JETRO
Japan External Trade Organization

FY2018 JETRO Survey on Business Conditions for Japanese Companies in the U.S. (37th Annual Survey)

Americas Division, Overseas Research Department
Japan External Trade Organization (JETRO)
February 22 , 2019

Contents

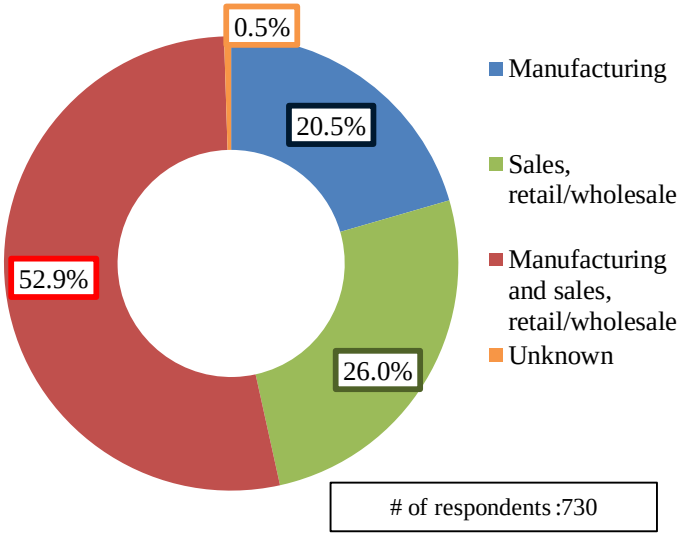
Overview:

- Survey period: November 9 – December 7, 2018
- Valid responses: 56.6% (730 of 1,289 companies)
- Survey coverage: Japanese manufacturers and sellers operating in the U.S. In this research, "manufacturers" include those with sales functions, whereas "sellers" are limited to those without manufacturing functions. At least 10 of their capital must be owned by a Japanese company, directly or indirectly.
- Note: This is the 37th annual survey, initiated since 1981 (not conducted in 2004).

Respondents by Regions and Industries

	Manufacturing	Sales, retail/wholesale	Both Manufacturing and sales	Unknown	Total
Northeast	7 (1.0)	29 (4.0)	50 (6.8)	0 (0.0)	86 (11.8)
Midwest	51 (7.0)	45 (6.2)	98 (13.4)	0 (0.0)	194 (26.6)
South	73 (10.0)	46 (6.3)	154 (21.1)	4 (0.5)	277 (37.9)
West	19 (2.6)	70 (9.6)	84 (11.5)	0 (0.0)	173 (23.7)
Total	150 (20.5)	190 (26.0)	386 (52.9)	4 (0.5)	730 (100.0)

The Key of Business



(1) The totals in the surveys in this report may not be 100 because the numbers are rounded off to the first decimal point.
(2) The firms participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected.

1. 2018 Profit Forecast:
74.5% Said Profitable – Figure Surpasses 70% for Seven Consecutive Years

Among respondents, 74.5% said they expected positive operating profits in 2018. Though the ratio of profitable companies peaked in 2014 and has been slightly declining, it's still over 70%. Profitable companies in transportation equipment and parts (motor vehicles and motorcycles) decreased for the third straight year (83.6→82.5%→70.4%→64.8%). The rates in the Midwest and the South for that industry were below 70%, with the rate for the Midwest in particular down 3.1 points. In terms of business type, the rate for non-manufacturing sellers (79.6%) was 6.0 points higher than for manufacturers and sellers (73.6%).

Fig.1: Operating profit forecast and real U.S. GDP growth

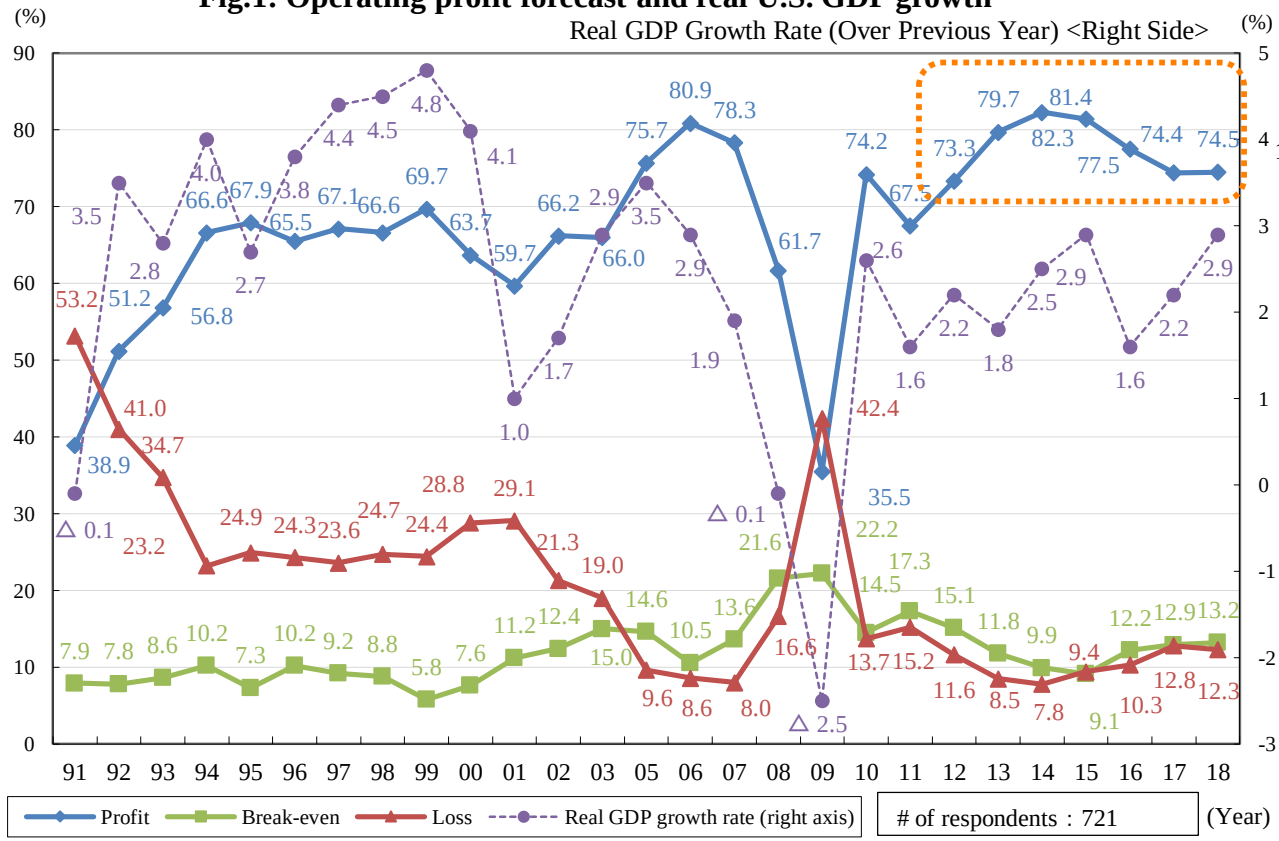
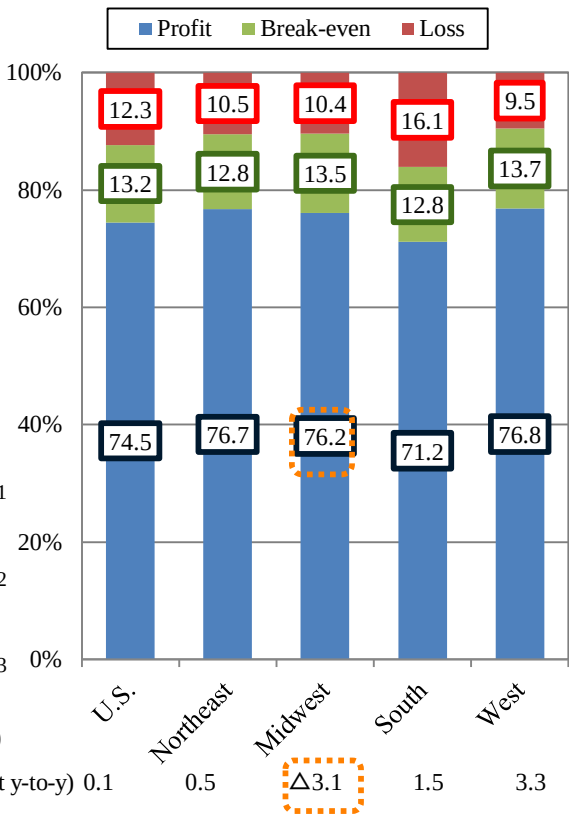


Fig.2 Operating profit forecast for 2018 (by regions)

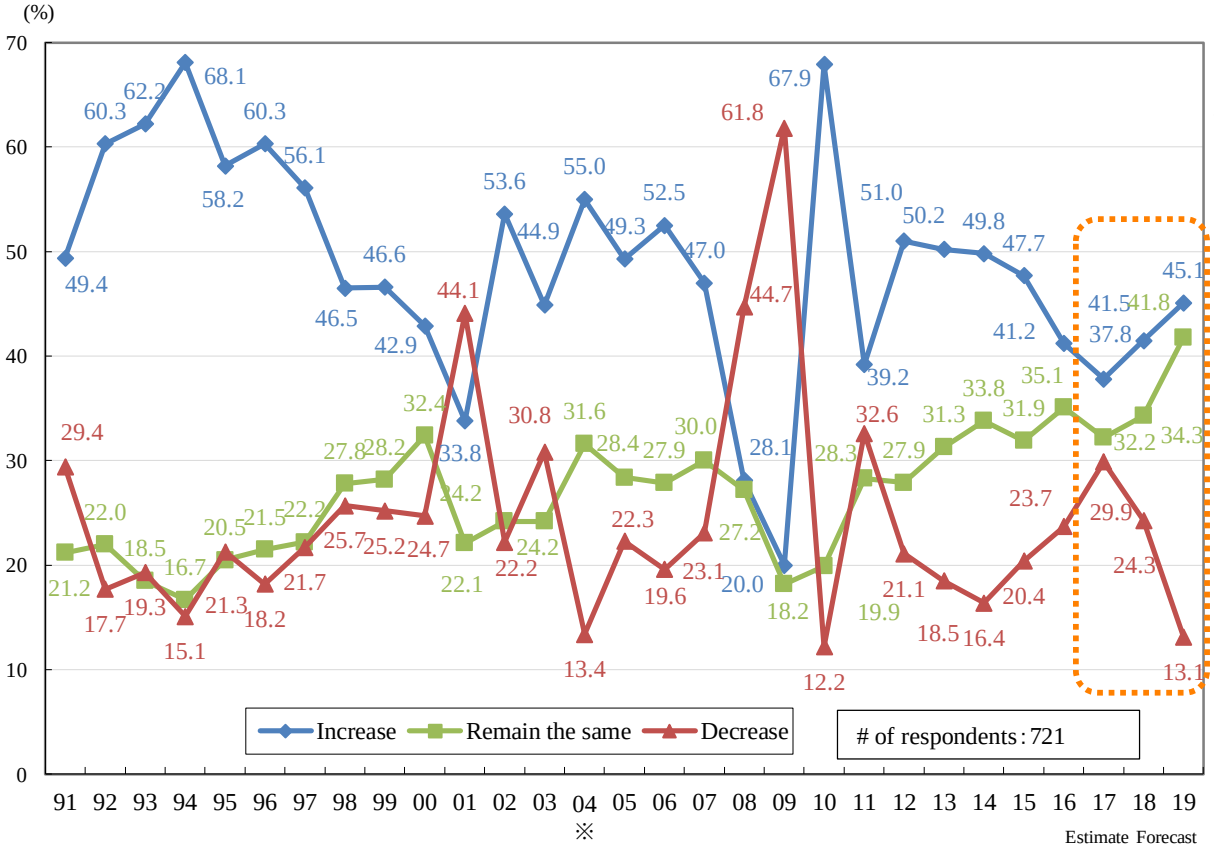


Note: The GDP growth rate for 2018 is the IMF estimate (announced Oct. 2018). No survey conducted in 2004.

1. Diffusion Index: Up 9.3 Points from 2017, Positive Outlook for 2019

The diffusion index (DI) for business sentiment (the difference between the rates of increased and decreased business sentiment) was 17.2, up 9.3 points from 2017. Companies expecting improvement in operating profit in 2018 increased by 3.7 points year-on-year, while those expecting a decrease from 2017 were down 5.6 points. Meanwhile, 45.1% of companies said they are expecting improvement in 2019. When viewed by region, the responses by companies in the South, the Northeast, and the West came in higher than the average, while those in the Midwest were at only 32.1%.

Fig.3 Year-over-year operating forecast profit changes



Note: No survey was conducted in 2004, so figures are estimated from the time of the 2003 survey.

Fig.4 Reasons for increased operating profit forecast for 2018

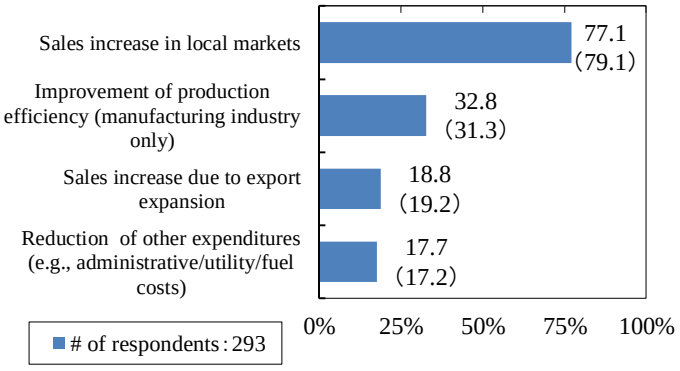
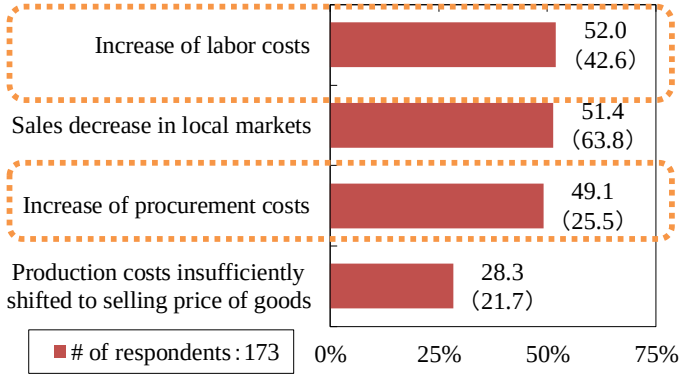


Fig.5 Reasons for decreased operating profit forecast for 2018

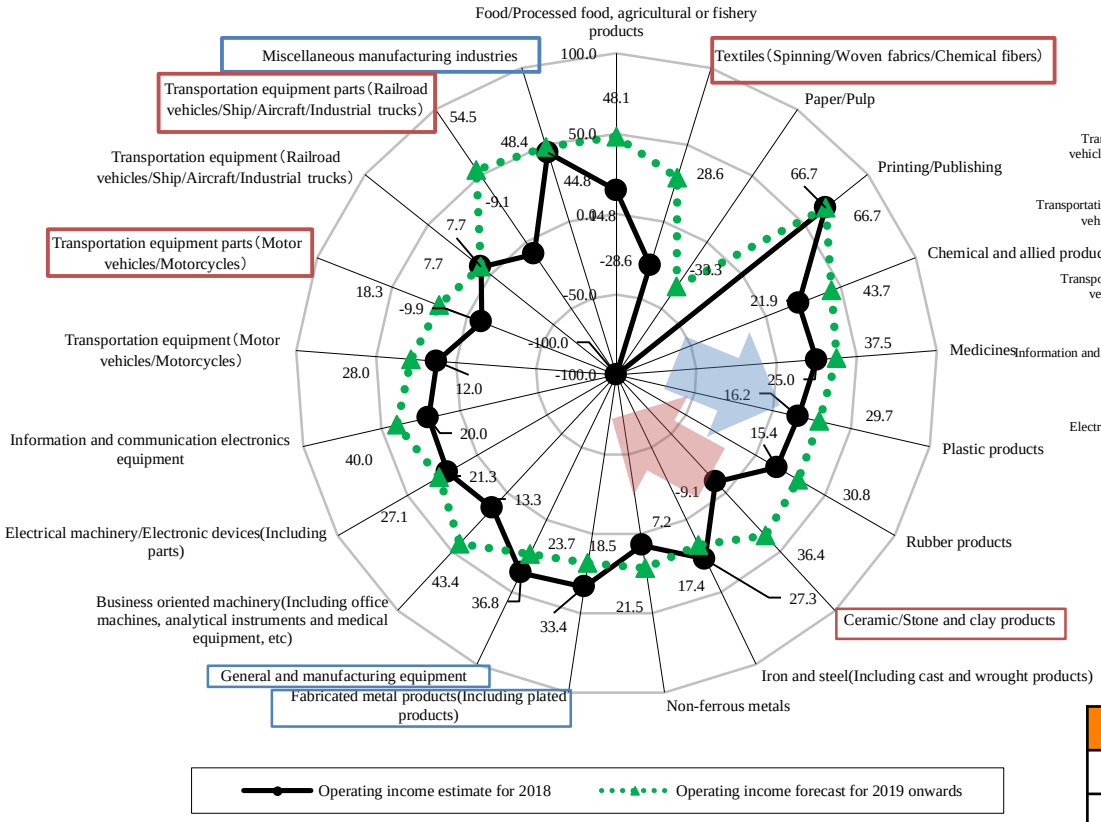


Note: multiple answers, Displaying only top 4 items.
Figures in parentheses are from 2017.

