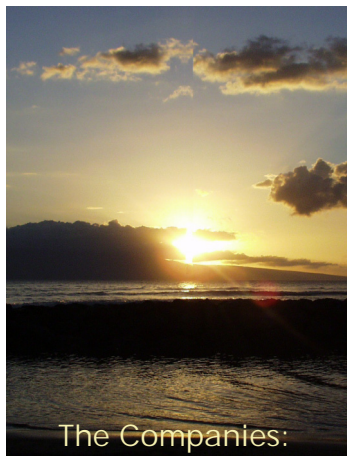




FCIG Foreign Chambers  
Information Group



# FCIG Business Confidence Survey Autumn 2003



The Companies:

*"The sun is rising with  
only a few clouds in the sky"*

Survey idea and technical implementation by the Finnish Chamber of Commerce in Japan



## *Business Confidence Survey – Autumn 2003*

### Survey Background

#### *About the FCIG and the survey*

The Foreign Chambers Information Group (FCIG) is an informal organization comprised 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 conducted the first Business Confidence survey in April 2002, based on a format developed by the Finnish Chamber of Commerce in Japan. This is the fourth survey and the surveys are conducted twice a year to create a foreign companies business barometer.

The survey is headed by a task force consisting of representatives for the ACCJ, BCCJ, CCCJ, DIHKJ and FCCJ.

#### *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 the negative publicity about Japan in the home countries of the chamber members

## *Business Confidence Survey – Autumn 2003*

### Participating Organizations



The American Chamber of  
Commerce in Japan



The Australian-New  
Zealand Chamber of  
Commerce in Japan



The Belgian-Luxembourg  
Chamber of Commerce in  
Japan



The British Chamber of  
Commerce in Japan



The Canadian Chamber of  
Commerce in Japan



The Danish Chamber of  
Commerce in Japan



The Finnish Chamber of  
Commerce in Japan



The French Chamber of  
Commerce in Japan



The German Chamber of Commerce  
and Industry in Japan



The Netherlands Chamber of  
Commerce in Japan



Norwegian Chamber of  
Commerce in Japan



The Swedish Chamber of Commerce  
and Industry in Japan



The Swiss Chamber of Commerce  
and Industry in Japan

## *Business Confidence Survey – Autumn 2003*

### About the Survey

*Survey period*      *14 – 27 October, 2003*

*Survey method*      *online only*

*Survey population*      *ca 2,150 companies*

*Survey questions*      *2 questions on economy*  
*4 on company performance*  
*1 on reasons behind changes*  
*1 on strategies in Japan*  
*2 on the reports usability*  
*Free Comments*  
*Company profile*  
*Contact information*

#### *Notes*

Some chambers had a shorter survey period.

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 has been to make it simple to understand, and easy to complete.

The contact information was optional, to encourage as many as possible to submit the form, without privacy concerns. However, 66 % 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.

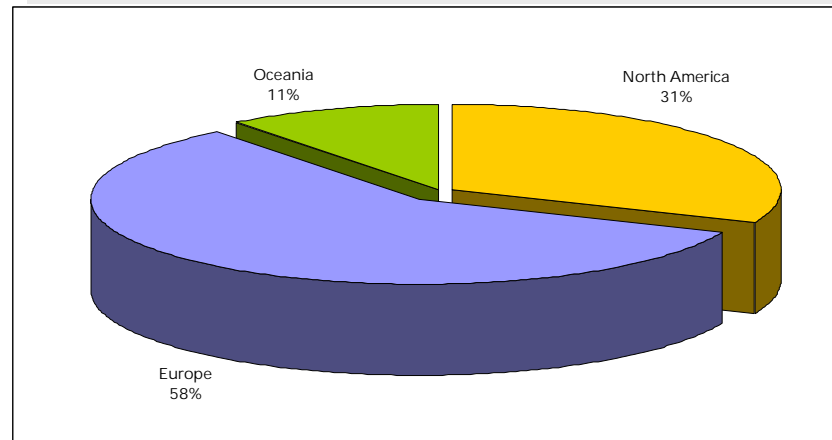
## Business Confidence Survey – Autumn 2003

### Survey Responses

Total number of responses: 328

Response rate: 15.3 %

#### Shares of total responses - by Area



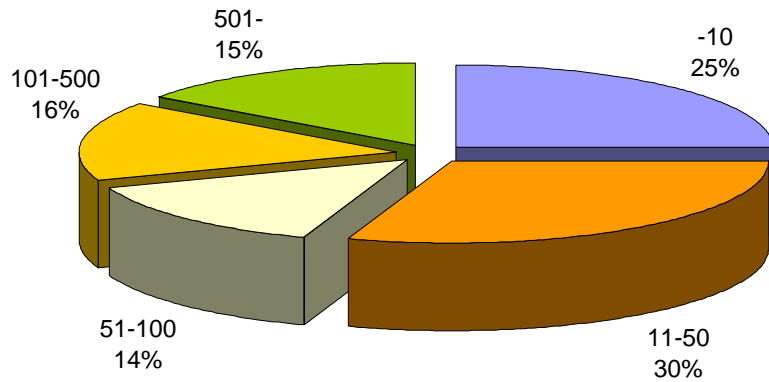
#### Largest number of responses

American Chamber	- 81	Swedish Chamber	- 25
German Chamber	- 39	Canadian Chamber	- 21
Swiss Chamber	- 37	French Chamber	- 18
ANZ Chamber	- 35	British & Finnish Chamber	- 17

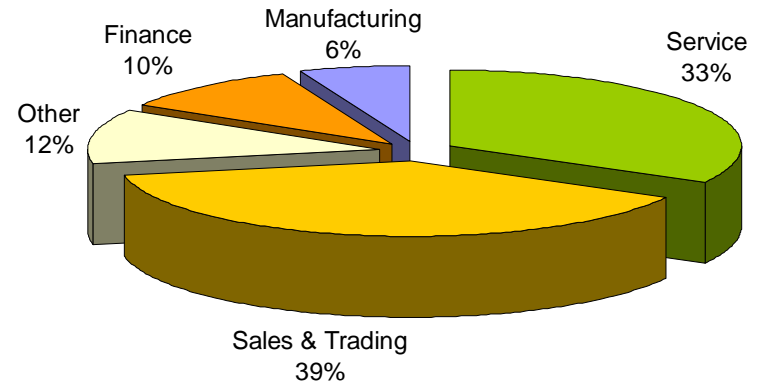
## Business Confidence Survey – Autumn 2003

### Company Demographics

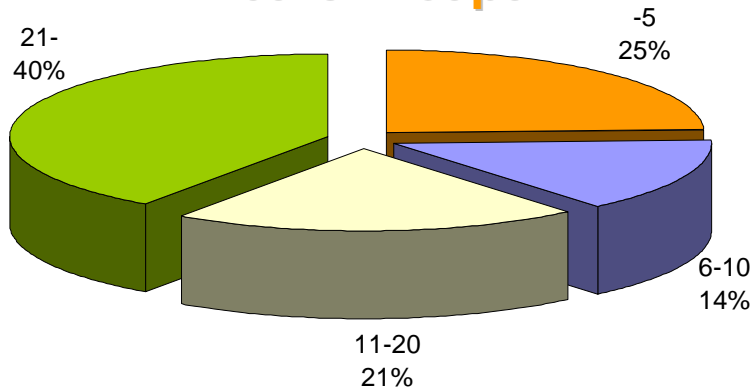
#### Number of employees



#### Type of business



#### Years in Japan



***A typical respondent:***






Has been in Japan for 15 years, has 40 employees and is involved in trading, sales or service industry.

## Business Confidence Survey – Autumn 2003

### Survey Analysis Methods

- 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

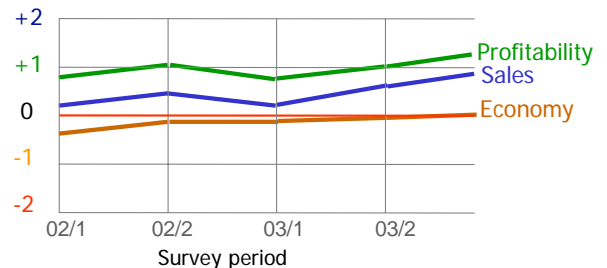
- |                       |      |   |
|-----------------------|------|---|
| A. Strong improvement | = +2 |  |
| B. Some improvement   | = +1 |  |
| C. No change          | = 0  |  |
| D. Some decline       | = -1 |  |
| E. Strong decline     | = -2 |  |

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

- 4. Reasons behind changes
- 5. Company strategy in Japan
- 6. Do you use this survey to report
- 7. Is the survey report useful
- 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

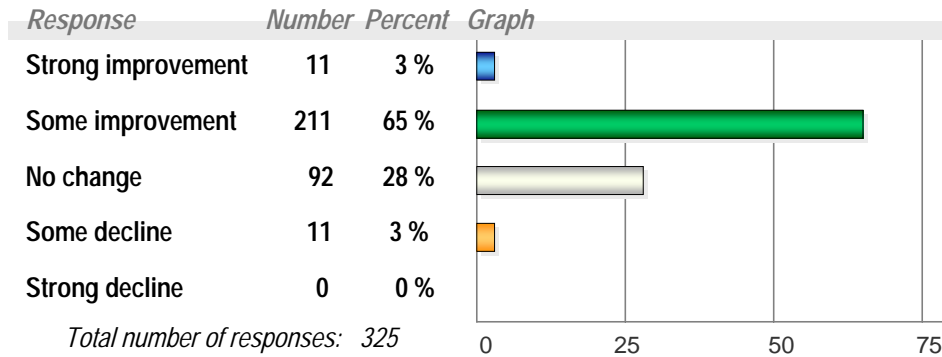


## Business Confidence Survey – Autumn 2003

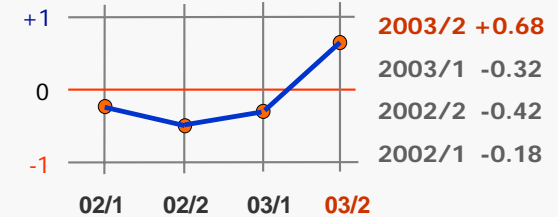
### 1.1. Japan's economic situation for the next 6 months

