

# 2019 JETRO Survey on Business Conditions of Japanese Companies in Europe

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Japan External Trade Organization (JETRO)

Europe, Russia and CIS Division

Overseas Research Department

# Survey Overview

## Survey Objective

- This survey analyses the activities of Japanese-affiliated companies operating in Europe, in order to comprise an understanding of operating challenges etc. that could be directly impacting their business performance. This research can be used to assist these companies in developing overseas operation strategies and policy planning. It is also intended to be used as a basis of information, so that governmental agencies can provide sufficient support towards Japanese-affiliated companies based in Europe.

## Survey Target

- This survey was sent to a total of 979 companies between the 10<sup>th</sup> of September to the 8<sup>th</sup> of October 2019.
- Exactly 842 responses were received, giving a response rate of 86.0%.
- The survey was sent to companies based in 15 countries in Western Europe and 7 Eastern and Central European Countries.
- This survey was targeted towards *Japanese-Affiliated Companies*, which refers to a company where the ratio of direct or indirect investment from Japanese companies is 10% or more. It also includes European sub-subsidiaries established by European or non-European Japanese-affiliated companies. However *representative offices, liaison offices and companies owned by Japanese persons locally in Europe* are not included in this survey.

## Please Note

- Survey results were totalled using the information sources that can be considered reliable by JETRO offices in Europe, however JETRO cannot guarantee complete accurateness of the information provided by the companies.
- Not all respondents answered every question. The component percentages in the tables and charts of the document have been rounded off and therefore may not always add up to 100%. Furthermore, the percentages for questions of which multiple answers are given may not add up to 100%.
- “n=” refers to the number of respondents.
- Some countries or industries may not be listed if the number of respondent companies for each are less than 5.
- If the industry, country or region has not been specified in a table or chart, this means the table or chart refers to Europe as a whole.
- In this Survey the Czech Republic is referred to as its other official name Czechia.
- If “Multiple Answers Given” is written next to the graph, it means some companies chose more than one answer.
- This survey has been running continuously since 1983. At first it focused on only manufacturing industries, but in 2012 the survey expanded to include non-manufacturing industries. However this means that data accumulated from 6 years ago or more only compares and analyses within the manufacturing industries.
- Please note there are some differences between the Japanese and English publication.

# Survey Results: Target Countries & Industry Breakdown

## Manufacturing

- Food/processed food, agricultural or fishery products
- Textile Fabrics (Spinning/Woven fabrics/Chemical fibers)
- Textile apparel & products
- Lumber& Wood products
- Furniture & Fixtures
- Paper& Pulp
- Printing & Publishing
- Chemical, allied & petroleum products
- Medicines
- Plastic products
- Rubber products
- Ceramic, stone & clay products
- Iron & steel (Including cast and wrought products)
- Non-ferrous metals
- Fabricated metal products (Including plated products)
- General-purpose & production machinery (Including molds and machine tools)
- Business oriented machinery (Including office machines, analytical instruments & medical equipment )
- Electrical machinery & devices (Including parts)
- Information & communication electronics equipment
- Motor vehicles & Motorcycles (Transportation equipment)
- Motor vehicles & Motorcycles parts (Transportation equipment)
- Railroad vehicles/Ship/Aircraft/Industrial trucks (Transportation equipment)
- Railroad vehicles/Ship/Aircraft/Industrial truck parts (Transportation equipment)
- Miscellaneous manufacturing industries

## Non-Manufacturing

- Agriculture & forestry
- Fisheries
- Mining
- Construction/Plant
- Electricity/Gas/Heat supply/Water
- Transport activities/Warehouse
- Information & communications (Including software)
- Wholesale and retail trade(Including trading)
- Sales company
- Finance & insurance
- Real estate
- Professional & technical services
- Hotel/Travel/Restaurant
- Amusement/Living-related services
- Education
- Medical/healthcare & welfare
- Miscellaneous service industries

## Survey Results

1. Operating Profit Forecast
2. Current Domestic Market and Future Prospects
3. Operational Challenges
4. Britain's Exit from the European Union
5. Impact of Changes in Trade Environment
6. EPA/FTA
7. Local Procurement and Future Direction
8. Sales Destinations and Future Policy
9. Future Promising Sales Destinations
10. Business Outlook For Next 1 or 2 Years
11. Changes in Number of Employees
12. High Value-Added & Differentiation Initiatives

(Units:cos, %)

	Number of Participants		Industry	
	Valid response	Ratio(%)	Manufacturing	Non-Manufacturing
<b>Overall</b>	<b>842</b>	<b>100</b>	<b>383</b>	<b>459</b>
<b>■ Western Europe</b>	<b>734</b>	<b>87.2</b>	<b>315</b>	<b>419</b>
Germany	200	23.8	89	111
UK	188	22.3	65	123
France	84	10	44	40
Netherlands	77	9.1	25	52
Belgium	39	4.6	18	21
Spain	26	3.1	16	10
Austria	26	3.1	13	13
Ireland	24	2.9	7	17
Italy	21	2.5	7	14
Finland	14	1.7	12	2
Switzerland	10	1.2	4	6
Portugal	9	1.1	6	3
Sweden	9	1.1	5	4
Denmark	7	0.8	4	3
<b>■ Central &amp; Eastern Europe</b>	<b>108</b>	<b>12.8</b>	<b>68</b>	<b>40</b>
Czechia	31	3.7	22	9
Poland	26	3.1	14	12
Romania	22	2.6	11	11
Hungary	19	2.3	13	6
Slovakia	6	0.7	5	1
Serbia	3	0.4	2	1
Slovenia	1	0.1	1	0

(Note) No valid response obtained from Greece

# Survey Results Summary (1)

## Findings from the 2019 JETRO Survey on Business Conditions of Japanese Companies in Europe 65.5% of Japanese-Affiliated Companies in the EU Have Utilised the EU-Japan EPA. Companies Seek to Expand Their Market in the EU by Strengthening Their Company Brands.

### 1. Operating Profit Forecast

- Looking at operating profit forecast trends over the last 8 years, this year the percentage of Japanese-affiliated companies in Europe predicting that they would be profitable was 70.5%. The rate has been above 70% for five consecutive years (page 7, 9). Due to favourable employment conditions, rising wages and private consumption, demand in the region has been firm, reflecting continued subdued but steady economic growth.
- When comparing the 2019 operating profit forecast to the 2018 operating profit results, the percentage of companies in Europe predicting an “Increase” and the percentage of those expecting a “Decrease” were almost the same (30.1% and 30.5%, respectively). In the manufacturing sector, the percentage of companies expecting a “Decrease” was 36.7%, more than 10 percentage points higher than the percentage of companies predicting an “Increase” (26.6%). The most common reason for a “Decrease” in profit forecast of the manufacturing sector was “Sales decrease in local markets” (71.9%) in Western Europe and “Increase of labour costs” in Central and Eastern Europe (82.6%). (Page 10)
- For the 2020 compared to 2019 operating profit forecast, the proportion of Japanese-affiliated companies from the manufacturing sector who responded “Decrease” was prominent in the UK and Central and Eastern Europe, standing at 24.6% and 21.9%, respectively. The reason for the “Decrease” common in both areas was due to “Sales decrease in local markets” (68.8% and 35.7%, respectively). Many of these companies in the UK also cited “Increase of procurement costs” (43.8%) and negative “Effects of Brexit” (37.5%), while in Central and Eastern Europe “Increase of labour costs” (50.0%) was also another common response. On the other hand, the proportion of companies who replied “Increase” was relatively high in the non-manufacturing sector in Central and Eastern Europe, standing at 48.6%. The most common reason these companies cited was “Sales increase in local markets” (88.2%), followed by “Improvement of sales efficiency” (41.2%). (Page 11)
- Regarding the companies’ views on current market conditions in the country that they are based in, the total response rate for all companies in Europe who replied “Better” (8.7%) and “Slightly better” (23.9%) was 32.6%, a significant drop of 24.5 percentage points from the previous year (57.1%). The slowdown was particularly noticeable in the manufacturing sector in Western Europe, where the same rate was 24.2%, a 33.5 percentage point decrease since last year (57.7%). The total response rate for companies in Central and Eastern Europe who replied “Better” (25.2%) and “Slightly better” (38.3%) was 63.5%, a higher rate than Western Europe (27.9%). (Page 15)

# Survey Results Summary (2)

## 2. Britain's Exit from the European Union

- The most common operational challenge for companies was “UK’s exit from the EU” (56.5%). Uncertainties from the multiple extensions of the exit date resulted in making Brexit the biggest operational challenge for companies. (Page 17)
- Examining companies citing “UK’s exit from the EU” as an operational challenge by country and sector, the highest response rate came from the UK (87.1%) for the manufacturing sector and Ireland (73.3%) for the non-manufacturing sector, followed by the UK (70.3%). For Germany, the rates were high in both manufacturing and non-manufacturing sectors (54.3% and 59.3% respectively). When asked about major specific concerns related to “UK’s exit from the EU”, UK based companies and EU based companies both cited “Short-term impact of a disorderly exit” as the biggest challenge (92.7% and 81.8% respectively). (Page 21)
- “Economic slump in the UK” continued to be the most common concern of Japanese-affiliated UK based companies in relation to Brexit since 2017. This was followed by “Pound continues weakening” and “Changes in UK Regulations and Legislation”. For Japanese-affiliated companies in the EU other than the UK, “Export from the EU (other than the UK) to the UK” was the most common response, followed by “Economic slump in the UK” and “Economic slump in the EU”. (Page 29)
- Regarding “Trade”, companies were asked to expand on why this is a concern; for both UK based companies and companies based in the EU other than the UK the largest response was “Logistical dysfunction, customs clearance procedures” (91.8% and 86.8% respectively), followed by “Tariffs” (67.2% and 64.8% respectively). (Page 30)
- When companies citing “Changes in UK Regulations and Legislation” were asked to expand on why this is a concern, for both UK based companies and EU based companies the largest response was “Constraints of free movement of persons between the EU and UK” (51.8% and 43.4% respectively). This response was especially high in the non-manufacturing sector (58.3% and 50.0% respectively). (Page 30)
- In terms of preparation for the UK’s exit from the EU so far, the highest response rate for the “Already prepared” and “Preparing” categories for UK companies was towards “Complying with changes to regulation or legislation” (6.7% and 15.4% respectively). Specifically, these companies cited “REACH” and “Establishment of offices in new locations”. For EU based companies, the highest response rate for “Already prepared” was regarding “Obtaining Financial Passporting Authorisation in another EEA country” (8.4%). (Page 31)

# Survey Results Summary (3)

## 3. Utilisation of the Japan-EU EPA

- When Japanese-affiliated companies based in the EU were asked about the utilisation of the Japan-EU EPA, 65.5% have already utilised it for import from Japan to the EU and 53.1% for export from the EU to Japan. By country, the utilisation rates were over 80% for both import and export for Italy, while the rates were also over 70% for Spain. (Page 37)
- As for imports from Japan to the EU, the highest utilisation rate came from Japanese-affiliated companies based in Italy at 85.7%, followed by Czechia at 77.3%, Spain at 75.0%, Poland at 72.7%, Belgium at 70.0%, the Netherlands at 66.7%, Germany at 66.1%, and the UK at 61.8%. (Page 37)
- Examining by industry, the utilisation rate of the Japan-EU EPA for import was high in industries such as fabricated metal products (80.0%), textiles (80.0%), transportation equipment parts (79.5%), sales company (72.1%), and food/processed food, agricultural or fishery products (70.0%). For exports from the EU to Japan, higher utilisation rates came from sectors such as transport activities/warehouse (88.9%), transportation equipment parts (76.5%), and sales company (72.7%). (Page 38)
- In terms of items that may be problematic when using the Japan-EU EPA, within EU based companies, the top issue was “Proof of origin procedures (self-certification)” at 47.3%, increasing by more than 10 percentage points from the previous 34.6%. In addition, “Cooperation with supplier/business partners” (44.0%) and “In-house system improvements” (39.0%) also continued to be major challenges as with the previous survey. (Page 41)
- Regarding the local procurement of parts and raw materials for EU based companies, the simple average of companies’ responses (value-based) was calculated. The average procurement rate from Japan increased 1.2 percentage points to 32.6%. A particularly high rate of 46.6% came from Germany in which a cluster of Japanese-affiliated companies is formed. The procurement rate from Japan was also high in Belgium and the Netherlands, which have been logistical hubs for Europe. The utilisation ratio of the Japan-EU EPA was high among Japanese-affiliated companies based in these countries who have enjoyed the benefits of reduced tariffs (page 37, 45).
- 23.2% of EU based companies responded that they would “Increase” procurement from Japan. This trend was more prominent in the non-manufacturing sector; notably, nearly half of the wholesale and retail trade (including trading) sector (47.8%) chose this response. (Page 49)

# Survey Results Summary (4)

## 4. Other Major Trends Found Based on the Survey Results

### (1) Securing Human Resources Continues to be an Operational Challenge.

- “Securing human resources” is the second biggest operational challenge for companies, although since last year the rate has fallen by 1.8 percentage points to 41.8% (page 17). The response rate for “Securing human resources” was particularly high in Central and Eastern Europe. The highest rate came from Czechia at 79.3%, despite a 11.2 percentage point decrease, where according to Eurostat the unemployment rate was 2.1% as of September 2019, followed by Hungary (72.2%) and Poland (57.7%), with unemployment rates of 3.4% and 3.3% respectively (page 19, 23).
- Looking at the breakdown of “Securing human resources”, “Management personnel” was cited as most difficult to secure at 59.2%, followed by “Factory workers” at 28.6% and “IoT/AI specialists” at 21.1%. The most common response was “Management personnel” (60.9%) in Western Europe and “Factory workers” (62.9%) in Central and Eastern Europe. (Page 23)

### (2) EU Based Companies Intend to Strengthen Their Sales Functions, Viewing the EU as a Whole as Their Potent Market.

- Regarding the sales destinations for EU based companies, the simple average of companies’ responses (value-based) was calculated. The EU accounts for nearly 80% of their sales destinations on average, indicating that the main objective of Japanese-affiliated companies in setting up a business in the EU is to access the EU market (page 50). Poland, which was ranked as the second most “promising sales destination” after Germany in the previous survey, moved up to the first place this year (page 52). For the next 1-2 year business outlook across all sectors in Europe, 50.8% said “Expansion”, an increase of 1.3 percentage points from the previous survey (49.5%) (Page 54). When they were asked which functions were intended to be expanded, the most common answer was “Sales functions” (300 companies) (page 57).

### (3) Europe Based Companies Seek to Strengthen Their Company Brands

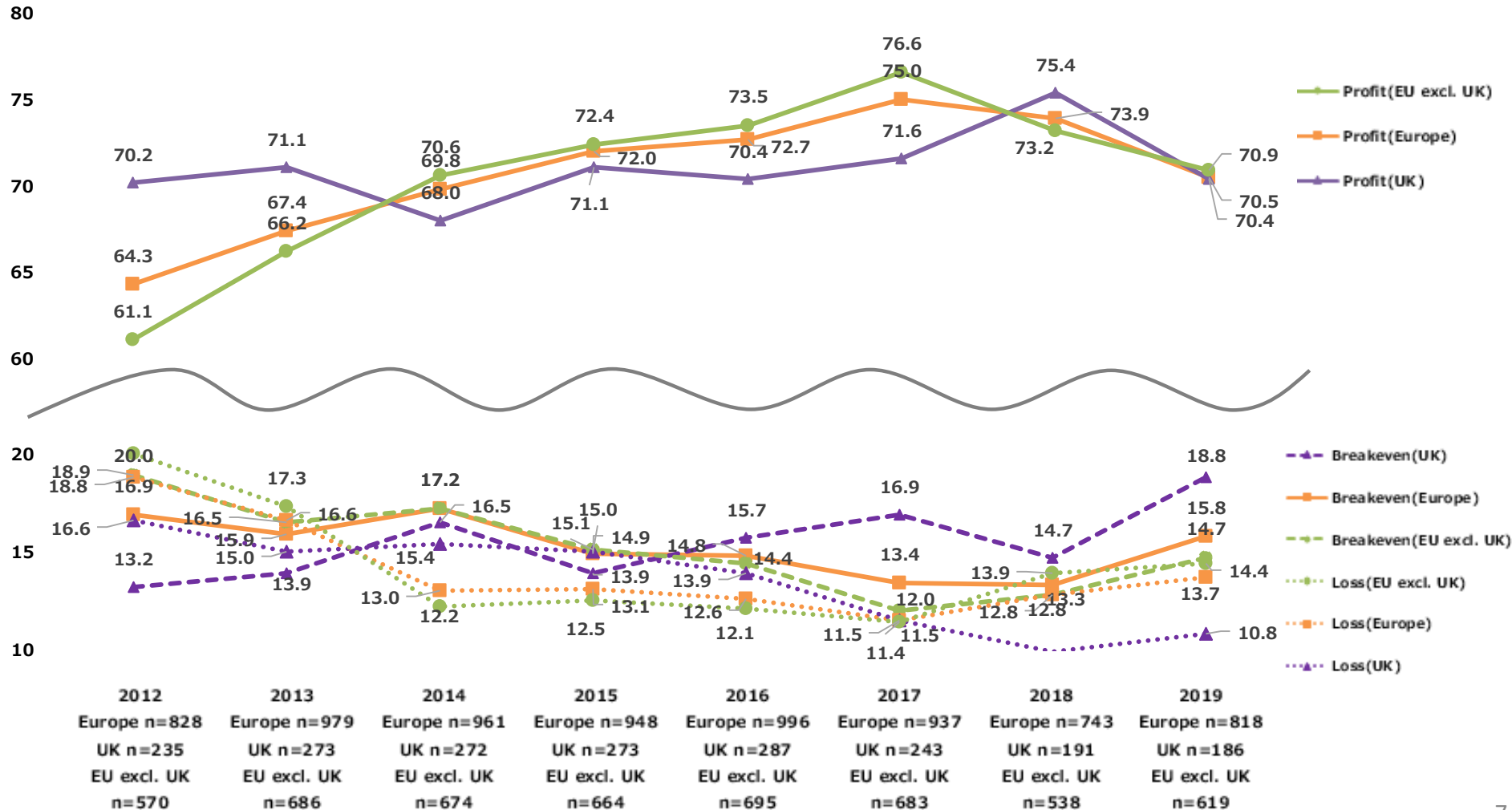
- When Europe based companies were asked what initiatives were being undertaken to differentiate or add high value to their products and services being sold, the most common response was “Strengthening company brand” at 48.9%, followed by “Strengthening technical skill training resources and increasing the number of skilled engineers” at 32.0%, and “Strengthening R&D functions” at 28.3%. (Page 62)

# 1. Operating Profit Forecast (1)

- Looking at operating profit forecast trends over the last 8 years, this year the percentage of Japanese-affiliated companies in Europe predicting that they will be profitable has decreased by 3.4 percentage points to 70.5%, marking a decline for the second consecutive year and the lowest rate in five years. While the percentage still remains on a high level (over 70%), it is on a declining trend.
- In 2019 the percentage of Japanese-affiliated companies in Europe who predicted a loss increased for the second consecutive year.

Operating Profit Forecast Trends for Europe and UK

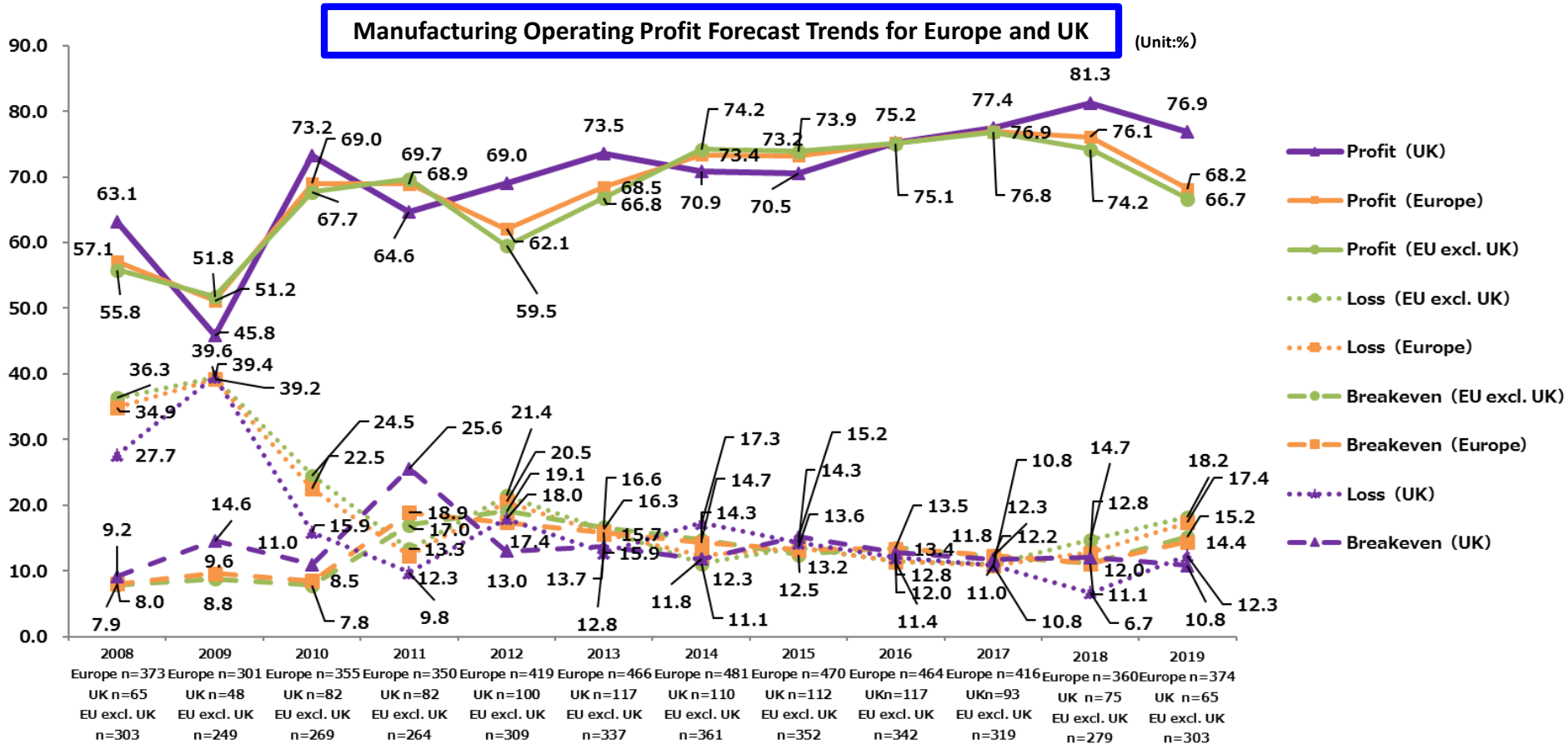
(Unit:%)





# 1. Operating Profit Forecast (2)

- The percentage of companies from the manufacturing sector predicting a profit for 2019 was 68.2%, a decrease of 7.9 percentage points from the previous year.
- This year, the percentage of Japanese-affiliated companies in the UK predicting a profit was 76.9%, decreasing by 4.4 percentage points since last year. The percentage of Japanese-affiliated companies in the manufacturing sector in the EU excluding the UK predicting a profit was 66.7%, a decrease of 7.5 percentage points from the previous year, while the percentage of those predicting a loss increased by 3.5 percentage points to 18.2%. Both of these figures followed the same trends for the second consecutive year.

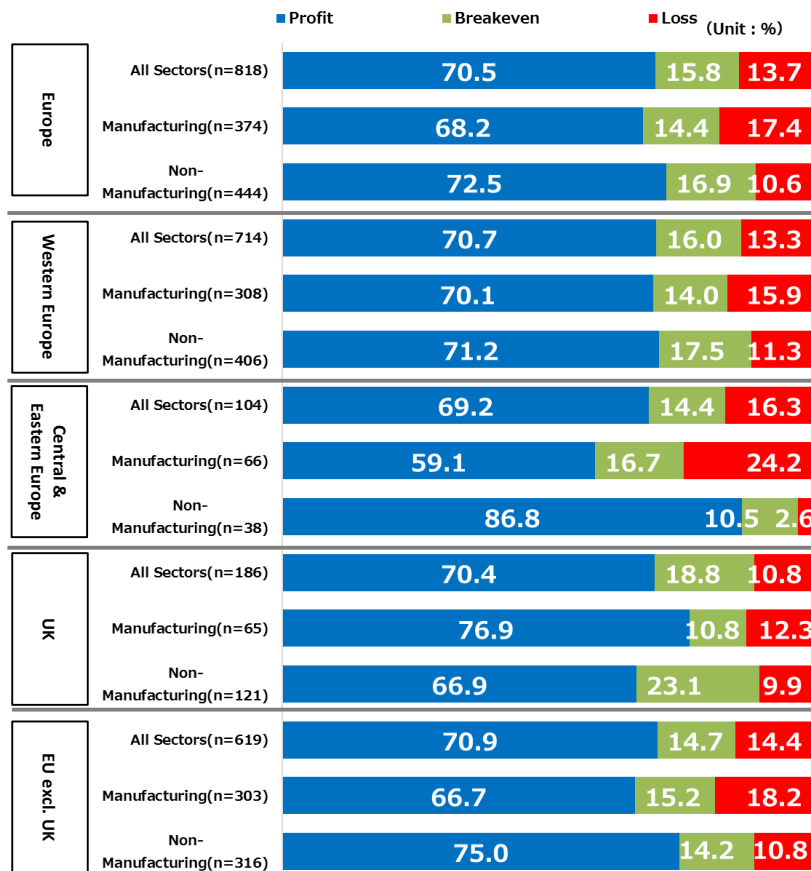


Operating Results: 2008-2010  
 Operating Forecast: 2011-2019

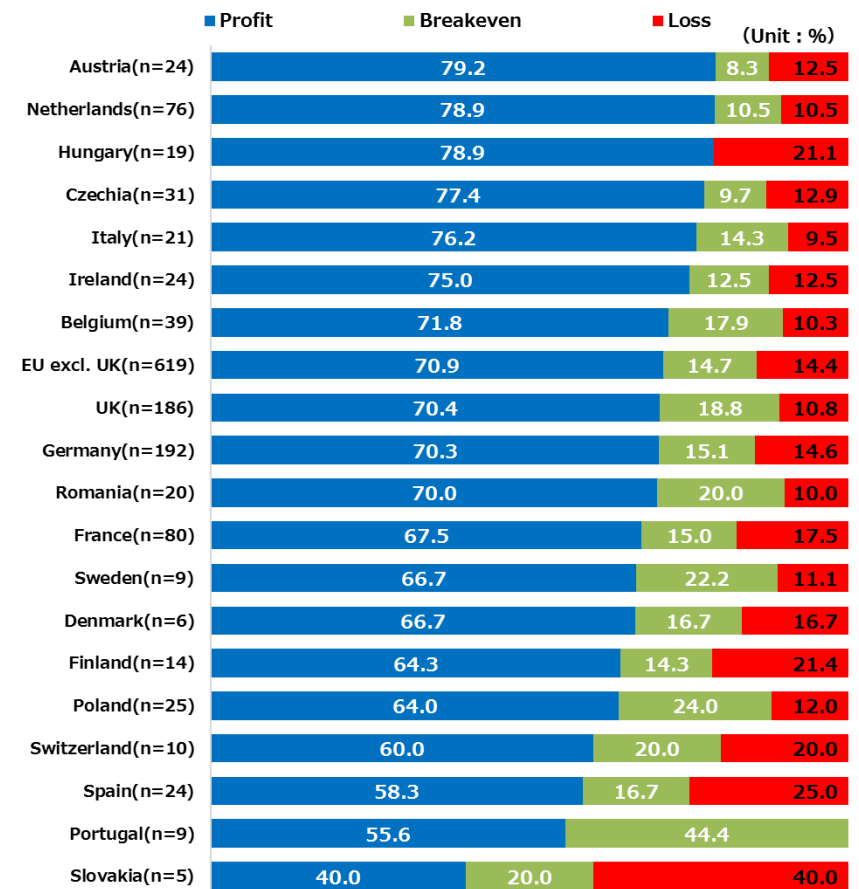
# 1. Operating Profit Forecast (3)

- For the 2019 operating profit forecast, 70.5% of all respondents answered that they would be profitable, 15.8% estimated that they would break even, and 13.7% that they would see a loss.
- The proportion of the manufacturing sector predicting a profit decreased from the previous year in both Western Europe and Central and Eastern Europe.
- The proportion of the non-manufacturing sector predicting a profit increased across Europe. The figure has grown especially largely in Central and Eastern Europe, standing at just below 90%.

## 2019 Operating Profit Forecast (By Industry)



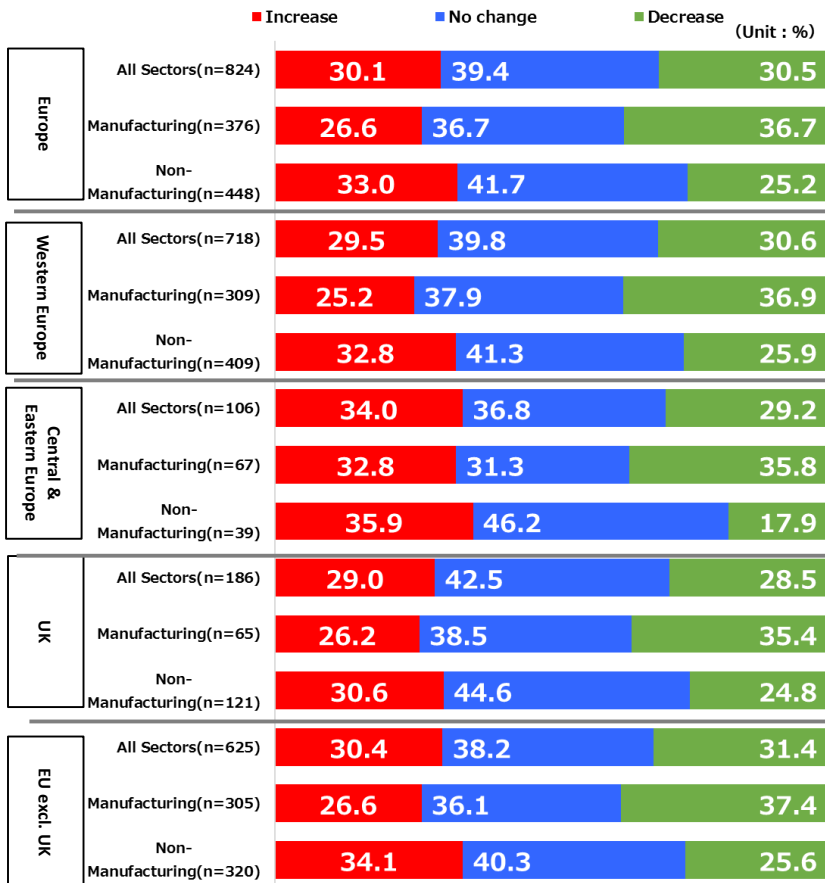
## 2019 Operating Profit Forecast (By Country)



# 1. Operating Profit Forecast (4)

- When comparing the 2019 operating profit forecast to the 2018 operating profit results, the percentage of companies in Europe predicting an “Increase” and the percentage of those expecting a “Decrease” were almost the same (30.1% and 30.5, respectively). In the manufacturing sector, the percentage of companies expecting a “Decrease” was 36.7%, more than 10 percentage points higher than the percentage of companies predicting an “Increase” (26.6%). The most common reason for a “Decrease” in sales forecast of the manufacturing sector was “Sales decrease in local markets” (71.9%) in Western Europe and “Increase of labour costs” in Central and Eastern Europe (82.6%).
- Many companies cited an “Increase” in their operating profit forecast, of which particularly high response rates came from the ‘Finance and insurance’ sector at 43.1% (22 companies) and the ‘Information and communications (Including software)’ sector at 40.9% (9 companies).

## 2019 Operating Profit Forecast compared to 2018 Operating Profit Results (By Industry)



## 2019 Operating Profit Forecast compared to 2018 Operating Profit Results “Increase”, “Decrease” ratio by Industry

Increase (n=248) (Units : Cos. %)				Decrease(n=251) (Units : Cos. %)			
		Responses	%			Responses	%
1	Business oriented machinery(Including office machines, analytical instruments and medical equipment etc)	7	50.0	1	Ceramic/Stone and clay products	4	80.0
1	Transportation equipment parts (Railroad vehicles/Ship/Aircraft/Industrial trucks)	3	50.0	2	Iron and steel(Including cast and wrought products)	4	57.1
3	Finance and insurance	22	43.1	3	General-purpose machinery/Production machinery(Including molds and machine tools)	9	56.3
4	Accommodations/Travel/Restaurant	7	41.2	4	Fabricated metal products(Including plated products)	6	54.5
5	Information and communications (Including software)	9	40.9	5	Textiles (Spinning/Woven fabrics/Chemical fibers)	3	50.0
				5	Rubber products	4	50.0

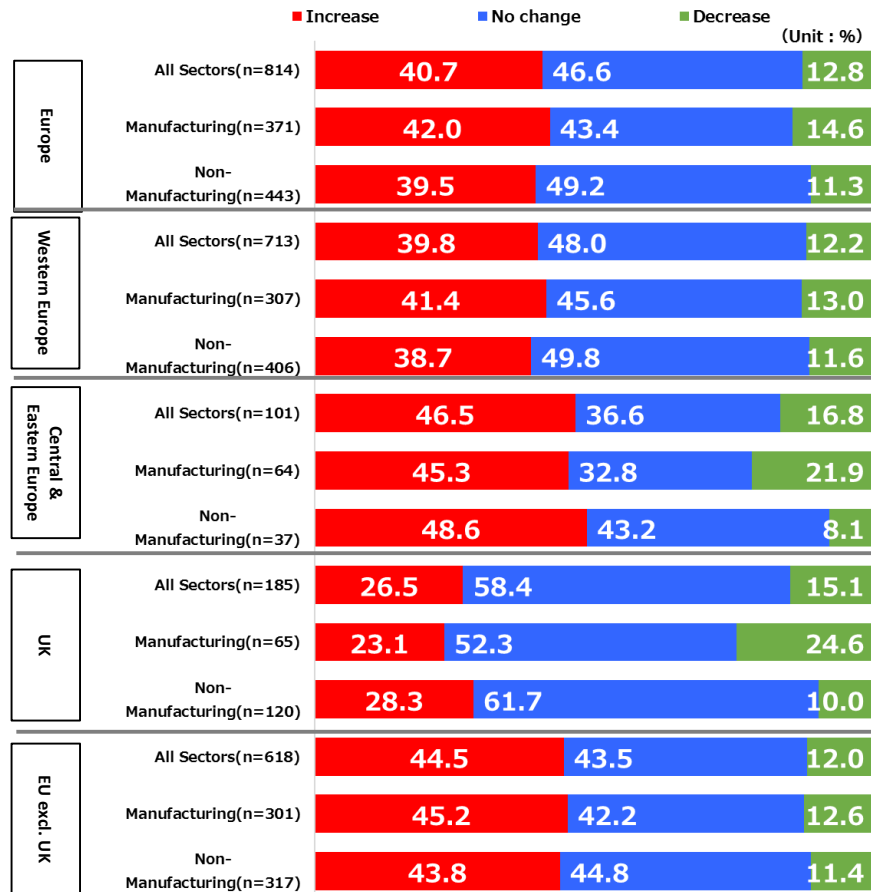
## 2019 Operating Profit Forecast Compared to 2018 Operating Profit Results Reasons Given for “Increase”, “Decrease”

Increase(n=248) (Units : Cos. %)				Decrease(n=250) (Units : Cos. %)			
		Responses	%			Responses	%
1	Sales increase in local markets	167	67.3	1	Sales decrease in local markets	170	68.0
2	Sales increase due to export expansion	86	34.7	2	Increase of labor costs	93	37.2
3	Reduction of procurement costs	49	19.8	3	Sales decrease due to export slowdown	81	32.4
4	Reduction of other expenditures (e.g., administrative/utility costs/fuel costs)	40	16.1	4	Increase of procurement costs	64	25.6
5	Improvement of sales efficiency	39	15.7	5	Production costs insufficiently shifted to selling price of goods	53	21.2

# 1. Operating Profit Forecast (5)

- For the 2020 compared to 2019 operating profit forecast, the proportion of Japanese-affiliated companies from the manufacturing sector who responded “Decrease” was prominent in the UK and Central and Eastern Europe, standing at 24.6% and 21.9%, respectively. The reason for the “Decrease” common in both areas was due to “Sales decrease in local markets” (68.8% and 35.7%, respectively). Many of these companies in the UK also cited “Increase of procurement costs” (43.8%) and negative “Effects of Brexit” (37.5%), while in Central and Eastern Europe “Increase of labour costs” (50.0%) was also another common response. On the other hand, the proportion of companies who replied “Increase” was relatively high in the non-manufacturing sector in Central and Eastern Europe (48.6%). The most common reason these companies cited was “Sales increase in local markets” (88.2%), followed by “Improvement of sales efficiency” (41.2%).

