



# 2022 Survey on Business Conditions of Japanese Companies Operating Overseas (Asia and Oceania)

- Business performance continues to recover in ASEAN and Southwest Asia, while China stagnates due to “zero-COVID” policy

Japan External Trade Organisation (JETRO)

Overseas Research Department

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# Key findings of the survey

## 1. The percentage of companies that expect to make a profit in 2022 is 65.6%, increased from the previous year and reached the same level as before the COVID-19.

- ❖ The percentage of companies that expect to generate an operating profits in 2022 increased from the previous year and reached the same level as the 2019 survey. It exceeded 60% in ASEAN, and 70% in India due to reactionally increase in domestic demand from the Covid-19. In contrast, it decreased in China due to "zero COVID" policy.
- ❖ Regarding future business plan in the next one or two years, 50% of companies in ASEAN answered "Expansion", while the percentage was 30% in China, which recorded the lowest level since the 2007 survey. In Myanmar and Sri Lanka, around 30% of companies answered "Reduction".

## 2. Increase in wages and procurement costs weigh on business.

- ❖ 80% of manufacturing companies answered "Increased procurement costs" as a problem on their business. "Increased wages" was also another problem that was commonly answered across all regions and industries.

## 3. The percentage of companies which are already making efforts toward decarbonization or planning to do so is more than 70%, increased significantly from the previous year.

- ❖ 70% of companies recognize decarbonization in the supply chain as a management challenge. Almost 40% of companies are already making efforts toward decarbonization, and when including those planning to do so in the future, the percentage is more than 70%, increased significantly from the previous year. On the other hand, major challenges are difficulty in getting customer acceptance for increased cost, and lack of incentives making companies to fasten decarbonization by the relevant government.

## 4. 60% of companies have problems understanding the contents of human rights in the supply chain.

- ❖ Almost 60% of companies recognise human rights issues in their supply chains as a management challenge, increased from the previous year. On the other hand, only 25% of companies conducted human rights due diligence (DD), and the percentage is less than 40% even when including those planning to do so. 60% of companies answered "understanding the contents of human rights that particularly important for companies" as a challenge of human rights DD efforts.

# Survey summary (1)

(Company, %)

## Purpose of the survey

- To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate these findings widely.

## Survey countries/regions

- Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater, and the branch offices and representative offices of Japanese companies) operating in a total of 20 countries/regions in Northeast Asia(5) and ASEAN countries(9), Southwest Asia(4), and Oceania(2).

## Survey period

- August 22 – September 21, 2022

## Response rate

- Of a total of 14,290 surveys sent out, we received valid responses from 4,392 companies (30.7%). The breakdown of respondents by country and region is shown in the table on the right.

## Notes

- The survey has been conducted since 1987 and this year 36th version.
- Since 2007, the survey has included non-manufacturing sectors.
- The numbers in parentheses in each slide indicate the number of the companies with valid responses.
- Numbers in tables are rounded up, so they do not necessarily added up to 100%.
- Surveys in Taiwan were conducted with the assistance of Japan-Taiwan Exchange Association.

	Companies surveyed	Companies responding		Breakdown		Valid responses
		Number	(%)	Mmanufacturing	Non-manufacturing	
Total	14,290	4,392	100.0	1,962	2,430	30.7
Northeast Asia	2,693	1,323	30.1	569	754	49.1
China	1,539	720	16.4	410	310	46.8
Hong Kong and Macau	468	286	6.5	52	234	61.1
Taiwan	542	232	5.3	76	156	42.8
South Korea	144	85	1.9	31	54	59.0
ASEAN	9,841	2,486	56.6	1,154	1,332	25.3
Vietnam	1,816	603	13.7	309	294	33.2
Thailand	2,853	538	12.2	300	238	18.9
Singapore	1,084	404	9.2	91	313	37.3
Indonesia	1,788	368	8.4	196	172	20.6
Malaysia	943	224	5.1	120	104	23.8
Philippines	515	153	3.5	85	68	29.7
Myanmar	470	95	2.2	15	80	20.2
Cambodia	290	77	1.8	26	51	26.6
Laos	82	24	0.5	12	12	29.3
Southwest Asia	1,322	408	9.3	195	213	30.9
India	982	273	6.2	136	137	27.8
Bangladesh	214	74	1.7	29	45	34.6
Pakistan	66	40	0.9	22	18	60.6
Sri Lanka	60	21	0.5	8	13	35.0
Oceania	434	175	4.0	44	131	40.3
Australia	298	128	2.9	29	99	43.0
New Zealand	136	47	1.1	15	32	34.6

# Survey summary (2)

## By industry (manufacturing)

	(Company, %)	
	Valid response	(%)
<b>Manufacturing Total</b>	<b>1,962</b>	<b>44.7</b>
Transport equipment parts	280	6.4
Iron/Nonferrous metals/Metals	265	6.0
Electrical machinery parts/Electronic device parts	189	4.3
Chemicals/Medicine	168	3.8
General machinery	153	3.5
Electrical and electronic equipment	123	2.8
Food	120	2.7
Plastic products	119	2.7
Textiles/ Textiles apparel	114	2.6
Rubber/Ceramic/Stone and clay product	83	1.9
Paper/Wood products/Printing	74	1.7
Transport equipment	70	1.6
Precision machinery/Medical equipment	66	1.5
Other manufacturing	138	3.1

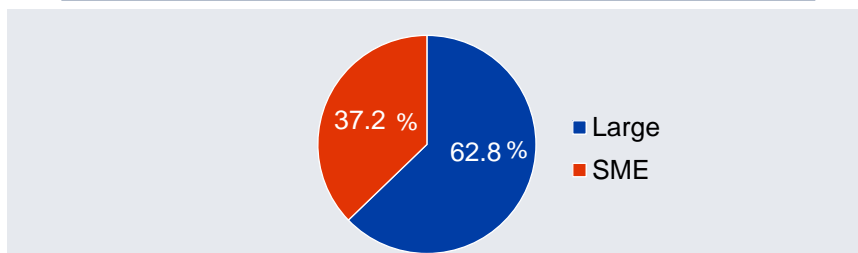
## By industry (non-manufacturing)

	(Company, %)	
	Valid response	(%)
<b>Non-manufacturing Total</b>	<b>2,430</b>	<b>55.3</b>
Trading/ Wholesale	534	12.2
Sales companies	419	9.5
Transport/ Warehouse	272	6.2
Construction	235	5.4
Information and communications	222	5.1
Business services	186	4.2
Finance/ Insurance	181	4.1
Real estate agencies/ Real estate lessors	79	1.8
Mining/ Energy	50	1.1
Travel/ Amusement	49	1.1
Retail	45	1.0
Restaurant	27	0.6
Education/ Medical	26	0.6
Agriculture, forestry and fisheries	12	0.3
Other non-manufacturing	93	2.1

## By country/region

	(Company)	
	Large	SME
<b>Total</b>	<b>2,758</b>	<b>1,634</b>
<b>Northeast Asia</b>	<b>902</b>	<b>421</b>
China	451	269
Hong Kong and Macau	202	84
Taiwan	182	50
South Korea	67	18
<b>ASEAN</b>	<b>1,406</b>	<b>1,080</b>
Vietnam	312	291
Thailand	212	326
Singapore	297	107
Indonesia	246	122
Malaysia	143	81
Philippines	85	68
Myanmar	60	35
Cambodia	37	40
Laos	14	10
<b>Southwest Asia</b>	<b>311</b>	<b>97</b>
India	219	54
Bangladesh	44	30
Pakistan.	36	4
Sri Lanka	12	9
<b>Oceania</b>	<b>139</b>	<b>36</b>
Australia	111	17
New Zealand	28	19

## Large/small and medium-sized enterprises (SME)



(Note 1) Company size refers to the size of the Japanese headquarters (parent company).

(Note 2) The definition of SMEs here is based on the provisions of Japanese Small and Medium-sized Enterprise Basic Act.

# Survey summary (3)

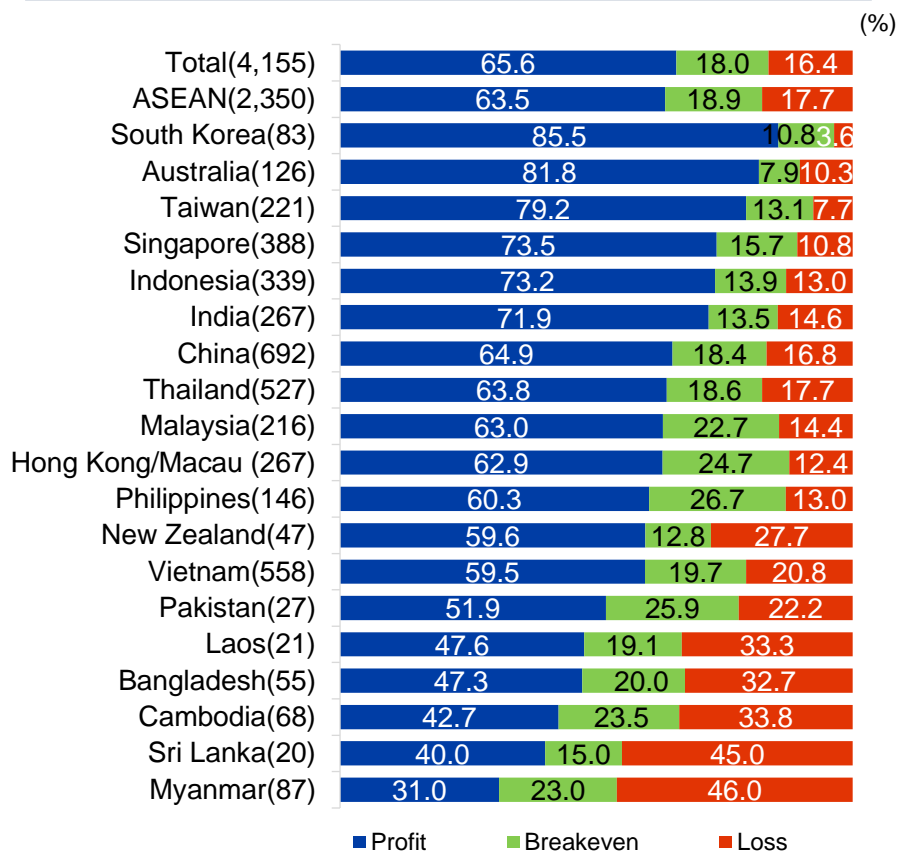
(Note) Industry category details on the previous page as follows:

Number	Major group	Group	Number	Major group	Group
1	Food	Food/processed food, agricultural or fishery products	16	Mining/Energy	Mining Electricity/gas/heat supply/water supply
2	Textiles/Textile apparel	Textiles (Spun fabrics/Woven fabrics/Chemical fibers) Textile apparel/Textile products (including footwear, gloves, leather products, sewn products)	17	Construction	Construction/plant/engineering
3	Paper/Wood products/Printing	Lumber/Wood products, Furniture/Interior/Fixtures, Paper/Pulp, Printing/Publishing	18	Transport/Warehouse	Transport/warehousing
4	Chemicals/Medicine	Chemicals/Petroleum products, Medicines	19	Information and communications	Communications/IT/software/information systems/digital service BPO (Business Process Outsourcing) Media/mass media/content Advertising/marketing/research
5	Plastic products	Plastic products	20	Trading/Wholesale	Trading companies, Wholesale
6	Rubber/Ceramic/Stone and clay products	Rubber products Ceramic/Stone and clay products	21	Retail	Retail
7	Iron/Nonferrous metals/Metals	Iron and steel (including cast and wrought products) Nonferrous metals Fabricated metal products (including plated products)	22	Sales companies	Sales companies
8	General machinery	General-purpose machinery (including machines for general use, for production, machine tools/agricultural machinery and construction machinery/molds and machine tools)	23	Finance/Insurance	Banks Non-banks (Insurance/securities brokerage/credit card/leasing, etc.)
9	Electrical machinery/Electronic devices	Electrical machinery/Electronic devices Information and communication electronics equipment/Office machines	24	Real estate agencies/Real estate lessors	Real estate, Building and facility management/air conditioning/security/cleaning, Rental
10	Electrical machinery parts/ Electronic device parts	Electrical machinery parts/Electronic device parts	25	Business services	Consulting Professional services such as legal, accounting, and tax affairs Holding/managing company Design/architectonics Repair/maintenance/inspection and analysis Recruiting/temporary staffing
11	Precision machinery/Medical equipment	Precision instruments (Analytical instruments/Optical instruments and apparatus, etc.) Medical equipment	26	Travel/Amusement	Hotel/travel Amusement/living-related and personal services (including events, sports facilities and hair-dressing/beauty salons)
12	Transport equipment	Transportation equipment (Motor vehicles/motorcycles) Transportation equipment (Railroad vehicles/ships/aircraft/industrial trucks)	27	Restaurant	Restaurants
13	Transport equipment parts	Transportation equipment parts (Motor vehicles/motorcycles) Transportation equipment parts (Railroad vehicles/ships/aircraft/transportation vehicles)	28	Education/Medical	Education/research institutions Medical/welfare/health care
14	Other manufacturing	Daily necessities/stationery/sundries Miscellaneous manufacturing industries	29	Other non-manufacturing	Other
15	Agriculture, forestry and fisheries	Agriculture, forestry and fisheries			

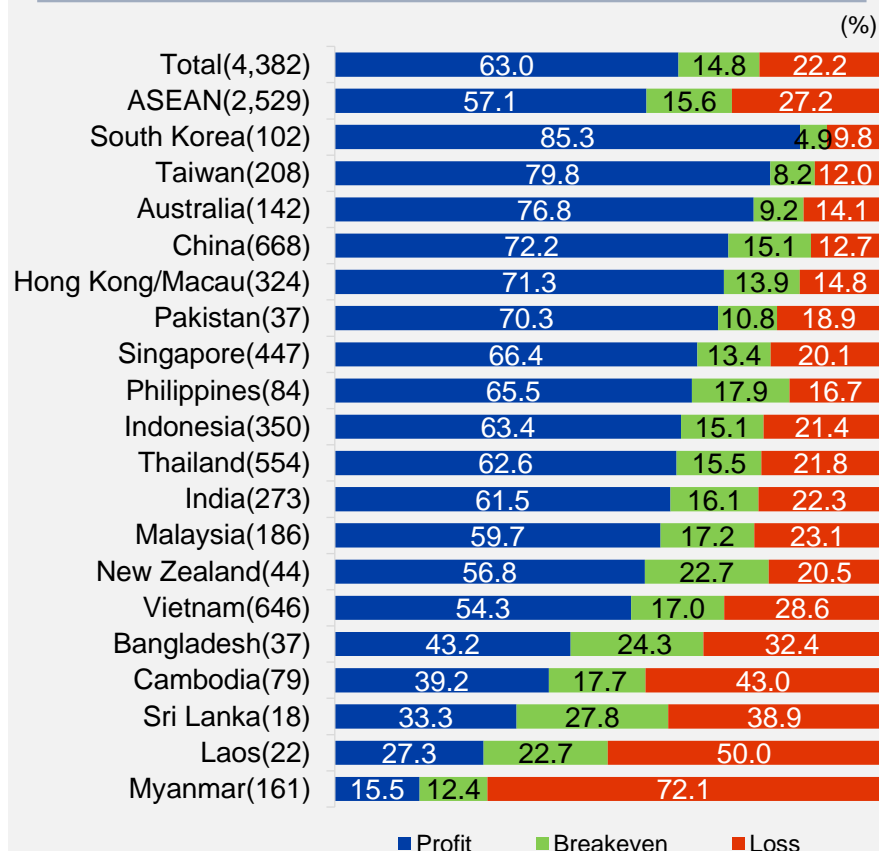
# 1 | Percentage of profitable companies rose, while fell in China and Pakistan

- The percentage of companies that expect to generate an operating profits in 2022 was 65.6%, increased 2.6 points from the 2021 survey(63.0%). The percentage of companies that expect an operating loss was 16.4%, down 5.8 points from the 2021 survey(22.2%).
- By country/region, the percentage of profitable companies in ASEAN increased by 6.4 points from the 2021 survey. In India, the percentage increased by 10.4 points. On the other hand, China and Pakistan saw a decrease in the proportion of profitable companies and an increase in the proportion of loss-making companies.

**Operating profit forecast for 2022  
(by country/region)**



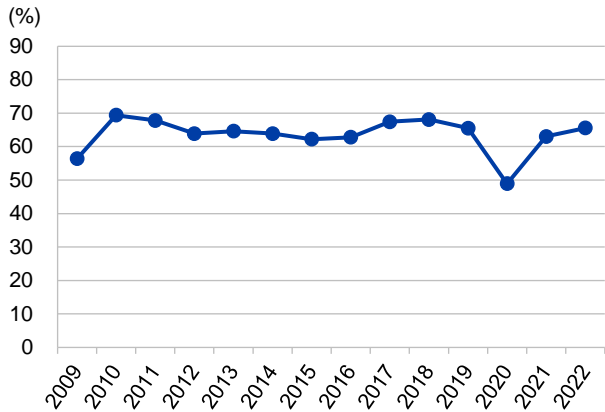
**(Ref.) Previous year's survey:  
Operating profit forecasts for 2021 (by country/region)**



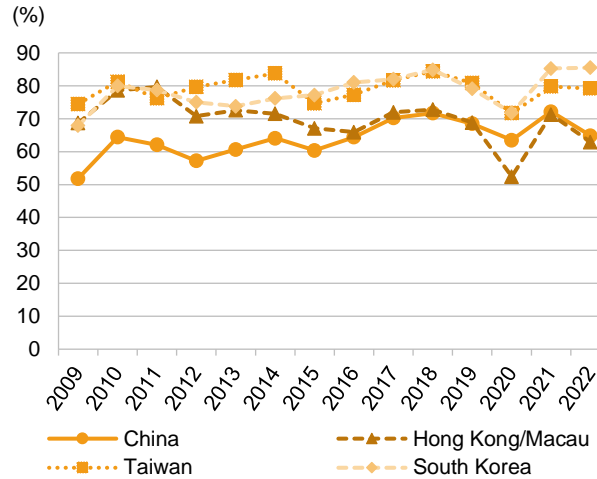
# 2 | Percentage of profitable companies returned to the level in 2019, before COVID-19 pandemic

Changes in the percentage of profitable companies - 2009-2022 (by country/region)

## Total

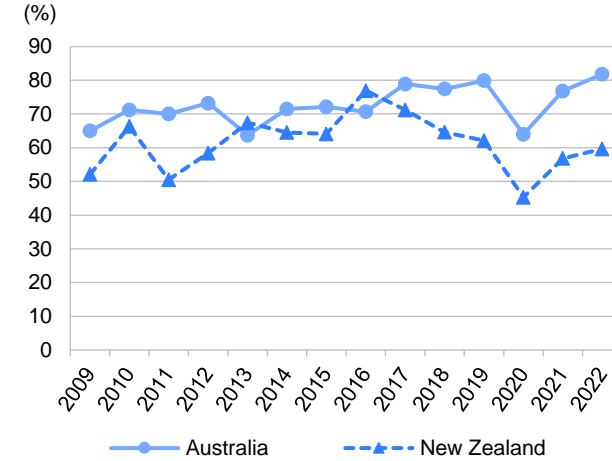


## Northeast Asia

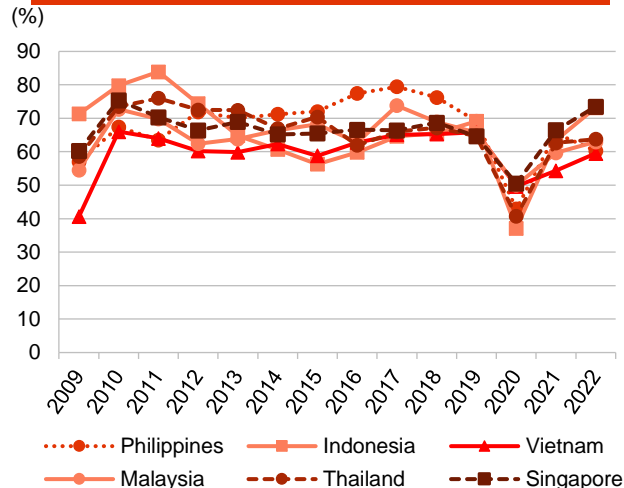


(Note) Hong Kong/Macau in 2009-2010 do not include Macau.

## Oceania

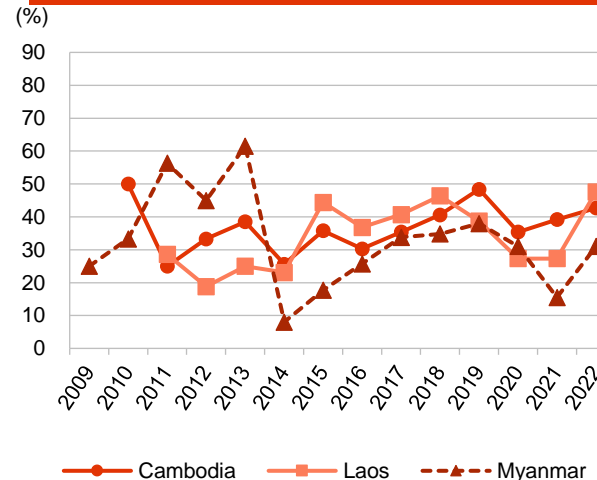


## ASEAN6

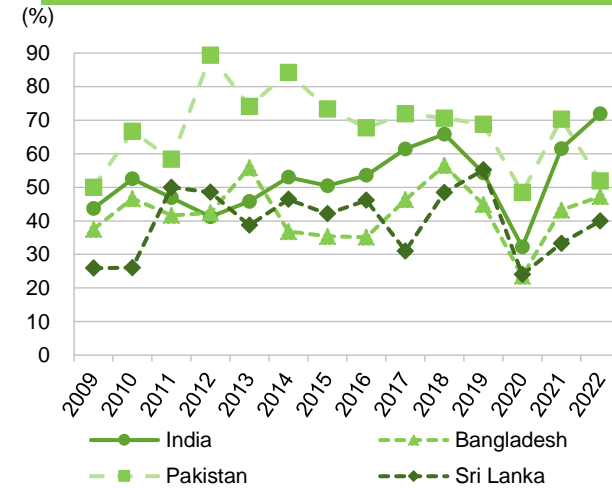


(Note) Cambodia and Laos have been included in the survey since 2010 and 2011, respectively.

## ASEAN (CLM)



## Southwest Asia

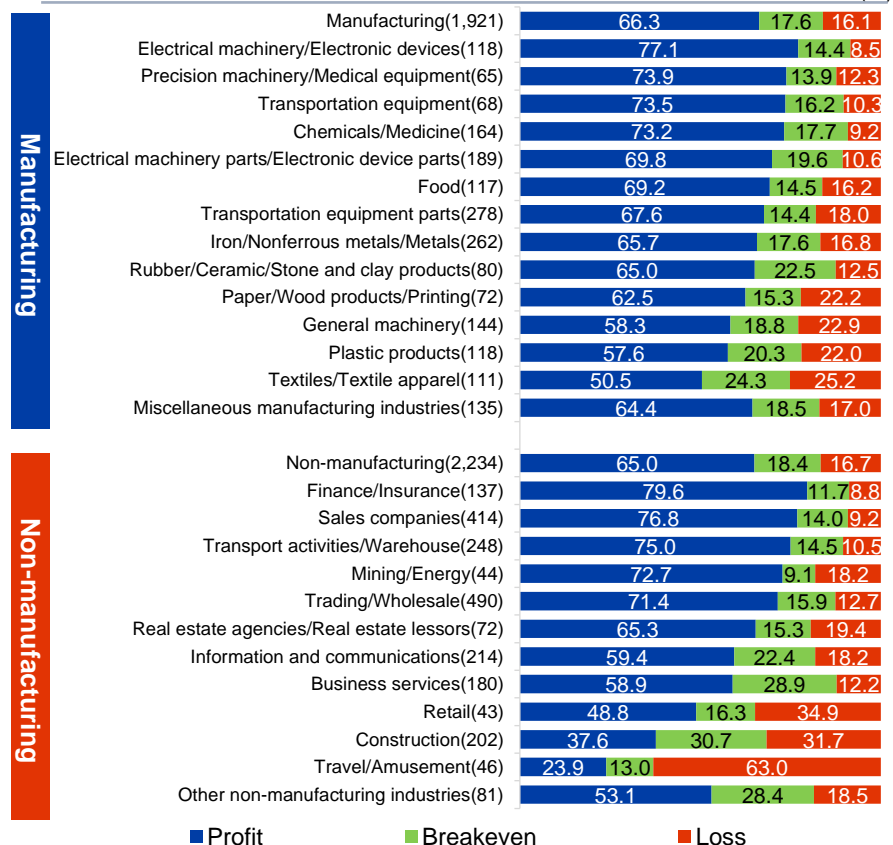




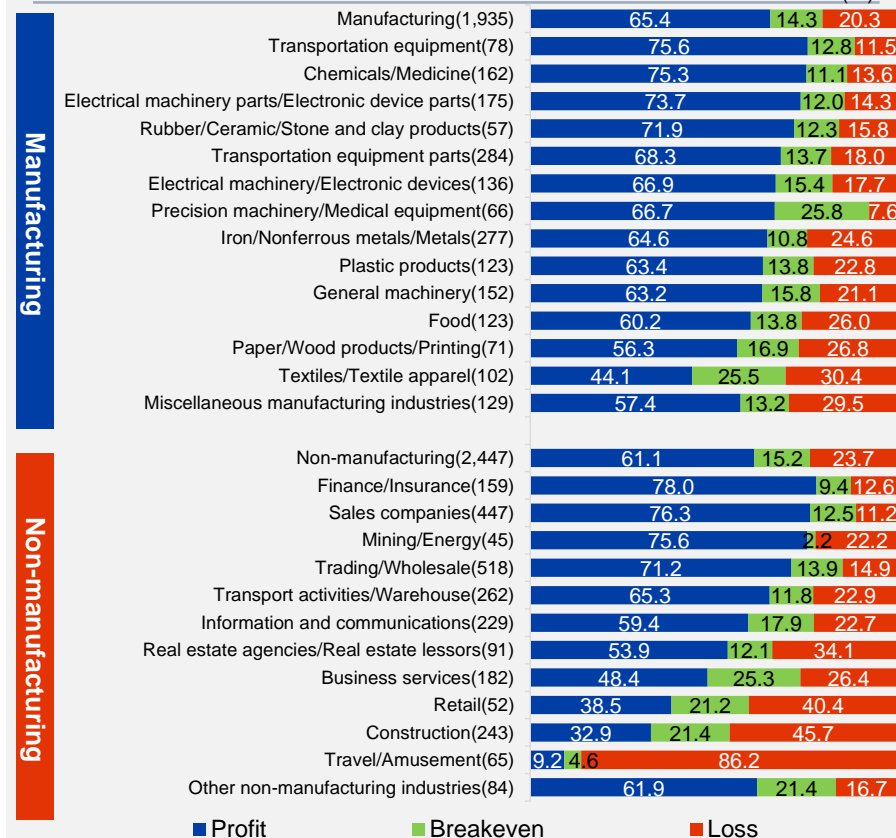
# 3 Percentage of profitable companies rose in both manufacturing and non-manufacturing sectors

- By industry sector, the percentage of profitable companies in manufacturing sector was 66.3% while 65.0% in non-manufacturing sector, increased 0.9 and 3.9 points respectively compared to the 2021 survey. The percentage of loss-making companies in the manufacturing sector was 16.1% while 16.7% in the non-manufacturing sector, down 4.2 and 7.0 points respectively.
- Regarding the manufacturing sector, the percentage of profitable companies in the food industry especially increased by 9.0 points compared to the 2021 survey. Regarding the non-manufacturing sector, the percentage of profitable companies in travel/amusement, real estate, business services and retail respectively increased by more than 10 points.

**Operating profit forecast for 2022 (by industry)**



**(Ref.) Previous year's survey: Operating profit forecast for 2021 (by industry)**

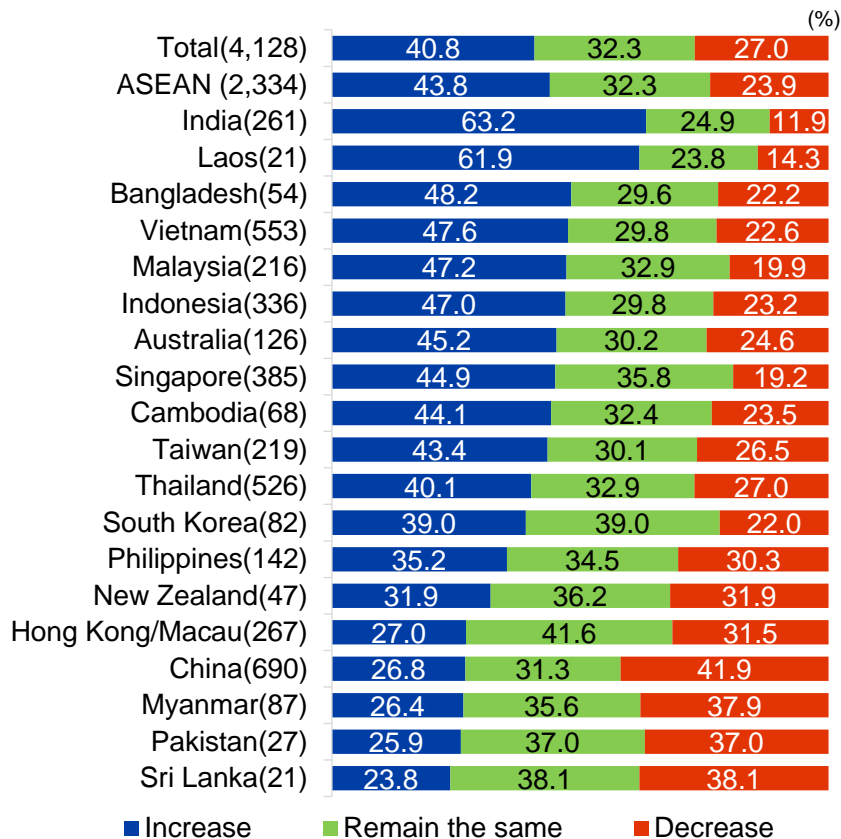


(Note) Industry sectors with at least 35 valid responses.

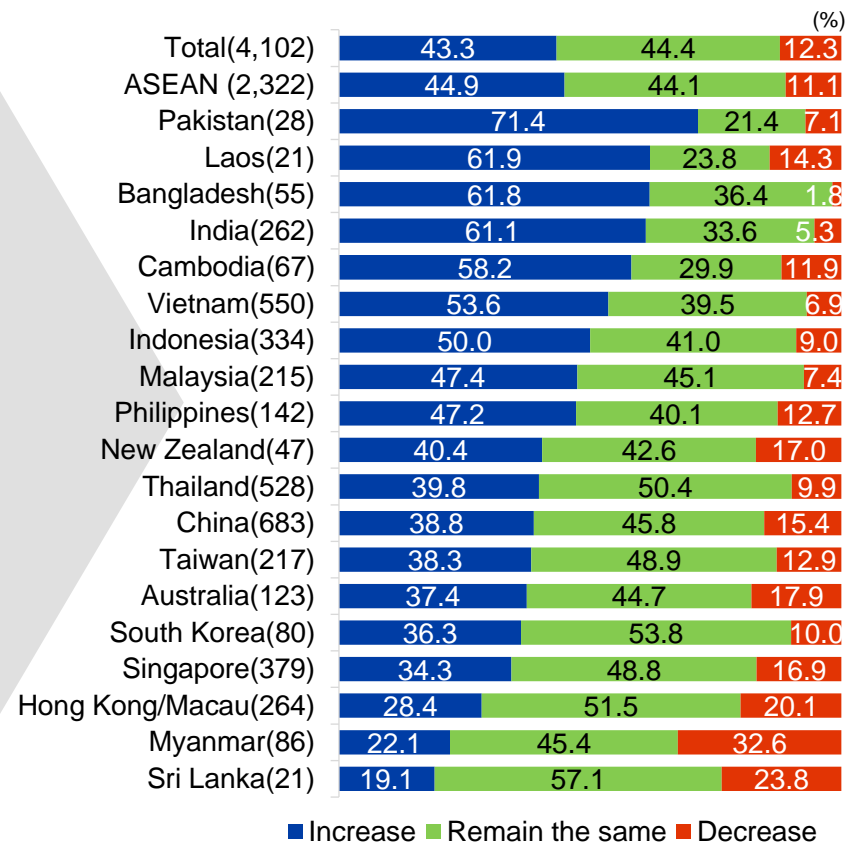
# 4 | Over 40% companies expected 'increase' in operating profit, while stalled compared to the 2021 survey

- 40.8% of companies answered that their operating profit for 2022 (compared to 2021) would "Increase", down 2.9 points from the 2021 survey (43.7%). The percentage of companies that answered that their profit would "Decrease" was 27.0%, increased 3.1 points from the 2021 survey (23.9%). By country/region, the percentage of "Increase" rose in ASEAN.
- Regarding the operating profit forecast for 2023, 43.3% of companies expected "Increase", down 4.3 points from the 2021 survey (47.6%), while 12.3% expected "Decrease", increased 2.2 points from the 2021 survey (10.1%).

