



FCIG Foreign Chambers
Information Group



FCIG Business Confidence Survey Spring 2003

Presentation at FCIG Luncheon Meeting

Wednesday 28 May 2003

FCIG Task Force

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



Business Confidence Survey – Spring 2003

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 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 third survey and the intention is to conduct these surveys 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 or reflect the negative publicity about Japan in the home countries of the chamber members

Business Confidence Survey – Spring 2003

Participating Organizations



The American Chamber
of Commerce in Japan



The Australian-New
Zealand Chamber of
Commerce in Japan



The Chamber of Commerce
of Brazil 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



Enterprise Ireland



The Netherlands Chamber
of Commerce in Japan

Norwegian Business Forum

Norwegian Business Forum



The Swedish Chamber of
Commerce and Industry in Japan



The Swiss Chamber of Commerce
and Industry in Japan

Business Confidence Survey – Spring 2003

About the Survey

Survey period *9 – 27 April, 2003*

Survey method *online only*

Survey population *2,250 companies*

Survey questions *2 questions on economy*
4 on company performance
1 on reasons behind changes
1 on strategies in Japan
2 on recruiting
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. Two question were changed from the previous survey, instead of questions regarding rents, this time we asked about recruiting.

The contact information was optional, to encourage as many as possible to submit the form, without privacy concerns. However, 64 % 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.

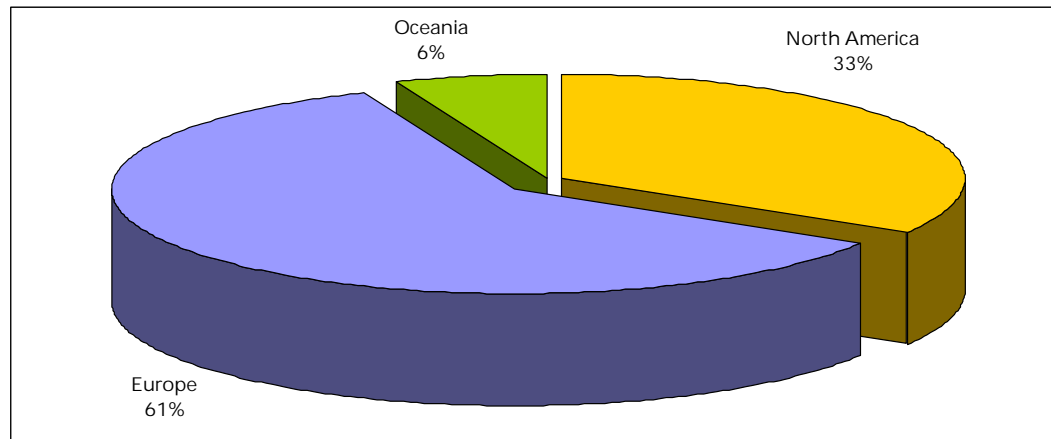
Business Confidence Survey – Spring 2003

Survey Responses

Total number of responses: 476

Response rate: 21.2 %

Shares of total responses - by Area



Largest number of responses

American Chamber - 143

Swiss Chamber - 32

British Chamber - 68

Swedish Chamber - 31

French Chamber - 48

ANZ Chamber - 29

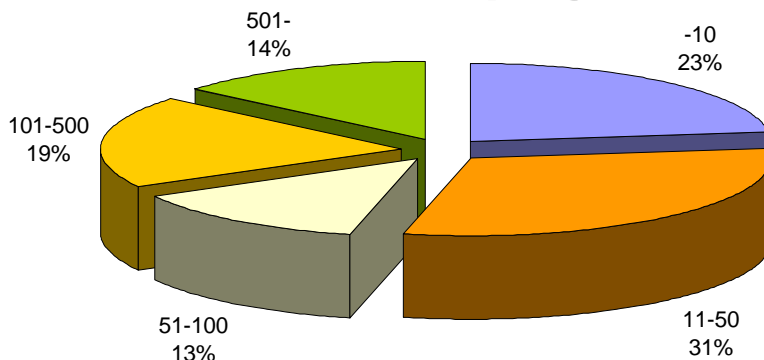
German Chamber - 42

Finnish Chamber - 25

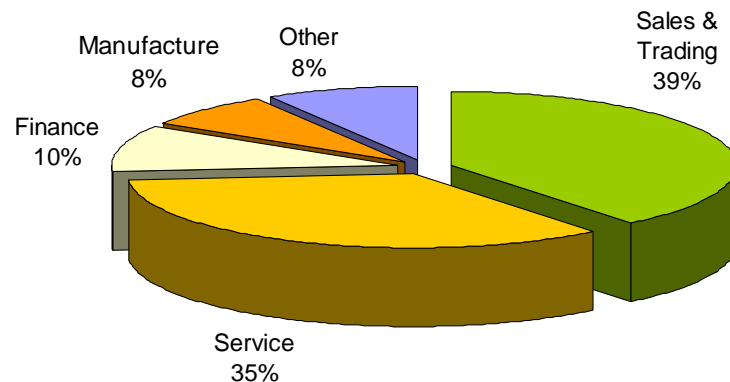
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Company Demographics

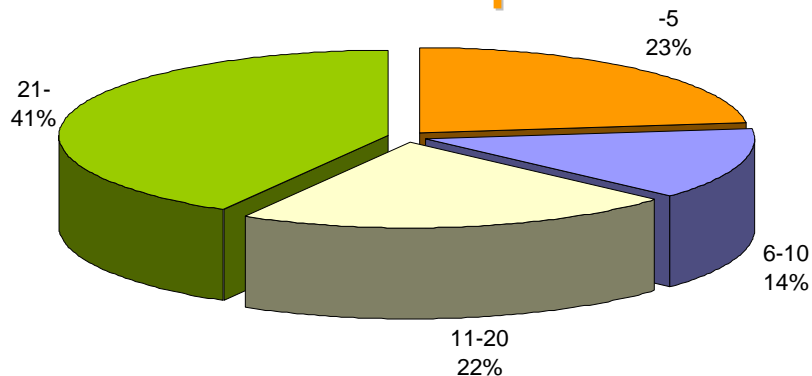
Number of employees



Type of business



Years in Japan



A typical foreign company in Japan:






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

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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

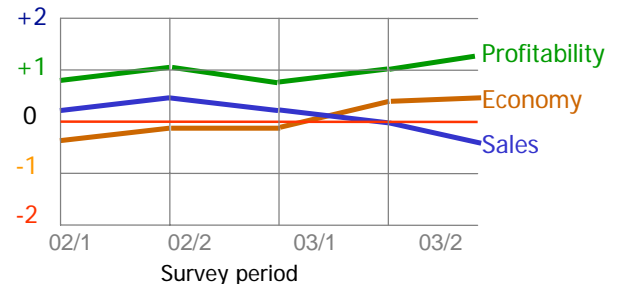
- A. Strong improvement = +2 
- B. Some improvement = +1 
- C. No change = 0 
- D. Some decline = -1 
- E. Strong decline = -2 

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

- 4. Reasons behind changes
- 5. Company strategy in Japan
- 6. Has recruiting become easier
- 7. Have you recruited through the internet
- 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

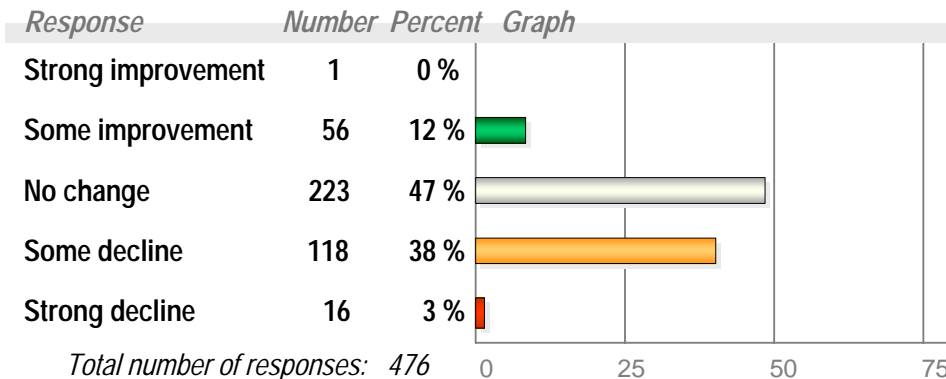


Business Confidence Survey – Spring 2003

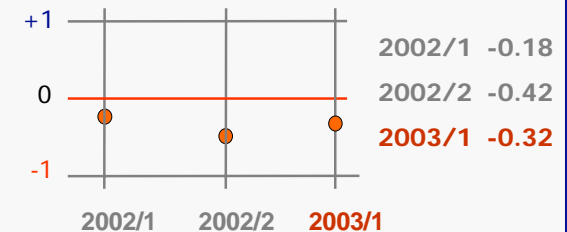
1.1. Japan's economic situation for the next 6 months

