

The 43rd Survey of Trends in Business Activities of Foreign Affiliates (Summary)

Trends among foreign affiliates in Japan in FY2008

- **The percentage of Asian affiliates has been on the rise, showing expansion for four consecutive years.**
- **A high percentage of offices tend to be concentrated in Tokyo. In particular, such tendency is notable for offices that have sales and marketing functions and head office functions.**
- **The number of regular employees decreased significantly, mainly in the transportation equipment industry.**
- **In the manufacturing sector, the percentage of part-time workers increased, while the percentage of dispatched workers declined.**
- **Ordinary profit and capital investment decreased significantly.**
- **Compared to incorporated enterprises as a whole, foreign affiliates have continued to maintain their superiority in indices, such as the ordinary profit to sales ratio and ratio of equity to total assets.**

Key points in the current survey:

- **The Percentage of Asian affiliates has been on the rise, showing expansion for four consecutive years.**
 - Asian affiliates accounted for 21.0% of the total, up 0.2% points from the previous fiscal year, showing expansion for four consecutive years. In the meantime, European affiliates accounted for 42.5%, up 0.9% points (id.). Conversely, U.S affiliates showed a decline of 1.3% points to account for 30.7%.
- **A high percentage of offices tend to be concentrated in Tokyo. In particular, such tendency is notable for offices that have sales and marketing functions and head office functions.**
 - Looking at the number of offices by function for each prefecture, concentration in Tokyo is conspicuous as a whole. In particular, such tendency is notable for offices that have sales and marketing functions and head office functions.
- **The number of regular employees decreased significantly, mainly in the transportation equipment industry.**
 - The number of regular employees decreased 15.8% from the previous fiscal year to 195,000 in the manufacturing sector, affected significantly by the recent financial crisis.
 - By industry, transportation equipment showed a sharp decline of 27.9% (id.) to 63,000.
- **In the manufacturing sector, the percentage of part-time workers increased, while the percentage of dispatched workers declined.**
 - The percentage of part-time workers in the manufacturing sector increased 0.5% points from the previous fiscal year to 5.2%.

- The percentage of dispatched workers in the manufacturing sector was 7.1%, down 4.1% points (id.).

- **Ordinary profit and capital investment decreased significantly.**
 - Sales were 37.4 trillion yen, down 5.3% from the previous fiscal year.
 - Ordinary profit declined 54.3% (id.) to 1.1 trillion yen. Both the manufacturing and non-manufacturing sectors showed significant decreases. Sharp declines were observed in such industries as production machinery.
 - Capital investment was 1.0 trillion yen, down 35.3% (id.). The manufacturing sector saw a 38.7% decline, down for the first time in six years. There were decreases in transportation equipment and information and communications equipment. The non-manufacturing sector also decreased, down 22.5% (id.).

- **Compared to all incorporated enterprises together, foreign affiliates have continued to maintain their superiority in indices, such as the ordinary profit to sales ratio and ratio of equity to total assets.**
 - Compared to all incorporated enterprises together, foreign affiliates maintained their superiority, showing a 0.6% point-higher ordinary profit to sales ratio (3.0%) and a 4.4% point-higher ratio of equity to total assets (38.3%).

1. Distribution

- The survey as of the end of March 2009 covered 2,763 foreign affiliates (down 6.3% from the previous year), with 525 (down 20.3% (id.)) in the manufacturing sector and 2,238 (down 2.2% (id.)) in the non-manufacturing sector. The manufacturing sector accounted for 19.0% of all industries, down 3.4% points from the previous fiscal year, while the non-manufacturing sector accounted for 81.0%, up 3.4% points (id.) (Fig. 1-1 and Table 1-1).
- By industry, wholesale trade numbered the highest at 1,206, accounting for 43.6%, followed by services, and information and communications (Fig. 1-1).
- By region of origin, European affiliates reached 1,175, accounting for 42.5%, up 0.9% points from the previous fiscal year. U.S. affiliates came to 849 (30.7%, down 1.3% points (id.)), and Asian affiliates came to 581 (21.0%, up 0.2% points (id.)) (Table 1-1).
- The percentage of Asian affiliates is on the rise (Table 1-1).

