



March 29, 2019
Economic and Social Research Institute

FY2018 Annual Survey of Corporate Behavior (Summary)

<I. Listed Companies>

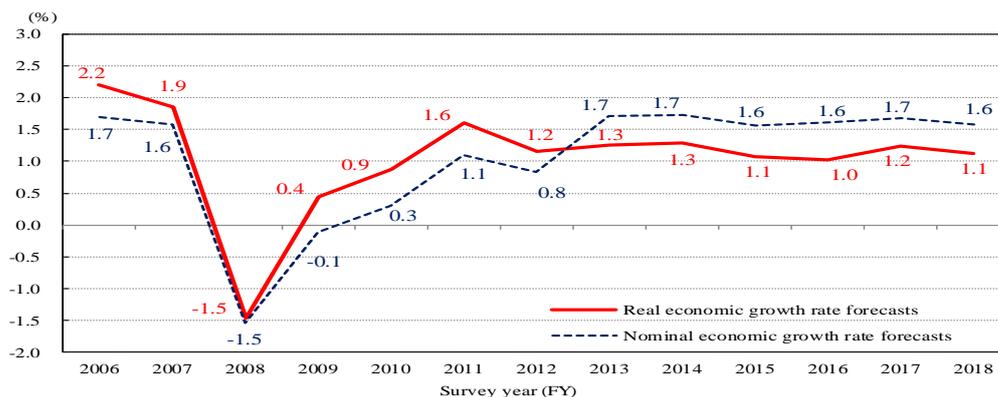
Coverage	All companies listed on the First Section and Second Section of the Tokyo and Nagoya Stock Exchanges (2,669 companies as of November 1, 2018)
Responding companies	1,106 (535 in manufacturing industries, 571 in non-manufacturing industries)
Response rate	41.4%
Survey items	Forecast of Japan's 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 2019 (Questionnaire deadline: January 15)

1. Japan's Economic Growth Rate

- The real economic growth rate forecast (all industries, actual value average) for the “next fiscal year” (FY2019) was 1.1%, lower than the previous year's survey result (1.2%). The rate has been positive for the tenth consecutive year.
- The nominal economic growth rate forecast was higher than the real rate forecast for the sixth consecutive year, suggesting that future price increase has been taken into consideration.

Note: “Actual value average” is simple average. 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)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Nominal economic growth rate forecasts	1.7	1.6	-1.5	-0.1	0.3	1.1	0.8	1.7	1.7	1.6	1.6	1.7	1.6
Real economic growth rate forecasts	2.2	1.9	-1.5	0.4	0.9	1.6	1.2	1.3	1.3	1.1	1.0	1.2	1.1
(Nominal minus Real)	-0.5	-0.3	-0.1	-0.6	-0.6	-0.5	-0.3	0.5	0.4	0.5	0.6	0.4	0.5

*Figures derived by rounding the subtraction result to tenths.

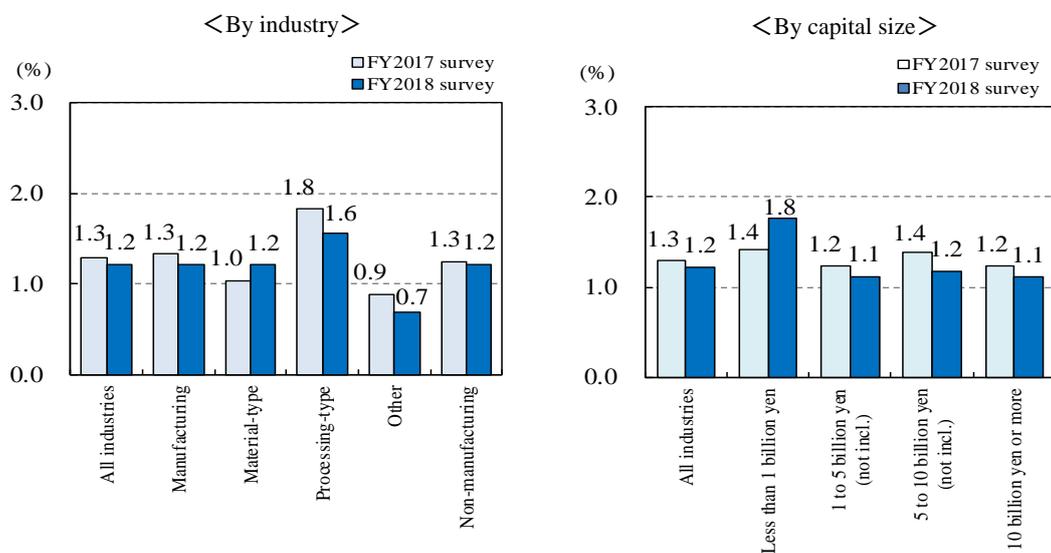
<Contact Information>

Department of Business Statistics, Economic and Social Research Institute, Cabinet Office
(Survey page: https://www.esri.cao.go.jp/jp/stat/ank/menu_ank.html)

