FY 2018 Survey on Business Conditions of Japanese Affiliated Companies in the Middle East

January 2019

Japan External Trade Organization (JETRO)

Middle East & Africa Division,

Overseas Research Department

Contents

Important Survey Findings

Cautious Approach due to Uncertain Circumstances

☆In 2018, more than 50% of companies surveyed posted a profit, with little under 20% registering losses. When comparing the business performance of 2018 with that of the previous year, approximately 40% answered "leveling off."

☆Also for 2019, about 50% are forecasting "leveling off" in performance, but Israel is anticipated to show improvements in business performance with its strong economy in recent years. Iran's performance is expected to deteriorate due to US sanctions. For both improvement and deterioration, the primary factor overall is "sales in local markets."

☆For the business development in the next 1-2 years, the percentage of respondents answering "remain the same" (45.9%) slightly exceeds those selecting "expansion" (42.4%), providing cautious outlook. In Israel, little under 80% of companies intend to expand their business.

☆The main attractions of the investment environment are "market scale and growth potential" and "positive image regarding Japan." "Underdeveloped legal system or unclear legal system operation" is the largest challenge, but "political and social instability" in Turkey and Iran are also concerning factors.

☆We look at "infrastructure" and "resources and energy" as promising fields in the future. In Israel and Bahrain, "new industries" (start-ups, IoT, etc.) are also promising.

Overview

Objective

● To understand the actual conditions of Japanese-affiliated companies' business activities in the Middle East (10 countries: United Arab Emirates (UAE), Turkey, Saudi Arabia, Iran, Jordan, Israel, Kuwait, Qatar, Bahrain, and Oman) and provide the results to the public.

Companies Surveyed

● A questionnaire survey was locally conducted for Japanese-affiliated companies with bases in each of the surveyed countries in the Middle East.

● Valid responses were received 255 companies
(86 from UAE, 53 from Turkey, 35 from Saudi Arabia, 20 from Iran, 14 from Jordan, 13 from Israel, 13 from Kuwait, 12 from Qatar, 5 from Bahrain, and 4 from Oman)

Period

● September 10 - October 4, 2018

Response Rate

● The response rate was 57.3%.

● Questionnaires were distributed to 445 companies in 10 countries, and valid responses were received from 255 of them.

Remarks

● This was the 6th survey for UAE and the 5th for Saudi Arabia. It was the 4th survey that covered all industries for Turkey, and the second survey that had been performed in Qatar.

● JETRO informed the companies to be surveyed of the URL for the questionnaire, and asked them to complete and return it, or sent them questionnaires in Japanese/English by e-mail.

Notes

● All response rates are shown in percentages (%). The response rate is rounded off to the second decimal place. As a result, some of the total figures do not add up to 100%.

● In this report, "N" stands for the number of valid responses (parameter).

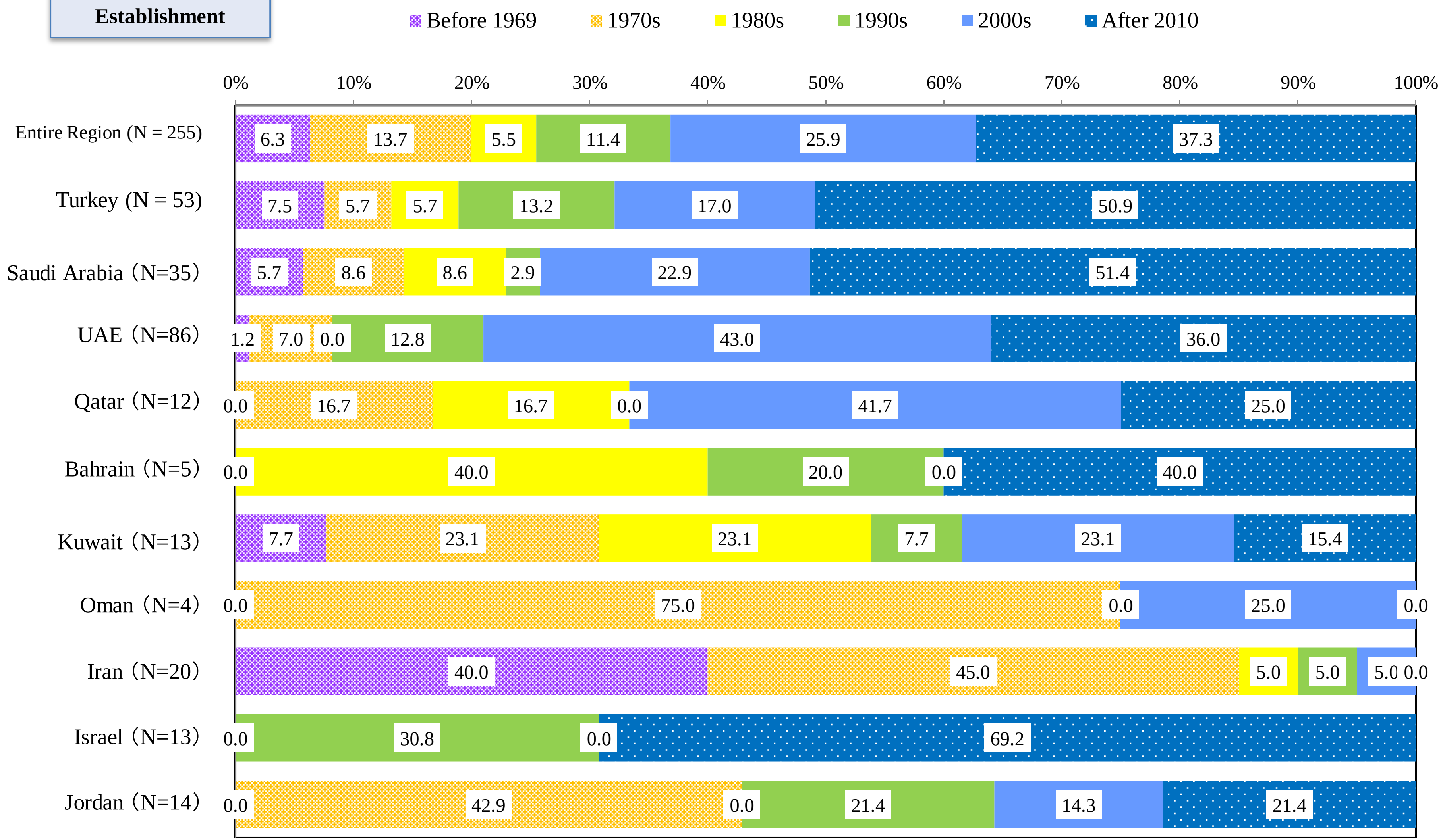
Map

No. of Japanese-affiliated Companies (as of October 1, 2017)	No. of Bases	Y-o-Y (%)
UAE	337	4.7%
Turkey	197	4.8%
Saudi Arabia	115	-2.5%
Israel and the Gaza Strip, etc.	66	15.8%
Qatar	46	-2.1%
Iran	32	-3.0%
Oman	20	5.3%
Bahrain	20	-13.0%
Jordan	19	-5.0%
Kuwait	18	12.5%
Lebanon	7	-12.5%
Yemen	0	0.0%
Iraq	-	-
Syria	-	-
Total	877	3.1%

Source: Ministry of Foreign Affairs, "Annual Report of Statistics on Japanese Nationals Overseas (FY 2018 Summary version)

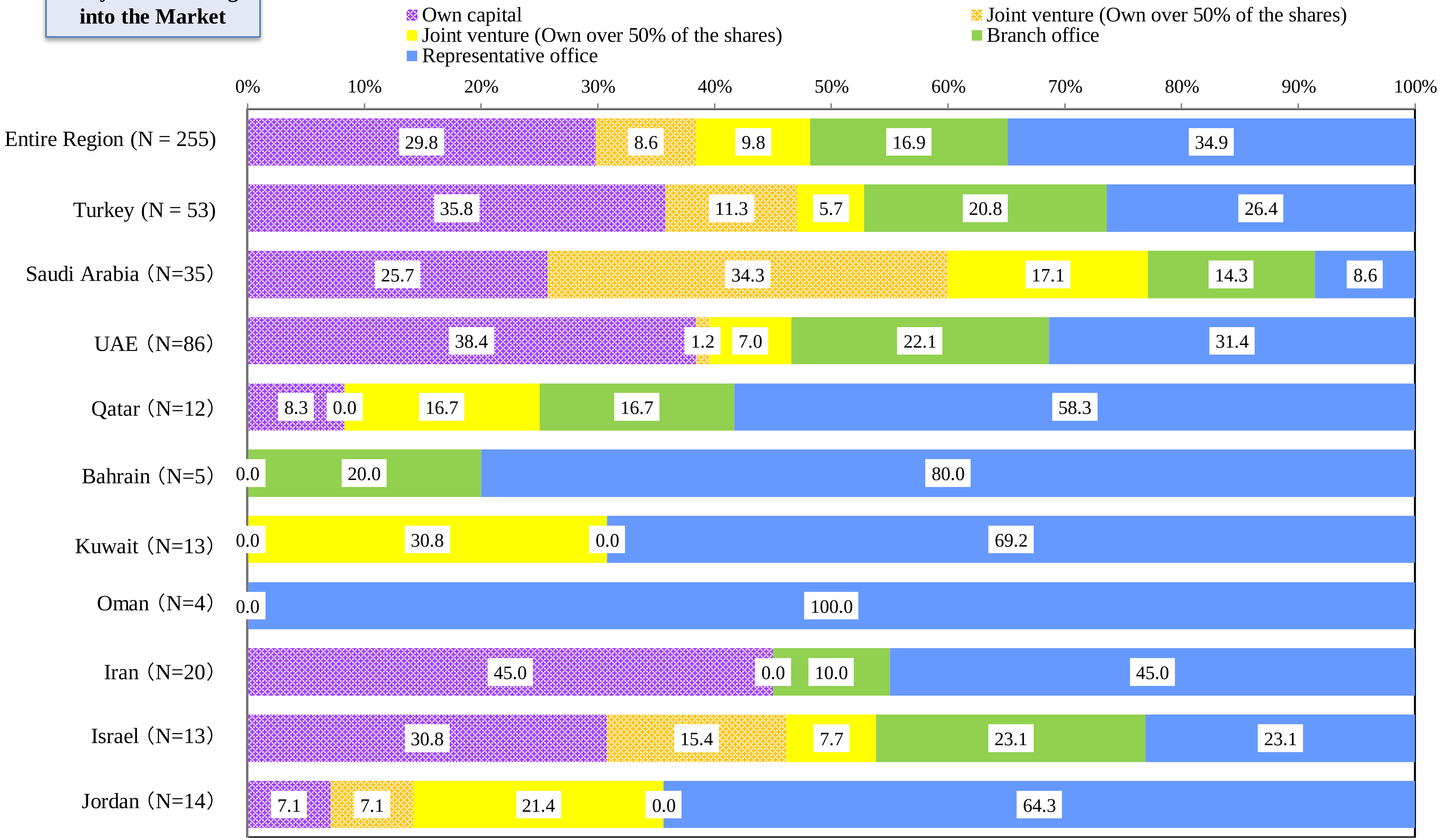
Company Profile ①: Year of Establishment

