Survey Report on Overseas Business Operations by Japanese Companies

—Results of the JBIC JFY2025 Survey: Outlook for Japanese Foreign Direct Investment (37th Annual Survey)—

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1. Introduction

The Japan Bank for International Cooperation (JBIC) has released its "Survey Report on Overseas Business Operations by Japanese Companies" [1] for JFY2025. For this survey, questionnaires were dispatched in early July 2025 and collected through early September (Manufacturing: Surveyed companies: 1,072, Valid responses: 541, Response rate: 50.5%; Non-manufacturing: Surveyed companies: 757, Valid responses: 192, Response rate: 25.4%). We would like to express our sincere gratitude to the companies that cooperated despite their busy schedules.

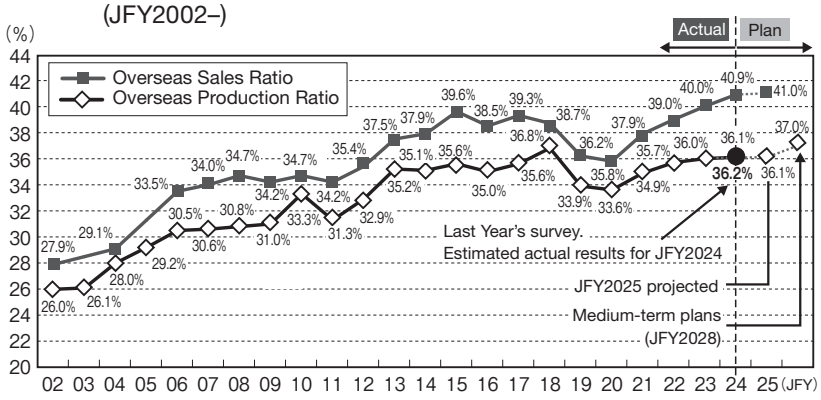
This year's survey included regular items ("Overseas Business Performance", "Mid-Term Business Prospects" and "Promising Countries/Regions") along with specific themes: "Impact of U.S. Policies", "AI-Driven Business Transformation and Business Opportunities" and "Sustainability Initiatives through Overseas Operations". Sections 2 through 7 below provide an overview of notable findings from this year's survey for the manufacturing sector, while Section 8 covers the non-manufacturing sector.

Note 1: Last year's non-manufacturing survey was conducted on a trial basis. This year, it was implemented similarly to the manufacturing survey, prompting the name change from "Survey Report on Overseas Business Operations by Japanese Manufacturing Companies" to "Survey Report on Overseas Business Operations by Japanese Companies."

2. Overseas Production/Sales Ratio

The actual overseas production ratio[2] for JFY2024 was 36.1%, nearly matching the estimated actual results for JFY2024 (36.2%) from last year's survey (Figure 1). While the estimated actual results for JFY2025 are the same as the JFY2024 actual value at 36.1%, the medium-term plan (JFY2028) projects a 37.0% ratio, indicating continued expansion of overseas production activities. Furthermore, the overseas sales ratio[3] for JFY2024 reached 40.9%, driven by the historically weak yen, the Japanese food boom, and increased exports from Japan due to the spread of AI-equipped electrical appliances. This marked the second consecutive year of setting a record high.

Figure 1. Trends in Overseas Production Ratio /Overseas Sales Ratio (JFY2002–)

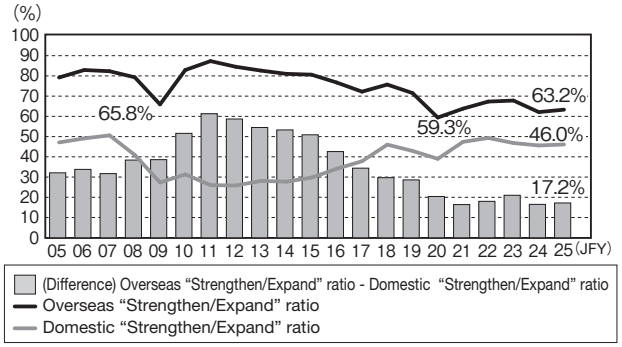


Note 2: Overseas production ratio = Overseas production / (Domestic production + Overseas production)
Note 3: Overseas sales ratio = Overseas sales / (Domestic sales + Overseas sales)

