
Survey of Japanese Companies in Southern California 2016



Forward

Since 1983, the Japan Business Association of Southern California (JBA) and the Japan External Trade Organization (JETRO) Los Angeles office have conducted surveys to obtain an accurate assessment of Japanese companies in Southern California. The results of these surveys have been utilized to foster better understanding of Japanese companies in the region and facilitate their business activities.

We have compiled the "Survey of Japanese Companies in Southern California 2016," the 12th of its type, and give thanks to the cooperation of all parties participated. The results of this survey show the great contributions made by Japanese companies to the regional economy in terms of investment and employment. At the same time, it also reveals how much improvement has been made in the revenues of Japanese companies in the region as a whole, as well as their challenges to facilitate their business activities. We will utilize the survey results to gain a better understanding of Japanese companies doing business in Southern California, as well as to improve California's overall business environment.

The "Survey of Japanese Companies in Southern California 2016" may also be viewed on the websites of JBA (<http://www.jba.org>) and JETRO (<https://www.jetro.go.jp/usa/>).

Finally, we would like to extend our sincere gratitude to the JBA members who cooperated in this survey and the Japanese companies that submitted the completed questionnaire to JETRO.

August 25, 2016

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JBA President

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Survey Objective and Methodology

1. Survey Objectives

The survey's purpose, now on its 12th installment, is to gain a better understanding of the business conditions and management environment in Southern California-based Japanese companies.

(Note) The past surveys were conducted in 1983, 1987, 1997, 2000, 2002, 2004, 2006, 2008, 2010, 2012 and 2014.

2. Survey Targets

Japanese companies located in Southern California

(Note). A Japanese company is defined as a company meeting one of the conditions in [1] to [3] below:

- [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 headquarters is located in Japan
- [3] A company established and operated by individuals of Japanese origin

(Note) In this survey, Southern California is the area consisting of the following 10 counties: Los Angeles, Orange, Ventura, Santa Barbara, Kern, San Luis Obispo, San Bernardino, Riverside, San Diego and Imperial.

3. Survey Methodology

In general, more than 700 Japanese companies are recognized as having an operational base in Southern California. 585 of these Japanese companies were requested by JBA and JETRO to reply to this survey, and 345 companies (response rate: 59.0%) have responded.

4. Survey Period

February 2016

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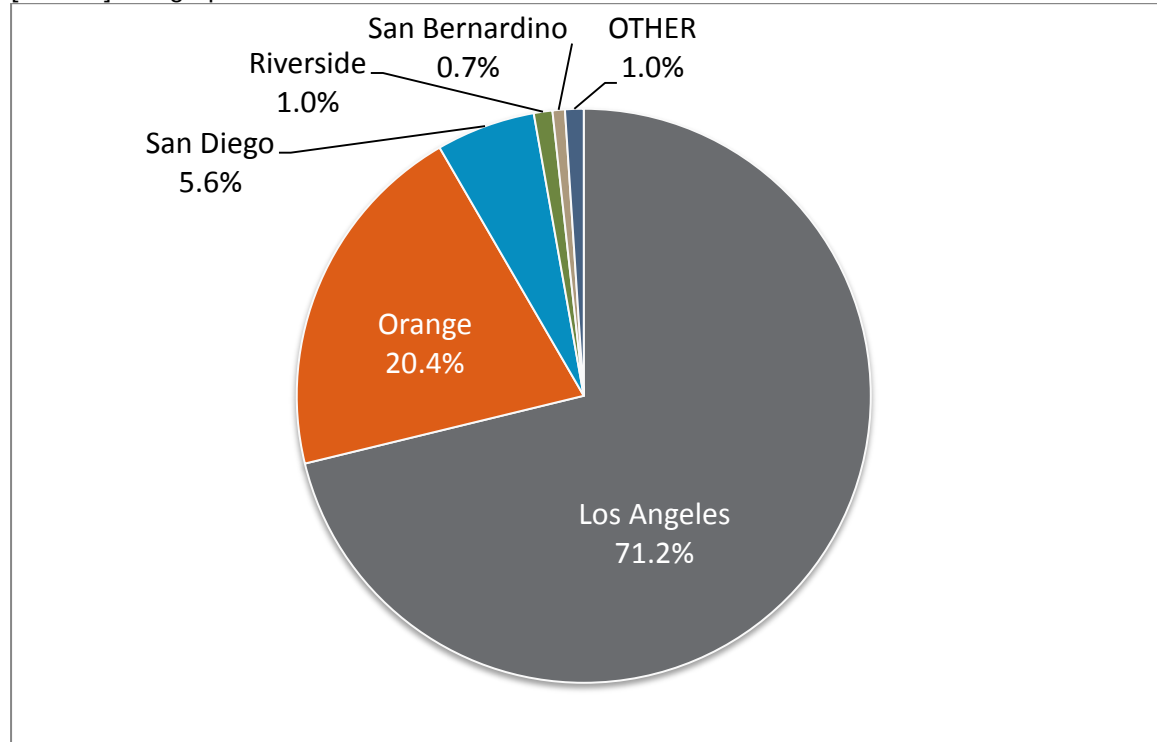
I. Overview of Japanese Companies in Southern California

1. Geographic distribution

There are reportedly more than 700 Japanese companies in Southern California, proving that the region is one of the leading global hubs for Japanese companies. Japanese companies account for a large portion of the total investment, not through acquisitions or capital participation, but by incorporating a business in the U.S.

On geographic distribution by county, 70% of all companies are based in Los Angeles County, followed by Orange County and San Diego County. To sum up, most Japanese companies are located in these three counties.

[Table 1] Geographic Distribution Statistics



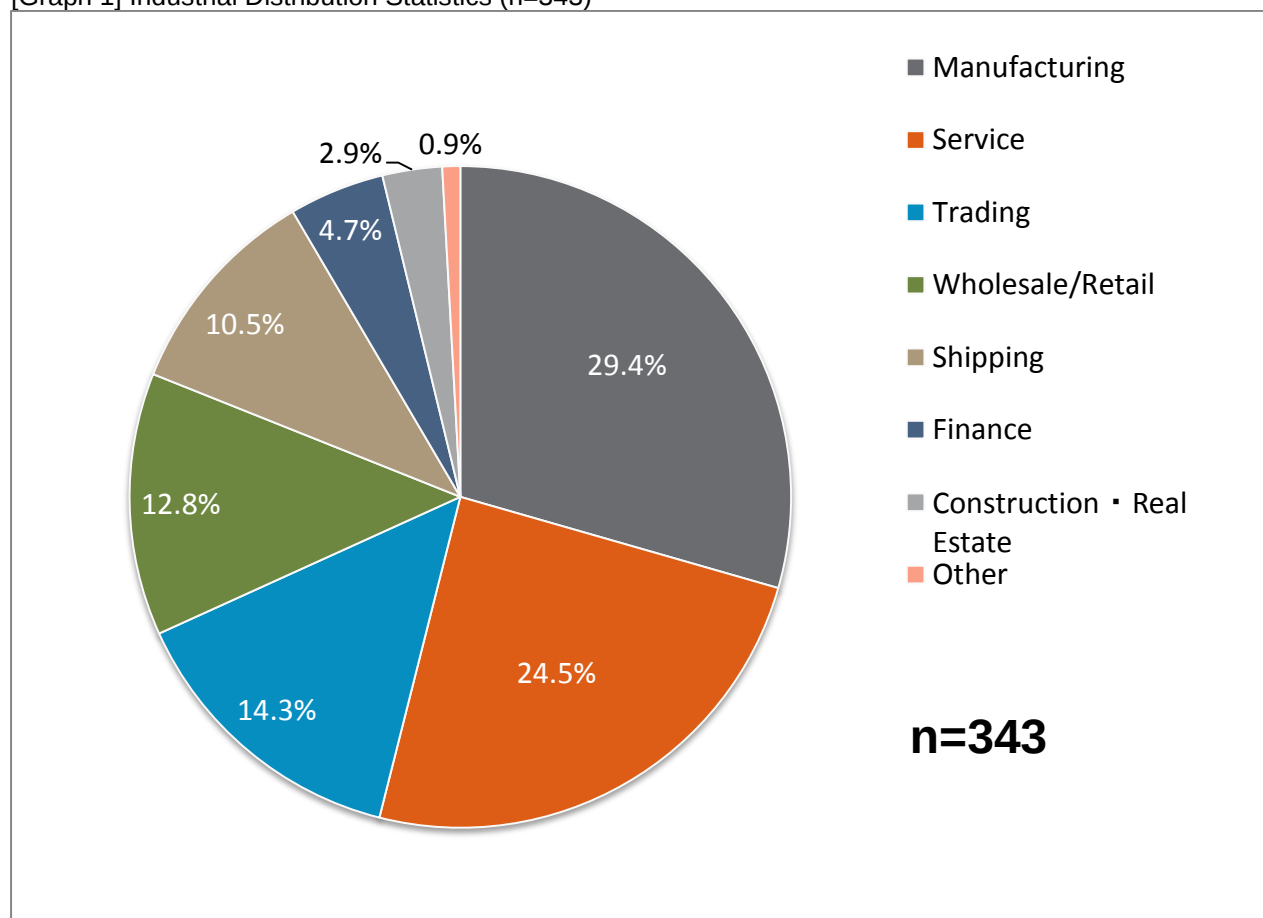
2. Industrial distribution

On industrial distribution, "Manufacturing" (29.4%) is the leading segment and combined with "Service" (24.5%) will make up more than 50% of the total. "Service" includes information systems, film/publishing, leisure/tourism and professional services (law accounting and consulting firms).

"Trading" (14.3%), "Wholesale/Retail" (12.8%) and "Transportation" (10.5%) follow, accounting for approximately 40 % of the total.

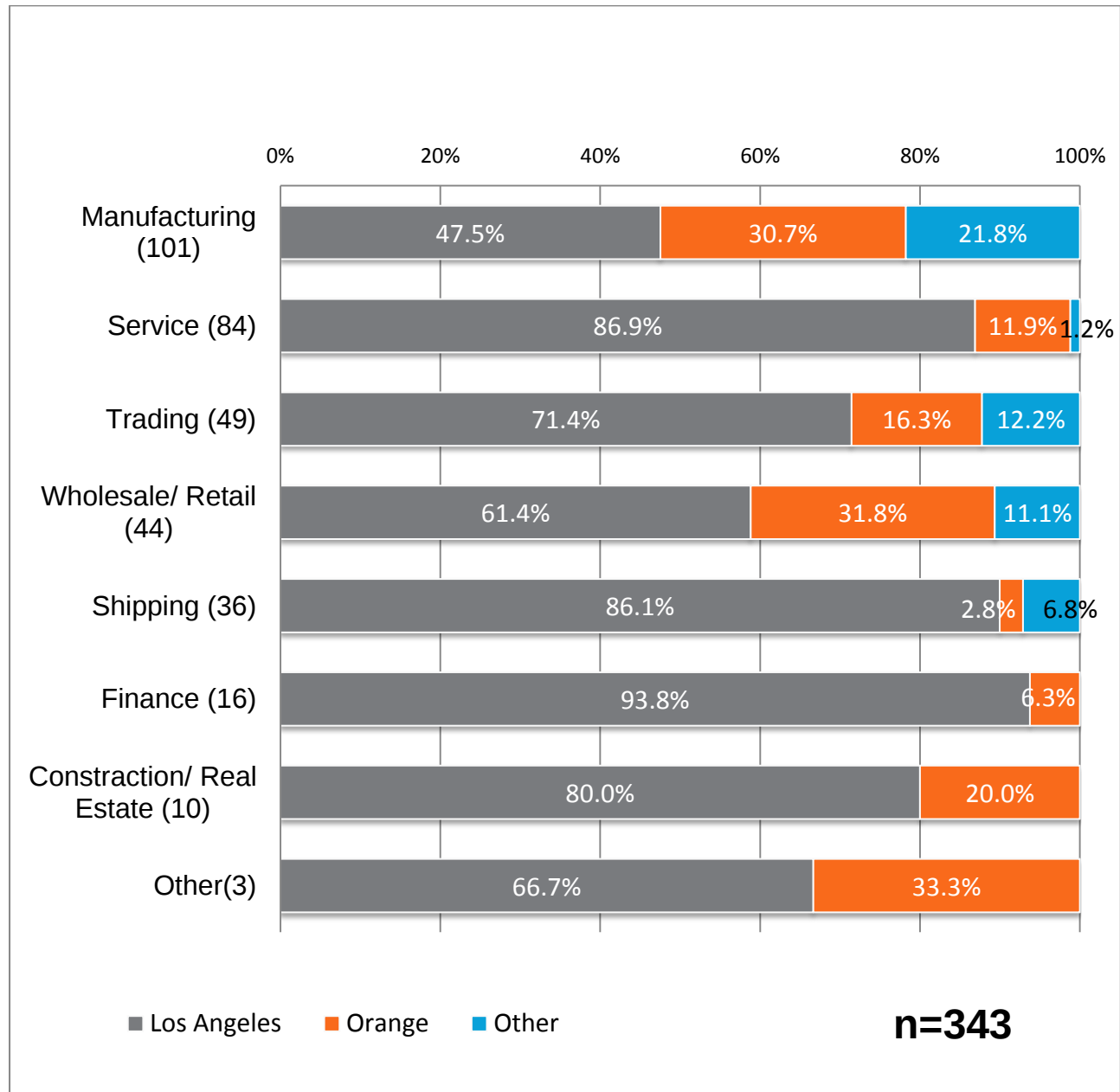
Southern California serves as a major logistics hub in the U.S., (Port of Los Angeles, Port of Long Beach and Los Angeles International Airport) and is also a major trade gateway to Asia. Both are significant factors leading to the concentration of these industries in Southern California.