**Operating profit forecast for 2022  
(by country/region, compared to 2021)**

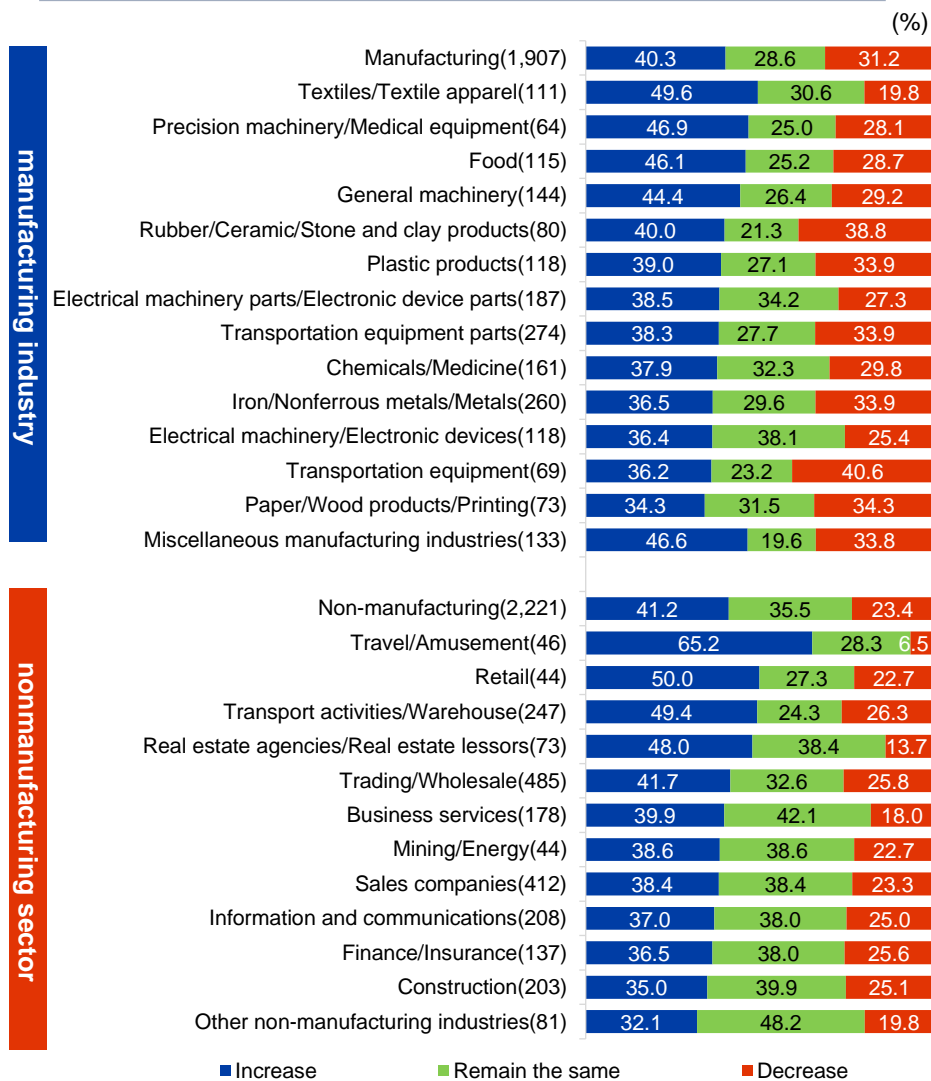


**Operating profit forecast for 2023  
(by country/region, compared to 2022)**

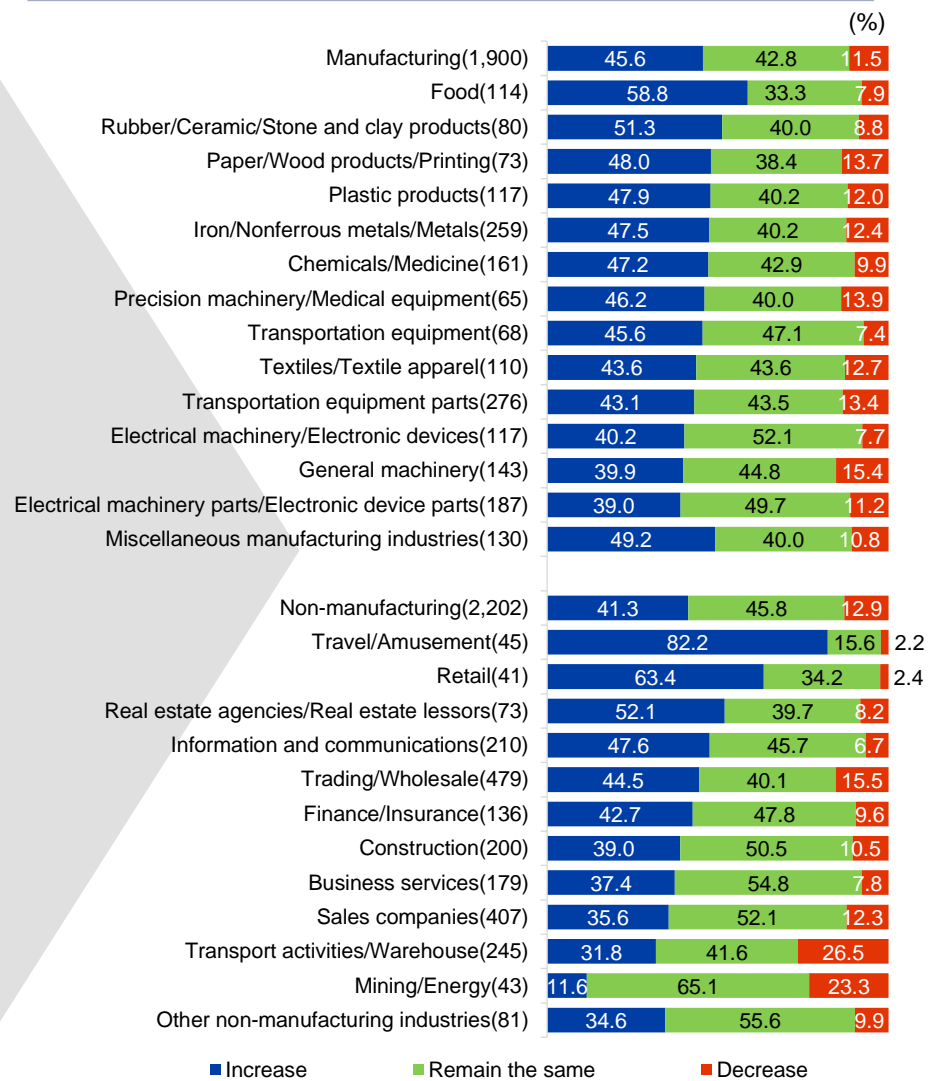


# 5 | Operating profit especially in travel/amusement and retail industries improved

Operating profit forecast for 2022 (compared to 2021, by sector)



Operating profit forecast for 2023 (compared to 2022, by sector)

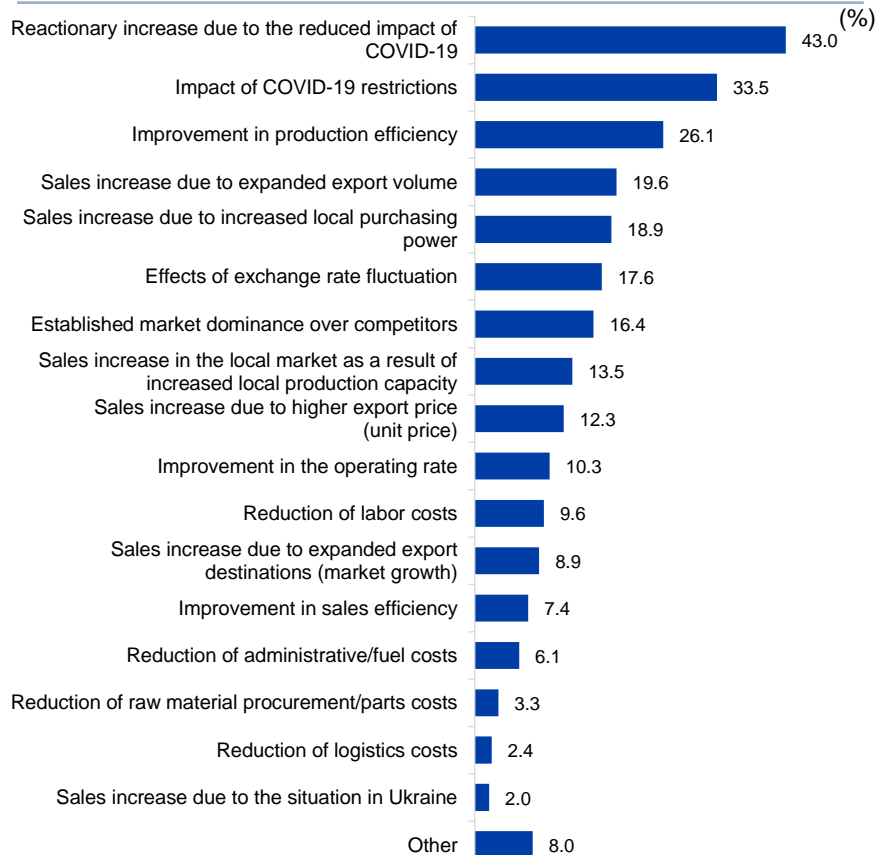


(Note) Industry sectors with at least 30 valid responses.

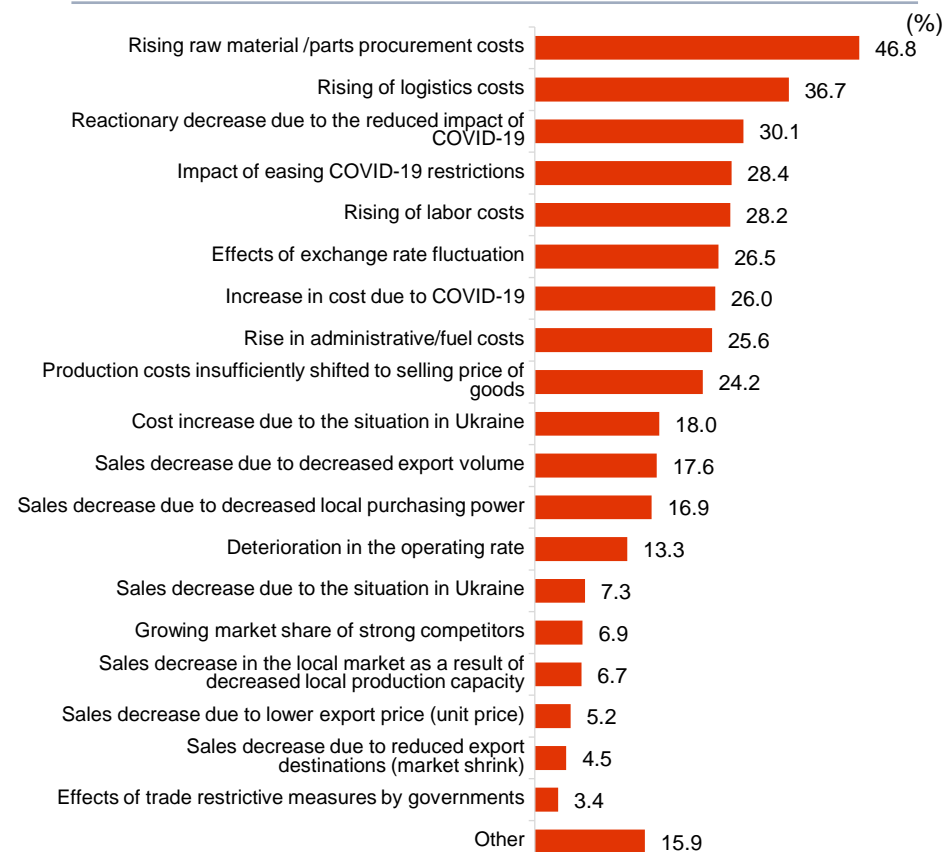
## 6 | Rising costs remain burden for 2022

- Recovery from the impact of COVID-19 was the top reason for increased operating profit forecast for 2022. 43.0% of companies answered their operating profit for 2022 would increase cited “Reactionary increase due to the reduced impact of COVID-19”, and 33.5% cited “Impact of COVID-19 restrictions”.
- The most reasons for the deterioration were related to rising costs. In particular, 46.8% of companies, close to half of the respondents answered their operating profit for 2022 would decrease, cited ‘Rising raw material /parts procurement costs’.

**Reasons for increased operating profit forecast for 2022 (multiple answers)**



**Reasons for decreased operating profit forecast for 2022 (multiple answers)**

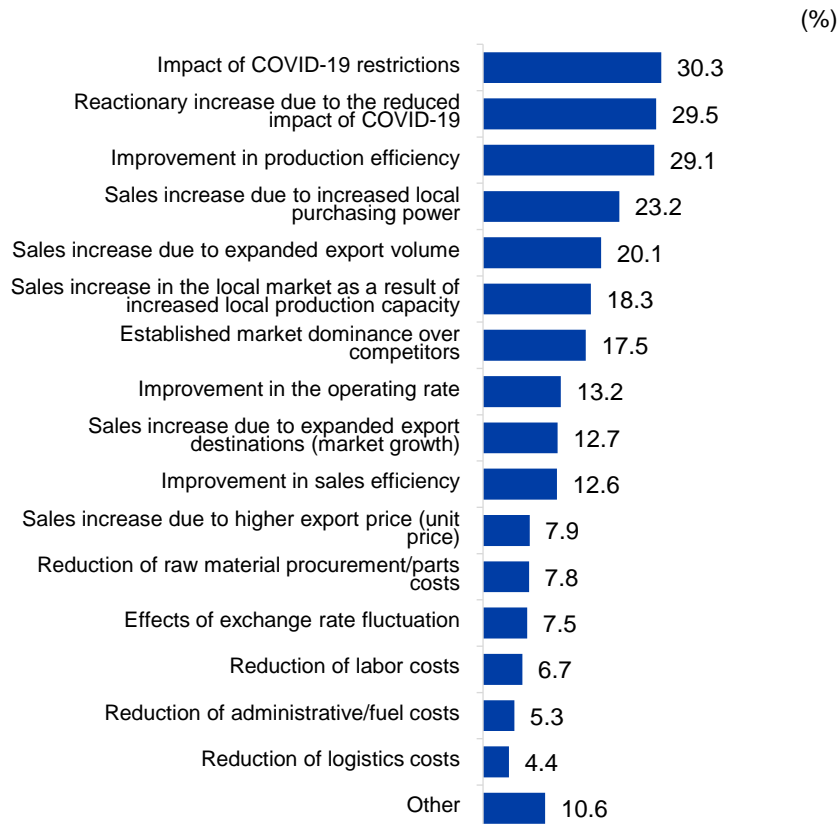


(Note) 1,663 companies responded to the question 'Reasons for increased operating profit forecast for 2022', of which 760 were in the manufacturing sector. 1,102 companies responded to the question 'Reasons for decreased operating profit forecast for 2022'. Items of reasons with at least 30 valid responses.

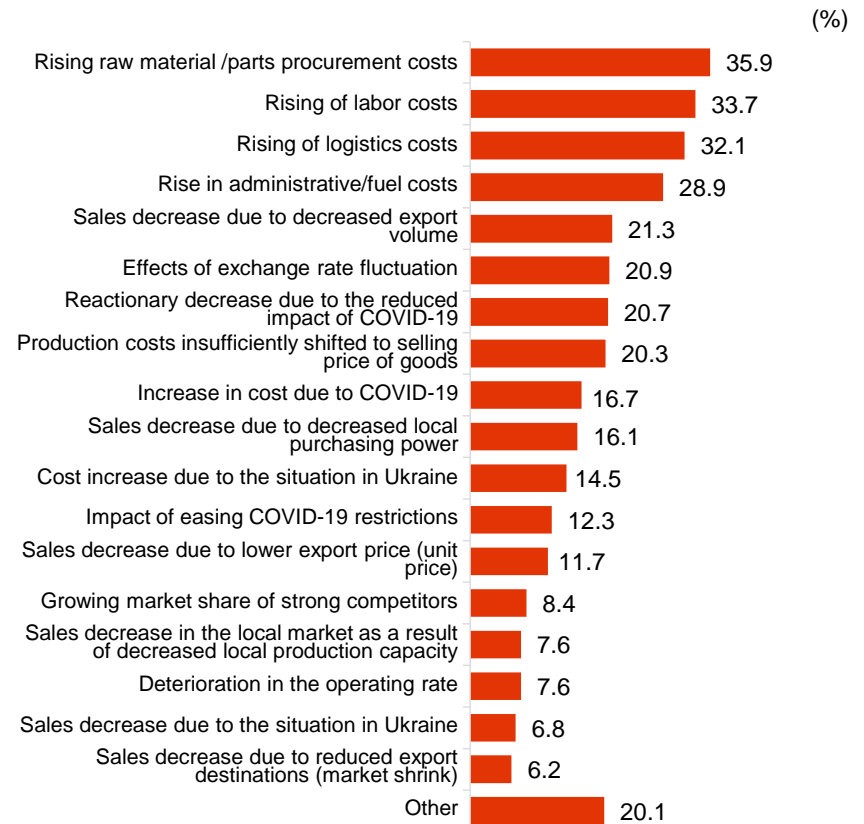
# 7 | Recovery from COVID-19 impact is expected, while rising costs are still challenging for 2023

- The top reasons for increased operating profit forecast for 2023 was related to the recovery from the impact of COVID-19 as well as 2022.
- The most reasons for decreased operating profit forecast for 2023 was related to rising costs as well as 2022. Rising of raw material /parts procurement costs, labor costs, logistics costs, administrative/fuel costs were expected to remain burden in 2023.

## Reasons for increased operating profit forecast for 2023 (multiple answers)



## Reasons for decreased operating profit forecast for 2023 (multiple answers)

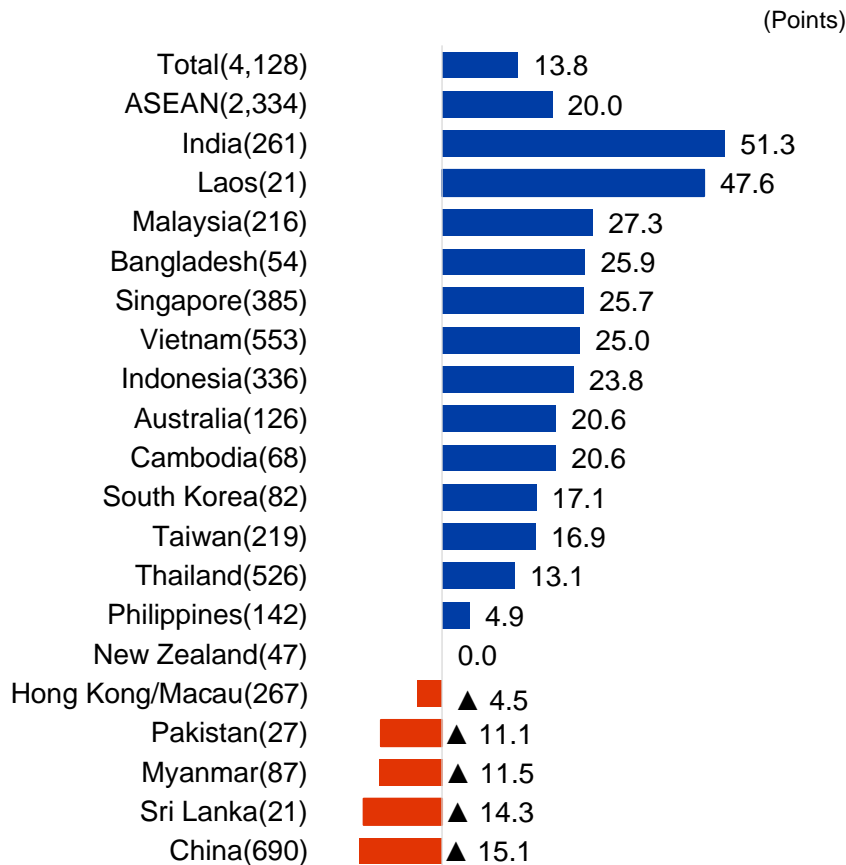


(Note) 1,752 companies responded to the question 'Reasons for increased operating profit forecast for 2023', of which 859 were in the manufacturing sector. 498 companies responded to the question 'Reasons for decreased operating profit forecast for 2023'. Items of reasons with at least 30 valid responses.

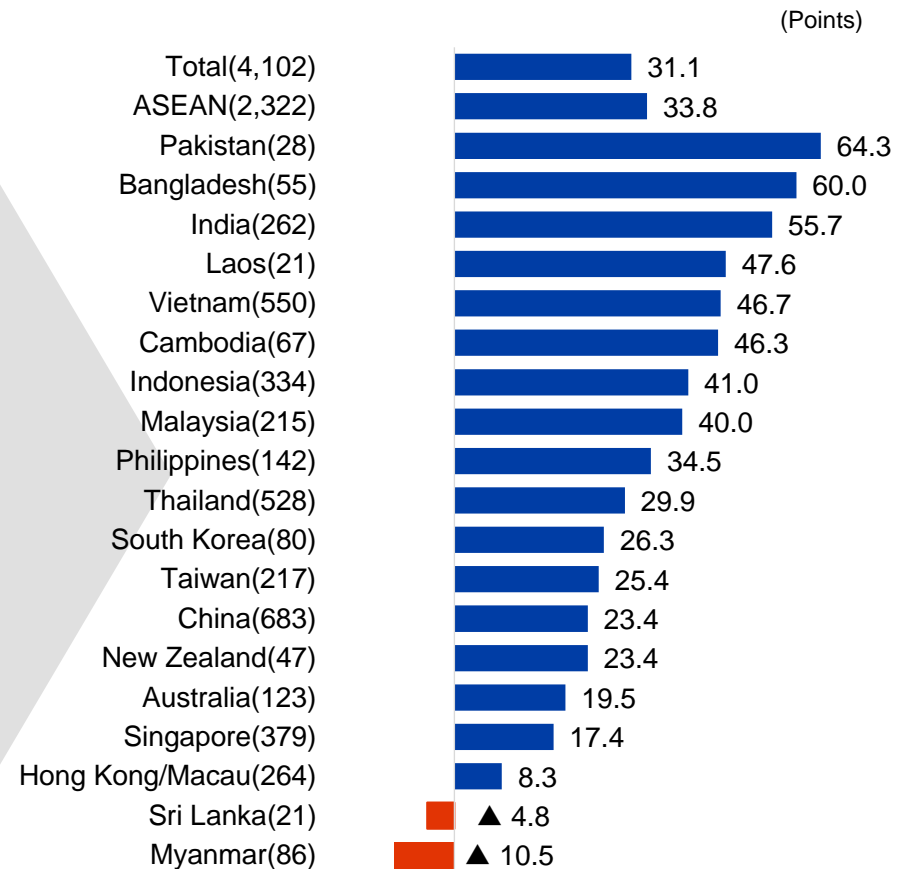
# 8 | Outlook for improvement rose, especially in ASEAN

- The Diffusion Index (DI, see Note) , indicating business confidence for 2022 was 13.8 points, lower than 19.8 points in the 2021 survey; ASEAN was 20.0 points, increased 6.0 points from the 2021 survey. China was minus 15.1 points, down 29.8 points. In Southwest Asia, India and Bangladesh rose, while Sri Lanka and Pakistan fell.
- The DI for 2023 was 31.1 points. Pakistan, Bangladesh and India are the top countries. Sri Lanka and Myanmar had a negative outlook following 2022.

2022 DI (by country/region)



2023 DI (by country/region)

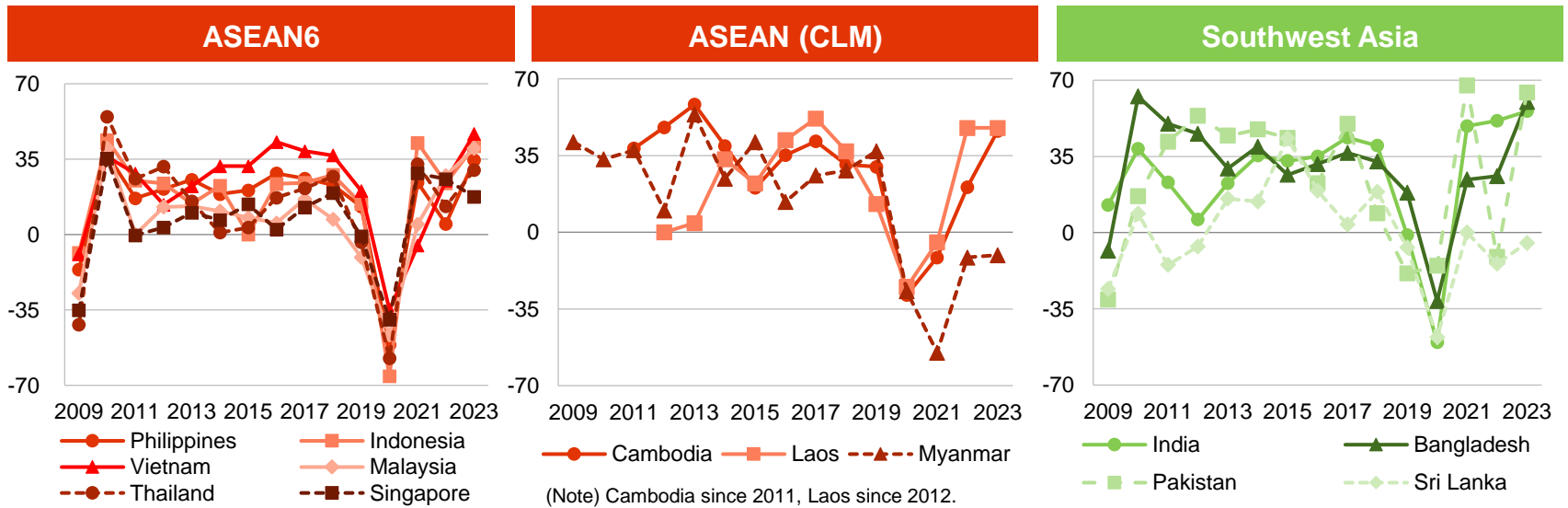
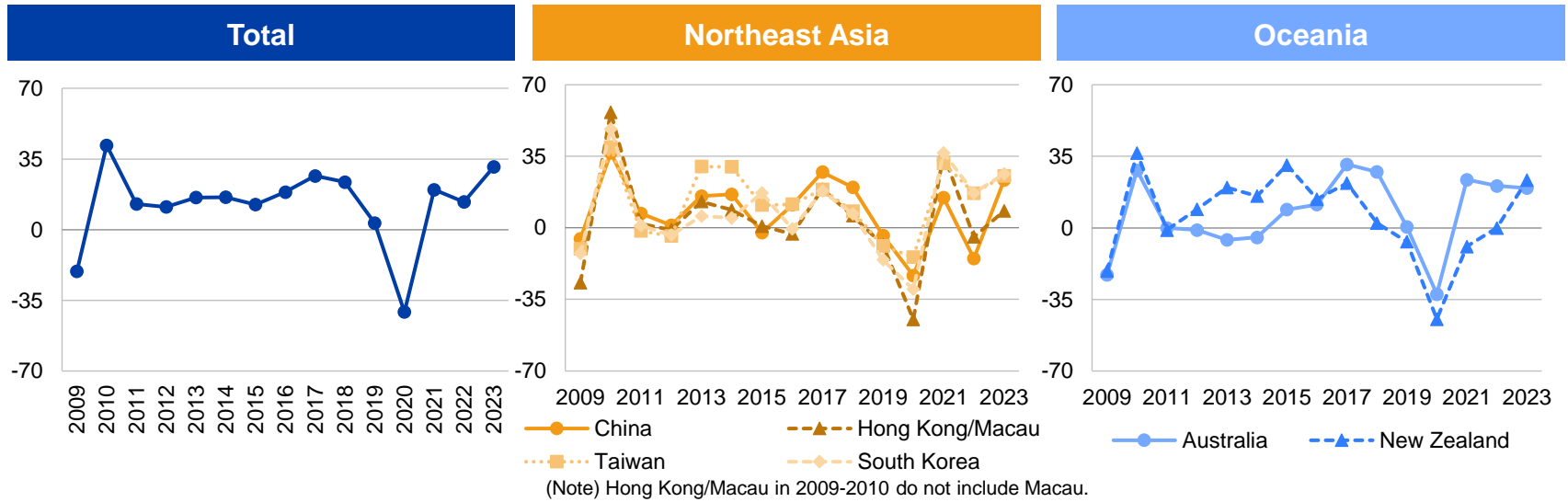


(Note) DI stands for Diffusion Index and is calculated by subtracting the proportion of firms that said they would 'deteriorate' from the proportion of firms that said they would 'improve'.  
A numerical indicator of how business confidence is changing.

# 9 Business confidence stalled after V-shaped recovery, while positive outlook for 2023 rose

DI : 2009-2023 (by country/region)

(Points)

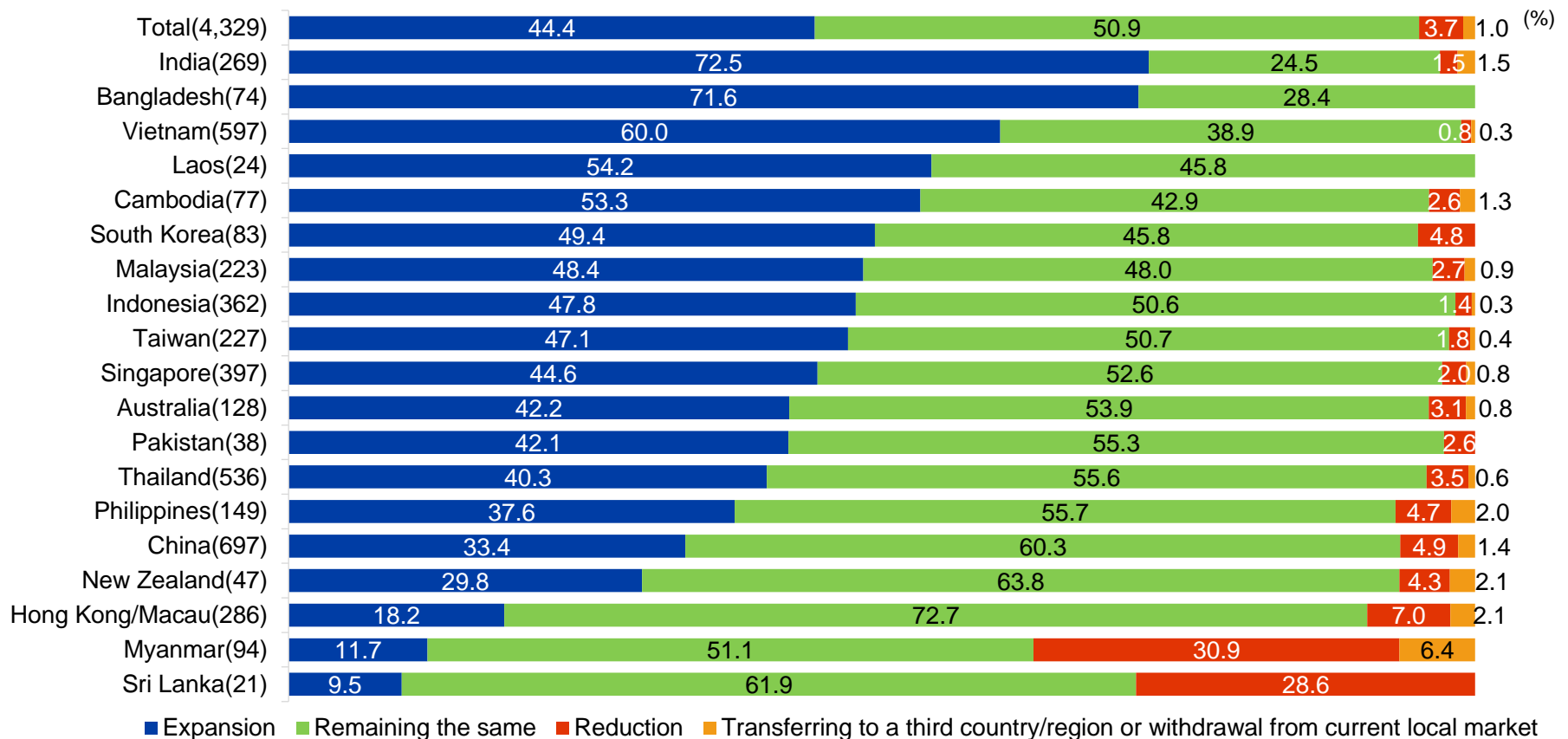


(Note) For 2009-2022, the DI indicates how the current year of the survey has changed compared to the previous year. The DI for 2023 indicates how the 2022 survey depicted the outlook for 2023 compared to 2022.

