

JAPAN MATTERS

ECONOMIC & POLITICAL UPDATES

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JAPAN-BASHERS ON THE MARCH

- ◆ **Trade frictions were nothing new then, but**
 - ◆ Congressional threats on retaliations
 - ◆ Revisionism
- ◆ **Direct Investments to the U.S. was a way for Japanese companies to avoid such frictions.**
- ◆ **In July 1987, Apple said that it would suffer financially and competitively IF**

IF.....

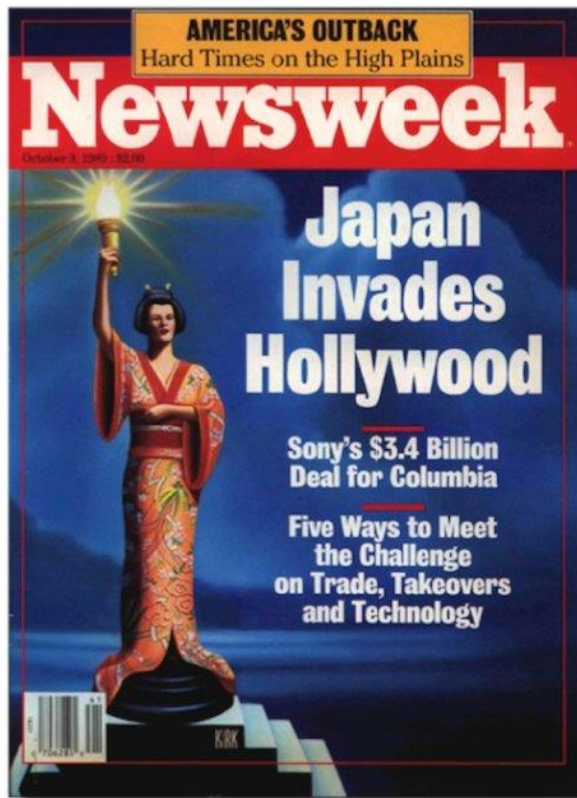
- ◆ Proposed legislation banning imports of Japan-made products (1M DRAMs) were adopted by Congress.
- ◆ The cost of finding a new supplier would be “devastating.”

The New York Time (July 15, 1987)

2011 **BACK** 
TO
THE **FUTURE**

THE REAL BEGINNING

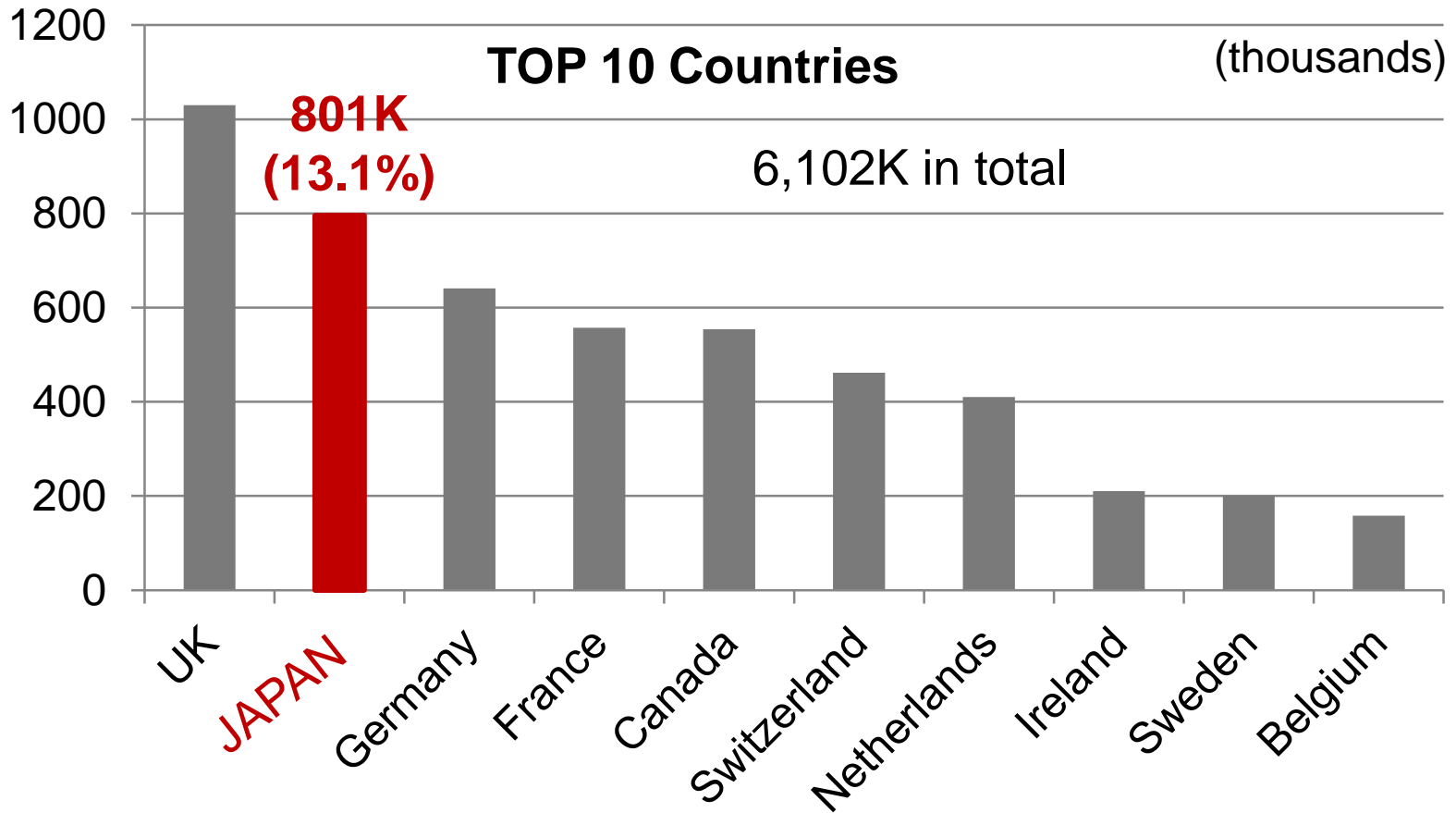
◆ Lessons learned to be good corporate citizens