Figure 1-1 Distribution of Foreign Affiliates by Industry

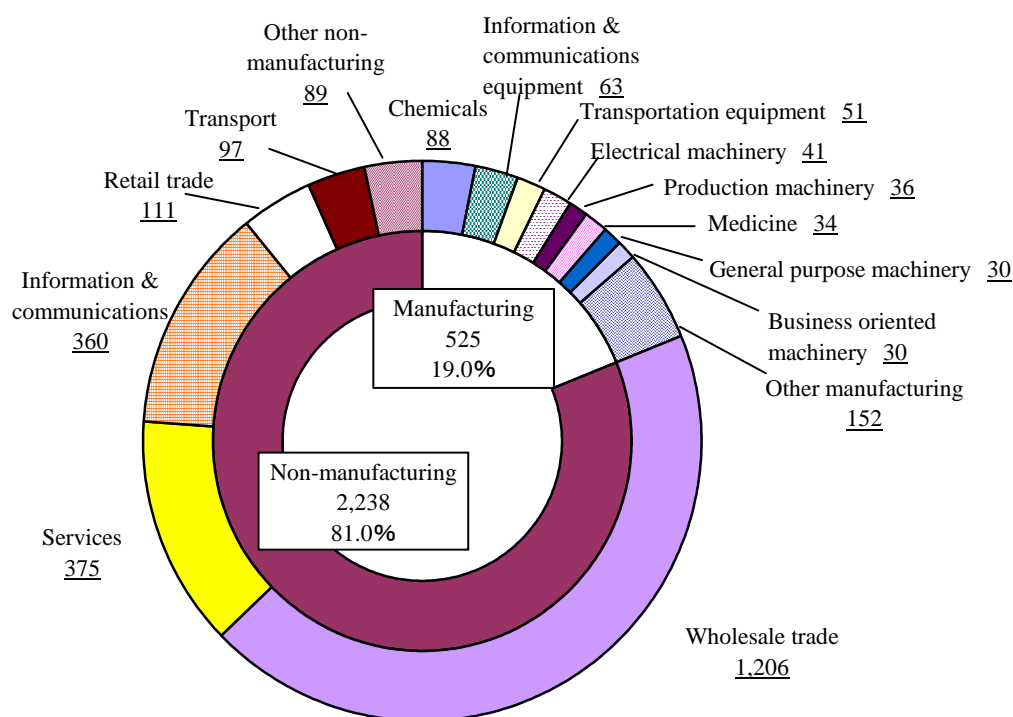


Table 1-1 Composition Percentage by Region of Origin and by Industry

(Companies, %, % point)

	FY2008 Number of foreign affiliates	Composition percentage					
		FY2004	FY2005	FY2006	FY2007	FY2008	Year-on-year changes
Total	2,763	100.0	100.0	100.0	100.0	100.0	—
U.S.	849	36.8	35.4	35.4	32.0	30.7	-1.3
Asian	581	14.5	16.1	16.8	20.8	21.0	0.2
Chinese	204	5.6	6.0	6.1	7.0	7.4	0.4
European	1,175	43.0	43.0	42.6	41.6	42.5	0.9
Others	158	5.7	5.5	5.2	5.7	5.7	0.0
Manufacturing	525	29.6	27.4	25.2	22.4	19.0	-3.4
Non-manufacturing	2,238	70.4	72.6	74.8	77.6	81.0	3.4

2. New entries

- Of the foreign affiliates covered by the survey in FY2008, 83 companies were newly established or newly started capital participation^(Note). They are broken down into 14 manufacturing companies and 69 non-manufacturing companies (Table 2-1).
- By region of origin, European affiliates were largest in number at 34, accounting for 41.0% of the total of new entries, followed by U.S. affiliates (24, accounting for 28.9% (id.)) and Asian affiliates (20, accounting for 24.1% (id.)) (Table 2-1).

Table 2-1 Number of New Entries

(Companies, %)

	World total	U.S. affiliates	Asian affiliates	European affiliates
All industries	83	24	20	34
Percentage		28.9	24.1	41.0
Manufacturing	14	2	2	9
Percentage		14.3	14.3	64.3
Non-manufacturing	69	22	18	25
Percentage		31.9	26.1	36.2

(Note) Including companies that have not yet reached the first accounting term after establishment or after foreign capitalization.

3. Dissolution, withdrawal, or foreign capital ratio reduction

- The number of companies that dissolved, withdrew, or reduced their foreign capital ratio^(Note) in FY2008 was 126, of which 28 companies were in the manufacturing sector and 98 companies were in the non-manufacturing sector (Table 3-1).
- By region of origin, the largest in number were European affiliates at 44, accounting for 34.9% of the total of such companies, followed by U.S. affiliates (39, accounting for 31.0% (id.)) and Asian affiliates (14, accounting for 11.1% (id.)) (Table 3-1).

Table 3-1 Number of Dissolutions, Withdrawals, or Foreign Capital Ratio Reductions

(Companies, %)

	World total	U.S. affiliates	Asian affiliates	European affiliates
All industries	126	39	14	44
Percentage		31.0	11.1	34.9
Manufacturing	28	10	4	11
Percentage		35.7	14.3	39.3
Non-manufacturing	98	29	10	33
Percentage		29.6	10.2	33.7

(Note) Foreign capital ratio reduction means that the ratio of capitalization by foreign investors has fallen to one third or less, or the ratio of capitalization by main foreign investors has fallen to less than 10%.

4. Offices in Japan by function

- Looking at the number of offices in Japan per company by function^(Note), the average number of domestic offices with sales and marketing functions was 3.4 for companies in the manufacturing sector and 4.6 for those in the non-manufacturing sector. Companies in the manufacturing sector also have 0.6 R&D facilities (Fig. 4-1).
- By prefecture, a high percentage of companies have offices in Tokyo, irrespective of their functions. In particular, such tendency is notable for offices with sales and marketing functions and head office functions. However, in the manufacturing sector, there are more offices with manufacturing and processing functions and R&D functions in Kanagawa than in Tokyo (Table 4-1).

