

Survey Result of Japanese Business In Southern California 2014

Summary of findings

- There are at least 673 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.
- Compared to the previous survey, the percentage of companies replied as “steady growth” and “strong sales” has increased. The percentage of companies expecting a rise in operating profit in the next couple of years has also increased.
- The top three advantages of doing business in California include “Size of Market,” “Logistics/Transportation Hub” and “Size of Japanese Community.” On the other hand, the top three disadvantage of doing business in California are “Labor Cost,” “Taxes” and “Permit approval procedures.”

Overview of Japanese Companies in Southern California

Geographic Distribution Statistics

Southern California is one of the leading global hubs for Japanese companies where 673 Japanese companies operate based on JBA and JETRO’s record.

<Table 1> Geographic Distribution Statistics

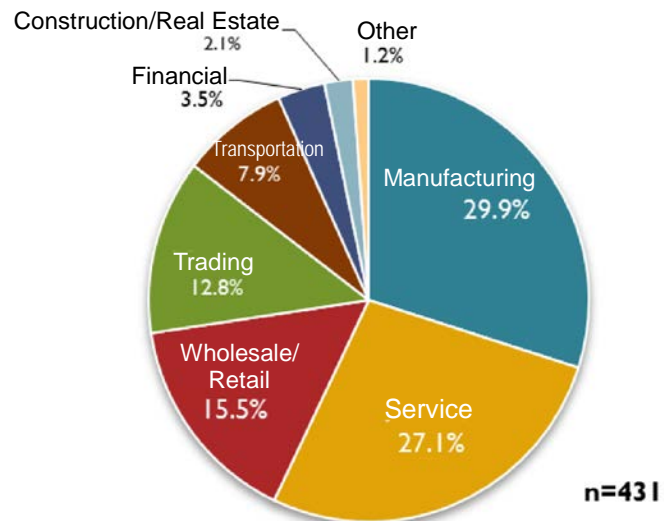
	Number of Companies	
	Number	Ratio
Los Angeles	474	70.4%
Orange	136	20.2%
San Diego	48	7.1%
Others	15	2.2%
Total	673	100%

Industrial Distribution Statistics

Based on an industry breakdown, “Manufacturing” and “Service” (*) companies account for at least one half of all companies.

(*) “Service” includes such subsectors as information systems, movies/publishing, leisure/tourism and professional services (law/accounting firms and consulting)

<Graph 1> Industrial Distribution Statistics



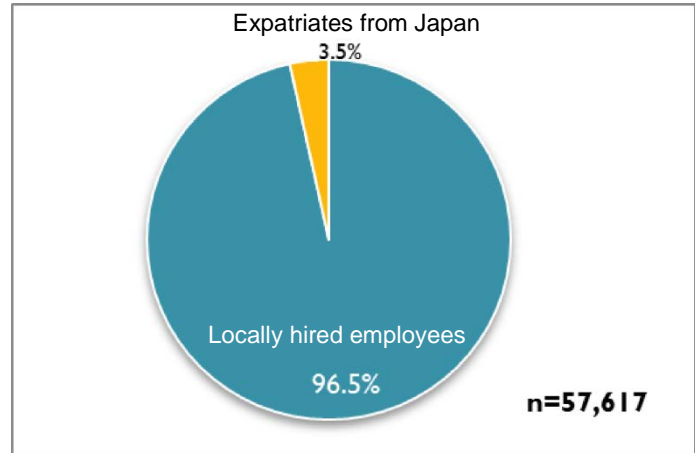
Contributions to the Regional Community

Job Creation

The total number of employees in Southern California reached 57,617 with 414 companies' responding. Locally hired employees comprised 96.5% of the total.

