

# **2017 JETRO Survey on Business Conditions of Japanese Companies in Asia and Oceania**

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December 21, 2017

Asia and Oceania Division  
China and North Asia Division  
Overseas Research Department



# Survey Summary (1)

(Firms, %)

## Purpose of Survey

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

## Surveyed Countries/Regions

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

## Survey Period

- October 10 to November 10, 2017

## Response Rate

- Of a total of 11,994 surveys sent out, we received valid responses from 4,630 firms (38.6%). The breakdown of respondents by country and region is provided in the table to the right.

## Notes

- The survey has been conducted since 1987, making this year the 31st version.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

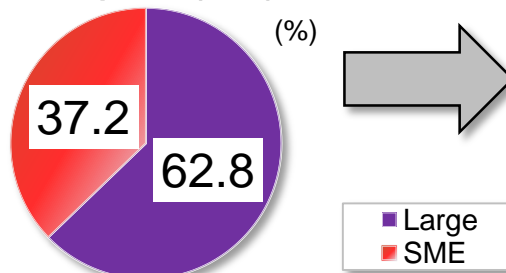
	Firms surveyed	Firms responding		Category		Valid responses
		Valid	(%)	Manufacturing	Non-manufacturing	
<b>Total</b>	11,994	4,630	100.0	2,215	2,415	38.6
<b>Northeast Asia</b>	2,416	1,425	30.8	636	789	59.0
China	1,405	818	17.7	502	316	58.2
Hong Kong/Macau	364	274	5.9	35	239	75.3
Taiwan	501	216	4.7	60	156	43.1
South Korea	146	117	2.5	39	78	80.1
<b>ASEAN</b>	8,122	2,519	54.4	1,309	1,210	31.0
Vietnam	1,345	652	14.1	385	267	48.5
Thailand	2,541	620	13.4	358	262	24.4
Indonesia	1,698	438	9.5	247	191	25.8
Singapore	717	334	7.2	76	258	46.6
Malaysia	939	227	4.9	130	97	24.2
Myanmar	213	83	1.8	18	65	39.0
Philippines	382	73	1.6	47	26	19.1
Cambodia	232	65	1.4	31	34	28.0
Laos	55	27	0.6	17	10	49.1
<b>Southwest Asia</b>	1,007	432	9.3	209	223	42.9
India	795	328	7.1	153	175	41.3
Bangladesh	115	42	0.9	25	17	36.5
Pakistan	46	32	0.7	20	12	69.6
Sri Lanka	51	30	0.6	11	19	58.8
<b>Oceania</b>	449	254	5.5	61	193	56.6
Australia	291	181	3.9	41	140	62.2
New Zealand	158	73	1.6	20	53	46.2

# Survey Summary (2)

## By industry category (Firms, %)

	Valid	(%)
<b>Manufacturing Total</b>	<b>2,215</b>	<b>47.8</b>
Motor vehicles/Motorcycles	427	9.2
Iron/Nonferrous metals/ Metals	357	7.7
Electric machinery	343	7.4
Chemical/Pharmaceutical	287	6.2
Food	154	3.3
Textiles	113	2.4
General machinery	95	2.1
Precision machinery	67	1.4
Rubber/Leather	53	1.1
Wood/Pulp	37	0.8
Other manufacturing industries	282	6.1
<b>Non-manufacturing Total</b>	<b>2,415</b>	<b>52.2</b>
Wholesale/Retail	1,066	23.0
Transport	259	5.6
Construction	175	3.8
Finance/Insurance	174	3.8
Communications/Software	126	2.7
Business services	117	2.5
Travel/Amusement	66	1.4
Restaurant	34	0.7
Other non-manufacturing industries	398	8.6

## Large vs. Small and Medium-sized Enterprises (SME)



Note: The definition of "small and medium-sized enterprises" here is based on the definition provided in Japan's Small and Medium-sized Enterprise Basic Act.

Note: Industry category details are as follows:

- Food:** Food/Processed food, agricultural or fishery products
- Textiles:** Textiles (Spinning/Woven fabrics/Chemical fibers), Textile apparel/Textile products
- Wood/Pulp:** Lumber/Wood products, Paper/Pulp
- Chemical/Pharmaceutical:** Chemicals and allied products/Petroleum products, Medicines, Plastic products
- Rubber/Leather:** Rubber products, Leather tanning/Leather products/Fur skins
- Iron/Nonferrous metals/Metals:** Iron and steel (including cast and wrought products), Nonferrous metals, Fabricated metal products (including plated products)
- General machinery:** General-purpose machinery/Production machinery (including molds and machine tools), Office machines
- Electric machinery:** Electrical machinery/Electronic devices, Information and communication electronics equipment
- Motor vehicles/Motorcycles:** Motor vehicles and motorcycles, Motor vehicle and motorcycle parts and accessories, Transportation equipment (Railroad vehicles/Ship/Aircraft/ Industrial trucks), Transportation equipment parts (Railroad vehicles/Ship/Aircraft/Industrial trucks)
- Precision machinery:** Precision instruments (Analytical instruments/Optical instruments and apparatus, etc.), Medical equipment
- Wholesale/Retail:** Wholesale and retail trade, Trading, and sales companies
- Finance/Insurance:** Banks, Non-banks (Insurance/Securities brokerage/Credit card/Leasing, etc.)
- Communications/Software:** Communications/Software
- Transport activities/Warehouse:** Transport activities/Warehouse
- Travel/Amusement:** Accommodations/Travel, Amusement
- Restaurant:** Restaurant

Note: Wholesale/Retail includes the sales bases of manufacturing firms.

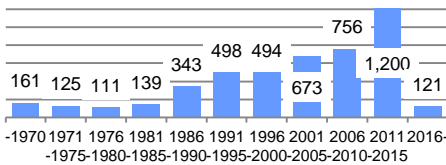
## Firms by Country/Region (Firms)

	Large	SME
<b>Total</b>	<b>2,907</b>	<b>1,723</b>
<b>Northeast Asia</b>	<b>980</b>	<b>445</b>
China	528	290
Hong Kong/Macau	184	90
Taiwan	175	41
South Korea	93	24
<b>ASEAN</b>	<b>1,386</b>	<b>1,133</b>
Vietnam	304	348
Thailand	262	358
Indonesia	279	159
Singapore	243	91
Malaysia	152	75
Myanmar	60	23
Philippines	43	30
Cambodia	32	33
Laos	11	16
<b>Southwest Asia</b>	<b>331</b>	<b>101</b>
India	268	60
Bangladesh	20	22
Pakistan	27	5
Sri Lanka	16	4
<b>Oceania</b>	<b>210</b>	<b>44</b>
Australia	158	23
New Zealand	52	21

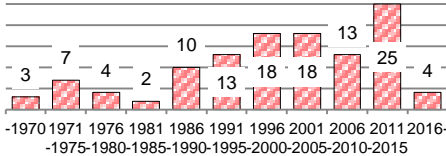
# Survey Summary (3)

## Year of establishment of responding firms (by country/region)

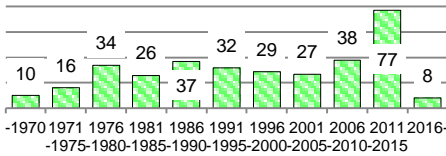
Total (n = 4,630 including 9 firms uncertain about establishment year)



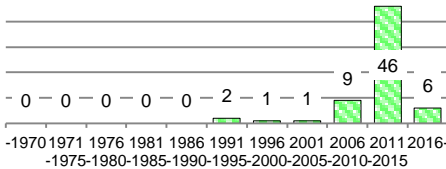
South Korea (n = 117)



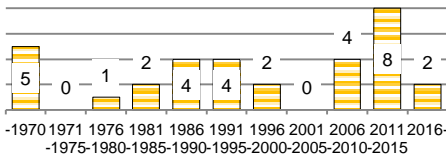
Singapore (n = 334)



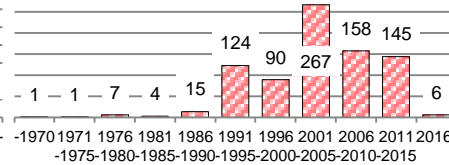
Cambodia (n = 65)



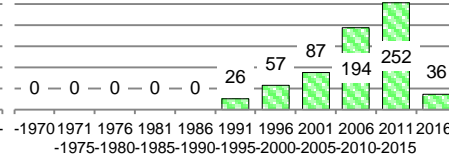
Pakistan (n = 32)



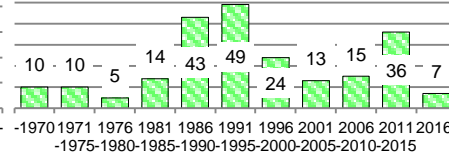
China (n = 818)



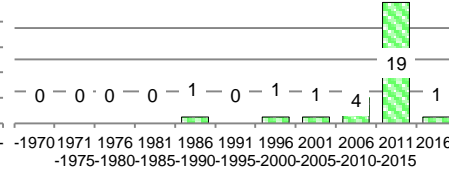
Vietnam (n = 652)



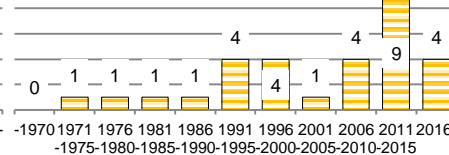
Malaysia (n = 227 including 1 firm uncertain about establishment year)



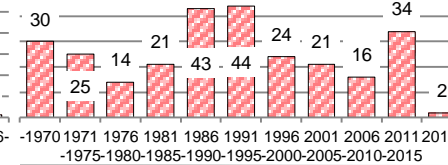
Laos (n = 27)



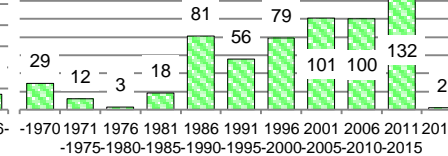
Sri Lanka (n = 30)



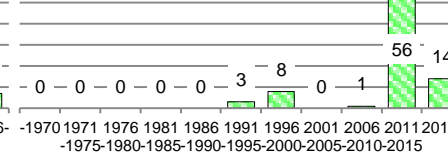
Hong Kong/Macau (n = 274)



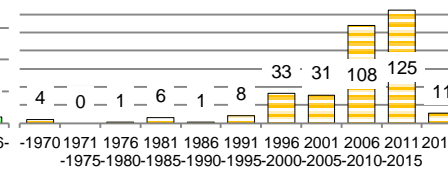
Thailand (n = 620 including 7 firms uncertain about establishment year)



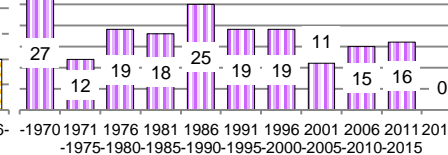
Myanmar (n = 83 including 1 firm uncertain about establishment year)



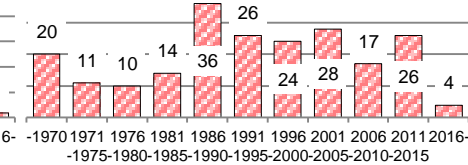
India (n = 328)



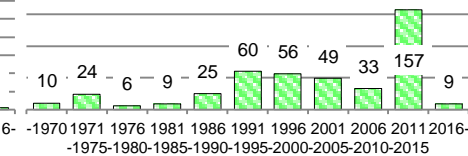
Australia (n = 181)



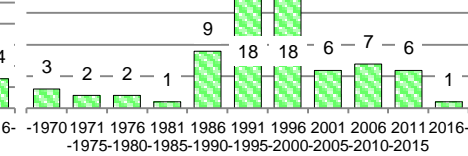
Taiwan (n = 216)



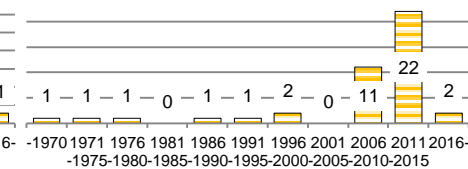
Indonesia (n = 438)



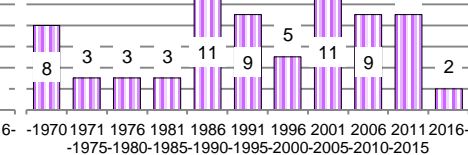
Philippines (n = 73)



Bangladesh (n = 42)



New Zealand (n = 73)



# Key Points (1)

## Results of JETRO's 2017 Survey on Business Conditions of Japanese Companies in Asia and Oceania

### Business confidence improving, intention to expand business recovering in China

#### 1. Companies expecting surplus increased, while those expecting deficit decreased (Refer to page 8.)

- Companies expecting operating profits for 2017 to be a surplus accounted for 67.4%, a 4.6-percentage-point increase from the 2016 survey (62.8%). Those expecting a deficit came to 18.3%, a 3.5-percentage-point decrease from the 2016 survey (21.8%).
- Looking at the rate of companies expecting a surplus by country and region, South Korea (82.1%) and Taiwan (81.7%) marked the highest, followed by the Philippines, Australia, and Malaysia. Meanwhile, the rate was below 40% in Sri Lanka (31.0%), Myanmar (33.8%), and Cambodia (35.4%). In these countries, many companies have a short business history.

#### 2. Improved business confidence in almost all countries, mainly in Southwest Asia (Refer to pages 13, 14, and 17.)

- Over 40% of the companies expect their operating profits to improve (from the previous year) for 2018, as they did for 2017. Companies predicting a downturn for 2018 came to 9.9%, a decrease of 9.6 percentage points from the outlook for 2017 (19.5%).
- The diffusion index (DI) in 2018, which is the proportion of businesses reporting increased operating profits minus those reporting decreased operating profits compared to the previous year, marked 38.2 points, an 11.5-point increase compared with 2017. Among reasons for improvement, "Sales increase in local markets" was the most-frequently cited, followed by "Improvement of production efficiency" and "Sales increase due to export expansion."
- Looking at the DIs for 2017 and 2018 by country and region, business confidence improved in all countries, except Laos and Cambodia, of which the DI was the same. In particular, the DI significantly improved in four countries in Southwest Asia (Bangladesh, India, Sri Lanka, and Pakistan), as well as in Vietnam and Laos, where the DI exceeded 50 points.

#### 3. Intention to expand business being strong in Southeast/Southwest Asia, recovered in China (Refer to pages 18 and 20.)

- Among respondents, 53.7% expect to expand business in the next one or two years, which is a 1.5-percentage-point increase from 2016 (52.2%). Looking at the results by country and region, companies answering with "Expansion" significantly increased to 48.3% (up 8.2 percentage points) in China, while the proportion slightly increased to 55.7% in Southeast Asia (up 0.3 percentage points).
- Comparing the rate of "Expansion" between Southeast Asia and China, Southeast Asia has consistently come out on top since 2012, when China showed a sudden decline. The gap increased to 16.2 percentage points in 2015, but decreased to 7.4 percentage points in 2017.
- Companies in Pakistan (81.3%), Myanmar (70.7%), India (69.6%), and Vietnam (69.5%) are more willing to expand their businesses.

# Key Points (2)

## **4. Wage increase being the biggest operational issue, but with the wage increase rate basically decreasing from the previous year (Refer to pages 30, 31, 71, and 72.)**

- Among operational issues, “Wage increases” was the most commonly cited at 66.7%, up 1.4 percentage points from the 2016 survey.
- By country and region, Cambodia (82.8%) ranked the first, overtaking Indonesia (80.8%), and China (75.3%), etc., followed by Vietnam (75.2%) and India (72.1%).
- Regarding the average rate of increase in wages for all industries on a year-on-year basis for 2018, the rate was higher in Pakistan (9.9%), India (9.5%), Bangladesh (9.1%), and Myanmar (8.6%). These are the same four countries that marked the highest in the 2016 survey, although Bangladesh overtook Myanmar this year.
- The wage increase rate generally decreased from the 2016 survey. In China, the rate has been slowing down by single digits since 2013 and is predicted to decline to 5.9% in 2018.

## **5. Manufacturing: Local procurement rate increased in Southeast Asia, but still much lower than that in China (Refer to pages 42, 44, 45, 46, and 48.)**

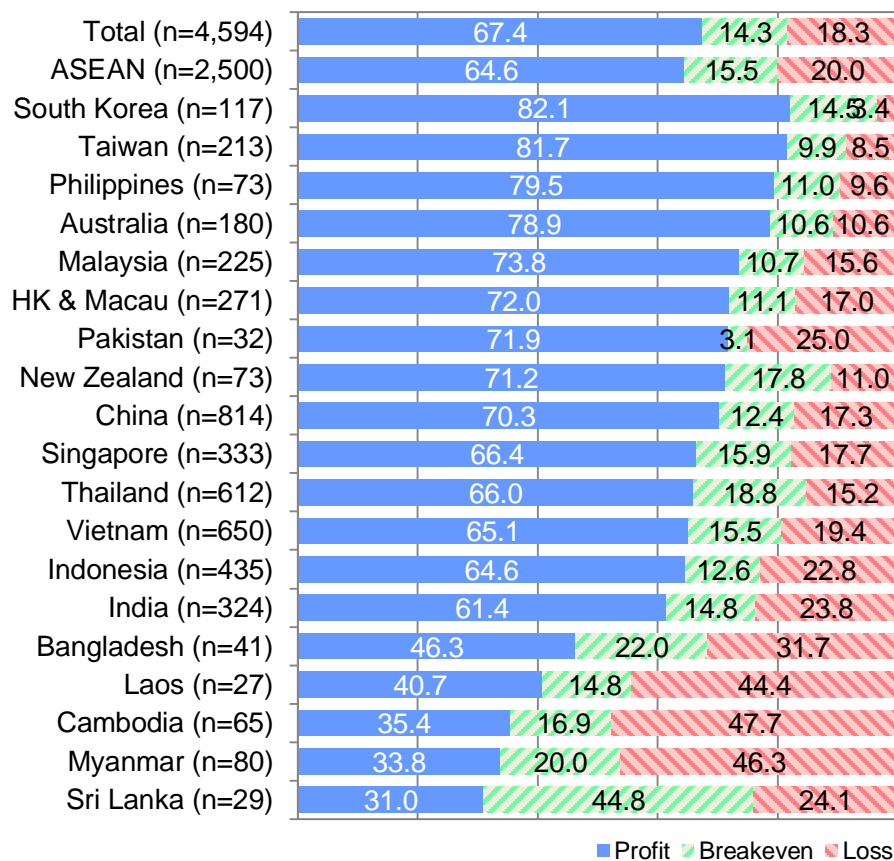
- Material costs accounted for approximately 60% of local production.
- When asked about how they planned to reduced material cost, 72.8% of the companies answered with “Raising the local procurement.”
- Looking at the results by country and region, the local procurement rate was higher in New Zealand (67.9%) and China (67.3%). In particular, the rate reached 71.3% in China’s Motor vehicles/Motorcycles industry.
- Looking at major countries, the local procurement rate increased from 2012 in Thailand, India, Indonesia, Vietnam, and the Philippines. However, the rate needs to be further increased in these countries because the rate is still lower than that of China, with an over-10-percentage-point gap.

## **6. Non-manufacturing: Shifting of the target of future market development to “Local companies” (Refer to pages 58, 66, and 68.)**

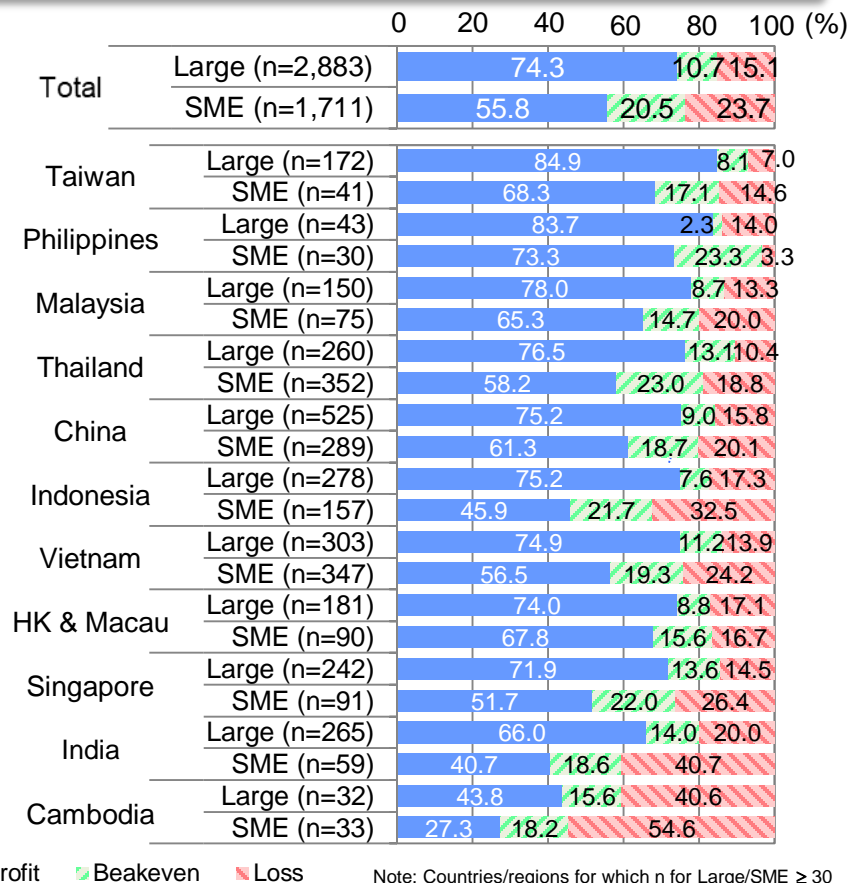
- Regarding initiatives for local market development by non-manufacturing companies, it is expected that a higher proportion of companies will target “Local companies” (74.9%) for sales to corporate customers than “Local Japanese-affiliated companies” (49.4%).
- The proportion of companies that selected “Products/services which are customized for local market (design, packaging or taste)” as products/services preferred by local customers was 8.8 percentage points higher than that of companies that selected “Products/services for Japanese market (which you also sell in Japan).” By country and region, “Customized for local market” was more frequently selected in Australia and India, while “Products/services for Japanese market” was selected by a larger proportion of respondents in Taiwan and Hong Kong & Macau.
- A largest proportion of companies selected “SNS” as an effective advertising medium for market development. In particular, the proportion exceeded 60% in Cambodia, Myanmar, Vietnam, and New Zealand. Among SNS, Facebook accounted for 94.3%, followed by Instagram (37.3%) and Twitter (17.9%).

# 1. Operating Profit Forecast (1)

Operating profit forecast for 2017 (by country/region)



Operating profit forecast for 2017 (by country/region and company size)



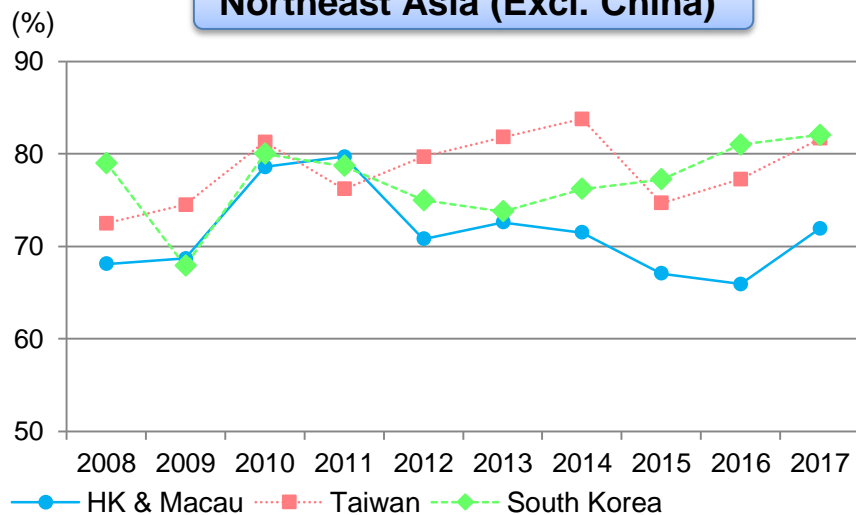
- A total of 67.4% of the firms expect operating “Profit” for 2017, up 4.6 percentage points (pp) from 62.8% in 2016; in contrast, 18.3% of the firms expect operating “Loss,” down 3.5 pp from 21.8% in 2016.
- By country/region, the proportion of firms expecting operating profit was the highest in South Korea at 82.1%, followed by Taiwan at 80%. The proportion exceeded 70% in the Philippines, Australia, Malaysia, Hong Kong & Macau, Pakistan, New Zealand, and China.
- A total of 74.3% of the large enterprises expect operating profit, which was higher than 55.8% of the SMEs by 18.5 pp. The proportion of positive forecasts was higher among large enterprises than SMEs in all the 11 countries/regions with valid responses from more than 30 companies. In particular, the proportion of profitable firms was higher among large enterprises than SMEs by over 20 pp in Indonesia, Singapore, and India.



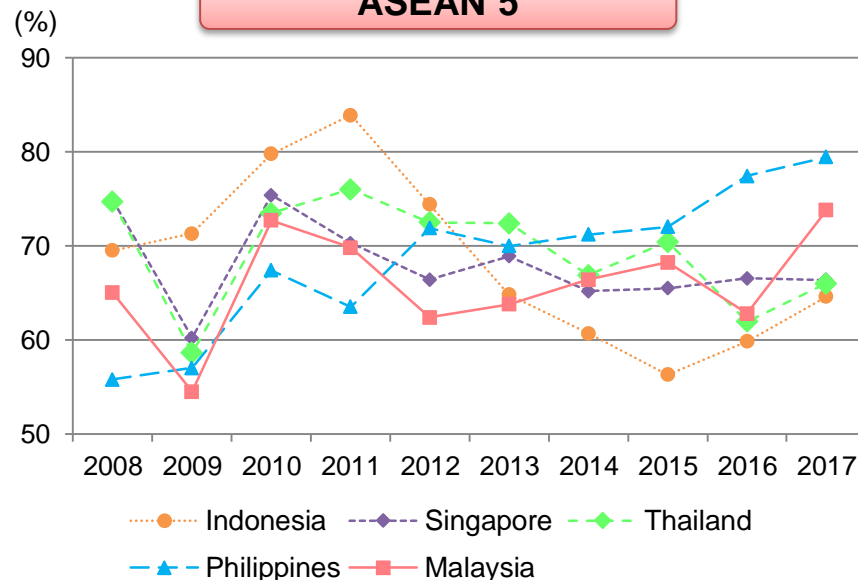
# 1. Operating Profit Forecast (2)

## Proportion of profitable firms - 2009 to 2017 (by country/region)

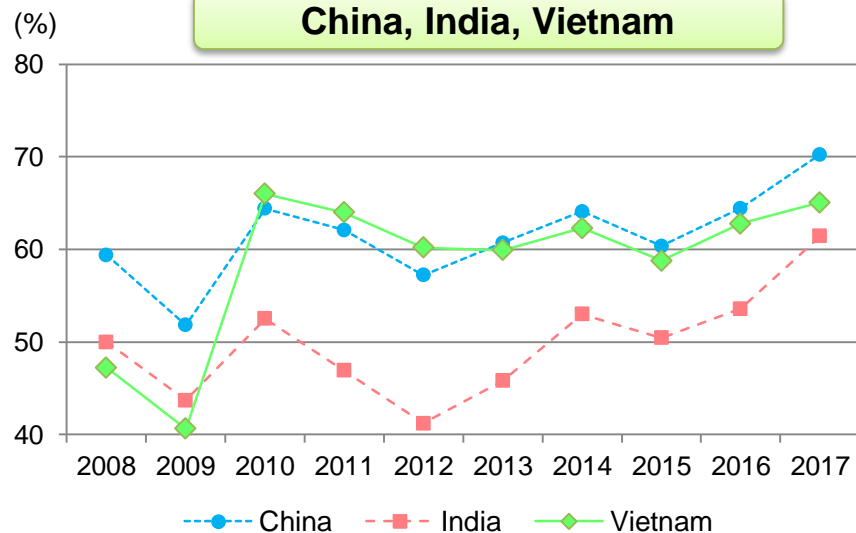
### Northeast Asia (Excl. China)



### ASEAN 5



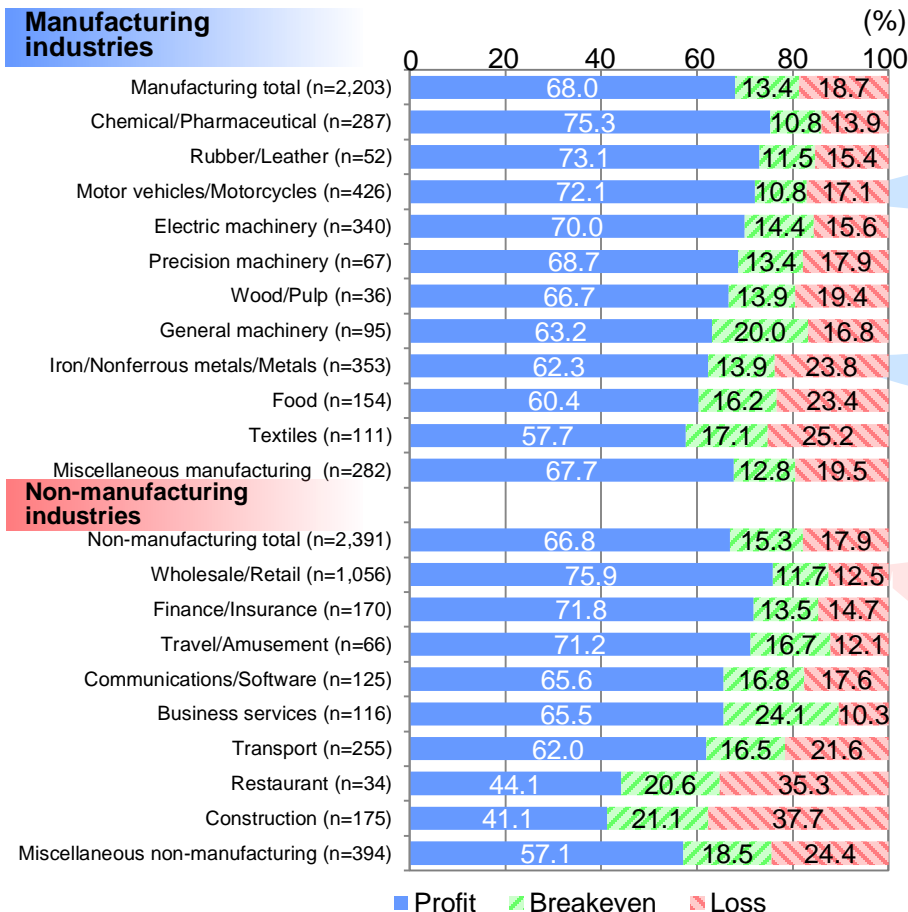
### China, India, Vietnam



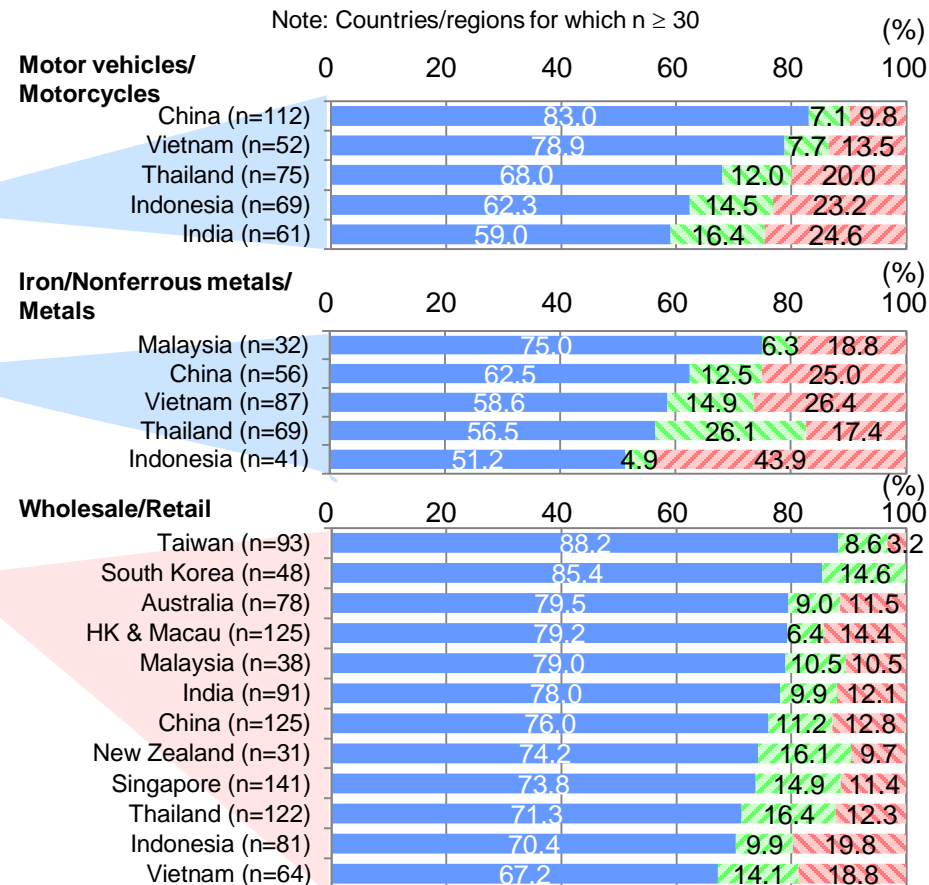
- In Northeast Asia (excluding China), the proportion of profitable firms increased from the previous year in all countries/regions.
- Among ASEAN 5, the proportion of profitable firms increased in all countries, except Singapore. The Philippines (79.5%) marked the highest of the five countries in the proportion of profitable firms. In Malaysia, the proportion increased to 73.8%, up 11.0 pp.
- The proportion of profitable firms increased from 2016 in China (70.3%, up 5.9 pp), India (61.4%, up 7.8 pp), and Vietnam (65.1%, up 2.3 pp).

# 1. Operating Profit Forecast (3)

## Operating profit forecast for 2017 (by industry)



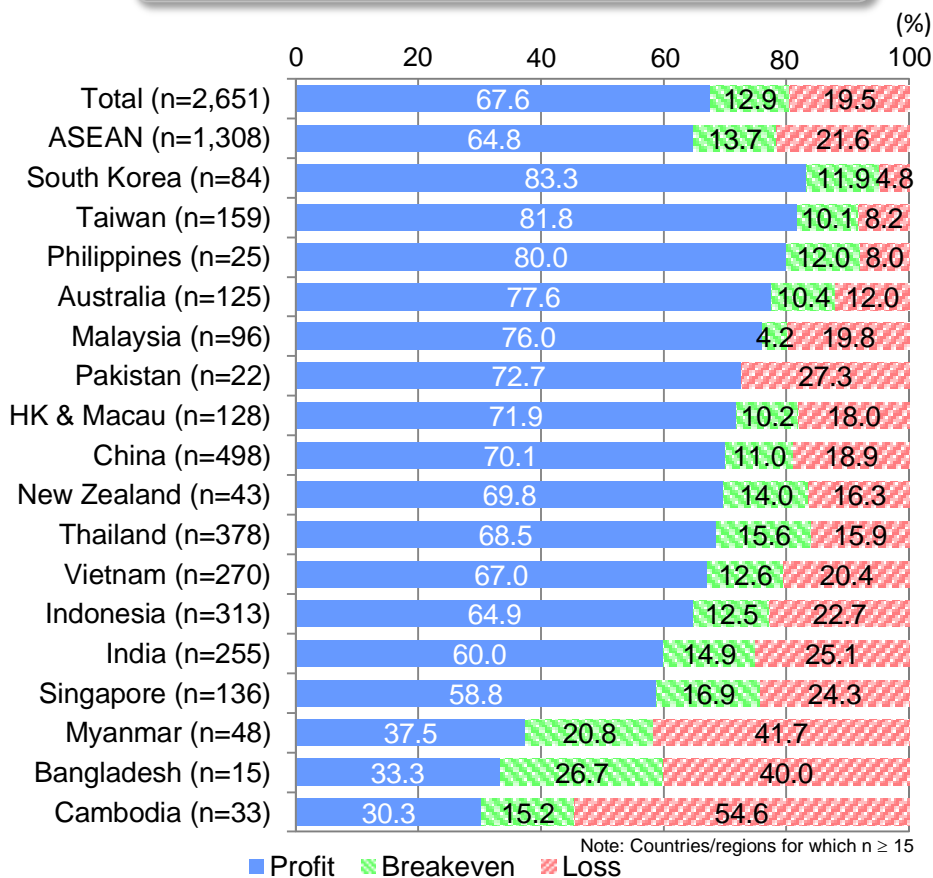
## Major industry categories by country and region



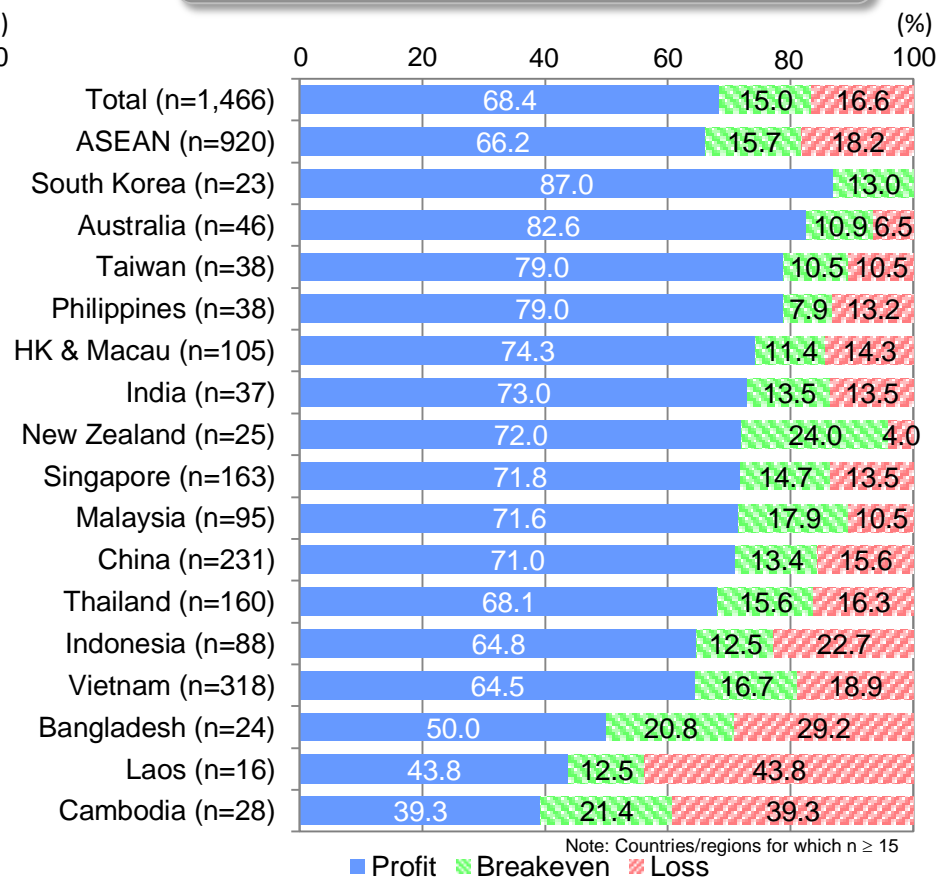
- The proportion of firms expecting operating profit for 2017 was higher in the manufacturing sector (68.0%) than the non-manufacturing sector (66.8%). In comparison with the 2016 survey (manufacturing: 63.5%; non-manufacturing: 62.1%), the proportion increased by 4.5 pp in the manufacturing sector and by 4.7 pp in the non-manufacturing sector.
- In the non-manufacturing sector, the proportion of profitable firms was particularly high in Wholesale/Retail industry (75.9%).
- The trends by country/region of the three industries with the largest number of valid responses are as follows. In Motor vehicles/Motorcycles, 83.0% of firms in China and 78.9% of firms in Vietnam expect a surplus. In Iron/Nonferrous metals/Metals, 75.0% of firms in Malaysia and 62.5% of firms in China expect a surplus. In Wholesale/Retail, the proportion of profitable firms is the highest in Taiwan at 88.2%, followed by South Korea at over 80%, respectively.