Year of Establishment

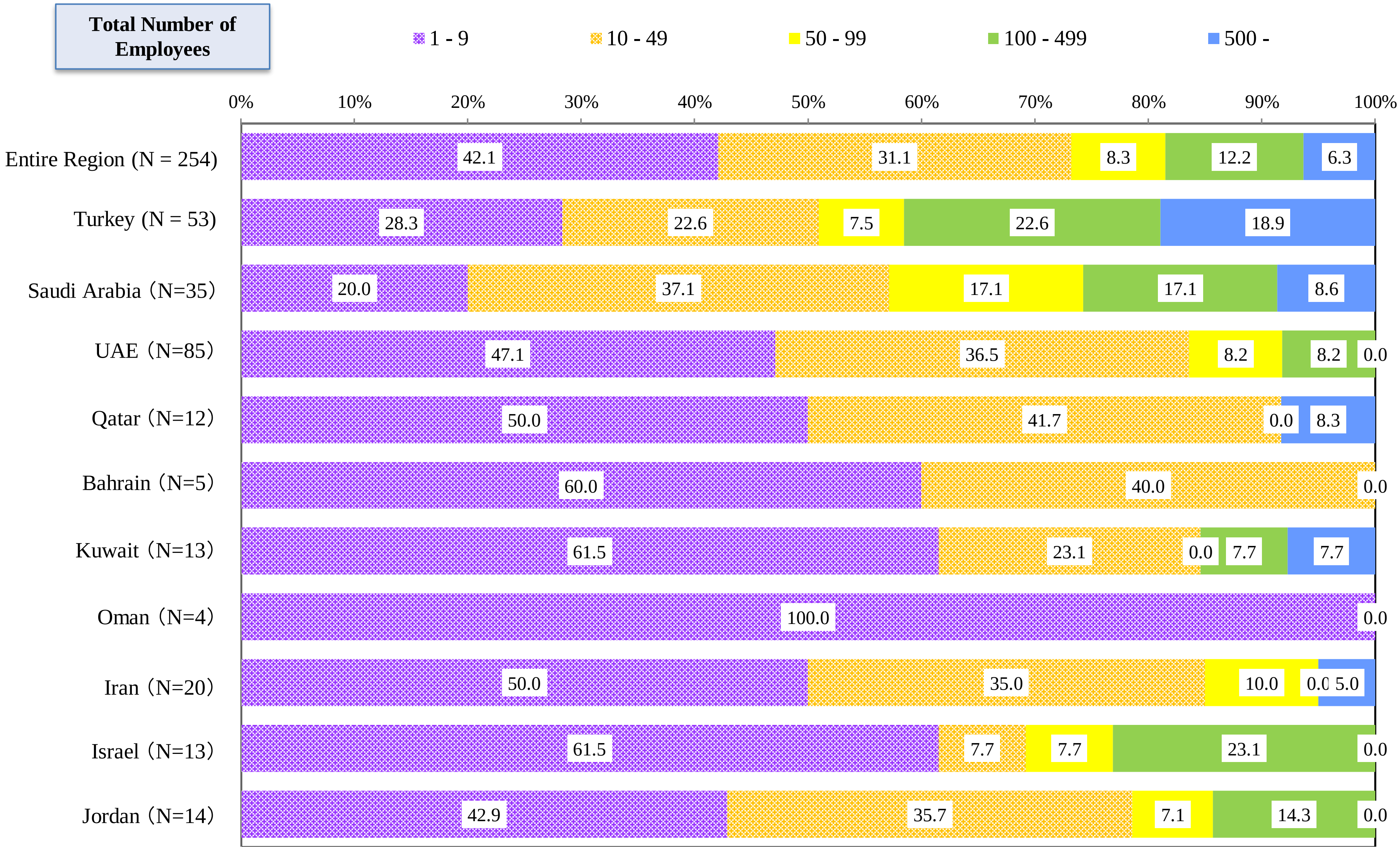


Company Profile ②: Way of Advancing into the Market

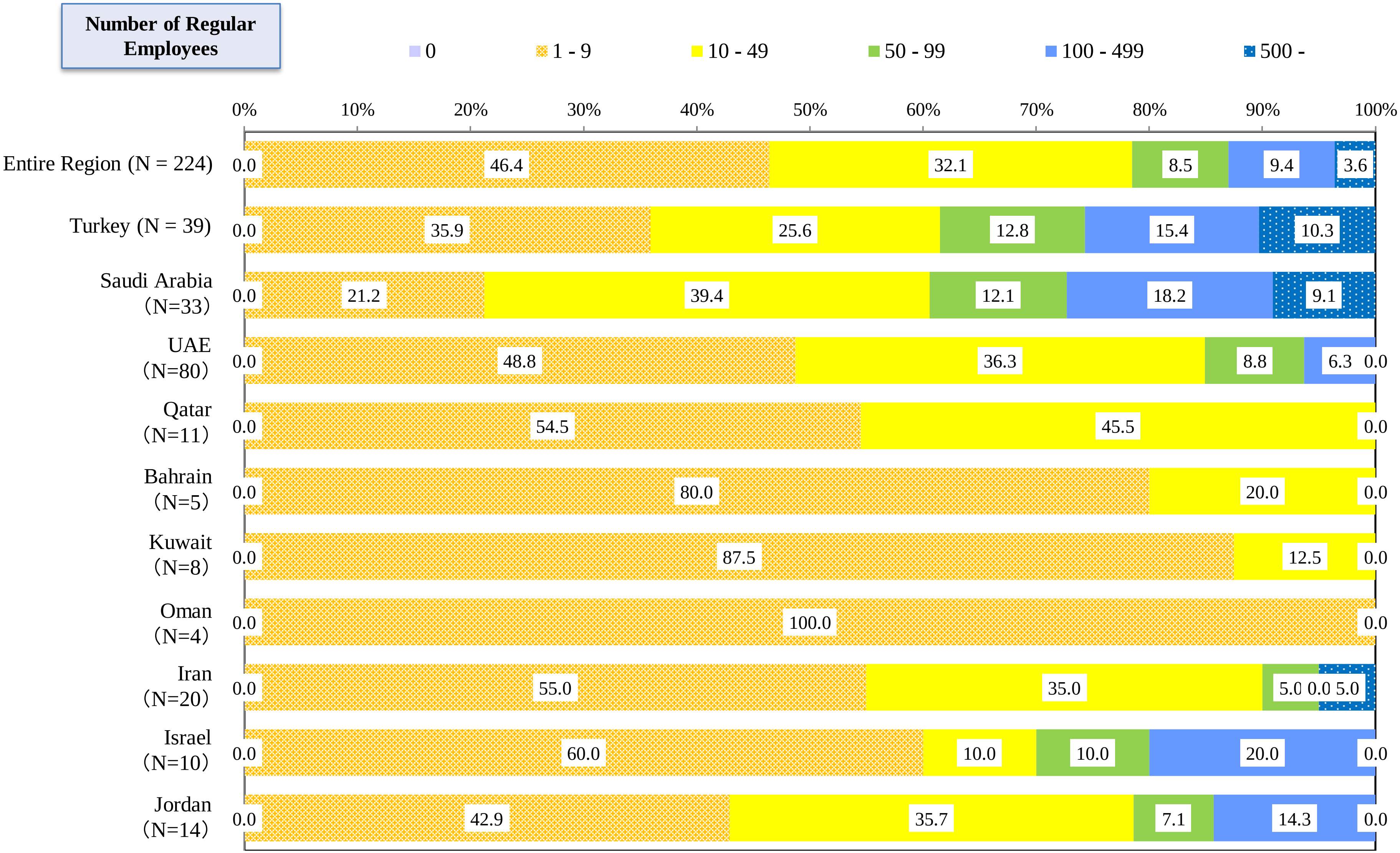
Way of Advancing into the Market



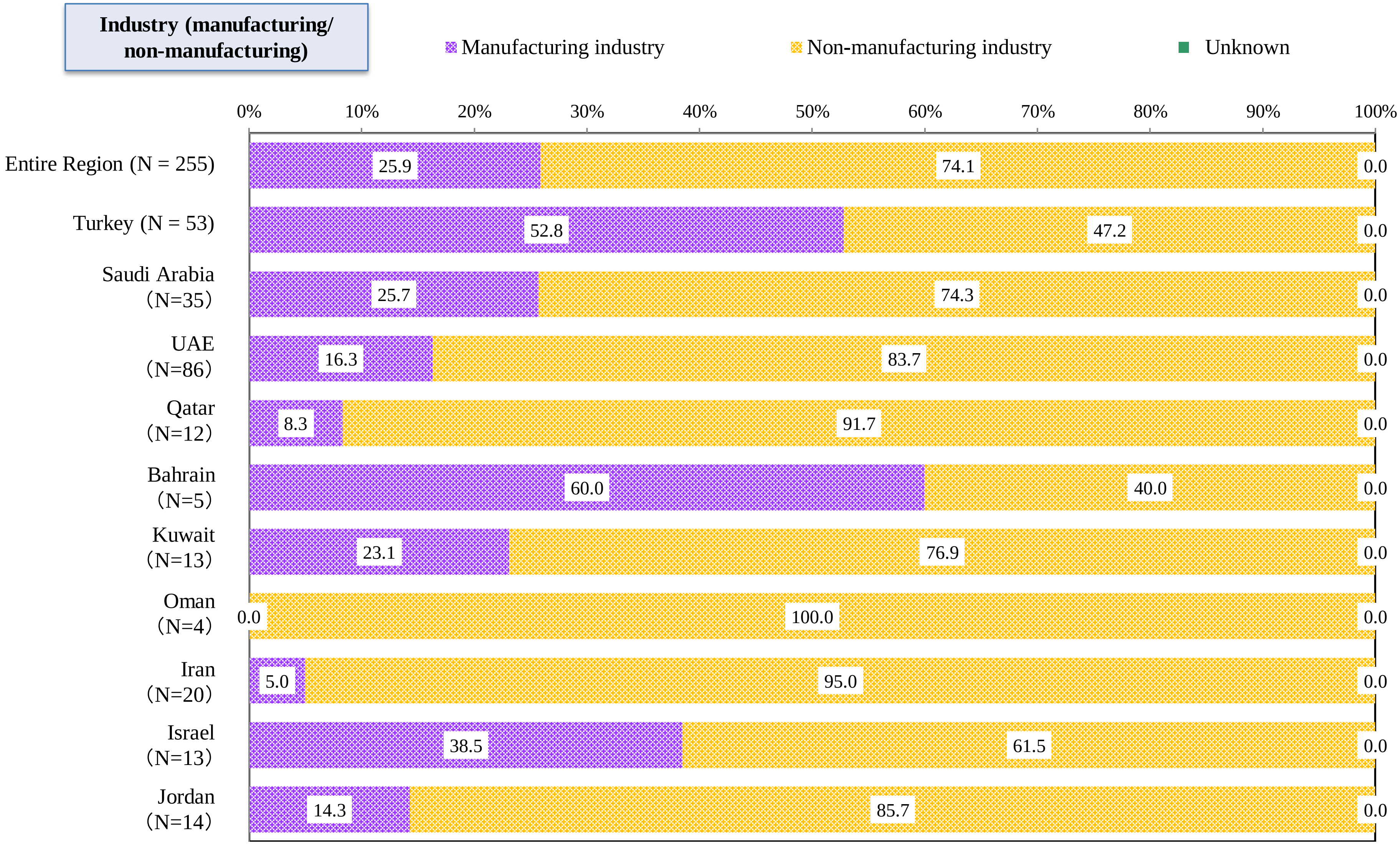
Company Profile ③: Total Number of Employees



Company Profile ④: Number of Regular Employees



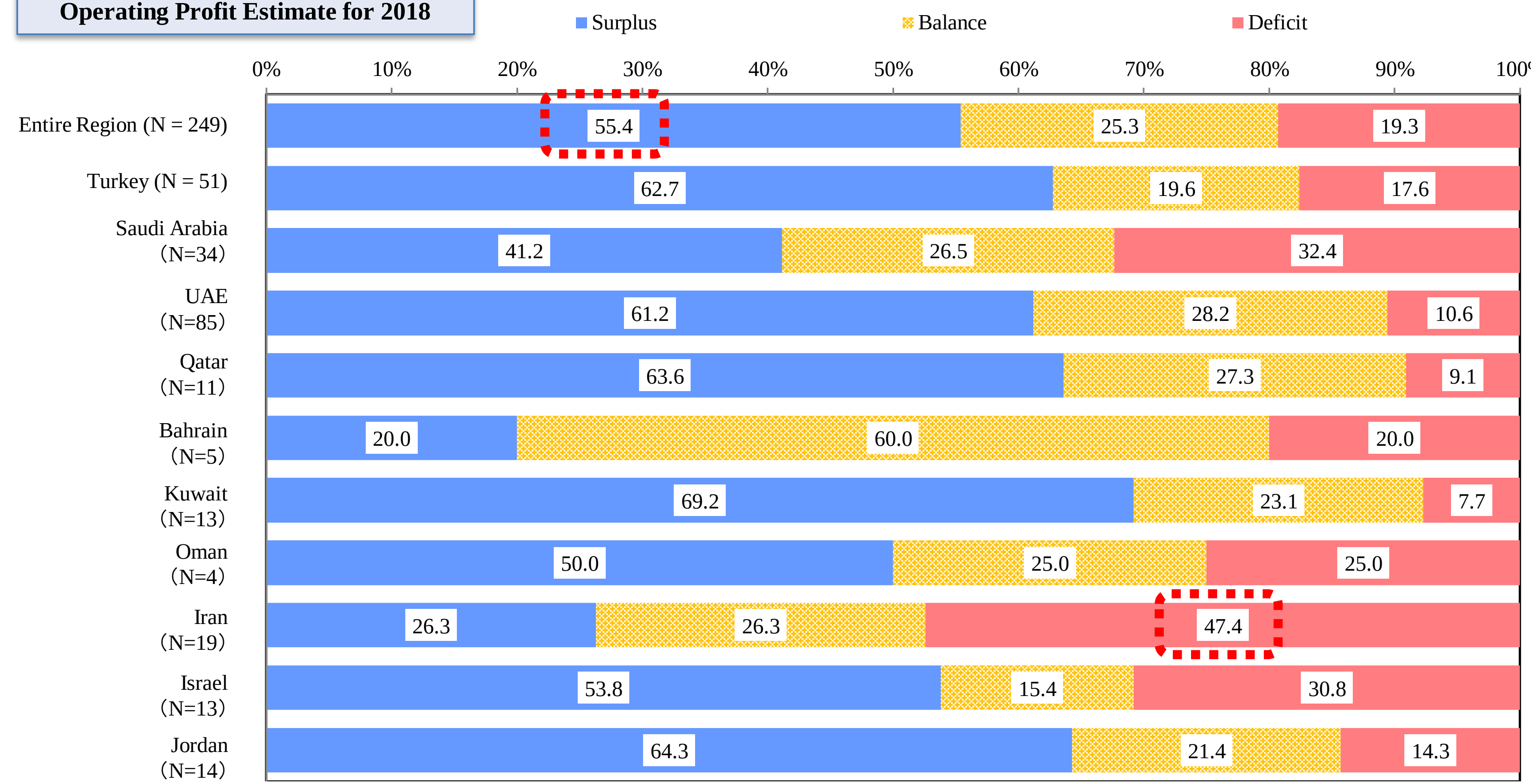
Company Profile ⑤: Industry (Manufacturing/Non-manufacturing)



Operating Profit Estimate①: Surplus rate over 50% in 2018

- Overall, over 50% of the companies surveyed answered that they estimated a surplus, and some countries even have more than 60% of companies that reported profit.
- Although Turkey suffered decline in currency value, they are politically stable and security has been restored, so 60% of companies answered that they were in surplus.
- Due to the reinforced US sanctions against Iran, almost half of companies are in deficit. Companies in Bahrain that reported profit remained 20%.