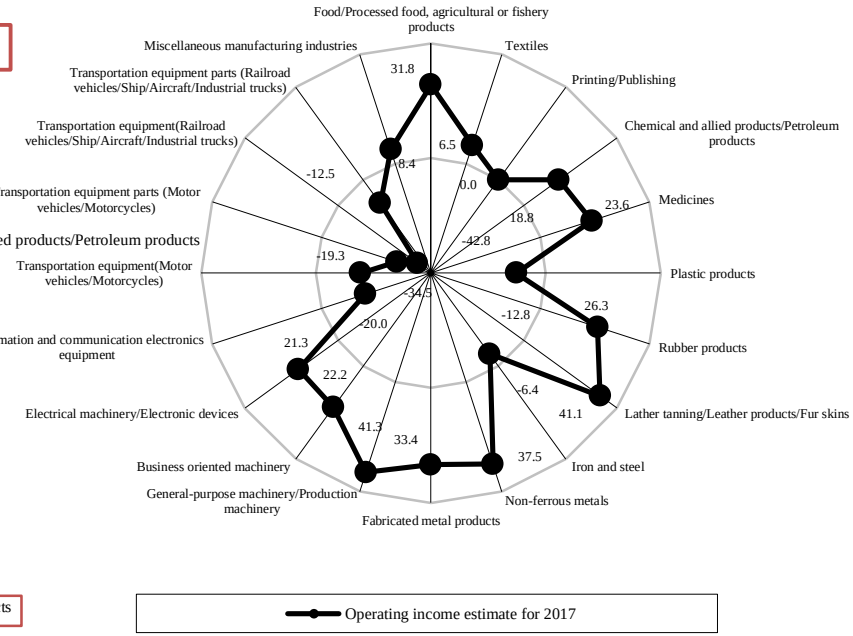
1. Diffusion Index by Industry: Transportation Equipment Parts are All Negative

The average DI for 2018 across all industries was 13.6. General and manufacturing equipment (36.8) and fabricated metal products (including plated products) (33.4) etc., showed strong numbers, but transportation products and parts were all negative. The average DI for 2019 across all industries came to 28.6, down from the figure of 37.4 seen in the last survey.

Fig.6 : Operating income forecast by industry with DI



Ref. 2017 Operating income forecast by industry with DI



Average DI for all Industries (21 industries)	
Operating income forecast in 2018	13.6
Operating income forecast in 2019	28.6

2. Future Business Direction: Focus on Sales and Manufacturing

Of respondents, 54.2% said they have plans for expansion in the next year or two, down 2.9 points from 2017 survey. The main expansion areas included sales and manufacturing (high-value-added products). When viewed by industry, expansion plans were most significant among chemical and petroleum products (78.1%), food/agricultural products (72.2%) and non-ferrous metals (71.4%).

Fig.7 Future business in the US

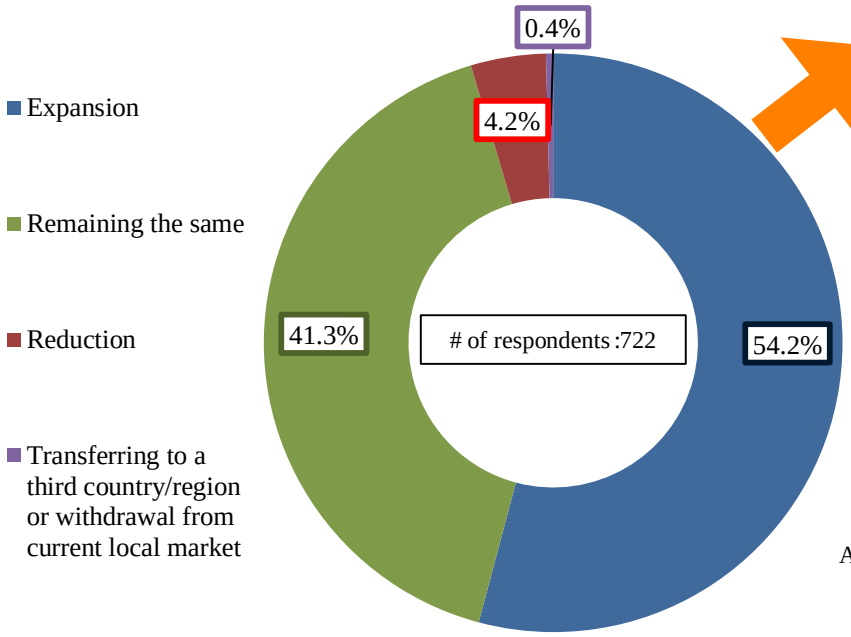
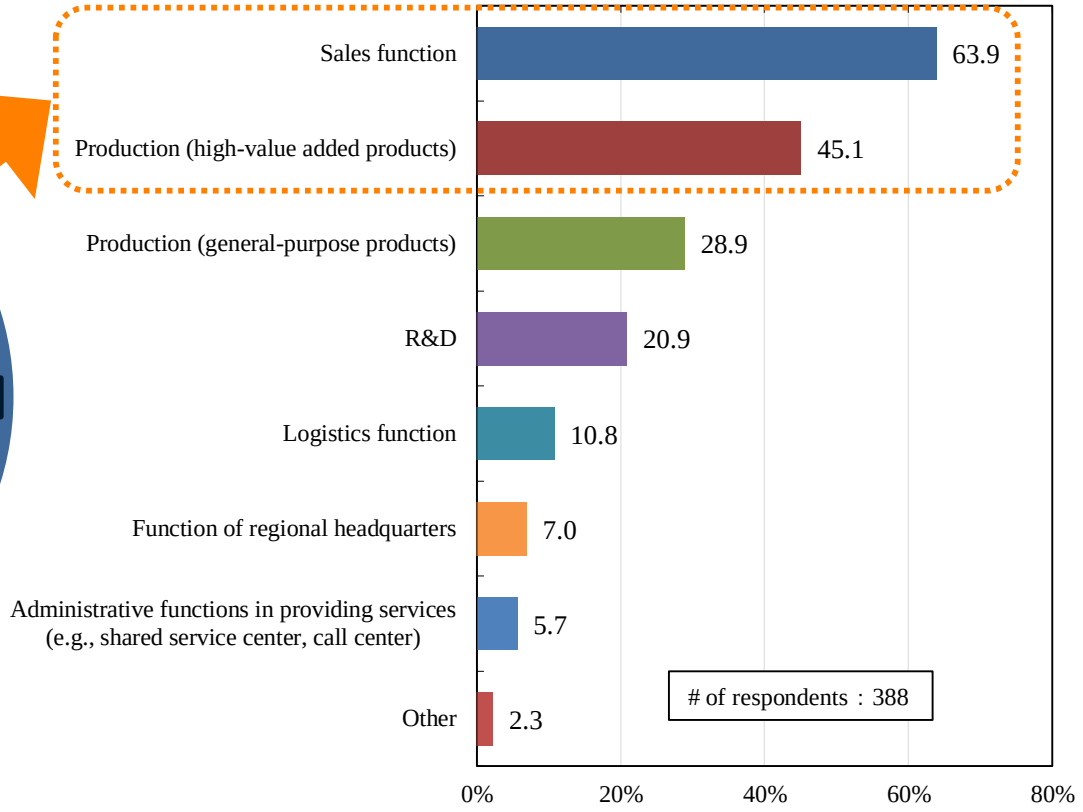


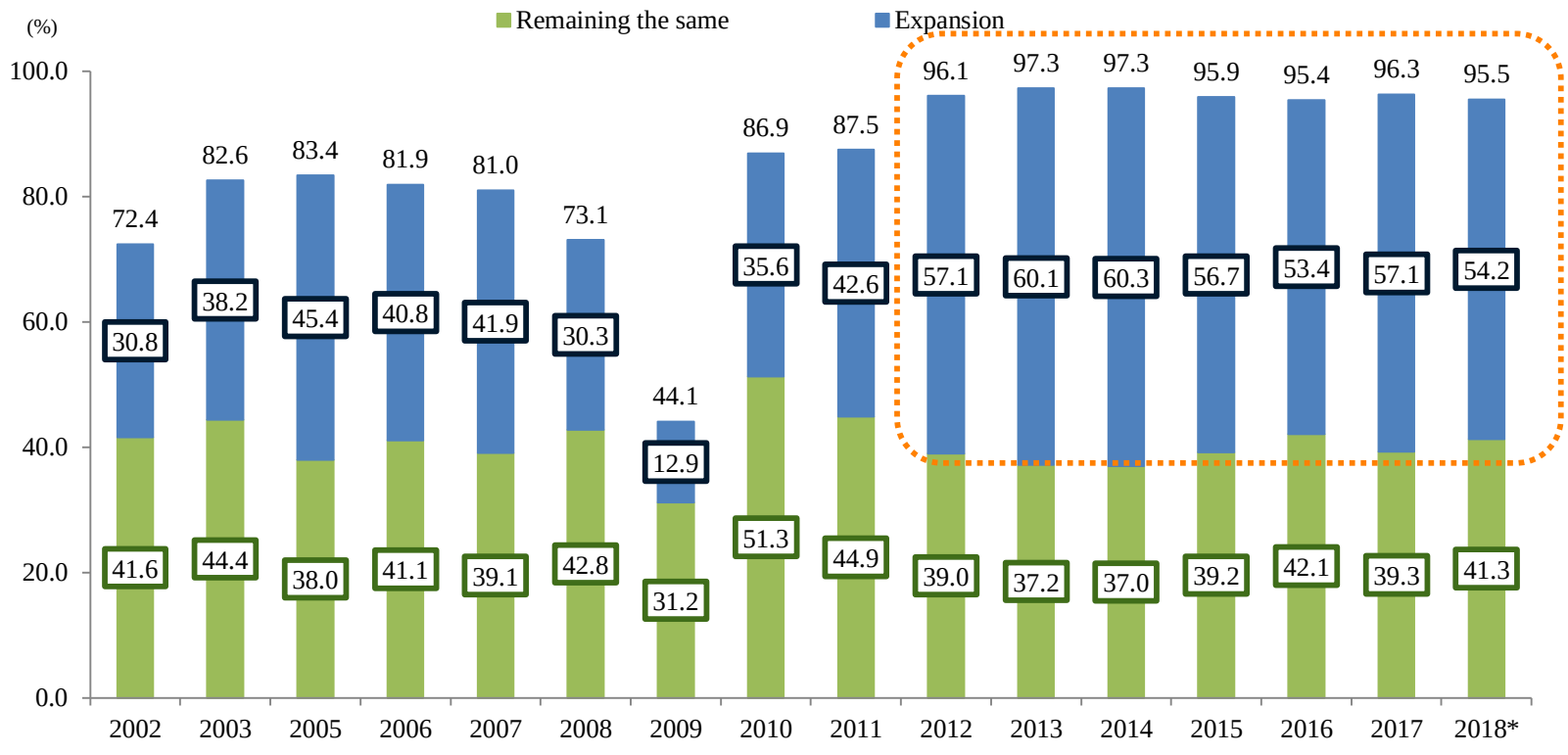
Fig.8 Specific functions to expand (Multiple answers)



<Ref.> Future Business Direction

For the seventh straight year since 2012, more than 50% of companies responded that they are considering making investments for business expansion in the next year or two.

Fig.9 Future business in the US (2002-2018)



Source: JETRO "Survey on Business Conditions of Japanese Companies in the United States"

Note: No survey conducted in 2004. The surveys from 2002 to 2011 asked respondents about their plans for capital investment in their facilities.

2. Capital Investment: For Maintenance and/or Repair of Existing Equipment and Strengthening Productivity and/or Sales

43.7% of companies spent more on capital investment in 2018 than in 2017, up 3.1 points from the previous survey. Meanwhile, 8.7% of companies spent less in 2018, showing a drop of 1.0 point. “Maintenaince and/or repair of existing equipment” and “strengthening productivity and/or sales” were the main purposes, followed by “launch of new business, production of new products or improvement of existing products” and “labor-saving or streamlining measures”.

Fig.10 The change in capital investment in 2018 (Value basis)

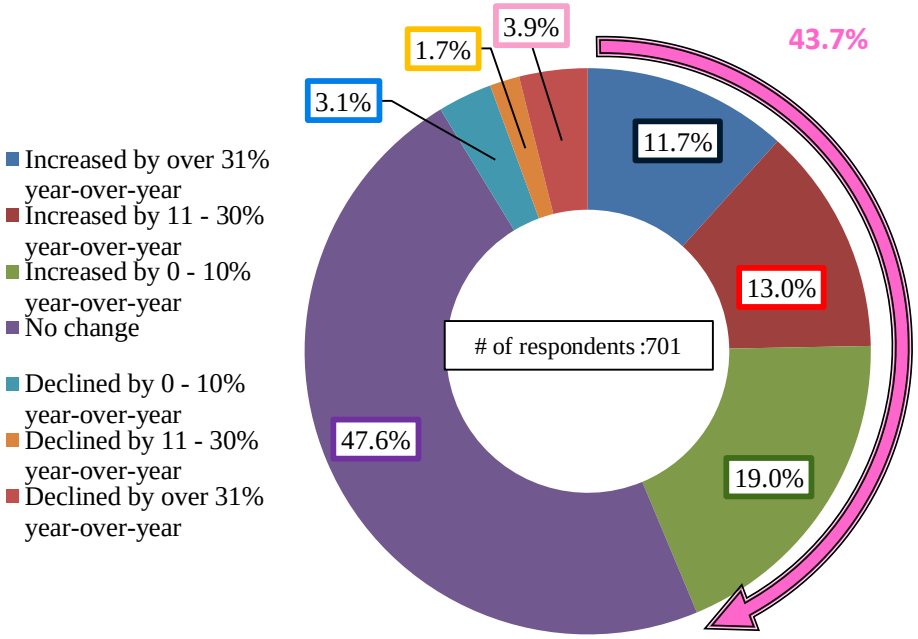


Fig.11 The purpose of capital investment in 2018 (Multiple answers)

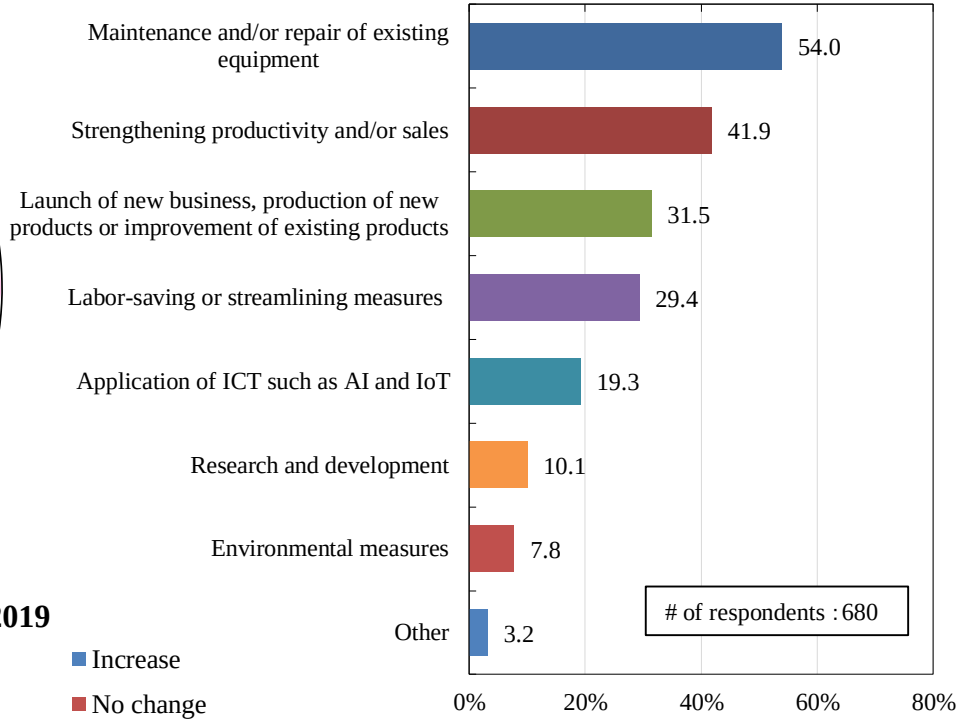
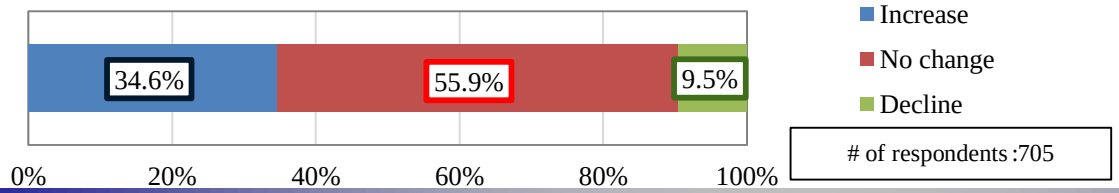


Fig. 12: Purposes of capital investment planning from 2019



<Ref.> Capital Investment: Key Industries in 2018 and Trends in Capital Investment Since the 1996 Survey

Looking at the changes in 2018 by key industry, the survey found that a majority of companies in industries such as medicines (56.3%) and fabricated metal products (55.5%) made increases in capital investment spending from 2017. For seven consecutive years since 2010, at least 30% of companies have consistently reported making higher capital investment. Meanwhile, 34.6% of companies said they expect to increase their capital expenditures in 2019.

