

Summary of the 42nd Survey on Overseas Business Activities
(conducted in July 2012)

Trends of overseas affiliates in the fiscal year (FY) 2011 survey

- The overseas production ratio remained nearly unchanged. By contrast, the ratio of overseas capital investment marked a record high of 21.5%.
- Sales of overseas affiliates remained nearly unchanged. Ordinary profits, net income, and the amount of current retained earnings decreased. The amount of capital investment in manufacturing industries significantly increased by 32.5%.
- The number of employees at overseas affiliates marked a record high of 5.23 million people, exceeding five million people for the first time.
- The ratio of businesses for which a deciding factor in investments was that "demand growth is expected in the future" was high.
- Payments from overseas affiliates to Japan marked a record high of 2.7 trillion yen.

Summary of findings

1. The overseas production ratio remained nearly unchanged. By contrast, the ratio of overseas capital investment marked a record high of 21.5%.

- (1) The overseas production ratio for manufacturing industries (based on all domestic companies) was 18.0% (down by 0.1%), almost the same level as the previous year. By sector, overseas production ratios were high, such as in the transportation equipment sector (38.6%), the information and communication electronics equipment sector (26.7%), and the general-purpose machinery sector (24.8%).
- (2) The ratio of overseas capital investment rose by 4.4 points to 21.5%, the highest ever recorded.

2. Sales of overseas affiliates remained nearly unchanged. Ordinary profits, net income, and the amount of current retained earnings decreased. The amount of capital investment in manufacturing industries significantly increased by 32.5%.

- (1) Sales amounted to 182.2 trillion yen (a 0.5% decrease as compared to the previous year; a 0.4% increase when comparing only companies that gave valid responses for this year and the previous year). While they increased in Asia, they decreased in Europe and North America.
- (2) Ordinary profits amounted to 10.6 trillion yen (a 2.5% decrease (id.); a 1.3% increase (id.)), net income amounted to 7.4 trillion yen (a 4.1% decrease (id.); a 0.4% decrease (id.)), and the amount of current retained earnings amounted to 3.7 trillion yen (a 20.9% decrease (id.); a 15.7% decrease (id.)).
- (3) The amount of capital investment (manufacturing industries) was 3.1 trillion yen (a 32.5% increase (id.); a 19.6% increase (id.)).

3. The number of employees at overseas affiliates marked a record high of 5.23 million people, exceeding five million people for the first time.

- (1) The number of employees at overseas affiliates as of the end of FY2011 marked a record high of 5.23 million people (a 4.7% increase as compared to the previous year; a 4.0% increase when comparing only companies that gave valid responses for this year and the previous year) to 5.23 million people, exceeding five million people for the first time.
- (2) The number of employees in manufacturing industries (4.11 million people; a 3.4% increase (id.)) and in non-manufacturing industries (1.12 million people; a 9.5% increase (id.)) marked a record high, with the former exceeding four million people for the first time.

4. The ratio of businesses for which a deciding factor in investments was that "demand growth is expected in the future" was high.

Looking at the deciding factors for investments, the largest number of businesses—some 70%—responded, "local product demand is strong, or demand is anticipated in the future." Chronologically, the ratio of businesses that place the expectation of future demand growth in the overseas locality or third countries near the area of advancement as a deciding factor was on the rise.

5. Payments from overseas affiliates to Japan marked a record high of 2.7 trillion yen.

Payments of dividends and royalties from overseas affiliates to Japanese investors marked a record high of 2.7 trillion yen (a 7.6% increase as compared to the previous year).

1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2011 was 19,250 companies, consisting of 8,684 companies in manufacturing industries and 10,566 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 45.1% of the total number of overseas affiliates in all industries (down by 0.1 points), and those in non-manufacturing industries accounted for 54.9% of the total (up by 0.1 points) (see Table 1).
- By region, the number of overseas affiliates increased in Asia and Europe, and remained unchanged in North America.
- The number of overseas affiliates in Asia was 12,089, accounting for more than 60% of the total. Within this, the number of overseas affiliates in China was 5,878 (accounting for 30.5% of all regions; up by 0.6 points from the previous year), and the number in other Asian countries, including Vietnam and India, was 862 (4.5% (id.); up by 0.5 points (id.)), both showing an expanding trend (see Table 2 and Figure 1).

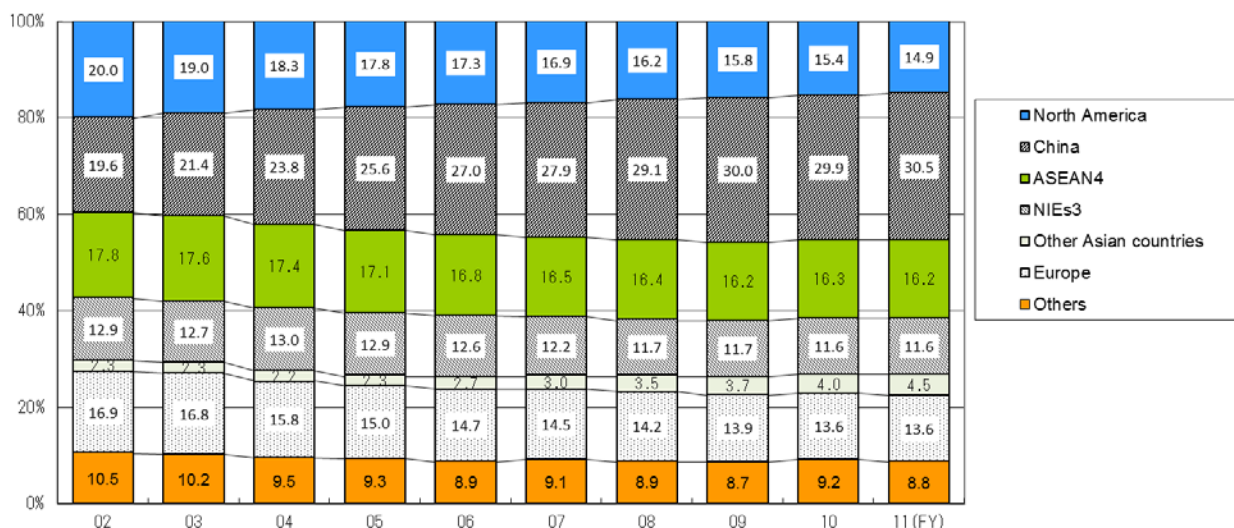
Table 1. Distribution of overseas affiliates by sector

	End of FY2011 Number of overseas	(Units: companies, %)		
		Breakdown by sector		
		FY2010	FY2011	
		Breakdown	Breakdown	Change in points
All industries	19,250	100.0	100.0	-
Manufacturing industries	8,684	45.2	45.1	-0.1
		100.0	100.0	-
Food	440	5.3	5.1	-0.2
Textiles	407	4.5	4.7	0.2
Lumber, wood, paper, and pulp	116	1.5	1.3	-0.2
Chemicals	1,088	12.1	12.5	0.4
Petroleum and coal	45	0.5	0.5	0.0
Ceramic, stone, and clay products	217	2.5	2.5	0.0
Iron and steel	280	2.9	3.2	0.3
Non-ferrous metals	254	3.1	2.9	-0.2
Metal products	403	4.8	4.6	-0.2
General-purpose machinery	281	3.6	3.2	-0.4
Production machinery	546	6.3	6.3	0.0
Business oriented machinery	304	3.2	3.5	0.3
Electrical machinery	528	6.3	6.1	-0.2
Information and communication electronics equipment	1,007	11.7	11.6	-0.1
Transportation equipment	1,720	19.7	19.8	0.1
Miscellaneous manufacturing industries	1,048	11.9	12.1	0.2
Non-manufacturing industries	10,566	54.8	54.9	0.1
		100.0	100.0	-
Agriculture, forestry, and fisheries	100	1.0	0.9	-0.1
Mining	174	1.7	1.6	-0.1
Construction	279	2.9	2.6	-0.3
Information and communications	550	5.6	5.2	-0.4
Transport	1,019	10.0	9.6	-0.4
Wholesale trade	5,318	50.4	50.3	-0.1
Retail trade	589	4.8	5.6	0.8
Services	1,587	13.7	15.0	1.3
Miscellaneous non-manufacturing industries	950	9.8	9.0	-0.8

Table 2. Distribution of overseas affiliates by region

	FY2010	FY2011
All regions	18,599	19,250
	100.0	100.0
North America	2,860	2,860
	15.4	14.9
Asia	11,497	12,089
	61.8	62.8
China	5,565	5,878
	29.9	30.5
ASEAN4	3,027	3,111
	16.3	16.2
NIEs3	2,162	2,238
	11.6	11.6
Other Asian countries	743	862
	4.0	4.5
Europe	2,536	2,614
	13.6	13.6
Others	1,706	1,687
	9.2	8.8

Figure 1. Trends in distribution ratio of overseas affiliates by region



2. Withdrawals and advances of overseas affiliates

- The number of overseas affiliates withdrawing from overseas markets^(Note 1) in FY2011 was 572 (decreased by 36 companies as compared to the previous year). Manufacturing industries and non-manufacturing industries saw decreases to 215 companies (down by 22 companies (id.)) and 357 companies (down by 14 companies (id.)), respectively (see Figure 2).
- The ratio of withdrawals^(Note 2) was 2.9% (down by 0.3 points as compared to the previous year). In North America the ratio was 3.7% (decreased by 0.1 points (id.)), in Asia the ratio was 2.6% (decreased by 0.3 points (id.)), and in Europe the ratio was 3.8% (decreased by 0.2 points (id.)). Within Asia, the ratio in China was 2.7% (decreased by 0.5 points (id.)), and this decline contributed to the overall decrease in Asia (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2011 by year of establishment or capital participation^(Note 3) and by region, there was an increase in the percentage of companies that advanced to ASEAN4, other Asian countries, and Europe, while the percentage of those that advanced to China, NIEs3 and North America declined (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