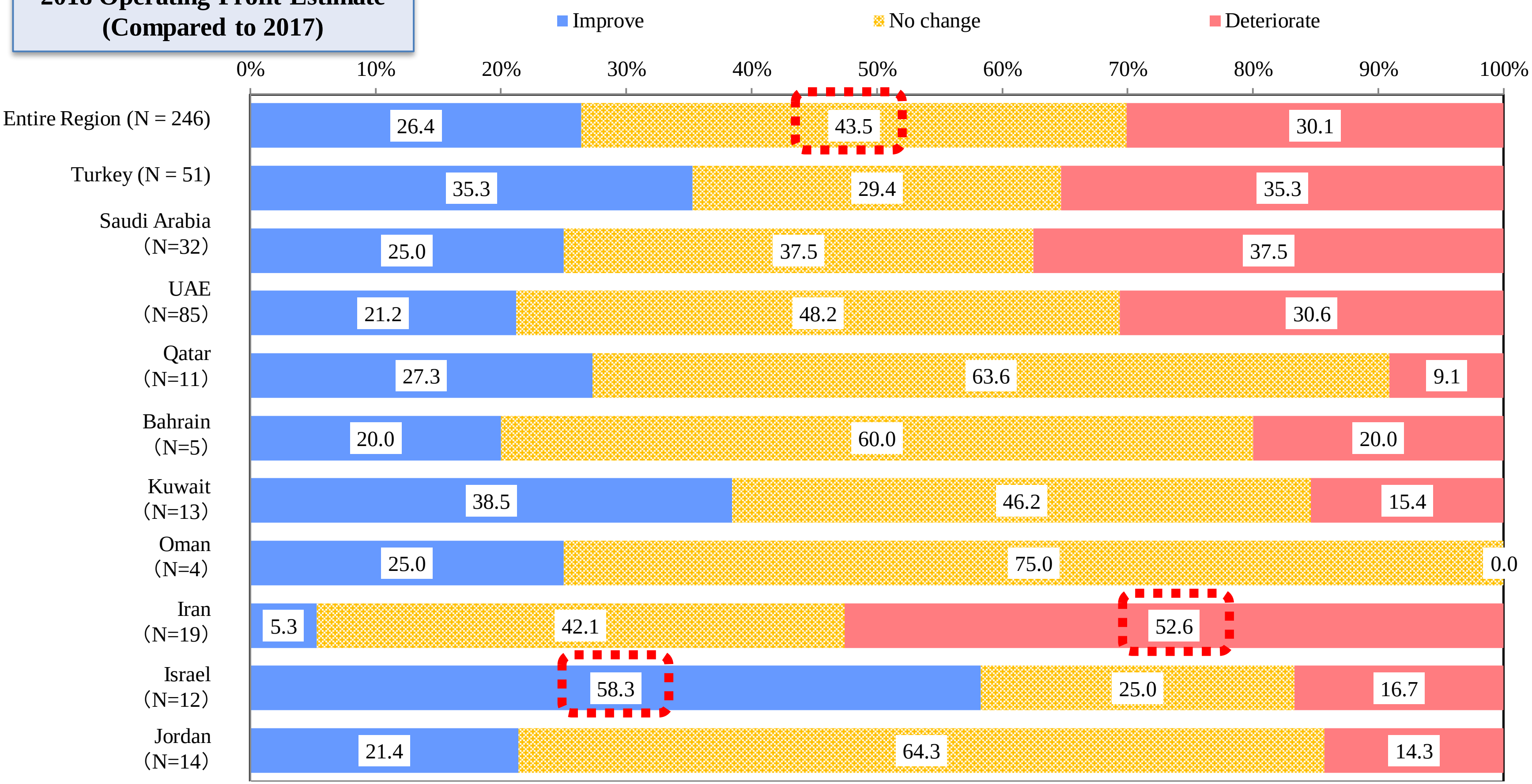
Operating Profit Estimate for 2018



Operating Profit Estimate ②: Over 40% says "flat" for 2018 (Compared to 2017)

- Majority of companies in Israel believes profit improvements because of its robust economy growth.
- On the other hand, taking US economic sanctions into account, a majority of companies in Iran expect a decline in profit.
- In oil-producing countries, only 20% - 30% of companies foresee profit improvements, reflecting the trend of low crude oil prices.

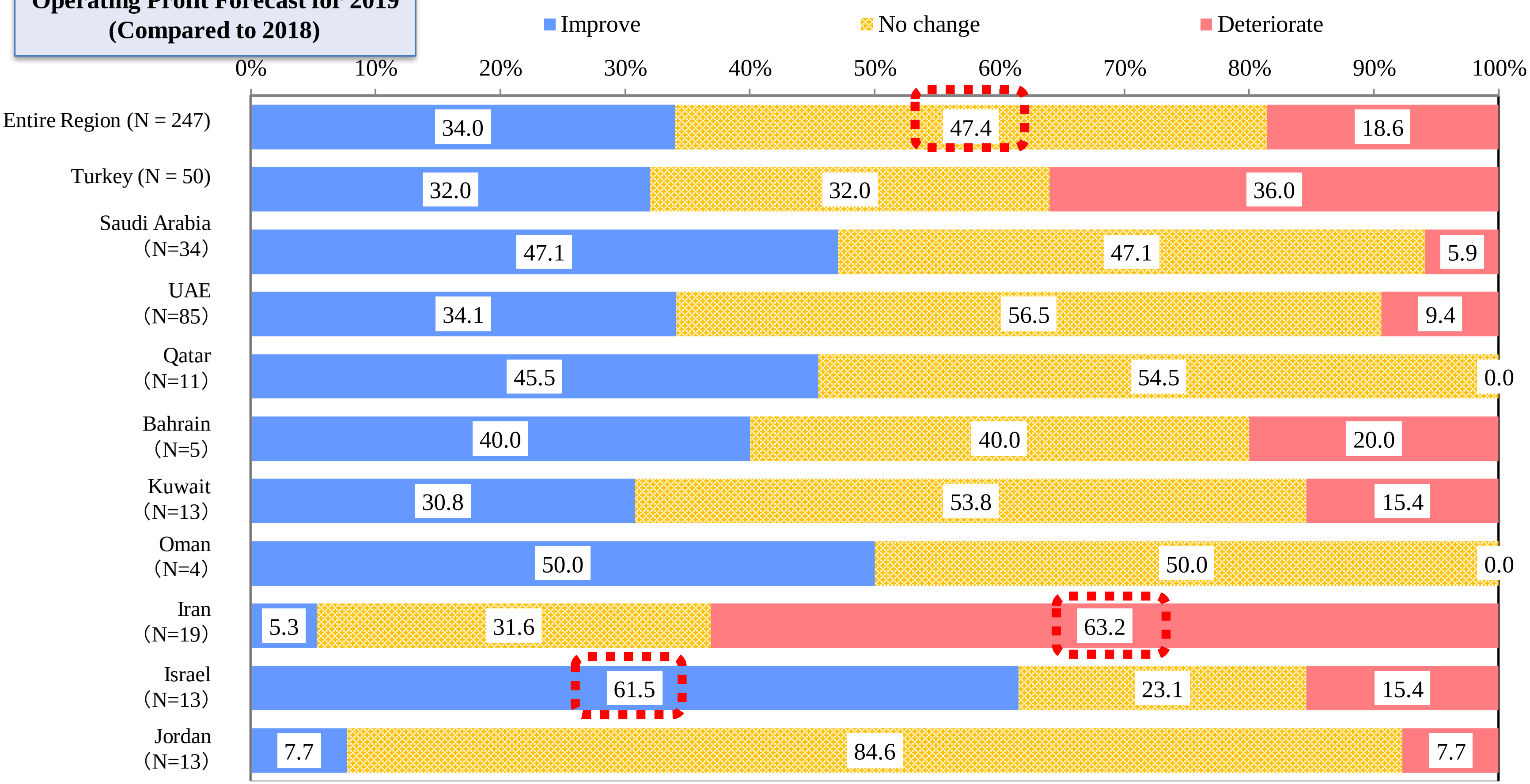
2018 Operating Profit Estimate (Compared to 2017)



Operating Profit Estimate③: About 50% responded that the outlook for 2019 (Compared to 2018) is also "flat"

- US sanctions against Iran will most likely continue, so more than 60% of companies say business performance will worsen. Jordan's improvements will remain at 7.7%.
- Companies in oil-producing countries are often seen as flat or improving despite the declining trend of crude oil prices.

Operating Profit Forecast for 2019 (Compared to 2018)



Operating Profit Forecast ④: The reason for the improvement in 2018 was "sales increase" in local markets and exports

- Majority of companies in many countries responded "sales increase in local markets," followed by "increase in sales due to expanded exports."
- In Saudi Arabia and UAE, more than 80% of companies pointed out "sales increase in local markets."

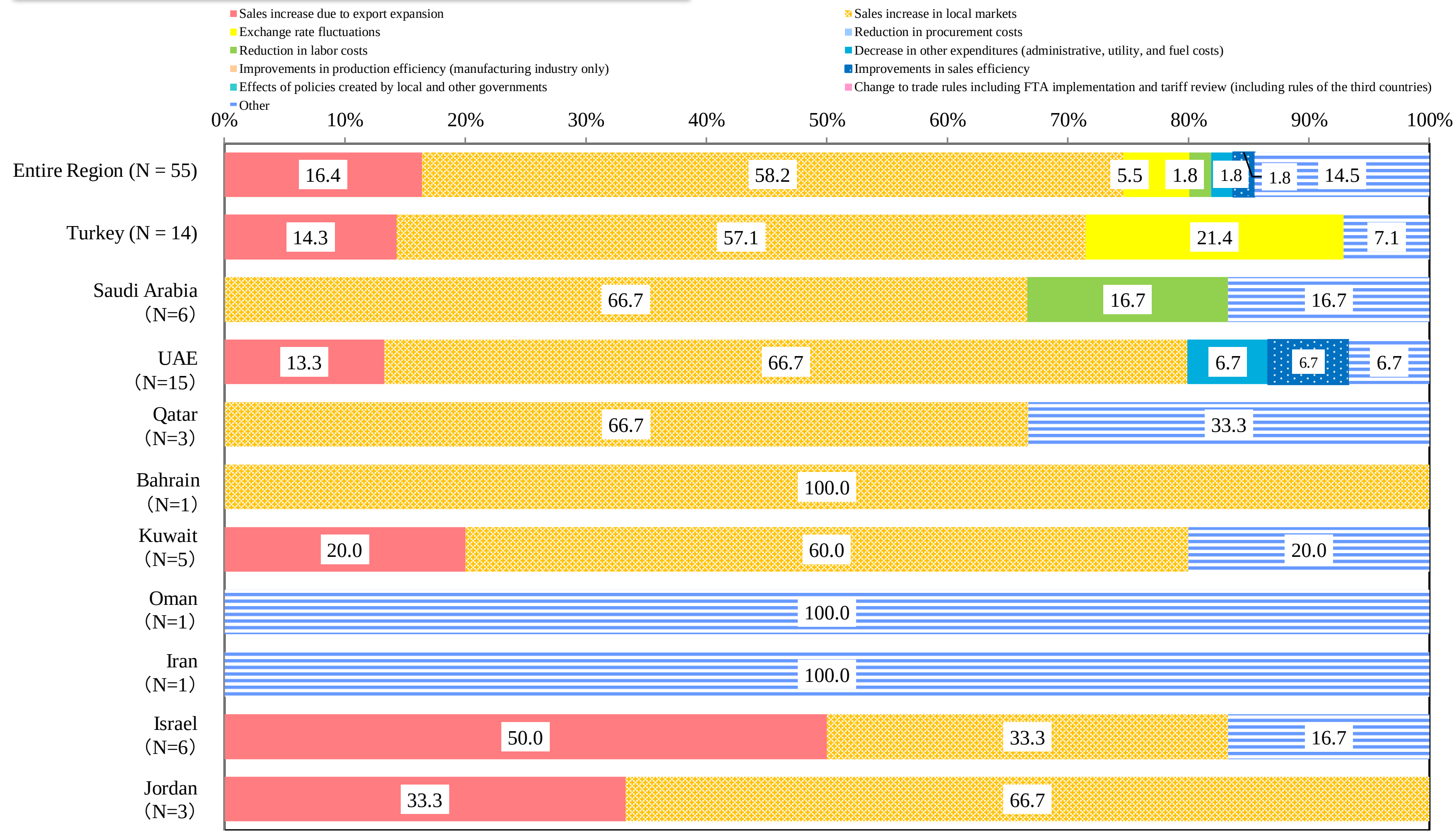
2018 Operating Profit Forecast (Reasons for Improvement)

	Number of responding companies	Sales increase due to export expansion	Sales increase in local markets	Exchange rate fluctuations	Reduction in procurement costs	Reduction in labor costs	Decrease in other expenditures (administrative, utility, and fuel costs)	Improvements in production efficiency (manufacturing industry only)	Improvements in sales efficiency	Effects of policies created by local and other governments	Change to trade rules including FTA implementation and tariff review (including rules of the third countries)	Other
Entire Region	63	44.4	**69.8**	11.1	11.1	17.5	17.5	14.3	14.3	1.6	0.0	17.5
Turkey	18	**50.0**	**61.1**	33.3	5.6	27.8	16.7	38.9	16.7	0.0	0.0	16.7
Saudi Arabia	8	25.0	**87.5**	0.0	12.5	37.5	37.5	12.5	12.5	12.5	0.0	25.0
UAE	16	**50.0**	**81.3**	0.0	12.5	12.5	18.8	0.0	18.8	0.0	0.0	6.3
Qatar	3	0.0	**66.7**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	33.3
Bahrain	1	**100.0**	**100.0**	0.0	**100.0**	0.0	0.0	0.0	**100.0**	0.0	0.0	0.0
Kuwait	5	40.0	**60.0**	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	20.0
Oman	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
Iran	1	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
Israel	7	**57.1**	**71.4**	14.3	28.6	0.0	28.6	14.3	14.3	0.0	0.0	14.3
Jordan	3	33.3	**66.7**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Operating Profit Estimate ⑤: Sales increase in local markets has an impact on improvement in operating profit forecasts

- The main reason for the expected improvement in operating profit is "sales increase in local market," then "expanded exports."

