February 28, 2014

Economic and Social Research Institute

FY2013 Annual Survey of Corporate Behavior

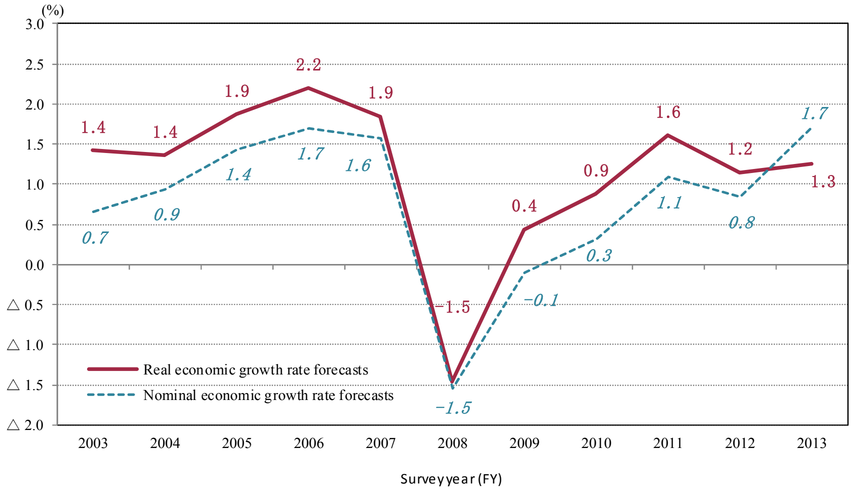
(Summary)

1. Forecast of Japan's economic growth rate

- The real economic growth rate forecast for the "next fiscal year" (FY2014) was 1.3%, higher than the previous survey's result (1.2%) and marked a rise for the fifth consecutive year.
- For the first time since FY2003, the nominal economic growth rate forecast was higher than the real rate forecast, suggesting that future price increase has been taken into consideration.

Note: Nominal economic growth rate figures have been included from the FY2003 survey.

[Fig. 1] Trend of Japan's real and nominal economic growth rate forecasts for "next FY"



(%, % points)

Survey year (FY)	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Nominal economic growth rate forecasts	0.7	0.9	1.4	1.7	1.6	-1.5	-0.1	0.3	1.1	0.8	1.7
Real economic growth rate forecasts	1.4	1.4	1.9	2.2	1.9	-1.5	0.4	0.9	1.6	1.2	1.3
(Nominal minus Real)	-0.8	-0.4	-0.4	-0.5	-0.3	-0.1	-0.6	-0.6	-0.5	-0.3	0.5

*Figures derived by rounding the subtraction result to tenths.

Coverage	All companies listed on the First Section and Second Section of the Tokyo and Nagoya Stock Exchanges (2,395 companies as of November 1, 2013)
Responding companies	867 (439 in manufacturing industries, 428 in non-manufacturing industries)
Response rate	36.2%
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, growth rate of capital investment, change in the number of employees, overseas production ratio, etc.
Period of the survey	January 2014

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http://www.esri.cao.go.jp/en/stat/ank/ank-e.html

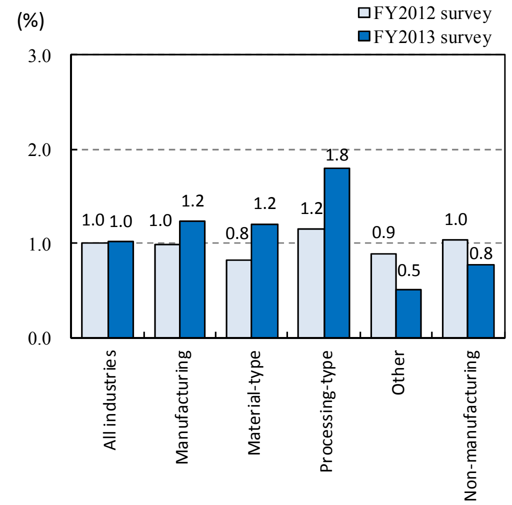
２． Demand forecast

■ The forecast of the real growth rate of industry demand for the “next fiscal year” (FY2014) was 1.0% (a plus forecast for the fourth consecutive year).