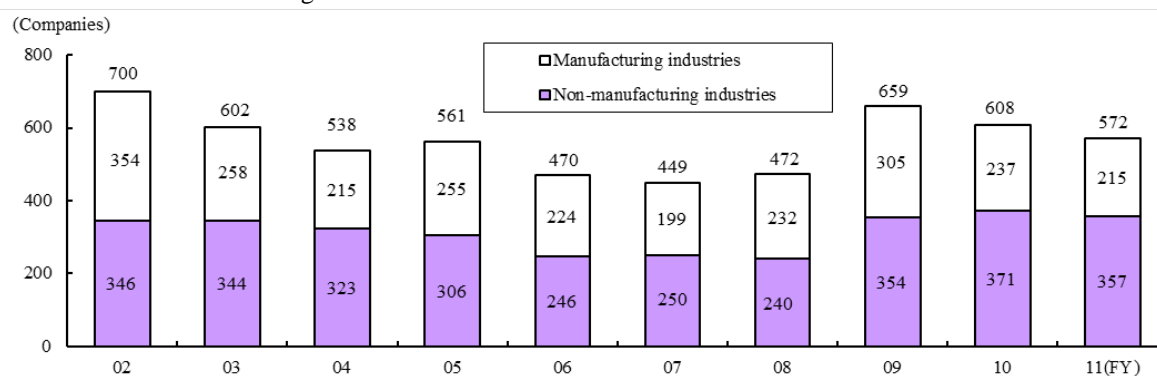
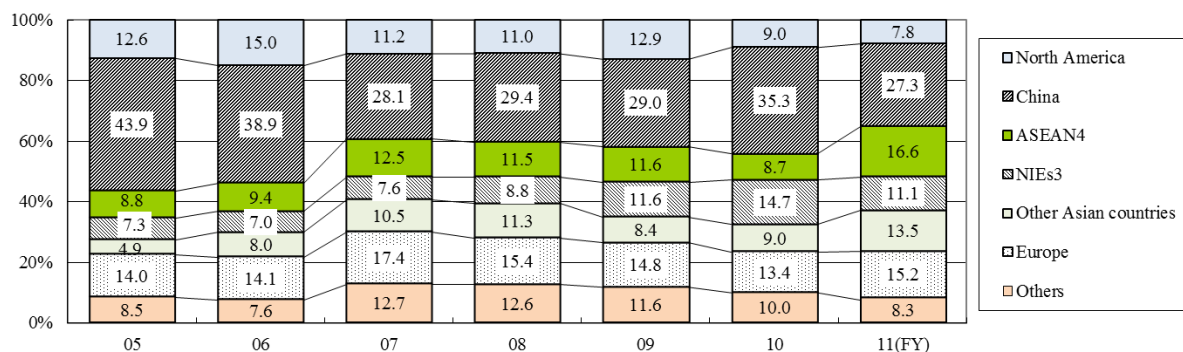


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	Number of overseas withdrawals (Unit:Companies)						Ratio of overseas withdrawals (Unit:%)					
	06	07	08	09	10	11(FY)	06	07	08	09	10	11(FY)
All regions	470	449	472	659	608	572	2.8	2.6	2.6	3.5	3.2	2.9
North America	127	94	81	140	113	110	4.3	3.2	2.7	4.6	3.8	3.7
Asia	231	235	303	371	339	317	2.3	2.3	2.8	3.2	2.9	2.6
China	123	82	151	200	181	166	2.7	1.7	2.9	3.5	3.2	2.7
ASEAN4	52	69	75	90	68	65	1.9	2.4	2.5	3.0	2.2	2.0
NIEs3	45	77	65	68	74	71	2.1	3.6	3.0	3.1	3.3	3.1
Europe	57	85	57	90	106	103	2.3	3.4	2.2	3.4	4.0	3.8

Figure 3. Ratio of overseas affiliates by year of establishment or capital participation (by region)



Note 1: "Withdrawal" includes "dissolution, withdrawal/transfer" and "decline in control share (where the ratio of investments from the Japan side declines to between 0% and 10%)".

Note 2: Ratio of withdrawals = Number of overseas withdrawals in FY2010 / (Total number of overseas affiliates with valid responses in FY2011 + Number of overseas withdrawals in FY2011) × 100.0

Note 3: "Year of establishment or capital participation" counts the overseas affiliates that were newly established in the fiscal year being surveyed.

3. Employment at overseas affiliates

- The number of employees at overseas affiliates as of the end of FY2011 was 5.23 million people, a 4.7% increase as compared to the previous year (a 4.0% increase when comparing only companies that gave valid responses for this year and the previous year) (see Table 4).
- The number of employees in manufacturing industries was 4.11 million people, marking an increase of 3.4% as compared to the previous year. By sector, there were increases in the transportation equipment sector (1.36 million people; up by 10.4% as compared to the previous year) and the textiles sector (130,000 people; up by 24.3% (id.)), and a decrease in the information and communication electronics equipment sector (790,000 people; down by 9.6% (id.)). The number of employees in non-manufacturing industries was 1.12 million people, marking an increase of 9.5% (id.). By sector, increases were observed in the retail trade sector (200,000 people; up by 74.1% (id.)) and the wholesale trade sector (430,000 people; up by 6.2% (id.)) (see Table 4 and Figure 4).
- By region, the number increased in Asia (3.73 million people; up by 5.0% (id.)) and North America (600,000 people; up by 4.4% (id.)), but decreased in Europe (470,000 people; down by 6.6% (id.)) (see Figure 5).
- In Asia, there were increases in other Asian countries (470,000 people; up by 25.4% (id.)), China (1.68 million people; up by 4.9% (id.)), and a decrease in NIEs3 (240,000 people; down by 2.3% (id.)) (see Figure 6).

Table 4. Trends in the number of employees at overseas affiliates

(Units: 10,000 persons, %)

	07		08		09		10		11(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	475	4.1	452	-4.8	470	4.1	499	6.2	523	4.7
Manufacturing industries	395	4.3	357	-9.8	368	3.2	397	7.9	411	3.4
Non-manufacturing industries	79	3.6	95	19.9	102	7.3	102	0.0	112	9.5

Figure 4. Number of employees at overseas affiliates (by major sector)

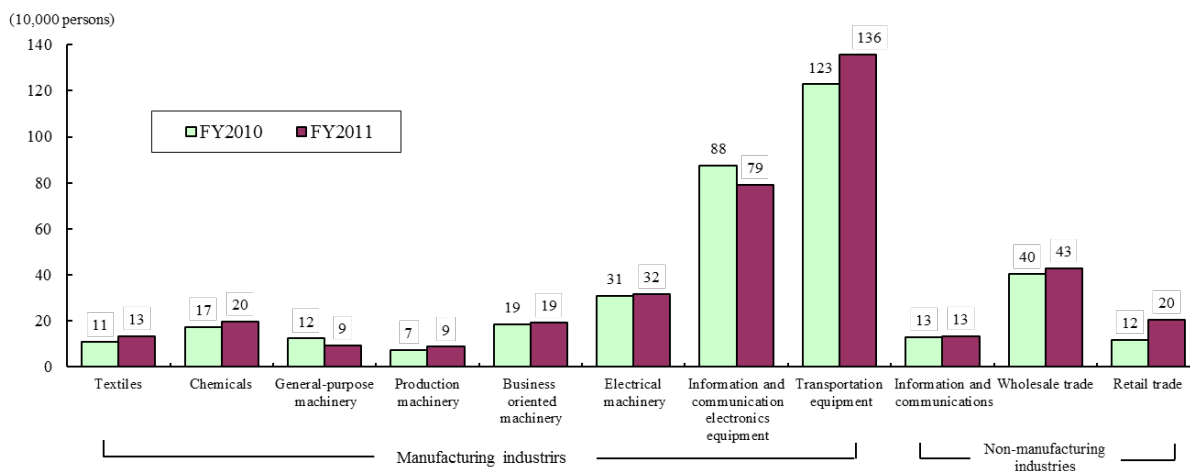


Figure 5. Number of employees at overseas affiliates (by region)

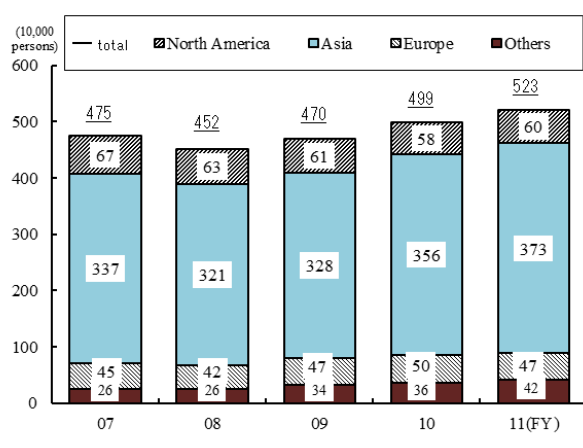
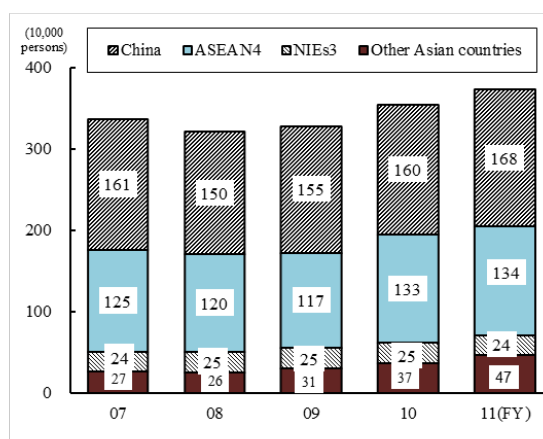


