

# Survey Result of Japanese Companies in Southern California 2016

### Summary of findings

- There are reportedly 700 Japanese companies on record with JBA and JETRO in Southern California, contributing to the local economy through job creation, paying salaries, providing medical insurance, etc.
- Continuously, steady business growth has seen in sales and operation profit. The more than half of the companies expected their operations profit will likely increased over the next year or two.
- The top three advantages of doing business in California are "Market Size", "Size of Japanese Community" and "Logistics/Transportation Hub". However, "Labor Cost", "Environment Regulation" will remain as a disadvantage of having a business in California.

## Overview of Japanese Companies in Southern California

### Geographic Distribution Statistics

Southern California is one of the leading global hubs for Japanese companies where 700 Japanese companies operate based on JBA and JETRO's record.

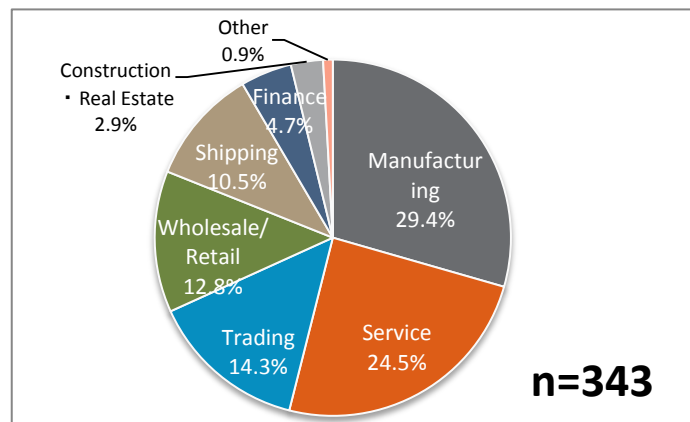
<Table 1> Geographic Distribution Statistics

	Ratio of Japanese Company	Number of Companies Established 2001<
<b>Los Angeles</b>	<b>71.2%</b>	<b>64</b>
<b>Orange</b>	<b>20.4%</b>	<b>20</b>
<b>San Diego</b>	<b>5.6%</b>	<b>9</b>
<b>OTHER</b>	<b>2.8%</b>	<b>7</b>
<b>Total</b>	<b>100%</b>	<b>100</b>

### Industrial Distribution Statistics

Based on an industry breakdown, "Manufacturing" is the leading segment and combined with "Service" (\*) will make up more than 50% of the total.

(\*)"Service" includes information systems, film/publishing, leisure/tourism and professional services (law, accounting and consulting firms).



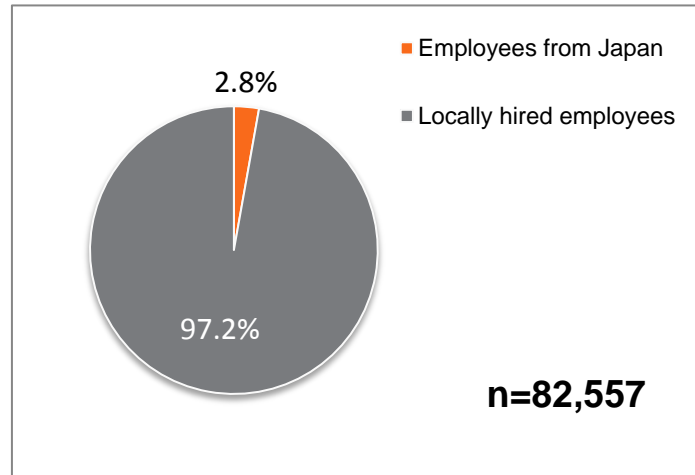
**Contributions to the Regional Community**

**Job Creation**

The total number of employees in Southern California reached 82,557 with 334 companies responding. Of these, locally hired employees comprised 97.2% of the total.

The result shows Japanese companies are contributing to the local economy through job creation.

