

Survey Result of Japanese Companies in Southern California 2018

Summary of findings

- 790 Japanese companies were found in Southern California, contributing to the local economy through the estimate of 117,700 jobs and \$10.5billion salaries and wages, including benefits.
- Business performance were positive, “Increased in Sales “and “Increased in profit” account for the same or more than previous survey. While “Decreased in Sales” and “Decreased in profit” rose from previous survey.
- The advantages of doing business in California are “Market size”, “Climate”, “Size of Japanese Community”, “Presence of logistics centers” and “Proximity to Japan”. However, “Economic slowdown”, “Labor cost increase”, “Impact of exchange rates”, “Trade friction” and “Strengthening of regulations” will remain as concerns.

Overview of Japanese Companies in Southern California

Geographic Distribution

Southern California is one of the leading global hubs for Japanese companies where 790 Japanese companies operate based on record.

Most of companies are located in three counties, such as Los Angeles County, Orange County and San Diego County. The numbers of establishment in recent years is large in these areas.

	Distribution ratio (n=790)	Number of Companies Established 2001<
Los Angeles	68.9%	84
Orange	21.4%	29
San Diego	7.5%	8
Other	2.2%	1
Total	100%	122

Industrial Distribution

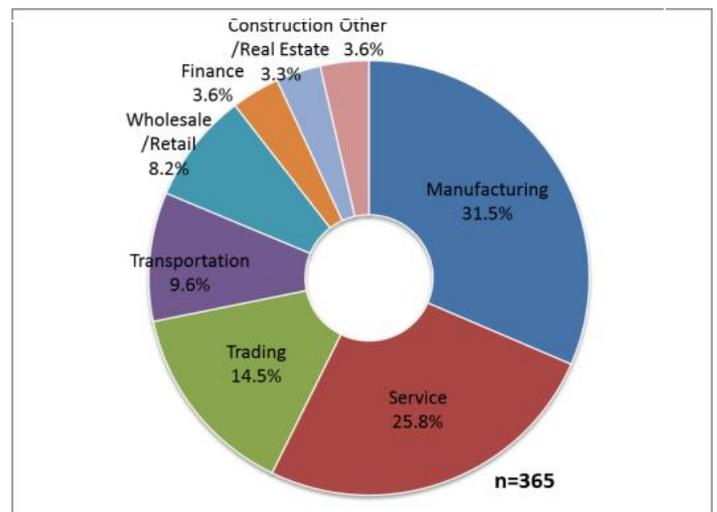
Based on an industry breakdown, various industries were found such as "Manufacturing", "Service", "Trading", "Transportation" and "Wholesale/Retail"

(*)"Manufacturing" includes food, automobile and electronics equipment manufacturers.

"Service" includes law firms, accounting firms and other professional services, media/journalism/entertainment, leisure/hospitality, and information systems companies.

"Trading" includes many companies that import raw materials/parts from their Japanese manufacturing parent, etc., and sell them to customers in the U.S.

<Graph 1> Industrial Distribution

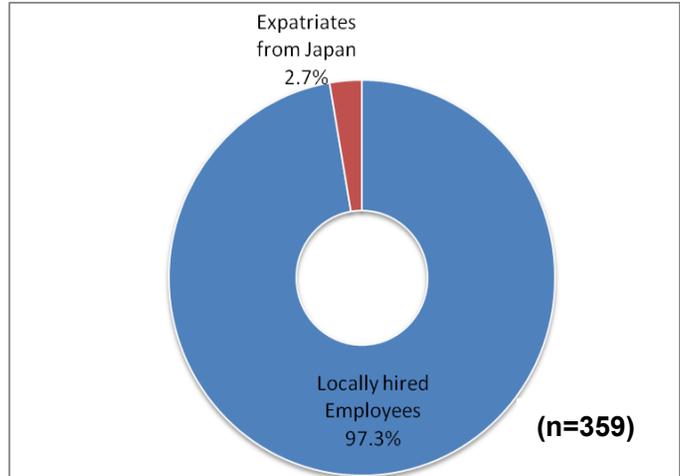


Contributions to the Regional Community

Job Creation

The total number of employment of 359 respondents was 53,493. The estimate number of employment is 117,700, including companies that did not respond to the survey. The number indicates that Japanese companies are contributing to the local economy through job creation.