Figure 6. Number of employees at overseas affiliates (in Asia)



4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2011 amounted to 182.2 trillion yen (down by 0.5% as compared to the previous year; up by 0.4% when comparing only companies that gave valid responses for this year and the previous year), almost the same level as the previous year (see Figure 7).
- Sales in manufacturing industries totaled 88.3 trillion yen (down by 1.2% (id.)). By sector, decreases were observed in the transportation equipment sector (39.0 trillion yen; down by 3.7% (id.)) and the information and communication electronics equipment sector (12.0 trillion yen; down by 12.5% (id.)). Sales in non-manufacturing industries amounted to 94.0 trillion yen (up by 0.1% (id.)). By sector, there were increases in such sectors as the services sector (4.9 trillion yen; up by 48.1% (id.)) (see Figure 7 and Figure 8).
- By region, while an increase was seen in Asia (79.8 trillion yen; up by 0.1% (id.)), decreases were seen in North America (50.8 trillion yen; down by 3.9% (id.)) and Europe (31.3 trillion yen; down by 3.8% (id.)). In Asia, while NIEs3 and China saw increases, ASEAN4 saw a decrease (see Figure 9 and Figure 10).

Figure 7. Sales trends of overseas affiliates

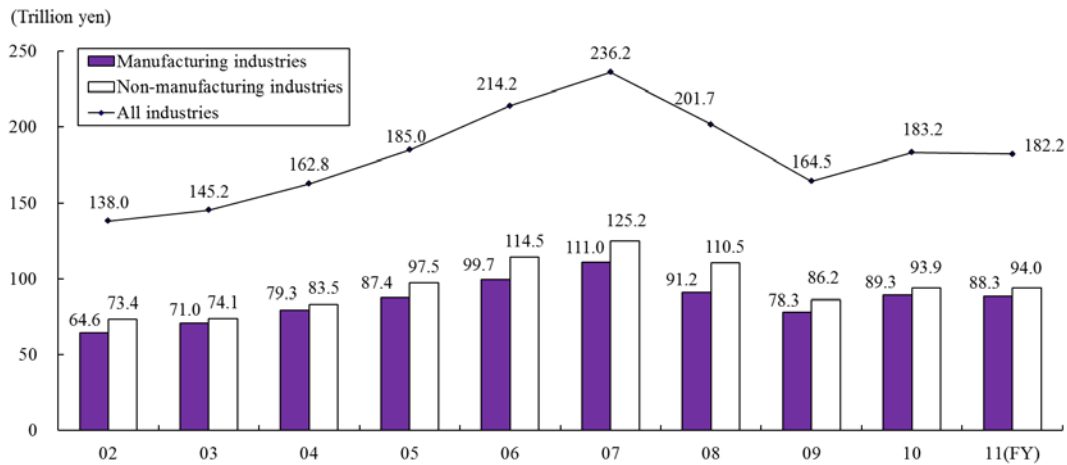


Figure 8. Sales of overseas affiliates (by major sector)

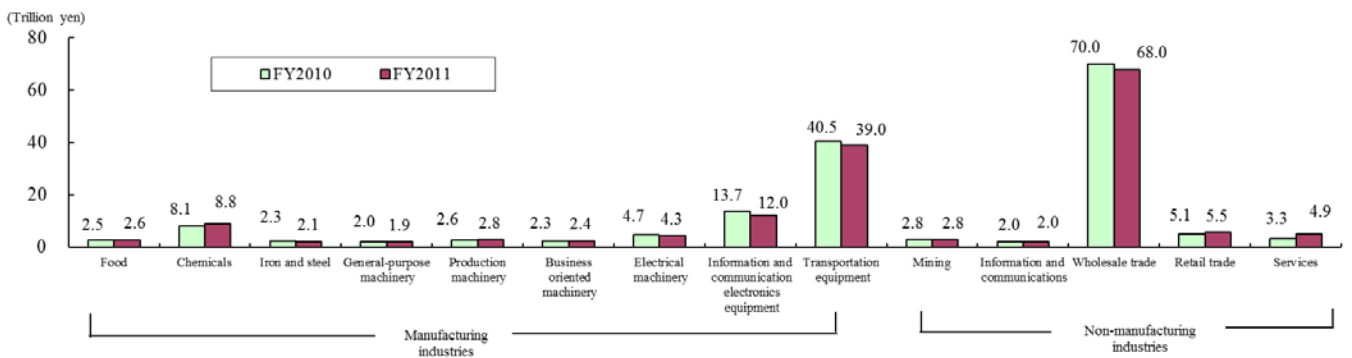


Figure 9. Sales trends of overseas affiliates (by region)

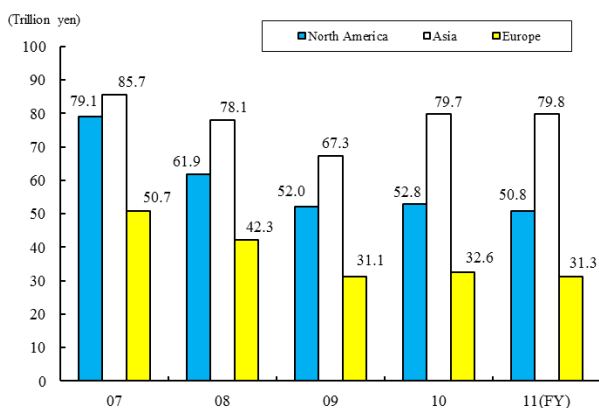
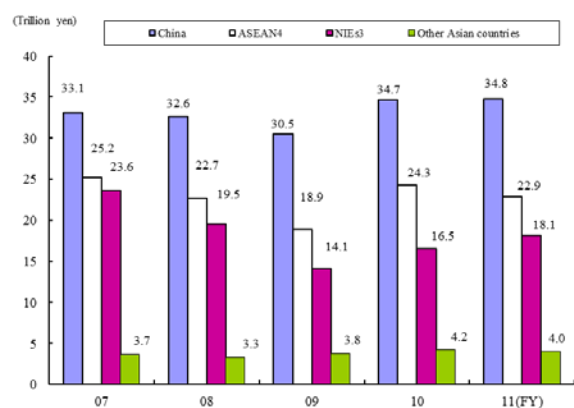


Figure 10. Sales trends of overseas affiliates (in Asia)



5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)^(Note 1) was 18.0% (down by 0.1%), almost the same level as the previous year (see Figure 11).
- By sector^(Note 2), overseas production ratios were high, such as in the transportation equipment sector (38.6%), the information and communication electronics equipment sector (26.7%), and the general-purpose machinery sector (24.8%) (see Table 5).

Figure 11. Trends in the overseas production ratio (manufacturing industries)

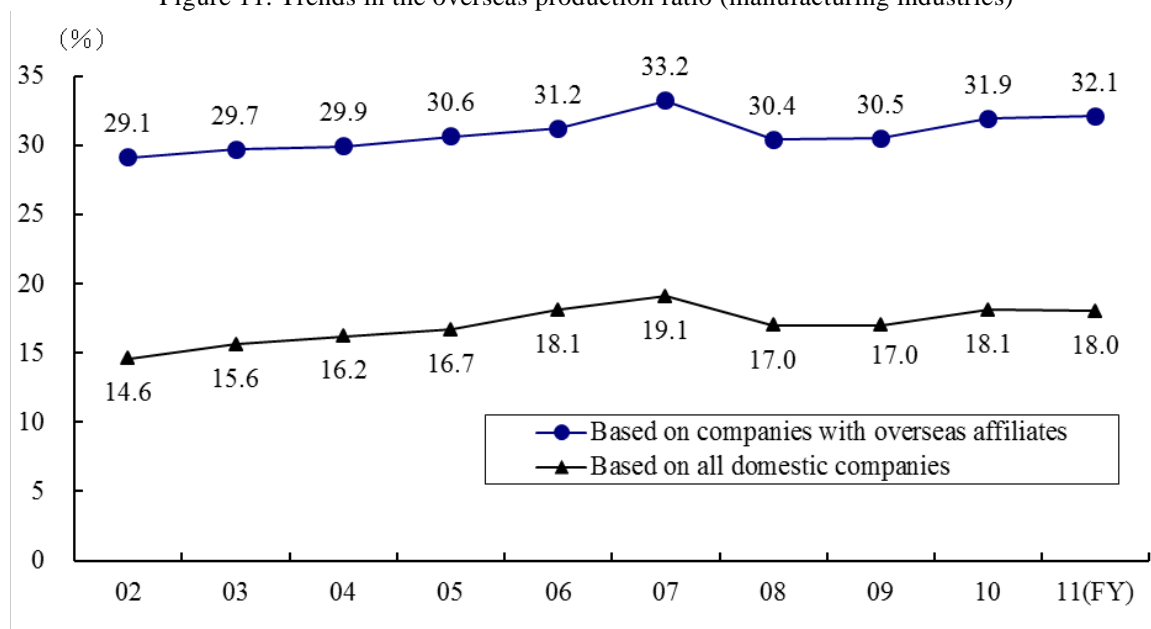


Table 5. Trends in the overseas production ratio by sector
(calculated based on the total number of domestic companies (manufacturing industries))

(Unit: %)