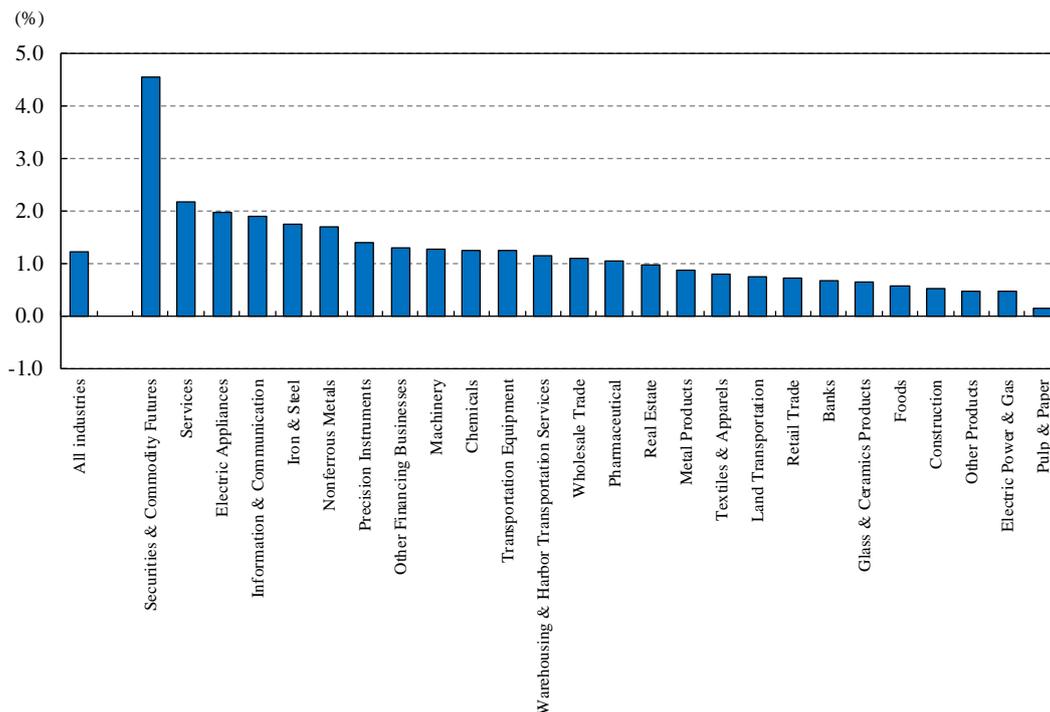
2. Growth Rate of Industry Demand

- The forecast of the real growth rate of industry demand of listed companies (all industries, actual value average) for the “next fiscal year” (FY2019) was 1.2%, and the rate has been positive for the ninth consecutive year. Figures for both the manufacturing industries (1.2%) and the non-manufacturing industries (1.2%) were less than the previous year's survey results.
- The medium-term forecasts for the “next 3 years” and the “next 5 years” were 1.2% 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” (2.0%) and “Iron & Steel” (1.7%), and that of the non-manufacturing industries was high in “Securities & Commodity Futures” (4.5%) and “Services” (2.2%).

[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 FY2018 survey.

3. Exchange Rates

(1) Forecast yen-dollar rate

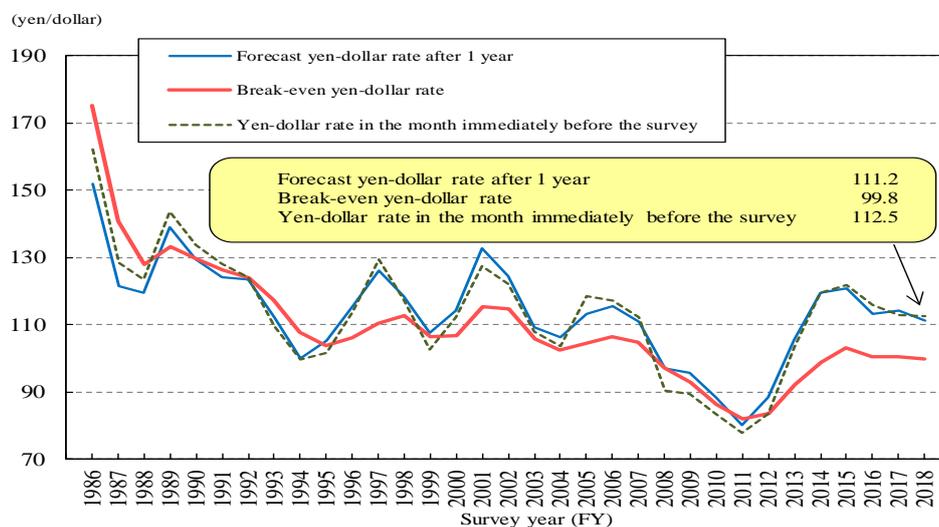
- The forecast yen-dollar rate after 1 year (around January 2020) for listed companies (all industries, class value average) was 111.2 yen/dollar. This was a 3.1 yen appreciation compared with the previous year's survey result (114.3 yen/dollar), forecasting appreciation of the yen for the first time in two years.
- Compared with the yen-dollar rate for the month immediately before the survey (112.5 yen/dollar in December 2018), the forecast appreciated by 1.3 yen.

Note: "Class value average" is simple average of the median value of each class selected from among the choices.

(2) Break-even yen-dollar rate

- The break-even yen-dollar rate of listed exporting companies (all industries, actual value average) was 99.8 yen/dollar. This was a 0.8 yen appreciation compared with the previous year's survey result (100.6 yen/dollar), forecasting appreciation 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 98.9 yen/dollar and 104.6 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 13.6 yen and 7.9 yen, respectively.
- In terms of the break-even yen-dollar rate by sector, compared with the all industries average, sectors such as "Retail Trade" (113.3 yen/dollar) and "Iron & Steel" (111.9 yen/dollar) set weaker break-even rates, while sectors such as "Nonferrous Metals" (90.2 yen/dollar) and "Pharmaceutical" (96.0 yen/dollar) set stronger rates.

