



February 28, 2017

Economic and Social Research Institute

FY2016 Annual Survey of Corporate Behavior (Summary)

<I Listed Companies>

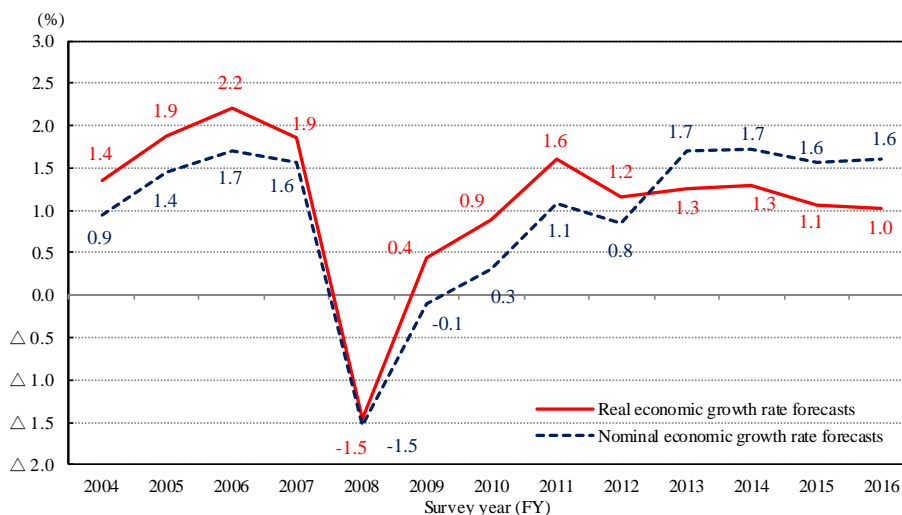
Coverage	All companies listed on the First Section and Second Section of the Tokyo and Nagoya Stock Exchanges (2,586 companies as of November 1, 2016)
Responding companies	1,168 (566 in manufacturing industries, 602 in non-manufacturing industries)
Response rate	45.2%
Survey items	Forecast of Japan's 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 2017 (Questionnaire deadline: January 16)

1. Japan's economic growth rate

- The real economic growth rate forecast for the “next fiscal year” (FY2017) was 1.0%, lower than the previous year's survey result (1.1%), but the rate has been positive for the eighth consecutive year.
- The nominal economic growth rate forecast was higher than the real rate forecast for the fourth 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. 1-1-1] Transition of Japan's real and nominal economic growth rate forecasts for “next FY”



Survey year (FY)	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Nominal economic growth rate forecasts	0.9	1.4	1.7	1.6	-1.5	-0.1	0.3	1.1	0.8	1.7	1.7	1.6	1.6
Real economic growth rate forecasts	1.4	1.9	2.2	1.9	-1.5	0.4	0.9	1.6	1.2	1.3	1.3	1.1	1.0
(Nominal minus Real)	-0.4	-0.4	-0.5	-0.3	-0.1	-0.6	-0.6	-0.5	-0.3	0.5	0.4	0.5	0.6

*Figures derived by rounding the subtraction result to tenths.

Inquiries:

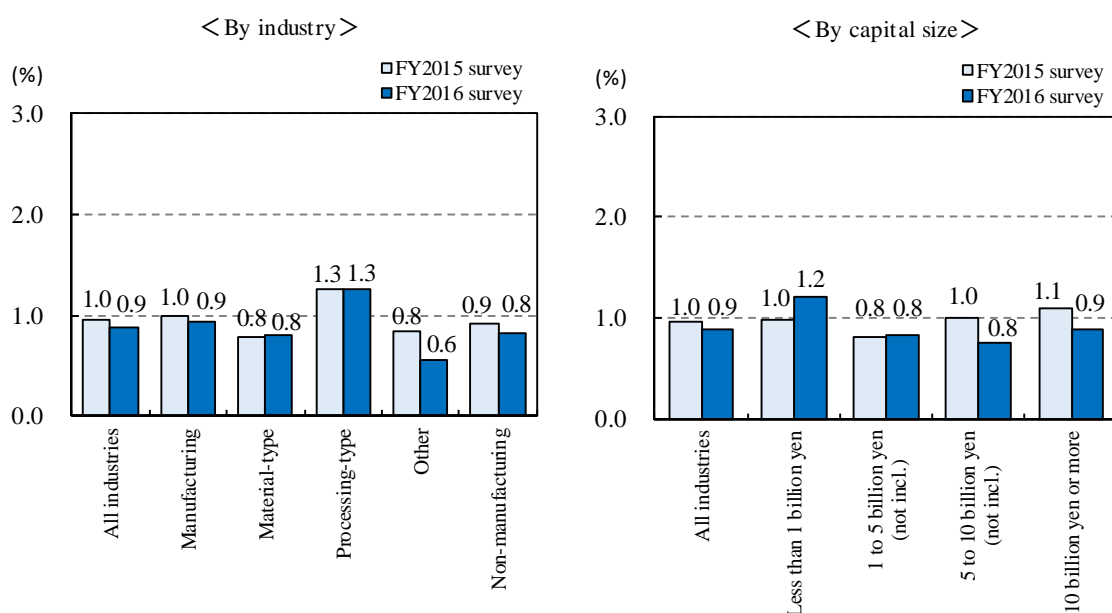
Department of Business Statistics, Economic and Social Research Institute

