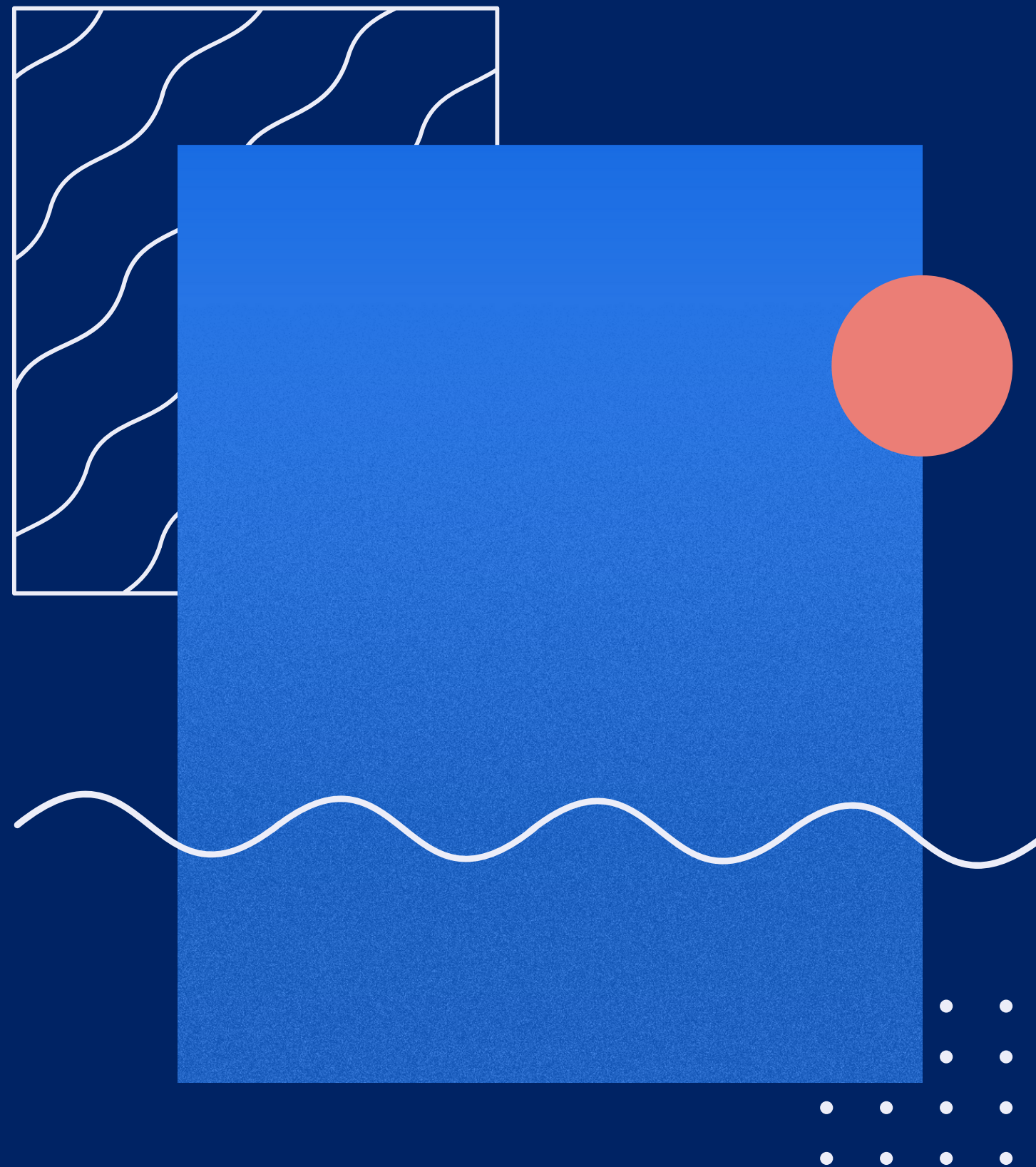


# Survey Report on Japan-based Companies Operating in the San Francisco Bay Area

-2020 SURVEY-





# INTRODUCTION

This report summarizes the results of the 15th edition of a biennial survey that has been conducted since 1992 on Japan-based companies operating in the San Francisco Bay Area. The survey was jointly conducted by the Japanese Chamber of Commerce of Northern California (JCCNC) and JETRO San Francisco between February and March 2020. The survey's objectives are to obtain the data required to accurately ascertain and improve the business conditions and environment of Japan-based companies operating in the Bay Area, as well as to provide information to Japanese companies that are considering doing business in the area.

The number of Japan-based companies operating in the Bay Area totaled 1,035, the highest number ever recorded since this series of surveys was first conducted in 1992. Data on the financial status of Japan-based companies show they have continued performing well and the employment have stayed steady: the business conditions of Japan-based companies have roughly fluctuated in tandem with the thriving economy both in the Bay Area and the nation. However, we need to keep looking into it for the near future as this data on the financial status depicts their performance before the COVID-19. In the current survey, we confirmed prominent data on the salary standard of Japan-based companies operating in the Bay Area and the benefits offered to local employees. While approximately 60% of admin assistant positions make salaries that fall in the "extremely low income" to "low income" level, which is part of income limits determined by Department of Housing and Urban Development (HUD,) roughly 40% of manager positions (average) earn a single annual income that exceeds the median family income of Santa Clara County. More Japan-based companies have started offering benefits that are common among local companies in the Bay Area and Silicon Valley, such as work-from-home policies: more than 40% of respondents allowed their employees to work from home even before the shelter-in-place order was issued by the local and the state governments due to the COVID-19. We also newly gained data on what Japan-based companies are considering or implementing to create new businesses in the Bay Area. More than 30% of responding companies hope to jointly work with other Japanese corporations even after expanding to the Bay Area or founding companies in the Bay Area.

We will submit a report to the California state government and other local authorities on our survey findings with regard to the economic contributions being made by Japan-based companies operating in the area and the business issues that they face. At the same time, we will incorporate these findings into initiatives developed by the JCCNC and JETRO San Francisco. We would like to express our heartfelt gratitude to all those who have supported and taken part in the survey. We hope that this survey report will prove useful to Japan-based companies operating in the Bay Area, and that it will help to not only improve business conditions in the area, but also promote ever greater mutual understanding between Japan and the United States.

Taiki Ozawa, President  
Japanese Chamber of Commerce of Northern California

Takanari Yamashita, Chief Executive Director  
JETRO San Francisco


July 2020

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# SURVEY OVERVIEW

This is the 15th edition of the biennial survey conducted jointly by the JCCNC and JETRO San Francisco.

## Survey targets

(1) Locally incorporated companies that are more than 51% owned (including through indirect investments) by Japanese companies; (2) branch offices or local offices of companies headquartered in Japan; and (3) companies founded and managed by Japanese citizens or Japanese-Americans. In this survey, “the Bay Area” includes counties in a 100-mile radius of San Mateo, where JCCNC is headquartered, such as:

- |                 |                   |
|-----------------|-------------------|
| 1. Alameda      | 14. Placer        |
| 2. Amador       | 15. Sacramento    |
| 3. Calaveras    | 16. San Benito    |
| 4. Colusa       | 17. San Francisco |
| 5. Contra Costa | 18. San Joaquin   |
| 6. El Dorado    | 19. San Mateo     |
| 7. Fresno       | 20. Santa Clara   |
| 8. Lake         | 21. Santa Cruz    |
| 9. Marin        | 22. Solano        |
| 10. Merced      | 23. Sonoma        |
| 11. Mendocino   | 24. Stanislaus    |
| 12. Monterey    | 25. Sutter        |
| 13. Napa        | 26. Yolo          |

**Survey Period** Feburary 21 to March 13, 2020

## Survey Method

we have sent respondents a link to the questionnaire via e-mail so that they can complete the questionnaire online.

## Points to note about the survey findings

Some of the companies that responded to this questionnaire survey did not answer all of the questions. The response percentages given in this report are based on the total number of companies that gave valid responses to the relevant questions. The sum of the response percentages for multiple-answer questions may exceed 100%. The percentages indicated in graphs have been rounded to one decimal place, so they may not always add up to 100%.

## Response rate

Of the 1,035 Japan-based companies that we identified as operating in the Bay Area, we sent a link to the questionnaire via e-mail to 738 that had e-mail addresses and received valid responses from 237 (response rate: 32.1%)

## OVERVIEW OF THE BAY AREA

Located in the northern part of the state of California, the San Francisco Bay Area (the “Bay Area” for short,) including nine counties\* around the bay, plays an important role in supporting the state’s economy. According to U.S. census data on population estimates, the region is home to 7.75 million people in 2018. This area, which includes San Francisco, the financial and insurance center of the West Coast and Silicon Valley, a business cluster for the IT industry that stretches across the counties of San Mateo and Santa Clara to the south of San Francisco – is a hub for cutting-edge industries that play leading roles throughout the world. Due to its liberal traditions, the Bay Area is also celebrated for encouraging the growth of a diverse range of arts and culture.

According to data published by the World Bank and Bureau of Economic Analysis, the United States Department of Commerce, the nominal GDP of the Bay Area is **1,036 billion dollars**. Given this, the Bay Area place **17th** – between Indonesia (1,042 billion USD) and the Netherlands (914 billion USD).

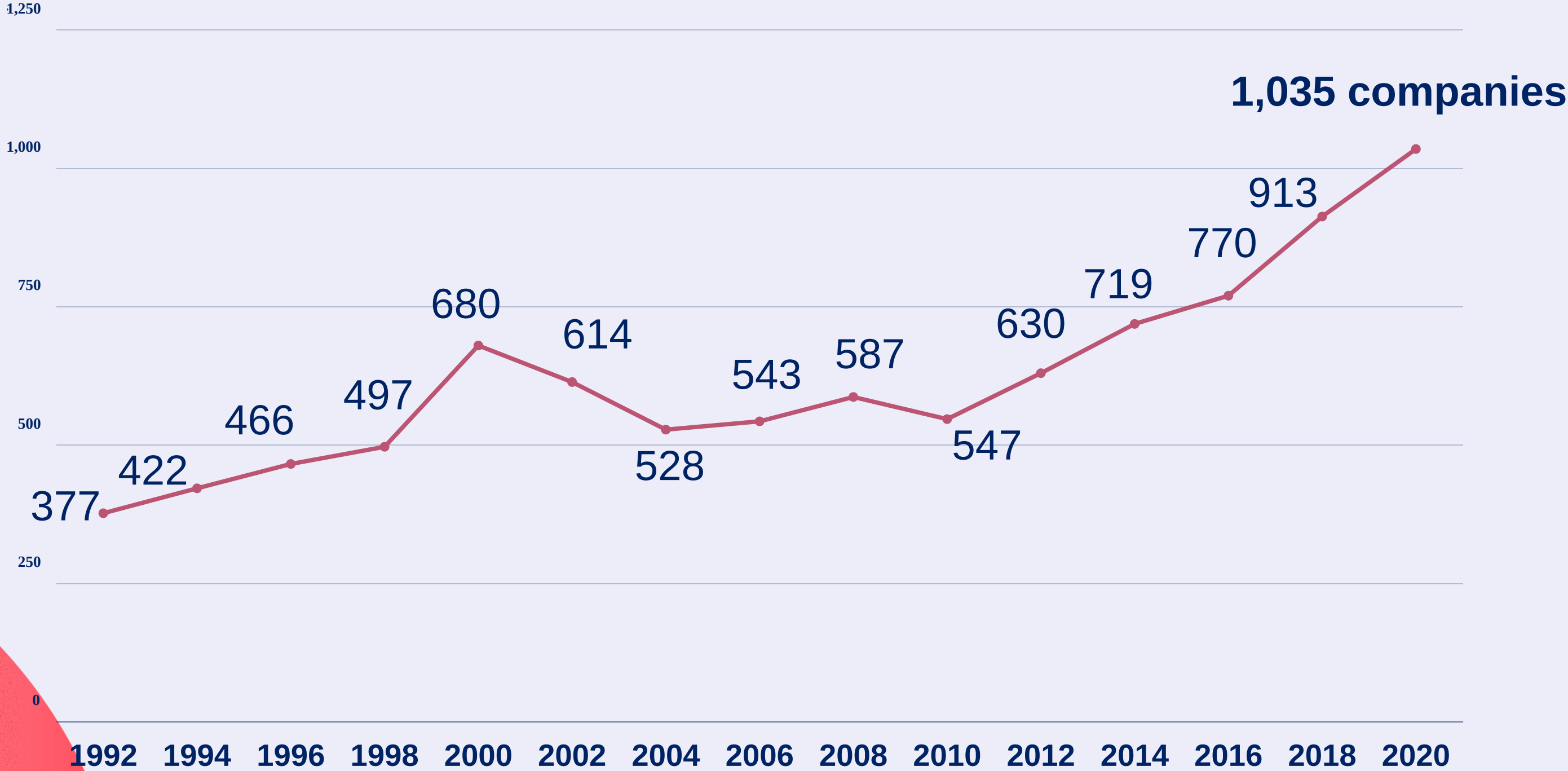
\*San Francisco, San Mateo, Santa Clara, Alameda, Contra Costa, Solano, Napa, Sonoma, and Marin.

\*\*In this context, the term “Bay Area” refers to the area made up of the San Francisco–Oakland–Hayward metropolitan division, the San Jose–Sunnyvale–Santa Clara metropolitan division, the Sacramento–Roseville–Folsom metropolitan division, and the Napa metropolitan division.



