FY2012 Annual Survey of Corporate Behavior

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Survey methodology

1	Objective of the survey	The objective of this survey is to clarify the actual state of the Japanese economy from the aspect of corporate activities, by continuously conducting surveys on how companies forecast future business outlook and industrial demand trends.
2	Period of the survey	January 2013
3	Survey items	Business outlook and demand forecast, exchange rates, prices, growth rate of capital investment, rate of change in the number of employees, ratios of overseas production and reverse imports
4	Coverage	All companies listed in the First Section and Second Section of the Tokyo, Osaka, and Nagoya Stock Exchange (2,374 companies as of November 1, 2012)
5	Survey method	Self-reporting mailing method using prescribed questionnaire
6	Number of responding companies	815 (425 in manufacturing industries, 390 in non-manufacturing industries)
7	Response rate	34.3%

(Note) The sectors used in this survey are based on the classifications for securities codes.
The breakdown for manufacturing industries is as follows.

Material-type manufacturing industries:	Textiles & Apparels, Pulp & Paper, Chemicals, Iron & Steel, Nonferrous Metals
Processing-type manufacturing industries:	Machinery, Electric Appliances, Transportation Equipment, Precision Instruments
Other manufacturing industries:	Foods, Pharmaceutical, Oil & Coal Products, Rubber Products, Glass & Ceramics Products, Metal Products, Other Products

Summary of the results

1 Business outlook and demand forecast

(1) Forecast of Japan's economic growth rate

- ○ The real economic growth rate for the "next fiscal year" (FY2013) on an all industries basis (average of actual values) was forecast to rise by 1.2%, a rise for the fourth consecutive year.
- ○ The forecasts for the "next 3 years" (1.1%) and the "next 5 years" (1.2%) were both lower than the previous year's survey (1.5% and 1.5%, respectively) and roughly the same level as the forecast for the "next fiscal year."
- ○ The forecasts of the nominal economic growth rate for the "next fiscal year," "next 3 years" and "next 5 years" were all lower than those of the real economic growth rate, implying that sustained deflation was expected. However, the gap between nominal and real growth rate forecasts has narrowed since the previous year's survey.

Japan's real economic growth rate for the "next fiscal year" (FY2013) on an all industries basis (average of actual values[1)]) by the companies surveyed (companies listed on the first and second sections of the Tokyo, Osaka and Nagoya Stock Exchanges) was forecast to rise by 1.2%, which was lower than the results of the previous year (FY2011, 1.6%) but a rise for the fourth consecutive year (Fig. 1-1, Table 1-1).

With regard to the medium-term outlook, the forecasts for the "next 3 years" (average of FY2013–2015) and the "next 5 years" (average of FY2013–2017) were 1.1% and 1.2%, respectively, both lower than the previous year's results (1.5% and 1.5%, respectively) and roughly the same level as the forecast for the "next fiscal year."

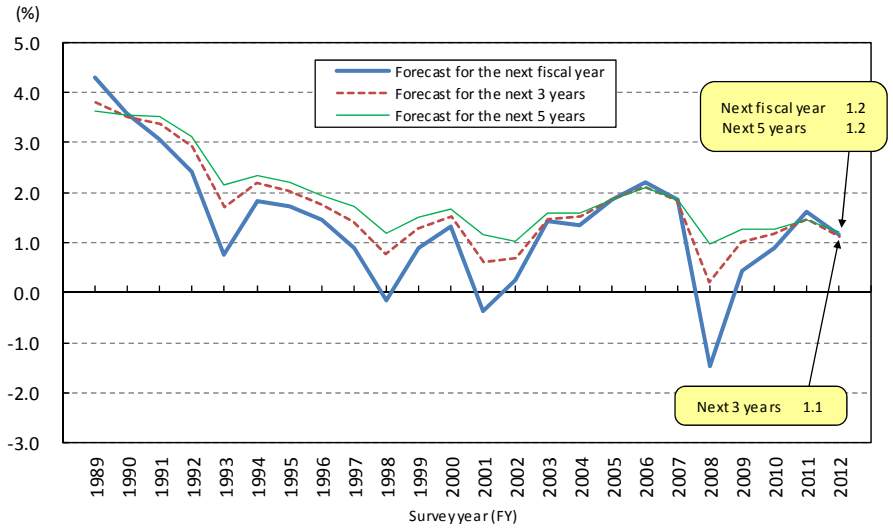
Looking at the forecast for the "next fiscal year" by capital size, the forecast by companies with capital of "Less than 1 billion yen" was 1.0%, those with "1 to 5 billion yen (not incl.)" was 1.1%, those with "5 to 10 billion yen (not incl.)" was 1.2% and those with "10 billion yen or more" was also 1.2%, indicating that the larger the company the higher the forecast tended to be.

On the other hand, the forecast of nominal economic growth rates for the "next fiscal year" on an all industries basis (average of actual values) was 0.8%, for the "next 3 years" was 1.0% and for the "next 5 years" was 1.1%. The nominal economic growth rate forecasts for the "next fiscal year," "next 3 years" and "next 5 years" were all lower than real economic growth rates

1) The averages in this survey are simple averages. The same applies hereinafter.

(-0.4% points for the “next fiscal year,” -0.1% points for the “next 3 years” and -0.1% points for the “next 5 years”)[2] and sustained deflation was expected, but the gap between nominal and real economic growth rates (real economic growth rate subtracted from nominal economic growth rate) has narrowed since the previous year’s survey.

[Fig. 1-1] Trend of Japan’s real economic growth rate forecasts (all industries basis)



Note: With regard to the “forecast” for each fiscal year, for example, the “forecast for the next fiscal year” in the FY2012 survey refers to the forecast for FY2013; the “forecast for the next 3 years” refers to the forecast for FY2013 to FY2015; and the “forecast for the next 5 years” refers to the forecast for FY2013 to FY2017 (fiscal year average).

[2] The difference using figures rounded to one decimal place. Figures in the statistical tables (displayed up to two decimal places) are used in the charts in the pages that follow. The same applies hereinafter.

[Table 1-1] Trend of Japan's economic growth rate forecasts (all industries basis)

(%)

Survey year	Nominal economic growth rate			Real economic growth rate		
	Forecast for the next fiscal year	Forecast for the next 3 years	Forecast for the next 5 years	Forecast for the next fiscal year	Forecast for the next 3 years	Forecast for the next 5 years
FY 1989	-	-	-	4.3	3.8	3.6
1990	-	-	-	3.6	3.5	3.6
1991	-	-	-	3.1	3.4	3.5
1992	-	-	-	2.4	2.9	3.1
1993	-	-	-	0.8	1.7	2.1
1994	-	-	-	1.8	2.2	2.3
1995	-	-	-	1.7	2.0	2.2
1996	-	-	-	1.5	1.8	1.9
1997	-	-	-	0.9	1.4	1.7
1998	-	-	-	-0.2	0.8	1.2
1999	-	-	-	0.9	1.3	1.5
2000	-	-	-	1.3	1.5	1.7
2001	-	-	-	-0.4	0.6	1.2
2002	-	-	-	0.3	0.7	1.0
2003	0.7	0.9	1.2	1.4	1.5	1.6
2004	0.9	1.2	1.4	1.4	1.5	1.6
2005	1.4	1.6	1.6	1.9	1.9	1.9
2006	1.7	1.7	1.7	2.2	2.1	2.1
2007	1.6	1.6	1.6	1.9	1.8	1.9
2008	-1.5	0.0	0.8	-1.5	0.2	1.0
2009	-0.1	0.6	1.0	0.4	1.0	1.3
2010	0.3	0.7	1.0	0.9	1.2	1.3
2011	1.1	1.1	1.1	1.6	1.5	1.5
2012	0.8	1.0	1.1	1.2	1.1	1.2

Note 1: With regard to the "forecast" for each fiscal year, for example, the "forecast for the next fiscal year" in the FY2012 survey refers to the forecast for FY2013; the "forecast for the next 3 years" refers to the forecast for FY2013 to FY2015; and the "forecast for the next 5 years" refers to the forecast for FY2013 to FY2017 (fiscal year average).

Note 2: The survey of nominal economic growth rates started in FY2003.

(2) Forecast of growth rate of industry demand

○ The forecast of the real growth rate for the “next fiscal year” (all industries basis, average of actual values) was 1.0%, a positive growth forecast for the third consecutive year.

○ The forecast declined from the previous year’s results in both manufacturing and non-manufacturing industries. The drop in manufacturing industries was large, with significant declines in sectors including “Transportation Equipment” (down 2.3% points), “Nonferrous Metals” (down 1.6% points) and “Electric Appliances” (down 0.9% points).
On the other hand, sectors such as “Metal Products” (up 0.3% points), “Construction” (up 0.1% points) and “Retail Trade” (up 0.1% points) saw a rise.

○ Both manufacturing and non-manufacturing industries forecast positive growth for the “next fiscal year,” “next 3 years” and “next 5 years.”

○ Looking at the forecasts for the “next fiscal year” by sector, the growth rate forecasts were high in sectors such as “Metal Products” (1.6%) and “Machinery” (1.6%) in manufacturing industries, and “Construction” (1.9%) and “Electric Power & Gas” (1.8%) in non-manufacturing industries.

○ Compared to Japan’s real economic growth rate forecast (all industries basis), the real growth rate forecasts of industry demand were lower for the “next fiscal year,” “next 3 years” and “next 5 years.”

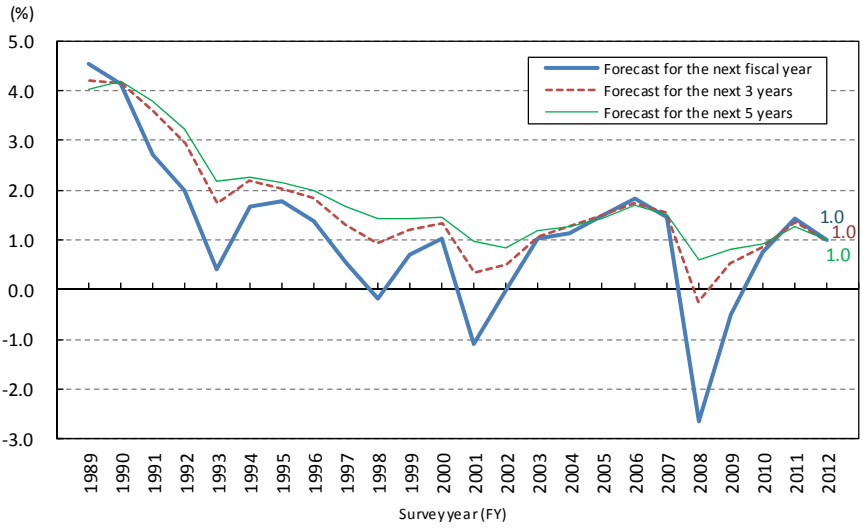
The forecast of the real growth rate for the “next fiscal year” (all industries basis, average of actual values) was 1.0%, which is lower than the results of the previous year (FY2011, 1.4%) but a rise for the third consecutive year (Fig. 1-2, Table 1-2).

The forecast of the real growth rate declined in both manufacturing and non-manufacturing industries from the previous year’s results. The decline in manufacturing industries was large in particular, with significant drops seen in “Transportation Equipment” (down 2.3% points), “Nonferrous Metals” (down 1.6% points) and “Electric Appliances” (down 0.9% points).

On the other hand, sectors such as “Metal Products” (up 0.3% points), “Construction” (up 0.1% points) and “Retail Trade” (also up 0.1% points) saw a higher forecast (Fig. 1-5, Fig. 1.6).

With regard to the medium-term outlook, the forecast for the “next 3 years” was 1.0% and the “next 5 years” also 1.0%, both lower than the previous year’s results (1.4% and 1.3%, respectively).

[Fig. 1-2] Trend of real growth rate forecasts of industry demand (all industries basis)



Note: With regard to the "forecast" for each fiscal year, for example, the "forecast for the next fiscal year" in the FY2012 survey refers to the forecast for FY2013; the "forecast for the next 3 years" refers to the forecast for FY2013 to FY2015; and the "forecast for the next 5 years" refers to the forecast for FY2013 to FY2017 (fiscal year average).

By industry, the forecasts by manufacturing industries were 1.0% for the "next fiscal year," 1.1% for the "next 3 years" and 1.1% for the "next 5 years," while those by non-manufacturing industries were 1.0% for the "next fiscal year," 0.8% for the "next 3 years" and 0.8% for the "next 5 years," indicating that non-manufacturing industries expect lower growth rates for the "next 3 years" and the "next 5 years" than manufacturing industries (Fig. 1-3).

By manufacturing industry segment, the forecasts by material-type manufacturing industries were 0.8% for the "next fiscal year," 1.0% for the "next 3 years" and 1.0% for the "next 5 years," while those by processing-type manufacturing industries were 1.2%, 1.4% and 1.5%, respectively, and other manufacturing industries 0.9%, 0.7% and 0.7%, respectively, indicating that processing-type manufacturing industries expect higher growth than material-type and other manufacturing industries.

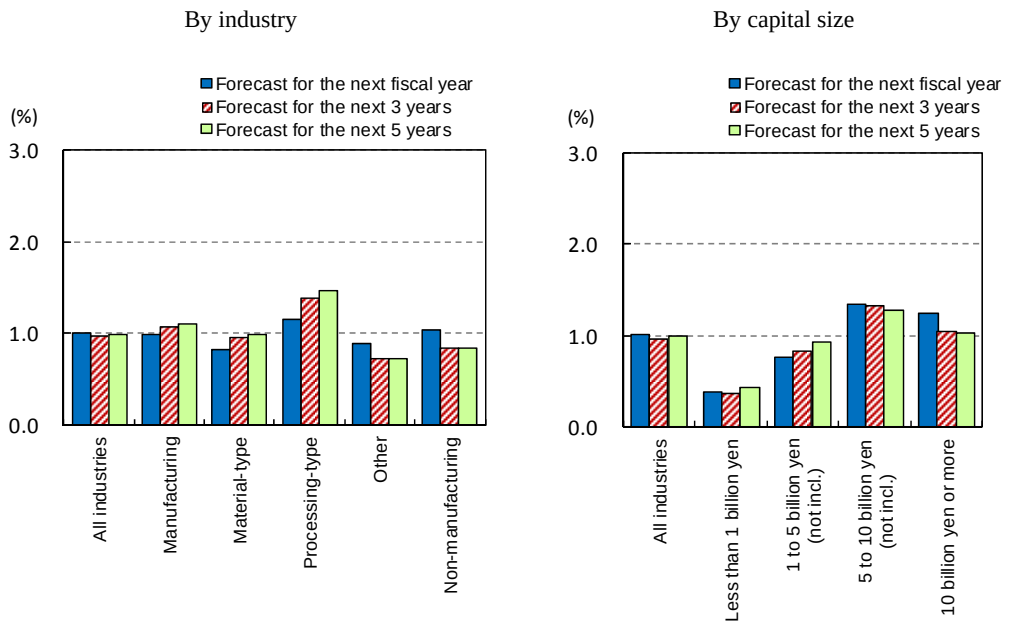
By sector (sectors with 5 or more responding companies), 23 sectors out of 24 sectors expect positive growth for the "next fiscal year," "next 3 years" and "next 5 years." Growth rate forecasts were high for the "next fiscal year" in sectors such as "Metal Products" (1.6%) and "Machinery" (1.6%) in manufacturing industries and "Construction" (1.9%) and "Electric Power & Gas" (1.8%) in non-manufacturing industries (Fig. 1-4).