Fig.13 The change in capital investment in 2018

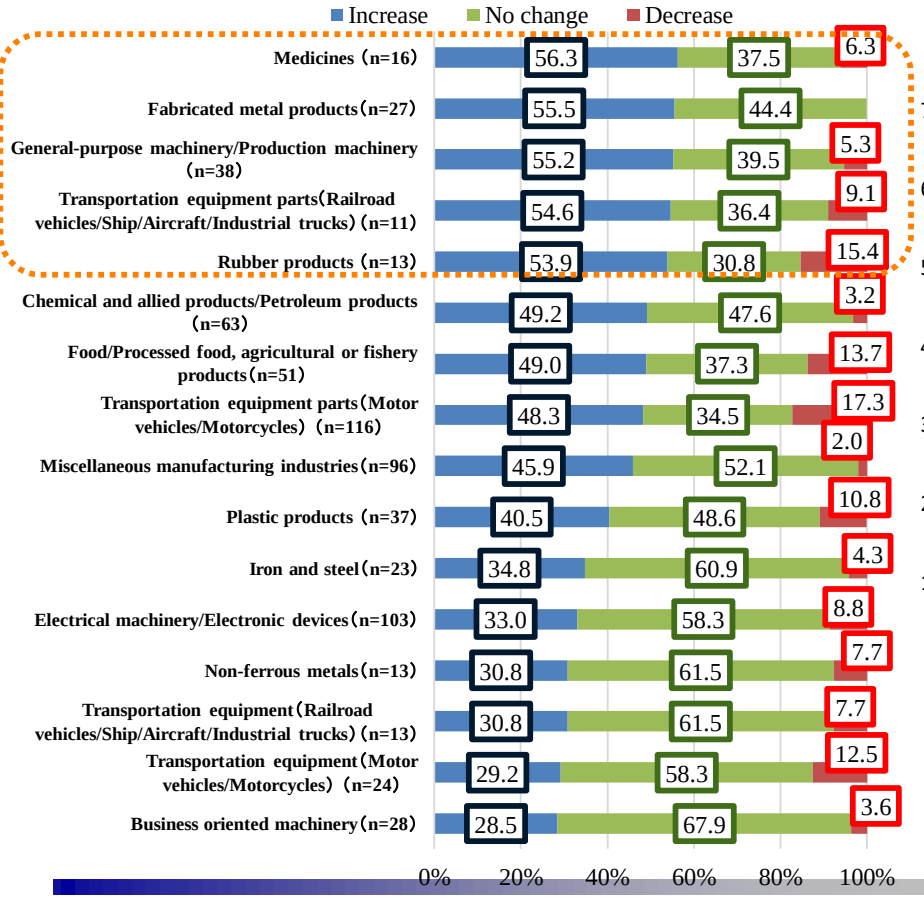
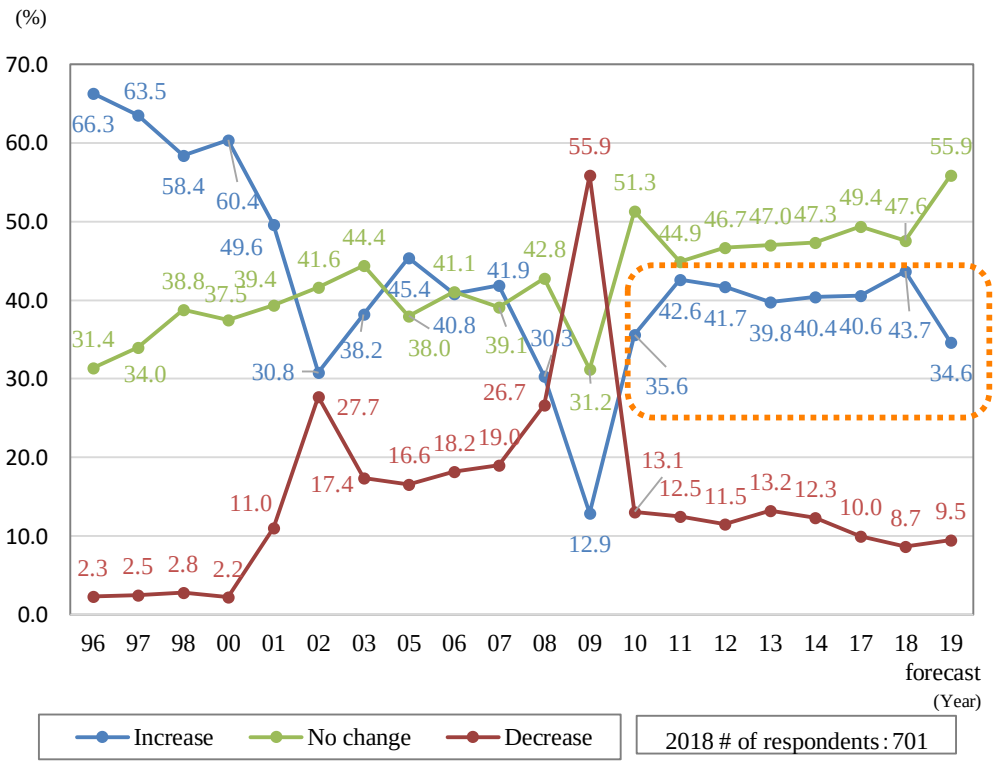


Fig.14 Capital investment from 1996

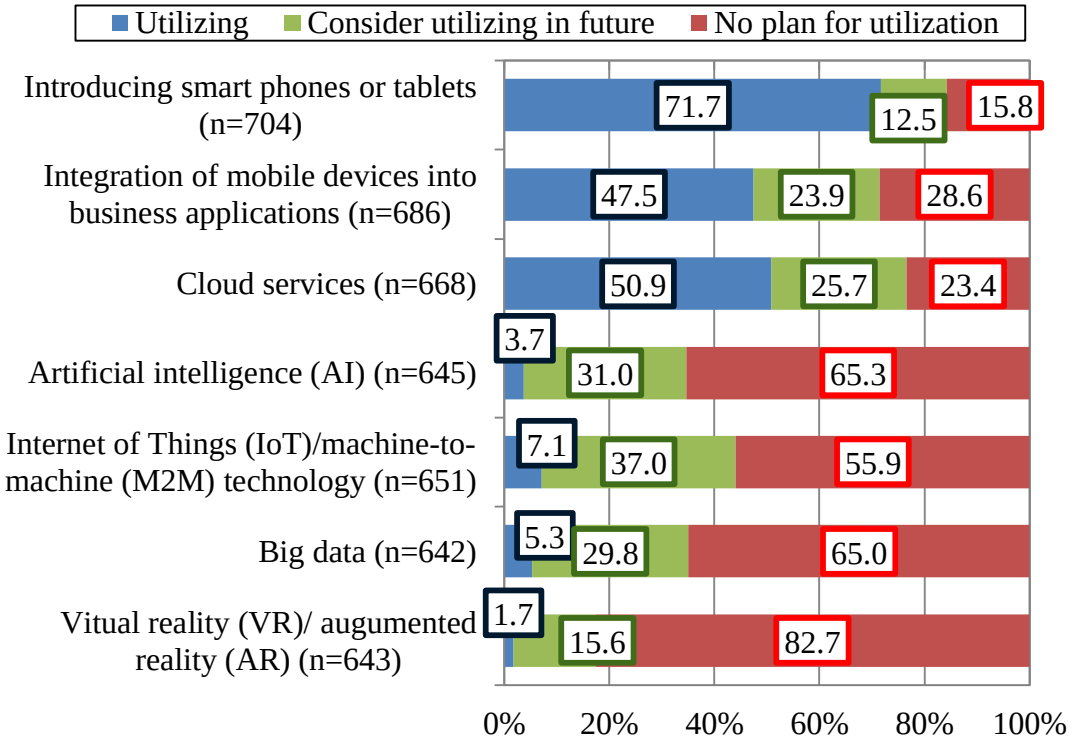


Note: No survey conducted in 2004.

2. Leveraging ICT: Smartphones, Tablets Enjoy High Penetration

In the ICT field, some 71.7% of companies have introduced devices such as smartphones and tablets, while 50.9% — a slight majority — have adopted cloud services. Although fewer than 10% of companies responded that they are already using artificial intelligence (AI) and IoT/M2M solutions, over 30% said that are considering making use of them in the future, and thus this field is expected to grow going forward.

Fig. 15 State of use in ICT field



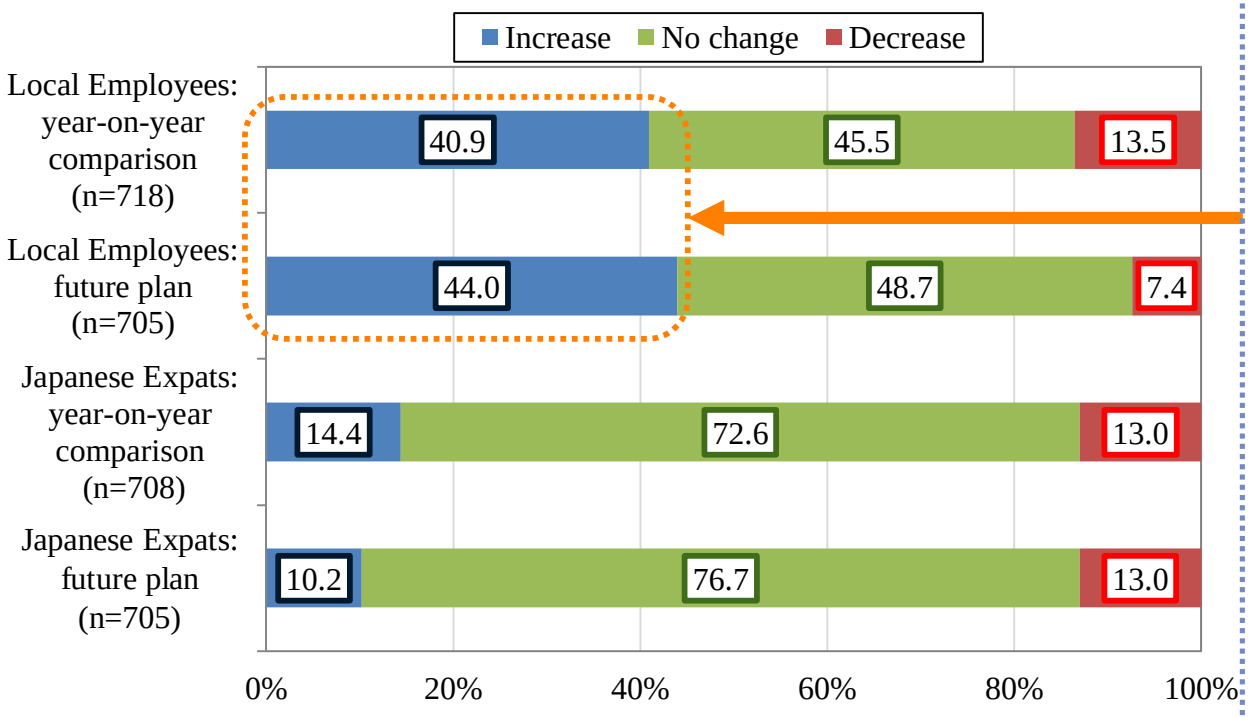
ICT utilization efforts

- We have adopted ERP systems globally, and are using customer-relationship management (CRM) in our sales and customer support segments. We are also equipping our own products with IoT. **[Electrical machinery/electronic devices]**
- We are using cloud services, and improving user convenience through data sharing. **[Chemical/petroleum products]**
- Although IoT use has not caught on due to our smaller scale, we are aiming to adopt production management systems within five years. **[Plastic products]**

2. Workforce: Local Employment Continues to Increase

As many as 40.9% of companies said they had “increased” their number of local employees in the last 12 months (over 40% for seven consecutive years), with 44.0% planning to “increase” in the near future. But these figures are slightly down from the last survey (41.0%, 44.6%). The number of Japanese expats was “flat” over the past year at 72.6% of respondents, and 76.7% answered that it will remain “flat” for the foreseeable future. Also notable were the respondents who said they are struggling to secure personnel.

Fig.16 Number of local employees and Japanese expatriates



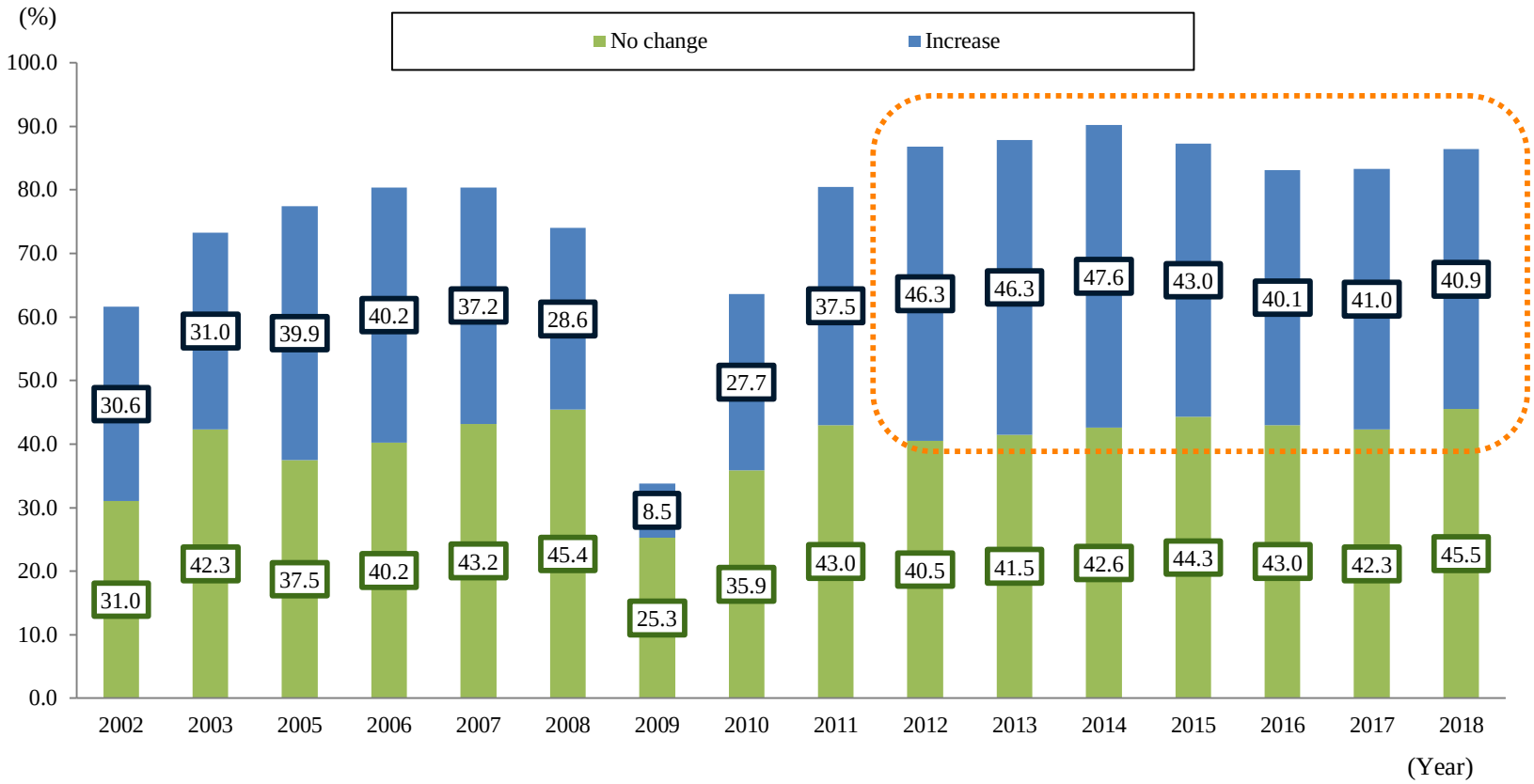
Local employment

- We added more workers to meet our business expansion needs, securing the number of workers we want**. [Food/agricultural products]**
- Securing personnel remains a challenge in every age group. We increased wages by 4-5% this year for those who qualified for raises. **[Electrical machinery/electronic devices]**
- To handle the increase in orders received, we hired more staff focusing on manufacturing floor workers. **[General/manufacturing equipment]**
- We added significantly to our number of machinists in response to brisk market activity. Due to the tightening of the US labor market, it is taking longer to hire personnel, making it difficult to secure new personnel. **[Chemical/petroleum products]**
- Hiring is on the rise in nearly all areas, but the demand for engineers (engineering and sales) has tended to be high. As for new employees, we have struggled to secure the quantity, but not necessarily the quality. Our sense is that much of it depends on the market environment. **[Transportation equipment and parts (motor vehicles and motorcycles)]**

<Ref.>Workforce:
Over 40% Hired More, Sustaining the Rate for Seven Consecutive Years

More than 40% of the respondents said they increased the number of local employees in the last 12 months. This rate has been remained for seven consecutive years since 2012.

