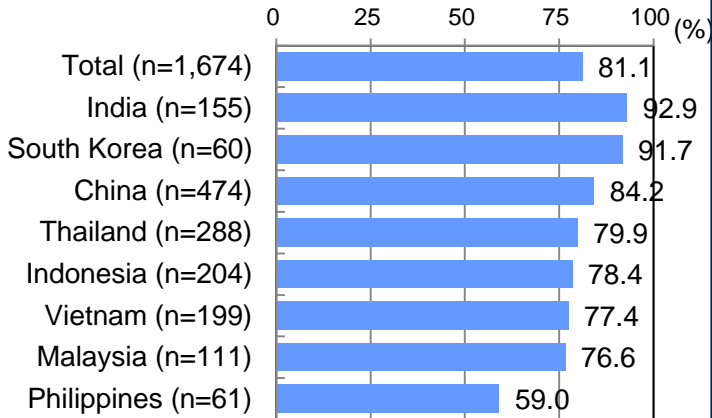
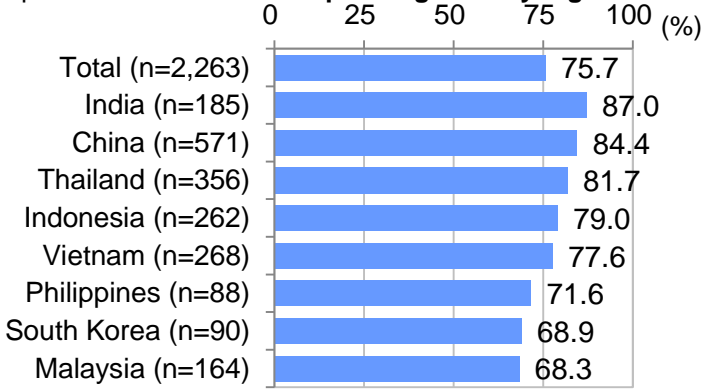
Important local procurement sources to raise the local procurement rate (by country/region, multiple answers)

Note: Countries/regions for which n ≥ 50.

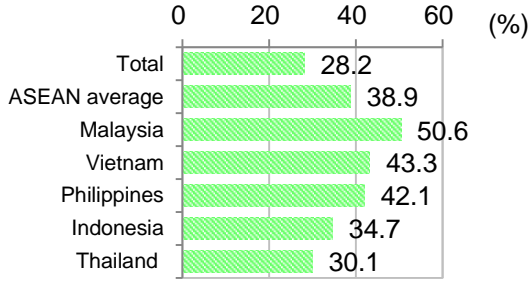
Note: Countries/regions for which n ≥ 50.

Ratio of firms that responded that they would raise the local procurement rate **in the operating country/region**

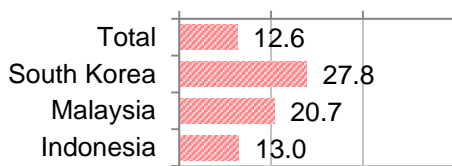
Ratio of firms that responded that **local companies** are important for raising the local procurement rate



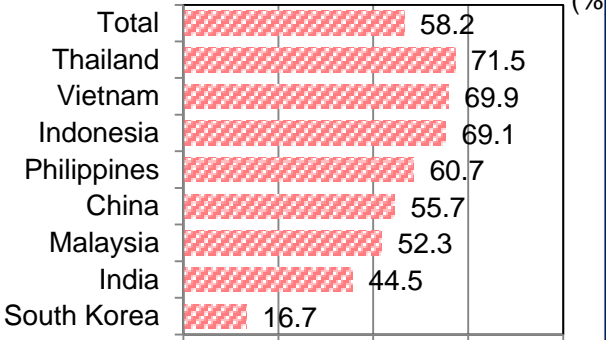
Ratio of firms that responded that they would raise the procurement rate from **“ASEAN”**



Ratio of firms that responded they would raise the procurement rate from **“China”**



Ratio of firms that responded that **Japanese-affiliated companies** are important for raising the local procurement rate

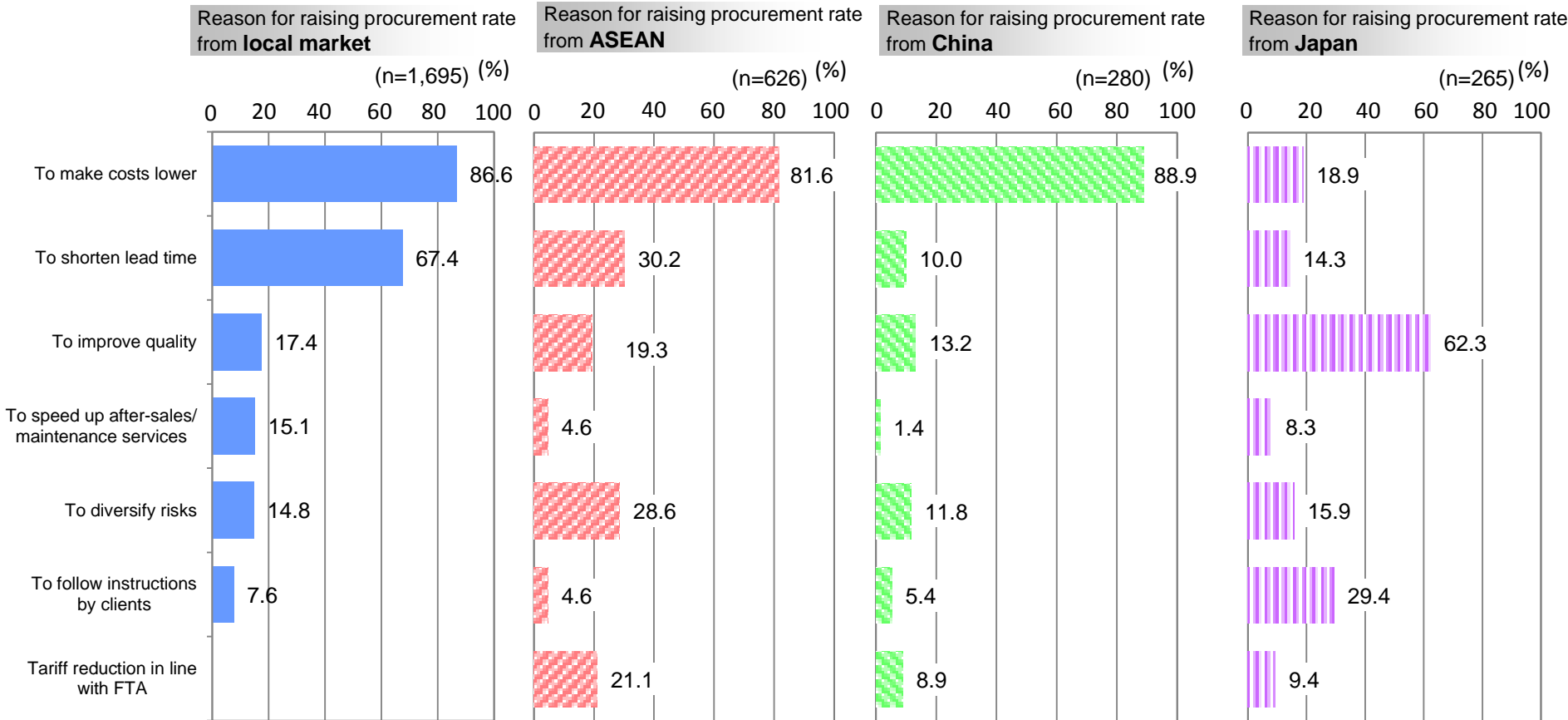


- As a raw material/part procurement policy in the future, the largest proportion of firms at 75.7% responded that they would raise the local procurement rate in the operating country/region.
- In ASEAN countries, especially in Malaysia, Vietnam, and the Philippines, a relatively high proportion of firms responded that they would raise the procurement rate from ASEAN.
- As local procurement sources that will become important in the future for raising the local procurement rate, “Local companies” were cited by 81.1% of all firms, while “Japanese-affiliated firms” was cited by 58.2%.
- “Local companies” were selected as an important local procurement source in all countries/regions, while the proportion of firms that attached importance to “Japanese-affiliated firms” varied greatly by country/region.

5. Procurement of Raw Materials and Parts (10)

Manufacturing sectors only

Reasons for raising future procurement rate for raw materials/parts (multiple answers)