# 1 Intention of business expansion increased slightly, hit a new record low in China

- A total of 44.4% of the companies selected “Expansion” as their approach to future business plans/activities in the next one or two years, increased 0.8 points from 43.6% in the 2021 survey. In contrast, 4.7% of companies selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets”, decreased 0.9 points from 5.6% in the 2021 survey.
- By country/region, more than 50% of companies in India, Bangladesh, Vietnam, Laos and Cambodia selected “Expansion”, all up from the 2021 survey. In China, 33.4% of companies answered “Expansion”, the lowest level ever (since the 2007 survey, which included non-manufacturing sectors).

**Approach to future business plans/activities in the next 1 to 2 years (by country/region)**

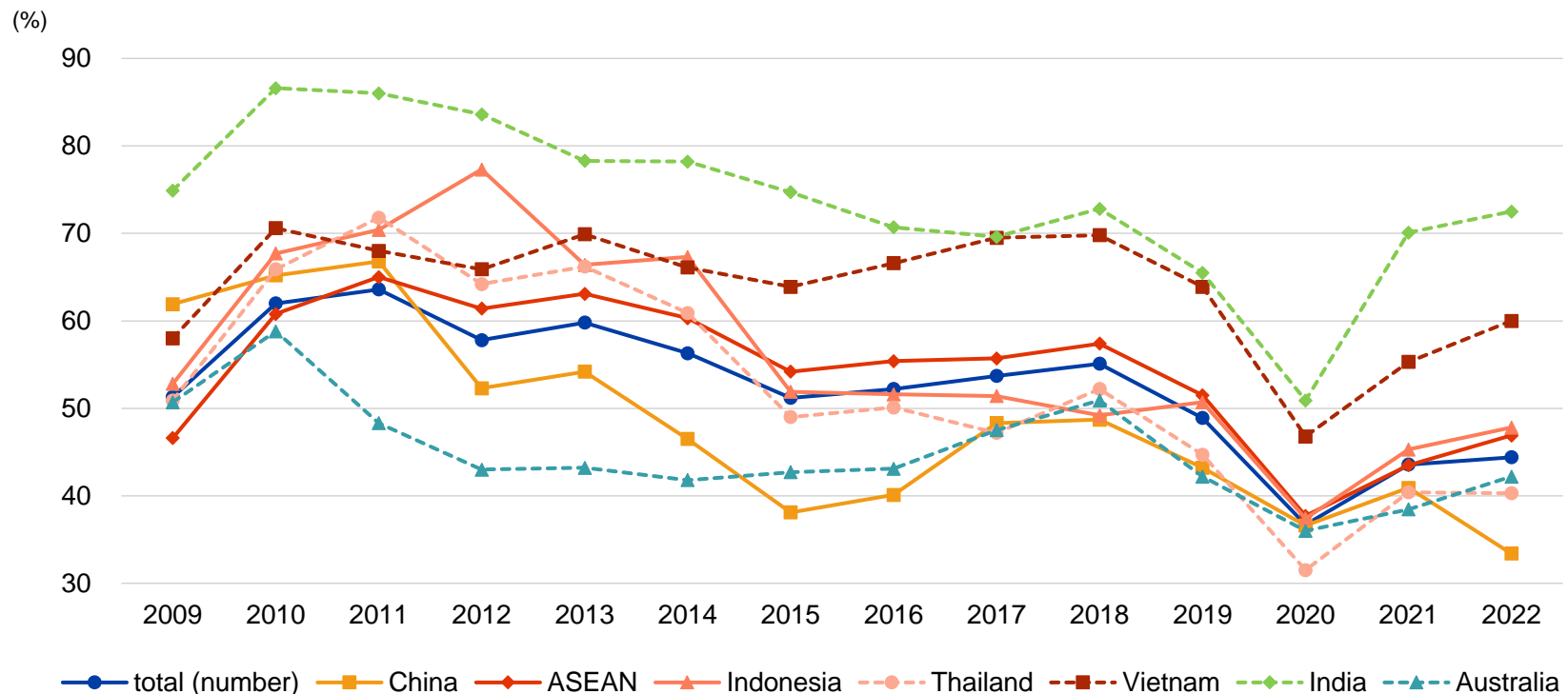




## 2 | Further recovery in expansion intentions in each countries and regions except in China

- The proportion of companies responding “Expansion” increased from the FY2021 survey in ASEAN, Indonesia, Vietnam, India and Australia. It continued to recover for the second year in a row from the FY2020 survey, which was significantly affected by the COVID-19. On the other hand, China declined again, reaching an all-time low (Note 1) and below the FY2020 survey (36.6%).
- Comparing China and ASEAN over the period since the 2009 survey, ASEAN surpassed China in 2012 and the gap widened to over 10 points in the 2014-16 survey. The gap narrowed to a small margin in the 2020 survey and 2021, but the gap widened to 13.5 points in the 2022 survey.

Proportions of companies expecting to expand in the next 1 to 2 years (2009–2022)



(Note 1) “all-time” refers to the period since the 2007, the survey has included the non-manufacturing sector.

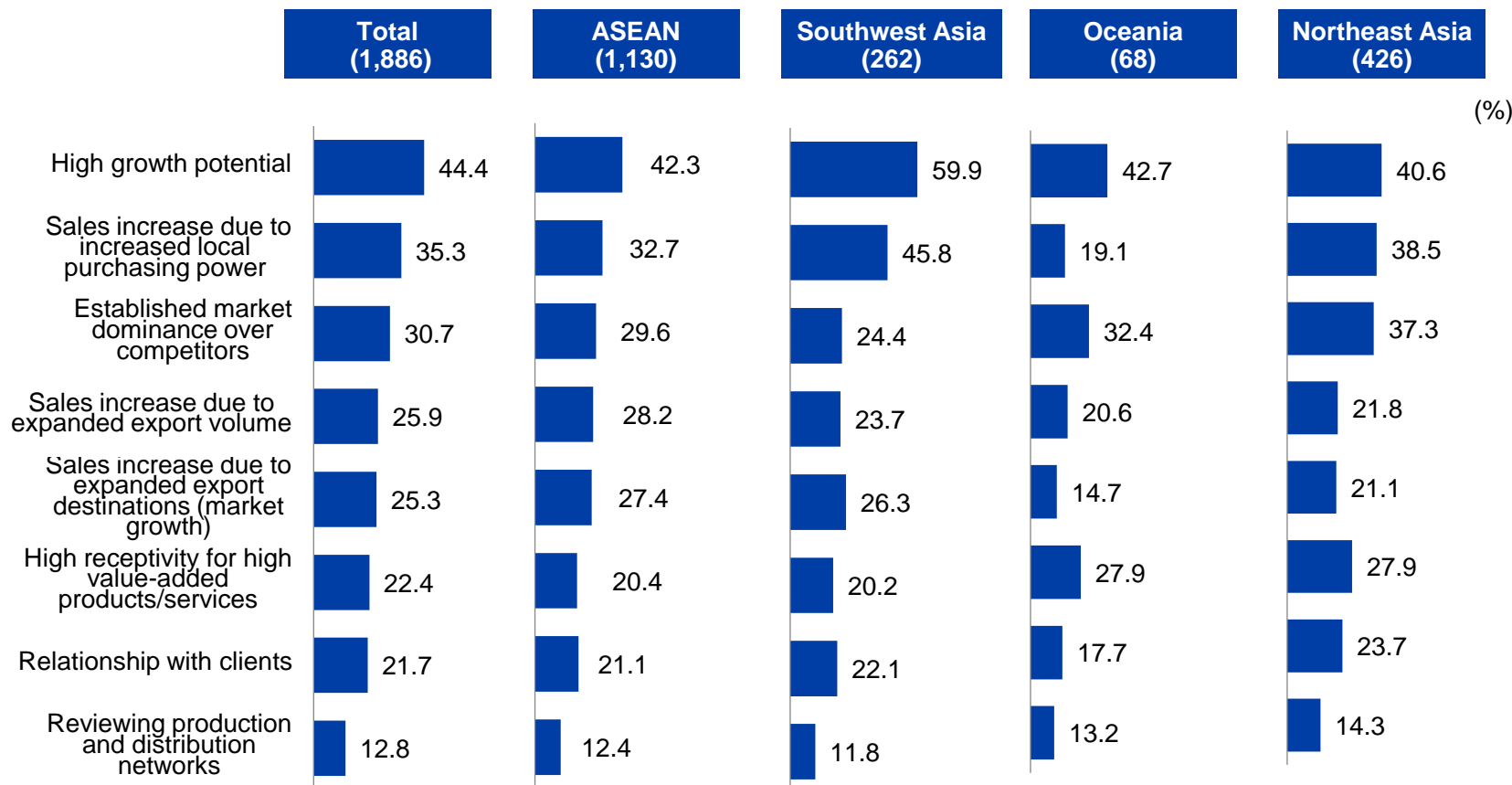
(Note 2) ASEAN is calculated from the total of nine countries excluding Brunei.

(Note 3) Figures for Cambodia and Laos have been included in ASEAN average since 2010 and 2011, respectively.

# 3 | “High growth potential” are the main reasons for business expansion

- Among reasons for “Expanding” business in the next 1-2 years, the highest percentage in all regions (total number) was “High growth potential”, surpassing “Sales increase due to increased local purchasing power”, which had the largest proportion of responses in the 2021 survey.
- The figure of “Sales increase due to increased local purchasing power” was 45.8%, relatively high in Southwest Asia. While the percentage of companies answered “Established market dominance over competitors” was relatively high in Northeast Asia.

**Reasons for the future business expansion in the next 1 to 2 years (multiple answers)**

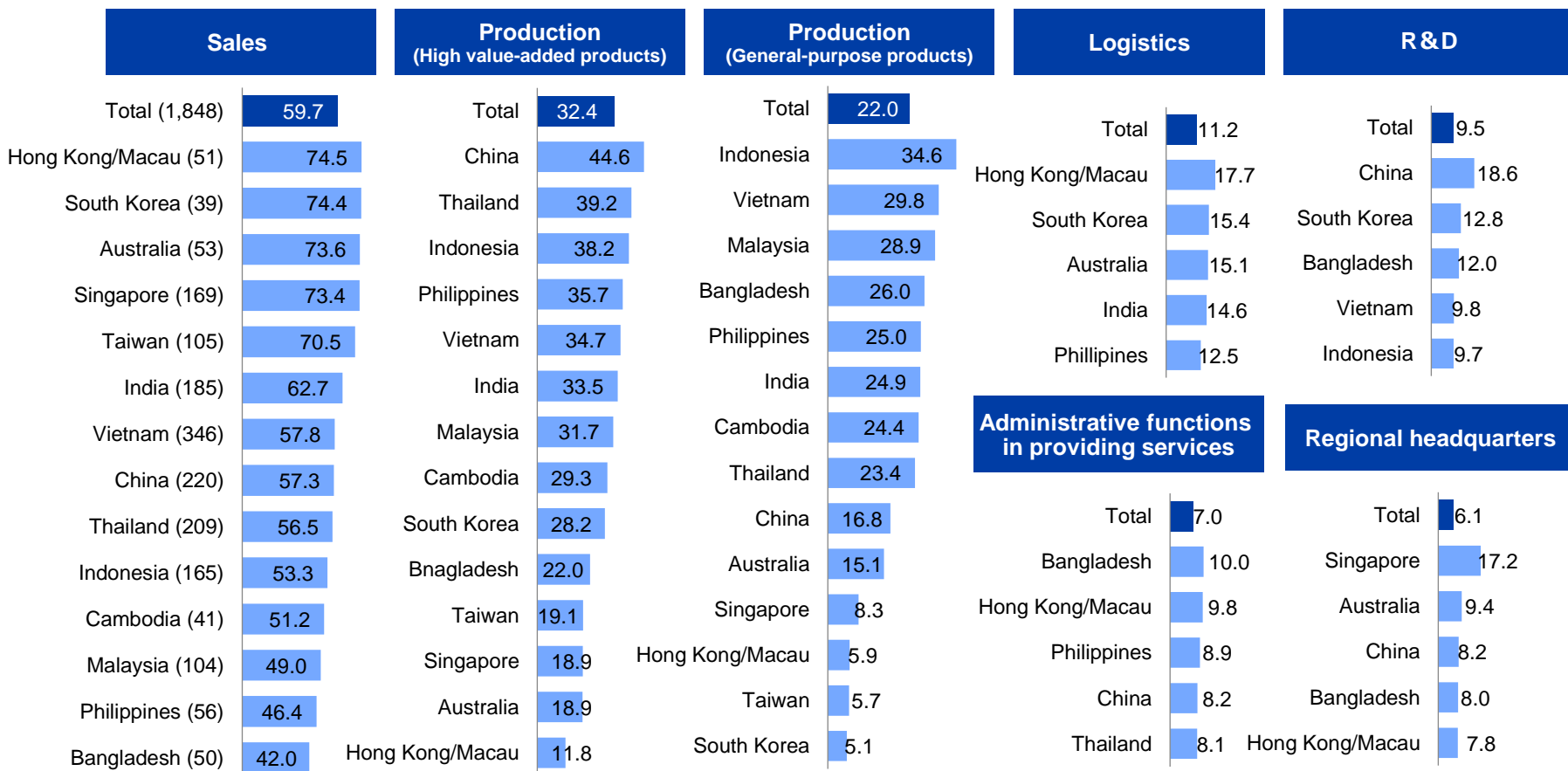


# 4 | Nearly 60% plan to expand their sales function

- As for the functions to be expanded, “Sales function” accounted for the largest share at 59.7%.
- In terms of the expansion of “Production (high value-added products)” functions, China ranked the highest among the countries/regions, followed by Thailand and Indonesia. The is 27.8 points higher than “Production (general-purpose products)” in China.

Functions to be expanded (multiple answers)

(%)



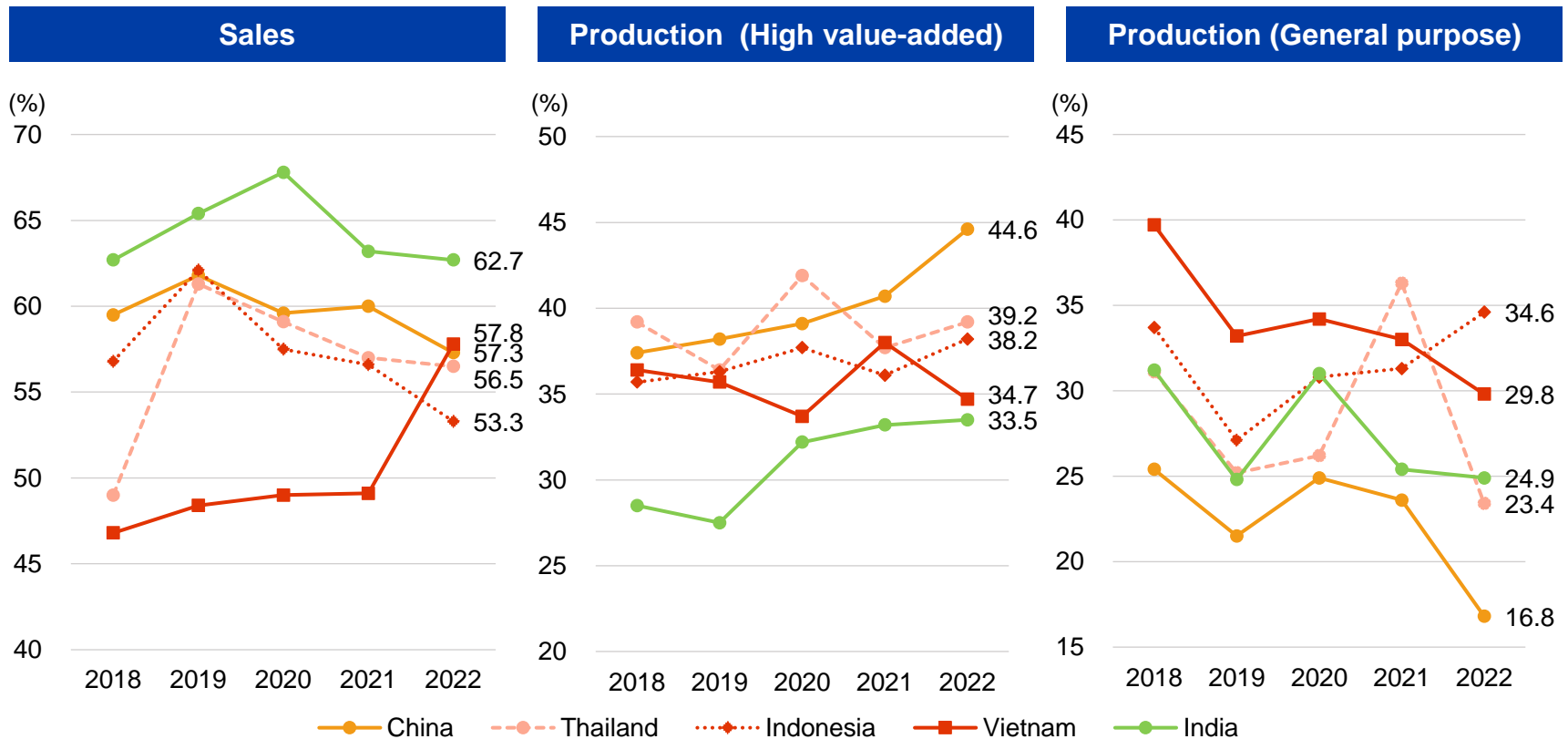
(Note 1) Countries and regions with at least 30 valid responses. The top 5 countries/regions were selected for the logistics function, service administration function, R&D, and regional headquarters.

(Note 2) The number of responses in parentheses is the same for all items.

# 5 | Intention to expand sales function soars in Vietnam

- Regarding the sales function, the percentage of companies that answered “Expansion” increased significantly from the 2021 survey (49.1%) to 57.8% in Vietnam.
- In Thailand and China, the percentage of companies which has a plan to expand “Production functions (general-purpose products)” has decreased significantly from the 2021 survey. On the other hand, the percentage of companies that will expand “Production functions (high value-added products)” has increased in both countries since the 2021 survey.

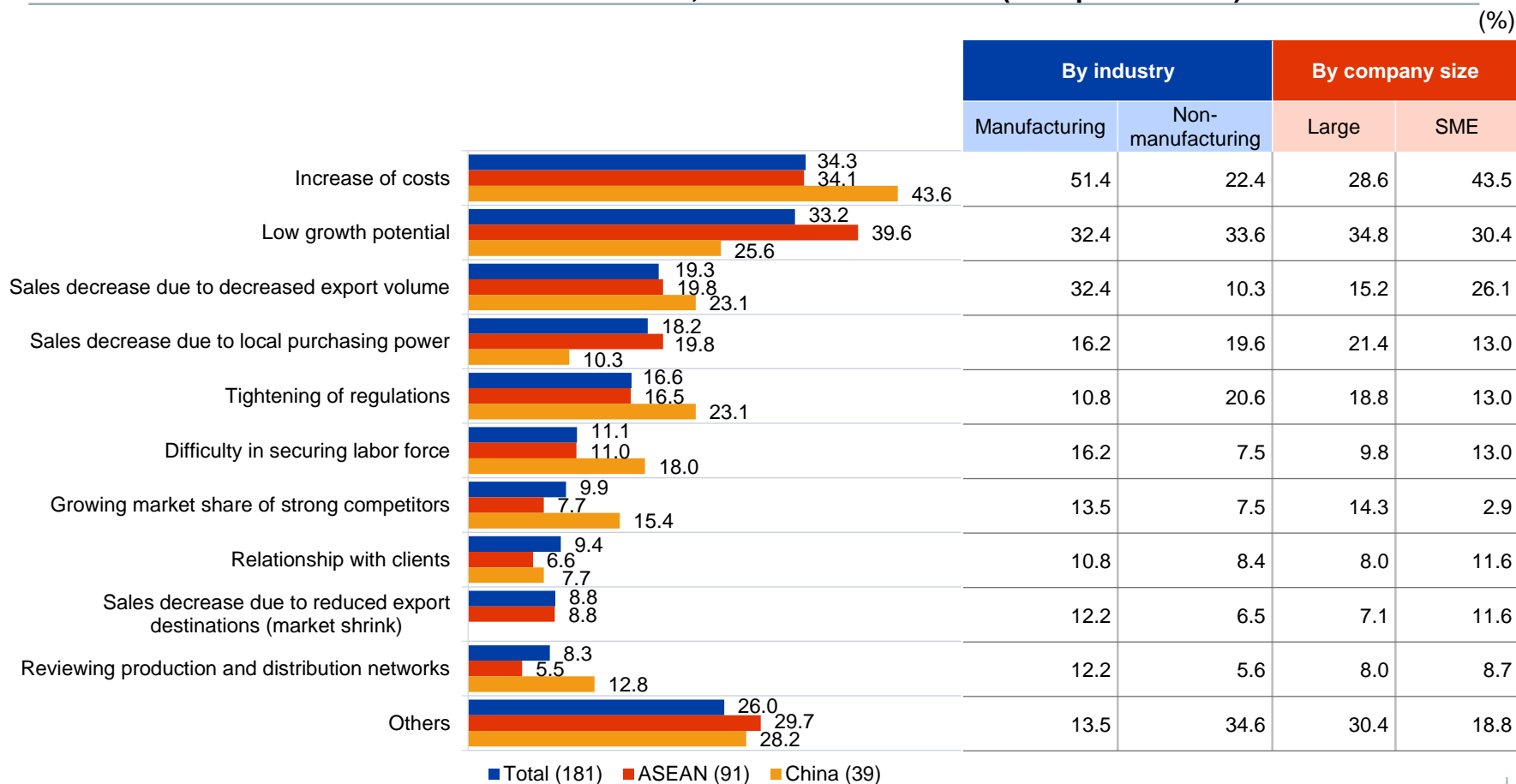
Functions to be expanded (by country, 2018–2022)



# 6 | Cost increase was the most common reason for downsizing or relocation/withdrawal of businesses

- Regarding the reason for business “Reduction” or “Transferring or withdrawal”, “Increase of costs” had the highest proportion (34.3%), followed by “Low growth potential” (33.2%) and “Sales decrease due to decreased export volume” (19.3%).
- Comparing ASEAN and China, the proportion of companies citing “Increase of costs” was 9.5 points higher in China than in ASEAN. On the other hand, “Low growth potential” and “Sales decrease due to local purchasing power” was 14.0 and 9.5 points higher in ASEAN than in China, respectively.

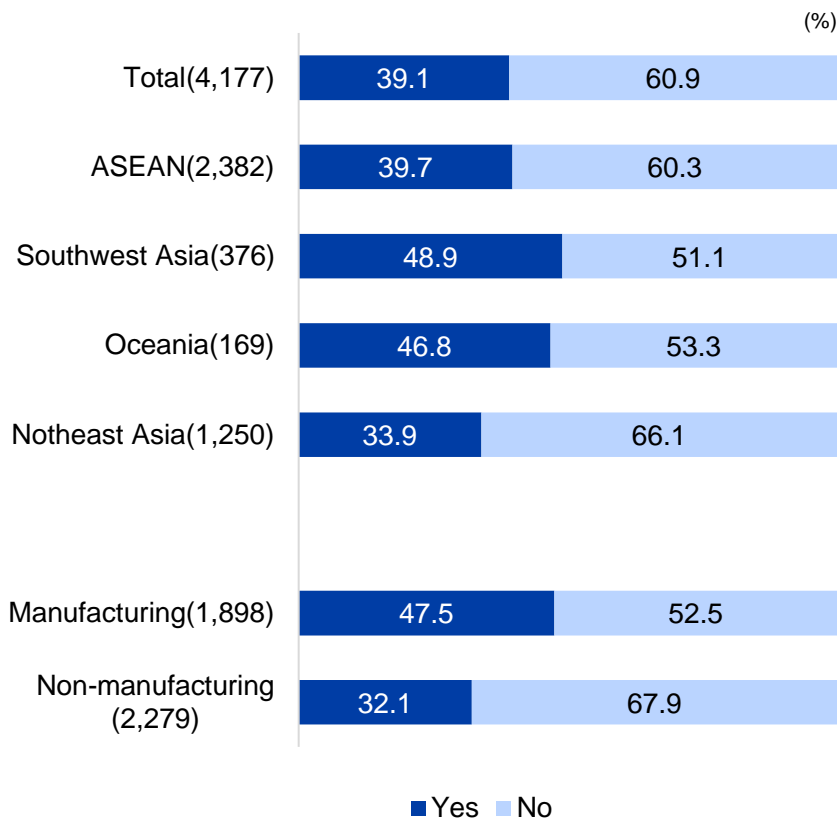
Reasons for the future reduction, transfer or withdrawal (multiple answers) (%)



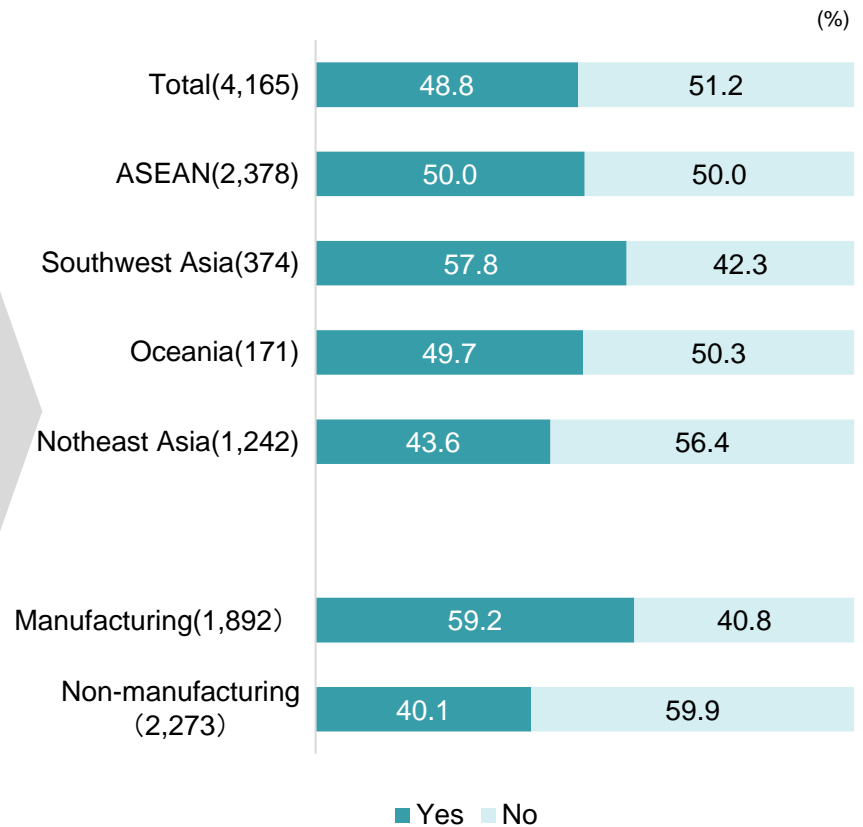
# 7 | Almost half of companies are considering reviewing their supply chains

- The proportion of companies that have reviewed their supply chain (SC: production, sales and procurement) in some way since 2020 was 39.1% and around half answered they would do in the future.
- In the manufacturing sector, around 60% of companies said they would review their SC in the future. This was 11.7 points higher than in the non-manufacturing sector.

Review of supply chains from 2020 up to date



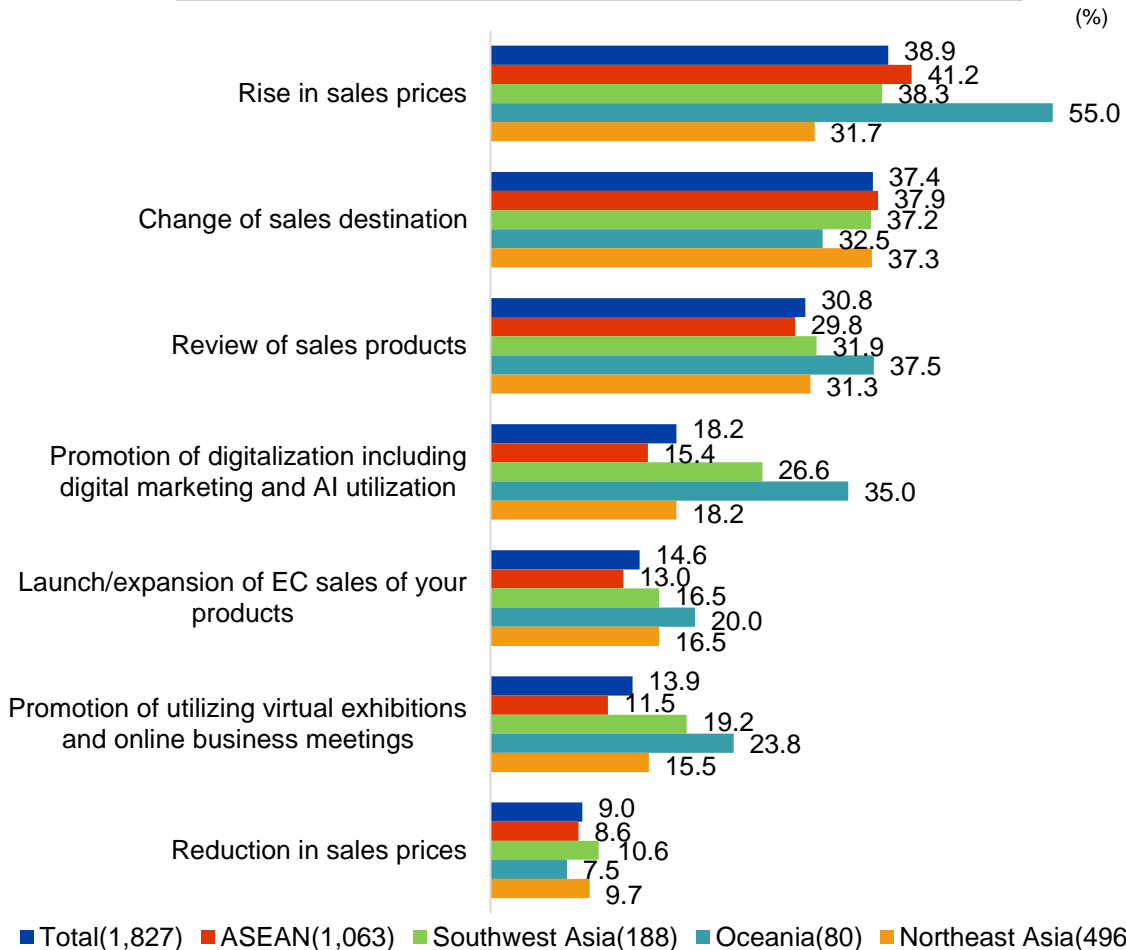
Review of supply chains in the future



# 8 | Around 40% of the companies plan to increase their selling price

- Among the companies that are considering reviewing their SC, the most common response about details of future sales strategy review was “Rise in sales prices”, at around 40% (38.9%). By region, Oceania showed particularly high proportion (55.0%).
- The most common reason for reviewing sales in the future was the “Containment of COVID-19 infections” (44.7%).

**Details of future sales reviews (multiple answers)**



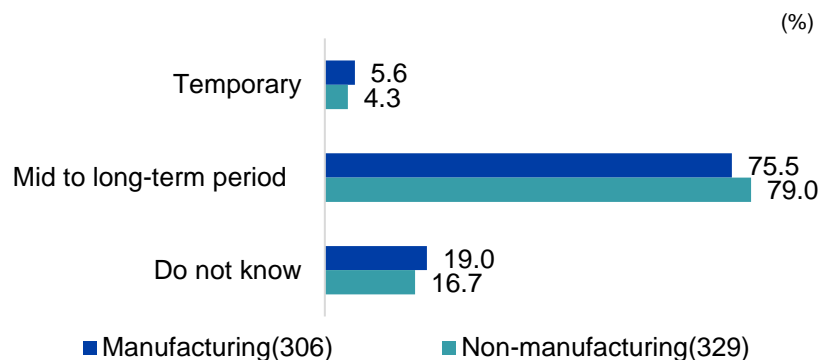
**Reasons for reviewing sales in the future (multiple answers) (1,180)**

Containment of COVID-19 infections	44.7%
Change in consumer behaviour / market	39.3%
Soaring logistics costs	38.6%
Soaring raw materials costs	34.0%
Soaring labor costs	30.2%

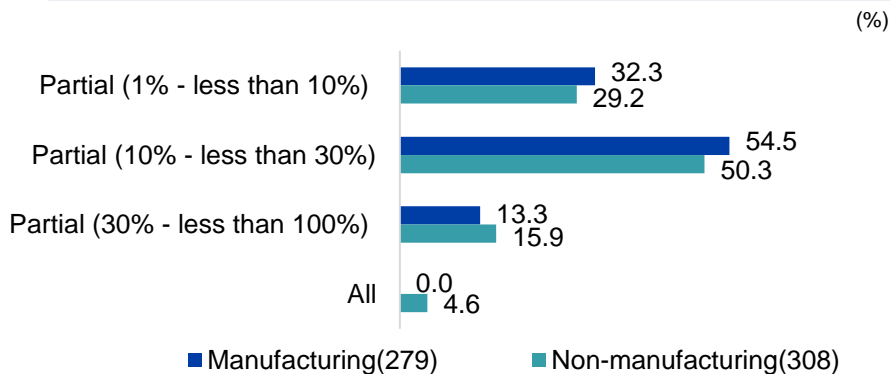
# 9 | In many regions, companies will strengthen sales to local markets

- Among the companies that are considering changing sales destination, more than 70% responded that the duration of review will be “Mid to long-term period”. In terms of the scale, more than half responded to be “Partial (10%-less than 30%)”.
- In Northeast Asia, ASEAN and Southwest Asia, strengthening of sales to local markets was observed as common reviewing patterns.