Figure 4-1 Number of Offices of Foreign Affiliates in Japan by Function (Average per Company)

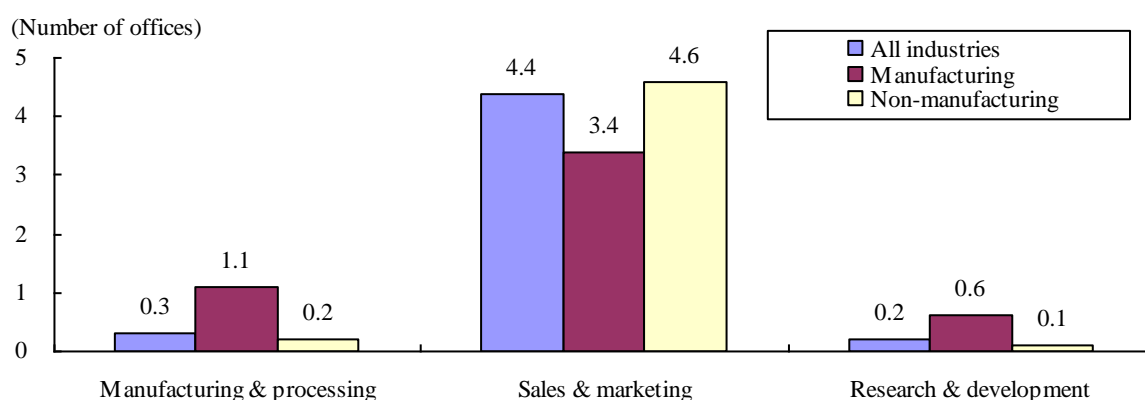


Table 4-1 Number of Foreign Affiliates with Offices in Japan by Function (by Prefecture)

(Top 10 prefectures)

(Companies, Offices)

	Total		Manufacturing & processing		Sales & marketing		Research & development		Head office		
	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	
Tokyo	5,278	636	4,642	41	63	305	2,852	42	80	248	1,647
Osaka	1,614	266	1,348	31	21	186	1,182	10	10	39	135
Kanagawa	1,350	331	1,019	70	23	114	782	69	24	78	190
Aichi	944	170	774	26	16	124	715	10	6	10	37
Fukuoka	658	145	513	22	39	109	465	5	3	9	6
Saitama	615	116	499	31	16	52	443	17	5	16	35
Hyogo	586	121	465	32	10	49	397	14	7	26	51
Chiba	552	92	460	28	24	40	370	8	11	16	55
Hokkaido	403	85	318	4	9	77	304	4	1	—	4
Shizuoka	355	118	237	36	12	49	210	22	6	11	9
Number of respondents	2,732	520	2,212	408	162	422	1,790	248	165	520	2,205

(Note) Offices with multiple functions are counted separately for each function.

5. Employment

- The number of regular employees decreased 25.8% from the previous fiscal year to 438,000 (down 17.2% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector recorded a 15.8% decline from the previous fiscal year to 195,000, and the non-manufacturing sector saw a decrease of 32.2% (id.) to 243,000 (Fig. 5-1).
- By industry, in the manufacturing sector, transportation equipment recorded a decrease of 27.9% from the previous fiscal year to 63,000, and chemicals also showed a decline of 23.9% (id.) to 12,000. In the non-manufacturing sector, wholesale trade stood at 63,000, down 9.2% (id.) (Fig. 5-2).
- The percentage of part-time workers^(Note 1) in the manufacturing sector rose 0.5% points from the previous fiscal year to 5.2%, and that in the non-manufacturing sector declined 18.7% points (id.) to 37.4%. The percentage of dispatched workers^(Note 2) in the manufacturing sector was 7.1%, down 4.1% points (id.), and that in the non-manufacturing sector was 5.6%, up 1.1% points (id.) (Table 5-1).