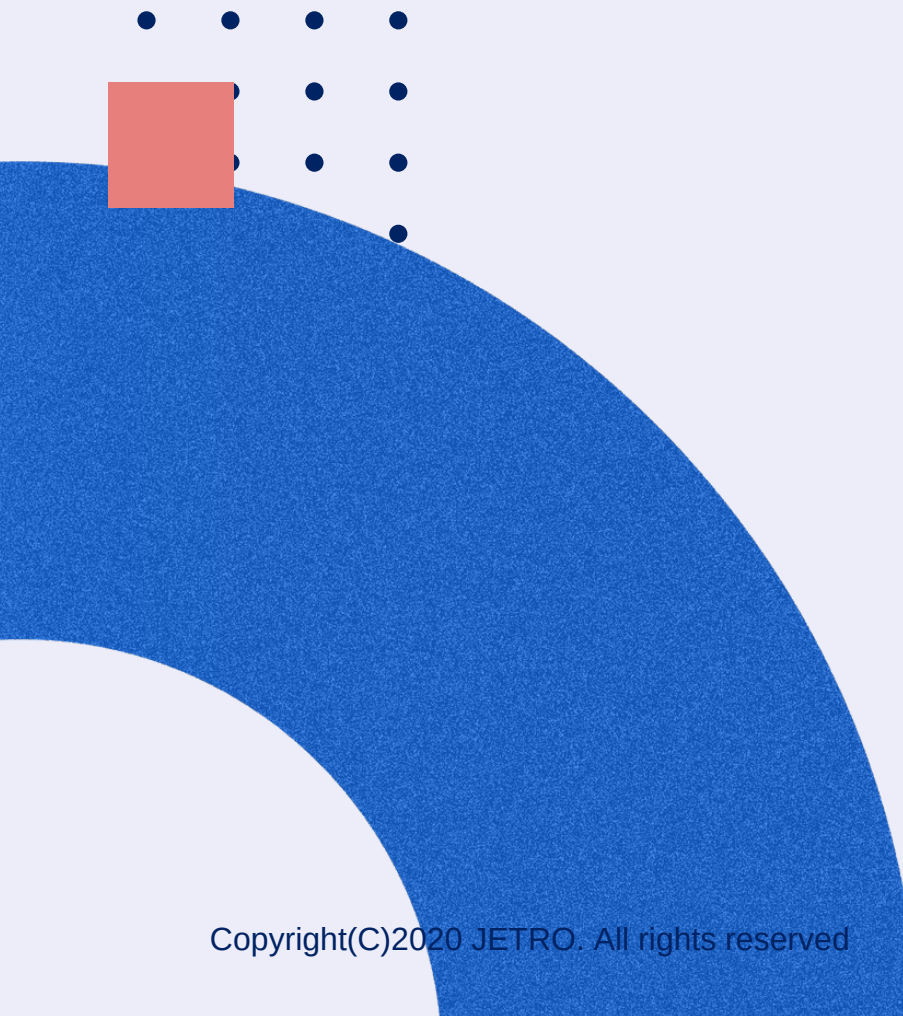
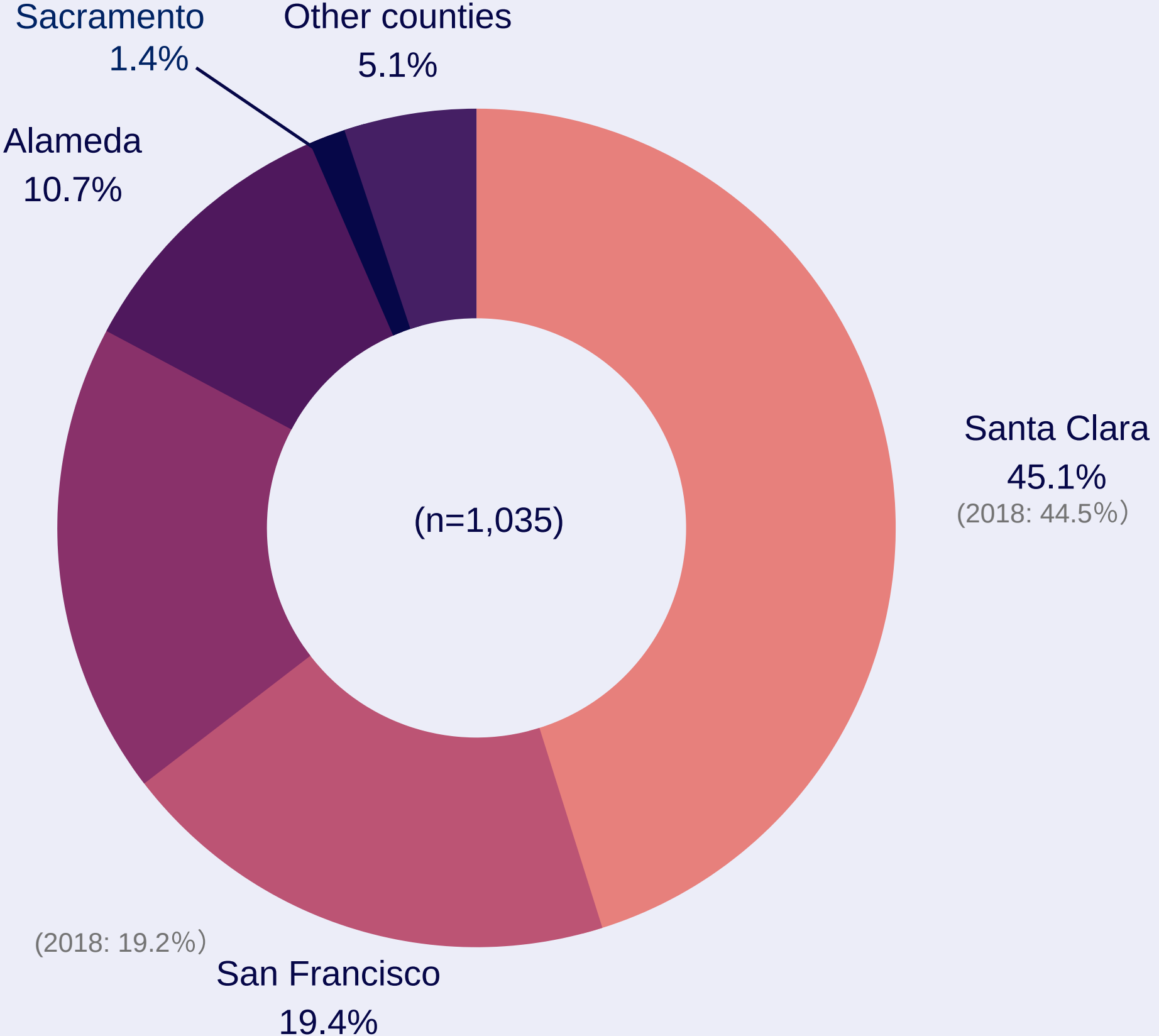
# NUMBER OF JAPAN-BASED COMPANIES

As of March 2020, a total of 1,035 Japan-based companies were confirmed to be operating in the Bay Area. The number went up by 13.4% from the previous survey in 2018.



# BREAKDOWN BY COUNTY

The top three counties where most Japan-based companies are located were Santa Clara County, San Francisco County, and San Mateo County with almost the same percentages as the ones of the previous survey (2018).



# BREAKDOWN BY CITY

San Francisco embraces the most Japan-based companies, with a two percentage point difference with San Jose. A total of 1,035 companies spread through 73 cities in Northern California and roughly 50% of them concentrate in the top three cities.

 U.S. companies located in the top 3 cities



**San Francisco**

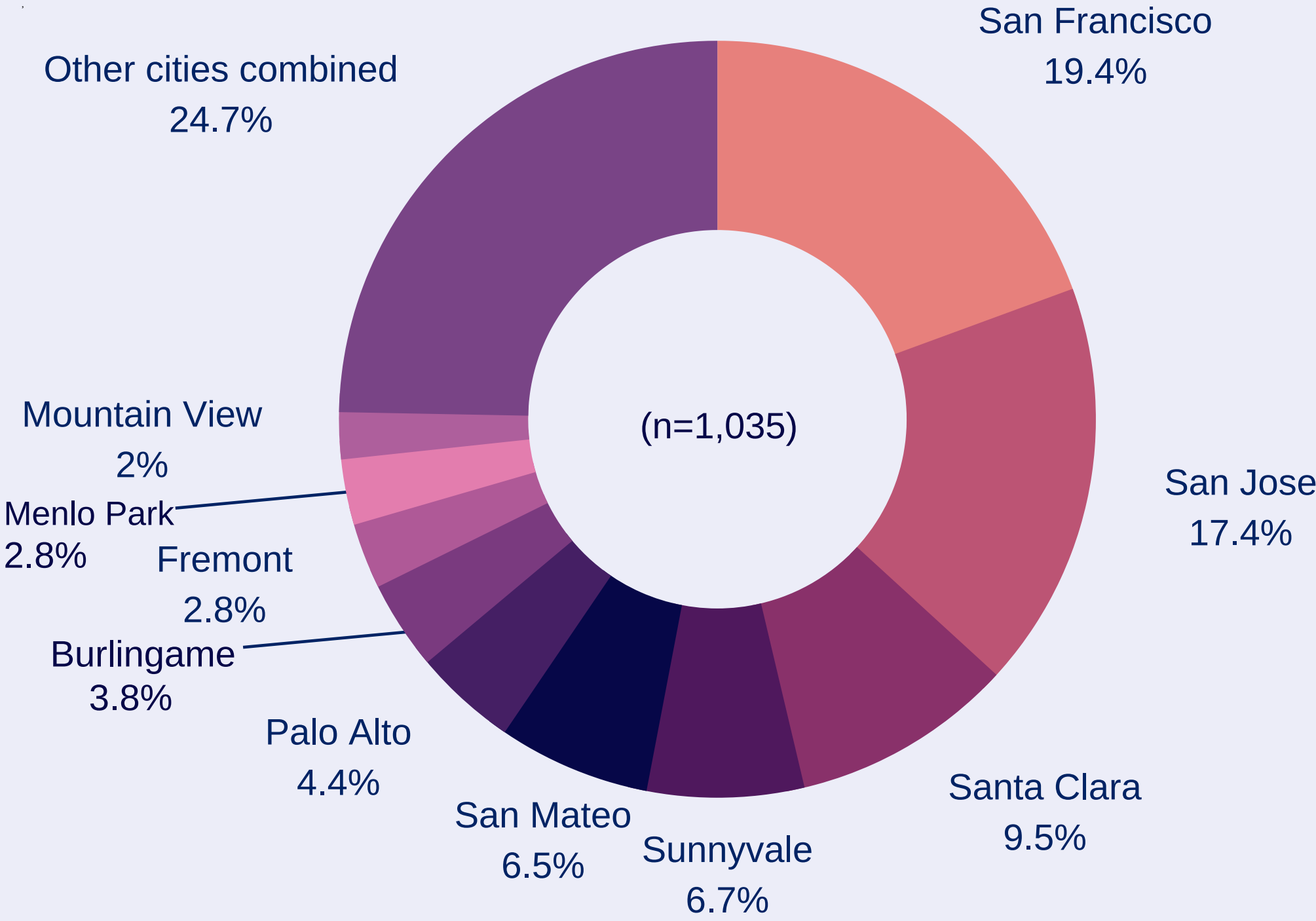
  

**San Jose**

**Santa Clara**

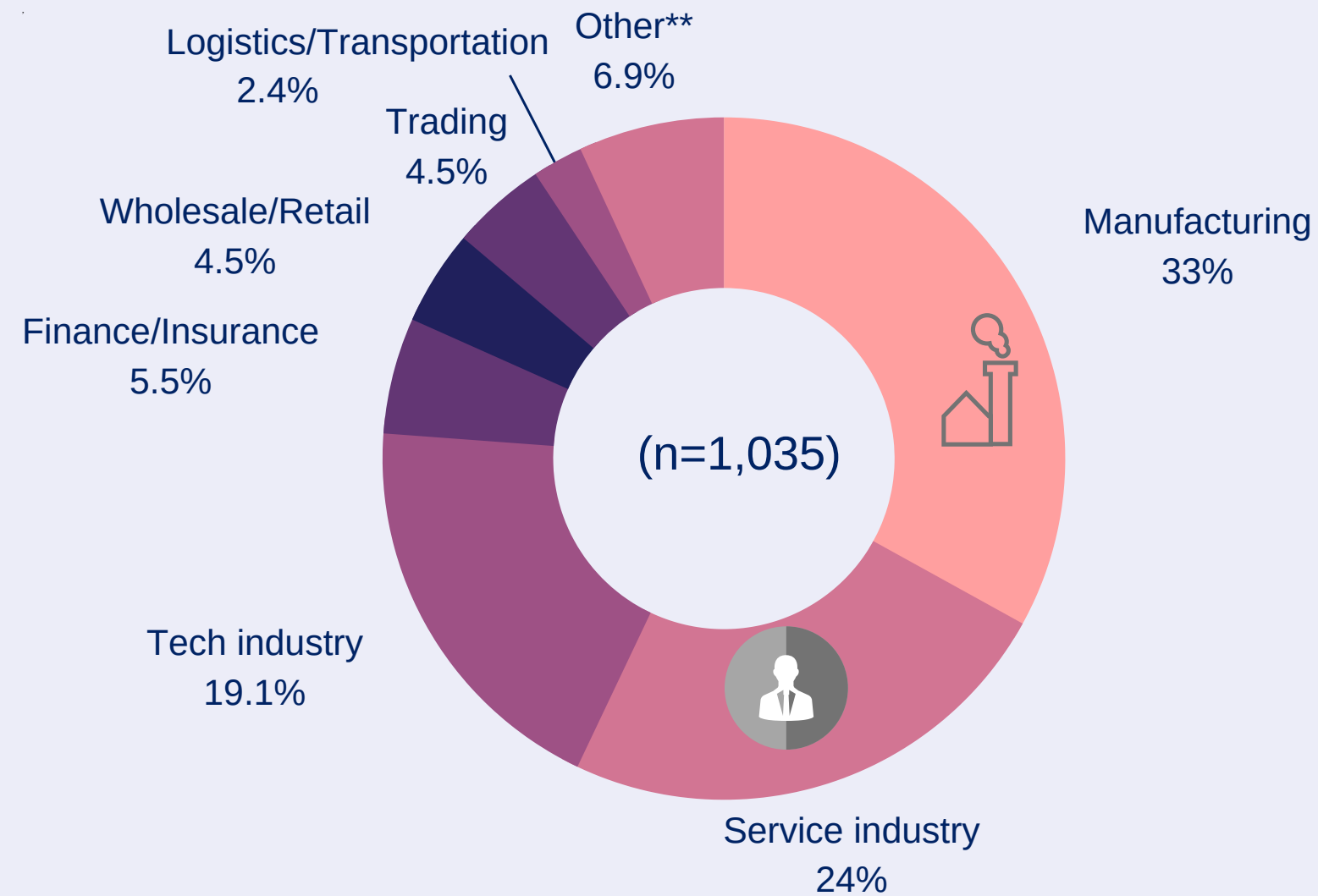
  





# BREAKDOWN BY INDUSTRY CLASS

Broke down by industry classification for parent organizations\* of Japanese companies operating in the Bay Area, the data indicates that manufacturing accounts for the largest percentage, at 33%, followed by the service industry (24%) and the tech industry (19.1%). These three industries account for 76% of the 1,035 companies.