Reasons for improvement in 2018 operating profit forecasts



Operating Profit Estimate ⑥: Reasons for deterioration are also related to the "sales decrease in local markets"

- Many countries are affected by sales decrease in local markets.
- In Iran, 80% of companies responded the US government sanction against Iran (influenced by government policy) as the main reason for deterioration.

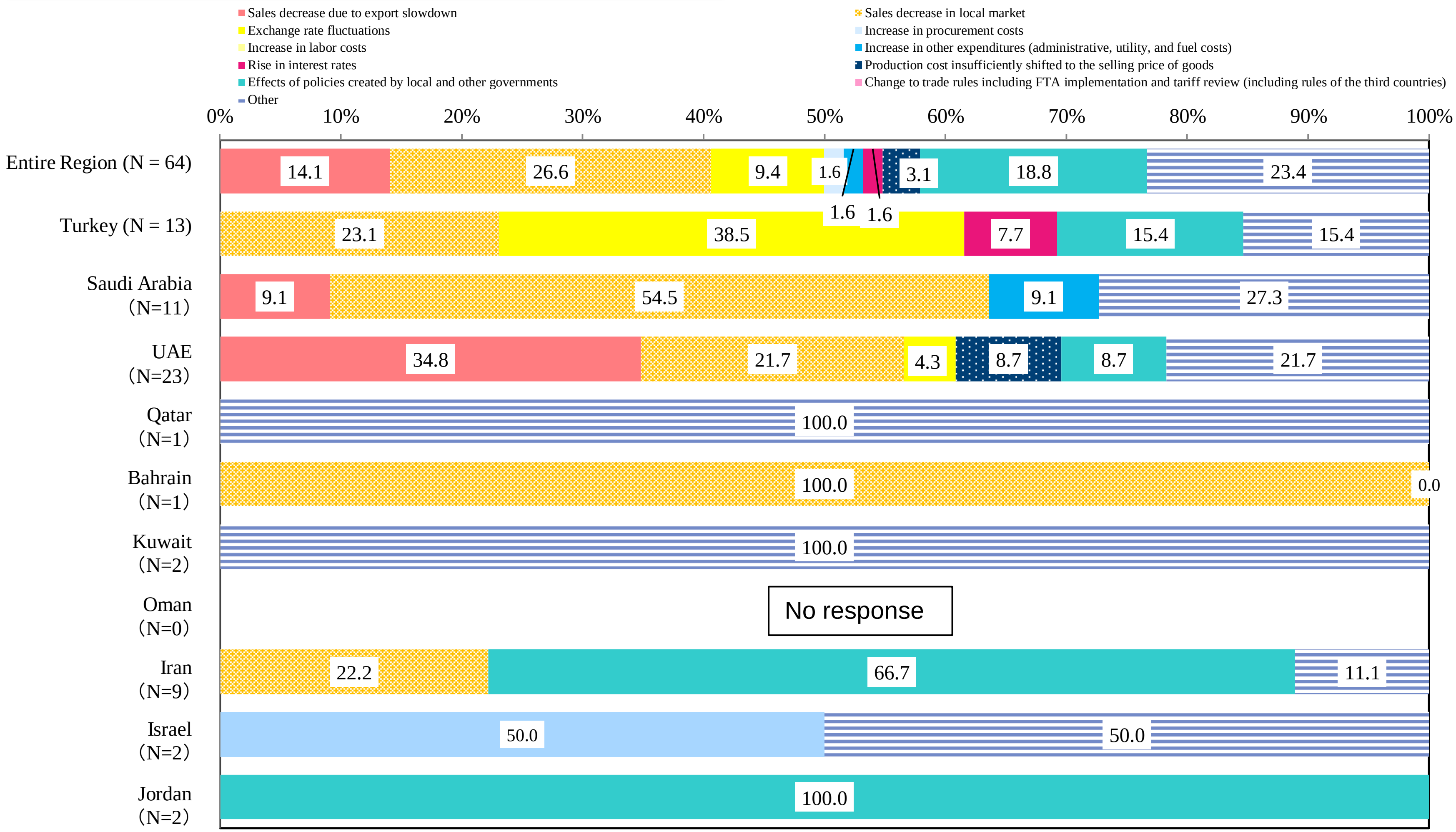
2018 Operating Profit Forecast (Reasons for Deterioration)

	Number of responding companies	Sales decrease due to export slowdown	Sales decrease in local market	Exchange rate fluctuations	Increase in procurement costs	Increase in labor costs	Increase in other expenditures (administrative, utility, and fuel costs)	Rise in interest rates	Production cost insufficiently shifted to the selling price of goods	Effects of policies created by local and other governments	Change to trade rules including FTA implementation and tariff review (including rules of the third countries)	Other
Entire Region	74	25.7	**55.4**	25.7	23.0	18.9	20.3	10.8	14.9	43.2	2.7	24.3
Turkey	18	5.6	**55.6**	**66.7**	38.9	16.7	22.2	33.3	27.8	**50.0**	5.6	16.7
Saudi Arabia	12	8.3	**58.3**	8.3	25.0	41.7	25.0	8.3	8.3	25.0	0.0	25.0
UAE	26	**61.5**	**65.4**	7.7	19.2	15.4	23.1	0.0	15.4	38.5	3.8	23.1
Qatar	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
Bahrain	1	0.0	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	10	10.0	40.0	40.0	10.0	0.0	0.0	0.0	10.0	**80.0**	0.0	20.0
Israel	2	0.0	0.0	0.0	**50.0**	**50.0**	**50.0**	0.0	0.0	0.0	0.0	**50.0**
Jordan	2	0.0	**100.0**	0.0	0.0	**50.0**	**50.0**	**50.0**	0.0	**100.0**	0.0	0.0

Operating Profit Forecast ⑦: The main cause of deterioration in 2018 is also "decreased sales in local markets"

- Little less than 70% of companies in Iran responded the influence of the policy (impact from the US government sanction against Iran) as the main cause of deterioration.
- In Turkey, mainly due to exchange rate fluctuations (depreciation of the currency) and subsequent price escalation, decrease in sales resulting from the loss of purchasing power serves as the main factor of deterioration.

Reasons for deterioration in 2018 operating profit estimate



Operating Profit Forecast ⑧: Improvement factors in 2019 are "increase in local sales" and "increase in exports"

- "Sales increase in local markets" and "expanded exports" are the main factors selected in many countries.
- In Qatar, UAE, and Saudi Arabia, many companies hope for "sales increase in local markets."

2019 Operating Profit Forecast (Reasons for Improvement)

	Number of responding companies	Sales increase due to export expansion	Sales increase in local markets	Exchange rate fluctuations	Reduction in procurement costs	Reduction in labor costs	Decrease in other expenditures (administrative, utility, and fuel costs)	Improvements in production efficiency	Improvements in sales efficiency	Effects of policies created by local and other governments	Change to trade rules including FTA implementation and tariff review (including rules of the third countries)	Other
Entire Region	82	50.0	68.3	7.3	4.9	11.0	11.0	9.8	18.3	7.3	0.0	13.4
Turkey	16	75.0	56.3	25.0	12.5	25.0	18.8	31.3	31.3	6.3	0.0	12.5
Saudi Arabia	16	18.8	75.0	0.0	6.3	12.5	18.8	6.3	25.0	18.8	0.0	18.8
UAE	27	55.6	77.8	3.7	0.0	11.1	11.1	0.0	14.8	3.7	0.0	3.7
Qatar	5	0.0	80.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0	0.0	40.0
Bahrain	2	50.0	50.0	0.0	50.0	0.0	0.0	50.0	50.0	0.0	0.0	0.0
Kuwait	4	75.0	50.0	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman	2	50.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0
Iran	1	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Israel	8	50.0	62.5	0.0	0.0	0.0	0.0	12.5	12.5	0.0	0.0	12.5
Jordan	1	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Operating Profit Forecast ⑨: The deteriorating factor in 2019 is "sales decline in local markets"

- In Turkey, mainly due to exchange rate fluctuations (depreciation of the currency) and subsequent price escalation, decrease in sales resulting from the loss of purchasing power serves as the main factor of deterioration.
- In Iran, 75% of companies stated the impact of US sanctions against Iran, while 50% of companies pointed out exchange rate fluctuations (currency depreciation).

2019 Operating Profit Forecast (Reasons for Deterioration)

	Number of responding companies	Sales decrease due to export slowdown	Sales decrease in local market	Exchange rate fluctuations	Increase in procurement costs	Increase in labor costs	Increase in other expenditures (administrative, utility, and fuel costs)	Rise in interest rates	Production cost insufficiently shifted to the selling price of goods	Effects of policies created by local and other governments	Change to trade rules including FTA implementation and tariff review (including rules of the third countries)	Other
Entire Region	46	21.7	**54.3**	41.3	26.1	26.1	19.6	13.0	19.6	32.6	0.0	10.9
Turkey	18	22.2	**66.7**	**72.2**	33.3	33.3	27.8	27.8	22.2	11.1	0.0	0.0
Saudi Arabia	2	0.0	0.0	0.0	0.0	**50.0**	**50.0**	0.0	0.0	0.0	0.0	**50.0**
UAE	8	**50.0**	**75.0**	0.0	37.5	12.5	12.5	0.0	37.5	37.5	0.0	12.5
Qatar	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bahrain	1	0.0	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	2	0.0	**50.0**	0.0	0.0	0.0	0.0	0.0	**50.0**	0.0	0.0	0.0
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	12	16.7	41.7	**50.0**	16.7	16.7	0.0	0.0	8.3	**75.0**	0.0	16.7
Israel	2	0.0	0.0	0.0	**50.0**	**50.0**	**50.0**	0.0	0.0	0.0	0.0	**50.0**
Jordan	1	0.0	0.0	0.0	0.0	**100.0**	**100.0**	**100.0**	0.0	**100.0**	0.0	0.0

Future Business Operations①: More than 40% says "maintain current status" and "expansion"

- “Expansion” remains around 40% while “maintain current status” got the majority vote of 45.9%.
- Because the future of US sanction against Iran is uncertain, 60% of companies are expected to "shrink business."
- Israel has a robust economy, so about three quarters of companies responded that they are "expanding.”

Direction of business operations in the next one to two years

Future Business Operations ②: Primary reason for expansion was "sales increases" and "high growth potential"

- Nearly 80% of companies in Israel who answered "expansion," said the factor was "sales increase in local markets" and "growth potential"
- In other countries, many companies mentioned "high growth potential" in addition to "sales increase in local markets" and "export increase."

Reasons for expansion

	Number of responding companies	Sales increase due to export expansion	Sales increase in local markets	High growth potential	High receptivity for high-value added products	Reduction in costs (procurement and labor costs)	Deregulation	Ease of securing labor force	Reviewing production and distribution networks	Relationship with clients	Effects of policies created by local and other governments	Change to trade rules including FTA implementation and tariff review (including rules of the third countries)	Other
Entire Region	108	50.0	70.4	51.9	23.1	2.8	0.9	2.8	18.5	20.4	5.6	2.8	7.4
Turkey	22	68.2	72.7	50.0	18.2	0.0	0.0	13.6	27.3	9.1	0.0	13.6	9.1
Saudi Arabia	15	20.0	80.0	60.0	33.3	6.7	0.0	0.0	26.7	13.3	26.7	0.0	6.7
UAE	42	59.5	73.8	54.8	23.8	2.4	0.0	0.0	16.7	23.8	2.4	0.0	7.1
Qatar	4	25.0	75.0	50.0	25.0	0.0	25.0	0.0	0.0	25.0	25.0	0.0	0.0
Bahrain	1	100.0	100.0	100.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Kuwait	5	40.0	60.0	20.0	0.0	0.0	0.0	0.0	20.0	40.0	0.0	0.0	0.0
Oman	2	50.0	50.0	50.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	50.0
Iran	1	100.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Israel	10	40.0	50.0	50.0	40.0	0.0	0.0	0.0	10.0	40.0	0.0	0.0	0.0
Jordan	6	16.7	66.7	33.3	0.0	16.7	0.0	0.0	0.0	0.0	0.0	0.0	16.7

Future Business Operations ③: "Sales function" got the majority vote for the function to expand.

