

March 2, 2018

Economic and Social Research Institute

FY2017 Annual Survey of Corporate Behavior (Summary)

<I. Listed Companies>

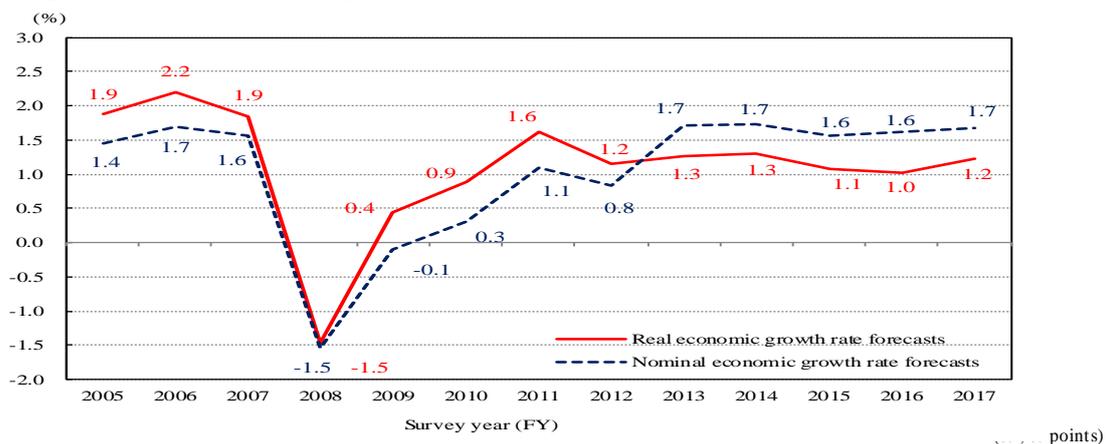
Coverage	All companies listed on the First Section and Second Section of the Tokyo and Nagoya Stock Exchanges (2,619 companies as of November 1, 2017)
Responding companies	1,107 (516 in manufacturing industries, 591 in non-manufacturing industries)
Response rate	42.3%
Survey items	Forecast of Japan's economic growth rate, forecast of growth rate of industry demand, forecast yen-dollar rate, break-even yen-dollar rate, prices, 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 2018 (Questionnaire deadline: January 15)

1. Japan's economic growth rate

- The real economic growth rate forecast for the “next fiscal year” (FY2018) was 1.2%, higher than the previous year's survey result (1.0%). The rate has been positive for the ninth consecutive year.
- The nominal economic growth rate forecast was higher than the real rate forecast for the fifth 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)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Nominal economic growth rate forecasts	1.4	1.7	1.6	-1.5	-0.1	0.3	1.1	0.8	1.7	1.7	1.6	1.6	1.7
Real economic growth rate forecasts	1.9	2.2	1.9	-1.5	0.4	0.9	1.6	1.2	1.3	1.3	1.1	1.0	1.2
(Nominal minus Real)	-0.4	-0.5	-0.3	-0.1	-0.6	-0.6	-0.5	-0.3	0.5	0.4	0.5	0.6	0.4

*Figures derived by rounding the subtraction result to tenths.

<Contact Information>

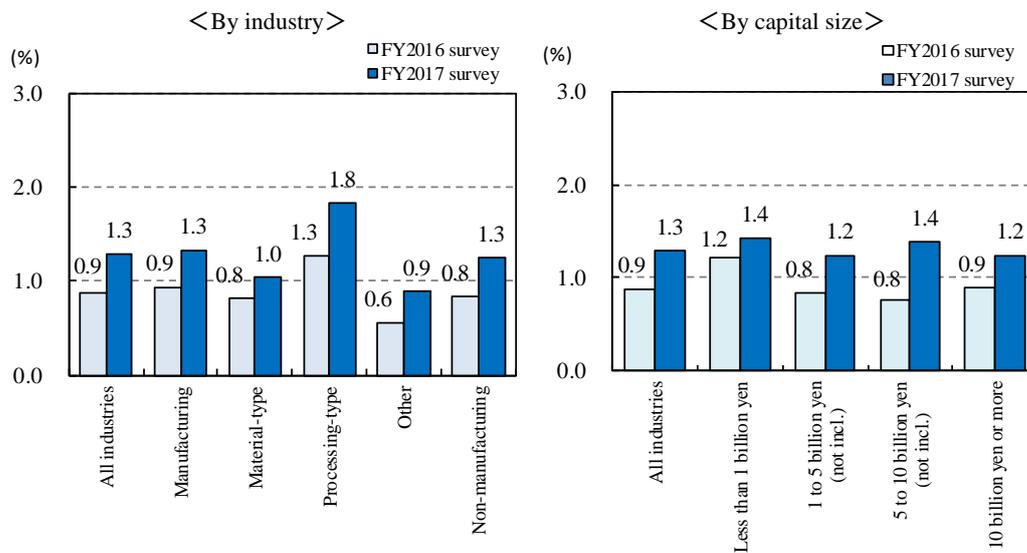
Department of Business Statistics, Economic and Social Research Institute, Cabinet Office

(Survey page: http://www.esri.cao.go.jp/jp/stat/ank/menu_ank.html)