Looking at the forecasts for the "next fiscal year" by capital size, the forecast by companies with a capital of "Less than 1 billion yen" was 0.4%, those with "1 to 5 billion yen (not incl.)" 0.8%, companies with "5 to 10 billion yen (not incl.)" 1.4% and those with "10 billion yen or more" 1.3%, indicating that the larger the company the higher the forecast tended to be (Fig. 1-3).

On the other hand, the forecast of nominal growth rates (all industries basis, average of actual values) was 0.8% for the “next fiscal year,” 0.8% for the “next 3 years” and 0.8% for the “next 5 years,” all lower than the previous year’s results. The forecast for nominal growth rates for the “next fiscal year,” “next 3 years” and “next 5 years” were all lower than real growth rates (-0.2% points for the “next fiscal year,” -0.2% points for the “next 3 years” and -0.2% points for the “next 5 years”) and a decline in prices was expected, but the gap between nominal and real economic growth rates has narrowed since the previous year’s survey.

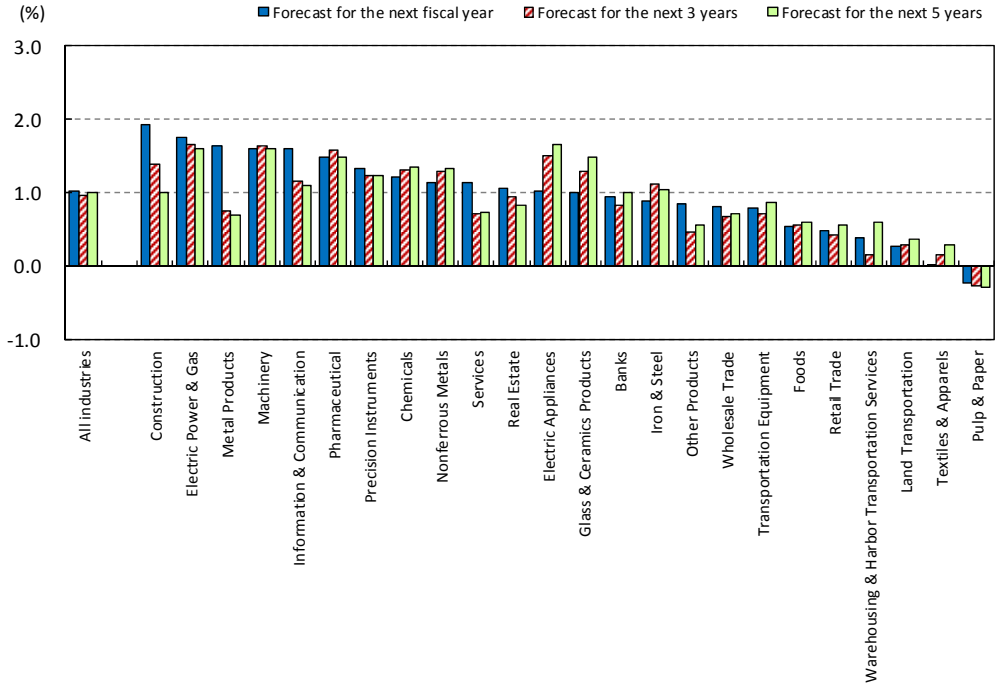
Furthermore, in comparison to the forecasts of Japan’s real economic growth rates (all industries basis), the forecasts of real industrial demand growth rates were lower for “next fiscal year,” “next 3 years” and “next 5 years.”

[Fig. 1-3] Real growth rate forecasts of industry demand by industry and capital size



Note: The “forecast for the next fiscal year” in the FY2012 survey refers to the forecast for FY2013; the “forecast for the next 3 years” refers to the forecast for FY2013 to FY2015; and the “forecast for the next 5 years” refers to the forecast for FY2013 to FY2017 (fiscal year average).

[Fig. 1-4] Real growth rate forecasts of industry demand by sector

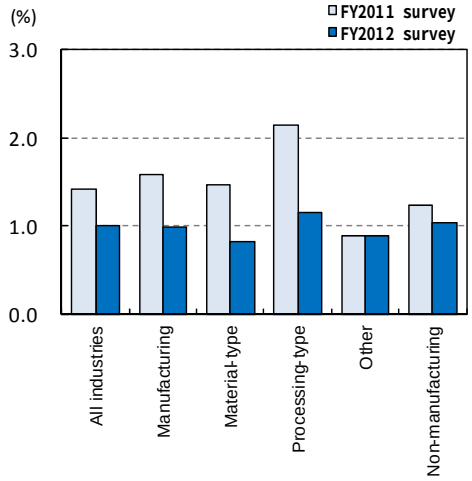


Note 1: The “forecast for the next fiscal year” in the FY2012 survey refers to the forecast for FY2013; the “forecast for the next 3 years” refers to the forecast for FY2013 to FY2015; and the “forecast for the next 5 years” refers to the forecast for FY2013 to FY2017 (fiscal year average).

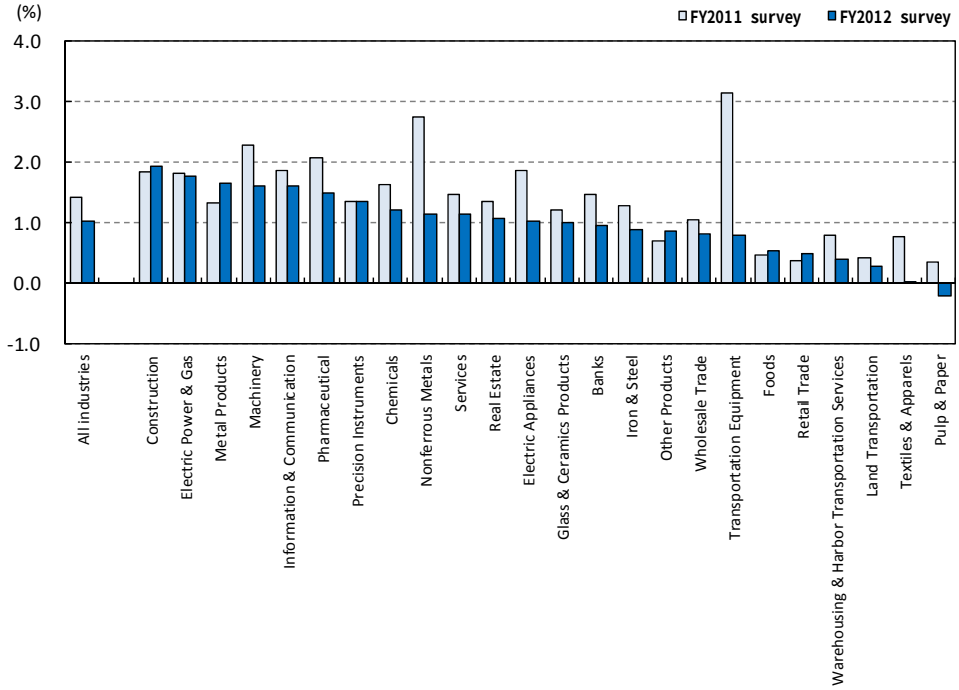
Note 2: Only sectors with 5 or more responding companies are included for all of the “forecast for the next fiscal year,” “forecast for the next 3 years” and “forecast for the next 5 years.”

<Reference>: Real growth rate forecasts of industrial demand compared to the previous year's results (next fiscal year)

[Fig. 1-5] Real growth rate forecasts of industry demand by industry compared to the previous year's results (next fiscal year)



[Fig. 1-6] Real growth rate forecasts of industry demand by sector compared to the previous year's results (next fiscal year)



Note: Sectors only include those with 5 or more responding companies in the FY2012 survey.

[Table 1-2] Trend of growth rate forecasts of industry demand (all industries basis)

(%)

Survey year	Nominal growth rate of industry demand			Real growth rate of industry demand		
	Forecast for the next fiscal year	Forecast for the next 3 years	Forecast for the next 5 years	Forecast for the next fiscal year	Forecast for the next 3 years	Forecast for the next 5 years
FY 1989	-	-	-	4.5	4.2	4.0
1990	-	-	-	4.2	4.2	4.2
1991	-	-	-	2.7	3.6	3.8
1992	-	-	-	2.0	3.0	3.2
1993	-	-	-	0.4	1.7	2.2
1994	-	-	-	1.7	2.2	2.3
1995	-	-	-	1.8	2.0	2.2
1996	-	-	-	1.4	1.8	2.0
1997	-	-	-	0.5	1.3	1.7
1998	-	-	-	-0.2	0.9	1.4
1999	-	-	-	0.7	1.2	1.4
2000	-	-	-	1.0	1.3	1.5
2001	-	-	-	-1.1	0.3	1.0
2002	-	-	-	-0.0	0.5	0.8
2003	0.7	0.7	0.9	1.0	1.1	1.2
2004	0.9	1.1	1.1	1.1	1.3	1.3
2005	1.2	1.2	1.1	1.5	1.5	1.4
2006	1.6	1.5	1.4	1.8	1.7	1.7
2007	1.4	1.4	1.4	1.5	1.5	1.5
2008	-2.9	-0.5	0.4	-2.7	-0.2	0.6
2009	-0.9	0.3	0.6	-0.5	0.5	0.8
2010	0.4	0.6	0.7	0.8	0.9	0.9
2011	1.0	1.1	1.0	1.4	1.4	1.3
2012	0.8	0.8	0.8	1.0	1.0	1.0

Note 1: With regard to the “forecast” for each fiscal year, for example, the “forecast for the next fiscal year” in the FY2012 survey refers to the forecast for FY2013; the “forecast for the next 3 years” refers to the forecast for FY2013 to FY2015; and the “forecast for the next 5 years” refers to the forecast for FY2013 to FY2017 (fiscal year average).

Note 2: The survey of nominal growth rates started in FY2003.

2 Exchange rates

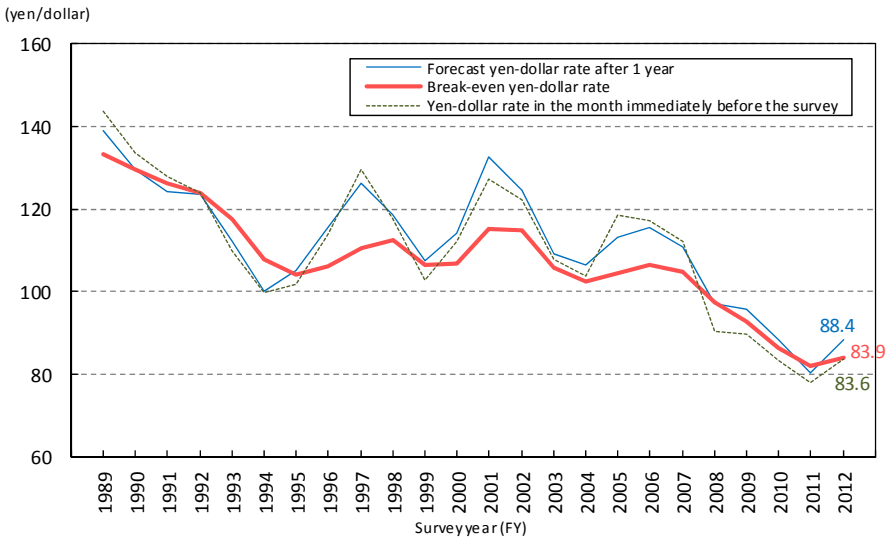
(1) Forecast yen-dollar rate after 1 year

- ○ The forecast yen-dollar rate after 1 year (around January 2014) (all industries basis, class value average) was 88.4 yen/dollar. This represents a lower yen forecast by 8.1 yen from the previous year's results (80.3 yen/dollar) and the first weaker yen forecast in six years.
- ○ The forecast yen-dollar rate after 1 year was 4.8 yen lower than the yen-dollar rate in the month immediately before the survey (83.6 yen/dollar in December 2012).

The forecast yen-dollar rate after 1 year (around January 2014) (all industries basis, class value average [3]) was 88.4 yen/dollar. The forecast by manufacturing industries was 88.1 yen/dollar and 88.7 yen/dollar by non-manufacturing industries, both representing the first forecast of a depreciation of the yen in six years (Fig. 2-1, Table 2-1).

The forecast yen-dollar rate after 1 year was 4.8 yen weaker than the yen-dollar rate[4] in the month immediately before the survey (83.6 yen/dollar in December 2012).

[Fig. 2-1] Trend of the forecast yen-dollar rate after 1 year and the break-even yen-dollar rate (all industries basis)



Note 1: "Forecast yen-dollar rate" refers to the class value average, and "break-even yen-dollar rate" refers to the average of actual values.

Note 2: "Break-even yen-dollar rate" represents the value of only companies that are conducting exports.

3) "The class value average" is an average value calculated using the median value of each class (for example, if the class chosen is "10%-20% (not incl.)," the median would be 15%). Note that average values for classes that have no upper limit are calculated using the lower limit (e.g. for the class "20% or more," it will be 20%), and those for classes without a lower limit will use the upper limit (e.g. in "-20% or less," it will be -20%). The same applies hereinafter.

4) Interbank Rate(US dollar/yen Central Rate, Average in the Month, Tokyo Market). The same applies hereinafter.

(2) Break-even yen-dollar rate

○ The break-even yen-dollar rate for exporting companies on an all industries basis (average of actual values) was 83.9 yen/dollar.
This was 1.9 yen lower than the previous year's result (82.0 yen/dollar) and the first depreciation of the yen in six years.

○ By industry, the break-even yen-dollar rate was 84.1 yen/dollar in manufacturing industries and 81.8 yen/dollar in non-manufacturing industries. These represent a 0.5 yen depreciation of the yen for the manufacturing industries and a 1.8 yen appreciation for the non-manufacturing industries from the yen-dollar rate in the month immediately before the survey (83.6 yen/dollar in December 2012).

○ By sector, the break-even yen-dollar rate in sectors such as "Textiles & Apparels" (91.9 yen/dollar) and "Iron & Steel" (90.2 yen/dollar) was at a weaker yen level than the average (the break-even yen-dollar rate for all industries) while sectors such as "Pharmaceutical" (79.0 yen/dollar) and "Wholesale Trade" (81.7 yen/dollar) were stronger.

