Outline of Survey of Trends in Business Activities of Foreign Affiliates

Outline of the Survey

1. Purpose of the survey

The purpose of the Survey of Trends in Business Activities of Foreign Affiliates is to understand the business trends of foreign affiliates in Japan to help push forward the country’s industrial and trade policies.

2. Survey target

The survey covers companies that will satisfy the following conditions by the end of March 2011, or have satisfied the following conditions during 2010.

(1) A company in which more than one third of shares or holdings is owned by foreign investors.

(2) A company funded by a domestic company (in Japan) in which more than one third of shares or holdings is owned by foreign investors, in which the total ratio of the foreign investors' direct and indirect investment is more than one third of the shares or holdings of the company concerned.

(3) Companies that fall under 1) or 2) above, in which the principal foreign investor's direct investment ratio is more than 10%.

(Note 1) Beginning with this year's survey, it will cover not only indirect investments through holding companies, but it will also cover indirect investment from all Japanese domestic companies including business corporations.

(Note 2) In this survey, the term "foreign investor" refers to non-resident individuals, companies and other groups established conforming to foreign laws; or companies and other groups with its headquarter located overseas.

(Note 3) Direct investment ratio means the ratio of a foreign investor’s shares or holdings to the total capital. Indirect investment ratio means the ratio of investment in a holding company by foreign investors multiplied by the ratio of the holding company’s investment in the company in question.

3. Date

The survey was conducted on August 5, 2011, in connection with the business results for FY 2010 and the end of FY 2010.

4. Number of respondents

Respondents: 3,501 (3,312 in the previous survey)

Response rate: 62.8% (62.4% in the previous survey)

Instructions for Use

1. Definition of regions

Unless otherwise specified, for the purpose of this survey, region of origin refers to the country or region where the foreign investor is located.

2. Classification of industries

The industrial classifications used in the survey are based on the Japan Standard Industrial Classification.

3. Note on survey results

(1) Only valid answers are included. Therefore, the number of respondents varies per item.

(2) When comparing the results of the current survey with previous surveys, it is necessary to note the differences in the response rate and the number of foreign affiliates covered, as some enterprises that fell outside the scope of previous surveys were included in the current survey, and vice versa.

(3) Notes for the marks in tables and figures

The mark “x” signifies that the data have been suppressed because only either 1 or 2 enterprises fall under the category. This method is used even where figures are 3 or more, if disclosure of such figures would help identify the suppressed figures by calculation.

The mark “–” indicates that there is no relevant figure.

“0” shows that the figure is less than one unit.

The mark “⋯” indicates that the denominator is negative or the numerator is 0.

(4) The sum of individual items may disagree with the given total, due to the numbers being rounded off to the nearest unit.

(5) Year-on-year comparisons and ratios mentioned in the text have been calculated in millions of yen, the counting unit of this survey.

4. Ratio calculation formula

Ordinary profit to sales ratio= Ordinary profit/Sales × 100

Ratio of equity to total assets = Shareholder equity/Total assets × 100

5. Miscellaneous

When reprinting the statistical figures given in this survey, the source must be cited as “Survey of Trends in Business Activities of Foreign Affiliates” (Ministry of Economy, Trade and Industry).

Trade and Investment Facilitation Division

Trade and Economic Cooperation Bureau

Ministry of Economy, Trade and Industry

The 45th Survey of Trends in Business Activities of Foreign Affiliates (Summary)

Points of the trends among foreign affiliates in Japan in FY2010
○ **The percentage of Asian affiliates increased.**
○ **Both the number of new entries and the number of withdrawals, etc., decreased.**
○ **The number of regular employees decreased. The percentage of part-time workers also decreased.**
○ **Regarding the Asia and Oceania regions, most regional headquarters were in China.**
○ **Sales, ordinary profit, and capital investment increased.**
○ **About 50% of affiliates will expand their businesses.**

(Note) Starting from the 44th survey, the finance and insurance industry, and the real estate industry were added to the targets of the survey. In this summary, from the viewpoint of comparison from the previous fiscal years, data excluding, in principle, the finance and insurance industry, and the real estate industry are used, with data including those industries being provided as necessary.

○ **The percentage of Asian affiliates increased.**

- Asian affiliates accounted for 21.6% of the total, up 0.8% points from the previous fiscal year, showing an increase from the decrease for the first time in five years in the last fiscal year. In the meantime, U.S. affiliates accounted for 29.0%, down 1.2% points (id.), and European affiliates remained unchanged, at 43.2%.

○ **Both the number of new entries and the number of withdrawals, etc., decreased.**

- The number of companies that were newly foreign-capitalized decreased by 56.1% from the previous survey, from 82 to 36.
- The number of companies that dissolved, withdrew, or reduced their foreign capital ratio decreased by 3.7% from the previous survey, from 164 to 158.

○ **The number of regular employees decreased. The percentage of part-time workers also decreased.**

- The number of regular employees decreased 5.5% from the previous fiscal year, mainly in the retail trade industry, to 454,000.
- The percentage of part-time workers decreased 3.4% points from the previous fiscal year to 24.6%.

○ **Regional headquarters in the Asia and Oceania regions were the largest in number in China.**

- Regional headquarters in the Asia and Oceania regions were largest in number in China, at 350, followed by Singapore, at 343, Hong Kong, at 286, and Japan at 152.
  * The number of regional headquarters includes the finance and insurance industry, and the real estate industry. The total number includes multiple answers.

○ **Sales, ordinary profit, and capital investment increased.**

- Sales were 36.1 trillion yen, up 10.0% from the previous fiscal year.
- Ordinary profit was 1,667.5 billion yen, up 21.5% from the previous fiscal year.
- Capital investment was 796.1 billion yen, up 38.4% from the previous fiscal year.

○ **About 50% of affiliates will expand their businesses.**

- As for the future business expansion in Japan, affiliates that answered “planning business expansion” were the largest in number, accounting for 49.1%, followed by the affiliates that answered “maintain current conditions,” which accounted for 48.0%.

* The values include the finance and insurance industry, and the real estate industry.

1. Distribution

- The survey as of the end of March 2011 covered 2,965 foreign affiliates (excluding the finance and insurance industry and the real estate industry, the same hereinafter) (up 6.0% from the previous fiscal year), with 513 (up 1.2% (id.)) in the manufacturing sector and 2,452 (up 7.1% (id.)) in the non-manufacturing sector. The manufacturing sector accounted for 17.3% of all industries, down 0.8% points from the previous fiscal year, while the non-manufacturing sector accounted for 82.7%, up 0.8% points (id.) (Fig. 1-1 and Table 1-1).
- By industry, wholesale trade numbered the highest, at 1,301, accounting for 43.9%, followed by services, and information and communications (Fig. 1-1).
- By region of origin, European affiliates reached 1,281, accounting for 43.2%, remaining unchanged from the previous fiscal year. U.S. affiliates came to 861 (29.0%, down 1.2% points (id.)), and Asian affiliates came to 640 (21.6%, up 0.8% points (id.)) (Table 1-1).

Figure 1-1 Distribution of Foreign Affiliates by Industry
(Excluding the finance and insurance industry, and the real estate industry)

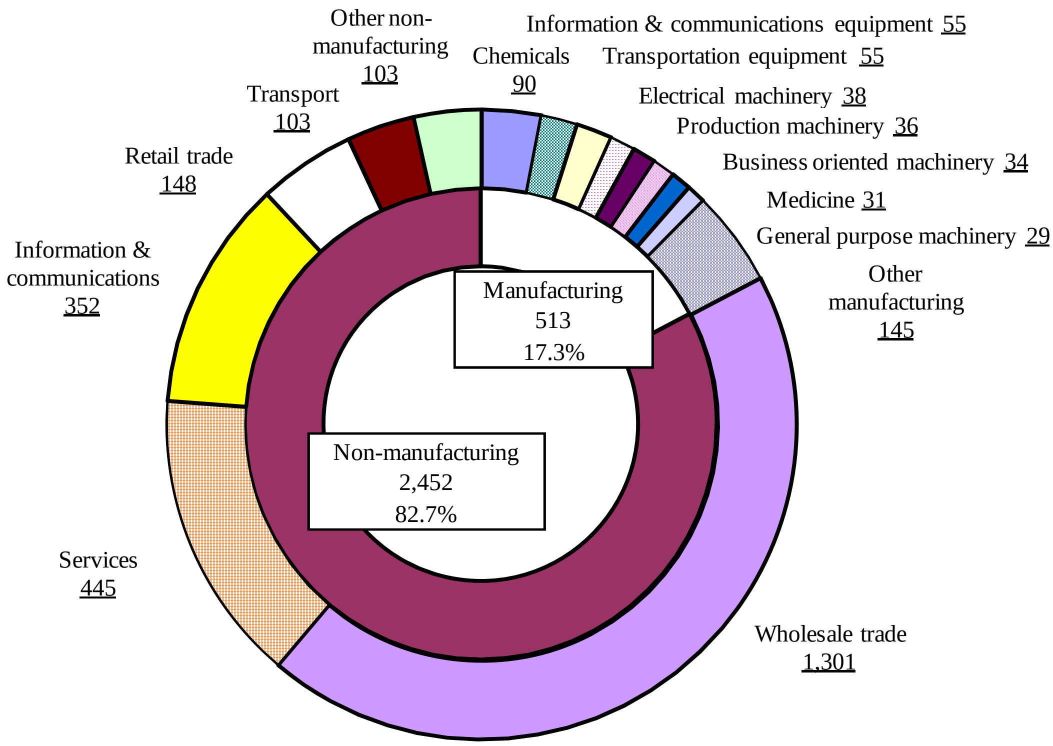


Table 1-1 Composition Percentage by Region of Origin and by Industry (Excluding the finance and insurance industry, and the real estate industry)