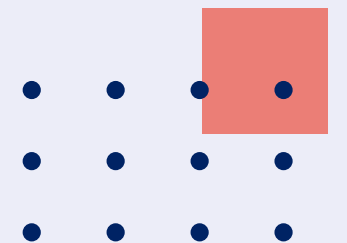


## Industry Classification

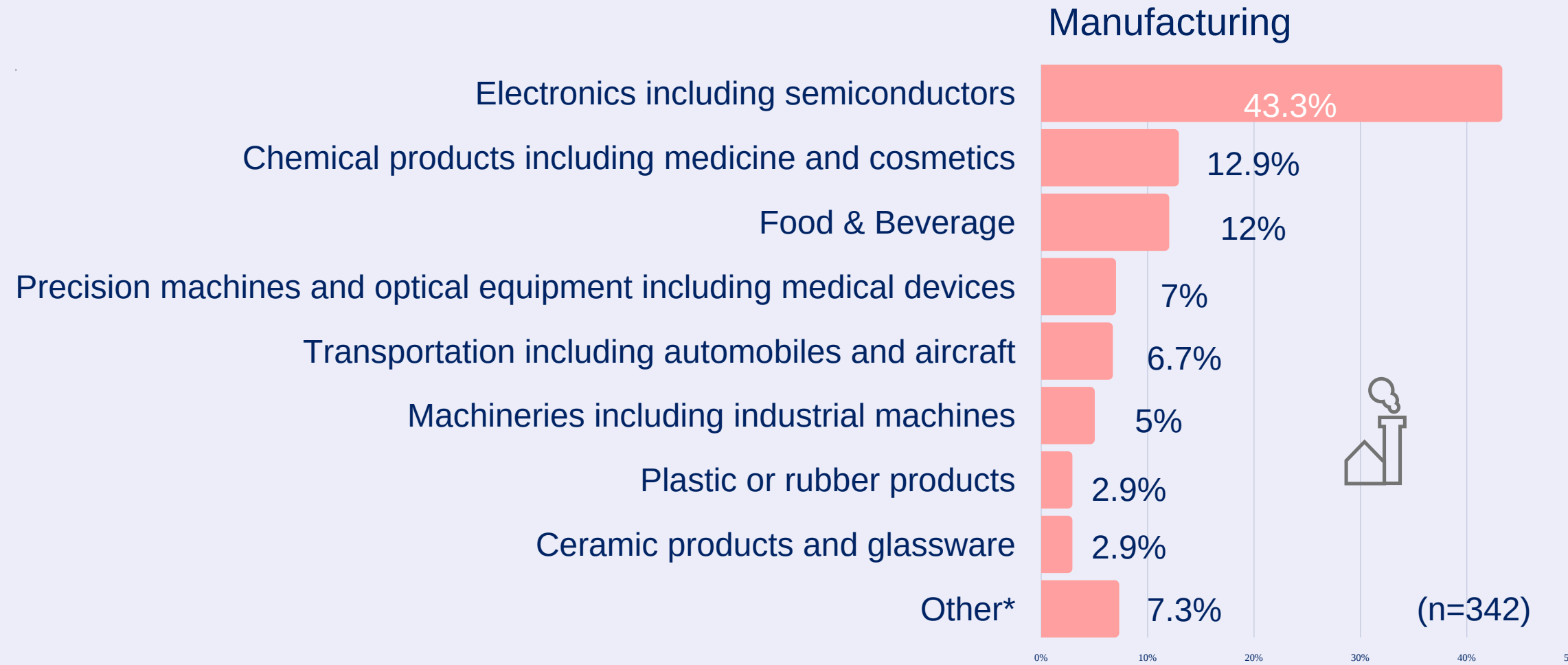
- Wholesale/Retail
- Finance/Insurance (including venture capitals)
- Construction
- Trading
- Information systems/Software/Telecommunication (Tech)
- Real Estate
- Logistics/Transportation
- Journalism/Entertainment (movie, TV, publishing, music etc.)
- Service – Leisure & Hospitality
- Service – Restaurants (including catering)
- Service – Specialized Business (Law/CPA firm, Consulting, Research, Hair salon, etc.)
- Service – Other
- Manufacturing – Food & Beverage
- Manufacturing – Chemical products including medicine and cosmetics
- Manufacturing – Plastic or rubber products
- Manufacturing – Lumber or wood products including printing
- Manufacturing – Textiles including clothing
- Manufacturing – Ceramic products and glassware
- Manufacturing – Machineries including industrial machines
- Manufacturing – Electronics including semiconductors
- Manufacturing – Transportation including automobiles and aircraft
- Manufacturing – Precision machines and optical equipment including medical devices
- Manufacturing – Other
- Utilities
- Other

\*if a company does not have a parent company in Japan, the company's industry in the Bay Area is shown

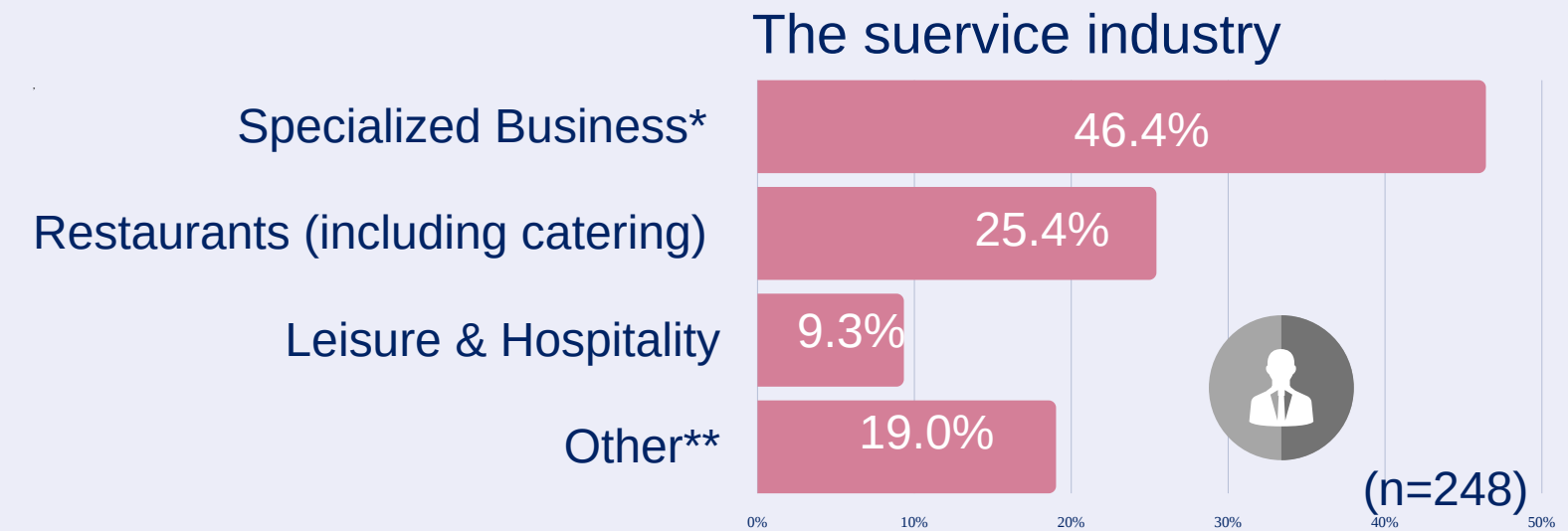
\*\*includes Journalism/entertainment, Real Estate, and Utilities that are less than 2% respectively



# FURTHER BREAKDOWN OF MANUFACTURING AND THE SERVICE INDUSTRY

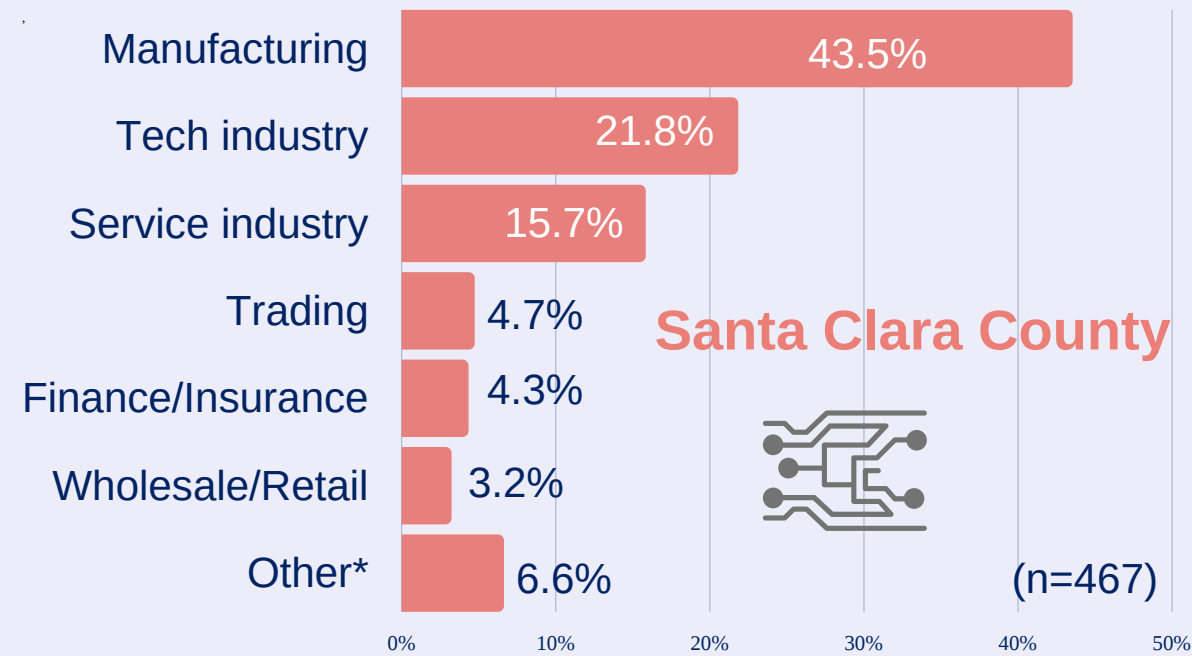


\*includes Lumber or wood products including printing and furniture, and Textiles including clothing that are less than 2% respectively.