○ Sectors with a stronger yen level than the average have higher real industry demand growth rate forecasts and overseas production ratios than sectors with a weaker yen level.

The break-even yen-dollar rate for exporting companies on an all industries basis (average of actual values) was 83.9 yen/dollar, which corresponds to a 1.9 yen depreciation of the yen compared to the previous year's result (82.0 yen/dollar, -2.3% year-on-year) and the first depreciation of the yen in six years (Fig. 2-1, Table 2-1).

It was 0.3 yen weaker than the exchange rate in the month immediately before the survey and 4.5 yen stronger than the forecast yen-dollar rate after 1 year.

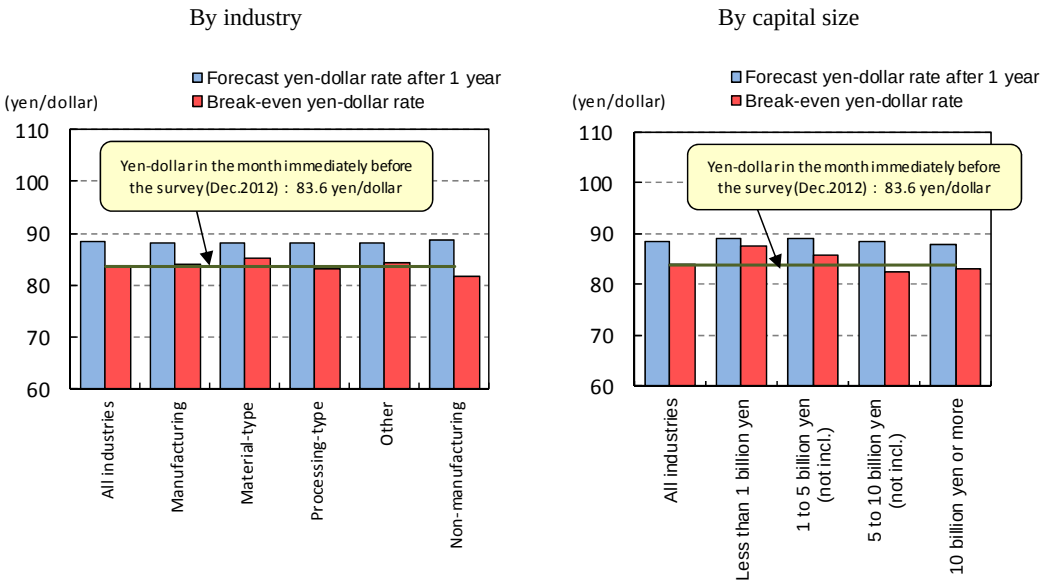
By industry, the break-even yen-dollar rate was 84.1 yen/dollar in manufacturing industries and 81.8 yen/dollar in non-manufacturing industries. These represent a 0.5 yen depreciation of the yen for manufacturing industries and a 1.8 yen appreciation for non-manufacturing industries from the yen-dollar rate in the month immediately before the survey (Fig. 2-2).

Compared to the average (83.9 yen/dollar) in sector terms, the break-even yen-dollar rate in "Textiles & Apparels" (91.9 yen/dollar) and "Iron & Steel" (90.2 yen/dollar) was at a weaker yen level, while sectors such as "Pharmaceutical" (79.0 yen/dollar) and "Wholesale Trade" (81.7 yen/dollar) were stronger (Fig. 2-3). Furthermore, sectors with a stronger yen level than the average have higher real industry demand growth rate forecasts and overseas production ratios than sectors with a weaker yen level (Fig. 2-4).

By capital size, the break-even yen-dollar rate was 87.6 yen/dollar at companies with a capital of "Less than 1 billion yen," 85.6 yen/dollar at those with "1 to 5 billion yen (not incl.)," 82.5 yen/dollar at companies with "5 to 10 billion yen (not incl.)" and 83.0 yen/dollar at those with "10 billion yen or more." Compared to the yen-dollar rate in the month immediately before

the survey, the break-even yen-dollar rate at companies with “Less than 1 billion yen” and “1 to 5 billion yen (not incl.)” was 4.0 yen and 2.0 yen weaker, respectively, while the rate at companies with “5 to 10 billion yen (not incl.)” and “10 billion yen or more” was 1.1 yen and 0.6 yen stronger, respectively (Fig. 2-2).

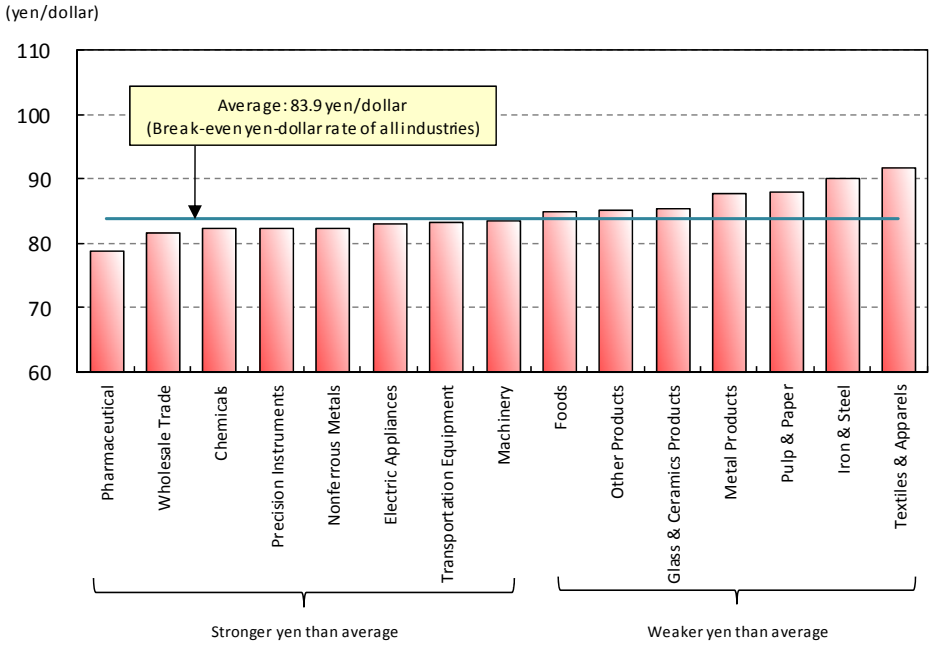
[Fig. 2-2] Forecast yen-dollar rate after 1 year and the break-even yen-dollar rate by industry and capital size



Note 1: “Forecast yen-dollar rate” refers to the class value average, and “break-even yen-dollar rate” refers to the average of actual values.

Note 2: “Break-even yen-dollar rate” represents the value of only companies that are conducting exports.

[Fig. 2-3] Break-even yen-dollar rate by sector

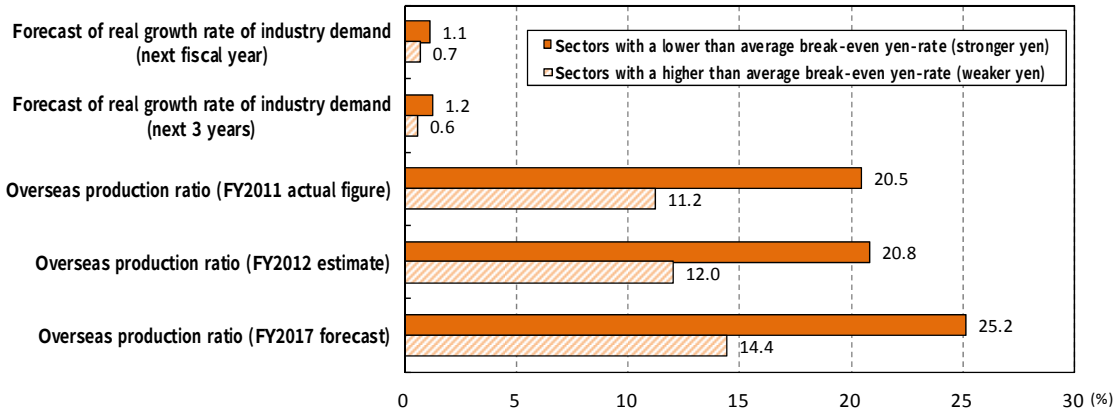


Note 1: "Break-even yen-dollar rate" represents the value of only companies that are conducting exports (average of actual values).

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

<Reference>: Real growth rate forecast of industry demand and overseas production ratio by break-even yen-dollar rate level

[Fig. 2-4] Real growth rate forecast of industry demand and overseas production ratio by break-even yen-dollar rate level



Note 1: Sectors were divided into two groups according to whether the break-even yen-dollar rate was lower (stronger yen) or higher (weaker yen) than the average. The real growth rate forecasts of industry demand of both groups, etc. were re-calculated (averages of actual values) and then compared.

Note 2: "Next fiscal year" refers to FY2013 and "next 3 years" refers to the average of FY2013-FY2015.

Note 3: Overseas production ratio = Volume of overseas production / (Volume of domestic production + Volume of overseas production)
Simple average of responding companies including those that reported 0.0% for the overseas production ratio.

[Table 2-1] Trend of the forecast yen-dollar rate after 1 year and the break-even yen-dollar rate (all industries basis)

(yen/dollar)

Survey year	Forecast yen-dollar rate after 1 year	Break-even yen-dollar rate	Yen-dollar rate in the month immediately before the survey
FY 1989	139.2	133.3	143.6
1990	129.5	129.7	133.7
1991	124.2	126.2	128.1
1992	123.4	124.0	124.0
1993	112.2	117.5	109.7
1994	100.2	107.8	99.8
1995	105.3	104.0	101.9
1996	115.6	106.2	113.8
1997	126.2	110.4	129.5
1998	118.4	112.7	117.5
1999	107.6	106.5	102.7
2000	114.2	107.0	112.2
2001	132.8	115.3	127.4
2002	124.5	114.9	122.3
2003	109.3	105.9	107.9
2004	106.4	102.6	103.8
2005	113.2	104.5	118.6
2006	115.5	106.6	117.3
2007	111.0	104.7	112.3
2008	97.0	97.3	90.4
2009	95.9	92.9	89.6
2010	88.4	86.3	83.4
2011	80.3	82.0	77.9
2012	88.4	83.9	83.6

Note 1: “Forecast yen-dollar rate” refers to the class value average, and “break-even yen-dollar rate” refers to the average of actual values.

Note 2: “Break-even yen-dollar rate” represents the value of only companies that are conducting exports.

Note 3: “Yen-dollar rate in the month immediately before the survey” refers to figures in December except for FY1994 and FY2008 (figures for FY1994 and 2008 are figures in January since the survey was conducted in February).

3 Prices

(1) Average purchase price

- ○ The average purchase price after 1 year (all industries basis, class value average) was forecast to rise by 1.4%, indicating an accelerated increase as compared to the previous year's result (up 1.3%).
- ○ By sector, the rate of increase was forecast to be high in sectors including "Rubber Products" (up 4.5%) and "Textiles & Apparels" (up 3.3%) in manufacturing industries and "Construction" (up 3.3%) and "Warehousing & Harbor Transportation Services" (up 2.1%) in non-manufacturing industries.

The average purchase price after 1 year was forecast to rise by 1.4% (up 1.3% in the previous year's survey) on an all industries basis (class value average). It was forecast to rise by 1.5% in manufacturing industries (up 1.4% in the previous year's survey) and by 1.2% in non-manufacturing industries (up 1.2% previously) (Fig. 3-1, Table 3-1).

By manufacturing industry segment, the average purchase price after 1 year was forecast to rise by 2.4% in material-type manufacturing industries (up 3.0% in the previous year's survey), 0.6% in processing-type manufacturing industries (up 0.3% previously) and 2.1% in other manufacturing industries (up 1.3% in the previous year's survey). The rate of increase was forecast to accelerate in the processing-type manufacturing industries and other manufacturing industries as compared to the previous year's results.

By sector (those with 5 or more responding companies), the rate of increase was forecast to accelerate in 22 sectors out of 25. The rate of increase is expected to be high in sectors such as "Rubber Products" (up 4.5%) and "Textiles & Apparels" (up 3.3%) in manufacturing industries and "Construction" (up3.3%) and "Warehousing & Harbor Transportation Services" (up 2.1%) in non-manufacturing industries (Fig. 3-2).

By capital size, the forecast average purchase price after 1 year by companies with a capital of "Less than 1 billion yen" was up 1.8% (up 1.7% in the previous year's survey), those with "1 to 5 billion yen (not incl.)" was up 2.1% (up 1.6% previously), those with "5 to 10 billion yen (not incl.)" was up 0.6% (up 0.8% previously), those with "10 billion yen or more" was up 1.0% (up 1.1% previously), which represent a rise in prices in all classes. At companies with a capital of "Less than 1 billion yen" and "1 to 5 billion yen (not incl.)" the increase was larger than the previous year's results (Fig. 3-1, Table 3-1).

(2) Average sales price

- ○ The average sales price after 1 year (all industries basis, class value average) was forecast to drop by 0.1%, which represents a smaller decline as compared to the previous year's result (down 0.3%).
- ○ By sector, the rate of decline was forecast to be high in sectors such as "Electric Appliances" (down 3.0%) and "Precision Instruments" (down 1.7%) in manufacturing industries and "Banks" (down 0.8%), "Retail Trade" (down 0.6%) and "Information & Communication" (down 0.6%) in non-manufacturing industries.
- ○ For both the manufacturing and the non-manufacturing industries, the rise in purchase prices will not be passed through to sales prices, and the terms of trade were likely to worsen.

The average sales price after 1 year was forecast to drop by 0.1% (down 0.3% in the previous year's survey) on an all industries basis (class value average). It was forecast to drop by 0.5% in manufacturing industries (down 0.7% in the previous year's survey) and increase by 0.4% in non-manufacturing industries (up 0.2% previously) (Fig. 3-1, Table 3-1).

By manufacturing industry segment, the forecast of average sales price after 1 year at material-type manufacturing industries continued to rise, by 0.4% (up 1.2% in the previous year's survey), while that at processing-type manufacturing continued to drop, by 1.8% (down 1.7% previously) and other manufacturing rose by 0.5% (down 1.0% previously).

By sector (those with 5 or more responding companies), the average sales price after 1 year was expected to drop in 10 out of 25 sectors, with high decline rates in "Electric Appliances" (down 3.0%) and "Precision Instruments" (down 1.7%) in manufacturing industries and "Banks" (down 0.8%), "Retail Trade" (down 0.6%) and "Information & Communication" (down 0.6%) in non-manufacturing industries (Fig. 3-2).