Fig.17 Percentage of companies that increased local employment in the last 12 months

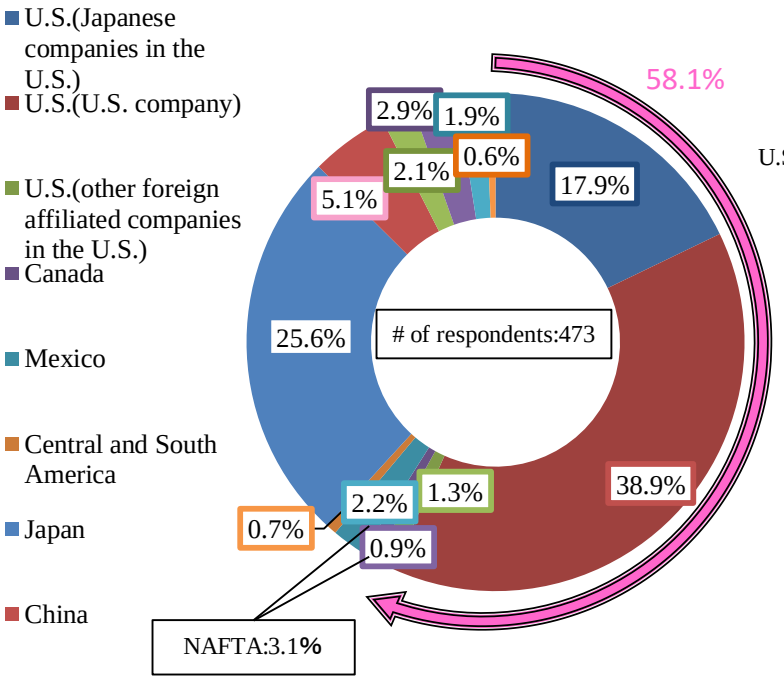


Note: Survey not conducted in 2004. The survey in 2002 asked respondents about changes in the number of local employees in the previous three years.

3. Procurement (Manufacturers): Approx. 60% Within the U.S.

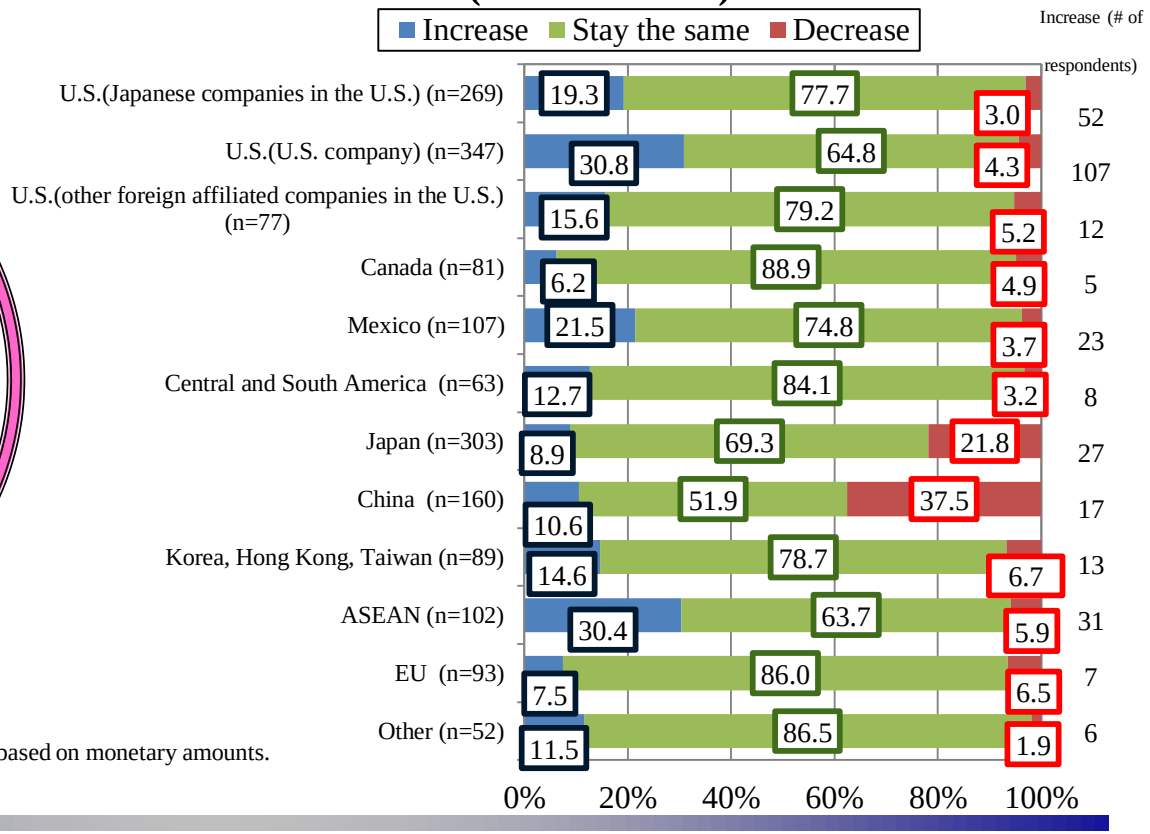
Among the companies that manufacture in the US, the procurement rate of materials and parts from within the US was 58.1%, down 1.2 points from 2017, while the procurement rate from Japan was 25.6%. In terms of future plans, as with last year, some plan to buy more from local companies (107 respondents) and Japanese companies in the US (52 respondents). Companies looking to buy less from China increased significantly, from 10.6% in the last survey to 37.5% this time, while respondents looking to procure more from the ASEAN region were up 8.4 points.

Fig.18 Average Procurement proportion by countries/regions



Note: Respondents calculated their ratios in these countries and regions based on monetary amounts. Total sales equals 100%. The chart indicates the average.

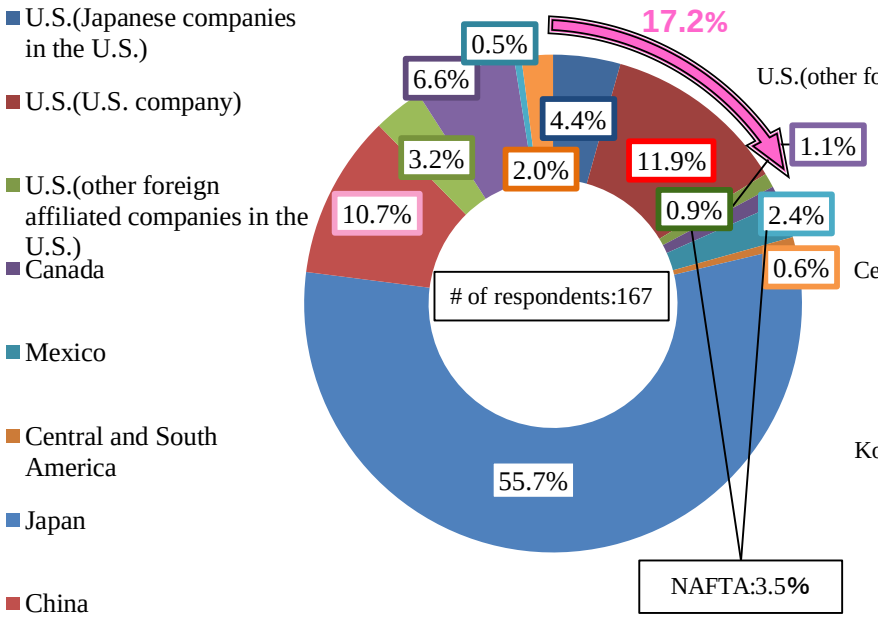
Fig.19 Future plans for procurement sources for raw materials/parts (Manufacturers)



3. Procurement (Sellers): Over 50% from Japan

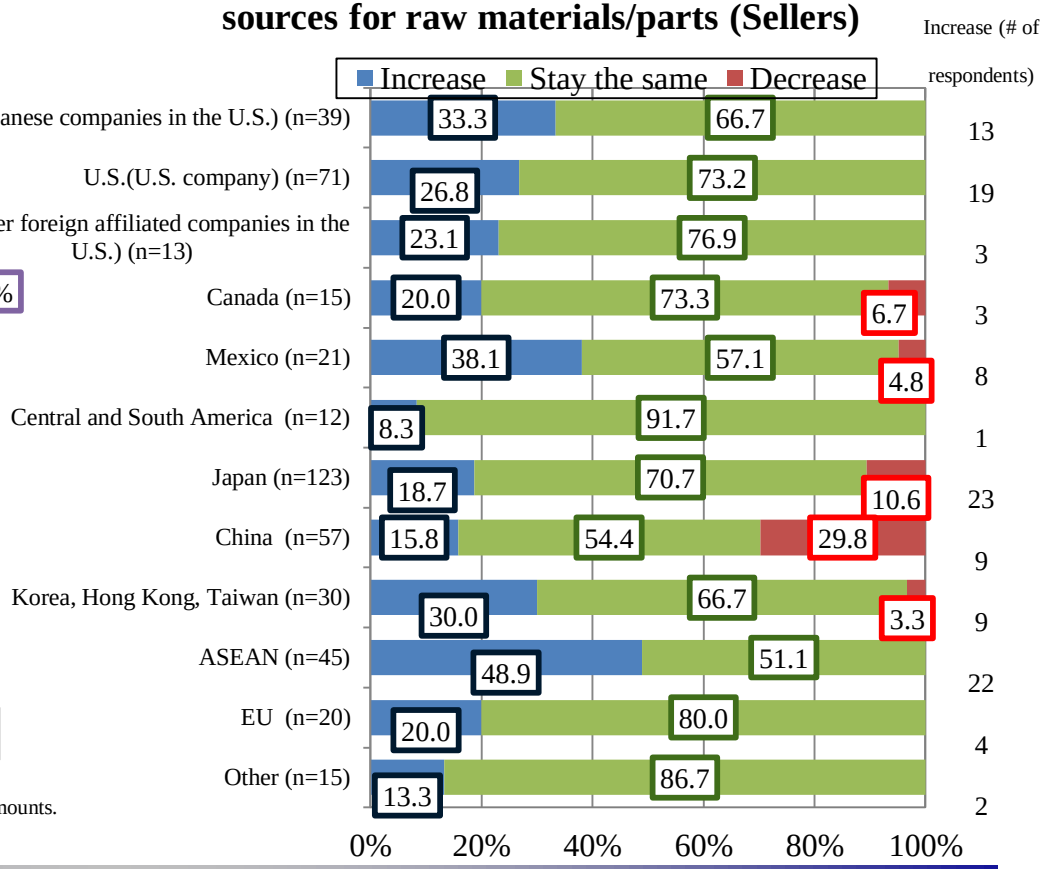
Among the companies that sell products and services in the US, the procurement rates from within the US and from Japan were 17.2% (down 4.0 points from last time) and 55.7% (up 2.5 points), respectively. US domestic procurement was highest among food/agricultural products (52.0%) and transportation equipment (motor vehicles/motorcycles) (49.5%), while procurement from Japan was high in chemical and petroleum products (82.5%), for example. Plans to buy more from Japanese vendors (23 respondents) and from the ASEAN region (22 respondents) were notable.

Fig.20 Average Procurement proportion by countries/regions



Note: Respondents calculated their ratios in these countries and regions based on monetary amounts. Total sales equals 100%. The chart indicates the average.

Fig.21 Future plans for procurement sources for raw materials/parts (Sellers)



3. Production: Strengthen U.S.-Centered Manufacturing System

US domestic production for the local market was down 1.8 points from the previous survey at 74.5%, while production in Japan rose 1.1 points to 13.5%. Increases in US domestic production were most conspicuous in transportation equipment and parts (motor vehicles/motorcycles) (85.6%) and chemicals and petroleum products (78.9%). Increases in production for the US market are expected most significantly within the US itself with 113 respondents (29.7%), while 28 respondents (25.7%) said they expect to produce more in Mexico.

Fig.22 Average production proportion for the U.S. by countries/regions

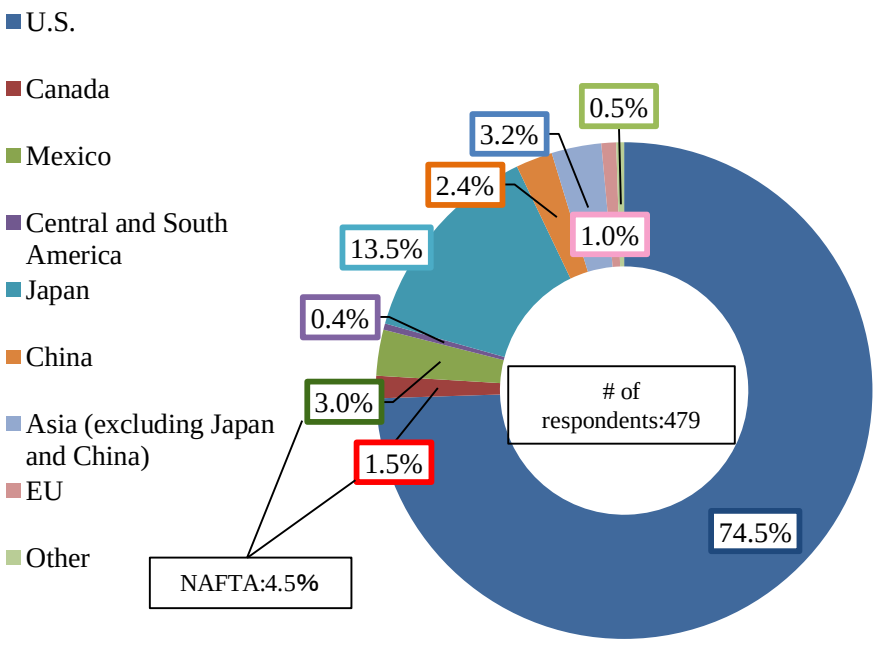
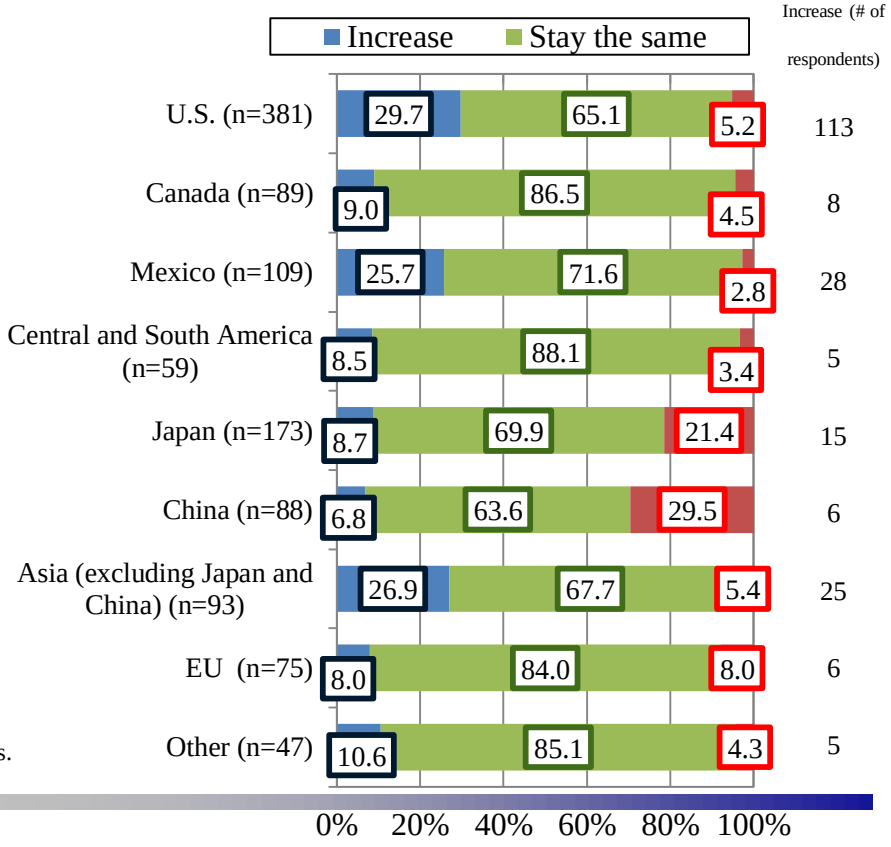


Fig.23 Future production plans in each country and region for the U.S. market

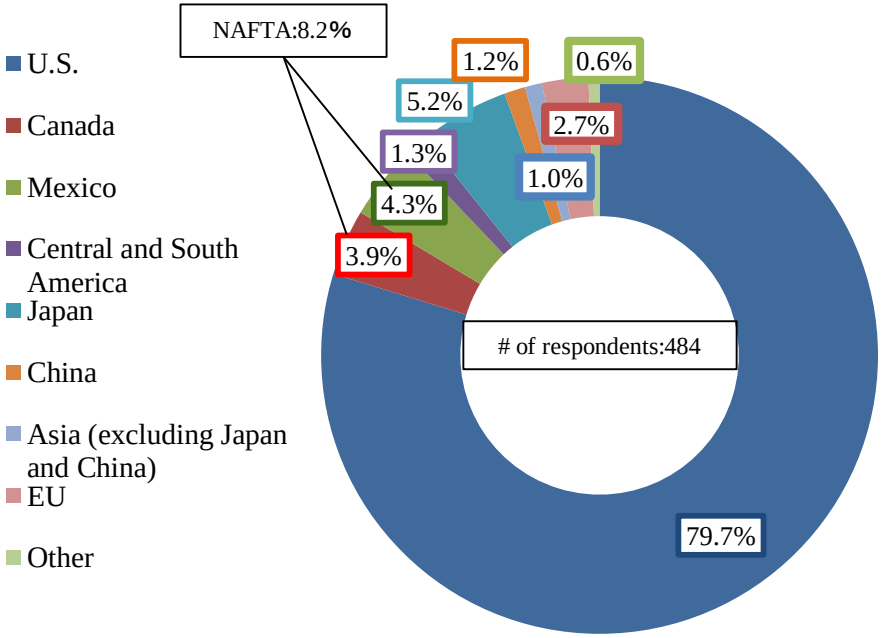


Note: Respondents calculated their ratios in these countries and regions based on monetary amounts. Total sales equals 100%. The chart indicates the average.