\*\*includes Law/CPA firm, Consulting, Research, Hair salon,

# LARGEST INDUSTRY IN THE TOP THREE COUNTIES

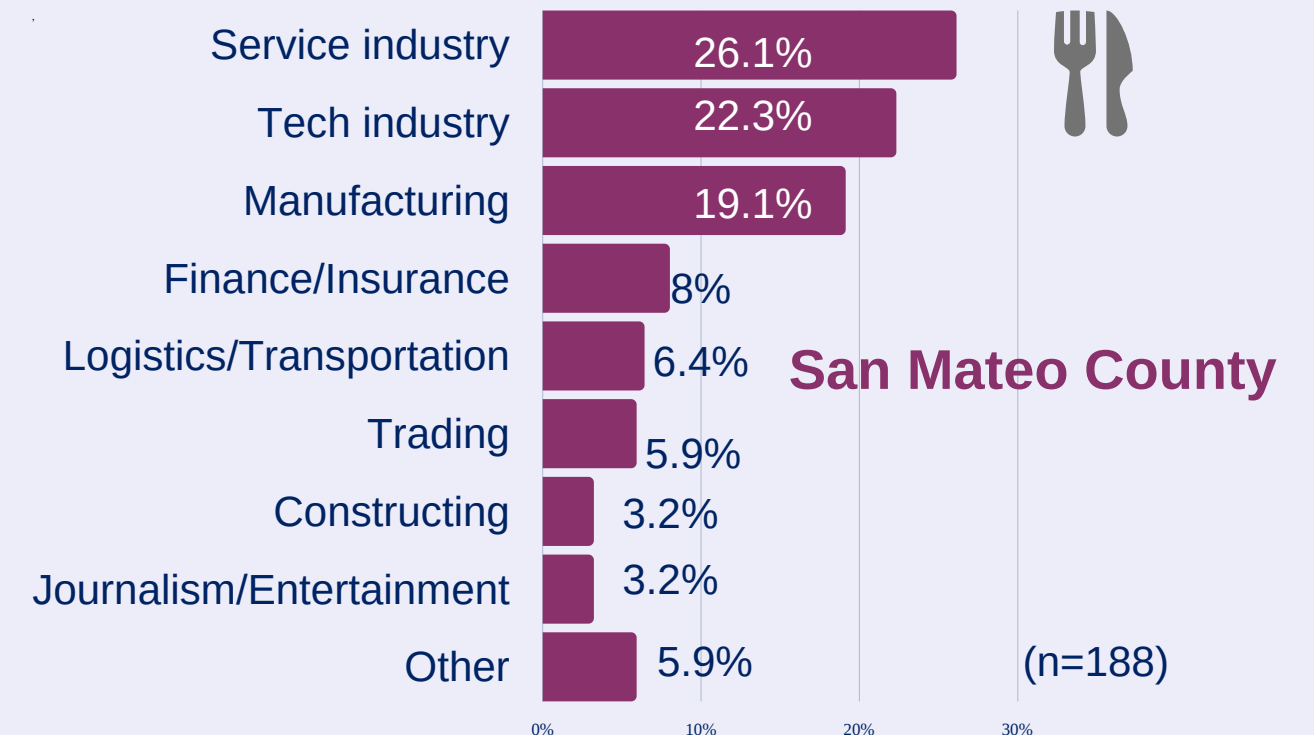
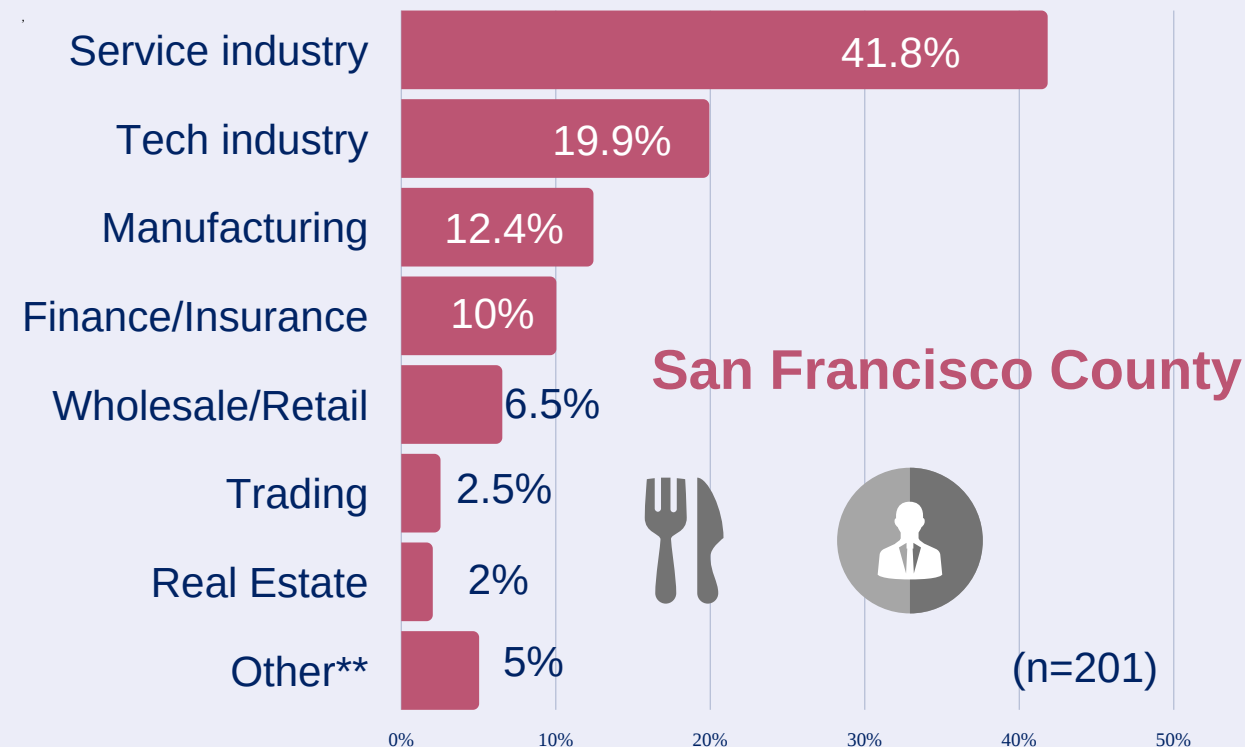


In each of the top three counties where Japan-based companies have the highest concentration, the distribution of the parent company's industry was the equivalent to the previous survey: manufacturing is the largest sector in Santa Clara County, and the service industry ranks first in both San Francisco County and San Mateo County.

## The largest classification of the top sector in each county is:

- Santa Clara** -- Electronics including semiconductors **51.2%**
- San Francisco** -- Specialized Business **35.7%** / Restaurants (including catering) **33.3%**
- San Mateo** -- Restaurants (including catering) **49%**

\*includes Construction, Journalism/Entertainment, Real Estate, Logistics/Transportation, and Utilities that are less than 2% respectively.



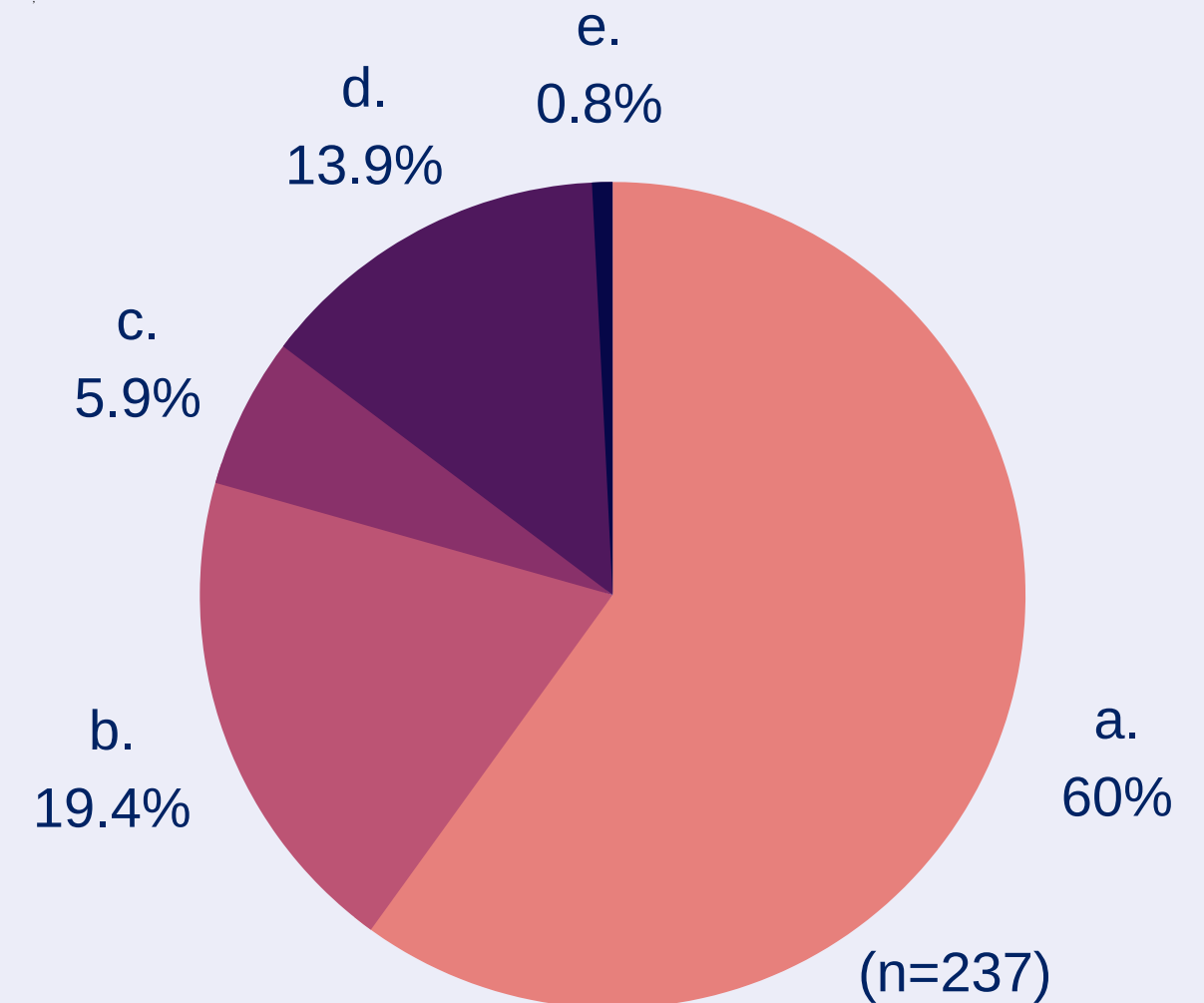
\*\*includes Construction, Journalism/Entertainment, Logistics/Transportation, and Utilities that are less than 2% respectively.

# FORMS OF CORPORATE MANAGEMENT AND METHODS OF INCORPORATION

**Sixty percentage** of responding companies are located in the Bay Area as a U.S. subsidiary, branch office, or local office of a major Japan-based company. Of these companies, 45.8% of their parent companies are in manufacturing and 19% in the tech industry.

A U.S. subsidiary, branch office, or local office of a small to medium Japanese businesses in Japan that is NOT a startup is the second largest forms of corporate management and methods of incorporation. Of these companies, 47.8% of their parent companies are in manufacturing and 21.7% in the service industry.

- a.** a U.S. subsidiary, branch office, or local office of a major Japan-based company (※1)
- b.** a U.S. subsidiary, branch office, or local office of a small to medium Japanese businesses (※1) in Japan that is NOT a startup (※2)
- c.** a U.S.-based startup founded and managed by Japanese or Japanese American citizen (s), and it does not have a parent company in Japan (※2)
- d.** an American company founded and managed by Japanese or Japanese-American citizen(s), and it does not have a parent company in Japan
- e.** a Japan-based startup that has expanded to the Bay Area



※1 including a company that had been an American company in the Bay Area, but acquired by a Japanese company, OR a locally incorporated company that is more than 51% owned (including through indirect investments) by Japanese companies

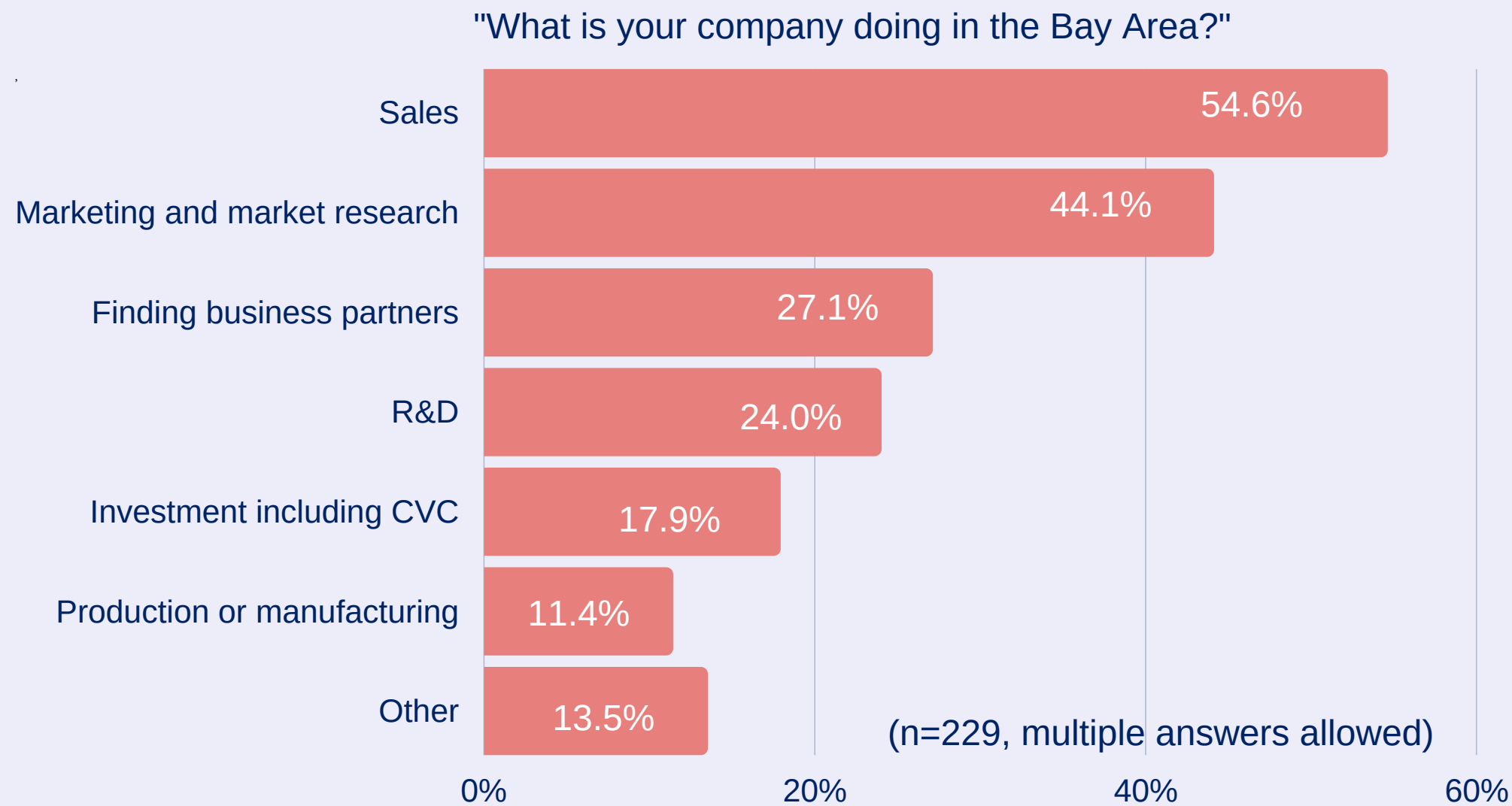
※2 Definition of a startup in this survey: a privately held company that is 10 years old or younger.

