



FY 2019 Survey on the International Operations of Japanese Firms - JETRO Overseas Business Survey -

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Japan External Trade Organization (JETRO)

Overseas Research Department

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Key points from results (1)

I. International trade and Overseas expansion, business environment in each country and region(pp. 9 – 26)

The ratio of firms planning to expand overseas business remains unchanged. Momentum for business expansion into China is receding while Vietnam is catching up with China's position.

- Regarding overseas business expansion (both new investments and further expansion of existing overseas bases) policies over the next three years or so, the ratio of firms “planning to expand overseas business” came to 56.4%, remaining about the same as the previous year (57.1%). Looking at its breakdown, 25.5% of respondents answered that “they currently have no overseas bases but intend to begin overseas business in the future,” a slight increase from the previous year (24.2%). On the other hand, the percentage of firms that answered “currently have overseas bases and are planning to further expand overseas business” has dropped from 32.9% to 30.9%. Some respondents have pointed out external factors, such as the recent changes in the global situation and the US-China trade friction, as obstacles to overseas expansion. This shows that difficulties in projecting future trends in this highly uncertain environment hindered overseas business expansion, in addition to the lack of management resources such as human resources.
- Regarding the countries and regions where firms aim to expand business overseas (multiple answers), among firms that answered “currently have an overseas base and are planning to further expand operations,” the ratio of firms citing China was 48.1%. This result, being below 50%, is a significant drop from the previous year (55.4%). On the other hand, Vietnam ranked second with 41.0%, exceeding 40% for the first time. The difference between Vietnam and China narrowed to 7.1 percentage points from 19.9 percentage points in the previous year.
- In major ASEAN countries other than Vietnam, the response ratio of Thailand, Singapore, the Philippines, etc., also increased from the previous year. The results show that 71.1% of firms answered that they would expand their business in six major ASEAN countries in the future, the first increase in six years, since FY2013. Among firms answering “ASEAN” as a destination for business expansion, along with expectations for future market expansion and intentions to strengthen the role of export bases, we also heard indications of considering bases in ASEAN in addition to China from the viewpoint of risk aversion.
- In Vietnam, where the response ratio has risen sharply this year, the proportion of firms that answered “market size/growth potential” as an attraction or advantage of doing business in Vietnam has continued to increase. In FY2019, it increased by 11.1 percentage points to 86.1% compared to 2013 (75.0%), which is as far back as data are available. Other attractions and advantages that have increased from FY2013 include clustering of customer firms, political and social stability, availability of low-cost land and offices, and ease of local procurement. The combination of the overall improvement of the business environment in Vietnam and the restructuring of supply chains to avoid additional tariffs measure between the US and China (see below) led to a significant increase in the response rate in Vietnam. By industry, the percentage of non-manufacturing firms that cited Vietnam increased slightly from the previous year (41.1% to 42.3%), while that of manufacturing, which is more susceptible to additional tariffs, increased a significant amount from 31.4% to 39.9%.
- Meanwhile, in China, where the response ratio dropped sharply this year, the largest issue for doing business was “additional tariff measures between the US and China” as pointed out by 60.8% of firms. The percentage of firms planning to expand their business in China in the future has fallen more sharply in the manufacturing sector (62.0%→51.8%) compared to the non-manufacturing sector (46.5% in the previous year→43.2%). This is seen as being the result of the impact of the US-China trade friction. More than 10% of firms in the US and China, as well as Taiwan, South Korea, and Mexico, have recognized “additional tariff measures between the US and China” as a business issue. As for other issues in conducting business in China, the respective rates of answers for “political/social situations, security,” “intellectual property protection (IP protection),” “high/rising labor costs,” and “collection of bills” were all higher than 30%.

Key points from results (2)

II. Impacts of trade protectionism (pp. 27 – 40)

The ratio of respondents reporting negative effects has expanded to 20%. Firms are shifting supply chains from China to Vietnam or Thailand.

- Regarding the impact of "trade protectionism" since 2017, such as US-China trade friction, the percentage of firms reporting "no impact" on their business at the time of the survey dropped from 43.1% in the previous year's survey to 37.2%. Meanwhile, the percentage of firms answering "overall negative impacts" increased by 4.9 percentage points from 15.2% to 20.1%. Regarding the outlook for the future (about two to three years), 23.2% of firms answered "overall negative impacts," while "unknown" has increased to 41.9%.
- Among all respondents in this survey, a total of 159 production bases have been transferred (including partial transfers and plans to transfer) in response to trade protectionism. China was cited as the origin of the transfer in most cases, accounting for 69.2% (110 cases). The percentage of firms that listed ASEAN as a major transfer destination accounted for 61.0% (97 cases). Looking at the major restructuring patterns of the production bases, transfers from China to Vietnam accounted for 24.5% (39 cases), followed by transfers from China to Thailand at 14.5% (23 cases). In terms of the timing of production transfer, 37.7% of the total transfers (159 cases) are scheduled for 2020 or later. The common tendency of firms shifting from China to Vietnam and Thailand has been seen as the reorganization of suppliers and sales markets.

III. Utilization of free trade agreements (FTAs) (pp. 41 – 46)

The FTA utilization rate in exports was 51.2%. This is expected to increase further due to reduced tariff rates of FTAs.

- Among firms exporting to FTA-partner countries of Japan, 51.2% were using FTAs when exporting to these countries. In particular, the utilization rate of large firms is as high as 70.5%, and it reaches 83.5% when combined with firms considering using FTAs. Although the utilization rate of FTAs for SMEs is lower than that for large enterprises, it is close to half (46.4%.) By industry, FTAs are widely used in chemicals, cars/car parts/other transportation machinery, and coal & petroleum products/plastics/rubber products. * In the calculation of the FTA utilization rate, firms that export to Japan's FTA partners has been used as the denominator. However, some of these firms are not required to use FTAs for exports due to there being no general tariffs or their use of tariff exemption systems other than FTAs (bonded areas, export processing zones, etc.). Therefore, the FTA utilization rate is calculated by excluding these firms from the denominator from this year onward.
- Among firms using or considering using FTAs, 48.6% of them answered that they would consider using FTAs if the tariff difference (general tariff rate-FTA preferential tariff rate) was less than 5%. By firm size, large firms compared to SMEs decided to use FTAs with smaller tariff differences. Going forward, utilization is expected to expand in line with further reductions in the preferential tariff rate on FTAs concluded by Japan.

IV. Business aimed at foreign visitors (pp. 47 – 50)

Expectations for increased sales in FY2020 on the occasion of the Tokyo 2020 Olympic / Paralympic Games

- When asked about business aimed at foreign visitors to Japan, the ratio of firms running business aimed at foreign visitors came to 30.8%, a combination of those "running operations now" (22.9%) and those that "will be running operations in the future" (7.9%). Regarding prospects for domestic sales aimed at foreign visitors, 60.7% of firms answered that they would "increase" in FY2020, an expansion compared to the previous year (47.3%). Looking at responses by region, those answering that they expected an "increase in FY2020" in the Kanto/Koshinetsu region came to 64.5%, the largest ratio overall. Recently, new business development has expanded in areas such as commercial food sales of restaurants and accommodations for foreign visitors to Japan.

V. Human resources for overseas business expansion (pp. 51 – 55)

Highly-skilled foreign professionals are most valued in specialized positions such as IT professionals. Japanese firms are more likely to recruit personnel who are capable of making immediate contributions to their operations.

- When asked about the policy of securing personnel for expanding overseas business, the percentage of respondents who answered "human resource development of existing Japanese employees" was the highest in many industries, while the percentage of respondents who answered "recruitment and appointment of foreign personnel" was the highest in the areas of communication, information & software, and professional services. In the specialized positions such as IT and legal professions, where there is a shortage of human resources in Japan, recruitment and appointment of highly-skilled foreign personnel tended to be regarded as most important. Looking at the changes over time since the past survey, the number of firms that place most importance on "recruiting foreign personnel" has increased. Among SMEs, recruitment of mid-career Japanese personnel familiar with overseas business has increased, demonstrating expectations for personnel who are capable of making immediate contributions to their operations.

Survey outline and profile of respondent firms

Survey outline

1. Survey targets

The FY2019 survey reached a total of 9,975 firms headquartered in Japan with interest in overseas business. They include 3,562 JETRO member firms plus 6,413 firms that have used JETRO's services.

*This survey has been conducted annually since FY2002, marking its 18th edition this fiscal year. Although originally directed only at JETRO member firms, the survey started to expand its coverage in FY2011.

2. Survey topics

- I. Profile
- II. International Trade and Overseas Expansion
- III. Business Environment of Foreign Countries
- IV. Impacts of Trade Protectionism
- V. Utilization of Free Trade Agreements (FTAs)

3. Period

November 5, 2019 to December 23, 2019

4. Response

Number of valid responses: 3,563 (of which 1,274 are from JETRO member firms)

Valid response rate: 35.7%

Definitions of large-scale firms, SMEs, etc. (based on capital / No. of employees)

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

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

Profile of respondent firms

	No. of firms	Share (%)
All respondent firms	3,563	100.0
Manufacturing	1,974	55.4
Food & beverages	537	15.1
Textiles/clothing	120	3.4
Wood & wood products/furniture & building materials/paper & pulp	72	2.0
Chemicals	91	2.6
Medical products & cosmetics	70	2.0
Coal & petroleum products/plastics/rubber products	87	2.4
Ceramics/earth & stone	32	0.9
Iron & steel/non-ferrous metals/metal products	212	6.0
General machinery	167	4.7
Electrical equipment	93	2.6
IT equipment/electronic parts & devices	61	1.7
Cars/car parts/other transportation machinery	108	3.0
Precision equipment	82	2.3
Other manufacturing	242	6.8
Non-manufacturing	1,589	44.6
Trade and wholesale	797	22.4
Retail	110	3.1
Construction	111	3.1
Transport	72	2.0
Finance & insurance	78	2.2
Communication, information & software	96	2.7
Professional services	62	1.7
Other non-manufacturing	263	7.4
Large-scale firms	573	16.1
Large-scale firms (excluding leading medium-sized firms)	128	3.6
Leading medium-sized firms	445	12.5
Small and medium-sized enterprises (SMEs)	2,990	83.9
SMEs (excluding micro-businesses)	1,134	31.8
Micro-businesses	1,856	52.1
Firms with export operations	2,594	72.8
Firms with import operations	1,939	54.4
Firms with overseas bases	1,582	44.4
Domestic firms	365	10.2
Hokkaido	65	1.8
Tohoku	176	4.9
Kanto/Koshinetsu	1,523	42.7
Chubu	346	9.7
Hokuriku	138	3.9
Kansai	695	19.5
Chugoku	199	5.6
Shikoku	138	3.9
Kyushu/Okinawa	283	7.9

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

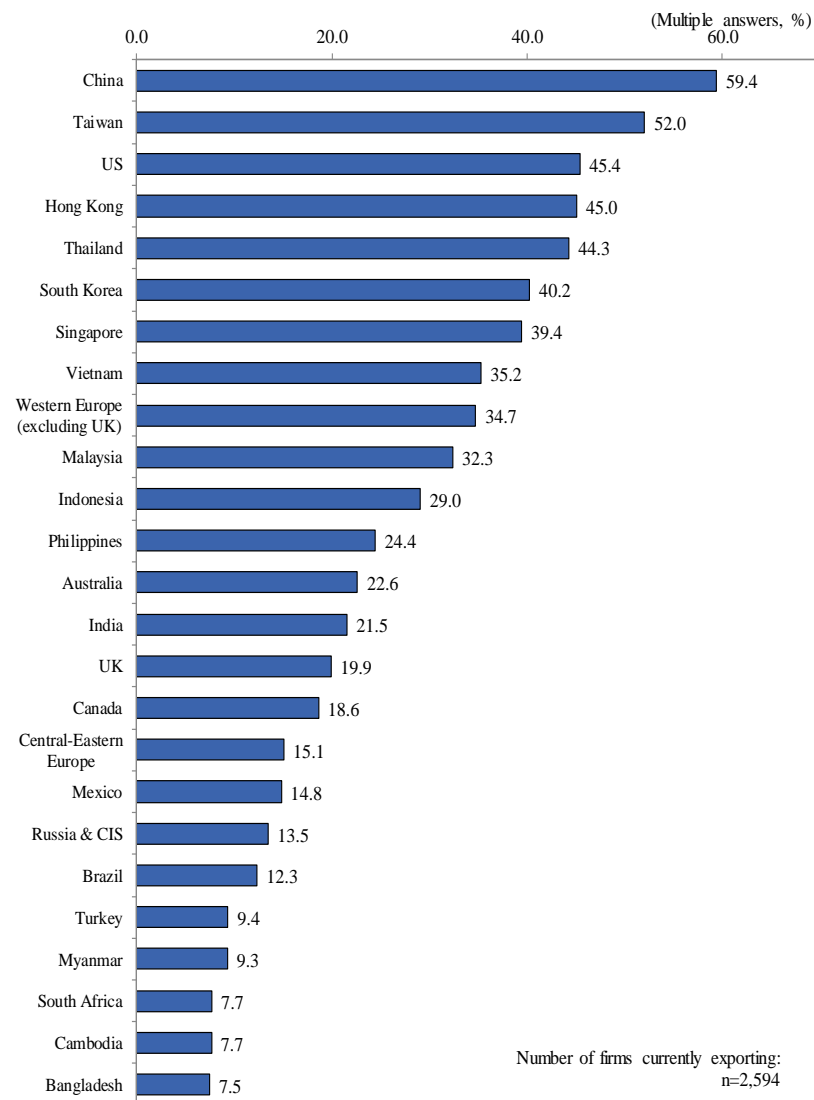
Profile of respondent firms (status of export destinations)

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

	Currently exporting	Exports only	Not currently exporting	Currently importing	Imports only	No answer
Total (n=3,563)	72.8	26.7	26.6	54.4	8.4	0.6
Manufacturing (n=1,974)	85.1	32.7	14.4	58.0	5.5	0.5
Food & beverages (n=537)	86.0	58.8	13.4	30.5	3.4	0.6
Textiles/clothing (n=120)	77.5	27.5	22.5	63.3	13.3	0.0
Wood & wood products/furniture & building materials/paper & pulp (n=72)	70.8	31.9	27.8	52.8	13.9	1.4
Chemicals (n=91)	94.5	19.8	5.5	79.1	4.4	0.0
Medical products & cosmetics (n=70)	95.7	38.6	4.3	58.6	1.4	0.0
Coal & petroleum products/plastics/rubber products (n=87)	82.8	17.2	17.2	73.6	8.0	0.0
Ceramics/earth & stone (n=32)	87.5	34.4	12.5	53.1	0.0	0.0
Iron & steel/non-ferrous metals/metal products (n=212)	76.4	21.7	22.6	62.7	8.0	0.9
General machinery (n=167)	92.8	21.6	7.2	76.0	4.8	0.0
Electrical equipment (n=93)	91.4	19.4	8.6	77.4	5.4	0.0
IT equipment/electronic parts & devices (n=61)	77.0	8.2	23.0	78.7	9.8	0.0
Cars/car parts/other transportation machinery (n=108)	84.3	19.4	13.9	65.7	0.9	1.9
Precision equipment (n=82)	93.9	18.3	6.1	78.0	2.4	0.0
Other manufacturing (n=242)	84.3	25.2	14.9	64.9	5.8	0.8
Non-manufacturing (n=1,589)	57.5	19.4	41.8	50.0	11.9	0.7
Trade and wholesale (n=797)	78.8	19.1	21.1	74.8	15.1	0.1
Retail (n=110)	61.8	32.7	38.2	44.5	15.5	0.0
Construction (n=111)	34.2	20.7	64.9	27.9	14.4	0.9
Transport (n=72)	30.6	8.3	68.1	30.6	8.3	1.4
Finance & insurance (n=78)	1.3	1.3	97.4	0.0	0.0	1.3
Communication, Information & software (n=96)	36.5	19.8	61.5	25.0	8.3	2.1
Professional services (n=62)	37.1	21.0	62.9	21.0	4.8	0.0
Other non-manufacturing (n=263)	37.6	22.1	60.5	22.8	7.2	1.9
Large-scale firms (n=573)	67.4	10.5	32.3	60.7	3.8	0.3
Large-scale firms (excluding leading medium-sized firms) (n=128)	68.8	7.8	31.3	64.1	3.1	0.0
Leading medium-sized firms (n=445)	67.0	11.2	32.6	59.8	4.0	0.4
Small and medium-sized enterprises (SMEs) (n=2,990)	73.8	29.9	25.5	53.2	9.2	0.6
SMEs (excluding micro-businesses) (n=1,134)	74.4	17.6	25.4	67.4	10.6	0.2
Micro-businesses (n=1,856)	73.5	37.3	25.6	44.6	8.4	0.9

Note: 1) n=the total number of respondent firms. 2) Exports/Imports include indirect exporting/importing through other firms. 3) "Exports only" refers to firms with export operations excluding firms currently importing. 4) "Not currently exporting" refers to firms other than firms with export operations and firms with no answer. 5) "Imports only" refers to firms with import operations excluding firms currently exporting.

Export destinations of exporting firms



Profile of respondent firms (status of overseas expansion)

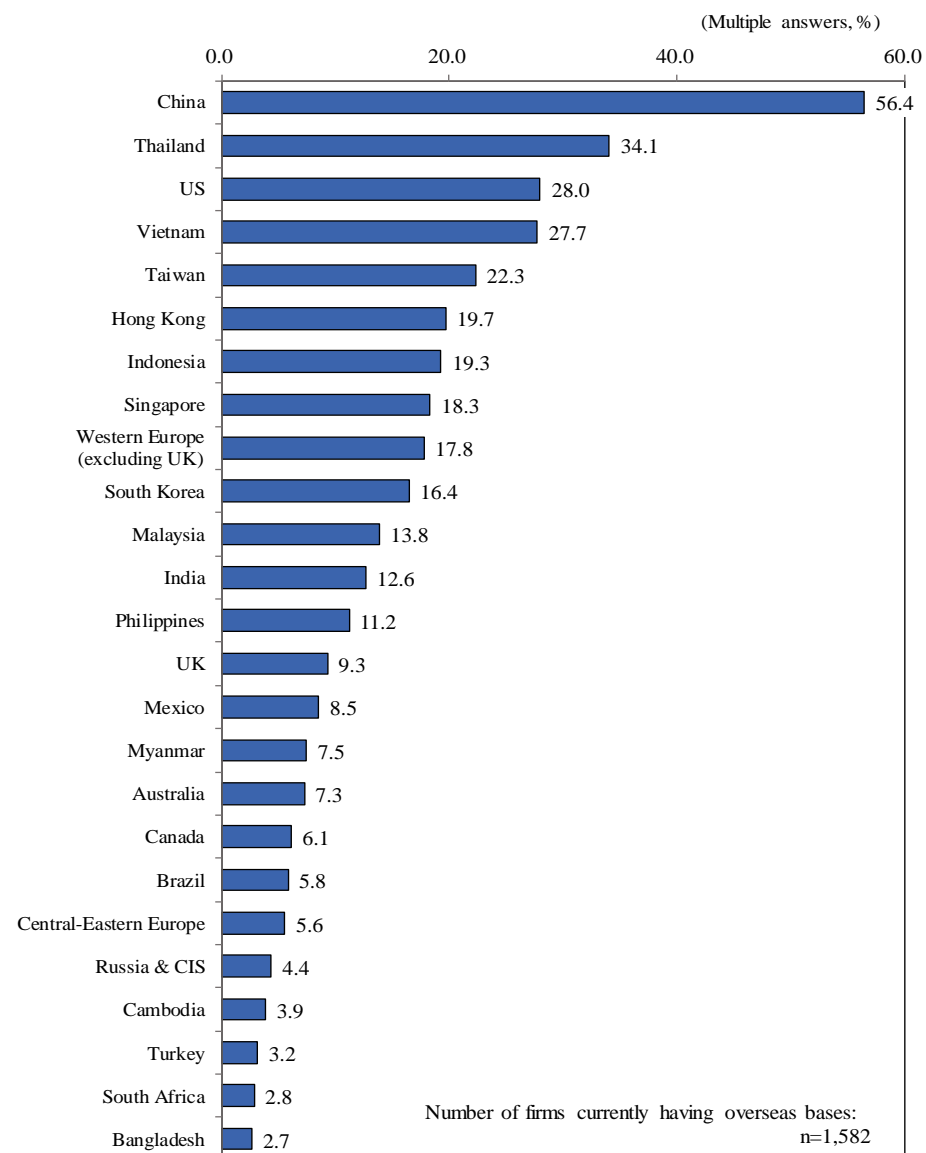
Firms with overseas bases (total, by industry, by firm size) (%)

	With overseas bases	Without overseas bases	No answer
Total (n=3,563)	44.4	55.0	0.6
Manufacturing (n=1,974)	44.5	55.0	0.5
Food & beverages (n=537)	23.1	76.4	0.6
Textiles/clothing (n=120)	46.7	53.3	0.0
Wood & wood products/furniture & building materials/paper & pulp (n=72)	41.7	56.9	1.4
Chemicals (n=91)	61.5	38.5	0.0
Medical products & cosmetics (n=70)	51.4	48.6	0.0
Coal & petroleum products/plastics/rubber products (n=87)	57.5	42.5	0.0
Ceramics/earth & stone (n=32)	46.9	53.1	0.0
Iron & steel/non-ferrous metals/metal products (n=212)	49.5	49.5	0.9
General machinery (n=167)	55.7	44.3	0.0
Electrical equipment (n=93)	55.9	44.1	0.0
IT equipment/electronic parts & devices (n=61)	62.3	37.7	0.0
Cars/car parts/other transportation machinery (n=108)	70.4	27.8	1.9
Precision equipment (n=82)	47.6	52.4	0.0
Other manufacturing (n=242)	45.0	54.1	0.8
Non-manufacturing (n=1,589)	44.2	55.1	0.7
Trade and wholesale (n=797)	45.9	54.0	0.1
Retail (n=110)	33.6	66.4	0.0
Construction (n=111)	51.4	47.7	0.9
Transport (n=72)	56.9	41.7	1.4
Finance & insurance (n=78)	44.9	53.8	1.3
Communication, Information & software (n=96)	35.4	62.5	2.1
Professional services (n=62)	48.4	51.6	0.0
Other non-manufacturing (n=263)	39.2	58.9	1.9
Large-scale firms (n=573)	79.1	20.6	0.3
Large-scale firms (excluding leading medium-sized firms) (n=128)	93.0	7.0	0.0
Leading medium-sized firms (n=445)	75.1	24.5	0.4
Small and medium-sized enterprises (SMEs) (n=2,990)	37.8	61.6	0.6
SMEs (excluding micro-businesses) (n=1,134)	50.4	49.5	0.2
Micro-businesses (n=1,856)	30.1	69.0	0.9

Note: 1) n= total number of respondent firms.

2) Agencies are not included in overseas bases.

Country and region of overseas bases



Ratio of foreign sales remains the same as the previous year

Among firms performing exports and/or expanding overseas, the ratio of foreign sales averaged 18.9% (FY2018), up 0.2 percentage point from the previous year. By industry, the ratio increased in medical products & cosmetics (up 7.6 percentage points), retail (up 4.7 percentage points), and trade and wholesale (up 3.5 percentage points). In contrast, the ratio decreased across the board in cars & machinery-related industries. IT equipment/electronic parts & devices in particular saw a decline of 7.9 percentage points. By region, North America/Central and South America (down 0.6 percentage point from the previous year) was the only region in which the foreign sales ratio decreased.

Ratio of domestic/foreign sales for FY2018 (average, total, by industry, by firm size) (%)

	Domestic sales	Overseas sales	Asia Pacific		North America/Central and South America		Europe/Russia	Middle East / Africa
			China			US		
Total (n=2,583)	81.1	18.9	12.3	4.2	3.3	2.1	2.3	1.1
Manufacturing (n=1,563)	82.6	17.4	11.1	4.3	3.4	2.2	2.3	0.6
Food & beverages (n=415)	91.1	8.9	5.4	1.5	2.1	1.6	1.2	0.2
Textiles/clothing (n=96)	86.6	13.5	6.2	3.4	3.3	2.1	3.8	0.2
Wood & wood products/furniture & building materials/paper & pulp (n=51)	87.1	12.9	6.7	2.2	2.9	2.2	3.2	0.1
Chemicals (n=79)	78.7	21.3	15.7	6.4	2.9	1.7	2.3	0.4
Medical products & cosmetics (n=61)	80.0	20.0	13.9	8.0	2.9	1.3	2.9	0.3
Coal & petroleum products/plastics/rubber products (n=63)	86.9	13.1	8.3	3.4	3.5	2.8	1.2	0.1
Ceramics/earth & stone (n=23)	82.9	17.1	13.2	2.9	1.8	0.3	1.7	0.5
Iron & steel/non-ferrous metals/metal products (n=166)	83.4	16.6	11.3	4.2	3.3	2.3	1.8	0.2
General machinery (n=146)	74.4	25.6	16.7	6.9	4.7	2.6	3.0	1.2
Electrical equipment (n=77)	80.2	19.8	12.5	5.7	4.1	3.3	2.0	1.1
IT equipment/electronic parts & devices (n=47)	72.4	27.6	20.5	8.1	4.5	3.7	2.4	0.2
Cars/car parts/other transportation machinery (n=87)	70.7	29.3	17.6	5.1	7.5	4.6	2.4	1.8
Precision equipment (n=66)	72.4	27.6	17.4	8.4	4.9	2.5	4.5	0.8
Other manufacturing (n=186)	79.7	20.3	12.8	4.4	3.4	1.9	3.1	1.0
Non-manufacturing (n=1,020)	78.9	21.1	14.0	4.1	3.1	1.9	2.2	1.8
Trade and wholesale (n=618)	72.6	27.4	18.2	5.5	4.2	2.4	2.7	2.4
Retail (n=71)	83.7	16.3	11.3	4.3	2.2	1.8	2.5	0.4
Construction (n=60)	94.1	5.9	4.3	0.7	0.5	0.1	0.2	1.0
Transport (n=40)	81.3	18.7	9.5	4.4	3.3	2.4	2.8	3.1
Finance & insurance (n=19)	96.3	3.7	3.7	0.1	0.0	0.0	0.0	0.0
Communication, Information & software (n=51)	95.5	4.5	3.5	1.5	0.6	0.4	0.3	0.1
Professional services (n=33)	76.1	23.9	13.8	0.7	3.2	1.8	3.5	3.4
Other non-manufacturing (n=128)	90.4	9.6	7.2	1.7	0.9	0.6	1.3	0.3
Large-scale firms (n=415)	78.4	21.6	12.6	4.8	5.2	3.1	3.0	0.8
Large-scale firms (excluding leading medium-sized firms) (n=99)	68.8	31.2	15.4	5.3	9.7	5.6	5.2	1.0
Leading medium-sized firms (n=316)	81.4	18.6	11.7	4.7	3.8	2.3	2.3	0.8
Small and medium-sized enterprises (SMEs) (n=2,168)	81.7	18.4	12.2	4.1	2.9	1.9	2.1	1.1
SMEs (excluding micro-businesses) (n=852)	81.4	18.6	12.1	4.1	3.2	2.0	1.9	1.4
Micro-businesses (n=1,316)	81.8	18.2	12.3	4.1	2.8	1.8	2.2	1.0

Note: 1) n(=2,583) represents firms which answered their ratio of foreign sales to the total including the breakdown by region. Those respondents export and/or have overseas bases. 2) Sales based upon exports are as a general rule classified as overseas sales. 3) Highlighted cells indicate industries for which the ratio of foreign sales accounted for 20% or more.

Ratio of domestic/foreign sales for FY2018(change from the previous year) (Percentage points)

	Change in proportion of overseas sales				
	Asia Pacific	North America/Central and South America	Europe/Russia	Middle East / Africa	
Total (n=2,583)	0.2	0.3	Δ 0.6	0.0	0.5
Manufacturing (n=1,563)	Δ 1.4	Δ 0.2	Δ 0.9	Δ 0.3	0.0
Food & beverages (n=415)	0.6	0.9	Δ 0.7	0.3	0.2
Textiles/clothing (n=96)	0.0	Δ 1.7	0.5	1.2	0.1
Wood & wood products/furniture & building materials/paper & pulp (n=51)	Δ 4.3	Δ 3.9	Δ 0.7	0.5	Δ 0.2
Chemicals (n=79)	Δ 3.3	Δ 1.6	Δ 1.5	Δ 0.1	Δ 0.1
Medical products & cosmetics (n=61)	7.6	4.4	1.8	1.3	0.2
Coal & petroleum products/plastics/rubber products (n=63)	Δ 5.1	Δ 4.0	Δ 0.3	Δ 0.4	Δ 0.3
Ceramics/earth & stone (n=23)	1.8	0.1	0.9	0.4	0.5
Iron & steel/non-ferrous metals/metal products (n=166)	Δ 1.9	Δ 1.4	Δ 0.0	Δ 0.3	Δ 0.2
General machinery (n=146)	Δ 1.8	1.0	Δ 2.1	Δ 0.6	Δ 0.2
Electrical equipment (n=77)	Δ 2.0	Δ 1.2	0.3	Δ 1.5	0.4
IT equipment/electronic parts & devices (n=47)	Δ 7.9	Δ 3.0	Δ 3.2	Δ 1.9	0.1
Cars/car parts/other transportation machinery (n=87)	Δ 4.1	Δ 0.4	Δ 2.5	Δ 1.2	0.0
Precision equipment (n=66)	Δ 2.9	3.8	Δ 4.3	Δ 2.0	Δ 0.4
Other manufacturing (n=186)	Δ 0.2	0.9	Δ 0.5	Δ 1.2	0.4
Non-manufacturing (n=1,020)	2.5	1.0	Δ 0.2	0.6	1.1
Trade and wholesale (n=618)	3.5	1.2	0.6	0.3	1.4
Retail (n=71)	4.7	3.9	Δ 1.2	2.3	Δ 0.3
Construction (n=60)	Δ 0.6	Δ 1.3	Δ 0.0	Δ 0.1	0.9
Transport (n=40)	3.1	Δ 1.2	0.2	1.2	2.9
Finance & insurance (n=19)	0.0	1.7	Δ 1.2	Δ 0.4	Δ 0.1
Communication, Information & software (n=51)	Δ 3.7	Δ 3.0	Δ 1.1	0.2	0.1
Professional services (n=33)	2.8	0.4	Δ 2.5	1.9	3.0
Other non-manufacturing (n=128)	Δ 1.2	0.8	Δ 2.4	0.8	Δ 0.4
Large-scale firms (n=415)	Δ 0.5	0.2	Δ 0.7	Δ 0.2	0.2
Small and medium-sized enterprises (SMEs) (n=2,168)	0.4	0.3	Δ 0.5	0.1	0.5

Note: 1) n(=2,583) represents firms which answered their ratio of foreign sales including the breakdown by region. Those respondents export and/or have overseas bases. 2) Highlighted cells indicate industries reporting an increase by 2 percentage points or more from FY2017 while dotted cells indicate those reporting a decrease by 2 percentage points or more.