**Duration of sales destinations review**



**Scale of sales destination review**



**Main patterns of sales destination review**

Northeast Asia	Manufacturing (n=57)	Non-manufacturing (n=69)
Local → Local	24 companies (42.1%)	20 companies (29.0%)
Local → End of sales	6 companies (10.5%)	7 companies (10.1%)
Japan → Local	4 companies (7.0%)	4 companies (5.8%)

ASEAN	Manufacturing (n=160)	Non-manufacturing (n=144)
Local → Local	20 companies (12.5%)	40 companies (27.8%)
Local → End of sales	11 companies (6.9%)	8 companies (5.6%)
Japan → Local	12 companies (7.5%)	4 companies (2.8%)

Southwest Asia	Manufacturing (n=20)	Non-manufacturing (n=22)
Local → Local	6 companies (30.0%)	9 companies (40.9%)

(Note1) Results are based on the answer of the companies that responded specific destination of sales review.

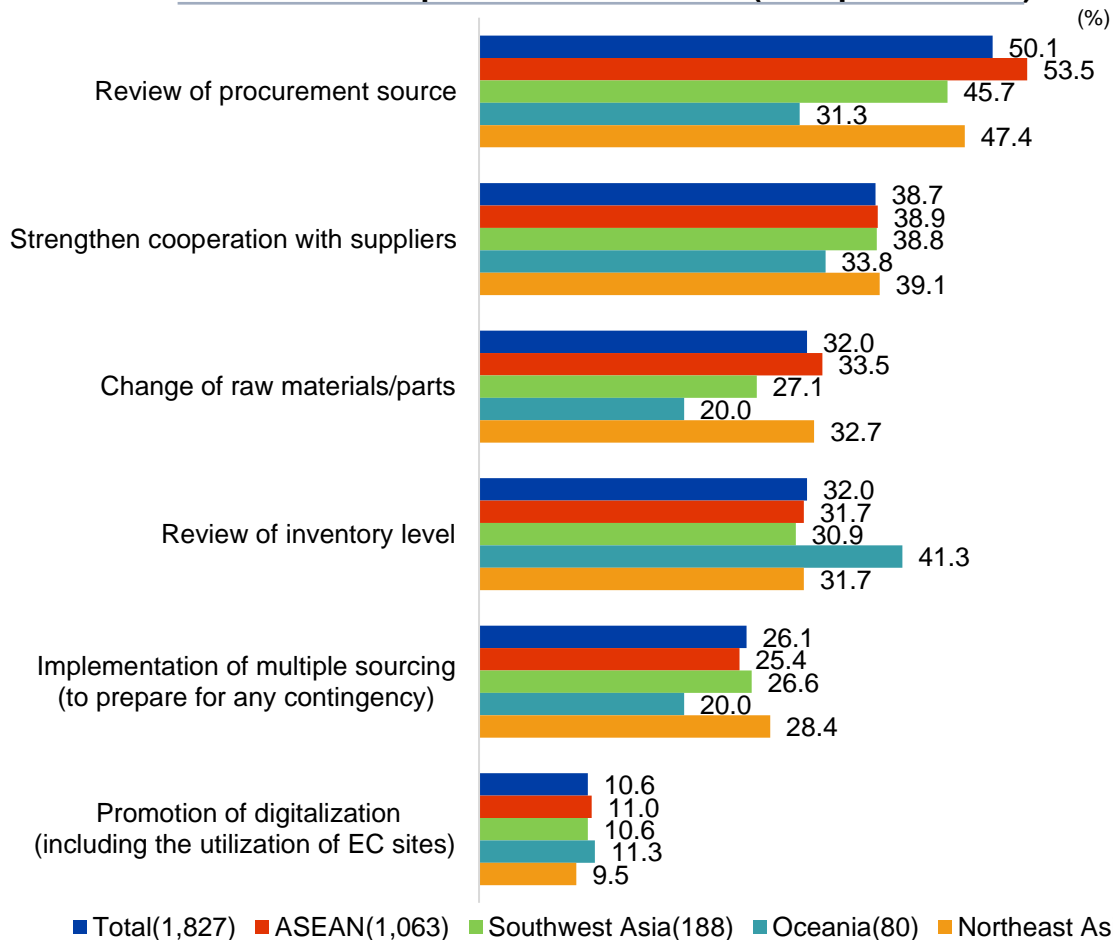
(Note2) “n” is the number of review patterns; each company answered three review patterns at maximum.



# 10 | Around half of the companies are considering reviewing their procurement sources

- Among the companies that are considering reviewing their SC, around half (50.1%) said that they have plan to review their procurement sources in the future.
- The most common reason for reviewing procurement in the future was “Soaring raw material costs” at 55.3%. This was followed by “Response to future supply chain disruption risk caused by business suspension/closure of sales” at 48.5%.

**Details of future procurement reviews (multiple answers)**

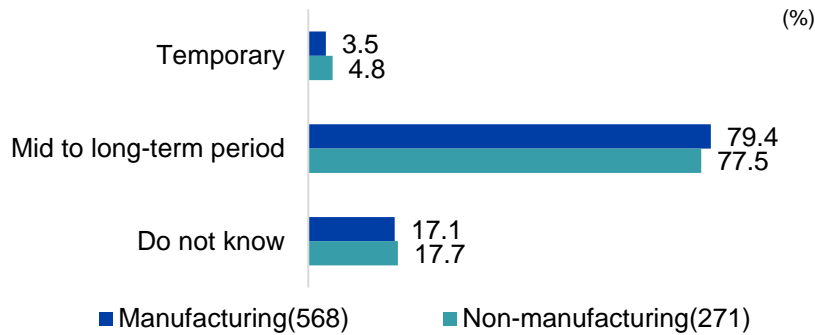


Reasons for reviewing procurement in the future (multiple answers) (1,305)	
Soaring raw materials costs	55.3%
Response to future supply chain disruption risk caused by business suspension/closure of sales	48.5%
Promotion of local procurement	46.9%
Response to future supply chain disruption risk caused by logistic disruption	45.6%
Soaring logistics costs	42.8%

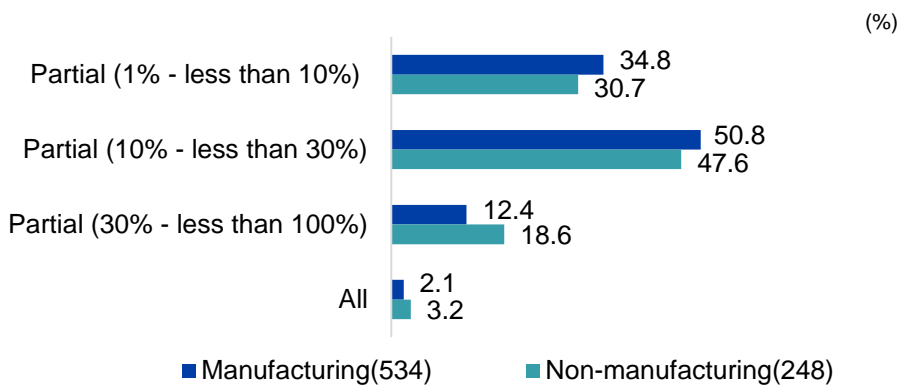
# 11 | Procurement source tend to shift to local supplier

- Regarding the scale of the review of procurement sources, about half of both manufacturing and non-manufacturing sector selected Partial (10%-less than 30%)”.
- Looking at the pattern of reviewing suppliers in detail, the shift to local sourcing stands out. There is a shift from sourcing from Japan to local sourcing among manufacturing sector in ASEAN and Southwest Asia. On the other hand, among manufacturing sector in Northeast Asia, most companies stated that they were reviewing their suppliers locally.

**Duration of procurement source review**



**Scale of procurement source review**



**Main patterns of procurement source review**

Northeast Asia	Manufacturing (n=130)	Non-manufacturing (n=58)
Local → Local	28 companies (21.5%)	11 companies (19.0%)
Japan → Local	31 companies (23.8%)	6 companies (10.3%)
Local → End of procurement	7 companies (5.4%)	2 companies (3.4%)

ASEAN	Manufacturing (n=363)	Non-manufacturing (n=139)
Local → Local	31 companies (8.5%)	25 companies (18.0%)
Japan → Local	47 companies (12.9%)	8 companies (5.8%)
China → Local	33 companies (9.1%)	4 companies (2.9%)

Southwest Asia	Manufacturing (n=58)	Non-manufacturing (n=21)
Japan → Local	9 companies (15.5%)	4 companies (19.0%)
China → Local	8 companies (13.8%)	3 companies (14.3%)

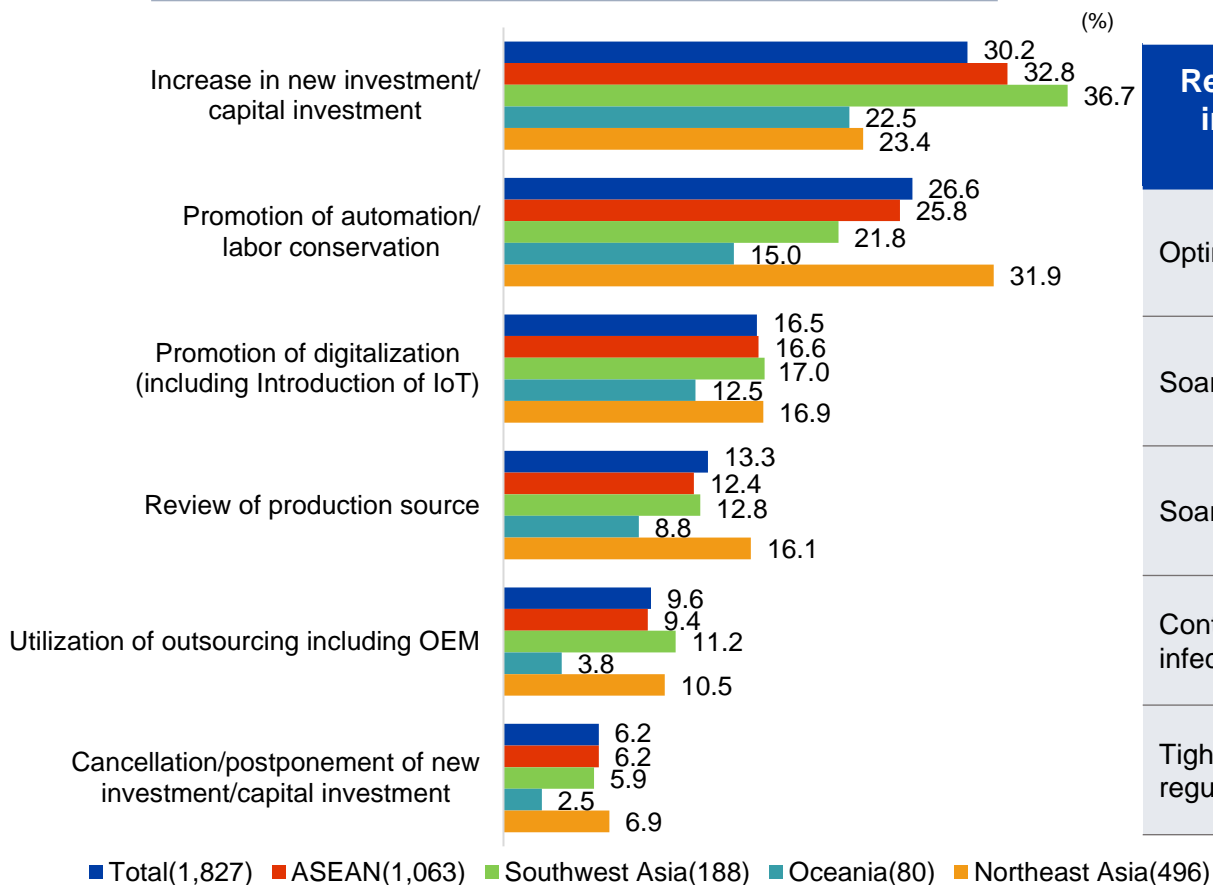
(Note1) Results are based on the answer of the companies that responded specific procurement source review.

(Note2) "n" is the number of review patterns; each company answered three review patterns at maximum.

# 12 | High interest in “increase new investment” and “promote automation” as production review

- Regarding about future production review, the largest proportion said they would “Increase new investment / capital investment”. In Northeast Asia, 31.9% of the companies said they would “Promote automation / labor conservation”, which was higher than “Increase new investment / capital investment (23.4%).
- The most common reason for reviewing production was “Optimization of production costs” (58.0%).

**Details of future production reviews  
(multiple answers)**



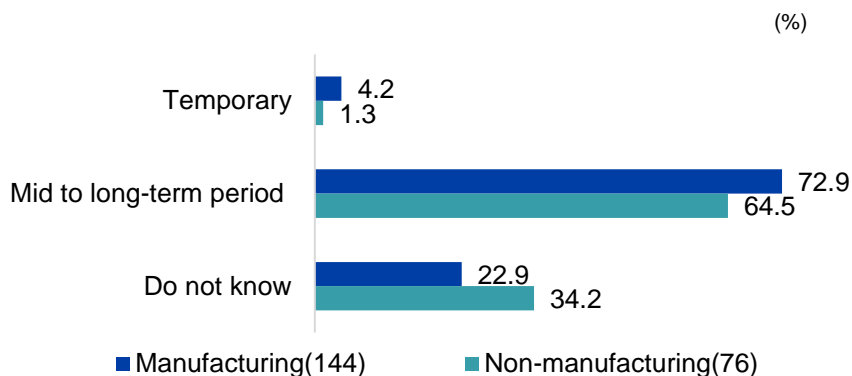
**Reasons for reviewing production in the future (multiple answers)  
(819)**

Optimization of production costs	58.0%
Soaring labor costs	51.8%
Soaring raw materials costs	36.9%
Containment of COVID-19 infections	31.5%
Tightening of environmental regulations	29.9%

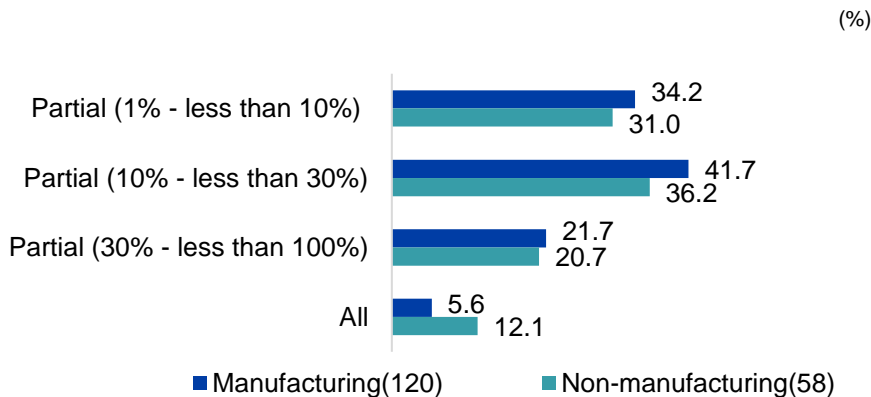
# 13 | Production sites are mostly reviewed within the local area

- Among the companies that are considering reviewing their production sites, there was a tendency in both Northeast Asia and ASEAN, to review production sites within the local area.
- Duration of production sites review in the manufacturing sector, “Mid to long-term period” was the most common response at 72.9%.

**Duration of production sites review**



**Scale of Production sites review**



**Main patterns of production sites review**

<b>Northeast Asia</b>	<b>Manufacturing (n=28)</b>
Local → Local	11 companies (39.3%)
China → Vietnam.	4 companies (14.3%)
<b>ASEAN</b>	<b>Manufacturing (n=53)</b>
Local → Local	7 companies (13.2%)
Japan → Local	5 companies (9.4%)
China → Closure of production site	4 companies (7.5%)
Local → Vietnam	3 companies (5.7%)
<b>Southwest Asia</b>	<b>Manufacturing (n=13)</b>
Japan → Local	3 companies (23.1%)
Local → Local	2 companies (15.4%)

(Note 1) Results are based on the answer of the companies that responded specific production sites review.

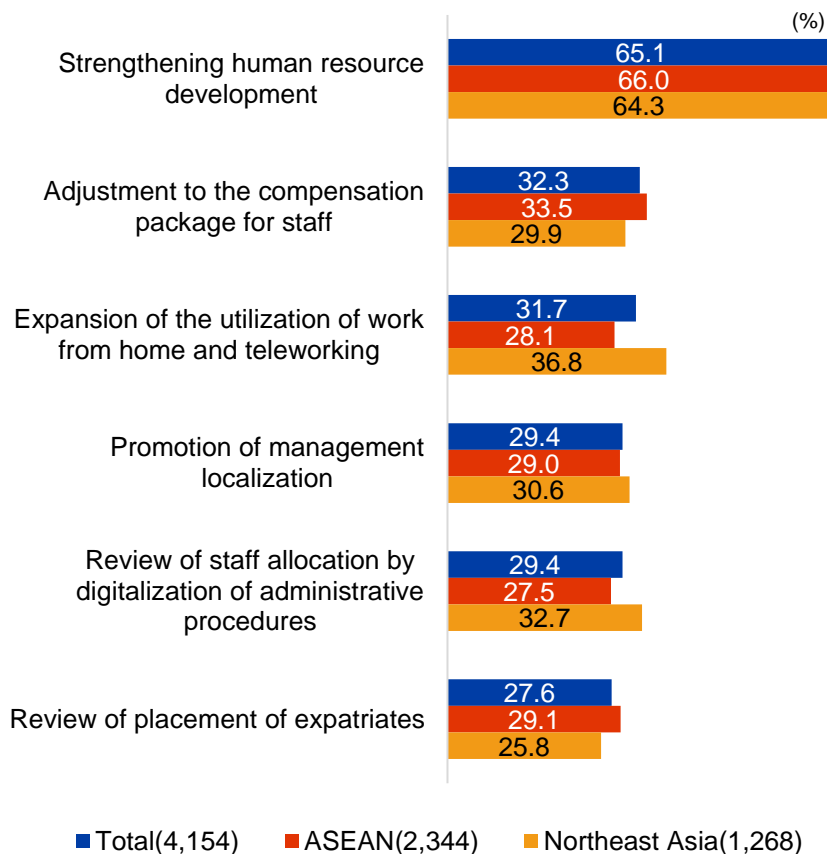
(Note 2) “n” is the number of review patterns; each company answered three review patterns at maximum.

(Note 3) Includes the case for (finished) products manufactured at the plants of overseas Group companies and (finished) products manufactured by other companies, e.g. on an OEM basis, where the country/region of origin of the procurement has been changed.

# 14 | More than 60% of employees work in-office, the trend will continue to increase

- In reviewing their administrative and management systems, around 60% of companies said they would review “Strengthening human resource development” in the future. In Northeast Asia, “Expansion of the utilization of work from home and teleworking” (36.8%) was relatively high.
- Companies that reported the percentage of work in-office (90% or more) increased significantly between 2021 and 2022, and they will keep the same arrangement for 2023 onwards.

**Details of future review of management  
(multiple answers)**



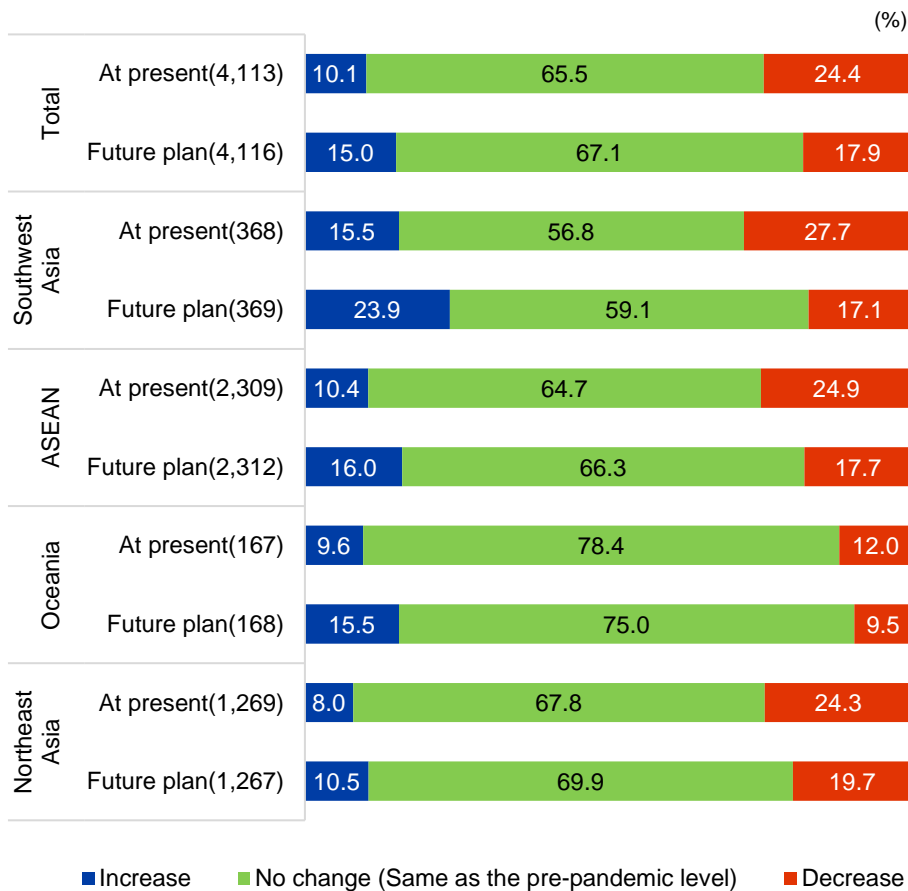
**Changes in the proportion of people coming to work from 2021 onwards.**

	2021 (4,013)	2022 (4,060)	January 2023 onward (3,952)
In principle, full-time work in-office. (Percentage of work in office: 90% or more)	39.9	62.4	66.5
Primarily work-in office allowing partial remote work. (Percentage of work in office: 55% or more, less than 90%)	20.7	19.0	18.3
The ratio/frequency of remote working is about the same as that of office-based working. (Percentage of work in office: 45% or more, less than 55%)	13.4	6.1	4.5
Primarily remote work allowing partial work-in-office. (Percentage of work in office: 10% or more, less than 45%)	12.5	4.7	3.0
In principle, full-time remote work (Percentage of work in office: less than 10%)	7.3	1.7	1.4
No jobs amenable to working from home.	6.2	6.2	6.4

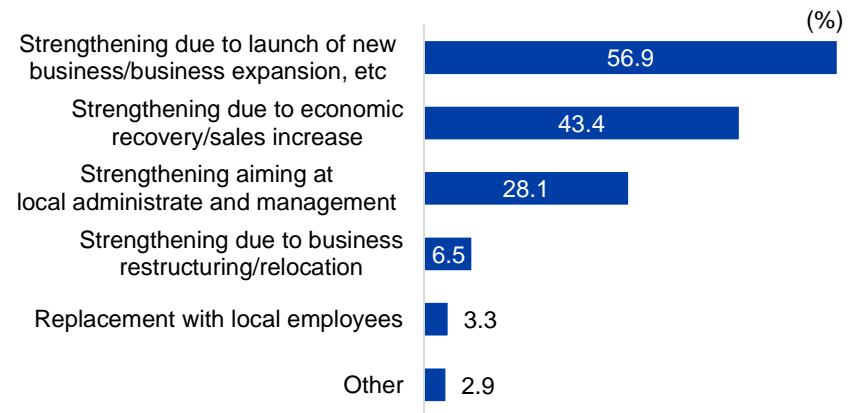
# 15 | The most common reason for decrease the number of expats is “Reduction due to promotion of localization”

- About 60% of companies said that the number of expatriates at the time of the survey in late 2022 was unchanged compared to the the pre-pandemic level. On the other hand, 24.4% of companies selected “Decrease”.
- The most common reason for reducing the number of Japanese expats was “Reduction due to promotion of localization” (59.8%).

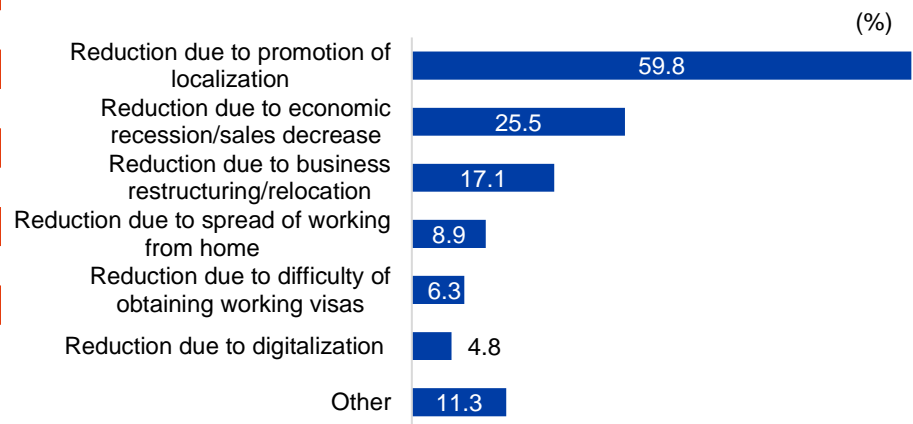
**Changes in the number of Japanese expatriates compared to the pre-pandemic level.**



**Reasons for increase (multiple answers, 615)**



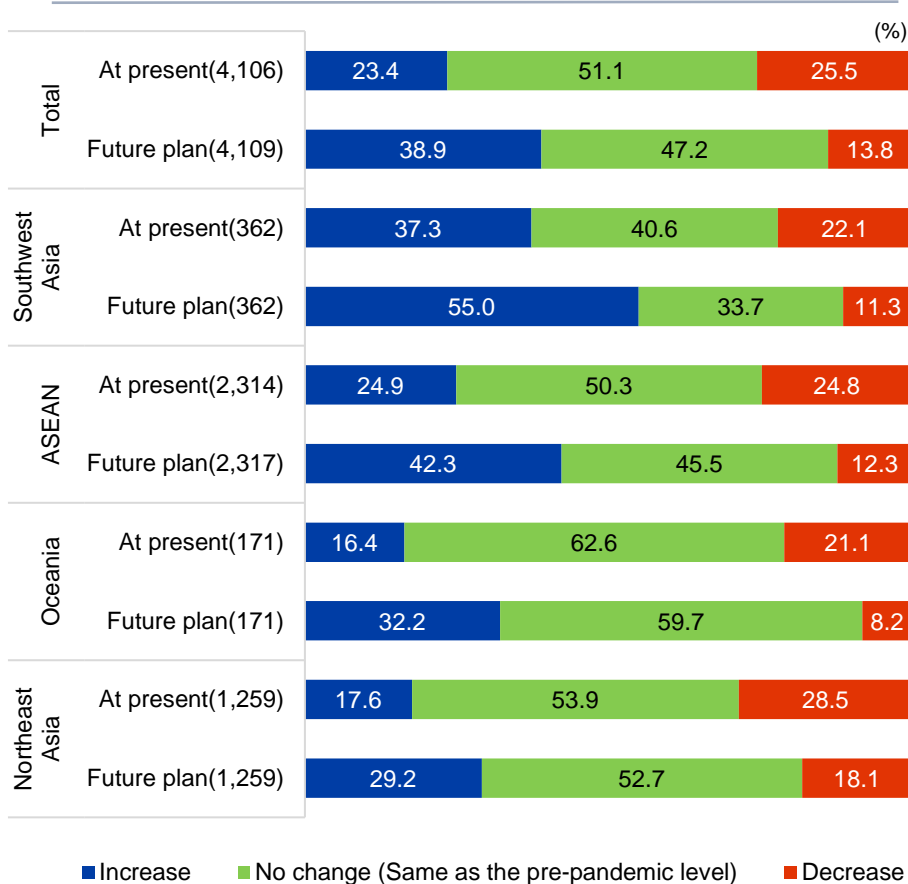
**Reasons for decrease (multiple answers, 733)**



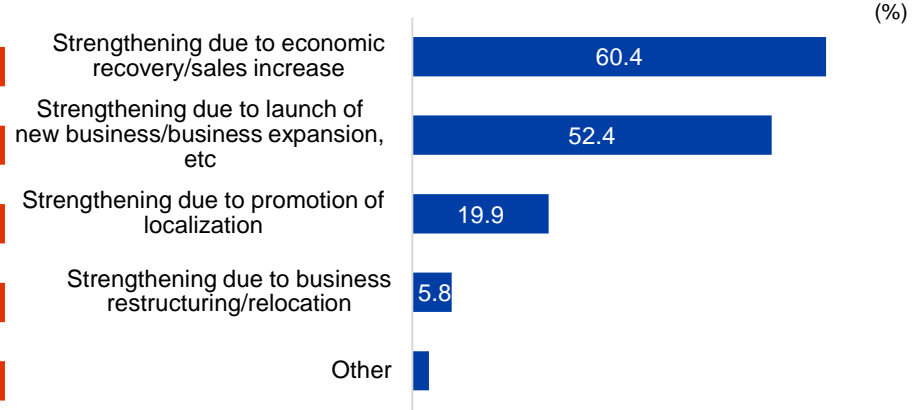
# 16 | Around 40% of companies will increase the number of local employees in the future

- Compared to the pre-pandemic level, around 40% (38.9%) of companies reported they planned to increase the number of local employees in the next one to two years, 15.5 points higher than at present. On the other hand, 11.7 points lower than at present were companies that said they planned to decrease the number of local employees.
- By region, a relatively high proportion of companies in Southwest Asia (55.0%) reported they planned to increase.

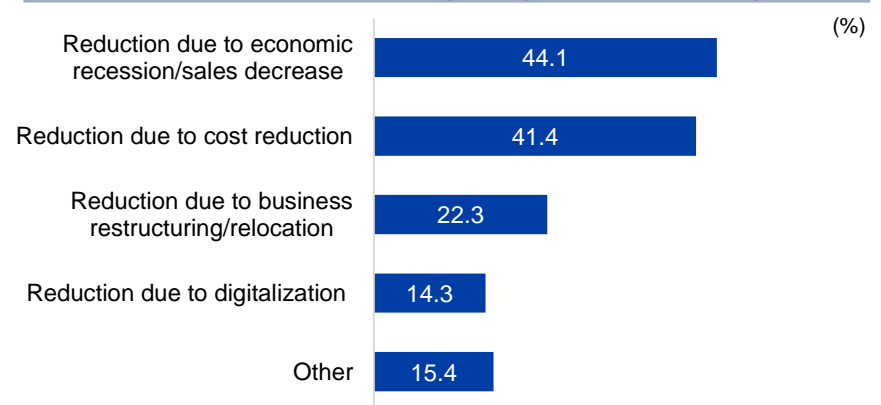
**Changes in the number of local employees compared to the pre-pandemic level.**



**Reasons for increase (multiple answers, 1,596)**



**Reasons for decrease (multiple answers, 565)**



# 1 | Increased wages, procurement costs and exchange rate fluctuations are main concern

- The most common management matter across all regions and industries was “Increase wages”(70.9%), followed by “Increased procurement costs”(69.0%) and “Exchange rate fluctuations”(66.9%).
- The manufacturing sector ranked first in terms of the percentage of responses for “Rising procurement costs” (78.3%), which was 19.8 points higher than in the non-manufacturing sector.

## Common problems to all regions/ sectors (Top 10, multiple answers)

	Items	(%)
1	Increased wages	70.9
2	Increased procurement costs	69.0
3	Exchange rate fluctuation	66.9
4	Growing market shares of competitors (in terms of quality)	51.7
5	Complicated customs clearance procedures	50.3
6	Difficulty in developing new clients	44.0
7	Quality of employees	39.8
8	Tax burdens (e.g. corporate taxes, transfer pricing taxes)	37.8
9	Insufficiency of informing to companies of laws and regulation	37.2
10	Pressure to lower prices from clients	36.7

By industry (%)		By company size (%)	
Manufacturing	Non-manufacturing	Large	SME
74.7	67.8	70.7	71.1
78.3	58.5	69.4	68.5
67.5	66.3	67.0	66.6
54.5	49.3	55.3	45.8
53.5	47.1	50.3	50.3
37.7	49.4	41.7	47.7
41.5	38.5	38.2	42.6
41.3	34.9	40.3	33.6
36.0	38.3	37.4	36.7
42.9	31.3	35.3	38.9

(Note) The response rates listed for each of the management matters refer to the percentage of responses within the questions “Sales and marketing”, “Financial affairs, financing, or foreign exchange”, “Labor or employment”, “Foreign trade system” and “Production and procurement”.