TOTAL FOR SURVEY

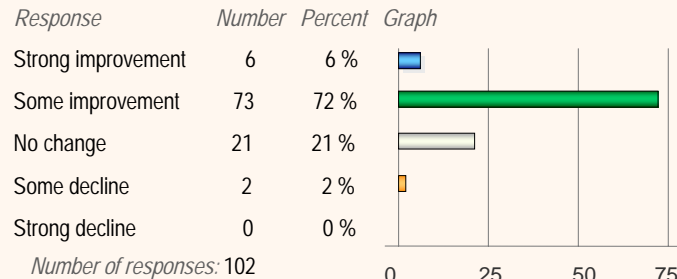
**INDEX + 0.68**



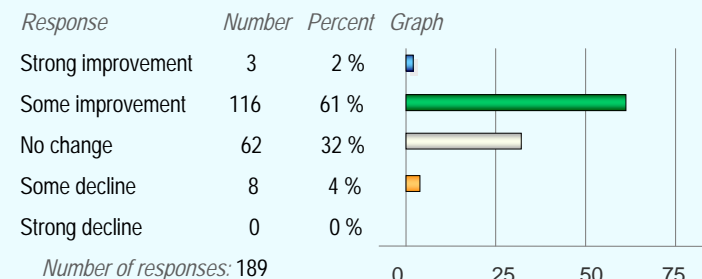
Compared to previous survey



**North American companies +0.81 (-0.27)**



**European companies +0.60 (-0.36)**



(numbers in parenthesis April '03)

**Oceanian companies +0.74**

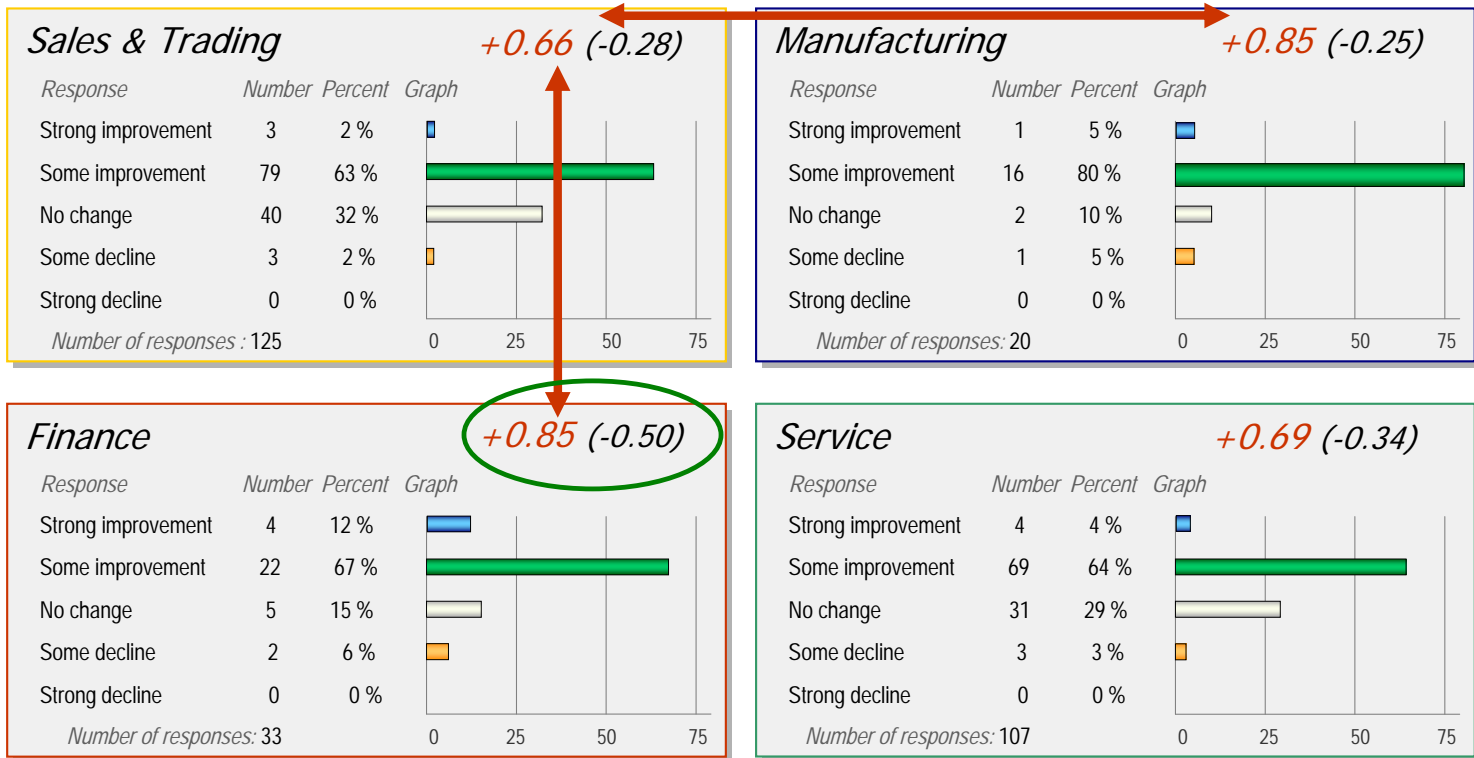


## Business Confidence Survey – Autumn 2003

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

By type of business

OVERALL INDEX **+0.68**

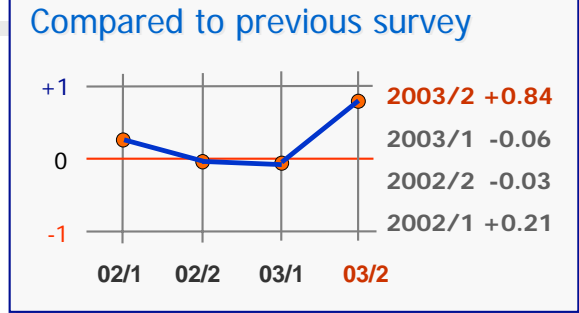
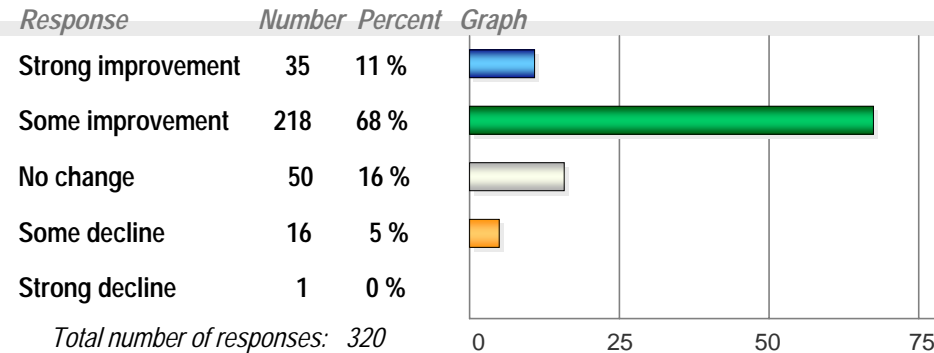


## Business Confidence Survey – Autumn 2003

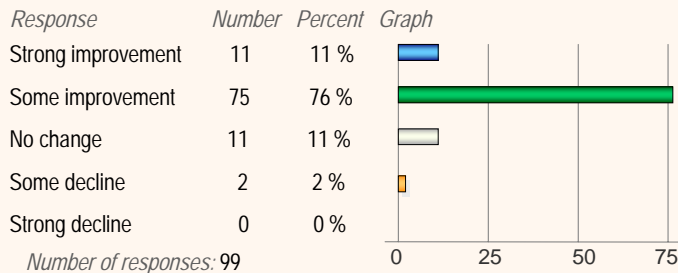
### 1.2. Japan's economic situation for the next 12 months

**TOTAL FOR SURVEY**

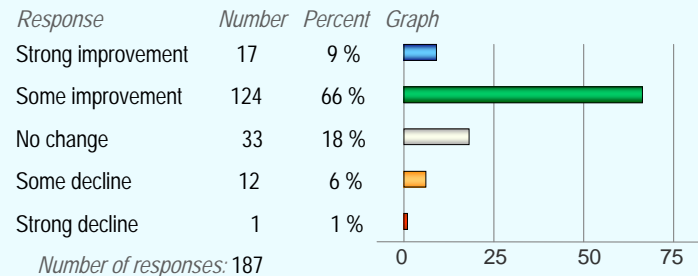
**INDEX + 0.84**



**North American companies +0.96 (+0.03)**



**European companies +0.77 (-0.10)**



**Oceanian companies +0.91**

## Business Confidence Survey – Autumn 2003

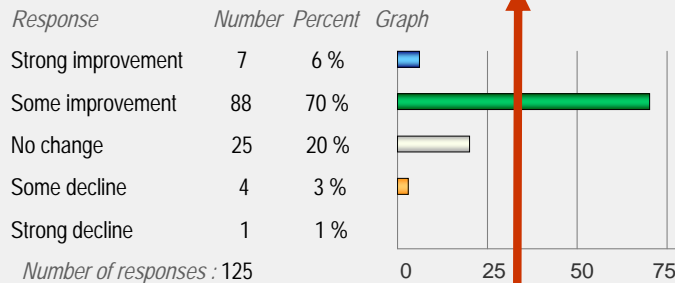
### 1.2. Japan's economic situation for the next 12 months (2)