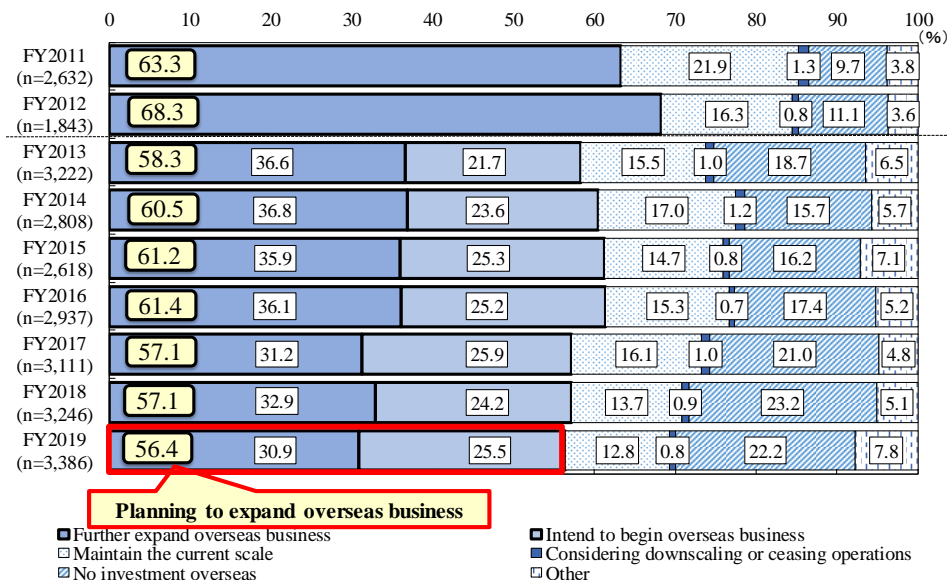
2. International Trade and Overseas Expansion

- The ratio of firms planning to expand overseas business remains unchanged. Momentum for business expansion into China is receding while Vietnam is catching up with China's position-

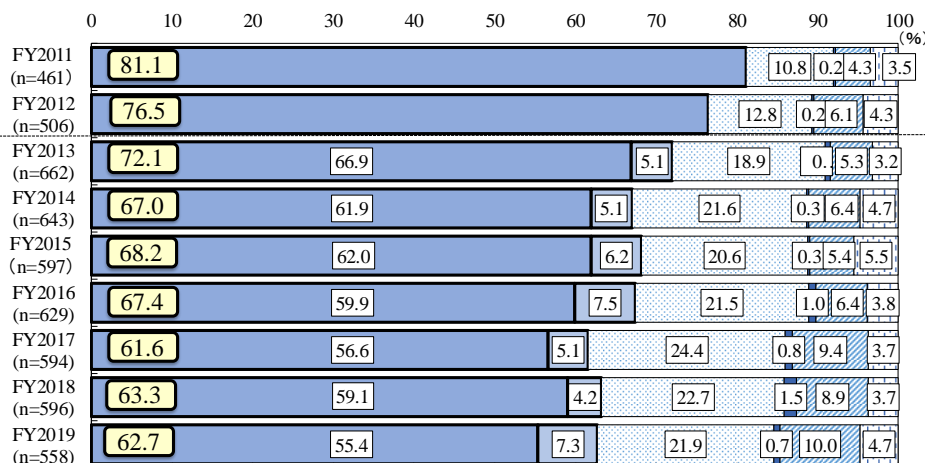
Ratio of firms planning to expand overseas business remains unchanged

Regarding overseas business (direct investment) expansion policies over the next three years or so, the ratio of firms “planning to expand overseas business” came to 56.4%, remaining almost the same as the previous year. (This figure combines firms “planning to further expand overseas business” [30.9%] and those “intending to begin overseas business” [25.5%]). Regarding factors for motivation to expand remaining stagnant, a shortage of human resources was cited. Many respondents also reported that they would rather access overseas markets from Japan via alternative measures such as exports and cross-border e-commerce as they could hardly achieve cost effectiveness in their overseas expansion.

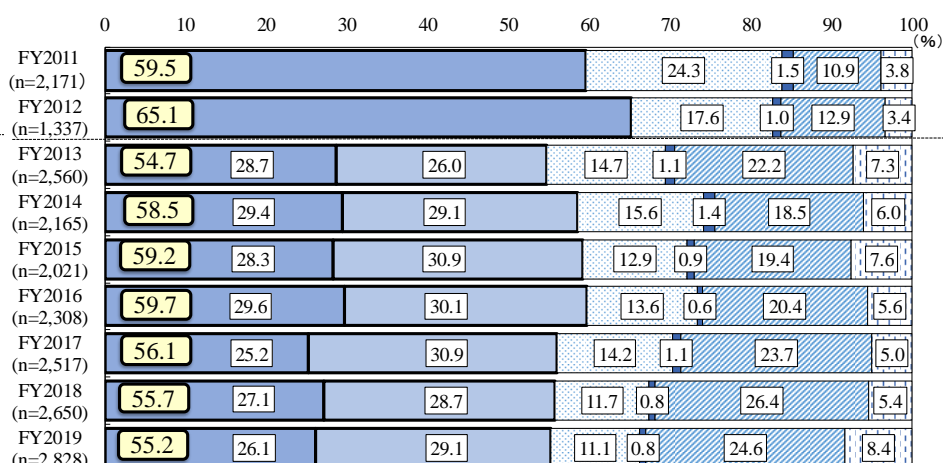
Future overseas expansion policy (total)



Future overseas expansion policy (large-scale firms)



Future overseas expansion policy (SMEs)



Note: 1) n = the total number of respondent firms, excluding firms answering “no answer” 2) The answer “planning to expand overseas business” for FY 2012 and 2011 is the proportion of firms who responded “plan to newly invest overseas or expand existing business”.

Lower motivation for overseas business expansion in electrical equipment, etc.

By industry, the ratio of firms planning to expand their existing overseas bases declined in many manufacturing industries. Notably, the proportion in electric equipment and that in precision equipment decreased by more than 10 percentage points, with the former from 50.5% in the previous year to 38.5%, and the latter from 43.1% to 32.9%. Regarding future overseas expansion policy, some firms made positive comments toward such expansion as they could not expect future growth if confined to the domestic market, while other firms commented their future policy would depend on rapidly changing global situations these days, suggesting a large influence from external factors.

Future overseas expansion policy (by industry)

	No. of firms (n)	Planning to expand overseas business			Currently have overseas bases and will maintain the current scale	Currently have overseas bases but considering downsizing or ceasing operation	Currently have no overseas bases and will have no overseas investment	Other
		Currently have overseas bases and will further expand them	Currently have no overseas bases but intend to begin overseas business	Other				
Total	3,386	56.4	30.9	25.5	12.8	0.8	22.2	7.8
Manufacturing	1,888	58.4	31.3	27.1	12.5	0.8	20.7	7.6
Food & beverages	508	53.1	17.9	35.2	4.3	0.2	32.9	9.4
Textiles/clothing	111	65.8	36.0	29.7	12.6	0.9	15.3	5.4
Wood & wood products/furniture & building materials/paper & pulp	68	61.8	30.9	30.9	10.3	0.0	23.5	4.4
Chemicals	85	62.4	42.4	20.0	17.6	0.0	14.1	5.9
Medical products & cosmetics	66	68.2	37.9	30.3	13.6	0.0	10.6	7.6
Coal & petroleum products/plastics/rubber products	86	61.6	40.7	20.9	17.4	0.0	17.4	3.5
Ceramics/earth & stone	32	56.3	31.3	25.0	12.5	3.1	21.9	6.3
Iron & steel/non-ferrous metals/metal products	201	59.7	32.8	26.9	14.4	2.0	18.4	5.5
General machinery	163	60.7	35.6	25.2	19.6	1.8	11.7	6.1
Electrical equipment	91	59.3	38.5	20.9	16.5	0.0	15.4	8.8
T equipment/electronic parts & devices	58	53.4	39.7	13.8	19.0	3.4	19.0	5.2
Cars/car parts/other transportation machinery	108	61.1	43.5	17.6	26.9	0.9	8.3	2.8
Precision equipment	79	60.8	32.9	27.8	15.2	0.0	15.2	8.9
Other manufacturing	232	56.0	33.2	22.8	9.5	1.3	20.7	12.5
Non-manufacturing	1,498	54.0	30.4	23.6	13.3	0.7	24.0	8.0
Trade and wholesale	751	55.8	31.7	24.1	13.4	0.7	21.2	8.9
Retail	102	52.0	24.5	27.5	10.8	1.0	29.4	6.9
Construction	104	58.7	31.7	26.9	20.2	0.0	12.5	8.7
Transport	71	46.5	35.2	11.3	19.7	1.4	26.8	5.6
Finance & insurance	74	13.5	10.8	2.7	27.0	1.4	47.3	10.8
Communication, information & software	90	58.9	26.7	32.2	10.0	0.0	23.3	7.8
Professional services	55	56.4	43.6	12.7	5.5	1.8	30.9	5.5
Other manufacturing	251	59.4	31.5	27.9	8.0	0.4	26.3	6.0

Comments on future overseas expansion policy (free description)

Planning to expand overseas business

- Use as an export base for third countries
- To respond quickly to local market demands
- To promote local production for local consumption

No particular plan to expand overseas

[Obstacles to overseas business expansion]

- Difficult outlook due to recent changes in the global situation
- Market uncertainty due to US-China trade friction
- Not cost-effective
- Lack of human resources, funds and know-how

[Proactive response to overseas demand]

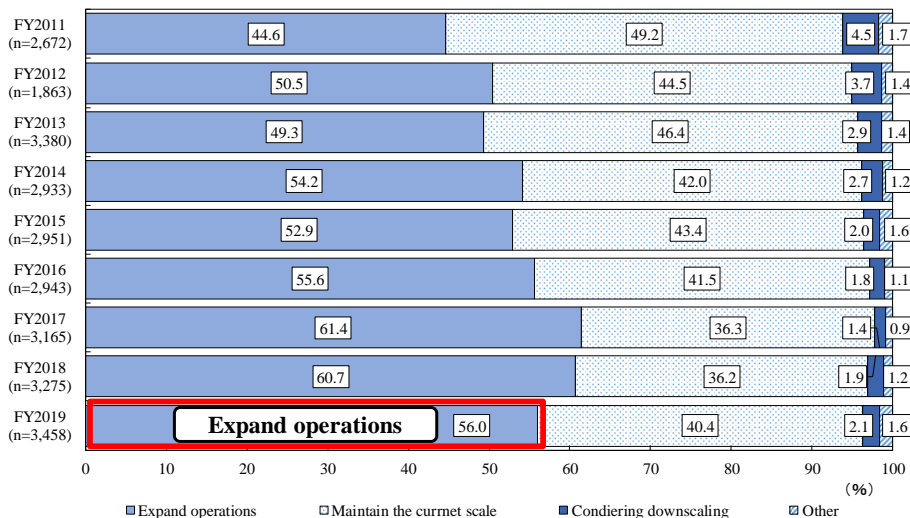
- Exporting from Japan
- Use of internet (such as cross-border e-commerce)
- "Made in Japan" offers added value to products and services

Note: 1) n = the total number of respondent firms, excluding firms answering "no answer" 2) Highlighted cells indicate industries reporting an increase by 5 percentage points or more from FY2018, while dotted cells indicate those reporting a decrease by 5 percentage points or more.

Domestic business has seemingly leveled off

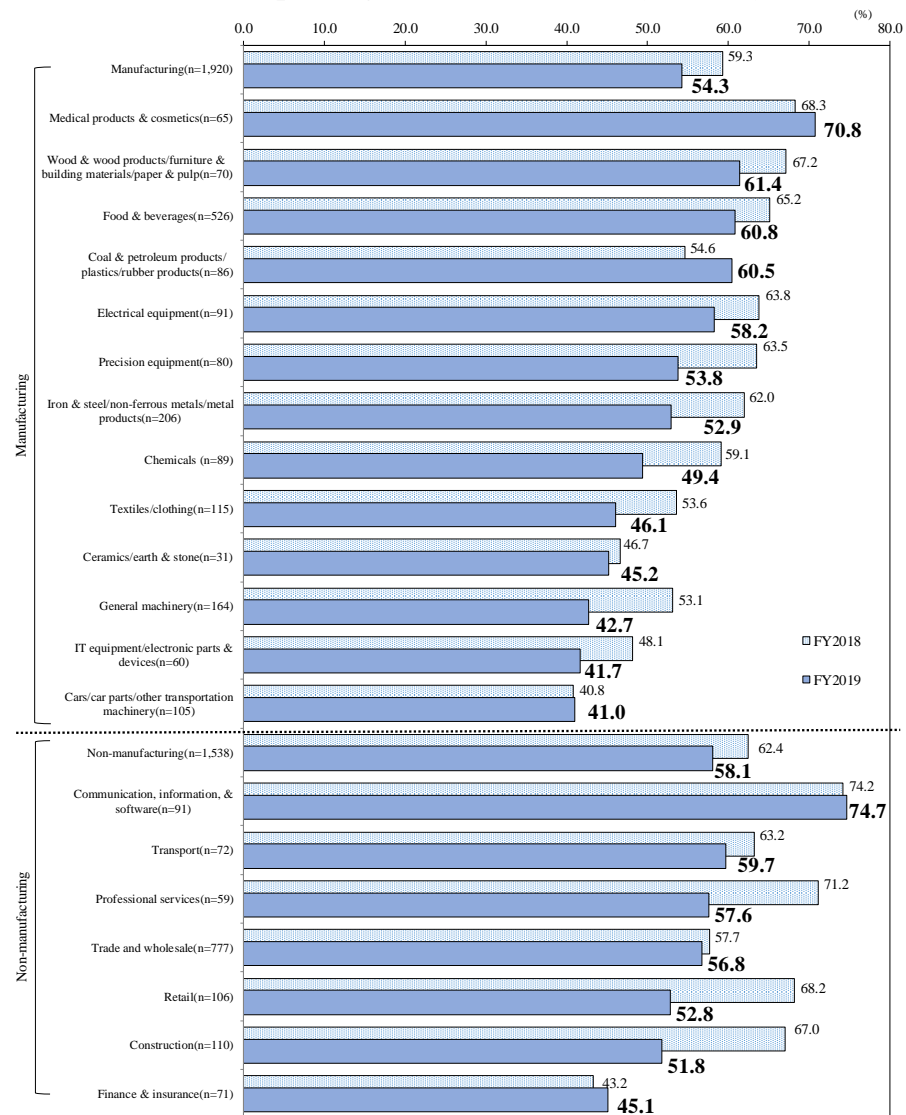
In terms of domestic business expansion policies for the future (next 3 years or so), the proportion of firms who responded “Expand operations” was 56.0%, falling below 60%. The proportion of firms expanding domestic business has declined for the second consecutive year, after reaching the peak at 61.4% in FY2017, indicating a levelling-off . Many firms also expressed skepticism over future domestic demand expansion. Compared to the previous year, motivation for domestic business expansion declined in most industries, except for medical products & cosmetics, and communication, information & software, etc.

Future domestic business expansion (total)



Note: n = the total number of respondent firms, excluding firms answering “no answer”.

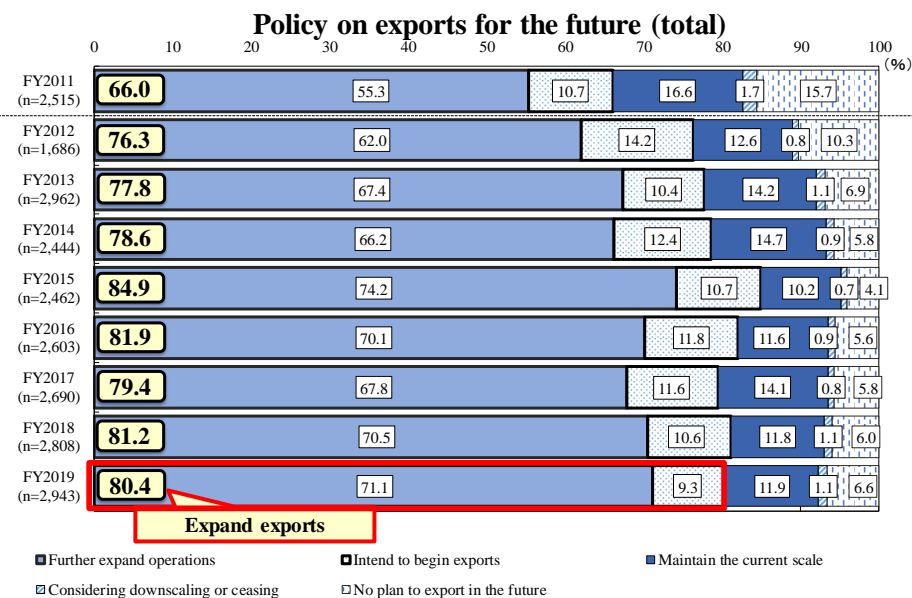
Ratio of firms expanding domestic business (by industry)



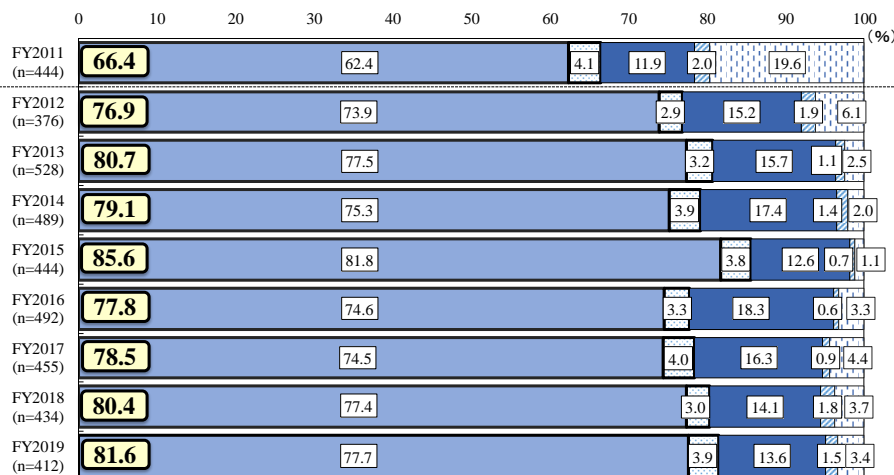
Note: Each industry’s “n” = the total number of respondent firms in each industry, excluding firms answering “no answer”. (The figures are for FY2019 only)

Ratio of firms planning to expand exports remains at 80%

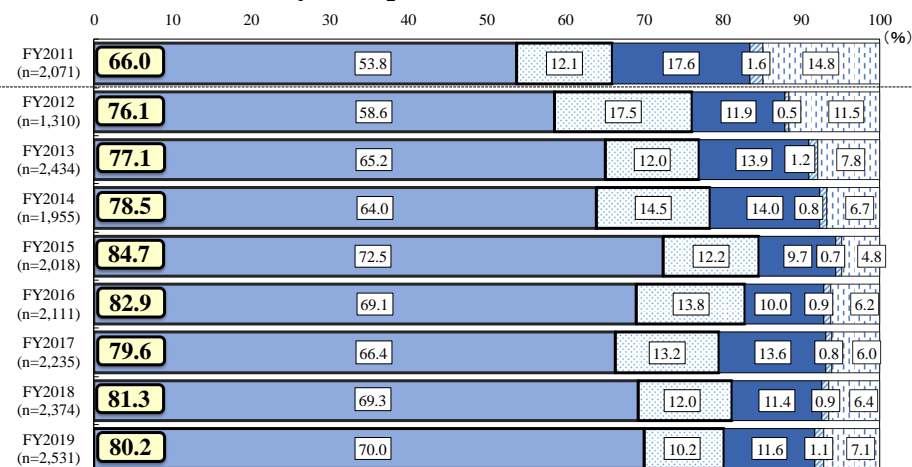
Regarding export policies over the next three years or so, 80.4% of firms answered that they would expand exports. In other words, 80% of the respondents keep their motivation to expand exports. (This figure combines firms “planning to further expand exports” [71.1%] as well as those “intending to begin exports” [9.3%]). Many of the firms planning to expand exports showed high expectations for the growth potential of overseas markets. Some also pointed out the effect of inbound demand expansion and the brand strength of “Made in Japan” products.



Policy on exports for the future (large-scale firms)



Policy on exports for the future (SMEs)



Note: n = total number of respondent firms, excluding “no international trade for the operations” (item created in FY 2012) and “no answer”.

High ratio in several industries such as medical products & cosmetics

By industry, the ratio of firms planning to expand exports was high in medical products & cosmetics (92.6%), food & beverages (89.6%), and electrical equipment (87.6%), etc. Many firms in medical products & cosmetics, and food & beverages reported that they would focus on export expansion from a perspective of demand expansion in emerging markets including Asia. On the other hand, among respondent firms not planning to expand exports, we received such comments as “planning to meet local demand by local production” or citing “labor shortage” and/or “lack of available capacity” for responding to overseas markets.

Policy on exports for the future (by industry)

	No. of firms (n)	Expand exports	Conducting export operations now and intending to expand them	Not conducting export operations now, but intending to begin exports	Conducting export operations now and maintaining the current scale	Conducting export operations now, but considering downscaling or ceasing	Neither conducting export operations now nor intending to export in the future
Total	2,943	80.4	71.1	9.3	11.9	1.1	6.6
Manufacturing	1,837	82.3	75.3	6.9	11.5	0.9	5.3
Food & beverages	502	89.6	81.3	8.4	5.6	0.6	4.2
Textiles/clothing	111	83.8	69.4	14.4	7.2	0.9	8.1
Wood & wood products/furniture & building materials/paper & pulp	60	83.3	65.0	18.3	3.3	1.7	11.7
Chemicals	87	81.6	79.3	2.3	16.1	0.0	2.3
Medical products & cosmetics	68	92.6	92.6	0.0	5.9	0.0	1.5
Coal & petroleum products/plastics/rubber products	82	74.4	64.6	9.8	18.3	1.2	6.1
Ceramics/earth & stone	27	81.5	81.5	0.0	14.8	0.0	3.7
Iron & steel/non-ferrous metals/metal products	187	71.7	64.7	7.0	16.0	2.1	10.2
General machinery	161	84.5	83.2	1.2	12.4	0.6	2.5
Electrical equipment	89	87.6	82.0	5.6	11.2	0.0	1.1
IT equipment/electronic parts & devices	57	70.2	63.2	7.0	21.1	0.0	8.8
Cars/car parts/other transportation machinery	98	66.3	61.2	5.1	23.5	3.1	7.1
Precision equipment	78	84.6	80.8	3.8	12.8	1.3	1.3
Other manufacturing	230	79.1	72.2	7.0	13.5	0.9	6.5
Non-manufacturing	1,106	77.3	64.0	13.3	12.6	1.4	8.7
Trade and wholesale	710	80.6	71.5	9.0	12.1	0.6	6.8
Retail	84	72.6	56.0	16.7	14.3	3.6	9.5
Construction	60	65.0	40.0	25.0	15.0	5.0	15.0
Transport	27	63.0	55.6	7.4	22.2	0.0	14.8
Communication, information & software	59	69.5	47.5	22.0	10.2	0.0	20.3
Professional services	26	69.2	53.8	15.4	11.5	11.5	7.7
Other non-manufacturing	137	78.1	52.6	25.5	12.4	2.2	7.3

Note: 1) n= total number of firms, excluding firms answering “no international trade for the operations” and “no answer”. 2) The table only shows the industries where the number of respondent firms is 10 or more. 3) Highlighted cells indicate top 5 industries that gained higher percentages (concerning the question on “Expand exports” only).

Main reasons for planning to expand exports (free description)

■ Expectations for foreign demand expansion/overseas market growth

- We expect increasing demand from abroad, while seeing little growth potential in the domestic market (Food & beverages)
- With the expectation of demand expansion especially in Asia, we will expand our export operations in emerging markets as well as in Asia (Medical products & cosmetics)

■ Brand strength of “Made in Japan” products

- There is still an ample opportunity to bring and expand Japan-made products in overseas markets with higher growth potential than the Japanese market (Chemicals)
- Japan-made products have great product appeal (quality, technology) (Trade and wholesale)

■ Effect of inbound demand expansion

- As the number of inbound visitors to Japan is increasing, we expect ‘the more foreigners love Japanese food culture, the more exports will benefit’ (Food & beverages)

■ Utilization of cross-border e-commerce

- Our physical store in Europe and e-commerce sales are both about to start operations on a full scale (Food & beverages)
- Jointly with a local e-commerce shop in Indonesia, we will start local production and sales (Trade and wholesale)

Countries/regions for overseas expansion: China is receding, while Vietnam is catching up

Regarding the countries and regions where firms aim to expand business overseas, among firms that answered "currently have an overseas base and are planning to further expand operations," the ratio of firms citing China was 48.1%. This result, being below 50% for the first time in two years, is a significant drop from the previous year (55.4%). Vietnam ranked second at 41.0%, exceeding 40% for the first time. The difference between Vietnam and China narrowed to 7.1 percentage points from 19.9 percentage points in the previous year.

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

(Multiple answers, %)

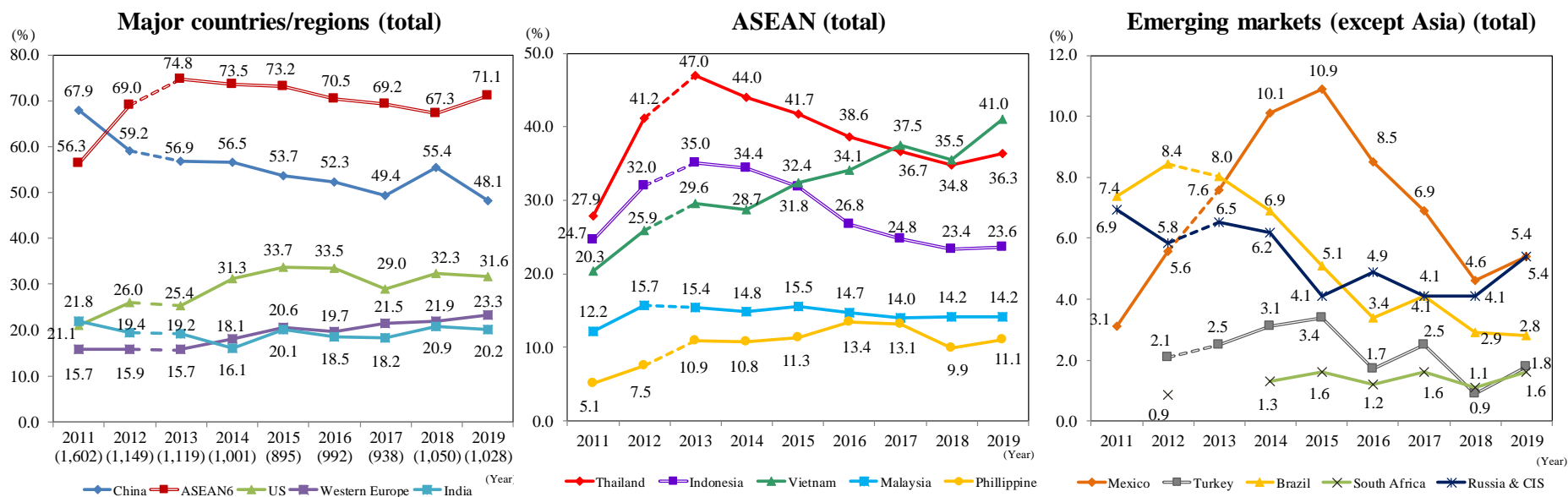
Country/region	FY2019		FY2018		FY2017		FY2016		FY2015		FY2014		FY2013	FY2012	FY2011
	(n=1,028)	Rank	(n=1,050)	Rank	(n=938)	Rank	(n=992)	Rank	(n=895)	Rank	(n=1,001)	Rank	(n=1,119)	(n=1,149)	(n=1,602)
China	48.1	(1)	55.4	(1)	49.4	(1)	52.3	(1)	53.7	(1)	56.5	(1)	56.9	59.2	67.9
Vietnam	41.0	(2)	35.5	(2)	37.5	(2)	34.1	(3)	32.4	(4)	28.7	(5)	29.6	25.9	20.3
Thailand	36.3	(3)	34.8	(3)	36.7	(3)	38.6	(2)	41.7	(2)	44.0	(2)	47.0	41.2	27.9
US	31.6	(4)	32.3	(4)	29.0	(4)	33.5	(4)	33.7	(3)	31.3	(4)	25.4	26.0	21.1
Indonesia	23.6	(5)	23.4	(5)	24.8	(5)	26.8	(5)	31.8	(5)	34.4	(3)	35.0	32.0	24.7
Western Europe	23.3	(6)	21.9	(6)	21.5	(6)	19.7	(7)	20.6	(7)	18.1	(8)	15.7	15.9	15.7
India	20.2	(7)	20.9	(8)	18.2	(8)	18.5	(8)	20.1	(8)	16.1	(9)	19.2	19.4	21.8
Taiwan	19.6	(8)	21.3	(7)	20.0	(7)	20.6	(6)	21.6	(6)	21.0	(6)	20.0	21.8	18.5
Singapore	17.0	(9)	15.0	(9)	17.1	(9)	17.7	(9)	16.1	(10)	19.3	(7)	18.3	17.8	14.0
Malaysia	14.2	(10)	14.2	(10)	14.0	(10)	14.7	(11)	15.5	(11)	14.8	(12)	15.4	15.7	12.2
Philippines	11.1	(11)	9.9	(13)	13.1	(12)	13.4	(13)	11.3	(14)	10.8	(13)	10.9	7.5	5.1
Hong Kong	10.9	(12)	13.5	(12)	13.6	(11)	14.1	(12)	14.2	(12)	16.1	(9)	15.4	15.8	14.2
Myanmar	10.5	(13)	8.7	(14)	10.2	(14)	12.7	(14)	11.5	(13)	10.1	(14)	10.9	-	-
South Korea	10.4	(14)	13.6	(11)	12.6	(13)	15.0	(10)	16.5	(9)	15.9	(11)	17.2	18.8	18.8
Central-Eastern Europe	5.9	(15)	4.5	(17)	5.2	(16)	5.9	(16)	7.0	(16)	6.1	(18)	3.3	4.2	4.7
Russia & CIS	5.4	(16)	4.1	(18)	4.1	(19)	4.9	(18)	4.1	(20)	6.2	(17)	6.5	5.8	6.9
Mexico	5.4	(16)	4.6	(16)	6.9	(15)	8.5	(15)	10.9	(15)	10.1	(14)	7.6	5.6	3.1
Cambodia	5.4	(16)	3.3	(19)	4.8	(17)	5.2	(17)	6.0	(17)	5.3	(19)	5.4	-	-
Australia	4.9	(19)	5.5	(15)	4.3	(18)	4.6	(19)	4.6	(19)	2.8	(21)	3.3	3.7	4.0
Canada	3.8	(20)	3.2	(20)	2.2	(23)	3.2	(22)	3.4	(21)	2.3	(24)	2.5	2.8	2.9
ASEAN6	71.1		67.3		69.2		70.5		73.2		73.5		74.8	69.0	56.3
(Reference)															
UK	5.4	-	5.8	-	5.3	-									
Western Europe (excl. UK)	21.5	-	19.8	-	19.7	-									

Note: 1) For FY 2011 and 2012, n = the firms that answered they "plan to newly invest overseas or expand existing business" minus the firms that didn't answer about the functions they would expand. From 2013 onwards, n = the firms that answered "currently have an overseas base and planning to further expand operations" minus those that didn't answer about expansion functions. 2) ASEAN6 firms that answered any of the following 6 countries: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam. There are no selection settings for the breakdown of Western Europe, Russia & CIS, Central and South Eastern Europe. Myanmar and Cambodia are only from FY 2013's survey onwards. From FY 2017 onwards, "Western Europe" applies to firms that selected the UK or Western Europe (excluding UK) 3) Proportion of number of firms who plan to expand one or more of their functions in each country/region. Still counted as one firm even when expanding multiple functions in one country/region.