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



Survey year (FY)		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Forecast yen-dollar rate after 1 year		111.0	97.0	95.9	88.4	80.3	88.4	105.7	119.5	120.9	113.1	114.3	111.2
Break-even yen-dollar rate		104.7	97.3	92.9	86.3	82.0	83.9	92.2	99.0	103.2	100.5	100.6	99.8
Yen-dollar rate in the month immediately before the survey		112.3	90.4	89.6	83.4	77.9	83.6	103.5	119.4	121.8	116.0	113.0	112.5
Difference	Forecast yen-dollar rate after 1 year - Break-even yen-dollar rate	6.3	-0.3	3.0	2.1	-1.7	4.5	13.5	20.5	17.7	12.7	13.7	11.4
	Yen-dollar rate for the month immediately before the survey - Break-even yen-dollar rate	7.6	-6.9	-3.3	-2.9	-4.2	-0.2	11.2	20.4	18.7	15.5	12.4	12.7

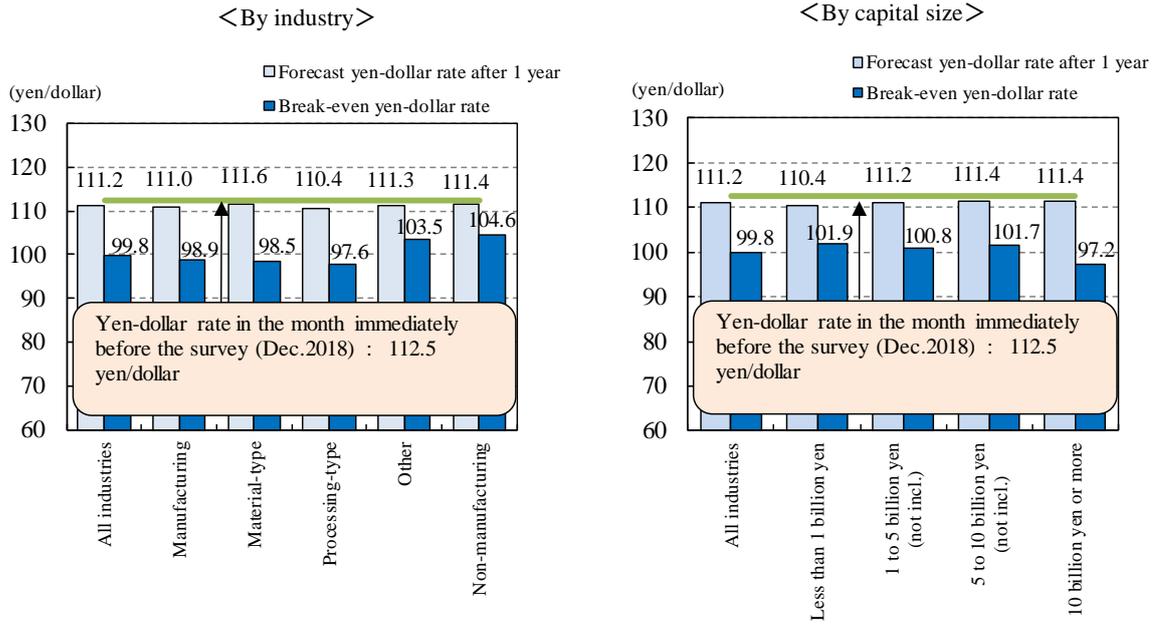
Note 1) "Forecast yen-dollar rate" is the average of the class values, while "break-even yen-dollar rate" is the average of the actual reported numbers.

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

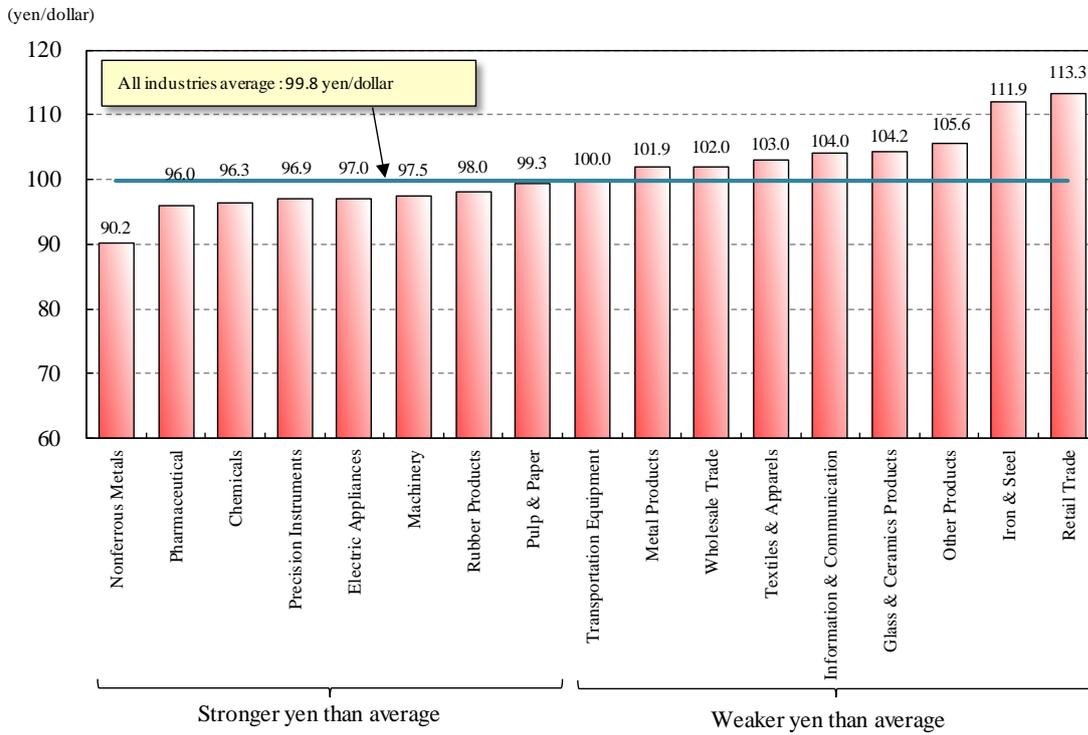
Note 3) "Yen-dollar rate in the month immediately before the survey" refers to figures in December, except for FY1994 and FY2008

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

[Fig. 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.