## 2020 Operating Profit Forecast compared to 2019 Operating Profit Forecast (By Industry)



## 2020 compared to 2019 Operating Profit Forecast Reasons Given for “Increase”, “Decrease” <Multiple Answers Given>

### Europe(All Sectors)

Increase(n=326)

(Units : Cos, %)

	Responses	%
1	Sales increase in local markets	228 69.9
2	Sales increase due to export expansion	124 38.0
3	Improvement of sales efficiency	67 20.6
4	Improvement of production efficiency (manufacturing industry only)	66 20.2
5	Reduction of labour costs	50 15.3

### Central & Eastern Europe(Non-Manufacturing)

Increase(n=17)

(Units : Cos, %)

	Responses	%
1	Sales increase in local markets	15 88.2
2	Improvement of sales efficiency	7 41.2
3	Sales increase due to export expansion	4 23.5

### UK(Manufacturing)

Decrease(n=16)

(Units : Cos, %)

	Responses	%
1	Sales decrease in local markets	11 68.8
2	Increase of procurement costs	7 43.8
3	Britain's Exit from the European Union	6 37.5

### Central & Eastern Europe(Manufacturing)

Decrease(n=14)

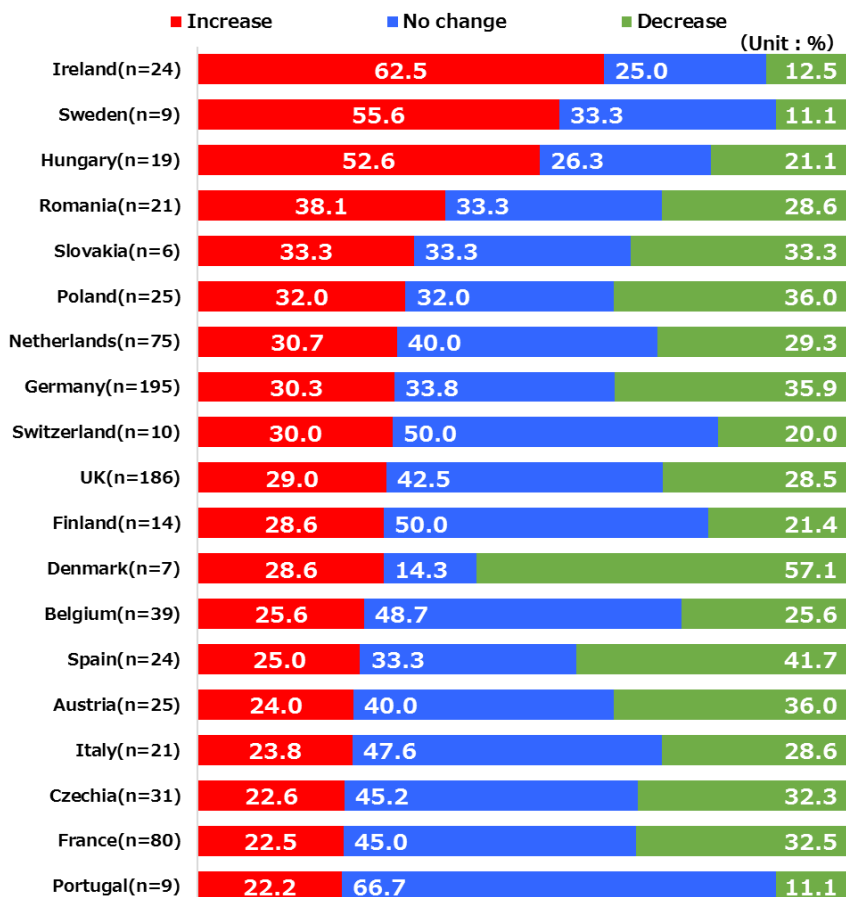
(Units : Cos, %)

	Responses	%
1	Increase of labour costs	7 50.0
2	Sales decrease in local markets	5 35.7
3	Production costs insufficiently shifted to selling price of goods	4 28.6
3	Other	4 28.6

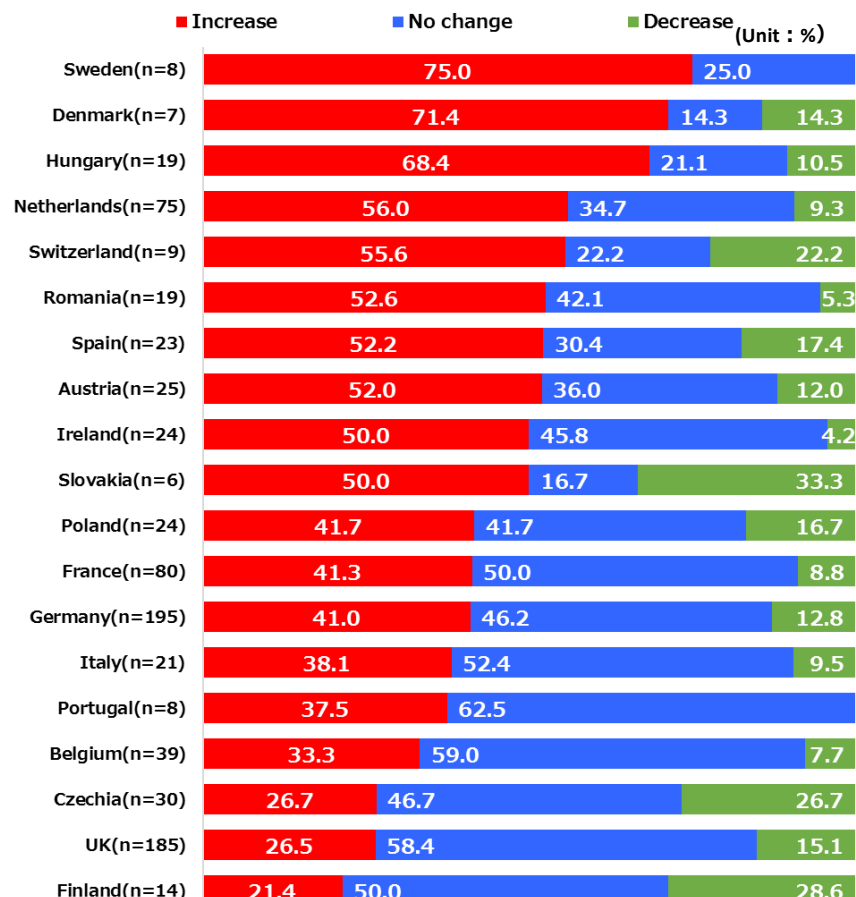
# 1. Operating Profit Forecast (6)

- Comparing these two graphs, '2019 Operating Profit Forecast compared to 2018 Operating Profit Results' and '2020 Operating Profit Forecast compared to 2019', by country, it can be seen that the "Increase" response rate has risen by more than 10 percentage points for countries other than the Ireland, UK, Belgium, Czechia, Poland and Finland; indicating that companies in these countries have a particularly high expectation for their 2020 operating profits.
- The most common reason for this "Increase" was due to "Sales increase in local markets", whereas for "Decrease" the reason was usually due to "Sales reduction in Local Markets".

## 2019 Operating Profit Forecast compared to 2018 Operating Profit Results (By Country)



## 2020 Operating Profit Forecast compared to 2019 (By Country)

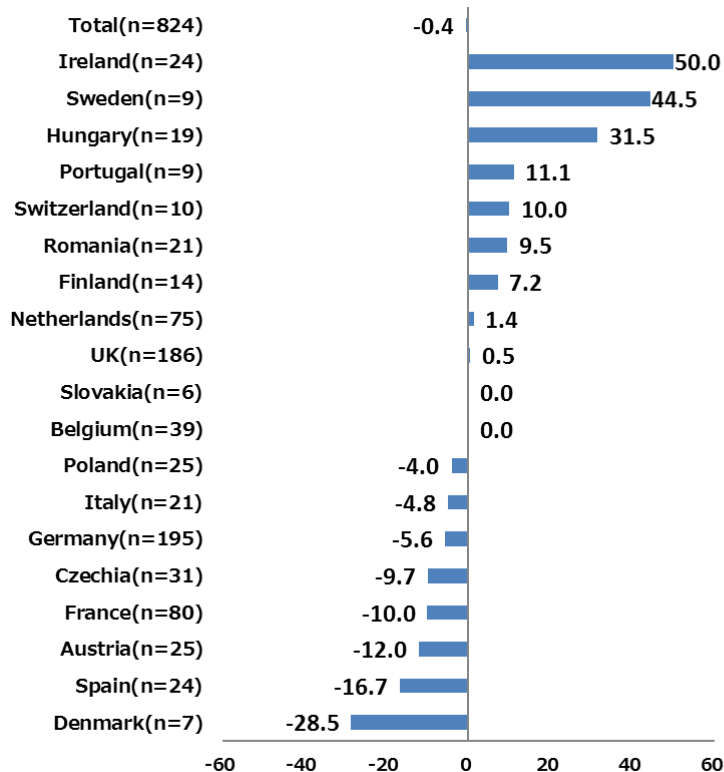


# 1. Operating Profit Forecast (7)

- Comparing 'DI: 2020 Operating Profit Forecasts compared to 2019' and 'DI: 2019 Operating Profit Forecast compared to 2018 Operating Profit Results' by country, Ireland's DI operating profit forecast has been high despite concerns over the Britain's Exit from the European Union.
- The 'DI: 2019 Operating Profit Forecast compared to 2018 Operating Profit Results' by country shows that DI operating profit forecasts were in the negative for major countries such as Germany, Italy, Spain and France.
- The 'DI: 2020 Operating Profit Forecasts compared to 2019' indicates that DI operating profit forecasts were in the positive for all countries other than Czechia and Finland.

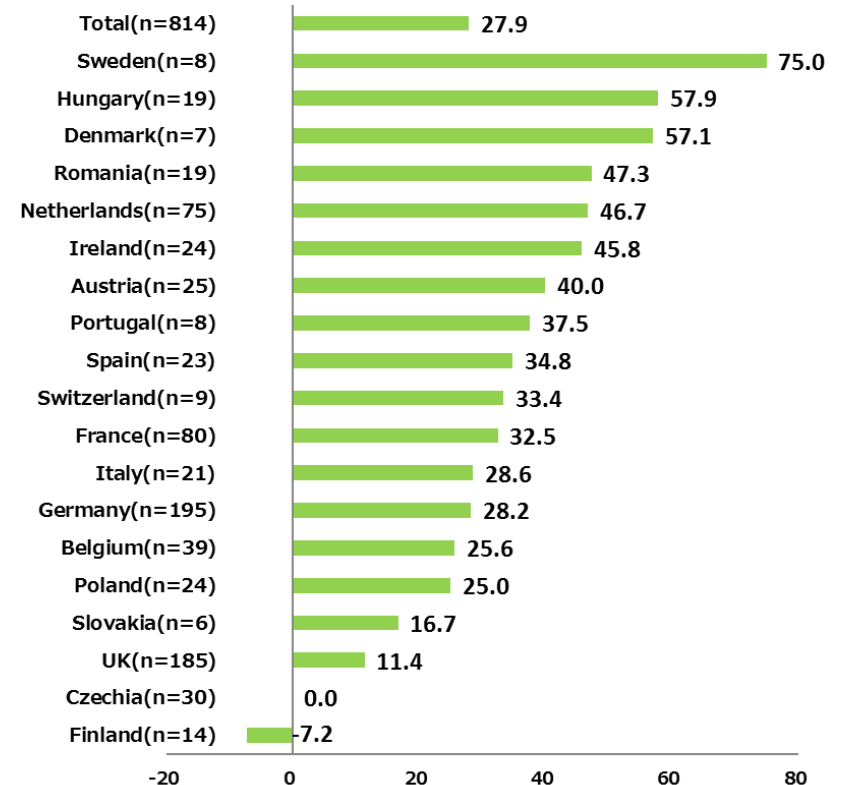
**DI: 2019 Operating Profit Forecast compared to 2018 Operating Profit Results (By Country)**

(Unit : Point)



**DI: 2020 Operating Profit Forecasts compared to 2019 (By Country)**

(Unit : Point)



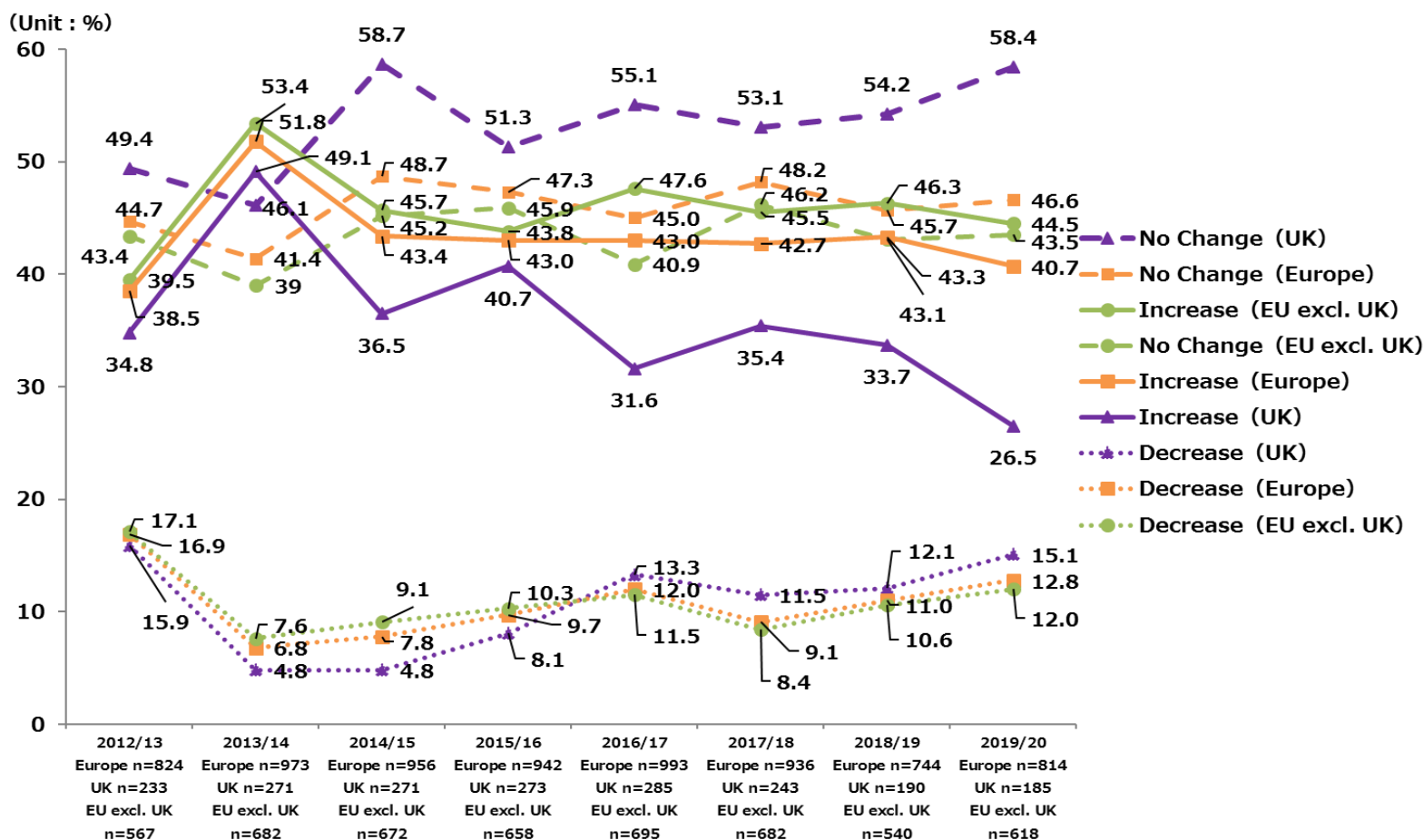
DI = Diffusion Index is a method of summarizing the common tendency of a group of statistical series, which is helpful in assessing the overall state of the economy. This value is obtained by deducting the proportion of companies who replied "Decrease" from those that replied "Increase".

(NB) Countries where the count is less than 5 are not included.

# 1. Operating Profit Forecast (8)

- For the 2020 compared to 2019 operating profit forecast, the response rate for companies who responded “Decrease” was 12.8% for Europe, 15.1% for the UK, 12.0% for EU countries other than the UK, respectively. All of these figures are the second highest in the past eight years after the 2013 compared to 2012 operating profit forecast.
- The most common reason these companies cited was “Sales decrease in local markets” in all of the three regions (response rate: 60.6% for Europe, 75.0% for the UK, and 56.8% for EU countries other than the UK). Other common reasons for Europe and EU countries other than the UK included “Increase of labour costs” (28.8% and 32.4%, respectively) and “Sales decrease due to export slowdown” (25.0% and 25.7%, respectively), while those for the UK included “Increase of procurement costs” (42.9%), “Effects of exchange rate fluctuation” and “Britain's Exit from the European Union” (both rates stood at 35.7%).

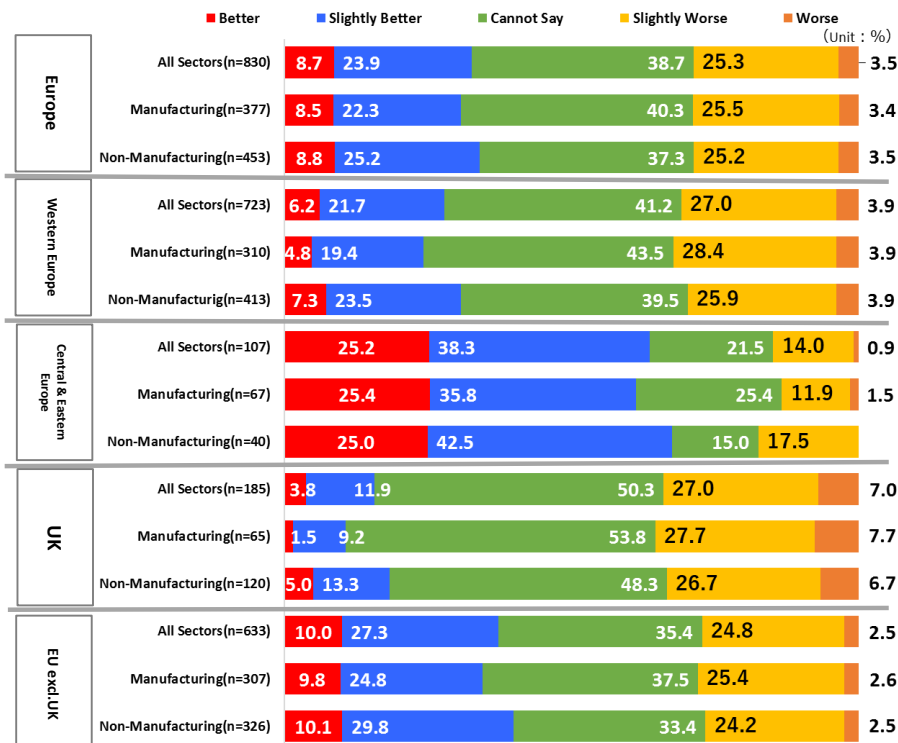
UK & Europe Operating Profit Forecast Trends



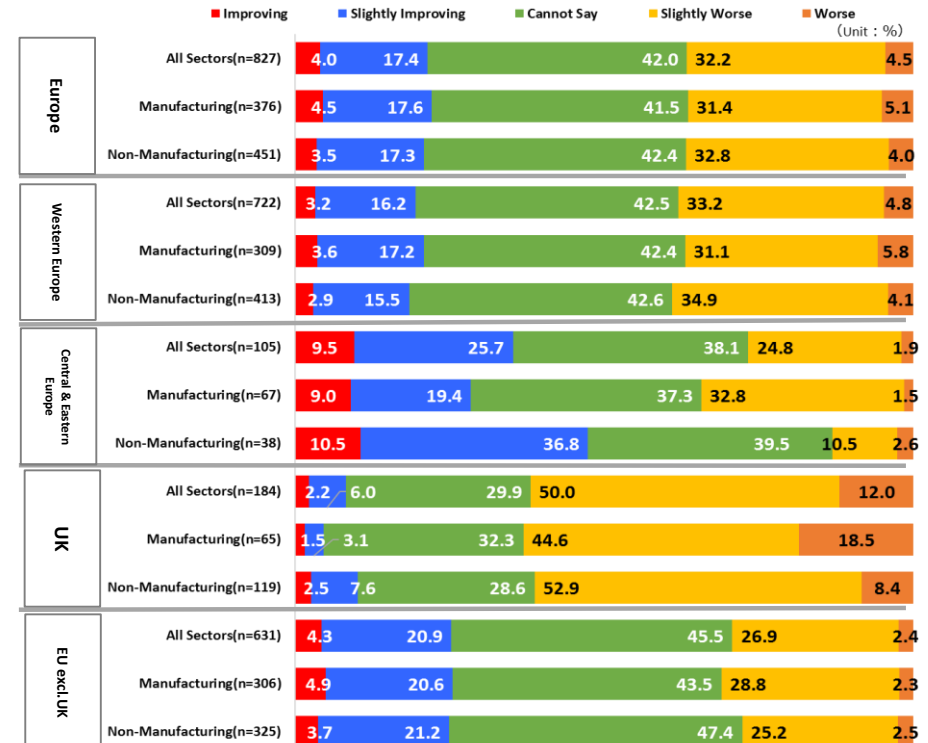
# 2. Current Domestic Market and Future Prospects (1)

- Regarding the companies' views on current market conditions in the country that they are based in, the total response rate for all companies in Europe who responded "Better" (8.7%) and "Slightly better" (23.9%) was 32.6%, a significant drop of 24.5 percentage points from the previous year (57.1%). The slowdown was particularly noticeable in the manufacturing sector in Western Europe, where the same rate was 24.2%, a 33.5 percentage point decrease since last year (57.7%). The total response rate for companies in Central and Eastern Europe who responded "Better" (25.2%) and "Slightly better" (38.3%) was 63.5%, a higher rate than Western Europe (27.9%).
- The total proportion of UK based companies from all sectors who responded "Better" (3.8%) and "Slightly better" (11.9%) was 15.7%, decreasing by 15.6 percentage points since the 2019 survey. Notably, the manufacturing sector decreased by 25.3 percentage points to 10.7%. As for the companies' future prospects on the UK market, the total response rate for companies who responded "Slightly worse" (50.0%) and "Worse" (12.0%) was 62.0%, increasing by 13.6 percentage points since last year.
- Looking at current domestic markets for all Europe-based companies by industry, relatively high "Better" response rates were from the fabricated metal products (including plated products) industry at 30.0% and the food/processed food, agricultural or fishery products industry at 29.6%. In terms of future prospects for the domestic market, the food/processed food, agricultural or fishery products industry had a high response rate for "Improving" at 33.3%.

### Current Domestic Market(By Industry)



### Domestic Market Future Prospects(By Industry)

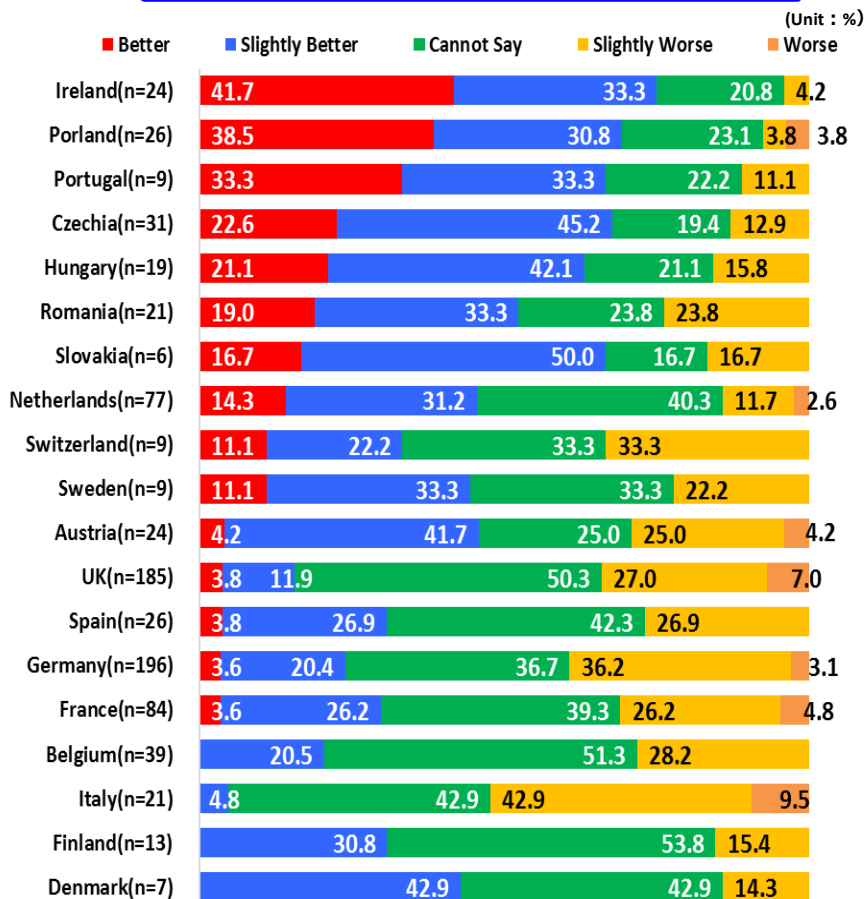




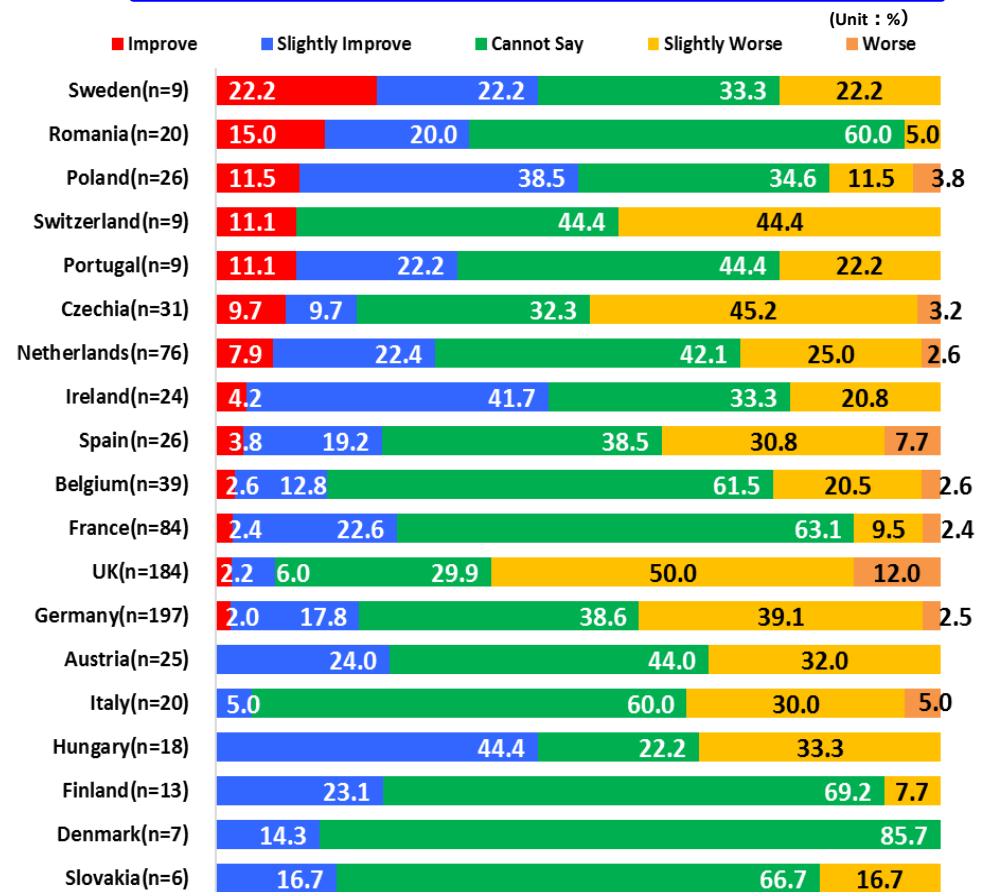
## 2. Current Domestic Market and Future Prospects (2)

- This year companies based in Ireland gave the highest response rate that their domestic market was doing better at 41.7%; furthermore another 33.3% of Ireland based companies responded that the market was doing slightly better; these two figures combined amount to over 70%, giving an impression that the local economy was undoubtedly improving. In addition, nearly 70% of companies based in Poland and Czechia responded that their domestic market is doing better or slightly better. On the other hand, the results show that more than 50% of Italy based companies are seeing that their domestic market has become “slightly worse” (42.9%) or “worse” (9.5%). The German market also seems to be slowing down, with nearly 40% of the companies responded that it has become “slightly worse” (36.2%) or “worse” (3.1%), increasing significantly from the previous survey result (3.9%).

### Current Domestic Market(By Country)



### Domestic Market Future Prospects(By Country)



# 3. Operational Challenges (1)

- The most common operational challenge cited was “UK’s exit from the EU” (56.5%), which was a new item added in the 2019 survey. Uncertainties from the multiple extensions of the exit date resulted in making Brexit the biggest operational challenge.
- “Securing human resources” is the second biggest operational challenge, although since last year the rate has fallen by 1.8 percentage points to 41.8%. While the response rate for manufacturing companies who cited this response decreased by 6.4 percentage points to 46.6%, the rate has risen by 3.2 percentage points to 37.8% in the non-manufacturing sector. Other than that, the response rate for “Lower prices offered by competitors” also notably increased, growing by 3.6 percentage points to 33.0% overall and by 6.8 percentage points to 41.7% in the manufacturing sector.
- The overall response rate for “High labour costs” was 40.3%, decreasing by 0.2 percentage points since last year. While the rate increased in the manufacturing sector by 1.3 percentage points to 41.4%, it fell by 1.5 percentage points to 39.4% in the non-manufacturing sector.
- The overall response rate for the “EU General Data Protection Regulation (GDPR)”, which was put into effect in May 2018, was 32.5%, increasing 2.5 percentage points since last year. The rate for the manufacturing sector grew by 3.0 percentage points to 27.8%, and the non-manufacturing sector by 1.6 percentage points to 36.5%.

**Operational Challenges <Multiple Answers Given>**

(Units:%,point)

		2017 (n=909)	2018 (n=711)	2019 (n=803)	Change since 2018	Sector							
						Manufacturing				Non-Manufacturing			
						2017 (n=406)	2018 (n=347)	2019 (n=367)	Change since 2018	2017 (n=503)	2018 (n=364)	2019 (n=436)	Change since 2018
1	UK's exit from the EU	-	-	56.5	-	-	-	55.6	-	-	-	57.3	-
2	Securing Human Resources	51.7	43.6	41.8	△ 1.8	53.9	53.0	46.6	△ 6.4	49.9	34.6	37.8	3.2
3	High labour costs	38.7	40.5	40.3	△ 0.2	40.9	40.1	41.4	1.3	37.0	40.9	39.4	△ 1.5
4	Lower prices offered by competitors	33.4	29.4	33.0	3.6	36.0	34.9	41.7	6.8	31.4	24.2	25.7	1.5
5	EU General Data Protection Regulation (GDPR)	26.3	30.0	32.5	2.5	22.4	24.8	27.8	3.0	29.4	34.9	36.5	1.6
6	Rapid labour costs growth	20.5	30.5	30.8	0.3	26.4	36.6	37.9	1.3	15.7	24.7	24.8	0.1
7	European social and political situation	48.8	37.8	29.4	△ 8.4	49.0	32.6	28.9	△ 3.7	48.7	42.9	29.8	△ 13.1
8	Entry of new competitors	26.3	27.3	27.6	0.3	26.6	26.2	29.2	3.0	26.0	28.3	26.4	△ 1.9
9	Exchange rate fluctuations	30.9	23.2	26.4	3.2	34.0	26.2	29.4	3.2	28.4	20.3	23.9	3.6
10	Visa/work permits	24.4	26.4	25.5	△ 0.9	22.2	26.2	23.2	△ 3.0	26.2	26.6	27.5	0.9
11	Economic recession, shrinking of markets	15.3	11.5	24.5	13.0	13.5	9.8	24.0	14.2	16.7	13.2	25.0	11.8
12	Strict dismissal laws	28.5	23.3	23.5	0.2	26.8	19.3	19.6	0.3	29.8	27.2	26.8	△ 0.4
13	Quality of workforce	26.0	21.9	21.9	0.0	28.8	25.1	21.5	△ 3.6	23.7	19.0	22.2	3.2
14	US Protectionism and EU measures towards the US	-	20.8	21.7	0.9	-	23.6	24.3	0.7	-	18.1	19.5	1.4
15	Procurement costs	19.8	21.4	19.9	△ 1.5	29.8	34.3	28.3	△ 6.0	11.7	9.1	12.8	3.7

(Note) “UK’s exit from the EU” is a new response option added in the 2019 survey and US Protectionism and EU measures towards the US.