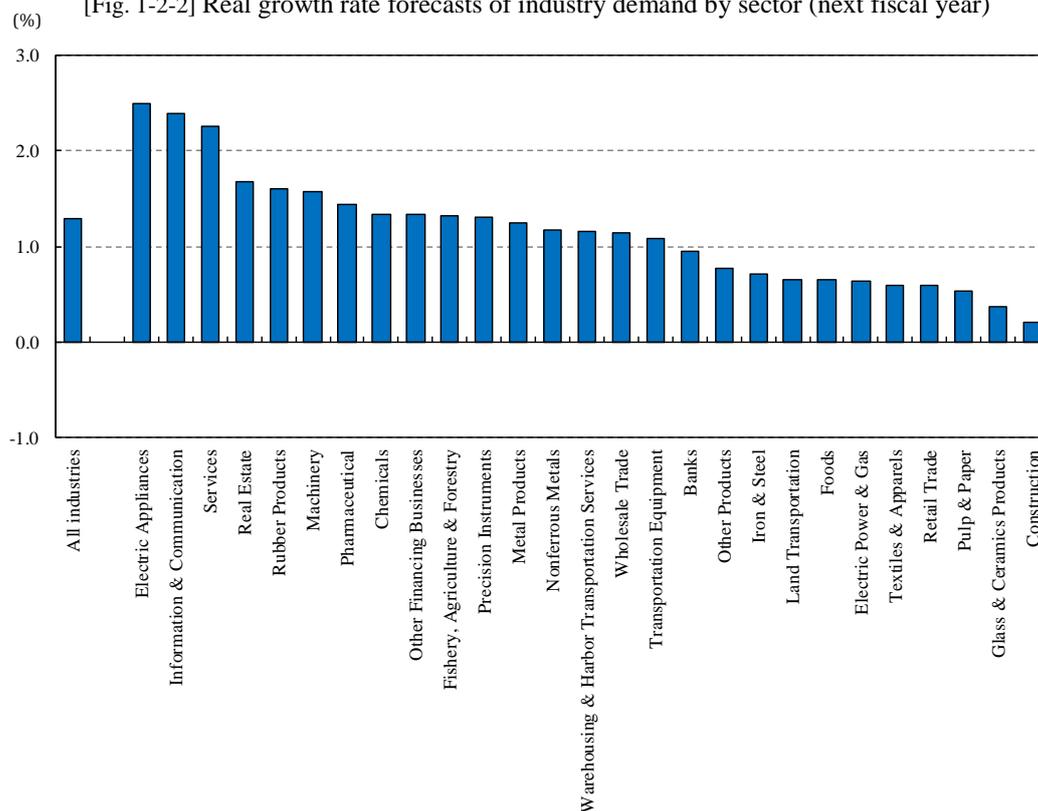
2. Growth rate of industry demand

- The forecast of the real growth rate of industry demand of listed companies for the “next fiscal year” (FY2018) was 1.3%, and the rate has been positive for the eighth consecutive year. Figures for both the manufacturing industries (1.3%) and the non-manufacturing industries (1.3%) exceeded the previous year's survey results.
- The medium-term forecasts for the “next 3 years” and the “next 5 years” were 1.3% and 1.1%, 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” (2.5%) and “Rubber Products” (1.6%), and that of the non-manufacturing industries was high in “Information & Communication” (2.4%) and “Services” (2.3%).

[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 FY2017 survey.

3. Exchange rates

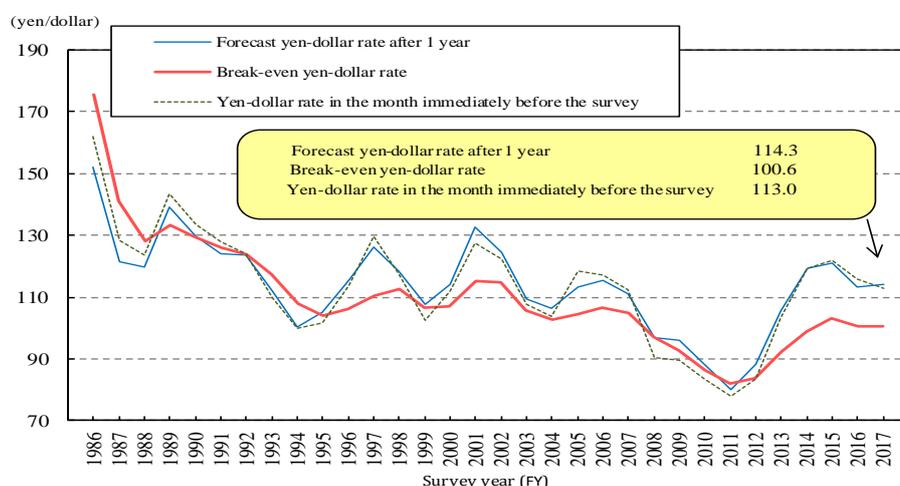
(1) Forecast yen-dollar rate

- The forecast yen-dollar rate after 1 year (around January 2019) for listed companies (all industries, class value average) was 114.3 yen/dollar. This was a 1.1 yen depreciation compared with the previous year's survey result (113.1 yen/dollar), forecasting depreciation of the yen for the first time in two years.
- Compared with the yen-dollar rate for the month immediately before the survey (113.0 yen/dollar in December 2017), the forecast depreciated by 1.3 yen.