Figure 5-1 Number of Regular Employees

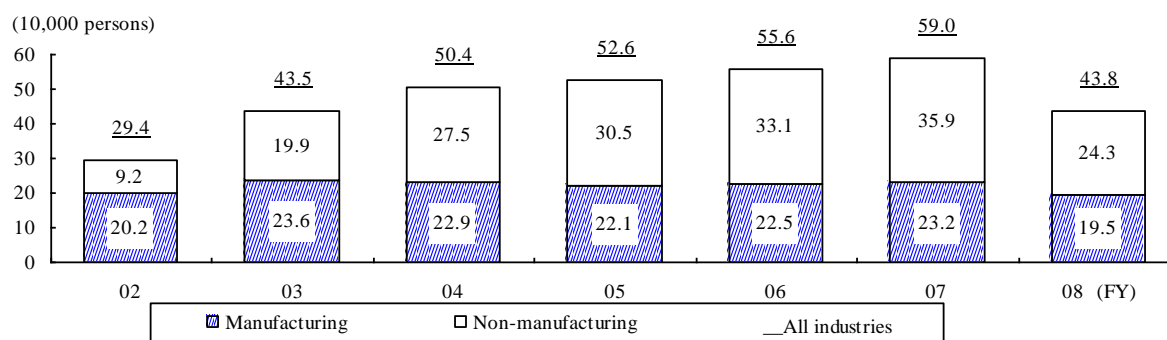


Figure 5-2 Number of Regular Employees by Industry

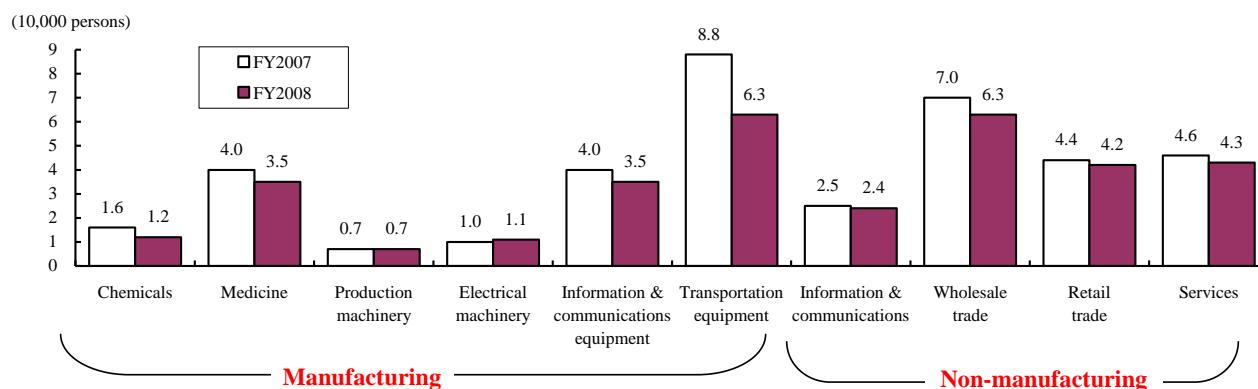


Table 5-1 Percentage of Part-Time Workers and Percentage of Dispatched Workers

(%, % point)

	Percentage of part-time workers					Percentage of dispatched workers				
	FY2005	FY2006	FY2007	FY2008	Year-on-year changes	FY2005	FY2006	FY2007	FY2008	Year-on-year changes
All industries	35.2	37.6	37.6	23.5	-14.1	5.9	6.4	7.2	6.2	-1.0
Manufacturing	4.5	5.6	4.7	5.2	0.5	8.2	10.0	11.2	7.1	-4.1
Non-manufacturing	57.6	56.5	56.1	37.4	-18.7	4.1	3.8	4.5	5.6	1.1

(Note 1) Percentage of part-time workers = Number of part-time workers / (Number of full-time workers + Number of part-time workers) × 100.0

(Note 2) Percentage of dispatched workers = Number of accepted (dispatched) temporary workers / (Number of regular workers + Number of accepted (dispatched) temporary workers) × 100.0

6. Sales, exports, and foreign investors

- Sales amounted to 37.4 trillion yen, down 5.3% from the previous fiscal year (down 2.1% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector posted 20.5 trillion yen, down 8.7% from the previous year, and the non-manufacturing sector marked 16.9 trillion yen, down 0.9% (id.) (Fig. 6-1).
- By industry, in the manufacturing sector, transportation equipment decreased 45.1% from the previous fiscal year to 4.8 trillion yen and chemicals decreased 34.3% (id.) to 1.3 trillion yen. In the non-manufacturing sector, decreases were observed in such industries as information and communications, and services. (Fig. 6-2).
- Exports decreased 25.0% from the previous fiscal year to 5.5 trillion yen (down 18.2% when limited to companies that responded in both the previous fiscal year and the current year). Of the total exports, sales to main foreign investors were 1.2 trillion yen, down 25.5% from the previous fiscal year (Table 6-1).
- Looking at the proportion of sales to main foreign investors to the total sales, the manufacturing sector posted 2.1%, up 0.2% points from the previous fiscal year, while the non-manufacturing sector posted 4.5%, down 2.3% points (id.). By region of origin, Asian affiliates decreased 7.5% points (id.) to 21.5% (Table 6-1).