3. Mid-Term Outlook for Overseas and Domestic Businesses

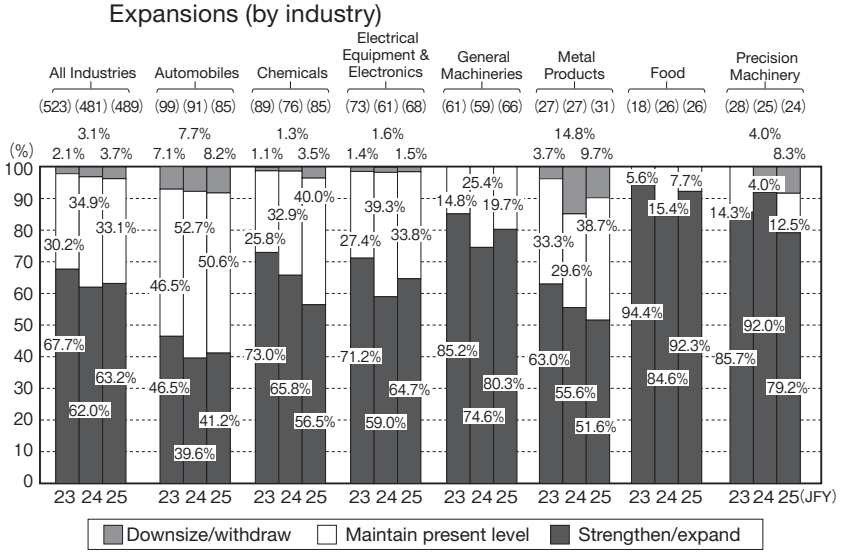
Regarding the medium-term outlook (approximately the next three years, same below) for overseas operations, the percentage of companies responding that they will "strengthen and expand" their overseas operations

Figure 2. Shift in Intentions to Strengthen/Expand Business (2005-2025)



increased by 1.2 points from last year's survey to 63.2%, marking an upward trend (Figure 2). This shift to a positive stance is likely due to an increase in companies considering investment in the U.S. this year, influenced by U.S. tariff policies, coupled with a growing number of companies restructuring production bases amid persistently heightened geopolitical risks globally. By industry, the stance to "strengthen and expand" overseas operations was particularly noticeable in the electrical equipment/electronics and general machinery sectors among the four major industries[4], rising 5.7 percentage points from last year (Figure 3).

Figure 3. Prospects for Medium-Term Overseas Business Expansions (by industry)



When asked about countries/regions where operations would be "strengthened/expanded," the U.S. ranked first, increasing by 2.6 percentage points year-on-year to 51.2% (Figure 4). This was driven particularly by General machinery and Chemicals, reflecting expectations for increased demand for production machinery and industrial chemicals stemming from the relocation of production bases to the U.S., alongside its robust economic conditions. India ranked second at 45.8%, up 4.6 percentage points from last year. It received many responses from General machinery, Electrical equipment/electronics, and Automobile sectors. This likely reflects increased companies planning to "strengthen/expand" operations, driven by rising demand for production machinery due to government manufacturing attraction policies and growing demand for power equipment from infrastructure development. Compared to last year, there was a significant increase in SMEs responding they would "strengthen/expand." Many responses cited reasons like "decided to enter India following our customer's expansion into India" (Automobile). This suggests a gradual shift toward business expansion even among SMEs, which often viewed India as having high barriers to entry. Regarding China, the percentage increased by 1.0 points year-on-year to 35.9%. Some responding companies stated, "By leveraging unique strengths, we can secure a competitive advantage even in a tough competitive environment." Depending on the industry and market, some companies indicated a stance of strengthening or expanding their presence.

Figure 4. Countries to Strengthen

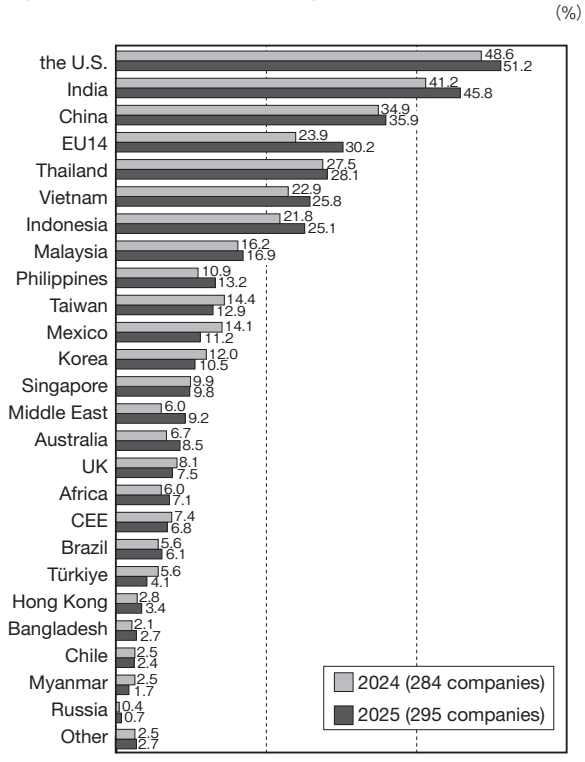
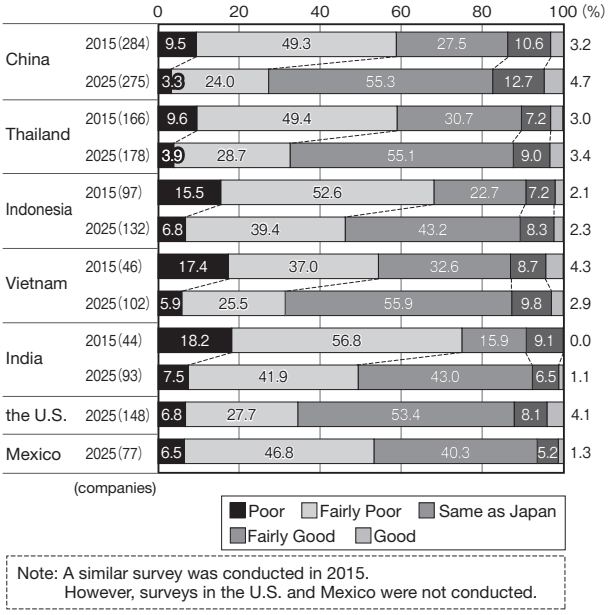