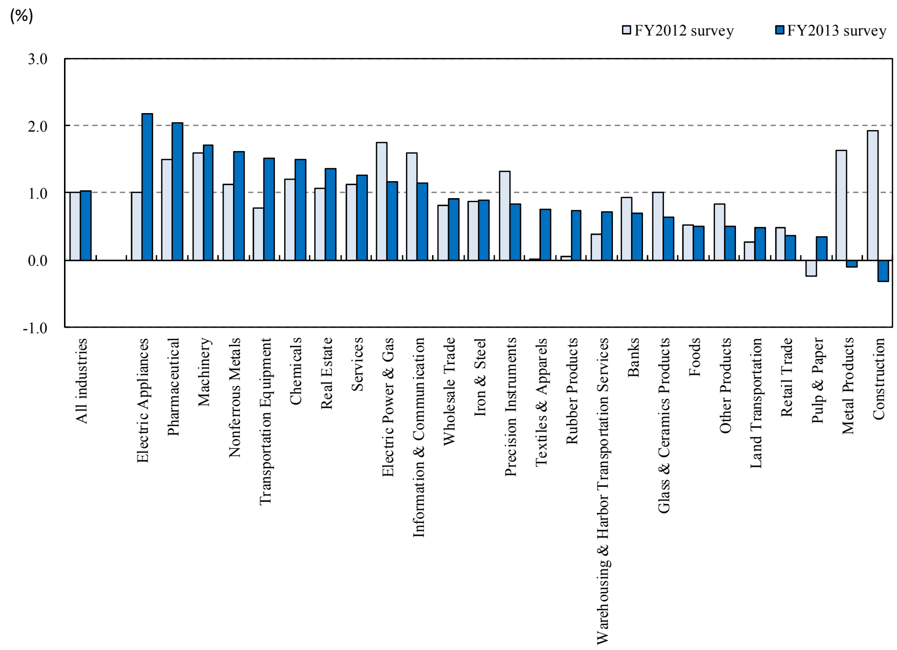
■ The manufacturing industries’ figure rose from the previous year’s result of 1.0% to 1.2%, while that of the non-manufacturing industries fell from 1.0% to 0.8%.

■ Within the manufacturing industries, the 1.8% figure of the processing-type sector was the highest forecast, also showing a large growth from the previous year’s 1.2%.

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



[Fig. 3] Real growth rate forecasts of industry demand by sector compared to the previous year’s results (next fiscal year)

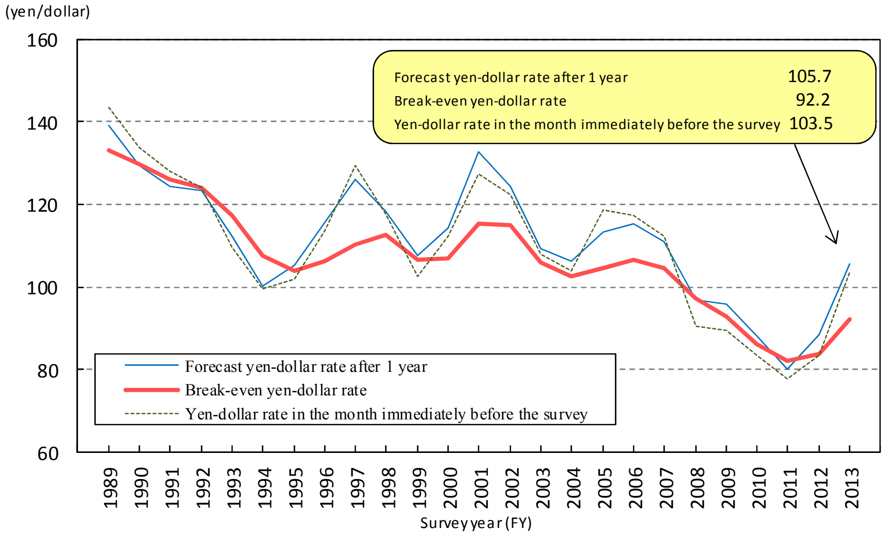


Note: Sectors only include those with 5 or more responding companies in the FY2012 and FY2013 survey.