[Graph 1] Industrial Distribution Statistics (n=343)



On geographic location by industry, the center of Southern California, Los Angeles County is home to many local Japanese companies. Orange County is home to about 30% in the "Manufacturing" and "Wholesale/Retail" sectors.

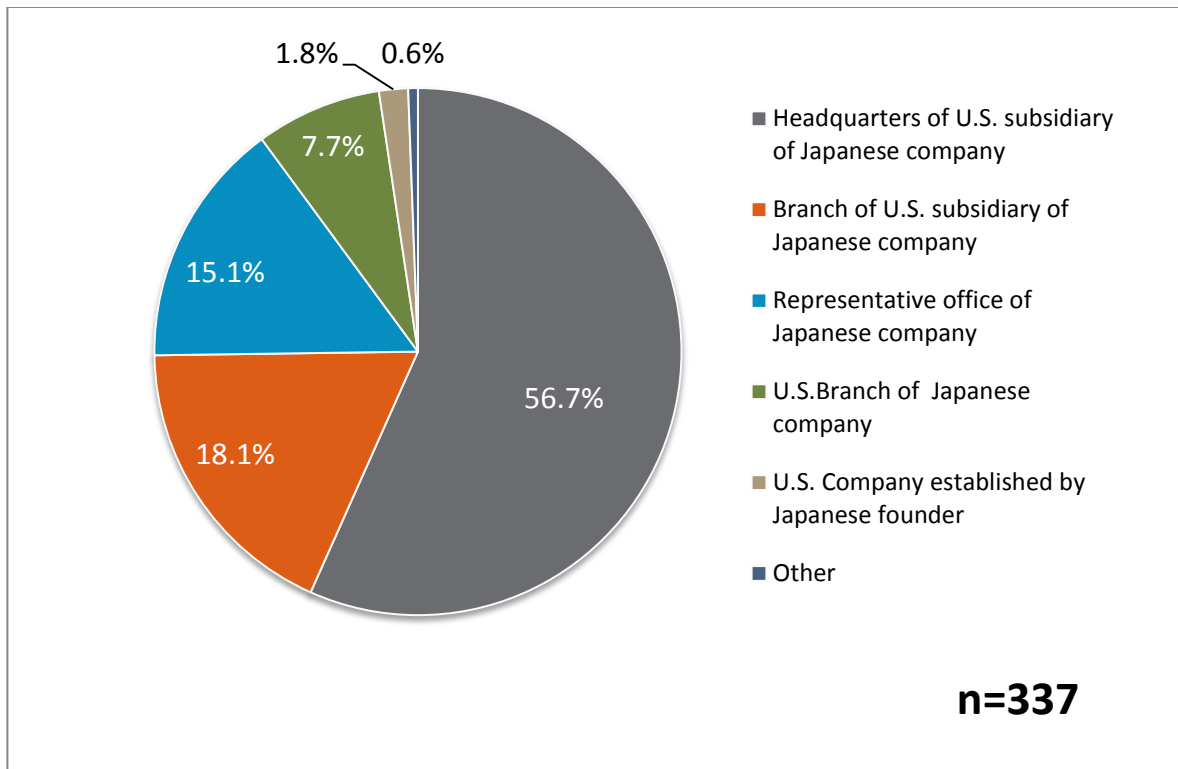
[Graph 2] Industrial Distribution Statistics by Area (n=343)



3. Corporate structure

On corporate structure, Southern California plays a vital geographic role for Japanese companies entering the United States, over 50% of the companies are "Headquarters of U.S. subsidiary" Furthermore, combined with the "Branch of U.S. subsidiary, it accounts for over 70% of the total.

[Graph 3] Corporate Structures (n=337)



* A "company launched by Japanese individuals" does not include headquarters, branch or other office of a locally incorporated Japanese company.

4. Timing of incorporation

Viewing the background of market expansion by Japanese companies from a historical perspective, Japanese companies expanded their operations to the U.S. market in the 1950s, for the purpose of conducting market research and entering business deals. In the 1960s to 1970s Japanese companies entered the U.S. to promote exports and market expansion.

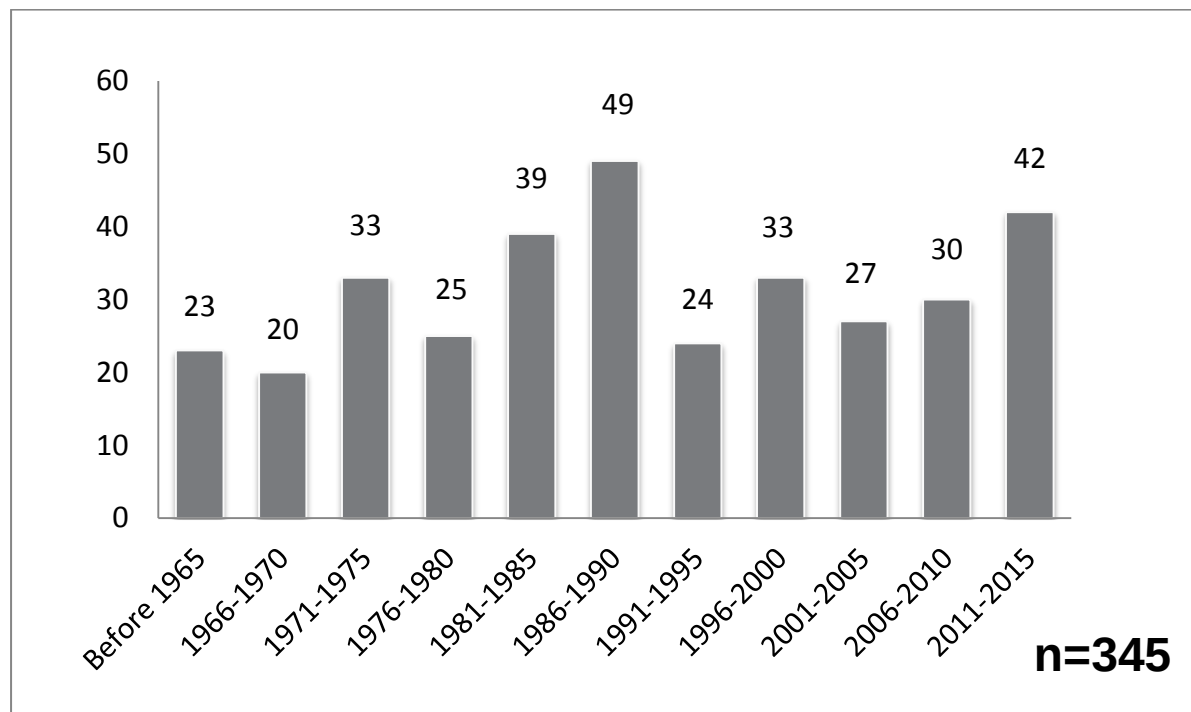
After 1970s, U.S.-Japan textile negotiations signaled the beginning of trade-friction issues related to sheet glass, televisions, iron and steel, semiconductors, etc., thus encouraging the subsequent U.S. expansion of Japanese companies for local production. After 1980s, such local production was further promoted, due in part to the need to correct the trade imbalance between Japan and the United States.

Concurrently, there were an increasing number of companies entering the U.S. market in search of investment opportunities in order to utilize excess funds generated on the back of the rising yen and bubble economy, which peaked from 1986 to 1990.

After 1991, the U.S. expansion of Japanese companies slowed down in the aftermath of the collapse of the bubble economy, with some even withdrawing from the U.S. market. However, after 1996, a renewed drive was seen among information service fields, including those in film and publishing, to enter the U.S. markets.

Since 2006, the U.S. expansion of Japanese companies has become stagnant due to the slumping U.S. economy triggered by the collapse of Lehman Brothers and other associated factors; however, the economy is on a gradual path to recovery.

[Graph 4] Year of Establishment (n=345)

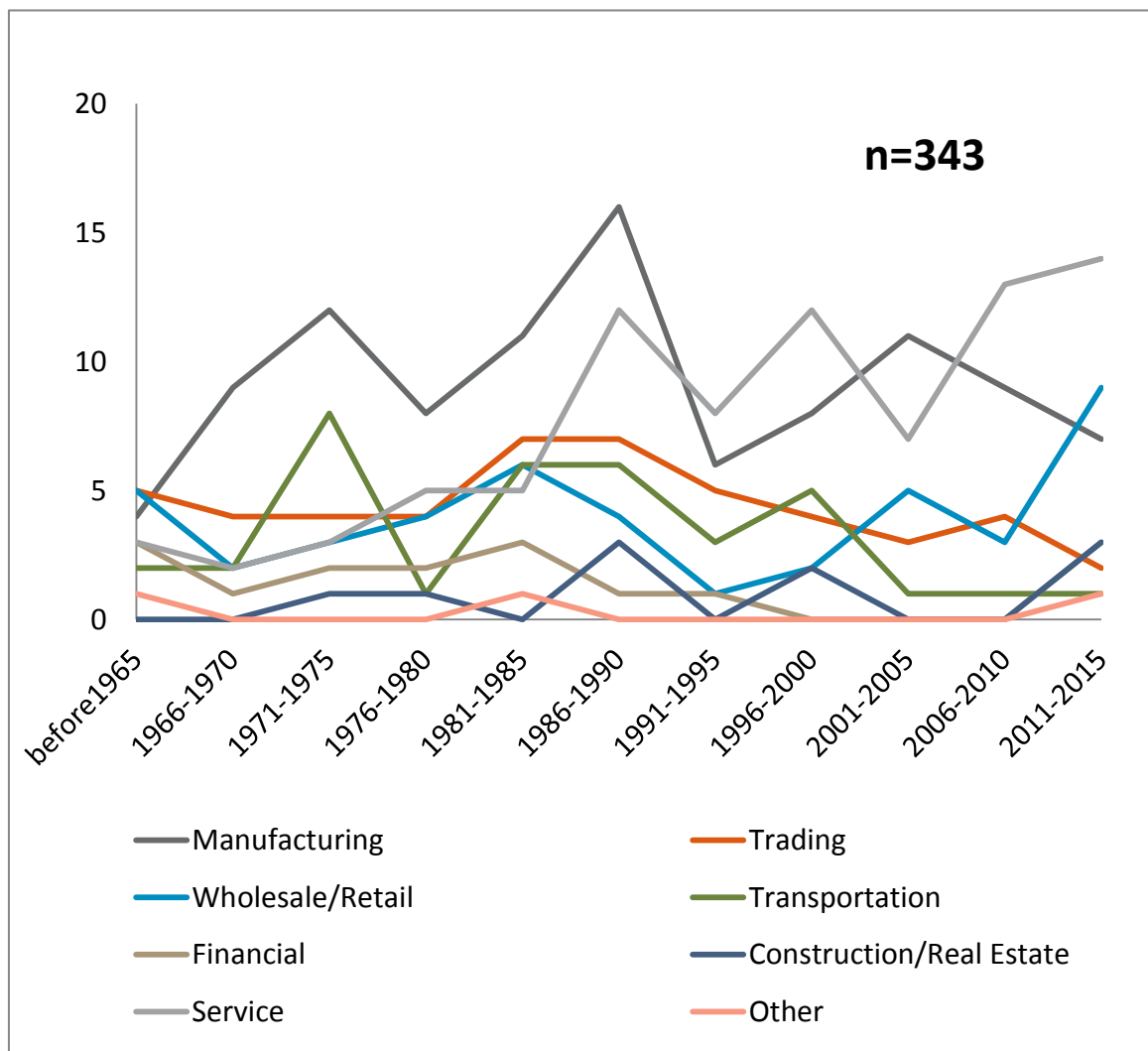


(Note) The number-of-companies distribution is based on the year the responding companies were established, and does not include companies that have already closed their operation here.

The market expansion of Japanese company by industry: early Japanese entrants to the U.S. included "Wholesale/ Retail" and "Trading" companies that required relatively small amounts of capital investment. "Manufacturing" also entered the U.S. in earnest against the backdrop of the rising yen and increasing trade friction, and "Transportation" companies that supported the logistics operations of those companies also set up operations in the U.S. in the 1980s.