# FUNCTION OF THE BAY AREA OFFICES: WHAT ARE JAPAN-BASED COMPANIES DOING IN THE BAY AREA?

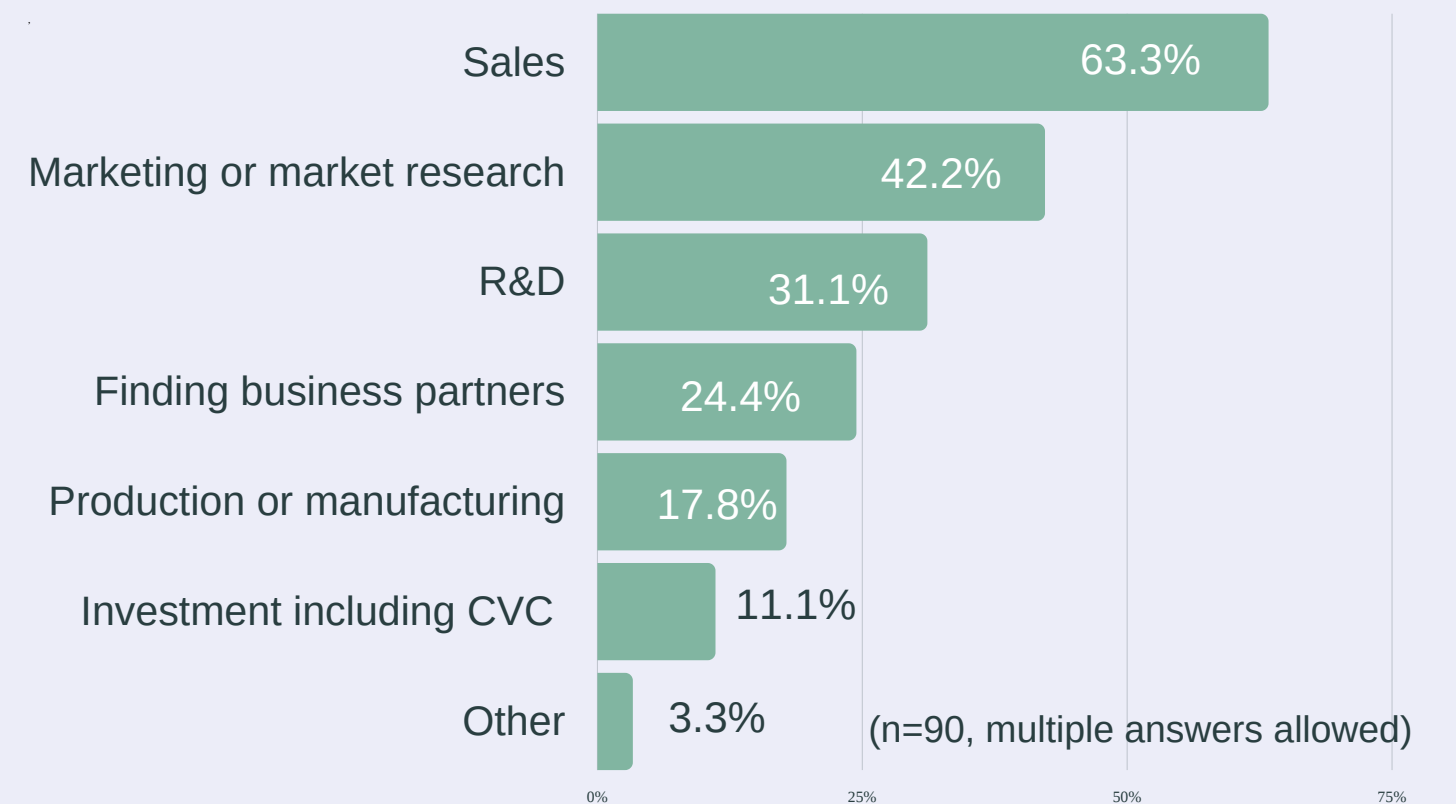
More than half of responding companies are engaging in sales in the Bay Area.

Of the 1,035 Japanese companies in the Bay Area, manufacturing accounts for the largest percentage, 33% as their parent company's industry. By contrast, only 11% of respondents conduct manufacturing in the Bay Area.

The chart in green indicates responses of manufacturing companies\* that answered a question asking about their function in the Bay Area.



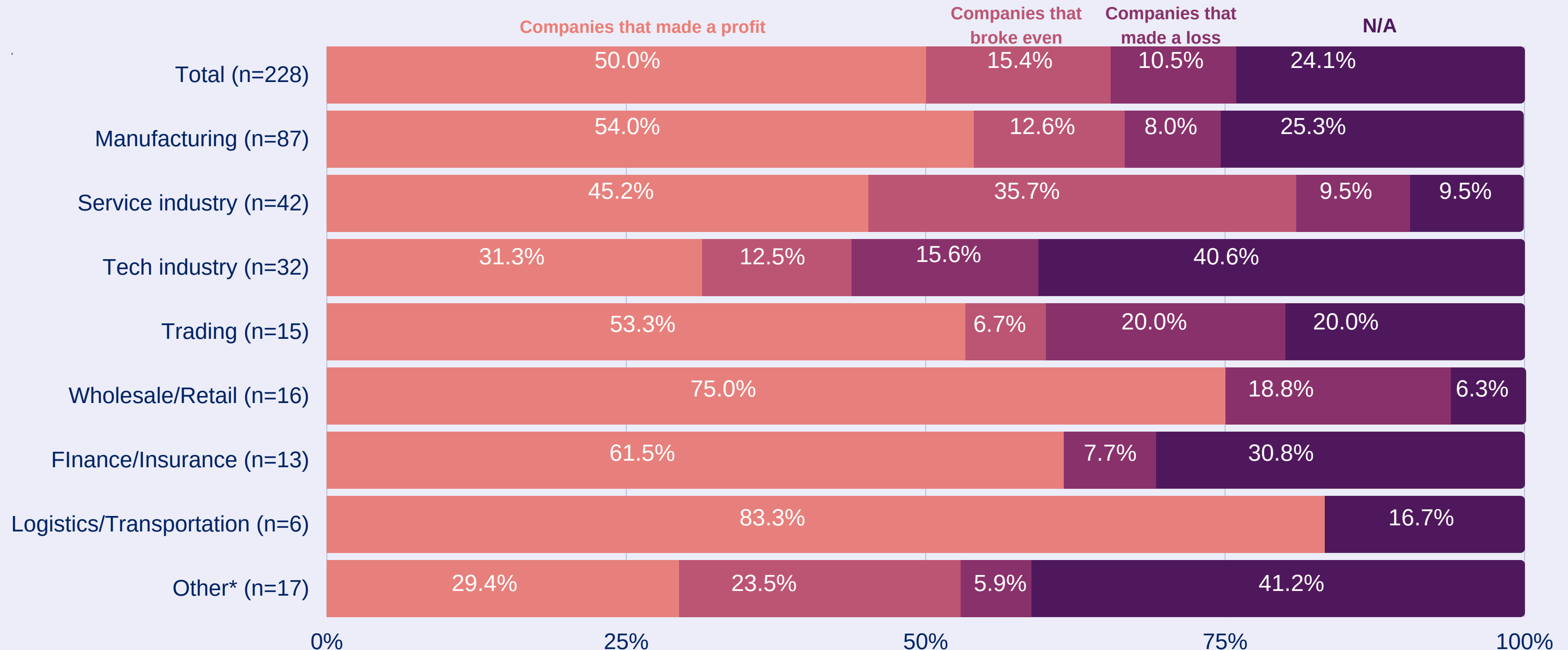
What are manufacturing companies\* doing in the Bay Area?



\*companies in the Bay Area whose parent companies are in manufacturing.

## OPERATING INCOME (AS OF DECEMBER 2019)

Among responding companies, each industry showed that the percentage of profit-making companies exceeded the percentage of lost-making ones as of December 2019. Considering that Japan-based companies often engage in finding business partners or marketing, not necessarily selling their products or services in the Bay Area, we have added a new option, "N/A" for companies to select. At the largest percentage among the industries, 40% of responding tech companies chose N/A.



\*includes Journalism/Entertainment, Real Estate, Construction, and Utilities that are less than five companies respectively.

# CHANGES IN OPERATING INCOME

In 2019, the percentage of profit-making companies operating in the Bay Area and the U.S./the regional economic trends fluctuated in tandem each other as most past survey results had. The percentage of companies that made a profit in 2019 went up even more from the previous survey (62.3%). There is no negative impact of COVID-19 confirmed in this result because the virus started spreading in the Bay Area prominently around mid-March 2020.

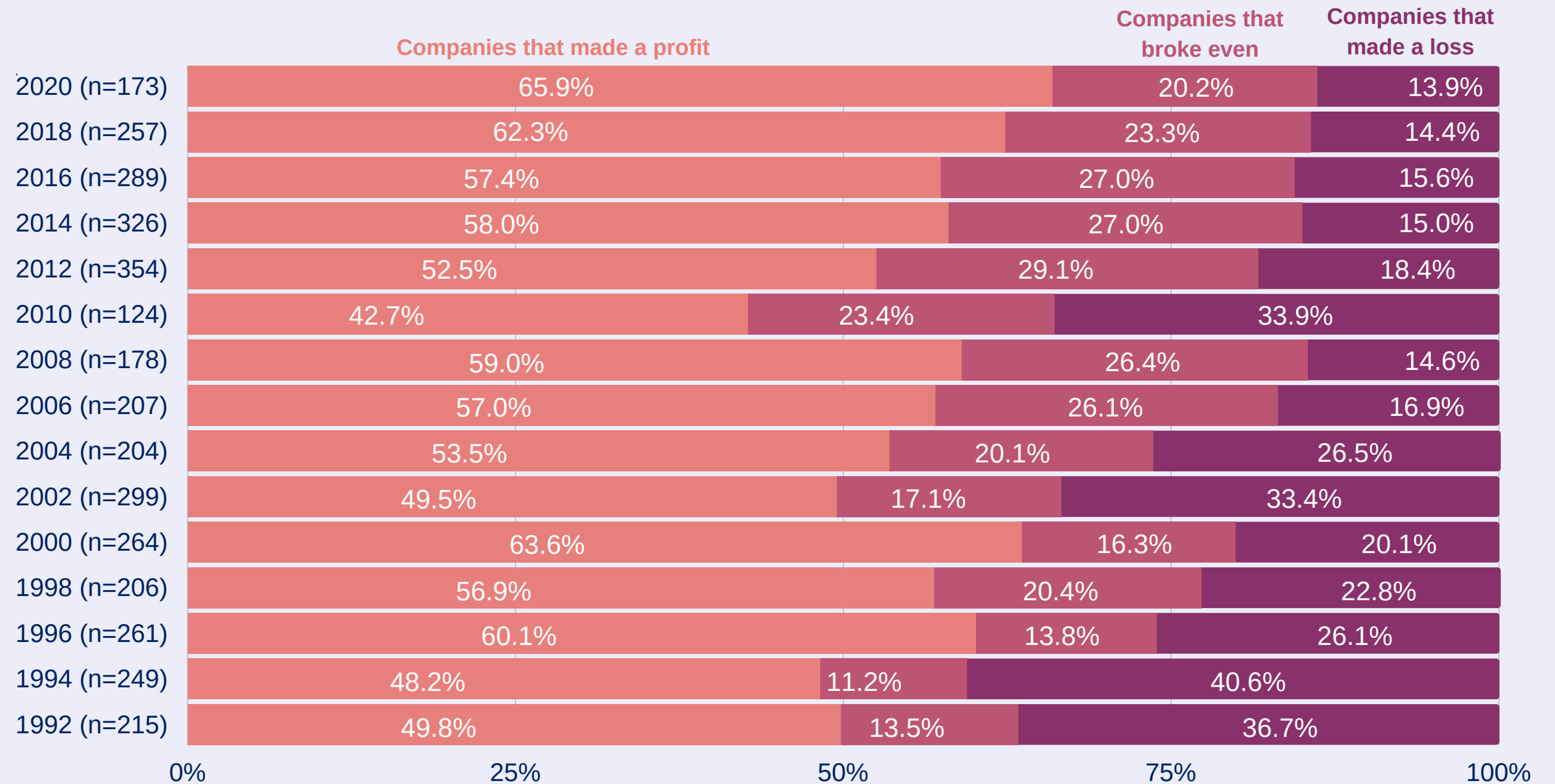
Soaring housing costs has become prominent. Median rent prices of one bedroom in San Francisco started exceeding \$3,500 (meaning the region has had a robust economy): **since 2014**