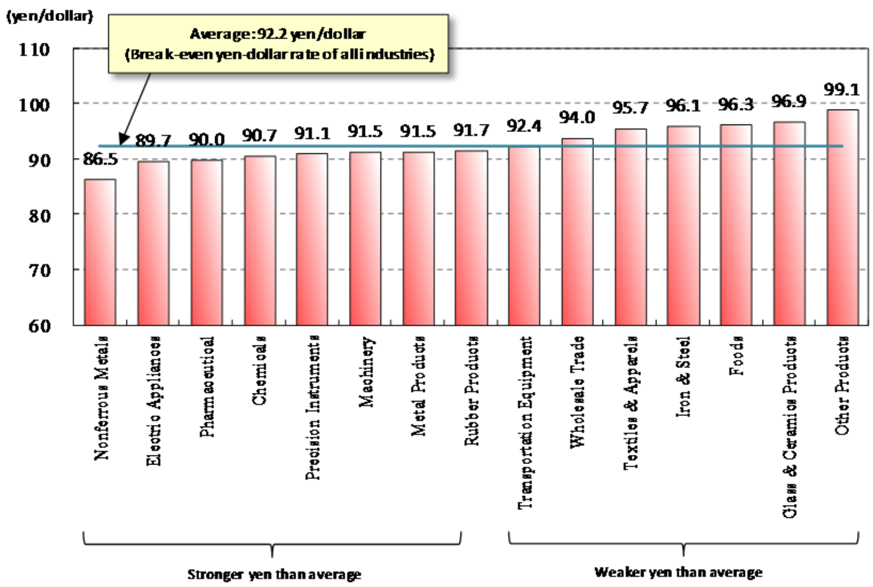
３．Exchange rates

- ■ The forecast yen-dollar rate after 1 year (around January 2015) was 105.7 yen/dollar. This is 17.4 yen lower from the previous year's results (88.4 yen/dollar).
  - ・ The forecast rate has fallen for the second consecutive year.
  - ・ The figure is also 2.3 yen lower than the yen-dollar rate in the month immediately before the survey (103.5 yen/dollar in December 2013).
- ■ The break-even yen-dollar rate for exporting companies was 92.2 yen/dollar. This was 8.4 yen lower than the previous year's result (83.9 yen/dollar).
  - ・ The break-even rate has fallen for the second consecutive year.
  - ・ The figure is 11.2 yen higher than the yen-dollar rate in the month immediately before the survey (103.5 yen/dollar in December 2013).
- ■ Compared to the average break-even yen-dollar rate throughout all industries, the yen levels for "Glass & Ceramics Products" and "Others Products" sectors were lower, while those for "Nonferrous Metals" and "Electric Appliances" were higher.

[Fig. 4] Trend of the forecast yen-dollar rate after 1 year and the break-even yen-dollar rate (all industries basis)



[Fig. 5] Break-even yen-dollar rate by sector



Note 1: "Forecast yen-dollar rate" refers to the class value average, and "break-even yen-dollar rate" refers to the average of actual values.
Note 2: "Break-even yen-dollar rate" represents the value of only companies that are conducting exports (average of actual values).
Note 3: Sectors only include those with 5 or more responding companies.