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

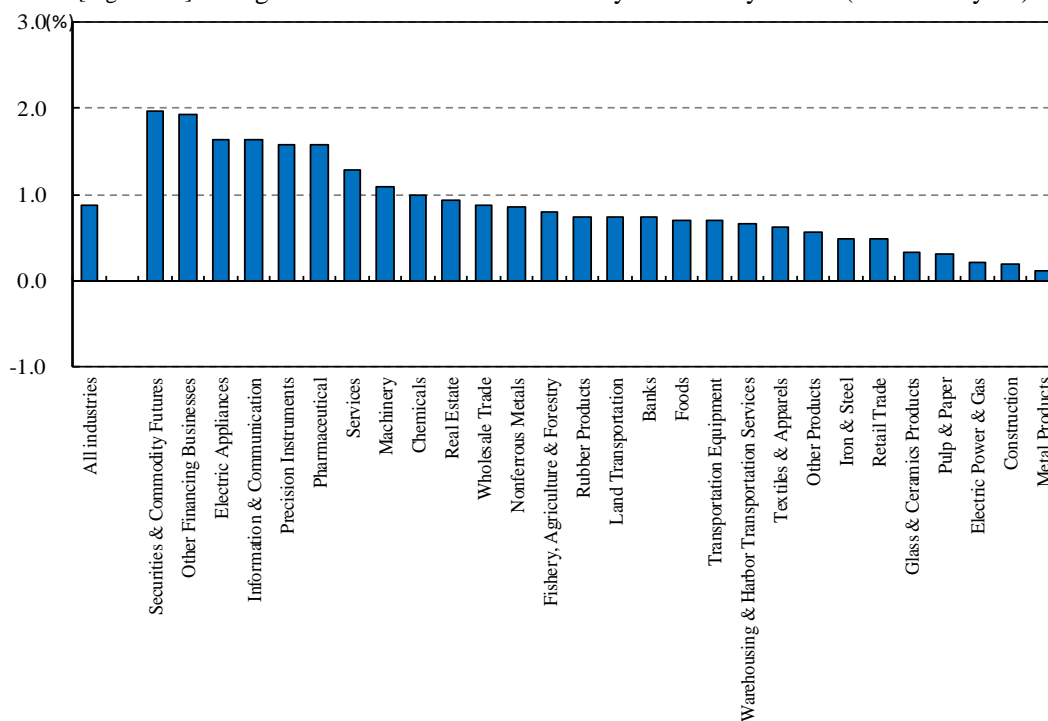
2. Growth rate of industry demand

- The forecast of the real growth rate of industry demand of listed companies for the “next fiscal year” (FY2017) was 0.9%, and the rate has been positive for the seventh consecutive year. Figures for both the manufacturing and non-manufacturing industries fell by 0.1 percentage points from the previous year’s survey result to 0.9% and 0.8%, respectively.
- The medium-term forecasts for the “next 3 years” and the “next 5 years” were 1.0% and 0.9%, respectively.
- In terms of the forecasts for the “next fiscal year” by sector, the growth rate forecast of the manufacturing industries was high in “Electric Appliances” and “Precision Instruments” (1.6% for both), and that of the non-manufacturing industries was high in “Securities & Commodity Futures” (2.0%), and “Other Financing Businesses” (1.9%).

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



[Fig. 1-2-2] 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 FY2016 survey.

3. Exchange rates

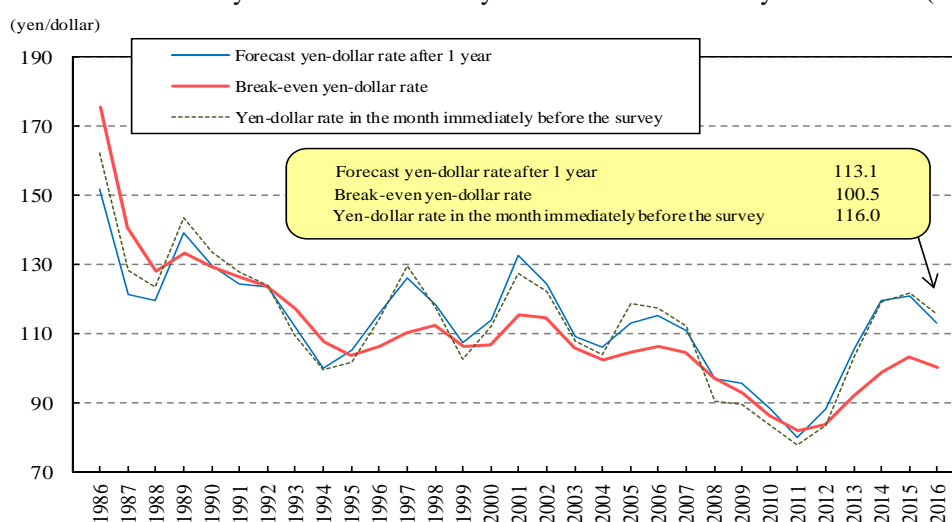
(1) Forecast yen-dollar rate

- The forecast yen-dollar rate after 1 year (around January 2018) for listed companies (all industries, class value average) was 113.1 yen/dollar. This was a 7.8 yen appreciation from the previous year's survey result (120.9 yen/dollar), forecasting yen appreciation for the first time in the five years.
- Compared with the yen-dollar rate for the month immediately before the survey (116.0 yen/dollar in December 2016), the forecast appreciated by 2.9 yen.

(2) Break-even yen-dollar rate

- The break-even yen-dollar rate of listed exporting companies (all industries, actual value average) was 100.5 yen/dollar. This was a 2.7 yen appreciation against the previous year's survey result (103.2 yen/dollar), meaning the yen's appreciation in the break-even rate for the first time in the five years.
- In terms of the break-even yen-dollar rate by industry, the rates of the manufacturing industries and the non-manufacturing industries were 99.9 yen/dollar and 104.2 yen/dollar, respectively. Compared with the yen-dollar rate for the month immediately before the survey, the rate for both the manufacturing industries and non-manufacturing industries appreciated by 16.1 yen and 11.8 yen, respectively.
- In terms of the break-even yen-dollar rate by sector, compared with the all industries average, sectors such as "Retail Trade" (113.9 yen/dollar) and "Textiles & Apparels" (110.2 yen/dollar) set weaker break-even rates, while sectors such as "Pharmaceutical" (94.0 yen/dollar) and "Pulp & Paper" (97.0 yen/dollar) set stronger rates.