By type of business

OVERALL INDEX **+0.84**

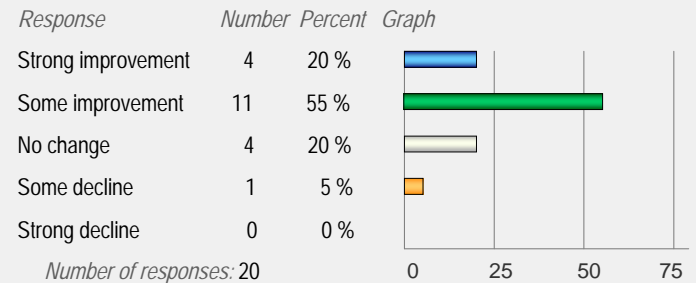
#### Sales & Trading

**+0.77 (-0.03)**



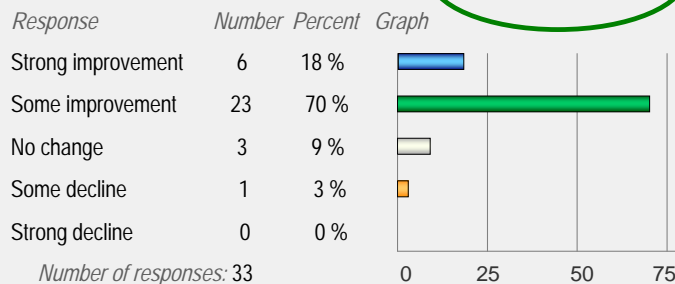
#### Manufacturing

**+0.90 (-0.08)**



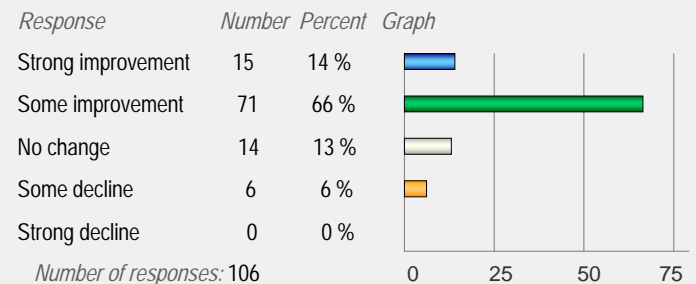
#### Finance

**+1.03 (-0.25)**



#### Service

**+0.90 (-0.02)**

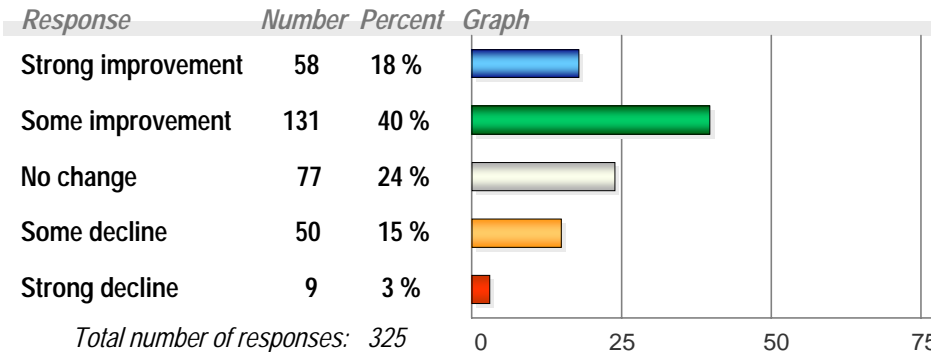


## Business Confidence Survey – Autumn 2003

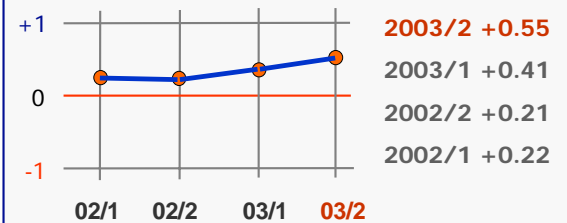
### 2.1. Sales during the **past** 6 months

#### TOTAL FOR SURVEY

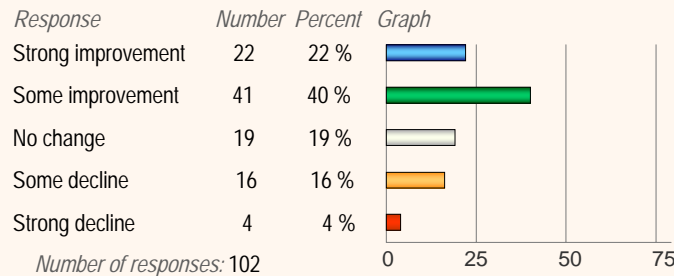
**INDEX + 0.55**



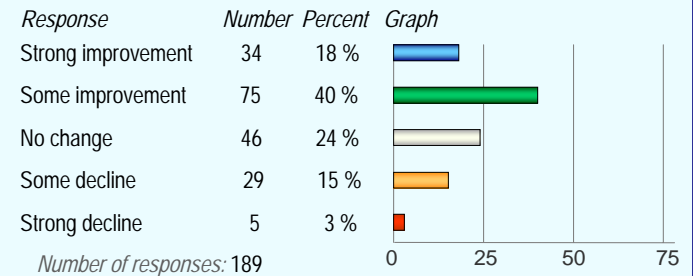
#### Compared to previous survey



#### North American companies +0.60 (+0.37)



#### European companies +0.55 (+0.41)



#### Oceanian companies +0.41

## Business Confidence Survey – Autumn 2003

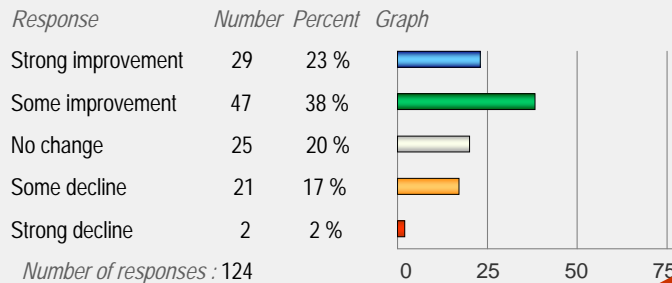
### 2.1. Sales during the **past** 6 months (2)

By type of business

OVERALL INDEX **+0.55**

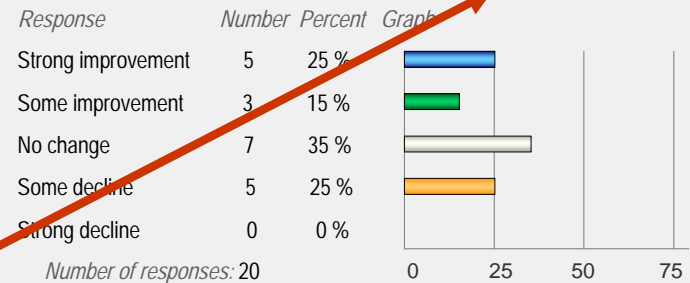
#### Sales & Trading

**+0.65 (+0.48)**



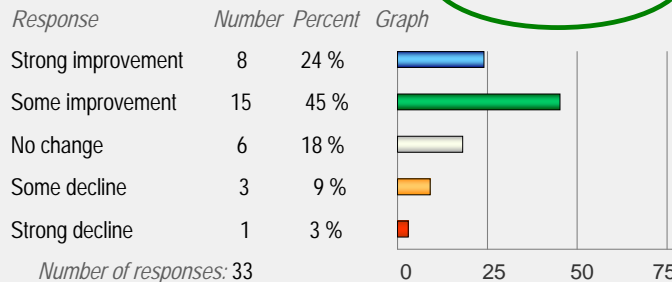
#### Manufacturing

**+0.40 (+0.39)**



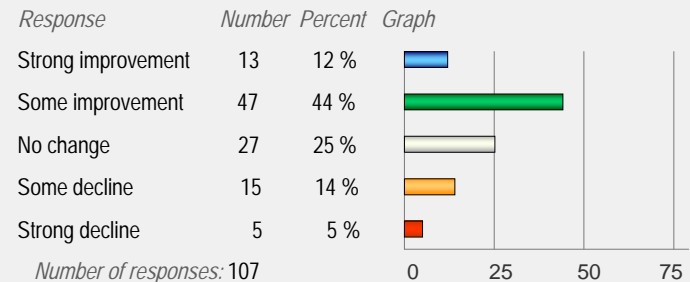
#### Finance

**+0.79 (+0.44)**



#### Service

**+0.45 (+0.29)**

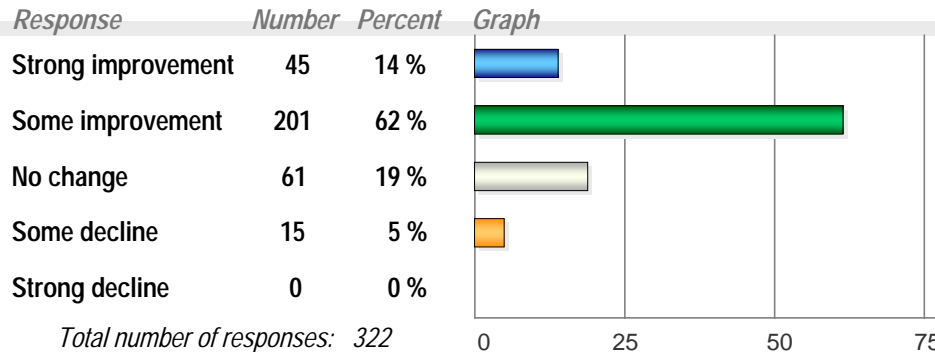


## Business Confidence Survey – Autumn 2003

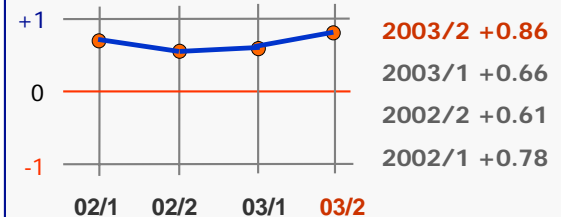
### 2.2. Sales during the **next** 6 months