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

<Graph 2> Percentage of Locally Hired Employees



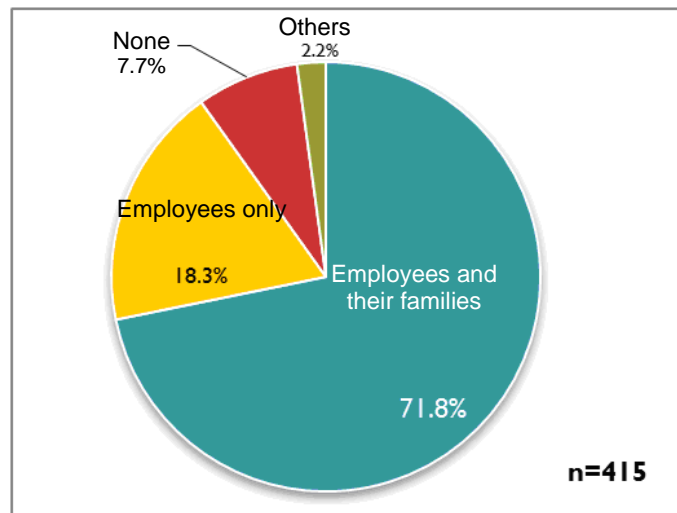
Salaries and Wages

A total of \$2.63 billion in salaries and wages (including benefits) were paid by the 284 responding Japanese companies in Southern California.

