

March 3, 2015

Economic and Social Research Institute

FY2014 Annual Survey of Corporate Behavior

(Summary)

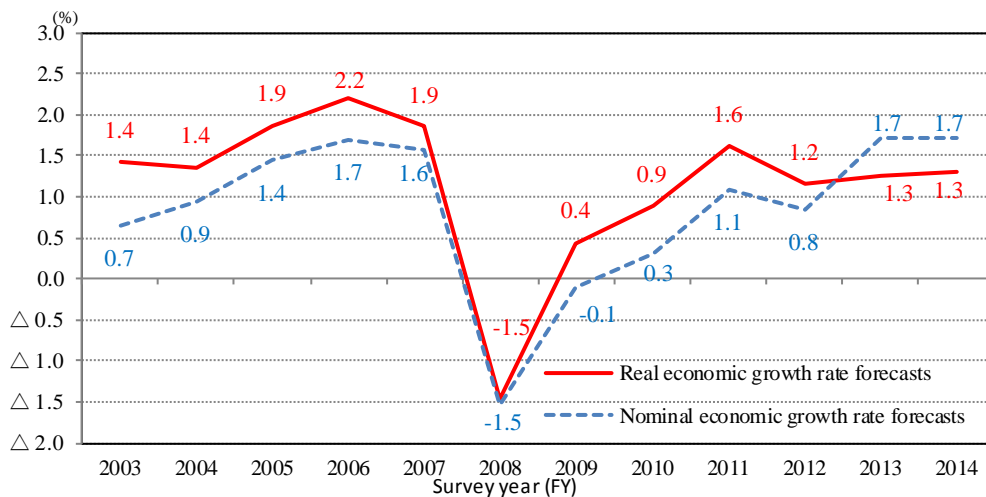
Coverage	All companies listed on the First Section and Second Section of the Tokyo and Nagoya Stock Exchanges (2,445 companies as of November 1, 2014)
Responding companies	982 (491 in manufacturing industries, 491 in non-manufacturing industries)
Response rate	40.2%
Survey items	Forecast of Japan's economic growth rate, forecast of growth rate of industry demand, forecast yen-dollar rate, break-even yen-dollar rate, growth rate of capital investment, change in the number of employees, overseas production ratio, etc.
Period of the survey	January 2015

1. Japan's economic growth rate

- The real economic growth rate forecast for the “next fiscal year” (FY2015) was 1.3%, which was almost equal to the result in the previous year. The rate has been positive for the sixth consecutive year.
- The nominal economic growth rate forecast was higher than the real rate forecast for the second consecutive year, suggesting that future price increase has been taken into consideration.

Note: Nominal economic growth rate forecast has been included in the survey from FY2003.

[Fig. 1-1] Transition of Japan's real and nominal economic growth rate forecasts for “next FY”



Survey year (FY)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Nominal economic growth rate forecasts	0.7	0.9	1.4	1.7	1.6	-1.5	-0.1	0.3	1.1	0.8	1.7	1.7
Real economic growth rate forecasts	1.4	1.4	1.9	2.2	1.9	-1.5	0.4	0.9	1.6	1.2	1.3	1.3
(Nominal minus Real)	-0.8	-0.4	-0.4	-0.5	-0.3	-0.1	-0.6	-0.6	-0.5	-0.3	0.5	0.4

*Figures derived by rounding the subtraction result to tenths.

Inquiries:

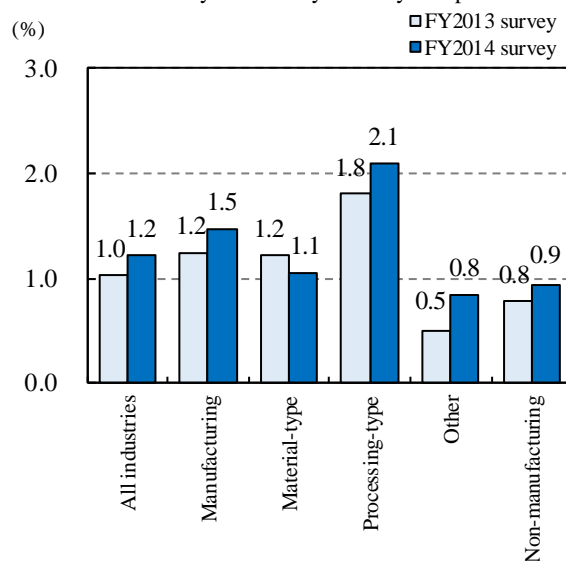
Department of Business Statistics, Economic and Social Research Institute

