<II. Medium-sized and SMEs>[7)]

1 Business outlook and demand forecast

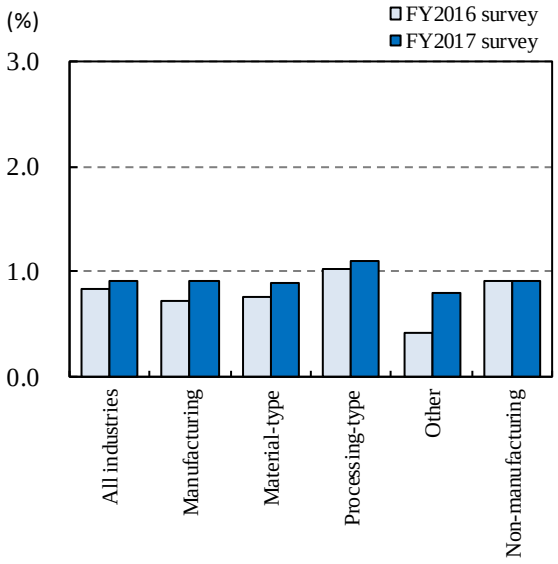
[Table 2-1-1] Transition of Japan's economic growth rate forecasts (all industries basis)

(%)

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 2016	1.7	1.7	1.7	1.0	1.0	1.0
2017	1.5	1.6	1.4	1.1	1.2	1.0

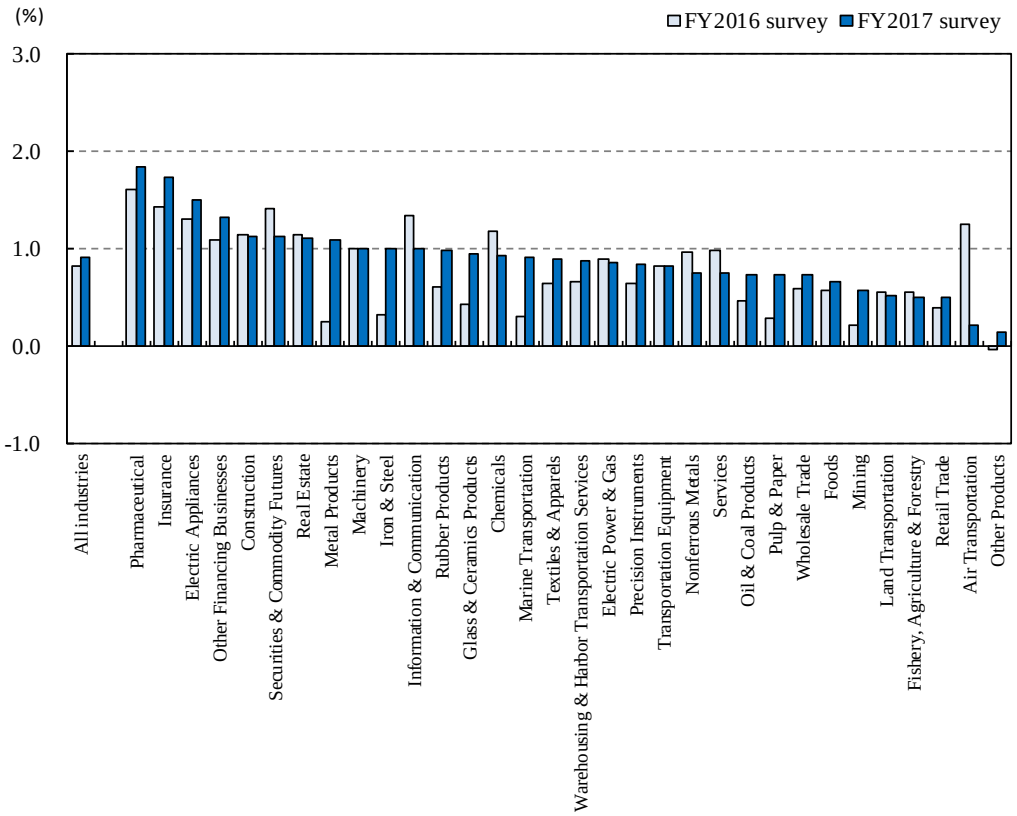
Note) With regard to the "forecast" for each fiscal year, for example, the "forecast for the next fiscal year" in the FY2017 survey refers to the forecast for FY2018; the "forecast for the next 3 years" refers to the forecast for FY2018 to FY2020; and the "forecast for the next 5 years" refers to the forecast for FY2018 to FY2022 (fiscal year average).