(2) Break-even yen-dollar rate

- The break-even yen-dollar rate of listed exporting companies (all industries, actual value average) was 100.6 yen/dollar. This was a 0.1 yen depreciation compared with the previous year's survey result (100.5 yen/dollar), forecasting depreciation of the yen for the first time in two 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 105.2 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 13.1 yen and 7.8 yen, respectively.
- In terms of the break-even yen-dollar rate by sector, compared with the all industries average, sectors such as "Other Products" (110.6 yen/dollar) and "Iron & Steel" (107.9 yen/dollar) set weaker break-even rates, while sectors such as "Precision Instruments" (94.1 yen/dollar) and "Nonferrous Metals" (96.7 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)



Survey year (FY)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Forecast yen-dollar rate after 1 year	115.5	111.0	97.0	95.9	88.4	80.3	88.4	105.7	119.5	120.9	113.1	114.3
Break-even yen-dollar rate	106.6	104.7	97.3	92.9	86.3	82.0	83.9	92.2	99.0	103.2	100.5	100.6
Yen-dollar rate in the month immediately before the survey	117.3	112.3	90.4	89.6	83.4	77.9	83.6	103.5	119.4	121.8	116.0	113.0
Difference												
	Forecast yen-dollar rate after 1 year – Break-even yen-dollar rate	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	10.8	7.6	-6.9	-3.3	-2.9	-4.2	-0.2	11.2	20.4	15.5	12.4

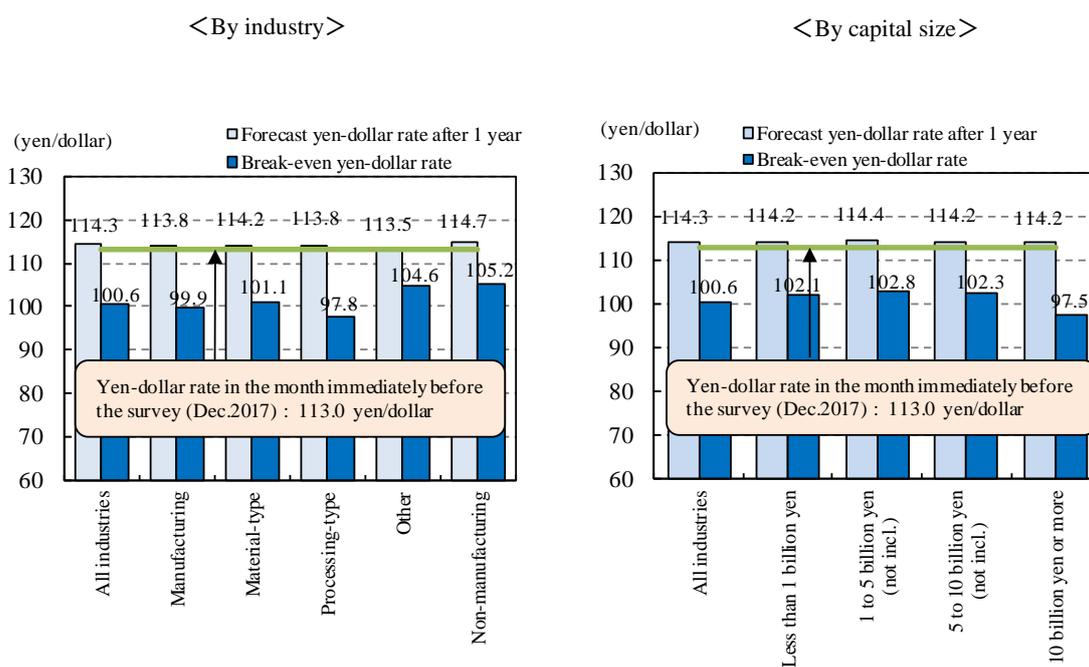
Note 1) "Forecast yen-dollar rate" is the average of the class values, while "break-even yen-dollar rate" is the average of the actual reported numbers.

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

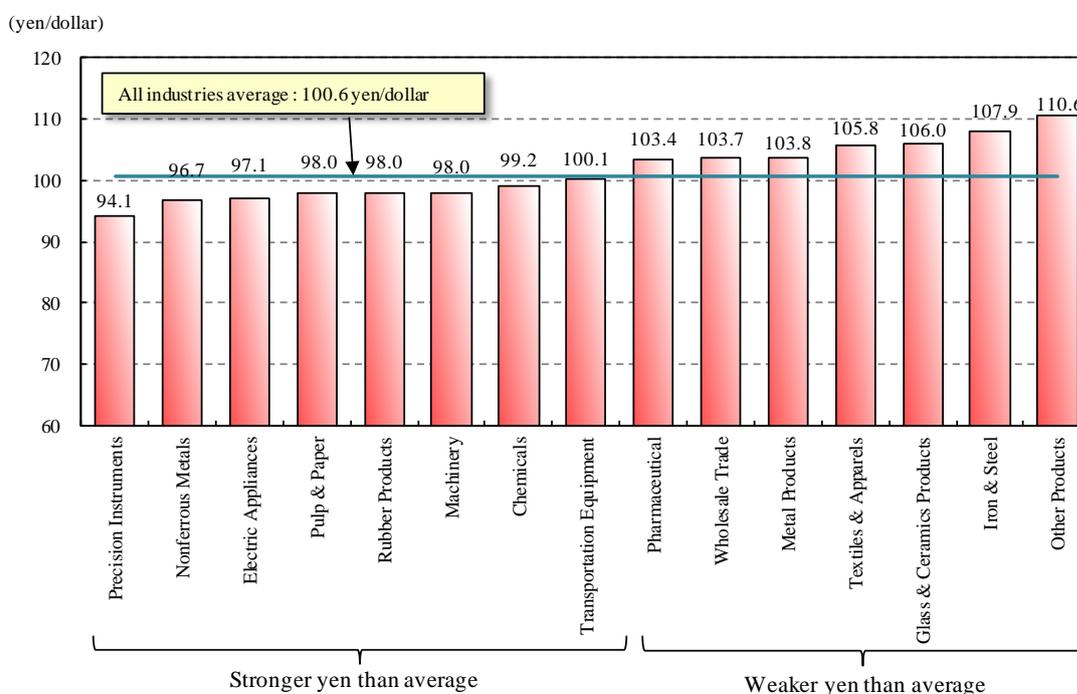
Note 3) "Yen-dollar rate in the month immediately before the survey" refers to figures in December, except for FY1994 and FY2008

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

[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.