# 3. Operational Challenges (2)

- Companies in all of Western Europe cited “UK’s exit from the EU” as the biggest operational challenge at 57.4%. The rate reached nearly 60% in both manufacturing and non-manufacturing sectors.
- “High labour costs” remained as one of the most challenging issues at 43.3%, increasing by 0.8 percentage points. The rate for the manufacturing sector grew by 3.5 percentage points to 46.2%.
- The overall response rate for “Securing human resources” decreased by 1.2 points to 39.0%. The rate has improved notably in the manufacturing sector, decreasing 7.6 percentage points to 41.2%; in the non-manufacturing sector, however, the rate increased by 4.9 points from last year to 37.4%.
- In addition, the response rate for “Economic recession, shrinking of markets” increased 12.5 percentage points since last year to 24.6%.

## Operational Challenges in Western Europe <Multiple Answers Given>

(Units:%,point)

		2018 (n=630)	2019 (n=702)	Change since 2018	Sector					
					Manufacturing			Non-Manufacturing		
					2018 (n=295)	2019 (n=301)	Change since 2018	2018 (n=335)	2019 (n=401)	Change since 2018
1	UK’s exit from the EU	-	57.4	-	-	56.1	-	-	58.4	-
2	High labour costs	42.5	43.3	0.8	42.7	46.2	3.5	42.4	41.1	△ 1.3
3	Securing Human Resources	40.2	39.0	△ 1.2	48.8	41.2	△ 7.6	32.5	37.4	4.9
4	EU General Data Protection Regulation (GDPR)	30.6	32.9	2.3	25.1	28.9	3.8	35.5	35.9	0.4
5	Lower prices offered by competitors	28.4	31.9	3.5	34.6	40.5	5.9	23.0	25.4	2.4
6	European social and political situation	37.9	28.3	△ 9.6	32.2	28.6	△ 3.6	43.0	28.2	△ 14.8
7	Entry of new competitors	27.1	26.6	△ 0.5	26.4	27.9	1.5	27.8	25.7	△ 2.1
8	Strict dismissal laws	24.9	26.4	1.5	22.0	23.3	1.3	27.5	28.7	1.2
9	Exchange rate fluctuations	23.2	25.8	2.6	26.8	29.2	2.4	20.0	23.2	3.2
10	Rapid labour costs growth	25.2	25.1	△ 0.1	28.8	28.6	△ 0.2	22.1	22.4	0.3
11	Economic recession, shrinking of markets	12.1	24.6	12.5	10.2	24.6	14.4	13.7	24.7	11.0
12	Visa/work permits	23.3	23.4	0.1	21.0	19.3	△ 1.7	25.4	26.4	1.0
13	US Protectionism and EU measures towards the US	21.0	22.4	1.4	23.4	25.6	2.2	18.8	20.0	1.2
14	Quality of workforce	20.2	20.8	0.6	22.4	18.9	△ 3.5	18.2	22.2	4.0
15	Customs clearance issues	19.7	19.2	△ 0.5	22.4	19.6	△ 2.8	17.3	19.0	1.7

(Note) “UK’s exit from the EU” is a new response option added in the 2019 survey and US Protectionism and EU measures towards the US.

# 3. Operational Challenges (3)

- Companies in Central and Eastern Europe cited “Rapid labour cost growth” as the key challenge, the same as last year; however, the rate reduced by 1.3 percentage points to 70.3%. The rate was notably high in the manufacturing sector, continuing to exceed 80% since 2017.
- The overall response rate for “Entry of new competitors” increased 6.3 percentage points to 34.7%; the growth was particularly large in the manufacturing sector, increasing 9.8 percentage points to 34.8%. The overall response rate for “Better quality of products offered by competitors” was 19.8%, a 9.9 percentage point increase since last year. The rate grew in the non-manufacturing sector, increasing 15.4 percentage points to 25.7%. In addition, “Economic recession, shrinking of markets” rose notably by 16.4 percentage points to 23.8%.

## Operational Challenges in Central and Eastern Europe <Multiple Answers Given>

(Units:%,point)

		2018 (n=81)	2019 (n=101)	Change since 2018	Sector					
					Manufacturing			Non-Manufacturing		
					2018 (n=52)	2019 (n=66)	Change since 2018	2018 (n=29)	2019 (n=35)	Change since 2018
1	Rapid labour costs growth	71.6	70.3	△ 1.3	80.8	80.3	△ 0.5	55.2	51.4	△ 3.8
2	Securing Human Resources	70.4	61.4	△ 9.0	76.9	71.2	△ 5.7	58.6	42.9	△ 15.7
3	UK's exit from the EU	-	50.5	-	-	53.0	-	-	45.7	-
4	Visa/work permits	50.6	40.6	△ 10.0	55.8	40.9	△ 14.9	41.4	40.0	△ 1.4
4	Lower prices offered by competitors	37.0	40.6	3.6	36.5	47.0	10.5	37.9	28.6	△ 9.3
6	European social and political situation	37.0	36.6	△ 0.4	34.6	30.3	△ 4.3	41.4	48.6	7.2
7	Entry of new competitors	28.4	34.7	6.3	25.0	34.8	9.8	34.5	34.3	△ 0.2
8	Exchange rate fluctuations	23.5	30.7	7.2	23.1	30.3	7.2	24.1	31.4	7.3
9	Quality of workforce	35.8	29.7	△ 6.1	40.4	33.3	△ 7.1	27.6	22.9	△ 4.7
9	EU General Data Protection Regulation	24.7	29.7	5.0	23.1	22.7	△ 0.4	27.6	42.9	15.3
11	Procurement costs	37.0	26.7	△ 10.3	40.4	30.3	△ 10.1	31.0	20.0	△ 11.0
12	Frequent legislation revisions	16.0	24.8	8.8	17.3	25.8	8.5	13.8	22.9	9.1
13	Economic recession, shrinking of markets	7.4	23.8	16.4	7.7	21.2	13.5	6.9	28.6	21.7
14	Increasing energy cost	23.5	22.8	△ 0.7	30.8	27.3	△ 3.5	10.3	14.3	4.0
15	High labour costs	24.7	19.8	△ 4.9	25.0	19.7	△ 5.3	24.1	20.0	△ 4.1
15	Better quality of products offered by competitors	9.9	19.8	9.9	11.5	16.7	5.2	10.3	25.7	15.4
15	Highways	23.5	19.8	△ 3.7	23.1	16.7	△ 6.4	24.1	25.7	1.6

(Note) “UK’s exit from the EU” is a new response option added in the 2019 survey.

# 3. Operational Challenges (4)

- “UK’s exit from the EU” was the biggest challenge among UK based companies with the response rate of 76.1%. A particularly high response rate came from the manufacturing sector at 87.1%.
- The overall response rate for the second most common response, “Exchange rate fluctuations”, increased 12.2 percentage points to 45.0%; the rate increased by more than 10 percentage points in both manufacturing and non-manufacturing sectors since the previous survey.
- The response rate for “Securing human resources” was 36.1%. While the rate decreased for the manufacturing sector by 9.0 percentage points to 40.3%, it increased for the non-manufacturing sector by 7.5 percentage points to 33.9%.
- The response rate for “EU General Data Protection Regulation (GDPR)” was 35.6%; in the manufacturing sector, it increased 6.3 percentage points since last year to 27.4%.
- The overall response rate for “Economic recession, shrinking of markets” was 24.4%, increasing 8.0 percentage points. Notably, the rate doubled for the manufacturing industry to 27.4%, increasing 14.7 percentage points since last year.

**UK Operational Challenge Trends <Multiple Answers Given>**

(Units:%,point)

	2017 (n=238)	2018 (n=177)	2019 (n=180)	Change since 2018	Sector							
					Manufacturing				Non-Manufacturing			
					2017 (n=93)	2018 (n=71)	2019 (n=62)	Change since 2018	2017 (n=145)	2018 (n=106)	2019 (n=118)	Change since 2018
1 UK’s exit from the EU	-	-	76.1	-	-	-	87.1	-	-	-	70.3	-
2 Exchange rate fluctuations	46.6	32.8	45.0	12.2	50.5	38.0	54.8	16.8	44.1	29.2	39.8	10.6
3 Securing Human Resources	53.8	35.6	36.1	0.5	55.9	49.3	40.3	△ 9.0	52.4	26.4	33.9	7.5
4 EU General Data Protection Regulation (GDPR)	30.7	33.9	35.6	1.7	25.8	21.1	27.4	6.3	33.8	42.5	39.8	△ 2.7
5 European social and political situation	64.7	57.1	32.2	△ 24.9	62.4	53.5	35.5	△ 18.0	66.2	59.4	30.5	△ 28.9
6 High labour costs	38.7	32.8	31.7	△ 1.1	36.6	25.4	29.0	3.6	40.0	37.7	33.1	△ 4.6
7 Customs clearance issues	17.6	27.1	26.7	△ 0.4	25.8	35.2	37.1	1.9	12.4	21.7	21.2	△ 0.5
8 Economic recession, shrinking of markets	18.9	16.4	24.4	8.0	18.3	12.7	27.4	14.7	19.3	18.9	22.9	4.0
9 Lower prices offered by competitors	28.2	22.6	23.3	0.7	35.5	25.4	41.9	16.5	23.4	20.8	13.6	△ 7.2
10 Rapid labour costs growth	15.1	26.0	22.8	△ 3.2	20.4	26.8	25.8	△ 1.0	11.7	25.5	21.2	△ 4.3
11 Visa/work permits	31.9	28.2	21.7	△ 6.5	26.9	25.4	16.1	△ 9.3	35.2	30.2	24.6	△ 5.6
11 Procurement costs	21.4	18.1	21.7	3.6	33.3	33.8	37.1	3.3	13.8	7.5	13.6	6.1
13 Quality of workforce	26.1	20.3	18.9	△ 1.4	33.3	26.8	21.0	△ 5.8	21.4	16.0	17.8	1.8
14 Strict dismissal laws	15.5	15.8	17.8	2.0	18.3	11.3	14.5	3.2	13.8	18.9	19.5	0.6
15 Procedures for VAT refunds are complex and/or lack of transparency	8.0	11.9	16.7	4.8	10.8	16.9	17.7	0.8	6.2	8.5	16.1	7.6
15 Entry of new competitors	23.1	24.3	16.7	△ 7.6	26.9	23.9	22.6	△ 1.3	20.7	24.5	13.6	△ 10.9

(Note) “UK’s exit from the EU” is a new response option added in the 2019 survey.

# 3. Operational Challenges (5)

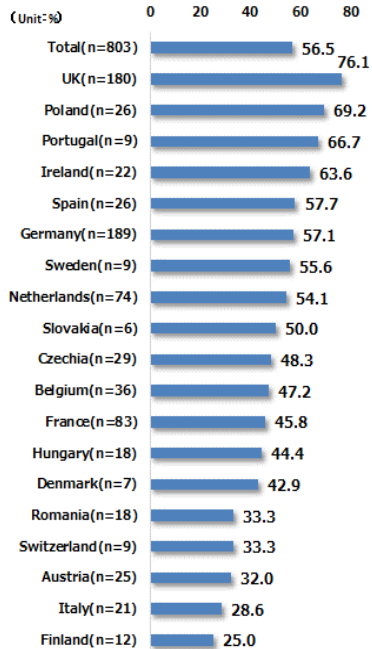
- The overall response rate for “UK’s exit from the EU” was 56.5%. The highest rates came from the UK (76.1%), Poland (69.2%), and Portugal (66.7%).
- By country and category, the highest response rate for the manufacturing sector came from the UK (87.1%), followed by Portugal (83.3%), Sweden (80.0%), Poland (78.6%), and Spain (62.5%).
- In the non-manufacturing sector, the highest response rate came from Ireland (73.3%), followed by the UK (70.3%). For Germany, the rates were high in both manufacturing and non-manufacturing sectors (54.3% and 59.3% respectively).
- When asked about major specific concerns related to “UK’s exit from the EU”, companies based in the UK and companies based in the EU other than the UK both cited “Short-term impact of a disorderly exit” as the biggest challenge (92.7% and 81.8% respectively).
- Also, “Uncertainty regarding future relationship between the EU and UK” was cited by 66.4% of companies based in the UK and 47.3% of companies based in the EU other than the UK.
- The proportion of companies based in the UK citing the “Further delay of the exit” (38.7%) was higher than that of companies based in the EU other than the UK (14.7%).

## 1. UK’s exit from the EU

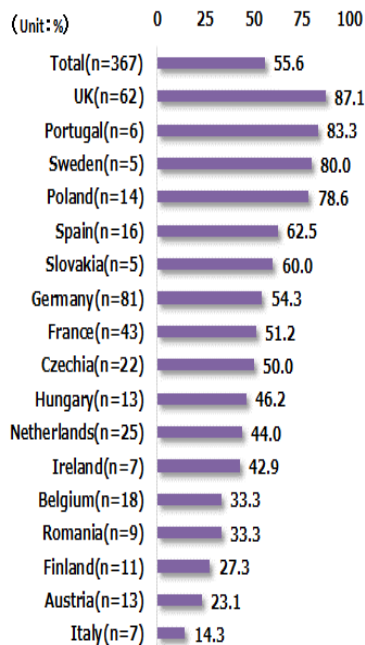
### Response Rate by Country <Multiple Answers Given>

### Breakdown of “UK’s Exit from the EU” <Multiple Answers Given>

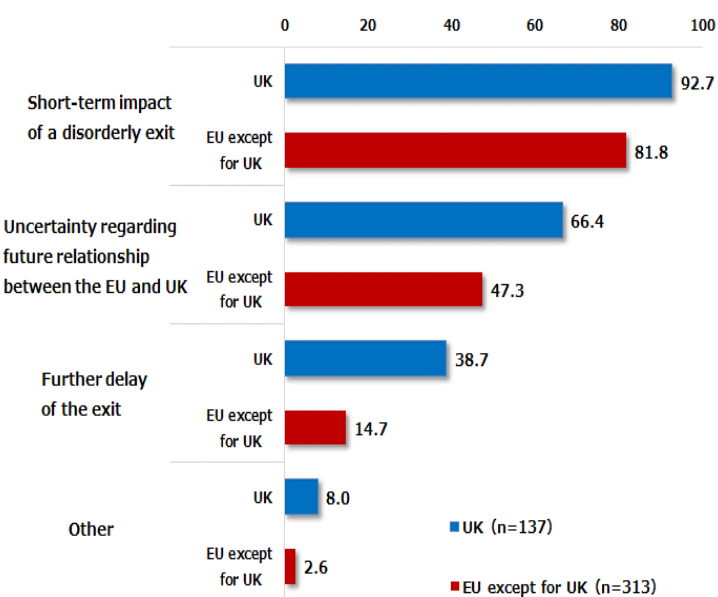
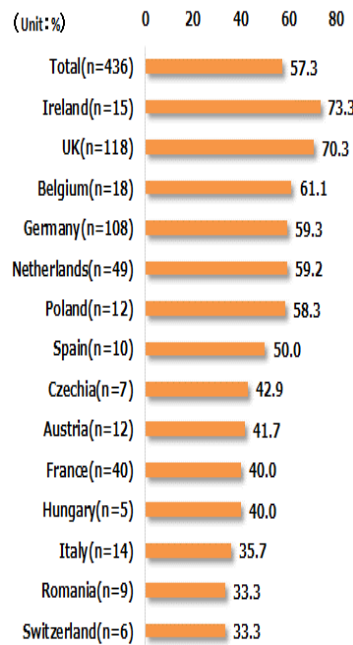
#### All Sectors



#### Manufacturing



#### Non-Manufacturing



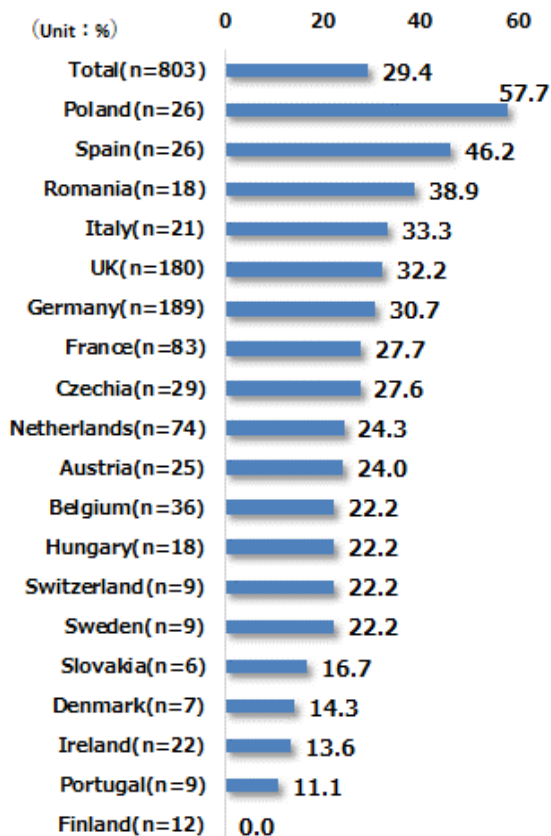
# 3. Operational Challenges (6)

- Looking at the breakdown of the “European social and political situation”, which was the seventh most common operational challenge cited by companies based in Europe (29.4%), it shows that more companies are concerned about “All Europe” (74.2%) rather than their “Local country” (34.3%). By country, the proportion of companies citing “All Europe” was notably high at 93.1% for Germany, 87.5% for Belgium and Czechia, 83.3% for the Netherlands and Austria.
- Meanwhile, the proportion of companies responding “Local country” was high in countries such as the following: Spain (83.3%), where a re-election was held in November, having failed to establish a new administration by the deadline (23<sup>rd</sup> September) after the election in April; Italy (71.4%), where a new coalition government was formed in September; and the UK (63.8%), going through Brexit.

## 7. European social and political situation

### Breakdown of “European Social and Political Situation” <Multiple Answers Given>

**Response Rate by Country**  
<Multiple Answers Given>



(Above : Cos, Below : %)

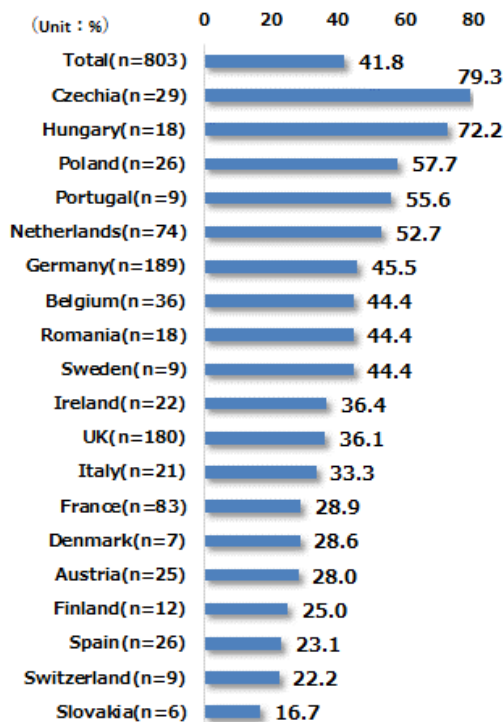
	No. of responses	Europe	Local country	Other country
<b>Europe</b>	236	175	81	12
	100.0	74.2	34.3	5.1
<b>Germany</b>	58	54	6	4
	100.0	93.1	10.3	6.9
<b>Belgium</b>	8	7	0	2
	100.0	87.5	0.0	25.0
<b>Czech Republic</b>	8	7	0	1
	100.0	87.5	0.0	12.5
<b>Netherlands</b>	18	15	2	1
	100.0	83.3	11.1	5.6
<b>Austria</b>	6	5	1	1
	100.0	83.3	16.7	16.7
<b>Poland</b>	15	11	5	-
	100.0	73.3	33.3	-
<b>UK</b>	58	36	37	0
	100.0	62.1	63.8	0.0
<b>Italy</b>	7	4	5	0
	100.0	57.1	71.4	0.0
<b>Romania</b>	7	4	4	-
	100.0	57.1	57.1	-
<b>France</b>	23	13	8	2
	100.0	56.5	34.8	8.7
<b>Spain</b>	12	5	10	0
	100.0	41.7	83.3	0.0

# 3. Operational Challenges (7)

- The response rate for “Securing human resources” (41.8% for all Europe) was particularly high in Central and Eastern Europe. The response rate was the highest in Czechia at 79.3%, despite a 11.2 percentage point decrease, where according to Eurostat the unemployment rate was 2.1% as of September 2019, followed by Hungary (72.2%) and Poland (57.7%), with unemployment rates of 3.4% and 3.3% respectively.
- Looking at the breakdown of “Securing human resources”, “Management personnel” was cited as most difficult to secure at 59.2%, followed by “Factory workers” at 28.6% and “IoT/AI specialists” at 21.1%. The most common response was “Management personnel” (60.9%) in Western Europe and “Factory workers” (62.9%) in Central and Eastern Europe.
- By country, relatively high response rates for “IoT/AI specialists” came from Germany (24 companies, 27.9%), France (8 companies, 33.3%), and Romania (3 companies, 37.5%).

## 2. Securing Human Resources

**Response Rate by Country**  
<Multiple Answers Given>



**Breakdown of Human Resources <Multiple Answers Given>**

	No. of responses	(Above : Cos, Below : %)			
		IoT/AI specialists	Management personnel	Factory workers	Other
Europe	336	71	199	96	76
	100.0	21.1	59.2	28.6	22.6
Western Europe	274	58	167	57	69
	100.0	21.2	60.9	20.8	25.2
Germany	86	24	60	12	20
	100.0	27.9	69.8	14.0	23.3
UK	65	7	32	16	23
	100.0	10.8	49.2	24.6	35.4
Netherlands	39	9	24	9	8
	100.0	23.1	61.5	23.1	20.5
France	24	8	14	9	3
	100.0	33.3	58.3	37.5	12.5
Belgium	16	3	11	2	4
	100.0	18.8	68.8	12.5	25.0
Ireland	8	0	2	3	4
	100.0	0.0	25.0	37.5	50.0
Central & Eastern Europe	62	13	32	39	7
	100.0	21.0	51.6	62.9	11.3
Czech Republic	23	4	11	17	4
	100.0	17.4	47.8	73.9	17.4
Poland	15	1	10	8	0
	100.0	6.7	66.7	53.3	0.0
Hungary	13	4	4	9	2
	100.0	30.8	30.8	69.2	15.4
Romania	8	3	5	5	0
	100.0	37.5	62.5	62.5	0.0

\*Countries and regions with responses of 8 or more only



# 3. Operational Challenges (8)

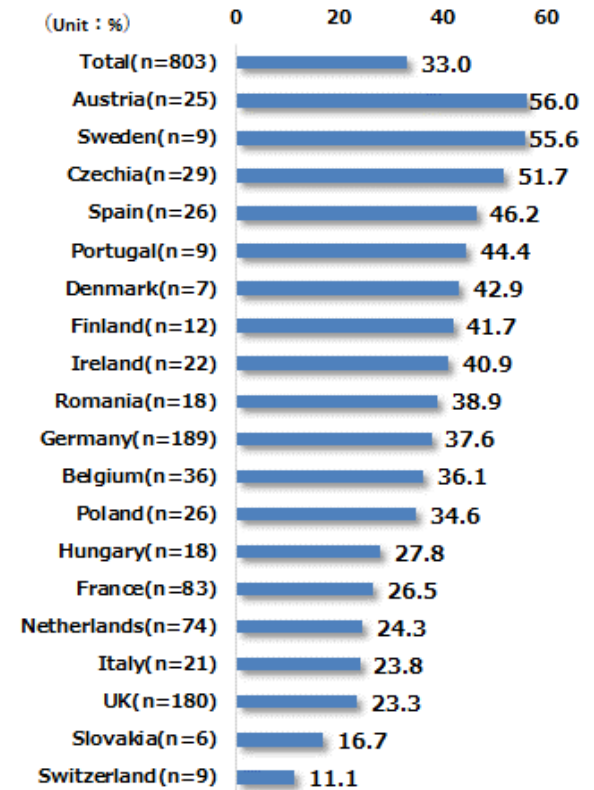
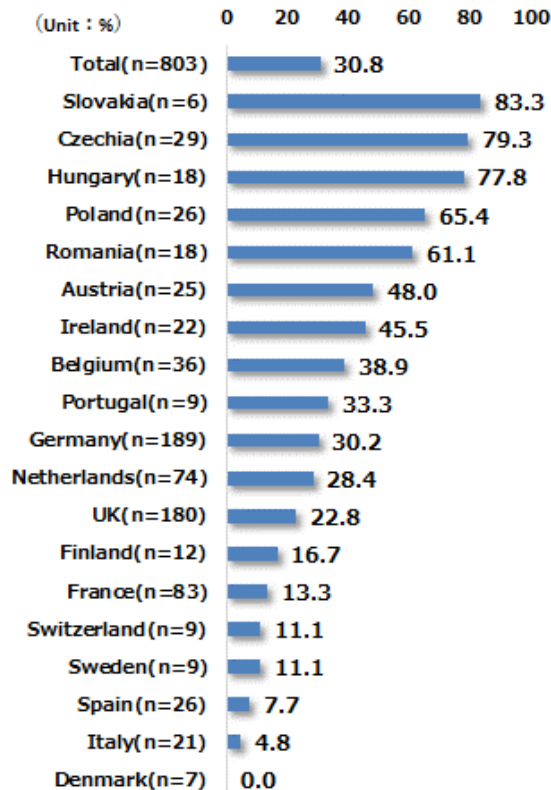
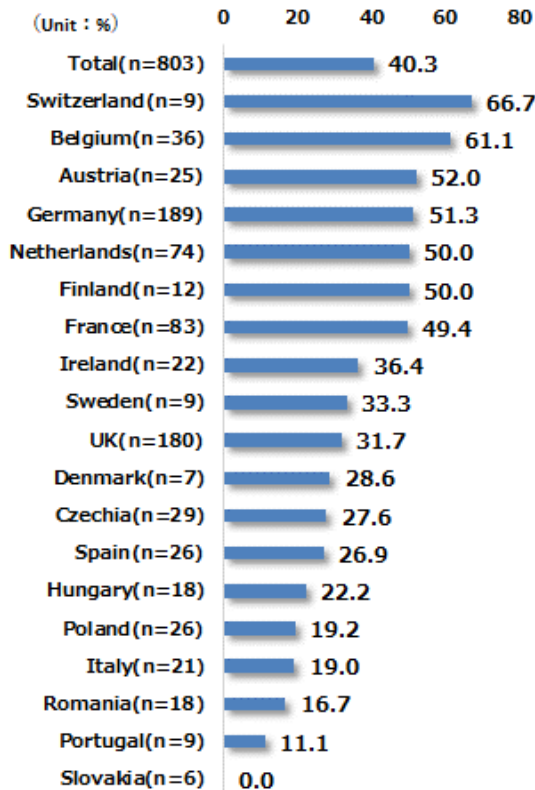
- Switzerland continued to have the highest response rate for “High labour costs”, this year at 66.7%, although this was 13.3 percentage points down, followed by Belgium at 61.1%, Austria at 52.0%, Germany at 51.3%, and the Netherlands and Finland at 50.0%.
- Notably high response rates for “Rapid labour costs growth” came from Slovakia at 83.3%, Czechia at 79.3%, Hungary at 77.8%, and Poland at 65.4%; compared to the previous survey, however, the rate for Czechia decreased by 11.2 percentage points and Hungary by 5.5 percentage points.
- “Lower prices offered by competitors” moved from the seventh to the fourth in the ranking of operational challenges. The response rate was the highest for Austria at 56.0%, followed by Sweden at 55.6% and Czechia at 51.7%.

## 3. High labour costs

## 6. Rapid labour costs growth

## 4. Lower prices offered by competitors

Response Rate by Country <Multiple Answers Given>



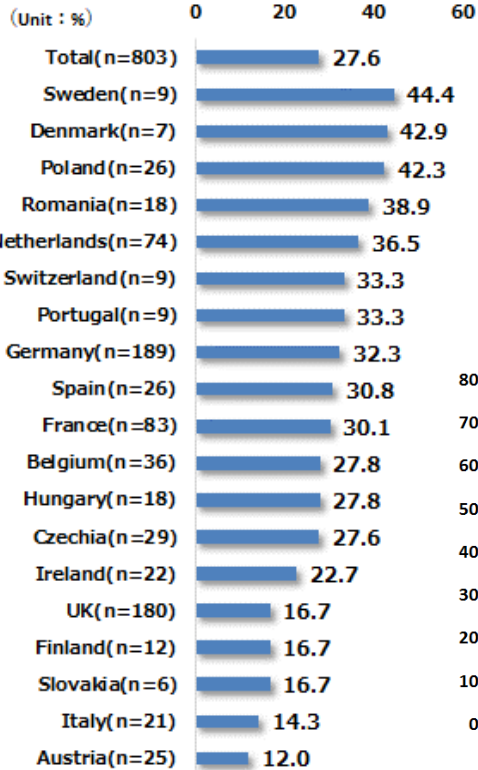
# 3. Operational Challenges (9)

- 27.6% of all respondents cited "Entry of new competitors" as an operational challenge, increasing 0.3 percentage points since last year.
- The most selected nationality of these new competitors was Chinese at 61.7%, an increase of 1.4 percentage points since 2019. The proportion of Chinese companies increased especially greatly in Central and Eastern Europe, namely by 7.9 percentage points to 51.4%, exceeding the proportion for European companies with an increase of 1.4 percentage points to 48.6%.
- Korean companies are becoming less of competitors to Japanese companies; particularly, the response rate for whole Western Europe decreased by 2.5 percentage points since last year to 13.9%.

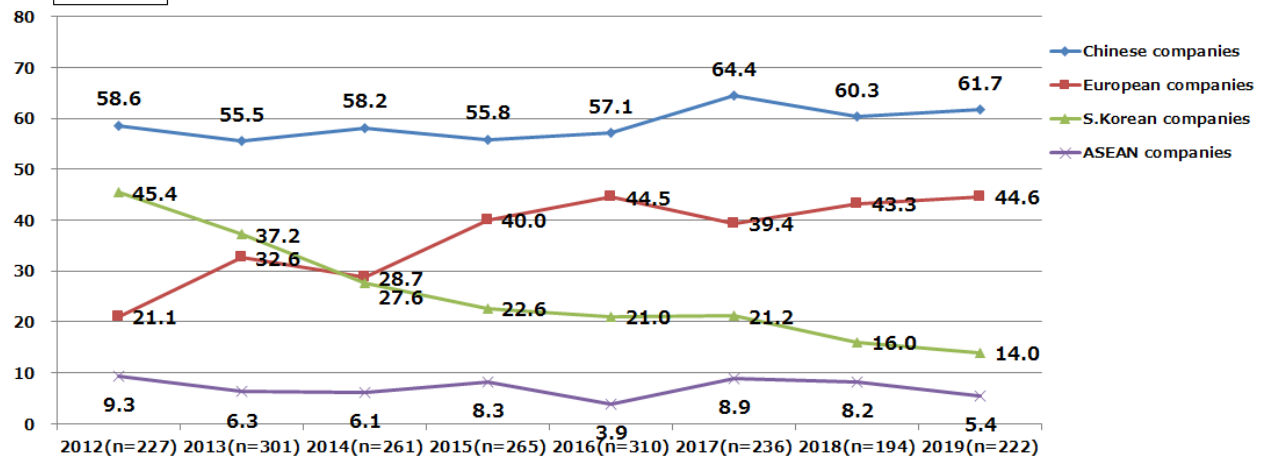
## 8. Entry of new competitors

### Response Rate by Country

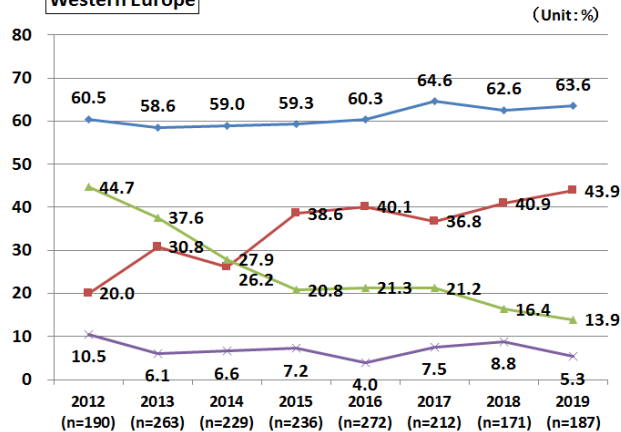
<Multiple Answers Given>



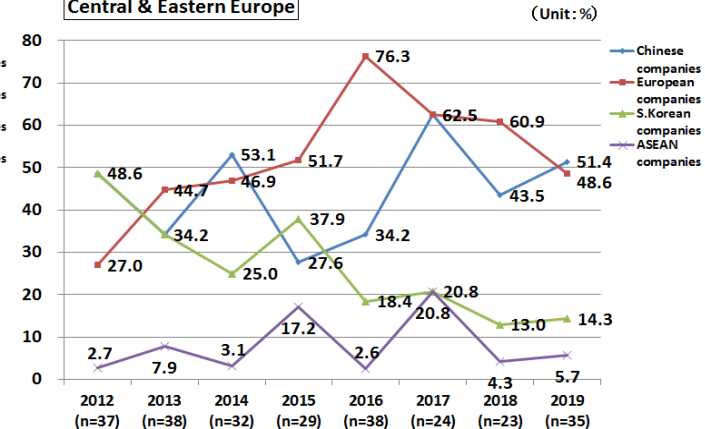
### Europe



### Western Europe



### Central & Eastern Europe



# 3. Operational Challenges (10)

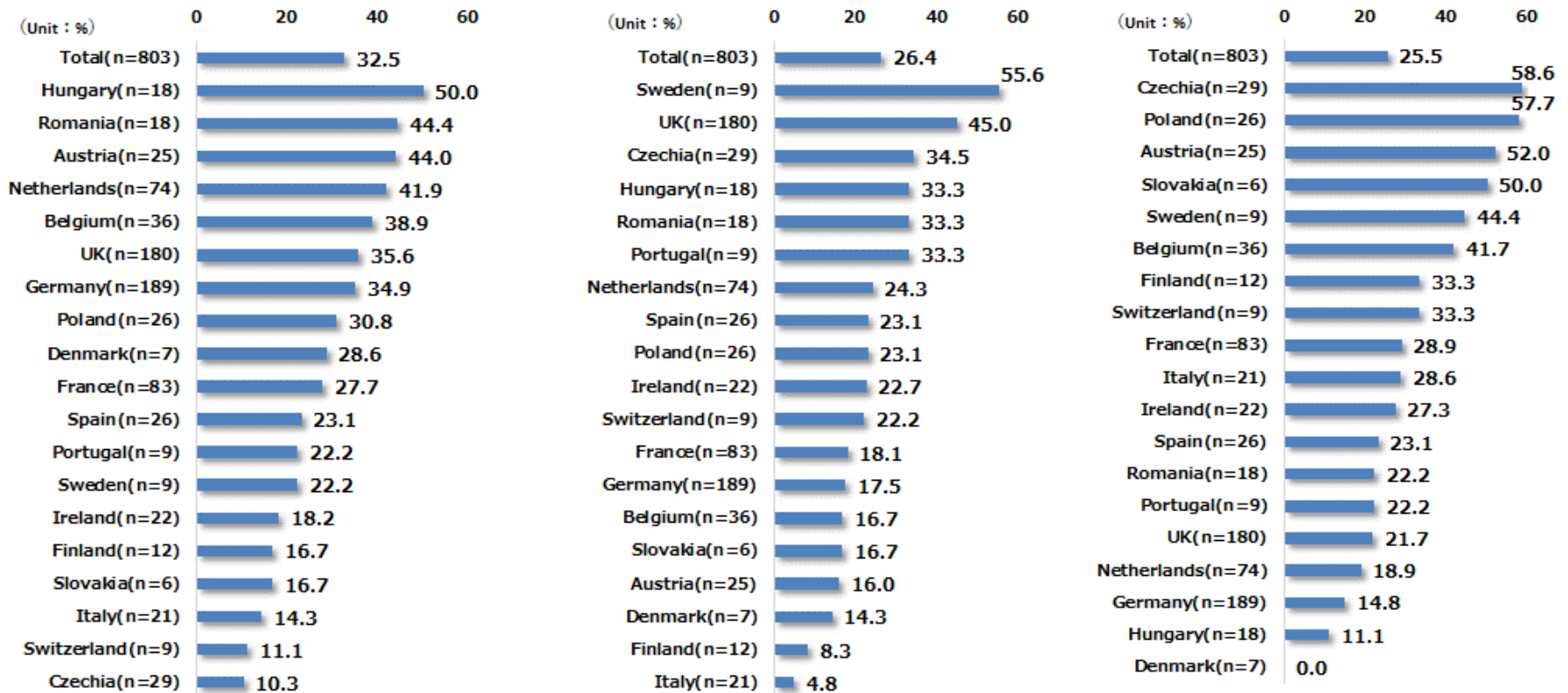
- High response rates for the “EU General Data Protection Regulation (GDPR)” came from Hungary (50.0% (prev. 25.0%)), Romania (44.4% (prev. 28.6%)), Austria (44.0% (prev. 38.1%)), and the Netherlands (41.9% (prev. 23.8%)). The rates grew greatly for these countries except for Austria.
- The response rate for “Exchange rate fluctuations” was notably high in Sweden (55.6%), whose currency the krona is on a depreciating trend, as well as in the UK (45.0%), where the pound had kept weakening until the month before this survey.
- Czechia (58.6%), Poland (57.7%) and Austria (52.0%) had notably high response rates towards “Visa/ work permits” as a challenge. Procedures and systems for obtaining permits changed in 2019 in countries such as Poland and Belgium (41.7%) where the response rate grew by 5.7 percentage points and 15.6 percentage points respectively.