Newsweek (October 9, 1989)

EMPLOYMENTS

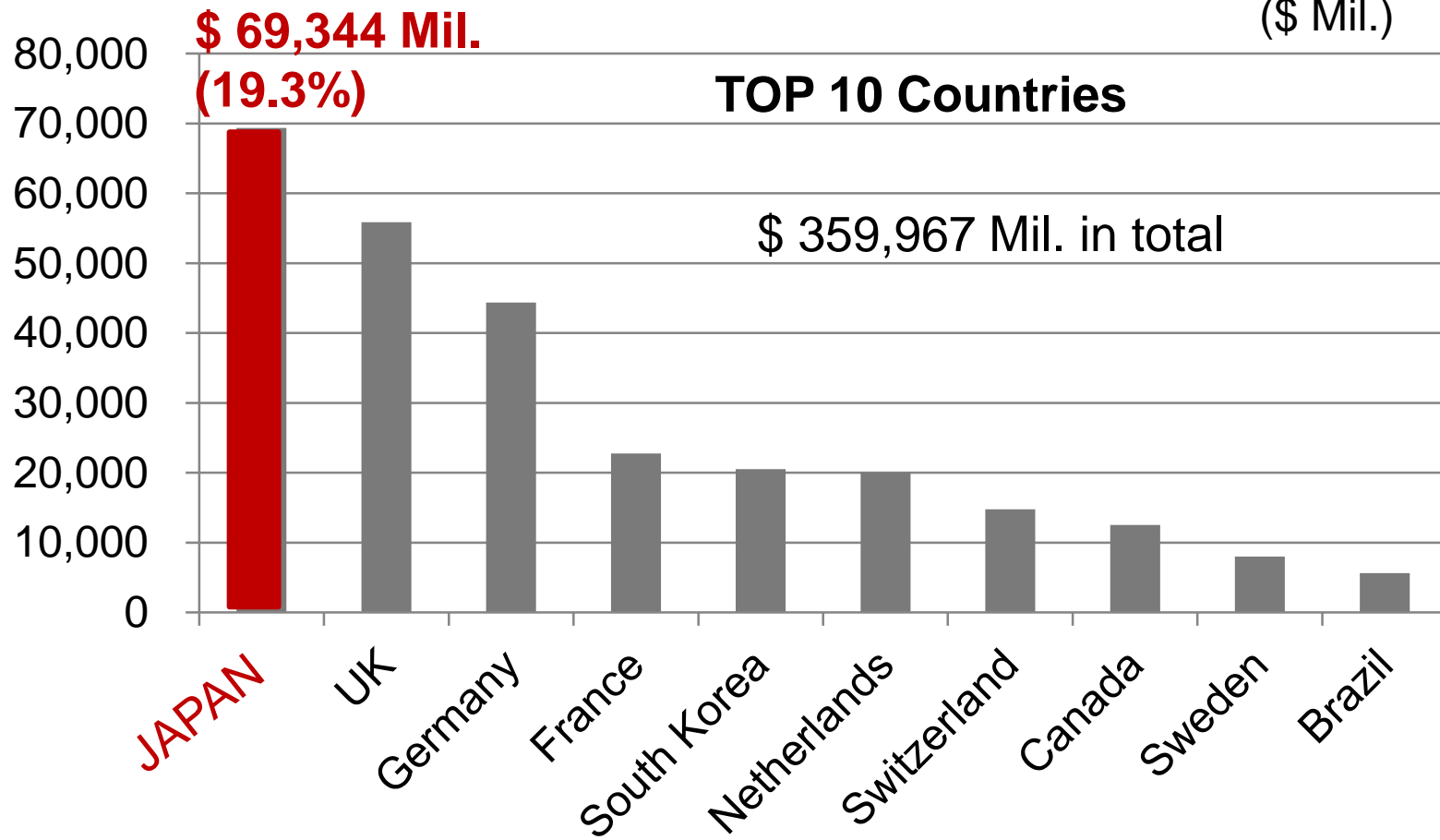
Foreign Affiliated Companies in the U.S. (2013)