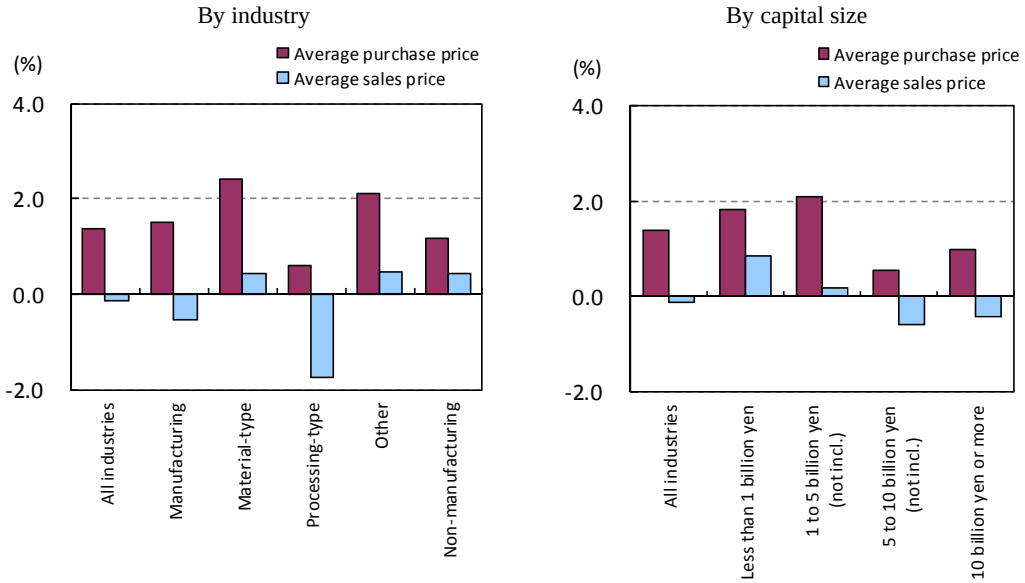
By capital size, the forecast average sales price after 1 year by companies with a capital of "Less than 1 billion yen" was up 0.9% (down 0.2% in the previous year's survey), those with "1 to 5 billion yen (not incl.)" was up 0.2% (down 0.2% previously), those with "5 to 10 billion yen (not incl.)" was down 0.6% (down 0.8% previously), those with "10 billion yen or more" was down 0.4% (down 0.3% previously), which indicate that sales price forecasts turned positive at companies with a capital of "Less than 1 billion yen" and "1 to 5 billion yen (not incl.)" while they continued to drop at companies with "5 to 10 billion yen (not incl.)" and "10 billion yen or more" (Fig. 3-1, Table 3-1).

Companies' terms of trade[5)] were expected to be -1.5% points for all industries (-1.6% points

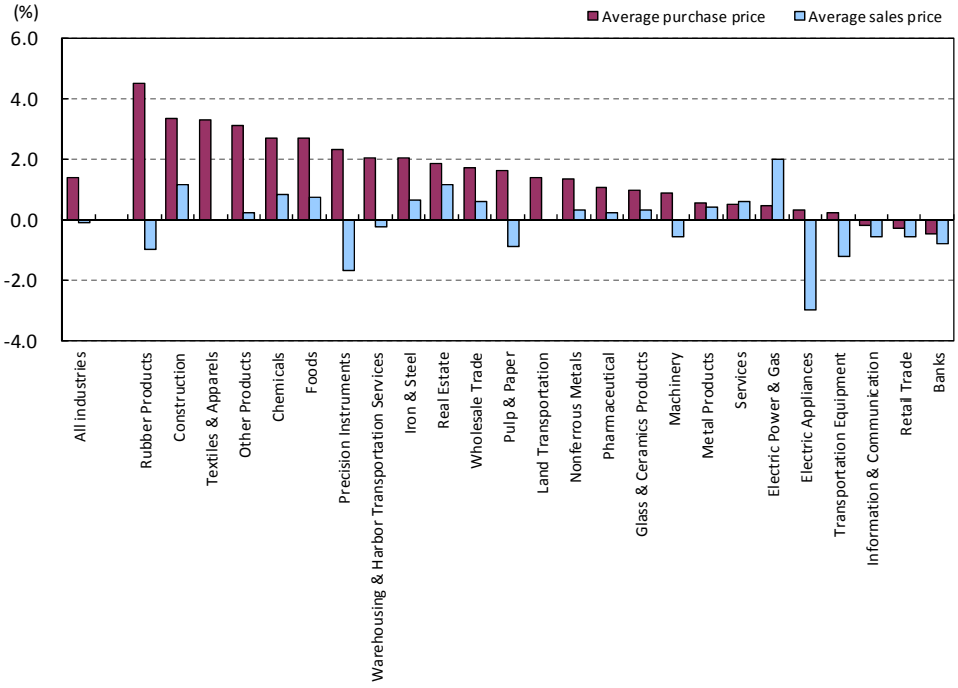
[5)] Terms of trade as mentioned here represent the value obtained upon subtracting the rate of change in the average purchase price from the rate of change in the average sales price.

in the previous year's survey), -2.1% points for manufacturing industries (-2.0% points previously) and -0.7% points for non-manufacturing industries (-1.0% points previously), which indicates that both manufacturing and non-manufacturing industries will not be able to pass through the rise in purchase prices to sales prices, and the terms of trade were likely to worsen (Table 3-1).

[Fig. 3-1] Forecast rate of changes in average purchase and sales prices after 1 year by industry and capital size



[Fig. 3-2] Forecast rate of changes in average purchase and sales prices after 1 year by sector



Note: Sectors only include those with 5 or more responding companies for both "average purchase price" and "average sales price."

[Table 3-1] Forecast rate of changes in average purchase and sales prices and the change in the terms of trade after 1 year by industry and capital size

(%, % points)

		Average purchase price		Average sales price		Terms of trade	
		FY2012 survey	FY2011 survey	FY2012 survey	FY2011 survey	FY2012 survey	FY2011 survey
All industries		1.4	1.3	-0.1	-0.3	-1.5	-1.6
Industry	Manufacturing	1.5	1.4	-0.5	-0.7	-2.1	-2.0
	Material-type	2.4	3.0	0.4	1.2	-2.0	-1.8
	Processing-type	0.6	0.3	-1.8	-1.7	-2.4	-2.1
	Other	2.1	1.3	0.5	-1.0	-1.7	-2.3
	Non-manufacturing	1.2	1.2	0.4	0.2	-0.7	-1.0
Capital size	Less than 1 billion yen	1.8	1.7	0.9	-0.2	-1.0	-1.8
	1 to 5 billion yen (not incl.)	2.1	1.6	0.2	-0.2	-1.9	-1.8
	5 to 10 billion yen (not incl.)	0.6	0.8	-0.6	-0.8	-1.1	-1.5
	10 billion yen or more	1.0	1.1	-0.4	-0.3	-1.4	-1.4

Note 1: Terms of trade as mentioned here represent the value obtained upon subtracting the rate of change in the average purchase price from the rate of change in the average sales 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 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.

(3) Terms of trade by average purchase price class

In terms of rate of changes of average sales prices by the class of average purchase price after 1 year, the rate of the decline of average purchase prices was higher than the rate of the decline of average sales prices in classes of “-20% or less,” “-20% (not incl.) to -10%” and “-10% (not incl.) to -5%,” indicating that the terms of trade for these classes were likely to improve (Table 3-2).

On the other hand, the terms of trade were expected to worsen in classes that expect the change of average purchase prices to be “-5% (not incl.) to 0% (not incl.)” or “0%” since the rate of decline in average purchase prices was smaller than the rate of decline in average sales prices.

Furthermore, the terms of trade were likely to worsen in classes that expect average purchase prices to rise since the rate of increase in average sales prices were lower than the rate of increase in average purchase prices, except for in the “20% or more” class.

[Table 3-2] Forecast rate of changes in average sales price by average purchase price class and changes in the terms of trade after 1 year (all industries basis)

(%, % points)

Average purchase price class	Number of responding companies		Average sales price		Terms of trade	
	FY2012 survey	FY2011 survey	FY2012 survey	FY2011 survey	FY2012 survey	FY2011 survey
-20% or less	1	1	-20.0	-2.5	0.0	17.5
-20% (not incl.) to -10%	2	3	-7.5	-12.5	7.5	2.5
-10% (not incl.) to -5%	17	24	-7.1	-7.2	0.4	0.3
-5% (not incl.) to 0% (not incl.)	130	149	-2.6	-2.8	-0.1	-0.3
0%	172	177	-0.5	-0.6	-0.5	-0.6
0% (not incl.) to 5% (not incl.)	272	288	0.7	0.3	-1.8	-2.2
5% to 10% (not incl.)	79	82	3.1	3.1	-4.4	-4.4
10% to 20% (not incl.)	10	11	3.5	9.1	-11.5	-5.9
20% or more	1	3	20.0	11.7	0.0	-8.3

Note 1: Terms of trade as mentioned here represent the value obtained upon subtracting the rate of change in the average purchase price from the rate of change in the average sales price.

Note 2: The rate of change in average purchase price is derived using the median value of each average purchase price class (for example, if the class chosen is “-20% (not incl.)–-10%,” the median would be -15%. However, the “-20% or less” class uses “-20%” and the “20% or more” class uses “20%.”

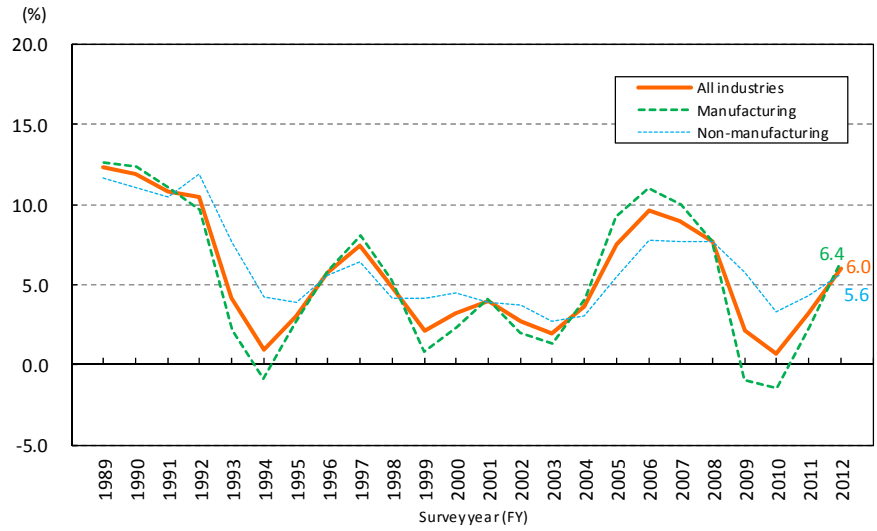
4 Growth rate of capital investment

(1) Growth rate of capital investment over the past 3 years

○ The growth rate of capital investment over the “past 3 years” (all industries basis, class value average) was 6.0%, a larger growth than the previous year’s survey (3.3%).

The growth rate of capital investment over the “past 3 years” (average of FY2010–2012) on an all industries basis (class value average) was 6.0%. The rate in manufacturing industries was 6.4% and non-manufacturing industries 5.6%, both higher than the previous year’s survey (Fig. 4-1, Table 4-1).

[Fig. 4-1] Trend of growth rate of capital investment over the past 3 years by industry



Note: With regard to the “past 3 years,” for example, “past 3 years” in the FY2012 survey represents rate of change from FY2010 to FY2012 (fiscal year average).

(2) Growth rate of capital investment over the next 3 years

○ Capital investment was forecast to grow by 3.5% over the “next 3 years” (all industries basis, class value average). While the growth rate has decelerated compared to that of the previous year’s survey (4.1%), it represents an increase for the fourth consecutive year.

○ Both manufacturing industries and non-manufacturing industries were expected to see an increase. The growth was expected to decelerate in manufacturing industries while it was forecast to accelerate in non-manufacturing industries as compared to that of the previous year’s survey.

○ By sector, the forecast growth rate was high in sectors such as “Glass & Ceramics Products” (6.2%) and “Foods” (5.4%) in manufacturing industries and “Retail Trade” (9.5%) and “Securities & Commodity Futures” (7.5%) in non-manufacturing industries.

○ The growth rate for the “next 3 years” was expected to be smaller than the growth rate for the “last 3 years” (6.0% on an all industries basis).

Capital investment was forecast to grow by 3.5% over the “next 3 years” (average of FY2013–2015) on an all industries basis (class value average). The forecast growth rate in both the manufacturing and non-manufacturing industries was 3.5%.

While the growth rate in all industries was expected to decelerate as compared to that of the previous year’s survey (4.1%), it was an increase for the fourth consecutive year. The growth rate in manufacturing industries decelerated while that in non-manufacturing industries accelerated (Fig. 4-2, Table 4-1).

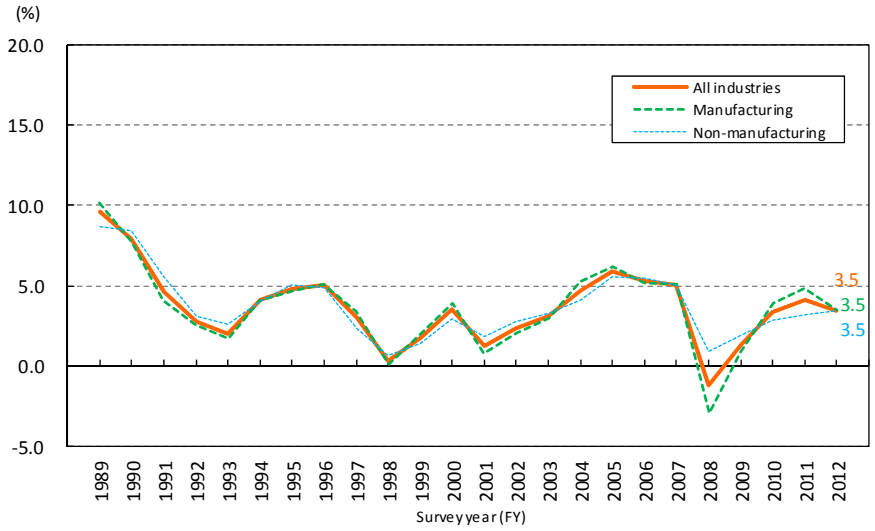
By manufacturing industry segment, the forecast of capital investment growth rates in material-type manufacturing industries was 2.4%, that in processing-type manufacturing industries was 3.4% and other manufacturing was 4.6%, all representing an increase in capital investment (Fig. 4-3).

By sector (those with 5 or more responding companies), capital investment was expected to increase in 25 out of 27 sectors, with high increase rates forecast in “Glass & Ceramics Products” (6.2%) and “Foods” (5.4%) in manufacturing industries and “Retail Trade” (9.5%) and “Securities & Commodity Futures” (7.5%) in non-manufacturing industries (Fig. 4-4).

