



# **FY 2022 Survey on the International Operations of Japanese Firms -JETRO Overseas Business Survey-**

**March, 2023**

**Overseas Research Department**

**Japan External Trade Organization (JETRO)**

# Introduction.

In recent years, overseas markets have become increasingly important to Japanese companies. In light of this situation, this survey analyzed trends related to overseas business development of Japanese companies, including trade initiatives, e-commerce(EC) initiatives, overseas expansion initiatives, moves to transfer operations to domestic bases, supply constraints, logistics, yen depreciation, perceptions and issues related to future global business, and DX, human rights, and environmental initiatives, based on a questionnaire survey. The following is a questionnaire-based analysis of trends in overseas business development of Japanese companies, including initiatives for DX, human rights, and the environment.

This is the 21st time that we have conducted this survey, which began in 2002 for JETRO Members (companies that are members of JETRO's membership system). This year, in November 2022, we sent invitations to 9,377 Japanese companies (including 3,300 JETRO Members and 6,077 non-members who have used JETRO services), and received responses from a total of 3,118 companies (valid response rate: 33.3%).

We would like to take this opportunity to thank the companies that cooperated in this survey. We hope that this report will be helpful to Japanese companies in formulating strategies for overseas business development.

This study was partially outsourced to Transbird Corporation.

February 2023

Japan External Trade Organization (JETRO) Overseas Research Dept.

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# Key findings of the survey

## 1 Change in willingness to do business overseas

- In 2022, **about half of the respondent firms achieved an increase in export volume**. The same decrease will be 15%. Increased overseas demand and a weaker yen are driving export growth in industries such as furniture and building materials, paper products, and food and beverage products.
- In terms of their policies for the next three years, the **number of firms that will further expand exports and those that will start new exports both declined**. Deteriorating market conditions, supply constraints and increased procurement and transportation costs, and a growing preference for local procurement in many countries are putting downward pressure on willingness to do so.
- **The motivation for overseas business expansion also declined to a record low**. More firms are maintaining the status quo for the time being due to changes in the business environment, including a weaker yen, higher prices, and rising interest rates, as well as constraints such as China's Zero-Covid policy.

## 2 Supply Chain Restructuring Initiatives

- **13% of firms have either implementing or considering reshoring part of their overseas operations**. Of those firms, 60% cited "increased business costs in the location country" and over 40% of manufacturers cited "disruptions in international transportation and rising logistics costs" as reasons.
- **More than 50% of firms face supply shortages of raw materials and parts**. More than 80% of firms in the machinery industry are facing shortages of raw materials and parts. The situation has worsened over the past year. As a countermeasure, those firms **are diversifying their procurement sources and switching to alternatives**.
- 47% of firms are negatively impacted by the yen's depreciation. This is significantly higher than the positive impact (16.5%).

## 3 Business transformation in response to the demands of the times and society

- 70% of firms recognize the need for business reform in response to new global challenges such as changes in market and social awareness and geopolitical risks, etc. **Building internal structures and new businesses that respond to the SDGs are top priorities**.
- Decarbonization efforts have made significant progress over the past year. About 80% of large firms are already implementing initiatives.

# 1 | About this survey

## 1. Target

The FY2022 survey reached a total of 9,377 firms headquartered in Japan with interest in overseas business. They include 3,300 JETRO member firms and 6,077 firms that have used JETRO services.

*\*This survey has been conducted annually since FY2002, and it marks the 21st year for the survey. The survey had been initially conducted only for JETRO member firms, but its coverage was expanded in FY2011 to include non-JETRO member firms.*

## 2. Topics

- I. Profile
- II. International Trade
- III. E-Commerce (EC) Utilization
- IV. Supply constraints, logistics, yen depreciation
- V. Overseas Expansion
- VI. Action for Human Rights, Decarbonization, etc.
- VII. DX Initiatives
- VIII. Perceptions and issues related to future global business

## 3. Survey method

JETRO asked target firms to answer this survey by mail or on the website by e-mail.

## 4. Period

November 17, 2022 to December 20, 2022

## 5. Responses

Valid responses: 3,118 firms (of which 1,103 are JETRO member firms)

Rate of valid response: 33.3%.

## Profile of respondent firms (overall, by industry, and by firm size)

Total/Industry/Size	No. of firms	Share (%)
Total	3,118	100.0
Manufacturing	1,814	58.2
Food and beverage	473	15.2
Textiles / Clothing	109	3.5
Wood & wood products/furniture & building materials/paper & pulp	55	1.8
Chemicals	77	2.5
Medical products and cosmetics	63	2.0
Petroleum products/plastic/rubber products	93	3.0
Ceramics/earth & Stone	30	1.0
Iron & steel/non-ferrous metals/metal products	203	6.5
General machinery	147	4.7
Electric equipment	106	3.4
IT equipment/electronic parts & devices	55	1.8
Cars/car parts/other transportation machinery	82	2.6
Precision equipment	79	2.5
Other manufacturing	242	7.8
Non-manufacturing	1,304	41.8
Trade & wholesales	650	20.8
Retail	94	3.0
Construction	103	3.3
Transport	69	2.2
Finance and insurance	61	2.0
Communication, information & Software	78	2.5
Professional services	65	2.1
Other non-manufacturing	184	5.9
Large-scale firms	466	14.9
Large-scale firms (excluding leading medium-sized firms)	104	3.3
Leading medium-sized firms	362	11.6
SMEs	2,652	85.1
SMEs (excluding micro-businesses)	1,059	34.0
Micro business	1,593	51.1

## 2 | Notes

- Percentages shown in charts and diagrams in this report are rounded off and therefore totals are not necessarily 100%.
- Prefectures included in each region are as follows:  
 “Hokkaido”: Hokkaido  
 “Tohoku”: Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima  
 “Kanto/Koshinetsu”: Ibaraki, Tochigi, Gunma, Tokyo, Saitama, Chiba, Kanagawa, Nagano, Shizuoka, Yamanashi, Niigata  
 “Chubu”: Aichi, Gifu, Mie  
 “Hokuriku”: Toyama, Ishikawa, Fukui  
 “Kansai”: Shiga, Kyoto, Nara, Osaka, Wakayama, Hyogo  
 “Chugoku”: Okayama, Tottori, Hiroshima, Shimane, Yamaguchi  
 “Shikoku”: Kagawa, Ehime, Tokushima, Kochi  
 “Kyushu/Okinawa”: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima, Okinawa
- Definitions of large-scale firms, SMEs, etc. are as follows:

Classification	Manufacturing and other	Wholesale	Retail	Service
Large-scale firms	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs	Firms other than SMEs
Large-scale firms (excluding leading medium-sized firms)	Large-scale firms other than leading medium-sized firms	Large-scale firms other than medium-sized firms	Large-scale firms other than medium-sized firms	Large-scale firms other than medium-sized firms
Leading medium-sized firms	More than 300 million yen or less, or more than 300 but 3,000 or fewer employees	More than 100 million yen but 300 million yen or less, or more than 100 but 1,000 or fewer employees	More than 50 million but 300 million yen or less, or more than 50 but 1,000 or fewer employees	More than 50 million but 300 million yen or less, or more than 100 but 1,000 or fewer employees
Small and medium-sized enterprises (SMEs)	300 million yen or less, or 300 employees or less	100 million yen or less, or 100 employees or less	50 million yen or less, or 50 employees or less	50 million yen or less, or 100 employees or less
SMEs (excluding micro-businesses)	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses	SMEs other than micro-businesses
Micro-businesses	50 million yen or less, or 20 employees or less	10 million yen or less, or 5 employees or less	10 million yen or less, or 5 employees or less	10 million yen or less, or 5 employees or less

Note: “Large-scale firms” and “SMEs” in the large categories are based on the Small and Medium-sized Enterprise Basic Act. The others are defined by JETRO.

### Profile of responding firms (by overseas business status by location)

Total/Classification/Location	No. of firms	Share(%)
Total	3,118	100.0
Firms performing exports	2,359	75.7
Firms performing imports	1,555	49.9
Firms with overseas bases	1,246	40.0
Domestic firms	245	7.9
Hokkaido	52	1.7
Tohoku	148	4.7
Kanto/Koshinetsu	1,371	44.0
Chubu	294	9.4
Hokuriku	120	3.8
Kansai	576	18.5
China	174	5.6
Shikoku	130	4.2
Kyushu/Okinawa	253	8.1

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

### 3 | List of industry name used in this report

#### [Manufacturing]

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

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

#### [Non-manufacturing]

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

# I. Profile of Respondent Firms



# 1 | Current trade conditions

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

Overall, Industry, Size	Currently exporting	Only exporting	Not currently exporting	Currently importing	Only Importing
Overall (n=3,118)	75.7	32.9	24.3	42.8	7.1
Manufacturing (n=1,814)	87.1	39.6	12.9	47.5	4.6
Food and beverages (n=473)	90.9	65.1	9.1	25.8	2.7
Textile/textile/apparel (n=109)	81.7	32.1	18.3	49.5	9.2
Lumber and wood products/furniture and building materials/paper pulp (n=55)	89.1	38.2	10.9	50.9	1.8
Chemistry (n=77)	96.1	31.2	3.9	64.9	1.3
Medical products and cosmetics (n=63)	88.9	34.9	11.1	54.0	6.3
Petroleum, plastic and rubber products (n=93)	84.9	23.7	15.1	61.3	5.4
Ceramics/soil and stone (n=30)	83.3	33.3	16.7	50.0	13.3
Steel/non-ferrous metals/metal products (n=203)	80.8	24.6	19.2	56.2	5.9
General Machinery (n=147)	88.4	25.9	11.6	62.6	5.4
Electrical machinery (n=106)	87.7	34.0	12.3	53.8	5.7
Information and Communication Equipment/Electronic Components and Devices (n=55)	87.3	20.0	12.7	67.3	3.6
Automobiles and similar components/other transportation equipment (n=82)	84.1	31.7	15.9	52.4	1.2
Precision equipment (n=79)	94.9	41.8	5.1	53.2	1.3
Other manufacturing (n=242)	82.2	34.3	17.8	47.9	6.2
Non-manufacturing (n=1,304)	59.7	23.5	40.3	36.2	10.7
Trading company/wholesale (n=650)	81.8	24.6	18.2	57.2	12.9
Retail (n=94)	67.0	43.6	33.0	23.4	13.8
Construction (n=103)	36.9	19.4	63.1	17.5	13.6
Transportation (n=69)	34.8	10.1	65.2	24.6	2.9
Finance/Insurance (n=61)	-	-	-	-	-
Communication/Information/Software (n=78)	37.2	21.8	62.8	15.4	10.3
Professional services (n=65)	30.8	24.6	69.2	6.2	1.5
Other non-manufacturing (n=184)	39.7	25.0	60.3	14.7	9.2
Large companies (n=466)	68.2	13.1	31.8	55.2	4.1
Small and medium-sized enterprises (n=2,652)	77.0	36.4	23.0	40.6	7.7

Note: (1) n is the total number of responding firms to this survey. (2) Indirect imports and exports through other companies are included. (3) Firms that "export only" are those that excluded firms that import from firms that export.(4)The number of firms that are "do not currently exporting" is excluded firms that export from the total number of responded firms. (5) The number of firms "Imports only" is excluded the number of firms that export from the number of firms that import.

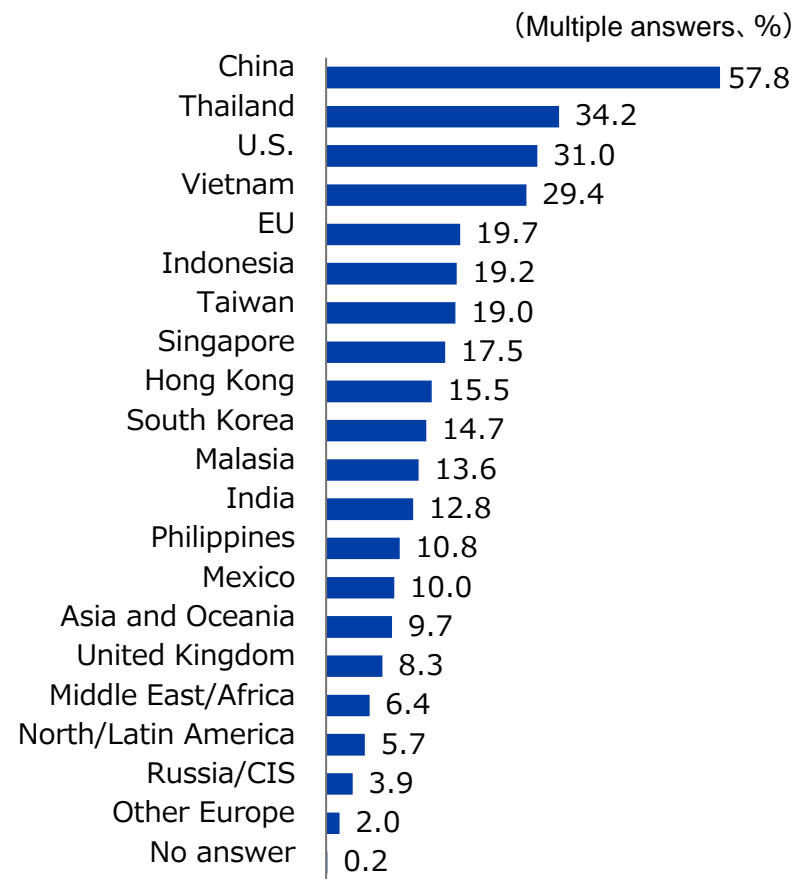
# 2 | Current Overseas Operations

## Overseas presence (overall, by industry, by company size)

Overall, Industry, Size	Overseas presence (%)	
	yes	no
Overall (n=3,118)	40.0	60.0
Manufacturing (n=1,814)	40.4	59.6
Food and beverages (n=473)	17.1	82.9
Textile/textile/apparel (n=109)	26.6	73.4
Lumber and wood products/furniture and building materials/paper pulp (n=55)	23.6	76.4
Chemistry (n=77)	62.3	37.7
Medical products and cosmetics (n=63)	49.2	50.8
Petroleum, coal, plastic and rubber products (n=93)	59.1	40.9
Nitriding and Mud and Stone (n=30)	46.7	53.3
Steel/non-ferrous metals/metal products (n=203)	53.7	46.3
General Machinery (n=147)	55.1	44.9
Electrical machinery (n=106)	52.8	47.2
Information and Communication Equipment/Electronic Components and Devices (n=55)	61.8	38.2
Automobiles and similar components/other transportation equipment (n=82)	67.1	32.9
Precision equipment (n=79)	39.2	60.8
Other manufacturing (n=242)	39.7	60.3
Non-manufacturing (n=1,304)	39.3	60.7
Trading company/wholesale (n=650)	37.1	62.9
Retail (n=94)	24.5	75.5
Construction (n=103)	48.5	51.5
Transportation (n=69)	58.0	42.0
Finance/Insurance (n=61)	47.5	52.5
Communication/Information/Software (n=78)	43.6	56.4
Professional services (n=65)	38.5	61.5
Other non-manufacturing (n=184)	38.6	61.4
Large companies (n=466)	79.2	20.8
Large companies (excluding medium-sized companies) (n=104)	97.1	2.9
Medium-sized companies (n=362)	74.0	26.0
Small and medium-sized enterprises (n=2,652)	33.1	66.9
Small and medium-sized enterprises (excluding small businesses) (n=1,059)	47.0	53.0
Small businesses (n=1,593)	23.8	76.2

Note: (1) "n" is the total number of companies responding to this survey.  
(2) Agents are not included in overseas offices.

## Countries and regions where overseas offices are located



Notes: (1) The total includes companies that currently have overseas offices (1,246 companies). Asia/Pacific and Others" refers to Asia/Pacific countries and regions excluding China, Hong Kong, Taiwan, South Korea, Singapore, Thailand, Malaysia, Indonesia, the Philippines, Vietnam, and India. North America, Latin America and Others" refers to the countries and regions of North America and Latin America excluding the U.S. and Mexico. Other Europe" refers to countries and regions in Europe excluding the EU and the U.K.

## **II. Changes in willingness for international business**

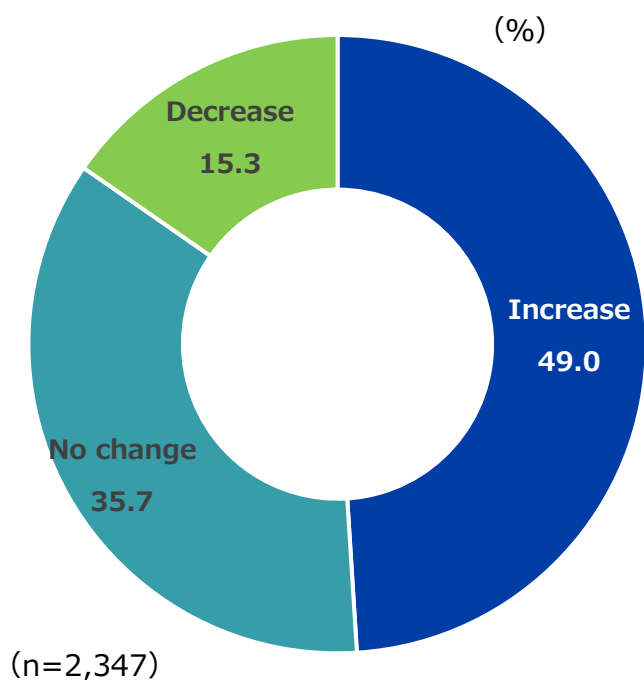
### **1) Trade**

~Half of the respondents achieved an increase in exports, but their willingness to expand in the future is diminishing.

# 1 | About 50% expand exports on a volume basis

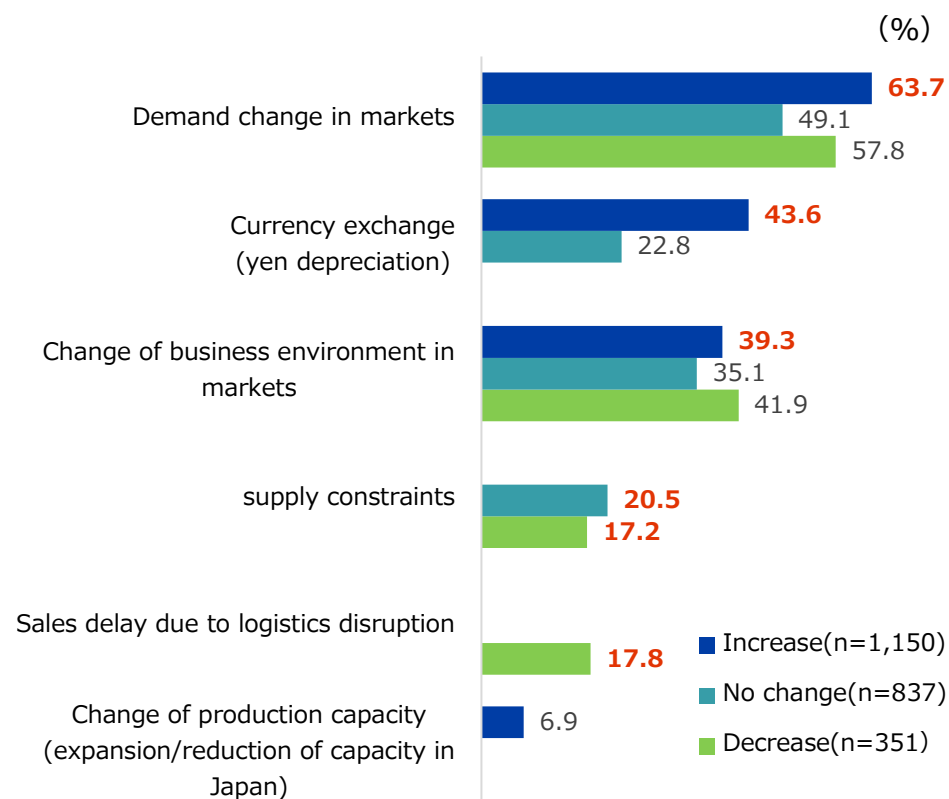
- **Approximately 50% of exporting firms expect an increase in 2022 export volume compared to the previous year.** Changes in demand and business environment, yen depreciation, and production expansion in Japan contribute to the increase.
- Firms which reported a decrease in exports (15.3%) cited supply constraints, such as shortages of materials/parts, and logistics stagnation

## Outlook for 2022 (y-on-y, volume basis)



Note: n is the number of firms that responded to this survey, excluding firms that responded "not in the exporting industry".

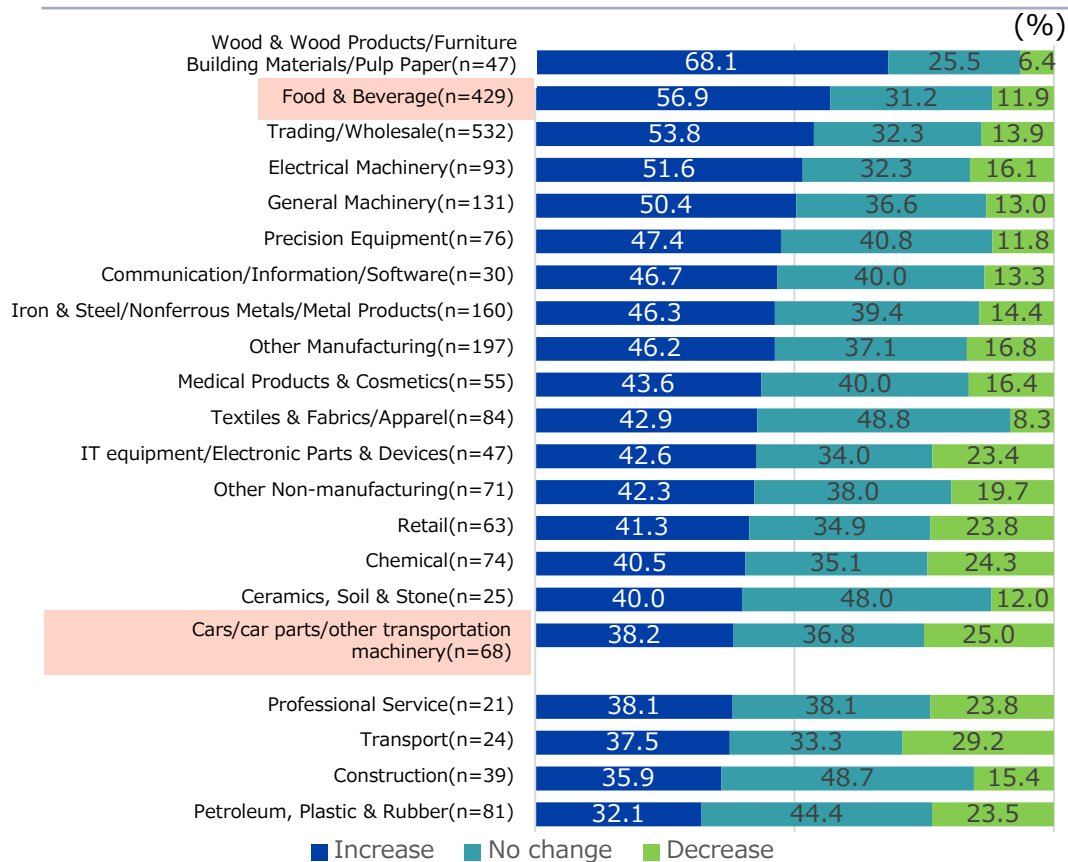
## Reason for outlook (top 4, multiple responses)



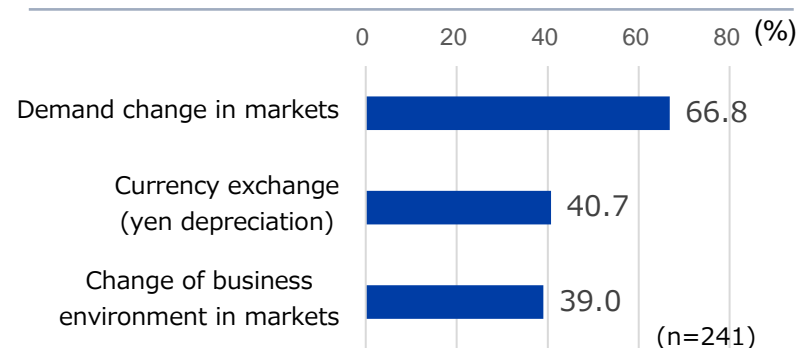
# 2 | Exports up in lumber, furniture, food and beverage, but stagnant in auto-related products

- The rate of firms reporting an increase in exports was higher in furniture and building materials, paper products, and food and beverage products.
- That rate was lower for the automotive sector. Decreased sales in major markets, logistics constraints, and production cutbacks were among the factors that affected exports.