# 1. Operating Profit Forecast (4)

Operating profit forecast (domestic sales-oriented firms with export ratio < 50%) (2017, by country/region)



Operating profit forecast (export-oriented firms with export ratio ≥ 50%) (2017, by country/region)

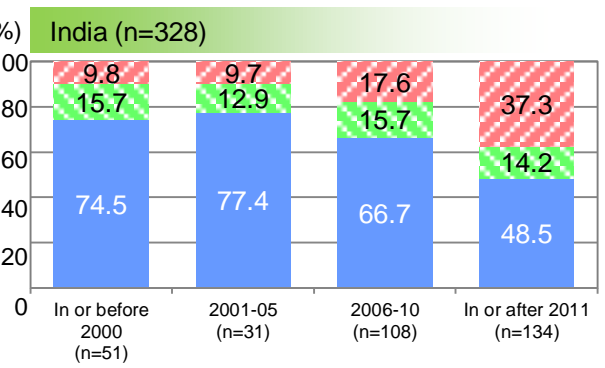
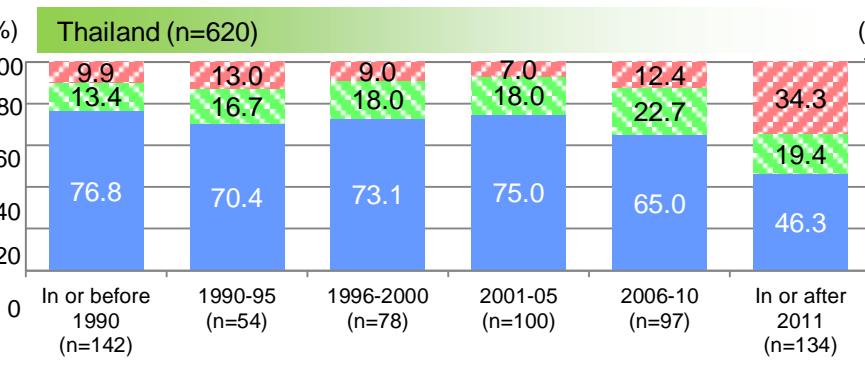
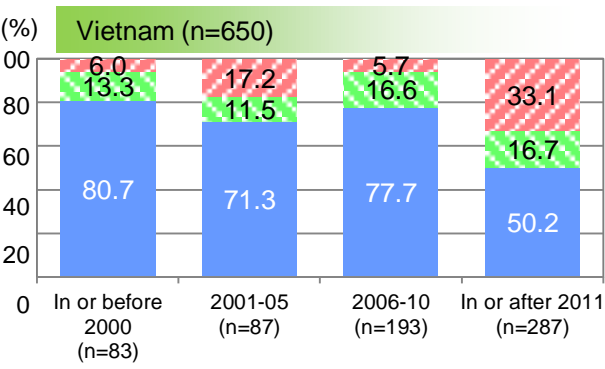
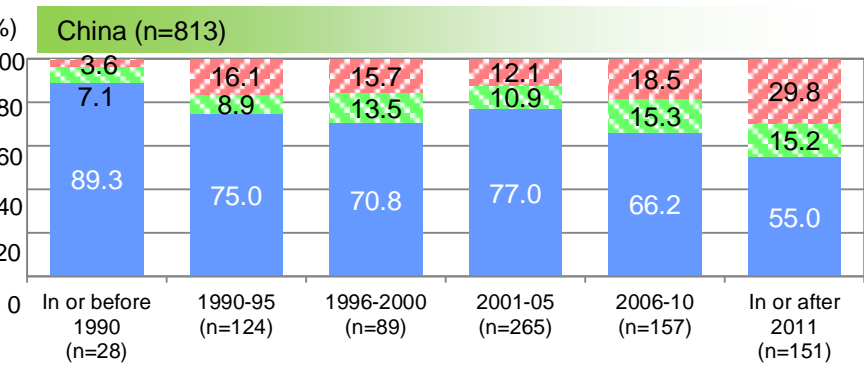
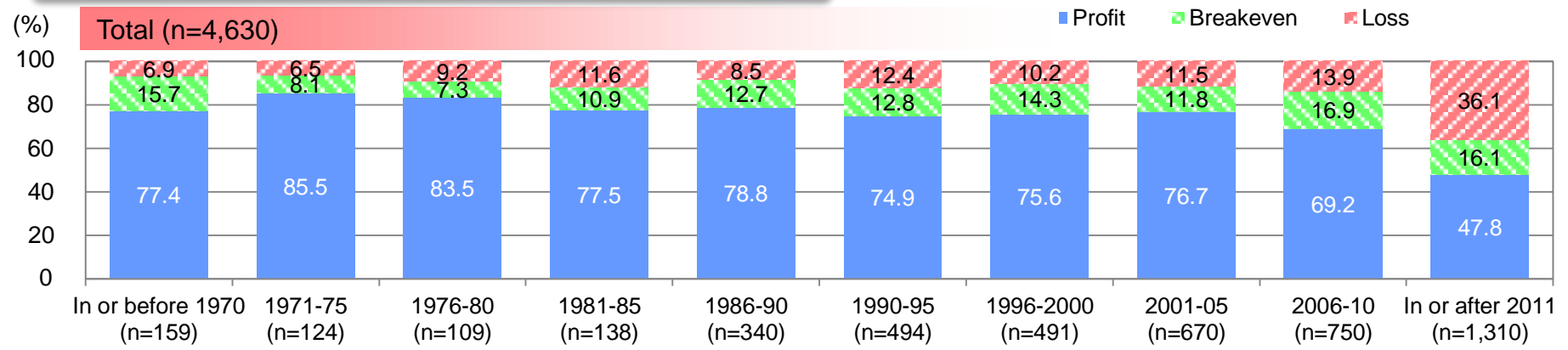


- The proportion of positive operating profit (forecast) was 67.6% among domestic sales-oriented firms (less than a 50% export ratio in the operating country/region), while the proportion was 68.4% among export-oriented firms (50% or larger export ratio in the operating country/region). The proportion increased in both domestic sales-oriented firms and export-oriented firms from the previous year (domestic sales-oriented firms: 62.4%; export-oriented firms: 65.1%).
- In Bangladesh, India and Singapore, the proportion was higher among export-oriented firms than domestic sales-oriented firms by over 10 pp. On the other hand, of ASEAN countries, Malaysia, Vietnam and the Philippines were the countries in which the proportion was higher among domestic sales-oriented firms than export-oriented firms.
- In South Korea, Taiwan, the Philippines and Australia, the proportion was high among both domestic sales-oriented firms and export-oriented firms.



# 1. Operating Profit Forecast (5)

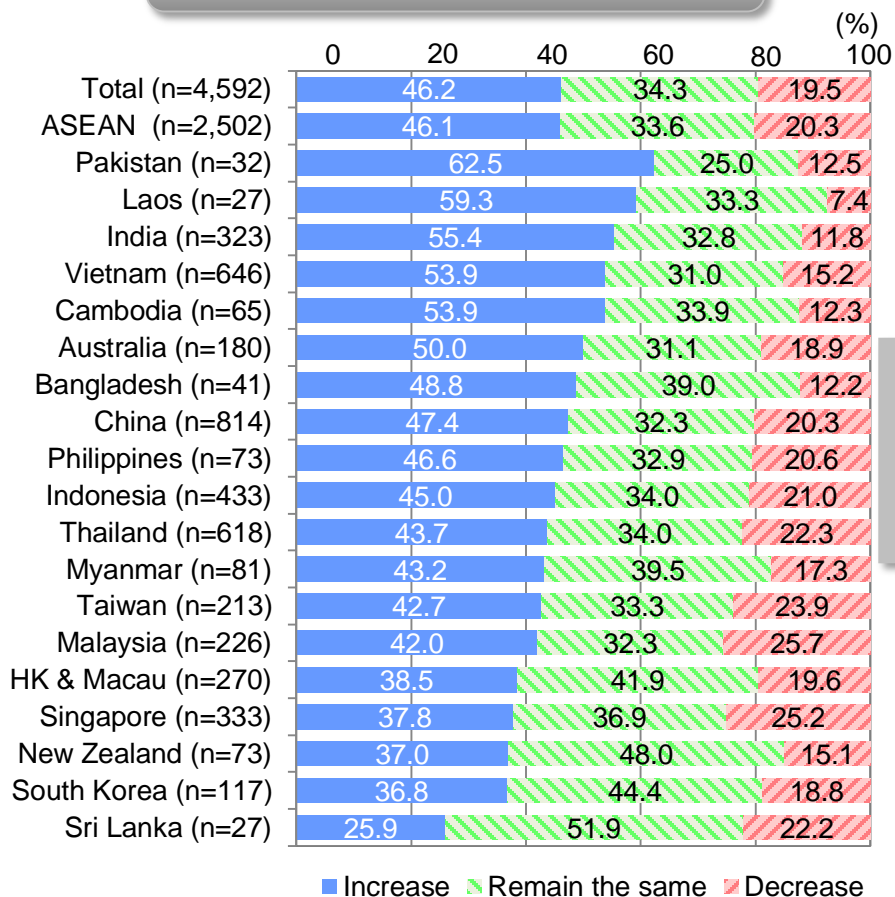
Operating profit forecast for 2017 (by year of establishment)



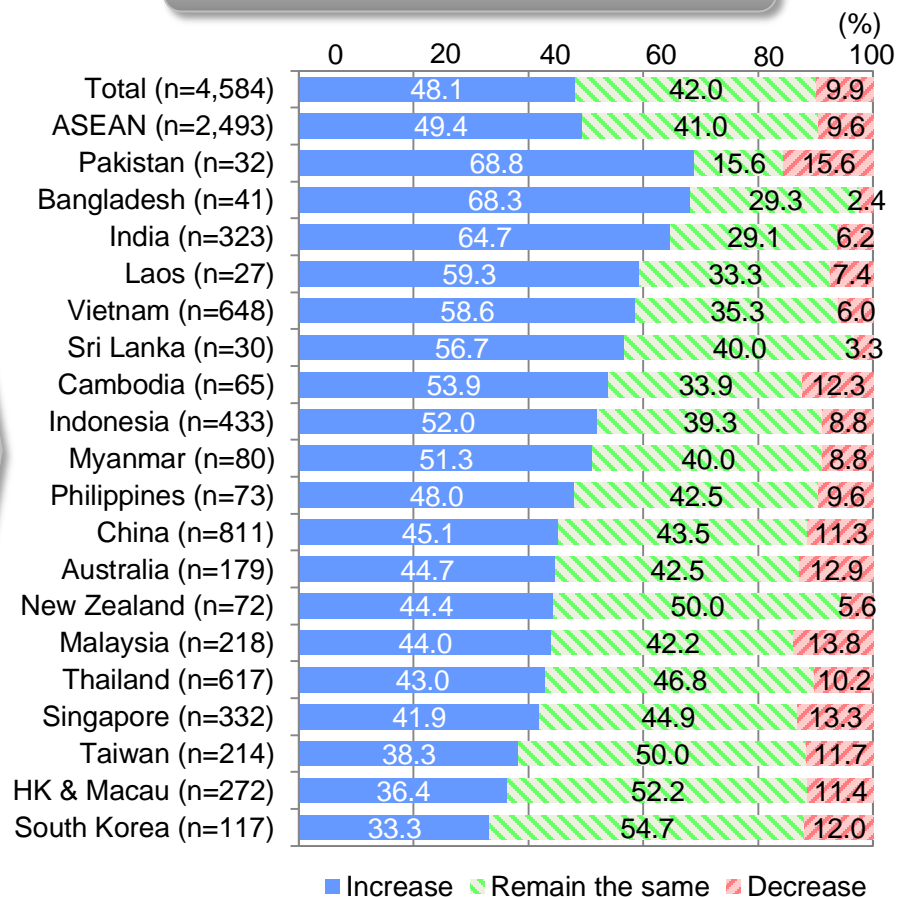
- Looking at the operating profit forecast for 2017 by year of establishment, over 70% of firms that were established before 2005 expected a surplus.
- On the other hand, among firms that were established in or after 2011, less than half (47.8%) expected a surplus.

# 1. Operating Profit Forecast (6)

Operating profit forecast for 2017  
(by county/region, comparison with 2016)



Operating profit forecast for 2018  
(by county/region, comparison with 2017)

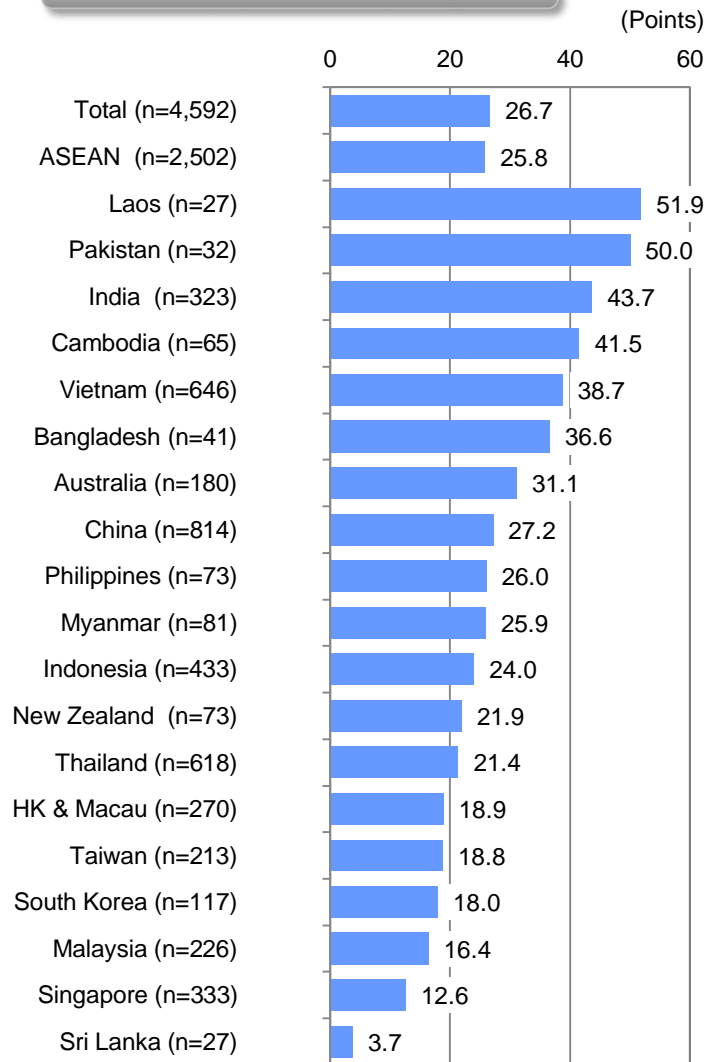


- For 2017, a total of 46.2% of the firms expect an operating profit "Increase" over 2016, up 3.3 pp from 42.9% in the 2016 survey; the proportion of firms expecting an operating profit "Decrease" was 19.5%, down 4.6 pp from the 2016 survey (24.1%).
- A total of 48.1% of the firms expect an "Increase" for 2018, up 1.0 pp from the 2017 forecast (47.1%) in the 2016 survey. Meanwhile, the proportion of firms expecting an operating profit "Decrease" was 9.9%, down 1.2 pp from the 2017 forecast (11.1%) in the 2016 survey.
- In ASEAN, the proportion of firms expecting an "Increase" for 2017 forecast was 46.1%, which is the same level as the total, and that for 2018 forecast was 49.4%, both exceeding the overall average.

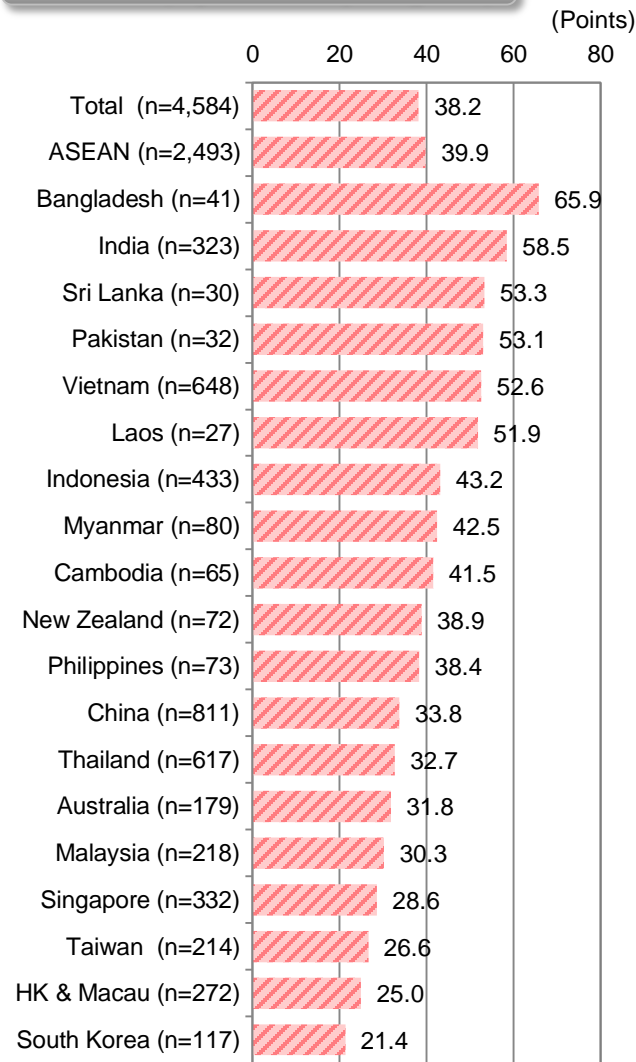


# 1. Operating Profit Forecast (7)

**2017 DI (by country/region)**



**2018 DI (by country/region)**



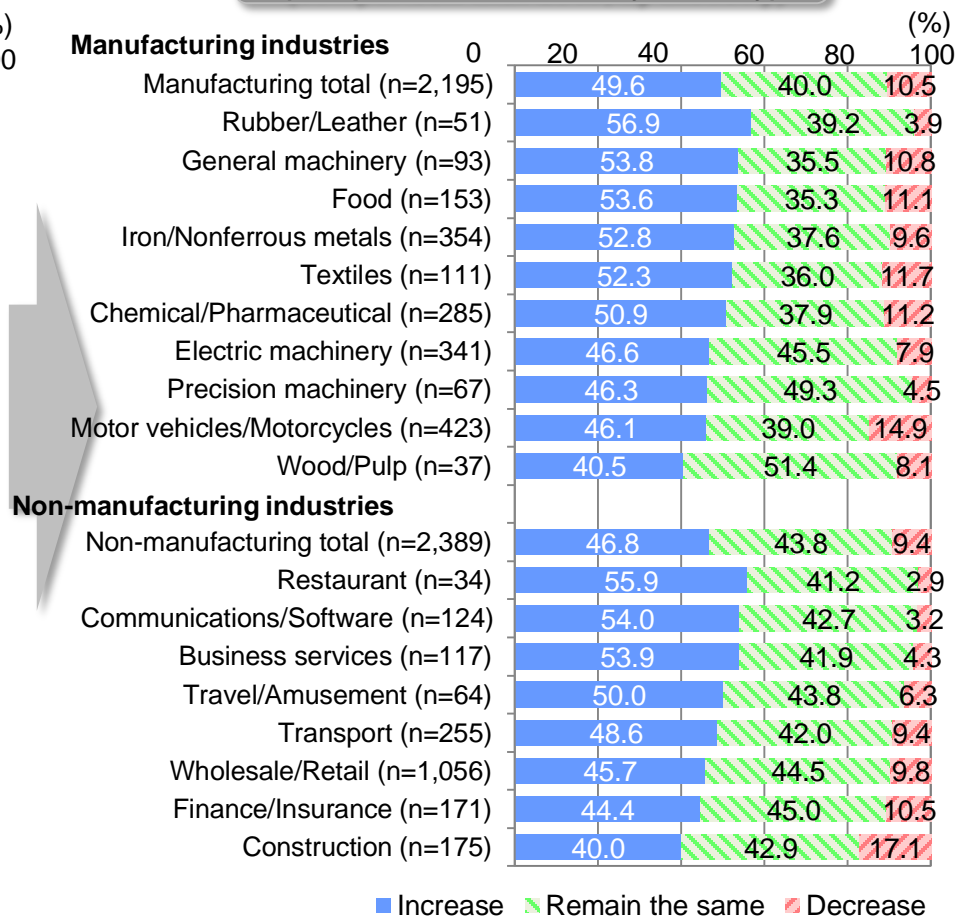
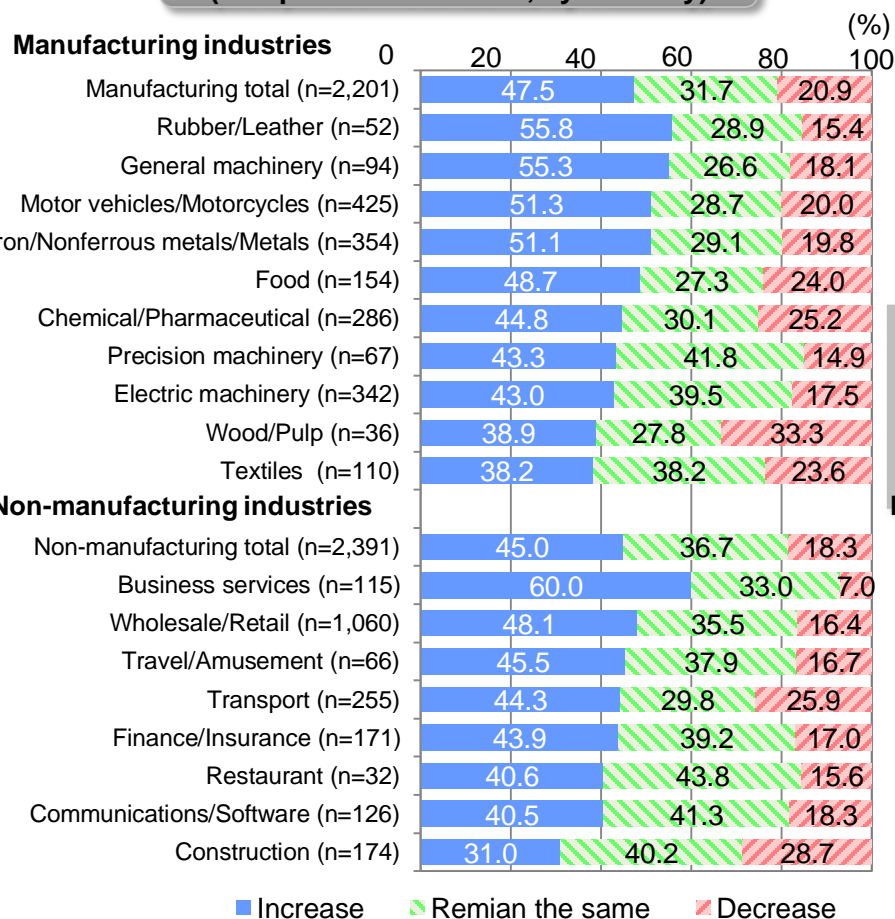
- The DI (see Note), indicating business confidence for 2017 operating profit, was 26.7 points, up 8.0 points from 18.7 points in the 2016 survey. By country/region, the DI was higher in Laos, Pakistan, India and Cambodia.
- The DI for 2018 was 38.2 points, up 11.5 points from 2017. The DI for 2018 was higher than the DI for 2017 in almost all countries/regions.

Note: DI is an abbreviation for Diffusion Index, the proportion of firms expecting improvement minus the proportion of firms expecting worsening. This figure reflects changes in business confidence.

# 1. Operating Profit Forecast (8)

**Operating profit forecast for 2017  
(comparison with 2016, by industry)**

**Operating profit forecast for 2018  
(comparison with 2017, by industry)**

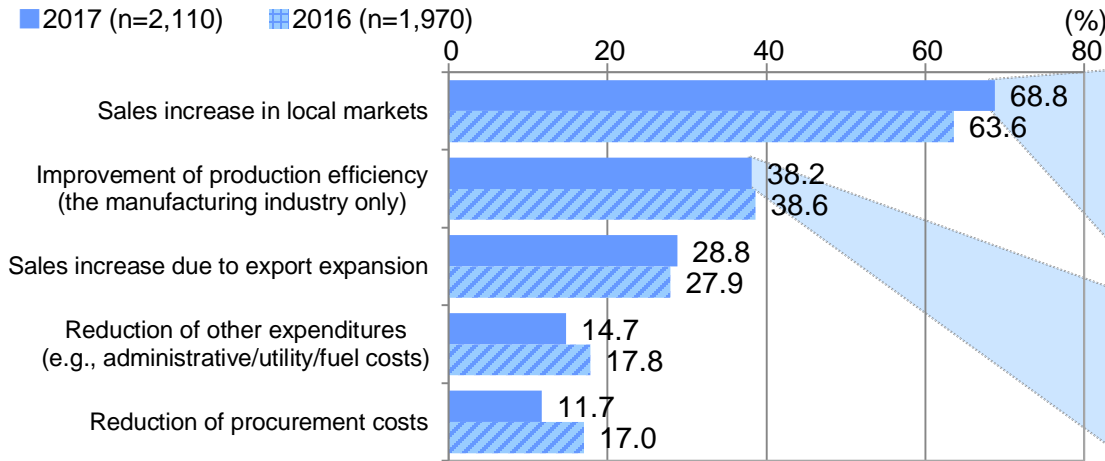


- Compared with the 2016 survey, the proportion of firms expecting an operating profit "Increase" for 2017 increased in both the manufacturing sector (46.6% ⇒ 47.5%) and the non-manufacturing sector (39.1% ⇒ 45.0%).
- The proportion of firms expecting an operating profit "Increase" for 2018 increased in both the manufacturing sector (49.6%) and the non-manufacturing sector (46.8%).



# 1. Operating Profit Forecast (9)

**Reasons for increased operating profits forecast for 2017  
(comparison with the reasons for the increase forecast for 2016 cited  
in the 2016 survey) (top 5, multiple answers)**

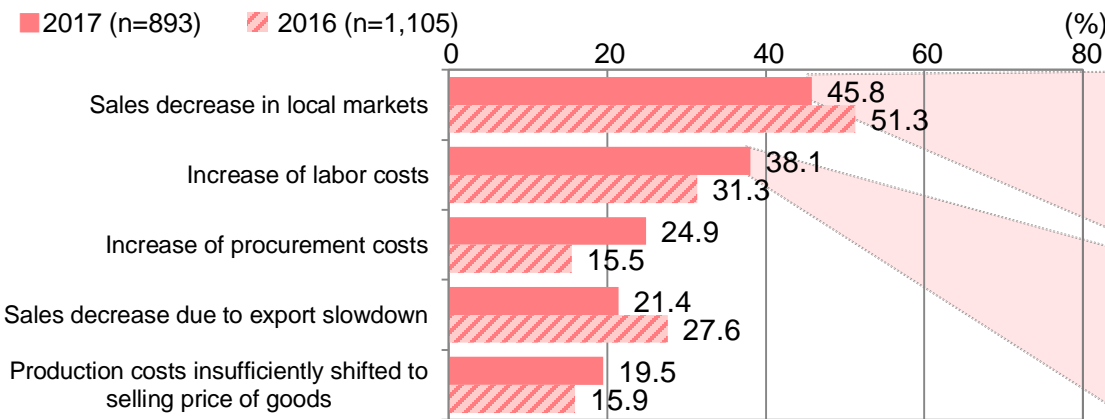


**Response rate by country/region and industry (top 5)**

Country/region	Industry category
India (84.9%) China (79.1%) Taiwan (76.9%) Indonesia (76.4%) South Korea (74.4%)	Business services (79.7%) General machinery (76.9%) Wholesale/Retail (76.5%) Travel/Amusement (73.3%) Motor vehicles/Motorcycles (73.2%)
Myanmar (75.0%) Cambodia (53.3%) India (47.4%) China (43.3%) Philippines (41.7%)	Textiles (57.1%) Motor vehicles/Motorcycles (44.9%) Iron/Nonferrous metals/Metals (40.9%) Food (38.7%) Electric machinery (35.4%)

Note: Countries/regions and industry categories for which n ≥ 30

**Reasons for decreased operating profits forecast for 2017  
(comparison with the reasons for the decrease forecast for 2016 cited  
in the 2016 survey) (top 5, multiple answers)**



Country/region	Industry category
South Korea (77.3%) HK & Macau (62.3%) Taiwan (60.8%) Thailand (57.4%) Australia (52.9%)	Wholesale/Retail (65.5%) Communications/Software (63.6%) Construction (61.2%) Travel/Amusement (54.6%) Motor vehicles/Motorcycles (48.2%)
Philippines (53.3%) Indonesia (52.8%) Malaysia (50.9%) China (49.7%) Vietnam (42.3%)	Travel/Amusement (63.6%) Textiles (61.5%) Communications/Software (59.1%) Wood/Pulp (50.0%) Iron/Nonferrous metals/Metals (48.6%)

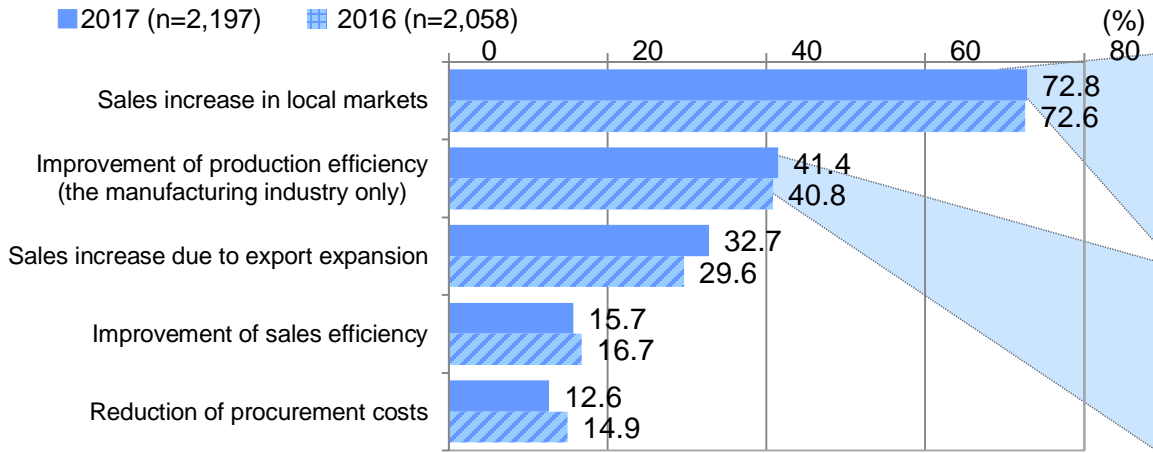
Note: Countries/regions and industry categories for which n ≥ 10





# 1. Operating Profit Forecast (10)

**Reasons for increased operating profits forecast for 2018  
(comparison with the reasons for the increase forecast for 2017 cited  
in the 2016 survey) (top 5, multiple answers)**

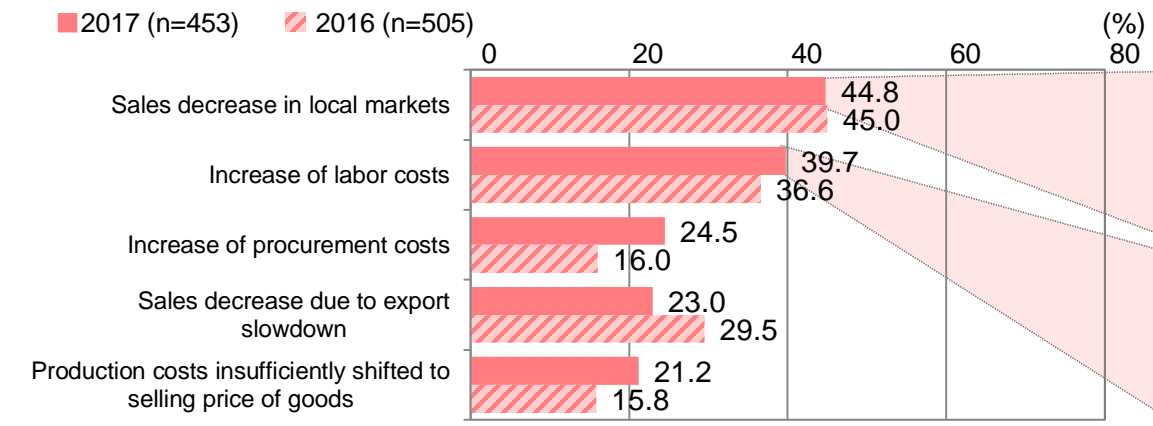


**Response rate by country/region and industry (top 5)**

Country/region	Industry category
India (90.0%) South Korea (84.6%) Taiwan (81.5%) Indonesia (80.7%) Australia (79.8%)	Construction (90.0%) Business services (88.9%) Wholesale/Retail (82.5%) Travel/Amusement (81.3%) Food (78.1%)
Cambodia (73.3%) Myanmar (54.6%) Philippines (50.0%) New Zealand (50.0%) China (44.2%)	Textiles (56.9%) General machinery (50.0%) Motor vehicles/Motorcycles (42.3%) Iron/Nonferrous metals/Metals (41.7%) Electric machinery (40.5%)

Note: Countries/regions and industry categories for which n≥30

**Reasons for decreased operating profits forecast for 2018  
(comparison with the reasons for the decrease forecast for 2017 cited  
in the 2016 survey) (top 5, multiple answers)**



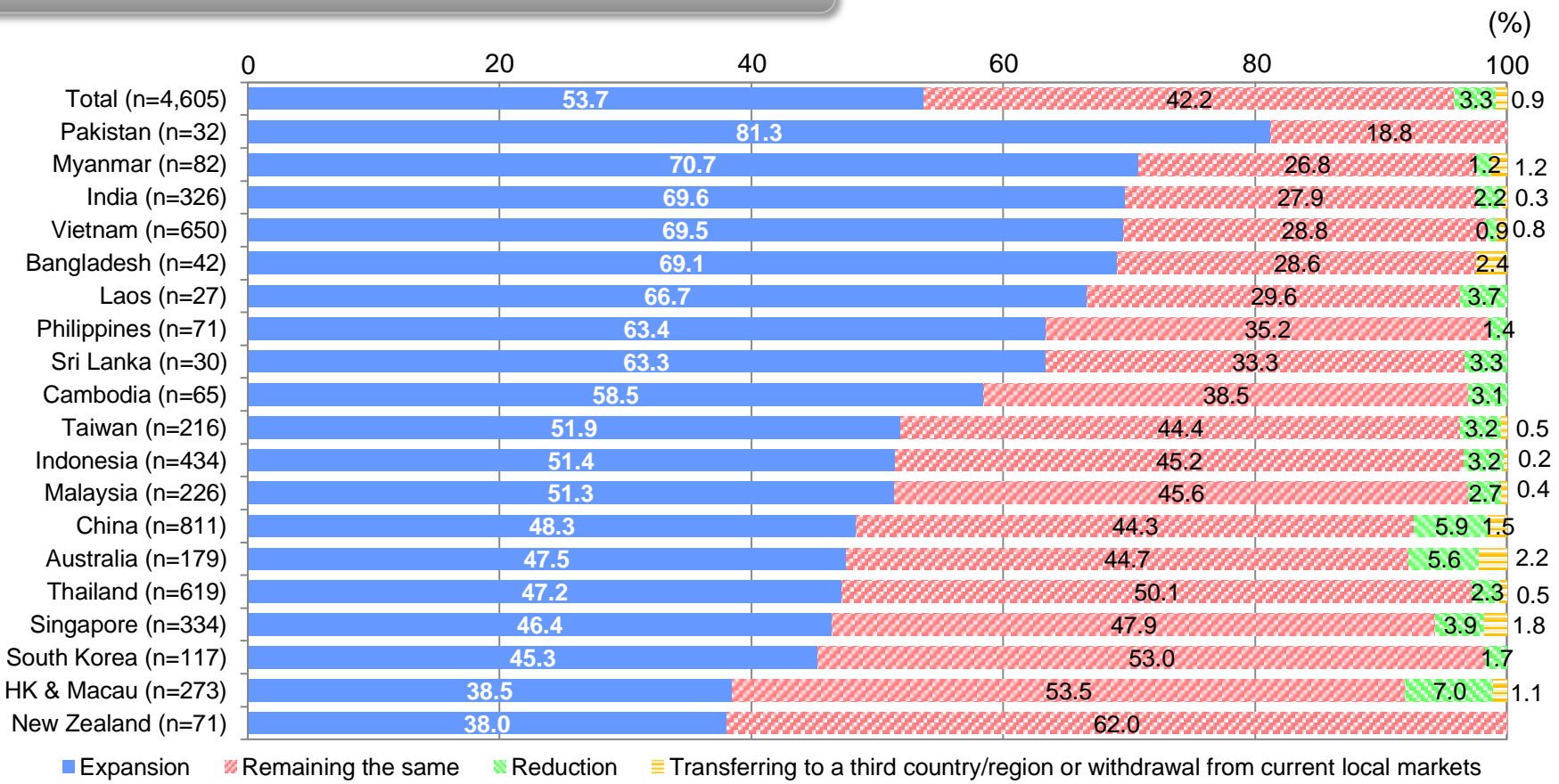
Country/region	Industry category
Taiwan (76.0%) Australia (52.2%) Malaysia (50.0%) India (50.0%) HK & Macau (48.4%)	General machinery (70.0%) Motor vehicles/Motorcycles (60.3%) Construction (60.0%) Wholesale/Retail (56.9%) Transport (45.8%)
Indonesia (62.2%) China (52.2%) Vietnam (43.6%) South Korea (42.9%) Malaysia (40.0%)	Textiles (84.6%) Food (52.9%) Electric machinery (48.2%) Motor vehicles/Motorcycles (46.0%) Finance/Insurance (44.4%)

Note: Countries/regions and industry categories for which n≥10



# 2. Future Business Plan (1)

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

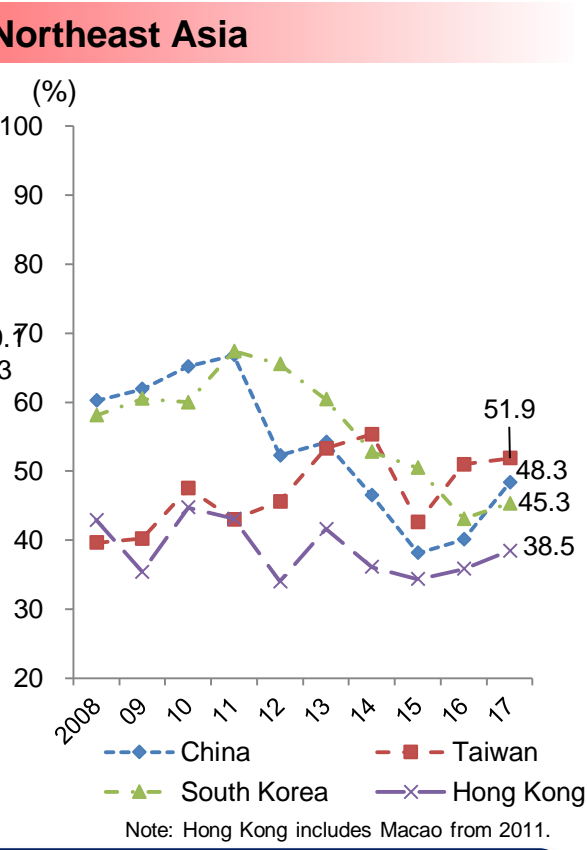
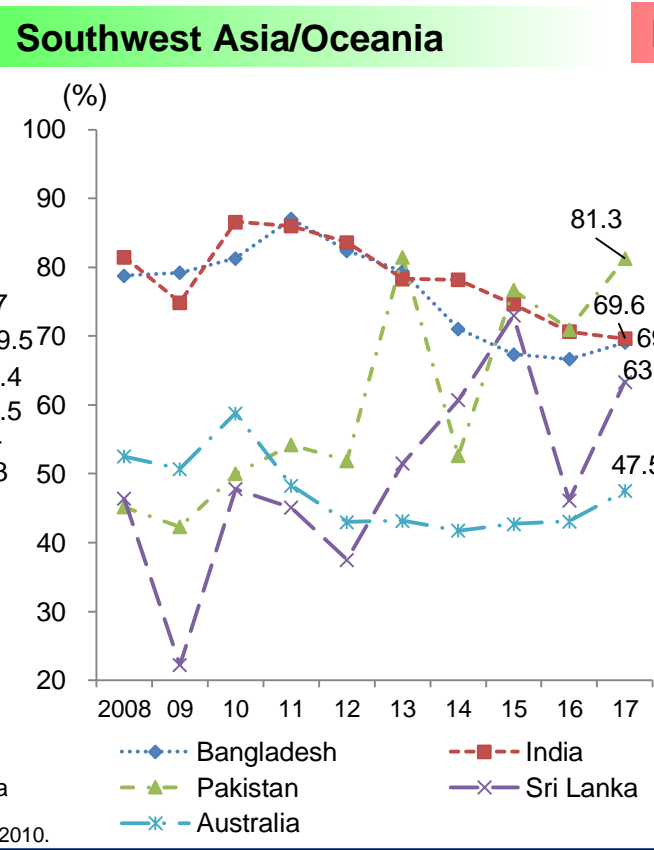
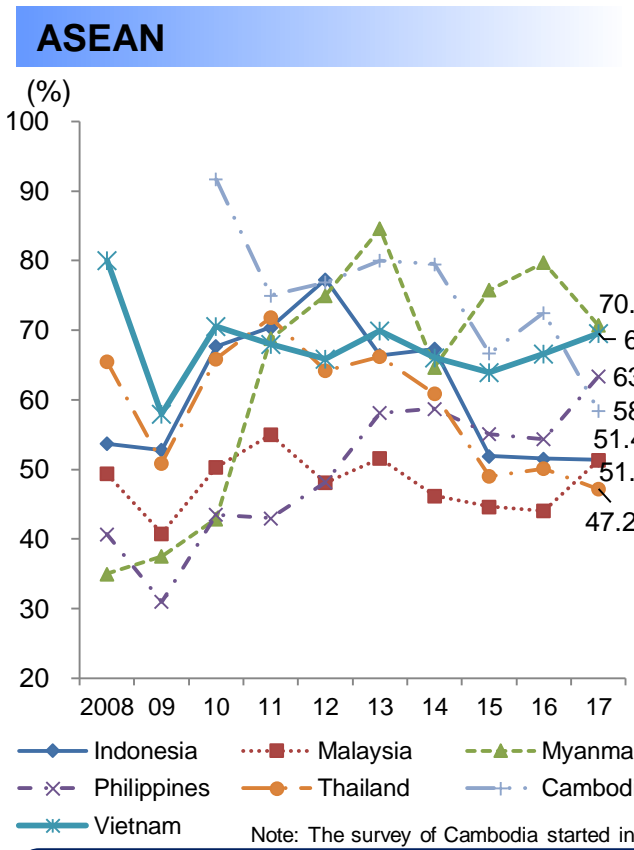


- A total of 53.7% of the firms selected “Expansion” as their approach to future business challenges in the next one or two years, up 1.5 pp from 52.2% in the 2016 survey. In contrast, 4.2% of firms selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets,” which is the same level as the 2016 survey (4.2%).
- By country/region, Pakistan marked the highest proportion of “Expansion” at 81.3%. In Myanmar, 70.7% of firms selected “Expansion.”
- In China, 48.3% of the firms selected “Expansion,” up 8.2 pp from the 2016 survey (40.1%).