Figure 5. Evaluation of Labor Productivity (Output/ Hour-Person) in Each Country in 2015 and 2025



Note: A similar survey was conducted in 2015.
However, surveys in the U.S. and Mexico were not conducted.

Figure 6. Promising Countries for Overseas Business over the Medium-Term (next 3 years, Manufacturing)

Ranking 2025 ← 2024			Countries / Regions	No. of Companies 2025 (Total 338)	No. of Companies 2024 (Total 351)	Percentage Share (%) 2025	Percentage Share (%) 2024
1	←	1	India	209	206	61.8	58.7
2	↑	3	U.S.	95	92	28.1	26.2
3	↓	2	Vietnam	85	110	25.1	31.3
4	←	4	Indonesia	75	89	22.2	25.4
5	↑	6	China	56	61	16.6	17.4
6	↓	5	Thailand	51	66	15.1	18.8
7	↑	8	Malaysia	28	26	8.3	7.4
8	↑	9	Philippines	24	25	7.1	7.1
9	↓	7	Mexico	23	37	6.8	10.5
10	↑	11	Brazil	17	17	5.0	4.8
11	↑	14	Taiwan	15	9	4.4	2.6
12	↓	10	Germany	14	20	4.1	5.7
13	↓	12	Korea	9	14	2.7	4.0
13	↑	16	Australia	9	6	2.7	1.7
13	↑	20	France	9	5	2.7	1.4
16	↓	13	UK	6	12	1.8	3.4
16	←	16	Canada	6	6	1.8	1.7
16	←	16	Türkiye	6	6	1.8	1.7
19	↑	20	Cambodia	5	5	1.5	1.4
19	↑	27	Saudi Arabia	5	2	1.5	0.6

This year's survey compared productivity and other metrics between Japanese mother factories and overseas plants. A same question was asked in the 2015 survey, allowing for comparative analysis with those results (Figure 5). The results showed that in all Asian countries surveyed (China, Thailand, Vietnam, Indonesia, and India), over half of the companies reported lower labor productivity than Japan in 2015. However, this year's survey revealed significant improvement, with over half of the companies reporting productivity equal to or higher than Japan. The improvement was particularly pronounced in China, Thailand, and Vietnam. Companies reported, "In factories we've operated for many years, like in China, labor productivity, in-process defect rates, and delivery times have all improved" (Chemicals). In Indonesia and India, a relatively higher proportion of companies compared to other countries reported lower labor productivity than Japanese firms. Interviews revealed comments such as, "In Indonesia, once workers become skilled, they tend to move to factories of other foreign companies offering higher wages" (General machinery).

Note 4: This survey collectively refers to the automobile, chemical, electrical equipment/electronics, and general machinery industries—which had the highest number of respondents—as the "four major industries."

4. Promising Countries/Regions Ranking

Responding companies were asked to list up to five countries/regions they consider promising for business expansion in the medium term, and the results are shown in Figure 6.

This year, India secured 61.8% of votes, a 3.1-point increase from last year and its highest ever, ranking first for the fourth consecutive year. It received particularly high votes from the Electrical equipment/electronics sector. In interviews, comments such as "This is driven by policies to attract the semiconductor industry and infrastructure development boosting demand for power equipment" (Electrical equipment/Electronics) were heard. Furthermore, the "planned investment rate" (indicating whether companies listing a country as promising have business plans) rose 6.1 percentage points year-on-year to 44.5%, suggesting investment planning is becoming more concrete.