By capital size, the forecast capital investment growth by companies with a capital of “Less than 1 billion yen” was 4.1%, those with “1 to 5 billion yen (not incl.)” was 4.8%, those with “5 to 10 billion yen (not incl.)” was 3.3% and those with “10 billion yen or more” was 2.3%, all of which represent an increase in capital investment (Fig. 4-3).

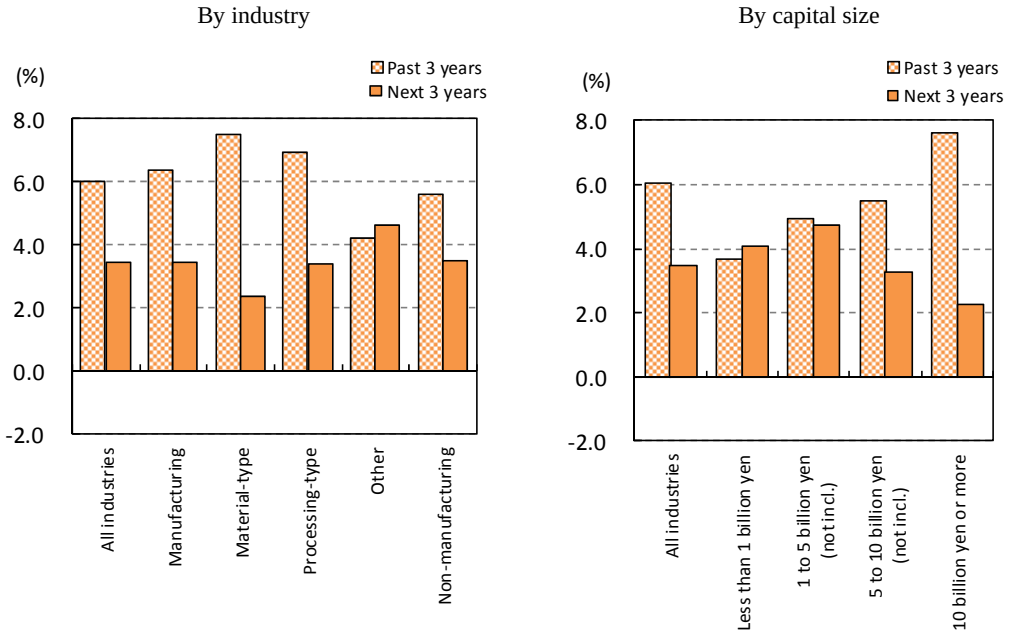
Furthermore, growth rates over the “next 3 years” were expected to decelerate in both the manufacturing and non-manufacturing industries as compared to the growth rates over the “past 3 years” (Fig. 4-3, Table 4-1).

[Fig. 4-2] Trend of growth rate forecasts of capital investment over the next 3 years by industry



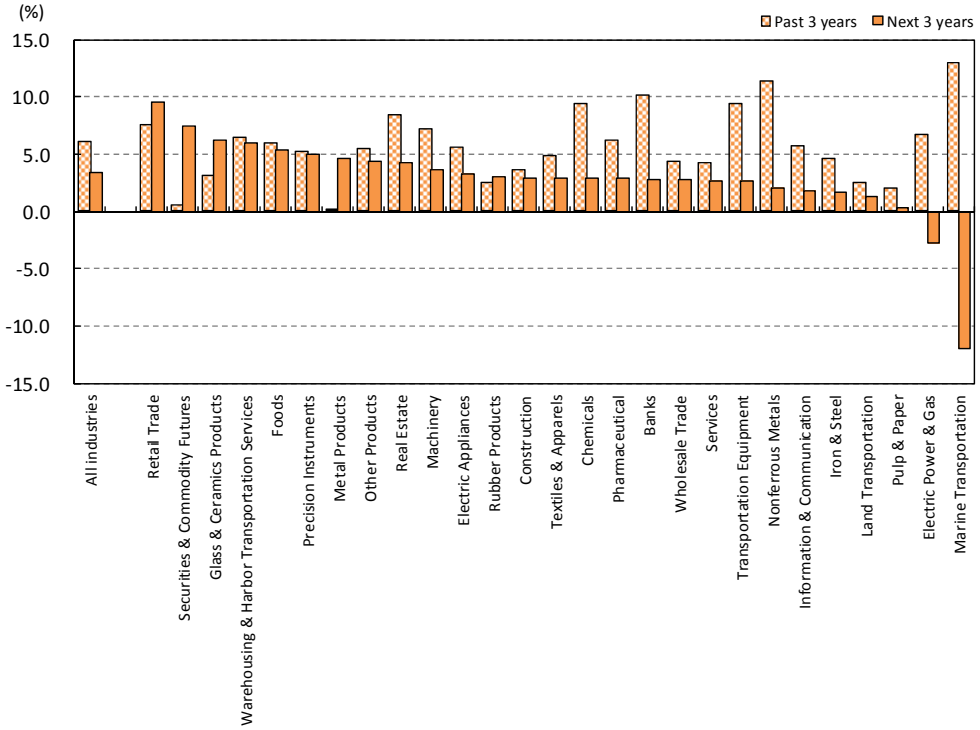
Note: With regard to "next 3 years," for example, "next 3 years" in the FY2012 survey represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

[Fig. 4-3] Growth rate of capital investment by industry and capital size



Note: "Past 3 years" represents the growth rate from FY2010 to FY2012 (fiscal year average), and "next 3 years" represents growth rate forecasts from FY2013 to FY2015 (fiscal year average).

[Fig. 4-4] Growth rate of capital investment by sector



Note 1: "Past 3 years" represents the growth rate from FY2010 to FY2012 (fiscal year average), and "next 3 years" represents growth rate forecasts from FY2013 to FY2015 (fiscal year average).

Note 2: Sectors only include those with 5 or more responding companies for both "last 3 years" and "next 3 years."

[Table 4-1] Trend of growth rate of capital investment by industry

(%)

Survey year	Past 3 years			Next 3 years		
	All industries	Manufacturing	Non-manufacturing	All industries	Manufacturing	Non-manufacturing
FY 1989	12.3	12.7	11.7	9.7	10.2	8.7
1990	11.9	12.4	11.1	7.9	7.7	8.4
1991	10.9	11.1	10.5	4.6	4.1	5.5
1992	10.5	9.7	11.9	2.8	2.6	3.2
1993	4.1	2.1	7.7	2.0	1.7	2.6
1994	0.9	-0.8	4.3	4.1	4.1	4.1
1995	3.1	2.6	3.9	4.8	4.7	5.0
1996	5.8	5.9	5.6	5.0	5.1	4.9
1997	7.4	8.1	6.4	3.0	3.4	2.4
1998	4.9	5.3	4.2	0.3	0.1	0.6
1999	2.1	0.9	4.1	1.7	1.9	1.4
2000	3.2	2.4	4.5	3.6	3.9	3.0
2001	4.0	4.1	3.9	1.2	0.8	1.9
2002	2.7	2.0	3.7	2.4	2.1	2.8
2003	1.9	1.3	2.8	3.1	3.0	3.2
2004	3.6	4.1	3.0	4.7	5.2	4.1
2005	7.5	9.2	5.5	5.9	6.2	5.5
2006	9.6	11.0	7.8	5.3	5.2	5.5
2007	8.9	10.0	7.7	5.1	5.1	5.1
2008	7.7	7.7	7.7	-1.2	-3.0	0.9
2009	2.2	-1.0	5.7	1.4	0.9	1.9
2010	0.7	-1.4	3.3	3.4	3.9	2.8
2011	3.3	2.3	4.3	4.1	4.9	3.2
2012	6.0	6.4	5.6	3.5	3.5	3.5

Note: With regard to “past 3 years” and “next 3 years,” for example, “past 3 years” in the FY2012 survey represents rate of change from FY2010 to FY2012 (fiscal year average), and “next 3 years” represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

5 Change in the number of employees

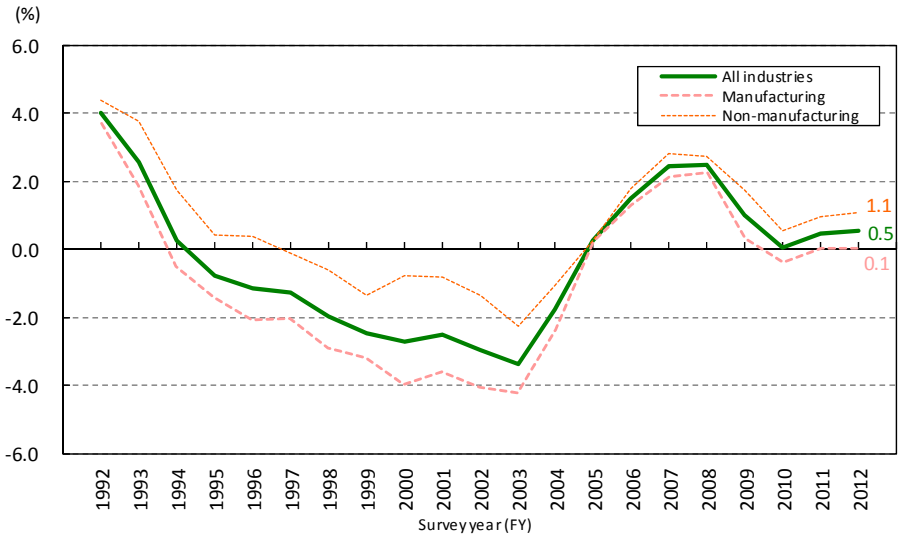
(1) Rate of change in the number of employees over the past 3 years

○ The rate of change in the number of employees over the "past 3 years" (all industries basis, class value average) was 0.5%, the same level as the previous year's results.

The rate of change in the number of employees over the "past 3 years" was 0.5% on an all industries basis (class value average), with 0.1% in manufacturing industries and 1.1% in non-manufacturing industries (Fig. 5-1, Table 5-1).

The figure for all industries was the same as that of the previous year's survey, while the rate of change in manufacturing industries rose from a flat change in the previous year's survey and the increase rate accelerated in non-manufacturing industries.

[Fig. 5-1] Trend in rate of change in the number of employees over the past 3 years by industry



Note 1: With regard to "past 3 years," for example, "past 3 years" in the FY2012 survey represents rate of changes from FY2010 to FY2012 (fiscal year average).

Note 2: The survey of the rate of change in the number of employees started in FY1992.

Note 3: Only the FY2003 survey represents figures for "regular employees."(The FY2003 survey was for "regular employees" and "part-time and temporary employees.")

(2) Rate of change in the number of employees over the next 3 years

- ○ The forecast rate of change in the number of employees (all industries basis, class value average) over the "next 3 years" was 1.0%, which was the same level as that of the previous year's survey (1.0%).
- ○ The number of employees was forecast to increase in both manufacturing and non-manufacturing industries. Compared to the previous year's survey, the growth rate in manufacturing industries was expected to decelerate, while the growth rate in non-manufacturing industries was expected to accelerate.
- ○ By sector, the forecast growth rate was high in sectors such as "Pharmaceutical" (2.3%) and "Precision Instruments" (1.5%) in manufacturing industries and "Real Estate" (3.9%) and "Retail Trade" (3.6%) in non-manufacturing industries.
- ○ Compared to the increase rate over the "past 3 years" (0.5% on an all industries basis), the increase rate is forecast to accelerate over the "next 3 years."

The forecast rate of change in the number of employees over the "next 3 years" was 1.0% on an all industries basis (class value average), with 0.3% in manufacturing industries and 1.8% in non-manufacturing industries (Fig. 5-2, Table 5-1).

The figure for all industries was the same as that of the previous year's survey (1.0%), while the rate of change decelerated in manufacturing industries from that of the previous year's survey and accelerated in non-manufacturing industries.

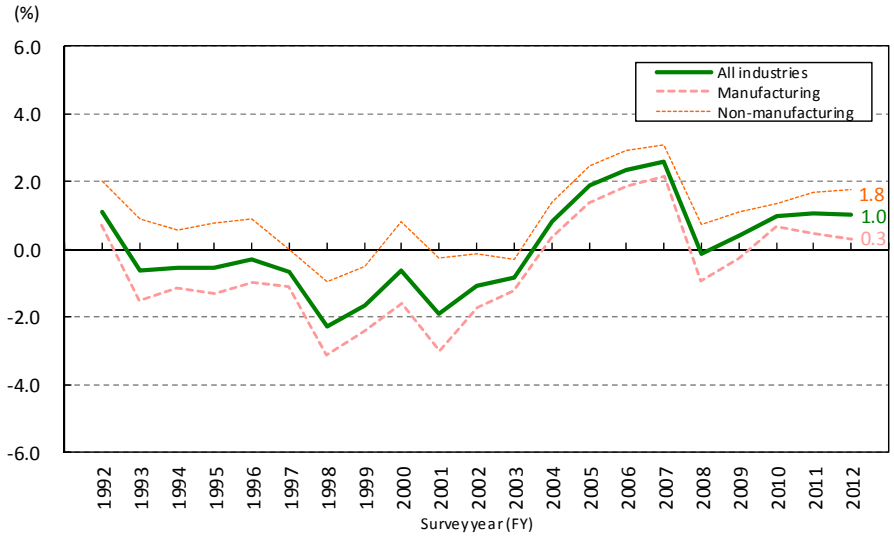
By manufacturing industry segment, the forecast growth rate for material-type manufacturing industries was 0.6%, that for processing-type manufacturing industries was 0.2% and that for other manufacturing industries was 0.2%, which indicates that all segments forecast an increase (Fig. 5-3).

By sector (those with 5 or more responding companies), the number of employees was forecast to grow in 23 out of 28 sectors, with high forecast growth rates seen in sectors such as "Pharmaceutical" (2.3%) and "Precision Instruments" (1.5%) in manufacturing industries and "Real Estate" (3.9%) and "Retail Trade" (3.6%) in non-manufacturing industries (Fig. 5-4).

By capital size, the forecast growth rate of the number of employees at companies with a capital of "Less than 1 billion yen" was 2.4%, "1 to 5 billion yen (not incl.)" was 1.7%, "5 to 10 billion yen (not incl.)" was 0.8% and "10 billion yen or more" was 0.3%, indicating that an increase was forecast at all capital size classes (Fig. 5-3).

Furthermore, compared to the growth rate over the "past 3 years," the growth rate was expected to accelerate over the "next 3 years" in both manufacturing and non-manufacturing industries (Fig. 5-3, Table 5-1).

