JETRO

FY2024

Survey on Business Conditions of Japanese-Affiliated Companies Overseas: Global Edition

-Business confidence is improving. Increasingly competitive environment, especially in Asian markets-

Japan External Trade Organization (JETRO)
Research & Analysis Department

December 2024
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Overview of the Survey

Purpose of the survey: The purpose of the survey is to grasp the actual conditions of Japanese-affiliated business activities operating overseas and to provide the results to a wide range of Japanese companies and policymakers.

Survey method: Questionnaires were distributed to and collected online from 18,186 Japanese companies (local subsidiaries with at least 10% Japanese investment, branches and representative offices of Japanese companies) in 83 countries/regions selected through JETRO's overseas office network. 7,410 valid responses were received. The effective response rate was 40.7%.

Characteristics of this year: Amid an increasingly challenging environment for international business, including a slowdown in the Chinese economy, heightened geopolitical risks, and increasing protectionist restrictions on trade and investment, we report on the latest trends in the performance outlook and responses to new challenges by Japanese companies in various countries and regions.

Contents of this report: Preceded by results by major region, common global survey items: I. Operating profit forecast, II. Future business development, Ⅲ. Changes in the competitive environment, IV. Wages.

■ Overview of the surveys in each region

Region	Number of target businesses (companies)	Total respondents (companies)	Response rate	Survey period	Target countries and regions
North America	1,826	774	42.4%	September 3-24	2 countries
Latin America	723	374	51.7%	August 20-September 24	7 countries
Europe	1,324	772	58.3%	August 27-September 19	23 countries
Russia	83	59	71.1%	September 4-24	1 country
Asia and Oceania*	13,727	5,007	36.5%	August 20-September 18	20 countries/regions
Middle East	236	201	85.2%	September 4-24	10 countries
Africa	267	223	83.5%	September 4-24	20 countries
Total for all regions	**18,186**	**7,410**	**40.7% (%)**		83 countries/regions

*Note: Includes Northeast Asia (China, Hong Kong, Macau, Taiwan, and South Korea), ASEAN (excluding Brunei), Southwest Asia (India, Bangladesh, Pakistan, and Sri Lanka), and Oceania (Australia and New Zealand).

Key Findings of the Survey

1. The percentage of profitable companies increased. Business confidence improved.

- Outstanding performance improvement in India, Vietnam, Brazil, and Mexico.
- Significant performance deterioration in China, Thailand, Germany, and the Netherlands.

2. Appetite for Business Expansion Reflecting Performance. The Global South on the Rise

- 80% of companies in India and over 60% in Brazil and UAE plan to expand local operations in 1to 2 years.
- Record low for companies expecting expansion in China and Hong Kong. Second lowest level on record in Thailand.
- Higher appetite for business expansion expected in food products, medical equipment, and human resources businesses, at over 70%.

3. Fierce cost competition, diversified competitors in emerging markets

- Cost competitiveness is a strength for Chinese companies, while brand recognition is a strength for European and United States companies.
- In emerging markets, there is a mix of local, Chinese, European and United States Companies, and the competition is diversified.
- Japanese companies face fierce cost competition in many regions. Seeking ways to respond by strengthening sales and diversifying.

Note: Unless otherwise noted, “major countries/regions" in this survey refers to 18 countries and regions China, Hong Kong, South Korea, Singapore, Thailand, Indonesia, Vietnam, India, Australia, United States, Mexico, Brazil, the United Kingdom, France, Germany, the Netherlands, UAE, and South Africa.

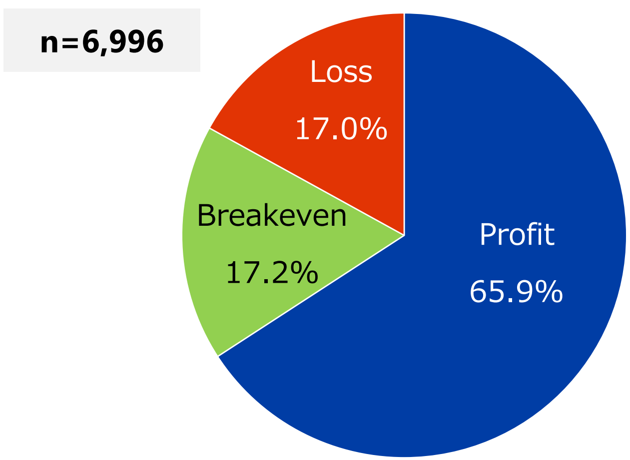
I. Operating Profit Forecast

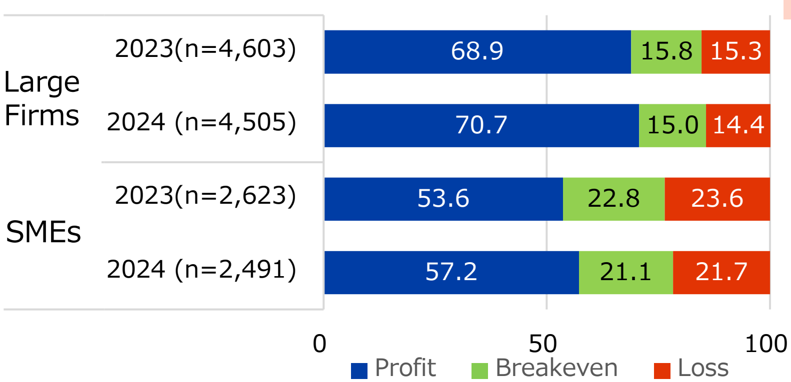
～The percentage of companies in the black increased. Business confidence is improving～

1 The percentage of firms in the black increased, and those in the red decreased

- **The percentage of firms expecting to be "in the black" in 2024 was 65.9%**, up 2.5 points from the previous year. The percentage of firms in the red was 17.0%, down 1.3 points from the previous year. **This is the first time in two years that the percentage ratio of firms in the black has increased. The percentage of firms in the red is the lowest since 2019**.
- **The percentage of large firms in the black exceeded 70%. The gap between the percentage for small and medium-sized enterprises (57.2%) narrowed from the previous year**. As in the previous year, banks (92.4%) continued to the largest percentage of profitable companies by industry sector. On the other hand, the percentage of educational & research institutions in the red exceeded 50%.

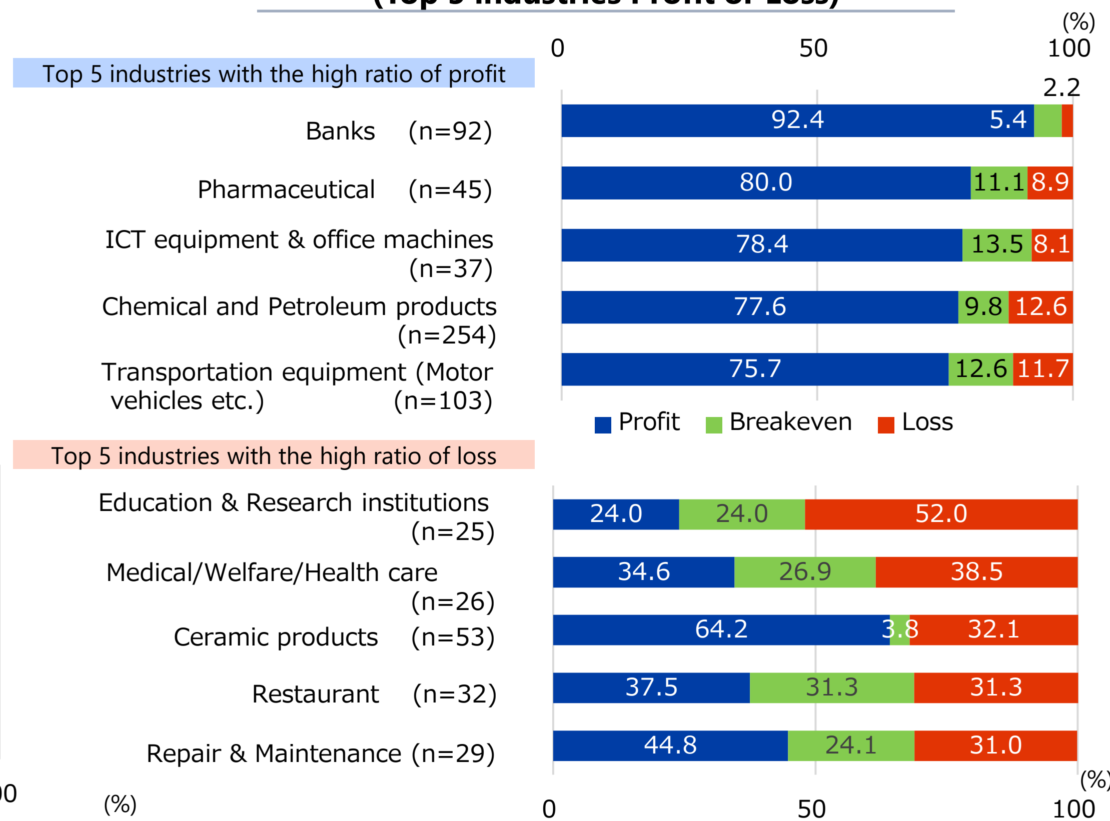
Operating profit forecast in 2024





Note: SMEs indicate small and medium enterprises.

Expectation by major industry (Top 5 industries Profit or Loss)



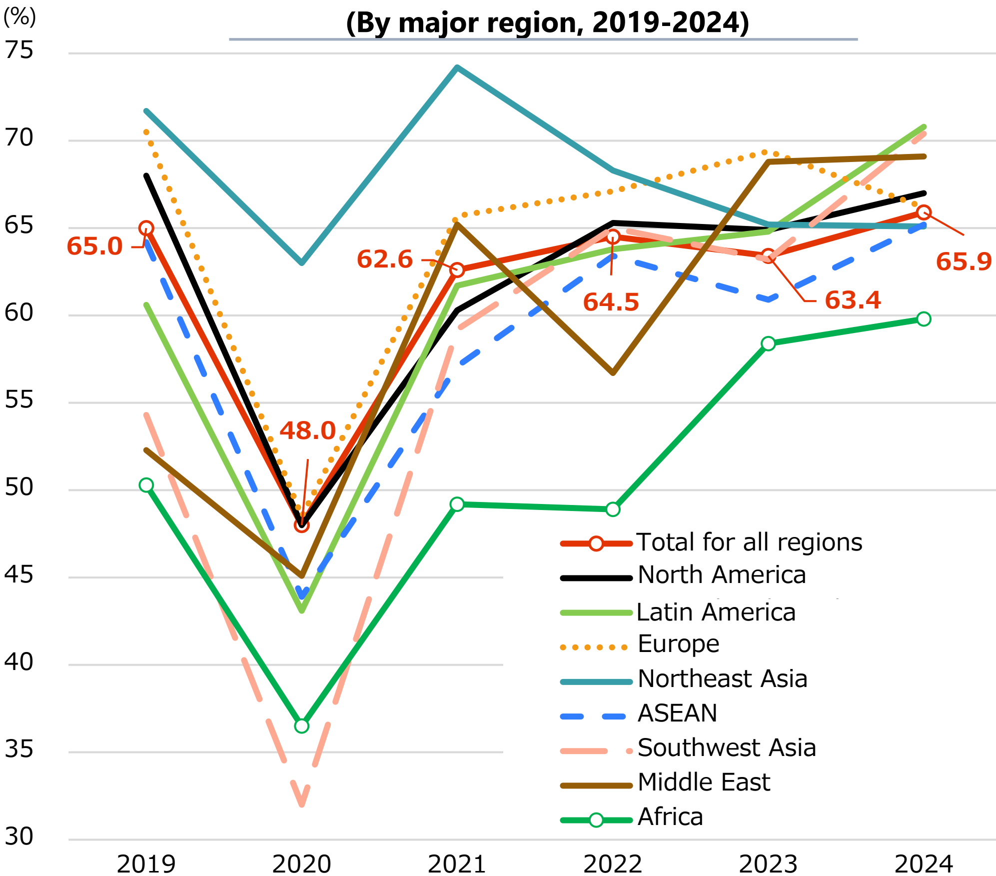
Note: Only industries with n=25 or more are listed.

2 The percentage of companies in the black is the highest ever in Southwest Asia, the Middle East, and Africa

- **The percentage of companies in the black increased by 6.0 points to 70.8% in Latin America and by 7.2 points to 70.4% in Southwest Asia**. In addition to Southwest Asia, the percentages reached record highs in the Middle East (69.1%) and Africa (59.8%).*
- Among major countries and regions, South Africa, South Korea, UAE, India, and Brazil have high percentages of profitable companies, of around 80%. The percentage for India increased by 6.8 points year-on-year, due mainly to the expansion of demand in the local market.

