



Japan External Trade Organization

**FY2011 Survey on the International
Operations of Japanese Firms
– JETRO Overseas Business Survey –**

March 1, 2012

Japan External Trade Organization (JETRO)

I Survey outline and profile of the respondent firms

1. Survey targets

Total of 9,357 firms engaged in overseas business

2. Survey topics

- (1) Trade operations and trade-related issues
- (2) Overseas investment and domestic operations
- (3) Utilization of free trade agreements (FTAs)
- (4) Impact of the damage caused by the Great East Japan Earthquake and Thailand floods
- (5) Impact of the strong yen on overseas business

3. Period

Distribution of questionnaires: November 30, 2011

Deadline: December 28, 2011

4. Response

Distribution of questionnaires: 9,357 (of which, 3,178 are JETRO member firms)

Number of valid responses: 2,769 (of which, 1,034 are JETRO member firms)

Response ratio: 29.6%

* This Survey was the eleventh of its kind, with the first implemented in FY2002 covering only JETRO member firms. The FY2011 survey covered 3,178 JETRO member firms plus 6,179 firms selected from lists, etc. of trade-related entities of various regions (with regard to the increased part, there is no continuity between the FY2011 survey and past surveys).

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

Figure 1-1: Profile of respondent firms by industry

	No. of firms	SMEs	(Unit: %) %
All respondents	2,769	(2,291)	100.0
Manufacturing total	1,575	(1,331)	56.9
Manufacturing with overseas production bases	679	(471)	24.5
Manufacturing with domestic production bases only	896	(860)	32.4
Food & beverages	197	(177)	7.1
Textiles/clothing	114	(109)	4.1
Wood & wood products/furniture & building materials/paper & pulp	77	(70)	2.8
Chemicals	83	(55)	3.0
Medical products & cosmetics	44	(34)	1.6
Coal & petroleum products/plastics/rubber products	103	(86)	3.7
Ceramics/earth & stone	49	(43)	1.8
Iron & steel/non-ferrous metals/metal products	211	(185)	7.6
General machinery	168	(145)	6.1
Electrical equipment	95	(70)	3.4
IT equipment/electronic parts & devices	59	(43)	2.1
Cars/car parts/other transportation machinery	125	(89)	4.5
Precision equipment	76	(64)	2.7
Other manufacturing	174	(161)	6.3
Non-manufacturing total	1,194	(960)	43.1
Trade & wholesale	713	(629)	25.7
Retail	78	(59)	2.8
Construction	53	(36)	1.9
Transport	51	(36)	1.8
Finance & insurance	64	(6)	2.3
Professional services	54	(47)	2.0
Electricity, gas and water	10	(4)	0.4
Telecommunications services	49	(46)	1.8
Other non-manufacturing	122	(97)	4.4
Large-scale companies	478	-	17.3
Small and medium-sized enterprises (SMEs)	2,291	-	82.7

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

1. Survey outline and profile of the respondent firms

1. Status of export operations and overseas bases (location)

Expanding business overseas, especially in Asia

● **China and other Asian countries are important business partners. Approximately 30% of SMEs have operating bases in China.**

68.8% of respondent firms engage in export, while 51.5% have overseas bases. The ratio of SMEs with overseas bases to the total number of respondent SMEs is 44.9%, lower than the comparative ratio for large-scale firms of 83.3%. However, the ratio of firms engaged in export to the total number of respondents is the same at around 70% for SMEs and large-scale firms. Asian economies are the main destinations for exported goods and services as well as the main locations for overseas bases.

72.6% of large-scale companies own overseas bases in China, with 28.7% of SMEs, or 658 firms, having established sales and/or production bases there.

Figure 1-2: Firms with export operation

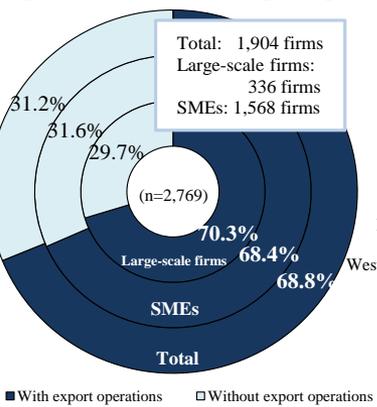


Figure 1-3: Firms with overseas bases

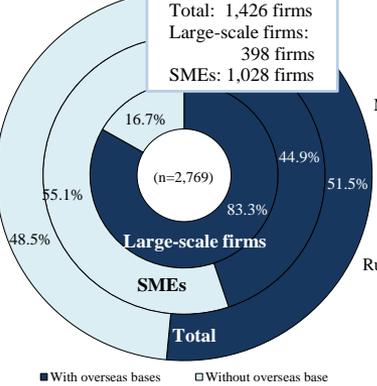


Figure 1-4: Export destination

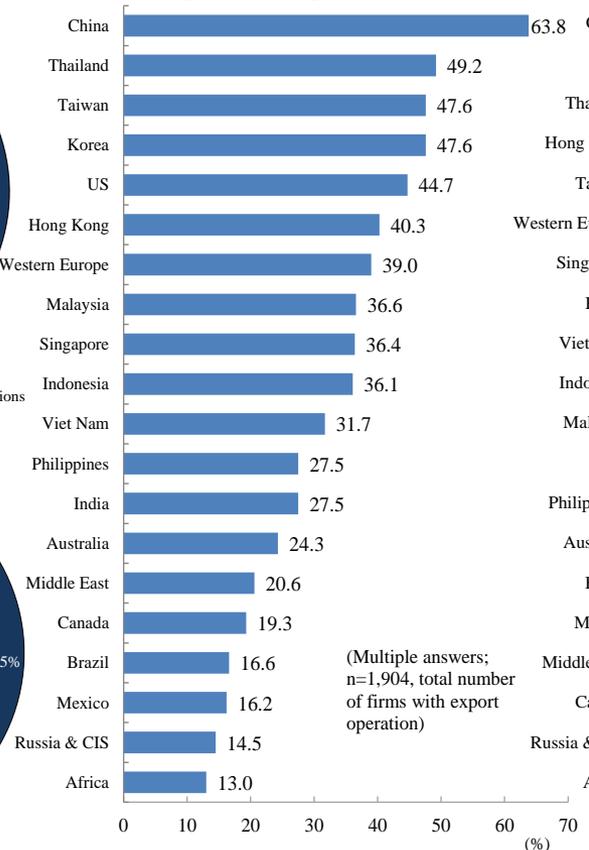


Figure 1-5: Overseas bases by location

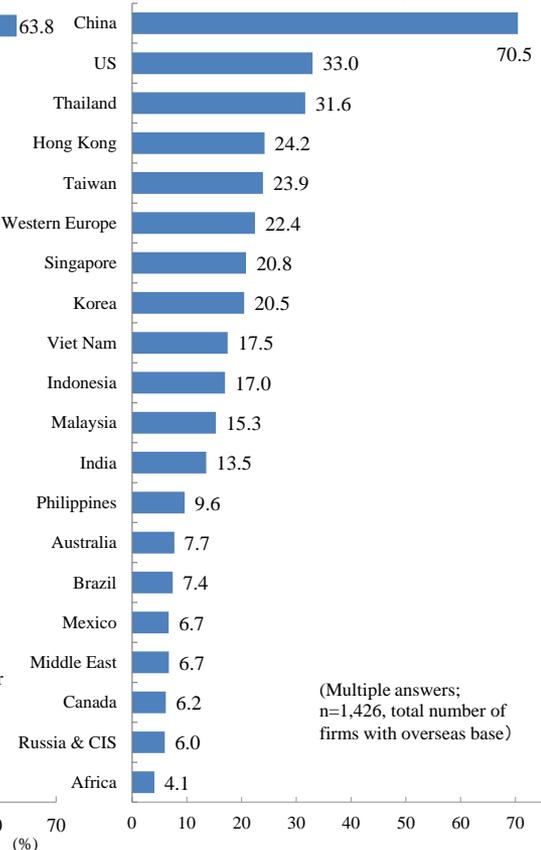
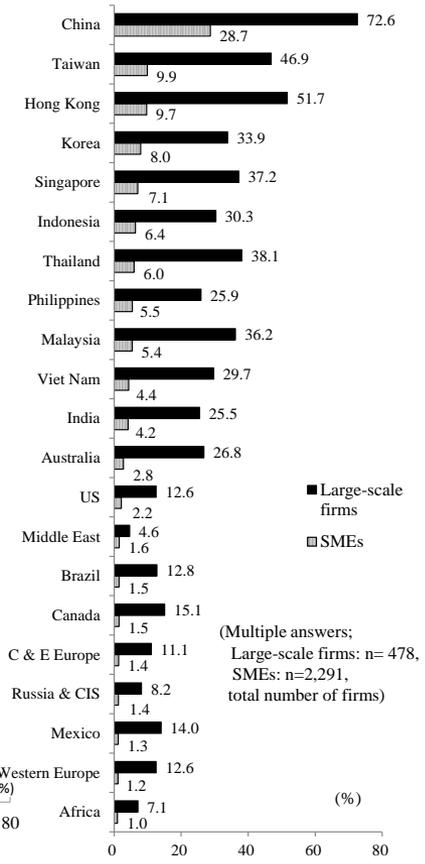


Figure 1-6: Overseas bases by location and firm size



1. Survey outline and profile of the respondent firms

2. Status of overseas bases (by function)

Number of sales and production bases leveling off

● **Establishment of R&D bases and regional headquarters in China on the rise**

Of all respondent firms with overseas bases, those with sales bases and production bases account for 64.4% and 57.7%.

Trends in overseas bases by function in selected economies show that the number of sales and production bases established in major countries and regions has almost leveled off. However, an increasing, albeit small, number of firms have established R&D bases and regional headquarters overseas. In particular, the number of firms with R&D bases in China is larger in the latest survey than in the previous one, indicating that the functions of operating bases in China have been diversifying.

Figure 1-7: Overseas bases by function (multiple answers)

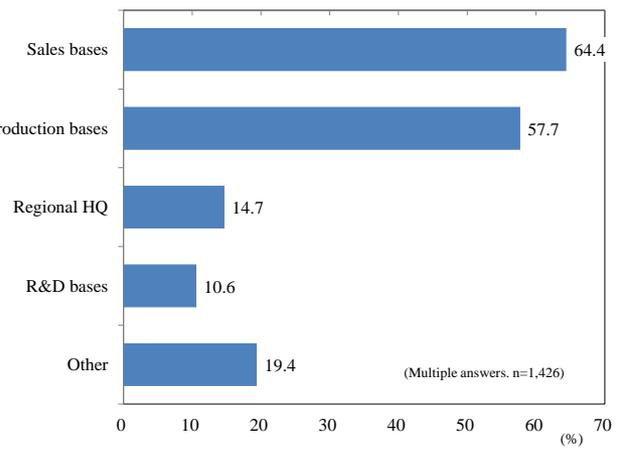
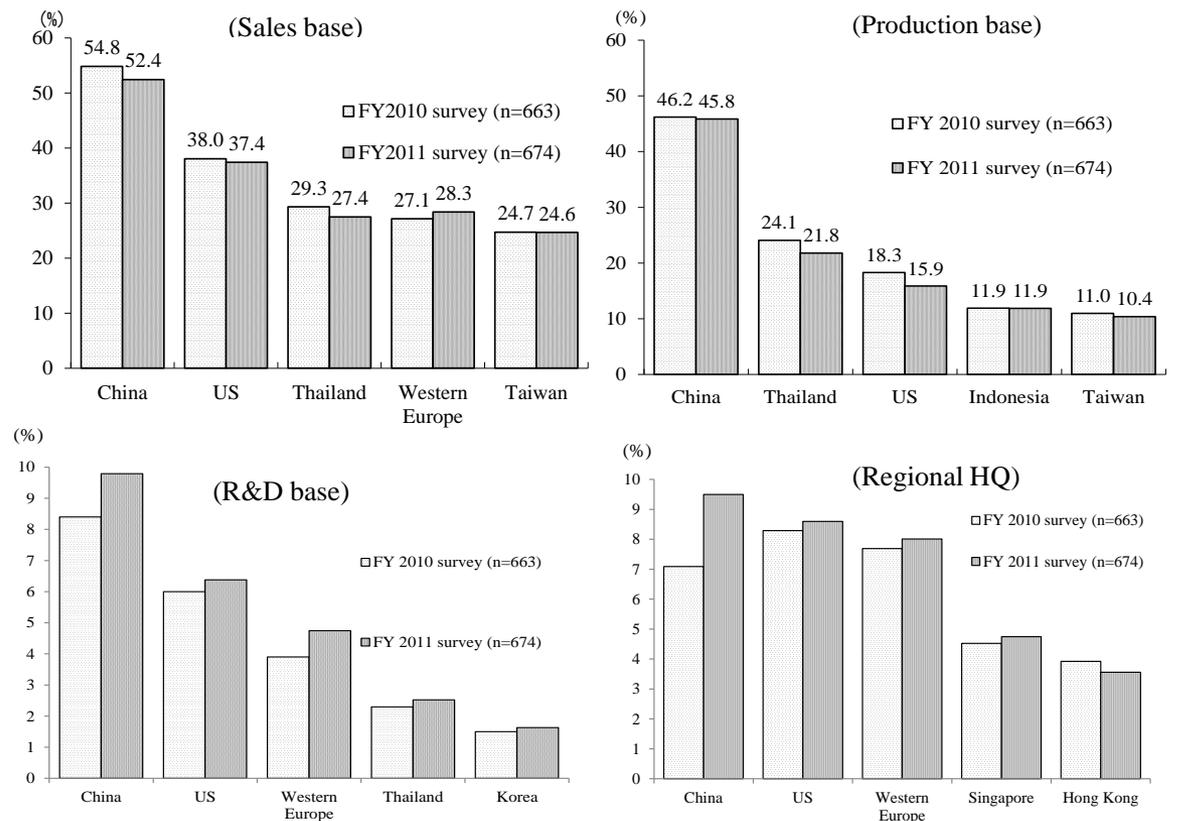


Figure 1-8: Trends in overseas bases by function in selected economies (multiple answers)



Note: For comparison with the results of the past survey, the responses from JETRO member firms alone are taken into account.