(Companies, %, % point)

	FY2010 Number of foreign affiliates	Composition percentage					
		FY2006	FY2007	FY2008	FY2009	FY2010	Year-on-year changes
Total	2,965	100.0	100.0	100.0	100.0	100.0	–
U.S.	861	35.4	32.0	30.7	30.2	29.0	-1.2
Asian	640	16.8	20.8	21.0	20.8	21.6	0.8
Chinese	222	6.1	7.0	7.4	7.6	7.5	-0.1
European	1,281	42.6	41.6	42.5	43.2	43.2	0.0
Others	183	5.2	5.7	5.7	5.8	6.2	0.4
Manufacturing	513	25.2	22.4	19.0	18.1	17.3	-0.8
Non-manufacturing (Excluding the finance and insurance industry and the real estate industry)	2,452	74.8	77.6	81.0	81.9	82.7	0.8

2. New entries

- Of the foreign affiliates covered by the survey in FY2010 (excluding the finance and insurance industry, and the real estate industry, the same hereinafter), 36 companies (down 56.1% from the previous fiscal year) were newly established or newly started capital participation.(Note) They are broken down into 10 manufacturing companies (down 37.5% from the previous fiscal year) and 26 non-manufacturing companies (down 60.6% (id.)) (Table 2-1).
- By region of origin, Asian affiliates decreased 39.1% from the previous fiscal year to 14, U.S. affiliates decreased 61.5% (id.), to 10, and European affiliates decreased 64.3% (id.), to 10. (Table 2-1).
- The number of new entries, including the finance and insurance industry, and the real estate industry, came to 37 (see the statistics table).

Table 2-1 Number of New Entries

(Excluding the finance and insurance industry, and the real estate industry)

(Companies, %)

	World total			U.S. affiliates			Asian affiliates			European affiliates		
	FY2009	FY2010	Year-on-year changes	FY2009	FY2010	Year-on-year changes	FY2009	FY2010	Year-on-year changes	FY2009	FY2010	Year-on-year changes
All industries	82	36	-56.1	26	10	-61.5	23	14	-39.1	28	10	-64.3
Manufacturing	16	10	-37.5	8	1	-87.5	4	4	0.0	4	4	0.0
Non-manufacturing	66	26	-60.6	18	9	-50.0	19	10	-47.4	24	6	-75.0

(Note) Including companies that have not yet reached the first accounting term after establishment or after foreign capitalization.

3. Dissolution, withdrawal, or foreign capital ratio reduction

- The number of companies that dissolved, withdrew, or reduced their foreign capital ratio(Note) in FY2010 (excluding the finance and insurance industry and the real estate industry, the same hereinafter) was 158, down 3.7% from the previous fiscal year, of which 34 companies (up 13.3% from the previous fiscal year) were in the manufacturing sector and 120 companies (down 4.0% (id)) were in the non-manufacturing sector (Table 3-1).
- By region of origin, U.S. affiliates decreased 11.3% from the previous fiscal year to 55, European affiliates decreased 7.3% (id.) to 51, and Asian affiliates increased 40.9% (id.) to 31 (Table 3-1).
- The number of companies that dissolved, withdrew, or reduced their foreign capital ratio, including in the finance and insurance industry and the real estate industry, came to 172 (see the statistics table).

Table 3-1 Number of Withdrawals

(Excluding the finance and insurance industry, and the real estate industry)

(Companies, %)

	World total			U.S. affiliates			Asian affiliates			European affiliates		
	FY2009	FY2010	Year-on-year changes	FY2009	FY2010	Year-on-year changes	FY2009	FY2010	Year-on-year changes	FY2009	FY2010	Year-on-year changes
All industries	164	158	-3.7	62	55	-11.3	22	31	40.9	55	51	-7.3
Manufacturing	30	34	13.3	10	15	50.0	3	6	100.0	13	12	-7.7
Non-manufacturing	125	120	-4.0	52	39	-25.0	19	25	31.6	42	39	-7.1

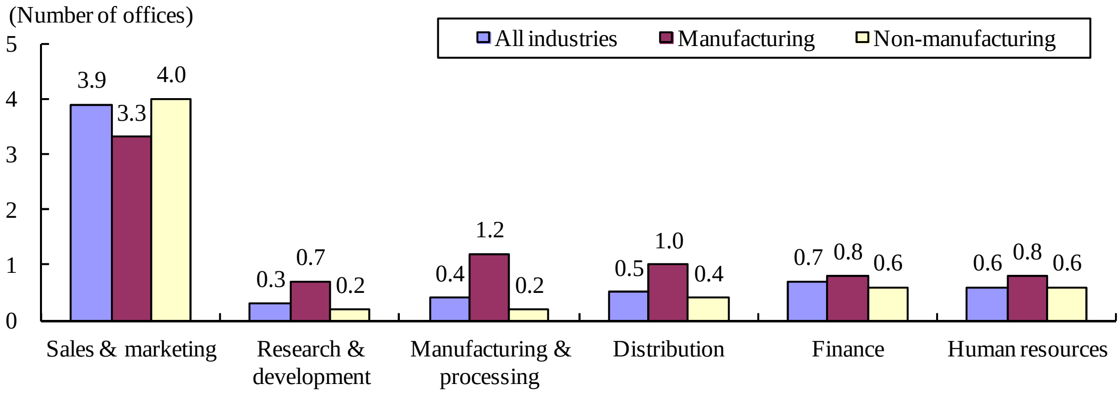
(Note 1) Foreign capital ratio reduction means that the ratio of capitalization by foreign investors has fallen to one-third or less, or the ratio of capitalization by main foreign investors has fallen to less than 10%.

(Note 2) The values of all industries in the world total and the U.S. affiliates were different from the sum of values of manufacturing and non-manufacturing since 9 companies in FY2009 and 4 companies in FY2010 could not identify their type of industry.

4. Offices in Japan by function

- Looking at the number of offices in Japan (excluding the finance and insurance industry, and the real estate industry, the same hereinafter) per company, by function,(Note) the average number of domestic offices with sales and marketing functions was 3.3 for companies in the manufacturing sector and 4.0 for those in the non-manufacturing sector. Companies in the manufacturing sector also have 0.7 R&D facilities (Fig. 4-1).

Figure 4-1 Number of Offices of Foreign Affiliates in Japan by Function (Average per Company) (Excluding the finance and insurance industry and the real estate industry)



(Note) Offices with multiple functions are counted separately for each function.

5. Employment

- The number of regular employees (excluding the finance and insurance industry and the real estate industry, the same hereinafter) decreased 5.5% from the previous fiscal year to 454,000 (down 0.9% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector recorded a 4.0% increase from the previous fiscal year to 206,000, and the non-manufacturing sector saw a decrease of 12.1% (id.) to 248,000 (Fig. 5-1).
- By industry, in the manufacturing sector, transportation equipment recorded an increase of 26.3% from the previous fiscal year to 83,000, whereas electrical machinery showed a decrease of 39.8% (id.) to 50,000. In the non-manufacturing sector, retail trade recorded a decrease of 29.8% (id.) to 32,000 (Fig. 5-2).
- The percentage of part-time workers(Note) in the manufacturing sector increased 2.2% points from the previous fiscal year to 6.2%, and that in the non-manufacturing sector declined 5.9% points (id.) to 38.2% (Table 5-1).
- The number of regular employees, <u>including the finance and insurance industry, and the real estate industry,</u> came to 524,000 (Fig. 5-1).