<http://www.esri.cao.go.jp/en/stat/ank/ank-e.html>

2. Growth rate of industry demand

- The forecast of the real growth rate of industry demand for the “next fiscal year” (FY2015) was 1.2%, 0.2% points higher than the previous year’s survey result, and marked a positive forecast for the fifth consecutive year.
- Both the figures for the manufacturing industries and for the non-manufacturing industries rose from the previous year’s survey results to 1.5% and 0.9%, respectively.
- Within the manufacturing industries, the processing-type manufacturing industries forecasts relatively high growth of 2.1%.

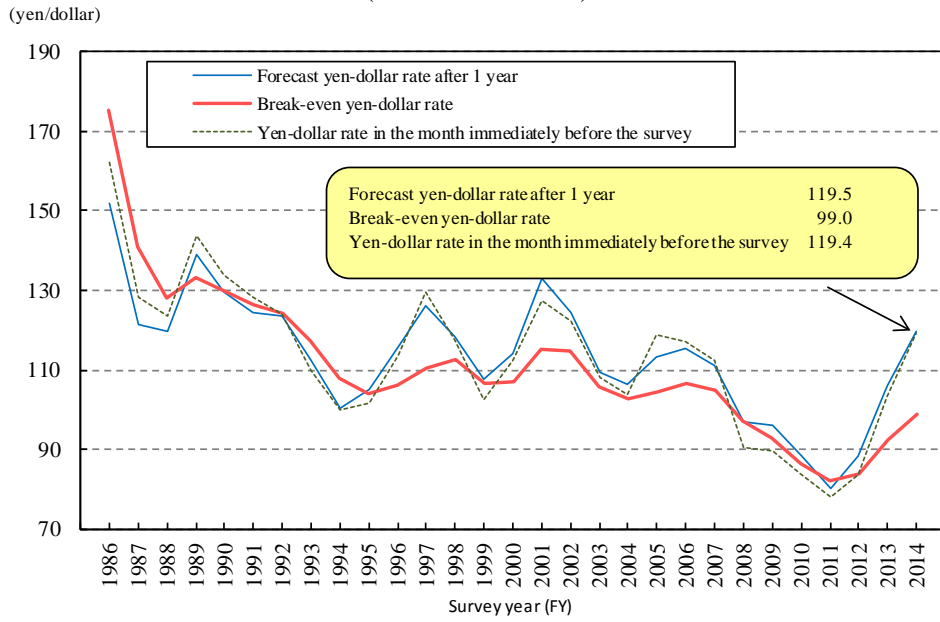
[Fig. 2-1] Real growth rate forecasts of industry demand by industry compared to the previous year’s results (next fiscal year)



3. Exchange rates

- The forecast yen-dollar rate after 1 year (around January 2016) is 119.5 yen/dollar. This is 13.8 yen depreciation compared to the previous year’s survey result (105.7 yen/dollar).
 - The forecast rate has fallen for the third consecutive year.
 - This is 0.1 yen depreciation compared to the yen/dollar rate immediately before the survey (119.4 yen/dollar in December 2014).
- The break-even yen-dollar rate for exporting companies was 99.0 yen/dollar. This was 6.7 yen lower than the previous year’s survey result (92.2 yen/dollar).
 - The break-even rate has depreciated for the third consecutive year.
 - Compared to the yen-dollar rate for the month immediately before the survey and the forecast yen-dollar rate after 1 year, the break-even yen-dollar rate has been on the highest appreciation trend since 1986. (It is 20.4 yen appreciation compared to the yen-dollar rate for the month immediately before the survey, and 20.5 yen appreciation compared to the forecast yen-dollar rate after 1 year.)
 - The firms’ answers on the break-even yen-dollar rate has gotten more variant over time.
- The break-even yen-dollar rates of processing-type manufacturing industries, material-type manufacturing industries, other manufacturing industries, and non-manufacturing industries are respectively 95.4 yen/dollar, 100.2 yen/dollar, 103.0 yen/dollar, and 107.2 yen/dollar.