TOTAL FOR SURVEY

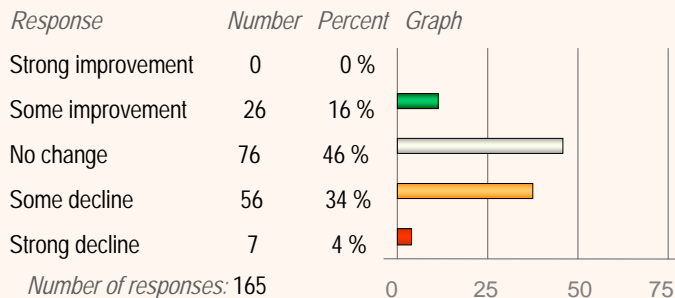
INDEX - 0.32



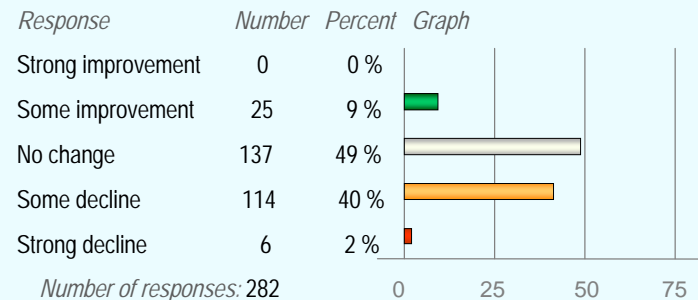
Compared to previous survey



North American companies -0.27



European companies -0.36



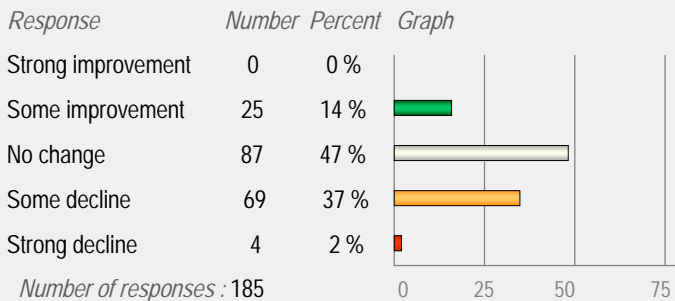
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1.1. Japan's economic situation for the next 6 months

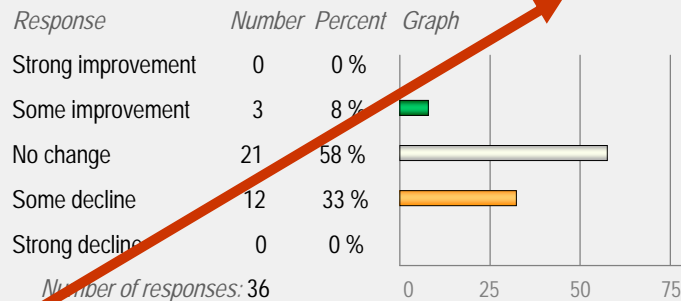
By type of business

OVERALL INDEX **-0.32**

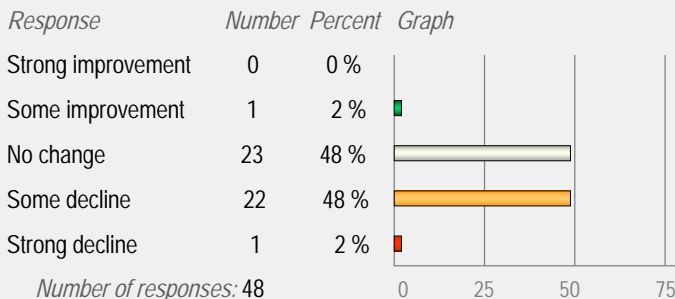
Sales & Trading **-0.28**



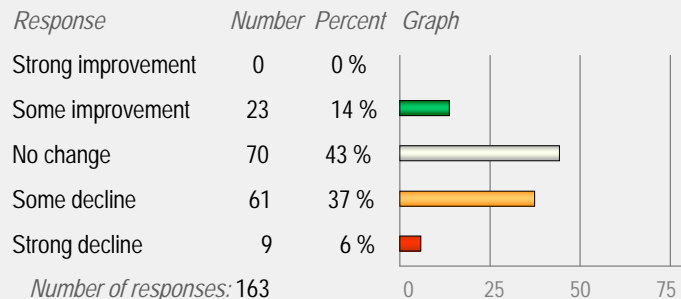
Manufacturing **-0.25**



Finance **-0.50**



Service **-0.34**

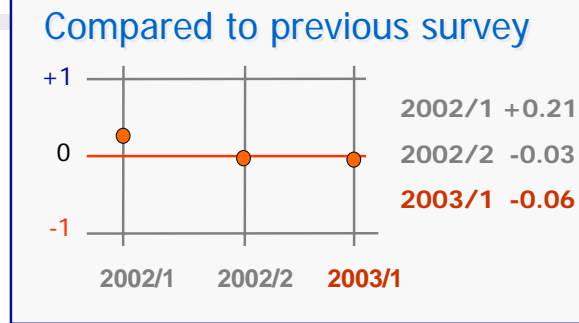
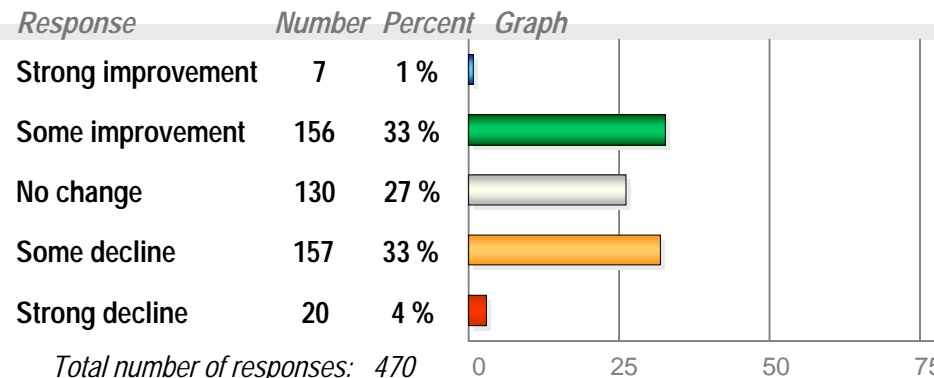


Business Confidence Survey – Spring 2003

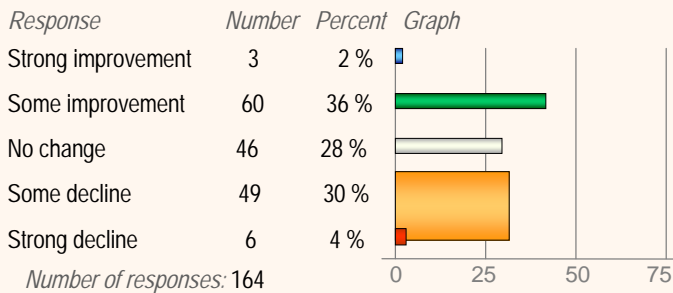
1.2. Japan's economic situation for the next 12 months

TOTAL FOR SURVEY

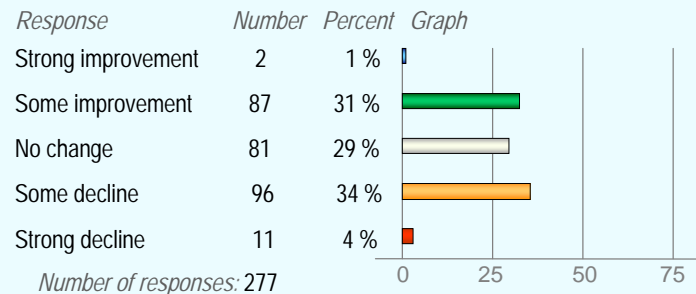
INDEX - 0.06



North American companies +0.03



European companies -0.10



Business Confidence Survey – Spring 2003

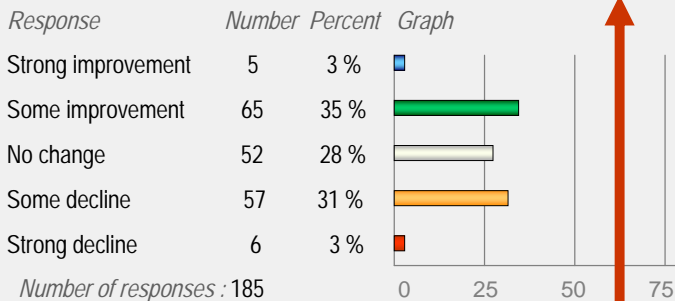
1.2. Japan's economic situation for the next 12 months (2)

