



FCIG Foreign Chambers
Information Group



FCIG Business Confidence Survey Spring 2002

FCIG Task Force

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Survey Background

About the FCIG and the survey

The Foreign Chambers Information Group (FCIG) is an informal organization made up of foreign chambers of commerce and business groups in Japan mainly for the purpose of information exchange develop the activities of the organizations.

The FCIG meets bimonthly and in February 2002 it decided to conduct a survey among all its members, based on a format developed and twice conducted by the Finnish Chamber of Commerce in Japan. A taskforce consisting of representatives for the ACCJ, BCCJ, CCCJ and FCCJ was appointed.

Purpose of the survey

1. Provide chambers with better information on what their members think about the current state of the Japanese economy and their own businesses, and note problems and future plans in the Japanese market
2. Create a valid sentiment on how foreign companies view the Japanese market
3. Enable comparisons between the sentiments of participating chambers and between North American and European companies
4. Obtain reliable data on how foreign companies perform in Japan and how they feel about the business climate in Japan. This information can be used to counter or reflect the negative publicity about Japan in the home countries of the chamber members
5. Offer an opportunity for publicity to the chambers through PR activities in connection with the survey



Business Confidence Survey – Spring 2002

Participating Organizations



Austrian Business Council



The American Chamber
of Commerce in Japan



The British Chamber of
Commerce in Japan



The Belgian/Luxembourg
Chamber of Commerce in
Japan



The Canadian Chamber
of Commerce in Japan



The French Chamber of
Commerce in Japan



The Danish Chamber of
Commerce in Japan



The Finnish Chamber of
Commerce in Japan



Enterprise Ireland



The Italian Chamber of
Commerce in Japan

Norwegian Business Forum

Norwegian Business Forum



The Netherlands Chamber
of Commerce in Japan



The Swedish Chamber of
Commerce and Industry in Japan



Embassy of Spain
Economic & Commercial Office



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About the Survey

Survey period *5 – 25 April, 2002*

Survey method *online only*

Survey population *2,300 companies*

Survey form

- 2 questions on economy*
- 4 on company performance*
- 1 on reasons behind changes*
- 1 on strategies in Japan*
- 2 on regulations*
- Free Comments*
- Company profile*
- Contact information*

Notes

Some chambers had a much shorter survey period, e.g. BCCJ from 14 April, NBF from 19 April, CCIFJ from 22 April.

The survey forms were made by FCCJ and all responses were submitted to the FCCJ web server.

Depending on chamber, survey was sent out to all members (individuals), only to companies or only to foreign affiliated companies.



One main objective with the form was to make it simple to understand, and to fill in. As basically the same form has been used twice in surveys conducted by FCCJ we knew that it would work. Only one question was added to this FCIG survey; regarding the respondents opinions on how the regulatory environment has changed.

The contact information was optional, to encourage as many as possible to submit the form, without privacy concerns. However, 62 % gave their contact information.

Although all 10 questions were marked compulsory in the form, we did not apply any error checking not to discourage respondents with messages like " *You forgot to fill in question 2, please go back to the form*". Because of this, each question does not have same number of responses.

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The Survey Form

BUSINESS CONFIDENCE SURVEY 2002

Please fill in the form below and click *Submit*.
Note that fields marked * are compulsory.

1. *Your opinion on Japan's economic situation for the next 6 and 12 months?

	next 6 months	next 12 months
A) Strong improvement	<input type="radio"/>	<input type="radio"/>
B) Some improvement	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline	<input type="radio"/>	<input type="radio"/>
E) Strong decline	<input type="radio"/>	<input type="radio"/>

2. *Your company's sales revenues for the last 6 months and estimate for next 6 months?

	last 6 months	next 6 months
A) Strong improvement	<input type="radio"/>	<input type="radio"/>
B) Some improvement	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline	<input type="radio"/>	<input type="radio"/>
E) Strong decline	<input type="radio"/>	<input type="radio"/>

3. *Your company's profitability for the last 6 months and estimate for next 6 months?

	last 6 months	next 6 months
A) Strong improvement	<input type="radio"/>	<input type="radio"/>
B) Some improvement	<input type="radio"/>	<input type="radio"/>
C) No change	<input type="radio"/>	<input type="radio"/>
D) Some decline	<input type="radio"/>	<input type="radio"/>
E) Strong decline	<input type="radio"/>	<input type="radio"/>

4. *Main reasons behind the changes in your business result.

<input type="radio"/> Our own efforts	Comment: <input style="width: 100%;" type="text"/>
<input type="radio"/> Additional or less resources	Comment: <input style="width: 100%;" type="text"/>
<input type="radio"/> Exchange rates	Comment: <input style="width: 100%;" type="text"/>
<input type="radio"/> Change in competitive situation	Comment: <input style="width: 100%;" type="text"/>
<input type="radio"/> Other, what:	<input style="width: 100%;" type="text"/>

5. *Your company's strategy in Japan ?
 - Seeking growth and expansion, why:
 - Sustaining current level, comment :
 - Downsizing, why:
 - Considering withdrawing, why:

6. *Do you feel that the recent regulatory environment has changed your business?
 - For the better
 - For the worse
 - No change
 - Don't know

7. * Do you think the regulatory environment negatively affects your business? How?
 - Yes, very much - and how:
 - Yes, some - and how:
 - No impact
 - Don't know

8. Anything you like to bring to the attention of FCCJ regarding your business? (e.g. regulatory problems, trade barriers)

- *Company Profile

Type of business:

Company Size: (number of employees in Japan)

Years established in Japan:

- Contact Information(optional)

Your name:

Company/Organization:

E-mail:

Thank you for your cooperation!

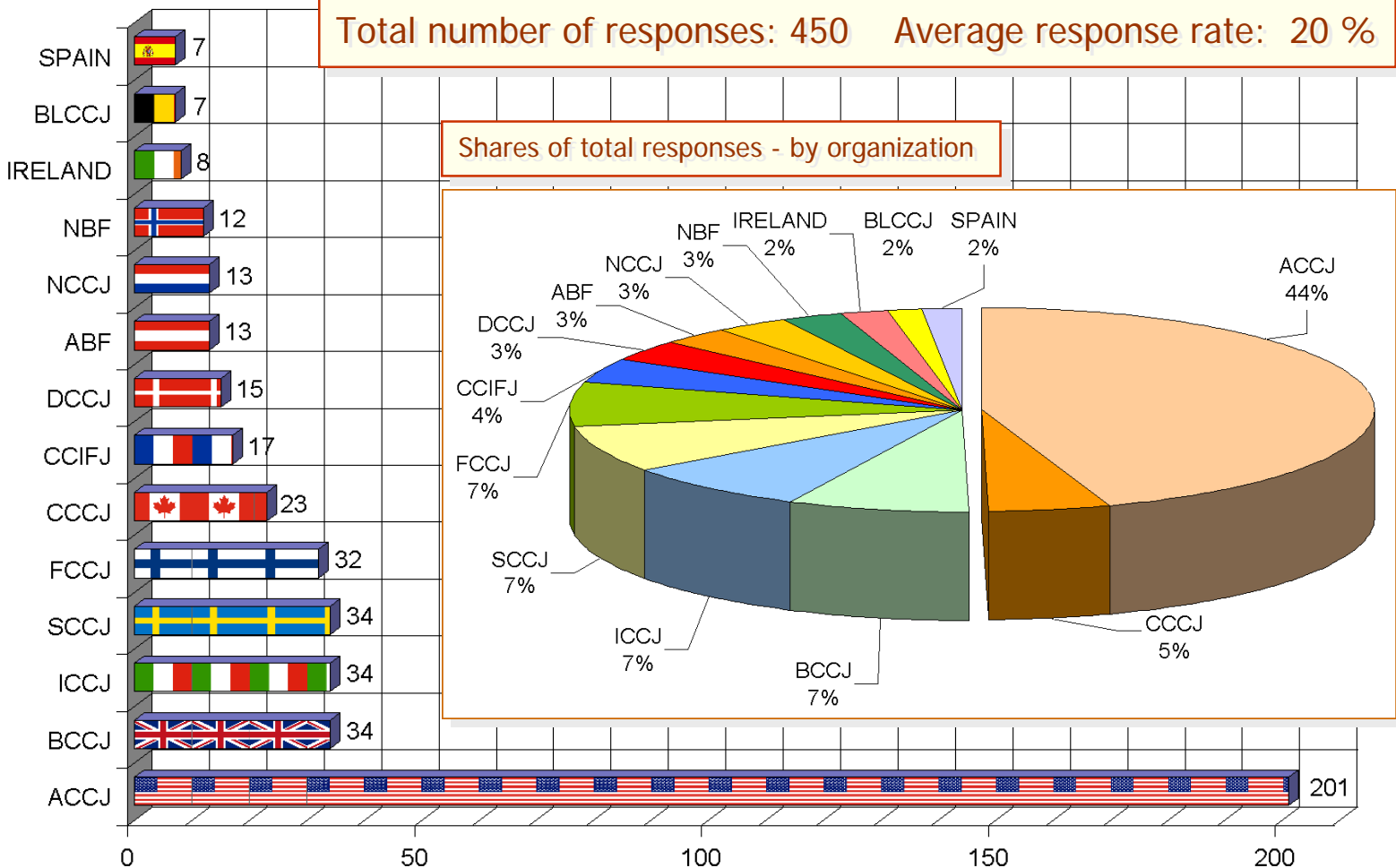
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Survey created by FCCJ/C Busted!
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Survey Responses