(Source) Department of Commerce

EXPORTS

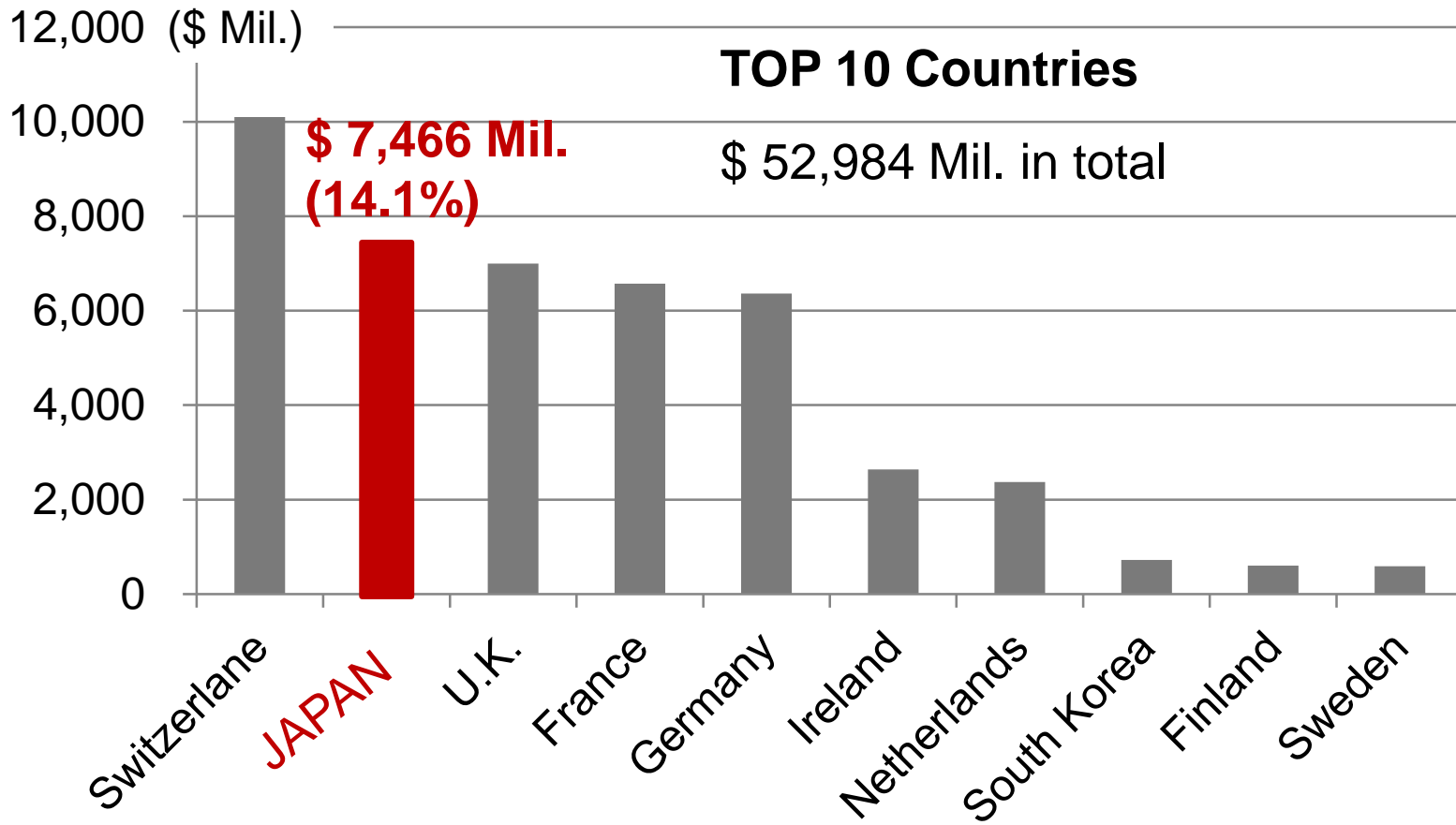
Foreign Affiliated Companies in the U.S. (2013)