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



7) Medium-sized and SMEs with a capital of 0.1 to 1 billion yen (not incl.) among enterprises all over Japan (excl. enterprises covered in I. Listed Companies) (hereinafter "Medium-sized and SMEs.") The survey of Medium-sized and SMEs started in FY2016.

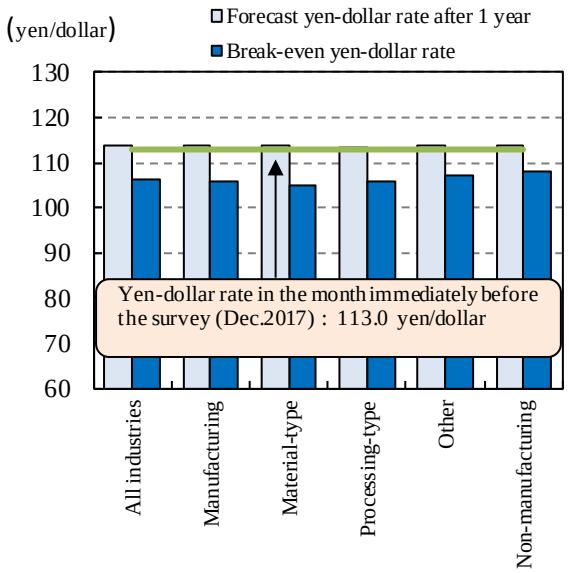
[Fig. 2-1-2] Real growth rate forecasts of industry demand by sector compared to the previous year's results (next fiscal year)



Note) Sectors include only those with 5 or more responding companies in the FY2016 and FY2017 survey.

2 Exchange rates

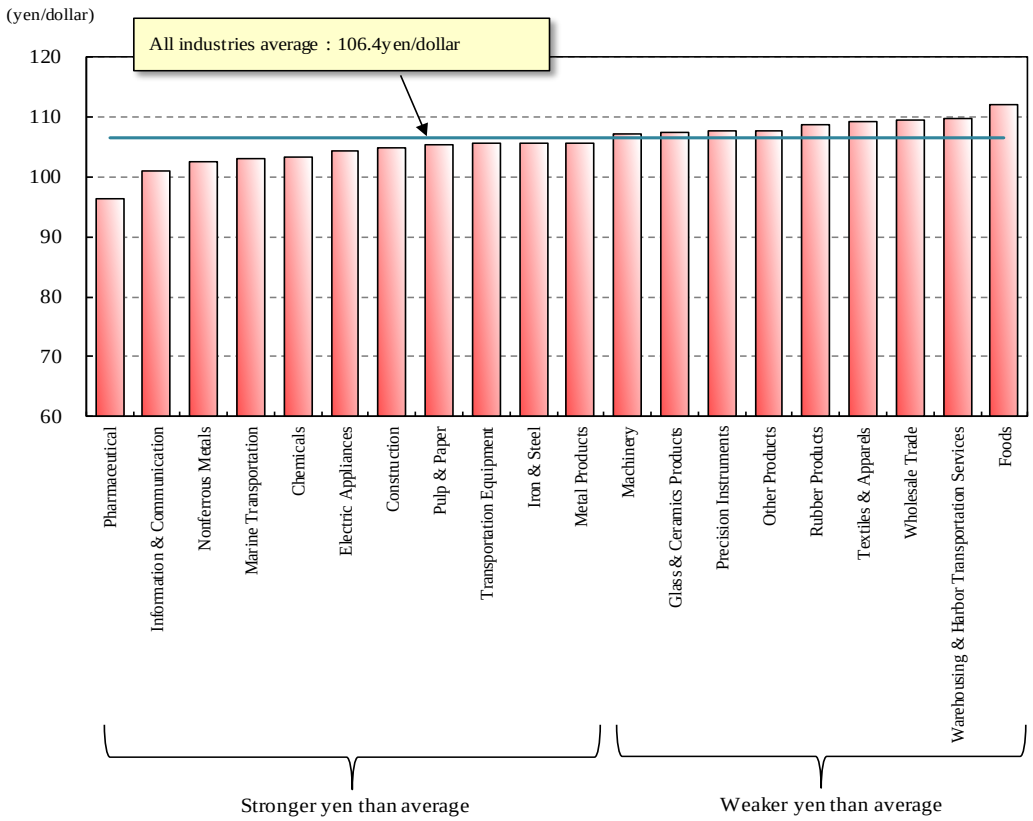
[Fig. 2-2-1]Forecast yen-dollar rate after 1 year and the break-even yen-dollar rate by industry