	02	03	04	05	06	07	08	09	10	11(FY)
Total for manufacturing industries	14.6	15.6	16.2	16.7	18.1	19.1	17.0	17.0	18.1	18.0
Food	4.6	4.9	4.4	4.2	4.2	4.9	3.8	4.7	5.0	4.9
Textiles	6.6	8.4	7.3	6.3	9.0	11.1	9.5	6.2	6.2	8.3
Lumber, wood, paper, and pulp	4.3	3.8	4.2	3.0	4.7	4.2	4.2	3.7	4.5	4.3
Chemicals	13.4	13.6	15.3	14.8	17.9	16.6	17.4	15.1	17.4	18.5
Petroleum and coal	2.0	1.6	1.8	2.6	4.4	2.5	1.3	1.6	2.4	5.2
Ceramic, stone, and clay products	5.8	5.3	6.3	6.6	12.0	10.7	11.8	11.6	13.6	10.7
Iron and steel	8.9	9.4	10.6	9.6	10.6	11.7	10.3	10.7	11.2	10.2
Non-ferrous metals	10.1	7.9	9.4	10.2	10.3	12.1	11.0	11.8	14.7	14.8
Metal products	1.9	1.6	1.7	2.2	2.6	3.4	2.5	2.8	3.9	3.7
General-purpose machinery								21.2	28.3	24.8
Production machinery								8.0	11.1	11.5
Business oriented machinery								12.9	13.8	15.0
General machinery	10.1	10.7	11.7	13.1	14.3	14.4	12.8			
Electrical machinery			9.5	11.0	11.8	11.5	13.0	13.0	11.8	12.8
Information and communication electronics equipment	21.0	23.4	33.1	34.9	34.0	32.2	28.1	26.1	28.4	26.7
Transportation equipment	32.2	32.6	36.0	37.0	37.8	42.0	39.2	39.3	39.2	38.6
Precision instruments	12.9	12.8	12.4	13.8	8.9	9.4	7.9			
Miscellaneous manufacturing industries	6.1	6.0	7.9	9.4	9.7	9.3	9.1	8.7	9.1	11.5

Note 1: Overseas production ratio based on all domestic companies

= Sales of overseas affiliates (manufacturing industries) / (Sales of overseas affiliates (manufacturing industries) + Sales of domestic companies (manufacturing industries)) × 100.0

Overseas production ratio based on companies with overseas affiliates

= Sales of overseas affiliates (manufacturing industries) / (Sales of overseas affiliates (manufacturing industries) + Sales of parent companies (manufacturing industries)) × 100.0

Note 2: Since the overseas production ratios by sector for FY2007 and FY2008 were aggregated by rearranging the survey results with old sector classifications for business statistics, the survey results have been incorporated into the old sector classifications, aggregated, and calculated. Since FY2009, the results have been displayed in the new sector classifications.

Source: Sales of domestic companies: "Financial Statements Statistics of Corporations by Industry" (Ministry of Finance)

6. Sale destinations of overseas affiliates in manufacturing industries

- When looking at the local and intraregional sales ratio^(Note 1) of overseas affiliates in manufacturing industries by region, in FY2011, the ratio was 93.4% in North America, 85.3% in Europe, and 76.0% in Asia.
- The ratio of sales to Japan was 18.1% in Asia, 3.2% in Europe, and 2.6% in North America.
- The ratio of sales at overseas affiliates in manufacturing industries increased significantly in Asia (up by 11.4 points), and decreased significantly in North America (down by 15.2 points), as compared to FY2002. The intraregional sales ratio rose significantly in North America (up by 13.9 points) and decreased in Europe (down by 7.4 points) (see Figure 12 and Table 6).

Figure 12. Sale destinations (sales) of overseas affiliates in manufacturing industries
《FY2011》

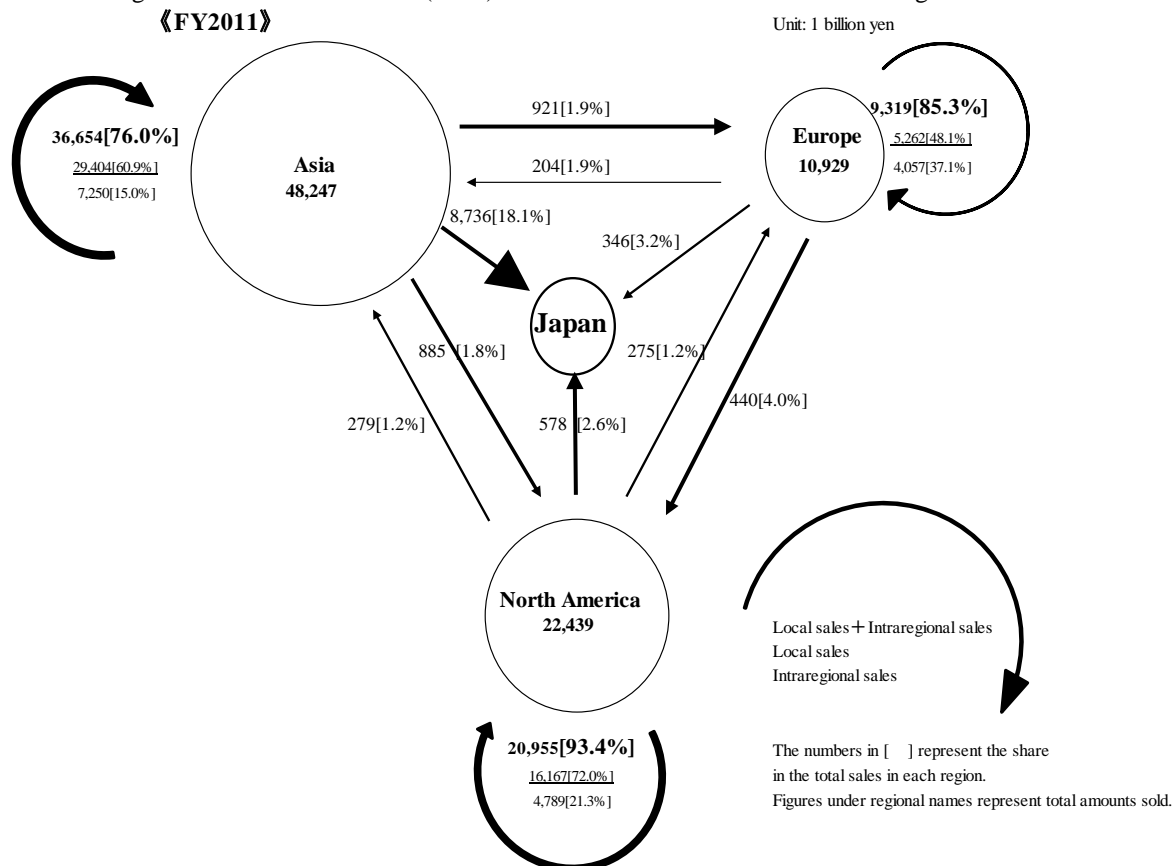
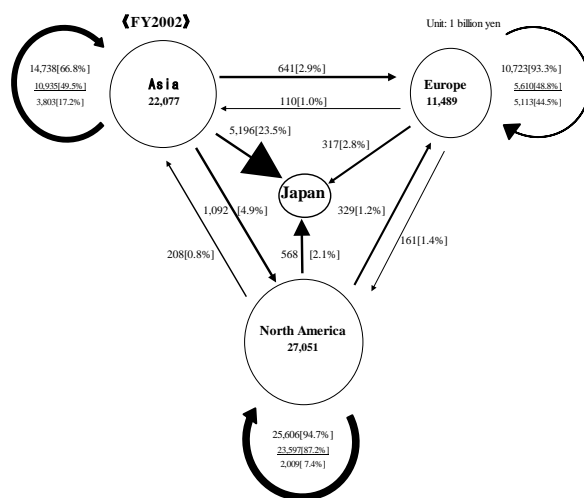


Table 6. Local and intraregional sales ratio and ratio of sales to Japan (Comparison between FY2001 and FY2010)

(Unit: %)

	Local and intraregional sales ratio			Local sales ratio			Intraregional sales ratio		
	FY2002	FY2011	Difference	FY2002	FY2011	Difference	FY2002	FY2011	Difference
North America	94.7	93.4	-1.3	87.2	72.0	-15.2	7.4	21.3	13.9
Asia	66.8	76.0	9.2	49.5	60.9	11.4	17.2	15.0	-2.2
Europe	93.3	85.3	-8.0	48.8	48.1	-0.7	44.5	37.1	-7.4

	Ratio of sales to Japan		
	FY2002	FY2011	Difference
North America	2.1	2.6	0.5
Asia	23.5	18.1	-5.4
Europe	2.8	3.2	0.4



- Note 1. Local: Country in which overseas affiliates of Japanese companies are located
Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)
Local and intraregional sales ratio = Local and intraregional sales (sales) / Total sales of the region (total sales) × 100.0
- Note 2. The amount of total sales includes the amount of sales to other regions.

7. Procurement destinations of overseas affiliates in manufacturing industries

- When looking at the local and intraregional procurement ratio^(Note 1) of overseas affiliates in manufacturing industries by region, in FY2011, 71.2%, 65.5%, and 62.7% of materials are purchased locally or in the neighboring countries in Asia, in North America, and in Europe, respectively.
- The procurement ratio from Japan was 29.5% in Europe, 28.7% in North America, 26.9% in Asia.
- Compared to FY2002, the local procurement ratio increased in North America, Asia, and Europe, with the rise being substantial in Europe (up by 12.2 points). In the meantime, the procurement ratio from Japan decreased in North America, Asia, and Europe, with the decline being substantial in Europe (down by 11.1 points) (see Figure 13 and Table 7).