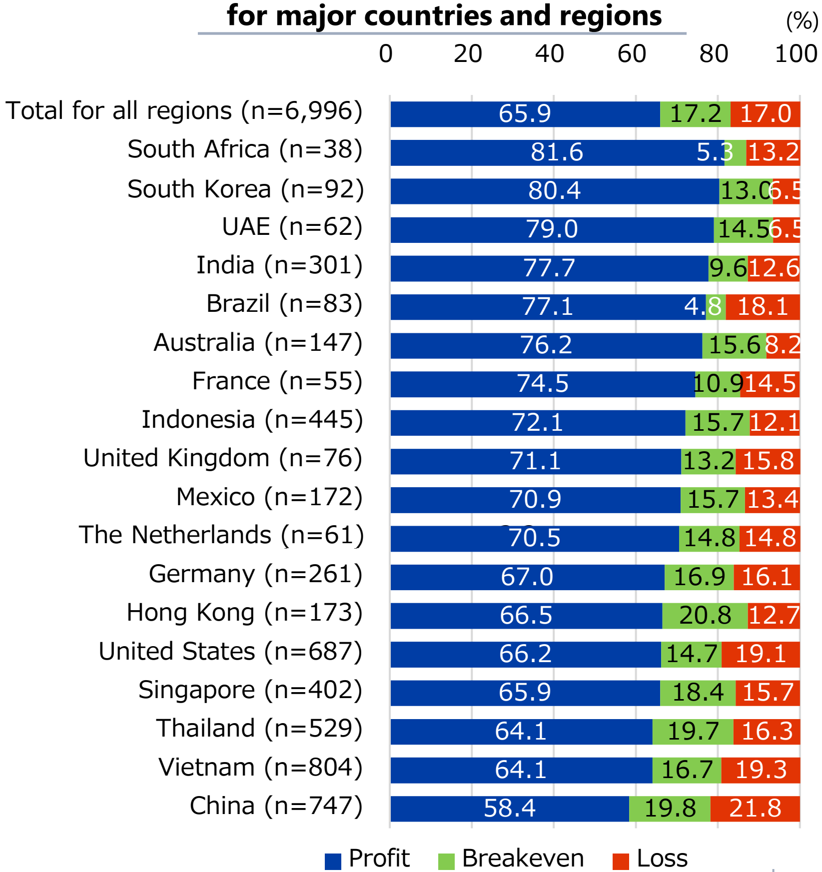
*For Southwest Asia, since 2008 when comparisons are available; for the Middle East, since 2015; for Africa, since 2013.

Transition in the percentage of companies in the black (By major region, 2019-2024)



Note: Total for all regions includes Oceania and Russia.

Operating profit forecast in 2024 for major countries and regions

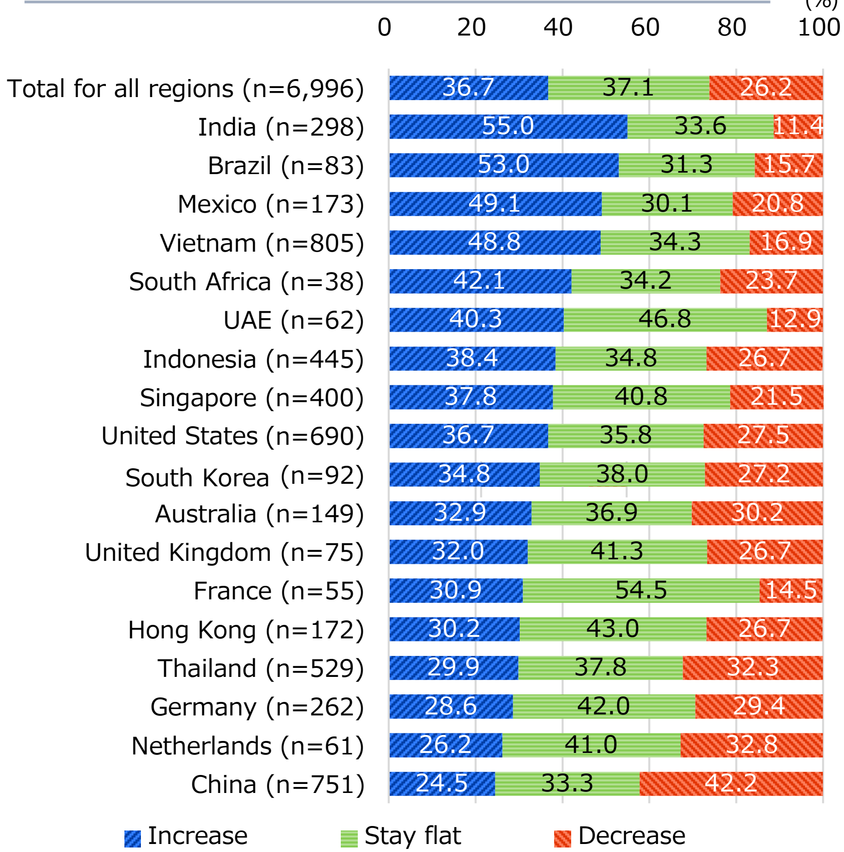


3 Business confidence improves; percentage of firms replying "worsening" falls below 30%.

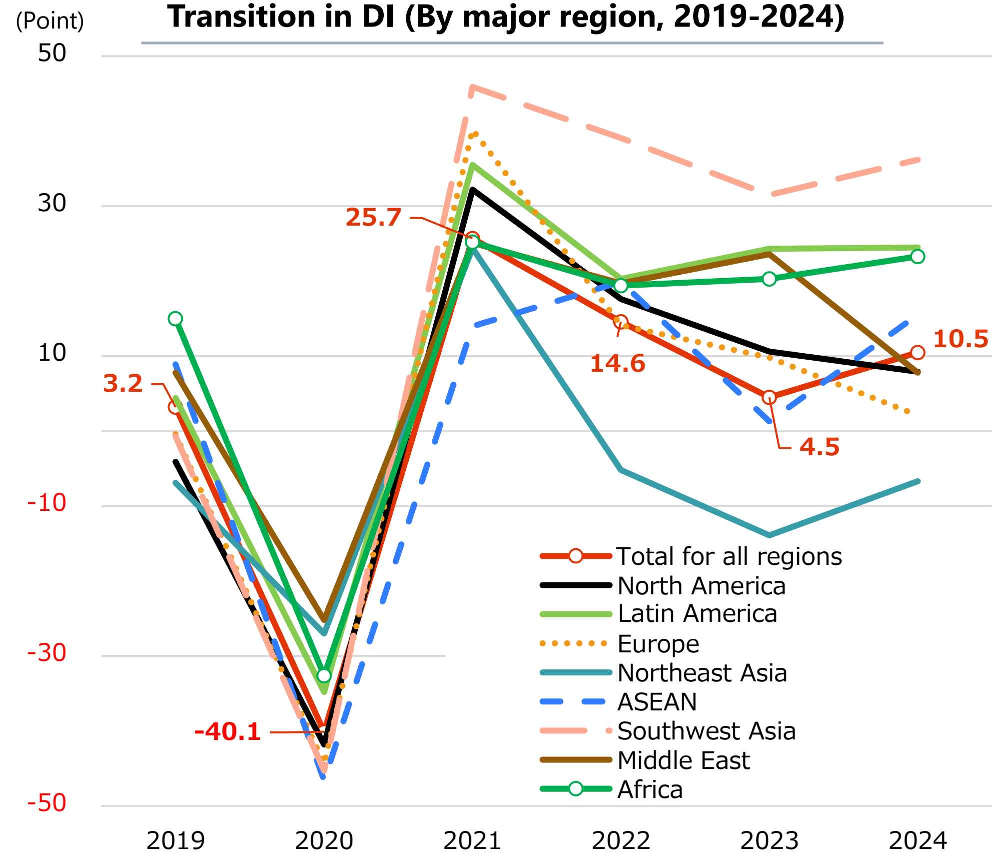
- The percentage of companies reporting an “increase” in operating profit in 2024 compared to the previous year was 36.7% (up 1.6 points from the previous year), while the percentage of companies reporting a “decrease” was 26.2% (down 4.4 points from the previous year). **In Vietnam, “increase” was 16.8 points higher than the previous year, while “decrease” was 18.8 points lower**.
- The DI (see note) for all regions was 10.5 points, up 6.0 points from the previous year. **In China, more than 40% of respondents chose “decrease” for three consecutive years, and the DI was minus 17.7 points, the lowest among major countries and regions**.

(Note) Abbreviation for Diffusion Index. In this survey, the percentage of companies that increased their operating profit from the previous year (%) is subtracted from the percentage of companies that saw decreases in their operating profit (%).

Operating profit projections for major countries/regions in 2024 (Improvement/Worsening)



Transition in DI (By major region, 2019-2024)

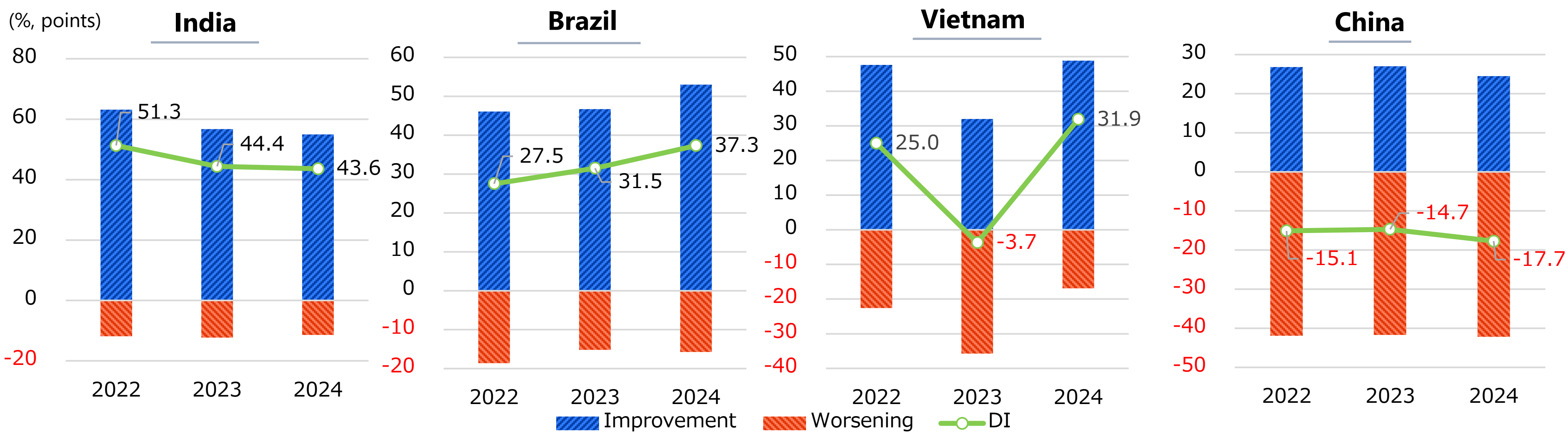


Note: Total for all regions includes Oceania and Russia.

4 V-shaped recovery of DI in Vietnam; slump continues in China

- In 2024, a factor behind the improvement for Brazil, "increased demand in the local market," rose **significantly by 25.8 points from the previous year**. In contrast, a factor behind the deterioration for China, "increased competition from other companies," **increased 10.9 points YoY**.
- In contrast to India and Brazil, where the improvement is mainly due to "increased demand in local markets and strengthening of sales structure," Vietnam also has a high percentage of "increased demand in export markets." This is mainly due to an increase in exports to Japan, United States, and ASEAN.

Transition in DI in the four major countries (2022-2024)



Reasons for the improvement (YoY)

India (n=163)

1. Increased demand in local markets (76.7%)
2. Strengthened sales structure in local markets (37.4%)
3. Production and sales efficiency, improvement of occupancy rates, etc. (22.7%)

Brazil (n=44)

1. Increased demand in local markets (72.7%)
2. Strengthen sales structure in local markets (45.5%)
3. Changes in selling price (25.0%)

Vietnam (n=389)

1. Increased demand in local markets (45.0%)
2. Increased demand in export markets (30.8%)
3. Strengthened sales structure in local markets (26.0%)

Reasons for the aggravation (YoY)

China (n=315)

