Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan 2007

March 2008

Japan External Trade Organization
Invest Japan Department

Foreword

Investment in Japan from abroad creates employment and also brings to Japanese industry new technologies and innovative management. In addition to this, the introduction of new goods and services gives rise to fresh competition in the marketplace, and new markets are created supplying more competitive goods and services. For these reasons, foreign investment in Japan is expected as one of the “keys to the vitalization of the Japanese economy” which will promote the vitalization of our domestic economy. In fact, whereas the leading economies of Europe and North America have been very active in introducing and utilizing foreign investment to promote the rejuvenation and vitalization of their domestic industries, the level of Japan’s inward investment is remarkably low by comparison with these countries.

JETRO, as Japan’s central investment promotion agency, strives vigorously to expand foreign investment in Japan by widely promulgating Japanese business opportunities across the world, and by working closely with individual foreign companies to encourage their entry into the Japanese market. This “Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan” has been conducted annually since 1996 with the objective of serving as a fundamental document for the examination of various policies relating to investment in Japan.

The 13th Survey carried out in this fiscal year took up the topics of “Japan Business Strategies” and “Japan in the Midst of Asia” in addition to the regular subject. Under the topic of “Japan Business Strategies,” we asked companies about their intentions regarding future business expansion in Japan, and also the feasibility of “triangular mergers.” Under the topic of “Japan in the Midst of Asia,” we made analysis focusing on the positioning of Japan within Asia principally as a destination region for investment and on how investors view other Asian countries.

To compile this survey, questionnaire forms were sent to 2,766 Japan-based foreign companies during September and October 2007, and the responses of 864 companies (response rate: 31.2%) were processed.

We would like to take this opportunity to express our deep appreciation to the foreign companies whose assistance made this survey possible. We hope that this publication proves to be a useful reference for understanding foreign companies in Japan.

March 2008

Invest Japan Department, Invest Japan Division
Japan External Trade Organization (JETRO)
TEL: 03-3582-5234
FAX: 03-3505-1990

I. Overview of Survey Methodology

This survey was carried out via a questionnaire that was sent to 2,766 Japan-based foreign companies during September and October of 2007. Questionnaire forms were sent out and collected by mail, Internet and fax, and responses were received from 864 companies, a response rate of 31.2%.

JETRO has conducted similar surveys of foreign-invested companies annually since 1996, making this the 13th such survey in the series.

Please note that, in the survey results contained in this report, some listed figures may not sum precisely to the relevant totals because of rounding errors.

[Companies targeted by the Survey]

(1) companies with least one-third of whose total capitalization consists of foreign capital listed in the *Gaishikei Kigyo Soran* (Directory of Foreign-owned Companies in Japan) 2007 CD-ROM edition, published by Toyo Keizai Inc., and their affiliates, and Japanese branches of such foreign companies and (2) those foreign companies to which JETRO assisted in entering into the Japanese market

[Number of Companies to which Questionnaires were Distributed]

2,766

[Number of Effective Responses]

864 (effective response rate: 31.2%)

[Survey Method]

Combined use of mail, Internet or Fax

[Survey Period]

September 10 to October 19, 2007

II. Summary

According to the survey, 63.1% of respondents plan to expand their business in Japan in the future, up six points from last year's survey. This is the highest level since the survey began in 1996, reflecting current favorable economic conditions and a strong market performance in Japan. The percentages of respondents planning to "maintain current status" or "reduce scale of business" were just 31.4% and 1.5%, respectively.
Moreover, the percentage of respondents reporting increased year-on-year sales (for FY2006) reached 65.1%, the highest figure since the survey began; the percentage reporting decreased sales was just 15.7%, the lowest figure yet recorded.
Among firms indicating plans to expand their business in the Japan market, 73.8% will do so to "strengthen their sales function", followed by "launch a new product/service" (62.9%) and "enhance production capabilities and services" (52.3%).
Asked about their R&D functions in Japan, 4.1% of firms replied they had a "basic research" function at the time of entry into the Japan market, 5.6% said they currently had one, and 6.4% said they would have one in the future. Figures for other R&D areas revealed a similar pattern: "product development" (9.5%, 12.7% and 15.4%) and "development base targeting Japan market" (14.1%, 17.0% and 21.6%), suggesting that firms are increasingly eyeing R&D functions—compared with other functions such as manufacturing, distribution or services—for their business expansion in the country.

This latest survey included questions regarding legislation that now allows foreign firms to use the triangular merger method to acquire stakes in Japanese firms (introduced May 2007). A majority of respondents (57.6%, or 498 firms) are aware of the new legislation, among whom 8.0% (40 firms) are "thinking about using the scheme" and 2.8% (14 firms) "want to use the scheme but find it difficult."

The survey also polled firms about challenges in setting up/expanding business in Japan. As in last year's survey, "difficulty in securing personnel" ranked highest, at 66.2%, suggesting that firms still struggle with increased competition for qualified staff amidst Japan's improved business climate. Notably, such perennial challenges as "expensive business costs" (60.2%), "high demand level by users" (59.6%), and "closed nature and uniqueness of the Japan market" (50.6%) ranked lower in this year's survey. In addition, compared to last year's survey, lower percentages of firms cited "insufficient preferential treatment", "financing", "political procedures", "infrastructure" and "lack of information and services" as obstacles to doing business in Japan, further demonstrating an improved business climate for foreign-affiliated firms in Japan.

Asked about their future business expansion plans for Asia as a whole, the majority of respondents (75.5%) plan to expand, compared to just 17.1 % who plan to "maintain current

status". This suggests that more than 90% of respondents view Asia as a key business location.
Asked to rank countries (other than Japan) by level of importance to their business (including view of parent company), mainland China ranked highest, at 63.8%, followed by India (28.7%), Korea (26.4%), Hong Kong (14.0%), Taiwan (13.0%) and Singapore (11.6%). Notably, Vietnam ranked 7th in this latest survey, climbing from 8th in 2005 and 10th in 1997.
According to the survey, 17.1% of respondents have their regional Asia headquarters in Japan. Firms without a regional headquarters in the country were asked what factors would entice them to consider Japan for such a base. At the top of the list was "increased availability of qualified personnel", followed by "greater preferential treatment, compared to other countries", and "lower corporate taxes". This suggests that local and national governments, and also related organizations, need to continue working together to further enhance Japan's human resource development and overall business climate.

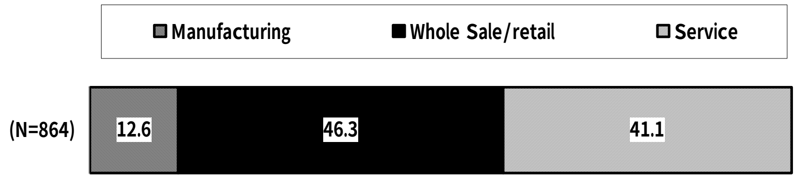
III. Major Themes

1. Summary of Responding Companies

(1) Industry Categories

<Industry category of overseas parent company >

<Industry category of responding company>

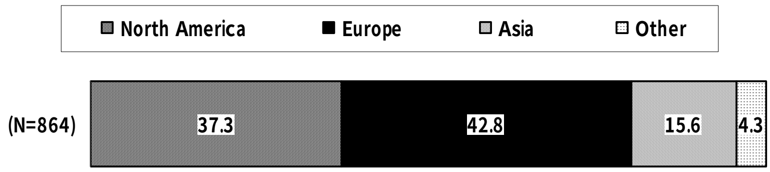


First we examined the sectoral breakdown of the responding companies and their parent companies overseas respectively. Of the parent companies, 54.4% were in manufacturing and 40.9% in non-manufacturing sectors (6.3% in wholesale and retail, 34.6% in services). Of the responding companies, 12.6% were in manufacturing and 87.4% in non-manufacturing sectors (46.3% in wholesale and retail, 41.1% in services).

Examining the sectoral composition of the responding companies in detail, of the manufacturing and wholesale/retail companies (509 companies in total), “chemicals” are the most numerous with 54 companies, followed by “precision machinery/instruments” (45 companies), “general machinery/devices” (42 companies), “transportation-related machinery/devices” (39 companies), and “electrical machinery/devices” (34 companies). Thus, chemical and machinery-related companies are well represented in the sample. Of the service sector companies (355 companies in total), “information technology and communications (ITC)” with 115 companies constitutes 32.4% of the total.

(2) Nationality of Parent Companies

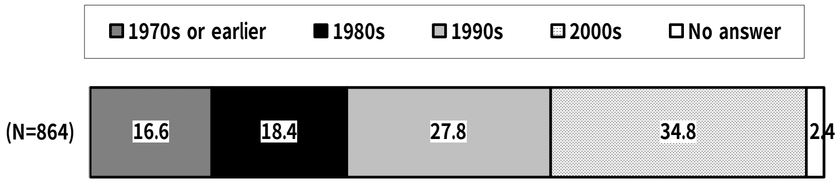
<Nationality of overseas parent company >



The most heavily represented nationality among the ultimate parent companies of the responding companies was the United States (306 companies), followed by Germany (113 companies), the United Kingdom (54 companies), France (49 companies), the Republic of Korea (46 companies) and Switzerland (38 companies), European countries being well represented. The regional breakdown of the responding companies was as follows: North America 37.3%; Europe 42.8% (of which EU countries comprised 37.5%); Asia 15.6%; and other regions 3.1%.

(3) Times of entering into Japan

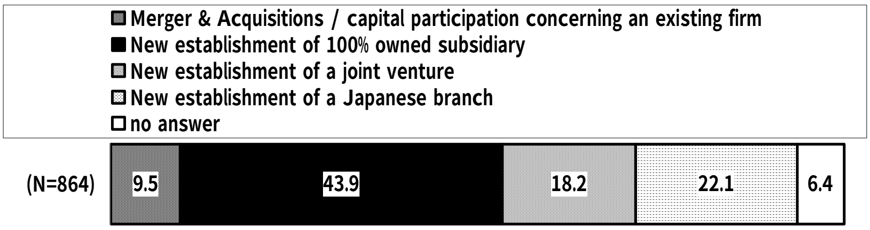
<Year for establishment and entering into Japan >



When asked the decade in which they had set up operations in Japan, the most common response was “the 2000s” (34.8%), followed by “the 1990s” (27.8%). In all, 62.6% of the responding companies had incorporated in “the 1990s onwards.”

(4) Form of Incorporation in Japan

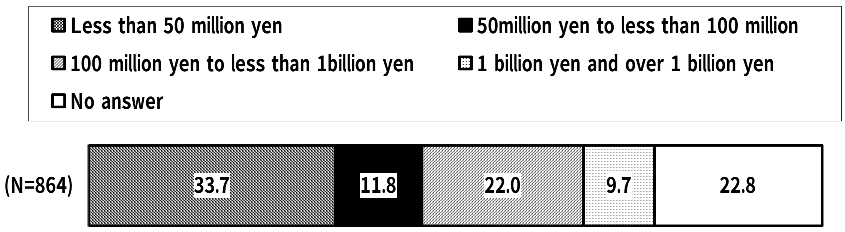
<Form of establishment of responding company >



Close to half of all respondents (49.3%) set up operations in Japan through the “new establishment of a 100% owned subsidiary.” This was followed by “new establishment of a Japanese branch” (22.1%) and “new establishment of a joint venture” (18.2%).

(5) Scale of Capital

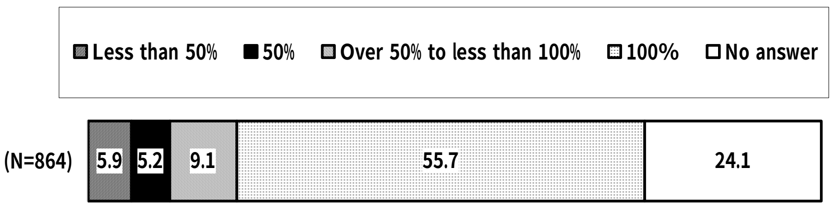
<Capital of responding company >



Regarding responding companies’ capital scale as at the end of August 2007, 33.7% were capitalized at “less than ¥50 million,” 11.8% at “¥50 million to ¥100 million,” 22.0% at “¥100 million to ¥1 billion,” and 9.7% at “over ¥1 billion.” Note that Japanese branch offices are counted in the “no response” category for this question.

(6) Foreign Capital Investment Ratio

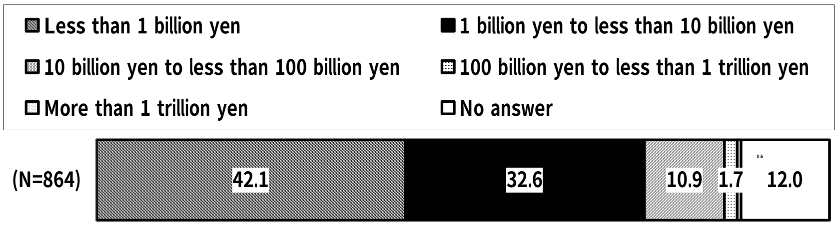
<Foreign capital ratio of responding company >



Looking at the proportion of capital invested by the foreign parent companies, companies that reported “100%” comprised more than half of respondents at 55.7%. Just as was made clear in the responses regarding the form of incorporation in Japan, foreign-invested companies exercising direct control through a 100% capital stake comprise the majority. Note that Japanese branch offices are counted in the "no response" category for this question.

(7) Sales

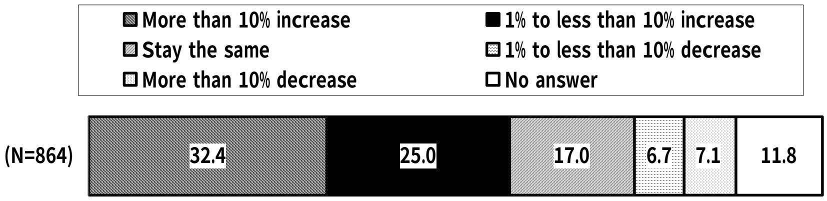
<Company's sales in FY2006 >



In regard to the overall volume of sales in the 2006 financial year, companies responding "less than ¥1 billion" (42.1%) and "¥1 billion to ¥10 billion" (32.6%) comprised more than 70% of the total (74.7%).

(8) Increase/Decrease in Sales

<Change in sales for FY2006 compared to FY2005 >



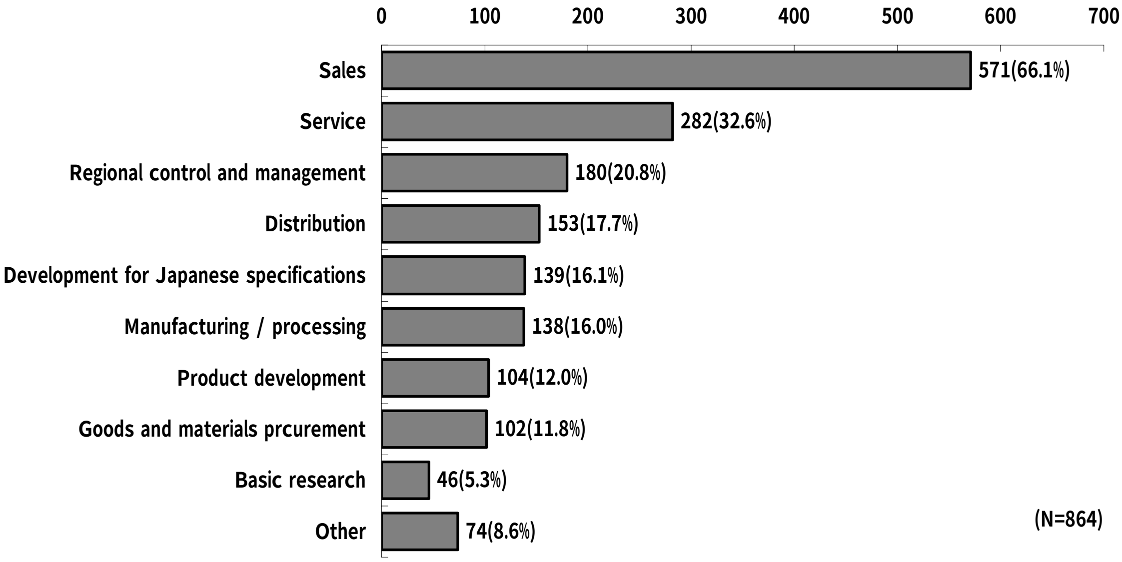
The proportion of companies reporting that their sales had "increased by over 10%" compared to the previous fiscal year came to 32.4%, while a further 25.0% reported that sales had "increased by 1 to 10%." This makes for a total of close to 60% of companies (57.4%) reporting some measure of sales growth, which is almost the same result as last year (57.6%).

(9) Roles of Japan-Based Business Operations (multiple responses)

When asked about the roles of their business operation bases owned in Japan, each company on average listed two or more roles in response. The most common response was "sales" which was given by 66.1% of all companies. This was followed by "services (e.g. call center)" at 32.6% and "regional control and management" at 20.8%.

Looking further at and comparing the roles of the operation bases in Japan among "at the time of entry," "at present" and "in the future (for reference)," the results show that all types of operation bases have increased from "the time of entry" to "the present." With respect to "in the future," despite the fact that a majority of companies offered no response, the roles of "product development" and "product development for Japanese specifications" both showed a tendency to increase going from "the present" to "the future." This suggests that we can expect new investment in these areas in the future. (See page 36 for details.)

<Roles of Japan-Based Operations >

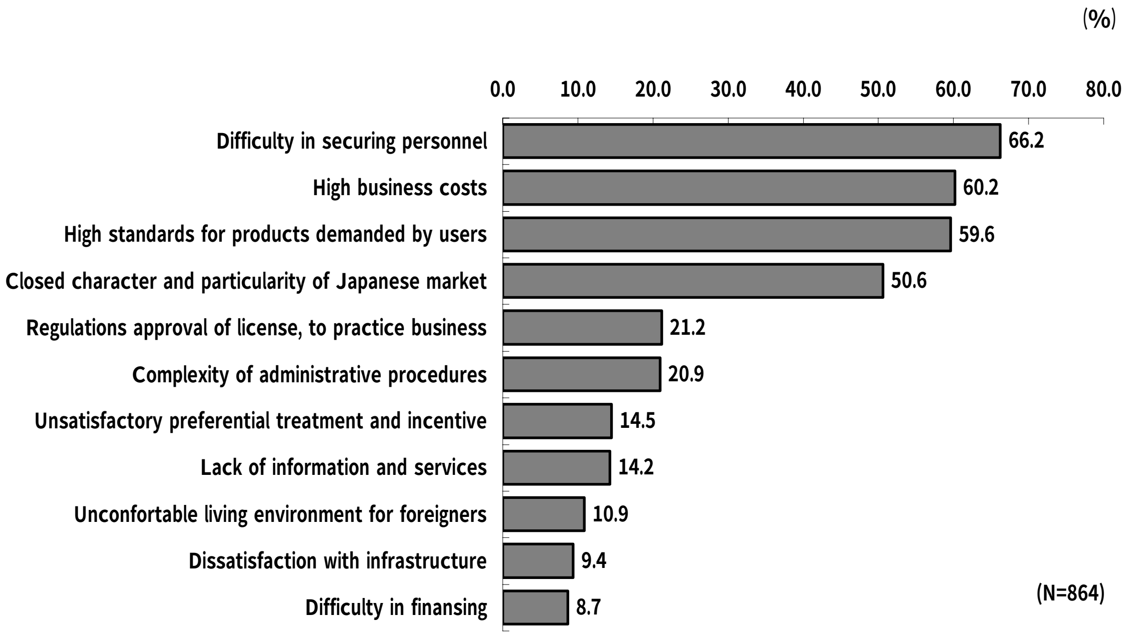


2. Impediments to Business in Japan

The survey results with respect to impediments to investing in Japan are as follows. Of the 864 companies responding to the questionnaire, 806 companies provided some kind of response in relation to business impediments.

The following impediments were identified by more than half (50%) of the responding companies: "difficulty in securing personnel" (66.2%), "high business costs" (60.2%), "high product standards demanded by users" (59.6%), and the "closed character and particularity of the Japanese market" (50.6%). The number of companies identifying each of the other offered responses was comparatively low: "regulations, approvals or business licenses" (21.2%), "complexity of administrative procedures" (20.9%), "unsatisfactory preferential treatment and incentives" (14.5%), "lack of information and services" (14.2%), "uncomfortable living environment for foreigners (schools, hospitals, social customs, etc.)" (10.9%), "dissatisfaction with infrastructure (convenience, usage fee, etc.)" (9.4%), and "difficulty in financing" (8.7%).

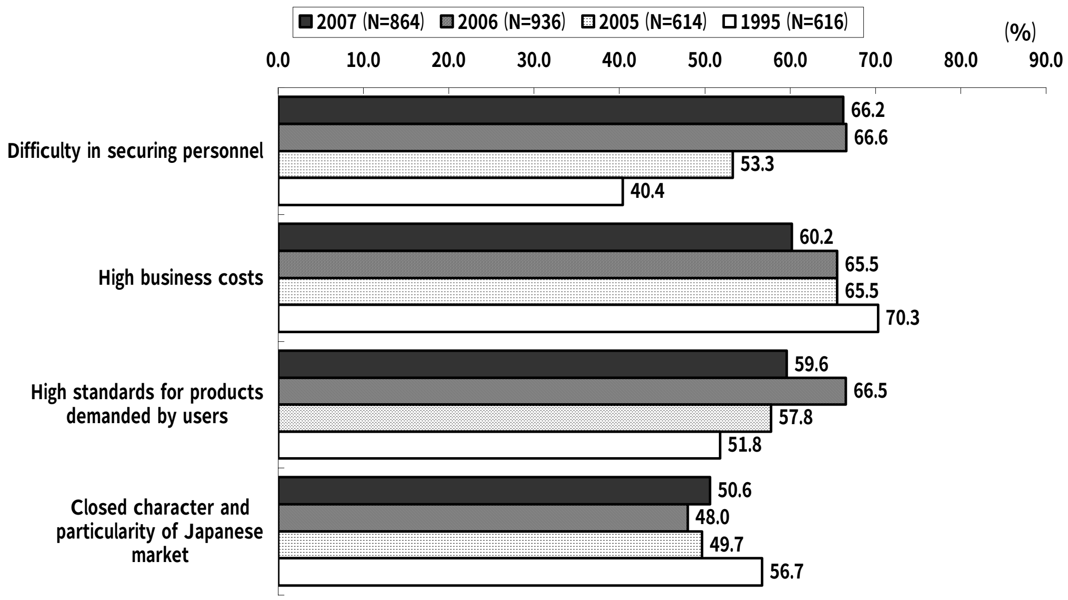
<Impediments to Business in Japan (multiple responses)>



Looking at the four most frequently cited impediments as noted above on a time series basis (tracking the years 1995, 2005, 2006 and 2007), we find that the proportions of companies citing "high business costs" and the "closed character and particularity of the Japanese market" have declined compared to those in 1995. This might be said to be an indication that foreign-invested companies are finding it easier to do business in Japan. While the proportion of companies citing "difficulty in securing personnel" came in somewhat lower than in 2006, it has risen by 25 percentage points since 1995. It can be inferred from this that, with the economic recovery over the last few years, and moreover as Japanese companies themselves have become more internationalized, the competition faced by foreign companies to secure quality personnel is intensifying.

Meanwhile, although the proportion of companies citing "high product standards demanded by users" fell by 6 percentage points from the level of 2006, more than 50% of companies continue to identify this as an impediment.

<Comparison among the 1995 (1st Survey), 2005, 2006 and 2007 Survey Results on Business Impediments (multiple responses)>



3. Strategies for Investment in Japan

(1) Views on the Current State and Outlook of the Japanese Economy and Earnings Performance

When asked for their views on the current state of the Japanese economy, 17.5% of responding companies answered "good" while 66.9% answered "somewhat good," making a total of 84.4%. Thus, more than eight in ten companies view current conditions as good, including "somewhat good." Meanwhile, just around 10% of companies (11.1%) view economic conditions as "bad." As for their outlook on the Japanese economy over the next one to two years, 24.9% expect the economy to "get better," 62.8% expect it to "remain about the same," and 8.3% expect it to "get worse." These results indicate that the majority of foreign-invested companies have an optimistic view of the Japanese economy.

<Current State and Outlook of Japanese Economic>

		The prospects of the overall Japanese economy in one to two years				Total
		Get better	Remain the same	Get worse	No answer	
The present status of the overall Japanese economy	Good	79 9.1%	67 7.8%	5 0.6%	0 0.0%	151 17.5%
	Somewhat good	120 13.9%	414 47.9%	44 5.1%	0 0.0%	578 66.9%
	Poor	15 1.7%	59 6.8%	22 2.5%	0 0.0%	96 11.1%
	No answer	1 0.1%	3 0.3%	1 0.1%	34 3.9%	39 4.5%
Total		215 24.9%	543 62.8%	72 8.3%	34 3.9%	864 100.0%

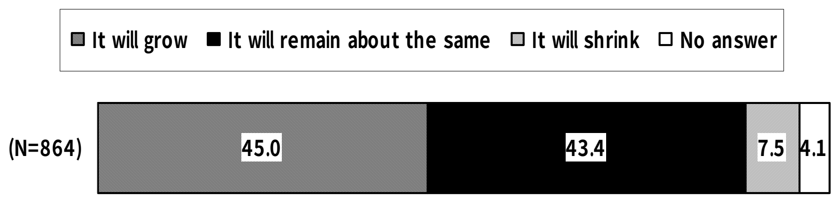
When asked for their assessment of their current earnings performance, 24.3% of companies answered "good" and 55.3% answered "fair," making a total of 79.6%. Thus, close to eight companies in ten view their current performance as "good," including "fair." Meanwhile, 15.3% of companies described their current performance as "poor." As for the outlook for earnings performance over the next one to two years, 49.2% of companies reported that they expect their performance to “improve,” while 6.9% of companies expect it to “get worse.” Of the 864 companies in the total sample, the number of companies that described their current performance as “poor” and expected it to “get worse” was only 24 companies (2.8%). From this it is apparent that the majority of foreign-invested companies have positive views of their earnings performance, just as they do with regard to the Japanese economy.

<Current State and Outlook of Earnings Performance>

		Company's prospect of performance				Total
		Improve	Remain the same	Get worse	No answer	
Company's current performance	Good	133 15.4%	65 7.5%	9 1.0%	3 0.3%	210 24.3%
	Fair	229 26.5%	219 25.3%	26 3.0%	4 0.5%	478 55.3%
	Poor	58 6.7%	49 5.7%	24 2.8%	1 0.1%	132 15.3%
	No answer	5 0.6%	2 0.2%	1 0.1%	36 4.2%	44 5.1%
Total		425 49.2%	335 38.8%	60 6.9%	44 5.1%	864 100.0%

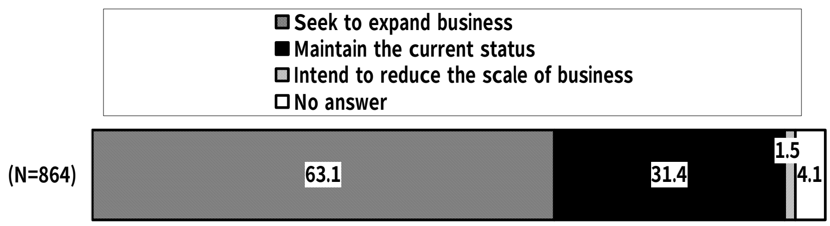
(2) Market Outlook for Companies’ Own Products and Services and Future Business Development

<Market Outlook for Companies’ Own Products and Services>



When asked about market prospects for their own products and services over the next one to two years, 45.0% of companies responded that they expect their markets to “grow,” while 43.4% expect them to “remain about the same.” With only 7.5% of companies expecting their markets to “shrink,” the majority of foreign-invested companies are anticipating growth in their product or service markets.

<Future Business Development>



When asked about the direction of their business in Japan, 63.1% of all companies responded that they would “seek to expand business.” The proportion of companies responding that they would "maintain the current status" was 31.4%, while a mere 1.5% indicated that they "intend to reduce the scale of business." Given the favorable outlook for the Japanese economy and for their own product or service markets, many foreign-invested companies are seeking to expand their scale of business.

The table below presents this data in a time series format. Looking at the figures for "seek to expand business," the proportion of companies indicating their intention to expand has remained above 50% every year since 2003, matching paces with the recovery of the Japanese economy which has continued since 2002. In 2007 this figure came to 63.1%, the highest result recorded to date.

<Time Series Data on Business Development>

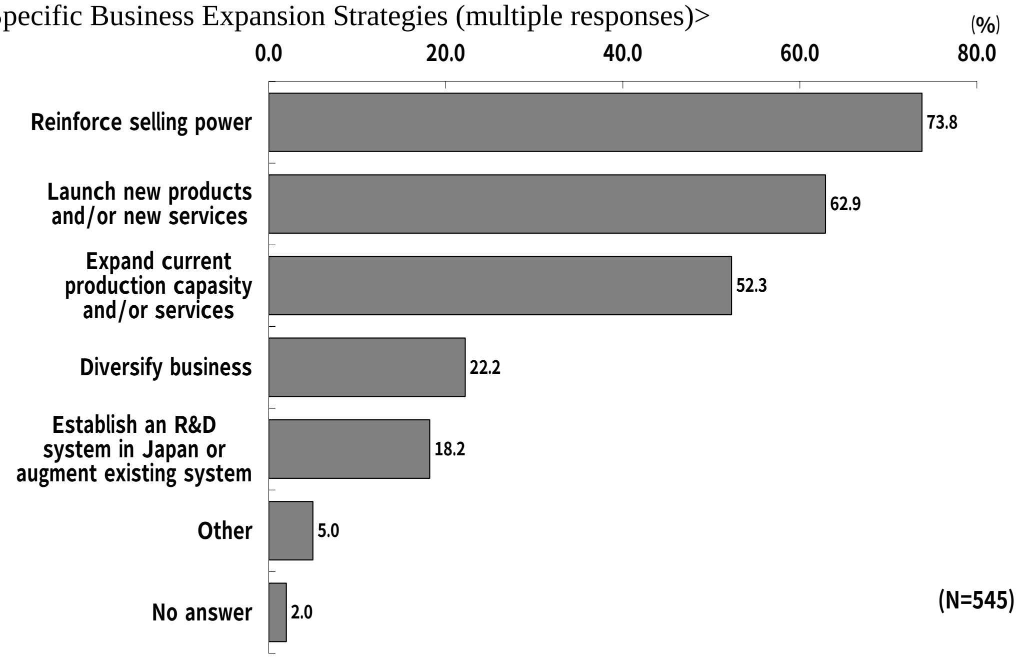
	1998 N=705	1999 N=647	2000 N=627	2001 N=578	2002 N=449	2003 N=353	2004 N=707	2005 N=614	2006 N=936	2007 N=864
Expansion	38.0%	31.2%	37.5%	31.3%	43.2%	61.5%	52.1%	56.4%	57.2%	63.1%
No change	56.5%	51.3%	46.4%	61.4%	44.3%	31.4%	40.6%	35.0%	38.9%	31.4%
Reduction	3.9%	1.4%	12.9%	2.7%	8.7%	4.2%	3.1%	3.4%	2.5%	1.5%
Other / no answer	1.6%	16.1%	3.2%	4.5%	3.8%	2.8%	4.2%	5.2%	1.5%	4.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: Questions on business development were not asked in surveys prior to 1998.

(3) Specific Business Expansion Strategies

The 545 companies that indicated that they would "seek to expand business" were also asked about their specific business expansion strategies (with multiple responses permitted). The results showed "reinforce selling power" to be the most common response at 73.8%. This was followed by "launch new products and/or new services" at 62.9%, "expand current production capacity and/or services" at 52.3%, "diversify business" at 22.2%, and "establish an R&D system in Japan or augment an existing system" at 18.2%. It can be read from this that the majority of foreign-invested companies see stronger sales force and the introduction of new products and services as their prime strategies for expanding their scale of business in Japan.

<Specific Business Expansion Strategies (multiple responses)>



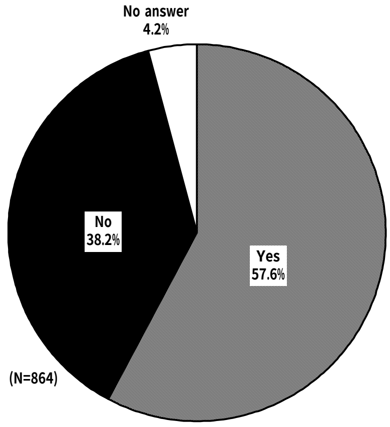
Companies were also asked what methods they are most likely to adopt in pursuing each of the six business expansion strategies from which they were asked to choose. We can see from the results that independent action is the dominant method of business expansion, given that for each of the six strategies, over 60% of companies indicated that they intended to pursue that strategy "independently." However, around 20 to 30% of companies also indicated "in affiliation with another company, university, research institute, etc." for each of the strategies. It emerges that Asian companies in particular identified the methods "in affiliation with another company, university, research institute, etc." and "through M&As" more frequently than companies from other regions.

<Methods for Pursuing each Expansion Strategy>

		Independently	Affiliation	M&A	No answer	Total
Expand current production capacity and/or services	(N=285)	68.4%	21.8%	6.7%	3.2%	100.0%
Reinforce selling power	(N=402)	67.9%	24.9%	3.7%	3.5%	100.0%
Launch new products and/or new services	(N=343)	71.1%	21.9%	2.6%	4.4%	100.0%
Establish an R&D system in Japan or augment existing system	(N=99)	67.7%	30.3%	1.0%	1.0%	100.0%
Diversify business	(N=121)	57.0%	27.3%	13.2%	2.5%	100.0%
Other	(N=27)	59.3%	14.8%	11.1%	14.8%	100.0%

4. Triangular Mergers

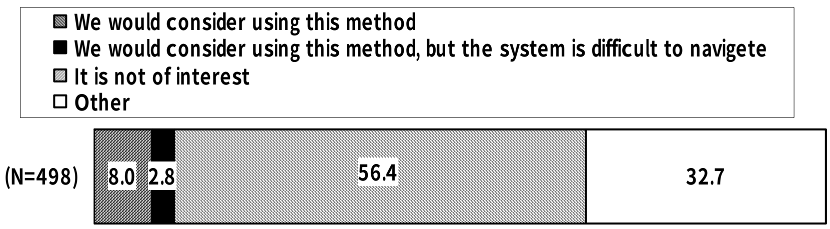
<Familiarity with Triangular Mergers>



Since triangular mergers have become possible in Japan, for this survey we included questions on companies' degree of familiarity with such mergers and any intentions of utilizing them. Companies were first asked whether they are familiar with triangular mergers, and around 60% of companies (498 companies; 57.6%) indicated that they are.

Those companies that indicated that they are familiar with triangular mergers were then asked about the possibility to utilize them. "We would consider using this method" was the response of 40 companies (8.0%), and if we include the 14 companies (2.8%) that responded "we would consider using this method, but the system is difficult to navigate," it emerges that in total around one in ten companies are considering using such mergers. Since lifting the ban on triangular mergers in May 2007, doubts have been raised as to their practicability. However, as a result of this survey, we could confirm the potential existence of companies that would consider actually using them. Note meanwhile that there were 281 companies (56.4%) returning the response "it is not of interest."

<Intentions to Utilize Triangular Mergers (of companies familiar with them)>



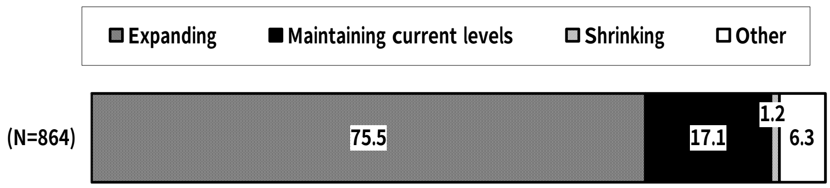
5. Japan in the Midst of Asia

In this year's survey, questions were included that relate to Japan's positioning within Asia, and on the countries and regions that are seen as strategically important within Asia.

(1) Business Development in Asia and Japan

In response to a question on the future of their businesses in Asia, more than three quarters of companies (75.5%) replied that their businesses would be "expanding." Including "maintaining current levels" (17.1%), we can see that more than nine in ten companies (92.6%) are placing an emphasis on Asia. Meanwhile, the proportion of companies that responded "shrinking" came to only 1.2%.

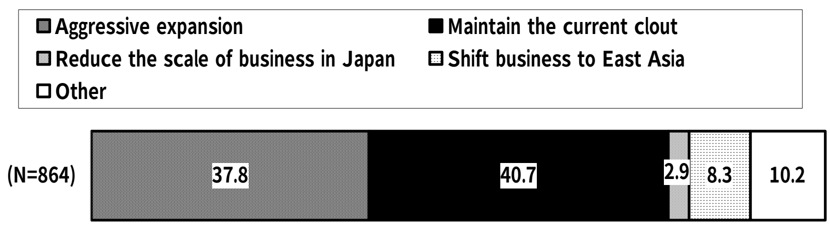
<Business Development in Asia>



Companies were also asked about their business development intentions in the Japanese market as part of their broader business development in Asia. The results showed that companies taking a positive approach and responding "we plan aggressive business expansion because we believe Japanese markets will expand and become increasingly important" comprised around four out of ten companies (37.8%). In addition, those companies answering "although Japanese markets are nearing the limits of their growth, we will maintain our current clout because of the large scale of the Japanese market" and seeking to maintain their current positions also made up around four in ten companies (40.7%). Meanwhile, companies responding "markets in East Asia are now more important" comprised 8.3%, confirmed that companies' business development in East Asia, centered in China, might have an impact on their business development in Japan.

Companies that responded "Japanese markets have reached the limits of their expansion and its importance as a market is declining, so we will reduce the scale of our business in Japan" made up only 2.9% of the sample.

<Business Development in the Japanese Market>



(2) Asian Countries and Regions Seen as Strategically Important for Business

Companies were asked to select the three Asian countries or regions that they consider most strategically important in the light of their parent companies' intentions. "China" emerged at the top of the list, having been identified by 63.8% of companies. Next followed "India" at 28.7%, "Korea" at 26.4%, "Hong Kong" at 14.0%, "Taiwan" at 13.0% and "Singapore" at 11.6%. Apart from the above six, no other country or region reached 10%. Thus it is apparent that an extremely high proportion of companies see China as a strategic priority.

There were no significant changes in the survey results on priority countries and regions from the previous survey in 2005.

<Countries and Regions seen as Strategically Important (multiple responses)>

No	Countries / regions	Number	%
1	China	551	63.8%
2	India	248	28.7%
3	South Korea	228	26.4%
4	Hong Kong	121	14.0%
5	Taiwan	112	13.0%
6	Singapore	100	11.6%
7	Vietnam	78	9.0%
8	Thailand	75	8.7%
9	Malaysia	27	3.1%
10	Indonesia	22	2.5%
11	The Philippines	11	1.3%
	Other	16	1.9%
	No answer	173	20.0%

Looking further at the reasons for which companies nominated particular countries and regions as strategically important, an extremely high proportion cited "prospects for significant expansion of the market" for top-ranked China (87.8%) and also for India (88.7%). Both of these countries were also rated highly for the reasons "production-related costs are low" (34.7% for China and 32.7% for India) and "labor is readily available" (26.9% for China and 30.2% for India). China and India have attained their positions as the two priority economies in Asia, due to the attractiveness of their markets and also to their superiority in terms of production costs and labor supply. Thailand, Malaysia, Indonesia and Vietnam, despite receiving low rankings as priority countries or regions in Asia, were all highly rated for market attractiveness, low production costs and ease of securing labor, just as China and India were. On the other hand, Korea and Taiwan were both rated relatively highly than other countries and regions for the following three reasons: "the company has influential business partners;" "related industries (parts industries, logistics and other services, etc.) are readily available;" and "information and communication infrastructure is established." And Singapore was notable for its relatively high ratings for "information and communication infrastructure is established" and "transportation and distribution infrastructure such as ports and airports are established."

<Reasons to Give Priority to Particular Country or Region (multiple responses)>

Countries and Regions seen as Strategically Important	Total	Few regulations and restrictions governing business activity	Prospect for significant expansion of market	Production-related costs are low	Labor is readily available	Foreign-capital companies receive preferential treatment	Transportation and distribution infrastructure are established	Information and communication infrastructure is established	Related industries are readily available	Financing costs are low and fund-raising methods can be diversified	The company has influential business partners	The country is politically stable	Other	No answer
China	551 100.0%	20 3.6%	484 87.8%	191 34.7%	148 26.9%	25 4.5%	12 2.2%	14 2.5%	24 4.4%	37 6.7%	66 12.0%	5 0.9%	15 2.7%	16 2.9%
India	248 100.0%	6 2.4%	220 88.7%	81 32.7%	75 30.2%	9 3.6%	5 2.0%	16 6.5%	11 4.4%	17 6.9%	19 7.7%	5 2.0%	6 2.4%	8 3.2%
South Korea	228 100.0%	17 7.5%	117 51.3%	16 7.0%	9 3.9%	7 3.1%	18 7.9%	37 16.2%	37 16.2%	5 2.2%	49 21.5%	22 9.6%	19 8.3%	8 3.5%
Hong Kong	121 100.0%	19 15.7%	77 63.6%	18 14.9%	23 19.0%	8 6.6%	15 12.4%	19 15.7%	10 8.3%	7 5.8%	19 15.7%	5 4.1%	7 5.8%	6 5.0%
Taiwan	112 100.0%	13 11.6%	46 41.1%	17 15.2%	7 6.3%	2 1.8%	6 5.4%	18 16.1%	21 18.8%	3 2.7%	26 23.2%	9 8.0%	12 10.7%	3 2.7%
Singapore	100 100.0%	35 35.0%	23 23.0%	7 7.0%	14 14.0%	21 21.0%	29 29.0%	38 38.0%	11 11.0%	8 8.0%	14 14.0%	27 27.0%	7 7.0%	6 6.0%
Vietnam	78 100.0%	3 3.8%	45 57.7%	45 57.7%	36 46.2%	8 10.3%	2 2.6%	2 2.6%	2 2.6%	2 2.6%	7 9.0%	7 9.0%	2 2.6%	1 1.3%
Thailand	75 100.0%	6 8.0%	45 60.0%	24 32.0%	22 29.3%	3 4.0%	6 8.0%	4 5.3%	11 14.7%	4 5.3%	18 24.0%	5 6.7%	1 1.3%	1 1.3%
Malaysia	27 100.0%	4 14.8%	8 29.6%	11 40.7%	11 40.7%	2 7.4%	1 3.7%	1 3.7%	6 22.2%	4 14.8%	7 25.9%	2 7.4%	1 3.7%	0 0.0%
Indonesia	22 100.0%	2 9.1%	11 50.0%	5 22.7%	6 27.3%	2 9.1%	0 0.0%	0 0.0%	1 4.5%	1 4.5%	3 13.6%	1 4.5%	1 4.5%	2 9.1%
The Philippines	11 100.0%	0 0.0%	6 54.5%	3 27.3%	3 27.3%	1 9.1%	1 9.1%	0 0.0%	0 0.0%	0 0.0%	2 18.2%	1 9.1%	0 0.0%	1 9.1%
Other	16 100.0%	0 0.0%	7 43.8%	1 6.3%	2 12.5%	0 0.0%	2 12.5%	0 0.0%	0 0.0%	0 0.0%	1 6.3%	0 0.0%	1 6.3%	5 31.3%

(3) Function as Management Base for the Asian Region

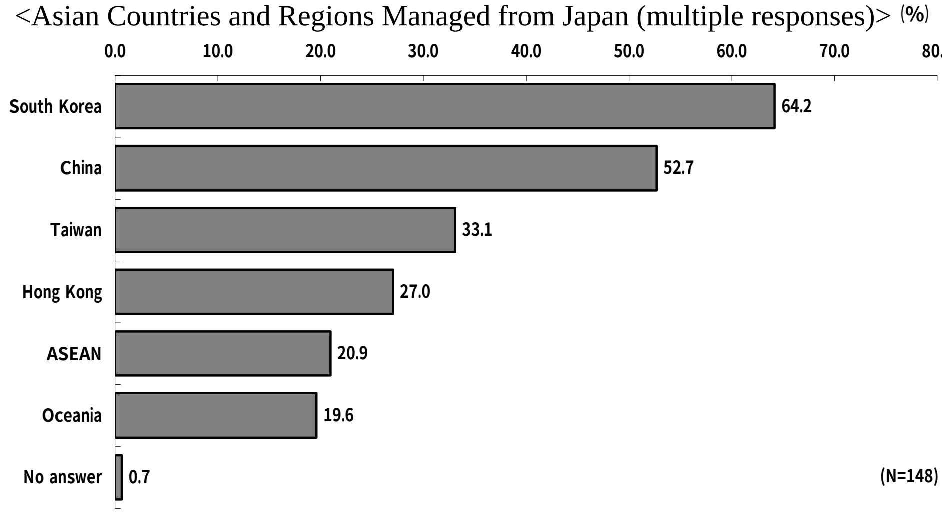
<Function as Management Base for the Asian Region>

In response to the question as to whether their companies locally manage business in the Asian region other than Japan, 17.1% of the responding companies answered “Yes” and 78.8% answered “No.”

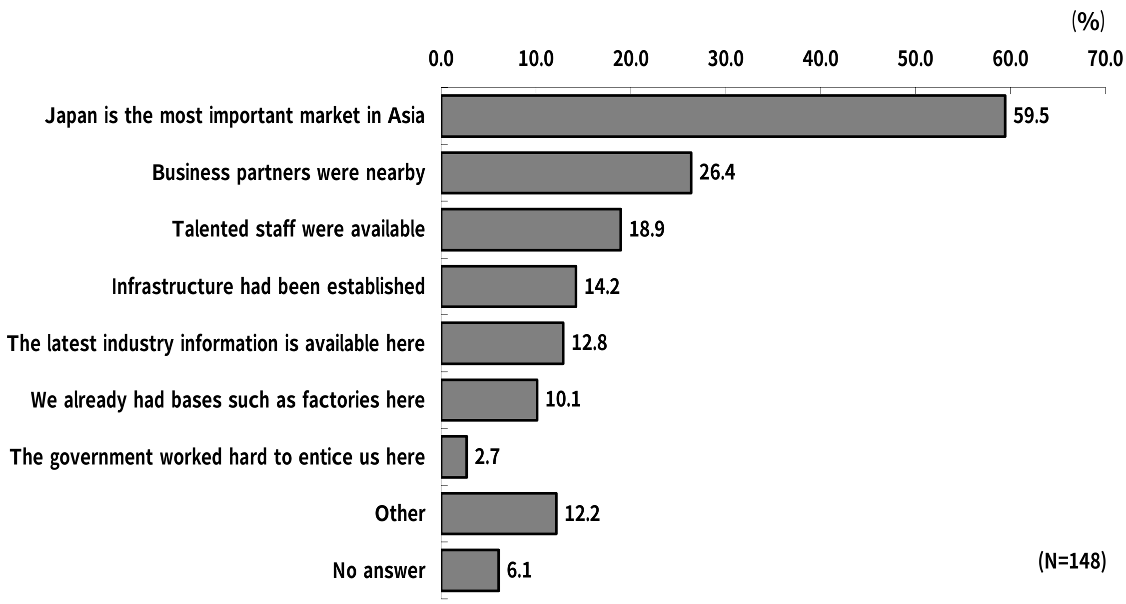
Those companies that answered “Yes” (148 companies) were also asked to specify which countries or regions they managed from Japan. The most common response was “Korea” at 64.2%, followed by “China” at 52.7%, “Taiwan” at 33.1%, “Hong Kong” at 27.0%, “ASEAN” at 20.9%, and “Oceania” at 19.6%.

When asked for the reasons why they established their management base for the Asian region in Japan, around six in ten companies (59.5%) responded that it was because “Japan is the most important market in Asia.” This was followed by the responses “business partners are nearby” at 26.4%, “talented staff are available” at 18.9%, “infrastructure has been established” at 14.2%, “the latest industry information is available” at 12.8%, “we already had bases such as factories here” at 10.1%, and “the government worked hard to entice us here” at 2.7%.

<Asian Countries and Regions Managed from Japan (multiple responses)>

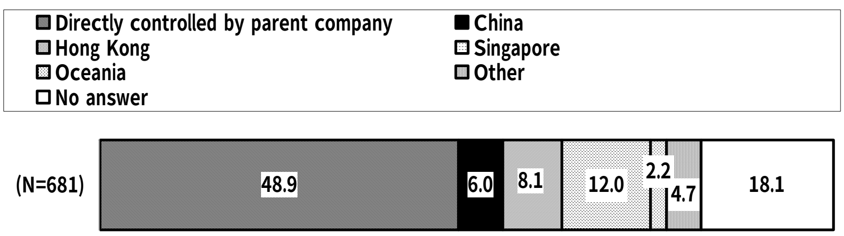


<Reasons for Establishing Management Base in Japan (multiple responses)>



The companies indicating that they do not manage their regional operations from Japan (681 companies) were asked from where they do

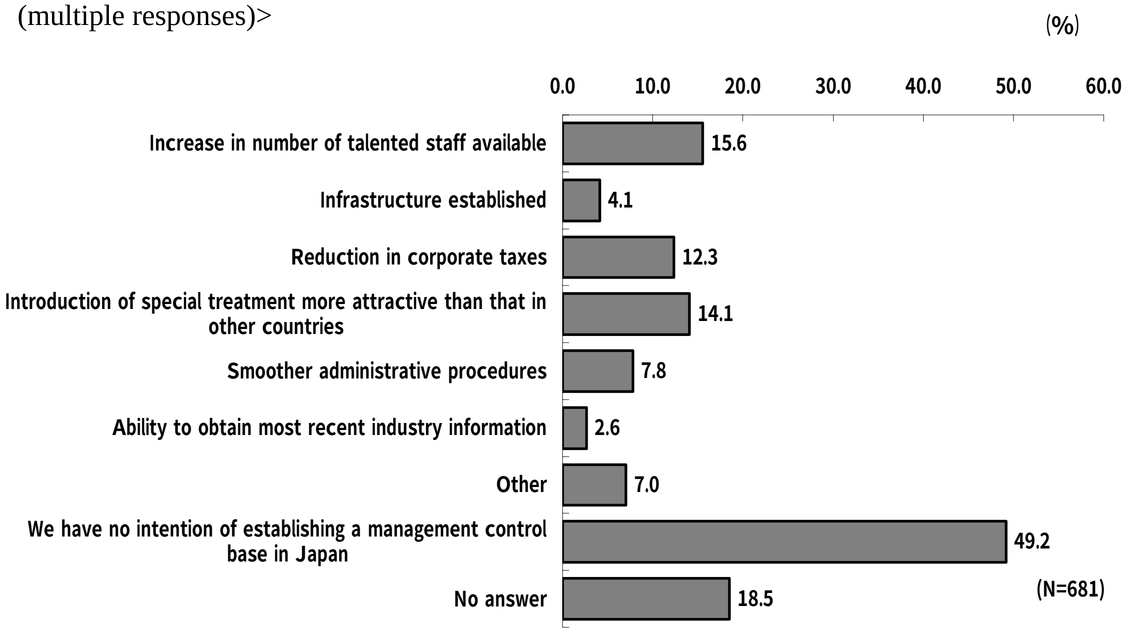
<Locations of Asian Management Base>



manage their Asian regional operations. The most common response was “directly controlled by the parent company” at 48.9%. Other responses included “Singapore” at 12.0%, “Hong Kong” at 8.1%, “China” at 6.0%, and “Oceania” at 2.2%.

Companies were also asked about factors needed to be satisfied to induce them to set up their Asian bases in Japan. Around half (49.2%) of the responding companies answered “we have no intention of establishing a regional management base in Japan.” Other responses included “increase in number of talented staff available” at 15.6%, “introduction of special treatment more attractive than that in other countries” at 14.1%, “reductions in corporate taxes” at 12.3%, “smoother administrative procedures” at 7.8%, “infrastructure established” at 4.1%, and “ability to obtain most recent industry information” at 2.6%.

<Conditions Needed to be Satisfied to Establish Asia Regional Management Base in Japan (multiple responses)>



IV.Survey Results in Detail

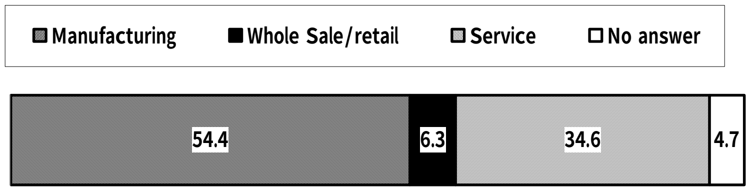
1. Summary of Responding Companies

(1) Industry Categories of Responding Companies and their Parent Companies

The questionnaire asked about the industrial sectors of both overseas parent companies, and responding companies who are Japanese corporations. Manufacturing comprised over half the parent companies at 54.4%. The services accounted for 34.6% and wholesale/retail accounted for 6.3%.

Figure 1-1 Industry Categories of Overseas Parent Companies

Industry	n	%
Manufacturing	470	54.4
Wholesale / retail	54	6.3
Service	299	34.6
No answer	41	4.7
Total	864	100.0



As Figure 1-2 shows, 12.6% of the responding companies belong to the manufacturing sector, 41.1% to the services, and 46.3% to wholesale/retail. The industrial sectors of companies within Japan are categorized according to the roles of operation bases in Japan.

Figure 1-2 Industrial Categories of Responding Companies

Industry	n	%
Manufacturing	109	12.6
Wholesale / retail	400	46.3
Service	355	41.1
No answer	0	0.0
Total	864	100.0

Figure 1-3 presents the breakdown by industrial sectors of both overseas parent companies and responding companies.

Figure 1-3 Industry Categories of Overseas Parent and Responding Companies

		Industry category of answered companies			
		Manufacturing	Wholesale / retail	Service	Total
Industry category of parent companies	Manufacturing	99 11.5%	331 38.3%	40 4.6%	470 54.4%
	Wholesale / retail	0 0.0%	50 5.8%	4 0.5%	54 6.3%
	Service	4 0.5%	3 0.3%	292 33.8%	299 34.6%
	No answer	6 0.7%	16 1.9%	19 2.2%	41 4.7%
	Total	109 12.6%	400 46.3%	355 41.1%	864 100.0%

Figure 1-4 below shows the breakdown of responding companies in the manufacturing, services, and wholesale/retail sectors respectively into more detailed categories.

In manufacturing, the chemical sector topped the list with 22 companies. This was followed by the transportation-related machinery/device sector with 16 companies, the general machinery/device sector with 12 companies, and the electrical machinery/device sector with 11 companies. Chemical and the various machinery-related sectors made up the bulk of manufacturing companies in the sample.

In wholesale and retail (including general trading companies), the precision machinery/instrument sector was represented by 41 companies, followed by the chemicals with 32 companies, general machinery/devices with 30 companies, information technology and communication (ITC) machinery/devices with 29 companies, and the electrical machinery/devices, electronic parts and devices, and transportation-related machinery/devices with 23 companies each. In services, the information technology and telecommunication (ITC) sector was represented by 115 companies, finance/insurance by 58 companies, and professional business services by 50 companies.

Figure 1-4 Detailed Sectoral Distribution of Responding Companies

Manufacturing (109)	n	%
Chemicals	22	20.2
Transportation-related machinery/devices	16	14.7
General machinery/devices	12	11.0
Electrical machinery/devices	11	10.1
Metal products	10	9.2
Electronic parts/components	7	6.4
Medical/pharmaceutical/cosmetics	6	5.5
Plastic products	5	4.6
Precision machinery/instruments	4	3.7
Food and drink	1	0.9
Textiles/clothing	1	0.9
Rubber products	1	0.9
Dairy necessities	1	0.9
Information technology and telecommunication devices	0	0.0
Stationery/toys/sports products	0	0.0
Other	12	11.0

Wholesale / retail (400)	n	%
Precision machinery/instruments	41	10.3
Chemicals	32	8.0
General machinery/devices	30	7.5
Information technology and telecommunication devices	29	7.3
Electrical machinery/devices	23	5.8
Electronic parts/components	23	5.8
Transportation-related machinery/devices	23	5.8
Food and drink	20	5.0
Metal products	18	4.5
Stationery/toys/sports products	17	4.3
Medical/pharmaceutical/cosmetics	16	4.0
Textiles/clothing	14	3.5
Dairy necessities	13	3.3
Rubber products	5	1.3
Plastic products	4	1.0
Other	91	22.8
No answer	1	0.3

Service (355)	n	%
Information technology and telecommunications	115	32.4
Finance/Insurance	58	16.3
Professional business services	50	14.1
Transportation	32	9.0
Construction	7	2.0
Food and drink/hospitality	4	1.1
Real estate	2	0.6
Education/training	2	0.6
Lifestyle-related services	2	0.6
Medical/training	1	0.3
Other	79	22.3
No answer	3	0.8

Figure 1-5　Parent Company Nationality and Region

(2) Nationality of Parent Companies

The most heavily represented nationality among the parent companies of responding companies was the United States (306 companies). This was followed, in order, by Germany (113 companies), the United Kingdom (54 companies), France (49 companies), Korea (46 companies), and Switzerland (38 companies), with European countries well represented. Among Asian countries, the most heavily represented was Korea (46 companies) followed by China (28 companies).

No.	Country/region	n	%
1	U.S.A	306	35.4%
2	Germany	113	13.1%
3	UK	54	6.3%
4	France	49	5.7%
5	South Korea	46	5.3%
6	Switzerland	38	4.4%
7	China	28	3.2%
8	Netherlands	27	3.1%
9	Italy	21	2.4%
10	Taiwan	19	2.2%
11	Canada	15	1.7%
12	Sweden	14	1.6%
	Australia	14	1.6%
14	Hong Kong	13	1.5%
15	Finland	11	1.3%
16	Belgium	10	1.2%
17	Singapore	9	1.0%
	India	9	1.0%
19	Denmark	8	0.9%
20	Austria	6	0.7%
	Norway	6	0.7%

Country/region	n	%
North America	322	37.3
Europe	370	42.8
Asia	135	15.6
Other	27	3.1
No answer	10	1.2
Total	864	100.0

Looking at the distribution by region, European countries made up 42.8% of the sample (370 companies, of which 324 were from EU countries), and North America 37.3% (322 companies), these two regions accounting for about 80% (80.1%) of the total. There were 135 Asian companies in all, representing 15.6% of the total.

Looking at the regional distribution of parent companies on a time series basis, there has been a tendency for the proportion of Asian companies to increase year by year.

Figure 1-6　Regional Distribution of Parent Companies

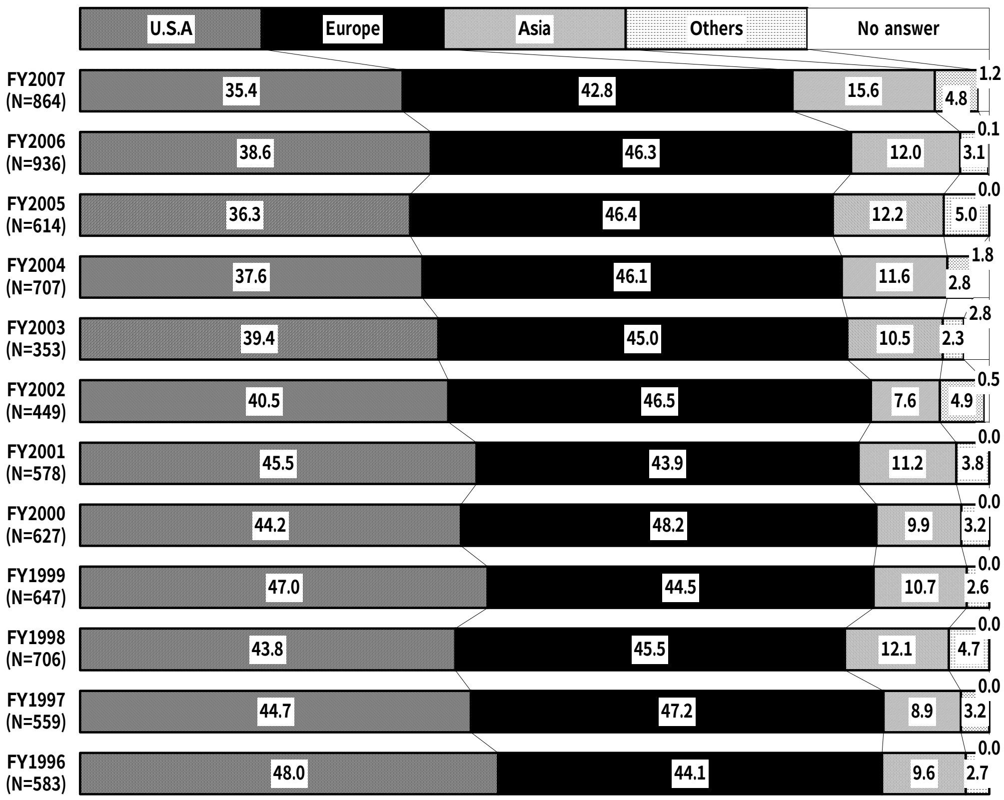


Figure 1-7 Regional Distribution of Parent Companies

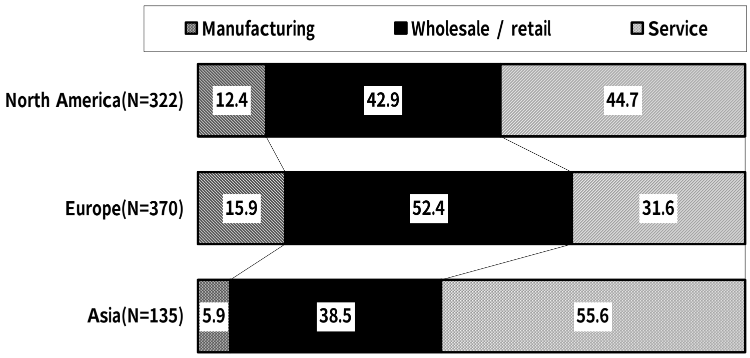
		FY1996 (N=583)	FY1997 (N=559)	FY1998 (N=706)	FY1999 (N=647)	FY2000 (N=627)	FY2001 (N=578)	FY2002 (N=449)	FY2003 (N=353)	FY2004 (N=707)	FY2005 (N=614)	FY2006 (N=936)	FY2007 (N=864)
U.S.A		48.0	44.7	43.8	47.0	44.2	45.5	40.5	39.4	37.6	36.3	38.6	35.4
Europe	UK	7.7	7.7	7.4	6.3	7.7	6.7	7.1	4.5	5.7	7.3	6.8	6.3
	Germany	11.5	12.7	13.9	14.2	15.2	11.4	11.8	16.7	12.4	12.5	13.4	13.1
	France	4.8	5.5	4.7	5.4	4.8	6.1	6.5	5.4	6.5	6.2	6.6	5.7
	Netherlands	3.9	4.5	4.4	5.1	5.1	3.8	3.1	1.7	2.5	2.6	3.1	3.1
	Switzerland	8.1	7.2	6.4	4.6	7.0	5.4	6.9	6.8	6.5	5.7	5.6	4.4
	Other	8.1	9.7	8.8	8.8	8.5	10.6	11.1	9.9	5.8	12.1	10.8	10.2
Asia	South Korea	2.1	2.0	1.7	1.9	1.1	1.6	1.3	1.7	3.0	3.7	3.1	5.3
	Taiwan	1.5	1.6	0.9	1.4	1.4	1.7	1.6	2.8	2.1	2.0	1.8	2.2
	Hong Kong	1.7	0.7	1.3	1.4	1.1	1.4	1.8	2.0	1.0	0.8	1.2	1.5
	China	0.9	0.9	1.4	2.0	1.9	1.6	2.0	2.8	1.7	3.3	3.0	3.2
	Other	0.7	0.5	2.1	1.4	1.1	1.2	0.9	1.1	3.8	2.4	2.9	3.3
Other		2.7	3.2	4.7	2.6	3.2	3.8	4.9	2.3	2.8	5.0	3.1	6.2

Looking at the sectoral breakdown of parent companies by parent company's region (Figure 1-8), the proportion of manufacturing companies is high among North American (52.8%) and European (65.1%) companies, whereas among Asian companies, the service sector (49.6%) is more dominant than manufacturing (32.6%).

Figure 1-8 Industry Categories of Parent Companies by Region

Asian companies seem to be of the judgment that Japan is more effective for service business development, such as in the ITC, transportation, and finance/insurance sectors, rather than as a manufacturing base.

Figure 1-9 Industry Categories of Responding Companies by Parent Company's Region



Meanwhile, if we look at the sectoral breakdown of the responding companies, the service sector accounts for the largest proportion of North American companies with 44.7%, while wholesale/retail is the largest sector among European companies at 52.4%. More than half of the Asian companies (55.6%) are in the service sector.

Looking at the more detailed sectoral breakdown, the ITC sector is the most heavily represented among North American companies with 64 companies, followed by the professional business services with 23 companies and the chemicals with 21 companies. Chemical and machinery-related companies are dominant among European companies, with 27 companies coming from the chemical sector, 26 from the precision machinery/instrument sector, and 25 from the transportation-related machinery/device sector. Service sector companies are well represented among the Asian companies in the survey, with 22 ITC companies, 15 transportation companies, and 14 finance/insurance companies.

Figure 1-10 Detailed Sectoral Distribution of Responding Companies by Parent Company's Region

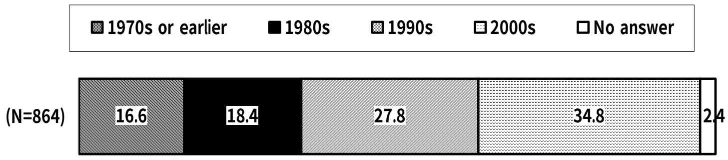
		North America (322社)		Europe (N=370)		Asia (N=135)	
		n	%	n	%	n	%
Manufacturing /wholesale/retail	Food and drink	10	3.1	4	1.1	5	3.7
	Textiles/clothing	3	0.9	9	2.4	3	2.2
	Chemicals	21	6.5	27	7.3	5	3.7
	Medical/pharmaceutical/cosmetics	9	2.8	10	2.7	2	1.5
	Plastic products	3	0.9	6	1.6	0	0.0
	Rubber products	2	0.6	1	0.3	3	2.2
	Metal products	5	1.6	14	3.8	9	6.7
	General machinery/devices	13	4.0	22	5.9	2	1.5
	Electrical machinery/devices	12	3.7	18	4.9	3	2.2
	Information technology and telecommunication devices	12	3.7	7	1.9	8	5.9
	Electronic parts/components	13	4.0	12	3.2	4	3.0
	Transportation-related machinery/devices	10	3.1	25	6.8	4	3.0
	Precision machinery/instruments	16	5.0	26	7.0	3	2.2
	Stationery/toys/sports products	7	2.2	9	2.4	1	0.7
	Dairy necessities	1	0.3	11	3.0	2	1.5
	Other	41	12.7	51	13.8	6	4.4
	No answer	0	0.0	1	0.3	0	0.0
Service	Construction	2	0.6	3	0.8	2	1.5
	Information technology and telecommunication devices	64	19.9	18	4.9	22	16.3
	Transportation	1	0.3	12	3.2	15	11.1
	Finance/Insurance	19	5.9	24	6.5	14	10.4
	Real Estate	2	0.6	0	0.0	0	0.0
	Food and drink/hospitality	0	0.0	3	0.8	1	0.7
	Medical/welfare	0	0.0	1	0.3	0	0.0
	Education/training	1	0.3	0	0.0	0	0.0
	Lifestyle-related services	1	0.3	1	0.3	0	0.0
	Professional business services	23	7.1	17	4.6	9	6.7
	Other	30	9.3	38	10.3	10	7.4
	No answer	1	0.3	0	0.0	2	1.5

(3) Time of Entering into Japan

Companies were asked when they had initially set up operations in Japan. Grouping these responses by decade, the most common category of responses was “the 2000s” with 301 companies (34.8%), followed by “the 1990s” with 240 companies (27.8%). Companies that had entered Japan from the 1990s onwards made up 62.6% of the total.

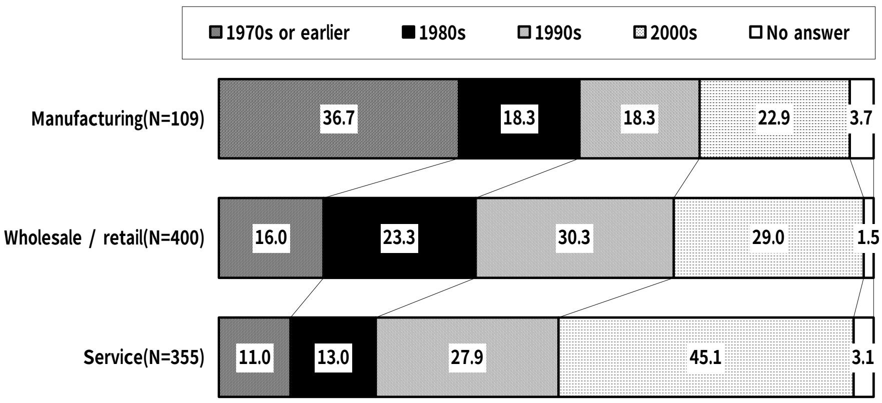
Figure 1-11 Time of Entering into Japan

Year of entry into Japan	n	%
1970s or earlier	143	16.6
1980s	159	18.4
1990s	240	27.8
2000s	301	34.8
No answer	21	2.4
Total	864	100.0



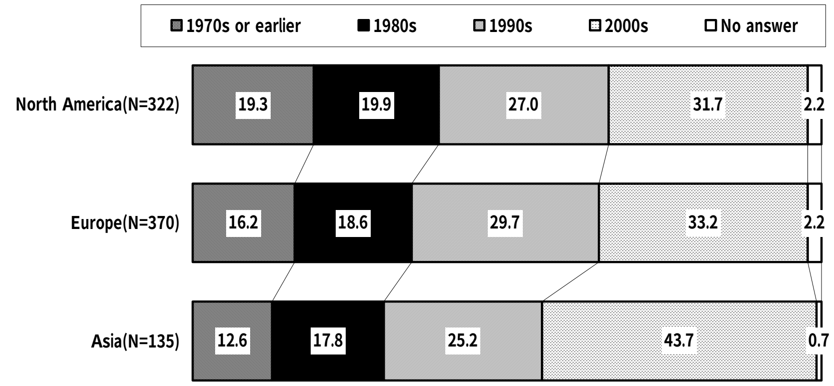
Looking at the results by industry category, many of the manufacturing companies entered Japan during the 1970s or earlier, and have been doing business in Japan for a longer time than other foreign-invested companies. The number of service sector companies entering the Japanese market has increased dramatically after the 1990s, and 45.1% of the 355 service sector companies entered from the 2000s onwards (Figure 1-12).

Figure 1-12 Time of Entering into Japan (by industry)



Looking at the results by parent company’s region, a high proportion of companies from each region entered during or after the 1990s. In particular, 43.7% of Asian companies entered from the 2000s onwards (Figure 1-13).

Figure 1-13 Time of Entering into Japan (by parent company's region)

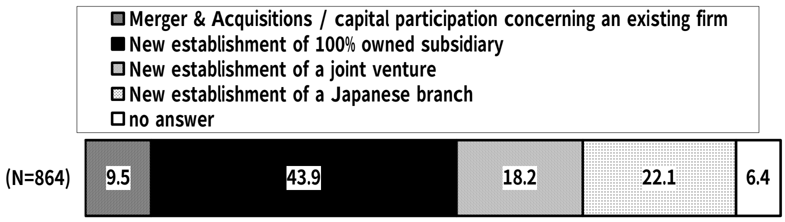


(4) Form of Incorporation in Japan

Regarding the forms of incorporation in Japan, the most common form was the "new establishment of a 100% owned subsidiary" with 379 companies (43.9%). This was followed by the "new establishment of a Japanese branch" with 191 companies (22.1%), "new establishment of a joint venture" with 157 companies (18.2%), and the "merger with/ acquisition of or capital participation in an existing company" with 82 companies (9.5%).

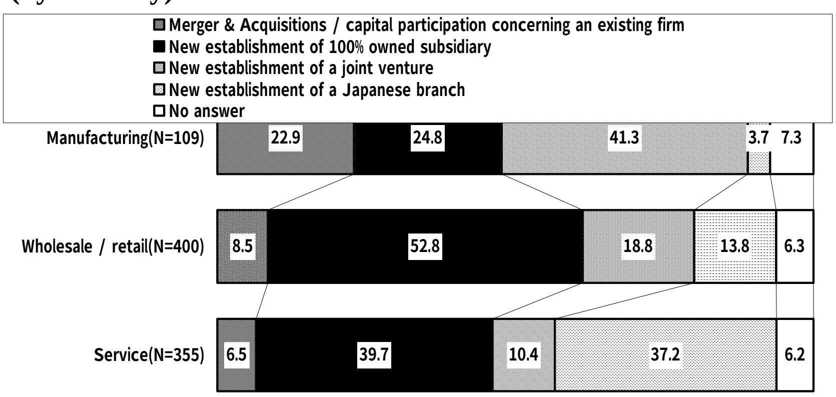
Figure 1-14 Forms of Incorporation of Responding Companies

Form of establishment	n	%
Merger & Acquisitions / capital participation concerning an existing firm	82	9.5
New establishment of 100% owned subsidiary	379	43.9
New establishment of a joint venture	157	18.2
New establishment of a Japanese branch	191	22.1
No answer	55	6.4
Total	864	100.0



A relatively high proportion of manufacturing companies entered Japan through a "merger with/ acquisition of or capital participation in an existing company" (22.9%). More than half of the wholesale and retail companies (52.8%) entered via the "new establishment of a 100% owned subsidiary." And among service sector companies, the "new establishment of a 100% owned subsidiary" at

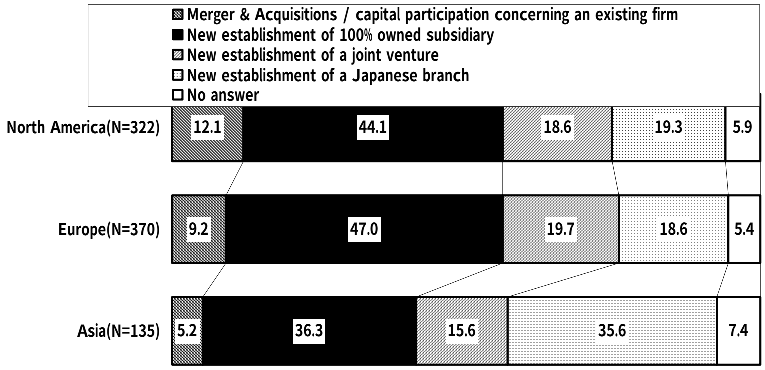
Figure 1-15 Forms of Incorporation of Responding Companies (by industry)



39.7% competes with “new establishment of a Japanese branch” at 37.2%.

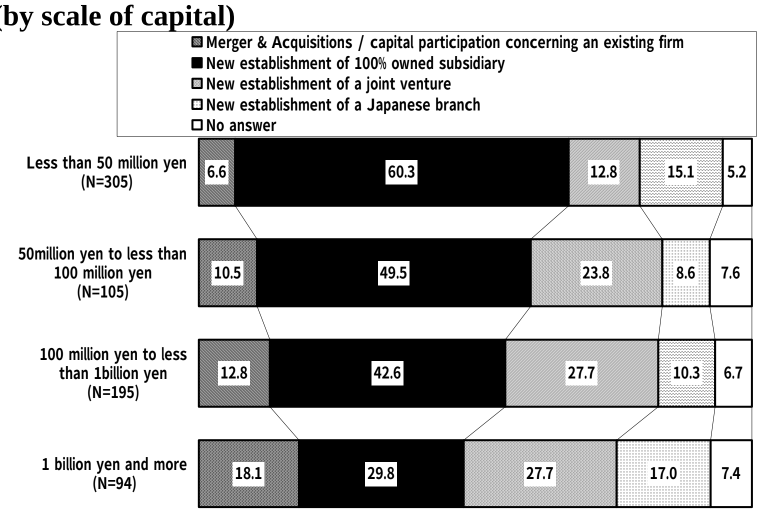
Looking at the results by region of the parent company, the distribution of the various forms of entry for North America and Europe are almost the same. However, for Asian companies, with their higher proportion of service sector companies, the “new establishment of a Japanese branch” accounts for 35.6%.

Figure 1-16 Forms of Incorporation of Responding Companies (by region)



Looking at the forms of entry by companies’ scale of capital, the larger the capital scale, the higher is the proportion of companies that had entered via “merger with/ acquisition of or capital participation in an existing company” and the “new establishment of a joint venture.” Conversely, the smaller the capital scale, the higher the proportion of companies entering via “new establishment of a 100% owned subsidiary.” Note that starting capital is not required for “new establishment of a Japanese branch.” Among companies that answered “new establishment of a Japanese branch,” those providing answers for their scale of capital are probably companies that have transformed into local corporations after entering Japan.

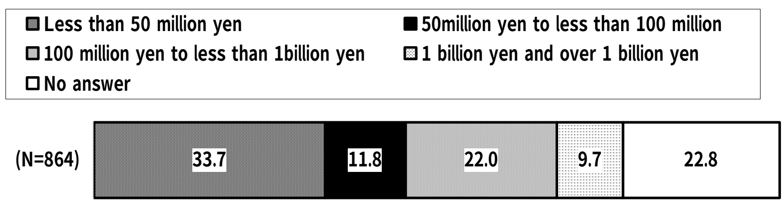
Figure 1-17 Forms of Incorporation in Japan (by scale of capital)



(5) Scale of Capital of Responding Companies

As for the scale of capital, companies capitalized at “less than ¥50 million yen” were found to be the largest category at 33.7% of the sample, followed by those capitalized at “¥100 million to ¥1 billion” at 22.0%.

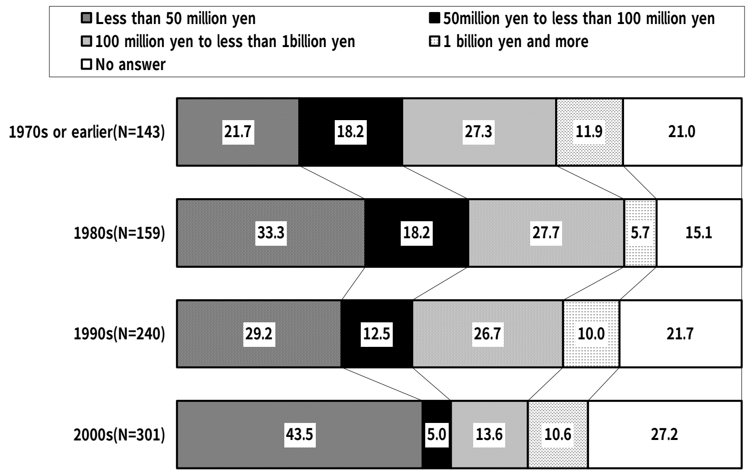
Figure 1-18 Scale of Capital of Responding Companies



Responses from branch offices are counted as “no response” for this question.

Looking at the data by the time of entry, of the companies that entered in the 1970s or earlier, many of which were manufacturing companies, 27.3% were capitalized at “¥100 million to ¥1 billion” and 11.9% were capitalized at “¥1 billion or more,” making a total of 39.2% of companies with capital of “¥100 million or more.” However, for companies that entered during and after the 1980s, the proportion of companies with capital of “¥100 million or more” has been declining year by year. Only 24.2% of companies that entered in “2000 onwards” were in the “¥100 million or more” category, which represents a significant decline compared to the 1970s or earlier.

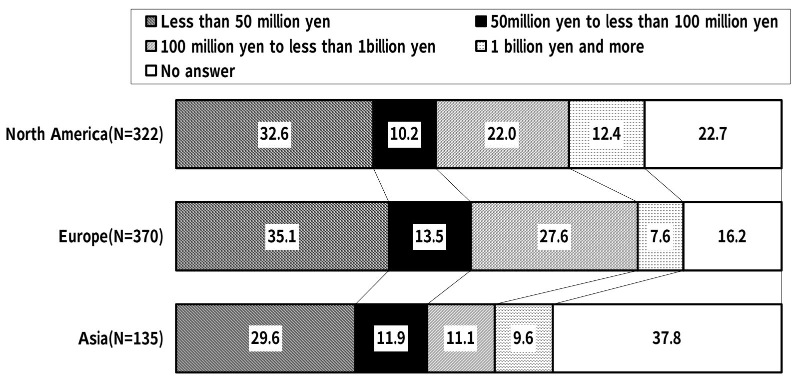
Figure 1-19 Scale of Capital (by time of entry)



Conversely, the number of companies in the “less than ¥50 million” category has been increasing, and accounts for around 40% of companies (43.5%) that entered Japan from 2000 onwards.

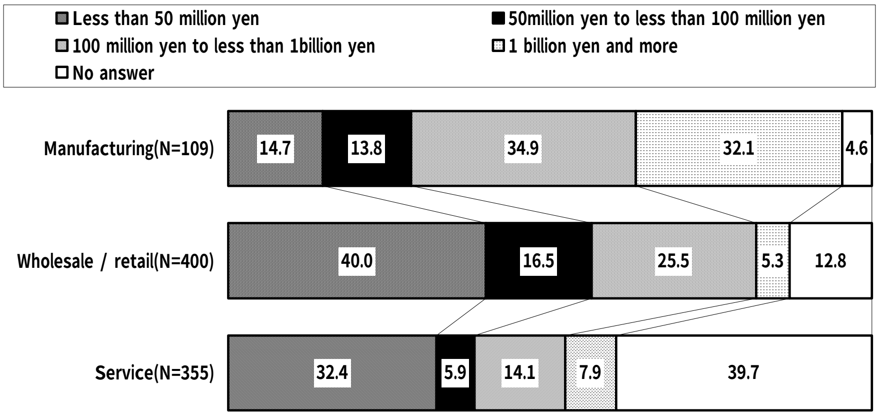
If we analyze these trends by parent company’s region, we can discern no significant difference among the North America, Europe and Asia.

Figure 1-20 Scale of Capital (by parent company’s region)



Viewed by industry, around seven in every ten manufacturing companies (67.0%), many of which entered during the 1970s, had more than ¥100 million in capital, with 34.9% falling into the "¥100 million to ¥1 billion" category and 32.1% in the "¥1 billion or more" category. By comparison, the wholesale/retail and service sectors had relatively more companies with smaller levels of capital.

Figure 1-21 Scale of Capital (by responding company's industry)

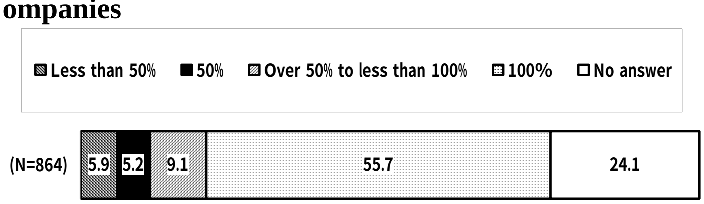


(6) Foreign Capital Investment Ratio

Of all the companies in the survey, 55.7% had foreign capital ratio of 100%.

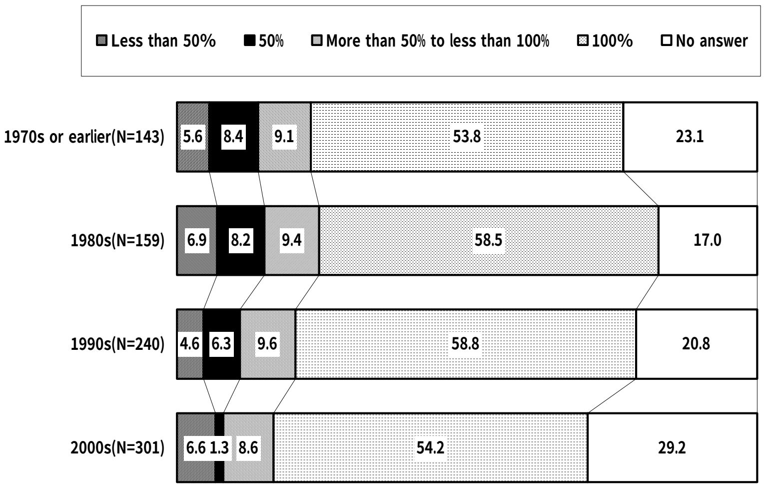
Branch offices are counted as "no response" for this question.

Figure 1-22 Foreign Capital Ratio of Responding Companies



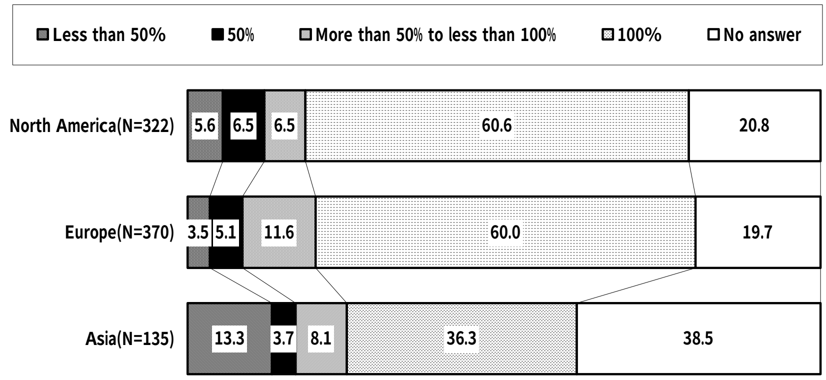
No significant variations are apparent if we look at the data by the time of companies' entry into Japan.

Figure 1-23 Foreign Capital Ratio (by time of entry)



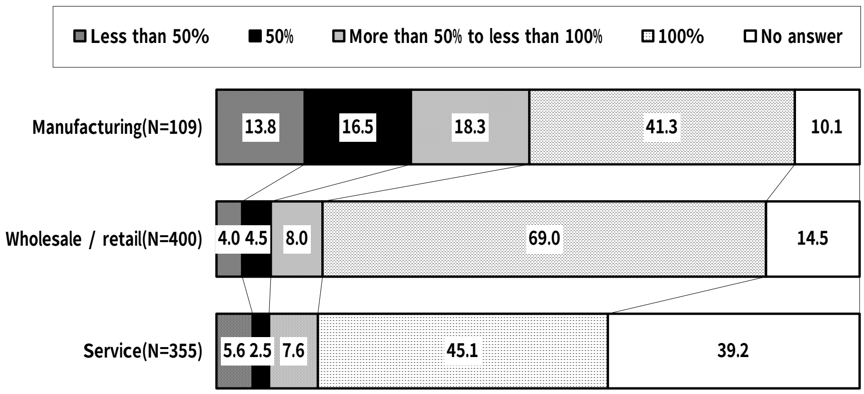
Viewing the results by parent company's region, relative to North American and European companies, a high proportion of Asian companies (13.3%) had foreign capital ratio of "less than 50%." Conversely, the Asian companies stood out for its low proportion in the "100%" category (36.3%).

Figure 1-24 Foreign Capital Ratio (by parent company's region)



By industry, the proportion of companies with foreign capital ratio of 100% was 41.3% for the manufacturing, 69.0% for wholesale and retail, and 45.1% for services, revealing a higher proportion for wholesale and retail. The tendency for many wholesale and retail sector companies to form wholly-owned sales subsidiaries with the aim of expanding sales in Japan probably lies behind this result.

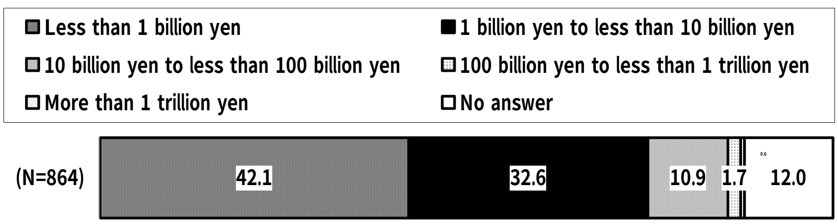
Figure 1-25 Foreign Capital Ratio (by industry)



(7) Sales

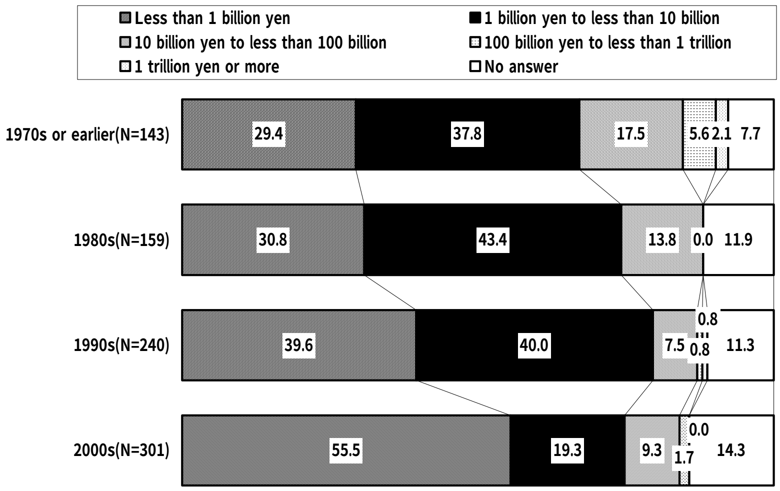
In FY2006, 42.1% of the surveyed companies achieved sales of "less than ¥1 billion" and 32.6% achieved sales of "¥1 billion to ¥10 billion," making a total of a little over seven in ten companies (74.7%) whose sales fell short of ¥10 billion.

Figure 1-26 FY2006 Sales Results of Responding Companies



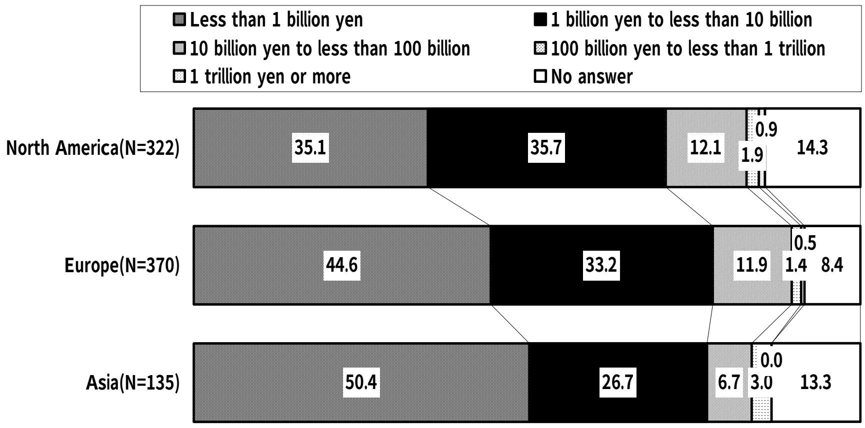
Looking at the figures by the timing of companies' entry into Japan, we find that the more recent the decade of entry, the higher is the proportion of companies with sales of "less than ¥1 billion." This supports the fact that many companies progressively expand their businesses after the initial set-up.

Figure 1-27 FY2006 Sales Results (by time of entry)



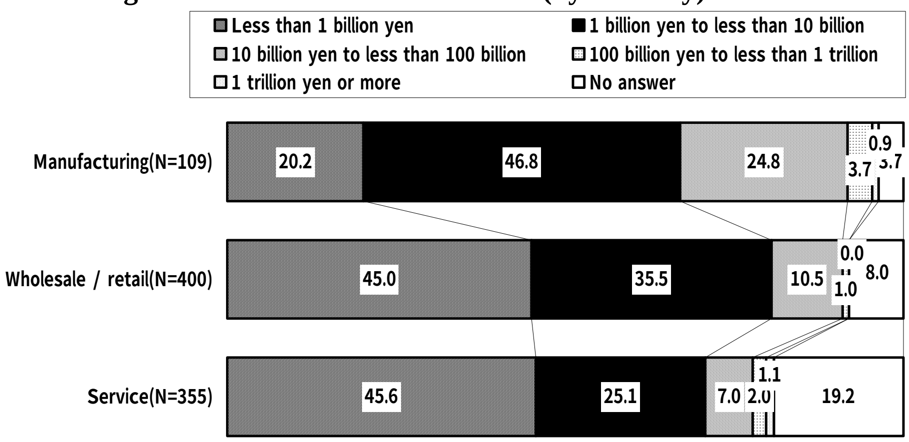
On a regional basis, since many of the Asian companies are in the service sector, this group has a high proportion of companies that are relatively small-scale in terms of sales.

Figure 1-28 FY2006 Sales Results (by parent company's region)



The results by industry reveal that only 20.2% of manufacturing companies had sales of "less than ¥1 billion," which is 25 percentage points less than either the wholesale/retail sector (45.0%) and the service sector (45.6%), illustrating the relatively large business scale of manufacturing companies.

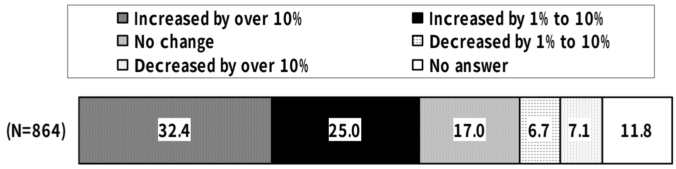
Figure 1-29 FY2006 Sales Results (by industry)



(8) Sales Increase/Decrease in FY2006

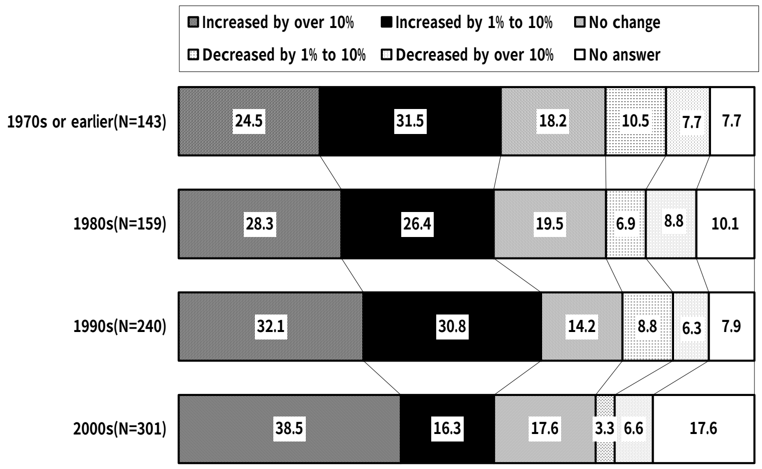
With regard to annual sales growth for FY2006, 32.4% of companies reported that sales "increased by over 10%," and a further 25.0% reported that sales "increased by 1% to 10%," making a total of almost 60% of companies (57.4%) that reported positive sales growth. It is apparent that the majority of foreign-invested companies have been enjoying improving performance, just as they did in the previous survey (57.4%).

Figure 1-30 FY2006 Sales Growth



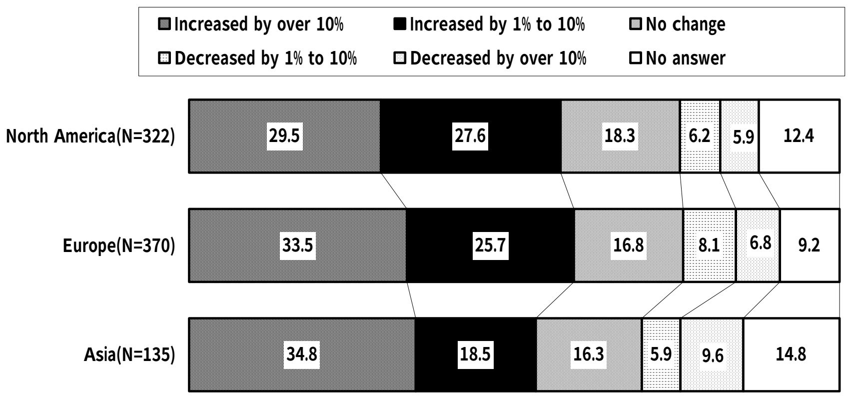
Examining the results by time of entry, we note that the proportion of companies reporting sales "increase by over 10%" is higher for the more recent decades, confirming that the newer companies are achieving good growth. If we look at the proportion of companies whose sales "increased by over 10%" by their decades of entry, we notice a jump of about five percentage points from each decade to the next, from 24.5% for companies that entered in the 1970 or earlier, to 28.3% for the 1980s, 32.1% for the 1990s, and 38.5% for 2000 onwards.

Figure 1-31 FY2006 Sales Growth (by time of entry)



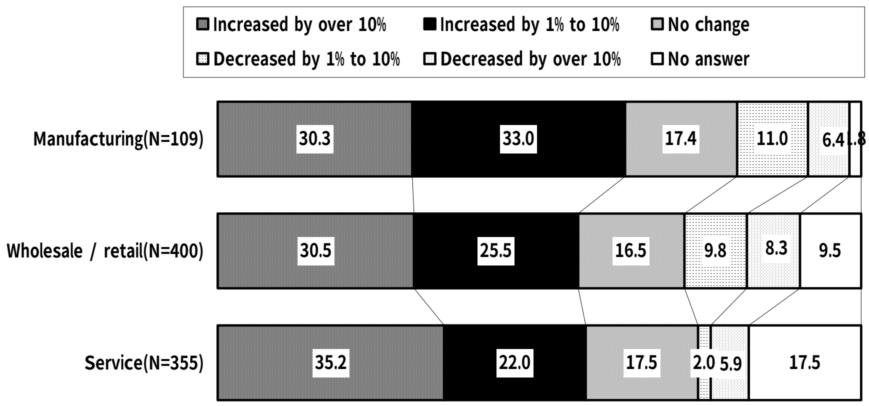
A comparison of the sales growth figures by parent company's region shows no discernable difference among North America, Europe and Asia.

Figure 1-32 FY2006 Sales Growth (by parent company's region)



By industry, the favorable performance of the service sector stands out, with only 7.9% of the sector's companies reporting a decrease in sales (combining sales "decreased by 1% to 10%" and "decreased by over 10%"), as opposed to 17.4% and 18.1% for the manufacturing and wholesale/retail sectors respectively.

Figure 1-33　FY2006 Sales Growth (by industry)



Viewed on a time series basis, the results for rates of sales growth are as follows.

The proportion of companies reporting sales "increased by over 10%" has stayed at around the same level since FY2002. Meanwhile, the proportion of companies experiencing sales "increased by 1% to 10%" came to 25.0%, around the same score as the previous year. Corporate sales in FY2006 maintained the favorable performance of FY2005. Excluding from the results those companies that did not provide a response, the proportion of companies enjoying positive sales growth increased somewhat from the previous year.

Figure 1-34　Yearly Sales Growth (including no responses)

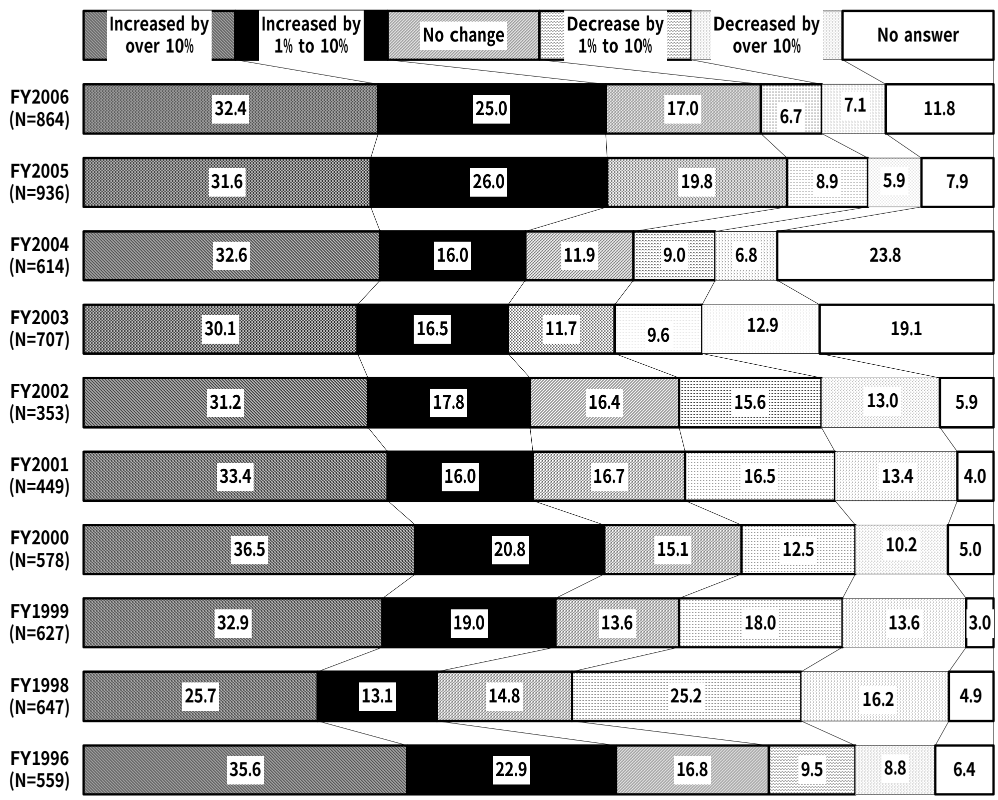
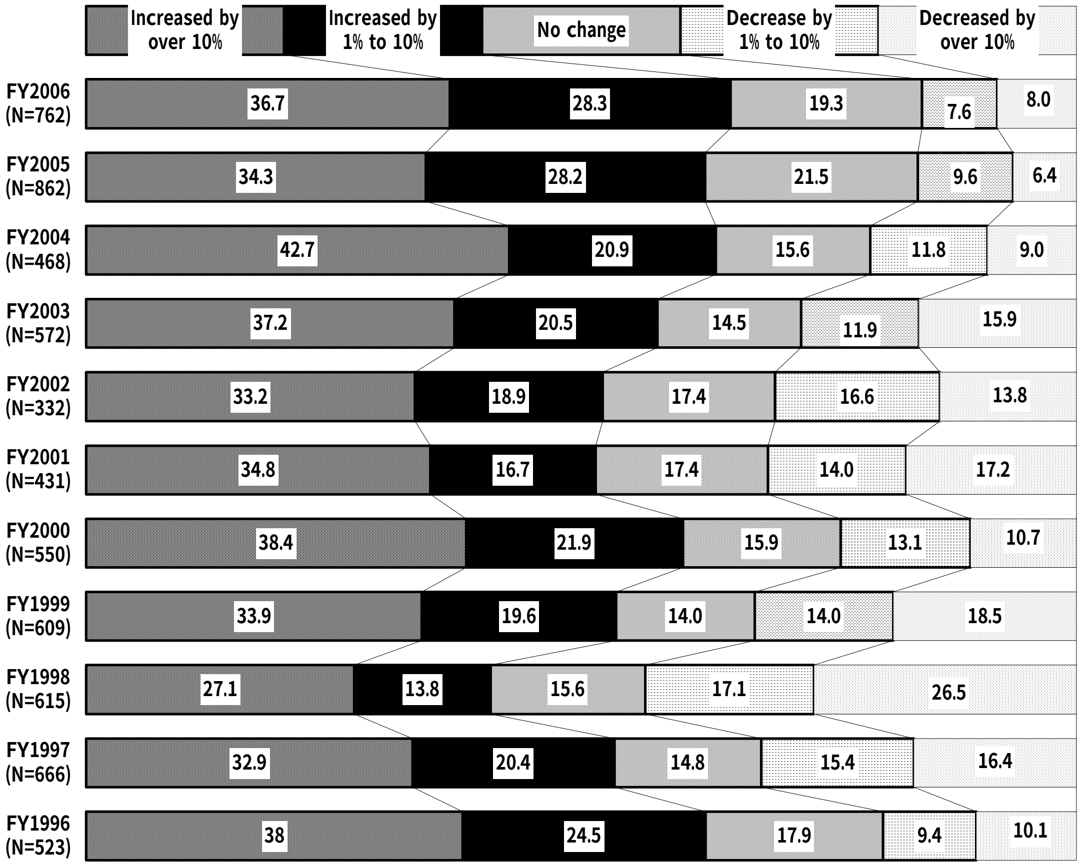


Figure 1-35 Yearly Sales Growth (effective responses only)



Examining the results for FY2006 sales growth by the size of companies' sales turnover, the proportion of companies reporting positive sales growth tends to be higher for companies whose sales turnover is greater. The proportion of companies with positive sales growth was 54.4% for companies with sales of "less than ¥1 billion," 69.8% for those with sales of "¥1 billion to ¥10 billion," 68.1% for those with sales of "¥10 billion to ¥100 billion," 86.7% for those with sales of "¥100 billion to ¥1 trillion," and 80.0% for companies with sales of "¥1 trillion or more." On the other hand, the proportion of companies reporting negative sales growth was 18.7% for companies with sales of "less than ¥1 billion," 13.9% for those with sales of "¥1 billion to ¥10 billion," 10.7% for those with sales of "¥10 billion to ¥100 billion," 6.7% for those with sales of "¥100 billion to ¥1 trillion," and zero for companies with sales of "¥1 trillion or more."

Looking at the sales growth results by companies' scale of capital, it is conspicuous that a relatively high 25.7% of companies with capital of "¥50 million to ¥100 million" suffered declining sales.

Figure 1-36 Sales Growth by Sales Turnover

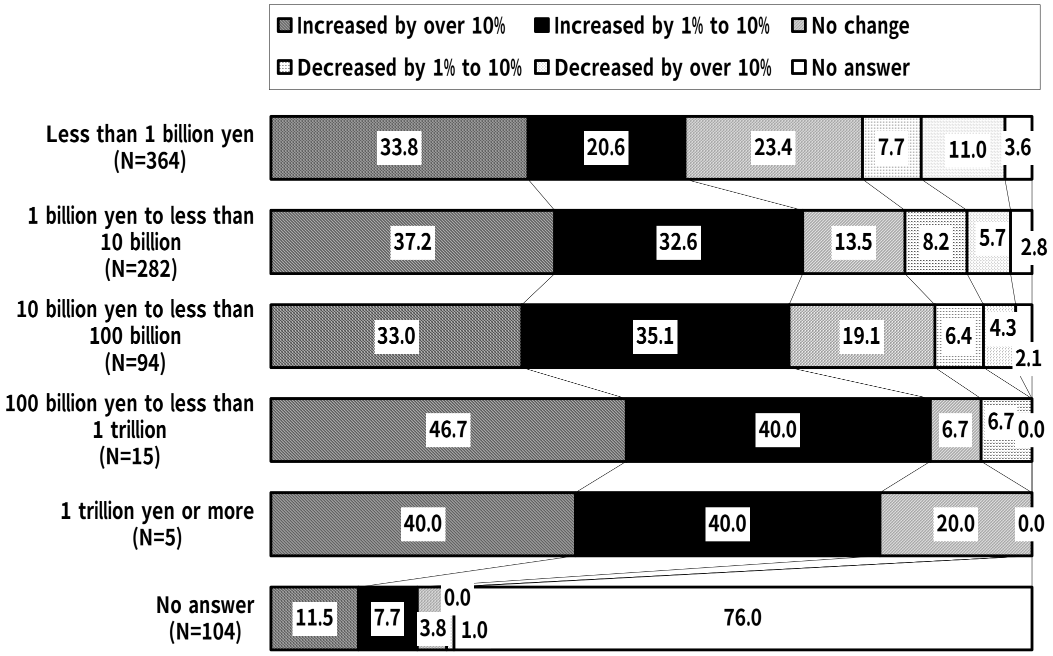
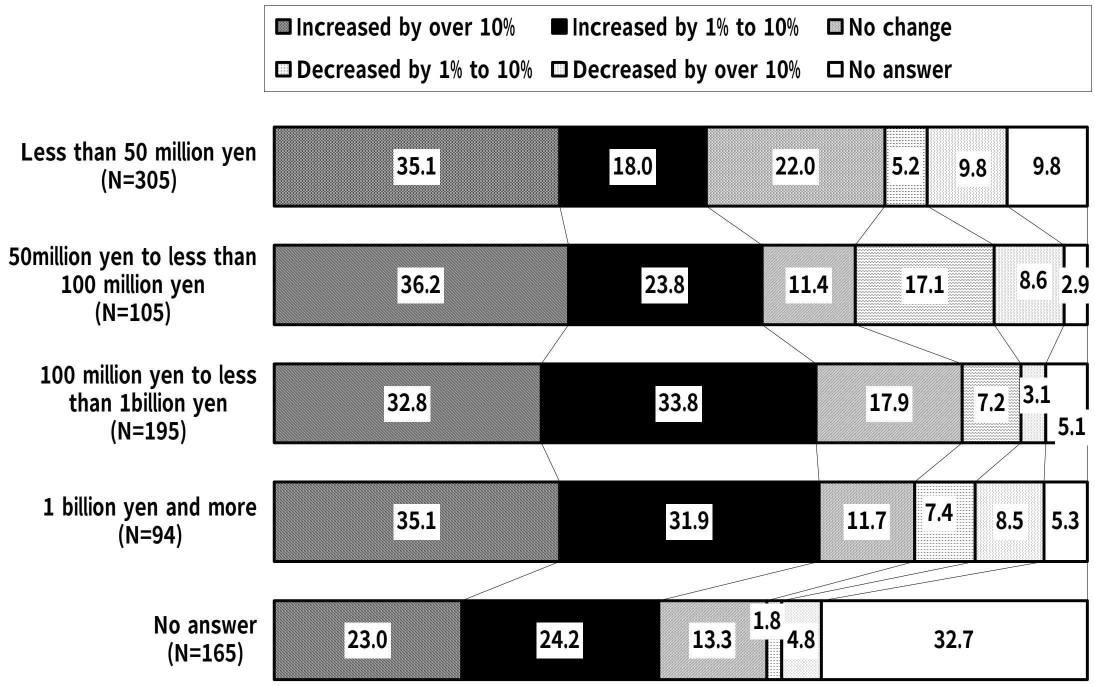


Figure 1-37 Sales Growth by Scale of Capital



Looking at the sales growth results by detailed industry categories, a number of manufacturing and wholesale/retail sectors displayed good performance, including metal products (75.0%), general machinery/devices (66.7%), rubber products (66.7%), chemicals (63.0%), precision machinery/instruments (62.2%), and electronic parts/devices (60.0%). The ITC machinery/devices stands out with 20.7% of companies reporting that sales "decreased by over 10%." Among the service sectors, 66.0% of professional business services companies reported positive sales growth, followed by finance/insurance (63.8%), construction (57.1%), and transportation (56.3%).

Figure 1-38 Sales Growth by Industry

(%)

Category		n	Increase/decrease in sales compared FY2006 with FY2005						Total increase	Total decrease
			Increased by over 10%	Increased by 1% to 10%	No change	Decreased by 1% to 10%	Decreased by over 10%	No answer		
Manufacturing/wholesale/retail	Food and drink	21	33.3	14.3	14.3	19.0	14.3	4.8	47.6	33.3
	Textiles/clothing	15	0.0	53.3	26.7	20.0	0.0	0.0	53.3	20.0
	Chemicals	54	27.8	35.2	14.8	11.1	9.3	1.9	63.0	20.4
	Medical/pharmaceutical/cosmetics	22	18.2	22.7	18.2	13.6	13.6	13.6	40.9	27.3
	Plastic products	9	22.2	33.3	11.1	22.2	0.0	11.1	55.6	22.2
	Rubber products	6	16.7	50.0	33.3	0.0	0.0	0.0	66.7	0.0
	Metal products	28	39.3	35.7	21.4	0.0	0.0	3.6	75.0	0.0
	General machinery/devices	42	38.1	28.6	19.0	7.1	7.1	0.0	66.7	14.3
	Electrical machinery/devices	34	38.2	20.6	11.8	11.8	8.8	8.8	58.8	20.6
	Information technology and telecommunication devices	29	31.0	10.3	13.8	6.9	20.7	17.2	41.4	27.6
	Electronic parts/components	30	33.3	26.7	10.0	13.3	10.0	6.7	60.0	23.3
	Transportation-related machinery/devices	39	20.5	28.2	23.1	17.9	10.3	0.0	48.7	28.2
	Precision machinery/instruments	45	40.0	22.2	15.6	8.9	0.0	13.3	62.2	8.9
	Stationery/toys/sports products	17	23.5	29.4	17.6	11.8	11.8	5.9	52.9	23.5
	Dairy necessities	14	14.3	35.7	14.3	14.3	0.0	21.4	50.0	14.3
	Other	103	34.0	24.3	16.5	4.9	7.8	12.6	58.3	12.6
Service	Construction	7	28.6	28.6	28.6	0.0	0.0	14.3	57.1	0.0
	Information technology and telecommunication devices	115	40.0	15.7	21.7	1.7	6.1	14.8	55.7	7.8
	Transportation	32	31.3	25.0	15.6	3.1	6.3	18.8	56.3	9.4
	Finance/Insurance	58	41.4	22.4	12.1	1.7	3.4	19.0	63.8	5.2
	Real Estate	2	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
	Food and drink/hospitality	4	0.0	50.0	25.0	25.0	0.0	0.0	50.0	25.0
	Medical/welfare	1	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0
	Education/training	2	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
	Lifestyle-related services	2	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0
	Professional business services	50	34.0	32.0	12.0	0.0	10.0	12.0	66.0	10.0
	Other	79	27.8	24.1	20.3	2.5	6.3	19.0	51.9	8.9

(9) Roles of Japan-Based Business Operations

Figure 1-39 Average Number of Roles for each Company's Japan Operation

	At the time of entry	At present	In the future [reference]
Average number of roles	2.08	2.26	2.52

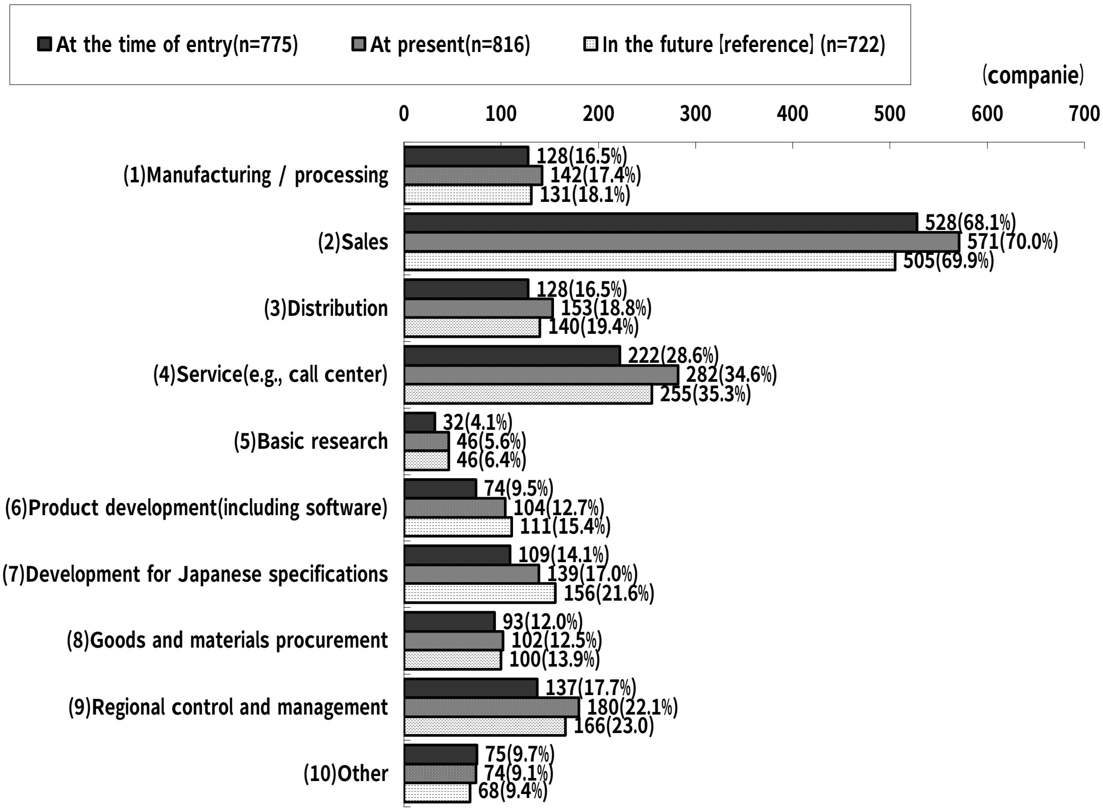
The responding companies were asked to identify the roles or functions of their Japan-based operations at three points in time: at the time they entered Japan, at the present time, and in the future. Excluding those companies that did not respond (i.e. that did not indicate any of the suggested roles), the average number of roles identified by each company was more than two; 2.08 for the time of entry, rising to 2.26 for the present time. As for the future, the average for the 722 companies that returned effective responses was 2.52, implying that an increase in the number of operation base per company is expected.
(Note) As only a small number of companies indicated new operations in the future, this figure is included in the table for reference purposes only.

The most common role of operation base that companies had at the time of entry was "sales" with 528 responses (68.1% of companies), perhaps reflecting the proliferation of wholesale and retail companies. This was followed by "service" with 222 responses (28.6%), and "regional control and management" with 137 responses (17.7%).

The most common operation base owned at the present time is again "sales" by 571 companies (70.0%), followed by "services" with 282 companies (34.6%). Operation bases that increased their number from the time of entry to the present time included "sales" (up by 43 companies), "services" (up by 60 companies), "regional control and management" (up by 43 companies), "product development" (up by 30 companies), and "development for Japanese specifications" (up by 30 companies). Although the number of companies identifying "basic research" is only an increase of 14 companies (32 companies for the present time, 46 for the future), viewed as a rate of increase, it comes to 43.8%, which is the highest.

The operation bases most commonly cited as ones that companies intend to set up newly sometime in the future are those relating to research and product development, all of which are on increasing trends. The proportion of companies identifying "basic research" went from 4.1% for the time of entry to 5.6% for the present time and 6.4% for the future. Response rates for "product development" went from 9.5% for the time of entry to 12.7% for the present time and 15.4% for the future. And "development for Japanese specifications" went from 14.1% for the time of entry to 17.0% for the present time and 21.6% for the future. The figures for all other bases show either flat trends or slight increasing going from the present to the future.

Figure 1-40 Roles of Japan-Based Operations (at time of entry, present and in future)



If we compare the roles of companies' Japan-based business operations across different industries, the bulk of manufacturing companies use their Japan operations for "manufacturing/processing" (84.3% at the time of entry; 100% at present) and for "sales" (74.5% at the time of entry; 73.4% at present). Given that the proportion of companies having "manufacturing/processing" base rose from 84.3% at the time of entry to 100% at present, we can deduce that around 15% of these companies had Japan-based manufacturing bases some time after their initial entry. Also, the proportion of manufacturing companies having "product development" base has risen by close to ten percentage points since the time of entry (20.6% at the time of entry; 30.3% at present).

Manufacturing companies currently have 3.68 roles on average for their Japan-based operations, which is higher than other industries. These base roles commonly include "distribution," "service," "basic research," "product development," "development for Japanese specifications," and "goods and materials procurement."

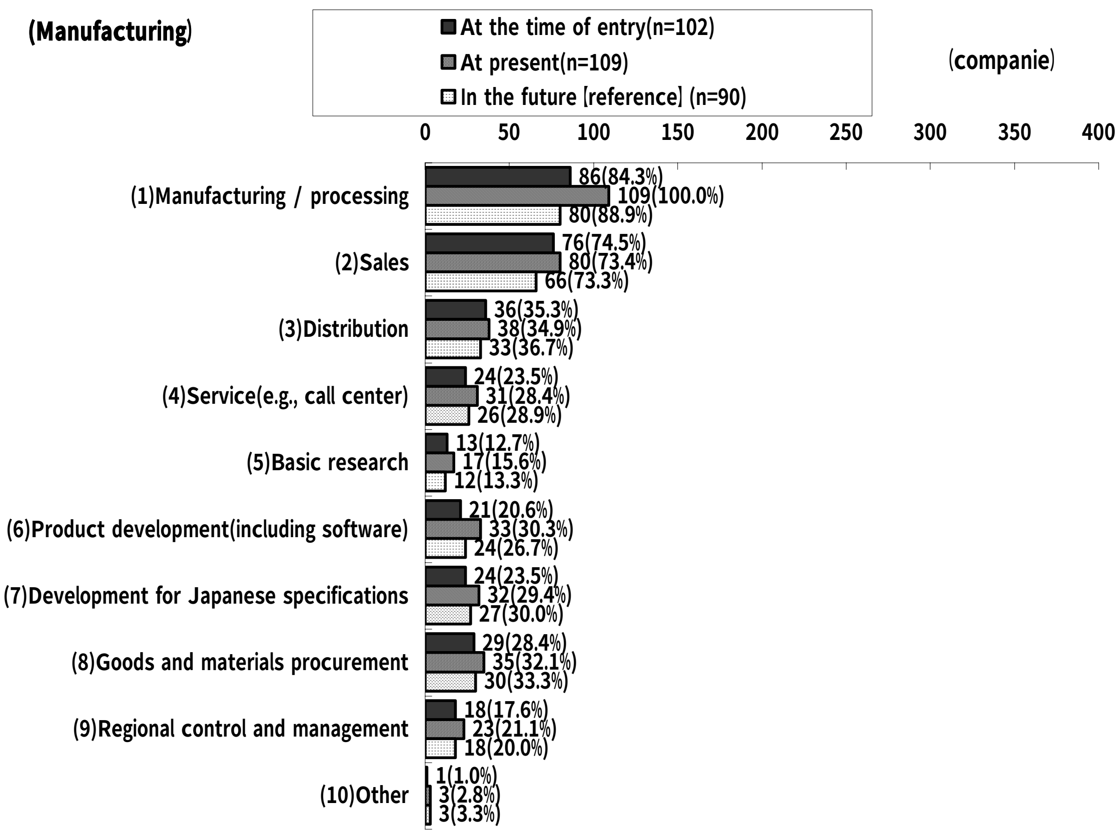
Looking at future, around one in ten manufacturing companies suggested that they may withdraw from "manufacturing/processing" operations in Japan. Reductions in the number of "basic research" and "product development" operations are also expected, but these probably go hand in hand with the withdrawals from "manufacturing/processing."

Looking at the wholesale and retail sector, the proportion of companies having “sales” base (85.8% at the time of entry; 89.7% at present) is higher by far than for any other role. The proportion having “sales” base is also higher for wholesale and retail companies than for any of the other industries.

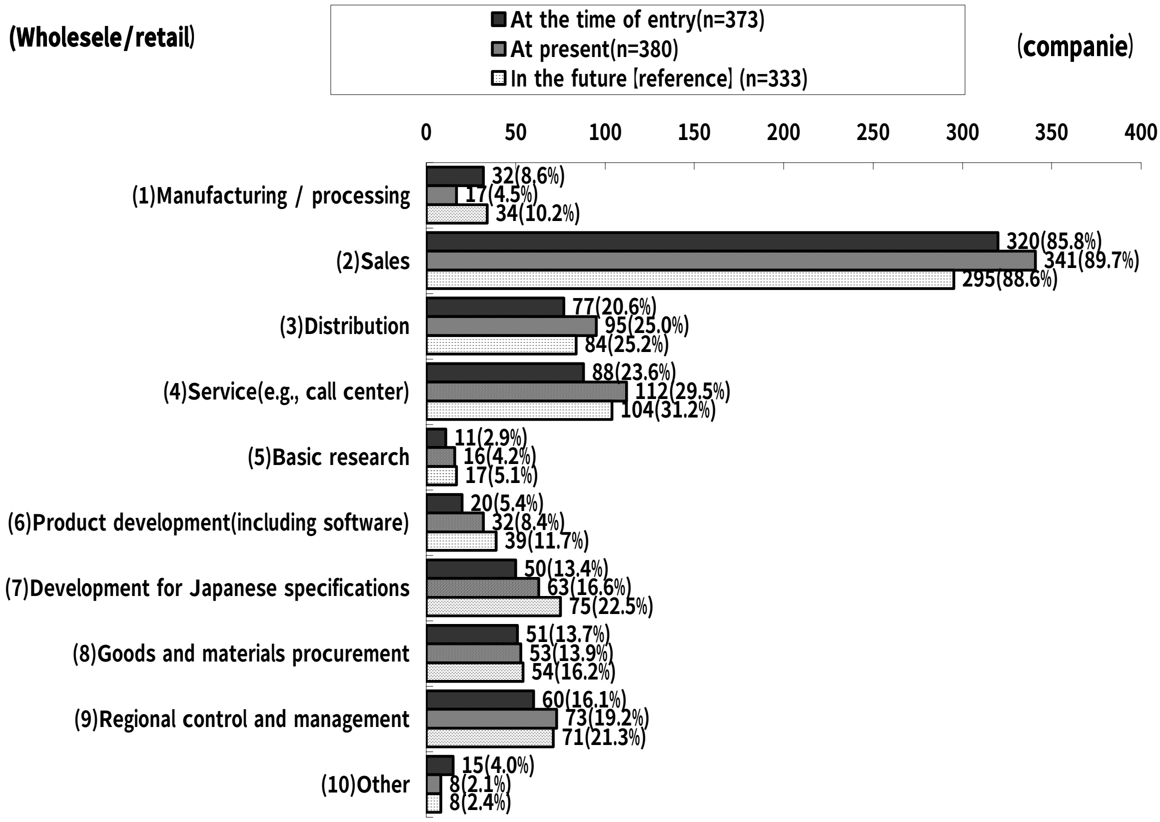
For service sector companies, the roles served by their Japan-based operations are very diverse. The proportion of “sales” failed to reach 50% (44.0% at the time of entry; 45.9% at present), even though this was the most commonly cited role. By the nature of the sector, the proportion of service functions is very much higher comparing to other industries.

A feature shared by the wholesale/retail and service sectors is that in both sectors the number of companies having research and development-related base is increasing. In particular, the proportion of “development for Japanese specifications” is showing high growth; in wholesale/retail it has gone from 50 companies (13.4%) at the time of entry to 63 companies (16.6%) at present, and 75 companies (22.5%) in the future, while in services it has gone from 35 companies (11.7%) at the time of entry to 44 companies (13.5%) at present, and 54 companies (18.1%) in the future. It is apparent that foreign-invested companies are not just seeking to sell their home-country products or deploy home-country services, but to develop products and services that are easily accepted into the Japanese market.

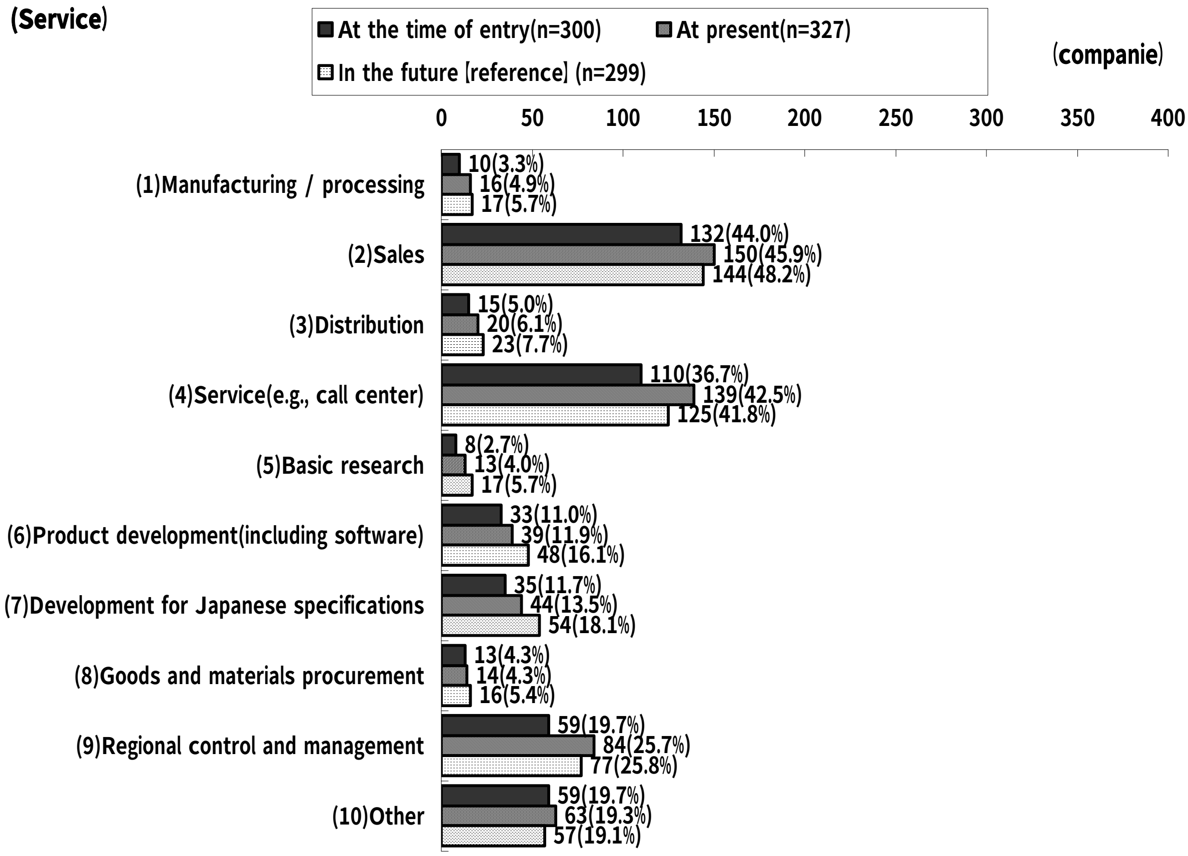
Figure 1-41 Roles of Japan-Based Operations (by industry) (multiple responses)



(Wholesele/retail)



(Service)

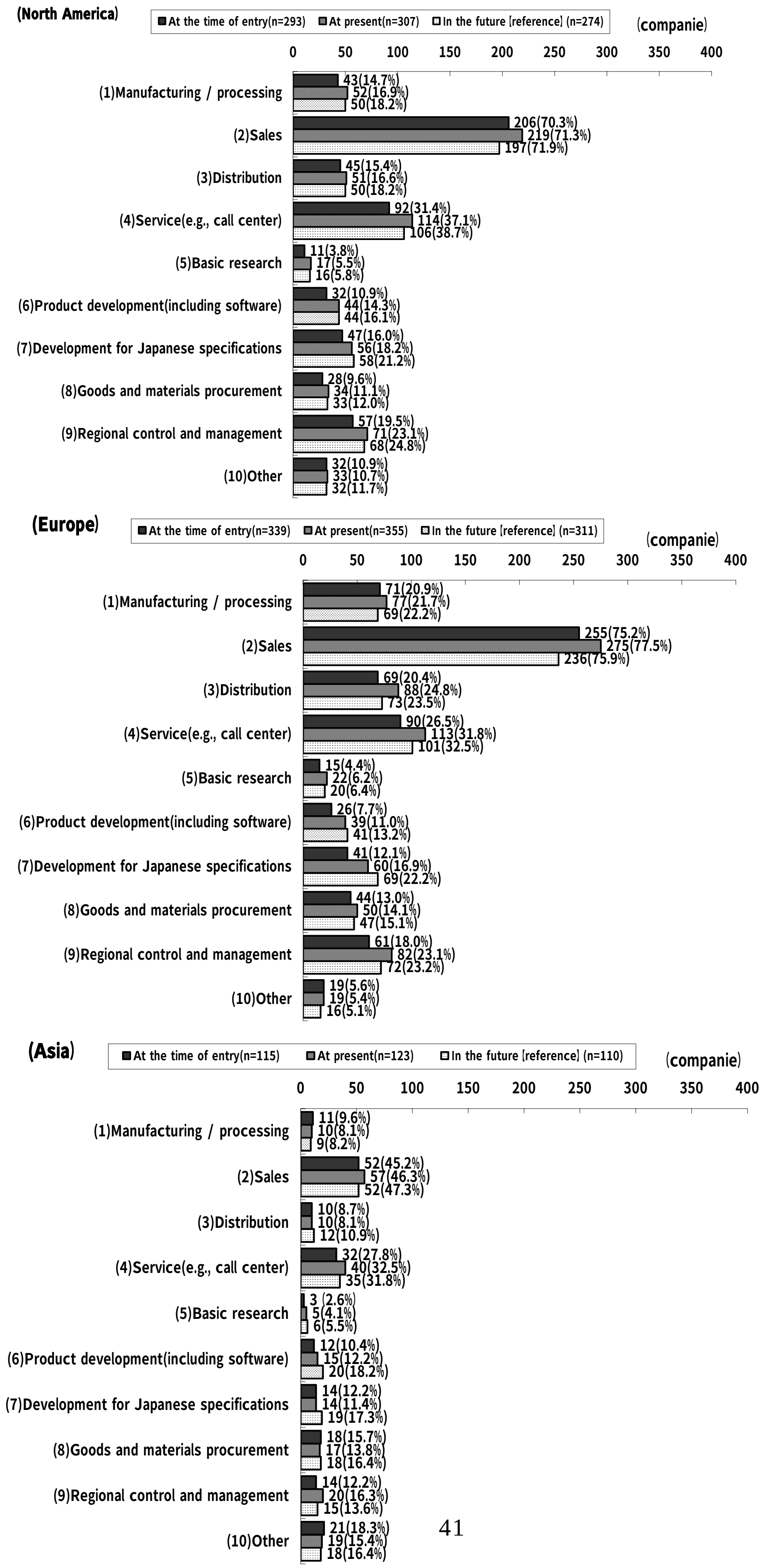


On a regional analysis, the most common roles served by the Japan-based operations of US companies were "sales" (206 companies (70.3%) at the time of entry, 219 companies (71.3%) at present, and 197 companies (71.9%) in the future), and "service" (92 companies (31.4%) at the time of entry, 114 companies (37.1%) at present, and 106 companies (38.7%) in the future). Whereas both of these have trended flat over time, the research and product development-related base roles have been on the rise. These include "development for Japanese specifications" (47 companies (16.0%) at the time of entry, 56 companies (18.2%) at present, and 58 companies (21.1%) in the future), "product development" (32 companies (10.9%) at the time of entry, 44 companies (14.3%) at present, and 44 companies (16.1%) in the future), and "basic research" (11 companies (3.8%) at the time of entry, 17 companies (5.5%) at present, and 16 companies (5.8%) in the future).

The dominant roles for European companies were also "sales" (255 companies (75.2%) at the time of entry, 275 companies (77.5%) at present, and 236 companies (75.9%) in the future) and "service" (90 companies (26.5%) at the time of entry, 113 companies (31.8%) at present, and 101 companies (32.5%) in the future). Although the proportions of "sales" and "service" have both increased to date, the numbers are expected to level off into the future. The number of research and product development-related bases has continued to increase since their entry, also showing a tendency to increase further into the future.

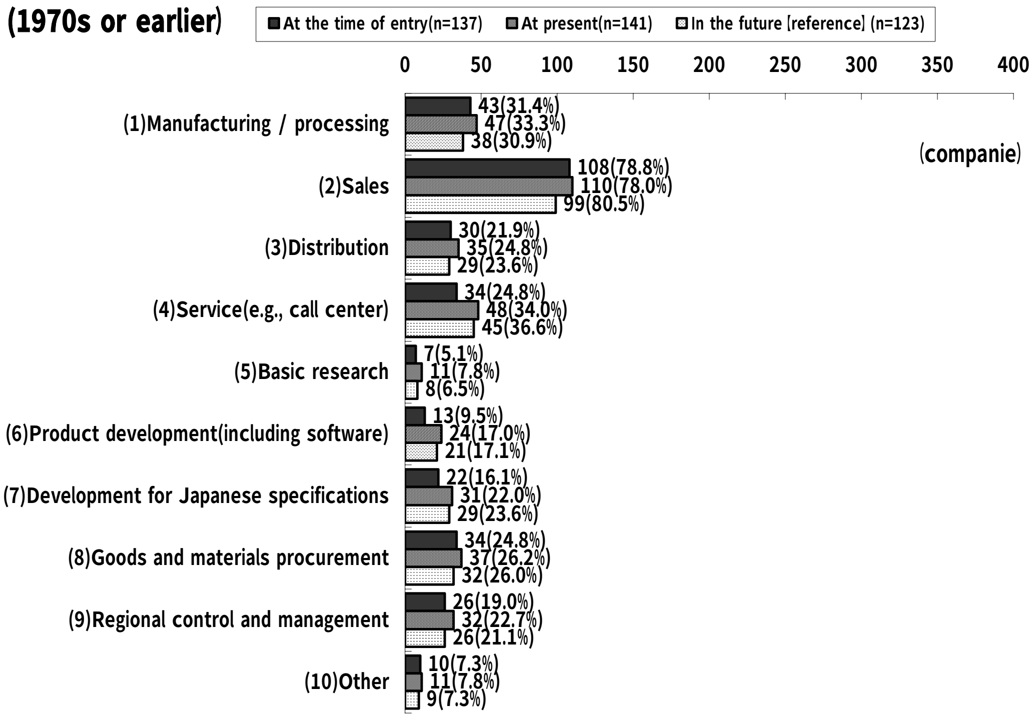
Compared with North American and European companies, Asian companies are notable for their relatively low level of having "sales" base. Like companies in the other regions, however, we can see a tendency towards having a research and product development-related base. As is evident in the figures for "development for Japanese specifications" (14 companies (12.2%) at the time of entry, 14 companies (11.4%) at present, and 19 companies (17.3%) in the future) and "product development" (12 companies (10.4%) at the time of entry, 15 companies (12.2%) at present, and 20 companies (18.2%) in the future), the number of company is not as high as the other two regions, but the rates of increase shown by the Asian companies are at least as high or more.

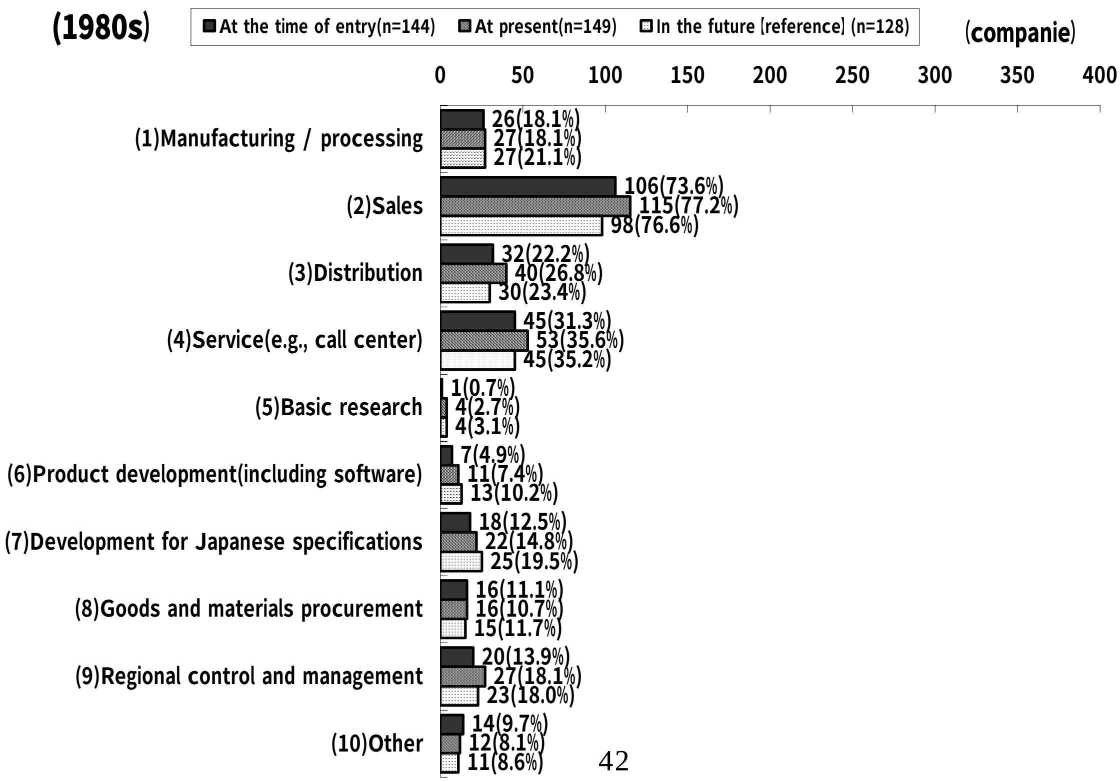
Figure 1-42 Roles of Japan-Based Operations (by region) (multiple responses)



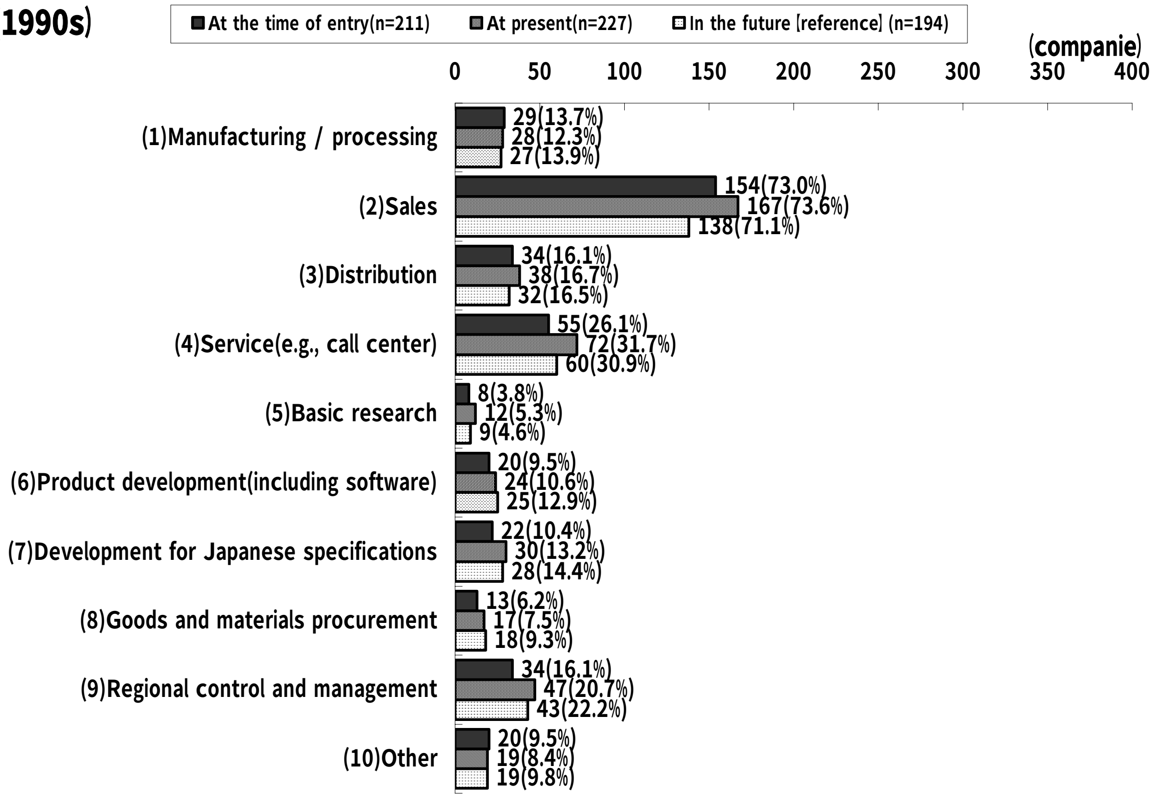
Looking at the trends by the timing of companies' entry into Japan, "sales" and "services" are overwhelmingly the most common base roles identified for both the present and the future, regardless of when companies entered Japan. Among bases established at the time of entry, while "sales" was the largest at all times, "manufacturing/processing" was also owned by many companies that entered Japan in the 1970s and 1980s. Companies that entered Japan from 2000 onwards are conspicuous for taking a positive stance towards "basic research," "product development" and "development for Japanese specifications."

Figure 1-43 Roles of Japan-Based Operations (by time of entry) (multiple responses)

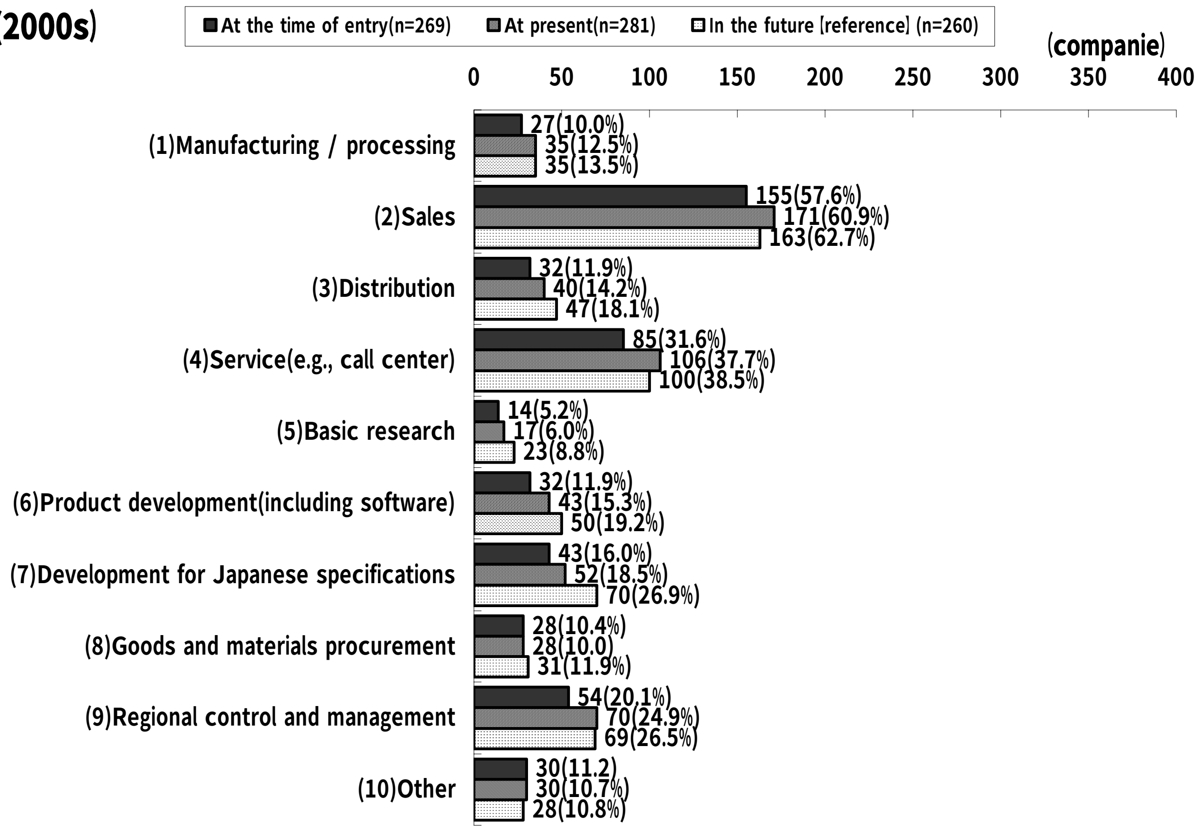




(1990s)


At the time of entry(n=211)
At present(n=227)
In the future [reference] (n=194)
(companie)
0 50 100 150 200 250 300 350 400
(1)Manufacturing / processing
29(13.7%)
28(12.3%)
27(13.9%)
(2)Sales
154(73.0%)
167(73.6%)
138(71.1%)
(3)Distribution
34(16.1%)
38(16.7%)
32(16.5%)
(4)Service(e.g., call center)
55(26.1%)
72(31.7%)
60(30.9%)
(5)Basic research
8(3.8%)
12(5.3%)
9(4.6%)
(6)Product development(including software)
20(9.5%)
24(10.6%)
25(12.9%)
(7)Development for Japanese specifications
22(10.4%)
30(13.2%)
28(14.4%)
(8)Goods and materials procurement
13(6.2%)
17(7.5%)
18(9.3%)
(9)Regional control and management
34(16.1%)
47(20.7%)
43(22.2%)
(10)Other
20(9.5%)
19(8.4%)
19(9.8%)

(2000s)


At the time of entry(n=269)
At present(n=281)
In the future [reference] (n=260)
(companie)
0 50 100 150 200 250 300 350 400
(1)Manufacturing / processing
27(10.0%)
35(12.5%)
35(13.5%)
(2)Sales
155(57.6%)
171(60.9%)
163(62.7%)
(3)Distribution
32(11.9%)
40(14.2%)
47(18.1%)
(4)Service(e.g., call center)
85(31.6%)
106(37.7%)
100(38.5%)
(5)Basic research
14(5.2%)
17(6.0%)
23(8.8%)
(6)Product development(including software)
32(11.9%)
43(15.3%)
50(19.2%)
(7)Development for Japanese specifications
43(16.0%)
52(18.5%)
70(26.9%)
(8)Goods and materials procurement
28(10.4%)
28(10.0)
31(11.9%)
(9)Regional control and management
54(20.1%)
70(24.9%)
69(26.5%)
(10)Other
30(11.2)
30(10.7%)
28(10.8%)

2. Impediments to Business in Japan

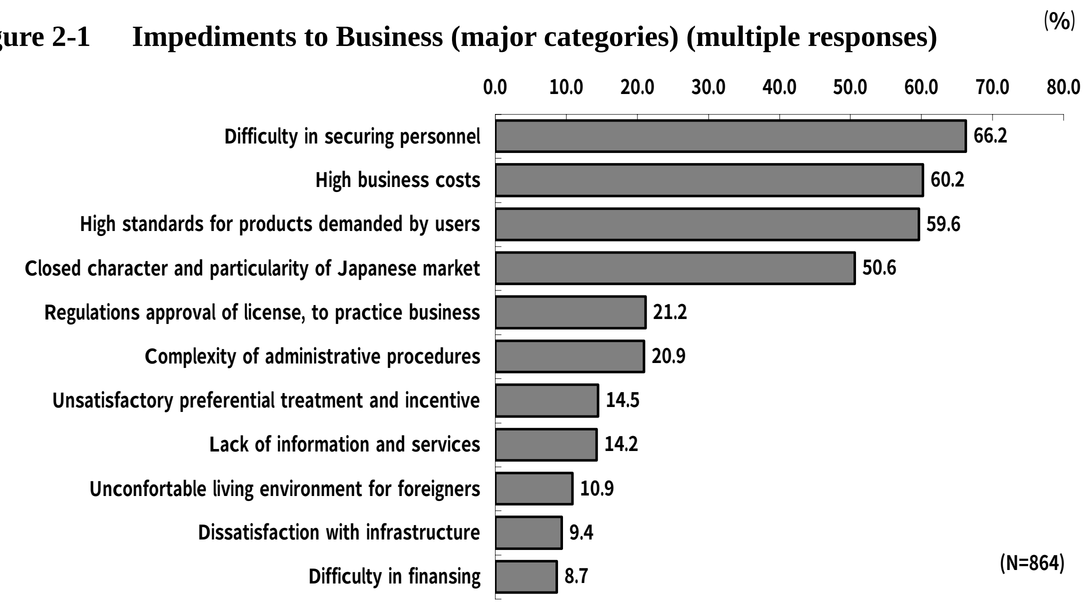
(1) Impediments

Each year, this survey includes questions about the impediments faced by foreign-invested companies in doing business in Japan. This year, "difficulty in securing personnel" again topped the list of impediments, as in the FY2006 survey, being identified by 66.2% of companies. This was followed by "high business costs" with 60.2%, "high product standards demanded by users" with 59.6%, and the "closed character and particularity of the Japanese market" with 50.6%, more than half of the responding foreign-invested companies identifying each of these four impediments.

Looking at the figures by industry, the percentages of companies in the wholesale/retail and manufacturing sectors that identified "high product standards demanded by users" were 73.5% and 60.6% respectively, considerably higher than in the service sector (43.7%). Conversely, the proportions of companies identifying the "closed character and particularity of the Japanese market," "complexity of administrative procedures," "lack of information and services" and "dissatisfaction with infrastructure" were higher in the service sector than in the wholesale/retail and manufacturing sectors. This trend was particularly striking in relation to "language barrier (too much information only available in Japanese)" and "airport infrastructure."

Examining the detailed industrial trends, more than half of all companies in the "medical/pharmaceutical and cosmetics" sector identified "regulations, approvals and business licenses" (63.6%) as impediments, and the number identifying "complexity of administrative procedures" (45.5%) was also higher than for other sectors. High proportion of companies in the "textiles and clothing" sector identified "difficulty in securing personnel" (86.7%) and "high business costs" (80.0%). More than 70% of companies in the following sectors identified "high product standards demanded by users" as an impediment: "general machinery/devices," "electrical machinery/devices," "ITC machinery/devices," "electronic parts/devices," and "precision machinery/instruments."

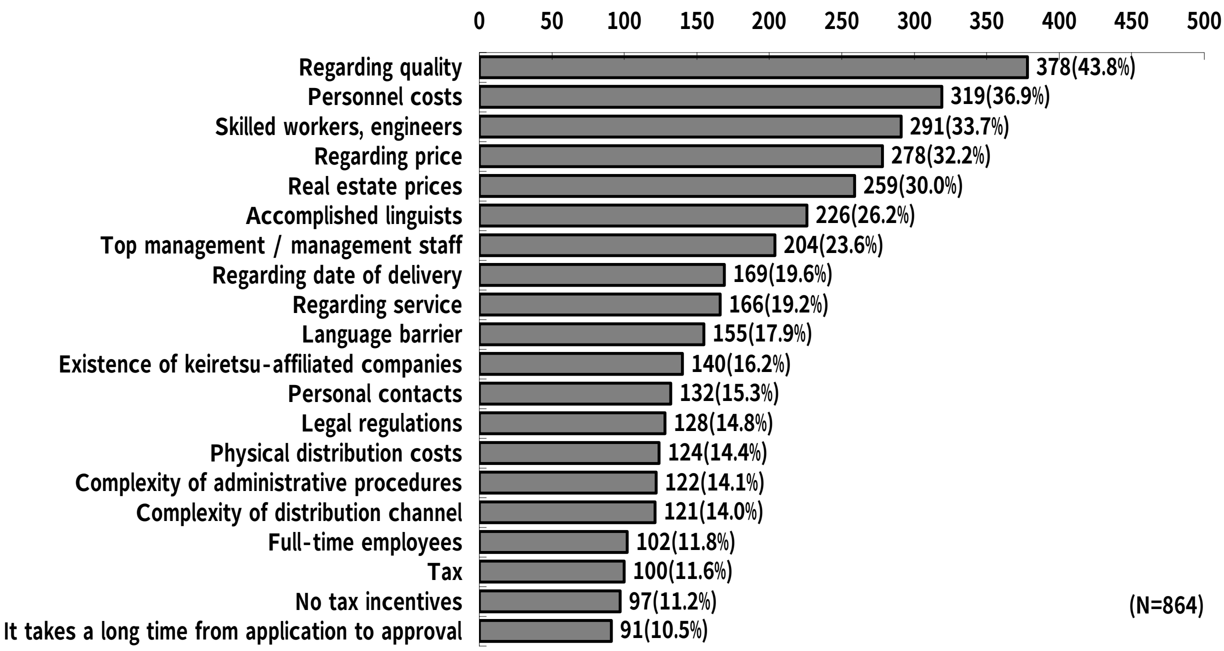
Figure 2-1 Impediments to Business (major categories) (multiple responses)



Looking at the twenty most commonly identified minor categories, “high product standards demanded by users regarding quality” is in top position at 43.8%, followed by “high personnel costs” at 36.9%, “difficulty in securing skilled workers and engineers” at 33.7%, and “high product standards demanded by users regarding price” at 32.2%. Although “difficulty in securing personnel” was ranked top among the major categories, looking at the minor categories, of top five categories, two are sub-categories of “high product standards demanded by users”; one relating to quality and the other to price.

In the past, foreign-invested companies have indicated “high business costs” as the leading business impediment, and they are now emphasizing the high level of user demands over quality and price. We can conjecture that this reflects the difficulty of marketing to the Japanese market and a heightened awareness of the importance of marketing. Also, from the category “difficulty in securing personnel,” not only “skilled workers and engineers” but also “accomplished linguists” (26.2%) and “top management/management staff” (23.6%) are highly ranked. Clearly companies’ personnel needs are increasing, and securing good quality staff has become a priority.

Figure 2-2 Impediments to Business (minor categories) (multiple responses)

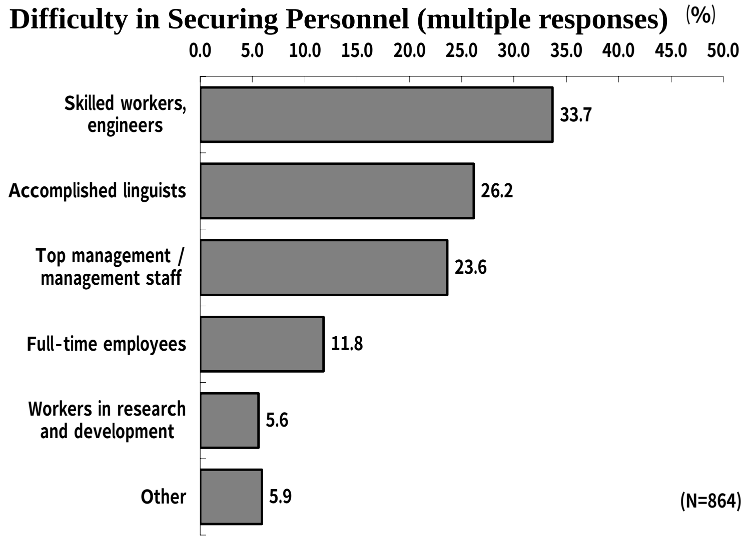


For each of the major categories, the detailed aspects of obstacle that they think are “particularly strong” are as follows.

Difficulty in Securing Personnel — Skilled Workers and Engineers

The type of personnel for which companies most often reported difficulty in securing was "skilled workers and engineers" at 33.7%, followed by "linguists" (26.2%) and "top management/management staff" (23.6%).

Figure 2-3 Detailed Impediment to Business — Difficulty in Securing Personnel (multiple responses)

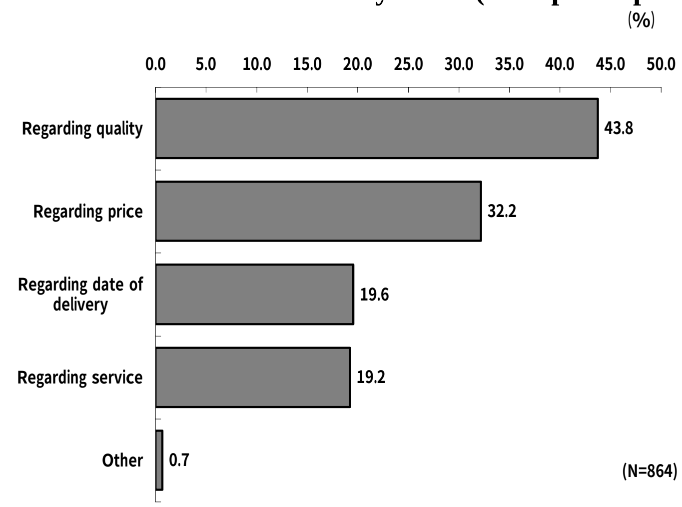


Looking at the results by industry, difficulty in hiring "top management/management staff" was cited by many companies in finance and insurance (41.1%), medical/pharmaceuticals and cosmetics (36.4%), and textiles and clothing (33.3%). Securing "skilled workers and engineers" was a concern for high proportions of companies in the precision machinery/instrument (62.2%), general machinery/device (57.1%) and construction (57.1%) sectors. Difficulty in securing "linguists" was cited by many companies in the construction (42.9%), precision machinery/instrument (40.0%), and daily necessities (35.7%) sectors. And "research and development workers" was a prime concern for companies in the chemical (16.7%), metal products (10.7%), and electronic parts/device (10.0%) sectors.

High Product Standards Demanded by Users — Regarding Quality and Price

Looking at the minor categories underlying high user demands, more than four out of ten companies (43.8%) indicated as an impediment the high product standards demanded by users "regarding quality." This was followed by the standards demanded "regarding price" (32.2%), "regarding date of delivery" (19.6%), and "regarding service" (19.2%). More than 70% of companies in each of the following sectors identified "high product standards demanded by

Figure 2-4 Detailed Impediment to Business — High Product Standards Demanded by Users (multiple responses)

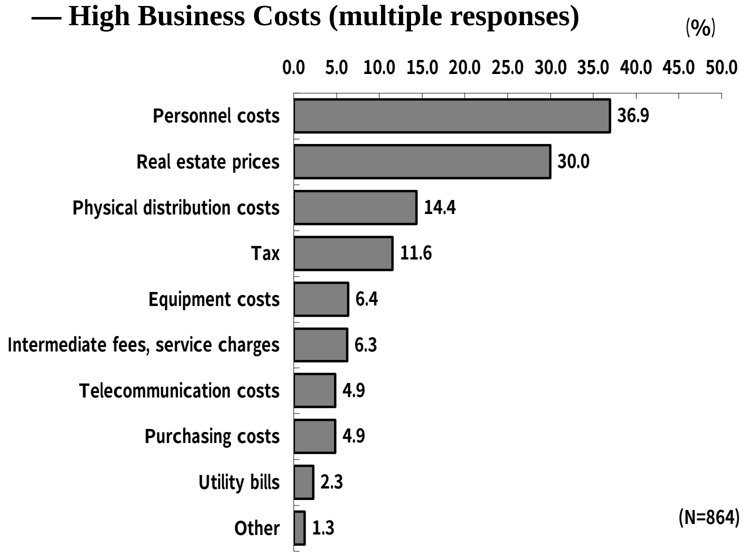


users” as a business impediment: ITC machinery/devices (79.3%), electronic parts/devices (76.7%), precision machinery/instruments (75.6%), general machinery/devices (73.8%), electrical machinery/devices (73.5%), and food and drink (71.4%).

High Business Costs — Personnel Costs and Real Estate Prices

The leading minor category underlying high business costs was “personnel costs” at 36.9%, followed by “real estate prices” (30.0%). Looking at the figures by industry, the following sectors had high proportions of companies indicating “high business costs” as an impediment: textiles and clothing (80.0%), ITC machinery/devices (79.3%), plastic products (77.8%), and precision machinery/instruments (71.1%).

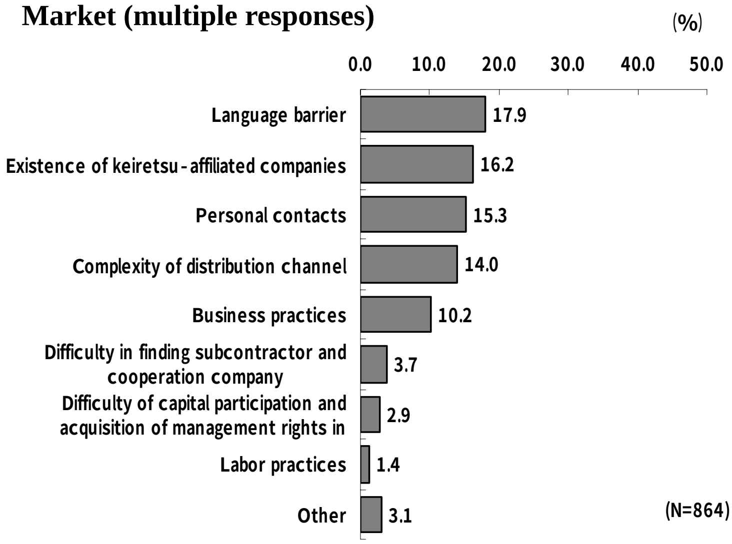
Figure 2-5 Detailed Impediment to Business — High Business Costs (multiple responses)



Closed Character and Particularity of the Japanese Market — Language, *Keiretsu*, Personal Contacts and Distribution Channels

The leading minor categories identified as impediments under the “closed character and particularity of the Japanese market,” in order, were “language barriers (too much information available only in Japanese)” (17.9%), “the existence of *keiretsu*-affiliated companies” (16.2%), “personal contacts” (15.3%), and the “complexity of distribution channels” (14.0%). By industry, more than six in ten companies in each of the following sectors identified the “closed character and particularity of the Japanese market” as a business impediment: ITC machinery/devices (82.8%), food and drink (66.7%), and plastic products (66.7%).

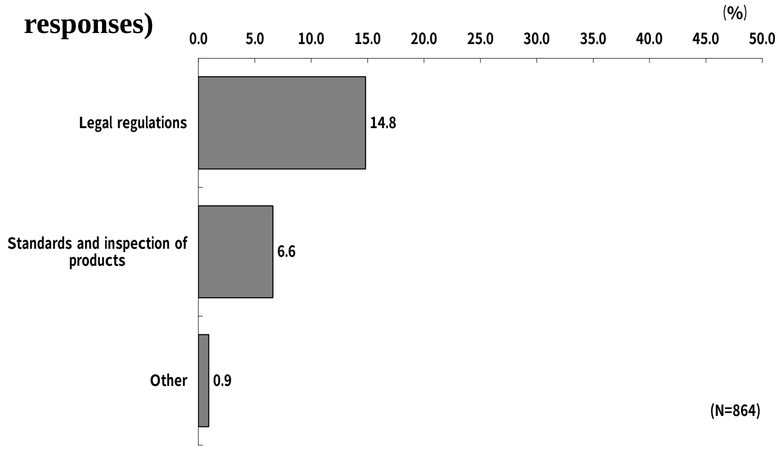
Figure 2-6 Detailed Impediment to Business — Closed Character and Particularity of the Japanese Market (multiple responses)



Regulations, Approvals and Business Licenses — Legal Regulations

The number of companies identifying "legal regulations" at 14.8% exceeded "standards and inspection of products" (6.6%). Looking at the sectoral breakdown, the effects of legal regulations on the medical/pharmaceutical and cosmetics sector are considerable, with 63.6% of companies in that sector identifying "regulations, approvals and business licenses" as an impediment to business.

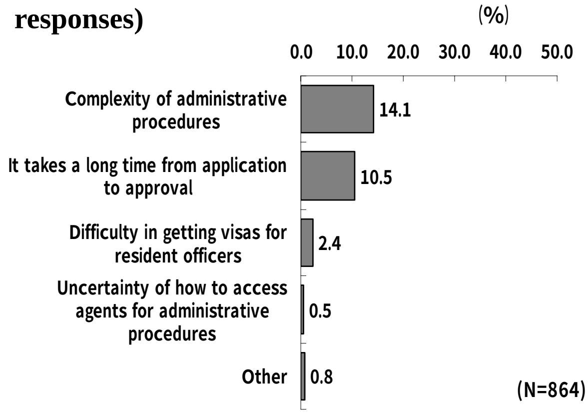
Figure 2-7 Detailed Impediment to Business — Regulations, Approvals and Business Licenses (multiple responses)



Complexity of Administrative Procedures — Troublesome Administrative Procedures

The main impediments indicated under "complexity of administrative procedures" were "troublesome administrative procedures" (14.1%) and "it takes a long time from application to approval" (10.5%). In sectoral terms, a high proportion of companies in the medical/pharmaceutical and cosmetics sector (45.5%) identified "complexity of administrative procedures" as an impediment, as was the case in the construction (42.9%), transportation (37.5%), and finance and insurance (36.2%) sectors.

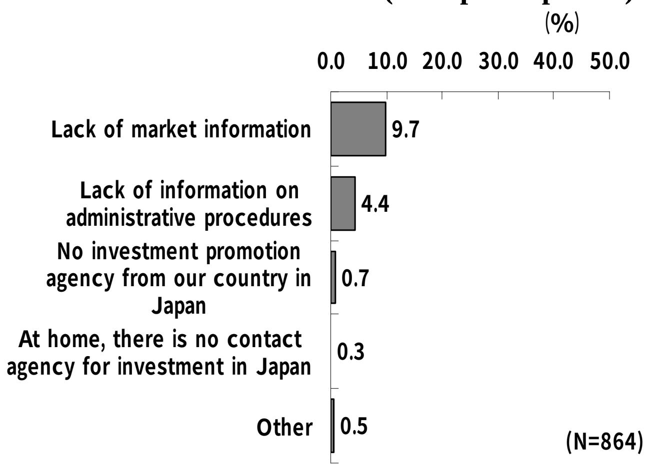
Figure 2-8 Detailed Impediment to Business — Complexity of Administrative Procedures (multiple responses)



Lack of Information and Services — Lack of Market Information

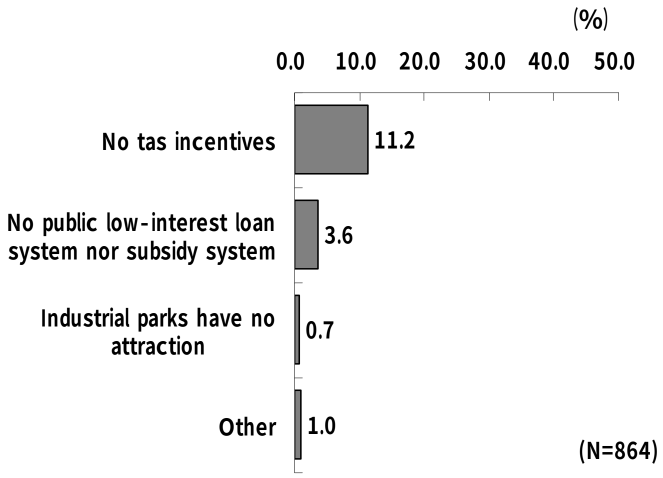
"Lack of market information" was identified as an impediment by 9.7% of companies, followed by "lack of information on administrative procedures" at 4.4%.

Figure 2-9 Detailed Impediment to Business — Lack of Information and Services (multiple responses)



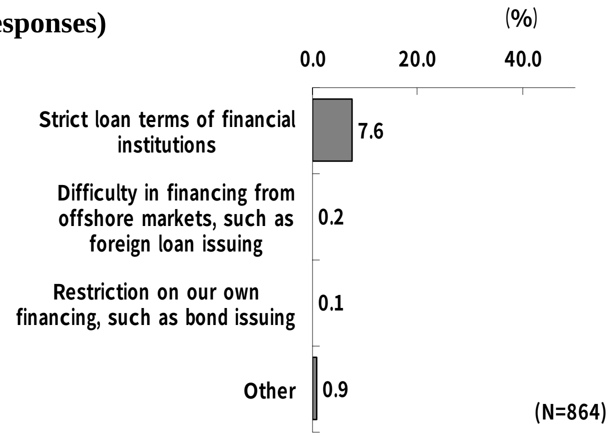
Unsatisfactory Preferential Treatment and Incentives — No Tax Incentives
“No tax incentives” was identified by 11.2% of companies.

Figure 2-10 Detailed Impediment to Business — Unsatisfactory Preferential Treatment and Incentives (multiple responses)



Difficulty in Financing — Strict Loan Terms of Financial Institutions
Around one company in ten (7.6%) pointed out “strict loan terms of financial institutions” as an impediment.

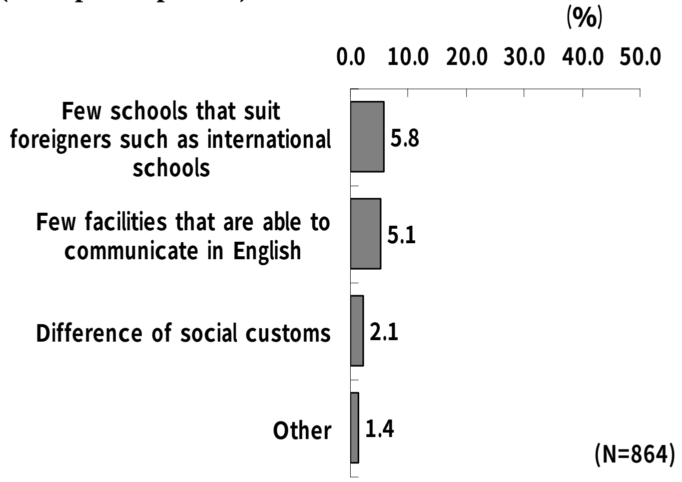
Figure 2-11 Detailed Impediment to Business — Difficulty in Financing (multiple responses)



Uncomfortable Living Environment for Foreigners — Few International Schools

The main issues raised by companies as impediments under the category of "uncomfortable living environment for foreigners (schools, hospitals, social customs, etc.)" were "few schools that suit foreigners such as international schools" (5.8%) and "few facilities that are able to communicate in English" (5.1%).

Figure 2-12 Detailed Impediment to Business — Uncomfortable Living Environment for Foreigners (multiple responses)



Dissatisfaction with Infrastructure — Airports

The main items of dissatisfaction under the category of "dissatisfaction with infrastructure (convenience, usage fee level, etc.)" were "airports" (5.9%), "roads" (2.3%) and "sea ports" (1.3%).

Figure 2-13 Detailed Impediment to Business — Dissatisfaction with Infrastructure (multiple responses)

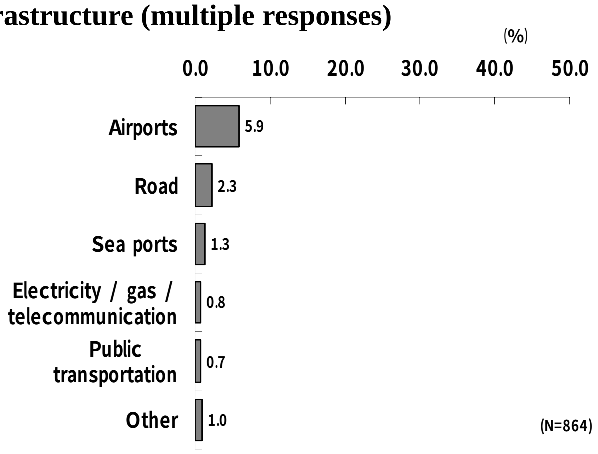


Figure 2-14 Impediments to Business — by Time of Entry (multiple responses)

Impediments to business	Total		1970s or earlier		1980s		1990s		2000s	
	n	%	n	%	n	%	n	%	n	%
(1) Difficulty in securing personnel	572	66.2	90	62.9	100	62.9	169	70.4	202	67.1
Top management/management staff	204	23.6	30	21.0	47	29.6	60	25.0	66	21.9
Skilled workers, engineers	291	33.7	47	32.9	42	26.4	85	35.4	109	36.2
Workers in research and development	48	5.6	14	9.8	8	5.0	7	2.9	19	6.3
Accomplished linguists	226	26.2	31	21.7	42	26.4	68	28.3	85	28.2
Full-time employees	102	11.8	17	11.9	18	11.3	34	14.2	32	10.6
Other	51	5.9	6	4.2	9	5.7	15	6.3	21	7.0
(2) High product standards demanded by users	515	59.6	82	57.3	104	65.4	144	60.0	178	59.1
Regarding quality	378	43.8	60	42.0	79	49.7	99	41.3	135	44.9
Regarding date of delivery	169	19.6	29	20.3	36	22.6	49	20.4	54	17.9
Regarding price	278	32.2	43	30.1	57	35.8	81	33.8	94	31.2
Regarding service	166	19.2	21	14.7	30	18.9	50	20.8	64	21.3
Other	6	0.7	1	0.7	0	0.0	1	0.4	4	1.3
(3) High business costs	520	60.2	77	53.8	101	63.5	146	60.8	186	61.8
Real estate prices	259	30.0	35	24.5	46	28.9	69	28.8	104	34.6
Personnel costs	319	36.9	48	33.6	60	37.7	94	39.2	112	37.2
Intermediate fees, service charges	54	6.3	5	3.5	7	4.4	15	6.3	26	8.6
Physical distribution costs	124	14.4	15	10.5	33	20.8	40	16.7	35	11.6
Utility bills	20	2.3	4	2.8	3	1.9	4	1.7	9	3.0
Telecommunication costs	42	4.9	2	1.4	7	4.4	9	3.8	22	7.3
Equipment costs	55	6.4	8	5.6	8	5.0	15	6.3	22	7.3
Purchasing costs	42	4.9	11	7.7	8	5.0	13	5.4	8	2.7
Tax	100	11.6	14	9.8	27	17.0	21	8.8	36	12.0
Other	11	1.3	1	0.7	4	2.5	2	0.8	3	1.0
(4) Closed character and particularity of the Japanese market	437	50.6	50	35.0	74	46.5	121	50.4	184	61.1
Existence of keiretsu-affiliated companies	140	16.2	17	11.9	28	17.6	42	17.5	52	17.3
Complexity of distribution channel	121	14.0	12	8.4	21	13.2	33	13.8	53	17.6
Personal contacts	132	15.3	13	9.1	29	18.2	30	12.5	57	18.9
Difficulty of capital participation and acquisition of management rights in Japanese companies	25	2.9	2	1.4	4	2.5	6	2.5	12	4.0
Language barrier	155	17.9	15	10.5	24	15.1	39	16.3	74	24.6
Labor practices	12	1.4	1	0.7	3	1.9	6	2.5	2	0.7
Difficulty in finding subcontractor and cooperation company	32	3.7	4	2.8	3	1.9	10	4.2	14	4.7
Business practices	88	10.2	6	4.2	12	7.5	25	10.4	45	15.0
Other	27	3.1	3	2.1	2	1.3	7	2.9	14	4.7
(5) Regulations, approval or license to practice business	183	21.2	34	23.8	27	17.0	52	21.7	68	22.6
Legal regulations	128	14.8	26	18.2	21	13.2	39	16.3	42	14.0
Standards and inspection of products	57	6.6	5	3.5	7	4.4	18	7.5	25	8.3
Other	8	0.9	3	2.1	0	0.0	1	0.4	4	1.3
(6) Complexity of administrative procedures	181	20.9	25	17.5	28	17.6	48	20.0	79	26.2
Complexity of administrative procedures	122	14.1	19	13.3	18	11.3	30	12.5	54	17.9
It takes a long time from application to approval.	91	10.5	11	7.7	14	8.8	28	11.7	38	12.6
Difficulty in getting visas for resident officers	21	2.4	2	1.4	2	1.3	5	2.1	12	4.0
Uncertainty of how to access agents for administrative procedures	4	0.5	0	0.0	0	0.0	1	0.4	3	1.0
Other	7	0.8	0	0.0	2	1.3	0	0.0	5	1.7
(7) Lack of information and services	123	14.2	14	9.8	25	15.7	35	14.6	47	15.6
Lack of market information	84	9.7	10	7.0	20	12.6	25	10.4	27	9.0
Lack of information on administrative procedures	38	4.4	3	2.1	4	2.5	10	4.2	21	7.0
At home, there is no contact agency for investment in Japan	3	0.3	1	0.7	0	0.0	1	0.4	1	0.3
No investment promotion agency from our country in Japan	6	0.7	0	0.0	2	1.3	1	0.4	3	1.0
Other	4	0.5	1	0.7	0	0.0	0	0.0	3	1.0
(8) Unsatisfactory preferential treatment and incentive	125	14.5	13	9.1	20	12.6	33	13.8	56	18.6
No tax incentives	97	11.2	11	7.7	15	9.4	25	10.4	45	15.0
No public low-interest loan system nor subsidy system	31	3.6	2	1.4	6	3.8	7	2.9	15	5.0
Industrial parks have no attraction	6	0.7	1	0.7	1	0.6	1	0.4	3	1.0
Other	9	1.0	2	1.4	1	0.6	3	1.3	3	1.0
(9) Difficulty in financing	75	8.7	5	3.5	10	6.3	24	10.0	35	11.6
Strict loan terms of financial institutions	66	7.6	4	2.8	8	5.0	22	9.2	31	10.3
Restriction on our own financing, such as bond issuing	1	0.1	0	0.0	1	0.6	0	0.0	0	0.0
Difficulty in financing from offshore markets, such as foreign loan issuing	2	0.2	0	0.0	0	0.0	0	0.0	2	0.7
Other	8	0.9	1	0.7	1	0.6	2	0.8	4	1.3
(10) Uncomfortable living environment for foreigners	94	10.9	10	7.0	17	10.7	28	11.7	39	13.0
Few schools that suit foreigners such as international schools	50	5.8	4	2.8	7	4.4	17	7.1	22	7.3
Few facilities that are able to communicate in English	44	5.1	6	4.2	8	5.0	13	5.4	17	5.6
Difference of social customs	18	2.1	3	2.1	3	1.9	4	1.7	8	2.7
Other	12	1.4	1	0.7	2	1.3	4	1.7	5	1.7
(11) Dissatisfaction with infrastructure	81	9.4	12	8.4	15	9.4	18	7.5	33	11.0
Sea ports	11	1.3	0	0.0	4	2.5	2	0.8	5	1.7
Airports	51	5.9	10	7.0	10	6.3	11	4.6	17	5.6
Road	20	2.3	6	4.2	3	1.9	5	2.1	6	2.0
Electricity / gas / telecommunication	7	0.8	1	0.7	0	0.0	1	0.4	5	1.7
Public transportation	6	0.7	0	0.0	0	0.0	1	0.4	5	1.7
Other	9	1.0	1	0.7	3	1.9	1	0.4	4	1.3

Figure 2-15 Impediments to Business — by Region (multiple responses)

Impediments to business	Total		North America		Europe		Asia		Other	
	n	%	n	%	n	%	n	%	n	%
(1) Difficulty in securing personnel	572	66.2	211	65.5	256	69.2	79	58.5	26	70.3
Top management/management staff	204	23.6	73	22.7	94	25.4	32	23.7	5	13.5
Skilled workers, engineers	291	33.7	121	37.6	126	34.1	27	20.0	17	45.9
Workers in research and development	48	5.6	22	6.8	21	5.7	5	3.7	0	0.0
Accomplished linguists	226	26.2	83	25.8	109	29.5	27	20.0	7	18.9
Full-time employees	102	11.8	35	10.9	40	10.8	23	17.0	4	10.8
Other	51	5.9	16	5.0	25	6.8	7	5.2	3	8.1
(2) High product standards demanded by users	515	59.6	189	58.7	231	62.4	75	55.6	20	54.1
Regarding quality	378	43.8	146	45.3	160	43.2	59	43.7	13	35.1
Regarding date of delivery	169	19.6	61	18.9	82	22.2	21	15.6	5	13.5
Regarding price	278	32.2	106	32.9	125	33.8	40	29.6	7	18.9
Regarding service	166	19.2	59	18.3	75	20.3	23	17.0	9	24.3
Other	6	0.7	1	0.3	3	0.8	0	0.0	2	5.4
(3) High business costs	520	60.2	179	55.6	233	63.0	84	62.2	24	64.9
Real estate prices	259	30.0	95	29.5	108	29.2	42	31.1	14	37.8
Personnel costs	319	36.9	112	34.8	146	39.5	48	35.6	13	35.1
Intermediate fees, service charges	54	6.3	14	4.3	24	6.5	12	8.9	4	10.8
Physical distribution costs	124	14.4	35	10.9	63	17.0	22	16.3	4	10.8
Utility bills	20	2.3	6	1.9	9	2.4	3	2.2	2	5.4
Telecommunication costs	42	4.9	11	3.4	22	5.9	7	5.2	2	5.4
Equipment costs	55	6.4	19	5.9	27	7.3	7	5.2	2	5.4
Purchasing costs	42	4.9	11	3.4	24	6.5	5	3.7	2	5.4
Tax	100	11.6	27	8.4	46	12.4	24	17.8	3	8.1
Other	11	1.3	3	0.9	3	0.8	3	2.2	2	5.4
(4) Closed character and particularity of the Japanese market	437	50.6	151	46.9	194	52.4	74	54.8	18	48.6
Existence of keiretsu-affiliated companies	140	16.2	49	15.2	63	17.0	25	18.5	3	8.1
Complexity of distribution channel	121	14.0	44	13.7	52	14.1	20	14.8	5	13.5
Personal contacts	132	15.3	35	10.9	72	19.5	18	13.3	7	18.9
Difficulty of capital participation and acquisition of management rights in Japanese companies	25	2.9	10	3.1	11	3.0	4	3.0	0	0.0
Language barrier	155	17.9	50	15.5	68	18.4	27	20.0	10	27.0
Labor practices	12	1.4	3	0.9	8	2.2	0	0.0	1	2.7
Difficulty in finding subcontractor and cooperation company	32	3.7	14	4.3	4	1.1	11	8.1	3	8.1
Business practices	88	10.2	32	9.9	38	10.3	14	10.4	4	10.8
Other	27	3.1	15	4.7	5	1.4	4	3.0	3	8.1
(5) Regulations, approval or license to practice business	183	21.2	64	19.9	75	20.3	31	23.0	13	35.1
Legal regulations	128	14.8	48	14.9	54	14.6	18	13.3	8	21.6
Standards and inspection of products	57	6.6	20	6.2	23	6.2	10	7.4	4	10.8
Other	8	0.9	3	0.9	1	0.3	3	2.2	1	2.7
(6) Complexity of administrative procedures	181	20.9	62	19.3	76	20.5	36	26.7	7	18.9
Complexity of administrative procedures	122	14.1	48	14.9	54	14.6	18	13.3	2	5.4
It takes a long time from application to approval.	91	10.5	32	9.9	35	9.5	21	15.6	3	8.1
Difficulty in getting visas for resident officers	21	2.4	5	1.6	6	1.6	8	5.9	2	5.4
Uncertainty of how to access agents for administrative procedures	4	0.5	0	0.0	0	0.0	3	2.2	1	2.7
Other	7	0.8	1	0.3	3	0.8	1	0.7	2	5.4
(7) Lack of information and services	123	14.2	49	15.2	42	11.4	28	20.7	4	10.8
Lack of market information	84	9.7	38	11.8	29	7.8	16	11.9	1	2.7
Lack of information on administrative procedures	38	4.4	14	4.3	13	3.5	10	7.4	1	2.7
At home, there is no contact agency for investment in Japan	3	0.3	2	0.6	1	0.3	0	0.0	0	0.0
No investment promotion agency from our country in Japan	6	0.7	1	0.3	2	0.5	3	2.2	0	0.0
Other	4	0.5	1	0.3	0	0.0	1	0.7	2	5.4
(8) Unsatisfactory preferential treatment and incentive	125	14.5	46	14.3	46	12.4	26	19.3	7	18.9
No tax incentives	97	11.2	38	11.8	37	10.0	20	14.8	2	5.4
No public low-interest loan system nor subsidy system	31	3.6	7	2.2	11	3.0	11	8.1	2	5.4
Industrial parks have no attraction	6	0.7	3	0.9	2	0.5	1	0.7	0	0.0
Other	9	1.0	3	0.9	4	1.1	0	0.0	2	5.4
(9) Difficulty in financing	75	8.7	19	5.9	27	7.3	26	19.3	3	8.1
Strict loan terms of financial institutions	66	7.6	18	5.6	23	6.2	24	17.8	1	2.7
Restriction on our own financing, such as bond issuing	1	0.1	0	0.0	1	0.3	0	0.0	0	0.0
Difficulty in financing from offshore markets, such as foreign loan issuing	2	0.2	1	0.3	0	0.0	1	0.7	0	0.0
Other	8	0.9	2	0.6	3	0.8	1	0.7	2	5.4
(10) Uncomfortable living environment for foreigners	94	10.9	30	9.3	30	8.1	31	23.0	3	8.1
Few schools that suit foreigners such as international schools	50	5.8	15	4.7	16	4.3	18	13.3	1	2.7
Few facilities that are able to communicate in English	44	5.1	17	5.3	17	4.6	9	6.7	1	2.7
Difference of social customs	18	2.1	6	1.9	3	0.8	7	5.2	2	5.4
Other	12	1.4	2	0.6	3	0.8	6	4.4	1	2.7
(11) Dissatisfaction with infrastructure	81	9.4	29	9.0	34	9.2	14	10.4	4	10.8
Sea ports	11	1.3	3	0.9	4	1.1	2	1.5	2	5.4
Airports	51	5.9	23	7.1	19	5.1	7	5.2	2	5.4
Road	20	2.3	7	2.2	10	2.7	2	1.5	1	2.7
Electricity / gas / telecommunication	7	0.8	3	0.9	2	0.5	2	1.5	0	0.0
Public transportation	6	0.7	1	0.3	4	1.1	1	0.7	0	0.0
Other	9	1.0	2	0.6	5	1.4	1	0.7	1	2.7

Figure 2-16 Impediments to Business — by Industry (multiple responses)

Impediments to business	Total		Manufacturing		Wholesale / retail		Service	
	n	%	n	%	n	%	n	%
(1) Difficulty in securing personnel	572	66.2	74	67.9	265	66.3	233	65.6
Top management/management staff	204	23.6	20	18.3	87	21.8	97	27.3
Skilled workers, engineers	291	33.7	45	41.3	139	34.8	107	30.1
Workers in research and development	48	5.6	18	16.5	18	4.5	12	3.4
Accomplished linguists	226	26.2	22	20.2	112	28.0	92	25.9
Full-time employees	102	11.8	14	12.8	45	11.3	43	12.1
Other	51	5.9	4	3.7	24	6.0	23	6.5
(2) High product standards demanded by users	515	59.6	66	60.6	294	73.5	155	43.7
Regarding quality	378	43.8	45	41.3	229	57.3	104	29.3
Regarding date of delivery	169	19.6	24	22.0	105	26.3	40	11.3
Regarding price	278	32.2	36	33.0	169	42.3	73	20.6
Regarding service	166	19.2	12	11.0	79	19.8	75	21.1
Other	6	0.7	1	0.9	2	0.5	3	0.8
(3) High business costs	520	60.2	63	57.8	247	61.8	210	59.2
Real estate prices	259	30.0	16	14.7	123	30.8	120	33.8
Personnel costs	319	36.9	36	33.0	145	36.3	138	38.9
Intermediate fees, service charges	54	6.3	3	2.8	24	6.0	27	7.6
Physical distribution costs	124	14.4	17	15.6	89	22.3	18	5.1
Utility bills	20	2.3	11	10.1	5	1.3	4	1.1
Telecommunication costs	42	4.9	5	4.6	22	5.5	15	4.2
Equipment costs	55	6.4	12	11.0	24	6.0	19	5.4
Purchasing costs	42	4.9	14	12.8	26	6.5	2	0.6
Tax	100	11.6	8	7.3	51	12.8	41	11.5
Other	11	1.3	1	0.9	7	1.8	3	0.8
(4) Closed character and particularity of the Japanese market	437	50.6	45	41.3	202	50.5	190	53.5
Existence of keiretsu-affiliated companies	140	16.2	17	15.6	74	18.5	49	13.8
Complexity of distribution channel	121	14.0	6	5.5	82	20.5	33	9.3
Personal contacts	132	15.3	6	5.5	57	14.3	69	19.4
Difficulty of capital participation and acquisition of management rights in Japanese companies	25	2.9	5	4.6	7	1.8	13	3.7
Language barrier	155	17.9	12	11.0	54	13.5	89	25.1
Labor practices	12	1.4	2	1.8	3	0.8	7	2.0
Difficulty in finding subcontractor and cooperation company	32	3.7	5	4.6	8	2.0	19	5.4
Business practices	88	10.2	14	12.8	42	10.5	32	9.0
Other	27	3.1	2	1.8	11	2.8	14	3.9
(5) Regulations, approval or license to practice business	183	21.2	18	16.5	90	22.5	75	21.1
Legal regulations	128	14.8	12	11.0	55	13.8	61	17.2
Standards and inspection of products	57	6.6	6	5.5	40	10.0	11	3.1
Other	8	0.9	0	0.0	3	0.8	5	1.4
(6) Complexity of administrative procedures	181	20.9	24	22.0	71	17.8	86	24.2
Complexity of administrative procedures	122	14.1	18	16.5	47	11.8	57	16.1
It takes a long time from application to approval.	91	10.5	14	12.8	39	9.8	38	10.7
Difficulty in getting visas for resident officers	21	2.4	3	2.8	8	2.0	10	2.8
Uncertainty of how to access agents for administrative procedures	4	0.5	0	0.0	0	0.0	4	1.1
Other	7	0.8	0	0.0	6	1.5	1	0.3
(7) Lack of information and services	123	14.2	14	12.8	52	13.0	57	16.1
Lack of market information	84	9.7	6	5.5	42	10.5	36	10.1
Lack of information on administrative procedures	38	4.4	7	6.4	14	3.5	17	4.8
At home, there is no contact agency for investment in Japan	3	0.3	2	1.8	0	0.0	1	0.3
No investment promotion agency from our country in Japan	6	0.7	2	1.8	1	0.3	3	0.8
Other	4	0.5	0	0.0	0	0.0	4	1.1
(8) Unsatisfactory preferential treatment and incentive	125	14.5	15	13.8	63	15.8	47	13.2
No tax incentives	97	11.2	11	10.1	50	12.5	36	10.1
No public low-interest loan system nor subsidy system	31	3.6	3	2.8	16	4.0	12	3.4
Industrial parks have no attraction	6	0.7	1	0.9	4	1.0	1	0.3
Other	9	1.0	2	1.8	3	0.8	4	1.1
(9) Difficulty in financing	75	8.7	8	7.3	43	10.8	24	6.8
Strict loan terms of financial institutions	66	7.6	7	6.4	39	9.8	20	5.6
Restriction on our own financing, such as bond issuing	1	0.1	0	0.0	1	0.3	0	0.0
Difficulty in financing from offshore markets, such as foreign loan issuing	2	0.2	1	0.9	1	0.3	0	0.0
Other	8	0.9	1	0.9	2	0.5	5	1.4
(10) Uncomfortable living environment for foreigners	94	10.9	12	11.0	42	10.5	40	11.3
Few schools that suit foreigners such as international schools	50	5.8	8	7.3	20	5.0	22	6.2
Few facilities that are able to communicate in English	44	5.1	6	5.5	22	5.5	16	4.5
Difference of social customs	18	2.1	1	0.9	10	2.5	7	2.0
Other	12	1.4	1	0.9	5	1.3	6	1.7
(11) Dissatisfaction with infrastructure	81	9.4	5	4.6	31	7.8	45	12.7
Sea ports	11	1.3	2	1.8	5	1.3	4	1.1
Airports	51	5.9	2	1.8	17	4.3	32	9.0
Road	20	2.3	1	0.9	11	2.8	8	2.3
Electricity / gas / telecommunication	7	0.8	0	0.0	3	0.8	4	1.1
Public transportation	6	0.7	0	0.0	2	0.5	4	1.1
Other	9	1.0	0	0.0	4	1.0	5	1.4

(2) Impediments to Business — Trends

If we compare the data on business impediments for the years 1995, 2006 and 2007, the leading impediment identified in the 1995 survey was "high business costs" at 70.3%, followed by the "closed character and particularity of the Japanese market" at 56.7% and "high product standards demanded by users" at 51.8%.

In the 2007 survey, "high business costs" and the "closed character and particularity of the Japanese market" were again identified by many companies, but both were on the decline relative to their 1995 levels. The most frequently identified impediment in the 2007 survey was "difficulty in securing personnel" at 66.2%, which had risen over 25 percentage points since 1995. Meanwhile the scores of a number of other impediments had declined, including "unsatisfactory preferential treatment and incentives," "difficulty in financing," "administrative procedures," "infrastructure," and "lack of information and services," illustrating the improvement in conditions for investing in Japan.

Figure 2-17 Impediments to Business — Trends over Three Surveys (multiple responses)

	1995		2006		2007		Difference between 1995 and 2007
	n	%	n	%	n	%	%
(1) Difficulty in securing personnel	249	40.4	623	66.6	572	66.2	25.8
(2) High product standards demanded by users	319	51.8	622	66.5	515	59.6	7.8
(3) High business costs	433	70.3	613	65.5	520	60.2	-10.1
(4) Closed character and particularity of the Japanese market	349	56.7	449	48.0	437	50.6	-6.1
(5) Regulations, approval or license to practice business	-	-	246	26.3	183	21.2	-
(6) Complexity of administrative procedures	167	27.1	225	24.0	181	20.9	-6.2
(7) Lack of information and services	111	18.0	129	13.8	123	14.2	-3.8
(8) Unsatisfactory preferential treatment and incentive	137	22.2	134	14.3	125	14.5	-7.8
(9) Difficulty in financing	98	15.9	78	8.3	75	8.7	-7.2
(10) Uncomfortable living environment for foreigners	51	8.3	104	11.1	94	10.9	2.6
(11) Dissatisfaction with infrastructure	77	12.5	87	9.3	81	9.4	-3.1
Number of companies	616	100.0	936	100.0	864	100.0	

Figure 2-18 Impediments to Business — Trends in Minor Categories over Three Surveys (multiple responses)

Impediments to business	1995		2006		2007		Difference between 1995 and 2006
	n	%	n	%	n	%	%
(1) Difficulty in securing personnel	249	40.4	623	66.6	572	66.2	25.8
Top management/management staff	･	･	247	26.4	204	23.6	-
Skilled workers, engineers	96	15.6	260	27.8	291	33.7	18.1
Workers in research and development	57	9.3	90	9.6	48	5.6	-3.7
Accomplished linguists	129	20.9	240	25.6	226	26.2	5.2
Full-time employees	8	1.3	101	10.8	102	11.8	10.5
Other	･	･	56	6.0	51	5.9	-
(2) High product standards demanded by users	319	51.8	622	66.5	515	59.6	7.8
Regarding quality	209	33.9	466	49.8	378	43.8	9.8
Regarding date of delivery	86	14.0	301	32.2	169	19.6	5.6
Regarding price	166	26.9	361	38.6	278	32.2	5.2
Regarding service	･	･	187	20.0	166	19.2	-
Other	･	･	9	1.0	6	0.7	-
(3) High business costs	433	70.3	613	65.5	520	60.2	-10.1
Real estate prices	237	38.5	289	30.9	259	30.0	-8.5
Personnel costs	324	52.6	430	45.9	319	36.9	-15.7
Intermediate fees, service charges	44	7.1	67	7.2	54	6.3	-0.9
Physical distribution costs	157	25.5	169	18.1	124	14.4	-11.1
Utility bills	20	3.2	39	4.2	20	2.3	-0.9
Telecommunication costs	･	･	43	4.6	42	4.9	-
Equipment costs	･	･	71	7.6	55	6.4	-
Purchasing costs	･	･	62	6.6	42	4.9	-
Tax	116	18.8	101	10.8	100	11.6	-7.3
Other	･	･	22	2.4	11	1.3	-
(4) Closed character and particularity of the Japanese market	349	56.7	449	48.0	437	50.6	-6.1
Existence of keiretsu-affiliated companies	174	28.2	137	14.6	140	16.2	-12.0
Complexity of distribution channel	160	26.0	129	13.8	121	14.0	-12.0
Personal contacts	109	17.7	128	13.7	132	15.3	-2.4
Difficulty of capital participation and acquisition of management rights in Japanese companies	32	5.2	18	1.9	25	2.9	-2.3
Language barrier	65	10.6	146	15.6	155	17.9	7.4
Labor practices	30	4.9	19	2.0	12	1.4	-3.5
Difficulty in finding subcontractor and cooperation company	･	･	25	2.7	32	3.7	-
Business practices	･	･	104	11.1	88	10.2	-
Other	･	･	25	2.7	27	3.1	-
(5) Regulations, approval or license to practice business	･	･	246	26.3	183	21.2	-
Legal regulations	･	･	164	17.5	128	14.8	-
Standards and inspection of products	･	･	79	8.4	57	6.6	-
Other	･	･	16	1.7	8	0.9	-
(6) Complexity of administrative procedures	167	27.1	225	24.0	181	20.9	-6.2
Complexity of administrative procedures	127	20.6	126	13.5	122	14.1	-6.5
It takes a long time from application to approval.	68	11.0	112	12.0	91	10.5	-0.5
Difficulty in getting visas for resident officers	32	5.2	36	3.8	21	2.4	-2.8
Uncertainty of how to access agents for administrative procedures	･	･	10	1.1	4	0.5	-
Other	･	･	8	0.9	7	0.8	-
(7) Lack of information and services	111	18.0	129	13.8	123	14.2	-3.8
Lack of market information	70	11.4	84	9.0	84	9.7	-1.6
Lack of information on administrative procedures	46	7.5	39	4.2	38	4.4	-3.1
At home, there is no contact agency for investment in Japan	8	1.3	5	0.5	3	0.3	-1.0
No investment promotion agency from our country in Japan	･	･	3	0.3	6	0.7	-
Other	･	･	4	0.4	4	0.5	-
(8) Unsatisfactory preferential treatment and incentive	137	22.2	134	14.3	125	14.5	-7.8
No tax incentives	110	17.9	107	11.4	97	11.2	-6.6
No public low-interest loan system nor subsidy system	29	4.7	24	2.6	31	3.6	-1.1
Industrial parks have no attraction	13	2.1	9	1.0	6	0.7	-1.4
Other	･	･	12	1.3	9	1.0	-
(9) Difficulty in financing	98	15.9	78	8.3	75	8.7	-7.2
Strict loan terms of financial institutions	90	14.6	62	6.6	66	7.6	-7.0
Restriction on our own financing, such as bond issuing	8	1.3	4	0.4	1	0.1	-1.2
Difficulty in financing from offshore markets, such as foreign loan issuing	3	0.5	4	0.4	2	0.2	-0.3
Other	･	･	9	1.0	8	0.9	-
(10) Uncomfortable living environment for foreigners	51	8.3	104	11.1	94	10.9	2.6
Few schools that suit foreigners such as international schools	･	･	48	5.1	50	5.8	-
Few facilities that are able to communicate in English	･	･	52	5.6	44	5.1	-
Difference of social customs	･	･	25	2.7	18	2.1	-
Other	･	･	11	1.2	12	1.4	-
(11) Dissatisfaction with infrastructure	77	12.5	87	9.3	81	9.4	-3.1
Sea ports	17	2.8	16	1.7	11	1.3	-1.5
Airports	46	7.5	50	5.3	51	5.9	-1.6
Road	44	7.1	21	2.2	20	2.3	-4.8
Electricity / gas / telecommunication	･	･	12	1.3	7	0.8	-
Public transportation	･	･	8	0.9	6	0.7	-
Other	･	･	6	0.6	9	1.0	-
Number of companies	616	100.0	936	100.0	864	100.0	

(3) Specific Suggestions on Eliminating Business Impediments

The responding companies were asked for specific suggestions on how to eliminate the various impediments to doing business in Japan, particularly the most critical impediments, in the form of free responses. The results are presented below. While numerous suggestions were those relating to the "closed character and particularity of the Japanese market" and "regulations, approvals and business licenses," most of the suggestions related to individual matters.

Note that responses other than specific suggestions have been omitted.

Securing Personnel

- "Labor participation by Japanese people in foreign-invested companies is limited to people who have a certain degree of proficiency in English. Even people with superior management ability are difficult to be employed if they can only speak Japanese. As a national policy, Japan needs to revamp English education as a part of amendments to the Basic Education Act, focusing on practical business English."
- "The use of dispatched labor and contractors. If the Workers Dispatch Law and the Subcontractor Protection Act are too strict, there is no merit in being in Japan."
- "Policies to help working women, such as more accessible childcare facilities and tax incentives."

High Business Costs

- "Reducing labor costs through the active use of outsourcing."
- "On product prices, we cannot compete in the current situation because of the strong yen. We would like to see a policy turnaround in relation to the high value of the yen."

Closed Character and Particularity

- "Revise commercial practices in relation to requesting and negotiating over price discounts."
- "We would like the major Japanese electrical machinery companies to take some advice on how to improve their payment methods."
- "The blind obsession with domestic demand does not suit the environment in which Japanese companies operate. We would like to see initiatives such as the holding of seminars to encourage a focus on competitiveness in the international marketplace."
- "Because of the power relationships among auto manufacturers, dealers and vendors, we cannot make adequate margins."
- "Political action and education to enlighten the Japanese people as to what it means for a developed economy to be international."
- "There is excessive competition due to over-banking."
- "Government agencies should set an example to others in adopting new and appropriate ways of doing business."

- “There are many situations where business negotiations are restricted to Japanese producers from the outset.”
- “Greater use of English at banks and other institutions of all kinds.”

Preferential treatment and Incentives

- “The preferences offered to developed economies are generally more generous than those extended to developing countries. In particular, US companies get too much preference.”
- “Revise the tax on stock options.”

Legal Regulations, Approvals and Business Licenses

- “Abolish or review tariffs.” (3 respondents)
- “Liberalize imports of leather goods and leather footwear.”
- “Change regulatory approaches from a focus on form to a focus on substance, for the sake of user convenience and protection.”
- “The customs system governing pork imports is complicated, and makes it difficult to sell pork on a single part basis. Japan should adopt either a flat-rate or fixed-rate system.”
- “The government should issue a guideline that prohibits to provide for unlimited compensation liability clauses in basic transaction contracts, etc.”
- “We should be able to use German permit forms as they are.” (food, plastics)
- “Foreign residents can only get one-year extensions on their long-term residency visas. For work purposes, I would like them to be for at least three years from the second extension onwards if possible.”
- “The fact that the Japanese manufacturers to be our customers are internationally uncompetitive is a problem. Further deregulation and revision to the tax system are necessary.”

Administrative Procedures

- “Streamline and improve the procedures for accepting foreign workers.”

Living Environment

- “Provide places and an environment conducive to international exchange. Regional governments do this on a small scale, but it is not done at the national level.”

Infrastructure

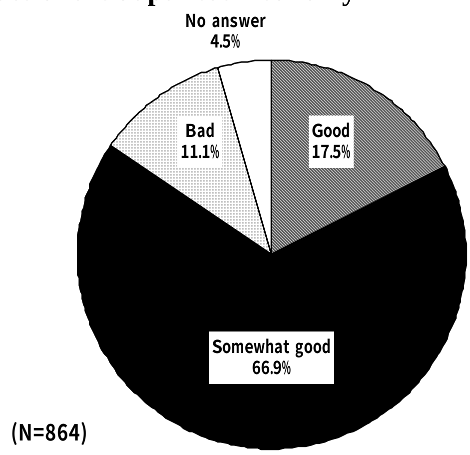
- “With the internationalization of Haneda Airport, its night-time operations should be exclusively devoted to cargo flights.”
- “License the tops of buildings for use as helipads.”
- “Liberalize airfares.”

3. Strategies for Investment in Japan

(1) Assessment of the Japanese Economy — Current State

Asked their views on the current state of the Japanese economy, 17.5% of companies described it clearly as "good" while 66.9% responded "somewhat good." This means that altogether more than eight companies in ten regard the Japanese economy as trending smoothly overall.

Figure 3-1 Views on the Current State of the Japanese Economy



Looking at the figures by companies' time of entry into Japan, companies that entered from 2000 onwards demonstrated a somewhat stronger assessment, with 22.9% seeing conditions as "good."

By region, the proportion of Asian companies rating the economy as "good" was high at 20.7%, but the proportion responding "bad" was 17.0%, somewhat higher than the proportions for European and North American companies.

And by industry, the views of service sector companies were quite positive, with 22.3% of them rating the Japanese economy as "good," and only 5.9% rating it as "bad."

Figure 3-2 Views on Current State of the Japanese Economy

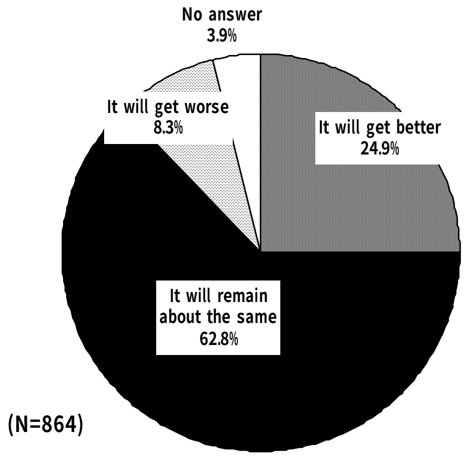
		Total		Good		Somewhat good		Bad		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	22	15.4	102	71.3	16	11.2	3	2.1
	1980s	159	100.0	19	11.9	114	71.7	17	10.7	9	5.7
	1990s	240	100.0	38	15.8	171	71.3	25	10.4	6	2.5
	2000s	301	100.0	69	22.9	180	59.8	37	12.3	15	5.0
Area	North America	322	100.0	57	17.7	220	68.3	32	9.9	13	4.0
	Europe	370	100.0	59	15.9	259	70.0	37	10.0	15	4.1
	Asia	135	100.0	28	20.7	78	57.8	23	17.0	6	4.4
Industrial category	Manufacturing	109	100.0	16	14.7	70	64.2	16	14.7	7	6.4
	Wholesale/retail	400	100.0	56	14.0	270	67.5	59	14.8	15	3.8
	Service	355	100.0	79	22.3	238	67.0	21	5.9	17	4.8

(2) Assessment of the Japanese Economy — Outlook

Asked their views on the future outlook for the Japanese economy, 24.9% of companies expect it to “get better,” while less than one in ten companies expect it to “get worse” (8.3%), illustrating the positive assessment of foreign-invested companies on the Japanese economy.

Having given relatively positive responses for the current state of the Japanese economy, 29.6% of companies that entered Japan from 2000 onwards and 30.1% of service sector companies thought that the economy would “get better.” It appears that favorable sentiment on the Japanese economy would continue for the time being.

Figure 3-3 Views on the Outlook for the Japanese Economy



Of all the regional groups, Asian companies had the highest proportion rating future economic conditions as “get better” at 39.3%, but they also had the highest proportion of companies rating the economy as “get worse” at 13.3%. This suggests that opinions on the economic outlook are quite divided.

Figure 3-4 Views on the Outlook for the Japanese Economy

		Total		Get better		Remain the same		Get worse		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	28	19.6	96	67.1	16	11.2	3	2.1
	1980s	159	100.0	39	24.5	99	62.3	13	8.2	8	5.0
	1990s	240	100.0	55	22.9	158	65.8	22	9.2	5	2.1
	2000s	301	100.0	89	29.6	179	59.5	21	7.0	12	4.0
Area	North America	322	100.0	68	21.1	218	67.7	24	7.5	12	3.7
	Europe	370	100.0	80	21.6	248	67.0	29	7.8	13	3.5
	Asia	135	100.0	53	39.3	60	44.4	18	13.3	4	3.0
Industrial category	Manufacturing	109	100.0	27	24.8	63	57.8	13	11.9	6	5.5
	Wholesale/retail	400	100.0	81	20.3	267	66.8	39	9.8	13	3.3
	Service	355	100.0	107	30.1	213	60.0	20	5.6	15	4.2

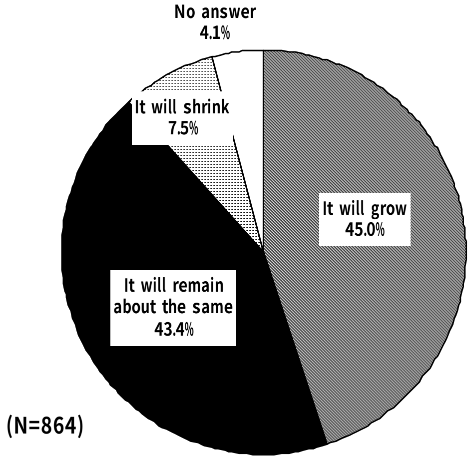
(3) Market Growth

Questions were asked about whether companies expect the Japanese markets for their own products and services to grow.

Companies' views on the future outlook for the Japanese economy were more positive than their views on current economic conditions, and seemingly backed by such views, companies had even stronger expectations for growth in their own product markets.

It is notable that, whereas 24.9% of companies expect the Japanese economy to "get better," 45.0% of companies expect the markets for their own products and services to "grow" over the next one to two years.

Figure 3-5 Market Outlook for Companies' Own Products and Services



Of the overall sample, the proportion of companies responding that they expect the markets for their own products or services to "grow" came to 45.0% or close to half. The proportion of companies expecting their markets to trend flat was 43.4%, and the proportion expecting their markets to "shrink" was only 7.5%. However, it is also a fact that gaps have emerged between different companies' views.

Looking at the data by industry, whereas 30.3% of manufacturing companies and 39.5% of wholesale/retail companies expect their own markets to "grow," service sector companies show very strong expectations with 55.8% or more than half expecting growth.

Looking at the results by companies' time of entry, the proportion of companies expecting growth that entered from 2000 onwards (55.8%) was more than twice the proportion of companies that entered in the 1970s or earlier (26.6%).

North American and European companies, despite not being nearly as optimistic as Asian companies about the outlook for the Japanese economy, hold extremely optimistic views on the prospects for growth in their own product and service markets.

Figure 3-6 Market Outlook for Companies' Own Products and Services (by time of entry, region, and industry)

		Total		Grow		Remain the same		Shrink		No Answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	38	26.6	82	57.3	20	14.0	3	2.1
	1980s	159	100.0	59	37.1	78	49.1	13	8.2	9	5.7
	1990s	240	100.0	105	43.8	114	47.5	16	6.7	5	2.1
	2000s	301	100.0	177	58.8	96	31.9	16	5.3	12	4.0
Area	North America	322	100.0	157	48.8	136	42.2	15	4.7	14	4.3
	Europe	370	100.0	154	41.6	170	45.9	34	9.2	12	3.2
	Asia	135	100.0	57	42.2	61	45.2	13	9.6	4	3.0
Industrial category	Manufacturing	109	100.0	33	30.3	59	54.1	10	9.2	7	6.4
	Wholesale/retail	400	100.0	158	39.5	189	47.3	41	10.3	12	3.0
	Service	355	100.0	198	55.8	127	35.8	14	3.9	16	4.5

Out of the manufacturing and wholesale/retail sector companies, the highest proportions of those expecting their own markets to grow were, in order, electronics parts/devices (66.7%), ITC machinery/devices (65.5%), and plastic products (55.6%).

Although simple comparison among companies in the service sector cannot be made because of differences in sample sizes, high proportions of companies in the professional business services (70.0%) and ITC (64.3%) sectors expect their own markets to grow.

Figure 3-7 Market Outlook for Companies' Own Products and Services (by detailed sector categories)

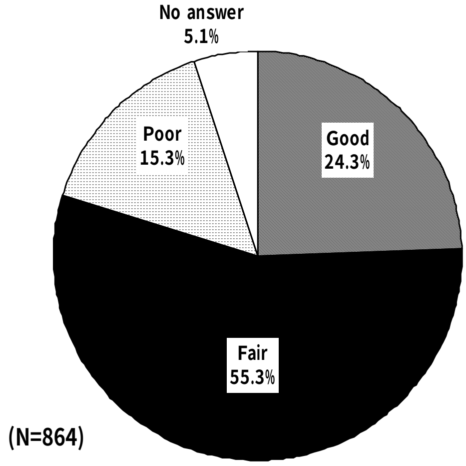
	Total		Grow		Remain the same		Shrink		No answer	
	n	%	n	%	n	%	n	%	n	%
Manufacturing/wholesale/retail	509	100.0	191	37.5	248	48.7	51	10.0	19	3.7
Food and drink	21	100.0	6	28.6	12	57.1	2	9.5	1	4.8
Textiles/clothing	15	100.0	1	6.7	13	86.7	1	6.7	0	0.0
Chemicals	54	100.0	24	44.4	23	42.6	6	11.1	1	1.9
Medical/pharmaceutical/cosmetics	22	100.0	10	45.5	7	31.8	2	9.1	3	13.6
Plastic products	9	100.0	5	55.6	3	33.3	1	11.1	0	0.0
Rubber products	6	100.0	0	0.0	5	83.3	1	16.7	0	0.0
Metal products	28	100.0	5	17.9	16	57.1	6	21.4	1	3.6
General machinery/devices	42	100.0	14	33.3	21	50.0	5	11.9	2	4.8
Electrical machinery/devices	34	100.0	9	26.5	20	58.8	2	5.9	3	8.8
Information technology and telecommunication devices	29	100.0	19	65.5	7	24.1	3	10.3	0	0.0
Electronic parts/components	30	100.0	20	66.7	9	30.0	1	3.3	0	0.0
Transportation-related machinery/devices	39	100.0	13	33.3	22	56.4	1	2.6	3	7.7
Precision machinery/instruments	45	100.0	14	31.1	28	62.2	3	6.7	0	0.0
Stationery/toys/sports products	17	100.0	5	29.4	8	47.1	4	23.5	0	0.0
Dairy necessities	14	100.0	5	35.7	5	35.7	2	14.3	2	14.3
Other	103	100.0	41	39.8	48	46.6	11	10.7	3	2.9
Service	355	100.0	198	55.8	127	35.8	14	3.9	16	4.5
Construction	7	100.0	3	42.9	3	42.9	1	14.3	0	0.0
Information technology and telecommunication devices	115	100.0	74	64.3	31	27.0	2	1.7	8	7.0
Transportation	32	100.0	14	43.8	16	50.0	2	6.3	0	0.0
Finance/Insurance	58	100.0	30	51.7	23	39.7	0	0.0	5	8.6
Real Estate	2	100.0	2	100.0	0	0.0	0	0.0	0	0.0
Food and drink/hospitality	4	100.0	0	0.0	3	75.0	1	25.0	0	0.0
Medical/welfare	1	100.0	1	100.0	0	0.0	0	0.0	0	0.0
Education/training	2	100.0	1	50.0	0	0.0	0	0.0	1	50.0
Lifestyle-related services	2	100.0	1	50.0	1	50.0	0	0.0	0	0.0
Professional business services	50	100.0	35	70.0	12	24.0	1	2.0	2	4.0
Other	79	100.0	35	44.3	37	46.8	7	8.9	0	0.0

(4) Company Performance

For FY2006, 24.3% of companies rated their own earnings performance as “good.”

Looking at the results by companies’ time of entry, a high proportion of companies that entered in “the 1970s or earlier” rated their performance as “good” (29.4%). Companies that entered in “the 1990s” had the lowest proportion of companies responding “good” at 22.1% and the highest proportion responding “bad” at 17.1%.

Figure 3-8 Trends in Company Performance



By region, around 26 to 27% of both North American and European companies responded “good,” compared with only 14.8% of Asian companies.

There were no major differences among the response patterns of the various industrial sectors.

Figure 3-9 Trends in Company Performance

		Total		Good		Fair		Poor		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	42	29.4	78	54.5	21	14.7	2	1.4
	1980s	159	100.0	40	25.2	86	54.1	21	13.2	12	7.5
	1990s	240	100.0	53	22.1	143	59.6	41	17.1	3	1.3
	2000s	301	100.0	71	23.6	160	53.2	49	16.3	21	7.0
Area	North America	322	100.0	86	26.7	174	54.0	40	12.4	22	6.8
	Europe	370	100.0	96	25.9	199	53.8	62	16.8	13	3.5
	Asia	135	100.0	20	14.8	91	67.4	20	14.8	4	3.0
Industrial category	Manufacturing	109	100.0	27	24.8	58	53.2	17	15.6	7	6.4
	Wholesale/retail	400	100.0	91	22.8	222	55.5	71	17.8	16	4.0
	Service	355	100.0	92	25.9	198	55.8	44	12.4	21	5.9

Figure 3-10 Trends in Company Performance

		Total		Good		Fair		Poor		No answer	
		n	%	n	%	n	%	n	%	n	%
Manufacturing/wholesale/retail		509	100.0	118	23.2	280	55.0	88	17.3	23	4.5
	Food and drink	21	100.0	7	33.3	10	47.6	3	14.3	1	4.8
	Textiles/clothing	15	100.0	2	13.3	9	60.0	4	26.7	0	0.0
	Chemicals	54	100.0	15	27.8	30	55.6	8	14.8	1	1.9
	Medical/pharmaceutical/cosmetics	22	100.0	4	18.2	11	50.0	4	18.2	3	13.6
	Plastic products	9	100.0	3	33.3	3	33.3	3	33.3	0	0.0
	Rubber products	6	100.0	1	16.7	4	66.7	1	16.7	0	0.0
	Metal products	28	100.0	7	25.0	18	64.3	3	10.7	0	0.0
	General machinery/devices	42	100.0	11	26.2	23	54.8	6	14.3	2	4.8
	Electrical machinery/devices	34	100.0	8	23.5	20	58.8	4	11.8	2	5.9
	Information technology and telecommunication devices	29	100.0	7	24.1	16	55.2	6	20.7	0	0.0
	Electronic parts/components	30	100.0	11	36.7	15	50.0	4	13.3	0	0.0
	Transportation-related machinery/devices	39	100.0	7	17.9	21	53.8	8	20.5	3	7.7
	Precision machinery/instruments	45	100.0	10	22.2	25	55.6	10	22.2	0	0.0
	Stationery/toys/sports products	17	100.0	3	17.6	9	52.9	5	29.4	0	0.0
	Dairy necessities	14	100.0	0	0.0	9	64.3	2	14.3	3	21.4
	Other	103	100.0	22	21.4	56	54.4	17	16.5	8	7.8
Service		355	100.0	92	25.9	198	55.8	44	12.4	21	5.9
	Construction	7	100.0	2	28.6	3	42.9	2	28.6	0	0.0
	Information technology and telecommunication devices	115	100.0	31	27.0	55	47.8	17	14.8	12	10.4
	Transportation	32	100.0	6	18.8	22	68.8	4	12.5	0	0.0
	Finance/Insurance	58	100.0	17	29.3	32	55.2	6	10.3	3	5.2
	Real Estate	2	100.0	2	100.0	0	0.0	0	0.0	0	0.0
	Food and drink/hospitality	4	100.0	1	25.0	3	75.0	0	0.0	0	0.0
	Medical/welfare	1	100.0	1	100.0	0	0.0	0	0.0	0	0.0
	Education/training	2	100.0	0	0.0	1	50.0	0	0.0	1	50.0
	Lifestyle-related services	2	100.0	0	0.0	2	100.0	0	0.0	0	0.0
	Professional business services	50	100.0	13	26.0	32	64.0	2	4.0	3	6.0
	Other	79	100.0	18	22.8	46	58.2	13	16.5	2	2.5

(5) Expected Future Performance

Expectations of future company performance are generally strong, much the same as expectations for the Japanese economy.

Almost half of the responding companies (49.2%) expect their performance to "improve" over the next one to two years, with only 6.9% of companies expecting their performance to "get worse."

Looking at the results by companies' time of entry, companies that entered Japan more recently tend to expect their performance to "improve," with 64.5% of companies that entered from 2000 onwards indicating such an expectation. By contrast, only 25.2% of companies that entered in the 1970s or earlier expect their performance to "improve," almost 40 percentage points less than companies that entered from 2000 onwards.

By industry, 55.8% of service sector companies expect their performance to "improve," exceeding both the manufacturing (41.3%) and wholesale/retail (45.5%) sectors.

Meanwhile, on a regional basis, roughly half of the responding companies in each of the regions expect their performance to "improve"; 49.1% of North American companies, 47.0% of European companies, and 50.4% of Asian companies.

Figure 3-11 Expected Future Performance

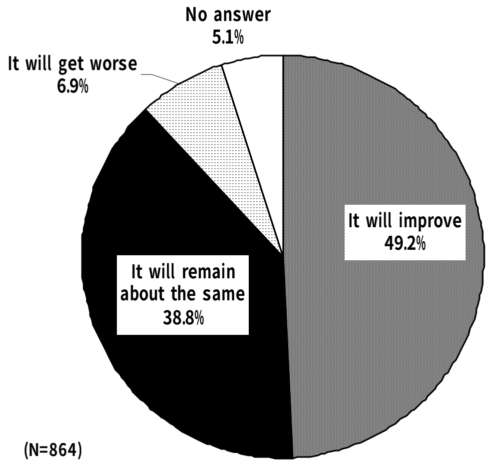


Figure 3-12 Expected Future Performance

		Total		Improve		Remain the same		Get worse		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	36	25.2	89	62.2	13	9.1	5	3.5
	1980s	159	100.0	68	42.8	69	43.4	14	8.8	8	5.0
	1990s	240	100.0	115	47.9	102	42.5	16	6.7	7	2.9
	2000s	301	100.0	194	64.5	73	24.3	16	5.3	18	6.0
Area	North America	322	100.0	158	49.1	120	37.3	25	7.8	19	5.9
	Europe	370	100.0	174	47.0	157	42.4	23	6.2	16	4.3
	Asia	135	100.0	68	50.4	52	38.5	11	8.1	4	3.0
Industrial category	Manufacturing	109	100.0	45	41.3	46	42.2	12	11.0	6	5.5
	Wholesale/retail	400	100.0	182	45.5	171	42.8	30	7.5	17	4.3
	Service	355	100.0	198	55.8	118	33.2	18	5.1	21	5.9

Looking at the detailed sectoral categories, high proportions of companies in the electronic parts/device (70.0%), ITC machinery/device (69.0%), professional business services (64.0%) and ITC (61.7%) sectors expect their own performance to “improve.”

Figure 3-13 Expected Future Performance

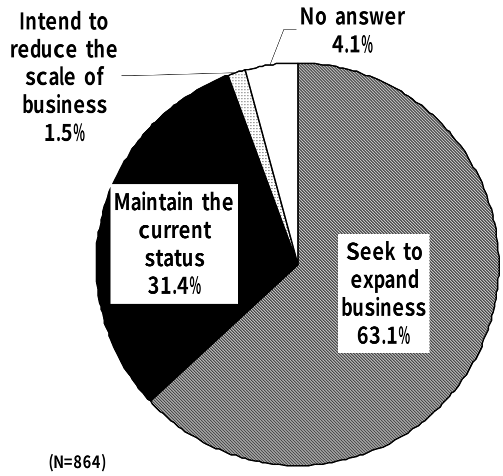
		Total		Improve		Remain the same		Get worse		No answer	
		n	%	n	%	n	%	n	%	n	%
Manufacturing/wholesale/retail		509	100.0	227	44.6	217	42.6	42	8.3	23	4.5
	Food and drink	21	100.0	10	47.6	7	33.3	2	9.5	2	9.5
	Textiles/clothing	15	100.0	6	40.0	8	53.3	1	6.7	0	0.0
	Chemicals	54	100.0	25	46.3	23	42.6	5	9.3	1	1.9
	Medical/pharmaceutical/cosmetics	22	100.0	11	50.0	6	27.3	1	4.5	4	18.2
	Plastic products	9	100.0	5	55.6	3	33.3	1	11.1	0	0.0
	Rubber products	6	100.0	1	16.7	4	66.7	1	16.7	0	0.0
	Metal products	28	100.0	9	32.1	16	57.1	3	10.7	0	0.0
	General machinery/devices	42	100.0	15	35.7	22	52.4	3	7.1	2	4.8
	Electrical machinery/devices	34	100.0	12	35.3	15	44.1	5	14.7	2	5.9
	Information technology and telecommunication devices	29	100.0	20	69.0	6	20.7	3	10.3	0	0.0
	Electronic parts/components	30	100.0	21	70.0	7	23.3	2	6.7	0	0.0
	Transportation-related machinery/devices	39	100.0	15	38.5	19	48.7	3	7.7	2	5.1
	Precision machinery/instruments	45	100.0	15	33.3	24	53.3	5	11.1	1	2.2
	Stationery/toys/sports products	17	100.0	6	35.3	10	58.8	1	5.9	0	0.0
	Dairy necessities	14	100.0	7	50.0	4	28.6	0	0.0	3	21.4
	Other	103	100.0	49	47.6	42	40.8	6	5.8	6	5.8
Service		355	100.0	198	55.8	118	33.2	18	5.1	21	5.9
	Construction	7	100.0	3	42.9	4	57.1	0	0.0	0	0.0
	Information technology and telecommunication devices	115	100.0	71	61.7	29	25.2	4	3.5	11	9.6
	Transportation	32	100.0	16	50.0	12	37.5	3	9.4	1	3.1
	Finance/Insurance	58	100.0	33	56.9	20	34.5	2	3.4	3	5.2
	Real Estate	2	100.0	2	100.0	0	0.0	0	0.0	0	0.0
	Food and drink/hospitality	4	100.0	2	50.0	2	50.0	0	0.0	0	0.0
	Medical/welfare	1	100.0	1	100.0	0	0.0	0	0.0	0	0.0
	Education/training	2	100.0	0	0.0	1	50.0	0	0.0	1	50.0
	Lifestyle-related services	2	100.0	2	100.0	0	0.0	0	0.0	0	0.0
	Professional business services	50	100.0	32	64.0	13	26.0	2	4.0	3	6.0
	Other	79	100.0	34	43.0	36	45.6	7	8.9	2	2.5

(6) Future Business Development

Asked about their future business development intentions, more than six companies in ten stated that they would “seek to expand business” (63.1%), while 31.4% expected to “maintain the current status” and only 1.5% intended to “reduce the scale of business.”

Looking at the results by companies’ time of entry, much like the results for expected future performance, the more recently entered companies showed a greater tendency to seek expansion, with three of every four companies that entered from 2000 onwards (75.1%) seeking to “expand business.”

Figure 3-14 Future Business Development



By industry, 51.4% of manufacturing companies sought to “expand business,” a lower proportion than either the wholesale/retail (62.0%) or the service (67.9%) sector.

No major variations were apparent among the different regions.

Figure 3-15 Future Business Development

		Total		Seek to expand business		Maintain the current status		Reduce the scale of business		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	72	50.3	60	42.0	5	3.5	6	4.2
	1980s	159	100.0	92	57.9	58	36.5	2	1.3	7	4.4
	1990s	240	100.0	147	61.3	86	35.8	3	1.3	4	1.7
	2000s	301	100.0	226	75.1	60	19.9	3	1.0	12	4.0
Area	North America	322	100.0	202	62.7	103	32.0	4	1.2	13	4.0
	Europe	370	100.0	234	63.2	118	31.9	5	1.4	13	3.5
	Asia	135	100.0	82	60.7	46	34.1	2	1.5	5	3.7
Industrial category	Manufacturing	109	100.0	56	51.4	47	43.1	1	0.9	5	4.6
	Wholesale/retail	400	100.0	248	62.0	132	33.0	7	1.8	13	3.3
	Service	355	100.0	241	67.9	92	25.9	5	1.4	17	4.8

High proportions of companies were found to be seeking to "expand business" in the following detailed sectoral categories: medical/pharmaceuticals and cosmetics (81.8%), electronic parts/devices (80.0%), professional business services (76.0%), and the ITC (71.3%).

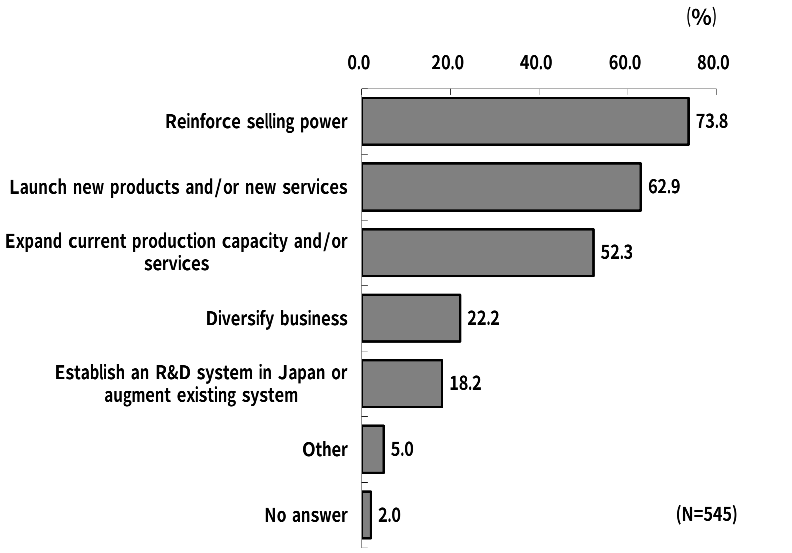
Figure 3-16　Future Business Development

		Total		Seek to expand business		Maintain the current status		Intend to reduce the scale of business		No answer	
		n	%	n	%	n	%	n	%	n	%
Manufacturing/wholesale/retail		509	100.0	304	59.7	179	35.2	8	1.6	18	3.5
	Food and drink	21	100.0	12	57.1	7	33.3	1	4.8	1	4.8
	Textiles/clothing	15	100.0	10	66.7	5	33.3	0	0.0	0	0.0
	Chemicals	54	100.0	32	59.3	20	37.0	1	1.9	1	1.9
	Medical/pharmaceutical/cosmetics	22	100.0	18	81.8	1	4.5	0	0.0	3	13.6
	Plastic products	9	100.0	6	66.7	3	33.3	0	0.0	0	0.0
	Rubber products	6	100.0	2	33.3	4	66.7	0	0.0	0	0.0
	Metal products	28	100.0	14	50.0	14	50.0	0	0.0	0	0.0
	General machinery/devices	42	100.0	24	57.1	17	40.5	0	0.0	1	2.4
	Electrical machinery/devices	34	100.0	20	58.8	12	35.3	1	2.9	1	2.9
	Information technology and telecommunication devices	29	100.0	16	55.2	12	41.4	1	3.4	0	0.0
	Electronic parts/components	30	100.0	24	80.0	6	20.0	0	0.0	0	0.0
	Transportation-related machinery/devices	39	100.0	24	61.5	12	30.8	1	2.6	2	5.1
	Precision machinery/instruments	45	100.0	24	53.3	20	44.4	0	0.0	1	2.2
	Stationery/toys/sports products	17	100.0	6	35.3	10	58.8	1	5.9	0	0.0
	Dairy necessities	14	100.0	8	57.1	3	21.4	0	0.0	3	21.4
	Other	103	100.0	64	62.1	32	31.1	2	1.9	5	4.9
Service		355	100.0	241	67.9	92	25.9	5	1.4	17	4.8
	Construction	7	100.0	4	57.1	3	42.9	0	0.0	0	0.0
	Information technology and telecommunication devices	115	100.0	82	71.3	24	20.9	1	0.9	8	7.0
	Transportation	32	100.0	18	56.3	11	34.4	2	6.3	1	3.1
	Finance/Insurance	58	100.0	35	60.3	19	32.8	1	1.7	3	5.2
	Real Estate	2	100.0	2	100.0	0	0.0	0	0.0	0	0.0
	Food and drink/hospitality	4	100.0	1	25.0	3	75.0	0	0.0	0	0.0
	Medical/welfare	1	100.0	1	100.0	0	0.0	0	0.0	0	0.0
	Education/training	2	100.0	0	0.0	1	50.0	0	0.0	1	50.0
	Lifestyle-related services	2	100.0	2	100.0	0	0.0	0	0.0	0	0.0
	Professional business services	50	100.0	38	76.0	9	18.0	0	0.0	3	6.0
	Other	79	100.0	55	69.6	22	27.8	1	1.3	1	1.3

(7) Business Expansion Strategies

The leading responses in terms of specific business expansion strategies were “reinforce selling power” at 73.8%, “launch new products and/or new services” at 62.9%, and “expand current production capacity and/or services” at 52.3%.

Figure 3-17 Business Expansion Strategies (multiple responses)



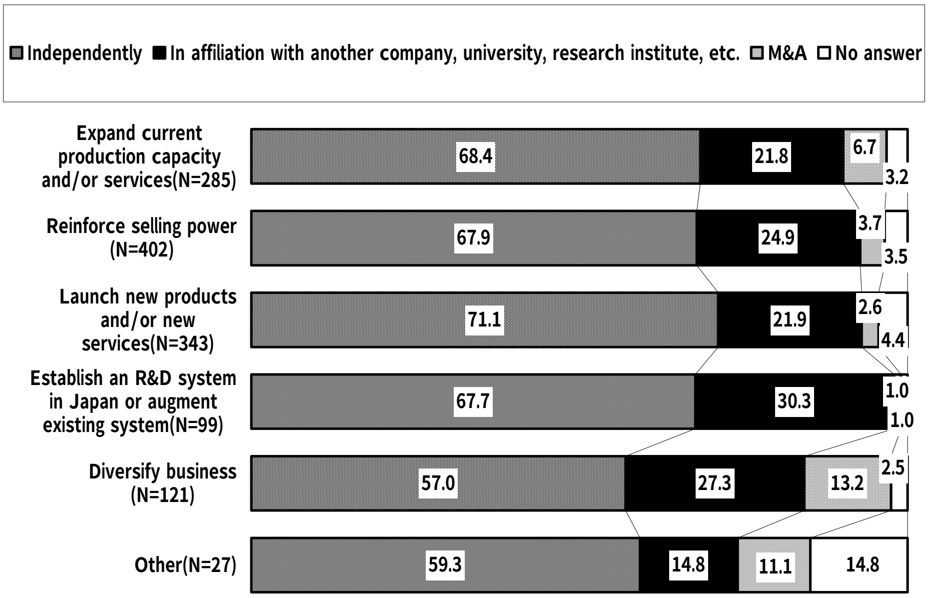
Looking at the results by companies’ time of entry, companies that entered in the 1990s or after 2000 were conspicuous in seeking to “diversify business” and “establish or augment R&D systems in Japan” to a greater extent than companies that entered in earlier years.

Figure 3-18 Business Expansion Strategies

		Total		Reinforce selling power		Launch new products and/or new services		Expand current production capacity and/or services		Diversify business		Establish an R&D system I Japan or augment existing system		Other		No answer	
		n	%	n	%	n	%	n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	72	100.0	47	65.3	44	61.1	35	48.6	10	13.9	7	9.7	0	0.0	1	1.4
	1980s	92	100.0	70	76.1	57	62.0	48	52.2	17	18.5	13	14.1	6	6.5	2	2.2
	1990s	147	100.0	119	81.0	91	61.9	73	49.7	35	23.8	31	21.1	6	4.1	1	0.7
	2000s	226	100.0	160	70.8	146	64.6	125	55.3	56	24.8	46	20.4	15	6.6	7	3.1
Area	North America	202	100.0	147	72.8	126	62.4	112	55.4	39	19.3	32	15.8	9	4.5	3	1.5
	Europe	234	100.0	178	76.1	149	63.7	119	50.9	47	20.1	48	20.5	11	4.7	6	2.6
	Asia	82	100.0	59	72.0	50	61.0	41	50.0	28	34.1	15	18.3	6	7.3	2	2.4
Industrial category	Manufacturing	56	100.0	34	60.7	34	60.7	31	55.4	10	17.9	11	19.6	4	7.1	2	3.6
	Wholesale/retail	248	100.0	209	84.3	166	66.9	100	40.3	44	17.7	50	20.2	9	3.6	1	0.4
	Service	241	100.0	159	66.0	143	59.3	154	63.9	67	27.8	38	15.8	14	5.8	8	3.3

As for the specific methods for business expansion strategies, around 70% of responding companies replied “independently” for each of the listed strategies except “diversify business.” For “diversify business,” 57.0% replied “independently,” a lower proportion than for other strategies, while 27.3% of companies replied “in affiliation with another company, university, research institute, etc.” and 13.2% replied “through M&As,” which are somewhat higher proportions than for other strategies.

Figure 3-19　Methods for Pursuing Business Expansion Strategies



The results for the various methods of pursuing business expansion strategies are presented below.

(i)　*Expand Current Production Capacity and/or Services*

Looking at the breakdown by region, the proportion of Asian companies intending to work "independently" was lower than for the other regions, while the proportions replying "affiliation" and "M&As" were higher.

The proportion of companies in the manufacturing sector replying "independently" was higher than for the other industrial sectors.　And companies that were familiar with triangular mergers were more likely to pursue "M&As."

Figure 3-20　Methods for Pursuing Business Expansion Strategies (Expand current production capacity and/or services)

		Total		Independently		Affiliation		M&A		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	35	100.0	24	68.6	5	14.3	5	14.3	1	2.9
	1980s	48	100.0	36	75.0	8	16.7	2	4.2	2	4.2
	1990s	73	100.0	50	68.5	14	19.2	6	8.2	3	4.1
	2000s	125	100.0	84	67.2	33	26.4	5	4.0	3	2.4
Area	North America	112	100.0	75	67.0	28	25.0	5	4.5	4	3.6
	Europe	119	100.0	86	72.3	20	16.8	9	7.6	4	3.4
	Asia	41	100.0	23	56.1	12	29.3	5	12.2	1	2.4
Industrial category	Manufacturing	31	100.0	25	80.6	2	6.5	3	9.7	1	3.2
	Wholesale/retail	100	100.0	68	68.0	22	22.0	9	9.0	1	1.0
	Service	154	100.0	102	66.2	38	24.7	7	4.5	7	4.5
Familiar with triangular mergers	Yes	179	100.0	120	67.0	41	22.9	16	8.9	2	1.1
	No	101	100.0	72	71.3	21	20.8	3	3.0	5	5.0

(ii) *Reinforce Selling Power*

The breakdown by the time of companies' entry indicates that companies that entered Japan earlier tended to reply "independently," and a lesser tendency to reply "affiliation."

By industry, manufacturing and wholesale/retail companies were more likely to reply "independently," whereas service sector companies were more likely to reply "affiliation."

Figure 3-21 Methods for Pursuing Business Expansion Strategies (Reinforce selling power)

		Total		Independently		Affiliation		M&A		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	47	100.0	37	78.7	6	12.8	3	6.4	1	2.1
	1980s	70	100.0	53	75.7	14	20.0	1	1.4	2	2.9
	1990s	119	100.0	76	63.9	28	23.5	8	6.7	7	5.9
	2000s	160	100.0	103	64.4	52	32.5	1	0.6	4	2.5
Area	North America	147	100.0	98	66.7	39	26.5	5	3.4	5	3.4
	Europe	178	100.0	129	72.5	38	21.3	6	3.4	5	2.8
	Asia	59	100.0	34	57.6	18	30.5	4	6.8	3	5.1
Industrial category	Manufacturing	34	100.0	27	79.4	4	11.8	1	2.9	2	5.9
	Wholesale/retail	209	100.0	159	76.1	35	16.7	7	3.3	8	3.8
	Service	159	100.0	87	54.7	61	38.4	7	4.4	4	2.5
Familiar with triangular mergers	Yes	246	100.0	163	66.3	65	26.4	12	4.9	6	2.4
	No	150	100.0	106	70.7	35	23.3	3	2.0	6	4.0

(iii) *Launch New Products and/or Services*

On a regional basis, high proportions of North American and European companies planned to act "independently," whereas higher proportion of Asian companies intended to act through "affiliation" relative to North American and European companies.

By industry, the proportion of service sector companies replying "affiliation" was slightly higher.

Figure 3-22 Methods for Pursuing Business Expansion Strategies (Launch new products and/or services)

		Total		Independently		Affiliation		M&A		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	44	100.0	27	61.4	10	22.7	3	6.8	4	9.1
	1980s	57	100.0	45	78.9	10	17.5	0	0.0	2	3.5
	1990s	91	100.0	64	70.3	18	19.8	5	5.5	4	4.4
	2000s	146	100.0	106	72.6	34	23.3	1	0.7	5	3.4
Area	North America	126	100.0	93	73.8	26	20.6	3	2.4	4	3.2
	Europe	149	100.0	112	75.2	26	17.4	4	2.7	7	4.7
	Asia	50	100.0	28	56.0	18	36.0	2	4.0	2	4.0
Industrial category	Manufacturing	34	100.0	25	73.5	5	14.7	0	0.0	4	11.8
	Wholesale/retail	166	100.0	124	74.7	31	18.7	5	3.0	6	3.6
	Service	143	100.0	95	66.4	39	27.3	4	2.8	5	3.5
Familiar with triangular mergers	Yes	216	100.0	155	71.8	46	21.3	8	3.7	7	3.2
	No	122	100.0	87	71.3	29	23.8	1	0.8	5	4.1

(iv) *Establish or Augment an R&D System in Japan*

The breakdown by companies' time of entry indicates that companies that entered Japan earlier tended to reply "independently" in greater numbers, but quite the contrary when it comes to "affiliation."

On a regional basis, relatively high numbers of North American companies replied "independently," while relatively high numbers of Asian companies replied "affiliation."

Figure 3-23 Methods for Pursuing Business Expansion Strategies (Establish or augment an R&D system in Japan)

		Total		Independently		Affiliation		M&A		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	7	100.0	6	85.7	1	14.3	0	0.0	0	0.0
	1980s	13	100.0	11	84.6	2	15.4	0	0.0	0	0.0
	1990s	31	100.0	24	77.4	6	19.4	1	3.2	0	0.0
	2000s	46	100.0	25	54.3	20	43.5	0	0.0	1	2.2
Area	North America	32	100.0	26	81.3	6	18.8	0	0.0	0	0.0
	Europe	48	100.0	35	72.9	11	22.9	1	2.1	1	2.1
	Asia	15	100.0	4	26.7	11	73.3	0	0.0	0	0.0
Industrial category	Manufacturing	11	100.0	8	72.7	3	27.3	0	0.0	0	0.0
	Wholesale/retail	50	100.0	36	72.0	14	28.0	0	0.0	0	0.0
	Service	38	100.0	23	60.5	13	34.2	1	2.6	1	2.6
Familiar with triangular mergers	Yes	67	100.0	50	74.6	17	25.4	0	0.0	0	0.0
	No	31	100.0	17	54.8	13	41.9	1	3.2	0	0.0

(v) *Diversify Business*

Looking at the results by companies' time of entry and region, a higher proportion of companies entered Japan from 2000 onwards and Asian companies respectively replied "affiliation." And companies entered Japan in the 1970s or earlier and manufacturing companies had a relatively high proportion in "M&As."

Figure 3-24 Methods for Pursuing Business Expansion Strategies (Diversify business)

		Total		Independently		Affiliation		M&A		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	10	100.0	4	40.0	1	10.0	5	50.0	0	0.0
	1980s	17	100.0	10	58.8	4	23.5	3	17.6	0	0.0
	1990s	35	100.0	23	65.7	7	20.0	3	8.6	2	5.7
	2000s	56	100.0	31	55.4	20	35.7	4	7.1	1	1.8
Area	North America	39	100.0	26	66.7	7	17.9	6	15.4	0	0.0
	Europe	47	100.0	30	63.8	9	19.1	6	12.8	2	4.3
	Asia	28	100.0	10	35.7	13	46.4	4	14.3	1	3.6
Industrial category	Manufacturing	10	100.0	5	50.0	2	20.0	3	30.0	0	0.0
	Wholesale/retail	44	100.0	28	63.6	9	20.5	6	13.6	1	2.3
	Service	67	100.0	36	53.7	22	32.8	7	10.4	2	3.0
Familiar with triangular mergers	Yes	71	100.0	36	50.7	22	31.0	11	15.5	2	2.8
	No	48	100.0	31	64.6	11	22.9	5	10.4	1	2.1

(vi) *Other Strategies*

Figure 3-25 Methods for Pursuing Business Expansion Strategies (Other strategies)

		Total		Independently		Affiliation		M&A		No answer	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
	1980s	6	100.0	4	66.7	1	16.7	1	16.7	0	0.0
	1990s	6	100.0	4	66.7	0	0.0	1	16.7	1	16.7
	2000s	15	100.0	8	53.3	3	20.0	1	6.7	3	20.0
Area	North America	9	100.0	6	66.7	1	11.1	1	11.1	1	11.1
	Europe	11	100.0	7	63.6	1	9.1	0	0.0	3	27.3
	Asia	6	100.0	3	50.0	1	16.7	2	33.3	0	0.0
Industrial category	Manufacturing	4	100.0	3	75.0	0	0.0	1	25.0	0	0.0
	Wholesale/retail	9	100.0	7	77.8	0	0.0	0	0.0	2	22.2
	Service	14	100.0	6	42.9	4	28.6	2	14.3	2	14.3
Familiar with triangular mergers	Yes	16	100.0	10	62.5	3	18.8	2	12.5	1	6.3
	No	11	100.0	6	54.5	1	9.1	1	9.1	3	27.3

(8) Triangular Mergers

(i) *Familiarity*

Asked whether they were familiar with triangular mergers, 57.6% replied “yes” while 38.2% replied “no,” a ratio of about six to four.

On a regional basis, the degree of familiarity revealed by Asian companies was somewhat lower than North American and European companies, with a fifty-fifty split between companies answering “yes” and “no.”

Figure 3-26 Familiarity with Triangular Mergers

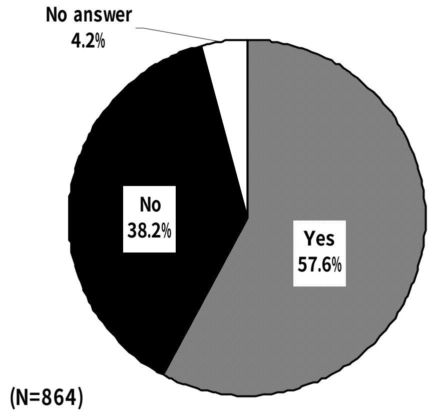
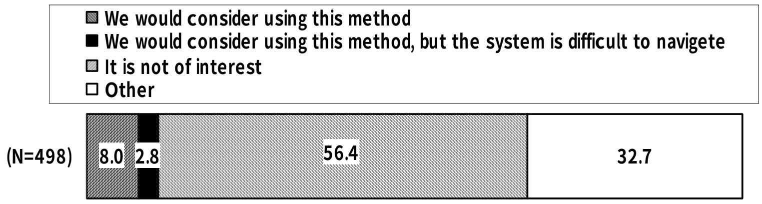


Figure 3-27 Familiarity with Triangular Mergers

		Total n	Total %	Yes n	Yes %	No n	No %	No answer n	No answer %
Entry term	1970s or earlier	143	100.0	82	57.3	57	39.9	4	2.8
	1980s	159	100.0	84	52.8	66	41.5	9	5.7
	1990s	240	100.0	156	65.0	77	32.1	7	2.9
	2000s	301	100.0	165	54.8	124	41.2	12	4.0
Area	North America	322	100.0	201	62.4	110	34.2	11	3.4
	Europe	370	100.0	217	58.6	139	37.6	14	3.8
	Asia	135	100.0	61	45.2	67	49.6	7	5.2
Industrial category	Manufacturing	109	100.0	63	57.8	41	37.6	5	4.6
	Wholesale/retail	400	100.0	223	55.8	163	40.8	14	3.5
	Service	355	100.0	212	59.7	126	35.5	17	4.8

(ii) *Intentions to Utilize Triangular Mergers*

Figure 3-28　Intentions to Utilize Triangular Mergers



Of those companies that are familiar with triangular mergers, roughly one company in ten is considering actually utilizing them. Looking by industry at those companies that are familiar with triangular mergers, high proportions of companies reported that they "would consider using this method" in the following sectors: electrical machinery/devices (16.7%), finance and insurance (15.2%), and general machinery/devices (13.6%). Meanwhile, 56.4% of companies reported that they are not considering using triangular mergers at present.

Looking at the breakdown by region, of those companies that "would consider using triangular mergers," North American companies at 11.9% were more likely to consider such method than either European companies (5.5%) or Asian companies (6.6%). Perhaps lying behind this result is the fact that triangular mergers are well-entrenched in the United States as a common corporate restructuring technique. Also, companies that indicated they "would consider using this method" tended to have higher than average positive response rates for the "market outlook for their own products and services," "expected future performance," and for "future business development in Japan." We can surmise from this that triangular mergers are being seriously considered as one method of implementing companies' business expansion strategies.

Figure 3-29　Intentions to Utilize Triangular Mergers

		Total		We would consider using this method		We would consider using this method, but the system is difficult to navigate		It is not interest		Other	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	82	100.0	8	9.8	4	4.9	45	54.9	25	30.5
	1980s	84	100.0	6	7.1	2	2.4	49	58.3	27	32.1
	1990s	156	100.0	13	8.3	3	1.9	87	55.8	53	34.0
	2000s	165	100.0	12	7.3	5	3.0	95	57.6	53	32.1
Area	North America	201	100.0	24	11.9	5	2.5	98	48.8	74	36.8
	Europe	217	100.0	12	5.5	4	1.8	134	61.8	67	30.9
	Asia	61	100.0	4	6.6	5	8.2	37	60.7	15	24.6
Industrial category	Manufacturing	63	100.0	4	6.3	2	3.2	35	55.6	22	34.9
	Wholesale/retail	223	100.0	16	7.2	6	2.7	134	60.1	67	30.0
	Service	212	100.0	20	9.4	6	2.8	112	52.8	74	34.9

(iii) *Opinions on Triangular Mergers*

Companies were asked for their opinions on triangular merger system in the form of free responses. The results are presented below. The results indicate a mix of positive and negative views.

Positive Opinions — Views Predicated on Utilizing Triangular Mergers

- “We will consider using triangular mergers depending on partners.”
- “We would consider it if they could be made costless and non-taxable, as is the case with stock swaps.”
- “The tax system needs to be appropriately set in place.”

Positive Opinions — Other Opinions

- “M&A activities are likely to be become more active.”
- “It is a good system. Japanese companies are doing the same thing overseas.”
- “Good examples where triangular mergers have carried out fairly would be helpful, but it would be a problem if they were misused, so monitoring and supervision are needed.”
- “They would be feasible as a possibility, but we would not consider using triangular mergers.”
- “They are commonplace in other countries.”
- “We will wait and see what happens.”
- “They can be effective depending on the circumstances, but for the time being we have no plans to use triangular mergers.”
- “Triangular mergers are not very relevant for a company like ours that has just started business in Japan.”

Negative Opinions

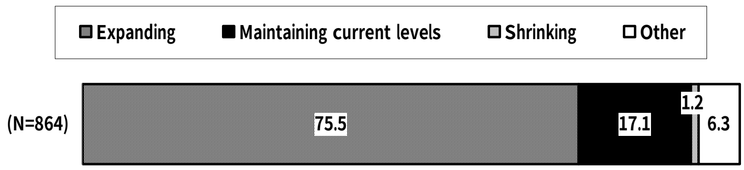
- “Monopolies resulting from corporate mergers are not necessarily a good thing.”
- “We have an aversion to them.”
- “For unlisted, independently funded companies, there is more work still to be done in developing the system.”
- “Depending on the sector and the commodity handled, triangular mergers can be effective in achieving growth in the short term, but I think for foreign IT companies that are likely to be controlled by their parent companies, they have limited value and little benefit.”

4. Japan in the Midst of Asia

(1) Future Business Development in Asia

Asked about their future business intentions in Asia, about three companies in four (75.5%) intend to "expand." With only 1.2% of companies intending to "shrink" their businesses, it is clear that virtually all companies place considerable emphasis on the Asian market.

Figure 4-1 Future Business Development in Asia



Looking at the results by companies' time of entry into Japan, 80.4% of companies that entered from 2000 onwards intended to "expand," somewhat a higher level.

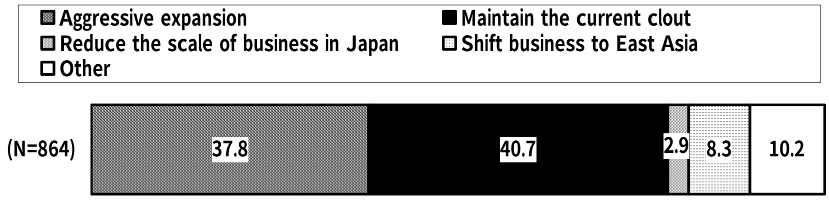
Figure 4-2 Future Business Development in Asia

		Total		Expanding		Maintaing current levels		Shrinking		Other	
		n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	103	72.0	32	22.4	3	2.1	5	3.5
	1980s	159	100.0	116	73.0	28	17.6	3	1.9	12	7.5
	1990s	240	100.0	180	75.0	47	19.6	2	0.8	11	4.6
	2000s	301	100.0	242	80.4	35	11.6	2	0.7	22	7.3
Area	North America	322	100.0	241	74.8	56	17.4	3	0.9	22	6.8
	Europe	370	100.0	289	78.1	57	15.4	3	0.8	21	5.7
	Asia	135	100.0	101	74.8	28	20.7	1	0.7	5	3.7
Industrial category	Manufacturing	109	100.0	79	72.5	22	20.2	4	3.7	4	3.7
	Wholesale/retail	400	100.0	301	75.3	72	18.0	4	1.0	23	5.8
	Service	355	100.0	272	76.6	54	15.2	2	0.6	27	7.6

(2) Future Business Development in the Japanese Market

Asked about their future business intentions in the Japanese market, 37.8% of companies planned "aggressive expansion," while 40.7% planned to "maintain the current clout." The percentages of companies intending to "reduce the scale of business in Japan" (2.9%) and "shift business to East Asia" (8.3%) were small, illustrating their high degree of expectation for the Japanese market.

Figure 4-3 Future Business Development in the Japanese Market



By time of entry, region and industry, "aggressive expansion" had a high rate in each of "from 2000 onwards," "Asian," and "service sector" respectively.

In response to the question illustrated by Figure 3-14 on "Future Business Development," 63.1% of companies had indicated that they intended to "expand the scale of business," whereas in Figure 4-3 only 37.8% of companies intended "aggressive business expansion." If we analyze the factors behind this, it seems that, although companies do intend to expand their business in Japan, some companies answered "maintain the current clout" in light of intentions of the parent company, because there are differences between Japan and other Asian economies in terms of growth rates and the pace of business scale expansion.

Figure 4-4 Future Business Development in the Japanese Market

		Total		Aggressive expansion		Maintain the current clout		Reduce the scale of business in Japan		Shift business to East Asia		Other	
		n	%	n	%	n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	38	26.6	65	45.5	7	4.9	20	14.0	13	9.1
	1980s	159	100.0	54	34.0	63	39.6	10	6.3	13	8.2	19	11.9
	1990s	240	100.0	88	36.7	108	45.0	3	1.3	22	9.2	19	7.9
	2000s	301	100.0	139	46.2	113	37.5	4	1.3	16	5.3	29	9.6
Area	North America	322	100.0	125	38.8	128	39.8	9	2.8	32	9.9	28	8.7
	Europe	370	100.0	124	33.5	171	46.2	10	2.7	31	8.4	34	9.2
	Asia	135	100.0	61	45.2	45	33.3	5	3.7	8	5.9	16	11.9
Industrial category	Manufacturing	109	100.0	30	27.5	54	49.5	3	2.8	12	11.0	10	9.2
	Wholesale/retail	400	100.0	134	33.5	174	43.5	15	3.8	36	9.0	41	10.3
	Service	355	100.0	163	45.9	124	34.9	7	2.0	24	6.8	37	10.4

(3) Asian Countries and Regions Seen as Strategically Important for Business

Asked which countries or regions in Asia they saw as the most strategically important, 63.8% of companies nominated "China," followed by "India" (28.7%), and "Korea" (26.4%).

Breaking down the responses by companies' time of entry, over 60% of companies in each decade gave priority to "China."

On a regional basis, the proportion of Asian companies that nominated "India" was 17.8%, a lower proportion than North American (30.4%) or European (31.9%) companies.

Figure 4-5 Asian Countries and Regions Seen as Strategically Important (multiple responses; up to three nominations)

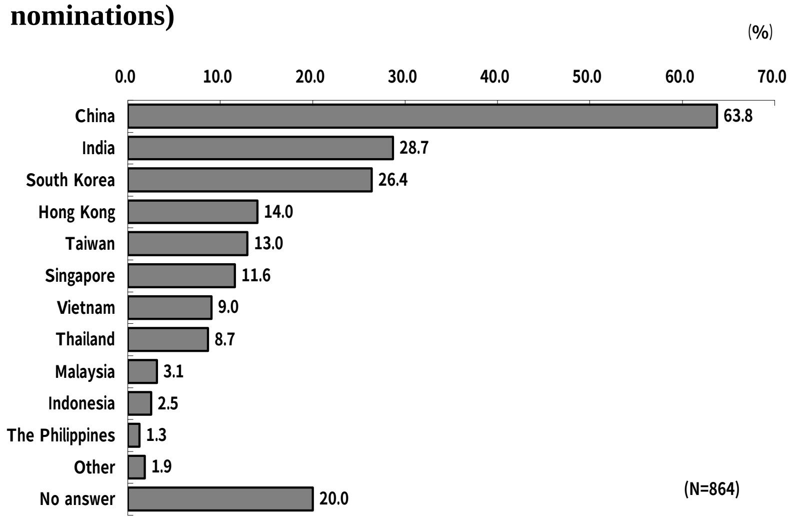


Figure 4-6 Asian Countries and Regions Seen as Strategically Important (by time of entry) (multiple responses; up to three nominations)

	Total		1970s or earlier		1980s		1990s		2000s	
	n	%	n	%	n	%	n	%	n	%
South Korea	228	26.4	30	21.0	31	19.5	57	23.8	104	34.6
Taiwan	112	13.0	15	10.5	22	13.8	27	11.3	46	15.3
China	551	63.8	90	62.9	108	67.9	145	60.4	198	65.8
Hong Kong	121	14.0	28	19.6	18	11.3	28	11.7	43	14.3
Singapore	100	11.6	20	14.0	13	8.2	23	9.6	42	14.0
Malaysia	27	3.1	6	4.2	6	3.8	2	0.8	13	4.3
Thailand	75	8.7	20	14.0	7	4.4	17	7.1	29	9.6
Indonesia	22	2.5	5	3.5	2	1.3	4	1.7	11	3.7
The Philippines	11	1.3	0	0.0	1	0.6	4	1.7	6	2.0
Vietnam	78	9.0	16	11.2	10	6.3	18	7.5	33	11.0
India	248	28.7	39	27.3	49	30.8	69	28.8	86	28.6
Other	16	1.9	2	1.4	4	2.5	5	2.1	5	1.7
No answer	173	20.0	25	17.5	37	23.3	53	22.1	52	17.3
Total	864	100.0	143	100.0	159	100.0	240	100.0	301	100.0

Figure 4-7 Asian Countries and Regions Seen as Strategically Important (by region) (multiple responses; up to three nominations)

	Total		North America		Europe		Asia	
	n	%	n	%	n	%	n	%
South Korea	228	26.4	95	29.5	92	24.9	28	20.7
Taiwan	112	13.0	51	15.8	35	9.5	22	16.3
China	551	63.8	210	65.2	241	65.1	87	64.4
Hong Kong	121	14.0	45	14.0	50	13.5	21	15.6
Singapore	100	11.6	44	13.7	44	11.9	6	4.4
Malaysia	27	3.1	8	2.5	9	2.4	9	6.7
Thailand	75	8.7	23	7.1	39	10.5	12	8.9
Indonesia	22	2.5	3	0.9	7	1.9	11	8.1
The Philippines	11	1.3	4	1.2	3	0.8	4	3.0
Vietnam	78	9.0	23	7.1	22	5.9	30	22.2
India	248	28.7	98	30.4	118	31.9	24	17.8
Other	16	1.9	6	1.9	8	2.2	2	1.5
No answer	173	20.0	61	18.9	71	19.2	26	19.3
Total	864	100.0	322	100.0	370	100.0	135	100.0

Figure 4-8 Asian Countries and Regions Seen as Strategically Important (by industry) (multiple responses; up to three nominations)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
South Korea	228	26.4	31	28.4	98	24.5	99	27.9
Taiwan	112	13.0	17	15.6	53	13.3	42	11.8
China	551	63.8	77	70.6	247	61.8	227	63.9
Hong Kong	121	14.0	6	5.5	50	12.5	65	18.3
Singapore	100	11.6	9	8.3	47	11.8	44	12.4
Malaysia	27	3.1	4	3.7	9	2.3	14	3.9
Thailand	75	8.7	20	18.3	33	8.3	22	6.2
Indonesia	22	2.5	6	5.5	8	2.0	8	2.3
The Philippines	11	1.3	1	0.9	3	0.8	7	2.0
Vietnam	78	9.0	10	9.2	31	7.8	37	10.4
India	248	28.7	24	22.0	112	28.0	112	31.5
Other	16	1.9	3	2.8	6	1.5	7	2.0
No answer	173	20.0	20	18.3	84	21.0	69	19.4
Total	864	100.0	109	100.0	400	100.0	355	100.0

Figure 4-9 Asian Countries and Regions Seen as Strategically Important (compared with past data) (multiple responses)

<2007>

Countries and regions seen as strategically important	Total	Few regulations and restrictionsg overning business activity	Prospect for significant expansion of market	Production-related costs are low	Labor is readily available	Foreign-capital companies receive preferential treatment	Transportation and distribution infrastructure are established	Information and communication infrastructure is established	Related industries are readily available	Financing costs are low and fund-raising methods can be diversified	The company has influential business partners	The country is politically stable	Other
China	551 100.0%	20 3.6%	484 87.8%	191 34.7%	148 26.9%	25 4.5%	12 2.2%	14 2.5%	24 4.4%	37 6.7%	66 12.0%	5 0.9%	15 2.7%
India	248 100.0%	6 2.4%	220 88.7%	81 32.7%	75 30.2%	9 3.6%	5 2.0%	16 6.5%	11 4.4%	17 6.9%	19 7.7%	5 2.0%	6 2.4%
South Korea	228 100.0%	17 7.5%	117 51.3%	16 7.0%	9 3.9%	7 3.1%	18 7.9%	37 16.2%	37 16.2%	5 2.2%	49 21.5%	22 9.6%	19 8.3%
Hong Kong	121 100.0%	19 15.7%	77 63.6%	18 14.9%	23 19.0%	8 6.6%	15 12.4%	19 15.7%	10 8.3%	7 5.8%	19 15.7%	5 4.1%	7 5.8%
Taiwan	112 100.0%	13 11.6%	46 41.1%	17 15.2%	7 6.3%	2 1.8%	6 5.4%	18 16.1%	21 18.8%	3 2.7%	26 23.2%	9 8.0%	12 10.7%
Singapore	100 100.0%	35 35.0%	23 23.0%	7 7.0%	14 14.0%	21 21.0%	29 29.0%	38 38.0%	11 11.0%	8 8.0%	14 14.0%	27 27.0%	7 7.0%
Vietnam	78 100.0%	3 3.8%	45 57.7%	45 57.7%	36 46.2%	8 10.3%	2 2.6%	2 2.6%	2 2.6%	2 2.6%	7 9.0%	7 9.0%	2 2.6%
Thailand	75 100.0%	6 8.0%	45 60.0%	24 32.0%	22 29.3%	3 4.0%	6 8.0%	4 5.3%	11 14.7%	4 5.3%	18 24.0%	5 6.7%	1 1.3%
Malaysia	27 100.0%	4 14.8%	8 29.6%	11 40.7%	11 40.7%	2 7.4%	1 3.7%	1 3.7%	6 22.2%	4 14.8%	7 25.9%	2 7.4%	1 3.7%
Indonesia	22 100.0%	2 9.1%	11 50.0%	5 22.7%	6 27.3%	2 9.1%	0 0.0%	0 0.0%	1 4.5%	1 4.5%	3 13.6%	1 4.5%	1 4.5%
The Philippines	11 100.0%	0 0.0%	6 54.5%	3 27.3%	3 27.3%	1 9.1%	1 9.1%	0 0.0%	0 0.0%	0 0.0%	2 18.2%	1 9.1%	0 0.0%
Other	16 100.0%	0 0.0%	7 43.8%	1 6.3%	2 12.5%	0 0.0%	2 12.5%	0 0.0%	0 0.0%	0 0.0%	1 6.3%	0 0.0%	1 6.3%

<2005>

Countries and regions seen as strategically important	Total	Few regulations and restrictionsg overning business activity	Prospect for significant expansion of market	Production-related costs are low	Labor is readily available	Foreign-capital companies receive preferential treatment	Transportation and distribution infrastructure are established	Information and communication infrastructure is established	Related industries are readily available	Financing costs are low and fund-raising methods can be diversified	The company has influential business partners	The country is politically stable	Other
China	375 100.0%	27 7.2%	326 86.9%	174 46.4%	108 28.8%	33 8.8%	18 4.8%	10 2.7%	18 4.8%	19 5.1%	55 14.7%	7 1.9%	14 3.7%
India	134 100.0%	7 5.2%	107 79.9%	53 39.6%	46 34.3%	11 8.2%	2 1.5%	9 6.7%	6 4.5%	3 2.2%	14 10.4%	3 2.2%	3 2.2%
South Korea	124 100.0%	26 21.0%	71 57.3%	8 6.5%	6 4.8%	2 1.6%	12 9.7%	27 21.8%	23 18.5%	1 0.8%	31 25.0%	17 13.7%	6 4.8%
Hong Kong	71 100.0%	22 31.0%	31 43.7%	13 18.3%	14 19.7%	6 8.5%	11 15.5%	6 8.5%	6 8.5%	9 12.7%	8 11.3%	2 2.8%	4 5.6%
Taiwan	78 100.0%	16 20.5%	36 46.2%	4 5.1%	5 6.4%	1 1.3%	12 15.4%	11 14.1%	23 29.5%	4 5.1%	21 26.9%	13 16.7%	4 5.1%
Singapore	84 100.0%	42 50.0%	13 15.5%	5 6.0%	11 13.1%	10 11.9%	31 36.9%	34 40.5%	16 19.0%	8 9.5%	9 10.7%	28 33.3%	6 7.1%
Vietnam	45 100.0%	5 11.1%	26 57.8%	22 48.9%	19 42.2%	0 0.0%	0 0.0%	0 0.0%	1 2.2%	4 8.9%	2 4.4%	0 0.0%	1 2.2%
Thailand	61 100.0%	9 14.8%	31 50.8%	31 50.8%	16 26.2%	7 11.5%	7 11.5%	5 8.2%	9 14.8%	0 0.0%	7 11.5%	13 21.3%	2 3.3%
Malaysia	32 100.0%	4 12.5%	12 37.5%	11 34.4%	8 25.0%	3 9.4%	5 15.6%	6 18.8%	4 12.5%	2 6.3%	3 9.4%	5 15.6%	1 3.1%
Indonesia	29 100.0%	3 10.3%	12 41.4%	9 31.0%	11 37.9%	2 6.9%	3 10.3%	1 3.4%	0 0.0%	0 0.0%	6 20.7%	1 3.4%	1 3.4%
The Philippines	10 100.0%	4 40.0%	2 20.0%	2 20.0%	3 30.0%	0 0.0%	2 20.0%	1 10.0%	1 10.0%	1 10.0%	1 10.0%	0 0.0%	0 0.0%
Other	11 100.0%	3 27.3%	4 36.4%	5 45.5%	4 36.4%	3 27.3%	5 45.5%	3 27.3%	2 18.2%	3 27.3%	3 27.3%	3 27.3%	3 27.3%

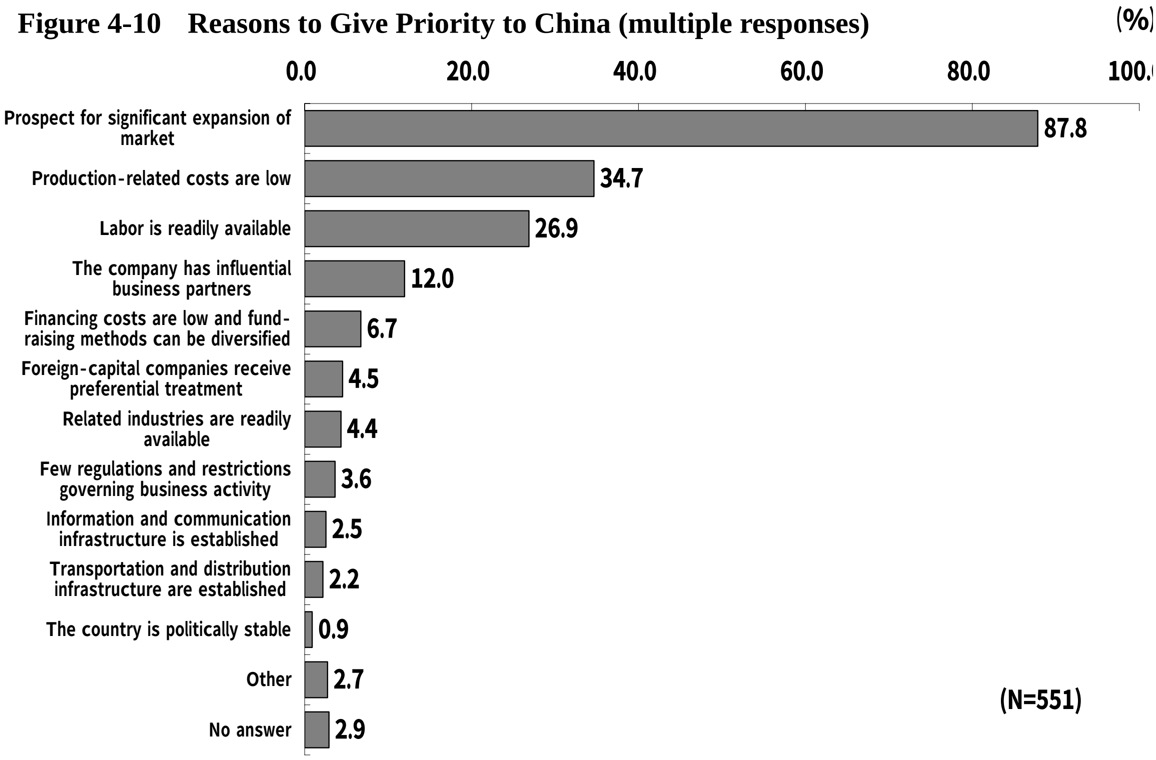
<1997>

Countries and regions seen as strategically important	Total	Few regulations and restrictionsg overning business activity	Prospect for significant expansion of market	Production-related costs are low	Labor is readily available	Foreign-capital companies receive preferential treatment	Transportation and distribution infrastructure are established	Information and communication infrastructure is established	Related industries are readily available	Financing costs are low and fund-raising methods can be diversified	The company has influential business partners	The country is politically stable	Other
China	277 100.0%	7 2.5%	252 91.0%	98 35.4%	55 19.9%	9 3.2%	4 1.4%	2 0.7%	3 1.1%	1 0.4%	8 2.9%	3 1.1%	9 3.2%
India	71 100.0%	2 2.8%	60 84.5%	25 35.2%	15 21.1%	2 2.8%	0 0.0%	1 1.4%	1 1.4%	0 0.0%	6 8.5%	1 1.4%	2 2.8%
South Korea	122 100.0%	6 4.9%	93 76.2%	13 10.7%	5 4.1%	3 2.5%	5 4.1%	5 4.1%	8 6.6%	0 0.0%	21 17.2%	4 3.3%	9 7.4%
Hong Kong	106 100.0%	27 25.5%	62 58.5%	28 26.4%	20 18.9%	7 6.6%	11 10.4%	15 14.2%	0 0.0%	7 6.6%	8 7.5%	0 0.0%	2 1.9%
Taiwan	88 100.0%	5 5.7%	55 62.5%	20 22.7%	7 8.0%	4 4.5%	5 5.7%	8 9.1%	10 11.4%	0 0.0%	12 13.6%	6 6.8%	5 5.7%
Singapore	127 100.0%	44 34.6%	45 35.4%	12 9.4%	10 7.9%	18 14.2%	36 28.3%	29 22.8%	6 4.7%	5 3.9%	10 7.9%	16 12.6%	4 3.1%
Vietnam	27 100.0%	2 7.4%	15 55.6%	12 44.4%	9 33.3%	1 3.7%	1 3.7%	0 0.0%	0 0.0%	0 0.0%	1 3.7%	3 11.1%	1 3.7%
Thailand	64 100.0%	6 9.4%	43 67.2%	25 39.1%	12 18.8%	3 4.7%	2 3.1%	1 1.6%	7 10.9%	1 1.6%	11 17.2%	6 9.4%	2 3.1%
Malaysia	48 100.0%	8 16.7%	32 66.7%	17 35.4%	7 14.6%	4 8.3%	3 6.3%	0 0.0%	2 4.2%	0 0.0%	7 14.6%	4 8.3%	2 4.2%
Indonesia	60 100.0%	3 5.0%	45 75.0%	23 38.3%	6 10.0%	0 0.0%	0 0.0%	0 0.0%	1 1.7%	2 3.3%	7 11.7%	5 8.3%	3 5.0%
The Philippines	15 100.0%	1 6.7%	8 53.3%	6 40.0%	4 26.7%	0 0.0%	0 0.0%	0 0.0%	1 6.7%	0 0.0%	3 20.0%	0 0.0%	2 13.3%
Other	2 100.0%	1 50.0%	1 50.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%	0 0.0%

(4) Reasons to Give Priority to Particular Country or Region

Let us look at the reasons offered by companies for their ratings of various countries and regions as strategically important.

Figure 4-10 Reasons to Give Priority to China (multiple responses)



(i) China

Overwhelmingly the most common reason offered for rating China as important was "prospects for significant expansion of the market" at 87.8%. This was followed by "production-related costs are low" at 34.7%, and "labor is readily available" at 26.9%.

Figure 4-11 Reasons to Give Priority to China (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Prospect for significant expansion of market	484	87.8	66	85.7	215	87.0	203	89.4
Production-related costs are low	191	34.7	31	40.3	106	42.9	54	23.8
Labor is readily available	148	26.9	14	18.2	76	30.8	58	25.6
The company has influential business partners	66	12.0	9	11.7	27	10.9	30	13.2
Financing costs are low and fund-raising methods can be diversified	37	6.7	5	6.5	15	6.1	17	7.5
Foreign-capital companies receive preferential treatment	25	4.5	3	3.9	11	4.5	11	4.8
Related industries are readily available	24	4.4	4	5.2	12	4.9	8	3.5
Few regulations and restrictionsgoverning business activity	20	3.6	6	7.8	8	3.2	6	2.6
Information and communication infrastructure is established	14	2.5	3	3.9	6	2.4	5	2.2
Transportation and distribution infrastructure are established	12	2.2	0	0.0	7	2.8	5	2.2
The country is politically stable	5	0.9	0	0.0	2	0.8	3	1.3
Other	15	2.7	3	3.9	5	2.0	7	3.1
No answer	16	2.9	2	2.6	7	2.8	7	3.1
Total	551	100.0	77	100.0	247	100.0	227	100.0

(ii) India

The main reasons offered by companies for rating India as important were same as those for China; “prospects for significant expansion of the market” (88.7%), “production-related costs are low” (32.7%), and “labor is readily available” (30.2%).

Figure 4-12 Reasons to Give Priority to India (multiple responses)

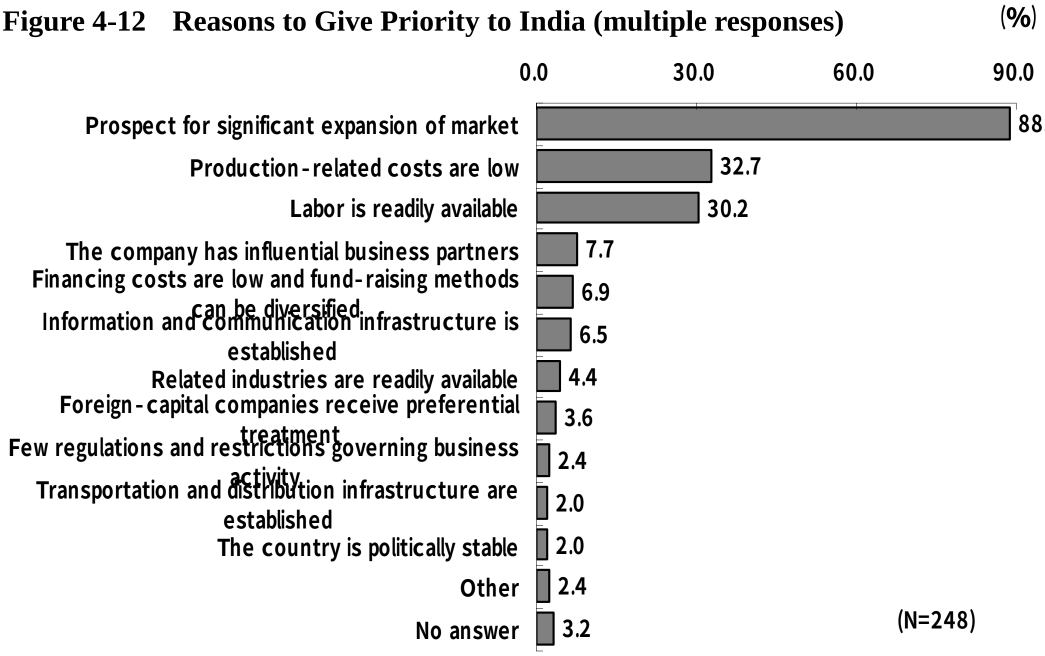


Figure 4-13 Reasons to Give Priority to India (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Prospect for significant expansion of market	220	88.7	20	83.3	101	90.2	99	88.4
Production-related costs are low	81	32.7	12	50.0	36	32.1	33	29.5
Labor is readily available	75	30.2	8	33.3	34	30.4	33	29.5
The company has influential business partners	19	7.7	0	0.0	7	6.3	12	10.7
Financing costs are low and fund-raising methods can be diversified	17	6.9	1	4.2	6	5.4	10	8.9
Information and communication infrastructure is established	16	6.5	2	8.3	5	4.5	9	8.0
Related industries are readily available	11	4.4	3	12.5	2	1.8	6	5.4
Foreign-capital companies receive preferential treatment	9	3.6	0	0.0	2	1.8	7	6.3
Few regulations and restrictionsgoverning business activity	6	2.4	1	4.2	1	0.9	4	3.6
Transportation and distribution infrastructure such as ports and airports are established	5	2.0	1	4.2	0	0.0	4	3.6
The country is politically stable	5	2.0	0	0.0	4	3.6	1	0.9
Other	6	2.4	1	4.2	2	1.8	3	2.7
No answer	8	3.2	1	4.2	4	3.6	3	2.7
Total	248	100.0	24	100.0	112	100.0	112	100.0

(iii) Korea

The main reason offered for rating Korea as strategically important was “prospects for significant expansion of the market” at 51.3%, followed by “the company has influential business partners” at 21.5%, and “information and communication infrastructure is established” and “related industries (parts industries, logistics and other services etc.) are readily available,” both at 16.2%. The attractions offered by Korea are somewhat different to those of China and India with expected market expansion and readily available means of production. It also appears that Asian companies place more priority on functional aspects such as business partners, information and communications than do North American and European companies.

Figure 4-14 Reasons to Give Priority to Korea (multiple responses)

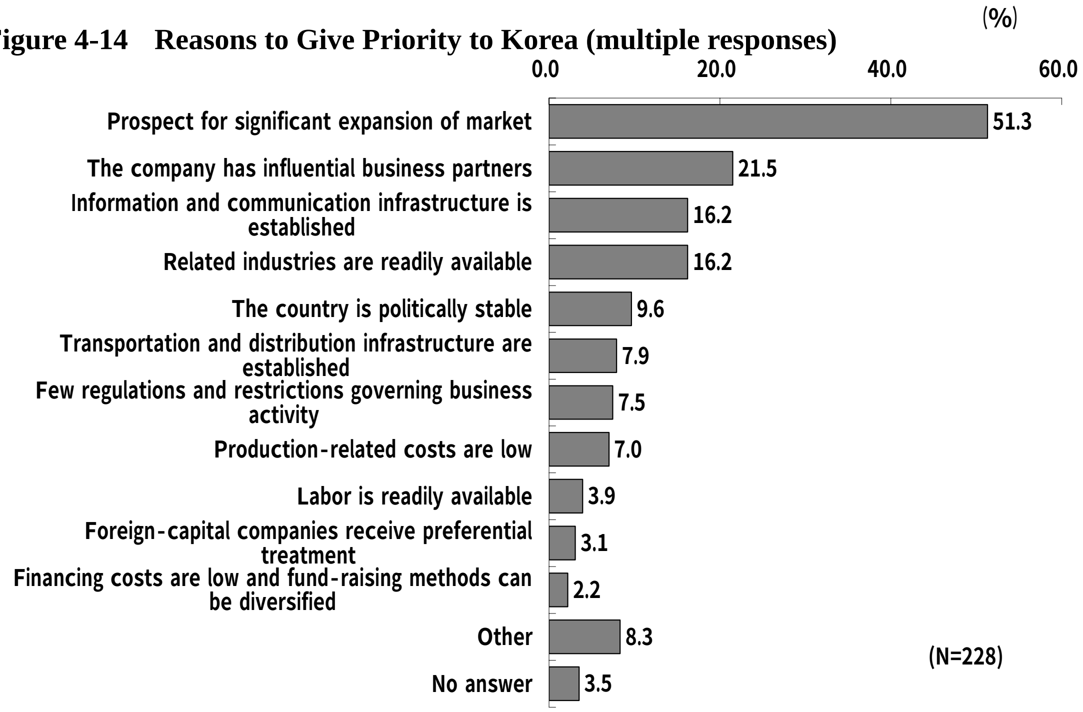


Figure 4-15 Reasons to Give Priority to Korea (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Prospect for significant expansion of market	117	51.3	14	45.2	47	48.0	56	56.6
The company has influential business partners	49	21.5	9	29.0	24	24.5	16	16.2
Information and communication infrastructure is established	37	16.2	6	19.4	14	14.3	17	17.2
Related industries are readily available	37	16.2	4	12.9	17	17.3	16	16.2
The country is politically stable	22	9.6	5	16.1	8	8.2	9	9.1
Transportation and distribution infrastructure such as ports and airports are established	18	7.9	2	6.5	9	9.2	7	7.1
Few regulations and restrictionsgoverning business activity	17	7.5	4	12.9	7	7.1	6	6.1
Production-related costs are low	16	7.0	2	6.5	8	8.2	6	6.1
Labor is readily available	9	3.9	1	3.2	5	5.1	3	3.0
Foreign-capital companies receive preferential treatment	7	3.1	0	0.0	1	1.0	6	6.1
Financing costs are low and fund-raising methods can be diversified	5	2.2	1	3.2	3	3.1	1	1.0
Other	19	8.3	3	9.7	5	5.1	11	11.1
No answer	8	3.5	2	6.5	2	2.0	4	4.0
Total	228	100.0	31	100.0	98	100.0	99	100.0

(iv) Hong Kong

The leading reason for the strategic importance of Hong Kong was "prospects for significant expansion of the market" at 63.6%. This was followed by "labor is readily available" at 19.0%.

Figure 4-16 Reasons to Give Priority to Hong Kong (multiple responses)

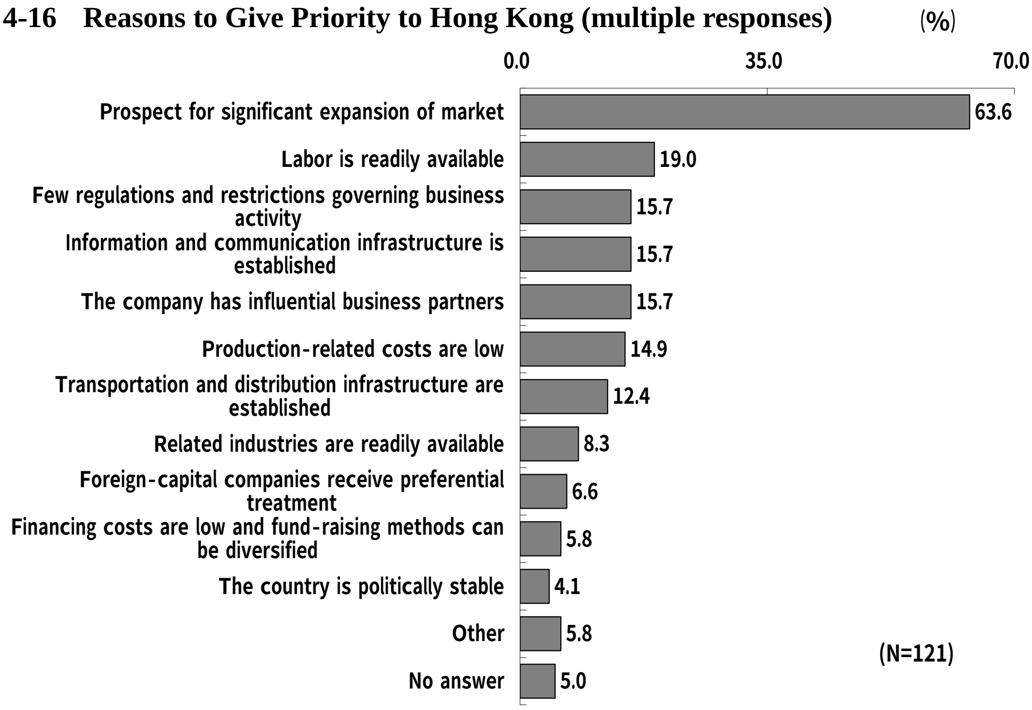


Figure 4-17 Reasons to Give Priority to Hong Kong (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Prospect for significant expansion of market	77	63.6	4	66.7	31	62.0	42	64.6
Labor is readily available	23	19.0	2	33.3	8	16.0	13	20.0
Few regulations and restrictionsgoverning business activity	19	15.7	1	16.7	7	14.0	11	16.9
Information and communication infrastructure is established	19	15.7	1	16.7	11	22.0	7	10.8
The company has influential business partners	19	15.7	0	0.0	8	16.0	11	16.9
Production-related costs are low	18	14.9	3	50.0	10	20.0	5	7.7
Transportation and distribution infrastructure such as ports and airports are established	15	12.4	1	16.7	8	16.0	6	9.2
Related industries are readily available	10	8.3	0	0.0	6	12.0	4	6.2
Foreign-capital companies receive preferential treatment	8	6.6	0	0.0	3	6.0	5	7.7
Financing costs are low and fund-raising methods can be diversified	7	5.8	0	0.0	4	8.0	3	4.6
The country is politically stable	5	4.1	0	0.0	3	6.0	2	3.1
Other	7	5.8	1	16.7	3	6.0	3	4.6
No answer	6	5.0	0	0.0	3	6.0	3	4.6
Total	121	100.0	6	100.0	50	100.0	65	100.0

(v) Taiwan

The main reason offered by companies for rating Taiwan as important was "prospects for significant expansion of the market" at 41.1%, followed by "the company has influential business partners" (23.2%) and "related industries are readily available" (18.8%).

Figure 4-18 Reasons to Give Priority to Taiwan (multiple responses)

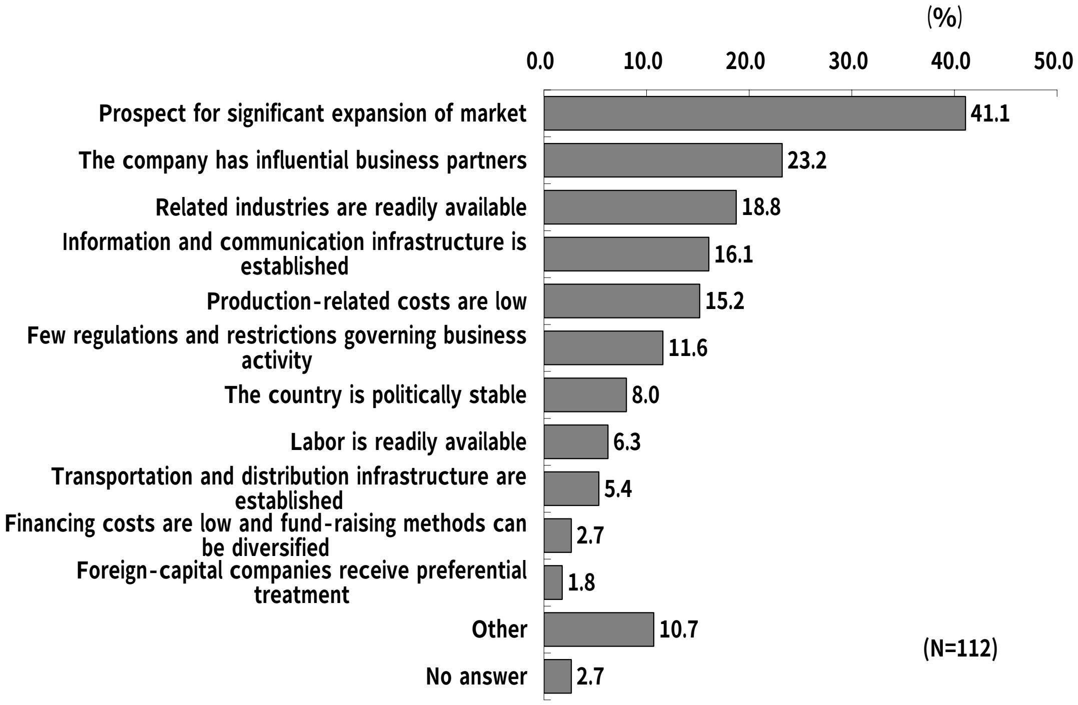


Figure 4-19 Reasons to Give Priority to Taiwan (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Prospect for significant expansion of market	46	41.1	6	35.3	25	47.2	15	35.7
The company has influential business partners	26	23.2	5	29.4	13	24.5	8	19.0
Related industries are readily available	21	18.8	2	11.8	11	20.8	8	19.0
Information and communication infrastructure is established	18	16.1	2	11.8	7	13.2	9	21.4
Production-related costs are low	17	15.2	0	0.0	9	17.0	8	19.0
Few regulations and restrictionsgoverning business activity	13	11.6	2	11.8	7	13.2	4	9.5
The country is politically stable	9	8.0	2	11.8	3	5.7	4	9.5
Labor is readily available	7	6.3	1	5.9	2	3.8	4	9.5
Transportation and distribution infrastructure such as ports and airports are established	6	5.4	1	5.9	4	7.5	1	2.4
Financing costs are low and fund-raising methods can be diversified	3	2.7	0	0.0	3	5.7	0	0.0
Foreign-capital companies receive preferential treatment	2	1.8	0	0.0	0	0.0	2	4.8
Other	12	10.7	3	17.6	3	5.7	6	14.3
No answer	3	2.7	1	5.9	2	3.8	0	0.0
Total	112	100.0	17	100.0	53	100.0	42	100.0

(vi) Singapore

The leading reasons offered for rating Singapore as strategically important were factors relating to the business environment, such as "information and communication infrastructure is established" (38.0%), "few regulations and restrictions governing business activity" (35.0%), and "transportation and distribution infrastructure such as ports and airports are established" (29.0%).

Figure 4-20 Reasons to Give Priority to Singapore (multiple responses)

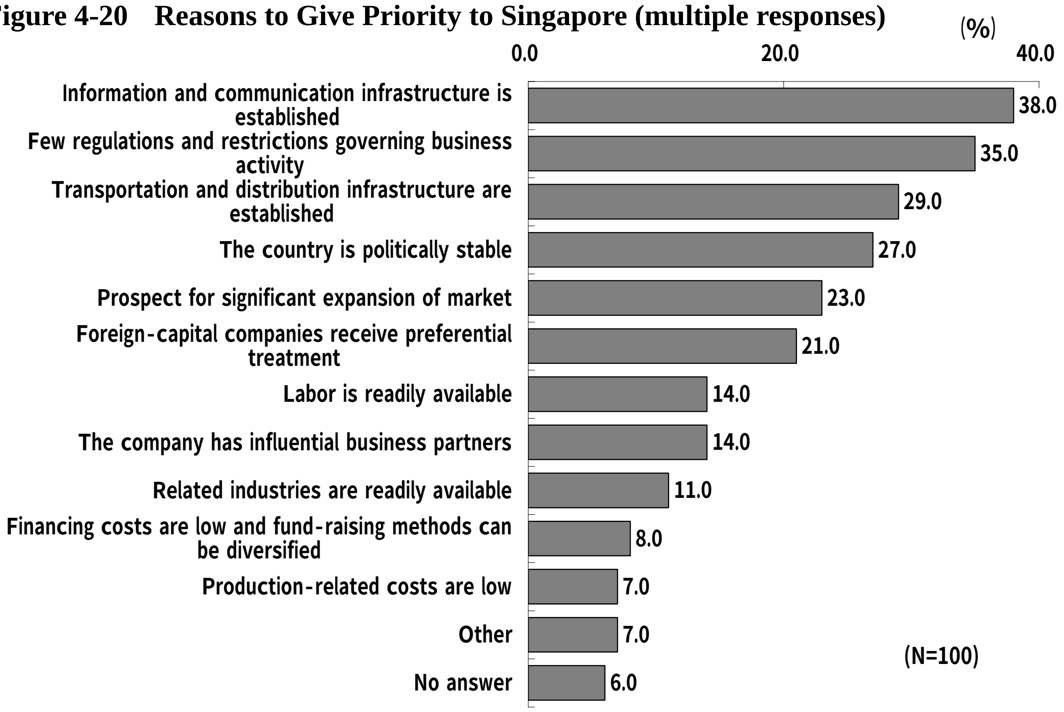


Figure 4-21 Reasons to Give Priority to Singapore (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Information and communication infrastructure is established	38	38.0	5	55.6	20	42.6	13	29.5
Few regulations and restrictionsgoverning business activity	35	35.0	5	55.6	15	31.9	15	34.1
Transportation and distribution infrastructure such as ports and airports are established	29	29.0	4	44.4	17	36.2	8	18.2
The country is politically stable	27	27.0	1	11.1	14	29.8	12	27.3
Prospect for significant expansion of market	23	23.0	2	22.2	6	12.8	15	34.1
Foreign-capital companies receive preferential treatment	21	21.0	1	11.1	12	25.5	8	18.2
Labor is readily available	14	14.0	1	11.1	5	10.6	8	18.2
The company has influential business partners	14	14.0	1	11.1	7	14.9	6	13.6
Related industries are readily available	11	11.0	1	11.1	4	8.5	6	13.6
Financing costs are low and fund-raising methods can be diversified	8	8.0	2	22.2	4	8.5	2	4.5
Production-related costs are low	7	7.0	1	11.1	1	2.1	5	11.4
Other	7	7.0	1	11.1	2	4.3	4	9.1
No answer	6	6.0	0	0.0	3	6.4	3	6.8
Total	100	100.0	9	100.0	47	100.0	44	100.0

(5) Management Arrangements for Non-Japan Asia

(i) Management Arrangements for the Asian Region

Around 20% of companies reported that their offices in Japan manage their business in other parts of Asia.