## 5. EU General Data Protection Regulation (GDPR)

## 9. Exchange rate fluctuations

## 10. Visa/work permits

Response Rate by Country <Multiple Answers Given>



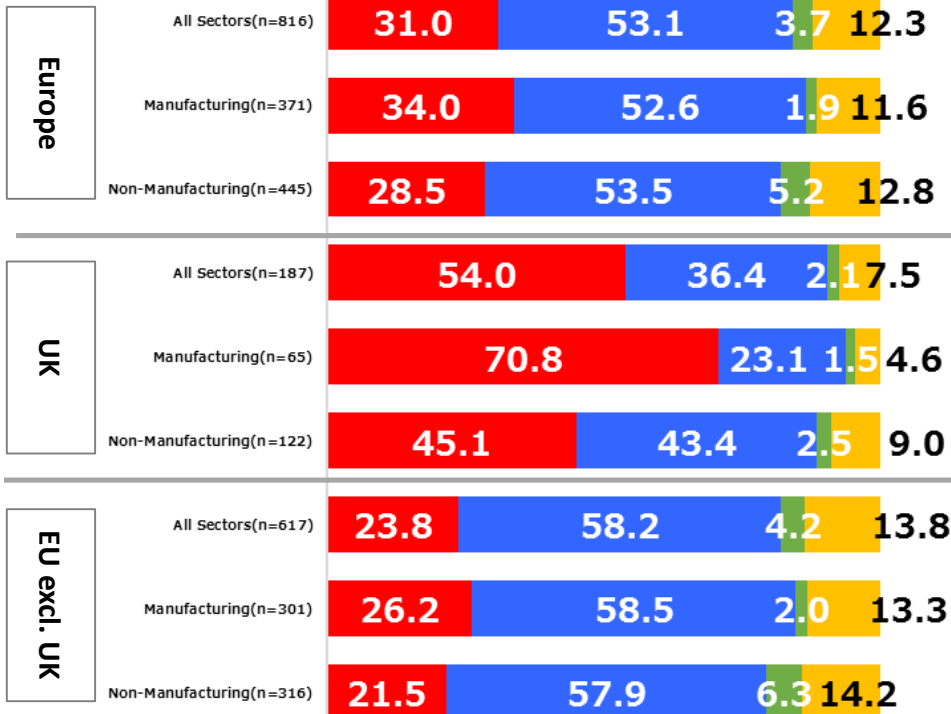
# 4. Britain's Exit from the European Union (1)

- When companies were asked what impact there has been to their business so far, 31.0% of the respondents answered “Negative impact”, an increase of 14.9 percentage points since last year. Meanwhile, the response rate for “No impact” decreased by 10.3 percentage points to 53.1%.
- When examining by country, UK based companies gave the highest response rate for “Negative impact” at 54.0%, a huge increase of 28.7 percentage points from the previous survey result (25.3%). Among manufacturing companies based in the UK, the rate reached 70.8%.
- Specifically, the common negative impact that UK based and EU based companies both stated included “costs for stockpiling” in anticipation for confusion in logistics and at customs. In addition, UK based companies cited “decreased sales to customers” and “restricted capital investment from trading partners in preparation for relocation to another EU country”, while responses from EU based companies included “decreased sales to customers in the UK” and “costs to comply with regulatory requirements.”

Impact on Business So Far (By Industry)

(Unit:%)

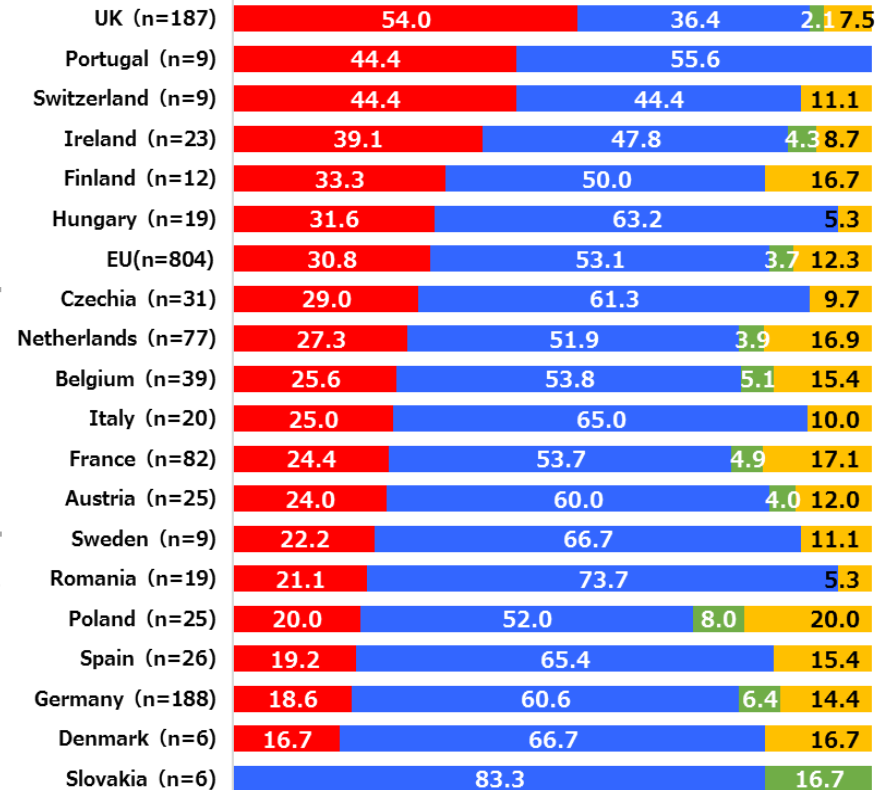
■ Negative Impact ■ No Impact ■ Positive Impact ■ Don't know



Impact on Business So Far (By Country)

(Unit:%)

■ Negative Impact ■ No impact ■ Positive Impact ■ Don't know



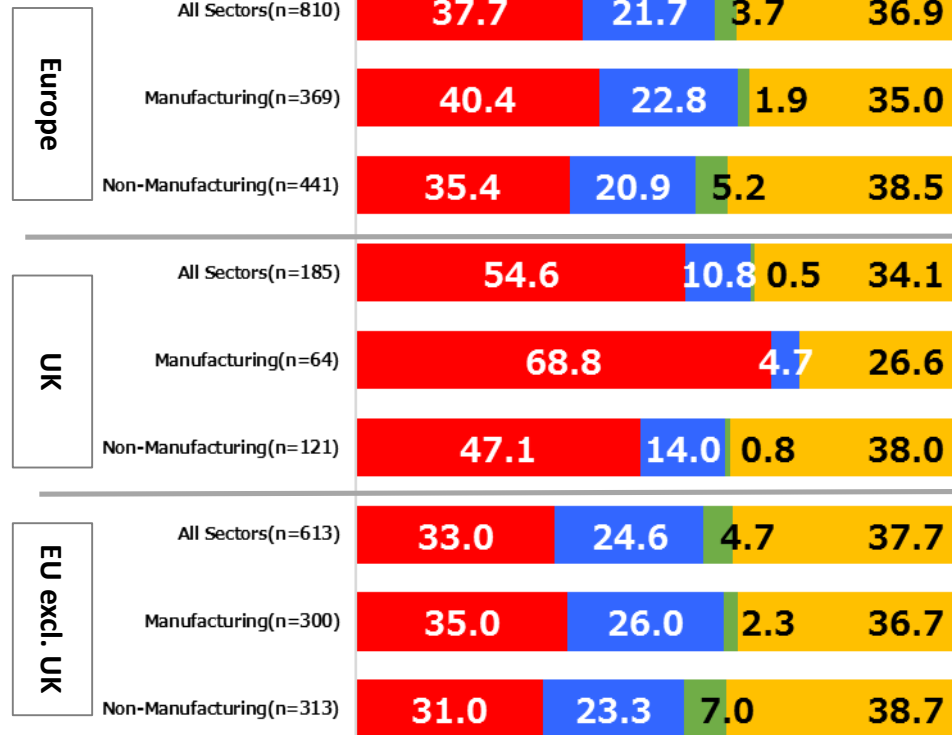
# 4. Britain's Exit from the European Union (2)

- When companies were asked how Brexit will affect their future business, the largest response rate was “Negative impact” at 37.7% for entire Europe, increasing further since 2019. At the same time, “Don’t know” still remained close to 40% of all responses at 36.9%, indicating that many companies still could not predict the impact Brexit will have on their future business.
- When examined by country, UK based companies continued to give the highest response rate for “Negative impact” at 54.6% from last year.
- Specifically, UK based and EU based companies both cited “Confusion surrounding customs clearance and logistics”, “Tariff-related costs”, “Customs clearance procedures”, and “Economic confusion and slowdown in Europe and the UK”. In addition, UK based companies cited “Unpredictability of the future”, “Weakening consumption due to economic slowdown in the UK”, and “Increased costs for procurement from the EU”. EU based companies also cited the “Possible abolition of a part of business in the case of UK leaving from the EU single market”.

### Future Business Impact (By Industry)

(Unit:%)

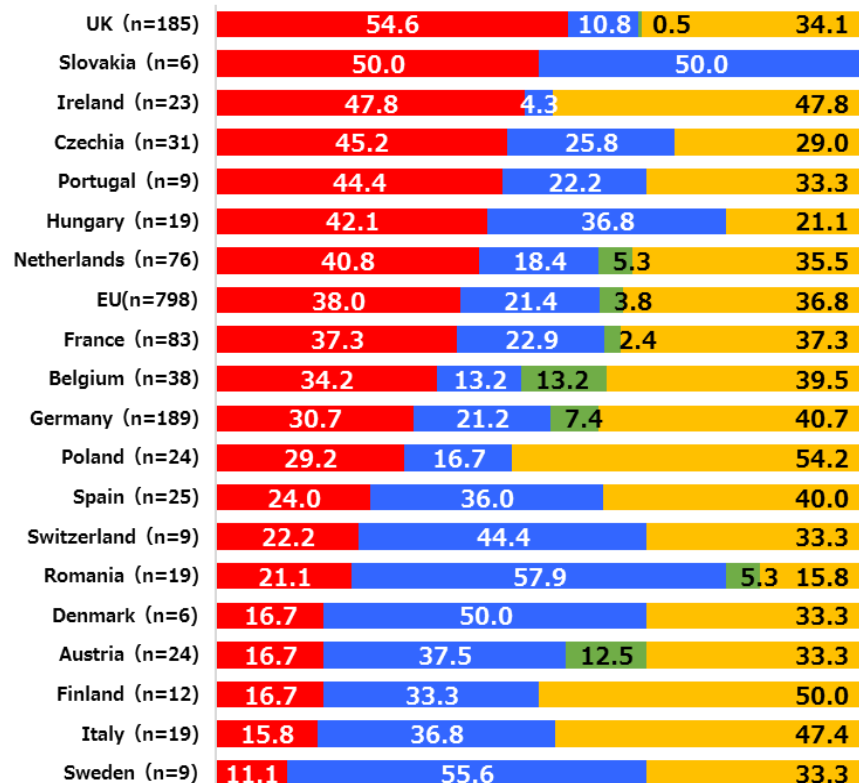
■ Negative Impact ■ No impact ■ Positive Impact ■ Don't know



### Future Business Impact (By Country)

(Unit:%)

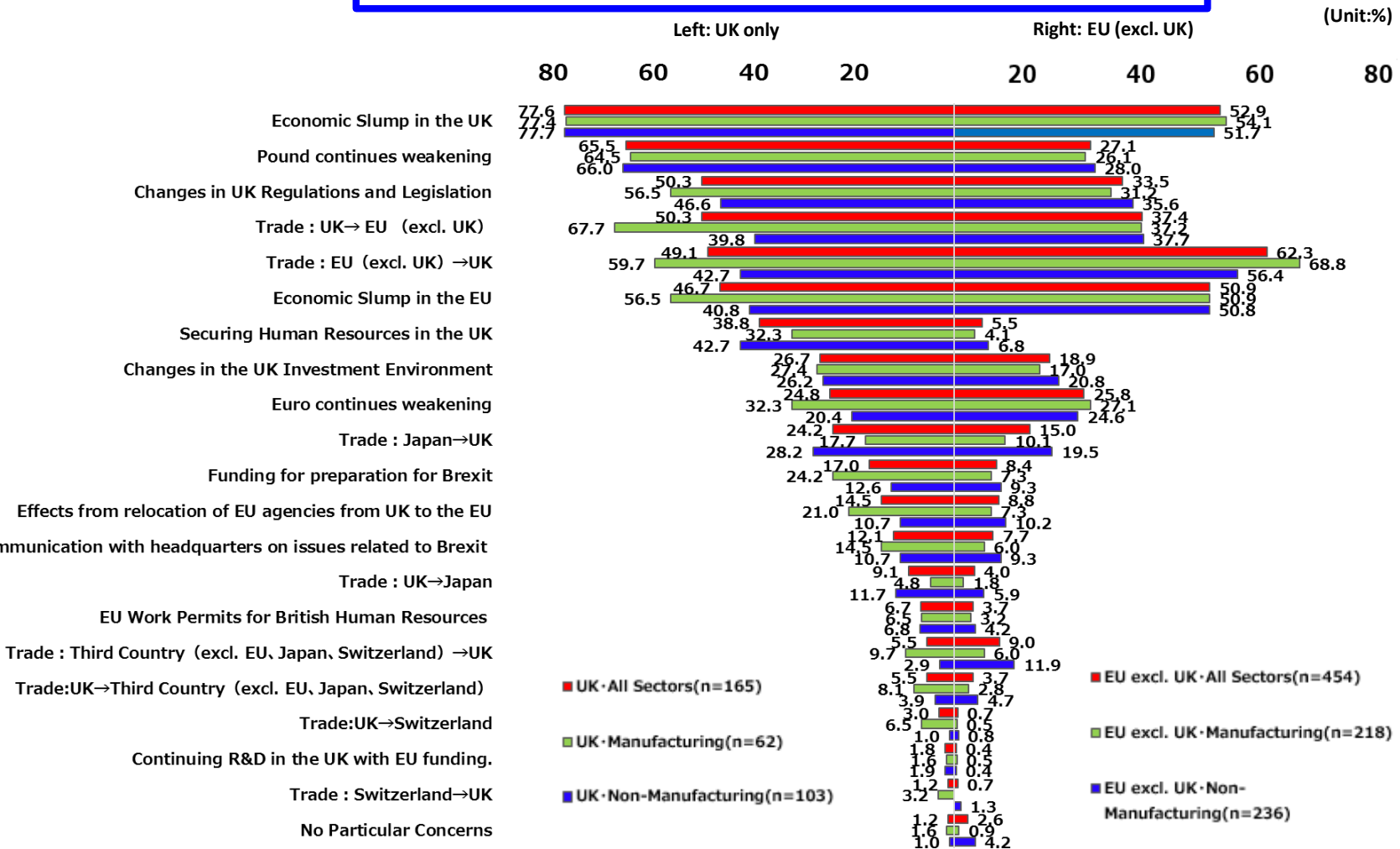
■ Negative Impact ■ No impact ■ Positive Impact ■ Don't know



# 4. Britain's Exit from the European Union (3)

■ “Economic slump in the UK” continued to be the most common concern of UK based companies in relation to Brexit from last year. This was followed by “Pound continues weakening” and “Changes in UK Regulations and Legislation”. For EU based companies, “Export from the EU to the UK” was the most common response, followed by “Economic slump in the UK” and “Economic slump in the EU”.

Concerns of Japanese-Affiliated Companies <Multiple Answers Given>



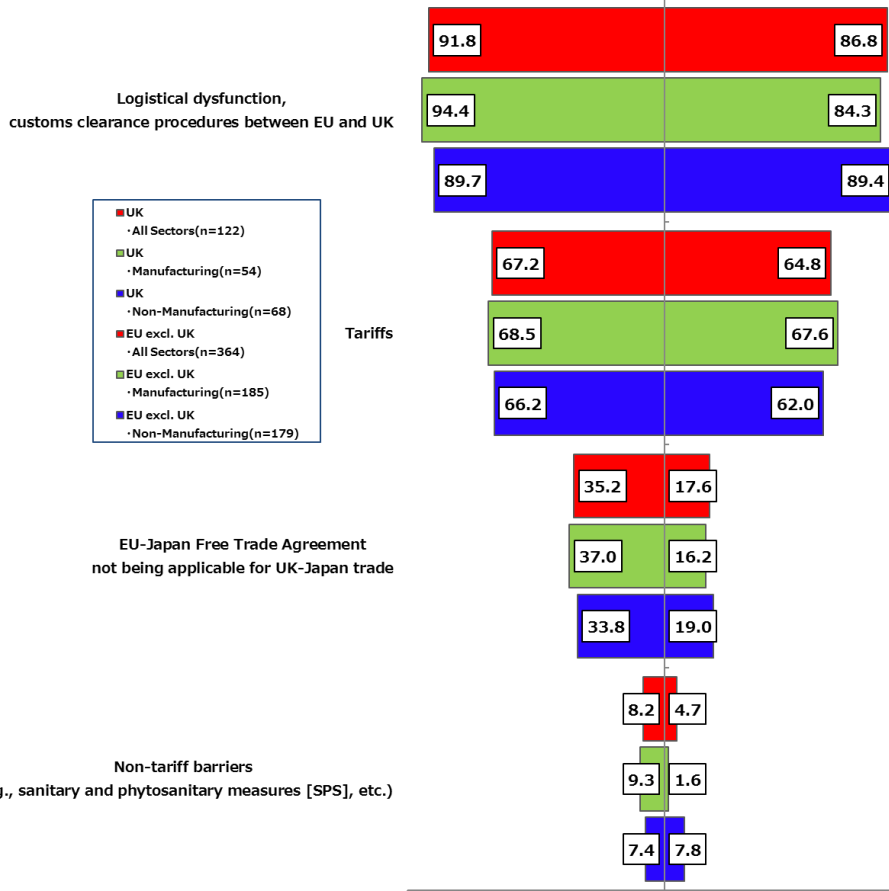
# 4. Britain's Exit from the European Union (4)

- Regarding "Trade", companies were asked to expand on why this is a concern; for both UK based and EU based companies, the largest response was "Logistical dysfunction, customs clearance procedures between EU and UK".
- When companies citing "Changes in UK Regulations and Legislation" were asked to expand on why this is a concern, for both UK based companies and EU based companies, the largest response was "Constraints of free movement of persons between the EU and UK". This response was especially high in the non-manufacturing sector.

## Concerns Related to "Trade"

(Unit:%)

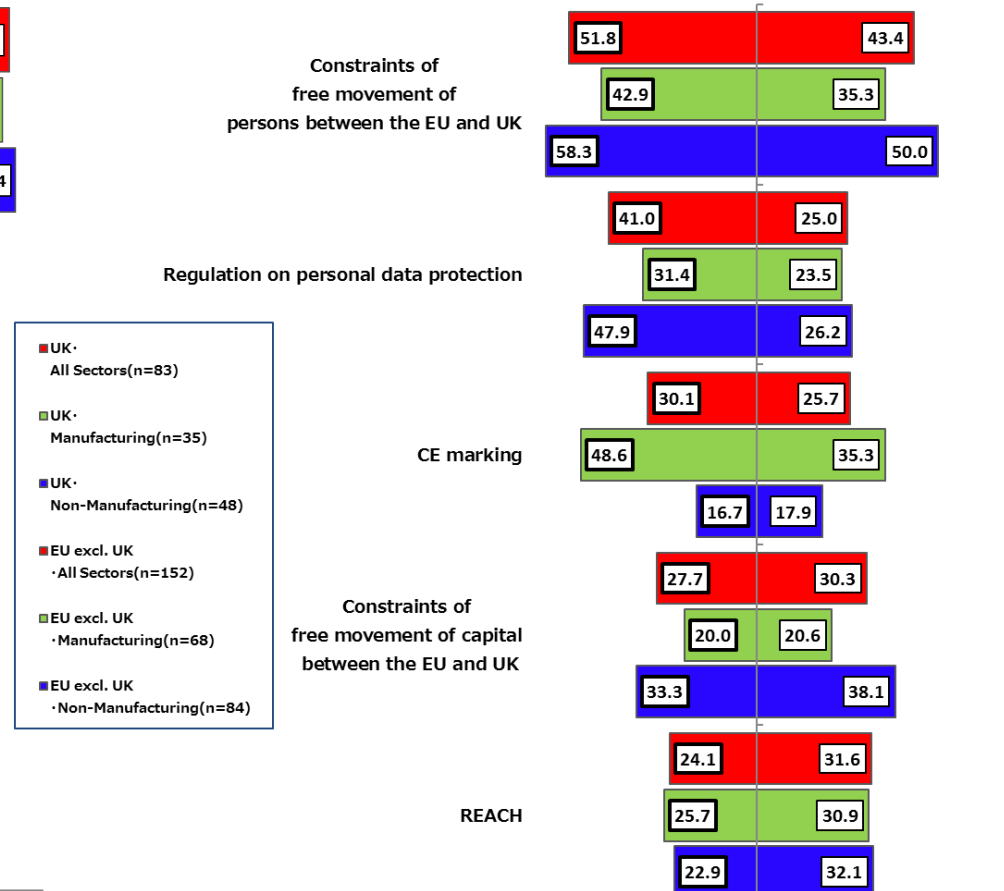
Left: UK only      Right: EU (excl. UK)  
100      50      0      50      100



## Concerns Related to "Regulations and Legislation"

(Unit:%)

Left: UK only      Right: EU (excl. UK)  
60      40      20      0      20      40      60

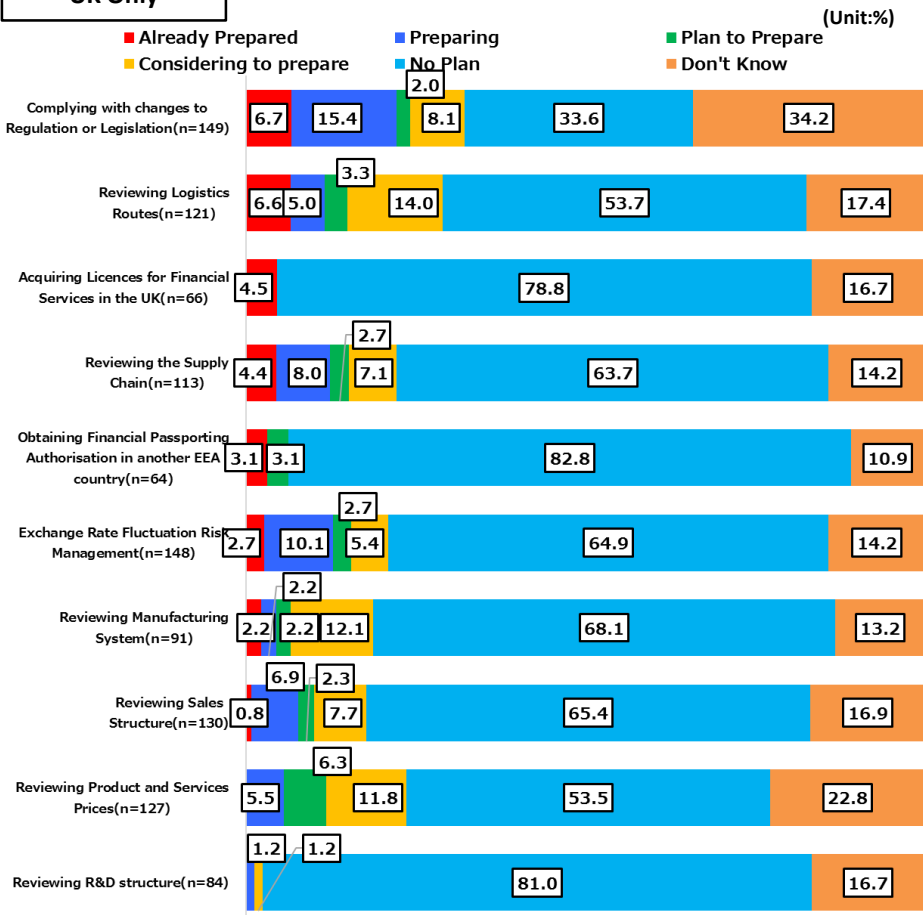


# 4. Britain's Exit from the European Union (5)

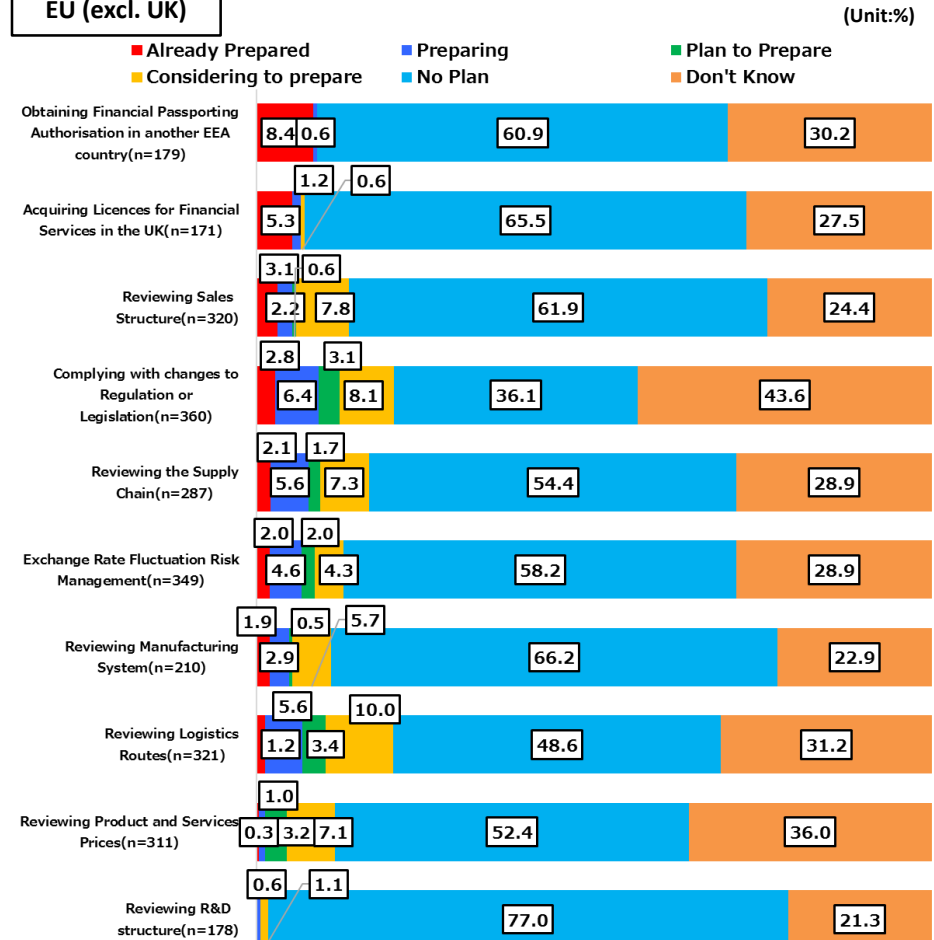
- In terms of preparation for the UK's exit from the EU so far, the highest response rate for the "Already prepared" and "Preparing" categories for UK companies was towards "Complying with changes to regulation or legislation" (6.7% and 15.4% respectively). Specifically, these companies cited "REACH" and "Establishment of offices in new locations".
- For EU based companies, the highest response rate for "Already prepared" category was towards "Obtaining Financial Passporting Authorisation in another EEA country" (8.4%), of which some companies mentioned that Germany, the Netherlands, Luxembourg, and France were countries where this authorisation had been obtained.

## Current Stage of Preparation for the UK's Withdrawal from the EU

### UK Only



### EU (excl. UK)





## 4. Britain's Exit from the European Union (6)

- In preparation for the UK's withdrawal from the EU, when companies were asked if they had already decided to relocate/withdraw or already have relocated/withdrawn certain functions from their base location: the largest response was "Regional headquarter office" (13 companies), followed by the "Sales" function (7 companies) and "Procurement source" (5 companies). Destinations of companies who had already decided to relocate or already have relocated: Germany (8 companies), the Netherlands (3 companies), and Luxembourg (2 companies) were cited for relocation of regional headquarter offices, chiefly among finance/insurance sector, and Germany (3 companies), the Netherlands, Italy, Czechia, and Poland were mentioned for relocation of "Sales" functions.
- Four of the companies who had already decided to change or already had changed the procurement sources mentioned will switch from the UK to other EU countries, such as Italy, Spain, and Czechia, while one company mentioned changing it from an Asian country to the UK.

### Decided to relocate from Base Location and to change Procurement Sources

Functions	Completely/Partly	Number of Responses	Relocation/Source change locations (destination/base)
Regional HQ Offices	Completely from UK	3	Germany(3)
	Partly from UK	10	Germany(5), Netherlands(3), Luxembourg(2)
Sales	Completely from UK	3	Germany(1), Czechia(1), Poland(1)
	Partly from UK	4	Germany(2), Italy(1), Netherlands(1)
Production	Completely from UK	2	Poland(1), Japan(1)
	Partly from UK	1	Hungary(1)
R&D	Completely from UK	1	Switzerland(1)
Procurement Source	From UK	4	Czechia(1), Italy(1), Spain(1), EU(1)
	To UK	1	Asia(1)

\*Only responses which specify both base location and destination are included.

# 4. Britain's Exit from the European Union (7)

- When companies were asked what function they were considering to relocate from the UK (including partial relocation), the most common response was the “Sales” function (11 companies), followed by the “Production” function (10 companies). Candidate destinations for the “Sales” function included Germany (7 companies), France (2 companies), Italy, and Belgium, while those for the “Production” function were Germany and Central Eastern European countries, such as Hungary, Czechia, and Romania.
- 18 companies were considering to change their procurement sources, some of which mentioned other EU countries, such as Poland (2 companies), Spain, Italy, the Netherlands, Germany, and Portugal, and also Asian countries, as alternative procurement sources.