- Majority of companies in all countries selected "sales function" as the function to expand.
- Both Bahrain and Jordan plan to expand "function of regional headquarters."

Functions to be expanded

	Number of responding companies	Sales function	Production (ubiquitous products)	Production (high value-added products)	R & D	Function of regional headquarters	Logistics function	Administrative functions in providing services (shared service center, call center, etc.)	Other
Entire Region	107	**72.9**	13.1	18.7	11.2	15.0	15.0	7.5	16.8
Turkey	22	**59.1**	31.8	27.3	22.7	4.5	27.3	4.5	13.6
Saudi Arabia	15	**66.7**	20.0	40.0	6.7	6.7	20.0	6.7	33.3
UAE	41	**82.9**	2.4	12.2	0.0	22.0	12.2	9.8	9.8
Qatar	4	**100.0**	0.0	0.0	25.0	0.0	25.0	0.0	**50.0**
Bahrain	1	**100.0**	**100.0**	0.0	0.0	**100.0**	0.0	0.0	0.0
Kuwait	5	**80.0**	0.0	20.0	0.0	20.0	0.0	20.0	0.0
Oman	2	**50.0**	0.0	0.0	0.0	0.0	0.0	0.0	**50.0**
Iran	1	**100.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Israel	10	**70.0**	10.0	20.0	**50.0**	0.0	10.0	10.0	10.0
Jordan	6	**50.0**	16.7	0.0	0.0	**50.0**	0.0	0.0	33.3

Future Business Operations ④: "Impact from policies by local/other governments" is also a factor of shrinking and withdrawing business

- In Iran, the impact from policies by other government (US economic sanctions against Iran) seems to be the primary cause.

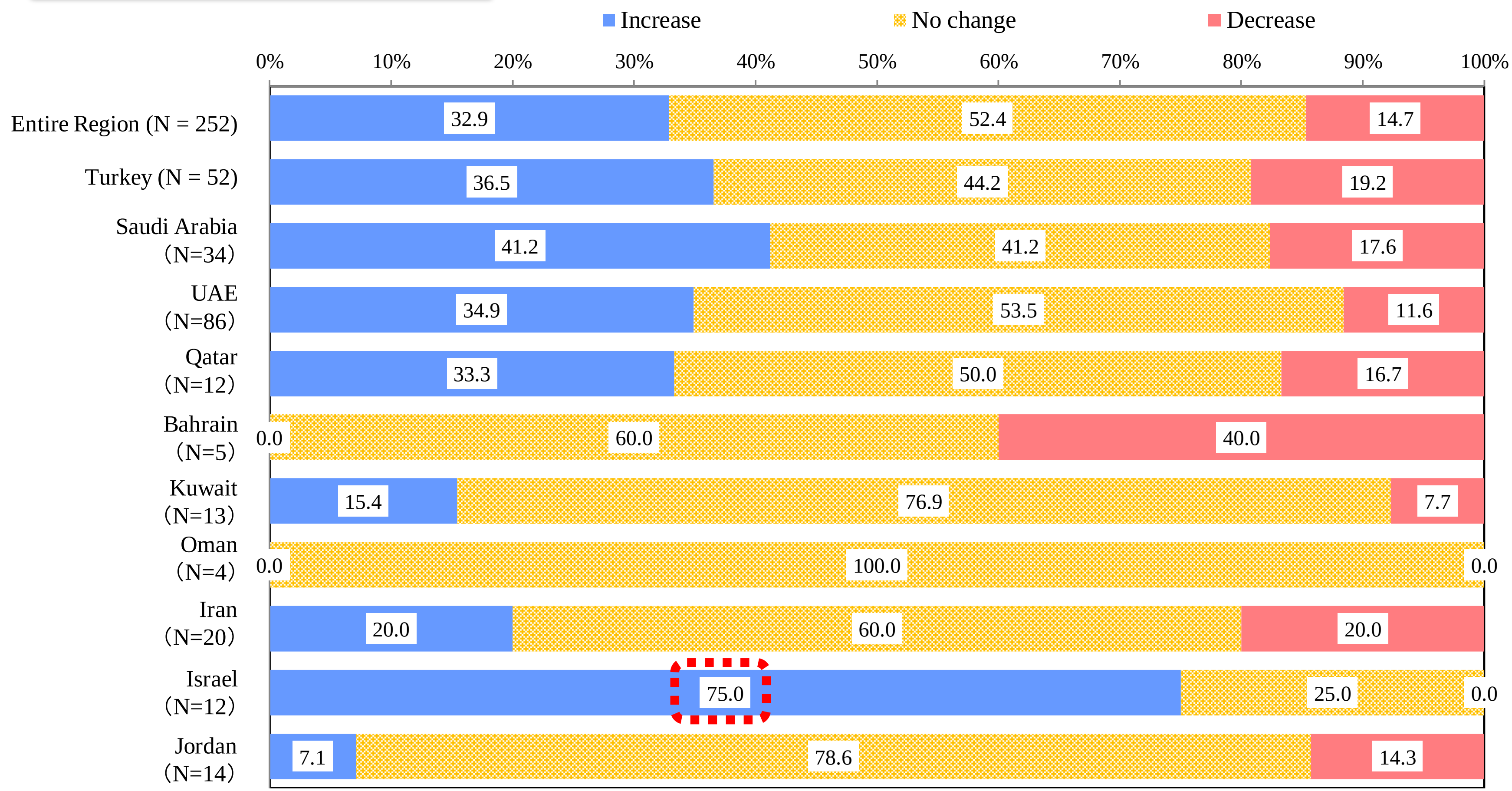
Reasons for "reduction," "relocation or withdrawal to third countries"

	Number of responding companies	Sales decrease due to export slowdown	Sales decrease in local markets	Low growth potential	Low receptivity of high value-added products/services	Increase in costs (procurement and labor costs)	Tighter regulations	Difficulty in securing labor force	Reviewing production and distribution networks	Relationship with clients	Effects of policies created by local and other governments	Change to trade rules including FTA implementation and tariff review (including rules of the third countries)	Other
Entire Region	28	17.9	39.3	3.6	7.1	17.9	3.6	0.0	7.1	7.1	46.4	0.0	28.6
Turkey	6	33.3	**50.0**	0.0	16.7	16.7	0.0	0.0	33.3	33.3	33.3	0.0	0.0
Saudi Arabia	2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
UAE	3	33.3	**100.0**	33.3	33.3	33.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Qatar	2	0.0	**50.0**	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**50.0**
Bahrain	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
Kuwait	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**100.0**
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	13	15.4	30.8	0.0	0.0	23.1	7.7	0.0	0.0	0.0	**84.6**	0.0	23.1
Israel	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jordan	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Changes in Human Resource Structure ①: The number of local employees in more than 50% of companies will remain unchanged.

- Israel responded that 75% of companies increased the number of their local employees in the past year.

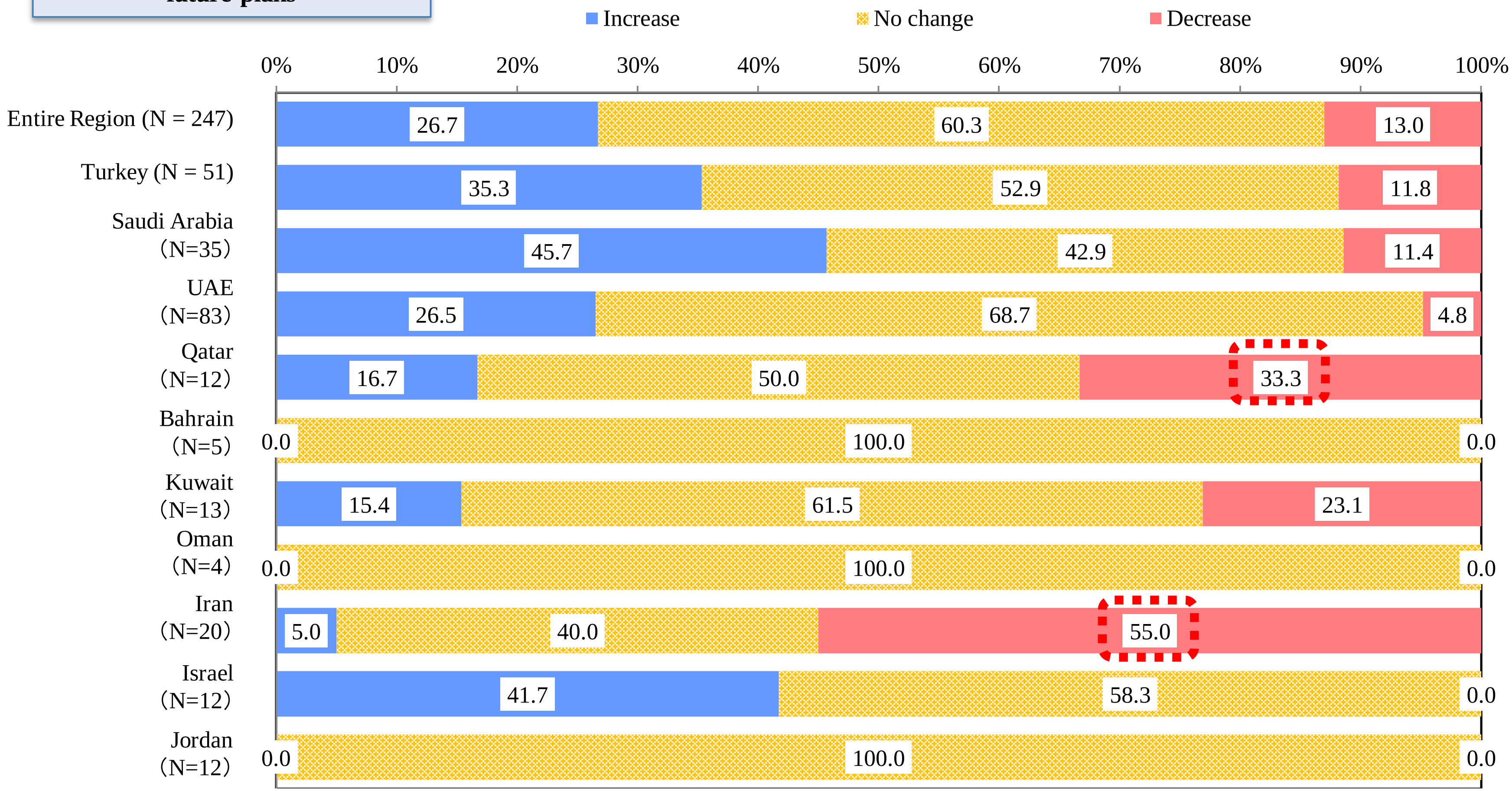
Number of local employees changes in the previous year



Changes in Human Resource Structure ②: 60% of companies responded that the number of their local employees will remain "unchanged"

- Israel commented that 40% of companies will continue to increase their number of employees.
- 30% - 50% of companies in Iran and Qatar, which are suffering from US sanctions and diplomatic relationship respectively, responded they will decrease the number of employees.

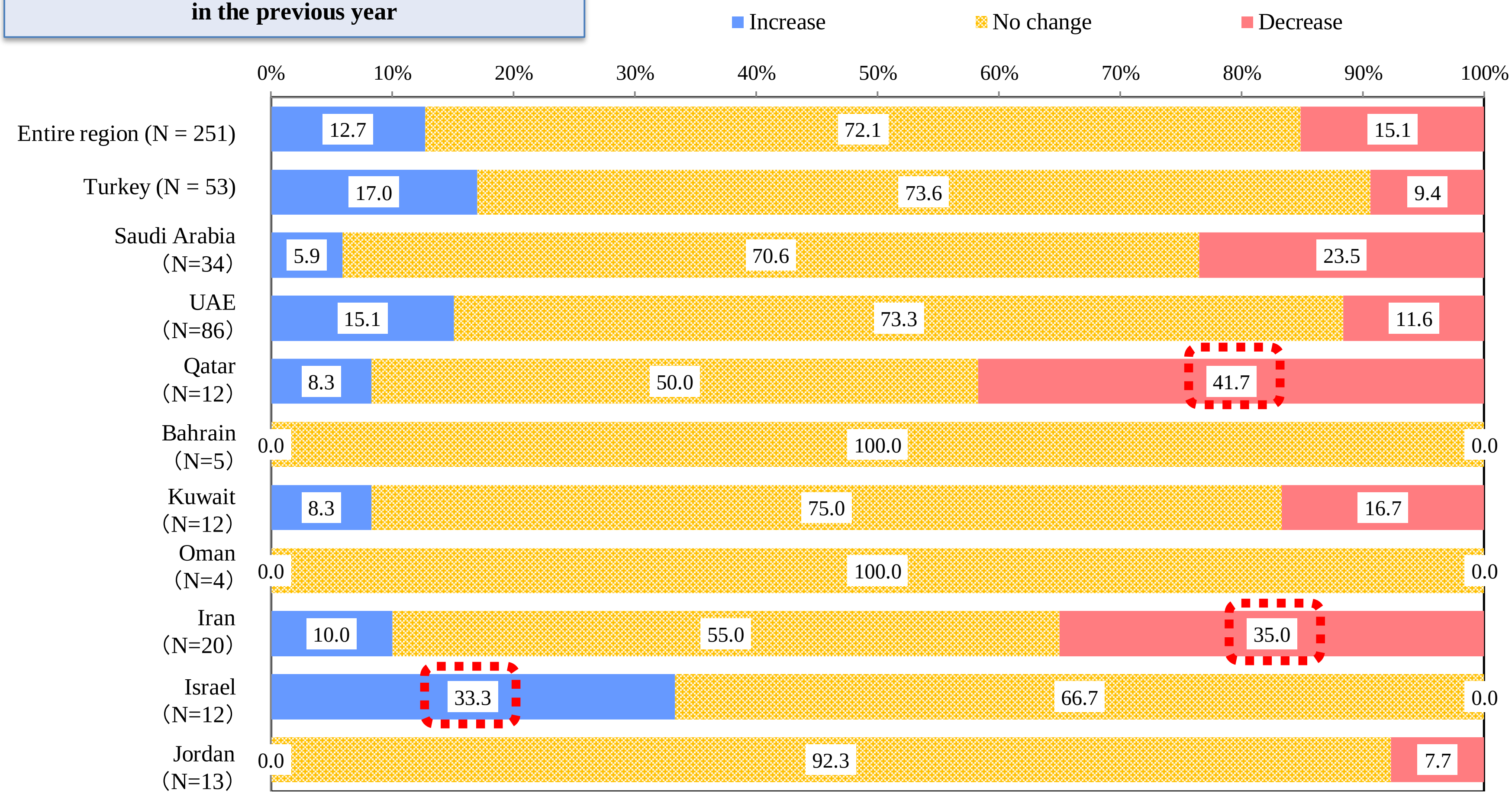
Number of local employees - future plans



Changes in Human Resource Structure ③: The number of Japanese expatriate employees for over 70% of companies remain "unchanged" in the past.