<Graph 2> High Percentage of Local Employment



Salaries and Wages

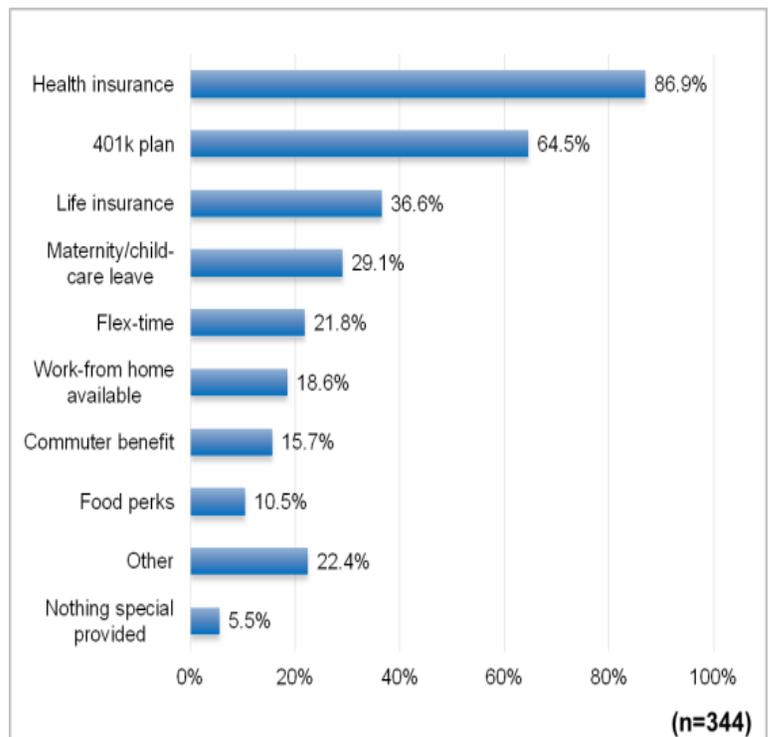
A total of \$3.6 billion in salaries and wages paid per year by the 237 Japanese companies in Southern California.

Total amount of salaries and wages paid per year is estimated as \$10.5 billion by the 790 Japanese companies in Southern California.

Employee Benefits

In addition to salaries, Japanese companies offer various benefits to employees. "Health insurance", "401k plan", "Life insurance", "Maternity/childcare paid leave" and "Flex-time" account for the most popular answers.