3. Sales (Manufacturers): Approx. 90% for NAFTA Markets

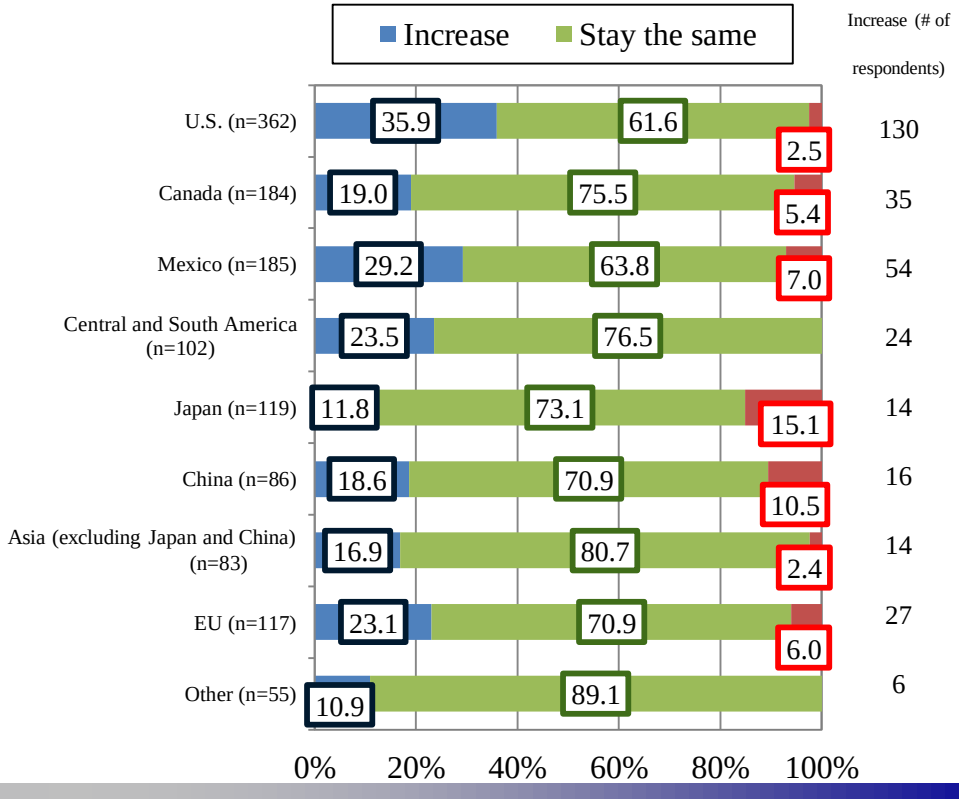
The respondents with manufacturing functions in the US sold 79.7% of their products within the US, 87.9% in the NAFTA regions (including the US) and 5.2% in Japan. Plans to increase sales going forward were focused on the US (130 respondents/35.9%) and Mexico (54 respondents/29.2%), although the respondents looking to sell more in Mexico were down 9.1 points from 38.3%. A number of companies, particularly in areas such as iron and steel (including cast and wrought products) (46.3%) and fabricated metal products (including plated products) (41.2%), said they are looking to expand their sales channels in the US.

Fig.24 Sales destination by countries/regions of the U.S. product



Note: Respondents calculated their ratios in these countries and regions based on monetary amounts. Total sales equals 100%. The chart indicates the average.

Fig.25 Future plans for sales destination (Manufacturers)



3. Sales (Sellers): 90% for NAFTA Markets

Japanese sellers active in the US sold 75.4% of their products and services in the US, 84.2% in the NAFTA markets (including the US) and 5.8% in Japan. Markets outside the US included Mexico (13.5%) in electrical machinery/electronic devices. Forty-eight companies (38.7%) plan to expand sales in the US, as do 28 companies (42.4%) in Mexico .

Fig.26 Sales destination by countries/regions of the U.S. product

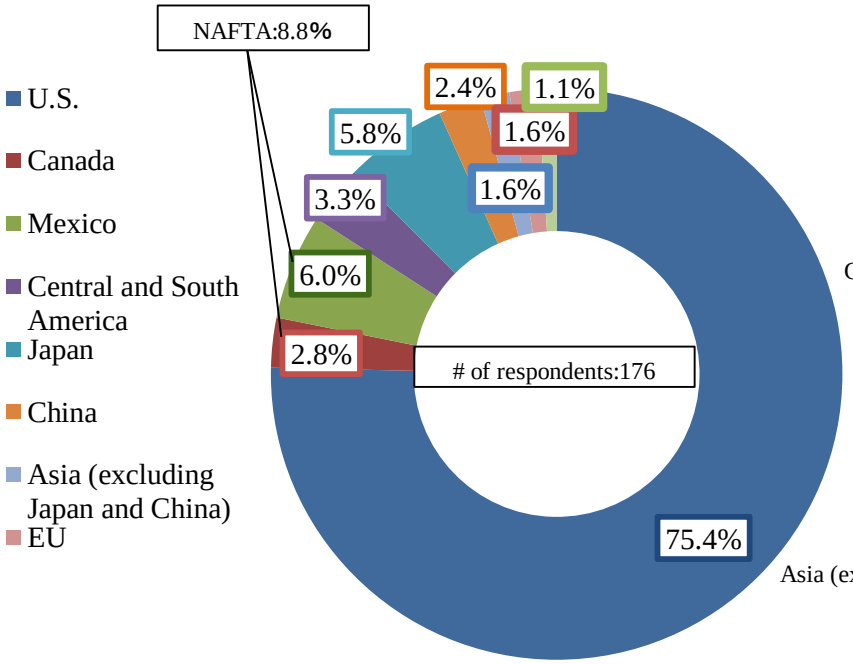
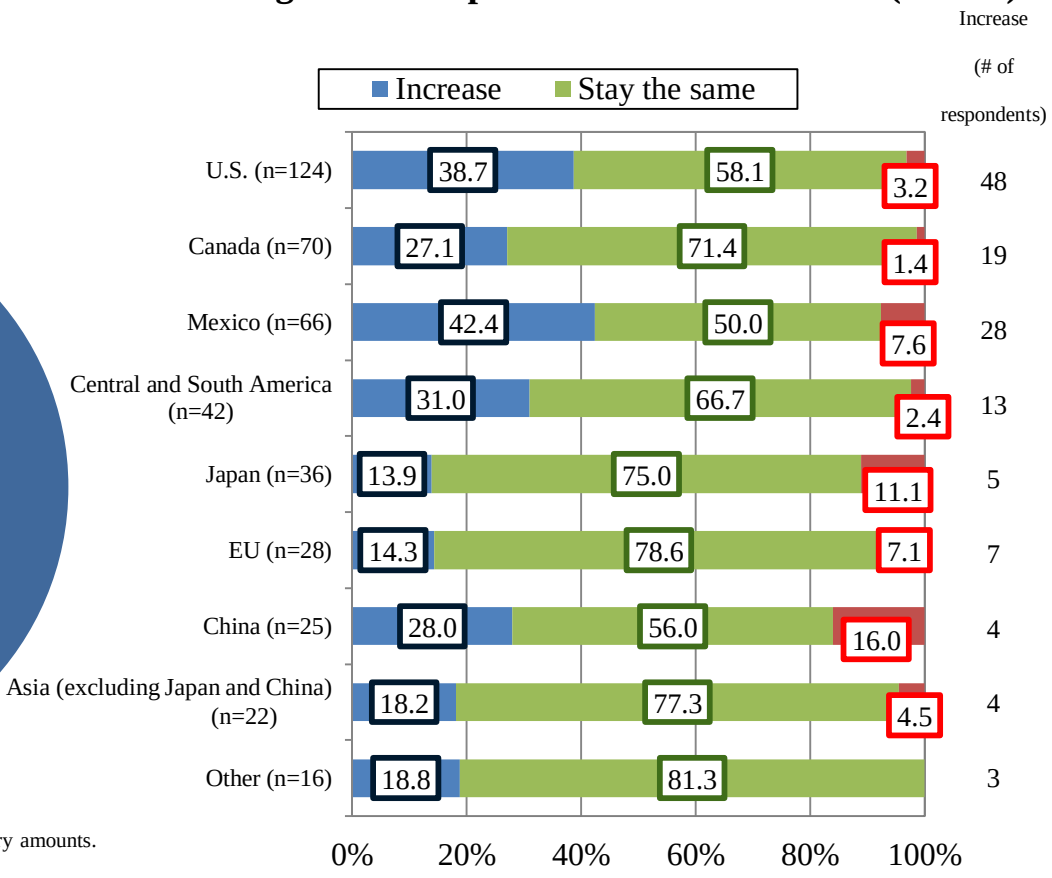


Fig.27 Future plans for sales destination (Sellers)

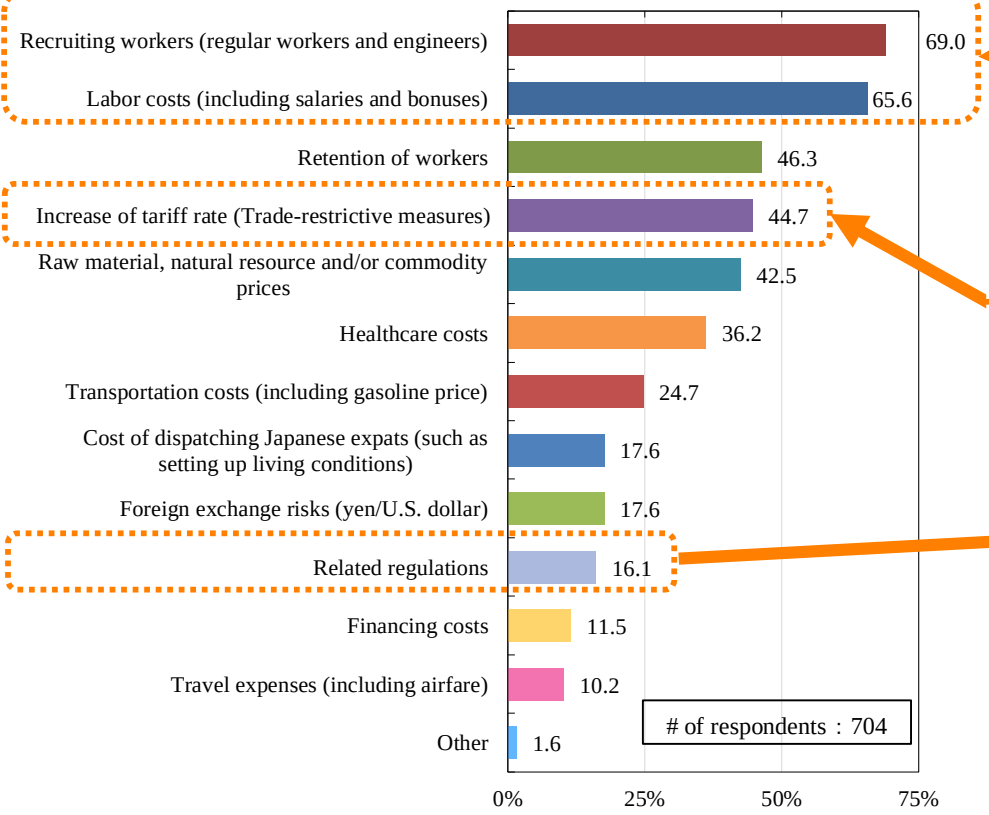


Note: Respondents calculated their ratios in these countries and regions based on monetary amounts. Total sales equals 100%. The chart indicates the average.

4. Factors for Increased Cost: Recruiting, Rising Labor Costs, and Effects of Higher Tariffs

As in the last survey, “recruiting workers,” “labor costs” and “retention of workers” were the top factors, followed by “increase of tariff rate” (44.7%). In terms of regulations, “environmental regulations” and “visa application for Japanese expats” were among the top issues, as in the previous survey.

Fig.28 Management issues (1) Factors for increased cost (Multiple answers)



Recruitment the biggest issue

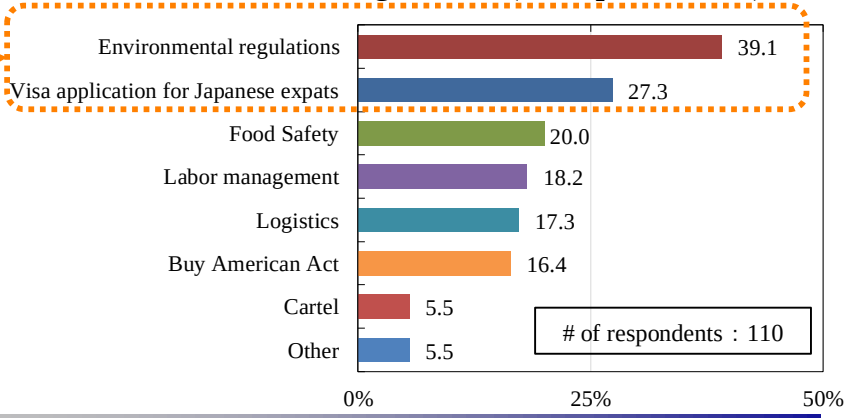
Hiring engineers is getting hard. Wages (including benefits) went up an average of 10%. **[Chemical/petroleum products]**

- After engineers, wage increases for line workers have recently become significant. **[Transportation equipment (motor vehicles and motorcycles)]**
- European and US companies are offering salaries twice as high as ours, so we can’t compete. **[Transportation equipment (motor vehicles and motorcycles)]**

Higher tariffs due to trade restrictions a main factor in increased costs

- Steel material costs make up about half of all our costs. Because of this, tariffs brought our manufacturing costs up by 10%. We’ve been exempt since the end of December, but refunding of the taxes already paid is uncertain **[Transportation equipment (motor vehicles and motorcycles)]**

Fig.29 Breakdown of related regulations (Multiple answers)



<Ref.> Factors for Increased Cost (by region)

Breaking down the cost increases by region, “recruiting workers” was the highest in the South (75.1%), while “labor costs” was the most significant in the West (71.9%). In terms of related regulations, “environmental regulations” were the greatest concern in the Midwest (46.2%), while “visa application for Japanese expats” accounted for most of the cost increases in the West (34.5%).

Fig.30 Management issues (1) Factors for increased cost (Multiple answers, by regions)

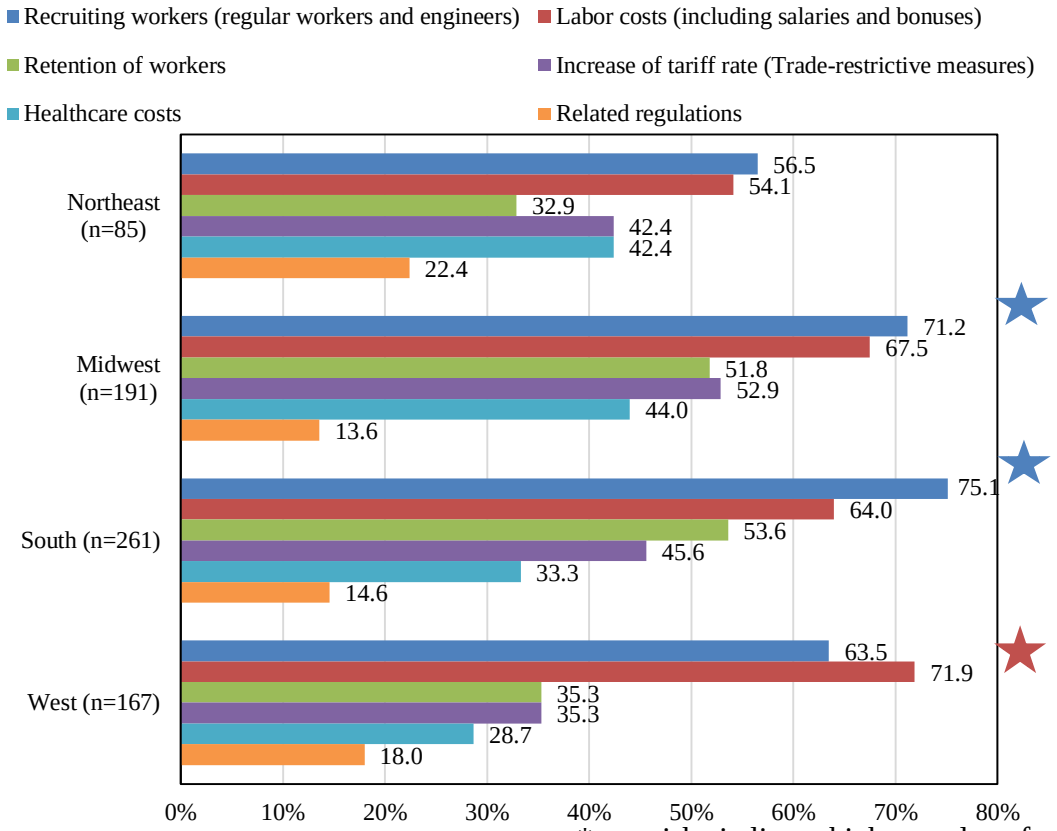
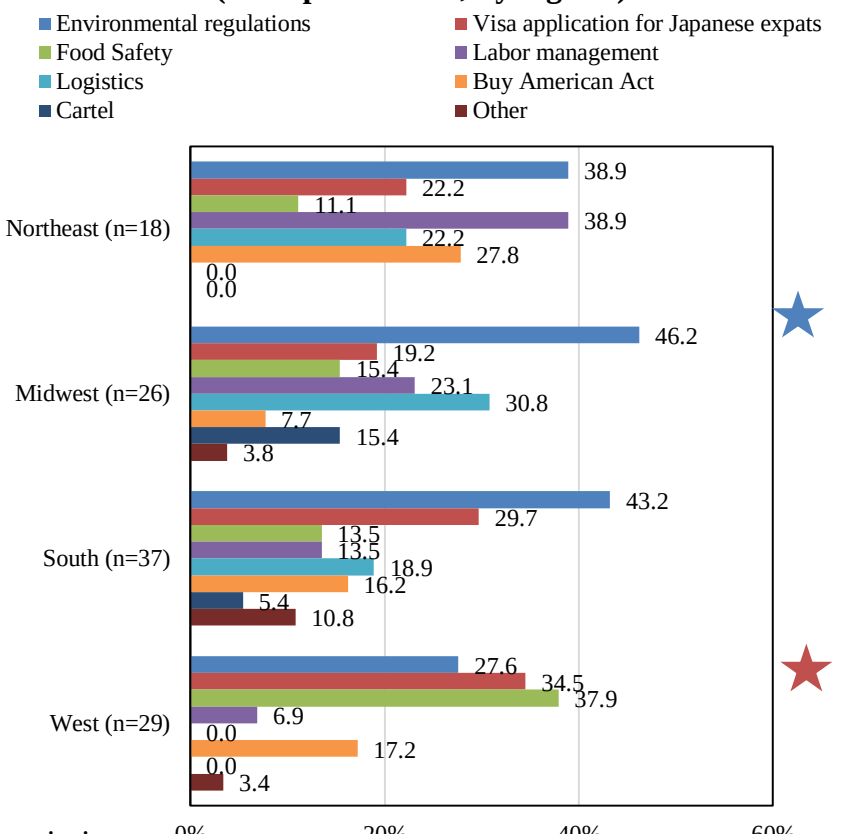