- Although majority of the companies didn't change the number of employees, there is a high percentage of companies including Qatar and Iran which reduced the number of expatriates.
- On the contrary, the percentage of companies in Israel that increased the number of employees was high.

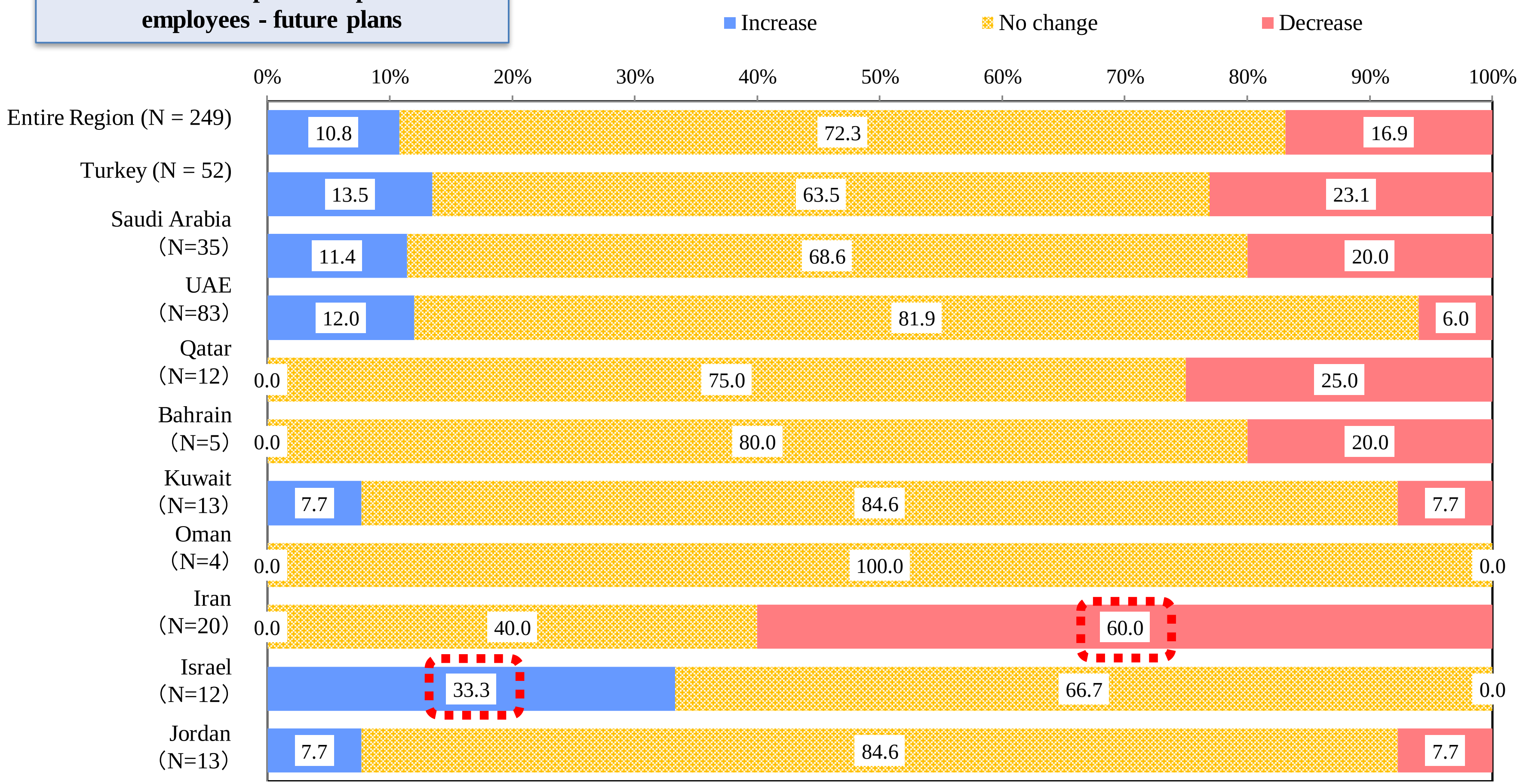
Number of Japanese expatriate employees changes in the previous year



Changes in Human Resource Structure ④: 70% of companies foresee that the number of Japanese expatriate employees remains unchanged

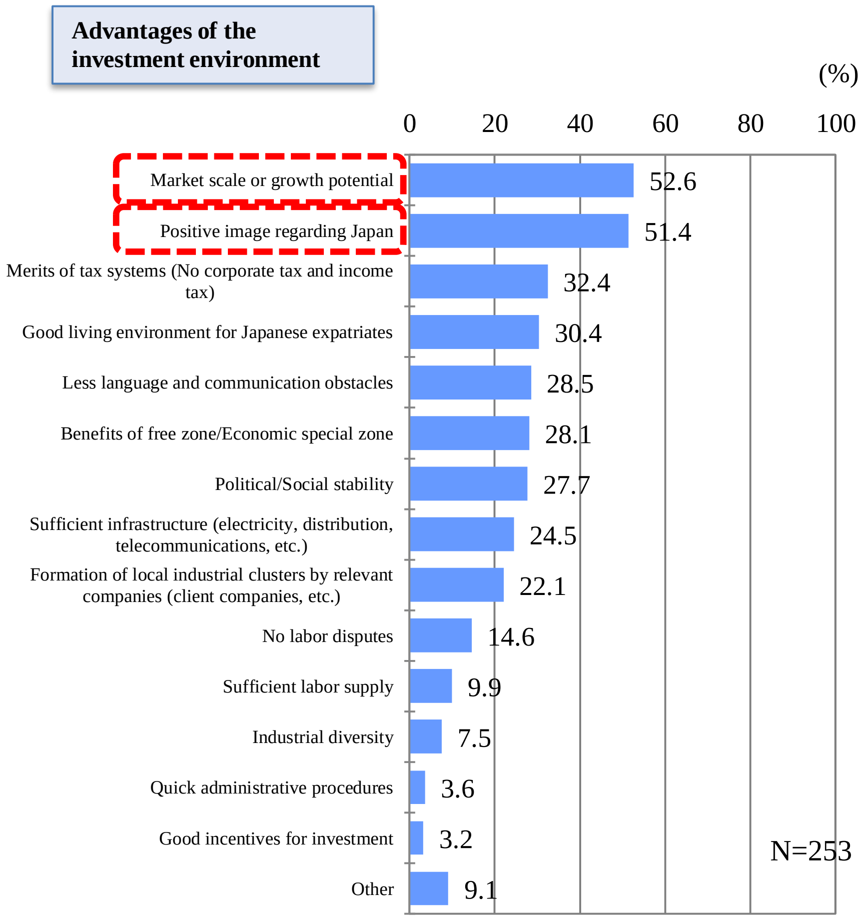
- In particular, the percentage of companies that reduce the number expatriates is high in Iran.
- 30% of companies in Israel is planning to increase the number of Japanese expatriates employees.

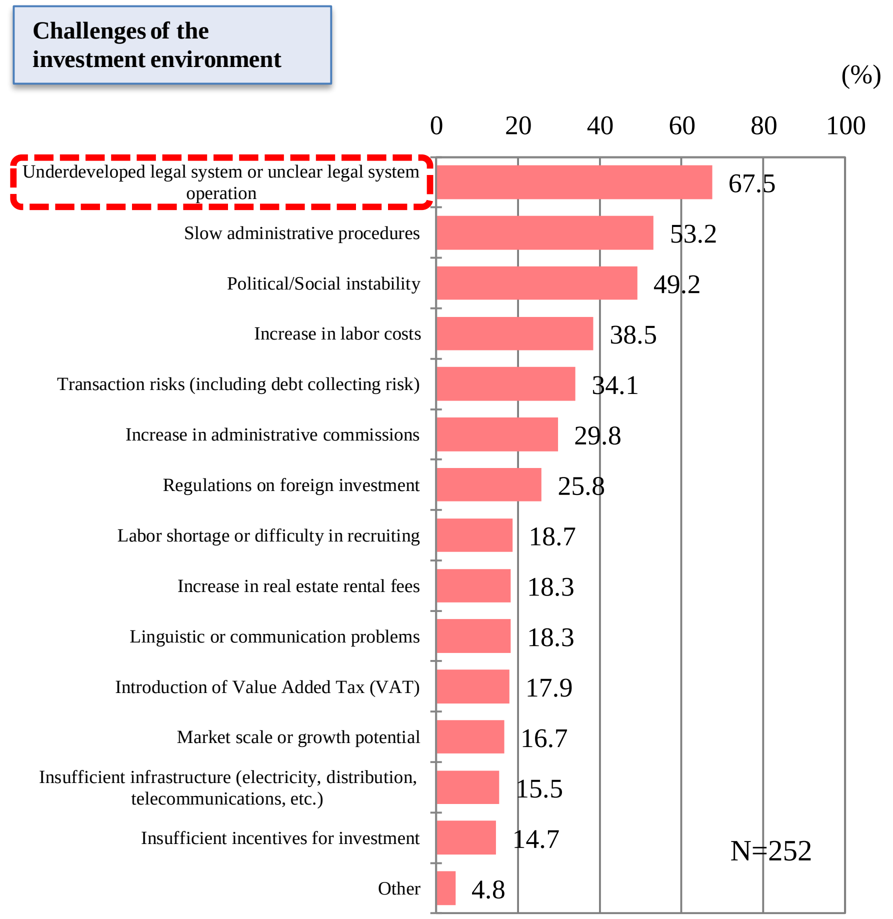
Number of Japanese expatriate employees - future plans



Investment environment (entire region): Advantage is “market scale and growth potential, challenge is “legal system”

- Many companies responded “market scale and growth potential” as advantage.
- On the other hand, "positive image regarding Japan" also appeals in many countries such as Iran, Israel, and Turkey.
- As for the challenges, nearly 70% of companies pointed out "underdeveloped legal system or unclear legal system operation,” and more than 50% said “slow administrative procedures.”

