



Japanese Investors in California

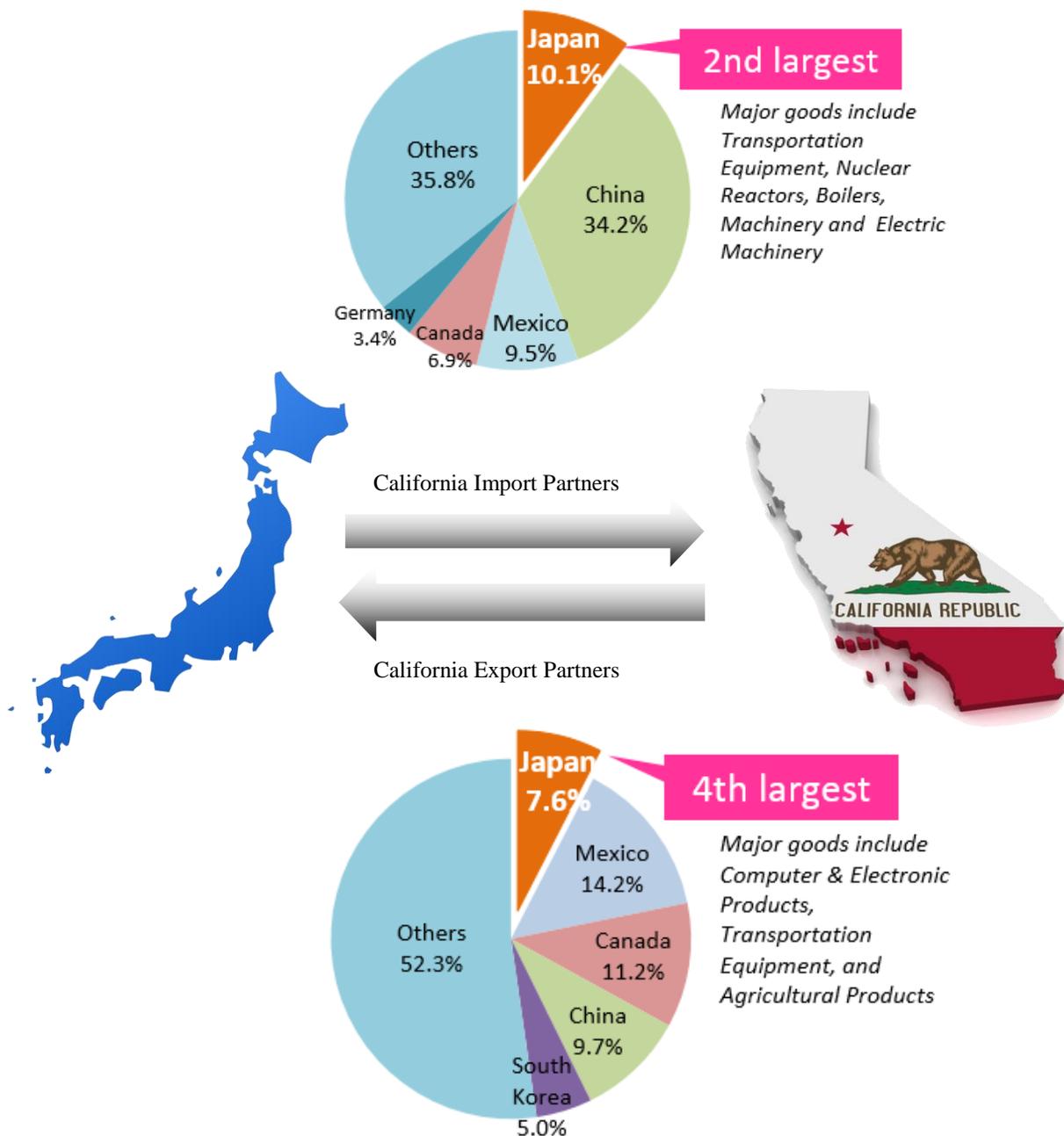
2014 Sacramento Annual Visit

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The Interdependence of California and Japan

The United States continues to be Japan's largest export market for consumer goods. California is also the most prominent gateway to North America and the largest market within the United States and Canada. Supported by over 150 years of cultural and diplomatic exchange, these primary factors have pulled two of the world's top ten economies into modern day interdependence. Japan now is California's second largest export partner and fourth largest import partner.