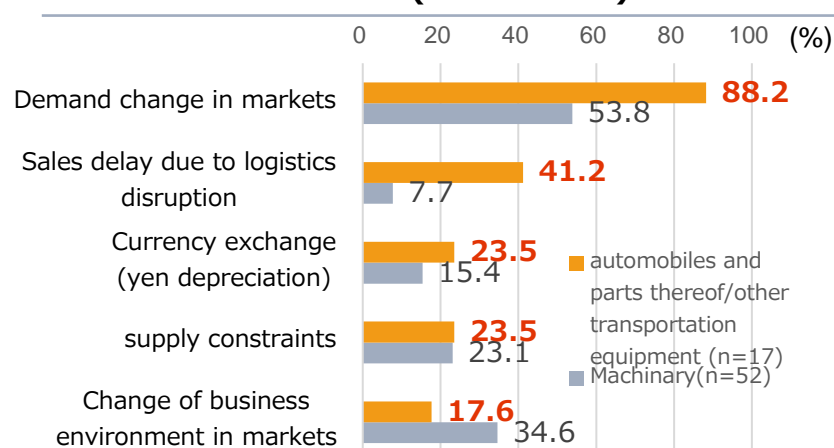
**Export outlook for 2022 (by industry)**



**Reasons (Food & Beverage x "Increase")**



**Reasons ("Decrease")**



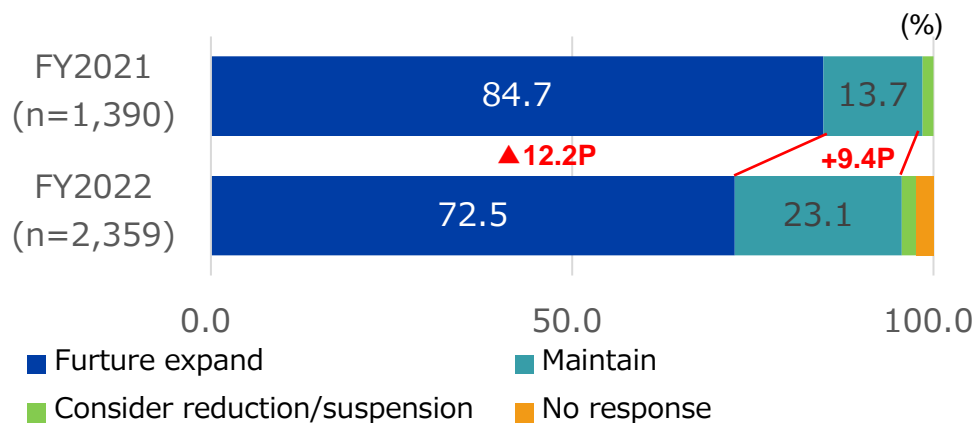
Note: n is the number of firms excluding those that did not respond and those that answered "not in exporting industries" from the total number of firms that responded to this survey.

Note: Machinery Industry = General Machinery, Electrical Machinery, Information and Communication Machinery/Electronic Components and Devices, Precision Machinery  
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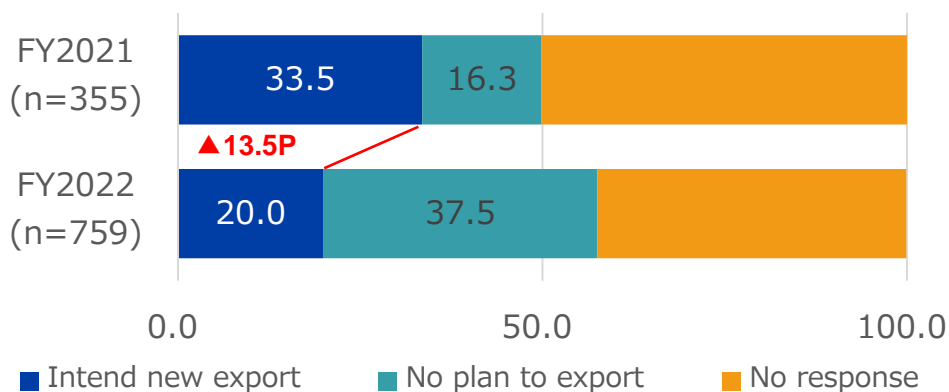
### 3 | Export expansion over the next few years, shading the desire to start new exports.

- **72.5% of firms plan export expansion** for FY2022-2024, marking **over 10 points decrease**. The rate of “status quo” rose 9.4 points. Fewer firms will challenge in new export.
- Firms cited **economic uncertainties, supply constraints, and business localization** for “status quo” or less willingness in their exports.

Future policy of exporting firms



Future policy of exporting firms



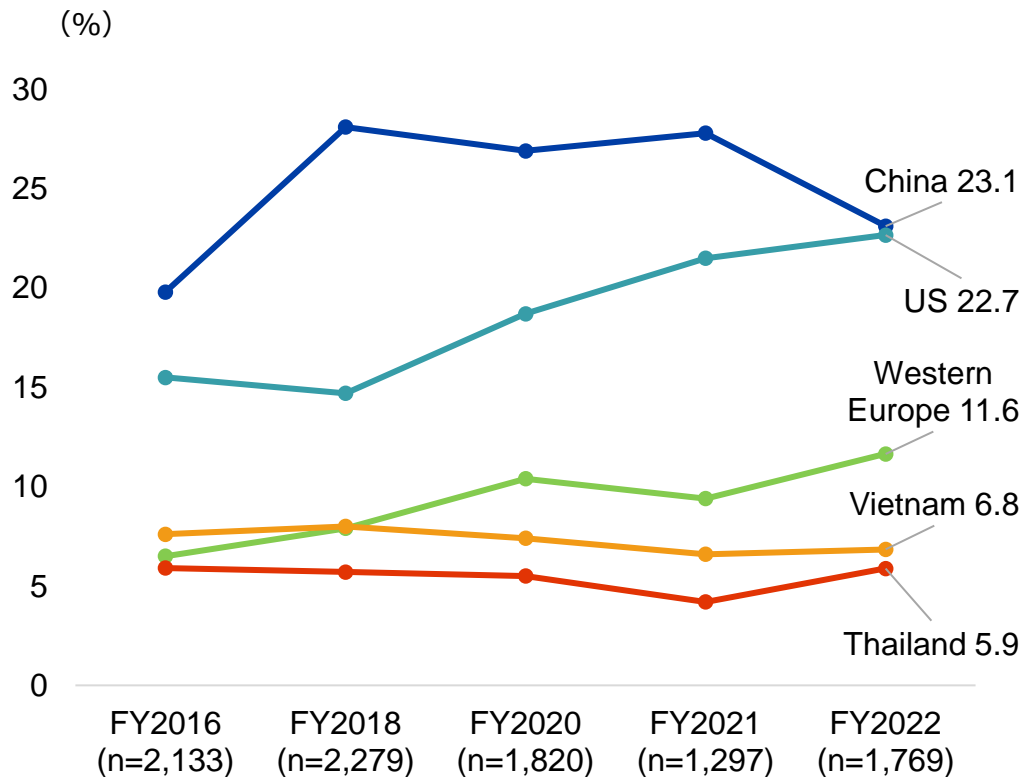
Reasons for “status quo”, “reduction/withdrawal”

- **Covid-19 and the war** (General Machinery)
- **Exchange rates and inflation** in export markets (trading / wholesales)
- **Instability in global economy** (Apparel)
- **Economic deterioration** in export markets (Retail)
- Lack of electronics by **semiconductors shortage** (precision instruments)
- Production **capacity limitation** (chemical)
- **Overcapacity for more orders**, considering crop cycles (agriculture, forestry, fisheries).
- **Increased local procurement** (nonferrous metals)
- **Yen depreciation is not expected to last** (metal products).

## 4 | Diversification in progress besides China

- China kept as the most important export destination at 23.1%, down by 4.7 points, followed by the U.S. Firms increasingly chose Western Europe (+2.2) and Thailand (+1.7).
- Firms which succeeded in exporting to China challenge other markets for export expansion.

### Most important export destinations (top 5)



### Comments seeking to expand exports

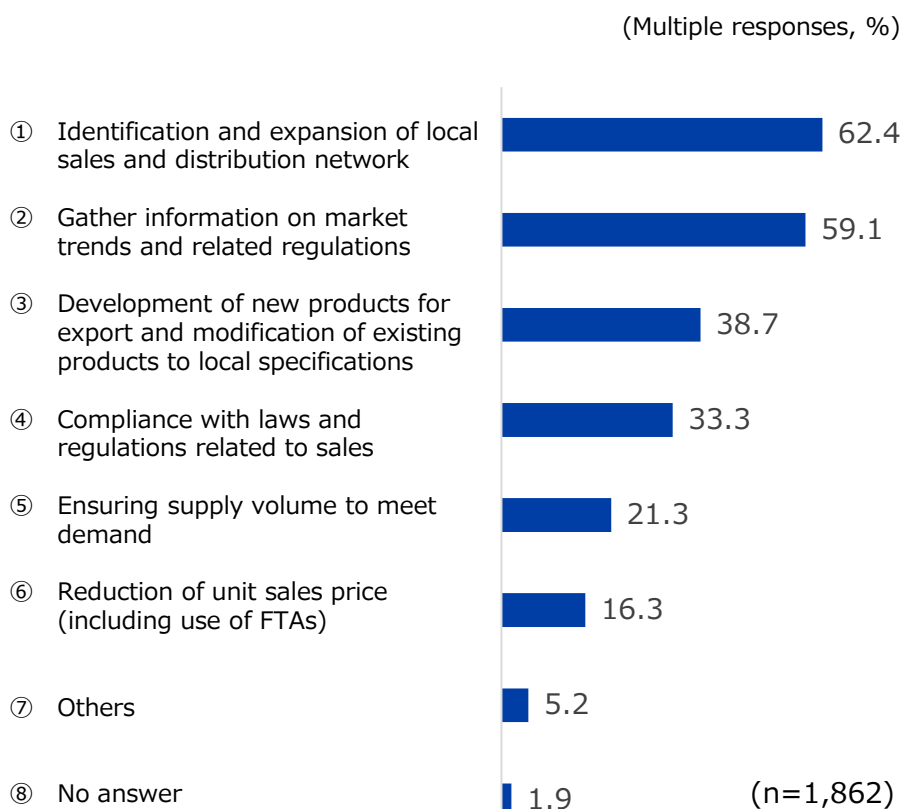
- **China is the main** destination, but we would like to **expand to Southeast Asia.** (medical products and cosmetics)
- **Starting with China, we develop in North America and the EU, surrounding regions** (Textiles & Fabrics)
- We will expand sales channels to China, and promote approaches to Taiwan and France (Information and Software)
- **a track record of exporting to China and Korea resulted in inquiries from Asia,** including Vietnam (Other)
- Expand export of materials/products from Japan to the ASEAN (Thailand/Vietnam) by taking advantage of our overseas network (Other)

Note: n is the number of valid responses among the companies that responded that they "plan to further expand exports" or "would like to make new export efforts" in their future export policy.

## 5 | Export challenges differ by country/region

- Firms face challenges on "finding and expanding local sales and distribution networks" and "gathering information on market trends and related regulations".
- Gathering information is the major challenge in China, while the rate which firms consider securing supply as their challenge in the US is higher than other destinations.

### Major challenges in export



### Challenges by top5 destinations

(Multiple responses, %)

Reason	China (n=409)	US (n=401)	EU (n=190)	Vietnam (n=121)	Thailand (n=104)
①	62.1	64.3	63.7	<b>65.3</b>	60.6
②	<b>66.5</b>	56.4	58.4	60.3	58.7
③	37.9	<b>46.6</b>	41.1	26.4	34.6
④	<b>39.1</b>	33.9	37.4	36.4	28.8
⑤	24.2	<b>26.4</b>	17.4	19.0	21.2
⑥	18.1	15.2	13.2	<b>24.0</b>	24.0
⑦	5.9	5.5	6.8	5.8	2.9

Note: 1) "n" indicates the number of companies that answered "currently exporting and intend to further expand" or "currently not exporting but intend to make new efforts in the future," together with the reason for selecting the most important country/region (one). (2) (Right table) Percentage of the number of firms that responded for each country/region. The shading indicates the top three percentages.



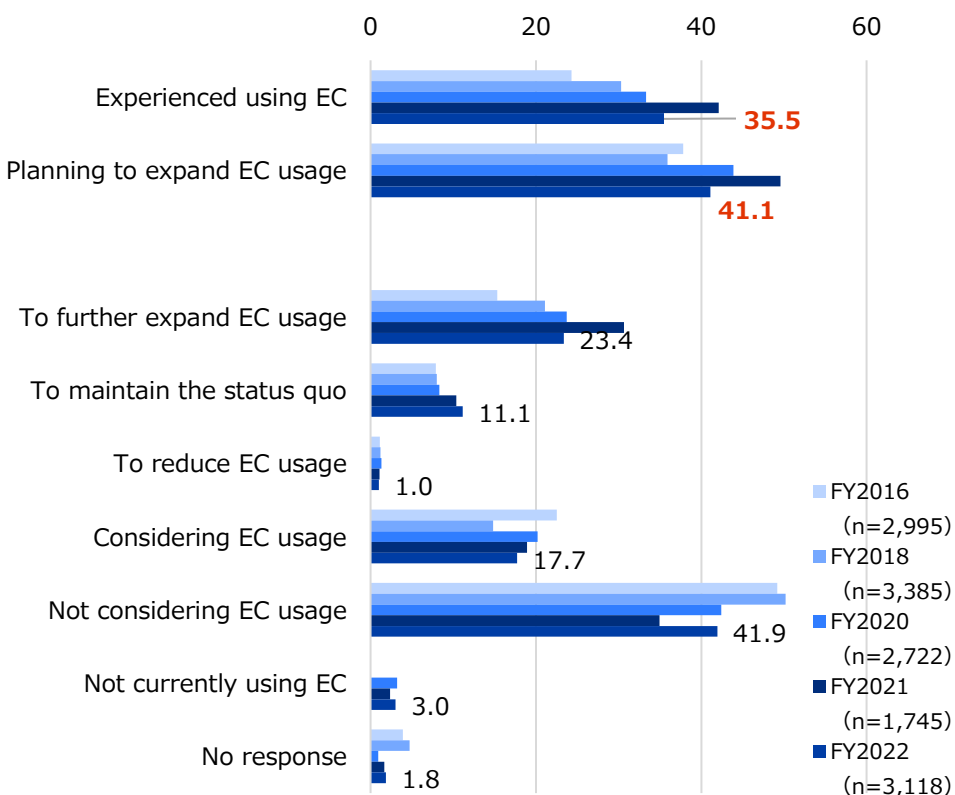
## **II - ② E-Commerce (EC) Utilization**

More SMEs are utilizing EC, but there are still many challenges.

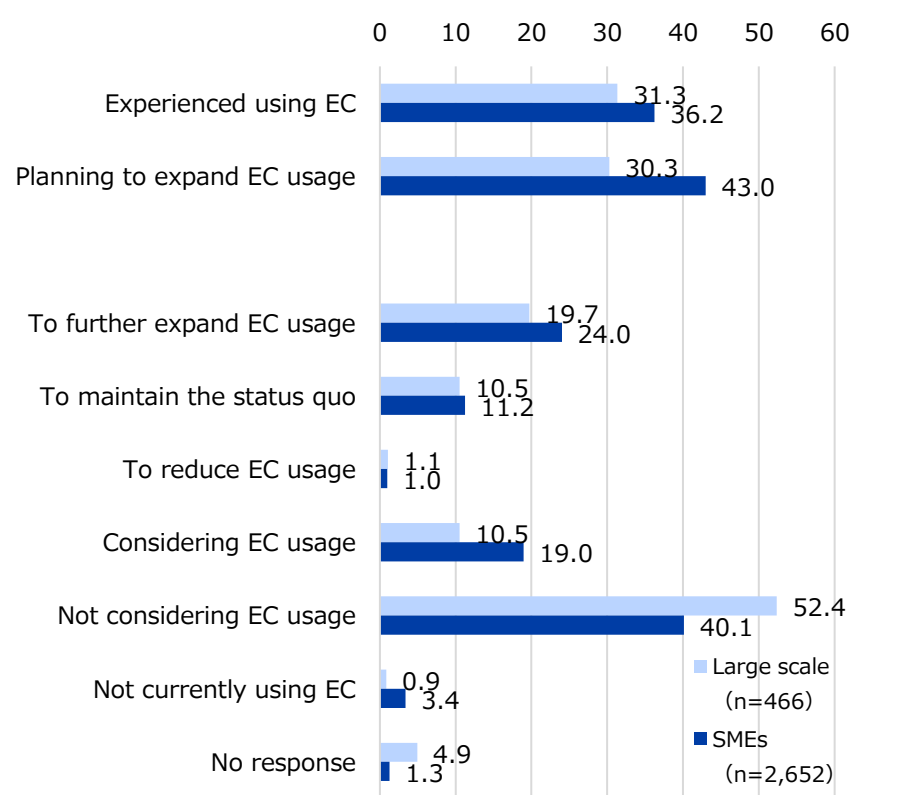
# 1 Higher percentage of SMEs are utilizing EC than large companies

- **35.5% of all respondent firms have used EC for domestic and international sales.** The same ratio was higher among SMEs than large companies.
- 41.1% of all respondent firms plan to expand their use of EC, while this figure is 43.0% among SMEs. This indicates that attention to EC remains high.

EC usage (Overall, by year) (%)



EC usage (2022, by firm size) (%)



Notes: 1) "n" is the total number of response.

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

## 2 | Tendency for high EC usage in food & beverage and textiles/apparel industries.

- The percentage of respondents who have experienced using EC exceeded 50% in the textile & fabrics/apparel, medical products & cosmetics, petroleum/plastic/rubber products, and retail industries.
- EC appears to be attracting attention from firms selling products whose demand has remained firm throughout the COVID-19 pandemic such as clothing, food, and household-related good.

### EC use (by industry) (%)

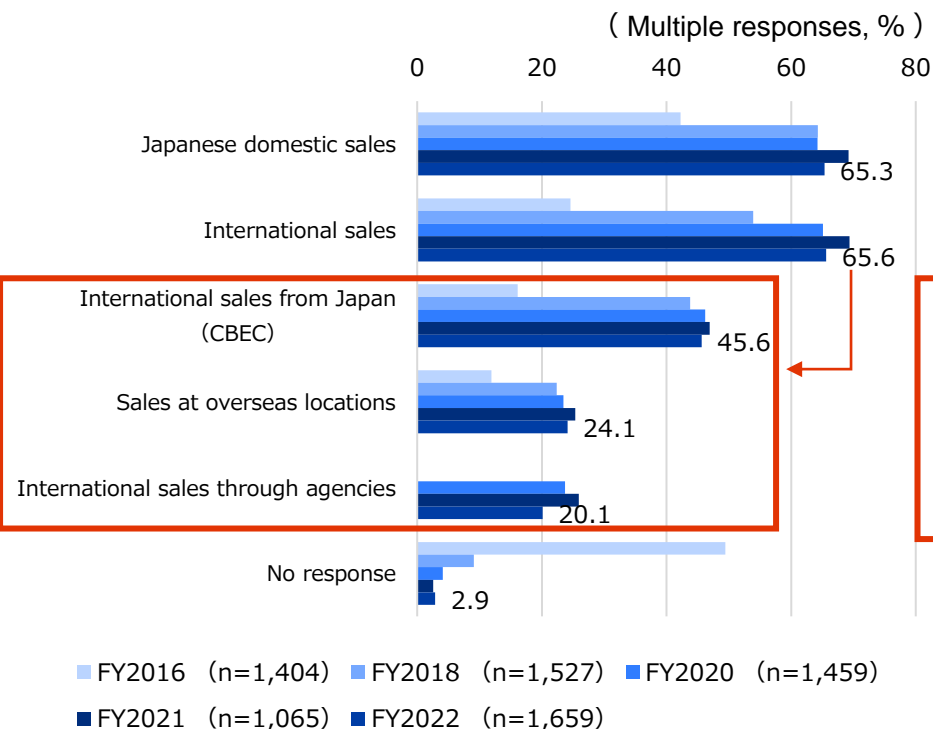
	No. of firms	Experienced using EC	To further expand EC usage	To maintain the status quo	To reduce EC usage	No experience but considering EC usage	No experience and not considering EC usage	Experienced but not currently using EC	No response
Overall	3,118	35.5	23.4	11.1	1.0	17.7	41.9	3.0	1.8
Manufacturing	1,814	38.1	25.8	11.4	0.9	18.2	39.5	2.9	1.3
Food & beverage	473	48.0	33.4	13.5	1.1	22.6	24.9	3.2	1.3
Textiles/clothing	109	59.6	48.6	9.2	1.8	11.9	23.9	2.8	1.8
Wood & wood products/furniture & building materials/paper & pulp	55	41.8	36.4	5.5	0.0	21.8	29.1	3.6	3.6
Chemicals	77	27.3	23.4	3.9	0.0	16.9	53.2	1.3	1.3
Medical products & cosmetics	63	50.8	39.7	11.1	0.0	15.9	30.2	3.2	0.0
Petroleum products,plastic & rubber products	93	50.5	34.4	16.1	0.0	11.8	37.6	0.0	0.0
Ceramics/earth & stone	30	43.3	20.0	23.3	0.0	23.3	33.3	0.0	0.0
Iron & steel/non-ferrous metals/metal products	203	24.1	13.3	10.8	0.0	18.7	52.2	3.9	1.0
General machinery	147	24.5	13.6	9.5	1.4	22.4	46.9	4.1	2.0
Electrical machinery	106	28.3	21.7	5.7	0.9	15.1	53.8	2.8	0.0
IT equipment/electronic parts & devices	55	32.7	16.4	12.7	3.6	5.5	52.7	7.3	1.8
Cars /Car Parts/other transportation machinery	82	20.7	9.8	11.0	0.0	9.8	61.0	6.1	2.4
Precision equipment	79	27.8	15.2	12.7	0.0	20.3	49.4	1.3	1.3
Other manufacturing	242	37.6	23.6	12.4	1.7	17.8	42.1	1.2	1.2
Non-manufacturing	1,304	31.9	20.0	10.7	1.2	17.0	45.3	3.1	2.6
Trade & wholesale	650	39.7	23.8	14.2	1.7	18.9	36.0	3.8	1.5
Retail	94	61.7	43.6	17.0	1.1	17.0	20.2	1.1	0.0
Construction	103	8.7	3.9	4.9	0.0	17.5	69.9	1.0	2.9
Transportation	69	13.0	7.2	5.8	0.0	13.0	66.7	0.0	7.2
Finance/insurance	61	8.2	6.6	1.6	0.0	3.3	77.0	0.0	11.5
Communication,information & Software	78	20.5	15.4	5.1	0.0	20.5	46.2	11.5	1.3
Professional service	65	12.3	7.7	4.6	0.0	10.8	67.7	4.6	4.6
Other non-manufacturing	184	28.8	19.0	8.2	1.6	16.8	50.5	1.1	2.7

Note: 1)n is the total number of companies that responded to this survey.  
2) Painted cell is the industry in which the percentage exceeded 50%.

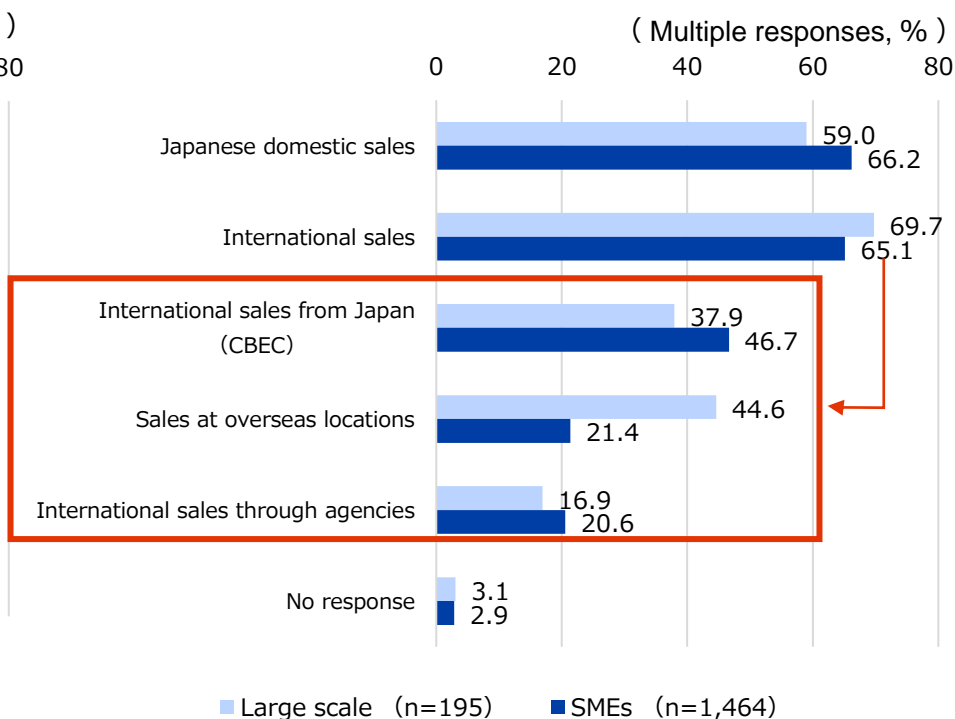
# 3 | Nearly 70% of firms are using or considering EC for international sales

- Of total that are either using or considering EC, 65.6% responded that are doing so with overseas sales. A high percentage cited cross-border EC(CBEC)as a specific sales method.
- By company size, a higher percentage of large companies responded that they sell through overseas offices, while a higher percentage of SMEs responded that they use CBEC.