Higher motivation to expand manufacturing business in ASEAN

Regarding the countries and regions where firms aim to expand business overseas, 71.1% of firms answered that they would expand their business in six major ASEAN countries, the first increase in six years. Among these respondent firms, along with expectations for future market expansion and intentions to strengthen the role of export bases, we also heard indications of considering bases in ASEAN in addition to China from the viewpoint of risk aversion. In major ASEAN countries, the response ratio of Vietnam, which had temporarily declined in the previous year, significantly increased this time around among respondent firms in manufacturing industries. The response ratio of Thailand also improved from 34.8% in the previous year to 36.3% among firms mainly in manufacturing industries. In emerging markets except Asia, the response ratio of Mexico slightly improved among firms in manufacturing industries, the first increase in four years. The response ratio of US remained at the same level of the previous year in both manufacturing and non-manufacturing industries.

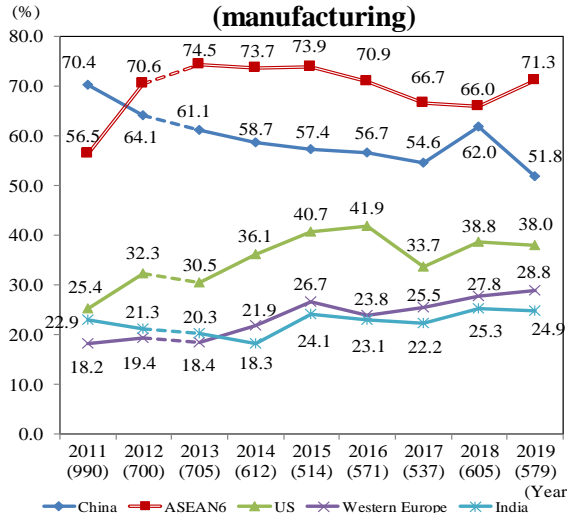
Countries/regions for overseas expansion



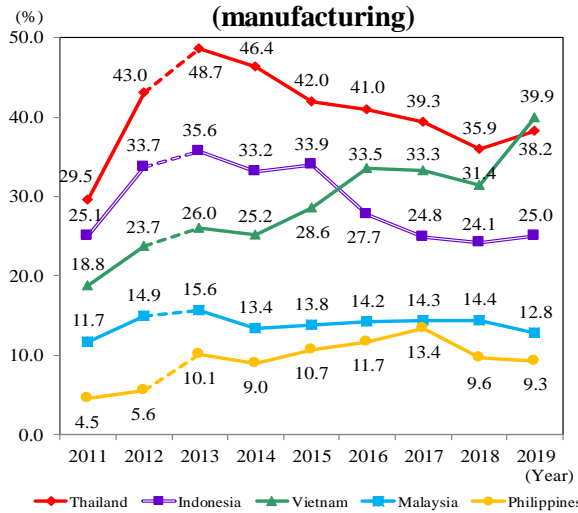
Note: 1) Numbers within brackets are the number of respondents for each year. Respondents. . Respondents FY 2011 and 2012 are firms that answered they “plan to newly invest overseas or expand existing business” minus the firms that didn't answer about the functions they would expand. Respondents from 2013 onwards are the firms that answered “currently have an overseas base and planning to further expand operations” minus those that didn't answer about expansion functions. 2) ASEAN6 firms that answered any of the following 6 countries: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam. There are no selection settings for the breakdown of Western Europe, Russia & CIS, Central and South Eastern Europe. Myanmar and Cambodia are only from FY 2013's survey onwards. From FY 2017 onwards, “Western Europe” applies to firms that selected the UK or Western Europe (excluding UK) 3) Proportion of number of firms who plan to expand one or more of their functions in each country/region. Still counted as one firm even when expanding multiple functions in one country/region.

Countries/regions for overseas expansion (by industry)

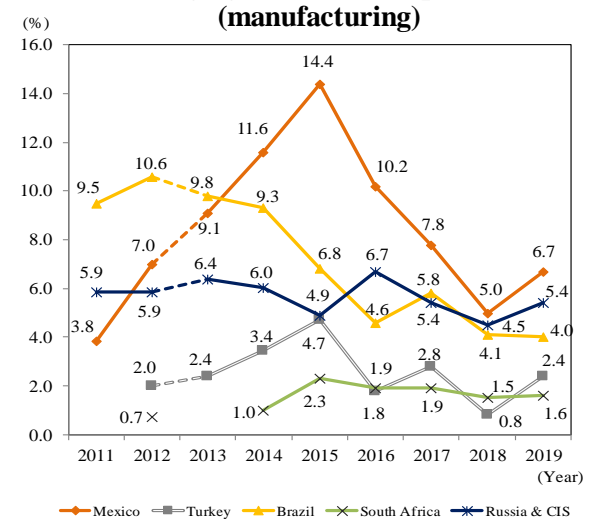
Major countries/regions (manufacturing)



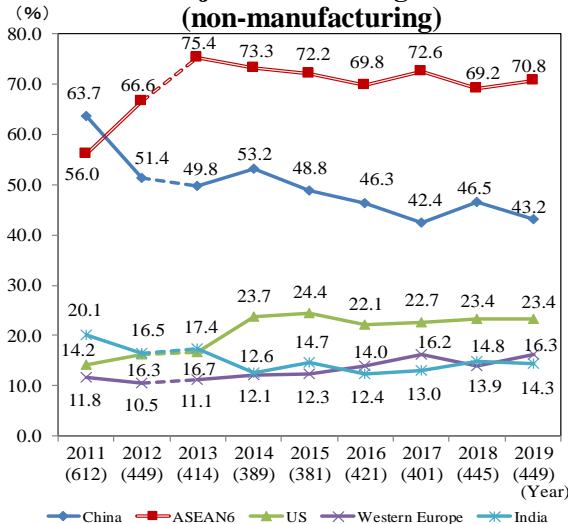
ASEAN (manufacturing)



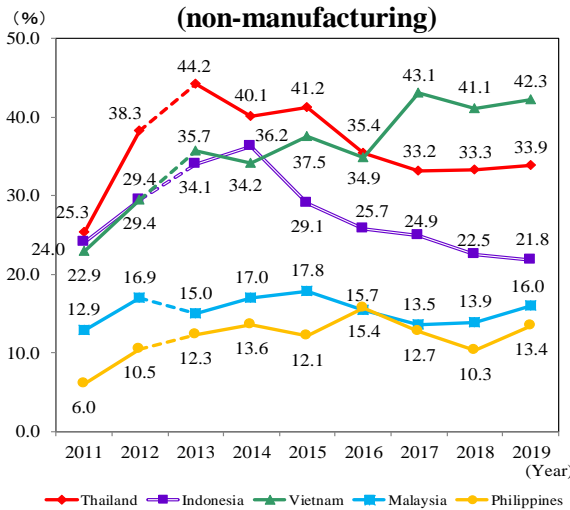
Emerging markets (except Asia) (manufacturing)



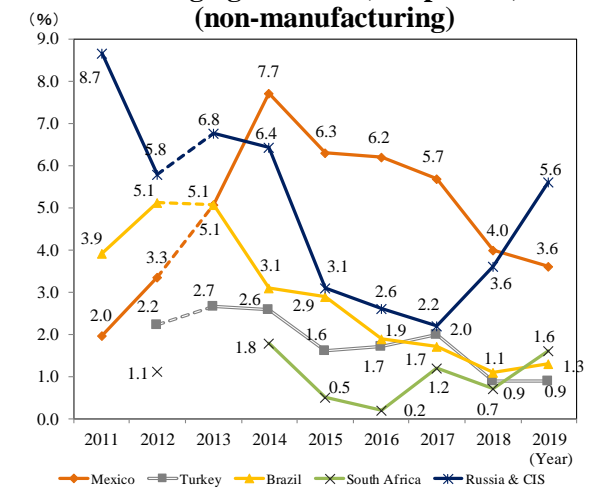
Major countries/regions (non-manufacturing)



ASEAN (non-manufacturing)



Emerging markets (except Asia) (non-manufacturing)



Note: 1) Numbers within brackets are the number of respondents for each year. Respondents. Respondents FY 2011 and 2012 are firms that answered “plan to newly invest overseas or expand existing business” minus the firms that didn’t answer about the functions they would expand. Respondents from 2013 onwards are the firms that answered “currently have an overseas base and planning to further expand operations” minus those that didn’t answer about expansion functions. 2) ASEAN6 firms that answered any of the following 6 countries: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam. There are no selection settings for the breakdown of Western Europe, Russia & CIS, Central and South Eastern Europe. Myanmar and Cambodia are only from FY 2013’s survey onwards. From FY 2017 onwards, “Western Europe” applies to firms that selected the UK or Western Europe (excluding UK) 3) Proportion of number of firms who plan to expand one or more of their functions in each country/region. Still counted as one firm even when expanding multiple functions in one country/region.

In China, the expansion ratio fell below the previous year's in many industries

Regarding business expansion by industry in China and ASEAN, in ASEAN 6, the proportion of firms expanding business increased in both manufacturing and non-manufacturing industries almost across the board, with IT equipment/electronic parts & devices heading the list. On the other hand, in China, the business expansion ratio fell below the previous year's in many industries. Notably, in textiles/clothing, chemicals, precision equipment, and retail, the ratio decreased by more than 20 percentage points from the previous year.

Business expansion in China and ASEAN (by industry)

(Multiple answers, %)

	No. of firms	Vietnam		Thailand		Indonesia		ASEAN6		China	
		FY18→FY19		FY18→FY19		FY18→FY19		FY18→FY19		FY18→FY19	
Total	1,028	41.0	+ 5.5	36.3	+ 1.5	23.6	+ 0.2	71.1	+ 3.8	48.1	- 7.3
Manufacturing	579	39.9	+ 8.5	38.2	+ 2.3	25.0	+ 0.9	71.3	+ 5.3	51.8	- 10.2
Food & beverages	88	39.8	+ 11.4	38.6	+ 13.9	22.7	+ 0.5	75.0	+ 10.8	47.7	- 2.9
Textiles/clothing	40	40.0	+ 14.1	17.5	+ 2.7	20.0	+ 1.5	57.5	+ 1.9	57.5	- 24.0
Wood & wood products/furniture & building materials/paper & pulp	21	42.9	+ 7.9	28.6	+ 8.6	38.1	+ 3.1	81.0	+ 16.0	61.9	- 8.1
Chemicals	36	44.4	+ 6.6	58.3	+ 2.7	25.0	- 6.1	83.3	+ 7.7	58.3	- 23.9
Medical products & cosmetics	24	37.5	- 0.6	29.2	+ 0.6	12.5	- 1.8	70.8	+ 13.7	75.0	+ 8.3
Coal & petroleum products/plastics/rubber products	33	69.7	+ 27.5	36.4	+ 0.8	27.3	+ 9.5	84.8	+ 4.8	54.5	+ 10.1
Iron & steel/non-ferrous metals/metal products	66	37.9	+ 9.7	39.4	+ 2.8	22.7	+ 0.2	68.2	+ 4.8	40.9	- 15.4
General machinery	57	45.6	+ 9.4	50.9	+ 0.2	40.4	+ 7.1	78.9	+ 7.9	45.6	- 10.9
Electrical equipment	35	34.3	+ 5.4	34.3	- 5.7	17.1	- 7.3	65.7	- 3.2	48.6	- 15.8
IT equipment/electronic parts & devices	22	36.4	+ 15.6	31.8	+ 11.0	4.5	+ 0.3	59.1	+ 21.6	72.7	- 10.6
Cars/car parts/other transportation machinery	47	27.7	+ 8.1	38.3	- 8.8	29.8	+ 2.3	68.1	- 4.4	55.3	+ 2.4
Precision equipment	26	34.6	+ 11.3	38.5	+ 11.8	30.8	+ 17.5	57.7	+ 14.4	50.0	- 23.3
Other manufacturing	74	35.1	- 0.7	41.9	+ 12.0	25.7	- 1.2	71.6	+ 4.4	47.3	- 15.4
Non-manufacturing	449	42.3	+ 1.2	33.9	+ 0.6	21.8	- 0.7	70.8	+ 1.6	43.2	- 3.3
Trade and wholesale	236	40.7	- 1.6	36.9	- 0.3	22.5	+ 3.3	70.8	+ 2.9	52.5	- 5.6
Retail	25	24.0	- 10.8	36.0	+ 23.0	12.0	- 5.4	64.0	+ 11.8	32.0	- 20.2
Construction	32	46.9	- 5.0	28.1	+ 9.6	25.0	- 4.6	68.8	- 5.3	28.1	+ 17.0
Transport	25	60.0	+ 17.1	44.0	- 1.7	16.0	- 15.4	84.0	+ 1.1	32.0	- 8.0
Communication, information, & software	23	47.8	+ 14.5	30.4	+ 15.6	17.4	- 1.1	69.6	+ 10.3	43.5	+ 6.5
Professional services	24	41.7	- 11.2	12.5	+ 0.7	25.0	+ 13.2	66.7	+ 2.0	25.0	- 10.3
Other non-manufacturing	77	45.5	+ 8.0	31.2	- 4.9	24.7	- 8.6	72.7	- 2.3	35.1	+ 3.2

Note: 1) n = the firms that answered "currently have an overseas base and planning to further expand operations" minus those that didn't answer about expansion functions (FY2019). Ratio is the firms that responded that they would expand their business in the relevant country/region, relative to the parameter of each industry. 2) Only answers for which 10 or more firms responded have been listed for FY 2018 and 2019. 3) Still counted as one firm even when expanding multiple functions in one country/region. 4) ASEAN6 firms that answered any of the following 6 countries: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam.

More firms place emphasis on sales and production functions in ASEAN

In terms of functions to be expanded overseas, 82.0% of firms answered sales functions, followed by production of high value-added goods (28.6%) and production of general-purpose goods (27.3%). Regarding the countries and regions where to expand their sales or production function, the respective proportions of firms citing Vietnam and/or Thailand both increased from the previous year. Notably, in terms of sales function, Vietnam rose from fourth place in the previous year to second. From FY2011 onwards, the proportion of firms citing China has been gradually declining, while the percentage of those putting emphasis on ASEAN has been rising.

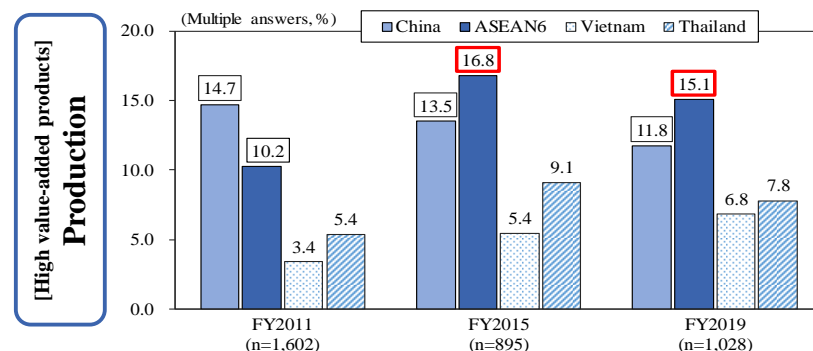
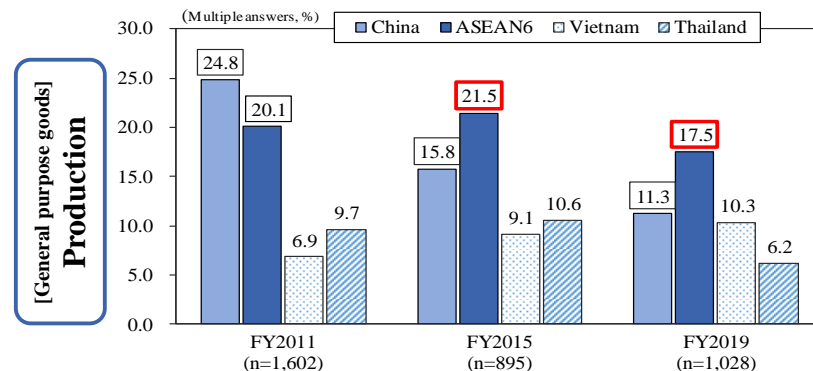
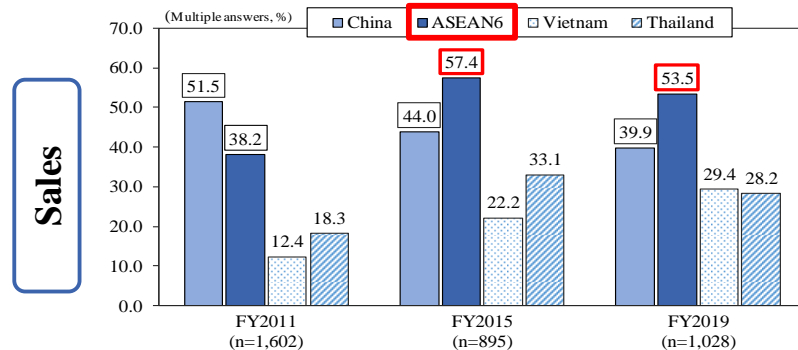
Functions to be expanded overseas (top 3 countries)

(Multiple answers, %)

	Total (n=1,028)	Rank 1	Rank 2	Rank 3
Sales function	82.0 (- 1.4)	China 39.9 (- 7.8)	Vietnam 29.4 (+ 4.2)	Thailand 28.2 (+ 0.6)
Production (general purpose goods)	27.3 (- 0.2)	China 11.3 (- 1.6)	Vietnam 10.3 (+ 1.5)	Thailand 6.2 (- 1.1)
Production (high value-added goods)	28.6 (- 1.0)	China 11.8 (- 1.8)	Thailand 7.8 (+ 0.5)	Vietnam 6.8 (+ 0.0)
R&D (new product development)	11.2 (- 0.2)	China 4.1 (- 1.1)	US 2.8 (- 0.8)	Vietnam 2.0 (+ 0.0)
R&D (change of specification for local market)	12.4 (- 0.1)	China 5.3 (- 0.9)	Thailand 3.2 (+ 0.5)	US 3.0 (- 0.4)
Regional HQ	10.0 (+ 1.4)	US 3.2 (+ 0.7)	China 3.0 (- 0.6)	Singapore 2.6 (+ 0.6)
Logistics	12.7 (- 1.4)	China 5.4 (+ 0.2)	Vietnam 4.0 (+ 0.3)	Thailand 3.7 (- 0.1)

Note: 1) n = the firms that answered “currently have an overseas base and planning to further expand operations” minus those that didn’t answer about expansion functions. 2) Figures in parentheses indicate changes in the response rate from FY2018. Yellow highlighted cells are countries/that have been cited by a higher proportion of respondent firms.

Expanding sales and production functions in China and ASEAN



Note: 1) For FY 2011, n = the firms that answered “plan to newly invest overseas or expand existing business” minus those that didn’t answer about expansion functions. From FY2015, onwards, n= the firms that answered “currently have an overseas base and planning to further expand operations” minus those that didn’t answer about expansion functions. 2) ASEAN6 firms that answered any of the following 6 countries: Singapore, Thailand, Malaysia, Indonesia, Philippines, Vietnam.

3. Business environment in each country and region

- Higher recognition for Vietnam's "market size/growth potential."

The largest issue for doing business in US and China is "additional tariffs"-

Attractions and advantages for business: “Market size/growth potential” occupying first place in many countries and regions

“Market size/growth potential” came first in terms of attractions and advantages for business in 12 countries surveyed excluding Taiwan. The ratio of firms that consider it an attraction or advantage increased for all countries that were also covered by the previous survey (FY2017), namely China, Thailand, Indonesia, the Philippines, Vietnam, India, the US, Mexico, and the UK. Furthermore, compared to the previous survey, the percentage of firms attracted by “Plenty of land and office space, low land price and rent (land, offices)” in Mexico jumped more than 5 percentage points.

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

(Multiple answers, %)

Rank	China (n=2,040)		Taiwan (n=1,309)		South Korea (n=578)		Singapore (n=896)		Thailand (n=1,264)		Indonesia (n=932)		Philippines (n=613)	
1	Market size/growth potential	91.1	Pro-Japanese feeling	67.0	Market size/growth potential	49.7	Market size/growth potential	57.6	Market size/growth potential	73.4	Market size/growth potential	86.5	Market size/growth potential	76.2
2	Clustering of customer firms	28.5	Market size/growth potential	49.0	Clustering of customer firms	31.7	Political and social stability	41.6	Pro-Japanese feeling	47.7	Labor cost/labor force	27.3	Labor cost/labor force	33.8
3	Ease of local procurement	20.9	Clustering of customer firms	22.5	Infrastructure	19.0	Communications	29.5	Clustering of customer firms	31.3	Pro-Japanese feeling	26.9	Pro-Japanese feeling	27.9
4	Labor cost/labor force	13.3	Communications	22.1	Communications	18.5	Pro-Japanese feeling	24.0	Labor cost/labor force	18.8	Clustering of customer firms	21.4	Communications	22.3
5	Infrastructure	11.3	Political and social stability	18.1	Ease of local procurement	15.1	Infrastructure	20.9	Ease of local procurement	18.2	Land, offices	8.4	Clustering of customer firms	14.8
6	Communications	10.4	Personnel quality	15.0	Personnel quality	13.0	Living environment	20.2	Living environment	17.4	Ease of local procurement	8.2	Land, offices	10.3
7	Personnel quality	10.3	Infrastructure	14.7	Technological capability	10.6	Clustering of customer firms	17.5	Political and social stability	12.1	Political and social stability	6.7	Personnel quality	6.7
8	Technological capability	5.9	Ease of local procurement	12.1	Speedy procedures	6.7	Speedy procedures	17.5	Infrastructure	11.9	Personnel quality	6.1	Ease of local procurement	5.9
9	Living environment	4.5	Living environment	9.9	Living environment	6.7	Tax system	14.3	Personnel quality	10.3	Communications	4.7	Political and social stability	5.1
10	Land, offices	4.4	Speedy procedures	8.2	Employee retention rate	5.4	Personnel quality	13.6	Land, offices	9.7	Employee retention rate	4.5	Tax system	4.7

Rank	Vietnam (n=1,410)		India (n=733)		US (n=1,177)		Mexico (n=296)		UK (n=409)		Germany (n=508)	
1	Market size/growth potential	86.1	Market size/growth potential	94.0	Market size/growth potential	85.4	Market size/growth potential	79.4	Market size/growth potential	57.7	Market size/growth potential	64.6
2	Pro-Japanese feeling	41.5	Labor cost/labor force	27.6	Political and social stability	30.2	Clustering of customer firms	33.1	Communications	34.5	Political and social stability	33.5
3	Labor cost/labor force	40.9	Clustering of customer firms	18.8	Communications	28.5	Labor cost/labor force	19.9	Infrastructure	21.0	Clustering of customer firms	27.6
4	Personnel quality	19.6	Pro-Japanese feeling	13.6	Clustering of customer firms	27.7	Ease of local procurement	13.5	Clustering of customer firms	20.5	Technological capability	22.0
5	Clustering of customer firms	18.1	Personnel quality	10.2	Infrastructure	21.0	Pro-Japanese feeling	11.5	Political and social stability	20.3	Infrastructure	21.3
6	Political and social stability	16.7	Technological capability	10.0	Living environment	17.5	Land, offices	10.1	Living environment	20.0	Personnel quality	17.3
7	Land, offices	11.4	Ease of local procurement	9.8	Ease of local procurement	15.5	Infrastructure	6.1	Technological capability	15.6	Living environment	17.1
8	Ease of local procurement	8.9	Communications	9.1	Technological capability	13.9	Political and social stability	5.4	Pro-Japanese feeling	14.2	Communications	16.9
9	Living environment	6.7	Land, offices	7.9	Pro-Japanese feeling	13.5	Communications	5.4	Personnel quality	13.4	Pro-Japanese feeling	15.9
10	Employee retention rate	6.2	Political and social stability	4.8	Personnel quality	10.7	Tax system	3.7	Ease of local procurement	11.2	Ease of local procurement	15.4

Notes 1) n = total number of firms that responded regarding attractions and advantages in each country/region (only for countries/regions where they are currently doing business or considering doing so).

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

3) Cells highlighted in yellow indicate that the response rate rose compared to the previous survey (FY2017). Cells highlighted in orange with an italicized number indicate an increase of 5 percentage points or more. Cells with a bold number indicate that the response rate declined by 5 percentage points or more. However, 4 countries, Taiwan, South Korea, Singapore, and Germany, were not included in the previous survey, and therefore, no time series comparisons are available.

4) Attractions and advantages are ranked in descending order of response rate by country/region. Those whose response rates are the same are given the same rank.

5) Refer to the reference material (p. 57) for the original expressions of the attractions and advantages.

Vietnam's "market size/growth potential" gaining increased recognition

For China and Vietnam, the ratio of firms that consider "market size/growth potential" as an attraction has been on the rise. From FY2013 to FY2019, the ratio increased 11.1 percentage points for Vietnam and 5.3 percentage points for China. Other attractions and advantages for which response rates increased include: "land, offices" for Thailand, up 5.0 percentage points; "personnel quality" for China, up 4.9 percentage points; "political and social stability" for Thailand, up 4.8 percentage points; and "ease of local procurement" for Vietnam, up 3.8 percentage points.

