

The 44th Survey of Trends in Business Activities of Foreign Affiliates (Summary)

(Note) Starting from the 44th survey, the finance and insurance industry and the real estate industry were added to the targets of the survey. In the creation of this summary, from the viewpoint of comparison from the previous fiscal year, data excluding the finance and insurance industry and the real estate industry are used, with some exceptions.

Points of the trends among foreign affiliates in Japan in FY2009

- **The percentage of Asian affiliates declined for the first time in five years.**
- **The number of new entries decreased, while the number of withdrawals, etc., increased significantly.**
- **The number of regular employees increased, mainly in the information and communications industry. The percentage of part-time workers increased.**
- **Regional headquarters in the Asia and Oceania regions were the largest in number in Singapore, and the lowest in number in Japan, among major countries.**
- **Sales decreased mainly in the wholesale trade industry, and capital investment also decreased significantly.**

- **The percentage of Asian affiliates declined for the first time in five years.**
 - Asian affiliates accounted for 20.8% of the total, down 0.2% points from the previous fiscal year. In the meantime, U.S. affiliates accounted for 30.2%, down 0.5% points (id.).
 - Conversely, European affiliates showed an increase of 0.7% points, accounting for 43.2%.
- **The number of new entries decreased, while the number of withdrawals, etc., increased significantly.**
 - The number of companies that were newly foreign-capitalized decreased from the previous survey, from 83 to 82.
 - On the contrary, the number of companies that dissolved, withdrew, or reduced their foreign capital ratio increased by 31.2% from the previous survey, from 125 to 164.
- **The number of regular employees increased, mainly in the information and communications industry. The percentage of part-time workers increased.**
 - The number of regular employees increased 9.6% from the previous fiscal year to 480,000. The manufacturing sector showed an increase of 1.5% (id.) to 198,000, and the non-manufacturing sector showed an increase of 16.0% (id.) to 282,000. Significantly, the number of regular employees in the information and communications industry increased by 66.7% from the previous fiscal year to 40,000.
 - The percentage of part-time workers increased 4.5% points from the previous fiscal year to 28.0%.

- **Regional headquarters in the Asia and Oceania regions were the largest in number in Singapore, and the lowest in number in Japan, among major countries.**
 - Regional headquarters in the Asia and Oceania regions were largest in number in Singapore, at 307, followed by China, at 300, and Hong Kong, at 261. Japan had 75 regional headquarters.
 - * The number of regional headquarters includes the finance and insurance industry and the real estate industry.

- **Sales decreased mainly in the wholesale trade industry, and capital investment also decreased significantly.**
 - Sales were 32.8 trillion yen, down 12.3% from the previous fiscal year. Both the manufacturing and non-manufacturing sectors showed decreases.
 - Capital investment was 575.0 billion yen, down 43.2% from the previous fiscal year. The manufacturing and non-manufacturing sectors saw sharp declines of 43.8% and 41.8% (id.) for the second consecutive year, respectively.

1. Distribution

- The survey as of the end of March 2010 covered 2,796 foreign affiliates (excluding the finance and insurance industry and the real estate industry, the same hereinafter) (up 1.2% from the previous fiscal year), with 507 (down 3.4% (id.)) in the manufacturing sector and 2,289 (up 2.3% (id.)) in the non-manufacturing sector. The manufacturing sector accounted for 18.1% of all industries, down 0.9% points from the previous fiscal year, while the non-manufacturing sector accounted for 81.9%, up 0.9% points (id.) (Fig. 1-1 and Table 1-1).
- By industry, wholesale trade numbered the highest, at 1,252, accounting for 44.8%, followed by services, and information and communications (Fig. 1-1).
- By region of origin, European affiliates reached 1,209, accounting for 43.2%, up 0.7% points from the previous fiscal year. U.S. affiliates came to 845 (30.2%, down 0.5% points (id.)), and Asian affiliates came to 581 (20.8%, down 0.2% points (id.)) (Table 1-1).

Figure 1-1 Distribution of Foreign Affiliates by Industry (Excluding the finance and insurance industry and the real estate industry)

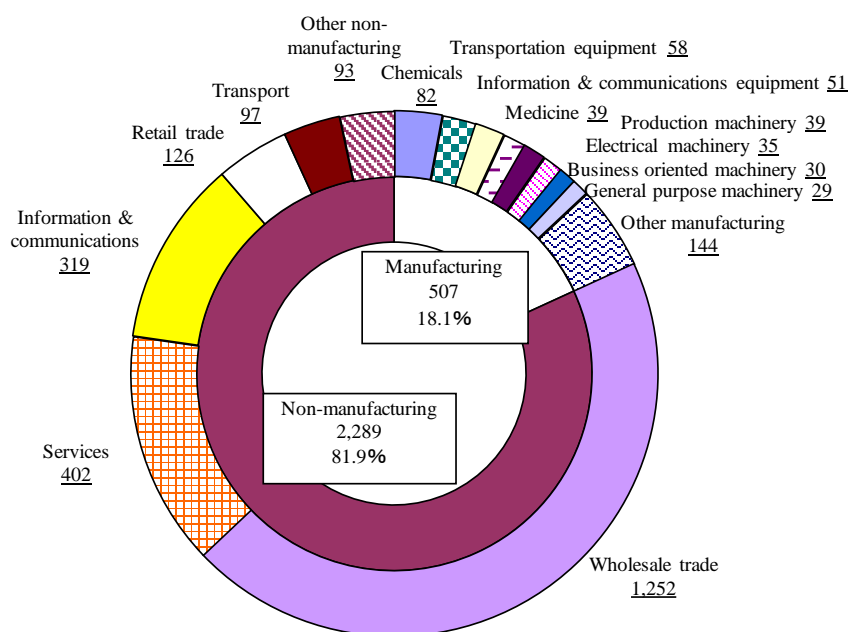


Table 1-1 Composition Percentage by Region of Origin and by Industry (Excluding the finance and insurance industry and the real estate industry)