## Considering to relocate from Base Location or to change Procurement Sources

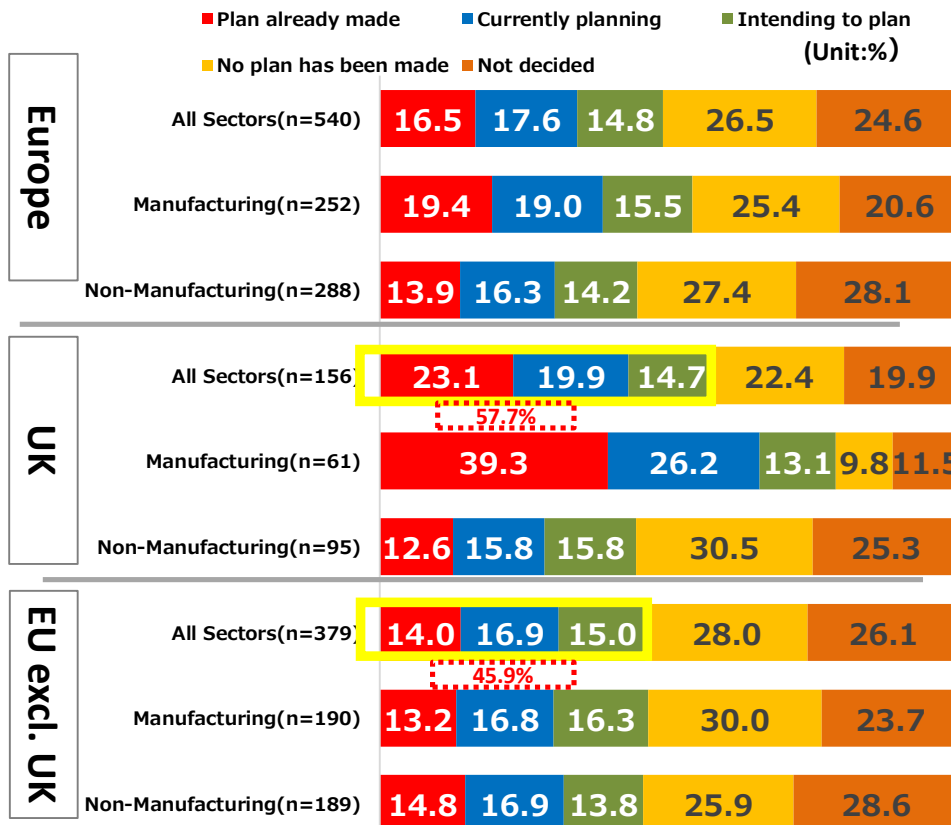
Functions	Completely/Partly	Number of Responses	Relocation/Source change locations (destination/base)
Regional HQ Offices	Completely from UK	4	Germany(3), Italy(1)
	Partly from UK	2	France(1), Czechia(1)
Sales	Completely from UK	3	Germany(2), Italy(1)
	Partly from UK	8	Europe excl. UK(1), Germany(5), France(2), Belgium etc. (incl. multiple answers)
Production	Completely from UK	1	Japan
	Partly from UK	9	EU(2), Eastern Europe(1), Hungary(1), Germany(1), Czechia(1), Romania(1), Japan(1) etc.
R&D	Completely from UK	1	Germany
	Partly from UK	1	Undecided
Procurement Source	From UK	12	EU(3), Poland(2), Italy(1), Germany(1), Spain(1), Netherlands(1), Asia(1) etc.
	To UK	3	EU(1), Poland(1), Portugal(1)
	Others	3	Germany→Korea(1), EU→non-EU countries(1), France→China(1)

\*Only responses which specify base location are included.

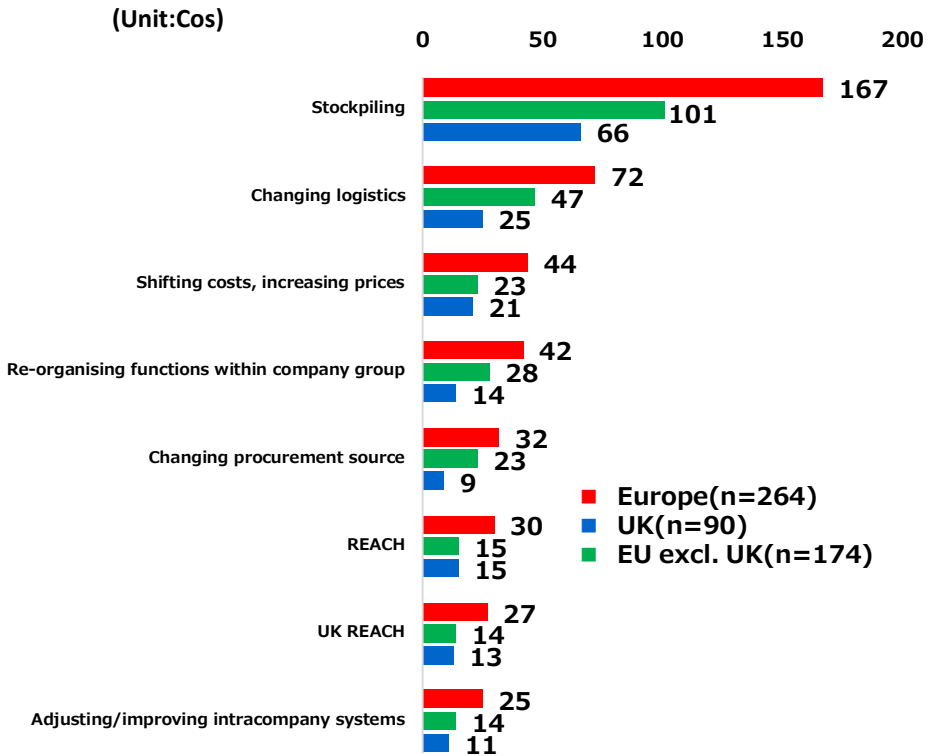
# 4. Britain's Exit from the European Union (8)

- Concerning contingency planning measures for if the UK were to leave the EU with “No Deal”, the total response rate for UK based companies citing “Plan already made”, “Currently planning”, and “Intending to plan” grew 30.9 percentage points from the previous survey to 57.7%. Nearly 80% of UK based manufacturing companies (78.6%) selected one of these choices, indicating that many companies have been preparing contingency plans.
- 60 of the companies that responded “Plan already made” cited “Stockpiling” as a specific measure. When companies that selected “Currently planning” and “Intending to plan” are also included, a total of 167 companies cited “Stockpiling”, accounting for about 60% of companies that specified measures. Other than that, 72 companies replied “Changing logistics” and 44 companies cited “Shifting costs, increasing prices”.

### Countermeasure Preparation (Contingency Plan)



### Breakdown of Countermeasures (Contingency Plans)



※Those companies which answered 'not applicable' are excluded from "n"

\* Please note that these figures are calculated by the total number of companies who selected the following three options: “Plan already made”, “Currently planning” or “Intending to plan”.

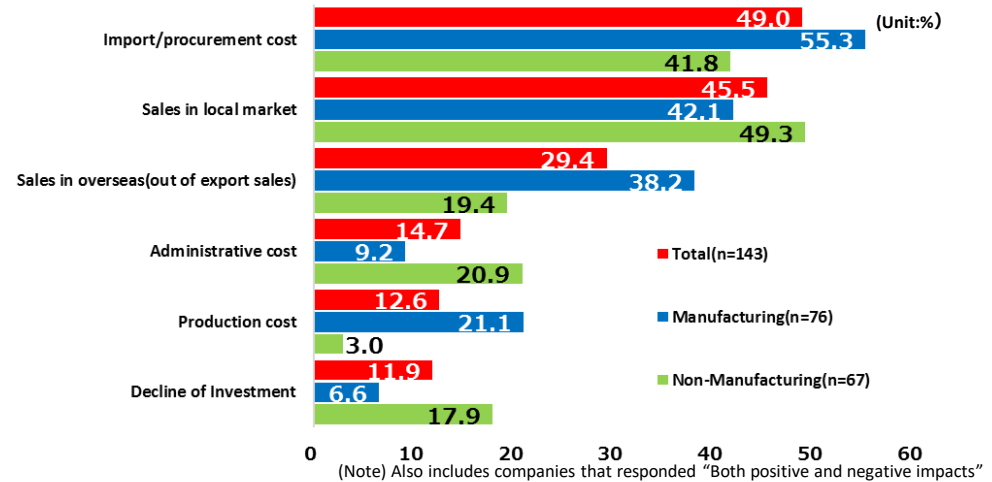
# 5. Impact of Changes in Trade Environment (1)

- When Europe based companies were asked about the impact of “Changes in trade environment” that they have experienced so far, 14.2% selected “Negative impact”. The response rate was notably higher in Central and Eastern Europe at 23.1% compared to 12.8% in Western Europe.
- As for policies that had the greatest impact as of the time of the survey, the most common response was “Retaliatory tariffs of countries/regions against the additional tariffs of the U.S. imposed on steel and aluminum” at 27.3%, followed by “EU countermeasures against US national security investigation of imports of automobiles and automobile parts” and “Additional tariffs of the U.S. imposed on steel and aluminum” at 20.1% each.
- Main areas of negative impacts were “Import/procurement cost” for manufacturing and “Sales in local market” for non-manufacturing.

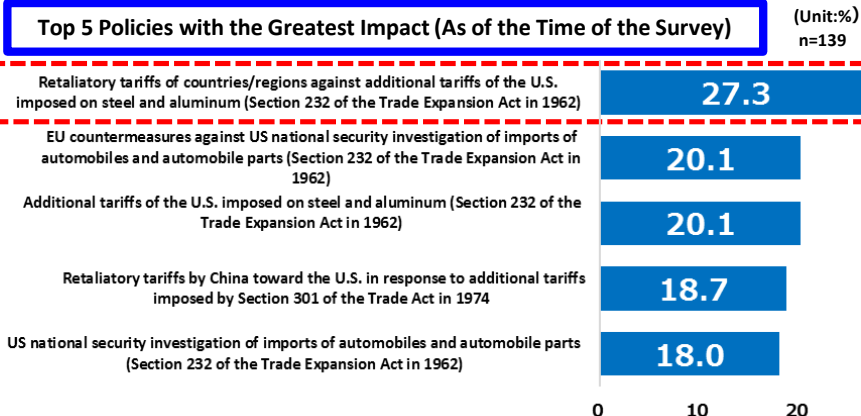
## Impact Experienced So Far



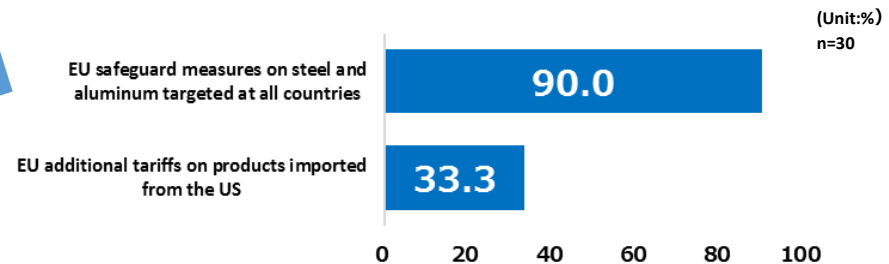
## Main Areas of Negative Impact (As of the Time of the Survey)



## Top 5 Policies with the Greatest Impact (As of the Time of the Survey)



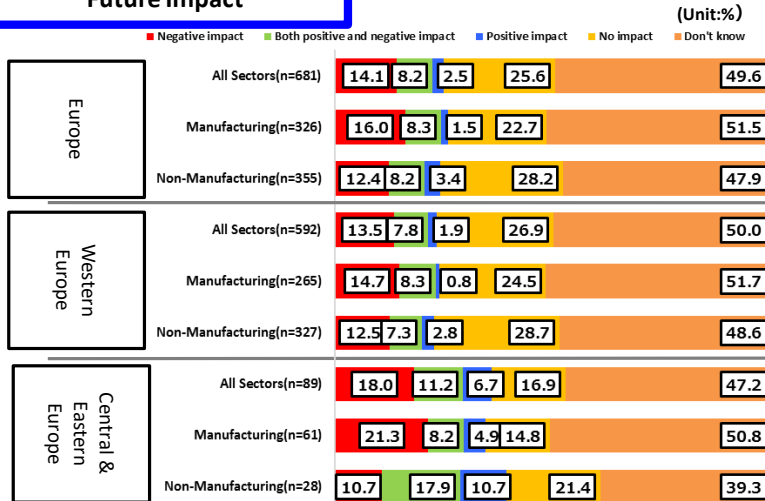
## Breakdown of EU’s Retaliatory Tariffs That Have Impact (As of the Time of the Survey)



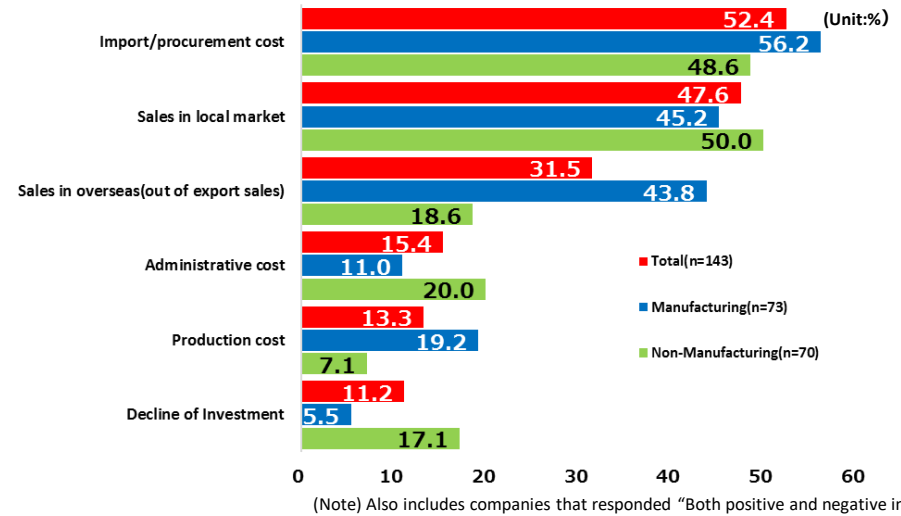
# 5. Impact of Changes in Trade Environment (2)

- When asked about the future impact of “Changes in trade environment”, 14.1% of the respondents selected “Negative impact”. In the similar manner as the current impact, the response rate for “Negative impact” was higher among Central and Eastern Europe based companies at 18.0% compared to Western Europe based companies at 13.5%.
- When companies were asked what policies would have an impact into the future, the most common response was “Retaliatory tariffs of countries/regions against the additional tariffs of the U.S. imposed on steel and aluminium” at 23.4%, of which 88.0% cited “EU safeguard measures on steel and aluminium targeted at all countries”, showing almost the same result as the result concerning current impact (90.0%). The second most common response was “US national security investigation of imports of automobiles and automobile parts” at 22.0%, a slightly higher rate compared to current impact.

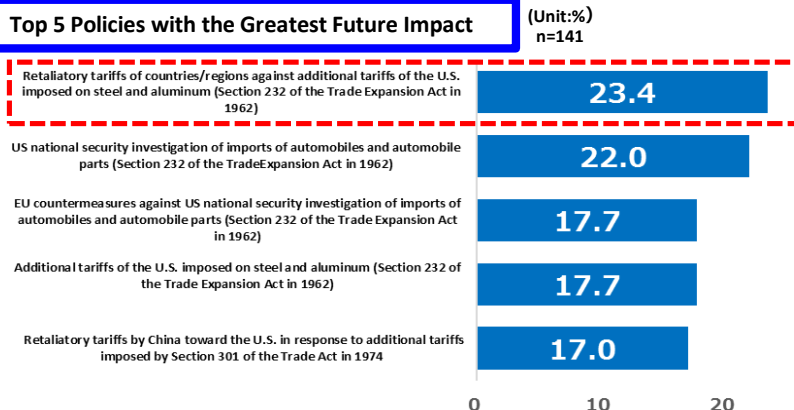
## Future Impact



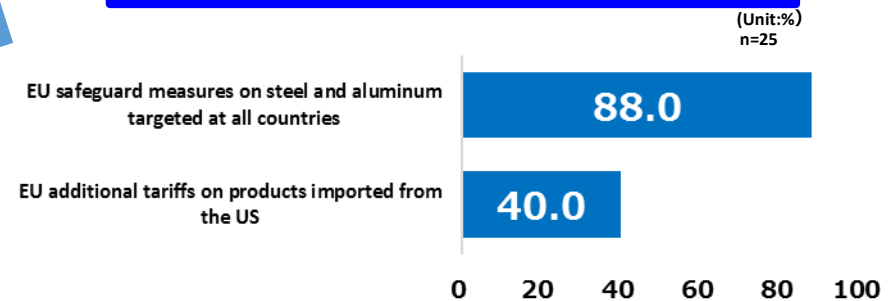
## Areas of Future Negative Impact



## Top 5 Policies with the Greatest Future Impact



## Breakdown of EU's Retaliatory Tariffs That Have Future Impact



(Note) “Positive impact”, “Negative impact”, and “Both positive and negative impacts” were not differentiated when tallied. Companies that responded “Don't know” were excluded.

(Note) “Positive impact”, “Negative impact”, and “Both positive and negative impacts” were not differentiated when tallied. Companies that responded “Don't know” were excluded.

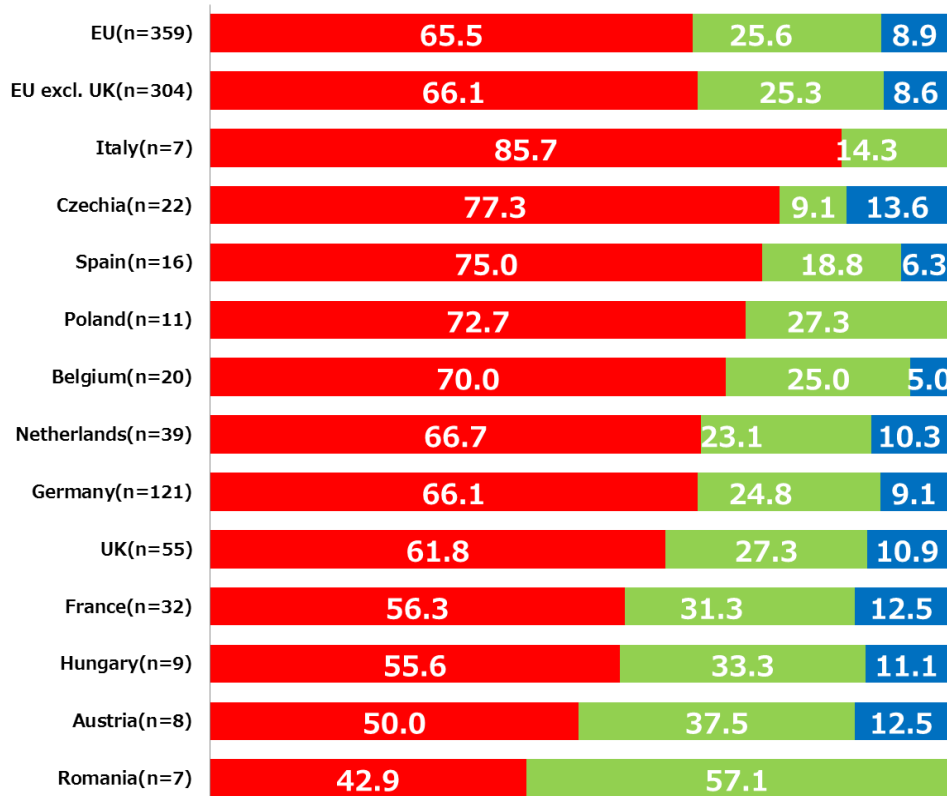
# 6. EPA/FTA (1)

- When Japanese-affiliated companies based in the EU engaging in EU-Japan import/export were asked about the utilisation of the Japan-EU EPA, 65.5% have already utilised it for import from Japan to the EU and 53.1% for export from the EU to Japan. When excluding UK based companies, the rates were even higher at 66.1% and 58.5%, respectively. By country, the utilisation rates were over 80% for both import and export for Italy, while the rates were also over 70% for Spain.
- As for import from Japan to the EU, the highest utilisation rate came from Japanese-affiliated companies based in Italy at 85.7%, followed by Czechia at 77.3%, Spain at 75.0%, Poland at 72.7%, Belgium at 70.0%, the Netherlands at 66.7%, Germany at 66.1%, and the UK at 61.8%.
- There were more EU based Japanese-affiliated companies engaging in import from Japan to the EU (359 companies) than those engaging in export from EU to Japan (162 companies). Looking at the utilisation rate of the Japan-EU EPA, the rate was higher by 10 percentage points for import from Japan to the EU.

### Utilisation of Japan-EU EPA: Import from Japan to the EU

(Unit:%)

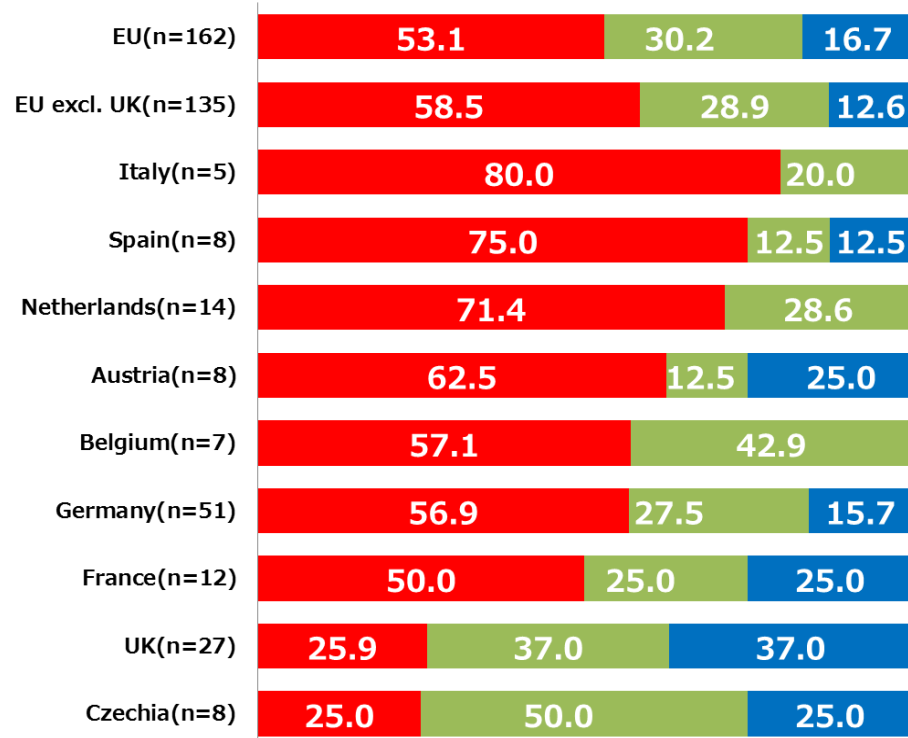
■ Currently utilising ■ Considering to utilise ■ Not (planning to) utilise



### Utilisation of Japan-EU EPA: Export from the EU to Japan

(Unit:%)

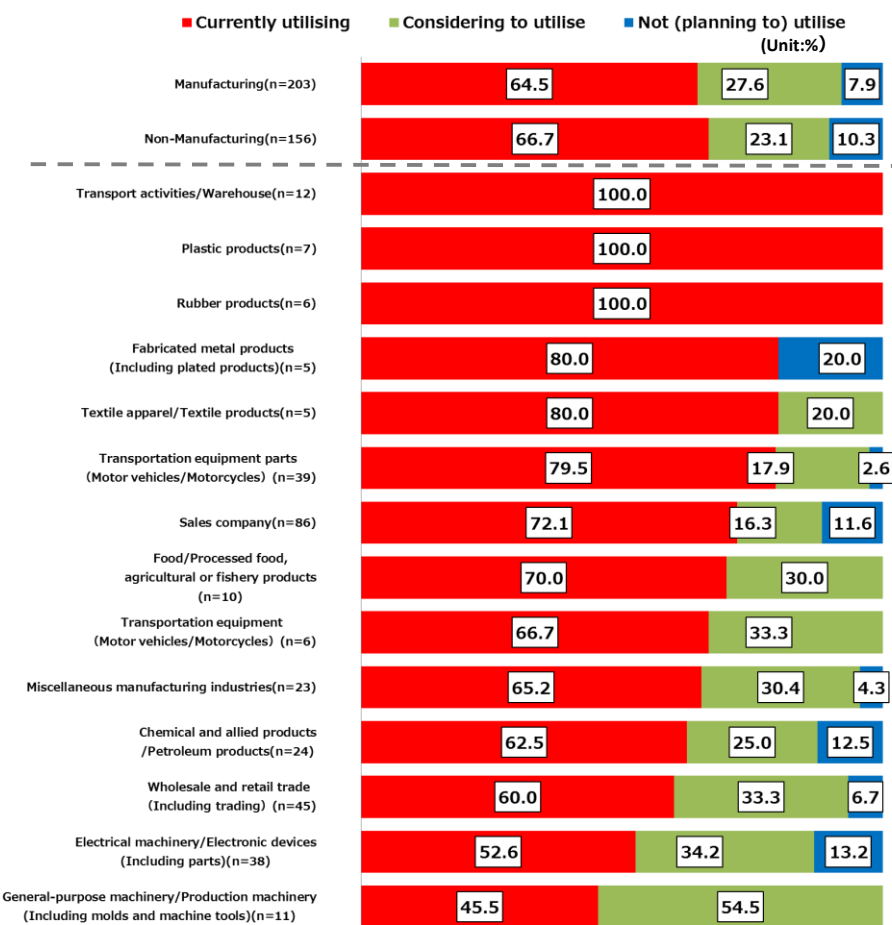
■ Currently utilising ■ Considering to utilise ■ Not (planning to) utilise



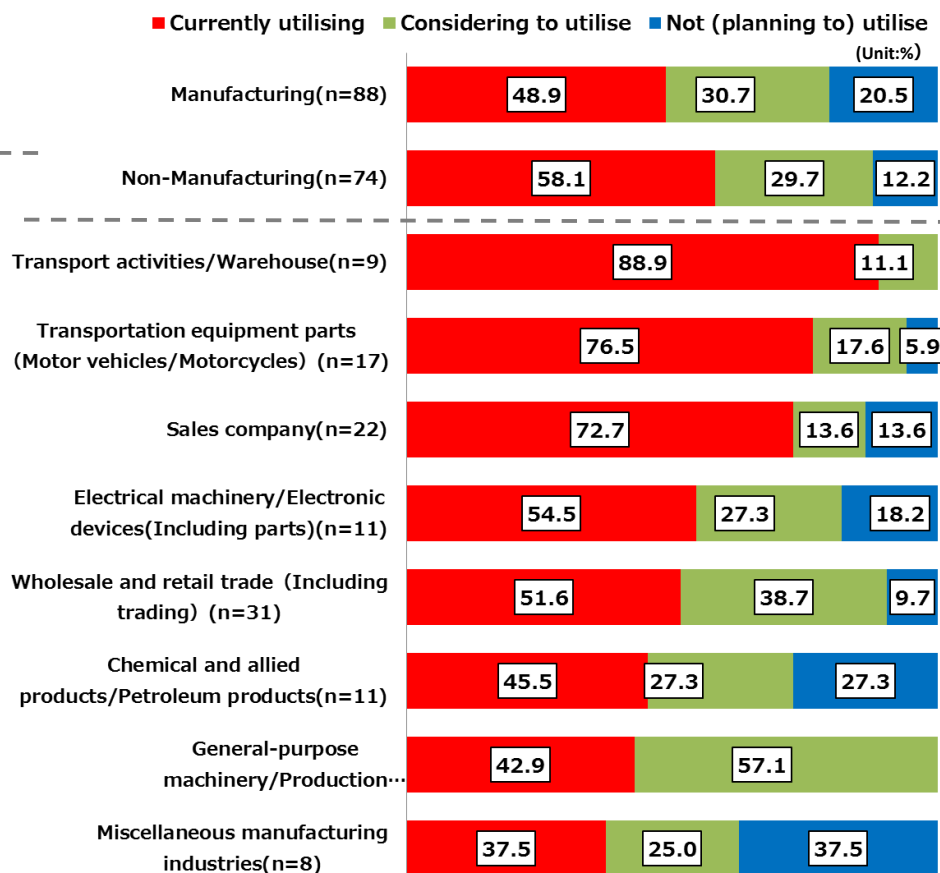
# 6. EPA/FTA (2)

- Examining by industry, all of the respondents from the transport activities/warehouse industry, the plastic products industry, and the rubber products industry responded that they have used the Japan-EU EPA for import from Japan to the EU. The utilisation rates were also high in industries such as fabricated metal products (80.0%), textiles (80.0%), transportation equipment parts (79.5%), sales company (72.1%), and food/processed food, agricultural or fishery products (70.0%).
- For export from the EU to Japan, higher utilisation rates came from sectors such as transport activities/warehouse (88.9%), transportation equipment parts (76.5%), and sales company (72.7%).

### Utilisation of Japan-EU EPA: Import from Japan to the EU (by Industry)



### Utilisation of Japan-EU EPA: Export from the EU to Japan (by Industry)



# 6. EPA/FTA (3)

- The number of companies that engage in trade between Japan and the EU but responded that they had not used the Japan-EU EPA was 32 out of 359 companies (8.9%) engaging in import from Japan to the EU and 27 companies out of 162 companies (16.7%) engaging in export from the EU to Japan.
- When asked about the reason for this, the most common response was “No tariff applied to the products to be imported/exported in the first place, or no preferential tariff applicable under the EU-Japan EPA” at 56.3%. Other common responses were different between manufacturing and non-manufacturing; many manufacturing companies cited “Preparation costs/burden do not justify the benefits from the EU-Japan EPA” (25.9%) and “Insufficient in-house resources” (7.4%) as their reason for not utilising the EPA, while non-manufacturing mentioned “The products to be imported/exported do not satisfy the rules of origin” (9.5%), “Risks of self-certification of origin” (4.8%), and “Insufficient in-house resources” (4.8%).

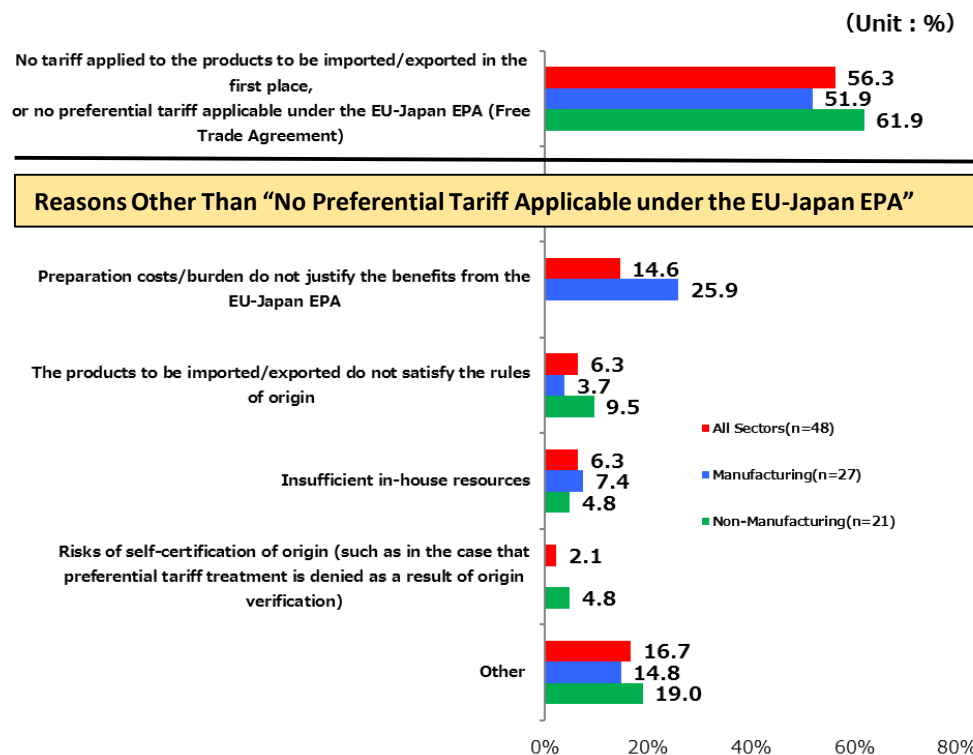
## Utilisation of the Japan-EU EPA by Japanese-Affiliated Companies Based in the EU

(Companies Engaging in trade between the EU and Japan)

Status of Utilisation of Japan-EU EPA	Responses	%
<b>Japan → EU</b>	<b>359</b>	<b>100.0%</b>
Currently utilising	235	65.5%
Considering to utilise	92	25.6%
Not (planning) to utilise	32	8.9%
<b>EU → Japan</b>	<b>162</b>	<b>100.0%</b>
Currently utilising	86	53.1%
Considering to utilise	49	30.2%
Not (planning) to utilise	27	16.7%

## Reasons for Not Using the Japan-EU EPA

<Multiple Answers Given>



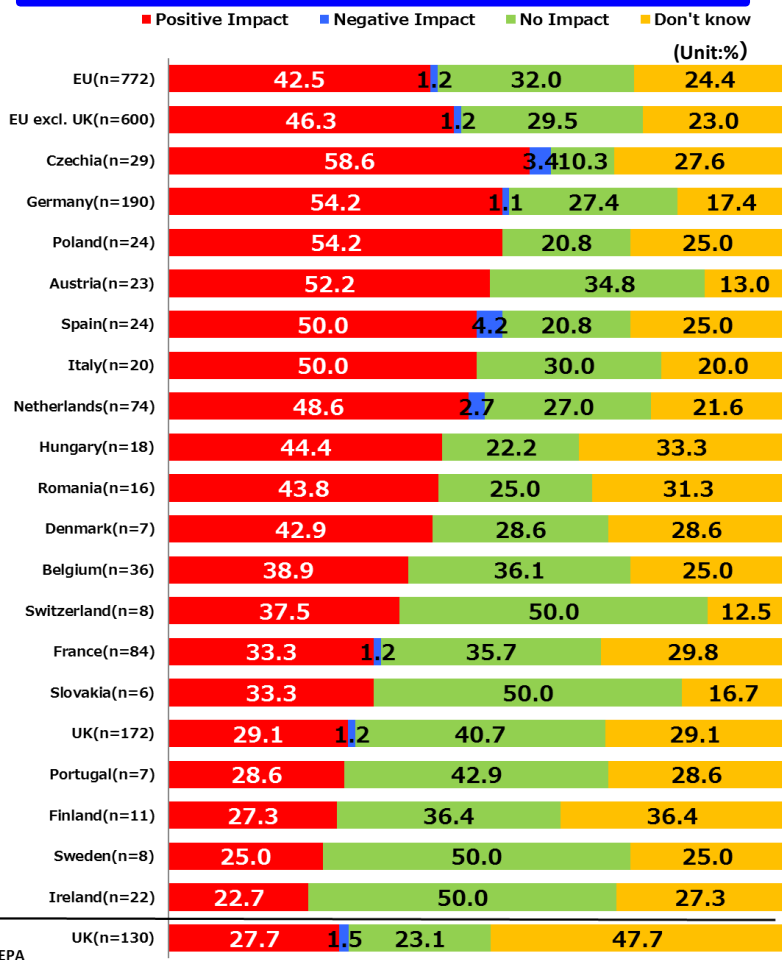
### Reasons Other Than “No Preferential Tariff Applicable under the EU-Japan EPA”



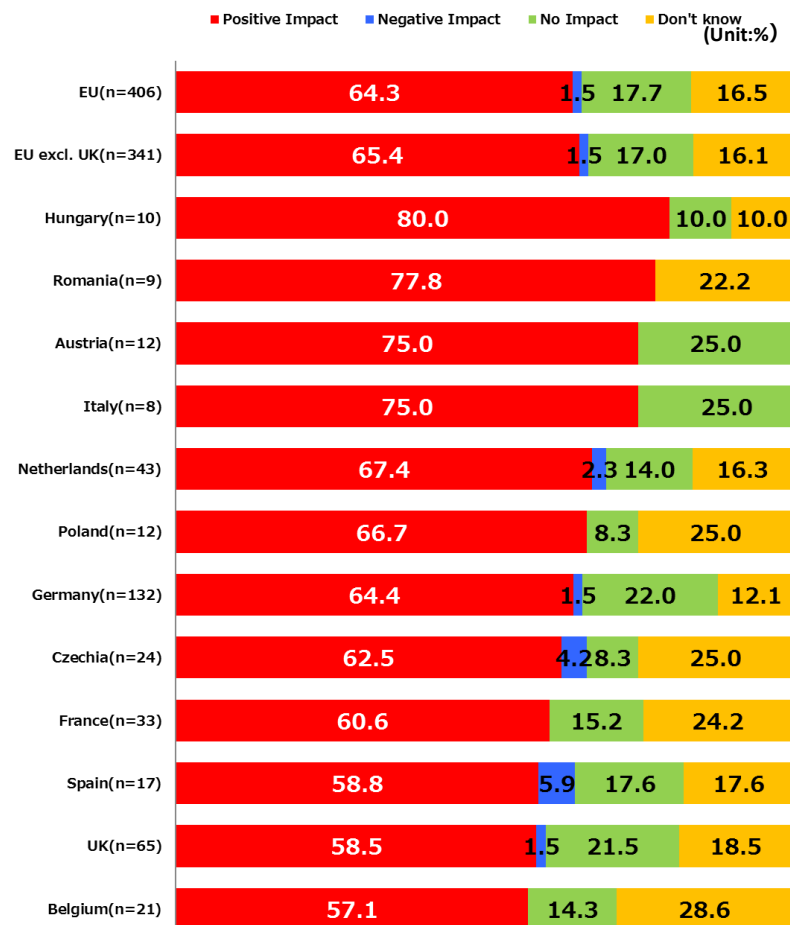
# 6. EPA/FTA (4)

- When asked about the impact of the Japan-EU EPA, 42.5% of all EU based companies and 46.3% of companies based in EU states other than the UK selected “Positive impact”.
- Among companies engaging in trade between Japan and the EU, 64.3% of EU based companies and 65.4% of companies based in EU states other than the UK responded “Positive impact”. It was shown that companies with a possibility of enjoying the benefit of reduced tariffs tend to find the impact of the Japan-EU EPA as positive. By country, particularly high response rates for “Positive impact” came from Hungary at 80.0%, Romania at 77.8%, Austria at 75.0%, and Italy at 75.0%.