Figure 6-1 Sales

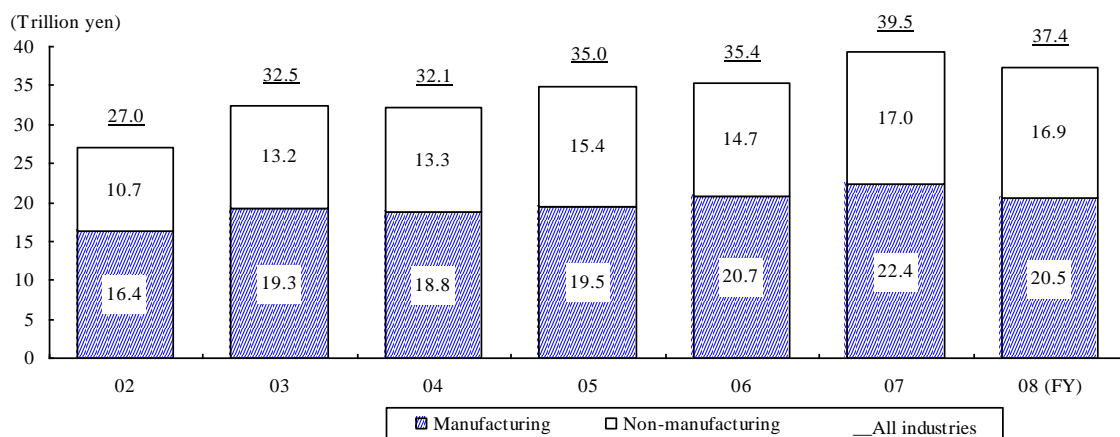
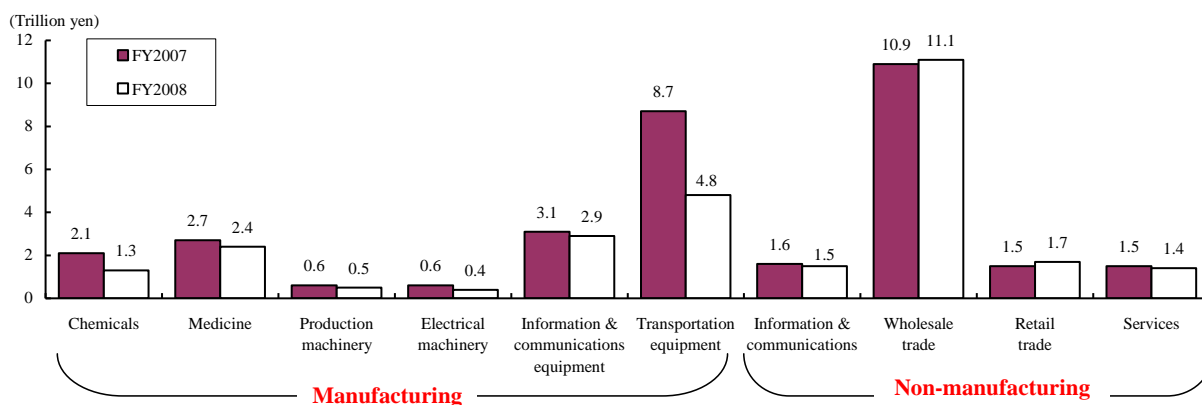


Figure 6-2 Sales by Major Industry



**Table 6-1 Sales and Exports, and Sales to Main Foreign Investors
and the Proportion Thereof to Total Sales**

(100 million yen, %, % point)

	Sales						Proportion of sales to main foreign investors to the total sales		
			Exports		Sales to main foreign investors				Year-on-year changes (% point)
	FY2008	Year-on-year changes	FY2008	Year-on-year changes	FY2008	Year-on-year changes	FY2007	FY2008	
Total	373,708	-5.3	54,779	-25.0	11,800	-25.5	4.0	3.2	-0.8
Manufacturing	204,907	-8.7	39,662	-24.1	4,218	-0.2	1.9	2.1	0.2
Non-manufacturing	168,801	-0.9	15,116	-27.5	7,582	-34.7	6.8	4.5	-2.3
U.S.	90,953	-27.5	10,913	-36.3	3,824	1.2	3.0	4.2	1.2
Asian	31,969	-11.4	9,924	-39.1	6,869	-34.3	29.0	21.5	-7.5
European	206,593	-5.3	31,595	-16.4	963	-7.8	0.5	0.5	0.0

7. Profit

- Ordinary profit was 1.1 trillion yen, down 54.3% from the previous fiscal year (down 36.1% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector marked a decrease of 63.1% from the previous fiscal year to 584.8 billion yen, and the non-manufacturing sector recorded a decrease of 37.4% (id.) to 515.1 billion yen (Fig. 7-1).
- By industry, production machinery turned to negative in the manufacturing sector. In the non-manufacturing sector, retail trade decreased 26.1% from the previous fiscal year (Fig. 7-2).
- The ordinary profit to sales ratio^(Note) declined 2.6% points from the previous fiscal year to 3.0%. This was 0.6% points higher than that for incorporated enterprises as a whole (Fig. 7-3).
- By region of origin, European affiliates decreased 3.1% points from the previous fiscal year to 2.5% (Fig. 7-4).

