

February 26, 2016

Economic and Social Research Institute

FY2015 Annual Survey of Corporate Behavior

(Summary)

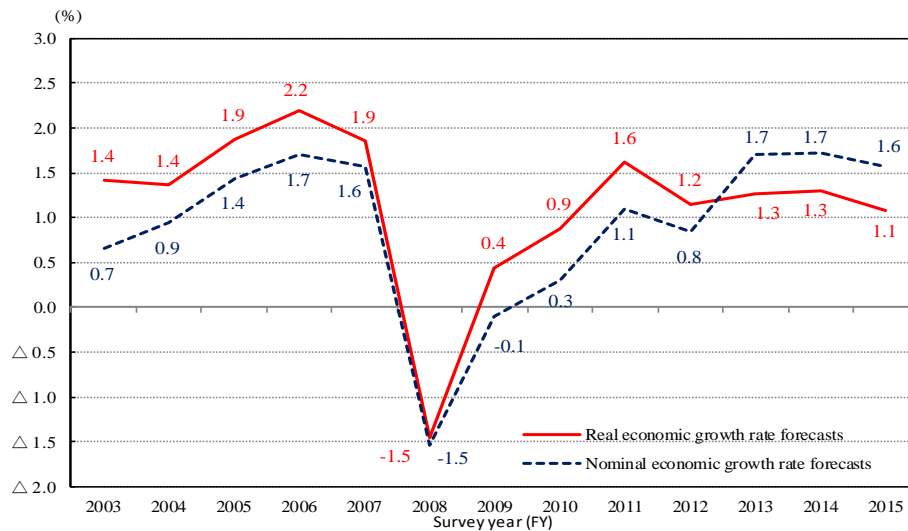
Coverage	All companies listed on the First Section and Second Section of the Tokyo and Nagoya Stock Exchanges (2,515 companies as of November 1, 2015)
Responding companies	1,062 (499 in manufacturing industries, 563 in non-manufacturing industries)
Response rate	42.2%
Survey items	Forecast of Japan's 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. (Note) Consolidated basis except for the number of employees
Period of the survey	January 2016 (Questionnaire deadline: January 15)

1. Japan's economic growth rate

- The real economic growth rate forecast for the “next fiscal year” (FY2016) was 1.1%, lower than the previous year's survey result (1.3%), but the rate has been positive for the seventh consecutive year.
- The nominal economic growth rate forecast was higher than the real rate forecast for the third 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”



(% , % points)

Survey year (FY)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
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	1.6
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	1.1
(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	0.5

*Figures derived by rounding the subtraction result to tenths.

Inquiries:

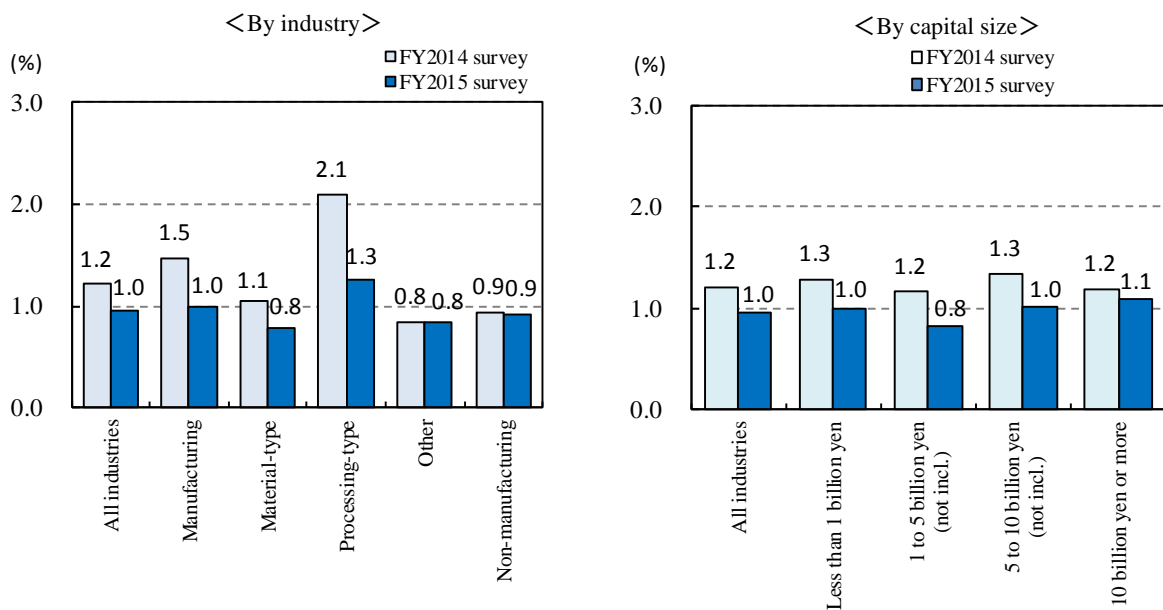
Department of Business Statistics, Economic and Social Research Institute