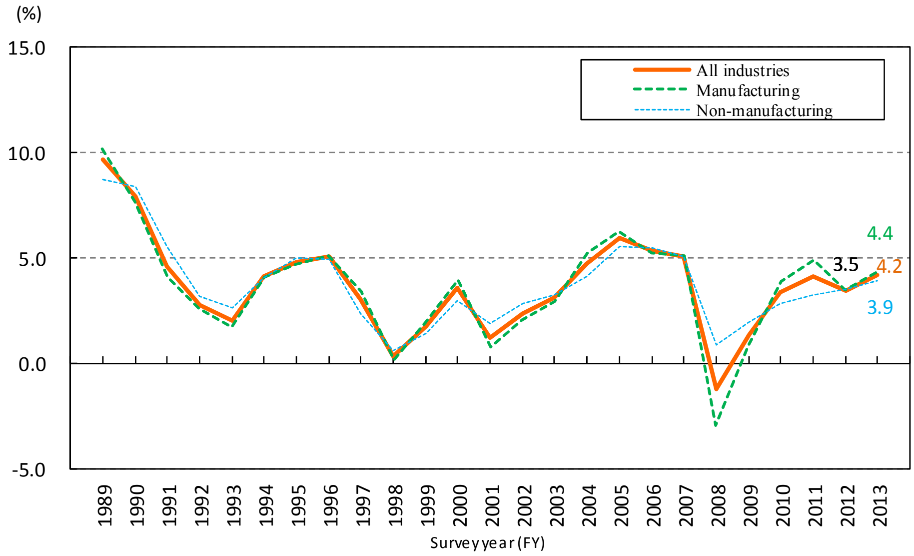
4． Growth rate of capital investment

■ The growth rate forecast of capital investment over the "next 3 years" (average of FY2014-2016) was 4.2%.

This was larger than the previous year's survey result of 3.5%, marking the fifth consecutive year of increase.

■ The growth rate forecasts for manufacturing and non-manufacturing industries were 4.4% and 3.9% each, which are higher than the previous year's figures (3.5% for both industries).

[Fig. 6] Trend of growth rate forecasts of capital investment over the next 3 years by industry



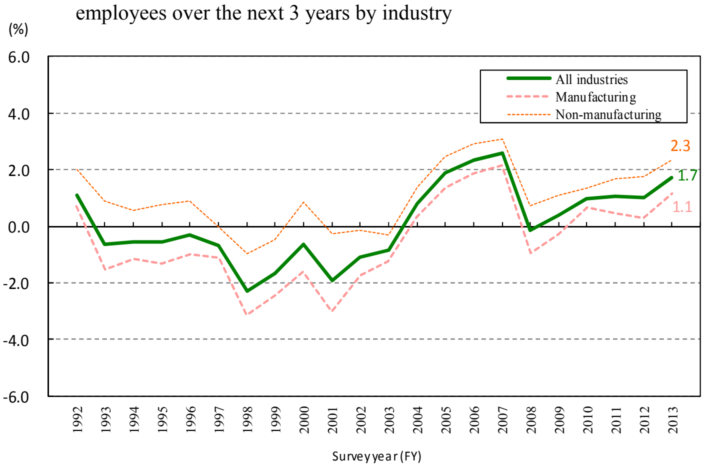
5． Change in the number of employees

■ The growth rate forecast for the number of employees over the "next 3 years" (average of FY2014-2016) was 1.7%.

· This was larger than the previous year's survey result of 1.0%.

· The figure is also larger than the "past 3 years" (average of FY2011-2013) rate of 0.7%.

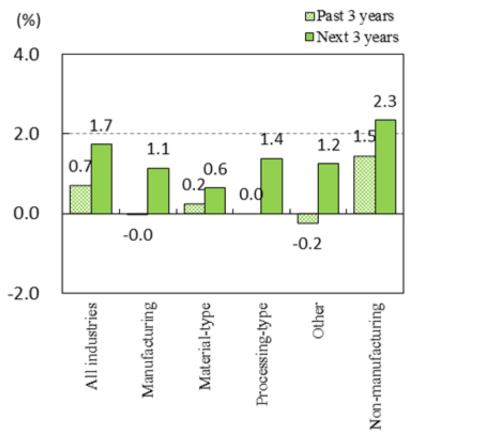
[Fig. 7] Trend in forecast rate of changes in the number of employees over the next 3 years by industry



Note1: The survey of the rate of change in the number of employees started in FY1992.