The U.S. gained votes due to expectations for its local market, securing second place. Interviews revealed comments such as "expectations for increased demand for production machinery accompanying factory relocations to the U.S. driven by the 'Bring Manufacturing Back' policy." Regarding tariff policies, comments included "even discounting the negative impact of tariffs, the domestic market offers significant profit potential, making it attractive." However, some also stated, "Investment is on hold due to high uncertainty" (Electrical equipment/Electronics), causing the planned investment

rate to drop 11.4 points year-on-year to 49.5%.

Vietnam saw a decline in its vote share compared to last year but ranked third, supported by factors like low labor costs. In interviews, comments included, "Labor costs are trending upward but remain low and attractive" (Automobile). Due to an increase in additional investment plans, the planned investment rate rose 2.6 percentage points from last year to 31.7%.

5. Impact of U.S. Policies on Supply Chains, etc.

Respondents were asked about the impact of various Trump administration policies on their businesses (Figure 7). The policy with the most significant impact, both positive and negative, was "tariffs and other trade policies," with 30.5% reporting a positive impact and 50.9% reporting a negative impact. Companies reporting positive impacts stated, "We source and produce locally in the U.S., so we are relatively advantaged compared to other companies heavily impacted by tariffs." However, many companies source raw materials and other inputs from outside the U.S. for their domestic facilities. Consequently, even among companies with U.S. bases, over half reported negative impacts.

Regarding tariff policies, this survey asked companies how they would respond to tariff increases (Figure 8). Passing the cost increase on to customers was the most common response at 63.9%, followed by internal cost reduction (50.0%) and negotiating price reductions with suppliers (21.6%). Some respondents also indicated they were implementing or considering changes to their supply chain, such as shifting sourcing locations, manufacturing bases, or sales destinations. This revealed that 30.4% of responding companies are considering some form of supply chain restructuring.

Companies that selected supply chain restructuring as a tariff countermeasure were asked about specific relocation destinations for procurement sources or manufacturing bases. Regarding procurement sources, many responses indicated shifting from Japan or China to the U.S. (Figure 9). In interviews, comments included: "We were sourcing materials from Japan, China, and other Asian countries for production in the U.S., but to avoid tariffs, we are promoting local sourcing of raw materials and localizing manufacturing processes" (Automobile). Shifts and diversification from China to Japan, India, Thailand, and Vietnam were also observed. One chemical company stated, "We are advancing local procurement at our Asian production bases from a risk diversification perspective."

Similar to sourcing, manufacturing bases also showed relocation or diversification from Japan or China to the U.S. Additionally, responses indicated relocation or diversification from Mexico to the U.S. (Figure 10). Furthermore,

Figure 7. Impact of Trump Administration Policies

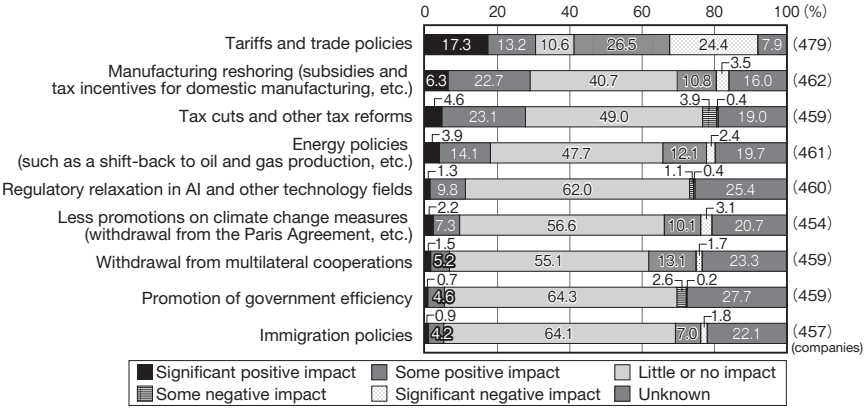
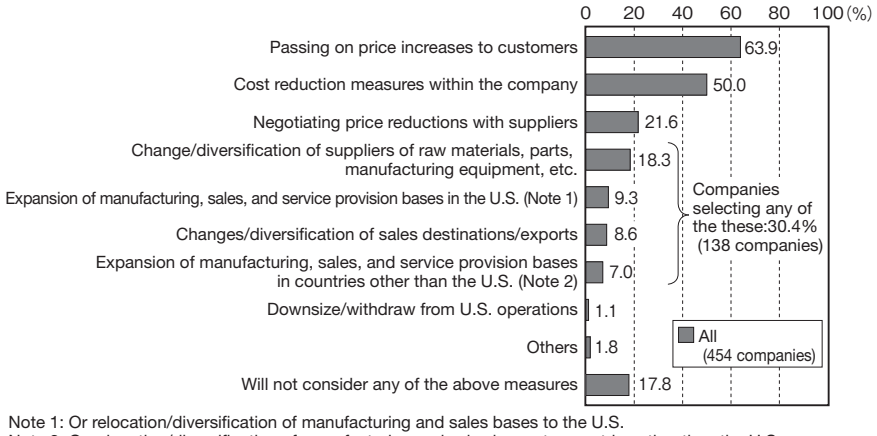


Figure 8. Responses to Tariffs Increases



Note 1: Or relocation/diversification of manufacturing and sales bases to the U.S.
Note 2: Or relocation/diversification of manufacturing and sales bases to countries other than the U.S.