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



		(yen/dollar)											
Survey year (FY)		2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Forecast yen-dollar rate after 1 year		113.2	115.5	111.0	97.0	95.9	88.4	80.3	88.4	105.7	119.5	120.9	113.1
Break-even yen-dollar rate		104.5	106.6	104.7	97.3	92.9	86.3	82.0	83.9	92.2	99.0	103.2	100.5
Yen-dollar rate in the month immediately before the survey		118.6	117.3	112.3	90.4	89.6	83.4	77.9	83.6	103.5	119.4	121.8	116.0
Difference	Forecast yen-dollar rate after 1 year - Break-even yen-dollar rate	8.7	8.9	6.3	-0.3	3.0	2.1	-1.7	4.5	13.5	20.5	17.7	12.7
	Yen-dollar rate for the month immediately before the survey - Break-even yen-dollar rate	14.1	10.8	7.6	-6.9	-3.3	-2.9	-4.2	-0.2	11.2	20.4	18.7	15.5

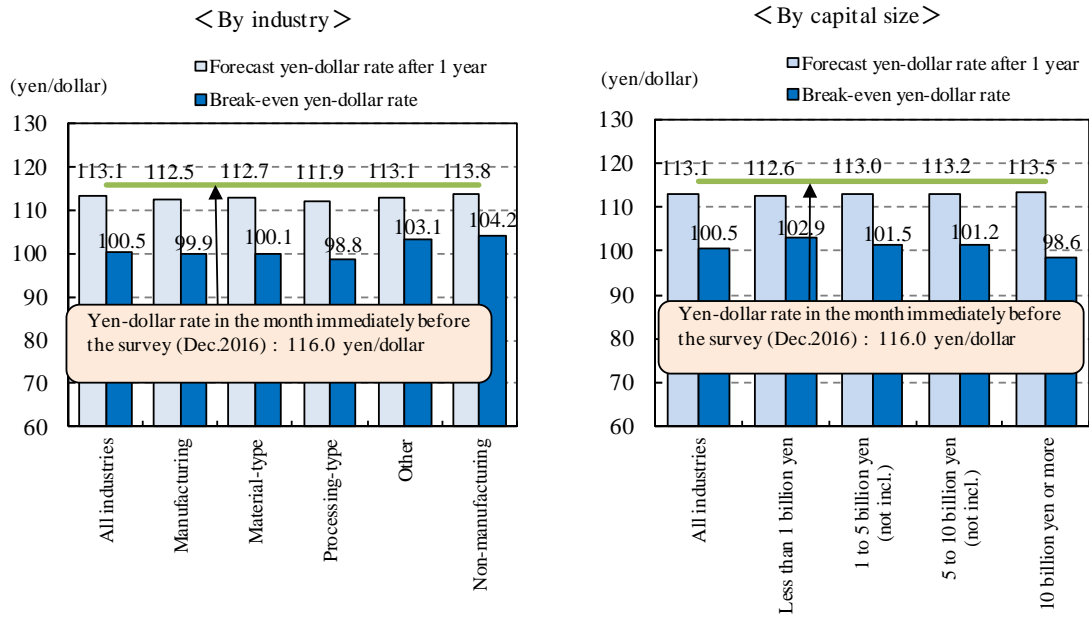
Note 1) "Forecast yen-dollar rate" is the average of the class values, while "break-even yen-dollar rate" is the average of the actual reported numbers.

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

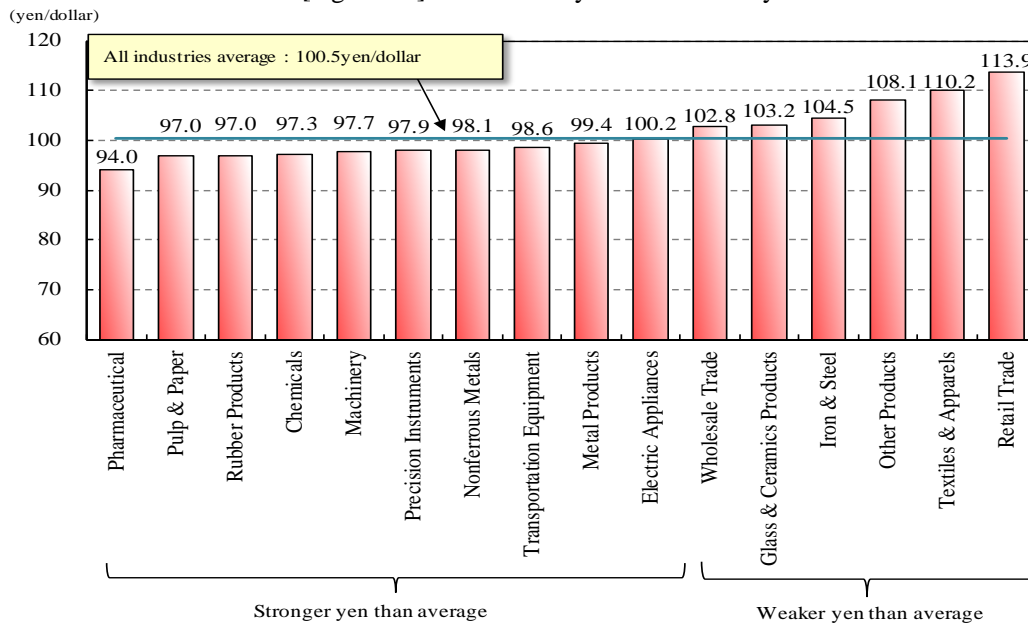
Note 3) "Yen-dollar rate in the month immediately before the survey" refers to figures in December, except for FY1994 and FY2008