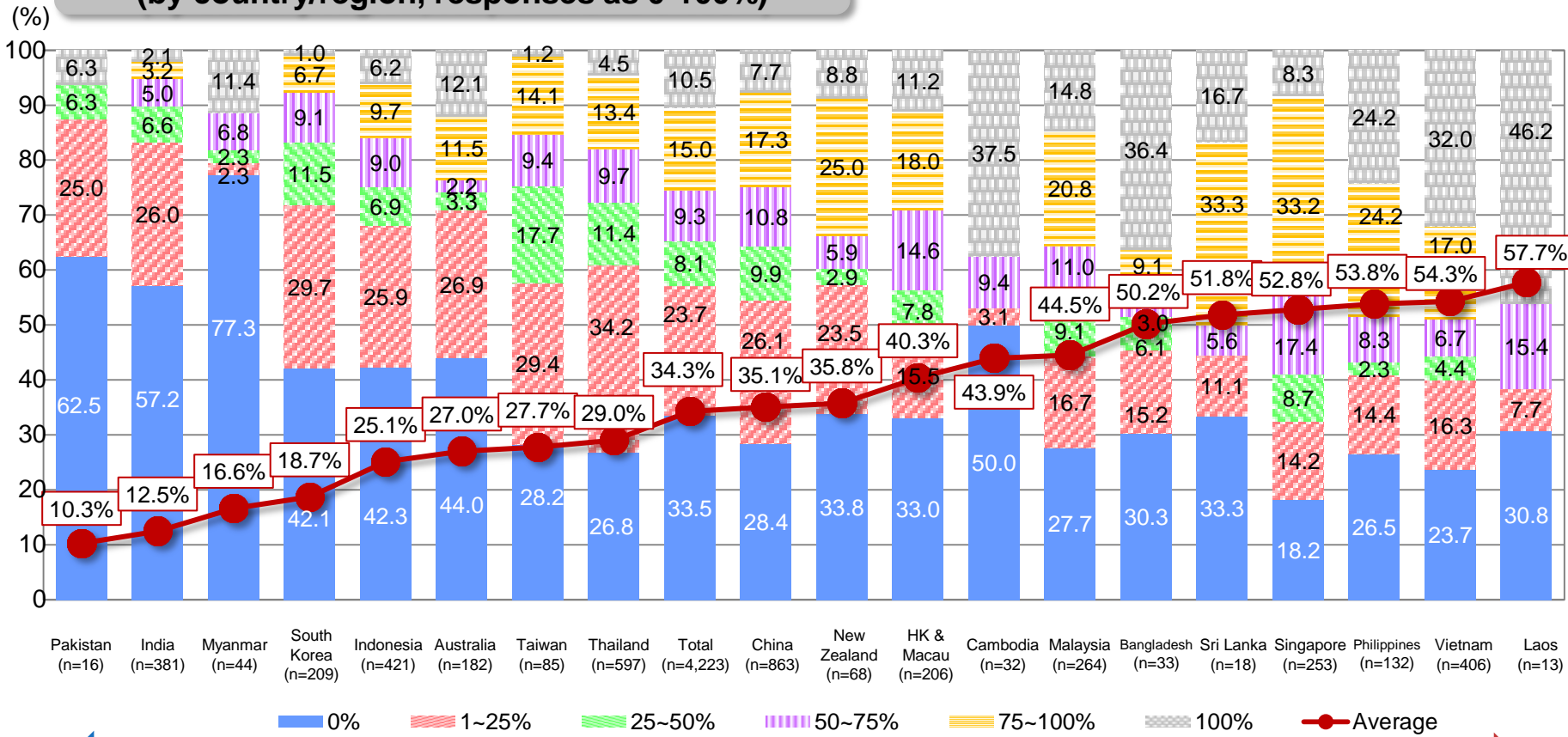


- For firms that responded that they would raise the procurement rate from the local market, ASEAN, and China, the biggest reason was “to make costs lower.”
- The major reasons for raising the local procurement rate were “to make costs lower” (86.6%) and “to shorten lead time” (67.4%).
- The major reasons for raising the procurement rate from ASEAN were “to make costs lower” (81.6%), “to shorten lead time” (30.2%), “to diversify risks” (28.6%), and “tariff reduction in line with FTA” (21.1%).
- The largest reasons for raising the rate of procurement from Japan were “to improve quality” (62.3%), followed by “to follow instructions by clients” (nearly 30%)



6. Exports/Imports (1)

Proportion of export sales to the total sales (by country/region, responses as 0-100%)



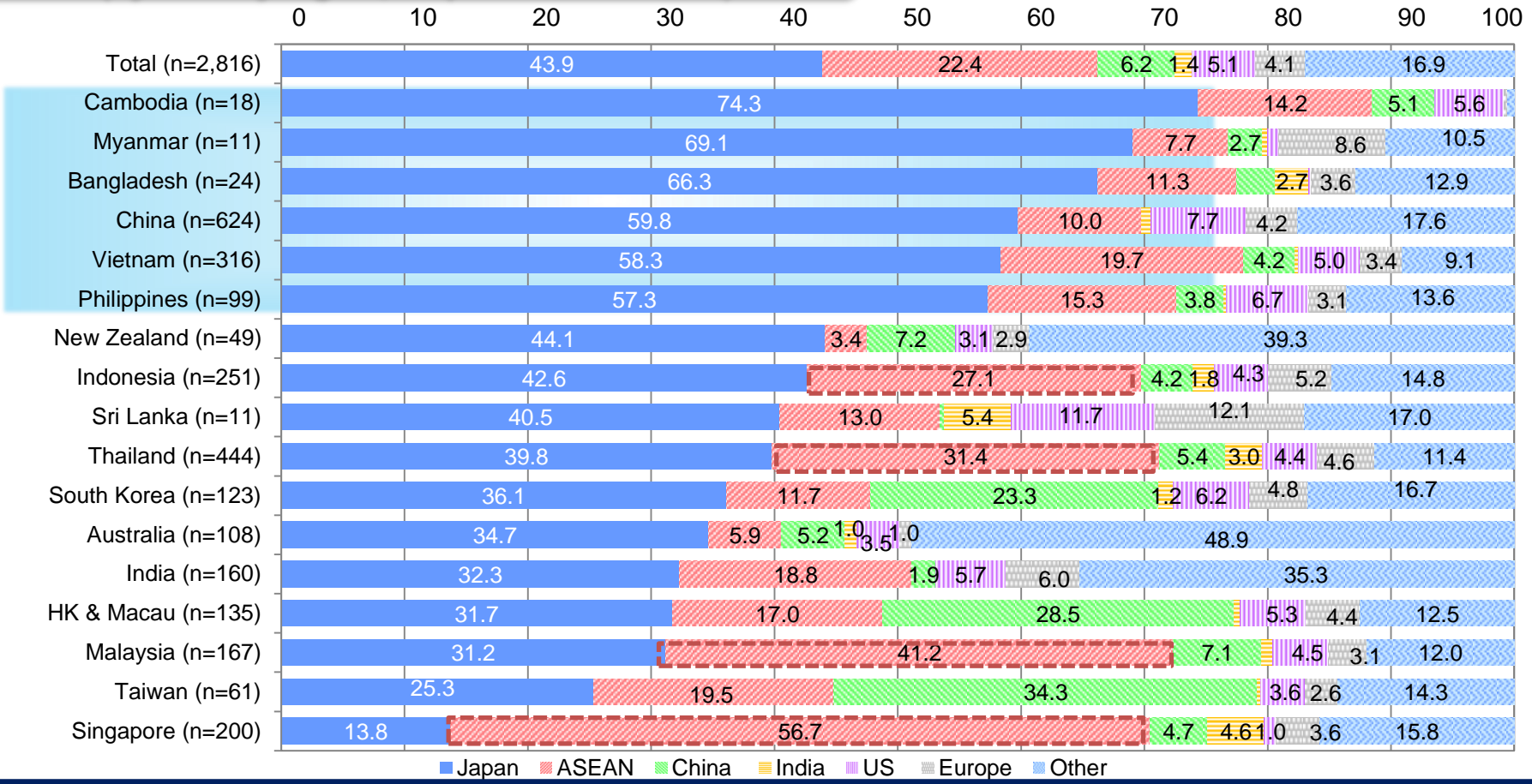
- The average export-to-local sales ratio of Japanese-affiliated firms exceeded 50% in Laos (57.7%), Vietnam (54.3%), the Philippines (53.8%), Singapore (52.8%), Sri Lanka (51.8%), and Bangladesh (50.2%). On the other hand, Pakistan (10.3%), India (12.5%), Myanmar (16.6%), and South Korea (18.7%), with an export ratio below 20%, have a high proportion of domestic sales.
- The proportion of totally export-oriented firms (export ratio: 100%) was high in Laos (46.2%), Cambodia (37.5%), Bangladesh (36.4%), and Vietnam (32.0%). Meanwhile, totally domestic sales-oriented firms (export ratio: 0%) exceeded 50% in Myanmar (77.3%), Pakistan (62.5%), and India (57.2%).



6. Exports/Imports (2)

**Breakdown of export destinations
(by country/region, responses total 100%)**

Note: Countries/regions for which n ≥ 10 (%)



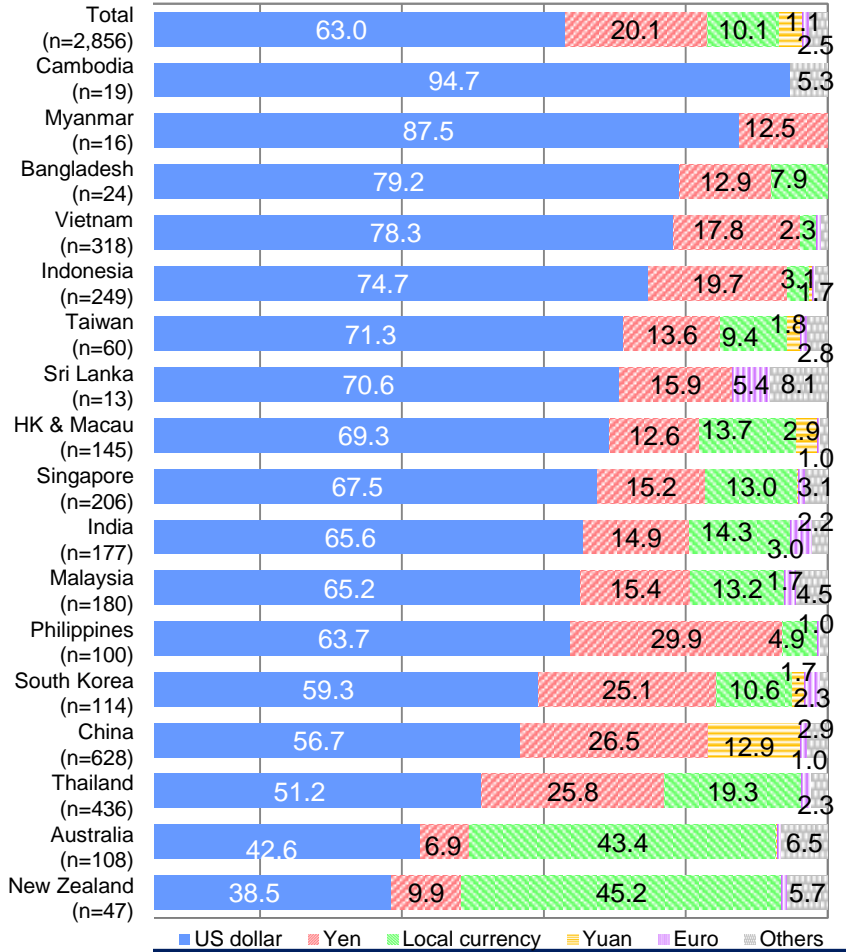
- Japan was the largest export destination (as a total of all surveyed countries/regions) for Japanese-affiliated firms, at 43.9% on average, followed by ASEAN (22.4%).
- There was little change in the composition of major export destinations from the 2013 survey (n = 2,768). Exports to Japan increased by 0.2 pp, while exports to ASEAN and China decreased by 0.6 and 0.1 pp, respectively. Thus, export destinations remained almost the same, with less than 1% change.
- Japan accounted for over 50% in Cambodia, Myanmar, Bangladesh, China, Vietnam, and the Philippines. Japan is the major export destination for the Communications/Software industry in China (98.2%) and Vietnam (90.4%), both exceeding 90%, as well as for the Textiles industry in Vietnam (95.4%).