Healthcare Insurance Coverage

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

<Graph 3> Healthcare Insurance Provision

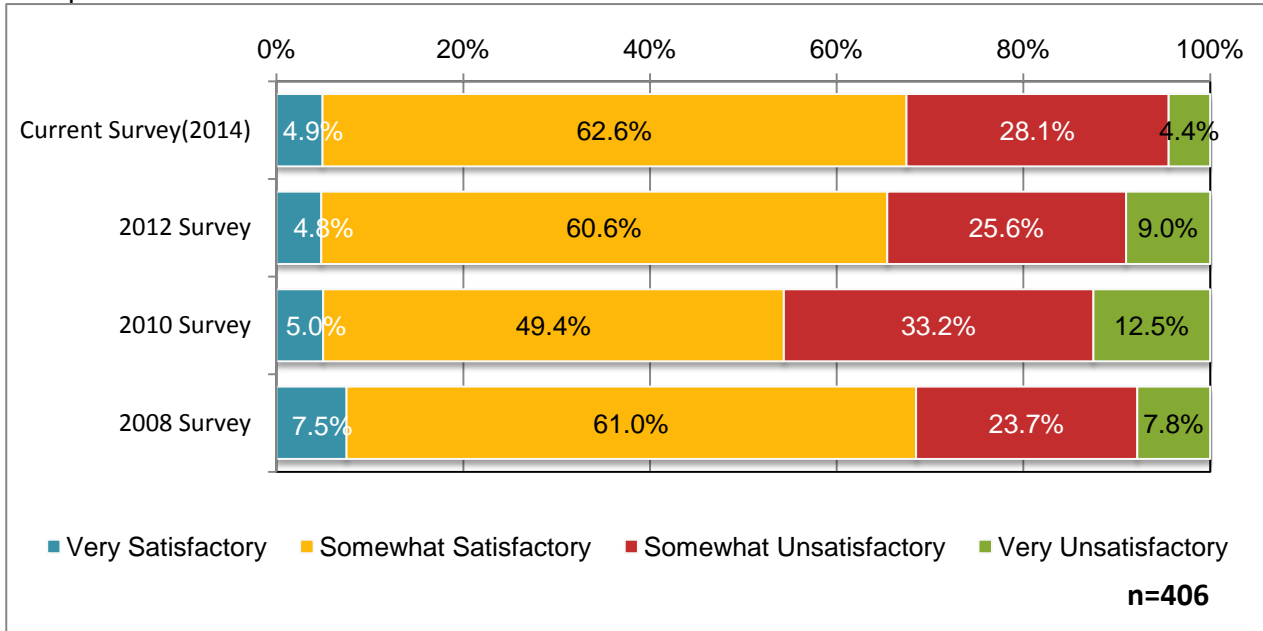


Investment and Business Environments

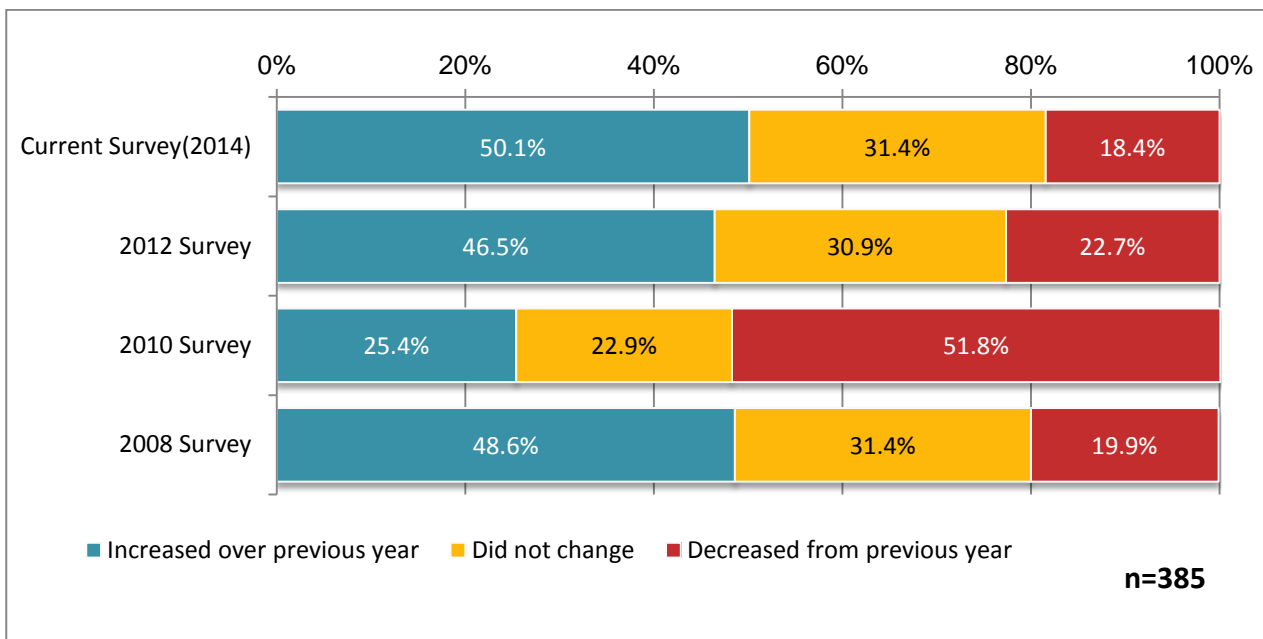
Evaluation of Business Performance

When asked to evaluate their current business performance against the purpose of expanding into California, etc., at least 60% of companies gave a positive assessment. More companies than in the previous survey, or specifically at least 50% of companies surveyed this time, said that their 2013 sales "Increased from the previous year."