Attractions and advantages in China (top 10 items)

(Multiple answers, %, % points)

China					
Rank	Attractions/advantages	FY2013 (n=1,841)	FY2017 (n=1,879)	FY2019 (n=2,040)	FY2013 →FY2019
1	Market size/growth potential	85.8	89.8	91.1	5.3
2	Clustering of customer firms	27.3	27.4	28.5	1.2
3	Ease of local procurement	19.1	21.8	20.9	1.8
4	Labor cost/labor force	16.9	13.6	13.3	Δ 3.6
5	Infrastructure	13.6	12.8	11.3	Δ 2.3
6	Communications	7.5	10.1	10.4	2.9
7	Personnel quality	5.4	9.0	10.3	4.9
8	Technological capability	-	6.1	5.9	-
9	Living environment	4.5	4.2	4.5	Δ 0.0
10	Land, offices	2.9	3.2	4.4	1.5

Attractions and advantages in Vietnam (top 10 items)

(Multiple answers, %, % points)

Vietnam					
Rank	Attractions/advantages	FY2013 (n=1,047)	FY2017 (n=1,261)	FY2019 (n=1,410)	FY2013 →FY2019
1	Market size/growth potential	75.0	82.2	86.1	11.1
2	Pro-Japanese feeling	-	42.8	41.5	-
3	Labor cost/labor force	44.0	41.9	40.9	Δ 3.1
4	Personnel quality	19.7	20.2	19.6	Δ 0.1
5	Clustering of customer firms	14.7	19.8	18.1	3.4
6	Political and social stability	15.3	17.8	16.7	1.4
7	Land, offices	8.3	12.3	11.4	3.1
8	Ease of local procurement	5.1	8.7	8.9	3.8
9	Living environment	4.0	6.9	6.7	2.7
10	Employee retention rate	5.3	7.0	6.2	0.9

Attractions and advantages in Thailand (top 10 items)

(Multiple answers, %, % points)

Thailand					
Rank	Attractions/advantages	FY2013 (n=1,372)	FY2017 (n=1,299)	FY2019 (n=1,264)	FY2013 →FY2019
1	Market size/growth potential	73.5	69.2	73.4	Δ 0.1
2	Pro-Japanese feeling	-	52.1	47.7	-
3	Clustering of customer firms	39.1	35.5	31.3	Δ 7.8
4	Labor cost/labor force	18.6	17.7	18.8	0.2
5	Ease of local procurement	20.4	19.6	18.2	Δ 2.2
6	Living environment	21.4	20.2	17.4	Δ 4.0
7	Political and social stability	7.3	11.2	12.1	4.8
8	Infrastructure	23.9	13.9	11.9	Δ 12.0
9	Personnel quality	13.7	10.9	10.3	Δ 3.4
10	Land, offices	4.7	6.7	9.7	5.0

Notes 1) n = total number of firms that responded regarding attractions and advantages in each country/region (only for countries/regions where they are currently doing business or considering doing so).

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

3) Highlighted cells indicate that the response rate rose compared to the previous survey.

4) "Technological capability of local firms and universities, etc." and "pro-Japanese feeling" were newly established items in FY2017. "Clustering of customer firms (delivery destinations)" was "clustering of trading partners (delivery destinations)" in FY2013. "High employee quality, abundant highly qualified personnel" was "high employee quality" in FY2013.

5) Refer to the reference material (p. 57) for the original expressions of the attractions and advantages.

Issues for business: Additional tariffs, the largest business issue in US and China

The largest business issue in the US and China is “additional tariff measures between the US and China” as pointed out by 60% and 50% of firms respectively. Meanwhile, “Brexit risk” is considered the biggest issue for business in the UK, as was the case in the previous survey (FY2017). Issues with a far higher response rate than in the previous survey include: “political/social situations, security” in China; “natural disasters, environmental pollution” in Indonesia; “political/social situations, security,” “collection of bills,” and “infrastructure” in Mexico; and “political/social situations, security” in the UK.

Issues in each country/region (top 10 items, by country/region)

(Multiple answers, %)

Rank	China (n=2,123)	Taiwan (n=1,005)	South Korea (n=849)	Singapore (n=737)	Thailand (n=1,002)	Indonesia (n=797)	Philippines (n=588)							
1	Additional tariff measures between the US and China 60.8	No particular issues	46.3	Political/social situations, security	61.2	No particular issues	51.7	No particular issues	31.6	No particular issues	26.0	No particular issues	28.6	
2	Political/social situations, security	42.9	Additional tariff measures between the US and China	15.3	No particular issues	14.6	High/rising labor cost	30.3	High/rising labor cost	23.6	Infrastructure	22.6	Political/social situations, security	27.6
3	IP protection	40.7	Political/social situations, security	13.5	Additional tariff measures between the US and China	12.8	Labor shortage, difficulty in hiring	9.2	Political/social situations, security	18.2	Political/social situations, security	22.3	Infrastructure	24.0
4	High/rising labor cost	37.8	High/rising labor cost	12.2	High/rising labor cost	11.5	Collection of bills	5.4	Administrative procedures	11.8	Administrative procedures	21.8	Collection of bills	19.2
5	Collection of bills	35.0	Collection of bills	6.9	IP protection	9.5	Additional tariff measures between the US and China	4.9	Natural disasters, environmental pollution	11.5	Legal system and its enforcement	19.4	Natural disasters, environmental pollution	15.1
6	Administrative procedures	28.7	Administrative procedures	6.8	Exchange risk	9.4	Exchange risk	3.4	Labor shortage, difficulty in hiring	10.3	Collection of bills	17.7	Legal system and its enforcement	12.2
7	Legal system and its enforcement	18.5	Exchange risk	4.8	Collection of bills	8.6	Administrative procedures	3.1	Exchange risk	10.1	Exchange risk	16.3	Administrative procedures	11.6
8	Tax system and procedures	18.5	IP protection	4.4	Administrative procedures	6.9	Clustering of related industries	2.7	Collection of bills	10.0	Natural disasters, environmental pollution	16.1	Clustering of related industries	11.4
9	Exchange risk	14.9	Natural disasters, environmental pollution	4.3	Legal system and its enforcement	4.8	Tax system and procedures	2.2	Additional tariff measures between the US and China	7.8	Tax system and procedures	14.6	Exchange risk	8.7
10	Natural disasters, environmental pollution	12.8	Labor shortage, difficulty in hiring.	3.3	Labor shortage, difficulty in hiring	3.4	Political/social situations, security	2.0	Legal system and its enforcement	7.1	High/rising labor cost	12.3	Tax system and procedures	7.7
		Tax system and procedures	3.3											

Rank	Vietnam (n=1,107)	India (n=629)	US (n=1,015)	Mexico (n=371)	UK (n=591)	Germany (n=485)						
1	No particular issues	25.4	Infrastructure	32.0	Additional tariff measures between the US and China 50.2	Political/social situations, security	34.5	Brexit risk	65.7	No particular issues	48.2	
2	Administrative procedures	22.4	Collection of bills	27.0	No particular issues	25.8	No particular issues	30.2	No particular issues	22.5	Brexit risk	26.0
3	Infrastructure	20.0	Administrative procedures	24.0	High/rising labor cost	20.0	Collection of bills	16.2	Exchange risk	12.7	High/rising labor cost	15.5
4	Legal system and its enforcement	19.8	Legal system and its enforcement	21.9	Exchange risk	16.4	Additional tariff measures between the US and China	15.9	High/rising labor cost	11.5	Exchange risk	9.7
5	Collection of bills	18.5	No particular issues	21.1	Administrative procedures	9.0	Exchange risk	14.3	Political/social situations, security	8.5	Additional tariff measures between the US and China	4.9
6	High/rising labor cost	15.3	Political/social situations, security	20.3	Labor shortage, difficulty in hiring	7.5	Infrastructure	11.9	Additional tariff measures between the US and China	5.1	Administrative procedures	4.7
7	Tax system and procedures	13.9	Tax system and procedures	19.2	Political/social situations, security	6.5	Legal system and its enforcement	8.6	Administrative procedures	3.6	Labor shortage, difficulty in hiring	4.3
8	Clustering of related industries	10.7	Natural disasters, environmental pollution	18.3	Tax system and procedures	4.3	Administrative procedures	8.1	Labor shortage, difficulty in hiring	2.7	Political/social situations, security	2.9
9	Political/social situations, security	9.4	Exchange risk	11.1	Brexit risk	3.4	High/rising labor cost	7.3	Collection of bills	1.9	Collection of bills	2.1
10	Exchange risk	8.5	IP protection	10.2	Collection of bills	3.3	Tax system and procedures	6.7	Tax system and procedures	1.7	Tax system and procedures	1.4

Notes 1) n = total number of firms that responded regarding issues in each country/region (only for countries/regions where they are currently doing business or considering doing so).

2) The value in each cell is the response rate for each item for number of responding firms (n) of each country/region (= number of responses for each issue / n).

3) Cells highlighted in yellow indicate that the response rate rose compared to the previous survey (FY2017). Cells highlighted in orange with an italicized number indicate an increase of 5 percentage points or more. Cells with a bold number indicate that the response rate declined by 5 percentage points or more. However, 4 countries/regions, Taiwan, South Korea, Singapore, and Germany, and the issue, “additional tariff measures between the US and China,” were not included in the previous survey, and therefore, no time series comparisons are available.

4) Issues are ranked in descending order of the response rate by country/region. Those whose response rates are the same are given the same rank.

5) Refer to the reference material (p. 57) for the original expressions of the issues.

Additional tariffs posing risk on business in East Asia and Latin America as well

“Additional tariff measures between the US and China” was seen as a business issue by not only firms doing business in China and the US, but also more than 10% of firms doing business in Taiwan, South Korea and Mexico. On the other hand, the response rate for “additional tariff measures between the US and China” fell short of 10% for Vietnam and Thailand. Furthermore, a large proportion of firms doing business in Europe such as the UK, Germany and France identified “risks/problems from the decision for the UK to leave the EU” as a business issue.

Response rate for “there are risks/problems from additional tariff measures between the US and China”

(Multiple answers, %, (no. of firms))

Respondent countries', regions' response rates (n)			Other countries', regions' response rates (n)		
China	60.8	(2,123)	France	12.5	(32)
US	50.2	(1,015)	Bangladesh	9.1	(11)
Mexico	15.9	(371)	Malaysia	8.8	(34)
Taiwan	15.3	(1,005)	Hong Kong	8.3	(24)
South Korea	12.8	(849)	Myanmar	6.4	(47)
Thailand	7.8	(1,002)	Russia	6.3	(16)
Vietnam	6.6	(1,107)	North and Latin America total	15.8	(19)
Philippines	5.1	(588)	Africa total	9.5	(21)
UK	5.1	(591)	Middle East total	8.0	(25)
Germany	4.9	(485)	Asia and Oceania total	6.3	(158)
Singapore	4.9	(737)	Russia and CIS total	5.6	(18)
Indonesia	4.8	(797)	Europe total	5.0	(80)
India	4.1	(629)			

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

(Multiple answers, %, (no. of firms))

Respondent countries', regions' response rates (n)			Other countries', regions' response rates (n)		
UK	65.7	(591)	France	18.8	(32)
Germany	26.0	(485)	Russia	12.5	(16)
US	3.4	(1,015)	Myanmar	0.0	(47)
Mexico	2.4	(371)	Malaysia	0.0	(34)
China	2.2	(2,123)	Hong Kong	0.0	(24)
South Korea	1.2	(849)	Bangladesh	0.0	(11)
Philippines	0.9	(588)	Europe total	25.0	(80)
Singapore	0.8	(737)	Africa total	14.3	(21)
Thailand	0.8	(1,002)	Russia and CIS total	11.1	(18)
India	0.8	(629)	Asia and Oceania total	0.6	(158)
Taiwan	0.7	(1,005)	North and Latin America total	0.0	(19)
Vietnam	0.5	(1,107)	Middle East total	0.0	(25)
Indonesia	0.4	(797)			

Notes 1) The number of respondents in parentheses (n) = total number of firms that responded for issues in each country/region (only for countries/regions where they are currently doing business or considering doing so).

2) The value in each cell is the response rate for each item for the number of respondents (n) for each country/region (= number of responses for each issue / n).

3) Cells highlighted yellow indicate issues with response rate of 10% or greater.

4) Other countries/regions are those referred to by respondents in answers to the open-response question. Only countries/regions where the number of respondent firms is 10 or more are listed. Each regional total includes countries/regions referred to in answers to the open-response question, which are considered to be part of the respective regions.

Additional tariffs between US and China and Brexit considered business risks for wide range of industries

A look at the responses by industry reveals that a large proportion of firms in the cars/car parts/other transportation machinery and transport industries in both the US and China stated that they were faced with “risks/problems from additional tariff measures between the US and China.” As for the UK, “risks/problems from the decision by the UK to leave the EU” was pointed out by firms in a wide range of industries, with more than 80% of firms in the professional services and medical products & cosmetics industries recognizing Brexit as a business issue.

Response rate for “there are risks/problems from additional tariff measures between the US and China” (by industry)

(Multiple answers, %, (no. of firms))

	China (n)	US (n)
Total	60.8 (2,123)	50.2 (1,015)
Manufacturing	61.5 (1,273)	49.0 (682)
Food & beverages	50.8 (321)	35.5 (214)
Textiles/clothing	56.8 (81)	62.5 (40)
Wood & wood products/furniture & building materials/paper & pulp	66.7 (36)	61.9 (21)
Chemicals	66.2 (74)	51.4 (37)
Medical products & cosmetics	51.7 (58)	45.8 (24)
Coal & petroleum products/plastics/rubber products	60.4 (53)	42.1 (19)
Ceramics/earth & stone	54.2 (24)	/ (9)
Iron & steel/non-ferrous metals/metal products	70.7 (123)	47.6 (63)
General machinery	70.4 (115)	60.3 (63)
Electrical equipment	78.3 (60)	65.4 (26)
IT equipment/electronic parts & devices	73.2 (41)	60.0 (20)
Cars/car parts/other transportation machinery	82.8 (64)	75.7 (37)
Precision equipment	67.2 (58)	53.3 (30)
Other manufacturing	53.9 (165)	49.4 (79)
Non-manufacturing	59.6 (850)	52.9 (333)
Trade/wholesale	61.2 (523)	55.8 (190)
Retail	42.0 (50)	52.6 (19)
Construction	68.8 (32)	33.3 (15)
Transport	76.2 (42)	82.4 (17)
Finance/insurance	66.7 (30)	70.0 (10)
Communication, information, & software	51.1 (45)	33.3 (18)
Professional services	56.5 (23)	46.7 (15)
Other non-manufacturing	53.3 (105)	42.9 (49)

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

(Multiple answers, %, (no. of firms))

	UK (n)	Germany (n)
Total	65.7 (591)	26.0 (485)
Manufacturing	64.9 (388)	25.5 (333)
Food & beverages	57.8 (109)	17.9 (84)
Textiles/clothing	80.0 (25)	25.0 (16)
Wood & wood products/furniture & building materials/paper & pulp	58.3 (12)	/ (9)
Chemicals	66.7 (18)	47.1 (17)
Medical products & cosmetics	88.2 (17)	40.0 (15)
Coal & petroleum products/plastics/rubber products	81.3 (16)	27.3 (11)
Ceramics/earth & stone	/ (4)	/ (2)
Iron & steel/non-ferrous metals/metal products	59.1 (44)	19.5 (41)
General machinery	61.8 (34)	24.2 (33)
Electrical equipment	68.2 (22)	41.2 (17)
IT equipment/electronic parts & devices	/ (8)	/ (8)
Cars/car parts/other transportation machinery	76.9 (13)	30.8 (13)
Precision equipment	72.2 (18)	22.2 (18)
Other manufacturing	54.2 (48)	22.4 (49)
Non-manufacturing	67.0 (203)	27.0 (152)
Trade/wholesale	65.2 (115)	21.3 (94)
Retail	81.8 (11)	/ (6)
Construction	80.0 (10)	/ (9)
Transport	80.0 (10)	/ (7)
Finance/insurance	/ (7)	/ (3)
Communication, information, & software	57.1 (14)	36.4 (11)
Professional services	92.3 (13)	/ (6)
Other non-manufacturing	47.8 (23)	25.0 (16)

Notes 1) The number of respondents in parentheses (n) = total number of firms that responded for issues in each country/region (only for countries/regions where they are currently doing business or considering doing so).

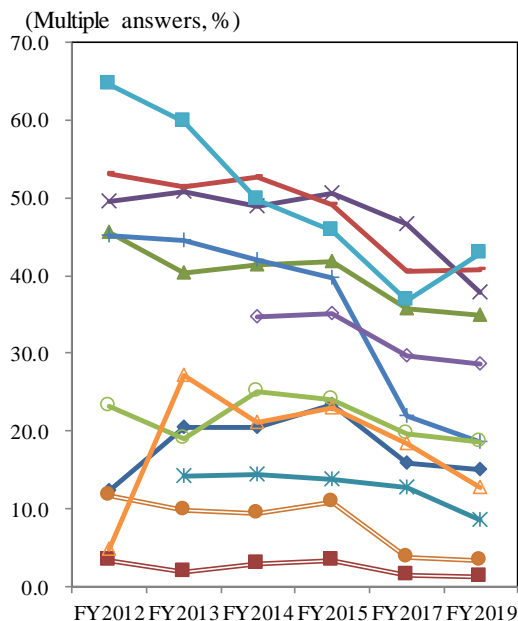
2) The value in each cell is the response rate for each item for the number of respondents (n) for each industry (= number of responses for each issue / n).

3) Highlighted cells indicate issues with response rate of 60% or greater. 4) Response rates for industries with fewer than 10 respondent firms are not provided (diagonal line).

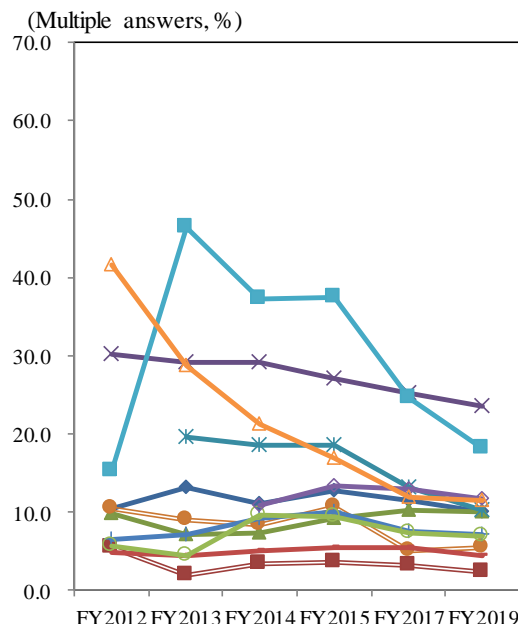
Response rates for other issues generally declined

For the top 3 countries in terms of the number of firms identifying business issues, the response rate for each issue has shown a general declining trend. Although the percentage of firms identifying business issues in China remains relatively high, the response rates have generally dropped; in particular, the response rate for “legal system and its enforcement” plunged more than 20 percentage points from FY2012 (45.1%). For Thailand, the response rate for “natural disasters, environmental pollution” decreased more than 30 percentage points from FY2012 (41.6%), while that for “political/social situations, security” decreased more than 20 percentage points from FY2013 (46.4%). For Vietnam, the response rate for “infrastructure” tumbled more than 20 percentage points from FY2012 (43.6%).

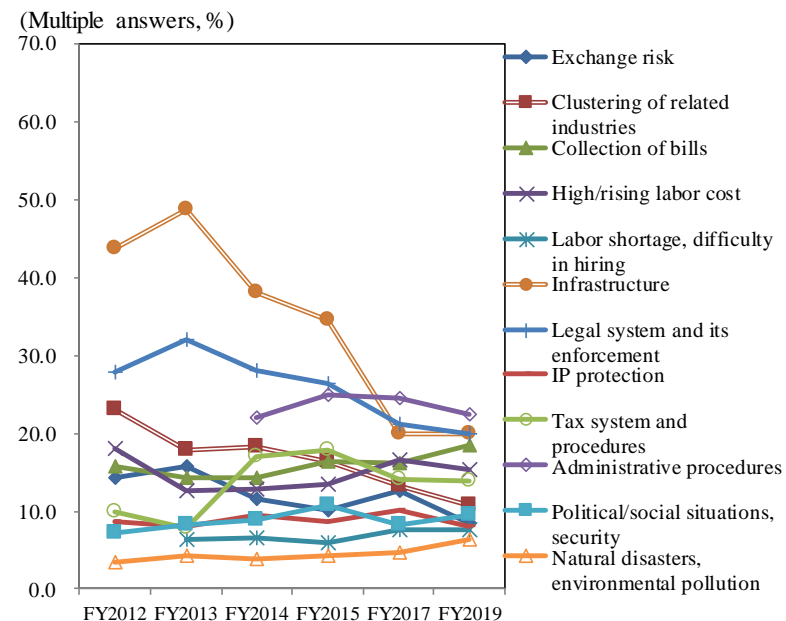
Issues in China



Issues in Thailand



Issues in Vietnam



Notes 1) Only countries/regions where firms are currently doing business or considering doing so are covered. The number of respondents for each country in FY2019 is as described on p. 23. The number of respondents for each country in or before FY2017 is as follows:

FY2012: China, 1,304; Thailand, 750; Vietnam, 612

FY2013: China, 2,018; Thailand, 1,217; Vietnam, 878

FY2014: China, 1,946; Thailand, 1,288; Vietnam 996

FY2015: China, 1,942; Thailand, 1,267; Vietnam, 1,042

FY2017: China, 1,853; Thailand, 1,048; Vietnam, 952

2) Each value is the response rate for each issue for the number of respondents for each fiscal year (= number of responses for each issue / n).

3) The item of “there are risks/problems from additional tariff measures between the US and China” newly established in FY2019 and that of “there are risks/problems from the decision by the UK to leave the EU” newly established in FY2017 are not included in the charts. The items of “no particular risks or issues recognized” and “others” are not included in the charts, either. “Labor shortage, difficulty in hiring qualified personnel” was “labor shortage, difficulty in recruitment” in FY2013-2015 and was not included in the FY2012 survey. “Underdeveloped infrastructure (electricity, transportation, communications, etc.)” was “underdeveloped infrastructure” in FY2012-2015. “Tangled tax system and procedures” was “tax risks/problems” in FY2012-2013. “Risks in political situations, problems with social situations and security” was “Risks in political situations” in FY2012. “Risks of natural disasters or environmental pollution” was “risks of natural disasters” in FY2012. “Tangled administrative procedures (obtaining permits, etc.)” was newly established in FY2014.

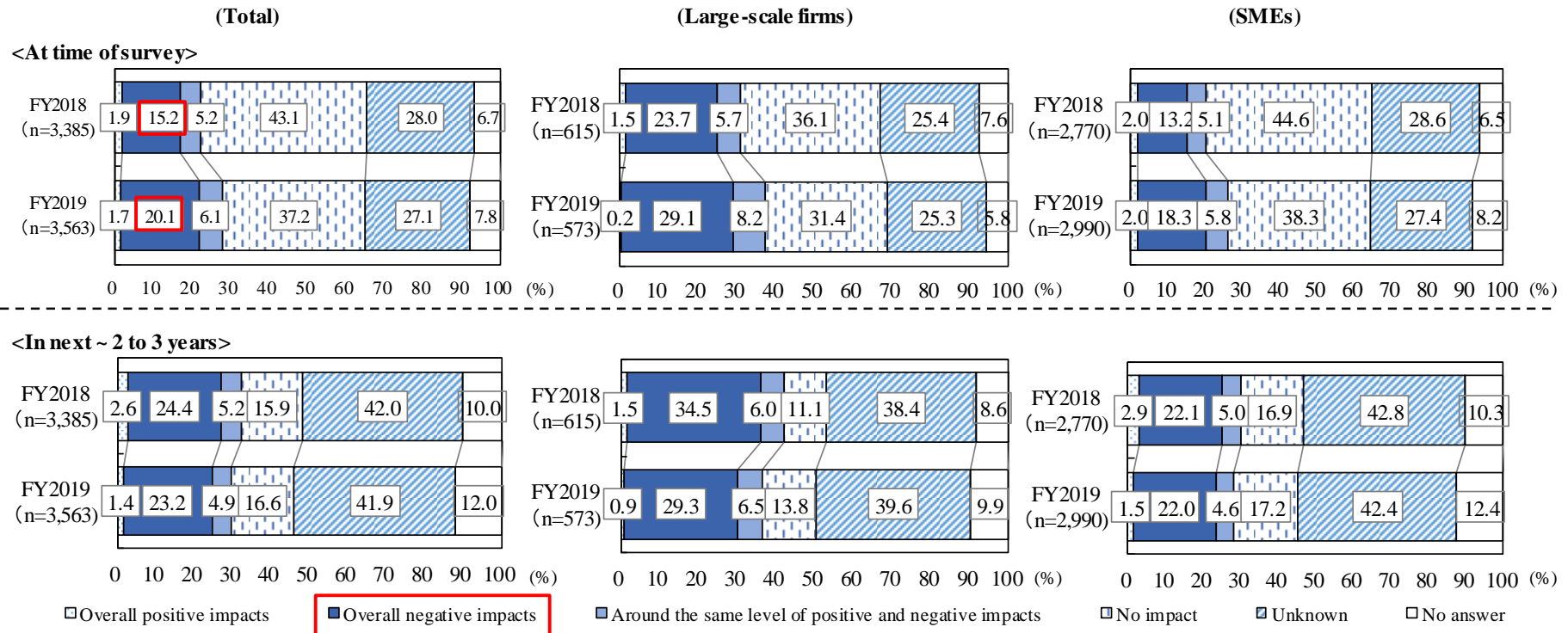
4. Impacts of trade protectionism

- The ratio of respondents reporting negative effects has expanded to 20%.
Firms are shifting supply chains from China to Vietnam or Thailand -

Negative effects of trade protectionism felt by larger proportion of firms

The percentage of firms answering that protectionist movement (trade protectionism) since 2017 had “no impact” on their business at the time of the survey decreased from 43.1% in the FY2018 survey to 37.2%, whereas that of firms answering that it had “overall negative impacts” increased 4.9 percentage points from 15.2% to 20.1%. Regarding the outlook for the future (about two to three years), 23.2% of firms stated that there would be “overall negative impacts” and 41.9% chose the response alternative of “unknown.” Both at the time of the survey and regarding the future, the ratio of large-scale firms reporting “overall negative impacts” was higher than that of their SME counterparts.

Impacts of trade protectionism (by firm size, by point of time, time series)



Note: n = total number of respondent firms.

* The “protectionist movement” (trade protectionism) in this survey indicates polices and measures since 2017, which include US sanctions against China (Article 301 of Trade Act) and tariffs increase on steel and aluminum (Article 232 of Trade Expansion Act), as well as retaliatory measures being taken against the US by other countries and other policies and measures that have been put in place or are under consideration at the time of this survey.

Many industries suffering negative effects more severely

A look at the impacts of trade protectionism by industry finds that of all response alternatives, “overall negative impacts” recorded the highest response rate from firms in the cars/car parts/other transportation machinery and transport industries. In addition, a relatively large proportion, more than 30%, of firms in the electrical equipment and iron & steel/non-ferrous metals/metal products industries reported that they felt “overall negative impacts.” Compared to the FY2018 survey, the response rate for “overall negative impacts” increased in many industries.

Impacts of trade protectionism: At time of survey (by industry)

(%)

	No. of firms	Overall positive impacts		Overall negative impacts		Around the same level of positive and negative impacts		No impact		Unknown		No answer	
		FY18→ FY19		FY18→ FY19		FY18→ FY19		FY18→ FY19		FY18→ FY19		FY18→ FY19	
Total	3,563	1.7	Δ 0.2	20.1	+4.9	6.1	+1.0	37.2	Δ 5.9	27.1	Δ 1.0	7.8	+1.1
Manufacturing	1,974	1.5	Δ 0.6	20.8	+3.6	6.7	+1.9	36.3	Δ 5.1	27.5	Δ 1.3	7.2	+1.6
Food & beverages	537	1.7	+0.6	9.5	+0.5	5.8	+1.8	40.0	Δ 3.0	33.9	Δ 2.6	9.1	+2.7
Textiles/clothing	120	0.8	Δ 0.2	12.5	Δ 3.3	5.8	+4.8	40.0	Δ 5.5	29.2	+0.5	11.7	+3.7
Wood & wood products/furniture & building materials/paper & pulp	72	1.4	Δ 0.1	22.2	+9.0	8.3	+2.5	33.3	Δ 12.3	29.2	+2.7	5.6	Δ 1.8
Chemicals	91	1.1	+1.1	26.4	+5.9	11.0	+8.8	27.5	Δ 20.9	30.8	+7.1	3.3	Δ 2.1
Medical products & cosmetics	70	1.4	Δ 2.9	12.9	+2.7	4.3	Δ 0.1	55.7	+6.4	20.0	Δ 4.6	5.7	Δ 1.5
Coal & petroleum products/plastics/rubber products	87	1.1	Δ 3.5	23.0	+1.7	6.9	+1.3	44.8	+5.9	23.0	Δ 3.9	1.1	Δ 1.6
Ceramics/earth & stone	32	0.0	0.0	12.5	+2.5	9.4	+2.7	40.6	+0.6	31.3	Δ 5.4	6.3	Δ 0.4
Iron & steel/non-ferrous metals/metal products	212	2.4	Δ 2.0	31.1	+9.4	5.7	Δ 1.6	31.1	Δ 8.0	22.6	Δ 1.0	7.1	+3.2
General machinery	167	0.6	Δ 1.8	29.9	+12.9	7.8	+0.5	37.7	Δ 1.3	19.2	Δ 8.3	4.8	Δ 1.9
Electrical equipment	93	0.0	0.0	31.2	+2.0	3.2	Δ 2.0	33.3	Δ 2.1	23.7	Δ 3.4	8.6	+5.5
IT equipment/electronic parts & devices	61	3.3	Δ 0.4	16.4	Δ 10.9	11.5	+7.8	29.5	Δ 6.9	36.1	+8.8	3.3	+1.5
Cars/car parts/other transportation machinery	108	0.0	Δ 1.0	39.8	+1.4	8.3	+5.3	26.9	Δ 7.5	21.3	+1.1	3.7	+0.7
Precision equipment	82	1.2	Δ 1.3	28.0	+10.1	7.3	Δ 1.7	30.5	Δ 0.3	25.6	Δ 7.7	7.3	+0.9
Other manufacturing	242	2.5	Δ 0.3	20.7	+5.9	7.0	+2.9	33.5	Δ 12.2	26.9	+1.5	9.5	+2.1
Non-manufacturing	1,589	2.1	+0.4	19.2	+6.5	5.4	Δ 0.2	38.4	Δ 6.7	26.5	Δ 0.5	8.4	+0.5
Trade and wholesale	797	2.1	Δ 0.2	23.5	+8.1	6.4	+0.1	37.0	Δ 7.4	24.1	Δ 0.0	6.9	Δ 0.6
Retail	110	0.9	+0.0	18.2	+9.4	5.5	+1.9	33.6	Δ 14.6	33.6	+2.9	8.2	+0.3
Construction	111	2.7	+2.7	9.9	Δ 2.0	2.7	Δ 4.2	54.1	+8.5	25.2	Δ 2.5	5.4	Δ 2.5
Transport	72	4.2	+4.2	33.3	+13.3	8.3	Δ 2.8	20.8	Δ 11.4	22.2	Δ 8.9	11.1	+5.6
Finance & insurance	78	0.0	0.0	19.2	+8.1	2.6	Δ 1.1	25.6	+0.9	41.0	Δ 9.6	11.5	+1.7
Communication, information & software	96	2.1	+0.0	8.3	+5.2	3.1	+0.0	57.3	Δ 1.5	22.9	+0.2	6.3	Δ 4.1
Professional services	62	6.5	+4.8	12.9	Δ 0.4	8.1	+8.1	46.8	Δ 8.2	14.5	Δ 5.5	11.3	+1.3
Other non-manufacturing	263	1.1	Δ 0.9	12.2	+3.7	3.8	Δ 1.0	37.6	Δ 11.6	32.3	+4.5	12.9	+5.3

Notes: 1) No. of firms is the total number of firms responding to the FY2019 survey. 2) Highlighted cells are the top 3 industries for each item in terms of response rate. Bold digits show the items with the highest response rate for each industry.