<Graph 3> Employee Benefits Provision

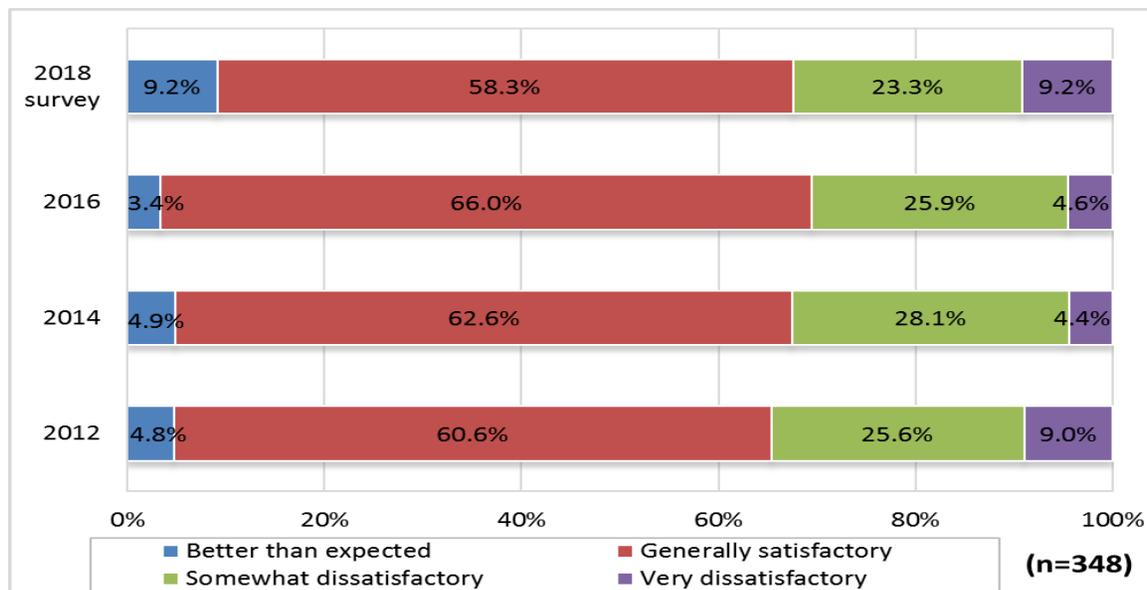


Investment and Business Environments

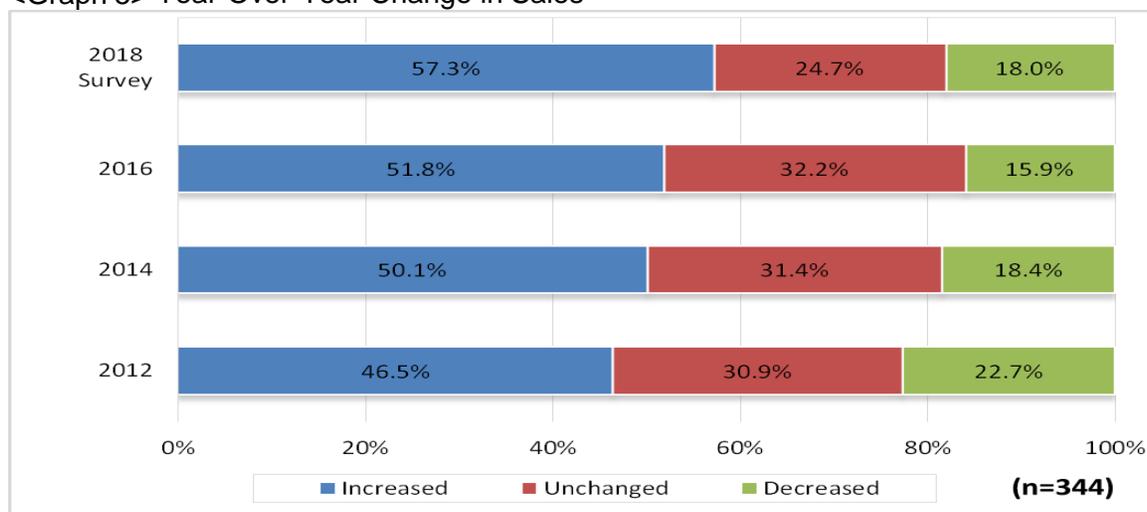
Evaluation of Business Performance

As for the evaluation of overall business performance in 2017, approx. 70% of all responses were positive, such as "Better than expected" or "Generally satisfactory", on the other hand, the percentage of "Very dissatisfactory" has also increased from previous survey.