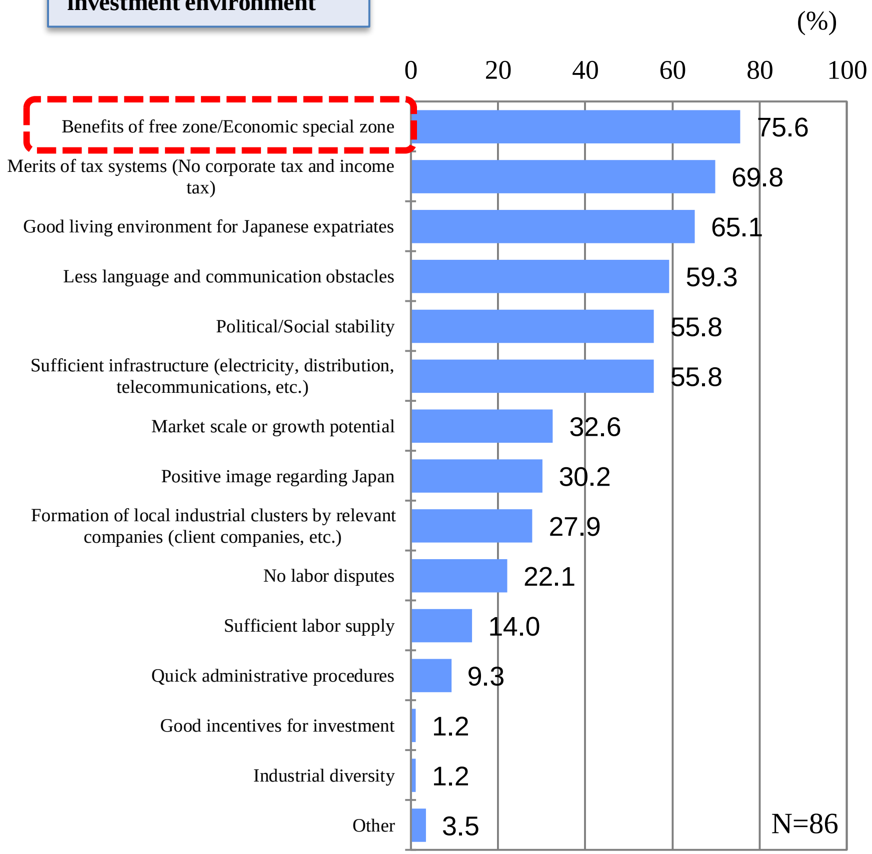




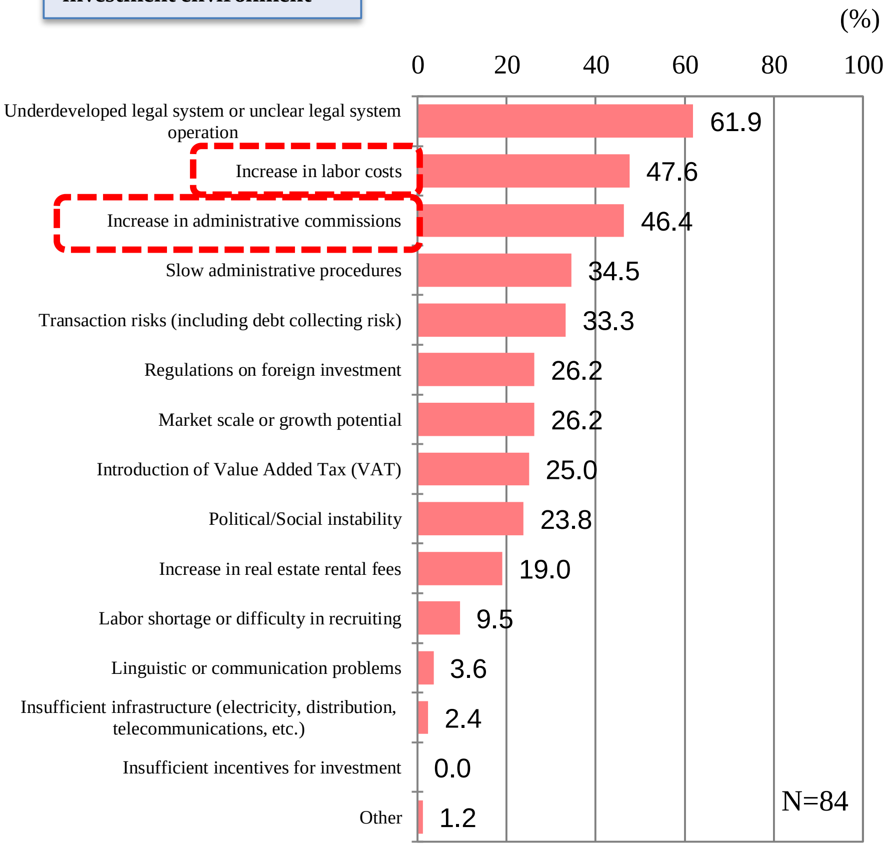
Investment environment (United Arab Emirates): Advantage is "free zone/special economic zones," and challenge is "legal system"

- 75% of companies praised "merits of free zone and special economic zones," followed by "tax system."
- As for the challenges, "underdeveloped legal system" is the major issue, but nearly 50% also mentioned "increase in labor costs and administrative commissions."

Advantages of the investment environment



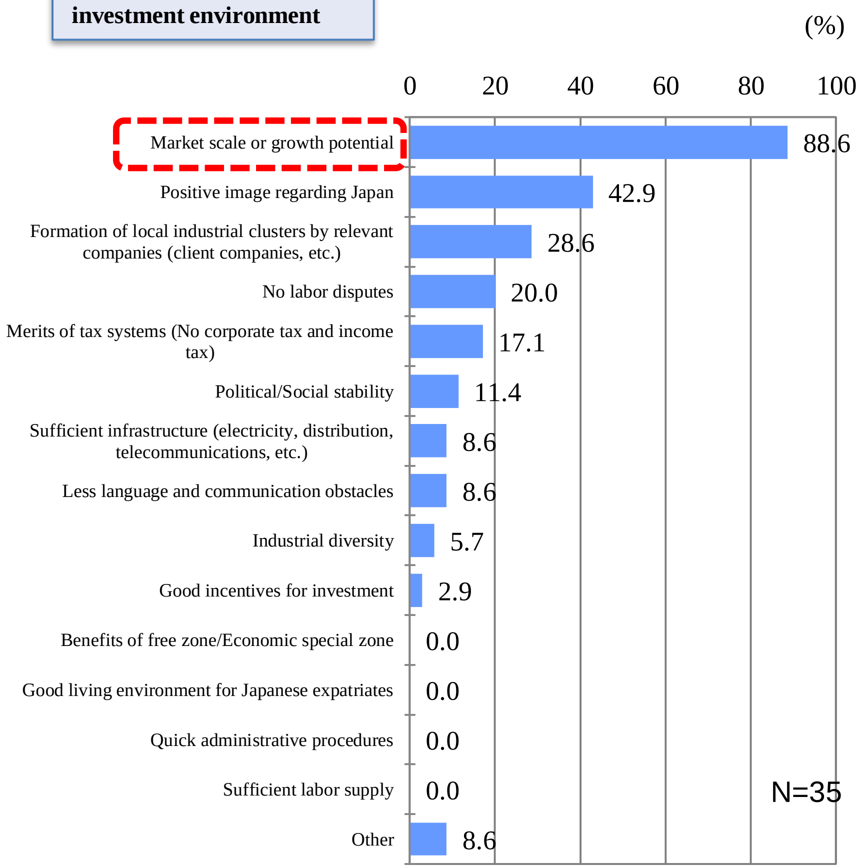
Challenges of the investment environment



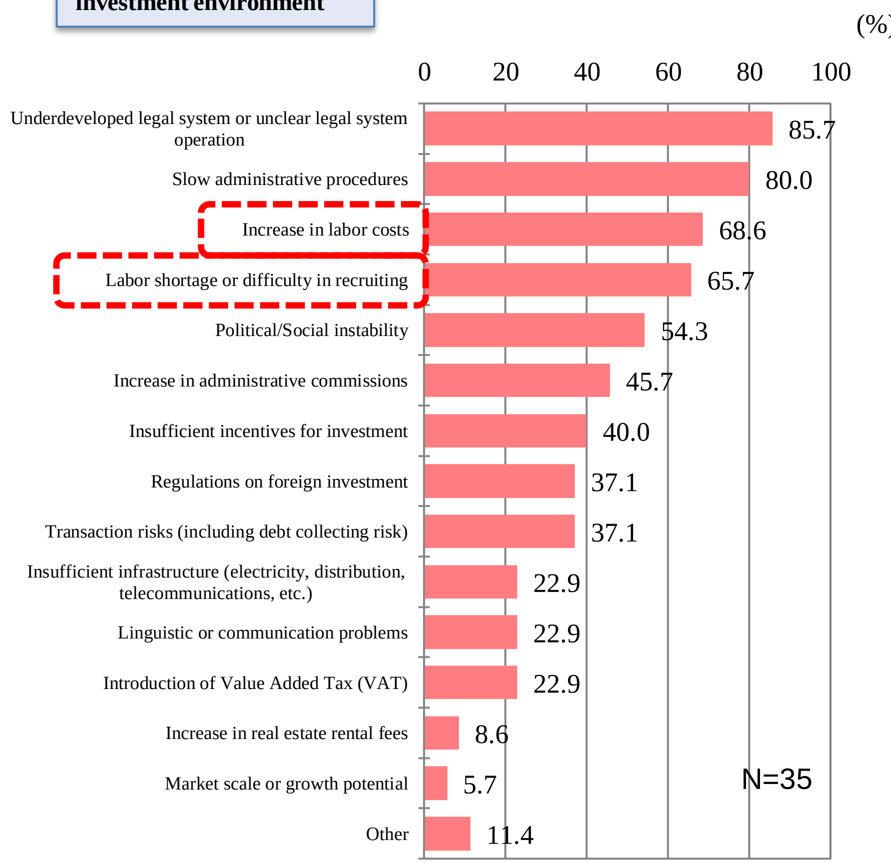
Investment environment (Saudi Arabia): Advantage is "market scale and growth potential," many challenges including "legal system" and "procedures."

- Nearly 90% of companies praised "market scale and growth potential."
- More than 80% of companies point out "underdeveloped legal system or unclear legal system operation" and "slow administrative procedures" as issues.
- Nearly 70% of companies are facing employment problems such as "labor cost" and "labor shortage" due to Saudization (a policy that encourages employment of Saudi nationals).

Advantages of the investment environment



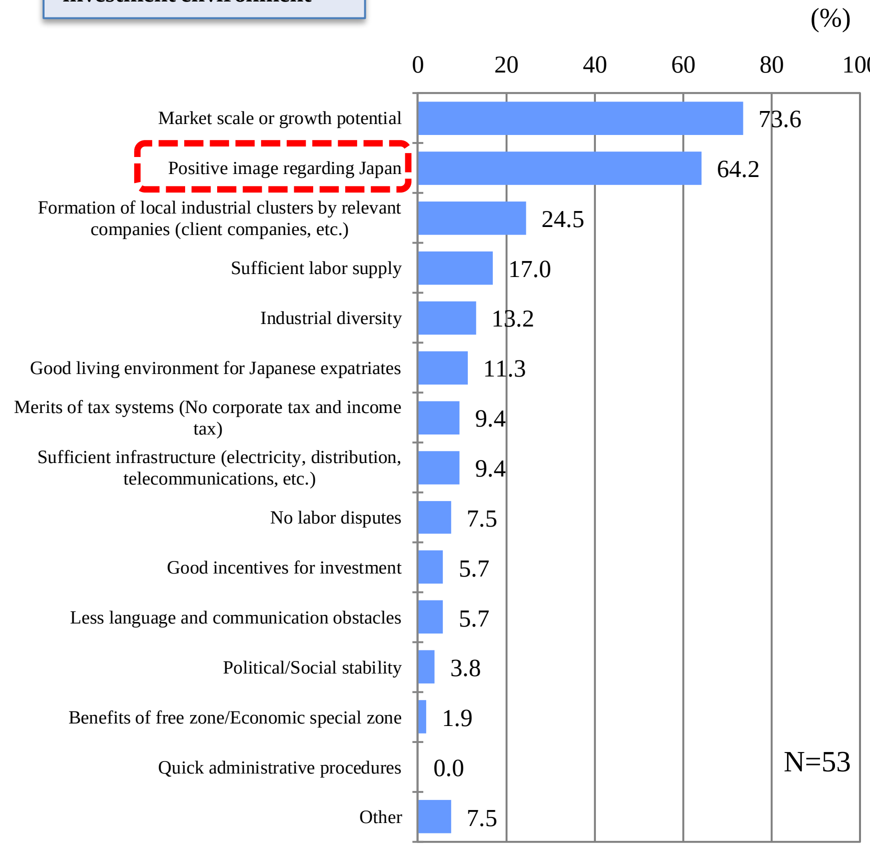
Challenges of the investment environment



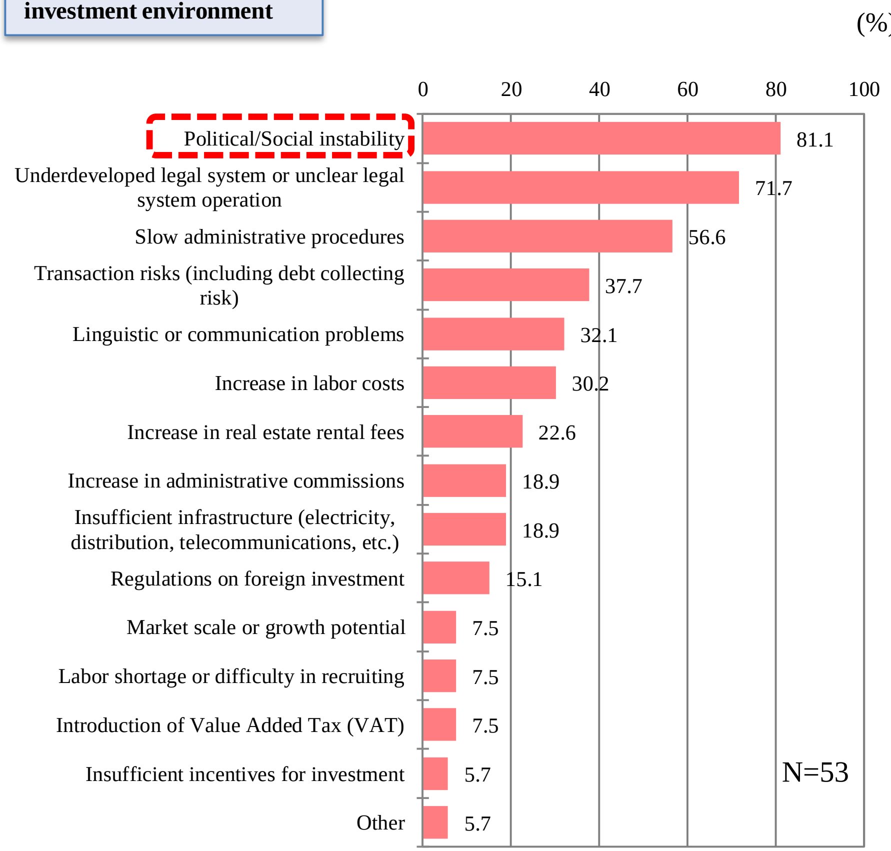
Investment environment (Turkey):Advantage is "market size and growth potential," challenge is "unstable political and social situation"

- More than 70% of companies say "market size and growth potential" makes the country an attractive investment environment, and over 60% say "positive image regarding Japan."
- More than 80% of companies mention "political and social instability" as issues.