One flag represents 10 responses

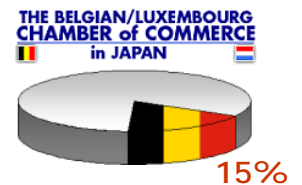
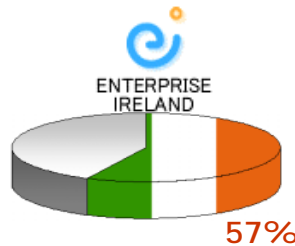
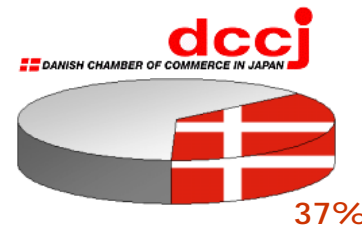
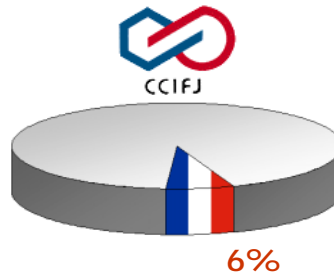
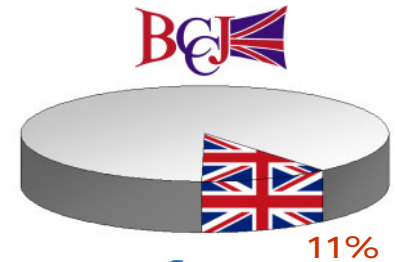
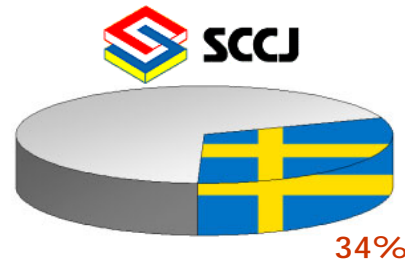
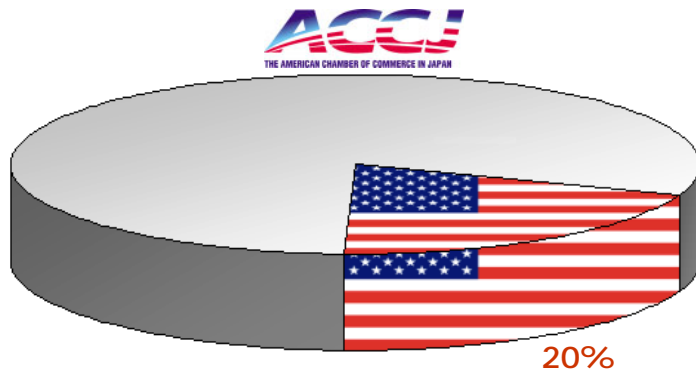
Total number of responses: 450 Average response rate: 20 %



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Survey Responses (2)

Response rates

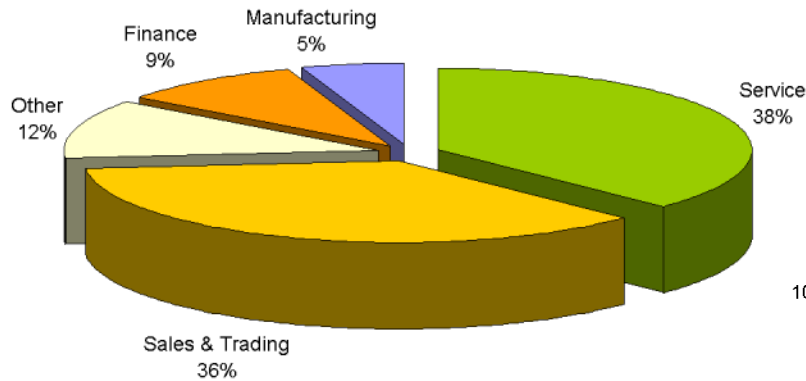




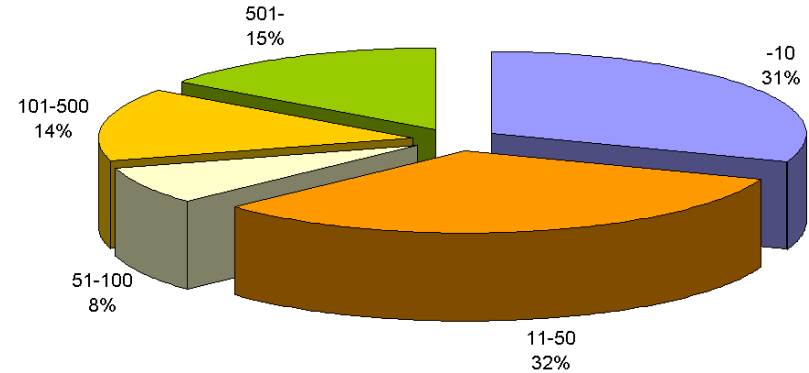
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Survey Responses (3)

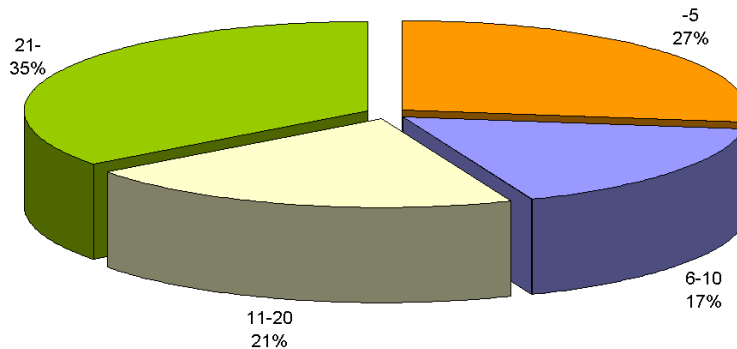
Type of business



Number of employees



Years in Japan





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Survey Results

- 1.1. Japan's economic situation next **6** months
- 1.2. Japan's economic situation next **12** months
- 2.1. Sales during the **past** 6 months
- 2.2. Sales during the **next** 6 months
- 3.1. Profitability during the **past** 6 months
- 3.2. Profitability during the **next** 6 months

Legend

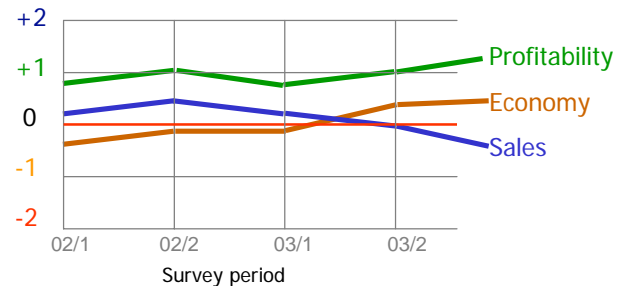
- A. Strong improvement = +2
- B. Some improvement = +1
- C. No change = 0
- D. Some decline = -1
- E. Strong decline = -2

$$\text{INDEX} = (A_n * 2 + B_n * 1 + D_n * -1 + E_n * -2) / \text{TOTAL}$$

- 4. Reasons behind changes
- 5. Company strategy in Japan
- 6. Change in regulatory environment
- 7. Do regulations affect your business
- 8. Comments

The index makes it possible to compare results from consecutive surveys and to create graphs on how the sentiments change over time.

EXAMPLE

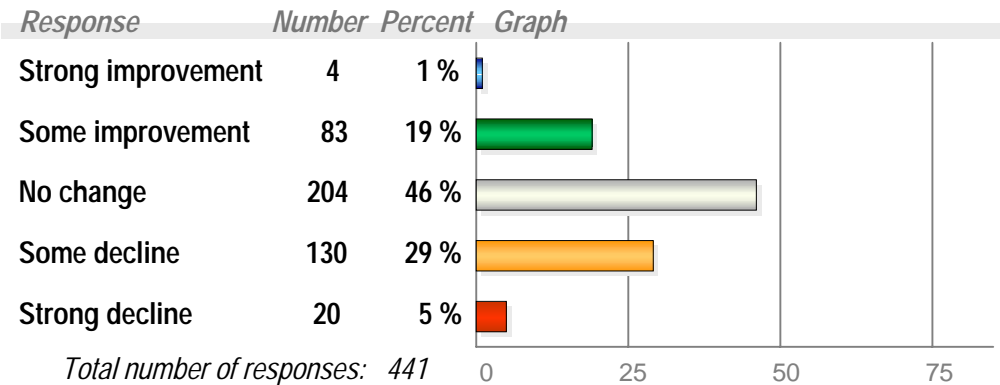




Business Confidence Survey – Spring 2002

1.1. Japan's economic situation for the next 6 months

TOTAL FOR SURVEY



INDEX **-0.18**

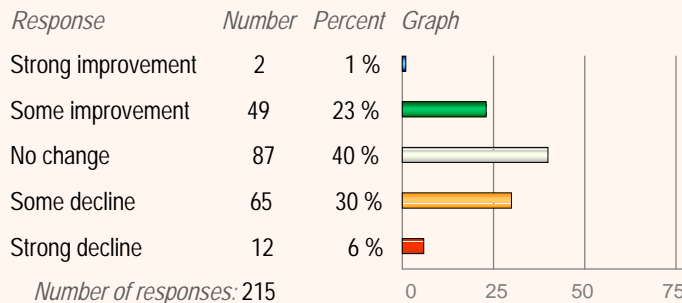


Least negative: FCCJ - 0.09

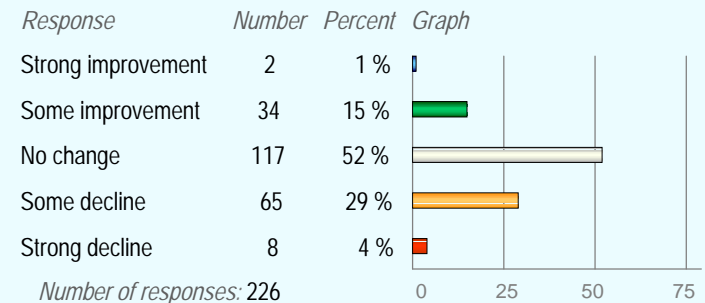
and ICCJ - 0.09

Most negative: CCCJ - 0.32

North American companies **-0.17**



European companies **-0.19**





Business Confidence Survey – Spring 2002

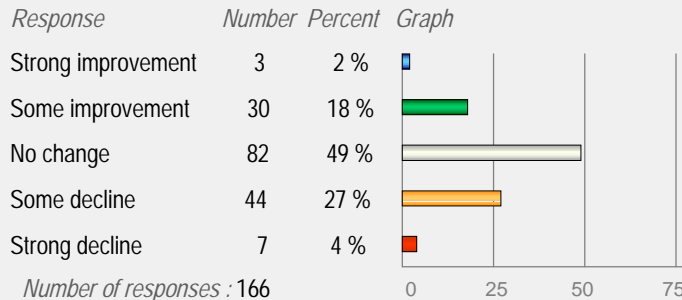
1.1. Japan's economic situation for the next 6 months (2)