<Graph 4> Business Performance

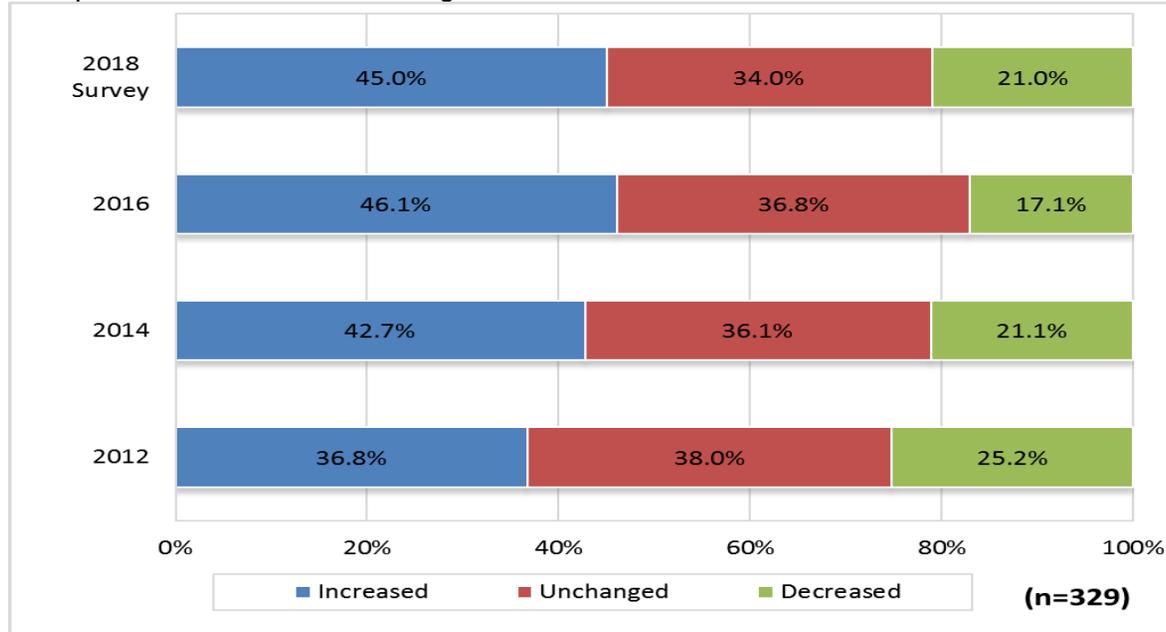


<Graph 5> Year-Over-Year Change in Sales



On the operation profit year over year in 2017, 45.0% of companies responded as "Increased", which is roughly the same as 46.1% in the previous survey. Also, 21.0% responded as "Decreased" was up slightly from 17.1% in the previous survey.

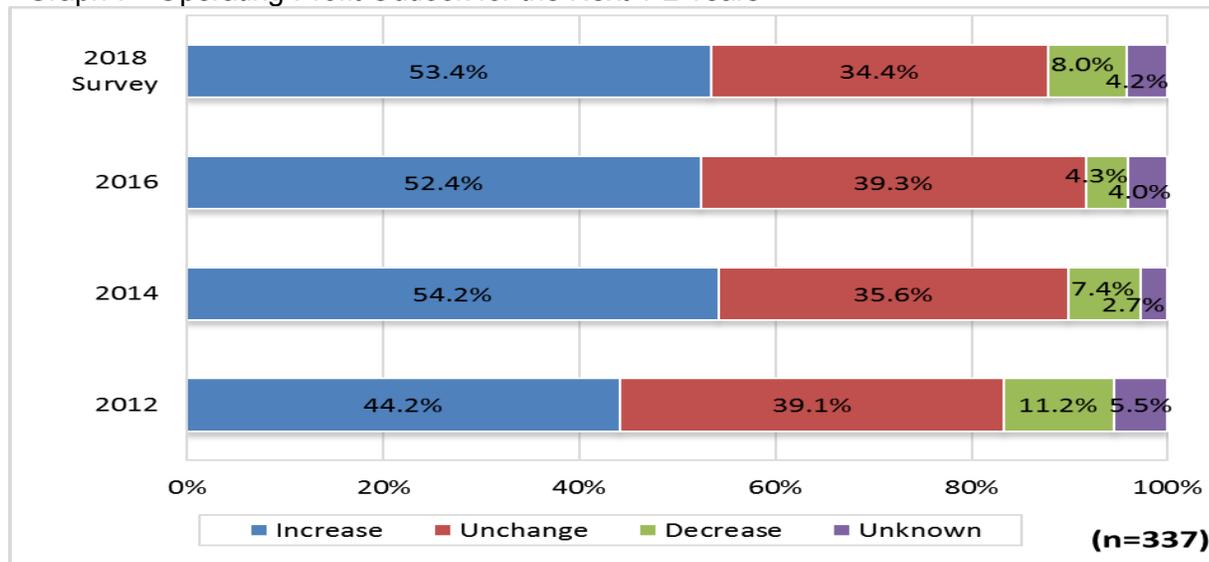
<Graph 6> Year-Over-Year Change in Profit



Future Outlook

Companies predicted their operating profit for the next one or two years would "Increase", which is roughly same as the previous survey. On the other hand, "Decrease" was up from the previous survey.