Fig.31 Management issues (1) Factors for increased cost (Multiple answers, by regions)

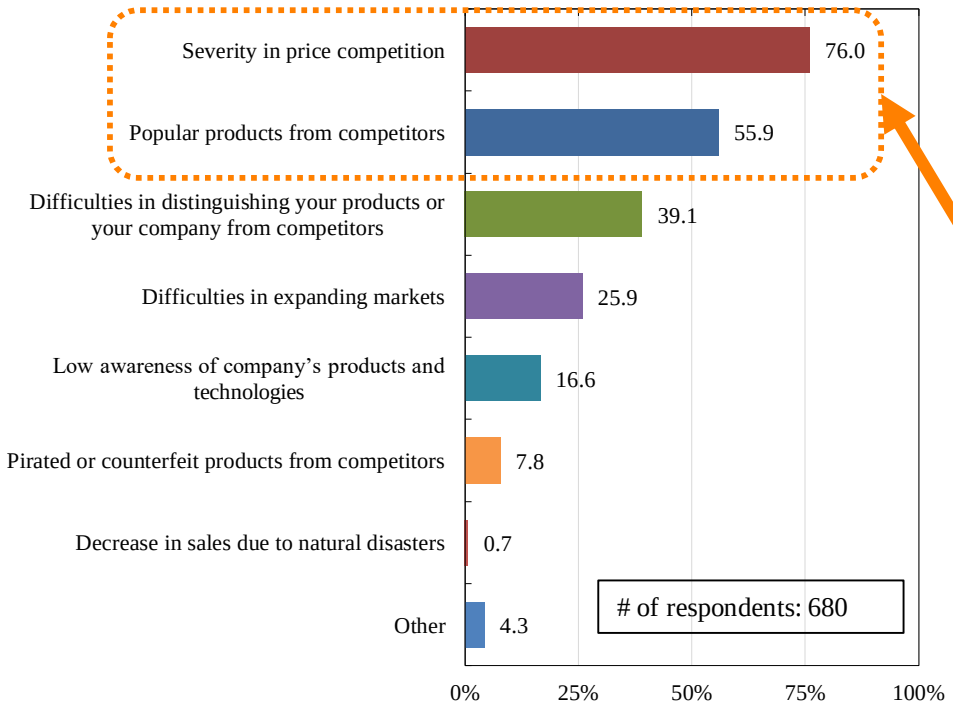


* asterisks indicate highest values for main items

4. Factors Hindering the Increase of Sales: Price Competition Continues, Differentiation Sought

"Severity in price competition" and "popular products from competitors" remained the top factors as in previous years. Not only are companies working to reevaluate their costs, they are also seeking to capture demand by differentiating themselves from competitors and engaging in joint development with customers.

Fig.32 Factors suppressing sales（Multiple answers）



Intensification of price competition and efforts at differentiation

- Price competition has heated up so intensely that a customer has asked for price cuts. **[Chemical/petroleum products]**
- Competitors are in a wide range of regions, including China, Asia and Europe. **[Electrical machinery/electronic devices]**
- Competitors are US companies as well as European companies with a long history of operations in the US. We try to differentiate ourselves through customer-friendly technologies and quicker deliveries. **[General and manufacturing equipment]**
- The biggest competitor is a German company. Our countermeasures are quality enhancement and service improvement. **[Miscellaneous manufacturing]**
- Price competition is heating up for automotive plastic products, so we are seeking to differentiate ourselves with products using proprietary technology. **[Plastic products]**
- There is a price gap with materials from Taiwanese companies. So we highlight our quality, stable supply and domestic US production to our customers **[Transportation equipment (motor vehicles and motorcycles)]**
- We endeavor to collaborate and conduct joint development with our customers so we can attract new customers. **[Food/agricultural products]**

5. Effects of USMCA: Some in the Auto Industry Worried About Negative Impacts

Asked about the US-Mexico-Canada Agreement (USMCA), a treaty replacing NAFTA, a majority (51.4%) said it will have "no impact," while 35.0% said they are "not sure." While just 6.3% said they see "negative impacts," the ratio was higher (14.8%) in the transportation equipment and parts industry (motor vehicles and motorcycles) than elsewhere. The types of negative impacts anticipated by companies in that industry are: "meeting the labor value content rule" (21.3%), "the requirement to purchase 70% North American steel and aluminum" (18.4%), "review of product specific rules of origin (17.9%), and "exclusion from section 232 measures of the Trade Expansion Act with respect to passenger vehicles and light trucks and automotive parts if the U.S. imposes such measures" (16.1%).

Fig. 33 Effects from the ratification of USMCA

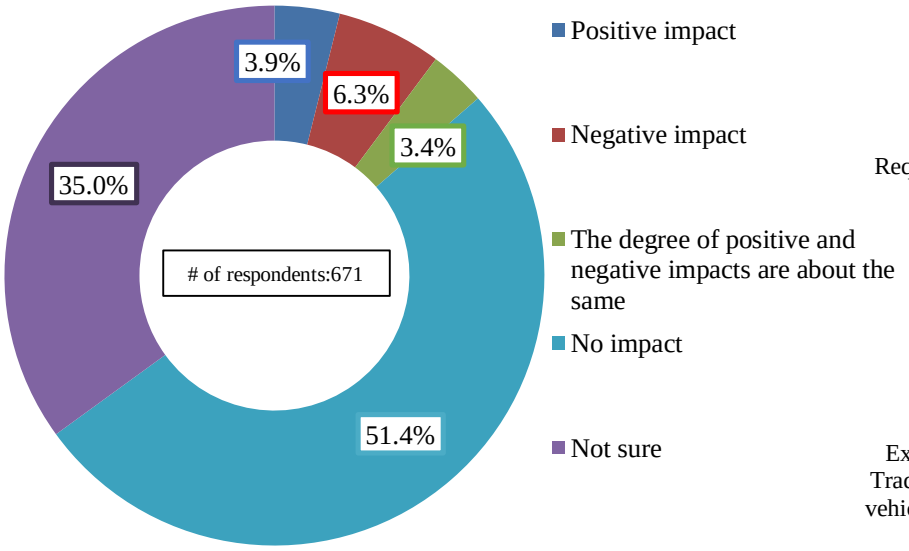
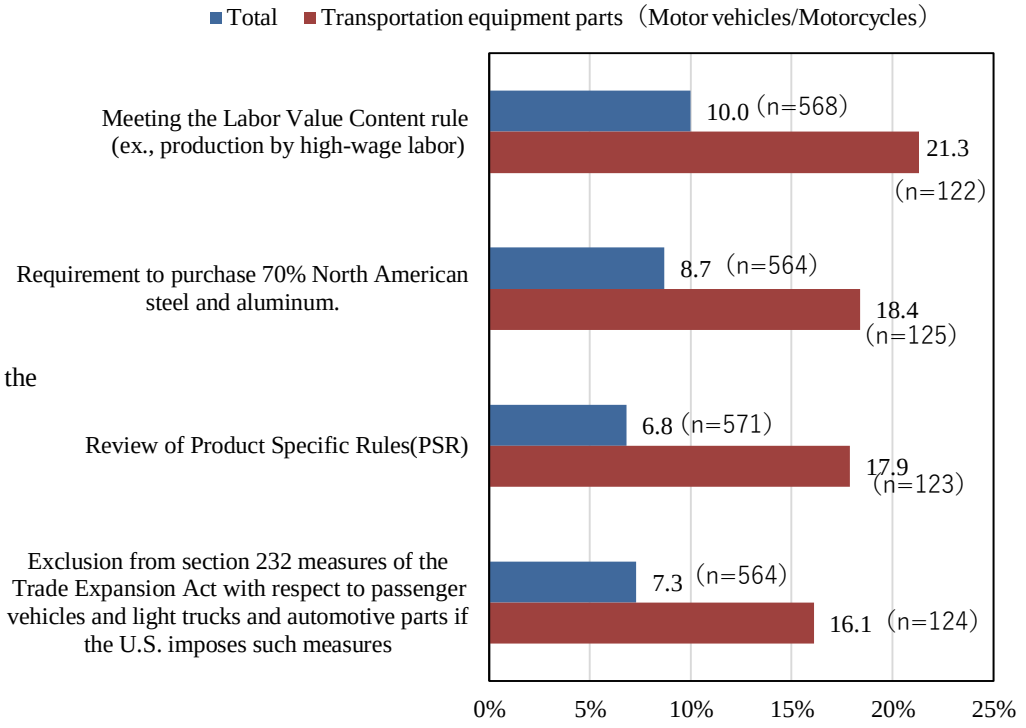


Fig. 34 Major types of "negative impacts" expected from the ratification of USMCA



5. USMCA Countermeasures: Majority Has Yet to Respond

Asked about measures to cope with USMCA, most of the respondents said they either plan to make no changes (56.4%) or are "not sure" (28.4%). Among those considering specific measures, "raising of sale prices" (11.0%) was the most common answer, followed by "change of procurement sources" (3.7%) and "change of production bases" (2.5%). Among the transportation equipment and parts industry (motor vehicles and motorcycles), "make no changes" (42.3%) was the top answer. As specific measures, more than 10% of the respondents cited "raising of sale prices" (15.3%) and "change of procurement sources" (10.2%). With the growing trend of local production-local consumption in the North American market, several companies said they will switch to US or Mexican suppliers from elsewhere.

Fig. 35 Countermeasures to NAFTA renegotiation (Multiple answers)

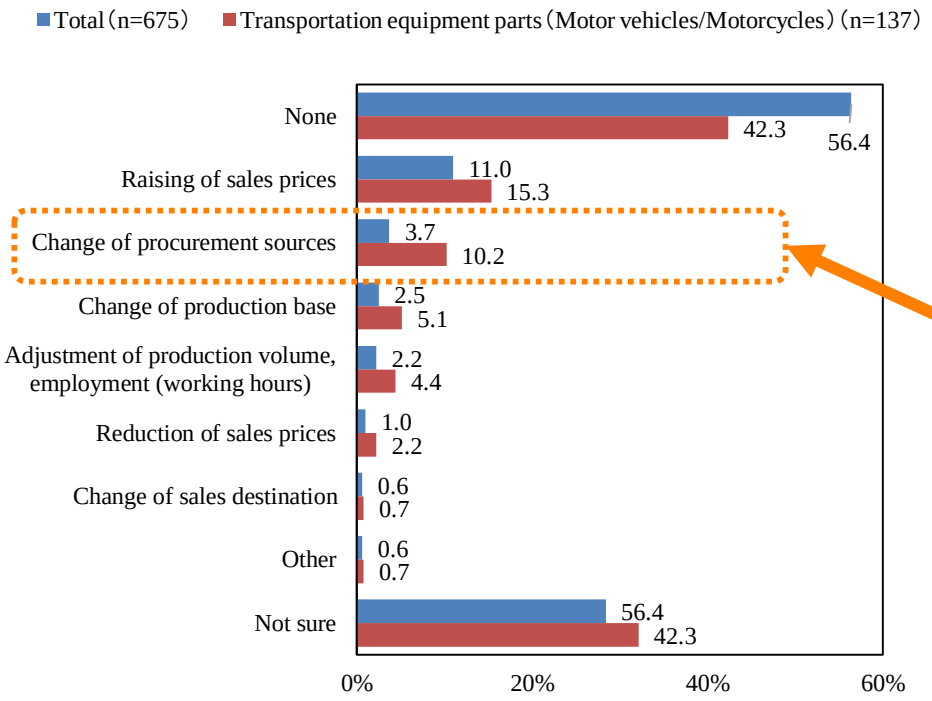


Fig. 36 Case of companies changing procurement sources due to NAFTA renegotiation

Industry	Before the Change		After the Change
Transportation equipment parts （Motor vehicles/Motorcycles）	China	→	U.S.
	China	→	Mexico
	Japan	→	U.S.
	Japan	→	Mexico
	ASEAN	→	Japan
Rubber products	China	→	U.S.
Transportation equipment parts （Railroad vehicles/Ship/Aircraft/Industrial trucks）	China	→	Mexico
Fabricated metal products(Including plated products)	China	→	Mexico
Textiles （Spinning/Woven fabrics/Chemical fibers）	China	→	Asia/Mexico
Chemical and allied products/Petroleum products	Japan	→	U.S.
Business oriented machinery(Including office machines, analytical instruments and medical equipment, etc)	Japan	→	U.S.
Plastic products	U.S.	→	Mexico
Transportation equipment （Motor vehicles/Motorcycles）	Mexico	→	U.S.

5. Interests in Trump Administration Policies

Respondents showed most interest in “trade” (81.3%), showing an increase from the last survey (76.5%). Among trade policies, “additional tariffs” was the top answer (73.9%), followed by “USMCA” and “Japan-US trade talks.” In “diplomacy” (66.6%), interest in US-Japan and US-China policies grew drastically over the previous year (57.9%→74.3% and 28.7%→68.3%, respectively). Meanwhile, interest in “social welfare” declined sharply (62.5%→41.8%).