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

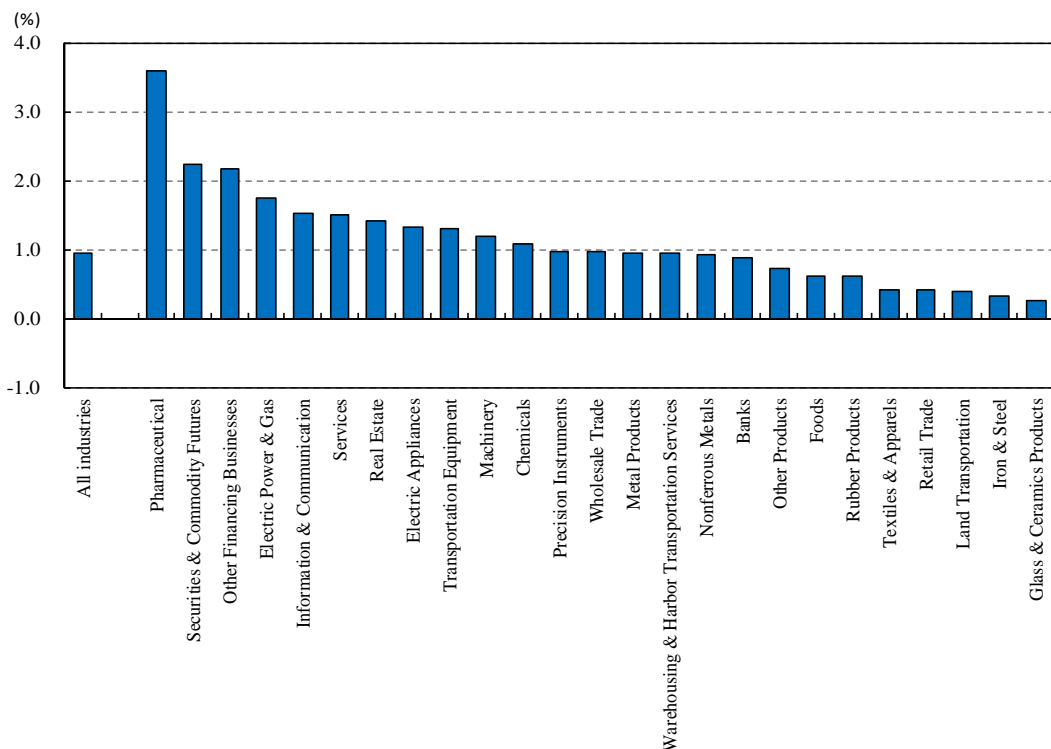
2. Growth rate of industry demand

- The forecast of the real growth rate of industry demand for the “next fiscal year” (FY2016) was 1.0%, and the rate has been positive for the sixth consecutive year. The figure for the manufacturing industries fell by 0.5 percentage points from the previous year's survey result to 1.0%, and that for the non-manufacturing industries was at the same level, 0.9%, as the previous year's survey result.
- The forecast of real growth rate of industry demand for the “next 3 years” and the “next 5 years” were 0.9% and 1.0%, respectively.
- In terms of the forecasts for the “next fiscal year” by sector, the growth rate forecast of the manufacturing industries was high in “Pharmaceutical” (3.6%) and “Electric Appliances” (1.3%), and that of the non-manufacturing industries was high in “Securities & Commodity Futures” (2.2%), and “Other Financing Businesses” (2.2%).

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



[Fig. 2-2] Real growth rate forecasts of industry demand by sector (next fiscal year)



Note) Sectors include only those with 5 or more responding companies in the FY2015 survey.

3. Exchange rates

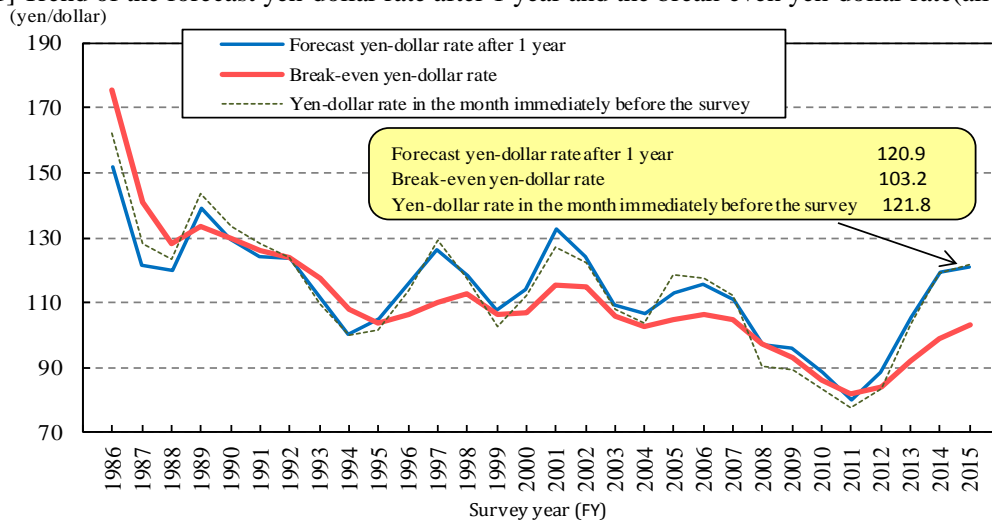
(1) Forecast yen-dollar rate

- The forecast yen-dollar rate after 1 year (around January 2017) was 120.9 yen/dollar. This was a 1.4 yen depreciation from the previous year's survey result (119.5 yen/dollar). The forecast rate has depreciated for four consecutive years.
- Compared with the yen-dollar rate for the month immediately before the survey (121.8 yen/dollar in December 2015), the forecast appreciated by 0.9 yen.

(2) Break-even yen-dollar rate

- The break-even yen-dollar rate of exporting companies was 103.2 yen/dollar. This was a 4.2 yen depreciation compared with the previous year's survey result (99.0 yen/dollar). The yen's depreciation in the break-even rate has continued for the fourth consecutive year.
- In terms of the break-even yen-dollar rate by industry, the rates of the manufacturing industries and the non-manufacturing industries were 102.3 yen/dollar and 109.0 yen/dollar, respectively. Compared with the yen-dollar rate for the month immediately before the survey, the rate of the both of the manufacturing industries and non-manufacturing industries appreciated by 19.5 yen and 12.8 yen, respectively.
- In terms of the break-even yen-dollar rate by sector, compared with the all industry average, sectors such as "Foods" (114.5 yen/dollar) and "Iron & Steel" (111.2 yen/dollar) set weaker break-even rates, while sectors such as "Precision Instruments" (88.6 yen/dollar) and "Nonferrous Metals" (95.6 yen/dollar) set stronger rates.