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 enterprises that conduct exports.

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



Note 1) Calculation of "break-even yen-dollar rate" includes only enterprises that conduct exports (average of reported numbers).

Note 2) Only sectors with 5 or more responding enterprises are included.

[Table 2-2-1] Transition 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	Difference	
				Forecast yen-dollar rate after 1 year – Break-even yen-dollar rate	Yen-dollar rate for the month immediately before the survey – Break-even yen-dollar rate
FY 2016	113.1	105.6	116.0	7.5	10.4
2017	113.9	106.4	113.0	7.5	6.6

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.

3 Prices

[Table 2-3-1] Forecast rates of changes in average purchase and sales prices and the change in the terms of trade after 1 year by industry

(%、%points)

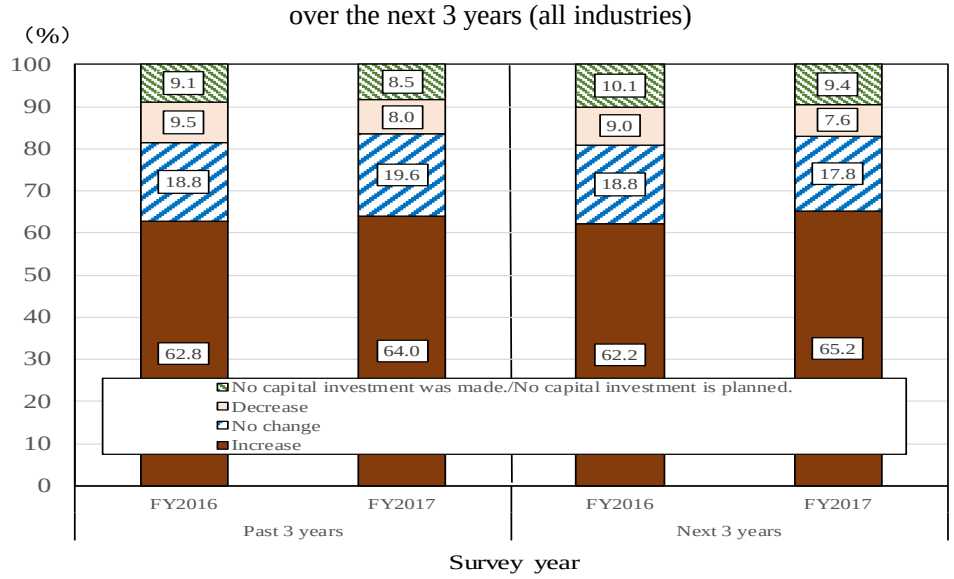
		Average purchase price		Average sales price		Terms of trade	
		FY2017 survey	FY2016 survey	FY2017 survey	FY2016 survey	FY2017 survey	FY2016 survey
All industries		3.2	3.0	1.6	1.4	-1.6	-1.6
Industry	Manufacturing	3.5	3.1	1.6	1.1	-2.0	-2.1
	Material-type	3.9	3.9	2.2	1.8	-1.7	-2.0
	Processing-type	2.8	2.4	0.8	0.4	-2.0	-2.0
	Other	3.7	3.1	1.6	1.0	-2.2	-2.2
	Non-manufacturing	2.8	2.9	1.7	1.7	-1.1	-1.2

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

Note 2) Terms of trade are derived from the rate of change of the average sales price and the rate of change of the average purchase price (Refer to FY2017 Statistical Tables <II. Medium-sized and SMEs> 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.