<Graph 4> Evaluation of Business Performance in Southern California

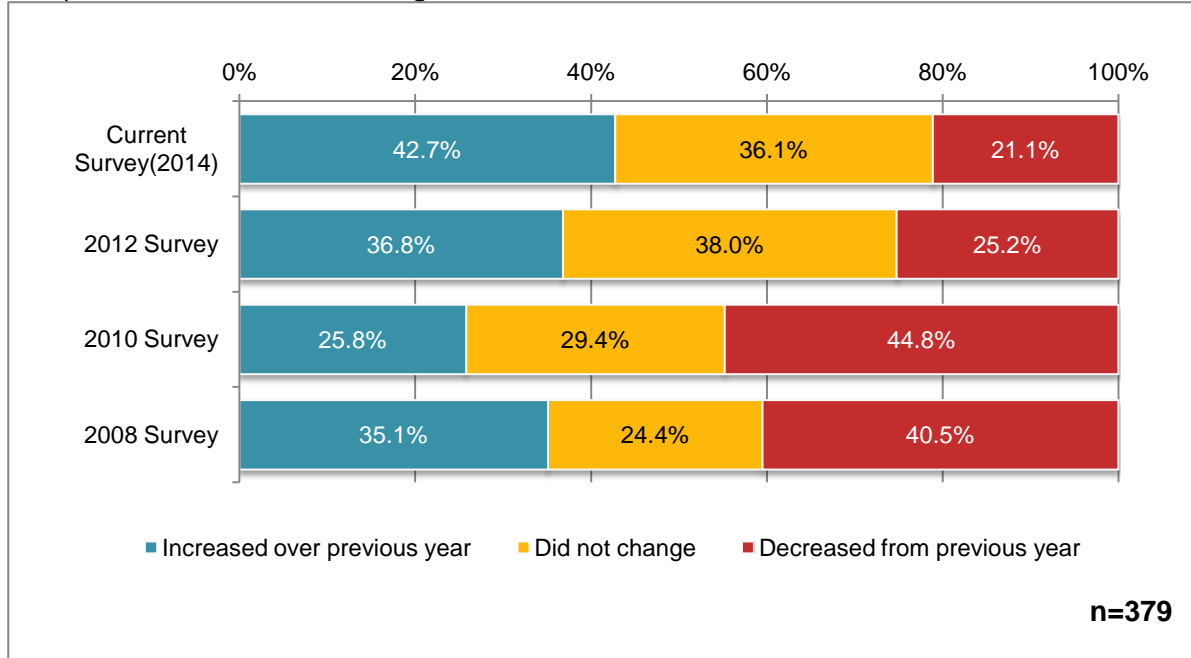


<Graph 5> Year Over Year Change in Sales



The percentage of companies stating that their 2013 profits "Increased from the previous year" exceeded the percentage in the previous survey, while the percentage of companies whose income "Decreased from the previous year" dropped below the level of the previous survey.

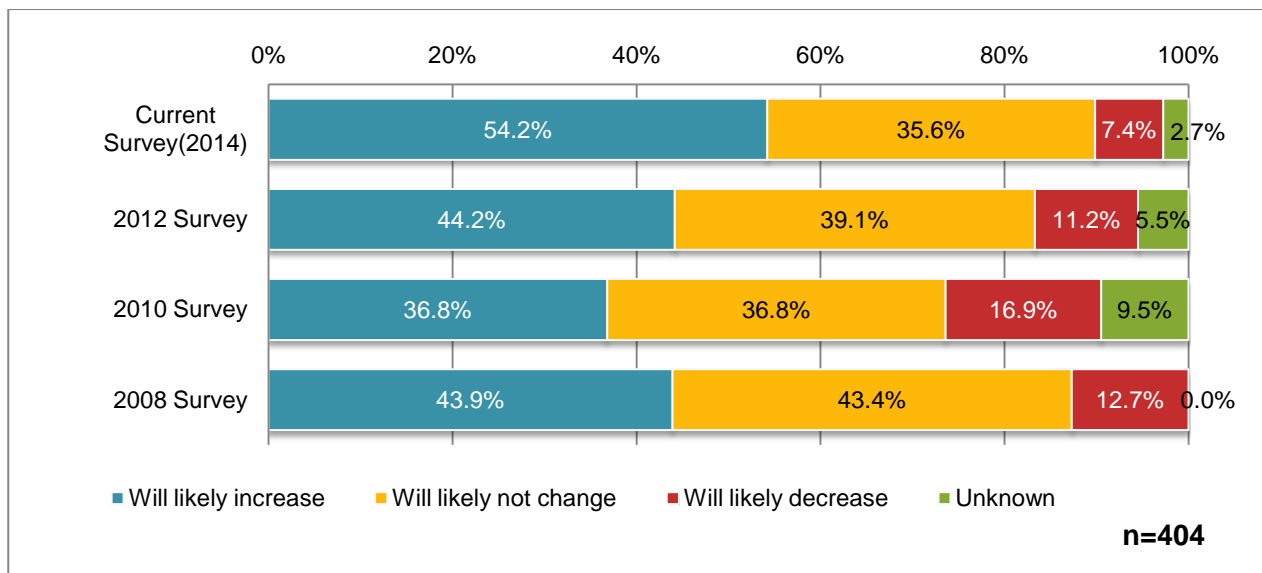
<Graph 6> Year Over Year Change in Profit



Business Outlook

As for the outlook on future business performance over the next year or two, "Will likely increase" was increased from the previous survey, while the percentage of companies expecting an income "Will likely decrease" dropped below the level of the previous survey.

