

Outline of Survey of Trends in Business Activities of Foreign Affiliates

1. 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 advance the Country's industrial and trade policies.

(2) Legal basis for the survey and protection of confidentiality

This survey is conducted by the Ministry of Economy, Trade and Industry (METI), pursuant to the Statistics Act. The confidentiality of information provided in response to the survey is protected under the Statistics Act (Article 41 of the Statistics Act).

(3) Survey target

The survey covers companies that satisfied the following conditions as of the end of March of the year 2017.

(a) A company in which more than one third of shares or holdings is owned by foreign investors, and in which the principal foreign investor's direct investment ratio is more than 10%.

(b) 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, and in which the principal foreign investor's direct investment ratio is more than 10%.

(Note 1) In this survey, the term "foreign investor" refers to non-resident individuals, companies and other groups established under the jurisdiction of foreign laws; or companies and other groups with headquarters located overseas.

(Note 2) 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.

(4) Survey method

This survey was delivered using the Japan Postal Service. The survey forms are mailed to the subject companies from METI and are then returned after being completed by the respective companies.

(5) Date

The survey was conducted on August 1, 2017, in connection with business for FY 2016.

(6) Number of respondents

Survey targets: 5,662 (5,859 in the previous survey)

Respondents: 3,555 (3,681 in the previous survey)

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

Valid respondents: 3,217 (Including the finance and insurance industry and the real estate industry)

: 3,024 (Excluding the finance and insurance industry and the real estate industry)

(Note 1) Since the FY2010 survey, the "finance and insurance" industry and the "real estate" industry

were added to the targets of the survey.

(Note 2) Since the FY2011 survey, it covers not only indirect investments through holding companies, but also indirect investment from all Japanese domestic companies including operating companies.

2. Instructions for Use

(1) Note on survey results

- (a) Only valid answers are included. Therefore, the number of respondents varies per item.
- (b) When comparing the results of the current survey with previous surveys, it is necessary to take into account the differences in the response rate and the number of foreign affiliates covered, as some companies that fell outside the scope of previous surveys were included in the current survey, and vice versa.

(2) 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.

(3) Classification of industries

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

(4) Note on survey results

- (a) Notes on the terminology used in the Summary
 - “Number of Foreign affiliates”: Number of Companies that are currently in operation (excluding those with less than 1 million yen in capital)
 - “All incorporated enterprises”: All domestic corporations (refers to “Financial Statement statistics of corporations by Industry / Ministry of Finance”)
- (b) Notes for the symbols in tables and figures
 - The “x” signifies that the data is hidden because only 1 or 2 companies fall into the category. This method is used even where there are 3 or more companies, if a simple calculation using these disclosed figures would help identify the company corresponding to the “x”.
 - The “-” indicates that there is no relevant figure.
 - “0” indicates that the figure has a value of less than one.
- (c) There may be discrepancies between the exact sums of individual items and the totals provided, due to the numbers being rounded off to the nearest number.
- (d) Year-on-year comparisons and ratios mentioned in the text have been calculated in millions of yen, the counting unit of this survey, unless otherwise indicated.

(5) Ratio calculation formula

Calculated based on foreign affiliates that responded to questionnaires for both denominator and numerator.

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

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

(6) 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 (2017)” (Ministry of Economy, Trade and Industry).

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The 51st Survey of Trends in Business Activities of Foreign Affiliates (Summary)

- **The percentage of European affiliates increased while U.S. affiliates decreased.**
- **The number of regular employees increased, when limited to companies that responded in both the previous fiscal year and the current fiscal year. The total number of responses decreased.**
- **Sales decreased while ordinary profits and capital investment increased, when limited to companies that responded in both the previous fiscal year and the current fiscal year. The total number of responses decreased.**
- **As for the factors that made expanding business in Japan attractive, the top answer was “large market”.**
- **As for factors inhibiting the expansion of business in Japan, the top answer “High cost of doing business” is on a declining trend in recent years. The second largest factor, “The difficulty of securing human resources” is on an upward trend in recent years.**
- **As for the employment outlook, 97% of affiliates answered “Will increase or maintain staff”.**
- **More than 50% of affiliates will expand their businesses.**

- **The percentage of European affiliates increased while U.S. affiliates decreased.**
 - European affiliates accounted for 44.3% of the total, up by 0.8 points from the previous fiscal years. U.S. affiliates gradually decreased over recent years, accounted for 23.9% of the total, down 1.2 points (id.). Asian affiliates whose ratio had been rising in recent years has not changed since the previous fiscal year.
- **The number of regular employees increased, when limited to companies that responded in both the previous fiscal year and the current fiscal year. The total number of responses decreased.**
 - The number of regular employees increased 2.5% from the previous fiscal year, when limited to companies that responded in both the previous fiscal year and the current fiscal years. The total number of regular employees is 518,688, 8.9% down from the previous fiscal year. The manufacturing sector increased 0.9% from the previous fiscal year, and non-manufacturing sector increased 3.4% from the previous fiscal year.
- **Sales decreased while ordinary profits and capital investment increased, when limited to companies that responded in both the previous fiscal year and the current fiscal year. The total number of responses decreased.**
 - Sales decreased 0.9% from the previous fiscal year. (The total number was 40.7 trillion yen.)
 - Ordinary profit was a 13.5% increase from the previous fiscal year. (The total number was 2.7 trillion yen.)
 - Capital investment was a 9.9% increase from the previous fiscal year. (The total number was 1.4 trillion yen.)
- **“Large market” was the top answer as for the factor that made expanding business in Japan attractive.**
 - “Large market” was the response of the majority of affiliates (61.9%). “Extensive infrastructure” was 47.6% and “Providing grounds for measuring competitiveness of new products and services” was 46.7%. (multiple answers acceptable)
- **As for factors inhibiting the expansion of business in Japan, “The difficulty of securing human resources” is on an upward trend in recent years.**
 - The top answer continues to be “Business communication difficulties in English” (73.3%). “The difficulty of securing human resources” increased (49.5%).
- **As for the employment outlook, 97% of affiliates answered “Will increase or maintain staff”.**
 - As for the employment outlook for this year, the top answer was “Maintain current conditions,” accounting for 59.3% of the total. In the meantime, “Will increase staff” accounted for 38.0% (id.).
- **More than 50% of affiliates will expand their businesses.**
 - As for future business expansion in Japan, affiliates that answered “planning business expansion” were the largest in number, accounting for 57.8% (increased from previous fiscal year), followed by the affiliates that answered “maintain current conditions,” which accounted for 40.6%.

1. Distribution

- The survey, covering until the end of March 2017, covered 3,217 foreign affiliates (a 5.7% decrease from the previous fiscal year), with 562 (a 10.7% decrease (id.)) in the manufacturing sector and 2,655 (a 4.5% decrease (id.)) in the non-manufacturing sector. The manufacturing sector covered 17.5% of all industries, while the non-manufacturing sector accounted for 82.5% (Fig. 1-1 and Table 1-1).
- By industry, wholesale trade numbered the highest at 1,259, accounting for 39.1%, followed by services, and information & communications industry (Fig. 1-1).
- By region of origin, European affiliates reached 1,426, accounting for 44.3% (up 0.8 points from the previous fiscal year), U.S. affiliates came to 769 (23.9%, down 1.2 points (id.)), and Asian affiliates came to 827 (25.7%, the same as the previous fiscal year) (Table 1-1).
- By headquarter offices in Japan per region, there were 2,660 foreign affiliates in the Kanto area. Tokyo numbered the highest at 2,167 (67.4%), followed by Kanagawa (10.0%) and Osaka (5.3%) (Fig 1-2 and Table 1-2).

Figure 1-1 Distribution of Foreign Affiliates by Industry

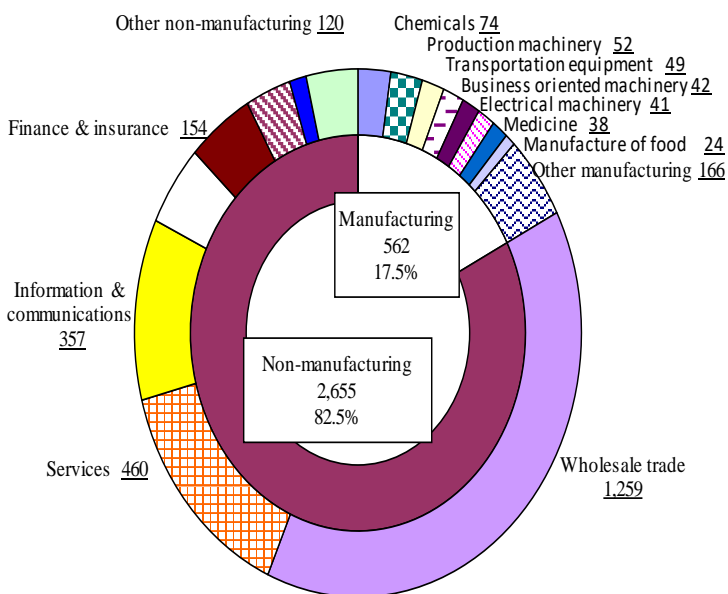


Table 1-1 Percentage by Region of Origin and by Industry

(Companies, %, point)

	FY2016 Number of foreign affiliates	Percentage			
		FY2014	FY2015	FY2016	Year-on-year changes
Total	3,217	100.0	100.0	100.0	—
U.S.	769	25.9	25.1	23.9	▲ 1.2
Asian	827	23.8	25.7	25.7	0.0
Chinese	316	8.4	9.8	9.8	0.0
European	1,426	43.9	43.5	44.3	0.8
Others	195	6.4	5.7	6.1	0.4
Manufacturing	562	17.8	18.4	17.5	▲ 0.9
Non-manufacturing	2,655	82.2	81.6	82.5	0.9

Figure 1-2 Number of companies by Area in Japan

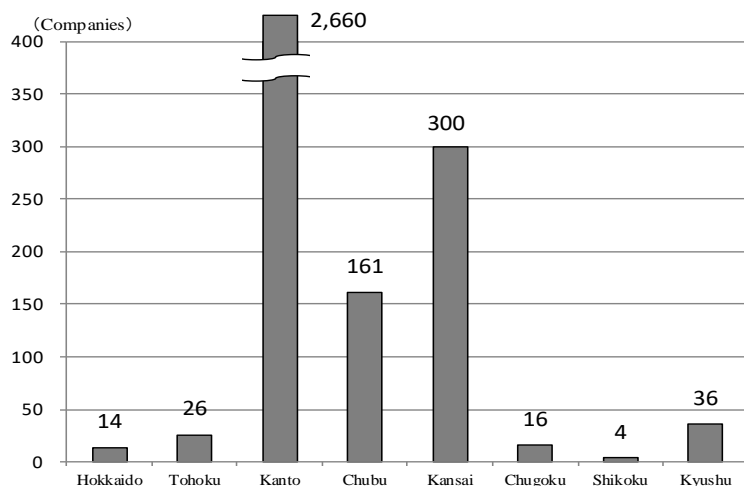


Table 1-2 Ranking of number of headquarter offices in Japan (by Prefecture)

(Companies, %)

Ranking	Prefecture	Companies	Percentages
1	Tokyo	2,167	67.4
2	Kanagawa	322	10.0
3	Osaka	172	5.3
4	Hyogo	80	2.5
5	Aichi	70	2.2
6	Saitama	68	2.1
7	Chiba	65	2.0
8	Shizuoka	26	0.8
9	Fukuoka	22	0.7
10	Ibaraki	20	0.6
Total		3,217	100.0

2. New entries

- Of the foreign affiliates covered by the survey of FY2016, 27 companies were newly established or formerly Japanese companies that welcomed foreign equity partners.^(Note) They are broken down into 5 manufacturing companies and 22 non-manufacturing companies (Table 2-1).
- By industry, the information & communications sector numbered the highest at 6, followed by wholesales trade sector (5) and services sector (5). (Table 2-1).
- As for reasons why the ratio of shares or equity owned by foreign investors has surpassed one-third of the total shares, the top answer was “Newly established by a single company” (a ratio of 50.0%), followed by “Mergers & Acquisitions” (26.9%) (Figure 2-2).

