

## News Release

### **NRI Conducts Questionnaire Survey on How the Trump Administration Will Affect Japanese Companies**

**—Despite concerns over impact of protectionist trends, effects will not necessitate moving production sites or other major strategic overhauls—**

**TOKYO, November 1, 2017** - Nomura Research Institute (NRI), a leading provider of consulting service and system solutions, today announced that it has conducted a questionnaire survey asking 136 Japanese companies operating in the U.S. about the policies being touted by the Trump Administration. We surveyed and analyzed their responses regarding the feasibility of the proposed policies, the impact to their own businesses, and the current status of their systems for gathering information on the actions being taken by the Administration.

The main results of the survey are as follows.

1. About half of the companies believe there is a strong chance that TPP, NAFTA, and other comprehensive trade-related frameworks will be overhauled (see Fig. 1)
2. 44.9% of companies answered that “renegotiating NAFTA (the North American Free Trade Agreement)” would negatively affect them (see Fig. 2)
3. About half of the companies, even those whose foreign sales ratios are 40% or higher, said they had been studying the probability of the Trump Administration’s inauguration and the impact thereof since before the election (see Fig. 3)
4. Although companies have opted to boost local production and local procurement since the Trump Administration entered office, they have made no movements as yet to relocate their global production sites (see Fig. 4, 5)
5. Over half of the companies place importance on economic conditions and growth in the U.S., while also being keenly aware of conflicts and terrorism as major risks (see Fig. 6, 7)

For more details, please see the “References” section.

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#### **About NRI**

NRI is a leading global provider of system solutions and consulting services, including management consulting, system integration, and IT management and solutions for financial, manufacturing, retail and service industries. Clients partner with NRI to

expand businesses, design corporate structures and create new business strategies. NRI has over 12,000 employees in its offices globally including New York, London, Tokyo, Hong Kong and Singapore, and reports annual sales above \$3.7 billion. For more information, visit <https://www.nri.com/global/>

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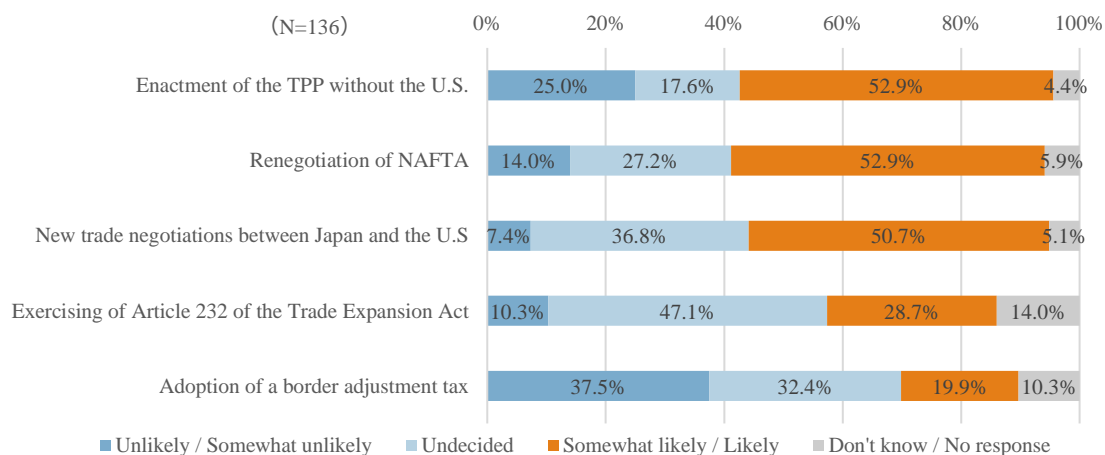
## References

### 1. About half of the companies believe there is a strong chance that TPP, NAFTA, and other comprehensive trade-related frameworks will be overhauled

Among the various policies that have been proposed by the Trump Administration and the changes that would be brought about as a result, about half of the companies answered that “the enactment of TPP (the Trans-Pacific Partnership) without the U.S.,” “the renegotiation of NAFTA (the North American Free Trade Agreement),” and “new trade negotiations between Japan and the U.S.” were “likely to happen” (the percentages of companies who answered that these events were “likely to happen” amounted to 52.9%, 52.9%, and 50.7%, respectively).

Meanwhile, with respect to the specific policies of “the exercising of Article 232 of the Trade Expansion Act” and “the adoption of a border adjustment tax,” the percentages of companies who answered that these events were “likely to happen” came in below 30% in both cases (28.7% and 19.9%, respectively), with a majority of these companies taking a skeptical view toward the feasibility of these measures (Fig. 1).