<Graph 2> Percentage of Locally Hired Employees



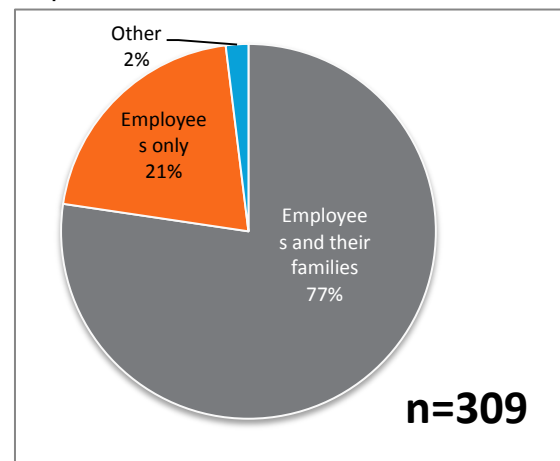
**Salaries and Wages**

A total of \$1,511.85 million in salaries and wages (including benefits) were paid per year by the 222 responding Japanese companies in Southern California.

**Healthcare Insurance Coverage**

More than 90% of Japanese companies provide healthcare insurance for their employees, where sufficient medical benefits are extended to the employees of these Japanese companies.

<Graph 3> Healthcare Insurance Provision

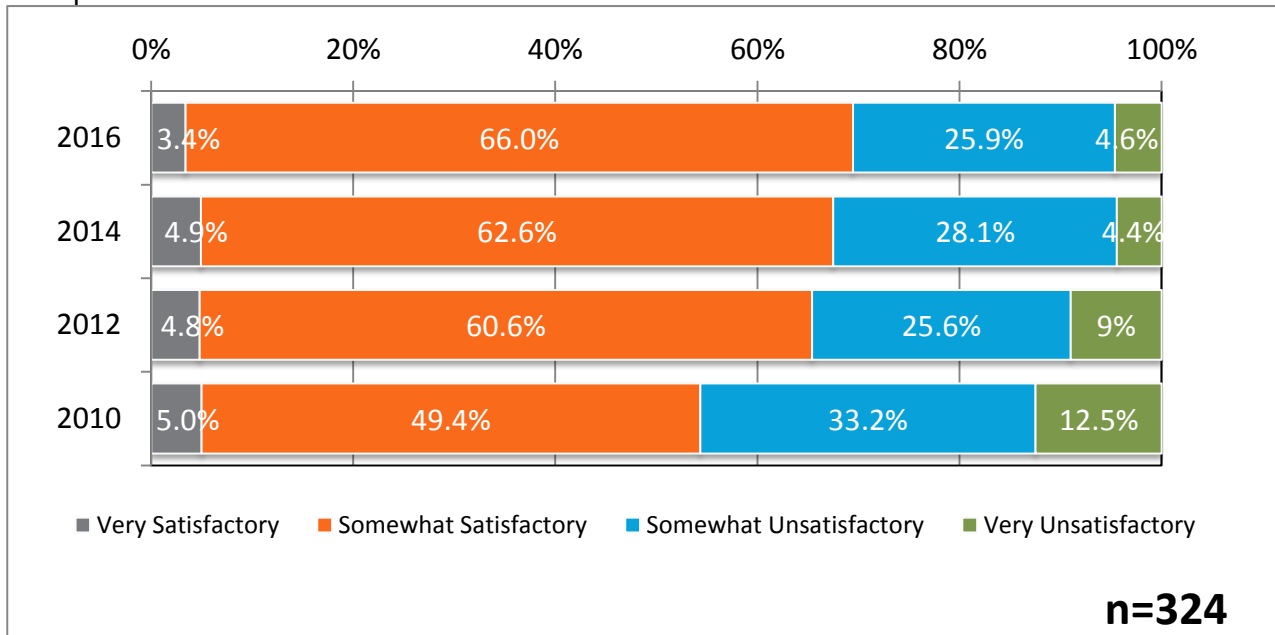


## Investment and Business Environments

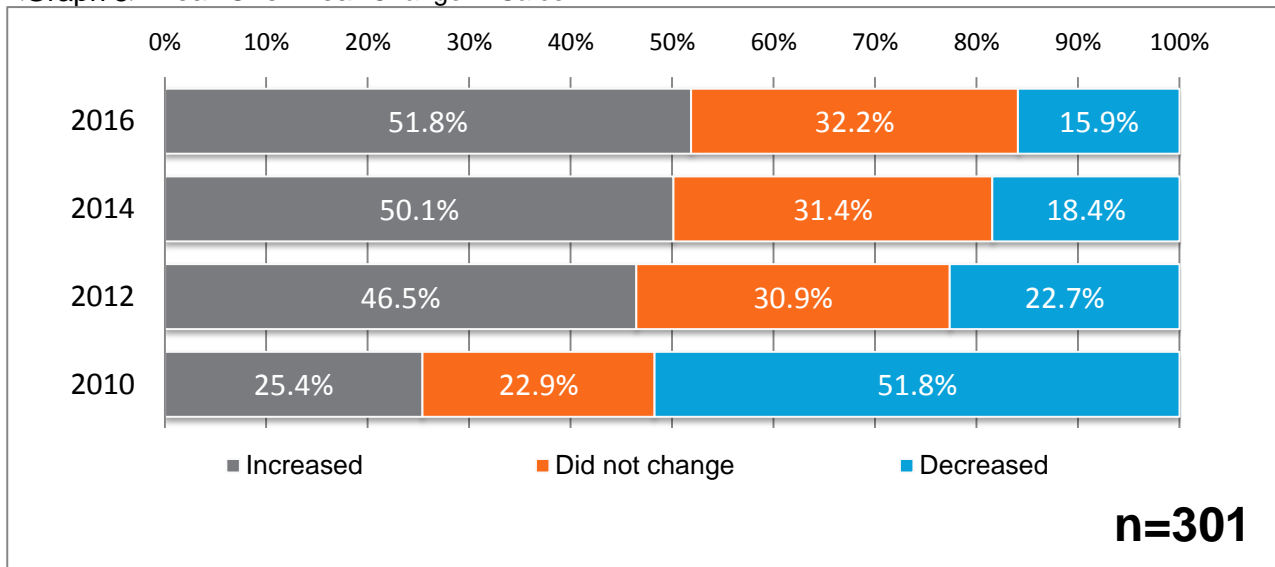
### Evaluation of Business Performance

When asked to evaluate their current business performance against the purpose of expanding into California, etc., at nearly 70% of all responses were positive, such as "Very Satisfactory" and "Somewhat Satisfactory." This was the same trend as the previous survey.