EC usage (by year)



EC usage (FY2022, by firm size)

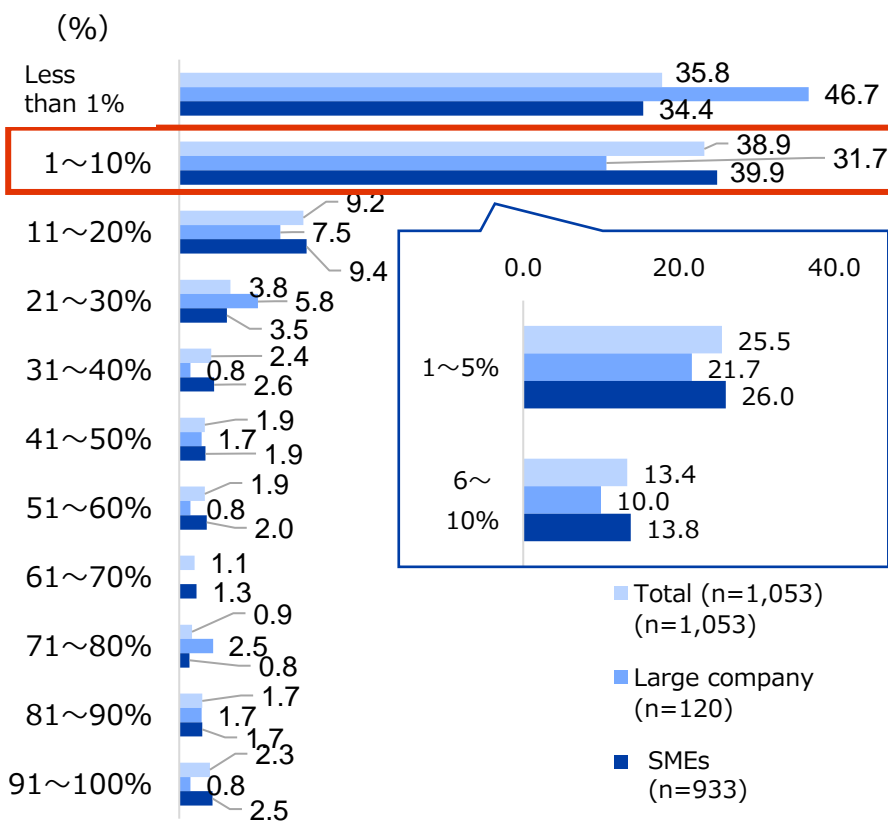


Notes: 1) "n" is the number of firms that either have experience using EC (excluding those not currently using it) or are considering using EC.  
 2) "International sales" refers to firms who selected either "International Sales from Japan (CBEC)," "Sales at overseas locations," or "International sales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

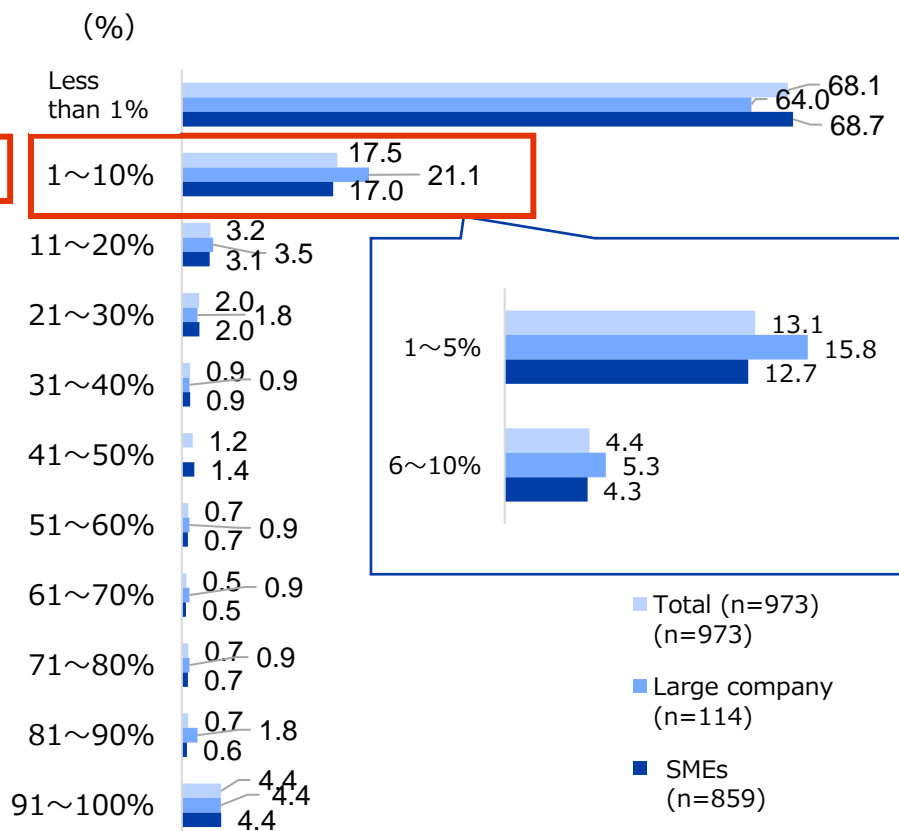
# 4 | EC sales accounted for 1-10% of total sales for many firms

- About 70% respondents' EC sales accounted for less than 10% of their total sales.
- EC sales to overseas markets accounted for less than 1% for many company's total sales. Industries with a high ratio include Communication, information & software and transportation.

Ratio of EC to total sales (by firm size)



Ratio of EC sales to overseas out of total EC sales (by firm size)

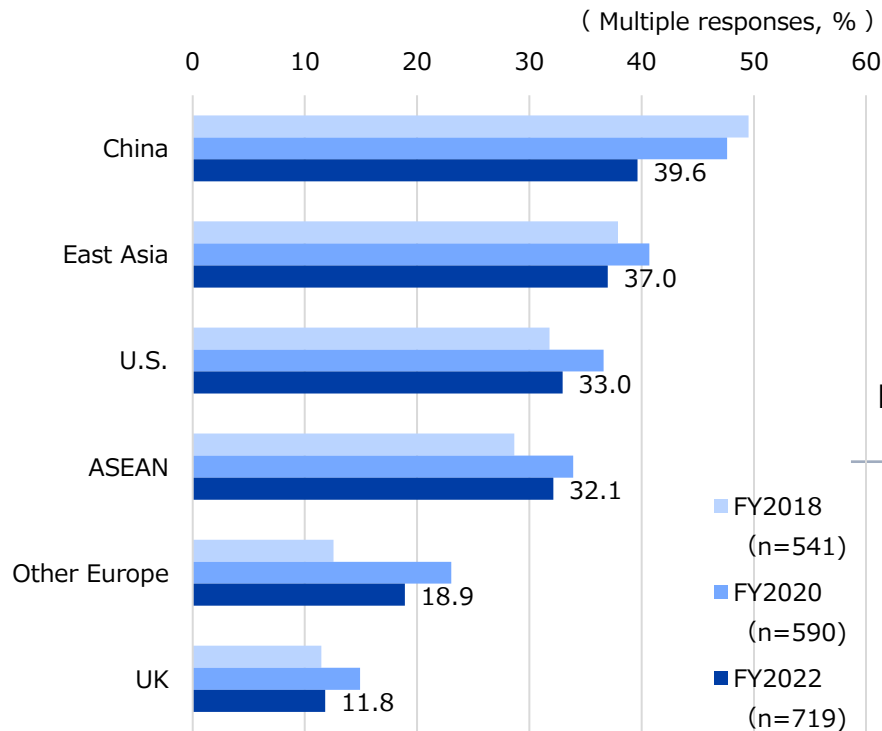


Notes: n is the number of companies that responded that they have used EC (excluding non-responses).

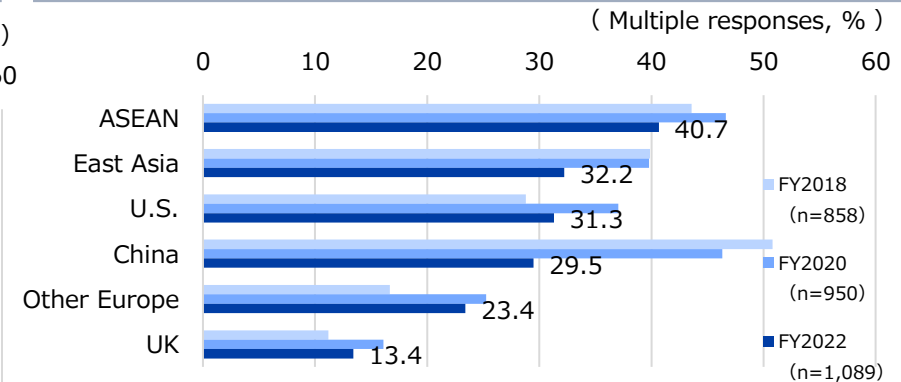
# 5 | More companies are targeting ASEAN and East Asia as EC sales future destinations.

- As of the time of this survey (November-December 2022), **China, East Asia, the U.S., and ASEAN** were **popular country/area** for EC sales destinations.
- In terms of future EC sales expansion, the percentage of firms that responded “China” decreased significantly, but those already using EC in China notably responded they will expand sales in China as well as ASEAN.

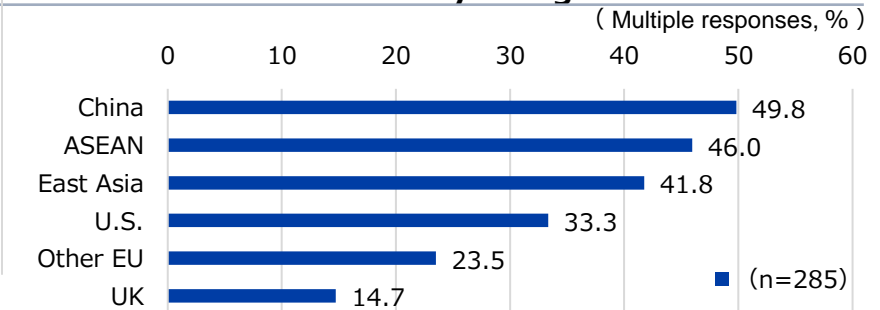
**Current EC sales destination (by year)**



**Future EC sales expansion destinations (by year)**



**Future EC sales expansion and new sales destination for firms currently using EC in China**

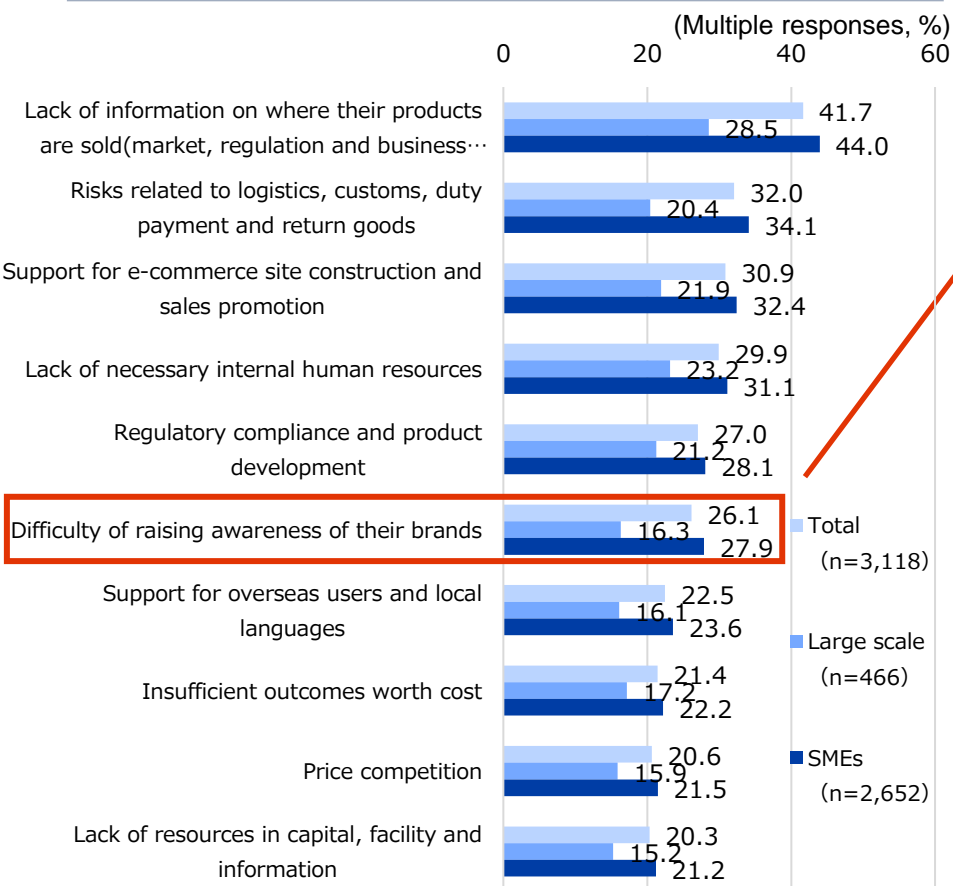


Notes: 1) (left chart) n is the number of firms that responded they are using EC overseas. 2) (Upper right) n is the number of firms that responded that they are using or considering using EC overseas. 3) East Asia in FY2020 and FY18 include South Korea, Taiwan, Hong Kong; Other Europe in FY2020 includes Germany, France, Spain, Central and Eastern Europe. Other Europe in FY18 includes Germany, France, ASEAN in 2018 includes Singapore, Thailand, Malaysia, Indonesia, the Philippines, and Vietnam.

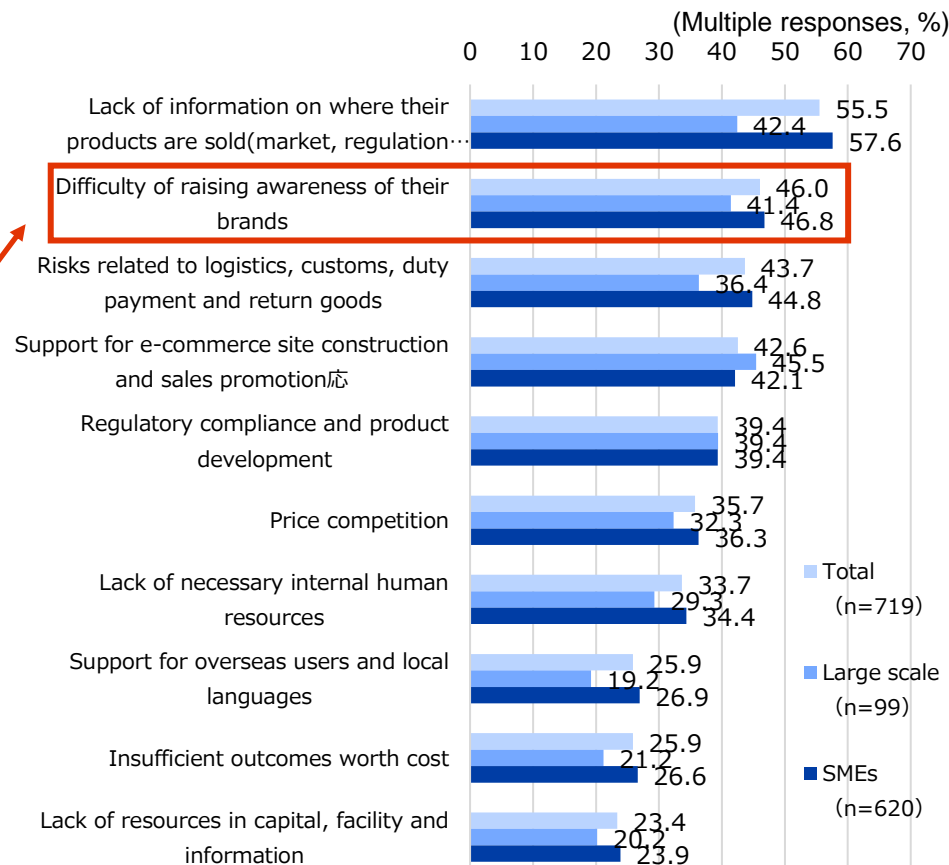
# 6 SMEs face more challenges in using EC than large firms

- The most common challenges in using EC were lack of information about the countries/regions where products are sold and risks related to logistics, customs, duty payment and return goods. SMEs are facing more challenges in all categories than large firms.
- Companies using EC overseas notably cited the difficulty of raising awareness of their brands as well as a lack of information on the countries.

Issues in EC use (by firm size)



Issues in EC use (by firm size)



Notes: n is the number of firms that responded using EC overseas

## II-③ Overseas Expansion

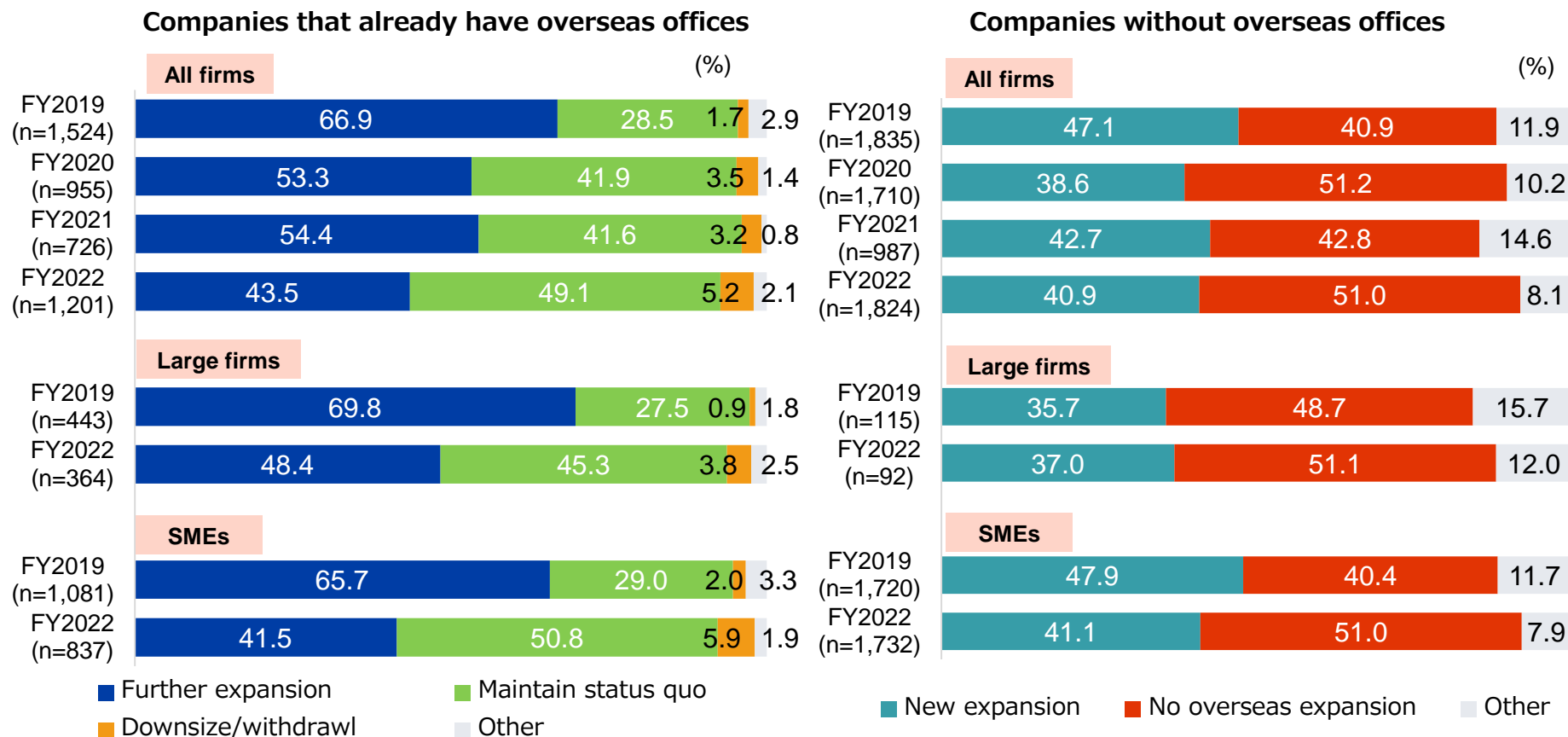
~Growing Uncertainty Leads to Wait-and-see Approach toward overseas business for Japanese firms.



# 1 Growing Uncertainty Leads to Wait-and-see Approach toward overseas business for Japanese firms

- Regarding their overseas expansion policy for the next three years or so, nearly half (49.1%) of firms that have overseas offices answered that "maintain the status quo". On the other hand, **the ratio of firms that "plan to expand further" declined significantly compared to the past three years.**
- Among firms that do not have overseas offices, about 40% of the firms "want new overseas offices" have remained almost unchanged over the past three years.

## Future Overseas Expansion Policy



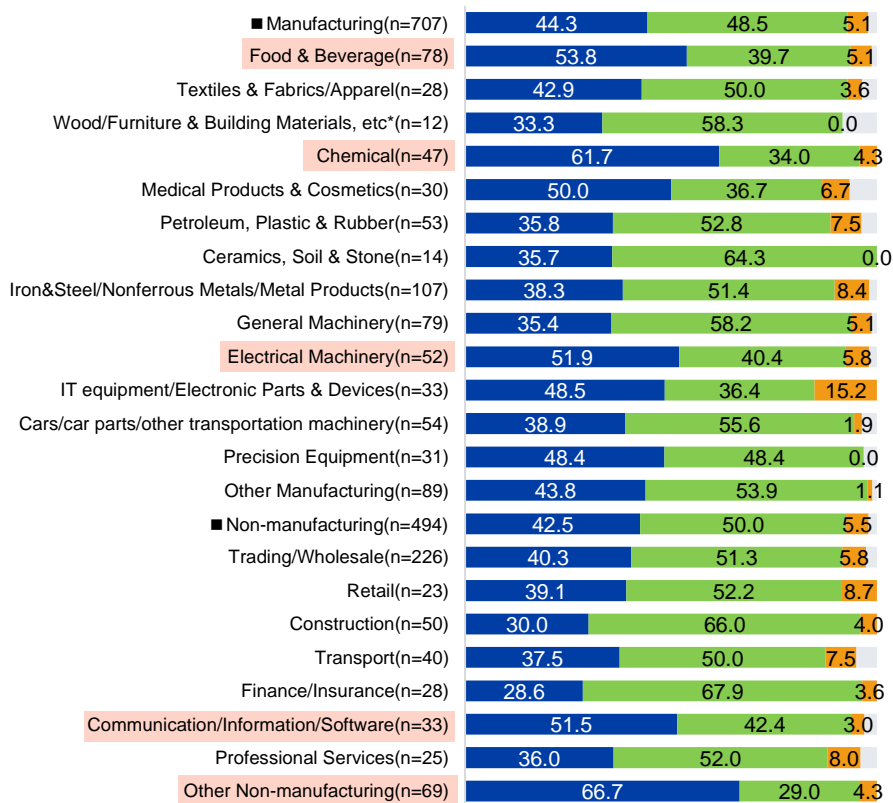
Note: The value of "n" does not include firms who selected "No Response."

# 2 | Future overseas expansion policy (by industry)

- Of the firms with overseas offices, more than a majority of the respondents plan to expand their overseas operations, including chemicals, food and beverage, electrical machinery, and communications, information, and software firms.

Future Overseas Expansion Policy (by industry)

Firms that already have overseas offices (%)



■ Further expansion ■ Maintain status quo ■ Downsize/withdraw ■ Other

Firms without overseas offices (%)



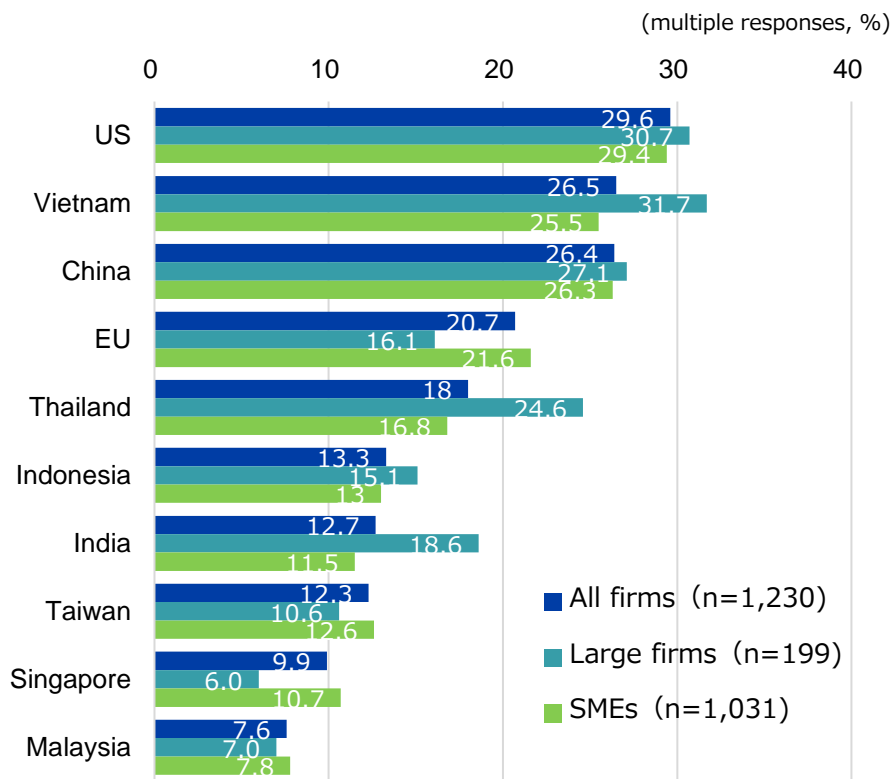
■ New expansion ■ No overseas expansion ■ Other

Note: 1)The value of “n” does not include firms who selected “No Response.”  
2)\* : Wood & Woods Products/Furniture & Building Materials/Pulp & Paper

# 3 | The U.S. and Vietnam are the top locations for future business expansion

- **The U.S. (29.6%) has the highest response rate among the countries/regions where they plan to expand their overseas business,** followed by Vietnam and China. Vietnam (31.7%) accounted for the largest share of responses among large firms, while China ranked second after the U.S. among SMEs.

Countries/Regions for Overseas Expansion (Top 10)      Countries/Regions for Overseas Expansion (11<sup>th</sup> and below)



	(multiple responses, %)		
	All firms (n=1,230)	Large firms (n=199)	SMEs (n=1,031)
11 Philippines	5.5	3.5	5.9
12 Middle East & Africa*	5.5	3.5	5.9
13 Hong Kong	5.4	4.0	5.7
14 Other Asia & Oceania*	4.5	4.5	4.5
15 South Korea	4.1	3.5	4.3
16 United Kingdom	2.6	0.5	3.0
17 Mexico	2.4	6.5	1.6
18 Brazil	1.0	2.5	0.7
19 Other Europe* (excl. Russia and CIS)	0.7	0.0	0.8
20 Russia and CIS	0.3	0.0	0.4
21 Other North America & Latin America*	0.2	0.5	0.1

**Business expansion locations (examples)**

**[Middle East & Africa]** United Arab Emirates, Saudi Arabia, Kenya, Nigeria, etc. **[Other Asian & Oceania]** Australia, Bangladesh, Cambodia, etc. **[Other Europe/North and South America]** Switzerland, Eastern Europe, Canada, Peru, etc.

Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," along with the reason for selecting up to three locations for business expansion.  
 2) EU is an EU-wide option only, and individual member states cannot be selected.

# 4 | The highest motivation for expansion in many manufacturing sector in the U.S.

- Many manufacturing sectors, including electrical machinery, chemicals, petroleum, plastic and rubber products, and precision equipment, have the highest motivation for expansion in the U.S. Vietnam has a higher ratio showing motivation to expand in non-manufacturing sectors such as construction and transportation.