4 Change in capital investment

[Fig. 2-4-1]Change in the percentage of enterprises that increased/decreased capital investment or are expecting an increase/decrease in capital investment for the past 3 years or over the next 3 years (all industries)

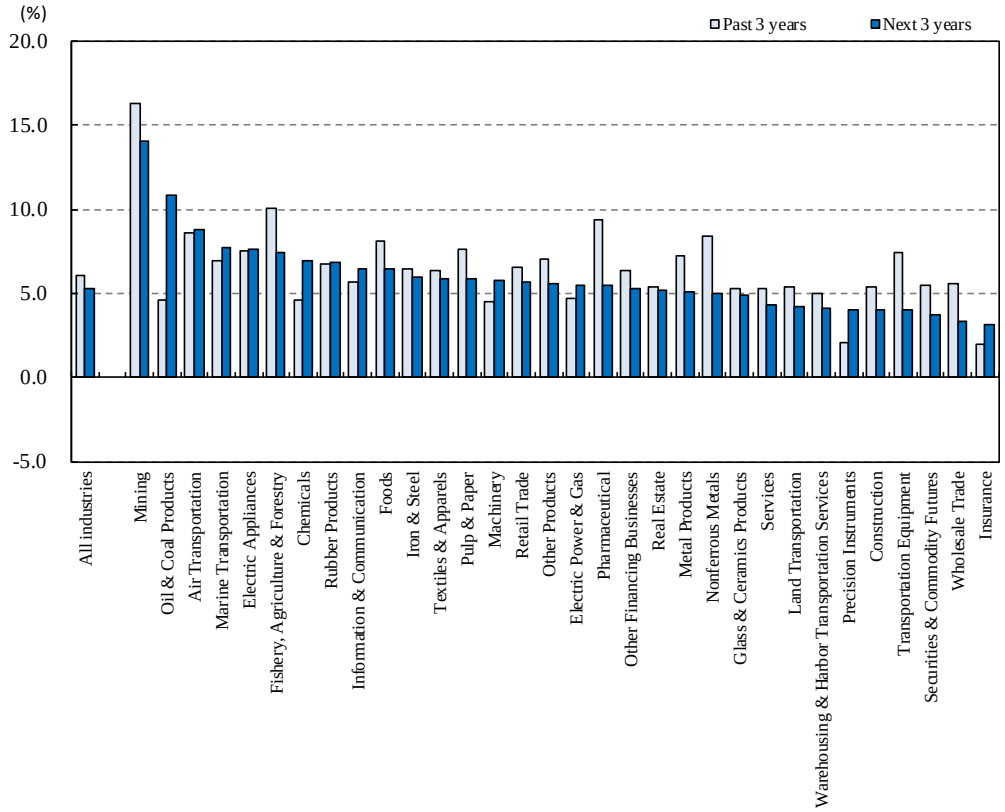


Note 1) Increase: Percentage of enterprises responding over 0%, No change: Percentage of enterprises responding 0%, Decrease: Percentage of enterprises responding less than 0%.

Note 2) The “past 3 years” means the period from FY2015 to FY2017.

Note 3) The “next 3 years” means the period from FY2018 to FY2020.