1. Export business plans

Chinese and other Asian markets remaining the focus of attention

● **60% of firms demonstrate a positive stance toward exports. China and other Asian countries are the major export targets. By industry, many firms in the food and beverages sector state that they will consider starting exports.**

Firms that will expand exports (over about the next three years) account for 50.3% of the total number of respondents. Including firms that have “not engaged in exports but are willing to do so”, those demonstrating a positive stance toward exports account for 60%. The highest ratio, 68.9%, of firms are interested in China as a target market, followed by the US, India and Indonesia.

By industry, the highest ratio, 88.6%, of firms in the medical products and cosmetics sector will expand exports or were willing to begin exporting. Meanwhile, an outstanding ratio of 17.8% of firms in the food and beverages sector will consider starting exports in future.

Figure 2-1: Export business plan (for the coming three years or so)

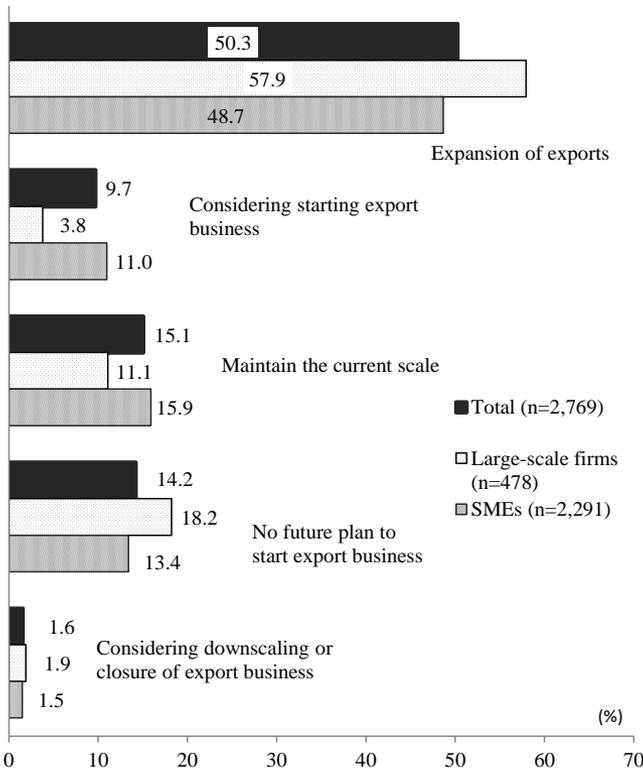


Figure 2-2: Countries and regions targeted by firms planning to expand or start export business

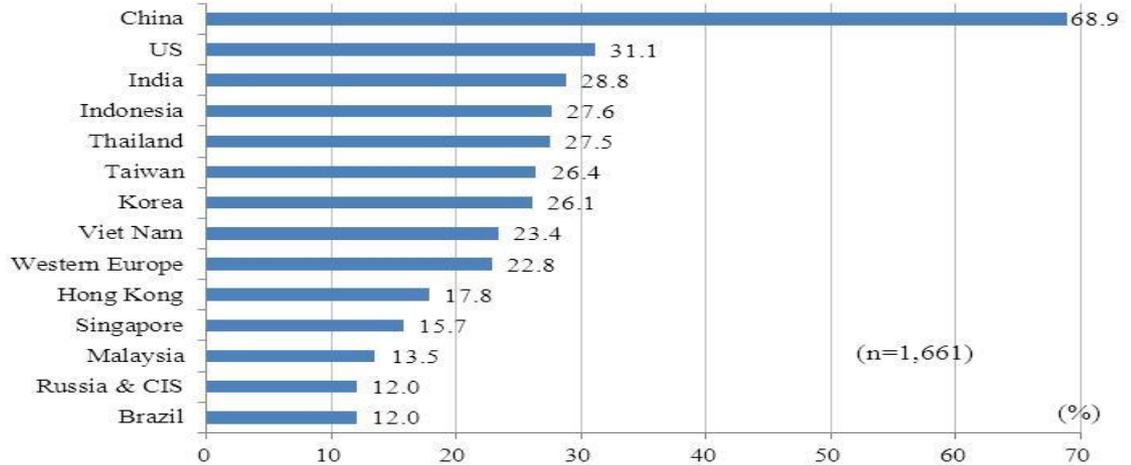


Figure 2-3: Major industries planning to expand or start export business (Number of firms; %)

Industry	Total respondents	Expand exports	Considering starting exports	Subtotal
Medical products & cosmetics	44	84.1	4.5	88.6
Precision equipment	76	69.7	7.9	77.6
Food & beverages	197	58.4	17.8	76.2
General machinery	168	67.3	6.0	73.3
Chemicals	83	68.7	2.4	71.1
Electrical equipment	95	62.1	7.4	69.5
Ceramics/earth & stone	49	63.3	2.0	65.3
Plastics/rubber products, etc.	103	57.3	7.8	65.1

2. Challenges and obstacles regarding exports

Tariffs, import regulations and logistics infrastructure in the BRICs are seen as obstacles

● **Tariffs and numerous rules and regulations in the BRICs and some other economies are cited as obstacles to exports.**

Many respondent firms point out that collecting information on the preferences and needs of the destination markets and expanding local sales and distribution networks are challenges for exporting.

The largest proportion (35.2%) of all firms name China as the country/region putting up most obstacles, followed by India, Korea, Russia and Brazil. Factors making export difficult include high tariffs (China, India, Korea and Brazil), troublesome customs clearance procedures (China, Russia and Indonesia), rigorous import regulations or regulations differing from those of Japan (Russia and Indonesia) and insufficient logistics infrastructure (India).

Figure 2-5: Economies cited as having obstacles and issues cited as obstacles for export business (multiple answers)

Major obstacles for export business	Total		China		India		Korea		Russia & CIS		Brazil		Indonesia	
	No. of responses	% of the total	No. of responses	% of the total	No. of responses	% of the total	No. of responses	% of the total	No. of responses	% of the total	No. of responses	% of the total	No. of responses	% of the total
Number of times cited and % of total respondent firms	2,121	-	747	35.2	136	6.4	105	5.0	79	3.7	75	3.5	69	3.3
High tariffs	409	19.3	225	30.1	59	43.4	46	43.8	18	22.8	51	68.0	16	23.2
Customs clearance procedures (complicated, time-consuming, etc.)	409	19.3	285	38.2	39	28.7	7	6.7	34	43.0	18	24.0	25	36.2
Other import regulations (rigorous, different from Japanese regulations, etc.)	345	16.3	213	28.5	28	20.6	14	13.3	33	41.8	20	26.7	23	33.3
Responses from importers (collection of proceeds, etc.)	268	12.6	185	24.8	28	20.6	17	16.2	16	20.3	4	5.3	12	17.4
Intellectual property rights protection	219	10.3	202	27.0	6	4.4	14	13.3	0	0.0	0	0.0	3	4.3
Import regulations on radioactive materials	163	7.7	103	13.8	1	0.7	28	26.7	13	16.5	3	4.0	4	5.8
Local logistics (infrastructure development, transportation networks, etc.)	161	7.6	55	7.4	55	40.4	2	1.9	11	13.9	8	10.7	15	21.7

Figure 2-4: Matters seen as essential for export business (multiple answers)

(%)

Matters seen as essential	Total (n=2,121)	Large-scale firms (n=357)	SMEs (n=1,764)
Collection of information on the preferences and needs of the destination markets	35.5	39.2	34.8
Collection of information on tariff rates, import regulations and other systems	26.2	33.9	24.6
Securing new buyers (participation in trade shows and business meetings, etc.)	23.0	21.8	23.2
Expansion of local sales and distribution networks	27.5	38.1	25.4
Development of new products for export and the localization of existing products	19.5	24.6	18.5

3. Overseas investment and domestic operations

1. Domestic and overseas business plans (for the next three years)

Plans to expand overseas operations are continuing to increase

● **More than 70% of SMEs are willing to actively expand their overseas operations.**

Firms planning to expand overseas operations (through new investment or expanding existing bases) in the next three years or so increased by 4.2 percentage points from 69.0% in the previous survey to 73.2% (see Note). By firm size, the proportion of large-scale companies rose from 73.2% to 76.8%, and SMEs from 66.0% to 71.4%. Plans to expand domestic operations also rose from 40.7% in the previous survey to 46.2%. (Note) For comparison with the results of the past survey, responses from JETRO member firms alone are taken into account.

Figure 3-1: Overseas business plans

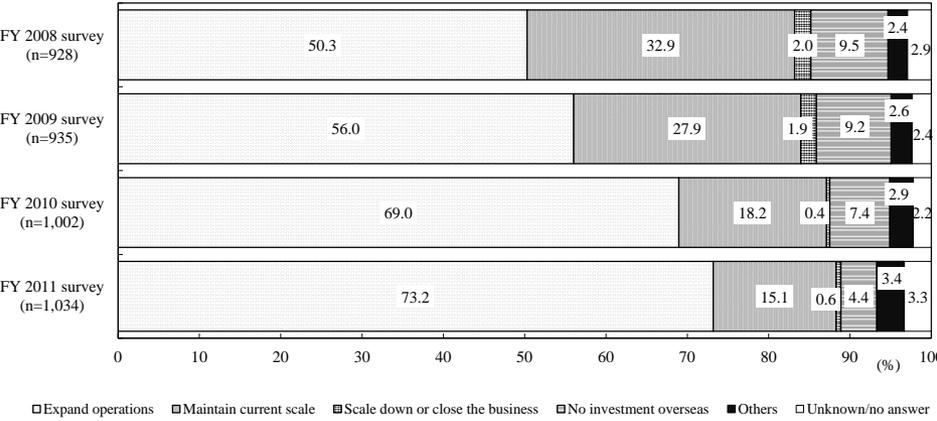
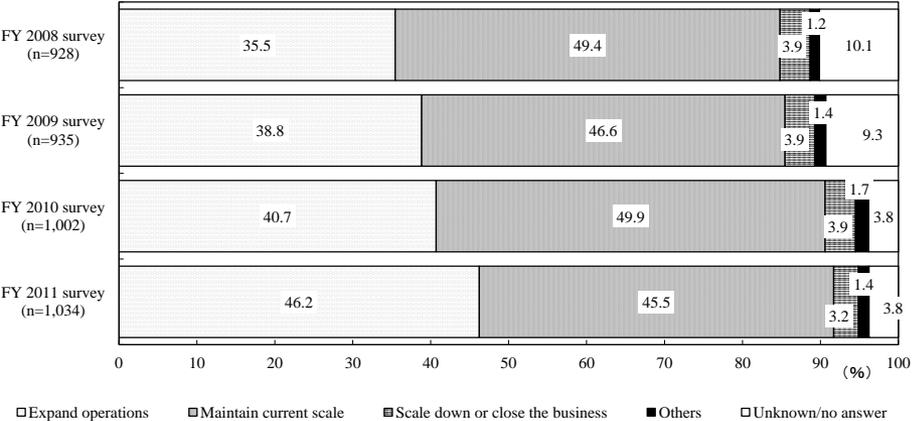
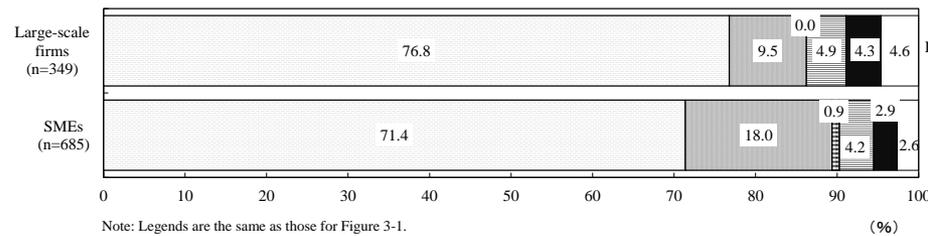


Figure 3-2: Domestic business plans

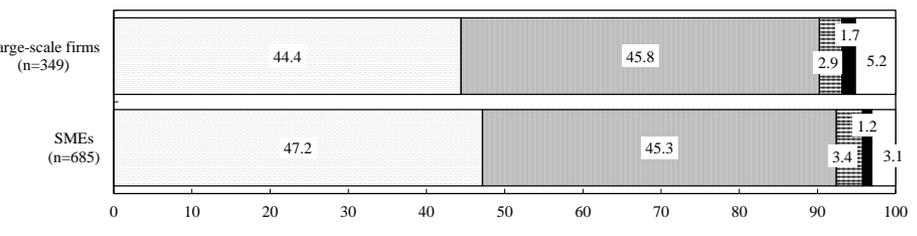


By scale of the firms



Note: Legends are the same as those for Figure 3-1.