## Overseas Business Expansion Locations (Top 10 Countries/Regions, by Industry)

(Multiple responses, %)

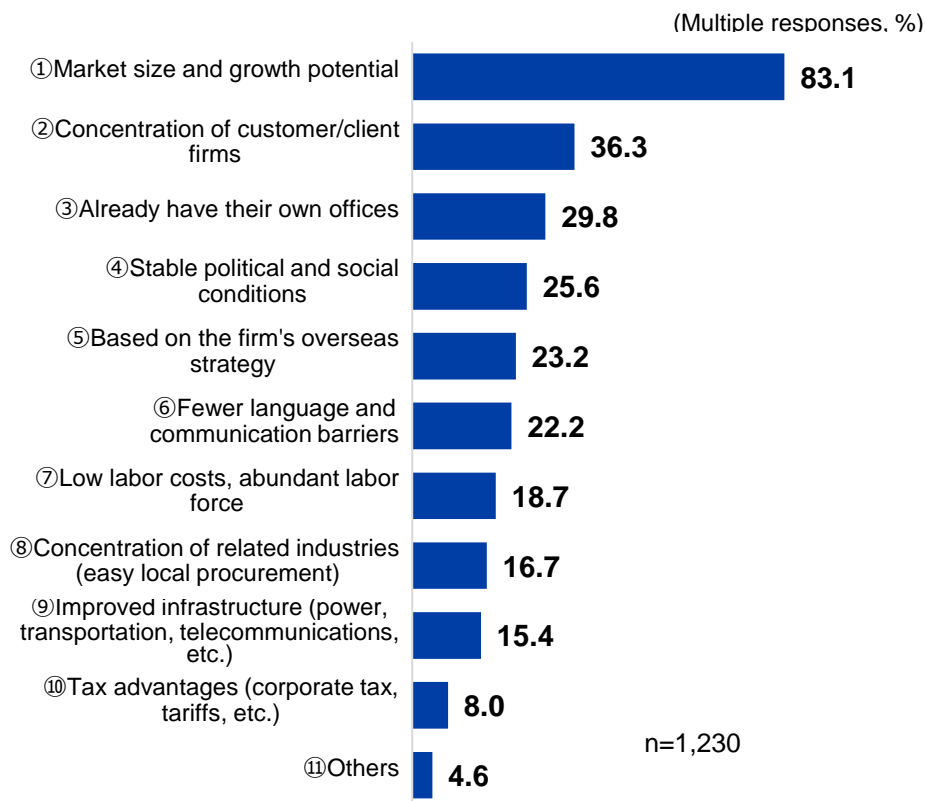
	No. of firms	US (n=364)	Vietnam (n=326)	China (n=325)	EU (n=255)	Thailand (n=222)	Indonesia (n=164)	India (n=156)	Taiwan (n=151)	Singapore (n=122)	Malaysia (n=94)
Total	1,230	29.6	26.5	26.4	20.7	18.0	13.3	12.7	12.3	9.9	7.6
Manufacturing	715	33.7	22.7	28.0	23.8	18.3	11.3	14.1	11.6	8.4	7.4
Food & Beverage	173	36.4	21.4	27.7	19.7	19.7	9.2	8.1	15.6	17.3	8.7
Textiles & Fabrics/Apparel	42	40.5	16.7	28.6	47.6	9.5	7.1	2.4	16.7	4.8	4.8
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	24	29.2	20.8	16.7	33.3	4.2	4.2	4.2	4.2	25.0	12.5
Chemical	41	41.5	17.1	41.5	29.3	22.0	14.6	26.8	9.8	4.9	12.2
Medical Products & Cosmetics	28	35.7	25.0	25.0	21.4	17.9	7.1	7.1	10.7	14.3	7.1
Petroleum, Plastic & Rubber	31	38.7	35.5	22.6	16.1	35.5	16.1	16.1	16.1	0.0	9.7
Iron & Steel/Nonferrous Metals/Metal Products	70	25.7	28.6	21.4	27.1	12.9	15.7	27.1	4.3	2.9	1.4
General Machinery	56	25.0	28.6	23.2	23.2	32.1	14.3	19.6	10.7	0.0	5.4
Electrical Machinery	47	42.6	19.1	34.0	25.5	19.1	8.5	25.5	8.5	2.1	6.4
IT equipment/Electronic Parts & Devices	25	28.0	28.0	44.0	16.0	12.0	4.0	12.0	8.0	4.0	0.0
Cars/car parts/other transportation machinery	35	28.6	14.3	17.1	11.4	11.4	20.0	22.9	5.7	5.7	8.6
Precision Equipment	40	37.5	20.0	30.0	25.0	17.5	12.5	12.5	10.0	5.0	10.0
Other Manufacturing	95	29.5	22.1	28.4	21.1	17.9	12.6	9.5	15.8	8.4	8.4
Non-manufacturing sector	515	23.9	31.8	24.3	16.5	17.7	16.1	10.7	13.2	12.0	8.0
Trading/Wholesale	244	25.4	30.3	30.3	20.1	18.4	11.1	14.3	15.2	13.5	7.4
Retail	38	34.2	21.1	21.1	15.8	15.8	13.2	2.6	13.2	26.3	7.9
Construction	39	15.4	56.4	17.9	10.3	23.1	17.9	5.1	10.3	5.1	7.7
Transport	29	6.9	51.7	20.7	3.4	24.1	13.8	13.8	6.9	3.4	10.3
Communication/Information/Software	36	16.7	25.0	22.2	16.7	8.3	25.0	5.6	16.7	8.3	8.3
Professional Services	26	15.4	19.2	3.8	19.2	19.2	46.2	11.5	7.7	3.8	11.5
Other Non-manufacturing	93	29.0	29.0	22.6	12.9	12.9	17.2	7.5	12.9	9.7	7.5

Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," along with the reason for selecting up to three locations for business expansion. 2) The percentage of the total number of respondents for each sector. 3) Only answers for which 20 or more firms responded have been listed.

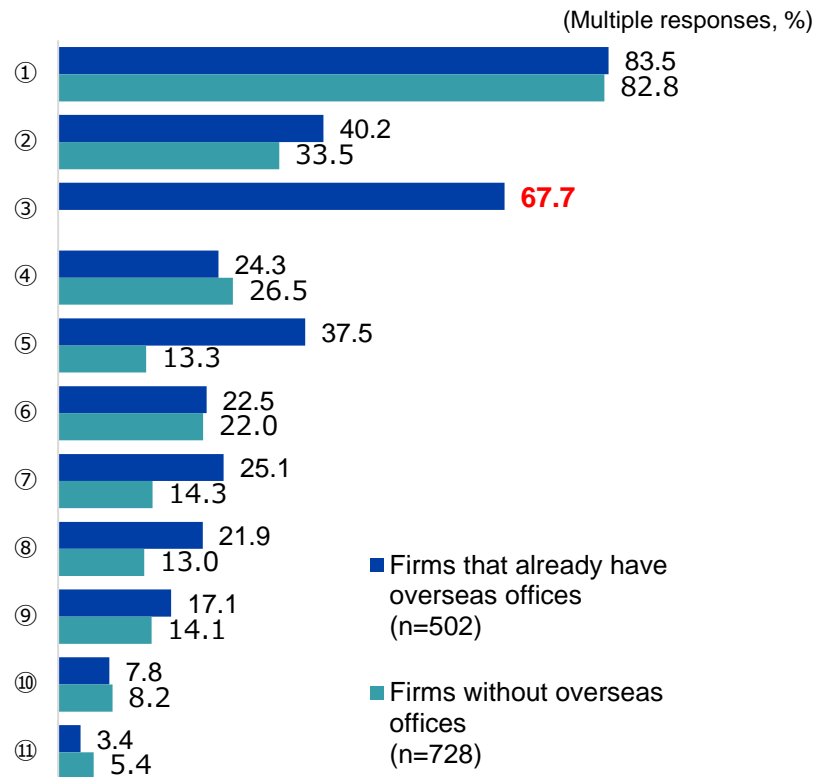
# 5 | Market size and growth potential are the most important reasons.

- **For reasons for selecting a location for business expansion, 83.1% cited "Market size and growth potential",** followed by "Concentration of customer/client firms" (36.3%) and "Already have their own offices" (29.8%).
- Among firms with overseas offices, approximately 70% of them cite the location of their own offices for business expansion.

Reasons for Selecting a Business Expansion Location



Reasons for Selecting Business Expansion Locations (by whether or not the firm has overseas offices)



Notes: n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," along with the reason for selecting up to three locations for business expansion.

## 6 | In Vietnam, labor cost and abundant labor force are also important factor

- In all of the top 10 countries/regions for business expansion, about 90% of the firms cited "Market size and growth potential" as the most important factor, followed by "Concentration of customer/client firms," with access to customers being the most important factor in all cases.
- In Vietnam, a relatively high percentage of respondents chose "low labor costs and abundant labor force" (38.0%).

### Reasons for Selecting a Business Expansion Location (Top 10 Countries/Regions)

(Multiple responses, %)

	US (n=364)	Vietnam (n=326)	China (n=325)	EU (n=255)	Thailand (n=222)	Indonesia (n=164)	India (n=156)	Taiwan (n=151)	Singapore (n=122)	Malaysia (n=94)
1 Market size and growth potential	91.5	89.3	90.5	86.7	86.5	93.9	95.5	92.1	93.4	91.5
2 Concentration of customer/client firms	44.8	39.3	42.8	44.3	50.5	29.3	42.9	37.7	30.3	34.0
3 Already have their own offices	32.1	33.4	40.3	25.9	45.0	28.7	39.7	25.2	19.7	28.7
4 Stable political and social conditions	31.6	35.3	25.2	29.4	31.5	23.2	19.9	27.2	42.6	34.0
5 Based on the firm's overseas strategy	26.9	22.4	24.6	25.9	31.1	21.3	21.8	23.2	22.1	35.1
6 Fewer language and communication barriers	29.1	22.7	22.2	25.1	23.4	19.5	20.5	28.5	27.0	24.5
7 Low labor costs, abundant labor force	11.8	38.0	17.2	5.5	23.9	28.0	24.4	10.6	16.4	29.8
8 Concentration of related industries (easy local procurement)	15.4	23.6	22.5	11.8	25.7	15.2	19.9	18.5	14.8	18.1
9 Improved infrastructure (power, transportation, telecommunications, etc.)	17.3	21.8	18.5	12.9	25.2	15.9	14.1	17.9	21.3	20.2
10 Tax advantages (corporate tax, tariffs, etc.)	4.4	10.4	8.9	6.7	11.7	6.7	5.1	11.9	24.6	14.9
11 Other	3.0	5.8	4.6	4.7	5.0	5.5	3.8	6.6	4.1	2.1

Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," along with the reason for selecting up to three destinations for business expansion. 2) The percentage of the total number of respondents for each country/region. 3) The shading indicates the top three reasons.

# 7 | Reasons for selecting business expansion locations (by industry)

- In Chemicals and General Machinery, a majority of firms selected "Concentration of customer/client firms. More than 30% in Retail selected "Fewer language and communication barriers," while more than 30% in Cars/car parts/other transportation machinery and Transportation selected "low labor costs and abundant labor force."

### Reasons for Selecting a Business Expansion Location (by industry)

(Multiple responses, %)

	No of firms	Market size and growth potential	Concentration of customer/client firms	Already have their own offices	Stable political and social conditions	Based on the firm's overseas strategy	Fewer language & communication barriers	Low labor costs, abundant labor force	Concentration of related industries	Improved infrastructure	Tax advantages
Total	1,230	<b>83.1</b>	36.3	29.8	25.6	23.2	22.2	18.7	16.7	15.4	8.0
Manufacturing	715	<b>82.8</b>	40.0	30.9	22.1	24.3	19.2	16.5	15.9	12.7	7.0
Food & Beverage	173	<b>86.1</b>	29.5	22.0	20.8	15.6	17.9	11.6	9.2	12.1	8.7
Textiles & Fabrics/Apparel	42	<b>69.0</b>	38.1	26.2	26.2	19.0	26.2	11.9	23.8	7.1	4.8
Wood & Wood Products/Furniture & Building Materials/Pulp & Paper	24	<b>66.7</b>	20.8	8.3	29.2	16.7	25.0	16.7	12.5	8.3	8.3
Chemical	41	<b>85.4</b>	<b>56.1</b>	41.5	31.7	24.4	24.4	12.2	26.8	29.3	7.3
Medical Products & Cosmetics	28	<b>67.9</b>	28.6	32.1	21.4	<b>35.7</b>	14.3	17.9	17.9	10.7	3.6
Petroleum, Plastic & Rubber	31	<b>90.3</b>	45.2	54.8	<b>38.7</b>	22.6	9.7	25.8	16.1	16.1	9.7
Iron & Steel/Nonferrous Metals/Metal Products	70	<b>87.1</b>	48.6	34.3	20.0	18.6	18.6	18.6	20.0	10.0	4.3
General Machinery	56	<b>94.6</b>	<b>57.1</b>	37.5	23.2	28.6	26.8	21.4	19.6	12.5	5.4
Electrical Machinery	47	<b>87.2</b>	46.8	42.6	25.5	<b>38.3</b>	14.9	21.3	23.4	10.6	2.1
IT equipment/Electronic Parts & Devices	25	<b>56.0</b>	40.0	44.0	20.0	<b>44.0</b>	16.0	28.0	20.0	12.0	<b>16.0</b>
Cars/car parts/other transportation machinery	35	<b>85.7</b>	42.9	45.7	2.9	25.7	17.1	<b>34.3</b>	20.0	17.1	8.6
Precision Equipment	40	<b>80.0</b>	47.5	27.5	15.0	22.5	15.0	12.5	15.0	12.5	12.5
Other Manufacturing	95	<b>84.2</b>	33.7	24.2	22.1	<b>31.6</b>	22.1	11.6	9.5	12.6	5.3
Non-manufacturing	515	<b>83.5</b>	31.1	28.2	30.5	21.6	26.4	21.7	17.7	19.0	9.5
Trading/Wholesale	244	<b>85.2</b>	36.9	27.9	33.2	21.3	27.9	21.3	17.2	18.9	9.4
Retail	38	<b>81.6</b>	31.6	21.1	31.6	7.9	<b>39.5</b>	18.4	10.5	21.1	7.9
Construction	39	<b>82.1</b>	38.5	25.6	28.2	<b>33.3</b>	20.5	23.1	28.2	28.2	10.3
Transport	29	<b>86.2</b>	41.4	34.5	17.2	27.6	17.2	<b>34.5</b>	24.1	24.1	3.4
Communication/Information/Software	36	<b>80.6</b>	16.7	30.6	27.8	19.4	22.2	27.8	16.7	11.1	19.4
Professional Services	26	<b>88.5</b>	19.2	11.5	30.8	19.2	26.9	7.7	11.5	11.5	3.8
Other Non-manufacturing	93	<b>79.6</b>	19.4	34.4	28.0	17.2	23.7	21.5	15.1	17.2	9.7

Notes: 1) n is the number of firms that responded either "have existing base overseas and plan to expand further," "do not have existing base overseas but want to expand overseas," along with the reason for selecting up to three destinations for business expansion. 2) The percentage of the total number of respondents for each sector, excl. those with less than 20 firms. 3) Bold: over 50%, Shading in dark: 30% or more, light: 30-10% or more, unshaded: less than 10%.

# III. Value Chain Restructuring Initiatives

## (1) Movement of reshoring

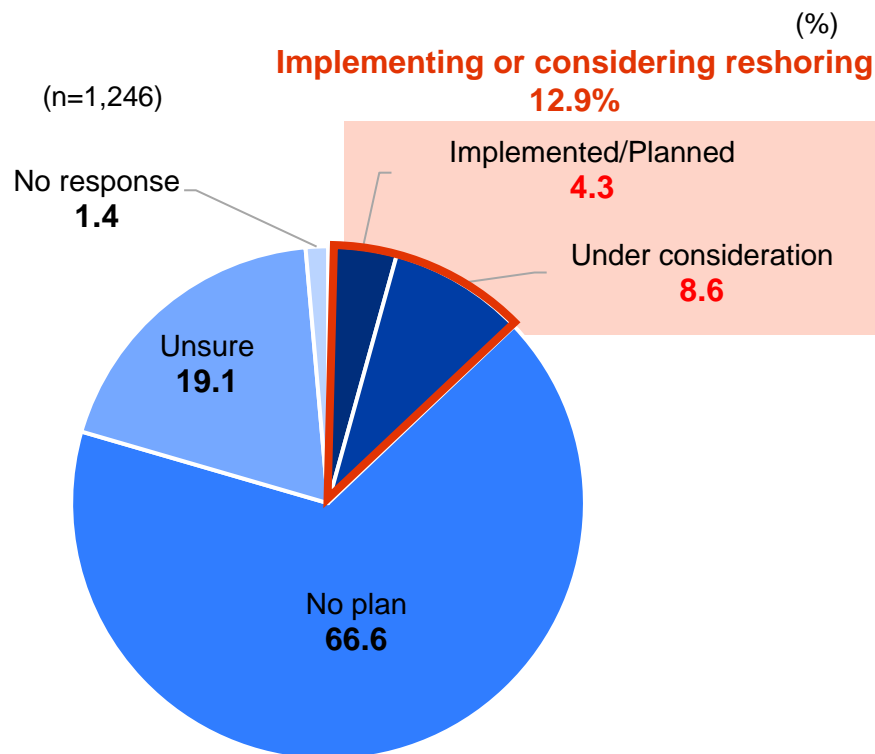
~More than 10% of firms are considering reshoring their overseas operations due to the increase in business costs~



# 1 | 13% of firms are either implementing or considering reshoring their overseas operations

- In response to the recent changes in the global business environment, 4.3% of firms have already implemented or plan to implement reshoring their overseas operations (including some) . Together with the 8.6% that are considering it, **about 13% of the firms have either implementing or considering reshoring.**
- Six sectors had more than 20% of their respondents either implementing or considering reshoring. Medical products and cosmetics (25.8%) was the highest.

Reshoring their Overseas Operations



Reshoring their Overseas Operations (by industry)

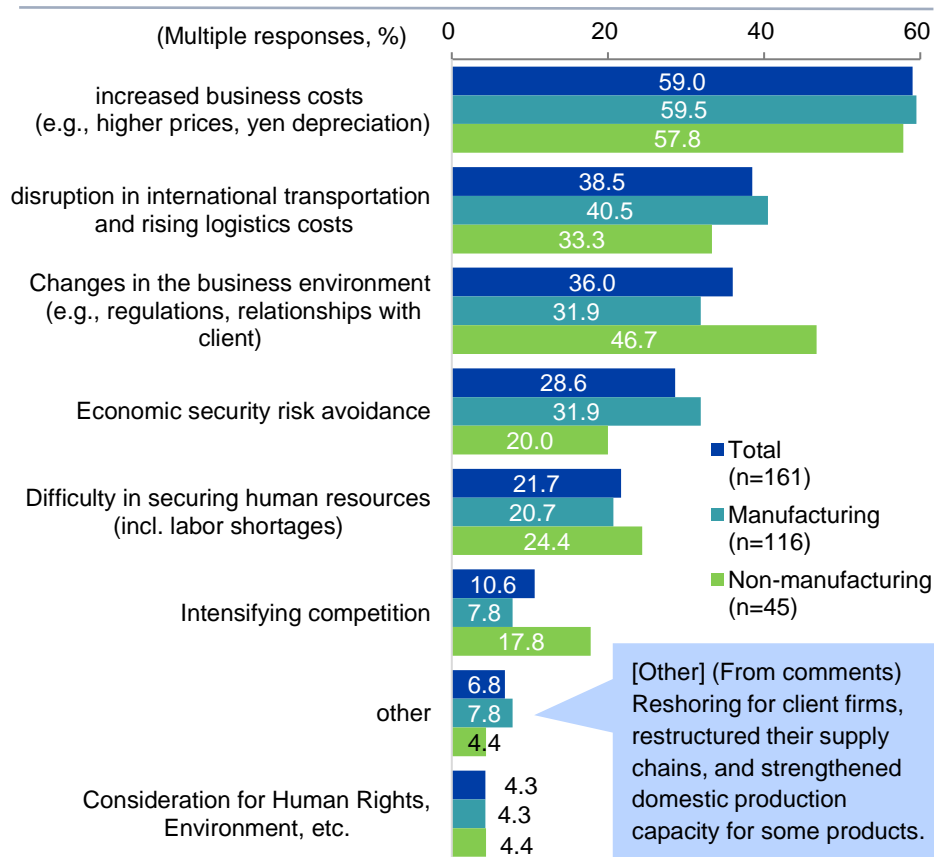
	No of firms	Reshoring of overseas operations (%)		
			Implement-ed / Planned	under consideration
Total	1,246	12.9	4.3	8.6
Manufacturing	733	15.8	5.6	10.2
Food & Beverage	81	12.3	3.7	8.6
Textiles & Fabrics/Apparel	29	<b>20.7</b>	6.9	13.8
Chemical	48	12.5	4.2	8.3
Medical Products & Cosmetics	31	<b>25.8</b>	6.5	19.4
Petroleum, plastic & Rubber	55	<b>23.6</b>	9.1	14.5
Iron & Steel/Nonferrous Metals/Metal Products	109	12.8	3.7	9.2
General Machinery	81	11.1	2.5	8.6
Electrical Machinery	56	<b>21.4</b>	10.7	10.7
IT equipment/Electronic Parts & Devices	34	<b>23.5</b>	11.8	11.8
Cars/car parts/other transportation machinery	55	12.7	5.5	7.3
Other manufacturing	96	<b>20.8</b>	6.3	14.6
Non-manufacturing	513	8.8	2.5	6.2
Trading/Wholesale	241	11.2	2.9	8.3
Communication/Information/Software	34	17.6	5.9	11.8

Note: 1) n is the number of firms that currently have overseas offices. 2)(Right chart) Excl. those with less than 20 firms. 3) (Right chart) Only for sectors in which the ratio of "Reshoring overseas operations" is 10% or more. Shading indicates 20% or more.)

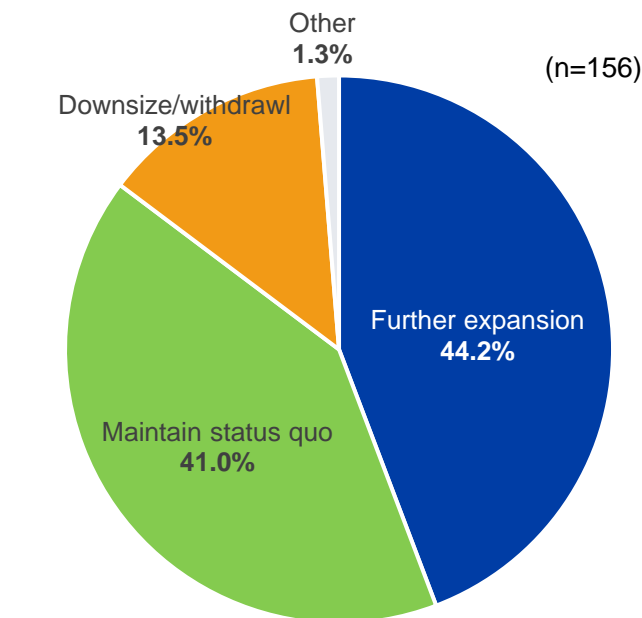
# 2 | The main reason for the reshoring is the increased business cost

- As the reason for reshoring, **60% of the firms pointed to "increased business costs in the location country"**. In the manufacturing sector, "disruption in international transportation and rising logistics costs" were also triggers.
- About 40% of the firms that have already implemented or plan to implement reshoring have "further expansion" and "maintain the status quo" as their future overseas expansion policy. Respectively, indicating that reshoring is not necessarily linked to moves to downsize or withdraw from overseas operations at this point.

**Main Reason for Reshoring**



**Overseas Expansion Policies (The Firms that Implementing or Considering Reshoring)**



Note: 1) n is the number of firms that have implementing or considering reshoring. 2)(Right chart) Excl. "No Response".

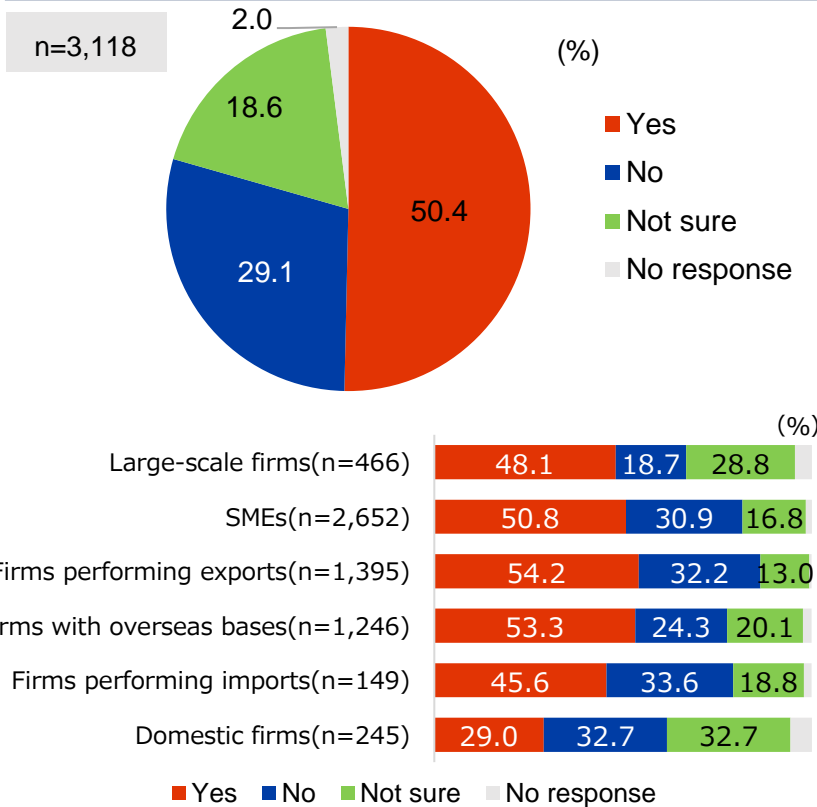
## **Ⅲ-② Supply constraints, logistics, yen depreciation**

~Supply shortages and a weak yen will be a headwind for business performance, and supply chain diversification is progressing.