(Source) Department of Commerce

R&D INVESTMENTS

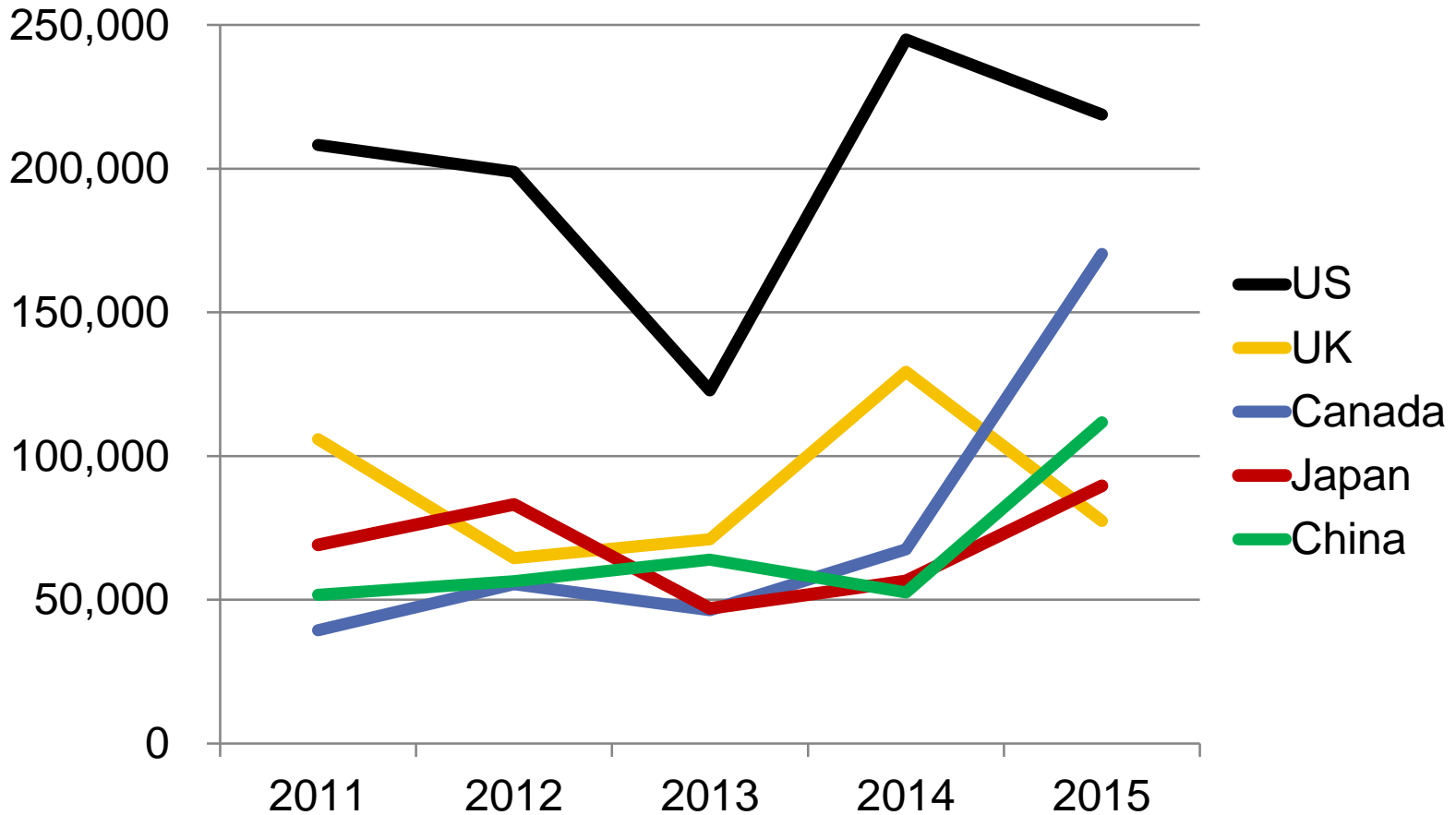
Foreign Affiliated Companies in the U.S. (2013)