Negative effects felt more severely mainly in three major metropolitan areas

An examination of the impacts of trade protectionism by location of respondent firms reveals that the response rate for “overall negative impacts” is relatively high among firms located in Kanto/Koshinetsu, Chubu, and Kansai and that it increased from the previous year’s survey in each of these areas. Of all respondent firms in these areas, an especially high response rate for “overall negative impacts” and a large increase in the rate from the previous year’s results were recorded among those located in Tokyo, Aichi, and Osaka. Meanwhile, the response rates for “no impact” and “unknown” are higher among firms in Shikoku than the corresponding rates among firms in other areas.

Impacts of trade protectionism: At time of survey (by area)

(%)

	No. of firms	Overall positive impacts		Overall negative impacts		Around the same level of positive and negative impacts		No impact		Unknown		No answer	
		FY18→ FY19	Δ	FY18→ FY19	Δ	FY18→ FY19	Δ	FY18→ FY19	Δ	FY18→ FY19	Δ	FY18→ FY19	Δ
Total	3,563	1.7	Δ 0.2	20.1	+4.9	6.1	+1.0	37.2	Δ 5.9	27.1	Δ 1.0	7.8	+1.1
Hokkaido/Tohoku	241	1.2	Δ 0.4	15.4	+4.6	4.1	Δ 1.6	39.0	Δ 1.5	30.7	Δ 0.7	9.5	Δ 0.4
Kanto/Koshinetsu	1,523	1.5	Δ 0.3	22.3	+4.3	6.6	+0.8	38.3	Δ 4.0	23.6	Δ 2.6	7.6	+1.8
Tokyo	885	1.6	Δ 0.2	24.1	+5.9	6.6	Δ 0.1	37.6	Δ 5.3	22.9	Δ 2.0	7.2	+1.6
Chubu	346	1.4	Δ 1.2	20.8	+4.6	7.8	+4.3	32.4	Δ 10.7	31.5	+3.5	6.1	Δ 0.4
Aichi	234	1.7	+0.4	22.6	+5.0	6.8	+2.6	30.3	Δ 12.9	32.9	+6.4	5.6	Δ 1.6
Hokuriku	138	1.4	Δ 0.2	13.0	+0.3	9.4	+3.5	37.0	Δ 7.1	33.3	+7.1	5.8	Δ 3.5
Kansai	695	1.9	Δ 0.7	22.6	+8.0	6.0	+1.0	36.1	Δ 7.7	25.3	Δ 2.1	8.1	+1.5
Osaka	381	2.1	Δ 1.3	26.2	+10.5	6.3	+0.1	35.4	Δ 6.7	22.3	Δ 3.8	7.6	+1.2
Chugoku	199	2.5	+0.2	16.6	+4.1	5.5	+4.4	36.2	Δ 11.0	31.2	+2.2	8.0	+0.1
Shikoku	138	2.2	+2.2	11.6	Δ 1.2	1.4	Δ 2.3	41.3	Δ 6.1	35.5	+5.4	8.0	+2.0
Kyushu/Okinawa	283	2.8	+1.7	14.8	+7.9	4.6	Δ 1.6	37.1	Δ 5.1	31.4	Δ 4.6	9.2	+1.8

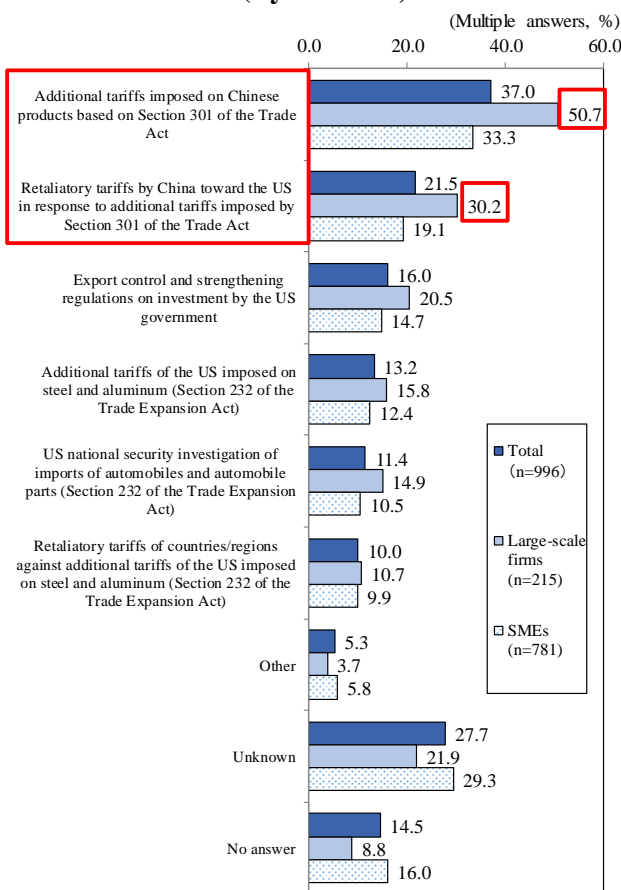
Notes: 1) No. of firms is the total number of firms responding to the FY2019 survey. 2) Highlighted cells indicate prefectures/areas with a higher response rate than that for total. Shaded cells indicate prefectures/areas with a response rate which increased more than 5 percentage points from FY2018. Bold digits show the items with the highest response rate for each prefecture/area.

Additional tariffs have strong effect on large-scale firms

As for specific trade policies affecting their business, the largest proportion (37.0%) of respondents reported “Additional tariffs of the US imposed on Chinese products.” By firm size, 50.7% of large-scale firms cited it as a trade policy affecting their business, a higher percentage than that of their SME counterparts (33.3%). By industry, many firms in the chemicals, IT equipment/electronic parts & devices, and electrical equipment industries stated that they were affected by “Additional tariffs of the US imposed on Chinese products.”

Protectionist policies affecting business: At time of survey

(By firm size)



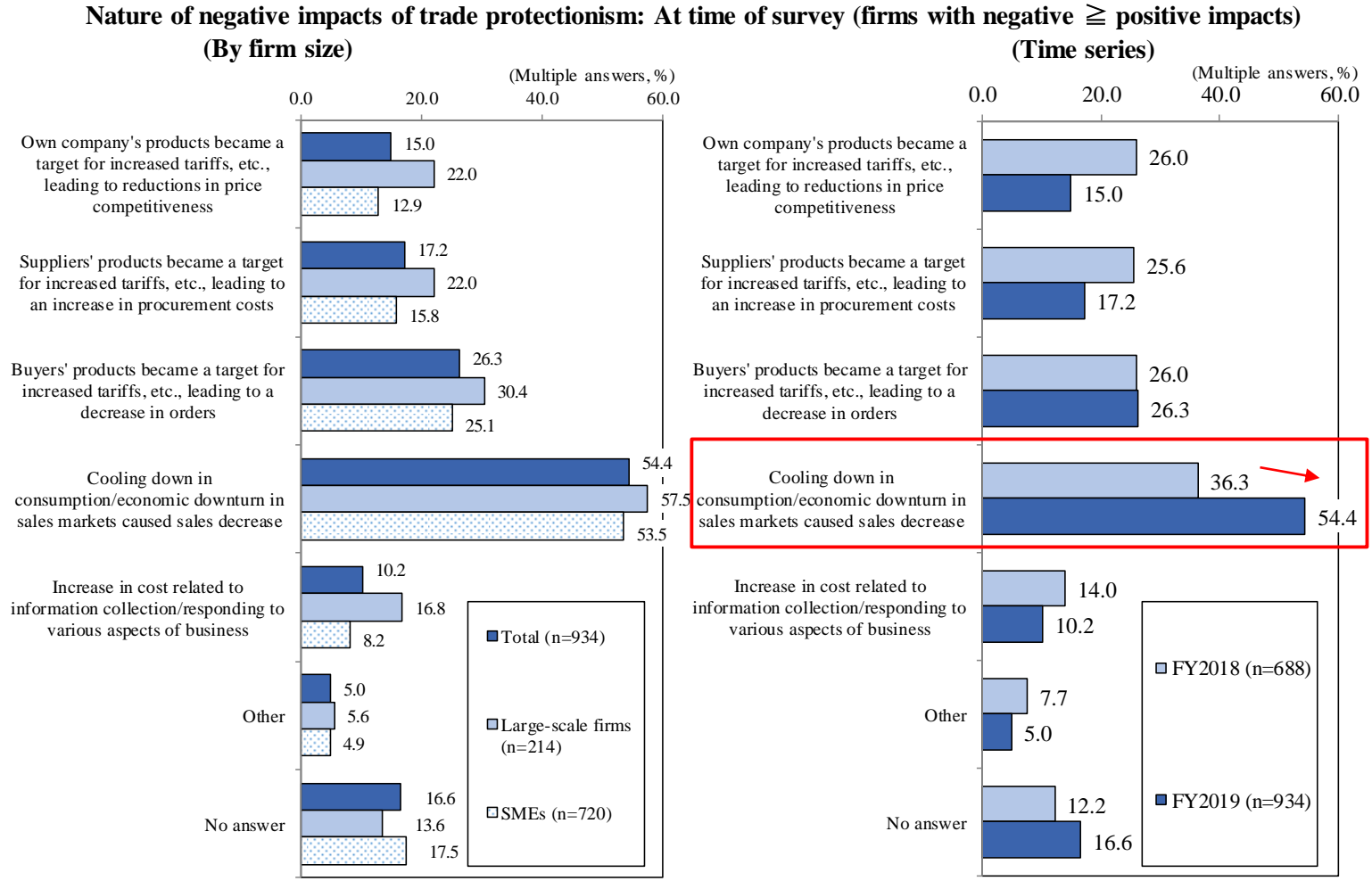
(By industry)

	No. of firms	Additional tariffs of the US imposed on Chinese products	Retaliatory tariffs by China toward the US	Export control and strengthening regulations on investment by the US	Additional tariffs of the US imposed on steel and aluminum	US national security investigation of imports of automobiles and automobile parts	Retaliatory tariffs of countries/regions against additional tariffs of the US imposed on steel and aluminum	Other	Unknown	No answer
Total	996	37.0	21.5	16.0	13.2	11.4	10.0	5.3	27.7	14.5
Manufacturing	572	40.0	22.0	15.4	13.6	12.4	9.8	4.7	26.0	14.9
Food & beverages	91	20.9	17.6	18.7	6.6	6.6	5.5	4.4	31.9	28.6
Textiles/clothing	23	30.4	26.1	4.3	0.0	0.0	0.0	8.7	34.8	21.7
Wood & wood products/furniture & building materials/paper & pulp	23	39.1	21.7	8.7	13.0	8.7	8.7	8.7	26.1	26.1
Chemicals	35	62.9	37.1	8.6	2.9	14.3	2.9	2.9	28.6	5.7
Medical products & cosmetics	13	30.8	15.4	15.4	7.7	0.0	7.7	15.4	23.1	23.1
Coal & petroleum products/plastics/rubber products	27	44.4	22.2	18.5	7.4	11.1	3.7	3.7	18.5	14.8
Ceramics/earth & stone	7	/	/	/	/	/	/	/	/	/
Iron & steel/non-ferrous metals/metal products	83	45.8	26.5	19.3	27.7	18.1	19.3	6.0	26.5	4.8
General machinery	64	42.2	14.1	17.2	15.6	9.4	6.3	3.1	26.6	9.4
Electrical equipment	32	56.3	40.6	18.8	15.6	12.5	15.6	0.0	18.8	12.5
IT equipment/electronic parts & devices	19	57.9	26.3	26.3	5.3	21.1	5.3	0.0	26.3	0.0
Cars/car parts/other transportation machinery	52	36.5	21.2	11.5	21.2	28.8	17.3	3.8	25.0	7.7
Precision equipment	30	26.7	10.0	13.3	10.0	3.3	6.7	0.0	26.7	33.3
Other manufacturing	73	42.5	19.2	12.3	16.4	12.3	12.3	8.2	19.2	15.1
Non-manufacturing	424	33.0	20.8	16.7	12.5	10.1	10.4	6.1	30.0	13.9
Trade and wholesale	255	34.9	21.6	15.3	13.7	9.4	10.6	4.7	25.1	16.5
Retail	27	33.3	25.9	22.2	11.1	3.7	11.1	7.4	33.3	14.8
Construction	17	5.9	0.0	11.8	0.0	11.8	0.0	11.8	52.9	11.8
Transport	33	39.4	30.3	21.2	24.2	27.3	21.2	3.0	33.3	9.1
Finance & insurance	17	41.2	23.5	23.5	5.9	5.9	5.9	0.0	29.4	11.8
Communication, information & software	13	30.8	23.1	15.4	0.0	0.0	0.0	15.4	46.2	7.7
Professional services	17	29.4	11.8	17.6	11.8	11.8	11.8	17.6	29.4	11.8
Other non-manufacturing	45	26.7	15.6	17.8	8.9	8.9	8.9	8.9	40.0	6.7

Notes: 1) n = firms which responded that trade protectionism had “Overall positive impacts”, “Overall negative impacts”, or “Around the same level of positive and negative impacts” at the time of the survey. 2) (For the chart on the right only) Highlighted cells indicate the top 3 industries in terms of the response rate for each item. Bold digits show the items with the highest response rate for each industry. 3) (For the chart on the right only) Response rates for items with fewer than 10 respondent firms are not provided (diagonal line). 4) (For the chart on the right only) Refer to the chart on the left for the original expressions of the response items.

Nature of negative effects: Ratio of firms concerned about “economic downturn at their sales destinations” increased sharply

The highest ratio; i.e., 54.4%, of firms reporting “negative impacts” of trade protectionism (see Note) cited “cooling down in consumption/economic downturn in sales markets caused sales decrease” as the nature of the negative impacts. It increased sharply by 18.1 percentage points from the FY2018 survey.



Note: n = firms which responded that trade protectionism had “Overall negative impacts” or “Around the same level of positive and negative impacts” at the time of the survey.

All industries worry about “economic downturn at their sales destinations” the most

A look at the nature of the negative impacts of trade protectionism on firms reporting “negative impacts” by industry reveals that “economic downturn at their sales destinations” recorded the highest response rate in all industries. About 50% of firms in the electrical equipment industry cited “decrease in orders from buyers” as the nature of the negative impacts, while roughly 30% of firms in the cars/car parts/other transportation machinery and electrical equipment industries cited “decrease in price competitiveness of own products,” indicating that firms in these industries feel a substantial direct negative impact compared to firms in other industries.

Nature of negative impacts of trade protectionism: At time of survey (by industry; firms with negative \geq positive impacts)

(Multiple answers, %)

	No. of firms	Decrease in price competitiveness of own products		Increase in procurement costs		Decrease in orders from buyers		Economic downturn and sales decrease in sales market		Increase in cost related to information collection/responding to various aspects of business		Other		No answer	
		FY18→	FY19	FY18→	FY19	FY18→	FY19	FY18→	FY19	FY18→	FY19	FY18→	FY19	FY18→	FY19
Total	934	15.0	Δ 11.0	17.2	Δ 8.3	26.3	+0.3	54.4	+18.1	10.2	Δ 3.8	5.0	Δ 2.7	16.6	+4.4
Manufacturing	543	18.4	Δ 14.3	18.8	Δ 8.5	30.2	+1.2	56.0	+20.9	9.0	Δ 4.6	5.0	Δ 1.1	16.2	+5.7
Food & beverages	82	14.6	Δ 9.6	18.3	Δ 7.5	11.0	Δ 0.3	36.6	+5.9	9.8	Δ 11.2	11.0	+4.5	25.6	+7.9
Textiles/clothing	22	18.2	Δ 34.8	13.6	Δ 45.2	40.9	+23.3	50.0	+14.7	9.1	Δ 14.4	4.5	Δ 7.2	31.8	+31.8
Wood & wood products/furniture & building materials/paper & pulp	22	0.0	Δ 23.1	22.7	Δ 0.3	31.8	Δ 14.3	50.0	Δ 3.8	0.0	Δ 15.4	4.5	Δ 3.1	22.7	+15.0
Chemicals	34	20.6	Δ 12.7	17.6	+8.1	35.3	+2.0	58.8	+16.0	11.8	+7.0	2.9	Δ 6.6	17.6	+12.9
Medical products & cosmetics	12	16.7	Δ 23.3	25.0	Δ 5.0	25.0	+5.0	75.0	+25.0	8.3	Δ 11.7	8.3	Δ 1.7	8.3	Δ 1.7
Coal & petroleum products/plastics/rubber products	26	3.8	Δ 30.6	7.7	Δ 16.4	30.8	Δ 3.7	76.9	+56.2	0.0	Δ 6.9	3.8	Δ 3.1	19.2	+8.9
Ceramics/earth & stone	7														
Iron & steel/non-ferrous metals/metal products	78	15.4	Δ 11.3	11.5	Δ 11.8	43.6	+8.6	64.1	+24.1	9.0	+2.3	6.4	+1.4	7.7	Δ 5.6
General machinery	63	19.0	Δ 11.0	15.9	Δ 4.1	28.6	Δ 6.4	49.2	+6.7	12.7	+12.7	0.0	Δ 2.5	15.9	+3.4
Electrical equipment	32	28.1	+0.9	18.8	Δ 17.6	46.9	+31.7	68.8	+32.4	15.6	+6.5	6.3	+6.3	3.1	Δ 6.0
IT equipment/electronic parts & devices	17	17.6	Δ 29.4	11.8	Δ 11.8	29.4	Δ 11.8	52.9	+35.3	11.8	Δ 17.6	11.8	0.0	29.4	+29.4
Cars/car parts/other transportation machinery	52	28.8	Δ 29.7	32.7	Δ 11.2	25.0	Δ 18.9	67.3	+35.6	7.7	Δ 16.7	1.9	Δ 3.0	11.5	+9.1
Precision equipment	29	20.7	+1.6	17.2	Δ 1.8	34.5	+5.9	51.7	+8.9	3.4	Δ 10.8	0.0	Δ 9.5	13.8	Δ 0.5
Other manufacturing	67	23.9	Δ 2.9	25.4	+1.0	28.4	+1.5	53.7	+22.0	10.4	Δ 4.2	4.5	Δ 2.8	14.9	+2.7
Non-manufacturing	391	10.2	Δ 6.0	15.1	Δ 7.9	21.0	Δ 0.6	52.2	+14.0	11.8	Δ 2.6	5.1	Δ 5.0	17.1	+2.4
Trade and wholesale	238	13.9	Δ 7.0	18.1	Δ 7.2	21.8	Δ 4.1	57.1	+15.4	8.8	Δ 0.7	2.9	Δ 3.4	17.2	+2.0
Retail	26	3.8	Δ 24.7	26.9	Δ 1.6	11.5	+4.4	34.6	+6.0	15.4	Δ 6.0	3.8	Δ 3.3	23.1	+15.9
Construction	14	0.0	Δ 10.5	0.0	Δ 42.1	35.7	+14.7	50.0	+23.7	7.1	Δ 13.9	7.1	Δ 19.2	14.3	Δ 1.5
Transport	30	0.0	0.0	0.0	Δ 3.6	23.3	+1.9	56.7	+17.4	10.0	Δ 15.0	10.0	Δ 7.9	10.0	Δ 7.9
Finance & insurance	17	5.9	Δ 2.5	17.6	+1.0	29.4	+29.4	35.3	Δ 6.4	35.3	+27.0	11.8	Δ 13.2	17.6	+1.0
Communication, information & software	11	9.1		9.1		0.0		63.6		18.2		0.0		18.2	
Professional services	13	0.0		0.0		15.4		30.8		30.8		7.7		30.8	
Other non-manufacturing	42	9.5	Δ 5.6	11.9	Δ 15.4	19.0	+6.9	42.9	+12.6	11.9	Δ 6.3	11.9	+8.9	14.3	Δ 3.9

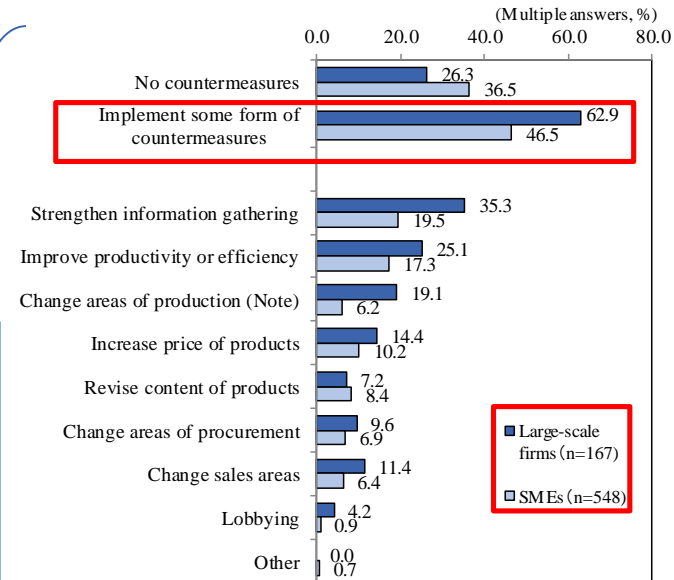
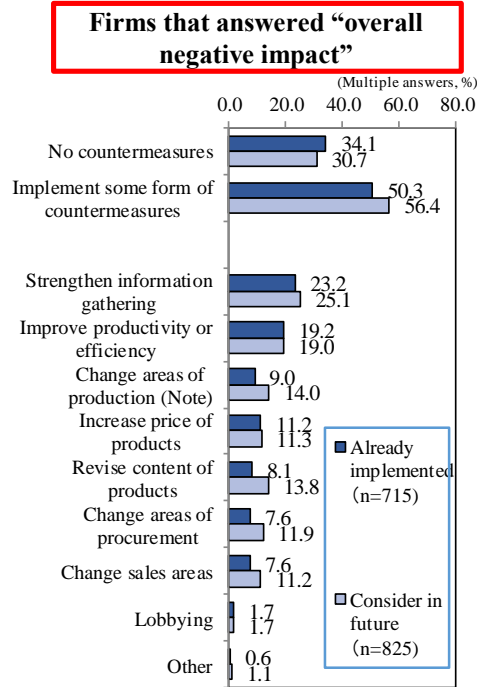
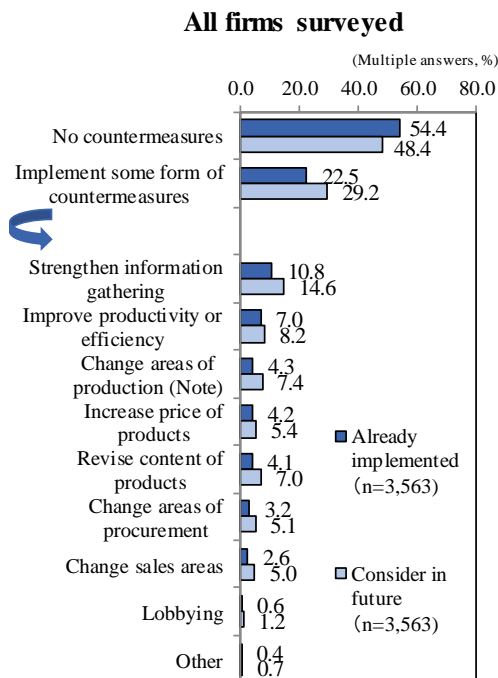
Notes: 1) Firms surveyed are those which responded that trade protectionism had “Overall negative impacts” or “Around the same level of positive and negative impacts” at the time of the survey.

2) Highlighted cells indicate the top 3 industries in terms of the response rate for each item. Bold digits show the items with the highest response rate for each industry. 3) Response rates and increases/decreases for items with fewer than 10 respondent firms in the FY2018 or FY2019 survey are not provided (diagonal line). 4) Refer to the immediately preceding page for the original expressions of the response items.

SMEs comparatively slow to take countermeasures

While 22.5% of respondent firms have already implemented some form of countermeasures against trade protectionism, 29.2% are considering taking some measures in the future. Of all firms reporting “overall negative impact” of trade protectionism, 46.5% of SMEs have some form of countermeasures in place, a far lower ratio compared to the corresponding ratio among large-scale firms (62.9%), indicating that SMEs lag behind large-scale firms in response to trade protectionism.

Countermeasures for trade protectionism (total)



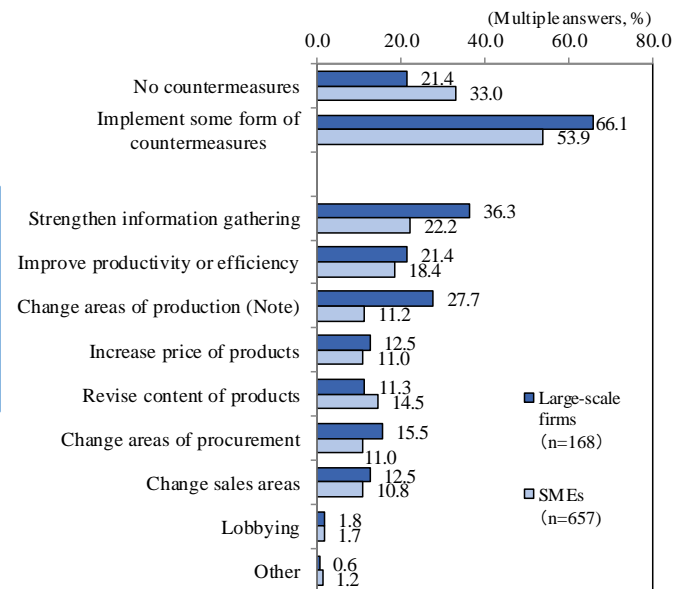
Already implemented

Consider in future

Notes: 1) n = number of firms that provided answers for the “effects of trade protectionism” for each point in time. 2) The response alternative of “change areas of production” was only for manufacturers. 3) The response rate for “implement some form of countermeasures” = 100% - (the response rate for “no countermeasures” + that for “no answer”).

* The original expressions of the response alternatives are as follows:
 No countermeasures: No countermeasures implemented/considered.
 Strengthen information gathering: Strengthen information gathering structure.
 Improve productivity or efficiency: Work to absorb costs through improvements in productivity or efficiency.
 Increase price of products: Increase price of own company’s products/services.

Change area of production: Make (partial) changes to countries/regions of own company’s production (manufacturers only).
 Revise content of products: Revise content of own company’s products/services.
 Change area of procurement: Make (partial) changes to the countries/regions from which own company procures other company’s products.
 Change sales area: Make (partial) changes to the countries/regions in which the firm sells products.
 Lobbying: Lobby Japanese/foreign governments as well as economic/industry groups, etc. in Japan and abroad.



Electrical equipment, electronic devices and transportation machinery industries quick to respond

Amongst firms that answered that trade protectionism had a “negative impact,” the proportion of those that had already implemented some form of countermeasures at the time of the survey was the highest in the IT equipment industry, followed by the transportation machinery (including parts) and electrical equipment industries. Countermeasures adopted by a relatively large percentage of firms include “improve productivity or efficiency” and “strengthen information gathering.”