# 2. Future Business Plan (2)

**Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2017)**

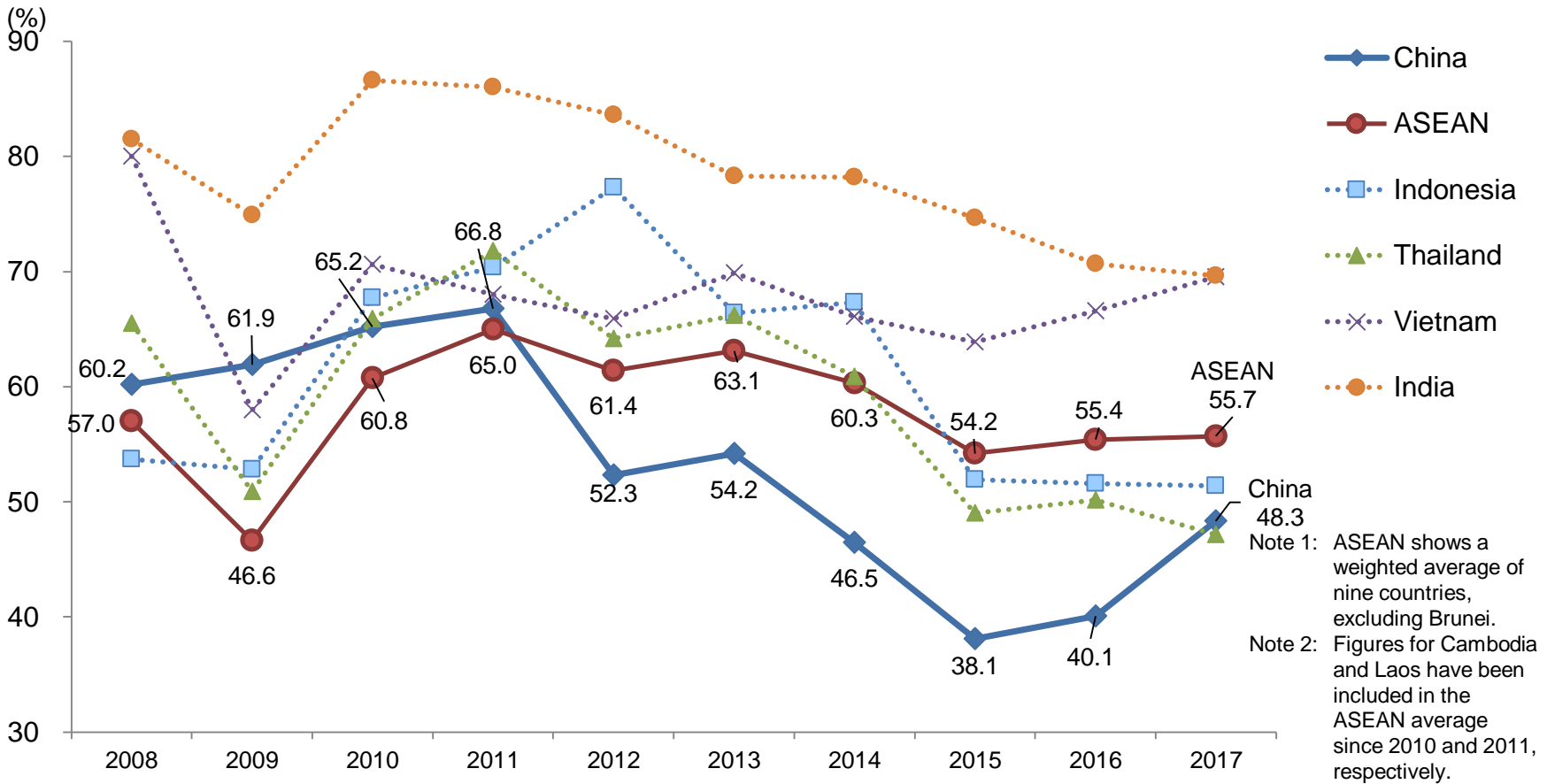


- Reviewing the survey results by country/region from 2008, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years increased significantly in 2010 when the global economy recovered from the downturn following the financial crisis. The proportion of “Expansion” remained generally the same from 2011 to 2013, excluding several countries/regions, decreased in 2014 and 2015, and increased in ASEAN and Northeast Asia in 2016. In 2017, the proportion increased in major countries in Southwest Asia and Oceania, as well as in Northeast Asia.
- In the 2017 survey, the proportion of firms that selected “Expansion” increased from 2016 by over 5.0 pp in Sri Lanka (17.1 pp), Pakistan (10.3 pp), Philippines (9.0 pp), China (8.2 pp) and Malaysia (7.2 pp). On the other hand, the proportion decreased from 2016 by over 5.0 pp in Cambodia (-14.0 pp), and Myanmar (-9.0 pp).



# 2. Future Business Plan (3)

Proportions of firms expecting to expand in the next 1 to 2 years (2008 to 2017, China and other major countries in Asia)



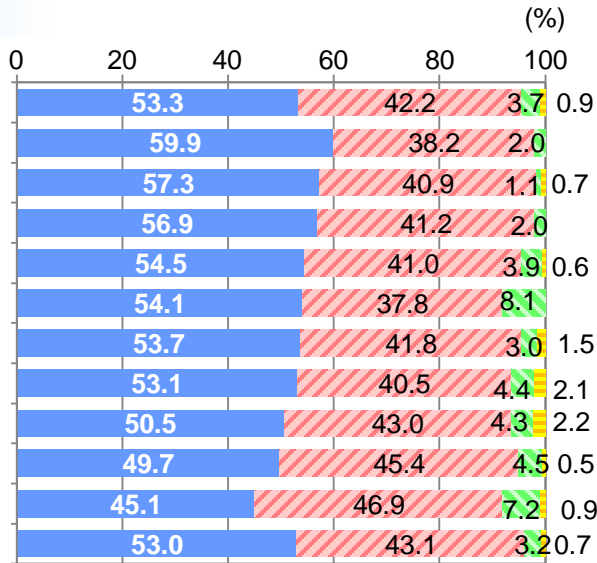
● Comparing China with ASEAN, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was higher in China from 2008 to 2011. In 2012, however, ASEAN (61.4%) overtook China (52.3%). ASEAN has been higher than China by around 10 pp since 2012. After peaking at 16.1 pp in the 2015 survey, the gap decreased to 7.4 pp in 2017.



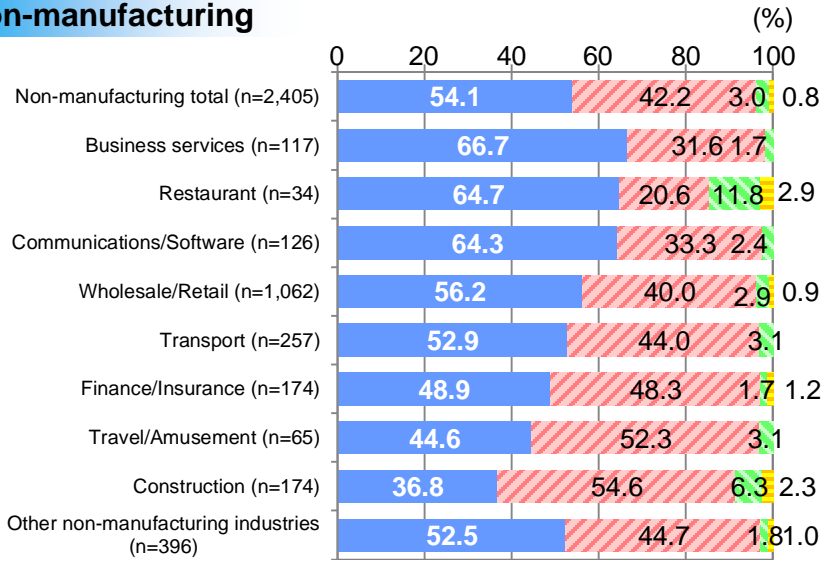
# 2. Future Business Plan (4)

**Approach to future business challenges in the next 1 to 2 years (by industry and company size)**

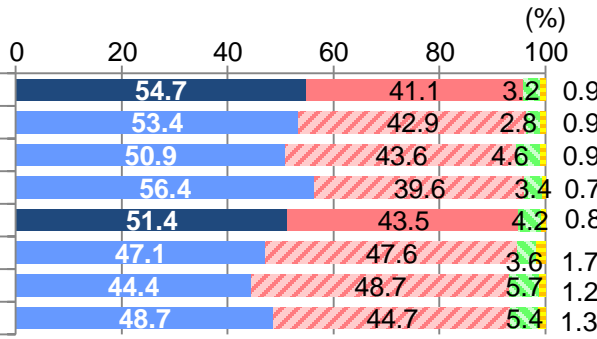
## Manufacturing



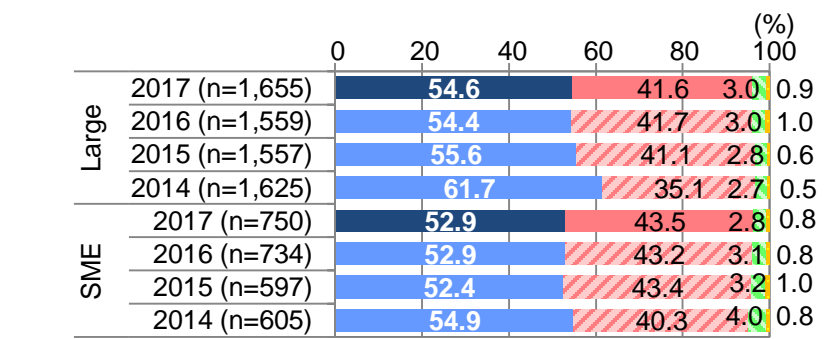
## Non-manufacturing



## Manufacturing (by company size)



## Non-manufacturing (by company size)



■ Expansion ■ Remaining the same ■ Reduction ■ Transferring to a third country/region or withdrawal from current local markets

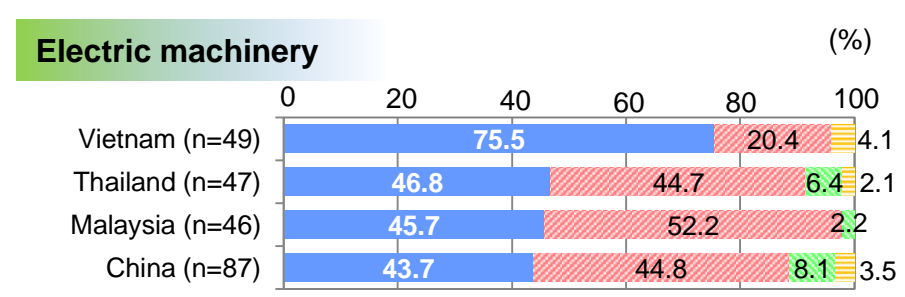
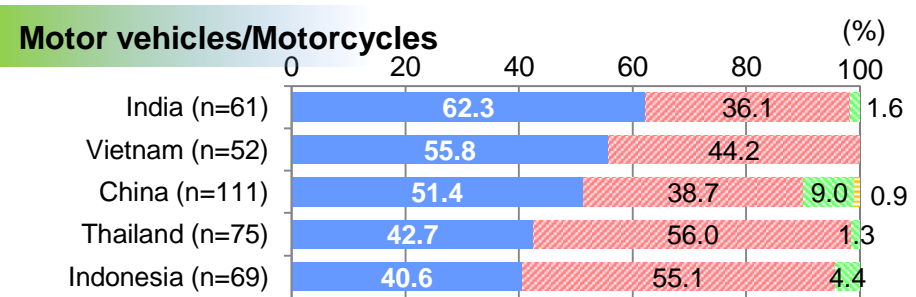
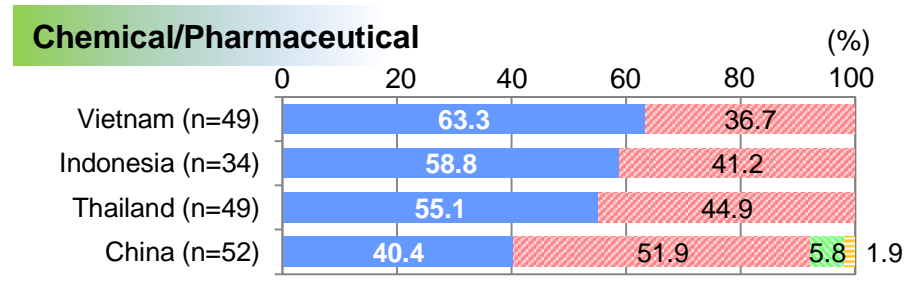
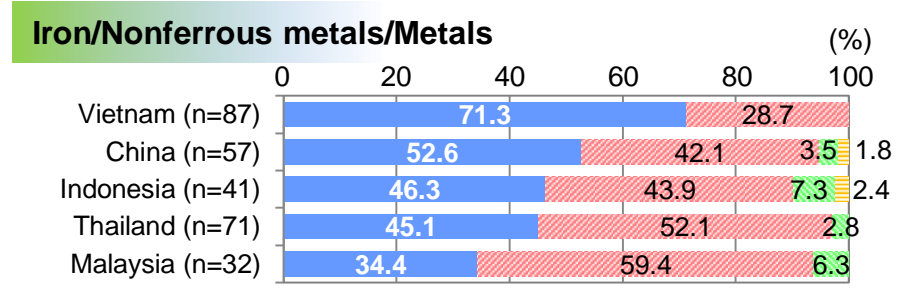
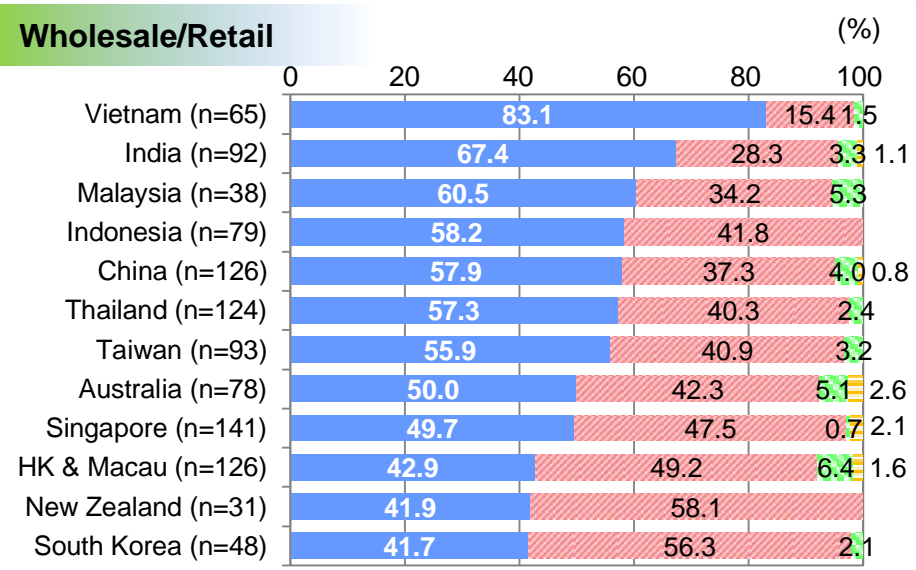
- By industry, the proportion of firms that selected “Expansion” as their approach to future business challenges in the next one or two years was higher in the non-manufacturing (54.1%) than the manufacturing sector (53.3%).
- In the manufacturing sector, the proportion of “Expansion” is high in Food (59.9%). In the non-manufacturing sector, the proportion is high in Business services (66.7%). On the other hand, the proportion of “Expansion” is lower in Textiles and Construction.
- By company size, large enterprises are more likely to expand their businesses than SMEs in both manufacturing and non-manufacturing sectors. The proportion of manufacturing firms that selected “Expansion” has been increasing since the 2015 survey.



# 2. Future Business Plan (5)

**Approach to future business challenges in the next 1 to 2 years (by major industry and country/region)**

Note: Country/region by industry categories for which n ≥ 30



■ Expansion ■ Remaining the same ■ Reduction ■ Transferring to a third country/region or withdrawal from current local markets

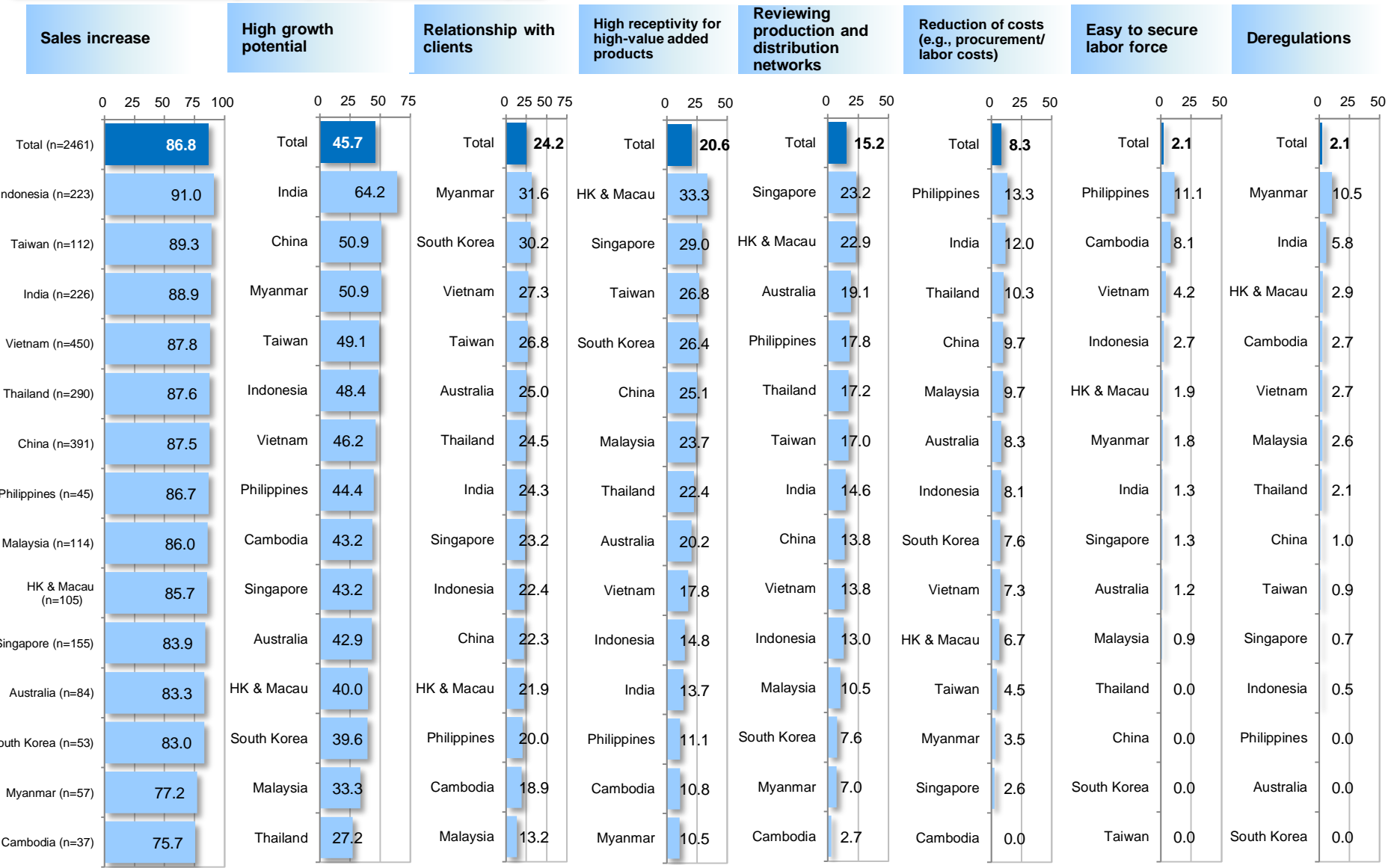
- The proportion of "Expansion" in Wholesale/Retail was high in Vietnam (83.1%) and India (67.4%). Meanwhile, "Remaining the same" accounted for over 50% in New Zealand and South Korea.
- In the Motor vehicles/Motorcycles industry, the proportion of "Expansion" was high in India (62.3%). In China, the proportion of "Expansion" increased by 8.4 pp to 51.4% from the 2016 survey (43.0%), marking the largest increase by country/region.
- In Vietnam, the proportion of "Expansion" exceeded 80% in Wholesale/Retail. The proportion also exceeded 70% in Iron/Nonferrous metals/Metals and in Electric machinery.



# 2. Future Business Plan (6)

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

Note: Countries/regions for which n ≥ 30 (%)





# 2. Future Business Plan (7)

## Functions to be expanded (multiple answers)

Note: Countries/regions for which n ≥ 30 (%)



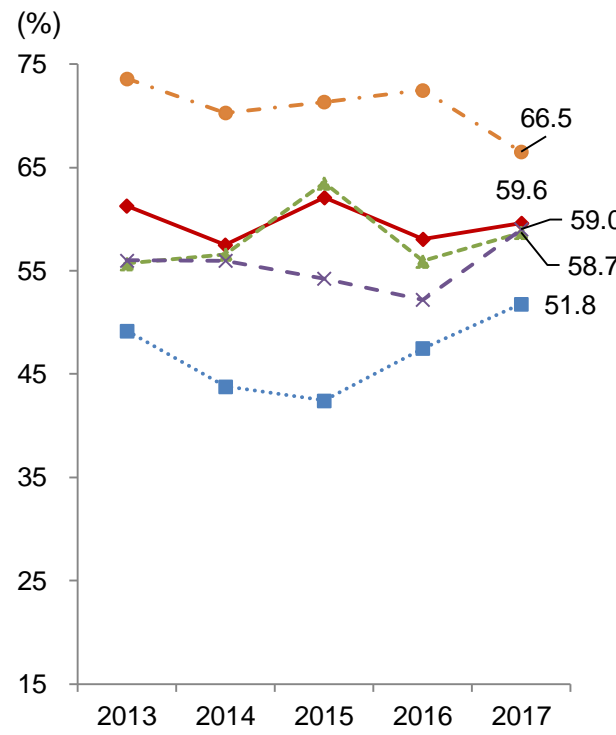




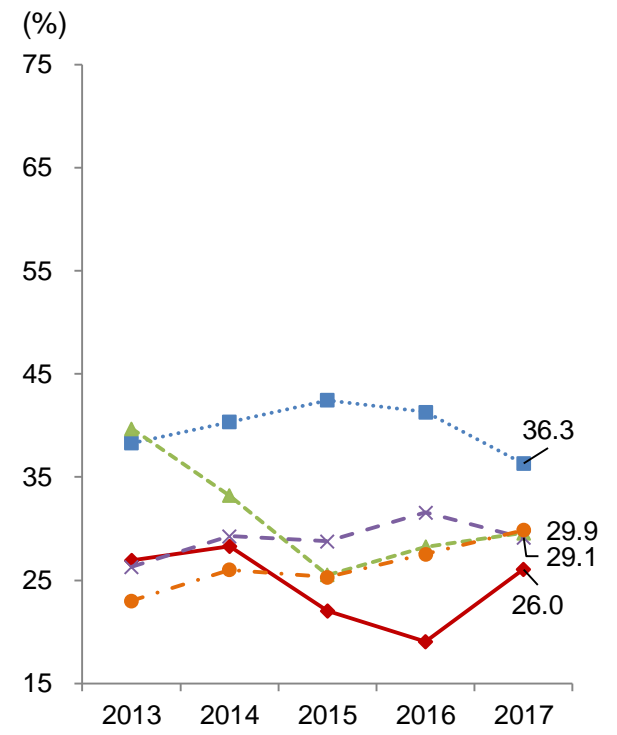
# 2. Future Business Plan (8)

Functions to be expanded (by country, 2012 to 2017)

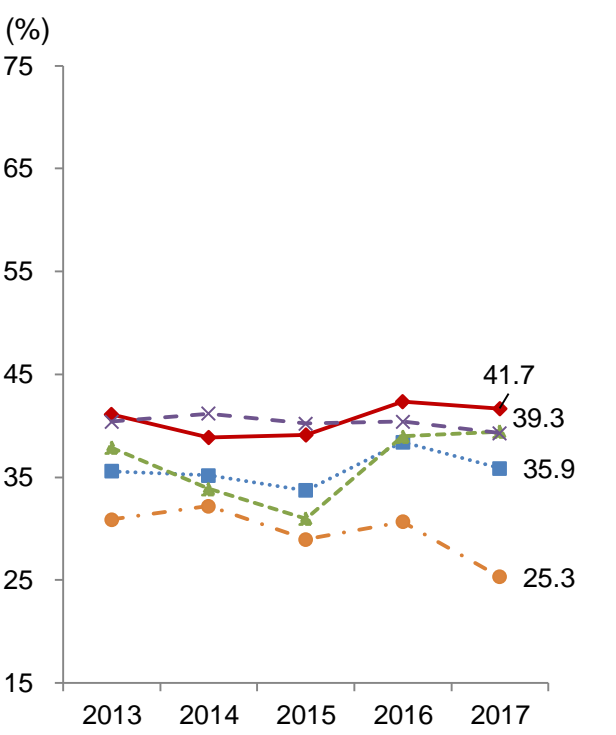
## Sales function



## Production (ubiquitous products)



## Production (high-value added products)



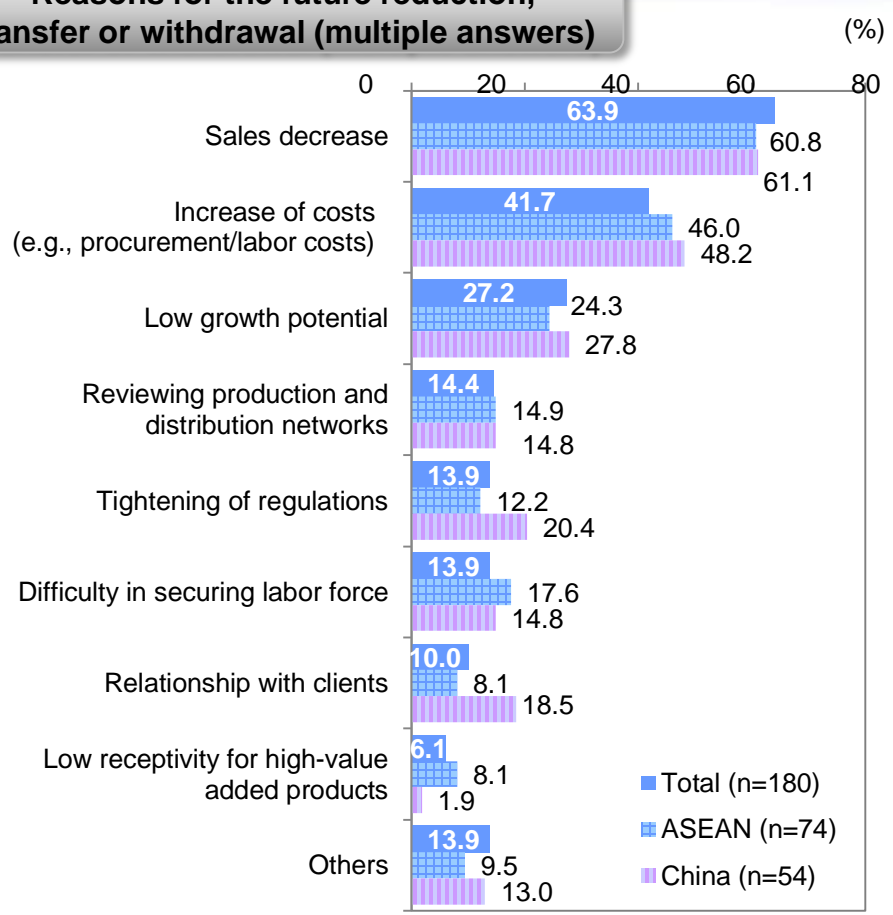
—◆— China    -.-■-.- Vietnam    -.-▲-.- Indonesia    -x- Thailand    -o- India

- The proportion of firms intending to expand “Sales function” remains at a high level in India (66.5%). In Thailand, the proportion increased by 6.8 pp from the 2016 survey.
- The proportion of firms intending to expand “Production (ubiquitous products)” exceeded 30% in Vietnam, but fell below 30% in Thailand, Indonesia, and India. Meanwhile, the proportion in China recovered by 6.9 pp from 2016 and exceeded 20% in 2017, although the proportion decreased for two consecutive years from 2015 and fell below 20% in 2016.
- The proportion of firms intending to expand “Production (high-value added products)” generally decreased. In particular, the proportion decreased in India (down 5.4 pp) and Vietnam (2.5 pp) from the 2016 survey.



# 2. Future Business Plan (9)

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



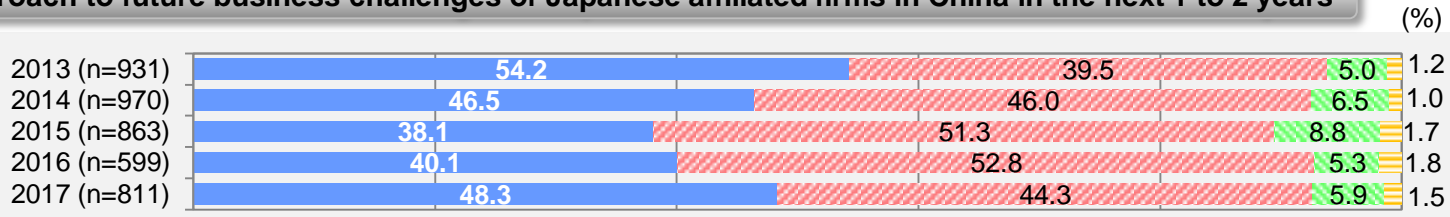
	By industry		By company size	
	Manufacturing	Non-manufacturing	Large	SME
Sales decrease	60.2	67.8	63.6	64.4
Increase of costs (e.g., procurement/labor costs)	48.4	34.5	35.5	50.7
Low growth potential	19.4	35.6	29.0	24.7
Reviewing production and distribution networks	16.1	12.6	12.2	17.8
Tightening of regulations	14.0	13.8	14.0	13.7
Difficulty in securing labor force	17.2	10.3	10.3	19.2
Relationship with clients	16.1	3.5	5.6	16.4
Low receptivity for high-value added products	4.3	8.1	1.9	12.3
Others	14.0	13.8	15.9	11.0

- In a multiple-choice question on the reason for business “Reduction” or “Transferring or withdrawal,” “Sales decrease” (63.9%) was most commonly cited, followed by “Increase of costs” (41.7%).
- When comparing ASEAN and China, the proportions of firms that selected “Low receptivity for high-value added products” and “Difficulty in securing labor force” were higher in ASEAN than in China by 6.2 pp and 2.8 pp, respectively. On the other hand, the proportions of “Relationship with clients” and “Tightening of regulations” were higher in China than in ASEAN by 10.4 pp and 8.2 pp, respectively.
- By industry, the proportion of firms in the non-manufacturing sector that cited “Sales decrease” was higher than that of firms in the manufacturing sector by 7.6 pp. On the other hand, the proportion of firms in the manufacturing sector that cited “Increase of costs,” “Relationship with clients,” or “Difficulty in securing labor force” was higher than that of firms in the non-manufacturing sector by 13.9 pp, 12.6 pp, and 6.9 pp, respectively.
- By company size, the proportion of SMEs that cited “Relationship with clients,” “Difficulty in securing labor force” or “Reviewing production and distribution networks” was higher than that of large enterprises by 10.8 pp, 8.9 pp, and 5.6 pp, respectively.



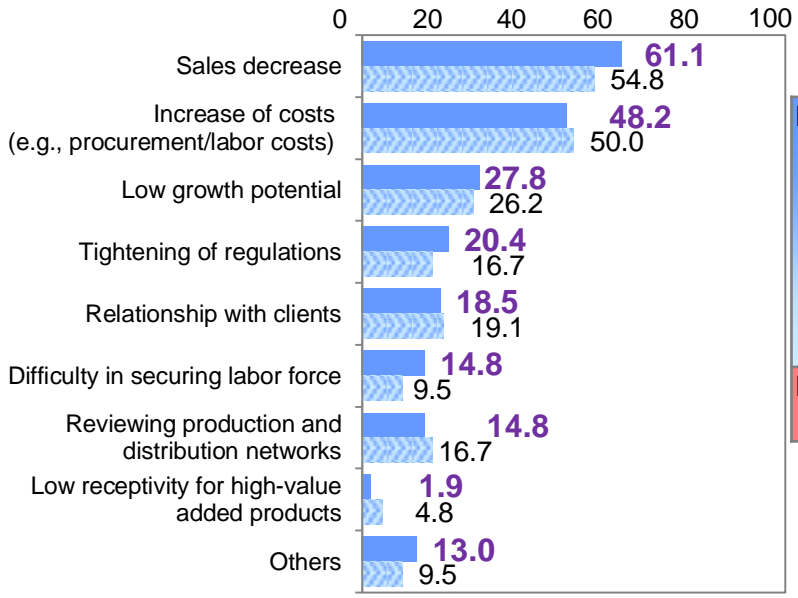
# 2. Future Business Plan (10)

**Approach to future business challenges of Japanese-affiliated firms in China in the next 1 to 2 years**



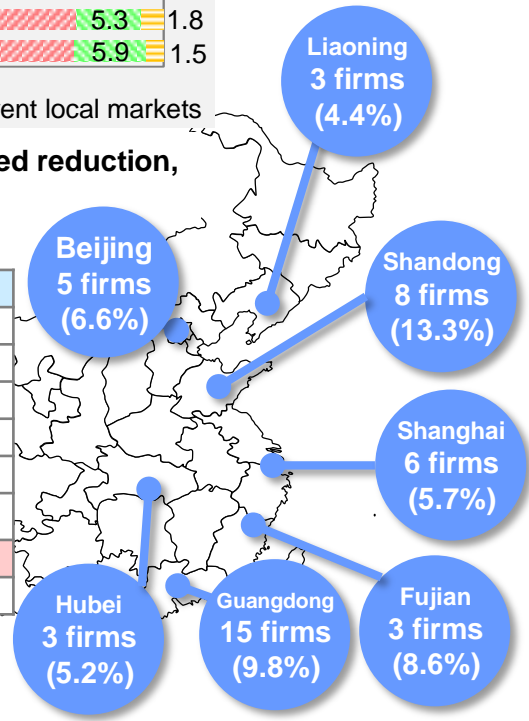
■ Expansion ■ Remaining the same ■ Reduction ■ Transferring to a third country/region or withdrawal from current local markets

**Reasons for reduction, transferring or withdrawal**



**Breakdown of firms that responded reduction, transferring or withdrawal**

Industry	Firms	Percentage
<b>Manufacturing</b>	<b>47 firms</b>	<b>(6.7%)</b>
General machinery	5	(21.7%)
Textiles	4	(16.7%)
Electric machinery	10	(11.5%)
Motor vehicles/Motorcycles	11	(9.9%)
Chemical/Pharmaceutical	4	(7.7%)
Iron/Nonferrous metals/ Metals	3	(5.3%)
<b>Non-manufacturing</b>	<b>13 firms</b>	<b>(4.1%)</b>
Wholesale/Retail	6	(4.8%)



Note 1: Industries, provinces/municipalities with three or more firms that selected "Reduction" or "Transferring or withdrawal"  
 Note 2: The percentages in the parentheses indicate the proportion of firms which selected "Reduction" or "Transferring or withdrawal" to the number of responding firms in respective industries or provinces/municipalities.

- In a question about the approach to future business challenges in the next one or two years, the proportion of Japanese-affiliated firms in China that selected "Reduction" or "Transferring to a third country/region or withdrawal from the current local markets" increased to 7.4% from the 2016 survey, exceeding 7% for two consecutive years from 2016. Meanwhile, the proportion of firms that selected "Expansion" increased by 8.2 pp to 48.3%.
- In a multiple-choice question asking the reason for business "Reduction" or "Transferring or withdrawal," "Sales decrease" had the highest proportion at 61.1%. This is followed by "Increase of costs" (48.2%) and "Low growth potential" (27.8%).
- By industry category, the manufacturing sector (6.7%) selected "Reduction" or "Transferring to a third country/region or withdrawal from current local markets" more commonly than the non-manufacturing sector (4.1%). In particular, the proportion was high in General machinery (21.7%) and Textiles (16.7%).

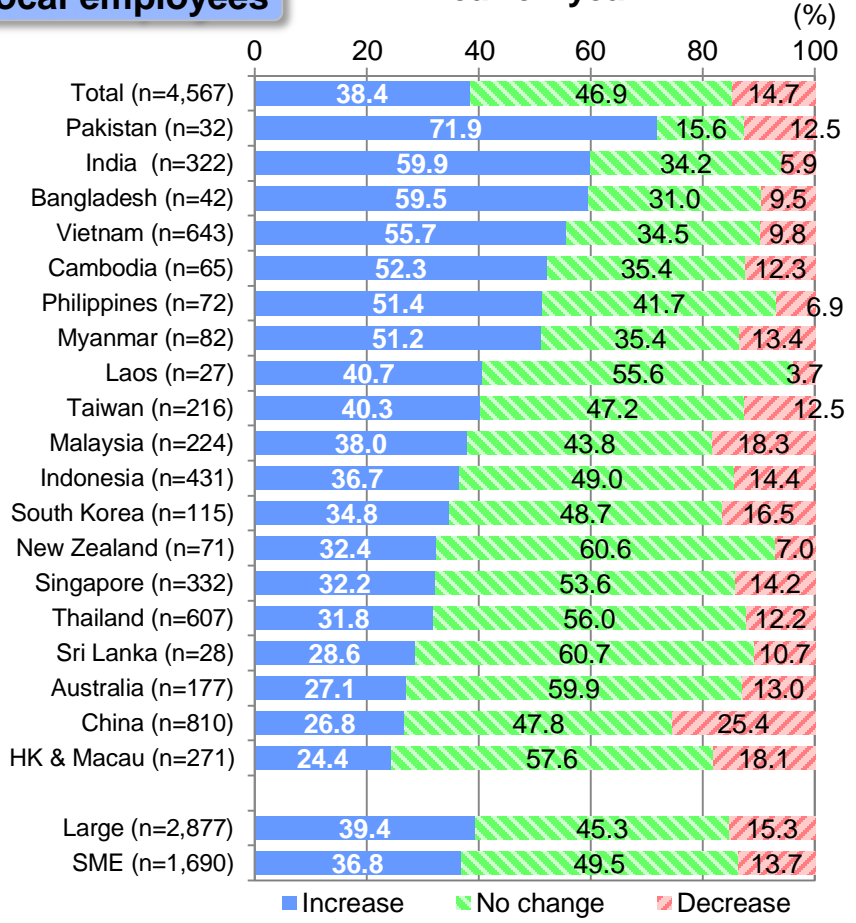


# 2. Future Business Plan (11)

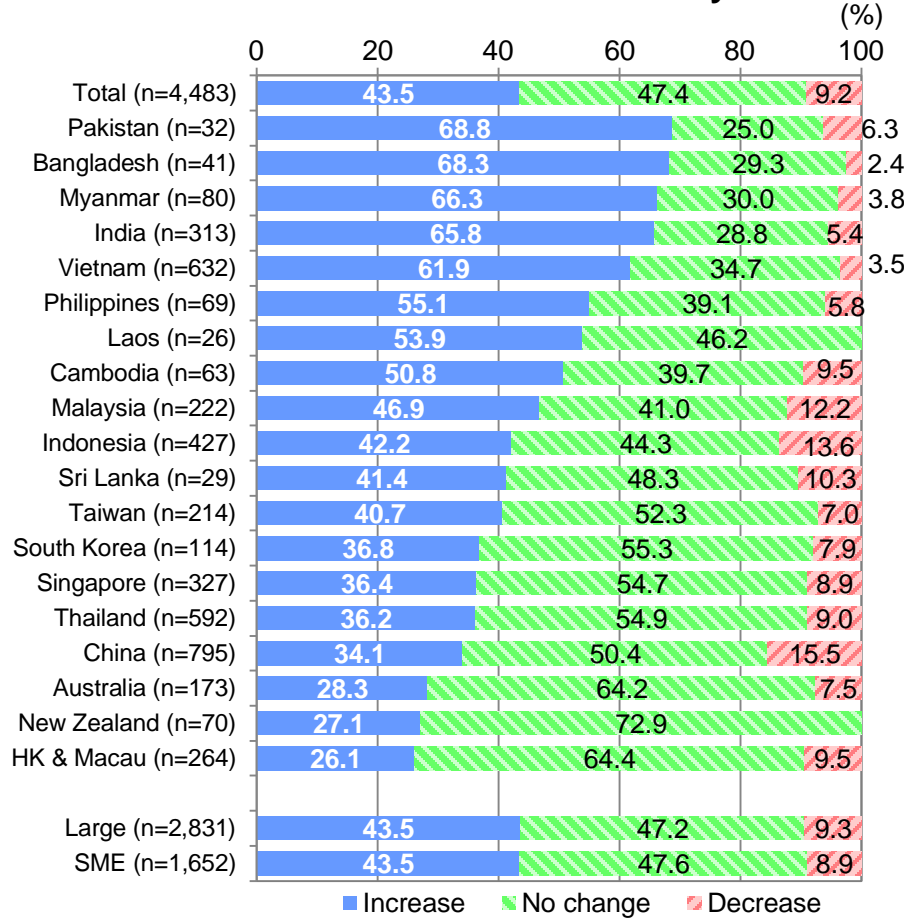
**Changes in the number of employees**  
(Changes in a year-on-year comparison, future plans, by country/region)

## Local employees

### Year-on-year



### Plans for the next one year



- Regarding year-on-year changes in the number of local employees by country/region, over 70% of the firms selected "Increase" in Pakistan.
- The proportion of firms planning to "Increase" the number of local employees in the next one year was the highest in Pakistan (68.8%), followed by Bangladesh, Myanmar, India and Vietnam at over 60%, respectively.
- In China, over 20% of the firms selected "Decrease" in a year-on-year comparison. The proportion of firms planning to "Decrease" local employees in the next one year was relatively high in China (15.5%), Indonesia (13.6%) and Malaysia (12.2%).