(Source) Department of Commerce

GLOBAL OUTBOUND M&A

(\$ Mil.)



(Source) Thomson Reuters

OUTBOUND M&A TO THE U.S.

(\$ Mil.)

	2013	2014	2015	3-year total
Canada	27,163	29,602	110,105	139,707
JAPAN	13,106	36,277	37,719	73,997
UK	16,455	35,810	30,629	66,439
Germany	2,840	67,462	2,824	70,286
Netherlands	7,516	6,167	33,189	39,356
China	12,612	7,076	13,004	20,080
Hong Kong	NA	7,453	NA	7,453
South Korea	997	1,857	1,783	3,640

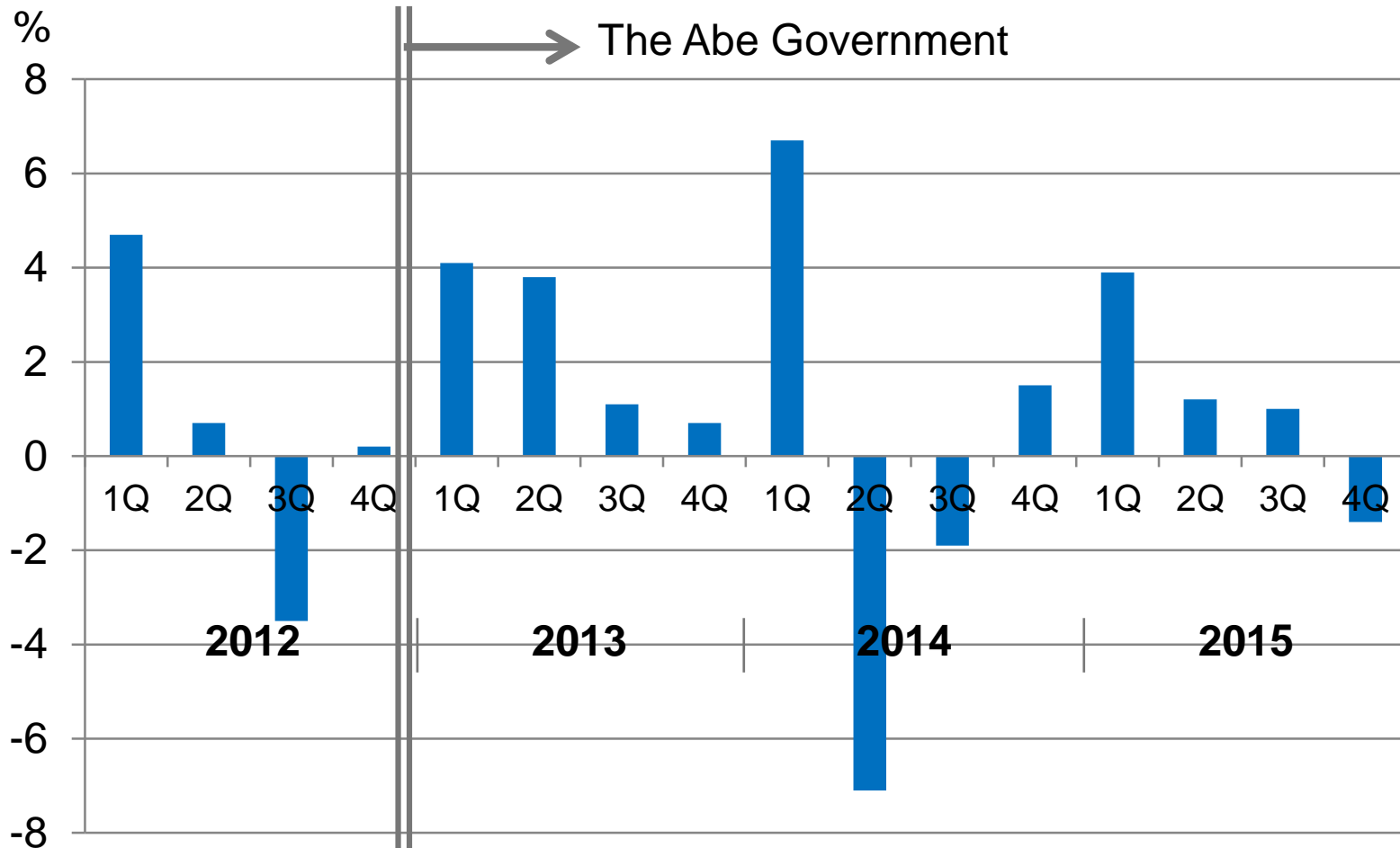
(Source) Thomson Reuters

THREE GAPS

- ◆ **Growth Rates & Corporate Performance**
- ◆ **Negative Rates & Positive Polls**
- ◆ **Working Age Population & Numbers of Workers**

JAPAN'S REAL GDP GROWTH

(annualized)




(Source) Government of Japan

RISES OF STOCK PRICES

Before & After “Abenomics” Programs

For examples,

	Companies
x 6.0-	Fuji Heavy
	Shimizu
x 4.0-	Sony
	JR Central
x 3.0-	NTT
	Panasonic
	Sumitomo Chem.
	Bridgestone
	Aisin Seiki
x 2.4-	Toyota



RECORD HIGH PROFITS

Sometime in 2015

- ◆ **Auto (Toyota, Nissan, Fuji Heavy, Mazda)**
- ◆ **Electronics (Fujitsu, Mitsubishi Electric, Hitachi)**
- ◆ **Chemical (Toray, Sumitomo Chemical)**
- ◆ **Trade (Itochu)**
- ◆ **Transportation (ANA, JAL, JR Central, JR East, JR West)**
- ◆ **Real Estate (Mitsui Fudosan, Mitsubishi Jisho)**
- ◆ **Food (Ajinomoto, Asahi)**
- ◆ **Retailing (Mitsukoshi-Isetan)**
- ◆ **Construction (Shimizu, Taisei)**
- ◆ **Insurance (Nippon Life, Dai-i-chi Life, Meiji-Yasuda Life)**

NEGATIVE RATE OF “-0.1%”

◆ A New and Radical Tool (effective on Feb. 16)

- ◆ The negative rate was placed on commercial banks' deposit at the Central Bank.