Countermeasures for trade protectionism: Already implemented (by industry, firms with negative \geq positive impacts) (Multiple answers, %)

	No. of firms	Change areas of production (manufacturers only)	Change areas of procurement	Change sales areas	Increase price of products	Revise content of products	Improve productivity or efficiency	Lobbying	Strengthen information gathering	Other	No countermeasures	No answer	(Reference) Implement some form of countermeasures
Total	934	-	7.2	6.6	10.4	7.9	18.0	1.5	22.7	0.6	34.6	16.9	48.5
Manufacturing	543	8.7	6.6	5.9	10.7	6.3	23.0	1.5	21.9	0.6	32.2	16.9	50.8
Food & beverages	82	7.3	3.7	2.4	7.3	2.4	13.4	0.0	14.6	1.2	37.8	28.0	34.1
Textiles/clothing	22	13.6	4.5	9.1	9.1	13.6	18.2	0.0	13.6	0.0	40.9	18.2	40.9
Wood & wood products/furniture & building materials/paper & pulp	22	0.0	9.1	0.0	4.5	4.5	22.7	0.0	22.7	0.0	50.0	13.6	36.4
Chemicals	34	2.9	11.8	0.0	11.8	5.9	17.6	0.0	23.5	0.0	23.5	29.4	47.1
Medical products & cosmetics	12	25.0	0.0	16.7	16.7	8.3	16.7	0.0	25.0	0.0	33.3	16.7	50.0
Coal & petroleum products/plastics/rubber products	26	7.7	7.7	7.7	7.7	7.7	19.2	0.0	15.4	0.0	42.3	7.7	50.0
Ceramics/earth & stone	7	/	/	/	/	/	/	/	/	/	/	/	/
Iron & steel/non-ferrous metals/metal products	78	7.7	5.1	7.7	6.4	3.8	29.5	1.3	21.8	0.0	38.5	12.8	48.7
General machinery	63	7.9	6.3	1.6	17.5	11.1	23.8	1.6	23.8	1.6	33.3	11.1	55.6
Electrical equipment	32	15.6	6.3	12.5	12.5	3.1	25.0	9.4	34.4	0.0	21.9	15.6	62.5
IT equipment/electronic parts & devices	17	5.9	5.9	0.0	5.9	11.8	35.3	5.9	35.3	0.0	11.8	11.8	76.5
Cars/car parts/other transportation machinery	52	11.5	13.5	7.7	9.6	0.0	32.7	3.8	23.1	0.0	23.1	13.5	63.5
Precision equipment	29	6.9	3.4	10.3	20.7	6.9	13.8	0.0	20.7	3.4	34.5	17.2	48.3
Other manufacturing	67	10.4	7.5	7.5	10.4	11.9	22.4	0.0	23.9	0.0	25.4	17.9	56.7
Non-manufacturing	391	-	7.9	7.7	10.0	10.2	11.0	1.5	23.8	0.8	37.9	16.9	45.3
Trade/wholesale	238	-	11.3	9.7	10.5	10.1	12.2	1.3	22.3	0.8	34.5	19.3	46.2
Retail	26	-	3.8	3.8	23.1	15.4	0.0	0.0	3.8	0.0	53.8	15.4	30.8
Construction	14	-	0.0	0.0	7.1	7.1	14.3	0.0	35.7	0.0	57.1	0.0	42.9
Transport	30	-	0.0	10.0	3.3	0.0	16.7	0.0	30.0	0.0	40.0	13.3	46.7
Finance/insurance	17	-	0.0	0.0	0.0	0.0	0.0	0.0	23.5	0.0	64.7	11.8	23.5
Communication, information & software	11	-	9.1	0.0	0.0	9.1	9.1	9.1	45.5	0.0	45.5	9.1	45.5
Professional services	13	-	0.0	7.7	0.0	7.7	7.7	7.7	46.2	0.0	46.2	7.7	46.2
Other non-manufacturing	42	-	4.8	4.8	14.3	21.4	11.9	2.4	23.8	2.4	23.8	19.0	57.1

Notes: 1) Firms surveyed are those that answered “overall negative impact” or “equally positive and negative impact” in response to the effects of trade protectionism at the time of the survey. 2) See the previous page for the original expressions of the response items. 3) The response item of “change areas of production” was only for manufacturers. 4) Highlighted cells indicate the top 3 industries in terms of response rate for each item, excluding “other,” “no countermeasures” and “no answer.” Bold digits show the items with the highest response rate for each industry. 5) The response rate for “(reference) implement some form of countermeasures” = 100% - (the response rate for “no countermeasures” + that for “no answer”). 6) Response rates for industries with fewer than 10 respondent firms are not provided (diagonal line).

Firms more likely to deal with direct impact of additional tariffs

An examination of firms that answered trade protectionism had a “negative impact” to determine the relationship between nature of the negative effects and countermeasures they have in place reveals that firms suffering a direct impact of additional tariffs on their products are more likely to implement some form of countermeasures.

Relationship between negative effects of trade protectionism and countermeasures

(Multiple answers for both 1) and 2), %)

Point of time	1) Content of negative effects of trade protectionism	2) Countermeasures for trade protectionism												
		No. of firms	Change areas of production (manufacturers only)	Change areas of procurement	Change sales areas	Increase price of products	Revise content of products	Improve productivity or efficiency	Lobbying	Strengthen information gathering	Other	No countermeasures	No answer	(Reference) Implement some form of countermeasures
At time of survey	Total	934	8.7	7.2	6.6	10.4	7.9	18.0	1.5	22.7	0.6	34.6	16.9	48.5
	Own company's products became a target for increased tariffs, etc., leading to reductions in price competitiveness	140	23.0	19.3	11.4	20.7	11.4	30.7	6.4	28.6	0.0	10.0	18.6	71.4
	Suppliers' products became a target for increased tariffs, etc., leading to an increase in procurement costs	161	17.6	21.1	7.5	18.0	8.1	22.4	4.3	24.2	0.0	19.9	23.6	56.5
	Buyers' products became a target for increased tariffs, etc., leading to a decrease in orders	246	9.8	8.5	9.8	12.6	10.2	24.4	2.0	26.8	0.4	31.7	11.4	56.9
	Cooling down in consumption/economic downturn in sales markets caused sales decrease	508	7.9	6.3	9.6	11.8	8.1	22.6	1.8	26.2	0.6	37.4	9.6	53.0
	Increase in information gathering costs and handling costs	95	22.4	12.6	6.3	14.7	8.4	16.8	8.4	33.7	0.0	32.6	18.9	48.5
	Other	47	7.4	4.3	2.1	2.1	6.4	12.8	2.1	25.5	4.3	42.6	12.8	44.6

Notes: 1) n = number of firms that provided answers for “1) nature of the negative effects of trade protectionism” at the time of the survey. The rate is the response rate for each item of “2) countermeasures for trade protectionism” for population size (n) by nature of the negative effects. 2) Highlighted cells indicate response rates higher than that for “no countermeasures” listed in the same row. Bold digits show the items with the highest response rate for each countermeasures. 3) Total consists of firms which answered that trade protectionism had “overall negative impact” or “equally positive and negative impact.” 4) The response item of “change areas of production” was only for manufacturers. 5) The response rate for “(reference) implement some form of countermeasures” = 100% - (the response rate for “no countermeasures” + that for “no answer”).

Many firms moving production out of China to Vietnam or Thailand

Among all respondent firms, a total of 159 production bases have been transferred (including partial transfers and plans to transfer) in response to trade protectionism. China was cited as a source of the transfer in most cases, accounting for 69.2%, while ASEAN, cited as a major transfer destination, accounted for 61.0%. As for the major restructuring patterns of the production bases, transfers from China to Vietnam accounted for 24.5%, followed by transfers from China to Thailand at 14.5%. In terms of the timing of production transfer, 37.7% of the total transfers are scheduled for 2020 or later.

Sources and destinations of production transfer

(No. of cases, including partial transfers and plans to transfer)
(Multiple answers, %)

Source of production transfer	No. of cases (n)	Ratio
Total	159	100.0
1 China	110	69.2
2 Japan	22	13.8
3 US	6	3.8
4 Taiwan	5	3.1
5 Thailand	4	2.5
6 Vietnam	3	1.9
(Reference) ASEAN10	9	5.7

(Multiple answers, %)

Destination of production transfer	No. of cases (n)	Ratio
Total	159	100.0
1 Vietnam	43	27.0
2 Thailand	33	20.8
3 China	15	9.4
3 Japan	15	9.4
5 Taiwan	7	4.4
5 Philippines	7	4.4
7 Indonesia	6	3.8
7 India	6	3.8
9 Cambodia	4	2.5
9 US	4	2.5
9 Mexico	4	2.5
12 Myanmar	3	1.9
(Reference) ASEAN10	97	61.0

Major industries having transferred production bases

(No. of cases, including partial transfers and plans to transfer)

(Multiple answers, %)

	No. of cases (n)	Ratio
Total	159	100.0
Manufacturing	119	74.8
Cars/car parts/other transportation machinery	16	10.1
Iron & steel/non-ferrous metals/metal products	14	8.8
Other manufacturing	14	8.8
Coal & petroleum products/plastics/rubber products	13	8.2
General machinery	11	6.9
Food & beverages	10	6.3
IT equipment/electronic parts & devices	9	5.7
Electrical equipment	8	5.0
Chemicals	7	4.4
Precision equipment	7	4.4
Textiles/clothing	6	3.8
Non-manufacturing	40	25.2

Notes: 1) The number of restructuring cases (n) = total number of cases where production bases have been or are planned to be transferred. A maximum of 2 cases per firm.

2) Only sources and destinations of production transfer with 3 cases or more are listed. The response alternative of "none" is excluded.

3) Response alternatives are as follows:

- | | | |
|----------------|----------------|----------------|
| 1. China | 2. Taiwan | 3. South Korea |
| 4. Singapore | 5. Thailand | 6. Malaysia |
| 7. Indonesia | 8. Philippines | 9. Vietnam |
| 10. Cambodia | 11. Myanmar | 12. India |
| 13. Bangladesh | 14. US | 15. Canada |
| 16. Mexico | 17. Japan | 18. Others |
| | | 19. None |

Major restructuring patterns of production bases

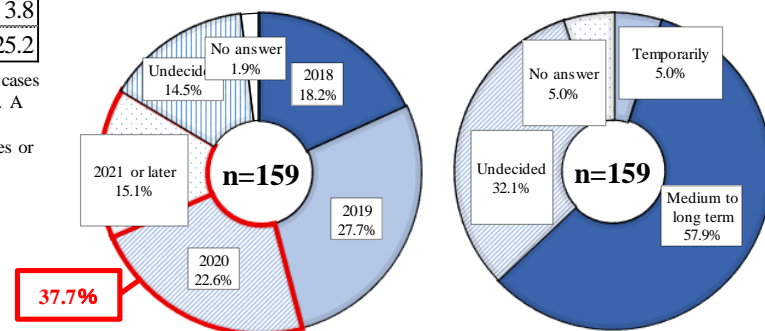
(No. of cases, including partial transfers and plans to transfer)

(Multiple answers, %)

	Shift from	Shift to	No. of cases (n)	Ratio
Total number of restructuring cases			159	100.0
1	China	Vietnam	39	24.5
2	China	Thailand	23	14.5
3	China	Japan	11	6.9
4	Japan	China	8	5.0
5	China	Philippines	6	3.8
5	China	Indonesia	6	3.8
5	Japan	Thailand	6	3.8

Timing and period of production transfer

(No. of cases, including partial transfers and plans to transfer)



Trend of transferring supply sources from China to Vietnam or Thailand

Among all respondent firms, a total of 170 supply sources have been transferred (including partial transfers and plans to transfer) in response to trade protectionism. Regarding supply sources after the transfer, the percentages of firms answering “Vietnam” and “Thailand” were 24.1% and 13.5% respectively. Looking at the major restructuring patterns of the supply sources, transfers from China to Vietnam accounted for 22.4%, followed by transfers from China to Thailand at 8.2%.

Supply sources before/after transfer (Number of cases, including partial changes and plans to change)

(Multiple answers, %)

Before transfer of supply sources	Number of cases (n)	Percentage
Total	170	100.0
1 China	106	62.4
2 Japan	16	9.4
3 US	13	7.6
4 Korea	10	5.9
5 Taiwan	4	2.4
6 Vietnam	3	1.8
6 Other	3	1.8
(Ref.) ASEAN 10	4	2.4

(Multiple answers, %)

After transfer of supply sources	Number of cases (n)	Percentage
Total	170	100.0
1 Vietnam	41	24.1
2 Thailand	23	13.5
3 China	16	9.4
3 Japan	16	9.4
5 Taiwan	14	8.2
6 India	9	5.3
7 Indonesia	5	2.9
8 Korea	4	2.4
8 Myanmar	4	2.4
8 Other	4	2.4
11 US	3	1.8
(Ref.) ASEAN 10	79	46.5

Main industries who transferred supply sources (Number of cases, including partial changes and plans to change)

(Multiple answers, %)

	Number of cases (n)	Percentage
Total	170	100.0
Manufacturing	98	57.6
General machinery	16	9.4
Other manufacturing	16	9.4
Cars/car parts/other transportation machinery	13	7.6
Iron & steel/non-ferrous mtals/metal products	10	5.9
Chemicals	9	5.3
Coal & petroleum products/ plastics/rubber products	9	5.3
Food & beverages	7	4.1
Electrical equipment	6	3.5
IT equipment/electronic parts & devices	5	2.9
Precision equipment	3	1.8
Non-manufacturing	72	42.4

Note: 1) Number of restructuring cases (n) is the total number of already transferred cases and planned cases to transfer supply sources. Max two cases per company are answered.
2) Before and after supply sources' transfer are listed only when the number of cases are three or more, excluding cases of "0".

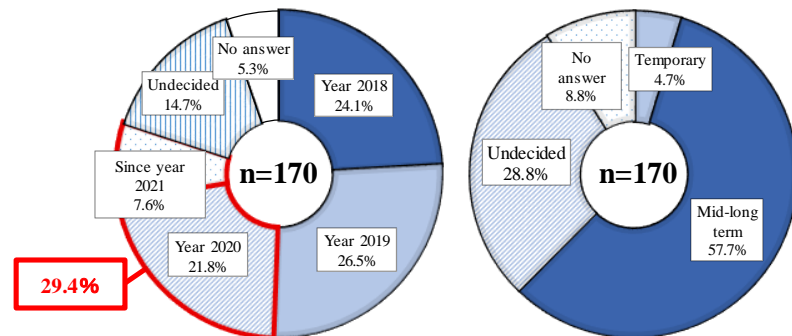
Main restructuring patterns

(Number of cases, including partial changes and plans to change)

(Multiple answers, %)

	Shift from	Shift to	Number of caes (n)	Percentage
Total number of restructuring cases			170	100.0
1	China	Vietnam	38	22.4
2	China	Thailand	14	8.2
3	China	Japan	10	5.9
3	China	Taiwan	10	5.9
5	China	India	7	4.1
6	Japan	China	6	3.5

Time/period of supply sources' transfer (Number of cases, including partial changes and plans to change)



Vietnam stands first also on the list of sales destination's transfer

Among all respondent firms, a total of 83 sales destinations have been transferred (including partial transfers and plans to transfer) in response to trade protectionism. The level remained approximately half that of transfers of production base and supply sources. Sales destinations after the transfer spread over individual countries of ASEAN such as Vietnam and also other firms in China. Looking at the time of sales destination's transfer, 37.3% of total transfers are scheduled for 2020 or later.

Before and after sales destination transfer (Number of cases, Including partial transfers and plans to transfer)

(Multiple answers, %)

Before sales destination's transfer	Number of cases (n)	Percentage
Total	83	100.0
1 China	40	48.2
2 Japan	14	16.9
3 Taiwan	4	4.8
4 Thailand	2	2.4
4 US	2	2.4
(Ref.) ASEAN 10	4	4.8

(Multiple answers, %)

After sales destination's transfer	Number of cases (n)	Percentage
Total	83	100.0
1 Vietnam	13	15.7
2 China	10	12.0
3 Thailand	9	10.8
4 Singapore	6	7.2
5 US	5	6.0
6 Taiwan	4	4.8
6 Philippines	4	4.8
8 Japan	3	3.6
(Ref.) ASEAN 10	35	42.2

Main industries who transferred sales destination (Number of cases, including partial transfers and plans to transfer)

(Multiple answers, %)

	Number of cases (n)	Percentage
Total	83	100.0
Manufacturing	42	50.6
Other manufacturing	8	9.6
General machinery	6	7.2
Food & beverages	6	7.2
Coal & petroleum products/ plastics/rubber products	5	6.0
Cars/car parts/other transportation machinery	3	3.6
Precision equipment	3	3.6
Chemicals	2	2.4
Ceramics/earth & stone	2	2.4
Iron & steel/non-ferrous metals/metal products	2	2.4
Electrical equipment	2	2.4
IT equipment/electronic parts & devices	2	2.4
Non-manufacturing	41	49.4

Note 1: Number of restructuring cases (n) is the total number of already transferred cases and planned cases to transfer sales destination. Max two cases per company are answered.

Note 2: Before and after sales destination's transfer are listed only when the number of cases are two or more, excluding cases of "0".

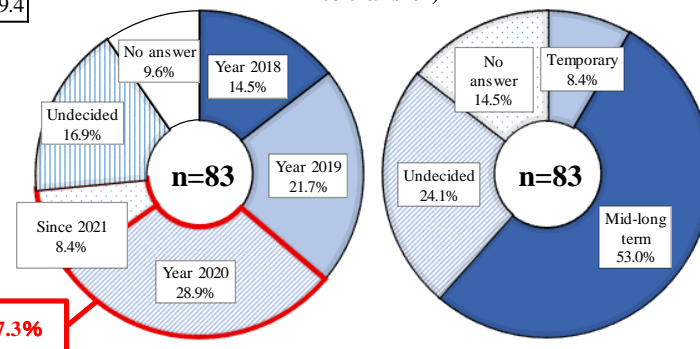
Main restructuring patterns

(Number of cases, including partial transfers and plans to transfer)

(Multiple answers, %)

	Shift from →	Shift to	Number of cases (n)	Percentage
Total number of restructuring cases			83	100.0
1	China	Vietnam	9	10.8
2	China	Thailand	7	8.4
3	China	Japan	3	3.6
3	China	Taiwan	3	3.6
3	China	Singapore	3	3.6
3	Japan	China	3	3.6

Time/period of sales destination's transfer (Number of cases, including partial transfers and plans to transfer)



Mid/long-term policy to cope with US-China trade friction (free description)

Main answers regarding mid/long-term policy to cope with US-China trade friction (free description)

■ Transfer of production sites

- Tariff increase has caused cost increase and brought about impacts on sales price. Business in North America depends on import from China, but in the future we would like to have a production base in North America or in nearby countries. (Wood & wood products/furniture & building materials/paper & pulp)
- Import tariff on Chinese toys is a part of our company expenses and is causing a certain impact. Considering also cost increase in China, we are seeking a relocation site for production in Vietnam, Myanmar, etc. (Trade and wholesale)
- Depending on the results of negotiations between US and China, we would be required to further proceed with examining transfer of the production of goods currently manufactured in China to third countries. (Precision equipment)

■ Change of supply sources

- We are planning to change supply sources from China to Indonesia. Although it might have many elements like a kind of gamble to change it while it is unknown until when Chinese retaliatory tariffs will be applied in the future, in any case production cost increase in China will be unavoidable also from now on, therefore, we maintain the policy to thoroughly carry out the production transfer regardless of the presence of retaliatory tariffs. (Trade and wholesale)
- There is possibility that some factories (in China) might be closed because of decrease of sales volume to US, so we are now looking for suppliers in other countries. (Trade and wholesale)
- We have been importing products and materials mainly from China, and at the moment we have not found any impacts. However, because we could face uncertainty in future procurement of products due to recession caused by trade friction, we are considering the procurement of products and materials from Southeast Asian countries such as Vietnam. (Trade and wholesale)

■ Change of sales destination

- There is a concern that decrease of both domestic investment and foreign capital investment in China due to Chinese export decrease might cause not a little impact on our business, so we are considering expansion of our market in Southeast Asian countries. (General machinery)
- Predicting the decline of capital investment owing to the slump of the overall Chinese market, we aim to expand order receipt from countries other than China. (General machinery)

■ Other

- Although tariff increase is tough, under the present situation, we cannot avoid to follow it and are continuing dealings as in the past. We only make efforts to develop further sales destinations. (Trade and wholesale)
- In case the US-China trade friction will be prolonged and the downturn of the Chinese market (production adjustment) also will be prolonged, we cannot expect a recovery in the export amount of our products to China. We must consider reviewing our mid/long term strategic plan (business plan). (Precision equipment)
- At this point of time, we think we are not facing any direct impacts, however, we are concerned about the slump of the total global economy due to the intensified trade friction between US and China in the future. We will continue gathering information and consider countermeasures. (General machinery)

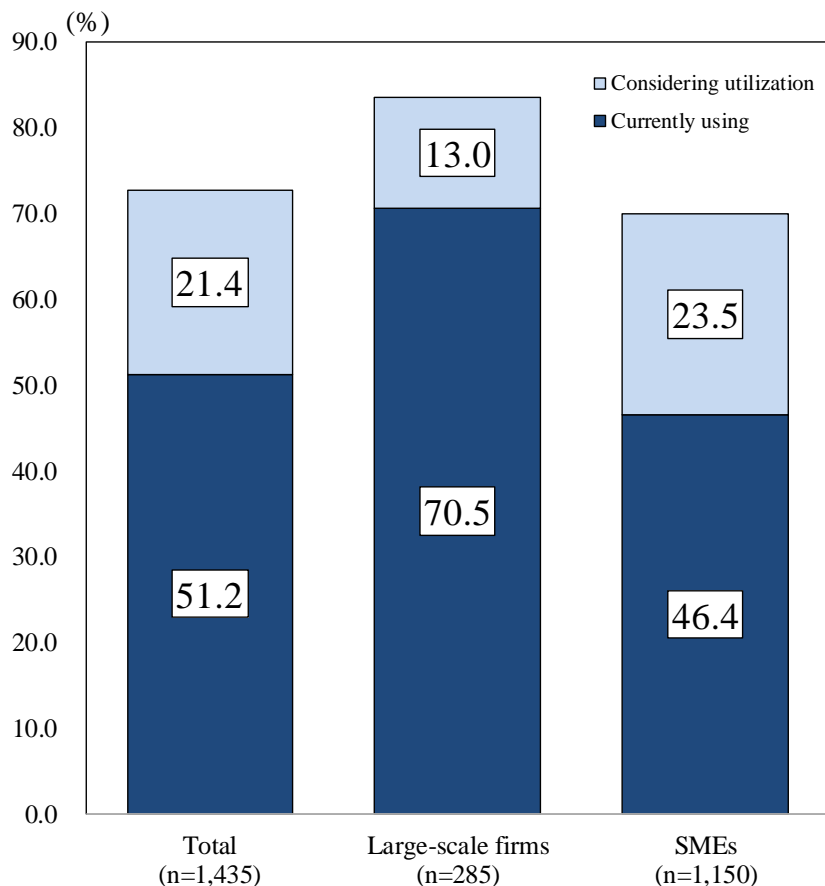
5. Utilization of Free Trade Agreements (FTAs)

- FTA utilization rate in exports was 51.2%. This is expected to increase further due to reduced tariff rates of FTAs -

FTA utilization rate in exports is 51.2%

Among firms in Japan exporting to FTA-partner countries, 51.2% are using FTAs when exporting to one or more of those countries/regions. In particular, the utilization rate of large-scale firms is as high as 70.5%, and it reaches 83.5% when combined with firms considering use of FTAs. Although the utilization rate of FTAs for SMEs is lower than that for large-scale firms, it is close to half (46.4%). By industry, FTAs are widely used in chemicals, cars/car parts/other transportation machinery, and coal & petroleum products/plastics/rubber products.

Utilization rate of Japan's FTAs (By firm size)



Note: n = the number of firms that export to one or more of Japan's FTA (already effective as of survey date)-partner countries/regions (Thailand, Malaysia, Indonesia, Philippines, Vietnam, Other ASEAN, India, Mexico, Chile, Peru, Switzerland, Australia, Mongolia, Canada, New Zealand, EU), excluding firms that are required to bear no general tariffs or using tariff exemption systems other than FTAs.

Utilization rates of Japan's FTAs (By industry)

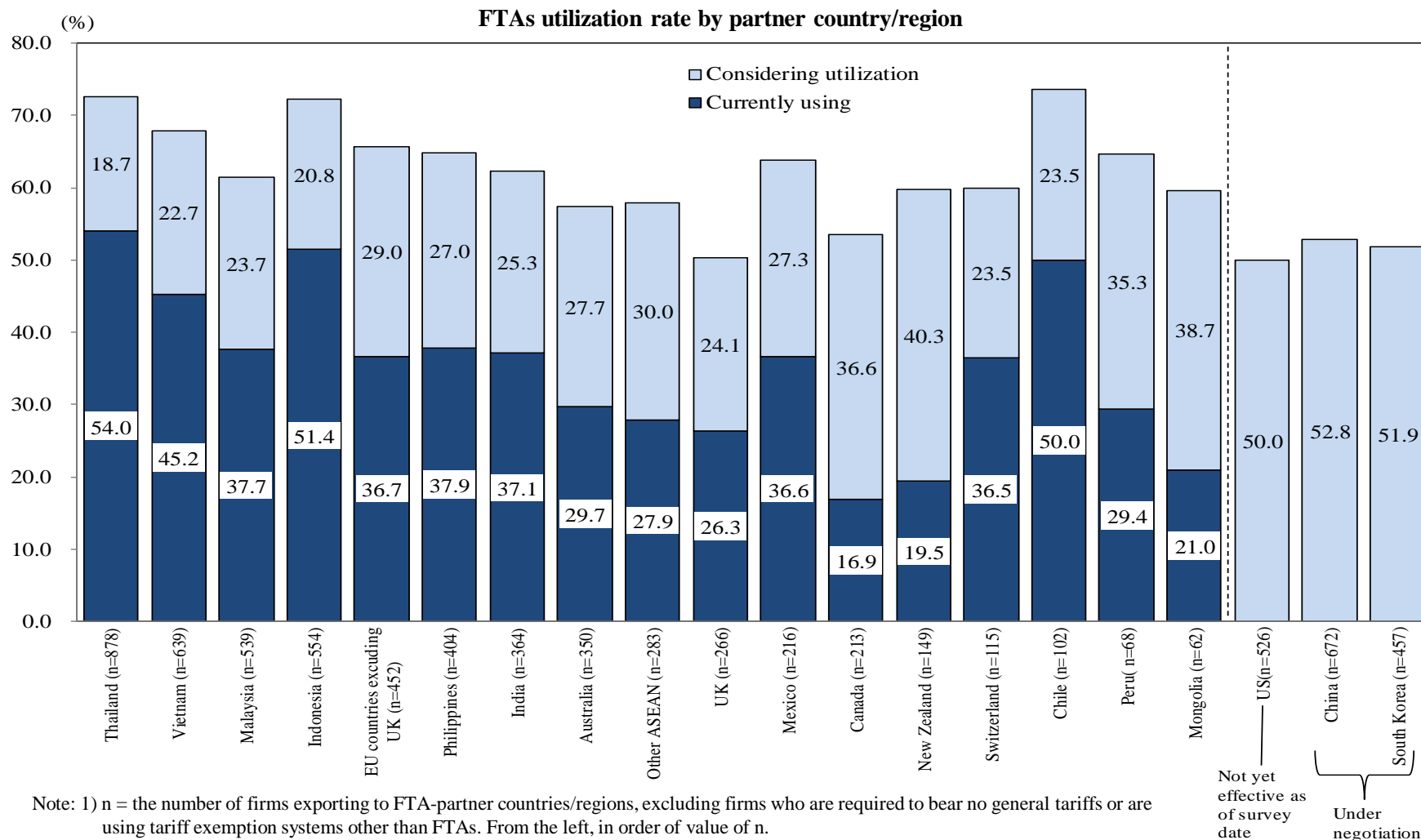
	Number of firms	Currently using or considering utilization (%)	Currently using (%)	Considering utilization (%)	Not using (%)
Total	1,435	72.6	51.2	21.4	27.4
Large-scale firms	285	83.5	70.5	13.0	16.5
SMEs	1,150	69.9	46.4	23.5	30.1
Manufacturing	1,014	72.9	52.4	20.5	27.1
Food & beverages	247	67.2	50.2	17.0	32.8
Textiles/clothing	54	77.8	46.3	31.5	22.2
Wood & wood products/furniture & building materials/paper & pulp	25	68.0	36.0	32.0	32.0
Chemicals	65	84.6	69.2	15.4	15.4
Medical products & cosmetics	35	77.1	62.9	14.3	22.9
Coal & petroleum products/plastics/rubber products	45	86.7	66.7	20.0	13.3
Ceramics/earth & stone	14	57.1	42.9	14.3	42.9
Iron & steel/non-ferrous metals/metal products	97	74.2	49.5	24.7	25.8
General machinery	115	74.8	55.7	19.1	25.2
Electrical equipment	52	65.4	44.2	21.2	34.6
IT equipment/electronic parts & devices	19	52.6	31.6	21.1	47.4
Cars/car parts/other transportation machinery	64	78.1	67.2	10.9	21.9
Precision equipment	47	66.0	31.9	34.0	34.0
Other manufacturing	135	75.6	52.6	23.0	24.4
Non-manufacturing	421	72.0	48.5	23.5	28.0
Trade and wholesale	308	77.3	54.9	22.4	22.7
Retail	19	57.9	36.8	21.1	42.1
Construction	18	66.7	38.9	27.8	33.3
Transport	12	58.3	33.3	25.0	41.7
Finance & insurance					
Communication, Information & software	19	42.1	10.5	31.6	57.9
Professional services	10	60.0	40.0	20.0	40.0
Other non-manufacturing	35	60.0	31.4	28.6	40.0

Note: 1) Highlighted cells indicate the top 5 industries in rates of "Currently using".

2) The industry in which the number of firms is less than 10 is not displayed (slash).

Utilization rate in exports to 10 FTA-partner countries/regions exceeds 30%

Among Japan's FTA-partner countries/regions, the utilization rate in export to Thailand, Indonesia, Chile, Vietnam, and Philippines is high. The utilization rate in export to 10 countries/regions which are composed of those 5 and 5 additional countries/regions, namely; Malaysia, India, EU countries excluding UK, Mexico, and Switzerland, has exceeded 30%. Concerning the US, with whom Japan's trade agreement took effect on January 1, 2020, as of survey date before the effective date, 50% of firms responded "Considering utilization".