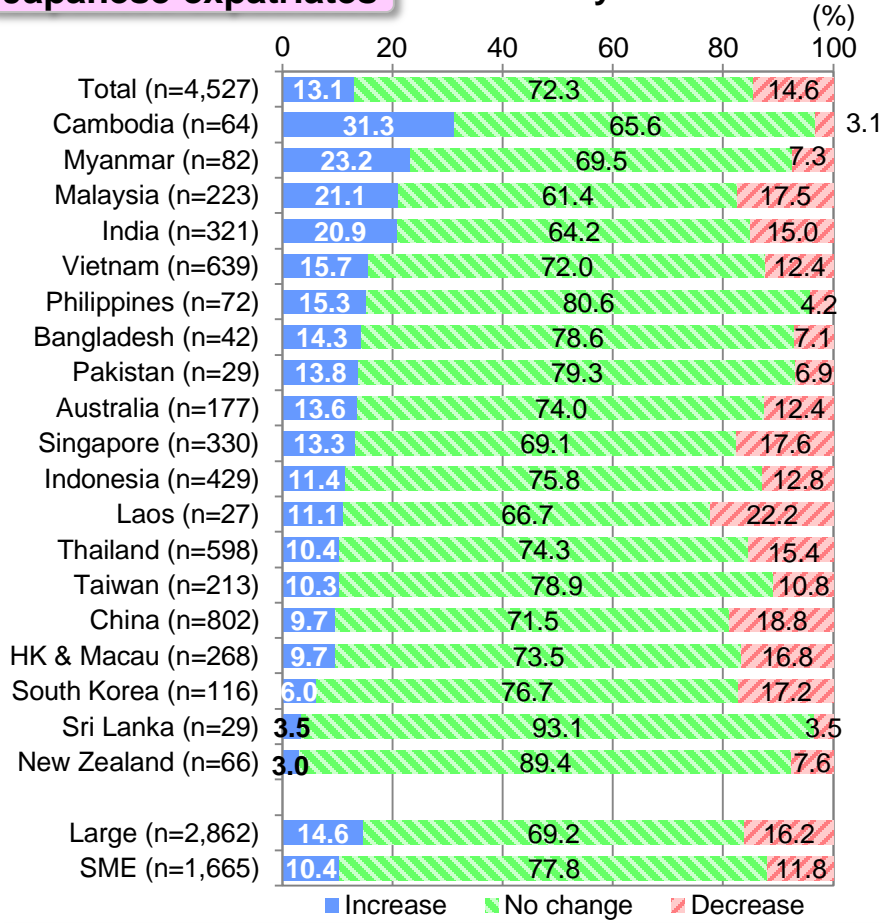


# 2. Future Business Plan (12)

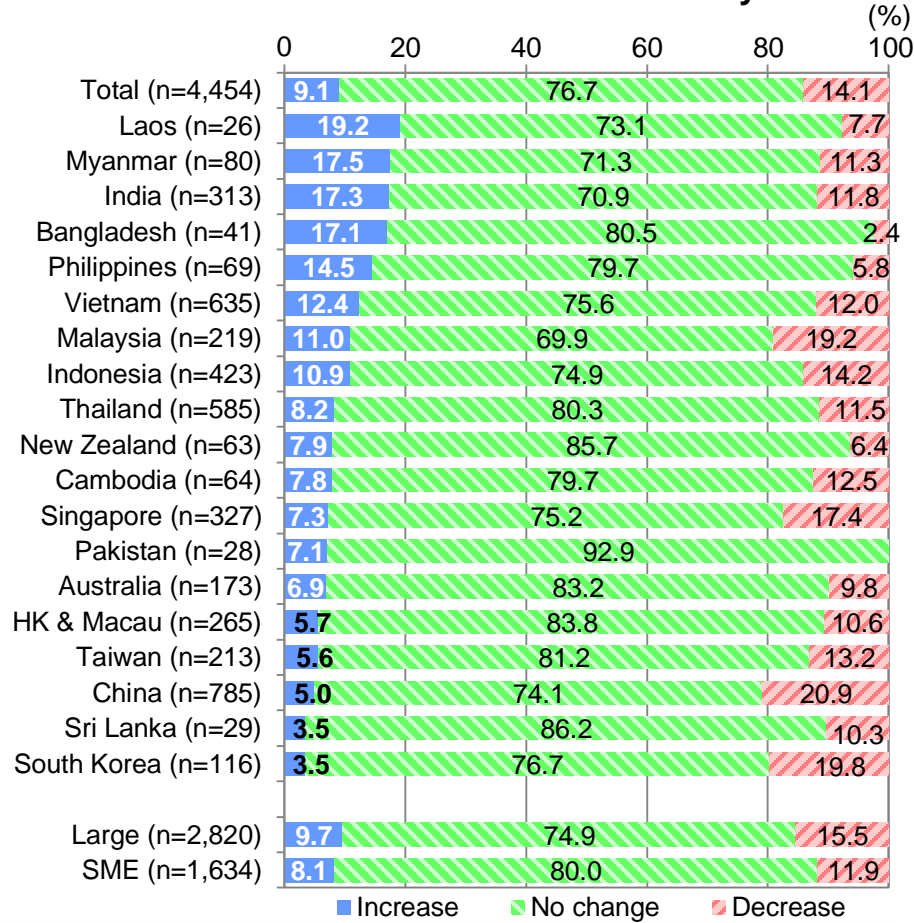
**Changes in the number of employees**  
(Changes in a year-on-year comparison, future plans, by country/region)

**Japanese expatriates**

**Year-on-year**



**Plans for the next one year**



- Regarding changes in the number of Japanese expatriates by country/region, “No change” was most frequently selected in all countries/regions in both year-on-year comparison and in plans for the next one year.
- In the past one year, the proportion of firms that selected “Decrease” exceeded 20% in Laos. The proportion was less than 20% in China (18.8%), Singapore (17.6%), and Malaysia (17.5%).
- Regarding plans for the next one year, the proportion of firms that selected “Increase” was higher in Laos (19.2%), Myanmar (17.5%), India (17.3%), and Bangladesh (17.1%). On the other hand, the proportion of firms that selected “Decrease” was the highest in China (20.9%).



# 3. Management Matters (1)

**Problems common to all regions (top 10, multiple answers)**

Answers	2017 (%)	2016 (%)	Change (points)	By industry		By company size	
				Manufacturing	Non-manufacturing	Large	SME
1 Wage increase	66.7	65.3	1.4	74.3	59.7	66.3	67.3
2 Difficulty in quality control (Manufacturing sectors only)	51.9	50.5	1.4	51.9	-	48.4	56.2
3 Competitors' market shares are growing (cost-wise competition)	49.9	46.6	3.3	51.5	48.3	53.4	44.0
4 Quality of employees	46.9	44.1	2.8	49.9	44.2	46.3	48.0
5 Difficulty in local procurement of raw materials and parts (Manufacturing sectors only)	45.1	43.2	1.9	45.1	-	44.2	46.2
6 Increase of financing costs (Manufacturing sectors only)	40.7	29.0	11.7	40.7	-	40.2	41.4
7 Difficulty in developing in new clients on market	38.5	37.6	0.9	36.4	40.3	35.5	43.5
8 Major clients requesting lower prices	35.9	35.2	0.7	44.1	28.5	34.6	38.2
9 No more room for cost-cutting (Manufacturing sectors only)	35.3	34.5	0.8	35.3	-	34.8	36.0
10 Tax burden (i.e. corporate taxes and transfer pricing taxes)	32.4	27.7	4.7	35.6	29.5	35.3	27.6

- “Wage increase” (66.7%) was most frequently cited as a management matter, followed by “Difficulty in quality control” (51.9%). In addition to “Increase of financing costs,” which increased by 11.7 pp from the previous year, the proportion of all top-10 problems increased from the previous year. By country/region, the proportion of “Wage increase” was higher in Cambodia (82.8%) and Indonesia (80.8%) than in China (75.3%). In addition to these three countries, the proportion also exceeded 70% in Vietnam (75.2%), India (72.1%), and Sri Lanka (70.0%).
- By industry, more than 70% of firms selected “Wage increase” in the manufacturing sector. The proportion of “Major clients requesting lower prices” was higher in the manufacturing sector than in the non-manufacturing sector by 15.6 pp.
- By company size, “Wage increase” increased by 1.4 pp from the previous year in both large companies and SMEs. Among SMEs, the proportion of “Difficulty in quality control” exceeded 50%.



# 3. Management Matters (2)

Note: Countries/regions for which n ≥ 10

**Problems common to all regions (top 10, multiple answers, response rate for each country/region)**

(%)





# 3. Management Matters (3)

Note: Countries/regions for which n ≥ 10

**Problems common to all regions (top 10, multiple answers, response rate for each country/region)**

(%)





# 3. Management Matters (4)

## Problems by country/region (top 5, multiple answers) (%)

Singapore		2017 survey	2016 survey
1	Wage increase (n=329)	56.2	59.8
2	Competitors' market shares are growing (cost-wise competition) (n=328)	50.9	52.6
3	Difficulty in developing new clients on market (n=328)	42.1	41.6
4	Quality of employees (n=329)	39.8	35.7
5	Difficulty in recruiting engineering staff (n=75)	34.7	13.3

Malaysia		2017 survey	2016 survey
1	Difficulty in quality control (n=121)	71.1	64.2
2	Wage increase (n=226)	68.1	67.7
3	Increase in financing costs (n=121)	59.5	41.5
4	Volatility of the local currency's exchange rate against the US dollar (n=223)	55.6	56.9
5	Quality of employees (n=226)	52.2	53.3

Thailand		2017 survey	2016 survey
1	Wage increase (n=594)	63.0	59.3
2	Difficulty in quality control (n=339)	54.0	59.0
3	Competitors' market shares are growing (cost-wise competition) (n=595)	50.6	47.3
4	Quality of employees (n=594)	50.5	48.5
5	Major clients requesting lower prices (n=595)	43.9	40.6

Indonesia		2017 survey	2016 survey
1	Wage increase (n=427)	80.8	82.2
2	Difficulty in local procurement of raw materials and parts (n=238)	64.3	56.3
2	Complicated customs clearance procedures (n=424)	59.7	48.8
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=428)	58.9	51.1
5	Time-consuming customs procedures (n=424)	57.3	46.0

Vietnam		2017 survey	2016 survey
1	Wage increase (n=640)	75.2	75.5
2	Difficulty in local procurement of raw materials and parts (n=376)	65.2	64.8
3	Difficulty in quality control (n=376)	57.2	58.6
4	Quality of employees (n=640)	46.7	42.5
4	Complicated customs clearance procedures (n=634)	46.7	47.5

Philippines		2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=46)	54.4	62.1
2	Difficulty in recruiting engineering staff (n=46)	50.0	36.7
2	Quality of employees (n=72)	50.0	57.3
2	Difficulty in quality control (n=46)	50.0	53.5
5	Wage increase (n=72)	45.8	44.7

Note: Top 5 responses are listed above, except for "No particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."

Note: Red-highlighted items increased by 10 pp or more from 2016.

# 3. Management Matters (5)

## Problems by country/region (top 5, multiple answers) (%)

India		2017 survey	2016 survey
1	Wage increase (n=319)	72.1	67.5
2	Competitors' market shares are growing (cost-wise competition) (n=321)	64.2	59.2
3	Quality of employees (n=319)	58.3	49.5
4	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=320)	51.3	52.6
5	Difficulty in quality control (n=150)	50.7	51.1
Pakistan		2017 survey	2016 survey
1	Difficulty in quality control (n=18)	61.1	52.9
2	Difficulty in local procurement of raw materials and parts (n=18)	50.0	41.2
3	Volatility of the local currency's exchange rate against the US dollar (n=31)	48.4	32.3
4	High import duties (n=31)	48.4	41.9
4	Time-consuming customs procedures (n=31)	45.2	32.3
Sri Lanka		2017 survey	2016 survey
1	Difficulty in quality control (n=11)	72.7	44.4
2	Wage increase (n=30)	70.0	65.4
3	Difficulty in local procurement of raw materials and parts (n=11)	54.6	55.6
4	Quality of employees (n=30)	46.7	15.4
5	Tax burdens (i.e. corporate taxes and transfer pricing taxes) (n=28)	46.4	34.6

Note: Top 5 responses are listed above, except for "No particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."

Note: Red-highlighted items increased by 10 pp or more from 2015. Blue-highlighted items decreased by 10 pp or more from 2016.

Bangladesh		2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=25)	76.0	81.3
2	Inadequate logistics infrastructure (n=25)	72.0	62.5
3	Quality of employees (n=42)	69.1	60.4
4	Difficulty in quality control (n=25)	68.0	56.3
5	Power shortage or blackout (n=25)	68.0	65.6
Cambodia		2017 survey	2016 survey
1	Wage increase (n=64)	82.8	69.7
2	Difficulty in quality control (n=30)	76.7	76.3
3	Difficulty in local procurement of raw materials and parts (n=30)	70.0	73.7
4	Quality of employees (n=64)	60.9	62.9
5	Complicated customs clearance procedures (n=64)	46.9	44.8
Laos		2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=17)	70.6	63.6
2	Quality of employees (n=27)	70.4	72.2
3	Difficulty in recruiting engineering staff (n=17)	64.7	27.3
4	Difficulty in quality control (n=17)	58.8	81.8
5	Inadequate logistics infrastructure (n=17)	52.9	36.4
Myanmar		2017 survey	2016 survey
1	Difficulty in local procurement of raw materials and parts (n=17)	82.4	70.0
1	Power shortage or blackout (n=17)	82.4	85.0
2	Difficulty in quality control (n=17)	64.7	50.0
2	Inadequate logistics infrastructure (n=17)	64.7	55.0
5	Wage increase (n=81)	59.3	75.3



# 3. Management Matters (6)

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

(%)

China		2017 survey	2016 survey
1	Wage increase (n=806)	75.3	77.8
2	Growing market shares of competitors (cost-wise competition) (n=804)	55.0	44.4
3	Increase in financing costs (n=484)	50.2	31.9
3	Difficulty in quality control (n=484)	50.2	45.0
5	No more room for cost-cutting (n=484)	46.1	48.2

Hong Kong & Macau		2017 survey	2016 survey
1	Wage increase (n=271)	62.7	59.2
2	Difficulty in developing in new clients (n=270)	44.8	45.9
3	Growing market shares of competitors (cost-wise competition) (n=270)	43.0	36.9
4	Increase in financing costs (n=33)	42.4	19.5
5	Quality of employees (n=271)	41.0	35.2

Taiwan		2017 survey	2016 survey
1	Growing market shares of competitors (cost-wise competition) (n=216)	50.5	51.4
2	Increase in financing costs (n=56)	41.1	25.0
3	Quality of employees (n=215)	39.5	34.3
4	Wage increase (n=215)	35.8	31.9
5	Major clients requesting lower prices (n=216)	34.7	33.2

South Korea		2017 survey	2016 survey
1	Wage increase (n=117)	59.0	57.5
2	Growing market shares of competitors (cost-wise competition) (n=117)	52.1	53.8
3	Major clients requesting lower prices (n=117)	40.2	46.8
4	Quality of employees (n=117)	35.9	31.6
5	Difficulty in developing in new clients (n=117)	35.0	41.0

Australia		2017 survey	2016 survey
1	Wage increase (n=180)	60.0	62.9
2	Growing market shares of competitors (cost-wise competition) (n=179)	41.9	33.7
3	Volatility of the local currency's exchange rate against the US dollar (n=180)	31.7	41.8
4	Quality of employees (n=180)	31.1	26.2
5	Increase in financing costs (n=37)	29.7	29.2

New Zealand		2017 survey	2016 survey
1	Growing market shares of competitors (cost-wise competition) (n=72)	44.4	35.1
2	Wage increase (n=72)	43.1	35.1
3	Volatility of the local currency's exchange rate against the US dollar (n=72)	33.3	34.2
4	Difficulty in recruiting engineering staff (n=20)	30.0	22.7
4	Increase in financing costs (n=20)	30.0	18.2

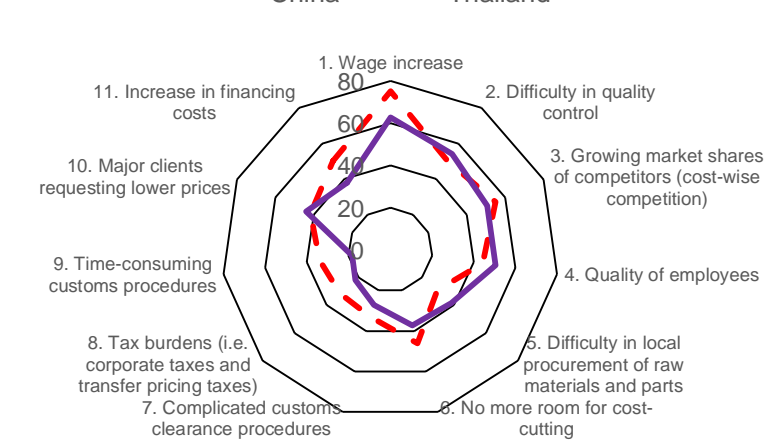
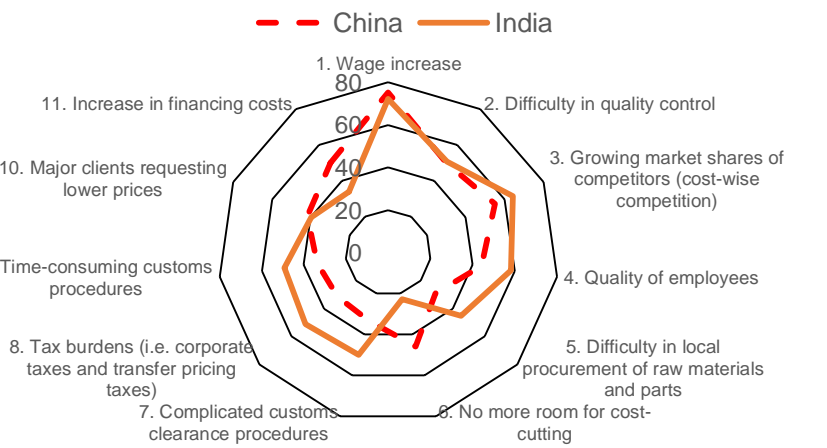
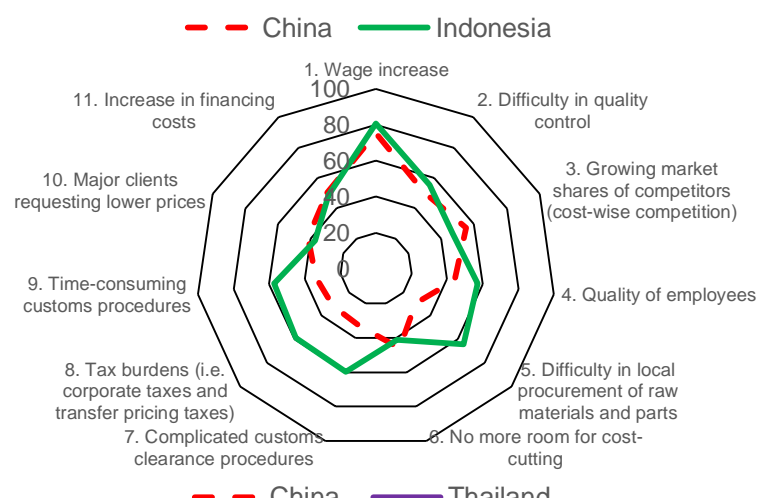
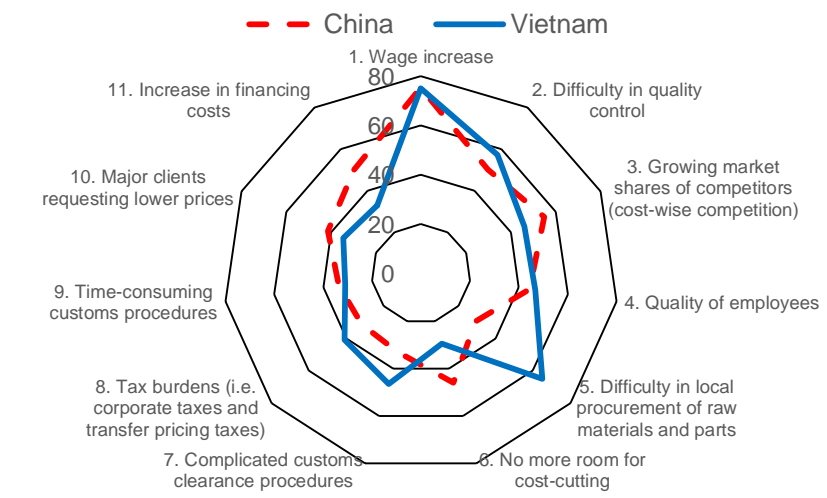
Note: Top 5 responses are listed above, except for "No particular problem." Orange-highlighted items are not included in the top 10 common problems in "3. Management Matters (1)."

Note: Red-highlighted items increased by 10 pp or more from 2015. Blue-highlighted items decreased by 10 pp or more from 2016.



# 3. Management Matters (7)

Comparison between China and other major countries in Asia (top 5, multiple answers)



- “Difficulty in quality control,” “Quality of employees” and “Difficulty in local procurement of raw materials and parts” were cited more commonly in India, Indonesia, Vietnam and Thailand than in China.
- Only Indonesia exceeded China in the proportion of “Wage increase.” China was higher than four other countries in the proportion of “No more room for cost-cutting” and “Increase in financing costs.”
- The proportion of firms citing “Time-consuming customs procedures” was higher in India, Indonesia, and Vietnam than in China by over 10 pp.

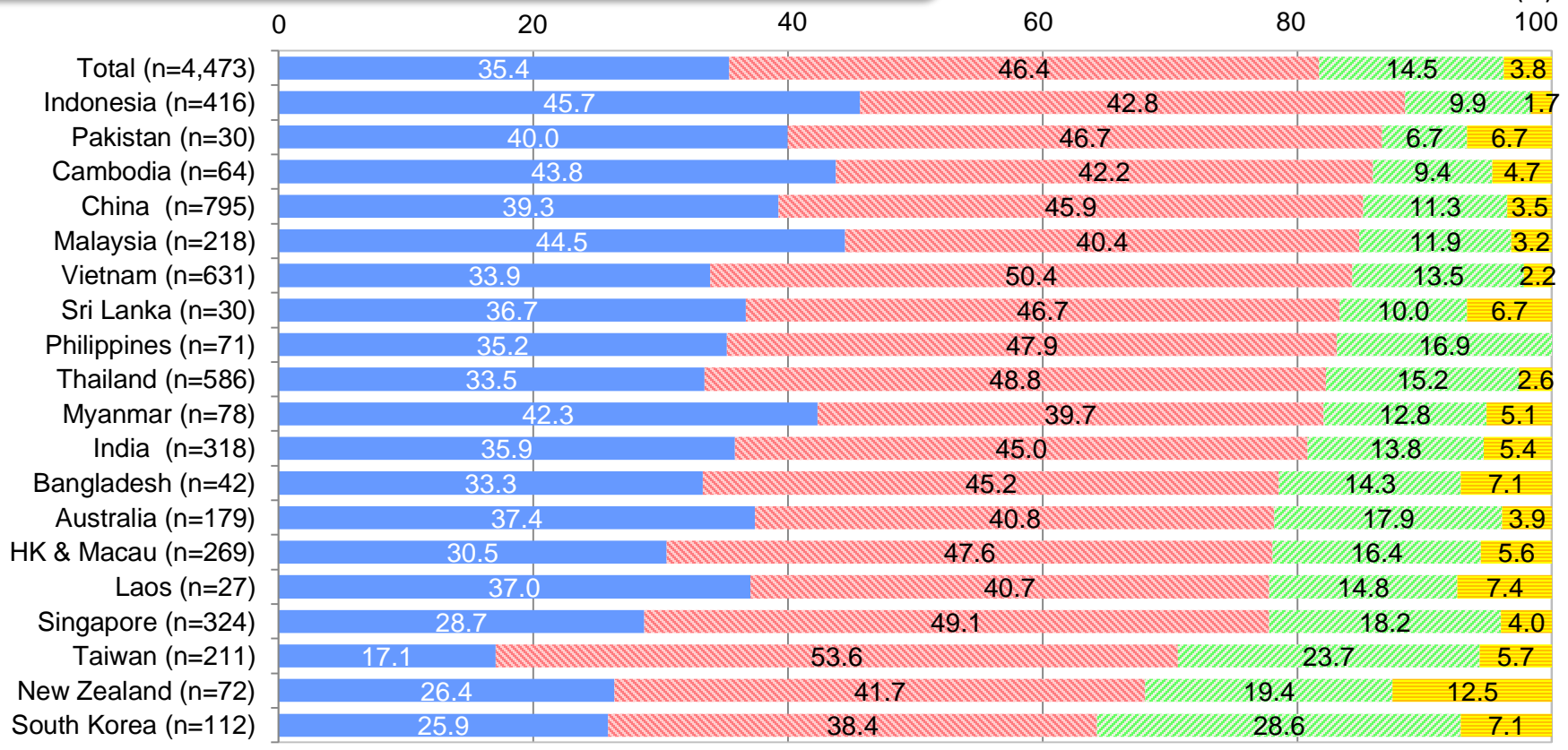


# 4. Rising Costs of Production and Services (1)

**Negative impact of soaring costs of production and services on business activities (by country/region)**

Note: Countries/regions for which n ≥ 10

■ Significantly affected    ■ Slightly affected  
■ Hardly any impact    ■ No impact    (%)

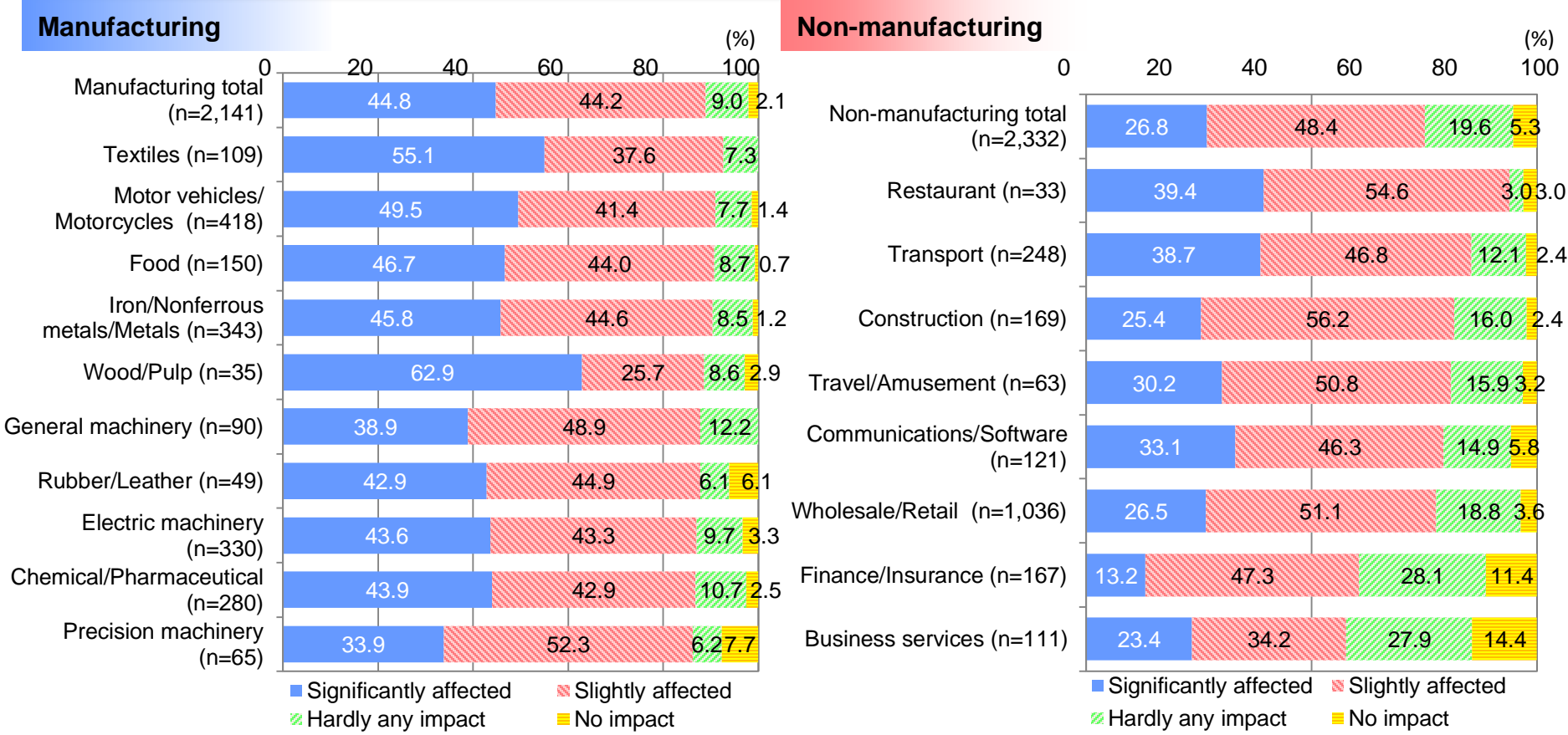


- A combined 81.8% of the firms responded that their business activities are "Significantly affected" or "Slightly affected" by the negative impact of the rising costs of production and services resulting from soaring prices of payroll, energy, and raw materials. About 80% of the firms in Asia and Oceania are affected negatively.
- The proportion of firms sustaining negative impact was the highest in Indonesia at 88.5%, followed by Pakistan, Cambodia and China.
- By industry in Indonesia, the impact was most serious in Food, Textiles, Wood/Pulp, General machinery, Travel/Amusement and Restaurant. A combined 100% of the firms responded that their business activities are "Significantly affected" or "Slightly affected" by negative impact. The proportion of firms that selected "Significantly affected" was the highest in Food (80.0%).
- By industry in China, over 50% of the firms selected "Significantly affected" in Wood/Pulp (66.7%), Restaurant (66.7%), Textiles (56.5%), Chemical/Pharmaceuticals (52.9%), Communications/Software (52.6%) and Food (50.0%).



# 4. Rising Costs of Production and Services (2)

**Negative impact of soaring costs of production and services on business activities (by industry)**



- A total of 89.0% of the manufacturing firms and 75.2% of the non-manufacturing firms responded that they are “Significantly affected” or “Slightly affected” by the negative impact of rising costs. Manufacturing firms are affected more seriously than non-manufacturing firms.
- In the manufacturing sector, the proportion of firms that selected “Significantly affected” was the highest in Wood/Pulp.
- In the non-manufacturing sector, the Restaurant industry marked the highest proportion in “Significantly affected” regarding negative impact.
- In all industries, Business services had the highest proportion of “Hardly any impact” or “No impact,” at over 40%.

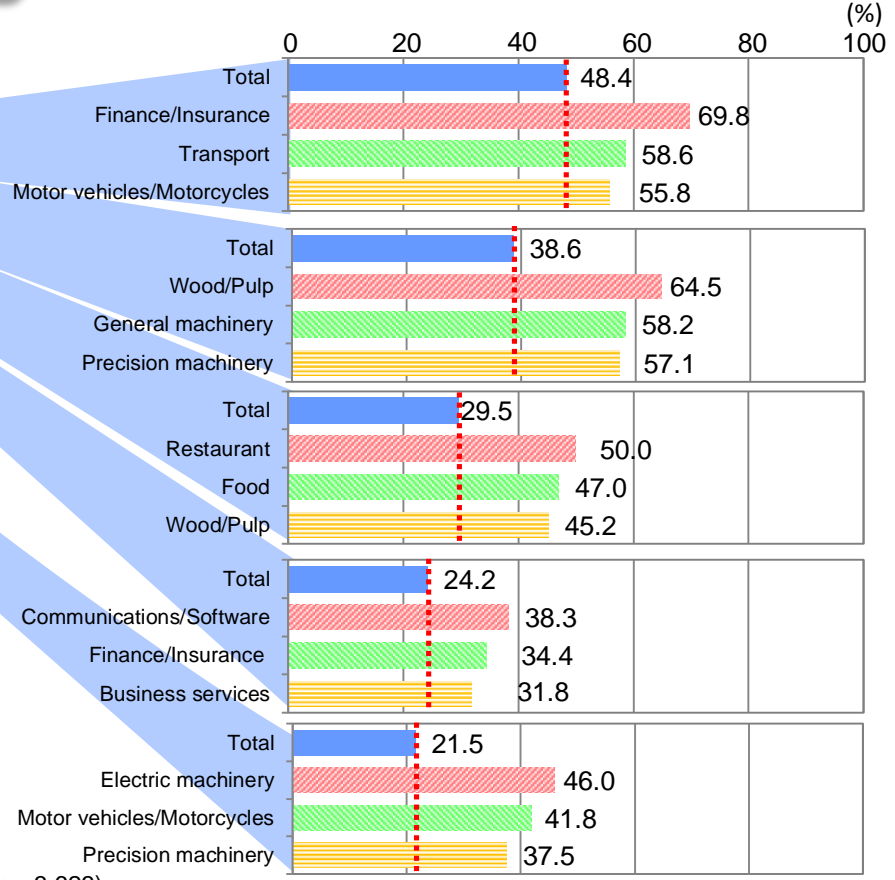


# 4. Rising Costs of Production and Services (3)

**Countermeasures against rising costs currently being taken or under consideration (multiple answers)**

	Answers	Response rate (%)
1	Cost-cutting (e.g., administration cost, indirect cost)	48.4
2	Reviewing suppliers of raw materials and procurement content	38.6
3	Increasing prices of products (or services)	29.5
4	Encouraging recruitment of local staff, reducing payroll cost	24.2
5	Reviewing production (consolidation of lineup, improvement, adding of value)	22.8
6	Encouraging automation and power-saving (e.g., introducing industrial robots)	21.5
7	Cost-cutting through mass production and volume sales	20.2
8	Cost-cutting through increasing local procurement rate	19.8
9	No particular measures	4.6
10	Shifting production/service capabilities to third country/areas (*)	4.6

**Industries with a significantly higher response rate than average**



Total (n=3,623)  
 Note: China includes a shift of production/service capabilities to other areas on the Mainland.

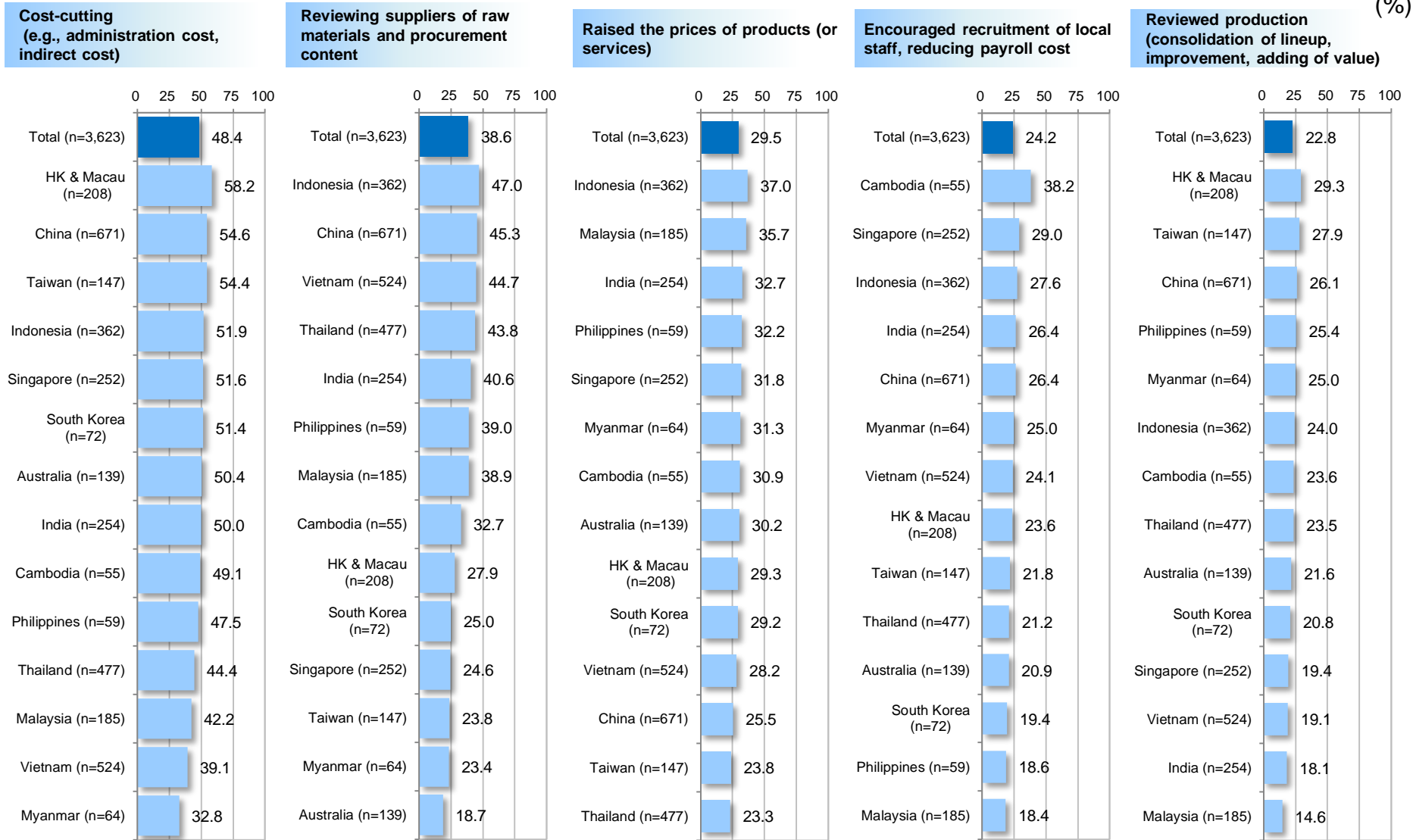
- The most common countermeasure was “Cost-cutting (e.g., administration cost, indirect cost)” at 48.4%. In particular, this countermeasure is taken (considered) more commonly by non-manufacturing industries, such as Finance/Insurance and Transport. The proportion of firms that “Encouraged recruitment of local staff and reduced payroll cost” or that is considering doing so was also high.
- In the Wood/Pulp industries, the proportion of firms that reviewed or are considering reviewing “suppliers of raw materials and procurement content” exceeded 60%. “Increasing prices of products (or services)” was cited by 45.2% of respondents.
- In the Precision machinery industry, “Reviewing suppliers of raw materials and procurement content” accounted for 57.1%, while “Encouraging automation and power-saving” accounted for 37.5%.



# 4. Rising Costs of Production and Services (4)

**Countermeasures against rising costs currently being taken or under consideration (by country/region) (multiple answers) (1/2)**

Note 1: Countries/regions for which n ≥ 50  
 Note 2: China includes a shift of production/service capabilities to other areas in the mainland.