◆ The Global Difficulties

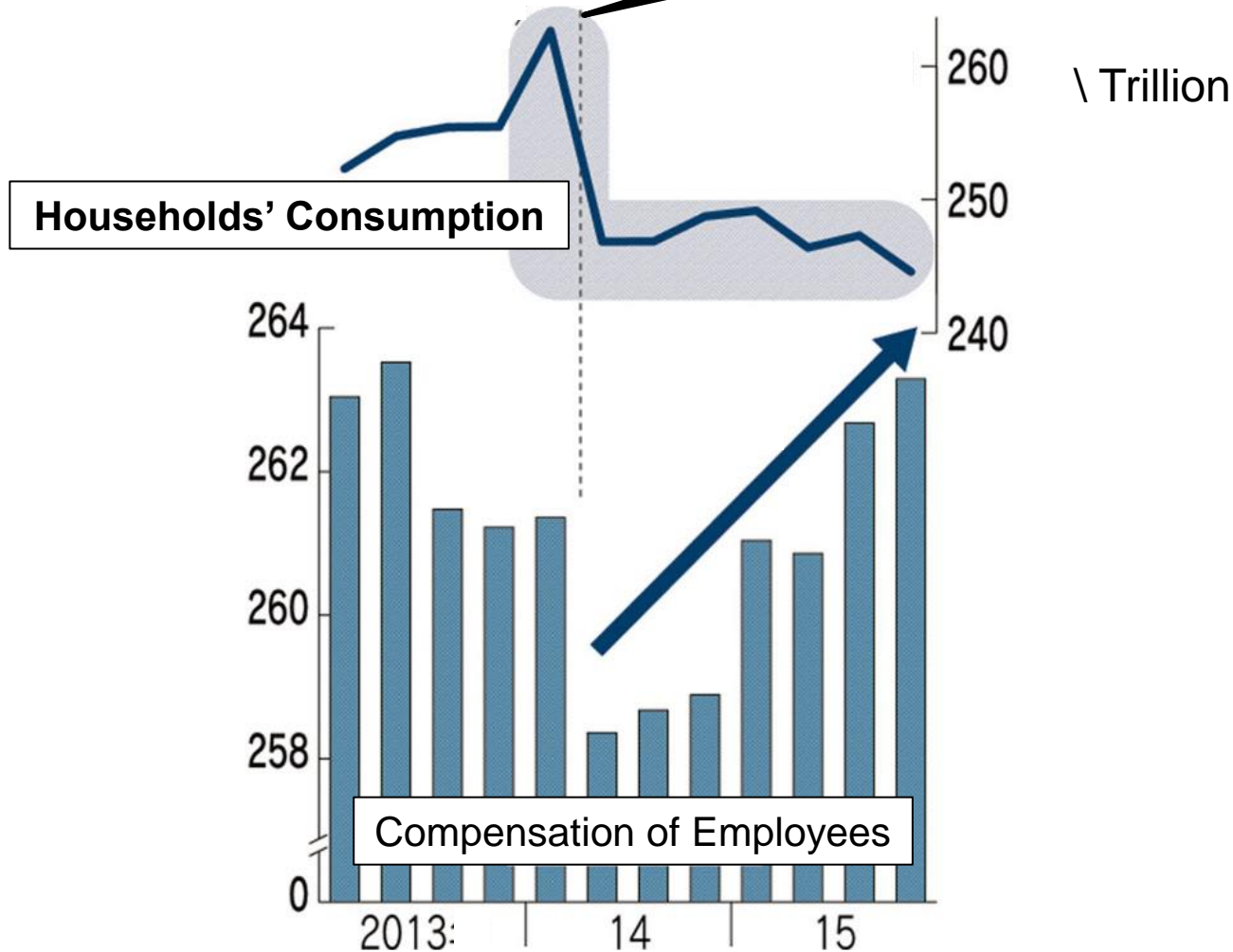
- ◆ The unstable situation of the global financial markets
- ◆ Risks from Chinese and other emerging economies
- ◆ The oil price decline

◆ Impacts

- ◆ Stock prices went up and the Yen fell. But reversed the course.....
- ◆ More money lend to companies and consumers....., and they spend more.....

TWO PHENOMENA

**Consumption Tax Hike
(5% to 8%)**



(Source) Government of Japan, appeared in Nikkei

POSITIVE POLLS

- ◆ **After the adoption of the negative rate and a Minister's resignation in January, the government's approval rates rose or stay high.**
- ◆ **The Resilient Abe Cabinet**
 - ◆ Successful political managements
 - ◆ State of political rivalry
 - ◆ Economic difficulties caused by external factors
 - ◆ Steps towards structural reforms and overhauls
 - (ex) Japan's entry to TPP
 - Competition in utility markets
 - Restarts of nuclear power plants

WHAT WE KNOW

(thousands)

	Age Groups	2015	2025
JAPAN	15-64	76,818	70,845
	65+	33,952	36,573
US	15-64	211,686	215,603
	65+	47,695	65,052
Germany	15-64	53,426	50,434
	65+	17,178	19,613
China	15-64	1,014,520	1,002,159
	65+	132,457	195,605

Birthrates (2013)

(Source) OECD

JAPAN 1.43

Germany 1.41

US 1.86

China 1.67

WHAT WE DON'T KNOW

- ◆ Only 1.9% point rise of Labor Force Participation rate could result in more work force in Japan.

(thousands)

Age Groups	2015	2025
15-34	16,070	15,680
35-54	27,550	27,680
55+	19,120	20,530
Total	62,740	63,890

(Source) Recruit Works Institute