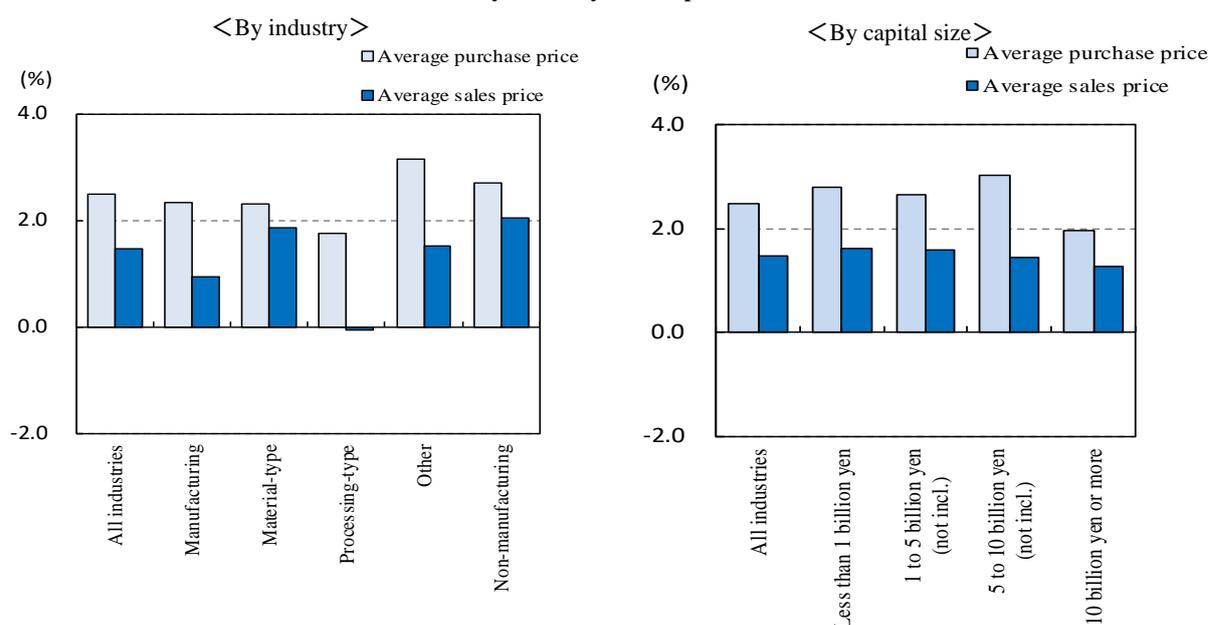
Note 2) Calculation of "break-even yen-dollar rate" includes only companies that conduct exports.

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, 2.5%), which was an increase for the tenth consecutive year.
- Average sales prices after 1 year for listed companies (all industries, class value average) increased by 1.5% (the previous year's survey result, 1.4%), which was an increase for the sixth consecutive year.
- Purchase price increases surpassed sales price increases for listed companies, and terms of trade (all industries) were forecast to worsen by 1.0 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

(%, %point)

		Average purchase price		Average sales price		Terms of trade	
		FY2018 survey	FY2017 survey	FY2018 survey	FY2017 survey	FY2018 survey	FY2017 survey
All industries		2.5	2.5	1.5	1.4	-1.0	-1.1
Industry	Manufacturing	2.3	2.3	0.9	0.9	-1.4	-1.4
	Material-type	2.3	3.1	1.9	2.2	-0.4	-0.9
	Processing-type	1.7	1.4	-0.1	-0.1	-1.8	-1.5
	Other	3.2	2.8	1.5	0.9	-1.6	-1.9
	Non-manufacturing	2.7	2.8	2.1	2.0	-0.7	-0.8
Capital size	Less than 1 billion yen	2.8	2.7	1.6	1.2	-1.2	-1.5
	1 to 5 billion yen (not incl.)	2.7	2.9	1.6	1.7	-1.1	-1.2
	5 to 10 billion yen (not incl.)	3.0	2.4	1.4	1.6	-1.6	-0.9
	10 billion yen or more	2.0	2.2	1.3	1.2	-0.7	-1.0