Advantages of the investment environment



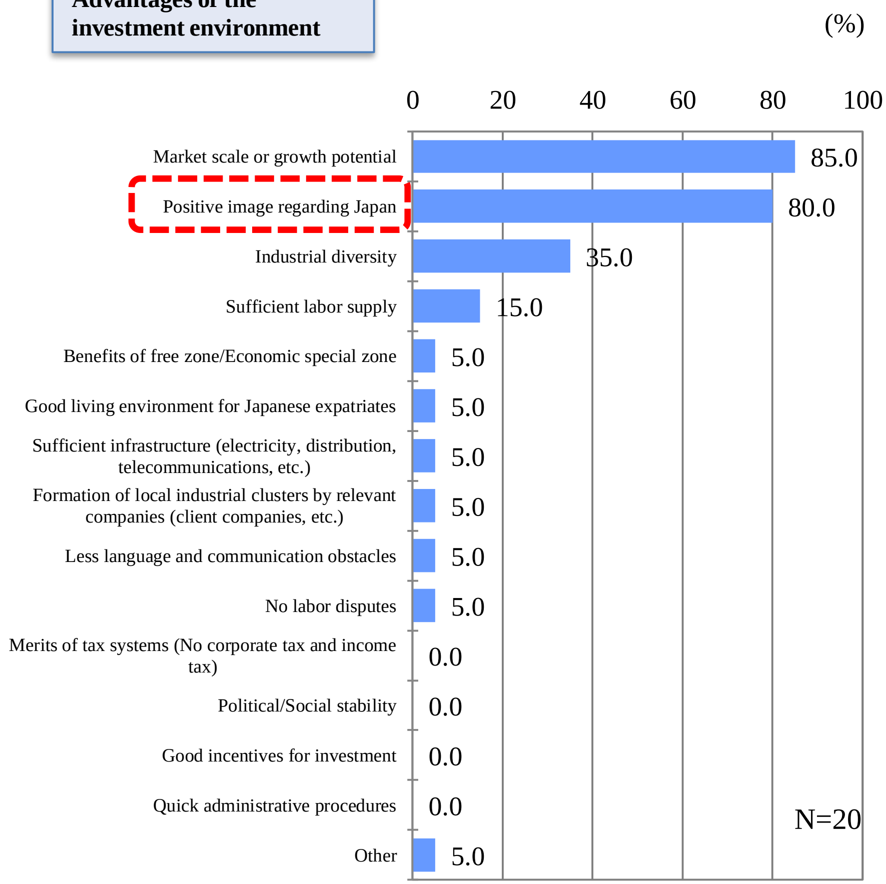
Challenges of the investment environment



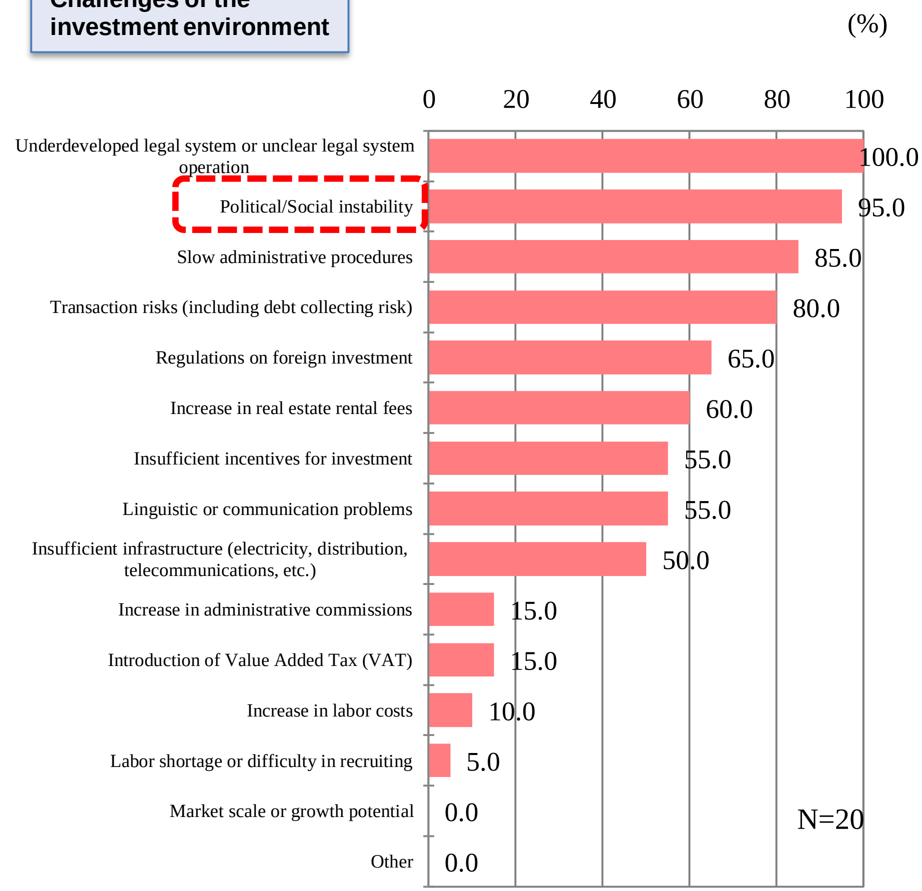
Investment environment (Iran): Attractive characteristics are "marketability" and "positive image regarding Japan," and challenges include "legal system" and "political/social situation"

- As for the advantages of the investment environment, more than 80% of companies mentioned "market size and growth potential" and "positive image regarding Japan."
- All companies pointed out "underdeveloped legal system or unclear legal system operation" and 95% said "political/social instability" as issues.

Advantages of the investment environment



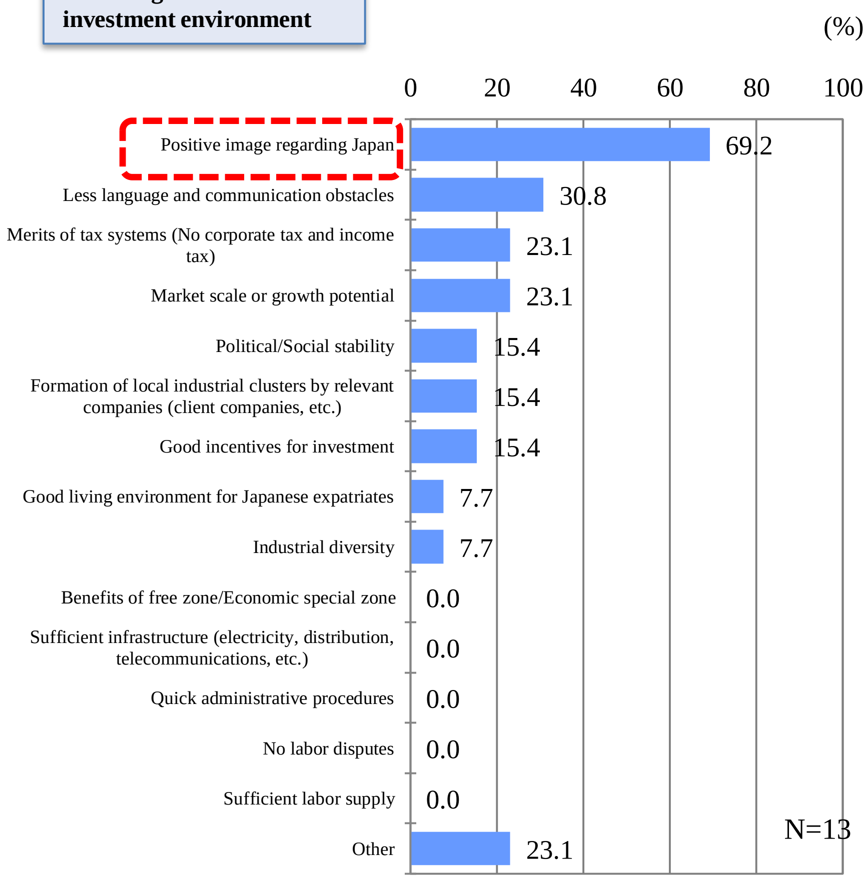
Challenges of the investment environment



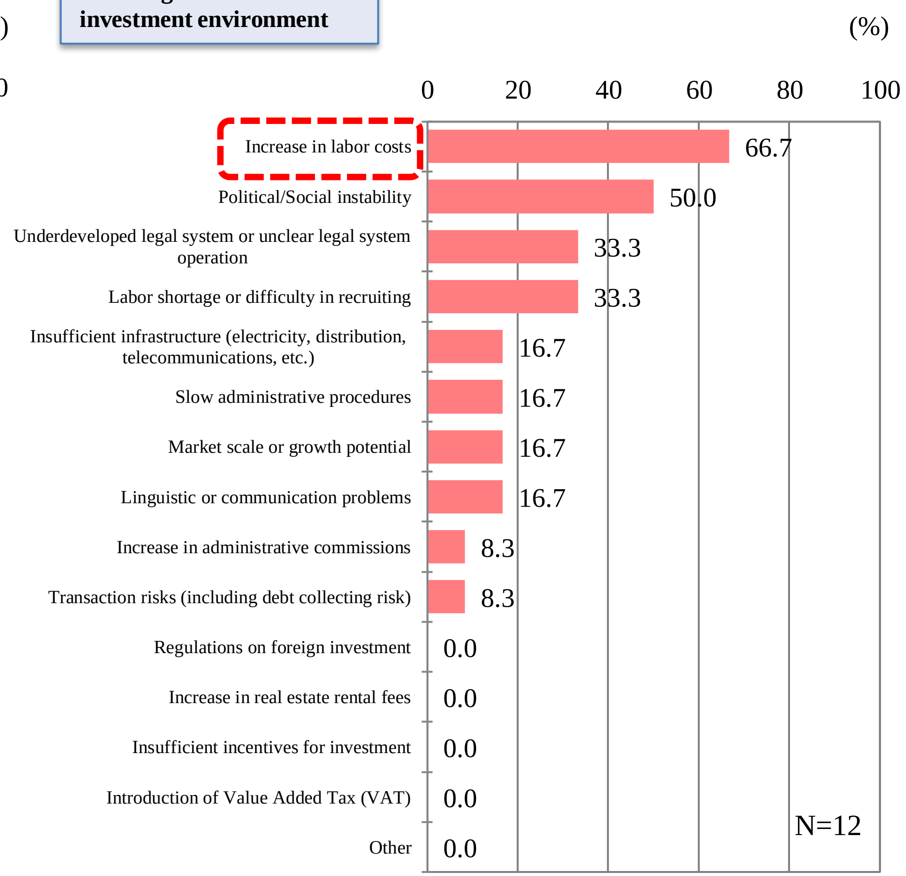
Investment environment (Israel): Advantage is "positive image regarding Japan," and challenge is "labor cost"

- Nearly 70% of the companies selected "positive image regarding Japan" as the most attractive factor of the investment environment.
- More than 60% pointed out "increase in labor costs" and 50% responded "unstable political and social situations" as issues.

Advantages of the investment environment



Challenges of the investment environment



Promising Business Fields in the Future: Overall "Infrastructure" and "Resources and Energy" are at the Top

- "Infrastructure" and "Resources/Energy" are at the top, but besides manufacturing industry, all fields are in close competition.
- These countries are attractive in other areas such as "new industries (start-up, IoT, etc.)," consumer market, and service industry.
- There are many companies in Israel and Bahrain who find "new industries" particularly promising.

Business fields looking promising in the future market of residential country or the Middle East

	Number of responding companies	Consumer market	New industry	Service industry	Resources/Energy	infrastructure	Manufacturing industry	Other
Entire Region	242	50.0	50.4	50.0	56.2	62.8	7.0	3.3
Turkey	51	51.0	45.1	49.0	33.3	51.0	11.8	11.8
Saudi Arabia	33	45.5	51.5	66.7	75.8	72.7	9.1	0.0
UAE	80	55.0	51.3	46.3	53.8	60.0	6.3	1.3
Qatar	10	30.0	30.0	40.0	90.0	60.0	10.0	0.0
Bahrain	5	60.0	80.0	60.0	80.0	60.0	0.0	0.0
Kuwait	12	58.3	50.0	58.3	50.0	75.0	0.0	0.0
Oman	4	50.0	25.0	75.0	100.0	75.0	0.0	0.0
Iran	20	65.0	35.0	50.0	85.0	80.0	5.0	0.0
Israel	13	7.7	100.0	38.5	23.1	46.2	0.0	0.0
Jordan	14	50.0	50.0	35.7	57.1	78.6	7.1	7.1

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