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

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



[Fig. 1-3-3] Break-even yen-dollar rate by sector



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

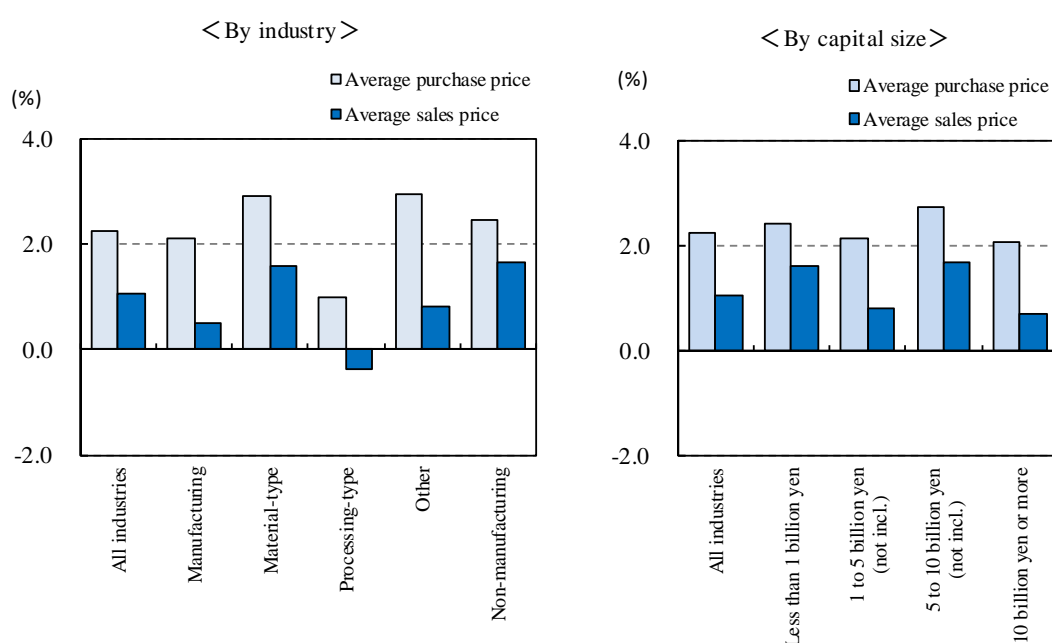
Note 2) Calculation of "break-even yen-dollar rate" includes only companies that conduct exports.

Note 3) Sectors include only those with 5 or more responding companies.

4. Prices

- Average purchase prices after 1 year for listed companies (all industries, class value average) increased by 2.3% (the previous year's survey result, 1.6%), which was an increase for the eighth consecutive year.
- Average sales prices after 1 year for listed companies (all industries, class value average) increased by 1.1% (the previous year's survey result, 0.8%), which was an increase for the fourth consecutive year.
- Purchase price increases surpassed sales price increases for listed companies, and terms of trade (all industries) were forecast to worsen by 1.2 percentage points for all industries.

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



[Table 1-4-1] Terms of trade by industry

(%、% point)

		Average purchase price		Average sales price		Terms of trade	
		FY2016 survey	FY2015 survey	FY2016 survey	FY2015 survey	FY2016 survey	FY2015 survey
All industries		2.3	1.6	1.1	0.8	-1.2	-0.9
Industry	Manufacturing	2.1	1.2	0.5	0.2	-1.6	-1.0
	Material-type	2.9	1.1	1.6	0.5	-1.3	-0.6
	Processing-type	1.0	1.1	-0.4	-0.0	-1.4	-1.1
	Other	3.0	1.3	0.8	0.1	-2.1	-1.2
	Non-manufacturing	2.5	2.2	1.7	1.4	-0.8	-0.8
Capital size	Less than 1 billion yen	2.4	1.7	1.6	0.7	-0.8	-1.1
	1 to 5 billion yen (not incl.)	2.2	2.0	0.8	1.0	-1.3	-1.0
	5 to 10 billion yen (not incl.)	2.7	1.7	1.7	0.9	-1.1	-0.7
	10 billion yen or more	2.1	1.1	0.7	0.4	-1.3	-0.7

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

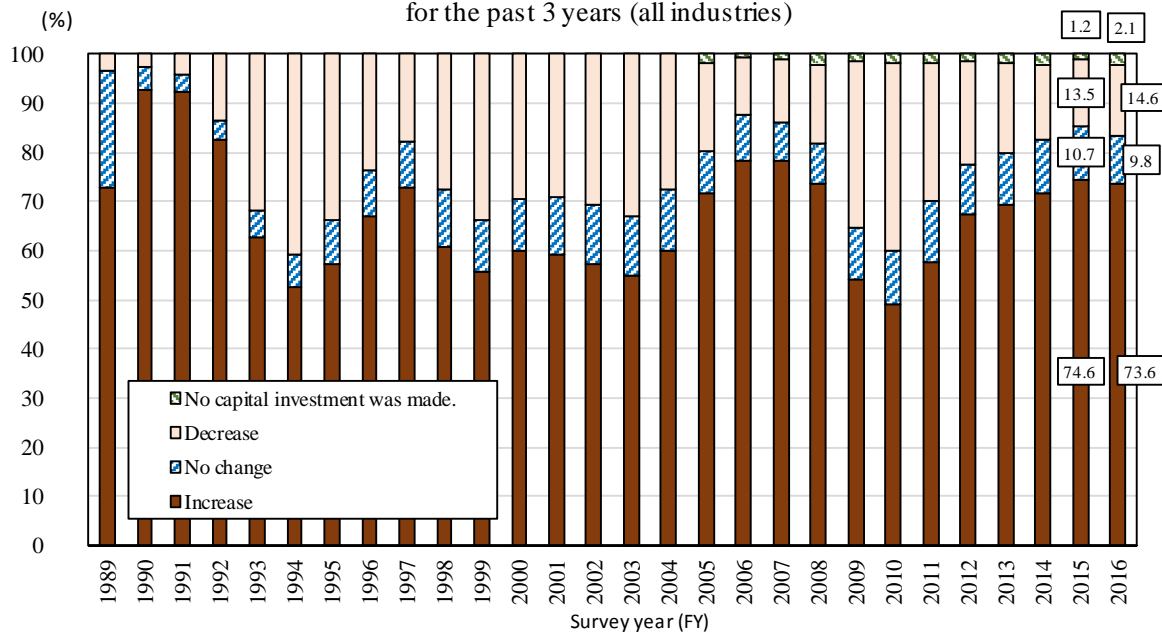
Note 2) Terms of trade are derived from the rate of change of the average sales price and the rate of change of the average purchase price (Refer to FY2016 Statistical Tables <I. Listed Companies> 3-1 and 3-2) that include two decimal points. Therefore, they may not always coincide with figures calculated 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. V