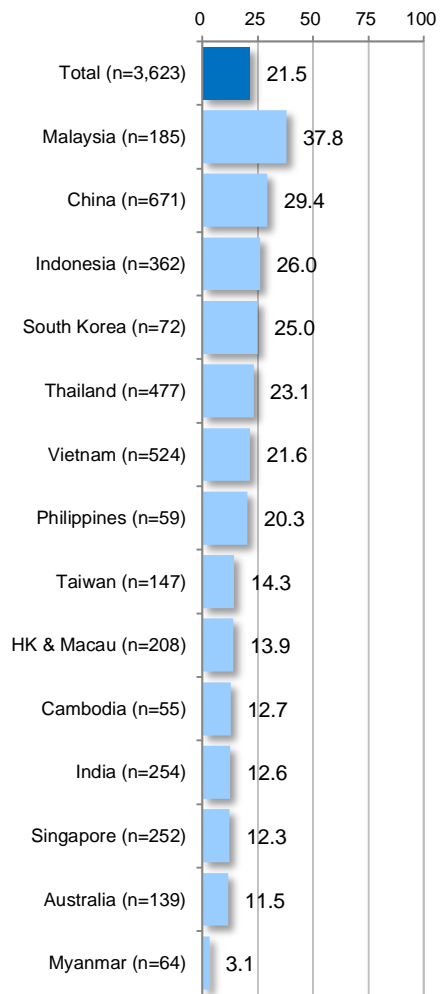


# 4. Rising Costs of Production and Services (5)

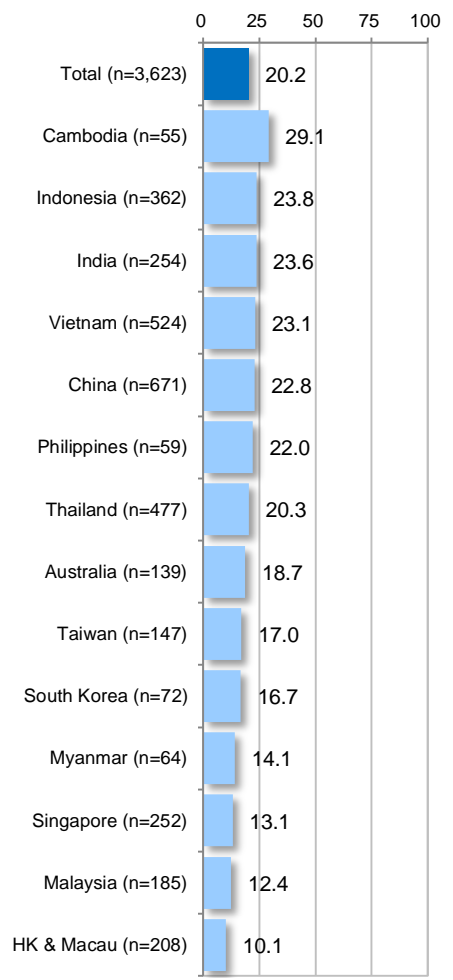
## Countermeasures against rising costs currently being taken or under consideration (by country/region) (multiple answers) (2/2)

Note 1: Countries/regions for which n ≥ 50  
 Note 2: China includes a shift of production/service capabilities to other areas in the mainland.

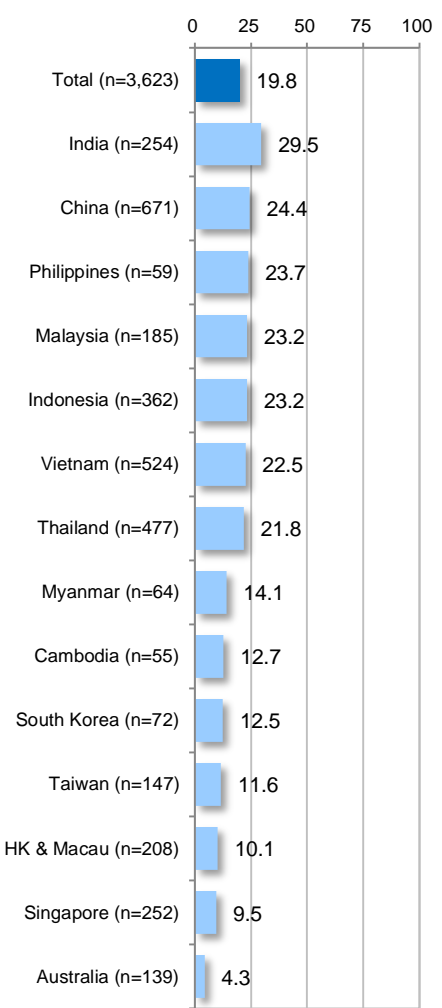
### Encouraged automation and power-saving (e.g., introduced industrial robots)



### Cost-cutting by mass production and volume sales



### Cost-cutting by increasing local procurement rate



### Shifted production/service capabilities to third country/areas



(%)

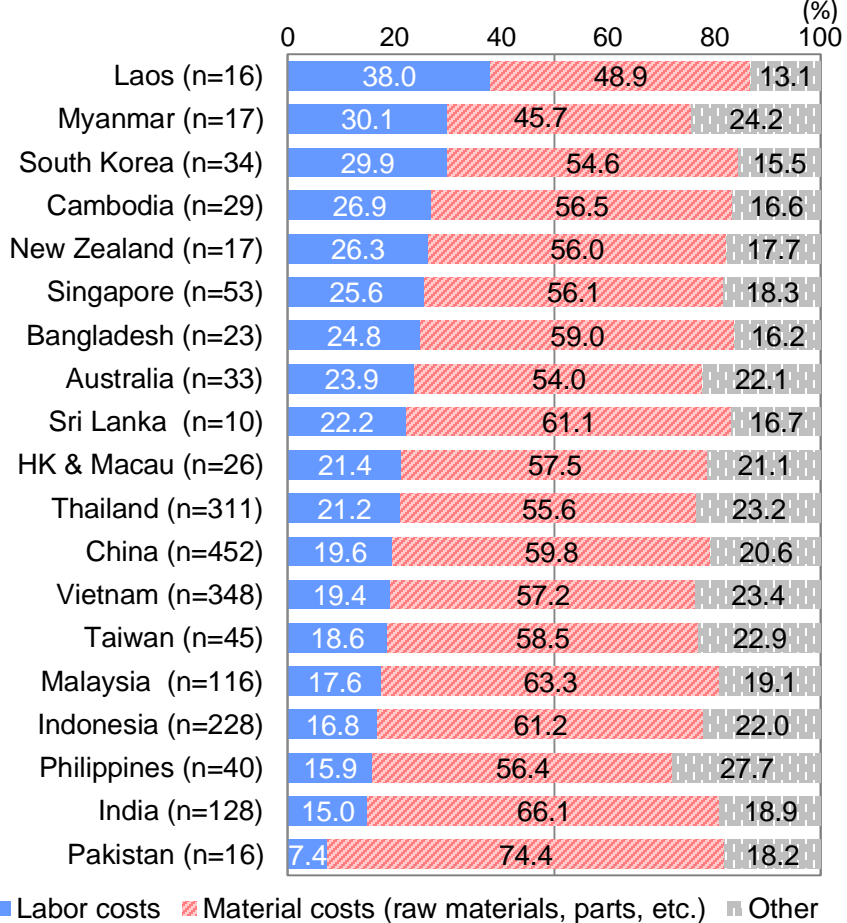
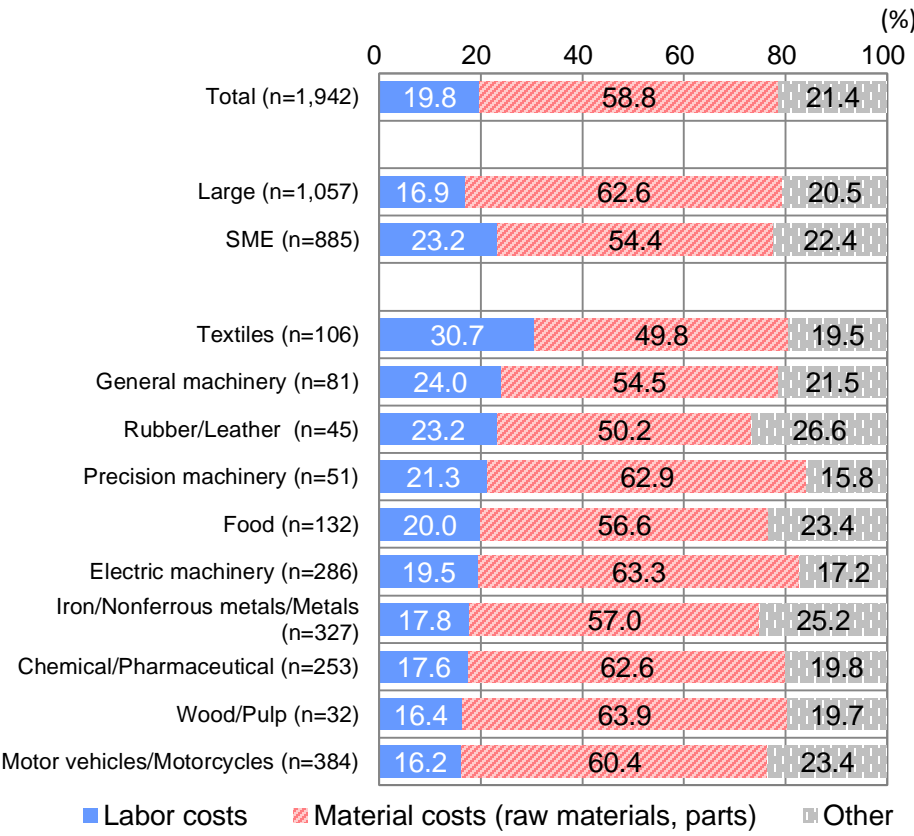
# 5. Procurement of Raw Materials and Parts (1)

Manufacturing sectors only

Note: Country/region for which n ≥ 10

**Ratio of labor/material costs to production costs (by company size and industry)**

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



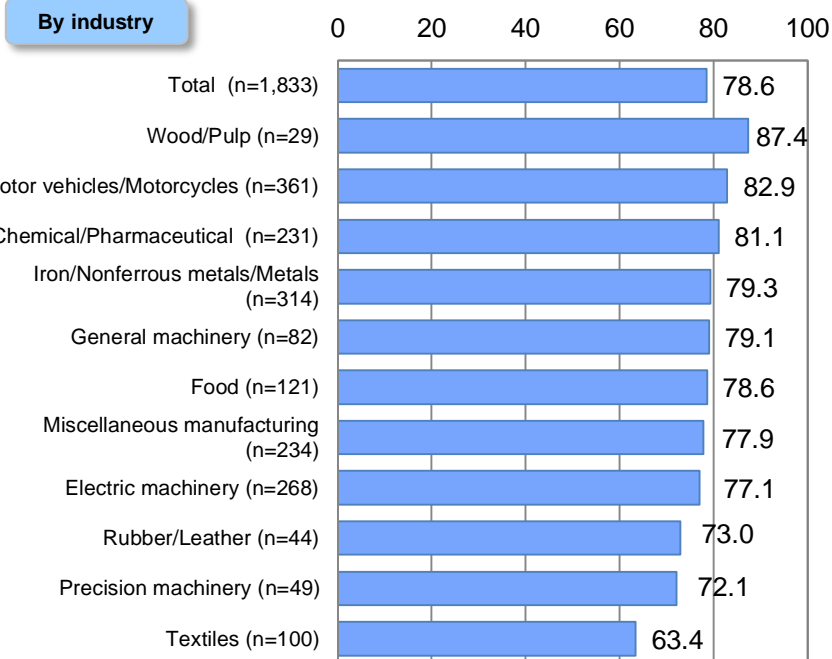
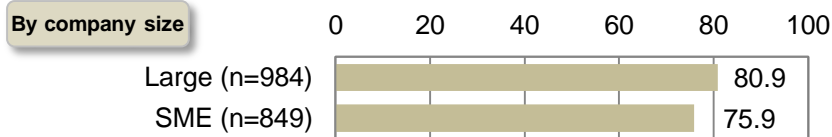
Note: "Production cost" includes the costs of all resources consumed in producing an item, such as materials, labor, and others.

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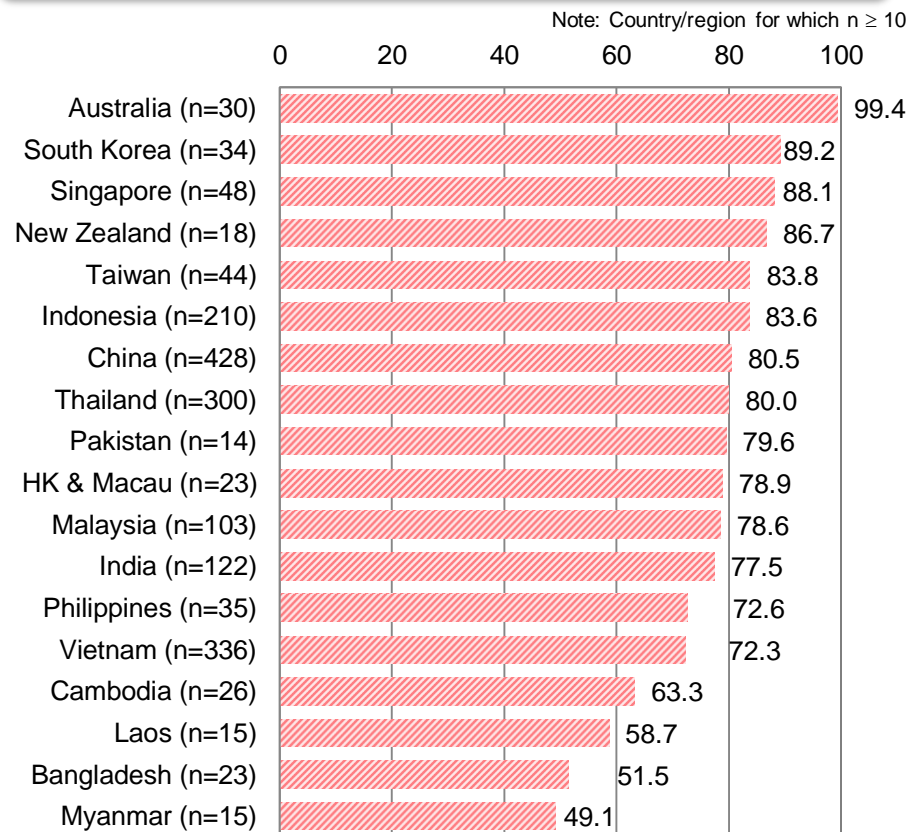
- The ratio of labor costs to local production costs of Japanese-affiliated firms averaged 19.8%, while the ratio of material costs averaged 58.8%. Thus, the material costs constitute a majority of local production costs. In comparison with the 2016 survey, labor costs increased by 0.1 pp, while material costs increased by 0.4 pp.
- By country/region, the ratio of labor costs is relatively high in Laos, Myanmar, South Korea, Cambodia and New Zealand. On the other hand, the ratio of material costs is high in Pakistan (74.4%), where Motor vehicles/Motorcycles is the major industry.

# 5. Procurement of Raw Materials and Parts (2)

Local production cost in comparison with production cost in Japan, which is taken as 100 (by company size and industry)



Local production cost in comparison with production cost in Japan, which is taken as 100 (by country/region)



Note: "Production cost" includes the costs of all resources consumed in producing goods, such as materials, labor, and others.

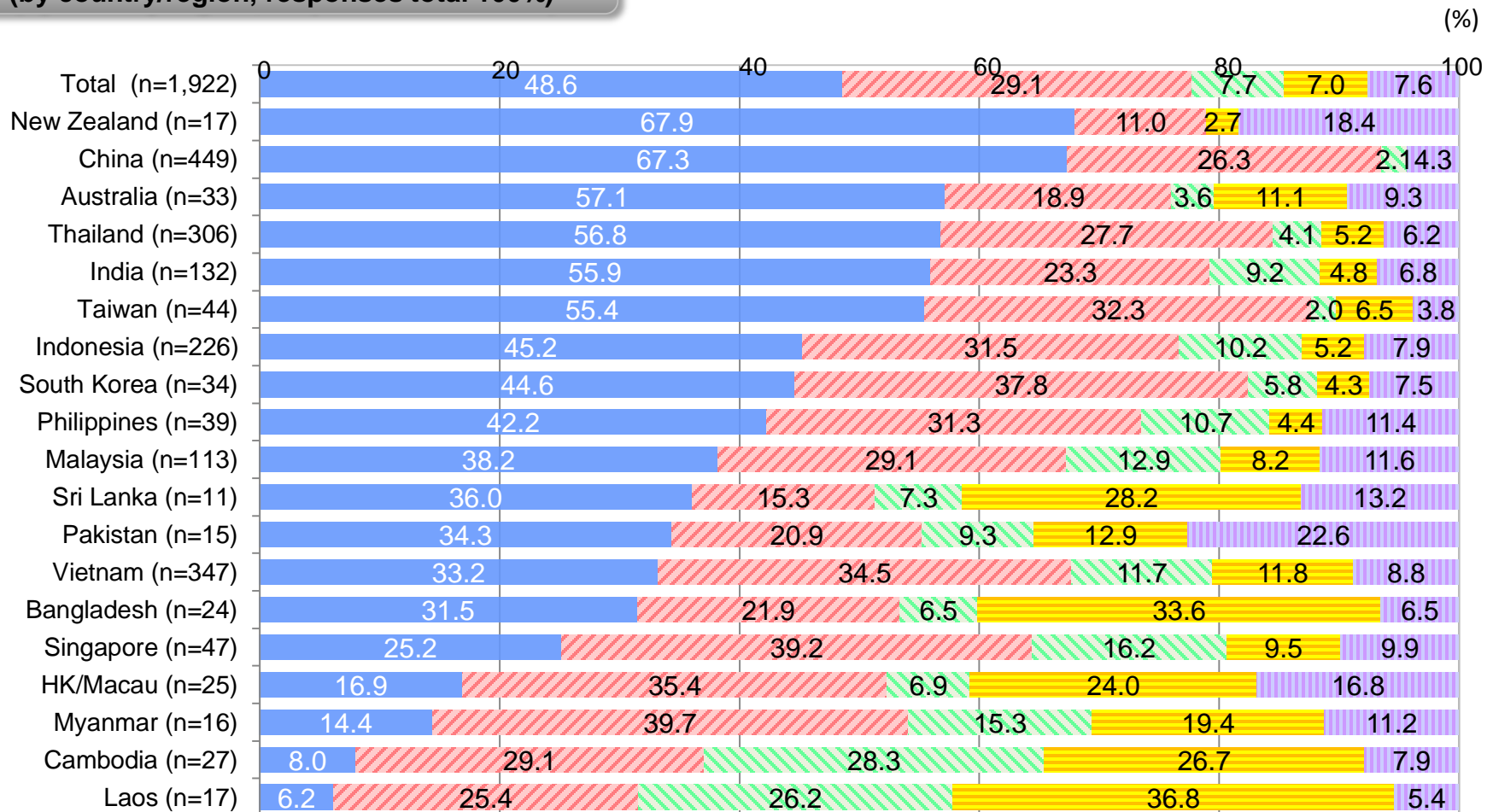
- Compared with the production cost in Japan, which is taken as 100, the average local production cost decreased from 78.9 in the 2016 survey by 0.3 pp to 78.6.
- By industry, production costs are relatively high in Wood/Pulp, Motor vehicles/Motorcycles, Chemical/Pharmaceutical and Iron/Nonferrous metals/Metals, while the cost is lower in Textiles at 63.4.
- By company size, the costs of SMEs (75.9) were lower than those of large enterprises (80.9) by 5.0 pp. The gap decreased by 1.3 pp from the 2016 survey (6.3 pp).
- By country/region, production cost was lower in all countries than in Japan. Production cost is high in Australia (99.4) and South Korea (89.2), while the cost is lower in Myanmar (49.1) and Bangladesh (51.5).

# 5. Procurement of Raw Materials and Parts (3)

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

Note: Country/region for which n ≥ 10

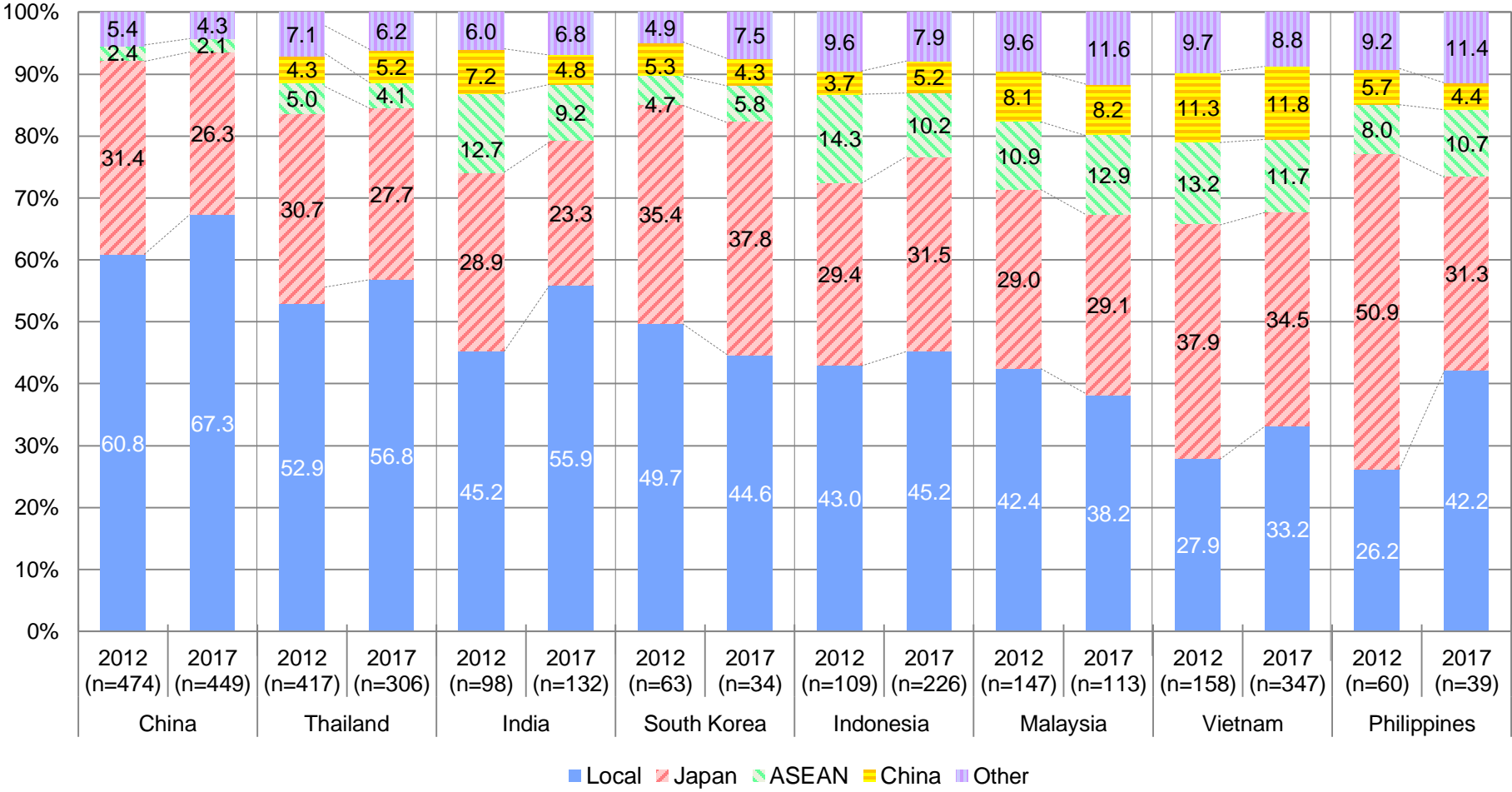
Local Japan ASEAN China Other



- The largest procurement source for raw materials and parts in the local production activities of Japanese-affiliated firms was "Local" (48.6%), followed by "Japan" (29.1%) and "ASEAN" (7.7%). The local procurement rate increased by 2.1 pp from the 2016 survey (46.5%). On the other hand, the rate of procurement from Japan decreased by 1.0 pp, while the rates from ASEAN and China slightly decreased.
- By country/region, the local procurement rate is high in New Zealand (up 11.6 pp from the 2016 survey) and in China (down 0.5 pp from the 2016 survey).
- The rate of procurement from Japan is highest in Myanmar (39.7%), followed by Singapore (39.2%), South Korea (37.8%) and HK & Macau (35.4%).

# 5. Procurement of Raw Materials and Parts (4)

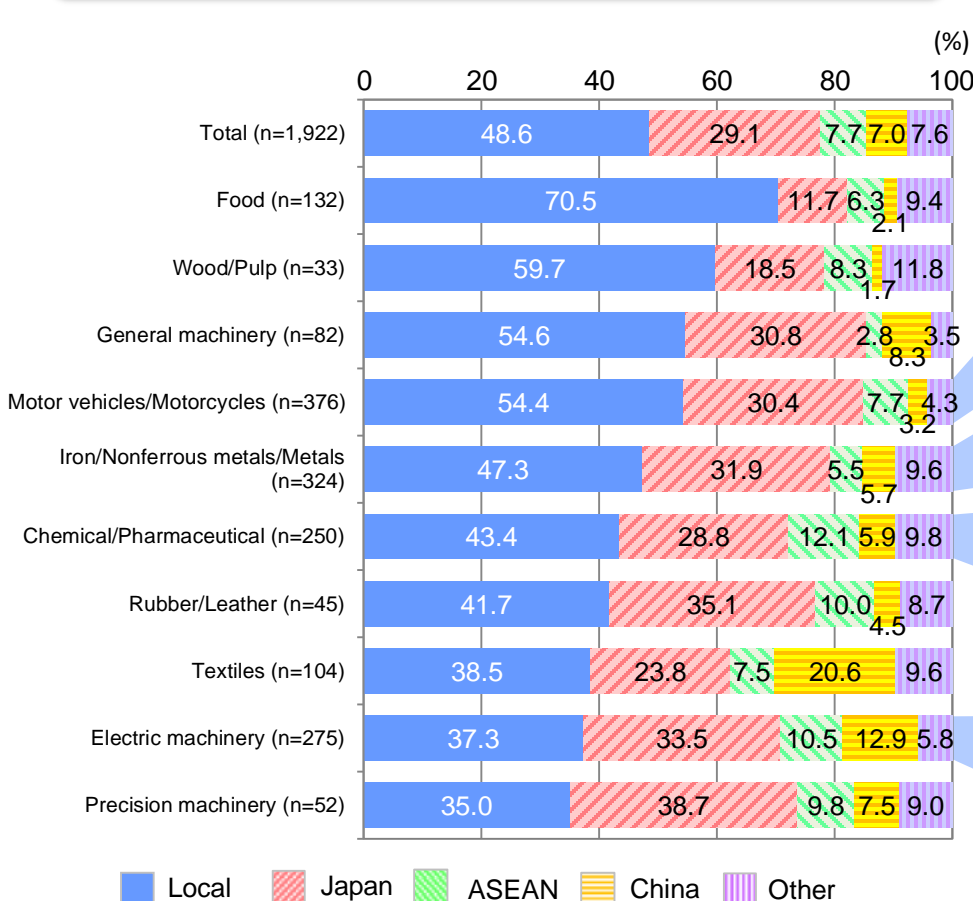
Procurement sources of major countries (comparison between the 2012 survey and the 2017 survey)



- Comparing the procurement sources for raw materials and parts in eight major countries in the 2012 survey with those in the 2017 survey, local procurement rates increased in China, Thailand, India, Indonesia, Vietnam and the Philippines. The rate increased in the Philippines (16.0 pp), India (10.7 pp), China (6.5 pp), and Vietnam (5.3 pp) in five years.
- The rate of procurement from Japan decreased in all countries, except South Korea, Indonesia, and Malaysia.
- The procurement rate from China increased in all five countries, excluding India, South Korea and the Philippines. The rate is particularly high in Vietnam at 11.8%.

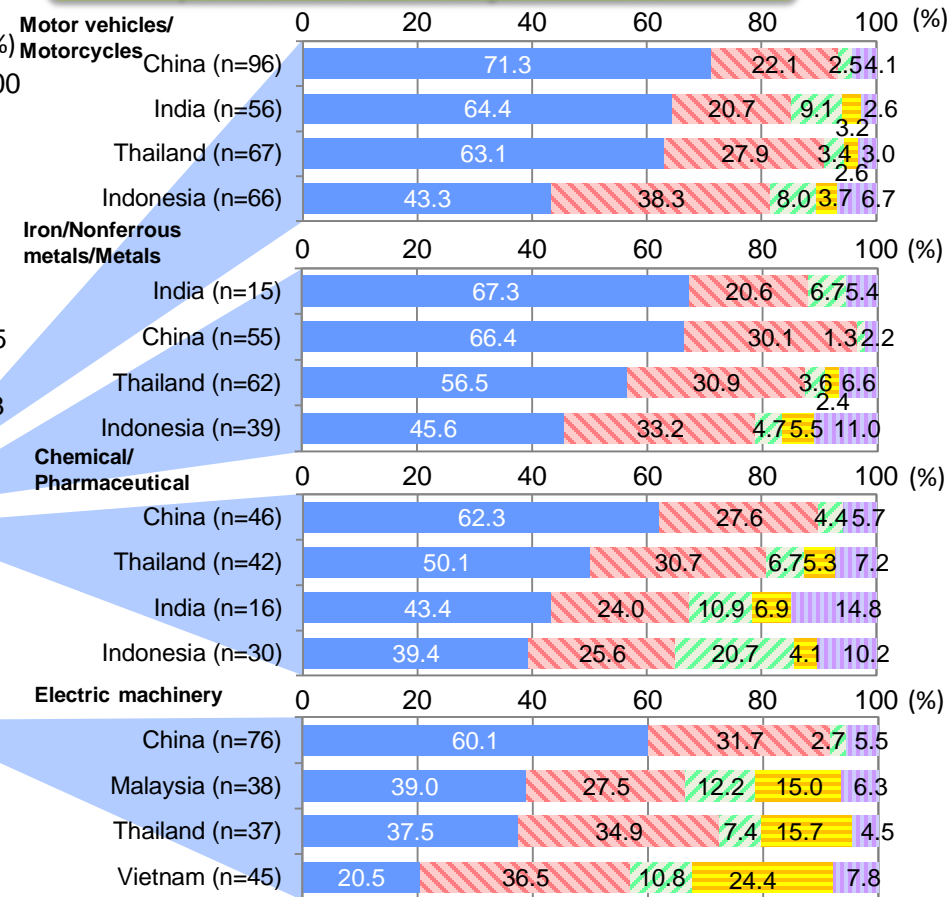
# 5. Procurement of Raw Materials and Parts (5)

**Procurement sources for raw materials and parts (by industry, responses total 100%)**



Note: Countries/regions for which n>15. "n" indicates the numbers of valid responses for each industry by country/region.

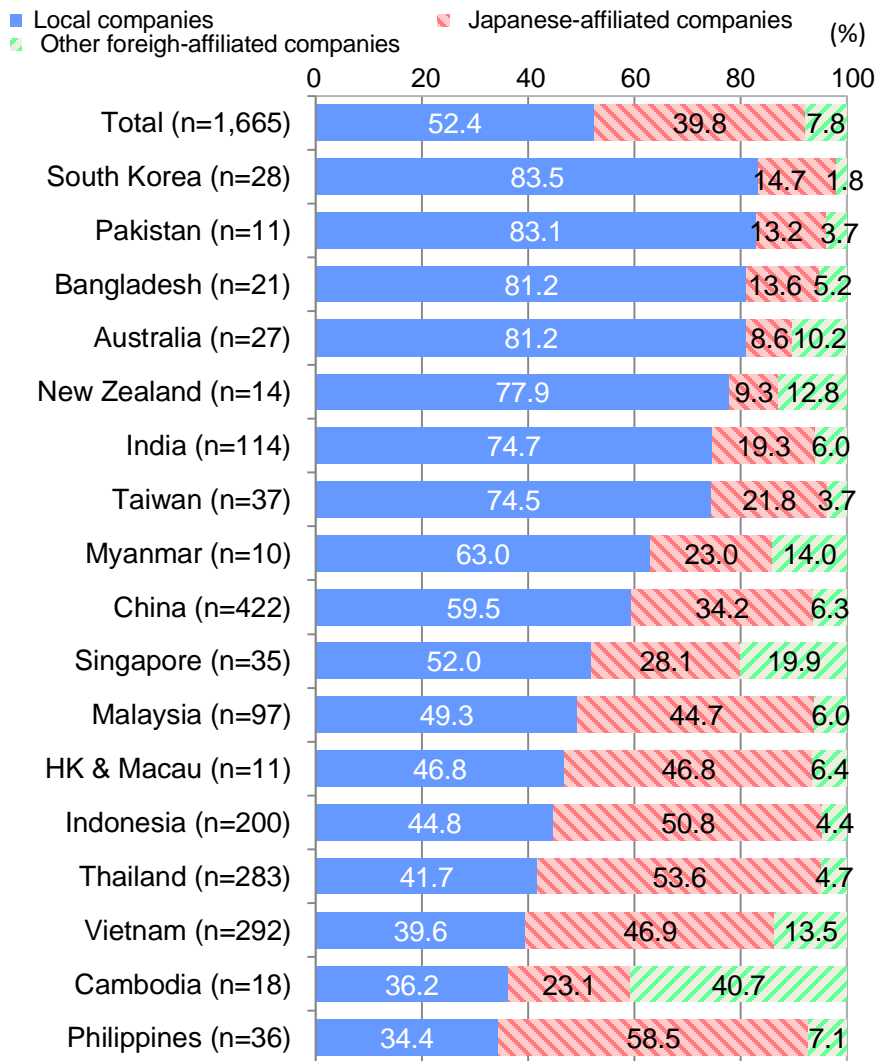
**Top 4 countries/regions regarding the local procurement rate in major industries**



- By industry, the local procurement rate of raw materials and parts is high in Food and Wood/Pulp at 70.5% and 59.7%, respectively. Meanwhile, the rate of procurement from Japan is higher in the Precision machinery industry, at almost 40%. In Textiles, the procurement rate from China was over 20%.
- In the Electric machinery industry, the local procurement rate increased to 37.3%, up 2.9 pp from the 2016 survey, while the procurement rate from Japan decreased by 2.4 pp to 33.5%.
- In all four industries with valid responses from more than 200 companies, the local procurement rate exceeded 60% in China. The local procurement rate in Motor vehicles/Motorcycles was high at 71.3%, although the rate decreased by 1.0 pp from the 2016 survey.

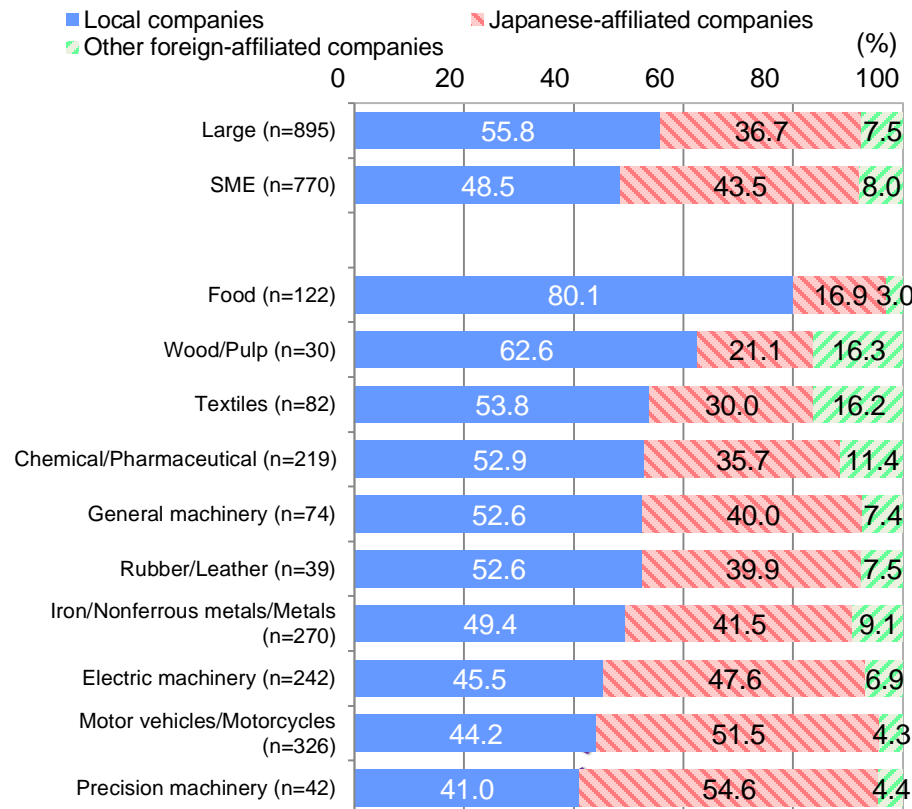
# 5. Procurement of Raw Materials and Parts (6)

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



Note: Countries/regions for which n ≥ 10

**Local procurement sources for raw materials and parts (by company size and industry, responses total 100%)**



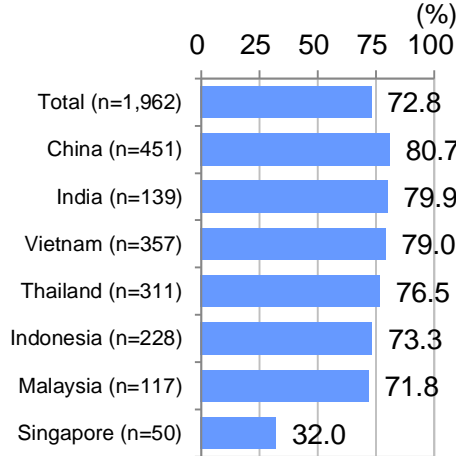
- “Local companies” was the largest local procurement source, at 52.4%, followed by “Japanese-affiliated companies” (39.8%) and “Other foreign-affiliated companies” (7.8%).
- In the Philippines, Thailand and Indonesia, “Japanese-affiliated companies” exceeded 50% as a procurement source.
- By industry, “Local companies” exceeded 80% in Food.