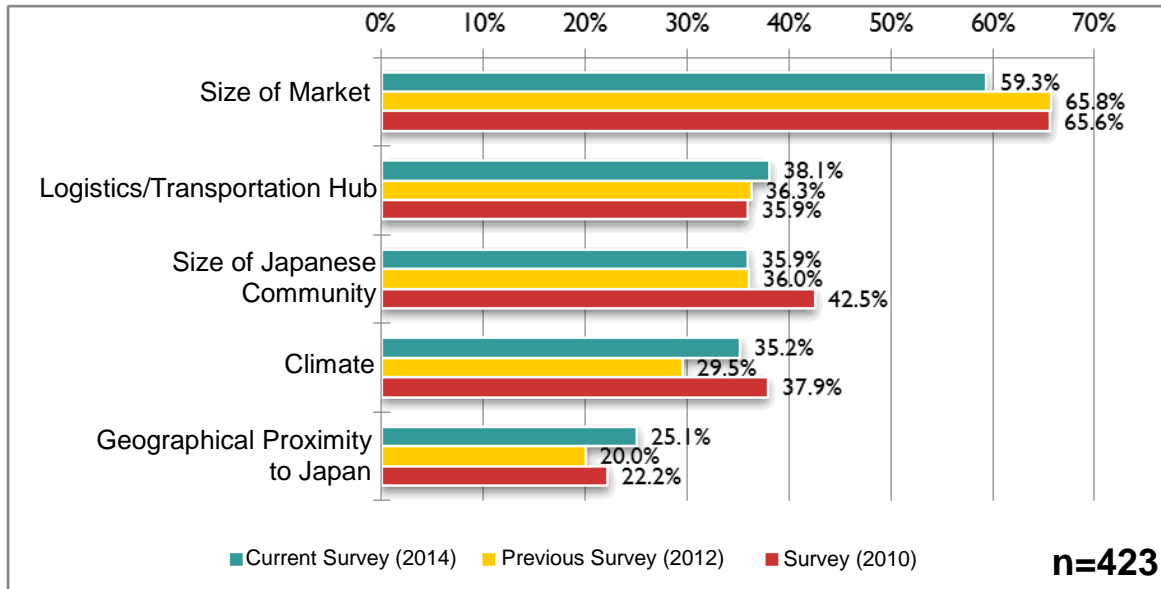
<Graph 7> Profit Outlook for the Next 1-2 Years



Advantages of California

The "Size of Market" is a major advantage of California. This is followed by being a "Logistics/Transportation Hub (Sea Ports/Airports)," "Size of Japanese Community," and "Climate."

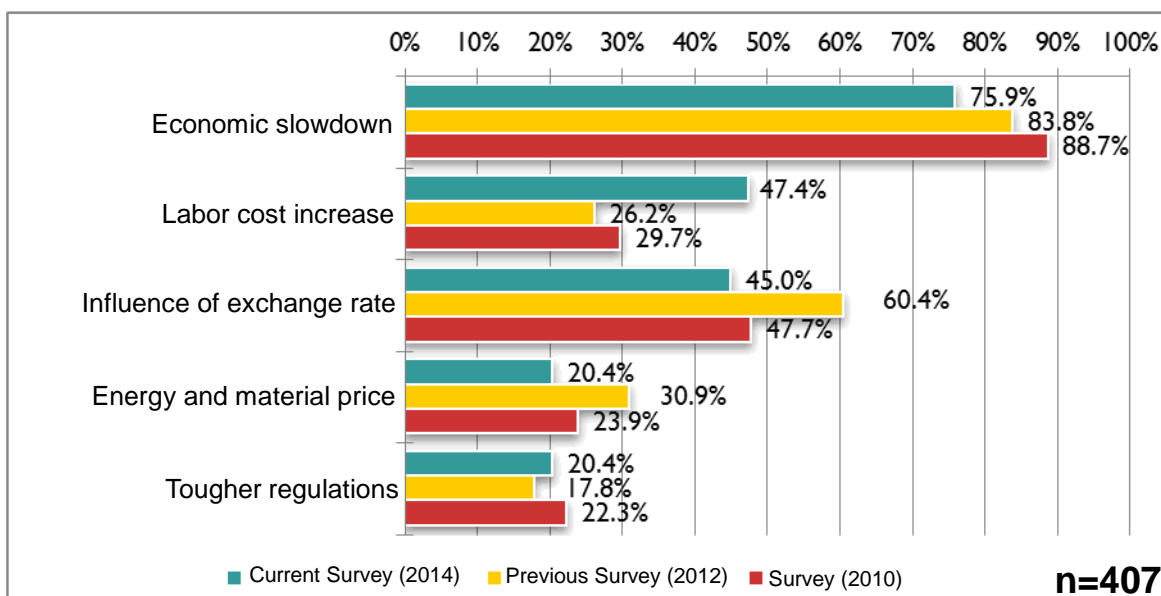
<Graph 8> Business Advantages of California (Multiple responses)