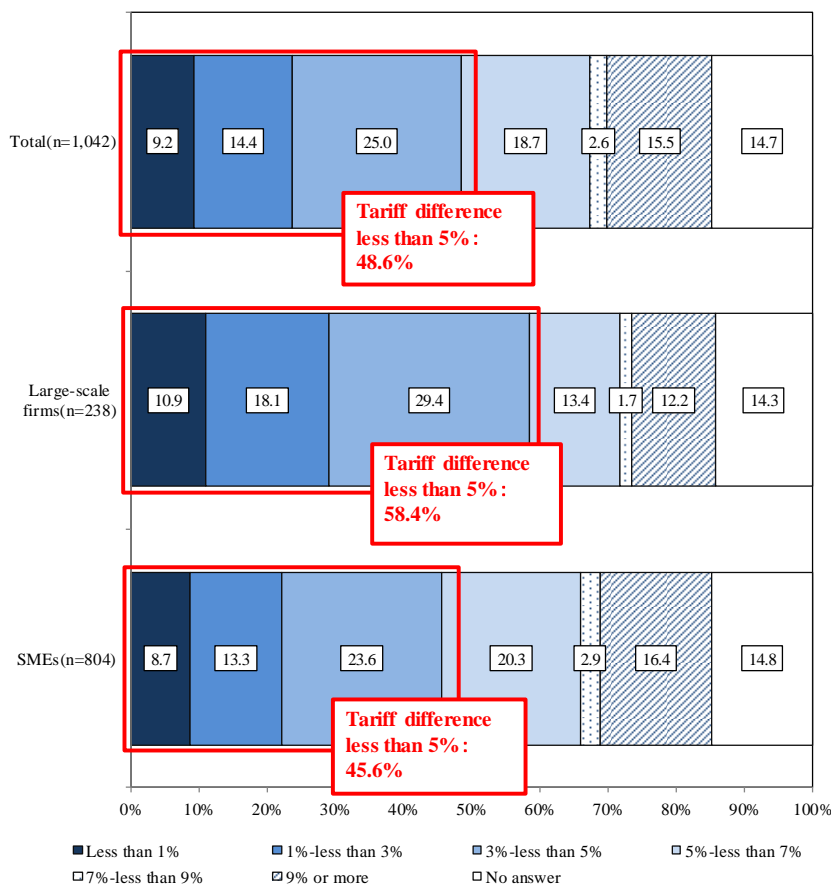


About half of firms judge FTA utilization with tariff difference of less than 5%

Among firms using or considering using FTAs, 48.6% of them answered that they would consider using FTAs if the tariff difference was less than 5%. By industry, about 20% of firms in general machinery, IT equipment/electronic parts & devices, and iron & steel/non-ferrous metals/metal products answered they would use even when the difference would be between 1% and less than 3%. By firm size, the result showed large-scale firms compared to SMEs decided to use FTAs with smaller tariff differences.

Note: Tariff difference = General tariff rate – FTA preferential tariff rate

Tariff difference leading to FTA utilization (By firm size)



Tariff difference leading to FTA utilization (By industry)

	Number of firms	Less than 1%	1%-less than 3%	3%-less than 5%	5%-less than 7%	7%-less than 9%	9% or more	No answer
Total	1,042	9.2	14.4	25.0	18.7	2.6	15.5	14.7
Manufacturing	739	8.9	15.3	25.3	19.5	2.3	15.3	13.4
Food & beverages	166	9.6	13.9	24.1	12.0	3.6	17.5	19.3
Textiles/clothing	42	9.5	16.7	19.0	11.9	9.5	26.2	7.1
Wood & wood products/furniture & building materials/paper & pulp	17	17.6	5.9	23.5	11.8	0.0	23.5	17.6
Chemicals	55	18.2	14.5	25.5	20.0	1.8	7.3	12.7
Medical products & cosmetics	27	11.1	18.5	33.3	11.1	0.0	11.1	14.8
Coal & petroleum products/plastics/rubber products	39	7.7	12.8	25.6	28.2	7.7	7.7	10.3
Ceramics/earth & stone	8	/	/	/	/	/	/	/
Iron & steel/non-ferrous metals/metal products	72	8.3	19.4	26.4	20.8	0.0	12.5	12.5
General machinery	86	5.8	23.3	29.1	18.6	1.2	12.8	9.3
Electrical equipment	34	2.9	8.8	20.6	35.3	0.0	17.6	14.7
IT equipment/electronic parts & devices	10	10.0	20.0	0.0	50.0	0.0	0.0	20.0
Cars/car parts/other transportation machinery	50	10.0	14.0	26.0	18.0	0.0	28.0	4.0
Precision equipment	31	6.5	12.9	25.8	29.0	0.0	6.5	19.4
Other manufacturing	102	5.9	13.7	27.5	21.6	2.0	16.7	12.7
Non-manufacturing	303	9.9	12.2	24.1	16.8	3.3	15.8	17.8
Trade and wholesale	238	9.7	10.9	26.9	18.1	2.5	16.8	15.1
Retail	11	9.1	18.2	9.1	27.3	9.1	9.1	18.2
Construction	12	8.3	16.7	8.3	16.7	0.0	16.7	33.3
Transport	7	/	/	/	/	/	/	/
Finance & insurance	0	/	/	/	/	/	/	/
Communication, Information & software	8	/	/	/	/	/	/	/
Professional services	6	/	/	/	/	/	/	/
Other non-manufacturing	21	9.5	14.3	19.0	14.3	9.5	4.8	28.6

Note: 1) Highlighted cells indicate the top three industries in answer rate for each item.

Bold digits indicate the items with the highest answer rate for each industry.

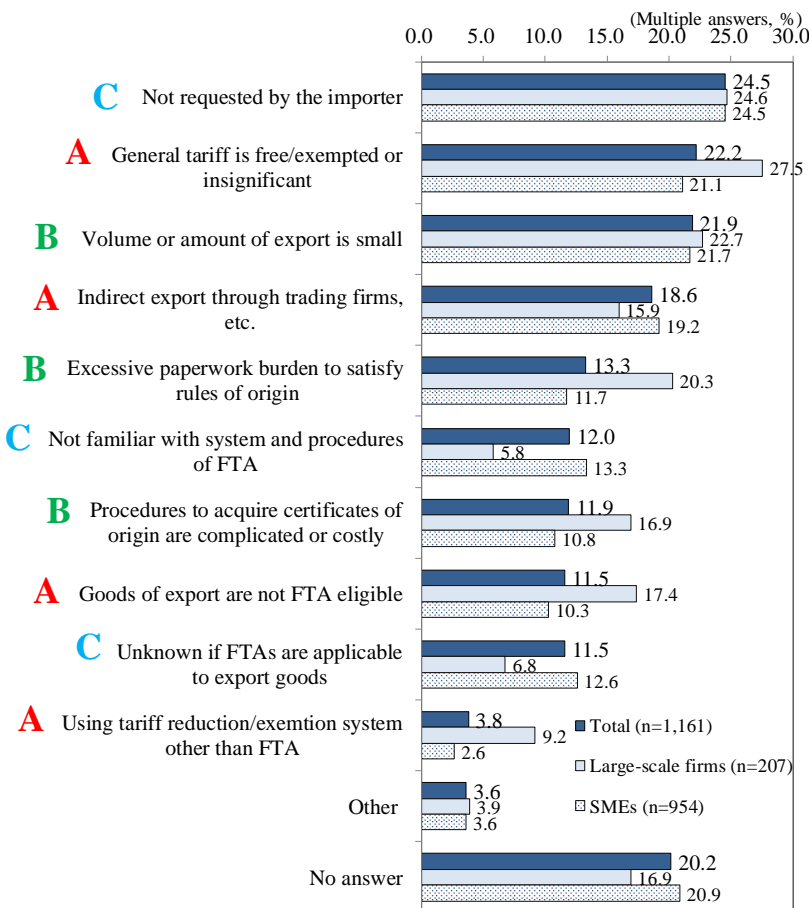
2) Industries in which the number of firms is less than 10 are not displayed (slash).

Note: n = number of firms who answered they are using or considering using FTAs for one or more of countries/regions.

About a half are not using FTAs because of low tariff, indirect export, etc.

Firms who are exporting to Japan's FTA-partner countries but currently not using FTAs answered our question regarding the reason. The answer from most of them is "not requested by the importer" (24.5%). By firm size, most large-scale firms answered "general tariff is free/exempted or insignificant" (27.5%). According to the result of classification of reasons for not using FTAs, the cases of no necessity to use FTAs with reasons such as already low tariff or exporting through trading firm accounted for 45.4% of the total.

Reasons for not using FTAs (By firm size)



Reasons for not using FTAs (By industry)

	No. of firms	General tariff is free/exempted or insignificant	Using tariff reduction/exemption system other than FTA	Goods of export are not FTA eligible	Indirect export through trading firms, etc.	Volume or amount of export is small	Excessive paperwork burden to satisfy rules of origin	Procedures to acquire certificates of origin are complicated or costly	Unknown if FTAs are applicable to export goods	Not requested by the importer	Not familiar with system and procedures of FTA	Other	No answer
Total	1,161	22.2	3.8	11.5	18.6	21.9	13.3	11.9	11.5	24.5	12.0	3.6	20.2
Manufacturing	808	21.8	4.1	10.8	21.8	23.0	14.5	12.5	11.4	25.7	13.2	3.0	17.9
Food & beverages	193	16.6	1.6	8.8	43.0	21.2	11.4	11.4	9.8	25.4	13.5	2.1	20.2
Textiles/clothing	36	8.3	2.8	5.6	22.2	19.4	11.1	16.7	5.6	25.0	11.1	0.0	19.4
Wood & wood products/furniture & building materials/paper & pulp	24	29.2	4.2	4.2	16.7	29.2	4.2	12.5	12.5	29.2	4.2	0.0	16.7
Chemicals	43	18.6	2.3	11.6	14.0	27.9	20.9	18.6	23.3	25.6	9.3	2.3	25.6
Medical products & cosmetics	32	28.1	0.0	9.4	18.8	31.3	18.8	15.6	9.4	25.0	6.3	3.1	12.5
Coal & petroleum products/plastics/rubber products	32	28.1	9.4	12.5	15.6	21.9	0.0	3.1	6.3	21.9	15.6	3.1	18.8
Ceramics/earth & stone	12	33.3	8.3	16.7	0.0	8.3	0.0	0.0	16.7	16.7	25.0	0.0	25.0
Iron & steel/non-ferrous metals/metal products	82	20.7	4.9	8.5	19.5	15.9	11.0	9.8	13.4	19.5	12.2	3.7	18.3
General machinery	88	26.1	4.5	10.2	13.6	23.9	19.3	13.6	11.4	29.5	12.5	3.4	13.6
Electrical equipment	47	23.4	8.5	4.3	23.4	36.2	19.1	14.9	10.6	23.4	12.8	2.1	21.3
IT equipment/electronic parts & devices	26	46.2	7.7	19.2	11.5	26.9	19.2	11.5	11.5	23.1	7.7	0.0	11.5
Cars/car parts/other transportation machinery	45	15.6	6.7	11.1	15.6	28.9	17.8	6.7	6.7	22.2	17.8	6.7	17.8
Precision equipment	46	34.8	2.2	8.7	4.3	15.2	21.7	15.2	10.9	32.6	15.2	4.3	21.7
Other manufacturing	102	17.6	4.9	20.6	12.7	22.5	16.7	15.7	13.7	30.4	17.6	4.9	12.7
Non-manufacturing	353	23.2	3.1	13.3	11.3	19.3	10.5	10.5	11.9	21.8	9.1	5.1	25.2
Trade and wholesale	253	26.1	3.2	14.6	11.9	19.4	11.9	11.5	13.0	26.1	7.9	3.6	24.5
Retail	19	15.8	0.0	5.3	5.3	31.6	26.3	15.8	21.1	15.8	10.5	5.3	31.6
Construction	14	14.3	14.3	0.0	21.4	21.4	0.0	14.3	0.0	7.1	7.1	14.3	21.4
Transport	10	30.0	0.0	10.0	0.0	0.0	0.0	10.0	10.0	20.0	0.0	30.0	20.0
Finance & insurance	0	/	/	/	/	/	/	/	/	/	/	/	/
Communication, Information & software	21	23.8	0.0	9.5	9.5	23.8	0.0	0.0	9.5	0.0	9.5	4.8	19.0
Professional services	8	/	/	/	/	/	/	/	/	/	/	/	/
Other non-manufacturing	28	7.1	3.6	21.4	10.7	14.3	7.1	7.1	7.1	14.3	17.9	3.6	32.1

Note: 1) n = number of firms who responded they are not currently using (considering utilization, currently not using and not planning to use in the future) FTAs in export for one or more of FTA-partner countries/regions.

2) Highlighted cells indicate the top three industries in answer rate for each item.

Bold digits indicate the items with the highest answer rate for each industry.

3) Industries in which the number of firms is less than 10 are not displayed (slash).

→A: Cases with no necessity to use because of low tariff, indirect export, etc. → Total 45.4%

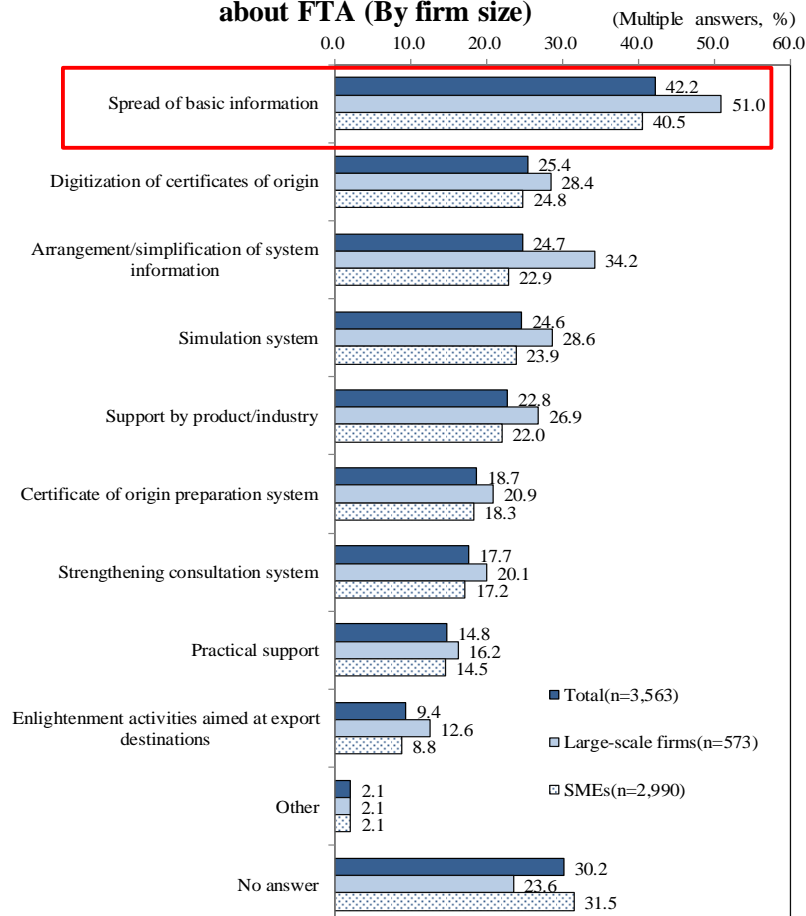
→B: Cases of not using from viewpoint of cost-efficiency → Total 31.4%

→C: Cases of no (not possible to) use with other reasons → Total 37.9%

Continuous effort for spread of basic information is required

When asked regarding the required information and support from government for FTA utilization, 42.2% of all responding firms cited “the spread of basic information (through seminars and training classes)”, and among large-scale firms this rate exceeded 50%.

Required information and support from government about FTA (By firm size)



Note: n = the total number of firms responding to this survey.

* Original expressions of choices are as follows:

Spread of basic information: Spread of basic information through seminars and training classes

Practical support: Practical support through workshops, etc.

Support by product/industry: Information provision and practical support by product/industry

Strengthening consultation system: Strengthening of individual consultation and consultation system

Arrangement/simplification of system information: Arrangement and simplification of information of FTA system (including across-ministries-and-agencies information provision)

Required information and support from government about FTA (By industry)

(Multiple answers, %)

	Number of firms	Spread of basic information	Practical support	Support by product/industry	Strengthening consultation system	Arrangement/simplification of system information	Simulation system	Certificate of origin preparation system	Digitization of certificate of origin	Enlightenment activities aimed at export destinations	Other	No answer
Total	3,563	42.2	14.8	22.8	17.7	24.6	24.7	18.7	25.4	9.4	2.1	30.2
Manufacturing	1,974	43.8	16.0	24.3	18.2	28.4	27.9	22.6	29.0	9.6	2.0	25.7
Food & beverages	537	41.3	14.5	22.2	15.6	25.5	26.1	22.9	29.1	9.7	1.9	30.0
Textiles/clothing	120	43.3	20.8	25.0	20.0	25.0	24.2	23.3	28.3	5.0	0.0	24.2
Wood & wood products/furniture & building materials/paper & pulp	72	48.6	20.8	19.4	23.6	23.6	26.4	18.1	25.0	12.5	2.8	27.8
Chemicals	91	53.8	20.9	27.5	29.7	44.0	44.0	34.1	37.4	11.0	1.1	17.6
Medical products & cosmetics	70	44.3	21.4	28.6	20.0	31.4	32.9	30.0	28.6	10.0	0.0	22.9
Coal & petroleum products/plastics/rubber products	87	52.9	14.9	28.7	19.5	27.6	29.9	14.9	29.9	14.9	1.1	20.7
Ceramics/earth & stone	32	43.8	6.3	34.4	15.6	28.1	25.0	31.3	43.8	6.3	0.0	31.3
Iron & steel/non-ferrous metals/metal products	212	43.4	11.8	24.1	11.8	25.0	24.1	16.5	22.2	8.5	1.4	29.2
General machinery	167	43.7	18.0	22.8	21.0	32.3	30.5	28.7	33.5	8.4	1.8	23.4
Electrical equipment	93	40.9	17.2	26.9	19.4	38.7	33.3	29.0	33.3	6.5	2.2	19.4
IT equipment/electronic parts & devices	61	37.7	9.8	18.0	18.0	19.7	18.0	16.4	19.7	8.2	1.6	32.8
Cars/car parts/other transportation machinery	108	50.9	13.9	25.9	14.8	28.7	31.5	18.5	25.0	10.2	3.7	13.9
Precision equipment	82	46.3	22.0	20.7	19.5	29.3	20.7	15.9	23.2	12.2	2.4	28.0
Other manufacturing	242	39.7	16.1	26.9	21.1	29.3	28.9	22.3	32.2	11.2	4.1	24.8
Non-manufacturing	1,589	40.3	13.3	21.0	17.0	20.2	20.6	13.9	21.0	9.2	2.3	35.9
Trade and wholesale	797	41.0	13.0	23.3	17.1	25.1	27.0	18.6	27.0	10.0	1.6	31.5
Retail	110	31.8	9.1	15.5	20.0	11.8	20.9	10.9	20.9	13.6	4.5	40.0
Construction	111	45.9	17.1	25.2	18.9	14.4	15.3	11.7	15.3	5.4	2.7	36.9
Transport	72	52.8	9.7	15.3	12.5	25.0	20.8	23.6	27.8	6.9	1.4	25.0
Finance & insurance	78	42.3	17.9	24.4	21.8	19.2	14.1	10.3	14.1	9.0	1.3	39.7
Communication, Information & software	96	39.6	14.6	16.7	14.6	15.6	7.3	0.0	10.4	5.2	2.1	42.7
Professional services	62	45.2	17.7	12.9	17.7	19.4	11.3	8.1	14.5	12.9	3.2	41.9
Other non-manufacturing	263	34.2	12.5	18.3	15.2	12.2	12.5	6.8	11.0	7.6	3.8	44.9

Note: Highlighted cells indicate the top three highest answering industries for each item. Bold digits indicate items with the highest answer rate for each industry.

Simulation system: System which makes it possible to display the amount of reduced/exempted amount, judge the place of origin, and display required documents by entering article names.

Certificates of origin preparation system: (Under the self certification system) System that enables preparation of certificates of origin

Digitization of certificates of origin: Digitization of certificates of origin (issuance and submission to customs of partner countries)

Enlightenment activities aimed at export destinations: Enlightenment activities aimed at export destinations such as holding of briefing sessions in partner countries

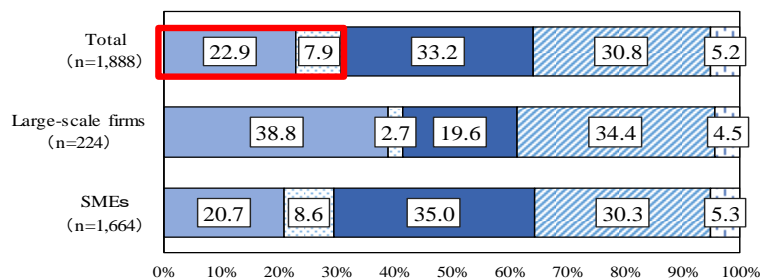
6. Business aimed at foreign visitors

- Expectations for increased sales in FY2020 on the occasion of the Tokyo 2020 Olympic / Paralympic Games-

30% of firms are/will be running business aimed at foreign visitors

When asked about business aimed at foreign visitors to Japan, the ratio of firms running business aimed at foreign visitors came to 30.8%, a combination of those “running operations now” (22.9%) and those that “will be running operations in the future” (7.9%). Meanwhile, the most firms (33.2%) answered “not running operations now, but it’s under consideration”.

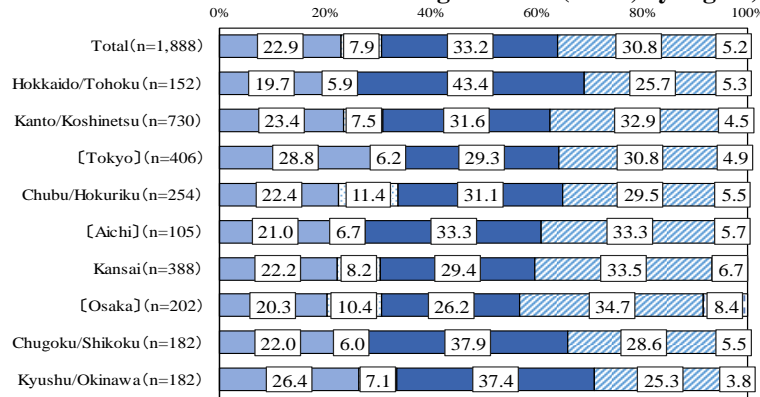
Initiatives of business aimed at foreign visitors (Total, by firm size)



- Currently running business aimed at foreign visitors
- Currently not running business aimed at foreign visitors, but will be running operations in the future
- Currently not running business aimed at foreign visitors, but it's under consideration
- Currently not running business aimed at foreign visitors and will not be running in the future, either
- No answer

Note: n = the total number of firms responding to this survey, excluding firms “Belong to the industry which doesn’t aim at foreign visitors”.

Initiatives of business aimed at foreign visitors (Total, by region)



- Currently running business aimed at foreign visitors
- Currently not running business aimed at foreign visitors, but will be running operations in the future
- Currently not running business aimed at foreign visitors, but it's under consideration
- Currently not running business aimed at foreign visitors and will not be running in the future, either
- No answer

Note: n = the total number of firms responding to this survey, excluding firms that “Belong to an industry which doesn’t aim at foreign visitors”.

Initiatives of business aimed at foreign visitors (Total, by industry) (%)

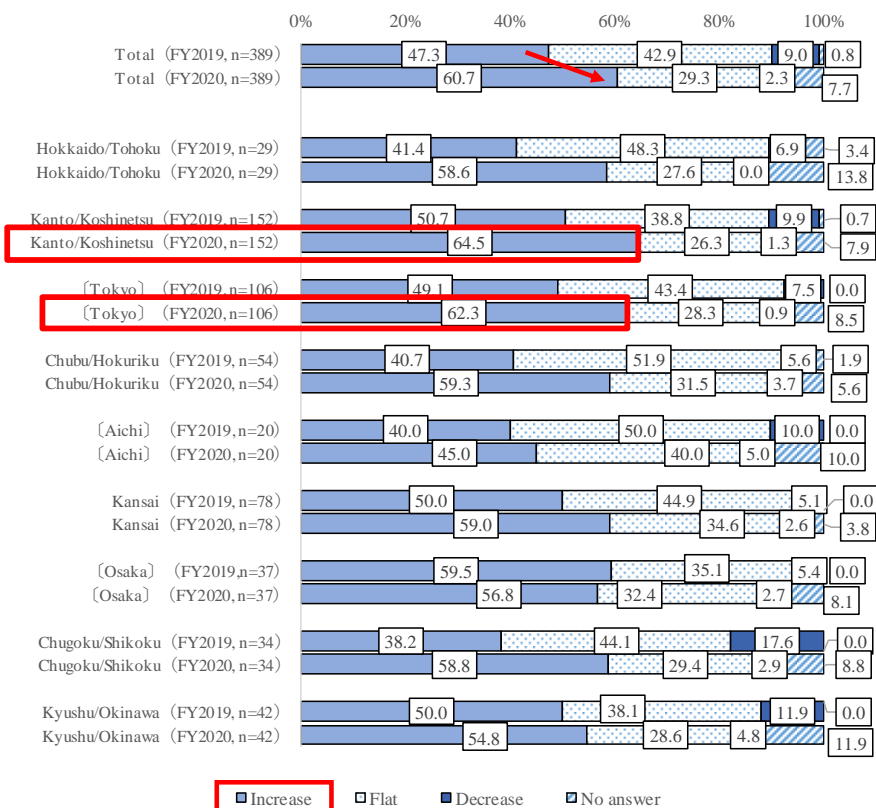
	Number of firms (n)	Currently running business	Currently not running business, but will be operating in the future	Currently not running business, but it's under consideration	Currently not running business, won't be running in the future, either	No answer
Total	1,888	22.9	7.9	33.2	30.8	5.2
Manufacturing	1,039	20.9	7.6	35.3	31.7	4.5
Food & beverages	466	23.4	8.8	41.8	24.0	1.9
Textiles/clothing	87	27.6	6.9	35.6	24.1	5.7
Wood wood products/furniture & building materials/paper & pulp	42	21.4	7.1	31.0	38.1	2.4
Chemicals	31	9.7	6.5	19.4	54.8	9.7
Medical products & cosmetics	53	37.7	15.1	30.2	13.2	3.8
Coal & petroleum products/plastic products/rubber products	37	13.5	5.4	32.4	43.2	5.4
Ceramics/earth & stone	13	7.7	15.4	38.5	38.5	0.0
Iron & steel/non-ferrous metals/metal products	68	11.8	2.9	30.9	45.6	8.8
General machinery	32	9.4	3.1	25.0	46.9	15.6
Electrical equipment	24	0.0	4.2	29.2	54.2	12.5
IT equipment/electronic parts & devices	14	21.4	14.3	14.3	42.9	7.1
Cars/car parts/other transportation machinery	20	15.0	5.0	25.0	55.0	0.0
Precision equipment	24	16.7	0.0	16.7	50.0	16.7
Other manufacturing	128	19.5	6.3	32.8	36.7	4.7
Non-manufacturing	849	25.3	8.2	30.6	29.8	6.0
Trade and wholesale	425	21.6	8.0	31.1	34.1	5.2
Retail	90	28.9	7.8	37.8	23.3	2.2
Construction	29	13.8	6.9	37.9	37.9	3.4
Transport	30	20.0	0.0	26.7	46.7	6.7
Finance & insurance	28	53.6	3.6	10.7	17.9	14.3
Communication, information & software	48	18.8	8.3	25.0	43.8	4.2
Professional services	36	30.6	16.7	25.0	19.4	8.3
Other non-manufacturing	163	31.9	9.8	31.3	17.8	9.2

Note: 1) n = the total number of firms responding to this survey, excluding firms that “belong to an industry which doesn’t aim at foreign visitors”.
 2) Highlighted cells indicate the top 5 highest answering industries for each item of “Currently running business”, “Not running now, but will be operating in the future”, and “Not running now, but it’s under consideration”. Bold digits indicate items with the highest answer rate for each industry.

Prospects for domestic sales: Expectations for increased sales on the occasion of Tokyo Olympic / Paralympic Games

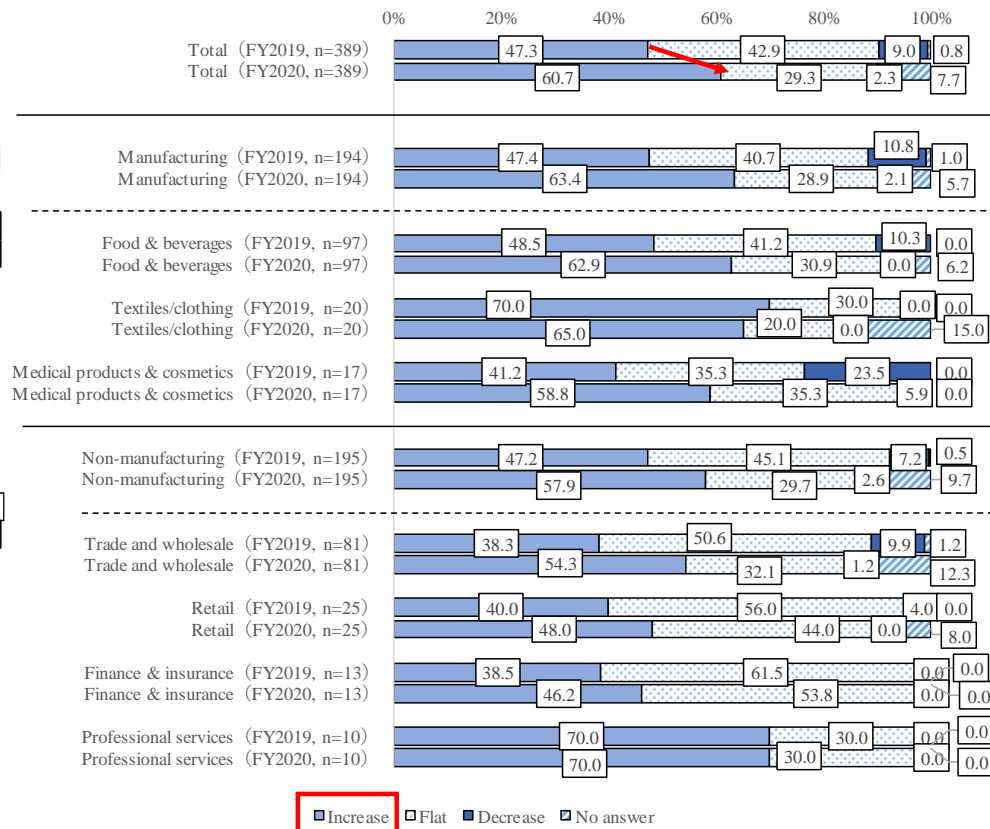
Regarding prospects for domestic sales aimed at foreign visitors, 60.7% of firms answered that they would “increase” in FY2020, an expansion compared to the previous fiscal year (47.3%). By region, those answering that they expected an “increase in FY2020” in the Kanto/Koshinetsu region came to 64.5%, the highest ratio as a whole. By industry, it is prospected that the answer ratio of “increase” would rise in FY2020 in industries such as food & beverages, medical products & cosmetics, and trade & wholesale.