*TOTAL FOR SURVEY*

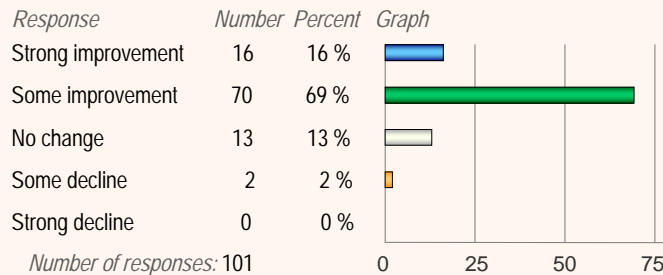
**INDEX + 0.86**



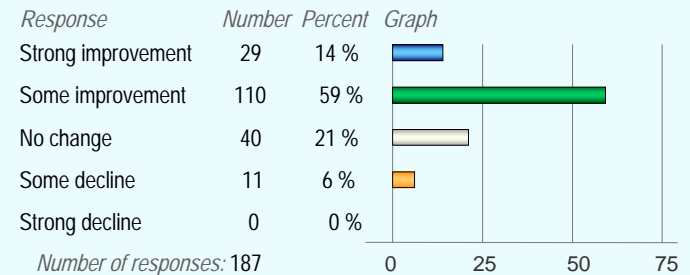
Compared to previous survey



*North American companies +0.99 (+0.73)*



*European companies +0.81 (+0.66)*



*Oceanian companies +0.74*

## Business Confidence Survey – Autumn 2003

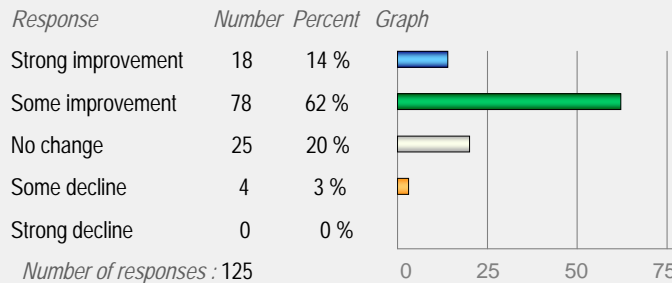
### 2.2. Sales during the **next** 6 months (2)

By type of business

**OVERALL INDEX +0.86**

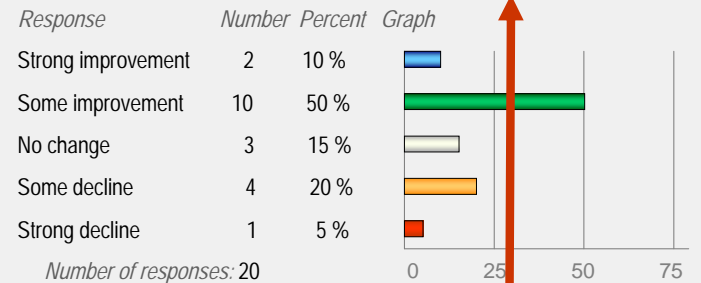
#### Sales & Trading

**+0.88 (+0.70)**



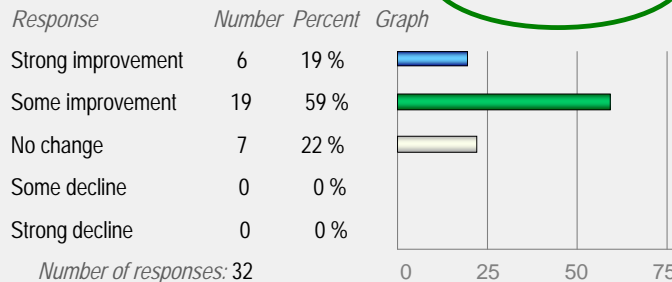
#### Manufacturing

**+0.40 (+0.47)**



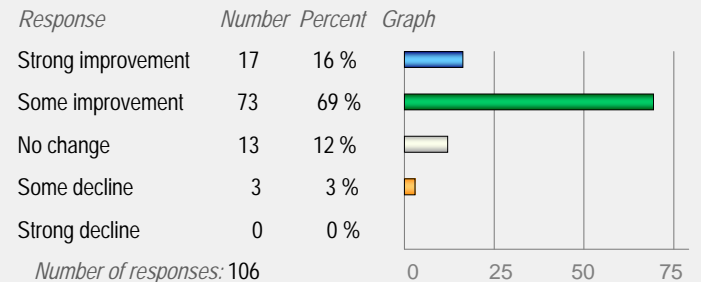
#### Finance

**+0.97 (+0.54)**



#### Service

**0.98 (+0.65)**

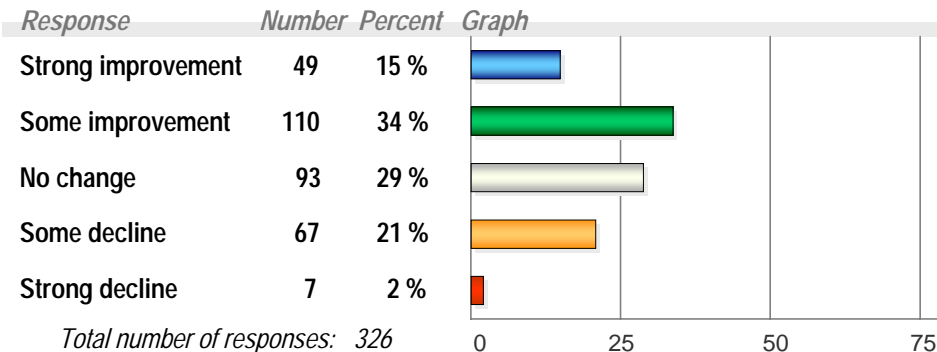


## Business Confidence Survey – Autumn 2003

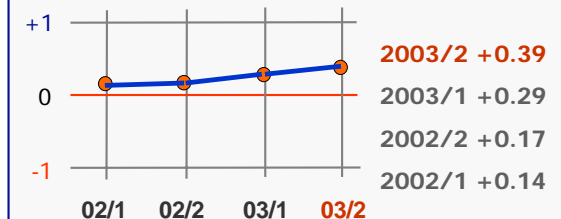
### 3.1. Profitability during the **past 6 months**

*TOTAL FOR SURVEY*

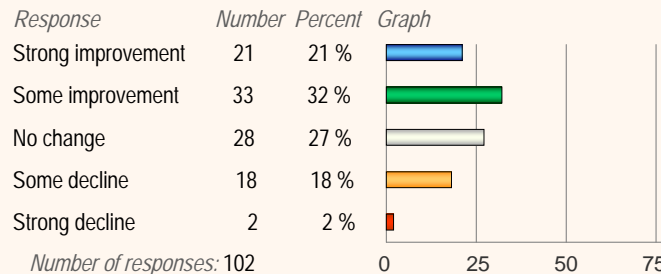
**INDEX + 0.39**



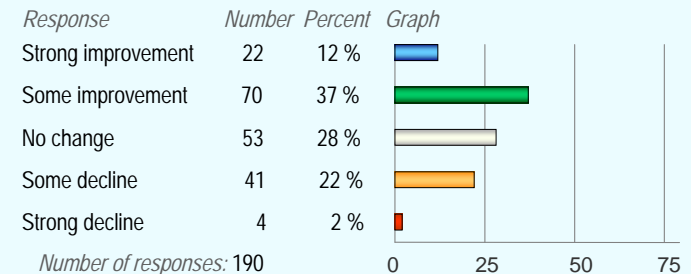
Compared to previous survey



*North American companies* **+0.52 (+0.26)**



*European companies* **+0.34 (+0.31)**



*Oceanian companies* **+0.26**



## Business Confidence Survey – Autumn 2003

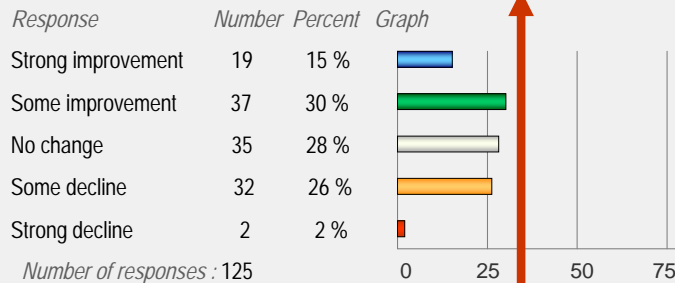
### 3.1. Profitability during the **past** 6 months (2)