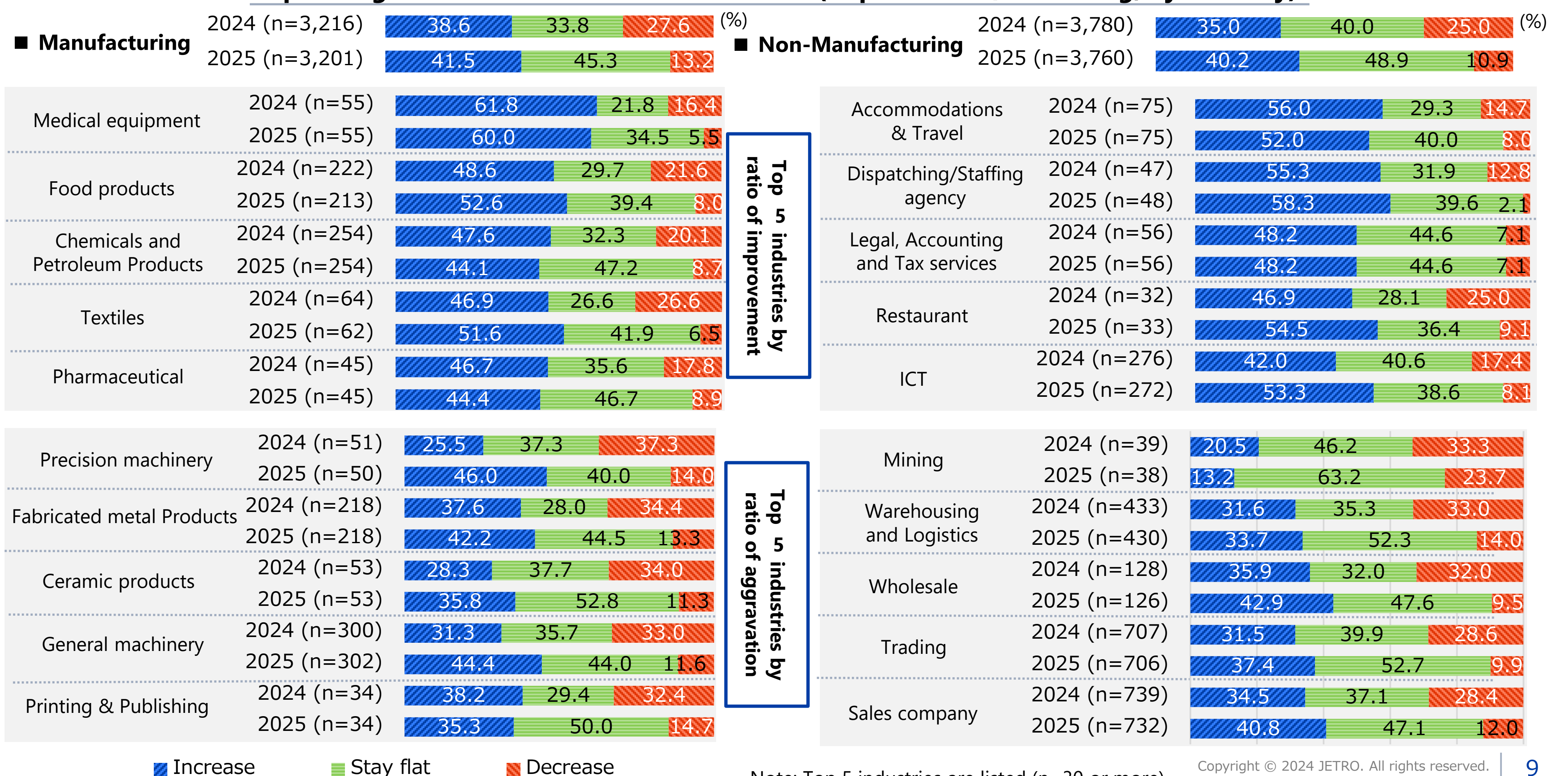
1. Decrease in demand in local markets (66.7%)
2. Intensifying competition with other companies (49.8%)
3. Rising labor costs (26.0%)

Note: Respondents were allowed to select multiple reasons.

5 | 60% of improvement in medical equipment; more than 50% in hotel/travel and human resources

- By industry, 61.8% of respondents in medical equipment selected "improved." This was the highest among manufacturing sector, as was the case the previous year (50.0%). The percentage for hotels/travel was 56.0%. Although the percentage decreased by 23.1 points from the previous year, it was the highest among non-manufacturing sector, continuing the trend from the previous year.
- In the non-manufacturing sector, the service industry, including Dispatching/Staffing agency and legal/accounting/tax services, also performed well. The mining industry, which is the top non-manufacturing sector in terms of percentage of deterioration, has an extremely low percentage of "improvement" in operating profit forecasts for 2025, at 13.2%.

Operating income forecast in 2024 and 2025 (Improvement/worsening, by industry)

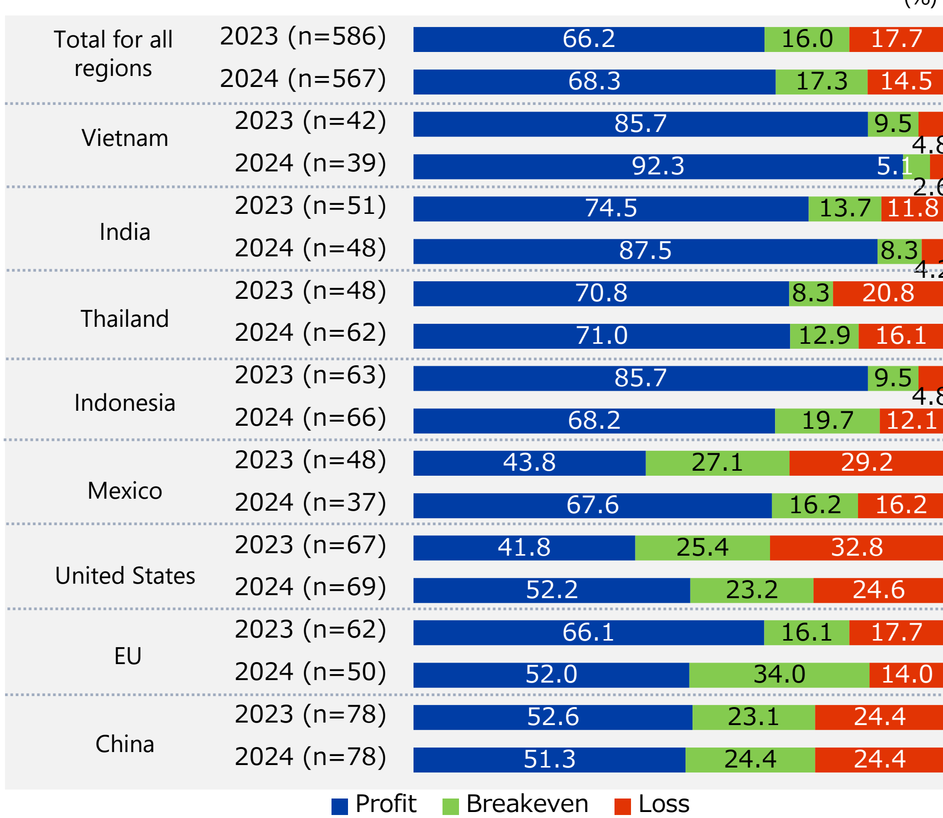


Note: Top 5 industries are listed (n=30 or more).

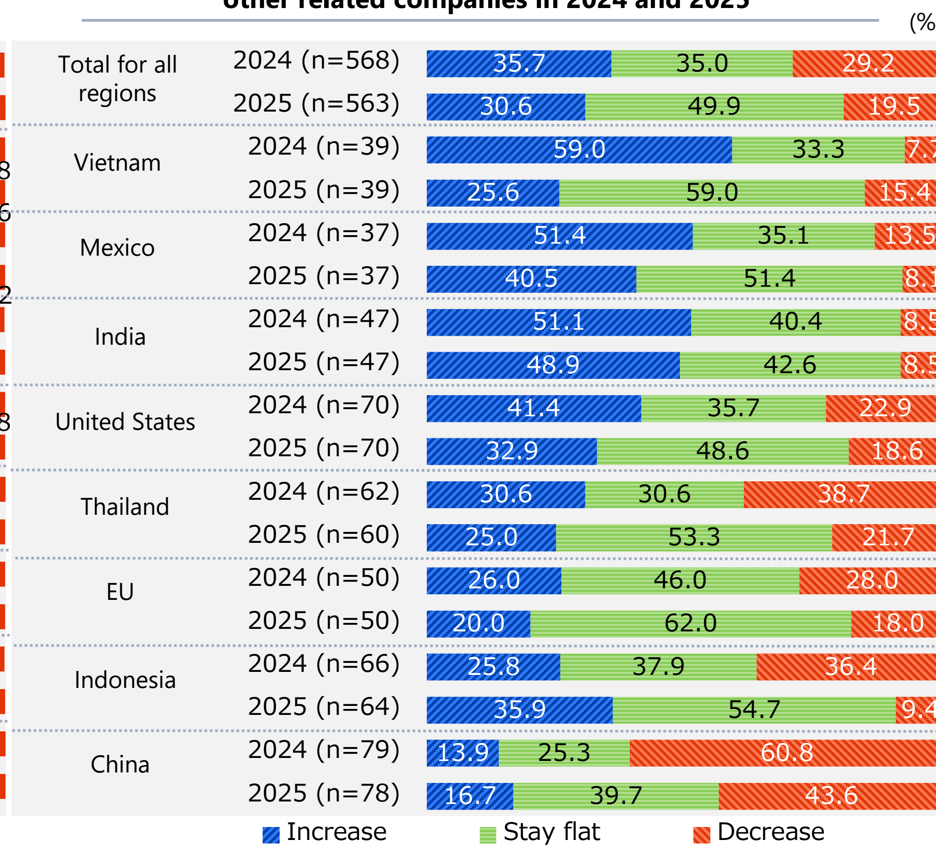
6 Outlook for automotive and related industries in 2025: "improvement" responses decline

- The percentage of companies in automotive and related products (see note) that are expected to be profitable in 2024 is 68.3%, up 2.1 percentage points from the previous year. The percentage of companies in Mexico, India, and the United States that expect to be in the black in 2024 increased significantly from the previous year. On the other hand, the percentage decreased significantly in Indonesia and the EU.
- Regarding changes in operating profit forecasts for 2025, the percentage of companies expecting profit to "remain the same" increased in all major countries and regions. In Vietnam, in particular, the shift from "improving" to “remain the same" was particularly pronounced. There are concerns about intensifying price competition and saturation of the domestic motorcycle market.

Operating profit forecast for automotive and other related companies (vs. Previous year’s survey)



Operating profit (improvement/worsening) of automotive and other related companies in 2024 and 2025



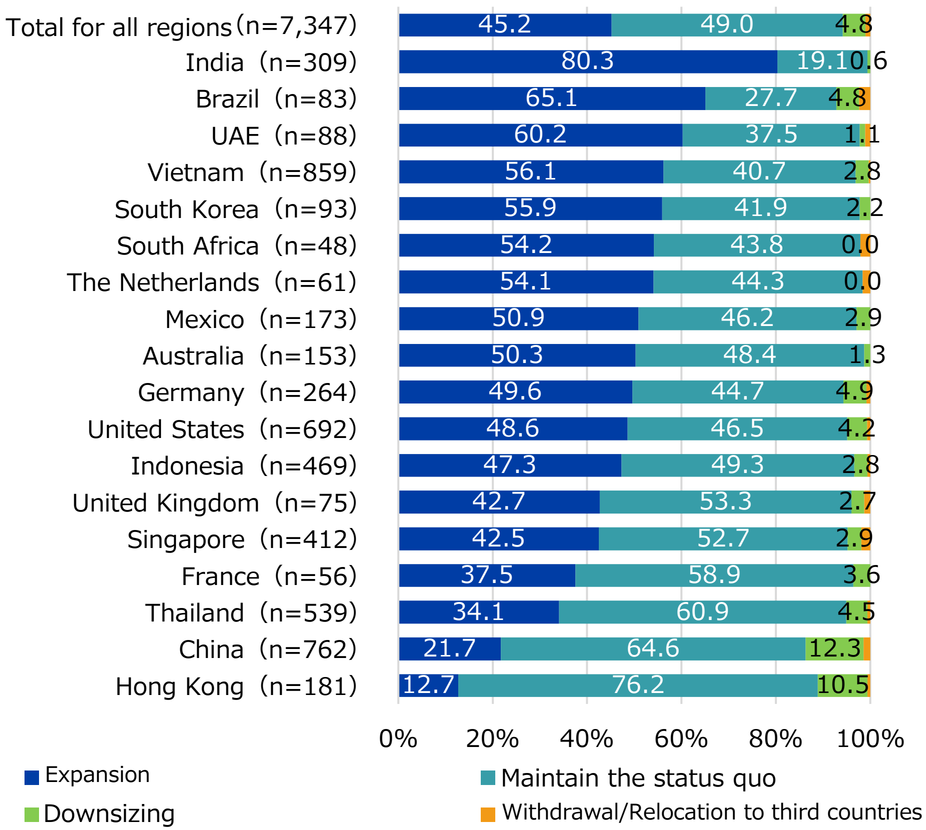
(Note) (1) The category “Transportation equipment (Motor vehicles etc.)” and “Transportation equipment parts (Motor vehicles etc.)" are covered. Motorcycles are also included.
(2) Only countries with n=30 or more are included (excluding EU).
(3) Results for the year 2023 in the left chart are from the result of the “Operating Profit Forecast for 2023” in the previous survey.