[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)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Forecast yen-dollar rate after 1 year	106.4	113.2	115.5	111.0	97.0	95.9	88.4	80.3	88.4	105.7	119.5	120.9
Break-even yen-dollar rate	102.6	104.5	106.6	104.7	97.3	92.9	86.3	82.0	83.9	92.2	99.0	103.2
Yen-dollar rate in the month immediately before the survey	103.8	118.6	117.3	112.3	90.4	89.6	83.4	77.9	83.6	103.5	119.4	121.8
Difference	Forecast yen-dollar rate after 1 year - Break-even yen-dollar rate	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	1.2	14.1	10.8	7.6	-6.9	-3.3	-2.9	-4.2	-0.2	11.2	18.7

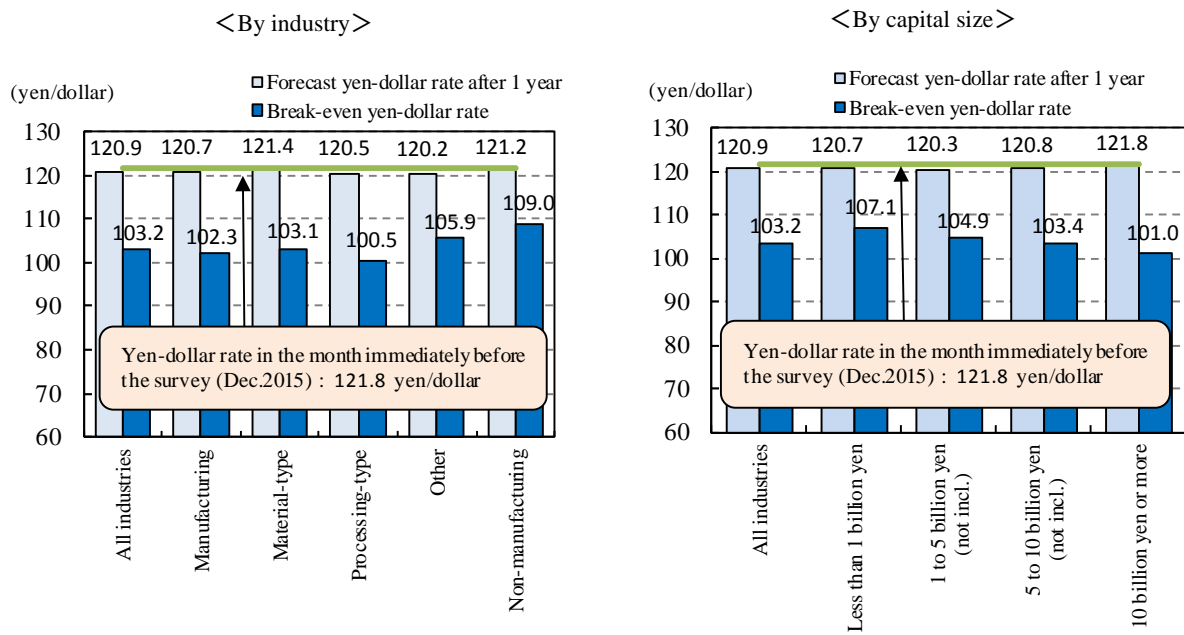
Note 1) "Forecast yen-dollar rate" is the average of the class values, while "break-even yen-dollar rate" is the average of the actual reported numbers.

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

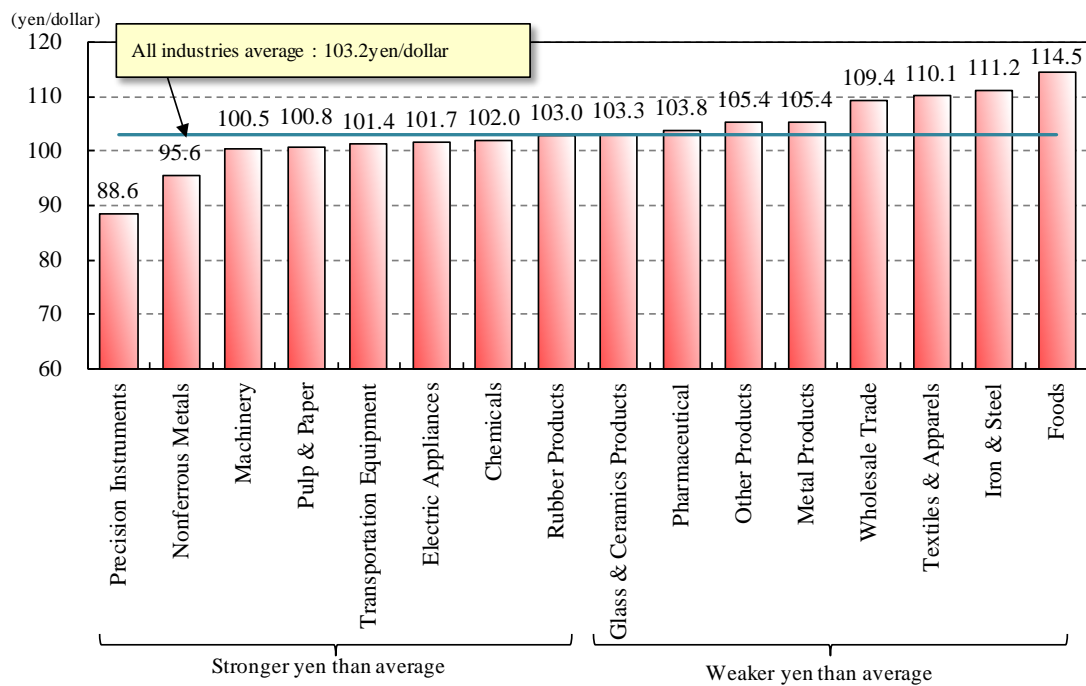
Note 3) "Yen-dollar rate in the month immediately before the survey" refers to figures in December, except for FY1994 and FY2008