**Fig. 1: Feasibility of Various Policies Proposed by the Trump Administration and Changes Resulting Therefrom**

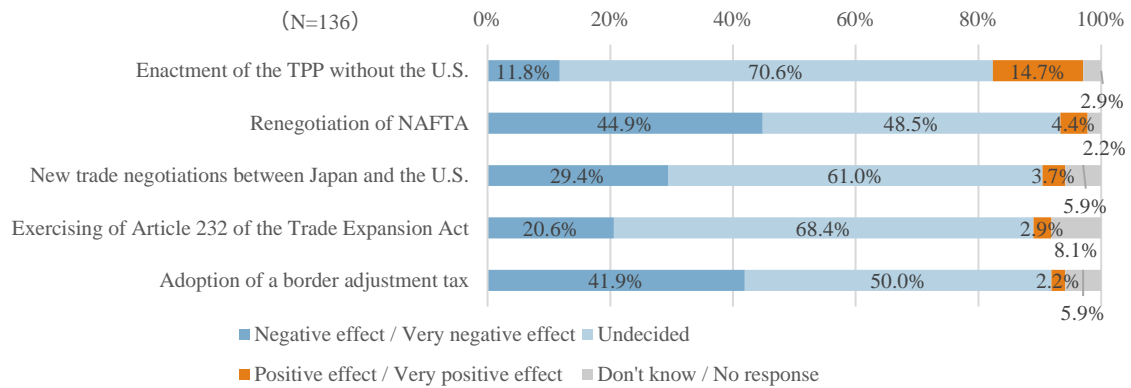


**2. 44.9% of companies answered that “renegotiating NAFTA (the North American Free Trade Agreement)” would negatively affect them**

With regard to the impact that these policies and changes would have on their businesses, many companies responded that “renegotiating NAFTA” and “the adoption of a border adjustment tax” would affect them more negatively than the other items (44.9% and 41.9%, respectively). Meanwhile, as for “the enactment of TPP without the U.S.” and “new trade negotiations between Japan and the U.S.”, which are policies where the nature of the overhaul or negotiations is uncertain, a higher percentage of companies responded that these items were “difficult to evaluate (with the percentages of companies who answered “undecided” at 70.6% and 61.0%, respectively)” (Fig. 2).

While companies expect that “renegotiating NAFTA” would negatively affect them, when it comes to the impact from changes to other trade policies, it can be said that most companies are not yet finished with their evaluations, including their assessments of the feasibility of these measures.

**Fig. 2: Effects on Companies’ Businesses If Various Policies are Enacted**

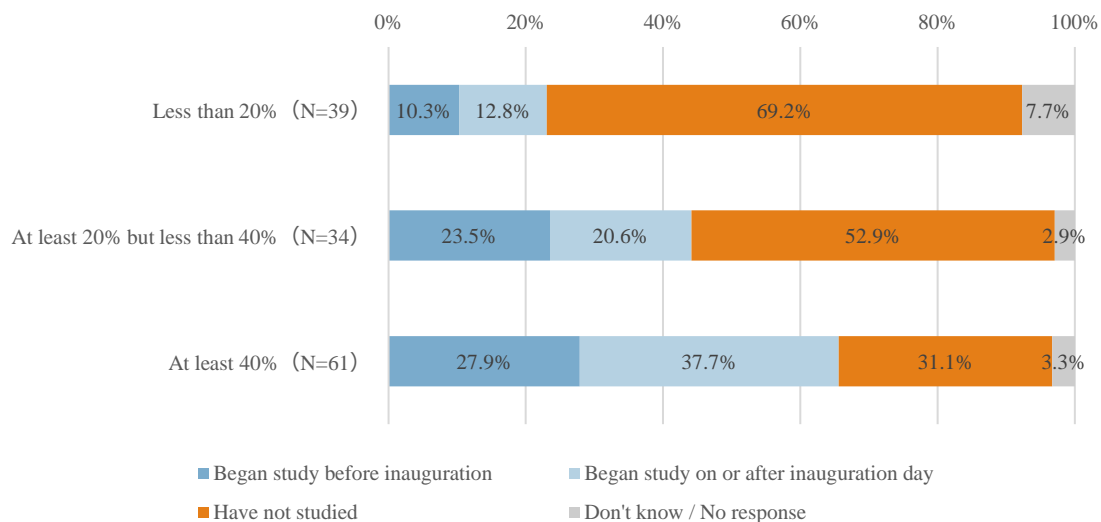


**3. About half of the companies, even those whose foreign sales ratios are 40% or higher, said they had been studying the probability of the Trump Administration’s inauguration and the impact thereof since before the election**