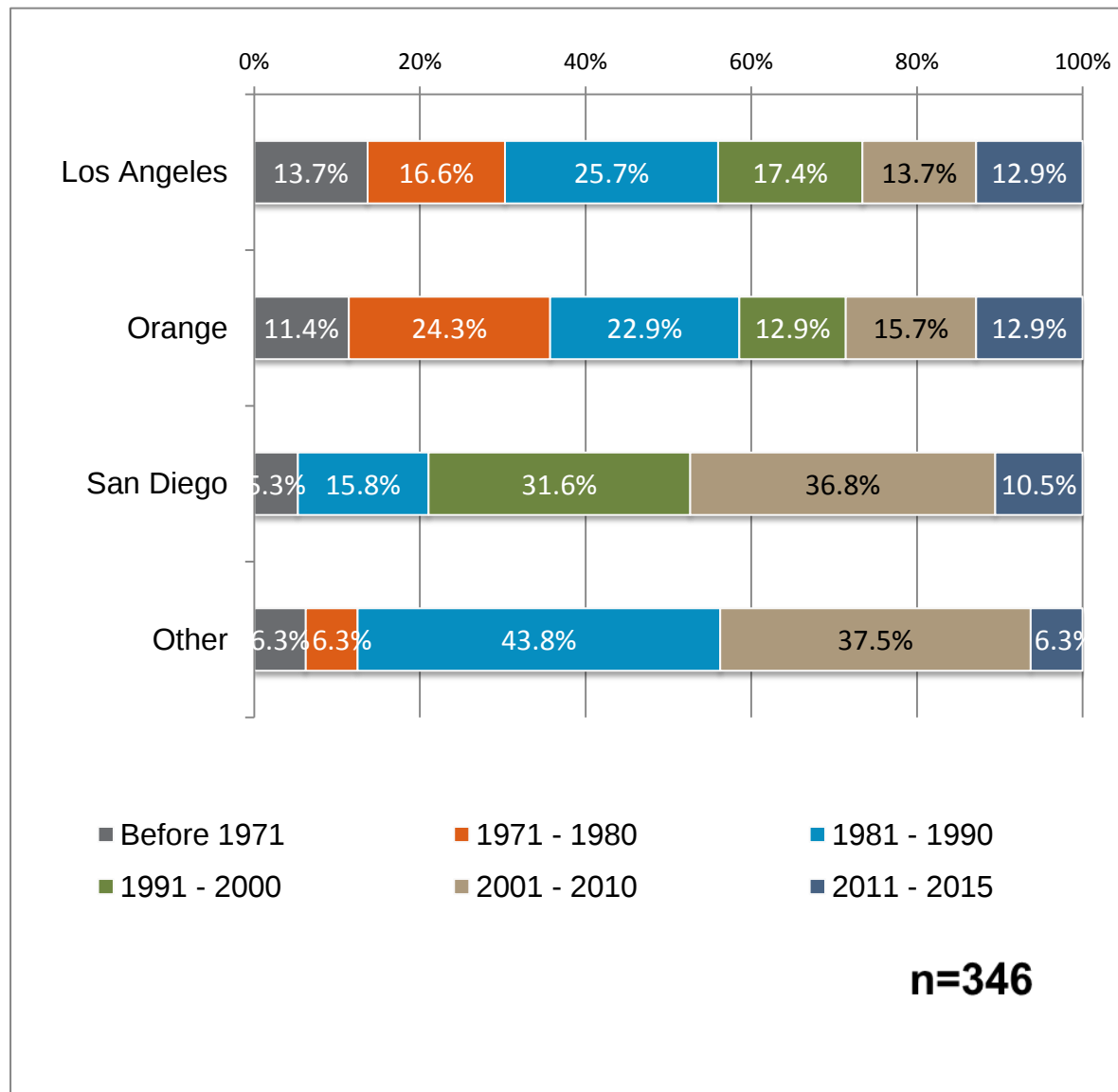
After reaching its peak in 1986 to 1990, the U.S. expansion of "Manufacturing" companies has started to recede, while "Service" companies have continued at a strong pace.

[Graph 5] Year of Establishments by industry (n=343)



By county, the result shows that more than 30% of respondent companies in Los Angeles and Orange Counties were established prior to 1980, while over 90% of those in San Diego County were established in 1981 and thereafter.

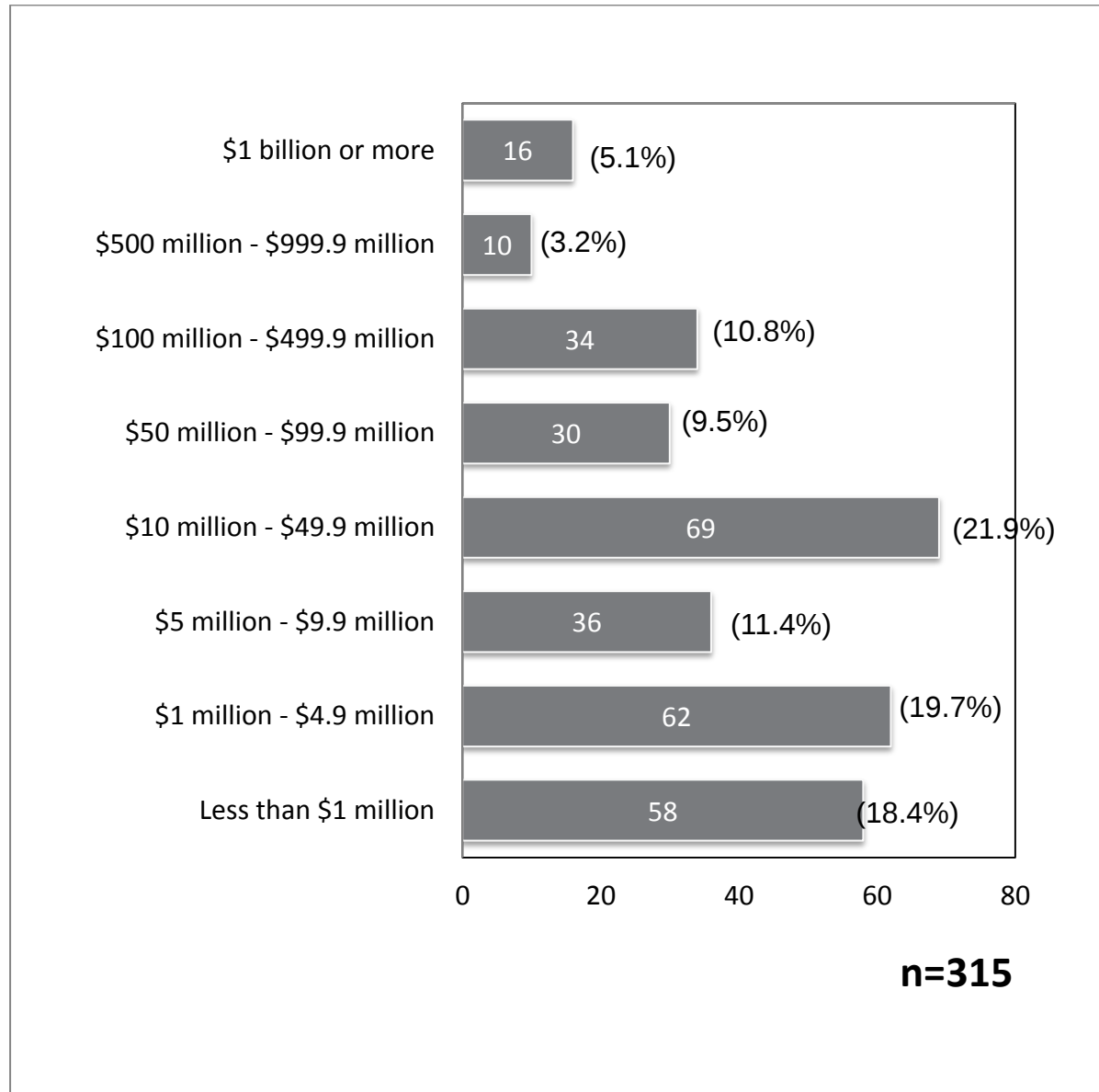
[Graph 6] Year of Establishment by County (n=346)



5. Total sales

49.5% of all respondent companies had sales of less than \$10 million per year, while companies with sales of \$100 million per year or more accounted for 19.1% of all companies.

[Graph 7] Number of Companies by Total Sales (n=315)



II. Contributions to Regional Communities

1. Job creation

The total number of employees in Southern California reached 82,557 with 334 companies responding. Of these, locally hired employees (80,238) comprised 97.2% of the total, while the remaining 2,319 are expatriates from Japan.

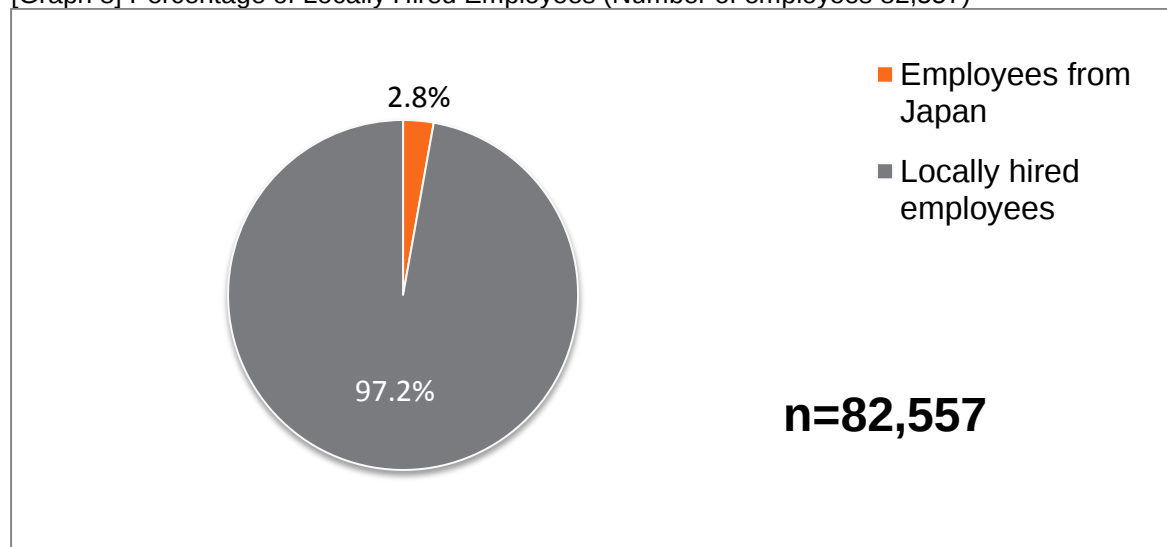
Also, the average number of employees per Japanese company is 247.2. It is estimated that total 173,024 people (including 168,163 local hires) are employed by the more than 700 Japanese companies in Southern California. The number indicates that Japanese companies are contributing to the local economy through job creation.

[Table 2] Number of Employees Hired by Japanese Companies (n=334)

	Total (people)	Expatriates from Japan	Locally hired employees
Number of employees (n= 334)	82,557	2,319	80,238
Average number of employees per company	247.2	6.9	240.2
Total employments in Southern California (estimate)	173,024	4,860	168,163

(Note) The total may not match with the total of each item due to fraction.

[Graph 8] Percentage of Locally Hired Employees (Number of employees 82,557)



By industry breakdown, "Manufacturing" accounted for the highest percentage of 63.7% with 52,552 employees. "Wholesale/Retail" was second at 14.0% with 11,566 employees, followed by "Service" with 6,719 employees, accounting for 8.1%.