II. Future Business Development
~ Appetite for Business Expansion Reflecting the Performance; The Global South on the Rise~

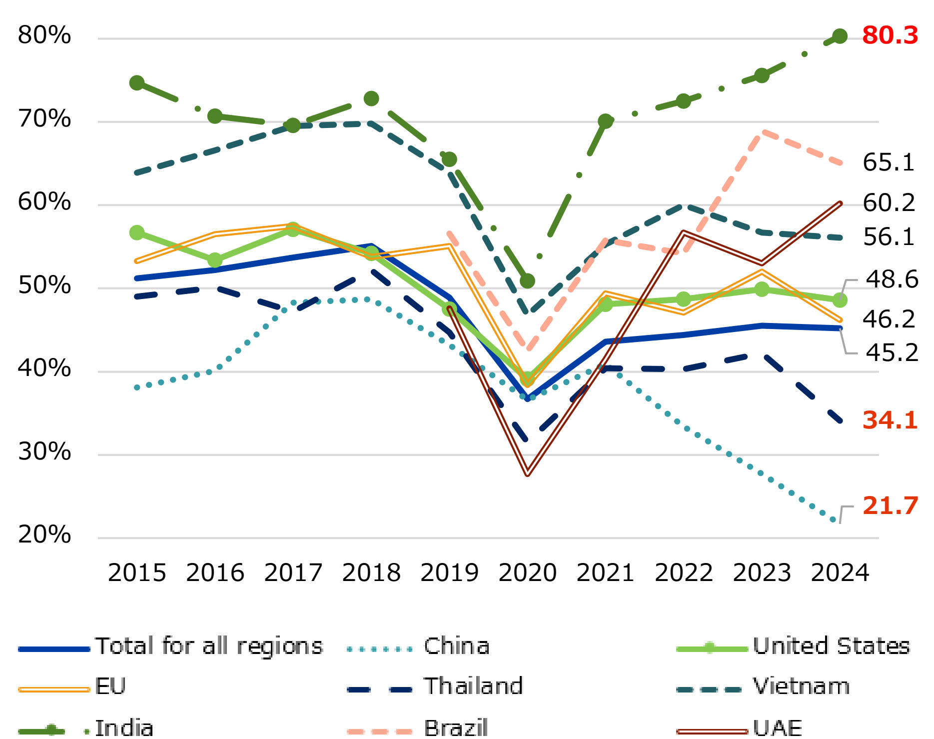
1 Decreased appetite for business expansion in China and Thailand

- 45.2% of companies (down 1.8 points from the previous year) responded that they will "expand" their local operations over the next 1to 2 years. This percentage **has remained below 50% since Covid-19**. In India, more than 80% intend to "expand“.
- **China‘s percentage of "expansion" fell another 6.0 points to 21.7% from the previous year, when it fell below 30% for the first time. This is the lowest since 2007.** Thailand fell 8.1 points to 34.1%, the second-lowest level since 2020.

Direction of business development over the next 1-2 years (By major countries/regions)



Trends in the percentage of "expansion“ (By major countries/regions, 2015-2024)

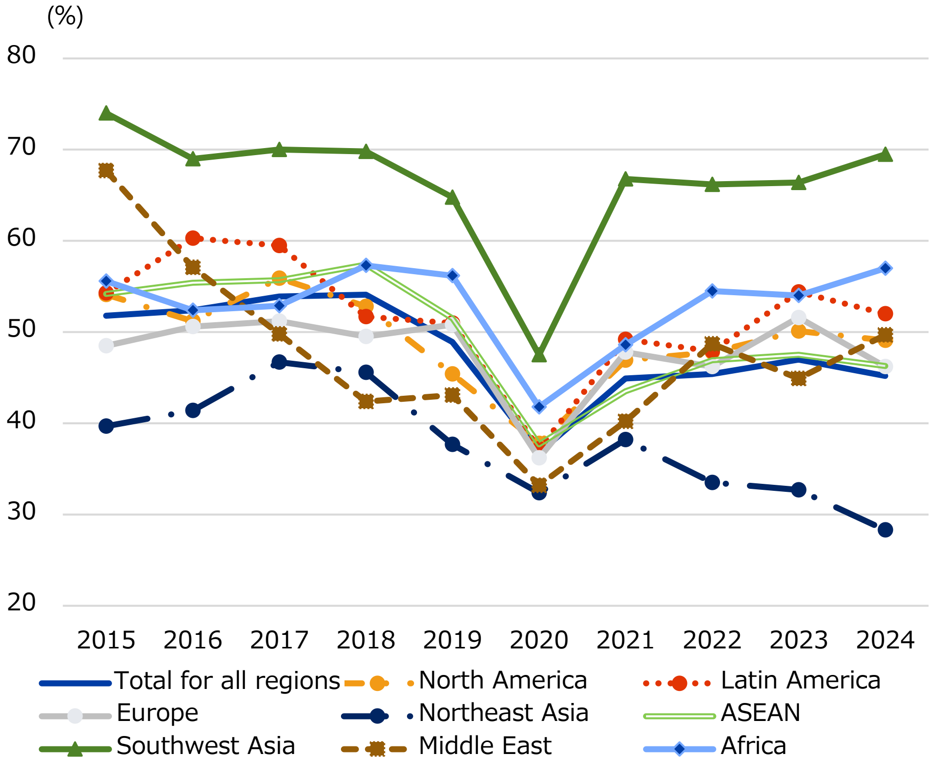


Note: Total for all regions includes Oceania and Russia. Data for Brazil and UAE are from 2019.

2 "Expansion" grows in the Middle East, Southwest Asia, and Africa

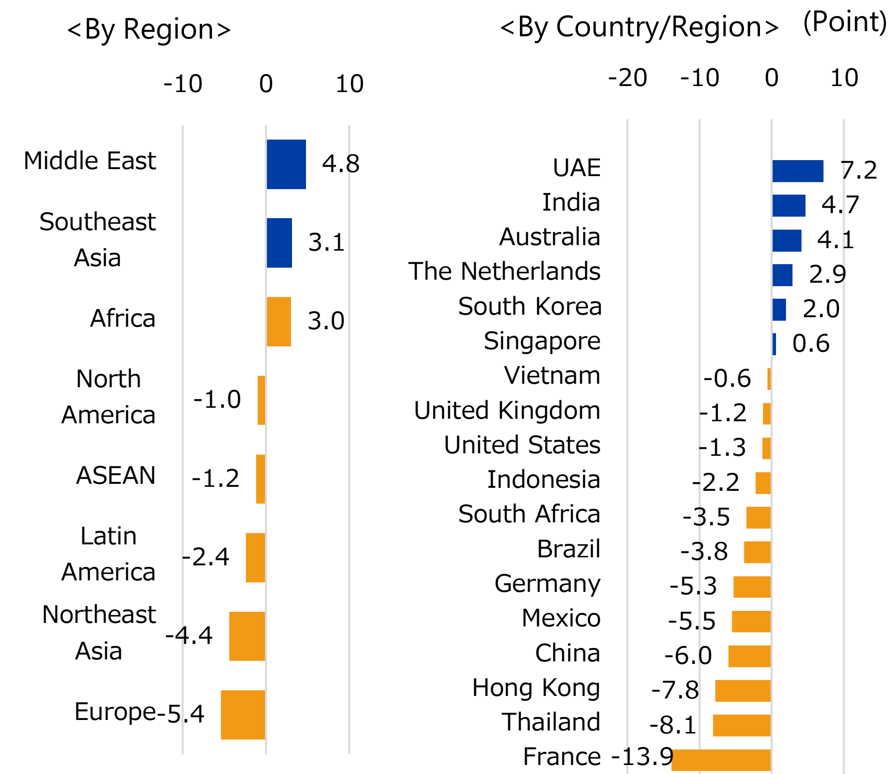
- **The percentage of companies responding "expansion" in the Middle East, Southwest Asia and Africa increased by 3 to 5 points from the previous year**. The percentage for Northeast Asia was the lowest ever recorded. In Europe, "expansion" decreased by 5.4 points to 46.2%, the second-lowest in the past 10 years, higher than only 2020.
- In India, "expansion" increased for the 4th consecutive year and exceeded 80% for the first time in 12 years. The UAE increased by 7.2 points, the largest increase among major countries and regions. Brazil and South Africa continued to be at high levels, though down 3.8 and 3.5 points, respectively.

Trends in the percentage of "expansion"
(By major region, 2015-2024)



Note: Total for all regions includes Oceania and Russia.

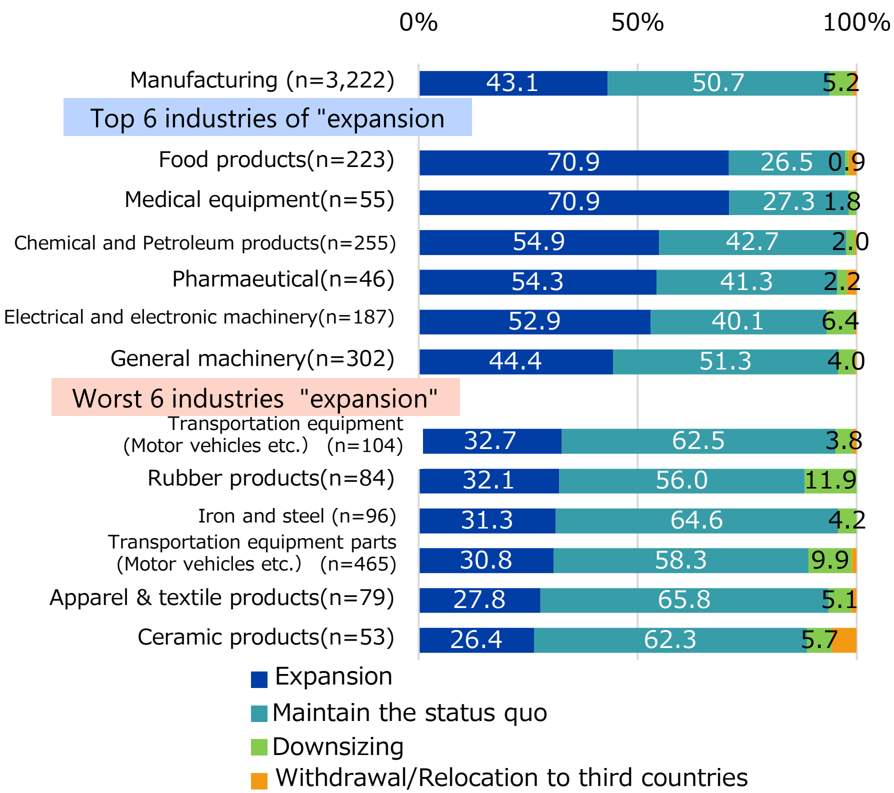
Percentage of "expansion"
compared to the previous year (By region/country)



3 | 70% of food products, medical equipment and staff agency are looking to expand their business

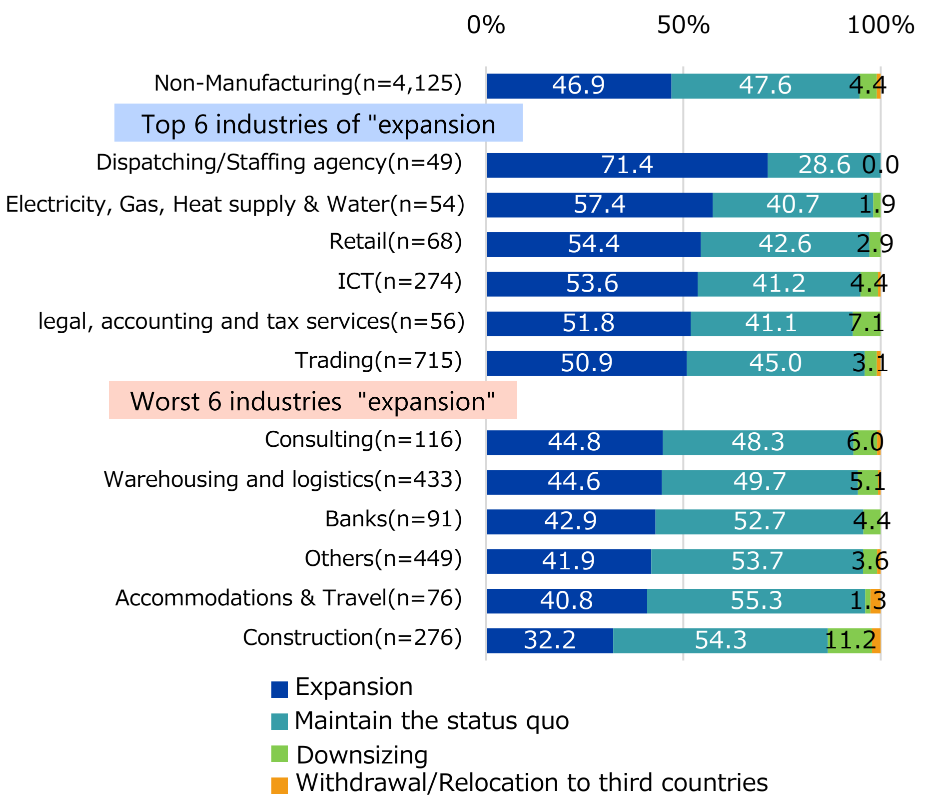
- The percentage of “expansion” in the manufacturing sector remained unchanged from the previous year. 70% of food products and medical equipment chose "expansion. ” The percentage of "expansion" in transportation equipment such as automobiles increased by 8.6 points, but together with the automotive parts, the percentage of "expansion" remained at around 30%.
- **The percentage for non-manufacturing sector decreased by 3.0 points**. In dispatching/staffing agency, 70% chose "expansion" (up 8.6 points). The percentage responding “expansion" in the construction industry decreased 5.3 points. The consulting saw a significant decrease of 15.8 points from the previous year.

Direction of business development over the next 1-2 years (Manufacturing)



Note: n=40 or more.