6. Exports/Imports (3)

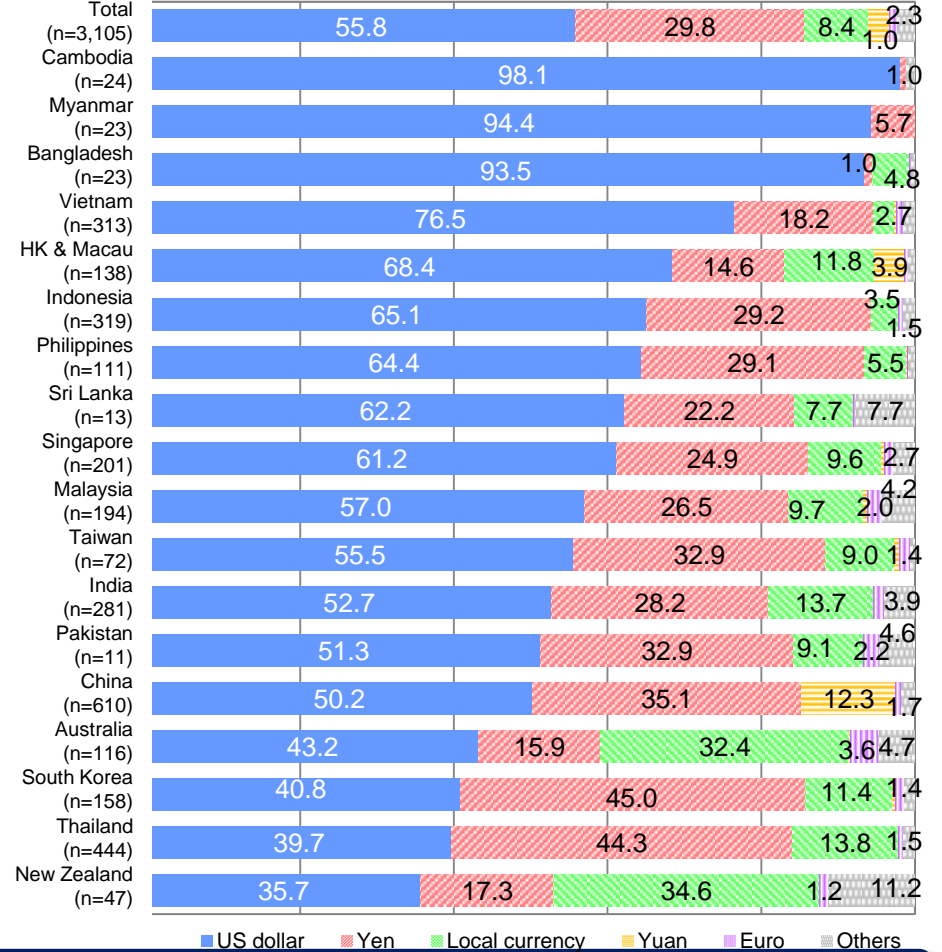
Currencies for import/export settlement

For export



For import

Note: Countries/regions for which n ≥ 10



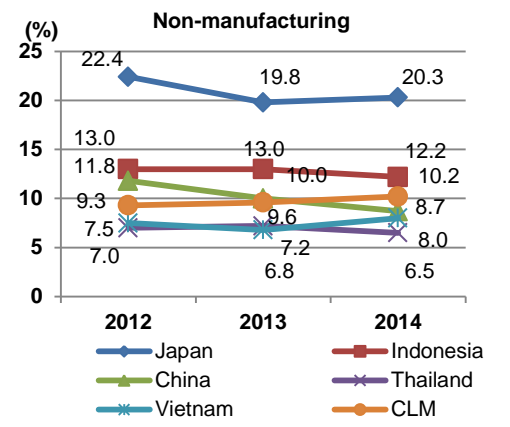
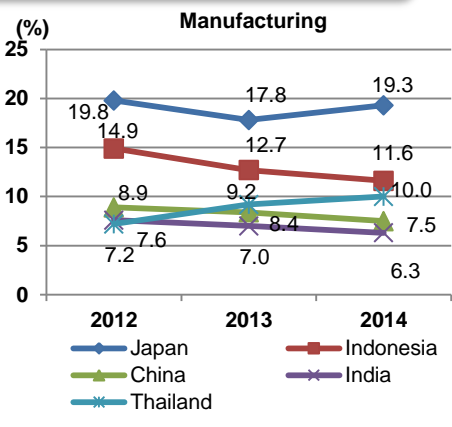
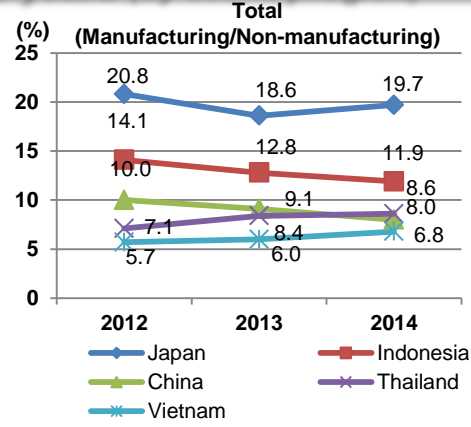
● The primary currency used for export settlement was the U.S. dollar (63.0%), followed by the yen (20.1%), local currency (10.1%), and the yuan (3.2%). The U.S. dollar (55.8%) is also the main currency used for import settlement, followed by the yen (29.8%), local currency (8.4%), and the yuan (2.7%). The U.S. dollar is used more for exports than imports, while the yen is used more for imports than exports. There was no significant difference between imports and exports regarding the use of local currency and the yuan.



6. Exports/Imports (4)

Most promising export market for business/products over the next 1 to 3 years (by country/region)

Total (2014)		
Total (n=3,387)		
Country	%	
1 Japan	19.7	
2 Indonesia	11.9	
3 Thailand	8.6	
4 China	8.0	
5 Vietnam	6.8	



Note: Countries/regions for which n ≥ 10

By country
* CLM: Cambodia, Laos and Myanmar

Japan:
Most important

Philippines (n=114)		
Country	%	
1 Japan	28.1	
2 Thailand	13.2	
3 US	11.4	

China (n=715)		
Country	%	
1 Japan	28.4	
2 Thailand	9.5	
3 US	9.0	

New Zealand (n=52)		
Country	%	
1 Japan	30.8	
2 Oceania	21.2	
3 China	15.4	

Vietnam (n=352)		
Country	%	
1 Japan	31.8	
2 Thailand	12.5	
3 CLM	11.1	

Bangladesh (n=29)		
Country	%	
1 Japan	20.7	
2 Europe	17.2	
3 China, India	10.3	

Indonesia (n=315)		
Country	%	
1 Japan	19.7	
2 Thailand	15.2	
3 India	10.5	

Cambodia (n=22)		
Country	%	
1 Japan	40.9	
2 China, Vietnam	13.6	

Indonesia
Is most important

Thailand (n=538)		
Country	%	
1 Indonesia	25.5	
2 Japan	14.3	
3 CLM	12.8	

Singapore (n=183)		
Country	%	
1 Indonesia	35.0	
2 India	12.6	
3 Malaysia	8.7	

Malaysia (n=164)		
Country	%	
1 Indonesia	23.2	
2 Japan	15.9	
3 Thailand	11.6	

China
Is most important

HK & Macau (n=182)		
Country	%	
1 China	25.8	
2 Thailand, Vietnam	11.5	
3 Japan	8.8	

South Korea (n=169)		
Country	%	
1 China	37.3	
2 Japan	13.6	
3 Vietnam	11.2	

Taiwan (n=74)		
Country	%	
1 China	44.6	
2 Japan	10.8	
3 Indonesia, CLM	6.8	

Middle East
Is most important

India (n=284)		
Country	%	
1 Middle East	16.2	
2 Thailand	14.4	
3 Japan	14.1	

Pakistan (n=11)		
Country	%	
1 Middle East	36.4	
2 Other Asian countries	27.3	

- The most promising export markets over the next one to three years (as a total of all surveyed countries/regions) were (1) Japan, (2) Indonesia, (3) Thailand, (4) China, and (5) Vietnam, in that order.
- The percentage increased from the 2013 survey in Japan (+1.1%), Vietnam (+0.8%), and Thailand (+0.2%), while it decreased in China (-1.1%) and Indonesia (-0.9%). CLM, which was ranked fifth in the 2013 survey, dropped to sixth place, and Vietnam took fifth place.

6. Exports/Imports (5)

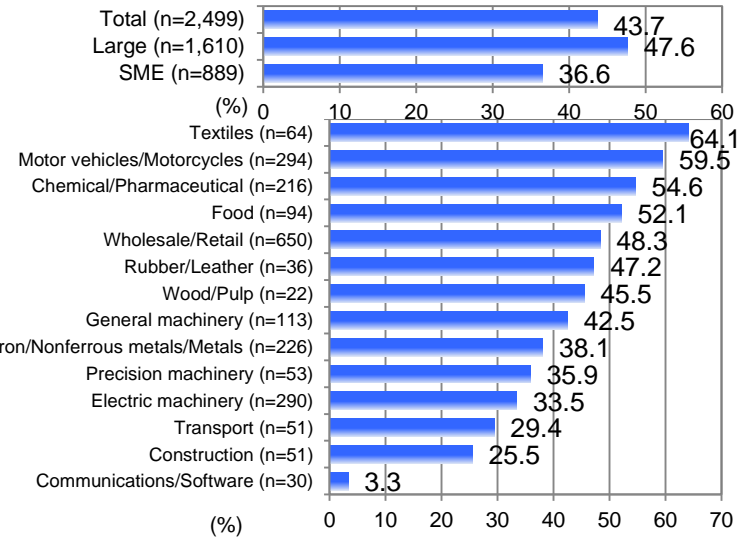
Note 1: The proportions in the two charts on the top are calculated as the ratio of firms that are using at least one FTA or EPA to firms that are involved in either exporting or importing, or both.

Note 2: The proportions in the two charts on the bottom are calculated as the ratio of firms using FTA/EPAs for exporting (or importing) to firms involved in exporting (or importing).