## 2 | Increased wages are the top issue in major ASEAN countries

Problems by country/region (Top 5 items, multiple answers)

Singapore		(%)
1	Increased wages	81.5
2	Increased procurement costs	70.8
3	Exchange rate fluctuation	70.0
4	Growing market shares of competitors (in terms of cost/price)	53.3
5	Difficulty in developing new clients	45.8

Malaysia		(%)
1	Increased wages	78.7
2	Exchange rate fluctuation	73.3
3	Increased procurement costs	72.3
4	Employee retention rate	52.8
5	Growing market shares of competitors (in terms of cost/price)	50.9

Thailand		(%)
1	Increased procurement costs	78.9
2	Increased wages	71.4
3	Exchange rate fluctuation	68.9
4	Growing market shares of competitors (in terms of cost/price)	53.6
5	Complicated customs clearance procedures	49.7

Indonesia		(%)
1	Increased wages	82.8
2	Increased procurement costs	80.9
3	Tax burdens (e.g. corporate taxes, transfer pricing taxes)	73.9
4	Exchange rate fluctuation	64.2
5	Complicated customs clearance procedures	57.9

Vietnam		(%)
1	Increased wages	75.2
2	Increased procurement costs	66.1
3	Exchange rate fluctuation	62.8
4	Complicated customs clearance procedures	57.6
5	Tax burdens (e.g. corporate taxes, transfer pricing taxes)	49.8

Philippines		(%)
1	Exchange rate fluctuation	65.6
2	Tax burdens (e.g. corporate taxes, transfer pricing taxes)	61.3
3	Increased wages	61.1
4	Increased procurement costs	60.4
5	Complicated customs clearance procedures	57.3

(Note 1) The top 5 items in the response rate. Items highlighted in light pink color are those which are not in the top 10 items of the total number of all surveyed areas in III.1.

(Note 2) The response rates listed for each of the management matters refer to the percentage of responses within the questions "Sales and marketing", "Financial affairs, financing, or foreign exchange", "Labor or employment", "Foreign trade system" and "Production and procurement".

# 3 Exchange rate fluctuations are top issues in three emerging economies, and power shortages matter

## Problems by country/region (Top 5 items, multiple answers)

Cambodia		(%)
1	Increased wages	61.9
2	Complicated customs clearance procedures	55.8
3	Growing market shares of competitors (in terms of cost/price)	55.8
4	Tax burdens (e.g. corporate taxes, transfer pricing taxes)	53.2
5	Quality of employees	50.8
Laos		(%)
1	Exchange rate fluctuation	70.6
2	Insufficiency of informing to companies of laws and regulation	68.8
3	Increased procurement costs	66.7
4	Difficulty in local procurement of raw materials/parts	66.7
5	Increased wages	47.4
Myanmar		(%)
1	Exchange rate fluctuation	89.3
2	Regulations on fund settlement	69.3
3	Complicated customs clearance procedures	62.7
4	Power shortages/blackouts	60.3
5	Decreased orders from clients	54.1

India		(%)
1	Increased wages	77.2
2	Increased procurement costs	76.1
3	Complicated customs clearance procedures	63.0
4	Growing market shares of competitors (in terms of cost/price)	59.2
5	Tax burdens (e.g. corporate taxes, transfer pricing taxes)	58.6

Pakistan		(%)
1	Exchange rate fluctuation	84.9
2	Increased procurement costs	79.0
3	High import duties	75.0
4	Power shortages/blackouts	68.4
5	Increased wages	61.3

Sri Lanka		(%)
1	Power shortages/blackouts	73.3
2	Increased wages	71.4
3	Complicated customs clearance procedures	70.0
4	Difficulty in local procurement of raw materials/parts	66.7
5	Decreased orders from clients	57.1

Bangladesh		(%)
1	Complicated customs clearance procedures	73.2
2	Exchange rate fluctuation	72.6
3	Difficulty in local procurement of raw materials/parts	67.4
4	Power shortages/blackouts	65.2
5	Increased procurement costs	63.0

(Note 1) The top 5 items in the response rate. Items highlighted in light pink are those that are not in the top 10 items of the total number of all surveyed areas in III.1.

(Note 2) The response rates listed for each of the management matters refer to the percentage of responses within the questions "Sales and marketing", "Financial affairs, financing, or foreign exchange", "Labor or employment", "Foreign trade system" and "Production and procurement".

# 4 Wage increases are also a challenge in Northeast Asian and Oceania countries/regions

## Problems by country/region (Top 5 items, multiple answers)

China		(%)
1	Increased wages	67.6
2	Exchange rate fluctuation	64.1
3	Increased procurement costs	64.0
4	Growing market shares of competitors (in terms of cost/price)	59.2
5	Difficulty in developing new clients	47.0

Hong Kong and Macau		(%)
1	Increased procurement costs	68.2
2	Exchange rate fluctuation	66.7
3	Increased wages	61.8
4	Disruption in logistics	53.7
5	Difficulty in developing new clients	49.4

Taiwan		(%)
1	Exchange rate fluctuation	83.9
2	Increased procurement costs	65.8
3	Growing market shares of competitors (in terms of cost/price)	58.6
4	Increased wages	53.9
5	Difficulty in recruiting general staff/clerks/general workers	46.1

South Korea		(%)
1	Increased wages	81.8
2	Exchange rate fluctuation	68.8
3	Increased procurement costs	65.1
4	Growing market shares of competitors (in terms of cost/price)	59.5
5	Pressure to lower prices from clients	48.1

Australia		(%)
1	Increased wages	75.0
2	Increased procurement costs	64.8
3	Exchange rate fluctuation	60.2
4	Growing market shares of competitors (in terms of cost/price)	47.3
5	Disruption in logistics	44.0

New Zealand		(%)
1	Increased wages	85.4
2	Exchange rate fluctuation	73.0
3	Increased procurement costs	70.3
4	Difficulty in recruiting general staff/clerks/general workers	63.4
5	Disruption in logistics	54.1

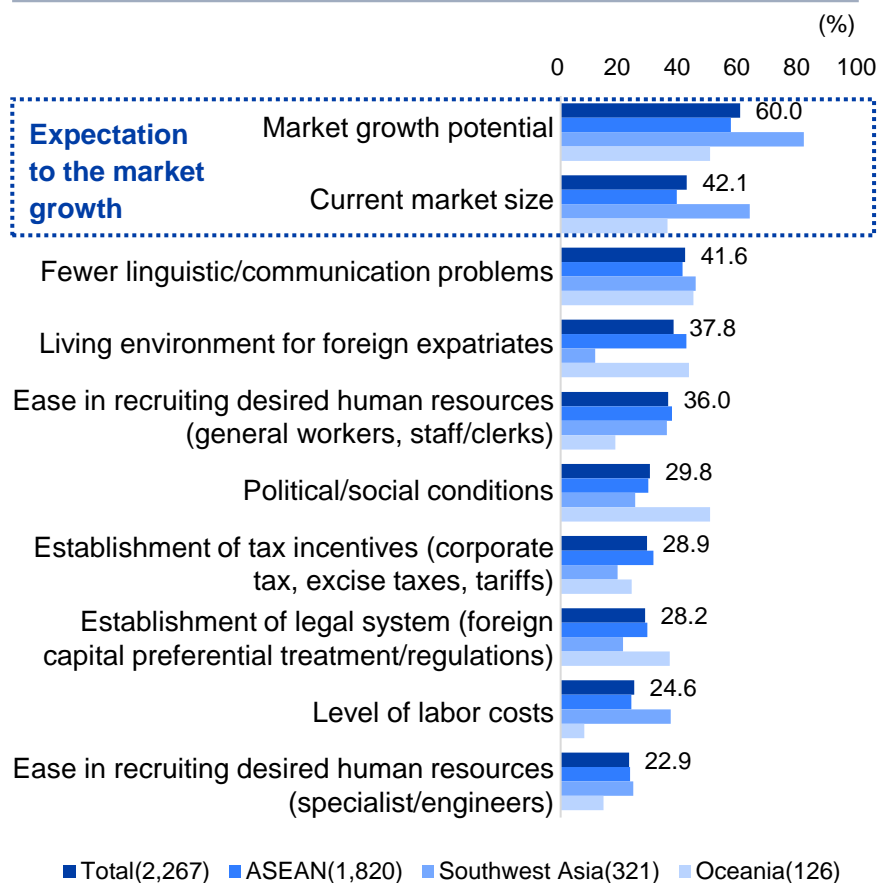
(Note 1) The top 5 items in the response rate. Items highlighted in light pink color are those that are not in the top 10 items of the total number of all surveyed areas in III.1.

(Note 2) The response rates listed for each of the management matters refer to the percentage of responses within the questions "Sales and marketing", "Financial affairs, financing, or foreign exchange", "Labor or employment", "Foreign trade system" and "Production and procurement".

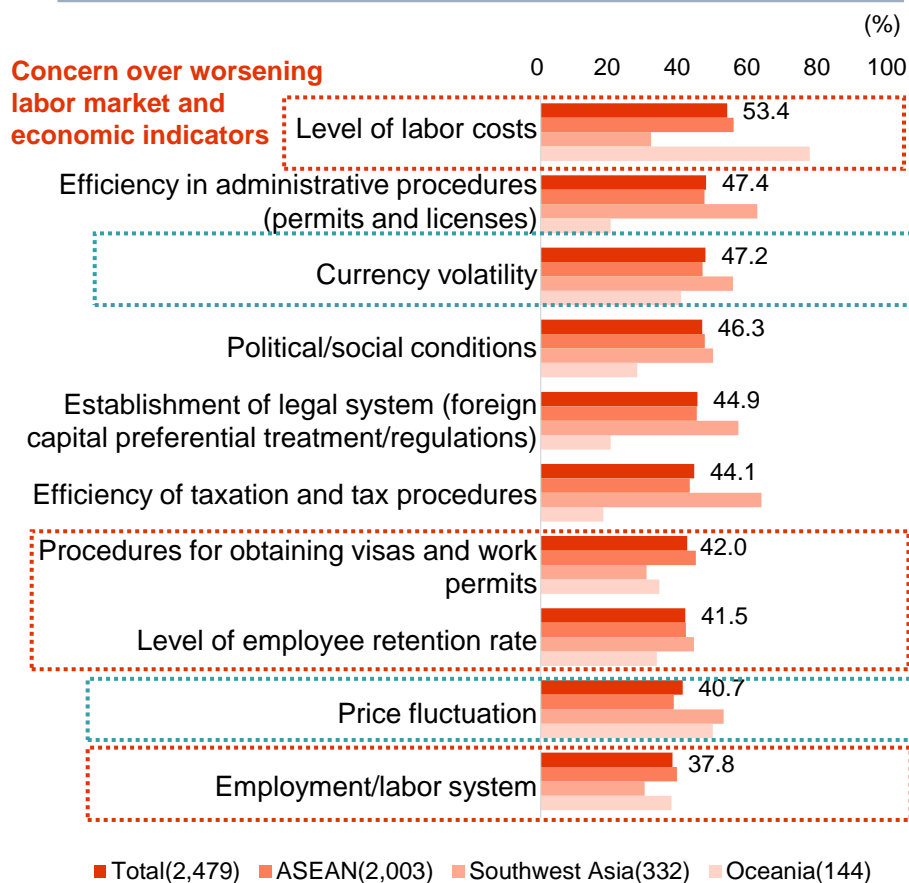
# 5 | 9 items, including human resources and currency volatility, are management risks for more than 40% of respondents

- Regarding the business environment, the main business risks were deterioration of economic indicators (exchange rates and price fluctuations), changes in the labor market (labor costs, foreign employment system, retention rates, etc.), and the efficiency of laws and procedures (permits and licences, preferential treatment for foreign investment, and taxation). On the other hand, strong expectations of market growth were seen, particularly in Southwest Asia.

**Positive impact on management (benefits)**  
(Top 10 items)



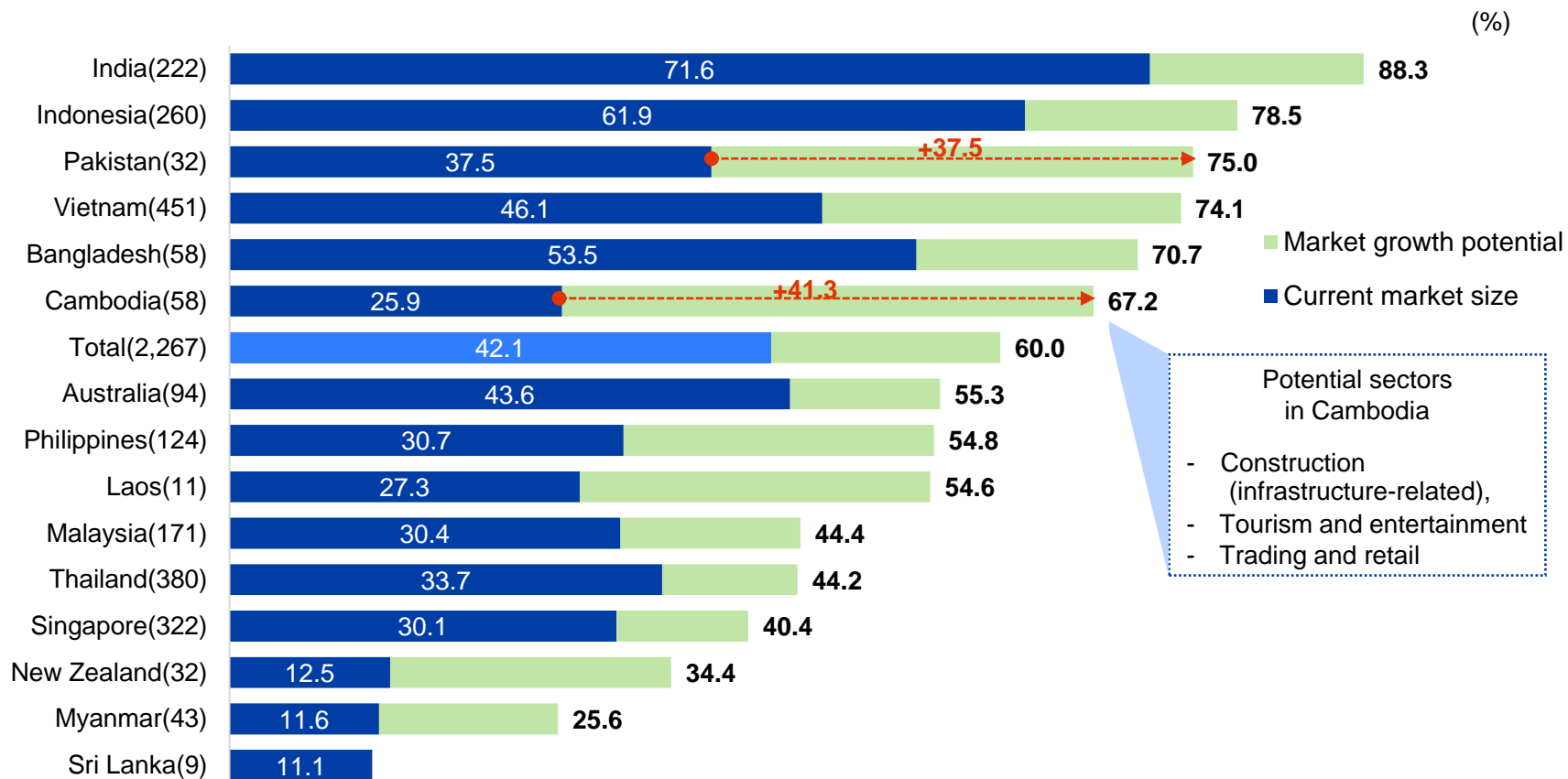
**Negative impact on management (risks)**  
(Top 10 items)



# 6 | Growing India. Cambodia as a potential market

- Japanese companies in India most widely appreciated the size and growth potential of the market. Similarly, the companies in Indonesia, Bangladesh, and Vietnam also had high growth expectations. The companies in Australia also showed positive expectations of market growth, including exports.
- Companies in Cambodia and Pakistan had high expectations of growth potential compared to the current market size.

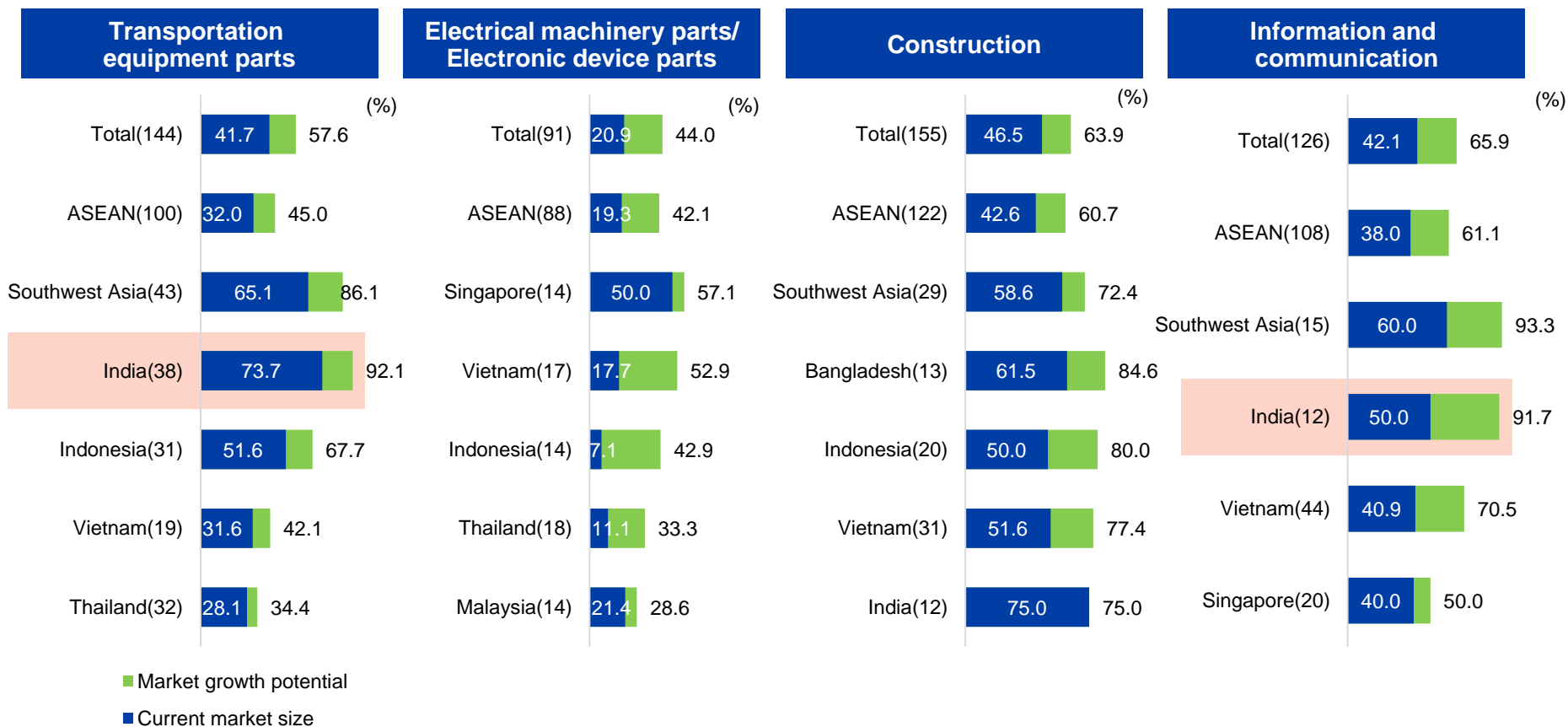
**Current market size and market growth potential (benefits, by country)**



# 7 | High growth expectations for India in transport equipment parts and information and communication

- In transport equipment parts, India’s current market size and growth potential were both high. In electronic and electronic equipment parts, expectations of market growth were seen for Singapore and Vietnam. Expectations of construction markets were seen in a wide range of countries, particularly high in Bangladesh and Indonesia. In information and communication, high growth expectations were seen in India.

**Benefits from current market size and market growth potential (selected industries)**

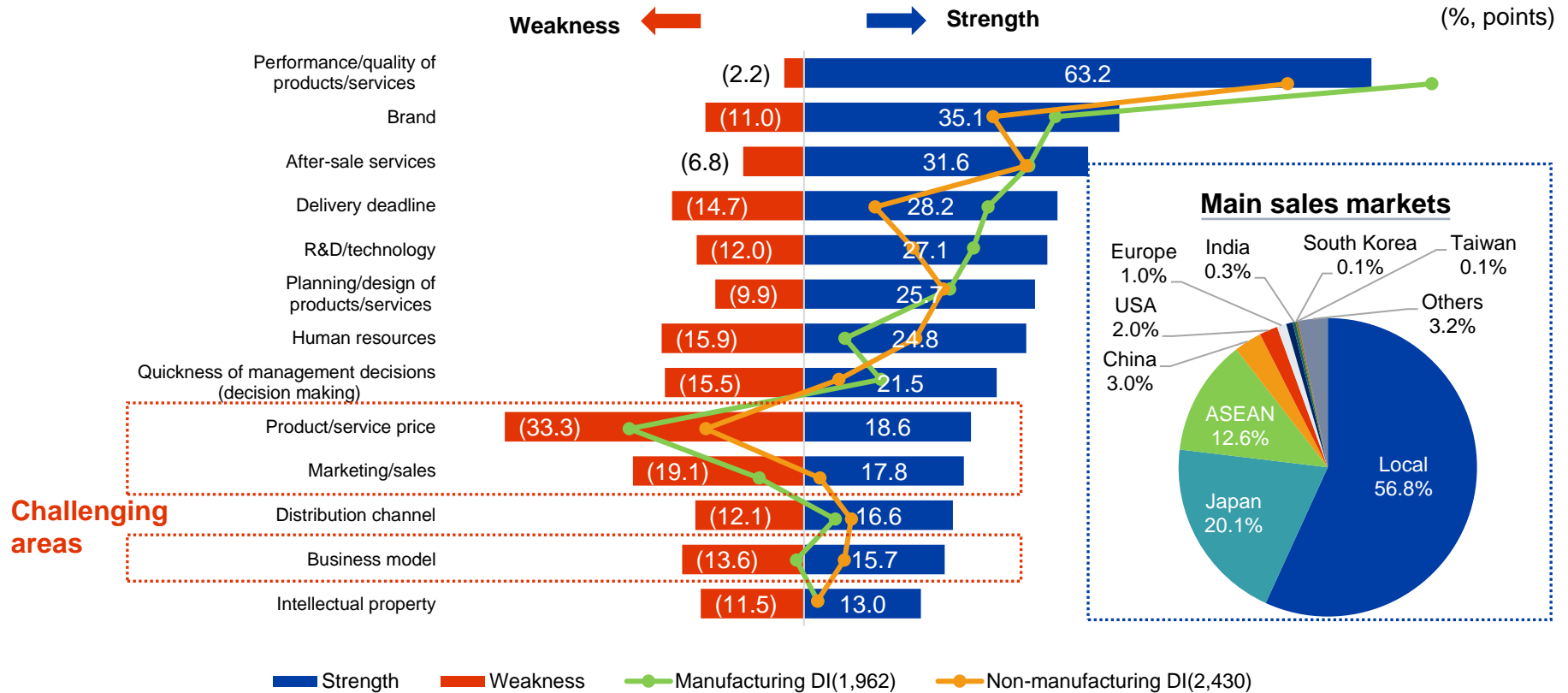


(Note) Countries/regions with at least 10 valid responses.

# 8 | Strengths in product, challenges in price and promotion

- “Strength” of Japanese companies were prominent in their Product (performance/quality, brand, and after-sales service).
- More companies identified Price and Promotion (marketing, sales, etc.) as “weaknesses”. Manufacturers had strength in, delivery time (Place : distribution). In Manufacturing, business models were also perceived as a challenge.

Strengths and weaknesses in target markets (all regions)



(Note) The DI value is calculated by subtracting the proportion of weaknesses from the proportion of strengths.

# 9 | Northeast Asian manufacturers struggle to maintain sales competitiveness

- In Northeast Asia, where competition among manufacturers is intense, some companies likely become less competitive in the four index; price, marketing, business model and human resources. In ASEAN, brand power is weaker than in other regions. Oceania is the only region where non-manufacturing sector regarded themselves still competitive in price.

## Strengths and weaknesses in target markets (DI, each region)

### Manufacturing sector

	ASEAN (1,154)	Southwest Asia (195)	Oceania (44)	Northeast Asia (569)
Performance/quality of products/services	68.0	69.2	63.6	74.3
Brand	21.6	33.3	36.4	38.5
After-sale services	24.5	18.0	25.0	28.5
Delivery deadline	22.3	17.4	13.6	18.5
R&D/technology	15.2	30.3	6.8	23.4
Planning/design of products/services	14.2	22.1	11.4	18.6
Quickness of management decisions (decision making)	9.8	10.8	6.8	5.5
Human resources	6.1	10.3	6.8	△ 0.7
Distribution channel	4.0	2.6	15.9	1.8
Intellectual property	1.4	3.1	2.3	1.2
Business model	1.1	3.6	11.4	△ 7.4
Marketing/sales	△ 5.5	9.7	15.9	△ 10.7
Product/service price	△ 13.5	△ 19.5	0.0	△ 33.0

Challenging areas

### Non-manufacturing sector

	ASEAN (1,332)	Southwest Asia (213)	Oceania (131)	Northeast Asia (754)
Performance/quality of products/services	51.1	52.1	60.3	58.0
Brand	15.8	27.7	38.9	25.3
After-sale services	25.2	20.7	25.2	25.1
Delivery deadline	9.4	7.0	5.4	6.0
R&D/technology	10.4	19.2	16.0	12.6
Planning/design of products/services	16.3	19.7	20.6	12.1
Quickness of management decisions (decision making)	6.2	0.0	3.1	0.9
Human resources	12.3	11.3	7.6	13.8
Distribution channel	3.6	6.6	12.2	6.6
Intellectual property	△ 0.9	4.2	13.0	2.9
Business model	6.4	△ 0.5	15.3	0.7
Marketing/sales	0.8	6.1	16.0	△ 0.1
Product/service price	△ 8.7	△ 12.2	9.2	△ 18.0

Maintain strength in price

(Points)

Strength  
Weakness

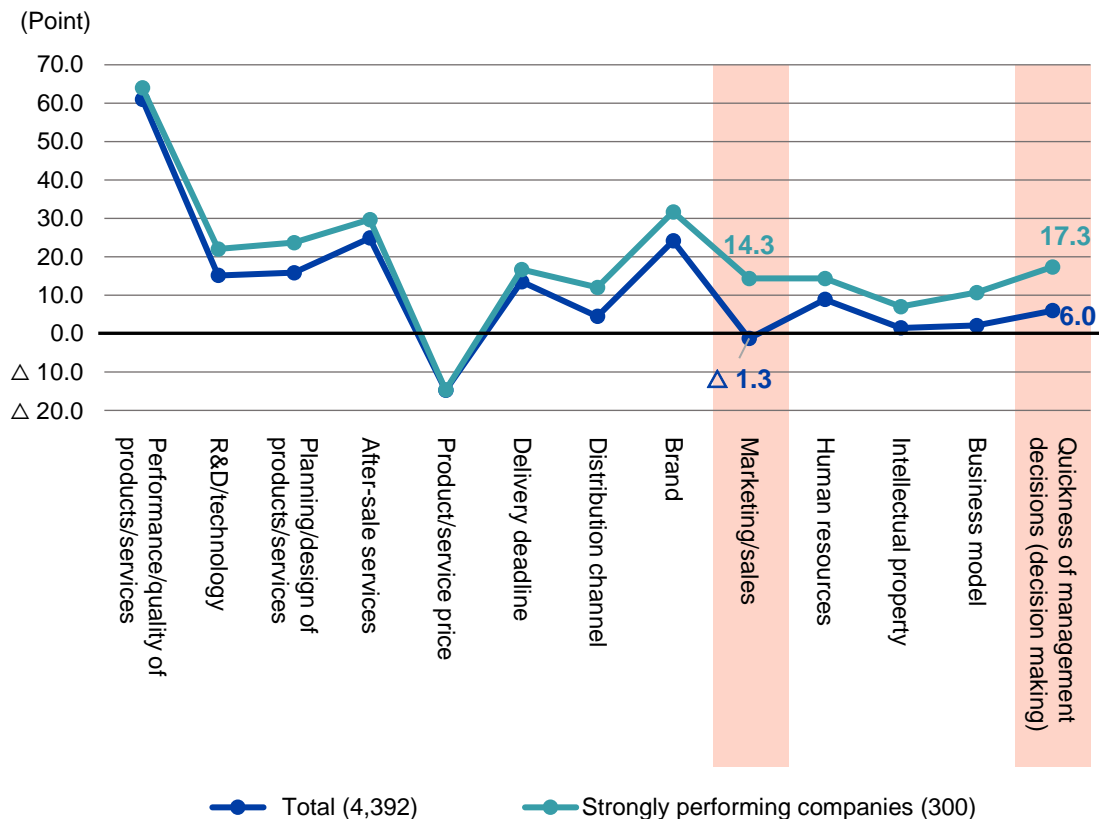
(Note) The DI value is calculated by subtracting the proportion of weaknesses from the proportion of strengths.



# 10 | Strong performing companies have distinctive marketing strengths

- Comparing the 300 companies who performed strong with their main sales destination (see note) to the overall average, the most pronounced difference in their strengths was in marketing and sales. Differences were also observed in the speed of management decisions. Overall, they use management resources effectively.
- In addition to the strengths in performance and quality of their products, “action to sell” and “speed of decision-making” are seen as contributors to their good performance.

**Strengths of companies in their sales markets (DI)**



Examples of initiatives to strengthen marketing among strong performing companies	
Analyse markets by city. Diversify sales channels. Improve the skills of sales representatives.	India
Promote digitalization. Quick research by industry.	Singapore
Exhibit at the reopened tradeshows.	Vietnam
Active use of the social networking sites. Strengthen sales to local companies.	Thailand
Using digital technology, try to approach potential customers	Australia

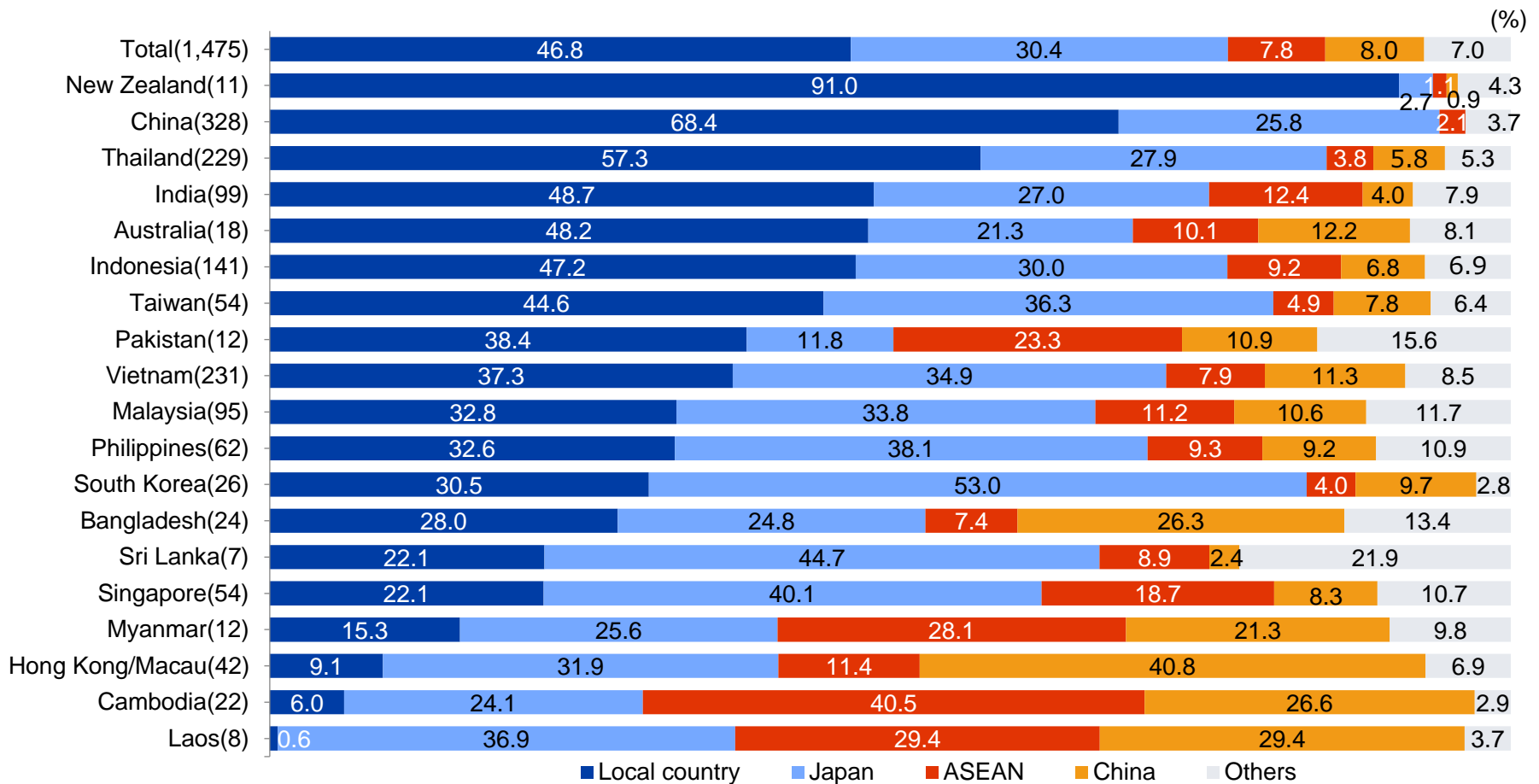
(Note) The companies which mainly targeted domestic markets, expected to be profitable in 2022, expected to improve business performance in both 2022 and 2023, as well as would expand their business (total : 300 companies).