[Fig. 5-2] Trend in forecast rate of changes in the number of employees over the next 3 years by industry

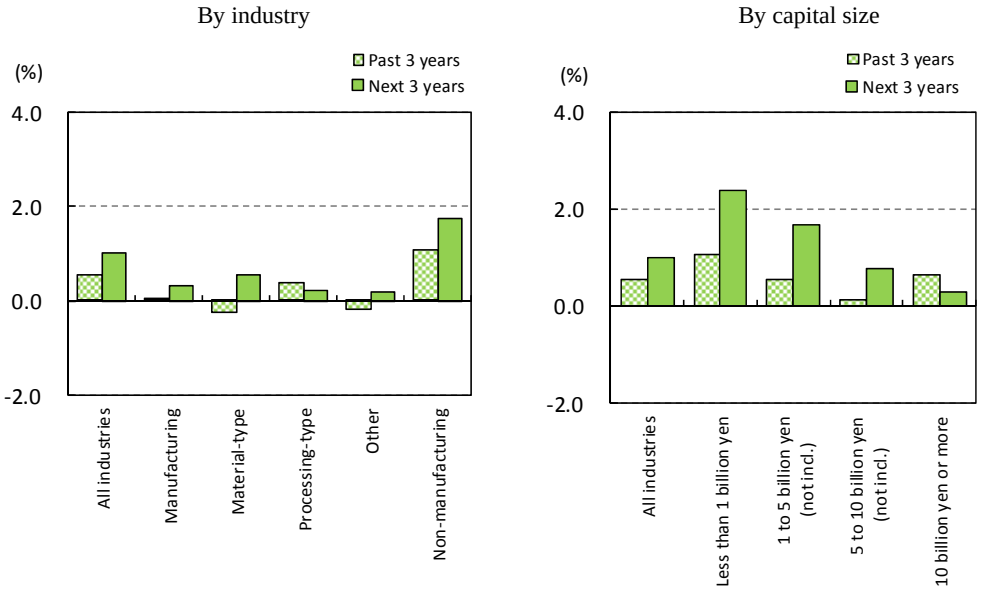


Note 1: With regard to "next 3 years," for example, "next 3 years" in the FY2012 survey represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

Note 2: The survey of the rate of change in the number of employees started in FY1992.

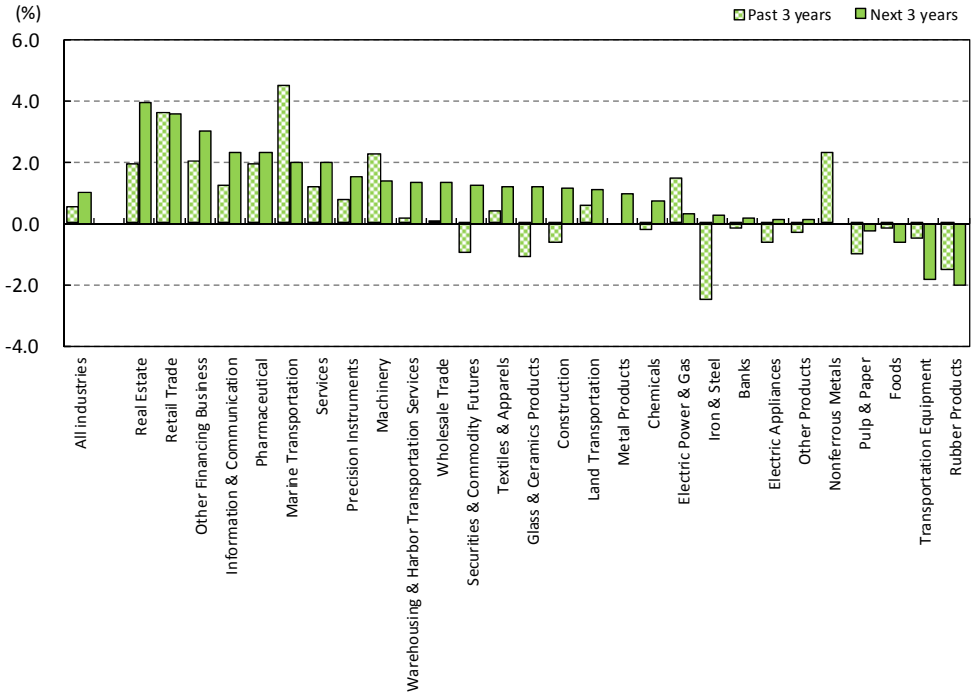
Note 3: Only the FY2003 survey represents figures for "regular employees."(The FY2003 survey was for "regular employees" and "part-time and temporary employees.")

[Fig. 5-3] The rate of change in the number of employees by industry and capital size



Note: "Past 3 years" represents rate of changes from FY2010 to FY2012 (fiscal year average), and "next 3 years" represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

[Fig. 5-4] Rate of change in the number of employees by sector



Note 1: "Past 3 years" represents rate of changes from FY2010 to FY2012 (fiscal year average), and "next 3 years" represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

Note 2: Sectors only include those with 5 or more responding companies for both "past 3 years" and "next 3 years."

(3) Rate of change in the number of regular employees

○ The forecast rate of change over the “next 3 years” for regular employees, from among the total number of employees on an all industries basis (class value average) was 0.8%, which was not as strong of an increasing trend as compared to the total number of employees (1.0%).

○ Compared to the rate of change over the “past 3 years” (0.2% on an all industries basis), the rate of increase over the “next 3 years” was expected to accelerate.

○ Comparing with the rate of change over the “past 3 years” by industry (-0.3% in manufacturing industries; 0.8% in non-manufacturing industries), the rate of change was expected to turn positive for manufacturing industries (0.2%) and accelerate in non-manufacturing industries (1.5%).

The rate of change in the number of regular employees among the total number of employees over the “past 3 years” was 0.2% on an all industries basis (class value average), -0.3% in manufacturing industries and 0.8% in non-manufacturing industries (Table 5-1).

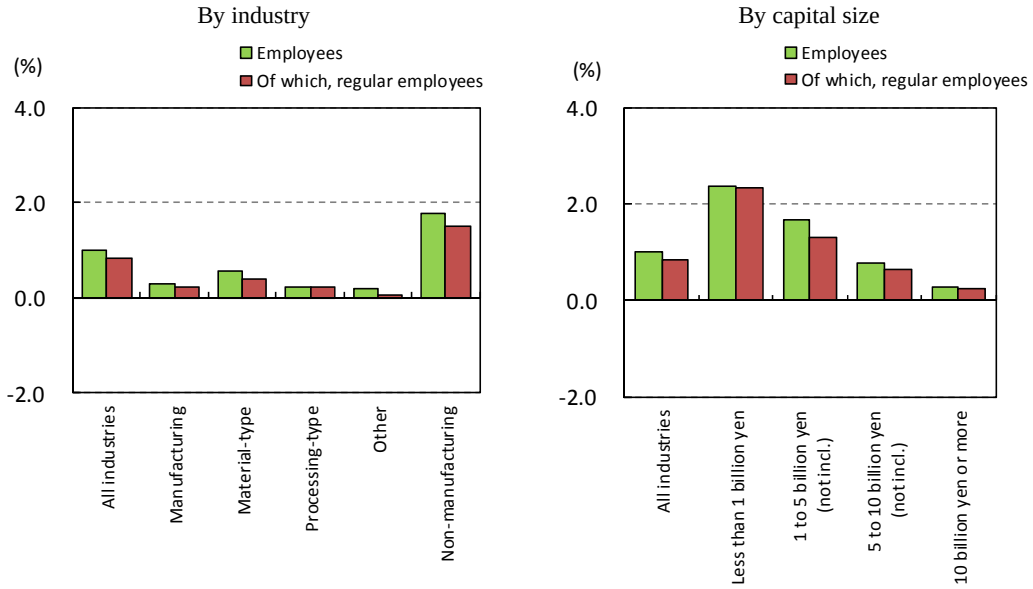
The forecast rate of change over the “next 3 years” was 0.8% in all industries, 0.2% in manufacturing industries and 1.5% in non-manufacturing industries. Compared to the rate of change over the “past 3 years,” the increase rate was forecast to accelerate on an all industries basis, turn positive in manufacturing industries and accelerate in non-manufacturing industries.

By sector (those with 5 or more responding companies), the rate of change was forecast to rise in 20 out of 28 sectors, with high increase rates in “Pharmaceutical” (1.5%) and “Precision Instruments” (1.3%) in manufacturing industries and “Real Estate” (3.8%) and “Other Financing Business” (3.0%) in non-manufacturing industries (Fig. 5-6).

By capital size, the forecast growth rate at companies with a capital of “Less than 1 billion yen” was 2.3%, “1 to 5 billion yen (not incl.)” was 1.3%, “5 to 10 billion yen (not incl.)” was 0.7% and “10 billion yen or more” was 0.3%. An increase was expected by all classes (Fig. 5-5).

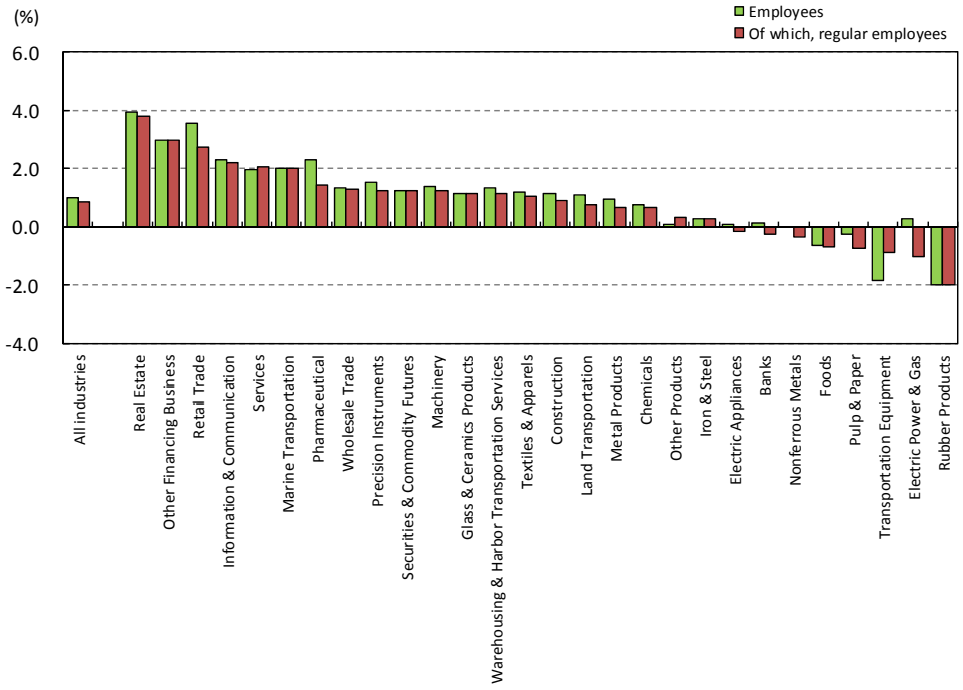
Furthermore, when comparing the forecast rate of change in the number of regular employees with that in the total number of employees, the rate of change in the number of regular employees was lower in both manufacturing and non-manufacturing industries (Fig. 5-5, Table 5-1).

[Fig. 5-5] Forecast rate of change in the number of regular employees among all employees over the next 3 years by industry and capital size



Note: "Next 3 years" represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

[Fig. 5-6] Forecast rate of change in the number of regular employees among all employees over the next 3 years by sector



Note 1: "Next 3 years" represents rate of change forecasts from FY2013 to FY2015 (fiscal year average)

Note 2: Sectors only include those with 5 or more responding companies for both "number of employees" and "number of regular employees."

[Table 5-1] Trend in rate of change in the number of employees by industry

(%)

Survey year	Past 3 years						Next 3 years					
	All industries		Manufacturing		Non-manufacturing		All industries		Manufacturing		Non-manufacturing	
		Regular employees		Regular employees		Regular employees		Regular employees		Regular employees		Regular employees
FY 1992	4.0	-	3.7	-	4.4	-	1.1	-	0.7	-	2.0	-
1993	2.6	-	1.9	-	3.8	-	-0.7	-	-1.5	-	0.9	-
1994	0.3	-	-0.5	-	1.7	-	-0.6	-	-1.2	-	0.6	-
1995	-0.8	-	-1.4	-	0.4	-	-0.6	-	-1.3	-	0.8	-
1996	-1.2	-	-2.1	-	0.4	-	-0.3	-	-1.0	-	0.9	-
1997	-1.3	-	-2.0	-	-0.1	-	-0.7	-	-1.1	-	-0.0	-
1998	-2.0	-	-2.9	-	-0.6	-	-2.3	-	-3.2	-	-1.0	-
1999	-2.5	-	-3.2	-	-1.4	-	-1.7	-	-2.4	-	-0.5	-
2000	-2.7	-	-4.0	-	-0.8	-	-0.6	-	-1.6	-	0.8	-
2001	-2.5	-	-3.6	-	-0.8	-	-1.9	-	-3.0	-	-0.3	-
2002	-3.0	-	-4.1	-	-1.4	-	-1.1	-	-1.7	-	-0.1	-
2003	-3.4	-	-4.2	-	-2.3	-	-0.8	-	-1.2	-	-0.3	-
2004	-1.8	-	-2.4	-	-1.1	-	0.8	-	0.4	-	1.4	-
2005	0.3	-0.8	0.2	-0.7	0.3	-0.9	1.9	1.3	1.4	0.8	2.5	1.8
2006	1.5	0.6	1.3	0.5	1.8	0.7	2.3	1.9	1.9	1.6	2.9	2.3
2007	2.5	1.8	2.2	1.3	2.8	2.3	2.6	2.4	2.1	1.9	3.1	2.9
2008	2.5	2.0	2.3	1.6	2.7	2.4	-0.2	0.1	-0.9	-0.3	0.7	0.6
2009	1.0	1.4	0.3	1.0	1.7	1.8	0.4	0.3	-0.3	-0.3	1.1	0.9
2010	0.0	0.2	-0.4	-0.1	0.5	0.5	1.0	0.8	0.7	0.5	1.4	1.1
2011	0.5	0.2	0.0	-0.2	1.0	0.5	1.0	0.9	0.4	0.3	1.7	1.6
2012	0.5	0.2	0.1	-0.3	1.1	0.8	1.0	0.8	0.3	0.2	1.8	1.5

Note 1: With regard to “past 3 years” and “next 3 years,” for example, “past 3 years” in the FY2012 survey represents rate of changes from FY2010 to FY2012 (fiscal year average), and “next 3 years” represents rate of change forecasts from FY2013 to FY2015 (fiscal year average).

Note 2: The survey of the rate of change in the number of employees started in FY1992. The survey of “regular employees” started in FY2005.

Note 3: Only the FY2003 survey represents figures for “regular employees.”(The FY2003 survey was for “regular employees” and “part-time and temporary employees.”)