### Japan-EU EPA Impact by Country



### Japan-EU EPA Impact by Country (Companies Engaging in Trade between Japan and the EU)

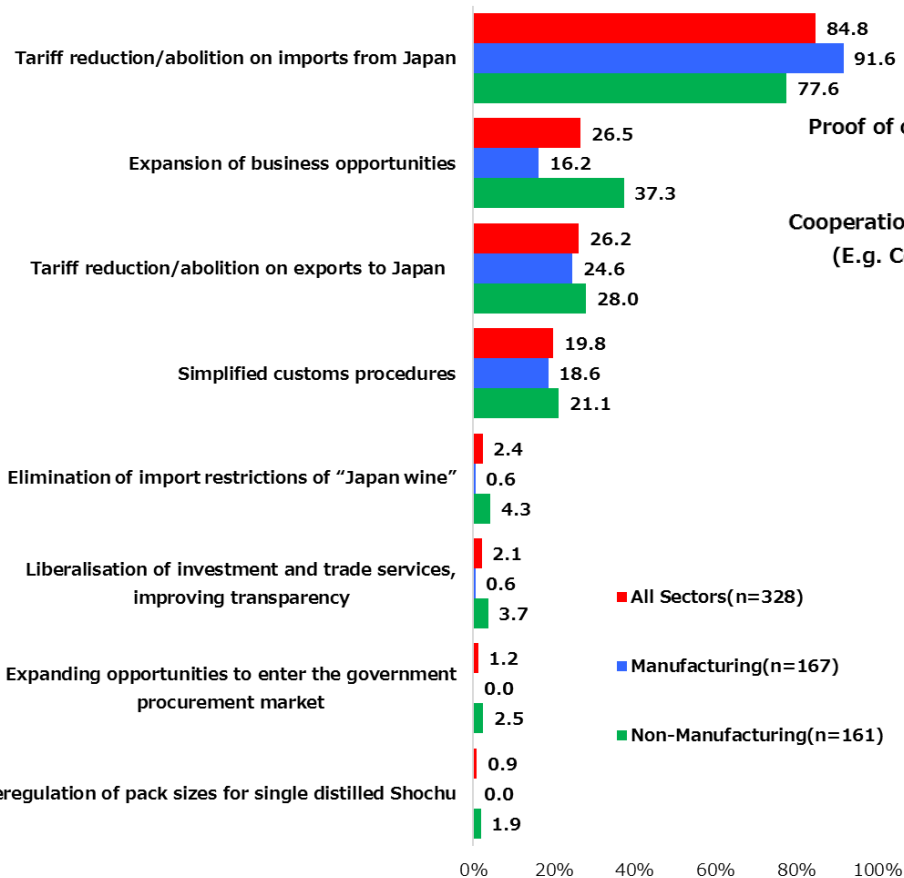


# 6. EPA/FTA (5)

- The most major reason for selecting “Positive impact” was Tariff reduction/abolition on imports from Japan at 84.8%.
- In terms of items that may be problematic when using the Japan-EU EPA, within EU based companies, the top issue was “Proof of origin procedures (self-certification)” at 47.3%, increasing by more than 10 percentage points from the previous 34.6%. In addition, “Cooperation with supplier/business partners e.g. completion of certificate of origin documentation” (44.0%) and “In-house system improvements” (39.0%) also continued to be major challenges as with the previous survey. With the application the EPA having started, many companies recognized certificate of origin as their major challenge.

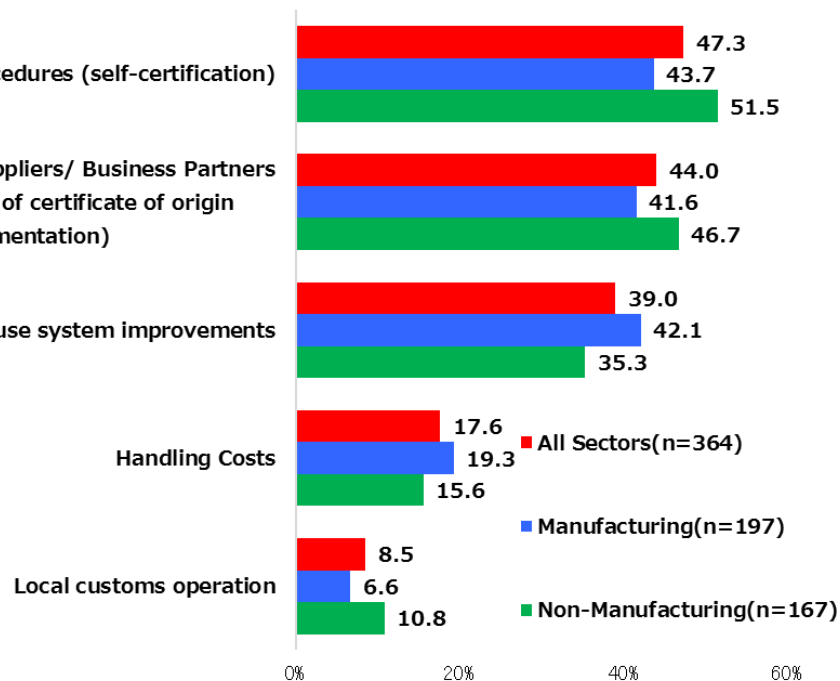
**Reasons given for “Positive Impact” from the Japan-EU EPA**  
 <Multiple Answers Given>

(Unit:%)



**Challenges Regarding the Use of the Japan-EU EPA**  
 <Multiple Answers Given>

(Unit:%)



# 6. EPA/FTA (6)

## Troubles Related to the Use of the Japan-EU EPA and Desired Measures/Assistance from the Japanese Government (Based on individual responses)

### <Consistency of Application and Clarification>

- The required procedures vary depending on the customs office, the personnel, and the timing of application, which hinders smooth customs clearance. There were cases where the same customs office instructed us to correct a document that they had accepted in the past or to send the original copy.
- We hope that clear rules will be stipulated under the Agreement rather than leaving it to the judgment of individual customs offices.
- Clarification of rules concerning trilateral transportation
- Rules and procedures for retrospective application for preferential tariff and duty payment refunds vary from country to country.
- It is unclear what would cause trouble during customs clearance.

### <Simplification>

- The certification procedures for small lot multi-products are too complicated and infeasible.
- Japan customs requires too many documents. It is practically impossible to complete such complicated EPA procedures when we are trading many kinds of parts.

### <Verification, Penalties, Etc.>

- The verification rules and policies are unclear.

### <Others>

- Prior disclosure of information (both Japan and the EU)
- We were not able to enjoy the benefit of the EPA because of an unreasonable decision on the HS code.
- Establishment of means to guarantee the origin of a self-certified product. Problems, such as that advanced ruling is substantially unavailable for companies based outside the EU, should be tackled.

## Regulation-Related Issues That Need to Be Solved under Cooperation between Japan and the EU

(Based on individual responses)

### <Customs/Customs Clearance>

- Relaxation of rules of origin, relaxation of rules concerning certificates of origin
- Retrospective preferential tariff claim and refund on duty payment
- Application of the Japan-UK EPA immediately after Brexit
- Simplification of multi-product small lot trade procedures
- HS code decision unification among countries
- Strengthening practical cooperation
- Dealing with safeguard measures
- Trade Control Ordinance

### <Others>

- Abolishment of the CE standards
- REACH Equivalence application to Japan
- Shortening of lead time for expatriate visas / extension of stay period under the Schengen Convention
- Promoting development of future technologies by companies in the EU and Japan
- Establishment of free data movement system

# 6. EPA/FTA (7)

- Regarding utilisation of bilateral and multilateral free trade agreements (FTA) that have already been put into effect, amongst imports many companies selected “Currently Utilising” and “Considering to Utilise” for the EU-Korea and the EU-Turkey agreements. For exports, the most common response for “Currently Utilising” was the EU-Turkey agreement.

## Utilisation of the EU’s Bilateral or Multilateral FTAs by Europe Based Companies <Multiple Answers Given>

Are you currently/considering to utilise preferential tax rates provided by these FTAs for <b>import to the EU?</b>	Responses	Currently utilising	Considering to utilise	Not (planning to) utilise
Korea	35 100.0%	25 71.4%	6 17.1%	4 11.4%
Turkey	35 100.0%	22 62.9%	11 31.4%	2 5.7%
Japan-Switzerland*	18 100.0%	11 61.1%	4 22.2%	3 16.7%
Mexico	11 100.0%	6 54.5%	3 27.3%	2 18.2%
Switzerland	10 100.0%	6 60.0%	2 20.0%	2 20.0%
South Africa	5 100.0%	3 60.0%	1 20.0%	1 20.0%
Canada	5 100.0%	2 40.0%	2 40.0%	1 20.0%

(Note) “Japan-Switzerland” concerns import from Japan to Switzerland.

Are you currently/considering to utilise preferential tax rates provided by these FTAs for <b>export from the EU?</b>	Responses	Currently utilising	Considering to utilise	Not (planning to) utilise
Turkey	87 100.0%	49 56.3%	14 16.1%	24 27.6%
Switzerland	61 100.0%	36 59.0%	5 8.2%	20 32.8%
Lichtenstein, Norway, Iceland (EEA)*1	38 100.0%	22 57.9%	5 13.2%	11 28.9%
Mediterranean countries (Including Middle East)*2	40 100.0%	16 40.0%	6 15.0%	18 45.0%
Mexico	33 100.0%	13 39.4%	10 30.3%	10 30.3%
Korea	26 100.0%	12 46.2%	6 23.1%	8 30.8%
South Africa	37 100.0%	7 18.9%	9 24.3%	21 56.8%

(Note 1) These three countries are equal partners in the internal market, on the same terms as the EU member states through the EEA Agreement.

(Note 2) Middle East and North African countries such as Morocco, Tunisia, Jordan, Israel, Egypt (excluding Turkey)

## Utilisation of Signed FTAs Awaiting Entry into Force by Europe Based Companies <Multiple Answers Given>

Are you planning/considering to utilise preferential tax rates provided by these FTAs for <b>import to the EU?</b>	Responses	Planning to utilise	Considering to utilise	Not planning to utilise
Singapore*3	20 100.0%	10 50.0%	7 35.0%	3 15.0%
Vietnam*3	41 100.0%	17 41.5%	17 41.5%	7 17.1%

Are you planning/considering to utilise preferential tax rates provided by these FTAs for <b>export to the EU?</b>	Responses	Planning to utilise	Considering to utilise	Not planning to utilise
Vietnam*3	23 100.0%	8 34.8%	6 26.1%	9 39.1%
Singapore*3	22 100.0%	7 31.8%	6 27.3%	9 40.9%

(Note 3) Agreements that have not yet entered into force as of the time of the survey. The EU-Singapore FTA came into effect on November 21, 2019.

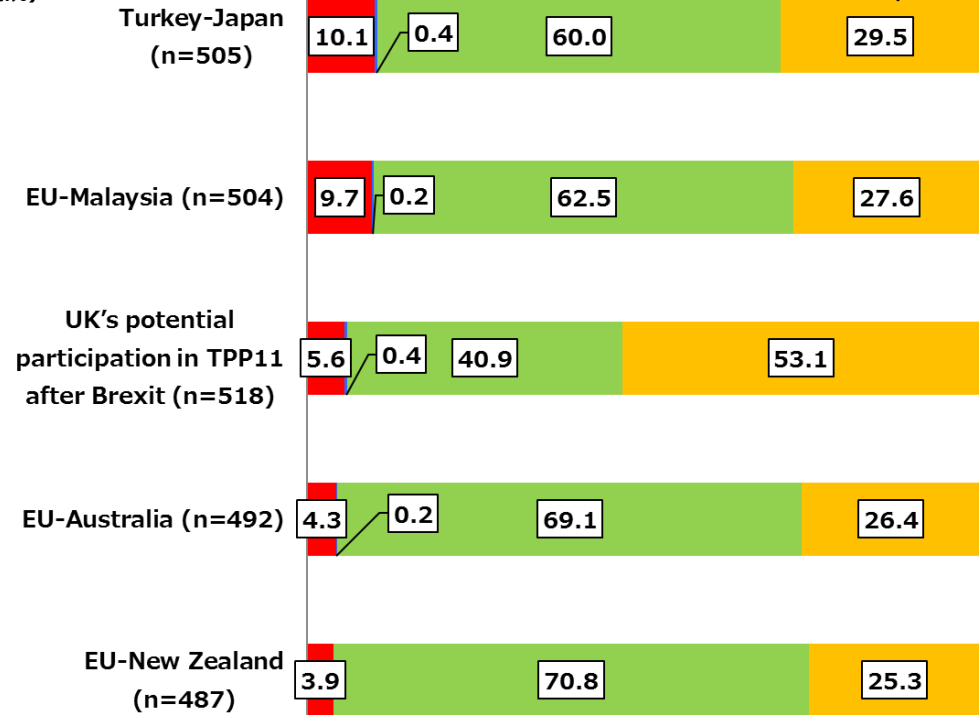
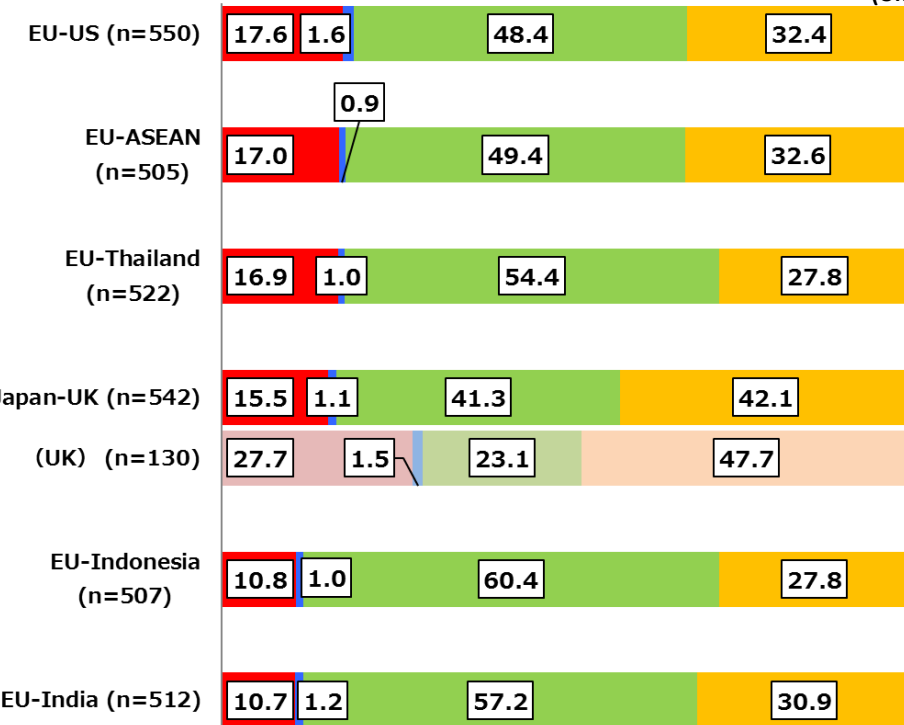
# 6. EPA/FTA (8)

- Regarding current EPAs and FTAs under negotiation as well as the potential future FTA negotiation, those that received large response rates for “Positive impact” were: the EU-US FTA (17.6%), the EU-ASEAN FTA (17.0%), and the EU-Thai FTA (16.9%). The response rate for positive impact for the Japan-UK EPA was lower at 15.5%; however, among UK based companies, the rate was higher at 27.7%.
- For all of these FPAs/EPAs, most companies cited reduced tariffs as a major benefit.
- Many of the companies that saw a positive impact from the Japan-UK EPA desired tariffs reduced to a similar level as the Japan-EU EPA.

## EPA/FTA Impacts (Europe Based Companies)

■ Positive Impact ■ Negative Impact ■ No Impact ■ Don't know (Unit:%)

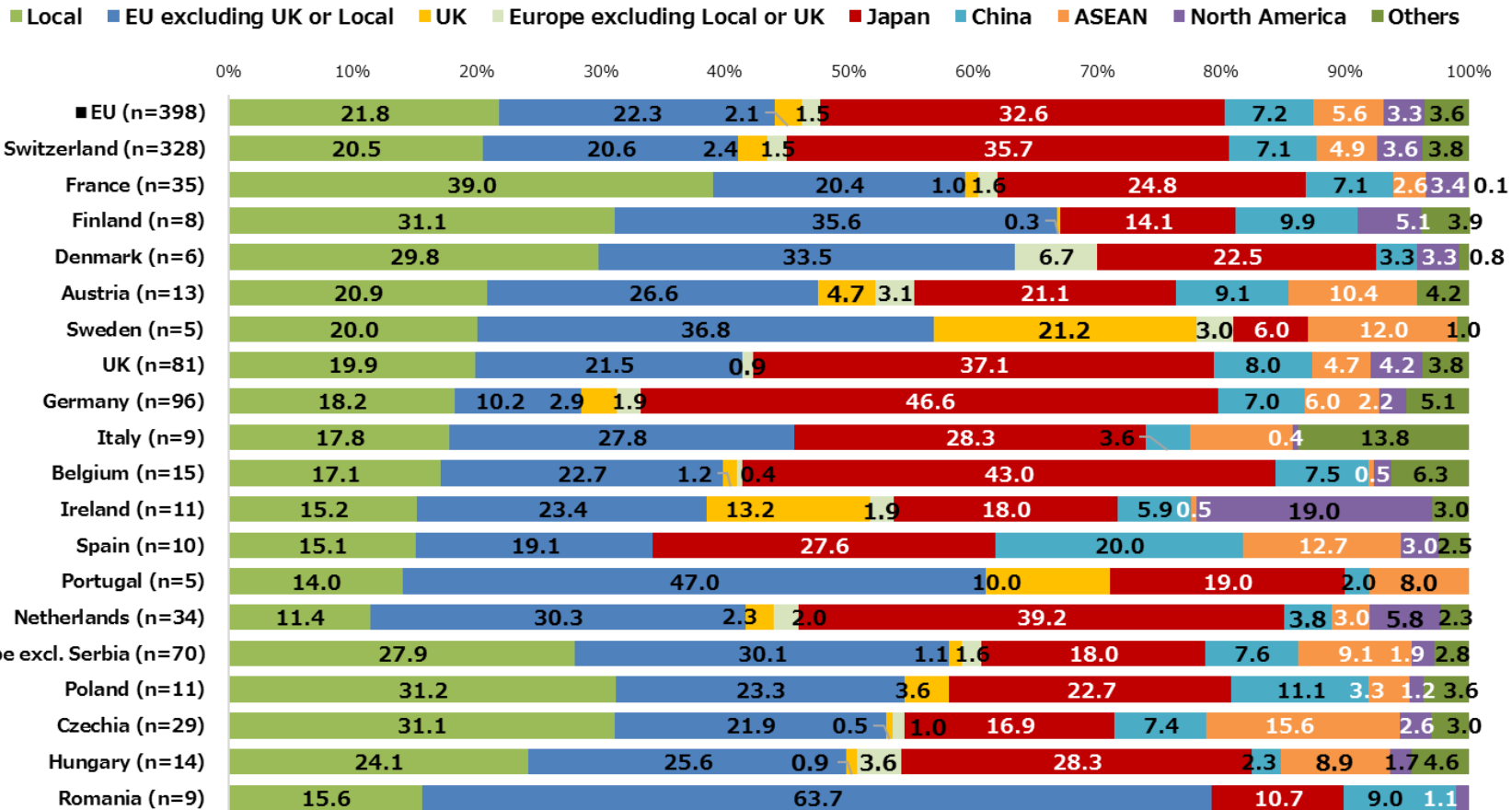
■ Positive Impact ■ Negative Impact ■ No Impact ■ Don't know (Unit:%)



# 7. Local Procurement and Future Direction (1)

- Regarding the local procurement of parts and raw materials for EU based companies, the simple average of companies' responses (value-based) was calculated. The average procurement rate from local and EU suppliers was 46.2%, however for Central & Eastern Europe based companies it was higher at 59.1%.
- With the Japan-EU EPA entering into force in February 2019, the average procurement rate from Japan increased 1.2 percentage points to 32.6%.
- For UK based companies, the procurement rates from other EU states and from Japan were as high as 21.5% and 37.1%, respectively, raising concerns related to Brexit, such as the tariffs and customs clearance between the UK and the EU and the effects of falling out of the scope of the Japan-EU EPA after the UK's withdrawal from the EU (or after the end of the transitional period).

**Parts & Raw Material Suppliers for All Sectors by Country and Region (Breakdown Based on Value)**



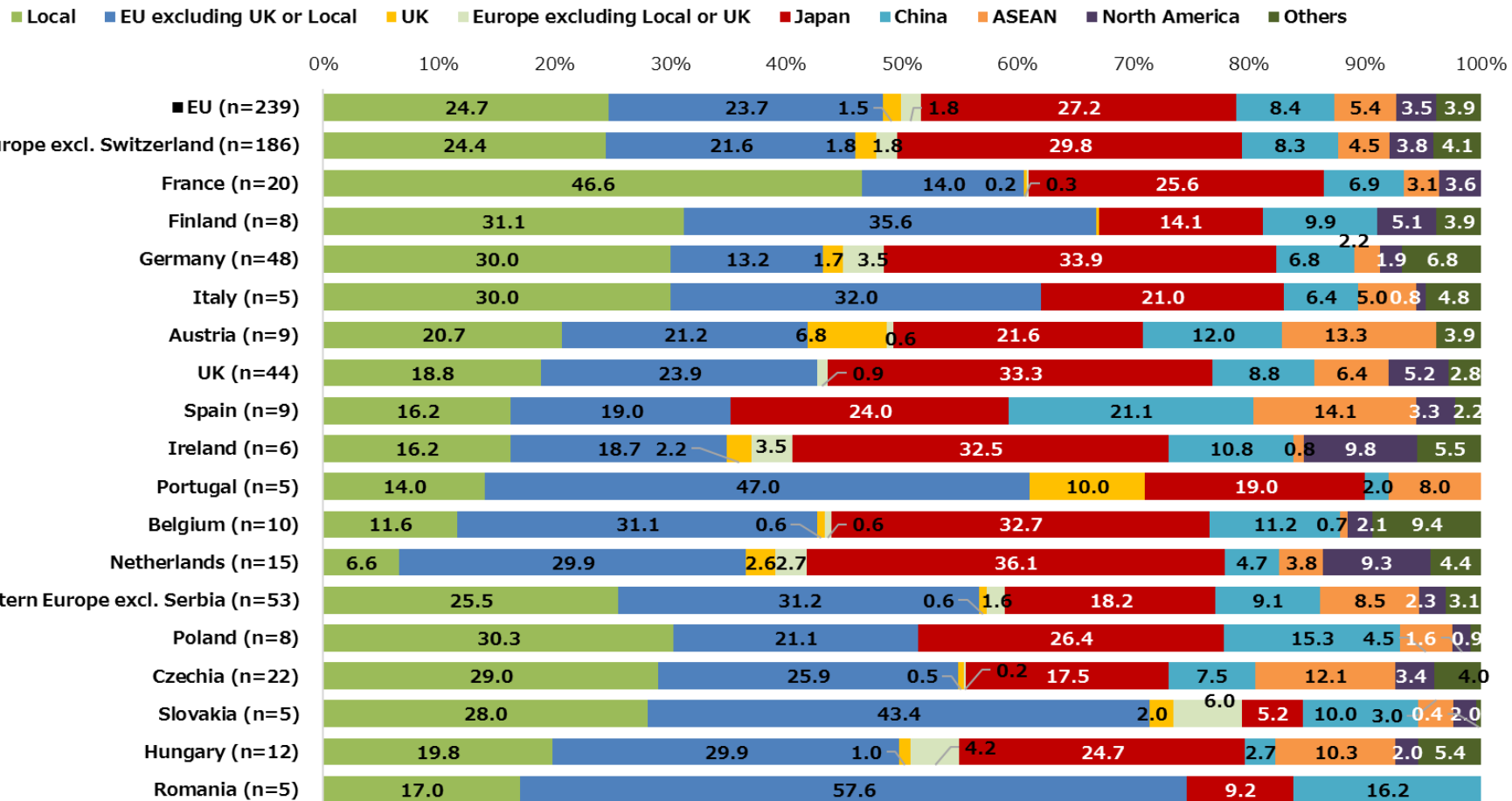
\*1 This graph shows the companies average response rate given for each procurement source. Each company calculated the percentage of their procurement sources to amount to 100%.

\*2 'Local' indicates the country/region listed. Countries where respondents are less than 5 were excluded.

# 7. Local Procurement and Future Direction (2)

- Regarding local procurement sources of parts and raw materials for EU based manufacturing companies, the simple average of companies' responses (value-based) was calculated. The average procurement rates from local and EU suppliers continued to hover around 25%, albeit slightly lower than the previous survey (down 1.2 percentage points to 24.7% and down 3.6 percentage points to 25.2%, respectively).
- The average procurement rate from China increased 2.3 percentage points to 8.4%.

**Parts & Raw Material Suppliers for Manufacturing Sector by Country and Region (Breakdown Based on Value)**



\*1 This graph shows the companies average response rate given for each procurement source. Each company calculated the percentage of their procurement sources to amount to 100%.

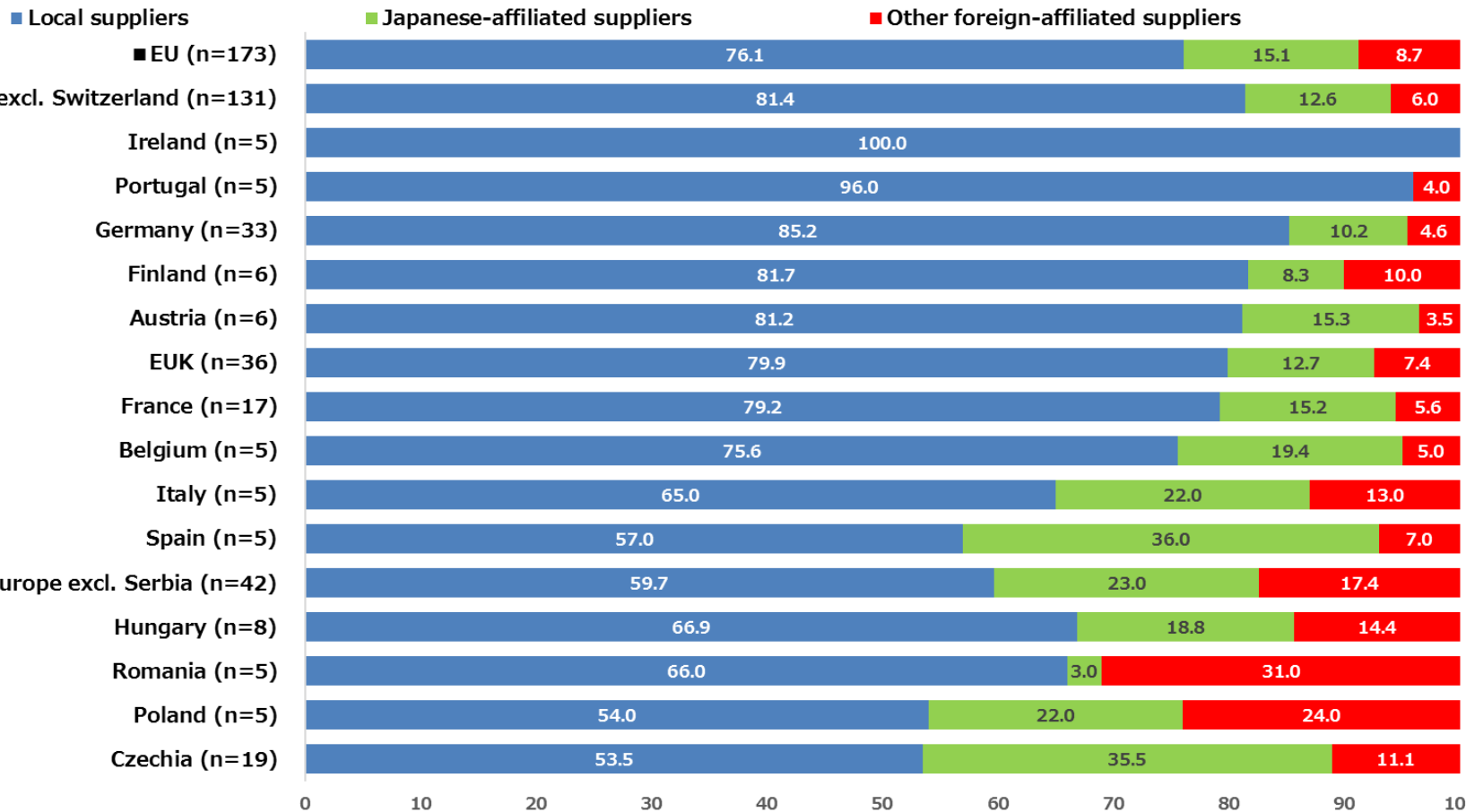
\*2 'Local' indicates the country/region listed, Countries where respondents are less than 5 were excluded.

# 7. Local Procurement and Future Direction (3)

- Looking at the breakdown of local procurement for the manufacturing sector: the largest average came from local suppliers at 76.1% (down 0.3 percentage points from 2018), 15.1% from local Japanese-affiliated suppliers (up 2.1 percentage points) and 8.7% from other local foreign-affiliated suppliers (down 1.9 percentage points).
- Western Europe had a higher average procurement rate from local suppliers at 81.4% compared to Central and Eastern Europe at 59.7%, reflecting the shortage of local suppliers in Central and Eastern Europe that can fulfil the needs of Japanese-affiliated companies.

**Breakdown of Local Suppliers for Manufacturing Sector (Breakdown Based on Value)**

(Unit:%)



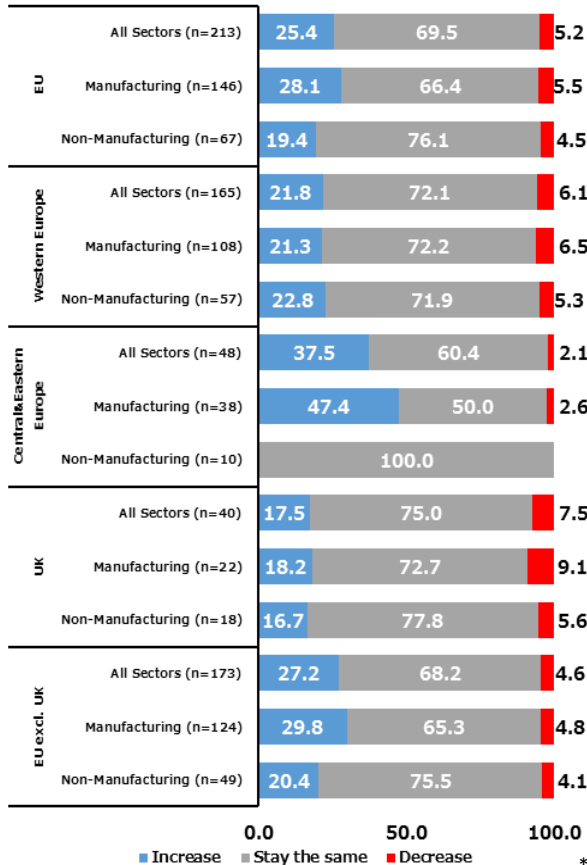


# 7. Local Procurement and Future Direction (4)

- When companies were asked about their future local procurement policies, 25.4% selected "Increase". A notably high response rate came from manufacturing companies based in Central and Eastern Europe; almost a half of these companies (47.4%) intended to increase local procurement.
- The proportion of companies based in the EU (other than the UK) intending to "Increase" procurement within the EU was 28.9%, a higher rate than that for local procurement, reflecting their stronger interest in cross-border procurement within the EU. On the other hand, 18.2% of companies based in the EU (other than the UK) intended to decrease procurement from the UK, while 22.2% of UK based companies also planned to decrease procurement from the UK.