[Fig. 3-1] Trend of the forecast yen-dollar rate after 1 year and the break-even yen-dollar rate (all industries basis)



Survey year (FY)		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Forecast yen-dollar rate after 1 year		109.3	106.4	113.2	115.5	111.0	97.0	95.9	88.4	80.3	88.4	105.7	119.5
Break-even yen-dollar rate		105.9	102.6	104.5	106.6	104.7	97.3	92.9	86.3	82.0	83.9	92.2	99.0
Yen-dollar rate in the month immediately before the survey		107.9	103.8	118.6	117.3	112.3	90.4	89.6	83.4	77.9	83.6	103.5	119.4
Difference	Forecast yen-dollar rate after 1 year - Break-even yen-dollar rate	3.4	3.8	8.7	8.9	6.3	-0.3	3.0	2.1	-1.7	4.5	13.5	20.5
	Yen-dollar rate for the month immediately before the survey - Break-even yen-dollar rate	2.0	1.2	14.1	10.8	7.6	-6.9	-3.3	-2.9	-4.2	-0.2	11.2	20.4

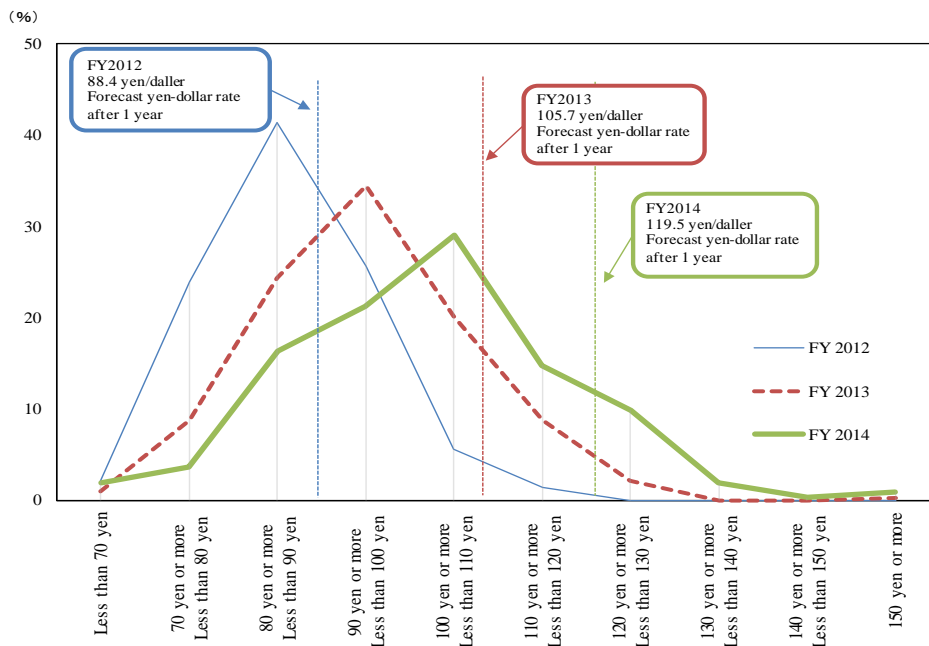
Note 1) "Forecast yen-dollar rate" is the average of the class values, while "break-even yen-dollar rate" is the average of the actual reported numbers.

Note 2) Calculation of "break-even yen-dollar rate" includes only companies that conduct exports.

Note 3) "Yen-dollar rate in the month immediately before the survey" refers to figures in December, except for FY1994 and FY2008

(Figures in FY1994 and FY2008 are rates in January since the survey was conducted in February in those years).

[Figure 3-2] Change in composition ratio of responses regarding the break-even yen-dollar rate (all industries)



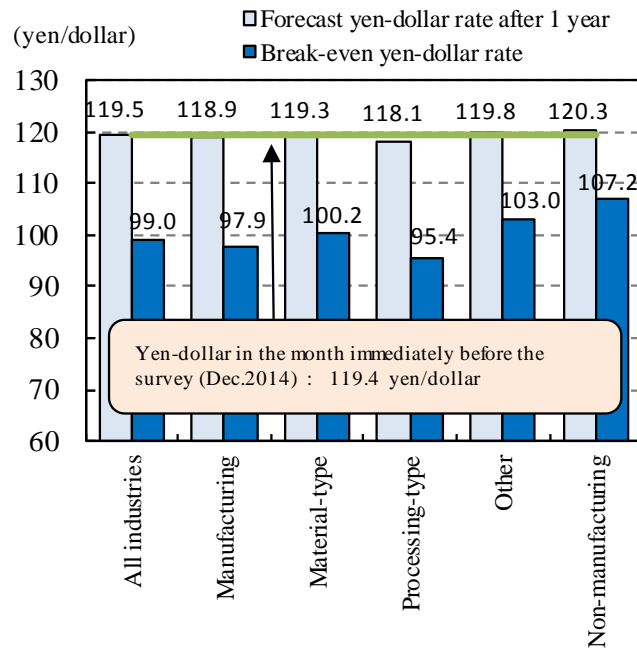
Note 1) "Forecast yen-dollar rate" is class value average.