Table 2-1 Trends in number of New Entries by Industry

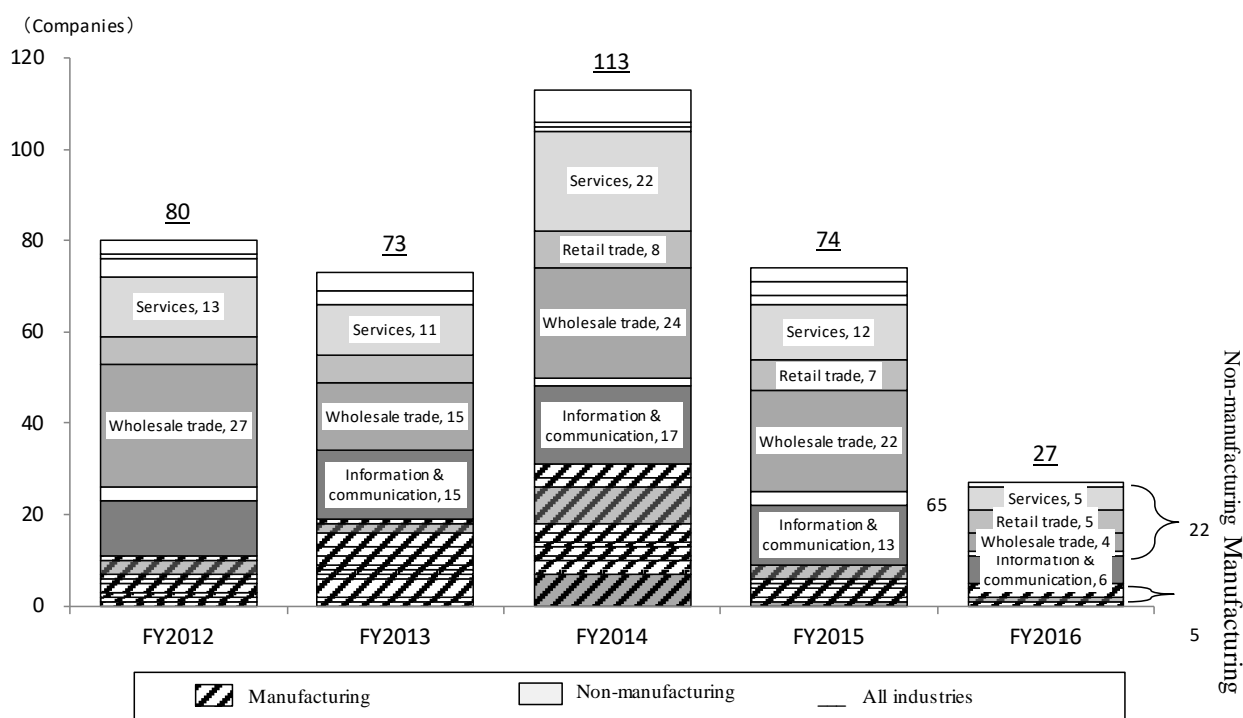
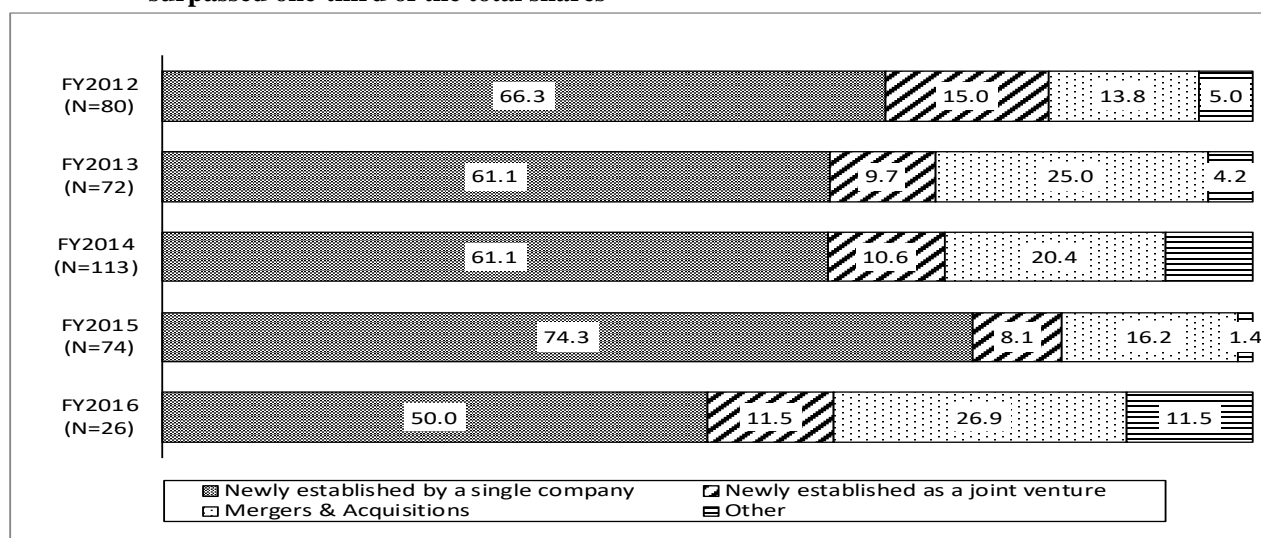


Figure 2-1 Trends in the Reasons for which the ratio of shares or equity owned by foreign investors has surpassed one-third of the total shares

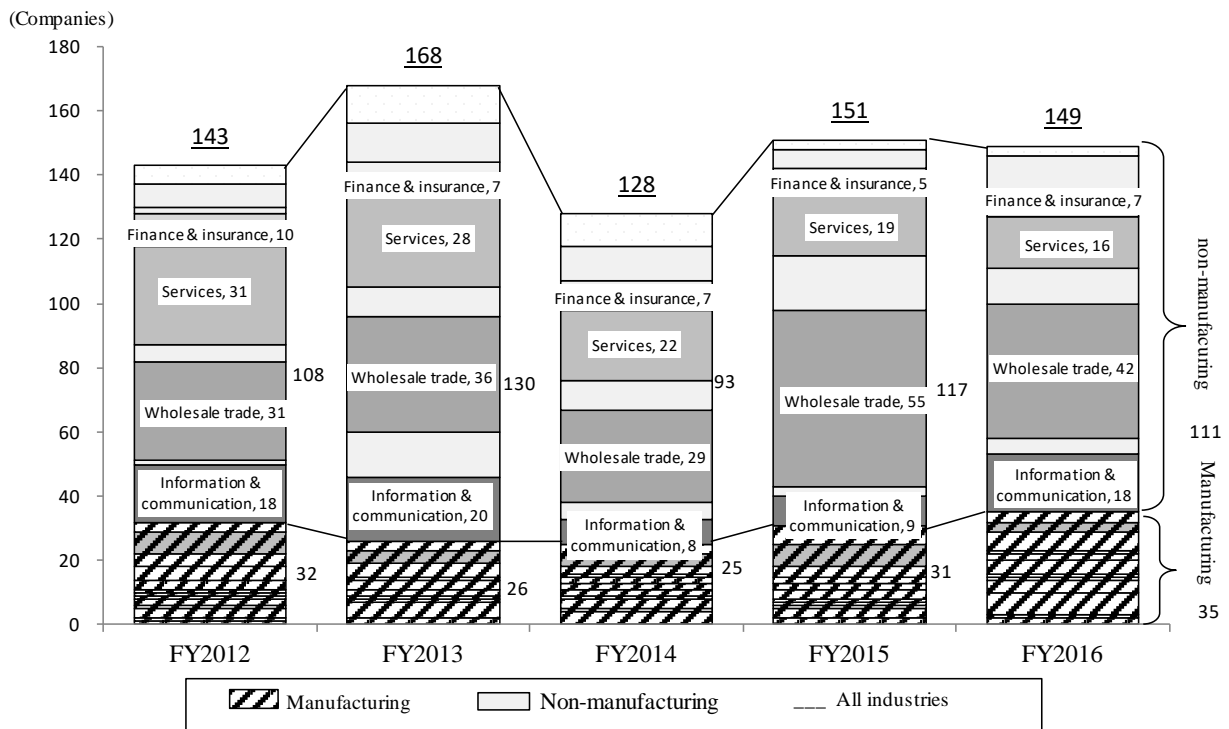


(Note) "Trends in the Reasons for which the ratio of shares or equity owned by foreign investors has surpassed one-third of the total shares" counts only responses of new entries.

3. Dissolution, withdrawal, or foreign capital ratio reduction

- The number of companies that dissolved, withdrew, or reduced their foreign capital ratio ^(Note) in FY2016 was 149, of which 35 companies were in the manufacturing sector and 111 companies were in the non-manufacturing sector (Table 3-1).
- By industry, wholesale trade numbered the highest at 42, followed by information & communications at 18 (Table 3-1).

Table 3-1 Trends in number of Withdrawals



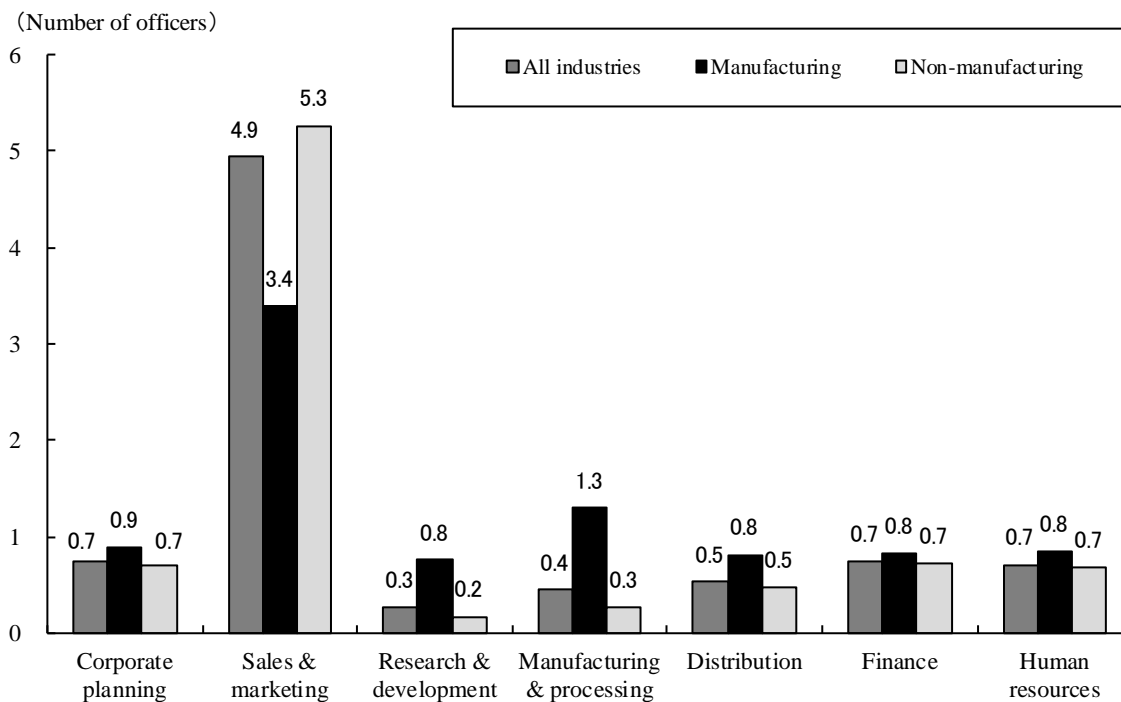
(Note 1) Foreign capital ratio reduction means that the ratio of capitalization by foreign investors has fallen to one-third or less, or the ratio of capitalization by principal foreign investors has fallen to less than 10%.