# 5. Procurement of Raw Materials and Parts (7)

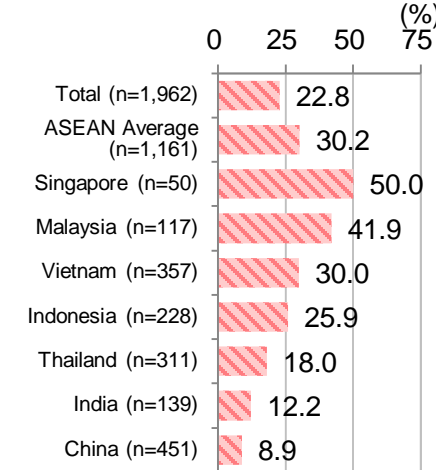
## Future raw materials/parts procurement policy (by country/region, multiple answers)

Note: Country/region for which n ≥ 50

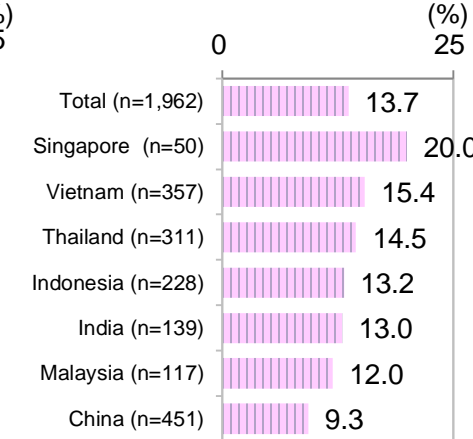
Ratio of firms that responded that they would raise the local procurement rate in the operating country/region



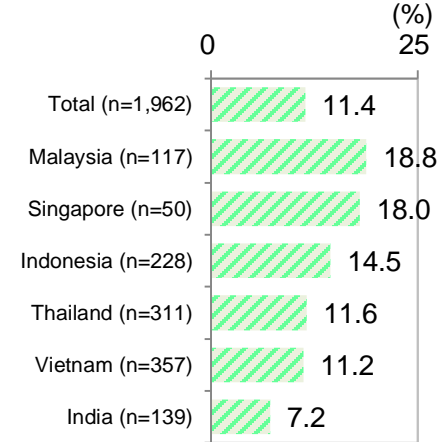
Ratio of firms that responded that they would raise the procurement rate from "ASEAN"



Ratio of firms that responded that they would raise the procurement rate from "JAPAN"



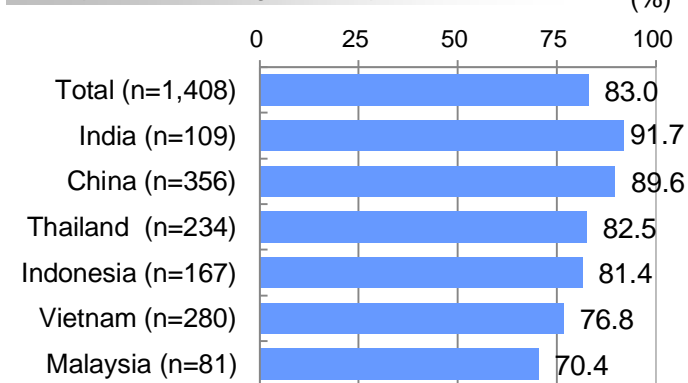
Ratio of firms that responded that they would raise the procurement rate from "CHINA"



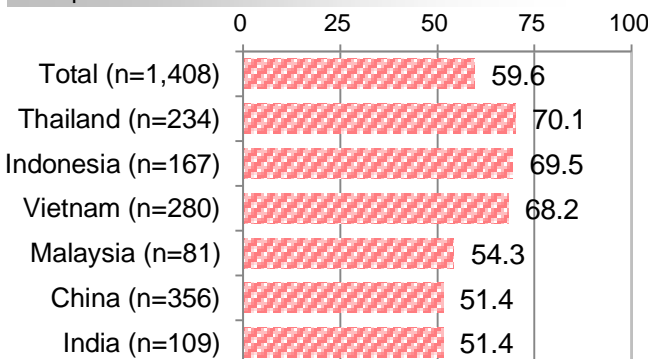
## Important local procurement sources to raise the local procurement rate (by country/region, multiple answers)

Note: Country/region for which n ≥ 50

Ratio of firms that responded that local companies are important for raising the local procurement rate



Ratio of firms that responded that Japanese-affiliated companies are important for raising the local procurement rate

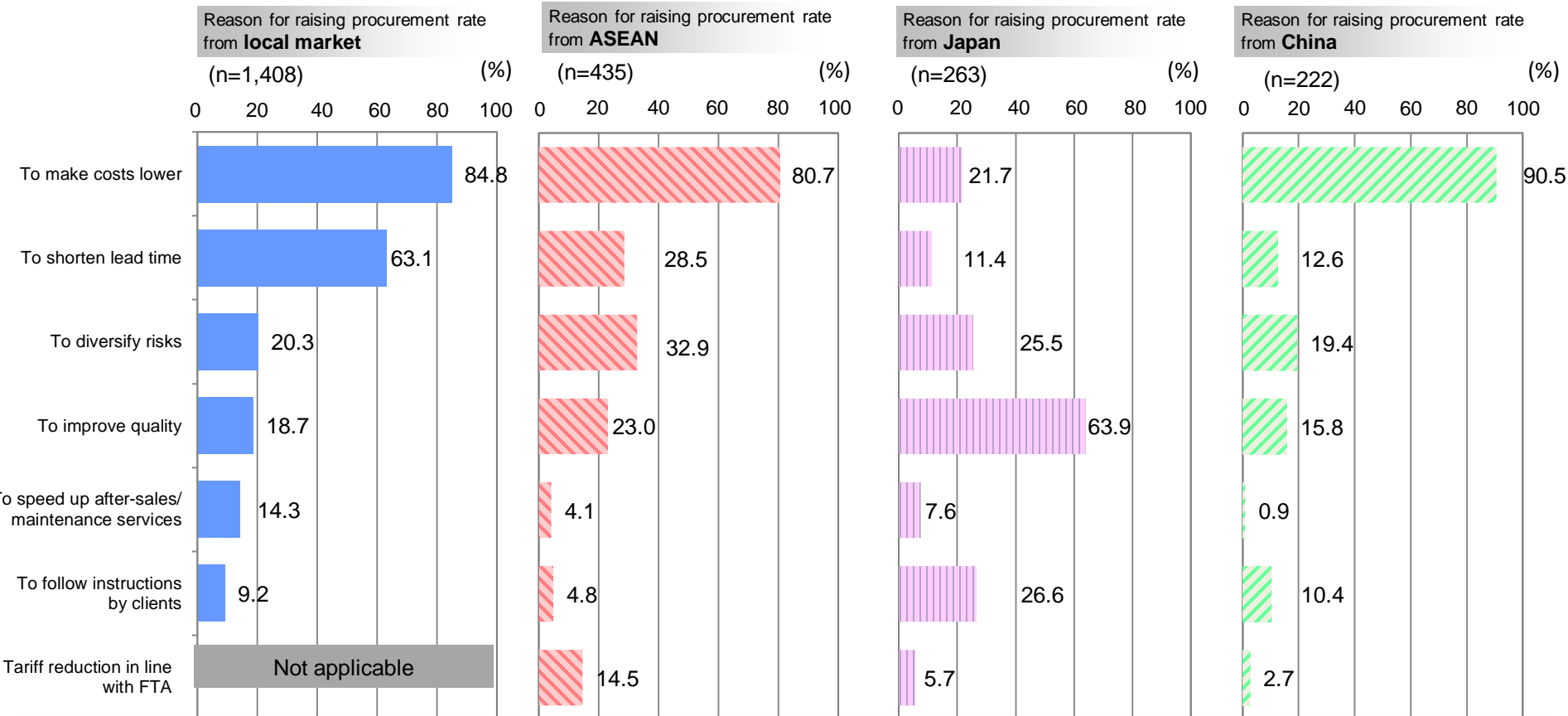


- As a raw material/part procurement policy in the future, the largest proportion of firms at 72.8% responded that they would raise the local procurement rate in the operating country/region.
- As local procurement sources that will become important in the future for raising the local procurement rate, "Local companies" were cited by 83.0% of the firms, while "Japanese-affiliated firms" was cited by 59.6%.



# 5. Procurement of Raw Materials and Parts (8)

**Reasons for raising future procurement rate for raw materials/parts (multiple answers)**

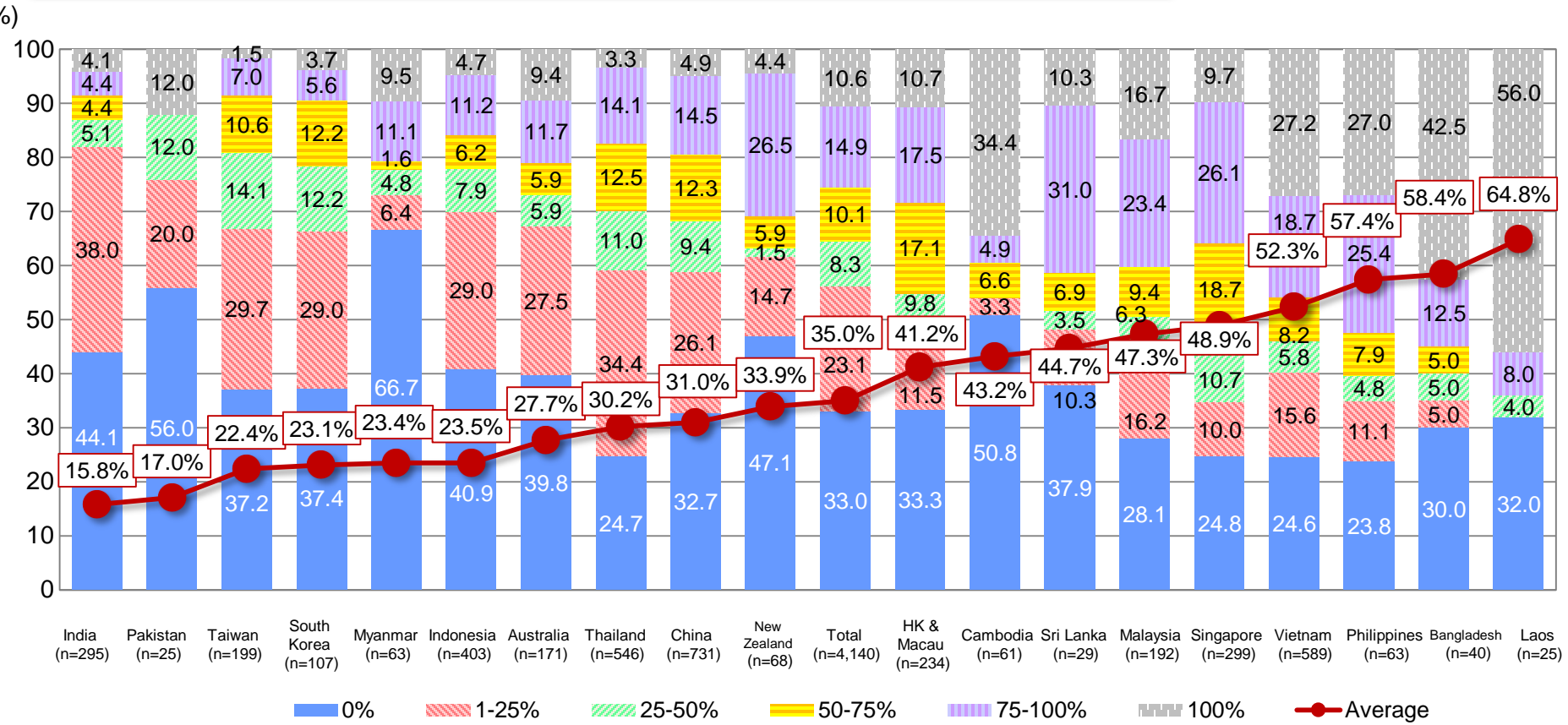


- For firms that responded that they would raise the procurement rate from the local market, ASEAN, and China, the biggest reason was “To make costs lower.”
- The major reasons for raising the local procurement rate were “To make costs lower” (84.8%) and “To shorten lead time” (63.1%).
- The major reason for raising the procurement rate from ASEAN was “To make costs lower” (80.7%). “To shorten lead time” (28.5%), “To diversify risks” (32.9%), and “To improve quality” (23.0%) also accounted for a certain proportion. The proportion of “To diversify risks” (up 4.7 pp from the previous year) exceeded that of “To shorten lead time” (down 3.3 pp).
- The biggest reason for raising the rate of procurement from Japan was “To improve quality” (63.9%).



# 6. Exports/Imports (1)

Proportion of export sales to the total sales (by country/region, responses as 0-100%)



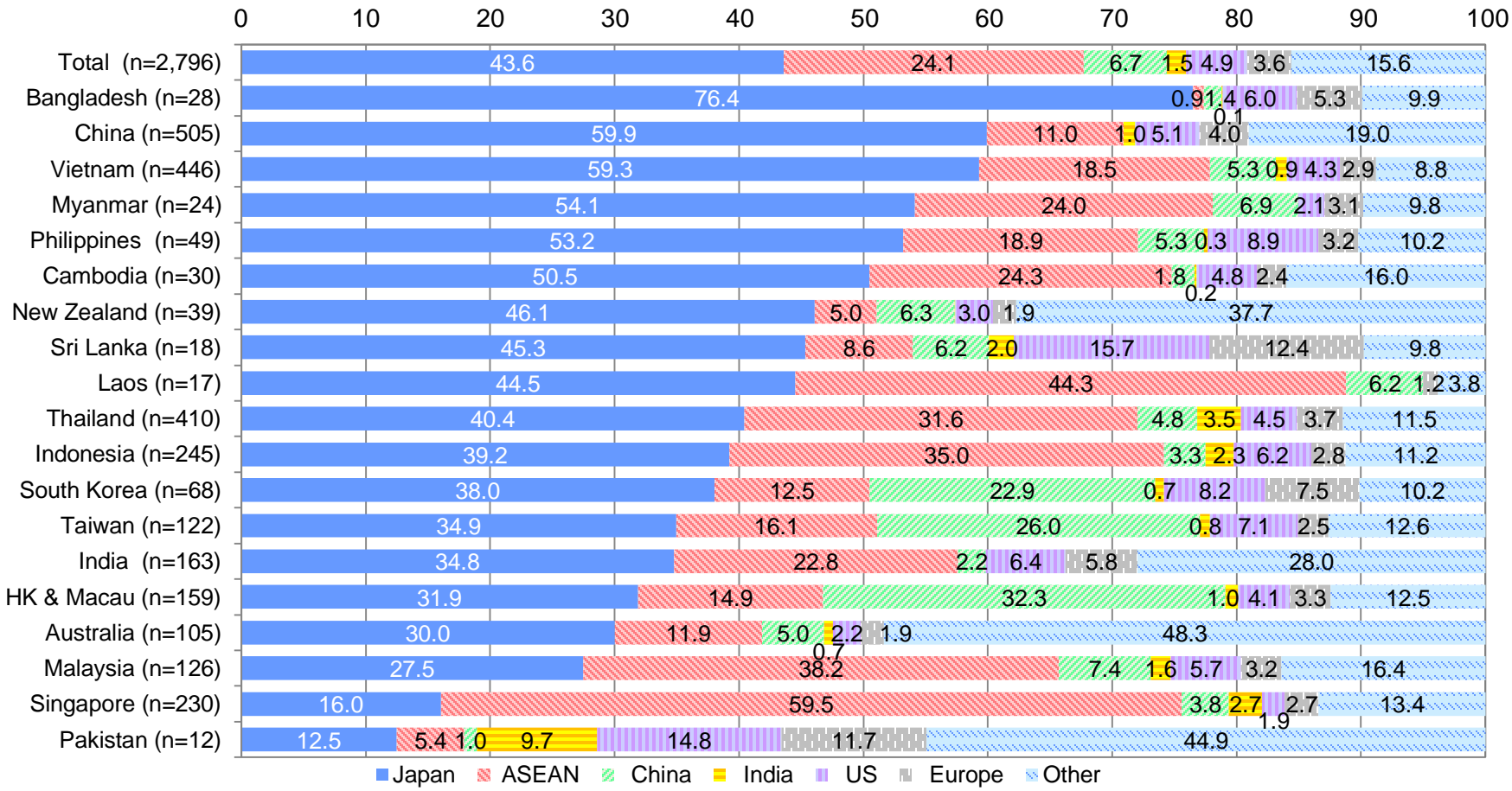
- The average proportion of export sales to total sales among Japanese-affiliated companies was 35.0% (down 1.1 pp from the previous year).
- By country/region, the proportion exceeded 50% in Laos (64.8%), Bangladesh (58.4%), the Philippines (57.4%), and Vietnam (52.3%). On the other hand, the proportion of domestic sales was high in India (15.8%) and Pakistan (17.0%), with less than a 20% export ratio.
- The proportion of totally export-oriented firms (export ratio: 100%) was high in Laos (56.0%), Bangladesh (42.5%) and Cambodia (34.4%). Meanwhile, completely domestic sales-oriented firms (export ratio: 0%) exceeded 50% in Myanmar (66.7%), Pakistan (56.0%) and Cambodia (50.8%).



# 6. Exports/Imports (2)

**Breakdown of export destinations (by country/region, responses total 100%)**

Note: Countries/regions for which n ≥ 10 (%)



- Japan was the largest export destination (as a total of all surveyed countries/regions) for Japanese-affiliated firms, at 43.6% on average, followed by ASEAN (24.1%) .
- There are no major changes from the 2016 survey in the proportion of major countries/regions as export destinations, but Japan increased by 1.2 pp while ASEAN and China decreased by 0.5 pp and 0.9 pp, respectively.
- Japan accounted for over 50% in Bangladesh, China, Vietnam, Myanmar, the Philippines and Cambodia. In the manufacturing sector, Japan is the major export destination for Textiles (66.5%), General machinery (52.6%), Rubber/Leather (51.6%), and Precision machinery (51.6%).



# 6. Exports/Imports (3)

**Most promising export market for business/products over the next 1 to 3 years (by country/region)**

Note: Countries/regions for which n ≥ 10

## Total (2017)

Total (n=3,412)		
	Country	%
1	Japan	19.8
2	Vietnam	10.0
3	China	8.4
4	India	7.1
4	Thailand	7.1

## Japan is most important

(%)

	1st		2nd		3rd	
Vietnam (n=501)	Japan	32.7	CLM	13.2	Thailand	11.4
China (n=605)	Japan	28.6	Vietnam	9.8	Thailand	8.4
Indonesia (n=304)	Japan	23.4	Vietnam	10.2	Thailand	9.9
Philippines (n=53)	Japan	34.0	China (11.3), US (11.3)			
New Zealand (n=48)	Japan	20.8	Oceania	18.8	China	14.6
Cambodia (n=43)	Japan	25.6	Vietnam (14.0), CLM (14.0)			
Bangladesh (n=34)	Japan	26.5	Europe	20.6	China	11.8
Sri Lanka (n=19)	Japan	21.1	India	21.1	China	15.8

## Vietnam is most important

(%)

	1st		2nd		3rd	
Thailand (n=499)	Vietnam	20.2	Japan	14.8	CLM	14.4

## China is most important

(%)

	1st		2nd		3rd	
HK & Macau (n=204)	China	34.8	Vietnam	15.7	Japan	8.3
Taiwan (n=162)	China	32.7	Japan	15.4	Vietnam	13.0
South Korea (n=90)	China	26.7	Vietnam	23.3	Japan	15.6

## Thailand is most important

(%)

	1st		2nd		3rd	
Laos (n=20)	Thailand	35.0	Japan	25.0	China	10.0

## Middle East is most important

(%)

	1st		2nd			
Pakistan (n=18)	Middle East	22.2	India (11.1), US (11.1), Europe (11.1)			

## Africa is most important

(%)

	1st		2nd		3rd	
India (n=222)	Africa	17.1	Japan	16.2	Middle East	10.4

Note: CLM: Cambodia, Laos, Myanmar

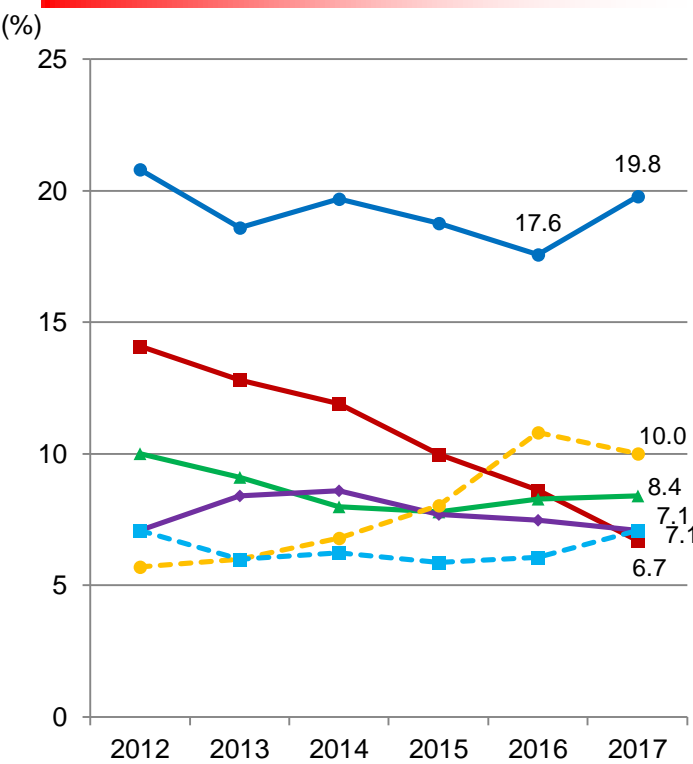
• The most promising export markets over the next one to three years (as a total of all surveyed countries/regions) were Japan, Vietnam and China in that order, followed by India and Thailand, which occupied fourth place at the same percentage. Indonesia, which was third in the previous year, was seventh at 6.7% (down 1.9 pp from the previous year). The ranking of Japan, China, and India rose from the 2016 survey while that of Vietnam and Thailand fell.



# 6. Exports/Imports (4)

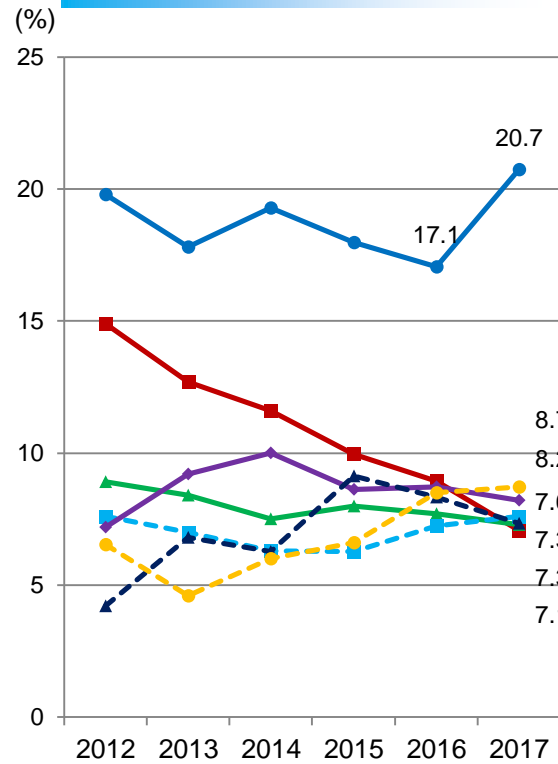
**Most promising export market for business/products over the next 1 to 3 years (by country/region) (2012-2017)**

**Total (Manufacturing/Non-manufacturing)**



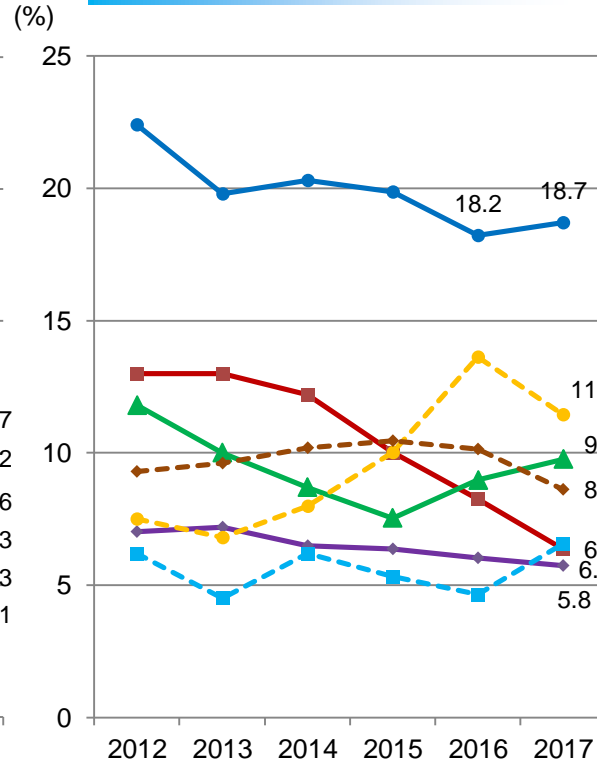
- Japan
- Indonesia
- China
- Thailand
- Vietnam
- India

**Manufacturing**

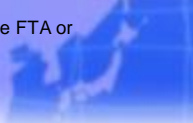


- Japan
- Indonesia
- China
- Thailand
- Vietnam
- India
- US

**Non-manufacturing**



- Japan
- Indonesia
- China
- Thailand
- Vietnam
- India
- CLM



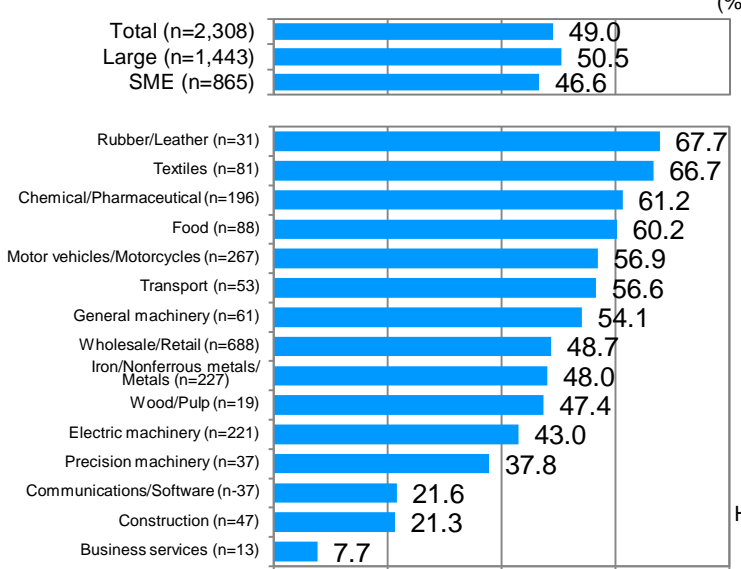
Note 1: The proportions in the two charts on the top are calculated as the ratio of firms that are using at least one FTA or EPA to firms that are involved in either exporting or importing, or both.  
 Note 2: The proportions in the two charts on the bottom are calculated as the ratio of firms using FTAs/EPAs for exporting (or importing) to firms involved in exporting (or importing).

# 6. Exports/Imports (5)

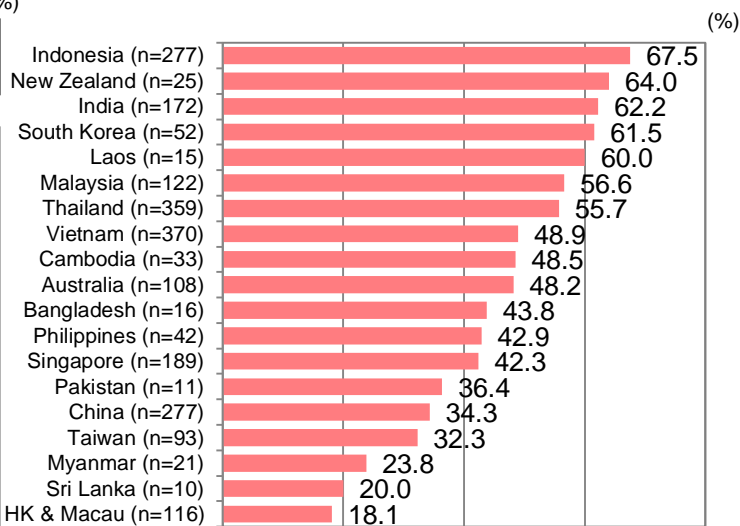
## Utilization of existing (in force) FTAs/EPAs (only companies involved in export/import)

Note: Countries/regions for which n ≥ 10

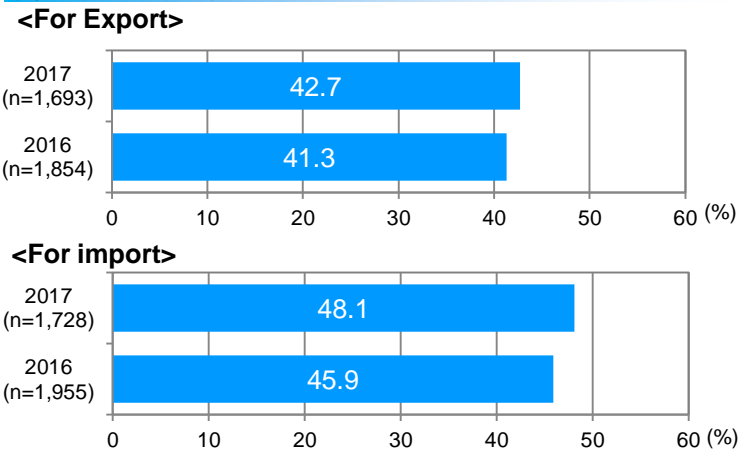
**Proportions of firms utilizing FTAs/EPAs (total, by company size and industry)**



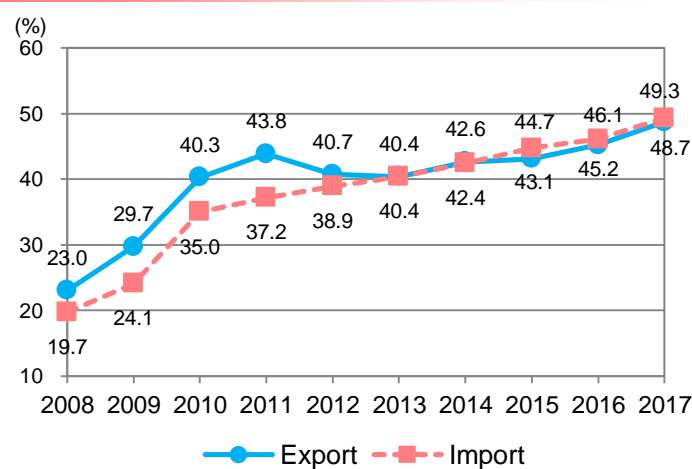
**Proportions of firms utilizing FTAs/EPAs (by country/region)**



**Proportions of firms utilizing FTAs/EPAs in 2016 and 2017 (by export/import)**



**Trends in FTA/EPA utilization by Japanese-affiliated firms in ASEAN**



- A total of 49.0% of firms engaged in trade are using FTAs/EPAs, up 1.5 pp from the 2016 survey.
- Large enterprises (50.5%) are more likely to be using FTAs/EPAs than SMEs (46.6%).
- By industry, the Rubber/Leather, Textiles, and Chemical/Pharmaceutical industries use FTAs/EPAs more than other industries.
- By country/region, Japanese-affiliated firms' FTA/EPA utilization rate was the highest in Indonesia, at 67.5%, overtaking South Korea, which marked the highest in the previous year. Besides Indonesia, the utilization rate was higher, at over 50%, in New Zealand, India, South Korea, Laos, Malaysia, and Thailand.
- FTA/EPA use increased from the 2016 survey both in imports and exports.
- FTA/EPA use by Japanese-affiliated firms in ASEAN increased by about 3 pp from the 2016 survey both in imports and exports.



# 6. Exports/Imports (6)

## FTA/EPA utilization

Note: These figures include firms making use of Early Harvest accelerated tariff reductions for designated products. Bilateral FTAs/EPAs are included in multi lateral FTA/EPAs. The percentage of firms using FTAs/EPAs is calculated as the ratio of firms making use of FTAs/EPAs to firms involved in importing/exporting.

	Export				Import			
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs
Thailand	ASEAN	176	81	46.0	ASEAN	93	48	51.6
	China	79	36	45.6	China	112	57	50.9
	Japan	199	73	36.7	Japan	279	128	45.9
	South Korea	24	12	50.0	South Korea	30	17	56.7
	India	71	30	42.3				
Vietnam	ASEAN	166	74	44.6	ASEAN	187	82	43.9
	China	81	25	30.9	China	130	40	30.8
	Japan	211	72	34.1	Japan	247	90	36.4
	India	25	15	60.0	South Korea	39	14	35.9
Indonesia	ASEAN	119	68	57.1	ASEAN	159	103	64.8
	China	54	25	46.3	China	108	57	52.8
	Japan	138	67	48.6	Japan	234	141	60.3
	US (GSP)	23	10	43.5	South Korea	44	21	47.7
				India	25	10	40.0	
Singapore	ASEAN	160	70	43.8	ASEAN	84	40	47.6
	China	46	15	32.6	China	65	19	29.2
	Japan	69	22	31.9	Japan	132	38	28.8
	South Korea	23	10	43.5				
	India	52	22	42.3				
	Australia	47	16	34.0				
Malaysia	ASEAN	69	35	50.7	ASEAN	63	24	38.1
	China	36	20	55.6	China	48	13	27.1
	Japan	62	25	40.3	Japan	101	30	29.7
	South Korea	15	13	86.7				
	India	22	10	45.5				
Philippines	Japan	29	6	20.7	Japan	25	9	36.0

	Export				Import			
	Trade partners	Firms involved in export	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs	Trade partners	Firms involved in import	Firms making using of FTAs/EPAs	% of all firms using of FTAs/EPAs
India	ASEAN	49	21	42.9	ASEAN	92	65	70.7
	Japan	49	21	42.9	Japan	135	74	54.8
	SAARC	27	9	33.3				
	US (GSP)	20	11	55.0				
Australia	ASEAN	36	11	30.6	ASEAN	37	21	56.8
	New Zealand	42	13	31.0	China	35	14	40.0
				Japan	70	33	47.1	
China	ASEAN	111	31	27.9	ASEAN	70	36	51.4
	South Korea	59	15	25.4	HK	79	14	17.7
	HK	128	18	14.1	Taiwan	40	10	25.0
HK & Macau	China	101	17	16.8	China	86	12	14.0
Taiwan	China	67	21	31.3	China	58	13	22.4
South Korea	ASEAN	24	12	50.0	ASEAN	20	15	75.0
	China	25	11	44.0	China	19	11	57.9
	US	16	10	62.5				
	EU	17	10	58.8				

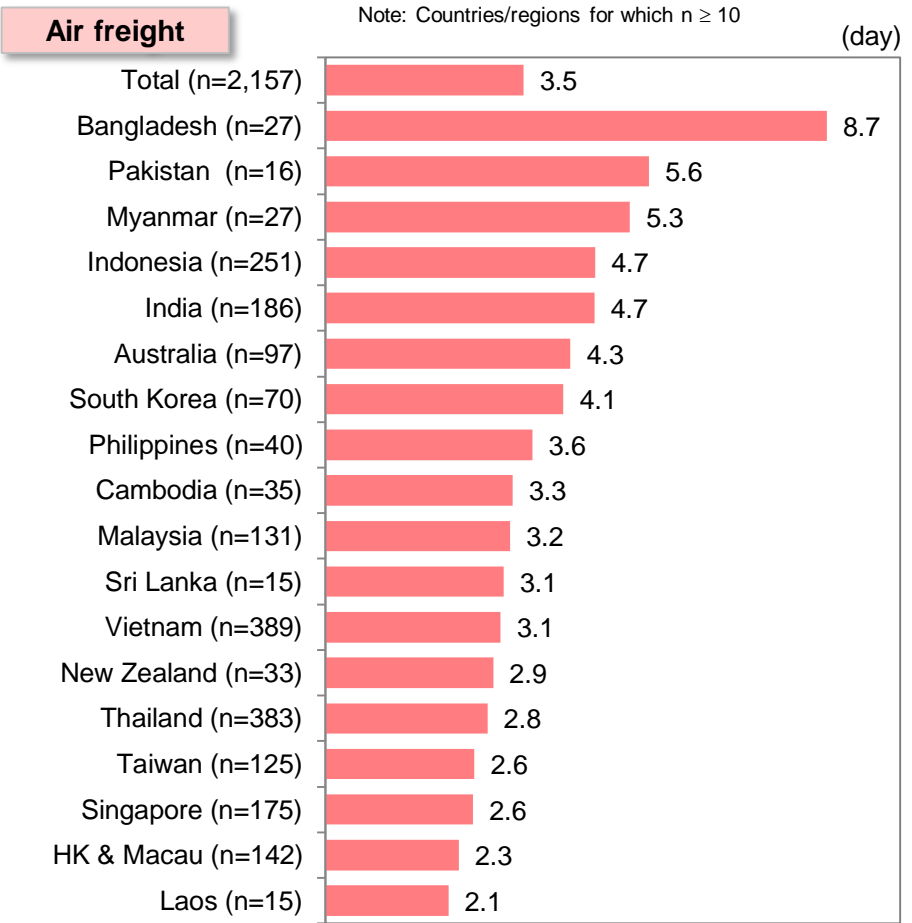
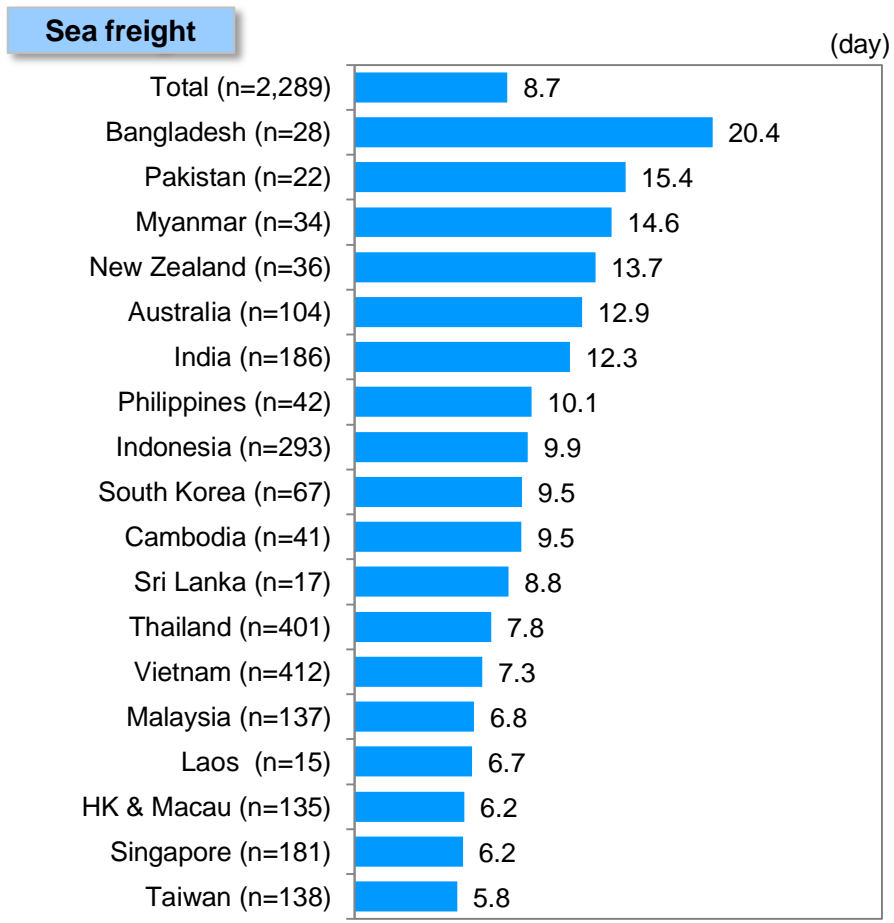
- In Thailand, Vietnam, Indonesia, Singapore, and Malaysia, many firms (30–60%) utilize FTAs/EPAs for imports/exports within ASEAN (AFTA) and with Japan.
- In India, FTAs are utilized at a high proportion for imports from Japan and ASEAN.
- In China, the FTA utilization rate rose by 9.3 pp from the 2016 survey for exports to ASEAN. In South Korea, FTAs are more utilized than in other countries/regions, at over 50%, for imports/exports with ASEAN, exports to the U.S. and EU, and imports from China.

Note: Countries/regions for which n ≥ 20 or firms making using of FTAs/EPAs for which n ≥ 10



# 6. Exports/Imports (7)

The average days required from the arrival of freight at the seaport or airport to the completion of import clearance (by country/region)



- In every country/region, the number of days required from the arrival of freight at a seaport to the completion of import clearance is two or three times longer than the days required for air freight.
- By country/region, the number of days required is shorter in Taiwan, Singapore, and Hong Kong & Macau, while the number of days is longer in Bangladesh, Pakistan, and Myanmar.

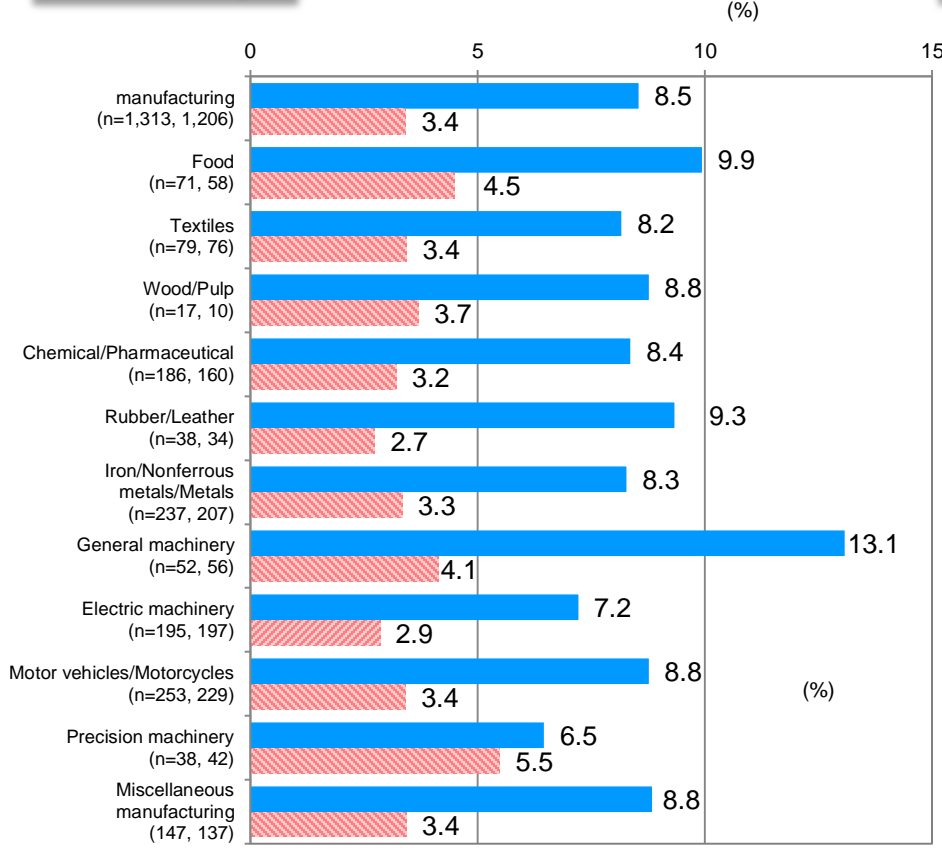




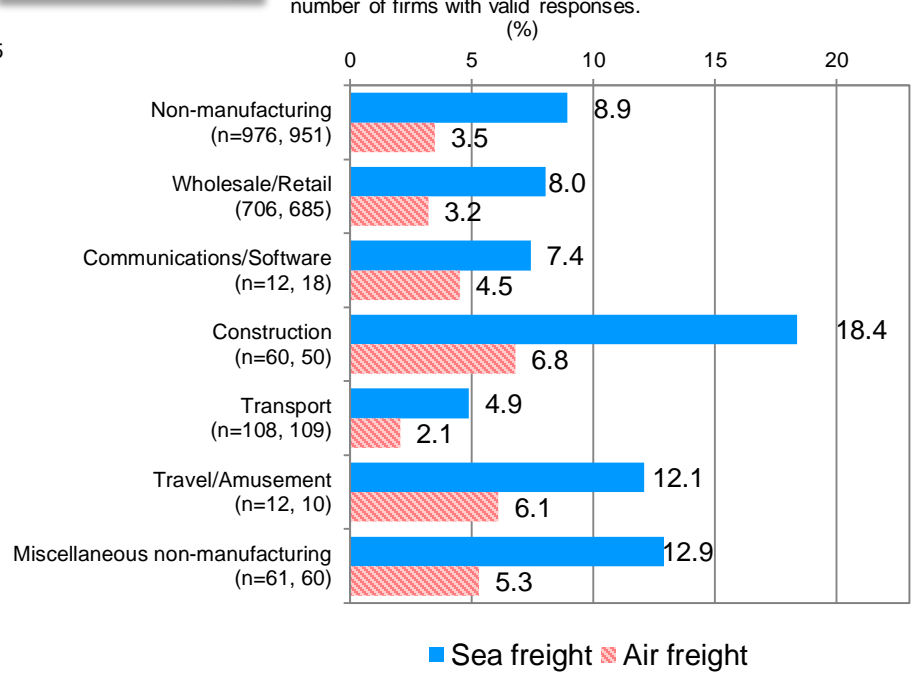
# 6. Exports/Imports (8)

The average days required from the arrival of freight at the seaport or airport to the completion of import clearance (by industry)

## Manufacturing



## Non-manufacturing

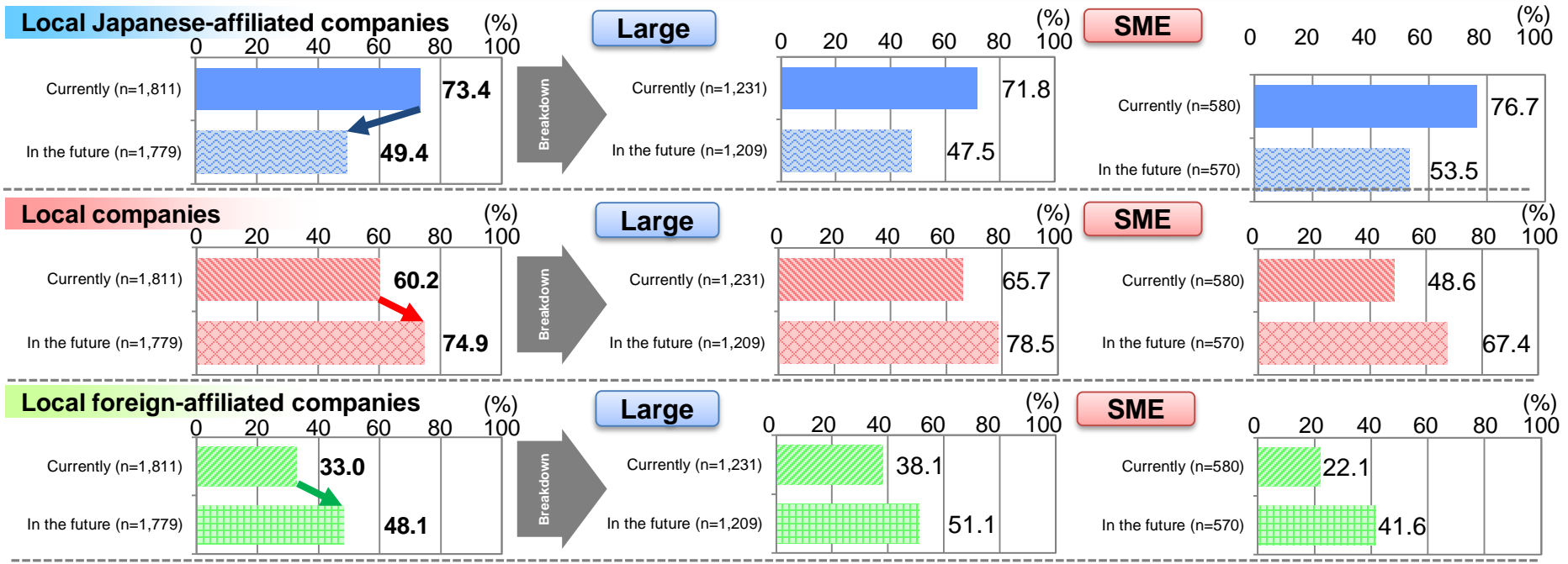


Note 1: Industries for which n ≥ 10  
 Note 2: "n" (sea freight, air freight) in parentheses shows the number of firms with valid responses.