<Graph 4> Business Performance in Southern California

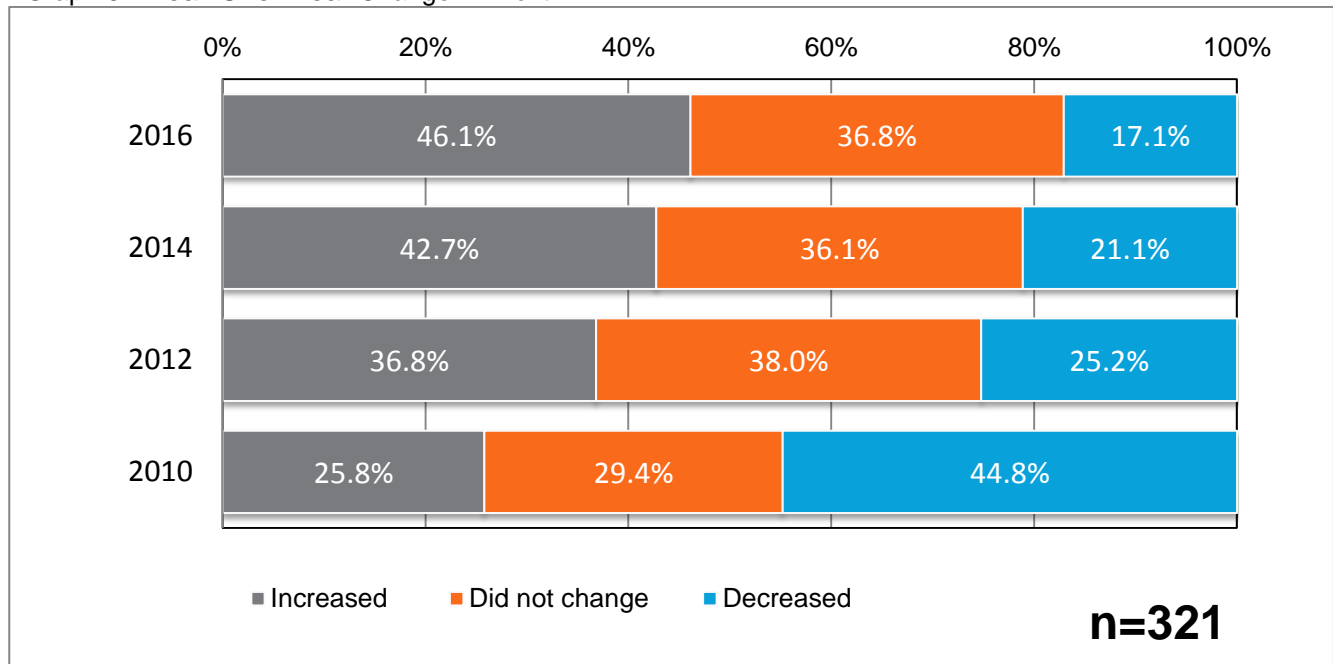


<Graph 5> Year-Over-Year Change in Sales



Year-over-year changes in profit responses in 2015 showed companies' profits that "Increased" over the previous year rising from 42.7% in the previous survey to 46.1%. Companies that expected to see profits "Decreased" from the previous year was decreased (from 21.1% to 17.1%).

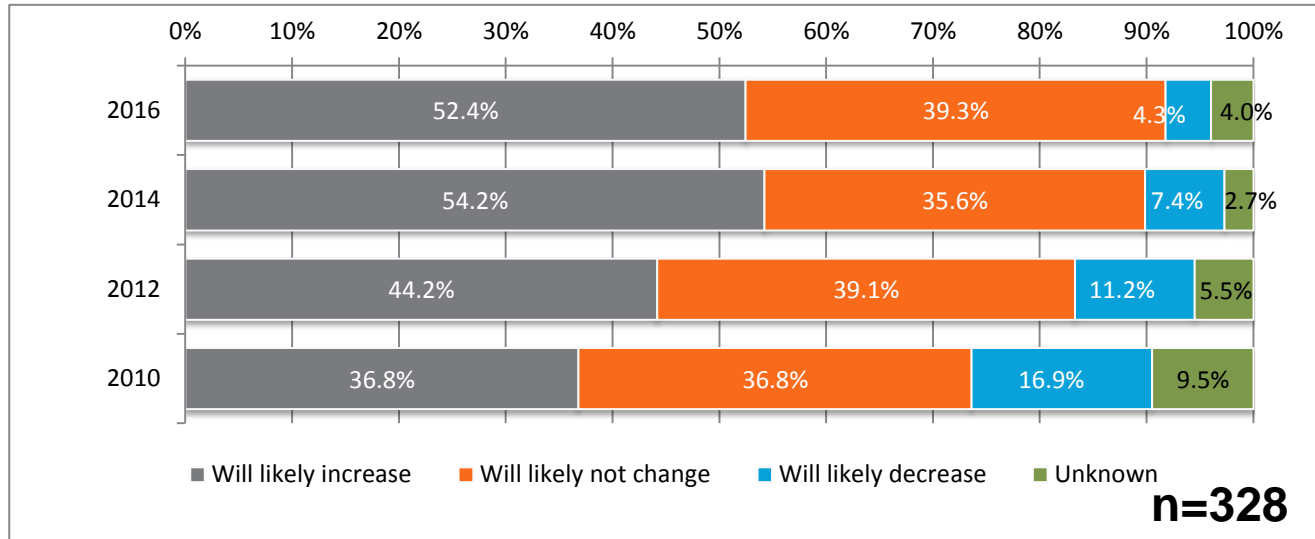
<Graph 6> Year-Over-Year Change in Profit