By scale of the firms



Note: Legends are the same as those for Figure 3-2.

3. Overseas investment and domestic operations

2. Domestic and overseas business plans (for the next three years, by industry)

Increasing number of non-manufacturers to expand overseas operations as well (1)

● **Largest number of non-manufacturers planning to expand overseas operations only**

The largest number of manufacturers (607 firms, about 40% of the total number of manufacturers) plan to expand both domestic and overseas operations, while the largest number of non-manufacturers (357 firms) plan to expand overseas operations only. By company size, the largest share of both large-scale companies and SMEs plan to expand both domestic and overseas operations.

By industry, more than 70% of firms in the sectors of cars/car parts/other transportation machinery, chemicals and medical products and cosmetics will expand their overseas operations and these manufacturing sectors are ranked high in the list of the top 10 industries expanding their overseas business. However, non-manufacturing sectors such as information and software, transport, professional services and construction are also included in the list.

Figure 3-3: Firms expanding their overseas/domestic business (by industry group; by scale of the firms)

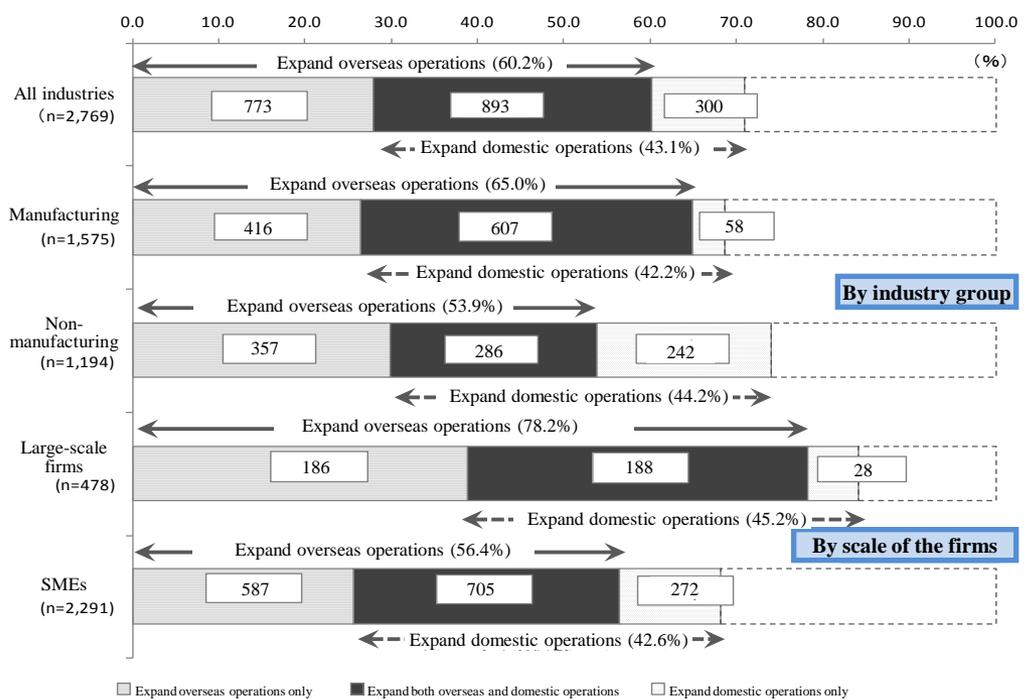


Figure 3-4: Top 10 industries expanding their overseas/domestic business

Industry		No. of respondents	Expanding firms	%
Total		2,769	1,666	60.2
Overseas business	1 Cars/car parts/other transportation machinery	125	95	76.0
	2 Chemicals	83	63	75.9
	3 Medical products & cosmetics	44	32	72.7
	4 IT equipment/electronic parts & devices	59	41	69.5
	5 Information & software	49	34	69.4
	6 Electrical equipment	95	65	68.4
	7 General machinery	168	113	67.3
	8 Transport	51	34	66.7
	9 Professional services	54	36	66.7
	10 Construction	53	35	66.0
Total		2,769	1,193	43.1
Domestic business	1 Information & software	49	39	79.6
	2 Medical products & cosmetics	44	28	63.6
	3 Professional services	54	33	61.1
	4 Food & beverages	197	115	58.4
	5 Wood & wood products/furniture & building materials/paper & pulp	77	41	53.2
	6 Electrical equipment	95	45	47.4
	7 Retail	78	37	47.4
	8 Chemicals	83	38	45.8
	9 Other non-manufacturing	122	54	44.3
	10 Trade & wholesale	713	304	42.6

3. Overseas investment and domestic operations

3. Domestic and overseas business plans (for the next three years, by function)

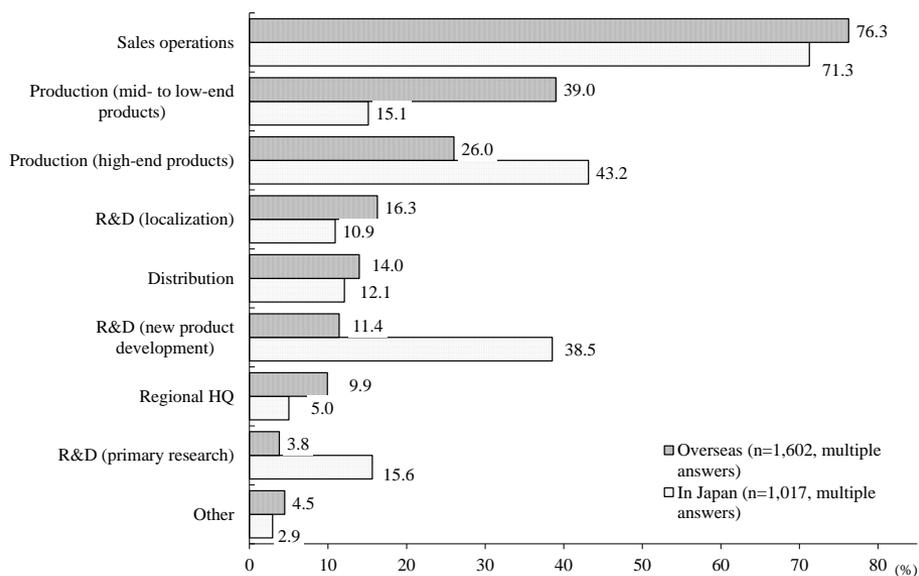
Increasing number of non-manufacturers to expand overseas operations as well (2)

● Overseas sales operations expanding significantly in retail sector of non-manufacturing industries and food and beverages sector of manufacturing industries

Broken down by function (sales, production, R&D, etc.), the majority of firms are expanding sales operations both overseas and in Japan (more than 70% of firms in each case). The ratio of firms expanding production of mid- to low-end products, R&D for the localization of products, regional headquarters and distribution functions overseas is higher than that of firms expanding such functions in Japan. In contrast, the ratio of firms boosting the production of high-end products and R&D for primary research and new product development in Japan is higher than that of firms expanding such functions overseas.

By industry, about 90% of firms in the retail, food and beverages, and trade and wholesale sectors will expand their overseas sales operations.

Figure 3-5: Functions to be expanded in Japan and overseas (all industries)



Note: n indicates the number of firms that plan to expand overseas/domestic businesses after excluding those which have not specified the functions to be expanded.

Figure 3-6: Industries expanding sales operations and the production of mid-to low-end products overseas

Expanding sales operations overseas		No. of respondents	No. of expanding firms	%
Total		1,602	1,222	76.3
Large-scale firms		356	275	77.2
SMEs		1,246	947	76.0
1	Retail	35	32	91.4
2	Food & beverages	117	103	88.0
3	Trade & wholesale	378	323	85.4
4	Precision equipment	47	39	83.0
5	Medical products & cosmetics	29	24	82.8

Expanding production of mid- to low-end products overseas		No. of respondents	Number of expanding firms	%
Total		1,602	625	39.0
Large-scale firms		356	163	45.8
SMEs		1,246	462	37.1
1	IT equipment/electronic parts & devices	40	31	77.5
2	Coal & petroleum products/plastics/rubber products	63	44	69.8
3	Cars/car parts/ other transportation machinery	91	61	67.0
4	General machinery	110	72	65.5
5	Textiles/clothing	59	38	64.4

Note: n indicates the number of firms that plan to expand overseas/domestic businesses after excluding those which have not specified the functions to be expanded.

3. Overseas investment and domestic operations

4. Business expansion plans by function and country/region

Plans to expand the functions of overseas bases center on China (1)

● Thailand ranks second across almost all functions following top-ranking China.

A look at countries/regions where firms are planning to expand business and their functions finds that China ranks top across all functions, with Thailand in second place for all but a few, such as regional headquarters.

Figure 3-7: Overseas business expansion plans by function and country/region (over the next three years or so; top 10 countries/regions)

(Multiple answers; %)

Sales operations			Production (mid- to low-end products and high-end products)						R&D (primary research, new product development and localization)								
						Production (mid- to low-end products)			Production (high-end products)			R&D (primary research)					
Ranking	Country/region	Share	Ranking	Country/region	Share	Ranking	Country/region	Share	Ranking	Country/region	Share	Ranking	Country/region	Share	Ranking	Country/region	Share
1	China	51.5	1	China	32.5	1	China	24.8	1	China	14.7	1	China	13.5	1	China	1.9
2	Thailand	18.3	2	Thailand	12.1	2	Thailand	9.7	2	Thailand	5.4	2	Thailand	4.4	2	Thailand	0.5
3	Indonesia	17.0	3	Indonesia	8.7	3	Indonesia	6.9	3	US	4.6	3	US	3.9	2	US	0.5
4	India	16.9	4	Viet Nam	8.3	3	Viet Nam	6.9	4	Viet Nam	3.4	4	Western Europe	3.2	4	India	0.4
5	US	15.7	5	India	6.1	5	India	5.2	5	Indonesia	3.3	5	Indonesia	3.1	5	Singapore	0.3
6	Taiwan	15.0	6	US	6.0	6	Korea	3.3	6	Western Europe	2.6	6	Taiwan	3.0	5	Viet Nam	0.3
7	Korea	14.8	7	Korea	4.7	7	Taiwan	2.6	7	Taiwan	2.4	7	India	2.9	5	Western Europe	0.3
8	Viet Nam	12.4	8	Taiwan	4.4	8	Malaysia	2.4	8	Korea	1.9	8	Korea	2.6	8	Hong Kong	0.2
9	Western Europe	11.5	9	Malaysia	3.9	8	US	2.4	9	Malaysia	1.7	9	Viet Nam	2.3	8	Taiwan	0.2
10	Hong Kong	11.5	10	Western Europe	3.4	10	Brazil	1.8	9	India	1.7	10	Hong Kong	1.9	8	C & E Europe	0.2

			R&D (new product development and localization)				Regional HQ			Distribution				
			R&D (new product development)		R&D (localization)									
Ranking	Country/region	Share	Ranking	Country/region	Share	Ranking	Country/region	Share	Ranking	Country/region	Share			
1	China	13.0	1	China	6.4	1	China	9.6	1	China	4.5	1	China	8.5
2	Thailand	4.2	2	US	2.6	2	Thailand	3.4	2	Singapore	2.9	2	Thailand	3.1
3	US	3.9	3	Western Europe	1.8	3	US	2.4	3	Western Europe	2.0	3	Indonesia	2.4
4	Western Europe	3.1	4	Thailand	1.6	4	Indonesia	2.4	4	Thailand	1.7	4	Hong Kong	2.2
5	Indonesia	3.1	5	Taiwan	1.2	5	Western Europe	2.1	4	US	1.7	5	India	2.0
6	Taiwan	2.9	5	Korea	1.2	6	Taiwan	2.1	6	Hong Kong	1.4	6	Singapore	1.9
7	India	2.7	5	Indonesia	1.2	6	India	2.1	7	India	1.1	7	Viet Nam	1.7
8	Korea	2.6	8	Viet Nam	1.1	8	Korea	1.7	8	Indonesia	0.7	8	Taiwan	1.5
9	Viet Nam	2.2	9	India	0.9	9	Viet Nam	1.6	9	Taiwan	0.6	9	Korea	1.2
10	Hong Kong	1.9	10	Hong Kong/Malaysia	0.7	10	Hong Kong	1.4	10	Malaysia	0.6	10	Malaysia	0.9

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

3. Overseas Investment and Domestic Operations

5. Business expansion plans by function, country/region and size of firm

Plans to expand the functions of overseas bases center on China (2)

● Large-scale firms attach greater importance to India, Indonesia and Thailand, whereas SMEs' interests cover a wider area including ASEAN countries, Taiwan and Korea.

By firm size, around 60% of large-scale firms and around 50% of SMEs will expand sales operations overseas. Excluding China, large-scale firms place greater emphasis on India, Indonesia, and Thailand than other countries/regions for expansion of sales operations and production in particular. Meanwhile, SMEs examined diversified areas for the expansion of their sales operations, with almost the same level of attention centered on each of the ASEAN countries, Taiwan, Korea and the US.

Figure 3-8: Overseas business expansion plans by function and country/region (over the next three years or so)

(Multiple answers; %)

	Large-scale firms							SMEs						
	Sales operations	Production		R&D	Regional HQ	Distribution	Sales operations	Production		R&D	Regional HQ	Distribution		
		Mid- to low-end products	High-end products					Mid- to low-end products	High-end products					
China	57.0	39.0	30.6	17.7	15.2	10.4	14.6	49.9	30.6	23.2	13.9	13.1	2.8	6.7
Hong Kong	5.1	0.8	0.6	0.6	1.1	2.0	2.2	13.3	2.3	1.0	1.6	2.1	1.2	2.2
Taiwan	8.7	3.1	1.4	2.0	2.0	0.6	1.1	16.9	4.7	2.9	2.5	3.3	0.6	1.6
Korea	9.3	5.6	4.2	2.0	1.1	0.0	1.1	16.4	4.5	3.0	1.8	3.0	0.3	1.3
Singapore	10.7	2.8	1.7	2.0	0.8	6.7	2.5	10.2	1.9	0.7	1.3	1.6	1.8	1.7
Thailand	20.5	17.7	14.3	8.4	7.0	4.2	6.5	17.7	10.5	8.3	4.5	3.6	1.0	2.2
Malaysia	5.9	5.3	3.9	2.2	1.4	1.1	0.8	9.5	3.5	2.0	1.6	1.6	0.4	1.0
Indonesia	21.1	16.3	13.8	4.8	2.8	0.8	4.5	15.8	6.6	4.9	2.9	3.1	0.6	1.8
Philippines	2.5	3.1	2.8	1.1	0.0	0.0	0.0	3.5	1.2	1.0	0.3	0.6	0.2	0.2
Viet Nam	15.2	11.5	9.8	4.2	1.4	0.8	3.7	11.6	7.4	6.0	3.1	2.6	0.4	1.1
India	28.4	14.0	12.1	4.5	4.5	3.1	4.5	13.6	3.8	3.3	1.0	2.4	0.6	1.3
Australia	1.1	0.0	0.0	0.0	0.0	0.0	0.3	3.7	0.6	0.4	0.4	0.9	0.1	0.2
US	13.5	8.7	3.9	6.2	4.5	4.2	0.3	16.3	5.2	2.0	4.1	3.8	1.0	0.7
Canada	1.4	0.3	0.3	0.0	0.0	0.0	0.0	2.6	0.8	0.2	0.6	0.7	0.1	0.0
Mexico	4.8	3.1	2.5	1.1	0.0	0.3	0.8	1.3	0.6	0.5	0.1	0.2	0.1	0.0
Brazil	13.2	5.3	5.1	1.4	1.1	1.4	2.0	4.1	1.0	0.9	0.2	0.5	0.1	0.2
Other Latin America	1.7	0.6	0.6	0.0	0.0	0.6	0.6	2.0	0.2	0.2	0.0	0.4	0.0	0.2
Western Europe	11.0	2.2	1.1	2.0	4.2	5.9	1.1	11.7	3.7	1.4	2.7	3.0	0.9	0.8
C & E Europe	3.7	1.4	1.4	0.6	0.6	0.6	0.3	3.5	0.8	0.5	0.5	0.6	0.1	0.2
Russia & CIS	7.9	2.0	2.0	0.3	0.3	0.6	1.4	5.5	0.4	0.2	0.2	0.8	0.4	0.5
Middle East	5.6	0.8	0.6	0.8	0.8	0.3	1.1	4.3	0.5	0.2	0.3	0.3	0.1	0.0
Africa	2.2	0.0	0.0	0.0	0.0	0.0	0.3	1.5	0.3	0.2	0.2	0.3	0.1	0.2

Notes: 1) Of the respondents which plan to expand overseas/domestic businesses, those which have not specified the function to expand are excluded from the number of respondents (n). (n=1,602)
2) Figure that is 10% or higher is shaded.

3. Overseas investment and domestic operations

6. Methods and reasons for overseas business development in future

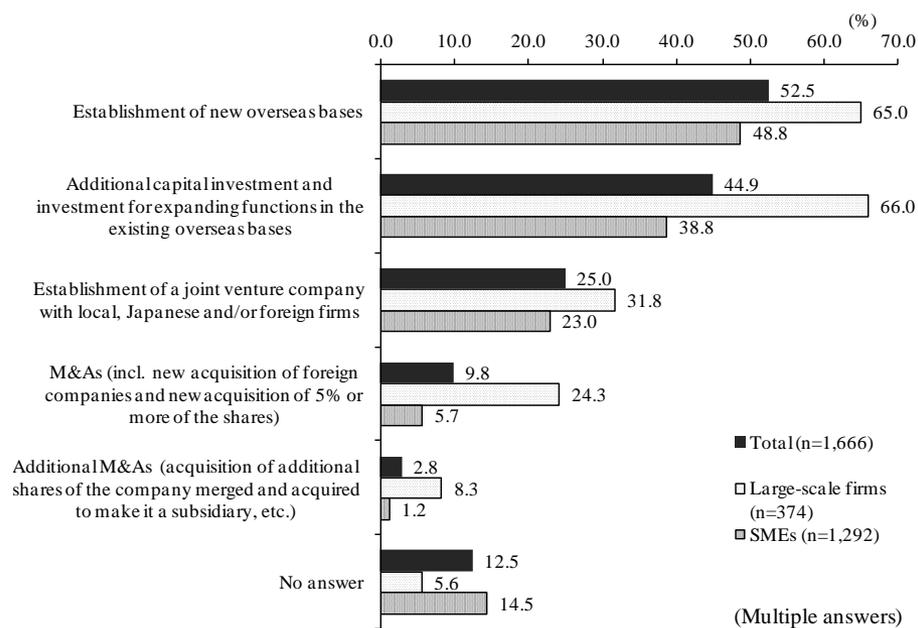
Increasing overseas demand greatest determining factor for entry into the international arena

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

As methods for development and reorganization of overseas business operations, “establishment of new overseas bases” is the most common response, at 52.5%, followed by “additional capital investment and investment for expanding functions in existing overseas bases” at 44.9%. Large-scale companies also show a positive attitude toward expansion through M&As (acquisitions of foreign companies, new large-scale investments in foreign companies, etc.).

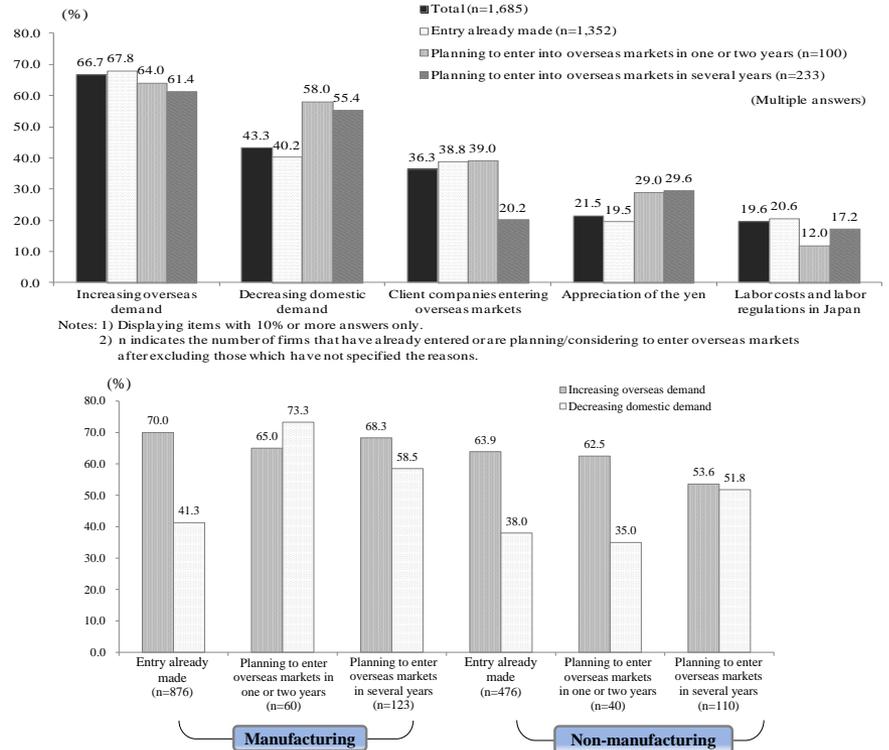
“Increasing overseas demand” is the biggest reason for overseas investment, cited by more than 60% of firms which have either made inroads into overseas markets or are considering doing so. The second biggest is “decreasing domestic demand”. However, manufacturers intending to start overseas operations in one to two years are encouraged to do so more by “decreasing domestic demand” than by “increasing overseas demand”.

Figure 3-9: Methods for overseas business expansion



Note: n indicates the number of respondents planning to expand their overseas operations.

Figure 3-10: Reasons for entry (already made/planning/considering) to overseas markets



3. Overseas investment and domestic operations

7. Domestic and overseas operations: share of sales and operating income in FY2010

Asia and Pacific region produced about 20% of sales and profits

● On average, about 70% of both sales and operating income produced domestically, 30% overseas

The share of the Asia and Pacific region account for approximately 20% of both sales and operating income (including overseas subsidiaries' operations). By company size, ratios accounted for by Asia and the Pacific are slightly higher for SMEs than large-scale firms, while the reverse is true for North and Latin America. By industry, the share from overseas is particularly high in the trade and wholesale/retail sector.

Figure 3-11: Domestic and overseas operations' share of sales in FY2010 (%)

		No. of firms	Domestic sales	Overseas sales	Asia and the Pacific	North and Latin America	Europe and Russia	Other
Total		1,541	71.9	28.1	17.4	4.9	3.7	2.0
By scale of firms	Large-scale firms	278	72.6	27.4	15.7	6.1	4.3	1.3
	SMEs	1,263	71.8	28.2	17.8	4.7	3.6	2.2
By industry	Manufacturing	1,001	76.5	23.5	15.1	4.4	2.9	1.1
	Non-manufacturing	540	63.4	36.6	21.7	5.9	5.3	3.7
	Trade & wholesale/retail	423	59.6	40.4	23.7	6.7	5.9	4.1
	Services	117	76.9	23.1	14.3	3.1	3.1	2.6

Figure 3-12: Domestic and overseas operations' share of operating income in FY2010 (%)

		No. of firms	Domestic operating income	Overseas operating income	Asia and the Pacific	North and Latin America	Europe and Russia	Other
Total		1,137	71.3	28.7	18.5	4.6	3.7	1.9
By scale of firms	Large-scale firms	195	73.3	26.7	16.7	5.8	3.5	0.8
	SMEs	942	70.9	29.1	18.9	4.4	3.8	2.1
By industry	Manufacturing	712	75.9	24.1	16.3	4.3	2.6	0.9
	Non-manufacturing	425	63.5	36.5	22.2	5.2	5.5	3.6
	Trade & wholesale/retail	334	60.3	39.7	24.5	5.5	6.1	3.6
	Services	91	75.3	24.7	14.1	3.9	3.3	3.4

Notes: 1) With regard to the sales data, figures provided by firms that booked overseas sales and revealed the sales ratio by region alone (1,541 firms) are accounted for.

2) With regard to the operating income data, figures provided by firms that booked overseas sales and revealed the operating income ratio by region alone (1,137 companies) are accounted for.

3) Export sales are included in overseas sales as the estimated ratio they account for of total overseas sales. Overseas operating income include exports. The operating income is estimated based on the assumption of how much the overseas sales, including export sales, contribute to the respective firm's overall profits.

4. Utilization of free trade agreements (FTAs)

1. Utilization of preferential tariff schemes under Japan's effective FTAs

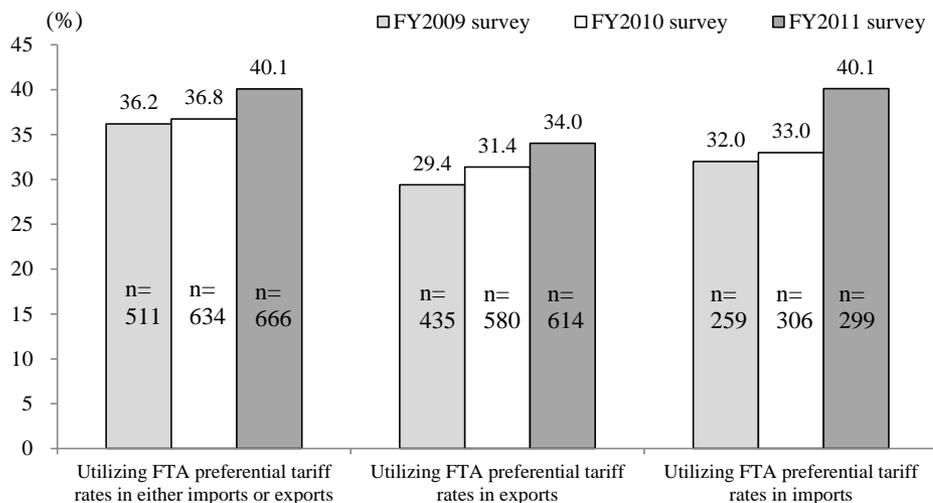
Utilization of Japan's FTAs is continuing to expand

● **40.1% of firms engaged in trade with companies in FTA partner countries/regions utilizing FTA preferential tariff rates.**

40.1% of firms having either import or export business with any of the FTA partner countries/regions were utilizing preferential tariff rates under Japan's free trade agreements (FTAs), indicating a trend of increased utilization over the past three years.

By industry (firms not engaged in trade with FTA partner countries/regions included), more than 30% of companies in the coal and petroleum products/plastics/rubber products sector utilize preferential tariff rates in exports, while 36.9% of them utilize such rates in either imports or exports, the highest ratios of all industries. The textiles/clothing sector shows the highest utilization rate for imports at 21.1%.

Figure 4-1: Utilization rate of Japan's FTAs



Note: "n" indicates the number of firms that have either import or export business with any one or more of the partner countries/regions (Mexico, Malaysia, Chile, Thailand, Indonesia, the Philippines, ASEAN, Switzerland, Viet Nam and India). In order for a comparison with the past surveys to be made, only JETRO member companies operating in the manufacturing, trade and wholesale and retail industries were the subjects of the survey. Although Japan has concluded bilateral FTAs with Singapore and Brunei, they are included under ASEAN.

Figure 4-2: Utilization rate of Japan's FTAs by industry (%)

Industry	n	Utilization rate (either imports or exports)	Utilization rate (exports)	Utilization rate (imports)
Coal & petroleum products/plastics/rubber products	103	36.9	30.1	18.4
Ceramics/earth & stone	49	28.6	22.4	16.3
Medical products & cosmetics	44	27.3	20.5	11.4
Cars/car parts/other transportation machinery	125	27.2	24.0	11.2
Textiles/clothing	114	27.2	16.7	21.1
Chemicals	83	25.3	24.1	8.4
General machinery	168	22.6	20.8	3.6
Precision equipment	76	22.4	22.4	2.6
Wood & wood products/furniture & building materials/paper & pulp	77	20.8	11.7	11.7
Trade & wholesale	713	19.6	10.8	11.6
Other manufacturing	174	19.5	16.1	9.8
Retail	78	16.7	7.7	10.3
Iron & steel/non-ferrous metals/metal	211	14.7	13.7	3.3
Transport	51	13.7	13.7	7.8
Electrical equipment	95	13.7	10.5	6.3
Food & beverages	197	12.7	5.6	8.6
Electricity, gas and water	10	10.0	0.0	10.0
Construction	53	7.5	5.7	1.9
IT equipment/electronic parts & devices	59	6.8	5.1	3.4
Other non-manufacturing	122	4.1	2.5	2.5

Note: "n" includes firms not engaged in trade with FTA partner countries/regions.

4. Utilization of free trade agreements (FTAs)

2. Utilization/consideration of utilization for each FTA

Further progress seen in the utilization of each FTA

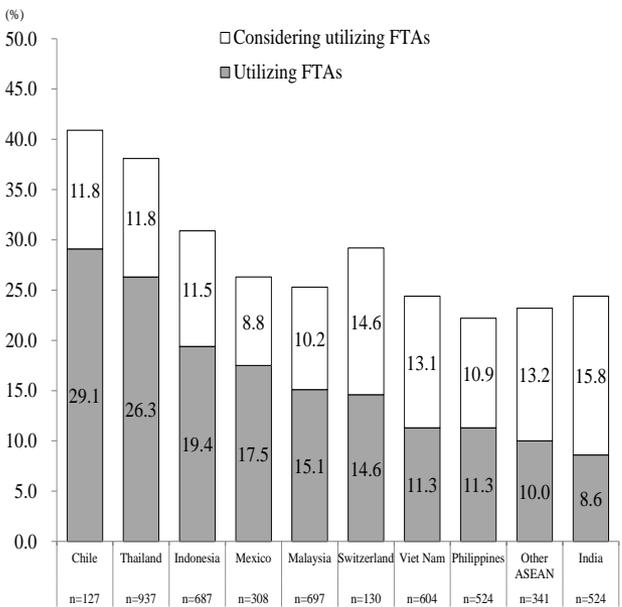
● **Increasing number of companies shifting from “considering utilization of FTAs” to “actually utilizing FTAs”**

Examination of the utilization status of individual FTAs finds that the largest number of both exporters (246 out of 937 exporters) and importers (119 out of 338 importers) are utilizing the Japan-Thailand FTA. Meanwhile, the utilization rate for the Japan-Chile FTA is the highest of all FTAs among both exporters and importers, standing at 29.1% and 36.5% (the Chilean general tariff rate is 6% on nearly all import products). With the utilization rate following an upward path, the ratio of firms considering utilizing any of the FTAs decreased from the previous year (from 18.8% to 15.8% for exporters, and from 16.7% to 11.7% for importers), reflecting the number of companies shifting from consideration to actual utilization.

● **The most common reason for firms not utilizing FTAs for exports is “not aware of the FTA/EPA system”.**

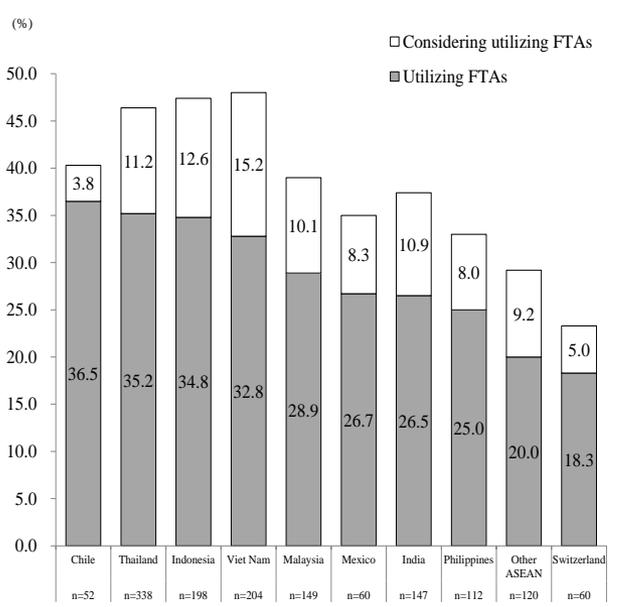
The largest proportion (25.0%) of firms not utilizing FTAs for exports state that the reason behind it is “not being aware of the FTA/EPA system”. The comparative ratio for SMEs is higher at approximately 30%. A relatively large proportion of large-scale firms responded that there was no need for them to utilize FTAs for reasons such as zero applied tariff rates at the export destinations.

Figure 4-3: FTAs used by exporters



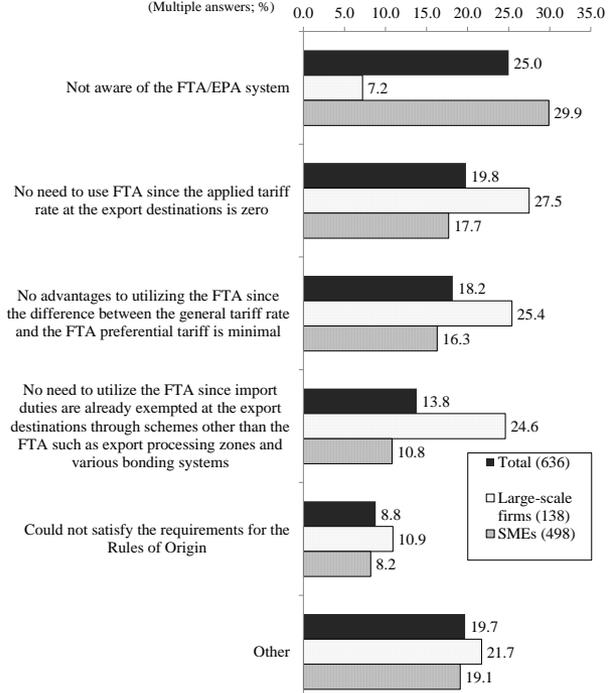
Note: "n" indicates the number of respondents engaged in exports with the respective country/region.

Figure 4-4: FTAs used by importers



Note: "n" indicates the number of respondents engaged in imports with the respective country/region.

Figure 4-5: Reasons for not using FTAs in exports



4. Utilization of free trade agreements (FTAs)

3. Utilization of preferential tariff rates under Japan's FTAs (by industry)

Wider range of industries now utilizing FTAs

- In exports, textiles/clothing and automobile-related industries are leading users

By industry, textiles/clothing leads in utilization of four FTAs for exports. Cars/car parts/other transportation equipment, coal and petroleum products/plastics/rubber products and transport leads in utilization of two FTAs for exports.

- Japan-India FTA prompting wider range of importers to utilize FTAs

Textiles/clothing and food and beverages sectors each lead utilization of three FTAs for imports. The utilization rate by importers in trade and wholesale and retail is also generally high. Since the general Japanese tariff rate is zero on many import products, utilization of FTAs has tended to concentrate on specific industries. However, establishment of the Japan-India FTA has transformed the medical products and cosmetics sector that had thus far not utilized FTAs very much for imports into a high-ranking user. A wider range of industries have started to utilize FTAs in line with their expanding FTA networks.

Figure 4-6: Top five import/export industries utilizing preferential tariff rates under Japan's FTAs that are in effect