The percentage of companies that had begun studying the probability of the Trump Administration’s inauguration and the resulting effects even before the administration came into office stood at just 10.3% for those companies whose foreign sales ratios are less than 20%, but came to 23.5% for those companies with foreign sales ratios of at least 20% but less than 40%, and this percentage was 27.9% for those companies whose foreign sales ratios are 40% or higher. This indicated that the more globalized the company is, the more likely it was to have begun such a study from an early time (Fig. 3).

However, 37.7% of even those companies whose foreign sales ratios are 40% or greater began studying these policy effects only after the Administration came into office, and 31.1% of them have not conducted such studies even subsequent to the inauguration. It is conceivable that this is because they had regarded the chances of the Trump Administration’s coming into office as having been too low, or that even after the inauguration, the potential structural or policy-related shifts have seemed too uncertain.

**Fig. 3: Timing for Commencing Studies of the Trump Administration’s Probability and of Its Effects (According to Foreign Sales Ratio)**



#### **4. Although companies have opted to boost local production and local procurement since the Trump Administration entered office, they have made no movements as yet to relocate their global production sites**

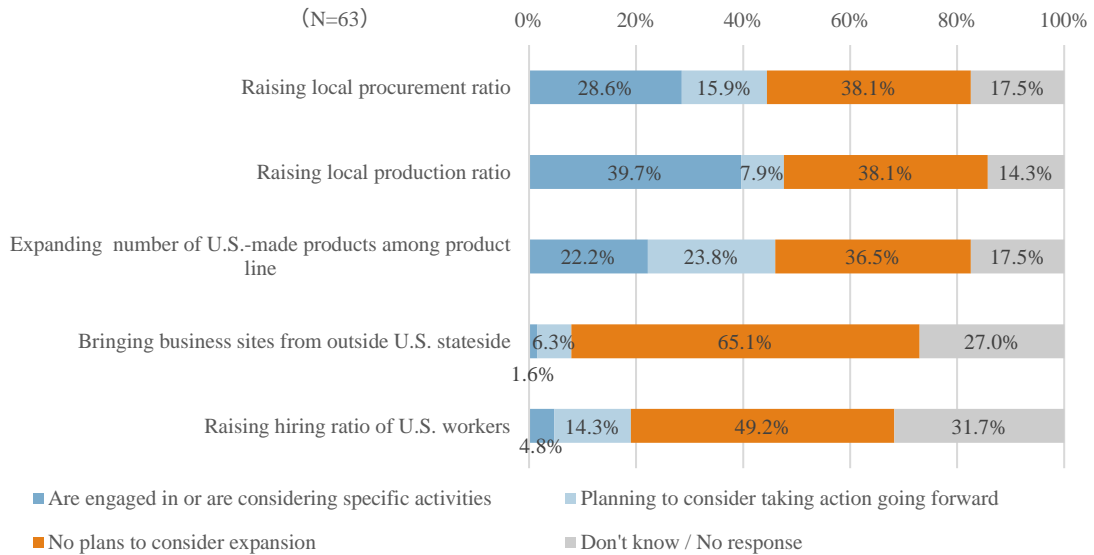
Some companies have already begun taking actions in anticipation of the protectionist policies set to be rolled out by the Trump Administration. With regard to “raising local production ratios,” 39.7% of companies answered that they “are engaged in or are considering specific activities,” and including companies who said they “are planning to consider taking action going forward,” 47.6% of respondents indicated their intentions to pursue some sort of measure. Similar trends were apparent with regard as well to “raising local procurement ratios” and “expanding the number of U.S.-made products among our product lines”.

Meanwhile, when it comes to “bringing our business sites from outside the U.S. stateside” and “raising our hiring ratio of U.S. workers,” most companies indicated that they “have no plans to consider doing so” (65.1% and 49.2%, respectively). These results suggest that the policy-related costs and impact of relocating business sites or changing where workers are hired are significant enough to discourage companies from making such policy leaps given the massive uncertainties surrounding the Trump Administration (Fig. 4).

The findings paint a picture in which companies—with their eyes fixed on the Trump Administration’s protectionist policies—are raising local U.S. production and procurement ratios, yet are reluctant to undertake the extreme measure of concentrating their production bases in the U.S., seeking instead to strike a more optimal balance from a medium- and long-term perspective.