Figure 13. Procurement destinations (purchases) of overseas affiliates in manufacturing industries

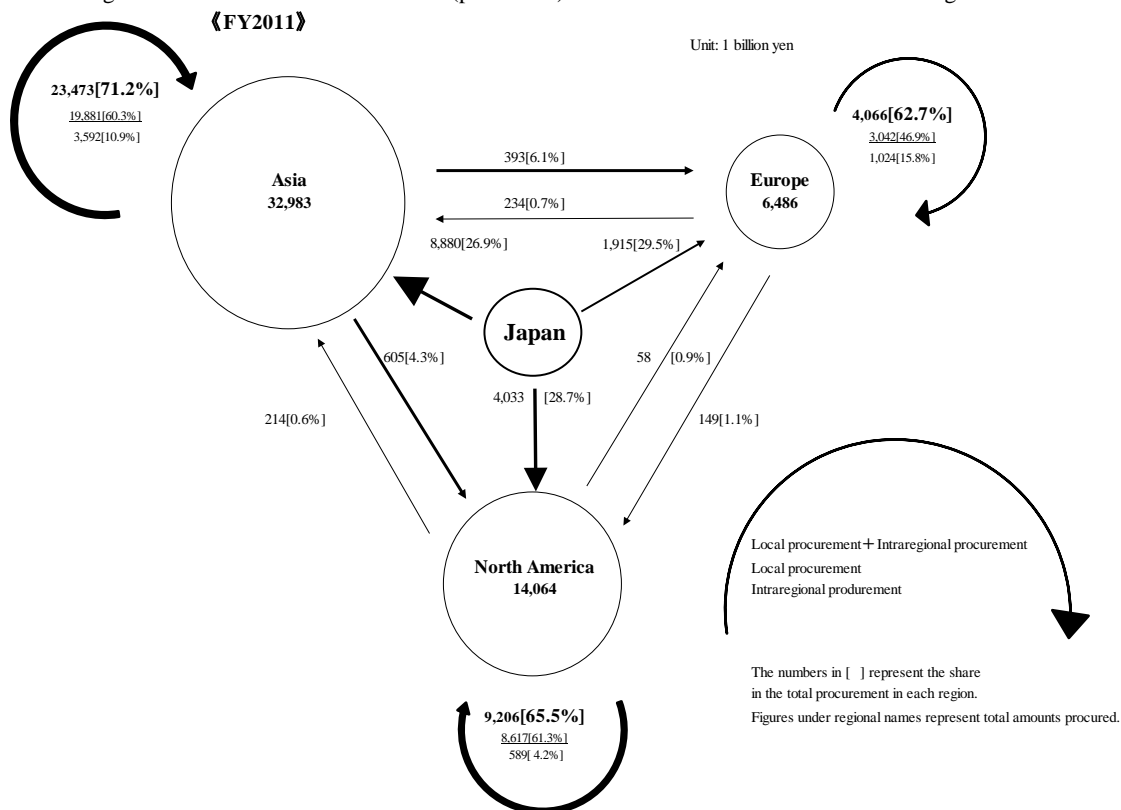
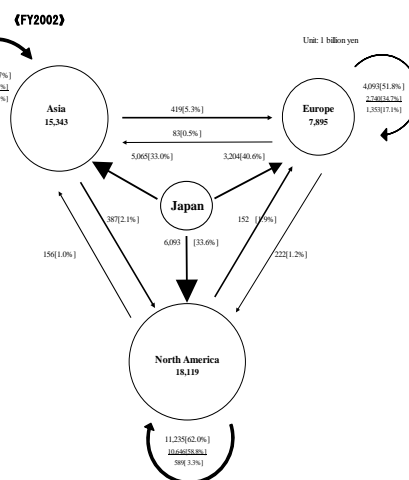


Table 7. Local and intraregional procurement ratio and procurement ratio from Japan (Comparison between FY2001 and FY2010)

(Unit: %)

	Local and intraregional procurement ratio			Local procurement ratio			Intraregional procurement ratio		
	FY2002	FY2011	Difference	FY2002	FY2011	Difference	FY2002	FY2011	Difference
North America	62.0	65.5	3.5	58.8	61.3	2.5	3.3	4.2	0.9
Asia	64.7	71.2	6.5	50.7	60.3	9.6	14.1	10.9	-3.2
Europe	51.8	62.7	10.9	34.7	46.9	12.2	17.1	15.8	-1.3

	Procurement ratio from Japan		
	FY2002	FY2011	Difference
North America	33.6	28.7	-4.9
Asia	33.0	26.9	-6.1
Europe	40.6	29.5	-11.1



- Note 1. Local: Country in which overseas affiliates of Japanese companies are located
 Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)
 Local procurement ratio = Local procurement (purchases) / Total procurement of the region (total purchases) × 100.0
- Note 2. The amount of total procurement includes the amount of procurement from other regions.

8. Profits of overseas affiliates

- In FY2011, ordinary profits of overseas affiliates amounted to 10.6 trillion yen, down by 2.5% as compared to the previous year (up by 1.3% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw a decrease to 4.1 trillion yen (down by 22.9% (id.)), and non-manufacturing industries saw an increase to 6.6 trillion yen (up by 16.6% (id.)) (see Figure 14).
- By region, there were increases in North America (1.8857 trillion yen, up by 9.3% (id.)), in Europe (1.0514 trillion yen, up by 0.5% (id.)), and a decrease in Asia (3.9520 trillion yen, down by 17.7% (id.)) (see Figure 15).
- The ratio of ordinary profits to sales^(Note) decreased to 5.9% (down by 0.2 points (id.)), but exceeded the ratio for domestic companies by 2.6 points. The ratio for manufacturing industries decreased by 1.3 points (id.) to 4.9%, but maintained a level above the ratio for domestic companies for the fifth consecutive year (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

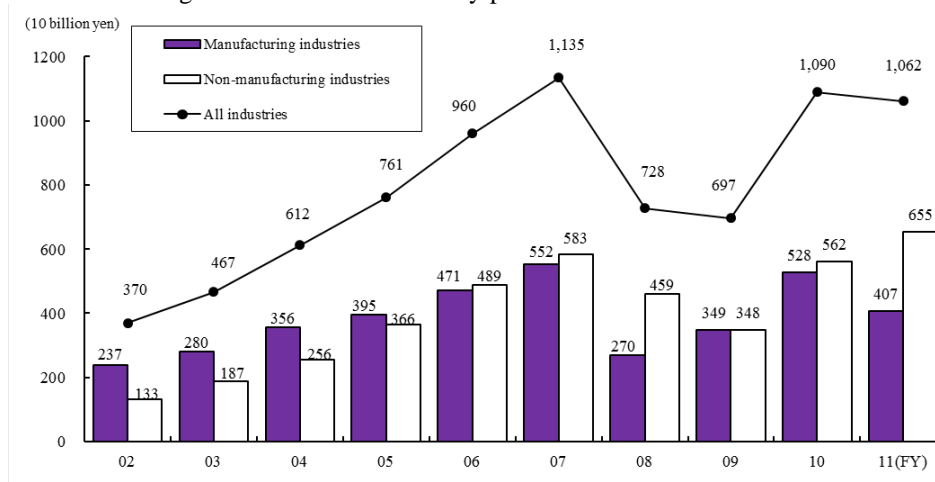


Figure 15. Ordinary profits of overseas affiliates (by region)

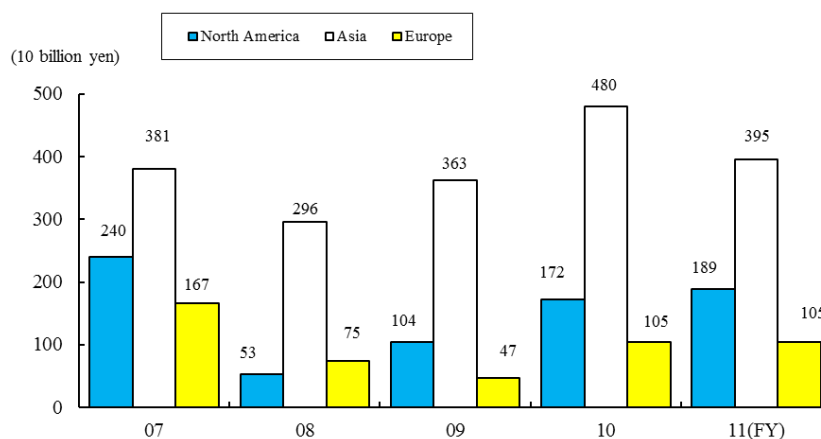


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

		(Unit: %)								
		04	05	06	07	08	09	10	11(FY)	
(Reference)	All industries	3.9	4.2	4.7	4.9	3.5	4.4	6.1	5.9	
	Manufacturing industries	4.9	4.8	5.0	5.2	3.0	4.8	6.2	4.9	
	Non-manufacturing industries	2.9	3.7	4.5	4.7	4.0	4.0	6.1	6.8	
	Domestic companies	3.1	3.4	3.5	3.4	2.4	2.3	3.2	3.3	
	Manufacturing industries	4.8	5.0	5.3	5.1	2.3	2.4	3.9	3.7	
	Non-manufacturing industries	2.5	2.8	2.7	2.7	2.4	2.3	2.8	3.1	

Note: Ratio of ordinary profit to sales = Ordinary profits / Sales × 100.0 (Calculated based on overseas affiliates that responded to questionnaires for both ordinary profits and sales.)