Fig. 37 Interests in the Trump Administration’s policies by field (Multiple answers)

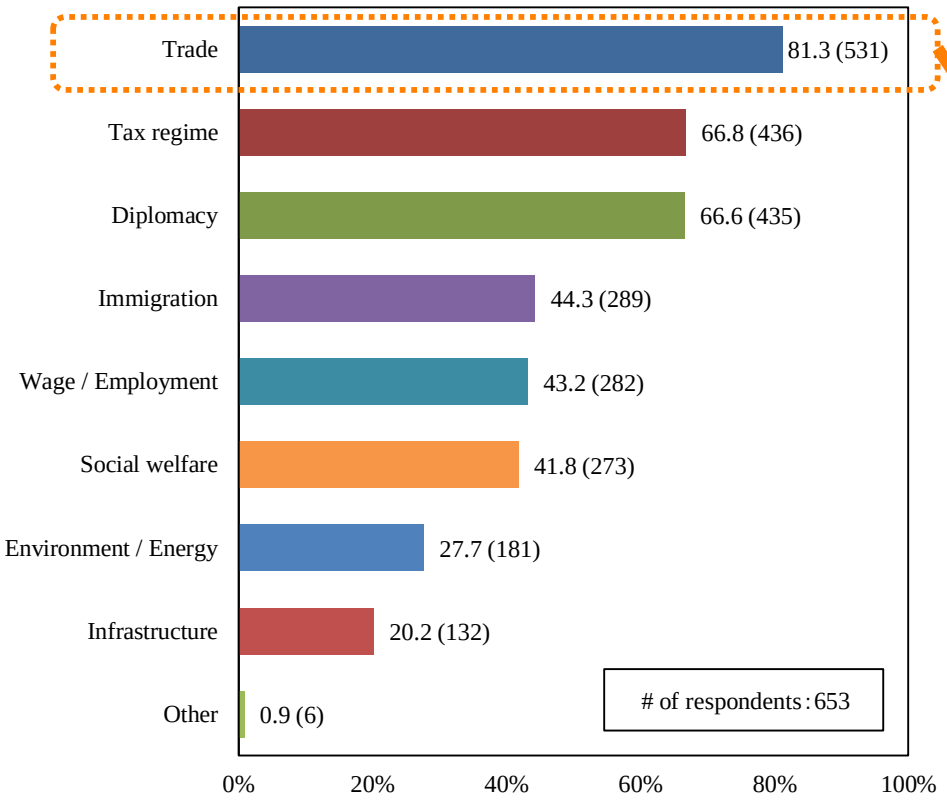
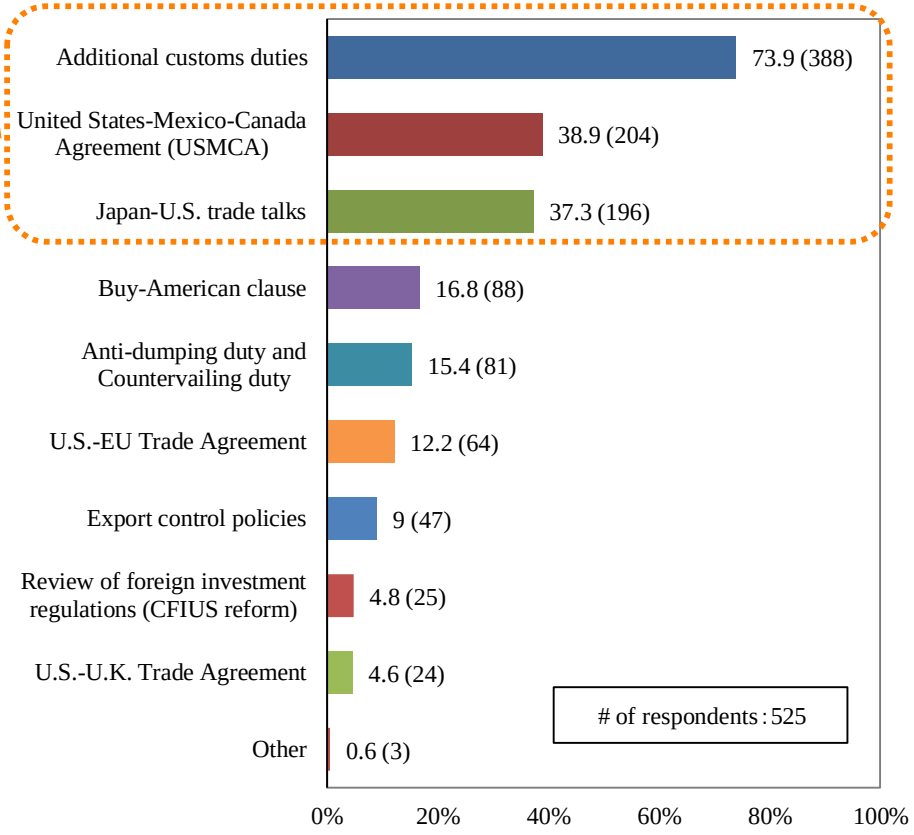


Fig.38 Interests in Trade



<Ref.> Interest in Trump Administration Policies (by regions)

Interest in trade was the highest in the Midwest (86.4%), while trade was also the top answer in all other areas: the South (83.2%), the Northeast (80.2%) and the West (72.8%). Within subareas of trade, all regions showed their greatest interest in "additional tariffs," with the South recording 78.2%. The Midwest showed a stronger interest in the USMCA than any other region.

Fig.39 Interests in Trump Administration policies (Multiple answers, by regions)

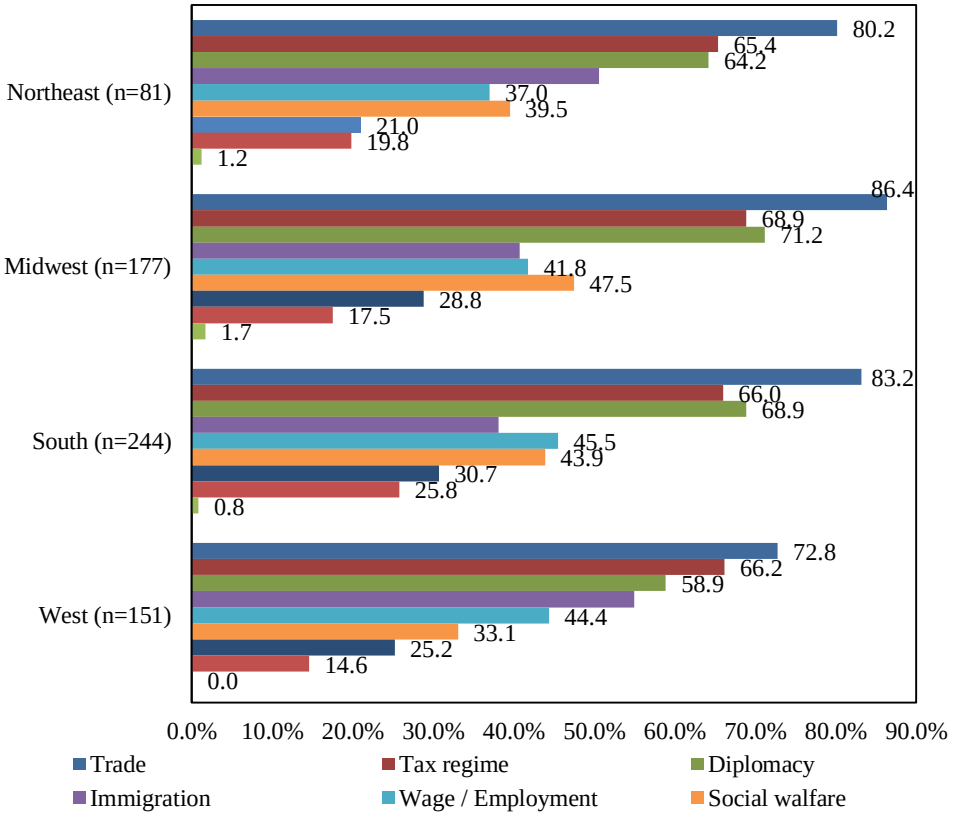
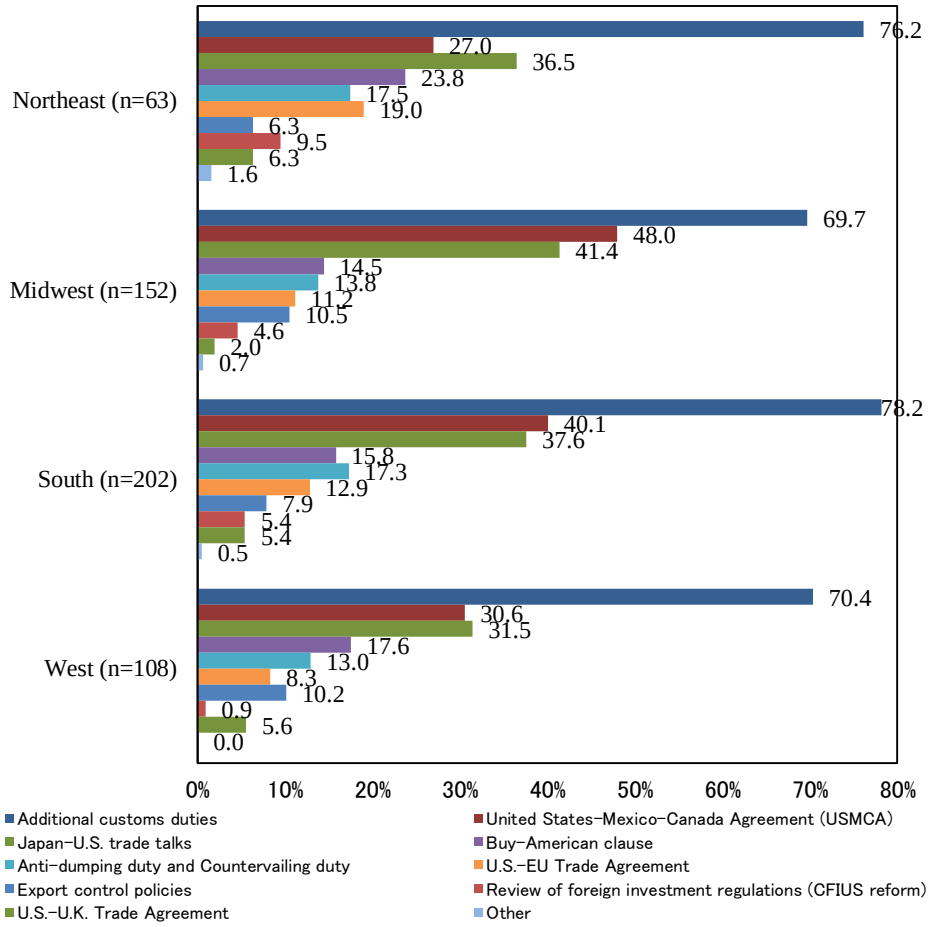


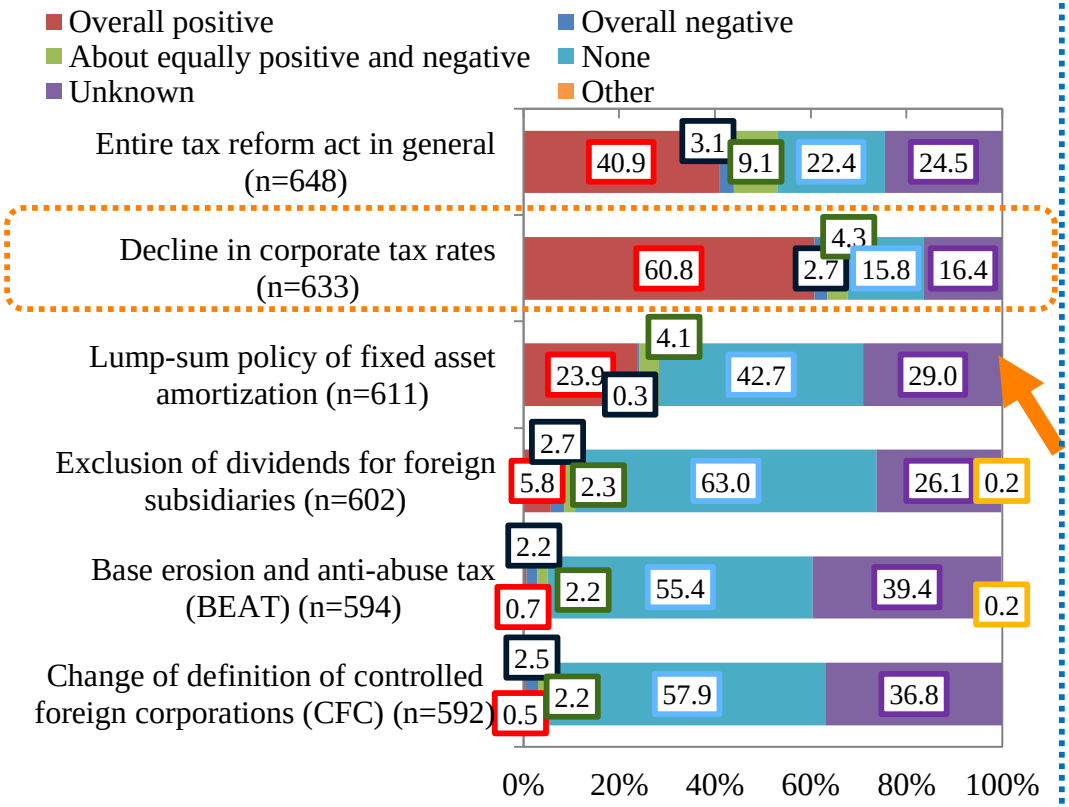
Fig.40 Interests in trade (Multiple answers, by regions)



5. Effects of the Tax Reform Act: Over 40% See Positive Effects

More than 40% of respondents expect positive effects from the tax reform legislation as a whole, with 60.8% seeing a positive effect from the cut in the federal corporate tax rate. A majority (55.4%) expect no effects from the base erosion and anti-abuse tax (BEAT), while 40% said they are not sure of its implications.

Fig.41 Effects of the Tax Reform Act (Multiple answers)



Companies saying they would re-invest a surplus to be generated from the federal corporate tax cut were notable, but some said this would be more than offset by the negative impacts from the additional tariffs

- We will use to expand operations here. **[General/manufacturing equipment and many others]**
- We will use it for capital investment in North America. **[Plastic products]**
- We will try to make growth-oriented investment. **[Transportation equipment (motor vehicles and motorcycles)]**
- The cut in the corporate tax rate will be absorbed by the effects of tariffs, so profit will decrease. **[Transportation equipment and parts (motor vehicles and motorcycles)]**
- The surplus will be offset by the effects of the steel tariffs, so will not be available for use. **[Transportation equipment and parts (motor vehicles and motorcycles)]**
- In countries other than the US, marketing expenses will increase. We will hike prices for key products. **[Electrical machinery/electronic devices]**

5. Industrial Fields Where Market Growth is Expected Going Forward for the Next 2 to 3 Years

Asked about "areas with growth potential for the next 2 to 3 years," information and communication technology (ICT) was the most popular answer, followed by healthcare and the environment. While ICT jumped 20 percentage points from the last survey in 2016, the top 10 ranking did not change.

Fig.42 Industrial fields where market growth is expected going forward

(Unit: %)

2016 (# of respondents 651)		2018 (# of respondents 665)	
ICT	51.5	ICT	71.6
Medical	46.9	Medical	44.7
Environment	43.2	Environment	30.4
Health	26.1	Health	25.7
Robotics/Mechatronics	17.1	Robotics/Mechatronics	20.3
Information Security	14.3	Information Security	14.7
Oil/Natural Gas	11.7	Oil/Natural Gas	13.4
Biotechnology	11.2	Biotechnology	9.5
Transportation	7.8	Transportation	9.2
Nanotechnology	5.5	Nanotechnology	5.3
Rail/Roads/Bridges	4.6	Agriculture and food processing	2.6
Agriculture and food processing	3.4	Rail/Roads/Bridges	2.0
Real estate	3.2	Pro and business services	1.5
Social infrastructure	2.9	Real estate	1.4
Pro and business services	2.8	Social infrastructure	1.2
Other	2.2	Accomm., food and ENTMT services	0.9
Educational services	2.0	Educational services	0.2
Accomm., food and ENTMT services	0.8	Other	0.0

Comments from respondents that chose ICT

- There has been a drastic advance in the digital economy. **[Miscellaneous manufacturing]**
- Manufacturing operations at US bases will not grow due to high costs. **[Textiles]**
- The aging of the US population, the need for improving production efficiency, and the lack of veteran workers are the reasons. **[Miscellaneous manufacturing]**
- Strong expectations and demand for information technology in the industry, which requires convenience and efficiency, will lead to expansion of the new information industry. **[Transportation equipment (motor vehicles and motorcycles)]**
- Shipments of goods will increase through IT-driven business optimization, and recent transport restrictions will lead to investment and growth in the logistics field. **[Transportation equipment (motor vehicles and motorcycles)]**
- Automated technology designed to address the shortage of labor has advanced. **[Transportation equipment (motor vehicles and motorcycles)]**

5. Regions Where Market Growth is Expected Going Forward for the Next 2 to 3 years

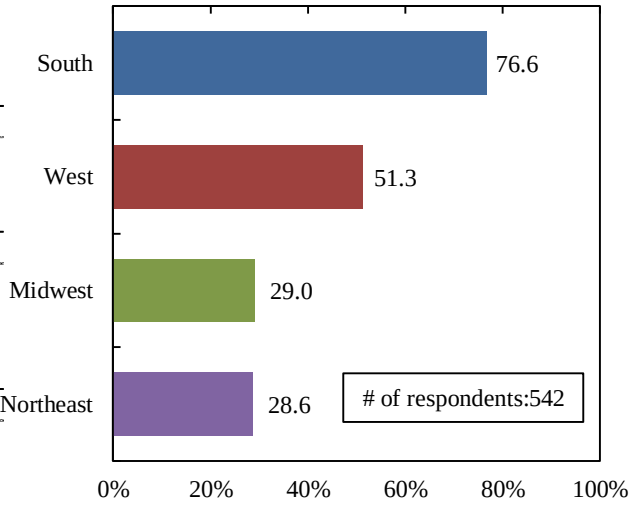
As “regions with expansion potential over the next 2 to 3 years,” nearly 80% of the respondents are keeping a close eye on the South, as 77.7% did in the previous survey. By state, Texas and California took the top spots for a fourth straight survey. Alabama, which ranked eighth last time, came in third place, while North Carolina and Washington rose from 12th and 14th place, respectively, to tie at sixth place.