## Future Outlook

As for the outlook on operating profit over the next year or two, "Will likely increase" responses increased to 52.4%, roughly equivalent to the result in the previous year's survey. On the other hand, 4.3% of companies said operating profit "Will likely decrease," decreasing from 7.4% in the previous survey.

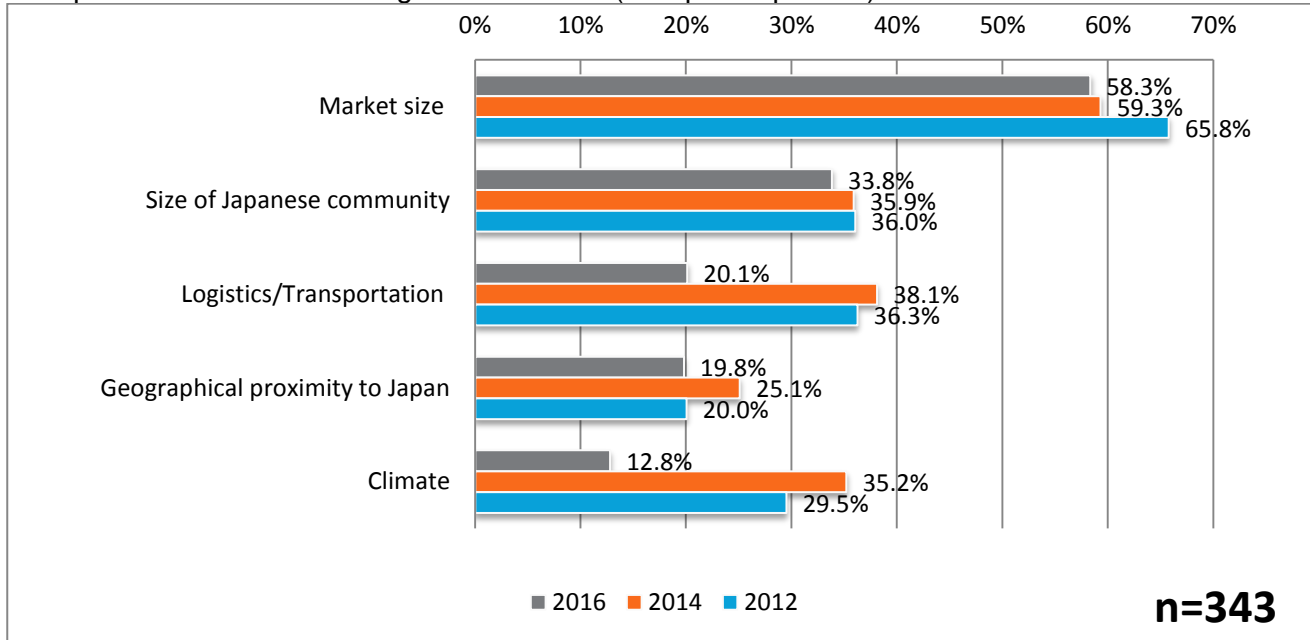
<Graph 7> Profit Outlook for the Next 1-2 Years



## Advantages of California

The "Market size" is a major advantage of California. This is followed by being a "Size of Japanese Community," "Logistics/Transportation (Sea Ports/Airports)", and "Geographical proximity to Japan,"