By type of business

TOTAL INDEX -0.18

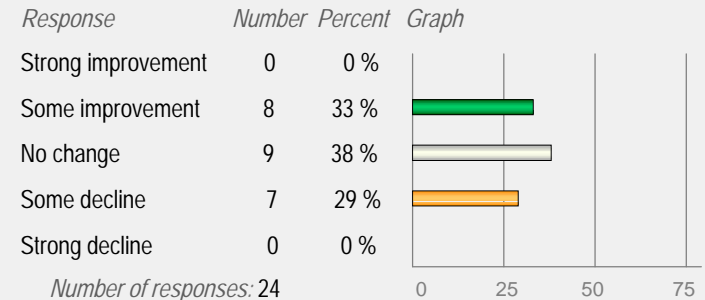
Sales & Trading

-0.13



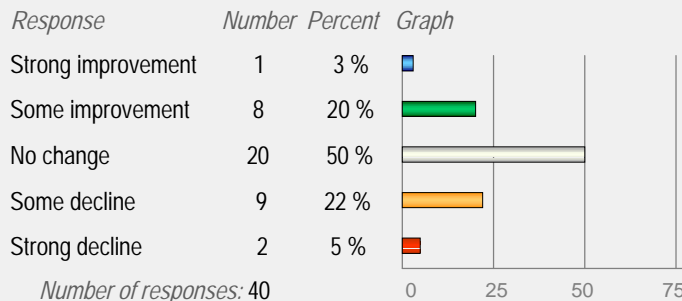
Manufacturing

+0.04



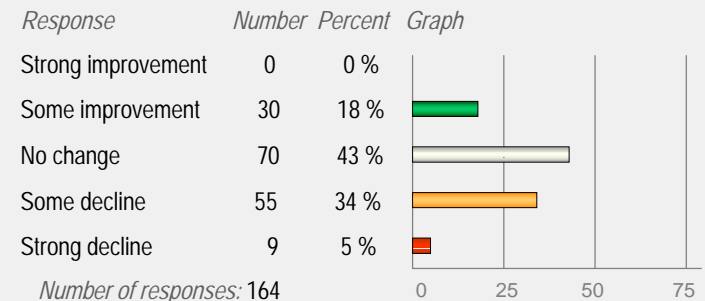
Finance

-0.03



Service

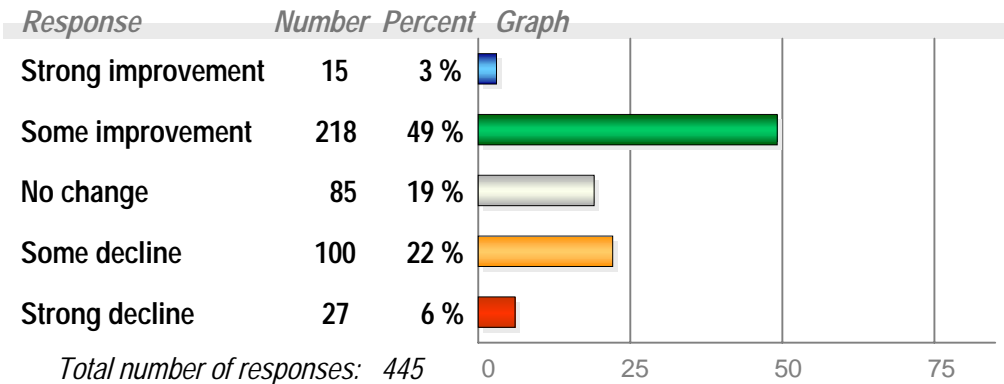
-0.27



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1.2. Japan's economic situation for the next 12 months

TOTAL FOR SURVEY



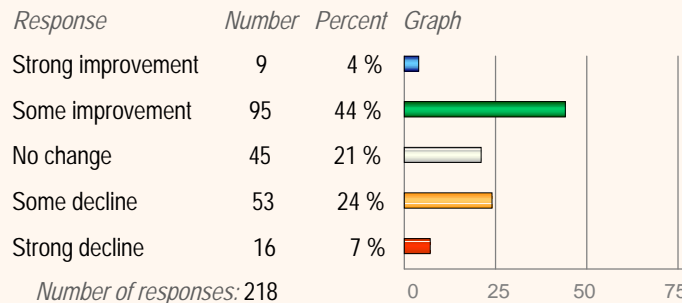
INDEX **+0.21**



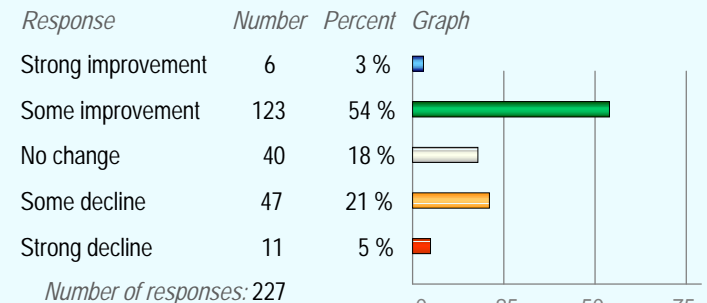
Most positive: BCCJ + 0.56

Least positive: ACCJ + 0.12

North American companies **+0.13**



European companies **+0.29**





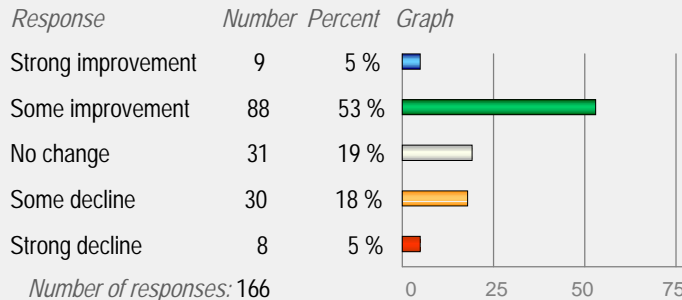
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1.2. Japan's economic situation for the next 12 months (2)

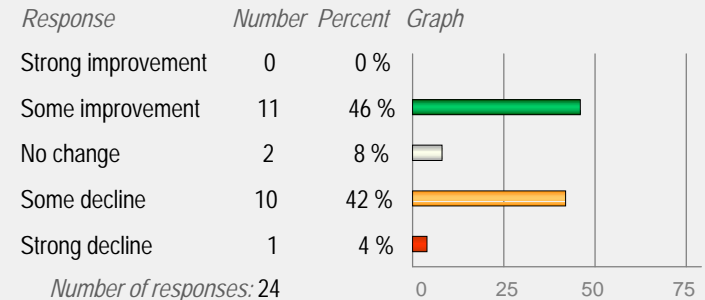
By type of business

TOTAL INDEX +0.21

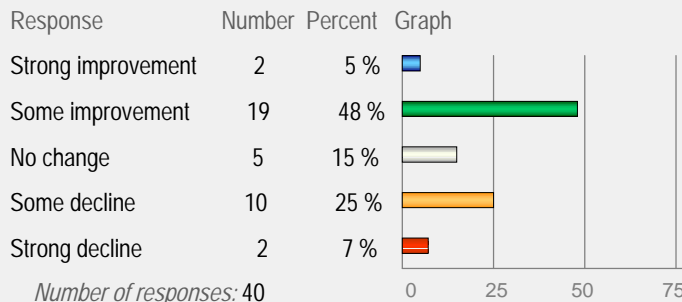
Sales & Trading +0.36



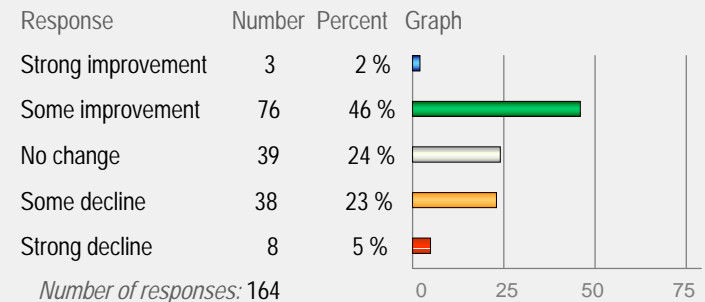
Manufacturing -0.04



Finance +0.18



Service +0.17

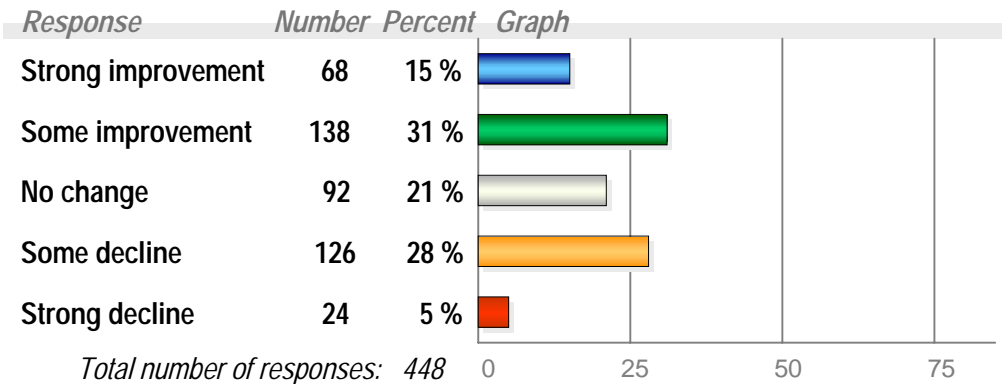




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2.1. Sales during the **past** 6 months