6 Overseas production ratio and reverse imports ratio

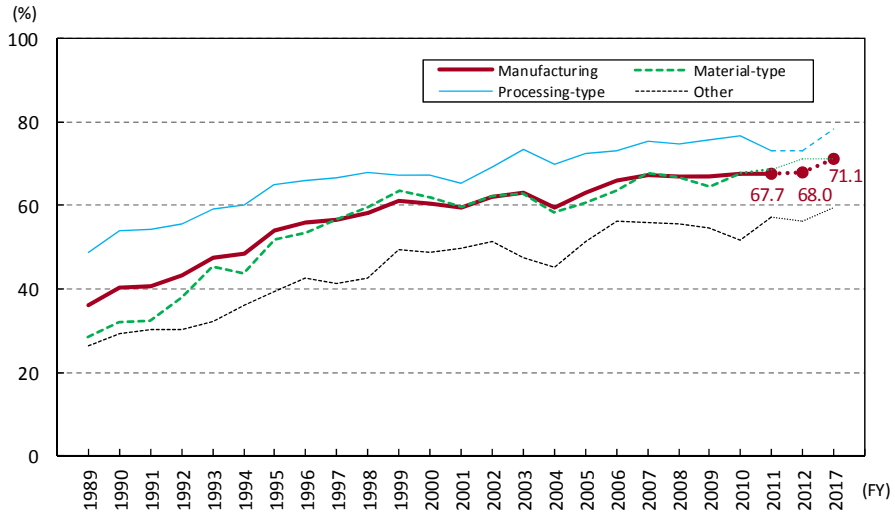
(1) The ratio of companies conducting overseas production (manufacturing industries only)

- ○ The ratio of companies conducting overseas production (FY2011 actual figure) was 67.7%, up 0.1% points from the previous year's survey (67.6%).
- ○ "FY2012 estimate" (68.0%) and "FY2017 forecast" (71.1%) were also on a rising trend.

The ratio of companies that conduct overseas production (manufacturing industries only) was 67.7%, which represents an increase of 0.1% points from the previous year's survey (67.6%).

Additionally, the "FY2012 estimate" was 68.0% and "FY2017 forecast" was 71.1%, which were both on a rising trend (Fig. 6-1, Table 6-1).

[Fig. 6-1] Ratio of companies that conduct overseas production (manufacturing industries)



Note: FY2012 represents the actual figure estimate, FY2017 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2011 is the ratio of companies that entered the value for "FY2011 actual figure" in the FY2012 survey.)

[Table 6-1] Ratio of companies that conduct overseas production (manufacturing industries)

(%)

Survey year	Manufacturing	Material-type	Processing-type	Other
FY 1989	36.0	28.5	48.7	26.5
1990	40.3	32.0	53.9	29.3
1991	40.8	32.5	54.2	30.4
1992	43.3	37.9	55.5	30.2
1993	47.4	45.3	59.2	32.1
1994	48.3	43.7	60.2	36.1
1995	53.9	51.8	65.0	39.2
1996	55.9	53.4	66.0	42.6
1997	56.7	56.9	66.7	41.2
1998	58.3	59.7	67.9	42.6
1999	61.1	63.5	67.4	49.3
2000	60.4	62.1	67.3	48.9
2001	59.4	59.6	65.4	49.7
2002	62.1	62.3	69.1	51.4
2003	63.0	62.9	73.6	47.6
2004	59.6	58.4	69.8	45.2
2005	63.2	60.5	72.5	51.5
2006	65.9	63.6	73.2	56.2
2007	67.3	67.7	75.5	55.9
2008	67.1	66.7	74.9	55.5
2009	67.1	64.7	75.8	54.6
2010	67.6	67.8	76.6	51.8
2011	67.7	68.7	73.2	57.1
2012	68.0	71.2	73.1	56.3
2017	71.1	71.2	78.4	59.6

Note: FY2012 represents the actual figure estimate, FY2017 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2011 is the ratio of companies that entered the value for “FY2011 actual figure” in the FY2012 survey.)

(2) Overseas production ratio (manufacturing industries only)

○ For overseas production ratio (actual value average), the “actual figure for FY2011” was 17.2%, representing a drop from the previous year’s actual figure (17.9%).

○ The “FY2012 estimate” (17.7%) and the “FY2017 forecast” (21.3%) were both expected to continue with the increasing trend. By manufacturing industry segment, the “FY2012 estimate” and “FY2017 forecast” of processing-type manufacturing industries (24.7% and 29.1%, respectively) were high and the rise was high as well.

○ Looking at the “FY2017 forecast” by sector, the figures were high in sectors such as “Precision Instruments” (35.8%) and “Textiles & Apparels” (32.3%), while they were low in sectors such as “Pharmaceutical” (2.6%) and “Metal Products” (7.6%).

The “FY2011 actual figure” of overseas production ratio[6)] (actual value average) was 17.2%, which represents a decline from the previous year’s actual figure (17.9%) but was the fifth highest level since the beginning of the survey in 1987. Furthermore, the “FY2012 estimate” of 17.7% and “FY2017 forecast” of 21.3% both represent a forecast rise (Fig. 6-2, Table 6-2).

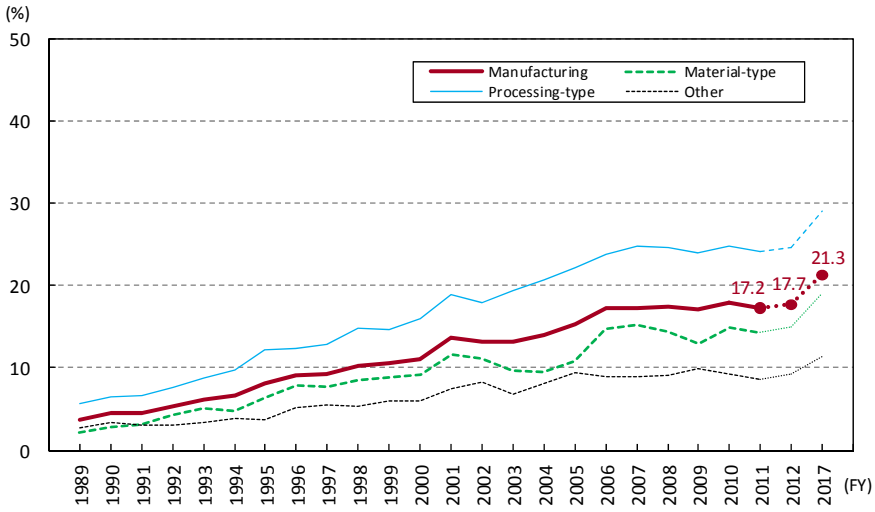
Looking at the “FY2017 forecast” by manufacturing industry segment, material-type manufacturing industries, processing-type manufacturing industries and other manufacturing industries all saw a rise from the “FY2012 estimate”, with processing-type manufacturing industries showing a large rise in particular (Fig. 6-3, Table 6-2).

The “FY2017 forecast” by sector (those with 5 or more responding companies) was higher than the “FY2012 estimate” in 14 sectors out of 15, the exception being “Glass & Ceramics Products” (10.3%). The forecast level was high in sectors such as “Precision Instruments” (35.8%) and “Textiles & Apparels” (32.3%) and low in “Pharmaceutical” (2.6%) and “Metal Products” (7.6%) (Fig. 6-4).

Looking at the “FY2017 forecast” by capital size, companies with a capital of “Less than 1 billion yen” expects 5.8% (“FY2012 estimate”: 4.4%), “1 to 5 billion yen (not incl.)” 15.9% (“FY2012 estimate”: 12.9%), “5 to 10 billion yen (not incl.)” 24.9% (“FY2012 estimate”: 20.0%) and “10 billion yen or more” 26.8% (“FY2012 estimate”: 22.4%), which indicates that the ratio was expected to rise as compared to “FY2012 estimate” in all classes (Fig. 6-3).

6) Overseas production ratio = Volume of overseas production / (Volume of domestic production + Volume of overseas production)
Simple average of responding companies including those that reported 0.0% for the overseas production ratio.

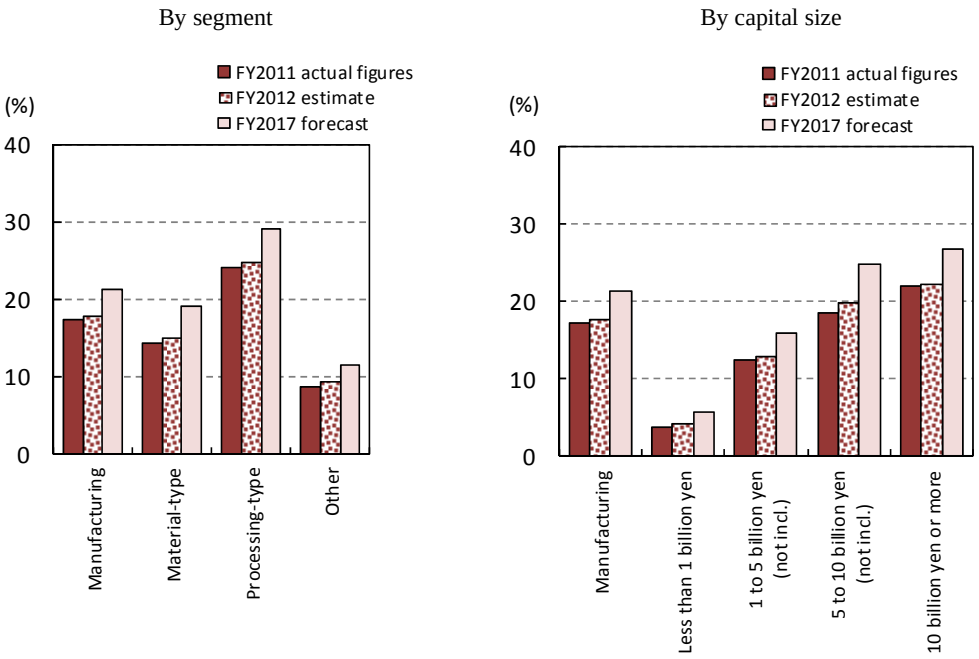
[Fig. 6-2] Trend of overseas production ratios (manufacturing industries)



Note 1: FY2012 represents the actual figure estimate, FY2017 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2011 is the value for "FY2011 actual figure" in the FY2012 survey.)

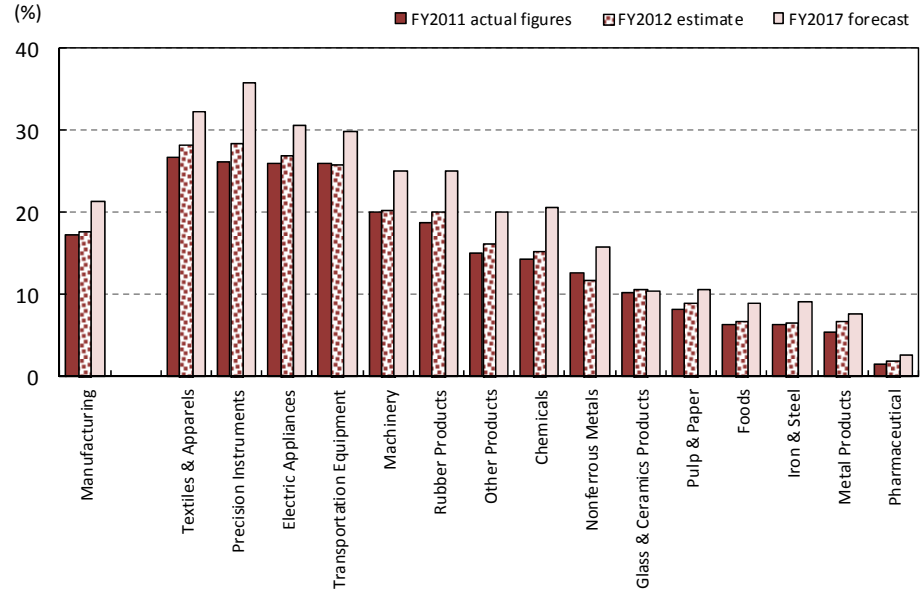
Note 2: Simple average of responding companies including those that reported 0.0% for the overseas production ratio.

[Fig. 6-3] Overseas production ratio by manufacturing industry segment and capital size



Note: Simple average of responding companies including those that reported 0.0% for the overseas production ratio.

[Fig. 6-4] Overseas production ratio by sector (manufacturing industries)



Note 1: Simple average of responding companies including those that reported 0.0% for the overseas production ratio.

Note 2: Sectors only include those with 5 or more responding companies in all of "FY2011 actual figure," "FY2012 estimate" and "FY2017 forecast."

[Table 6-2] Trend of overseas production ratio (manufacturing industries)

(%)

Survey year	Manufacturing	Material-type	Processing-type	Other
FY 1989	3.8	2.2	5.7	2.8
1990	4.6	2.8	6.5	3.4
1991	4.6	3.1	6.7	3.0
1992	5.4	4.2	7.7	3.1
1993	6.1	5.1	8.7	3.4
1994	6.6	4.8	9.8	3.9
1995	8.1	6.4	12.2	3.7
1996	9.1	7.9	12.4	5.2
1997	9.3	7.7	12.8	5.6
1998	10.2	8.5	14.8	5.3
1999	10.5	8.9	14.7	6.0
2000	11.1	9.2	15.9	6.0
2001	13.7	11.7	18.9	7.5
2002	13.2	11.2	17.9	8.2
2003	13.1	9.7	19.4	6.8
2004	14.0	9.5	20.7	8.2
2005	15.2	10.8	22.1	9.4
2006	17.3	14.8	23.9	8.9
2007	17.3	15.3	24.8	8.9
2008	17.4	14.4	24.7	9.0
2009	17.1	12.9	24.0	9.9
2010	17.9	14.9	24.8	9.2
2011	17.2	14.3	24.1	8.6
2012	17.7	15.0	24.7	9.3
2017	21.3	19.1	29.1	11.4

Note 1: FY2012 represents the actual figure estimate, FY2017 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2011 is the value for “FY2011 actual figure” in the FY2012 survey.)

Note 2: Simple average of responding companies including those that reported 0.0% for the overseas production ratio.

(3) Reverse imports ratio (manufacturing industries only)

○ The “FY2011 actual figure” for the reverse imports ratio (actual value average) was 19.8%, which represents a decline for the fourth consecutive year and the lowest level since the beginning of the survey in FY2001.
○ The “FY2012 actual figure” was estimated to rise (20.2%) while the “FY2017 forecast” was estimated to decline (19.3%).
○ Looking at the “FY2017 forecast” by sector, the level was low in sectors such as “Transportation Equipment” (5.7%) and “Machinery” (9.1%) and high in “Metal Products” (35.8%) and “Textiles & Apparels” (33.1%).

The “FY2011 actual figure” of the reverse imports ratio[7)] (actual value average) was 19.8%, which represents a decline for the fourth consecutive year and the lowest level since the beginning of the survey in FY2001. The “FY2012 estimate” was 20.2% and “FY2017 forecast” 19.3% (Fig. 6-5, Table 6-3).