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

[Fig. 3-2] Forecast yen-dollar rate after 1 year and the break-even yen-dollar rate by industry and capital size



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



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

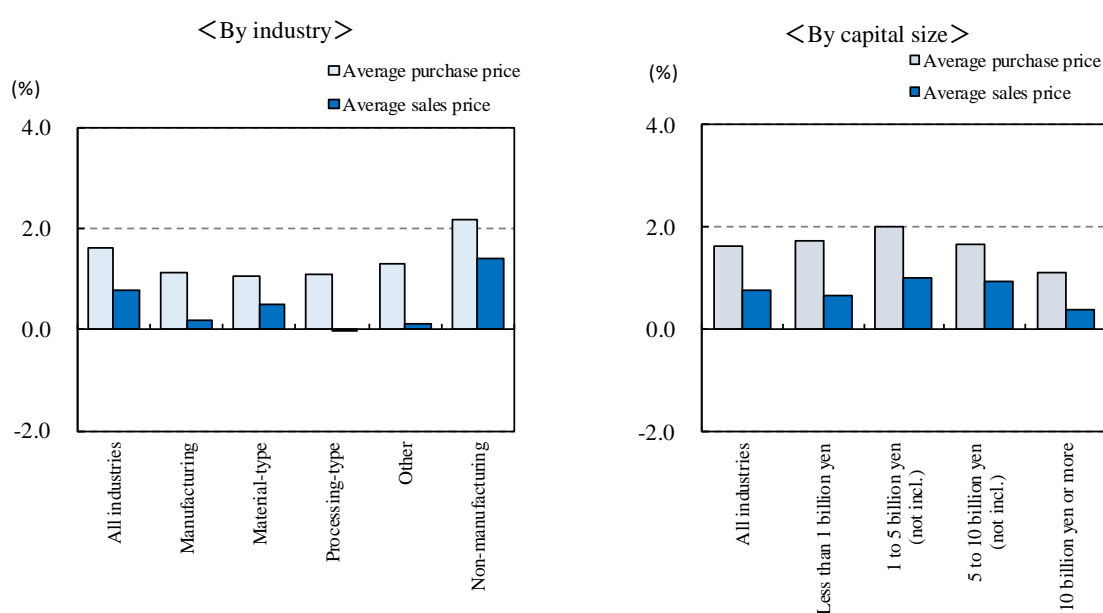
Note 2) Calculation of "break-even yen-dollar rate" includes only companies that conduct exports.

Note 3) 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 1.6%. (The figure in the last year's survey was 2.7%. It has been on the increase for the seventh consecutive year.)
- Average sales price after 1 year (all industries, class value average) increased by 0.8%. (The figure in the last year's survey was 1.3%. It has been on the increase for the third consecutive year.)
- Purchase price increases surpassed sales price increase, and terms of trade were forecast to worsen by 0.9 percentage points for all industries, but the worsening was less than that in the previous year's survey result (deterioration by 1.4 percentage points).

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



[Table 4-2] Terms of trade by industry

		(% , % points)					
		Average purchase price		Average sales price		Terms of trade	
		FY2015 survey	FY2014 survey	FY2015 survey	FY2014 survey	FY2015 survey	FY2014 survey
All industries		1.6	2.7	0.8	1.3	-0.9	-1.4
Industry	Manufacturing	1.2	2.3	0.2	0.7	-1.0	-1.6
	Material-type	1.1	2.4	0.5	1.2	-0.6	-1.2
	Processing-type	1.1	1.7	-0.0	0.0	-1.1	-1.6
	Other	1.3	3.4	0.1	1.5	-1.2	-1.9
	Non-manufacturing	2.2	3.1	1.4	1.9	-0.8	-1.2

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

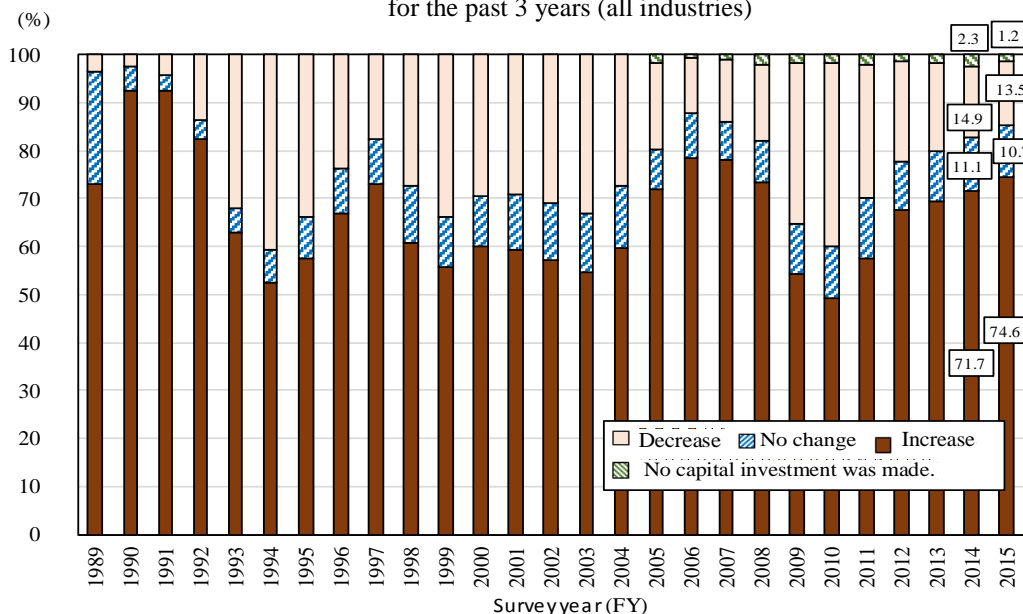
Note 2) Terms of trade are derived from the rate of change of the average sales price and the rate of change of the average purchase price (Refer to FY2015 Statistical Tables 3-1 and 3-2) that include two decimal points. Therefore, they may not always coincide with figures calculated from the rate of 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

(1) Capital investment for the past 3 years

■ The percentage of companies that increased capital investment (all industries) for the “past 3 years” (average of FY2013–FY2015) was 74.6%, up from the previous year's survey result (71.7%).