TOTAL FOR SURVEY



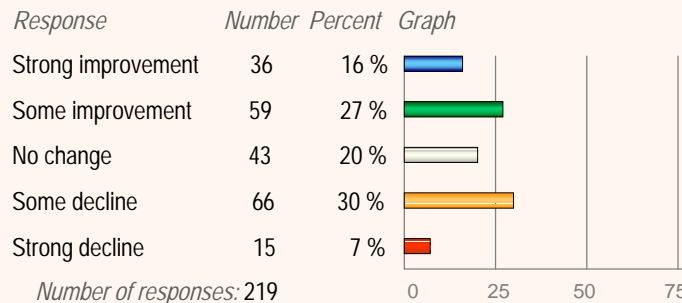
INDEX **+0.22**



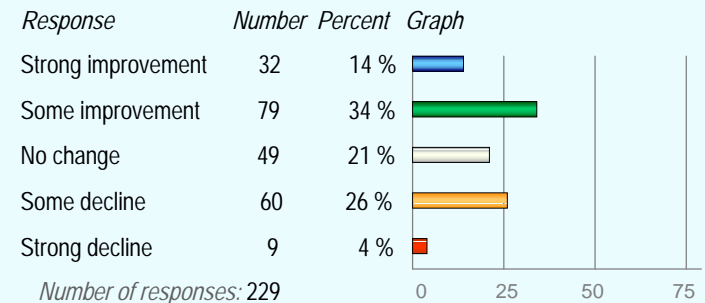
Most positive: ICCJ + 0.56

Most negative: CCCJ - 0.63

North American companies **+0.16**



European companies **+0.28**





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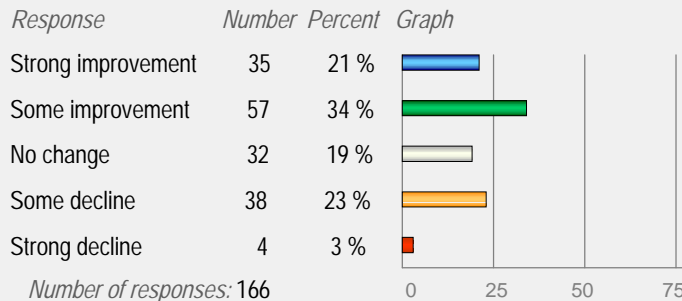
2.1. Sales during the **past** 6 months (2)

By type of business

TOTAL INDEX +0.22

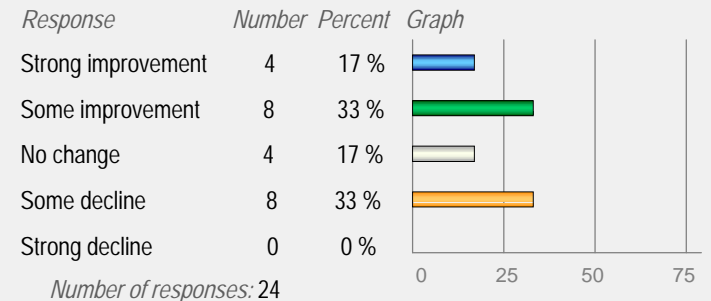
Sales & Trading

+0.49



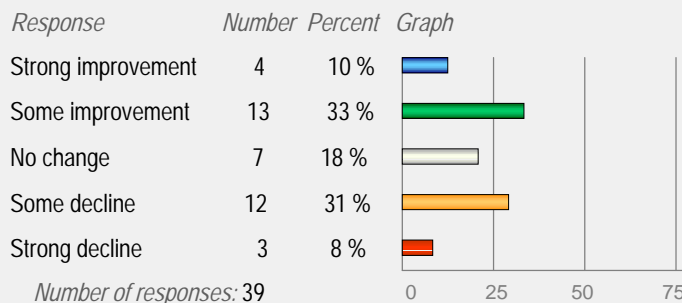
Manufacturing

+0.33



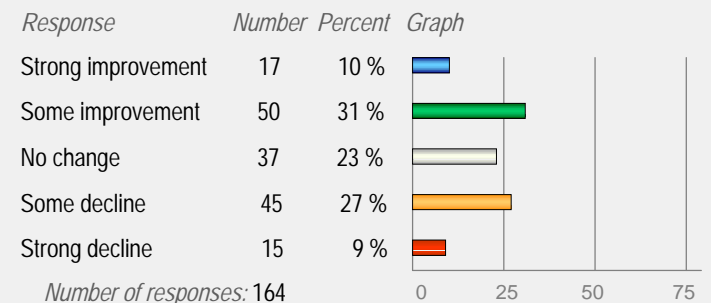
Finance

+0.08



Service

+0.05

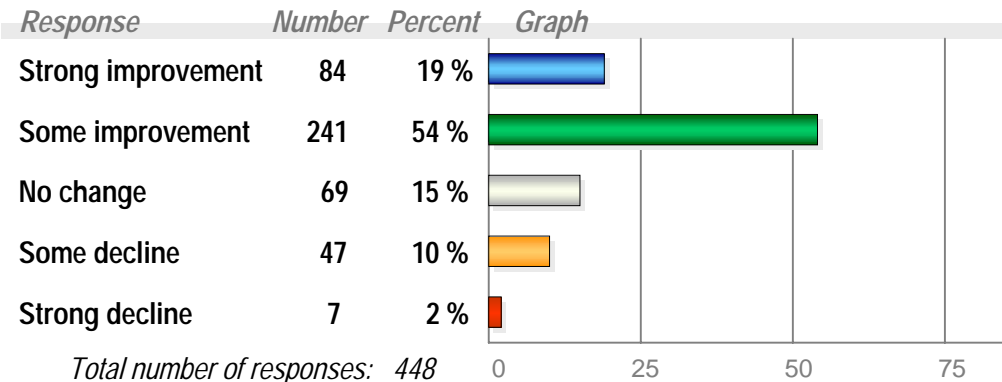




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2.1. Sales during the **next** 6 months

TOTAL FOR SURVEY



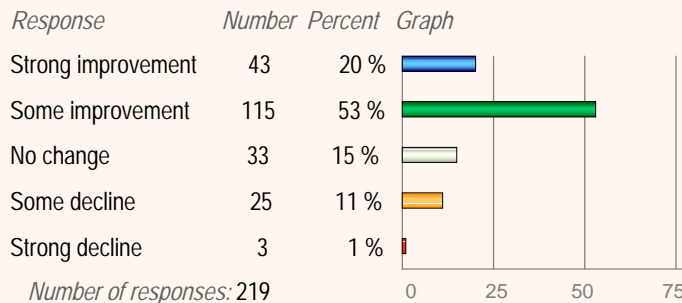
INDEX **+0.78**



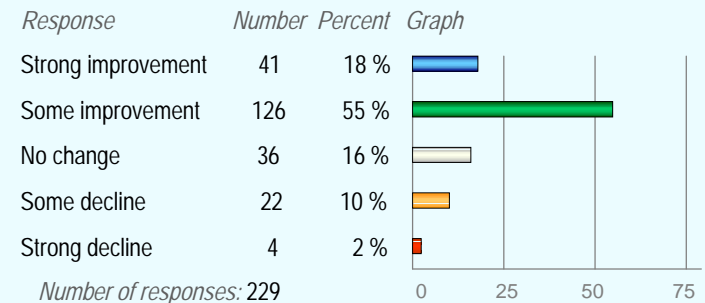
Most positive: ICCJ + 0.86

Least positive: FCCJ + 0.59

North American companies **+0.78**



European companies **+0.78**





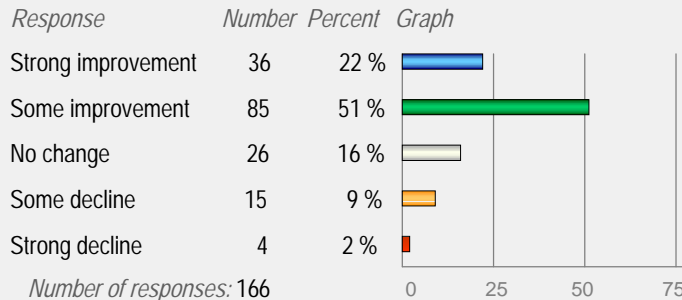
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2.1. Sales during the **next** 6 months (2)

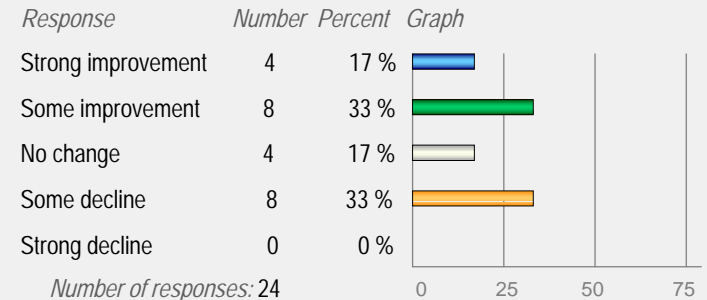
By type of business

TOTAL INDEX +0.78

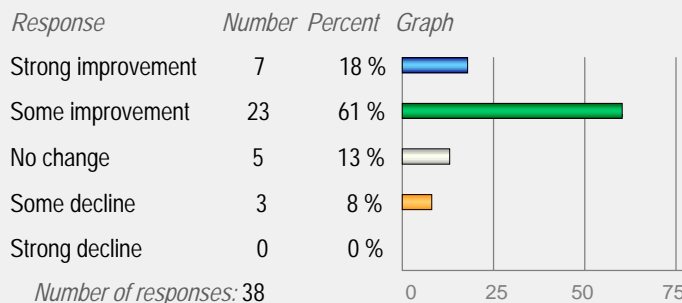
Sales & Trading +0.72



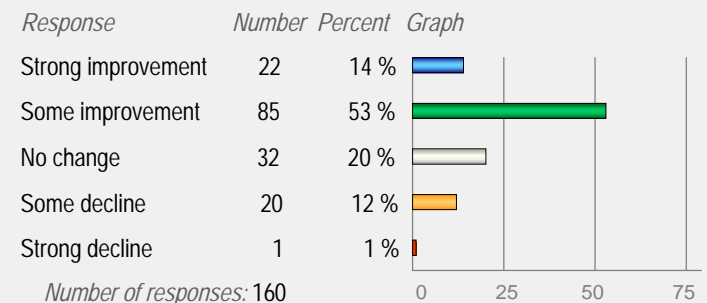
Manufacturing +0.71



Finance +0.89



Service +0.67

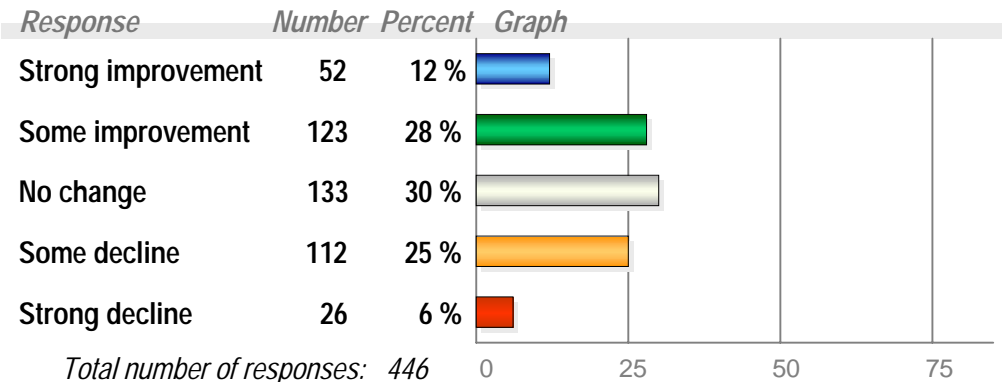




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3.1. Profitability during the **past** 6 months