Prospects for domestic sales aimed at foreign visitors (compared to previous year) (Total, by region, FY2019 & 2020)



Note: 1) n = the number of firms currently operating “domestic sales (provision of goods/services) aimed at foreign visitors”.
 2) The upper row of each region indicates sales prospect compared with previous year in FY2019 and the lower row indicates the sales prospect in FY2020.

Prospects for domestic sales aimed at foreign visitors (compared to previous year) (Total, by industry, FY2019 & 2020)



Note: 1) n = the number of firms currently operating “domestic sales (provision of goods/services) aimed at foreign visitors”.
 2) The upper row of each industry indicates sales prospect compared with previous year in FY2019 and the lower row indicates the sales prospect in FY2020.
 3) Only industries whose “n” is 10 or more are displayed.

Details of business expansion utilizing opportunities accompanied with foreign visitors to Japan (free description)

Details of initiatives (including planning)	Number of answers
Cooperation with other firms, new establishment or expansion in domestic sales	108
Eating-out/retail (tax-exempted sales, directly managed stores, etc.) related	68
Travel/lodging (including airport, tourist spots, etc.) related	40
New product development	50
Halal, vegetarian, vegan, organic	14
Public relations/brand establishment (utilization of SNS/web site in and outside of Japan)	45
Cooperation with other firms, new establishment or expansion in overseas sales (export, EC (including cross-border) sales)	36
Multi language service (improvement of explanation about products/services)	31
Experience/tours (sake breweries, factories, etc.)	26
Increased production/ reinforcement of supply system	7
Other	30
Settlement/remittance/ exchange. etc.	9
Medical treatment (tourism, diagnosis service during visit to Japan)	5

Note: 1) Prepared after classifying descriptions regarding efforts to expand overseas business utilizing opportunities from foreign visitors among firms "Currently running business aimed at foreign visitors" and "will be running in the future".

2) The answer corresponding multiple classification items is counted as one for each item.

■ Domestic sales

- Development of tour packages combined with Japanese sake in cooperation with local travel agents (Food & beverages)
- Sales of business ingredients to Japanese restaurants and inns bustling with foreign visitors (facing shortage of cooks) (Food & beverages)

■ Development of new products

- Development/sales of stationery/novelty products with Japanese-style taste (Printing & Printing-related)
- Development of products using Japanese tea that can respond to the demand of foreign visitors (Trade and wholesale)
- Currently in the process to acquire Halal certification. After its acquisition, going to sell individual packaging packs that respond to Muslim visitors to Japan (Food & beverages)

■ Public relations/brand establishment

- Trying to have foreign visitors directly touch our products so that they could convey the excellence of "Made in Japan" to their friends through SNS or word of mouth after returning home. (Wood & wood products/furniture & building materials/paper & pulp)
- Transferring a part of products manufactured overseas to domestic factories, and marketing them as brands of "Made in Japan" (Medical products & cosmetics)
- Strengthening to create communities through overseas partners and SNS (by foreign visitors to Japan, etc.). Also directly visiting business partners, holding events and workshop for customers in order to promote our sales. (Textiles/clothing)

■ Overseas sales (aimed at foreign visitors after returning home)

- We have engaged in only OEM production, but we would like to develop general trade and EC sales expansion in Asia with our own brand. (Medical products & cosmetics)

■ Multi language service

- Our EC site is being edited in order to start multi language service. Hypothetical multi-language in-store dialog lists are set in real stores. (Food & beverages)
- Creation of menus that are popular among foreigners and easy to understand for foreigners (Other non-manufacturing)

■ Experience/tours

- Sake brewery tours and tasting sake (Food & beverages) / Factory tours + workshop (Ceramics/earth & stone) / Experience of weaving (Textiles/clothing)

■ Other

- Developing mobile batteries made in Japan for demand of foreign visitors to Japan on the occasion of the Olympic Games (IT equipment/electronic parts & devices)
- Support for creation of products (containers, total packages, one-stop services, etc.) for foreign visitors to Japan (Trade and wholesale)
- Taking on Ninja show in and outside of Japan (Other non-manufacturing)
- Summer school for elementary and junior high school students from China (Other non-manufacturing)

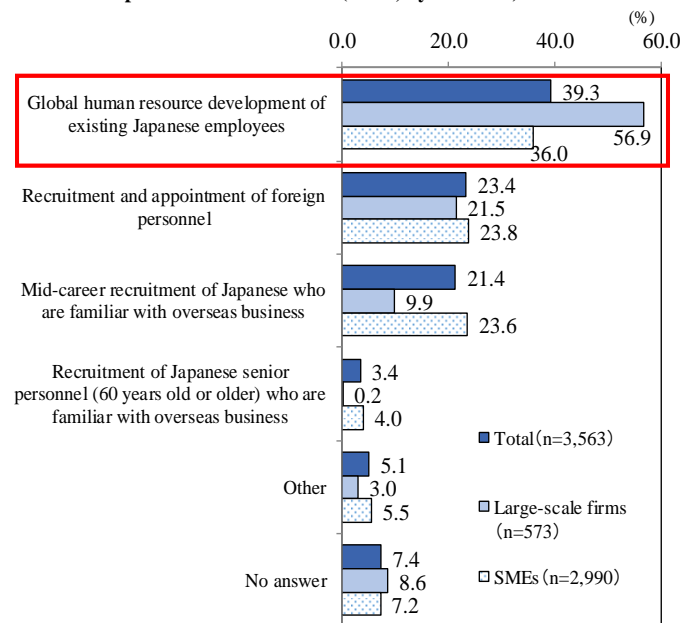
7. Human Resources for Overseas Business Expansion

- Highly-skilled foreign professionals are most valued in specialized positions such as IT professionals. Japanese firms are more likely to recruit personnel who are capable of making immediate contributions to their operations-

Placing the most importance on foreign human resources for professionals such as IT

When asked about their policy to secure personnel for expanding overseas business, the percentage of respondents who answered “global human resource development of existing Japanese employees” was the highest (39.3%). By industry, respondents answering “global human resource development of existing Japanese employees” accounted for the highest percentage in many industries, while the percentage of respondents answering “recruitment and appointment of foreign personnel” was the highest in the industries of communication, information & software and professional services. In specialized positions such as IT and legal professions and in the business of serving customers, including inbound tourists, for dining, traveling, etc., where there is a shortage of human resources in Japan, utilization of foreign personnel tends to be regarded as important.

Human resources on whom most importance is placed to expand overseas business (Total, by firm size)



Note: n = the total number of firms responding to this survey

Among other non-manufacturing (31.6%), the percentage of “recruitment and appointment of foreign personnel” is high particularly in dining/looding facilities (46.7%) and other services (travel, entertainment, etc.) (42.5%).

Human resources on whom most importance is placed to expand overseas business (Total, by industry) (%)

	Number of firms	Global human resource development of existing Japanese employees	Recruitment and appointment of foreign personnel	Mid-career recruitment of Japanese who are familiar with overseas business	Recruitment of Japanese senior personnel (60 years old or older) who are familiar with overseas business	Other	No answer
Total	3,563	39.3	23.4	21.4	3.4	5.1	7.4
Manufacturing	1,974	40.8	22.6	21.7	3.7	4.4	6.8
Food & beverages	537	38.9	19.7	24.6	4.1	6.5	6.1
Textiles/clothing	120	45.0	21.7	20.0	0.8	2.5	10.0
Wood wood products/furniture & building materials/paper & pulp	72	44.4	20.8	23.6	4.2	2.8	4.2
Chemicals	91	47.3	13.2	24.2	6.6	1.1	7.7
Medical products & cosmetics	70	52.9	27.1	21.4	2.9	4.3	11.4
Coal & petroleum products/plastic products/rubber products	87	32.2	26.4	24.1	9.2	3.4	4.6
Ceramics/earth & stone	32	37.5	15.6	25.0	6.3	9.4	6.3
Iron & steel/non-ferrous metals/metal products	212	32.1	31.6	20.3	3.8	3.3	9.0
General machinery	167	49.7	19.2	22.2	2.4	1.2	5.4
Electrical equipment	93	48.4	22.6	15.1	1.1	6.5	6.5
IT equipment/electronic parts & devices	61	34.4	32.8	14.8	3.3	6.6	8.2
Cars/car parts/other transportation machinery	108	43.5	28.7	17.6	3.7	1.9	4.6
Precision equipment	82	53.7	20.7	14.6	1.2	3.7	6.1
Other manufacturing	242	40.1	21.5	22.7	4.1	5.0	6.6
Non-manufacturing	1,589	37.4	24.4	21.1	2.9	6.0	8.1
Trade and wholesale	797	41.0	18.9	24.8	3.4	5.5	6.3
Retail	110	33.6	31.8	17.3	4.5	9.1	3.6
Construction	111	36.9	33.3	15.3	4.5	3.6	6.3
Transport	72	52.8	23.6	18.1	1.4	2.8	1.4
Finance & insurance	78	60.3	5.1	5.1	0.0	7.7	21.8
Communication, information & software	96	26.0	41.7	21.9	0.0	3.1	7.3
Professional services	62	17.7	33.9	19.4	1.6	11.3	16.1
Other non-manufacturing	263	26.2	31.6	19.8	2.7	7.2	12.5

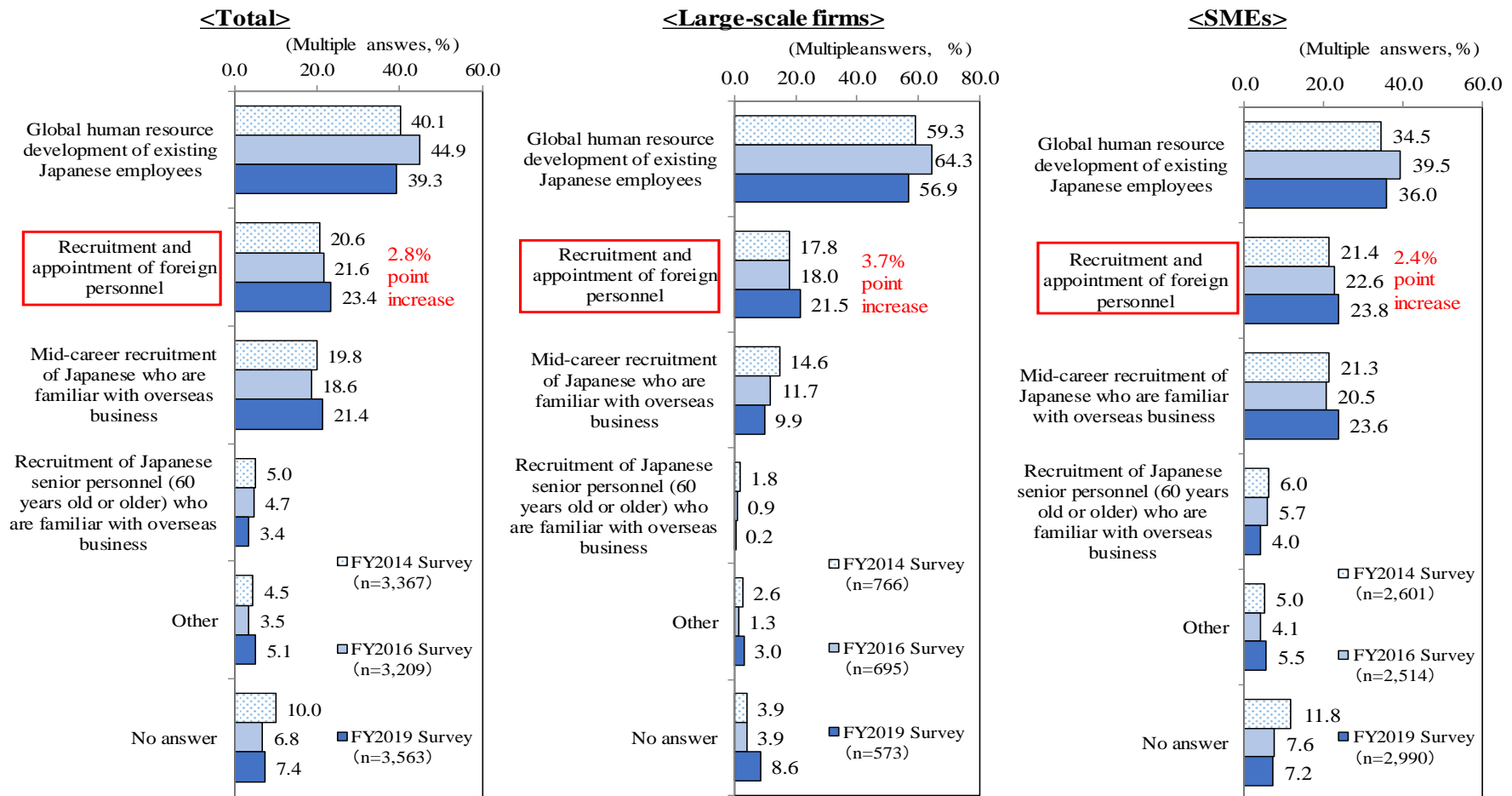
Note: 1) The data to be summed up are the total number of firms responding to this survey.

2) Highlighted cells indicate items with the highest answer rate for each industry. Bold digits indicate industries with answer rate of more than 30% for “recruitment and appointment of foreign personnel”.

Increasing tendency to recruit human resources of immediate use such as foreign personnel and mid-career personnel

Looking at the change over time since the past survey regarding the policy to secure human resources for overseas business expansion, the number of firms that place the highest importance on “recruiting and appointing foreign personnel” has been on the increase. Also, among SMEs “recruitment of mid-career Japanese personnel familiar with overseas business” increased in FY2019, demonstrating the tendency of expectations for personnel who are capable of making immediate contributions to their operations.

Human resources on whom most importance is placed to expand overseas business (Total, by firm size, time series)

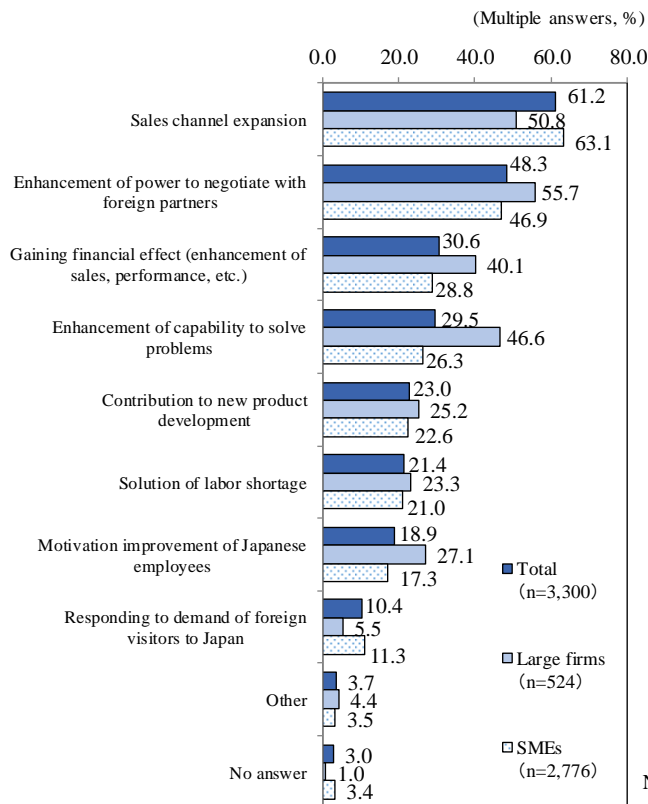


Note: n = total number of firms answering to this survey; however, in FY2014 and FY2016, n = total number of answers because firms that submitted multiple answers were also included in the counting (the percentage of each item is calculated based on the number of answers).

Securing human resources for overseas business: 60% are expecting “expansion of sales channels”

When asked regarding merits of securing human resources for overseas business, the majority of firms (61.2%) responded “sales channel expansion”. By firm size, while among SMEs “sales channel expansion” was the most common answer, among large-scale firms most of them cited “enhancement of power to negotiate with foreign partners”, demonstrating the difference of expectations toward human resources for overseas business. Looking at responses by policy to secure human resources, a relatively high percentage of firms answered that they expect “solution of labor shortage” toward foreign personnel and “enhancement of ability to solve problems” toward mid-career personnel, respectively.

Merits of securing human resources for overseas business (Total, by firm size)



Note: n = total number of firms responding to this survey, excluding the number of firms answering “No answer” for question regarding policy to secure human resources

Merits of securing human resources for overseas business (Total, by policy to secure human resources)

(Multiple answers, %)

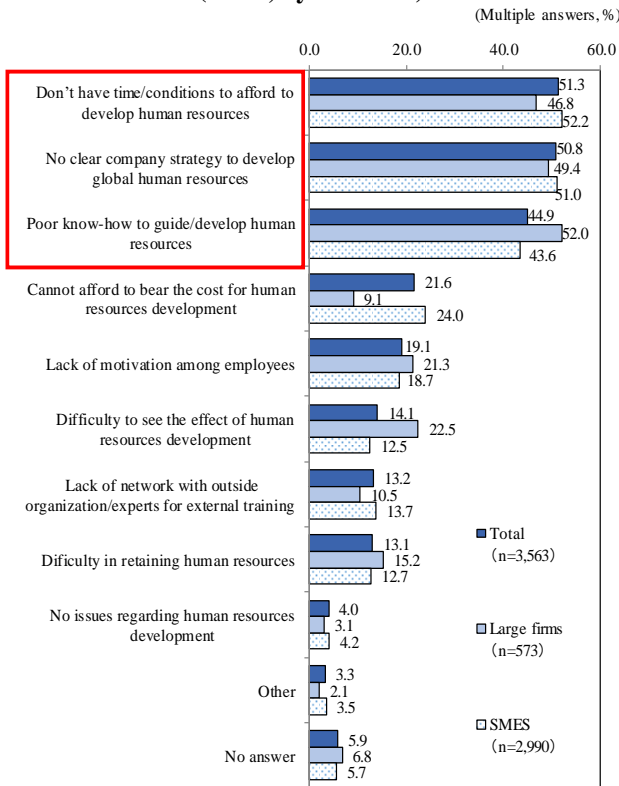
	Number of firms	Sales channel expansion	Enhancement of power to negotiate with foreign partners	Gaining financial effect (enhancement of sales, performance, etc.)	Enhancement of capability to solve problems	Contribution to new product development	Solution of labor shortage	Motivation improvement of Japanese employees	Responding to demand of foreign visitors to Japan	Other	No answer
Total	3,300	61.2	48.3	30.6	29.5	23.0	21.4	18.9	10.4	3.7	3.0
Global human resource development of existing Japanese employees	1,401	61.9	45.8	35.3	34.3	26.6	12.9	30.0	10.1	1.7	2.4
Recruitment and appointment of foreign personnel	834	55.5	54.3	22.2	20.7	21.2	39.7	14.5	12.8	3.4	0.8
Mid-career recruitment of Japanese who are familiar with overseas business	764	72.8	53.4	36.5	34.3	23.8	19.1	8.2	10.1	0.9	0.5
Recruitment of Japanese senior personnel (60 years old or older) who are familiar with overseas business	120	67.5	53.3	28.3	37.5	10.0	20.8	9.2	6.7	1.7	2.5
Other	181	28.7	15.5	9.4	7.7	9.4	12.2	3.9	5.0	33.1	27.6

- Note: 1) The data to be summed up are total number of firms responding to this survey, excluding firms answering “No answer” for question regarding policy to secure human resources.
 2) Highlighted cells indicate items with answer rate of more than 30%.

Global human resources development of Japanese employees: The issue is lack of in-house resources and strategy

Regarding the issues concerning global human resources development of Japanese employees, high percentages of firms answered “Don’t have time/conditions to afford to develop human resources” (51.3%), “No clear company strategy to develop global human resources” (50.8%), and “Poor know-how to guide/develop human resources” (44.9%). By industry, the percentage of responders for each issue item in manufacturing is higher than that in non-manufacturing.

Issues concerning global human resources development of Japanese employees (Total, by firm size)



Note: n = total number of firms answering to this survey

Issues concerning global human resources development of Japanese employees (Total, by industry)

(Multiple answers, %)

	Number of firms	No clear company strategy to develop global human resources	Lack of motivation among employees	Don't have time/conditions to afford to develop human resources	Poor know-how to guide/develop human resources	Cannot afford to bear the cost for human resources development	Difficulty to see the effect of human resources development	Lack of network with outside organization/experts for external training	Difficulty in retaining human resources	No issues regarding human resources development	Other	No answer
Total	3,563	50.8	19.1	51.3	44.9	21.6	14.1	13.2	13.1	4.0	3.3	5.9
Manufacturing	1,974	53.9	22.0	53.3	46.9	22.8	15.2	14.1	12.9	2.7	3.3	5.0
Food & beverages	537	60.1	19.2	57.4	44.3	32.0	12.1	16.4	12.8	2.4	3.7	3.5
Textiles/clothing	120	45.8	21.7	42.5	39.2	22.5	15.8	13.3	13.3	2.5	3.3	5.8
Wood wood products/furniture & building materials/paper & pulp	72	58.3	13.9	55.6	38.9	23.6	13.9	16.7	6.9	4.2	2.8	4.2
Chemicals	91	51.6	24.2	49.5	47.3	15.4	15.4	11.0	6.6	4.4	2.2	5.5
Medical products & cosmetics	70	51.4	21.4	50.0	51.4	20.0	11.4	17.1	10.0	2.9	1.4	8.6
Coal & petroleum products/plastic products/rubber products	87	59.8	18.4	54.0	51.7	20.7	16.1	14.9	17.2	4.6	3.4	3.4
Ceramics/earth & stone	32	59.4	28.1	40.6	43.8	25.0	15.6	12.5	12.5	6.3	0.0	6.3
Iron & steel/non-ferrous metals/metal products	212	52.4	23.6	50.9	47.2	21.7	17.0	12.7	11.8	1.9	3.8	6.6
General machinery	167	53.3	24.6	59.3	56.3	17.4	16.8	13.2	13.8	2.4	3.6	3.6
Electrical equipment	93	48.4	25.8	49.5	50.5	18.3	18.3	12.9	9.7	2.2	3.2	3.2
IT equipment/electronic parts & devices	61	54.1	23.0	57.4	50.8	21.3	9.8	9.8	14.8	1.6	4.9	4.9
Cars/car parts/other transportation machinery	108	45.4	30.6	54.6	54.6	19.4	17.6	14.8	19.4	0.9	0.9	2.8
Precision equipment	82	50.0	26.8	50.0	43.9	15.9	19.5	23.2	15.9	3.7	1.2	7.3
Other manufacturing	242	50.4	20.2	52.1	44.2	16.9	17.8	8.7	13.2	3.3	4.5	7.9
Non-manufacturing	1,589	46.9	15.6	48.8	42.5	20.2	12.7	12.1	13.4	5.7	3.2	7.0
Trade and wholesale	797	48.2	13.9	49.3	44.8	19.7	11.2	13.0	13.9	6.0	2.9	5.1
Retail	110	48.2	12.7	51.8	45.5	23.6	16.4	19.1	10.9	2.7	1.8	7.3
Construction	111	48.6	21.6	61.3	49.5	15.3	13.5	12.6	11.7	3.6	4.5	6.3
Transport	72	61.1	31.9	54.2	55.6	18.1	19.4	9.7	22.2	4.2	2.8	2.8
Finance & insurance	78	29.5	5.1	30.8	32.1	9.0	20.5	9.0	7.7	11.5	2.6	19.2
Communication, information & software	96	50.0	16.7	44.8	40.6	25.0	10.4	7.3	7.3	4.2	3.1	6.3
Professional services	62	33.9	14.5	48.4	21.0	30.6	12.9	6.5	9.7	8.1	6.5	9.7
Other non-manufacturing	263	44.9	17.9	46.0	36.9	22.1	12.2	11.0	16.0	5.3	3.8	9.9

Note: 1) The data to be summed up are total number of firms responding to this survey.

2) Highlighted cells indicate the top 3 industries with the highest answer rate for each item, excluding three rows on the right. Bold digits indicate the items with the highest answer rate for each industry.

Reference Materials

Business environment in each country/region: Original expressions for attractions/advantages, issues

List of abbreviations and original expressions of attractions/advantages and issues

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

Category	Issues (abbreviations)	Issues (original expressions)
Current affairs	Additional duty measures between US and China	There are risks/problems from the additional duty measures between the US and China
	Brexit risk	There are risks/problems from the decision by the UK to leave the EU
Foreign exchange	Exchange risk	High exchange risk
Business partners	Clustering of related industries	No clustering or development of related industries
	Collection of bills	There are risk/problems in collecting bills.
Labor force	High/rising labor cost	High or rising labor cost
	Labor shortage, difficulty hiring	Labor shortage, difficulty in hiring qualified personnel
Infrastructure	Infrastructure	Undeveloped infrastructure (electricity, transportation, communication, etc.)
Procedures/institutions	Legal system and its enforcement	Undeveloped legal system and its problematic enforcement
	IP protection	Problems with protection of intellectual property (IP)
	Tax system and procedures	Tangled tax system and procedures
	Administrative procedures	Tangled administrative procedures (obtaining permis, etc.)
Politics/society, etc.	Political/social situations, security	Risks in political situations, problems with social situations and security
	Natural disasters, environmental pollution	Risks of natural disasters or environmental pollution
	Other	Other
None	No particular issues	No particular risks or issues recognized

Issues and concerns regarding trade and commerce other than US-China trade friction (free description)

Main comments for impacts on business by issues and concerns regarding trade and commerce other than US-China trade friction (free description)

■ China

- When China's import restriction on Japanese agricultural products will be removed (Food & beverages)
- Sales decline owing to economic slowdown in China (Textiles/clothing)

■ South Korea

- Korean customers' demand for local production because of the deteriorated Japan-Korea relationship (Chemicals)
- Economic slowdown in Korea (Other manufacturing)

■ UK/Brexit/EU/Europe

- Disruption of distribution channels accompanied by Brexit (Iron & steel/non-ferrous metals/metal products)
- Trade and commerce problems between US and EU (Transport)
- Regulation on communication of online data, such as GDPR in EU (Communication, information & software)

■ US

- US's imposition of tariff on products from countries other than China and European retaliatory tariffs (Other manufacturing)
- Difficulty to predict the future because of nontransparent policies of US (Transport)

■ Hong Kong

- It's difficult to predict when and how the problem of Hong Kong will come to an end. That is a very worrisome issue when making decisions about our future policy because Hong Kong is in the upper part of ranking for export destinations. (Food & beverages)
- Decrease of distribution handling owing to impacts of prolonged demonstrations in Hong Kong (Transport)

■ Environment

- Alteration of worldwide regulations and standards for environment including SDGs (Other manufacturing)
- Concerned about depletion of commodities because of climate and environment problems (Trade and wholesale)

■ Iran

- Concerned about the possibility that ill effects of the conflict between the US and Iran might bring about a rise in oil prices (Electrical equipment)
- US's sanctions against Iran have caused harmful impacts (Other manufacturing)

Required information and support regarding FTA from the government (free description)

When suggestions for improvement of required information and support from the government, etc. regarding FTA were invited separately from answer choices to questions, 72 comments in total were presented. While many of them were found to be improvement requests regarding administrative procedures, a certain number of responses of “Nothing in particular” were presented (23 cases).

■ Administrative procedures

- Hope to shorten required time for new application procedures. (Other manufacturing)
- Wish simpler mechanisms to be established, particularly for SMEs. (Precision equipment)
- Rules of origin are complicated and time-consuming to examine fulfillment. It’s difficult to deal without support from experts. (Food & beverages)
- The issuance of certificates of origin is slow. The cause of this is the principle of original documents and sealing. (Trade and wholesale)
- Because of a limited number of local Chamber of Commerce and Industry to issue certificates, distance from our office to the organizations is problematic. Specifically, the lead time from issuing documents to obtaining the original, the burden of human resources, difficulty of recovery, etc. are bottlenecks for us. (Trade and wholesale)

■ Expansion of information

- Request to prepare a practical manual for clerks in order to prepare accurate supplier certificates. (Cars/car parts/other transportation machinery)
- Distribution of the collection of utilization examples. (Other manufacturing)

■ Coordination with partner countries

- If it’s possible to enable confirmation of how far the verification in partner countries has actually advanced (Trade and wholesale)
- Elimination of inconsistency in recognition with import countries’ side (such as regarding interpretation of HS code) (trade, wholesale)

■ FTA in general

- Expansion of FTA partner countries is required. (General machinery)
- Elimination of the problem that Japan’s third party certification system allows entry of only old HS codes. (IT equipment/electronic parts & devices)
- Because the contents differ among individual FTAs, SMEs cannot deal with them because of shortage of manpower and financial resources although large firms may be able to deal with them. Implementation of FTA measures for SMEs might be required, such as establishment of a hands-on system. (Professional services)

FY 2019 Survey on the International Operations of Japanese Firms
- JETRO Overseas Business Survey-

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

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