# 1 | Local procurement rate did not increase, while its rate from Japanese imports increased

Manufacturers only

- The local procurement rate of Japanese companies remained almost unchanged, decreased by 0.6 points from the 2021 survey (47.4%); compared to the 2020 survey (48.1%), the rate decreased by 1.3 points.
- Procurement from ASEAN decreased by 0.9 points from the 2021 survey (8.7%). In contrast, procurement from Japan increased by 1.3 points from the 2021 survey (29.1%).

Procurement sources for raw materials and parts (by country/region, responses total 100%)

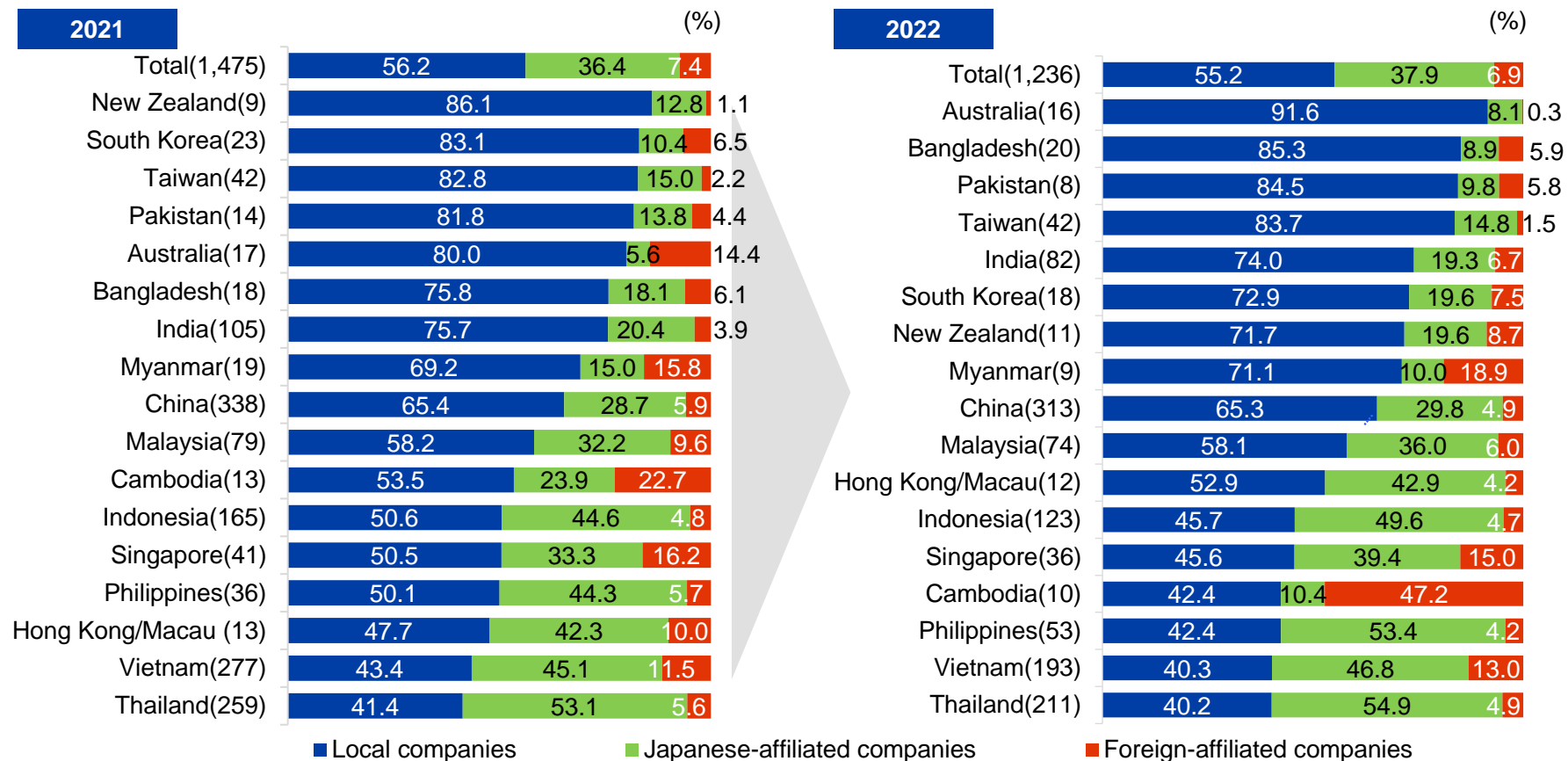


## 2 | Percentage of procurement from local Japanese companies increased

Manufacturers only

- In terms of the breakdown of local suppliers, local companies accounted for 55.2%, decreased from the 2021 survey, while Japanese-affiliated companies (located locally) increased by 1.5 points (37.9%).
- In Indonesia and Philippines in particular, procurement from local companies fell below 50%, while most of the procurement came from Japanese-affiliated companies (located locally) instead.

**Breakdown of local suppliers (local, Japanese and other foreign companies)  
(by country/region, responses total 100%)**



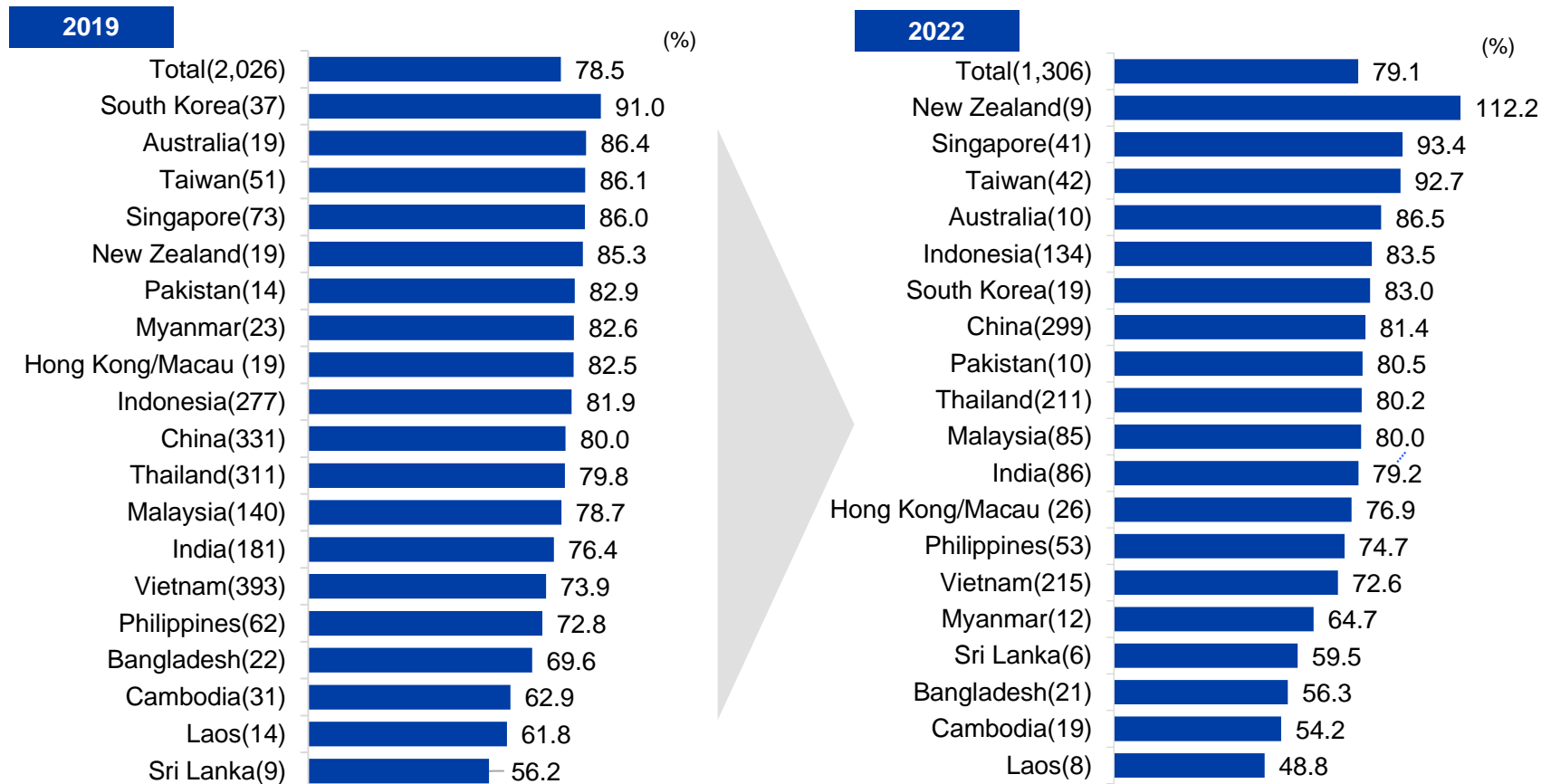
(Note) Countries/regions with at least 5 valid responses.

### 3 Widening differences in manufacturing costs between countries/regions

Manufacturers only

- When the production cost in Japan is set at 100, the local production cost averaged 79.1%, 0.6 points up from the 2019 survey (78.5%). Impacts from yen depreciation, higher prices due to supply chain disruptions and higher labor costs are seen.
- New Zealand exceeded production cost in Japan, and Singapore and Taiwan exceeded 90%. On the other hand, Laos was less than half of the cost in Japan. Sri Lanka, Bangladesh and Cambodia were also below 60%.

Local manufacturing costs (by country/region) with Japanese manufacturing costs as 100

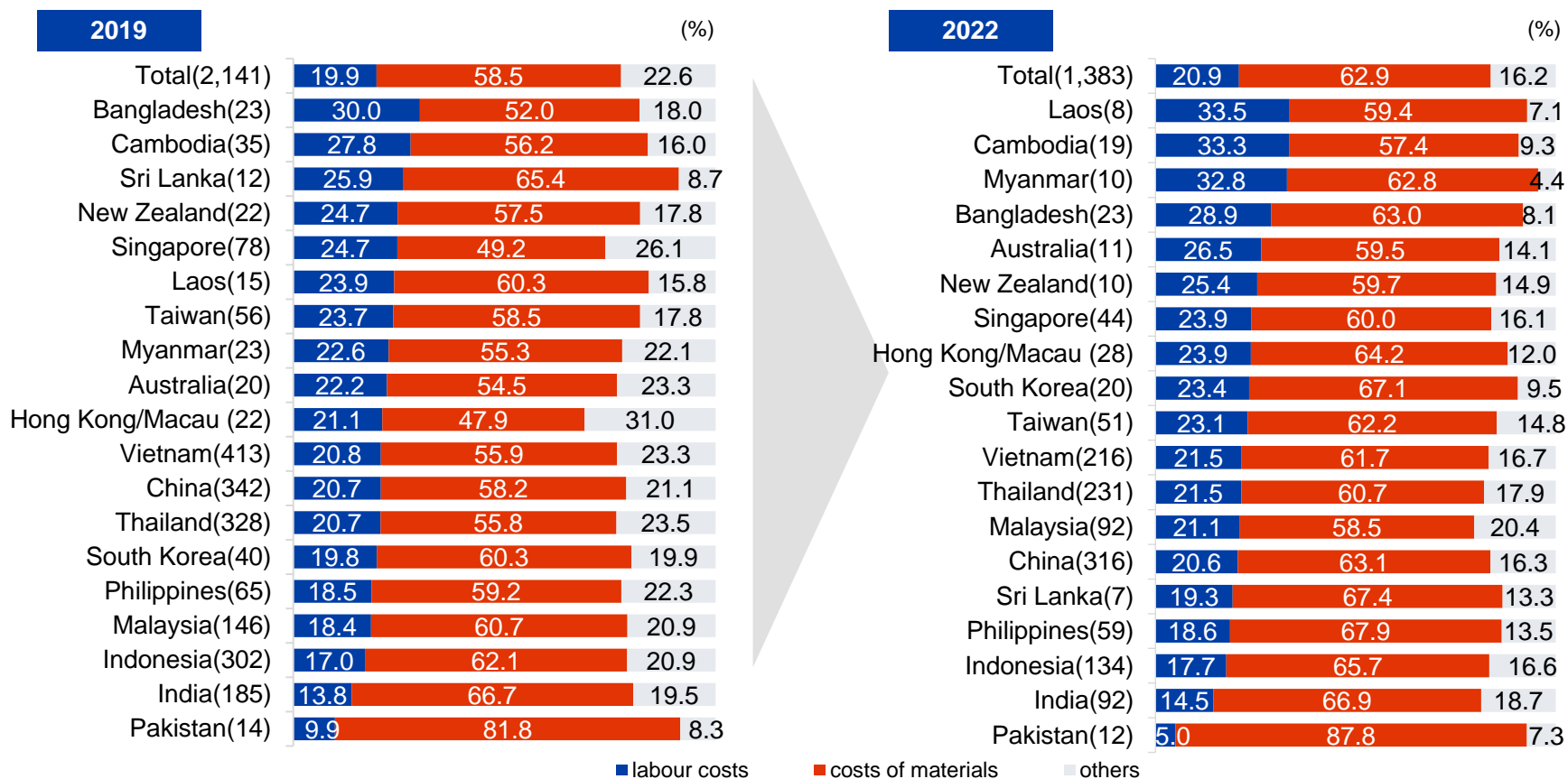


# 4 | Impact of higher material costs exceeded increase in labor costs

Manufacturers only

- The ratio of labor costs to production costs was 20.9%, while the ratio of material costs was 62.9%. Compared to the 2019 survey, the ratio of labor costs rose by 1.0 points and the ratio of material costs by 4.4 points. Minimum wage increases in ASEAN and other countries exceeded the rise in material costs.
- The ratio of labor costs was relatively high in Laos, Cambodia and Myanmar, where labor-intensive industries are common, at more than 30%. On the other hand, the ratio of material costs remained high in Pakistan (87.8%) from the 2019 survey.

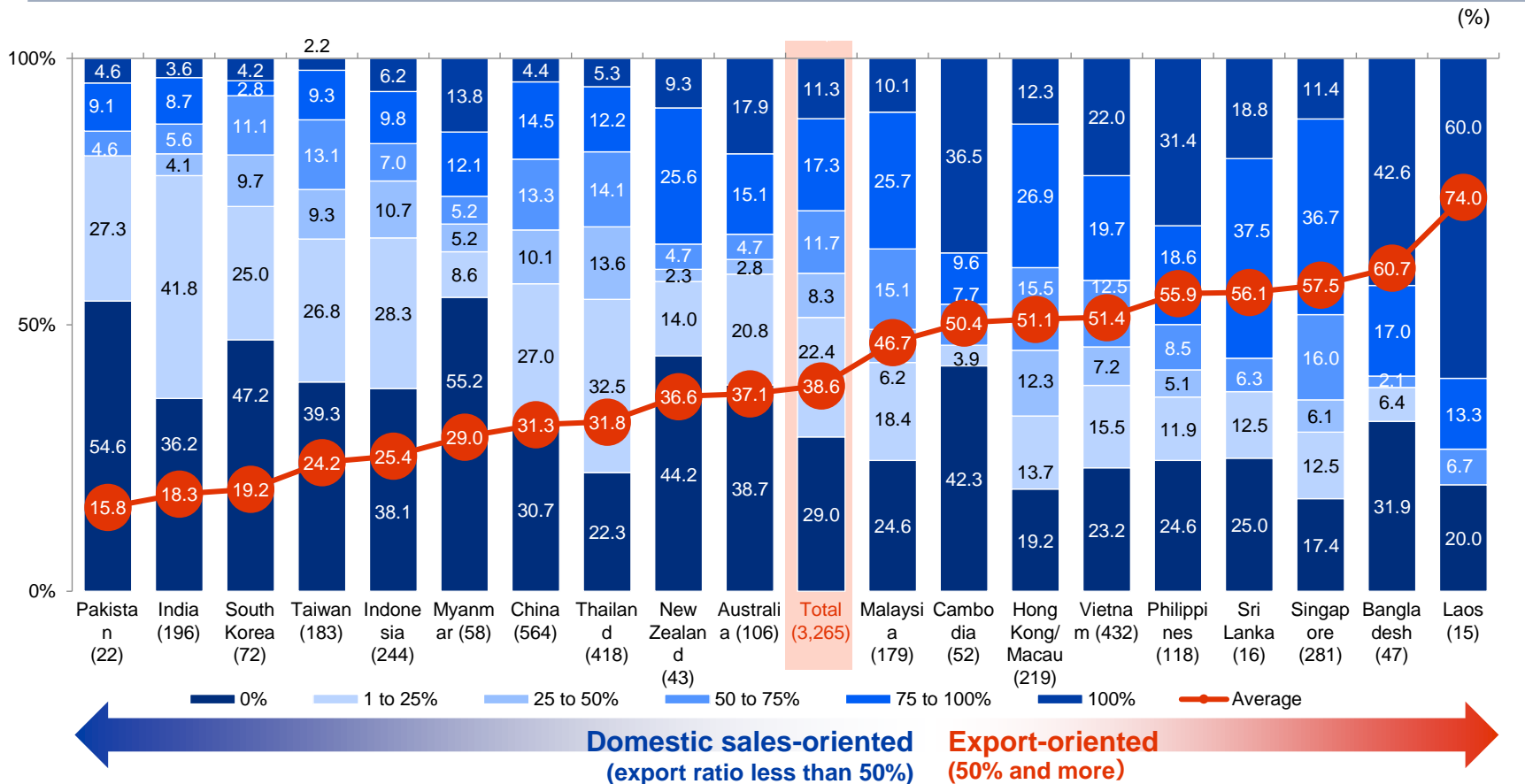
### Ratio of labor and material costs to production costs (by country/region)



# 1 | Average export ratio to total sales increased slightly

- The average ratio of exports to total sales was 38.6%, an increase of 1.8 points compared to the 2021 survey.
- By country/region, the rate exceeded 50% in Bangladesh, Singapore, Philippines, Vietnam, Hong Kong/Macau and Cambodia. Growth increased significantly in Singapore (8.9 points up from the 2021 survey), Australia (7.1 points up) and other countries. On the other hand, the average export ratio in South Korea, India and Pakistan was below 20% due to high dependency on their domestic sales.

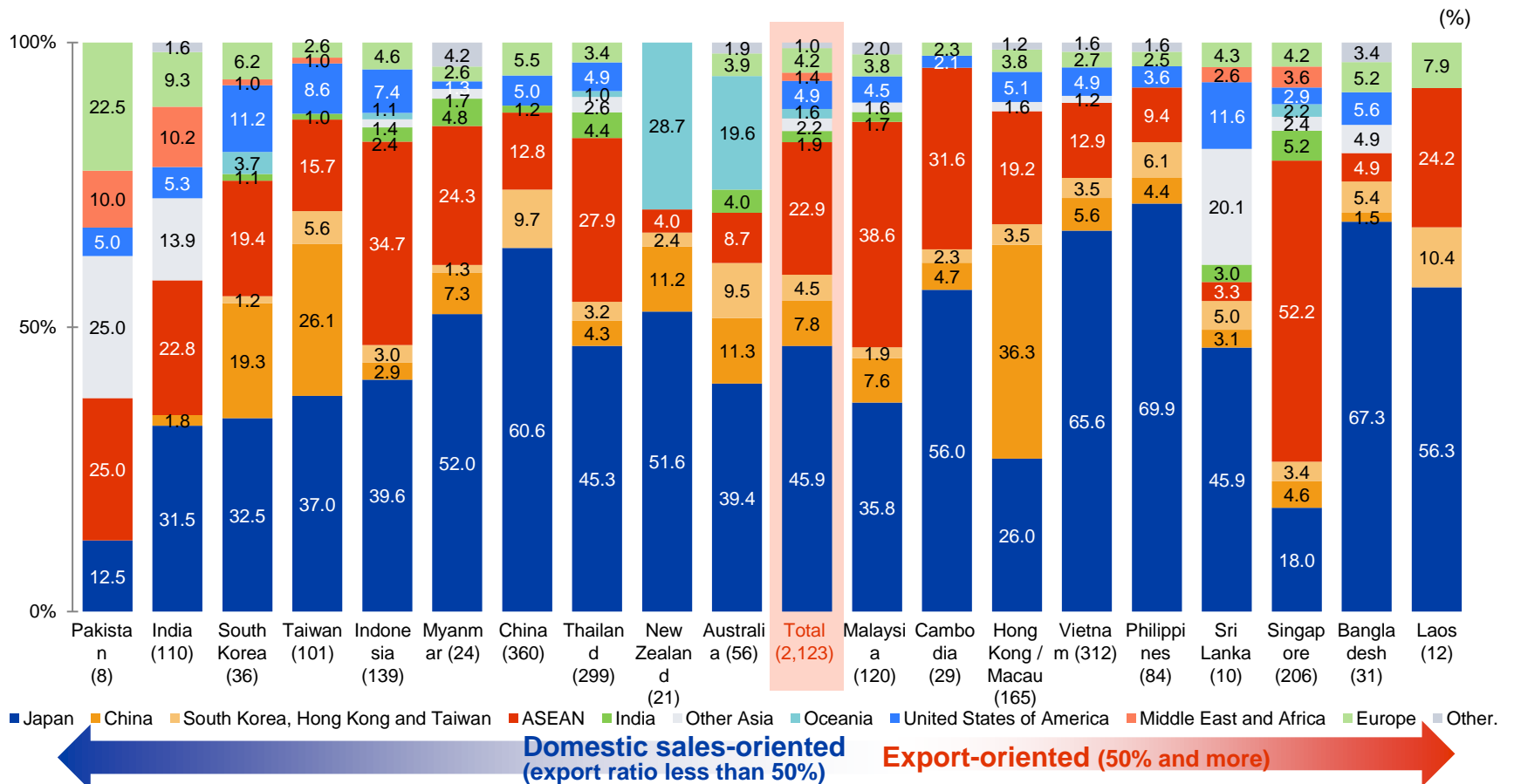
Proportion of exports to total sales (all industries, by country/region, 0-100%)



# 2 | Percentage of exports to Japan slightly decreased, while exports to China increased slightly

- The breakdown of export destinations (on average) by local Japanese companies was 45.9% Japan (0.4 points down from the 2021 survey), 22.9% ASEAN (no change) and 7.8% China (0.3 points up).
- Among export-oriented countries/regions (average export ratio of 50% or more), Japan accounted for about 70% of the export destinations in Bangladesh, Philippines and Vietnam.

**Breakdown of export destinations (all industries, by country/region)**



(Note) Each graph may not add up to 100% when stacked because figures below 0.9% have been removed.

### 3 | About 70% of companies utilize FTA/EPA/GSP

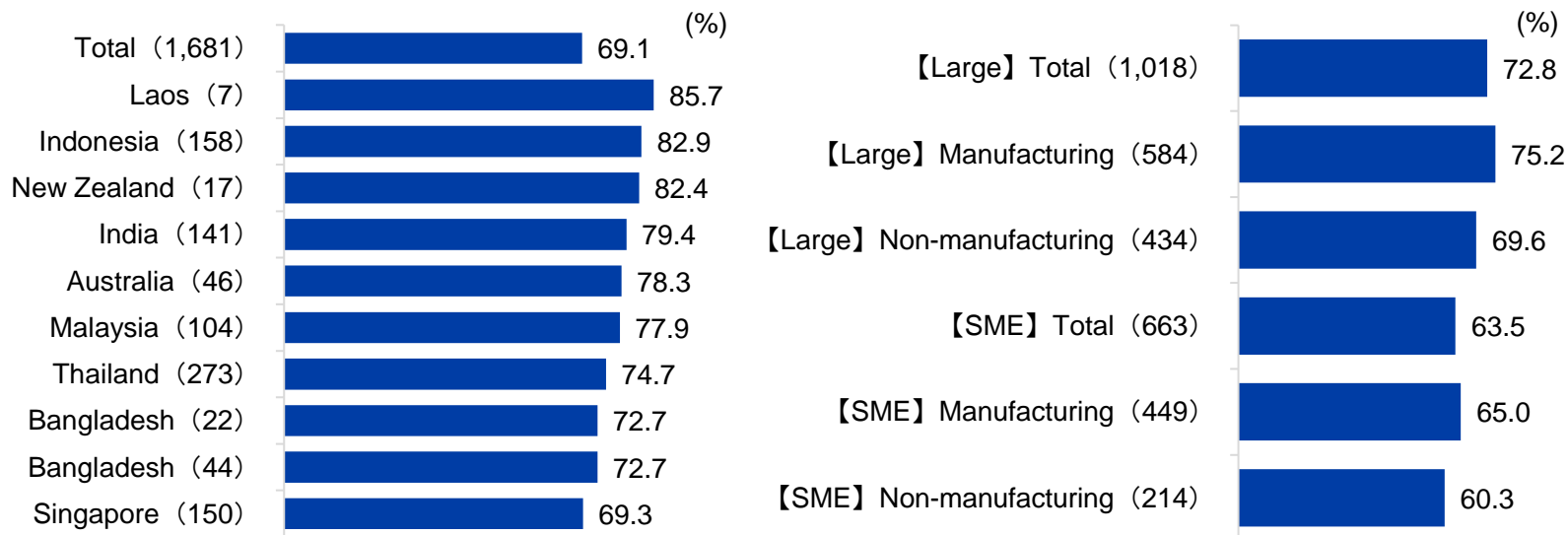
- Almost half of the companies utilize the Free Trade Agreement (FTA)/economic Partnership Agreement (EPA)/Generalised System of Preferences (GSP), at 49.2%. The actual utilisation rate, excluding ineligible companies, was 69.1% (nearly 70%). The same ratio in Indonesia and New Zealand exceeded 80%.
- By company size, large companies outnumber SMEs by 9.3 points, with SMEs lagging in the utilization of the system.

#### Utilization of existing (in force) FTA, EPA and GSP (only companies involved in exporting/importing)



(Note) "Not eligible for use" means cases where the general tariff on import/export items is 0%, or where tariff reduction/exemption schemes other than FTA/EPA/GSP are used.)

#### Countries/regions with high FTA/EPA/GSP utilization rates (top 10 countries)/company size



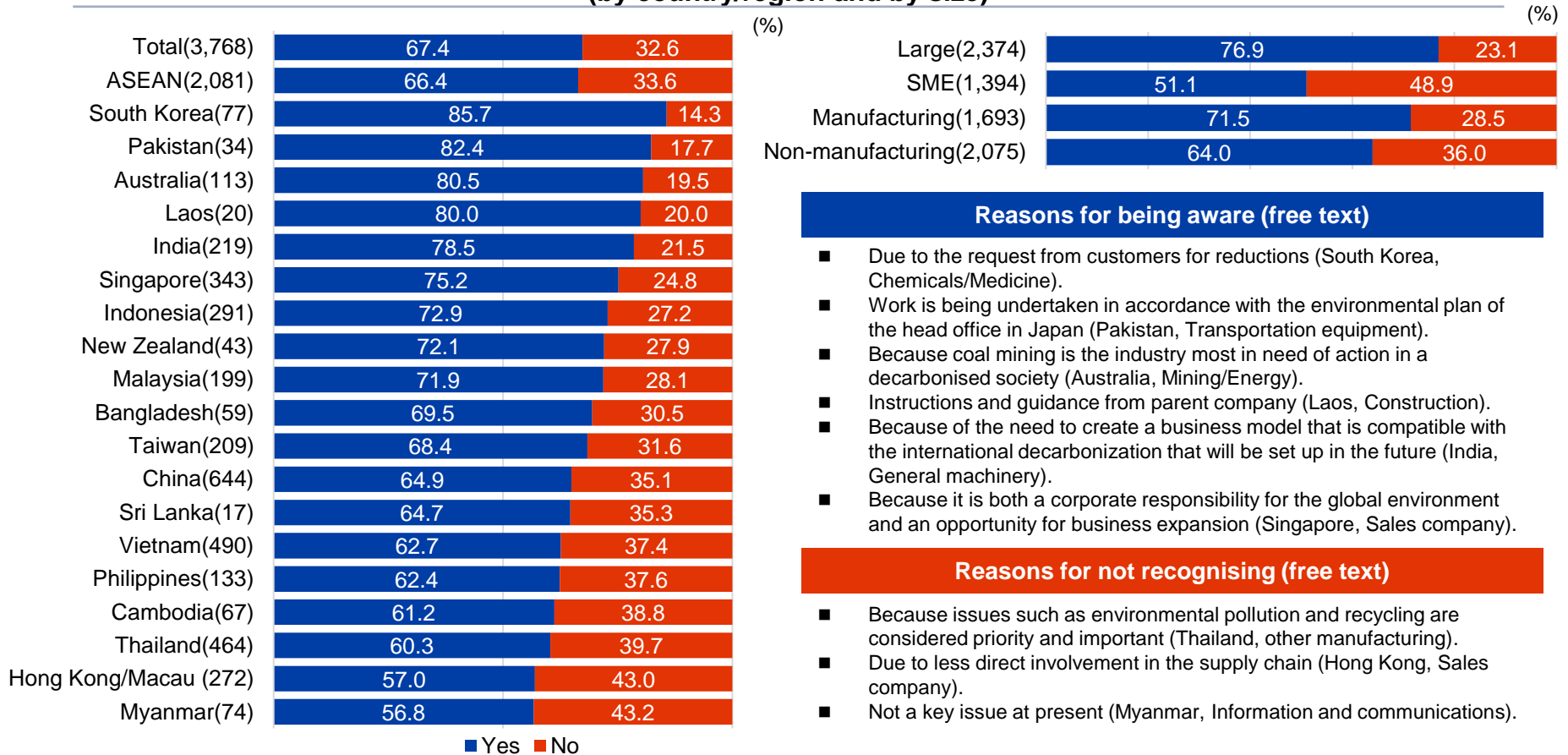
(Note) The number of companies that responded, "Currently in use" or "Not able to use" was taken as the total number of respondents).



# 1 | 70% of companies recognise decarbonization as a management challenge

- 67.4% of companies recognised the decarbonization in their supply chains as a management challenge. The percentage was relatively higher in large companies and manufacturing compared with SMEs and non-manufacturing.
- The reasons why decarbonization is recognised as a management challenge were directives and plans from head office, request from customers, global trend, and the industry requirement.

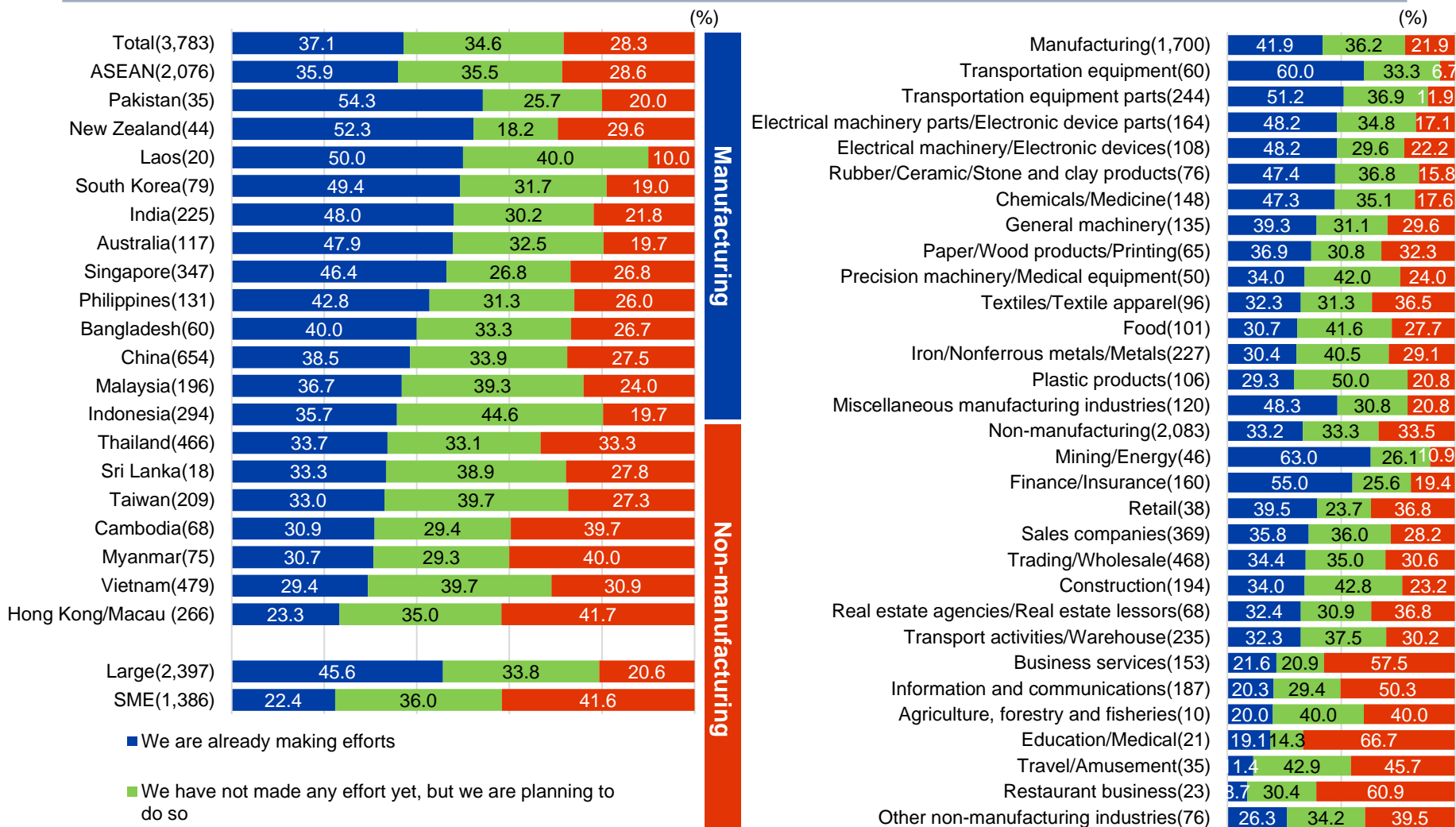
**Whether decarbonization in supply chain is recognised as a management challenge (by country/region and by size)**



# 2 | 40% of companies have already implemented initiatives to decarbonise

- 37.1% of companies are already making some efforts toward decarbonization, such as greenhouse gas reduction.
- More than 60% of companies in transportation equipment and mining/energy are "Already making efforts".