Note 2) "Break-even yen-dollar rate" is composition ratio of exporting companies only.

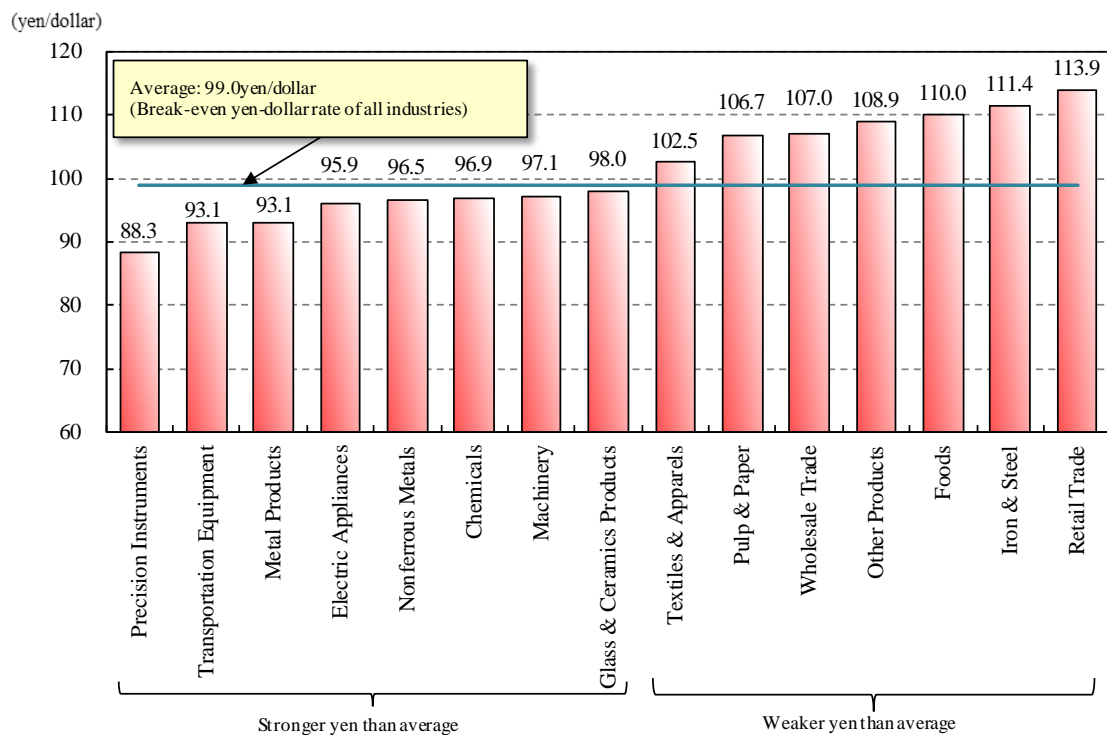
Note 3) Standard deviation of "break-even yen-dollar rate" (actual reported numbers are used in the calculation):

9.1 (Survey of FY2012), 12.9 (Survey of FY2013), 15.8 (Survey of FY2014)

[Fig. 3-3] Forecast yen-dollar rate after 1 year and the break-even yen-dollar rate by industry



[Fig. 3-4] Break-even yen-dollar rate by sector



Note 1) "Forecast yen-dollar rate" refers to the class value average.

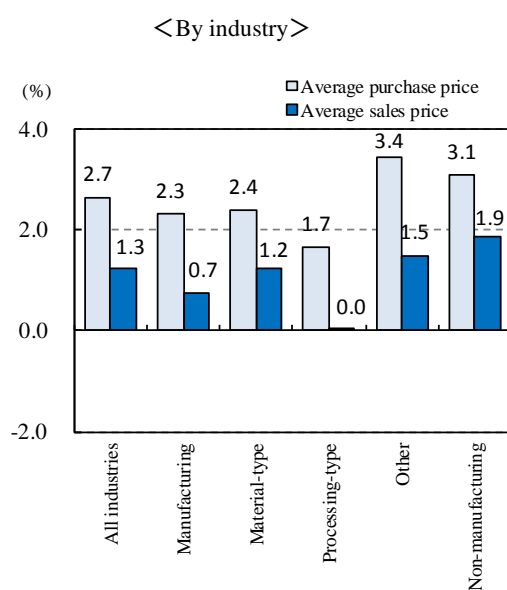
Note 2) Calculation of "break-even yen-dollar rate" includes only companies that conduct exports.