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

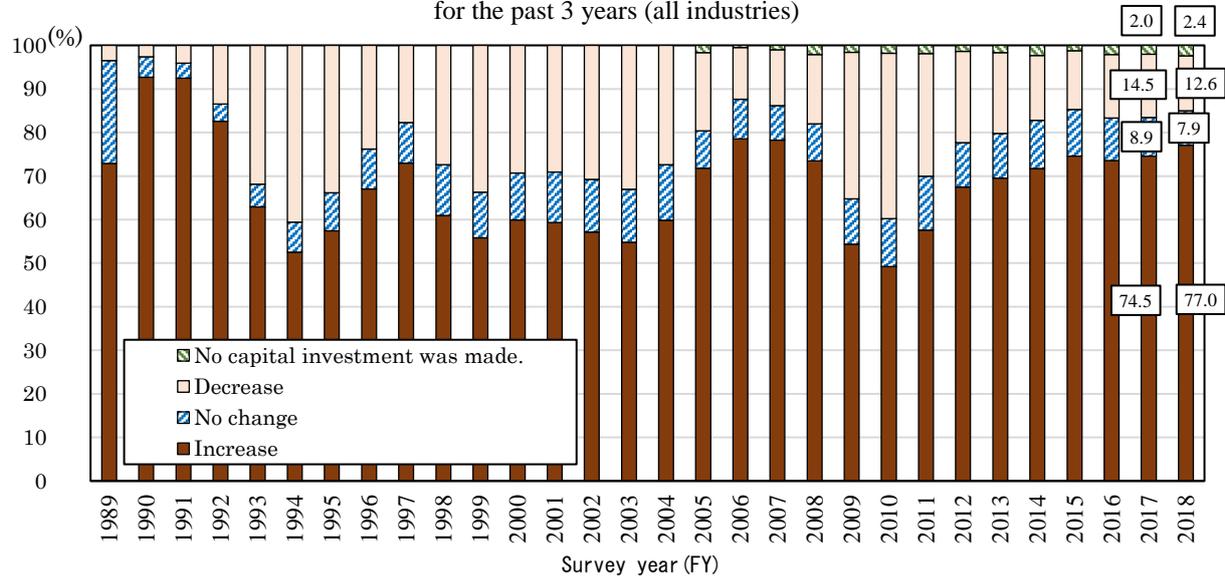
Note 2) Terms of trade are derived from the rate of change of the average sales price and the rate of change of the average purchase price (Refer to FY2018 Statistical Tables <I. Listed Companies> 3-1 and 3-2) that include two decimal points. Therefore, they may not always coincide with figures calculated 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 FY2016-FY2018) was 77.0%, which was higher than the previous year’s survey result (74.5%).

[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%.

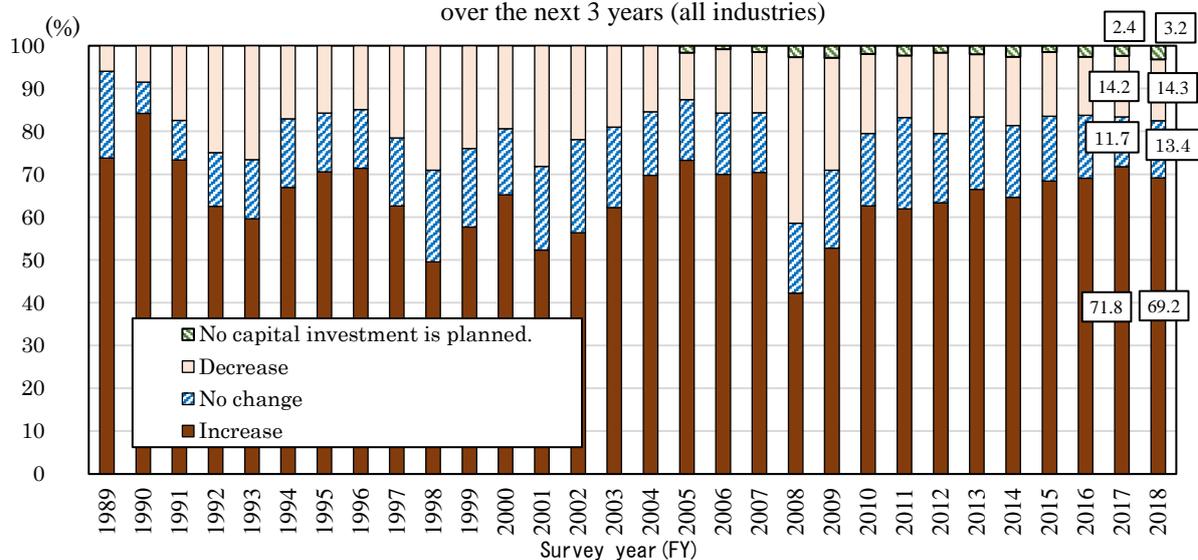
Note 2) The alternative of “no capital investment was made/is planned” was added from the survey of FY2005.

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

(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 FY2019–FY2021) was 69.2%, which was lower than the previous year’s survey result (71.8%).

[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.

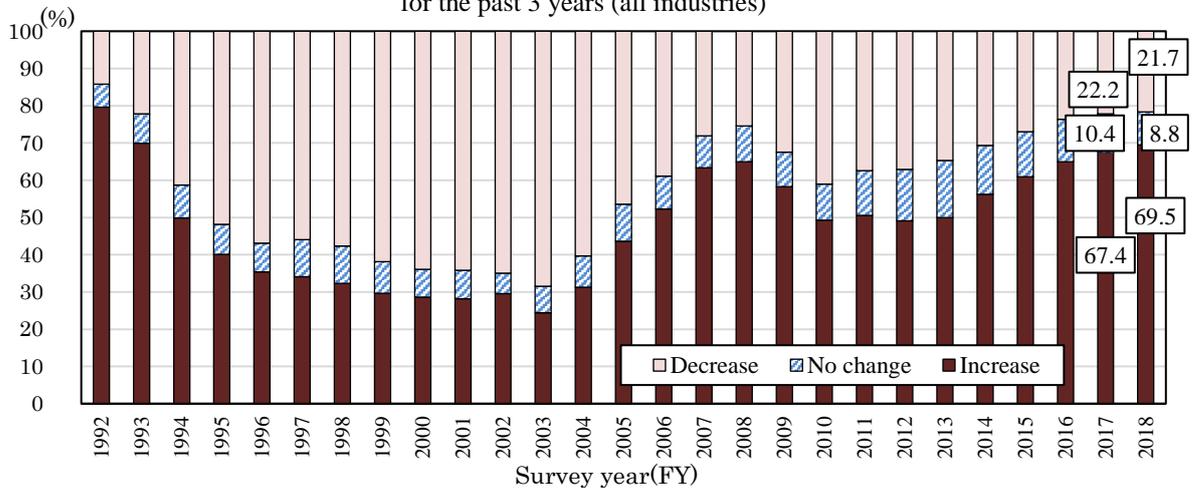
Note 3) The “next 3 years” means that, for example, the “next 3 years” for the FY2018 survey represents the period from FY2019 to FY2021.