Figure 5-1 Number of Regular Employees

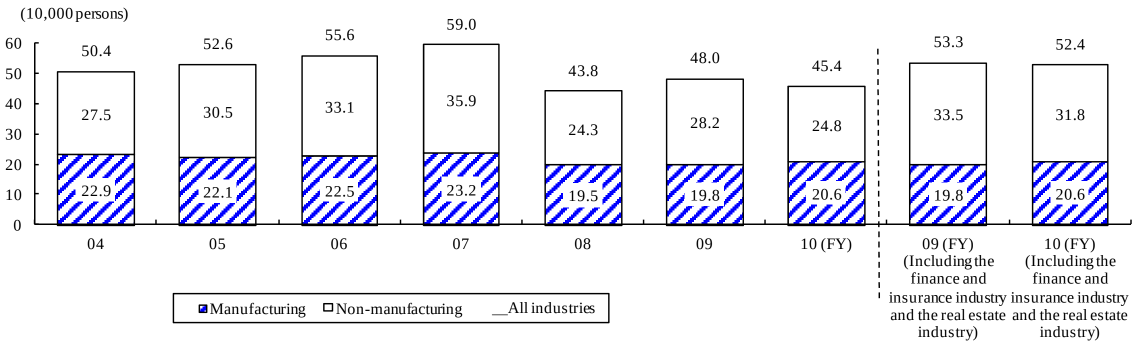


Figure 5-2 Number of Regular Employees by Industry

(Excluding the finance and insurance industry and the real estate industry)

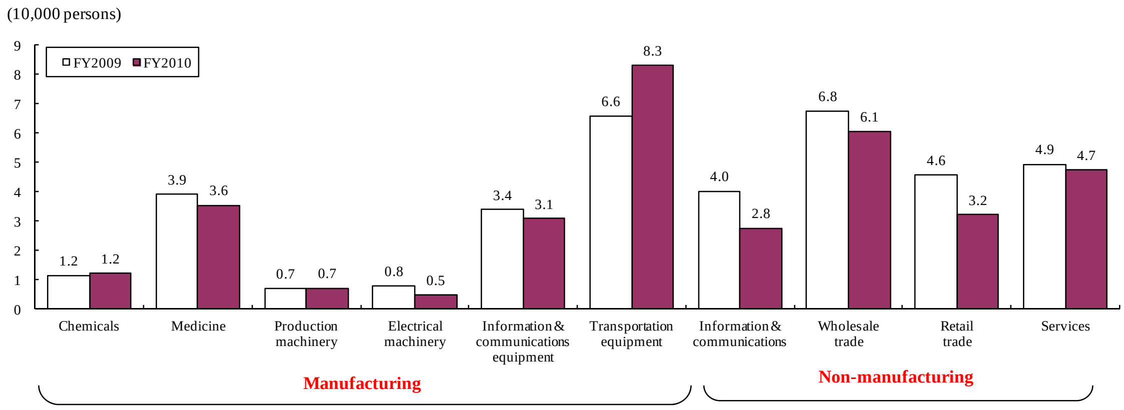


Table 5-1 Percentage of Part-Time Workers

(Excluding the finance and insurance industry and the real estate industry)

(%, % point)

	Percentage of part-time workers					
	FY2006	FY2007	FY2008	FY2009	FY2010	Year-on-year changes
All industries	37.6	37.6	23.5	28.0	24.6	-3.4
Manufacturing	5.6	4.7	5.2	4.0	6.2	2.2
Non-manufacturing	56.5	56.1	37.4	44.1	38.2	-5.9

(Note) Percentage of part-time workers = Number of part-time workers / (Number of full-time workers + Number of part-time workers) × 100.0

6. Regional headquarters in the Asia and Oceania regions

- There were 152 regional headquarters located in Japan that control all of their respective bases in the Asia and Oceania regions (including in the finance and insurance industry, and the real estate industry, the same hereinafter) (Table 6-1).
- Meanwhile, with regard to the countries and regions where foreign parent companies (principal foreign investors) have their regional headquarters that control all of their respective bases in the Asia and Oceania regions, 350 were in China, 343 were in Singapore, and 249 were in Hong Kong (Table 6-2).

Table 6-1 Regional Headquarters in Japan that control all of their respective bases in the Asia and Oceania Regions
(Including in the finance and insurance industry, and the real estate industry)

(Companies, bases)

	Number of regional headquarters (companies)	Number of country and regional bases controlled (total number)								
		China	Hong Kong	Taiwan	South Korea	Thailand	Indonesia	Malaysia	Singapore	Others
All industries	152	75	42	57	79	35	24	32	49	118
Manufacturing	30	17	9	20	18	11	8	10	9	41
Non-manufacturing	122	58	33	37	61	24	16	22	40	77

(Note) The number of country and regional bases controlled is the total number according to multiple answers.

Table 6-2 Regional Headquarters that control all of their respective bases in the Asia and Oceania Regions belonging to foreign parent companies (principal foreign investors)
(Including the finance and insurance industry, and the real estate industry)

(Bases)

	China	Hong Kong	Taiwan	South Korea	India	Singapore	Australia	Others
All industries	350	286	88	88	77	343	104	521
Manufacturing	73	39	14	10	14	46	13	89
Non-manufacturing	277	247	74	78	63	297	91	432

(Note 1) Regional headquarters that control all of their respective bases in the Asia and Oceania regions belonging to foreign parent companies, which were not covered by this survey, are compiled by country and region.
(Note 2) The number of regional headquarters by country and region is the total number according to multiple answers.
(Note 3) Duplications in cases where both the subsidiary and sub-subsidiary of one foreign parent company provided answers are excluded.

7. Sales, exports, and foreign investors

- Sales (excluding the finance and insurance industry, and the real estate industry, the same hereinafter) amounted to 36.1 trillion yen, up 10.0% from the previous fiscal year (up 12.5% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector posted 22.4 trillion yen, up 18.2% from the previous fiscal year, and the non-manufacturing sector marked 13.7 trillion yen, down 1.2% (id.) (Fig. 7-1).
- By industry, in the manufacturing sector, transportation equipment increased 55.6% from the previous fiscal year to 6.7 trillion yen. In the non-manufacturing sector, wholesale trade decreased 1.1% from the previous fiscal year to 8.7 trillion yen, and information and communications increased 15.0% (id.) to 1.4 trillion yen (Fig. 7-2).
- Exports increased 15.3% from the previous fiscal year to 5.5 trillion yen (up 11.4% when limited to companies that responded in both the previous fiscal year and the current year) (Table 7-1).
- Looking at the proportion of sales to principal foreign investors to the total sales, the manufacturing sector posted 0.9%, down 0.3% points from the previous fiscal year, while the non-manufacturing sector posted 1.4%, down 0.8% points (id.). By region of origin, Asian affiliates decreased 3.1% points (id.) to 6.2% (Table 7-1).
- Sales, including the finance and insurance industry, and the real estate industry, amounted to 43.1 trillion yen (Fig. 7-1).

Figure 7-1 Sales

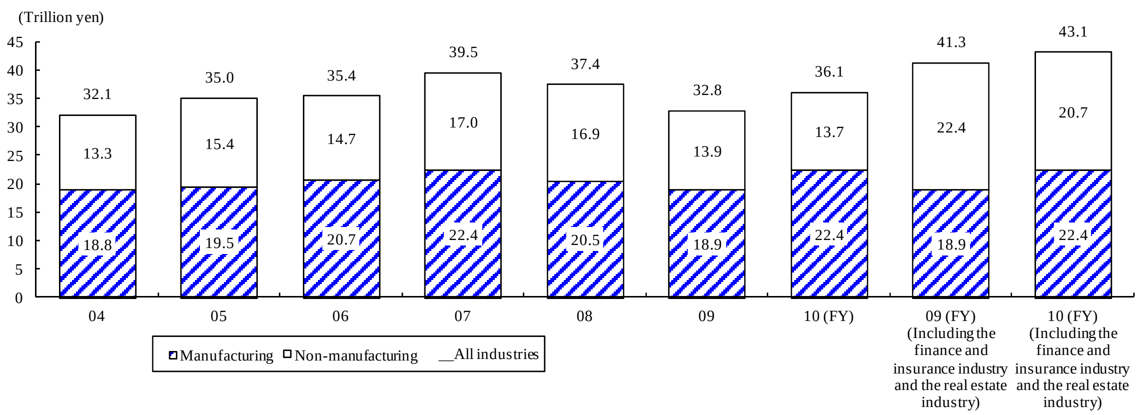


Figure 7-2 Sales by Major Industry
(Excluding the finance and insurance industry, and the real estate industry)