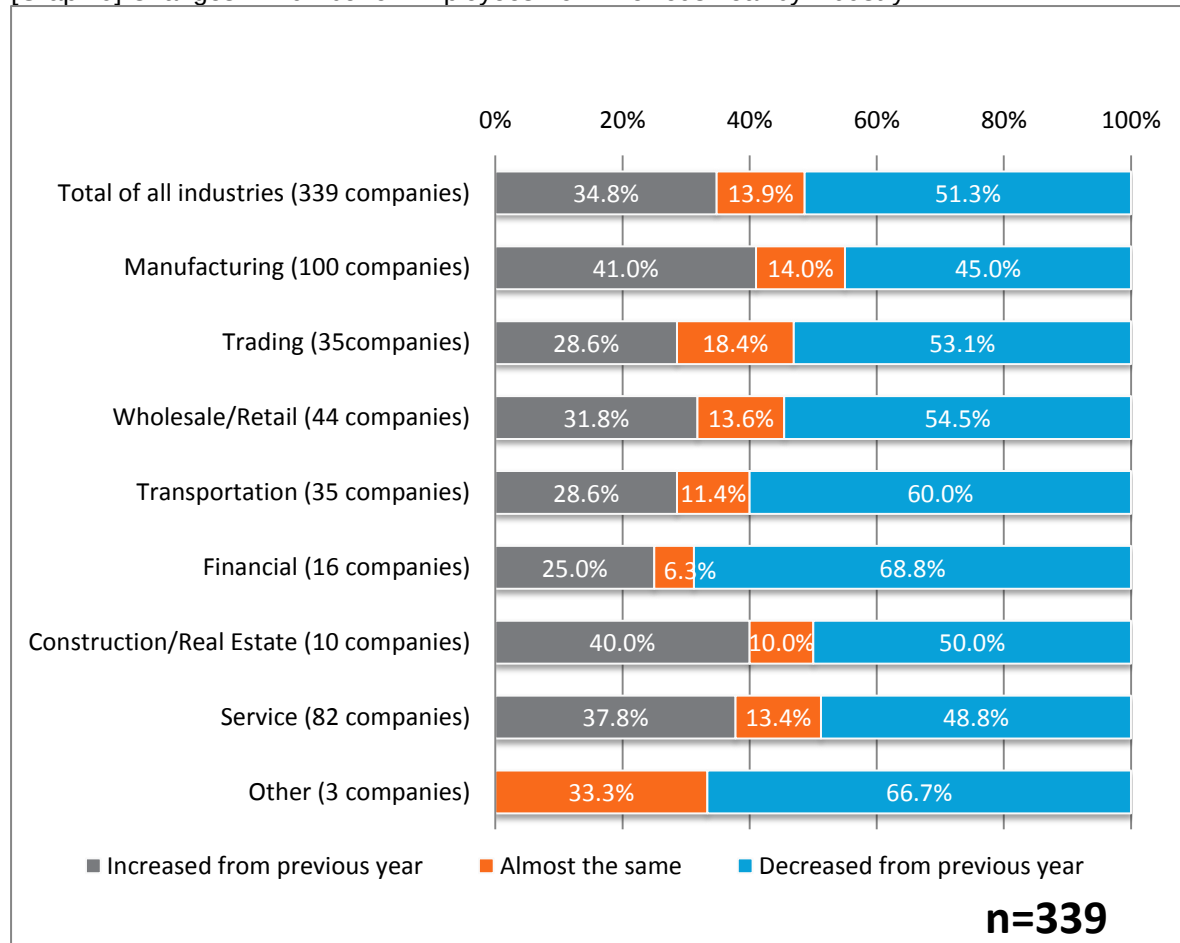
[Table 3] Employment Size by Industry (n=334)

		Number of employees	
			Ratio
Manufacturing	(101 companies)	52,552	63.7%
Wholesale/Retail	(42 companies)	11,566	14.0%
Service	(80 companies)	6,719	8.1%
Trading	(49 companies)	5,432	6.6%
Transportation	(34 companies)	3,106	3.8%
Construction/Real Estate	(9 companies)	1,882	2.3%
Financial	(16 companies)	1,281	1.6%
Other	(3 companies)	19	0.0%
Total (334 companies)		82,557	100%

The changes in number of employees compared to previous year, show 40.4% of all companies in all industries "Increased," while 16.1% experienced a "Decreased." 59.6% of all industries responded "Almost the same."

By industry, "Increased over previous year" rose in "Manufacturing," "Service" and "Construction/Real Estate" sectors.

[Graph 9] Changes in Number of Employees from Previous Year by Industry



2. Salaries and wages

A total of \$1,511.85 million in salaries and wages (including benefits) were paid per year by the 222 responding Japanese companies in Southern California. The average salary shows \$57,300 per year per employee. When this figure is multiplied by 173,024, an estimate total employment number of Japanese companies in Southern California, the "Total amount of salaries and wages paid per year" are estimated as \$9,914.28 million.

[Table 4] Total Amount of Salaries and Wages Paid by Japanese Companies

(Unit: In ten thousand dollars)

Total salaries and wages paid per year (n=222)	151,185
Average salary paid (per employee) (*)	5.73
Total amount of salaries and wages paid in Southern California (estimate)	991,428

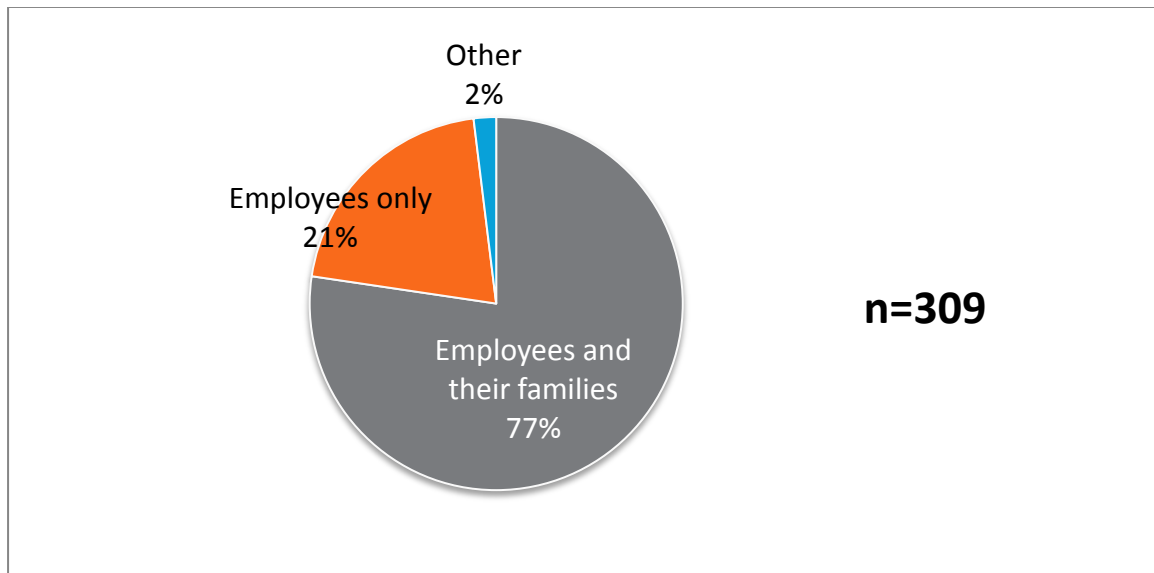
(*) Total amount of salaries and wages paid / 26,374 (number of employees with the 222 companies that responded)

3. Healthcare insurance coverage

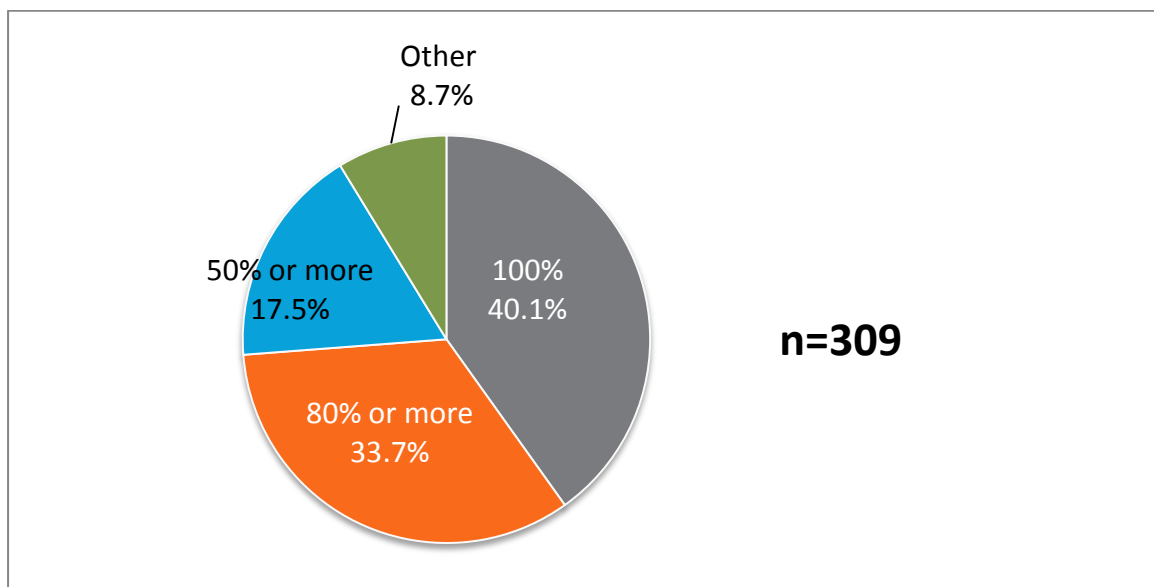
77.3% of the Japanese companies provide healthcare insurance for "Employees and their families"; combined with the number of companies offering healthcare insurance for "Employees only," almost all Japanese companies provide healthcare insurance for their employees.

Additionally, 40.1% of all companies bear the costs of employees' insurance premiums fully and they, together with the companies contributing at least 80% of the premium costs, account for 73.8% of the total. These results suggest that Japanese companies provide great healthcare benefits to their employees.

[Graph 10] Healthcare Insurance Provision (n=309)



[Graph 11] Healthcare Insurance Premiums Provided by Companies (n=309)