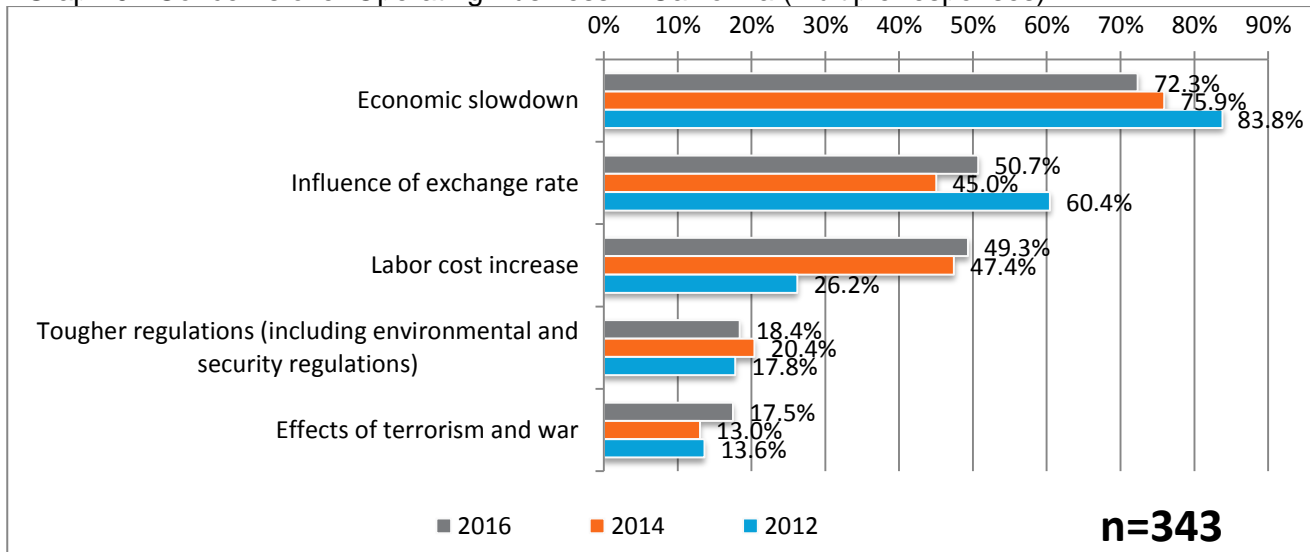
<Graph 8> Business Advantages of California (Multiple responses)



## Concern over Business Operations in The Future

"Economic slowdown" presents the greatest concern. This is followed by "Influence of exchange rate" and "Labor cost increase".