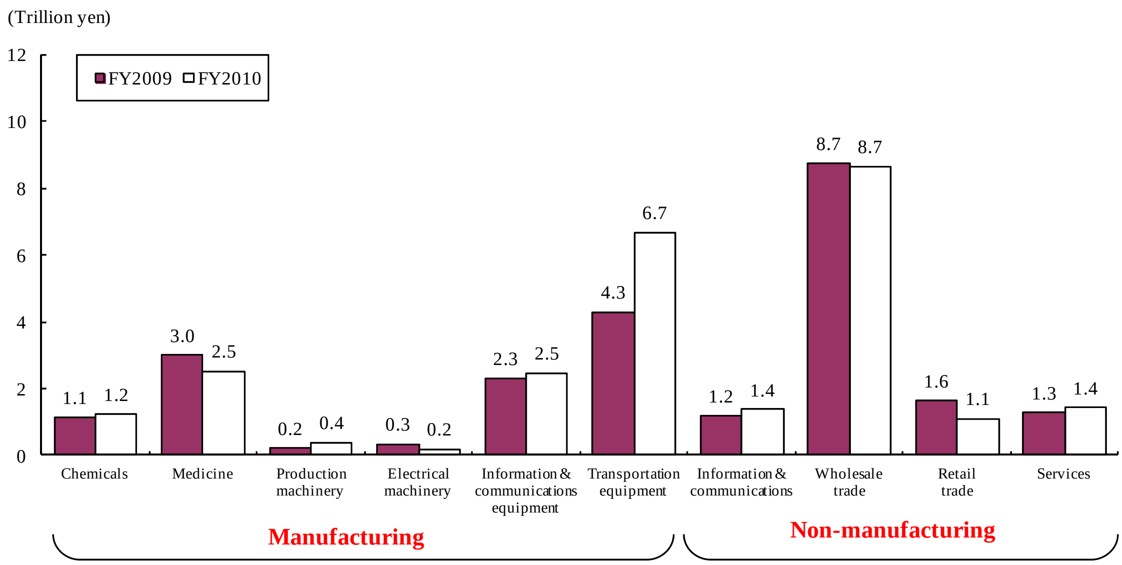


Table 7-1 Sales and Exports, and Sales to Principal Foreign Investors, and the Proportion Thereof to Total Sales (Excluding the finance and insurance industry, and the real estate industry)

(100 million yen, %)

	Sales		Exports		Sales to principal foreign investors	
	FY2010	Year-on-year changes	FY2010	Year-on-year changes	FY2010	Year-on-year changes
Total	360,684	10.0	55,466	15.3	3,939	-26.4
Manufacturing	223,577	18.2	46,549	37.2	2,031	-13.3
Non-manufacturing	137,106	-1.2	8,917	-37.1	1,908	-36.7
U.S.	79,793	-1.4	5,052	-21.5	1,677	-21.3
Asian	26,024	-11.1	5,640	-48.6	1,626	-40.5
European	217,797	17.4	43,160	47.4	582	31.0

(%, % point)

	Proportion of sales to principal foreign investors to the total sales		
	FY2009	FY2010	Year-on-year changes (% point)
Total	1.6	1.1	-0.5
Manufacturing	1.2	0.9	-0.3
Non-manufacturing	2.2	1.4	-0.8
U.S.	2.6	2.1	-0.5
Asian	9.3	6.2	-3.1
European	0.2	0.3	0.1

8. Profit

- Ordinary profit (excluding the finance and insurance industry, and the real estate industry, the same hereinafter) was 1.6675 trillion yen, up 21.5% from the previous fiscal year (up 25.1% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector marked an increase of 13.7% from the previous fiscal year to 895.1 billion yen, and the non-manufacturing sector recorded an increase of 31.9% (id.) to 772.4 billion yen (Fig. 8-1).
- By industry, in the manufacturing sector, information and communication equipment increased 47.4% from the previous fiscal year to 173.8 billion yen, and production machinery rebounded to a positive figure. In the non-manufacturing sector, services increased 154.2% (id.) to 145.2 billion yen (Fig. 8-2).
- The ordinary profit to sales ratio(Note) increased 0.4% points from the previous fiscal year to 4.6%. This was 1.4% points higher than that for incorporated enterprises as a whole (Fig. 8-3).
- By region of origin, U.S. affiliates increased 0.6% points from the previous fiscal year to 9.7% (Fig. 8-4).
- Ordinary profit, <u>including the finance and insurance industry, and the real estate industry,</u> was 2.0778 trillion yen (Fig. 8-1).

Figure 8-1 Ordinary Profit

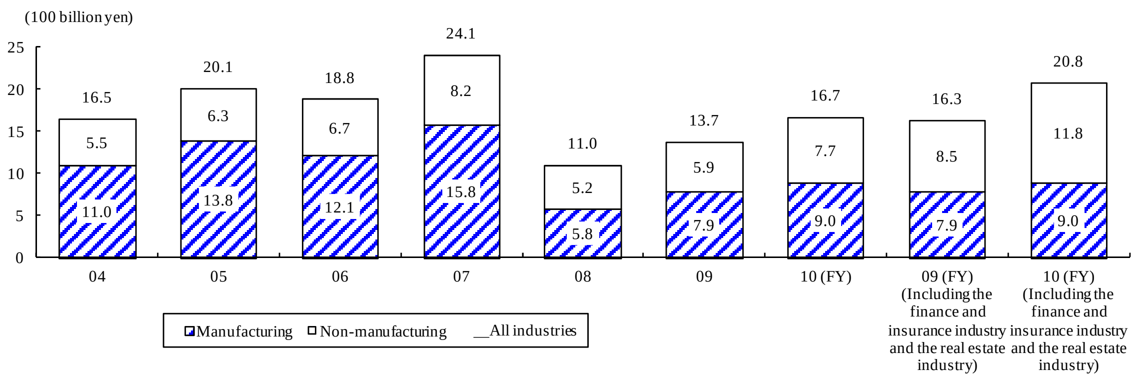


Figure 8-2 Ordinary Profit by Major Industry
(Excluding the finance and insurance industry, and the real estate industry)

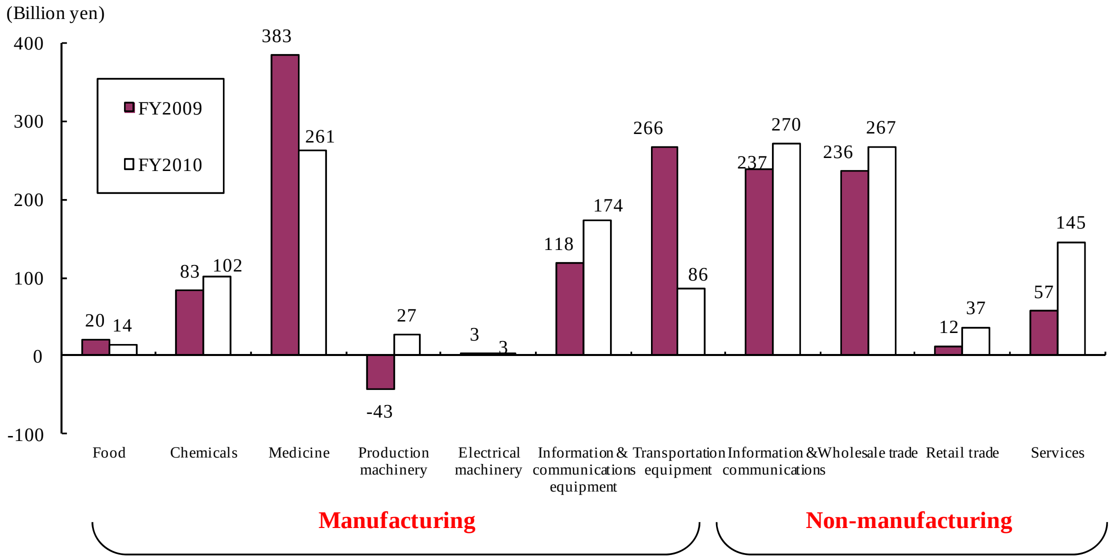
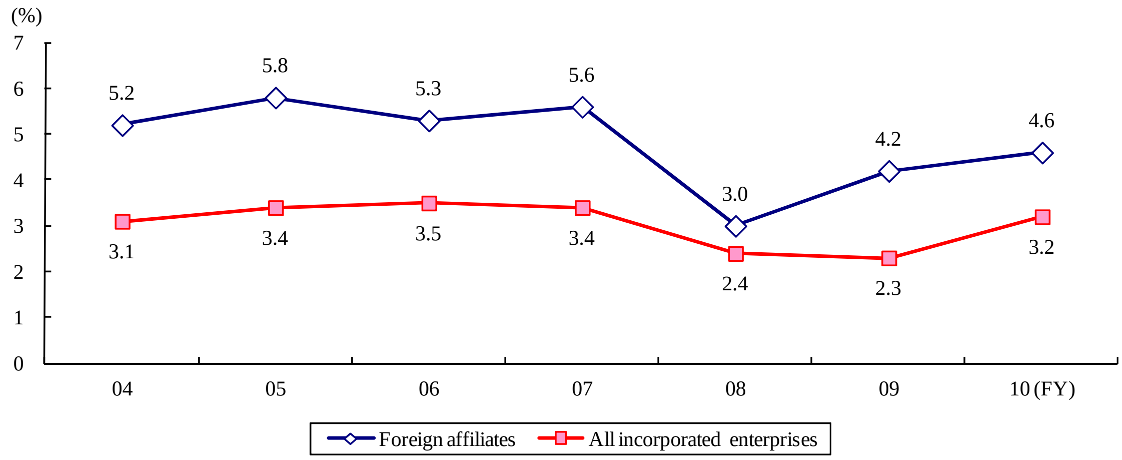