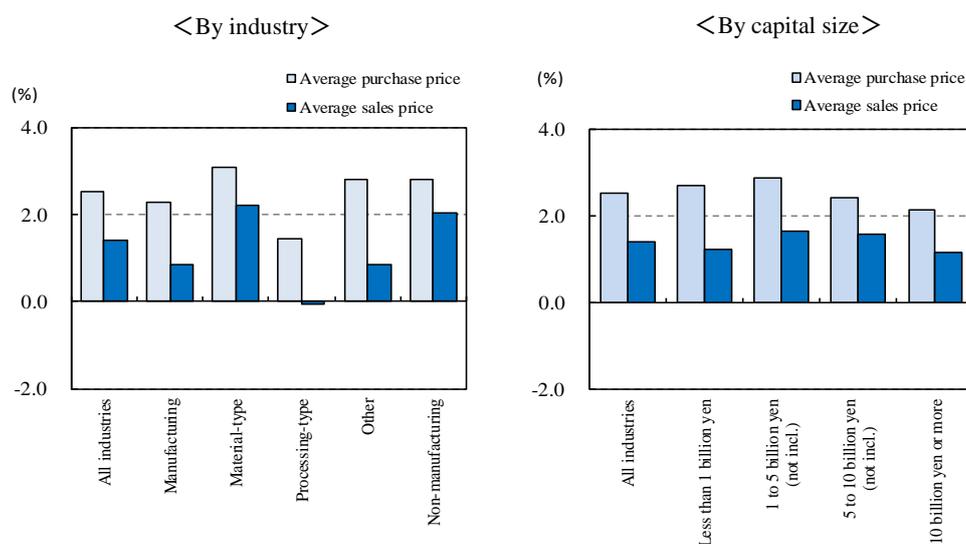
Note 2) Calculation of "break-even yen-dollar rate" includes only companies that conduct exports.

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 2.5% (the previous year's survey result, 2.3%), which was an increase for the ninth consecutive year.
- Average sales prices after 1 year for listed companies (all industries, class value average) increased by 1.4% (the previous year's survey result, 1.1%), which was an increase for the fifth consecutive year.
- Purchase price increases surpassed sales price increases for listed companies, and terms of trade (all industries) were forecast to worsen by 1.1 percentage points.

[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

		Average purchase price		Average sales price		Terms of trade	
		FY2017 survey	FY2016 survey	FY2017 survey	FY2016 survey	FY2017 survey	FY2016 survey
All industries		2.5	2.3	1.4	1.1	-1.1	-1.2
Industry	Manufacturing	2.3	2.1	0.9	0.5	-1.4	-1.6
	Material-type	3.1	2.9	2.2	1.6	-0.9	-1.3
	Processing-type	1.4	1.0	-0.1	-0.4	-1.5	-1.4
	Other	2.8	3.0	0.9	0.8	-1.9	-2.1
	Non-manufacturing	2.8	2.5	2.0	1.7	-0.8	-0.8
Capital size	Less than 1 billion yen	2.7	2.4	1.2	1.6	-1.5	-0.8
	1 to 5 billion yen (not incl.)	2.9	2.2	1.7	0.8	-1.2	-1.3
	5 to 10 billion yen (not incl.)	2.4	2.7	1.6	1.7	-0.9	-1.1
	10 billion yen or more	2.2	2.1	1.2	0.7	-1.0	-1.3

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

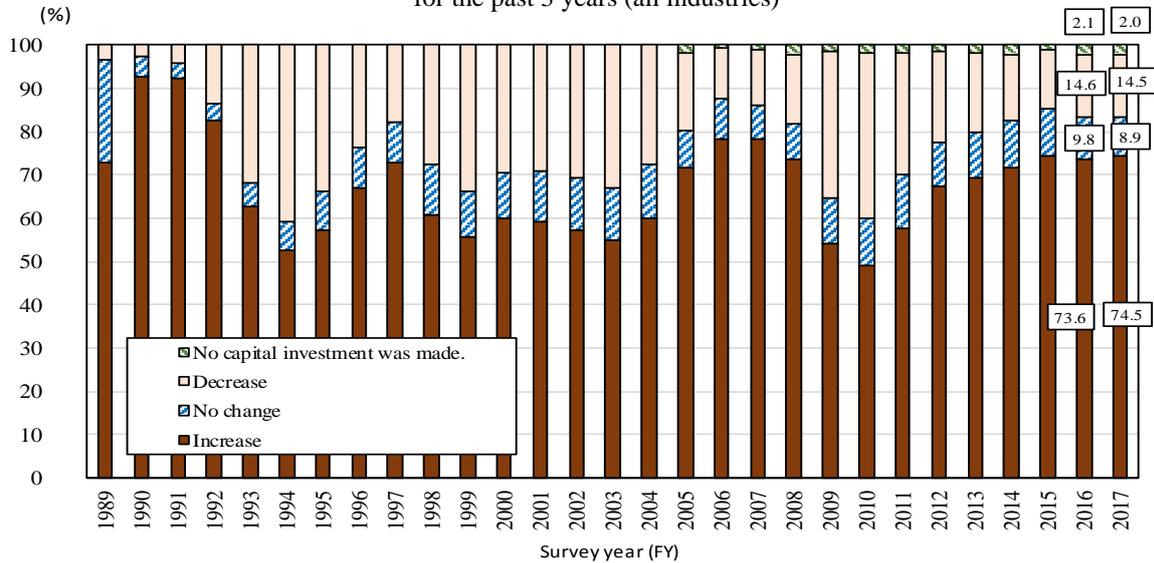
Note 2) Terms of trade are derived from the rate of change of the average sales price and the rate of change of the average purchase price (Refer to FY2017 Statistical Tables <I. Listed Companies> 3-1 and 3-2) that include two decimal points. Therefore, they may not always coincide with figures calculated 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.