Note 2) Sectors include only those with 5 or more responding companies.

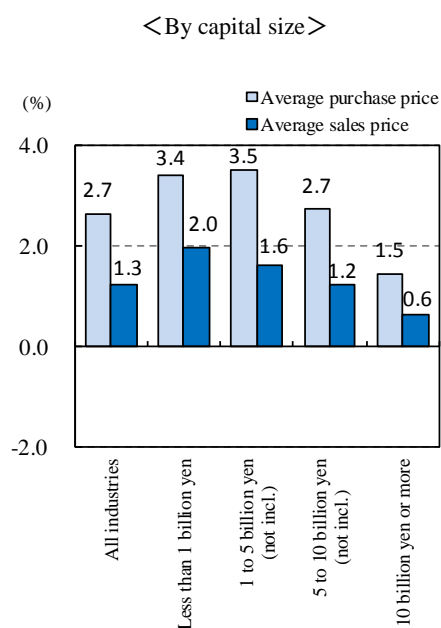
4. Prices

- Average purchase price after 1 year (all industries, class value average) increased by 2.7%. (The figure in the last year's survey was 3.0%. It has been on the increase for six years running.)
- Average sales price after 1 year (all industries, class value average) increased by 1.3%. (The figure in the last year's survey was 1.4%. It has been on the increase for two years running.)
- It is forecast that the increase in purchase price surpassed the increase in sales price, worsening terms of trade.

[Fig. 4-1] Forecast rate of changes in average purchase and sales prices after 1 year



[Fig. 4-2] Forecast rate of changes in average purchase and sales prices after 1 year



[Table 4-3] Terms of trade by industry

(% , % points)

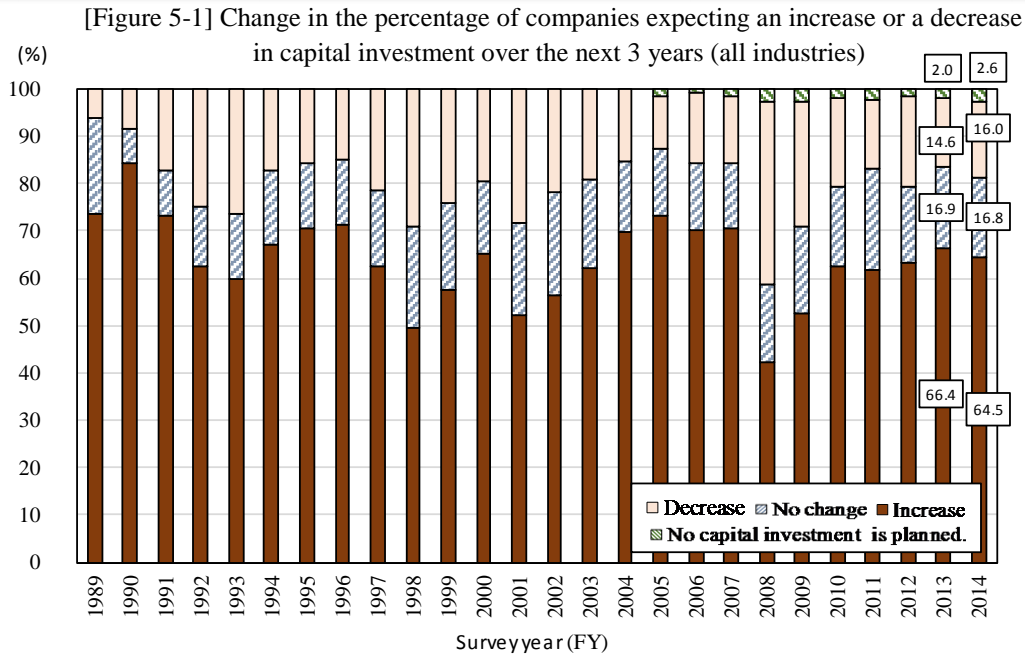
		Average purchase price		Average sales price		Terms of trade	
		FY2014 survey	FY2013 survey	FY2014 survey	FY2013 survey	FY2014 survey	FY2013 survey
All industries		2.7	3.0	1.3	1.4	-1.4	-1.6
Industry	Manufacturing	2.3	2.7	0.7	0.8	-1.6	-1.9
	Material-type	2.4	3.7	1.2	2.2	-1.2	-1.5
	Processing-type	1.7	1.6	0.0	0.1	-1.6	-1.5
	Other	3.4	3.2	1.5	0.3	-1.9	-2.9
	Non-manufacturing	3.1	3.4	1.9	2.1	-1.2	-1.3