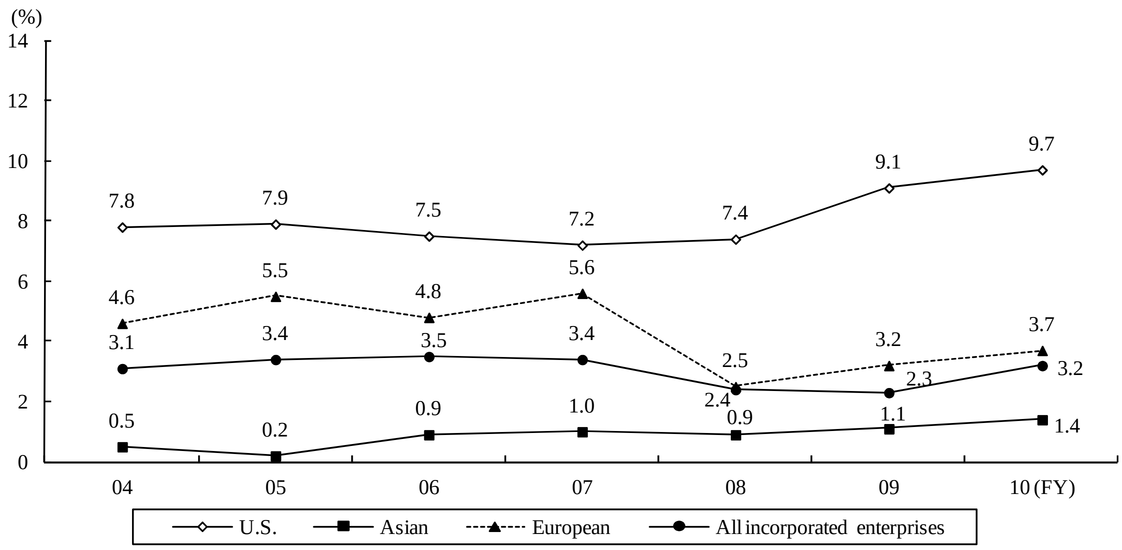
Figure 8-3 Changes in Ordinary Profit to Sales Ratio



Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

(Note) The values of the Survey of Trends in Business Activities of Foreign Affiliates exclude the values of the finance and insurance industry and the real estate industry.

Figure 8-4 Ordinary Profit to Sales Ratio (by Region of Origin)



Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

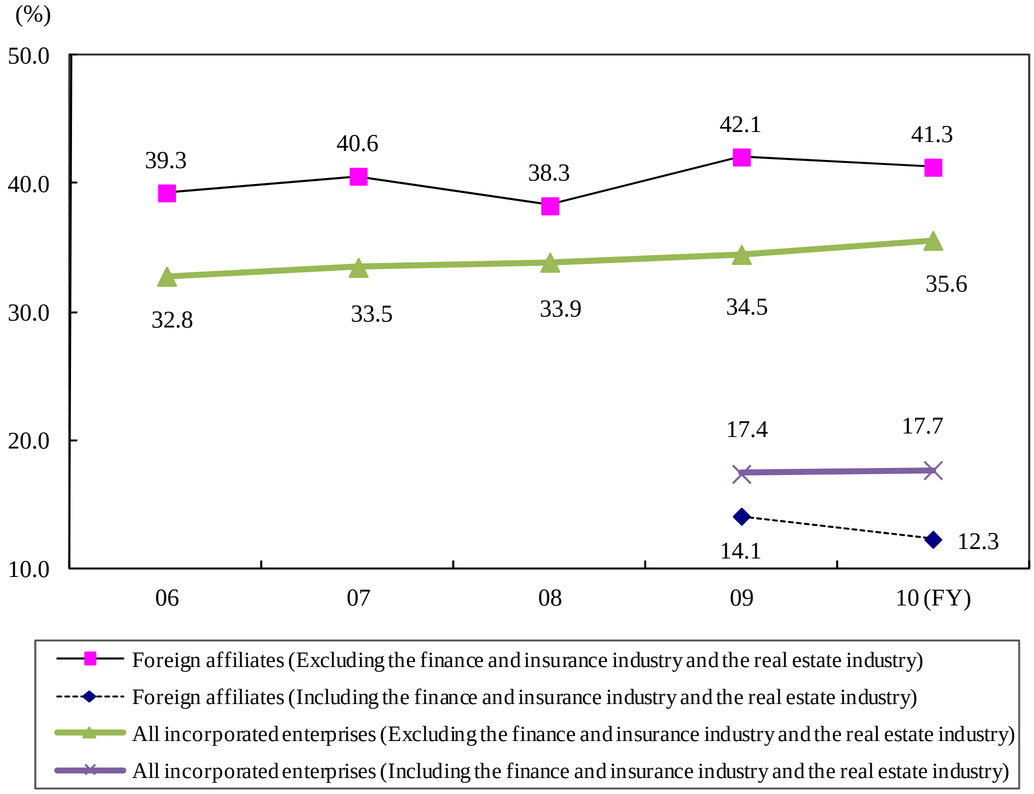
(Note 1) Ordinary profit to sales ratio = Ordinary profit / Sales × 100.0

(Note 2) The values of the Survey of Trends in Business Activities of Foreign Affiliates exclude the values of the finance and insurance industry and the real estate industry.

9. Equity to total assets ratio

- The ratio of equity to total assets(Note) (excluding the finance and insurance industry and the real estate industry) was 41.3%. This was 2.7% points higher than that for incorporated enterprises as a whole (Fig. 9-1).
- The ratio of equity to total assets, including the finance and insurance industry, and the real estate industry, was 12.3%. This was 5.4% points lower than that for incorporated enterprises as a whole (Fig. 9-1).

Figure 9-1 Equity to Total Assets Ratio



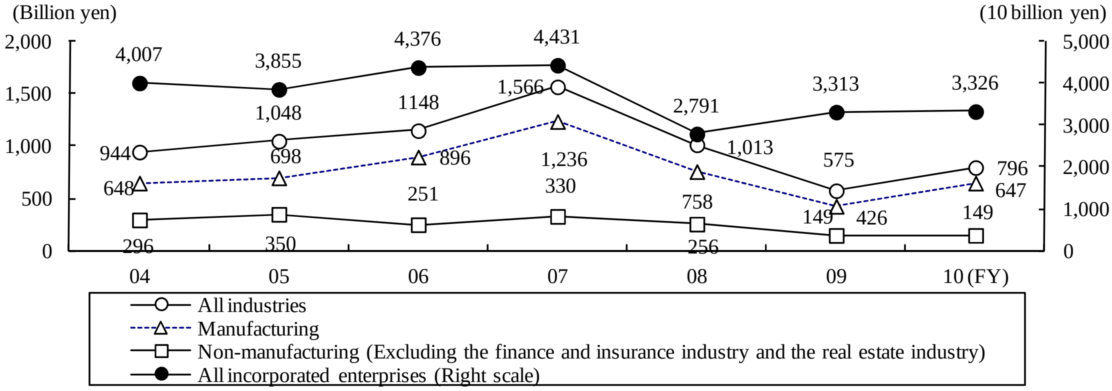
Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

(Note) Ratio of equity to total assets = Total shareholder equity / Total assets × 100.0

10. Capital investment/Research and development

- Capital investment (excluding the finance and insurance industry, and the real estate industry, the same hereinafter) amounted to 796.1 billion yen, up 38.4% from the previous fiscal year (up 38.0% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector recorded an increase of 51.8% from the previous fiscal year to 647.2 billion yen, and the non-manufacturing sector saw a 0.2% decrease (id.) to 148.9 billion yen (Fig. 10-1).
- The proportion of capital investment by foreign affiliates to the total by all incorporated enterprises was 2.4%, up 0.7% points from the previous fiscal year (Fig. 10-1).
- By industry, transportation equipment saw an increase of 94.6% from the previous fiscal year, and information and communications equipment recorded an increase of 88.6 % (id.) (Fig. 10-2).
- Capital investment, including in the finance and insurance industry, and the real estate industry, amounted to 835.1 billion yen.
- The average rate of research and development expenses per company in the manufacturing sector was 3.31 billion yen, up 1.5% from the previous fiscal year. By industry, transportation equipment posted 19.07 billion yen, followed by medicine, at 9.17 billion yen, and information and communications equipment, at 1.94 billion yen (Fig. 10-3).