(Companies, %, % point)

	FY2009 Number of foreign affiliates	Composition percentage					
		FY2005	FY2006	FY2007	FY2008	FY2009	Year-on-year changes
Total	2,796	100.0	100.0	100.0	100.0	100.0	—
U.S.	845	35.4	35.4	32.0	30.7	30.2	-0.5
Asian	581	16.1	16.8	20.8	21.0	20.8	-0.2
Chinese	212	6.0	6.1	7.0	7.4	7.6	0.2
European	1,209	43.0	42.6	41.6	42.5	43.2	0.7
Others	161	5.5	5.2	5.7	5.7	5.8	0.1
Manufacturing	507	27.4	25.2	22.4	19.0	18.1	-0.9
Non-manufacturing (Excluding the finance and insurance industry and the real estate industry)	2,289	72.6	74.8	77.6	81.0	81.9	0.9

2. New entries

- Of the foreign affiliates covered by the survey in FY2009 (excluding the finance and insurance industry and the real estate industry, the same hereinafter), 82 companies (down 1.2% from the previous fiscal year) were newly established or newly started capital participation^(Note). They are broken down into 16 (up 14.3% from the previous fiscal year) manufacturing companies and 66 (down 4.3% (id.)) non-manufacturing companies (Table 2-1).
- By region of origin, European affiliates decreased 17.6% from the previous fiscal year to 28, in particular, the manufacturing sector decreased by 50%. Meanwhile, U.S. affiliates increased 8.3% from the previous fiscal year, to 26, and Asian affiliates also increased 15.0% (id.), to 23. (Table 2-1).
- The number of new entries, including the finance and insurance industry and the real estate industry, came to 89 (see the spreadsheet).

Table 2-1 Number of New Entries

(Excluding the finance and insurance industry and the real estate industry)

(Companies, %)

	World total			U.S. affiliates			Asian affiliates			European affiliates		
	FY2008	FY2009	Year-on-year changes	FY2008	FY2009	Year-on-year changes	FY2008	FY2009	Year-on-year changes	FY2008	FY2009	Year-on-year changes
All industries	83	82	-1.2	24	26	8.3	20	23	15.0	34	28	-17.6
Manufacturing	14	16	14.3	2	8	300.0	2	4	100.0	9	4	-55.6
Non-manufacturing	69	66	-4.3	22	18	-18.2	18	19	5.6	25	24	-4.0

(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 FY2009 (excluding the finance and insurance industry and the real estate industry) was 164, up 31.2% from the previous fiscal year, of which 30 companies (up 7.1% from the previous fiscal year) were in the manufacturing sector and 125 companies (up 28.9% (id)) were in the non-manufacturing sector (Table 3-1).
- By region of origin, U.S. affiliates increased 63.2% from the previous fiscal year to 62, European affiliates increased 25.0% (id.) to 55, and Asian affiliates increased 57.1% (id.) to 22 (Table 3-1).
- The number of companies that dissolved, withdrew, or reduced their foreign capital ratio, including the finance and insurance industry and the real estate industry, came to 170 (see the spreadsheet).

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

(Excluding the finance and insurance industry and the real estate industry)

(Companies, %)

	World total			U.S. affiliates			Asian affiliates			European affiliates		
	FY2008	FY2009	Year-on-year changes	FY2008	FY2009	Year-on-year changes	FY2008	FY2009	Year-on-year changes	FY2008	FY2009	Year-on-year changes
All industries	125	164	31.2	38	62	63.2	14	22	57.1	44	55	25.0
Manufacturing	28	30	7.1	10	10	0.0	4	3	-25.0	11	13	18.2
Non-manufacturing	97	125	28.9	28	52	85.7	10	19	90.0	33	42	27.3

(Note 1) 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%.

(Note 2) In FY2009, the value of all industries in the world total was different from the sum of values of manufacturing and non-manufacturing since 9 companies could not identify their type of industry.

4. Offices in Japan by function

- Looking at the number of offices in Japan (excluding the finance and insurance industry and the real estate industry, the same hereinafter) per company, by function^(Note), the average number of domestic offices with sales and marketing functions was 3.8 for companies in the manufacturing sector and 4.7 for those in the non-manufacturing sector. Companies in the manufacturing sector also have 0.7 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 head office functions, sales and marketing functions, and back-office functions. However, in the manufacturing sector, there are more offices with R&D functions, manufacturing and processing functions, and distribution functions in Kanagawa and Chiba (Table 4-1).

Figure 4-1 Number of Offices of Foreign Affiliates in Japan by Function (Average per Company)
(Excluding the finance and insurance industry and the real estate industry)

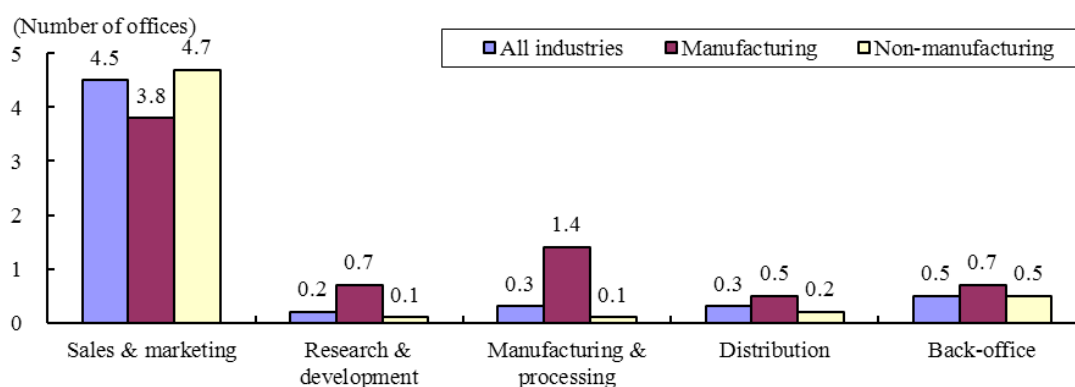


Table 4-1 Number of Foreign Affiliates with Offices in Japan by Function (by Prefecture)
(Excluding the finance and insurance industry and the real estate industry)