Looking at the results by region, a relatively high proportion of Asian companies (21.5%) reported that they manage Asian countries other than Japan.

By industry, a relatively low percentage of wholesale and retail companies (14.3%) manage Asian countries other than Japan from their Japanese offices.

Figure 4-22 Managing Business in Asian Regions

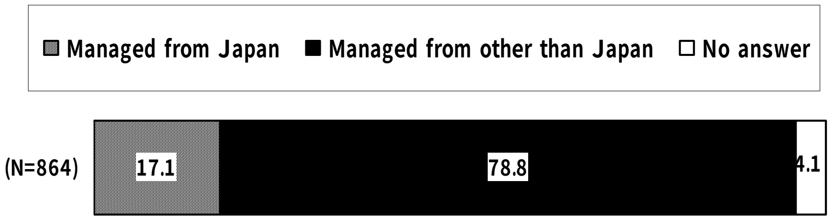


Figure 4-23 Managing Business in Asian Regions

		Total		Managed from Japan		Managed from other than Japan		No answer	
		n	%	n	%	n	%	n	%
Entry term	1970s or earlier	143	100.0	21	14.7	119	83.2	3	2.1
	1980s	159	100.0	23	14.5	127	79.9	9	5.7
	1990s	240	100.0	40	16.7	193	80.4	7	2.9
	2000s	301	100.0	61	20.3	230	76.4	10	3.3
Area	North America	322	100.0	51	15.8	259	80.4	12	3.7
	Europe	370	100.0	56	15.1	303	81.9	11	3.0
	Asia	135	100.0	29	21.5	100	74.1	6	4.4
Industrial category	Manufacturing	109	100.0	20	18.3	85	78.0	4	3.7
	Wholesale/retail	400	100.0	57	14.3	332	83.0	11	2.8
	Service	355	100.0	71	20.0	264	74.4	20	5.6

(ii) Countries and Regions Managed from Japan

The country or region most commonly managed by Japan offices was the Korea at 64.2%, followed by China at 52.7%. It shows that the countries of East Asia that are close to Japan in distance terms are most frequently managed from Japan.

Viewed by region, a high proportion of North American and European companies manage their Korean operations from Japan.

Figure 4-24 Countries and Regions Managed from Japan (multiple responses)

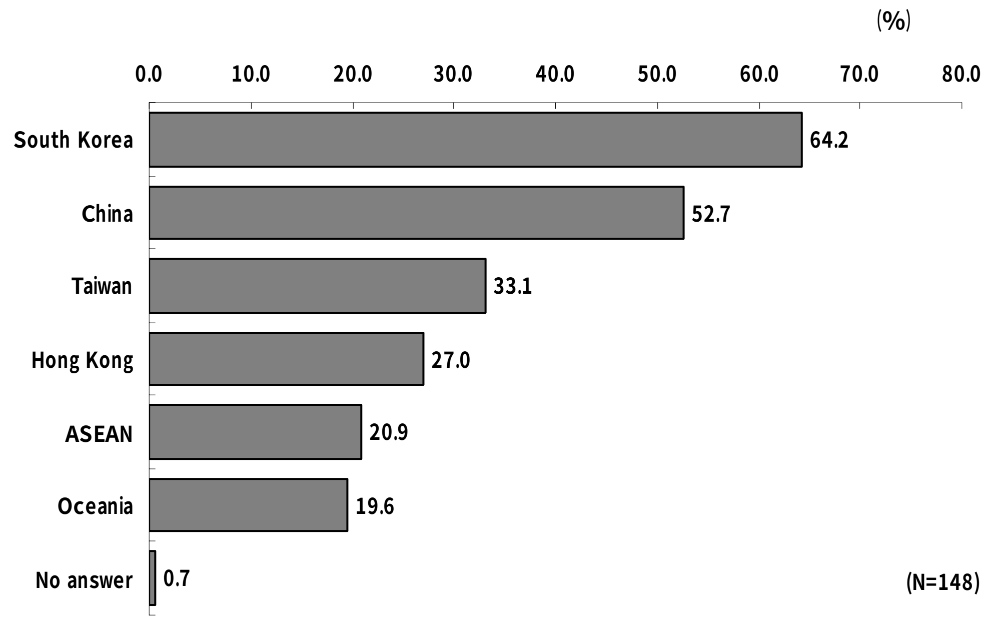


Figure 4-25 Countries and Regions Managed from Japan (by time of entry) (multiple responses)

	Total		1970s or earlier		1980s		1990s		2000s	
	n	%	n	%	n	%	n	%	n	%
South Korea	95	64.2	17	81.0	16	69.6	30	75.0	30	49.2
Taiwan	49	33.1	9	42.9	6	26.1	17	42.5	16	26.2
China	78	52.7	5	23.8	15	65.2	24	60.0	33	54.1
Hong Kong	40	27.0	3	14.3	7	30.4	12	30.0	16	26.2
ASEAN	31	20.9	8	38.1	4	17.4	7	17.5	11	18.0
Oceania	29	19.6	3	14.3	6	26.1	9	22.5	10	16.4
No answer	1	0.7	0	0.0	0	0.0	1	2.5	0	0.0
Total	148	100.0	21	100.0	23	100.0	40	100.0	61	100.0

Figure 4-26 Countries and Regions Managed from Japan (by region) (multiple responses)

	Total		North America		Europe		Asia	
	n	%	n	%	n	%	n	%
South Korea	95	64.2	40	78.4	35	62.5	12	41.4
Taiwan	49	33.1	19	37.3	21	37.5	7	24.1
China	78	52.7	28	54.9	25	44.6	19	65.5
Hong Kong	40	27.0	16	31.4	13	23.2	7	24.1
ASEAN	31	20.9	14	27.5	10	17.9	7	24.1
Oceania	29	19.6	10	19.6	13	23.2	3	10.3
No answer	1	0.7	1	2.0	0	0.0	0	0.0
Total	148	100.0	51	100.0	56	100.0	29	100.0

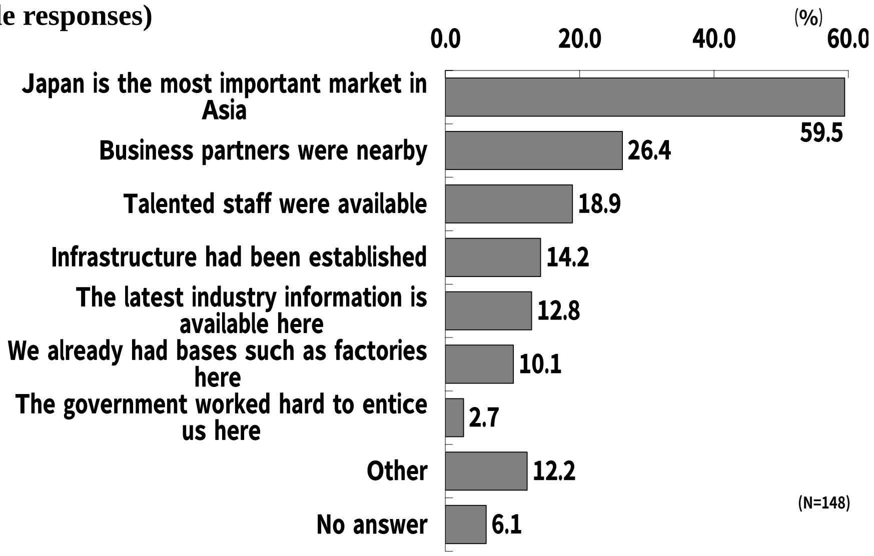
Figure 4-27 Countries and Regions Managed from Japan (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
South Korea	95	64.2	12	60.0	37	64.9	46	64.8
Taiwan	49	33.1	7	35.0	18	31.6	24	33.8
China	78	52.7	12	60.0	28	49.1	38	53.5
Hong Kong	40	27.0	5	25.0	15	26.3	20	28.2
ASEAN	31	20.9	6	30.0	9	15.8	16	22.5
Oceania	29	19.6	6	30.0	9	15.8	14	19.7
No answer	1	0.7	0	0.0	0	0.0	1	1.4
Total	148	100.0	20	100.0	57	100.0	71	100.0

(iii) Reasons for Establishing Management Base for Asian Region in Japan

The most common reason offered by companies for setting up their Asian regional offices in Japan was "Japan is the most important market in Asia" with 59.5% of responses, followed by "business partners were nearby" with 26.4%, and "talented staff were available" with 18.9%.

Figure 4-28 Reasons for Establishing Management Base for Asian Region in Japan (multiple responses)



Many of the companies entering Japan in the 1970s or earlier and in manufacturing sector cited as their reason "we already had bases such as factories here."

Figure 4-29 Reasons for Establishing Management Base for Asian Region in Japan (by time of entry) (multiple responses)

	Total		1970s or earlier		1980s		1990s		2000s	
	n	%	n	%	n	%	n	%	n	%
Talented staff were available	28	18.9	4	19.0	5	21.7	7	17.5	11	18.0
Business partners were nearby	39	26.4	6	28.6	7	30.4	6	15.0	18	29.5
Infrastructure had been established	21	14.2	3	14.3	5	21.7	4	10.0	9	14.8
The government worked hard to entice us here	4	2.7	0	0.0	0	0.0	0	0.0	4	6.6
The latest industry information is available here	19	12.8	3	14.3	3	13.0	5	12.5	8	13.1
Japan is the most important market in Asia	88	59.5	8	38.1	14	60.9	28	70.0	37	60.7
We already had bases such as factories here	15	10.1	5	23.8	4	17.4	2	5.0	4	6.6
Other	18	12.2	2	9.5	3	13.0	4	10.0	9	14.8
No answer	9	6.1	1	4.8	0	0.0	4	10.0	3	4.9
Total	148	100.0	21	100.0	23	100.0	40	100.0	61	100.0

Figure 4-30 Reasons for Establishing Management Base for Asian Region in Japan (by region) (multiple responses)

	Total		North America		Europe		Asia	
	n	%	n	%	n	%	n	%
Talented staff were available	28	18.9	12	23.5	9	16.1	5	17.2
Business partners were nearby	39	26.4	12	23.5	15	26.8	8	27.6
Infrastructure had been established	21	14.2	7	13.7	9	16.1	3	10.3
The government worked hard to entice us here	4	2.7	0	0.0	0	0.0	1	3.4
The latest industry information is available here	19	12.8	7	13.7	7	12.5	4	13.8
Japan is the most important market in Asia	88	59.5	35	68.6	31	55.4	16	55.2
We already had bases such as factories here	15	10.1	2	3.9	7	12.5	6	20.7
Other	18	12.2	8	15.7	5	8.9	2	6.9
No answer	9	6.1	4	7.8	3	5.4	1	3.4
Total	148	100.0	51	100.0	56	100.0	29	100.0

Figure 4-31 Reasons for Establishing Management Base for Asian Region in Japan (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Talented staff were available	28	18.9	3	15.0	12	21.1	13	18.3
Business partners were nearby	39	26.4	5	25.0	17	29.8	17	23.9
Infrastructure had been established	21	14.2	2	10.0	11	19.3	8	11.3
The government worked hard to entice us here	4	2.7	0	0.0	2	3.5	2	2.8
The latest industry information is available here	19	12.8	1	5.0	11	19.3	7	9.9
Japan is the most important market in Asia	88	59.5	11	55.0	35	61.4	42	59.2
We already had bases such as factories here	15	10.1	7	35.0	6	10.5	2	2.8
Other	18	12.2	2	10.0	4	7.0	12	16.9
No answer	9	6.1	1	5.0	4	7.0	4	5.6
Total	148	100.0	20	100.0	57	100.0	71	100.0

(iv) Locations of Asian Management Base

When companies were asked in what countries or regions other than Japan they had the offices to manage their Asian regional operations, the most common response was that Asian operations were "directly controlled by the parent company" at 48.9%. This was followed by "Singapore" at 12.0% and "Hong Kong" at 8.1%.

Figure 4-32 Location of Asian Management Base

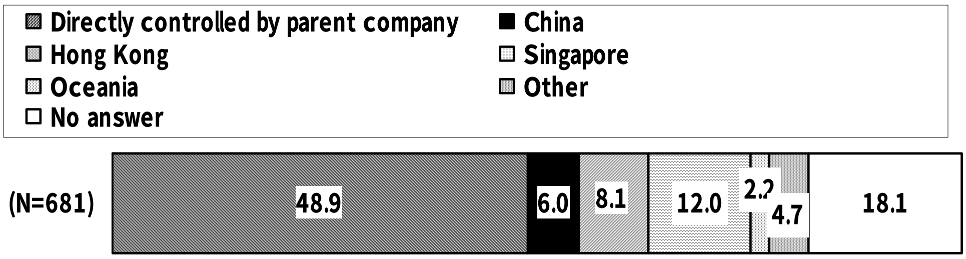


Figure 4-33 Location of Asian Management Base (by time of entry)

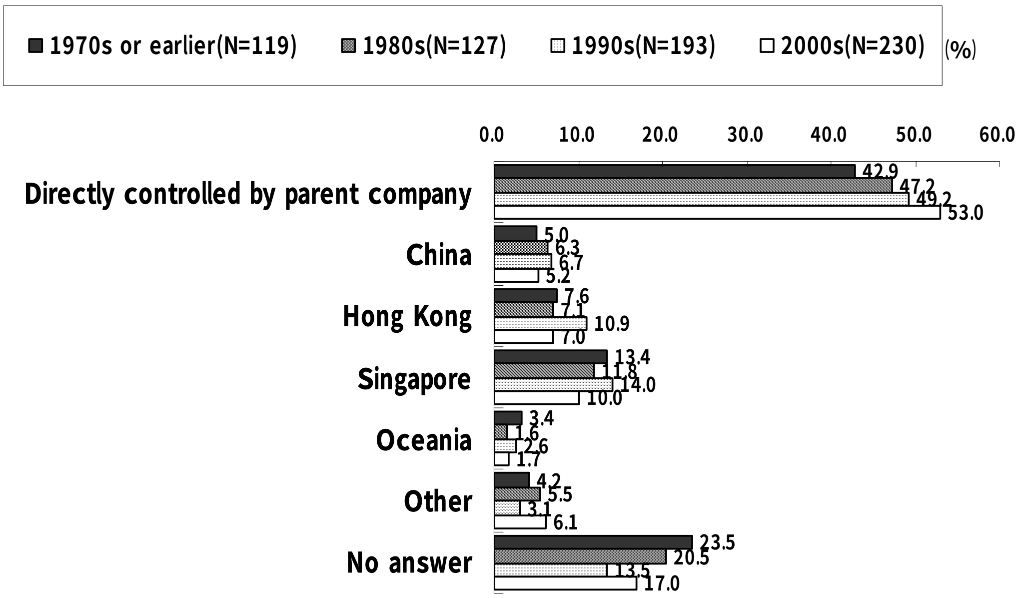


Figure 4-34　Location of Asian Management Base (by industry)

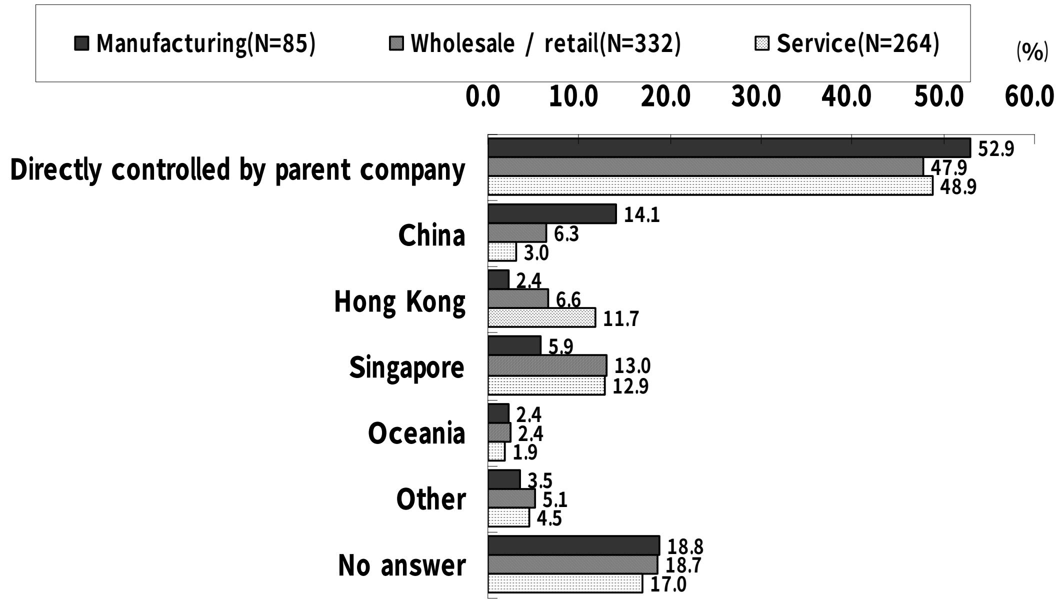
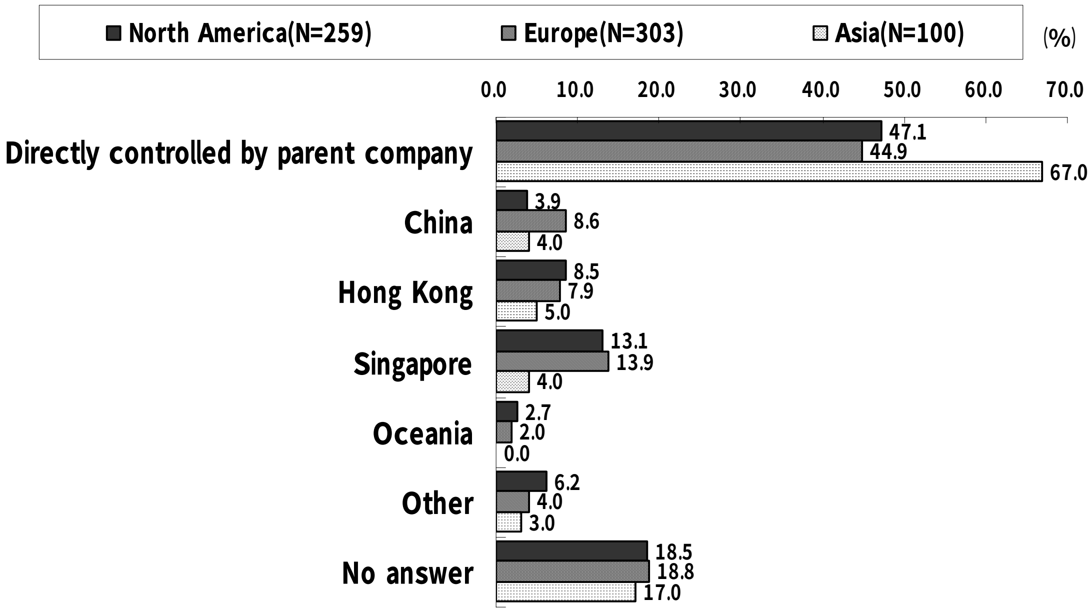


Figure 4-35　Location of Asian Management Base (by region)



(v) Conditions Need to be Satisfied to Establish Asia Regional Management Base in Japan

When asked under what conditions they would consider setting up their Asian regional management offices in Japan, excluding those that answered “we have no intention of establishing a regional management base in Japan,” the most common response was an “increase in number of talented staff available” at 15.6%. Besides being cited as an impediment to business, personnel-related problems have also become an issue with respect to setting up management base in Japan. Other leading responses included “introduction of more attractive special treatment” (14.1%) and “reduction in corporate taxes” (12.3%).

Figure 4-36 Conditions for Establishing Asian Regional Management Offices in Japan (multiple responses)

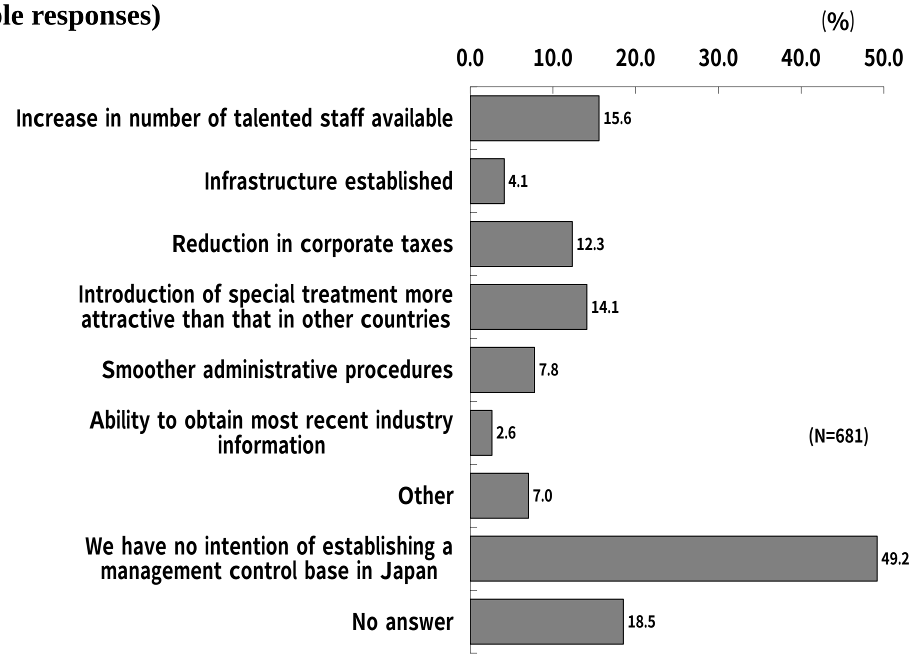


Figure 4-37 Conditions for Establishing Asian Regional Management Offices in Japan (by time of entry) (multiple responses)

	Total		1970s or earlier		1980s		1990s		2000s	
	n	%	n	%	n	%	n	%	n	%
Increase in number of talented staff available	106	15.6	7	5.9	13	10.2	36	18.7	46	20.0
Infrastructure established	28	4.1	3	2.5	5	3.9	7	3.6	12	5.2
Reduction in corporate taxes	84	12.3	9	7.6	15	11.8	28	14.5	30	13.0
Introduction of special treatment more attractive than that in other countries	96	14.1	9	7.6	14	11.0	30	15.5	41	17.8
Smoother administrative procedures	53	7.8	4	3.4	8	6.3	19	9.8	20	8.7
Ability to obtain most recent industry information	18	2.6	0	0.0	3	2.4	3	1.6	12	5.2
Other	48	7.0	10	8.4	8	6.3	13	6.7	17	7.4
We have no intention of establishing a management control base in Japan.	335	49.2	70	58.8	65	51.2	102	52.8	94	40.9
No answer	126	18.5	26	21.8	26	20.5	24	12.4	46	20.0
Total	681	100.0	119	100.0	127	100.0	193	100.0	230	100.0

Figure 4-38 Conditions for Establishing Asian Regional Management Offices in Japan (by region) (multiple responses)

	Total		North America		Europe		Asia	
	n	%	n	%	n	%	n	%
Increase in number of talented staff available	106	15.6	46	17.8	45	14.9	10	10.0
Infrastructure established	28	4.1	11	4.2	16	5.3	1	1.0
Reduction in corporate taxes	84	12.3	30	11.6	40	13.2	12	12.0
Introduction of special treatment more attractive than that in other countries	96	14.1	33	12.7	45	14.9	15	15.0
Smoother administrative procedures	53	7.8	19	7.3	22	7.3	9	9.0
Ability to obtain most recent industry information	18	2.6	6	2.3	6	2.0	4	4.0
Other	48	7.0	28	10.8	15	5.0	3	3.0
We have no intention of establishing a management control base in Japan.	335	49.2	125	48.3	147	48.5	53	53.0
No answer	126	18.5	44	17.0	62	20.5	19	19.0
Total	681	100.0	259	100.0	303	100.0	100	100.0

Figure 4-39 Conditions for Establishing Asian Regional Management Offices in Japan (by industry) (multiple responses)

	Total		Manufacturing		Wholesale/retail		Service	
	n	%	n	%	n	%	n	%
Increase in number of talented staff available	106	15.6	15	17.6	45	13.6	46	17.2
Infrastructure established	28	4.1	4	4.7	9	2.7	15	5.6
Reduction in corporate taxes	84	12.3	6	7.1	37	11.1	41	15.4
Introduction of special treatment more attractive than that in other countries	96	14.1	9	10.6	43	13.0	44	16.5
Smoother administrative procedures	53	7.8	7	8.2	20	6.0	26	9.7
Ability to obtain most recent industry information	18	2.6	1	1.2	6	1.8	11	4.1
Other	48	7.0	8	9.4	21	6.3	19	7.1
We have no intention of establishing a management control base in Japan.	335	49.2	45	52.9	178	53.6	112	41.9
No answer	126	18.5	13	15.3	54	16.3	62	23.2
Total	681	100.0	85	100.0	332	100.0	267	100.0

英語版/English

JETRO

FY2007 Survey on Attitudes of Foreign-Affiliated Companies Toward Direct Investment in Japan

Japan External Trade Organization (JETRO)
Invest Japan Department
Invest Japan Division

* This survey targets (1) companies with one-third or more of shares held by a single foreign company, appearing in the "*Gaishikei Kigyo Soran* (Directory of Foreign-owned Companies in Japan) FY2007 CD-ROM edition", by Toyo Keizai Inc., their affiliates and Japanese branches of such foreign firms and (2) those foreign companies to which JETRO provided assistance in their market entry into Japan. All responses to this survey will be completely reduced to statistical data, and neither company names nor individual responses will be made public.

* Please check (✓) the boxes for multiple-choice answers and complete the blanks, as appropriate.

* You can also complete the questionnaire on JETRO's Web site
⇒**http://www5.jetro.go.jp/docs/survey/gaishi/**

* We ask for your cooperation in responding using the enclosed reply-paid envelope or completing the questionnaire on our Web site no later than **Friday, September 28, 2007**.

＜Contact address:＞

Japan External Trade Organization (JETRO)
Invest Japan Department, Invest Japan Division
Phone: 03-3582-5234 Fax: 03-3505-1990 E-mail: JAA@jetro.go.jp

(ATTN: Mr.Saito)

I Information about your company

F1. How was your company established in or entered into Japan and when?

□1 Merger & Acquisition / capital participation concerning an existing firm
□2 New establishment of 100% owned subsidiary
□3 New establishment of a joint venture
□4 New establishment of a Japanese branch

⇒ （Year） □□□□

F2. What is the country or region of your ultimate overseas parent company? If you have multiple overseas parent companies, please select the country of the parent company with the highest ratio of investment in your company. (Select only one)

□1 U.S.A. □2 Canada □3 U.K.
□4 Germany □5 France □6 Netherlands
□7 Switzerland □8 Italy □9 Sweden
□10 Denmark □11 other European country (country name：____________________)
□12 Korea □13 Taiwan □14 Hong Kong
□15 China □16 other Asian Country（country name：____________________）

F3. Industry category of overseas parent company and your company in Japan

*Please note: “manufacturing” refers to companies with production facilities in Japan. The category of your company in Japan will be “non-manufacturing” if you have no Japanese production facilities, even if the foreign parent company belongs to the manufacturing industry.

(1) Foreign parent company

(Select only one)

□1 manufacturing

□2 wholesale / retail (including trading companies) □3 service

(2) Your company in Japan

(Select only one)

□1 manufacturing

□2 wholesale / retail (including trading companies)

□3 service

If you selected the manufacturing or wholesale/retail sector:
F3-①Please select the main types of products handled **(Select only one)**

- □1 Food and drink
- □2 Textiles / clothing
- □3 Chemicals
- □4 Medical / pharmaceutical/cosmetics
- □5 Plastic products
- □6 Rubber products
- □7 Metal products
- □8 General machinery / devices
- □9 Electrical machinery / devices
- □10 Information technology and telecommunication devices
- □11 Electronic parts / components
- □12 Transportation-related machinery / devices
- □13 Precision machinery / instruments
- □14 Stationery / toys / sports products
- □15 Daily necessities
- □16 Other (specify:)

If you selected the service sector:
F3-② Please select one subcategory.
(Select only one)

- □1 Construction
- □2 Information technology and telecommunications (including information services, software, Internet and publishing)
- □3 Transportation
- □4 Finance / Insurance
- □5 Real Estate
- □6 Food and drink / hospitality
- □7 Medical / welfare
- □8 Education / training
- □9 Lifestyle-related services
- □10 Professional business services (e.g., accounting, law, consulting, investment consulting)
- □11 Other (specify:)

F 4. Type of operations in Japan (Select all that apply)

Answer which of these types of operations your company had when it entered Japan, which you have now, and which you will continue to have (or which you will newly have) in the future. (Select all that apply)

Type of operation	(1) When you entered Japan	(2) Now	(3) In the future
(1) Manufacturing / processing	□1	□2	□3
(2) Sales	□1	□2	□3
(3) Distribution	□1	□2	□3
(4) Service (e.g., call center)	□1	□2	□3
(5) Basic research	□1	□2	□3
(6) Product development (including software)	□1	□2	□3
(7) Development for Japanese specifications	□1	□2	□3
(8) Goods and materials procurement	□1	□2	□3
(9) Regional control and management	□1	□2	□3
(10) Other	□1	□2	□3

F 5. Capital of your company in Japan and foreign parent company's capital investment ratio

* You do not need to provide the investment ratio if your company is a Japanese branch of a foreign firm or if your parent company is a foreign-affiliated firm in Japan. If you have multiple overseas parent companies, please provide the capital ratio of the foreign single parent company that has the highest ratio of investment in your company.

	Capital	Foreign parent company's capital investment ratio
As of August 31, 2007	million yen	□□□. □%

F6. Your company's sales in FY2006 (Select only one)

□1 Less than 1 billion yen
□2 1 billion yen to 10 billion yen
□3 10 billion yen to 100 billion yen
□4 100 billion yen to 1 trillion yen
□5 1 trillion yen or more

F7. Increase / decrease in sales for your company for FY2006 compared to FY2005 (Select only one)

□1 Increased by over 10%
□2 Increased by 1% to 10%
□3 No change
□4 Decreased by 1% to 10%
□5 Decreased by over 10%

II Business environment

Q1. Which factors do you perceive as obstacles to your company's business operation in Japan? Please select all that apply from categories from (1) to (11) below. For each category, please select the aspect(s) of the obstacle, listed below each category, that you think are particularly strong (select all that apply).

□1 **(1) Difficulty in securing personnel**
- □1 top management / management staff
- □2 Skilled workers, engineers
- □3 workers in research and development
- □4 accomplished linguists
- □5 full-time employees
- □6 other (specify:)

□2 **(2) High product standards demanded by users**
- □1 regarding quality
- □2 regarding date of delivery
- □3 regarding price
- □4 regarding service
- □5 other (please specify:)

□3 **(3) High business costs**
- □1 real estate prices
- □2 personnel costs
- □3 intermediate fees, service charges
- □4 physical distribution costs
- □5 utility bills (electricity, water, etc)
- □6 telecommunication costs
- □7 equipment costs
- □8 purchasing costs (please specify:)
- □9 tax (please specify type of tax:)
- □10 other (please specify:)

□4 **(4) Closed character and particularity of the Japanese market**
- □1 existence of keiretsu-affiliated companies
- □2 Complexity of distribution channel
- □3 personal contacts
- □4 difficulty of capital participation and acquisition of management rights in Japanese companies
- □5 language barrier (too much information only available in Japanese)
- □6 labor practices (please specify:)
- □7 difficulty in finding subcontractor and cooperation company
- □8 business practices (please specify:)
- □9 other (please specify:)

□5 **(5) Regulations, approval or license to practice business**
- □1 legal regulations (please specify:)
- □2 standards and inspection of products (please specify:)
- □3 other (please specify:)

□6 **(6) Complexity of administrative procedures**
- □1 complexity of administrative procedures
- □2 it takes a long time from application to approval.
- □3 difficulty in getting visas for resident officers
- □4 uncertainty of how to access agents for administrative procedures (such as judicial/ administrative scriveners)
- □5 other (specify:)

□7 **(7) Lack of information and services**

□1 lack of market information □2 lack of information on administrative procedures
□3 at home, there is no contact agency for investment in Japan.
□4 no investment promotion agency from our country in Japan.
□5 other (administrative scrivener:)

□8 **(8) Unsatisfactory preferential treatment and incentive**

□1 no tax incentives □2 no public low-interest loan system nor subsidy system
□3 industrial parks have no attraction (please specify:)
□4 other (please specify:)

□9 **(9) Difficulty in financing**

□1 strict loan terms of financial institutions □2 restriction on our own financing, such as bond issuing
□3 difficulty in financing from offshore markets, such as foreign loan issuing
□4 other (please specify:)

□10 **(10) Uncomfortable living environment for foreigners (schools, hospitals, social customs, etc.)**

□1 few schools that suit foreigners such as international schools
□2 few facilities that are able to communicate in English
□3 difference of social customs (please specify:)
□4 other (please specify:)

□11 **(11) Dissatisfaction with infrastructure (convenience, usage fee level, etc.)**

□1 sea ports (please specify:)
□2 airports (please specify:)
□3 road (please specify:)
□4 electricity / gas / telecommunication (please specify:)
□5 public transportation (please specify:)
□6 other (please specify:)

(12) For the most critical impediments among those listed above in (1) to (11), please describe below any specific suggestions you may have on how to eliminate them.

( )

III Your strategies for investment in Japan

Q2. What is your company's view on the present status of the overall Japanese economy? (Select only one)

□1 good □2 somewhat good □3 bad

Q3. What is your company's view on the prospects of the overall Japanese economy in one to two years? (Select only one)

□1 it will get better □2 it will remain about the same □3 it will get worse

Q4. What do you project for the market for your company's products and services in Japan in one or two years? (Select only one)

□1 it will grow □2 it will remain about the same □3 it will shrink

Q5. Which of the following best describes your company's current performance? (Select only one)

□1 good □2 fair □3 poor

Q6. Which of the following best describes the prospects of your company's future performance in one to two years? (Select only one)

□1 it will improve □2 it will remain about the same □3 it will get worse

JETRO

Q7. Which of the following best describes the direction of your company's business operations in Japan? (Select only one)

□1 seek to expand business □2 maintain the current status □3 Intend to reduce the scale of business

Q8. For those who answered "1. seek to expand business" in Q7:

Please check the items (1)-(6) that are relevant to your company's specific business expansion strategy (select all that apply). In addition, of the items chosen, please select the method that your company is most likely to adopt (select only one).

□1 (1) Expand current production capacity and/or services
- □1 Independently
- □2 In affiliation with another company, university, research institute, etc.
- □3 M&A

□2 (2) Reinforce selling power
- □1 Independently
- □2 In affiliation with another company, university, research institute, etc.
- □3 M&A

□3 (3) Launch new products and/or new services
- □1 Independently
- □2 In affiliation with another company, university, research institute, etc.
- □3 M&A

□4 (4) Establish an R&D system in Japan or augment existing system
- □1 Independently
- □2 In affiliation with another company, university, research institute, etc.
- □3 M&A

□5 (5) Diversify business
- □1 Independently
- □2 In affiliation with another company, university, research institute, etc.
- □3 M&A

□6 (6) Other (specific example:)
- □1 Independently
- □2 In affiliation with another company, university, research institute, etc.
- □3 M&A

【Please read the following:】

The provisions for "flexible merger consideration" under the Company Law went into effect on May 1, 2006. Previously only the stock of the acquiring company could be used as consideration in paying the shareholders of the amalgamated company, but the revised law expands the scope of eligible consideration. One method allowed under the revised law is called a triangular merger, in which a company acquires a target company through a subsidiary, but issues the parent company's shares as compensation for the acquisition.

【Triangular merger】This is a method whereby a parent company uses a subsidiary to absorb a target company. Shareholders of the target company would receive shares in the parent company as consideration. If a foreign company merges with a Japanese company using a triangular merger, the Japanese company's shareholders would receive foreign shares. (Source: *Nihonkeizai Shimbun*, March 5, 2007)

Q 9 Are you familiar with triangular mergers? (Select only one)

□1 Yes, I am familiar with them. □2 No, I am not familiar with them.

【If you are familiar with triangular mergers, please answer the following:】

Q9−① What is the possibility that your company might use triangular mergers? (Select only one)

□1 We would consider using this method. □2 We would consider using this method, but the system is difficult to navigate. □3 It is not of interest. □4Other ( )

Q9−② Please describe your views on the triangular merger system.

( )

IV Japan in Asia

Q 10 What is your opinion of the future of business in Asia? Please answer in light of your parent company's intentions. (Select only one)

□1 Expanding   □2 Maintaining current levels   □3 Shrinking
□4 Other (Specifically：)

Q 11 What is your opinion of the future of business in Japanese markets? Please answer in light of your parent company's intentions. (Select only one)

□1 We plan aggressive business expansion because we believe Japanese markets will expand and become increasingly important.
□2 Although Japanese markets are nearing the limits of their growth, they will maintain their current clout because of the large scale of the Japanese market.
□3 Japanese markets have reached the limits of their expansion and its importance as a market is declining, so we will reduce the scale of our business in Japan.
□4 Markets in east Asia are now more important.
□5 Other (Specifically:)

Q 12 Which Asian countries / regions does your company view as strategically important? Please select the three most important countries / regions in light of your parent company's intentions. Next, please select the three most important reasons that the three countries / regions selected are prioritized. If you select "Other" , please specify the countries on the list below (list any that apply).

	□1 South Korea	□2 Taiwan	□3 China	□4 Hong Kong	□5 Singapore	□6 Malaysia	□7 Thailand	□8 Indonesia	□9 The Philippines	□10 Vietnam	□11 India	□12 Other
Few regulations and restrictions governing business activity	□1	□1	□1	□1	□1	□1	□1	□1	□1	□1	□1	□1
Prospect for significant expansion of market	□2	□2	□2	□2	□2	□2	□2	□2	□2	□2	□2	□2
Production-related costs are low	□3	□3	□3	□3	□3	□3	□3	□3	□3	□3	□3	□3
Labor is readily available	□4	□4	□4	□4	□4	□4	□4	□4	□4	□4	□4	□4
Foreign-capital companies receive preferential treatment	□5	□5	□5	□5	□5	□5	□5	□5	□5	□5	□5	□5
Transportation and distribution infrastructure such as ports and airports are established	□6	□6	□6	□6	□6	□6	□6	□6	□6	□6	□6	□6
Information and communication infrastructure is established	□7	□7	□7	□7	□7	□7	□7	□7	□7	□7	□7	□7
Related industries (parts industries, logistics and other services, etc.) are readily available	□8	□8	□8	□8	□8	□8	□8	□8	□8	□8	□8	□8
Financing costs are low and fund-raising methods can be diversified	□9	□9	□9	□9	□9	□9	□9	□9	□9	□9	□9	□9
The company has influential business partners	□10	□10	□10	□10	□10	□10	□10	□10	□10	□10	□10	□10
The country is politically stable	□11	□11	□11	□11	□11	□11	□11	□11	□11	□11	□11	□11
Other	□12	□12	□12	□12	□12	□12	□12	□12	□12	□12	□12	□12

Other specific reasons:

・Name of country：

Q 13 Does your company locally manage business in the following regions in Asia other than Japan now? (select only one)

□1 Yes □2 No

If "yes,"
Q 13-① Which countries or regions? (Please select all that apply)

- □1 South Korea
- □2 Taiwan
- □3 China
- □4 Hong Kong
- □5 ASEAN
- □6 Oceania

Q 13-② Why did your company establish a management base for the Asian region in Japan? (select all that apply)

- □1 Talented staff were available
- □2 Business partners were nearby
- □3 Infrastructure had been established
- □4 The government worked hard to entice us here
- □5 The latest industry information is available here
- □6 Japan is the most important market in Asia
- □7 We already had bases such as factories here
- □8 Other ( )

If "no,"
Q 13-③ From where does your company manage business in the Asian region, **primarily?** (Please select only one)

- □1 Directly controlled by parent company
- □2 China
- □3 Hong Kong
- □4 Singapore
- □5 Oceania
- □6 Other ( )

Q 13-④ Would the satisfaction of any of the factors below induce your company to set up its Asia base in Japan? (select all that apply)

- □1 Increase in number of talented staff available
- □2 Infrastructure established
- □3 Reduction in corporate taxes
- □4 Introduction of special treatment more attractive than that in other countries
- □5 Smoother administrative procedures
- □6 Ability to obtain most recent industry information
- □7 Other ( )
- □8 We have no intention of establishing a management control base in Japan.

Thank you for completing our questionnaire.

When the results have been analyzed and compiled, we will send a copy of the "2007 Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan" to all respondents. It will be available around March 2008. <u>If you wish to receive your copy at a different address from the one this questionnaire is sent to, please specify below</u>.

Company			
Address	〒 ―		
Tel	( )		
Dept.		**Name**	
Required report in	☐**Japanese**	☐**English**	☐**Both**

Survey on Attitudes of Foreign-Affiliated Companies toward Direct Investment in Japan 2007 (March 2008)

Invest Japan Department, Japan External Trade Organization(JETRO)
ARK MORI BUILDING 7F 12-32 AKASAKA 1-Chome, Minato-ku,
Tokyo 107-6006 Japan