Figure 10-1 Capital Investment
(Excluding the finance and insurance industry and the real estate industry)



Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

Figure 10-2 Capital Investment by Major Industry
(Excluding the finance and insurance industry and the real estate industry)

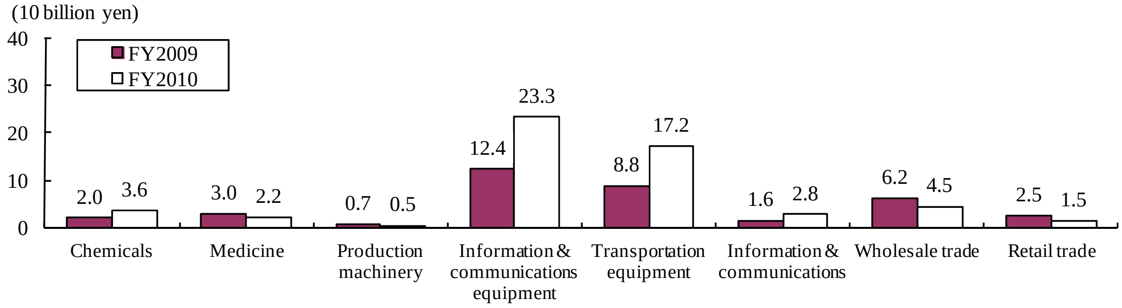
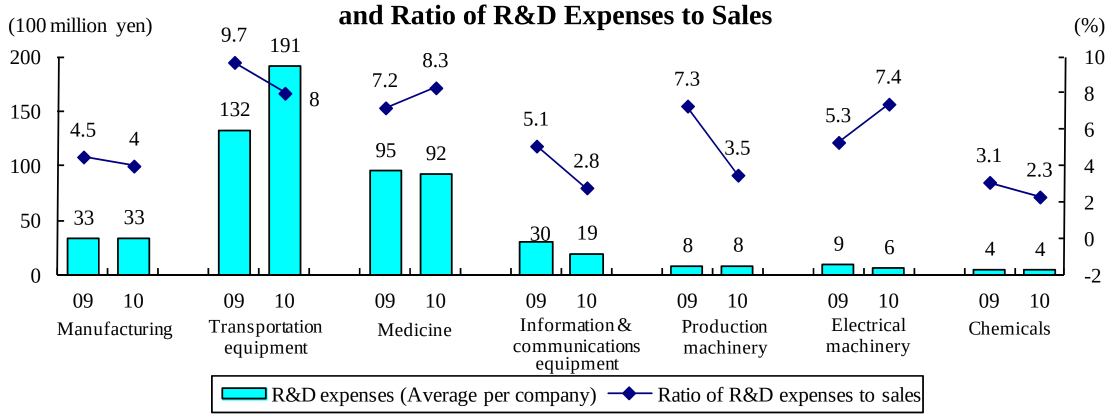


Figure 10-3 R&D Expenses (Average per Company) by Industry
and Ratio of R&D Expenses to Sales



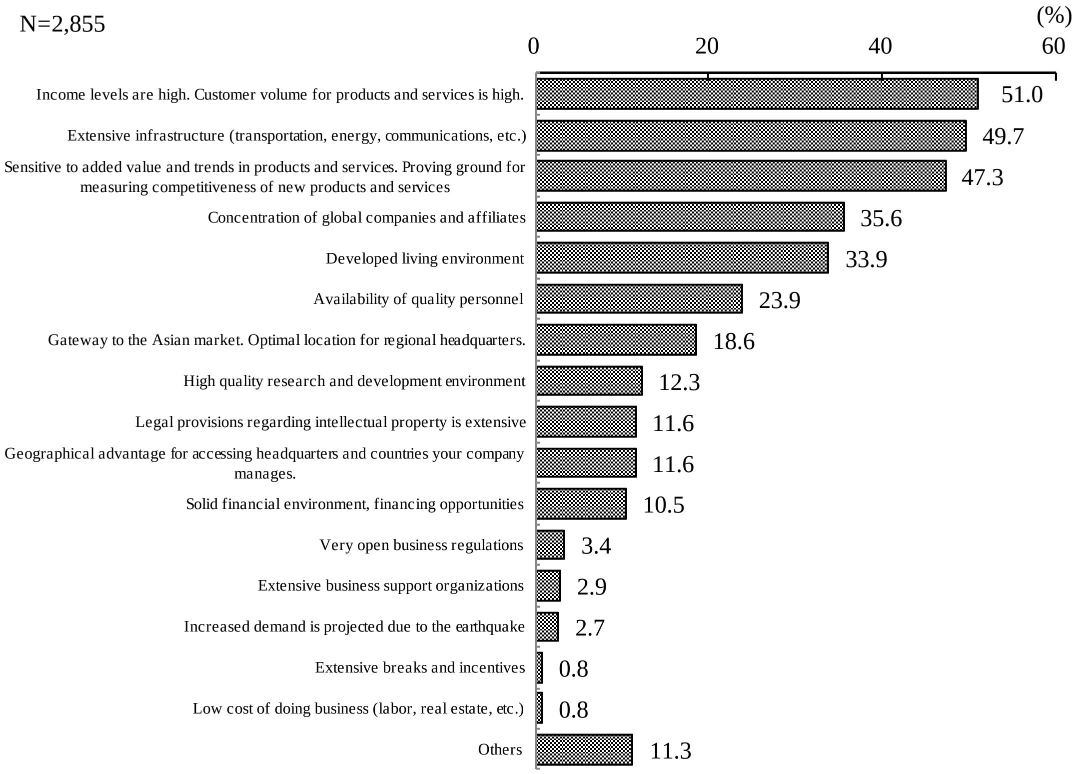
Ratio of R&D expenses to sales = R&D expenses / Sales × 100.0

11-1. Attractiveness for business expansion in Japan

- Regarding whether the business environment is attractive for business expansion in Japan, the top response was, "Income levels are high, and customer volume for products and services is high," accounting for 51.0% of the total.
- About 50% affiliates also said, "There is extensive infrastructure (transportation, energy, communications, etc.)" (composition ratio of 49.7%), and, "The environment is sensitive to added value and trends in products and services. It is a proving ground for measuring the competitiveness of new products and services" (38.6%).

Figure 11-1 Attractiveness for Business Expansion in Japan

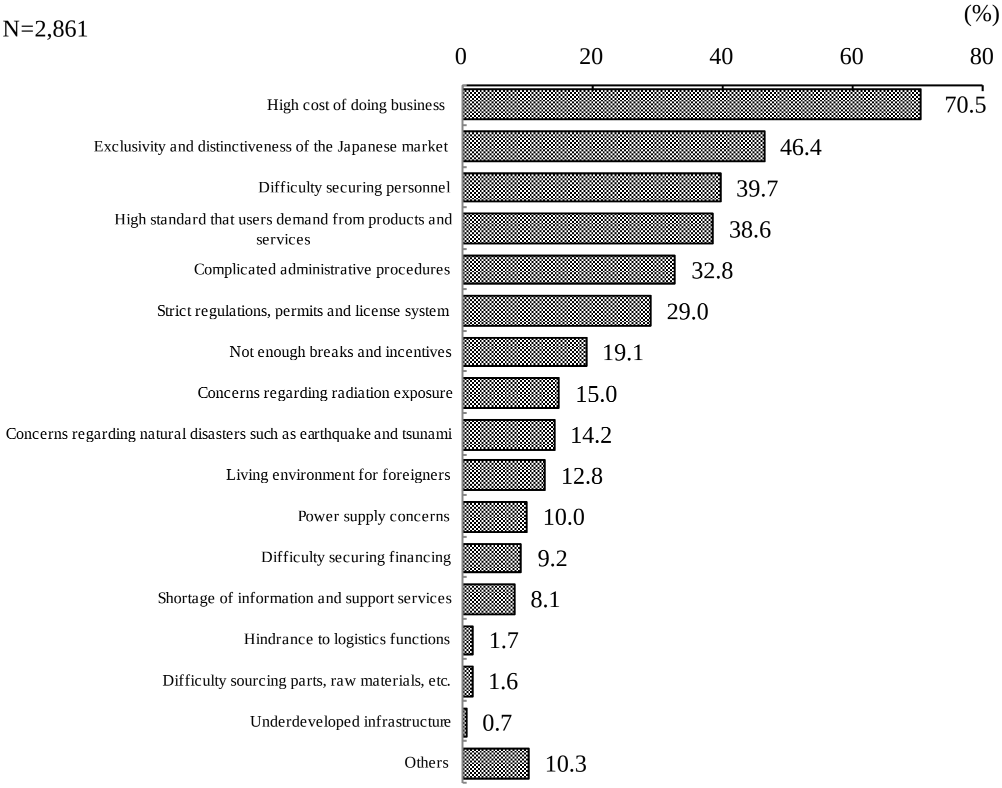
(Multiple answers: up to five top items)



11-2. Factors inhibiting business expansion in Japan

- As for factors inhibiting business expansion in Japan, the top answer was "High cost of doing business," accounting for 70.5% of the total, thus more than 70%.
- "Exclusivity and distinctiveness of the Japanese market" (composition ratio of 46.4%), and "High standard that users demand from products and services" (38.6%) followed.