5. Change in capital investment

(1) Capital investment for the past 3 years

■ The percentage of listed companies (all industries) that increased capital investment for the “past 3 years” (average of FY2015-FY2017) was 74.5%, which was higher than the previous year's survey result (73.6%).

[Fig. 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%.

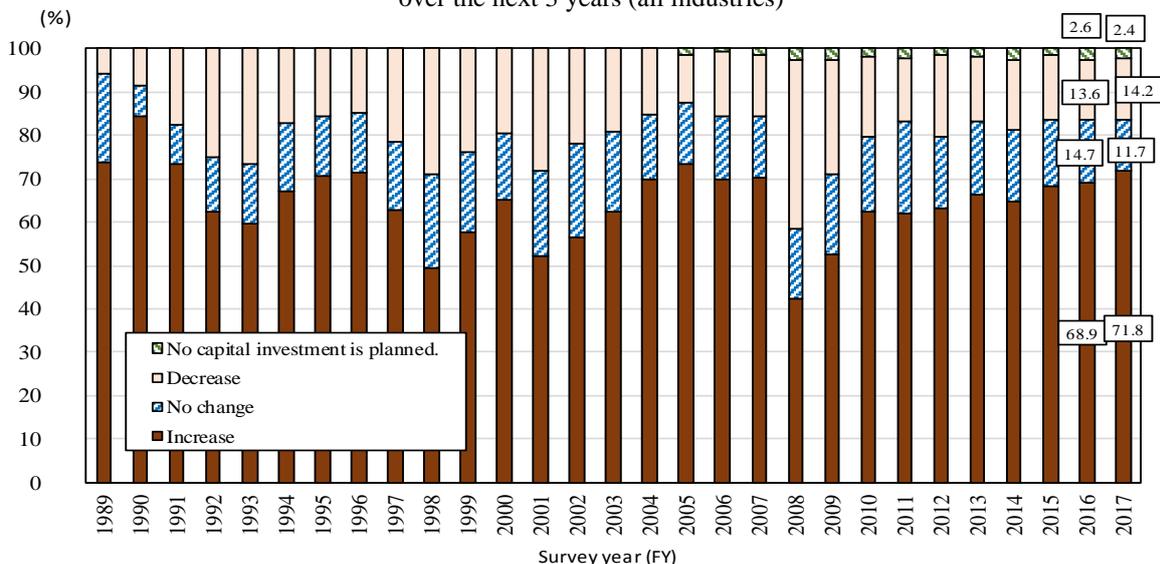
Note 2) The alternative of “no capital investment was made/is planned” was added from the survey of FY2005.

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

(2) Capital investment over the next 3 years

■ The percentage of listed companies (all industries) expecting to increase capital investment over the “next 3 years” (average of FY2018–FY2020) was 71.8%, which was higher than the previous year's survey result (68.9%). This was the highest level since the FY2005 survey (73.2%).

[Fig. 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.

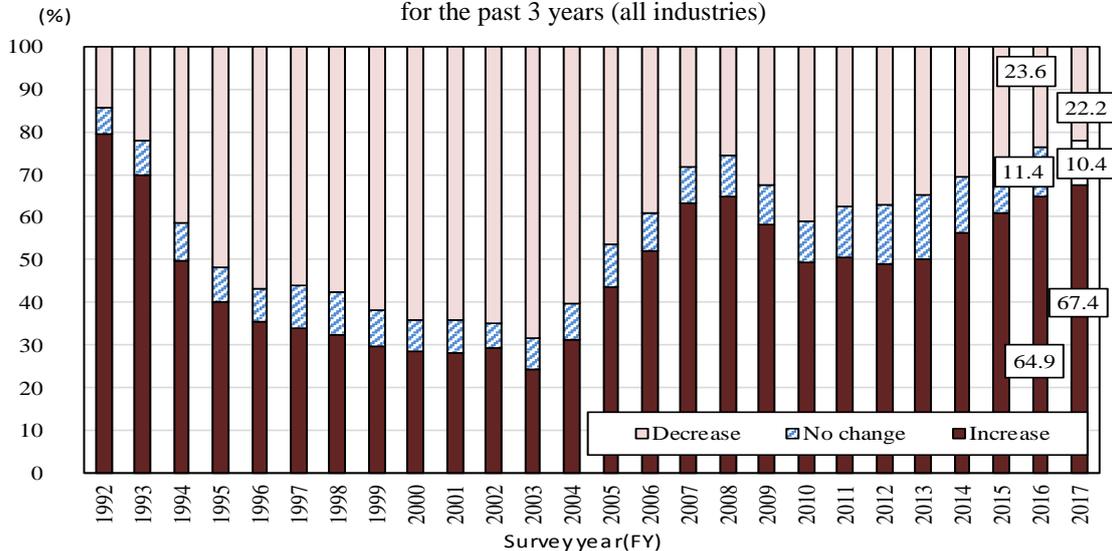
Note 3) The “next 3 years” means that, for example, the “next 3 years” for the FY2017 survey represents the period from FY2018 to FY2020.

6. Change in the number of employees

(1) Number of employees for the past 3 years

■ The percentage of listed companies (all industries) that increased employees for the “past 3 years” (average of FY2015–FY2017) was 67.4%, which was higher than the previous year’s survey result (64.9%).

