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 ..........
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)_
THE REAL BEGINNING

◆ Lessons learned to be good corporate citizens

Newsweek (October 9, 1989)
EMPLOYMENTS

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

TOP 10 Countries

- **UK**: 1,000,000 (13.1%)
- **JAPAN**: 801,000
- **Germany**: 700,000
- **France**: 600,000
- **Canada**: 500,000
- **Switzerland**: 400,000
- **Netherlands**: 300,000
- **Ireland**: 200,000
- **Sweden**: 150,000
- **Belgium**: 100,000

*6,102K in total*

(Source) Department of Commerce

Kiyoaki Aburaki
EXPORTS

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

TOP 10 Countries

$ 69,344 Mil. (19.3%)

$ 359,967 Mil. in total

(Source) Department of Commerce
R&D INVESTMENTS

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

TOP 10 Countries

- **Switzerland**: $7,466 Mil. (14.1%)
- **Japan**: $52,984 Mil. in total

(Source) Department of Commerce

Kiyoaki Aburaki
GLOBAL OUTBOUND M&A

(Source) Thomson Reuters

Kiyoaki Aburaki
# OUTBOUND M&A TO THE U.S.

($ Mil.)

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

(Source) Thomson Reuters
THREE GAPS

◆ Growth Rates & Corporate Performance
◆ Negative Rates & Positive Polls
◆ Working Age Population & Numbers of Workers
JAPAN'S REAL GDP GROWTH

(Source) Government of Japan

(The Abe Government)
## RISES OF STOCK PRICES

Before & After “Abenomics” Programs

For examples, ……

<table>
<thead>
<tr>
<th>x 6.0-</th>
<th>Fuji Heavy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Shimizu</td>
</tr>
<tr>
<td>x 4.0-</td>
<td>Sony</td>
</tr>
<tr>
<td></td>
<td>JR Central</td>
</tr>
<tr>
<td>x 3.0-</td>
<td>NTT</td>
</tr>
<tr>
<td></td>
<td>Panasonic</td>
</tr>
<tr>
<td></td>
<td>Sumitomo Chem.</td>
</tr>
<tr>
<td></td>
<td>Bridgestone</td>
</tr>
<tr>
<td>x 2.4-</td>
<td>Toyota</td>
</tr>
</tbody>
</table>
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%)

Households’ Consumption

Compensation of Employees

(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

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>2015</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>JAPAN</td>
<td>76,818</td>
<td>70,845</td>
</tr>
<tr>
<td>65+</td>
<td>33,952</td>
<td>36,573</td>
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<tr>
<td>US</td>
<td>211,686</td>
<td>215,603</td>
</tr>
<tr>
<td>65+</td>
<td>47,695</td>
<td>65,052</td>
</tr>
<tr>
<td>Germany</td>
<td>53,426</td>
<td>50,434</td>
</tr>
<tr>
<td>65+</td>
<td>17,178</td>
<td>19,613</td>
</tr>
<tr>
<td>China</td>
<td>1,014,520</td>
<td>1,002,159</td>
</tr>
<tr>
<td>65+</td>
<td>132,457</td>
<td>195,605</td>
</tr>
</tbody>
</table>

(Source) OECD

Birthrates (2013)

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>JAPAN</td>
<td>1.43</td>
<td>Germany</td>
</tr>
<tr>
<td>US</td>
<td>1.86</td>
<td>China</td>
</tr>
</tbody>
</table>

Kiyoki Aburaki
WHAT WE DON’T KNOW

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

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>2015</th>
<th>2025</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-34</td>
<td>16,070</td>
<td>15,680</td>
</tr>
<tr>
<td>35-54</td>
<td>27,550</td>
<td>27,680</td>
</tr>
<tr>
<td>55+</td>
<td>19,120</td>
<td>20,530</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>62,740</strong></td>
<td><strong>63,890</strong></td>
</tr>
</tbody>
</table>

(Source) Recruit Works Institute