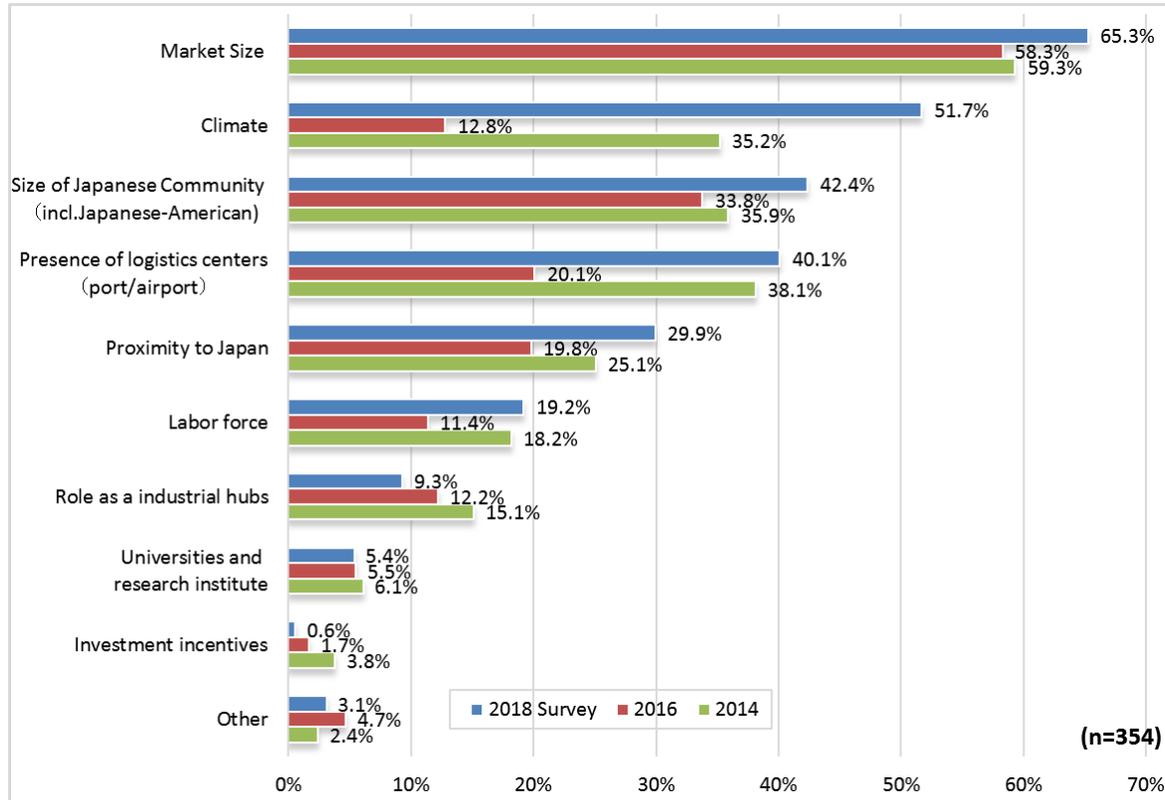
<Graph 7> Operating Profit Outlook for the Next 1-2 Years



Advantages of California

The top advantage of having a business in Southern California was “Market size”, followed by “Climate”, “Size of Japanese Community”, “Presence of logistics centers” and “Proximity to Japan”.