TOTAL FOR SURVEY



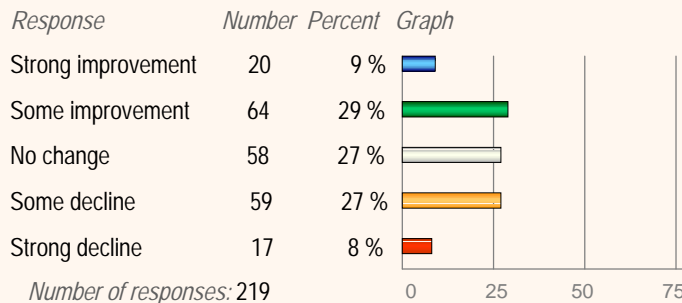
INDEX **+0.14**



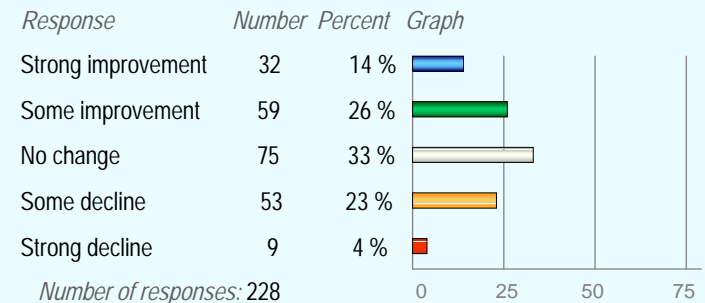
Most positive: ICCJ + 0.47

Most negative: CCCJ - 0.45

North American companies **+0.05**



European companies **+0.23**





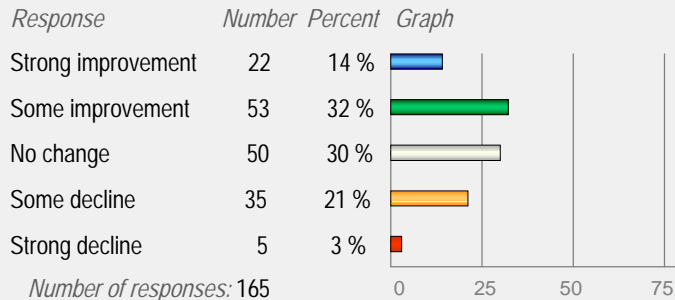
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3.1. Profitability during the **past** 6 months (2)

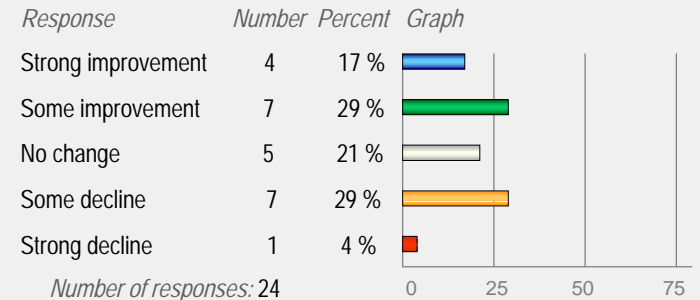
By type of business

TOTAL INDEX +0.14

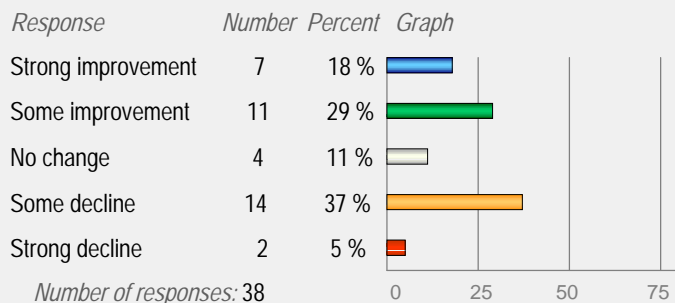
Sales & Trading +0.32



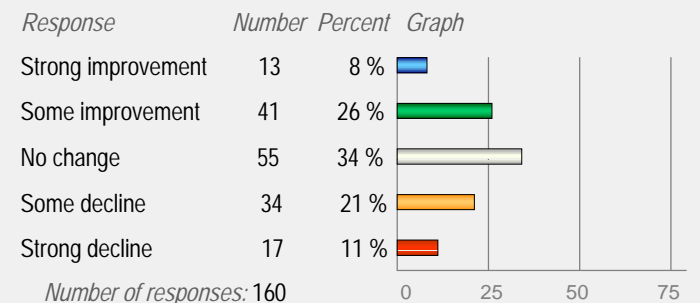
Manufacturing +0.25



Finance +0.18



Service -0.01

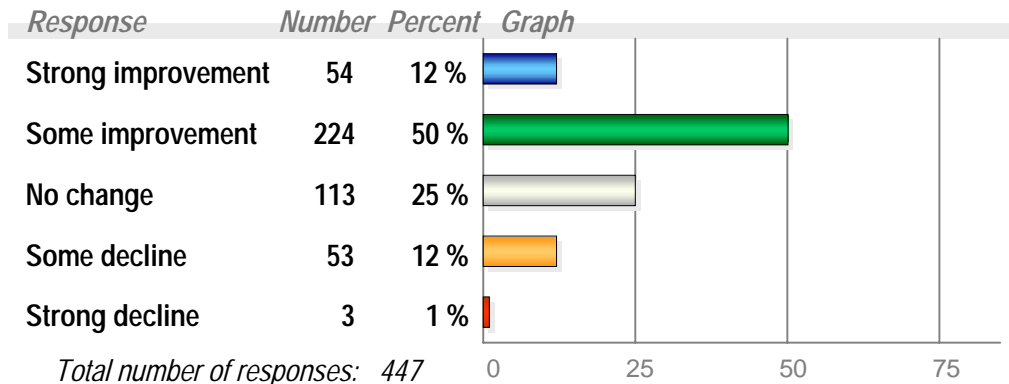




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3.1. Profitability during the **next** 6 months

TOTAL FOR SURVEY



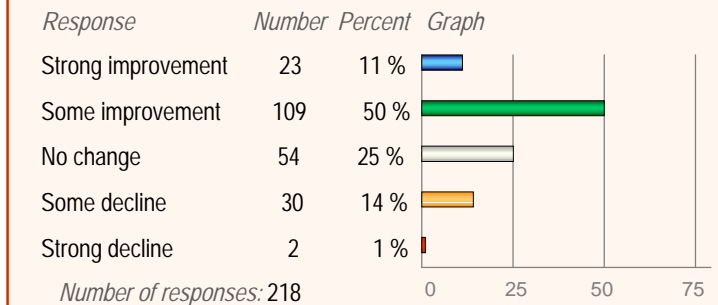
INDEX **+0.61**



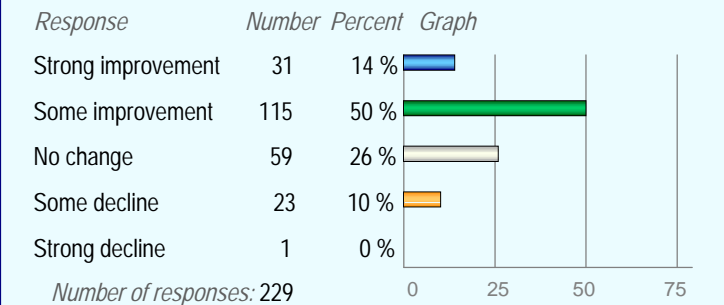
Most positive: ICCJ + 0.77

Least positive: ACCJ + 0.55

North American companies **+0.56**



European companies **+0.66**





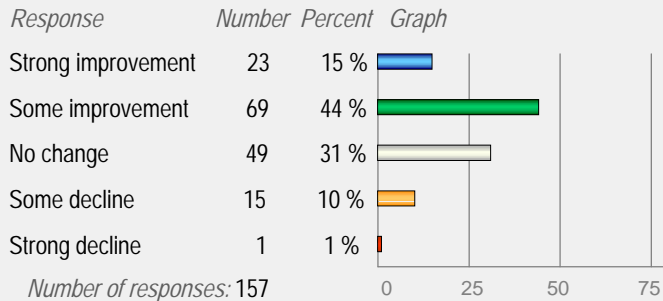
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3.1. Profitability during the **next** 6 months (2)