## Future Local Procurement

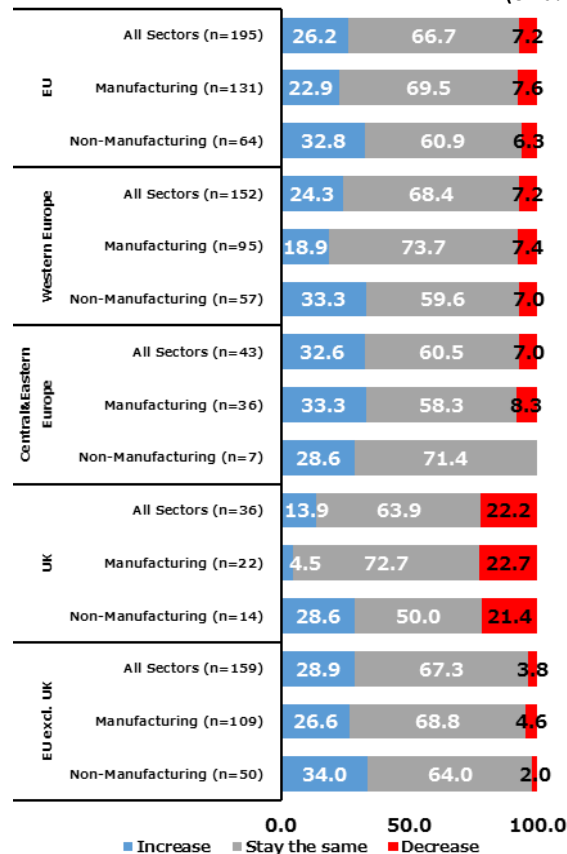
(Unit:%)



## Future Procurement within the EU\*

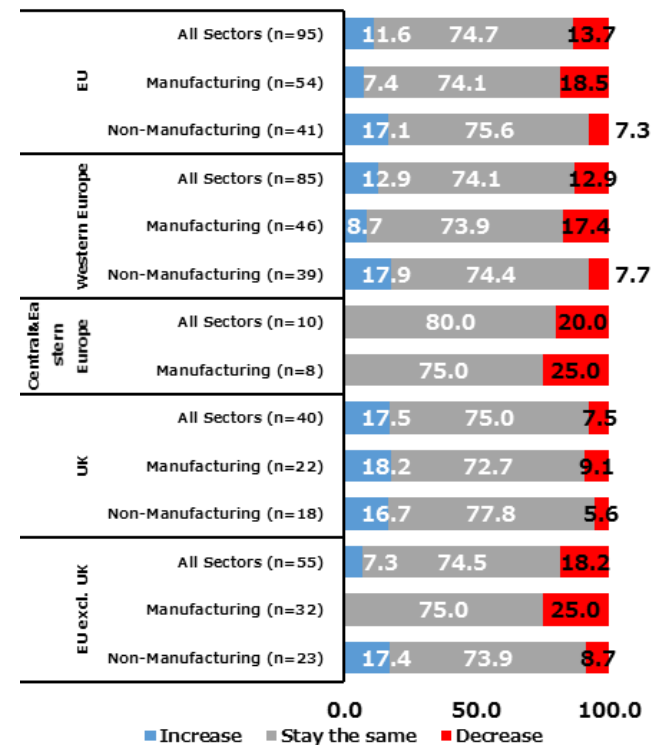
\*Excluding "Local" and the UK

(Unit:%)



## Future Procurement from the UK

(Unit:%)



\* Non-manufacturing companies in Central and Eastern Europe were omitted as the number of respondents was less than five.

\* Western Europe does not include Switzerland based companies. Central and Eastern Europe does not include Serbia based companies.

# 7. Local Procurement and Future Direction (5)

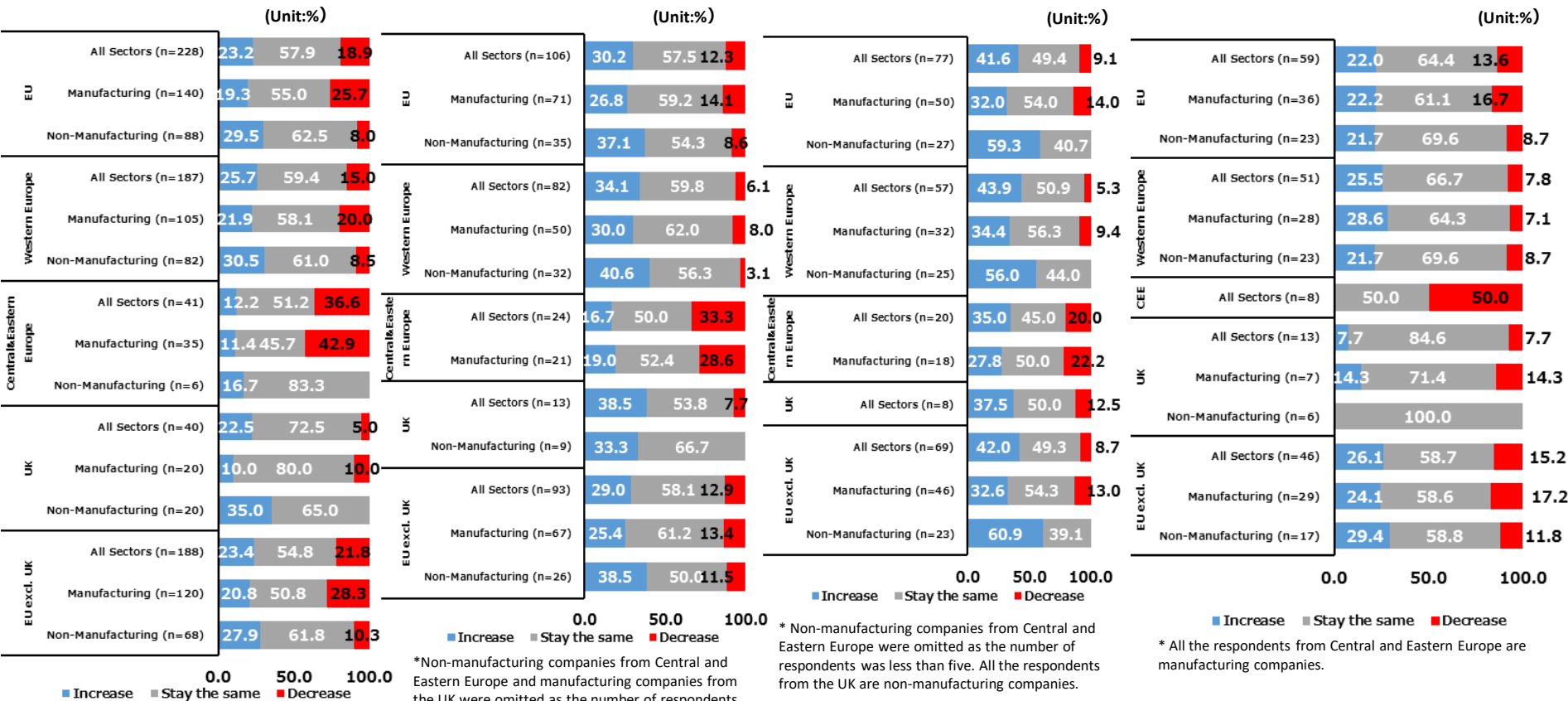
- 23.2% of EU based companies responded that they would “Increase” procurement from Japan. This trend was more prominent in the non-manufacturing sector; notably nearly half of the wholesale and retail trade (including trading) sector (47.8%) selected this response.
- Looking at EU based companies’ future policies for procurement from China, the response rate for “Increase” was high in Western Europe at 34.1%, especially in the UK at 38.5%, while it was low in Central and Eastern Europe (16.7%). It is noteworthy that about a third of respondents from Central and Eastern Europe responded that they would “Decrease” procurement from China. Meanwhile, companies were more poised to increase procurement from ASEAN rather than from China, with 41.6% of the companies intending to do so. A particularly high response rate came from Western Europe at 43.9%. A particularly high response rate came from Western Europe at 43.9%.

### Future Procurement from Japan

### Future Procurement from China

### Future Procurement from ASEAN

### Future Procurement from the US



# 8. Sales Destinations and Future Policy (1)

- Regarding the sales destinations for EU based companies, the simple average of companies' responses (value-based) was calculated. The average proportion of UK purchasers as sales destinations for companies based in other EU states was 4.9%.
- The average proportion of the local market in sales destinations for UK based companies was 40.5%, a higher rate than the average proportion of the local market for other EU states (32.7%).
- The average proportion of the UK market in sales destinations of Ireland-based companies was high at 13.9%. On the other hand, the proportion for Central and Eastern Europe was slightly lower than that for Western Europe.
- The EU market accounts for nearly 80% of the sales destinations of EU based companies, indicating that the main objective of Japanese-affiliated companies in setting up a business in the EU is to access the EU market. On the other hand, the average proportion of North America in the sales destinations of Ireland-based companies is particularly high at 10.1% compared to other EU countries.



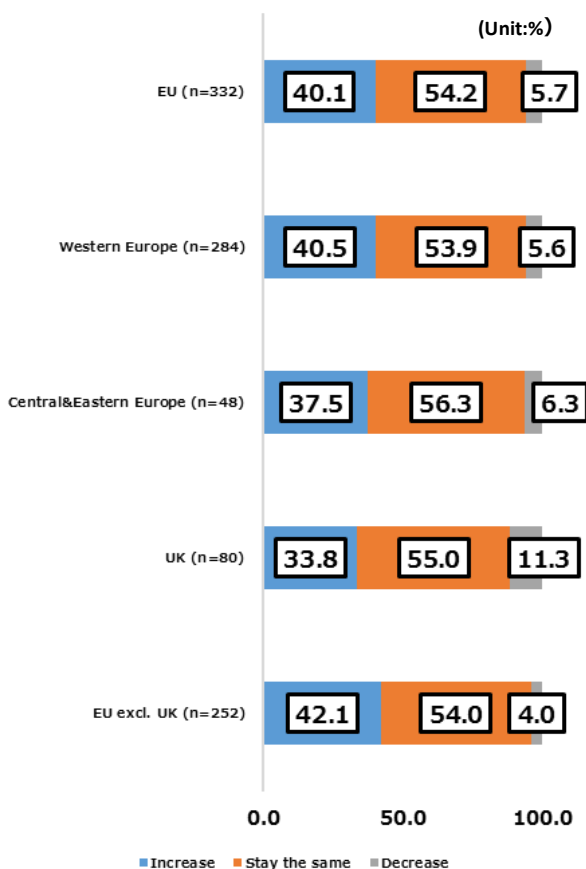
\*1 This graph shows the companies average response rate given for each sales destination. Each company calculated the percentage of their sales destinations to amount to 100%.

\*2 'Local' indicates the country/region listed. Countries where respondents are less than 5 were excluded.

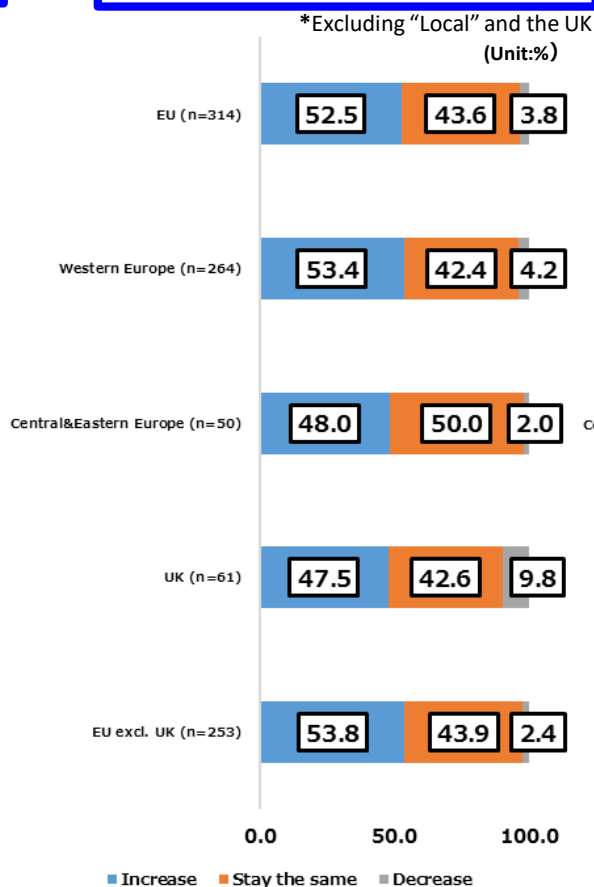
# 8. Sales Destinations and Future Policy (2)

- When companies were asked about their policy for future sales from the local market, the proportion of companies that responded "Increase" was higher in Western Europe than Central and Eastern Europe. Meanwhile, the proportion of UK-based companies intending to "Increase" sales from the local market was 33.8%, 6.7 percentage points lower than Western Europe.
- 53.8% of EU based companies intended to increase sales from the EU market (excluding the local and UK markets), reflecting that they view the EU market as a whole as their potent sales destination and that they are willing to expand their market, rather than restricting themselves to the local market.
- Companies based in the EU other than the UK had a relatively low interest in increasing sales in the UK market. Notably, none of the 13 respondents from Central and Eastern Europe intended to increase sales in the UK.

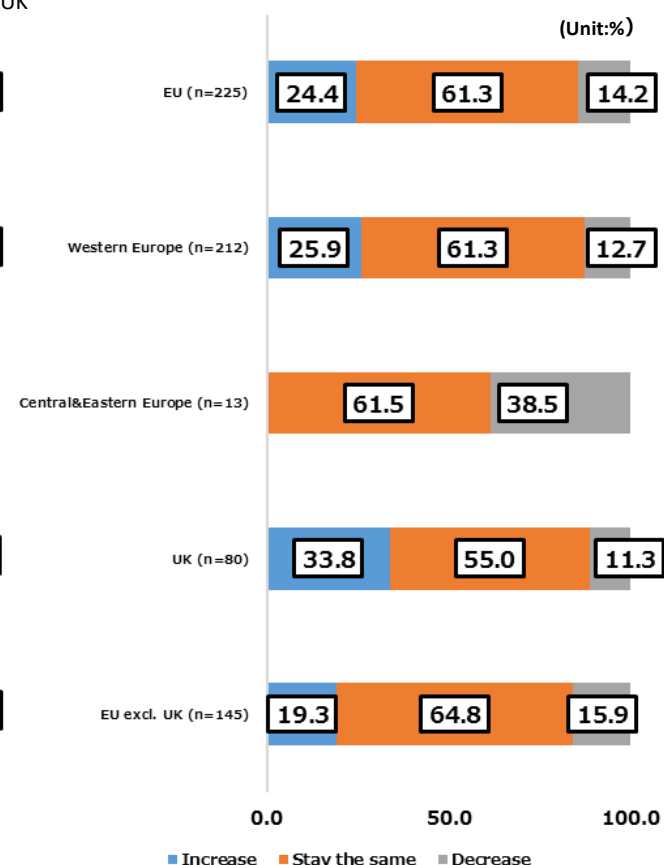
### Future Policy for Sales in Local Market



### Future Policy for Sales in the EU\*



### Future Policy for Sales in the UK

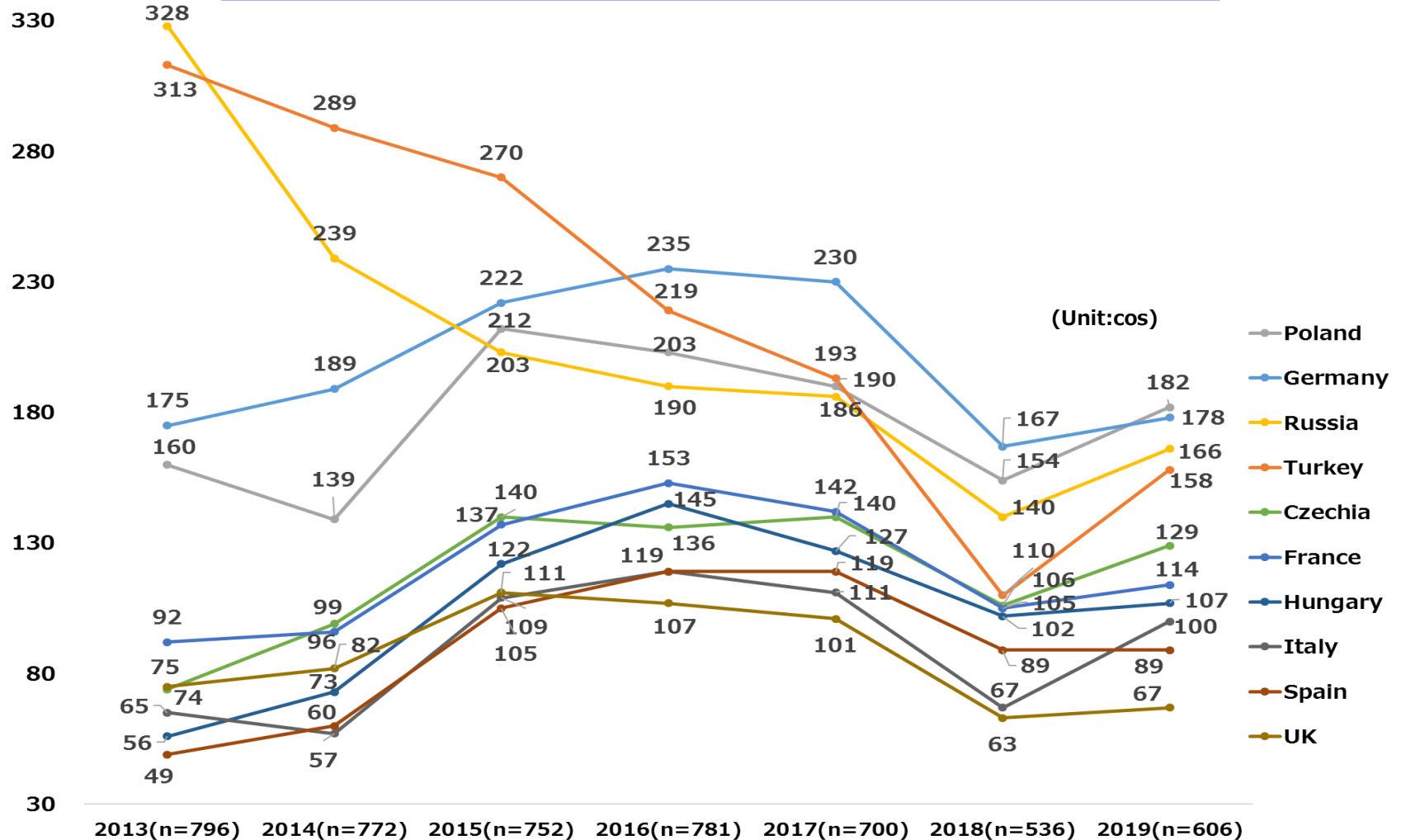


\* Western Europe does not include Switzerland based companies. Central and Eastern Europe does not include Serbia based companies.

# 9. Future Promising Sales Destinations (1)

- Poland, which was ranked as the second most promising sales destination after Germany in the previous survey, moved up to the first place this year.
- The number and proportion of companies selecting Turkey and Russia had been declining since 2014, but they both recovered this year. The figures for Italy, which dropped dramatically in 2018, also improved. France, Hungary, Spain, and the UK stayed at almost the same level as last year.

Top 10 Future Promising Sales Destinations Trends for 2019 <Multiple Answers Given>



# 9. Future Promising Sales Destinations (2)

- The most common reason for selecting European and neighbouring countries as promising sales destinations was “Sales growth is expected”; however, the response rate for this answer for Western Europe as well as Central & Eastern Europe has been decreasing since 2017. Meanwhile, the proportion of companies selecting “New clients have been found in the country/region” increased since last year.
- The proportion of companies selecting “Existing clients have bases in the country/region” grew for Africa, exceeding the proportions for Russia and the CIS.

Responses(Unit:cos)

Ratio(Unit:%)

## Reasons Given for Future Promising Sales Destination <Multiple Answers Given>

Reason for selecting country(ies) in Western Europe	2013 (n=369)	2014年 (n=386)	2015 (n=425)	2016 (n=451)	2017 (n=435)	2018 (n=333)	2019 (n=361)	Change
1 It is a country where sales growth is expected.	172	178	193	200	218	160	143	Δ 17
	46.6	46.1	45.4	44.3	50.1	48.0	39.6	Δ 8.4
2 Existing clients have bases in the country/region.	131	133	131	166	174	151	143	Δ 8
	35.5	34.5	30.8	36.8	40.0	45.3	39.6	Δ 5.7
3 New clients have been found in the country/region.	106	86	97	145	124	86	122	36
	28.7	22.3	22.8	32.2	28.5	25.8	33.8	8.0
4 Good receptivity of high value-added products / service.	121	140	141	143	127	102	119	17
	32.8	36.3	33.2	31.7	29.2	30.6	33.0	2.4
5 Existing customers are relocating to the country/region.	37	25	33	166	23	23	4	Δ 19
	10.0	6.5	7.8	36.8	5.3	6.9	1.1	Δ 5.8

Reason for selecting country(ies) in Central and Eastern Europe	2013 (n=292)	2014 (n=285)	2015 (n=322)	2016 (n=331)	2017 (n=332)	2018 (n=264)	2019 (n=297)	Change
1 It is a country where sales growth is expected.	213	207	211	206	223	164	172	8
	72.9	72.6	65.5	62.2	67.2	62.1	57.9	Δ 4.2
2 Existing clients have bases in the country/region.	79	92	99	114	121	89	111	22
	27.1	32.3	30.7	34.4	36.4	33.7	37.4	3.7
3 New clients have been found in the country/region.	67	61	55	87	86	70	81	11
	22.9	21.4	17.1	26.3	25.9	26.5	27.3	0.8
4 Good receptivity of high value-added products / service.	35	33	39	46	36	34	36	2
	12.0	11.6	12.1	13.9	10.8	12.9	12.1	Δ 0.8
5 Existing customers are relocating to the country/region.	16	9	16	21	23	17	24	7
	5.5	3.2	5.0	6.3	6.9	6.4	8.1	1.7

Reason for selecting country(ies) in the Middle East	2013 (n=374)	2014 (n=343)	2015 (n=336)	2016 (n=329)	2017 (n=278)	2018 (n=170)	2019 (n=201)	Change
1 It is a country where sales growth is expected.	316	272	266	226	202	105	125	20
	84.5	79.3	79.2	68.7	72.7	61.8	62.2	0.4
2 Existing clients have bases in the country/region.	93	101	92	96	98	58	67	9
	24.9	29.4	27.4	29.2	35.3	34.1	33.3	Δ 0.8
3 New clients have been found in the country/region.	59	56	52	67	57	41	47	6
	15.8	16.3	15.5	20.4	20.5	24.1	23.4	Δ 0.7
4 Good receptivity of high value-added products / service.	60	52	50	61	45	32	36	4
	16.0	15.2	14.9	18.5	16.2	18.8	17.9	Δ 0.9
5 Existing customers are relocating to the country/region.	16	12	10	9	8	6	3	Δ 3
	4.3	3.5	3.0	2.7	2.9	3.5	1.5	1.5

Reason for selecting country(ies) in Africa	2013 (n=212)	2014 (n=187)	2015 (n=220)	2016 (n=225)	2017 (n=190)	2018 (n=158)	2019 (n=178)	Change
1 It is a country where sales growth is expected.	172	136	159	137	133	114	118	4
	81.1	73.9	72.3	60.9	70.0	72.2	66.3	Δ 5.9
2 Existing clients have bases in the country/region.	52	43	61	63	58	39	59	20
	24.5	23.4	27.7	28.0	30.5	24.7	33.1	8.4
3 New clients have been found in the country/region.	45	32	37	47	46	30	44	14
	21.1	17.4	16.8	20.9	24.2	19.0	24.7	5.7
4 Good receptivity of high value-added products / service.	27	22	17	24	27	15	17	2
	12.7	12.0	7.7	10.7	14.2	9.5	9.6	0.1
5 Existing customers are relocating to the country/region.	9	7	7	6	7	9	7	Δ 2
	4.2	3.8	3.2	2.7	3.7	5.7	3.9	Δ 1.8

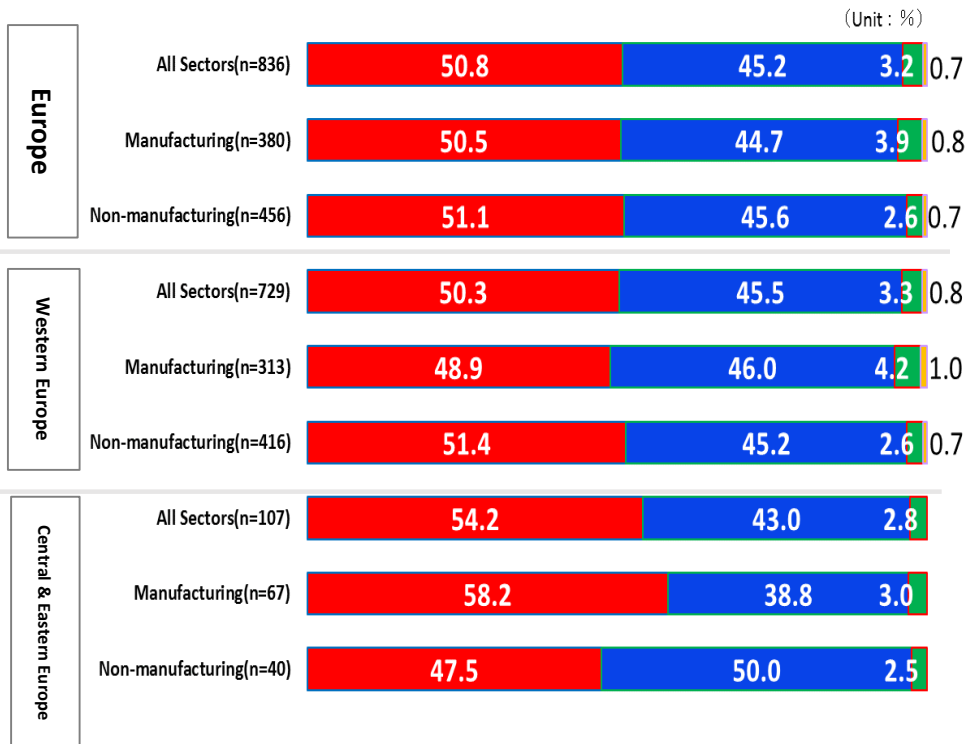
Reason for selecting country(ies) in Russia and/or CIS	2013 (n=353)	2014 (n=247)	2015 (n=200)	2016 (n=189)	2017 (n=203)	2018 (n=153)	2019 (n=177)	Change
1 It is a country where sales growth is expected.	299	195	129	110	136	104	110	6
	84.7	78.9	64.5	58.2	67.0	68.0	62.1	Δ 5.9
2 Existing clients have bases in the country/region.	78	63	51	61	68	41	56	15
	22.1	25.5	25.5	32.3	33.5	26.8	31.6	4.8
3 New clients have been found in the country/region.	63	33	26	38	44	35	44	9
	17.8	13.4	13.0	20.1	21.7	22.9	24.9	2.0
4 Good receptivity of high value-added products / service.	47	37	34	27	30	25	34	9
	13.3	15.0	17.0	14.3	14.8	16.3	19.2	2.9
5 Existing customers are relocating to the country/region.	17	12	9	9	5	4	1	Δ 3
	4.8	4.9	4.5	4.8	2.5	2.6	0.6	Δ 2.0

# 10. Business Outlook For Next 1 or 2 Years (1)

- For the next 1-2 year business outlook across all sectors in Europe: 50.8% said “Expansion” and 45.2% said “Remain the same”, remaining on the same level as the previous survey (the proportions were 49.5% and 47.0% respectively in 2018). While the response rate for “Expansion” for the manufacturing sector in Central and Eastern Europe increased 4.5 percentage points since last year to 58.2%, the rate for the non-manufacturing sector decreased 15.8 percentage points to 47.5%.
- By country, the highest response rate for “Expansion” came from Sweden, increasing 24.6 percentage points since last year to 88.9%. On the other hand, the response rate for “Reduction” grew for Finland by 14.3 percentage points to 14.3%, for Spain by 7.3 percentage points to 11.5%, and for the UK by 3.3 percentage points to 6.4%.

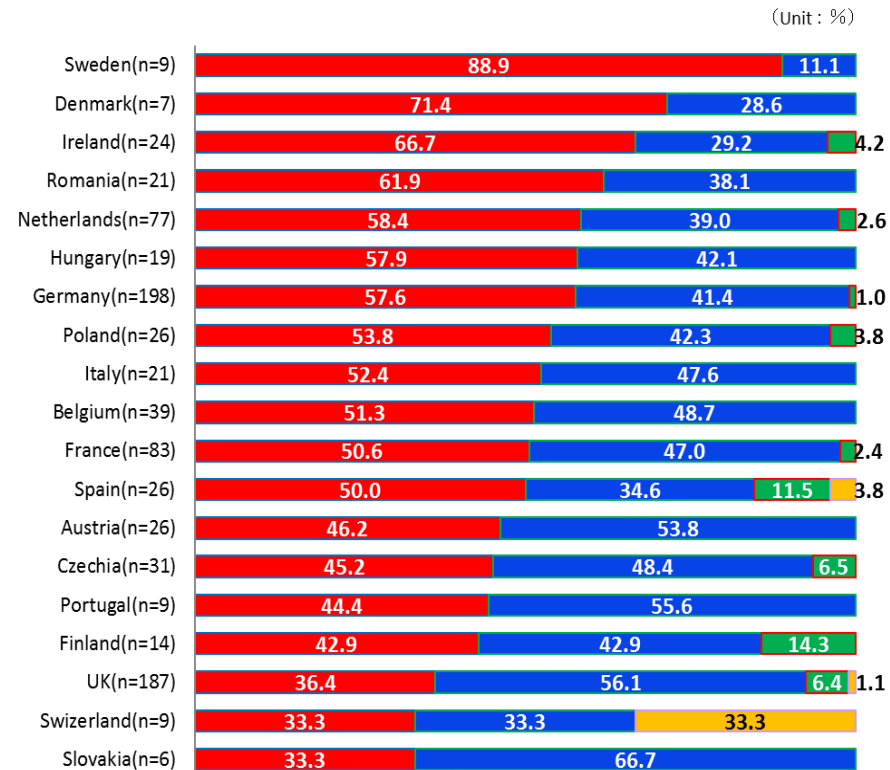
### Business Outlook For Next 1 or 2 Years (By Industry)

■ Expansion ■ Remain the same ■ Reduction ■ Relocate or withdrawal from present country



### Business Outlook For Next 1 or 2 Years (By Country)

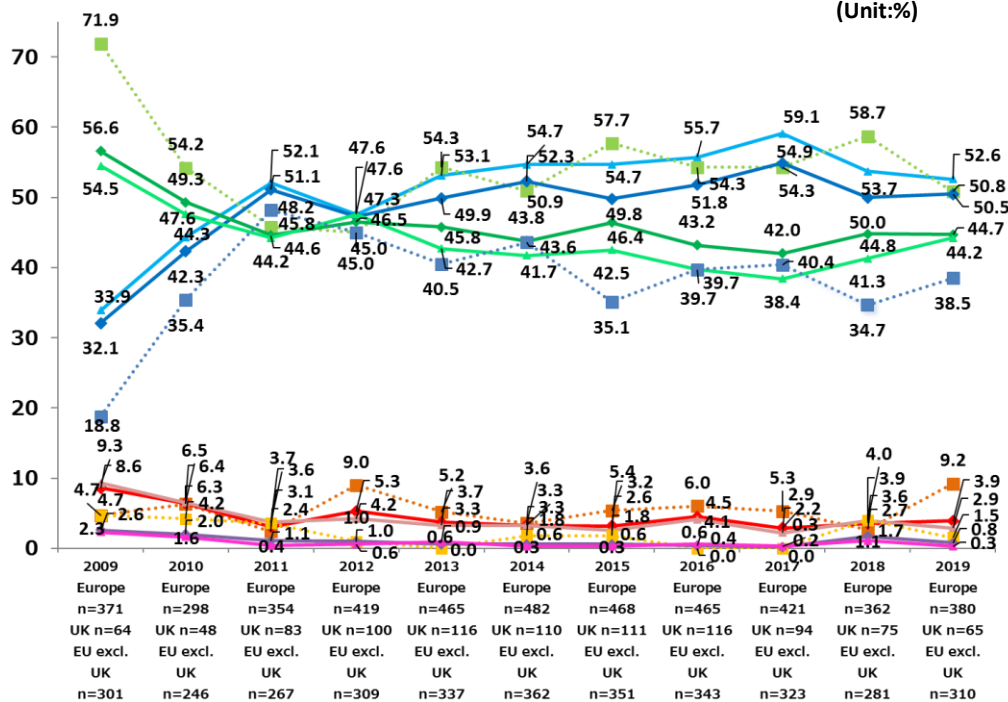
■ Expansion ■ Remain the same ■ Reduction ■ Relocate or withdrawal from present country



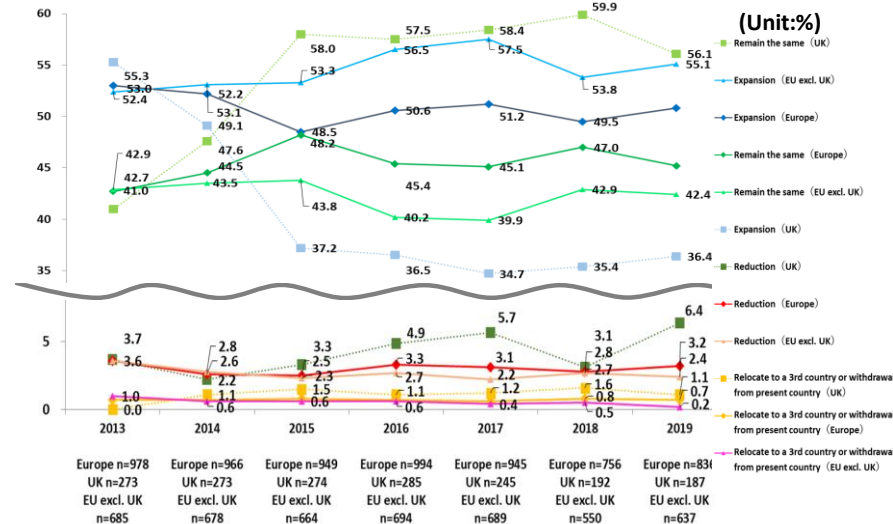
# 10. Business Outlook For Next 1 or 2 Years (2)

- The response rate for “Reduction” was particularly high in the manufacturing sector in the UK, increasing by 6.5 percentage points to 9.2%, with the effects of unpredictability surrounding Brexit gradually showing.
- Meanwhile, for other EU based manufacturing companies, the response rate for “Remain the same” increased by 2.9 percentage points, while the rate for “Expansion” decreased by 1.1 percentage points. It now seems that more companies based in the EU are waiting to see how Brexit will go. In the non-manufacturing sector, the response rate for “Expansion” grew 3.6 percentage points while “Remain the same” fell by 3.9 percentage points.