(Note 2) The total number of companies which withdrew their foreign capital ratio for all industries is different from the sum of manufacturing and non-manufacturing companies, due to the fact that some companies did not identify their type of industry.

4. Offices in Japan by role

- Looking at the number of offices in Japan per company, by role, ^(Note) the average number of domestic offices with sales and marketing departments was 4.9 for companies in all industries, 3.4 for those in the manufacturing sector and 5.3 for those in the non-manufacturing sector (Fig. 4-1).

**Figure 4-1 Number of Offices of Foreign Affiliates in Japan by Role
(Average per Company)**



(Note) Offices with multiple roles are counted separately for each role.

5. Employment

- When limited to companies that responded in both the previous fiscal year and the current fiscal year, the number of regular employees increased 2.5% from the previous fiscal year. The manufacturing sector recorded a 0.9% increase (id.), and the non-manufacturing sector saw an increase of 3.4% (id.).
- By industry, in the manufacturing sector, the transportation equipment sector recorded an increase of 1.3% (id.). In the non-manufacturing sectors, the service sector recorded an increase of 6.2% (id.).
- The total number of regular employees was 518,688, a 16.9% fall from the previous fiscal year (Fig. 5-1). By industry, the transportation equipment sector was recorded at 68,222, and the service sector was recorded at 77,995 (Fig. 5-2).
- The number of regular employees by prefecture that entered the survey this time for the first time (based on location of establishments location in Japan) is the highest in Tokyo with 132,555 people (composition ratio is 32.3%), followed by 46,388 in Kanagawa prefecture (11.3%) and 36,054 in Osaka prefecture (8.8%) (Table 5-3). Compared to the ratio of the number of regular employees (based on headquarter office location in Japan), the ratio was lower in Tokyo and Kanagawa prefecture (Table 5-4).

Figure 5-1 Number of Regular Employees

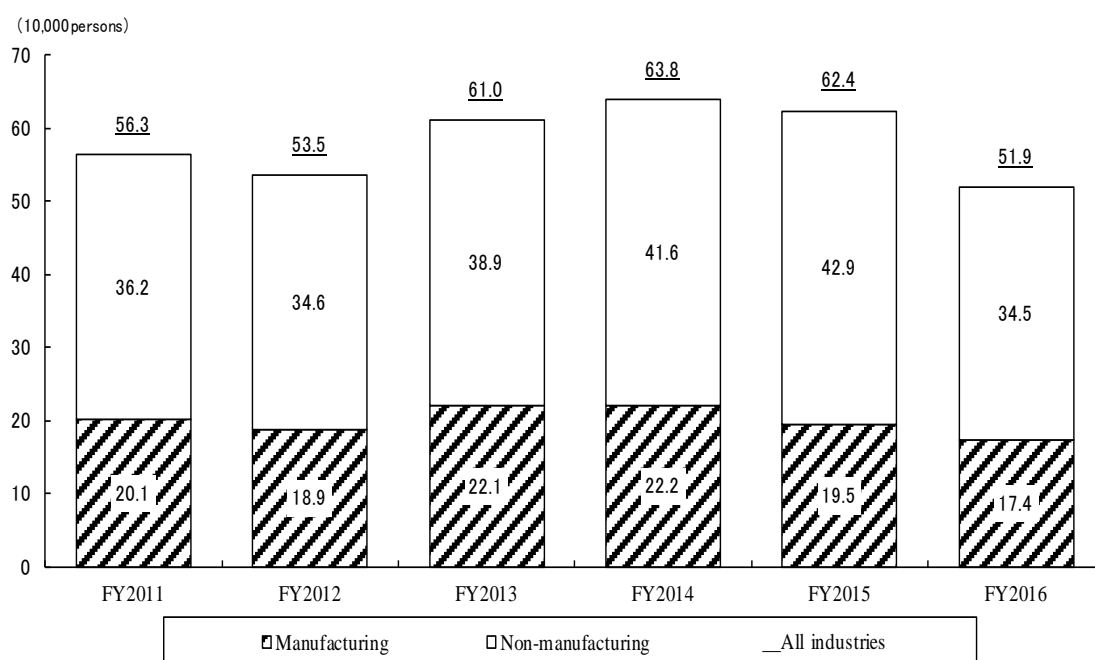
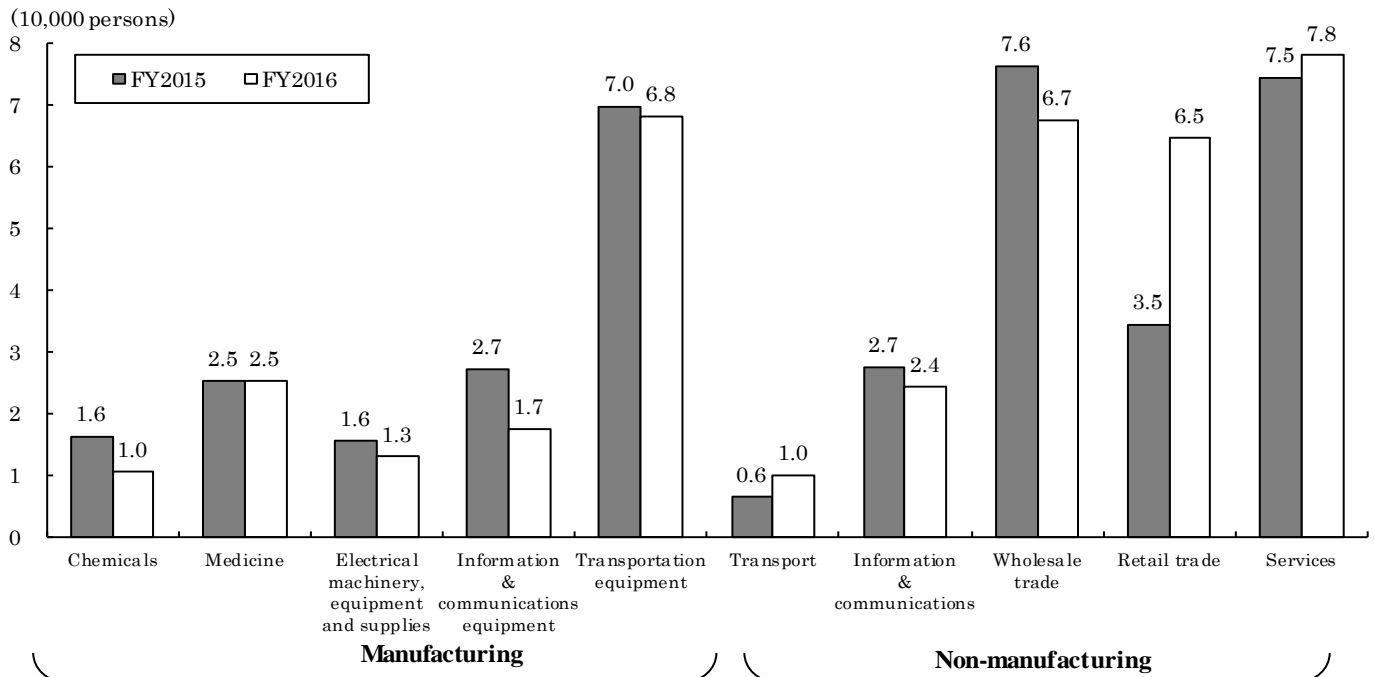


Figure 5-2 Number of Regular Employees by Industry



(Note) The major factor in reducing the total number of regular employees was the Non-manufacturing sector such as restaurants.

Table 5-3 Number of Regular Employees based on establishments' location

(Persons, %)

Ranking	Prefecture	Persons	Percentages
1	Tokyo	132,555	32.3
2	Kanagawa	46,388	11.3
3	Osaka	36,054	8.8
4	Saitama	17,707	4.3
5	Shizuoka	16,994	4.1
6	Aichi	15,244	3.7
7	Chiba	13,547	3.3
8	Hyogo	12,110	3.0
9	Fukuoka	10,841	2.6
10	Ibaraki	9,184	2.2

Table 5-4 Number of Regular Employees based on headquarters' location

(Persons, %)

Ranking	Prefecture	Persons	Percentages
1	Tokyo	320,027	61.7
2	Kanagawa	69,412	13.4
3	Osaka	31,101	6.0
4	Gunma	29,362	5.7
5	Saitama	16,668	3.2
6	Shizuoka	9,743	1.9
7	Chiba	6,733	1.3
8	Kyoto	5,525	1.1
9	Hyogo	4,069	0.8
10	Aichi	3,907	0.8

6. Regional headquarters in the Asia and Oceania regions

- There were 311 regional headquarters located in Singapore, 224 in China, 191 in Hong Kong, and 81 in Japan that control all of their respective bases in the Asia and Oceania regions (Table 6-1, 6-2).

Table 6-1 Regional Headquarters in Japan that control all of their respective bases in the Asia and Oceania Regions

(Companies, bases)

	Number of regional headquarters in Japan (companies)									
		China	Hong Kong	Taiwan	South Korea	Thailand	Malaysia	Singapore	Australia	Others
All industries	81	39	17	24	36	16	12	15	12	77
Manufacturing	17	8	2	7	5	4	3	3	4	23
Non-manufacturing	64	31	15	17	31	12	9	12	8	54

(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)

(Bases)

	China	Hong Kong	Taiwan	South Korea	India	Singapore	Australia	Others
All industries	224	191	42	34	32	311	63	184
Manufacturing	51	25	10	5	5	38	12	46
Non-manufacturing	173	166	32	29	27	273	51	138

(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 Sales to Principal foreign investors

- When limited to companies that responded in both the previous fiscal year and the current fiscal year, sales figures decreased 0.9% from previous fiscal year. The manufacturing sector increased 1.3% (id.), and the non-manufacturing sector decreased 1.9% (id.). In the manufacturing sector, the transportation equipment sector increased 3.5% (id.). In the non-manufacturing sector, wholesale trade decreased 6.2% (id.).
- The total sales of all responses was 40.7 trillion yen, an 8.8% decrease from the previous fiscal year (Fig. 7-1). By industry, the transportation equipment sector was recorded at 6,442,877, a 12.0% decrease from the previous fiscal year, and the wholesale sector was recorded at 9,154,158, a 12.4% decrease from the previous fiscal year (Fig. 7-2).
- Exports decreased 22.1% from the previous fiscal year when limited to companies that responded in both the previous fiscal year and the current year.
- The total exports of all responses was 4.4 trillion yen, an 18.0% decrease from previous fiscal year (Table 7-1).
- Looking at the ratio of the value of sales to principal foreign investors to the value of total sales, the manufacturing sector posted 0.8%, a 0.3% decrease from the previous fiscal year, while the non-manufacturing sector posted 0.8% (a 0.1 point increase (id.)). By region of origin, Asian affiliates posted 2.7% (a 1.7 point decrease (id.)). (Table 7-1).