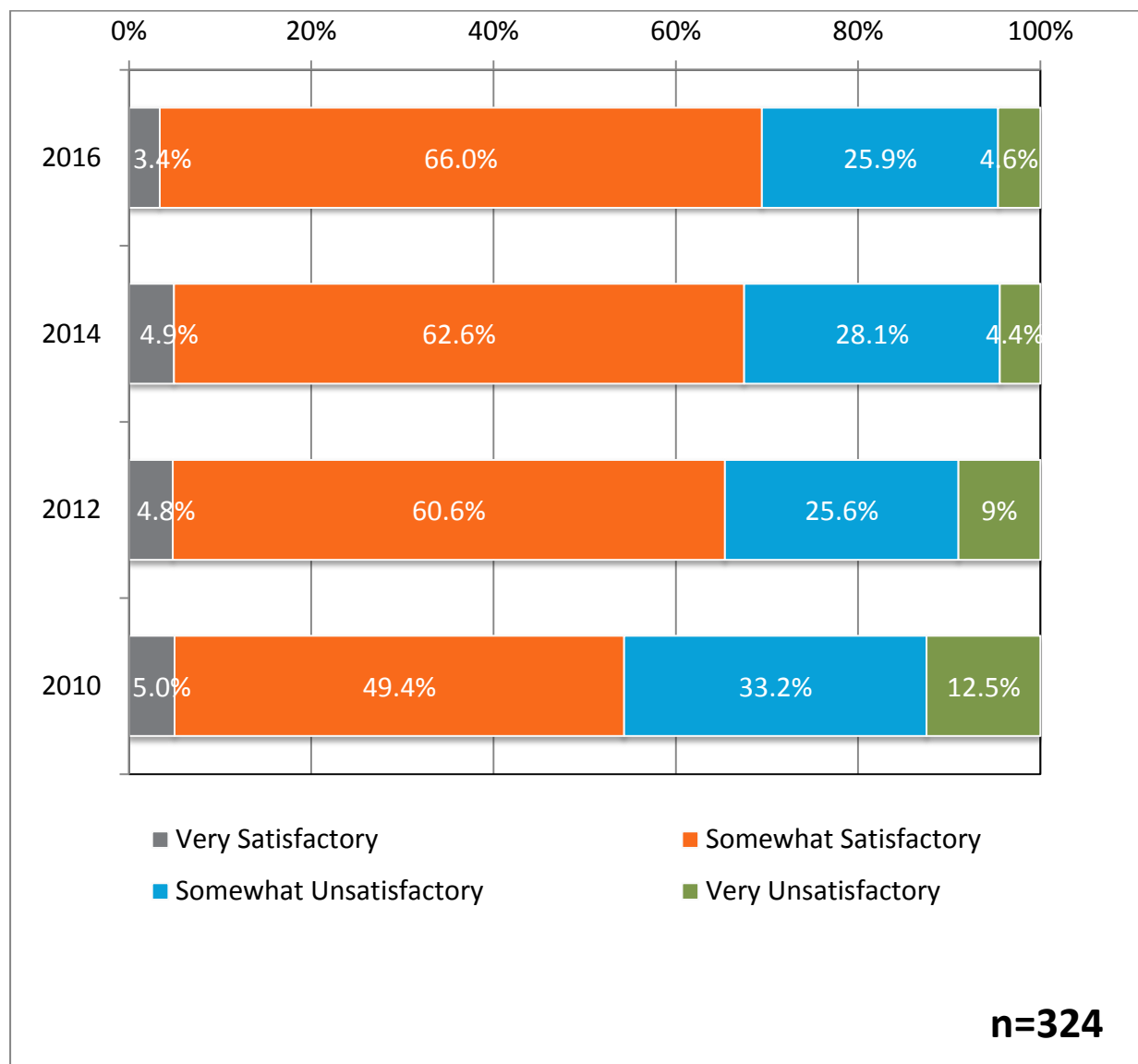


III. Evaluation of Investment and Business Environments

1. Evaluation of Business Performance

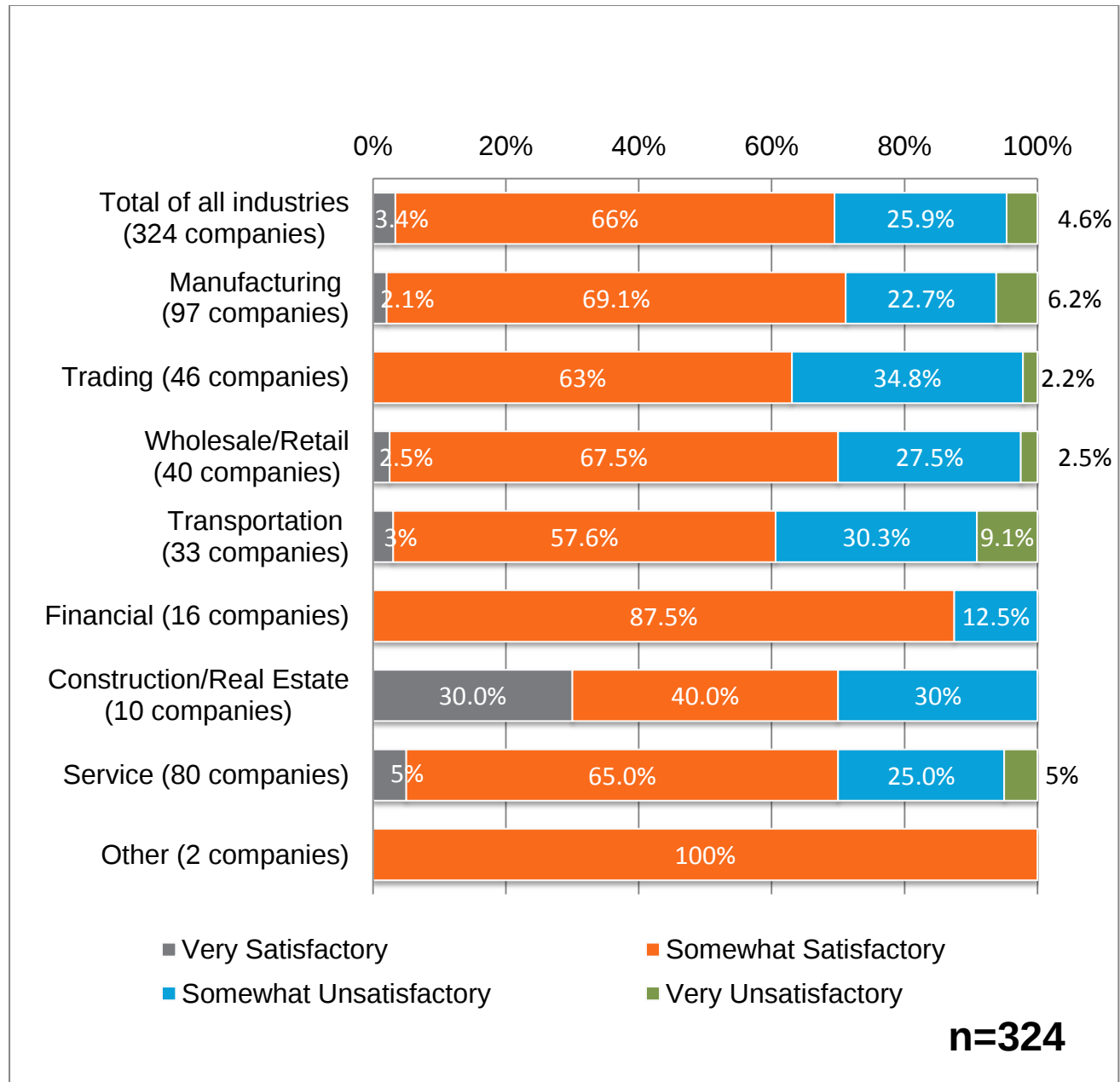
In business performance, nearly 70% of all responses were positive, such as "Very Satisfactory" and "Somewhat Satisfactory." This was the same trend as the previous survey.

[Graph 12] Business Performance in Southern California (n=324)
(All industries)



By industry, more than 60% of companies in all industries including responded as "Very Satisfactory" or "Somewhat Satisfactory."

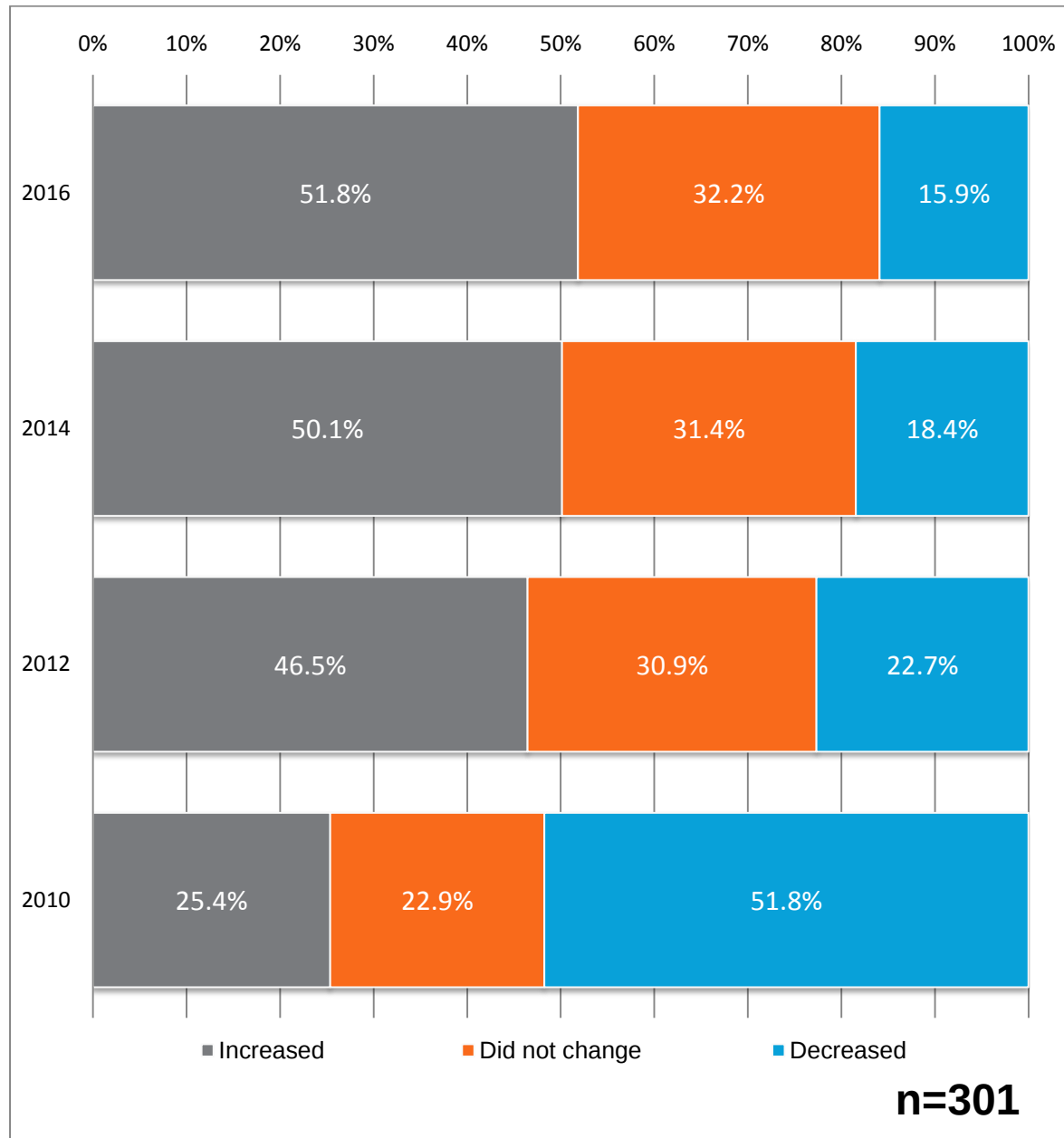
(Responses by industry)



Looking at sales increase in 2015, 51.8% of respondents, an increase from the previous survey, stated sales "Increased" over the previous year. In contrast, fewer companies said sales "Decreased" (15.9%, down from 18.4% in the previous survey). These results indicate that the business performance of Japanese companies is improving.

By comparison, the 2010 survey had found that 51.8% of companies acknowledged their sales "Decreased" from the previous year due to an economic slowdown.

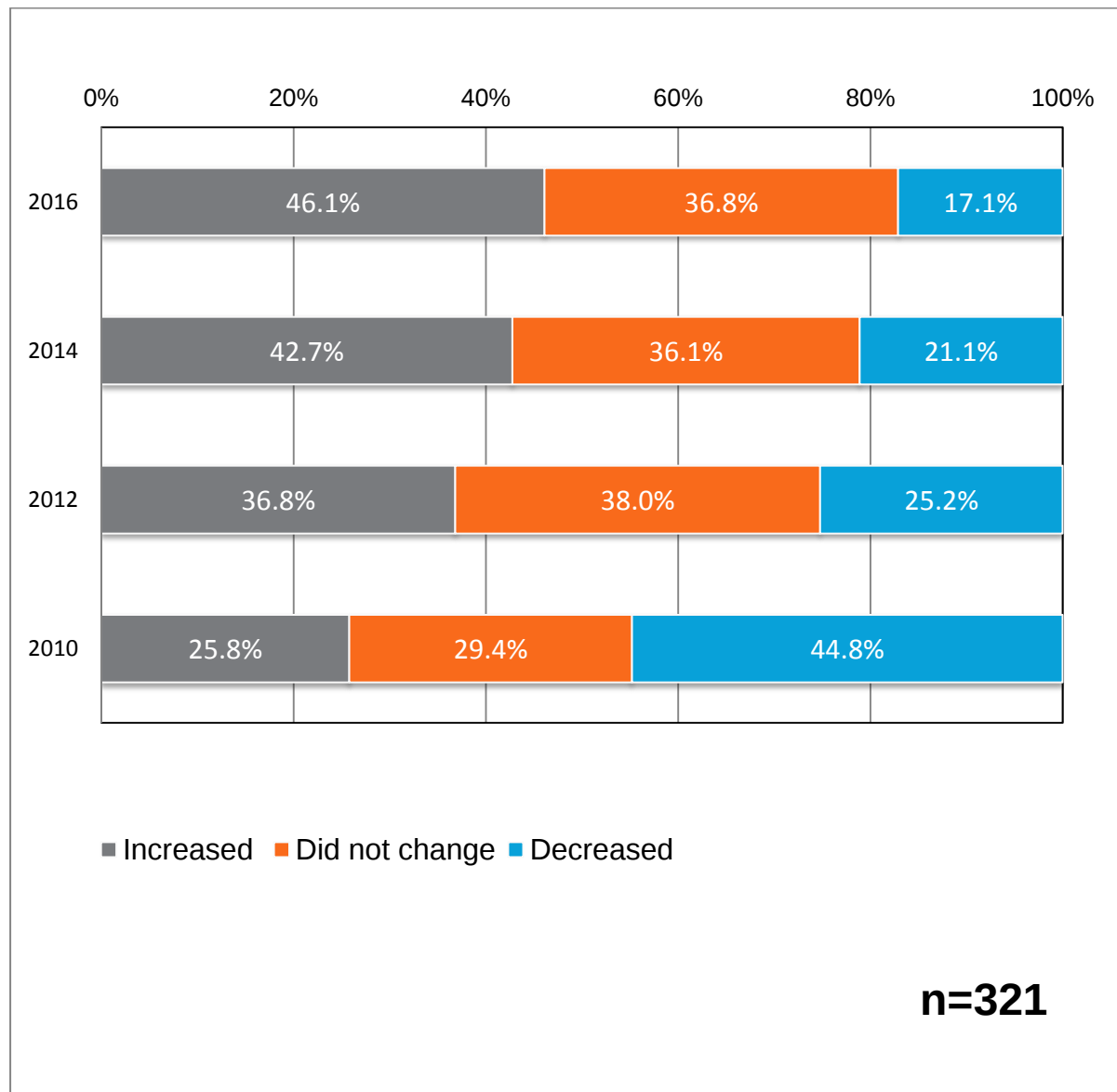
[Graph 13] Year Over Year Change in Sales (n=301)



Year over year changes in profit responses in 2015 showed companies' profits that "Increased" over the previous year rising from 42.7% in the previous survey to 46.1%. Companies that expected to see profits "Decreased" from the previous year was decreased (from 21.1% to 17.1%).

By comparison, only 25.8% of the Japanese companies responding to the 2010 survey were expected their business performance to "Increase" from the previous year, while the 44.8% of companies reached "Decreased".