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 FY2016–FY2018) was 69.5%, which was higher than the previous year’s survey result (67.4%).

[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 FY2018 survey represents the period from FY2016 to FY2018.

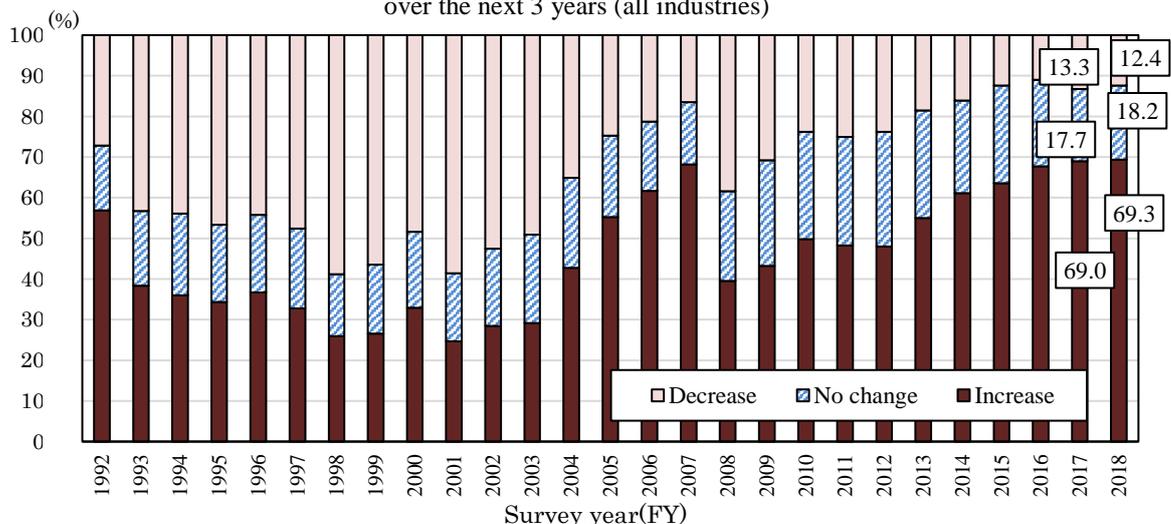
Note 3) The survey for the rate of change in overall employees started from FY1992.

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

(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 FY2019–FY2021) was 69.3%, which was higher than the previous year’s survey result (69.0%). 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 FY2018 survey represents the period from FY2019 to FY2021.

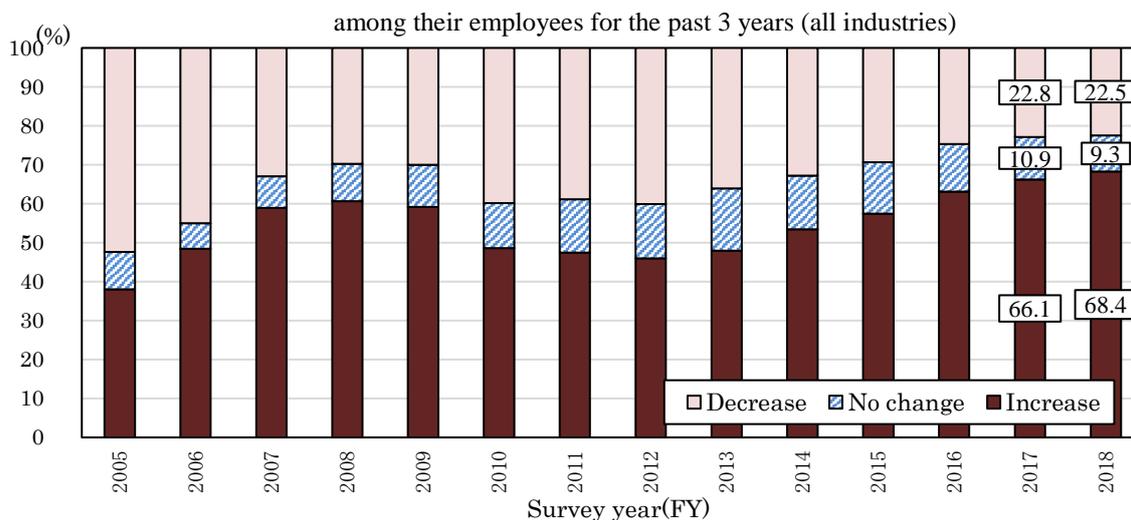
Note 3) The survey for the rate of change in overall employees started from FY1992.