By type of business

OVERALL INDEX **+0.39**

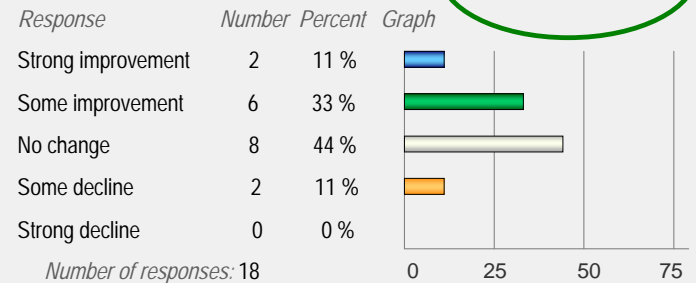
#### Sales & Trading

**+0.31 (+0.29)**



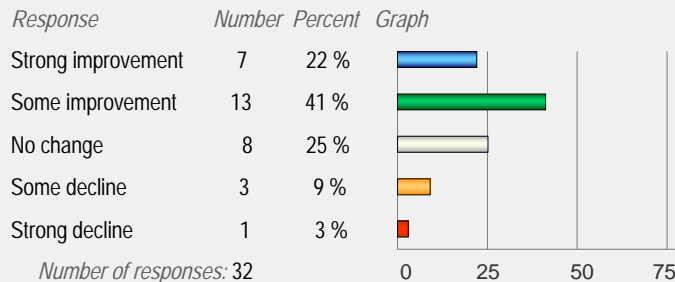
#### Manufacturing

**+0.44 (+0.69)**



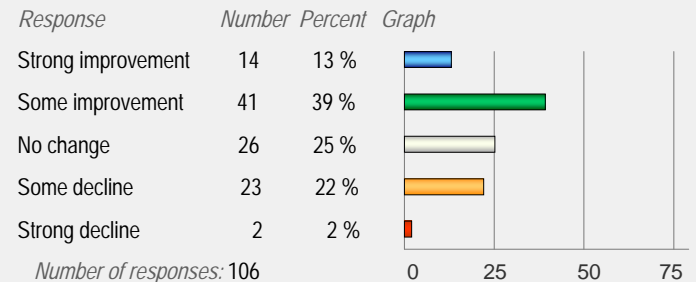
#### Finance

**+0.69 (+0.56)**



#### Service

**+0.40 (+0.16)**

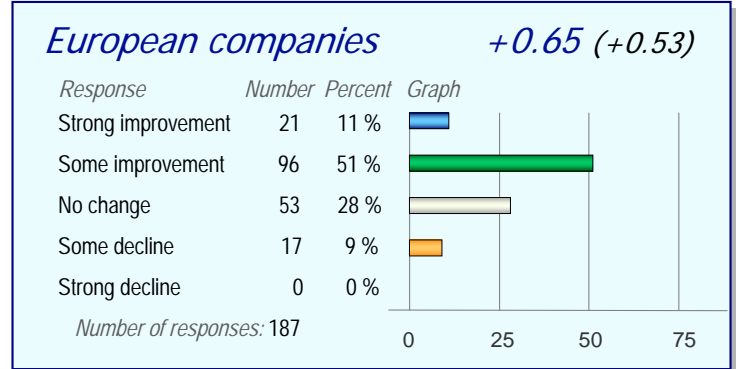
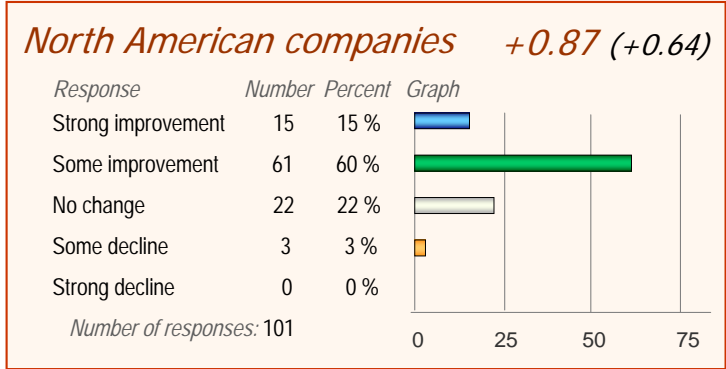
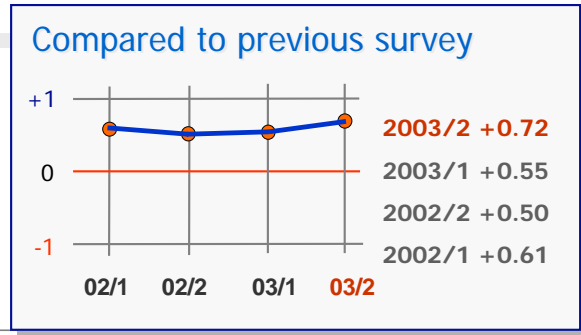
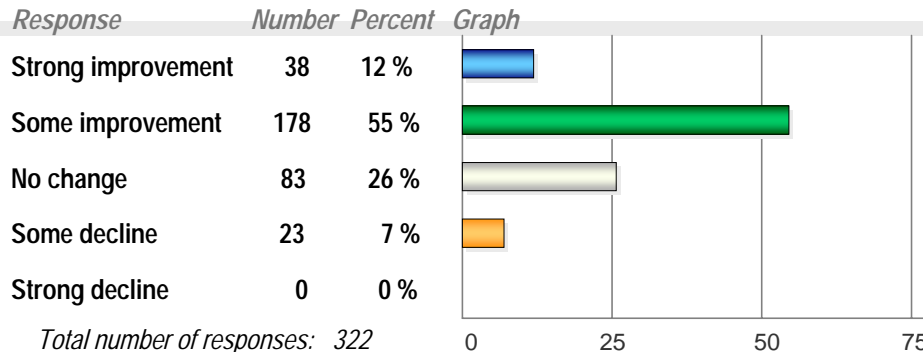


## Business Confidence Survey – Autumn 2003

### 3.2. Profitability during the **next** 6 months

*TOTAL FOR SURVEY*

**INDEX + 0.72**



**Oceanian companies +0.65**

## Business Confidence Survey – Autumn 2003

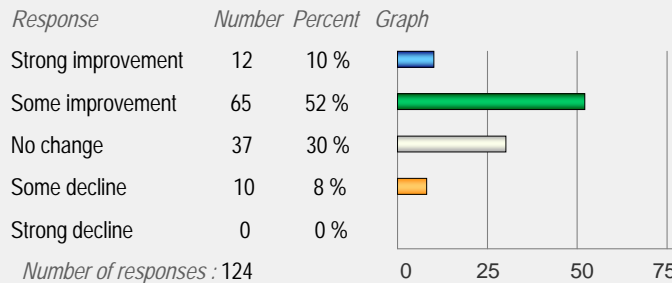
### 3.2. Profitability during the **next** 6 months (2)

#### By type of business

OVERALL INDEX **+0.72**

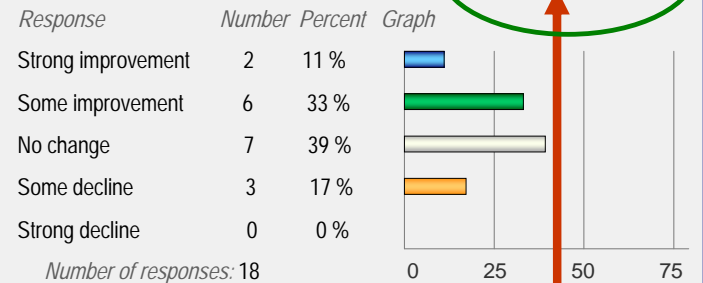
#### Sales & Trading

**+0.64 (+0.48)**



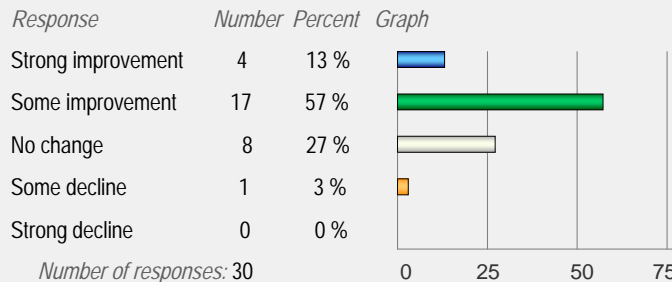
#### Manufacturing

**+0.39 (+0.78)**



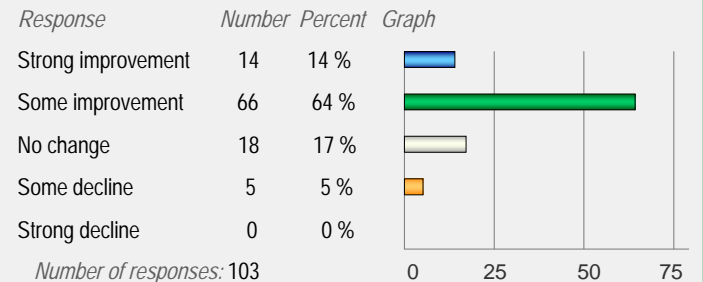
#### Finance

**+0.80 (+0.66)**



#### Service

**+0.86 (+0.52)**



## Business Confidence Survey – Autumn 2003

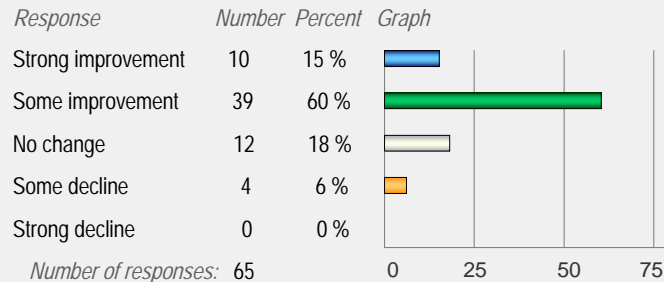
### 3.2. Profitability during the **next** 6 months (3)

By “years in Japan”

OVERALL INDEX **+0.72**

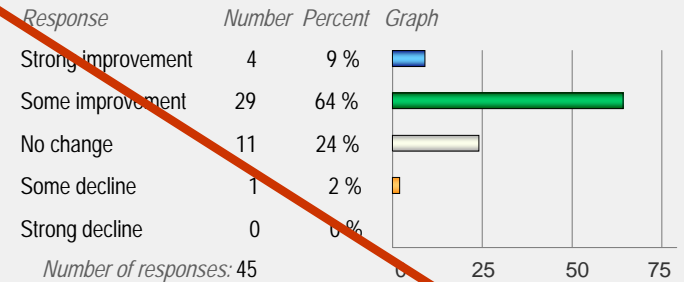
#### Less than 5 years

**+0.85 (+0.78)**



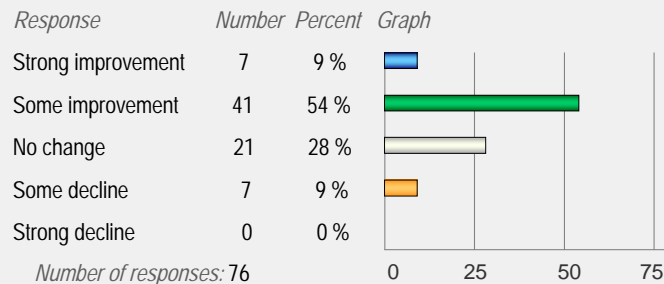
#### 5-10 years

**+0.80 (+0.63)**



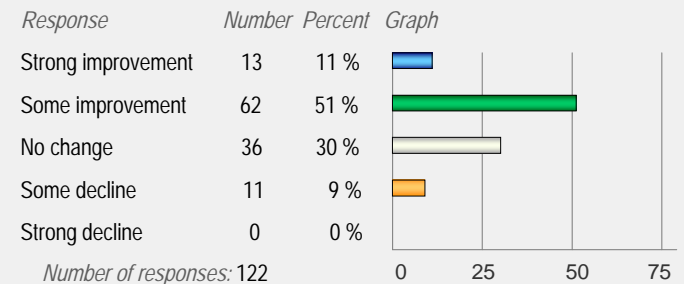
#### 11 – 20 years

**+0.63 (+0.41)**



#### More than 20 years

**+0.63 (+0.48)**



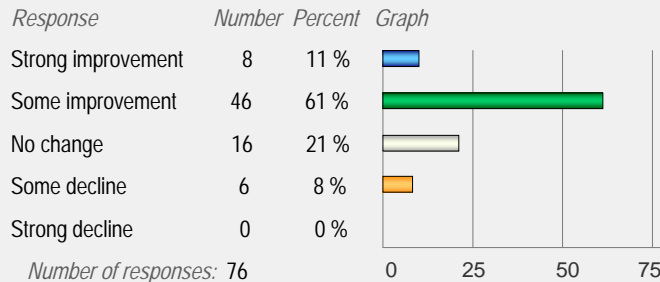
## Business Confidence Survey – Autumn 2003