[Fig. 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 FY2017 survey represents the period from FY2015 to FY2017.

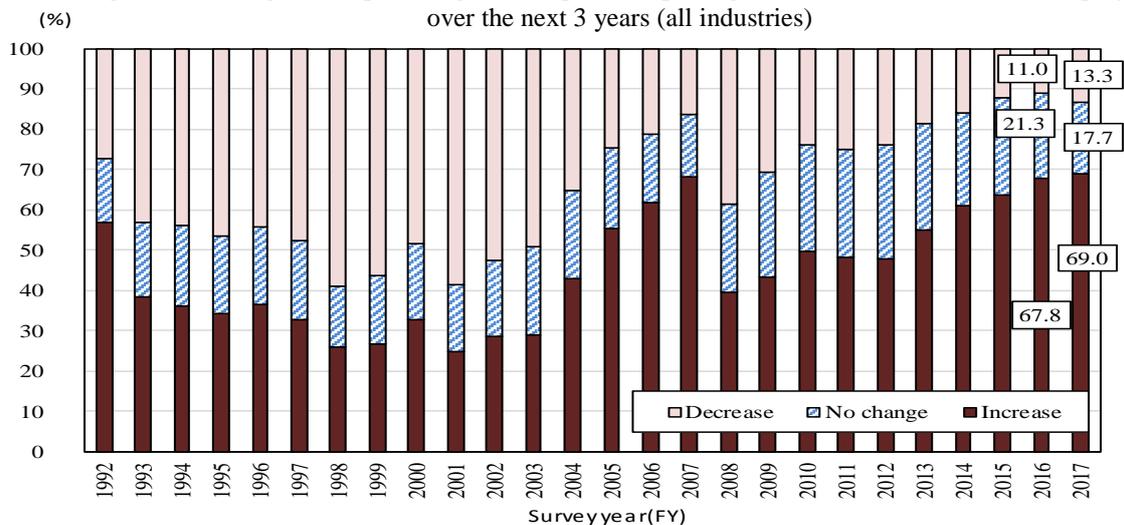
Note 3) The survey for the rate of change in overall employees started from FY1992.

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

(2) Number of employees over the next 3 years

■ The percentage of listed companies (all industries) expecting to increase employees over the “next 3 years” (average of FY2018–FY2020) was 69.0%, which was higher than the previous year’s survey result (67.8%). This was the highest level since the survey began in FY1992.

[Fig. 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 FY2017 survey represents the period from FY2018 to FY2020.

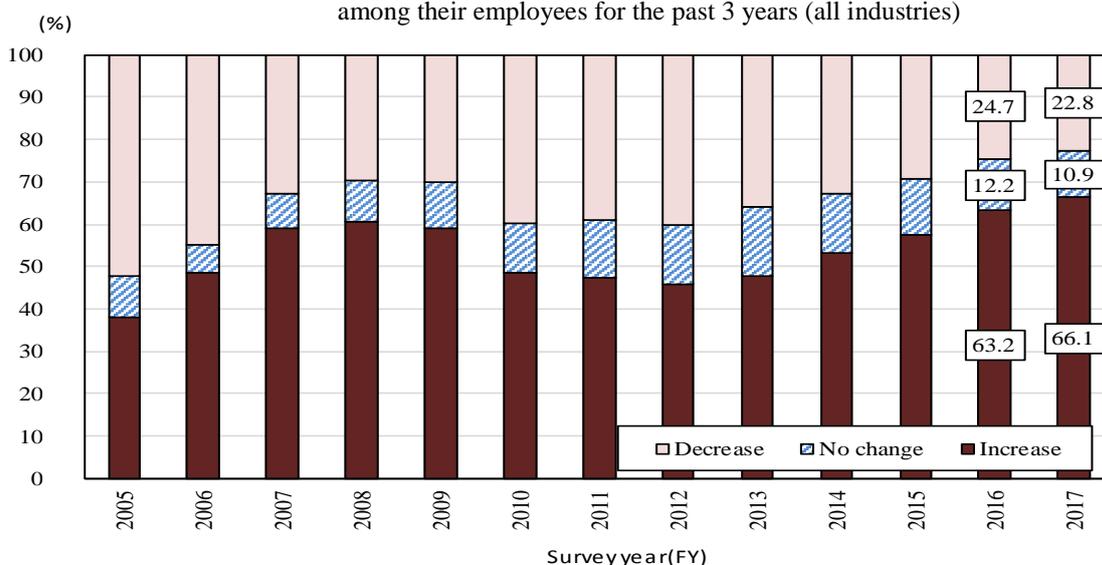
Note 3) The survey for the rate of change in overall employees started from FY1992.