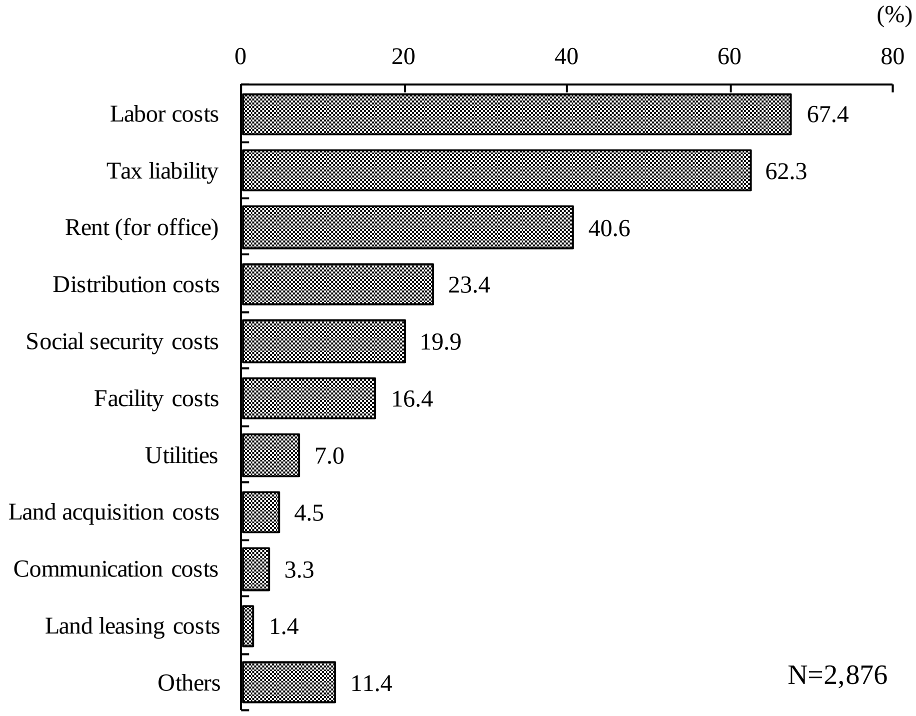
Figure 11-2 Factors Inhibiting Business Expansion in Japan
(Multiple answers: up to five top items)



12. Inhibiting factors with regard to the cost of doing business in Japan

- As for inhibiting factors with regard to the cost of doing business in Japan, the top answer was "Labor costs," which accounted for 67.4% of the total and was the response of about 70% of affiliates, followed by "Tax liability" (composition ratio of 62.3%), "Rent (for office)" (40.6%), and "Distribution costs" (23.4%).

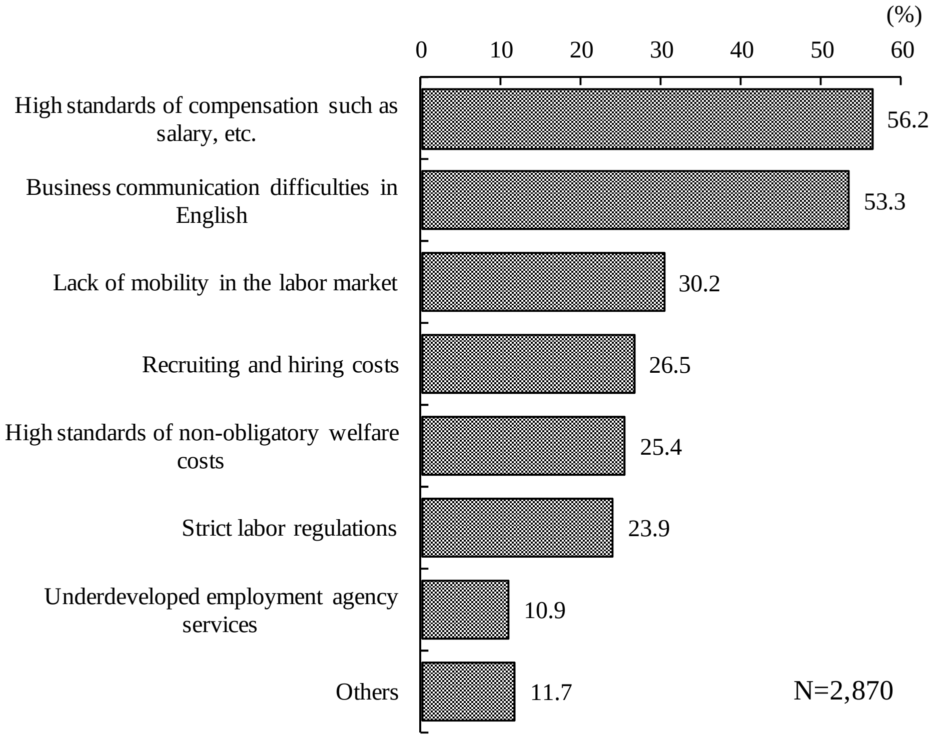
Figure 12-1 Inhibiting Factors with regard to the Cost of Doing Business in Japan (Multiple answers: up to three top items)



13-1. Inhibiting factors in securing Japanese personnel

- As for inhibiting factors in securing Japanese personnel, the top answer was “High standards of compensation, such as salary, etc.,” which accounted for 56.2% of the total and was the response of the majority of affiliates, together with “Business communication difficulties in English” (composition ratio of 53.3).
- “Lack of mobility in the labor market” (composition ratio of 30.2%), and “Recruiting and hiring costs” (26.5%) followed.

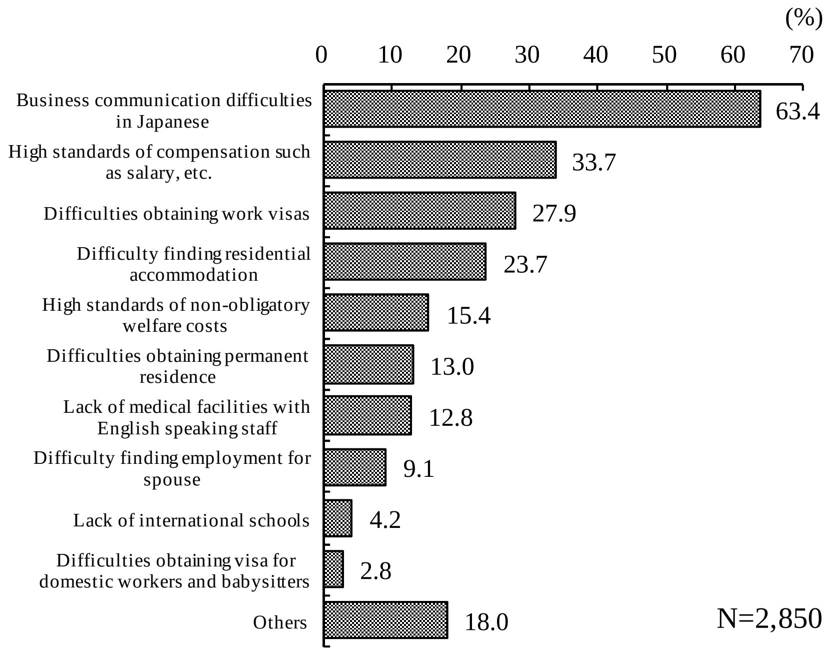
Figure 13-1 Inhibiting Factors in Securing Japanese Personnel
(Multiple answers: up to three top items)



13-2. Inhibiting factors in securing foreign personnel

- As for inhibiting factors in securing foreign personnel, the top answer was "Business communication difficulties in Japanese," accounting for 63.4% of the total, thus over 60%.
- "High standards of compensation such as salary, etc." (composition ratio of 33.7%), "Difficulties obtaining work visas" (27.9%), and "Difficulty finding residential accommodation" (23.7%) followed.

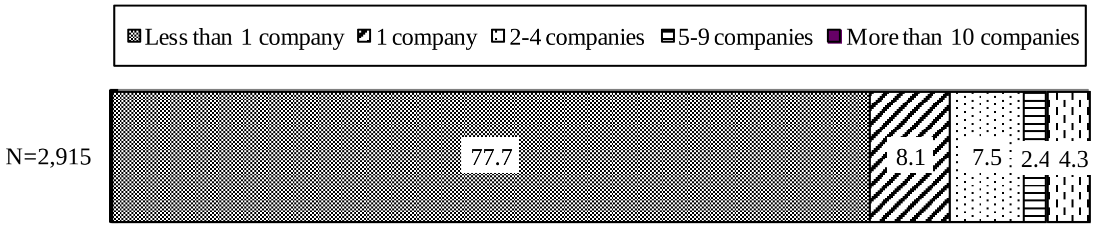
Figure 13-2 Inhibiting Factors in Securing Foreign Personnel
(Multiple answers: up to three top items)



14-1. Business partnerships with Japanese companies

- The top answer regarding the total number of Japanese companies that foreign affiliates doing business in Japan partnered with was "Less than 1 company," accounted for 77.7% of the total, thus about 80%.
- With regard to the affiliates that partnered with Japanese companies, "1 company" accounted for 8.1%, "2–4 companies" accounted for 7.5%, "5–9 companies" accounted for 2.4%, and "More than 10 companies" accounted for 4.3%.

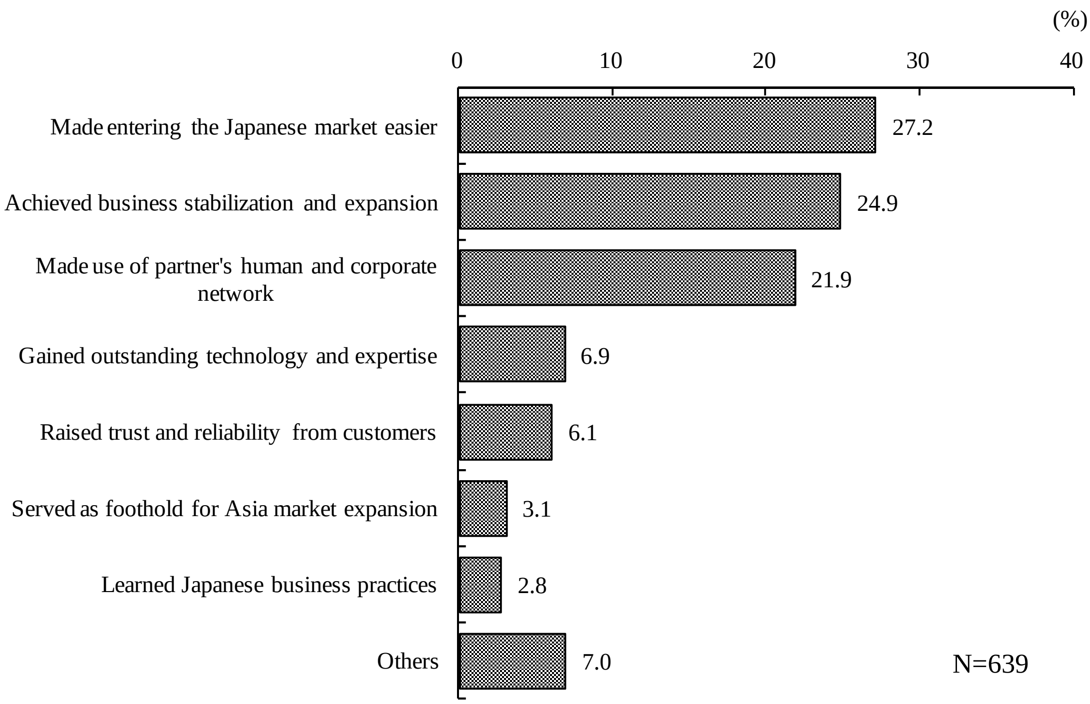
Figure 14-1 Business Partnerships with Japanese Companies



14-2. Advantage of partnering with Japanese companies

- As for the advantage of partnering with Japanese companies, the top answer was "It made entering the Japanese market easier," accounting for 27.2% of the total, followed by "It achieved business stabilization and expansion" (composition ratio of 24.9%), and "It made use of partner's human and corporate network" (21.9%).

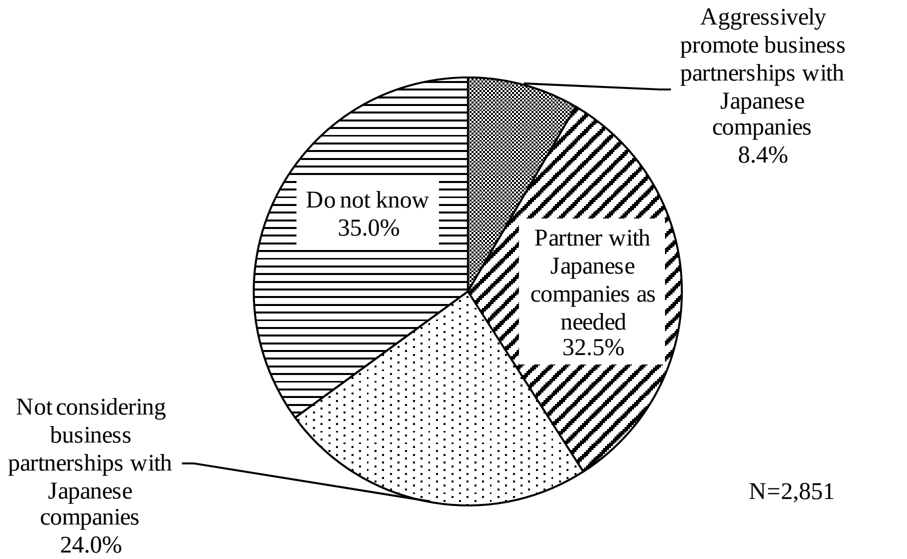
Figure 14-2 Advantage of partnering with Japanese Companies



15. Future plans for business partnerships with Japanese companies

・ As for future plans for business partnerships with Japanese companies, a total of about 40% of affiliates took a positive view of partnering with Japanese companies, with the answers of "Aggressively promote business partnerships with Japanese companies" accounting for 8.4% and "Partner with Japanese companies as needed" accounting for 32.5%.

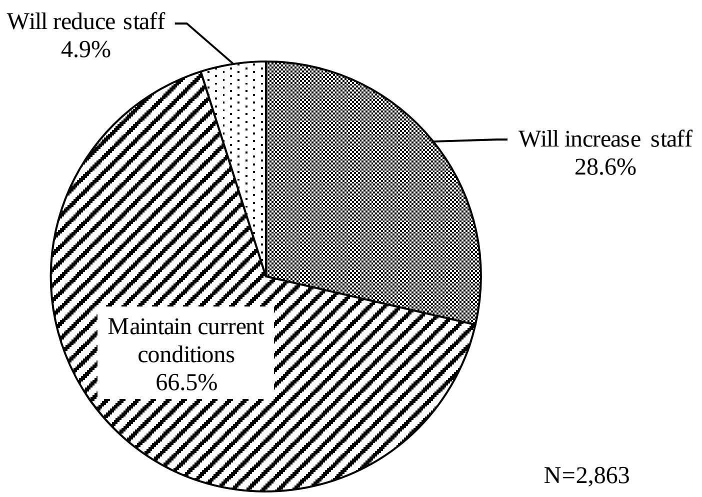
Figure 15-1 Future Plans for Business Partnerships with Japanese Companies



16. Hiring outlook for this year

・ As for the hiring outlook for this year in foreign affiliates, the top answer was "Maintain current conditions," accounting for 66.5% of the total, while "Will increase staff" accounted for 28.6% and "Will reduce staff" accounted for 4.9%.

Figure 16-1 Hiring Outlook for This Year



17. Future business expansion in Japan

- As for future business expansion in Japan, the top answer was "Planning business expansion," accounting for 49.1% of the total, thus about 50%, followed by "Maintain current conditions," accounting for 48.0%.
- Whereas, "Planning to downsize" stood at a composition ratio of 1.9%, and "Discontinue operations" stood at 1.0%.

Figure 17-1 Future Business Expansion in Japan