Fig.43 States where market growth is expected going forward for the next 2 to 3 years (Multiple answers, by fields)

Order	State	Industry	Responces
1	Texas		**242**
		Electrical machinery/Electronic devices	38
		Miscellaneous manufacturing industries	35
		Transportation equipment parts (Motor vehicles/Motorcycles)	31
2	California		**189**
		Electrical machinery/Electronic devices	35
		Miscellaneous manufacturing industries	31
		Food/Processed food, agricultural or fishery products	23
3	Alabama		**90**
		Transportation equipment parts (Motor vehicles/Motorcycles)	29
		General-purpose machinery/Production machinery	9
		Electrical machinery/Electronic devices	9
4	New York		**86**
		Food/Processed food, agricultural or fishery products	18
		Miscellaneous manufacturing industries	18
		Chemical and allied products/Petroleum products	10
		Electrical machinery/Electronic devices	10
5	Georgia		**73**
		Transportation equipment parts (Motor vehicles/Motorcycles)	13
		Electrical machinery/Electronic devices	10
		General-purpose machinery/Production machinery	9
		Miscellaneous manufacturing industries	9
6	Illinois		**49**
		Miscellaneous manufacturing industries	8
		Food/Processed food, agricultural or fishery products	7
		General-purpose machinery/Production machinery	6
		Transportation equipment parts (Motor vehicles/Motorcycles)	6
6	North Carolina		**49**
		Miscellaneous manufacturing industries	9
		Chemical and allied products/Petroleum products	7
		General-purpose machinery/Production machinery	7
6	Washington		**49**
		Miscellaneous manufacturing industries	9
		Electrical machinery/Electronic devices	7
		Food/Processed food, agricultural or fishery products	6
		Chemical and allied products/Petroleum products	6
9	South Carolina		**47**
		Transportation equipment parts (Motor vehicles/Motorcycles)	8
		General-purpose machinery/Production machinery	7
		Miscellaneous manufacturing industries	7
10	Tennessee		**46**
		Transportation equipment parts (Motor vehicles/Motorcycles)	10
		General-purpose machinery/Production machinery	7
		Miscellaneous manufacturing industries	6

# of respondents:435

Fig.44 Regions where market growth is expected going forward for the next 2 to 3 years (Multiple answers)



<Reference>

Effects of Trade Restrictive Measures

Effects of Trade Restrictive Measures: 75% of the Respondents Described Them as "Negative Impacts"

Asked about the nature of effects on business due to protectionist measures, including higher tariffs, 75.0% of the respondents (390 companies) described them as "negative impacts," while 14.6% said they had "no impact" and 13.5% described them as "positive impacts." Asked about what areas would be negatively affected by trade restrictive measures in general, 66.3% (317 companies) said "procurement/import costs," 44.8% "production costs" and 38.6% "sales in (US) local markets".

Fig.45 Effects of trade restrictive measures (Multiple answers)

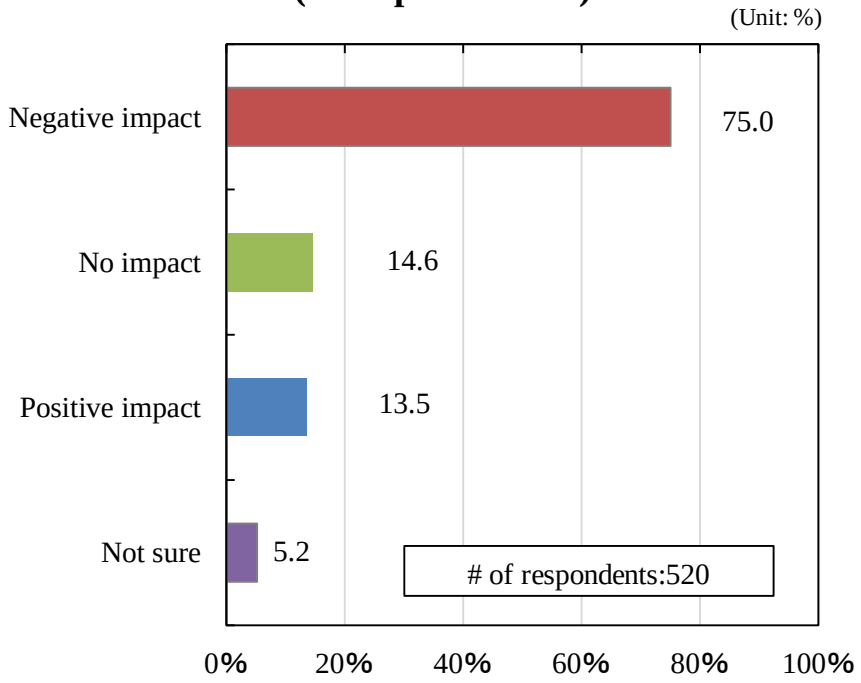
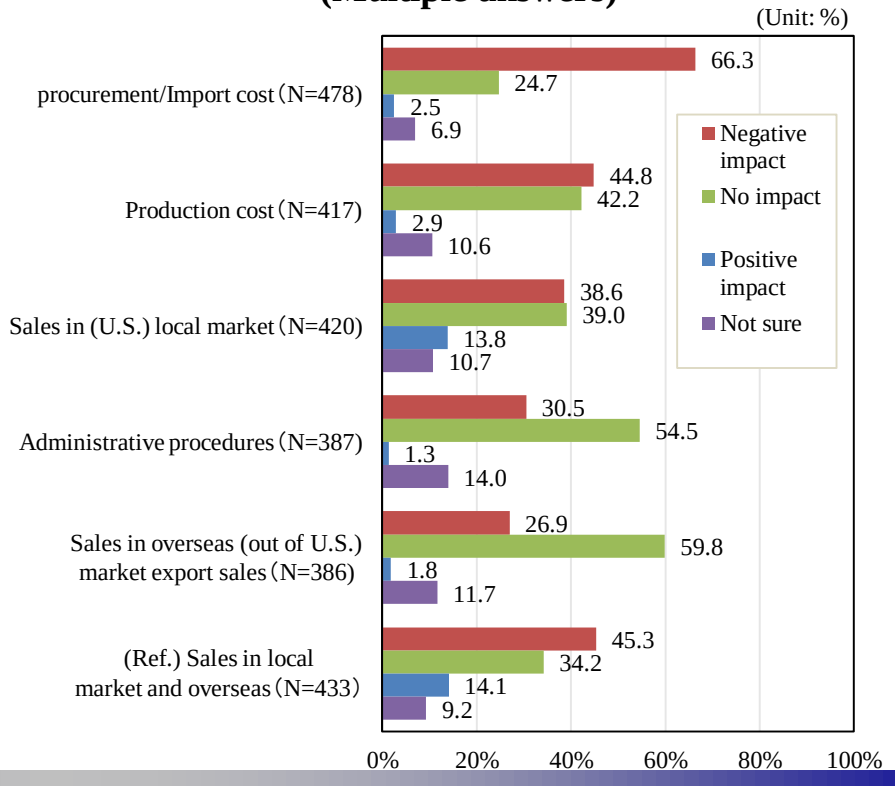


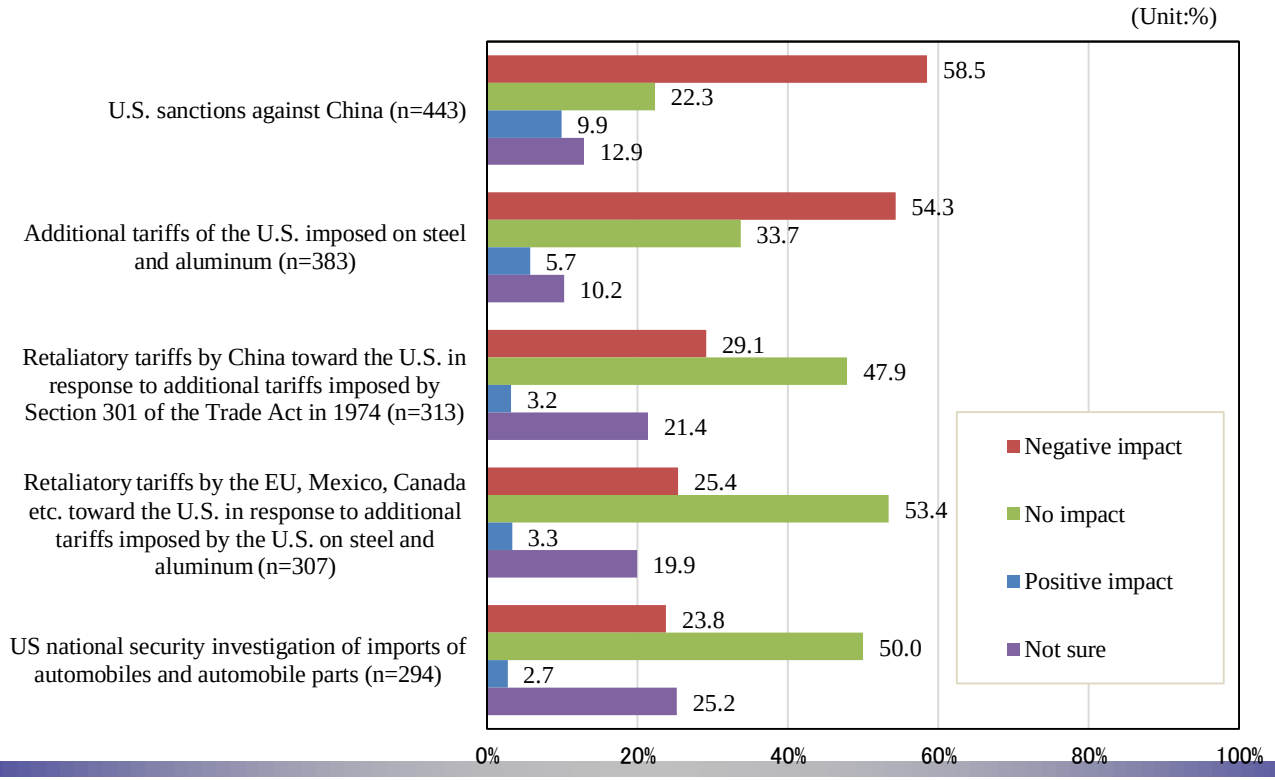
Fig.46 Areas to be effected by trade restrictive measures (Multiple answers)



Effects by Measure:
About 60% Say “US Sanctions against China” Will Have Negative Impacts

Asked about the effects of trade restrictive measures by type and country/region, 58.5% (259 companies) expected “negative impacts” from “US sanctions against China,” while 54.3% (208 companies) saw “negative impacts” from “additional tariffs of the U.S. imposed on steel and aluminum,” both exceeding 50%. The following industries had higher proportions of respondents citing negative impacts. US sanctions against China: rubber products (87.5%, seven companies), Electrical machinery/electronic devices (78.1%, 57 companies); additional US tariffs on steel and aluminum: iron and steel (83.3%, 15 companies), transportation equipment and parts (motor vehicles and motorcycles) (76.5%, 62 companies).

Fig.47 Effects of trade restrictive measures by type and country/region (Multiple answers)



Effects on Operating Profit Outlooks: 337 Companies See “No Impact”

Asked about any effects trade restrictive measures by the US or other countries will have on their operating profit forecasts for 2018, about half of the respondents (337 companies, or 49.1%) said “no impact,” while 156 companies (22.7%) said they predict a “decrease.” A total of 105 companies (73.4%) expect an operating profit decrease of 10% or less, while 21 companies (14.7%) see a decrease of 21% or greater.

Fig. 48 Effects on 2018 operating profit projections

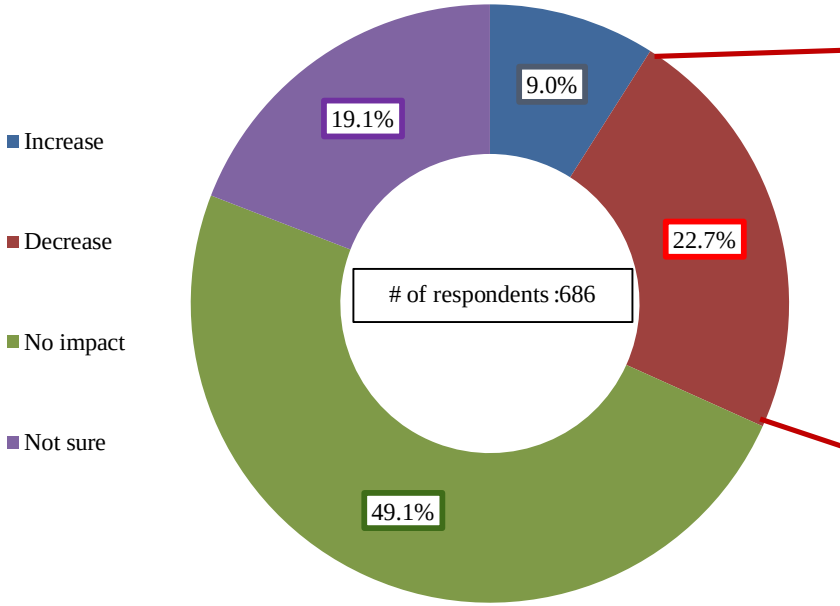
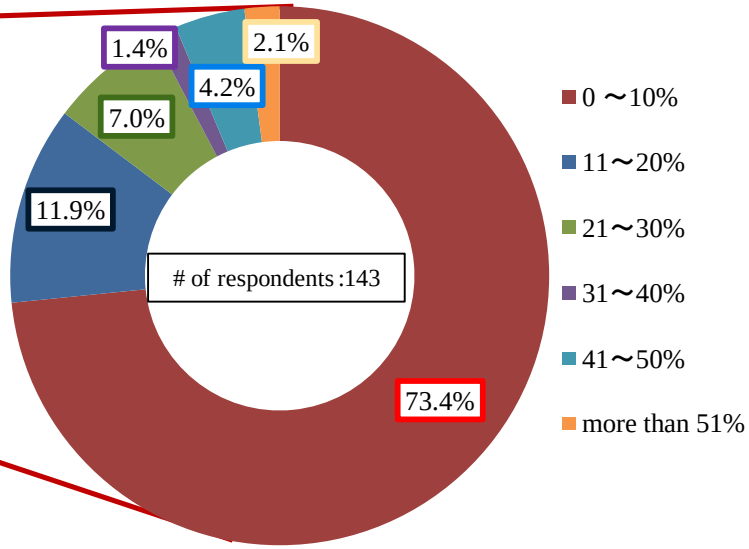


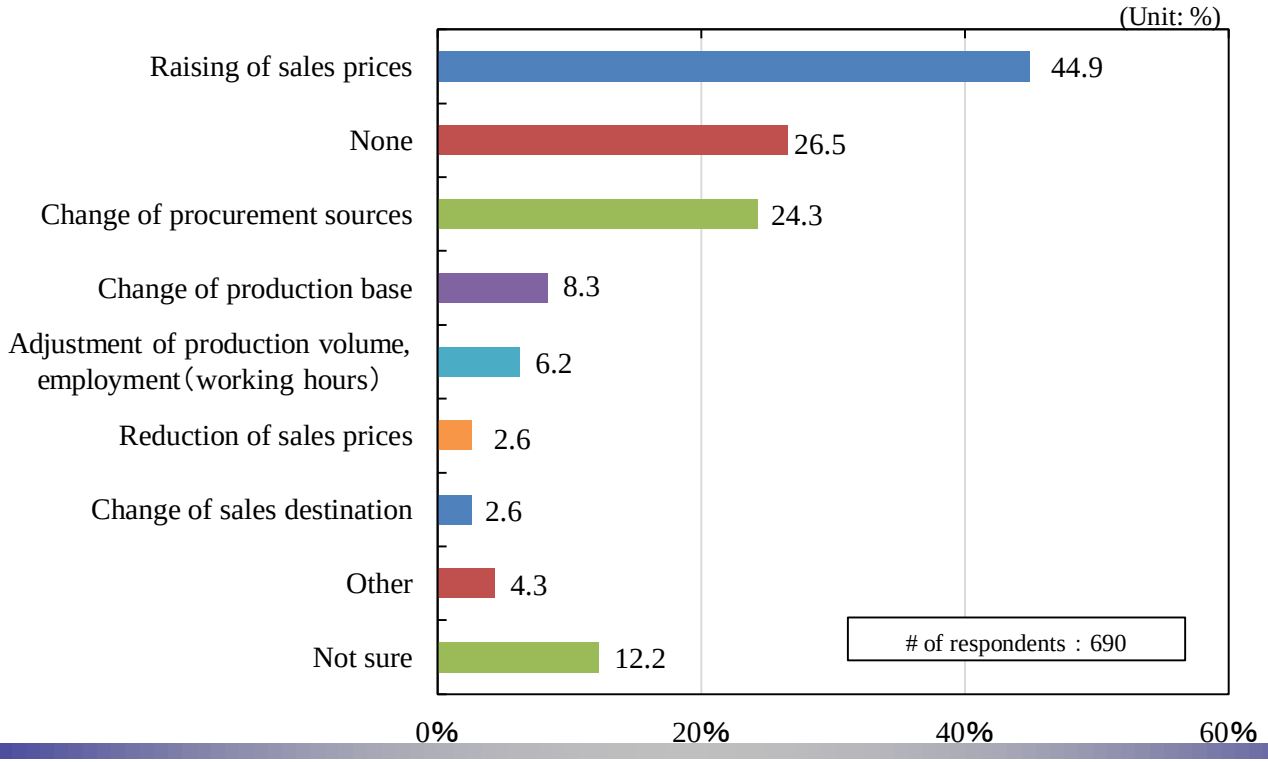
Fig.49 Projected decrease in 2018 operating profit



Countermeasures: Nearly Half to Address the Effects With “Raising of Sales Price”

Asked about measures to address the effects of changes in the business environment such as tariff increases, 44.9% (310 companies) said they will raise sale prices, while 24.3% (168 companies) said they will change procurement sources and 8.3% (57 companies) reported they will “change production bases.” Meanwhile, 26.5% (183 companies) said they will make no changes. By industry, the electrical machinery/electronic devices industry and the transportation equipment and parts (motor vehicles and motorcycles) industry had numerous companies considering raising prices (55 companies and 49 companies, respectively); similarly, 34 companies in the transportation equipment and parts (motor vehicles and motorcycles) industry and 23 companies in the electrical machinery/electronic devices industry cited changing procurement sources.

Fig. 50 Measures to cope with the changing business environment, including tariff increases (Multiple answers)



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