By type of business

OVERALL INDEX *-0.06*

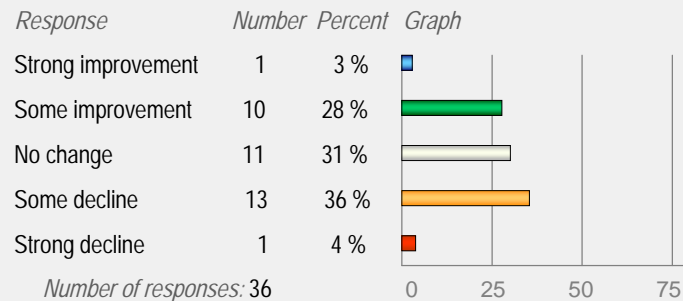
Sales & Trading

+0.03



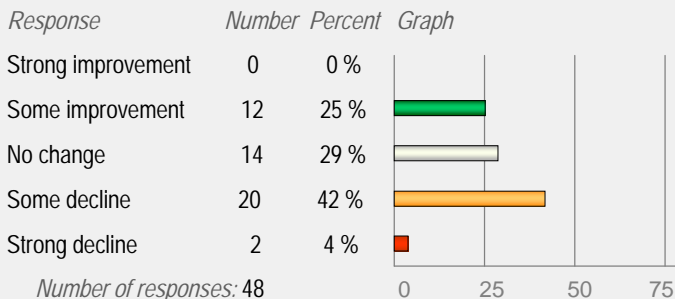
Manufacturing

-0.08



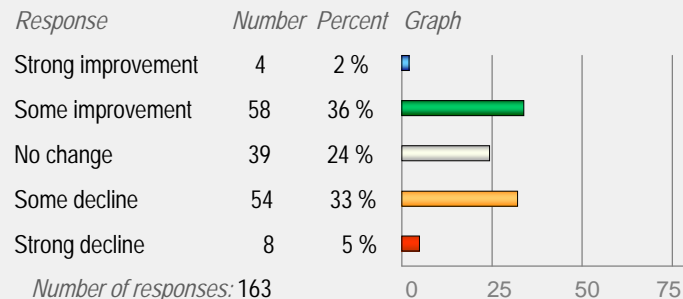
Finance

-0.25



Service

-0.02

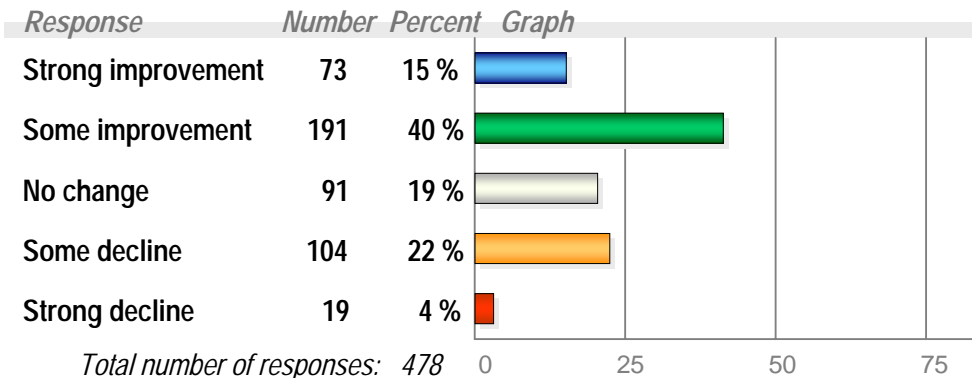


Business Confidence Survey – Spring 2003

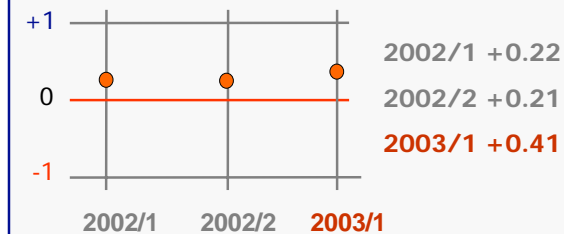
2.1. Sales during the **past** 6 months

TOTAL FOR SURVEY

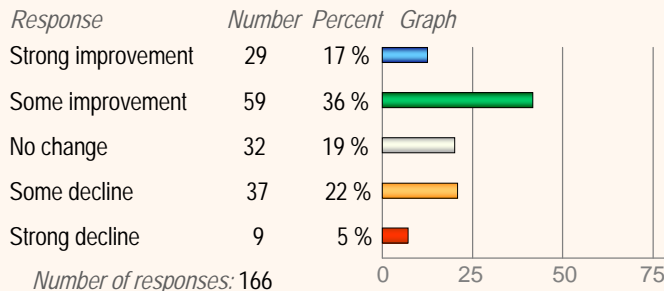
INDEX + 0.41



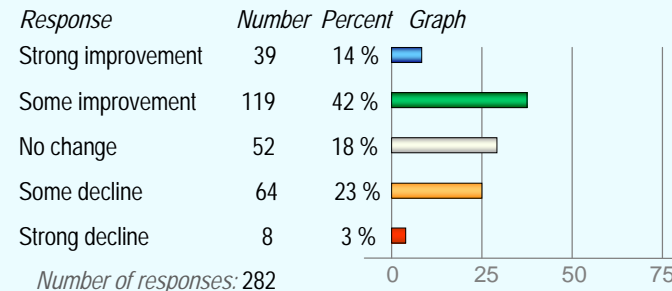
Compared to previous survey



North American companies **+0.37**



European companies **+0.41**



Business Confidence Survey – Spring 2003

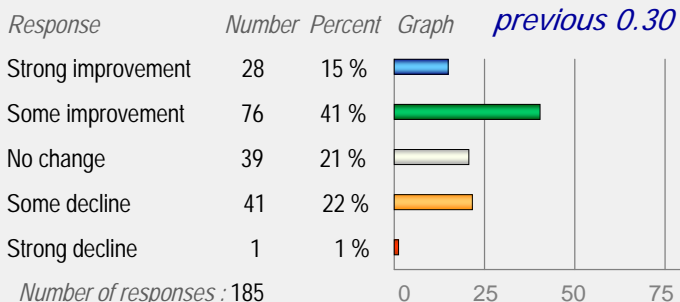
2.1. Sales during the **past** 6 months (2)

By type of business

OVERALL INDEX **+0.41**

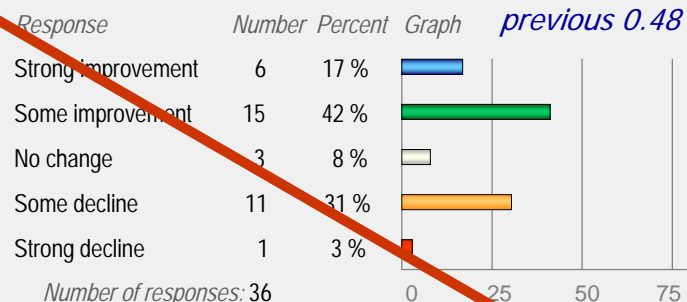
Sales & Trading

+0.48



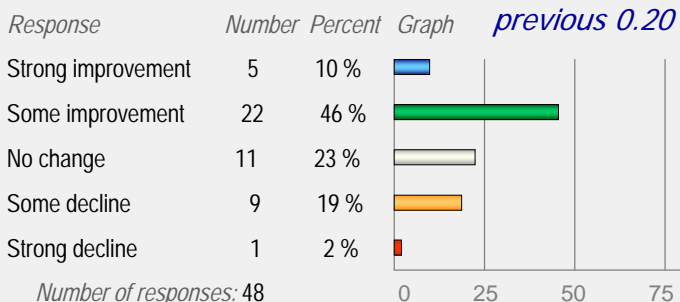
Manufacturing

+0.39



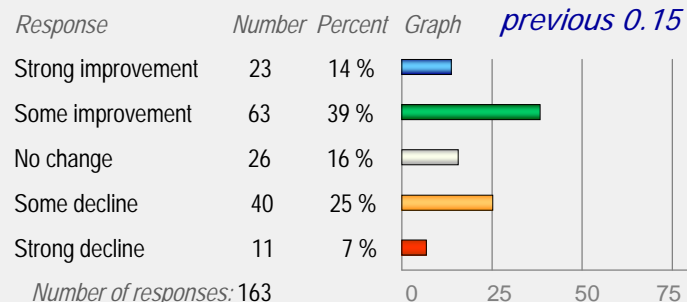
Finance

+0.44



Service

+0.29

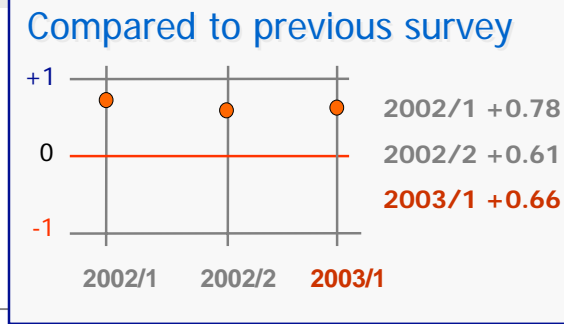
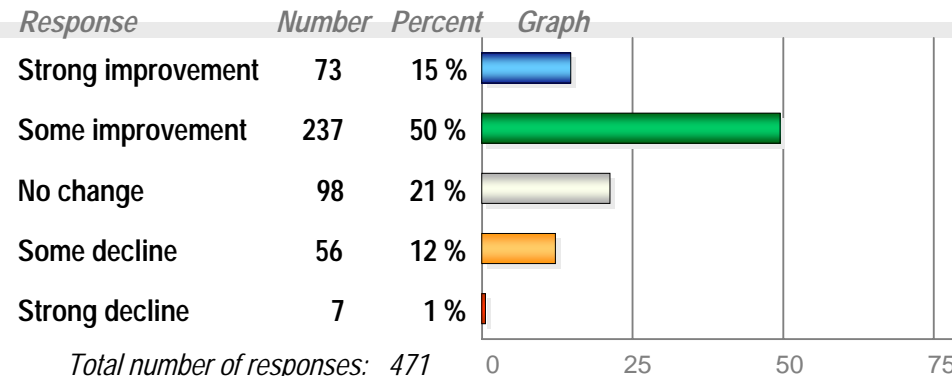