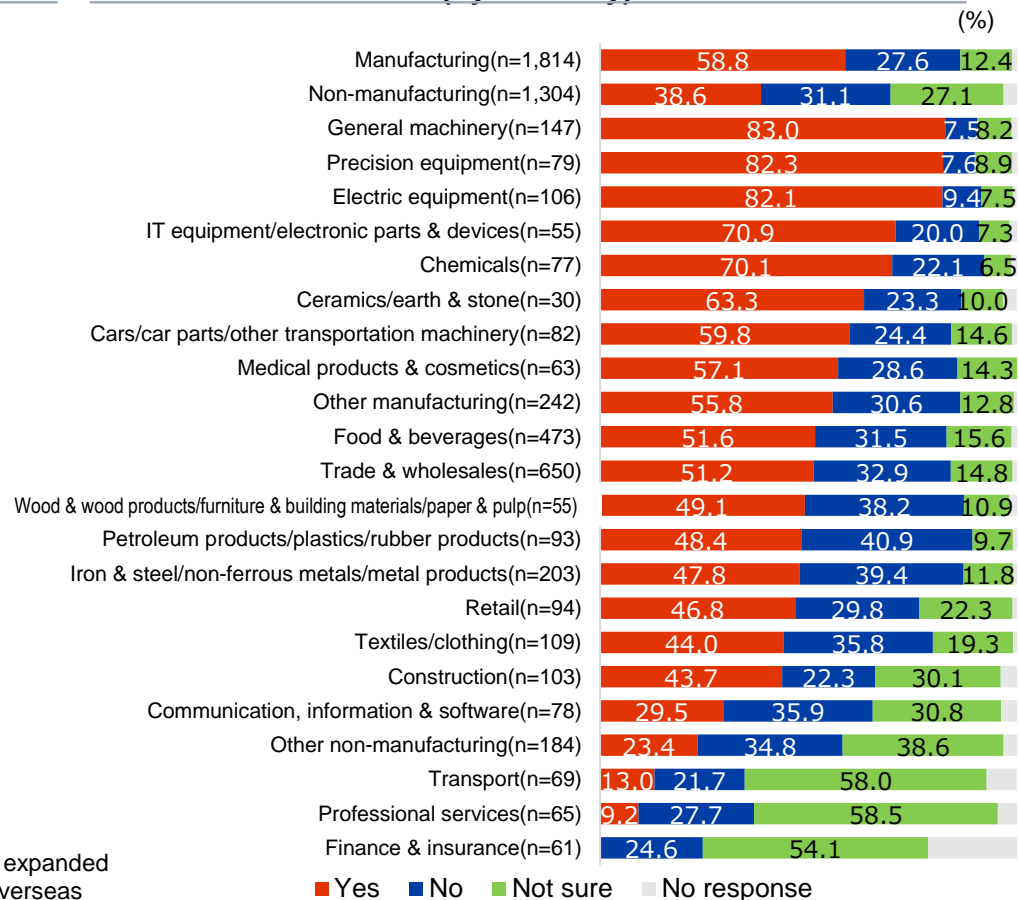
# 1 | More than half of the companies felt shortages in the supply of raw materials and parts

- The **majority (50.4%)** of all companies responded that there is a sense of shortage in the supply of raw materials, parts, etc.
- More than 80% in general machinery (83.0%), precision machinery (82.3%), and electrical machinery (82.1%).

Do you feel raw materials and parts are in short supply?



Do you feel raw materials and parts are in short supply? (by industry)

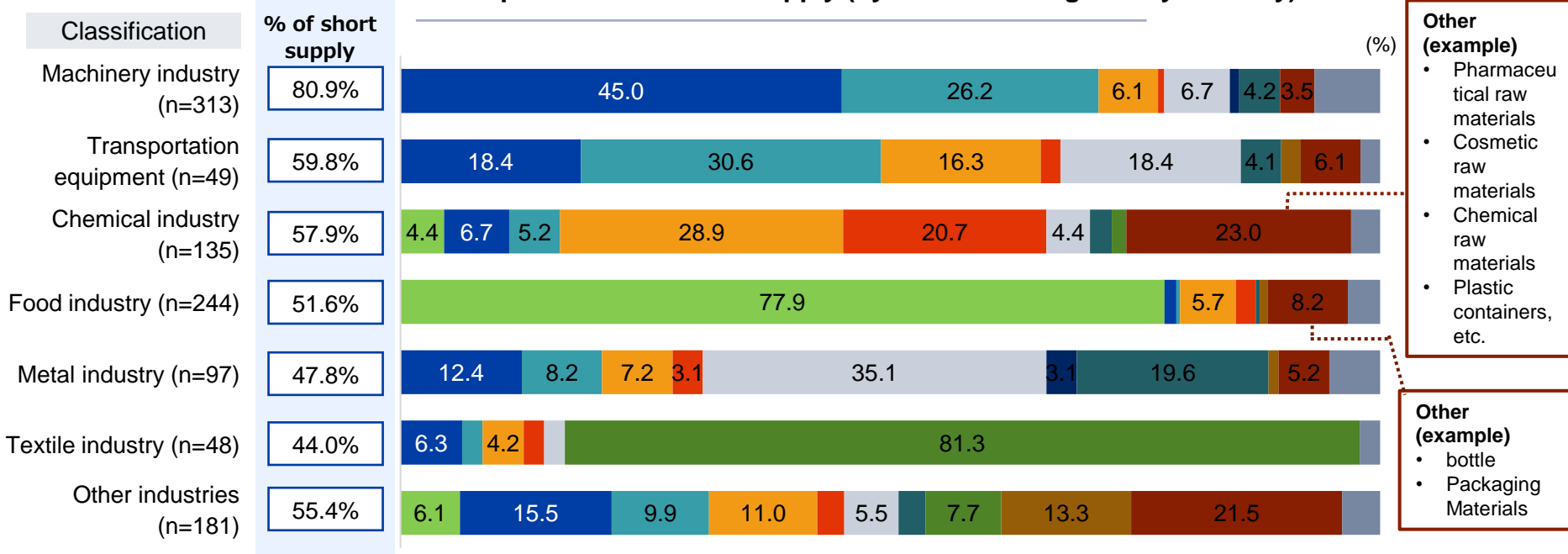


Note: "Firms performing exports" above are companies that export but have not expanded overseas. "Firms performing Imports" are firms that import only (no exports, no overseas bases). "Domestic firms" are firms that do not export, import, or expand overseas.

# 2 | 80% of the machinery industry is experiencing shortages

- Looking at the most inadequate raw materials/components by industry, the sense of inadequacy for major raw materials/components in each of the industries is high.
- More than 80% of the machinery industry responded that there is a shortage of supply. 45.0% for electronic components and 26.2% for semiconductors. Semiconductors were next highest in transportation equipment at 30.6%. Semiconductors were next highest in transportation equipment at 30.6%.

**Raw materials and parts most in short supply (by manufacturing and by industry)**



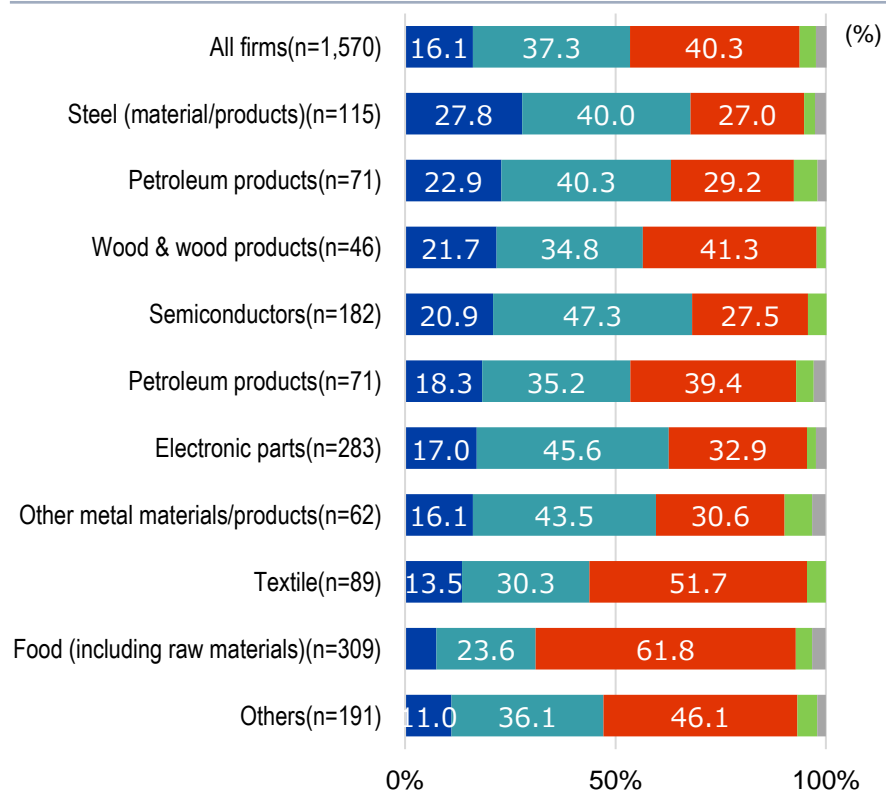
- Food (including raw materials)
- Semiconductors (products and components including wafers)
- petroleum products
- Copper (copper wire/copper material)
- Textiles (Products/Materials)
- electronic parts (components)
- Resin/Nylon (Material/Product)
- Steel (Materials/Products)
- Other Metal Materials/Products
- Wood and wood products

Note: **Machinery** = general machinery, electrical machinery, information and communication equipment/electronic parts and devices, precision machinery; **Transportation equipment** = automobiles and parts thereof/other transportation equipment; **Chemical industry** = chemicals, medical products and cosmetics, petroleum, plastic and rubber products; **Food industry** = food and beverage products; **Metal industry** = iron and steel/nonferrous metals/metallic products; **Textile industry** = textiles and Textile = textile/textile/apparel, **Other** = wood/wood products/furniture/building materials/paper pulp, ceramic/soil and stone, Other = manufacturing

# 3 | Prolonged and worsening sense of supply shortage is noticeable

- Compared to a year ago (November-December 2021, "deteriorating" exceeded "improved" with the exception of steel. In food, textiles, and copper, more than 50% of firms each answered that the situation was "worsened".
- As measures to address supply shortages, the highest percentages were for "Diversification of procurement source," "Switching to alternative products," and "Extending delivery time," in that order.

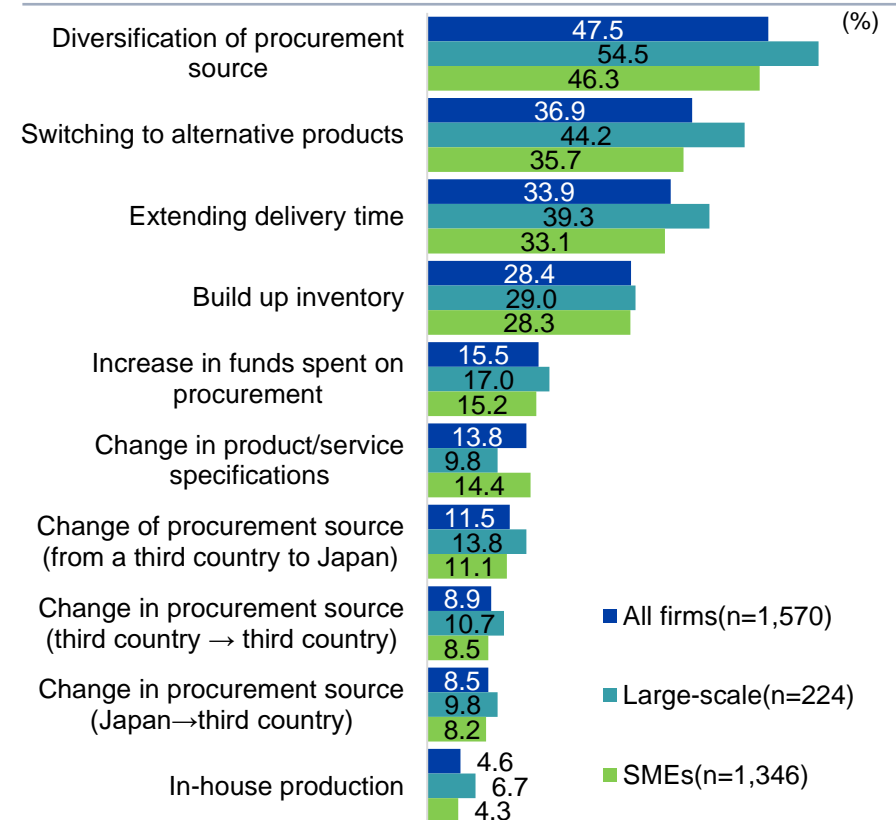
**Changes in the status of supply shortages of raw materials & parts (Compared to Nov-Dec 2021, by product)**



■ Improved ■ Not changed ■ Worsened ■ Not sure ■ No response

Note: n is the number of firms that responded that there is a "sense of shortage" in the supply of raw materials, parts, etc., with the greatest shortage for each raw material or part.

**Measures to improve supply shortages (by company size)**

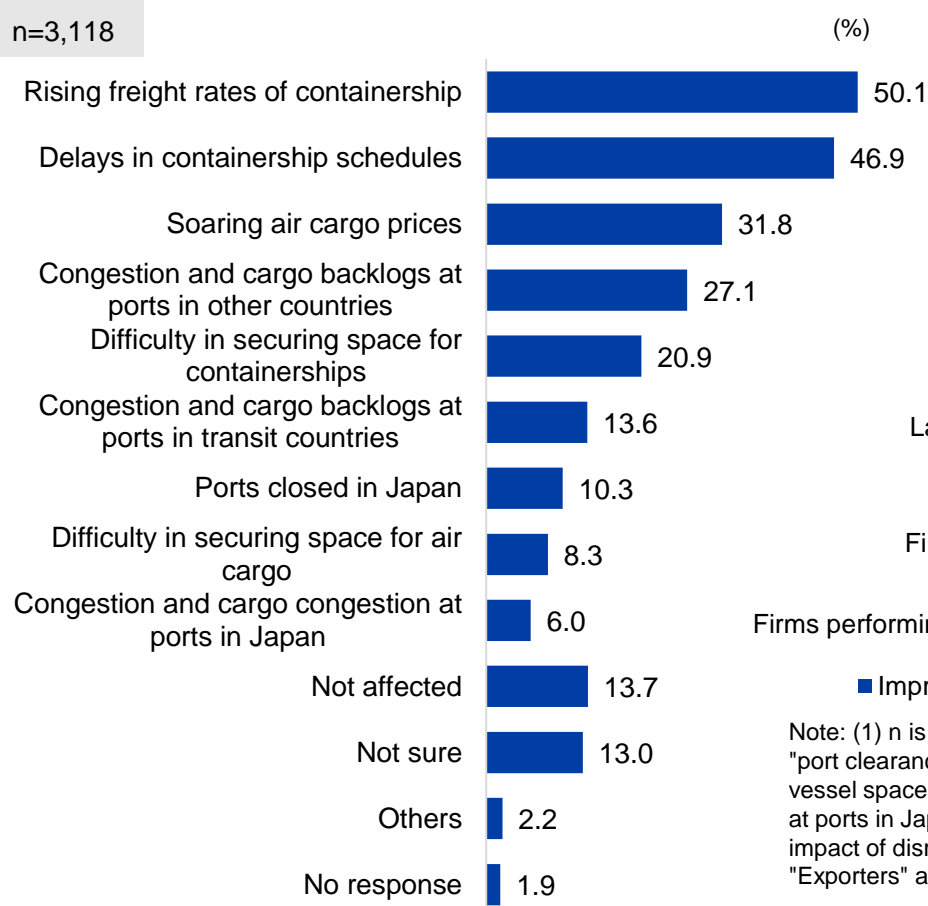


Note: Excluding "other," "nothing in particular," and "no response."

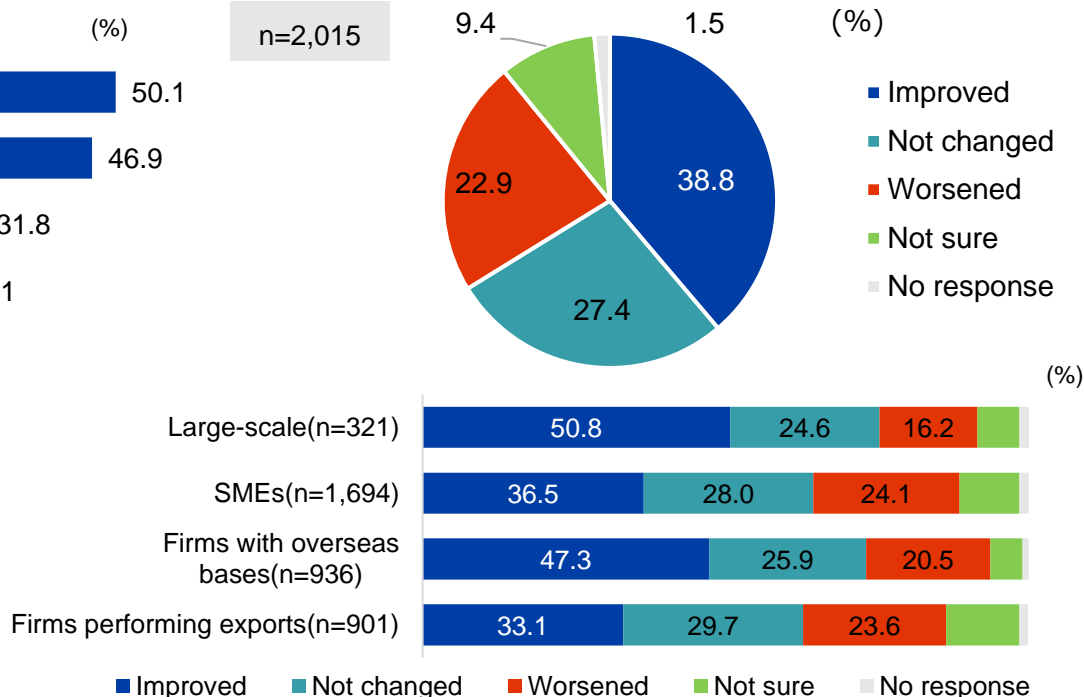
# 4 | Maritime transportation is on the way to improvement

- The most common effects of disruptions in international logistics were higher container shipping rates and schedule delays.
- Compared to approximately one year ago (November-December 2021) from the current survey period, 38.8% of firms responded "improving," which was higher than the percentage of firms that responded "worsening" (22.9%).

**Impact of international logistics disruption (international transportation to/from Japan)**



**Changes in marine transportation disruption and rising transportation costs(compared to Nov-Dec 2021)**

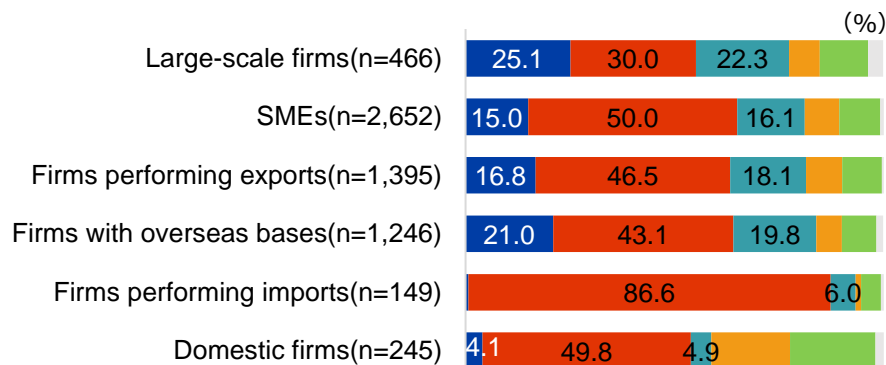
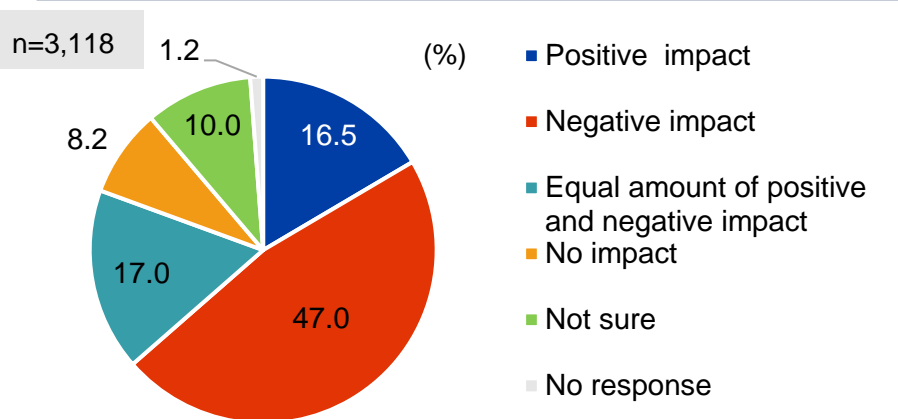


Note: (1) n is the number of companies that chose "delay in container vessel operation schedule," "port clearance in Japan," "soaring container vessel freight rates," "difficulty in securing container vessel space," "congestion/cargo backlog at ports in partner country," "congestion/cargo backlog at ports in Japan," "congestion/cargo backlog at ports in transit country," and "others" for the impact of disruptions to international logistics. (2) The number of firms that selected "Others". (2) "Exporters" above refers to firms that export but have not expanded overseas.

# 5 | Yen's depreciation had a negative impact on their business performance

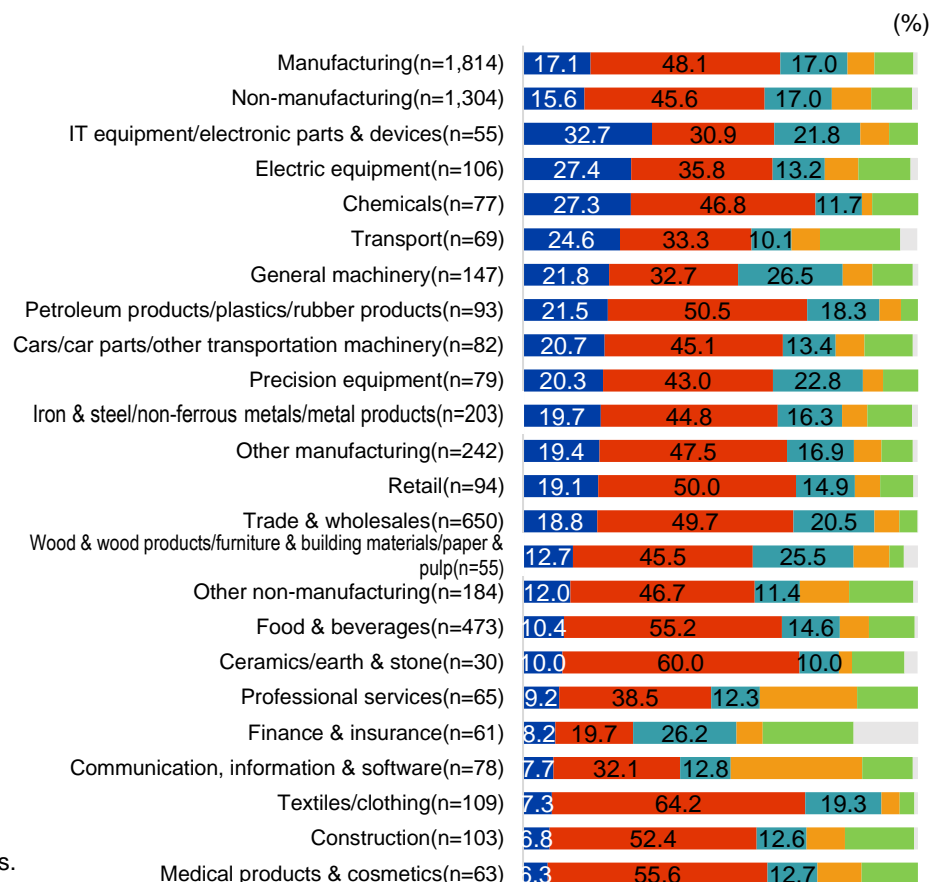
- Regarding the impact of the yen's depreciation on business performance in 2022, a high percentage (47.0%) of companies answered that there will be an overall negative impact. The number of companies with a positive impact was relatively high, at around 30%, in industries such as information and telecommunications equipment/electronic components, electrical machinery, and chemicals.

Impact of Yen's depreciation on performance in 2022



Note: "Exporters" above are companies that export but have not expanded overseas. Importing firms are firms that import only (no exports, no overseas expansion). Domestic firms are firms that do not export, import, or expand overseas.

