

**Transaction Partners and Firm Location Choice:
Evidence from the Great East-Japan Earthquake***

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Abstract

Using a unique firm-level dataset, this paper examines the location choice by firms, which is one of the most important corporate decisions to characterize firm dynamics. In addition to the effect of the agglomeration economies that many existing studies focused, we examine whether the presence of incumbent transaction partners affect the location choice. To this end, we focus on those firms that relocated their headquarters from the area adversely affected by the Great East Japan Earthquake. We find that the firms tended to relocate after the earthquake to the cities where their customers were present. In contrast, we do not find that the firms tended to move to the cities where their suppliers were present. If any, we find that firms' relocation choice is positively, albeit weakly, associated with the location of suppliers only if the suppliers produced differentiated goods. Finally, the firms tended to relocate to the city where there were branches of their transacting banks, especially those of main banks. Presences of incumbent customers and banks had economically sizable impacts on firms' location choice.

Key words: location choice; agglomeration; transaction partners; product differentiation; relationship lending, Great East Japan Earthquake

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