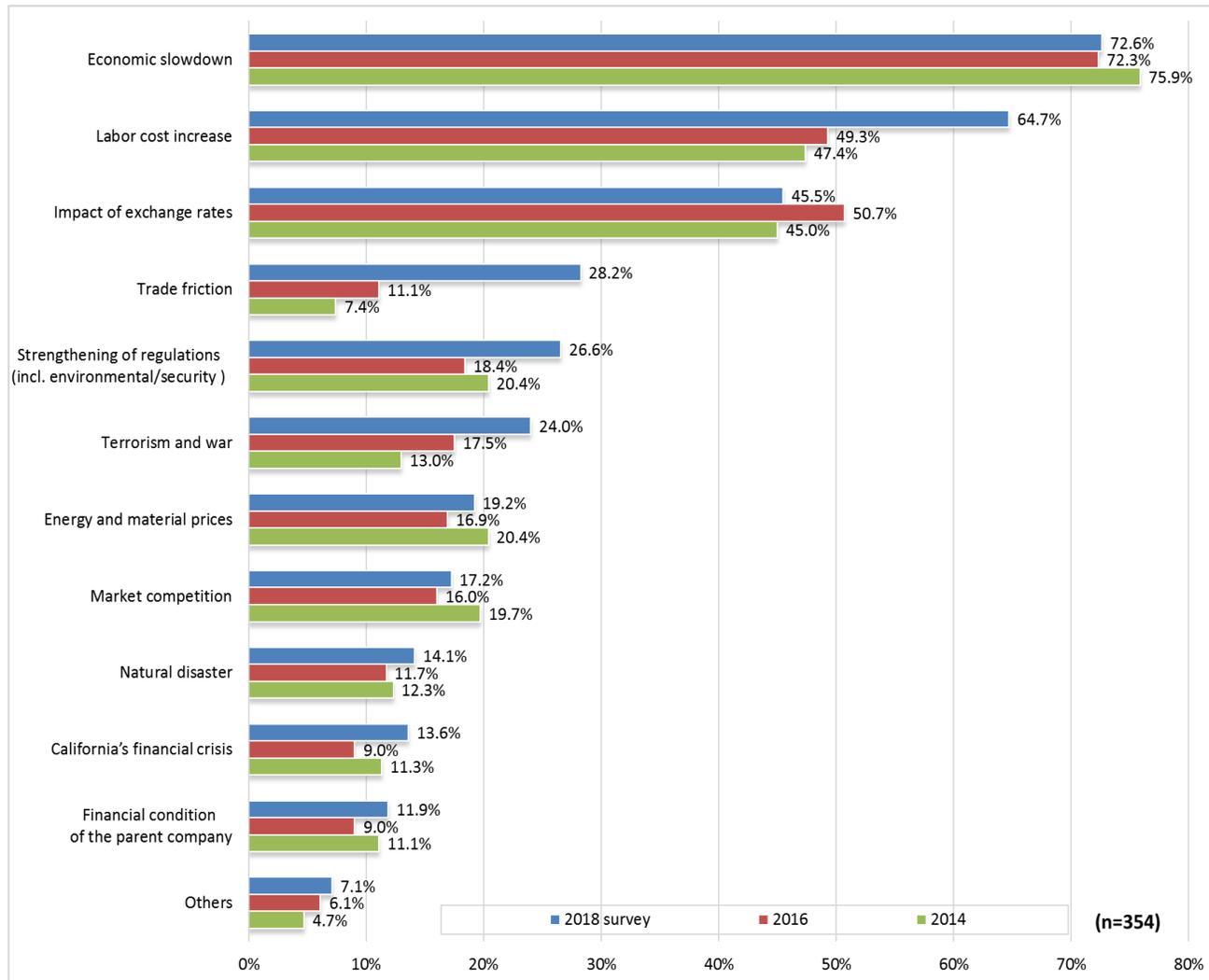
<Graph 8> Advantages of Southern California (Multiple responses)



Concerns over Business Operations in the Future

"Economic slowdown" presents the greatest concern, followed by "Labor cost increase", "Impact of exchange rates", "Trade friction" and "Strengthening of regulations".