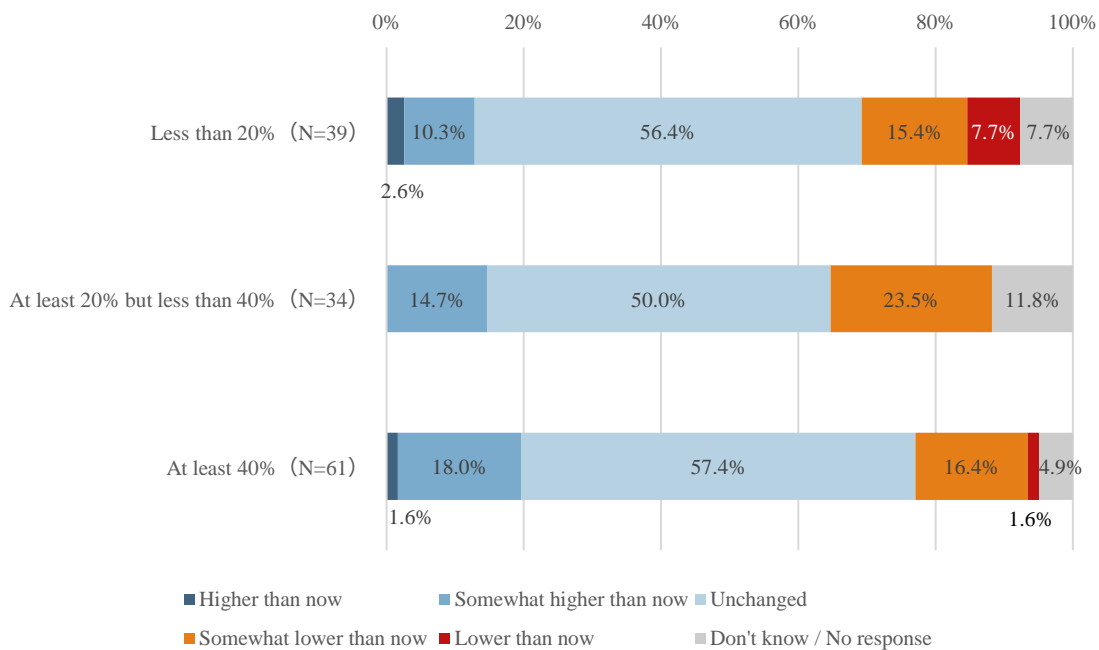
Although it is hard to discern what lies ahead for the Trump Administration, the survey findings demonstrated that many companies believe the importance of their U.S. business relative to their overall business will not change, even under the Trump Administration. Between 50.0% and 57.4% of companies (irrespective of their foreign sales ratios) contended that the importance of their business in the U.S. would remain “unchanged”, meaning that more than half of the companies expect to stay the course (Fig. 5).

**Fig. 4: Status of Efforts Underway or Under Consideration for Growing Business in the U.S.**



(Note) This question was posed to the 63 companies who said they “are engaged in or are considering expanding business in the U.S., given the developments in the Trump Administration.”

**Fig. 5: Changes in Importance Placed by Companies on Their U.S.-Based Business Relative to Their Overall Business (According to Foreign Sales Ratio)**