[Fig. 2-4-2] Growth rate of capital investment by sector

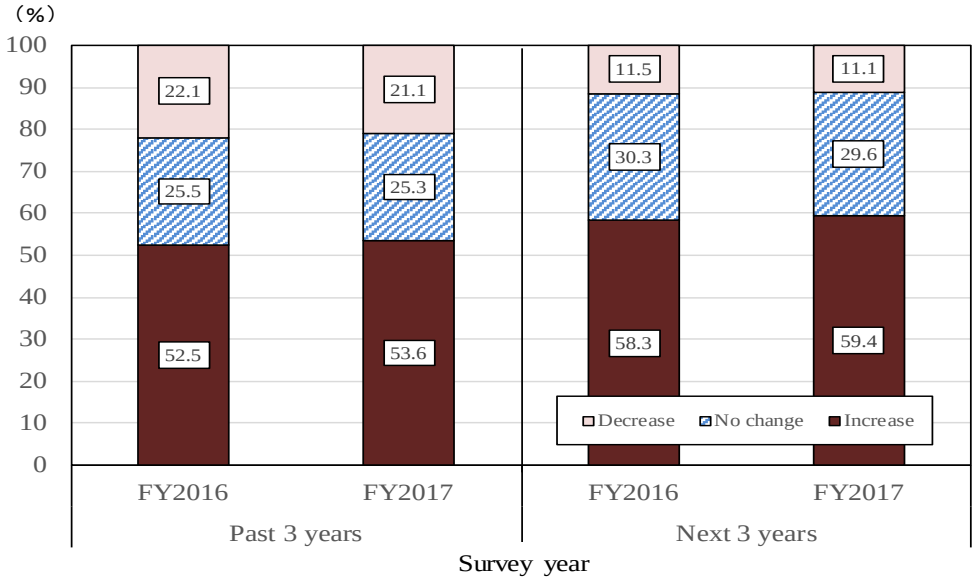


Note 1) The “Past 3 years” represents the growth rate from FY2015 to FY2017 (fiscal year average), and the “next 3 years” represents growth rate forecasts from FY2018 to FY2020 (fiscal year average).

Note 2) Sectors include only those with 5 or more responding enterprises for both “past 3 years” and “next 3 years.”

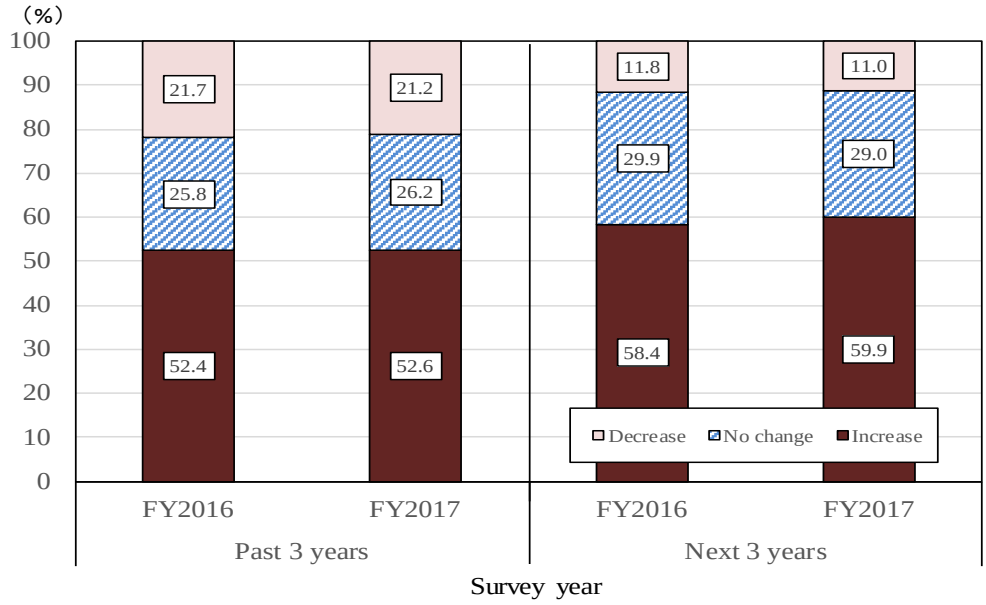
5 Change in the number of employees

[Fig. 2-5-1]Change in the percentage of enterprises that increased/decreased employees or are expecting an increase/decrease in employees for the past 3 years or over the next 3 years (all industries)



Note 1) Increase: Percentage of enterprises responding over 0%, No change: Percentage of enterprises responding 0%, Decrease: Percentage of enterprises responding less than 0%.
Note 2) The “past 3 years” means the period from FY2015 to FY2017.
Note 3) The “next 3 years” means the period from FY2018 to FY2020.

[Fig. 2-5-2] Change in the percentage of enterprises that increased/decreased full-time employees or are expecting an increase/decrease in full-time employees among their employees for the past 3 years or over the next 3 years (all industries)