Business Confidence Survey – Spring 2003

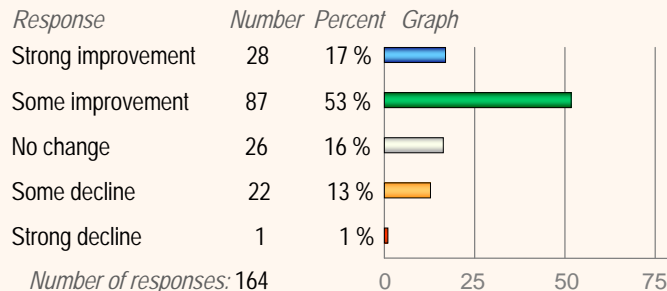
2.2. Sales during the **next** 6 months

TOTAL FOR SURVEY

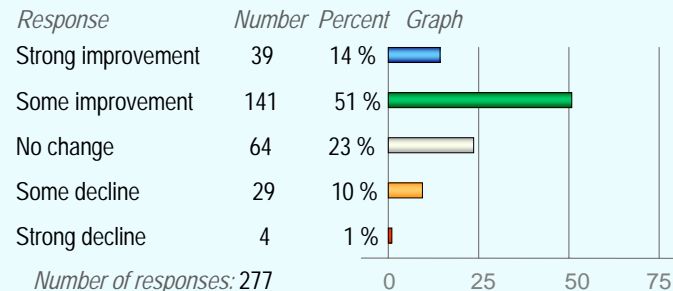
INDEX + 0.66



North American companies **+0.73**



European companies **+0.66**



Business Confidence Survey – Spring 2003

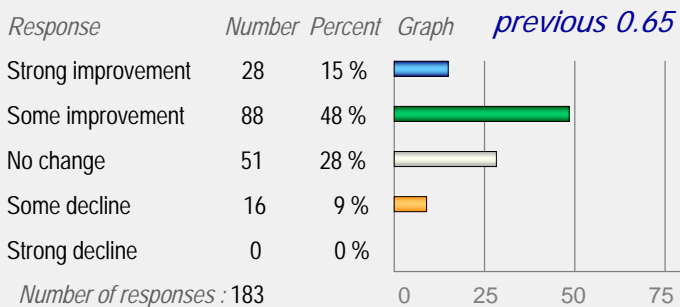
2.2. Sales during the **next** 6 months (2)

By type of business

OVERALL INDEX **+0.66**

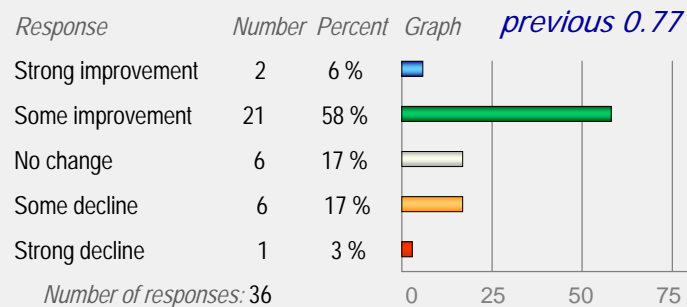
Sales & Trading

+0.70



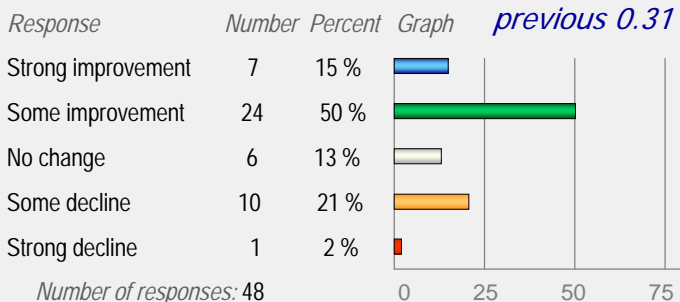
Manufacturing

+0.47



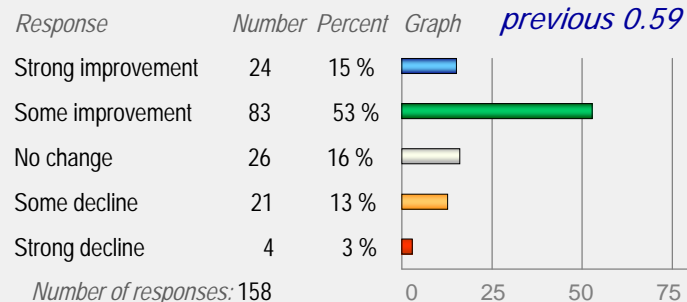
Finance

+0.54



Service

+0.65

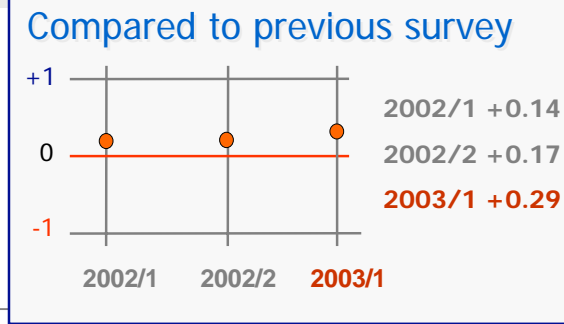
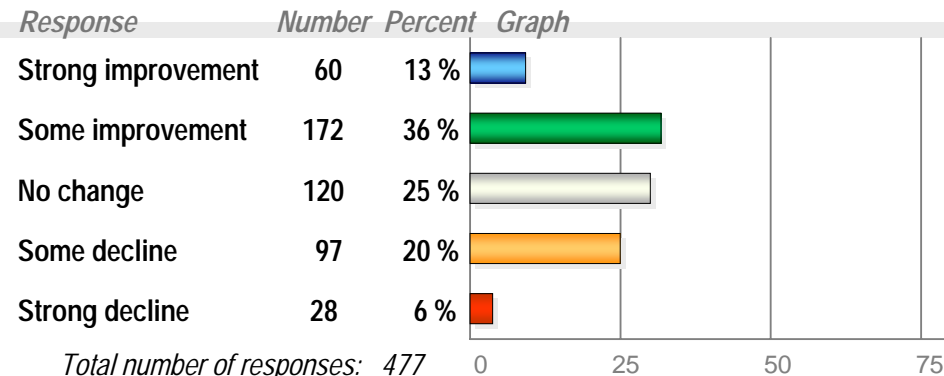


Business Confidence Survey – Spring 2003

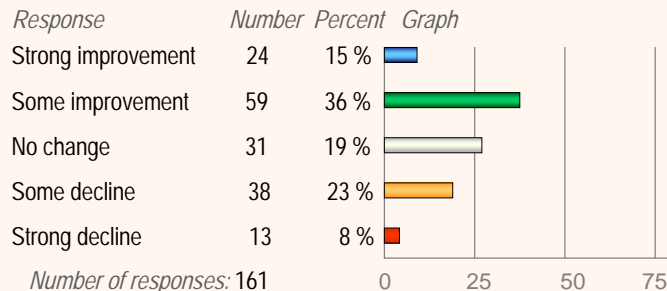
3.1. Profitability during the **past** 6 months