Figure 7-1 Ordinary Profit

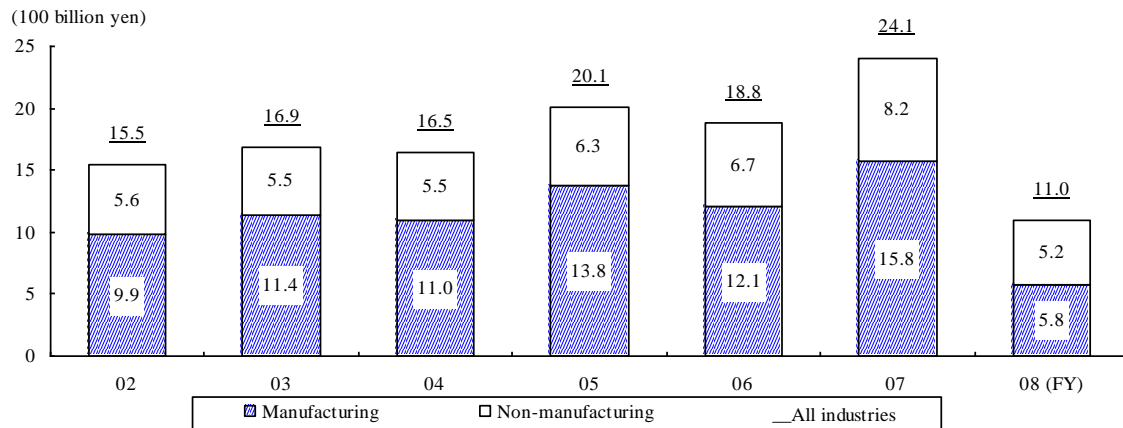


Figure 7-2 Ordinary Profit by Major Industry

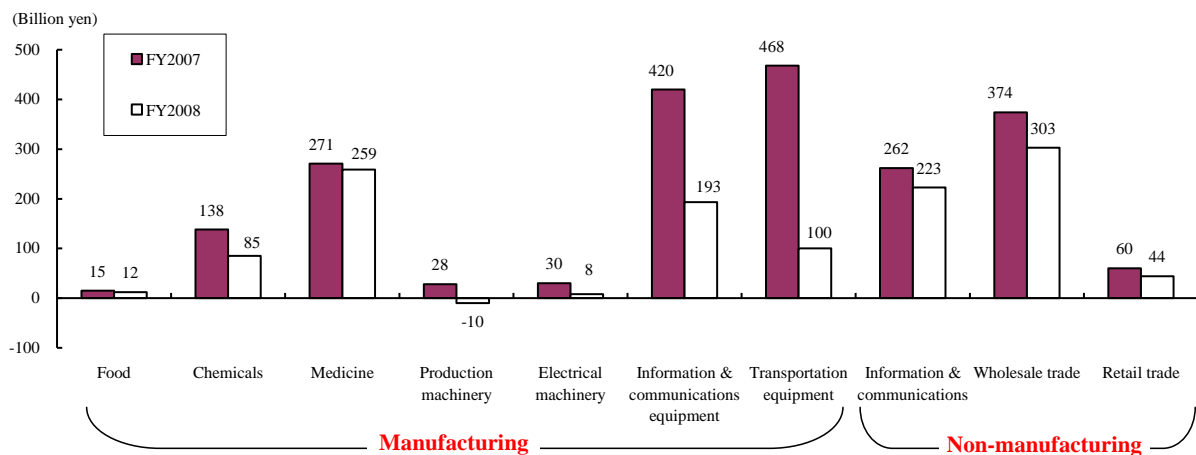
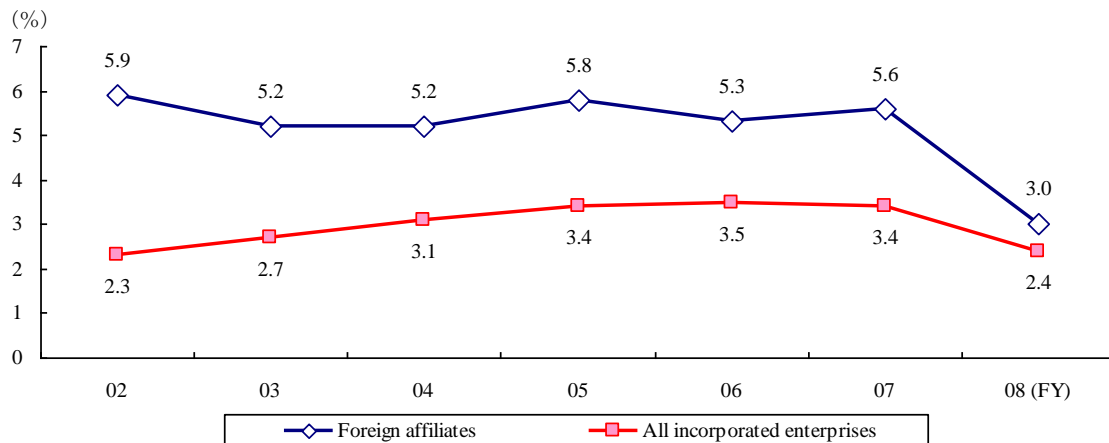
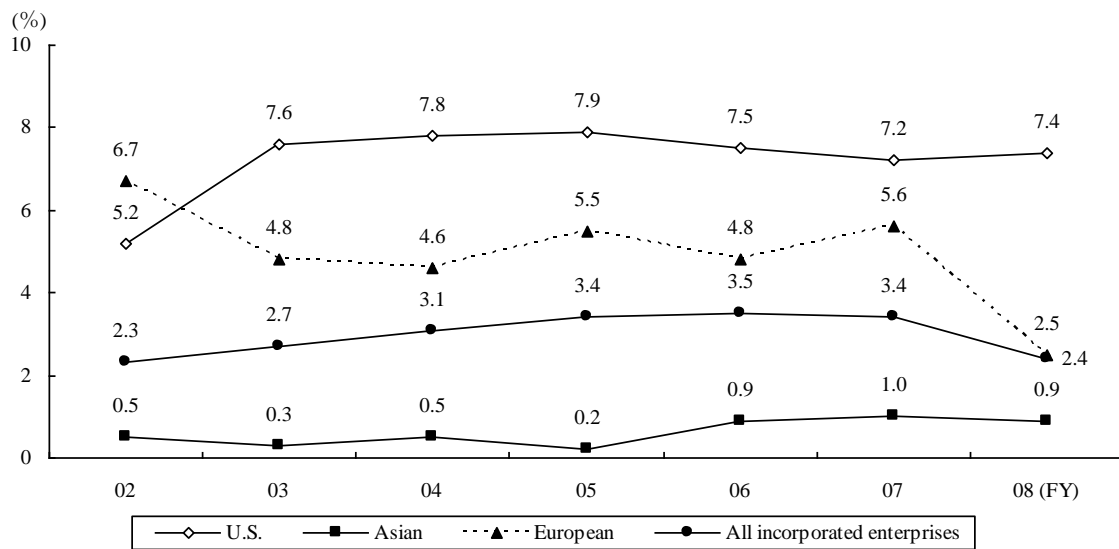