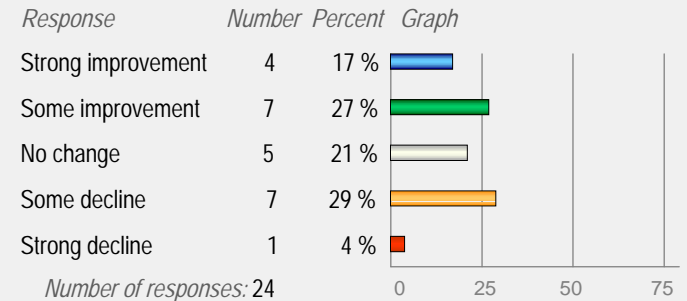
By type of business

TOTAL INDEX +0.61

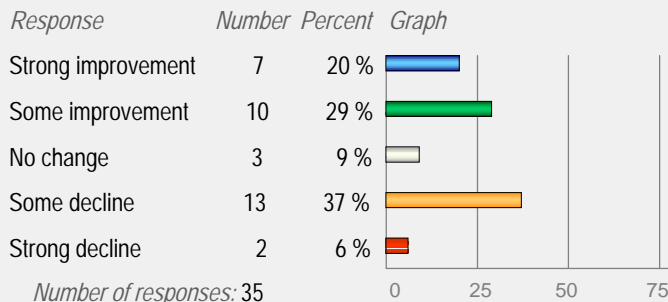
Sales & Trading +0.62



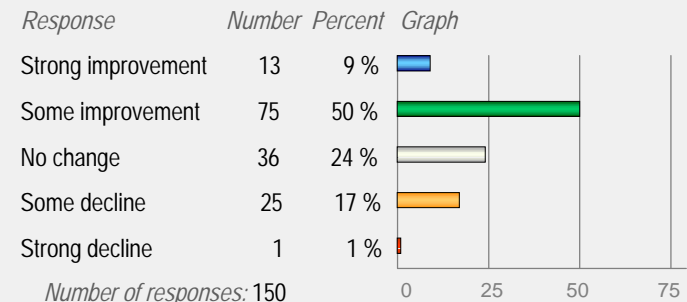
Manufacturing +0.61



Finance +0.83



Service +0.51





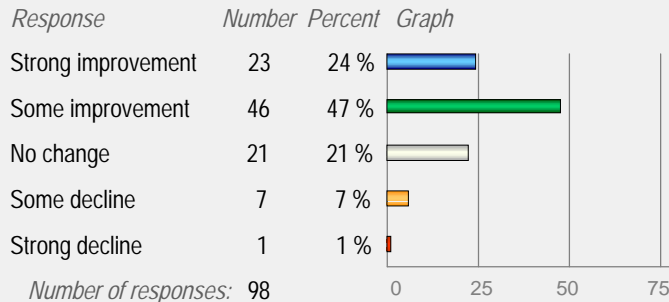
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3.1. Profitability during the **next** 6 months (3)

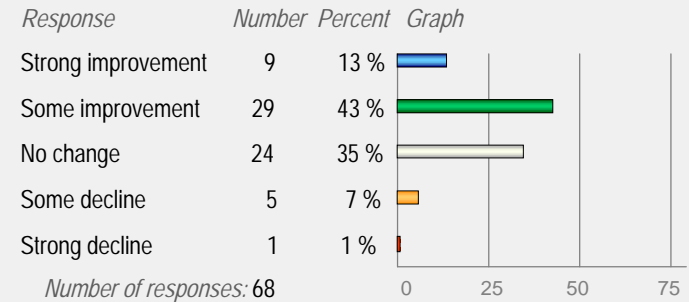
By “years in Japan”

TOTAL INDEX +0.61

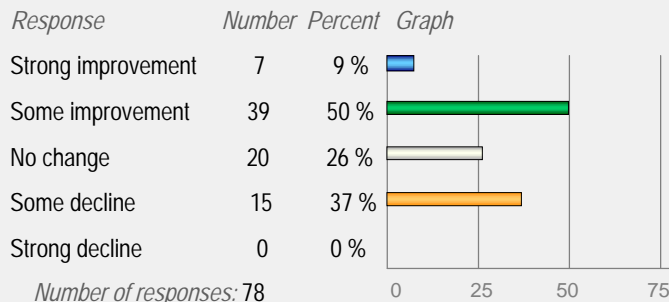
Less than 5 years +0.85



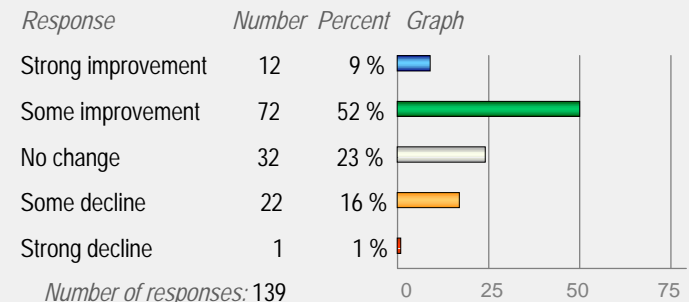
5-10 years +0.59



11 – 20 years +0.55



More than 20 years +0.52





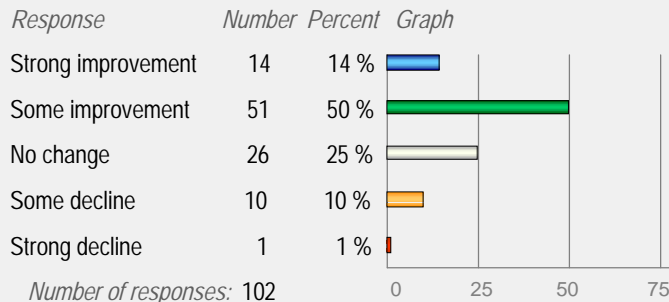
Business Confidence Survey – Spring 2002

3.1. Profitability during the **next** 6 months (4)

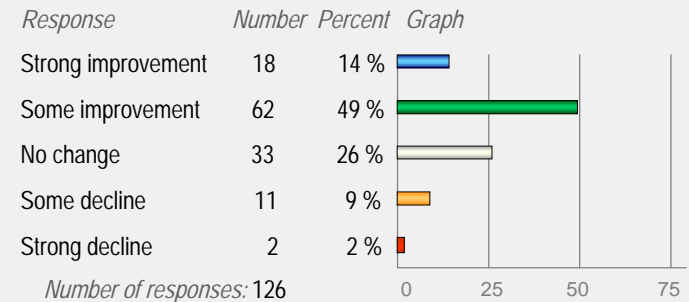
By company size

TOTAL INDEX +0.61

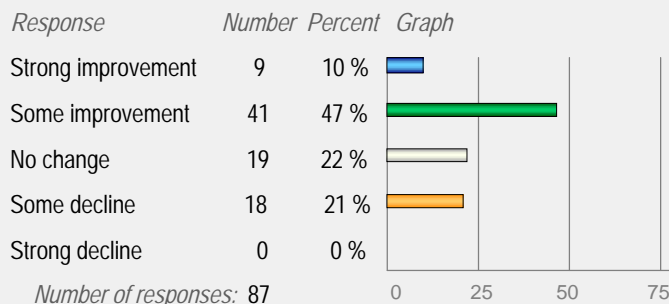
Less than 10 employees **+0.66**



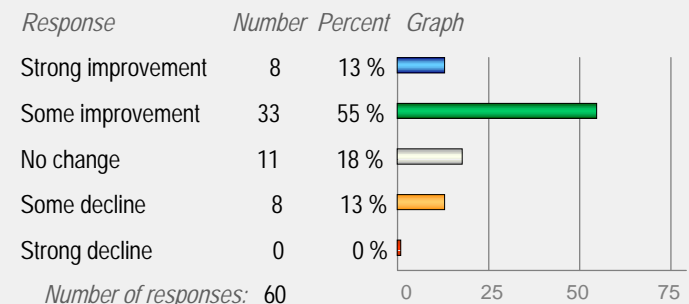
10-50 employees **+0.64**



51-500 employees **+0.47**



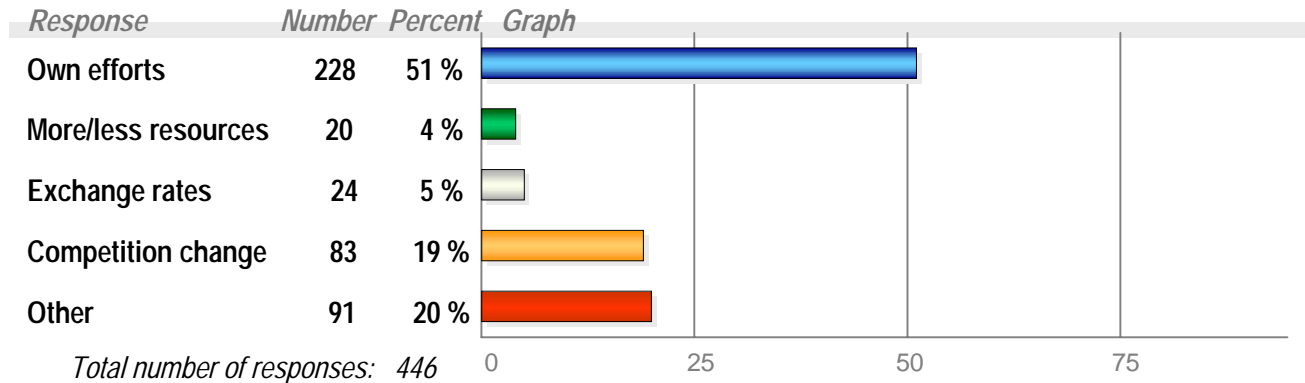
Over 500 employees **+0.68**





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4. Reasons behind the changes in business performance



Some comments from respondents

- ✓ Technology-related areas have grown fast while we have reduced some resources also to improve efficiency
- ✓ All Japanese competitors are negative
- ✓ Stronger focus on pricing and consumer needs
- ✓ Corruption within Japanese companies makes foreign companies look more credible
- ✓ Expanding the operations of our Japanese subsidiary elsewhere in Asia
- ✓ Long term client relationships, focus on sales and cost control
- ✓ More aggressive market penetration
- ✓ Utilize changes in Japanese industry
- ✓ More direct marketing and promotion rather than relying on the local agent
- ✓ Increased after sales business
- ✓ We have taken control of the Marketing and have taken more control of Sales and quality functions
- ✓ Enjoying the fruits of laying the right foundation over the last four years
- ✓ **Focus on recession-proof customers**