TOTAL FOR SURVEY

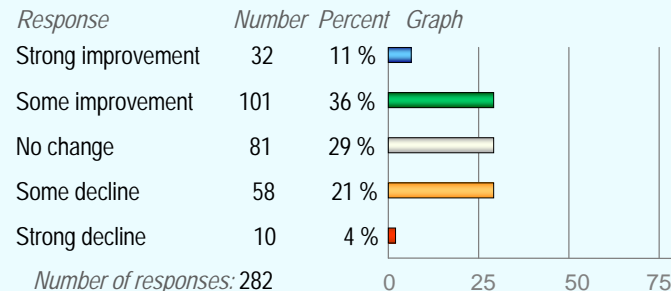
INDEX + 0.29



North American companies **+0.26**



European companies **+0.31**



Business Confidence Survey – Spring 2003

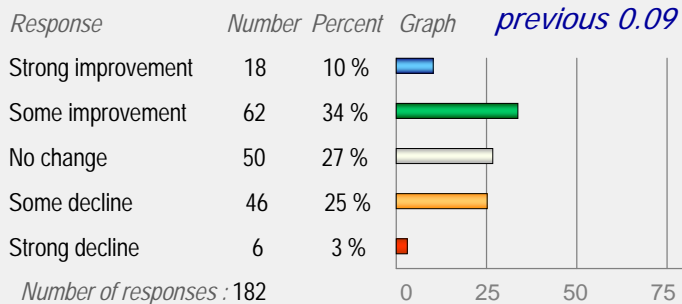
3.1. Profitability during the **past** 6 months (2)

By type of business

OVERALL INDEX **+0.29**

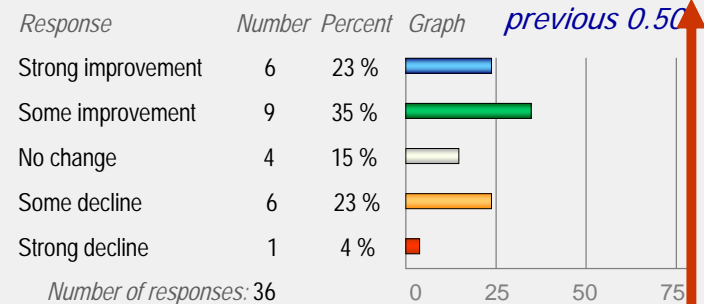
Sales & Trading

+0.22



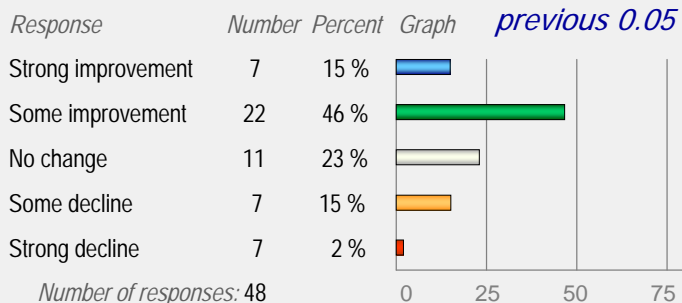
Manufacturing

+0.69



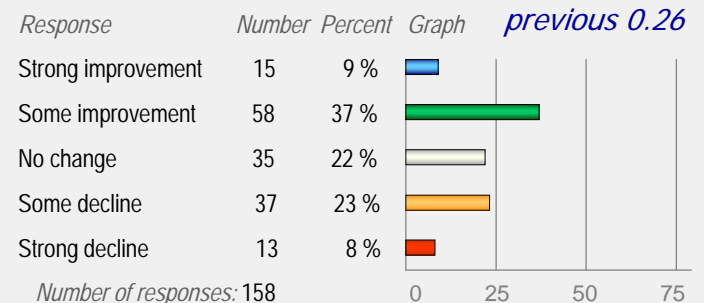
Finance

+0.56



Service

+0.16

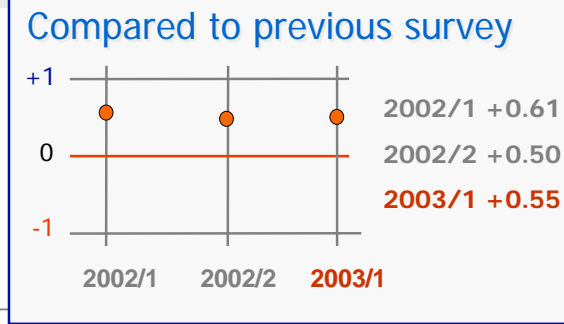
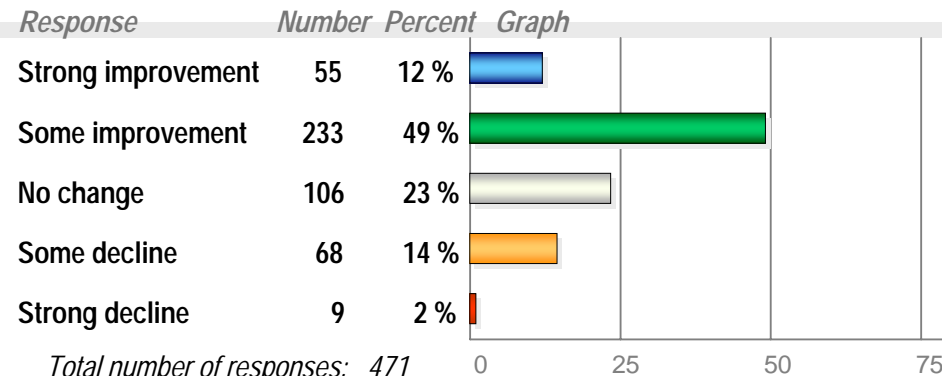


Business Confidence Survey – Spring 2003

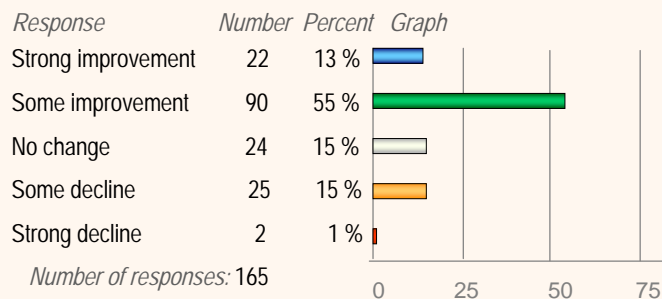
3.2. Profitability during the **next** 6 months

TOTAL FOR SURVEY

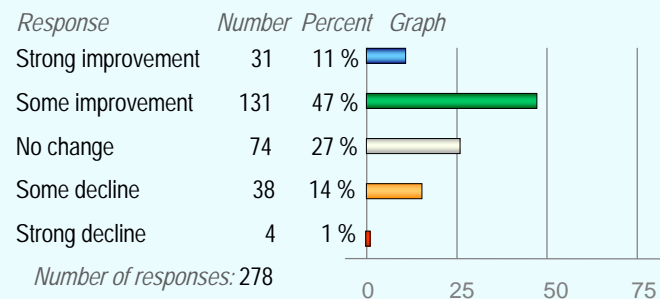
INDEX + 0.55



North American companies +0.64



European companies +0.53



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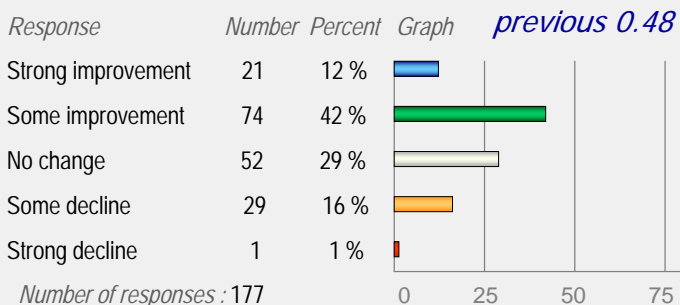
3.2. Profitability during the **next** 6 months (2)

By type of business

OVERALL INDEX **+0.55**

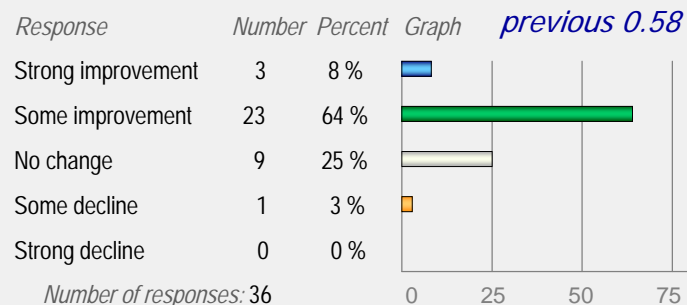
Sales & Trading

+0.48



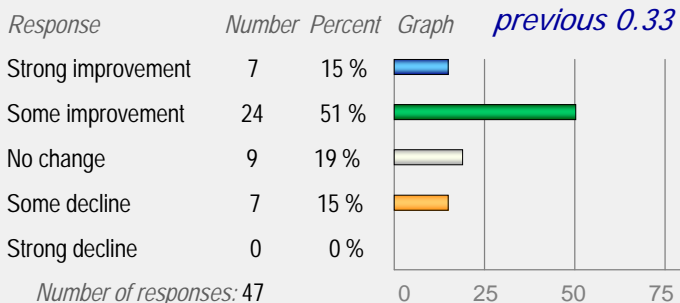
Manufacturing

+0.78



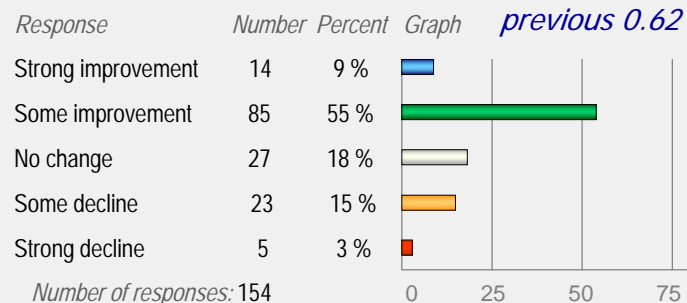
Finance

+0.66



Service

+0.52



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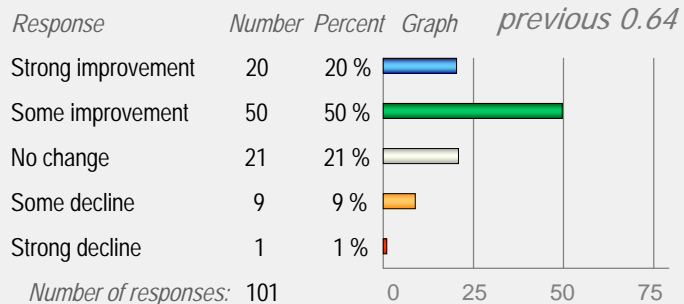
3.2. Profitability during the **next** 6 months (3)