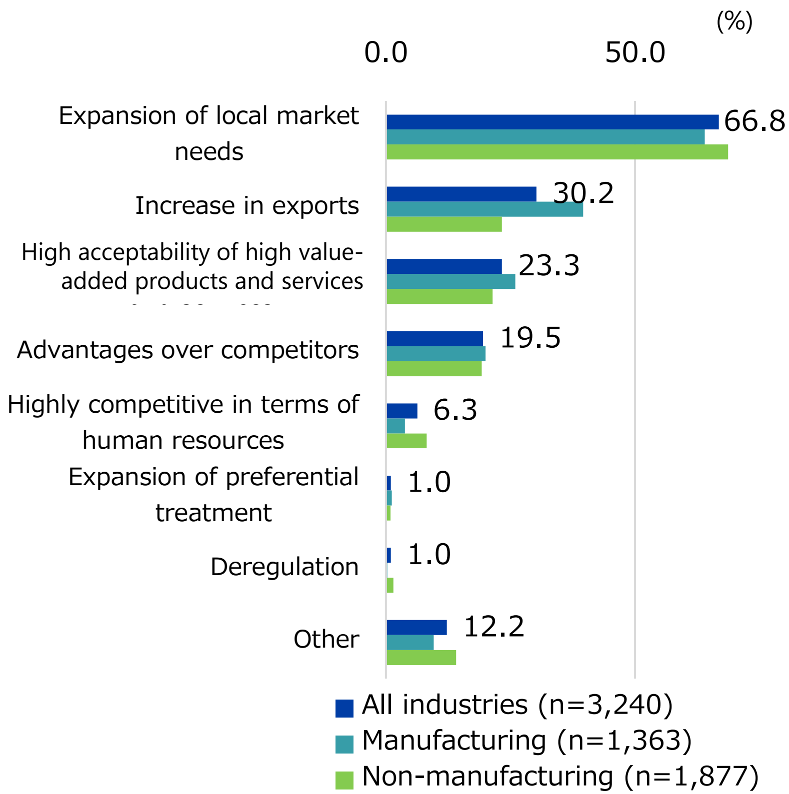
Direction of business development over the next 1-2 years (Non-manufacturing)



4 Diverse reasons for business expansion; “high value-added” cited in Northeast Asia

- Reasons given for “expansion” over the next 1 to 2 years include “expanding local market needs,” “increased exports” and “highly receptive to high value-added products and services.” The percentage for "higher competitive advantage" increased by 2.5 points overall.
- The countries/regions citing a particular reason the most were globally dispersed. In India, "expansion of local market needs" was cited the most, and in UAE, "increase in exports" continued to top the list of reasons, as in the previous year's survey. In addition to Europe and United States, South Korea, Hong Kong, and China also ranked high among those citing receptiveness of “high value-added products.”

Reasons for "expansion"



Note: Respondents were allowed to select multiple reasons.

Reasons for "expansion" (Top 5 countries/regions by reason) (%)

Expanding local market needs

1	India	(243)	88.9
2	Brazil	(54)	81.5
3	Mexico	(87)	75.9
4	Indonesia	(220)	75.0
5	UAE	(47)	72.3

- Increase in car production (India)
- Increased demand for healthcare and mobility products (Brazil)

Increase in exports

1	UAE	(47)	46.8
2	The Netherlands	(33)	45.5
3	Thailand	(180)	43.3
4	France	(19)	42.1
5	Vietnam	(472)	41.1

- Increased volume of goods for transportation to Africa region (UAE)
- Sales expansion through increased production capacity (The Netherlands)

Highly receptive to high value-added products services

1	United Kingdom	(31)	41.9
2	South Korea	(50)	36.0
3	Hong Kong	(23)	30.4
4	China	(160)	29.4
5	United States	(326)	27.6

- Expanded handling of semiconductor and medical related cargo, facility expansion (United Kingdom)
- Strengthened product lineup (South Korea)

Higher competitive advantage compared to competitors

1	South Africa	(25)	36.0
2	United Kingdom	(31)	32.3
3	Brazil	(54)	27.8
4	Indonesia	(220)	26.8
5	Hong Kong	(23)	26.1

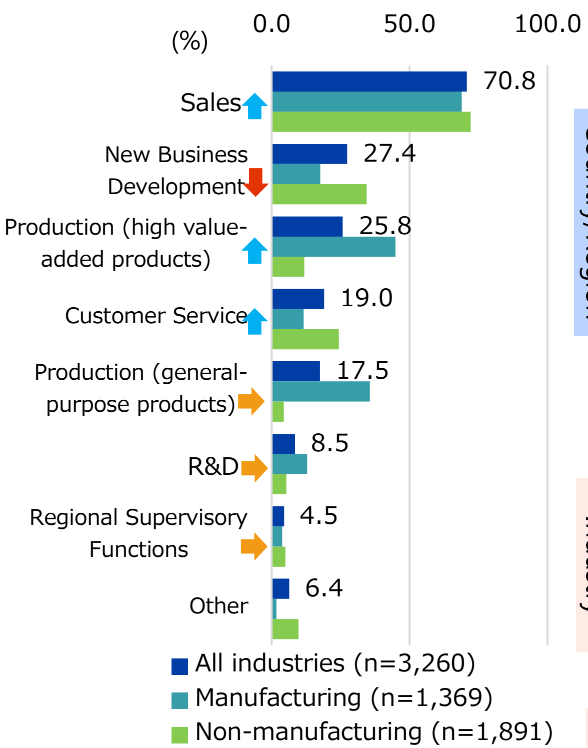
- Advantages due to OEM status (South Africa)
- Leading in development for special items (United Kingdom)

Note: Numbers in parentheses are n.

5 More than 70% will expand sales functions reflecting increased local demand

- For functions that will expand over the next 1 to 2 years, respondents mentioning “sales," “production (of high value-added products)," "customer service," and "R&D" increased over the previous year. On the other hand, the percentage citing "new business development" decreased 1.8 points.
- “Production (of high value-added products)" rose 8.0 points in Thailand and 13.4 points in Brazil. The Global South is on the rise.

Functions for “expansion”



(Note:(1) ↑ indicates an increase of 1 point or more from the previous year’s survey; → indicates an increase or decrease of no more than 1 point from the previous year’s survey; ↓ indicates a decrease of 1 point or more from the previous year’s survey.
(2) Respondents were allowed to select multiple reasons.

The functions for “expansion” that increased in percentage from the previous year, and the top countries/regions and industries

(%)

Country/Region

Rank	Sales (+3.3 points)	n	%	Rank	Production (high value-added products) (+1.1 points)	n	%	Rank	Customer Service (+1.1 points)	n	%
1	Germany	(127)	85.8	1	China	(164)	38.4	1	UAE	(47)	31.9
2	UAE	(47)	85.1	2	Thailand	(182)	36.3	2	India	(246)	27.6
3	France	(20)	85.0	3	India	(246)	32.5	3	Hong Kong	(23)	26.1
4	Hong Kong	(23)	82.6	4	Brazil	(54)	31.5	4	South Africa	(26)	23.1
5	Mexico	(87)	81.6	5	Indonesia	(220)	27.7	5	The Netherlands	(33)	21.2

- Increased demand for automated systems (Germany, sales company)
- Semiconductor-related demand (China, metal products)
- Increased demand for connected services (UAE, telecommunications/IT)

Industry

Rank	Sales	n	%	Rank	Production (high value-added products)	n	%	Rank	Customer Service	n	%
1	Food products	(155)	83.9	1	Precision machinery	(20)	65.0	1	Legal, Accounting & Tax	(28)	53.6
2	Chemical & Petroleum products	(138)	79.7	2	Metal Products	(85)	56.5	2	Transportation & Warehousing	(187)	39.6
3	Medical equipment	(39)	76.9	3	Fiber	(25)	56.0	3	Wholesale	(59)	35.6
4	Transportation equipment (Motor vehicles etc.)	(34)	76.5	4	Non-ferrous metals	(31)	54.8	4	Retail	(37)	35.1
5	Rubber products	(27)	74.1	5	Medical supplies	(23)	52.2	5	Consulting	(51)	33.3
								6	Transportation equipment (Motor vehicles etc.)	(34)	32.4

- Japanese food market expansion (Germany and France, food products)
- New product launches, increased promotional spending (Mexico, chemical and petroleum products)

- Technical assistance to meet customer needs (China, precision machinery)
- Strengths from Integrated Production (Thailand, metal products)

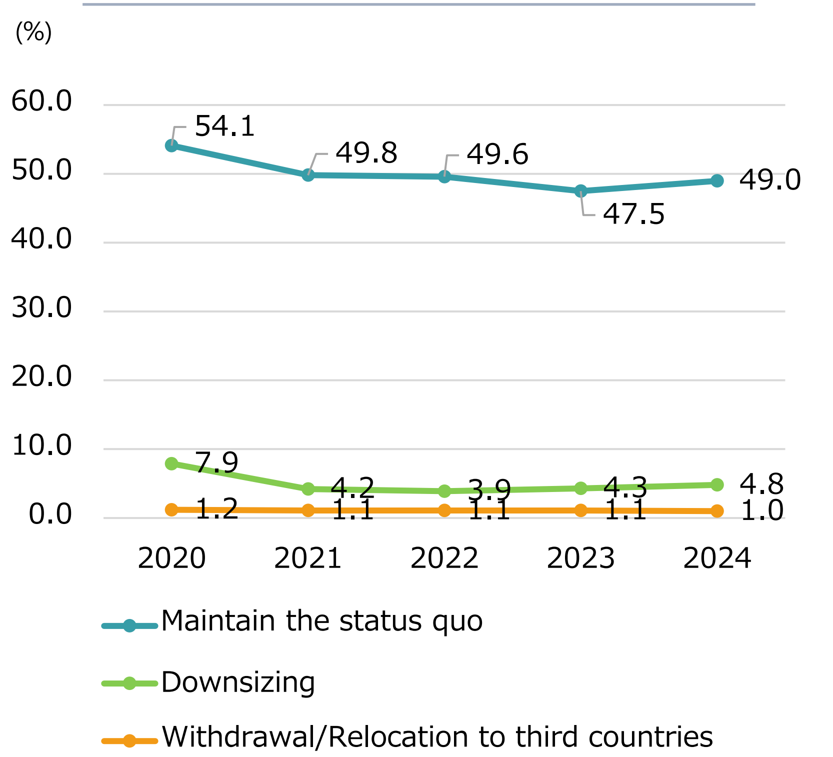
- Effects of customer business expansion (India, transportation & warehousing)
- Strengthened sales and service businesses in southern Africa (South Africa, sales company)

Note: (1) Sales by industry are for manufactures only. (2) Figures in parentheses are n. Only countries / regions / industries for which n is equal to or greater than 20 are shown.

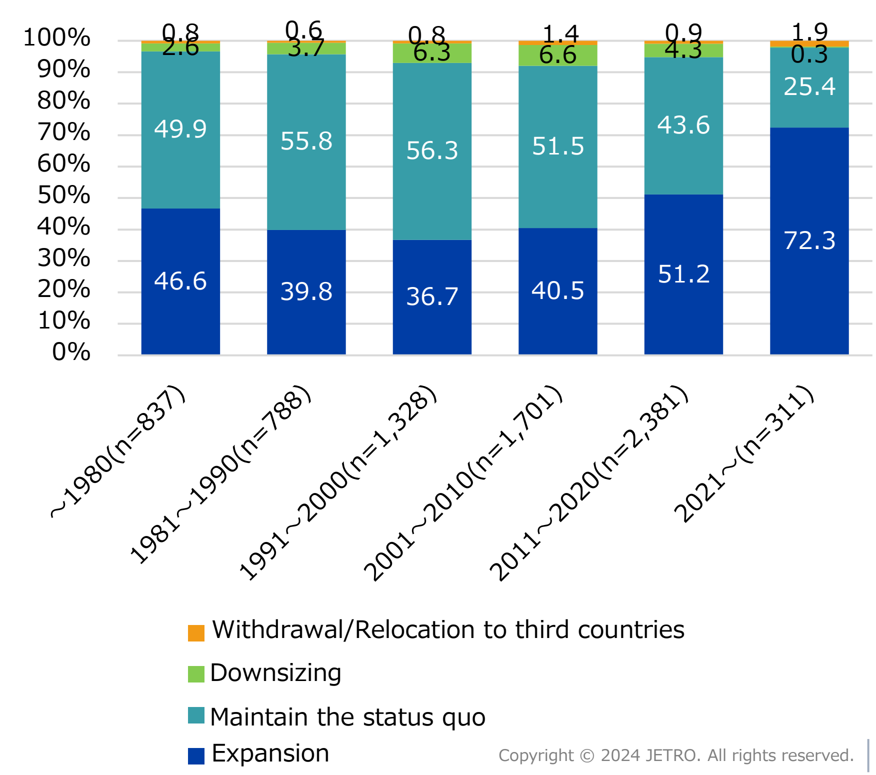
6 Half of the respondents chose to "maintain the status quo”; Japanese companies are holding their ground

- For business development over the next 1 to 2 years, “downsizing" remained mostly unchanged at 4.8% (up 0.5 points YoY) and "withdrawal/relocation to third countries" also remained mostly unchanged at 1.0% (down 0.1 points YoY). Since 2021, less than 5% replied for "downsizing" and about 1% replied "withdrawal/relocation to third countries.”
- Companies that entered the market in the 2010s or later have a high level of willingness to expand, especially after 2021, with 72.3% intending to expand. On the other hand, a high percentage of companies that entered the market in the 1990s and 1980s say they will maintain the status quo.