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

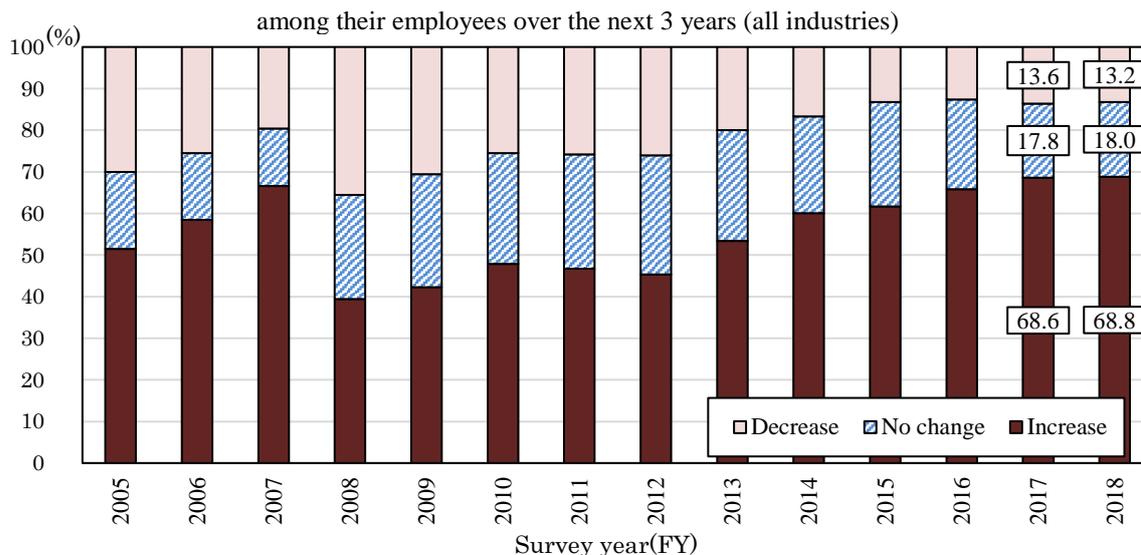
- The percentage of listed companies (all industries) that increased the number of full-time employees among all employees for the “past 3 years” (average of FY2016-FY2018) was 68.4%, which was higher than the previous year’s result (66.1%).
- The percentage of listed companies (all industries) expecting to increase full-time employees among all employees over the “next 3 years” (average of FY2019-FY2021) was 68.8%, which was higher than the previous year’s result (68.6%). 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



- 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 FY2018 survey represents the period from FY2016 to FY2018.
- 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

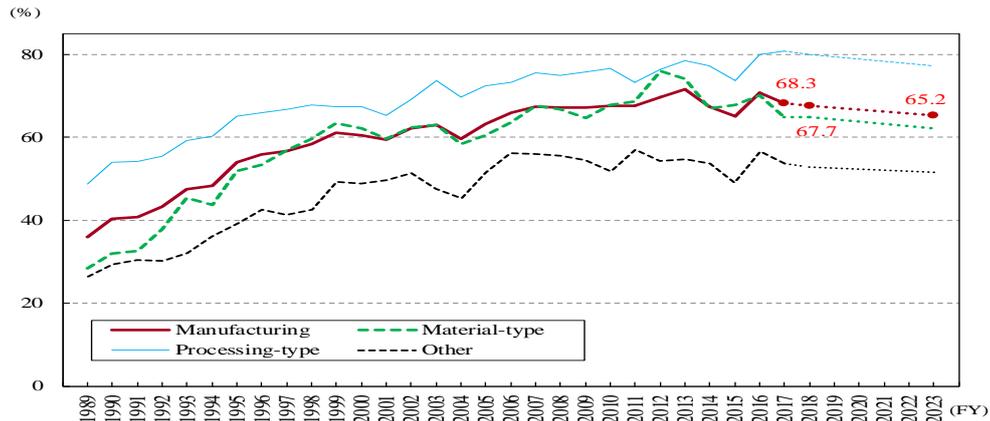


- Note 1) Increase: Percentage of companies responding over 0%, No change: Percentage of companies responding 0%, Decrease: Percentage of companies responding less than 0%.
- Note 2) The “next 3 years” means that, for example, the “next 3 years” for the FY2018 survey represents the period from FY2019 to FY2021.
- 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.

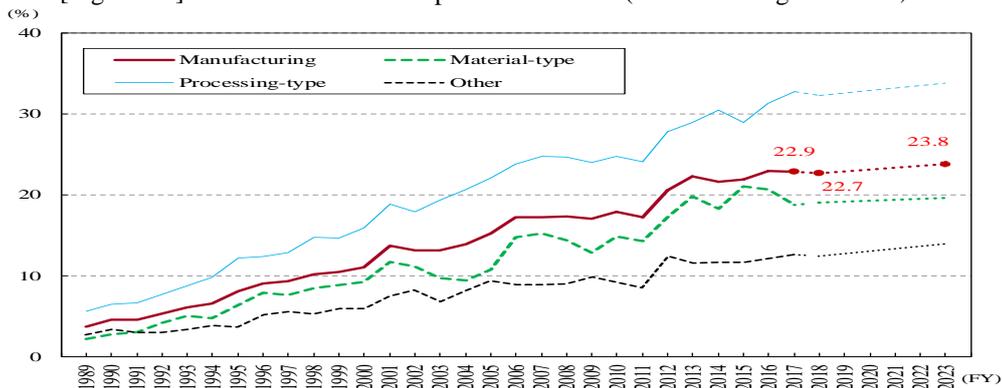
7. Overseas Production Ratio (Manufacturing Industries)

- The “FY2017 actual figures” for the percentage of listed companies conducting overseas production was 68.3%, a 2.4 percentage point decrease from the previous year’s survey result (70.7%). The “FY2018 estimate” was 67.7%. The “FY2023 forecast” was expected to decline to 65.2%.
- The “FY2017 actual figures, actual value average” for the overseas production ratio of listed companies was 22.9%, a decrease from the previous year’s survey result (23.0%). The “FY2018 estimate” was 22.7% and the “FY2023 forecast” was 23.8%.
- 43.7% of the companies expected the increase in overseas production ratio in the “FY2023 forecast” compared to the “FY2018 estimate” (the previous year’s survey result, 45.7%).