By “years in Japan”

OVERALL INDEX **+0.55**

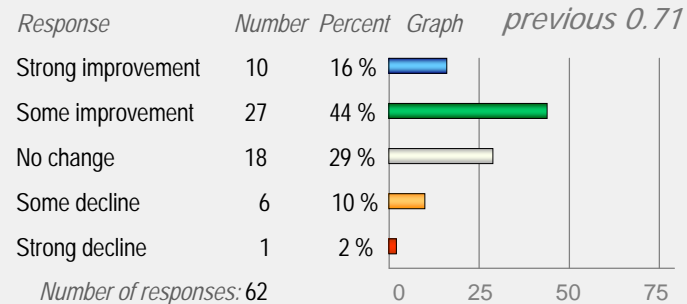
Less than 5 years

+0.78



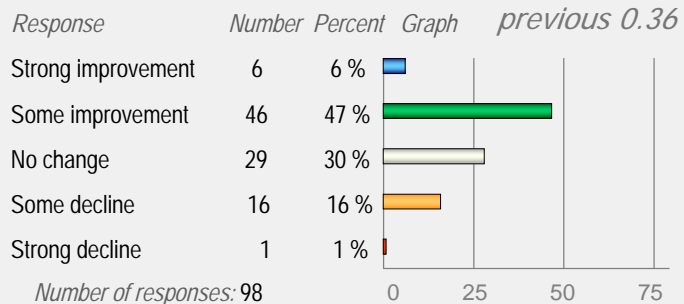
5-10 years

+0.63



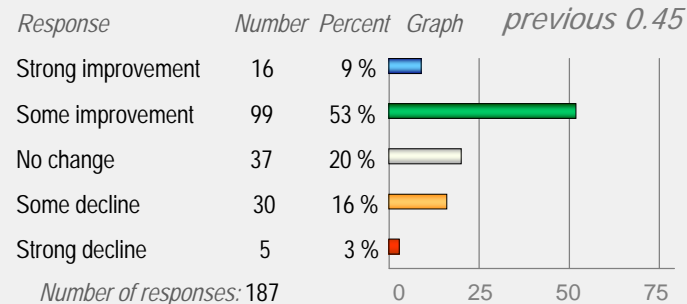
11 – 20 years

+0.41



More than 20 years

+0.48



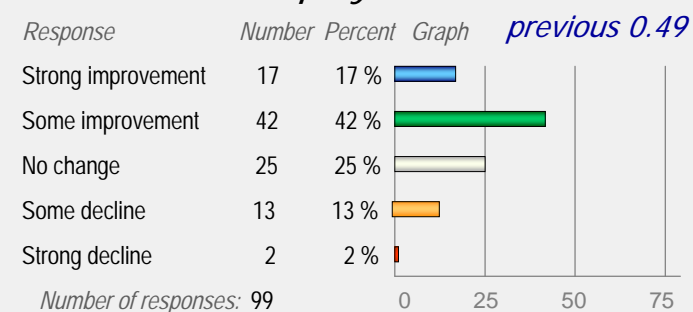
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3.2. Profitability during the **next** 6 months (4)

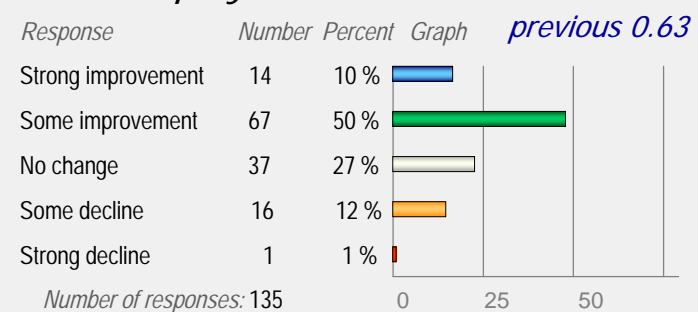
By Company size

OVERALL INDEX **+0.55**

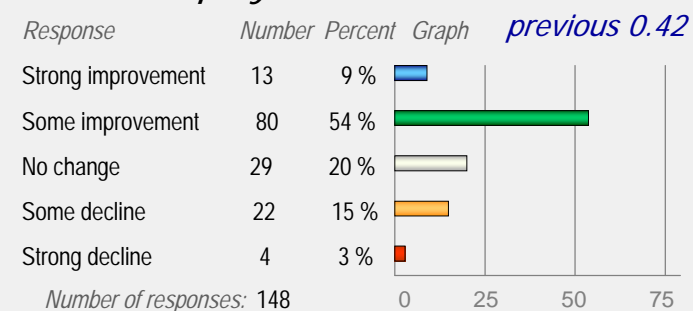
Less than 10 employees **+0.60**



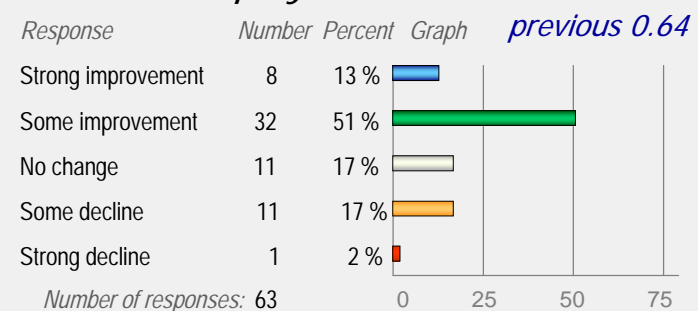
10-50 employees **+0.57**



51-500 employees **+0.51**



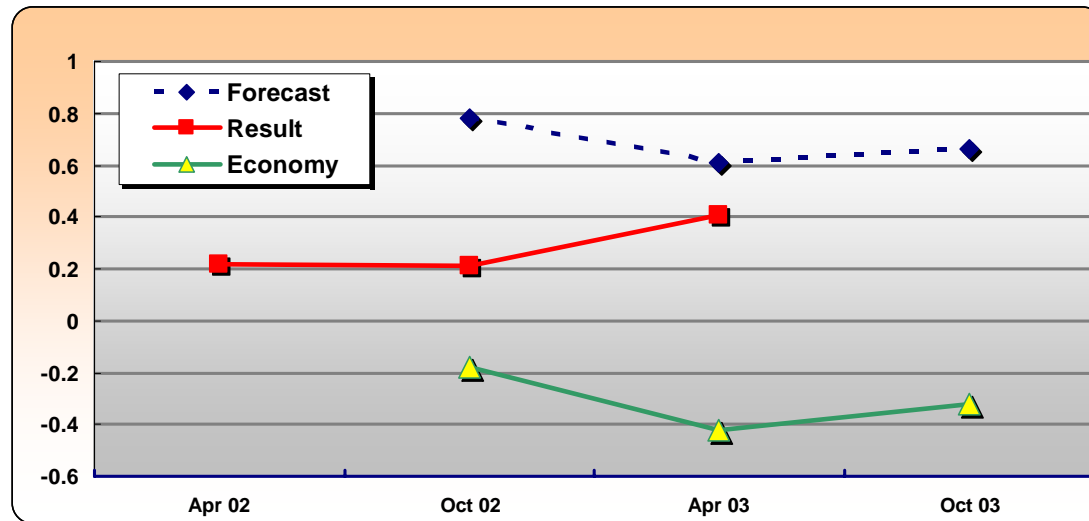
Over 500 employees **+0.56**



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A Comparison (1)