Source: Ratio of ordinary profits to sales in domestic companies: "Financial Statements Statistics of Corporations by Industry" (Ministry of Finance)

9. Profit appropriation of overseas affiliates

- In FY2011, net income of overseas affiliates amounted to 7.4 trillion yen (down by 4.1% as compared to the previous year) (down by 0.4% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw a decrease to 3.1 trillion yen (down by 25.7% (id.)), and non-manufacturing industries saw an increase to 4.3 trillion yen (up by 20.7% (id.)) (see Figure 16).
- The amount of current retained earnings^(Note 1) of overseas affiliates in FY2011 was 3.7 trillion yen (down by 20.9% (id.)) (a 15.7% decrease when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw a decrease to 1.1 trillion yen (down by 49.4% (id.)), and non-manufacturing industries saw an increase to 2.6 trillion yen (up by 5.4% (id.)).
- The balance of retained earnings^(Note 2) was 23.5 trillion yen (up by 13.8% (id.)) (up by 5.5% when comparing only companies that gave valid responses for this year and the previous year) (see Figure 17 and Table 9).

Figure 16. Trends in current net profits

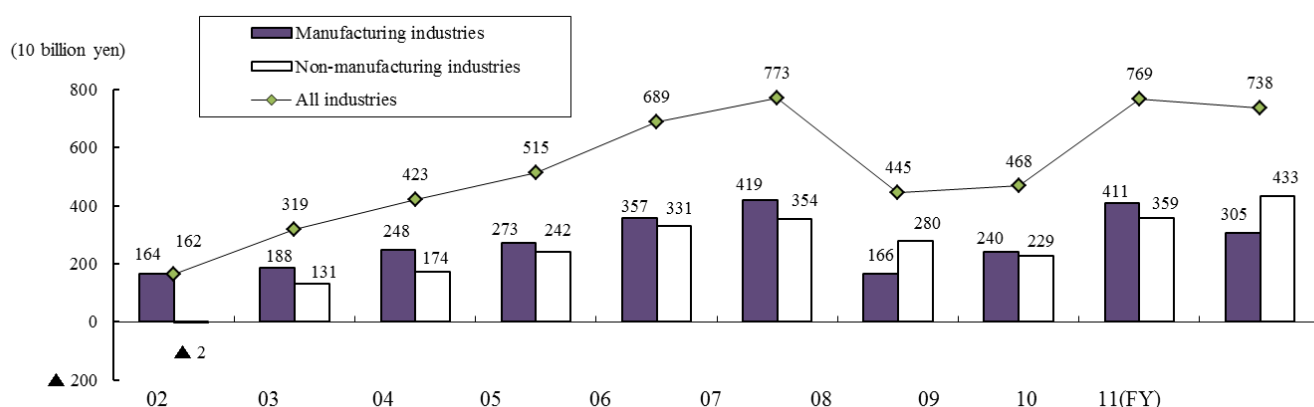


Figure 17. Trends in current retained earnings and balance of retained earnings

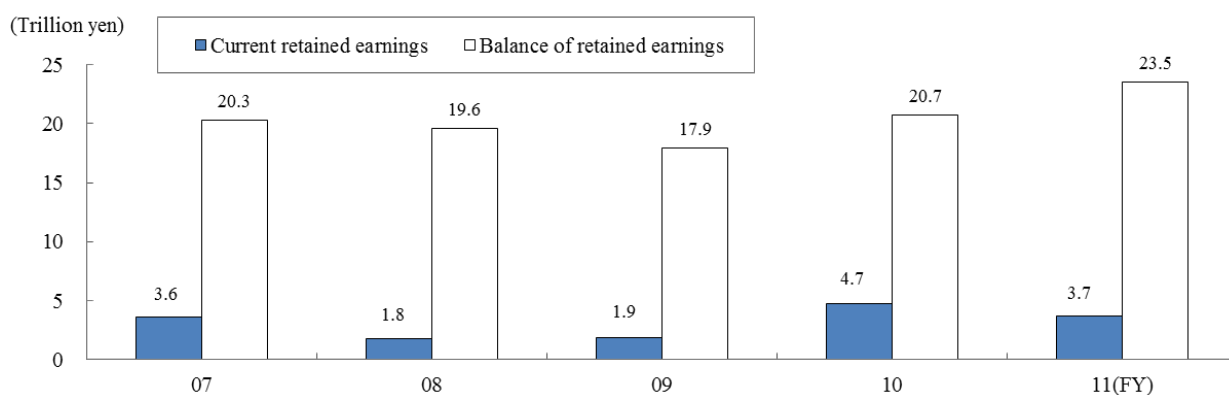


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2010	FY2011	Y/Y	FY2010	FY2011	Y/Y
All industries	46,603	36,857	-20.9	206,853	235,419	13.8
Manufacturing industries	22,352	11,306	-49.4	96,583	92,438	-4.3
Non-manufacturing industries	24,250	25,551	5.4	110,269	142,981	29.7

Note 1: Current retained earnings = Current net profit or loss - Directors' bonuses - Dividends

Note 2: Year-end balance of retained earnings = Proprietary capital - Capital - Capital reserve

10. Research and development expenses of overseas affiliates

- In FY2011, research and development expenses in manufacturing industries amounted to 393.4 billion yen (up by 9.6% as compared to the previous year) (down by 1.8% when comparing only companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses^(Note) rose by 0.2% (id.) to 3.5% (see Figure 18).
- Research and development expenses per company in manufacturing industries increased by 1.1% (id.) to 290 million yen.
- By sector, there were increases mainly in the business oriented machinery sector and the production machinery sector (see Table 10).
- By region, research and development expenses increased in North America, but decreased in Europe and Asia (see Table 11).

Figure 18. Trends in research and development expenses of overseas affiliates and in the ratio of overseas research and development expenses (manufacturing industries)

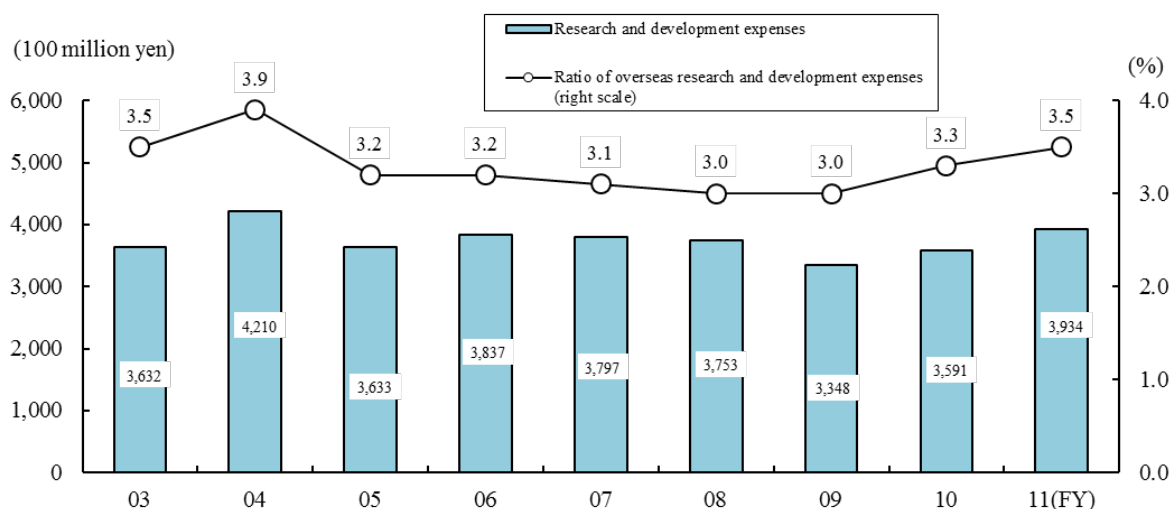


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2010	FY2011	FY2011	
			Y/Y difference	Y/Y ratio
Manufacturing industries	285	288	3	1.1
Chemicals	495	469	-26	-5.3
General-purpose machinery	88	84	-4	-4.5
Production machinery	220	258	38	17.3
Business oriented machinery	228	292	64	28.1
Electrical machinery	263	256	-7	-2.7
Information and communication electronics equipment	475	461	-14	-2.9
Transportation equipment	347	335	-12	-3.5

Table 11. Research and development expenses per company in manufacturing industries (by region)

(Units: Million yen, %)

	FY2010			FY2011		
		Y/Y difference	Y/Y ratio		Y/Y difference	Y/Y ratio
All regions	285	17	6.3	288	3	1.1
North America	542	-11	-2.0	583	41	7.6
Asia	148	23	18.4	137	-11	-7.4
Europe	601	37	6.6	559	-42	-7.0

Note: Ratio of overseas research and development expenses = Research and development expenses of overseas affiliates / (Research and development expenses of overseas affiliates + Research and development expenses of domestic companies) × 100.0

Source: Research and development expenses of domestic companies: "Intramural expenditure on R&D of companies, etc. (costs)" in the Report on the Survey of Research and Development in Japan (Ministry of Internal Affairs and Communications)

11. Capital investment in overseas affiliates

- In FY2011, the amount of capital investment in overseas affiliates in manufacturing industries increased for the second consecutive year to 3.1 trillion yen (up by 32.5% as compared to the previous year) (up by 19.6% when comparing only companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment^(Note) was 21.5% (up by 4.4 points (id.)) (see Figure 19).
- By sector, there were increases in the amount of capital investment in the transportation equipment sector (up by 42.8% (id.)), the chemicals sector (up by 44.7% (id.)), and the food sector (up by 104.4% (id.)), etc. (see Figure 20).
- By region, increases were observed in Asia (up by 35.4% (id.)), North America (up by 26.0% (id.)), and Europe (up by 35.7% (id.)). In Asia, ASEAN4, China, NIEs3, and other Asian countries all showed increases (see Figure 21 and Figure 22).