	(Top 10 prefectures)									(Companies, Offices)	
	Total	Total		Head office		Sales & marketing		Research & development		Manufacturing	Non-manufacturing
		Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing		
Tokyo	7,011	761	6,250	218	1,663	284	3,154	45	124		
Osaka	1,920	304	1,616	34	132	186	1,235	13	25		
Kanagawa	1,660	432	1,228	71	186	109	773	59	27		
Aichi	1,038	218	820	15	31	118	688	14	10		
Chiba	772	280	492	15	44	83	321	50	8		
Hyogo	749	183	566	24	56	68	416	14	8		
Fukuoka	730	139	591	8	6	95	524	4	4		
Saitama	691	129	562	16	31	47	460	12	6		
Hokkaido	438	93	345	-	6	79	299	4	2		
Hiroshima	409	106	303	4	7	69	264	2	3		

	Manufacturing & processing		Distribution		Back-office		Others	
	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing	Manufacturing	Non-manufacturing
Tokyo	46	60	28	209	96	649	44	391
Osaka	28	12	16	35	16	87	11	90
Kanagawa	75	23	43	60	50	98	25	61
Aichi	39	8	14	24	11	23	7	36
Chiba	63	27	35	46	19	22	15	24
Hyogo	40	11	14	24	13	28	10	23
Fukuoka	20	8	4	11	5	13	3	25
Saitama	31	12	9	28	10	10	4	15
Hokkaido	5	4	5	9	-	10	-	15
Hiroshima	18	3	5	7	4	5	4	14

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

5. Employment

- The number of regular employees (excluding the finance and insurance industry and the real estate industry, the same hereinafter) increased 9.6% from the previous fiscal year to 480,000 (down 2.9% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector recorded a 1.5% increase from the previous fiscal year to 198,000, and the non-manufacturing sector saw an increase of 16.0% (id.) to 282,000 (Fig. 5-1).
- By industry, in the manufacturing sector, medicine recorded an increase of 11.0% from the previous fiscal year to 39,000. In the non-manufacturing sector, information and communications equipment recorded a significant increase of 66.7% (id.) to 40,000 (Fig. 5-2).
- The percentage of part-time workers^(Note) in the manufacturing sector declined 1.2% points from the previous fiscal year to 4.0%, and that in the non-manufacturing sector rose 6.7% points (id.) to 44.1% (Table 5-1).
- The number of regular employees, including the finance and insurance industry and the real estate industry, came to 533,000 (Fig. 5-1).

Figure 5-1 Number of Regular Employees

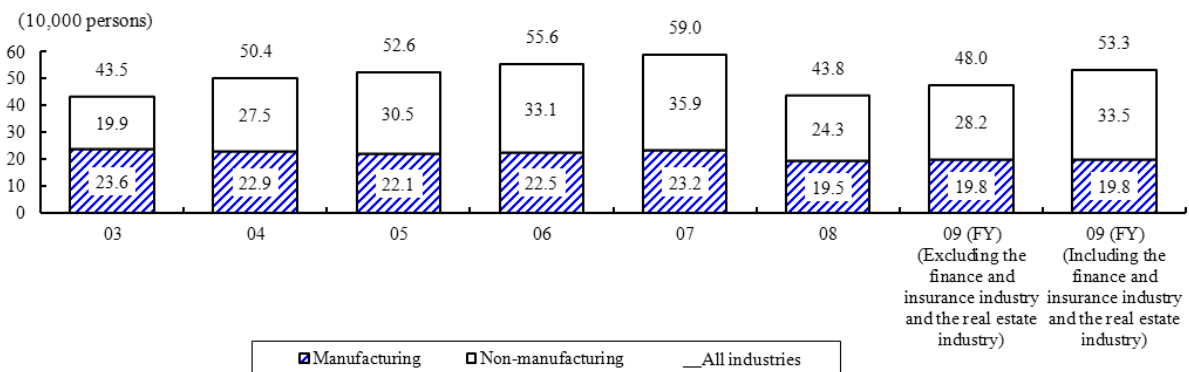


Figure 5-2 Number of Regular Employees by Industry
(Excluding the finance and insurance industry and the real estate industry)

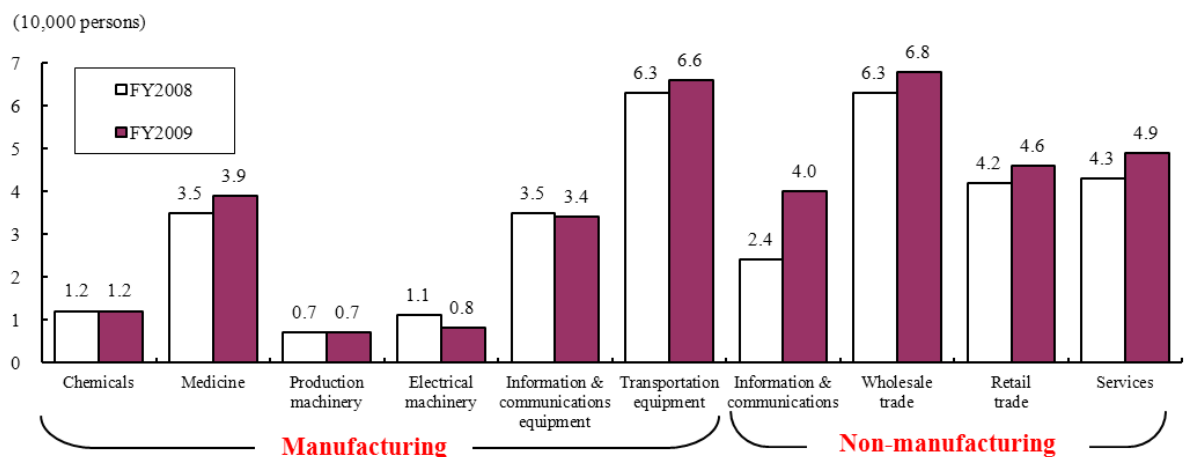


Table 5-1 Percentage of Part-Time Workers
(Excluding the finance and insurance industry and the real estate industry)