Figure 7-1 Sales

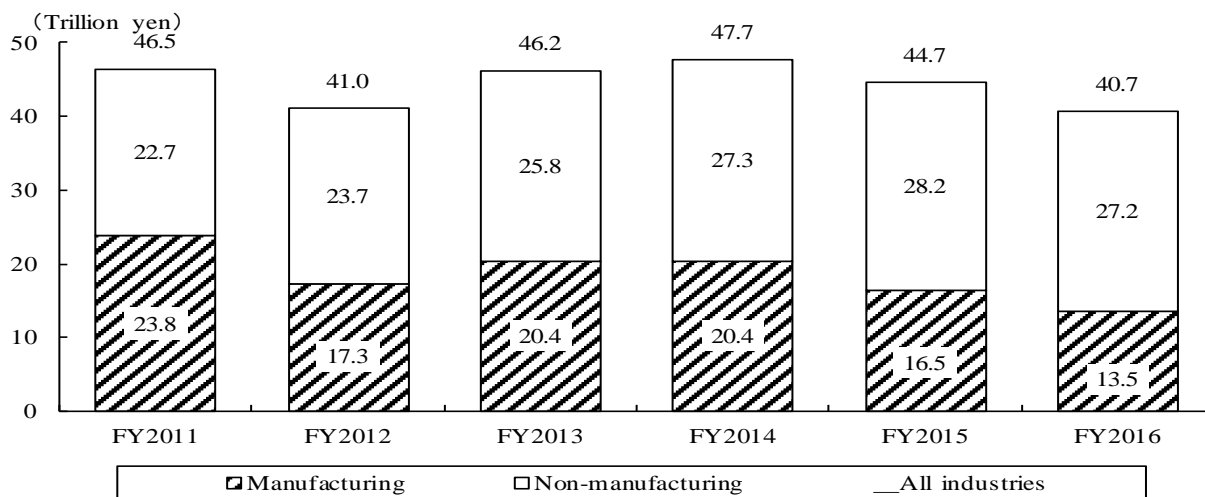


Figure 7-2 Sales by Major Industry

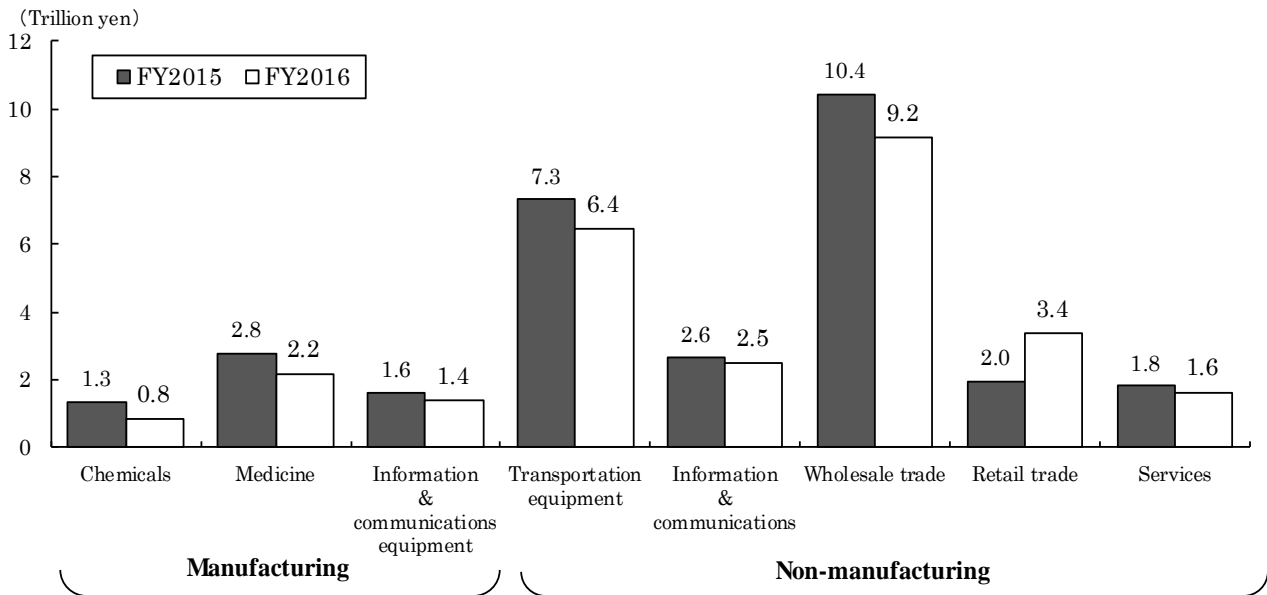


Table 7-1 Sales and Exports, and Sales to Principal Foreign Investors, and their Proportion to Total Sales

(100 million yen, %)

	Sales		Exports		Sales to principal foreign investors	
	FY2016	Year-on-year changes	FY2016	Year-on-year changes	FY2016	Year-on-year changes
	Total	407,220	▲ 8.8	44,222	▲ 18.0	3,340
Manufacturing	135,146	▲ 18.0	36,138	▲ 15.2	1,044	▲ 40.4
Non-manufacturing	272,074	▲ 3.4	8,084	▲ 28.4	2,297	25.3
U.S.	118,573	▲ 6.0	5,231	▲ 52.2	619	▲ 12.2
Asian	81,329	66.1	5,470	▲ 20.6	2,225	2.6
European	196,406	▲ 22.8	32,932	1.0	486	▲ 30.4

(%, point)

	Proportion of sales to principal foreign investors to the total sales		
			Year-on-year changes (point)
	FY2016	FY2015	
Total	0.8	0.8	0.0
Manufacturing	1.1	0.8	▲ 0.3
Non-manufacturing	0.7	0.8	0.1
U.S.	0.6	0.5	▲ 0.1
Asian	4.4	2.7	▲ 1.7
European	0.3	0.2	▲ 0.1

8. Profit

- When limited to companies that responded in both the previous fiscal year and the current fiscal year, the value of ordinary profit increased 13.5% from the previous fiscal year. The manufacturing sector recorded a 21.1% increase (id.), and the non-manufacturing sector saw an increase of 8.2% (id.).
- By industry, in the manufacturing sector, the transportation equipment sector recorded an increase of 31.3% (id.), while in the non-manufacturing sectors, the finance and insurance sector recorded an increase of 22.4% (id.).
- Total Ordinary profit was 2.7 trillion yen, a 6.8% decrease from the previous fiscal year. The manufacturing sector marked a decrease of 0.9% from the previous fiscal year to 1.2 trillion yen, and the non-manufacturing sector recorded a decrease of 10.9% (id.) to 1.5 trillion yen (Fig. 8-1).
- By industry, in the manufacturing sector, the transportation equipment sector increased 17.8% from the previous fiscal year to 709.2 billion yen. In the non-manufacturing sector, the finance and insurance sector decreased 8.5% (id.) to 549.7 billion yen (Fig. 8-2).
- The ordinary profit to sales ratio ^(Note), excluding the finance and insurance sector, was 7.0%, (the same as the previous fiscal year). This was 1.8 points higher than that for incorporated enterprises as a whole in Japan (Fig. 8-3).
- By region of origin, Asian affiliates decreased 0.4% from the previous fiscal year to 1.9%, whereas the number of U.S. affiliates decreased 1.5% from the previous fiscal year to 9.2%. European affiliates increased 8.3%, a 1.7% up from the previous fiscal year (Fig. 8-4).