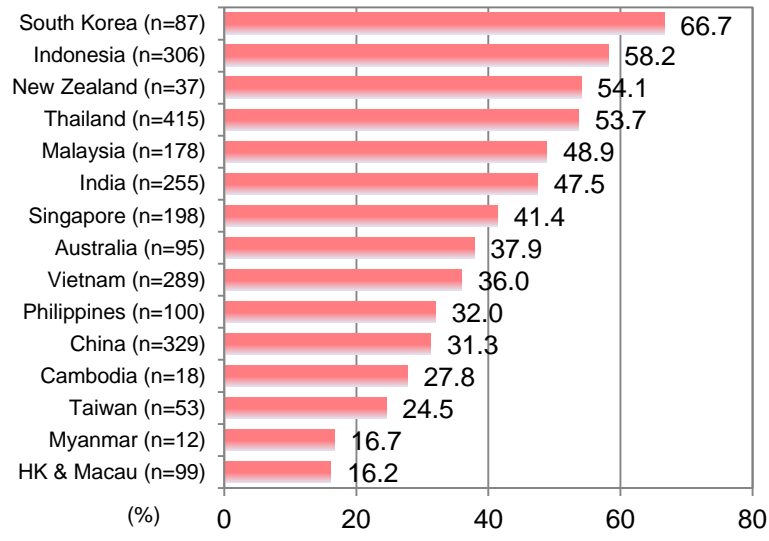
Utilization of existing (in force) FTAs/EPAs (only companies involved in export/import)

Note: Countries/regions for which n ≥ 10

Proportions of firms utilizing FTAs/EPAs (total, by company size and industry)

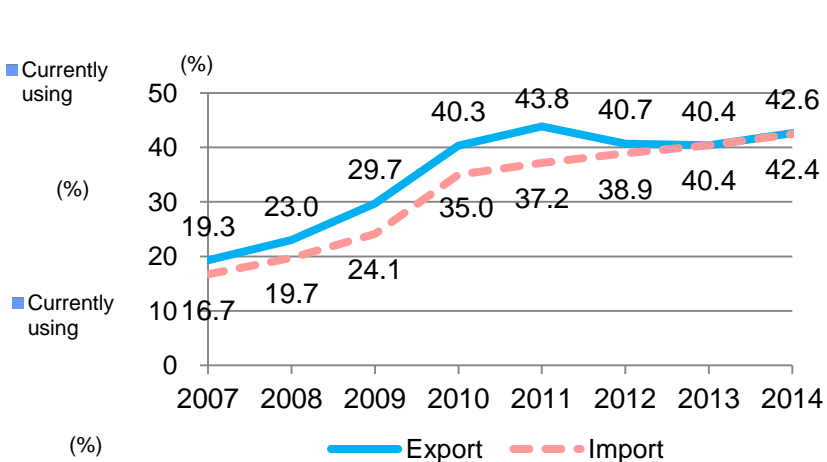
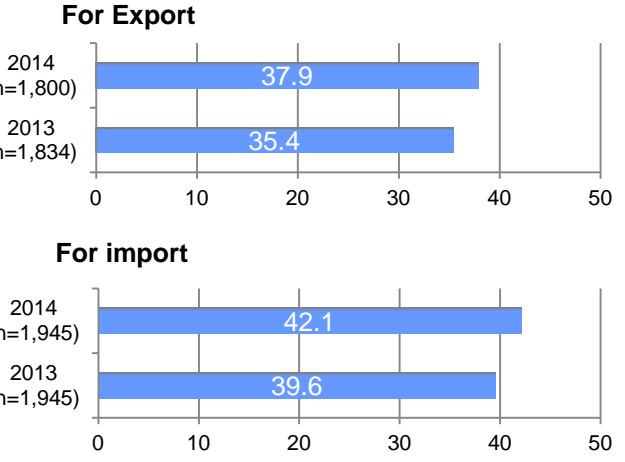


Proportions of firms utilizing FTAs/EPAs (by country/region)



Proportions of firms utilizing FTAs/EPAs in 2013 and 2014 (by export/import)

Trends in FTA/EPA utilization by Japanese-affiliated firms in ASEAN



- 43.7% of all Japanese-affiliated firms engaged in trade in Asia and Oceania are using FTAs/EPAs.
- Large enterprises (47.6%) are more likely to be using FTAs/EPAs than SMEs (36.6%).
- By industry category, the Textiles and Motor vehicles/Motorcycles industries use FTA/EPA more than other industries.
- By country/region, FTA/EPA use by Japanese-affiliated firms is the highest in South Korea at 66.7%, followed by Indonesia, New Zealand, and Thailand, at over 50%, respectively.
- FTA/EPA use increased from the 2013 survey by 2.5 pp both in imports and exports.
- FTA/EPA use by Japanese-affiliated firms in ASEAN increased from the 2013 survey by over 2 pp both in imports and exports.

6. Exports/Imports (6)

FTA/EPA utilization

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.

Bilateral FTA/EPAs are included in multi-lateral FTA/EPAs.

The percentage of firms using FTAs/EPAs is calculated as the ratio of firms making use of FTAs/EPAs to firms involved in importing/exporting.

	Trade partners	Firms involved in import/export	Firms making use of FTAs/EPAs	% of all firms using FTAs/EPAs	Top 3 industries where FTAs/EPAs are used (numbers of firms)						Firms considering use of FTAs/EPAs	
					1	2	3					
Thailand	Export	Japan	253	84	33.2	Wholesale/Retail	16	Electric machinery, Chemical/Pharmaceutical, etc.	11 each	Motor vehicles/Motorcycles	8	25
		ASEAN	212	101	47.6	Motor vehicles/Motorcycles	23	Wholesale/Retail	20	Electric machinery	15	37
		China	89	36	40.4	Chemical/Pharmaceutical	9	Electric machinery, Motor vehicles/Motorcycles	7 each	Wholesale/Retail	3	9
		India	80	28	35	Electric machinery	9	Motor vehicles/Motorcycles	7	Chemical/Pharmaceutical	4	8
		South Korea	33	14	42.4	Chemical/Pharmaceutical, etc.	3 each	General machinery, etc.	2 each			4
	Australia	39	21	53.8	Electric machinery	7	Motor vehicles/Motorcycles, etc.	3 each	Food, etc.	2 each	1	
	Import	Japan	315	128	40.6	Wholesale/Retail	32	Motor vehicles/Motorcycles	19	Iron/Nonferrous metals/Metals	17	44
		China	134	61	45.5	Wholesale/Retail	15	Electric machinery	11	Motor vehicles/Motorcycles	8	13
		ASEAN	126	66	52.4	Motor vehicles/Motorcycles	17	Wholesale/Retail	11	Electric machinery	10	11
		South Korea	48	19	39.6	Wholesale/Retail	5	Iron/Nonferrous metals/Metals, etc.	3 each			1
India		24	8	33.3	Motor vehicles/Motorcycles	3	Iron/Nonferrous metals/Metals	2	Chemical/Pharmaceutical, etc.	1 each	2	
Malaysia	Export	ASEAN	112	53	47.3	Electric machinery, etc.	9 each	Motor vehicles/Motorcycles	6	Iron/Nonferrous metals/Metals, etc.	4 each	6
		Japan	97	35	36.1	Iron/Nonferrous metals/Metals	5	Chemical/Pharmaceutical, etc.	4 each	Wholesale/Retail, etc.	3 each	1
		China	60	27	45	Chemical/Pharmaceutical	7	Electric machinery	4	Food	2	1
		India	29	15	51.7	Chemical/Pharmaceutical	6	Electric machinery	3	Wholesale/Retail, etc.	1 each	2
	Australia	20	11	55	Chemical/Pharmaceutical	5	Electric machinery	3	Iron/Nonferrous metals/Metals, etc.	1 each	1	
	Import	Japan	144	39	27.1	Wholesale/Retail	8	Iron/Nonferrous metals/Metals	6	Chemical/Pharmaceutical, etc.	5 each	10
		ASEAN	98	39	39.8	Wholesale/Retail	8	Electric machinery, etc.	6 each	Chemical/Pharmaceutical	5	5
		China	71	25	35.2	Electric machinery, etc.	5	Chemical/Pharmaceutical, etc.	3 each	Food, etc.	1 each	2
South Korea		26	13	54.2	Iron/Nonferrous metals/Metals, etc.	2 each	Electric machinery, etc.	1 each			0	
Singapore	Export	ASEAN	159	69	43.4	Wholesale/Retail	48	Chemical/Pharmaceutical	7	Iron/Nonferrous metals/Metals	4	18
		India	75	27	36	Wholesale/Retail	18	Chemical/Pharmaceutical	6	Iron/Nonferrous metals/Metals, etc.	1 each	11
		Japan	63	29	46	Wholesale/Retail	16	Chemical/Pharmaceutical	8	Iron/Nonferrous metals/Metals	2	3
		China	54	21	38.9	Wholesale/Retail	11	Chemical/Pharmaceutical	6	Iron/Nonferrous metals/Metals	2	6
		Australia	61	13	21.3	Wholesale/Retail	6	Chemical/Pharmaceutical	5	Precision machinery	1	7
		South Korea	29	13	44.8	Wholesale/Retail	8	Chemical/Pharmaceutical	4	Iron/Nonferrous metals/Metals	1	1
Philippines	Export	Japan	80	13	16.3	Motor vehicles/Motorcycles, etc.	3 each	Precision machinery, etc.	1 each			9
		ASEAN	45	13	28.9	Motor vehicles/Motorcycles	6	Electric machinery	2	Chemical/Pharmaceutical, etc.	1 each	4
	Import	Japan	87	16	18.4	Wholesale/Retail	4	Chemical/Pharmaceutical, etc.	3 each	Precision machinery	1	9
		ASEAN	54	12	22.2	Wholesale/Retail	3	Electric machinery, etc.	2 each	Chemical/Pharmaceutical, etc.	1 each	7

- Many firms in Thailand, Malaysia, Singapore, and Indonesia (see next page) are using FTAs/EPAs within ASEAN (AFTA), as well as with Japan and China.
- In India (see next page), FTA use increased from 2013 in imports from Japan and ASEAN.
- In China (see next page), FTA use increased from 2013 both in imports and exports with ASEAN. In particular, FTA use in exports increased significantly from 2013 by 9.3 pp. In South Korea (see next page), FTA use exceeds 50% both in imports and exports with ASEAN and EU, indicating more prevalent use of FTAs than other countries/regions.

6. Exports/Imports (7)

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products.
 Bilateral FTA/EPAs are included in multi-lateral FTA/EPAs.
 The percentage of firms using FTAs/EPAs is calculated as the ratio of firms making use of FTAs/EPAs to firms involved in importing/exporting.