Note 1) Terms of Trade = Rate of change in average sales price – rate of change in average purchase price

Note 2) Terms of trade are derived from the rate of change of the average sales price and the rate of change of the average purchase price (Refer to FY2014 Statistical Tables 3-1 and 3-2) that include two decimal points. Therefore, they may not always coincide with figures calculated from the rate of change in average sales prices and the rate of change in average purchase price in the table above due to rounding.

5. Change in capital investment

■ The percentage of companies expecting an increase in capital investment over the “next 3 years” (FY2015–FY2017) was 64.5%. (The previous year’s survey result was 66.4%.)



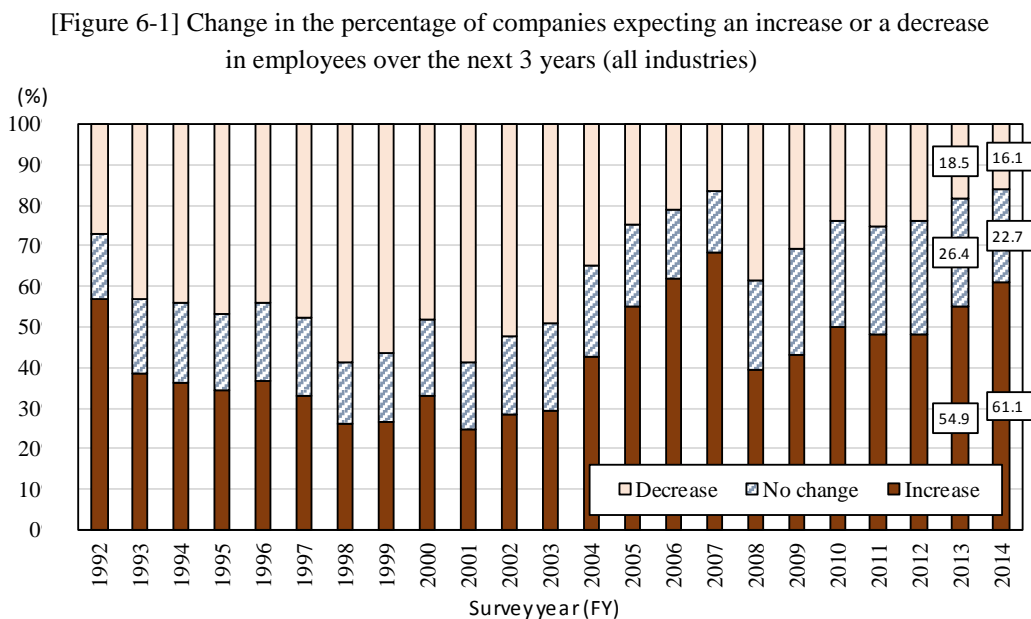
Note 1) Increase: Percentage of companies responding over 0%, No change: Percentage of companies responding 0%,
Decrease: Percentage of companies responding less than 0%.

Note 2) The alternative of “no capital investment was made/is planned” was added from the survey of FY2005.

Note 3) The “next 3 years” means that, for example, the “next 3 years” for the FY2014 survey represents from FY2015 to FY2017.

6. Change in the number of employees

■ The percentage of companies expecting an increase in employees over the “next 3 years” (FY2015–FY2017) was 61.1%. (The previous year’s survey result was 54.9%.)



Note 1) Increase: Percentage of companies responding over 0%, No change: Percentage of companies responding 0%,
Decrease: Percentage of companies responding less than 0%.

Note 2) The “next 3 years” means that, for example, the “next 3 years” for the FY2014 survey represents from FY2015 to FY2017.