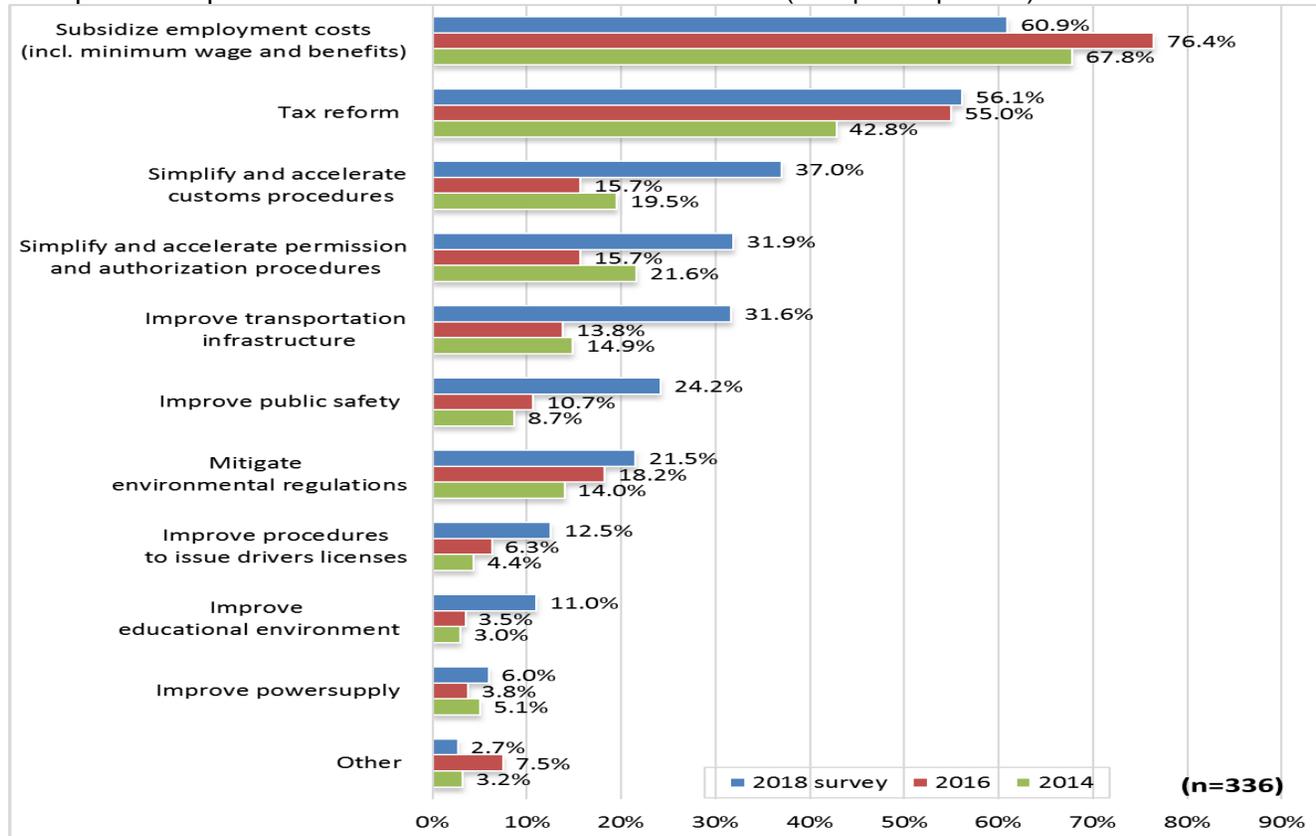
<Graph 9> Concerns over Business Operations in the Future (Multiple responses)



Expectations for State and Local Governments

The companies expressed dissatisfactions over the cost burdens and looking for "Subsidize employment costs" and "Tax reform". Subsequently, many companies called to improving the business climate, such as "Simplify and accelerate customs procedures", "Simplify and accelerate permission and authorization procedures" and "Improve transportation infrastructure".

<Graph 10> Expectations for State and Local Governments (Multiple responses)



Surveying Bodies

This survey is conducted every other year jointly by JBA* (Japan Business Association of Southern California) and JETRO** Los Angeles Office. This is the 13th survey.

- * JBA is a nonprofit organization comprising around 500 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 headquarters is located in Japan
- [3] A company established and operated by individuals who have Japanese citizenship or are U.S. citizens of Japanese descent.

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

790 Japanese companies were recognized as having an operation in Southern California. The companies were requested to participate in survey though online by JBA and JETRO and 369 companies have responded. (Survey period: February through March 2018)