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

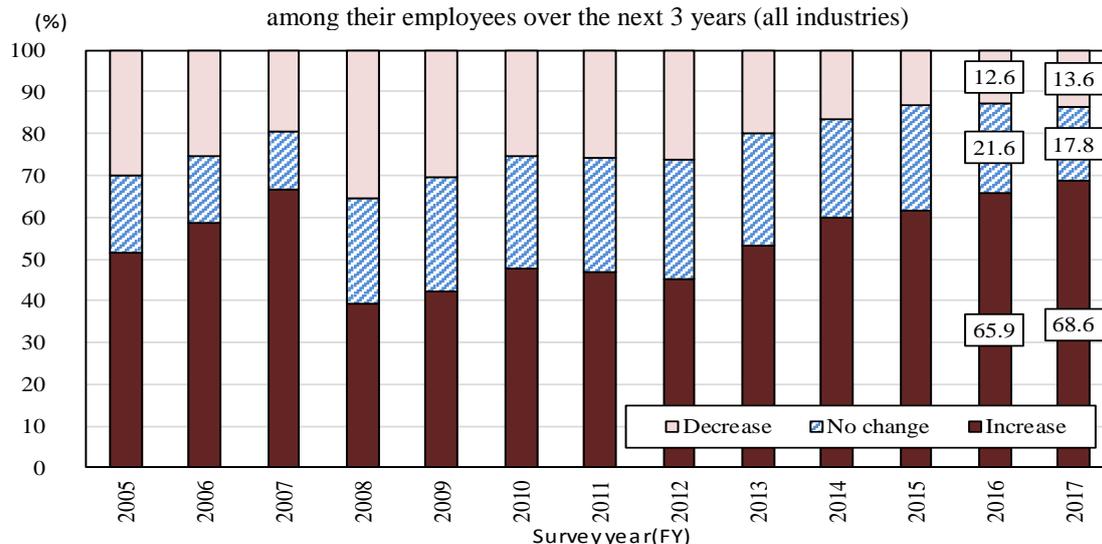
- The percentage of listed companies (all industries) that increased the number of full-time employees among all employees for the “past 3 years” (average of FY2015-FY2017) was 66.1%, which was higher than the previous year’s result (63.2%).
- The percentage of listed companies (all industries) expecting to increase full-time employees among all employees over the “next 3 years” (average of FY2018-FY2020) was 68.6%, which was higher than the previous year’s result (65.9%). This was the highest level since the survey began in FY2005.

[Fig. 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 FY2017 survey represents the period from FY2015 to FY2017.
- 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.

[Fig. 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)

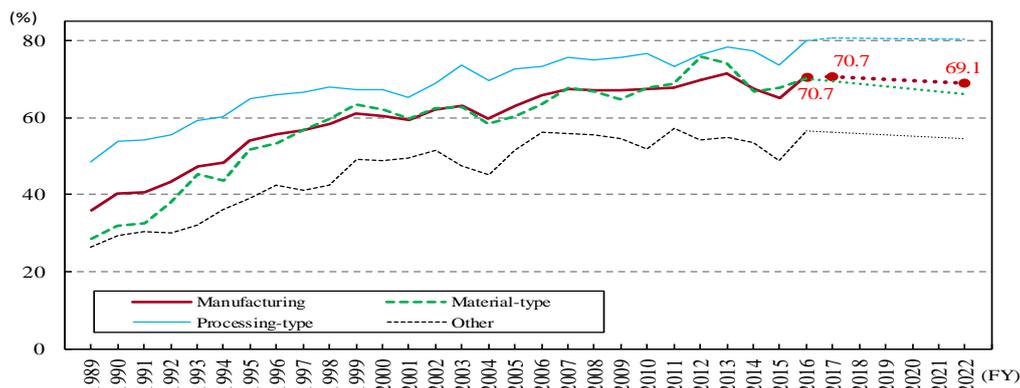


- Note 1) Increase: Percentage of companies responding over 0%, No change: Percentage of companies responding 0%, Decrease: Percentage of companies responding less than 0%.
- Note 2) The “next 3 years” means that, for example, the “next 3 years” for the FY2017 survey represents the period from FY2018 to FY2020.
- 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.

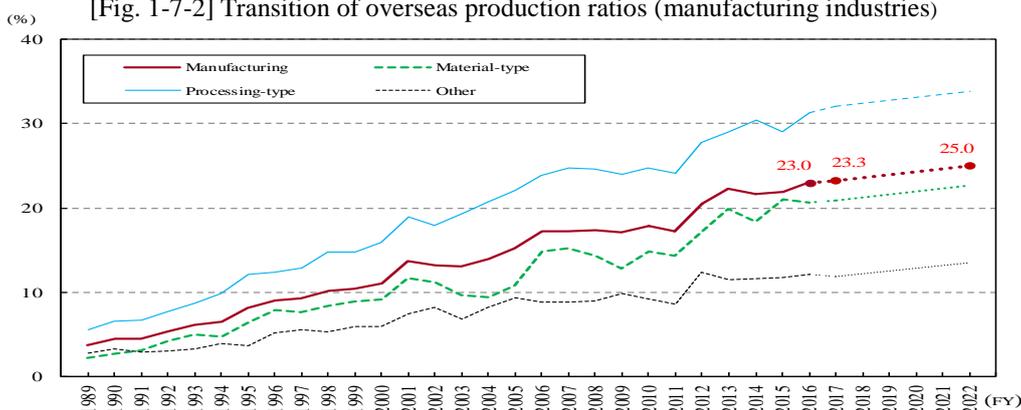
7. Overseas production ratio (manufacturing industries)

- The “FY2016 actual figures” for the percentage of listed companies conducting overseas production was 70.7%, a 5.6 percentage point increase from the previous year’s survey result (65.1%). The “FY2017 estimate” was 70.7%. The “FY2022 forecast” was expected to decline to 69.1%.
- The “FY2016 actual figures” for the overseas production ratio of listed companies was 23.0%, an increase from the previous year’s survey result (21.9%). The “FY2017 estimate” was 23.3% and the “FY2022 forecast” was 25.0%.
- 45.7% of the companies expected the increase in overseas production ratio in the “FY2022 forecast” compared to the “FY2017 estimate” (the previous year’s survey result, 49.6%).