Disadvantages Associated with Business Operations

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

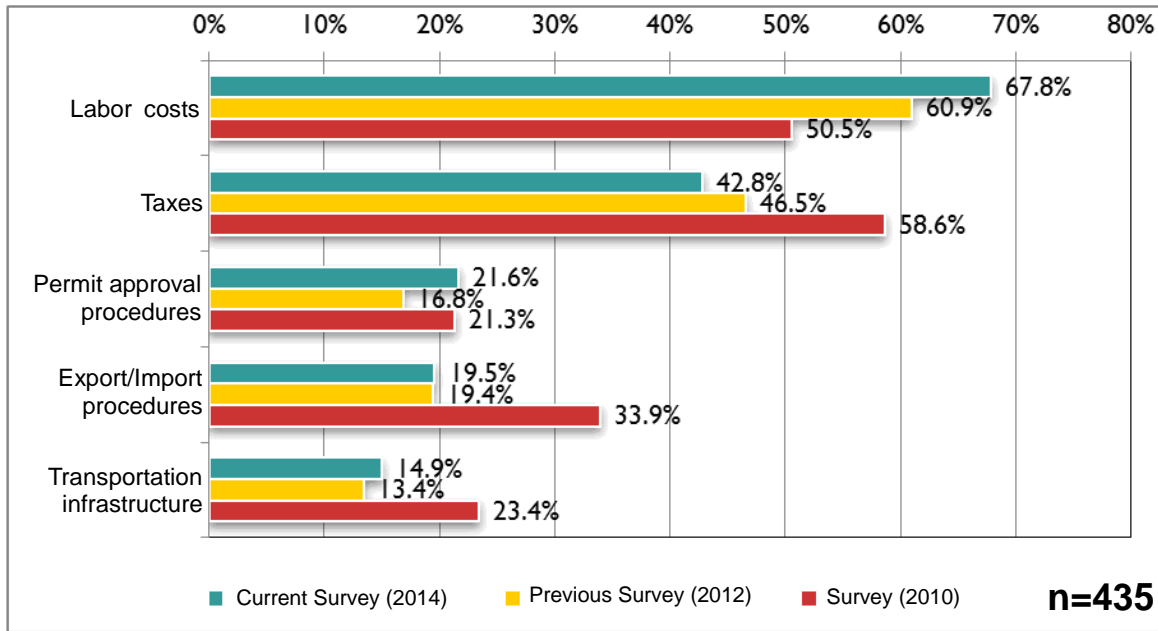
<Graph 9> Concerns with Operating Business in California (Multiple responses)



Concerns with Operating Business

"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> Concerns with Operating Business (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 11th 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.

JBA/JETRO asked the 673 of these Japanese companies on their record to take part in the survey, and received a positive response from 626 companies. Survey forms were later collected electronically from 435 companies (rate of collection: 69.5%) (Survey period: February 2014).

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

JBA: www.jba.org/

JETRO Los Angeles: www.jetro.org/la