4. Reasons behind the changes in business performance (2)

More comments

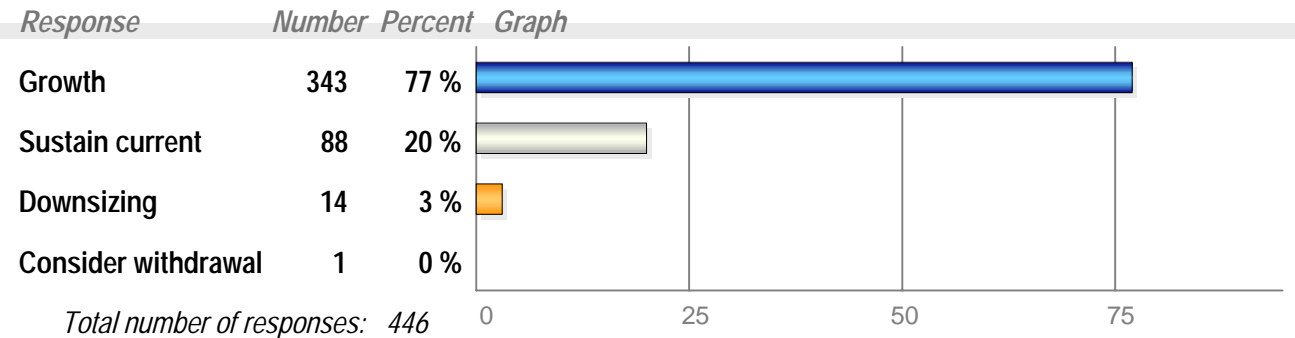
- ✓ Nissan Revival Plan
- ✓ Cost reduction actions
- ✓ Face unique opportunities with a viable business model
- ✓ Reduced employee numbers and other costs
- ✓ We are a start up and we are now growing at a rapid pace
- ✓ New products, industrial competitiveness improvements
- ✓ Restructuring of sales force
- ✓ More aggressive market penetration
- ✓ Restructuring efforts
- ✓ Intensified sales efforts
- ✓ New products, improved services
- ✓ Better marketing & cost control
- ✓ Cost control; greater focus on revenue
- ✓ Providing better service than the incumbents
- ✓ Large organizational change that should lead to better results; implemented strong sales training program
- ✓ Opening offices in areas with good demand
- ✓ Our strategy has met to our customers' requirement.
- ✓ Restructuring of dealer network, new marketing methods
- ✓ Broadening product range
- ✓ Higher asset utilization, training, better people, good market opportunity
- ✓ Margins under pressure for imported products



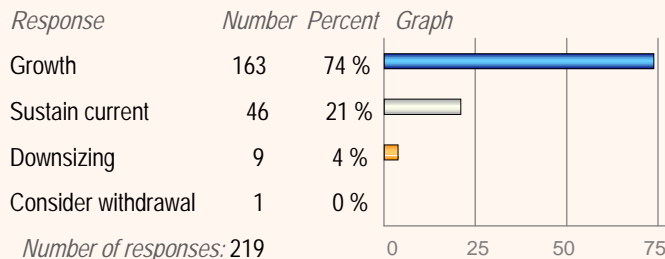
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5. Strategies in Japan

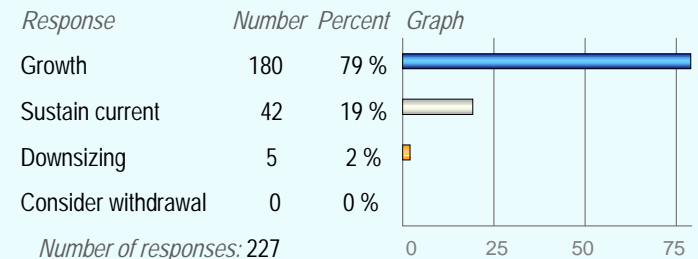
TOTAL FOR SURVEY



North American companies



European companies





5. Strategies in Japan (2)

Some comments from respondents

- ✓ Japan will come back
- ✓ Small market share = big opportunity
- ✓ Based upon our speculation that the fewer players will survive toward 2010
- ✓ Japanese banks can be improved with new talent and expertise
- ✓ Still attractive market in terms of profitability
- ✓ Take advantage of window of opportunity as Japanese banks restructure and deal with their bad debt crisis
- ✓ Clients vote with their feet, and our clients tell us "we are the best".....so we are making efforts to expand
- ✓ Part of our global strategy, and we believe Japan will remain a significant market, also in the longer term
- ✓ Japan is still a strategic asset
- ✓ Market still offers enormous share and consumption growth potential
- ✓ Restructuring of Japanese industry presents opportunity
- ✓ Market changes are opening new opportunities
- ✓ We have proved through market research that there are huge opportunities for our product.
- ✓ Market size (No. 2 worldwide) makes Japan a necessary market for "global players"
- ✓ **Too difficult to explain here**

5. Strategies in Japan (3)

More Comments

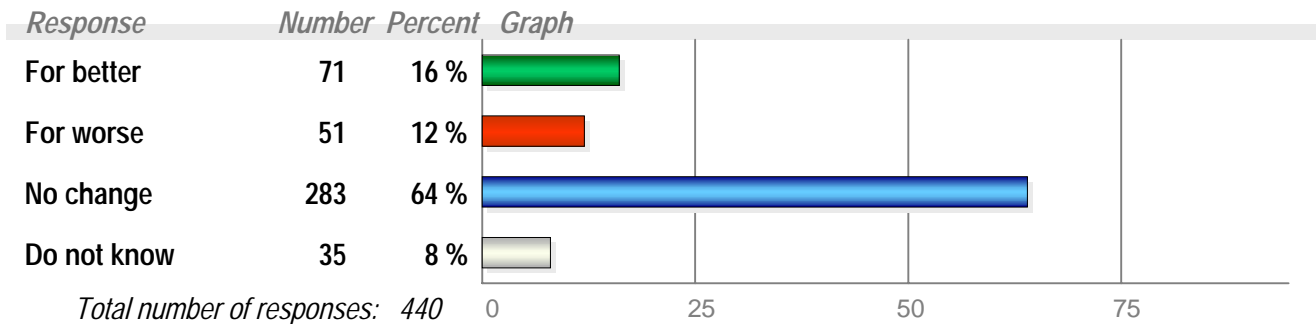
- ✓ Under-serviced in professional services sector
- ✓ Market potential not yet realized
- ✓ Communication industry should continue to grow along with the increased demand of broadband
- ✓ Other main markets declining
- ✓ Still many opportunities exist. Very profitable market for a competitive company
- ✓ The market is under development and we have a strong position
- ✓ Big opportunities in the employment/recruitment business
- ✓ More aggressive market penetration
- ✓ Japan is a very lucrative market
- ✓ Confident on the long term growth of global investment from both institutional and retail investors
- ✓ Financial legislation changes creating unique opportunities for growth
- ✓ Without growth and expansion, you cannot survive. But realistic estimates and targets need constant revision
- ✓ Recession offers market opportunities in our industry
- ✓ Our niche market is so small that it can only grow
- ✓ Huge market for management consulting
- ✓ Potential Japanese market is very substantial; de-regulation allowing additional competition, etc.
- ✓ Our strategy has met to our customers' requirement.
- ✓ Japan still is a huge market with strong margins
- ✓ The deregulation and consolidation of the building material market offers rare and unusual opportunities for us
- ✓ End-users are more price concious and old relationship between Japanese companies (producer-user) are getting "looser"
- ✓ **Why??? make money!**



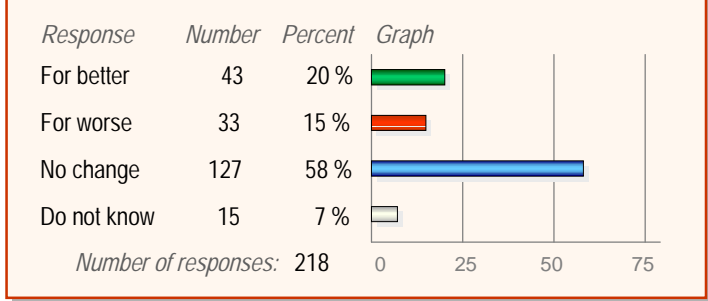
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6. Change in Regulatory Environment

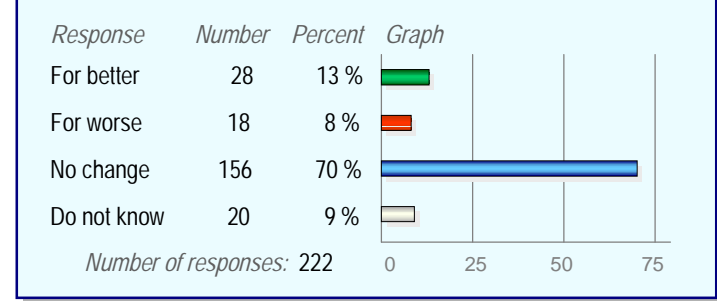
TOTAL FOR SURVEY



North American companies



European companies





6. Change in Regulatory Environment (2)

Some comments from respondents

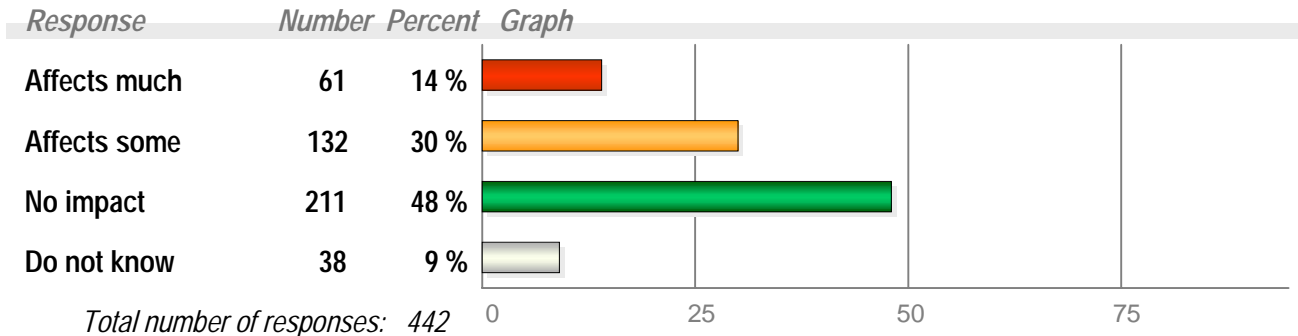
- ✓ Ambiguity and inconsistency still exist in various areas
- ✓ FSA is too involved, detrimental to those that need to make radical improvements to turn Japan around
- ✓ Immature regulator playing catch up
- ✓ Telecom naturally/historically a basically regulated industry
- ✓ Protects local industry without regard to results or effect on the overall economy
- ✓ The FSA is not "user friendly" to non Japanese Speaking
- ✓ It has become more regulated, not less; it has a system which is not transparent
- ✓ It has a system based on drugs, not medical devices
- ✓ Still too many regulations. Poor legal framework.
- ✓ The ineffectiveness of the government to improve the economy has severely damaged our clients, and thus us
- ✓ Corporate tax is too high, no consideration for shareholder value
- ✓ Situation/conditions has improved but still some old-fashioned rules valid in construction industry
- ✓ Positive as awareness of public have increased
- ✓ Stricter compliance and solvency requirement
- ✓ Slower approval of new drugs
- ✓ **Trying to please the U.S.**