Figure 1: California Import/Export Partners

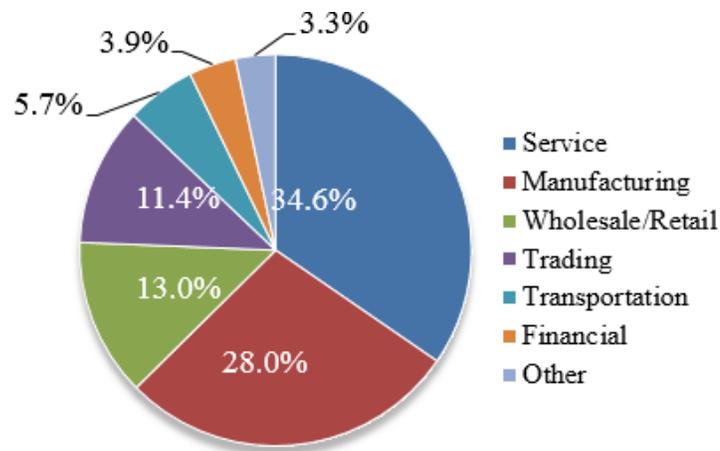


Japanese Investment and Expansion in California

California has become the top location for Japanese businesses and a wide array of other activities. Japan is the leading single source, with 24.2% of overall foreign direct investment in California.

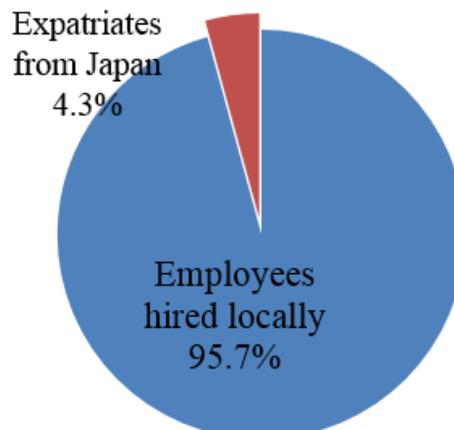
As of December 31, 2013, 1,392 Japanese –affiliated companies operating business were identified in California. This is a record-breaking number. The top three industries of the Japanese investment in California are service, manufacturing and wholesale/retail. Recent examples of new Japanese investment and expansion in the Bay Area include Uniqlo, Softbank and Iichiko.

Figure 2: Japanese Firms in by Industry - 2014 Annual Survey



Japan firms have more than 137,669 employees in California. Nearly 96% of employees are hired locally. The average salary for employees in Japanese firms is \$85K, which add up to \$11B in annual payroll.

Figure 3: Japanese Firms Job Creation- 2014 Annual Survey



What Attract Japanese Investors to California

The evolving globalization of California presents opportunities and problems for Japanese firms – both old and new. On the side of opportunity, California remains the most preferred place in the nation for Japanese investors to conduct business even under tough economic conditions. Among the fifty states, California is the most acclaimed bilateral gateway; seasoned with natural beauty, comfortable climates, educational and technology excellence, rich and diverse cultures and everything else that goes into making California a place our members call home.

Equally significant is another asset – California’s unwavering attitude toward open investment and support for free trade.

Table 1. Advantage and Attraction of California – 2014 Annual Survey

1	Market Size	57.4%	6	Geographical Proximity to Japan	24.0%
2	Climate	37.0%	7	Labor Force	19.0%
3	Size of Japanese Community	30.8%	8	Universities, Research Institutions	13.4%
4	Logistics / Transportation	28.9%	9	Other	4.8%
5	Industry Concentration	26.9%	10	Incentives by State/Local Governments	1.6%

Primary Business Challenges

Today, Japanese investors in California, of course, share many of the same problems as our domestic counterparts. As described in the next section, our investor-members continue to express anxiety about the sustainability of California’s economic recovery. They share worries about complex regulations and the lack of governmental inducements to expand and attract a well-educated workforce. However, in our most current surveys there is a clear change in emphasis about worries that go beyond matters that are controllable by California state government.

There is a dramatic recognition that the problems of doing business in California are principally tied to macro-economic factors, including, the economic downturn, exchange rates and increased labor cost.