### 3.2. Profitability during the **next** 6 months (4)

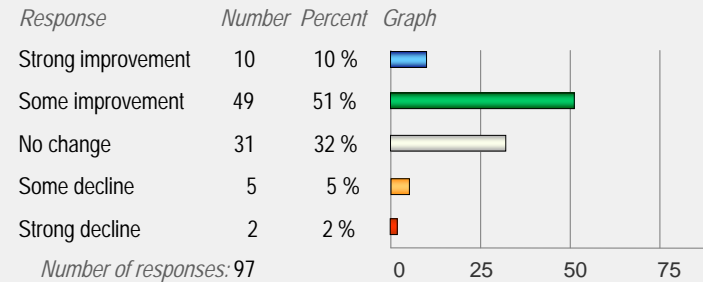
By Company size

OVERALL INDEX **+0.72**

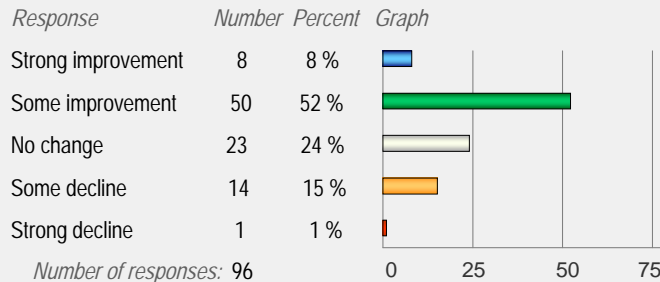
#### Less than 10 employees **+0.74 (+0.60)**



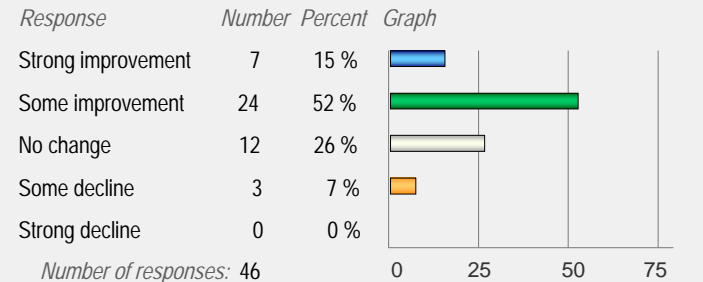
#### 10-50 employees **+0.62 (+0.57)**



#### 51-500 employees **+0.52 (+0.51)**



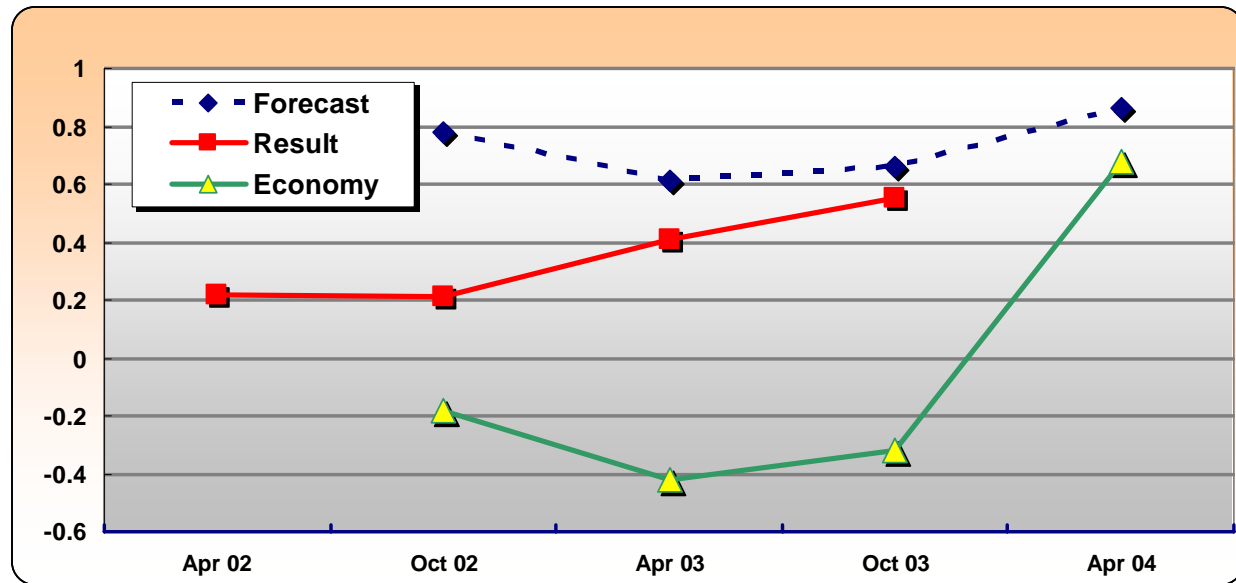
#### Over 500 employees **+0.76 (+0.56)**



## Business Confidence Survey – Autumn 2003

### A Comparison (1)

#### Sales and Economy



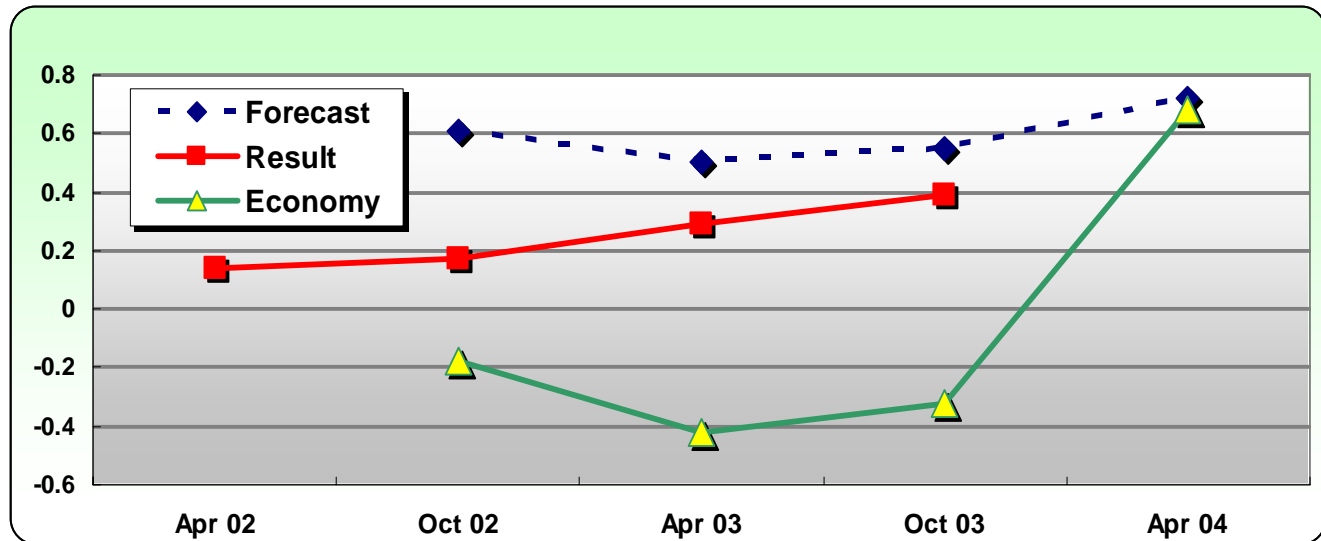
#### Conclusions:

- (1) the companies views on the economy and their sales go hand-in-hand
- (2) their ability to forecast their sales performance has improved

## *Business Confidence Survey – Autumn 2003*

### A Comparison (2)

#### Profitability and Economy



#### Conclusions:

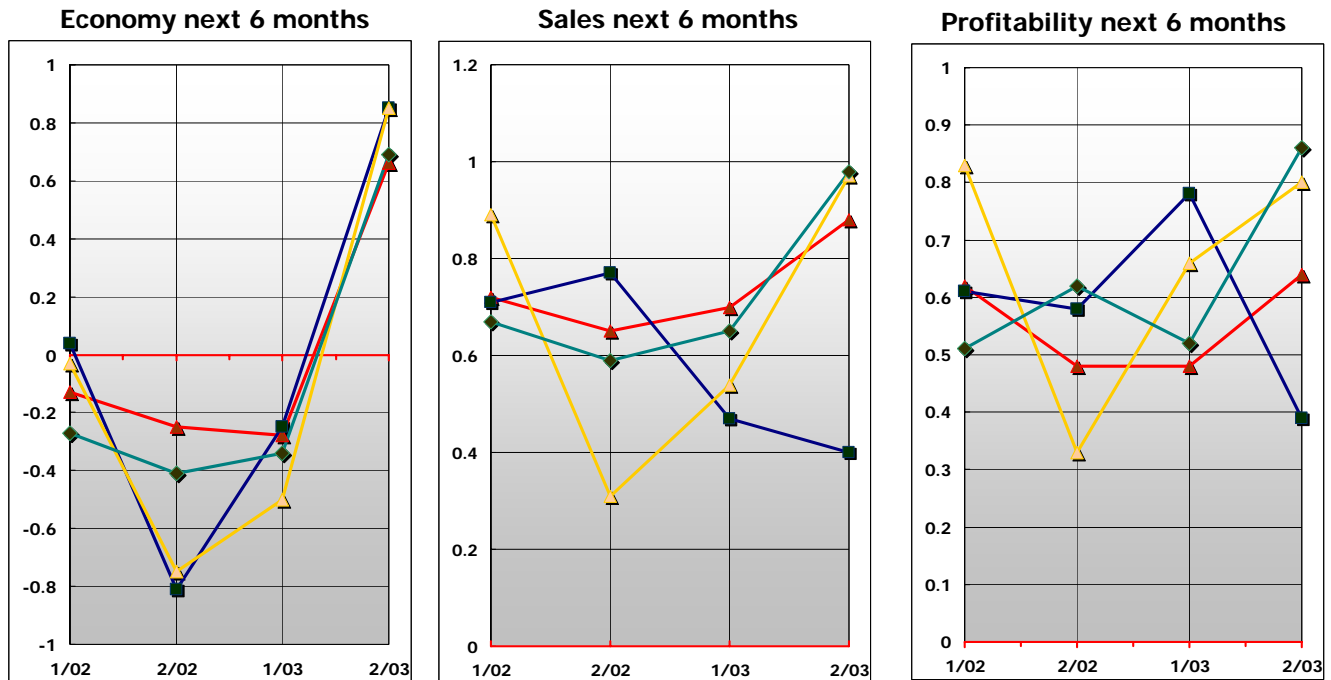
- (1) the companies views on the economy and their profitability go hand-in-hand
- (2) their ability to forecast their profitability has improved