Figure 19. Trends in capital investment in overseas affiliates (manufacturing industries)

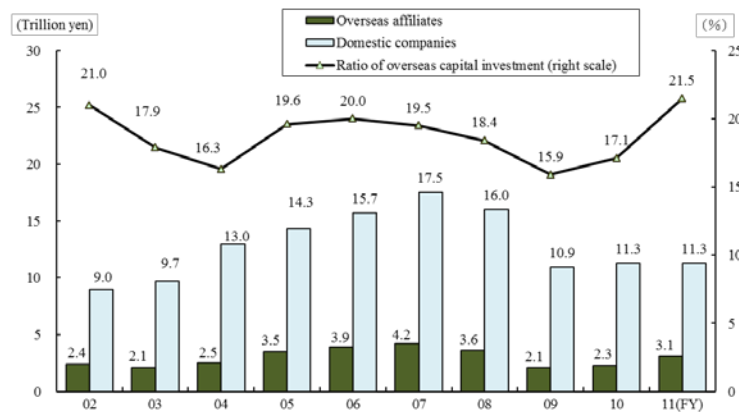


Figure 20. Capital investment in overseas affiliates (by major sector)

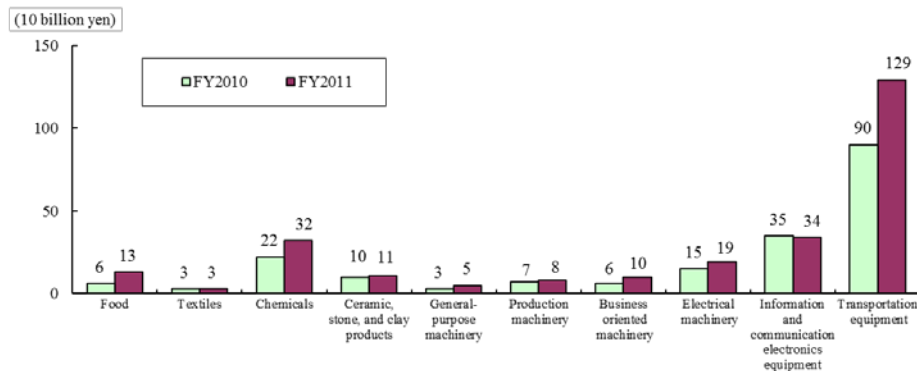


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

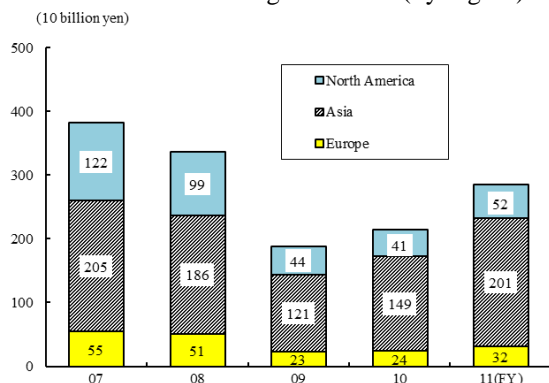
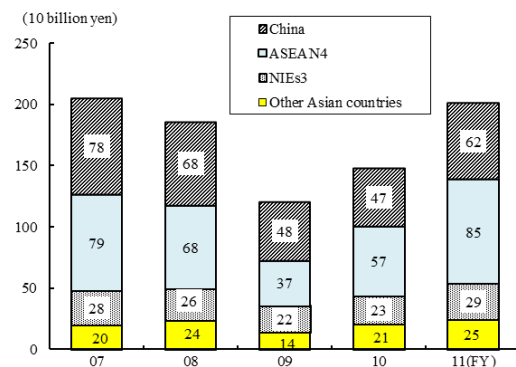


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



Note: Ratio of overseas capital investment = Amount of capital investment in overseas affiliates / (Amount of capital investment in overseas affiliates + Amount of capital investment in domestic companies) × 100.0

Source: Amount of capital investment in domestic companies: "Financial Statements Statistics of Corporations by Industry" (Ministry of Finance)

12. On the deciding factors for investments

- Looking at the deciding factors for investments in FY2011, the largest number of businesses—over 70%—responded, "local product demand is strong, or demand is anticipated in the future." The next most common responses were "other Japanese companies have made forays, including delivery destinations," "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future," and "high-quality, inexpensive labor can be secured" (see Figure 23).
- Viewing these top four factors chronologically, the ratio using the anticipation of future demand growth at the overseas location or in third countries near the area of advancement as a deciding factor in investment is growing, as evidenced in the responses, "local product demand is strong, or demand is anticipated in the future," and "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future." On the other hand, there are fewer companies making investment decisions based on "high-quality, inexpensive labor can be secured" (see Figure 24).

Figure 23. Deciding Factors for Investments

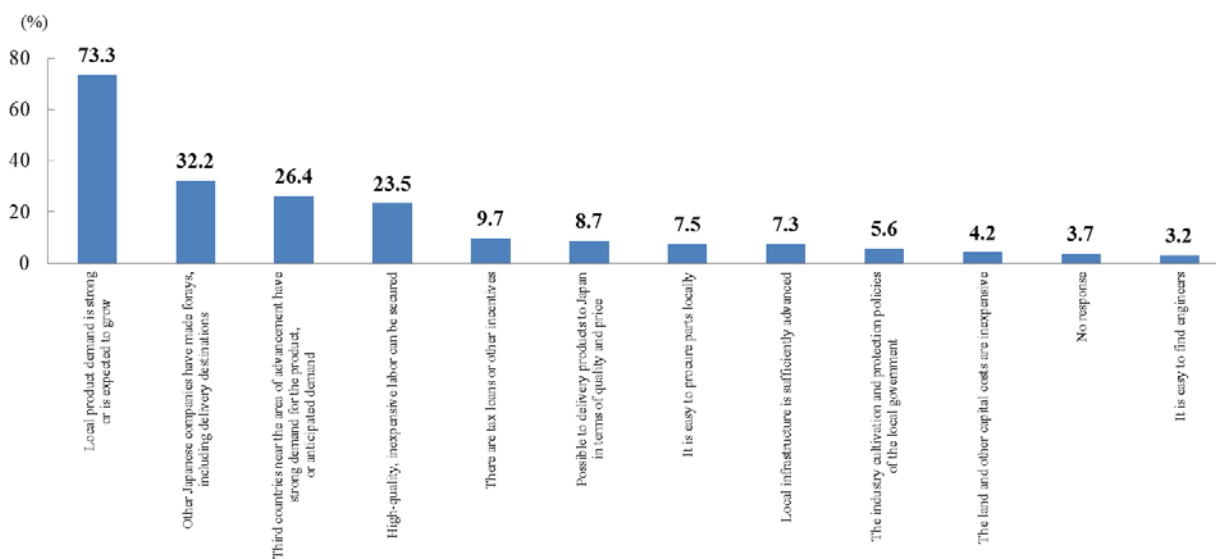
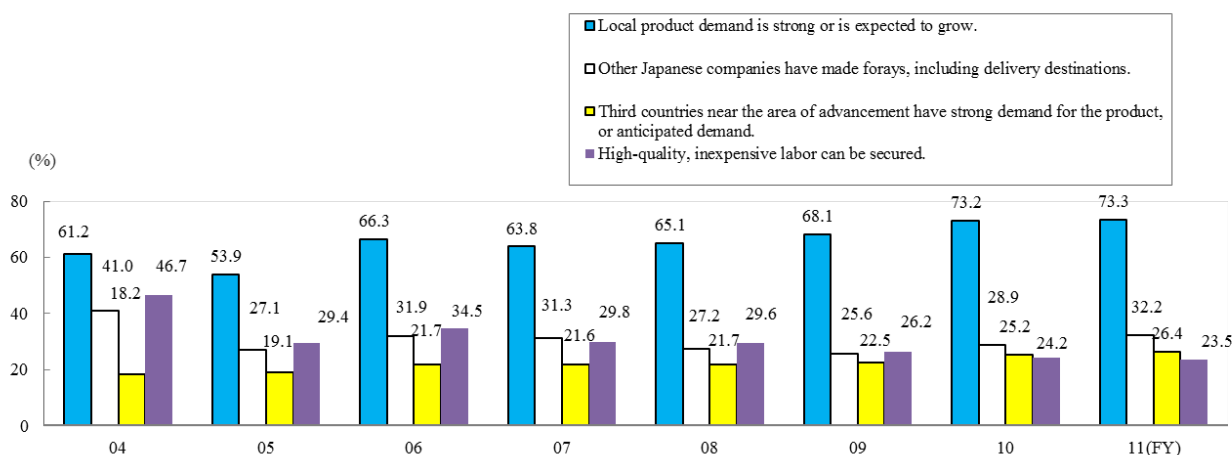


Figure 24. Chronological View of the Top Four Deciding Factors for Investments



Details of the survey:

- The survey targets are corporate headquarters.
- Tabulation of a question to companies that made new capital investments or increased capital investments in FY2011, where the respondents can choose up to three answers as to what the deciding factors are when it comes to their investing decisions.
- Ratio of the number of companies that selected respective questionnaire options against the total number of respondents

13. Payments from overseas affiliates to Japanese investors

- Payments (such as dividends and royalties) from overseas affiliates to Japanese investors in FY2011 amounted to 2,740 billion yen (up by 7.6% as compared to the previous year) (Figure 25).
- By region, payments from overseas affiliates to Japanese investors increased in North America (up by 39.9% as compared to the previous year) and in Europe (up by 29.8% (id.)), but decreased in Asia (down by 11.7% (id.)). In Asia, China, ASEAN4, other Asian countries and NIEs3 all showed decreases, with the decrease being substantial in China (down by 16.1% (id.)) (Figure 26 and Figure 27).
- By major sector, increases were observed in the chemicals sector (up by 35.3% (id.)) and the wholesale trade sector (up by 2.6% (id.)), and decreases were observed in the transportation equipment sector (down by 22.9% (id.)) and the information and communication electronics equipment sector (down by 12.9% (id.)) (see Figure 28).