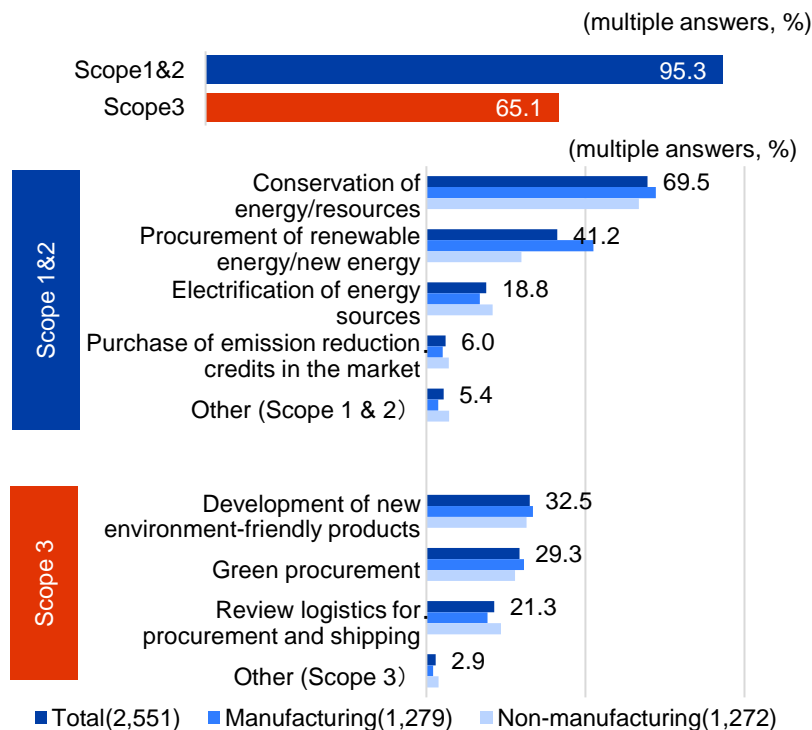
Is your company making or planning to make any effort toward decarbonization?



# 3 | 70% of companies implementing or considering energy and resource conservation

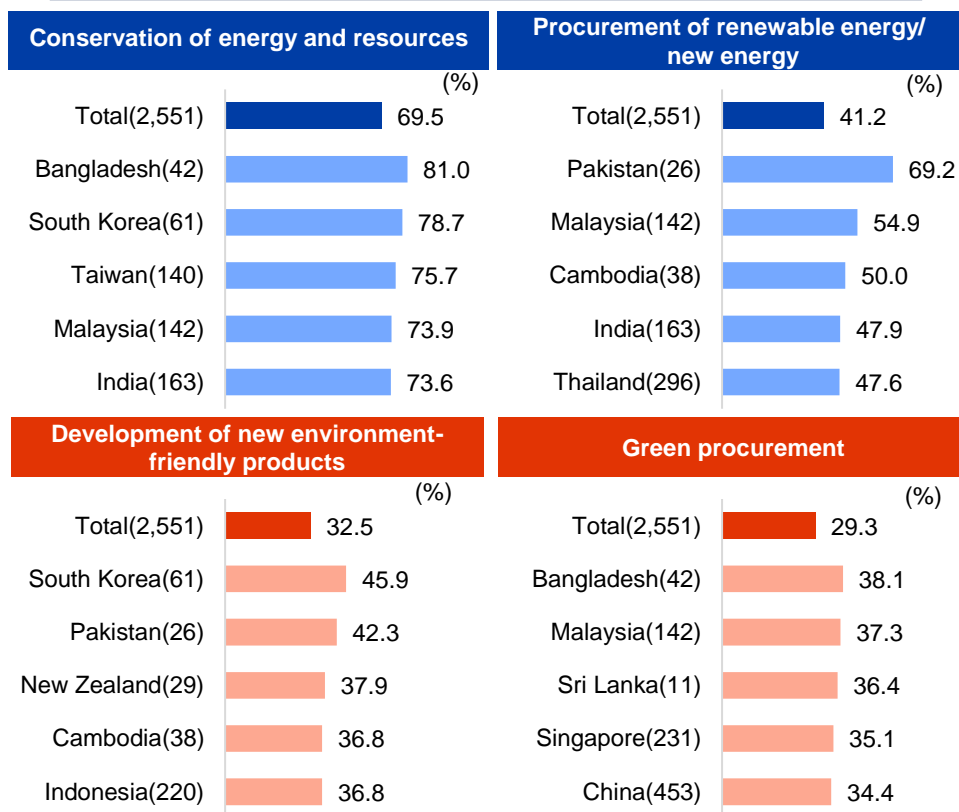
- When companies that said they had already implemented or were considering initiatives to decarbonise their operations were asked about the specifics of their initiatives, 69.5% said energy and resource conservation and 41.2% said the procurement of renewable and new energy electricity.
- With regard to supply chain decarbonization, 95.3% of companies are implementing or considering initiatives that fall under Scope 1 or 2, and 65.1% are implementing or considering initiatives that fall under Scope 3.

## Specific initiatives for decarbonization (including under consideration)



(Note 1) Companies that answered that they are already making efforts or planning to do some form of decarbonization in the countries where they operate. Scope 1&2 is the percentage of companies that selected at least one of the following: "Conservation of energy/resources" to "Other (Scope 1&2)". Scope 3 is the percentage of companies that selected at least one of the following: "Development of new environment-friendly products" to "Other (Scope 3)".

## Specific initiatives for decarbonization (including under consideration, top countries/regions)

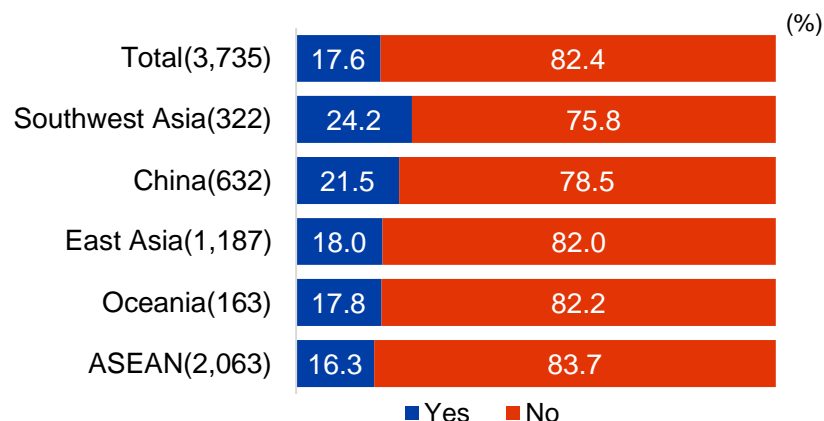


(Note 2) See the Ministry of the Environment website for an explanation of Scope 1~3. [https://www.env.go.jp/earth/ondanka/supply\\_chain/gvc/supply\\_chain.html](https://www.env.go.jp/earth/ondanka/supply_chain/gvc/supply_chain.html)

# 4 | Only 20% of companies have numerical targets for decarbonization in their locations

- Only 17.6% of companies said they had numerical targets related to decarbonization in their local sites. However, even among companies that had not set numerical targets at their local sites, 54.6% said that their head office had numerical targets.
- Of the companies with numerical targets, more than 50% were set by the head office and about 40% were set voluntarily by local sites (including those set at the direction of the head office). Specifically, many companies set numerical targets relating to greenhouse gas emission reduction, carbon neutrality, renewable energy use, energy and resource conservation.

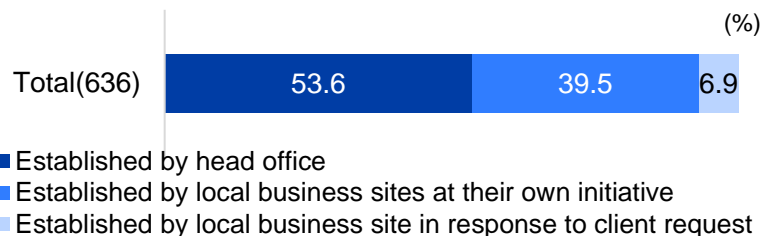
**Availability of decarbonization-related numerical targets at local sites**



**Examples of decarbonization-related numerical targets at local sites**

- Achieving carbon neutrality.
- Follow the standards and targets of the destination country/region.
- Reduce annual carbon dioxide emissions.  
(e.g. ● % reduction compared to the previous year, ● % reduction compared to 2013, ● tonnes reduction per year, ● % reduction on a per-unit basis, etc.)
- Reduction in the use of electricity, water and paper resources, saving electricity.
- Setting electricity usage rates derived from renewable energy sources, and switching to 100% renewable energy sources.

**Status of numerical targets set at local sites and headquarters**



(Note) The figures are for companies that answered 'yes' to decarbonization-related numerical targets at their local sites. As for companies that answered 'Established by local business sites at their own initiative', this includes cases where specific numerical targets were set by the local site under the direction of the headquarters.



- No numerical targets at the headquarters either
- Numerical targets are in place at the headquarters (Local business sites have no obligation to achieve)
- Numerical targets are in place at the headquarters (shared with local business sites as a non-binding target)
- Scheduled to establish our own numerical target soon in response to client request

(Note) For companies that answered 'no' to decarbonization-related numerical targets at their local sites.

Local sites have numerical targets

No numerical targets for local sites

# 5 | Increased costs and lack of incentives are challenges to decarbonization

- As challenges to decarbonization, cost increases and the lack of clarity and difficulty in grasping the system were notable amongst the voices voicing their concerns. Of these, Regarding to increased costs, some said that it was difficult to decarbonise in the absence of understanding from customers and suppliers, and in the absence of competitor initiatives, and that a system to provide incentives was needed.
- Examples of initiatives included the introduction of and investment in renewable energy, including solar power, the introduction of and response to EVs, and energy conservation.

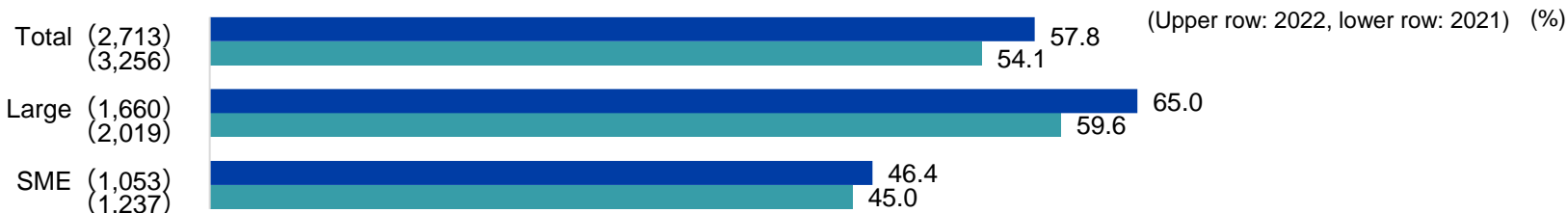
## Challenges and examples of initiatives for decarbonization efforts

	challenge	Examples of initiatives and effects
<b>Northeast Asia</b>	<ul style="list-style-type: none"> <li>• Many initiatives lead to cost increase.</li> <li>• Understanding regional trends in subsidies and incentive schemes for decarbonization.</li> <li>• No local government subsidy schemes, etc. for green energy preferential purchasing or investment.</li> </ul>	<ul style="list-style-type: none"> <li>• Switch to LED lighting, with energy-saving benefits.</li> <li>• 10% of annual electricity consumption is covered by solar power.</li> <li>• Conversion of company vehicles to EVs.</li> <li>• Improved fuel efficiency of vehicles, e.g. through weight reduction.</li> <li>• Participation in offshore wind projects.</li> </ul>
<b>ASEAN</b>	<ul style="list-style-type: none"> <li>• Local price (low cost) first orientation.</li> <li>• The initiatives themselves are not yet directly linked to increased corporate value in the environment.</li> <li>• Electricity cannot be converted immediately into a significant energy conversion due to conditions with industrial parks and other factors.</li> <li>• Constraints imposed by office building management companies prevent the introduction of regeneration and green energy.</li> </ul>	<ul style="list-style-type: none"> <li>• Solar power generation generates approximately 20% of the electricity used in-house.</li> <li>• Switching to renewable energy procurement for electricity at plants.</li> <li>• Reduced electricity and product unit costs through the introduction of inverter machines and simplified packaging.</li> <li>• Substitution of petroleum resources with plant-based resources.</li> <li>• Capital investment in energy efficiency items to reduce costs and GHGs and obtain subsidies.</li> </ul>
<b>Southwest Asia</b>	<ul style="list-style-type: none"> <li>• Increased costs are unacceptable to customers in low-cost markets. Government support is likely to be needed.</li> <li>• Local companies have no awareness of decarbonization, etc., so no matter how much you explain it to them, they don't understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Photovoltaic panels installed on factory premises.</li> <li>• Converting office lighting to LED to reduce electricity consumption.</li> <li>• Support for vehicle EVs and introduction of related products into the relevant markets.</li> <li>• Promotion of EVs in delivery vehicles.</li> </ul>
<b>Oceania</b>	<ul style="list-style-type: none"> <li>• Balance between maintaining costs and safe operations is a challenge.</li> <li>• Inadequate legal framework, arcane rules.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased name value through participation in clean hydrogen projects.</li> <li>• Expanding afforestation linked to carbon credits.</li> </ul>

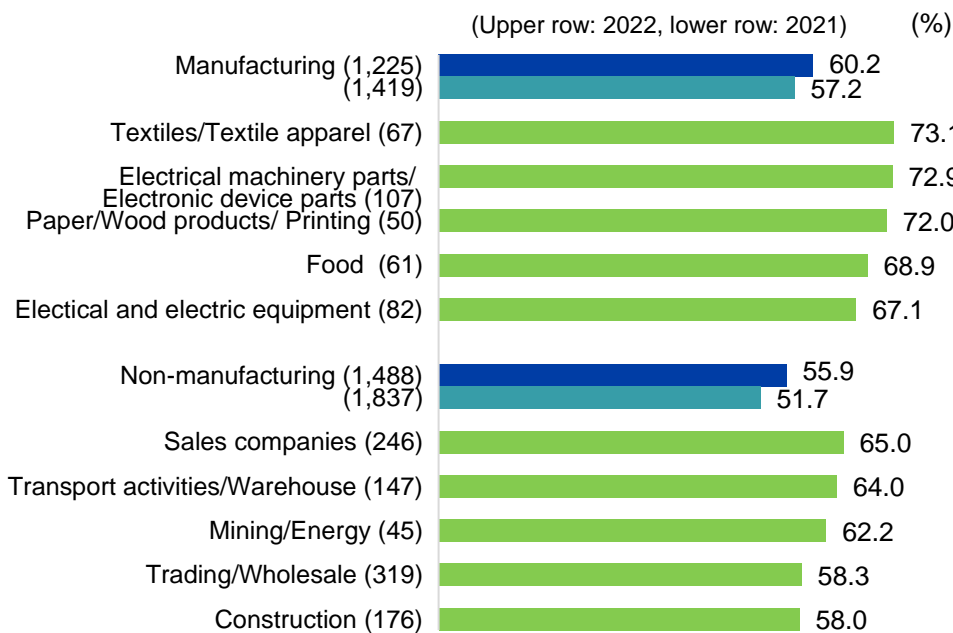
# 1 Companies recognizing human rights issues as a management challenge, up to just under 60% overall

- 57.8% of companies recognised human rights issues as a management challenge, up 3.7 points from survey in 2021 (54.1%).
- By enterprise size, large enterprises (65.0%) were 18.6 points higher than SMEs (46.4%). By industry, Textiles/Textile apparel (73.1%) and Electrical machinery parts / Electronic device parts (72.9%) ranked higher. By country, the rate exceeds 70% in Australia (71.9%), where the Modern Slavery Act needs to be addressed, and in Myanmar as well (71.3%).

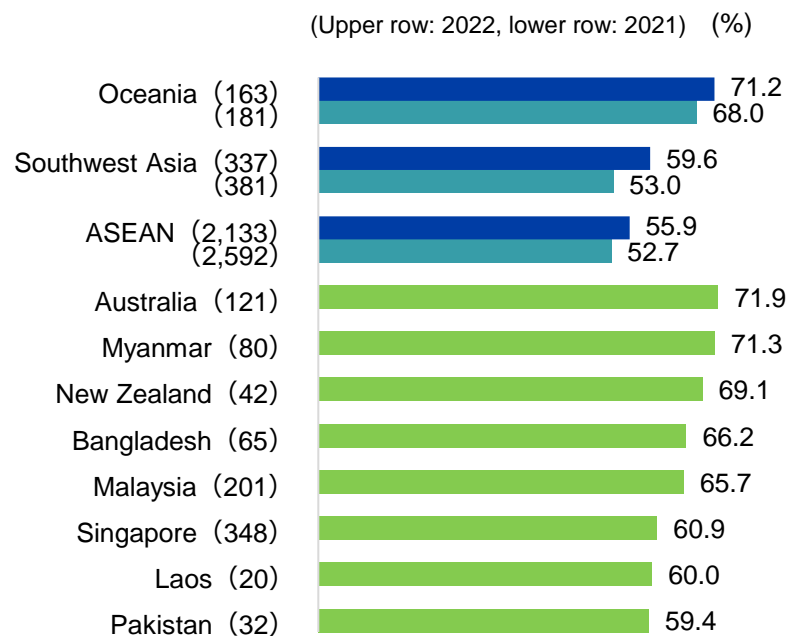
**Whether human rights issues in the supply chain is recognized as a management challenge**



**By industry (Top 5 sectors)**



**By region/country (Top 8 countries)**



(Note 1) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.  
 (Note 2) Sectors and countries with at least 20 valid responses. Excluding South Korea.

## 2 | Recognize human rights issues due to head office's policy, management risks, customer requirements etc

- Several respondents recognized human rights as a management challenge, under their “SDGs initiative” and “the policy of head office / entire corporate group”. Many companies also referred to “management risks” and “customer demands” as reasons. Other country / region - specific reasons were local legal system, political situation, and migrant workers, etc.
- Labor intensive industries (e.g. Textiles, Construction) and companies with procurement sources and manufacturing processes in multiple countries tended to place greater emphasis on human rights issues. In some industries, codes of conduct / certification on human rights issues need to be addressed (e.g. Electronics, Forestry).

### Reasons for recognizing human rights issues in the supply chain as a management challenge

	Main reasons for recognition.	
<b>Cross-sector</b>	Head office policy	<ul style="list-style-type: none"> <li>• As part of the SDGs initiative (“Trading / wholesale” in Singapore ).</li> <li>• Improving brand image by addressing human rights issues (“Sales companies” in India).</li> </ul>
	Human rights risks	<ul style="list-style-type: none"> <li>• Human rights risks need to be considered because procurement / manufacturing process are taken place in multiple countries (“Construction” in Vietnam ).</li> <li>• Child and family-unit labor are seen in local factories (“Rubber / Ceramic/Stone and clay products” in India).</li> </ul>
	Operational risks.	<ul style="list-style-type: none"> <li>• To avoid reputational risks in business ( “Construction” in Myanmar),</li> <li>• Inadequate response to human rights issues may cause sales decrease (“Chemicals / medicine ” in India).</li> <li>• Another company’s imports were restricted by US authorities due to their inadequate response to human rights issues (“Chemicals / Medicine” in Malaysia).</li> </ul>
	Customer requirements.	<ul style="list-style-type: none"> <li>• Demands from customers in Europe / US are increasing year by year ( “Other manufacturing” in Pakistan).</li> <li>• Increased awareness of human rights issues among consumers (“Trading / Wholesale” in Indonesia ).</li> </ul>
<b>By Industry</b>	<ul style="list-style-type: none"> <li>• To compliance with “Responsible Business Alliance (RBA)” in the electronics industry (“Electrical machinery parts / Electronic device parts” in Malaysia).</li> <li>• To compliance with “Forest Stewardship Council (FSC)” certification in the forestry and forest products industry (“Paper / Wood products / Printing” in New Zealand).</li> <li>• Customer requests for investigations into “Conflict minerals” (“Iron / Nonferrous metals / Metals” in Malaysia).</li> </ul>	
<b>By Region</b>	ASEAN	<ul style="list-style-type: none"> <li>• Business with military-affiliated companies need consideration for human rights issues (“Construction” in Myanmar ).</li> <li>• The rights of migrant workers from neighbouring countries should be considered (“Transport” in Thailand ).</li> </ul>
	Southwest Asia	<ul style="list-style-type: none"> <li>• Increased awareness of workplace safety after the sewing factory building collapse incident (“Textiles / Textile apparel” in Bangladesh).</li> </ul>
	Oceania	<ul style="list-style-type: none"> <li>• Human rights of indigenous issues should be considered ( “Sales companies” in Australia).</li> <li>• To compliance with the rule of “Modern Slavery Act”, which is getting stricter year by year (“Iron / Nonferrous metals / Metals” in Australia).</li> </ul>

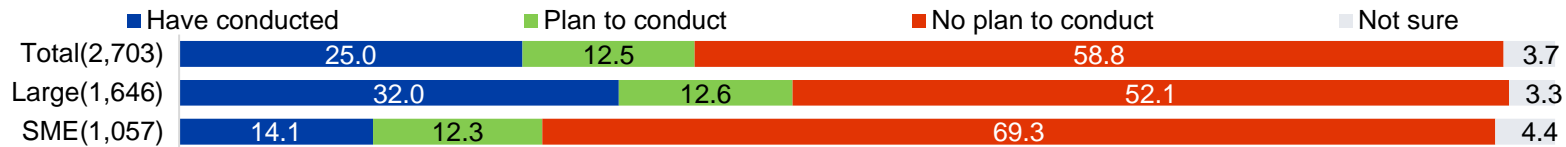
(Note) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.

# 3 | Approximately 40% of all companies have conducted or plan to conduct human rights DD

- In total, 37.5% of respondents said they have conducted or plan to conduct human rights due diligence (DD). In manufacturing sector, the proportion exceeded 50% in Electrical machinery parts / Electronic device parts, Textiles / Textile apparel , and Electrical machinery / Electronic devices sectors. On the other hand, only 25.0% answered that they had already conducted human rights DD in total.
- By region, in Oceania, the proportion of companies who have already conducted human rights DD is 50.0%, and when including companies planning to conduct human rights DD, the ratio was 61.3%.

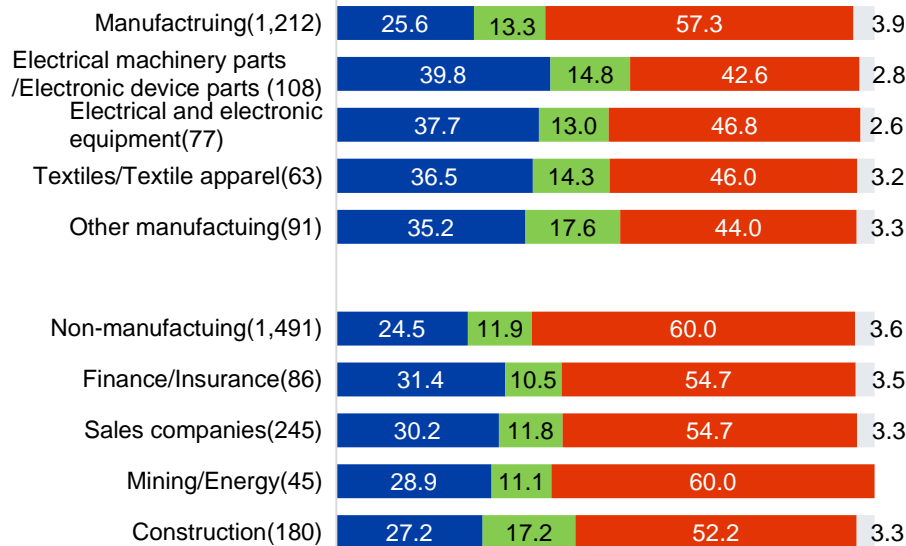
**Status of implementation of human rights due diligence.**

(%)



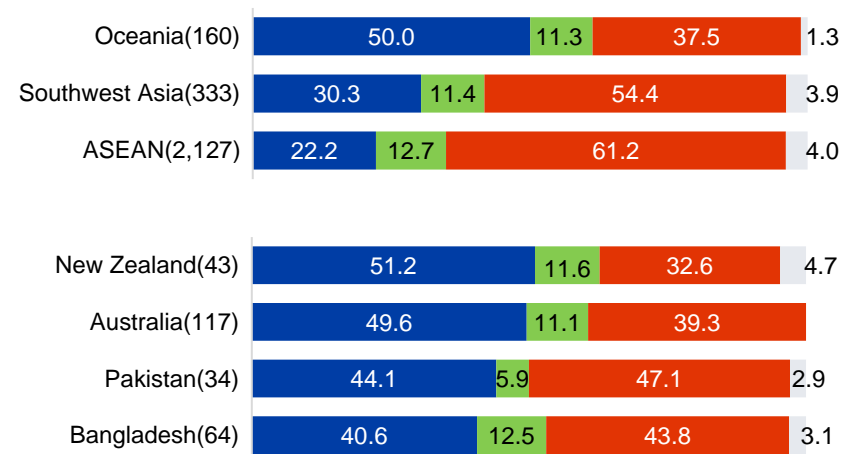
**By industry (top 4 sectors)**

(%)



**By country/region (top)**

(%)



(Note 1) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.

(Note 2) The industry figures (bottom left) show industries with at least 20 valid responses. Top four industries already conducted human rights DD.

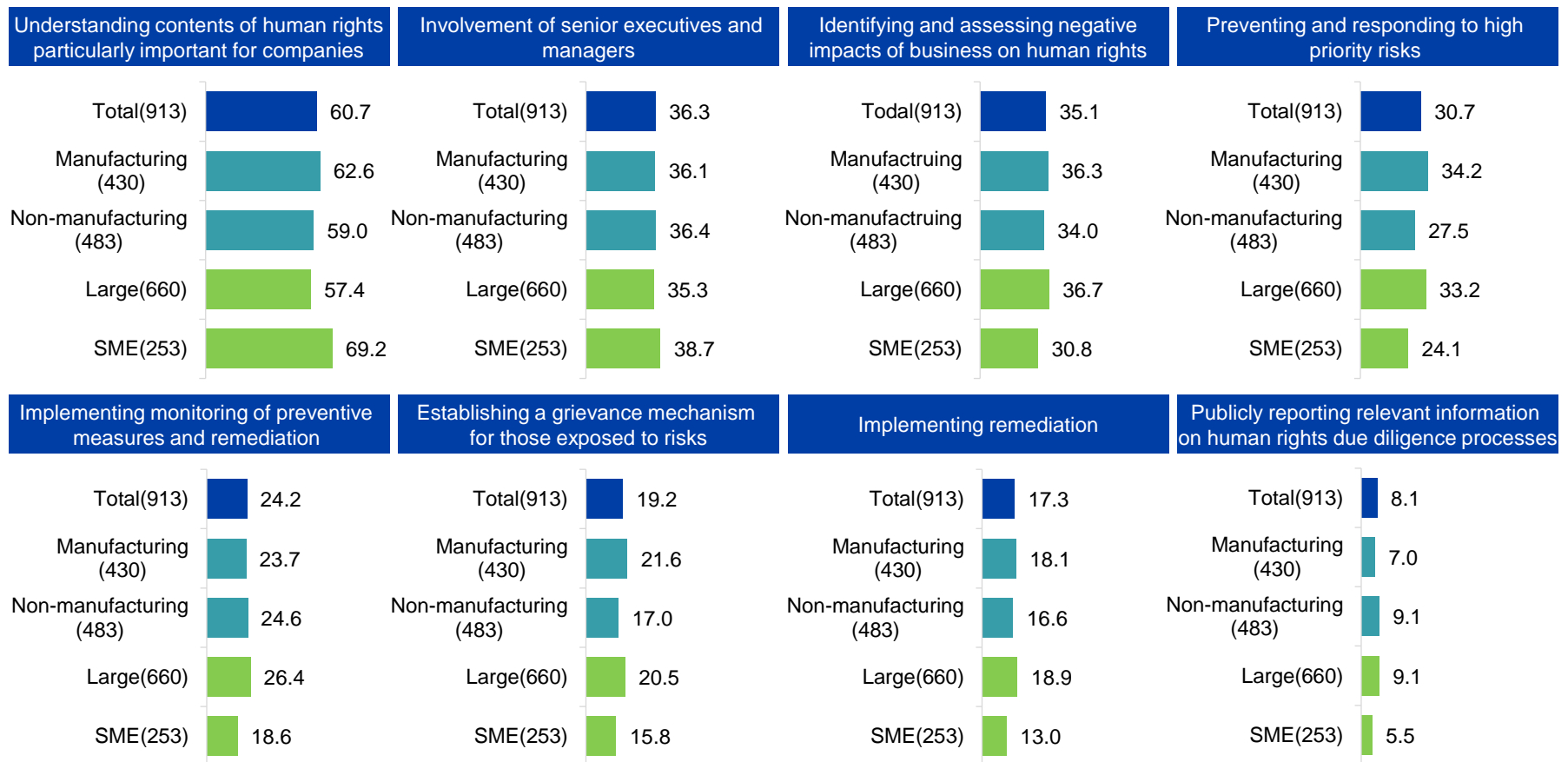
(Note 3) Country figures (bottom right) show the top four countries where they have already conducted human rights DD.



# 4 | Human rights DD : 60% face challenges in understanding human rights contents

- In total, the most common challenge in implementing human rights DD was understanding the contents of human rights issues (60.7%). In particular, 69.2% of SMEs have difficulties in this process.
- In addition, “Involvement of senior executives and managers” (36.3%), “Identifying and assessing negative impacts of business on human rights”(35.1%), and “Preventing and responding to high priority risks” (30.7%) exceeded 30%.

**Challenges in conducting human rights due diligence (multiple answers)** (%)

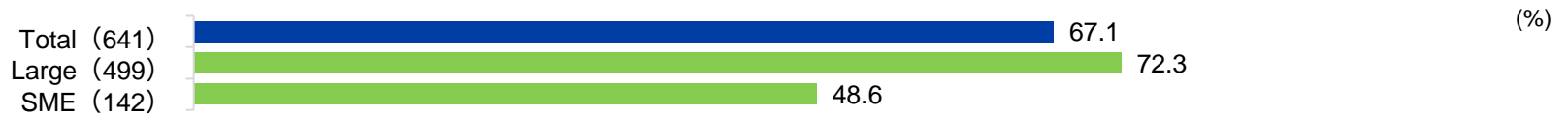


(Note 1) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.  
 (Note 2) Responses are companies who have conducted or plan to conduct human rights DD.