[Graph 14] Year Over Year Change in Profit (n=321)

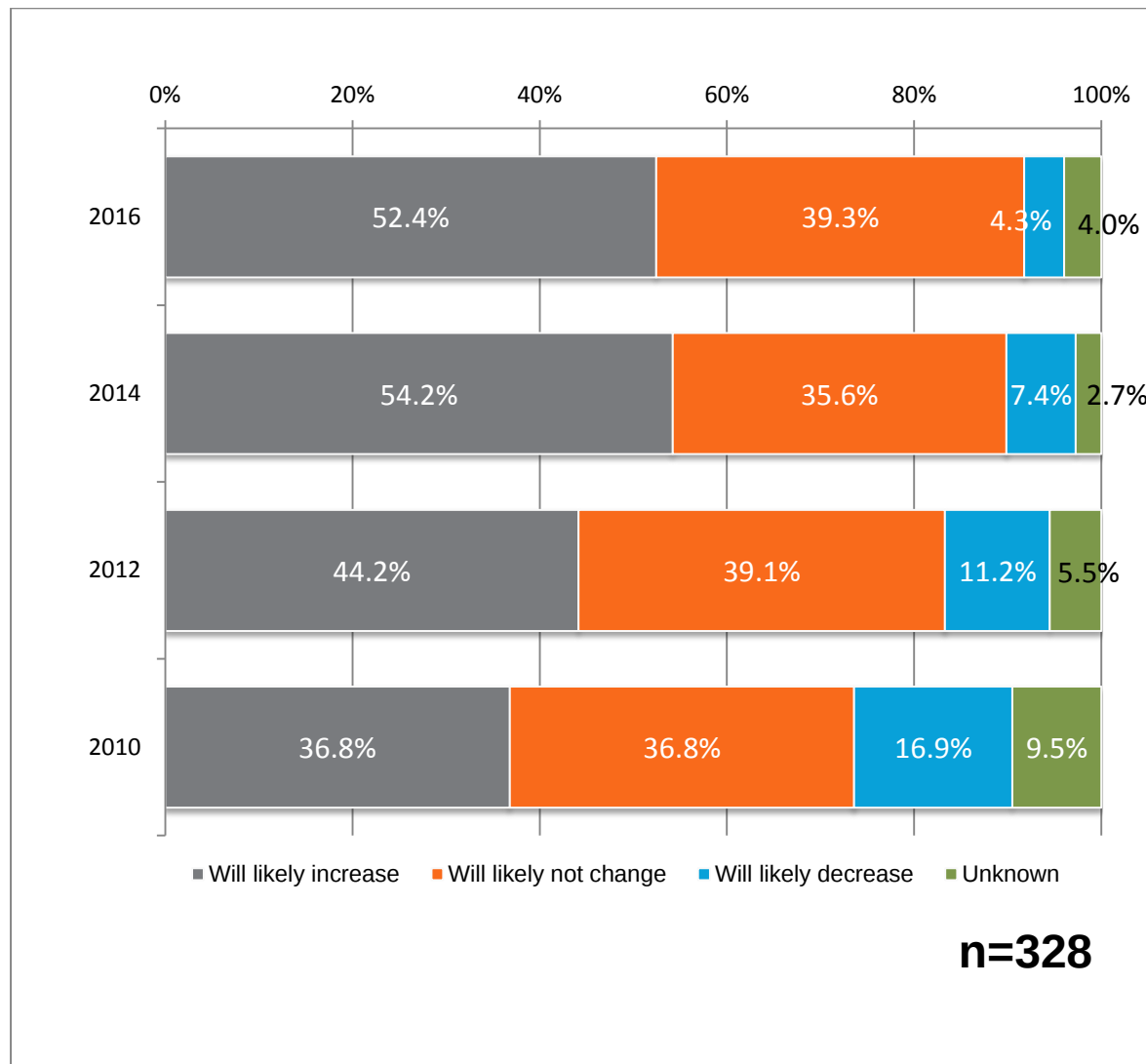


2. Future outlook

As for the outlook on operating profit over the next year or two, "Will likely increase" responses increased to 52.4%, roughly equivalent to the result in the previous year's survey. On the other hand, 4.3% of companies said operating profit "Will likely decrease," decreasing from 7.4% in the previous survey.

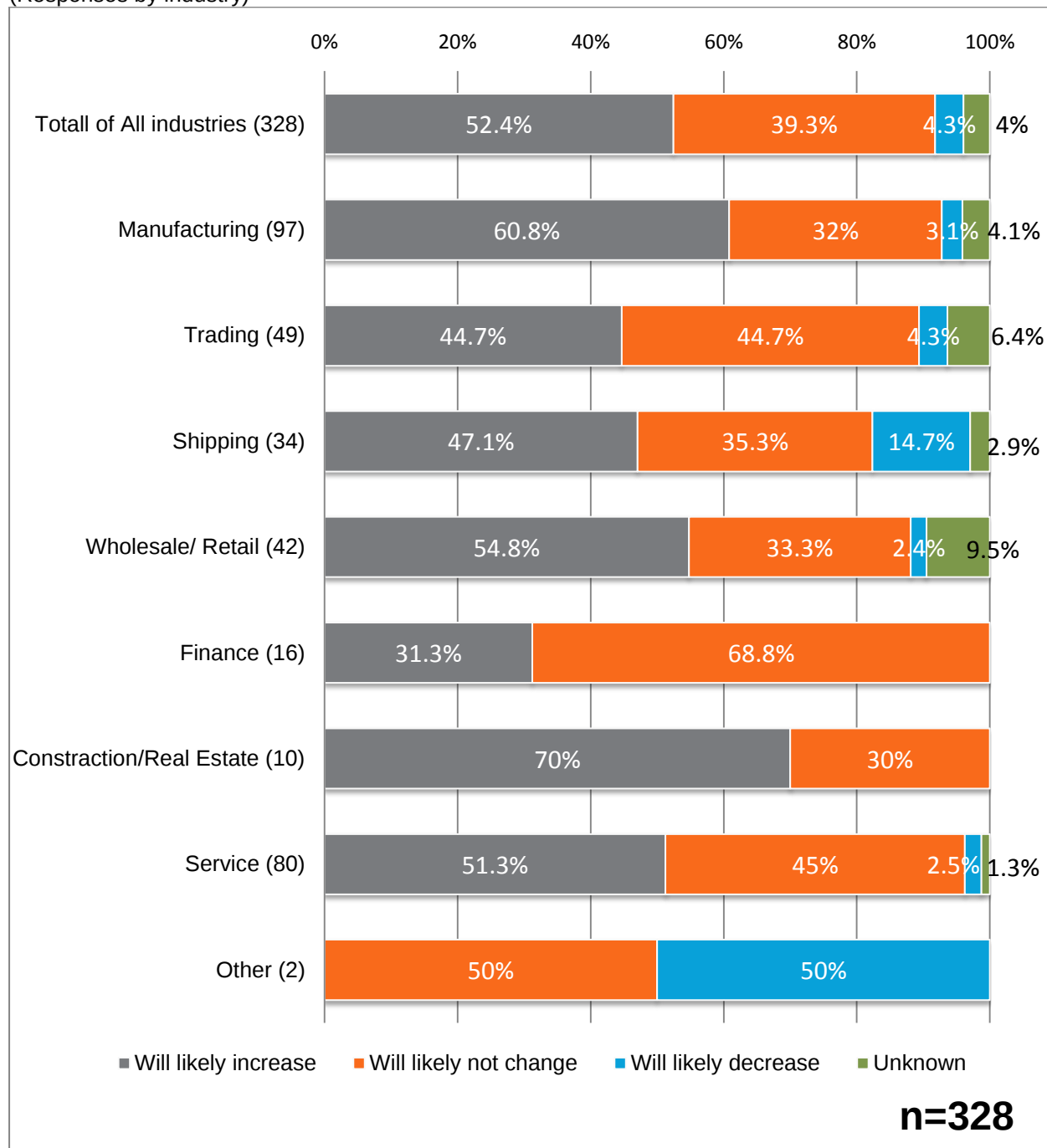
By comparison, only 36.8% of the Japanese companies responding to the 2010 survey were expected their business performance to "Increase," while the 16.9% of companies reached a "Decrease".

[Graph 15] Profit Outlook for the Next 1-2 Years (n=328)



An industry breakdown reveals that over 50% of companies cited profits "Will likely increase" in the "Manufacturing," "Wholesale/Retail," "Construction/Real Estate" and "Service" sectors.

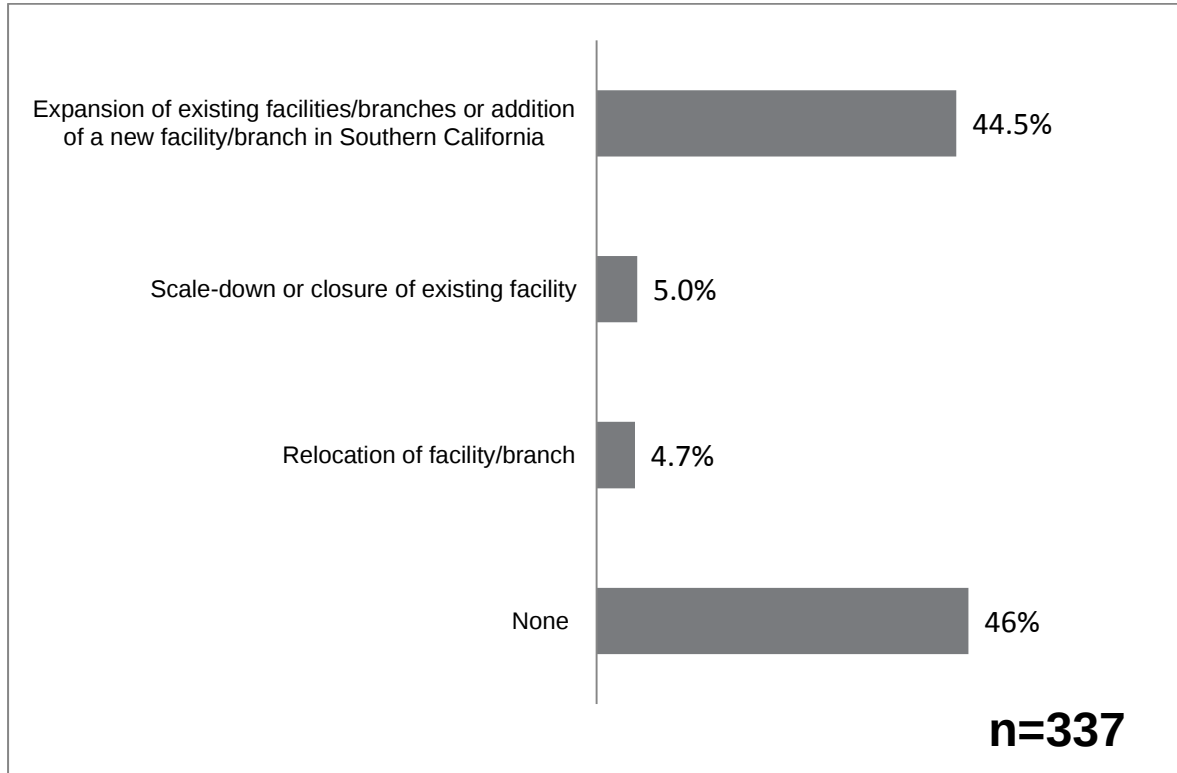
(Responses by industry)



3. Investment and business plans

For investment and business plans over the next year or two, nearly a half of the respondents planned an "Expansion of existing facilities/branches or addition of a new facility/branch in Southern California."