[Figure 5-1] Change in the percentage of companies that increased or decreased capital investment for the past 3 years (all industries)



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

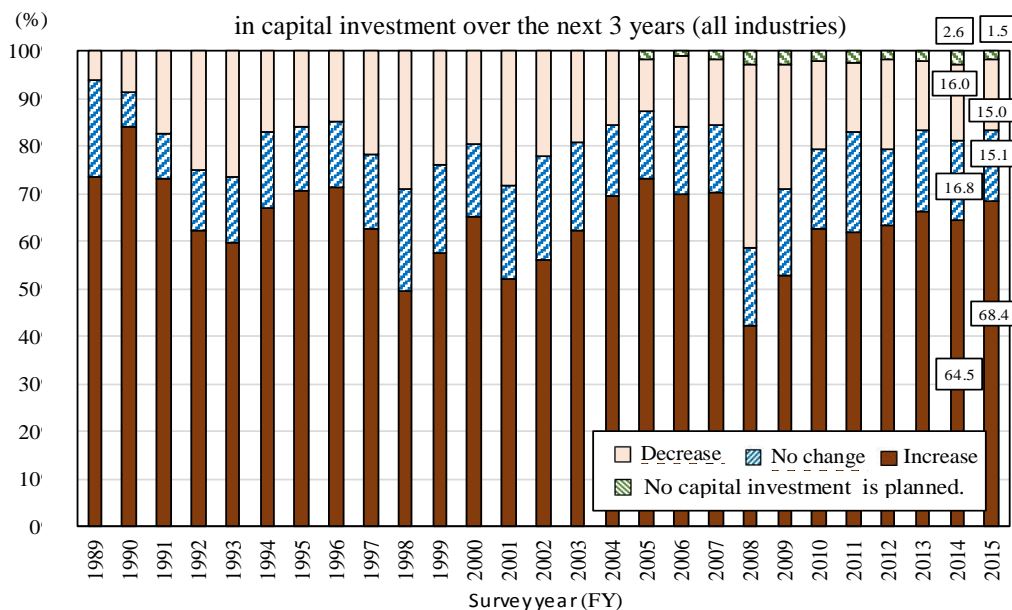
Note 2) The alternative of “no capital investment was made/is planned” was added from the survey of FY2005.

Note 3) The “past 3 years” means that, for example, the “past 3 years” for the FY2015 survey represents the period from FY2013 to FY2015.

(2) Capital investment over the next 3 years

■ The percentage of companies expecting to increase capital investment (all industries) over the “next 3 years” (average of FY2016–FY2018) was 68.4%, up from the previous year's survey result (64.5%). This was the highest level since the FY2007 survey result (70.2%).

[Figure 5-2] Change in the percentage of companies expecting an increase or a decrease in capital investment over the next 3 years (all industries)



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.

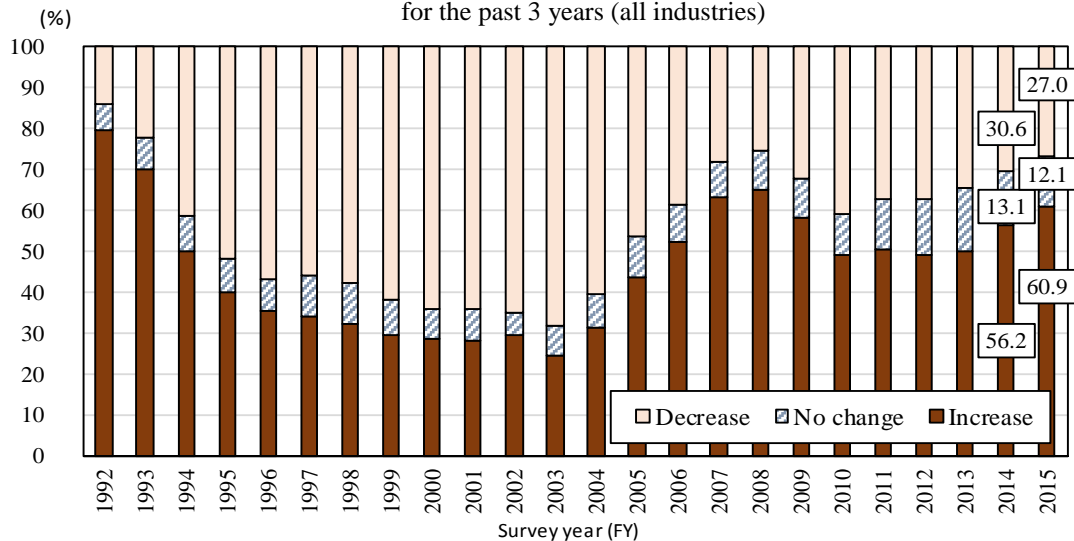
Note 3) The “next 3 years” means that, for example, the “next 3 years” for the FY2015 survey represents the period from FY2016 to FY2018.

6. Change in the number of employees

(1) Number of employees for the past 3 years

■ The percentage of companies that increased employees for the “past 3 years” (average of FY2013–FY2015) (all industries) was 60.9%, up from the previous year’s survey result (56.2%).

[Figure 6-1] Change in the percentage of companies that increased or decreased employees for the past 3 years (all industries)



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 “past 3 years” means that, for example, the “past 3 years” for the FY2015 survey represents the period from FY2013 to FY2015.

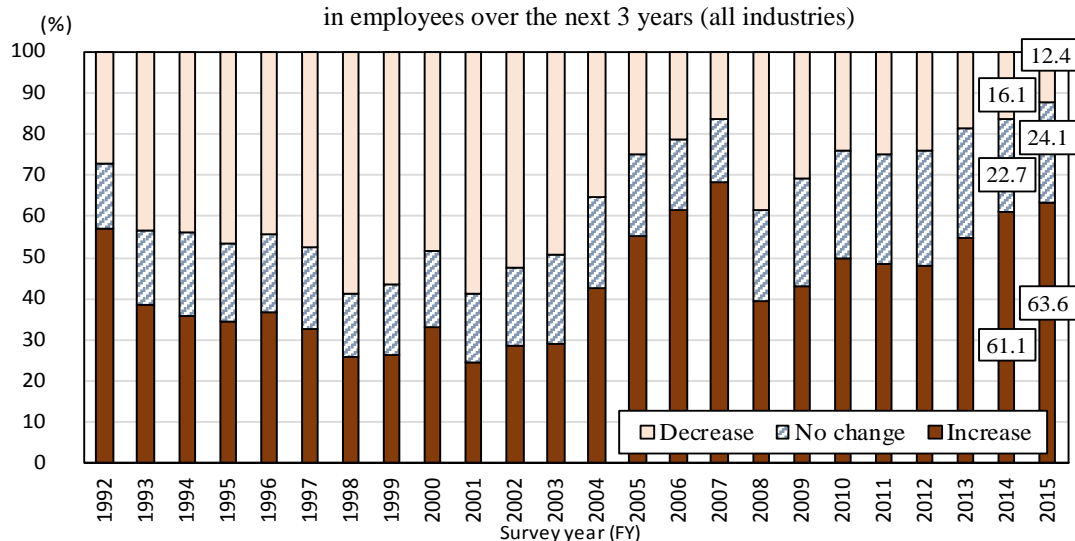
Note 3) The survey for the rate of change in overall employees started from FY1992.

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.”)

(2) Number of employees over the next 3 years

■ The percentage of companies expecting to increase employees over the “next 3 years” (average of FY2016–FY2018) (all industries) was 63.6%, up from the previous year’s survey result (61.1%). This was the highest level since the FY2007 survey result (68.3%).

[Figure 6-2] Change in the percentage of companies expecting an increase or a decrease in employees over the next 3 years (all industries)



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 FY2015 survey represents the period from FY2016 to FY2018.

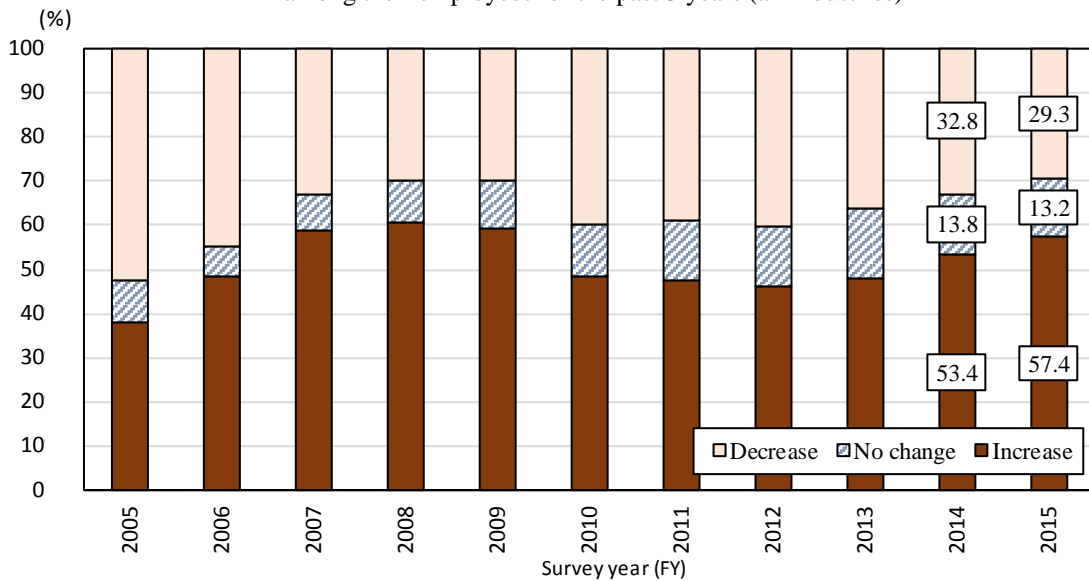
Note 3) The survey for the rate of change in overall employees started from FY1992.

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.”)

(3) Number of regular employees

- The percentage of companies that increased regular employees among their employees for the “past 3 years” (average of FY2013–FY2015) (all industries) was 57.4%, up from the previous year’s survey result (53.4%).
- The percentage of companies expecting to increase regular employees among their employees over the “next 3 years” (average of FY2016–FY2018) (all industries) was 61.7%, up from the previous year’s survey result (60.0%). This was the highest level since the FY2007 survey result (66.5%).

[Figure 6-3] Change in the percentage of companies that increased or decreased regular employees among their employees for the past 3 years (all industries)

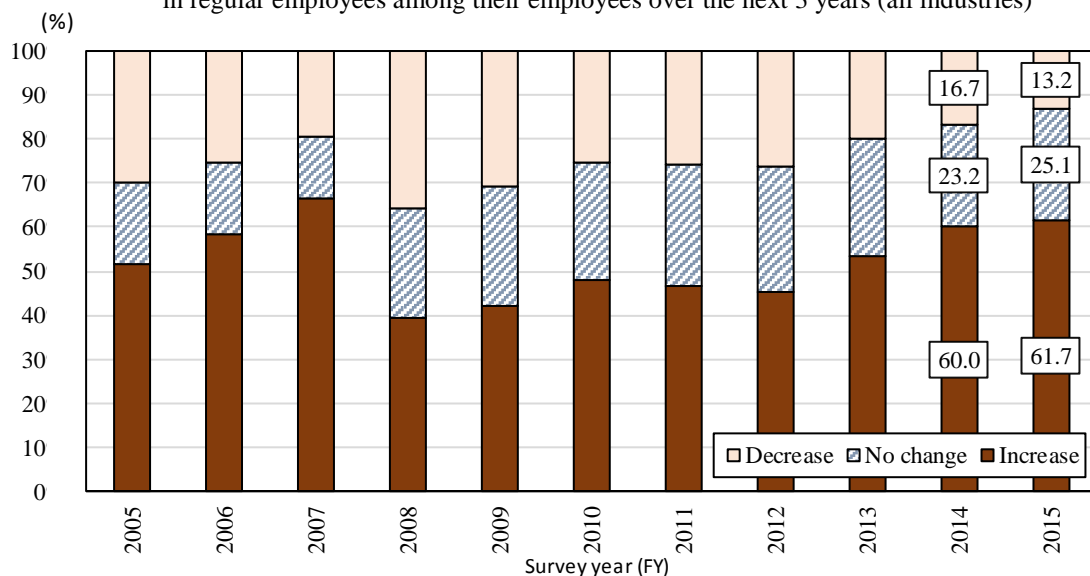


Note 1) Increase: Percentage of companies responding over 0%, No change: Percentage of companies responding 0%, Decrease: Percentage of companies responding less than 0%.

Note 2) The “past 3 years” means that, for example, the “past 3 years” for the FY2015 survey represents the period from FY2013 to FY2015.

Note 3) The survey for the rate of change in regular employees (among overall employees) started from FY2005.

[Figure 6-4] Change in the percentage of companies expecting an increase or a decrease in regular employees among their employees over the next 3 years (all industries)



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

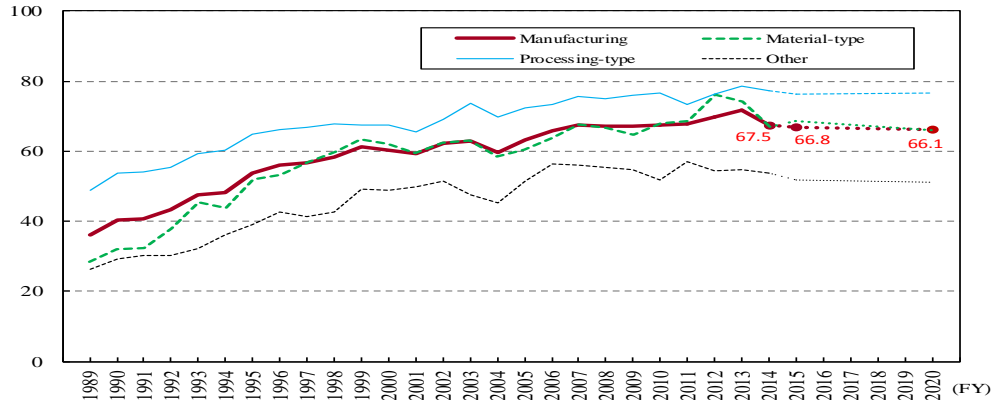
Note 2) The “next 3 years” means that, for example, the “next 3 years” for the FY2015 survey represents the period from FY2016 to FY2018.

Note 3) The survey for the rate of change in regular employees (among overall employees) started from FY2005.

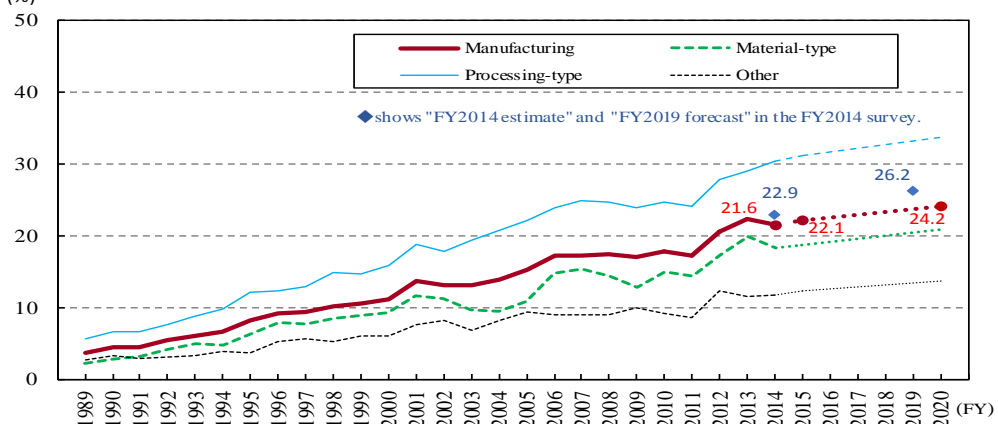
7. Overseas production ratio (manufacturing industries)

- The FY2014 actual result for the percentage of companies conducting overseas production was 67.5%, a decrease from the FY2013 actual result (71.6%). The decline was expected to continue into FY2015 (66.8%) and FY2020 (66.1%).
- The FY2014 actual result for the overseas production ratio was 21.6%, a decrease from the FY2013 actual result (22.3%). Growth was expected for FY2015 (22.1%) and for FY2020 (24.2%) but with a forecast lower than that in the previous year's survey results.
- 49.4% of the companies expected the increase in overseas production ratio in the “FY2020 forecast” compared to the “FY2015 estimate.” 5.3% of the companies expected the decrease. The percentage of the former group of companies has dropped for the second consecutive year.

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



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

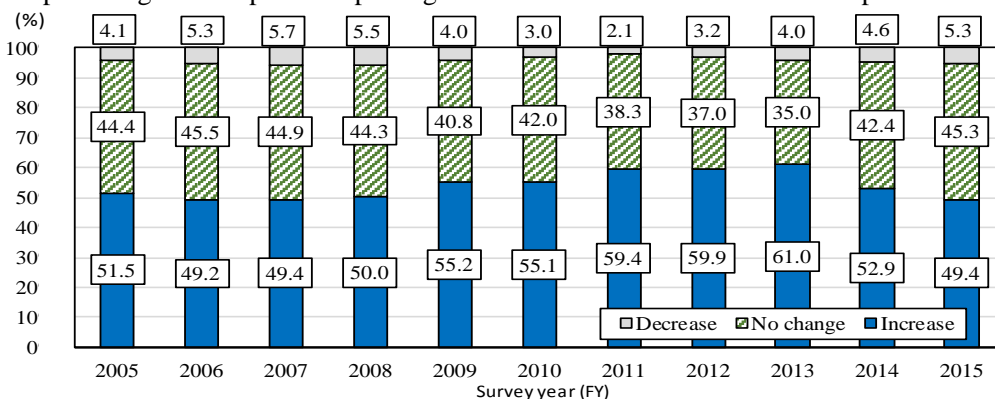


Note 1) Overseas production ratio = Volume of overseas production / (Volume of domestic production + Volume of overseas production)

Note 2) Figure 7-1 and Figure 7-2 show the FY2015 estimate and FY2020 forecast. For other years, actual result of the previous year in next year's survey are shown. (For example, the value for FY2014 is the value for “FY2014 actual result” in the FY2015 survey.)

Note 3) 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)

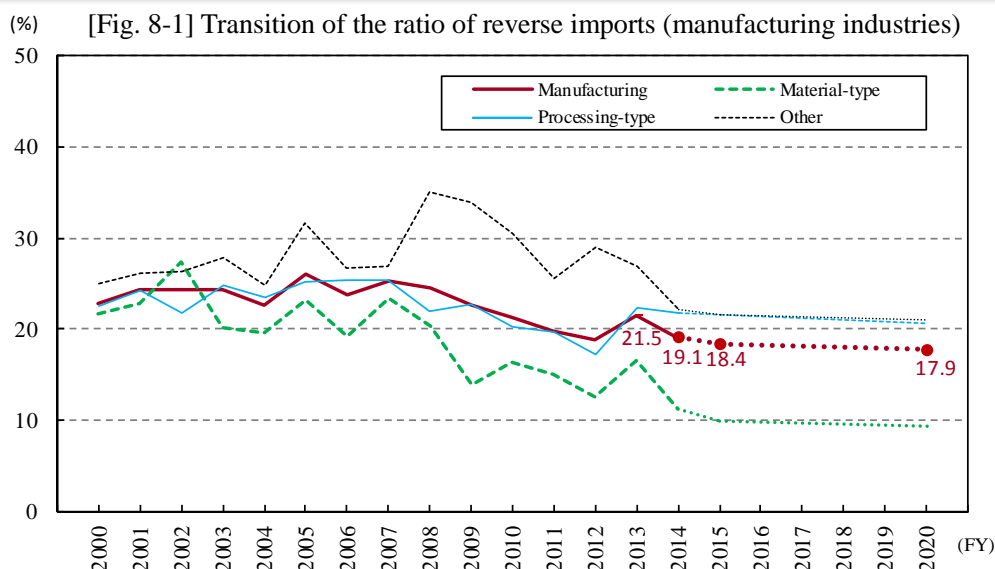


Note) Increase: “Forecast” – “Estimate” > 0, No change: “Forecast” – “Estimate” = 0, Decrease: “Forecast” – “Estimate” < 0.

(In FY2015, if the values after subtracting “FY2015 estimate” from “FY2020 forecast” of each responding company are plus, equal, and minus, it is “Increase,” “No change,” and “Decrease.”)

8. Reverse imports ratio (manufacturing industries)

■ The “FY2014 actual result” for the reverse imports ratio was 19.1%, a decrease from the previous year’s actual result (21.5%).



Note 1) Reverse imports ratio = Export volume to Japan / Volume of overseas local production

Note 2) FY2015 represents the estimate of the actual figure, FY2020 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 FY2014 is the value for “FY2014 actual result” in the FY2015 survey.)

Note 3) 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 4) The survey of the ratio of reverse imports started in FY2001.

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

■ 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” (69.8%), and the second top reason was “Labor costs are low” (43.1%). Compared with the previous year’s survey result, the share of reasons such as “Labor costs are low” has declined.

[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	69.8 (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	80.8 (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	65.9 (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	64.1 (70.6)
① Labor costs are low	43.1 (47.7)	⑤ We can cater effectively to overseas users’ needs	48.5 (45.2)	① Labor costs are low	50.6 (57.1)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	41.0 (29.4)
⑤ We can cater effectively to overseas users’ needs	42.2 (41.2)	① Labor costs are low	32.3 (35.6)	⑤ We can cater effectively to overseas users’ needs	40.2 (38.5)	① Labor costs are low	41.0 (41.2)
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	33.1 (30.5)	⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	32.3 (27.9)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	32.9 (29.1)	⑤ We can cater effectively to overseas users’ needs	38.5 (42.6)
⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	24.0 (21.8)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	27.3 (33.7)	⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	20.7 (19.2)	⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	20.5 (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.”

Note 3) () shows the previous year’s survey results.