The subprime mortgage crisis occurred: **Between Dec 2007 and 2009**



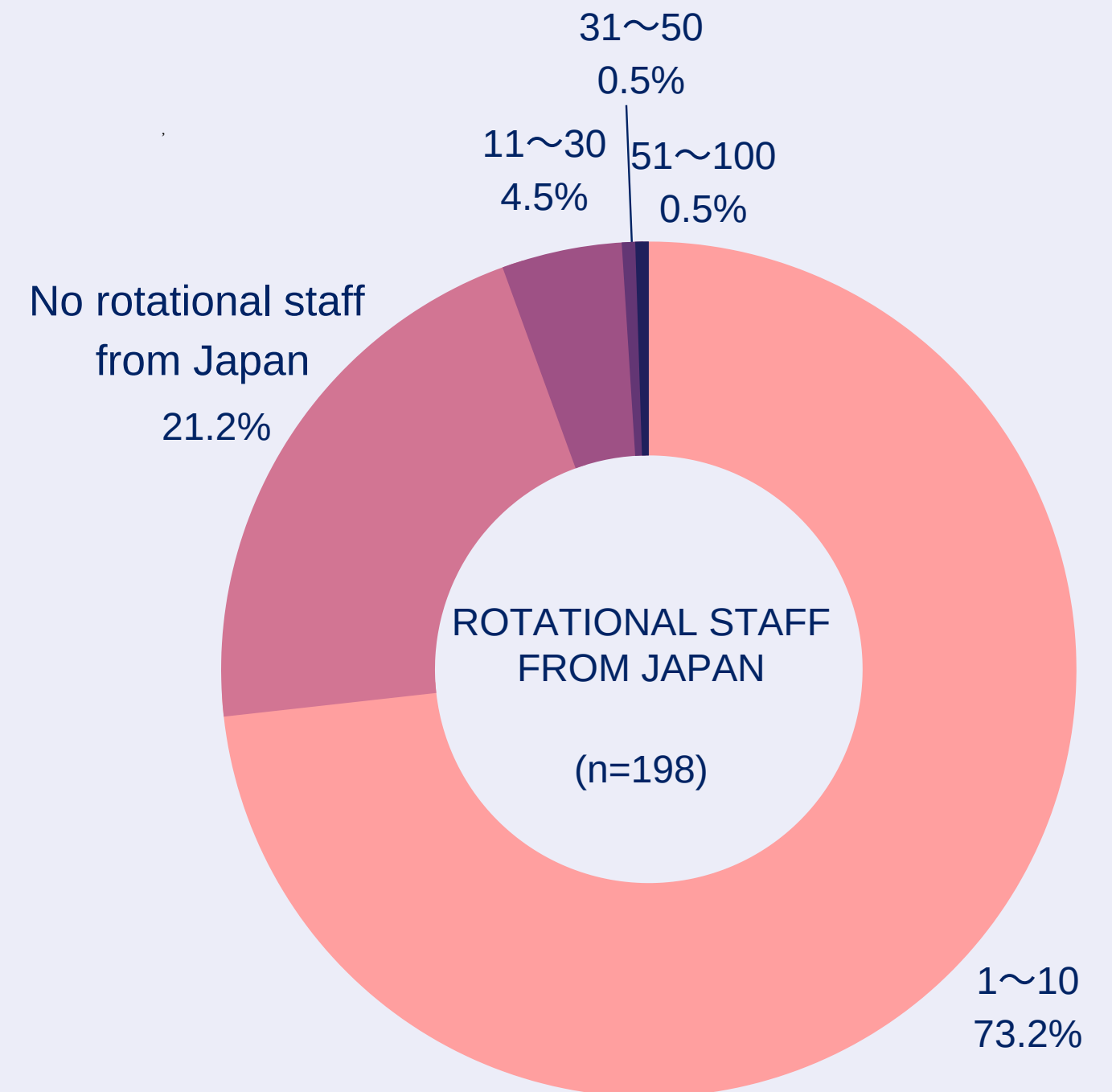
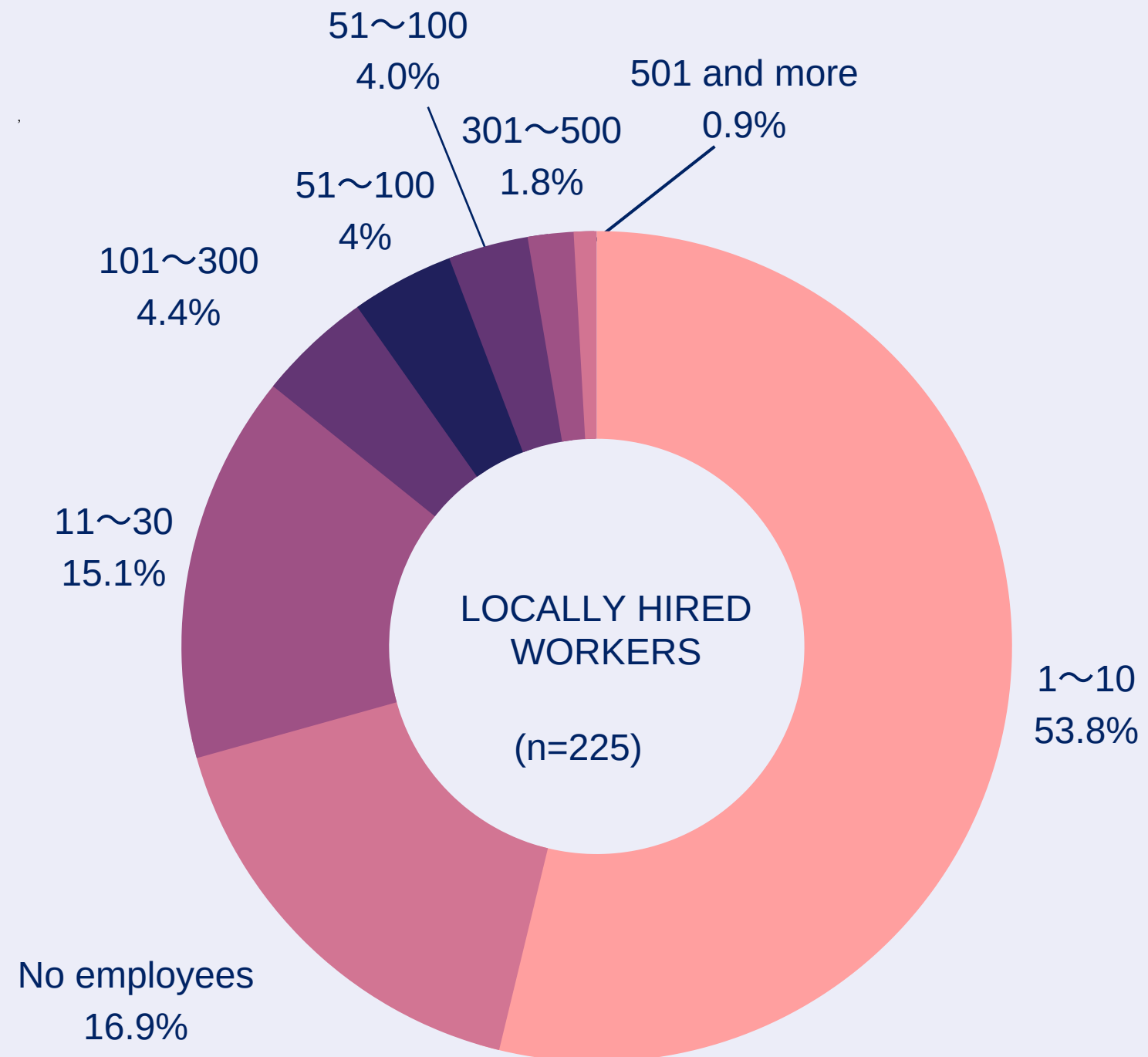
The dotcom bubble burst: **around Mar 2000**



NOTE: to compare with past survey results, responses of NA have been eliminated from the data of 2020. Data of each survey year indicates the financial status of the previous year.

## EMPLOYMENT (NUMBER OF EMPLOYEES )

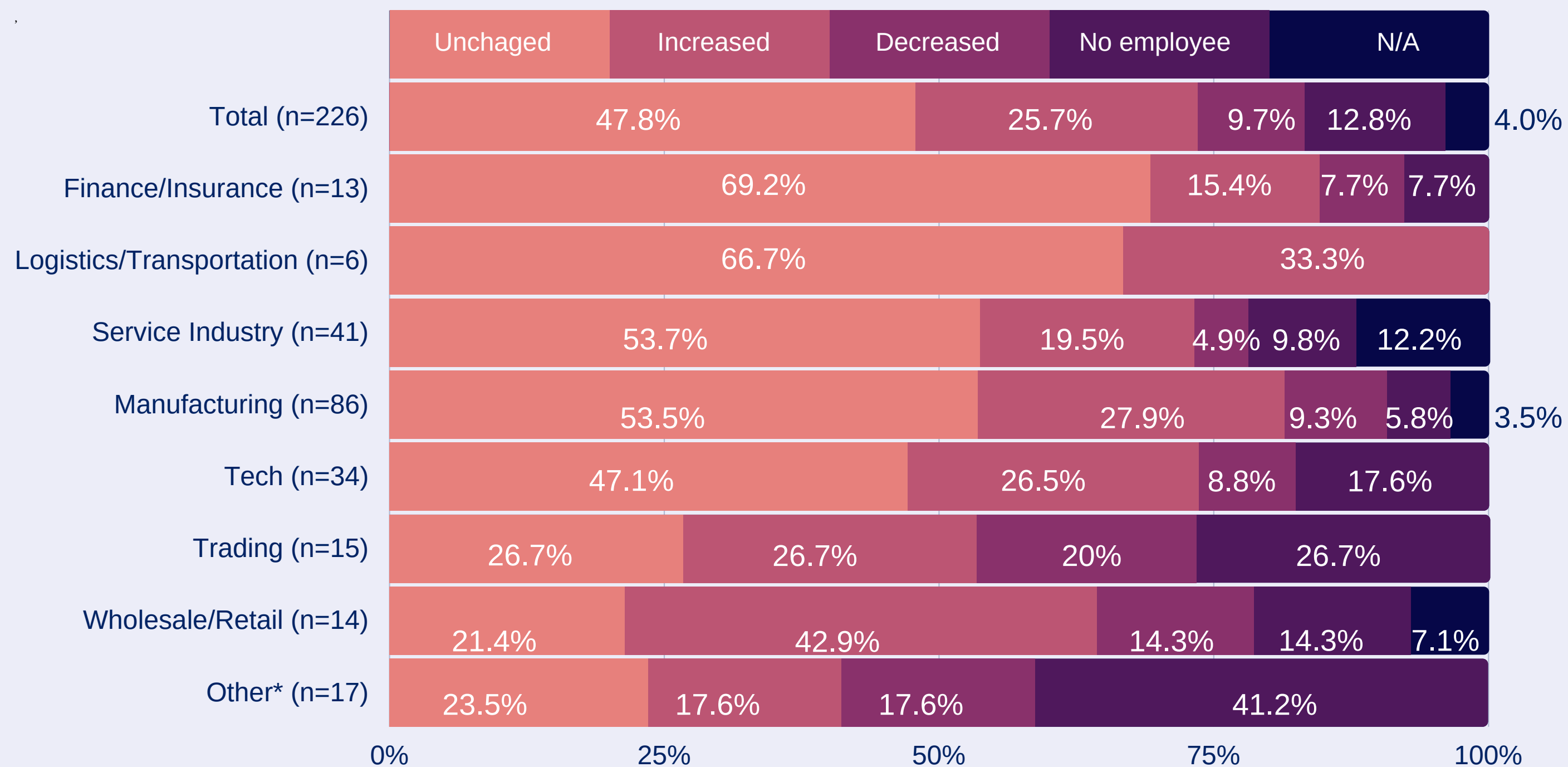
Majority of responding companies hire ten people or less for both local employees and rotational staff from Japan. The second-largest is the percentage of companies run by only local employees or rotational staff from Japan.





## CHANGES IN EMPLOYMENT BETWEEN 2018 AND 2019 (BROKEN DOWN BY INDUSTRY)

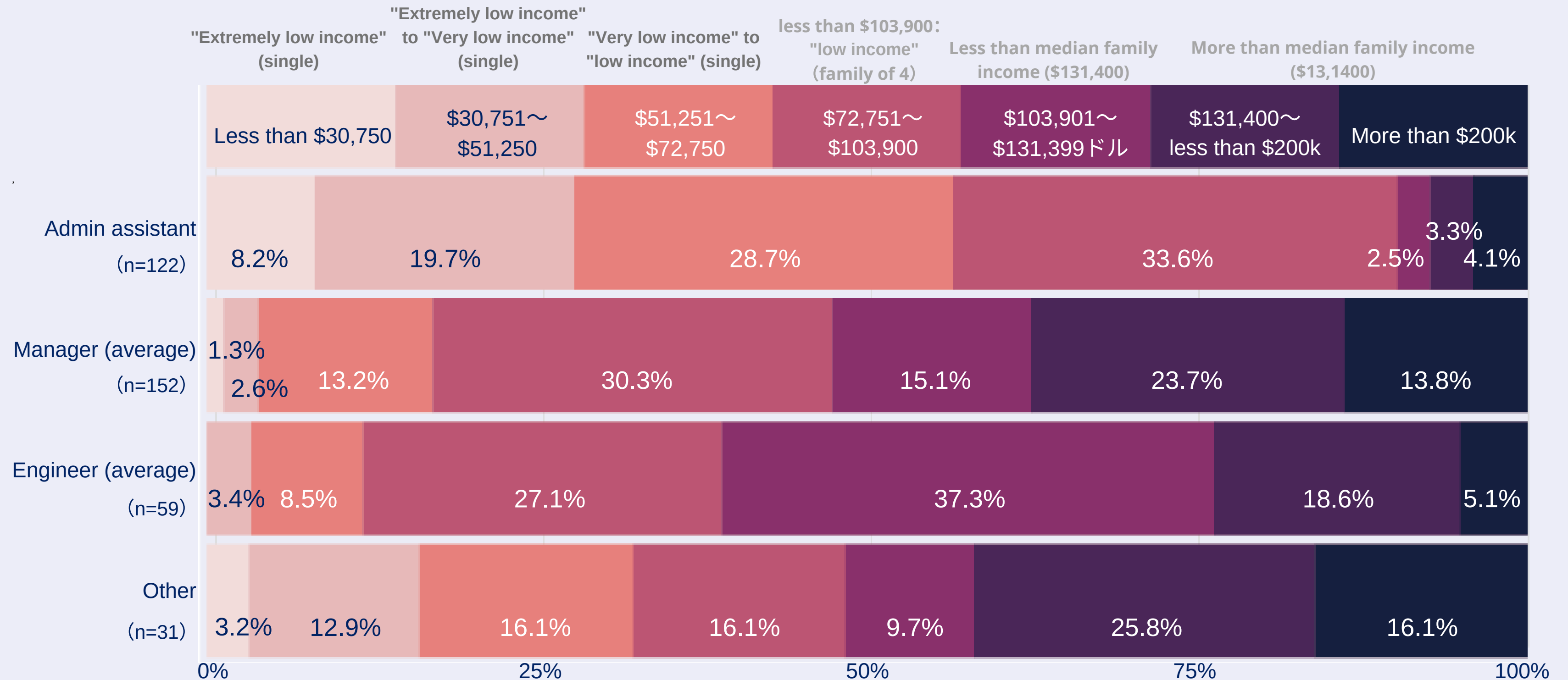
Approximately 50% of respondents had no change in employment between 2018 and 2019. Broken down by industry, the aggregate percentage of companies that reported adding employees or no change in their employment since the previous year was at a high rate, 50% to 100% respectively, which indicates employment at Japan-based companies have remained stable. (N/A indicates companies that were founded in 2019)



\*includes Construction, Real Estate, and Journalism/Entertainment that are less than five companies respectively

# SALARY STANDARD OF JAPAN-BASED COMPANIES OPERATING IN THE BAY AREA (1)

The following chart indicates responses of a question about salary standards of each position at Japan-based companies operating in the Bay Area. One hundred and eighty-six of Japan-based companies responded to this question. Each bracket is based on the 2019 income limits for Santa Clara County, where most Japan-based companies concentrate, issued by Department of Housing and Urban Development (HUD). HUD sets income limits that determine eligibility for assisted housing programs. Income limits vary based on locations and the number of persons in a household.