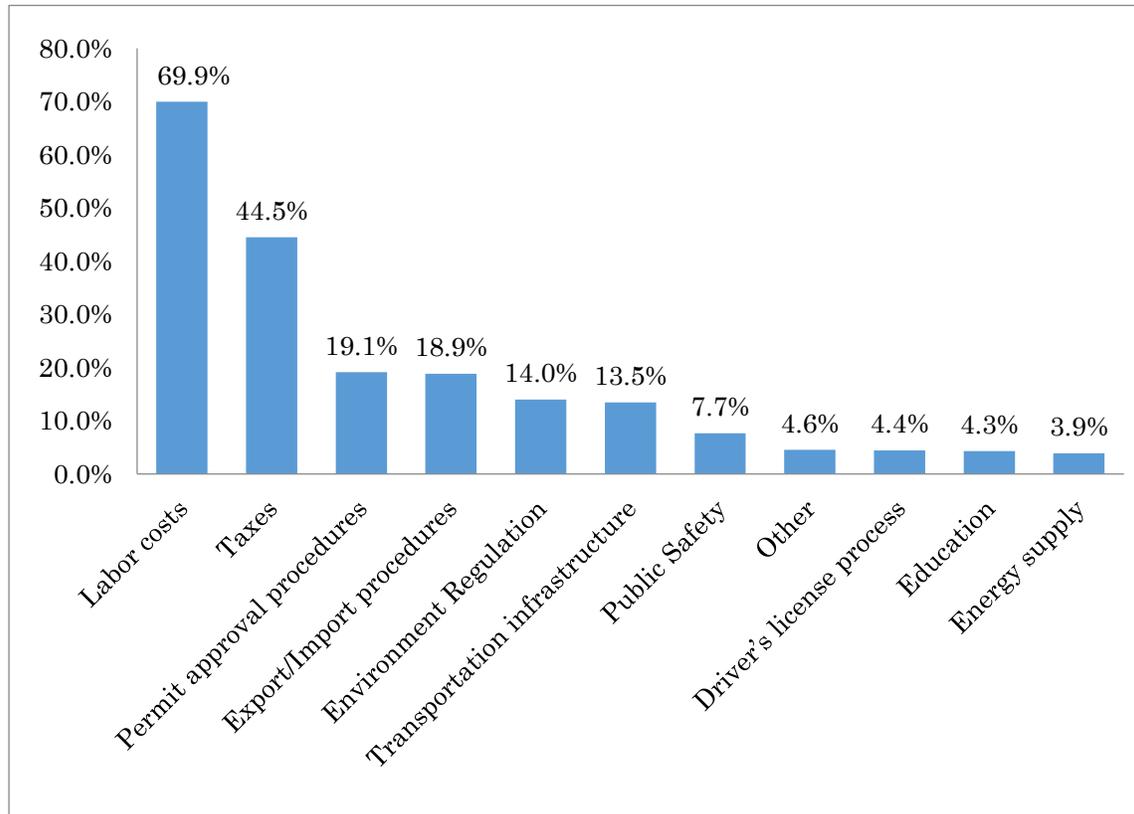
Table 2 Perceptions of Primary Business Challenges - 2014 Annual Survey

1	Economic Downturn	74.1%	7	Poor Performance of Parent Company	13.9%
2	Exchange Rate	45.0%	8	Natural Disaster	12.7%
3	Increasing Labor Cost	44.1%	9	Terrorism/War	12.3%
4	Tight Regulation	19.0%	10	California’s budget Crisis	12.1%
5	Increased Energy/Material Cost	18.1%	11	Trade Dispute	7.8%
6	Competition with Chinese/Korean Companies	17.1%	12	Others	5.5%

How California State Government Can Help

Within California, our investor-members undoubtedly share many of the same industrial headaches as our domestic counterparts. The top areas of shared concern include: high labor costs, taxation, permitting hardships/environmental regulation, public safety and the deterioration of the state's infrastructure.

Figure 4. Investor Perceptions: How California State Government Can Help - 2014 Annual Survey



Note: Labor cost in Northern California is significantly higher than Southern California due to higher cost of living.

Looking Forward

Our organizations thank readers for taking the time to consider our concerns, perceptions, and recommendations. Of course, Japan is only one part of the global economic community. Nonetheless, we believe that foreign investors from countries other than Japan share the views expressed here. In asking to advance our productive dialogue, we hope that this process can help California to improve its competitiveness in dealing with investors from Japan and other trading partners.

Japanese Chamber of Commerce of Northern California
Japan Business Association of Southern California

Japanese Chamber of Commerce of Northern California

www.jccnc.org

The Japanese Chamber of Commerce of Northern California (JCCNC) was established as a nonprofit corporation in 1951 to promote business, mutual understanding, and good will between Japan and the United States. Headquartered in San Mateo, JCCNC focuses on serving the needs of its members in Northern California, including San Francisco, Silicon Valley, the East Bay, and the San Joaquin and Sacramento valleys. JCCNC services include providing general assistance to its Japan- and American-based members, and supporting programs that build bridges with California businesses.

JCCNC's roots stem as far back as the early 1900s when Japanese American businesses started to thrive in California. Throughout its history, JCCNC has helped its members better understand American cultural and business practices in order to enhance smooth relations between Japanese and American companies. JCCNC has always encouraged its members to support local communities in various charitable efforts.

Japan Business Association of Southern California

www.jba.org

The Japan Business Association of Southern California (JBA), founded in 1961, is a nonprofit organization, consisting of nearly 450 Japanese corporations doing business across Southern California. JBA represents the interests of its members by enhancing the stature of Japanese corporations in the community and by improving the business environment for Japanese corporations. In support of its mission, JBA conducts surveys and disseminates information on the impact of Japanese corporations on Southern California's employment and economy.

JBA also promotes business, trade and good will between Southern California and Japan through three primary activities: providing membership services and facilitating networking among the members; supporting local education; and contributing to and maintaining harmony with local communities.