Direction of business development for the next 1-2 years (Time series)



Direction of business development over the next 1-2 years (By year of entry in business overseas)



7 Main reasons for "maintain the status quo," "downsizing" and "withdrawal/relocation" (free response questions)

"Maintain the status quo"

China

- Since the local automotive market is the largest in the world and is the most advanced when it comes to EVs and autonomous driving, we'll **expand sales to Chinese companies and** contribute to **other regions while maintaining current business** (Transportation equipment components (Motor vehicles etc.))
- **Exports of some products will be transferred to group companies in Thailand and Vietnam, but** we plan to maintain things as they are by **promoting local sales expansion** (Electrical and electronic components)
- Although the business environment is getting more difficult, we'll focus on important markets (Non-banks)
- China is the best in terms of production facilities, systems, quality, and production capacity, but considering China risk and U.S. tariffs, we'll maintain the status quo (Electrical and electronic components)

United States

- **Depending on the presidential election**, earnings may be impacted due to higher tariff burdens (Other manufacturing)
- **Increase in** labor **costs** (Plastic products)

Europe

- Due to **delays or** stagnation in the **expansion of hydrogen markets** (Germany, other manufacturing sector)
- With **strong restrictions on** chemical pesticides, aggressive business expansion is difficult (France , chemical and petroleum products)

"Downsizing"

China

Decrease in demand and sales

- The product development system, including in Japan, does not fit the market We're thinking about a reduction in 1-2 years and withdrawal in 3-4 years (Medical equipment)

Japanese automobile slump

- Impact of lower volume due to sluggish sales of Japanese cars and **intensified competition** (Transportation equipment components (motor vehicles etc.))
- Due to decrease in sales of Japanese automobiles in China (Non-ferrous metals)

Vietnam

- **Decrease in demand for automotive parts for** gasoline-powered vehicles (transportation equipment parts (automobiles/motorcycles))
- Loss of competitiveness in some products (due to local production by Chinese and South Korean companies) (Sales companies)
- Decrease in demand in export markets (Electrical and electronic equipment)

Thailand

- **Decrease in** domestic **automobile sales** (Transportation equipment)
- **Loss of demand in** China (Chemical and Petroleum products)

Hong Kong

- **Market conditions**, including those in China, **are not expected to improve** (Warehousing and logistics)
- Hong Kong has high fixed costs and no prospects for business expansion (Warehousing and logistics)

"Withdrawal/Relocation to third countries"

China

Decrease in demand and sales, market contraction

- Head office decided to withdraw from business due to the future economic outlook in China (General machinery)
- Business is only going to level off and decrease, and we will have to shift to Vietnam and other countries (Printing & publishing).

Geopolitical Risks in China

- Based on customer needs, many retailers plan to reduce their dependence on China for supplies to manage risk (Textiles)

Singapore

- Plan to relocate to **third countries (India, etc.) where we believe demand will grow** further **in** the future (Plastic products)
- Consider **transferring** regional business **headquarters functions** (Sales companies)
- There are limitations to re-export schemes in Singapore. We can be more competitive by **operating in countries where there is demand, using the EPA** (Wholesale)

United States

- **Order volumes in the automotive industry are unstable due to the** pandemics and **semiconductor shortages**, and labor costs and prices are rising (Transportation equipment components (Motor vehicles etc.))
- High **labor and** insurance costs (Food products)

III. Changes in the Competitive Environment ～Fierce Cost Competition, Diversification of Competitors in Emerging Markets～

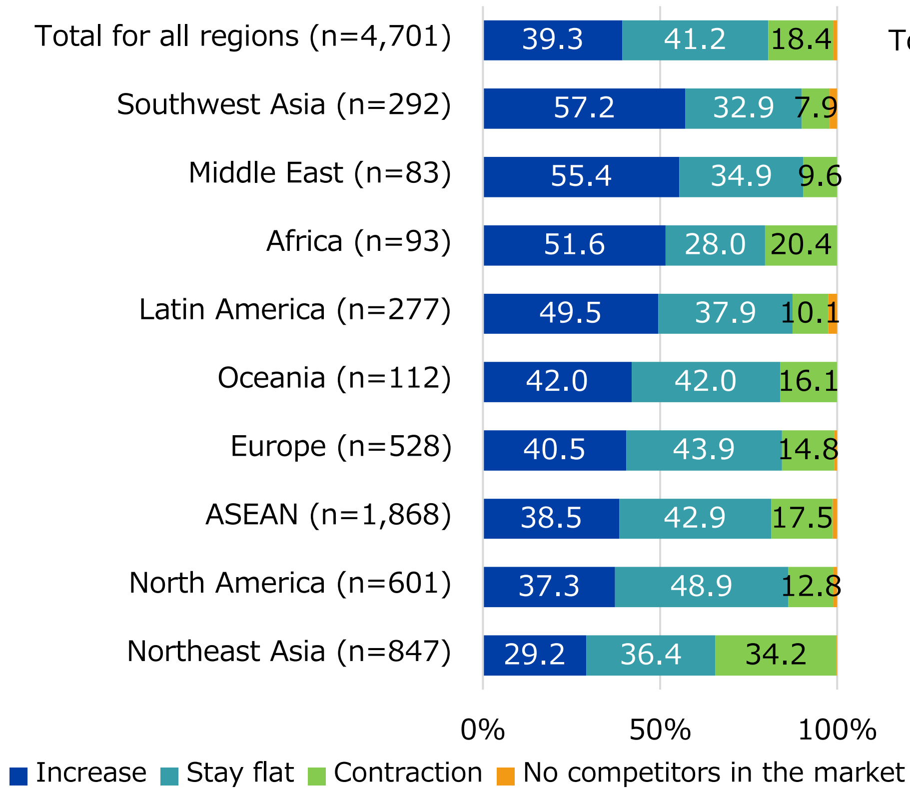
Note: The questions in this section are only for companies that sell in the country where they have a presence (companies that export all of their products to third countries/regions are not included).

1 Increased market share in Southwest Asia, the Middle East, and Africa

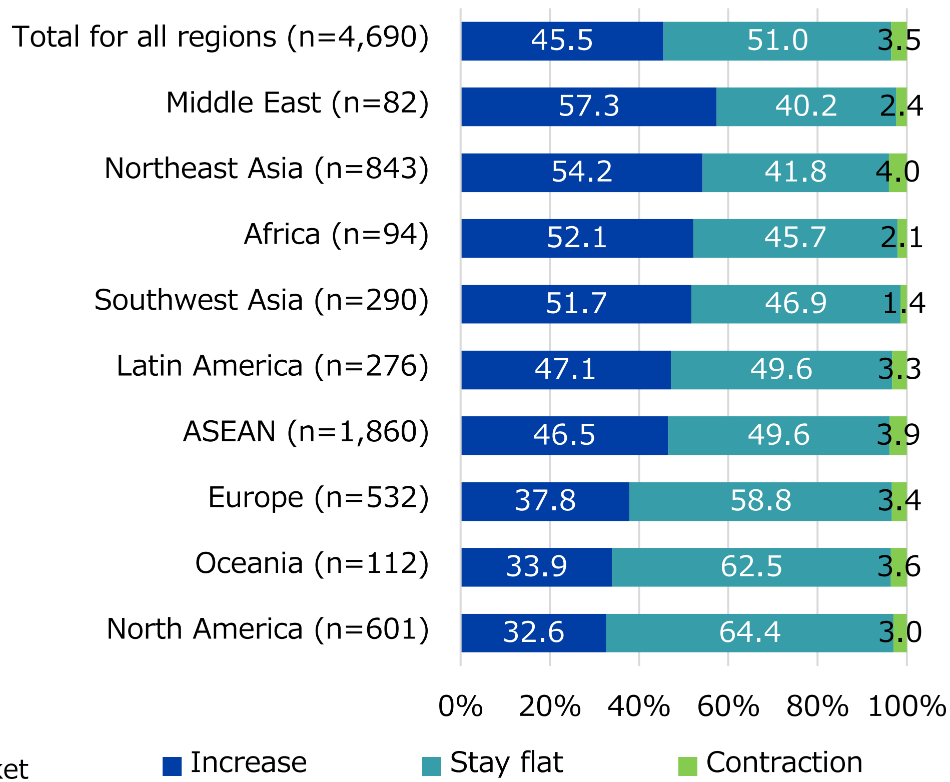
- The percentage of companies that "increased" their market share of major products and services compared to 2019 exceeded 50% in Southwest Asia, the Middle East, and Africa. On the other hand, "contraction" exceeded "increase" in Northeast Asia.
- 45.5% of the respondents answered that the number of competitors "increased" in the country or region where they had established a presence. In addition to the Middle East, Africa, and Southwest Asia, where more than 50% of companies reported an "increase" in market share, companies reporting an "increase" in market share exceeded 50% in Northeast Asia.

Changes in the competitive environment from 2019 in the target market (By major region)

Market share of major products and services



Number of competitors



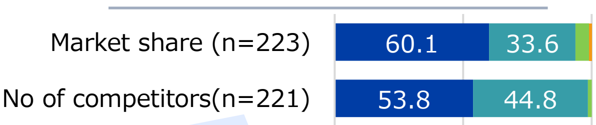
Note: In both charts, Russia is not included in the total for all regions.

2 Changes in competitors due to market newcomers, M&As, etc.

- In India and Mexico, **competition intensified due to European and United States companies aggressively conducting M&As and forming alliances with local firms**. Against the backdrop of United States-China conflict etc., **Chinese companies are accelerating their expansion into Thailand and Vietnam**.
- In the United States market, there are growing concerns about Asian companies from China, Taiwan, South Korea, and India entering markets and expanding business. In China, there are cases of preferential government policies for products that are made in China giving an advantage to local companies in some industries.

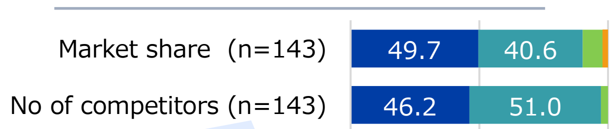
Countries/regions with the highest percentage of respondents reporting an "increase" in market share compared to 2019 (%)

India



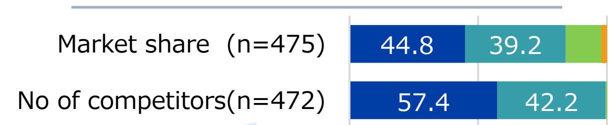
-Market overheated due to Indian government efforts to attract investment and due to active corporate investment (Electrical and electronics equipment)
-Local companies collaborating with European and United states manufacturers entered the market for mid-priced models (Transportation equipment parts (Motor vehicles etc.))

Mexico



-Chinese competition is increasing, but there is demand exceeding what the competition offers (Plastic products)
-European and United States competitors are expanding their scale of operations through M&A, etc., and it is difficult to keep up with them in the competition for market share (Transportation and warehousing)

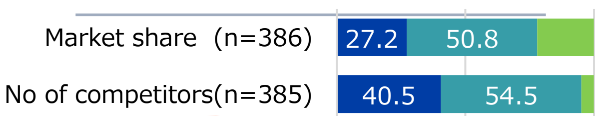
Vietnam



-Many Chinese companies have entered the market as a measure for the export to the United States (Metal products)
-Shift of competitors from Japanese to Chinese and Taiwanese companies (Electrical and electronics components)

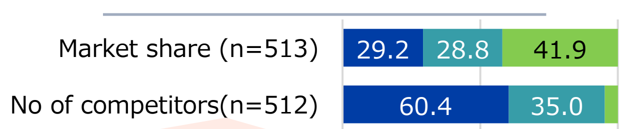
Countries/regions with the lowest percentage of respondents reporting an "increase" in market share compared to 2019

Thailand



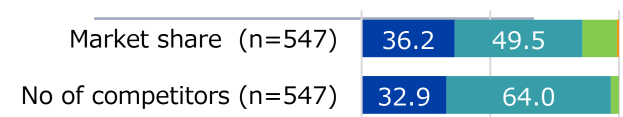
-Numerous Chinese companies are building factories (Sales company)
-Increase in the number of Chinese and South Korean companies (Transportation equipment parts (Motor vehicles etc.))
-Requests from Japanese and United States customers for De-Sinicization (Electrical and electronic equipment components)

China



-Chinese government's preferential treatment of Chinese-made products has increased the dominance of local companies (Medical equipment)
-Entry of startup Chinese suppliers (Textiles)

United States



-Market newcomers from China, South Korea, Taiwan, India, etc. (Metal products)
-United States companies are expanding their market share as they expand their scale of business (through M&As and alliances) (Electrical and electronics equipment)