FTA/EPA utilization

	Trade partners	Firms involved in import/export	Firms making using of FTAs/EPAs	% of all firms using FTAs/EPAs	Top 3 industries where FTA/EPAs are used (numbers of firms)						Firms considering use of FTAs/EPAs	
					1	2	3					
Indonesia	Export	Japan	176	52	29.5	Motor vehicles/Motorcycles	11	Textiles, etc.	7 each	Chemical/Pharmaceutical	5	19
		ASEAN	146	70	47.9	Motor vehicles/Motorcycles	24	Chemical/Pharmaceutical	9	Wholesale/Retail	8	12
		China	60	19	31.7	Chemical/Pharmaceutical	4	Rubber/Leather, etc.	3	Wholesale/Retail	2	6
	Import	Japan	278	140	50.4	Motor vehicles/Motorcycles, etc.	37 each	General machinery, etc.	11 each	Iron/Nonferrous metals/Metals	8	30
		ASEAN	181	101	55.8	Motor vehicles/Motorcycles	29	Wholesale/Retail	28	Chemical/Pharmaceutical	12	18
	China	124	55	44.4	Wholesale/Retail	22	Motor vehicles/Motorcycles	9	General machinery	5	14	
Vietnam	Export	Japan	199	41	20.6	Textiles	9	Chemical/Pharmaceutical	7	Iron/Nonferrous metals/Metals	5	29
		ASEAN	131	45	34.4	Motor vehicles/Motorcycles	9	Chemical/Pharmaceutical, etc.	8 each	Electric machinery	6	14
		China	64	18	28.1	Iron/Nonferrous metals/Metals, etc.	3 each	Chemical/Pharmaceutical	2	Food, etc.	1 each	6
	Import	Japan	214	41	19.2	Wholesale/Retail	6	Chemical/Pharmaceutical, etc.	5 each	Food, etc.	3 each	33
		ASEAN	144	47	32.6	Motor vehicles/Motorcycles, etc.	9 each	Chemical/Pharmaceutical	7	Textiles, etc.	4 each	19
	China	117	25	21.4	Wholesale/Retail	10	Chemical/Pharmaceutical, etc.	3 each	Food, etc.	1 each	11	
China	Export	Hong Kong	162	24	14.8	Electric machinery, etc.	6 each	Chemical/Pharmaceutical	3	Motor vehicles/Motorcycles, etc.	2 each	17
		ASEAN	131	43	32.8	Motor vehicles/Motorcycles	9	Wholesale/Retail	8	Textiles, etc.	6	22
		Taiwan	68	12	17.6	Electric machinery, etc.	3 each	Wholesale/Retail	2	Chemical/Pharmaceutical, etc.	1 each	7
	Import	Hong Kong	123	15	12.2	Electric machinery	4	Chemical/Pharmaceutical, etc.	2 each	Food, etc.	1 each	12
		ASEAN	91	44	48.4	Wholesale/Retail	13	Motor vehicles/Motorcycles	9	Chemical/Pharmaceutical	6	14
	Taiwan	64	16	25	Motor vehicles/Motorcycles	6	Electric machinery, etc.	3 each	Chemical/Pharmaceutical, etc.	1 each	9	
HK & Macau	Export	China	87	14	16.1	Wholesale/Retail	8	Food, etc.	1 each			9
Taiwan	Export	China	42	9	21.4	Chemical/Pharmaceutical	4	Rubber/Leather, etc.	1 each			6
	Import	China	27	4	14.8	Chemical/Pharmaceutical, Motor vehicles/Motorcycles	2 each					5
South Korea	Export	ASEAN	42	23	54.8	Wholesale/Retail	8	Chemical/Pharmaceutical	7	Iron/Nonferrous metals/Metals	2 each	7
		EU	26	19	73.1	Chemical/Pharmaceutical	6	Motor vehicles/Motorcycles	4	Wholesale/Retail	3	2
	Import	ASEAN	44	30	68.2	Wholesale/Retail	17	Chemical/Pharmaceutical	5	Electric machinery, etc.	2 each	5
		EU	31	20	64.5	Wholesale/Retail	9	General machinery	3	Chemical/Pharmaceutical, etc.	2 each	1
India	Export	Japan	63	11	17.5	Wholesale/Retail	7	Motor vehicles/Motorcycles	2	Chemical/Pharmaceutical, etc.	1 each	6
		ASEAN	72	19	26.4	Motor vehicles/Motorcycles	9	Wholesale/Retail	6	General machinery	2	19
	Import	Japan	199	76	38.2	Wholesale/Retail	27	Motor vehicles/Motorcycles	25	General machinery	5	42
		ASEAN	148	74	50	Wholesale/Retail	28	Motor vehicles/Motorcycles	24	Electric machinery	7	33
Australia	Export	New Zealand	38	9	23.7	Wholesale/Retail	4	Food, etc.	1 each			6
		ASEAN	49	23	46.9	Wholesale/Retail	14	Electric machinery, etc.	2 each	Food, etc.	1 each	5
	Import	US	29	7	24.1	Wholesale/Retail	4	Motor vehicles/Motorcycles	1			3
New Zealand	Export	Australia	18	13	72.2	Food	4	Wood/Pulp	2	Textiles, etc.	1 each	3



7. Expectations for Economic Integration (1)

Expectations for the ASEAN Economic Community (AEC) (top 10, multiple answers)

Only for ASEAN (%)

Answer		Total	Mfg	Non-mfg	Top 3 countries		
1	Simplified customs clearance (Unified customs declaration and introduction of a single window system for import and export)	63.9	71.3	54.4	Indonesia (73.4)	Laos (72.7)	Vietnam (69.6)
2	Avoidance of double taxation and correction of irregular withholding tax rates	32.0	31.1	33.1	Myanmar (50.0)	Vietnam (41.8)	Philippines (39.5)
3	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	29.6	27.4	32.5	Cambodia (69.2)	Thailand (41.4)	Myanmar (41.3)
4	Integration of interpretation and management concerning the rules of origin	28.2	31.9	23.4	Indonesia (35.6)	Cambodia (30.8)	Vietnam (30.4)
5	Free movement of skilled labor	24.7	23.9	25.6	Malaysia (32.9)	Thailand (30.8)	Myanmar (30.4)
6	Reduction of non-tariff barriers (license requirements and mandatory standards)	23.3	21.1	26.2	Indonesia (33.0)	Singapore (32.0)	Myanmar (26.1)
7	Introduction of standardization, certification and labeling system standards for the ASEAN nations	20.9	20.4	21.6	Myanmar (30.4)	Singapore (26.2)	Indonesia (22.7)
8	Establishment of an environment for fair competition in the region	18.5	17.5	19.8	Myanmar (26.1)	Indonesia (20.6)	Singapore (20.1)
9	Further deregulation of capital transfers	17.6	11.9	25.0	Myanmar (28.3)	Singapore (23.0)	Indonesia (19.0)
10	Relaxation of capital control in the service sector (ASEAN corporations at most 70%)	16.0	5.6	29.4	Laos (27.3)	Myanmar (19.6)	Thailand (19.5)

- Among the expectations for the ASEAN Economic Community (AEC), “Simplified customs clearance (Unified customs declaration and introduction of a single window system for import and export)” was outstanding at 63.9%. In particular, this option was selected by over 70% of all firms in Indonesia (73.4%) and Laos (72.7%).
- By industry category, “Simplified customs clearance” was more supported by the manufacturing sector (71.3%) than by the non-manufacturing (54.4%), with a difference of over 15 pp.



7. Expectations for Economic Integration (2)

Expectations for the ASEAN Economic Community (AEC) (top 5, multiple answers)

Only for ASEAN

Note: "Simplified customs clearance" includes unified customs declaration and the introduction of a single window system for imports and exports.

Singapore (n=244)		(%)
1	Simplified customs clearance	57.4
2	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	38.1
3	Avoidance of double taxation and correction of irregular withholding tax rates	32.8
4	Reduction of non-tariff barriers (license requirements and mandatory standards)	32.0
5	Introduction of standardization, certification and labeling system standards for the ASEAN nations	26.2
Malaysia (n=219)		(%)
1	Simplified customs clearance	57.5
2	Free movement of skilled labor	32.9
3	Introduction of standardization, certification and labeling system standards for the ASEAN nations	22.4
4	Integration of interpretation and management concerning the rules of origin	21.0
5	Avoidance of double taxation and correction of irregular withholding tax rates	19.2
Thailand (n=565)		(%)
1	Simplified customs clearance	60.0
2	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	41.4
3	Free movement of skilled labor	30.8
4	Integration of interpretation and management concerning the rules of origin	28.9
5	Avoidance of double taxation and correction of irregular withholding tax rates	24.3
Indonesia (n=379)		(%)
1	Simplified customs clearance	73.4
2	Avoidance of double taxation and correction of irregular withholding tax rates	35.9
3	Integration of interpretation and management concerning the rules of origin	35.6
4	Reduction of non-tariff barriers (license requirements and mandatory standards)	33.0
5	Introduction of standardization, certification and labeling system standards for the ASEAN nations	22.7

Vietnam (n=378)		(%)
1	Simplified customs clearance	69.6
2	Avoidance of double taxation and correction of irregular withholding tax rates	41.8
3	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	31.0
4	Integration of interpretation and management concerning the rules of origin	30.4
5	Reduction of non-tariff barriers (license requirements and mandatory standards)	22.5
Philippines (n=119)		(%)
1	Simplified customs clearance	63.9
2	Avoidance of double taxation and correction of irregular withholding tax rates	39.5
3	Free movement of skilled labor	25.2
4	Integration of interpretation and management concerning the rules of origin	21.0
5	Introduction of standardization, certification and labeling system standards for the ASEAN nations	19.3
Myanmar (n=46)		(%)
1	Avoidance of double taxation and correction of irregular withholding tax rates	50.0
2	Simplified customs clearance	47.8
3	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	41.3
3	Infrastructure development in CLMV	41.3
Cambodia (n=26)		(%)
1	Simplified customs clearance	69.2
1	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	69.2
3	Infrastructure development in CLMV	38.5
Laos (n=11)		(%)
1	Simplified customs clearance	72.7
2	Mutual duty exemption among CLMV (Cambodia, Laos, Myanmar and Vietnam)	36.4



7. Expectations for Economic Integration (3)

Expectations for RCEP negotiations (top 10, multiple answers)

RCEP countries only (%)

Answer		Total	Mfg	Non-mfg	Top 3 countries		
1	Simplified customs-related systems/procedures	56.7	62.8	49.0	Cambodia (83.3)	Indonesia (68.4)	Vietnam (64.1)
2	Relaxation of issuance of work visas-related systems/procedures	30.9	28.4	34.0	Myanmar (59.5)	Laos (50.0)	Indonesia (42.9)
3	Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)	28.2	31.0	24.7	Thailand (35.5)	India (34.1)	Malaysia (32.2)
4	Relaxation or elimination of non-tariff barriers	27.7	28.0	27.5	New Zealand (39.1)	Singapore (38.7)	South Korea (32.8)
5	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	27.5	27.7	27.3	New Zealand (56.5)	Australia (42.5)	South Korea (32.2)
5	Establishment of an environment for fair competition in the region	22.7	21.8	23.9	New Zealand (32.6)	Australia (30.1)	South Korea (25.7)
7	Relaxation or elimination of influx of foreign capital	22.6	14.2	33.0	Myanmar (42.9)	Singapore (33.0)	Indonesia (32.7)
8	High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume	22.4	23.8	20.7	New Zealand (39.1)	Cambodia (29.2)	South Korea (28.7)
9	Improvement for protection of intellectual property rights	14.9	14.7	15.2	Myanmar (26.2)	China (23.0)	New Zealand (21.7)
10	Relaxation or elimination of service trade barriers	14.3	7.9	22.3	Laos (37.5)	New Zealand (34.8)	Myanmar (28.6)

● Among the matters currently discussed in the negotiations for the Regional Comprehensive Economic Partnership (RCEP) agreement, the most expected matter was “Simplified customs-related systems/ procedures” at 56.7%, followed by “Relaxation of issuance of work visas-related systems/ procedures” (30.9%).