Figure 8-1 Ordinary Profit

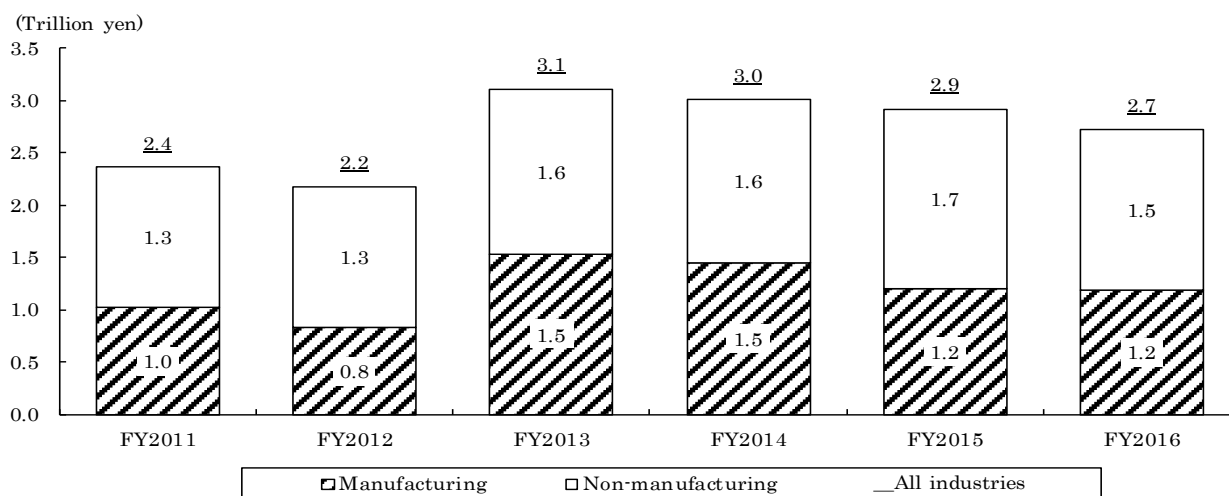


Figure 8-2 Ordinary Profit by Major Industry

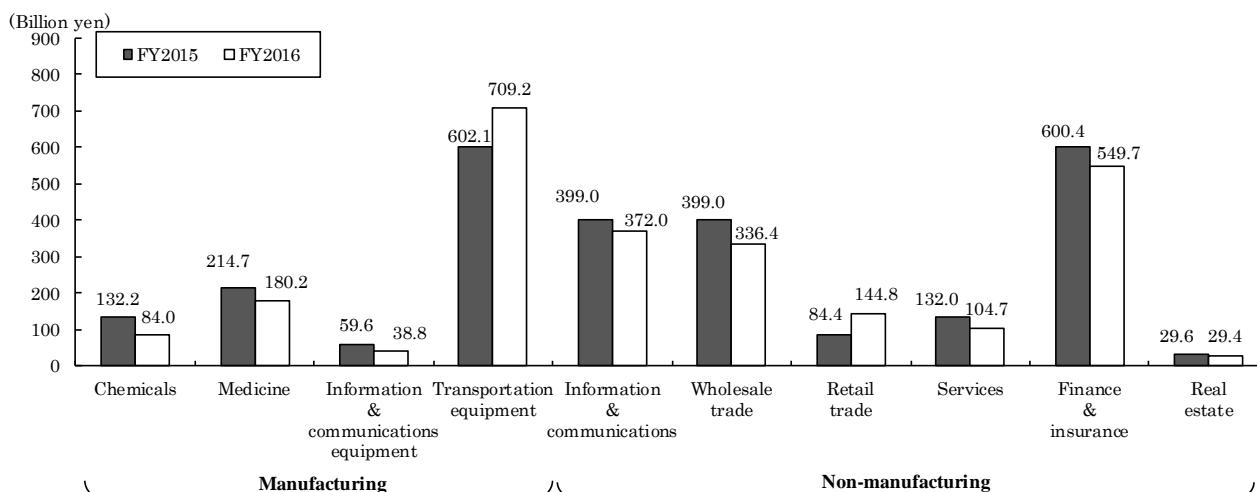
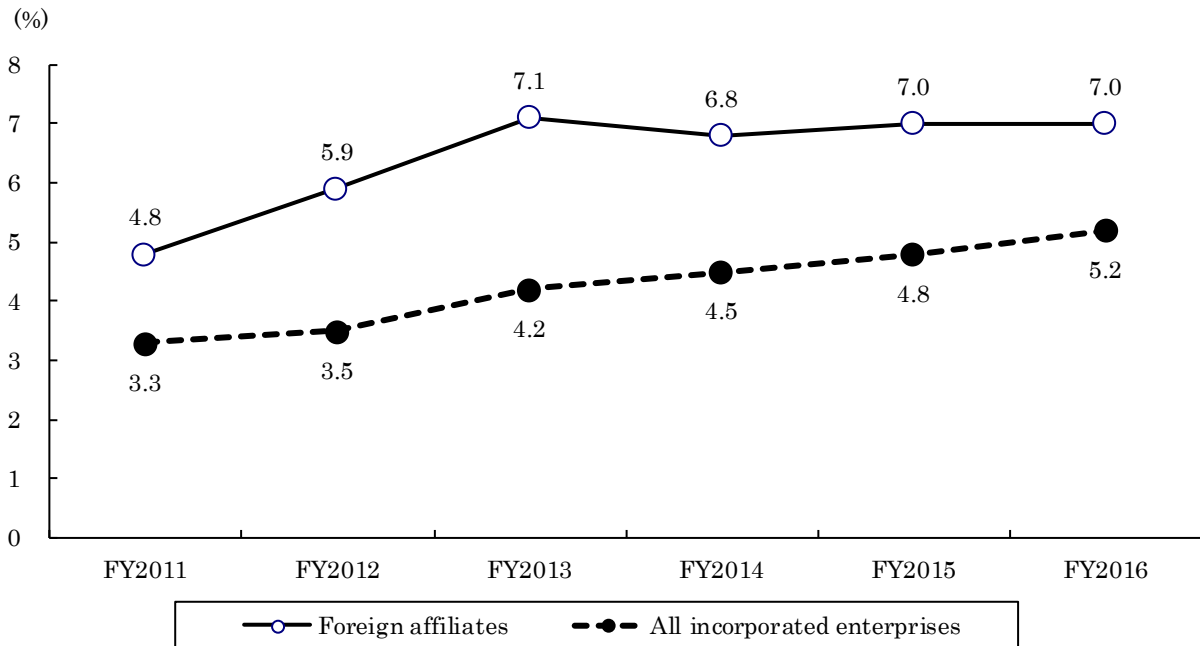


Figure 8-3 Changes in Ordinary Profit to Sales Ratio

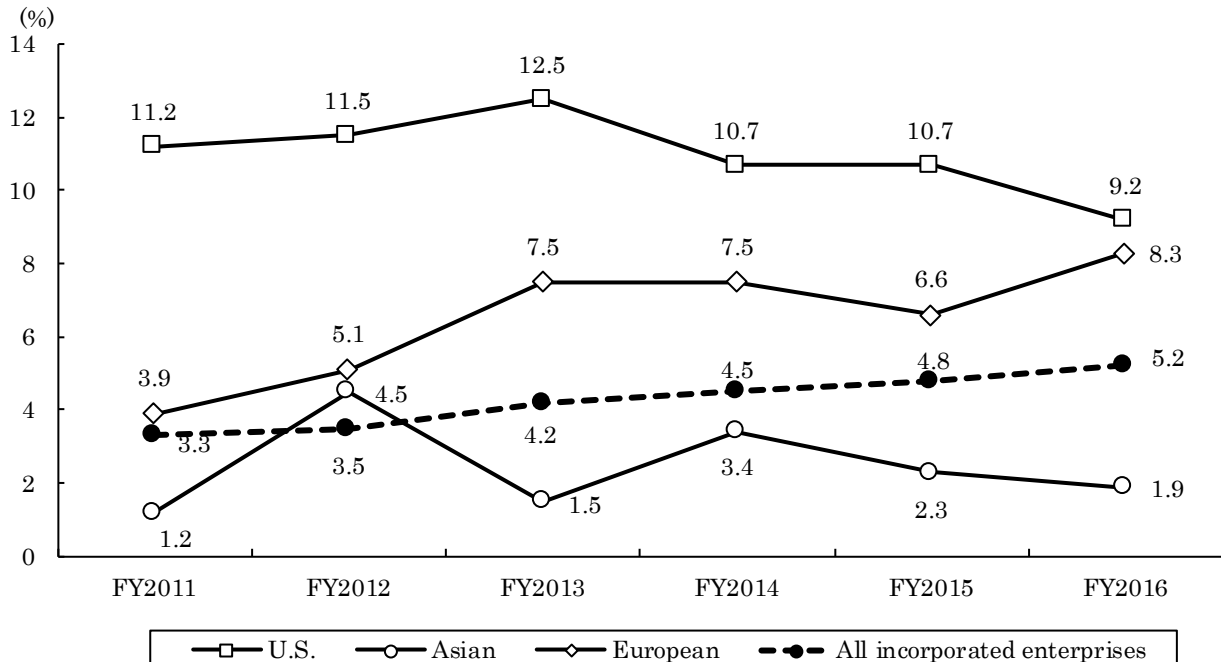


Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

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

(Note 2) All values exclude the values for the finance and insurance 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)

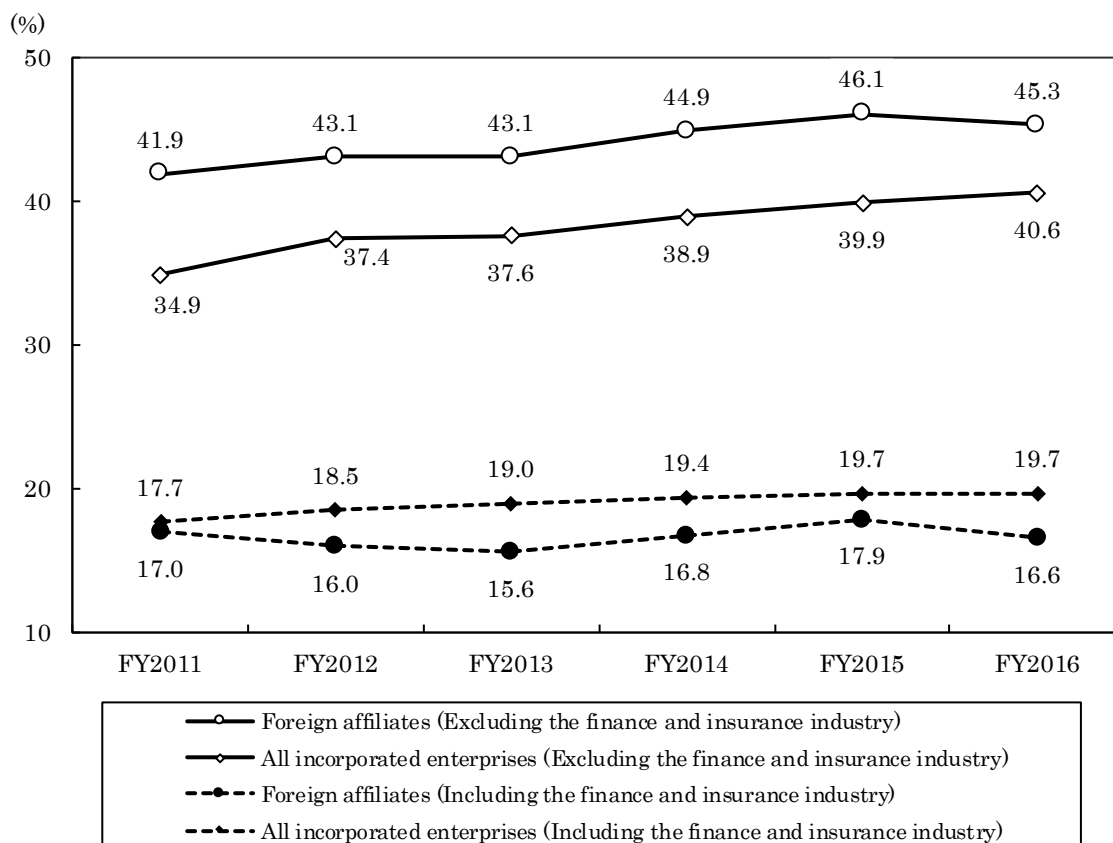
(Note 1) Ordinary profit to sales ratio = Ordinary profit / Sales × 100.0

(Note 2) All values exclude the values for the finance and insurance industry.

9. Equity to total assets ratio

- The ratio of equity to total assets ^(Note) was 16.6%. This was 3.1% points lower than that for incorporated enterprises as a whole (Fig. 9-1).
- The ratio of equity to total assets, excluding the finance and insurance sector, was 45.3%. This was 4.7% points higher than that for incorporated enterprises as a whole in Japan (Fig. 9-1).