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



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

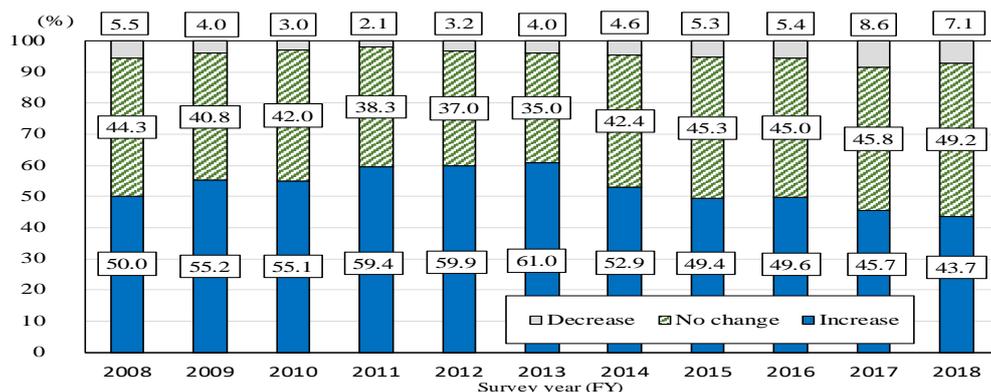


Note 1) Overseas production ratio = Volume of overseas production / (Volume of domestic production + Volume of overseas production)

Note 2) Figure 1-7-1 and Figure 1-7-2 show the FY2018 estimate and FY2023 forecast. For other years, actual figures of the previous year in next year’s survey are shown. (For example, the value for FY2017 is the value for “FY2017 actual figures” in the FY2018 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)



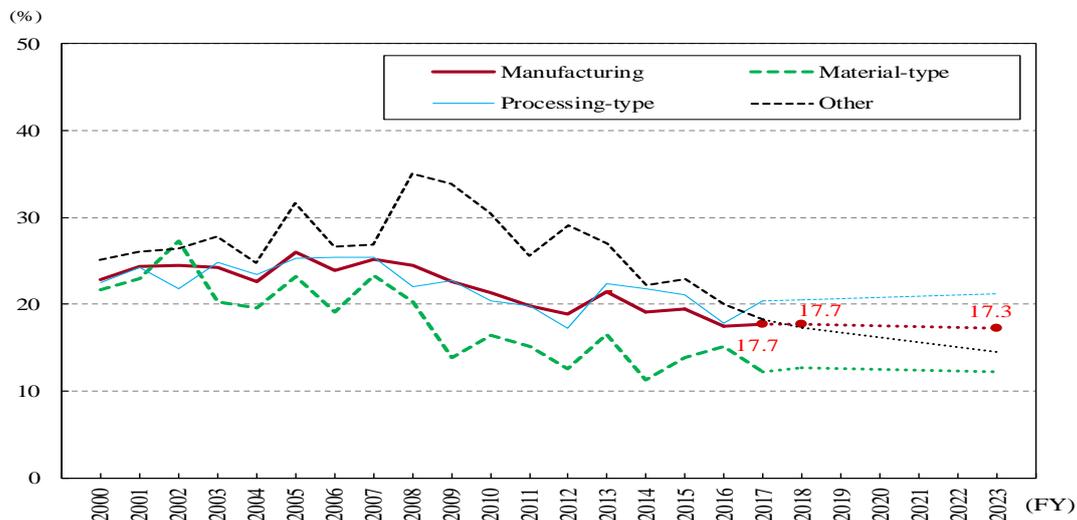
Note) Increase: “Forecast” – “Estimate” > 0, No change: “Forecast” – “Estimate” = 0, Decrease: “Forecast” – “Estimate” < 0.

(In FY2018, if the values after subtracting “FY2018 estimate” from “FY2023 forecast” of each responding company are plus, equal, and minus, it is “Increase,” “No change,” and “Decrease.”)

8. Reverse Imports Ratio (Manufacturing Industries)

- The “FY2017 actual figures, actual value average” for the reverse imports ratio of listed companies was 17.7%, an increase from the previous year’s survey result (17.5%).
- The “FY2018 estimate” was 17.7%, and the “FY2023 forecast” was 17.3%.

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



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

Note 2) FY2018 represents the estimate of the actual figures, FY2023 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 FY2017 is the value for “FY2017 actual figures” in the FY2018 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” (70.8%). The second top reason was “We can cater effectively to overseas users’ needs” (48.6%).

[Table 1-9-1] Composition ratio of the reason for having an overseas production base (Main reason + Other relevant reasons)

Manufacturing		Material-type		Processing-type		Other	
④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	70.8 (74.8)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	82.3 (80.6)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	63.1 (67.8)	④ Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	74.1 (82.9)
⑤ We can cater effectively to overseas users’ needs	48.6 (51.8)	⑤ We can cater effectively to overseas users’ needs	51.0 (51.5)	⑤ We can cater effectively to overseas users’ needs	48.0 (52.8)	⑤ We can cater effectively to overseas users’ needs	47.1 (50.0)
① Labor costs are low	40.6 (41.4)	① Labor costs are low	31.3 (32.0)	① Labor costs are low	46.9 (48.9)	① Labor costs are low	37.6 (36.6)
③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	27.5 (34.2)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	27.1 (34.0)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	34.1 (36.7)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	20.0 (29.3)
⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	21.7 (23.8)	③ We can enjoy low costs of materials, overall production processes, distributions, and land/buildings	21.9 (34.0)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	20.1 (20.0)	⑦ We have entered the overseas market(s) following entry by our parent enterprise or customer(s) and so on	18.8 (19.5)

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

Note 2) Responding companies can choose one “Main reason,” and up to two “Other relevant reasons.”

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