Figure 7-3 Changes in Ordinary Profit to Sales Ratio



Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

Figure 7-4 Ordinary Profit to Sales Ratio (by Region of Origin)

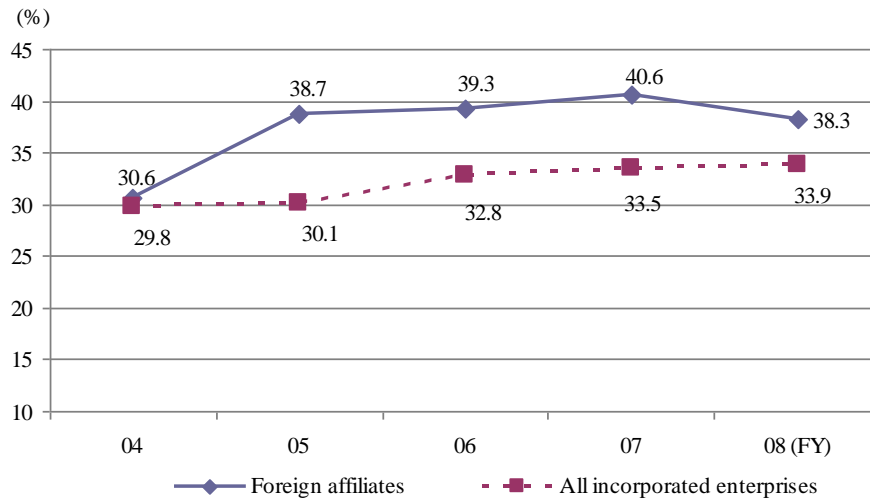


(Note) Ordinary profit to sales ratio = Ordinary profit / Sales × 100.0

8. Equity to total assets ratio

- The ratio of equity to total assets^(Note) declined 2.3% points from the previous fiscal year to 38.3%. This was 4.4% points higher than that for incorporated enterprises as a whole (Fig. 8-1).

Figure 8-1 Equity to Total Assets Ratio



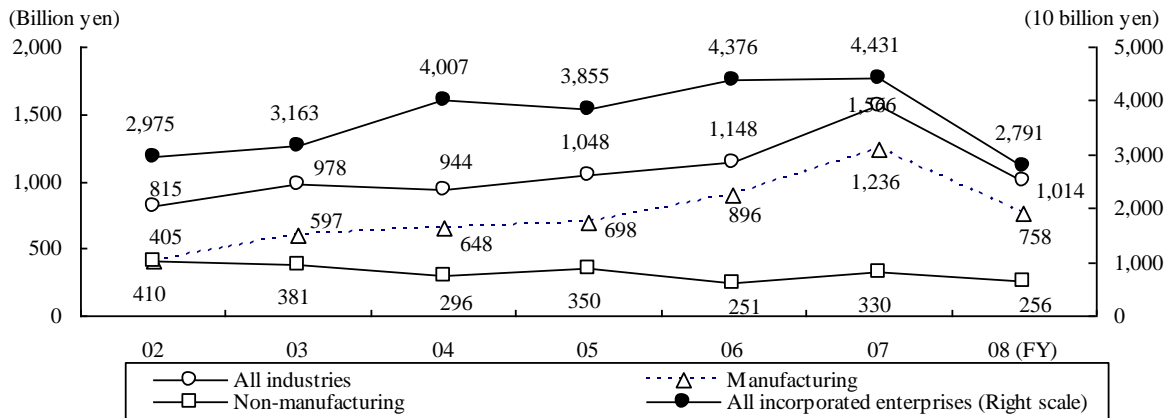
Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