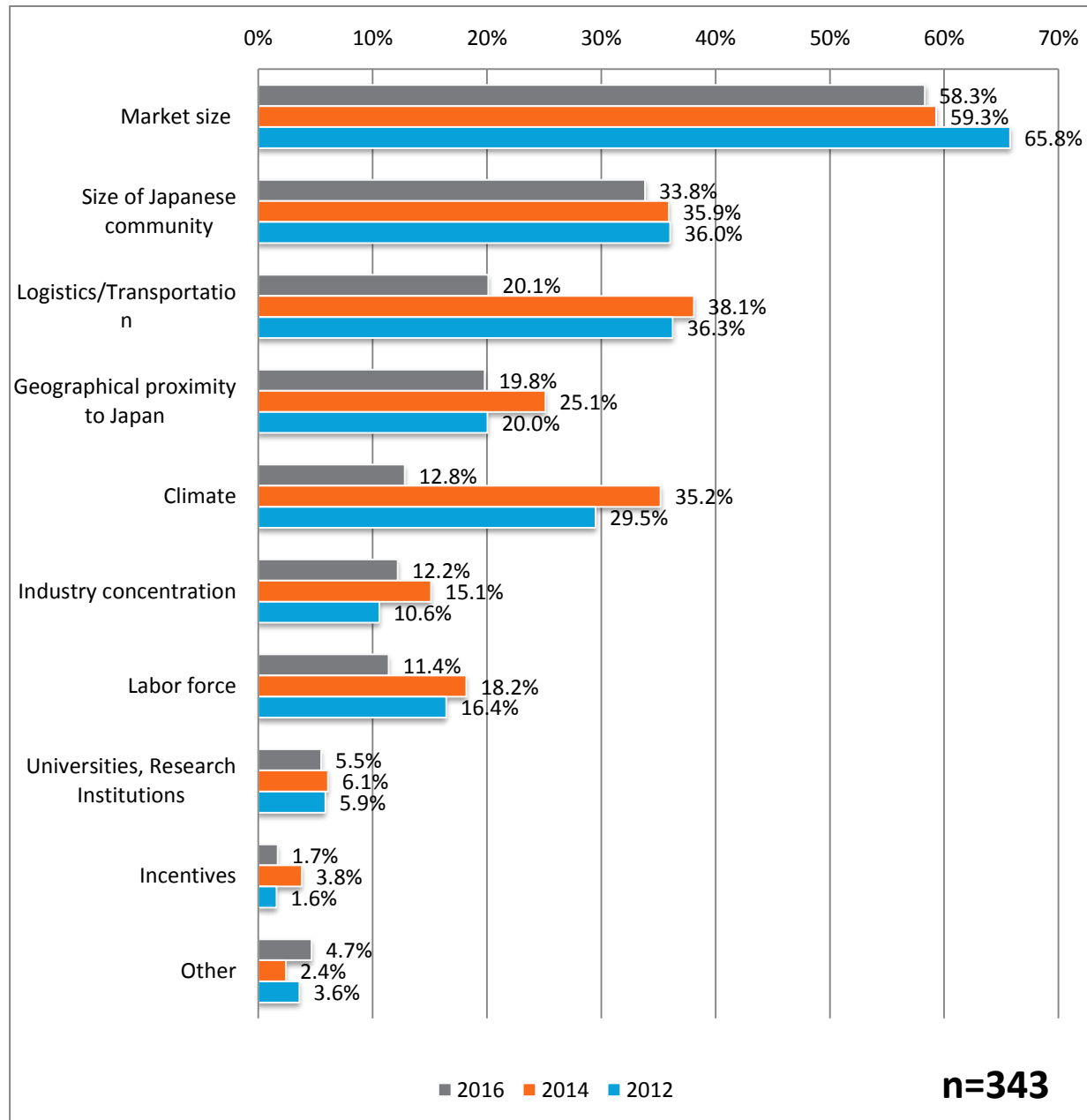
[Graph 16] Investment and Business Plans for Next 1-2 Years (Multiple responses; n=337)



4. Advantages of California

As for the business advantages of California, (a state with a population of about 38 million) the "Market Size" is a major advantage according to the responses of approximately 58.3% of the 343 companies. Other advantages are: "Size of Japanese Community" (33.8%), "Logistics/Transportation" (20.1%), and "Geographical Proximity to Japan" (19.8%).

[Graph 17] Business Advantages of California (Multiple responses; n=343)



Based on an industry breakdown, more than half of the companies cited "Size of Market" as an advantage in all industry sectors. On the other hand, around 60% of "Trading" and around 80% of "Wholesale/Retail" sectors cited "Logistics/Transportation Hub," while more than a half of "Financial" and "Service" sectors cited "Size of Japanese Community," as an advantage.

[Table 5] Advantages of Operating Business in Southern California (by industry)

(Multiple responses; n=423)

	Market size	Logistics/Transportation	Size of Japanese community	Climate	Geographical proximity to Japan	Labor force	Industry concentration	Universities, research institutions	Incentives	Other
Manufacturing (101 companies)	68.3%	31.7%	22.8%	23.8%	16.8%	14.9%	12.9%	7.9%	3.0%	6.9%
Trading (49 companies)	65.3%	55.1%	28.6%	28.6%	22.4%	8.2%	20.4%	4.1%	4.1%	0.0%
Wholesale/ Retail (36 companies)	58.3%	77.8%	47.2%	22.2%	25.0%	5.6%	13.9%	0.0%	0.0%	2.8%
Transportation (44 companies)	77.3%	29.5%	25.0%	25.0%	11.4%	4.5%	4.5%	2.3%	0.0%	0.0%
Financial (16 companies)	75.0%	6.3%	68.8%	37.5%	25.0%	0.0%	12.5%	0.0%	0.0%	12.5%
Construction/Real Estate (10 companies)	70.0%	20.0%	30.0%	0.0%	0.0%	0.0%	0.0%	20.0%	0.0%	10.0%
Service (84 companies)	59.5%	13.1%	50.0%	33.3%	25.0%	15.5%	9.5%	6.0%	0.0%	2.4%
Other (3 companies)	66.7%	66.7%	33.3%	33.3%	33.3%	66.7%	66.7%	33.3%	0.0%	0.0%

(Note 1) The percentages in the table indicate the ratios of companies that selected the applicable item to those responding to the questionnaire.

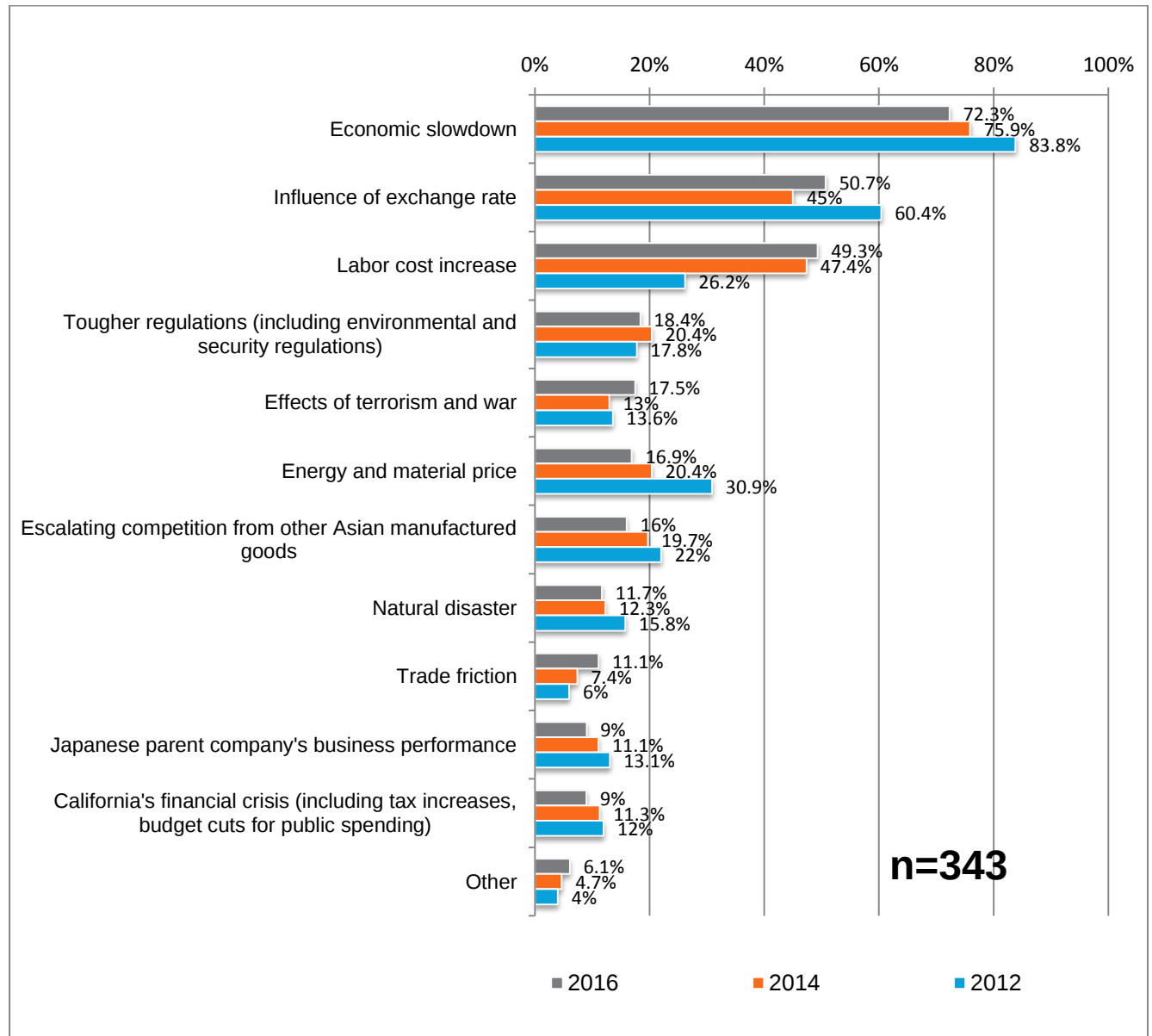
(Note 2) Percentages equal to or greater than 50% are shaded.

5. Concerns over business operations in the future

72.3% cited the "Economic slowdown" as the highest of concerns over business operations in the future, followed by 50.7% citing "Influence of exchange rate," and 49.3% citing "Labor cost increase."

Compared to the previous survey, the share of companies citing "Economic slowdown" dropped by 3.6%; on the other hand, the proportions of companies concerned about "Influence of exchange rate" and "Labor cost increase" rose by 5.7% and 1.9%, respectively.

[Graph 18] Concerns over Business Operations in the Future (Multiple responses; n=343)



By industry, more than 60% of all industries cited "Economic slowdown" as a major concern. "Influence of exchange rate" was named as a concern by at least 50% of companies in the "Manufacturing," "Trading," and "Wholesale/Retail" sectors. As well as, more than 50% of companies in such sectors as "Transportation" and "Service" were concerned about "Labor cost increase."

[Table 6] Concerns over Business Operations in the Future (by industry)

(Multiple responses; n=343)

	Economic slowdown	Influence of exchange rate	Labor cost increase	Energy and material price	Tougher regulations (including environmental and security regulations)	Escalating competition from other Asian manufactured goods	California's financial crisis (including tax increases, budget cuts for public spending)	Japanese parent company's business performance	Effects of terrorism and war	Trade friction	Natural disaster	Other
Manufacturing (101 companies)	74.3%	55.4%	45.5%	24.8%	17.8%	24.8%	4.0%	5.9%	7.9%	8.9%	8.9%	1.0%
Trading (49 companies)	69.4%	63.3%	42.9%	28.6%	16.3%	32.7%	16.3%	12.2%	16.3%	16.3%	8.2%	0.0%
Transportation (36 companies)	86.1%	44.4%	61.1%	19.4%	33.3%	8.3%	13.9%	11.1%	27.8%	13.9%	5.6%	11.1%
Wholesale/ Retail (44 companies)	61.4%	63.6%	43.2%	9.1%	22.7%	18.2%	9.1%	9.1%	6.8%	20.5%	13.6%	2.3%
Financial (16 companies)	81.3%	25.0%	31.3%	12.5%	31.3%	0.0%	6.3%	0.0%	12.5%	0.0%	18.8%	6.3%
Construction/Real Estate (10 companies)	90.0%	40.0%	40.0%	10.0%	10.0%	0.0%	10.0%	20.0%	30.0%	0.0%	10.0%	0.0%
Service (84 companies)	67.9%	40.5%	60.7%	4.8%	10.7%	0.0%	7.1%	10.7%	29.8%	8.3%	14.3%	8.3%
Other (3 companies)	66.7%	33.3%	66.7%	33.3%	0.0%	100.0%	33.3%	0.0%	33.3%	0.0%	0.0%	33.3%

(Note 1) The percentages in the table indicate the ratios of companies that selected the applicable item to those responding to the questionnaire.