(% , % point)

	Percentage of part-time workers					
	FY2005	FY2006	FY2007	FY2008	FY2009	Year-on-year changes
All industries	35.2	37.6	37.6	23.5	28.0	4.5
Manufacturing	4.5	5.6	4.7	5.2	4.0	-1.2
Non-manufacturing	57.6	56.5	56.1	37.4	44.1	6.7

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

6. Regional headquarters in the Asia and Oceania regions

- Regional headquarters in major Asia and Oceania regions (including finance and insurance industry and the real estate industry) were largest in number in Singapore at 307, accounting for 23.7% of the total of regional headquarters, followed by in China, at 300 (accounting for 23.2% (id.)), and in Hong Kong, at 251 (accounting for 19.4% (id.)) (Table 6-1).
- The number of regional headquarters in Japan was 75, accounting for 5.8% of the total of regional headquarters (Table 6-1).

**Table 6-1 Number of Regional Headquarters in the Asia and Oceania Regions
(Including finance and insurance industry and the real estate industry)**

(Companies, %)

	Number of regional headquarters	Number of regional headquarters								
		Japan	Singapore	China	Hong Kong	Taiwan	South Korea	Australia	Others	
All industries	1,293	75	307	300	251	90	88	66	116	
Percentage	100.0	5.8	23.7	23.2	19.4	7.0	6.8	5.1	9.0	
Manufacturing	218	27	44	69	27	12	10	6	23	
Percentage	100.0	12.4	20.2	31.7	12.4	5.5	4.6	2.8	10.6	
Non-manufacturing	1,075	48	263	231	224	78	78	60	93	
Percentage	100.0	4.5	24.5	21.5	20.8	7.3	7.3	5.6	8.7	

(Note 1) Number of regional headquarters is the sum of the results of 1. Japan to 15. New Zealand.

(Note 2) Multiple answers

7. Sales, exports, and foreign investors

- Sales (excluding the finance and insurance industry and the real estate industry, the same hereinafter) amounted to 32.8 trillion yen, down 12.3% from the previous fiscal year (down 21.1% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector posted 18.9 trillion yen, down 7.8% from the previous fiscal year, and the non-manufacturing sector marked 13.9 trillion yen, down 17.8% (id.) (Fig. 7-1).
- By industry, in the manufacturing sector, information and communications equipment decreased 19.6% from the previous fiscal year to 2.3 trillion yen, and transportation equipment decreased 10.2% (id.) to 4.3 trillion yen. In the non-manufacturing sector, wholesale trade decreased 21.6% from the previous fiscal year to 8.7 trillion yen, and information and communications decreased 20.0% (id.) to 1.2 trillion yen (Fig. 7-2).
- Exports decreased 12.2% from the previous fiscal year to 4.8 trillion yen (down 16.6% when limited to companies that responded in both the previous fiscal year and the current year) (Table 7-1).
- Looking at the proportion of sales to main foreign investors to the total sales, the manufacturing sector posted 1.2%, down 0.9% points from the previous fiscal year, while the non-manufacturing sector posted 2.2%, down 2.3% points (id.). By region of origin, Asian affiliates decreased 12.2% points (id.) to 9.3% (Table 7-1).
- Sales, including the finance and insurance industry and the real estate industry, amounted to 41.3 trillion yen (Fig. 7-1).