Figure 9-1 Equity to Total Assets Ratio



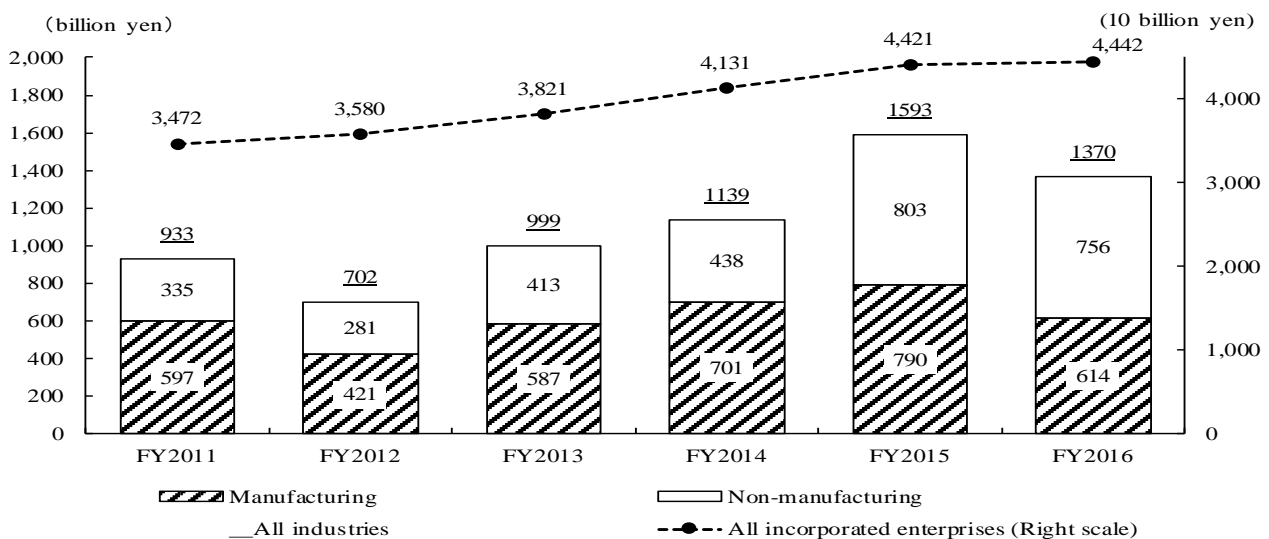
Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

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

10. Capital investment

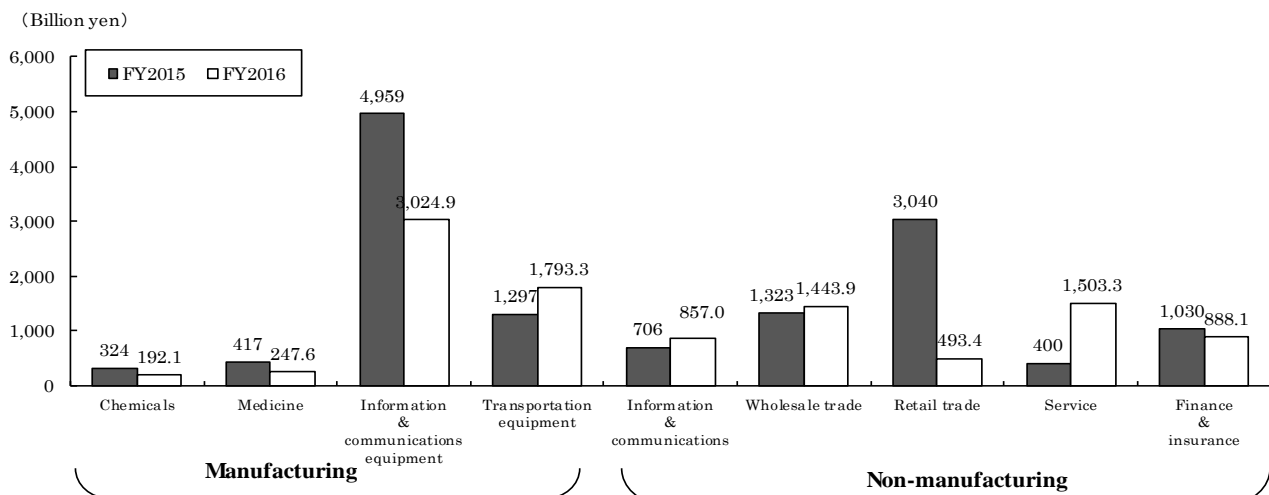
- When limited to companies that responded in both the previous fiscal year and the current fiscal year, the value of capital investment increased 9.9% from the previous fiscal year. The manufacturing sector recorded a 1.1% decrease (id.), and the non-manufacturing sector saw an increase of 27.0% (id.). By industry, in the manufacturing sector, the information and communications equipment sector recorded a decrease of 8.9% (id.). In the non-manufacturing sectors, the service sector recorded an increase of 17.2% (id.).
- Total capital investment was 1.4 trillion yen, a 14.0% decrease from the previous fiscal year. The manufacturing sector recorded a decrease of 22.2% from the previous fiscal year to 614.4 billion yen, and the non-manufacturing sector recorded a decrease of 5.9% (id.) to 755.6 billion yen (Fig. 10-1).
- By industry, in the manufacturing sector, the transportation equipment sector increased 17.8% from the previous fiscal year to 709.2 billion yen. In the non-manufacturing sector, the finance and insurance sector decreased 8.5% (id.) to 549.7 billion yen (Fig. 10-2)
- The proportion of capital investment by foreign affiliates to the total capital investment by all incorporated enterprises in Japan was 3.1% (down by 0.5% from the previous fiscal year) (Fig. 10-1).

Figure 10-1 Capital Investment



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

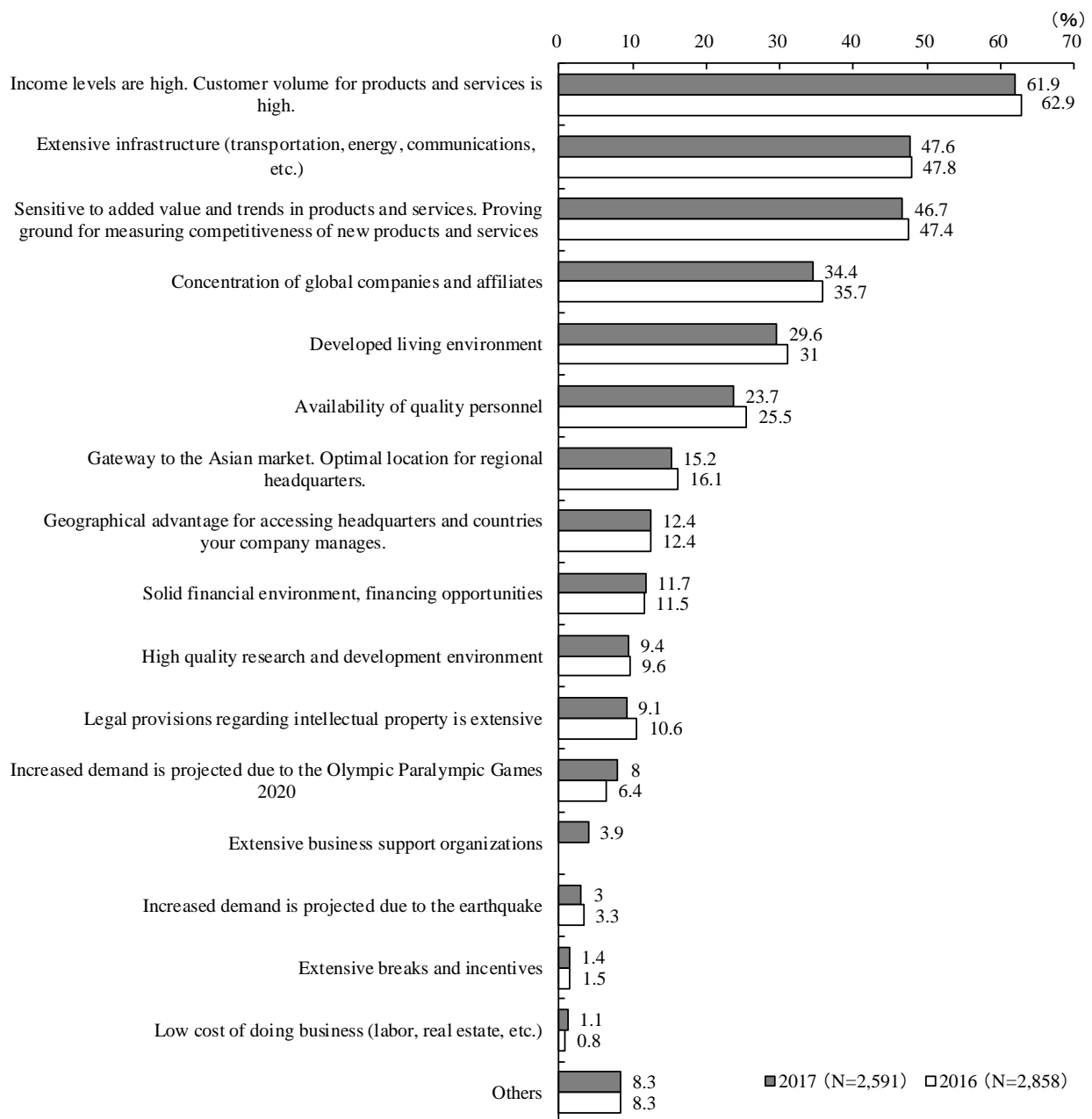
Figure 10-2 Capital Investment by Major Industry



11-1. Attractiveness of business expansion in Japan

- Regarding whether the business environment is attractive for business expansion in Japan, continuing from the previous survey, the top response was “Income levels are high, and customer volume for products and services is high,” accounting for 61.9% of the total.
- About 50% affiliates also said, “There is extensive infrastructure (transportation, energy, communications, etc.)” (a ratio of 47.6%), 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” (46.7%).

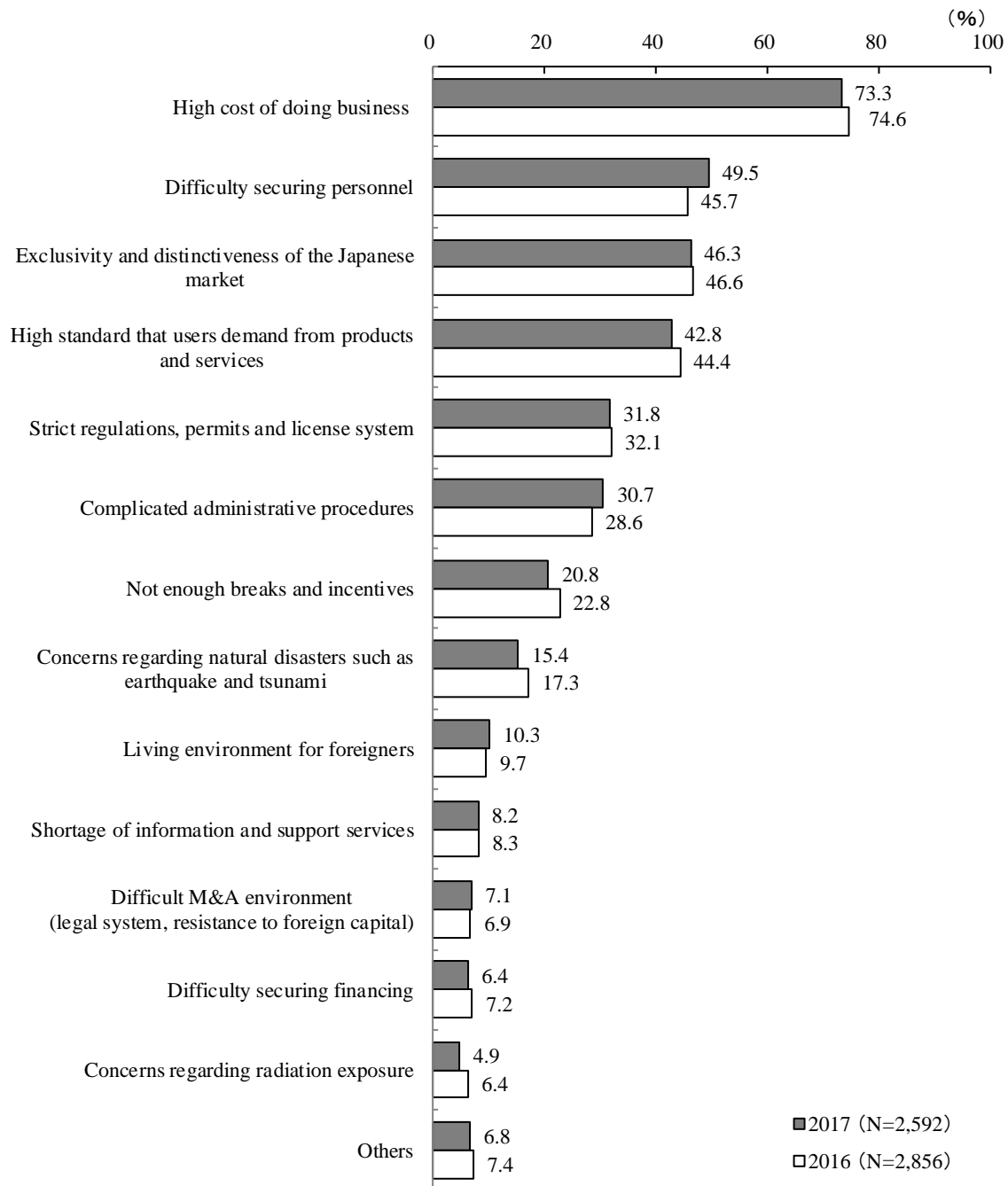
Figure 11-1 Attractiveness of Business Expansion in Japan
(Multiple answers: top 5 responses per company)



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 (73.3%),” down 1.3% from the previous survey.
- “Difficulty securing personnel” (a ratio of 49.5%), up by 3.8% from the previous survey.