Ranking	Japan-Mexico (n=308)		Ranking	Japan-Malaysia (n=697)		Ranking	Japan-Chile (n=127)		Ranking	Japan-Thailand (n=937)		Ranking	Japan-Indonesia (n=687)	
	Industry	%		Industry	%		Industry	%		Industry	%		Industry	%
1	Textiles/clothing (7)	57.1	1	Textiles/clothing (6)	33.3	1	Coal & petroleum products/plastics/rubber products (7)	85.7	1	Transport (11)	54.5	1	Cars/car parts/other transportation machinery (35)	45.7
2	Cars/car parts/other transportation machinery (20)	25.0	1	Transport (6)	33.3	2	Cars/car parts/other transportation machinery (4)	75.0	2	Wood & wood products/furniture & building materials/paper & pulp (15)	53.3	2	Coal & petroleum products/plastics/rubber products (37)	43.2
3	Medical products & cosmetics (9)	22.2	3	Cars/car parts/other transportation machinery (29)	27.6	3	Iron & steel/non-ferrous metals/metal products (12)	41.7	2	Medical products & cosmetics (15)	53.3	3	Textiles/clothing (12)	33.3
4	Coal & petroleum products/plastics/rubber products (15)	20.0	4	Coal & petroleum products/plastics/rubber products (33)	24.2	4	Electrical equipment (9)	33.3	4	Textiles/clothing (23)	47.8	3	Transport (6)	33.3
5	Trade & wholesale (46)	19.6	5	Wood & wood products/furniture & building materials/paper & pulp (14)	21.4	5	Other manufacturing (13)	30.8	5	Coal & petroleum products/plastics/rubber products (42)	45.2	5	Wood & wood products/furniture & building materials/paper & pulp (13)	30.8
Ranking	Japan-Philippines (n=524)		Ranking	Japan-other ASEAN (n=341)		Ranking	Japan-Switzerland (n=130)		Ranking	Japan-Viet Nam (n=604)		Ranking	Japan-India (n=524)	
	Industry	%		Industry	%		Industry	%		Industry	%		Industry	%
1	Coal & petroleum products/plastics/rubber products (26)	30.8	1	Textiles/clothing (6)	50.0	1	Cars/car parts/other transportation machinery (3)	66.7	1	Textiles/clothing (20)	50.0	1	Transport (7)	42.9
2	Ceramics/earth & stones (12)	25.0	2	Wood & wood products/furniture & building materials/paper & pulp (7)	42.9	2	Coal & petroleum products/plastics/rubber products (5)	60.0	2	Transport (8)	25.0	2	Textiles/clothing (8)	37.5
3	Cars/car parts/other transportation machinery (24)	20.8	3	Coal & petroleum products/plastics/rubber products (13)	15.4	3	Wood & wood products/furniture & building materials/paper & pulp (5)	40.0	3	Coal & petroleum products/plastics/rubber products (21)	19.0	3	Coal & petroleum products/plastics/rubber products (27)	14.8
4	Trade & wholesale (116)	12.9	4	Chemicals (22)	13.6	4	Iron & steel/non-ferrous metals/metal products (10)	30.0	4	Ceramics/earth & stones (11)	18.2	4	Iron & steel/non-ferrous metals/metal products (41)	12.2
5	General machinery (79)	12.7	5	Cars/car parts/other transportation machinery (16)	12.5	5	Chemicals (10)	20.0	5	Other manufacturing (48)	16.7	5	Chemicals (41)	9.8
Ranking	Japan-Mexico (n=60)		Ranking	Japan-Malaysia (n=149)		Ranking	Japan-Chile (n=52)		Ranking	Japan-Thailand (n=338)		Ranking	Japan-Indonesia (n=198)	
	Industry	%		Industry	%		Industry	%		Industry	%		Industry	%
1	Food & beverages (4)	75.0	1	Textiles/clothing (4)	75.0	1	Food & beverages (4)	75.0	1	Ceramics/earth & stones (6)	83.3	1	Textiles/clothing (13)	69.2
2	Trade & wholesale (20)	55.0	2	Food & beverages (8)	62.5	2	Trade & wholesale (22)	54.5	2	Transport (4)	75.0	2	Food & beverages (7)	57.1
-	-	-	3	Retail (5)	60.0	3	Wood & wood products/furniture & building materials/paper & pulp (4)	50.0	3	Textiles/clothing (14)	64.3	3	Retail (10)	50.0
-	-	-	4	Cars/car parts/other transportation machinery (4)	50.0	-	-	-	4	Retail (9)	55.6	4	Trade & wholesale (63)	46.0
-	-	-	5	Trade & wholesale (43)	27.9	-	-	-	5	Coal & petroleum products/plastics/rubber products (17)	52.9	5	Cars/car parts/other transportation machinery (9)	44.4
Ranking	Japan-Philippines (n=112)		Ranking	Japan-other ASEAN (n=120)		Ranking	Japan-Switzerland (n=60)		Ranking	Japan-Viet Nam (n=204)		Ranking	Japan-India (n=147)	
	Industry	%		Industry	%		Industry	%		Industry	%		Industry	%
1	Food & beverages (6)	50.0	1	Coal & petroleum products/plastics/rubber products (4)	50.0	1	Iron & steel/non-ferrous metals/metal products (8)	25.0	1	Textiles/clothing (20)	70.0	1	Medical products & cosmetics (3)	100.0
2	Other manufacturing (5)	40.0	2	Textiles/clothing (7)	42.9	2	Trade & wholesale (22)	18.2	2	Other manufacturing (11)	45.5	2	Food & beverages (4)	75.0
3	Trade & wholesale (32)	37.5	2	Retail (7)	42.9	-	-	-	3	Trade & wholesale (72)	43.1	3	Textiles/clothing (11)	36.4
3	Coal & petroleum products/plastics/rubber products (8)	37.5	4	Trade & wholesale (46)	26.1	-	-	-	4	Retail (10)	40.0	4	Trade & wholesale (54)	33.3
-	-	-	-	-	-	-	-	-	5	Wood & wood products/furniture & building materials/paper & pulp (6)	33.3	4	Retail (6)	33.3

Note: The figures in parentheses indicate the number of respondents within the respective industry. Only industries with 3 or more respondents engaged in trade with the respective FTA partner country/region and 2 or more FTA users are accounted for.

4. Utilization of free trade agreements (FTAs)

4. Utilization of FTAs in trade between countries/regions other than Japan

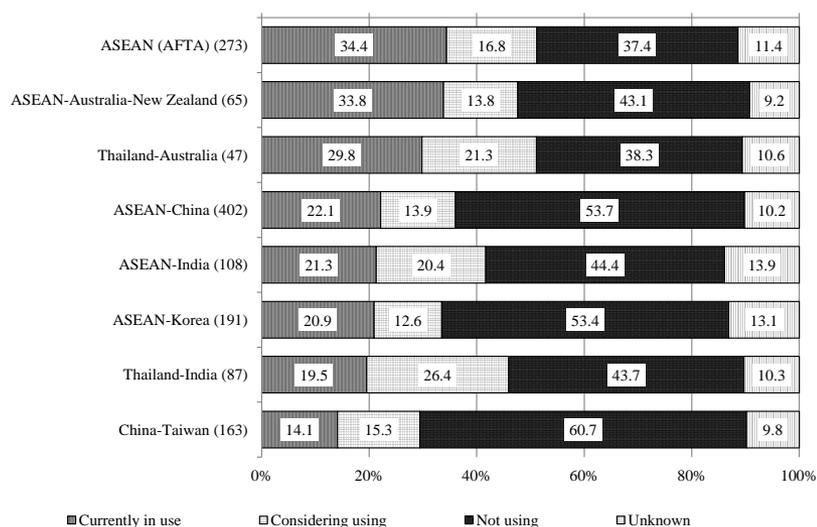
Utilization of third-party FTAs taking root

● SMEs also utilizing third-party FTAs such as AFTA

Among third-party FTAs in effect in the Asia and Pacific region, the utilization rate of the ASEAN Free Trade Area (AFTA) is the highest at 34.4%. SMEs account for 50% of all AFTA users and about 60% of the total number of users of the ASEAN-China FTA, the second most commonly used FTA following AFTA. Utilization of the FTA network in Asia centering on ASEAN has increasingly taken root among large-scale firms and SMEs.

Comparison with past surveys shows that the utilization rate has been on the rise for most FTAs. The utilization rate of the Thailand-Australia FTA and ASEAN-Australia-New Zealand FTA by firms engaged in trade has surpassed 30%. This demonstrates that Thailand has become a supply base for Australia and New Zealand.

Figure 4-7: Utilization status of third-party FTAs that are in effect



Note: The figures in parentheses indicate the number of companies engaged in trade within or between the respective countries/regions.

Figure 4-8: Utilization status of third-party FTAs that are in effect (over time)

FTA		Status	FY 2011	(Unit: %)	
				FY 2010	FY 2009
AFTA (n= 163)	Using FTAs		41.1	32.3	33.3
	Considering using FTAs		18.4	23.7	18.5
Thailand-Australia (n= 33)	Using FTAs		39.4	27.1	24.2
	Considering using FTAs		21.2	14.3	12.9
ASEAN-Australia-New Zealand (n= 46)	Using FTAs		34.8	17.5	-
	Considering using FTAs		15.2	18.8	33.8
ASEAN-Korea (n= 93)	Using FTAs		29.0	16.4	13.2
	Considering using FTAs		16.1	18.8	17.5
ASEAN-China (n= 198)	Using FTAs		27.8	19.5	15.9
	Considering using FTAs		17.2	23.3	22.8
Thailand-India (n= 54)	Using FTAs		24.1	19.1	21.3
	Considering using FTAs		31.5	25.5	18.8
ASEAN-India (n= 68)	Using FTAs		20.6	21.4	-
	Considering using FTAs		23.5	29.1	46.8
China-Taiwan (n= 76)	Using FTAs		18.4	-	-
	Considering using FTAs		17.1	-	-

Notes:

- 1) "n" indicates the number of firms engaged in trade under effective FTAs at the time of the FY2011 survey. The % is the ratio of the respective number of companies to "n".
- 2) "-" denotes that the FTA was neither in effect at the time of the survey nor covered by the survey.
- 3) The numbers of the respondents are as follows: 935 in FY2009, 1,002 in FY2010 and 1,034 in FY2011. For comparison with past surveys, only JETRO member firms are included in the FY2011 data.

1. Impact of the Great East Japan Earthquake on overseas business

Exports affected by supply chain disruptions and import regulations

● Damage sustained by counterparties had significant impact

Many companies were adversely affected by their counterparties sustaining damage from the Great East Japan Earthquake. The problem was particularly serious with large-scale firms (70.7% of them were hit hard) having a lot of suppliers, with the comparative ratio of SMEs reaching 47.9%.

The disaster had an impact on 41.5% of firms engaged in trade. A number of respondents report that due to supply chain disruptions, production systems and procurement constraints decreased the volume of products available for export (15.8%) and due to foreign countries worrying about radioactive materials, import regulations on Japanese products affected exports (14.5%). Negative effects on the import and export operations of SMEs are likely to last for a long time.

Figure 5-1: Impact of the Great East Japan Earthquake on operating systems (multiple answers)

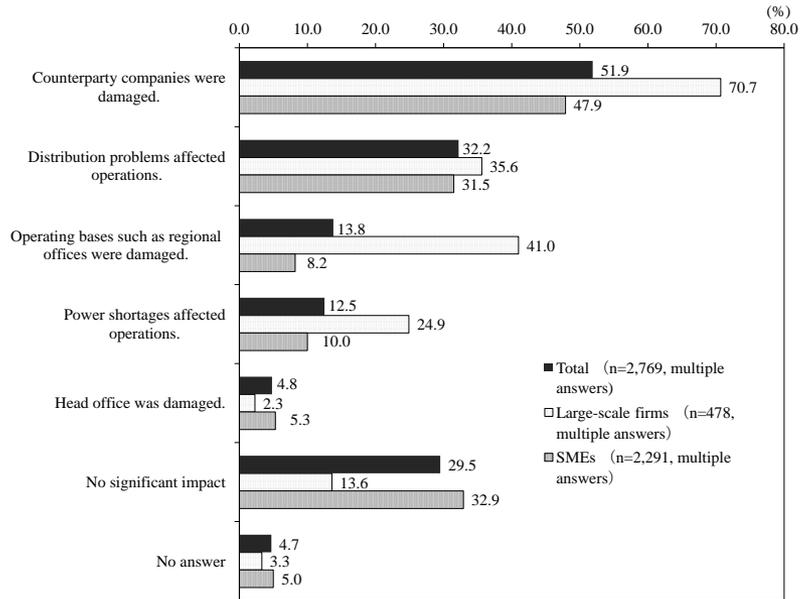
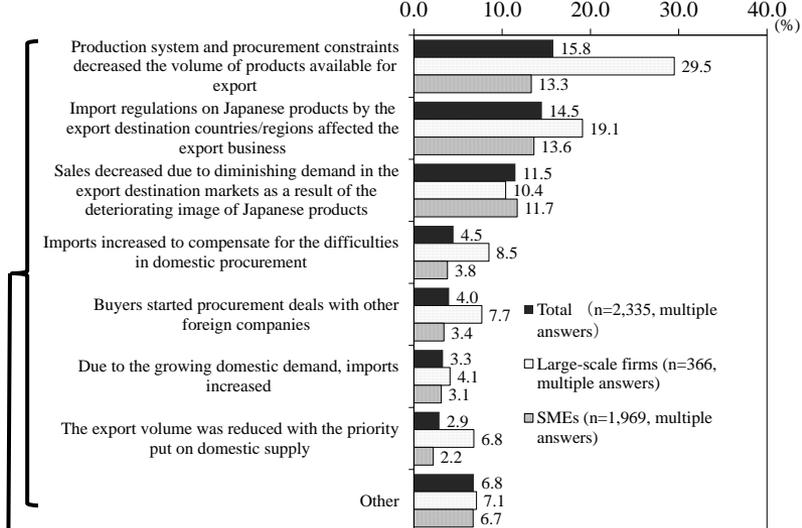


Figure 5-2: Impact of the Great East Japan Earthquake on imports/exports in concrete terms (multiple answers)



Note: Only items that have something to do with the "impact" are listed. Unit: %

	Total (n=849)	Large-scale firms (n=191)	SMEs (n=658)
Less than 1-3 months	17.2	20.9	16.1
Less than 3-6 months	33.5	47.1	29.5
Less than 6-12 months	22.1	16.2	23.9
Less than 1-3 years	12.2	9.4	13.1
3 years or longer	2.6	1.0	3.0
Unpredictable	12.4	5.2	14.4

SMEs likely to be affected for a longer period of time

2. Business strategy after the Great East Japan Earthquake

The disaster has raised awareness of crisis management

● **Due to the disaster, an increasing number of SMEs have begun to seek overseas sales channels.**

Having gone through the Great East Japan Earthquake, 38.9% of large-scale firms and 24.8% of SMEs report that they have overhauled (or are planning to overhaul) or have reviewed (or are planning to review) business strategies. The proportion of large-scale firms that have changed (or will change) their strategies is larger than that of SMEs.

In reviewing business strategies, the largest number of companies (35.7%) focus on the enhancement of disaster prevention measures and crisis management. Awareness of crisis management among firms in industries related to IT equipment/electronic parts and devices and automobiles which suffered supply chains disruption has significantly risen. Strengthening sales activities targeting overseas markets is the area being most widely reviewed by SMEs (30.9%).

Figure 5-3: Business strategy review after the Great East Japan Earthquake

	Total	Large-scale firms	SMEs
Overhauled (or planning to overhaul)	4.8	4.4	4.8
Reviewed (or planning to review) more or less	22.5	34.5	20.0
Not reviewed (no plan to review)	69.0	58.6	71.2
No answer	3.7	2.5	3.9

Note: A total of 2,769 firms (478 large-scale firms and 2,291 SMEs) are covered.

Figure 5-4: Areas to be reviewed (multiple answers)

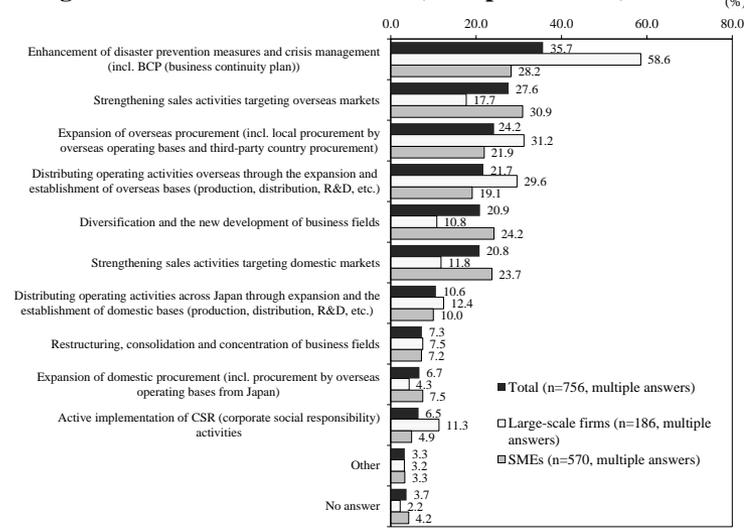


Figure 5-5: Breakdown of the major areas to be reviewed by manufacturers (multiple answers)

	Distributing operating activities overseas through expansion and the establishment of overseas bases (production, distribution, R&D, etc.)	Expansion of overseas procurement (incl. local procurement by overseas operating bases and third-party country procurement)	Strengthening sales activities targeting overseas markets	Strengthening sales activities targeting domestic markets	Diversification and the new development of business fields	Enhancement of disaster prevention measures and crisis management (incl. BCP)
Total	21.7	24.2	27.6	20.8	20.9	35.7
Large-scale firms	29.6	31.2	17.7	11.8	10.8	58.6
SMEs	19.1	21.9	30.9	23.7	24.2	28.2
IT equipment/electronic parts & devices	36.8	26.3	21.1	10.5	5.3	52.6
Cars/car parts/other transportation machinery	39.6	22.6	13.2	11.3	7.5	50.9
Wood & wood products/furniture & building materials/paper& pulp	20.0	20.0	20.0	10.0	20.0	50.0
Coal & petroleum products/plastics/rubber products	37.1	31.4	17.1	17.1	8.6	45.7
Electrical equipment	45.2	41.9	19.4	9.7	19.4	45.2
Chemicals	30.0	33.3	16.7	6.7	6.7	43.3
Precision equipment	22.7	36.4	40.9	13.6	18.2	40.9
Iron & steel/non-ferrous metals/metal products	38.8	26.5	28.6	14.3	28.6	38.8
Medical products & cosmetics	6.3	31.3	25.0	6.3	18.8	37.5
Textiles/clothing	20.0	24.0	40.0	24.0	20.0	36.0
General machinery	20.5	38.5	35.9	10.3	7.7	35.9
Food & beverages	20.8	22.2	29.2	31.9	15.3	33.3
Ceramics/earth & stone	14.3	7.1	35.7	35.7	14.3	28.6
Other manufacturing	23.9	28.3	30.4	23.9	13.0	32.6

Notes: 1) Only areas to be reviewed that recorded a total response rate of 20% or higher are listed.
 2) The shaded parts indicate that a response rate surpassing 40% was recorded in "enhancement of disaster prevention measures and crisis management (incl. BCP (business continuity plans))".

3. Impact of the Thailand floods on overseas business

Exports and sales dented by the Thailand floods

● **67.2% of firms having business relations with Thailand suffered.**

67.2% of firms engaged in exports to or investment in Thailand report that their overseas business was somewhat affected by the floods. Concretely, “exports and sales of products affected by counterparty companies being damaged” is the impact cited by the largest proportion of firms (61.7%), while “imports and procurement affected by counterparty companies being damaged” is cited by the second largest proportion (24.5%). Furthermore, the Thailand floods have made 17.6% of firms more aware of overseas business risks.

Figure 5-6: Impact of the Thailand floods on overseas business

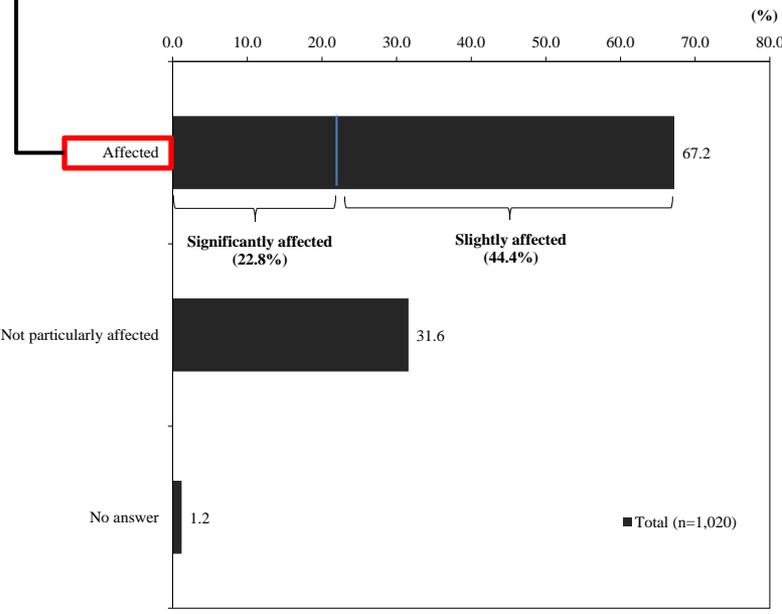
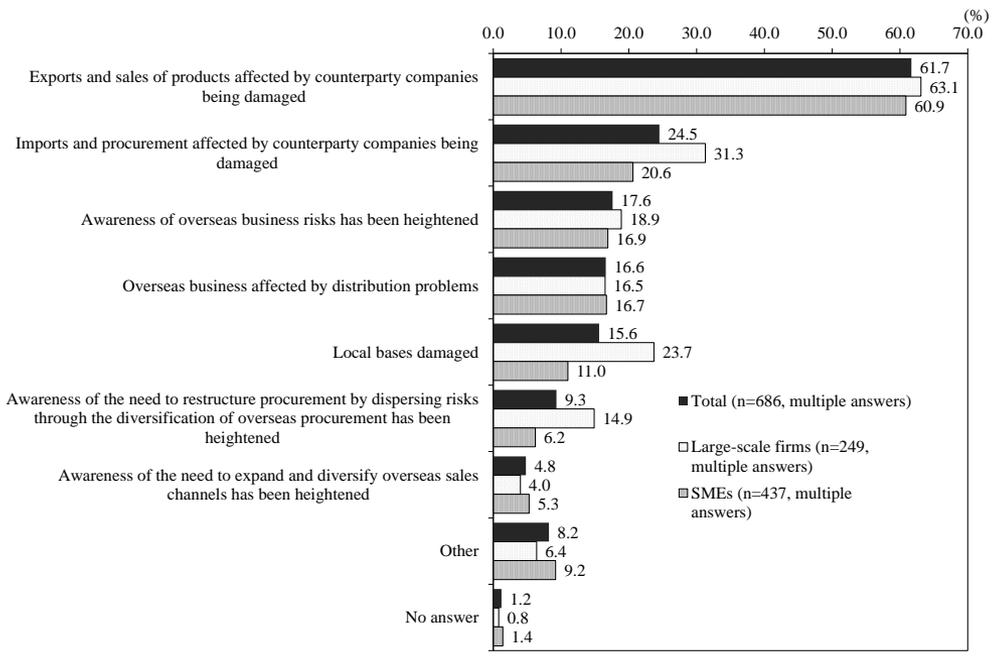


Figure 5-7: Types of impact (multiple answers)



6. Impact of the strong yen on overseas business

1. Impact of the appreciation of the yen against the dollar on corporate earnings

Earnings suffer for about 60% of companies

● **Strong yen has broad influence on firms, regardless of size**

59.9% of companies report that sales and operating income have declined, or are expected to decline, due to the appreciation of the yen against the dollar. Earnings have deteriorated significantly for 18.3%. By company size, 66.5% of large-scale firms and 58.6% of SMEs saw, or are likely to see, earnings decline, a signal that the strong yen has had a broad influence over the earnings of companies, whether they are large, medium-sized or small.

By industry group, 67.2% of manufacturers and 50.4% of non-manufacturers state that earnings weakened or are forecast to weaken. Meanwhile, 33.7% of non-manufacturers report that the strong yen has had no impact on earnings.

Figure 6-1: Impact of the appreciation of the yen against the dollar (by scale of the firms)

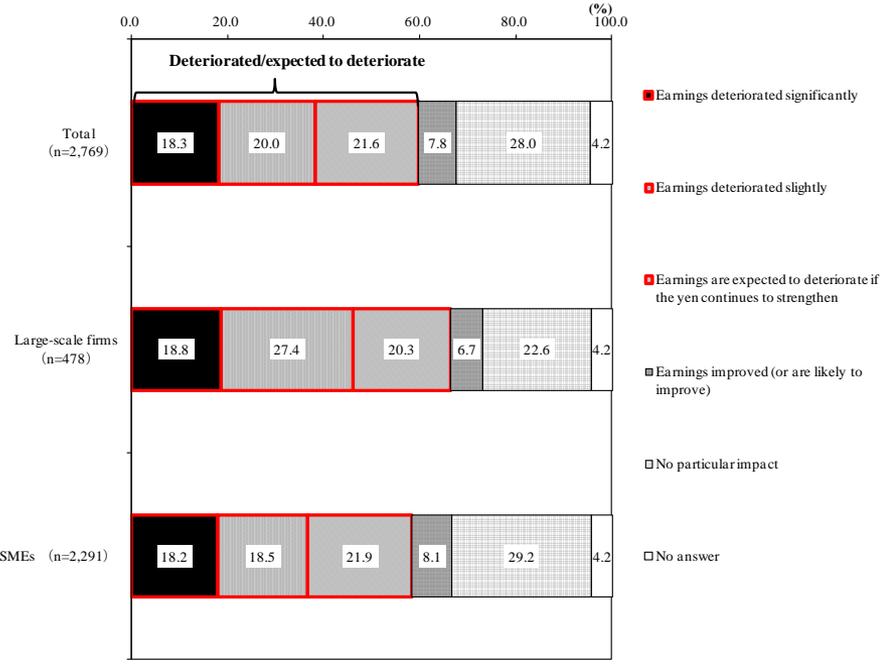
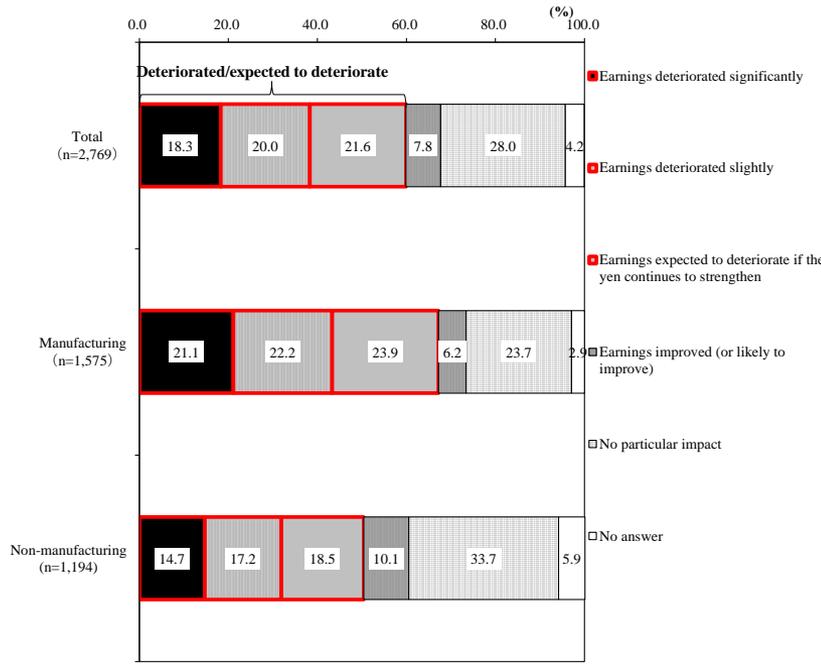


Figure 6-2: Impact of the appreciation of the yen against the dollar (by industry group)



6. Impact of the strong yen on overseas business

2. Impact of the appreciation of the yen against the euro on corporate earnings

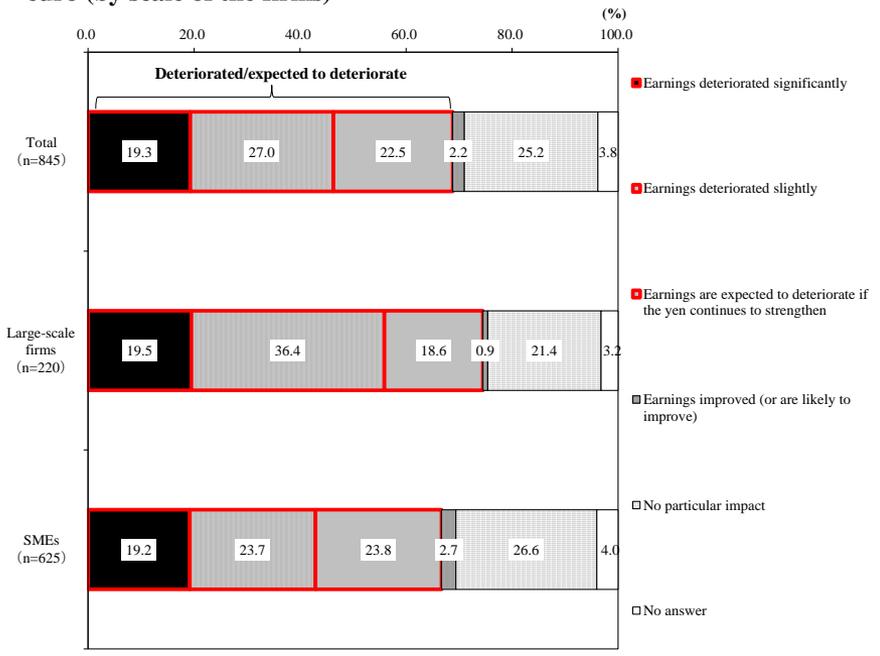
Earnings suffer for about 70% of companies

● **More than 70% of manufacturers have been badly affected.**

68.8% of companies (respondents whose export destinations are Europe and Russia) report that sales and operating income declined, or are expected to decline, due to the appreciation of the yen against the euro. Earnings deteriorated significantly for 19.3%. By company size, 74.5% of large-scale firms and 66.7% of SMEs saw, or are likely to see, earnings decline, indicating that the appreciation of the yen against the euro has become a heavier burden on both large-scale firms and SMEs than it is against the dollar.

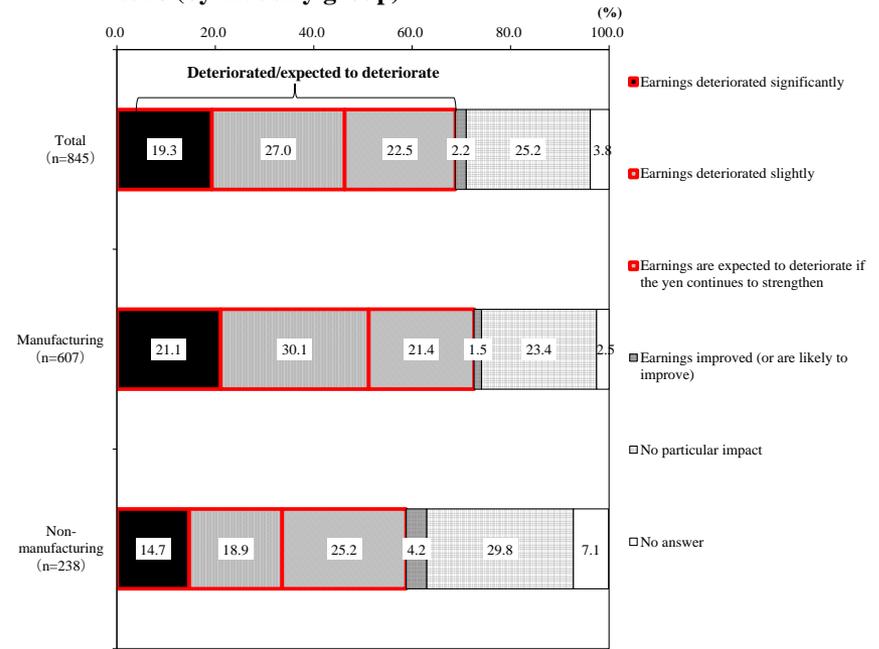
By industry group, 72.6% of manufacturers and 58.8% of non-manufacturers state that earnings weakened or are likely to weaken. Meanwhile, 29.8% of non-manufacturers report that the strong yen has had no impact on earnings.

Figure 6-3: Impact of the appreciation of the yen against the euro (by scale of the firms)



Note: Only respondents whose export destinations are Europe and Russia are covered.

Figure 6-4: Impact of the appreciation of the yen against the euro (by industry group)



Note: Only respondents whose export destinations are Europe and Russia are covered.

3. Impact and countermeasures against the strong yen

SMEs experiencing particularly strong downward pressure on price of products

● Cost reduction the most popular countermeasure

The strong yen has had a detrimental effect on earnings in the form of exchange losses and downward pressure on prices imposed by counterparties. Downward pressure on prices for SMEs has particularly intensified.

Cost reduction is the most popular countermeasure against the strong yen as reported by the largest proportion of firms (36.8%), followed by increasing the unit selling price of export products (14.3%). While many companies have not implemented any countermeasures, one out of ten companies responded that they would make inroads into overseas markets. By company size, a far greater percentage of large-scale firms than SMEs have introduced such countermeasures as increasing the scale and operating ratio of existing overseas business and cost reduction.

Figure 6-5: Impact of the strong yen on corporate earnings in concrete terms (multiple answers)

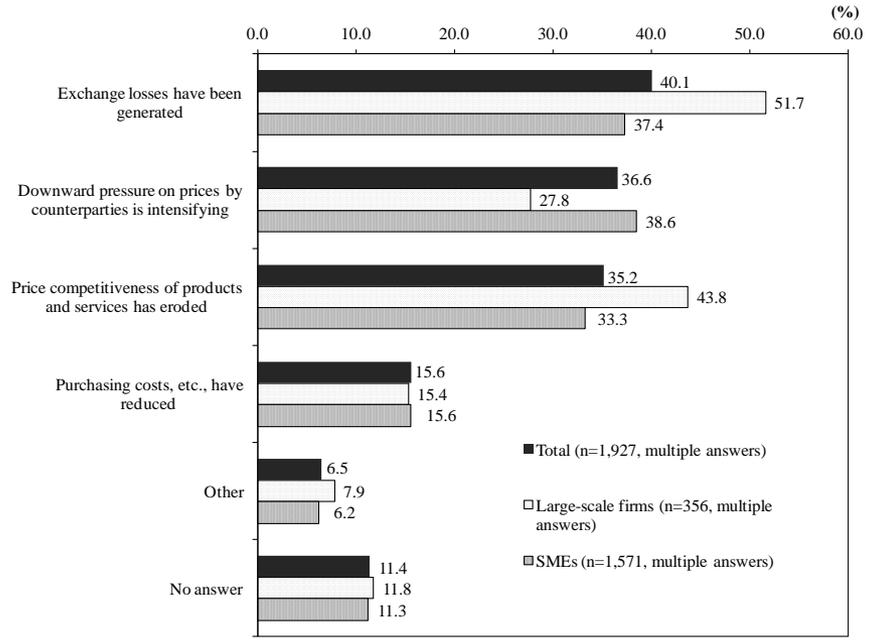
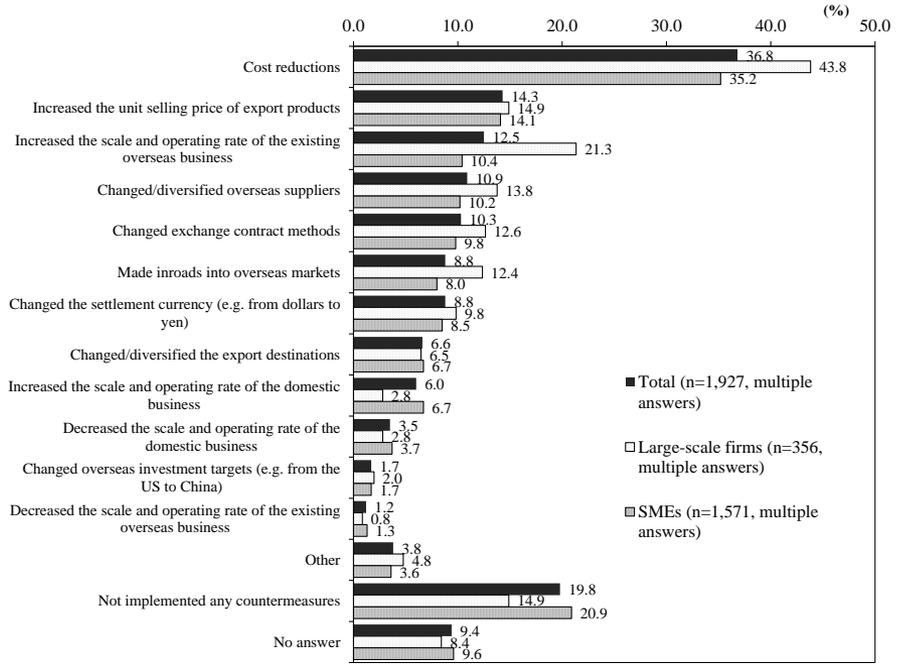


Figure 6-6: Countermeasures against the strong yen (multiple answers)



6. Impact of the strong yen on overseas business

4. Break-even yen exchange rate (median for respondents)

Break-even yen rates for companies: 85.0 yen/dollar and 115.0 yen/euro

● **SMEs may be more badly hit.**
 Break-even yen exchange rates for firms are 85.0 yen against the dollar and 115.0 yen against the euro. Since those for SMEs are at a lower exchange rate of the yen compared to those for large-scale firms, the strong yen may have a more severe impact on SME earnings.

Figure 6-7: Break-even yen rate by industry group and scale of firms (median for respondents)

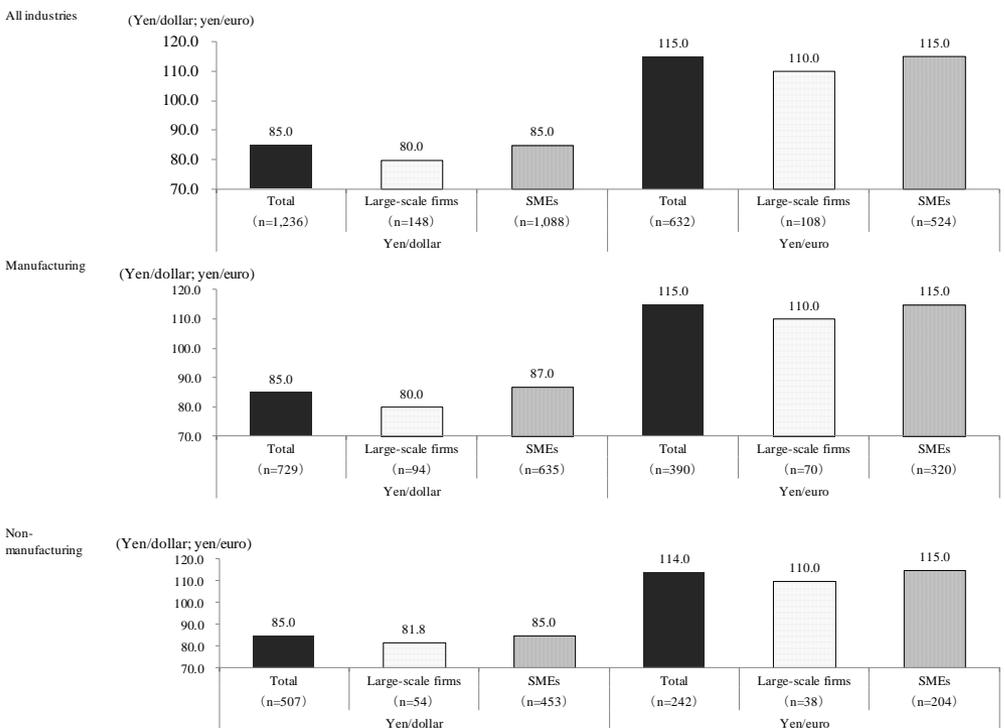


Figure 6-8: Frequency distribution of break-even yen rate (histogram; by scale of firms)