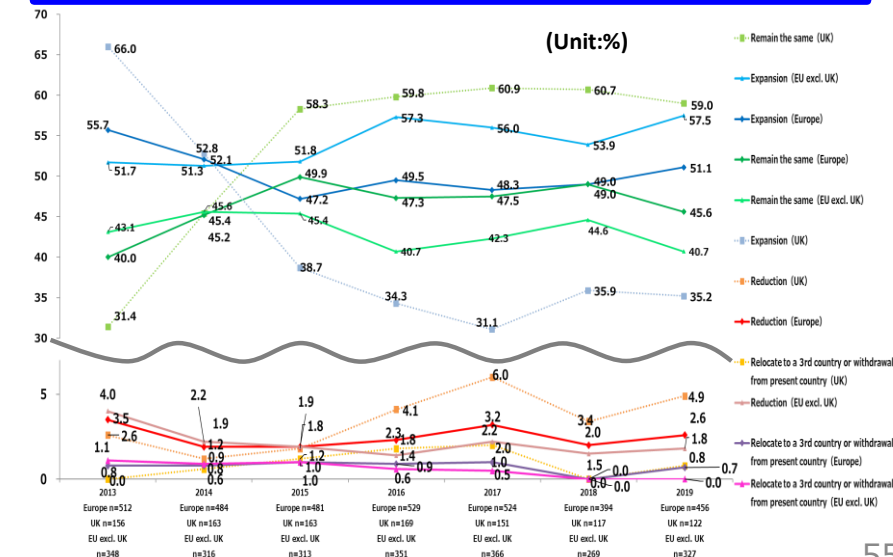
## 1-2 years Business Outlook Trends for Manufacturing Companies in Europe and UK



## 1-2 years Business Outlook Trends for All Sector Companies in Europe and UK



## 1-2 years Business Outlook Trends for Non-Manufacturing Companies in Europe and UK





# 10. Business Outlook For Next 1 or 2 Years (3)

■ For all companies in Europe, continuing from last year 2 sectors, 'Information and communications (including software)' and 'processed food, agricultural or fishery products', remained in the top 5 sectors who had the highest response rates for "Expansion" over the next 1-2 years. In addition, the response rate for "Expansion" was also high for the 'Chemical and allied products/Petroleum products' sector this year.

## 1-2 years Business Outlook Trends – Highest Response Rate for "Expansion" or "Remain the Same" by Industry

[Expansion]

[Europe](n=425) (Units : cos, %)			[Western Europe](n=367) (Units : cos, %)			[Central & Eastern Europe](n=58) (Units : cos, %)			[UK](n=68) (Units : cos, %)		
Industry	Responses	%	Industry	Responses	%	Industry	Responses	%	Industry	Responses	%
1 Non-ferrous metals	5	83.3	1 Information and communications (Including software)	15	75.0	1 Electrical machinery/Electronic devices(Including parts)	10	90.9	1 Information and communications (Including software)	7	87.5
2 Business oriented machinery(Including office machines, analytical instruments and medical equipment etc)	11	78.6	1 Business oriented machinery(Including office machines, analytical instruments and medical equipment etc)	9	75.0	2 Miscellaneous manufacturing industries	5	83.3	2 Medicines	4	66.7
3 Information and communications (Including software)	17	77.3	3 Chemical and allied products/Petroleum products	24	68.6	3 Sales company	8	57.1	3 Electrical machinery/Electronic devices(Including parts)	7	53.8
4 Chemical and allied products/Petroleum products	26	70.3	4 Food/Processed food, agricultural or fishery products	15	62.5	3 Construction/Plant	4	57.1	4 Finance and insurance	9	50.0
5 Food/Processed food, agricultural or fishery products	18	66.7	5 Electrical machinery/Electronic devices(Including parts)	34	56.7	5 Wholesale and retail trade	3	42.9	5 Miscellaneous service industries	5	38.5

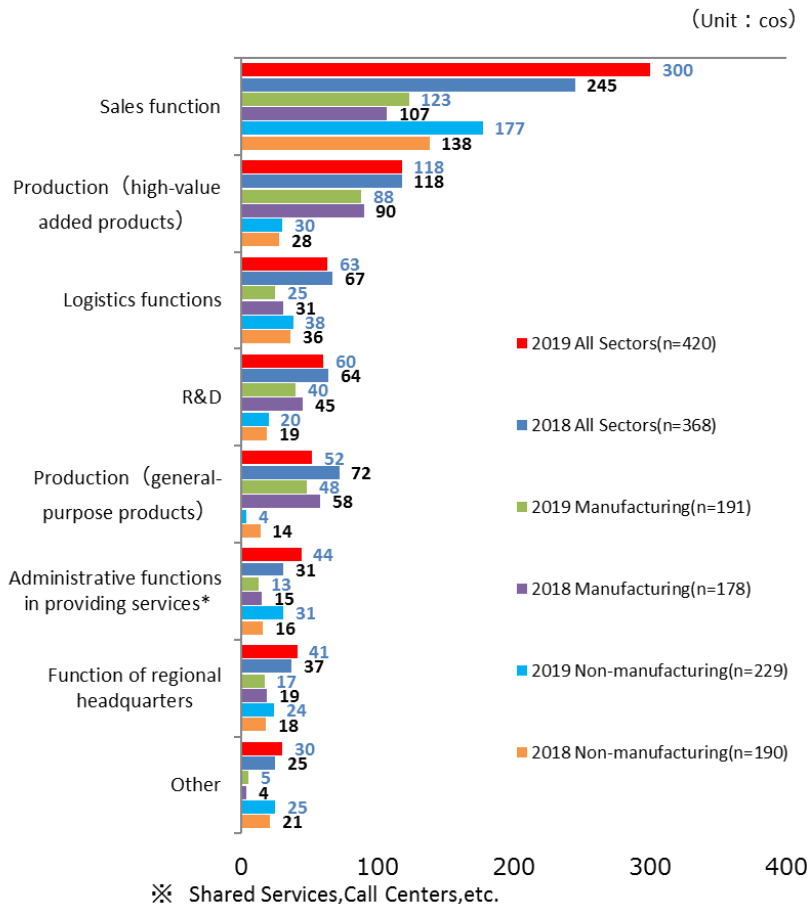
[Remain the same]

[Europe](n=378) (Units : cos, %)			[Western Europe](n=332) (Units : cos, %)			[Central & Eastern Europe](n=46) (Units : cos, %)			[UK](n=105) (Units : cos, %)		
Industry	Responses	%	Industry	Responses	%	Industry	Responses	%	Industry	Responses	%
1 Transportation equipment parts (Railroad vehicles/Ship/Aircraft /Industrial trucks)	5	83.3	1 Transportation equipment (Motor vehicles/Motorcycles)	8	80.0	1 Transportation equipment parts (Motor vehicles/Motorcycles)	16	55.2	1 Miscellaneous manufacturing industries	5	83.3
2 Transportation equipment parts (Motor vehicles/Motorcycles)	8	80.0	1 Printing/Publishing	4	80.0	2 Sales company	6	42.9	2 Sales company	27	73.0
2 Printing/Publishing	4	80.0	1 Ceramic/Stone and clay products	4	80.0	2 Construction/Plant	3	42.9	3 Wholesale and retail trade (Including trading)	10	66.7
2 Ceramic/Stone and clay products	4	80.0	4 Construction/Plant	5	71.4	2 Wholesale and retail trade (Including trading)	3	42.9	4 Transport activities/Warehouse	9	64.3
5 Iron and steel(Including cast and wrought products)	5	71.4	5 Iron and steel(Including cast and wrought products)	4	66.7	5 Miscellaneous manufacturing industries	1	16.7	5 Transportation equipment parts (Motor vehicles/Motorcycles)	5	55.6

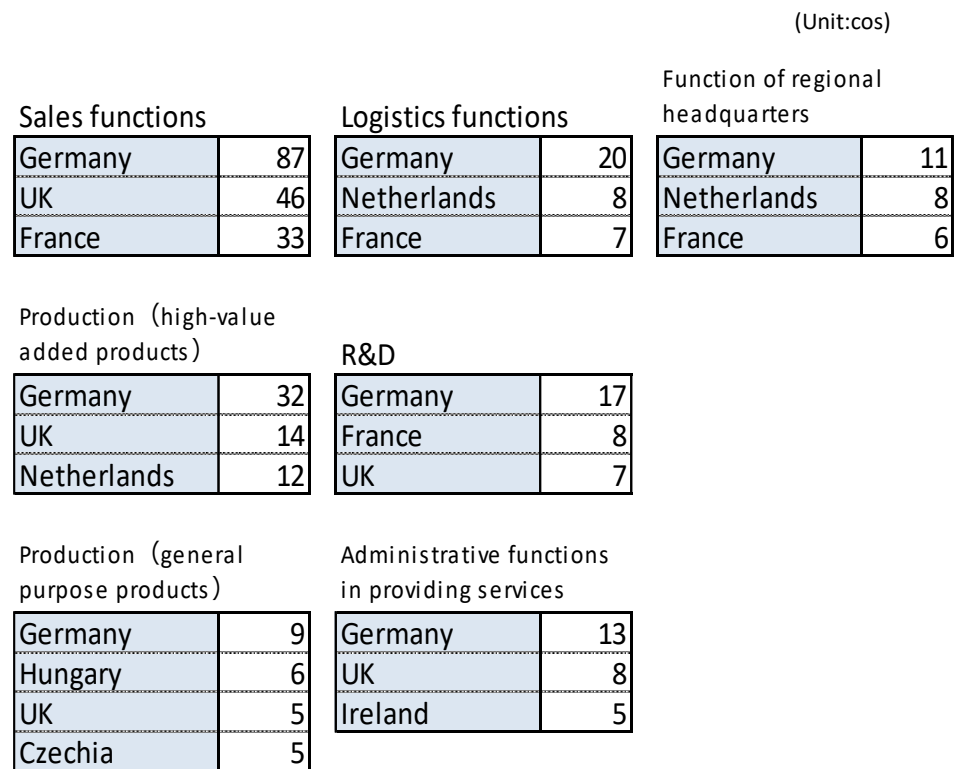
# 10. Business Outlook For Next 1 or 2 Years (4)

- When companies were asked which functions were intended to be expanded in the next 1-2 years, the most common answer was “Sales” functions. The number of companies who selected this answer increased significantly (from 245 to 300), indicating their intention to further expand their markets in Europe.
- German based companies were seen to be most active in expanding their functions. In fact they had the highest number of responses indicating “Expansion” across all functions.

Specific Functions being Expanded <Multiple Answers Given>



Top Countries Who Selected Expansion of Functions



# 10. Business Outlook For Next 1 or 2 Years (5)

- The top reason given for expecting business expansion in the next 1-2 years was “Sales increase in local market”. Other common reasons across all sectors included “High growth potential” and “Sales increase due to export expansion”.
- However, for companies who answered “Reduction” or “Transferring to a third country/region or withdrawal from current local market” the most common reason given was “Sales decrease in local market”, followed by “Sales decrease due to export slowdown”.

## Reason For Expecting Business Expansion in the next 1-2 years <Multiple Answers Given>

(Units:cos,%)

### All Sectors(n=422)

	Responses	%
1 Sales increase in local markets	318	75.4
2 High growth potential	159	37.7
3 Sales increase due to export expansion	156	37.0
4 High receptivity for high-value added products/services	116	27.5
5 Relationship with clients	77	18.2

### Manufacturing(n=192)

	Responses	%
1 Sales increase in local markets	142	74.0
2 Sales increase due to export expansion	85	44.3
3 High growth potential	71	37.0
4 High receptivity for high-value added products/services	56	29.2
5 Reviewing production and distribution networks	38	19.8

### Non-manufacturing(n=230)

	Responses	%
1 Sales increase in local markets	176	76.5
2 High growth potential	88	38.3
3 Sales increase due to export expansion	71	30.9
4 High receptivity for high-value added products/services	60	26.1
5 Relationship with clients	49	21.3

## Reason for Expecting Business Reduction, Withdrawal or Relocation to a 3<sup>rd</sup> country In the next 1-2 years

(Units:cos,%)

### All Sectors(n=32)

	Responses	%
1 Sales decrease in local markets	18	56.3
2 Sales decrease due to export slowdown	9	28.1
3 Low growth potential	8	25.0
4 Increase of costs (e.g., procurement/labor costs)	7	21.9
5 Reviewing production and distribution networks	4	12.5

### Manufacturing(n=18)

	Responses	%
1 Sales decrease in local markets	9	50.0
2 Sales decrease due to export slowdown	6	33.3
3 Increase of costs (e.g., procurement/labor costs)	5	27.8
4 Low growth potential	4	22.2

### Non-manufacturing(n=14)

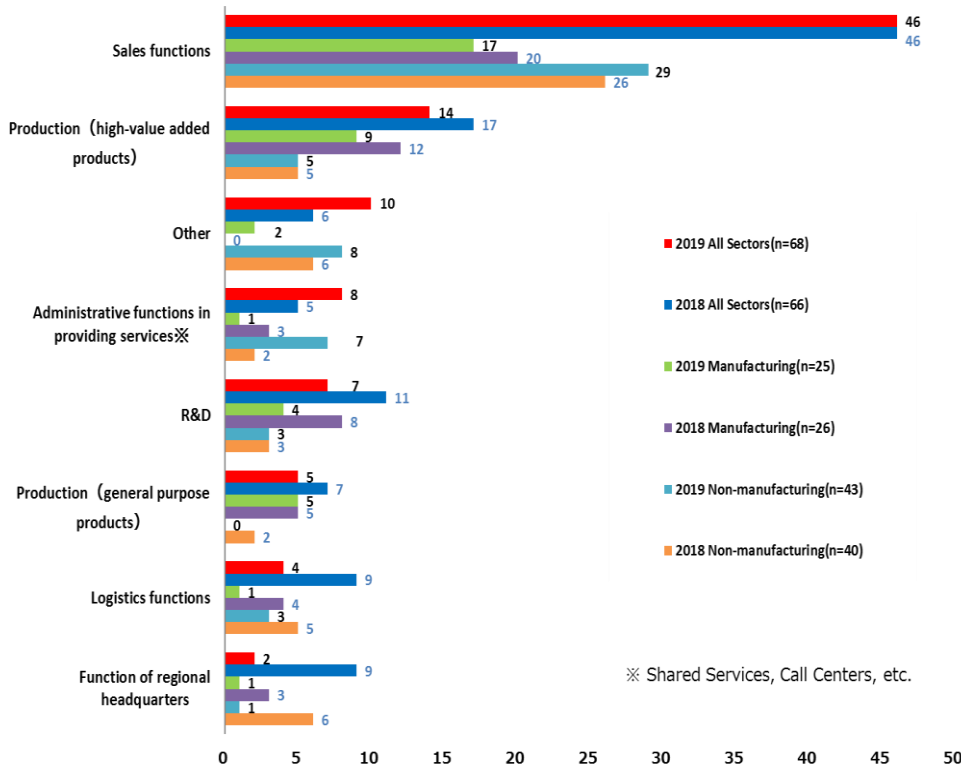
	Responses	%
1 Sales decrease in local markets	9	64.3
2 Low growth potential	4	28.6
3 Sales decrease due to export slowdown	3	21.4

# 10. Business Outlook For Next 1 or 2 Years (6)

- When UK based companies were asked which functions they intend to expand in the next 1-2 years, the most common answer was again to expand “Sales functions” (46 companies).
- In addition, 14 companies cited “Production (general-purpose products)” and 8 companies “Administrative functions in providing services”.
- Out of 46 UK based companies that intended to expand “Sales functions”, 39 companies cited “Sales increase in local market” as the reason for their “Expansion”. These companies are intending to strengthen their sales functions in the UK market.

**Specific Functions being Expanded by UK based Companies**

(Unit : cos)



**Reason For Expecting Business Expansion in the next 1-2 years for UK based Companies**

All Sectors (n=68)

(Unit : cos, %)

	Responses	%
1 Sales increase in local markets	54	79.4
2 High growth potential	26	38.2
3 Sales increase due to export expansion	24	35.3
4 High receptivity for high-value added products/services	21	30.9
5 Relationship with clients	16	23.5

(Multiple answers given)

# 10. Business Outlook For Next 1 or 2 Years (7)

- Looking at the countries where companies responded that they planned to expand “Regional headquarters Function”, the Netherlands jumped up from the eighth position in the previous year (1 company) to the second position (8 companies) this year. Meanwhile, the number of UK based companies selecting this response, which ranked the second last year, significantly decreased from 9 companies to 2 companies.
- Germany had the most companies who selected expansion of “Production of high-value added products” (32 companies).
- Other countries with particularly high response rates for expanding “Production of high-value added products” were Finland, Hungary, and Czechia.

## Top Countries in Europe, where Companies Selected Expansion of “Regional Headquarters” and “Production of High Value-Added Products” Functions

Responses(Unit:cos)

Ratio(Unit:%)

### Regional headquarters

	2015 Results	2016 Results	2017 Results	2018 Results	2019 Results	Change since '18
<b>Total</b>	52	43	53	37	41	4
	11.6	8.7	11.3	10.1	9.8	Δ 0.3
<b>Germany</b>	13	10	19	14	11	Δ 3
	11.3	8.3	15.3	12.8	9.8	Δ 3.0
<b>Netherlands</b>	7	11	10	1	8	7
	24.1	26.8	20.8	8.3	18.6	10.3
<b>France</b>	2	3	3	2	6	4
	6.1	7.9	5.8	5.9	14.6	8.7
<b>Spain</b>	0	1	3	2	3	1
	0.0	3.8	14.3	15.4	23.1	7.7
<b>Belgium</b>	2	3	3	1	2	1
	8.7	14.3	20.0	7.7	10.0	2.3
<b>UK</b>	19	9	8	9	2	Δ 7
	18.6	8.7	9.5	13.6	2.9	Δ 10.7
<b>Denmark</b>	0	0	0	0	1	1
	0.0	0.0	0.0	0.0	20.0	20.0
<b>Finland</b>	0	0	0	1	1	0
	0.0	0.0	0.0	9.1	16.7	7.6
<b>Italy</b>	3	0	1	1	1	0
	12.5	0.0	3.1	7.1	9.1	2.0
<b>Hungary</b>	0	0	0	1	1	0
	0.0	0.0	0.0	14.3	9.1	Δ 5.2
<b>Austria</b>	0	1	1	2	1	Δ 1
	0.0	14.3	8.3	16.7	8.3	Δ 8.4
<b>Poland</b>	0	0	1	0	1	1
	0.0	0.0	5.3	0.0	7.1	7.1

\* Companies selecting “Expansion” for the next 1-2 years were asked which functions they intended to expand. The figure for Germany, “9.8%”, means that 9.8% of Germany based companies that replied about the function they were intending to expand over the next 1-2 years chose the “Regional headquarters” function.

### Production(high-value added products)

	2015 Results	2016 Results	2017 Results	2018 Results	2019 Results	Change since '18
<b>Total</b>	140	153	156	118	118	0
	31.2	30.8	33.1	32.1	28.1	Δ 4.0
<b>Germany</b>	37	39	41	31	32	1
	32.2	32.2	33.1	28.4	28.6	0.2
<b>UK</b>	25	21	22	17	14	Δ 3
	24.5	20.4	26.2	25.8	20.6	Δ 5.2
<b>Netherlands</b>	2	7	10	4	12	8
	6.9	17.1	20.8	33.3	27.9	Δ 5.4
<b>France</b>	13	15	17	13	10	Δ 3
	39.4	39.5	32.7	38.2	24.4	Δ 13.8
<b>Czechia</b>	6	6	3	2	7	5
	54.5	42.9	50.0	20.0	50.0	30.0
<b>Hungary</b>	5	6	7	3	6	3
	45.5	54.5	87.5	42.9	54.5	11.6
<b>Spain</b>	7	10	10	6	5	Δ 1
	36.8	38.5	47.6	46.2	38.5	Δ 7.7
<b>Belgium</b>	5	8	8	6	5	Δ 1
	21.7	38.1	53.3	46.2	25.0	Δ 21.2
<b>Finland</b>	4	4	6	6	4	Δ 2
	50.0	57.1	66.7	54.5	66.7	12.2
<b>Romania</b>	2	3	1	4	4	0
	28.6	30.0	33.3	40.0	30.8	Δ 9.2
<b>Poland</b>	3	6	4	3	4	1
	25.0	24.0	21.1	21.4	28.6	7.2

\* Companies selecting “Expansion” for the next 1-2 years were asked which functions they intended to expand. The figure for Germany, “28.6%”, means that 28.6% of Germany based companies that replied that they were intending to expand over the next 1-2 years chose the “Production of high-value added products” function.

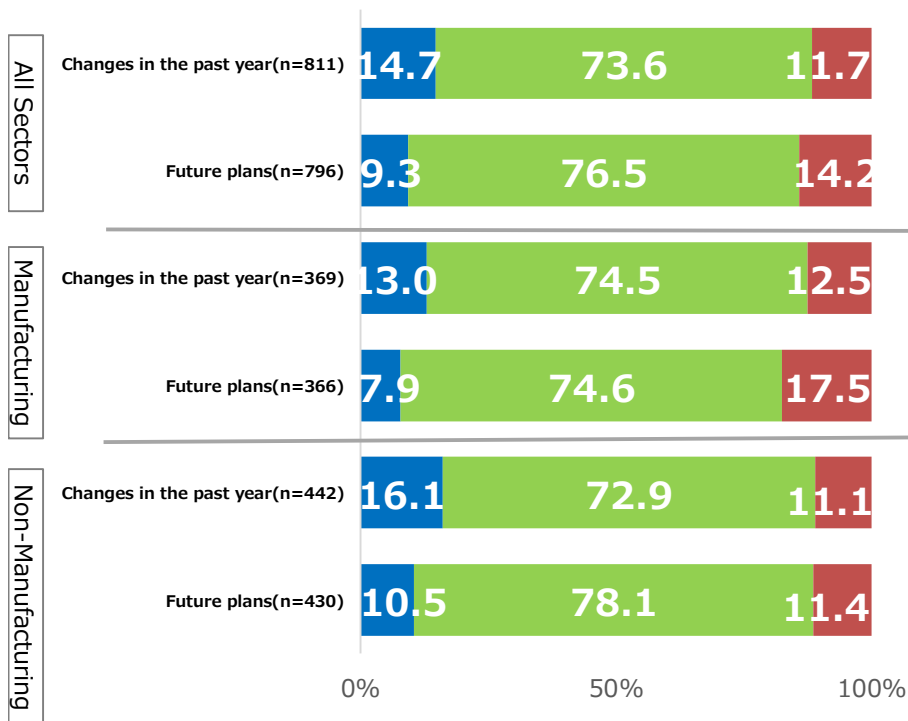
# 11. Changes in Number of Employees

- This year's survey results have maintained the same trend as last year; in response to changes to the number of Japanese expat staff and local employees over the last year and also intentions for the future, the highest response rate was "No change".
- The response rate for "Increase" in the number of Japanese expat staff has risen by 1.8 percentage points; the response rate for "Decrease" has reduced by 0.5 percentage points. The response rate for "Increase" in the number of local staff has decreased by 5.5 percentage points, while the response rate for "Decrease" has risen by 3.6 percentage points, suggesting that the number of local employees is on a declining trend.

### Changes to no. of Japanese Expat Staff in Past Year and Future

■ Increase ■ No change ■ Decrease

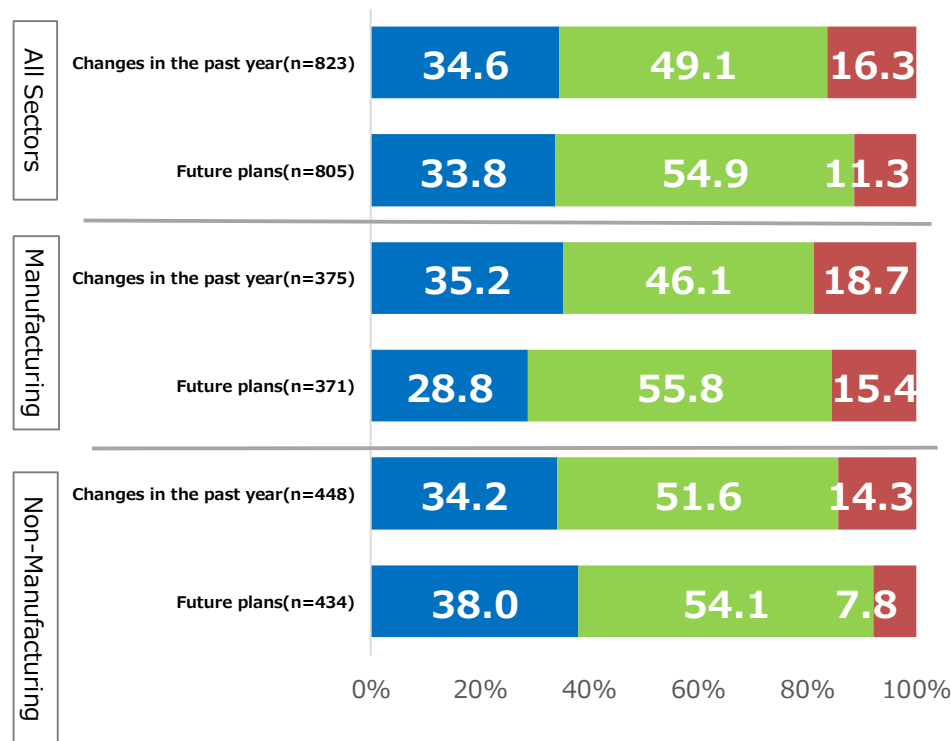
(Unit:%)



### Changes to no. of Local Employees in Past Year and Future

■ Increase ■ No change ■ Decrease

(Unit:%)



# 12. High Value-Added & Differentiation Initiatives (1)

- When Europe based companies were asked what initiatives were being undertaken to differentiate or add high value to their products and services being sold: the most common response was “Strengthening company brand” at 48.9%, followed by “Strengthening technical skill training resources and increasing the number of skilled engineers” at 32.0%, and “Strengthening R&D functions” at 28.3%. Reasons for selecting “Strengthening company brand” included “Because it is necessary for communicating the importance of authentic products.” Reasons for selecting “Strengthening technical skill training resources and increasing the number of skilled engineers” included “to develop new products” and “to strengthen company’s capability to provide services”.

## High Value-Added & Differentiation Initiatives for Selling Products & Services in Europe <Multiple Answers Given>

(Units : %)

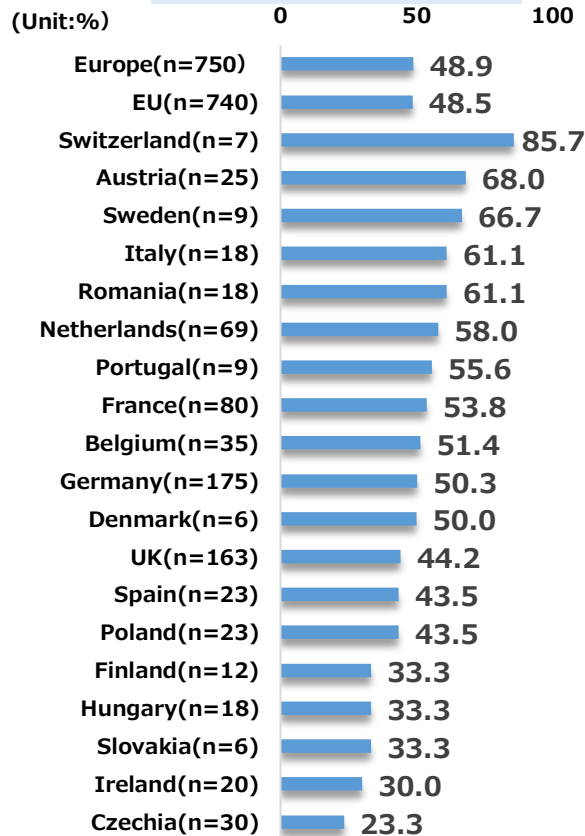
		2018 (n=674)	2019 (n=750)	Change	By Industry					
					2018 Manufacturing (n=344)	2019 Manufacturing (n=362)	Change	2018 Non- Manufacturing (n=330)	2019 Non- Manufacturing (n=388)	Change
1	Strengthening the company’s brand	50.1	48.9	Δ 1.2	45.6	46.4	0.8	54.8	51.3	Δ 3.5
2	Strengthening skills training resources and increasing the number of skilled workers	35.6	32.0	Δ 3.6	40.1	37.8	Δ 2.3	30.9	26.5	Δ 4.4
3	Strengthening R&D functions	27.7	28.3	0.6	39.2	38.1	Δ 1.1	15.8	19.1	3.3
4	Thorough analysis of competitors	25.5	25.7	0.2	35.5	23.8	Δ 11.7	28.5	27.6	Δ 0.9
5	Acquiring or allying with competitors that own advanced technology or necessary brands/technologies for your business.	16.5	18.4	1.9	14.2	14.9	0.7	18.8	21.6	2.8
6	Renewing production sites	20.5	18.1	Δ 2.4	22.7	30.9	8.2	4.8	6.2	1.4
7	Strengthening alliances with universities and research institutes	13.1	12.7	Δ 0.4	13.7	13.8	0.1	12.4	11.6	Δ 0.8
8	Strengthening/ revising your company’s intellectual property strategy	9.2	10.1	0.9	7.6	8.8	1.2	10.9	11.3	0.4
9	Taking advantage of taxation systems during early stages of R&D e.g. Tax deduction	2.2	2.5	0.3	2.9	3.3	0.4	1.5	1.8	0.3
10	Taking advantage of taxation systems targeted for commercial activities post R&D e.g. Patent box systems	0.9	0.9	0.0	0.9	1.1	0.2	0.9	0.8	Δ 0.1
	Other	5.9	8.0	2.1	3.8	6.4	2.6	8.2	9.5	1.3

# 12. High Value-Added & Differentiation Initiatives (2)

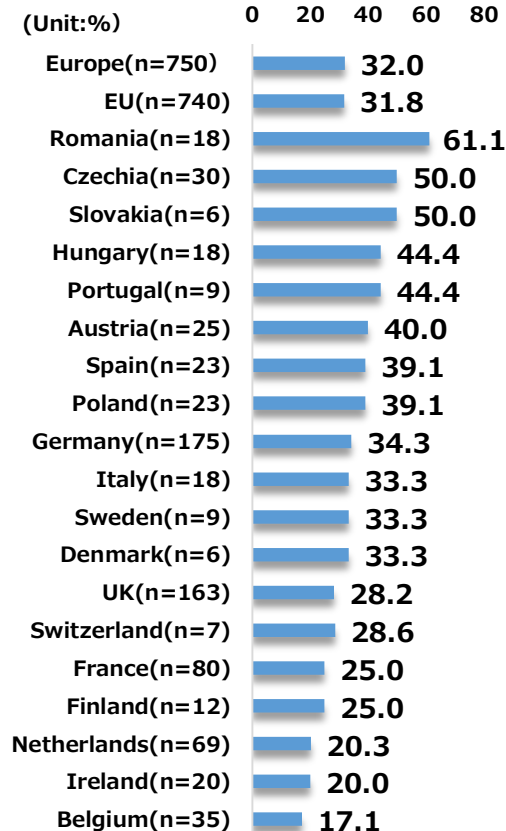
■ High response rates for “Strengthening company brand” came from countries such as Switzerland at 85.7%, Sweden at 66.7% and Italy at 61.1%, while the rate for “Strengthening R&D functions” was high for countries known for their innovative capabilities, such as Finland (75.0%) and Sweden (55.6%). The response rate for “Strengthening technical skill training resources and increasing the number of skilled engineers” was high in Central and Eastern Europe; the top-ranking countries were Romania (61.1%), Czechia and Slovakia (both at 50.0%), and Hungary (44.4%).

## High Value-Added & Differentiation Initiatives for Selling Products & Services in Europe <Multiple Answers Given>

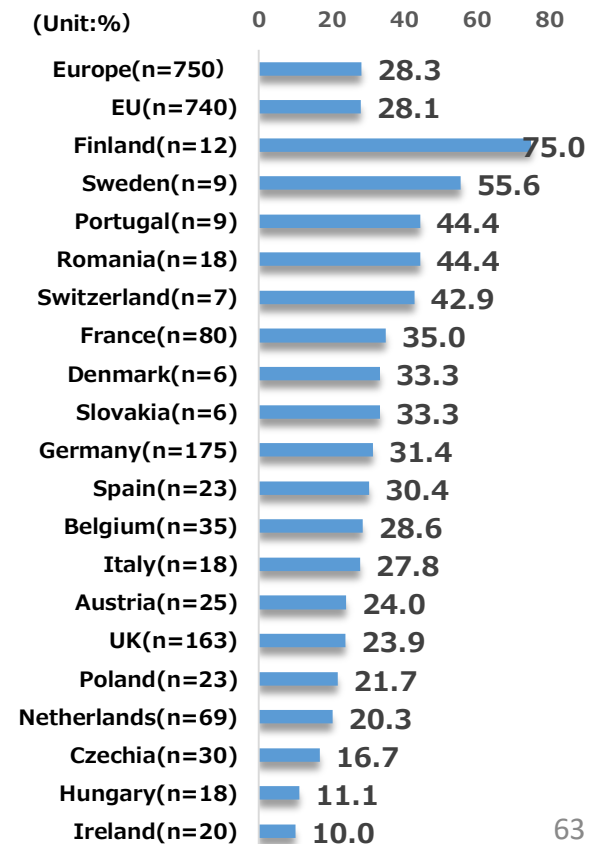
### 'Strengthening the company's brand'



### 'Strengthening skills training resources and increasing the number of skilled workers'



### 'Strengthening R&D functions'







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