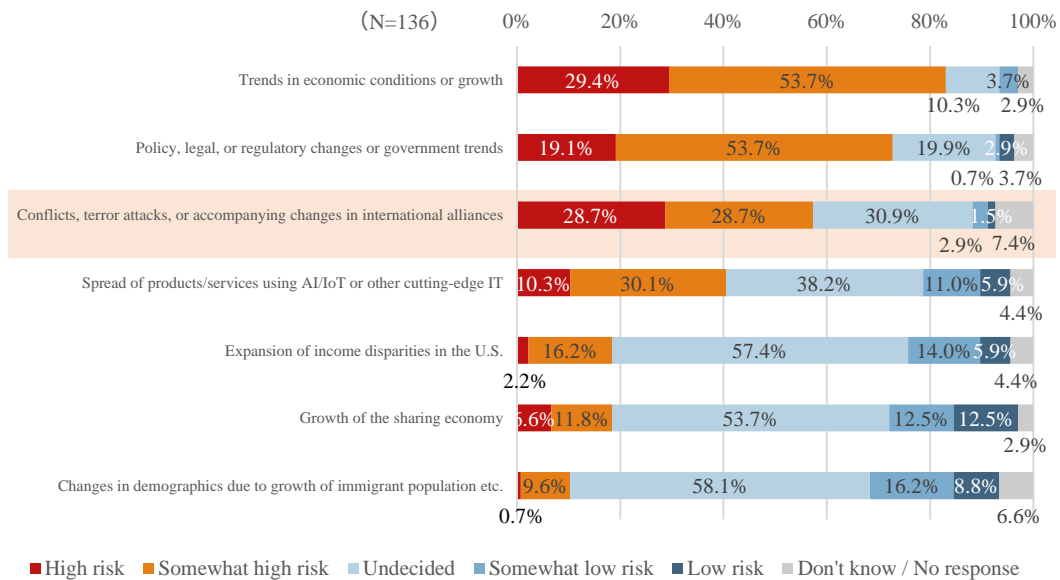


**5. Over half of the companies place importance on economic conditions and growth in the U.S., while also being keenly aware of conflicts and terrorism as major risks**

We asked these companies about the degree of risk that various risk factors in the U.S. posed to them, and in response, 83.1% of companies said that “trends in economic conditions or growth” posed a “high” or “somewhat high” risk. Meanwhile, the percentages of companies who saw “policy, legal, or regulatory changes or government trends” or “conflicts, terror attacks, or accompanying changes in international alliances” as risks were 72.8% and 57.4%, respectively (including those who answered “somewhat high”; Fig. 6).

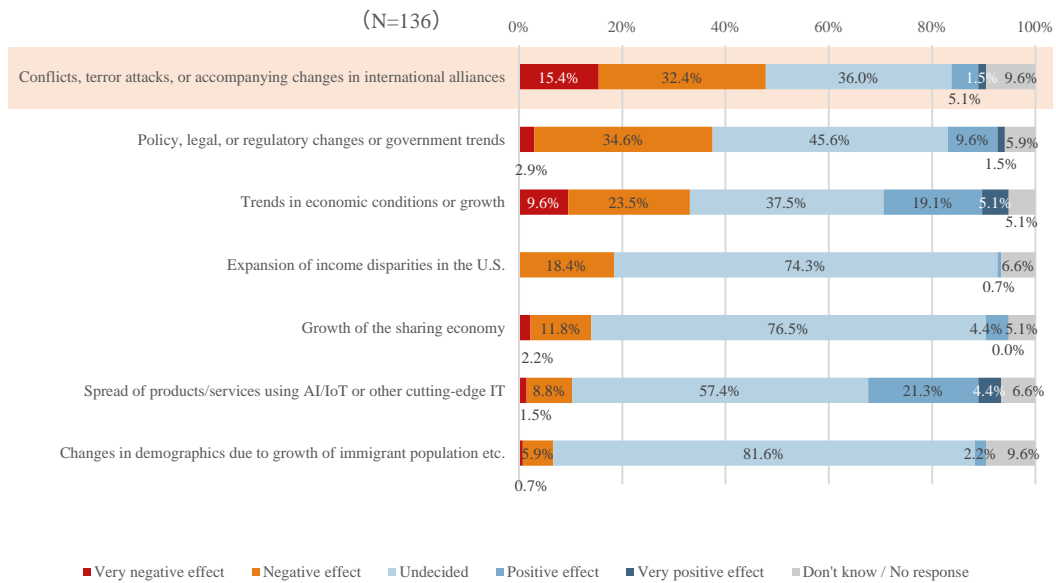
We also asked about the impact to their businesses that would result if these risks materialized, and the item which the greatest number of companies believed would “negatively affect” them was conflicts, terror attacks, or accompanying changes in international alliances” (47.8%) (Fig. 7).

**Fig. 6: Importance of Various Risk Factors Within the U.S.**





**Fig. 7: Effects on Own U.S. Business if Various Risk Factors Arise in The U.S.**



<Survey Outline>

● **Survey Name**

Questionnaire Survey on How the Trump Administration Will Affect Japanese Companies

● **Survey Subjects and Number of Participants**

We surveyed 1,238 Japanese companies who have established business operations in the U.S., as selected from the “Compendium of Japanese Companies Abroad,” the “Japanese Company Handbook,” and other sources (with valid responses provided by 136 companies, or 11% of those surveyed)

● **Survey Method**

Questionnaire survey conducted by mail

● **Survey Period**

August 1 to September 30, 2017

● **Main Survey Items**

Status and future direction of U.S. business expansion

Evaluation of feasibility of various policies proposed by the Trump Administration

Effects on own business if the various policies proposed by the Trump

Administration come to pass

Status of information gathering on the probability of the Trump Administration and its effects