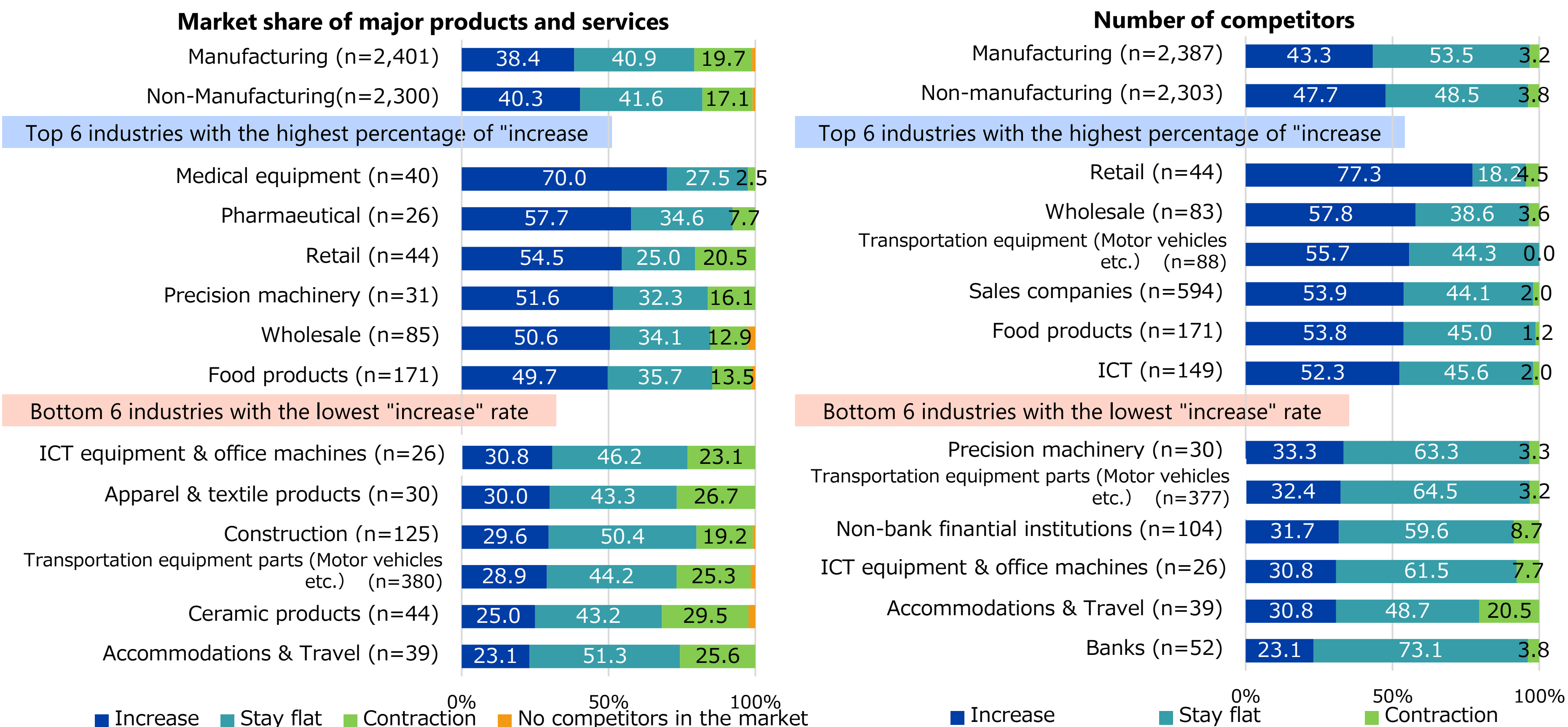
■ Increase ■ Stay flat ■ Contraction ■ No competitors in the market*

Note: (1) Only for countries/regions with n=130 or more. (2) "There is no competition in the market in which we operate" is a response valid only for the question on market share. (iii) Comments from each company are excerpts from the free responses concerning the competitive environment.

3 Gaining market share amid intensifying competition in retail, wholesale, food, etc.

- Medical equipment companies had the highest percentage of "increase" in market share of major products and services compared to 2019, at 70.0%. **Retail companies had the highest "increase" in the number of competitors at 77.3%.**
- In both **transportation equipment parts (automobiles, etc.) and hotels/travel**, the "increase" in competitors is relatively low at around 30%, but the **"increase" in market share is also low, at less than 30%**. The percentage of companies in these industries reporting a "shrinkage" in market share is also over 25%, indicating a difficult situation.

Changes in the competitive environment from 2019 in the target market (By industry)

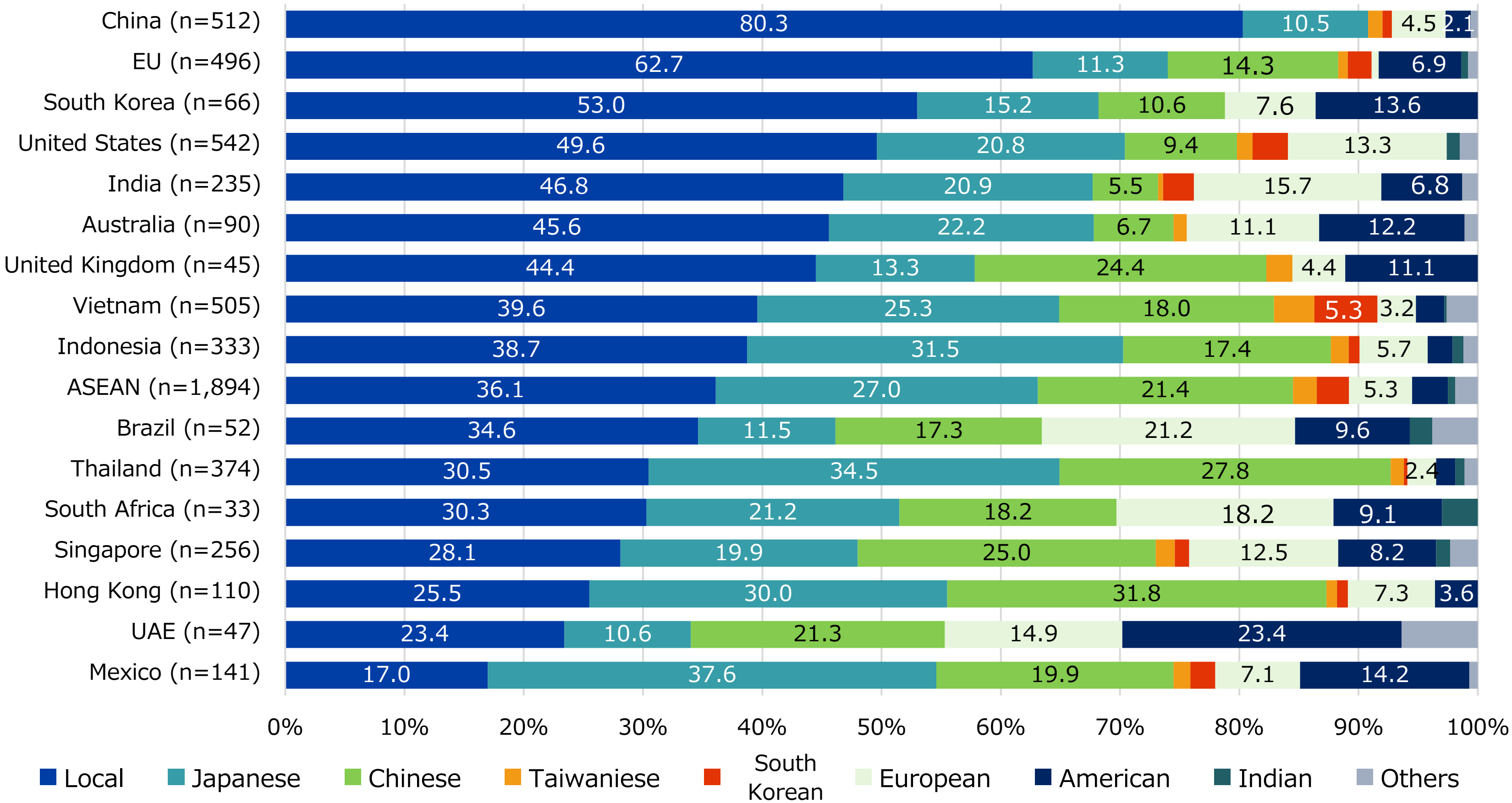


Note: (1)Both charts include only industries with n=25 or more. (2) Both charts exclude responses from Russia.

4 Diversification of competitors stands out in emerging markets

- In China, the EU, and South Korea, more than half of the companies indicated that "local firms" were their top competitors. In China, the percentage exceeded 80%, indicating the overwhelming competitiveness of local firms.
- In the EU, the United Kingdom, Brazil, Singapore, Hong Kong, and UAE, a higher percentage of respondents considered "Chinese companies" as their No. 1 competitor than "Japanese companies." European firms showed a strong presence in Brazil, South Africa, and India, and United States firms showed a strong presence in UAE.

The biggest competitor in the target markets



Note: “Local firms” in the EU and the United Kingdom. refer to firms located in the EU.

5 Cost competitiveness seen as strength of competitors in Asian markets

- **Around 80% of companies in China and Thailand cited "cost competitiveness" as a strength of their competitors.** In Indonesia, Vietnam, India, Brazil and Hong Kong, the percentages were over 70%.
- Over 60% of companies in the United Kingdom and Australia, and around 50% in South Africa, the EU and the United States said "brand and name recognition" was a strength of their competitors.

The strengths of the company we view as our No. 1 competitor (multiple responses possible) (%)

	Cost competitiveness	Brand and name recognition	Speed of decision making	Sales network	Technical level of products and services	Strong sales skills	Partnering with local companies	Products/services development capability
Total for all regions (n=4,745)	70.2	34.7	33.6	29.3	27.4	25.1	24.2	21.8
China (n=509)	84.7	21.2	55.8	24.0	23.8	27.3	27.5	26.1
Hong Kong (n=108)	71.3	30.6	42.6	30.6	33.3	20.4	19.4	22.2
South Korea (n=65)	63.1	40.0	35.4	32.3	32.3	26.2	16.9	21.5
Singapore (n=255)	68.2	37.3	35.7	29.0	29.4	20.4	20.8	25.5
Thailand (n=372)	79.8	20.2	29.0	21.8	25.5	19.9	22.6	12.4
Indonesia (n=330)	76.1	26.4	29.1	25.5	27.6	19.1	28.5	13.3
Vietnam (n=502)	76.1	24.5	31.3	24.9	20.1	23.1	19.5	12.2
India (n=235)	74.0	40.9	40.0	31.9	28.5	25.5	22.1	26.4
United States (n=539)	59.6	46.6	29.1	33.8	35.4	30.1	24.9	28.0
Mexico (n=141)	66.0	34.0	22.7	31.2	27.0	24.8	24.8	17.0
Brazil (n=52)	73.1	36.5	28.8	32.7	25.0	19.2	15.4	21.2
EU (n=495)	61.0	48.3	32.7	37.2	35.8	31.3	26.3	29.3
United Kingdom (n=45)	60.0	60.0	31.1	40.0	44.4	31.1	24.4	35.6
Australia (n=88)	48.9	63.6	26.1	40.9	29.5	33.0	27.3	27.3
UAE (n=46)	56.5	41.3	23.9	32.6	30.4	26.1	34.8	15.2
South Africa (n=33)	51.5	51.5	18.2	48.5	21.2	30.3	15.2	27.3

Note: (1) The total for all regions excludes Russia. (2) Only the top 8 items in the all-regions total are shown. (3) The top two countries/regions with the highest percentages for each item have been highlighted in orange.

6 Concerns about cost competition (free response comments)

Chinese products/services

United States

- Chinese manufacturers plan to expand into Southeast Asia and export to the United States without being affected by high tariffs. We may fall behind in cost competition (Transportation equipment parts (Motor vehicles etc.))
- Due to the entry of Chinese companies into the market, we are forced to lower the prices of products and are unable to secure sufficient profit margins (Chemical and petroleum products)

Mexico

- Rising labor costs have widened the cost gap with Chinese companies, threatening our advantage in non-price competitiveness (Transportation equipment parts (Motor vehicles etc.))

Europe

- Difficult environment due to cheaper products from Chinese companies (Transportation equipment parts (Motor vehicles etc.))
- The rise of Chinese companies has intensified price competition for general-purpose products, and the market share of companies in the region, including ours, has declined (Chemical and petroleum products)

Thailand

- Increased competition, mainly from Chinese companies, has intensified price competition and made differentiation more difficult (General machinery)

Indonesia

- Chinese products are entering the market at lower prices, affecting not only competitors but also customers (Chemical and petroleum products)

UAE

- Market prices are falling due to the entry of Chinese brands (wholesale)

Products/services of local and other companies

China

- The costs of local companies' cheapest products are about 50% lower and the product cost environment is harsh (Transportation equipment parts (Motor vehicles etc.))
- The overall food market in China is in decline, and the response of distributors to this decline is price rather than quality (Food products)

Taiwan

- The costs of local companies' products are about 20% lower (Chemical and petroleum products)

South Korea

- We are losing market share due to the competition's high price competitiveness (Chemical and petroleum products)

United States

- South Korean companies are aggressively cutting prices (Transportation equipment parts (Motor vehicles etc.))
- There is a price gap of more than 10% with major competitors (both local and overseas), which makes things tough (Chemical and petroleum products)

Thailand

- Market prices for local companies' products are less than half of our costs and we cannot even enter the ring to compete on prices (General machinery)

India

- Local companies' product costs are 20-30% lower (Transportation equipment parts (Motor vehicles etc.))
- Local manufacturers' low prices and quality have taken root, and we cannot compete at all on price alone (General machinery)

Note: (1) The country/region in the small boxes refers to where the Japanese companies making the comments are based.
(2) Comments regarding competition with Chinese products accounted for 21.3% of the total of 2,744 free response comments.