Impact of Yen's depreciation on performance in 2022 (by industry)

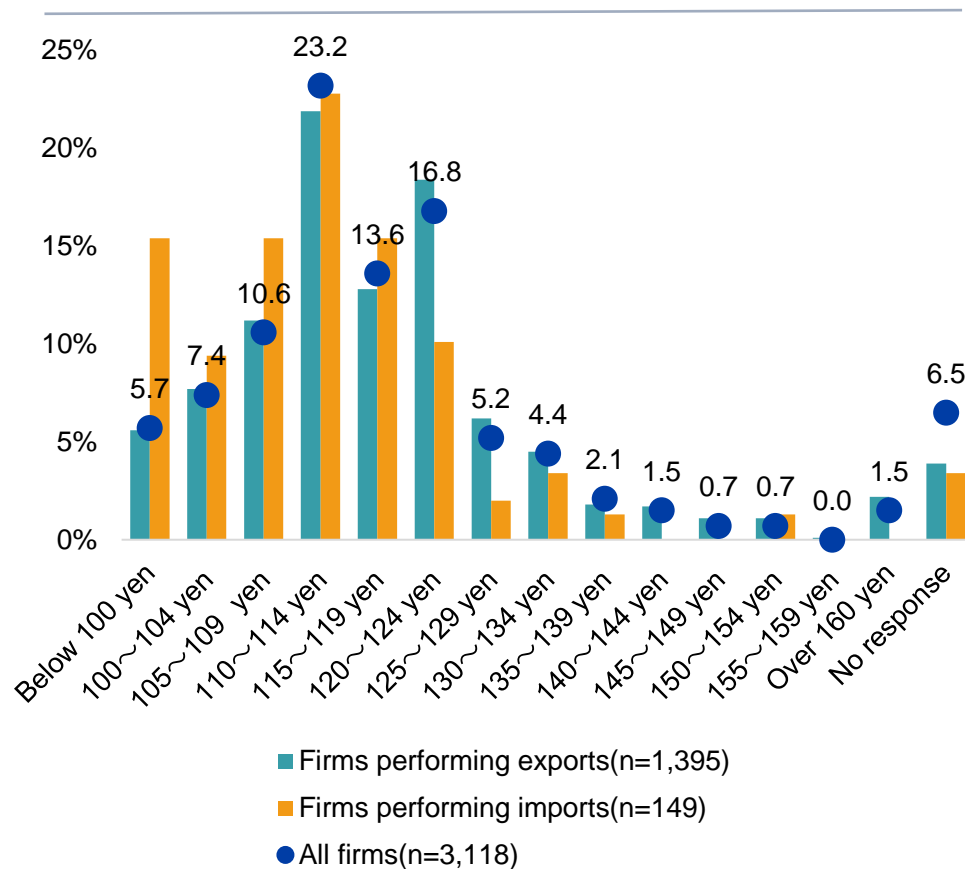




# 6 Preferred exchange rate is most commonly 110-114 yen

- The most common **desired exchange rate is 110-114 yen** (23.2% of all respondents), followed by 120-124 yen (16.8%) and 115-119 yen (13.6%). However, exporters tend to prefer a weaker yen and importers a stronger yen.
- In response to the weak yen, many companies are moving to pass on higher costs such as raw materials and exchange rate fluctuations to their prices.

Preferred exchange rate



Note: "Exporters" above are companies that export but have not expanded overseas. Importing firms" are firms that import only (no exports, no overseas expansion).

Measures to cope with the progression of yen depreciation (free description)

- **Price pass-through/price revision (price increase) (346 companies)**
  - Pass on to prices the increased costs of raw materials, energy, logistics, etc., as well as foreign exchange rate fluctuations.
  - We are working on price revisions, but we cannot pass on everything.
- **Forward exchange contracts and other hedges of foreign exchange risk (166 companies)**
  - Forward exchange contracts are made in small increments while monitoring exchange rate trends.
- **Changes in procurement and purchasing (107 companies)**
  - Change of procurement source, switch to domestic procurement
  - Diversification of procurement sources
  - Change procurement timing in line with exchange rate trends
  - Build up inventory and secure products as soon as possible
- **Export/Expansion of overseas sales channels (56 companies)**
  - Strengthen overseas sales
  - Strengthen export strategy
- **Change in trading currency (51 companies)**
  - Change to dollar-denominated transactions (23 companies)
  - Changed to yen-denominated transactions (21 companies)
- **Changes in product specifications (44 companies)**
  - Change in product specifications, switch to alternative raw materials
  - New product development (e.g., products for which price increases are not permitted or products for export)
- **Review of production (29 companies)**
  - Strengthen domestic production
  - Change of production area

Note: The following is an excerpt from a total of 926 companies that freely stated their measures to cope with the yen's ongoing depreciation.

## **IV. Business transformation in response to the demands of the times and society**

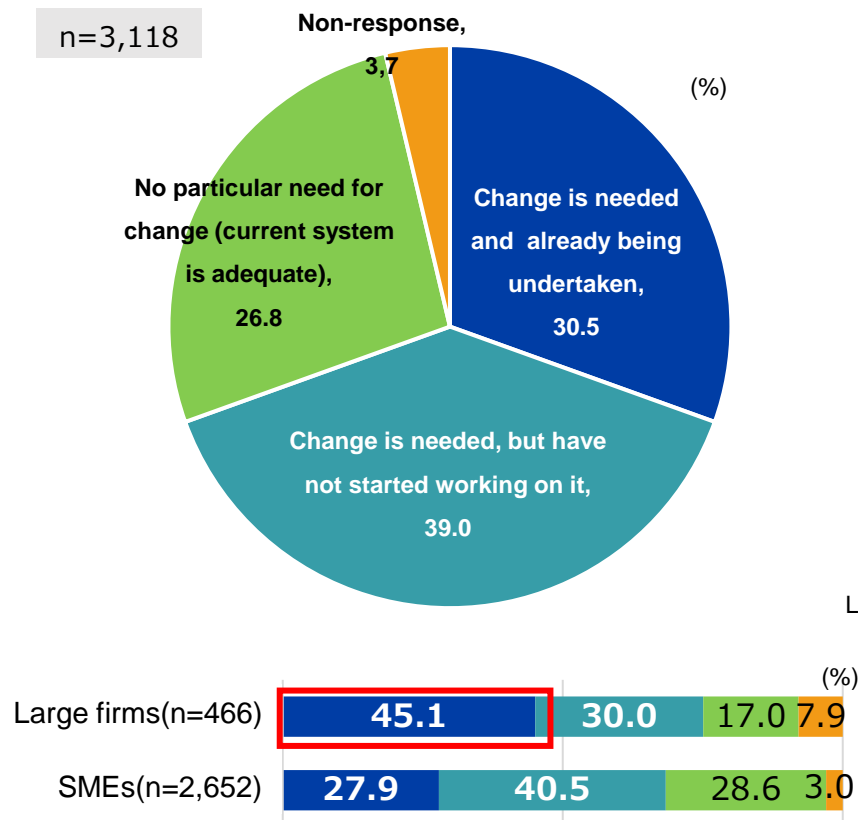
### **(1) Perceptions and issues related to global business**

~Companies working on business reform, strengthening HR and SDGs~

# 1 | Companies working on business transformation, focus on attracting new talent

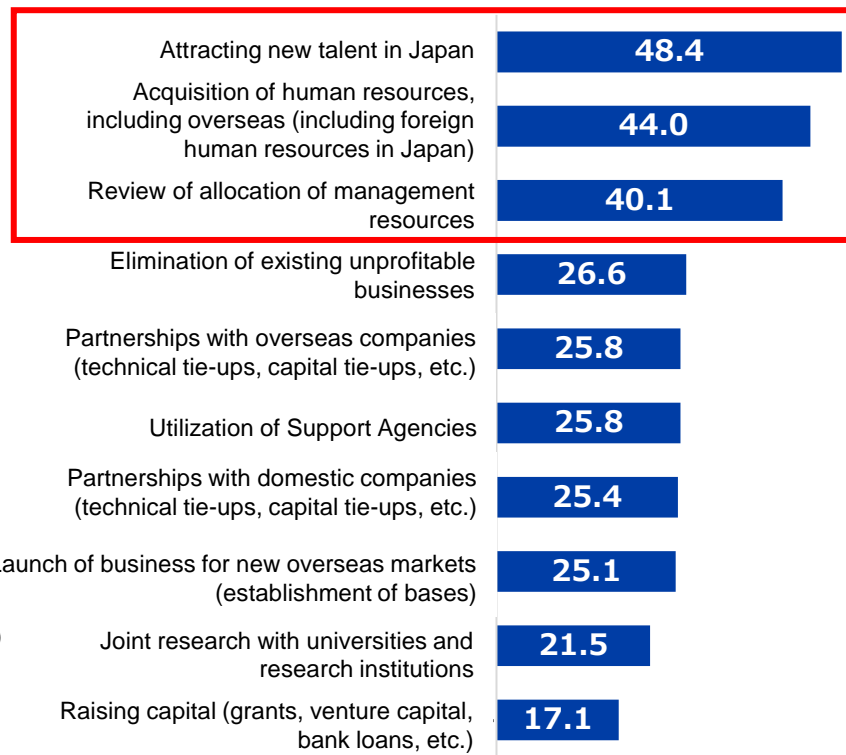
- 70% of companies recognize the need for business in response to new global business challenges, such as market and social changes associated with Covid-19 and increased geopolitical risks.
- In terms of means of business transformation, the majority of companies chose "acquisition of human resources" in Japan and overseas,** followed by "reallocation of management resources. The results suggest the importance of human resources in organizational and business transformation.

## Policies for business model reform and new business strategy development



## Means of Business Transformation

(Multiple responses, %)

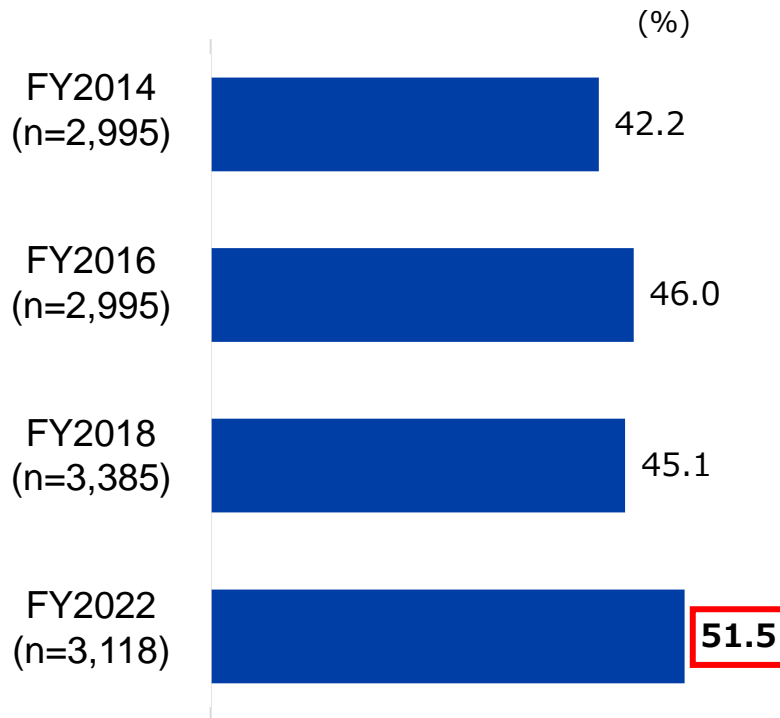


Note: Only the top 10 items are listed.

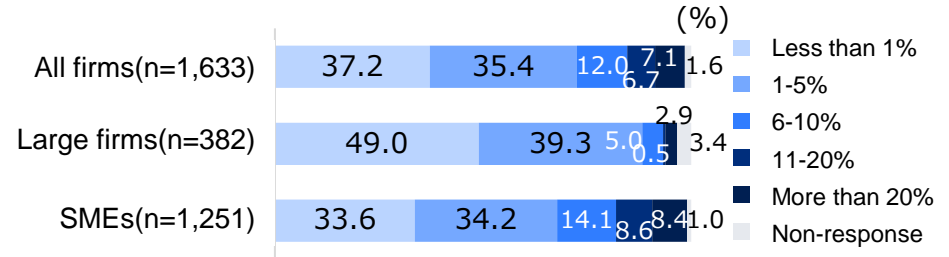
## 2 | Percentage of companies employing foreign personnel exceeds 50% for the first time.

- The percentage of employing foreign personnel exceeded 50% for the first time since 2014. The percentage of foreign personnel in the number of full-time employees is higher in SMEs than in large firms.
- As for the policy of hiring foreign workers over the next few years, less than 30% said they "plan to increase the number of foreign workers" and less than 70% said they "will maintain the current level."

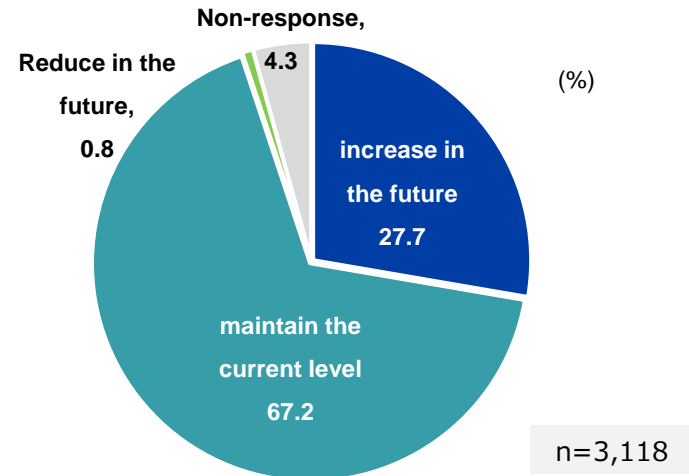
Percentage of companies employing foreign personnel



Percentage of foreign employees and future plans



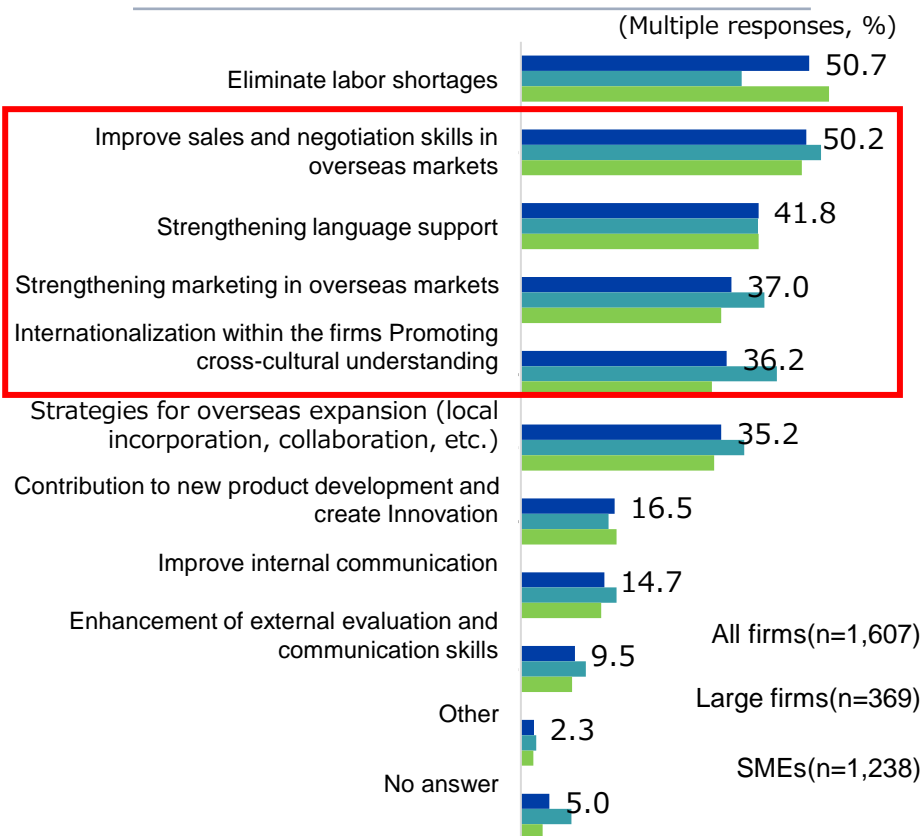
Note: n is the number of companies that responded that they employ foreign personnel.



# 3 Foreign human resources, a stepping stone to overseas markets

- In terms of expected benefits, the elimination of labor shortages at 50.7%. On the other hand, for large firms, improving sales and negotiation skills in overseas markets and promoting internationalization and cross-cultural understanding within the firms were the most common reasons.
- In terms of status of residence, while the highest percentage indicated that technical internship was the most effective in eliminating labor shortages, the other expected effects of foreign human resources were hiring more people for Engineer /Specialist in Humanities/Int'l Services, or "advanced foreign human resources.

## Expected effects of foreign human resources



Note: n is only for companies that employ foreign personnel.

## Expected effects on foreign human resources and their status of residence

	technical internship	specified skill	Engineer /Specialist in Humanities/ Int'l Services	non-response
Eliminate labor shortages	52.2	34.4	38.8	14.0
Improve sales and negotiation skills in overseas markets	5.9	10.0	71.8	20.8
Strengthening Language Support	8.5	11.0	70.4	21.3
Strengthen marketing in overseas markets	8.4	11.4	72.2	20.7
Internationalization within the firms Promoting cross-cultural understanding	19.9	17.0	64.4	19.8
Strategies for overseas expansion (local incorporation, collaboration, etc.)	15.4	15.1	70.4	17.4
Contribute to new product development and create innovation	12.6	15.5	73.8	16.1
Improved internal communication	21.6	18.7	59.7	20.5
Enhancement of external evaluation and communication skills	14.4	13.3	77.9	11.6
Other	20.0	8.9	35.6	48.9

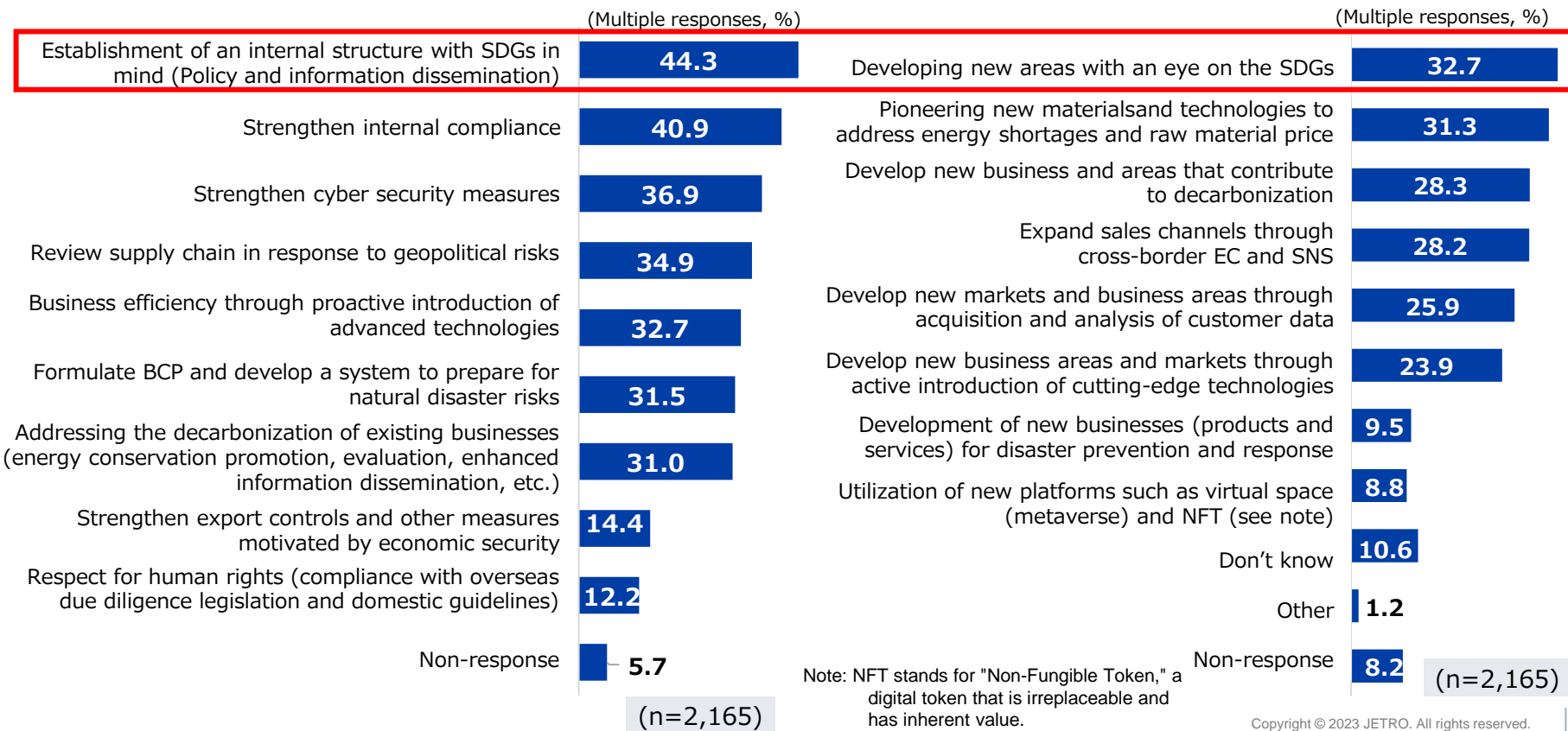
Note: Highlighted is 50% or more.

# 4 | SDGs are the key to building an internal structure and developing new business area

- In terms of reviewing and upgrading existing business processes and internal systems, 44.3% was to Establishing an internal structure with SDGs in mind.
- In terms of developing new business areas and new markets to address the challenges, the development of new business areas with an eye on the SDGs ranked first, and there was also a high level of interest in new businesses that address energy shortages and decarbonization.

## Review and upgrade existing business processes and internal systems

## Developing new business areas and new markets to address issues



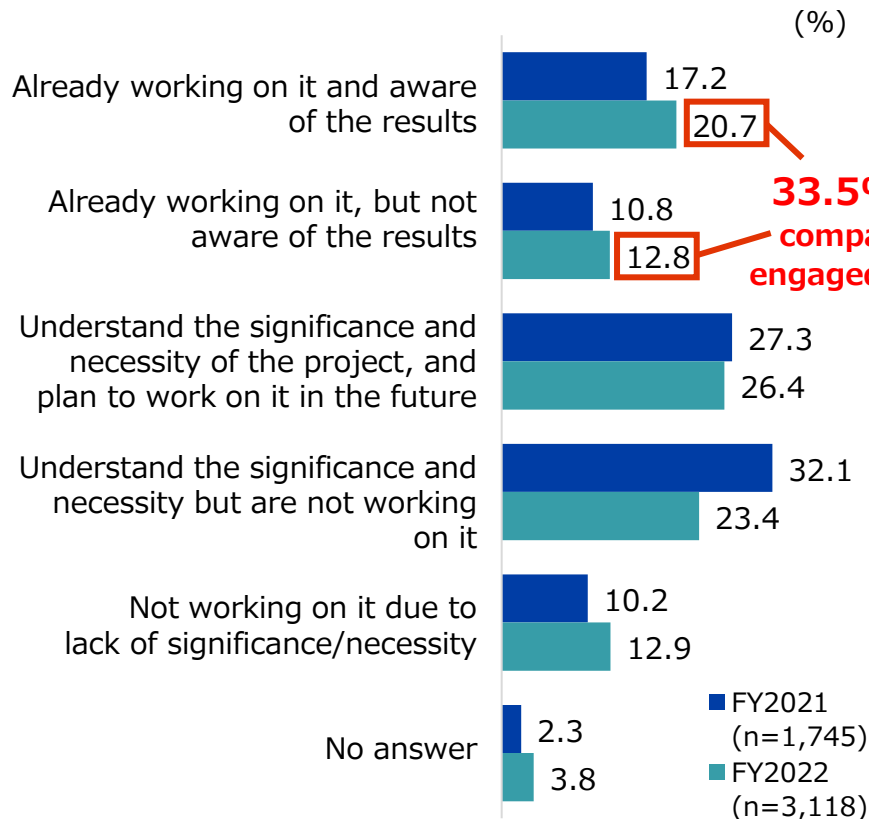
## IV-② DX Initiatives

~Efforts are expanding,  
but cross-border data sharing is a challenge~

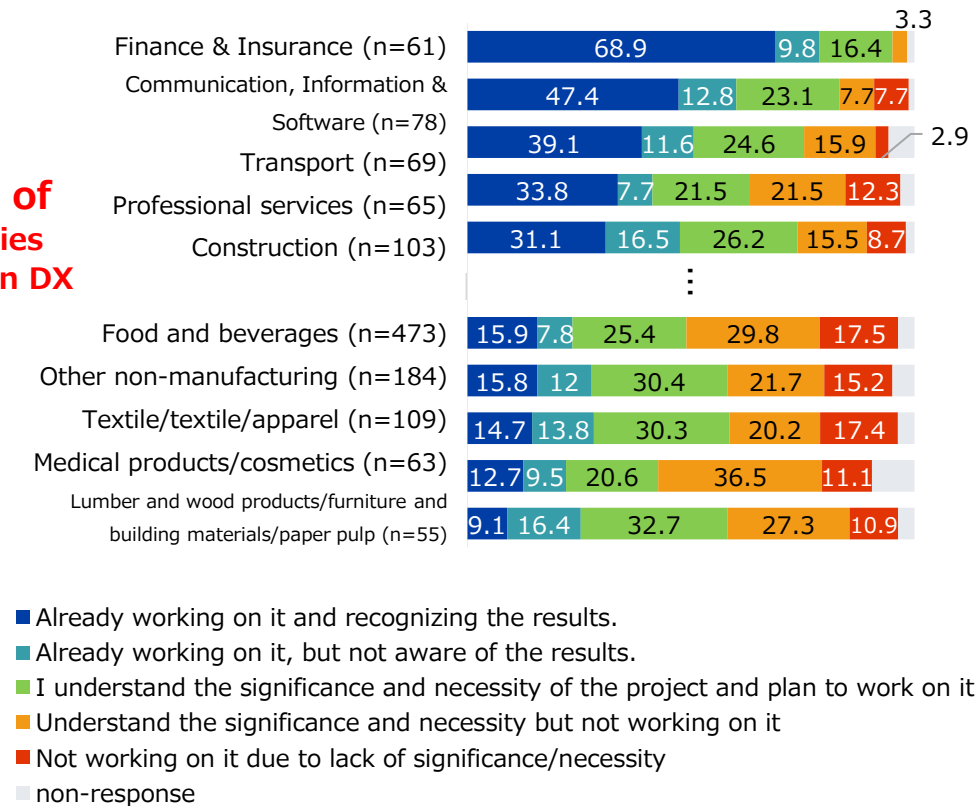
# 1 | Companies engaging in DX expanded 5.5 percentage points from the previous year

- The number of companies working on DX **increased from 28.0% in the previous year to 33.5%**. In addition, about 80% of companies that are not engaged in DX are aware of its significance and necessity.
- By industry, many firms in non-manufacturing industries, such as finance/insurance and telecommunications/information/software, recognized the results. Pharmaceuticals and cosmetics had the highest percentage of companies that understood the significance and necessity but were not working on it.