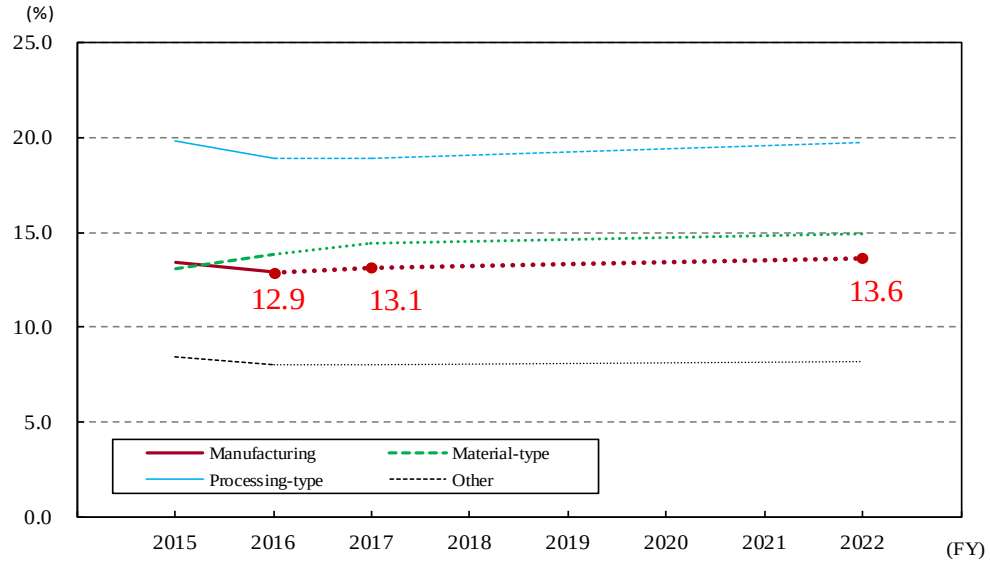
Note 1) Increase: Percentage of enterprises responding over 0%, No change: Percentage of enterprises responding 0%, Decrease: Percentage of enterprises responding less than 0%.

Note 2) The “past 3 years” means the period from FY2015 to FY2017.

Note 3) The “next 3 years” means the period from FY2018 to FY2020.

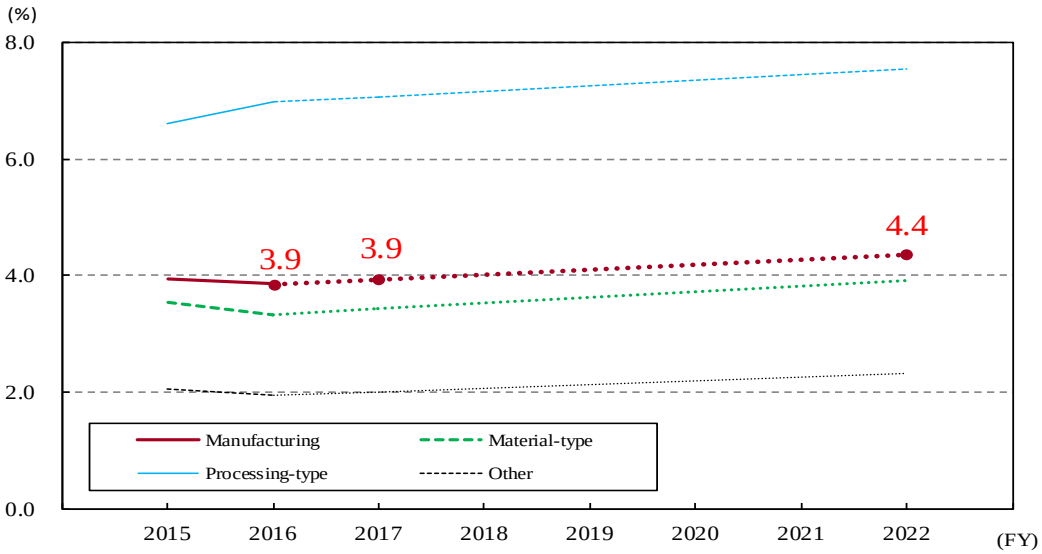
6 Overseas production ratio and reverse imports ratio

[Fig. 2-6-1] Ratio of companies that conduct overseas production (manufacturing industries)



Note) FY2016, FY2017, and FY2022 indicate actual result, estimate, and forecast, respectively.