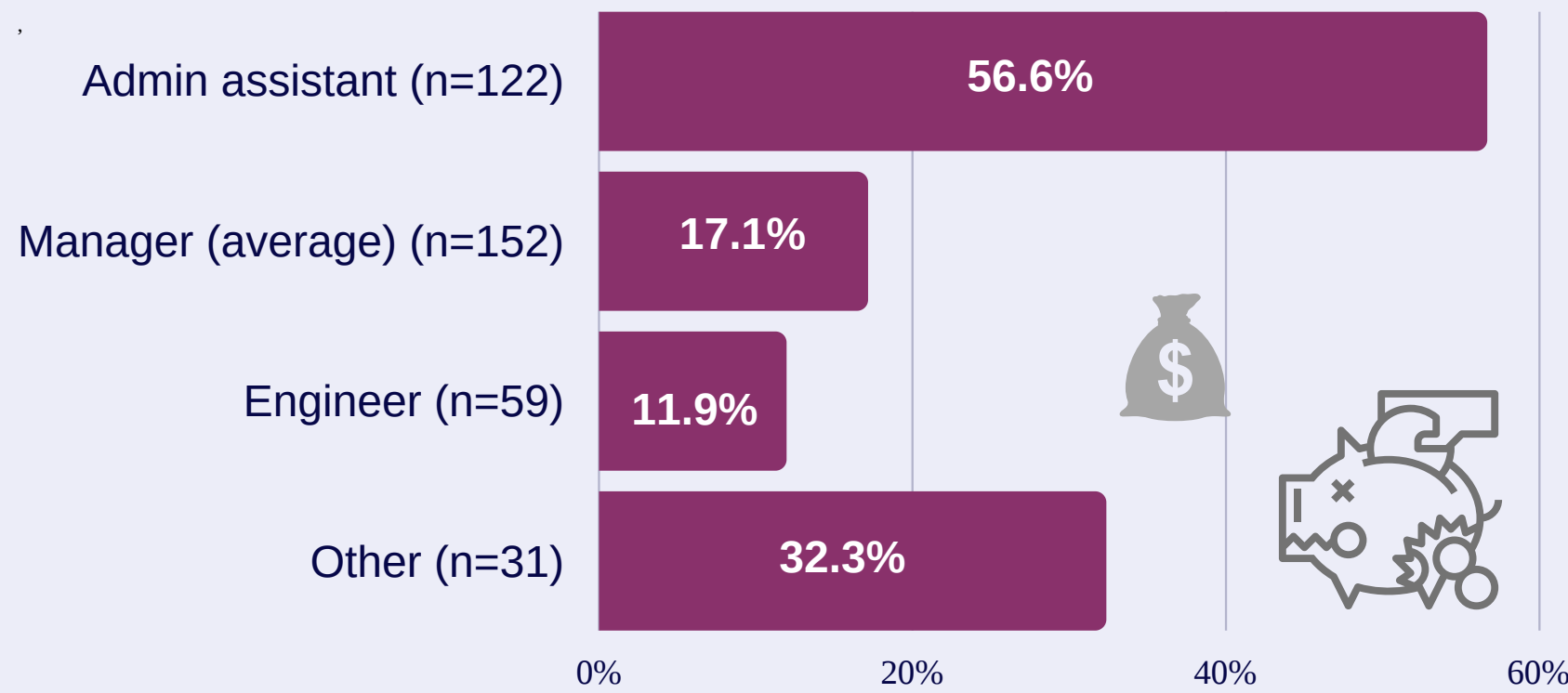
# SALARY STANDARD OF JAPAN-BASED COMPANIES OPERATING IN THE BAY AREA (2)

According to the income limits for Santa Clara County in 2019, HUD defines a single annual income less than \$30,750 as "extremely low income," a salary less than \$51,250 as "very low income," and pay that is \$72,750 or less as "low income." Approximately 60% of admin assistant positions and about 20% of manager positions (average) at Japan-based companies make salaries that fall in the "extremely low income" to "low income" level.

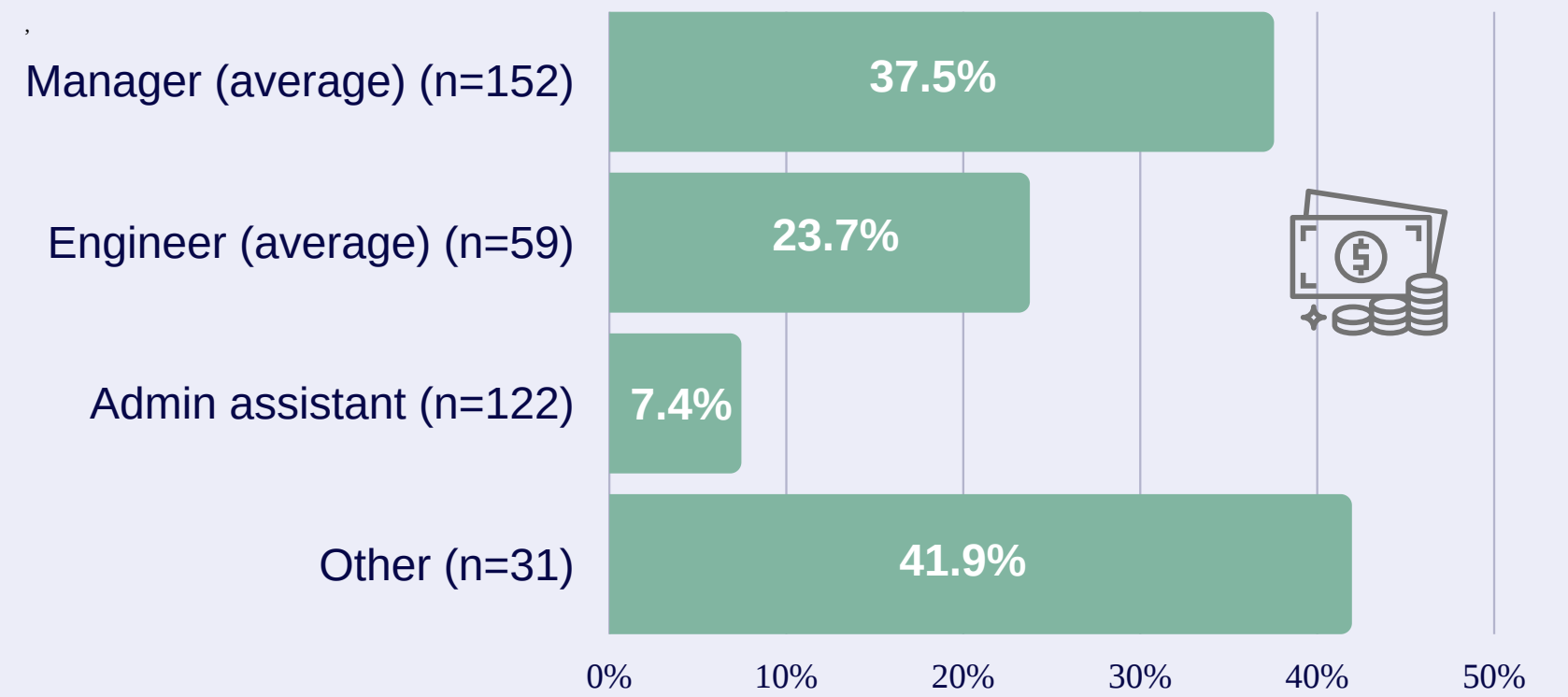
By contrast, while a double-income household is pretty ordinary in the Bay Area, roughly 40% of manager positions (average) and around 20% of engineer positions (average) at Japan-based companies earn a single annual income that exceeds the median family income of Santa Clara County, \$131,400.

Other in the green chart includes C-suite senior executives, sales positions, and investment management positions.

**Percentage of positions of Japan-based companies operating in the Bay Area that make salaries fitting into the level of "extremely low income" to "low income"**



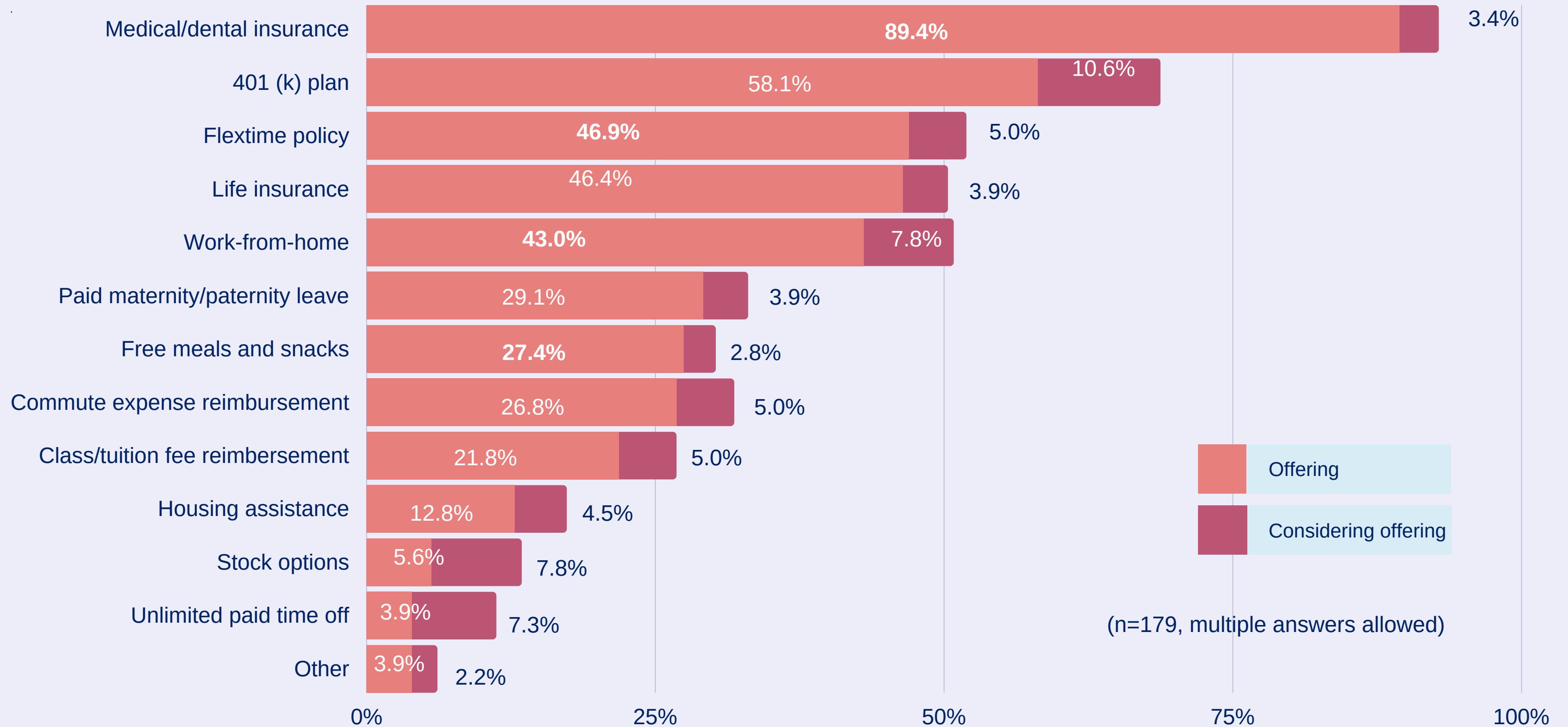
**Percentage of positions of Japan-based companies operating in the Bay Area that earn more than the median family income**



NOTE: the criteria for low income levels and the median family income are based on the 2019 income limit for Santa Clara (San Jose-Sunnyvale-Santa Clara, CA HUD Metro FMR Area)

# BENEFITS OFFERED TO LOCAL EMPLOYEES (1)

As with the previous survey result, medical/dental insurance is the most commonly offered benefit to local employees. The percentage increased to approximately 90% in the current survey.



## BENEFITS OFFERED TO LOCAL EMPLOYEES (2)

In addition to the higher percentage of offering traditional benefits including medical/dental insurance and 401 (k) plan, we found some changes in benefits that are relevant to how employees at Japan-based companies work.

### Flextime policy



In the current survey, the percentage of Japan-based companies offering a flextime policy to their local employees substantially went up to **46.9% (third place)** from 25.1% (fifth place) in the 2018 survey.



Flextime policies\* are offered by 57% of U.S. companies.

\*Flextime during core business hours

### Work-from-home



Due to the COVID-19 pandemic, the State and local governments in the Bay Area issued a shelter-in-place order in mid-March 2020. Even though the 2020 survey was conducted before this order, we found **more than 40%** of Japan-based companies allowed their employees to work from home. The percentage was 24.4% in the 2018 survey.



Ad-hoc-telecommuting is offered by 69% of U.S. companies, part-time-telecommuting is offered by 42%, and full-time-telecommuting is offered by 27%.