Status of DX initiatives



Status of DX initiatives (by industry)



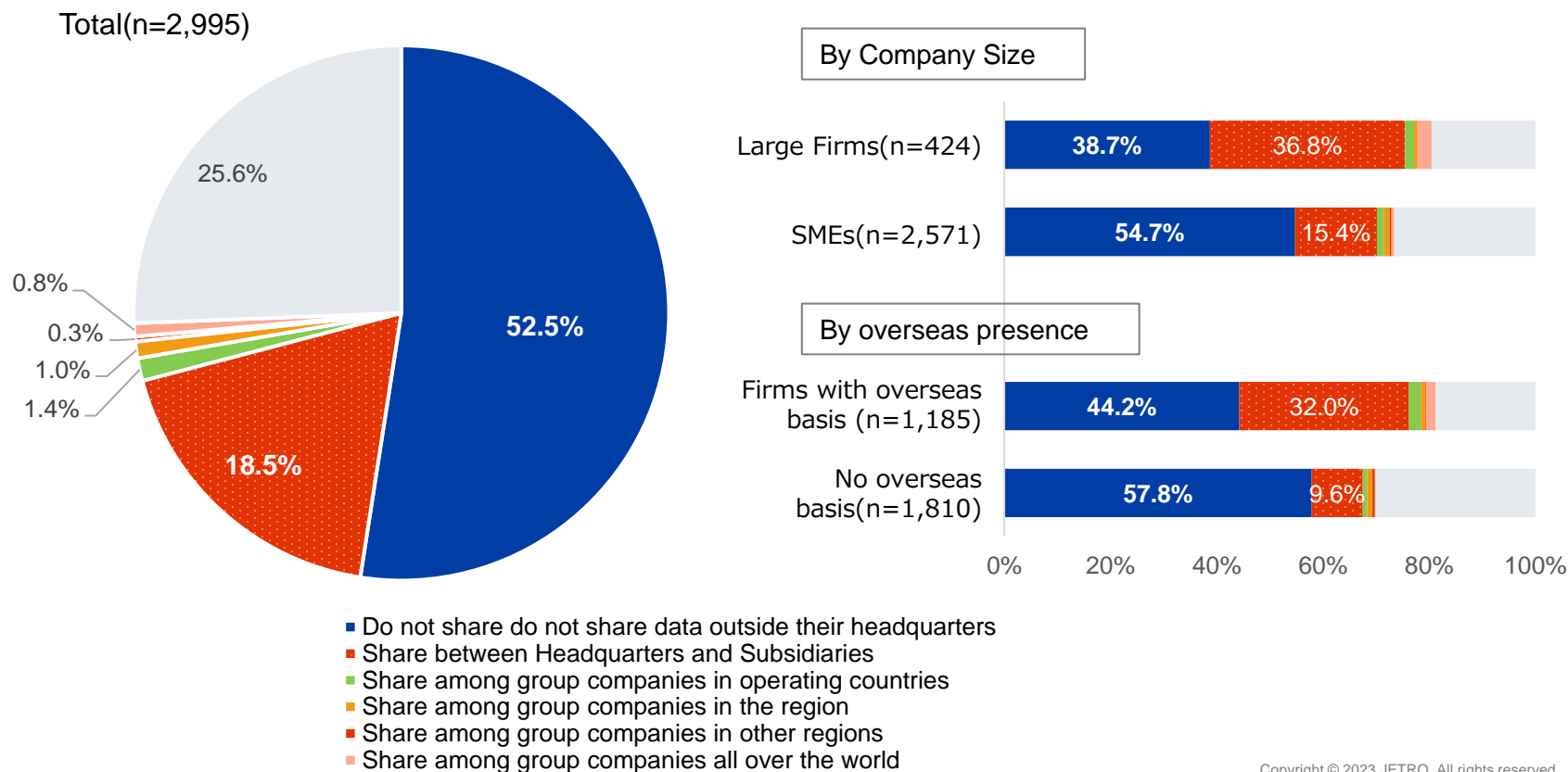
Note: Top and bottom 5 industries with n=50 or more are listed.



## 2 | Status of data sharing among groups and related companies

- When asked about the status of data sharing, including personal information, among subsidiaries and group companies, the majority (52.5%) of all companies said they do not share data outside their headquarters.
- On the other hand, nearly 40% of large firms and more than 30% of firms with overseas basis said they share data with their subsidiaries. These percentages are much higher than those of SMEs and firms with no overseas offices, respectively.

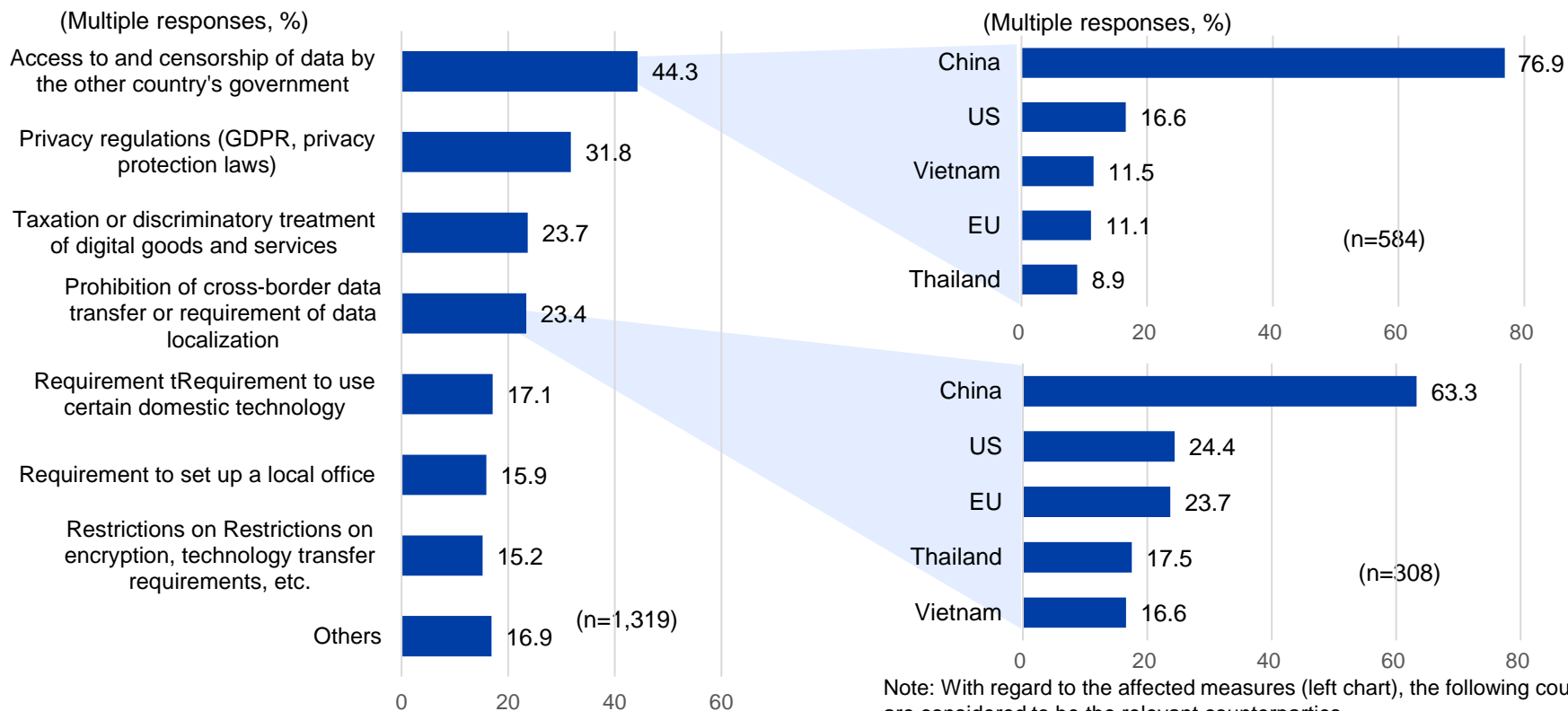
**The extent to which data, containing personal information, is shared among subsidiaries and group companies.**



# 3 | Handling of Transborder Data

- In terms of measures against cross-border data exchange, a high percentage of companies (44.3% and 31.8%) cited "access to and censorship of data by partner governments" and "privacy regulations" as the items with the greatest impact.
- Among the companies affected by "access to and censorship of data by partner governments" and "prohibition of cross-border data transfers or requirement of data localization," a notably high percentage cited "China" as the partner country/region.

**Items that have a significant operational impact on cross-border data exchanges, by major partner country**



Note: Percentage of companies that checked each item overall, regardless of the partner country. Excluding the number of non-responding firms.

Note: With regard to the affected measures (left chart), the following countries are considered to be the relevant counterparties. Percentage of firms that checked each country/region.

## **IV-③ Environmental Initiatives**

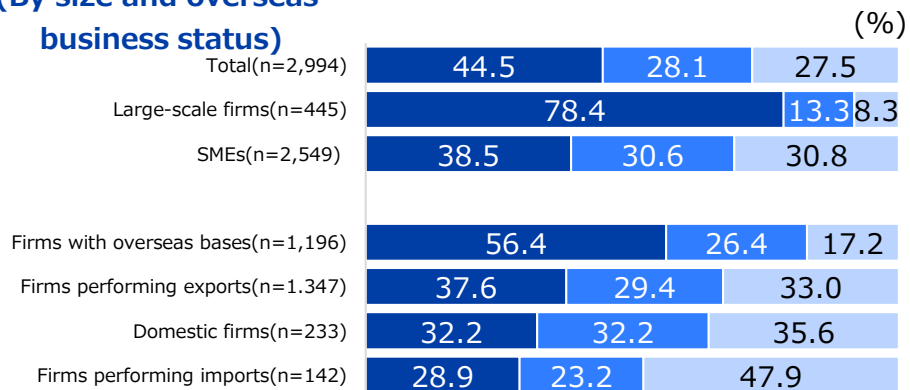
~Steady progress in de-carbonization, but with only a halfway point to spread throughout the supply chain

# 1 | Steady progress in decarbonization efforts over the past year

- 44.5% of all respondents answered “already taking action”. Compared to large companies (78.4%), SMEs (38.5%) were noticeably slower in their efforts. Compared to the previous year (for companies that responded for two consecutive years), the **percentage of companies that responded that they are “already taking action” increased by 9.1 points, and by 8.8 points among SMEs**. Steady progress is being made in decarbonization efforts, particularly in the manufacturing sector (up 11.7 points).

## Action for de-carbonization in Japan

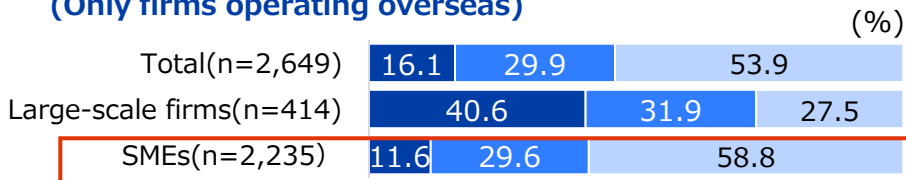
(By size and overseas business status)



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

## Action for de-carbonization overseas

(Only firms operating overseas)

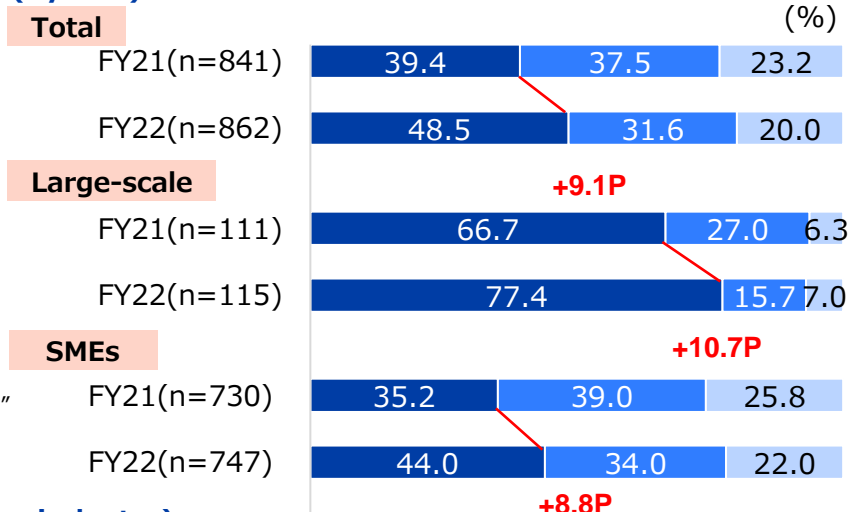


- Already taking action
- Not taking action yet, but planning in the future
- No plan to take action

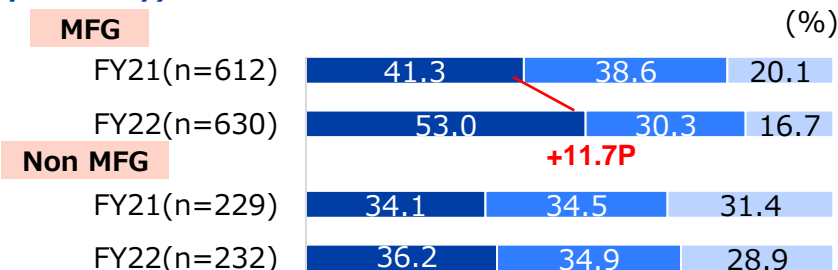
Note: “n” represents the number of firms that responded excluding ones with “no response.” (left graph), and the number of firms that have responded for two consecutive years (right graph).

## Comparison of efforts in Japan (vs. 2021 survey)

(By size)



(by industry)



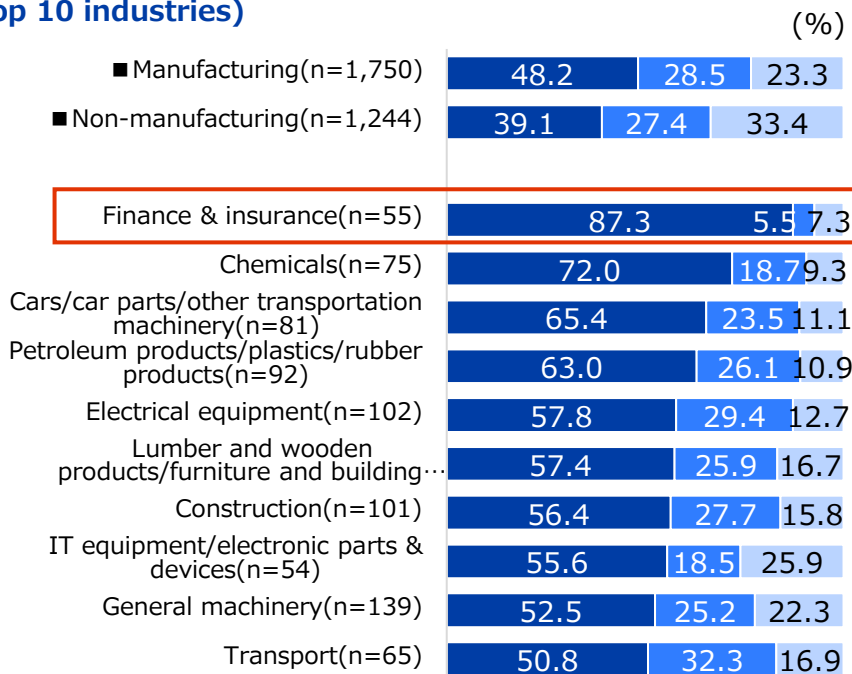
# 2 | Nearly 90% of the "Finance & Insurance" sector is already working on.

- The manufacturing sector, which has higher carbon emissions, is slightly more engaged.
- In terms of domestic decarbonization efforts, 87.3% of companies in the finance & insurance sector responded "already taking action," the highest percentage since the previous year's survey (74.1%). It is assumed that the implementation of green finance and restrictions on financing and underwriting insurance for carbon emission-related projects are further accelerating.

## Japan

### Action for de-carbonization

(Top 10 industries)

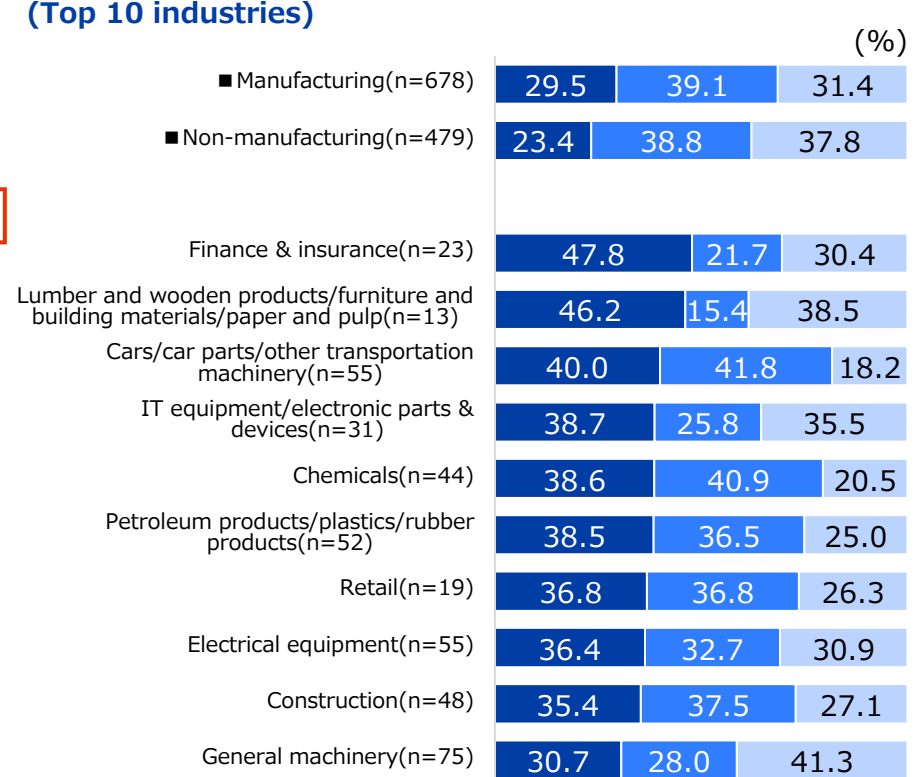


- Already taking action
- Not taking action yet, but planning in the future
- No plan to take action

## Overseas

### By companies with overseas firms

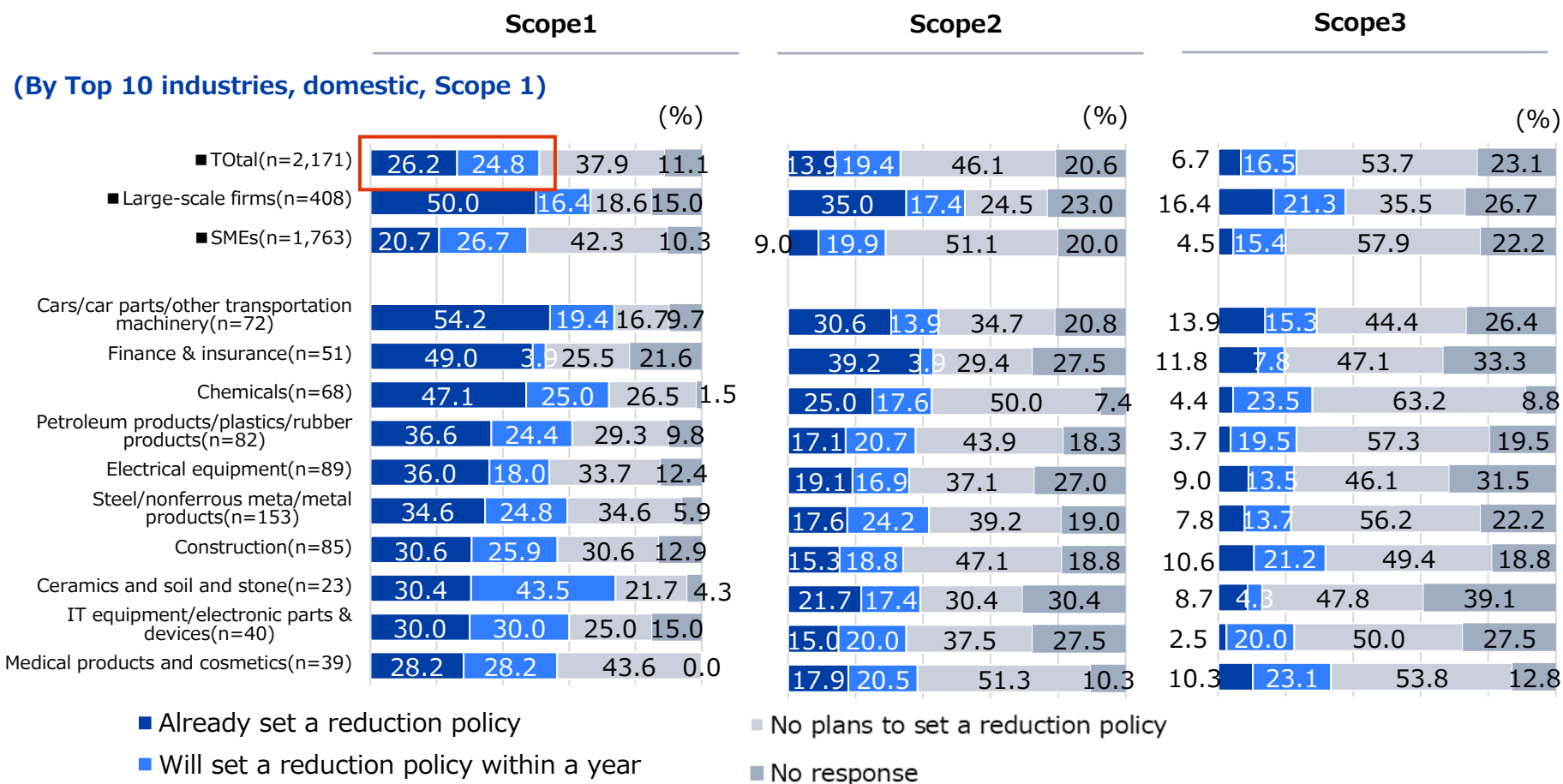
(Top 10 industries)



Note: n is the number of firms excluding "no response" from the number of responding firms.

# 3 | Understanding emissions throughout the supply chain is a ways off

- 51.0% of all respondents in Scope 1 have already established a reduction policy or plan to do so within the next year, while there is a large difference in the status of formulation between large and SMEs.
- In Scope 3, only 13.9% of respondents in the Automobiles, Automobile Parts, and Other Transportation Equipment category, which had the highest percentage of "already formulated a reduction policy" (54.2%) in Scope 1, indicated that they are making efforts to first understand their own emission amount.

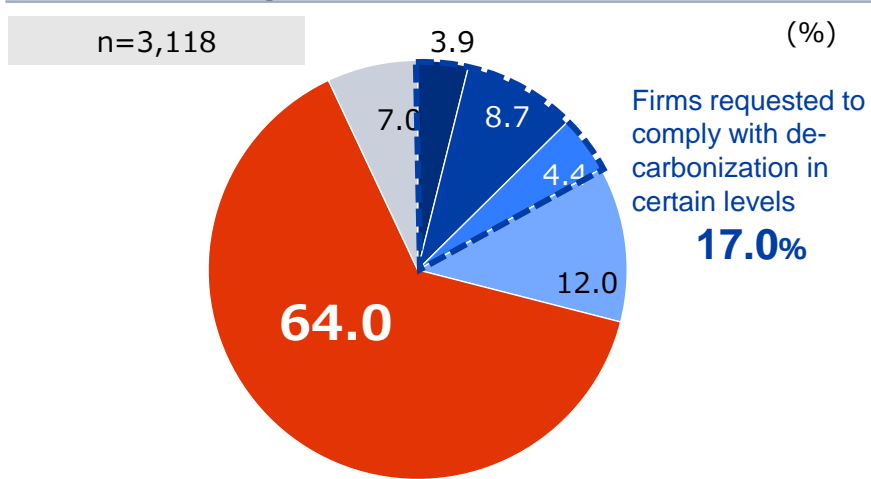


Note: n is the number of companies that responded "Already taking action" or "Not taking action yet, but planning in the future."

# 4 | Requests for initiatives from customers, varies by industry

- 17.0% of companies were asked to comply with the decarbonization policies of their domestic customers. More than 60% of all companies were not received any related inquiries or surveys.
- By industry, cars/car parts/other transportation machinery, and IT equipment/electronic parts & devices had a relatively high percentage of those required to be compliant.

**Request for complying with de-carbonization policy by domestic customers**



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

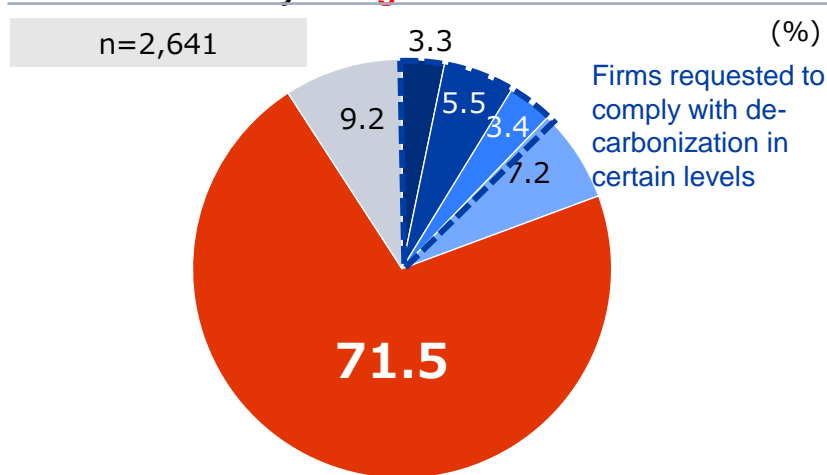
**Request for complying with de-carbonization policy by domestic customers (top 5 industries)**

	(%)
<b>Requested to comply, and measures such as instructions for improvement or suspension of transactions are indicated clearly if problem occurs</b>	
IT equipment/electronic parts & devices (n=55)	10.9
Cars/car parts/other transportation machinery (n=82)	9.8
Lumber and wood products/furniture and building materials/paper pulp (n=55)	9.1
Electrical machinery (n=106)	8.5
Transportation (n=69)	5.8
<b>Requested to comply, but limited to checking of status by inquires and investigations</b>	
Cars/car parts/other transportation machinery (n=82)	25.6
Petroleum products/plastics/rubber products (n=93)	17.2
Transportation (n=69)	15.9
Steel/non-ferrous metals/metal products (n=203)	13.3
Ceramics/soil and stone (n=30)	13.3
<b>Requested to comply, but actual checking of status is not carried out</b>	
Chemical (n=77)	13.0
Petroleum products/plastics/rubber products (n=93)	12.9
IT equipment/electronic parts & devices (n=55)	10.9
Cars/car parts/other transportation machinery (n=82)	9.8
Construction (n=103)	7.8

# 5 | Requests for initiatives from customers, varies by industry

- 12.2% of companies were required by their foreign customers to comply with de-carbonization policies, 4.8 percentage points lower than their domestic customers (17.0%). More than 10% of the respondents in the IT equipment/electronic parts & devices stated that "measures such as instructions for improvement or suspension of transactions are indicated if problem occurs".
- The highest percentage (20.3%) of companies that responded "Requested to comply, but limited to checking of status by inquires and investigations" in the cars/car parts/other transportation machinery, indicates that de-carbonization is proceeding ahead in this sector.

**Request for complying with de-carbonization policy by foreign customers**



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

Request Category	Percentage (%)
<b>Requested to comply, and measures such as instructions for improvement or suspension of transactions are indicated clearly if problem occurs</b>	
IT equipment/electronic parts & devices (n=49)	12.2
Lumber and wood products/furniture and building materials/paper pulp (n=50)	8.0
Medical products and cosmetics (n=58)	6.9
Transportation (n=49)	6.1
Chemical (n=75)	5.3
<b>Requested to comply, but limited to checking of status by inquires and investigations</b>	
Cars/car parts/other transportation machinery (n=74)	20.3
Ceramics/soil and stone (n=28)	14.3
Transportation (n=49)	14.3
Chemical (n=75)	12.0
Petroleum products/plastics/rubber products (n=88)	10.2
<b>Requested to comply, but actual checking of status is not carried out</b>	
IT equipment/electronic parts & devices (n=49)	10.2
Construction (n=72)	8.3
Cars/car parts/other transportation machinery (n=74)	8.1
Textiles/apparel (n=94)	7.4
Petroleum products/plastics/rubber products (n=88)	6.8

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

Note: n is the number of firms either with overseas bases or performing exports



## **IV-④ Efforts for Human Rights**

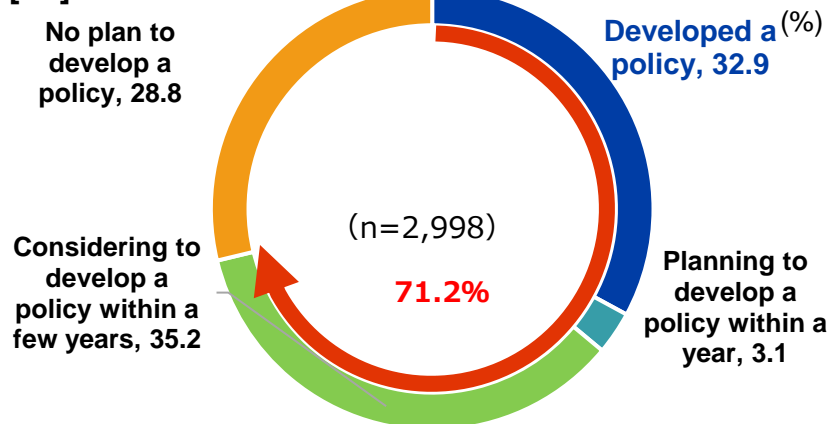
~The Japanese government's formulation of guidelines for respect for human rights also supports the effort.

# 1 | 32.9% of companies have developed a human rights policy

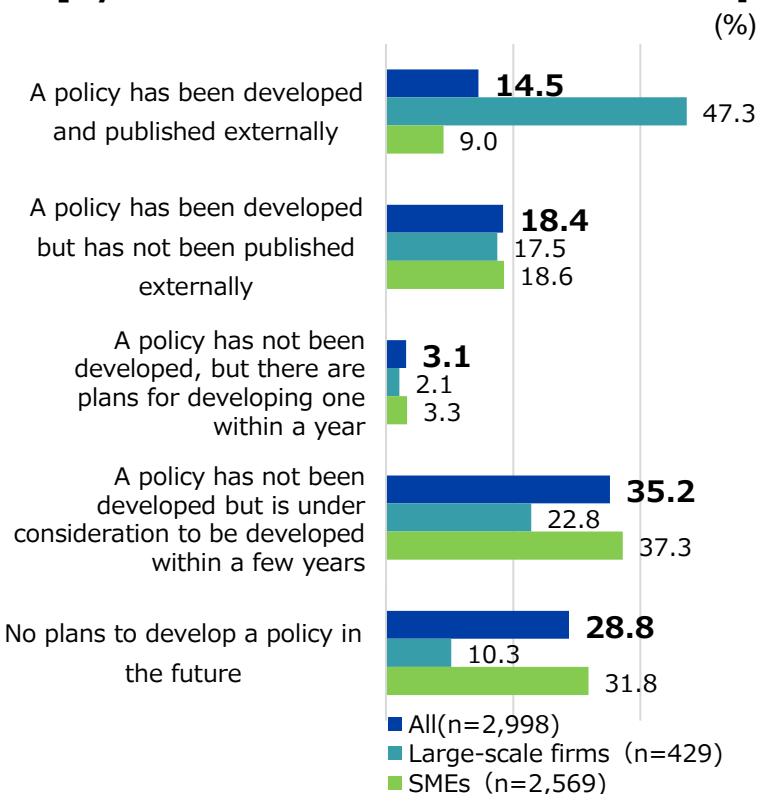
- **32.9%\* responded that they have “developed” a policy on the respect for human rights.\*** \*Including cases where the policy is not disclosed.
- Percentage of firms which have already developed a policy was 64.8% for large-scale firms, while it was 27.6% for SMEs. This shows a large gap between firms of a different size.

Status of formulation of policy on respect for human rights

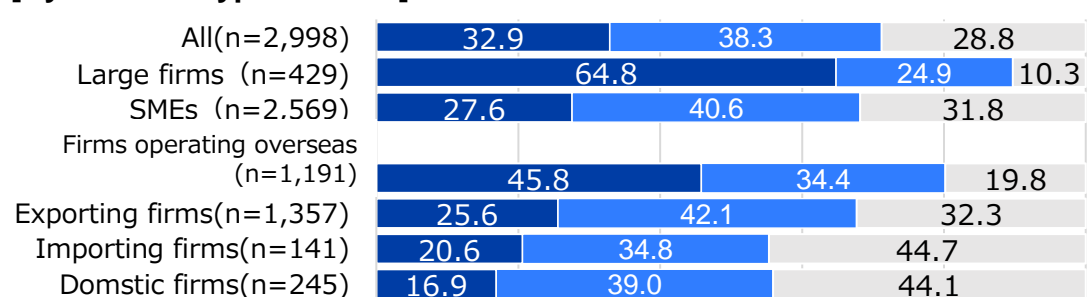
[All]



[By status of formulation and disclosure]



[By size and type of firms]



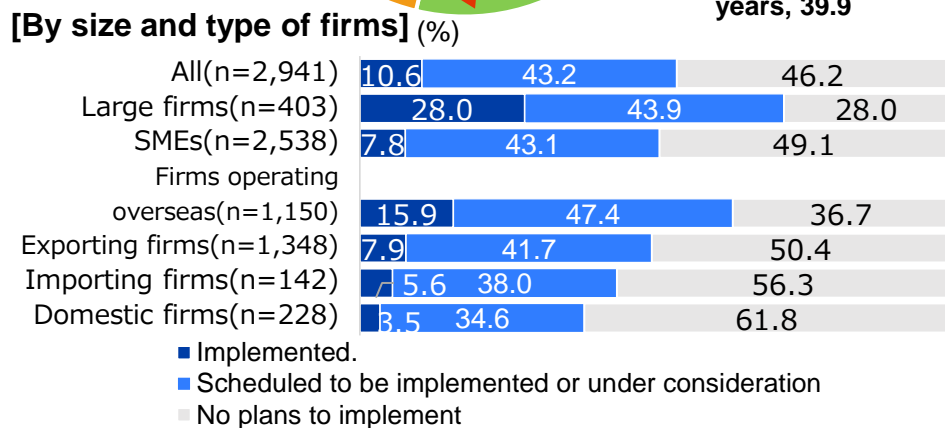
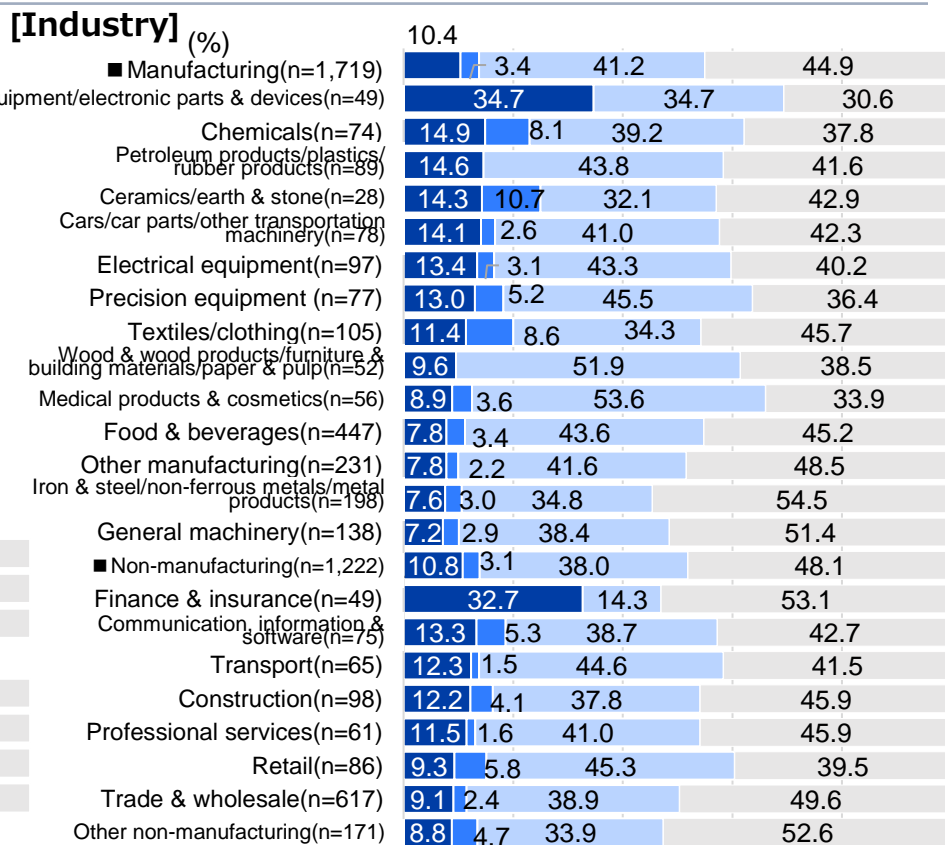
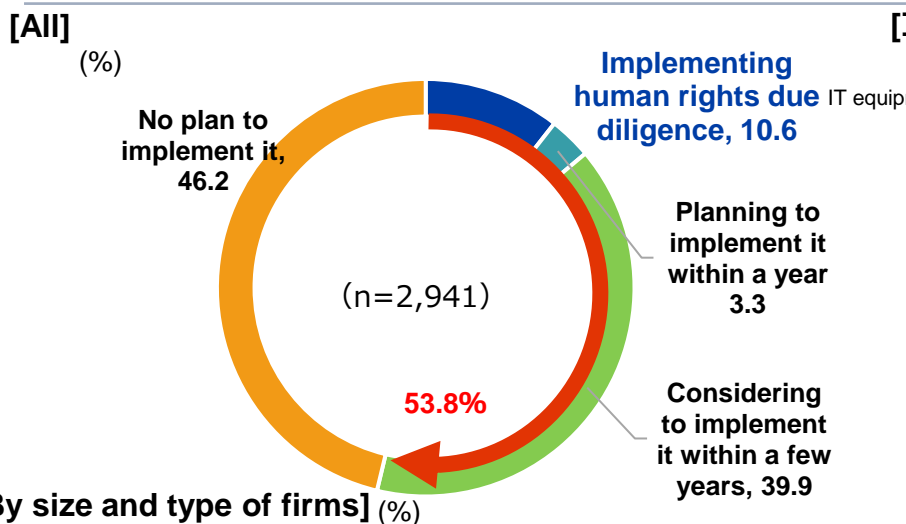
■ Developed a policy ■ Planning or considering a policy ■ No plan to develop a policy

Note: 1. n is the number of companies excluding "no response" from the number of responding companies in all figures. 2. "Planning or considering a policy" is the sum of "A policy has not been developed, but there are plans for developing one within a year" and "A policy has not been developed but is under consideration to be developed within a few years".

# 2 | More than 40% companies are willing to implement human rights due diligence

- 10.6% of companies are implementing human rights due diligence. Including companies that "plan to implement it within a year" or "considering to implement within a few years", approximately 50% of companies are either implementing human rights due diligence or are willing to implement it.

Status of implementation of human rights due diligence



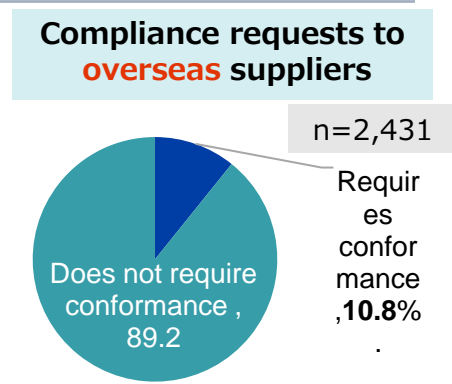
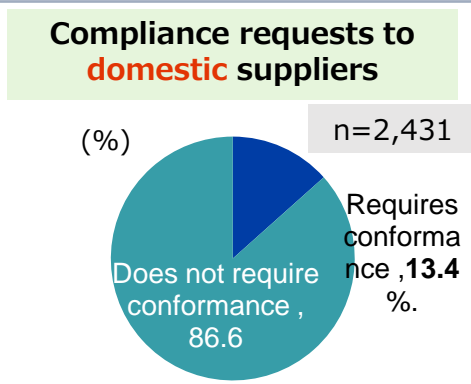
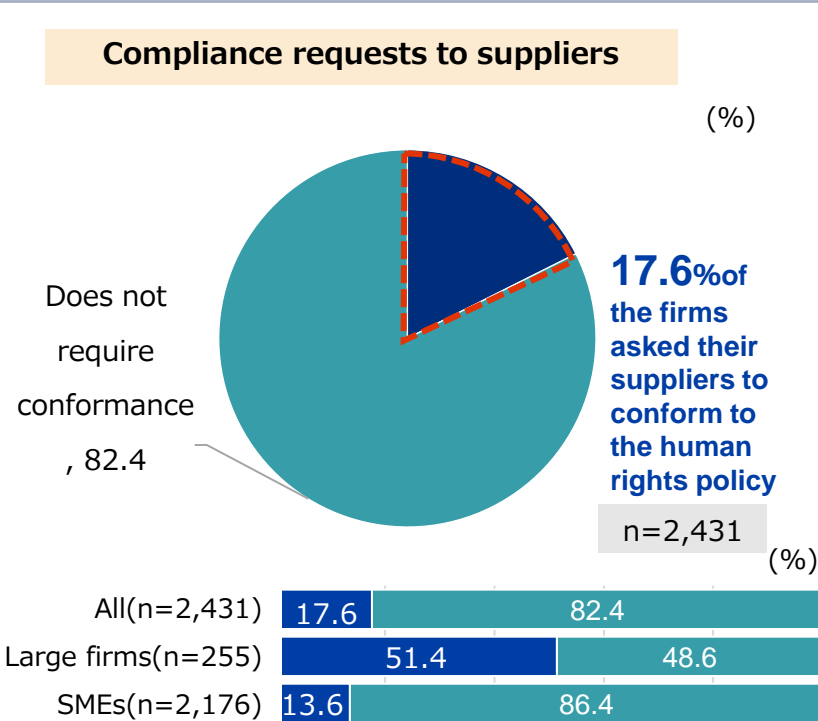
Note: 1. In both figures, "n" is the number of companies excluding "no response" from the number of responding companies. 2. "Planning or considering to implement" is the sum of "Have not yet implemented but plan to implement it within a year" and "Have not yet implemented but considering to implement it within a few years."

- Implementing human rights due diligence
- Plan to implement it within a year
- Considering to implement it within a few years
- No plan to implement it

# 3 | 50% of large companies also require suppliers to comply with human rights policies

- 17.6 of companies require their suppliers to comply with human rights policy in their supply chain.
- Among large companies, the percentage was as high as 50%.

## Requesting suppliers to comply with the company's human rights policies



#### Require compliance from domestic suppliers (top 5 industries)

Information and communication equipment/electronic parts and device (n=34)	32.4
Ceramics/earth & stone (n=22)	27.3
Petroleum products/plastics/rubber products (n=67)	23.9
Cars/car parts/other transportation machinery (n=61)	23.0
Textile/clothing (n=80)	22.5

#### Require compliance from overseas suppliers (top 5 industries)

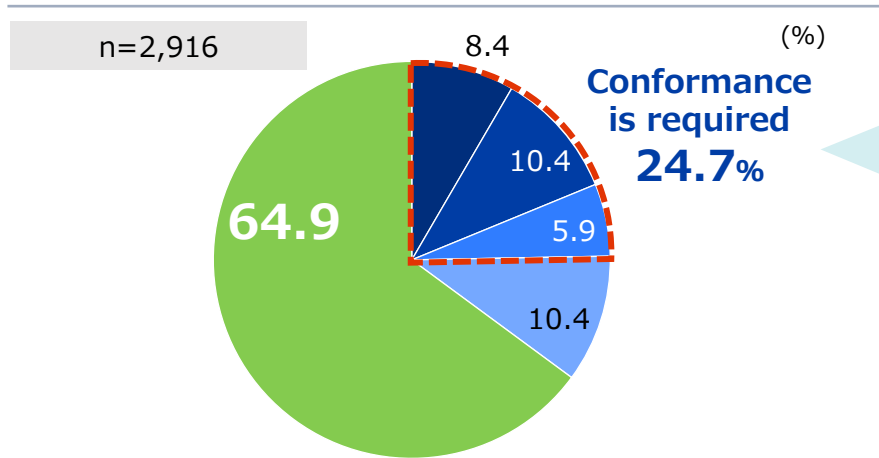
Information and communication equipment/electronic parts and device (n=34)	35.3
Medical products and cosmetics (n=45)	20.0
Wood & wood products/furniture & building materials/paper & pulp (n=40)	20.0
Ceramics/earth & stone (n=22)	18.2
Finance & insurance (n=34)	17.6

*Note:* 1. "n" is the number of companies excluding "no response" from the number of responding companies in all figures. 2. Companies that "requires compliance" are those that answered either "requires overseas suppliers to comply with their own human rights policies in their supply chains" or "requires domestic suppliers to comply with their own human rights policies in their supply chains."

# 4 | One of four firms was required by its clients to conform to the human rights policy

- **24.7% of all companies have been asked by their clients to comply with their human rights respect policy.** Including companies that have received related inquiries, one in three companies has been asked by customers to take action regarding respect for human rights.

Status of conformity with human rights policy by clients



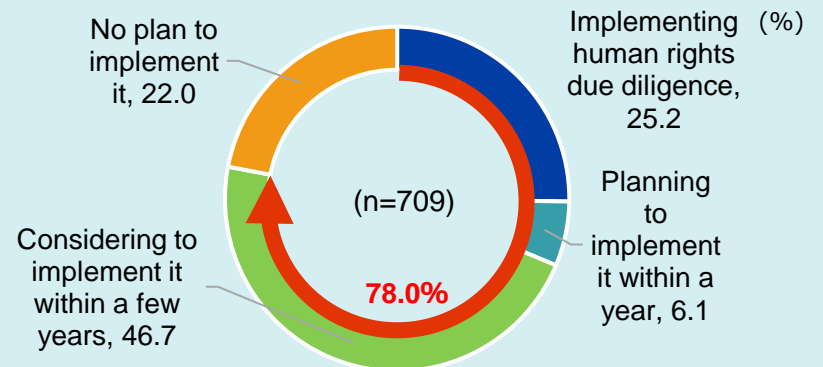
- Conformance is required, and if there is a problem, improvement instructions, suspension of transactions, etc., are implemented
- Conformance is required but the situation is only checked via inquiries and investigations
- Conformance is required but the situation is not checked
- Conformance is not required but relevant inquiries have been received

Note: n is the number of responding firms excluding non-responses.

top 5 industries

Conformance is required	
Information and communication equipment/electronic parts and device(n=50)	50.0
Cars/car parts/other transportation machinery(n=75)	41.3
Petroleum products/plastics/rubber products(n=87)	40.2
Chemical (n=74)	39.2
Textile/clothing(n=107)	35.5

Status of HRDD by the firms required to conform to the policy by the clients

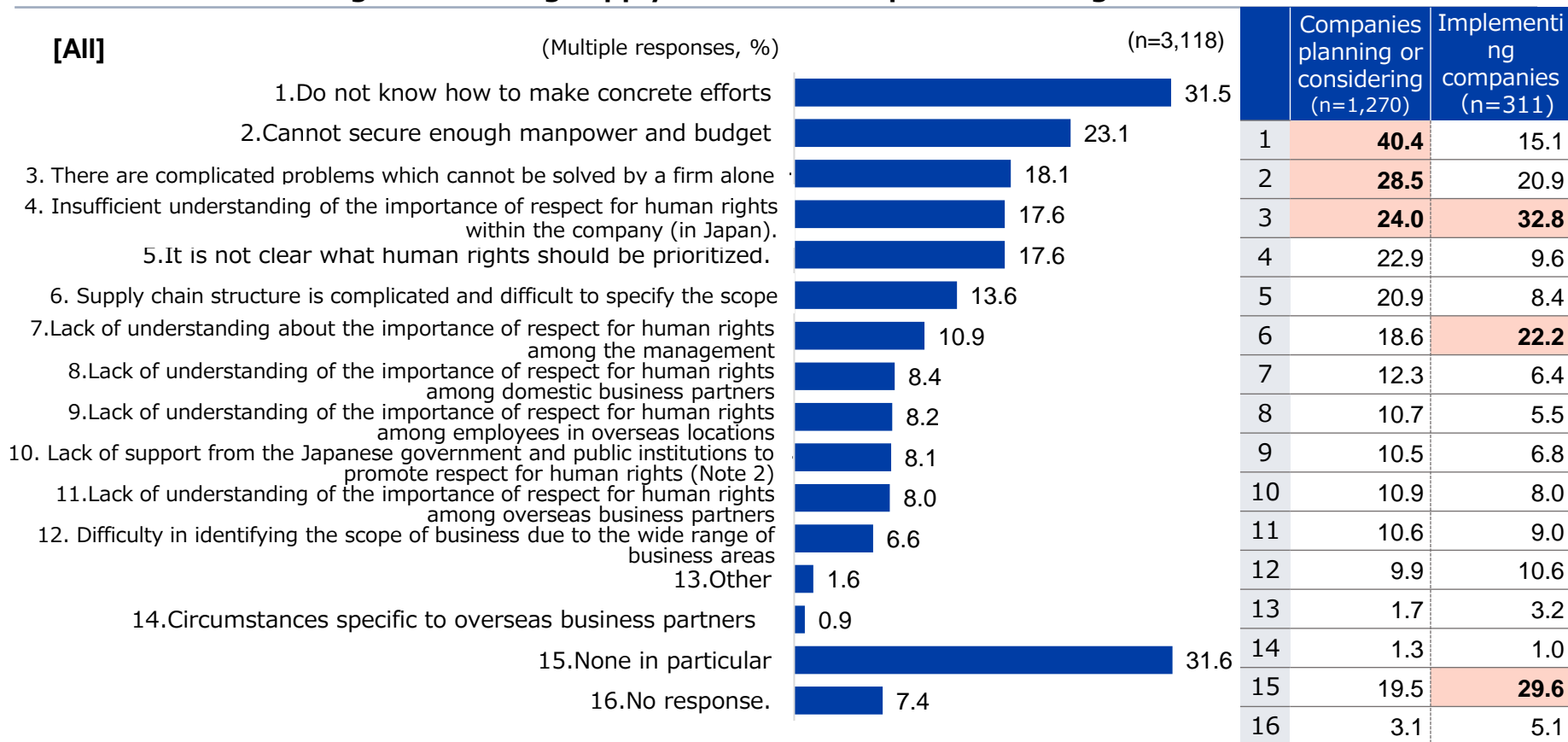


Note: n is the number of companies that responded "Conformance is required" excluding those that did not respond.

# 5 | Building a human rights-conscious supply chain, various issues by stage

- Regarding challenges in implementing human rights due diligence(HRDD), the top responses from companies that are planning or considering implementing HRDD were " Do not know how to make concrete efforts " and " Cannot secure enough manpower and budget ".

**Challenges in building supply chains that respect human rights overseas**



Note: 1.n of companies planning or considering to implement HRDD refers to companies that have not implemented human rights due diligence but answered that they are "planning to implement it within a year" or "considering to implement it within a few years". 2."n" for companies implementing HRDD is the number of companies that responded that they are "implementing human rights due diligence". The shading indicates the top 3 items in the ratio. Copyright © 2023 JETRO. All rights reserved.

[Report version] FY 2022 | Overseas Business Survey  
**Survey on the International Operations of Japanese Firms**

**Japan External Trade Organization  
(JETRO)  
International Economy Division,  
Overseas Research Department**



**+81-3-3582-5177**



**ori@jetro.go.jp**



**Ark Mori Building 6F, 12-32, Akasaka 1-  
chome, Minato-ku, Tokyo 107-6006**

■ **Notice**

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

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