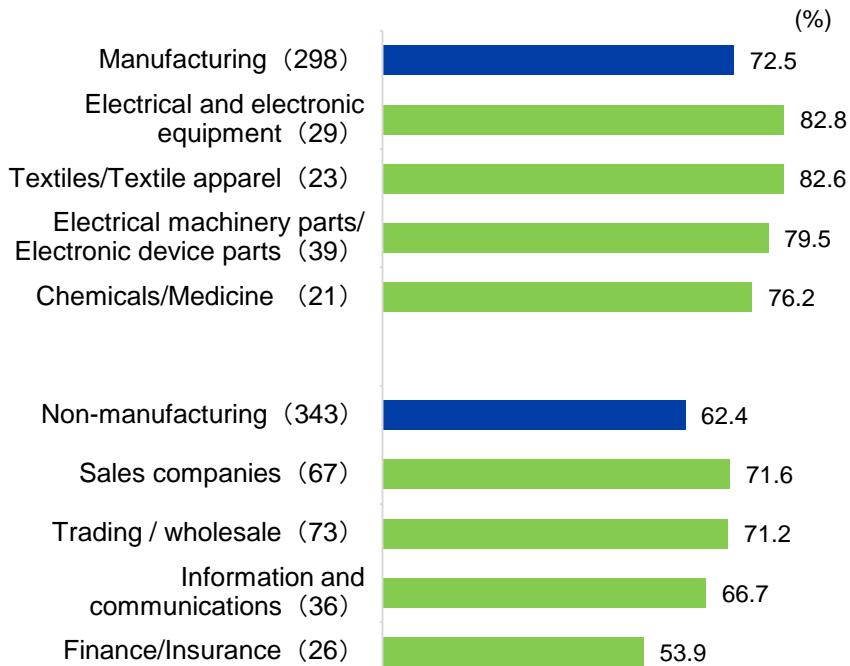
# 5 | About 70% of companies conducting human rights DD require suppliers to comply with their policies

- Among the companies that have conducted human rights DD, 67.1% require their suppliers to comply with their human rights policies. Large companies (72.3%) outnumbered SMEs (48.6%) by 23.7 points.
- In manufacturing sector (72.5%), Electrical and electronic equipment (82.8%) and Textiles / Textile apparel (82.6%) were among the highest. In non-manufacturing sector (62.4%), Sales companies (71.6%) and Trading / wholesale (71.2%) were ranked higher.

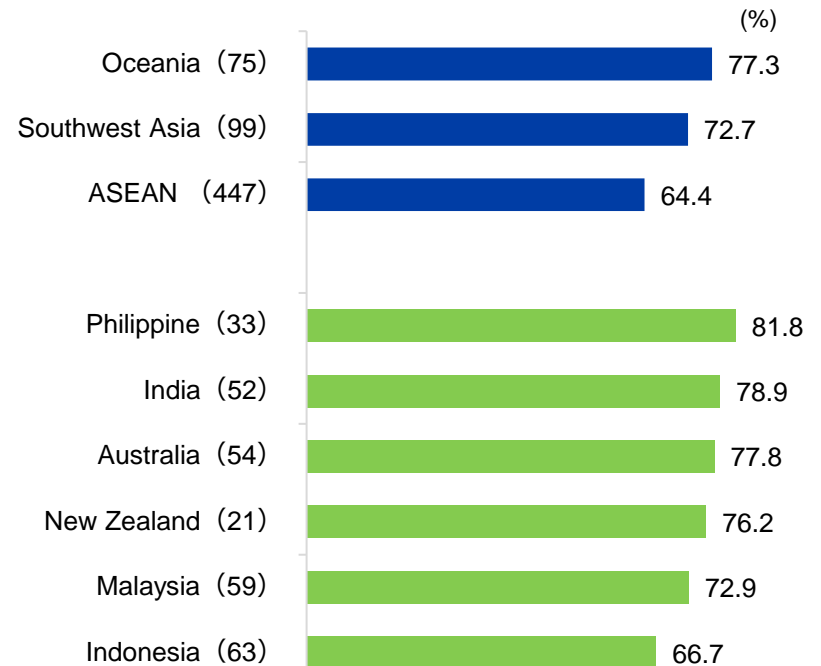
## Whether companies require their suppliers to comply with their own human rights policies



### By industry (top 4 sectors)



### By region/country (top 6 countries)



(Note 1) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.

(Note 2) Responses are companies who have already conducted human rights DD.

(Note 3) Countries / industries with at least 20 valid responses.

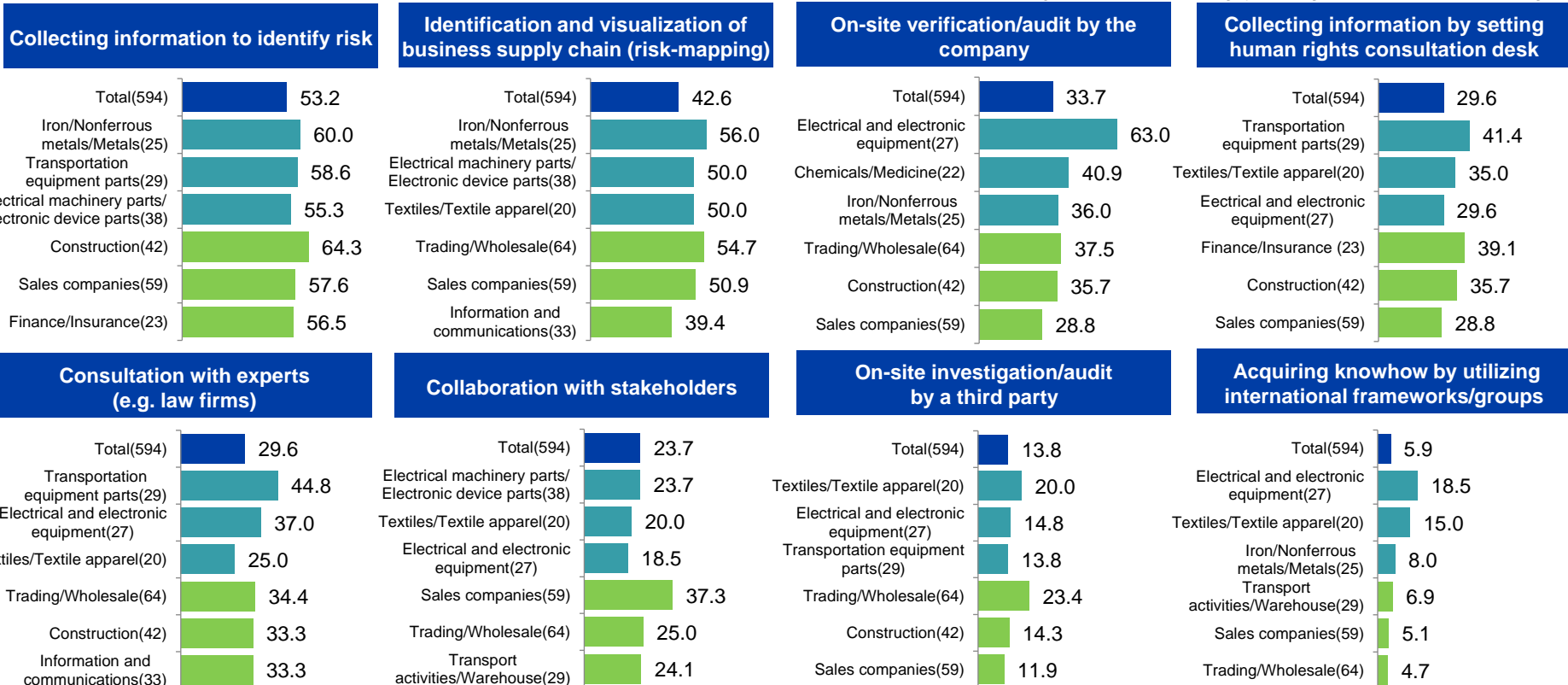
# 6

## More than half were engaged in information gathering to identify / assess human rights risks

- Among companies implementing human rights DD, many of them were engaged in “Collecting information to identify risks” (53.2%), “Identification and visualization of business supply chain” (42.6%) and “On-site verification / audit by the company” (33.7%). On the other hand, not many respondents worked on “On-site investigation / audit by a third party”, “Acquiring knowhow by utilizing international frameworks / groups”.
- A relatively high proportion of respondents in Electrical and electronic equipment and Textiles / Textile Apparel sectors, having industry-specific human rights standards and guidelines, were engaged in “On-site audit either by themselves or by third parties”, and in “Acquiring knowhow by utilizing international frameworks / groups”.

### Efforts to identify and assess human rights risks(top 3 manufacturing & non-manufacturing sectors) (multiple answers)

(%) (green: manufacturing, yellow-green: non-manufacturing)



(Note 1) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey. (Note 2) Responses are companies implementing human rights DD. (Note 3) Industries with at least 20 valid responses. The top 3 manufacturing & non-manufacturing sectors, excluding other manufacturing.

## 7 | Human rights risks in the supply chain are the common concern

- Human rights risks in the supply chain were common concerns in all regions. To cope with this concern, in many cases, preventative measures such as interviews with suppliers and on-site audits were taken.
- In addition, many companies were concerned about child labor issues in their own companies or business partners. There were some country-specific concerns, such as in Myanmar (e.g. doing business with military-related companies) and Malaysia (e.g. strengthening penalties for sexual harassment by revision of employment law).

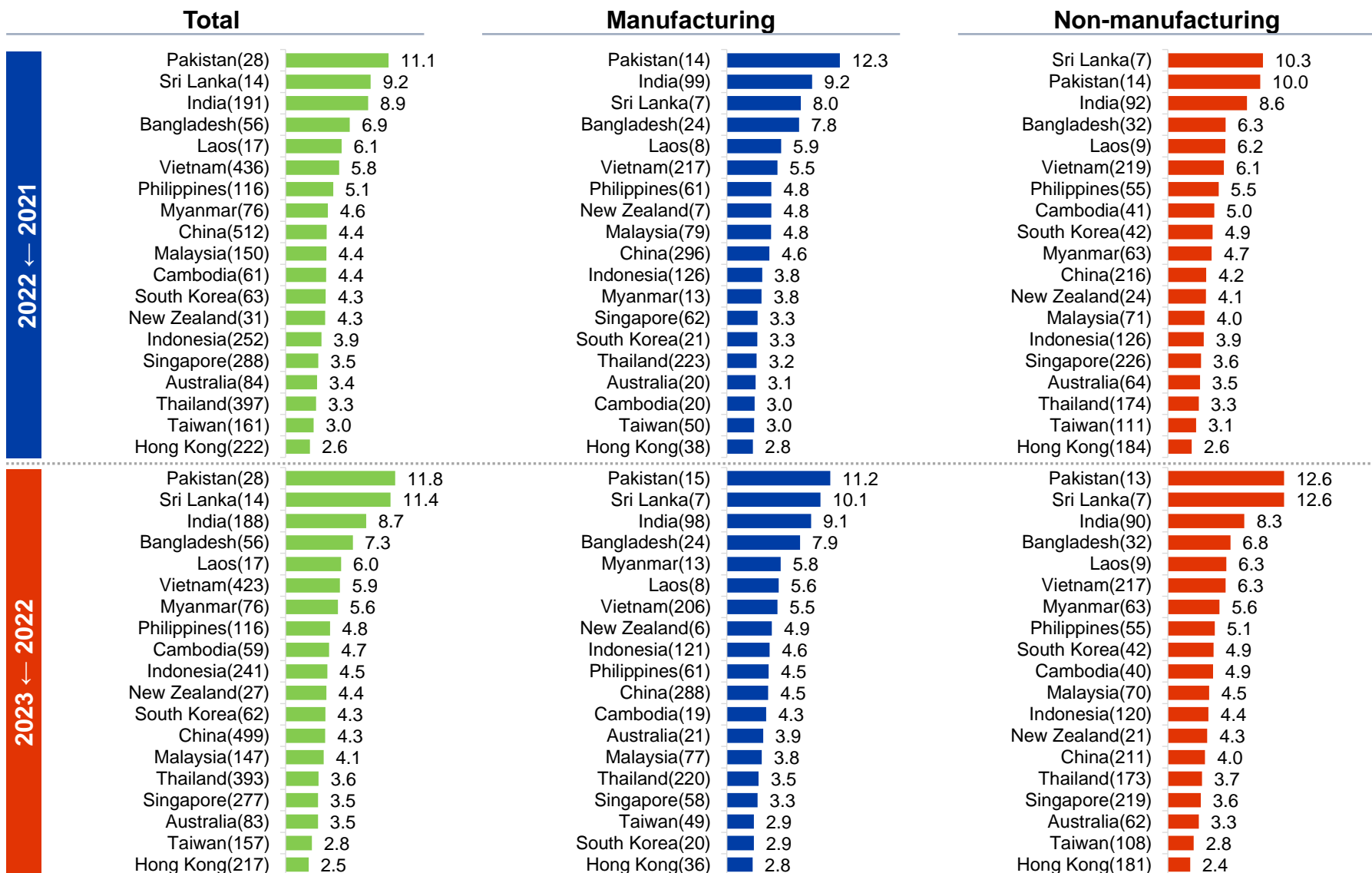
### Concerns about specific human rights risks and preventive measures

	Point of concern	Precautionary measures
<b>ASEAN</b>	In agricultural materials production sector, awareness of human rights, including child labor, is low (Vietnam, Food).	Acquire SA8000 certification to raise awareness of employees and suppliers on human rights.
	Tougher national penalties for sexual harassment (Malaysia, Transport activities/Warehouse).	Anti-harassment and internal reporting systems have been established in accordance with head office's policy in Japan.
	Reputational risk in case subcontractors or suppliers are military-related companies (Myanmar, Construction).	Before dealing with new suppliers, investigate their investors or business partners as far as possible.
	Concerns about forced labor and child labor at suppliers (Vietnam, Iron/Nonferrous metals/Metals ).	Conduct investigation on conflict mineral or human rights DD.
<b>Southwest Asia</b>	Child labor, forced harsh working conditions and various types of harassment at workplaces in local companies (India, Iron/Nonferrous metals/Metals ).	Conduct on-site audits by interviewing purchasing managers, require to get compliance certificates, and incorporate human rights respect clauses into business contracts.
	Age of work applicants (Bangladesh, Textiles/Textile apparel ).	Verify staff's identity thoroughly before hiring.
	Sexual and power harassment risk management (India, Sales companies).	Conduct regular internal training, clarify details / procedures of disciplinary actions, and establish internal whistleblower contacts.
<b>Oceania</b>	Procurement from countries / regions with concerns about human rights abuses, child labor, etc. (Australia, Mining / energy).	Change procurement sources to other countries / regions where there are no concerns.
	Procurement from countries with poor human rights governance (Australia, Sales companies).	Join the Responsible Business Alliance (RBA). Request suppliers to complete the RBA questionnaire.

(Note) China, Hong Kong, Macau and Taiwan are excluded from the scope of this survey.

# 1 | Wages(1) Year-on-year wage increase rate

(%)

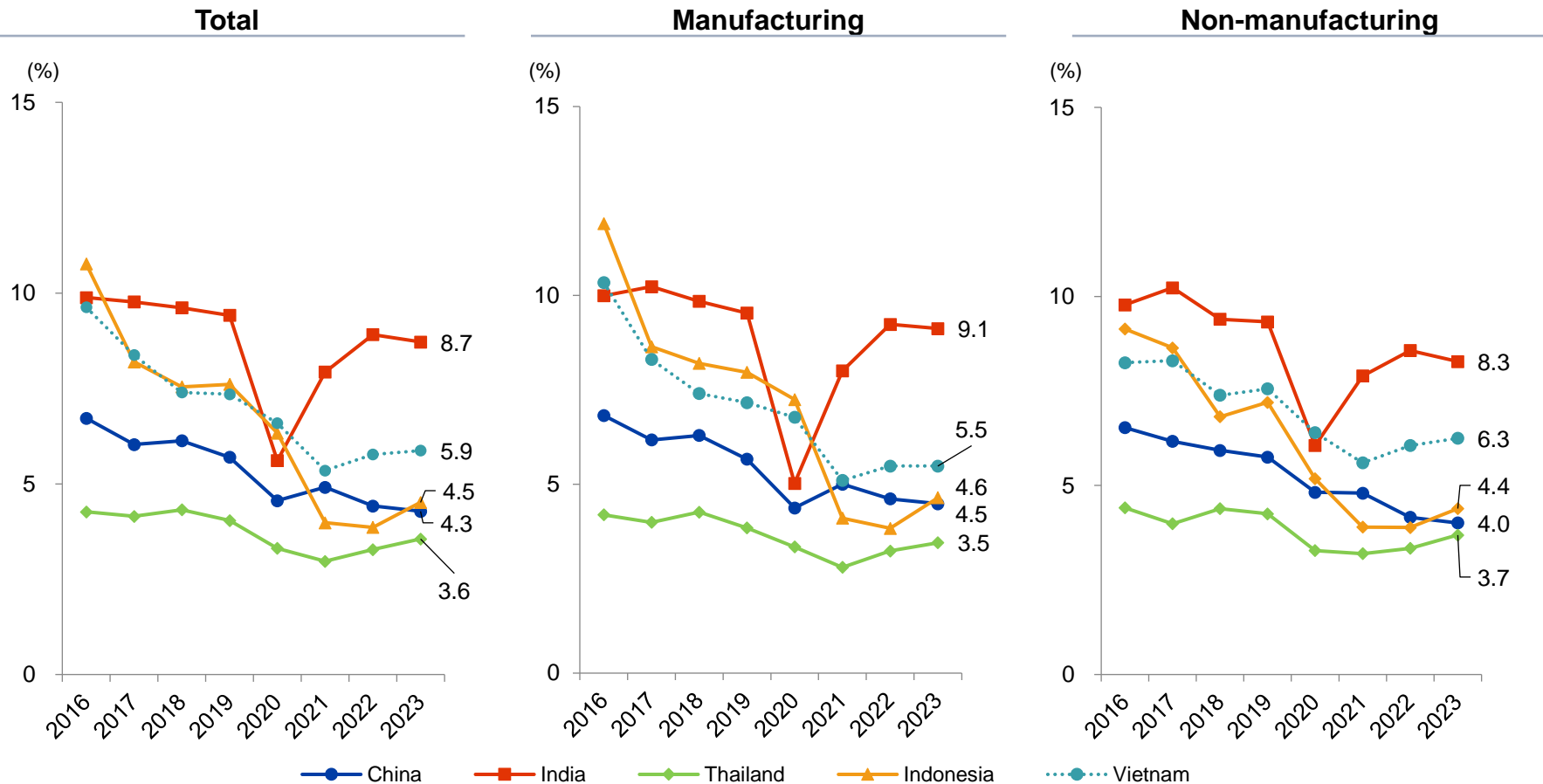


(Note 1) Countries/regions with at least 5 valid responses.

(Note 2) Wage increase rate is the rate of increase in base salary (nominal), excluding salaries that are dependent on individual ability, such as job performance pay and performance pay. Average for all occupations.

## 2 | Wages(2) Year-on-year wage increases (China and other major countries)

- Compared to the 2021 survey, in 2022 wage increase rate (total, the same applies to the following) increased in India, Vietnam and Thailand. In China and Indonesia, it decreased by 0.5 points and 0.1 points respectively. The wage increase rate in China has remained in the 4% range since 2020.
- The wage increase rate in 2023 (forecast) is expected to remain unchanged from 2022 in China, India, Thailand and Vietnam. Meanwhile, it is forecast to increase by 0.6 points in Indonesia.

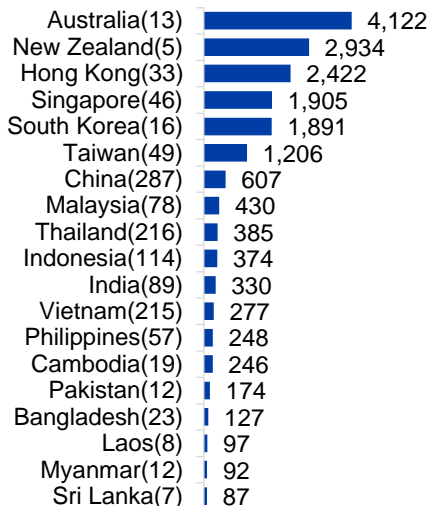


(Note) Figures for 2023 are forecasts.

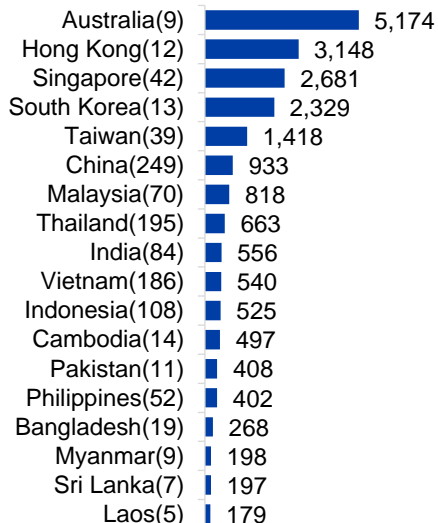
# 3 | Wages(3) Base salary(monthly)

(Unit: US\$)

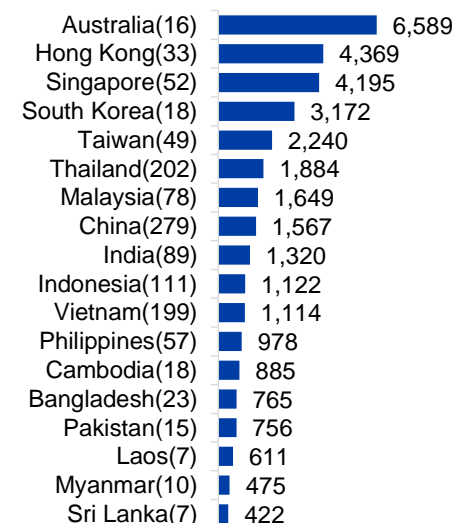
## Manufacturing, Worker



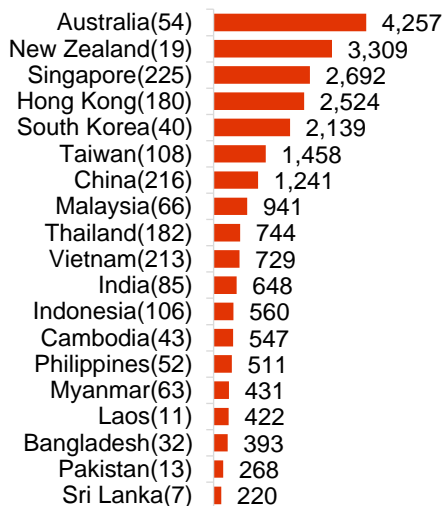
## Manufacturing, Engineer



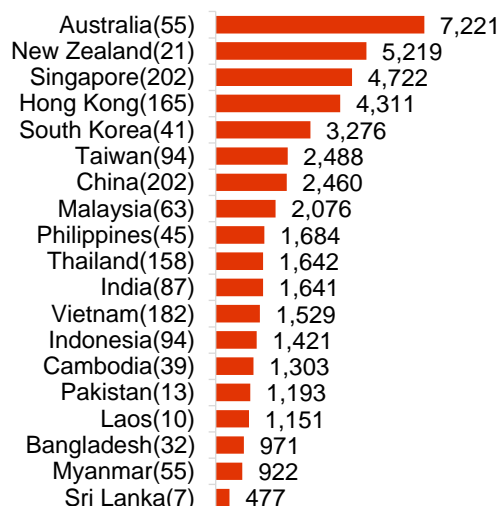
## Manufacturing, Manager



## Non-manufacturing, staff member



## Non-manufacturing, manager



- Base salary: Salary excluding benefits, as of August 2022
- Worker: Regular general workers with 3 years of work experience, not including contract based and probationary workers
- Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years of experience
- Manager (Manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience
- Staff member: Regular general workers with 3 years of work experience, not including dispatched and probationary workers
- Manager (Non-manufacturing): Regular employees who are section managers in charge of sales, university graduates, and who have 10 years of work experience

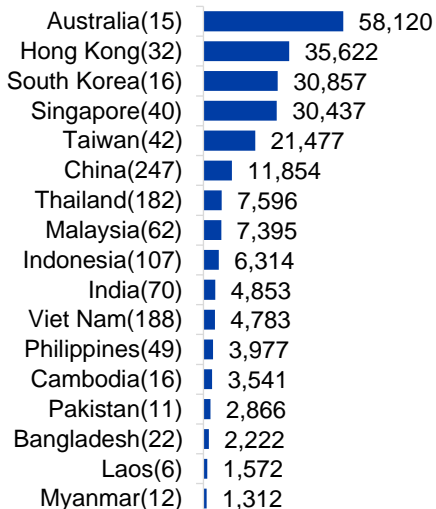
Note: Except for Cambodia, base salaries were reported in local currencies. (For Myanmar, salaries were reported either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to U.S. dollars using the average exchange rate of August 2022 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where companies reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars, and then the average was calculated.

(Note) Countries/regions with at least 5 valid responses.

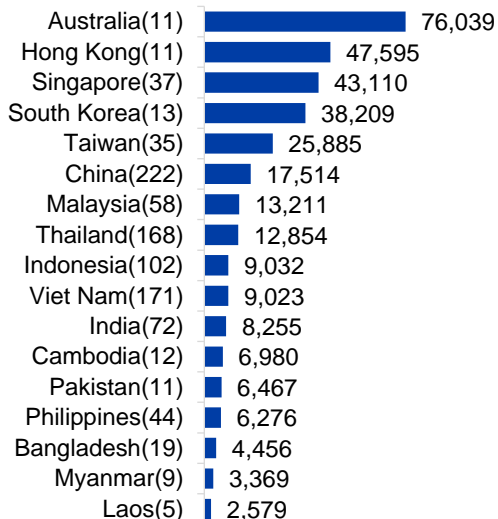
# 4 | Wages(4) Annual salary

(Unit: US\$)

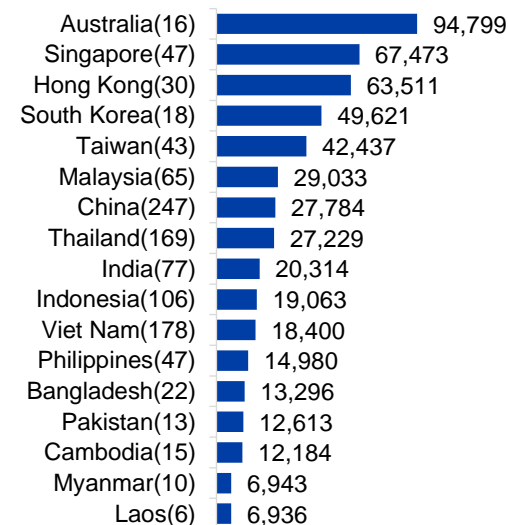
## Manufacturing, Worker



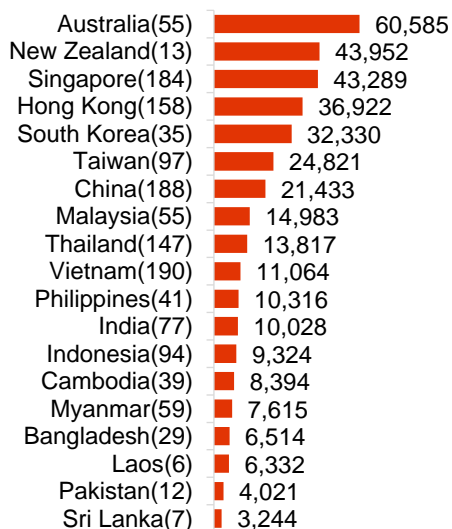
## Manufacturing, Engineer



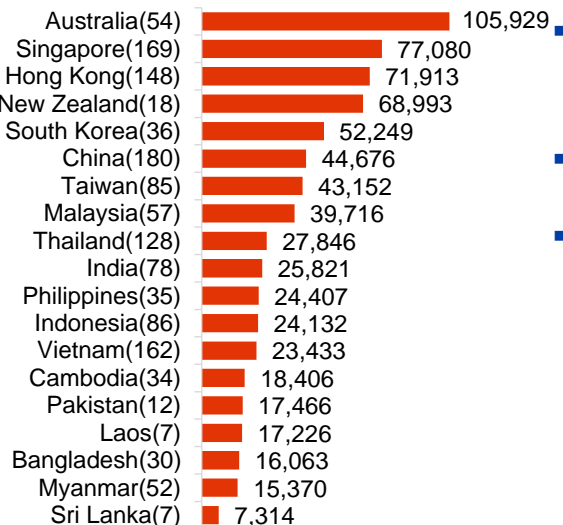
## Manufacturing, managers



## Non-manufacturing, Staff member



## Non-manufacturing, Manager



- Annual salary (annual amount of real obligation fees): Total liability for an employee (the total of annual base salary, benefits, social security, overtime allowances, and bonuses, excluding severance benefits, as of FY2022)
- See the previous page for the definitions of worker, engineer, manager (manufacturing), staff member, and manager (non-manufacturing).
- Note: Except for Cambodia, annual salaries were reported in local currencies. (For Myanmar, salaries were reported either in the local currency or in U.S. dollars.) The annual salary for each job type in the local currency was converted to U.S. dollars using the average exchange rate of August 2022 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where companies reported base salaries either in the local currency or in U.S. dollars, base salaries reported in the local currency were converted to U.S. dollars, and then the average was calculated.

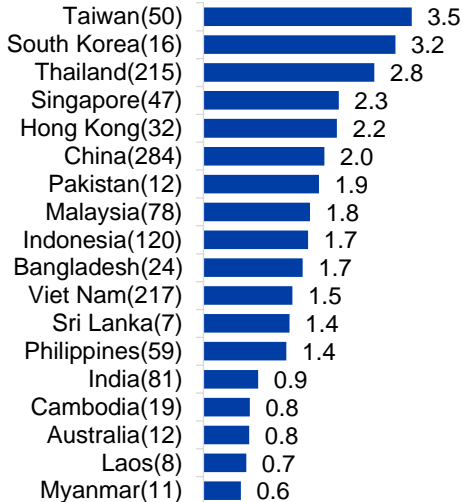
(Note) Countries/regions with at least 5 valid responses.



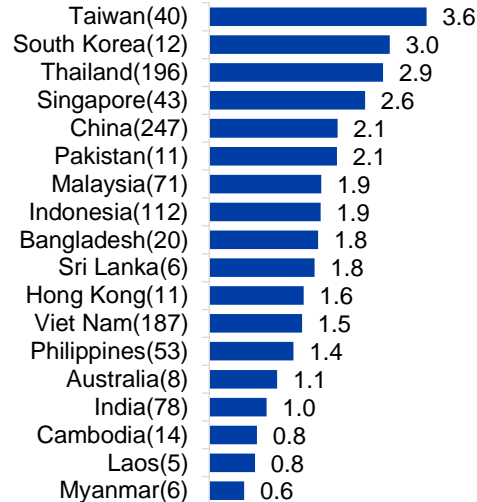
# 5 | Wages(5) Bonus

(Unit: months)

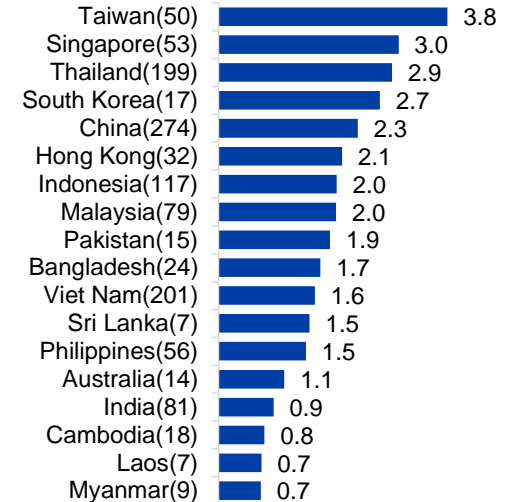
## Manufacturing, Worker



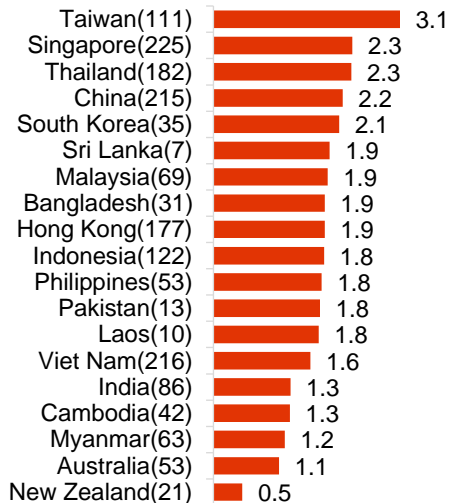
## Manufacturing, Engineer



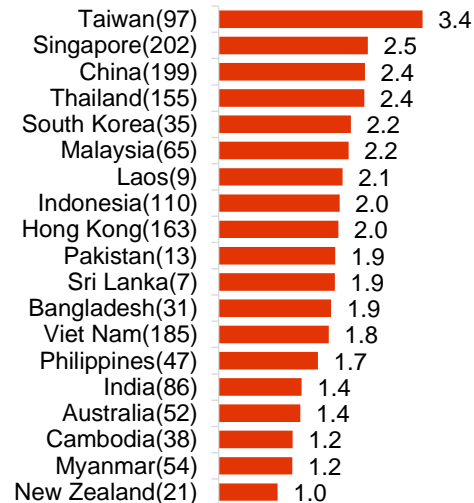
## Manufacturing, Manager



## Non-manufacturing, Staff member



## Non-manufacturing, Manager



(Note 1) Countries/regions with at least 5 valid responses.

(Note 2) Bonus: Bonus based on base salary (months), paid annually in 2022(yr).

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