### Free meals and snacks



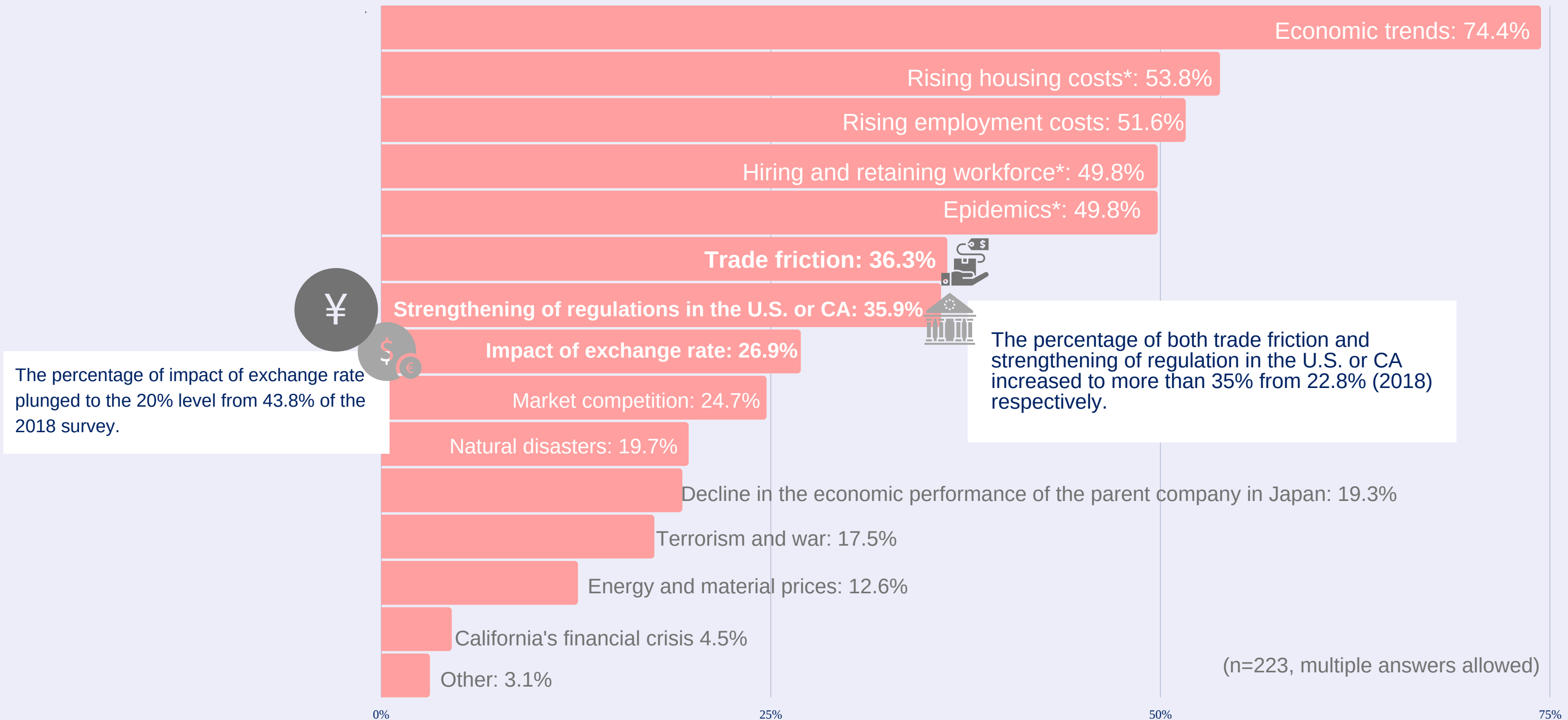
The percentage of Japan-based companies offering free meals and snacks increased to roughly **30%** from the 2018 survey at 17.7%.



Free snacks and beverages are offered by 31% of U.S. companies, while fully or partially subsidized onsite cafeterias are offered by 13%.

# CONCERNS OVER FUTURE BUSINESS OPERATIONS

As with the past surveys in more than ten years, most responding companies (74%) identified economic trends as their primary concern for future business operations in the current survey. Since the 2016 survey, more than half of respondents have found rising employment costs a burden. A large percentage of Japan-based companies expressed concern over rising housing costs, hiring and retaining workforce, and epidemics that were new options to the 2020 survey. Although we conducted this survey from February 21 to March 13, before the Bay Area started seeing any negative impact on businesses due to the COVID-19, roughly 50% of respondents were already alarmed by epidemics.



¥  
\$  
€  
The percentage of impact of exchange rate plunged to the 20% level from 43.8% of the 2018 survey.

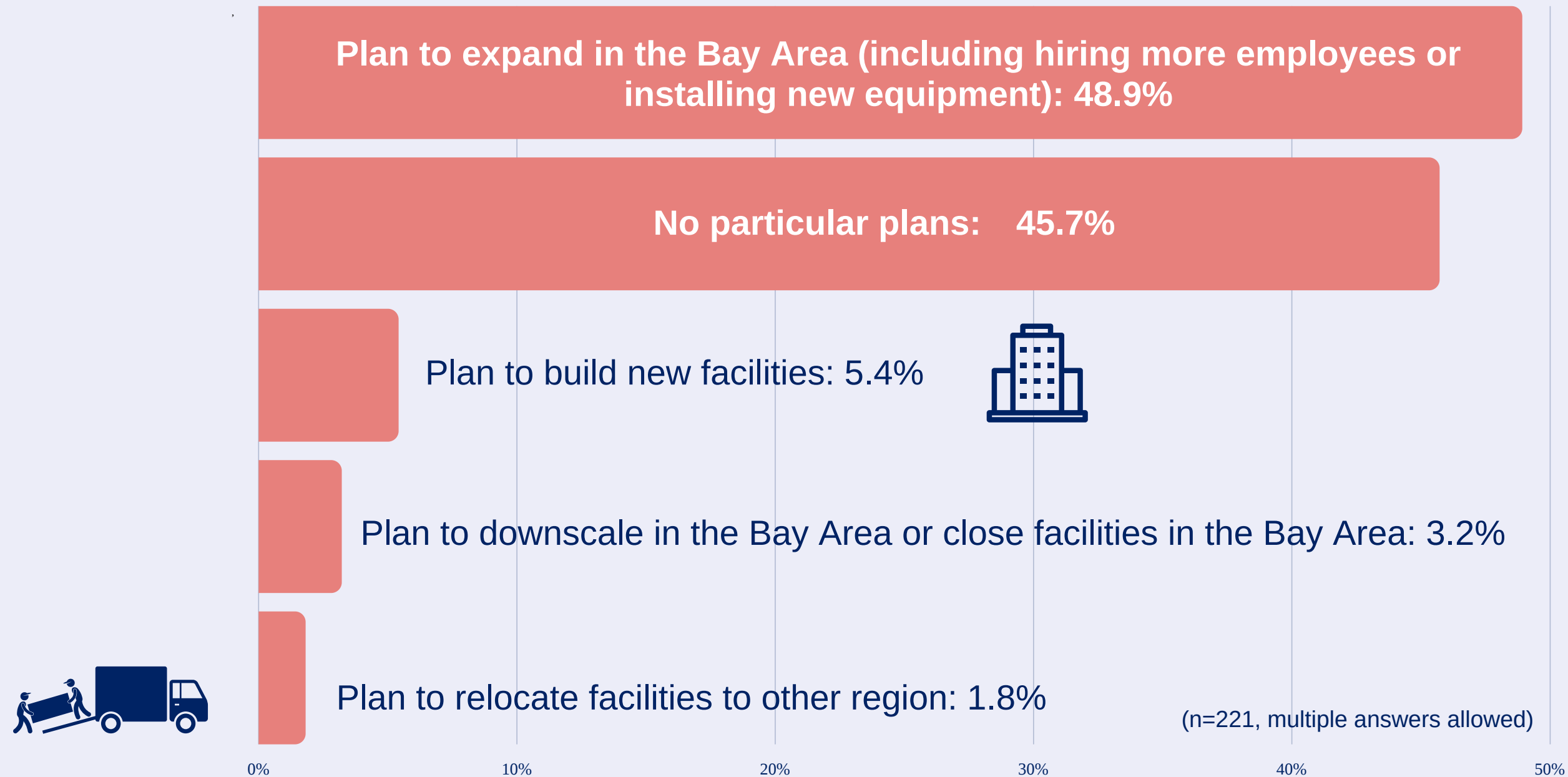
The percentage of both trade friction and strengthening of regulation in the U.S. or CA increased to more than 35% from 22.8% (2018) respectively.

(n=223, multiple answers allowed)

\*new options to the 2020 survey

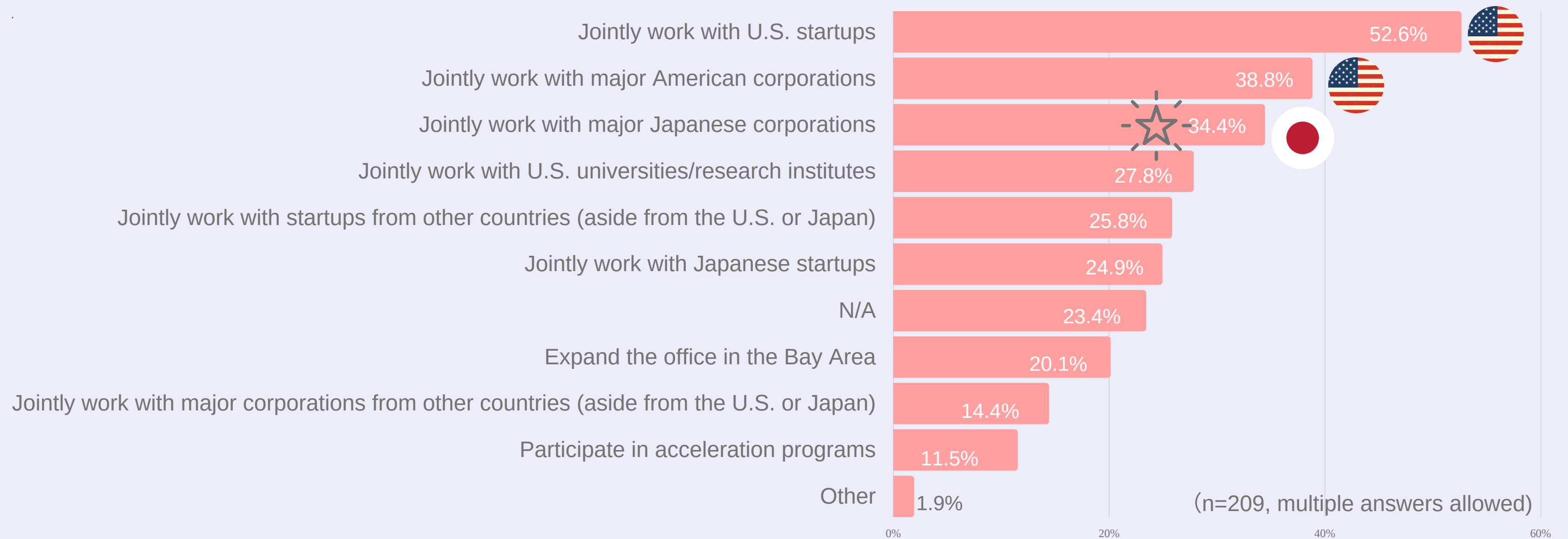
# INVESTMENT AND BUSINESS PLANS FOR THE NEXT ONE OR TWO YEARS

As we conducted the current survey before the COVID-19 pandemic started negatively impacting businesses in the Bay Area, trends on investment and business plans of Japan-based companies did not change very much since the previous survey in 2018. Approximately 50% of companies plan to expand in the Bay Area or maintain the status quo. A meager percentage of companies plan to build new facilities or move out to other regions or states.

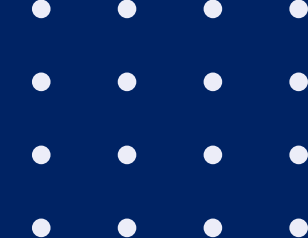


# WHAT JAPAN-BASED COMPANIES ARE CONSIDERING OR IMPLEMENTING TO CREATE NEW BUSINESSES IN THE BAY AREA

In creating new businesses, jointly working with U.S. startups is the primary reason for Japan-based companies to operate in the Bay Area. We also found that more than 30% of responding companies hope to work or are already collaborating with other Japanese corporations even after expanding to the Bay Area or founding companies in the Bay Area.







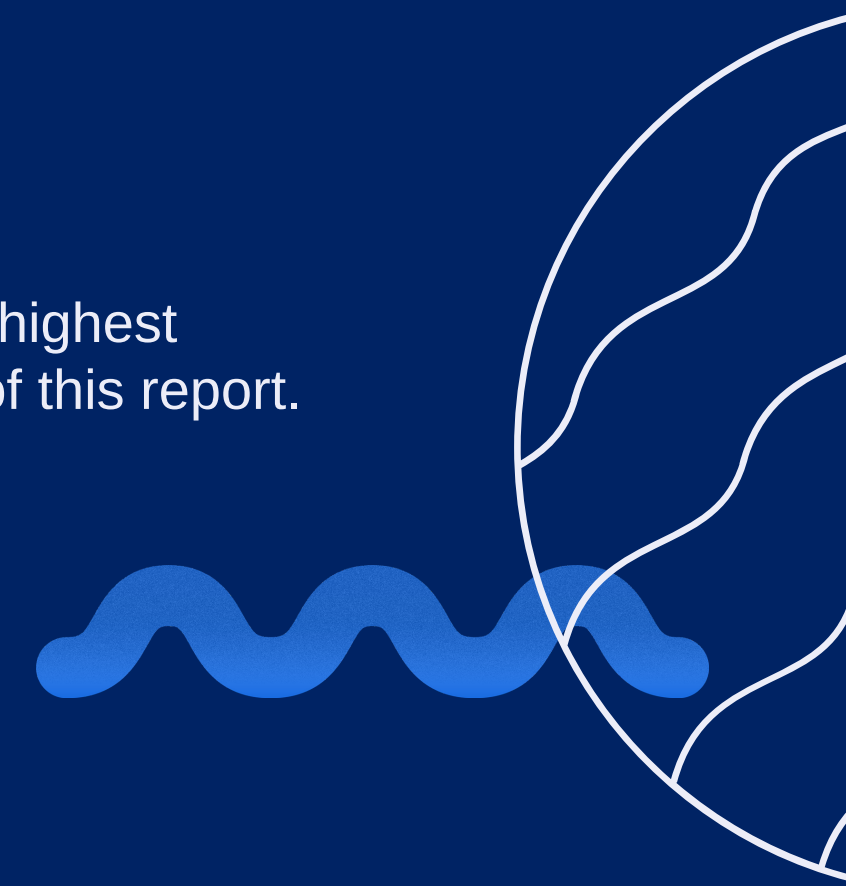
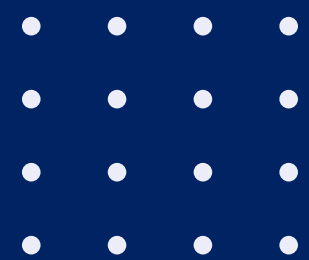
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