Figure 7-1 Sales

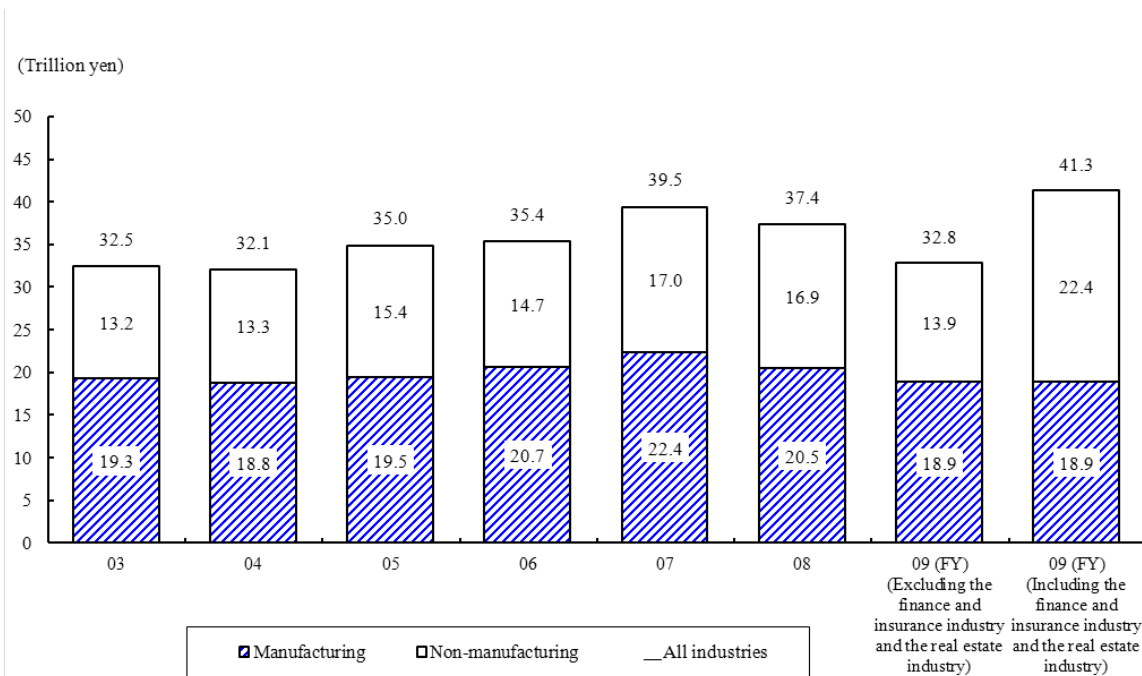


Figure 7-2 Sales by Major Industry
(Excluding the finance and insurance industry and the real estate industry)

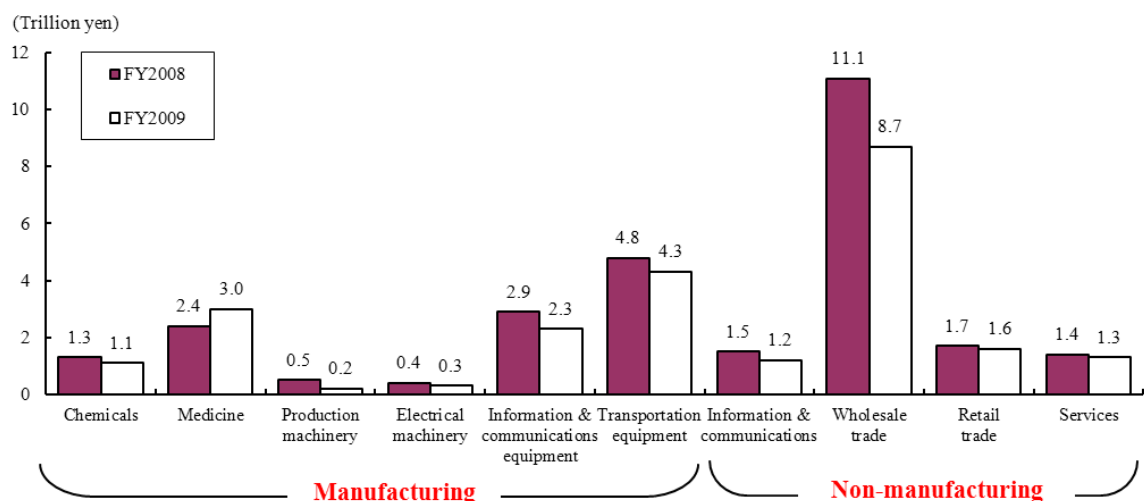


Table 7-1 Sales and Exports, and Sales to Main Foreign Investors and the Proportion Thereof to Total Sales
(Excluding the finance and insurance industry and the real estate industry)

(100 million yen, %)

	Sales		Exports		Sales to main foreign investors	
	FY2009	Year-on-year changes	FY2009	Year-on-year changes	FY2009	Year-on-year changes
	Total	327,903	-12.3	48,090	-12.2	5,355
Manufacturing	189,112	-7.7	33,925	-14.5	2,341	-44.5
Non-manufacturing (Excluding the finance and insurance industry and the real estate industry)	138,791	-17.8	14,165	-6.3	3,014	-60.2
U.S.	80,910	-11.0	6,439	-41.0	2,131	-44.3
Ajian	29,272	-8.4	10,963	10.5	2,731	-60.2
European	185,509	-10.2	29,276	-7.3	444	-53.9

(% , % point)

	Proportion of sales to main foreign investors to the total sales		
			Year-on-year changes (% point)
	FY2008	FY2009	
Total	3.2	1.6	-1.6
Manufacturing	2.1	1.2	-0.9
Non-manufacturing (Excluding the finance and insurance industry and the real estate industry)	4.5	2.2	-2.3
U.S.	4.2	2.6	-1.6
Ajian	21.5	9.3	-12.2
European	0.5	0.2	-0.3

8. Profit

- Ordinary profit (excluding the finance and insurance industry and the real estate industry, the same hereinafter) was 1.3726 trillion yen, up 24.5% from the previous fiscal year (up 28.6% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector marked an increase of 36.2% from the previous fiscal year to 787.0 billion yen, and the non-manufacturing sector recorded an increase of 13.5% (id.) to 585.6 billion yen (Fig. 8-1).
- By industry, in the manufacturing sector, transportation equipment increased 166.0% from the previous fiscal year to 266.2 billion yen. In the non-manufacturing sector, services rebounded to a positive figure (Fig. 8-2).
- The ordinary profit to sales ratio^(Note) increased 1.2% points from the previous fiscal year to 4.2%. This was 1.9% points higher than that for incorporated enterprises as a whole (Fig. 8-3).
- By region of origin, U.S. affiliates increased 1.7% points from the previous fiscal year to 9.1% (Fig. 8-4).
- Ordinary profit, including the finance and insurance industry and the real estate industry, was 1.6331 trillion yen (Fig. 8-1).

Figure 8-1 Ordinary Profit

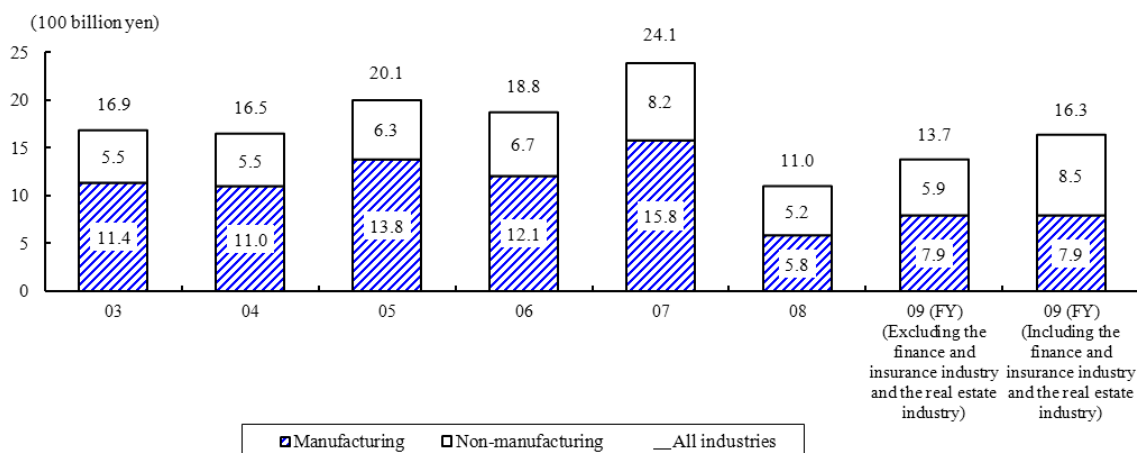


Figure 8-2 Ordinary Profit by Major Industry

(Excluding the finance and insurance industry and the real estate industry)

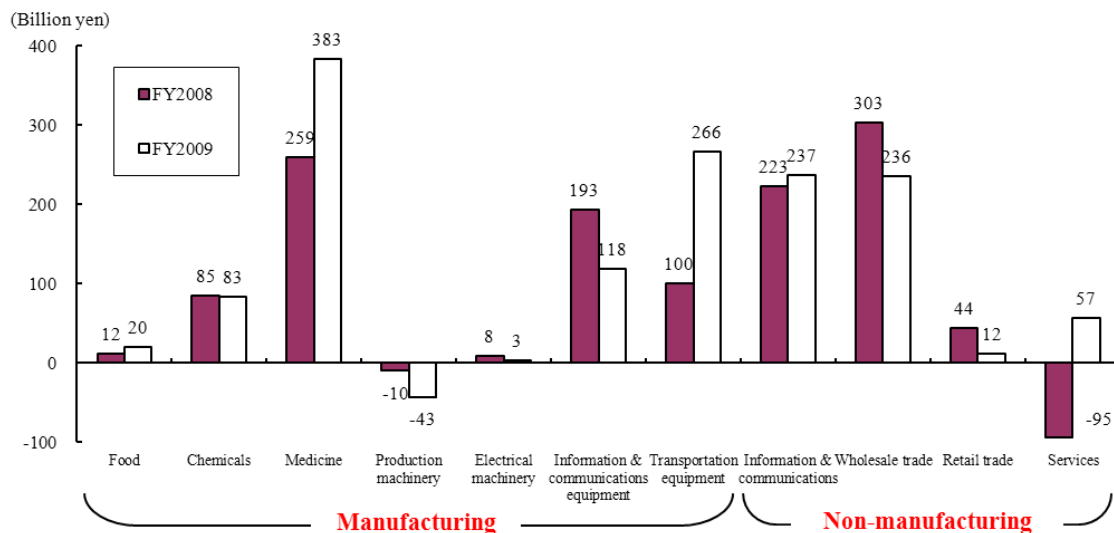
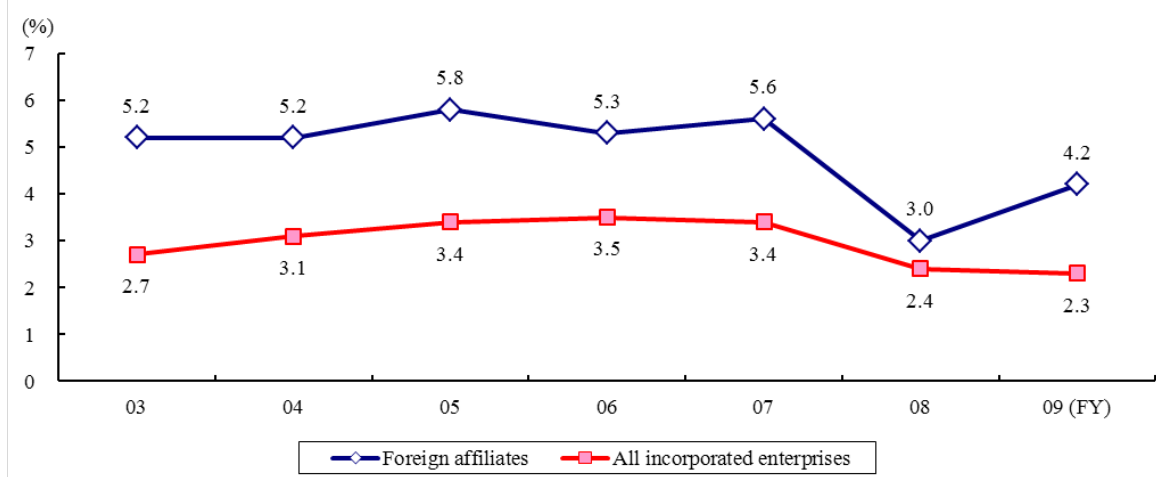


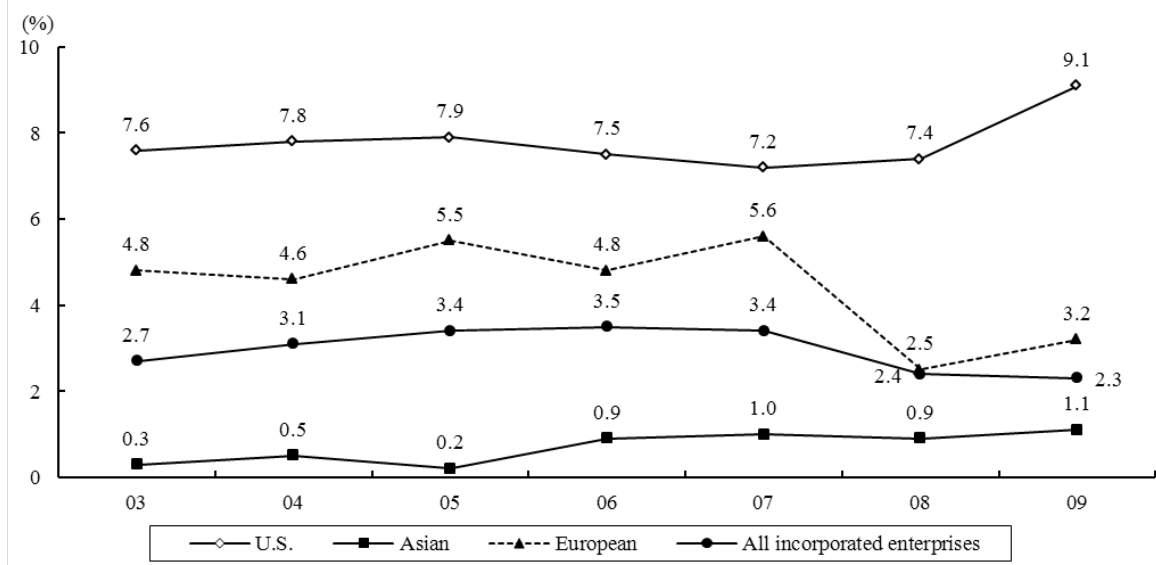
Figure 8-3 Changes in Ordinary Profit to Sales Ratio



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

(Note) The values of the Survey of Trends in Business Activities of Foreign Affiliates exclude the values of the finance and insurance industry and the real estate industry.

Figure 8-4 Ordinary Profit to Sales Ratio (by Region of Origin)



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

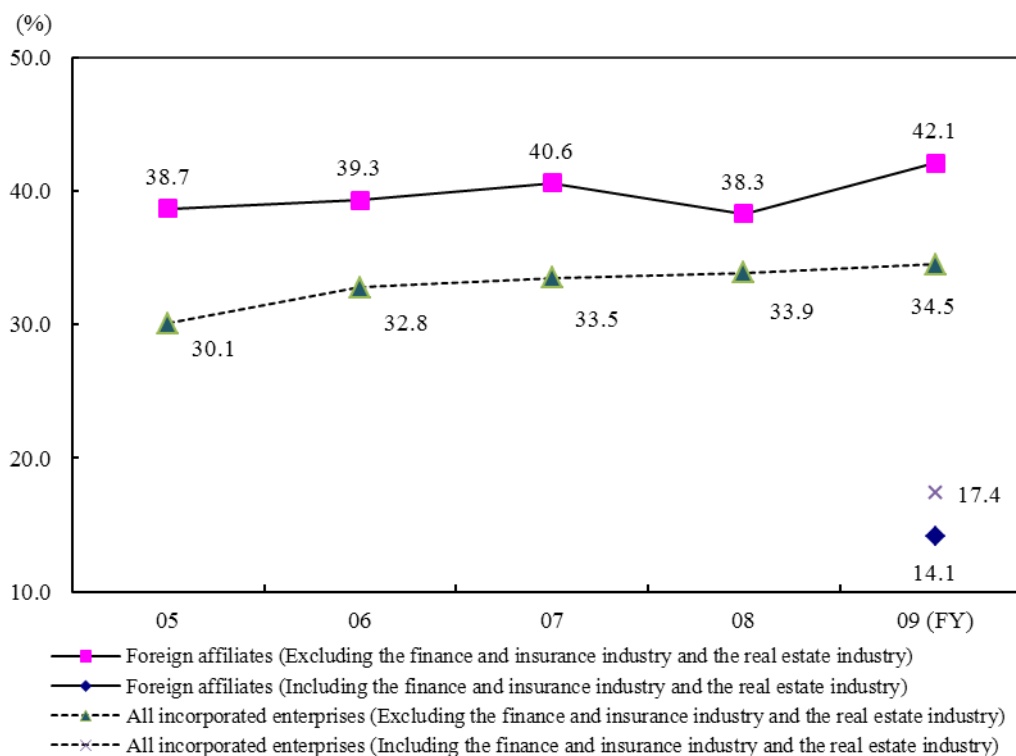
(Note 1) Ordinary profit to sales ratio = Ordinary profit / Sales × 100.0

(Note 2) The values of the Survey of Trends in Business Activities of Foreign Affiliates exclude the values of the finance and insurance industry and the real estate industry.

9. Equity to total assets ratio

- The ratio of equity to total assets^(Note), excluding the finance and insurance industry and the real estate industry, was 42.1%. This was 7.6% points higher than that for incorporated enterprises as a whole (Fig. 9-1).
- The ratio of equity to total assets, including the finance and insurance industry and the real estate industry, was 14.1%. This was 3.3% points lower than that for incorporated enterprises as a whole (Fig. 9-1).

Figure 9-1 Equity to Total Assets Ratio



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

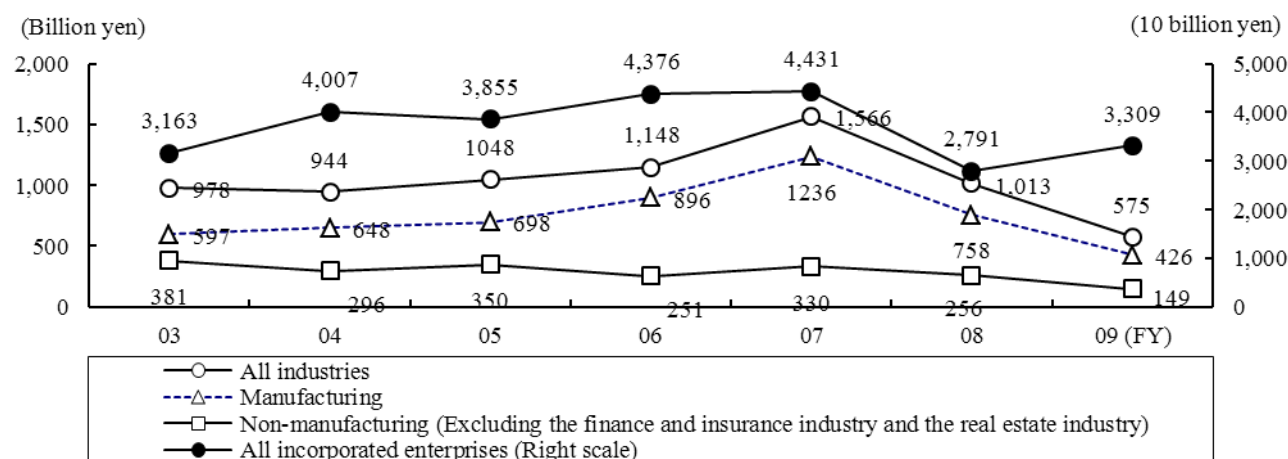
(Note) Ratio of equity to total assets = Total shareholder equity / Total assets × 100.0

10. Capital investment/Research and development

- Capital investment (excluding the finance and insurance industry and the real estate industry, the same hereinafter) amounted to 575.0 billion yen, down 43.2% from the previous fiscal year (down 50.9% when limited to companies that responded in both the previous fiscal year and the current year). The manufacturing sector saw a 43.8% decline from the previous fiscal year to 426.4 billion yen, and the non-manufacturing sector recorded a decrease of 41.8% (id.) to 148.6 billion yen (Fig. 10-1).
- The proportion of capital investment by foreign affiliates to the total by all incorporated enterprises was 1.7%, down 1.9% points from the previous fiscal year (Fig. 10-1).
- By industry, information and communications equipment saw a decrease of 72.4% from the previous fiscal year, and chemicals recorded a decrease of 67.7 % (id.) (Fig. 10-2).
- The average rate of research and development expenses per company in the manufacturing sector was 3.26 billion yen, up 10.0% from the previous fiscal year. By industry, transportation equipment posted 13.23 billion yen, followed by medicine, at 9.49 billion yen, and information and communications equipment, at 3.00 billion yen (Fig. 10-3).

Figure 10-1 Capital Investment

(Excluding the finance and insurance industry and the real estate industry)



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

Figure 10-2 Capital Investment by Major Industry

(Excluding the finance and insurance industry and the real estate industry)

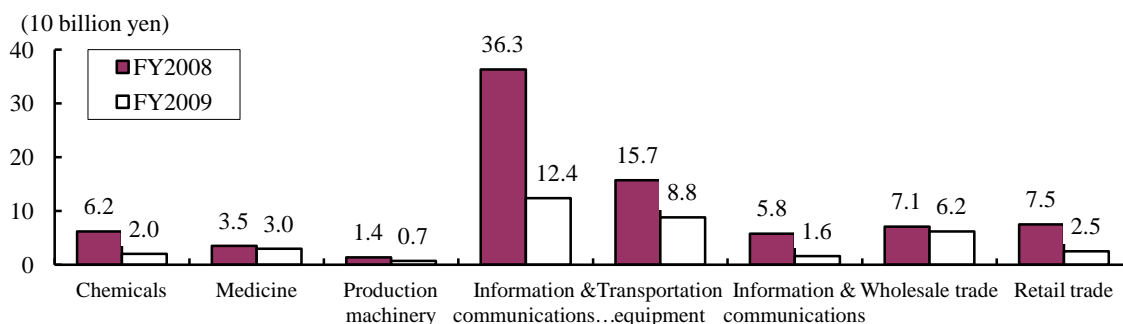
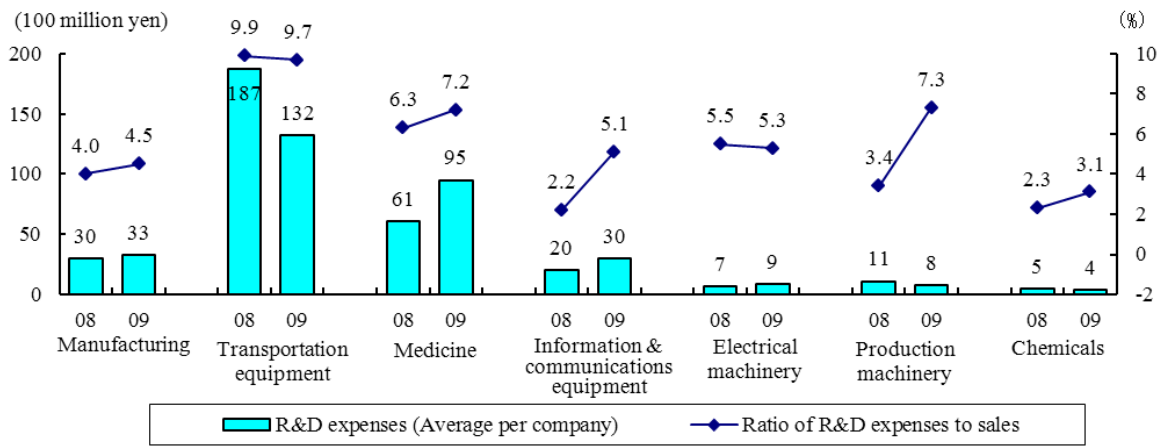


Figure 10-3 R&D Expenses (Average per Company) by Industry and Ratio of R&D Expenses to Sales



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