● By industry category, “Simplified customs-related systems/ procedures” was more supported by the manufacturing sector (62.8%) than by the non-manufacturing sector (49.0%), with a difference of 13.8 pp, while “Relaxation or elimination of influx of foreign capital” was more supported by the non-manufacturing sector (33.0%) than by the manufacturing sector (14.2%), with a difference of 18.8 pp.



7. Expectations for Economic Integration (4)

Expectations for RCEP negotiations (top 5, multiple answers)

RCEP countries only

Singapore (n=191)		(%)
1 Simplified customs-related systems/procedures		52.4
2 Relaxation or elimination of non-tariff barriers		38.7
3 Relaxation of issuance of work visas-related systems/procedures		33.5
4 Relaxation or elimination of influx of foreign capital		33.0
5 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		31.9

Malaysia (n=202)		(%)
1 Simplified customs-related systems/procedures		46.5
2 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		32.2
3 Relaxation of issuance of work visas-related systems/procedures		29.7
4 Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand		24.3
5 Establishment of an environment for fair competition in the region		22.3

Thailand (n=543)		(%)
1 Simplified customs-related systems/procedures		50.6
2 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		35.5
3 Relaxation of issuance of work visas-related systems/procedures		28.7
4 Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand		28.7
5 Relaxation or elimination of non-tariff barriers		28.2

Indonesia (n=364)		(%)
1 Simplified customs-related systems/procedures		68.4
2 Relaxation of issuance of work visas-related systems/procedures		42.9
3 Relaxation or elimination of influx of foreign capital		32.7
4 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		31.6
5 Relaxation or elimination of non-tariff barriers		27.2

Vietnam (n=368)		(%)
1 Simplified customs-related systems/procedures		64.1
2 Relaxation of issuance of work visas-related systems/procedures		39.1
3 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		30.2
4 Relaxation or elimination of non-tariff barriers		24.2
4 Relaxation or elimination of influx of foreign capital		24.2

Philippines (n=118)		(%)
1 Simplified customs-related systems/procedures		62.7
2 Relaxation of issuance of work visas-related systems/procedures		39.8
3 Relaxation or elimination of influx of foreign capital		28.0
4 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		27.1
5 Establishment of an environment for fair competition in the region		25.4

Myanmar (n=42)		(%)
1 Relaxation of issuance of work visas-related systems/procedures		59.5
2 Simplified customs-related systems/procedures		57.1
3 Relaxation or elimination of influx of foreign capital		42.9
4 Relaxation or elimination of service trade barriers		28.6
5 Improvement for protection of intellectual property rights		26.2

Cambodia (n=24)		(%)
1 Simplified customs-related systems/procedures		83.3
2 High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume		29.2
3 Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)		29.2
4 Relaxation or elimination of non-tariff barriers		25.0
4 Relaxation of issuance of work visas-related systems/procedures		25.0



7. Expectations for Economic Integration (5)

Expectations for RCEP negotiations (top 5, multiple answers)

RCEP countries only

Laos (n=8)		(%)
1	Simplified customs-related systems/procedures	62.5
2	Relaxation of issuance of work visas-related systems/procedures	50.0
3	Relaxation or elimination of service trade barriers	37.5
4	Relaxation or elimination of non-tariff barriers	25.0
4	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	25.0
4	Establishment of an environment for fair competition in the region	25.0
4	High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume	25.0

India (n=331)		(%)
1	Simplified customs-related systems/procedures	63.4
2	Introduction of facilitated rules of origin (Introduction of change in selection-type rules etc. for Tariff Classification Criteria & Value-Added Criteria)	34.1
3	Relaxation or elimination of non-tariff barriers	31.4
3	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	31.4
5	High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume	26.6

Australia (n=146)		(%)
1	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	42.5
2	Establishment of an environment for fair competition in the region	30.1
3	Relaxation of issuance of work visas-related systems/procedures	26.7
3	High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume	26.7
5	Relaxation or elimination of non-tariff barriers	22.6

New Zealand (n=46)		(%)
1	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	56.5
2	Relaxation or elimination of non-tariff barriers	39.1
2	High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume	39.1
4	Simplified customs-related systems/procedures	34.8
4	Relaxation or elimination of service trade barriers	34.8

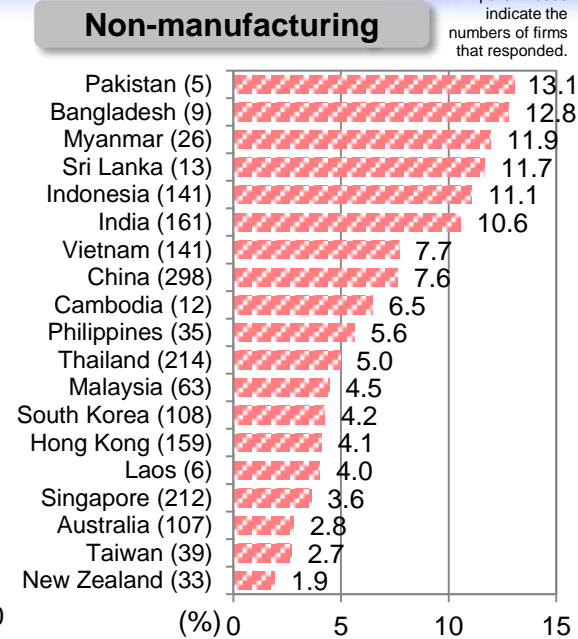
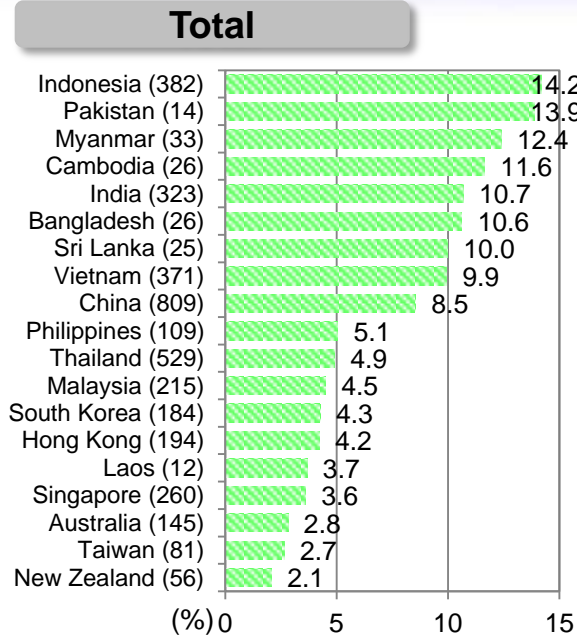
China (n=719)		(%)
1	Simplified customs-related systems/procedures	62.3
2	Relaxation of issuance of work visas-related systems/procedures	27.8
3	Relaxation or elimination of non-tariff barriers	27.4
4	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	24.9
5	Establishment of an environment for fair competition in the region	24.8

South Korea (n=171)		(%)
1	Simplified customs-related systems/procedures	43.3
2	Relaxation or elimination of non-tariff barriers	32.8
3	Participation by all the relevant countries, including ASEAN and Japan, China, South Korea, India, Australia and New Zealand	32.2
4	High rate of liberalization (removal of tariff barriers) in terms of item numbers and trade volume	28.7
5	Establishment of an environment for fair competition in the region	25.7

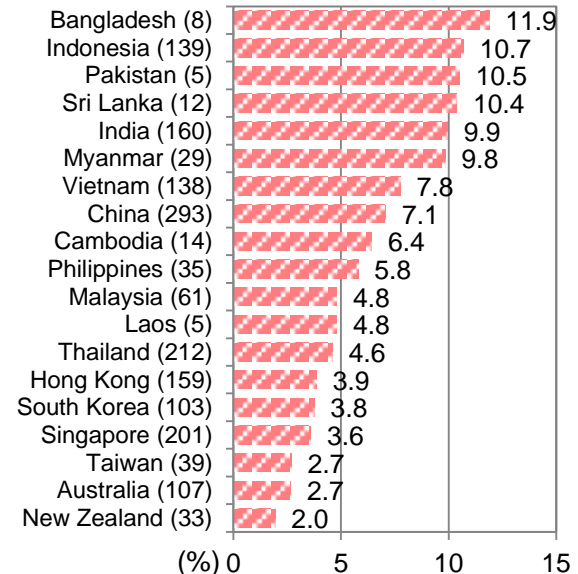
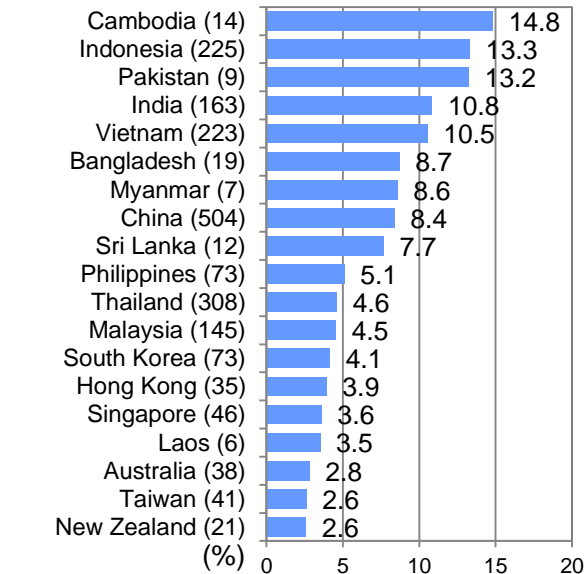
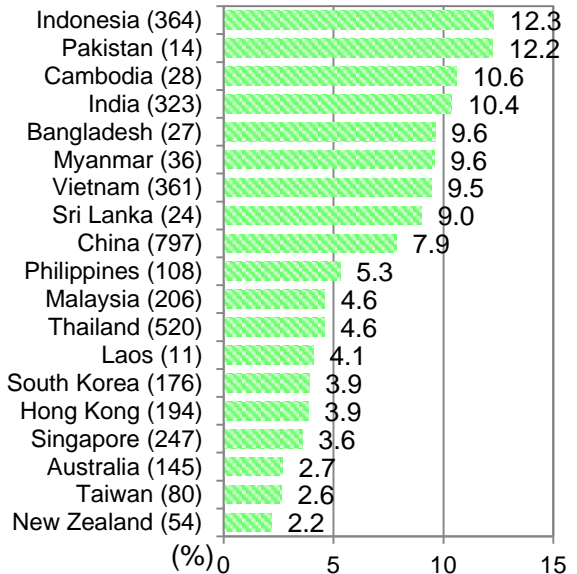
8. Wages (1) Year-on-year wage increase rate