Figure 25. Changes in payments from overseas affiliates to Japanese investors (all industries)

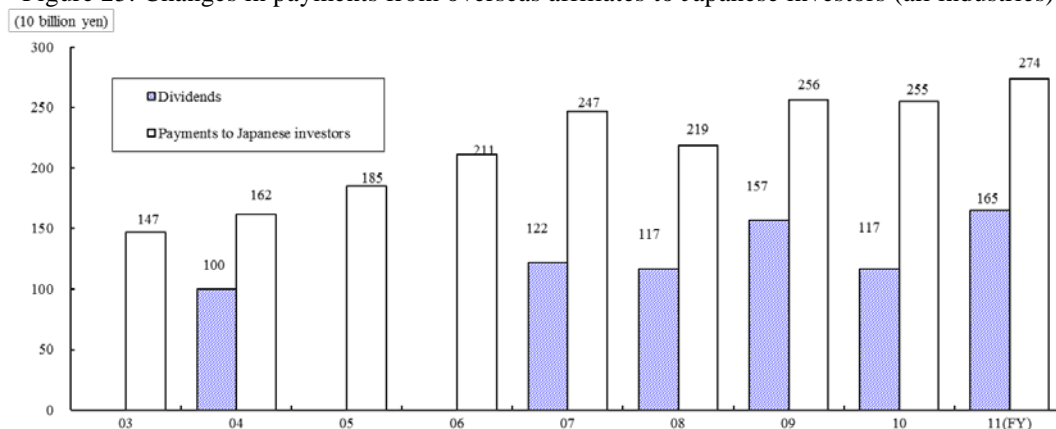


Figure 26. Payments from overseas affiliates to Japanese investors (by region)

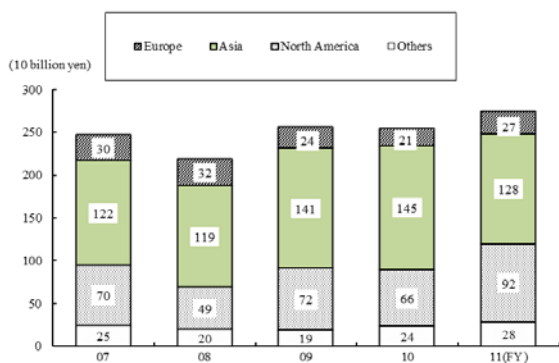


Figure 27. Payments from overseas affiliates to Japanese investors (in Asia)

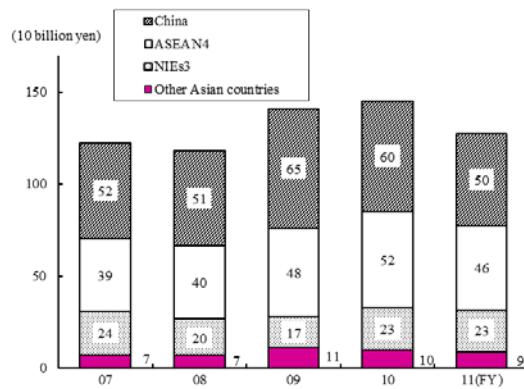
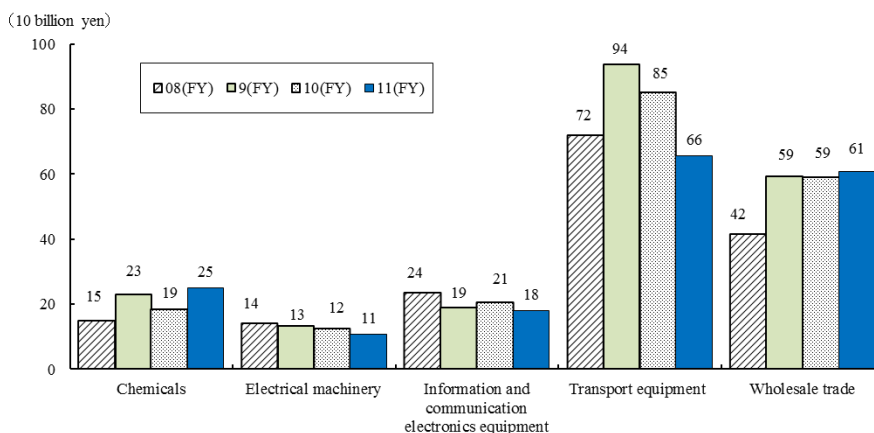


Figure 28. Payments from overseas affiliates to Japanese investors (by major sector)



Note. In Figure 25, the amount of dividends in FY2003, FY2005, and FY2006 was not surveyed.

14. Dividends from overseas affiliates

- Regarding dividends from overseas affiliates, in the short term (the next one to two years) 49% of companies responded that there will be "no changes" in dividends, and 12% of companies responded that they will "increase" their dividend payouts. Twenty-three percent of those businesses that aim to increase dividends responded that they would raise dividends by less than 10% compared with the preceding year (see Figure 29 and Figure 30).
- In the medium and long term (the next three to five years), 35% of companies said there will be "no change" in dividends and 18% said they will "increase" dividends. Twenty-five percent of those businesses that aim to increase dividends responded that they would raise dividends by between 10% and 50% compared with the preceding year (see Figure 29 and Figure 30).
- Concerning what the dividends from overseas affiliates will be used for, the response "to be determined" was most prevalent among companies over both the short term and the medium and long term, with 21% of companies saying that would use the dividends for "research and development, and capital investment" in the short term, and 23% giving that response in the medium and long term (see Figure 31).

Figure 29: Dividends from overseas affiliates

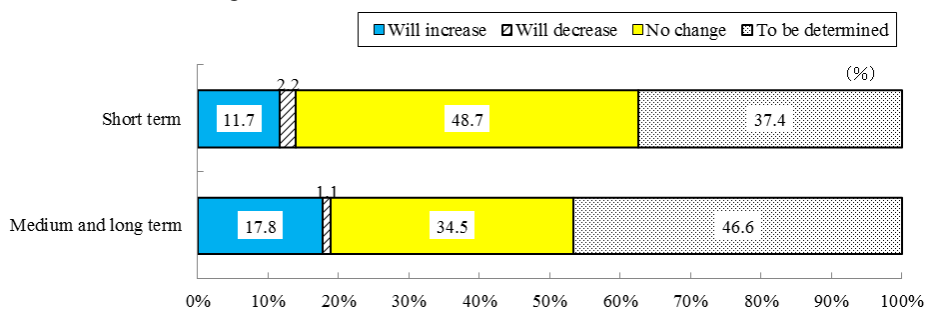


Figure 30: Planned rate of change in dividends

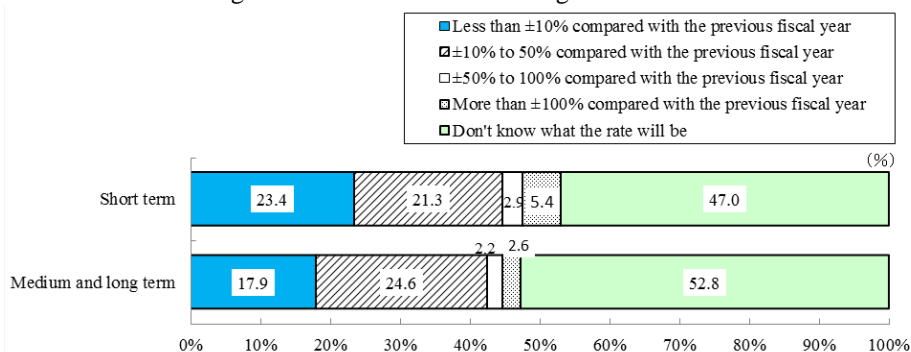
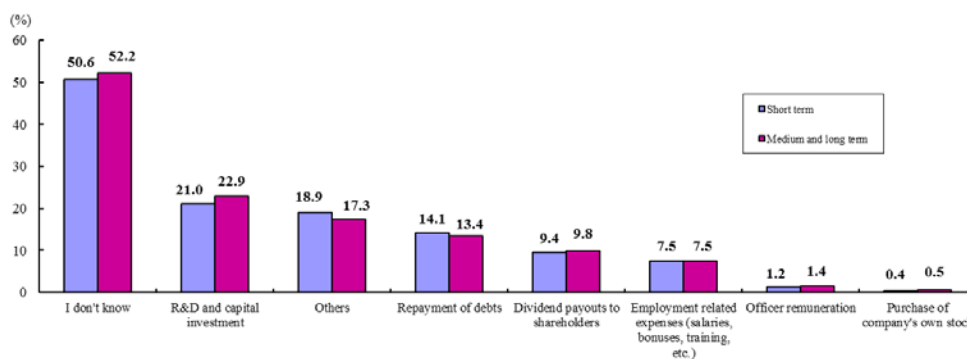


Figure 31: Uses for Dividends from Overseas Affiliates (multiple answers allowed)



Details of the survey:

- The survey targets are corporate headquarters
- Concerning dividends from overseas affiliates to corporate headquarters, the survey tabulates company's selected responses as to their future policy on whether to increase dividends and what kind of application they are to be used for, over the short term (one to two years from now) and the medium and long term (three to five years from now).
- Ratio of the number of companies that selected respective questionnaire options against the total number of respondents