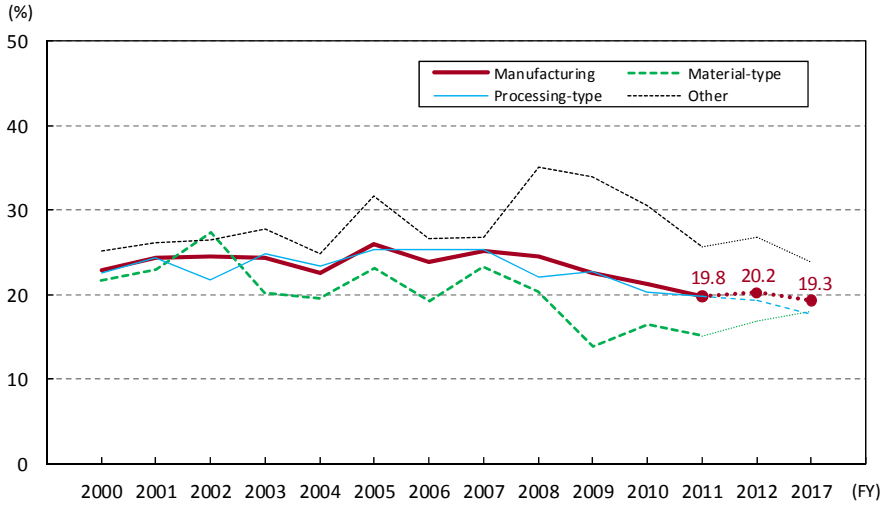
Looking at the “FY2017 forecast” by manufacturing industry segment, the ratio in material-type manufacturing industries was 18.0%, processing-type manufacturing industries was 17.7% and other manufacturing industries 23.9%. The ratio in processing-type manufacturing industries was the lowest since the survey started (Fig. 6-6, Table 6-3).

In terms of the “FY2017 forecast” by sector (those with 5 or more responding companies), 7 out of 11 sectors expect the reverse imports ratio to drop from the “FY2012 estimate”, with the level low in sectors such as “Transportation Equipment” (5.7%) and “Machinery” (9.1%) and high in sectors including “Metal Products” (35.8%) and “Textiles & Apparels” (33.1%) (Fig. 6-7).

Looking at the “FY2017 forecast” by capital size, companies with a capital of “Less than 1 billion yen” expects 9.7% (“FY2012 estimate”: 16.5%), “1 to 5 billion yen (not incl.)” 24.1% (“FY2012 estimate”: 27.7%), “5 to 10 billion yen (not incl.)” 18.4% (“FY2012 estimate”: 20.1%) and “10 billion yen or more” 17.1% (“FY2012 estimate”: 16.2%), which indicates that the ratio was expected to drop as compared to “FY2012 estimate” in all classes except for the “10 billion yen or more” class (Fig. 6-6).

7) Reverse imports ratio = Export volume to Japan / Volume of overseas local production
Excludes companies that reported 0.0% in overseas production ratio.
Simple average of responding companies including those that reported 0.0% in the ratio of reverse imports.

[Fig. 6-5] Trend of the ratio of reverse imports (manufacturing industries)



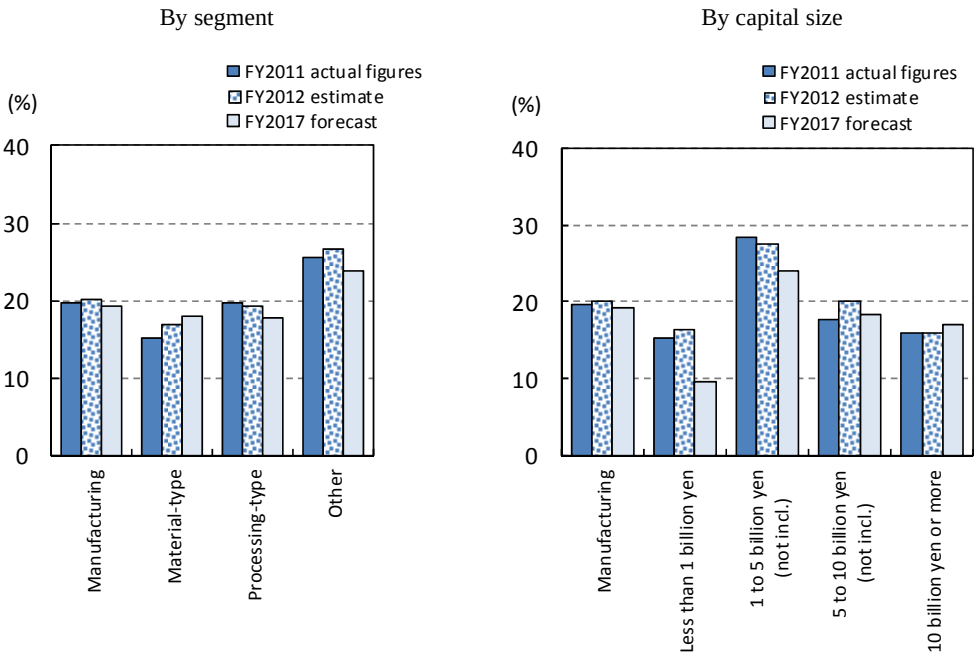
Note 1: FY2012 represents the actual figure estimate, FY2017 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2011 is the value for "FY2011 actual figure" in the FY2012 survey.)

Note 2: Excludes companies that reported 0.0% in overseas production ratio.

Note 3: Simple average of responding companies including those that reported 0.0% in the ratio of reverse imports.

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

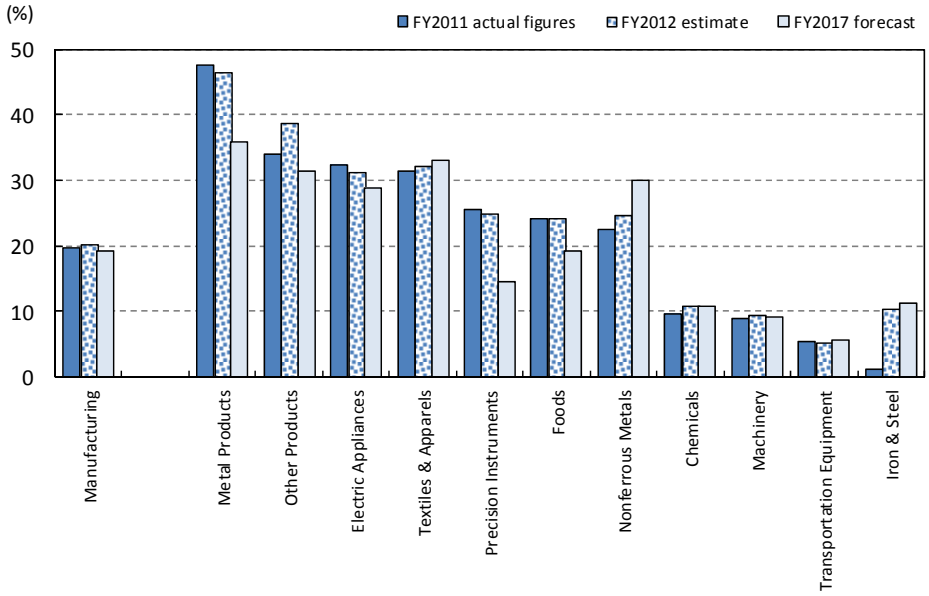
[Fig. 6-6] Ratio of reverse imports by manufacturing industry segment and capital size



Note 1: Excludes companies that reported 0.0% in overseas production ratio.

Note 2: Simple average of responding companies including those that reported 0.0% in the ratio of reverse imports.

[Fig. 6-7] Ratio of reverse imports by sector (manufacturing industries)



Note 1: Excludes companies that reported 0.0% in overseas production ratio.

Note 2: Simple average of responding companies including those that reported 0.0% in the ratio of reverse imports.

Note 3: Sectors only include those with 5 or more responding companies in all of “FY2011 actual figure,” “FY2012 estimate” and “FY2017 forecast.”

[Table 6-3] Trend of the ratio of reverse imports (manufacturing industries)

(%)

Survey year	Manufacturing	Material-type	Processing-type	Other
FY 2000	22.9	21.7	22.5	25.1
2001	24.4	22.9	24.3	26.1
2002	24.4	27.3	21.8	26.4
2003	24.3	20.3	24.9	27.8
2004	22.6	19.6	23.4	24.8
2005	26.1	23.2	25.3	31.6
2006	23.9	19.2	25.4	26.7
2007	25.2	23.4	25.4	26.8
2008	24.5	20.3	22.1	35.1
2009	22.6	13.9	22.7	33.9
2010	21.3	16.4	20.4	30.5
2011	19.8	15.2	19.8	25.6
2012	20.2	16.8	19.3	26.8
2017	19.3	18.0	17.7	23.9

Note 1: FY2012 represents the actual figure estimate, FY2017 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2011 is the value for “FY2011 actual figure” in the FY2012 survey.)

Note 2: Excludes companies that reported 0.0% in overseas production ratio.

Note 3: Simple average of responding companies including those that reported 0.0% in the ratio of reverse imports.

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

(4) Reason for having an overseas production base (manufacturing industries only)

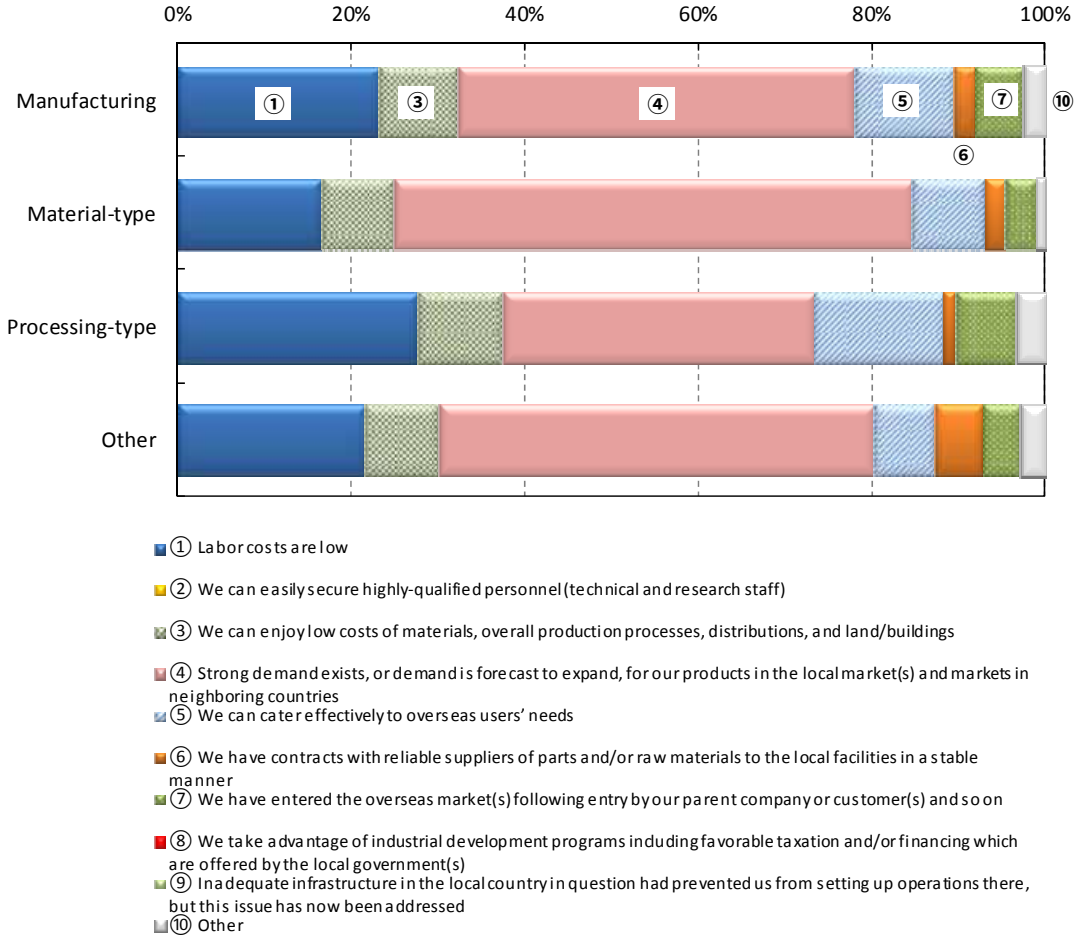
○ The most commonly cited reason for setting up production bases abroad was, “Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries” (45.8%), which represents a 2.9% point rise from the previous year’s survey (42.9%).

○ On the other hand, the composition ratio of reasons including “We can enjoy low costs of materials, overall production processes, distributions, and land/buildings” (9.1%) declined.

Looking at the reason for having an overseas production base (choose one from the choices), “Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries” was the most commonly cited with 45.8% (previous year’s result: 42.9%), followed by “Labor costs are low” with 23.1% (previous year’s result: 23.0%), “We can cater effectively to overseas users’ needs” with 11.4% (previous year’s result: 11.8%), “We can enjoy low costs of materials, overall production processes, distribution, and land/buildings” with 9.1% (previous year’s result: 10.9%) and “We have entered the overseas market(s) following entry by our parent company or customer(s) and so on” with 5.5% (previous year’s result: 6.5%) (Fig. 6-8, Table 6-4).

Compared to the previous year’s survey, while the composition ratio of reasons such as “We can enjoy low costs of materials, overall production processes, distributions, and land/buildings” and “We have entered the overseas market(s) following entry by our parent company or customer(s) and so on” was decreasing, the composition ratio of reasons such as “Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries” was rising.

[Fig. 6-8] Reason for having an overseas production base (manufacturing industries)



[Table 6-4] Reason for having an overseas production base (manufacturing industries)

(%)

	FY2012 survey				FY2011 survey
	Manufacturing	Material-type	Processing-type	Other	Manufacturing
Reason for having an overseas production base	100.0	100.0	100.0	100.0	100.0
① Labor costs are low	23.1	16.5	27.5	21.4	23.0
② We can easily secure highly-qualified personnel (technical and research staff)	-	-	-	-	0.3
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	9.1	8.2	9.8	8.6	10.9
④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	45.8	60.0	35.9	50.0	42.9
⑤ We can cater effectively to overseas users' needs	11.4	8.2	15.0	7.1	11.8
⑥ We have contracts with reliable suppliers of parts and/or raw materials to the local facilities in a stable manner	2.6	2.4	1.3	5.7	1.9
⑦ We have entered the overseas market(s) following entry by our parent company or customer(s) and so on	5.5	3.5	7.2	4.3	6.5
⑧ We take advantage of industrial development programs including favorable taxation and/or financing which are offered by the local government(s)	-	-	-	-	0.3
⑨ Inadequate infrastructure in the local country in question had prevented us from setting up operations there, but this issue has now been addressed	-	-	-	-	-
⑩ Other	2.6	1.2	3.3	2.9	2.5

Note: Highlighted sections represent the top 3 in each fiscal year.