5. Change in capital investment

(1) Capital investment for the past 3 years

■ The percentage of listed companies that increased capital investment (all industries) for the “past 3 years” (average of FY2014–FY2016) was 73.6%, down from the previous year’s survey result (74.6%).

[Figure 1-5-1] 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%.

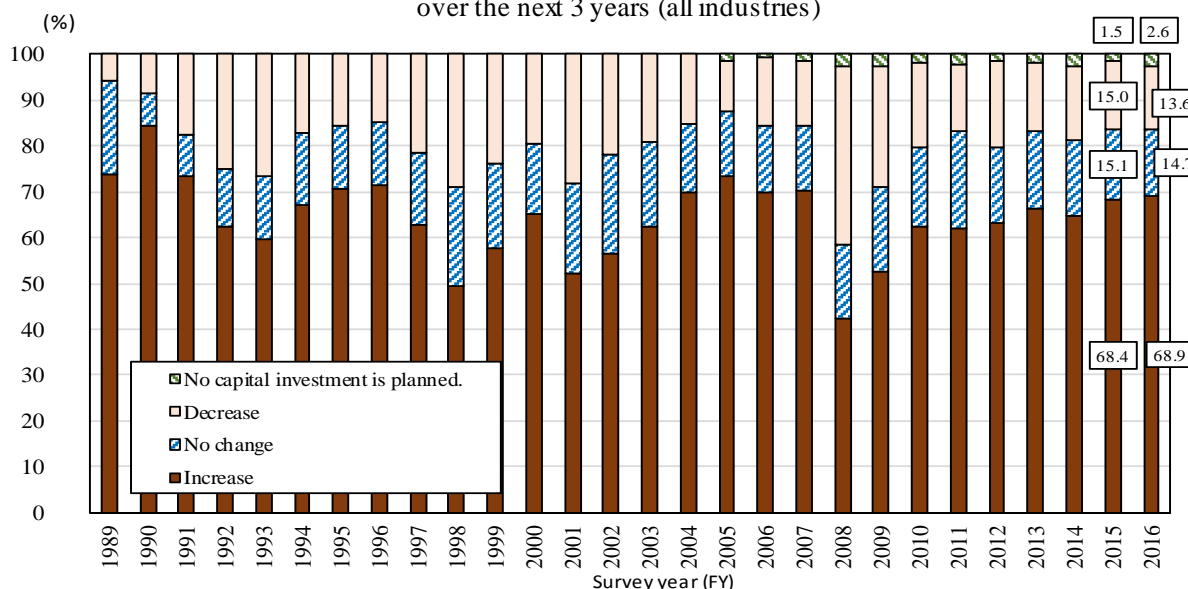
Note 2) The alternative of “no capital investment was made/is planned” was added from the survey of FY2005.

Note 3) The “past 3 years” means that, for example, the “past 3 years” for the FY2016 survey represents the period from FY2014 to FY2016.

(2) Capital investment over the next 3 years

■ The percentage of listed companies expecting to increase capital investment (all industries) over the “next 3 years” (average of FY2017–FY2019) was 68.9%, up from the previous year’s survey result (68.4%). This was the highest level since the FY2007 survey result (70.2%).

[Figure 1-5-2] 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.

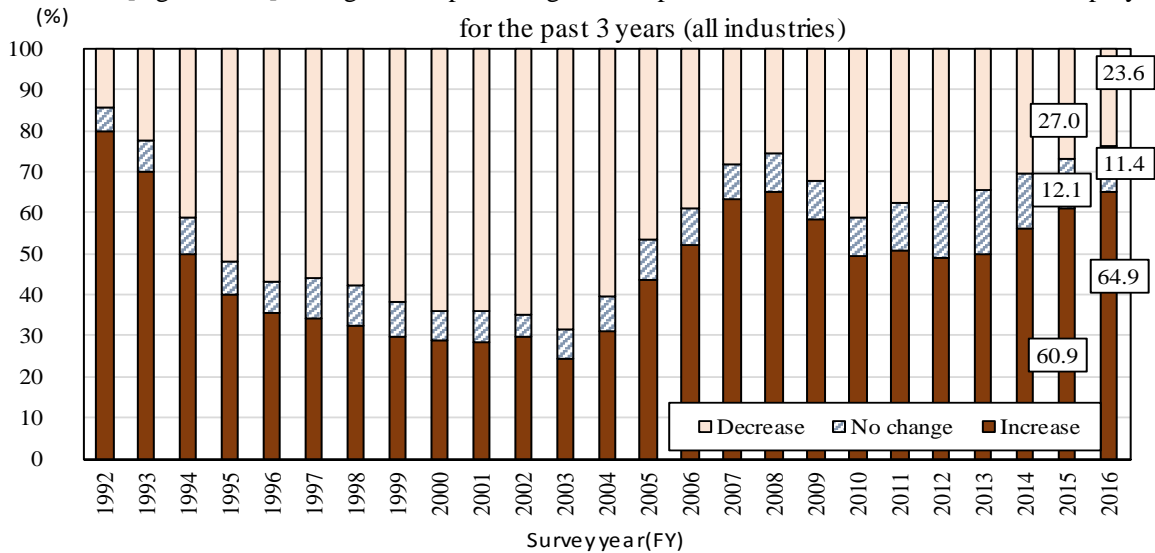
Note 3) The “next 3 years” means that, for example, the “next 3 years” for the FY2016 survey represents the period from FY2017 to FY2019.