## Business Confidence Survey – Autumn 2003

### A Comparison (3)

#### Economy, Sales and Profitability by business

▲ Sales & Trading   
 ■ Manufacturing   
 ▲ Finance   
 ◆ Service

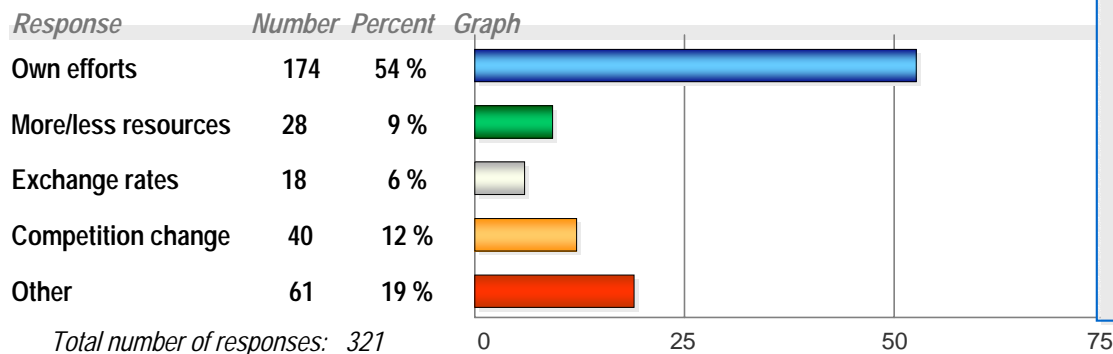


Surveys; 1/02=Spring 2002, 2/02=Autumn 2002, 1/03=Spring 2003, 2/03=Autumn 2003 (current)



## Business Confidence Survey – Autumn 2003

### 4. Reasons behind the changes in business performance



#### Previous surveys

	02/1	02/2	03/1
Own efforts	51 %	52%	54%
More/less resources	4 %	8 %	9%
Exchange rates	5 %	7%	5 %
Competition change	19 %	16 %	14%
Other	20 %	17%	18%

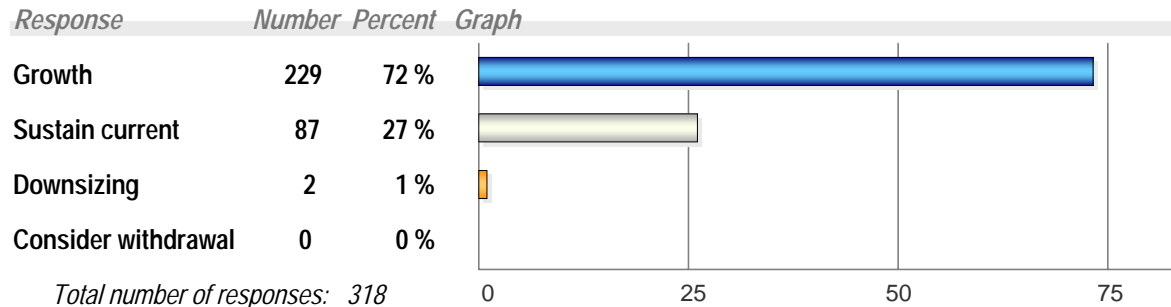
#### Some comments from respondents

- ✓ Rationalization, restructuring, cost cuts and staff reduction (ca 20 similar comments).
- ✓ New products, better service, new marketing strategies (several similar comments)
- ✓ Unnecessary internal work removed giving more time for valuable work.
- ✓ Putting more efforts to expand after sales service activities
- ✓ Talent is the key to growth. Having the right individuals in place!
- ✓ Hired more staff at lower costs
- ✓ Upward trend in yen wasn't anticipated and hurt some of our dollar-based billing
- ✓ High yen beneficial. Yen appears undervalued with trade surpluses and reserves
- ✓ Companies have to accept cost effective products now
- ✓ Financial industry appears to be recovering
- ✓ Improving sentiment for Japanese/US economies - increased investments

## Business Confidence Survey – Autumn 2003

### 5. Strategies in Japan

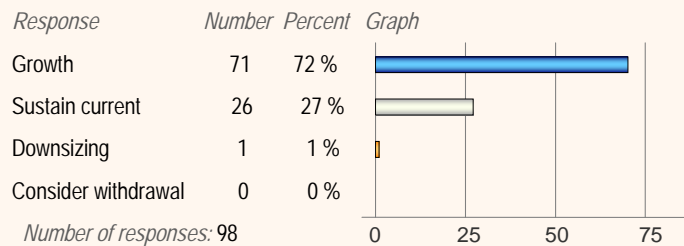
#### TOTAL FOR SURVEY



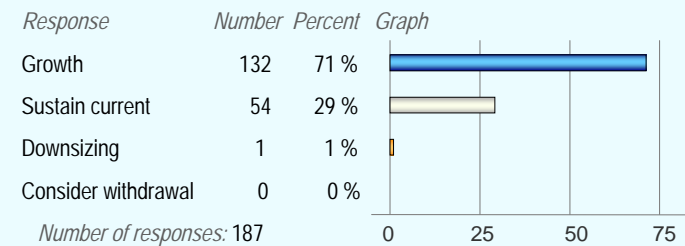
#### Previous surveys

	02/1	02/2	03/1
Growth	77 %	72 %	70 %
Sustain current	20 %	22 %	26 %
Downsizing	3 %	5 %	3 %
Consider withdrawal	0 %	0 %	0 %

#### North American companies



#### European companies



## *Business Confidence Survey – Autumn 2003*

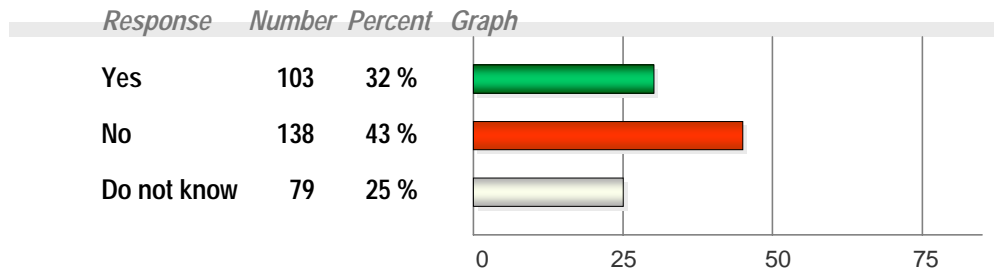
### 5. Strategies in Japan - Comments

- ✓ Real opportunity exists today for new services focused on many industry sectors.
- ✓ (Japan represents) 10% of world market in volume and about 13% in value.
- ✓ Demand back to normal and additional market opportunities.
- ✓ Huge market, high potential & weak local and unstable competitors.
- ✓ Consistent and reliable business partners.
- ✓ Considerable upside in medium to long term.
- ✓ Completed cost reduction, now growth.
- ✓ Big market, we still have low market share.
- ✓ At last overseas (HQ) can see the tide is turning and there is good money still to be made.
- ✓ Still huge opportunities to offer better solutions than local suppliers.
- ✓ Increase profitability and take advantage (of) market growth potential in life science.
- ✓ Japan is important for the company's long term growth prospects.
- ✓ Still small compared to parent company's size. Strong growth over 3 years seen.
- ✓ Still many opportunities exist. Profitable market for a competitive company.
- ✓ Regulatory changes favor our product, still relatively small market share.
- ✓ Previously low expectations, but we believe there is greater potential.
- ✓ Our market share is low compared to other developed countries

## *Business Confidence Survey – Autumn 2003*

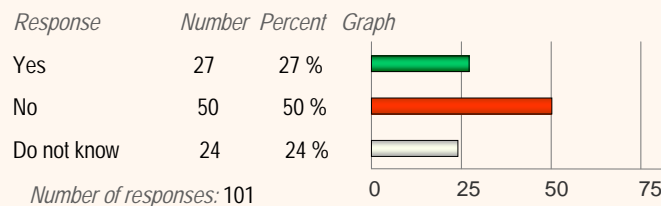
### 6.1. Use the results of survey when reporting to head office

#### *TOTAL FOR SURVEY*



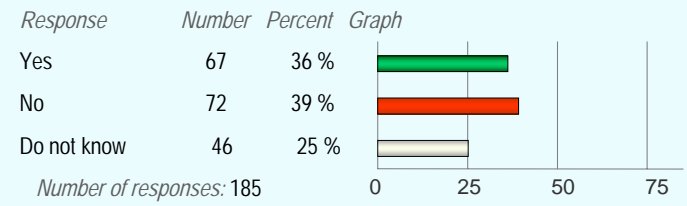
*Total number of responses: 320*

#### *North American companies*



*Number of responses: 101*

#### *European companies*

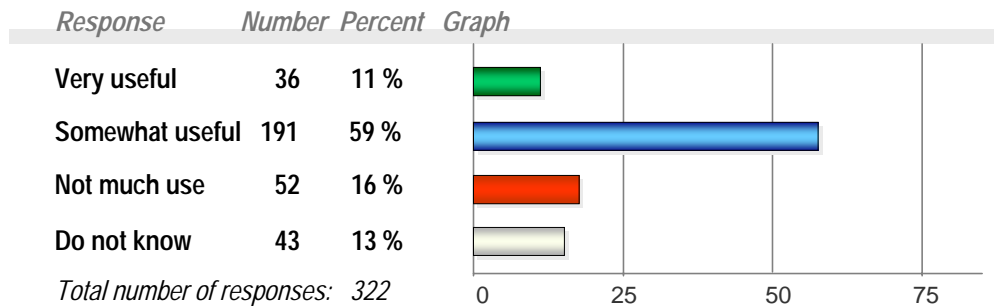


*Number of responses: 185*

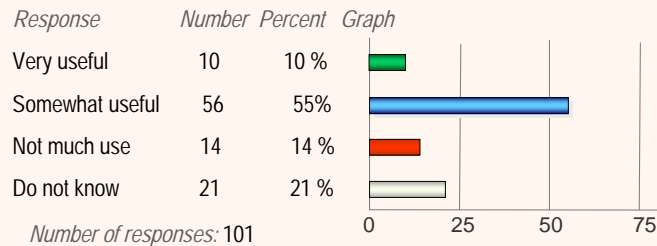
## *Business Confidence Survey – Autumn 2003*