Figure 9. Changes and Diversification of Suppliers

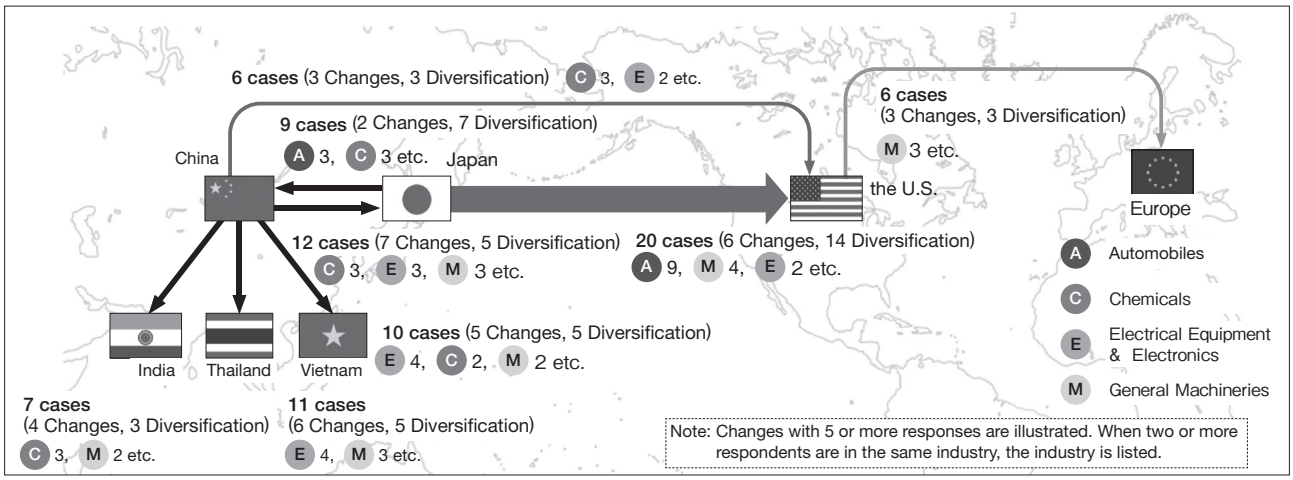
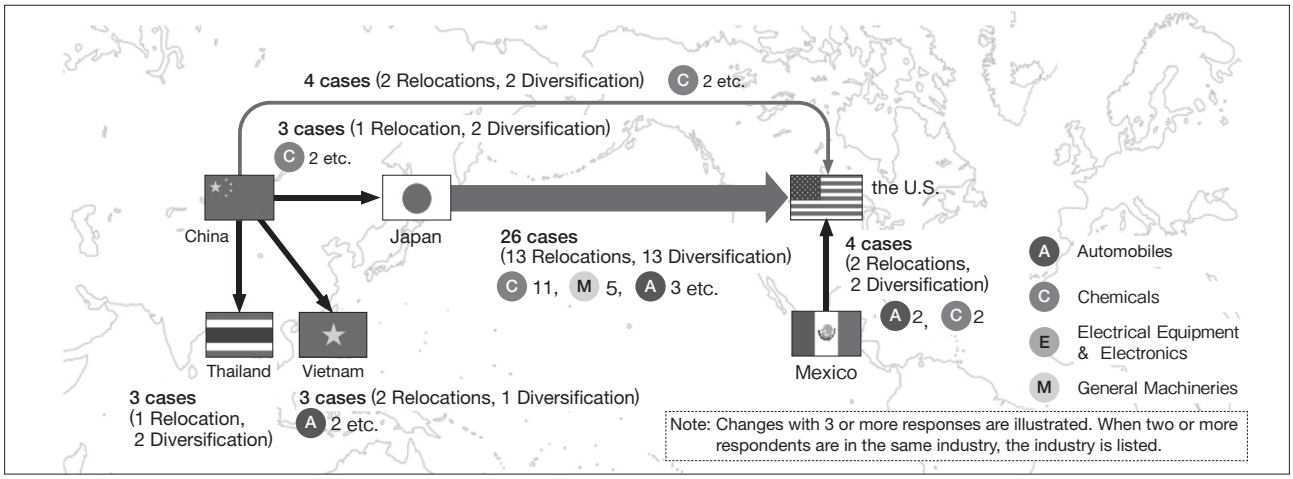


Figure 10. Relocations and Diversification of Manufacturing Bases



mirroring sourcing trends, movements toward relocation or diversification from China to other Asian countries like Japan, Thailand, and Vietnam were also observed. During interviews, comments included: "Considering U.S.-China relations, there are also moves to shift production from China to Japan, Thailand, or Vietnam (for export to the U.S.)" (Chemicals).