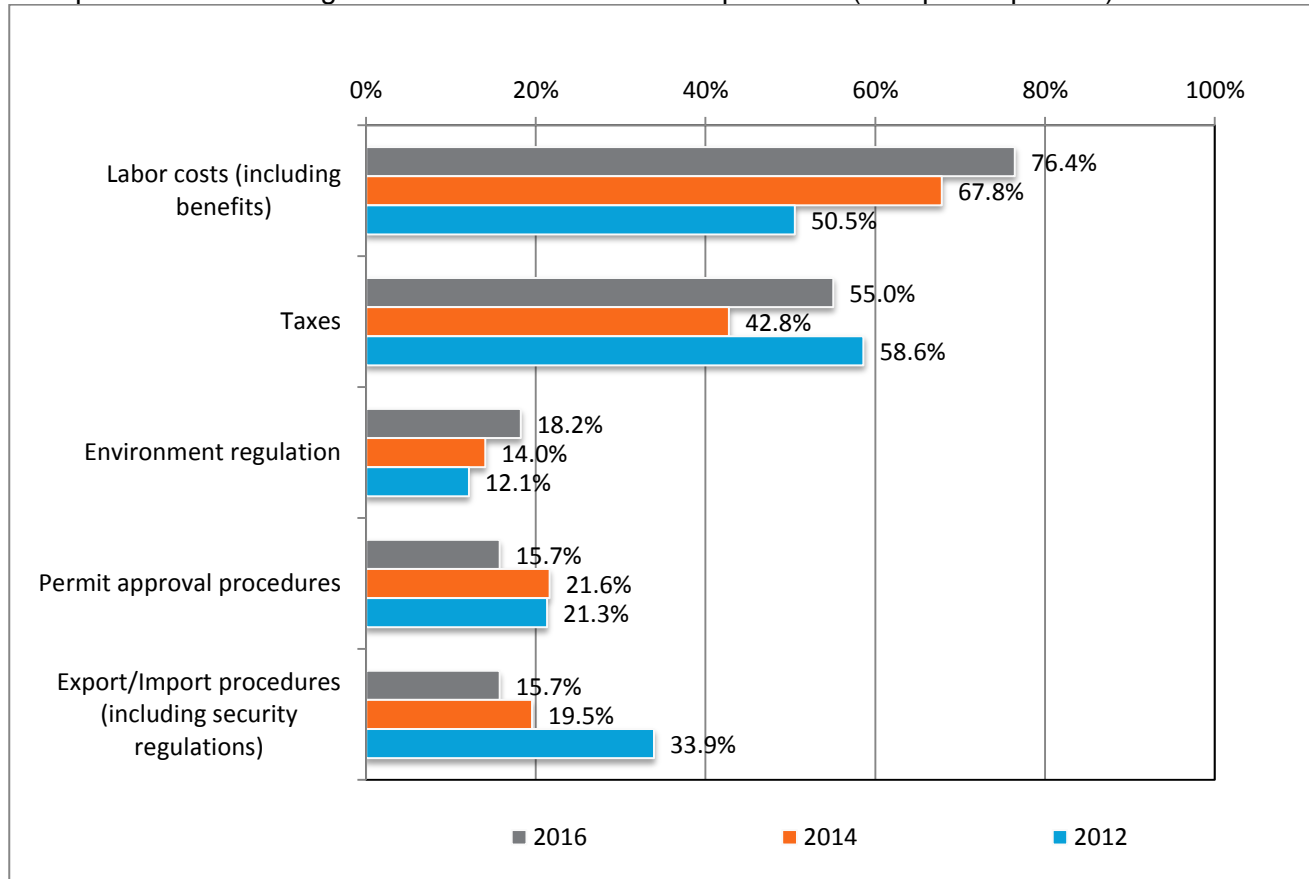
<Graph 9> Concerns over Operating Business in California (Multiple responses)



### Disadvantages associated with Business Operation

"Labor costs" is the greatest barrier/source of dissatisfaction. This is followed by "Taxes." Heavy burdens in terms of personnel expenses, health insurance, etc., and higher tax rates than in other states are being cited.

<Graph 10> Disadvantage Associated with Business Operations (Multiple responses)



### Surveying Bodies

This survey is conducted every other year jointly by JBA\* (Japan Business Association of Southern California) and JETRO\*\*'s Los Angeles Office. This is the 12<sup>th</sup> survey.

\* JBA is a nonprofit organization comprising around 450 Japanese companies operating in Southern California.

\*\* JETRO (Japanese External Trade Organization) is a Japanese government body tasked with the promotion of trade and investment between Japan and the U.S.

### Scope/Method of Survey

The survey covers Japanese companies having a base in Southern California and meeting one of the following conditions: [1] A company with 10 % or more of its capital owned (directly or indirectly) by a company headquartered in Japan; [2] a branch or representative office of a company whose headquarter is located in Japan; or [3] a company established and operated by individuals of Japanese origin.

Southern California is defined as a region that comprises 10 counties including Los Angeles, Orange, Ventura, Santa Barbara, Kern, San Luis Obispo, San Bernardino, Riverside, San Diego and Imperial.

In general, more than 700 Japanese companies are recognized as having an operational base in Southern California. 585 of these Japanese companies were requested by JBA and JETRO to reply (Survey period: February 2016).

\*\*\*\* Visit the following websites for the survey reports \*\*\*\*

JBA: [www.jba.org/](http://www.jba.org/)

JETRO Los Angeles: <https://www.jetro.go.jp/usa/>