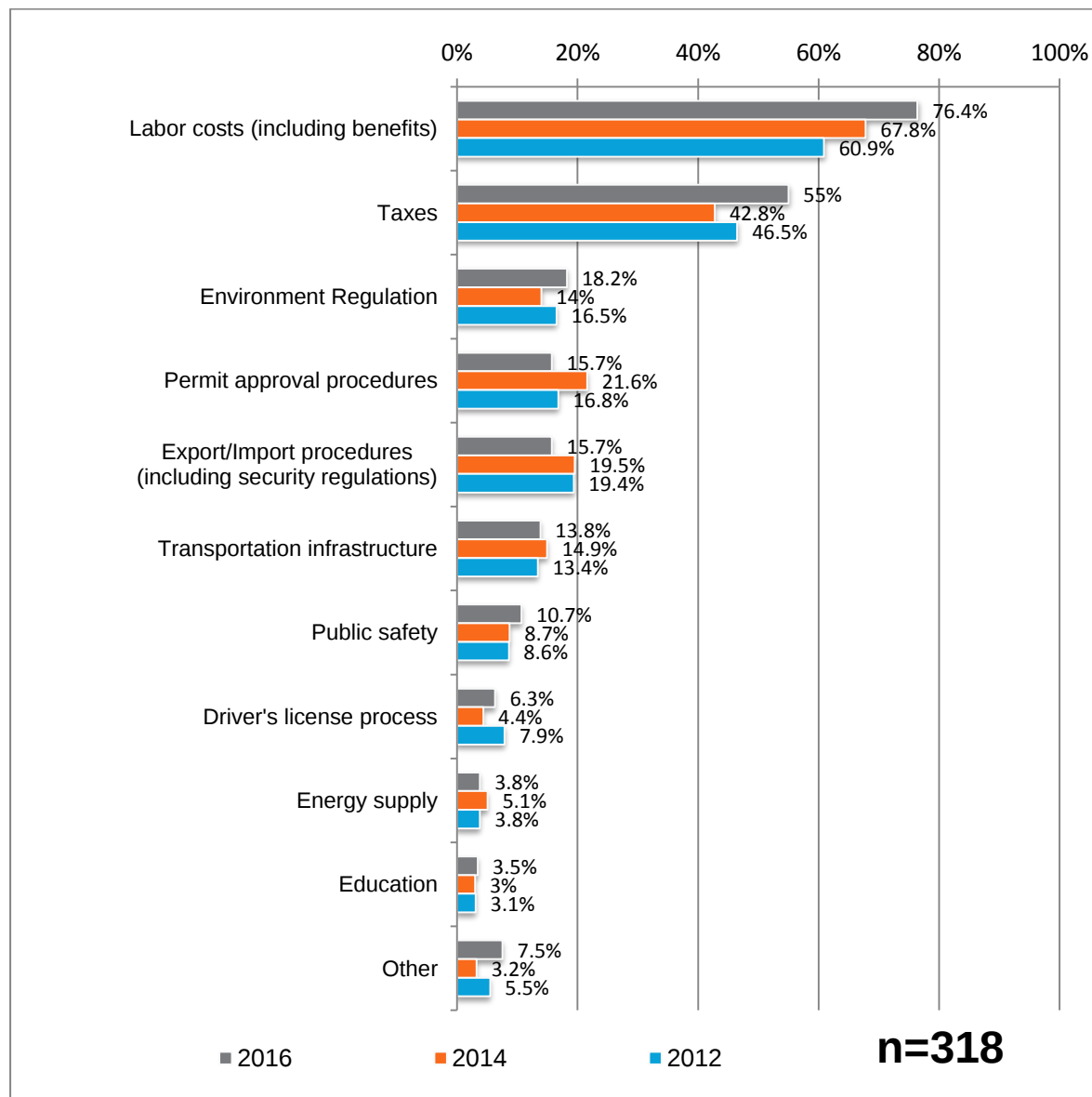
(Note 2) Percentages equal to or greater than 50% are shaded.

6. Disadvantages associated with business operations

Among disadvantage associated with operating a business in California (multiple answers were allowed), "Labor costs" and "Taxes" are the two highest. The companies surveyed pointed out dissatisfaction over the cost burdens on employers for pensions, health insurance, and higher tax rates compared to other states. "Relaxation of environmental regulations" and "Permit approval procedures" followed.

Compared to the previous survey, "Labor costs" increased by 8.6%, while "Taxes" increased by 12.2%.

[Graph 19] Disadvantages associated with business operation (Multiple responses: n=318)



[Reference] Specific Examples of Disadvantages and Requests for Improvement

1. Issues related to labor costs

<Labor costs>

- Companies are paying high insurance premiums for protection against litigation over labor issues.
- Labor costs are high.
- The labor costs that Japanese companies consider are reasonable are too different from the actual labor costs in California.
- Labor costs are so much higher than in other states. This reality is reflected in a recent exodus of Japanese companies from California to other states.
- Labor costs are high.
- Given the increase in labor costs due to rising minimum wages, etc., we may have to move our U.S. headquarters to outside California within three to four years.
- Labor costs remain high. As a result, living expenses are skyrocketing. There are limits to what we can do to improve high cost structure, so the biggest challenge lies in how we can effectively utilize the resources in other regions.
- Labor laws have been over-corrected in favor of employees. We are concerned that many companies will face problems securing employment in the future. How companies are run must be changed drastically.
- The costs of supporting customers who have relocated to other states, and securing talented workers in an inflationary environment, are rising.
- Minimum wages and healthcare insurance costs are rising.
- Costs of employee benefits are higher than in the Midwest.
- We must constantly look for outsourcing opportunities to reduce employment risks.
- How to absorb the rising employment costs is an urgent issue for the time being.
- Higher litigation risks pose a challenge.
- Costs are higher than in other states.
- Employment costs, etc., are high. Can we continue to justify having a business base in California where the operational costs are high, when the markets in the South, Southeast and Northeast are growing?
- Running costs are increasing due to high labor costs and utilities. Companies are heavily burdened by healthcare insurance costs.
- Rising minimum wages are also a big headache.
- There are more regulations concerning employee benefits, and consequently the costs are higher, than in other states.
- Wages are rising.
- Costs in general, including port fees, domestic distribution and labor costs, are rising.
- Healthcare insurance is too expensive.
- We are concerned about what will happen to minimum hourly wages.
- Minimum wages are rising.
- We must review the labor costs and number of employees by considering the frightening rise in minimum wages.
- As healthcare costs, benefits, etc., rise, we need to do something to cope with labor costs that will remain high.
- While employment costs are higher than in other states, I feel the quality of labor is dropping.
- Having headquarters in California is burdening us with higher labor costs. We want tax incentives to defray these costs.
- Living expenses are higher than in other states, so naturally labor costs are also high.
- Cultural barriers. We want to remain a Japanese company delivering Japanese-quality service. However, our employees are used to working in the US culture and there is a gap between their skills level and self-assertiveness (gap between what they can do and what they say). As a result, we are already stressed by managing our employees before developing sales strategies and solving issues. Accordingly, we must increase Japanese expatriates to demonstrate our advantages as a

Japanese company, but the costs of maintaining expatriates are high and obtaining visas is also not easy.

- It is difficult to see enough geographical/political advantages to absorb the high employment costs.
- As employment costs, facility expenses, etc., are higher than in other states, how to maintain price competitiveness presents a challenge.
- Ensuring a profit margin despite escalating labor costs.
- Minimum wages of exempt employees must be raised.
- High employment costs, office rents and other infrastructure costs are eating into profitability. We have a small team in a small office, but it is hard to project growth.
- How can we grow despite the higher costs than in other states?
- Educate employees to improve productivity.
- We have customers not only in California, but also across the US, so we must step up sales activity, solve the hiring issues resulting from rising employment costs, and lower the attrition rates, in each region.

<Labor laws>

- Labor laws are pro-employees and tough.
- Simple problems, including employment problems, develop into litigation easily.
- We are concerned that excessive worker protection will breed litigation.
- The local labor practice is: "Tough on employers" and "Give employees more protection than they need."
- Labor laws are tough.
- The state gives too much protection to workers, so in some cases simple matters develop into labor issues easily; given this situation, the employer-worker relationship is not healthy.
- We are pestered by lawyers who want to file lawsuit by interpreting the state laws to their advantage.

<Hiring, recruiting and staffing>

- How to hire young, promising talents? How to send employees from Japan and keep them here for a long term?
- There are no professionals who have a visa.
- Securing talented individuals is difficult.
- High income taxes are forcing more people to relocate to other states, which is making it harder to secure people who have enough skills and experience to contribute to our business immediately.
- There are more Japanese here than in other states, but hiring Japanese is still difficult given the labor visa issue and scarcity of applicants.
- Difficult to find qualified employees among U.S. citizens. Visa procedure takes too much time and too strict to bring foreign qualified workers.
- Hard to find good engineers (employee).

2. Issues related to tax

- High corporate taxes.
- Corporate taxes are high.
- Considering the taxes and costs, we want to relocate to Texas right away.
- Running costs (taxes) are high.
- As the taxes and employment costs are higher than in other states, it is an issue that whether or not we can validate having a business base in California.
- Corporate income tax rates are higher than in other states.
- Rising corporate taxes, labor costs and rents are of concern.
- Income Tax, and insurance include workers compensation is too high. It is almost impossible to make profit.

3. Issues related to environmental regulations

- Our factory is situated in an agricultural area, so we are facing tougher environmental regulations.
- Environmental regulations, especially regulations on air quality, are really tough.
- Regulations on weight, environment and sanitation are becoming tougher, so we are burdened by the costs of complying with these regulations.

4. Issues related to permit/license procedures

<Regulations>

- The states have tough regulations over the manufacturing industry, so the costs of compliance are considerable.
- Increasing regulations, power shortage, water shortage, rising costs, etc., are forcing more manufacturers to relocate to other states and Mexico, which gives rise to concerns that the manufacturing industry in California may decline. Falling demand and shrinking customer base pose long-term challenges.
- In the West, including California, there is a marked decline in the manufacturing industry and I feel there is little benefit for us to continue doing business here as a manufacturer. Many of the Japanese companies who moved to area around Tijuana in Mexico have closed business or are seeing declining profit, so California is losing its appeal as a gateway, too. We hope California will put in place an environment, laws and tax incentives that will bring back the manufacturing industry.
- Being a gasoline dependent company, regulations in CA have a direct affect on our profitability.

<Visa-related>

- We are operating as a Maquiladora company, having a US headquarters in California and producing at a factory in Mexico. However, it became difficult to obtain US visas for our employees several years ago when we were told to have our employees "live in Mexico" if we want to "make products in Mexico." We need our US headquarters as a sales office, so to control our factory, our people there must travel to Mexico almost daily. Please issue visas so that our people can go back and forth between the US and Mexico easily as it was before.
- Obtaining work visas is very difficult. It is becoming harder each year to secure Japanese/local Japanese who are fresh graduates or experienced workers.
- Difficulty associated with the work visa process.
- Obtaining work visas is difficult, so older staff must stay.
- I hear obtaining work visas is getting difficult.
- Uncertainty surrounding visas is negatively affecting our personnel plan.
- Obtaining working visa is getting hard.

5. Export/import procedures

- The US is imposing import regulations on too many food items. I read news articles about companies "wanting to spread Japanese food around the world" every day, but the government doesn't understand the reality that even instant noodles commonly available in Japan cannot be imported.
- The standards under PROP 65 are not clear, and we have so much difficulty dealing with certain lawyers and consumer groups. This is a significant barrier preventing us from importing food products.
- We are concerned that the restrictions under Prop 65 are getting tougher. They are virtually creating an import barrier.

6. Transportation infrastructure

- Improve the road situations.
- Traffic congestion.
- Do something to account for the time lost due to traffic congestion.
- We want the Port Workers Unions to be dismantled.
- Periodic confusions at the Ports of Los Angeles and Long Beach due to labor (ILWU/PMA) negotiations, and presence of the Teamsters Union in support of organizing the owner drivers.
- In California and also in other states, the Port Workers Unions are constantly pushing the rates higher, and we can do nothing about it. Also, the costs of complying with the increasingly tougher environmental and security regulations are rising.
- Traffic is always congested.
- Traffic jam

7. Other

<Cost of living>

- Office costs are high.
- High business costs are hurting our competitiveness against the rival companies in Texas.
- As our customers in California are scaling down, we are stepping up sales in other states.
- The focus of our US business is more on the East Coast, so we must overcome the time differences and geographical distances from our key customers.
- Fixed costs such as real estate are high, but the trend of the market is at the forefront of the entire US. How to quickly catch the trend of this market and build a network presents a challenge. If we can turn market trend information into profit, we can curtail the cost issue.
- Living costs and business running costs are high.

<Other>

- Coping with water shortage.
- As the industry's business model undergoes change, we are considering keeping the headquarters in California, while consolidating other sales offices to Nashville, Tennessee.
- Doing business in California is not attractive to us; on the contrary, we are considering moving to Japan or other state.
Many of our users are in the Midwest, so we are also considering moving closer to them.
Additionally, we are examining if being here offers any advantage in terms of communicating with Japan because the time difference is a little smaller.
- If too many companies relocate to other states, our business will certainly struggle and we must consider the possibility of relocating, such as repositioning our operational base. It would be great if the state government could introduce measures that are attractive to companies and invite investments.

- How to accurately answer the needs of the US market. How to utilize effective sales media to boost brand penetration. How to promote systemization to cope with the rising employment costs in an environment where one person must do multiple tasks.
- San Fernando Valley is constantly exposed to earthquake risks, so risk management is essential.
- Introduce Japanese food and tap untamed markets based on our business principles.
- "Adapting to, and being patient in, the multi-ethnic society poses a challenge." In California, Los Angeles is a premier multi-ethnic city where people in different ethnic groups have diverse value senses and their commonsense is even different, so we need more flexible marketing approaches than those in Japan.
- Some Japanese companies are relocating their head office function amid the high taxes, salaries/wages and living expenses (including gasoline prices), and products from Asia are now more likely to go to the Midwest directly. A distribution company like us will have more business opportunities by keeping stock in California to give advantages to corporate customers.

(End)