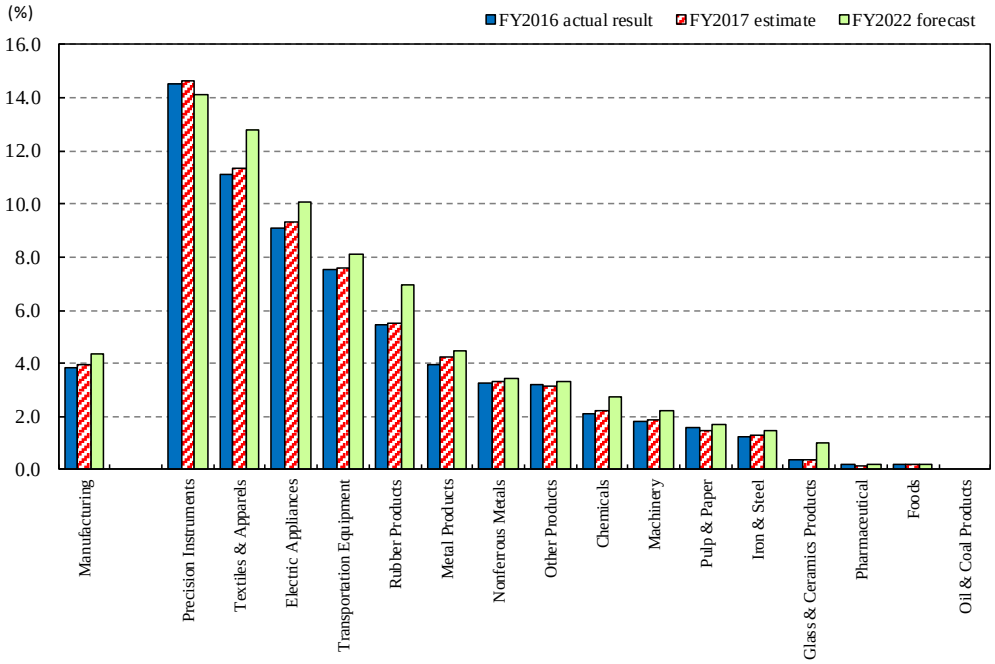
[Fig. 2-6-2] Transition of overseas production ratios (manufacturing industries)



Note 1) FY2016, FY2017, and FY2022 indicate actual result, estimate, and forecast, respectively.

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

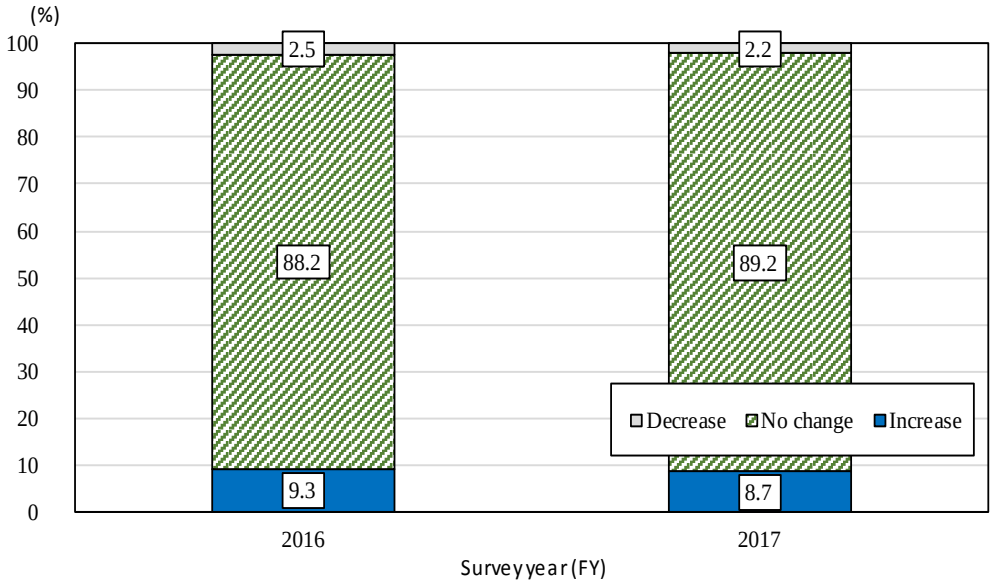
[Fig. 2-6-3] Overseas production ratio by sector (manufacturing industries)