6. Change in the number of employees

(1) Number of employees for the past 3 years

■ The percentage of listed companies that increased employees (all industries) for the “past 3 years” (average of FY2014–FY2016) was 64.9%, up from the previous year’s survey result (60.9%).

[Figure 1-6-1] 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 FY2016 survey represents the period from FY2014 to FY2016.

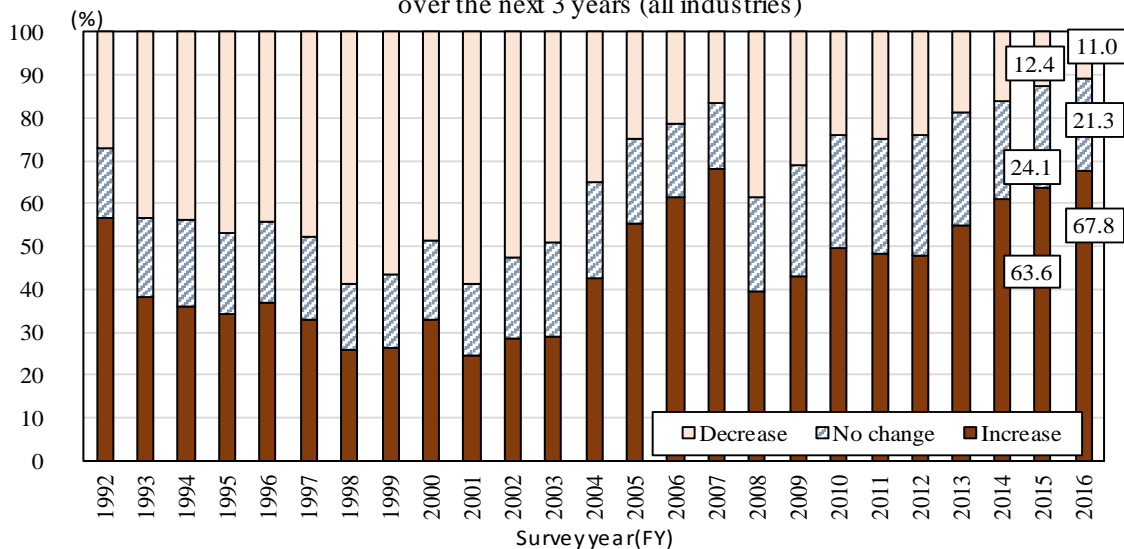
Note 3) The survey for the rate of change in overall employees started from FY1992.

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 listed companies expecting to increase employees (all industries) over the “next 3 years” (average of FY2017–FY2019) was 67.8%, up from the previous year’s survey result (63.6%). This was the highest level since the FY2007 survey result (68.3%).

[Figure 1-6-2] 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 FY2016 survey represents the period from FY2017 to FY2019.

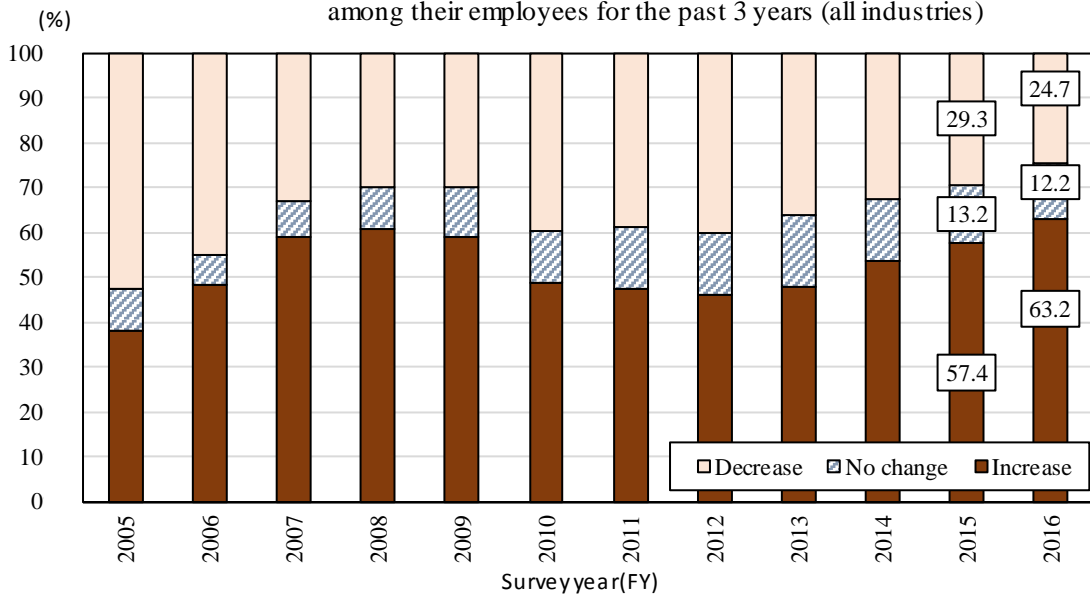
Note 3) The survey for the rate of change in overall employees started from FY1992.

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 full-time employees

- The percentage of listed companies that increased full-time employees (all industries) among their employees for the “past 3 years” (average of FY2014–FY2016) was 63.2%, up from the previous year’s survey result (57.4%).
- The percentage of listed companies expecting to increase full-time employees (all industries) among their employees over the “next 3 years” (average of FY2017–FY2019) was 65.9%, up from the previous year’s survey result (61.7%). This was the highest level since the FY2007 survey result (66.5%).