The numbers in parentheses indicate the numbers of firms that responded.

FY2013

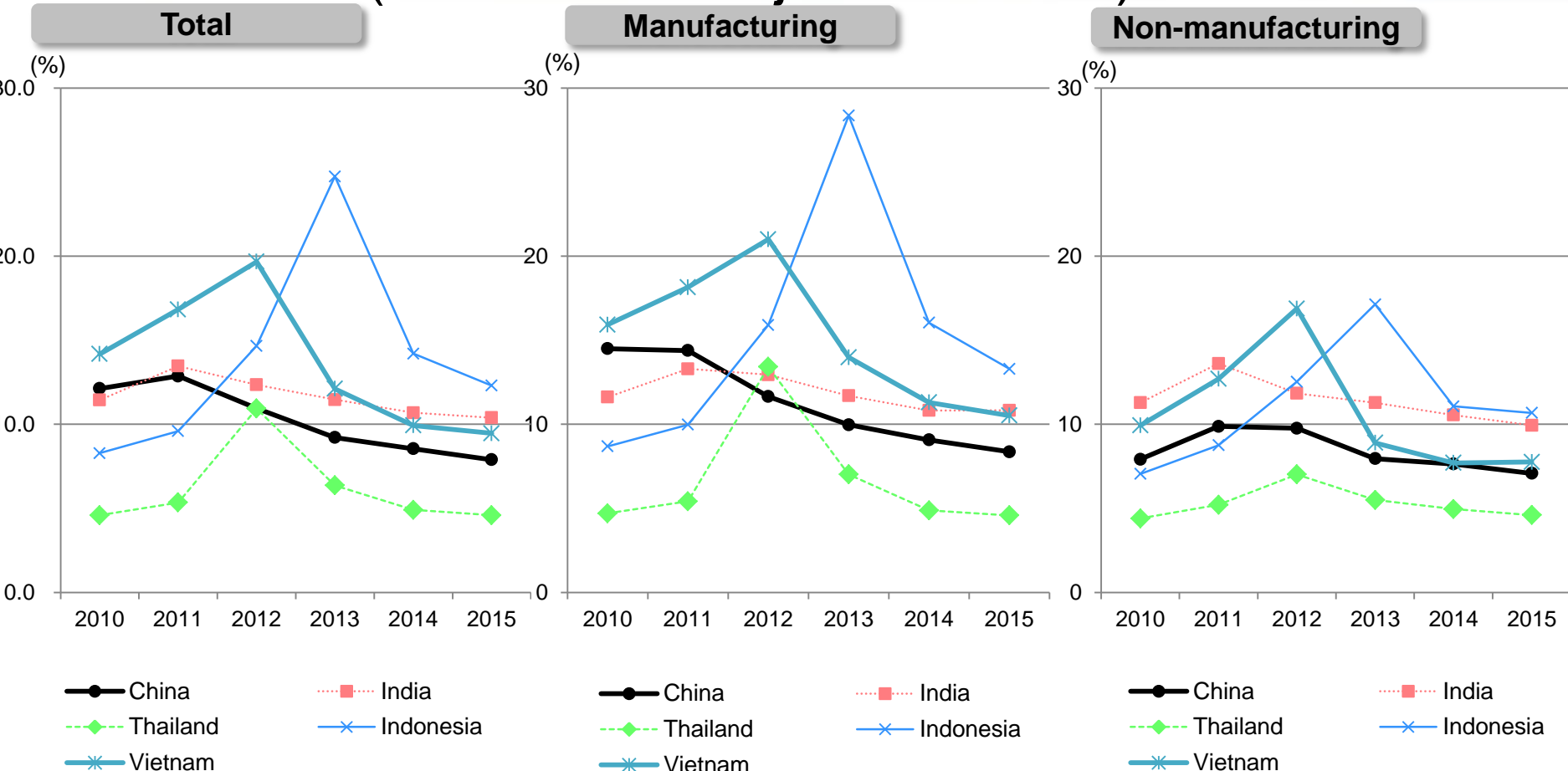


FY2014





8. Wages (2) Year-on-year wage increase rate (China and major countries)

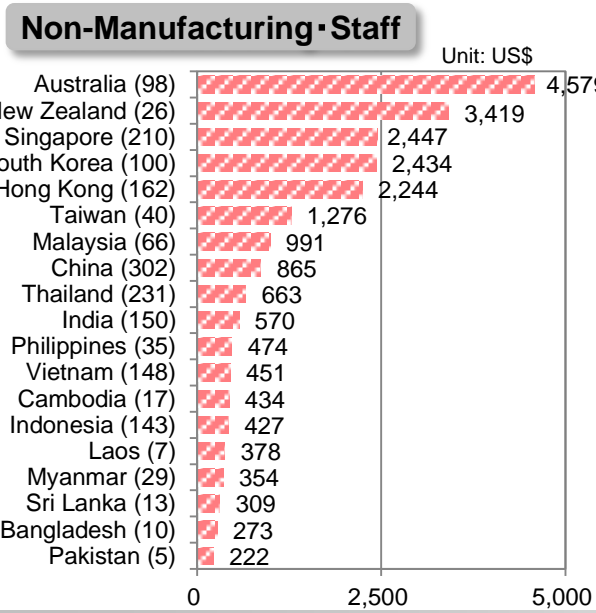
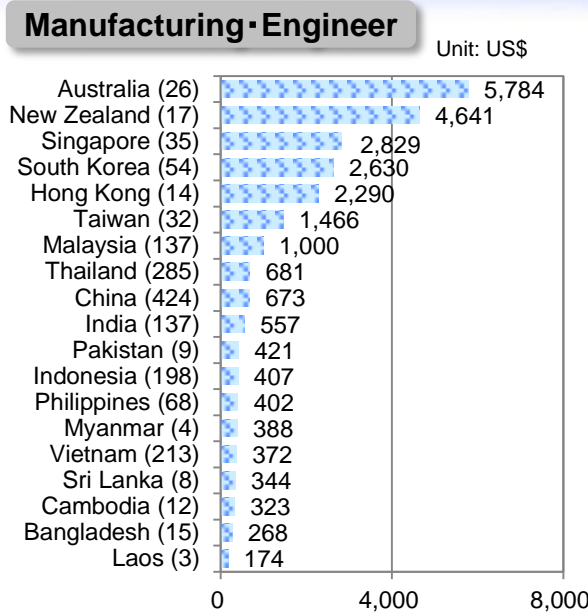


Note: 2015 rates are forecasts.

- By industry category, the wage increase rate fluctuates relatively less in the non-manufacturing sector.
- In 2014, the wage increase rate (total; same applies to the following) decreased in China, Thailand, India, Indonesia, and Vietnam, and ended in around 10% in most of the countries.
- In China, the wage increase rate decreased every year after peaking out at 12.9% in 2011. The rate was 8.5% in 2014 and is expected to decrease to 7.9% in 2015 (forecast).
- In Indonesia, the wage increase rate in 2014 was 14.2%, down 10.5 pp from 2013 (24.7%) when the rate rose sharply.
- The wage increase rate is expected to decrease gradually in all countries in 2015 (forecast).



8. Wages (3) Base salary (monthly)



Base salary: Salary excluding benefits as of October 2014

Worker: Regular general workers with around three years of work experience, excluding contract-based and probationary workers

Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years of experience

Manager (Manufacturing): Regular employees serving as a sales section manager or taking a comparable position who are university graduates and have 10 years of work experience

Staff: Regular general workers with around three years of work experience, excluding temporary and probationary workers

Manager (Non-manufacturing): Regular employees serving as a sales section manager or taking a comparable position who are university graduates and have 10 years of work experience

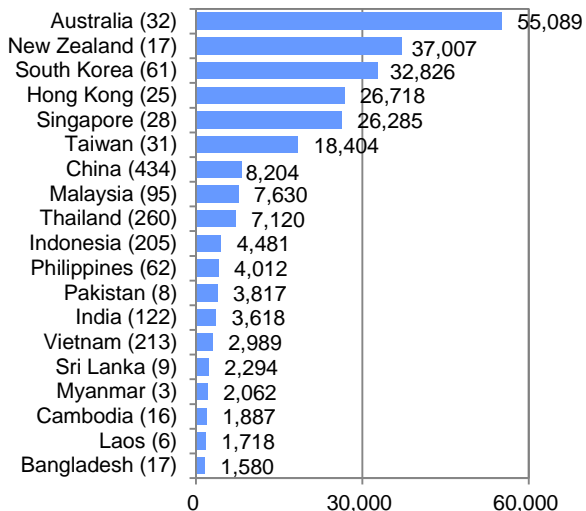
Note: Except for Cambodia, base salaries were reported in local currencies. (For Myanmar, salaries were reported selectively either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to the U.S. dollar, using the average exchange rate in October 2014 (published by the central bank of each country/region, or by the State Administration of Foreign Exchange, for China). For Myanmar, where firms reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to the U.S. dollar to calculate the average.