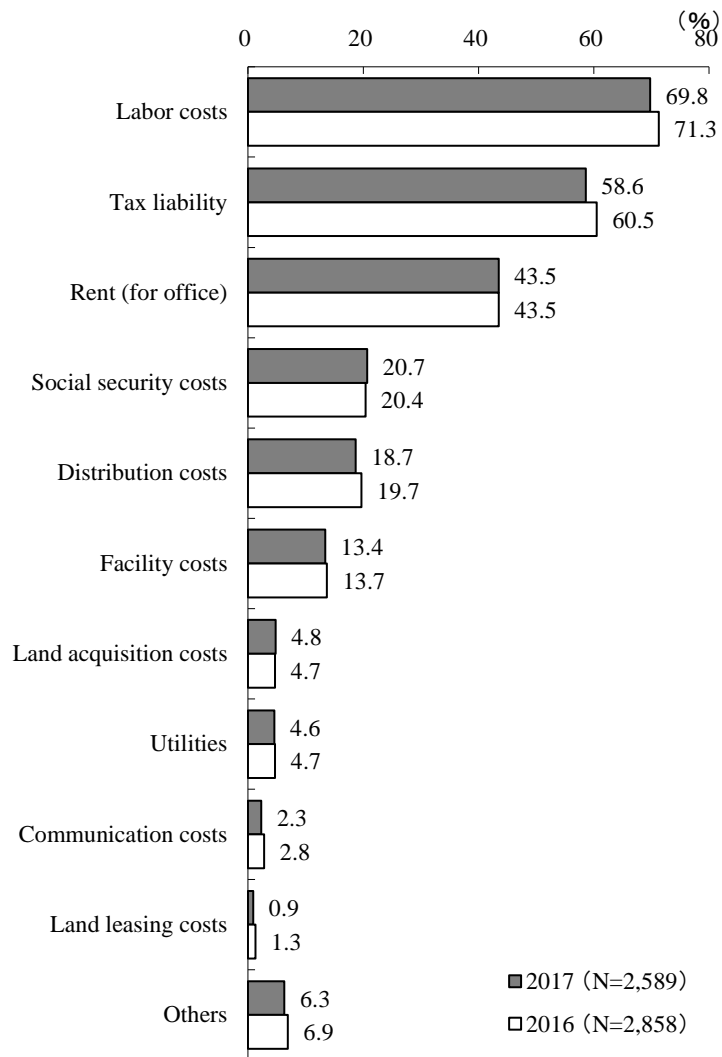
Figure 11-2 Factors Inhibiting Business Expansion in Japan
(Multiple answers: top 5 responses per company)



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

- For inhibiting factors with regard to the cost of doing business in Japan, as with the previous survey, the top answer was “Labor costs” (with a ratio of 69.8%), followed by “Tax liability” (58.6%) and “Rent (for offices)” (43.5%). “Labor costs” was the response of the majority of affiliates, down by 1.5% points from the previous survey.

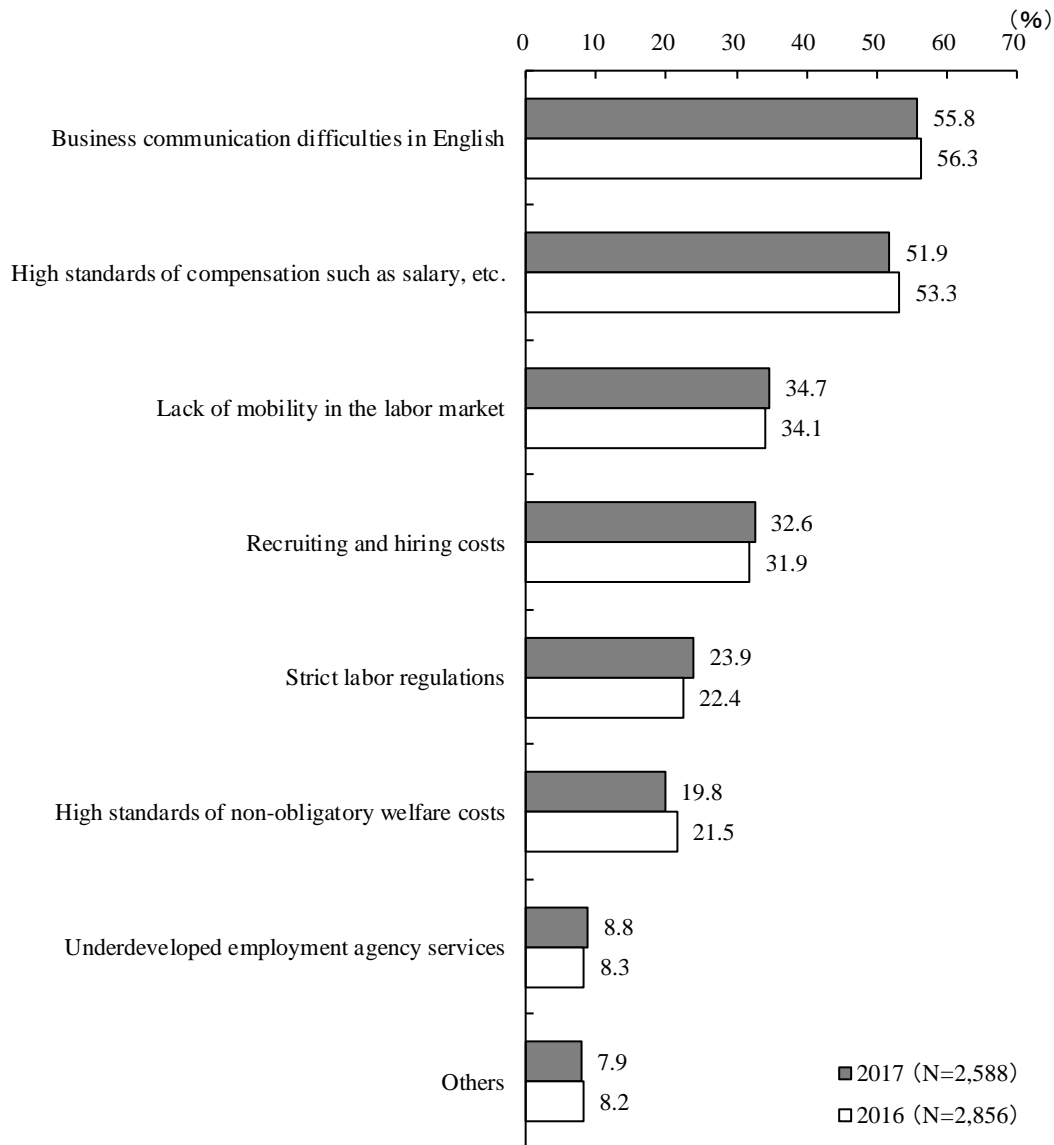
Figure 12 Inhibiting Factors with regard to the Cost of Doing Business in Japan



13-1. Inhibiting factors in securing Japanese personnel

- As for inhibiting factors in terms of securing Japanese personnel, the top answer was “Business communication difficulties in English” (a ratio of 55.8%) (0.5 points down from the previous survey).
- “High standards of compensation, such as salary, etc.” (a ratio of 51.9%), “Lack of mobility in the labor market” (a ratio of 34.17%), “Recruiting and hiring costs” (32.6%), “Strict labor regulations” (23.9%) and “High standards of non-obligatory welfare costs” (19.8%) followed.

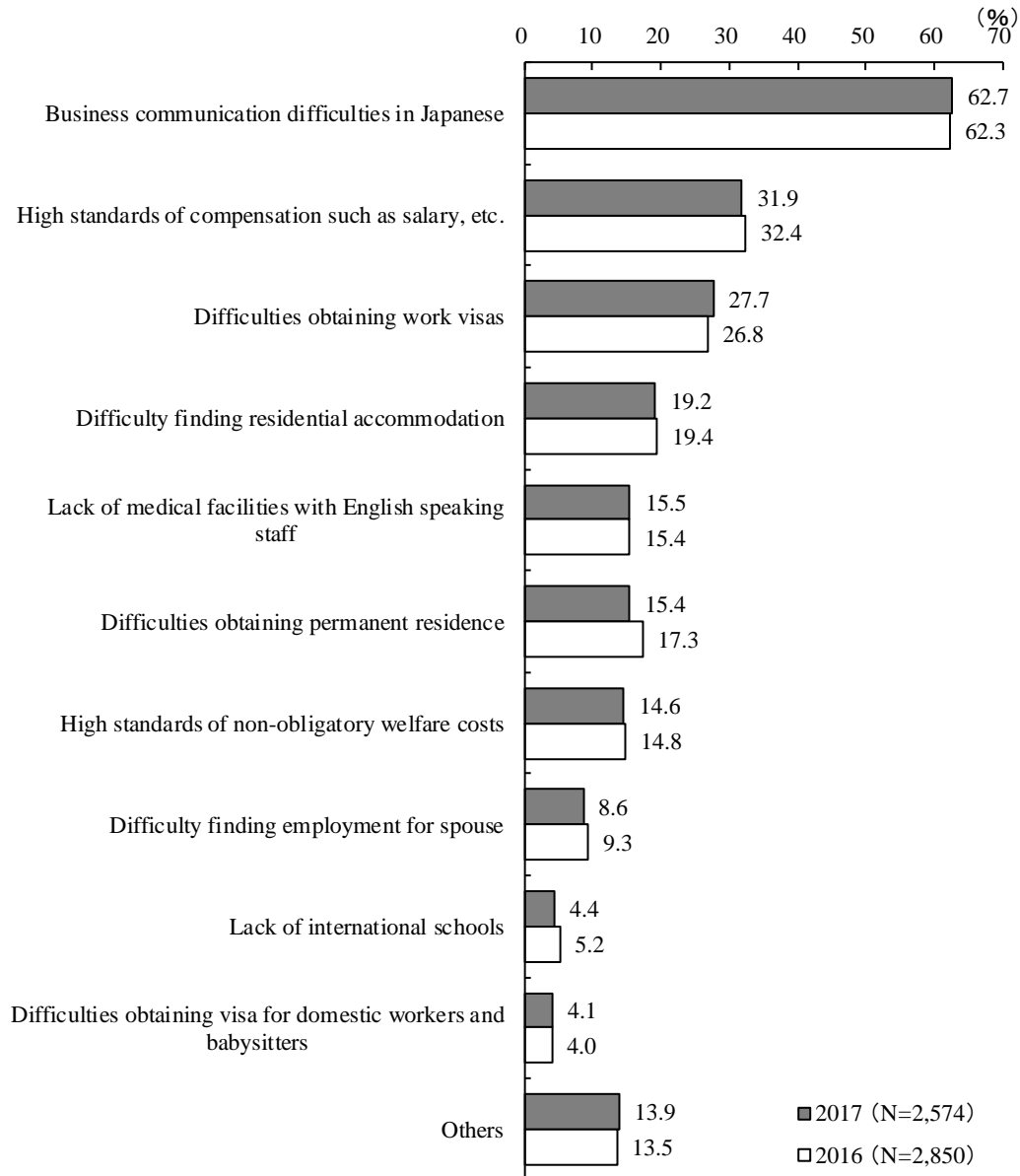
Figure 13-1 Inhibiting Factors in Securing Japanese Personnel
 (Multiple answers: top 3 responses per company)



13-2. Inhibiting factors in securing foreign personnel

- As for inhibiting factors in securing foreign personnel, continuing from the previous survey, the top answer was “Business communication difficulties in Japanese,” (a ratio of 62.7%).
- “High standards of compensation such as salary, etc.” (a ratio of 31.9%), “Difficulties obtaining work visas” (27.7%), and “Difficulty finding residential accommodation” (19.2%) followed.

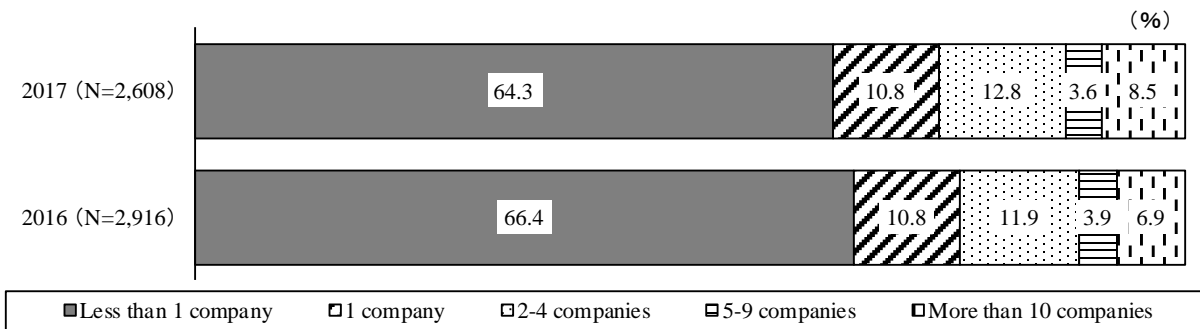
Figure 13-2 Inhibiting Factors in Securing Foreign Personnel
(Multiple answers: top 3 responses per company)



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,” (a ratio of 64.3%), continuing from the previous survey.
- With regard to the affiliates that partnered with Japanese companies, “1 company” accounted for 10.8%, “2–4 companies” accounted for 12.8%, “5–9 companies” accounted for 3.6%, and “More than 10 companies” accounted for 8.5%.

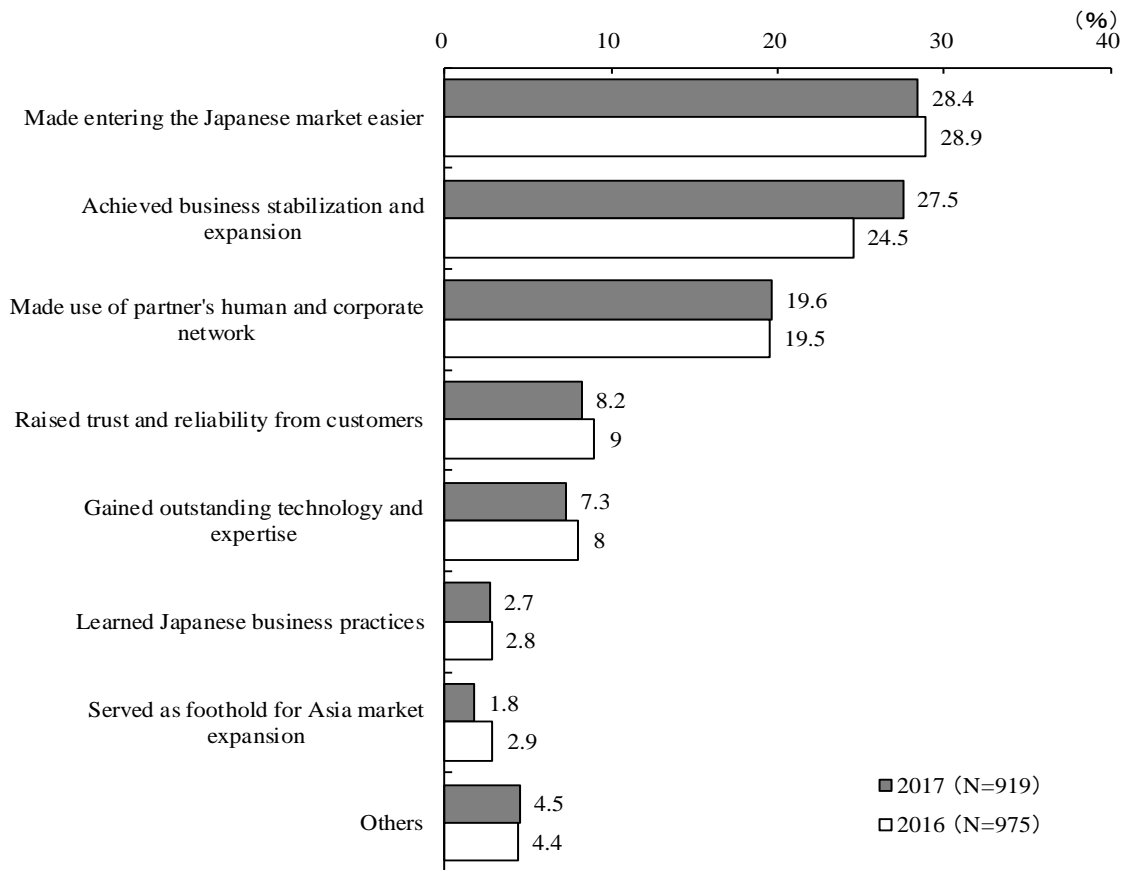
Figure 14-1 Business Partnerships with Japanese Companies



14-2. Advantage of partnering with Japanese companies

- As for the advantage of partnering with Japanese companies, continuing from the previous survey, the top answer was “It made entering the Japanese market easier,” (a ratio of 28.4%), followed by “It achieved business stabilization and expansion” (27.5%), and “Made use of partner’s human and corporate network” (19.6%).

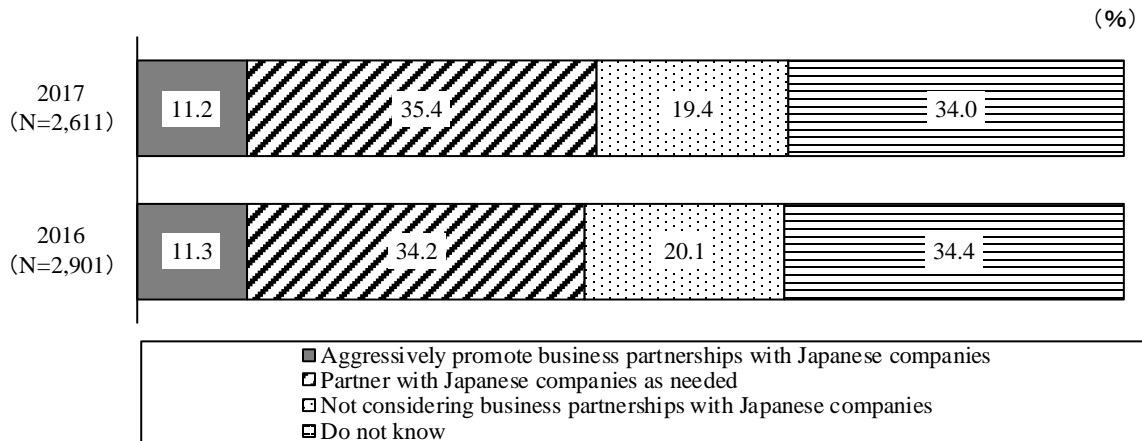
Figure 14-2 Advantage of partnering with Japanese Companies



15. Future plans for business partnerships with Japanese companies

- As for future plans for business partnerships with Japanese companies, continuing from the previous survey, 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 11.2% and “Partner with Japanese companies as needed” accounting for 35.4%.

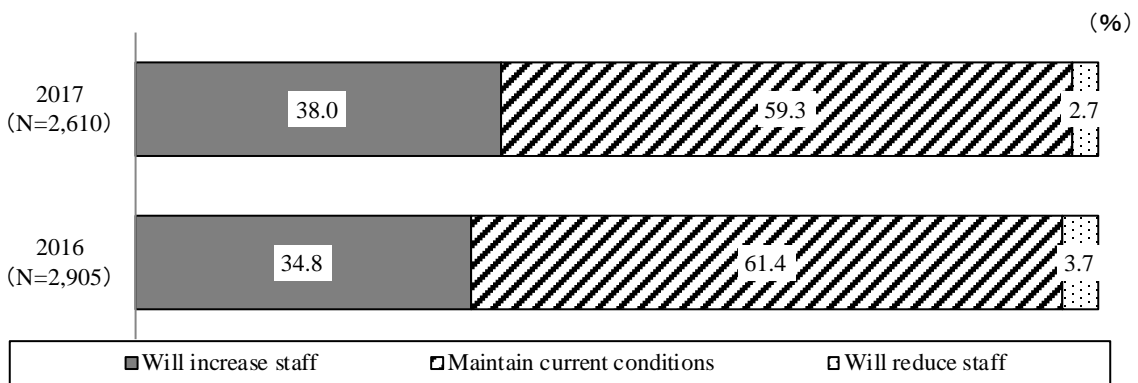
Figure 15-1 Future Plans for Business Partnerships with Japanese Companies



16. Employment outlook for this year

- As for the employment outlook for this year in foreign affiliates, continuing from the previous survey, the top answer was “Maintain current conditions,” accounting for 59.3% of the total, while “Will increase staff” accounted for 38.0% and “Will reduce staff” accounted for 2.7%.

Figure 16-1 Hiring Outlook for This Year



17. Future business expansion in Japan

- As for future business expansion in Japan, continuing from the previous survey, the top answer was “Planning business expansion,” accounting for 57.8% of the total (up by 2.3% points from the previous year), followed by “Maintain current conditions,” accounting for 40.6%.
- Whereas, “Planning to downsize” stood at a ratio of 1.0%, and “Discontinue operations” stood at 0.5%.

Figure 17-1 Future Business Expansion in Japan