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



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

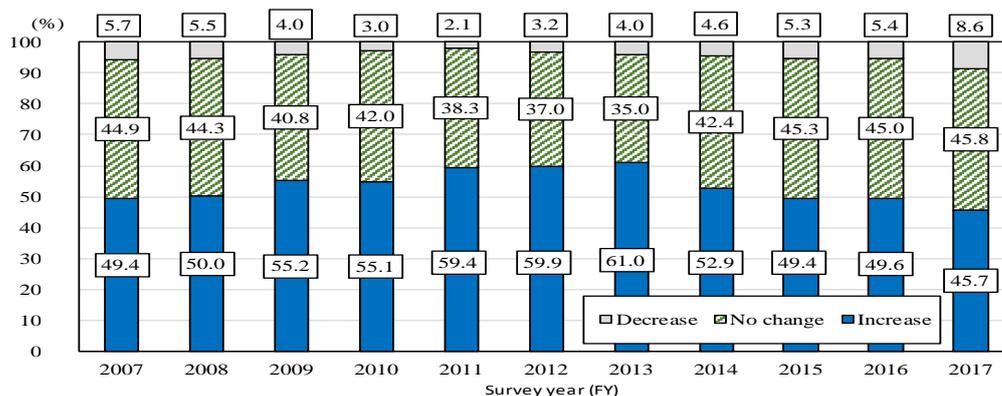


Note 1) Overseas production ratio = Volume of overseas production / (Volume of domestic production + Volume of overseas production)

Note 2) Figure 1-7-1 and Figure 1-7-2 show the FY2017 estimate and FY2022 forecast. For other years, actual figures of the previous year in next year’s survey are shown. (For example, the value for FY2016 is the value for “FY2016 actual figures” in the FY2017 survey.)

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

[Fig. 1-7-3] The percentage of companies expecting an increase or a decrease in overseas production ratio (manufacturing industries)

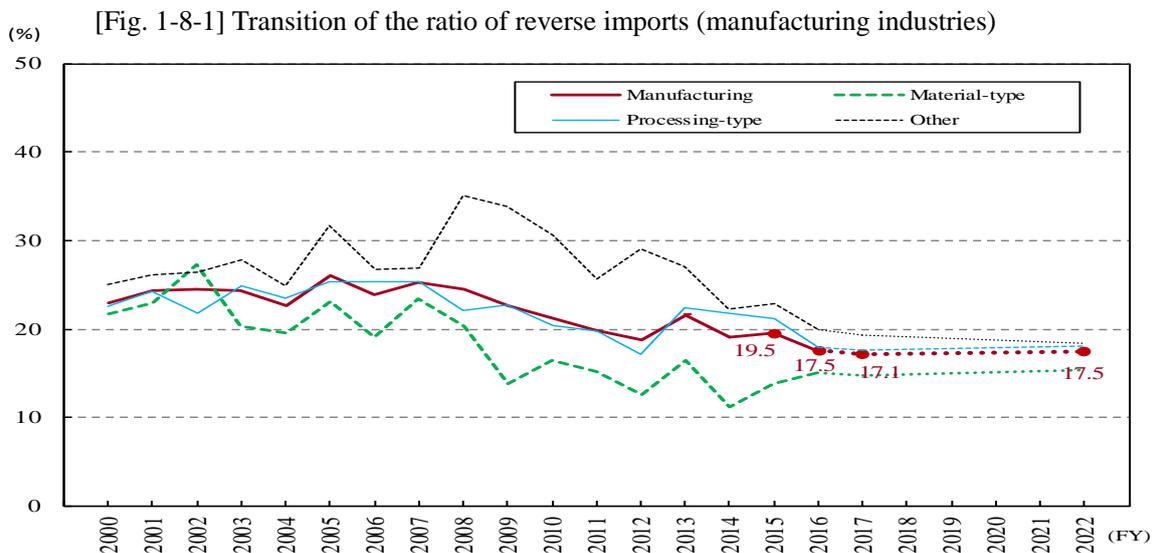


Note) Increase: “Forecast” – “Estimate” > 0, No change: “Forecast” – “Estimate” = 0, Decrease: “Forecast” – “Estimate” < 0.

(In FY2017, if the values after subtracting “FY2017 estimate” from “FY2022 forecast” of each responding company are plus, equal, and minus, it is “Increase,” “No change,” and “Decrease.”)

8. Reverse imports ratio (manufacturing industries)

- The “FY2016 actual figures” for the reverse imports ratio of listed companies was 17.5%, a decrease from the previous year’s survey result (19.5%).
- The “FY2017 estimate” was 17.1%, and the “FY2022 forecast” was 17.5%.



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

Note 2) FY2017 represents the estimate of the actual figures, FY2022 represents the forecast, and other years represent the actual figures for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2016 is the value for “FY2016 actual figures” in the FY2017 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. Reasons for having an overseas production base (manufacturing industries)

- When combining the “main reasons” 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” (74.8%). The second top reason was “We can cater effectively to overseas users’ needs” (51.8%).

[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	74.8 (70.7)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	80.6 (81.8)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	67.8 (63.4)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	82.9 (72.1)
⑤ We can cater effectively to overseas users’ needs	51.8 (47.0)	⑤ We can cater effectively to overseas users’ needs	51.5 (50.0)	⑤ We can cater effectively to overseas users’ needs	52.8 (46.4)	⑤ We can cater effectively to overseas users’ needs	50.0 (44.2)
① Labor costs are low	41.4 (43.0)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings ⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	34.0 (33.6) 34.0 (30.0)	① Labor costs are low	48.9 (51.9)	① Labor costs are low	36.6 (37.2)
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	34.2 (37.2)	① Labor costs are low	32.0 (32.7)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	36.7 (39.9)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	29.3 (36.0)
⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	23.8 (22.2)	⑥ We have contracts with reliable suppliers of parts and/or raw materials to the local facilities in a stable manner	11.7 (13.6)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	20.0 (20.2)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	19.5 (16.3)

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.