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



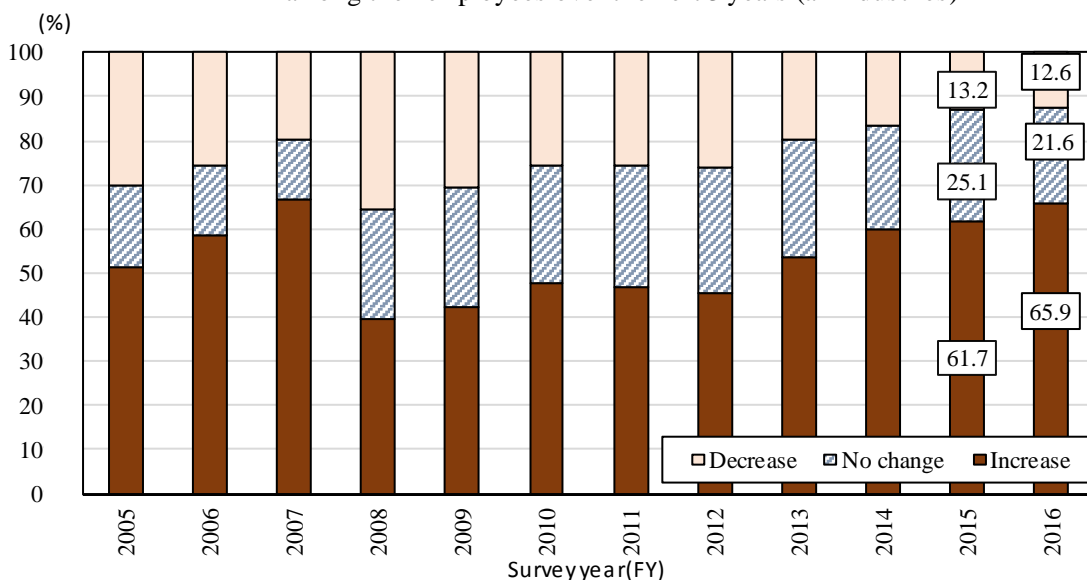
Note 1) Increase: Percentage of companies responding over 0%, No change: Percentage of companies responding 0%, Decrease: Percentage of companies responding less than 0%.

Note 2) The “past 3 years” means that, for example, the “past 3 years” for the FY2016 survey represents the period from FY2014 to FY2016.

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

Note 4) The item name “regular employees” was changed to “full-time employees” in FY2016.

[Figure 1-6-4] Change in the percentage of companies expecting an increase or a decrease in full-time 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 FY2016 survey represents the period from FY2017 to FY2019.

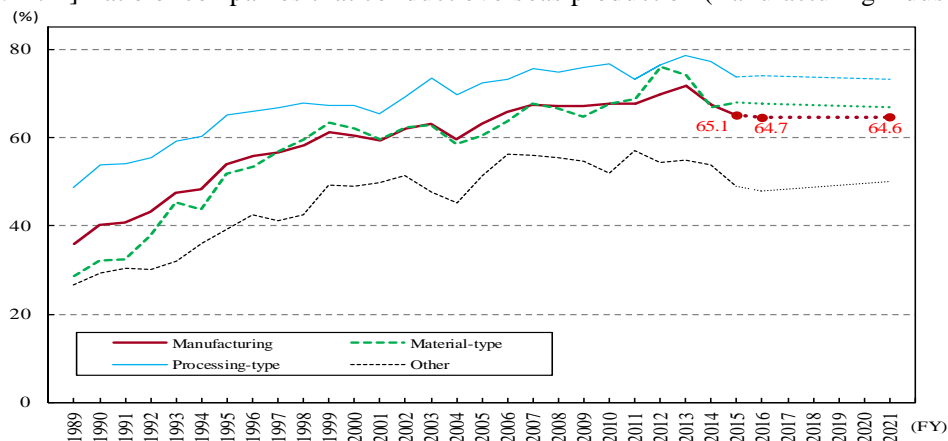
Note 3) The survey for the rate of change in full-time employees (among overall employees) started from FY2005.

Note 4) The item name “regular employees” was changed to “full-time employees” in FY2016.

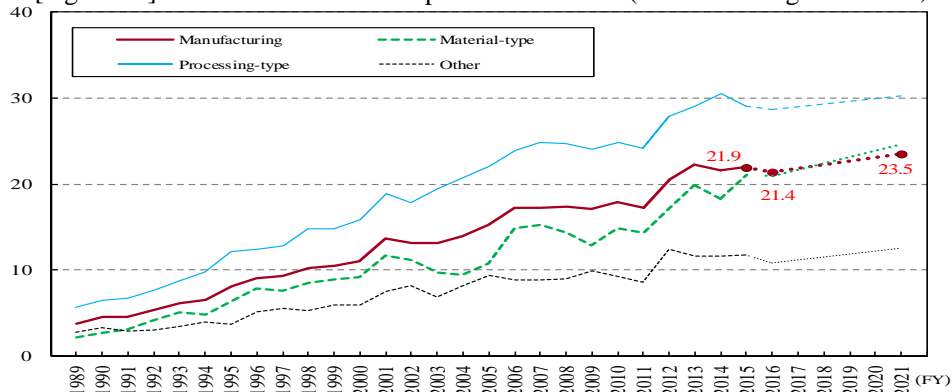
7. Overseas production ratio (manufacturing industries)

- The “FY2015 actual result” for the percentage of listed companies conducting overseas production was 65.1%, a 2.4 percentage point decrease from the previous year’s survey result (67.5%). The “FY2016 estimate” was 64.7% and the “FY2021 forecast” was 64.6%. The decline was expected to continue.
- The “FY2015 actual figures” for the overseas production ratio of listed companies was 21.9%, an increase from the previous year’s survey result (21.6%). The “FY2016 estimate” was 21.4% and the “FY2021 forecast” was 23.5%.
- 49.6% of the companies expected the increase in overseas production ratio in the “FY2021 forecast” compared to the “FY2016 estimate” (the previous year’s survey result, 49.4%.)