7 Concerns other than cost competition (free response comments)

Competition with European companies

Europe

- Struggling in competition with globally renowned European companies due to lack of presence (Chemical and petroleum products)

UAE

- European manufacturers dominate the market, and specifications are set according to European standards (General machinery)

Competition with Chinese companies

China

- Our production capacity is insufficient in case we get orders due to the poor business performance of rival companies (Miscellaneous manufacturing sector)

Thailand

- The development and verification periods for parts made by Chinese manufacturers are short (Transportation equipment parts (Motor vehicles etc.))

Competition with South Korean companies

United States

- South Korean competitors in the United States are making full use of their connections and networks to win orders (General machinery)

Vietnam

- In Vietnam, Chinese and South Korean companies are strong, and the labor market environment is difficult because people move due to wage gaps (Motor vehicles etc.))

Competition with South Korean companies

United States

- Due to the USMCA, it is very difficult for our company, which does not have a production base in North America, to receive new orders (Electrical and electronic components)

Mexico

- In Vietnam, Chinese and South Korean companies are strong, and the labor market environment is difficult because people move due to wage gaps (Transportation equipment parts (Motor vehicles etc.))

India

- In the imported machinery market, customers are inclined to value European and United States technology and brand power more highly than Japanese (General machinery)

Competition with Taiwanese companies

Taiwan

- Taiwanese construction companies have improved their technology significantly compared to the past, and the value-added that makes up for the cost difference is being lost (Construction)
- The level of products made by local companies is improving, and our superiority in products and services is declining (Food products)

Competition with Indian companies

India

- An increase in the number of projects due to strong real estate market conditions have resulted in a tight supply of construction personnel (Real estate)

Note: The country/region in the small boxes refers to where the Japanese companies making the comments are based.

8 | Measures to strengthen cost competitiveness have limits

- Among measures companies are particularly focused on to compete, “strengthening sales and public relations” had the highest percentage of responses, averaging more than 40%. In UAE, South Africa, Mexico, and Vietnam, the percentage was nearly 50%.
- With the exception of companies in countries and regions such as China, Indonesia, and Thailand, many companies cited "strengthening sales and public relations" and "diversifying products and services" in addition to "cost reduction” as measures they are taking. Cost and price measures are reaching their limits.

Measures companies are taking to compete in destination markets (multiple responses allowed) (%)

	Strengthening sales and PR	cost reduction	Diversification of products and services	Development of products and services	Expansion of sales channels	Partnering with local companies	Price reductions	Review of sales network
Total for all regions (n=4,831)	40.2	37.8	37.0	33.8	28.5	27.1	20.2	19.8
China (n=514)	32.5	54.9	36.2	40.9	23.3	31.5	35.4	16.9
Hong Kong (n=110)	35.5	28.2	37.3	20.9	26.4	21.8	26.4	20.9
South Korea (n=69)	42.0	10.1	44.9	43.5	23.2	26.1	13.0	18.8
Singapore (n=259)	40.5	24.3	39.0	32.4	23.9	27.8	14.7	23.6
Thailand (n=387)	35.9	39.8	36.2	26.4	23.5	24.0	26.6	19.6
Indonesia (n=329)	39.5	54.1	41.0	33.7	26.7	28.3	21.6	18.8
Vietnam (n=506)	45.5	34.2	34.8	28.5	30.0	29.1	23.9	16.6
India (n=232)	39.2	37.5	43.5	40.9	31.9	30.2	22.4	18.1
United States (n=554)	38.6	38.6	33.2	40.1	30.9	23.3	15.7	20.4
Mexico (n=143)	47.6	36.4	30.1	25.2	21.7	23.8	17.5	20.3
Brazil (n=54)	44.4	46.3	51.9	38.9	37.0	25.9	9.3	27.8
EU (n=503)	41.7	34.2	31.8	36.0	27.2	24.7	12.3	24.1
United Kingdom (n=48)	37.5	31.3	39.6	41.7	35.4	20.8	6.3	18.8
Australia (n=94)	40.4	29.8	37.2	37.2	41.5	28.7	8.5	18.1
UAE (n=45)	48.9	11.1	31.1	35.6	37.8	31.1	13.3	17.8
South Africa (n=33)	48.5	30.3	51.5	21.2	33.3	27.3	30.3	15.2

Note: (1) The total for all regions excludes Russia. (2) Only the top 8 items in the all-regions total are shown. (3) The top two countries/regions with the highest percentages for each item have been highlighted in orange.

9 Measures to strengthen competitiveness; challenges faced (free response comments)

Cost competitiveness

Mexico

- Supply chains and cost competitiveness have been enhanced by increasing the number of local alliance partners (Chemical and petroleum products)

China

- To meet demand in the Chinese market, products are either priced lower or purchased domestically (General machinery)

Increased value-added

United States

- Price competition with products made in Mexico occurs, and it is necessary to make efforts at rationalization to offset labor cost gaps and to gain recognition for strengths other than price, such as technology and quality (Transportation equipment parts (Motor vehicles etc.))
- We are aiming to increase value-added through product diversification and sales of product sets (combining multiple products into sets and proposing and selling them as solutions to customers) (ICT equipment & office machines)

Indonesia

- To win and survive, our company's policy is to specialize in extremely difficult items (Plastic products)

India

- In contrast to competitors who restructured their operations after Covid-19, our well-developed service organization is highly regarded in markets that place importance on after-sales service (Transportation equipment parts (Motor vehicles etc.))

Diversification

Europe

- Cost effectiveness is prioritized over performance, making it difficult to continue selling high-performance, high-priced products as in the past, while demand for highly competitive products remains strong (Trading companies)

Vietnam

- Price competition is intensifying due to the entry of competing Japanese companies, but the market is growing and we will focus on maintaining and expanding our market share by diversifying our product lineup (Trading companies)

Human resources

United States

- Considering the number of adjacent businesses, there are not enough workers, so competition for human resources continues (transportation equipment parts (Transportation equipment parts (Motor vehicles etc.))

Mexico

- We are considering hiring Chinese/South Korean personnel to find Chinese/South Korean customers who are making significant inroads into the market, but it is difficult to secure personnel due to high salary and benefit expectations (Warehousing and logistics)

Europe

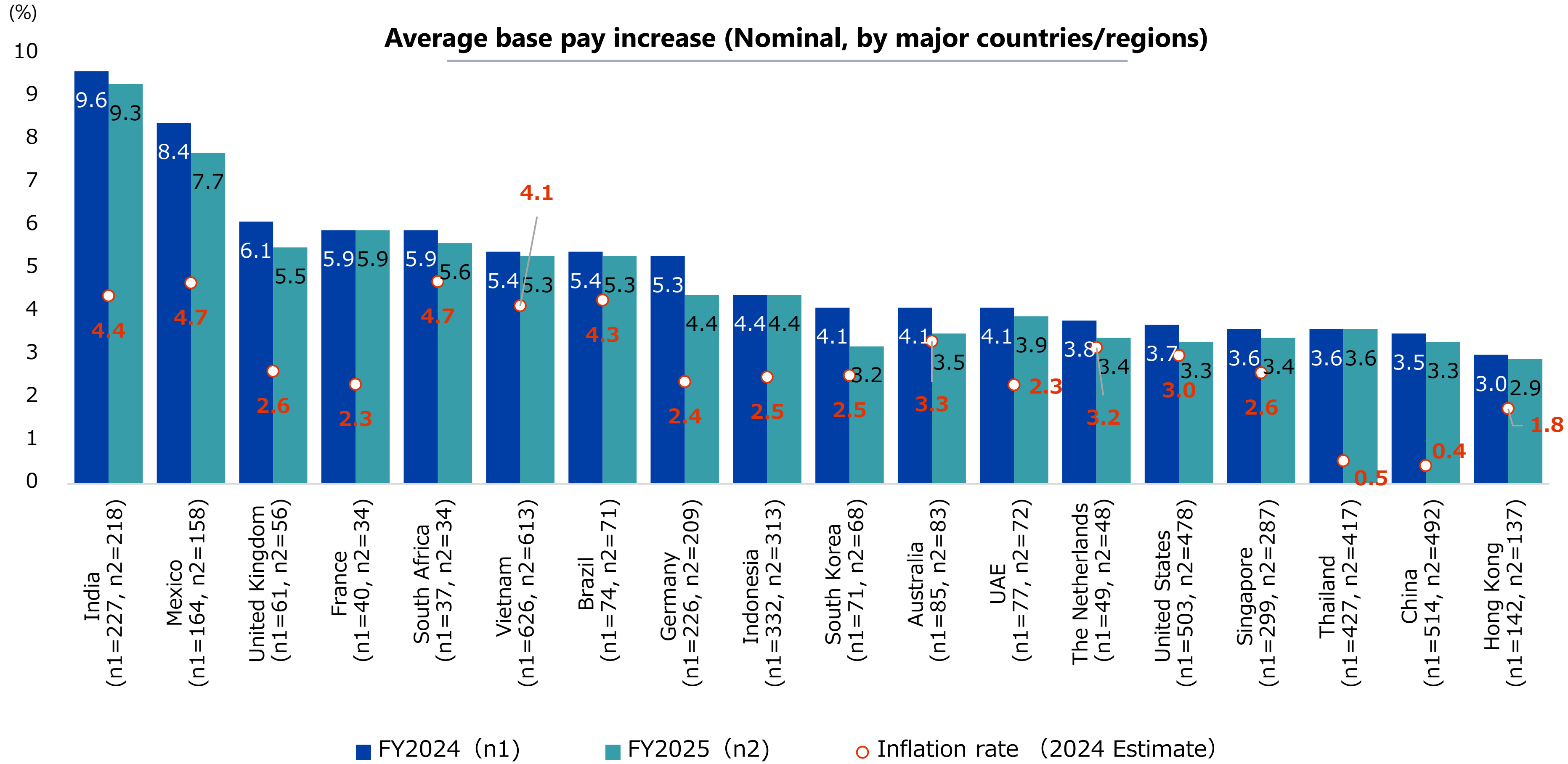
- While there are many students from China in universities and research institutes throughout Europe, Japanese students are mostly absent. This raises concerns about Japan's future research competitiveness (Education & research institutions)

Note: The country/region in the small boxes refers to where the Japanese companies making the comments are based.

IV. Wages

1 Base pay increases above inflation

- The rate of increase in base pay (nominal, average) for FY2024 is as high as 9.6% in India and 8.4% in Mexico. The rate of increase for the next fiscal year is expected to be similar to that of the current year in many countries and regions.
- The rate of increase in base pay did not change significantly from the previous survey in any of the countries/regions. Inflation has settled down since the previous year, and the rate of increase in base pay has exceeded local inflation rates in all 18 major countries/regions.



Note: Inflation rates are as of October 2024.
Source: IMF (World Economic Outlook, October 2024).

V. Conclusion

Key findings of the survey

1. 65.9% of companies expect to be profitable in 2024, the first increase in two years. Strong domestic demand in major countries of the Global South, such as India, Brazil, Mexico, and Vietnam, is driving the improved performance of companies entering these countries.

On the other hand, a high percentage of companies in China, Thailand, Germany, and the Netherlands, where there are large concentration of Japanese companies, expect their business performance to deteriorate. In automobile-related industries, many companies do not see prospects for improvement in 2025.

2. In future business development, the cautious stance of many companies stands out. The percentage of companies anticipating business expansion stayed at less than 50%, failing to recover to pre-Covid levels. In China, where demand continues to be sluggish, the percentage of companies anticipating business expansion is at an all-time low. Europe is also at its second-lowest level in the past 10 years.

However, only 1% of companies expect to relocate or withdraw from local operations, and even in China, only 1.4% of companies expect to relocate or withdraw from local operations. These low percentages highlight the willingness of Japanese companies to stay in local markets, patiently develop new markets, and diversify their products and services.

On the other hand, Southwest Asia, especially India, where more than 80% of companies indicate an intention to expand their business; the Middle East, led by UAE; and Africa show a marked trend toward business expansion. The rise of countries in the Global South stands out.

3. Competition in the markets where Japanese companies are operating is becoming even fiercer. In India and Mexico, Japanese companies have increased their relative market share over the past five years, while European and U.S. companies are also expanding their operations in earnest. In Thailand and Vietnam, Chinese companies are accelerating their expansion against the backdrop of U.S.-China conflict and other factors.

In the fiercely competitive Chinese market, local companies have a dominant presence due to their cost competitiveness. Chinese companies are also gaining ground in overseas markets. European and U.S. companies also have a strong presence in emerging markets such as India, Brazil, and UAE.

Cost and price measures are facing limits. Strengthening sales and diversifying products and services may be key.

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