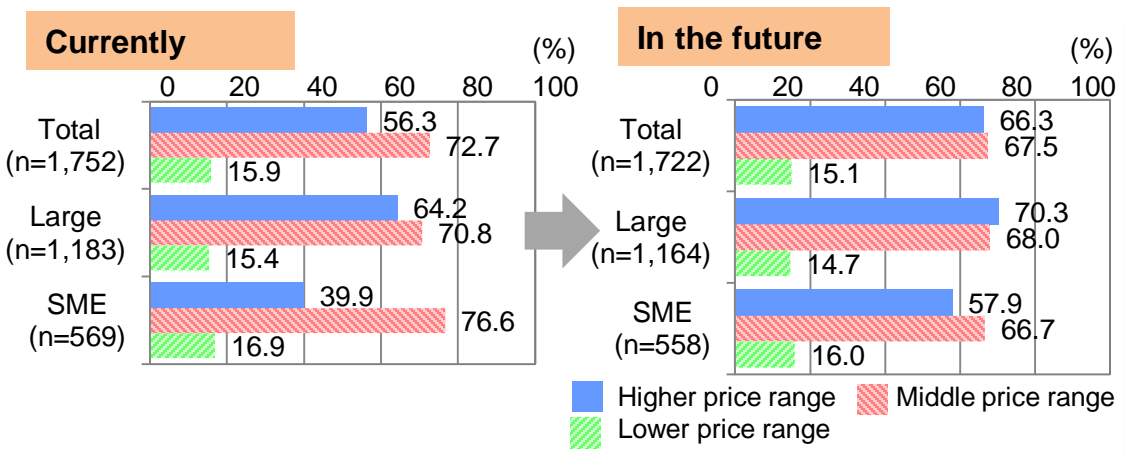
- In the manufacturing sector, fewer days are required in Electric machinery and Textiles, while more days are required in General machinery and Food.
- In the non-manufacturing sector, fewer days are required in Transport, while more days are required in Construction.

# 7. Challenges in local market development (1)

<For corporate customers> Target segments in local market development (multiple answers allowed, by size of corporation)



<For corporate customers> Target price range in developing the local market (multiple answers allowed, by size of corporation)

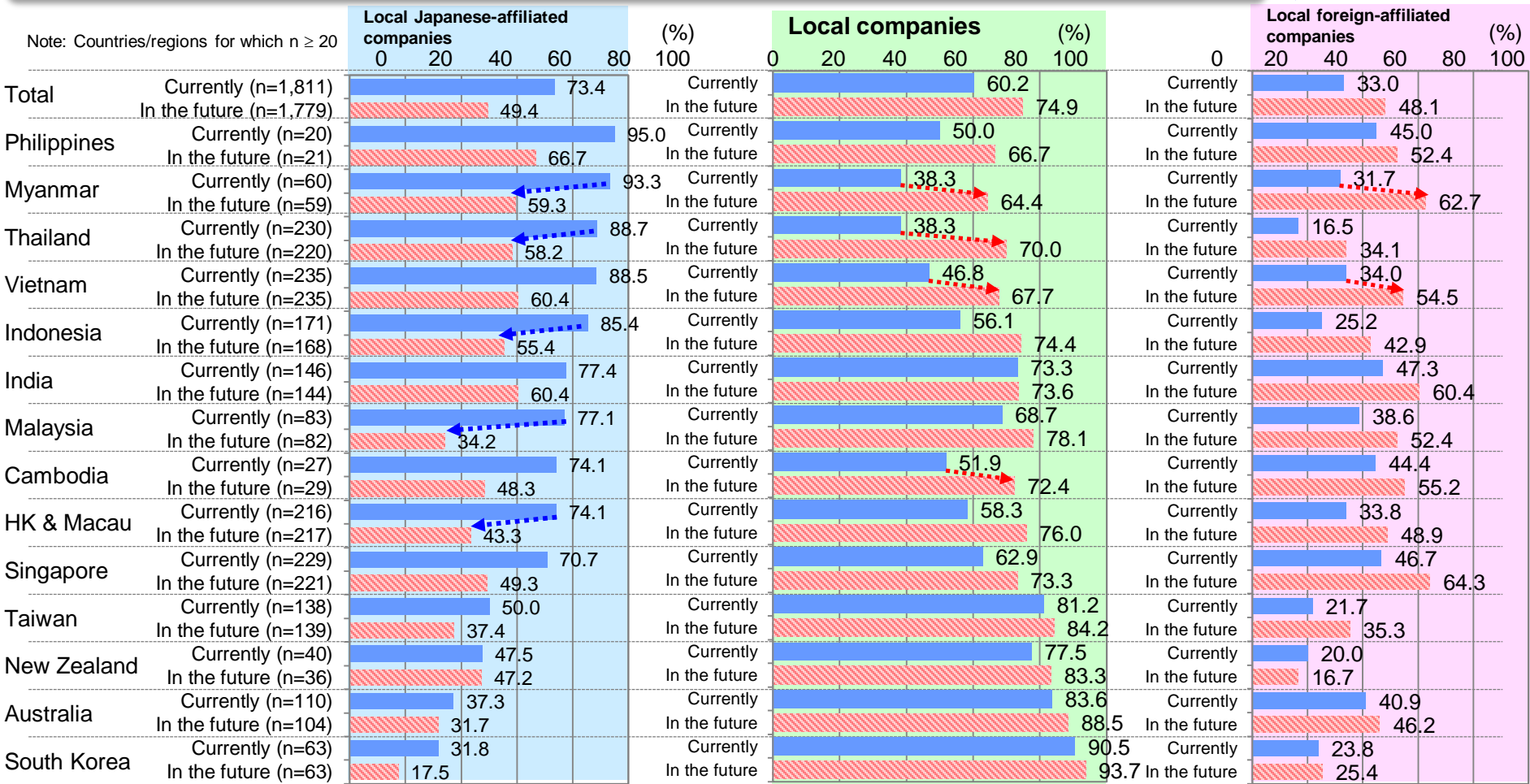


- Currently, “Local Japanese-affiliated companies” is the largest target segment in local market development (for sales to corporate customers) at over 70%. Regarding target segments in the future, however, the proportion of “Local companies” is higher than “Local Japanese-affiliated companies.”
- Currently, “Local companies” and “Local foreign-affiliated companies” are more taken as target segments by large companies than by SMEs. Meanwhile, SME intention to develop these two segments in the future significantly increased.
- By price range, “Middle price range” accounted for the largest proportion as the current target segment. Meanwhile, “Higher price range” was more frequently cited as the future target price range, accounting for a larger proportion than “Middle price range” among large companies.

# 7. Challenges in local market development (2)

<For corporate customers> Target segments in local market development (multiple answers allowed, by country/region)

Increased over 20 pp  
Decreased over 30 pp

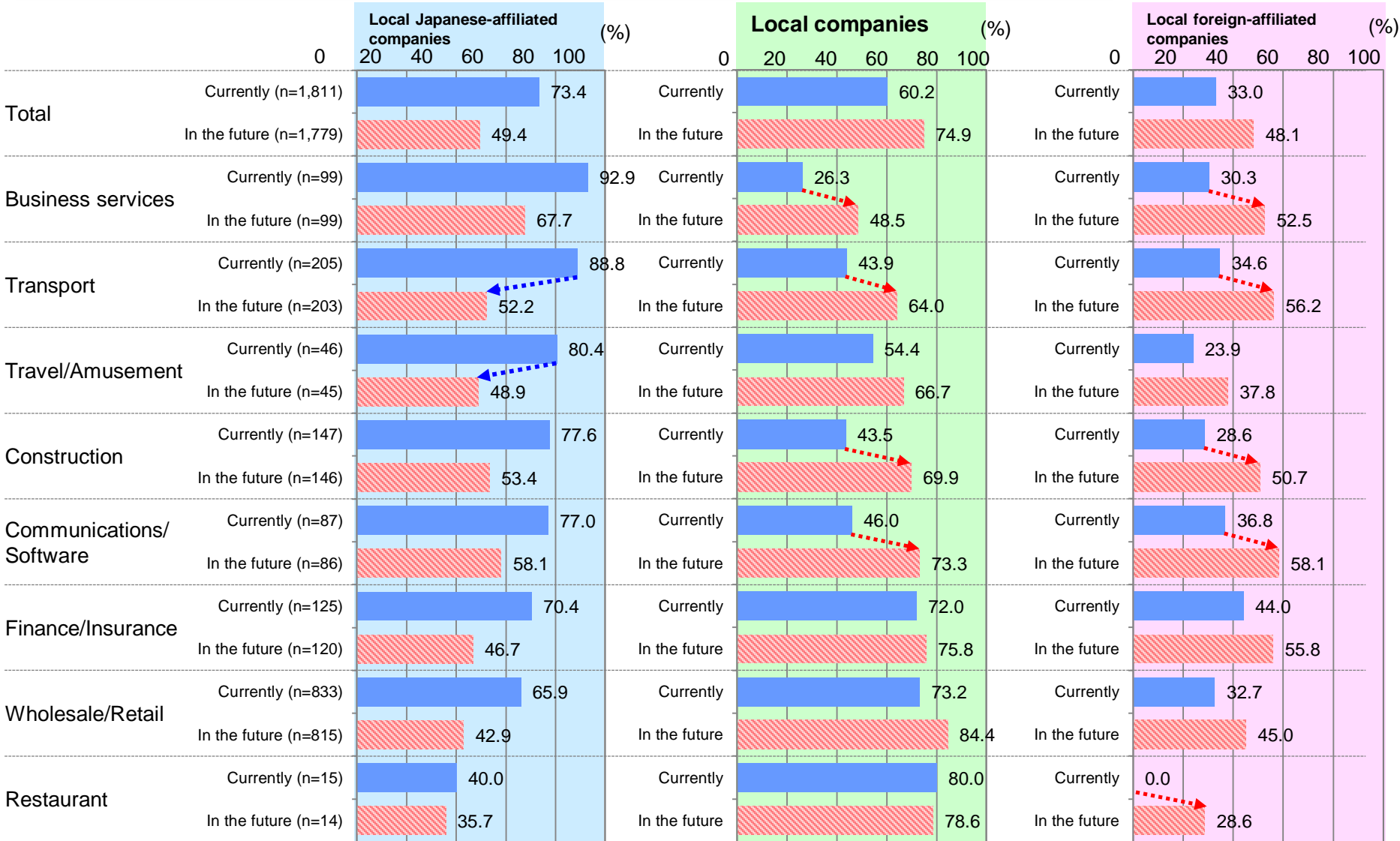


- The proportion of firms that cited “Local Japanese-affiliated companies” as future sales target decreased. The proportion significantly decreased, particularly in Myanmar, Thailand, Indonesia, Malaysia, and Hong Kong & Macau (a decrease of over 30 pp).
- In Myanmar, Thailand, Vietnam, and Cambodia, “Local companies” was more cited as the future target than as the current target, with a gap of over 20 pp.
- In Myanmar and Vietnam, “Local foreign-affiliated companies” was more cited as the future target than as the current target, with a gap of over 20 pp.

# 7. Challenges in local market development (3)

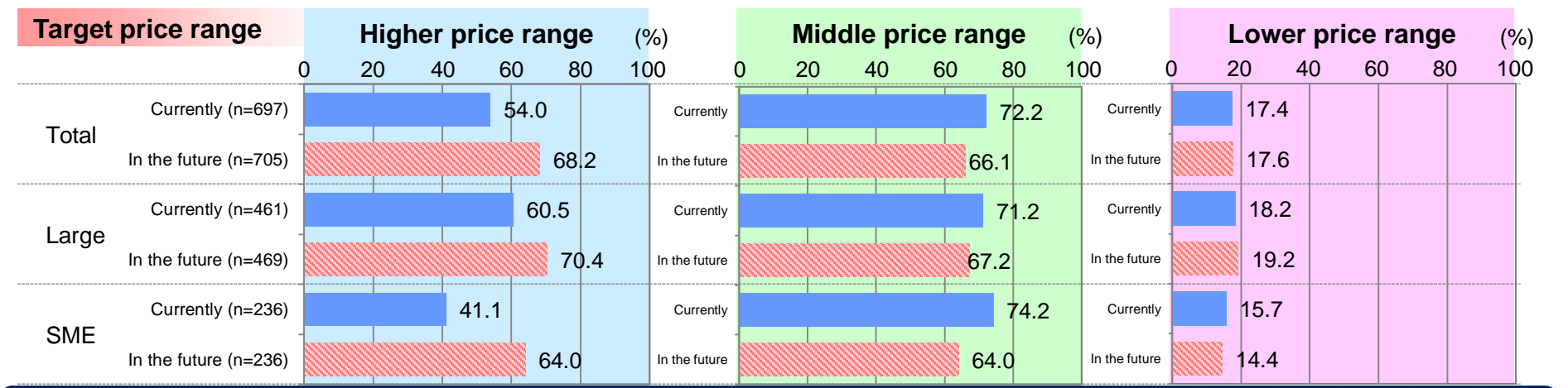
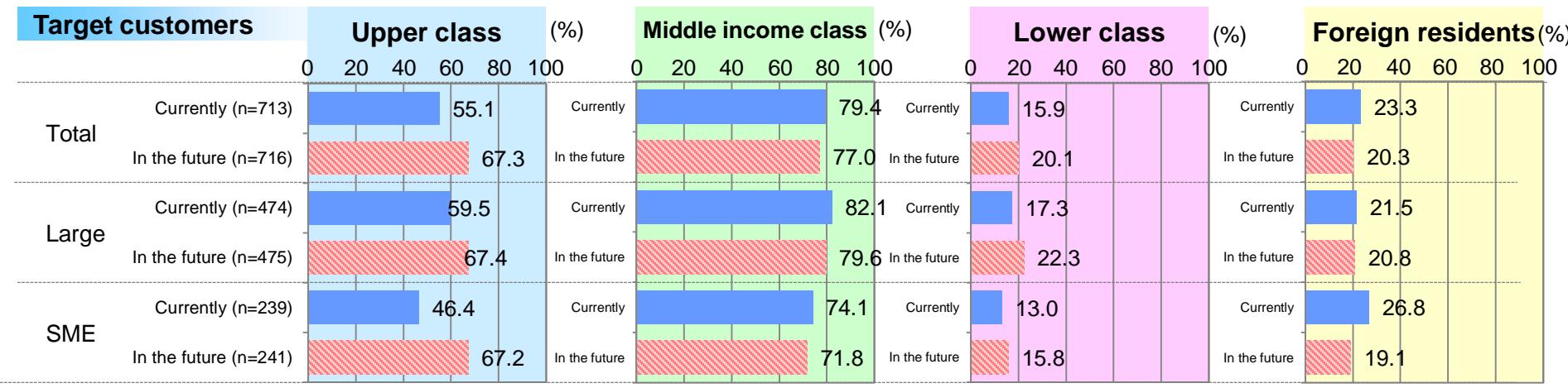
<For corporate customers> Target segments in local market development (multiple answers allowed, by industry)

▬▬▬ Increased over 20 pp  
▬▬▬ Decreased over 30 pp



# 7. Challenges in local market development (4)

<For individual consumers> Target segments in local market development and price range (multiple answers allowed, by company size)

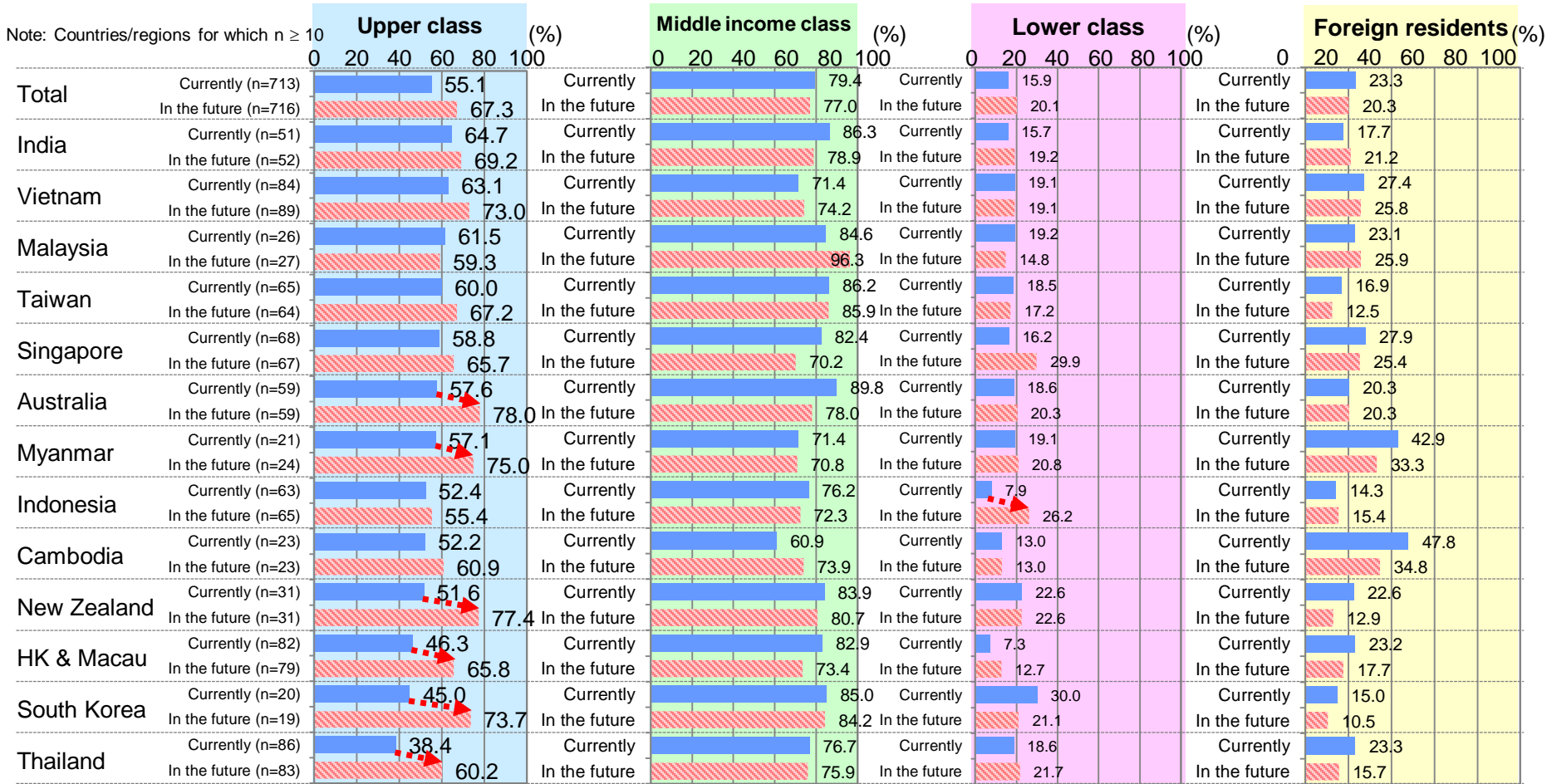


- Over 70% of firms target "Middle income class" for sales to individual consumers, both currently and in the future. The proportion of "Upper class" is significantly increasing as the future target. In particular, "Upper class" was more cited by SMEs as a future target than as a current target, with a gap of 20.8 pp. Meanwhile, large companies seem to intend to strengthen sales to "Lower class."
- Regarding the targeted price range, "Middle price range" accounted for the largest proportion. However both large companies and SMEs are more likely to strengthen "Higher price range" in the future.

# 7. Challenges in local market development (5)

<For individual consumers> Target segments in local market development (multiple answers allowed, by country/region)

Increased over 15 pp



- Firms tend to further strengthen sales to “Upper class” in Australia, Myanmar, New Zealand, Hong Kong & Macau, South Korea, and Thailand, where consumers’ income levels are relatively high.
- “Middle income class” accounted for a larger proportion as a future target segment than as a current target segment in Malaysia and Cambodia, with a gap of over 10 pp. Meanwhile, “Lower class” accounted for a larger proportion as a future target than a current target in Singapore and Indonesia, with a gap of over 10 pp.

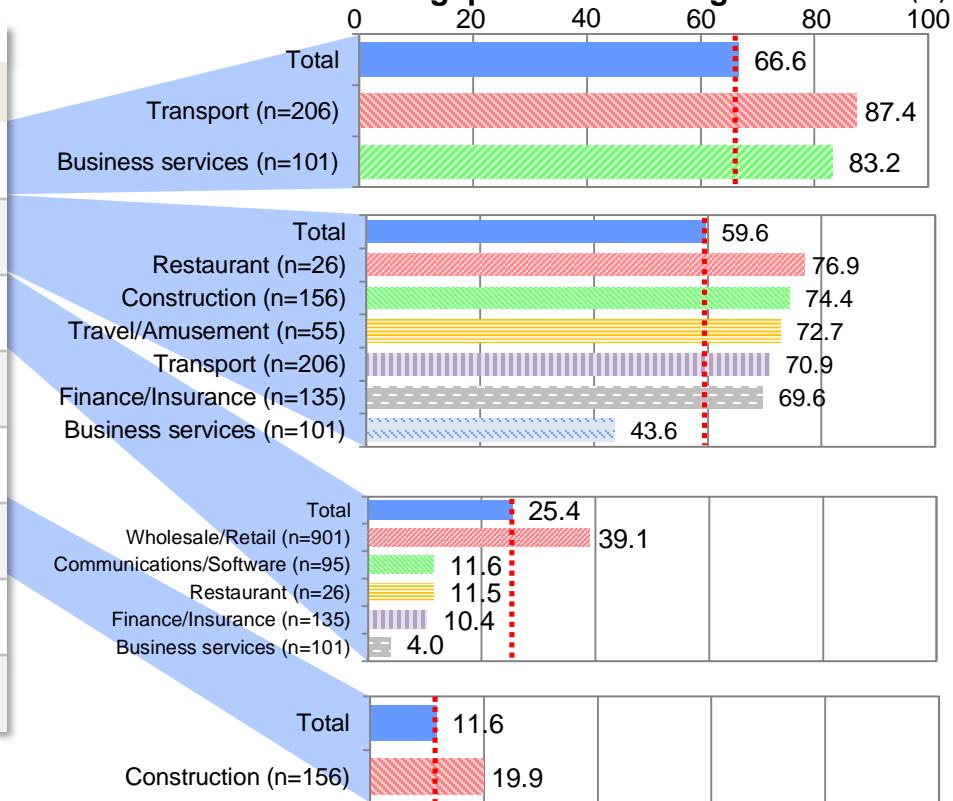
# 7. Challenges in local market development (6)

## Current competitors (Maximum of three answers allowed)

Total (n=1,992)

Answers	(%)	By company size	
		Large	SME
1 Japanese-affiliated companies	66.6	68.1	63.3
2 Local companies	59.6	59.7	59.5
3 Chinese companies	25.4	26.1	23.9
4 European companies	14.8	17.6	9.0
5 US companies	14.3	16.6	9.4
6 Korean companies	11.6	11.7	11.3
7 Taiwanese companies	5.3	4.7	6.4
8 None in particular	3.6	3.3	4.2

### Industries with a gap with the average



- “Japanese-affiliated companies” was the biggest competitor, at 66.6%. In particular, a larger proportion of firms cited “Japanese-affiliated companies” as competitors in Transport and Business services.
- The second biggest competitor was “Local companies,” at 59.6%. By industry, the proportion of “Local companies” was higher than the average by over 10 pp in Restaurants (76.9%), Construction (74.4%), Travel/Amusement (72.7%), Transport (70.9%), and Finance/Insurance (69.6%).
- The third-place ranking of “Chinese companies” was higher than the average in Wholesale/Retail (39.1%).
- European and U.S. firms are less frequently cited. By company size, however, large companies regard them as competitors.
- By country/region (next page), “Japanese-affiliated companies” and “Local companies” occupied first or second place in almost all countries/regions. In Sri Lanka, “Chinese companies” ranked second.

# 7. Challenges in local market development (7)

Current competitors (maximum of three answers allowed) and their competitive edge (multiple answers allowed) (by country/regions)

Note: Countries/regions for which n ≥ 10

## Countries/regions where “Japanese-affiliated companies” was cited as the biggest competitor class

Myanmar (n=62)			Thailand (n=243)		
1	Japanese-affiliated companies	87.1	1	Japanese-affiliated companies	81.9
2	Local companies	58.1	2	Local companies	58.4
3	Chinese companies	22.6	3	Chinese companies	18.9

Indonesia (n=185)			HK & Macau (n=232)		
1	Japanese-affiliated companies	75.7	1	Japanese-affiliated companies	69.4
2	Local companies	69.2	2	Local companies	46.1
3	Chinese companies	22.2	3	Chinese companies	43.5

Vietnam (n=258)			Singapore (n=244)		
1	Japanese-affiliated companies	68.2	1	Japanese-affiliated companies	61.5
2	Local companies	62.8	2	Local companies	51.6
3	Korean companies	21.7	3	Chinese companies	32.8

Philippines (n=26)			Australia (n=132)		
1	Japanese-affiliated companies	57.7	1	Japanese-affiliated companies	51.5
2	Local companies	42.3	2	Local companies	50.8
3	US companies	23.1	3	Chinese companies	30.3

## Countries/regions where “Local companies” was cited as the biggest competitor class

Taiwan (n=154)			South Korea (n=75)		
1	Local companies	70.8	1	Local companies	70.7
2	Japanese-affiliated companies	66.9	2	Japanese-affiliated companies	64.0
3	Chinese companies	25.3	3	US companies	22.7

Bangladesh (n=16)			Malaysia (n=88)		
1	Local companies	68.8	1	Local companies	65.9
2	Japanese-affiliated companies	50.0	2	Japanese-affiliated companies	63.6
3	Chinese companies	18.8	3	Chinese companies	29.6

Sri Lanka (n=17)			India (n=161)		
1	Local companies	64.7	1	Local companies	64.6
2	Chinese companies	47.1	2	Japanese-affiliated companies	60.3
3	Korean companies	35.3	3	European companies	32.3

New Zealand (n=48)			Cambodia (n=34)		
1	Local companies	64.6	1	Local companies	58.8
2	Japanese-affiliated companies	52.1	2	Japanese-affiliated companies	52.9
3	Chinese companies	20.8	3	Chinese companies	32.4



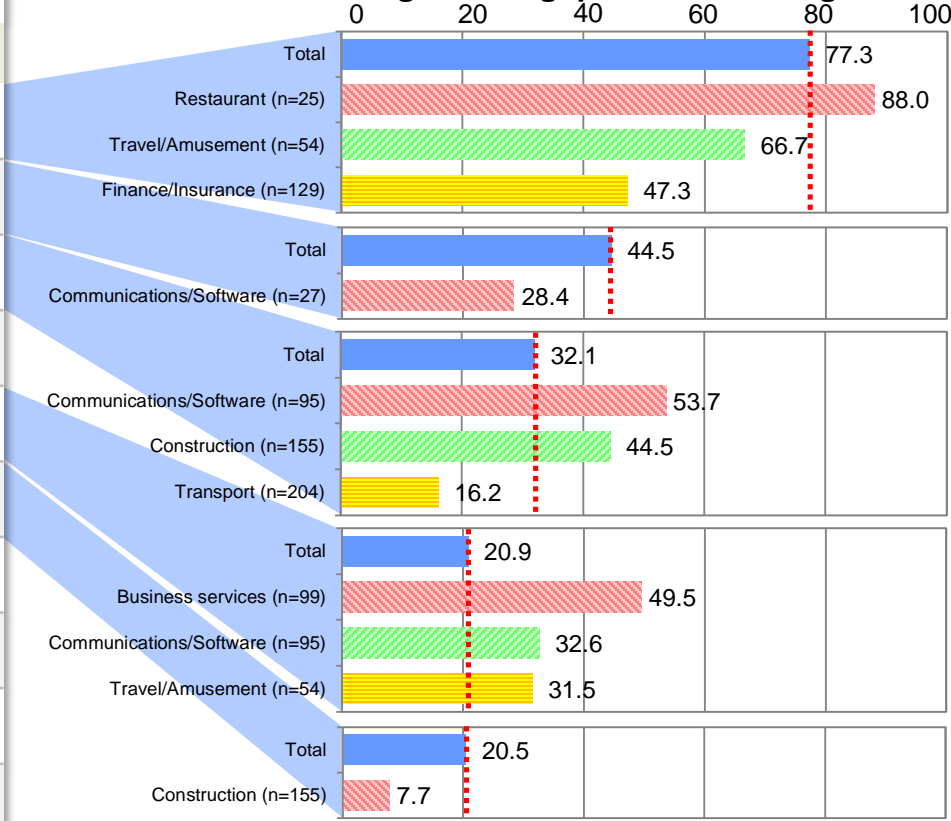
# 7. Challenges in local market development (8)

## Competitive edge in products/services (multiple answers allowed)

Total (n=1,955)

Answers		(%)	By size of company	
			Large	SME
1	Quality	77.3	77.9	76.1
2	Influential corporate brand name	44.5	50.4	32.1
3	After-sales/maintenance service	32.1	31.8	32.6
4	Price/cost competitiveness	25.4	23.3	29.8
5	Human resources	20.9	20.9	20.9
6	Wide variety of products/service	20.5	21.9	17.6
7	Distribution network	12.2	14.2	7.9
8	Product development capability	11.4	12.7	8.5
9	Purchase/procurement routes	10.9	10.9	10.9
10	Influential promotional advertising	2.8	2.7	3.0

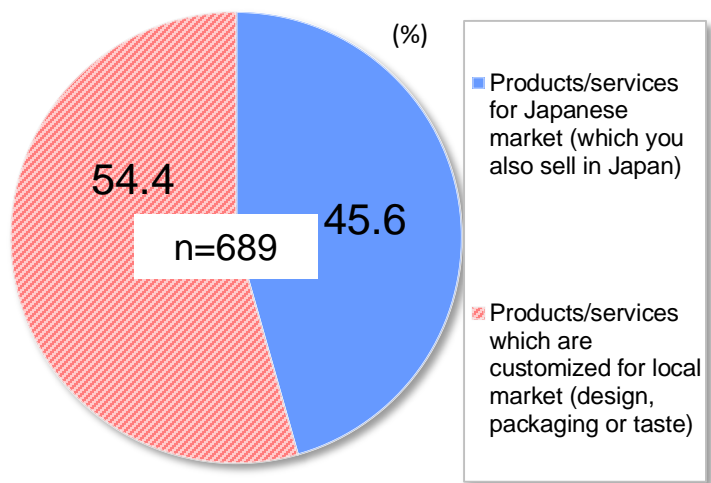
### Industries with a significant gap with the average (%)



- Respondents most frequently cited “Quality” (77.3%) as a competitive edge in their products/services, with a difference of over 30 pp from the second-place ranking of “Influential corporate brand name.” In particular, the proportion of “Quality” was high in Restaurants, at 88.0%.
- The second-place ranking of “Influential corporate brand name” was more frequently cited by large companies than by SMEs.
- The proportion of the third-place ranking of “After-sales/maintenance service” was higher in Communications/Software (53.7%) and Construction (44.5%).

# 7. Challenges in local market development (9)

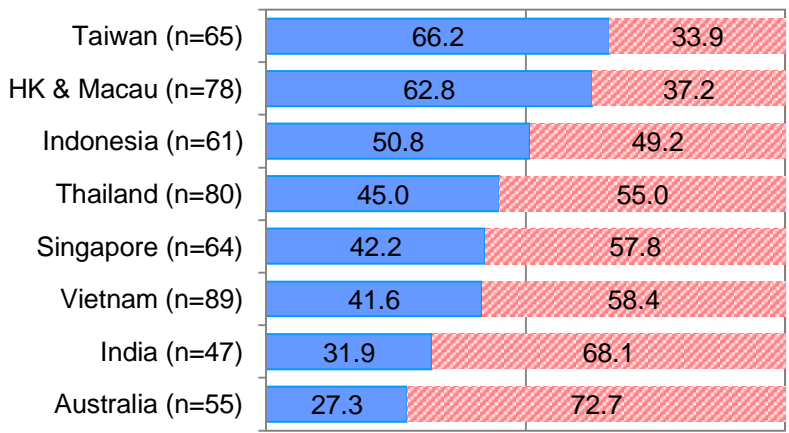
## Products/services preferred by local consumers



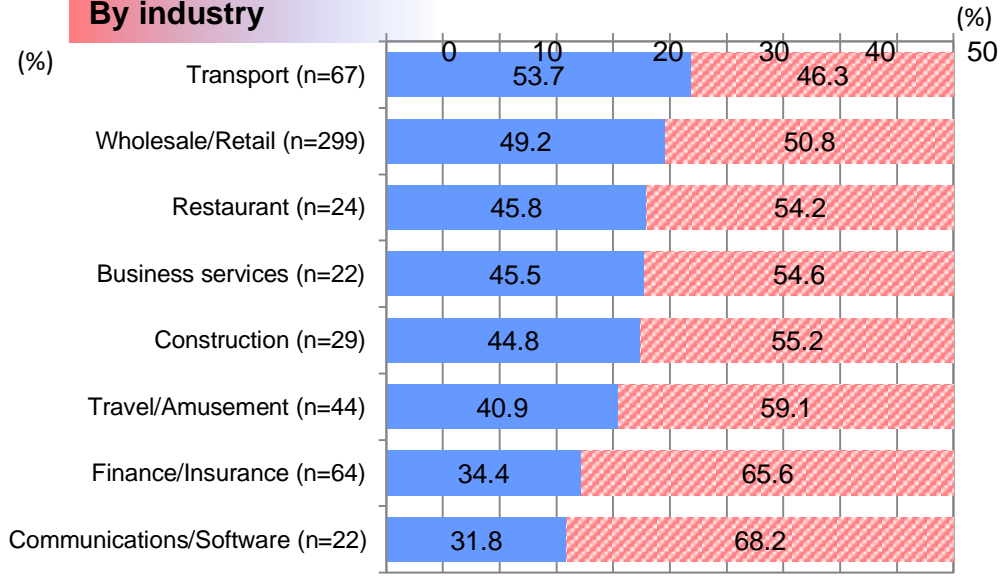
- “Products/services which are customized for local market (design, packaging or taste)” was more frequently cited than “Products/services for Japanese market (which you also sell in Japan)” as products/services preferred by local consumers.
- By country/region, “Products/services for Japanese market” was preferred in Taiwan and Hong Kong & Macau, while “Products/services which are customized for local market” was preferred in Australia and India.
- By industry, “Products/services for Japanese market” was preferred in Transport, while “Products/services which are customized for local market” was preferred in Communications/Software, Finance/Insurance, and Travel/Amusement.

## By country/region

Note: Countries/regions for which n ≥ 30



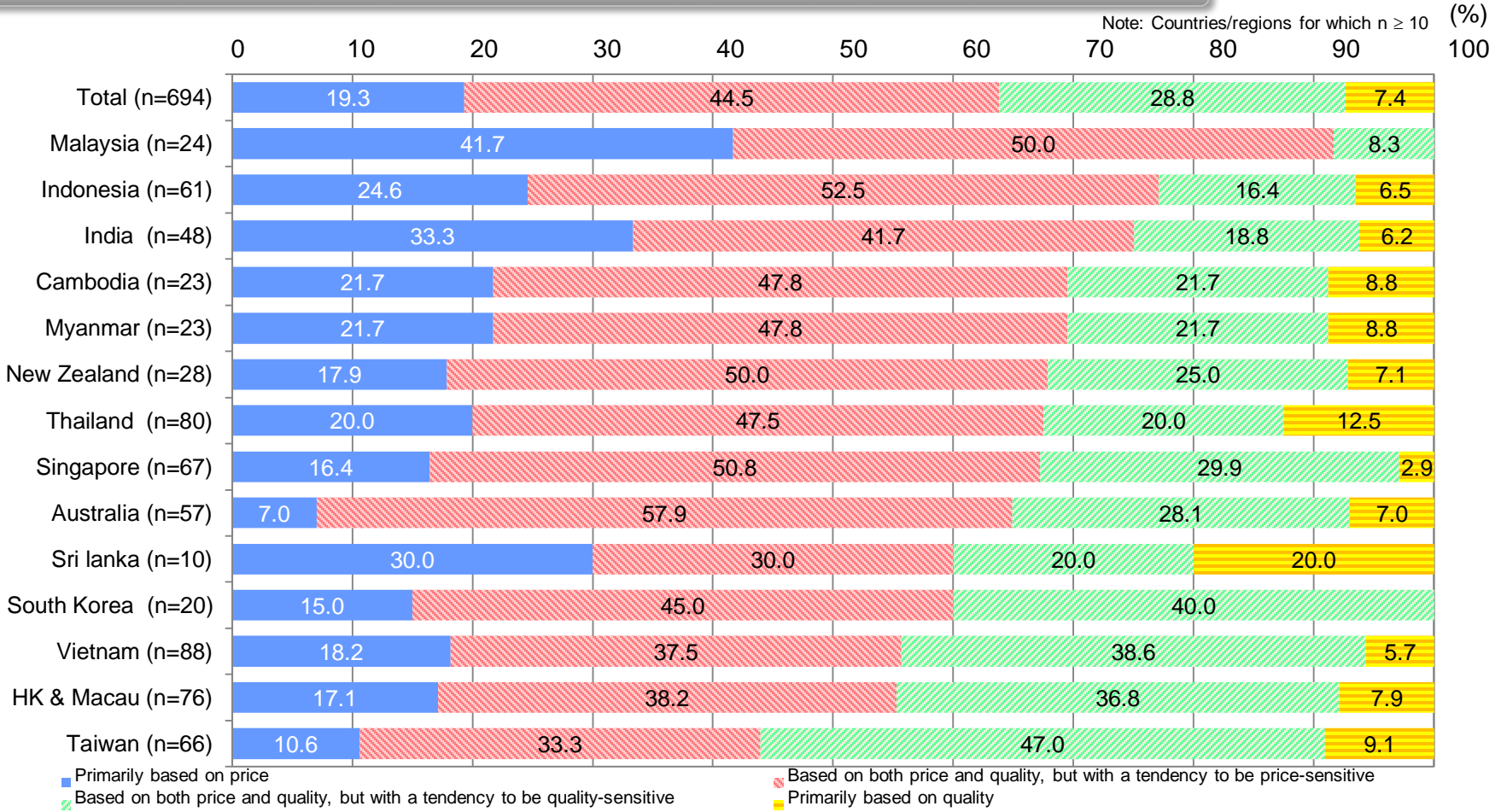
## By industry



■ Products/services for Japanese market (which you also sell in Japan)  
 ■ Products/services which are customized for local market (design, packaging or taste)

# 7. Challenges in local market development (10)

Balance between price and quality for local consumers (By country/region, response total 100%)



- In a question asking local consumers about the balance between price and quality, a total of 63.8% of firms selected “Primarily based on price” or “Based on both price and quality, but with a tendency to be price-sensitive.” In the entire Asia and Oceania region, local consumers attach more importance to price than quality.
- By country/region, the proportion of firms that attach importance to price was the highest in Malaysia at 91.7%, followed by Indonesia (77.1%), India (75.0%), and Cambodia and Myanmar (both 69.5%).
- On the other hand, the proportion of “Primarily based on quality” and “Based on both price and quality, but with a tendency to be quality-sensitive” were higher in Taiwan, Hong Kong & Macau, Vietnam, and South Korea.