### 6.2. How useful is this survey?

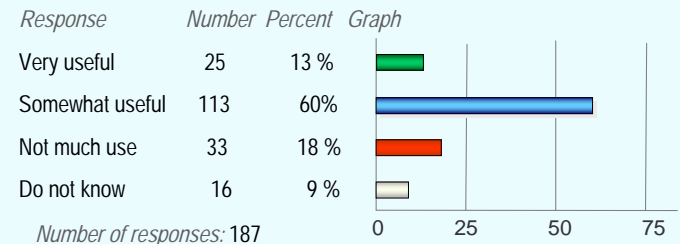
#### *TOTAL FOR SURVEY*



#### *North American companies*



#### *European companies*



## *Business Confidence Survey – Autumn 2003*

### General Comments

Would like to have more direct access to municipal and prefectural governments via the Chamber who are actively developing the special economic zones.

What needs to be done to improve the overall working environment between the device manufactures and the MHLW. Continued delays continue to plague our submissions for marketing approval.

We must continue to push (US and Japanese governments) for parity in tax treatment for onshore and offshore investment trusts.

Customs clearance for both by sea and by air takes too much time. Please strongly ask to speed-up to the authority concerned from <chamber>.

The Japanese Labor Laws still represent the largest impediment for success in this market, for both local and multinational corporations.

Our business is very much regulated by what we call Japan Inc. The Japanese are extremely protective to maintain their own industry. Therefore there is no genuine competition.

Need for Japan to adopt global standards for science based risk assessment of foods, feed and food additives and pharmaceuticals. No real risk/benefit analysis in Japan. Need to accept global clinical data and further accelerate the approval of globally proven drugs. Patients in Japan deserve nothing less than the best the world has to offer.

The regulatory process is extremely slow and unpredictable. Could many times be interpreted as trade barriers.

## *Business Confidence Survey – Autumn 2003*

### General Comments (2)

Main issues are sentiment related. The Japanese consumer has more spending power than ever but we need to keep telling them this to give them confidence to spend. The fundamentals are good despite problems in the banking sector. Foreign exchange reserves over 500bUS\$, large and growing current account surplus, 100bUS\$ per year. Japanese consumers don't know how good they have it.

Although our products supplied globally are highly evaluated worldwide, we are facing difficulties in the Japanese market, which is amazingly old-fashioned, such as conservatism of end users. In addition, lack of knowledge of government office makes the regulations be out-dated.

Language issues are immense as we need to recreate everything.

Government MHW product approvals need to be modified and quicker process. Zinc and other additives should be approved. Excess duties and taxes on imports.

Appreciate to have reasonable relation with Japanese Government.

The level of taxes on imported leather shoes is simply unacceptable. I wonder if anything is possible knowing the very sensitive social origin of this tax process...

Osaka is a business basket case. No one seems to be addressing the fundamentals for FDI and government officials have turned into real estate salesmen selling empty space -- no tax holidays, no help with distribution, no effort to change perceptions among retailers or customers. Osaka has a long way to go.

Present exchange situation is strongly affecting our competitive situation compared with USD based suppliers. Only the balance in the supply demand arena is keeping us in reasonable straits.

## *Business Confidence Survey – Autumn 2003*

### General Comments (3)

Noted that the Foreign governments industry reps seem to not want to meet and get to know their counterparts in the same industry segments. Seems like we need partnerships at the industry level in Japan with government outpost would yield win-win situations. Is not governments role to initiate this contact.

We see more and more requests from our customers to guarantee, that our product and raw materials used for our products and even raw materials used for raw materials used for our products (grand parent principle) are in accordance with Japanese laws and regulations. (food applications) I see that somewhat as a trade barrier. Furthermore the MHLW is changing their procedures and Expert Panel for r-DNA Food/FA under the Food Safety Commission - this is delaying new registrations very much.

We do not seem to incur problems with trade barriers, although one problem for us is the understanding of Japanese tax laws or better still, not being able to obtain information on laws affecting our business. Relying on external information (i.e. Lawyers or Consultants) is not satisfactory as the answers change with time passing. We would like to know where to find WRITTEN law or acts, which can be interpreted by our staff.

We have seen a definite pick-up in orders starting in September. As a result the outlook for the next 6 to 12 months is quite promising.

Difficult to conduct business (near impossible) without a Japanese national working in management for the business. Japanese Guarantor requirement issues are the biggest obstacles.



## *Business Confidence Survey – Autumn 2003*

### General Comments (4)

Our business is very much regulated by what we call Japan Inc. The Japanese are extremely protective to maintain their own industry. Therefore there is no genuine competition.

How can I get small business support/services i.e. legal, business advice without paying high fees charged/asked for by members of the chamber.

Although our products supplied globally are highly evaluated worldwide, we are facing difficulties in the Japanese market, which is amazingly old-fashioned, such as conservatism of end users. In addition, lack of knowledge of government office makes the regulations be out-dated.

The main trade barrier is in the heads of the customer. Still protecting the old way. Some change can be seen though.

It is useful to us that the chamber holds seminars or symposiums in trade/investment promotion instead lecture type meetings.

Need to include multiple responses to some questions in the survey.

**In what ways can we show the environment in Japan is attractive to new market entrants and encourage those already here to invest more?**

## *Business Confidence Survey – Autumn 2003*

### Summary

#### **Economy the next 6 months: a dramatic improvement**

- ❑ This survey represents a significant improvement in the sentiments on the Japanese economy – the index rose from -0.32 in the April survey to +0.68 in this survey. In a scale from -2 to +2 a one point improvement is huge.
- ❑ None expects a strong decline and only 3 % even a slight decline.
- ❑ North American responses showed more optimism to those of the Europeans.

#### **Economy the next 12: further improvement expected**

- ❑ The index for the next 12 months was +0.84 (compared to -0.06 in the previous survey), i.e. the respondents expect the economy to grow even stronger in a longer term.
- ❑ Again here, the North Americans see the economic development more favorably.
- ❑ By type of business, the finance sector was now most optimistic (recording the first figure above 1 in the history of the survey), when it was most negative in the previous survey. Sales & Trading were least optimistic.

## *Business Confidence Survey – Autumn 2003*

### Summary (2)

#### Sales Performance

##### Past 6 months...

- ❑ Index for April survey was + 0.41, this survey indicates + 0.55 registering an increase.
- ❑ An interesting comparison: in the April survey respondents expected sales for the next 6 months to grow by an index of + 0.66, whilst the actual result was + 0.55.
- ❑ By sector, the best increase in sales came from Finance, with an index of + 0.79. The sector has improved significantly in the last three surveys, from + 0.20 in October 2002 to + 0.44 in April and now 0.79. Manufacturing reported the lowest increase at + 0.40.

##### Next 6 months...

- ❑ Looking ahead, respondents continued to forecast a further improvement in sales (index + 0.86 compared to 0.66 in April).
- ❑ When comparing European and North American respondents, North American companies expect more improvement (+ 0.99 vs. + 0.81). The Oceanian companies were at + 0.74.
- ❑ By sector, there was a range from Service at + 0.98 and Finance at + 0.97 to Manufacturing at + 0.40.

## *Business Confidence Survey – Autumn 2003*

### Summary (3)

#### **Profitability, the past 6 months...**

- ❑ Profitability improved from the previous survey (+ 0.39 vs. + 0.29).
- ❑ North Americans reported better performance than European respondents (+ 0.52 vs. + 0.34).
- ❑ By sector, Finance had best improvement with + 0.69, with Manufacturing, which reported highest improvement in the April survey now was the only sector that reported lower improvement at + 0.44.

#### **And the coming six months?**

- ❑ Profitability is expected to further improve (index + 0.72 vs. + 0.55 in April); only 7 % of the companies forecast some decline in profitability, none strong decline.
- ❑ North Americans are more positive than European and Oceanian companies, + 0.87 vs. + 0.65.
- ❑ By sector, Service was most positive at + 0.86 while Manufacturing, who expected best growth in the April survey, now was the most negative at + 0.39.
- ❑ When comparing by “Years in Japan”, those that have been here less than 6 years forecast a greater improvement in profitability (+ 0.85) while those who have been in Japan for more than 10 years were lowest (+ 0.63).
- ❑ By company size the largest (over 500 employees + 0.76) and the smallest (less than 10 employees + 0.74) were most optimistic.

## *Business Confidence Survey – Autumn 2003*

### Summary (4)

#### Strategies in Japan

- ❑ Respondents continue to forecast positive results for their own businesses.
- ❑ Foreign businesses still see Japan as a land of opportunity with 72% looking for further growth and 27% expecting to sustain their current level, only 2 companies plan to downsize.
- ❑ **None of the 328 who responded are considering withdrawing from Japan.**
- ❑ This survey is proving to be a valuable tool for foreign companies and is producing information that is reliable and useful.

*Business Confidence Survey – Autumn 2003*

**Next survey will be conducted in April 2004**

The taskforce would like to thank professor William R Schrade  
of Temple University Japan for his views and commentary



**Temple University Japan**

This survey has been supported by:

