



Japan External Trade Organization

FY 2010 Survey on the International Operations of Japanese Firms

March 8, 2011

Japan External Trade Organization (JETRO)

Contents

1. Survey Outline and Profile of Respondent Firms	3
(1) Expanding business overseas, especially in Asia	4
(2) Sales bases in China continue to increase	5
2. Trade Business and Trade-related Issues	6
(1) SMEs show a positive stance toward exports	6
(2) Tariffs and multiple regulations seen as obstacles	7
3. Utilization of Free Trade Agreements (FTAs)	8
(1) Steady progress seen in utilization of Japan's FTAs	8
(2) Utilization of FTAs takes root in trade of Japanese companies	9
(3) Variety of industries utilize FTAs in exports	10
(4) High expectation for conclusion of FTAs with major trading partners	11
4. Domestic and Overseas Business Operations	12
(1) Plans to expand overseas operations surge	12
(2) Manufacturers proactive in expanding overseas operations (1)&(2)	13
(3) Diversification is the keyword in overseas business strategies (1)-(4)	15
(4) Growing awareness of the need of M&A	19
(5) Firms plan to expand local market sales share	20
5. Business Development in China	21
Continued high interest in expanding business in China	21
6. Business Environment in Asia	22
(1) Growing concern about rising labor costs	22
(2) Risks and issues of major Asian countries (all industries)	23
(3) Risks of major Asian countries (manufacturing and non-manufacturing industries)	24

1. Survey Outline and Profile of Respondent Firms

1. Survey topics and targets

(1) Survey topics

- Trade business and trade-related issues
- Utilization of Free Trade Agreements (FTAs)
- Domestic and overseas business operations
- Business development in China
- Business environment in Asia

(2) Survey targets

A total of 3,080 JETRO member firms

2. Period

Distribution of questionnaires: November 25, 2010

Deadline: December 28, 2010

3. Response

Distribution of questionnaires: 3,080

Number of responses: 1,002

Response ratio: 32.5%

-Due to rounding, the percentages stated in the figures in this document do not necessarily add up to 100%.

Figure 1-1: Profile of respondent firms by industry

(Unit: %)

	No. of firms	SMEs	%
All respondents	1002	(591)	100.0
Manufacturing total	596	(368)	59.5
Manufacturing with overseas production bases	334	(151)	33.3
Manufacturing with domestic production bases only	262	(217)	26.1
Food & beverages	67	(51)	6.7
Textiles/clothing	25	(19)	2.5
Wood & wood products/furniture & building materials/paper & pulp	15	(10)	1.5
Chemicals	49	(24)	4.9
Medical products & cosmetics	24	(8)	2.4
Coal & petroleum products/plastics/rubber products	43	(24)	4.3
Ceramics/earth & stones	17	(15)	1.7
Iron & steel/non-ferrous metals/metal products	60	(44)	6.0
General machinery	82	(55)	8.2
Electrical equipment	50	(20)	5.0
IT equipment/electronic parts & devices	28	(17)	2.8
Cars/car parts/other transportation machinery	52	(23)	5.2
Precision equipment	38	(23)	3.8
Other manufacturing	46	(35)	4.6
Non-manufacturing total	406	(223)	40.5
Trade & wholesale	212	(143)	21.2
Retail	21	(6)	2.1
Construction	23	(13)	2.3
Transport	21	(11)	2.1
Finance & insurance	56	(5)	5.6
Professional services	27	(23)	2.7
Electricity, gas and water	5	(0)	0.5
Telecommunications services	4	(3)	0.4
Other non-manufacturing	37	(19)	3.7
Large-scale companies	411	-	41.0
Small and medium-sized enterprises (SMEs)	591	(591)	59.0
Exporting companies	827	(498)	82.5
Non-exporting companies	175	(93)	17.5

Note: SMEs are classified as such based on the definition given in the Small and Medium-Sized Enterprise Basic Act of Japan.

1. Survey Outline and Profile of Respondent Firms

1. Expanding business overseas, especially in Asia

Profile of respondent firms (status of export operation and overseas bases)

● China and other East Asian countries are important business partners, especially for SMEs.

66.2% of respondent firms have overseas bases, while 82.5% engage in export business either directly or indirectly. More SMEs (84.3%) engage in exports than large-scale companies, contrary to the case of deploying overseas bases, where only 55.7% of SMEs have overseas bases and 81.3% of large-scale firms have at least one base. Asian economies are main destinations for exported goods and services as well as locations for overseas bases. Operations of SMEs, in particular, show high concentrations in China and other East Asian economies.

Figure 1-1 Firms with export operation

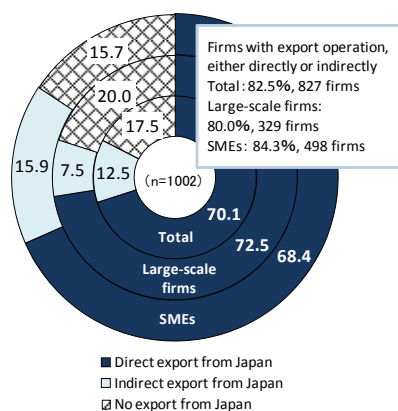


Figure 1-2 Firms with overseas bases

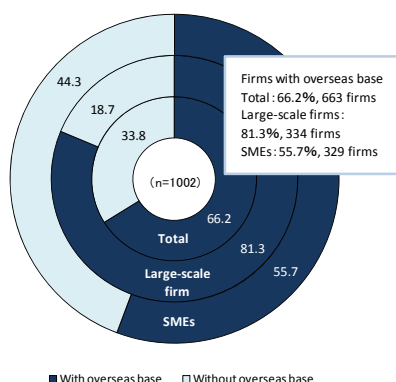


Figure 1-3 Export destination

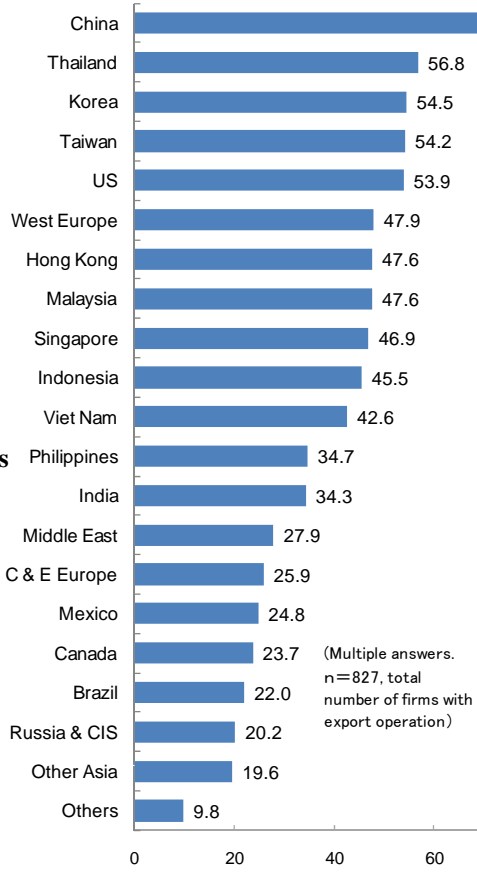


Figure 1-4 Overseas bases by location

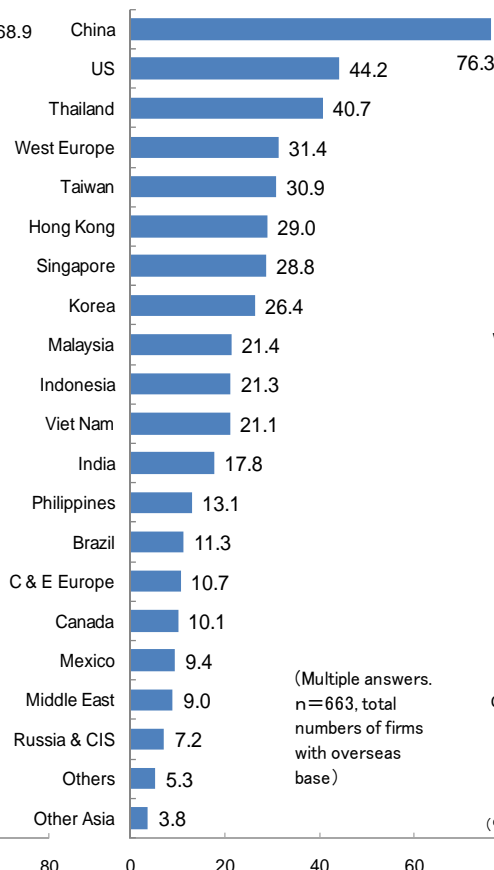
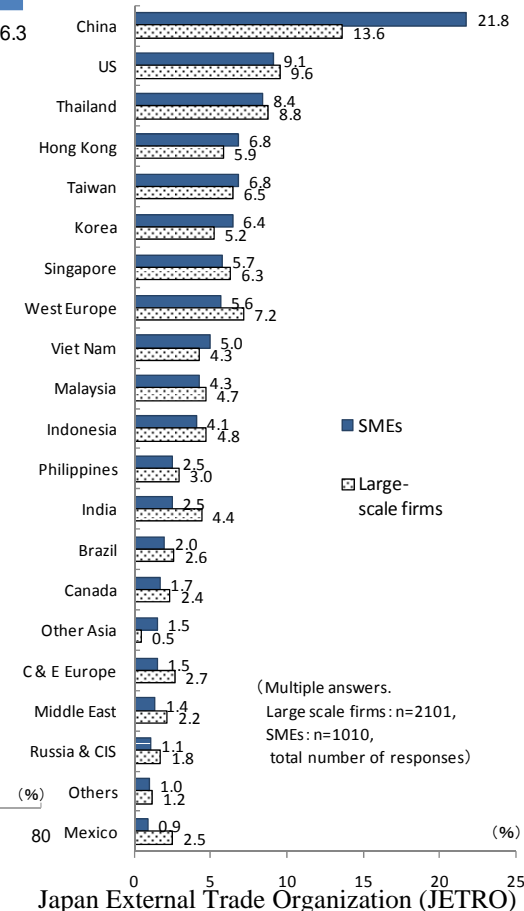


Figure 1-5 Overseas bases by location and firm size



1. Survey Outline and Profile of Respondent Firms

2. Sales bases in China continue to increase

Profile of respondent firms (status of overseas bases)

● Production bases in Southeast Asia have also expanded.

Many countries are showing an upward trend in the number of sales bases. In China alone, 363 firms have sales bases, a 5.6-point increase over last year. This means that more than half of those with overseas bases, or over 30% of total respondent firms, have sales bases in China. In the case of production bases, the proportion of firms producing in China decreased slightly from the previous year, while the proportion in ASEAN countries, such as Thailand, Indonesia, Viet Nam increased over last year.

Figure 1-6 Overseas bases by function

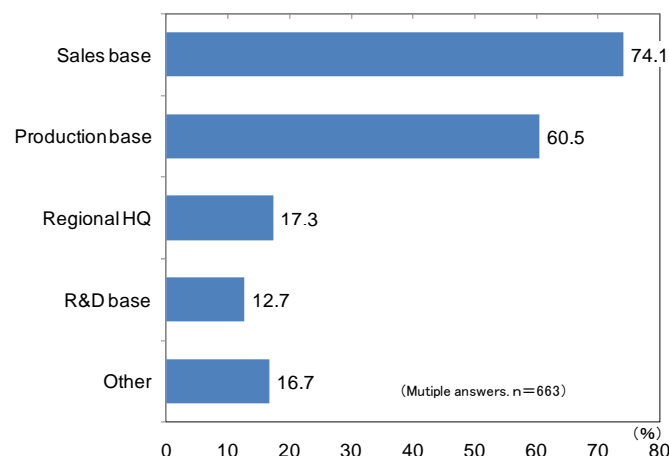


Figure 1-7 Overseas bases by function and location

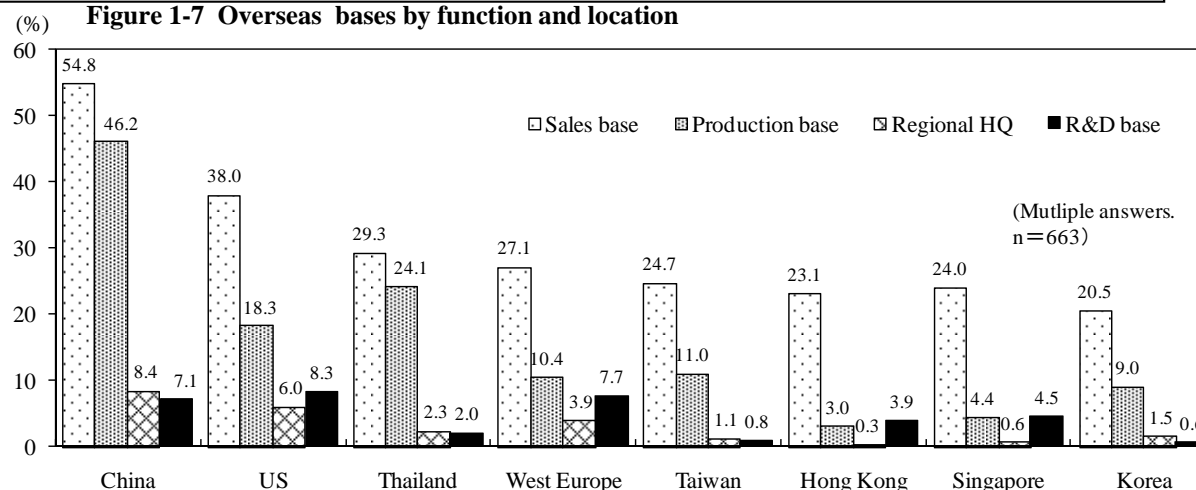


Figure 1-8 Trends in sales bases in selected economies

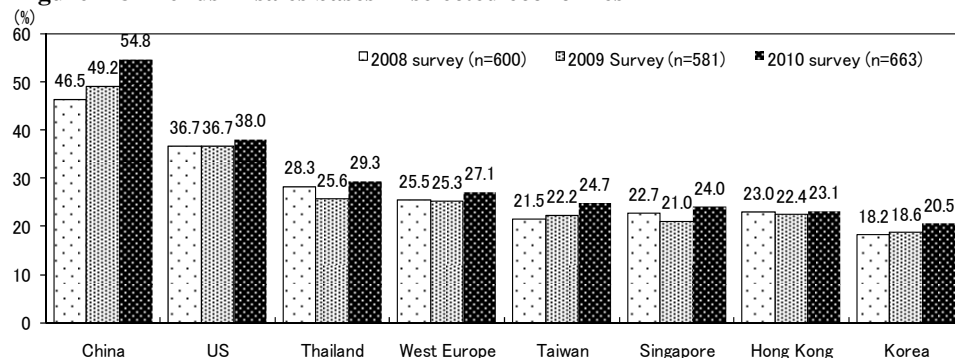
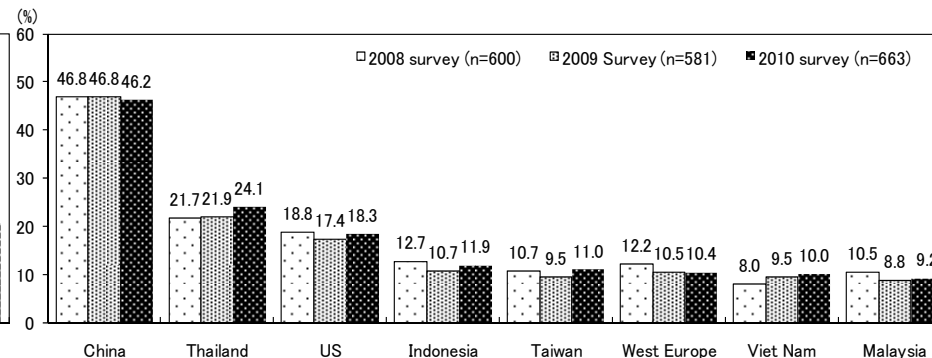


Figure 1-9 Trends in production bases in selected economies



2. Trade Business and Trade-related Issues

1. SMEs show a positive stance toward exports

Future business plans, challenges, and obstacles regarding exports

● Three quarters of SMEs plan to expand or start exports.

The majority of firms are trying to expand their export businesses, in particular SMEs. According to the survey, 67.7 % of SMEs will try to expand their exports and 6.7 % show a willingness to engage in export business. In total, 74.6% of SMEs are positive on export business, which outnumbered large-scale firms. By industry, textiles/clothing, medical products & cosmetics were among those sectors showing a strong will to increase or begin their export business.

To promote their export business, most firms recognized that they need to gather information on market needs and local trade regulations, and to expand their sales and distribution networks. SMEs feel the need to find new buyers for their goods more than large-scale firms.

Figure 2-1 Export business plan

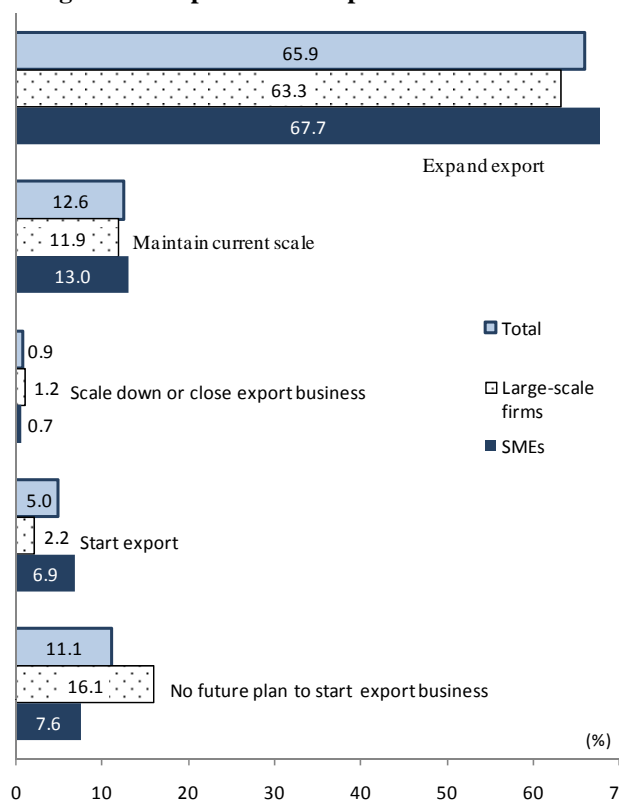


Figure 2-2 Major industries expanding export

Industry	Total respondents	(Number of firms %)		
		Expand export	Start export	Subtotal
Textiles/clothing	25	84.0	8.0	92.0
Medical products & cosmetics	24	91.7	0.0	91.7
Other manufacturing	46	87.0	0.0	87.0
Precision equipment	38	86.8	0.0	86.8
Electrical equipment	50	80.0	6.0	86.0
Chemicals	49	81.6	4.1	85.7
Food & beverages	67	79.1	4.5	83.6
General machinery	82	81.7	1.2	82.9

Note: Only industries with 5 or more respondents are listed in Figure 2-2 and 2-3.

Figure 2-3 Issues to be tackled to promote export

Issues to be tackled	Total (n=845)	Large scale (n=323)	SMEs (n=522)	(%) Main industries citing each issues as their challenges					
				Food & beverages (n=64)	Medical products & cosmetics (n=24)	Retail (n=13)	Cars/car parts/other transportation machinery (n=48)	Other manufacturing (n=44)	IT equipment/ electronic parts & devices (n=25)
Gathering information on preferences and needs of target markets	67.0	73.4	63.0	85.9	79.2	76.9			
Gathering information on tariff rates, import restrictions and other local regulations	53.3	59.1	49.6	76.9	72.3				
Finding new buyers through participating trade exhibitions and similar occasions	47.3	42.1	50.6	67.2	65.8				
Expanding local sales and logistic networks	56.0	65.0	50.4	74.0	70.8				
Developing new products or modifying products to fit overseas demands	41.4	43.7	40.0	64.1	60.5				
Reducing sales prices to fit income level of target markets.	19.3	23.8	16.5	37.5	33.3				

2. Trade Business and Trade-related Issues

2. Tariffs and multiple regulations seen as obstacles

Future business plans, issues, and obstacles regarding export

● Tariffs and numerous rules and regulations in BRICs and other economies are cited as obstacles for exports.

When asked to point out obstacles for export business, such as tariff and non-tariff barriers, 246 firms cited 395 inhibiting factors. China, India, Brazil and many other names were cited. It can be said that, compared to the proportion of export destination, the BRIC economies, including Russia, tend to be mentioned frequently for which such factors exist. As for the types of obstacles recognized by respondents, the most frequent issues are those related to tariffs. In addition to China, many identified Brazil and India as countries with high tariff rates. Some mentioned their expectations for the EPA with India to come into force as soon as possible. In addition to the tariffs, many firms voiced their concerns over the many types of rules and regulation in the BRICs and other economies.

Figure 2-4 Economies cited having obstacles for export business (multiple answers)

	Country and region	# of times cited	% of total cited
1	China	133	40.4
2	India	36	10.9
3	Brazil	24	7.3
4	ASEAN countries	24	7.3
5	Russia	19	5.8
6	US and/or Canada	19	5.8
7	Europe	19	5.8
8	Middle East and Africa	14	4.3
9	Korea	13	4.0
10	Other countries, including answers not specifying any country	28	8.5
	Total number of economies and regions cited	329	100.0

Figure 2-5 Issues cited as obstacles for export business (multiple answers)

Category of issues	Total (n=329)		China (n=133)		India (n=36)		Brazil (n=24)	
	# of times cited	% of total cited	# of times cited	% of total cited	# of times cited	% of total cited	# of times cited	% of total cited
Tariff	120	36.5	42	31.6	25	69.4	17	70.8
Local standard and related regulations	63	19.1	24	18.0	3	8.3	2	8.3
Other rules and regulations	60	18.2	32	24.1	4	11.1	3	12.5
Custom clearance procedure	39	11.9	16	12.0	2	5.6	5	20.8
Issues related to costs	30	9.1	11	8.3	1	2.8	1	4.2
Domestic taxes	29	8.8	19	14.3	2	5.6	2	8.3
Business custom, local logistic and sales network, insufficient local information	19	5.8	9	6.8	3	8.3	0	0.0
Intellectual property right	16	4.9	10	7.5	1	2.8	0	0.0
Country risks. Sentiment toward Japan	8	2.4	5	3.8	0	0.0	0	0.0
Others	11	3.3	2	1.5	1	2.8	1	4.2

Note: The country and category of issues were sorted based on the answers to the questions "if your company face any obstacles in doing export business, please specify the obstacle with name of countries." The answers that includes several different issues are categorized and counted in each category.

3. Utilization of Free Trade Agreements (FTAs)

1. Steady progress seen in utilization of Japan's FTAs

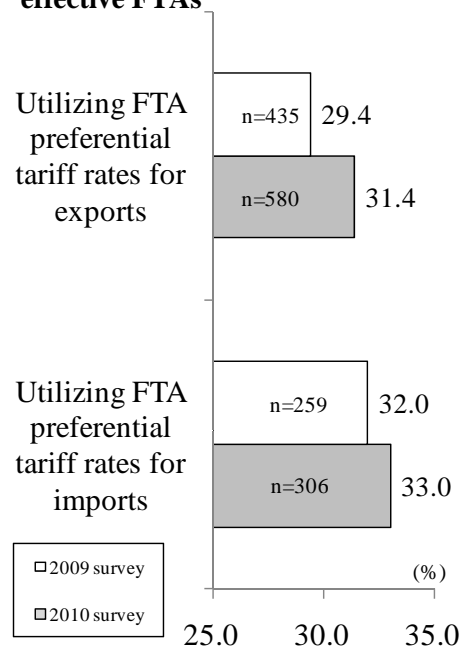
Utilization of preferential tariff schemes under Japan's FTAs

●37.9% of firms are utilizing/considering the utilization of FTA preferential tariff rates.

Focusing on the utilization of Japan's major free trade agreements (FTAs) in effect, namely with Mexico, Malaysia, Chile, Thailand, Indonesia, the Philippines, ASEAN, Switzerland and Vietnam, 31.4% of the 580 firms in manufacturing and trade & wholesales/retail industries (182 firms), which have export business with any of the above FTA partner countries, and 33.0% of the 306 firms which have import business with any of the economies are utilizing preferential tariff rates under the FTAs. Among all respondents, including those not engaged in trade, 37.9% are either utilizing or considering utilizing the FTAs, an trend that has been increasing in past five years.

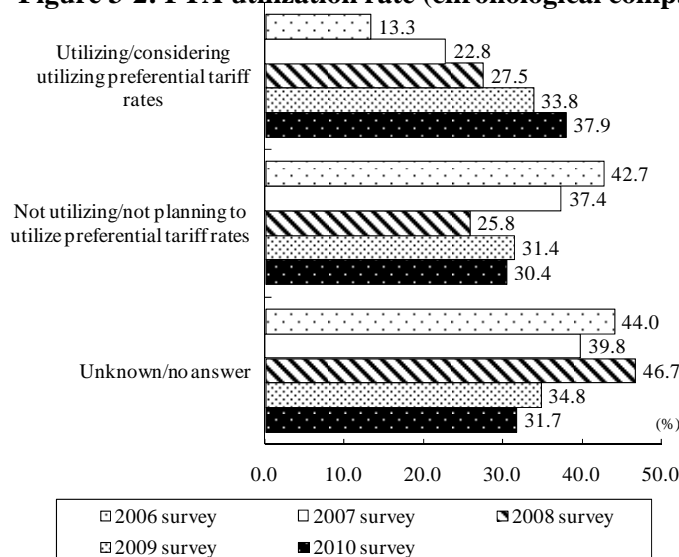
By industry, a large portion of firms are utilizing preferential tariffs in industries such as ceramics/earth & stones (47.1%), cars/car parts/other transportation machinery (44.2%) and chemicals (38.8%).

Figure 3-1: Utilization rate of Japan's effective FTAs



Note: "n" equals the number of firms that have trade relations with any of the nine countries/regions covered by the current survey.

Figure 3-2: FTA utilization rate (chronological comp.)



Note 1: FY2006 n=729, FY2007 n=733, FY2008=756, FY2009 n=751, FY2010 n=829 (manufacturing, trade & wholesale/retail). n includes firms not engaged in trade.
 Note 2: The FTAs covered by each survey are as follows:
 FY 2006 survey: FTAs (covering exports only) in effect in the Asia and Pacific region excluding the Japan-Mexico FTA, the Japan-Chile FTA and the Japan-Thailand FTA.
 FY 2007 survey: FTAs in effect in Japan and the Asia and Pacific region.
 FY 2008 survey: Japanese FTAs in effect with the five countries of Mexico, Malaysia, Chile, Thailand and Indonesia.
 FY 2009 and FY2010 surveys: Japanese FTAs in effect with the nine countries and regions of Mexico, Malaysia, Chile, Thailand, Indonesia, Philippines, ASEAN, Switzerland, and Vietnam.
 Note 3: "Unknown/no answer" includes firms not engaged in trade with the countries concerned, as well as unknown/no answers.

Figure 3-3: Utilization rate by industry

	n	No. of Firms	Percentage (%)	(Reference)	
				FY2009 Percentage (%)	FY2008 Percentage (%)
Ceramics/earth & stones	17	8	47.1	23.5	44.4
Cars/car parts/other transportation machinery	52	23	44.2	30.8	21.8
Chemicals	49	19	38.8	39.6	19.6
Other manufacturing	46	15	32.6	18.2	21.6
Textiles/clothing	25	8	32.0	38.1	27.3
Iron & steel/non-ferrous metals/metal products	60	19	31.7	23.4	14.0
Coal & petroleum products/plastics/rubber products	43	12	27.9	22.9	20.5
Trade & wholesale	212	57	26.9	24.5	16.6
Food & beverages	67	18	26.9	37.7	21.4
Wood & wood products/furniture & building materials/paper & pulp	15	4	26.7	18.8	26.3
Medical products & cosmetics	24	6	25.0	0.0	23.1
Retail	21	5	23.8	40.0	23.5
General machinery	82	19	23.2	14.9	17.1
Electrical equipment	50	9	18.0	19.6	17.0
IT equipment/electronic parts & devices	28	5	17.9	4.8	5.6
Precision equipment	38	6	15.8	27.3	14.3
Other non-manufacturing	37	2	5.4	-	-
Transport	21	1	4.8	-	-
Construction	23	1	4.3	-	-

Note: n includes firms not engaged in trade with the corresponding countries. Non-manufacturing industries covered since FY2010 survey except for trade & wholesale and retail.

3. Utilization of Free Trade Agreements (FTAs)

2. Utilization of FTAs takes root in trade of Japanese companies

Status of utilization/consideration of utilization for each FTA

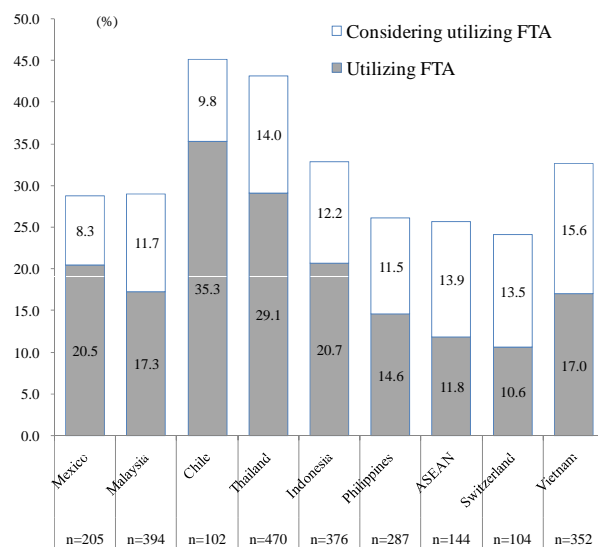
● The Japan-Thailand FTA is continuously used by the greatest number of firms.

Examining the utilization status of each FTA (imports from/exports to partner country/region), the utilization rate of FTAs by exporting firms was highest for the Japan-Chile FTA (36 out of 102 firms or 35.3%). By number of firms the Japan-Thailand FTA was the largest, with 137 out of 470 firms (29.1% in percentage) citing usage. As for the FTA utilization rate for importing firms, the Japan-Thailand FTA lead both for the number of firms (60 out of 219 firms) and utilization rate (27.4%), followed by the Japan-Vietnam FTA, with 37 out of 138 firms or 26.8%.

● The most common reason for firms not utilizing FTAs was that tariffs on exporting goods were already non-existent.

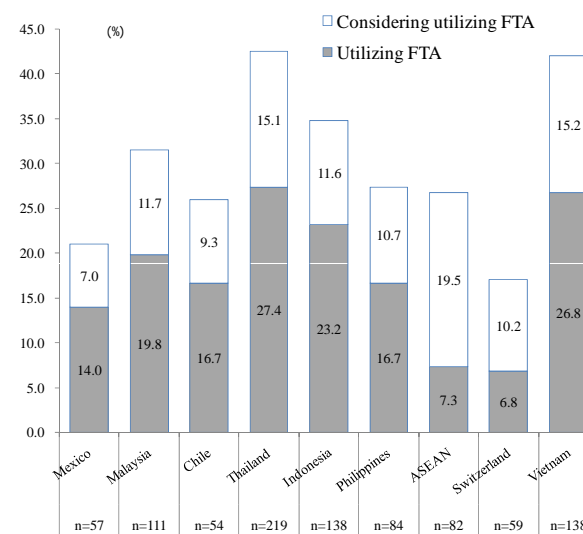
Focusing on the reason for not utilizing FTAs in exports from Japan, “no need to use FTA since the applied tariff rate at the destination country is already zero” was the most common reason with 75 out of 331 firms, or 22.7%. “Not aware of the FTAs/EPAs system” came in second with 20.5% (68 firms), which was particularly marked among SMEs (51 out of 183 firms, 27.9%).

Figure 3-4: FTAs (preferential tariff rates) used by exporters



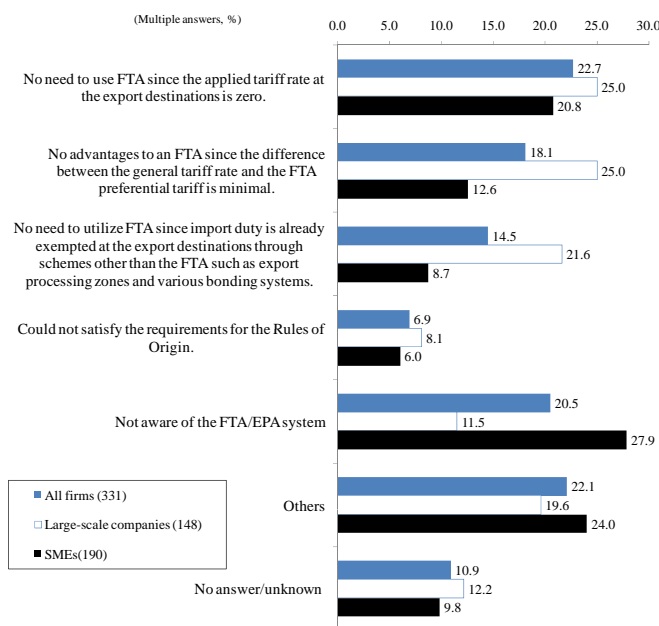
Note: The number of respondents (n) engaged in export with each of the nine countries/region.

Figure 3-5: FTAs (preferential tariff rates) used by importers



Note: The number of respondents (n) engaged in import with each of the nine countries/region.

Figure 3-6: Reasons for not using FTAs in exports



3. Utilization of Free Trade Agreements (FTAs)

3. Variety of industries utilize FTAs in exports

Utilization rates of Japan's FTAs in effect by industry

● Industries such as cars/car parts/other transportation machinery and ceramics/earth & stones are the leading users.

Looking at the utilization rates of each FTA by exporters, manufacturers such as cars/car parts/other transportation machinery, ceramics/earth & stones, coal & petroleum products/plastics/rubber products and iron & steel/non-ferrous metals/metal products stood out most in the below rankings.

For imports, industries such as food & beverages, trade & wholesale, retail and textile/clothing are the main users of the FTAs. Compared to exports, importing industries utilizing FTAs are narrow in variety.

Figure 3-7: Industries with high FTA utilization rates for exports

Rank	Japan-Mexico (n=205)	%	Rank	Japan-Malaysia (n=394)	%	Rank	Japan-Chile (n=102)	%
1	Ceramics/earth & stones (3)	66.7	1	Cars/car parts/other transportation machinery (24)	41.7	1	Coal & petroleum products/plastics/rubber products (3)	100.0
2	Coal & petroleum products/plastics/rubber products (9)	44.4	2	Ceramics/earth & stones (11)	36.4	2	Iron & steel/non-ferrous metals/metal products (4)	75.0
3	Other manufacturing (15)	40.0	3	Other manufacturing (21)	33.3	3	Other manufacturing (8)	62.5
4	General machinery (26)	23.1	4	Iron & steel/non-ferrous metals/metal products (26)	30.8	4	General machinery (10)	60.0
4	Precision equipment (13)	23.1	5	Coal & petroleum products/plastics/rubber products (17)	29.4	5	Cars/car parts/other transportation machinery (6)	50.0
Rank	Japan-Thailand (n=470)	%	Rank	Japan-Indonesia (n=376)	%	Rank	Japan-Philippines (n=287)	%
1	Ceramics/earth & stones (12)	58.3	1	Cars/car parts/other transportation machinery (24)	50.0	1	Ceramics/earth & stones (7)	42.9
2	Other manufacturing (19)	52.5	2	Textiles/clothing (5)	40.0	2	Wood & wood products/furniture & building materials/paper & pulp (3)	33.3
3	Textiles/clothing (8)	50.0	3	Ceramics/earth & stones (11)	36.4	3	Cars/car parts/other transportation machinery (19)	31.6
4	Cars/car parts/other transportation machinery (36)	41.7	4	Iron & steel/non-ferrous metals/metal products (24)	33.3	4	Coal & petroleum products/plastics/rubber products (12)	25.0
5	Iron & steel/non-ferrous metals/metal products (27)	40.7	5	Coal & petroleum products/plastics/rubber products (19)	31.6	5	Iron & steel/non-ferrous metals/metal products (15)	20.0
Rank	Japan-Other ASEAN countries (n=144)	%	Rank	Japan-Switzerland (n=104)	%	Rank	Japan-Vietnam (n=352)	%
1	Coal & petroleum products/plastics/rubber products (3)	33.3	1	Cars/car parts/other transportation machinery (3)	66.7	1	Textiles/clothing (7)	57.1
2	Trade & wholesale (24)	29.2	2	Textiles/clothing (3)	33.3	2	Ceramics/earth & stones (7)	42.9
3	Textiles/clothing (4)	25.0	3	General machinery (12)	25.0	3	Other manufacturing (17)	29.4
3	Ceramics/earth & stones (4)	25.0	4	Iron & steel/non-ferrous metals/metal products (6)	16.7	4	Cars/car parts/other transportation machinery (20)	25.0
5	Iron & steel/non-ferrous metals/metal products (5)	20.0	5	Chemicals (8)	12.5	5	Trade & wholesale (70)	21.4
5	Cars/car parts/other transportation machinery (5)	20.0				5	Coal & petroleum products/plastics/rubber products (4)	21.4

Note: Number in parentheses indicate the number of companies within each industry. Excluding industries with less than 3 respondents.

3. Utilization of Free Trade Agreements (FTAs)

4. High expectations for conclusion of FTAs with major trading partners

Utilization status of the third-party FTAs and future FTAs which would have positive impact on business

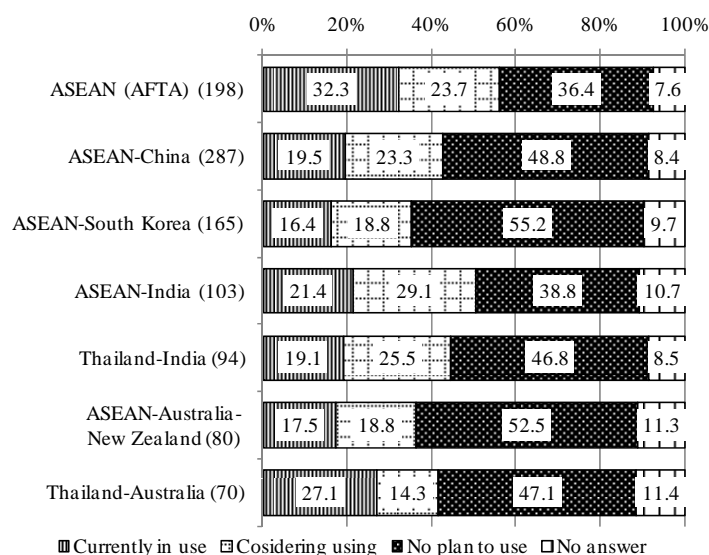
● Consideration of utilizing ASEAN-India FTA stands out among third country/region FTAs.

Among third-party FTAs in effect in the Asia/Pacific region, the ASEAN Free Trade Area (AFTA) is the most frequently used FTA with 64 out of 198 or 32.3% of the firms engaged in trade within the region, followed by the Thailand-Australia FTA, with 19 out of 70 firms (27.1%), and the ASEAN-India FTA, with 22 out of 103 firms (21.4%). Over 50% of the firms are either utilizing or considering utilization of the ASEAN-India FTA which has just come into effect in January 2010.

● Conclusion of the TPP and the Japan-China FTA are highly expected from the business community.

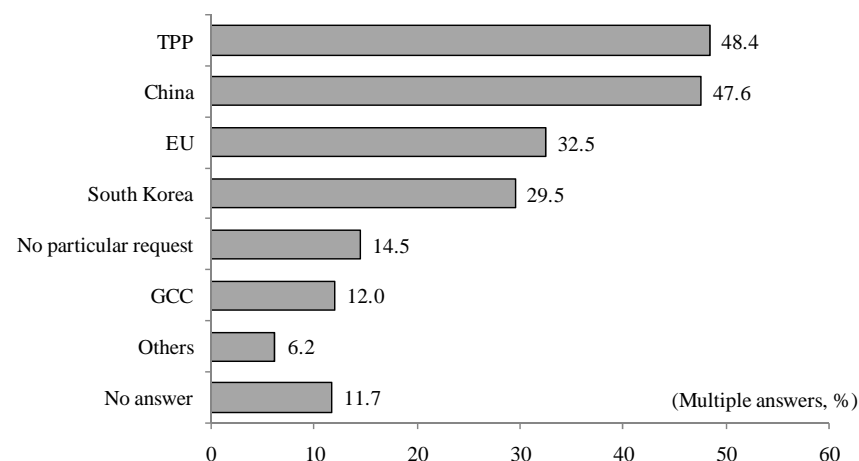
Focusing on potential FTAs which would have positive impact on business if concluded, nearly half of respondents answered in favor of the Trans-pacific Partnership Agreement (TPP), with 48.4%, and the Japan-China FTA, with 47.6%. A trade deal with the EU came in third at 32.5%. This shows high expectation for the conclusion of FTAs with Japan's major trading partners. "Others" include Brazil and India (the Japan-India FTA was signed in February 2011).

Figure 3-8: Utilization status of third-party FTAs in effect



Note: The number of respondents (n) engaged in trade with each of the corresponding countries/region.

Figure 3-9: FTAs which would have positive impact to business if concluded



Note 1: TPP includes Singapore, New Zealand, Brunei, Chile, the US, Australia, Peru, Vietnam and Malaysia.

Note 2: GCC includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

4. Domestic and Overseas Business Operations

1. Plans to expand overseas operations surge

Domestic and overseas business plans for the coming three years or so

● Around 70% respondents aim to expand overseas operations.

In terms of plans to expand operations (through new investment or by expanding existing bases) in the next three years or so, firms planning to expand overseas operations surged from 56.0% in the previous survey to 69.0%. By scale of firms, large-scale companies increased by 10.8 percent points from 62.4% to 73.2%, and SMEs by 14.1 points from 51.9% to 66.0%. Meanwhile, plans to expand domestic operations slightly increased from 38.8% to 40.7%.

As for industries for which long-term chronological comparisons are possible (e.g., manufacturing, trade & wholesale/retail industries), the percentage of firms planning to expand overseas operations was the highest since the FY2004 survey.

Figure 4-1: Overseas business plans (all industries)

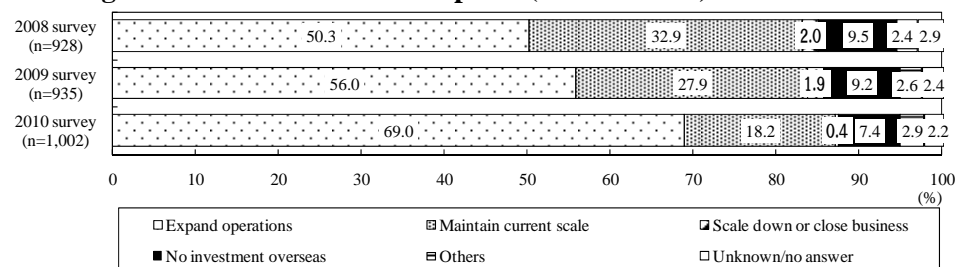


Figure 4-2: Domestic business plans (all industries)

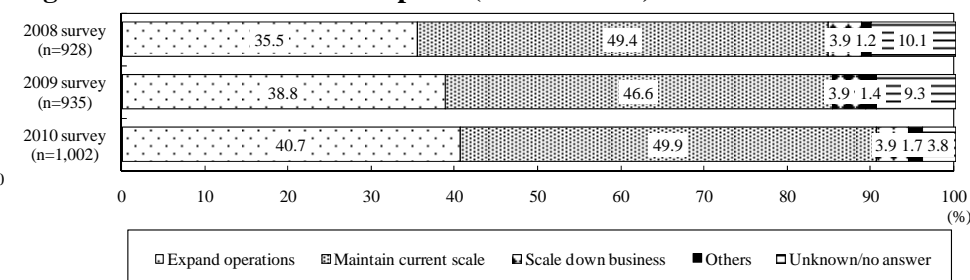


Figure 4-3: Overseas business plans (manufacturing, trade & wholesale/retail)

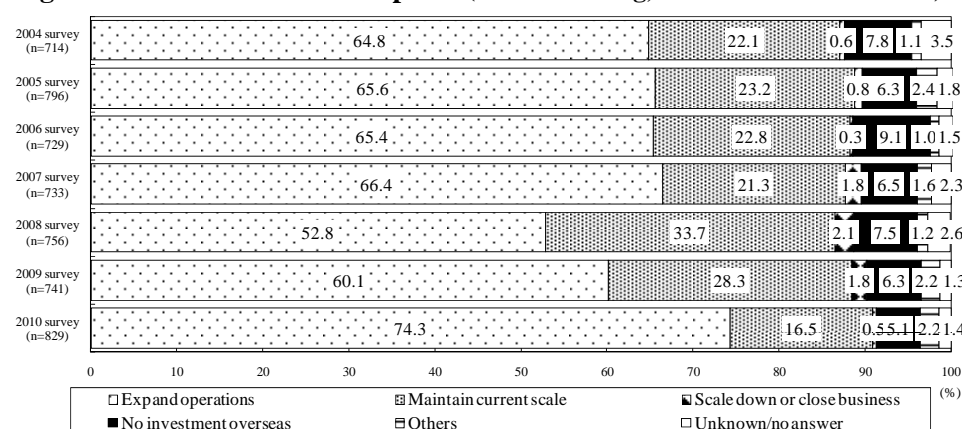
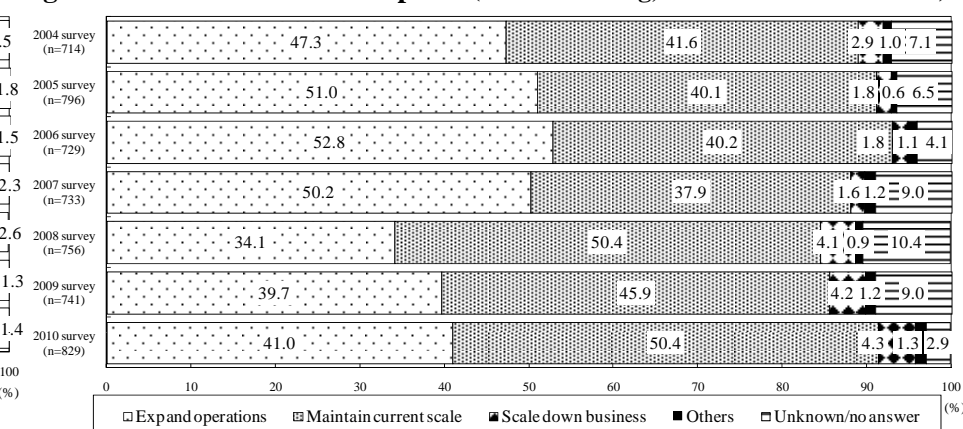


Figure 4-4: Domestic business plans (manufacturing, trade & wholesale/retail)



4. Domestic and Overseas Business Operations

2. Manufacturers proactive in expanding overseas operations (1)

Domestic and Overseas business plans the coming three years or so by industry

●All of the top 10 industries with a high ratio of overseas business expansion are manufacturers.

Focusing on domestic and overseas business plans by industry, 79.2% of manufacturing companies are planning to expand overseas business operation, which was overwhelmingly higher than non-manufacturers (53.9%). More than half of the manufacturers (261 out of 472, 55.3%) answered that they plan to expand overseas operation only, while over 60% of non-manufacturers (133 out of 219, 60.7%) answered that they will expand business both overseas and in Japan. By industry, while the top 10 industries with a high rate of plans to expand overseas operation were exclusively covered by manufacturers, half of the top 10 industries with high rates of plans to expand overseas operation were non-manufacturers.

Figure 4-5: Companies expanding overseas/domestic business (by industry group)

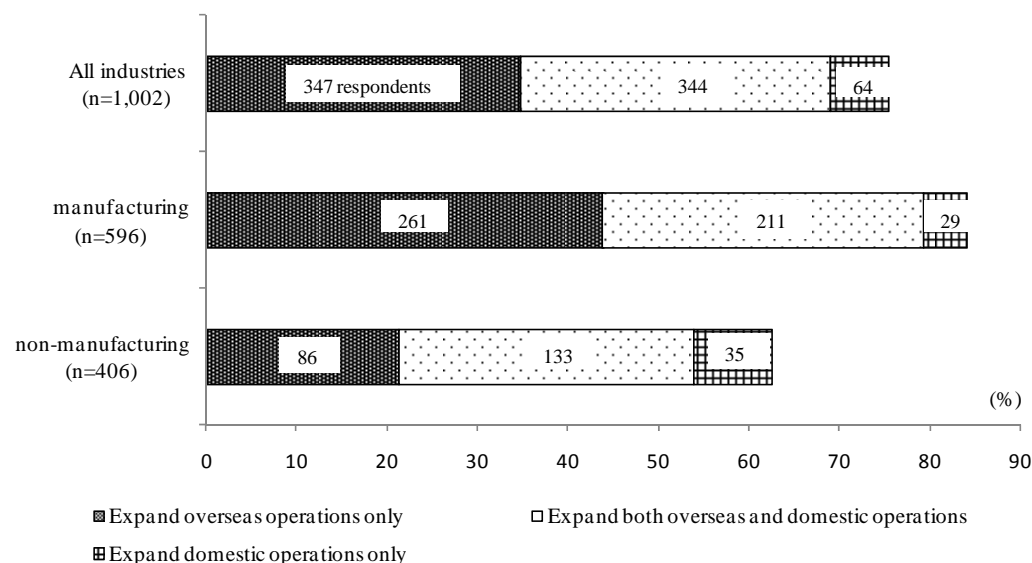


Figure 4-6: Major industries expanding overseas/domestic business

Industry	(n)	Expanding firms	%
Overseas operations (total)			
1 Chemicals	49	45	91.8
2 Electrical equipment	50	45	90.0
3 Cars/car parts/other transportation machinery	52	44	84.6
4 Medical products & cosmetics	24	20	83.3
5 Precision equipment	38	31	81.6
6 Food & beverages	67	54	80.6
7 Iron & steel/non-ferrous metals/metal products	60	47	78.3
8 Ceramics/earth & stones	17	13	76.5
9 Coal & petroleum products/plastics/rubber products	43	32	74.4
10 Other manufacturing	46	34	73.9
Domestic operations (total)			
1 Medical products & cosmetics	24	18	75.0
2 Transport	21	13	61.9
3 Other non-manufacturing	37	21	56.8
4 Wood & wood products/furniture & building materials/paper & pulp	15	8	53.3
5 Food & beverages	67	35	52.2
6 Textiles/clothing	25	13	52.0
7 Telecommunications services	4	2	50.0
8 Construction	23	11	47.8
9 Other manufacturing	46	22	47.8
10 Trade & wholesale	212	93	43.9

4. Domestic and Overseas Business Operations

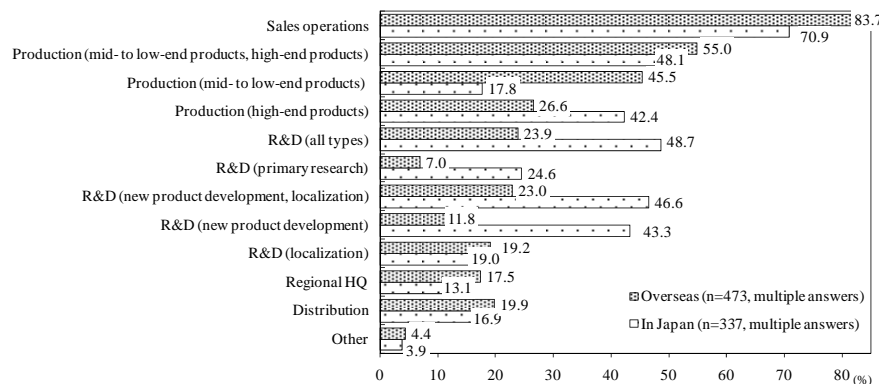
2. Manufacturers proactive in expanding overseas operations (2)

Domestic and Overseas business plans for the coming three years or so by function

●Expansion of sales operations, production of mid- to low-end products and regional headquarters functions keeps upward trends.

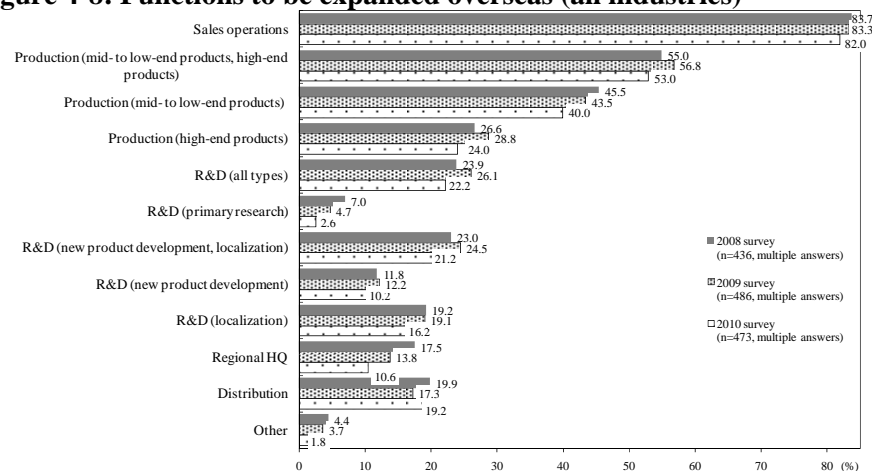
Focusing on domestic and overseas business plans by function, the majority of firms are strongly expanding sales operation both overseas and in Japan. In overseas bases, firms are expanding production of mid- to low-end products, R&D (for localization of products), regional headquarters and logistics functions. In Japan, the ratio of production of high-end products and R&D in general remain high.

Figure 4-7: Functions to be expanded in Japan and overseas (all industries)



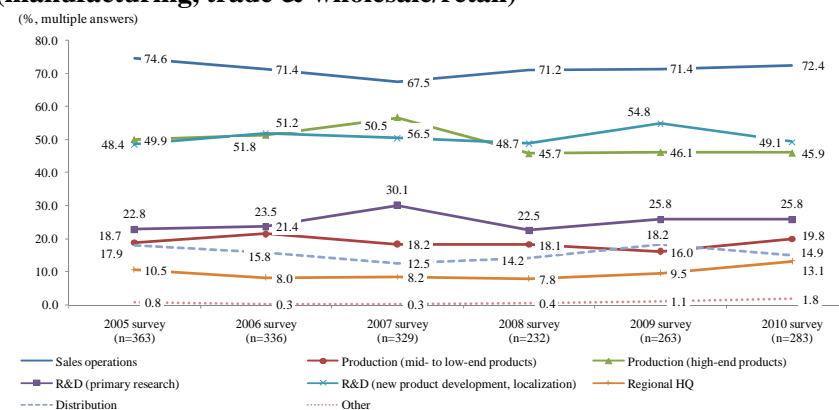
Note: Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n).

Figure 4-8: Functions to be expanded overseas (all industries)



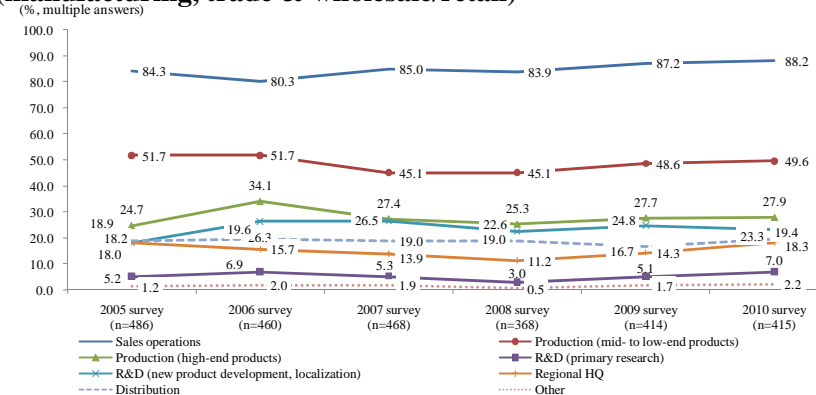
Note: Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n).

Figure 4-9: Functions to be expanded in Japan (manufacturing, trade & wholesale/retail)



Note: Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n).

Figure 4-10: Functions to be expanded overseas (manufacturing, trade & wholesale/retail)



Note: Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n).

4. Domestic and Overseas Business Operations

3. Diversification is the keyword in overseas business strategies (1)

Overseas business plans for the coming three years or so by function and country/region

● Upward trend of Emerging Asian countries stand out.

Focusing on countries/regions where firms are planning to expand business and their functions, China ranked highest across all functions for the third straight year. However in China, growth of the expansion rate lessened compared to previous survey in some functions such as production and R&D. Many firms are expanding sales operations, especially in ASEAN countries, South Korea, Brazil and India. It may be said that target countries to expand overseas operations are diversifying as a general trend.

Figure 4-11: Overseas business expansion plans by function and by country/region (in the next three years or so)

	FY 2010 survey (All industries)											Change from FY 2009 (All industries)										
	(Multiple answers, %)											(percentage points)										
	Sales operations	Production			R&D					Regional HQ	Distribution	Sales operations	Production			R&D					Regional HQ	Distribution
		(Mid- to low-end products)	(High-end products)		(Primary research)	(New product development, localization)	(New product development)	(Localization)					(Mid- to low-end products)	(High-end products)		(Primary research)	(New product development, localization)	(New product development)	(Localization)			
China	61.1	37.8	31.7	16.5	15.4	3.0	15.2	6.1	13.1	9.9	12.7	1.4	-1.0	3.1	-2.6	-0.6	-0.1	-0.2	-1.1	1.2	4.8	1.6
Hong Kong	8.9	2.3	1.7	1.5	1.9	0.2	1.9	1.1	1.5	1.1	1.9	-0.8	0.7	0.9	0.2	0.7	-0.2	0.9	0.2	0.7	-1.2	-0.2
Taiwan	15.6	6.3	4.0	3.6	3.6	0.6	3.6	1.3	2.7	0.8	1.7	2.5	2.8	1.8	1.9	1.3	0.4	1.3	-0.6	1.3	0.4	0.5
Republic of Korea	18.8	6.1	4.4	2.5	3.8	0.4	3.8	1.7	2.7	0.6	1.1	4.2	2.8	2.4	1.1	1.7	-0.2	2.2	1.3	1.1	0.4	0.9
Singapore	11.6	3.0	1.3	2.5	2.7	0.8	2.5	1.5	1.7	3.8	2.5	0.5	0.9	-0.4	1.9	1.1	0.6	1.1	1.1	0.3	1.7	0.9
Thailand	24.9	15.6	12.1	8.5	5.5	1.5	5.1	2.5	4.4	3.4	4.2	6.0	4.7	3.6	3.3	1.2	1.3	0.8	0.1	0.7	1.5	1.8
Malaysia	11.0	4.4	3.4	2.1	1.1	0.0	1.1	0.0	1.1	0.0	0.8	3.4	1.6	0.5	1.5	0.0	-0.2	0.0	-0.6	0.4	0.0	0.4
Indonesia	16.3	7.0	5.9	2.1	1.5	0.2	1.5	0.4	1.3	0.2	1.1	5.8	3.1	2.6	0.9	-0.4	0.0	-0.2	-0.2	0.0	0.0	0.0
Philippines	3.6	1.7	1.3	0.4	0.4	0.2	0.2	0.0	0.2	0.2	0.6	2.2	0.3	0.0	0.0	-0.2	0.2	-0.4	-0.2	-0.2	0.2	0.6
Vietnam	19.2	8.5	7.8	2.5	2.1	0.2	2.1	0.4	1.7	0.2	2.3	3.6	-0.2	1.0	-0.5	-1.0	-0.4	-0.8	-0.6	-0.4	-0.2	0.3
India	21.8	7.8	5.9	2.5	3.0	0.2	3.0	1.3	2.3	1.5	1.9	2.0	0.6	0.0	0.3	0.3	0.0	0.5	0.7	0.5	0.2	-0.2
United States	19.9	6.3	4.2	3.6	5.7	1.5	5.3	3.0	3.8	3.6	3.2	-3.0	0.8	2.2	-0.5	0.6	0.9	0.6	0.3	0.3	0.9	0.7
Canada	1.9	1.1	0.6	0.4	1.1	0.0	1.1	0.2	1.1	0.0	0.2	-1.2	-0.2	0.4	-0.6	0.4	0.0	0.4	-0.2	0.9	0.0	-0.2
Mexico	2.7	0.2	0.0	0.2	0.4	0.0	0.4	0.0	0.4	0.0	0.2	1.1	-0.2	-0.4	0.2	0.2	0.0	0.2	-0.2	0.2	0.0	-0.2
Brazil	10.4	2.1	1.9	0.4	1.1	0.2	1.1	0.2	1.1	1.1	1.7	2.5	0.5	0.3	0.4	0.0	0.2	0.0	-0.6	0.6	0.6	-1.0
Other Central & South America	3.8	0.6	0.4	0.2	0.2	0.0	0.2	0.0	0.2	0.2	0.6	1.1	0.2	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.6
Western Europe	16.5	4.2	2.1	3.2	5.3	0.8	5.3	3.0	3.8	4.0	3.2	-2.0	0.3	0.1	1.1	1.2	0.0	1.6	0.5	1.3	0.9	0.5
Central & Eastern Europe	5.5	0.8	0.6	0.2	0.8	0.2	0.8	0.2	0.8	0.6	0.2	-0.9	-1.4	-0.8	-1.4	0.2	0.2	0.2	-0.2	0.2	0.0	-0.6
Russia & CIS	8.2	1.5	0.8	0.6	1.3	0.2	1.3	0.4	1.1	0.8	0.8	1.2	0.7	0.0	0.4	0.7	0.0	0.7	0.0	0.6	0.4	0.2
Middle East	7.2	1.1	0.6	0.4	0.8	0.0	0.8	0.4	0.6	0.4	0.8	0.0	-0.4	-0.2	-0.6	0.2	0.0	0.2	0.2	0.0	0.2	0.4
Africa	3.6	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.7	0.2	0.4	-0.2	0.0	0.0	0.0	0.0	0.0	-0.2	0.2
Other	1.5	1.3	1.1	0.4	0.4	0.0	0.4	0.2	0.4	0.0	0.6	0.0	-0.4	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	0.4

Note 1: Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n). (FY2009: n=486, FY2010: n=473)

Note 2: The shade figures in the change from FY2009 indicate changes of two percentage points or more.

4. Domestic and Overseas Business Operations

3. Diversification is the keyword in overseas business strategies (2)

Planned expansion ranking for each function by country/region

Figure 4-12: Country/region rankings by function on expansion planned (in the next three years or so)

Sales operations					Production (mid- to low-end products, high-end products)					Production (mid- to low-end products)					Production (high-end products)					R&D (primary research, new product development, localization)					R&D (primary research)				
Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009
1	China	(1)	61.1	1.4	1	China	(1)	37.8	-1.0	1	China	(1)	31.7	3.1	1	China	(1)	16.5	-2.6	1	China	(1)	15.4	-0.6	1	China	(1)	3.0	-0.1
2	Thailand	(4)	24.9	6.0	2	Thailand	(2)	15.6	4.7	2	Thailand	(2)	12.1	3.6	2	Thailand	(2)	8.5	3.3	2	United States	(2)	5.7	0.6	2	Thailand	(7)	1.5	1.3
3	India	(3)	21.8	2.0	3	Vietnam	(3)	8.5	-0.2	3	Vietnam	(3)	7.8	1.0	3	Taiwan	(7)	3.6	1.9	3	Thailand	(3)	5.5	1.2	3	United States	(3)	1.5	0.9
4	United States	(2)	19.9	-3.0	4	India	(4)	7.8	0.6	4	Indonesia	(5)	5.9	2.6	3	United States	(3)	3.6	-0.5	4	Western Europe	(4)	5.3	1.2	4	Singapore	(7)	0.8	0.6
5	Vietnam	(6)	19.2	3.6	5	Indonesia	(6)	7.0	3.1	4	India	(4)	5.9	0.0	5	Western Europe	(6)	3.2	1.1	5	Republic of Korea	(8)	3.8	1.7	4	Western Europe	(2)	0.8	0.0
6	Republic of Korea	(7)	18.8	4.2	6	Taiwan	(8)	6.3	2.8	6	Republic of Korea	(8)	4.4	2.4	6	Republic of Korea	(9)	2.5	1.1	6	Taiwan	(7)	3.6	1.3	6	Taiwan	(7)	0.6	0.4
7	Western Europe	(5)	16.5	-2.0	7	United States	(5)	6.3	0.8	7	United States	(8)	4.2	2.2	6	Singapore	(14)	2.5	1.9	7	India	(6)	3.0	0.3	7	Republic of Korea	(3)	0.4	-0.2
8	Indonesia	(10)	16.3	5.8	8	Republic of Korea	(9)	6.1	2.8	8	Taiwan	(7)	4.0	1.8	6	Vietnam	(4)	2.5	-0.5	8	Singapore	(10)	2.7	1.1	8	Hong Kong	(6)	0.2	-0.2
9	Taiwan	(8)	15.6	2.5	9	Malaysia	(10)	4.4	1.6	9	Malaysia	(6)	3.4	0.5	6	India	(5)	2.5	0.3	9	Vietnam	(5)	2.1	-1.0	8	Indonesia	(7)	0.2	0.0
10	Singapore	(9)	11.6	0.5	10	Western Europe	(6)	4.2	0.5	10	Western Europe	(8)	2.1	0.1	10	Malaysia	(14)	2.1	1.5	10	Hong Kong	(11)	1.9	0.7	8	Philippines	(14)	0.2	0.2
11	Malaysia	(13)	11.0	3.4	11	Singapore	(12)	3.0	0.9	11	Brazil	(11)	1.9	0.3	10	Indonesia	(10)	2.1	0.9	11	Indonesia	(9)	1.5	-0.4	8	Vietnam	(3)	0.2	-0.4
12	Brazil	(12)	10.4	2.5	12	Hong Kong	(13)	2.3	0.7	12	Hong Kong	(15)	1.7	0.9	12	Hong Kong	(10)	1.5	0.2	12	Russia & CIS	(14)	1.3	0.7	8	India	(7)	0.2	0.0
13	Hong Kong	(11)	8.9	-0.8	13	Brazil	(13)	2.1	0.5	13	Singapore	(11)	1.3	-0.4	13	Russia & CIS	(17)	0.6	0.4	13	Malaysia	(12)	1.1	0.0	8	Brazil	(14)	0.2	0.2
14	Russia & CIS	(15)	8.2	1.2	14	Philippines	(15)	1.7	0.3	13	Philippines	(14)	1.3	0.0	14	Philippines	(16)	0.4	0.0	13	Canada	(14)	1.1	0.4	8	Central & Eastern Europe	(14)	0.2	0.2
15	Middle East	(14)	7.2	0.0	15	Russia & CIS	(18)	1.5	0.7	15	Russia & CIS	(15)	0.8	0.0	14	Canada	(12)	0.4	-0.6	13	Brazil	(12)	1.1	0.0	8	Russia & CIS	(7)	0.2	0.0
16	Central & Eastern Europe	(16)	5.5	-0.9	16	Canada	(17)	1.1	-0.2	16	Canada	(19)	0.6	0.4	14	Brazil	(20)	0.4	0.4	16	Central & Eastern Europe	(14)	0.8	0.2	16	Malaysia	(7)	0.0	-0.2
17	Other Central & South America	(19)	3.8	1.1	16	Middle East	(15)	1.1	-0.4	16	Central & Eastern Europe	(13)	0.6	-0.8	14	Middle East	(12)	0.4	-0.6	16	Middle East	(14)	0.8	0.2	16	Canada	(14)	0.0	0.0
18	Philippines	(21)	3.6	2.2	18	Central & Eastern Europe	(11)	0.8	-1.4	16	Middle East	(15)	0.6	-0.2	18	Mexico	(20)	0.2	0.2	18	Philippines	(14)	0.4	-0.2	16	Mexico	(14)	0.0	0.0
19	Africa	(18)	3.6	0.7	19	Other Central & South America	(19)	0.6	0.2	19	Other Central & South America	(19)	0.4	0.2	18	Other Central & South America	(17)	0.2	0.0	18	Mexico	(19)	0.4	0.2	16	Other Central & South America	(14)	0.0	0.0
20	Mexico	(20)	2.7	1.1	20	Africa	(21)	0.4	0.2	19	Africa	(21)	0.4	0.4	18	Central & Eastern Europe	(7)	0.2	-1.4	20	Other Central & South America	(20)	0.2	0.2	16	Middle East	(14)	0.0	0.0
21	Canada	(17)	1.9	-1.2	21	Mexico	(19)	0.2	-0.2	21	Mexico	(18)	0.0	-0.4	21	Africa	(17)	0.0	-0.2	21	Africa	(20)	0.0	0.0	16	Africa	(14)	0.0	0.0

R&D (new product development, localization)					R&D (new product development)					R&D (localization)					Regional HQ					Distribution				
Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009	Rank	Country or Region	FY 2009 rank	FY 2010 survey	Change from FY 2009
1	China	(1)	15.2	-0.2	1	China	(1)	6.1	-1.1	1	China	(1)	13.1	1.2	1	China	(1)	9.9	4.8	1	China	(1)	12.7	1.6
2	United States	(2)	5.3	0.6	2	United States	(2)	3.0	0.3	2	Thailand	(2)	4.4	0.7	2	Western Europe	(2)	4.0	0.9	2	Thailand	(4)	4.2	1.8
2	Western Europe	(4)	5.3	1.6	2	Western Europe	(3)	3.0	0.5	3	United States	(3)	3.8	0.3	3	Singapore	(5)	3.8	1.7	3	United States	(4)	3.2	0.7
4	Thailand	(3)	5.1	0.8	4	Thailand	(3)	2.5	0.1	3	Western Europe	(4)	3.8	1.3	4	United States	(3)	3.6	0.9	3	Western Europe	(2)	3.2	0.5
5	Republic of Korea	(8)	3.8	2.2	5	Republic of Korea	(12)	1.7	1.3	5	Taiwan	(8)	2.7	1.3	5	Thailand	(6)	3.4	1.5	5	Singapore	(9)	2.5	0.9
6	Taiwan	(7)	3.6	1.3	6	Singapore	(12)	1.5	1.1	5	Republic of Korea	(7)	2.7	1.1	6	India	(7)	1.5	0.2	6	Vietnam	(6)	2.3	0.3
7	India	(6)	3.0	0.5	7	Taiwan	(5)	1.3	-0.6	7	India	(6)	2.3	0.5	7	Hong Kong	(4)	1.1	-1.2	7	Hong Kong	(6)	1.9	-0.2
8	Singapore	(10)	2.5	1.1	7	India	(9)	1.3	0.7	8	Singapore	(8)	1.7	0.3	7	Brazil	(9)	1.1	0.6	7	India	(6)	1.9	-0.2
9	Vietnam	(5)	2.1	-0.8	9	Hong Kong	(7)	1.1	0.2	8	Vietnam	(5)	1.7	-0.4	9	Taiwan	(9)	0.8	0.4	9	Taiwan	(10)	1.7	0.5
10	Hong Kong	(11)	1.9	0.9	10	Indonesia	(9)	0.4	-0.2	10	Hong Kong	(11)	1.5	0.7	9	Russia & CIS	(9)	0.8	0.4	9	Brazil	(2)	1.7	-1.0
11	Indonesia	(8)	1.5	-0.2	10	Vietnam	(6)	0.4	-0.6	11	Indonesia	(10)	1.3	0.0	11	Republic of Korea	(13)	0.6	0.4	11	Republic of Korea	(18)	1.1	0.9
12	Russia & CIS	(14)	1.3	0.7	10	Russia & CIS	(12)	0.4	0.0	12	Malaysia	(12)	1.1	0.4	11	Central & Eastern Europe	(8)	0.6	0.0	11	Indonesia	(11)	1.1	0.0
13	Malaysia	(11)	1.1	0.0	10	Middle East	(17)	0.4	0.2	12	Canada	(18)	1.1	0.9	12	Middle East	(13)	0.4	0.2	13	Malaysia	(14)	0.8	0.4
13	Canada	(14)	1.1	0.4	14	Canada	(12)	0.2	-0.2	12	Brazil	(15)	1.1	0.6	14	Indonesia	(13)	0.2	0.0	13	Russia & CIS	(13)	0.8	0.2
13	Brazil	(11)	1.1	0.0	14	Brazil	(7)	0.2	-0.6	12	Russia & CIS	(15)	1.1	0.6	14	Philippines	(18)	0.2	0.2	13	Middle East	(14)	0.8	0.4
16	Central & Eastern Europe	(14)	0.8	0.2	14	Central & Eastern Europe	(12)	0.2	-0.2	16	Central & Eastern Europe	(12)	0.8	0.2	14	Vietnam	(9)	0.2	-0.2	16	Philippines	(19)	0.6	0.6
16	Middle East	(14)	0.8	0.2	17	Malaysia	(9)	0.0	-0.6	17	Middle East	(12)	0.6	0.0	14	Other Central & South America	(13)	0.2	0.0	16	Other Central & South America	(19)	0.6	0.6
18	Mexico	(19)	0.4	0.2	17	Philippines	(17)	0.0	-0.2	17	Mexico	(18)	0.4	0.2	18	Malaysia	(18)	0.0	0.0	18	Canada	(14)	0.2	-0.2
19	Philippines	(14)	0.2	-0.4	17	Mexico	(17)	0.0	-0.2	19	Philippines	(15)	0.2	-0.2	18	Canada	(18)	0.0	0.0	18	Mexico	(14)	0.2	-0.2
19	Other Central & South America	(20)	0.2	0.2	17	Other Central & South America	(20)	0.0	0.0	19	Other Central & South America	(20)	0.2	0.2	18	Mexico	(18)	0.0	0.0	18	Central & Eastern Europe	(12)	0.2	-0.6
21	Africa	(20)	0.0	0.0	17	Africa	(20)	0.0	0.0	21	Africa	(20)	0.0	0.0	18	Africa	(13)	0.0	-0.2	18	Africa	(19)	0.2	0.2

Note 1: Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n). (FY2009: n=486, FY2010: n=473)

4. Domestic and Overseas Business Operations

3. Diversification is the keyword in overseas business strategies (3)

Realignments of production bases and related functions

● More cases of transfer of production base were reported for ASEAN than to China.

16.9 % of respondent firms, or 169 firms, have conducted or plan to conduct realignments of production bases and related functions in the past or coming two to three years. Compared with the FY 2006 survey, the total number of realignment cases decreased but a more diversified pattern of overseas bases deployment is reported. Out of 232 reported cases, the percentage of transfers from Japan decreased its proportion, from 67.9% in FY 2006 to 50.9% in FY 2010, while transfers from China or ASEAN increased. As for the destination of the transfers, the transfer cases destined for China decreased from 49.4 % to 32.8% and was outnumbered by the cases for ASEAN, which increased from 30.0% to 33.6%.

Individual cases also showed diversified trends where the transfer cases from Japan to China decreased from 37.4% to 22.0% and those from Japan or China to Viet Nam increased. Toward ASEAN countries, 44 cases from Japan and 19 cases from China were reported, in which production function of mid- to low-end products are mainly transferred.

Figure 4-13 Original places of transferring production bases

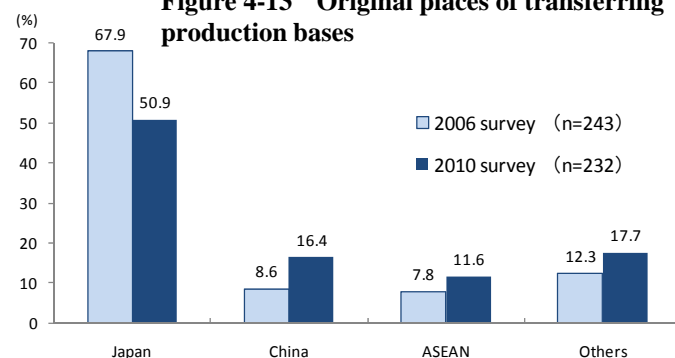
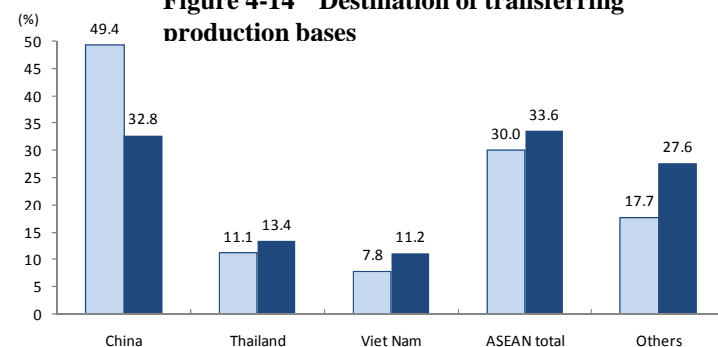


Figure 4-14 Destination of transferring production bases



Note:
“Others” include the answers with “under considerations”, “retreat”, or without any specific countries

Figure 4-15 Major transfer pattern

Original place	Destination	2006 survey (n=243)		2010 survey (n=232)	
		Cases	Share (%)	Cases	Share (%)
Japan	China	91	37.4	51	22.0
Japan	Thailand	22	9.1	22	9.5
China	Viet Nam	9	3.7	13	5.6
Japan	Viet Nam	7	2.9	11	4.7
China	China	4	1.6	8	3.4
Japan	Indonesia	4	1.6	5	2.2
Japan	North America	5	2.1	5	2.2

Japan	ASEAN	48	19.8	44	19.0
China	ASEAN	11	4.5	19	8.2
ASEAN	ASEAN	10	4.1	8	3.4
ASEAN	China	6	2.5	8	3.4

Note: Only including the patterns with 5 or more cases in 2010 survey

4. Domestic and Overseas Business Operations

3. Diversification is the keyword in overseas business strategies (4)

Realignments of production bases and related functions

●Diversified overseas base strategy including “China plus one.”

As for industries, many realignment cases were reported in electrical equipment, textiles/clothing, cars/car parts/other transportation machinery. In textiles/clothing, cases from China to ASEAN and other Asian economies are noticeable compared to other sectors. In the case of cars/car parts/other transportation sector, there were several cases of transferring production bases from Japan to ASEAN countries, but no case was reported from China to other countries.

Out of total 232 cases, the cases to transfer production function of mid- to low-end products consisted of about 70%, which is more common among transfers from Japan. In the case of the transfers from China, the production function of high-end products tend to be transferred.

As for reasons for realignment, increasing production costs ranked at the top. It consisted of half of the reasons for transfer from China, but “concentration risks” was also cited by many firms (28.9%). On the other hand, 17.8% of those transferring their bases from Japan cited “concentration merit” as the reason for their move. These answers imply that, while there is a move towards “China +1,” the momentum does not dominate the trend. Rather, it appear that Japanese firms apply diversified strategies in deploying their overseas business.

Figure 4-16 Industries with high realignment ratio

	Realignment ratio	Realignment cases	Original Place			Destination		
			Japan	China	ASEAN	China	ASEAN	Other Asia
Electrical equipment	36.0	28	50.0	10.7	21.4	39.3	32.1	17.9
Textiles/clothing	36.0	11	45.5	45.5	0.0	36.4	45.5	18.2
Cars/car parts/other transportation machinery	34.6	22	59.1	4.5	9.1	27.3	45.5	0.0
Precision equipment	23.7	16	81.3	6.3	6.3	37.5	50.0	12.5
IT equipment/electronic parts & devices	28.6	11	72.7	18.2	0.0	45.5	9.1	36.4
Total	16.9	232	50.9	16.4	11.6	32.8	33.6	8.2

Figure 4-17 Transferred functions

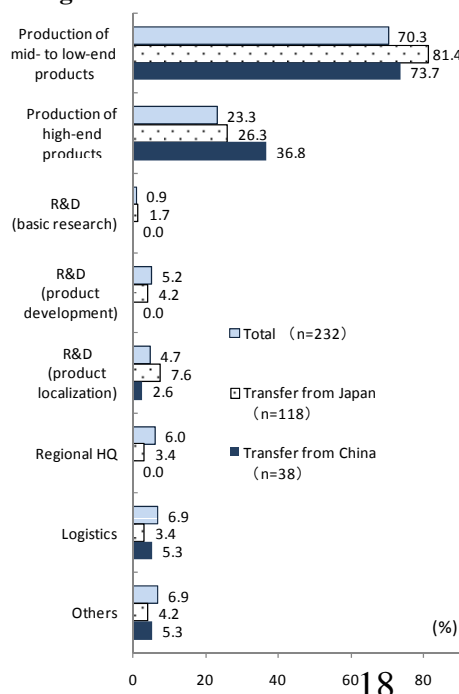
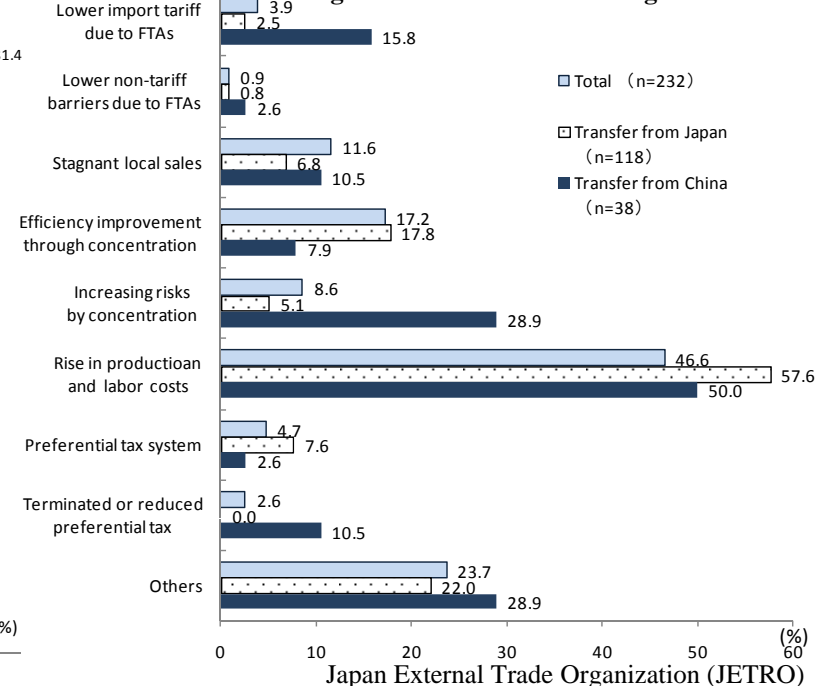


Figure 4-18 Reasons for realignments



4. Domestic and Overseas Business Operations

4. Growing awareness of the need of M&A

Utilization of M&A as a tool for overseas business developments and reorganization

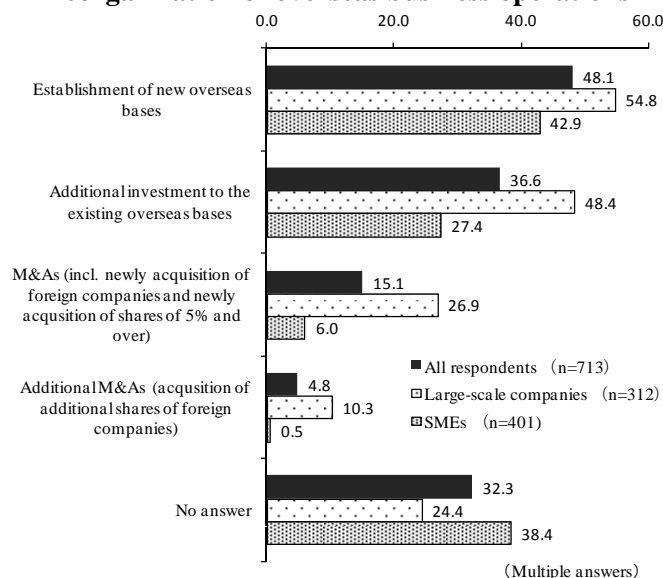
● Establishment of new overseas bases is the most frequently used form of overseas business development and reorganization.

Focusing on the methods for development and reorganization of overseas business operations, “establishment of new overseas bases” was most frequently used among the respondents, at 48.1%, followed by “additional investment to the existing overseas bases,” with 36.6%. Large-scale companies showed a more positive attitude towards the use of mergers and acquisitions (M&As) than did SMEs.

● Expansion of overseas market is the main purpose of using M&As.

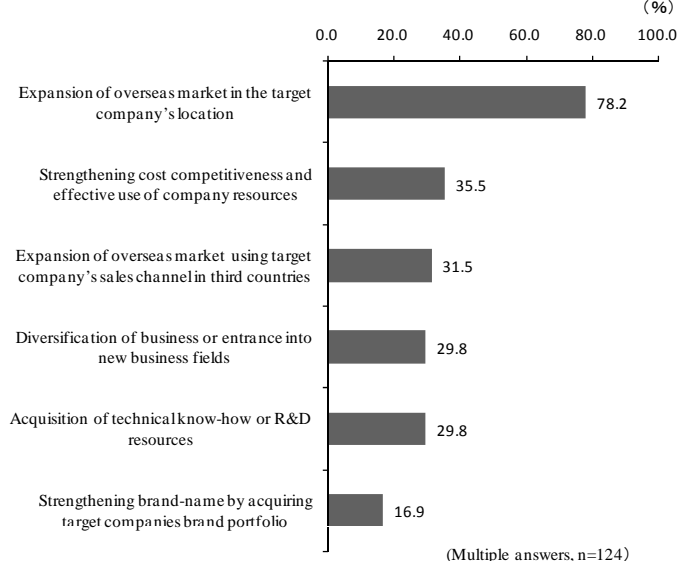
As for the purpose of utilizing outward M&As, the majority of respondents cited the expansion of overseas markets as the main objective. These answers include “expansion of overseas market in the target company’s location” (78.2%) and “expansion of overseas market using target company’s sales channel in third countries” (31.5%). More than 40% of respondent firms answered that utilization of outward M&As is a strategy necessary for overseas business development. This trend was more prominent among large-scale companies.

Figure 4-19: Methods for development and reorganization of overseas business operations^(%)



Note: The number of respondents (n) includes firms planning to expand overseas operations, firms which have experiences overseas reorganization in the past 2 to 3 years, and firms planning to reorganize overseas bases in the next 2 to 3 years.

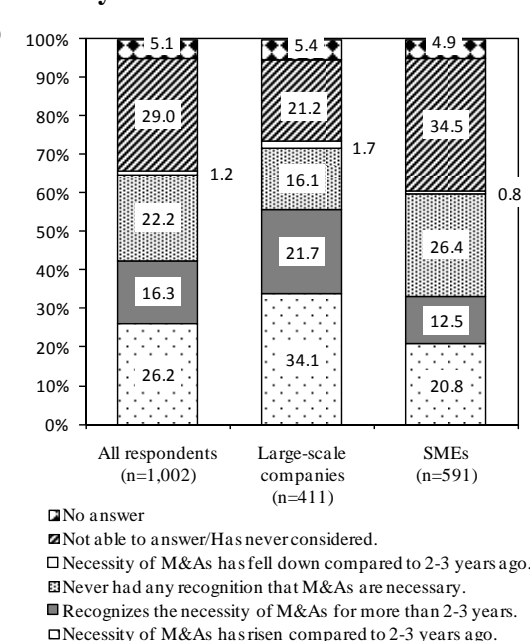
Figure 4-20: Purpose of utilizing outward M&As



Note 1: Displaying items with 10% or more answers only.

Note 2: The number of respondents (n) includes firms which chose newly and additional M&As as methods of overseas business developments and reorganization.

Figure 4-21: Changes in the recognition of necessity of outward M&As



4. Domestic and Overseas Business Operations

5. Firms plan to expand local market sales share

Share of local market sales in overall overseas sales and plans for the next three years or so

●Bipolarization observed in the share of local market sales in overall overseas sales.

Focusing on sales targets in overseas markets, among the 685 respondents with overseas sales in FY2009, 35.0% answered that their share of sales to firms other than local Japanese affiliates (hereinafter referred to as local market sales) fall in the highest range of 75-100%, followed by the lowest range of 0-25%, indicating a bipolarization trend in the local market sales share. In terms of plans for the next three years or so, 62.5% (428 firms) indicated they would increase the share of local market sales.

Figure 4-22: Local market sales in the overseas sales (by scale of companies)

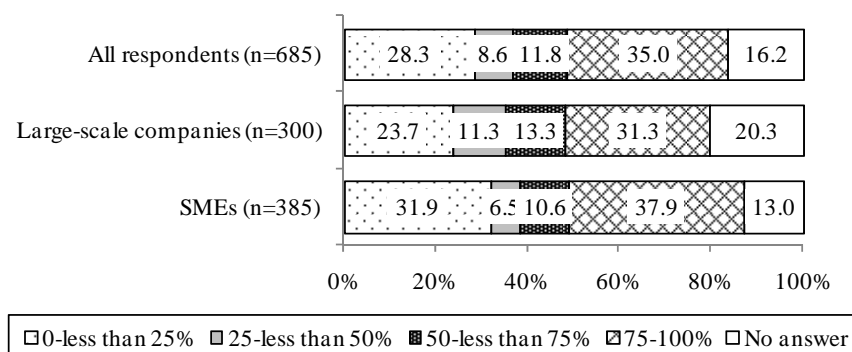


Figure 4-23: Local market sales in the overseas sales (by industry group)

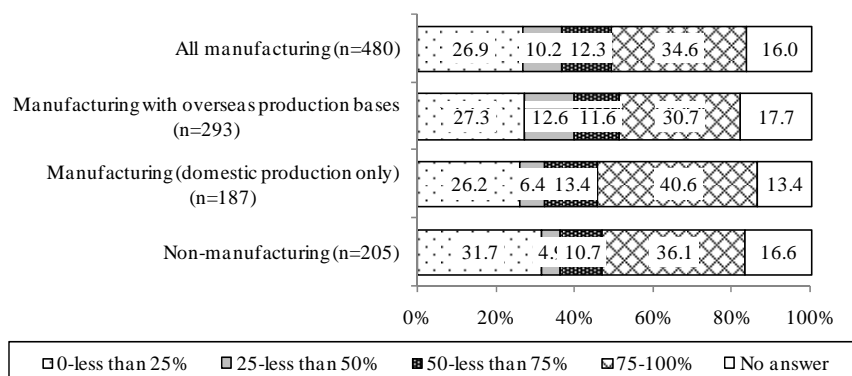


Figure 4-24: Major industries with high/low local market sales in the overseas sales

Industries with high ratio of local market sales			Industries with low ratio of local market sales		
		%			%
1	Medical products & cosmetics (19)	68.4	1	Transport (12)	50.0
2	General machinery (65)	47.7	2	Textiles/clothing (21)	47.6
3	Other non-manufacturing (20)	45.0	3	Ceramics/earth & stones (13)	46.2
4	Retail (9)	44.4	4	Construction (11)	45.5
5	Precision equipment (35)	42.9	5	Cars/car parts/other transportation machinery (41)	41.5
6	IT equipment/electronic parts & devices (19)	42.1	6	Other non-manufacturing (20)	40.0
7	Electrical equipment (43)	41.9	7	Coal & petroleum products/plastics/rubber products (34)	35.3
8	Other manufacturing (37)	40.5	8	Food & beverages (46)	34.8
9	Trade & wholesale (145)	40.0	9	Wood & wood products/furniture & building materials/paper & pulp (15)	33.3
10	Food & beverages (46)	32.6	10	Trade & wholesale (145)	29.0

Note 1: Rank of local market sales share in the ranges of 75-100% or 0-less than 25%.

Note 2: Figures in parentheses indicate the number of companies within each industry. Excluding industries with less than three respondents.

Figure 4-25: Plans for local market sales share

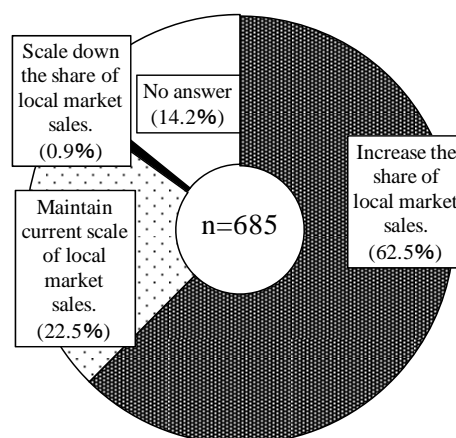


Figure 4-26: Industries with high ratio of firms planning to expand local market sales share

Industry (number of respondents)	%
1 Food & beverages (46)	78.3
2 General machinery (65)	70.8
3 Ceramics/earth & stones (13)	69.2
4 Chemicals (45)	68.9
5 Professional services (6)	66.7
5 Retail (9)	66.7
7 Cars/car parts/other transportation machinery (41)	65.9
8 Precision equipment (35)	65.7
9 Coal & petroleum products/plastics/rubber products (34)	64.7
10 Iron & steel/non-ferrous metals/metal products (47)	63.8

Note: Excluding industries with less than three respondents.

5. Business Development in China

Continued high interest in expanding business in China

Plans for future business development in China and details

● Firms planning to expand existing operations or start new business continued to increase.

In a question about business development plans (e.g., trade, direct investment, outsourcing, and technical tie-ups) for China over the next three years or so, the percentage of firms planning to expand existing operations or start new businesses increased by 4.5 points over the previous year to 65.1%, showing a high interest in China business for the second straight year. With regard to business risk in China over the past year, 52.7% of respondent companies believe that risks have “increased.” However, of the companies that answered “increased,” those who are “considering expansion of existing business or exploration of new business” account for most.

● Large firms establish or expand sales offices, SMEs plan to increase exports.

As for details of China business expansion, the percentage of firms planning to increase exports rose by 5.0 points to 58.6%, continuing to expand. The percentage planning to expand/start sales bases increased to 40.5%. By company size, the percentage of large firms planning to expand/start sales bases hit the highest level, at 52.8% while 67.8% of SMEs plan to increase exports, pulled away significantly from those planning to expand/start sales bases (29.9%).

Figure 5-1: Business plans for China

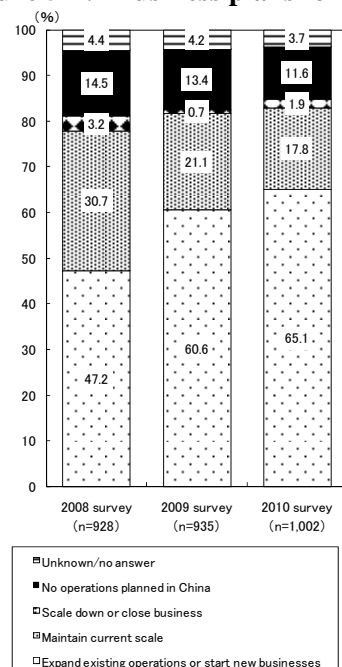


Figure 5-2: Perception of business risk in China

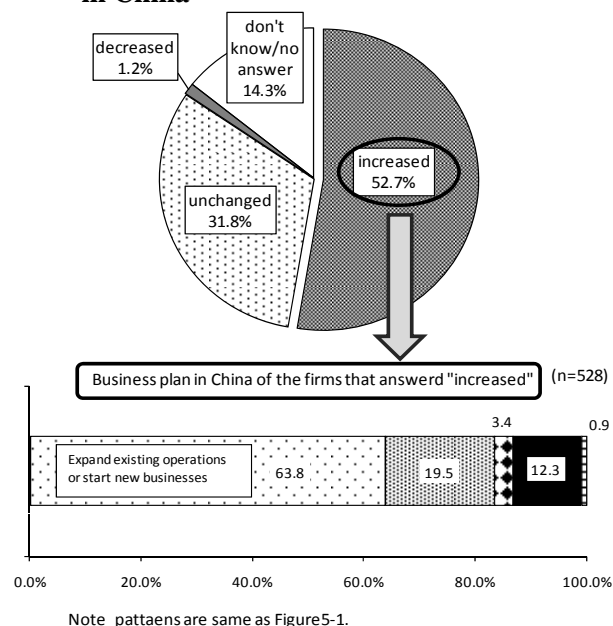
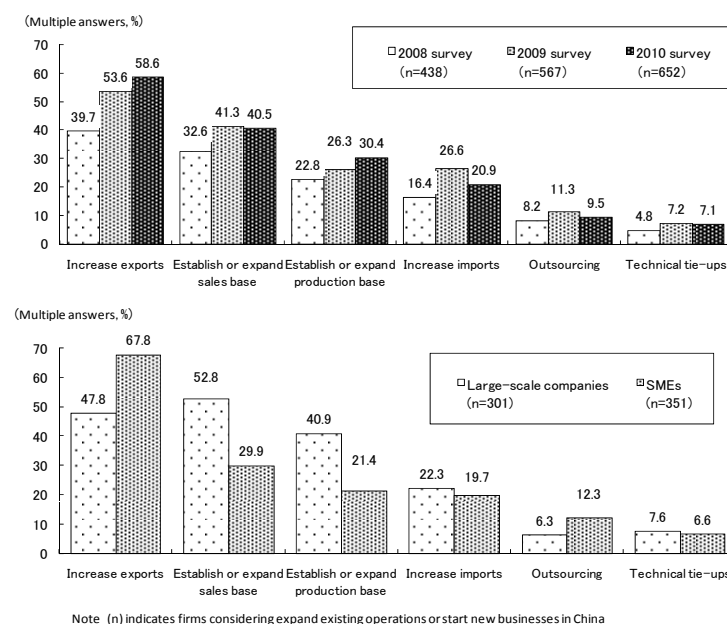


Figure 5-3: Details of business expansion plans for China



6. Business Environment in Asia

1. Growing concern about rising labor costs

The business environment of major Asian countries (by risk)

● The percentage of those who replied “Labor costs are high or rising” increased.

In a question asking about risk and issues for doing business in major Asian countries (China, India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam), those who replied “Labor costs are high or rising” rose in China sharply to 46.2%, an increase of 17.0 points compared to the previous survey; a rise was also seen in Singapore and Thailand. In addition, nearly all of the countries, (China was the exception) saw a significantly lower percentage of respondents citing “High FOREX risk.”

● Issues in infrastructure remain in India and Vietnam.

In China, issues relating to legal and other systems, including “problems with protection of intellectual property rights” and “underdeveloped legal system/problems with legal operation,” remain persistent. In India, Viet Nam, Indonesia and Philippines, concerns about “inadequate infrastructure” are ranked as the highest concern. Particularly in India and Vietnam, this issue has been ranked at the top for five consecutive years by manufacturing, trade & wholesale/retail industries.

Figure 6-1: Risks and issues for doing business in major Asian countries (all industries)

Rank	High forex risk				Rank	Inadequate infrastructure				Rank	Underdeveloped legal system, problems with legal operation				Rank	Lack of clustering or development of related industries			
	FY2010	FY2009	FY2008			FY2010	FY2009	FY2008			FY2010	FY2009	FY2008			FY2010	FY2009	FY2008	
1	(5) China	24.9	18.8	16.6	1	(1) India	64.3	56.7	58.7	1	(1) China	56.1	53.1	55.7	1	(1) Vietnam	28.6	20.0	24.3
2	(1) Indonesia	21.0	26.2	32.6	2	(2) Vietnam	54.2	41.8	55.7	2	(3) India	31.6	28.2	30.6	2	(2) India	18.0	14.7	15.7
3	(2) Thailand	19.1	20.4	23.1	3	(3) Indonesia	34.0	27.7	29.9	3	(2) Vietnam	26.7	30.8	33.8	3	(3) Philippines	16.7	11.0	17.1
4	(3) Vietnam	18.3	20.0	21.3	4	(4) Philippines	29.7	26.8	28.0	4	(4) Indonesia	24.4	19.9	22.6	4	(4) Indonesia	15.0	7.8	10.6
5	(4) India	15.7	19.6	18.5	5	(5) China	13.6	15.7	16.8	5	(5) Philippines	15.5	16.3	15.2	5	(7) Malaysia	7.6	5.0	8.1
6	(7) Malaysia	14.0	14.7	13.4	6	(6) Thailand	11.6	9.4	10.3	6	(6) Thailand	8.5	10.8	10.1	6	(6) Thailand	7.3	5.3	7.7
7	(6) Philippines	13.4	18.2	12.3	7	(7) Malaysia	8.2	8.7	5.6	7	(7) Malaysia	5.8	7.0	8.5	7	(5) China	5.9	5.4	4.0
8	(8) Singapore	11.0	12.2	9.2	8	(8) Singapore	1.4	1.9	2.3	8	(8) Singapore	1.7	0.9	1.3	8	(8) Singapore	3.8	2.5	3.0
Rank	Problems with protection of intellectual property rights				Rank	Labor costs are high or rising				Rank	Tax-related risks or issues				Rank	Labor issues			
	FY2010	FY2009	FY2008			FY2010	FY2009	FY2008			FY2010	FY2009	FY2008			FY2010	FY2009	FY2008	
1	(1) China	60.0	57.4	55.7	1	(2) China	46.2	29.2	42.4	1	(1) China	29.3	28.0	30.6	1	(1) China	41.8	29.7	32.6
2	(3) Vietnam	11.3	10.2	10.8	2	(1) Singapore	35.9	30.4	35.0	2	(2) India	23.2	21.8	21.0	2	(2) India	19.7	20.5	19.2
3	(2) India	9.9	13.1	14.9	3	(3) Thailand	19.8	16.0	18.8	3	(3) Indonesia	10.5	10.3	11.3	3	(4) Thailand	15.2	10.8	7.9
4	(5) Indonesia	5.7	7.2	6.6	4	(4) Malaysia	11.9	11.4	14.1	3	(4) Vietnam	10.5	8.9	11.5	4	(6) Indonesia	14.7	9.7	12.0
5	(4) Philippines	5.0	7.2	7.6	5	(5) Vietnam	10.5	9.8	17.2	5	(7) Philippines	6.3	3.8	8.5	5	(5) Vietnam	12.7	9.8	15.9
6	(6) Thailand	4.6	6.2	6.5	6	(6) India	6.7	8.0	10.7	6	(5) Thailand	6.0	7.1	7.5	6	(3) Philippines	10.5	12.0	7.6
7	(7) Malaysia	2.1	3.0	6.0	7	(7) Indonesia	4.5	4.4	8.6	7	(6) Malaysia	4.3	4.0	5.6	7	(7) Malaysia	5.8	6.0	8.1
8	(8) Singapore	0.9	0.9	1.3	8	(8) Philippines	3.3	4.3	4.3	8	(8) Singapore	0.9	1.3	1.7	8	(8) Singapore	4.1	2.2	3.3

(n) in FY2008 China 680, Thailand 416, Indonesia 301, Malaysia 284, Philippines 211, Singapore 303, Vietnam 296, India 281

(n) in FY2009 China 718, Thailand 437, Indonesia 321, Malaysia 299, Philippines 209, Singapore 319, Vietnam 325, India 312

(n) in FY2010 China 792, Thailand 481, Indonesia 353, Malaysia 329, Philippines 239, Singapore 345, Vietnam 371, India 345

Note 1 (n) indicates firms with business relationships or those considering new businesses.

Note 2 Numbers in parentheses indicate rank in FY 2009.

6. Business Environment in Asia

2. Risks and issues of major Asian countries (all industries)

Figure 6-2: Risks and issues for doing business in major Asian countries (all industries)

Rank	China				Rank	Thailand				Rank	Indonesia			
		FY2010	FY2009	FY2008			FY2010	FY2009	FY2008			FY2010	FY2009	FY2008
1	(1) Problems with protection of intellectual property rights	60.0	57.4	55.7	1	(2) Labor costs are high or rising	19.8	16.0	18.8	1	(1) Inadequate infrastructure	34.0	27.7	29.9
2	(2) Underdeveloped legal system, problems with legal operation	56.1	53.1	55.7	2	(1) High forex risk	19.1	20.4	23.1	2	(3) Underdeveloped legal system, problems with legal operation	24.4	19.9	22.6
3	(4) Labor costs are high or rising	46.2	29.2	42.4	3	(3) Labor issues	15.2	10.8	7.9	3	(2) High forex risk	21.0	26.2	32.6
4	(3) Labor issues	41.8	29.7	32.6	4	(5) Inadequate infrastructure	11.6	9.4	10.3	4	(6) Lack of clustering or development of related industries	15.0	7.8	10.6
5	(5) Tax-related risks or issues	29.3	28.0	30.6	5	(3) Underdeveloped legal system, problems with legal operation	8.5	10.8	10.1	5	(5) Labor issues	14.7	9.7	12.0
6	(6) High forex risk	24.9	18.8	16.6	6	(8) Lack of clustering or development of related industries	7.3	5.3	7.7	6	(4) Tax-related risks or issues	10.5	10.3	11.3
7	(7) Inadequate infrastructure	13.6	15.7	16.8	7	(6) Tax-related risks or issues	6.0	7.1	7.5	7	(7) Problems with protection of intellectual property rights	5.7	7.2	6.6
8	(8) Lack of clustering or development of related industries	5.9	5.4	4.0	8	(7) Problems with protection of intellectual property rights	4.6	6.2	6.5	8	(8) Labor costs are high or rising	4.5	4.4	8.6
Rank	Malaysia				Rank	Philippines				Rank	Singapore			
		FY2010	FY2009	FY2008			FY2010	FY2009	FY2008			FY2010	FY2009	FY2008
1	(1) High forex risk	14.0	14.7	13.4	1	(1) Inadequate infrastructure	29.7	26.8	28.0	1	(1) Labor costs are high or rising	35.9	30.4	35.0
2	(2) Labor costs are high or rising	11.9	11.4	14.1	2	(5) Lack of clustering or development of related industries	16.7	11.0	17.1	2	(2) High forex risk	11.0	12.2	9.2
3	(3) Inadequate infrastructure	8.2	8.7	5.6	3	(3) Underdeveloped legal system, problems with legal operation	15.5	16.3	15.2	3	(4) Labor issues	4.1	2.2	3.3
4	(6) Lack of clustering or development of related industries	7.6	5.0	8.1	4	(2) High forex risk	13.4	18.2	12.3	4	(3) Lack of clustering or development of related industries	3.8	2.5	3.0
5	(4) Underdeveloped legal system, problems with legal operation	5.8	7.0	8.5	5	(4) Labor issues	10.5	12.0	7.6	5	(7) Underdeveloped legal system, problems with legal operation	1.7	0.9	1.3
5	(5) Labor issues	5.8	6.0	8.1	6	(8) Tax-related risks or issues	6.3	3.8	8.5	6	(5) Inadequate infrastructure	1.4	1.9	2.3
7	(7) Tax-related risks or issues	4.3	4.0	5.6	7	(6) Problems with protection of intellectual property rights	5.0	7.2	7.6	7	(6) Tax-related risks or issues	0.9	1.3	1.7
8	(8) Problems with protection of intellectual property rights	2.1	3.0	6.0	8	(7) Labor costs are high or rising	3.3	4.3	4.3	7	(7) Problems with protection of intellectual property rights	0.9	0.9	1.3
Rank	Vietnam				Rank	India								
		FY2010	FY2009	FY2008			FY2010	FY2009	FY2008					
1	(1) Inadequate infrastructure	54.2	41.8	55.7	1	(1) Inadequate infrastructure	64.3	56.7	58.7					
2	(3) Lack of clustering or development of related industries	28.6	20.0	24.3	2	(2) Underdeveloped legal system, problems with legal operation	31.6	28.2	30.6					
3	(2) Underdeveloped legal system, problems with legal operation	26.7	30.8	33.8	4	(3) Tax-related risks or issues	23.2	21.8	21.0					
4	(3) High forex risk	18.3	20.0	21.3	5	(4) Labor issues	19.7	20.5	19.2					
5	(6) Labor issues	12.7	9.8	15.9	3	(6) Lack of clustering or development of related industries	28.6	14.7	15.7					
6	(5) Problems with protection of intellectual property rights	11.3	10.2	10.8	6	(5) High forex risk	18.3	19.6	18.5					
6	(6) Labor costs are high or rising	10.5	9.8	17.2	7	(7) Problems with protection of intellectual property rights	11.3	13.1	14.9					
7	(8) Tax-related risks or issues	10.5	8.9	11.5	8	(8) Labor costs are high or rising	10.5	8.0	10.7					

(n) in FY2008 China 680, Thailand 416, Indonesia 301, Malaysia 284, Philippines 211, Singapore 303, Vietnam 296, India 281

(n) in FY2009 China 718, Thailand 437, Indonesia 321, Malaysia 299, Philippines 209, Singapore 319, Vietnam 325, India 312

(n) in FY2010 China 792, Thailand 481, Indonesia 353, Malaysia 329, Philippines 239, Singapore 345, Vietnam 371, India 345

Note 1 (n) indicates firms with business relationships or those considering new businesses.

Note 2 Numbers in parentheses indicate rank in FY 2009.

6. Business Environment in Asia

3. Risks of major Asian countries (manufacturing/non-manufacturing)

Figure 6-3: Risks and issues for doing business in major Asian countries (manufacturing/non-manufacturing)

Rank	High forex risk			Rank	Inadequate infrastructure			Rank	Underdeveloped legal system, problems with legal operation			Rank	Lack of clustering or development of related industries		
		mfg	non-mfg			mfg	non-mfg			mfg	non-mfg			mfg	non-mfg
1	(1) China	25.4	23.9	1	(1) India	63.4	66.4	1	(1) China	53.7	60.4	1	(1) Vietnam	28.7	28.4
2	(2) Indonesia	23.0	16.7	2	(2) Vietnam	53.6	55.2	2	(2) India	30.7	33.6	2	(4) Philippines	19.2	11.1
3	(5) Thailand	21.6	13.7	3	(3) Indonesia	31.8	38.6	3	(3) Vietnam	23.6	32.1	3	(3) India	18.9	15.9
4	(3) Vietnam	19.8	15.7	4	(4) Philippines	30.5	27.8	4	(4) Indonesia	22.6	28.1	4	(2) Indonesia	13.4	18.4
5	(4) India	16.0	15.0	5	(6) China	13.3	14.3	5	(5) Philippines	13.2	20.8	5	(7) Malaysia	8.2	6.3
6	(8) Malaysia	15.5	10.4	6	(5) Thailand	10.4	14.4	6	(6) Thailand	7.3	11.1	6	(5) Thailand	5.8	10.5
7	(7) Philippines	13.8	12.5	7	(7) Malaysia	9.4	5.2	7	(7) Malaysia	5.6	6.3	7	(6) China	5.3	7.1
8	(6) Singapore	10.2	12.8	8	(8) Singapore	2.1	0.0	8	(8) Singapore	2.1	0.9	8	(8) Singapore	4.2	2.8
Rank	Problems with protection of intellectual property rights			Rank	Labor costs are high or rising			Rank	Tax-related risks or issues			Rank	Labor issues		
		mfg	non-mfg			mfg	non-mfg			mfg	non-mfg			mfg	non-mfg
1	(1) China	67.6	46.1	1	(1) China	46.5	45.7	1	(1) China	28.7	30.4	1	(1) China	40.6	43.9
2	(3) Vietnam	13.5	7.5	2	(2) Singapore	34.3	39.4	2	(2) India	23.5	22.4	2	(2) India	18.9	21.5
3	(2) India	10.5	8.4	3	(3) Thailand	20.4	18.3	3	(4) Indonesia	9.6	12.3	3	(3) Thailand	14.6	16.3
4	(6) Philippines	6.0	2.8	4	(4) Malaysia	10.3	15.6	4	(3) Vietnam	8.0	14.9	4	(4) Indonesia	14.2	15.8
5	(4) Indonesia	5.9	5.3	5	(5) Vietnam	9.3	12.7	5	(6) Thailand	5.8	6.5	5	(5) Vietnam	11.0	15.7
6	(5) Thailand	4.9	3.9	6	(6) India	7.6	4.7	6	(5) Philippines	5.4	8.3	6	(6) Philippines	9.0	13.9
7	(7) Malaysia	3.0	0.0	7	(7) Indonesia	4.6	4.4	7	(7) Malaysia	3.9	5.2	7	(8) Malaysia	6.0	5.2
8	(7) Singapore	1.3	0.0	8	(8) Philippines	3.6	2.8	8	(8) Singapore	1.3	0.0	8	(7) Singapore	3.0	6.4

Figure 6-4: Risks and issues for doing business in major Asian countries (manufacturing/non-manufacturing)

Rank	China			Rank	Thailand			Rank	Indonesia			Rank	Malaysia		
		mfg	non-mfg			mfg	non-mfg			mfg	non-mfg			mfg	non-mfg
1	(2) Problems with protection of intellectual property rights	67.6	46.1	1	(4) High forex risk	21.6	13.7	1	(1) Inadequate infrastructure	31.8	38.6	1	(2) High forex risk	15.5	10.4
2	(1) Underdeveloped legal system, problems with legal operation	53.7	60.4	2	(1) Labor costs are high or rising	20.4	18.3	2	(4) High forex risk	23.0	16.7	2	(1) Labor costs are high or rising	10.3	15.6
3	(3) Labor costs are high or rising	46.5	45.7	3	(2) Labor issues	14.6	16.3	3	(2) Underdeveloped legal system, problems with legal operation	22.6	28.1	3	(5) Inadequate infrastructure	9.4	5.2
4	(4) Labor issues	40.6	43.9	4	(3) Inadequate infrastructure	10.4	14.4	4	(5) Labor issues	14.2	15.8	4	(3) Lack of clustering or development of related industries	8.2	6.3
5	(5) Tax-related risks or issues	28.7	30.4	5	(5) Underdeveloped legal system, problems with legal operation	7.3	11.1	5	(3) Lack of clustering or development of related industries	13.4	18.4	5	(5) Labor issues	6.0	5.2
6	(6) High forex risk	25.4	23.9	6	(7) Tax-related risks or issues	5.8	6.5	6	(6) Tax-related risks or issues	9.6	12.3	6	(3) Underdeveloped legal system, problems with legal operation	5.6	6.3
7	(7) Inadequate infrastructure	13.3	14.3	6	(6) Lack of clustering or development of related industries	5.8	10.5	7	(7) Problems with protection of intellectual property rights	5.9	5.3	7	(5) Tax-related risks or issues	3.9	5.2
8	(8) Lack of clustering or development of related industries	5.3	7.1	8	(8) Problems with protection of intellectual property rights	4.9	3.9	8	(8) Labor costs are high or rising	4.6	4.4	8	(8) Problems with protection of intellectual property rights	3.0	0.0
Rank	Philippines			Rank	Singapore			Rank	Vietnam			Rank	India		
		mfg	non-mfg			mfg	non-mfg			mfg	non-mfg			mfg	non-mfg
1	(1) Inadequate infrastructure	30.5	27.8	1	(1) Labor costs are high or rising	34.3	39.4	1	(1) Inadequate infrastructure	53.6	55.2	1	(1) Inadequate infrastructure	63.4	66.4
2	(5) Lack of clustering or development of related industries	19.2	11.1	2	(2) High forex risk	10.2	12.8	2	(3) Lack of clustering or development of related industries	28.7	28.4	2	(2) Underdeveloped legal system, problems with legal operation	30.7	33.6
3	(4) High forex risk	13.8	12.5	3	(4) Lack of clustering or development of related industries	4.2	2.8	3	(2) Underdeveloped legal system, problems with legal operation	23.6	32.1	3	(3) Tax-related risks or issues	23.5	22.4
4	(2) Underdeveloped legal system, problems with legal operation	13.2	20.8	4	(3) Labor issues	3.0	6.4	4	(4) High forex risk	19.8	15.7	4	(5) Lack of clustering or development of related industries	18.9	15.9
5	(3) Labor issues	9.0	13.9	5	(6) Inadequate infrastructure	2.1	0.0	5	(8) Problems with protection of intellectual property rights	13.5	7.5	4	(4) Labor issues	18.9	21.5
6	(7) Problems with protection of intellectual property rights	6.0	2.8	5	(5) Underdeveloped legal system, problems with legal operation	2.1	0.9	6	(4) Labor issues	11.0	15.7	6	(6) High forex risk	16.0	15.0
7	(6) Tax-related risks or issues	5.4	8.3	7	(6) Problems with protection of intellectual property rights	1.3	0.0	7	(7) Labor costs are high or rising	9.3	12.7	7	(7) Problems with protection of intellectual property rights	10.5	8.4
8	(7) Labor costs are high or rising	3.6	2.8	7	(6) Tax-related risks or issues	1.3	0.0	8	(6) Tax-related risks or issues	8.0	14.9	8	(8) Labor costs are high or rising	7.6	4.7

(n) in manufacturing China 512, Thailand 328, Indonesia 239, Malaysia 233, Philippines 167, Singapore 236, Vietnam 237, India 238

(n) in non-manufacturing China 280, Thailand 153, Indonesia 114, Malaysia 96, Philippines 72, Singapore 109, Vietnam 134, India 107

Note 1 (n) indicates firms with business relationships or those considering new businesses. Note 2 Numbers in parentheses indicate rank in non-manufacturing.