# 7. Challenges in local market development (11)

## Effective advertising methods (multiple answers allowed)

Answers	(%)
1 SNSs (social networking services)	55.8
2 Company website	37.6
3 Newspapers/magazines	29.2
4 TV	25.8
5 Onsite promotion	21.1
6 Direct mail	13.6
7 Radio	4.1

Breakdown of SNSs		
(1)	Facebook	94.3%
(2)	Instagram	37.3%
(3)	Twitter	17.9%
(4)	Linked In	6.6%

### By media (countries/regions where the media was more frequently selected)

Note 1: Red highlights show over 40%.

Note 2: Countries/regions for which n ≥ 10

SNS			Company website			Newspapers/magazines		
1	Cambodia (n=23)	78.3	1	Sri Lanka (n=10)	70.0	1	Sri Lanka (n=10)	50.0
2	Myanmar (n=23)	69.6	2	Australia (n=57)	59.7	2	Myanmar (n=23)	43.5
3	Vietnam (n=87)	69.0	3	New Zealand (n=28)	50.0	3	New Zealand (n=28)	42.9
4	New Zealand (n=28)	64.3	4	Singapore (n=65)	43.1	4	HK & Macau (n=77)	36.4
5	Taiwan (n=64)	57.8	5	Taiwan (n=64)	40.6	5	Indonesia (n=62)	35.5
TV			On-site promotion			Direct mail		
1	New Zealand (n=28)	46.4	1	India (n=45)	40.0	1	Sri Lanka (n=10)	30.0
2	Sri Lanka (n=10)	40.0	2	Malaysia (n=25)	40.0	2	New Zealand (n=28)	21.4
3	Australia (n=57)	38.6	3	HK & Macau (n=77)	28.6	3	Australia (n=57)	19.3
4	South Korea (n=20)	35.0	4	Australia (n=57)	28.1	4	Singapore (n=65)	18.5
5	Taiwan (n=64)	32.8	5	Indonesia (n=62)	25.8	5	HK & Macau (n=77)	18.2
Radio								
1	Australia (n=57)	17.5						
2	Cambodia (n=23)	8.7						
3	South Korea (n=20)	5.0						
4	Taiwan (n=64)	4.7						
5	India (n=45)	4.4						

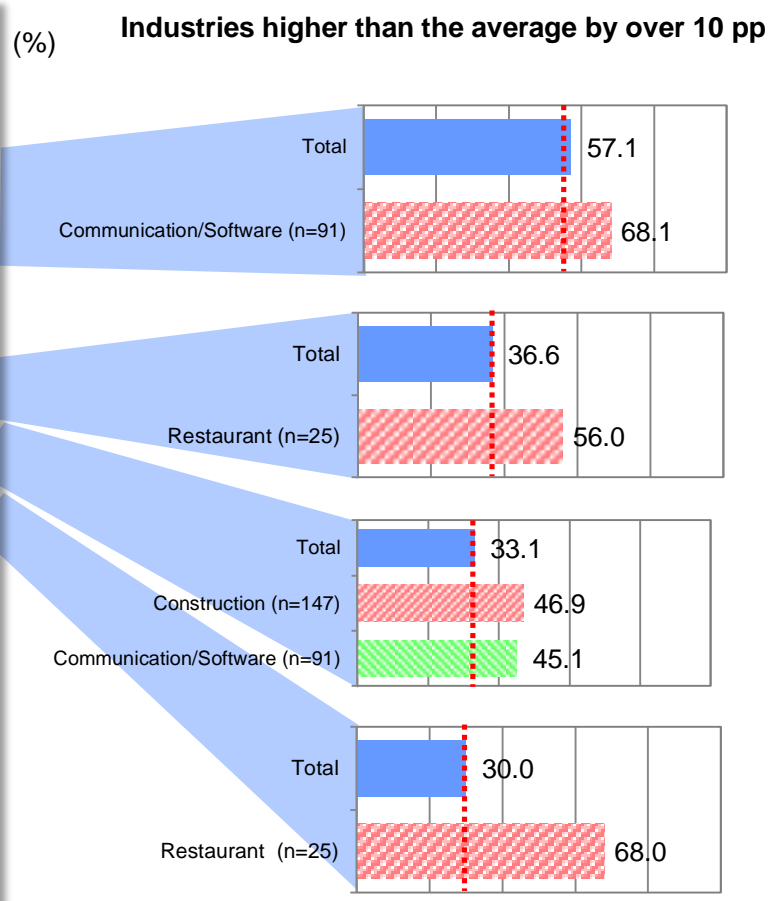
- “SNS” (55.8%) was most frequently selected as an effective advertising method. In particular, the proportion of “SNS” was high in Restaurants (83.3%) and Communications/Software (81.0%). Among “SNS,” Facebook (94.3%) marked the highest, leaving “Instagram,” “Twitter,” and “Linked In” far behind.
- The second-place ranking of “Company website” accounted for over 50% in Communications/Software (52.4%) and Travel/Amusement (51.1%).

# 7. Challenges in local market development (12)

Troubles experienced in expanding business in the local market (multiple answers allowed, by country/region)

Answers (Top 10)	Total (n=1,879)	By size of corporation	
		Large (n=1,274)	SME (n=605)
1 Recruiting/developing human resources*	57.1	57.5	56.4
2 Diversification of products/services	42.6	41.6	44.8
3 Launching new products/services	36.6	37.6	34.6
4 Finding local partners	33.1	34.5	29.9
5 Resetting prices	30.0	28.5	33.1
6 Expansion of distribution network (distributors, real-world shops)	27.6	28.3	26.3
7 Surveys of target segments	23.7	23.5	24.1
8 Reconsideration of purchase/procurement routes	16.7	16.1	17.9
9 Expansion of distribution network (e-commerce)	16.6	16.3	17.2
10 Reconsideration of advertising/promotion methods	15.3	13.3	19.3

Breakdown: Sales/marketing (89.3%), Purchasing/procurement (10.7%), Advertising/promotion (9.7%), R&D/product development (8.6%)



- As a trouble experienced in expanding business in the local market, the proportion of “Recruiting/developing human resources” was the highest at 57.1%. Specifically, human resources for “Sales/marketing” was the most frequently cited at 89.3%, with a great difference from other answer options.
- “Recruiting/developing human resources” was the most-frequently cited issue in all countries/regions, except South Korea and New Zealand. The proportion of this answer option exceeded 50% in many countries (next page). In South Korea and New Zealand, “Launching new products/services” was the highest. In Malaysia, Myanmar, and India, “Finding local partners” exceeded 40%.

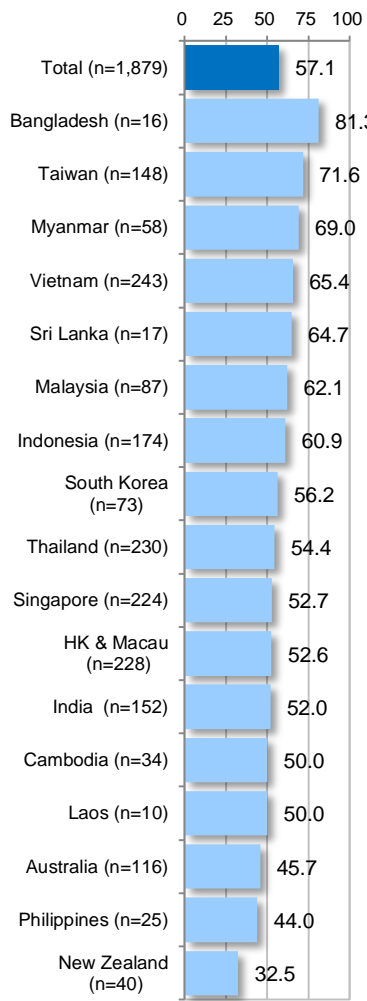


# 7. Challenges in local market development (13)

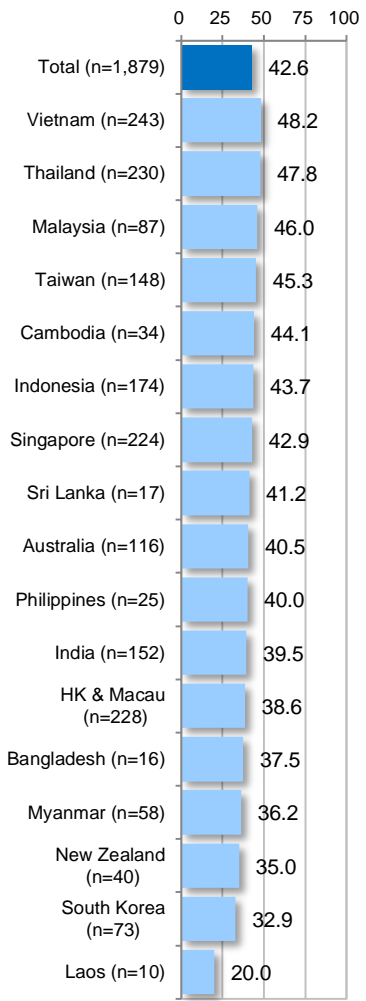
Problems by country/region (top 5, multiple answers allowed)

Note: Countries/regions for which n ≥ 10 (%)

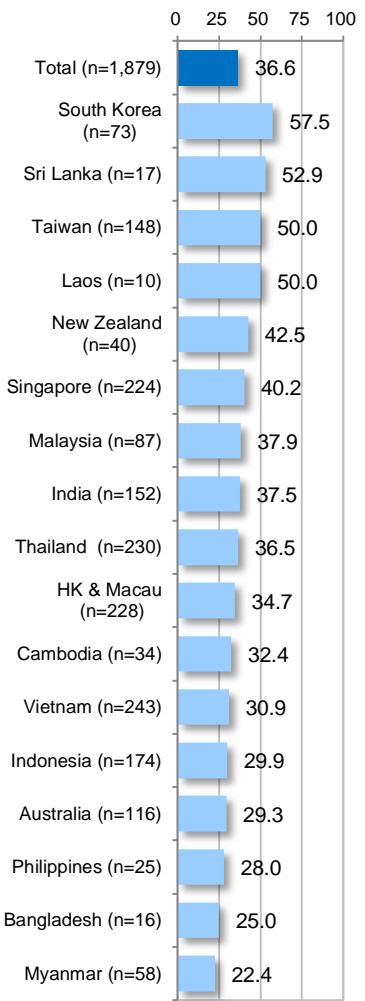
## Recruiting/developing human resources



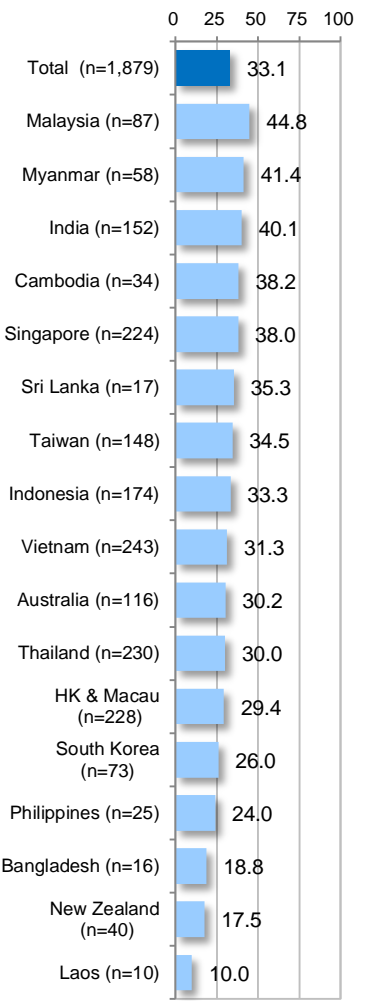
## Diversification of products/services



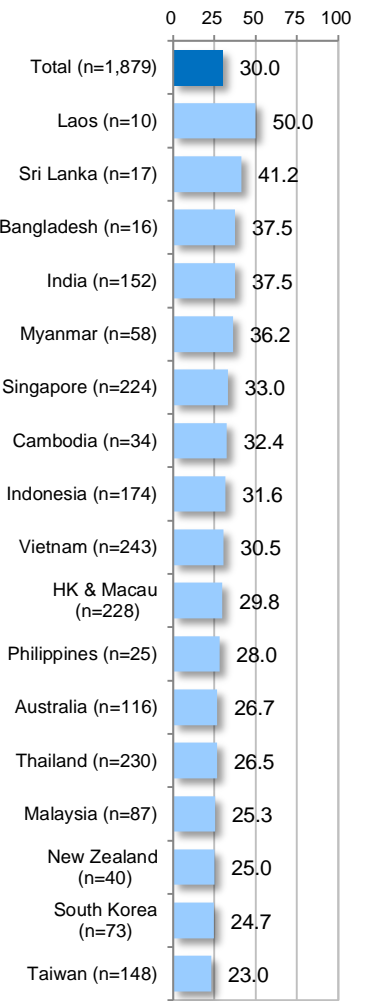
## Launching new products/services



## Finding local partners



## Resetting prices



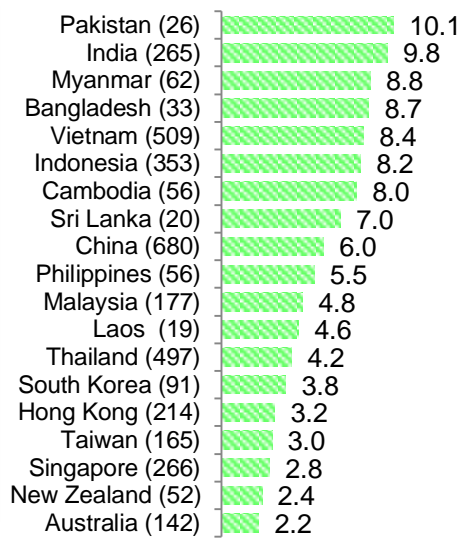


# 8. Wages (1) Year-on-year wage increase rate

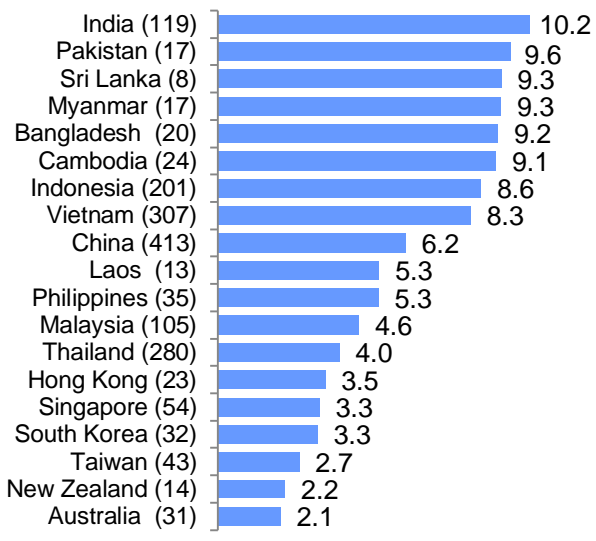
The numbers in parentheses indicate the numbers of firms that responded.

FY2017 ← FY2016

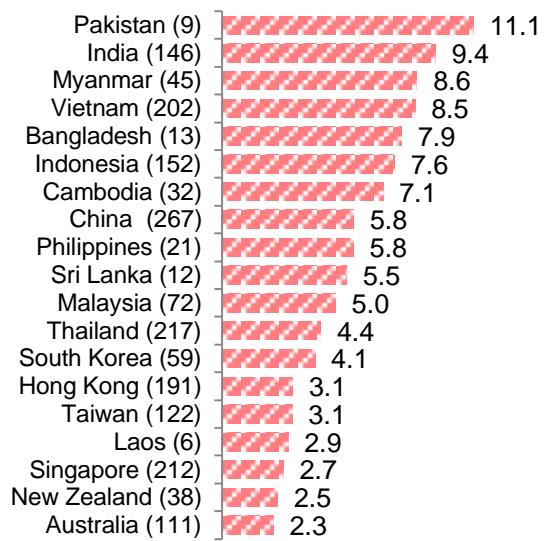
## Total (%)



## Manufacturing (%)

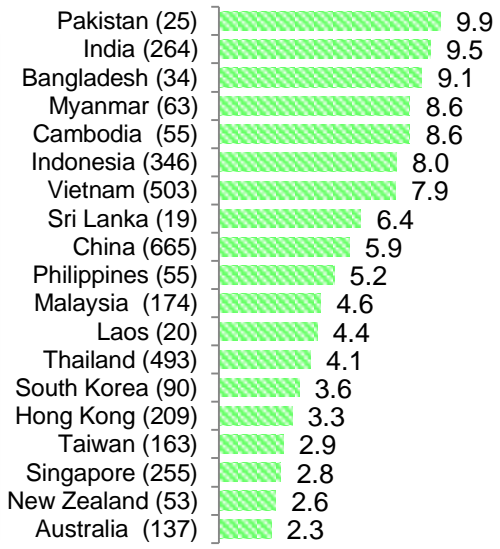


## Non-manufacturing (%)

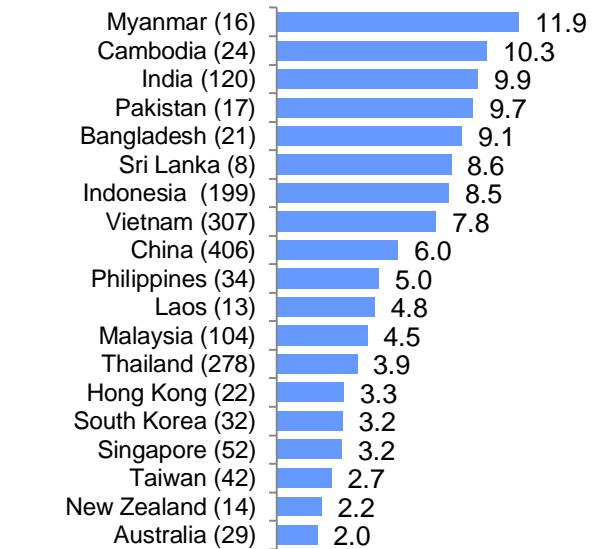


FY2018 ← FY2017

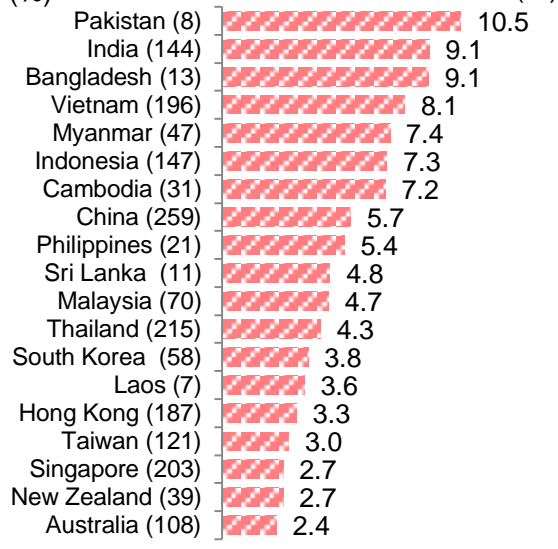
## Total (%)



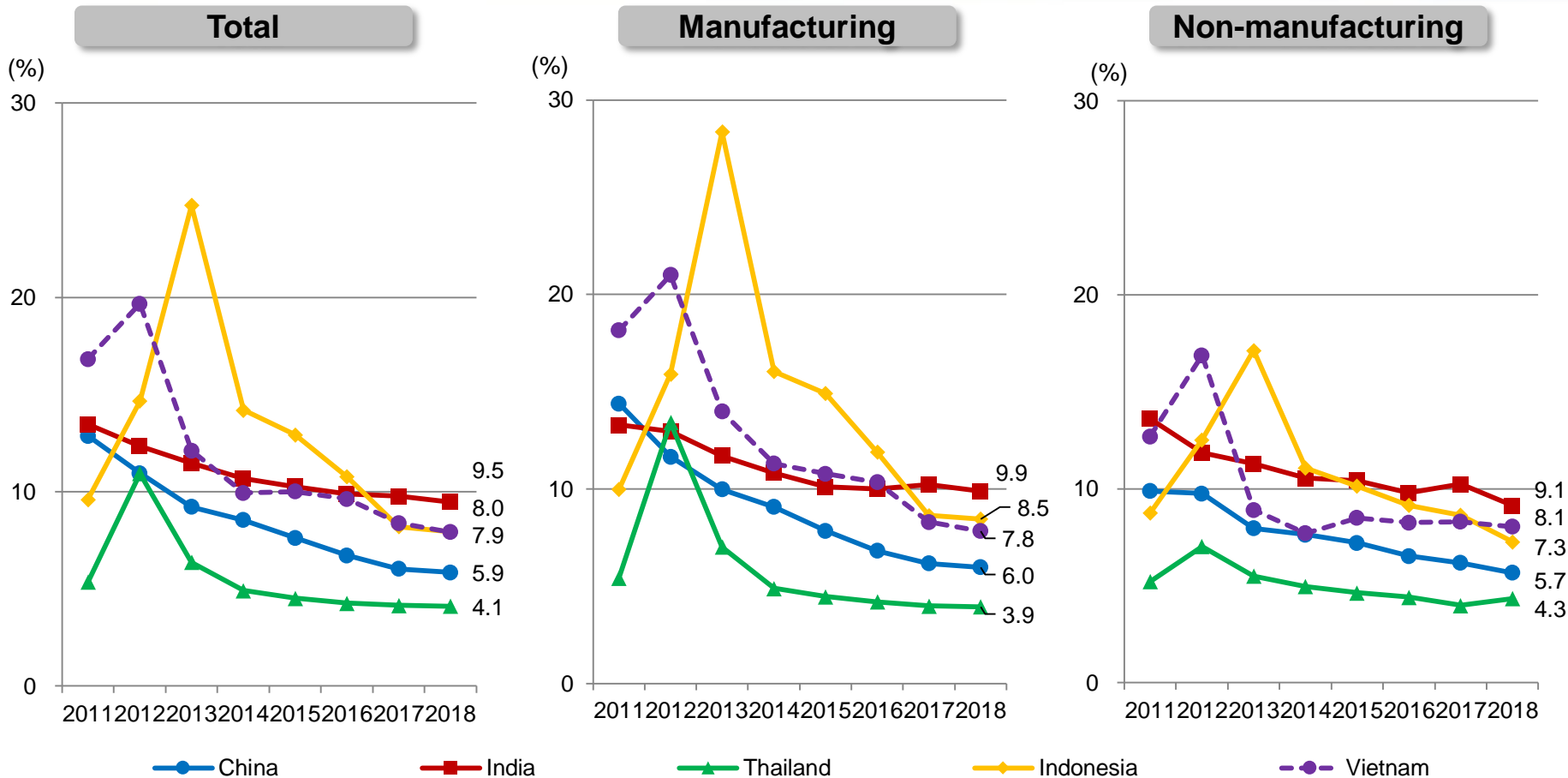
## Manufacturing (%)



## Non-manufacturing (%)



# 8. Wages (2) Year-on-year wage increase rate (China and major countries)



Note: 2018 rates are forecasts.

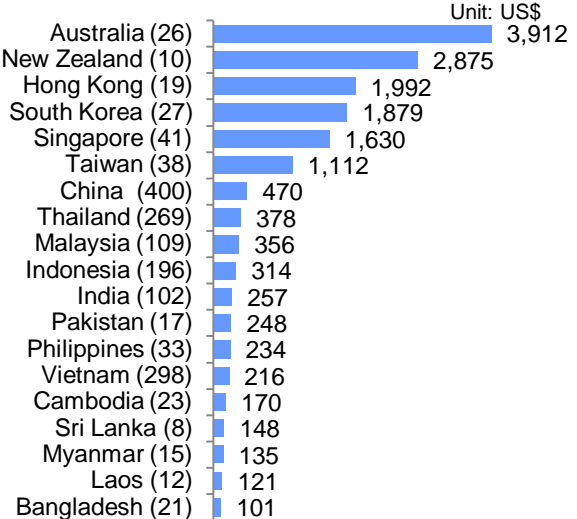
- By industry category, the wage increase rate fluctuates relatively less in the manufacturing sector.
- In 2017, the wage increase rate (total; same applies to the following) slightly decreased in China, Thailand, India, Indonesia, and Vietnam.
- In China, the wage increase rate decreased every year after peaking out at 12.9% in 2011. The rate was 6.0% in 2017 and is expected to be 5.9% in 2018 (forecast), showing continued decrease.
- In Indonesia, the wage increase rate decreased every year after peaking out at 24.7% in 2013. The rate was 8.2% in 2017 and is expected to be 8.0% in 2018 (forecast), showing continued decrease.
- The wage increase rate is expected to decrease gradually in all countries in 2018 (forecast).



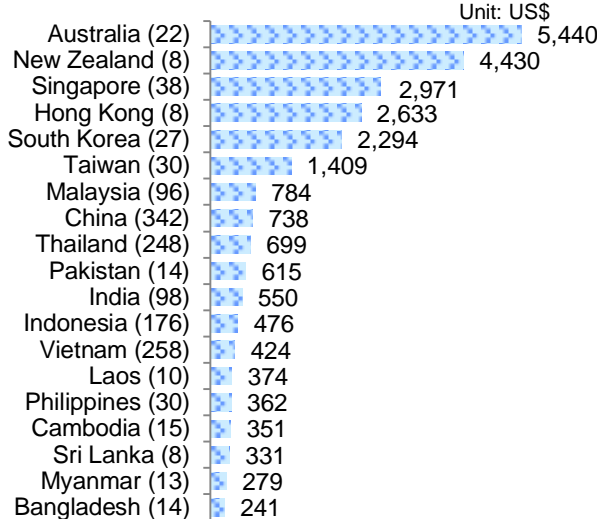
# 8. Wages (3) Base salary (monthly)

The numbers in parentheses indicate the numbers of firms that responded.

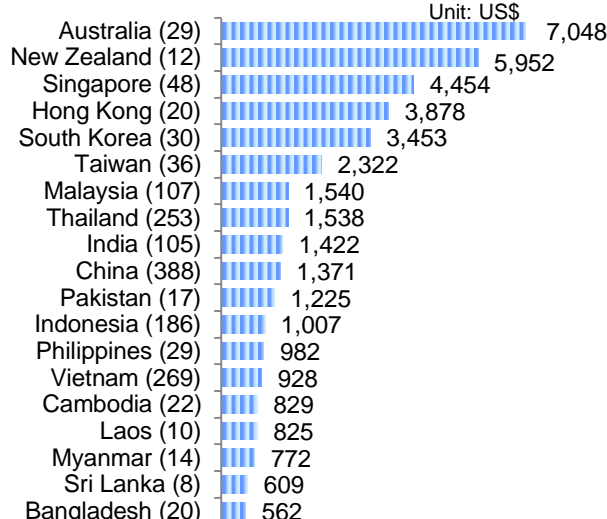
## Manufacturing: Worker



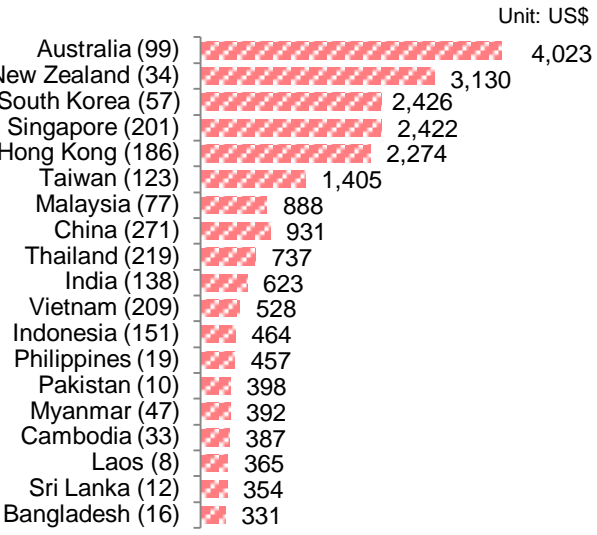
## Manufacturing: Engineer



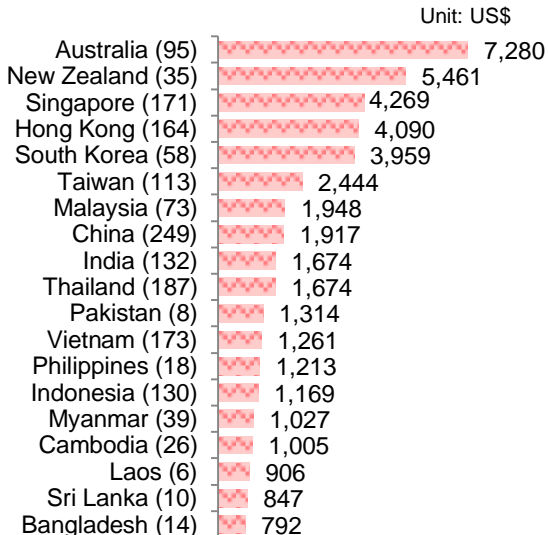
## Manufacturing: Manager



## Non-Manufacturing: Staff



## Non-Manufacturing: Manager



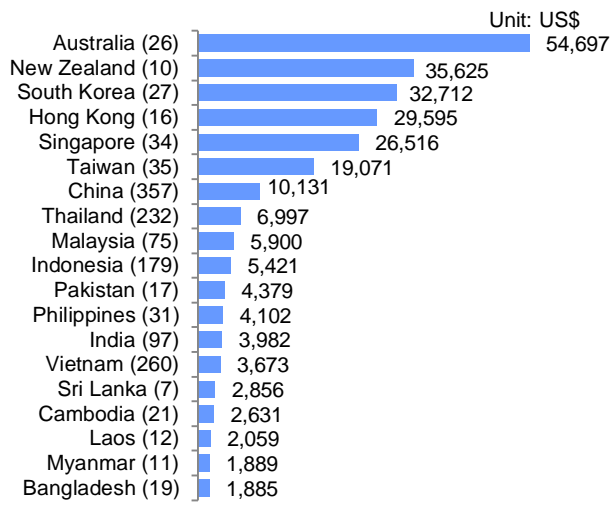
Base salary: Salary excluding benefits, as of October 2017  
 Worker: Regular general workers with 3 years of work experience, not including contract-based and probationary workers  
 Engineer: Regular employees who are core technicians, graduates of a vocational college or university, and have 5 years 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: 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 selectively either in the local currency or in U.S. dollars.) The average wage for each job type in the local currency was converted to the U.S. dollar, using the average exchange rate of October 2017 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms 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.

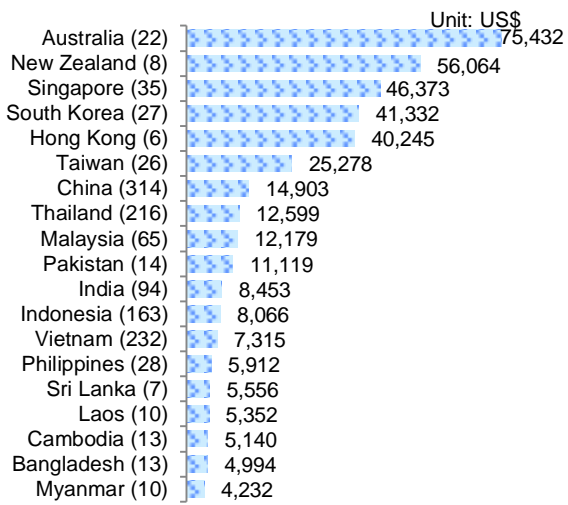
# 8. Wages (4) Annual salary

The numbers in parentheses indicate the numbers of firms that responded.

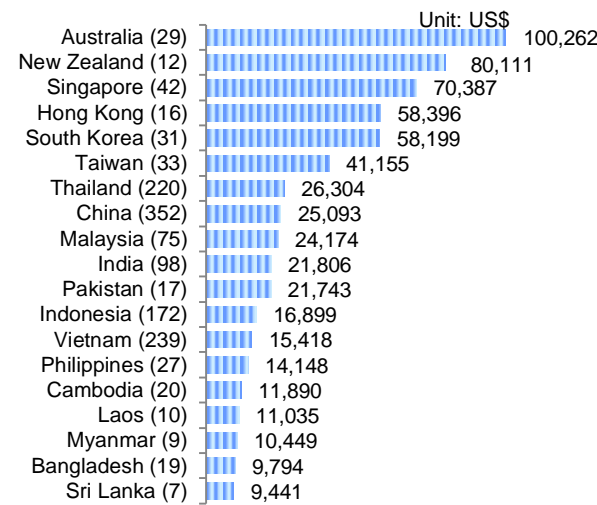
## Manufacturing: Worker



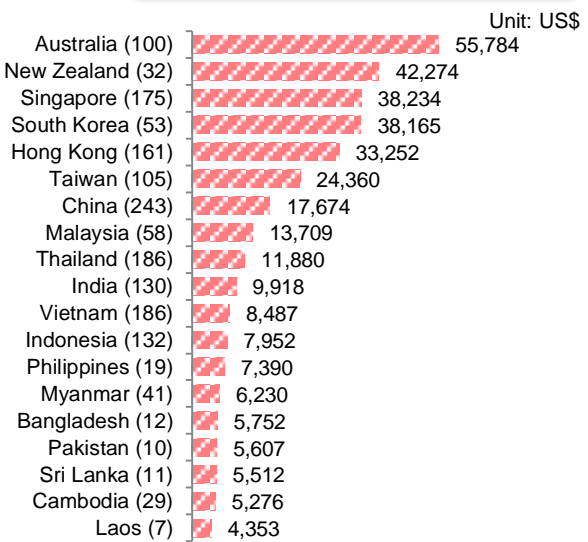
## Manufacturing: Engineer



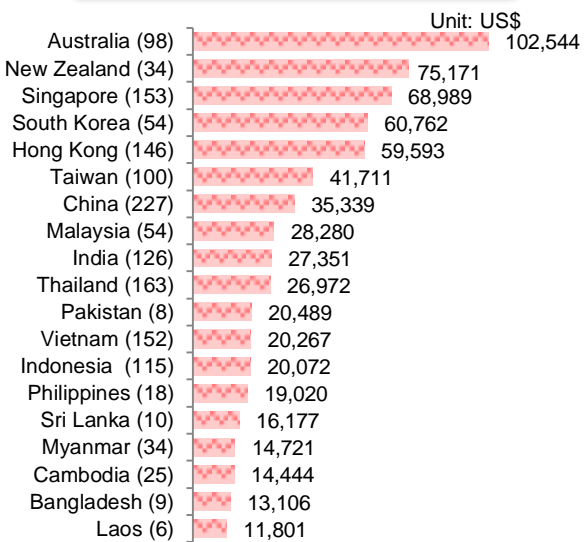
## Manufacturing: Manager



## Non-Manufacturing: Staff



## 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 FY2017)

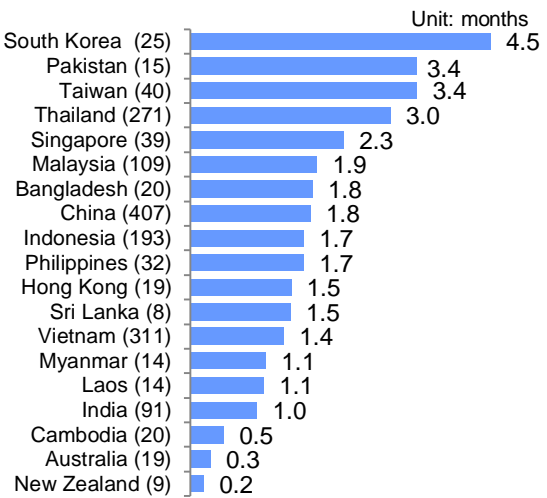
See the previous page for the definitions of worker, engineer, manager (manufacturing), staff, and manager (non-manufacturing).

Note: Except for Cambodia, annual salaries were reported in local currencies. (For Myanmar, salaries were reported selectively 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 October 2017 published by the central bank of each country/region or by the State Administration of Foreign Exchange for China. For Myanmar, where firms reported annual salaries either in the local currency or in U.S. dollars, annual salaries reported in the local currency were converted to U.S. dollars to calculate the average.

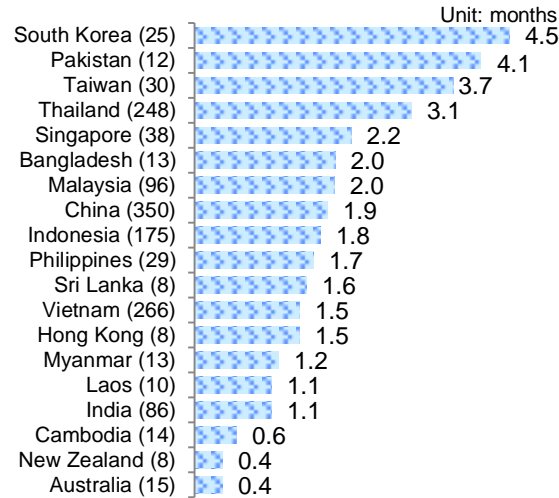
# 8. Wages (5) Bonuses

The numbers in parentheses indicate the numbers of firms that responded.

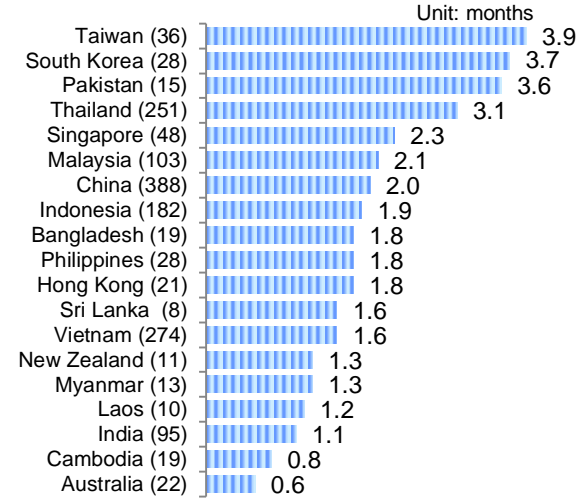
**Manufacturing: Worker**



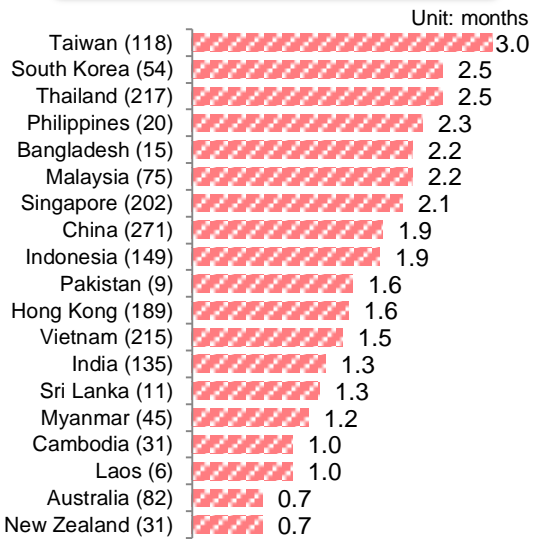
**Manufacturing: Engineer**



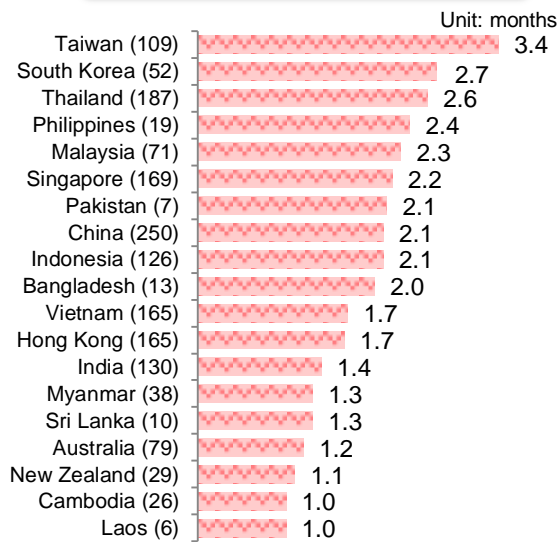
**Manufacturing: Manager**



**Non-Manufacturing: Staff**



**Non-Manufacturing: Manager**





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Japan External Trade Organization

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