This survey also asked respondents which U.S. states they were considering for business expansion and compiled a ranking (Figure 11). California ranked first with 35.2% of votes, followed by Texas in second place. Ranked third through ninth were states from the Midwest to the South where automobile-related companies and others have established bases. California and Texas garnered votes from many industries, led by Chemicals and Electrical equipment/electronics, while the Midwest and Southern states primarily received votes from the Automobile sector. Arizona, which ranked tenth, attracted interest from semiconductor-related companies due to the new factory being built by Taiwan Semiconductor Manufacturing Company (TSMC). Regarding reasons for selection, many states cited "industrial clusters (concentrations of suppliers, customers, and partners)" and "proximity to markets." California, however,

Figure 11. U.S. State Ranking (Top 10)

	State	Total Number of Responding Companies	Percentage
1	California	69	35.2%
2	Texas	44	22.4%
3	Illinois	22	11.2%
4	Georgia	20	10.2%
5	Ohio	16	8.2%
5	Michigan	16	8.2%
7	Indiana	14	7.1%
7	Kentucky	14	7.1%
9	Tennessee	13	6.6%
10	Arizona	12	6.1%
10	New York	12	6.1%

highlighted "good access from Japan" more frequently than other states. Texas listed a broader range of factors, including "low and abundant raw materials" and "low labor costs," revealing distinct characteristics by state.

6. AI-Driven Business Transformation and Business Opportunities

Amid growing attention on AI adoption in business, a survey on AI usage within companies revealed that 58.3% of companies utilize AI in administrative division and 41.0% in production division (Figure 12). Examples of AI use in administrative division included generating meeting minutes and translations using generative AI. Some companies reported building their own chatbots to reduce document creation time. In production division, the most common application was on the manufacturing Site (production lines), though usage was also noted in areas like "product planning and technology development" and "sales." Examples included "using AI to forecast demand and adjust production" and "leveraging accumulated data to handle technical inquiries from overseas agents."

Among responding companies, 15.8% provide AI-related products or services as part of their business (Figure 13). Efforts span many fields. In semiconductor-related areas, companies reported strengths over foreign competitors in semiconductor materials and semiconductor manufacturing equipment. In data center (DC) related fields, strengths were noted in power-related technologies and cooling technologies (Figure 14). While companies are engaged in AI-based products across many sectors, relatively few reported AI development activities, citing

Figure 12. AI Utilization Status in the Administration Division and Production Division

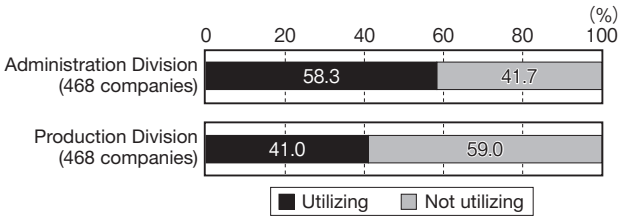


Figure 13. Percentage of Companies Providing AI-Related Products, etc., as a Business Activity

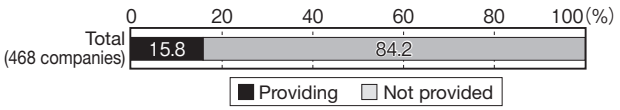
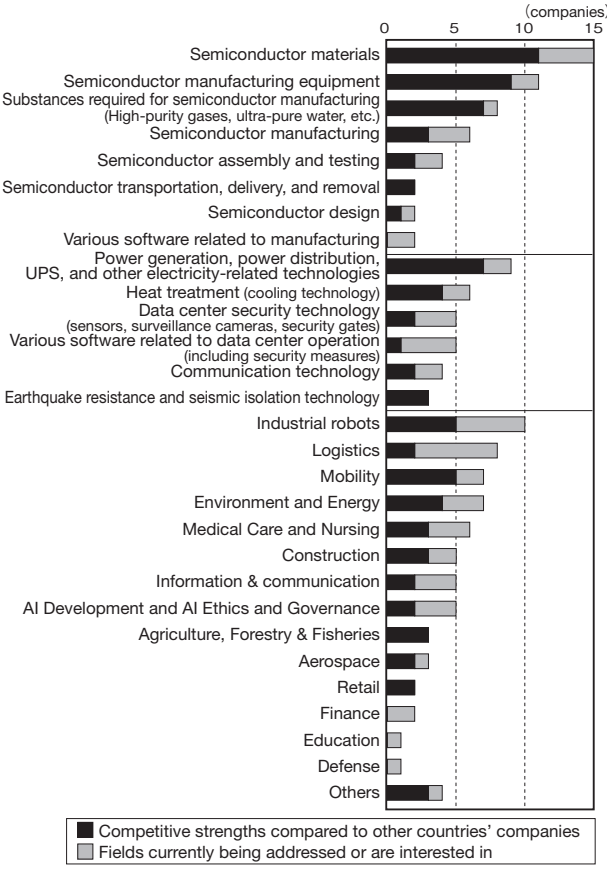