Note2: Only the FY2003 survey represents figures for "regular employees."(The FY2003 survey was for "regular employees" and "part-time and temporary employees.")

[Fig.8] The rate of change in the number of employees by industry ＜By industry＞

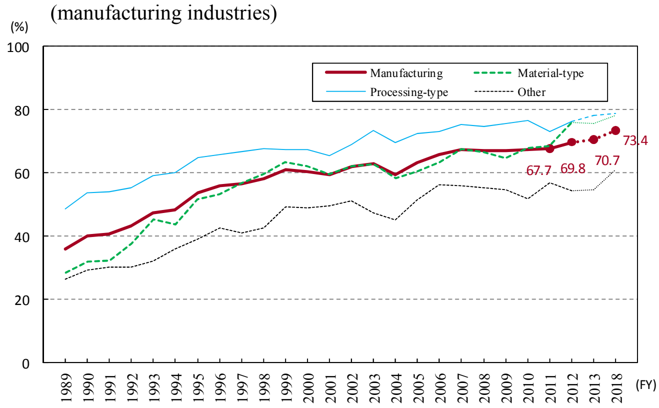


6． Overseas production

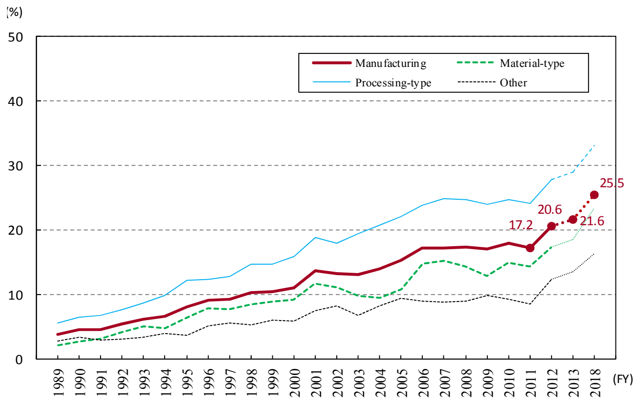
■ The ratio of companies conducting overseas production (FY2012 actual figures) was 69.8%, up from the previous year's actual figure of 67.7%. The increase is expected to continue into FY2013 (70.7%) and FY2018 (73.4%).

■ The overseas production ratio (FY2012 actual figures) was 20.6%, up from the previous year's actual figure of 17.2%. The increase is expected to continue into FY2013 (21.6%) and FY2018 (25.5%).

[Fig. 9] Ratio of companies that conduct overseas production (manufacturing industries)



[Fig. 10] Trend of overseas production ratios (manufacturing industries)



Note1: FY2013 represents the actual figure estimate, FY2018 represents the forecast, and other years represent the actual figure for the previous fiscal year in the survey for the following fiscal year. (For example, the value for FY2012 is the ratio of companies that entered the value for "FY2012 actual figures" in the FY2013 survey.)

Note2: Simple average of responding companies including those that reported 0.0% for the overseas production ratio.([Fig. 10])

■ The most commonly cited reason for setting up production bases abroad was "Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries" (50.8%), a 5.0% rise from the previous year's survey (45.8%). On the other hand, "low Labor costs are low," was 19.1%, down 4.0% from the previous year (23.1%).

[Table 1] Reason for having an overseas production base (manufacturing industries)

(%)

Top three reasons* for having an overseas production base	FY2013 survey				FY2012 survey
	Manufacturing	Material-type	Processing-type	Other	Manufacturing
Strong demand exists, or demand is forecast to expand, for our products in the local market(s) and markets in neighboring countries	50.8	62.8	42.1	54.3	45.8
Labor costs are low	19.1	12.8	21.1	22.2	23.1
We can cater effectively to overseas users' needs	14.4	12.8	19.1	7.4	11.4

*Each company was allowed to choose only one answer.