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



[Fig. 1-7-2] Transition of overseas production ratios (manufacturing industries)

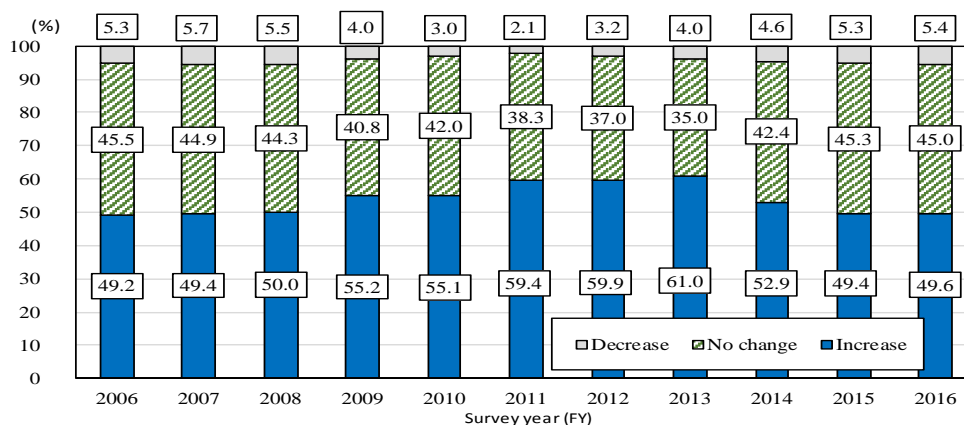


Note 1) Overseas production ratio = Volume of overseas production / (Volume of domestic production + Volume of overseas production)

Note 2) Figure 1-7-1 and Figure 1-7-2 show the FY2016 estimate and FY2021 forecast. For other years, actual result of the previous year in next year’s survey are shown. (For example, the value for FY2015 is the value for “FY2015 actual result” in the FY2016 survey.)

Note 3) Overseas production ratio of Figure 1-7-2 is a simple average including companies that responded 0.0%.

[Figure 1-7-3] The percentage of companies expecting an increase or a decrease in overseas production ratio (Manufacturing)



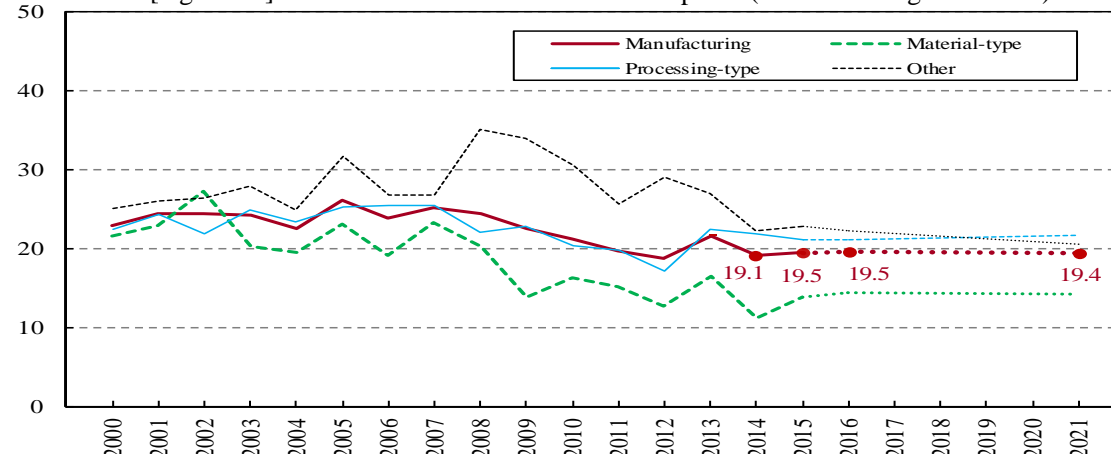
Note) Increase: “Forecast” – “Estimate” > 0, No change: “Forecast” – “Estimate” = 0, Decrease: “Forecast” – “Estimate” < 0.

(In FY2016, if the values after subtracting “FY2016 estimate” from “FY2021 forecast” of each responding company are plus, equal, and minus, it is “Increase,” “No change,” and “Decrease.”)

8. Reverse imports ratio (manufacturing industries)

- The “FY2015 actual result” for the reverse imports ratio of listed companies was 19.5%, an increase from the previous year’s survey result (19.1%).
- The “FY2016 estimate” was 19.5%, and the “FY2021 forecast” was 19.4%.

[Fig. 1-8-1] Transition of the ratio of reverse imports (manufacturing industries)



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

Note 2) FY2016 represents the estimate of the actual result, FY2021 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 FY2015 is the value for “FY2015 actual result” in the FY2016 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” for listed companies, 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” (70.7%), and the second top reason was “We can cater effectively to overseas users’ needs” (47.0%).

[Table 1-9-1] 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	70.7 (69.8)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	81.8 (80.8)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	63.4 (65.9)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	72.1 (64.1)
⑤ We can cater effectively to overseas users’ needs	47.0 (42.2)	⑤ We can cater effectively to overseas users’ needs	50.0 (48.5)	① Labor costs are low	51.9 (50.6)	⑤ We can cater effectively to overseas users’ needs	44.2 (38.5)
① Labor costs are low	43.0 (43.1)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	33.6 (27.3)	⑤ We can cater effectively to overseas users’ needs	46.4 (40.2)	① Labor costs are low	37.2 (41.0)
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	37.2 (33.1)	① Labor costs are low	32.7 (32.3)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	39.9 (32.9)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	36.0 (41.0)
⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	22.2 (24.0)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	30.0 (32.3)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	20.2 (20.7)	⑥ We have contracts with reliable suppliers of parts and/or raw materials to the local facilities in a stable manner	16.3 (16.7)
						⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	16.3 (20.5)

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.