Figure 14. AI-Related Companies' Fields of Focus and Competitive Advantages Compared to Other Countries



strong competition from overseas players. However, companies that identified strengths in AI development offered a positive perspective: "Although overseas players lead AI development and foreign-made AI is widely adopted, Japanese companies could occupy an important position in the AI market by focusing on specialized AI development in specific areas like Japanese language processing or image recognition."

7. Sustainability Initiatives Through Overseas Operations

When asked about sustainability initiatives at overseas locations, Thailand and China showed relatively higher implementation rates by country (Figure 15). The most frequently cited initiative was "Appropriate management and reduction of wastewater, exhaust gases, and waste in manufacturing processes (22.6%)", followed by "Offshore wind, solar, and geothermal power generation (12.5%)". In Europe, where resource circulation initiatives are prevalent, examples included "biomass boilers converting waste materials like wood into energy"

Figure 15. Percentage of Companies Engaged in Initiatives by Country

Country	China	Thailand	Indonesia	Vietnam	India	the U.S.	Europe	Average*	[Reference] Japan
1. Percentage of Companies Engaged in Initiatives in Any Field									
Number of companies undertaking initiatives in any field (1. to 16. below)	146	124	68	48	55	97	67		382
Companies engaged in initiatives in any of these areas/ Number of companies with bases in each country among those responding to this question (%)	43.3	49.2	39.5	34.8	37.7	36.1	34.9	38.2	95.5
2. Percentage of Companies Engaged in Initiatives by Field (%)									
1. Appropriate management and reduction of wastewater, exhaust gases, and waste in manufacturing processes	26.7	26.2	25.6	23.2	24.7	19.0	19.3	22.6	57.5
2. Offshore wind, solar, and geothermal power generation	13.6	23.4	12.2	13.0	13.0	7.8	12.0	12.5	43.8
3. Resource circulation (development of high-performance biomass materials, recycling technologies, and high-performance materials with high recyclability, improvement of waste disposal efficiency, etc.)	5.9	9.1	5.2	7.2	5.5	6.3	9.4	6.3	30.3
4. Automobiles and Storage Batteries	6.5	4.8	3.5	0.7	4.8	4.5	7.3	4.5	16.0
5. Carbon Recycled Materials	3.0	4.0	3.5	1.4	2.7	3.3	4.2	3.4	13.8
6. Carbon neutralization of logistics, human flow, and civil infrastructure	1.8	2.8	1.7	1.4	1.4	1.5	2.1	1.9	8.5
7. Carbon-neutralization of semiconductors, information and communication industries	1.5	0.4	1.2	2.2	0.7	1.1	1.6	1.4	6.3
8. Providing products and services that contribute to securing biodiversity	1.2	1.2	0.6	0.0	1.4	1.9	2.1	1.3	7.8
9. Hydrogen and Fuel ammonia	1.2	0.0	0.0	0.0	1.4	2.2	3.1	1.1	9.0
10. Carbon neutralization of food, agriculture, forestry, and fisheries	0.6	0.8	0.6	0.7	0.7	1.1	1.6	0.8	4.0
11. Housing (ZEH), buildings (ZEB), and next-generation power management	0.3	0.8	0.6	0.7	0.0	0.4	1.0	0.5	6.8
12. Carbon neutralization of ships (zero-emission ships, etc.) and aircraft	0.3	0.0	0.0	0.0	0.0	0.7	2.6	0.4	5.3
13. Lifestyle related initiatives (environmental data utilization, digitization, sharing)	0.6	0.4	0.6	0.7	0.0	0.7	0.5	0.4	4.3
14. Nuclear power	0.0	0.0	0.0	0.0	0.0	1.5	0.5	0.4	1.8
15. Next-generation thermal energy (methane)	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.8
16. Others	0.3	0.0	0.0	0.0	0.0	0.0	0.5	0.2	0.8

* Includes actuals from Korea, Taiwan, Malaysia, and Mexico

- 5.0 points or more higher than average
- More initiatives by 1.0 point or more but less than 5.0 points
- 1.0 point or more but less than 5.0 points fewer initiatives
- Compared to the average of overseas bases, the difference is less than 1.0 point

(Building materials) and "aluminum scrap recycling" (Metals). In Thailand, "development of biomass power plants" (General machinery) was cited.

Regarding barriers and challenges in promoting sustainability, China, which is strengthening environmental regulations, frequently cited "accepting increased costs" and "competing with local companies." Comments included, "We cannot pass on the costs of sustainability initiatives because products from local Chinese companies are inexpensive" (Electrical equipment/electronics). In Europe, "complex environmental standards" appear to be a barrier, with comments such as "environmental regulations are updated and revised almost every year" and "standards are multi-layered at both the national and EU levels" (both from Chemicals). On the other hand, some viewed this positively as an opportunity, stating, "By promoting the production and sales of environmentally conscious packaging, we can respond to needs created by regulatory compliance" (Other manufacturing).

8. Non-Manufacturing Company Survey ～Promising Countries Ranking～

This year, the survey of non-manufacturing companies conducted on a trial basis last year, was implemented

alongside the manufacturing sector survey.

In the ranking of promising countries for non-manufacturing companies, India topped the list with a vote share of 41.7%, similar to the manufacturing sector (Figure 16). The primary reason cited was high expectations for the local market. India also garnered many votes from transportation and wholesale sectors due to the establishment of production bases by Japanese companies. Selected companies stated, "We are considering re-entering the market because the Make in India policy is driving new factory construction, increasing demand for machinery" (Wholesale). The U.S. ranked second with a vote share of 31.3%. It garnered significant votes from construction and electricity/gas sectors, particularly driven by expectations for DC business opportunities. Indonesia (28.7%) and Vietnam (27.8%) ranked third and fourth, respectively. Both countries are seen as benefiting from the expansion of their middle-income classes. Interviews revealed comments such as: "Market growth is driving demand for resources" (Mining, Indonesia) and "Increased per capita income has heightened demand for insurance" (Finance/insurance, Vietnam). Some countries, like the Philippines and Australia, ranked higher than manufacturing. The Philippines received many votes from transportation, with comments like "special transportation zones exist." In Australia, sectors common in developed countries—Real estate and Finance/insurance—accounted for a high proportion of votes.

Figure 16. Promising Countries for Overseas Business over the Medium-Term (next 3 years, Non-manufacturing)

Rank-ing	Countries /Regions	No. of Companies (115 companies)	Percentage Share (%)
1	India	48	41.7
2	U.S.	36	31.3
3	Indonesia	33	28.7
4	Vietnam	32	27.8
5	Philippines	21	18.3
6	Australia	14	12.2
7	Malaysia	13	11.3
8	Thailand	12	10.4
9	Singapore	11	9.6
10	China	10	8.7
11	Bangladesh	9	7.8
12	Taiwan	7	6.1
12	UK	7	6.1
14	Germany	6	5.2
15	Korea	5	4.3
15	UAE	5	4.3
17	Brazil	3	2.6
17	Canada	3	2.6
17	New Zealand	3	2.6

9. Conclusion

In this year's survey, India maintained its top position in the promising countries ranking for the fourth consecutive year. Not only did its vote share continue to rise, indicating sustained corporate interest, but the increase in planned investment rates and the higher proportion of SMEs planning to "strengthen or expand" operations are particularly noteworthy. Regarding the U.S., it was interesting that while many companies cited negative impacts from tariffs, some reported positive effects. Regarding responses to tariff policies, many cited passing costs onto customers, but half of companies reported implementing internal cost reductions. It remains necessary to closely monitor the long-term impact of companies absorbing tariff burdens internally. Note that this survey's response period was July to September 2025. A tariff agreement with the U.S. was reached during this period, so the timing of responses may have influenced the direction of tariff countermeasures.

While the survey for non-manufacturing sectors began last year, it yielded interesting results, such as different rankings of promising countries compared to manufacturing and the impact of manufacturing overseas relocation on Transportation and Wholesale. Furthermore, within ASEAN countries, while manufacturing reported a harsh competitive environment, non-manufacturing expressed high expectations for future market growth. We aim to further deepen our investigation and analysis regarding the relationship with manufacturing trends.

We hope this paper deepens readers' understanding of Japanese companies' overseas business expansion efforts.

(Author Profile)

Joined the Japan Bank for International Cooperation (JBIC) in 2025. Engaged in information gathering and analysis on the overseas business expansion of domestic companies within the Strategic Research Department of the Corporate Planning Group. Completed Master's program at Osaka University, Graduate School of Medicine (Master of Medical Science).