(Note) Ratio of equity to total assets = Shareholder equity / Total assets × 100.0

9. Capital investment/Research and development

- Capital investment amounted to 1.0138 trillion yen, down 35.3% from the previous fiscal year (down 38.7% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector saw a 38.7% decline from the previous fiscal year to 757.8 billion yen, and the non-manufacturing sector recorded a decrease of 22.5% (id.) to 256.0 billion yen (Fig. 9-1).
- By industry, transportation equipment saw a decrease of 68.6% from the previous fiscal year and information and communications equipment recorded a decrease of 28.9% (id.) (Fig. 9-2).
- The proportion of capital investment by foreign affiliates to the total by all incorporated enterprises was 3.6%, up 0.1% points from the previous fiscal year.
- The average rate of research and development expenses in the manufacturing sector was 3.01 billion yen per company, down 7.0% from the previous fiscal year. By industry, transportation equipment posted 18.71 billion yen, followed by medicine at 6.13 billion yen and information and communications equipment at 2.00 billion yen (Fig. 9-3).

Figure 9-1 Capital Investment



Source: All incorporated enterprises: "Financial Statement Statistics of Corporations by Industry" (Ministry of Finance)

Figure 9-2 Capital Investment by Major Industry

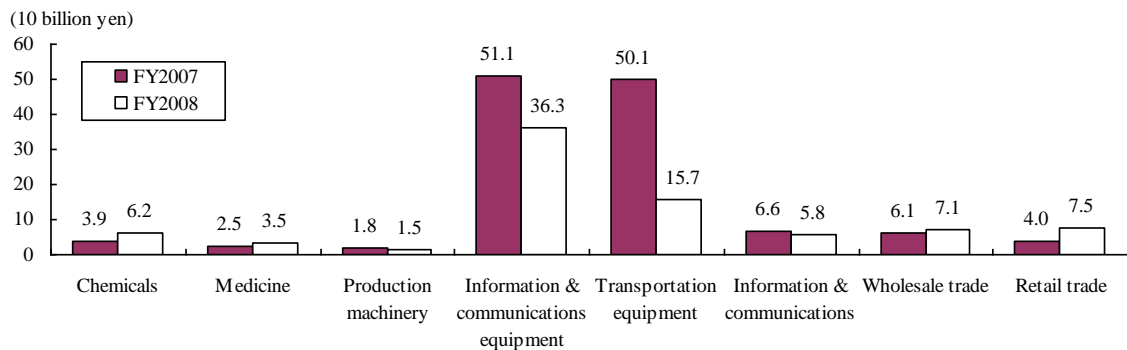
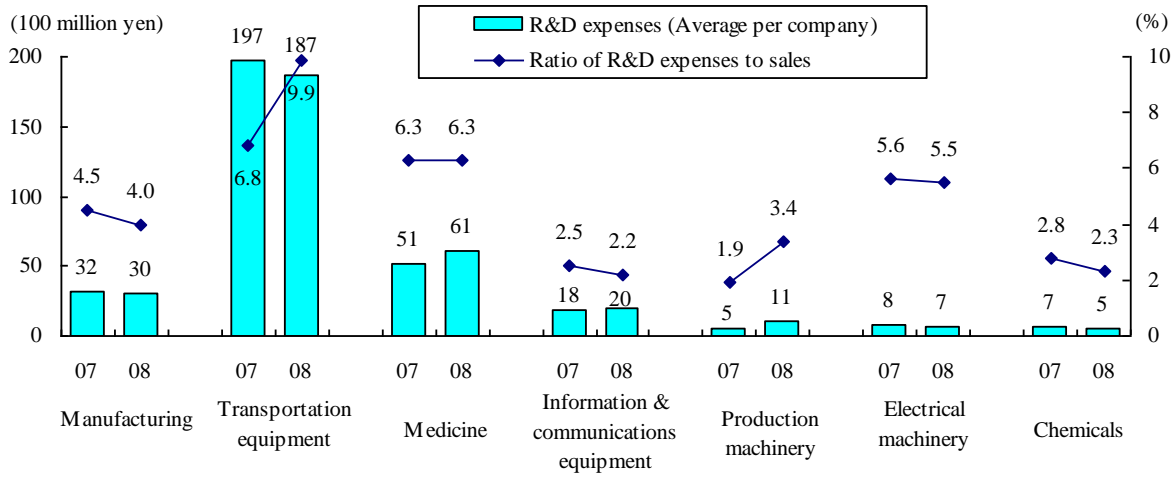


Figure 9-3 R&D Expenses (Average per Company) by Major Industry and Ratio of R&D Expenses to Sales (Manufacturing Sector)



Ratio of R&D expenses to sales = $\text{R\&D expenses} / \text{Sales} \times 100.0$