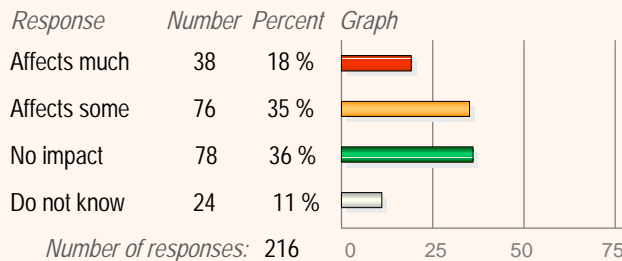
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7. Does the regulatory environment negatively affect business?

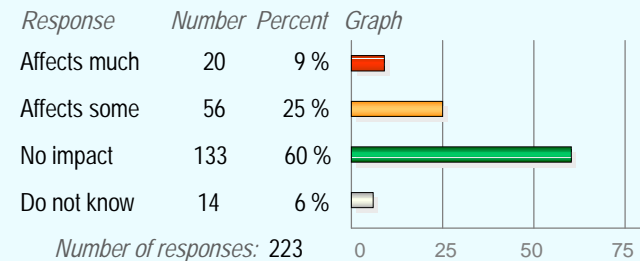
TOTAL FOR SURVEY



North American companies



European companies



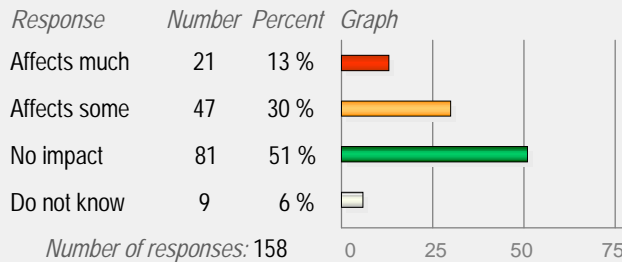


Business Confidence Survey – Spring 2002

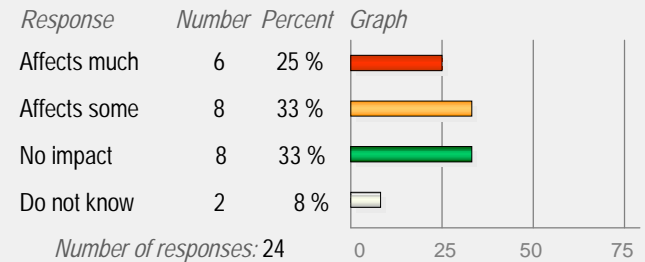
7. Does the regulatory environment negatively affect business (2)

By type of business

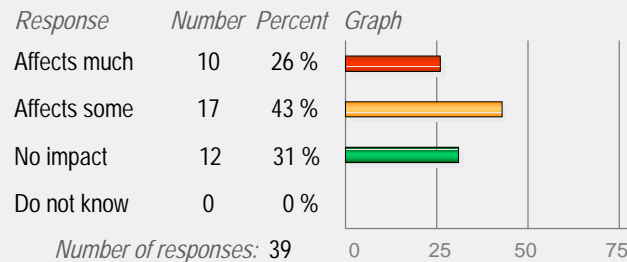
Sales & Trading



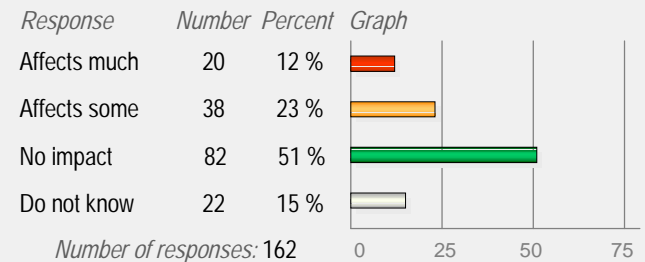
Manufacturing



Finance



Service



7. Does the regulatory environment negatively affect business (3)

Some comments from respondents

- ✓ A big problem is lack of productivity through labor market inflexibility. Without a flexible labor market, it is difficult to recruit the right people to meet changing needs of the business and we have too many people with wrong skills.
- ✓ Strict labor laws tie hands when downsizing inefficient staff.
- ✓ The legal framework is in place, but de facto monopolies prevent us from pursuing certain business opportunities
- ✓ Japan is very expensive - the requirement to follow the recent regulations result in additional expenses
- ✓ Still the government procurement is a tough one to get in.
- ✓ We are a network marketing company and regulatory environment for our industry is biased and plays against us
- ✓ Not so much due to regulation itself as the attitude of domestic firms to merger
- ✓ It takes time to get an operating license for opening branch offices in Japan
- ✓ We have put a lot of effort into changing some building codes and practices to accept our new products
- ✓ Regulatory scrutiny seems to target only foreign investment firms
- ✓ Approval time for new products are too long, and Japan does not recognize approvals from Europe and USA
- ✓ Need stronger regulations on patent infringements and software copyrights
- ✓ Banking situation needs quick resolution in order to protect all businesses and promote expansion
- ✓ Deflation has to be corrected - - price competition is becoming the only factor for purchases
- ✓ Union power has to be lessened in order to make companies more competitive
- ✓ Strict regulation of gas emission control
- ✓ We exist because of Japanese regulations
- ✓ **Lots of red tape. Almost impossible to communicate with authorities**

Summary

Has this survey been done before?

- This is the first time a survey has been conducted jointly by the Foreign Chambers in Japan

Purpose

- The purpose was to provide better information for members of the participating chambers on the current state of the Japanese economy, their own businesses, problems and future plans in the Japanese market;
- Create a “Business Barometer” that can be easily measured on a bi-annual basis and available for posting on each chamber website
- Enable comparisons between North American and European companies

Who participated?

- 14 Chambers/Business Organizations representing 2,300 companies
- Survey period April 5-25
- Not all chambers were completely involved during the whole period

What did the survey cover?

- One of the objectives was to keep the survey simple and easy to understand in order to maximize the response rate
- It was only available on-line to maximize efficiency
- Questions covered the economy, company sales and profit performance, strategy, reasons behind changes in performance and the regulatory environment



Business Confidence Survey – Spring 2002

Summary (2)

What was the response?

- We received a total of 450 responses from the 14 organizations representing and average response rate of 20%
- 44% of the total responses were from the ACCJ with the balance made up from other chambers ranging from 2%-7%
- The largest response rate by chamber was the Finnish at 89%
- Some chambers were late to participate in the survey while some who did not participate have indicated their intention to do so in the next one

A balanced reply

- When looking at the Years in Japan - 27% of the responses came from companies who have been in Japan 1-5 years while 35% were from those companies who have been in Japan more than 20 years
- While self-defining, 38% of the responses came from the service sector with the second largest response coming from the sales and trading sector representing 36%
- 62% represented those with 1-50 employees while 29% had more than 100 employees

Looking into the crystal ball... The first 6 months:

- When looking at Japan's economic situation for the next 6 months, we saw the largest group of respondents at 46% indicated no change, while 29% indicated they foresee a decline in economic confidence.
- When comparing the combined sentiment of US and Canadian respondents to those of the Europeans, the North American responses showed slightly more optimism
- Overall index showed -0.18

Summary (3)

Further Crystal ball gazing... the next 12 months:

- ❑ When extending the forecast, European companies change their view and show strong optimism with 54% indicating some improvement compared to the North American view of 44%
- ❑ Overall results indicate a better outlook in the next 12 months pushing the index to **+0.21**
- ❑ By type of business... Manufacturing with 24 responses was the most negative with 42% indicating some decline
- ❑ Sales & Trading was the most positive with 52% responding they see some improvement. **Total index: +0.21**

What is in store for sales?

The next 6 months...

- ❑ Both the European and North American respondents see some improvement with 55% and 53% respectively setting the index at +0.78
- ❑ By type of business Sales & Trading was the most positive with 51% expecting some improvement. The service sector was also optimistic with 53% of their 160 responses indicating some improvement.



Business Confidence Survey – Spring 2002

Summary (4)

Profitability, the past 6 months...

- Only a quarter of respondents recorded a decline in profits the last six months.
- North American companies showed the largest improvement with 84% indicating some or strong improvement compared to 74% by the European respondents
- When looking at sectors, all were approximately equal in the some improvement area averaging 29.25%
- Total index +0.11

And the coming six months ? The Big Jump

- 49% responded that they see some improvement which helps the index jump up to +0.59
- Only 12% see some decline
- The views from Europe and North America were similar

What do the results tell us?

- While changes still need to take place, foreign businesses see Japan as a land of opportunity with 19% expecting to sustain current size level and 77% expecting growth
- The main reasons behind change in performance came from companies' own efforts 50%
- Exchange rates did not play a big factor in results
- Perseverance and patience pays dividends