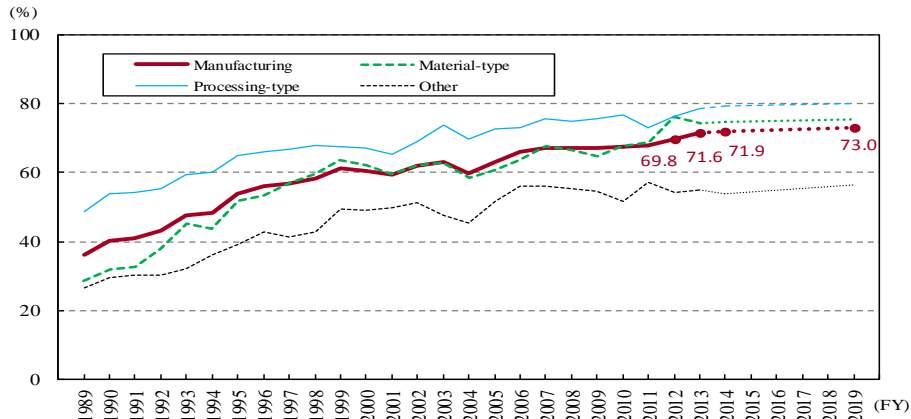
Note 3) The survey for the rate of change in overall employees started from FY1992.

Note 4) The FY2003 survey shows the answers of “regular employees” only. (The FY2003 survey was conducted for “regular employees” and “part-time, temporary employees.”)

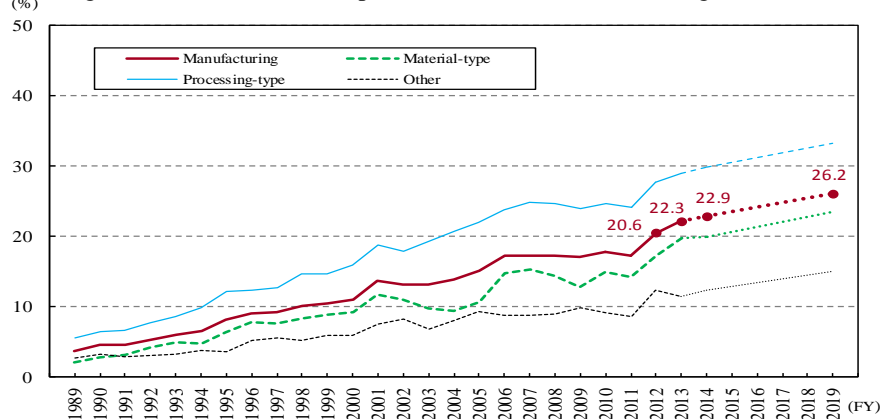
7. Overseas production ratio (manufacturing industries)

- The FY2013 actual result for the percentage of companies conducting overseas production was 71.6%, an increase from the FY2012 actual result (69.8%). The growth is expected to continue into FY2014 (71.9%) and FY2019 (73.0%).
- The FY2013 actual result for the overseas production ratio was 22.3%, an increase from the FY2012 actual result (20.6%). The growth is expected to continue into FY2014 (22.9%) and FY2019 (26.2%).
- 52.9% of the companies expected the increase in overseas production ratio in “FY2019 forecast” compared to the “FY2014 estimate.” 4.6% of the companies expect the decrease. The percentage of the former group of companies has dropped compared to the previous year’s survey result (61.0%) for the first time in 4 years.

[Fig. 7-1] Ratio of companies that conduct overseas production (manufacturing industries)



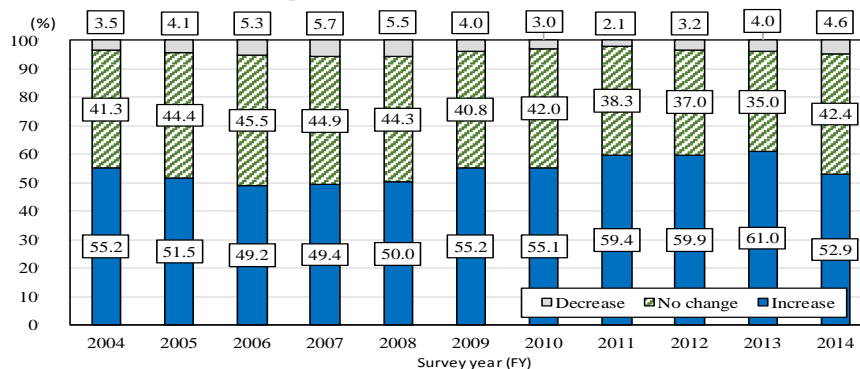
[Fig. 7-2] Trend of overseas production ratios (manufacturing industries)



Note 1) Figure 7-1 and Figure 7-2 show the FY2014 estimate and FY2019 forecast. For other years, actual result of the previous year in next year’s survey are shown. (For example, the value for FY2013 is the value for “FY2013 actual result” in the FY2014 survey.)

Note 2) Overseas production ratio of Figure 7-2 is a simple average including companies that responded 0.0%.

[Figure 7-3] The percentage of companies expecting an increase or a decrease in overseas production ratio (Manufacturing)

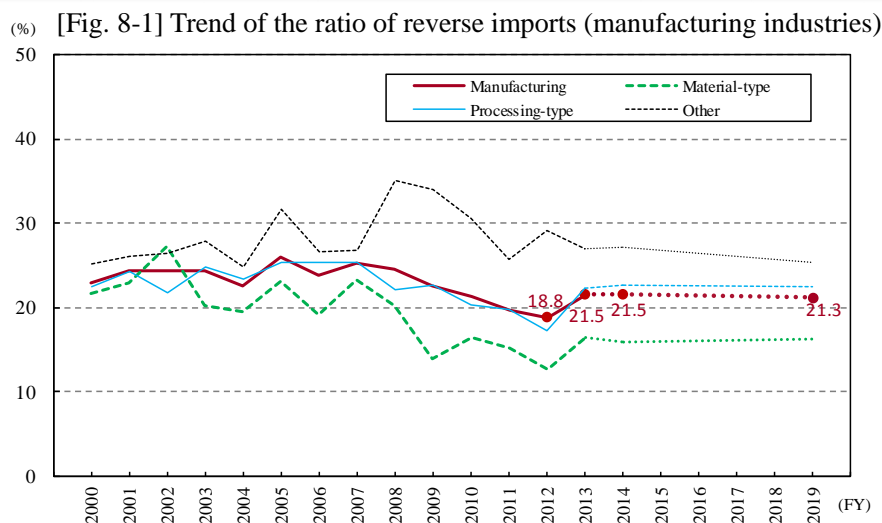


Note) Increase: “Forecast” – “Estimate” > 0, No change: “Forecast” – “Estimate” = 0, Decrease: “Forecast” – “Estimate” < 0.

(In FY2014, if the values after subtracting “Estimate of FY2014” from “Forecast of FY2019” of each responding company are plus, equal, and minus, it is “Increase,” “No change,” and “Decrease.”)

8. Reverse imports ratio (manufacturing industries)

■ The “FY2013 actual result” for the reverse imports ratio was 21.5%, an increase from the FY2012 actual result (18.8%), for the first time in six years since FY2007.



Note 1) FY2014 represents the actual figure estimate, FY2019 represents the forecast, and other years represent the actual result for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2013 is the value for “FY2013 actual result” in the FY2014 survey.)

Note 2) This is a simple average which excludes companies reporting 0.0% overseas production ratio, while it includes companies answering 0.0% reverse imports ratio.

Note 3) The survey of the ratio of reverse imports started in FY2001.

9. Reason for having an overseas production base (manufacturing industries)

■ The top main reason for having an overseas production base was “Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries” (40.3%), and the second top reason was “Labor costs are low” (24.4%).

■ After combining the main reason for having an overseas production base with other relevant reasons, the top reason was “Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries” (68.4%), and the second top reason was “Labor costs are low” (47.7%).

[Table 9-1] Composition ratio of the reason for having an overseas production base
(Main reason + Other relevant reasons)

Manufacturing		Material-type		Processing-type		Other	
④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	68.4	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	78.8	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	61.5	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	70.6
① Labor costs are low	47.7	⑤ We can cater effectively to overseas users' needs	45.2	① Labor costs are low	57.1	⑤ We can cater effectively to overseas users' needs	42.6
⑤ We can cater effectively to overseas users' needs	41.2	① Labor costs are low	35.6	⑤ We can cater effectively to overseas users' needs	38.5	① Labor costs are low	41.2
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	30.5	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	33.7	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	29.1	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	29.4
⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	21.8	⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	27.9	⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	19.2	⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	19.1

Note 1) The composition ratio of the “Main reason” and “Other relevant reasons” is based on the number of companies that responded.

Note 2) Responding companies can choose one “Main reason,” and up to two “Other relevant reasons.”