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

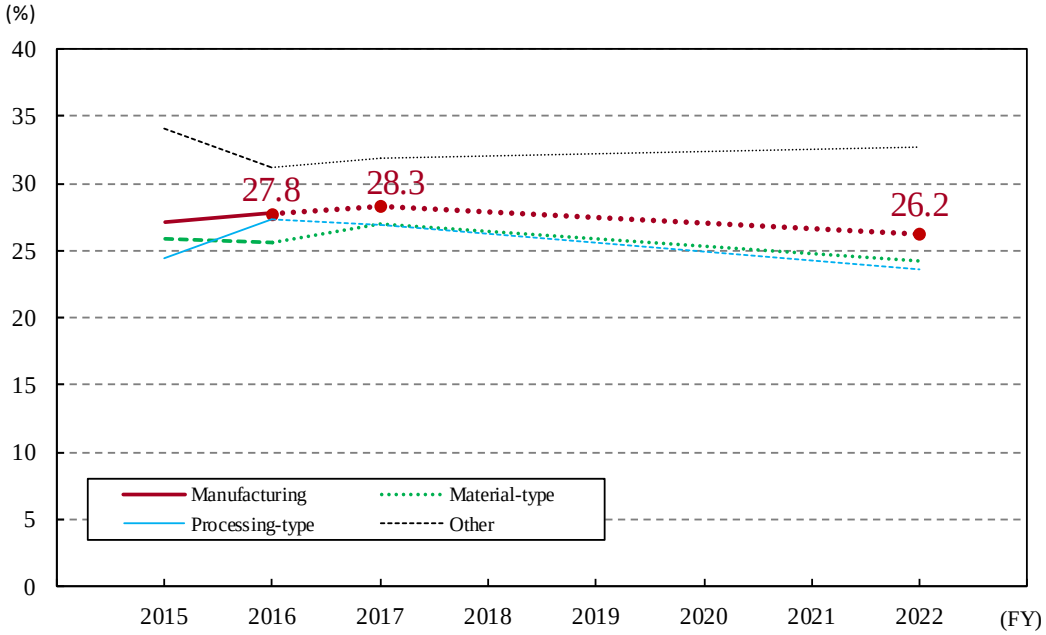
Note 2) Sectors include only those with 5 or more responding enterprises in all of “FY2016 actual result,” “FY2017 estimate” and “FY2022 forecast.”

[Fig. 2-6-4] The percentage of companies expecting an increase or a decrease in overseas production ratio (Manufacturing)



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

[Fig. 2-6-5] Transition of the ratio of reverse imports (manufacturing industries)



Note 1) FY2016, FY2017, and FY2022 indicate actual result, estimate, and forecast, respectively.
Note 2) This is a simple average which excludes enterprises reporting 0.0% overseas production ratio, while it includes enterprises answering 0.0% reverse imports ratio.

[Table 2-6-1] Reason for having an overseas production base (Main reason + Other relevant reasons)
Top 5 reasons (Manufacturing industries)

FY2017 survey

(%)

Manufacturing		Material-type		Processing-type		Other	
① Labor costs are low	61.8	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	54.8	① Labor costs are low	68.8	① Labor costs are low	65.3
④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	46.1	① Labor costs are low	50.0	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	46.3	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	51.0
⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	41.9	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	37.1	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	36.3	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	40.8
⑤ We can cater effectively to overseas users' needs	33.0	⑤ We can cater effectively to overseas users' needs	35.5	⑤ We can cater effectively to overseas users' needs	35.0	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	26.5
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	30.4	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	32.3	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	31.3	⑥We have contracts with reliable suppliers of parts and/or raw materials to the local facilities in a stable manner	14.3

FY2016 survey

(%)

Manufacturing		Material-type		Processing-type		Other	
① Labor costs are low	61.0	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	54.5	① Labor costs are low	70.4	① Labor costs are low	57.4
④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	49.1	① Labor costs are low	50.0	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	43.9	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	51.9
⑤ We can cater effectively to overseas users' needs	35.8	⑤ We can cater effectively to overseas users' needs	37.9	⑤ We can cater effectively to overseas users' needs	37.8	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	37.0
⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	34.4	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	31.8	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	34.7	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	31.5
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	27.1	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	25.8	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	25.5	⑤ We can cater effectively to overseas users' needs	29.6

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

Note 2) Responding enterprises can choose one "Main reason," and up to two "Other relevant reasons."