Sales and Economy



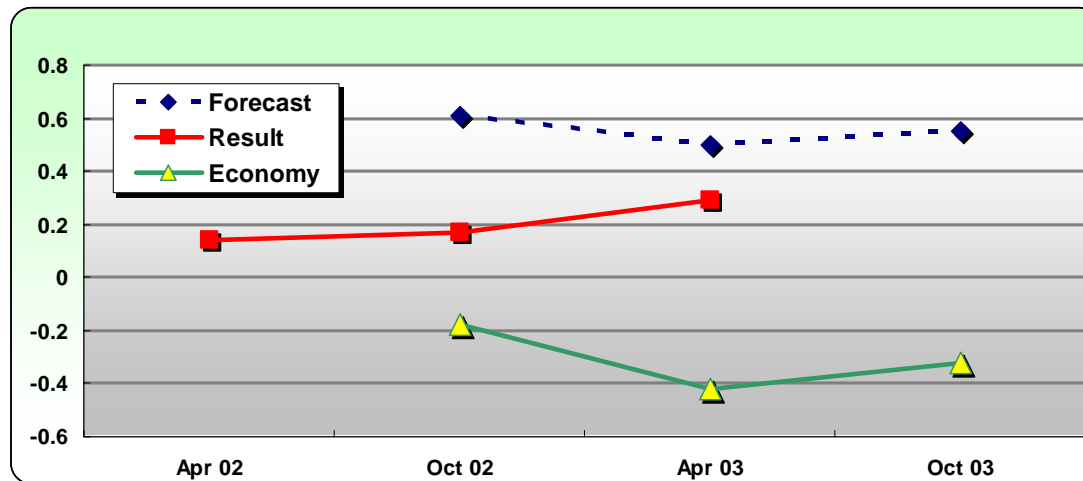
Conclusions:

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

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A Comparison (2)

Profitability and Economy



Conclusions:

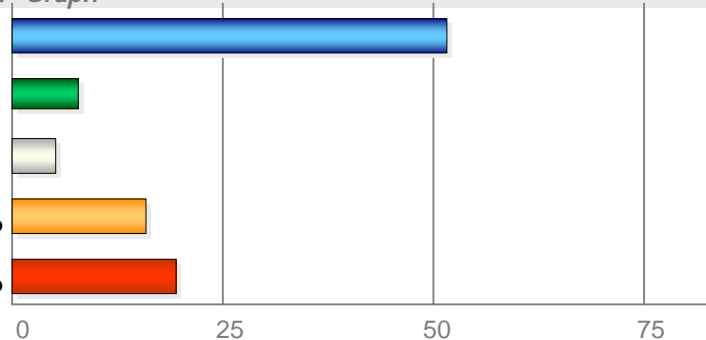
- (1) the companies views on the economy and their profitability go hand-in-hand
- (2) their ability to forecast their profitability has improved

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4. Reasons behind the changes in business performance

Response *Number* *Percent* *Graph*

Own efforts	253	54 %
More/less resources	44	9 %
Exchange rates	25	5 %
Competition change	65	14 %
Other	82	18 %



Total number of responses: 469

Previous surveys

2002/1 2002/2

51 % 52%

4 % 8%

5 % 7%

19 % 16 %

20 % 17%

Some comments from respondents

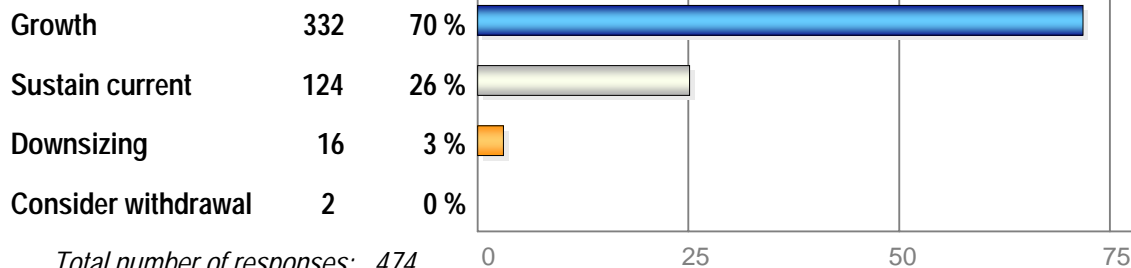
- ✓ Extensive cost cuts and staff reduction, including outsourcing (about 20 similar comments).
- ✓ An increase in creativity and productivity has led to new opportunities and grow.
- ✓ As a new market entrant in a new market our biz is in early growth stages.
- ✓ Being relatively new to the market allows strong growth as we make our name know.
- ✓ Company's Director-Asia Pacific posted in Japan since the last 6 months.
- ✓ Company is working to establish itself outside parent company.
- ✓ Initiatives to better meet the needs of the market and distribution channel.
- ✓ Reorganization, focus on value adding businesses.
- ✓ We are more aggressive that our Japanese competitors.
- ✓ **Since I became the New Director.**

Business Confidence Survey – Spring 2003

5. Strategies in Japan

TOTAL FOR SURVEY

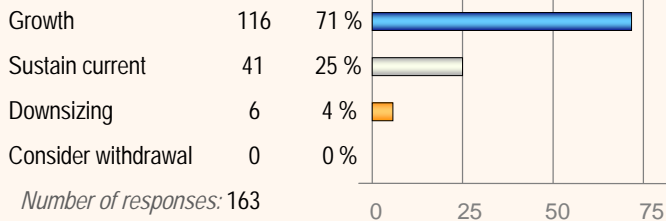
Response Number Percent Graph



Previous surveys	
2002/1	2002/2
77 %	72 %
20 %	22 %
3 %	5 %
0 %	0 %

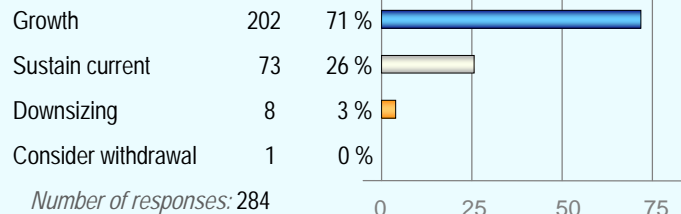
North American companies

Response Number Percent Graph



European companies

Response Number Percent Graph



Business Confidence Survey – Spring 2003

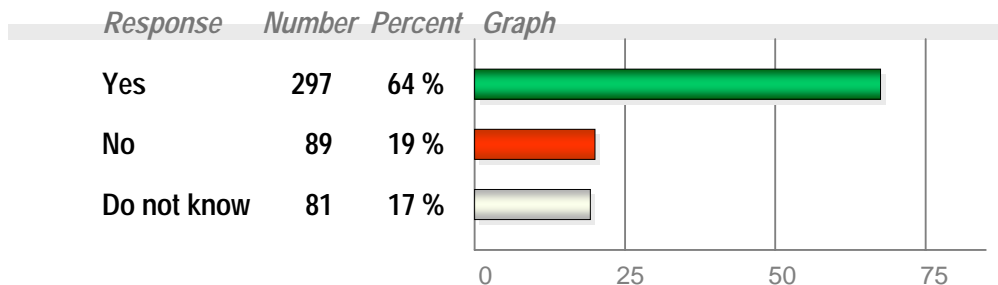
5. Strategies in Japan - Comments

- ✓ Fading Keiretsu system means consumers seek value for money & quality.
- ✓ 10% of world market, high profitability compared to other regions.
- ✓ A very big market waiting for our products. Japan is a priority market.
- ✓ Exploitation of competitive advantages despite weak retail and industry decline.
- ✓ Good chance where our domestic competitors are losing power.
- ✓ In Europe, we already have a significant market share, no growth possibilities.
- ✓ Instability means we must expand to buffer from the clients with weaker budgets.
- ✓ Long term business opportunities still excellent. Meanwhile our income is ok.
- ✓ Many market areas show opportunities. Competition mostly old-fashioned.
- ✓ Many opportunities through recently arranged JV partnership.
- ✓ Need more revenue from Japan in future as foreign business declines.
- ✓ New production facility in China need to be profitable.
- ✓ Now is the time! Anti-cyclical investing!
- ✓ The playing field is as level as it ever has been.
- ✓ To play as one of key market in considering substantial expansion in Asia.
- ✓ To take advantage of the weak competition and "the sky is falling" outlook.
- ✓ **We do NOT follow any Japanese business ideas!**

Business Confidence Survey – Spring 2003

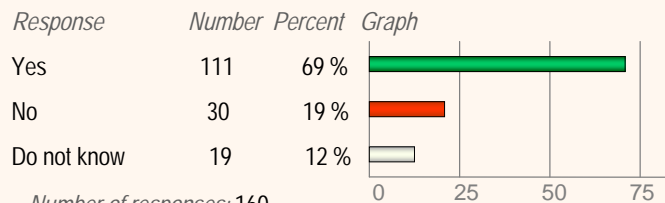
6.1. Has it become easier to recruit competent staff