8. Wages (4) Annual salary

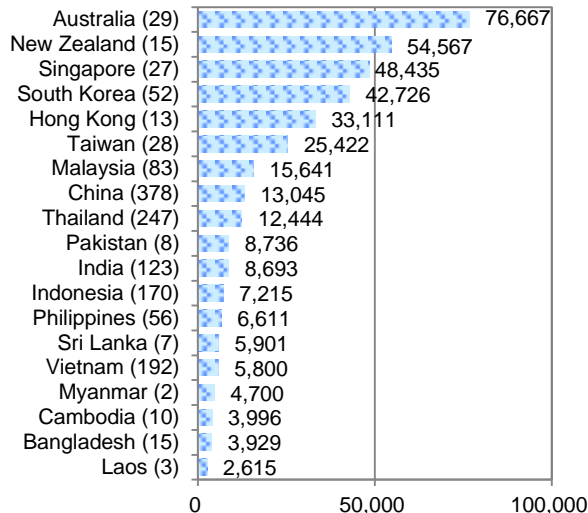
Manufacturing - Worker

Unit: US\$



Manufacturing - Engineer

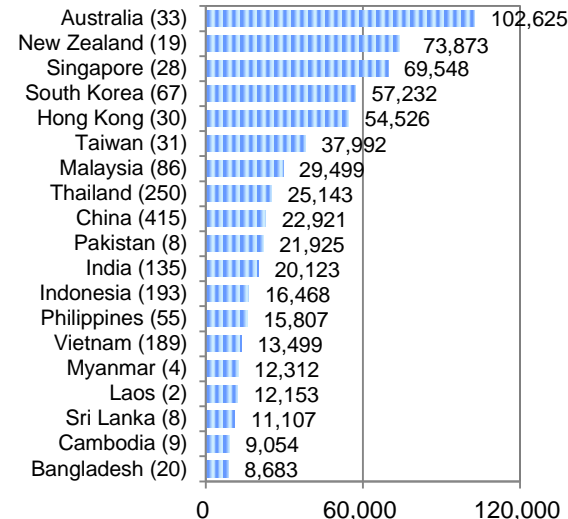
Unit: US\$



Manufacturing - Manager

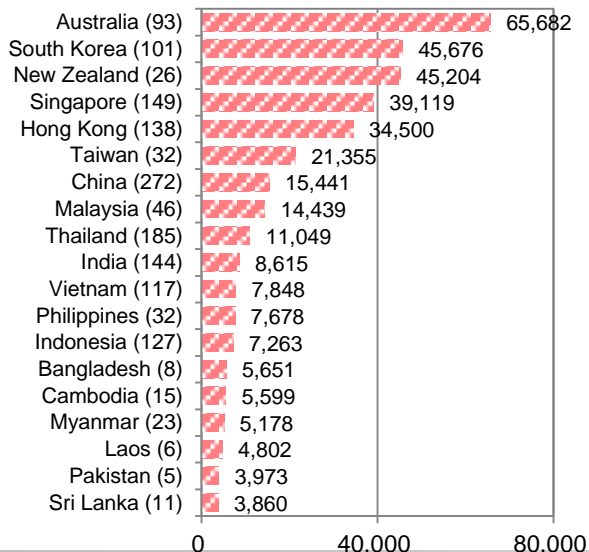
Unit: US\$

Numbers in parentheses indicate numbers of firms responded.



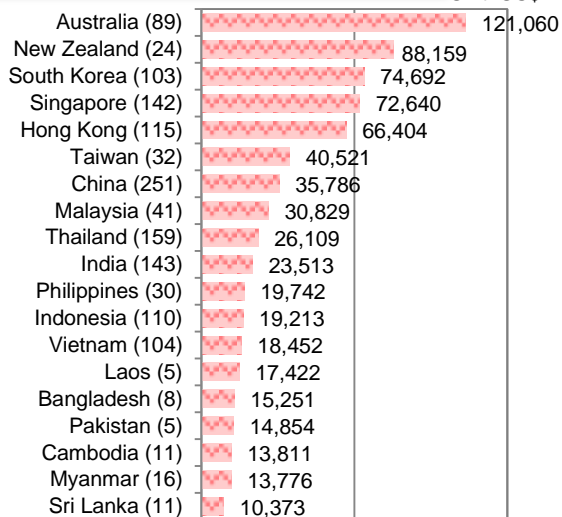
Non-Manufacturing - Staff

Unit: US\$



Non-Manufacturing - Manager

Unit: US\$



Annual salary: Total labor cost per employee per year, including base salary, benefits, social security cost, overtime allowance, and bonuses, and excluding retirement benefits incurred in FY2014

See the previous page for the definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

Note: Except for Cambodia, annual salaries were reported in local currencies. (For Myanmar, salaries were reported selectively either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to U.S. dollars, using the average exchange rate in October 2014 (published by the central bank of each country/region, or by the State Administration of Foreign Exchange, for China). For Myanmar, where firms reported annual salaries either in the local currency or in U.S. dollars, annual salaries reported in the local currency were converted to the U.S. dollar to calculate the average.

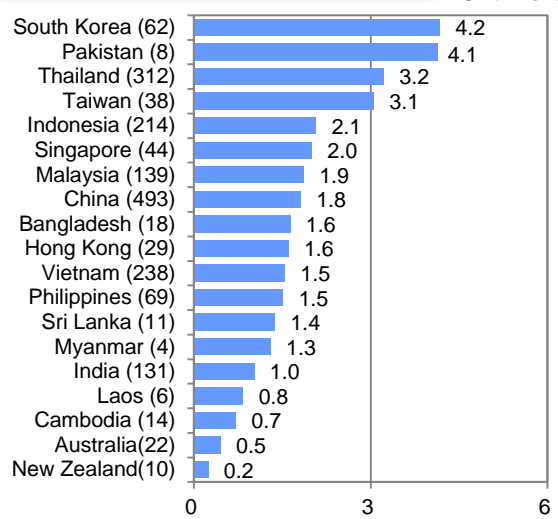


Numbers in parentheses indicate numbers of firms responded.

8. Wages (5) Bonuses

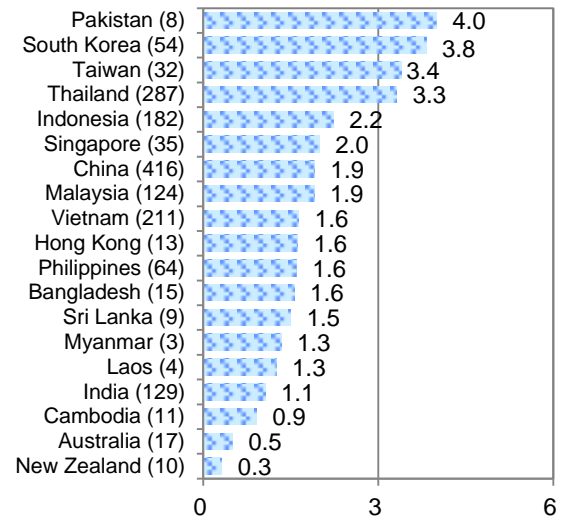
Manufacturing - Worker

Unit: months



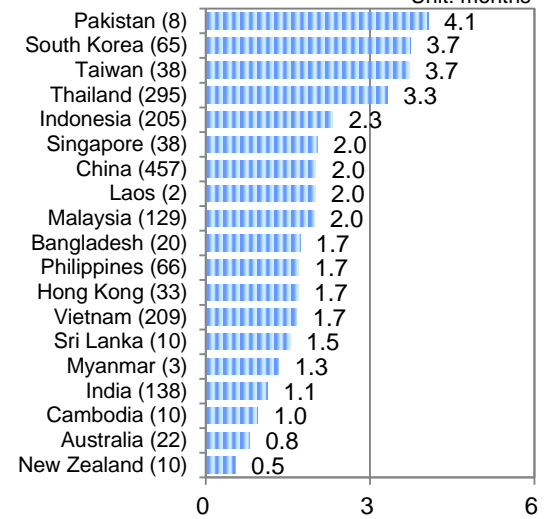
Manufacturing - Engineer

Unit: months



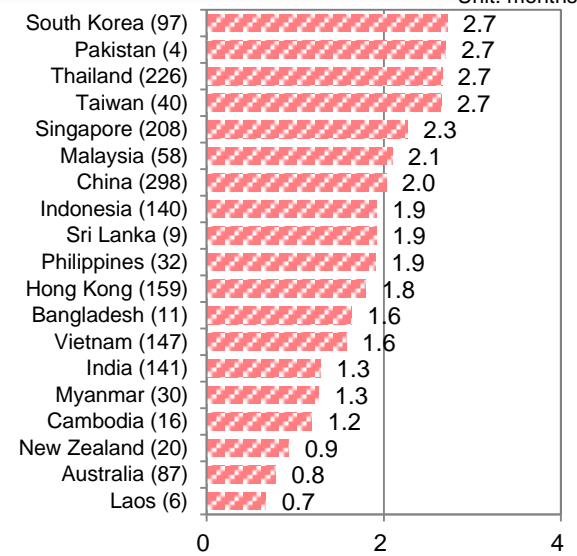
Manufacturing - Manager

Unit: months



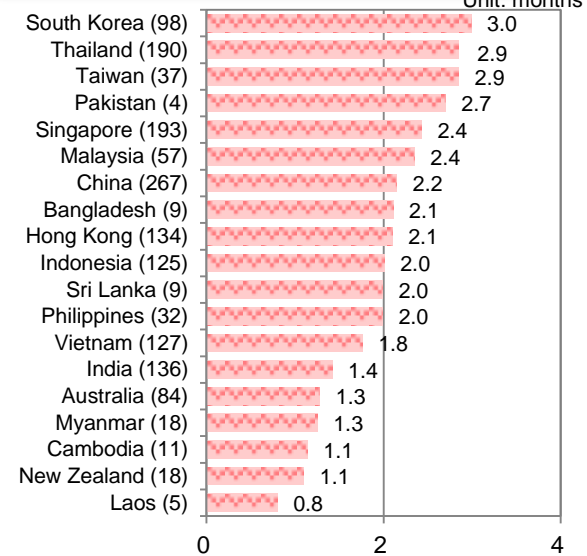
Non-Manufacturing - Staff

Unit: months



Non-Manufacturing - Manager

Unit: months





JETRO

Japan External Trade Organization

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