TOTAL FOR SURVEY



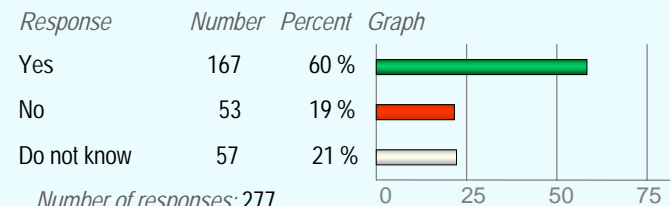
Total number of responses: 467

North American companies



Number of responses: 160

European companies

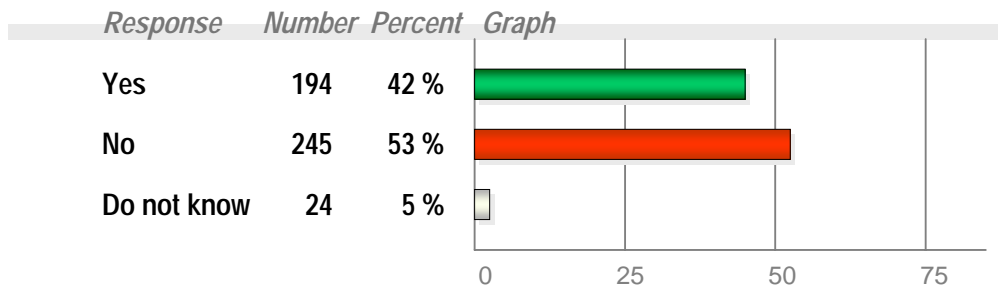


Number of responses: 277

Business Confidence Survey – Spring 2003

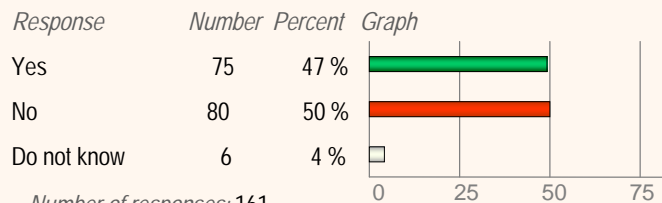
6.2. Have you ever used internet to fill a position?

TOTAL FOR SURVEY



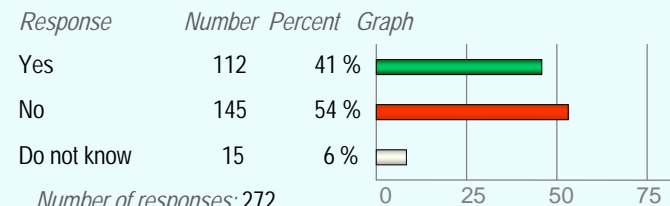
Total number of responses: 463

North American companies



Number of responses: 161

European companies



Number of responses: 272

Business Confidence Survey – Spring 2003

General Comments

Government budget still geared to give Japanese manufacturers an advantage.

Japan desperately needs to accelerate change in almost all industries. Everything happens at a snails pace.

Japan will finally start to change when Japan no longer exists BUT it will be too late at that point!!!

Make your money here and then get out before it implodes!

Japanese regulatory systems remain far behind other developed economies due to anachronistic practices, lagging e-government development.

Main problem for small enterprises in Japan is to find qualified staff, especially for strategic selling and technical experts.

Our company has 4 branches in Japan but we are not allowed to create a holding for making an efficient tax management. Would this situation change in the near future.

Over burdensome regulatory regime continues to pose additional and unnecessary costs on the business.

Recent changes in the Japanese regulations on formaldehyde levels for wood products have clearly been made to favor local suppliers. JIS changes have all only been published in Japanese. Ministerial Approval processes too are biased towards local suppliers.

Business Confidence Survey – Spring 2003

General Comments (2)

The GMO issue in Japan is a major barrier because of super-market policy and reaction to food scandals in Japan. At the same time the MHLW (ministry) is very slow in processing applications for registration of new products. This is a major concern.

The Japanese recycling scheme is a scam, not inviting foreign companies to join.

Regulatory problems are still a major issue particularly in the biological area. Japan has shown very little commitment to effectively deregulate the market.

Still hard to find good leadership in Japan, but improving slowly.

Regulations reduced significantly, and competition increased while economy is stagnant.

Regulatory requirements/lead-time continue to be a major obstacle to faster implementation of innovation.

Recent regulatory decisions in the Telecom sector are completely anti-competitive, anti-consumer perpetuating the inefficient cost structure of the dominant Carrier NTT.

Restricted access to domestic distribution network.

No problems except our own imagination.

We strongly ask our fellow chamber members to take advantage of Cafe Daisy's services!

Business Confidence Survey – Spring 2003

General Comments (for Chambers)

Arrange more networking events. We are here to do business, not socialize!

Continue the good work to make Japan business climate more open to foreign investment.

Generally very much satisfied with the activities and its service rendered by our chamber. Japan is still regulated but see a little improvement.

Introductions/more chance for involvement with potential Japanese companies would be useful - not enough done to help facilitate introduction with Japanese companies and Foreign ones.

The Chamber provides a broad range of activities and captures a wide audience. This gives us the opportunity to find out first-hand what business issues are at the forefront of the member companies' minds. This assists us greatly in the provision of adequate legal advice in the context of business activities in Japan.

We are always very pleased with the support we receive from the British Chamber. We hope to continue our joint projects into the future.

We are very happy with our chamber CCCJ they do a great job.. we wish them all the best and Thanks for all their efforts.

Keep up the excellent work!

Business Confidence Survey – Spring 2003

Summary

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 47% indicate they expect no change, while 38% indicated they foresee a decline in the economic climate.
- ❑ When comparing the combined sentiment of US and Canadian respondents to those of the Europeans, the North American responses showed slightly more optimism.
- ❑ The overall index showed - 0.32, compared to - 0.42 in the April survey.

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

- ❑ Although the sentiments for the next 12 months are slightly more positive, the index is still negative, at - 0.06. This is a slight downward trend from the April survey which showed - 0.03.
- ❑ Again here, the North Americans see the economic development more favorably.
- ❑ By type of business... Finance was notably more negative than others, Sales & Tradeing most positive.
- ❑ **Conclusion: the survey shows that foreign companies do not expect any improvement in the Japanese economy in the coming 12 months, at best it would remain unchanged.**

Business Confidence Survey – Spring 2003

Summary (2)

What is in store for sales?

The past 6 months...

- ❑ Sales during the past 6 months has improved compared to the preceding six months. Index for October survey was +0.21, this survey indicates +0.41.
- ❑ An interesting comparison; in the April survey the respondents expected the sales for the next 6 months to grow by an index of +0.61, but the actual result was +0.41, so the forecast was fairly accurate.
- ❑ By type of business, Sales & Trading achieved the best sales, with an index of +0.48, while Services was lowest at +0.29. The Finance sector had a rather significant improvement from previous survey, from + 0.20 to + 0.44.

The next 6 months...

- ❑ For the next six months the respondents once again expect a significant improvement in sales – index +0.66, which is slightly higher than in the October survey (+0.61).
- ❑ North American respondents see slightly more improvement, +0.73 compared with +0.66 for the Europeans.
- ❑ By type of business, Sales & Trading was the most positive at +0.70, while Manufacturing was lowest at +0.40.

Business Confidence Survey – Spring 2003

Summary (3)

Profitability, the past 6 months...

- ❑ Profitability in the past six months improved from the previous survey +0.29 compared to +0.17, although, again the companies forecast a stronger improvement in the October survey +0.50 compared to actual results.
- ❑ Europeans performed better than the North American, showing +0.31 compared to +0.26.
- ❑ When looking at sectors, the results were the same as sales, with Manufacturing leading the way at +0.69 and Service trailing at +0.16.

And the coming six months? Further improvement.

- ❑ Profitability in the next six months is expected to improve, with an index of +0.55, which is somewhat higher than in October +0.50, and only 16 % of the companies forecast a decline in profitability.
- ❑ North American are more positive, at +0.64 compared to +0.53 for the Europeans.
- ❑ By type of business, Manufacturing is the most positive at +0.78, followed by Finance +0.66.
- ❑ When comparing by “Years in Japan”, those that have been on the market less than 6 years forecast the highest improvement in profitability +0.78.

Business Confidence Survey – Spring 2003

Summary (4)

Strategies in Japan

- ❑ Despite the fact that respondents do not expect any turn for the better in the Japanese economy in the coming 12 months, they still have a strong expectation of positive development of their own businesses.
- ❑ Foreign businesses still see Japan as a market of opportunity with 70% looking for further growth in the market and 26 % to expecting to sustain their current level.
- ❑ **Only 2 companies of the 476 surveyed are considering withdrawing from the market.**
- ❑ European companies were slightly more positive in this aspect with 71 % seeking growth compared to 70 % for the North American respondents. Only 3 % of the Europeans plan to downsize, and 4 % from North America.

Business Confidence Survey – Spring 2003

The Survey Report is available in pdf format at:

<http://www.fcc.or.jp/fcig/confidence-survey.html>

Next survey will be conducted in October 2003

This survey has been supported by:

