

Summary of the 33rd Survey on Overseas Business Activities (conducted in July, 2003)

March 31, 2004

Trend of overseas affiliates in the fiscal year 2003 survey

- The overseas production ratio was the highest ever. The sales and the current profits also reached a record high. In Asia, China enjoyed strong growth.
- The number of new overseas affiliates is on the decline after hitting a peak in 1995, while it increased in China for the third consecutive year.

Summary of findings

1. The highest overseas production ratio ever.

The overseas production ratio for manufacturing industries (on the basis of all domestic companies) was the highest ever at 17.1%.

2. The sales and the current profits reached a record high. Asia showed strong growth.

The sales hit a record high of 138 trillion yen, up 2.3% compared to the previous year. The amount for manufacturing industries rose by 0.8% to reach a record high. The Transport machinery, and wholesaling and retailing sectors both showed their third straight year of increase by 11.4% and 1.9%, respectively. The amount for Asia rose substantially by 11.7%. In Asia, NIEs3 and China showed significant increases of 14.1% and 12.3%, respectively.

The current profits amounted to the highest ever at 3.7 trillion yen, up 63.0% from the previous year. The amount for manufacturing industries rose by 105.4% to reach a record high. The transport machinery sector marked its fourth straight year of increase. This is an increase of 84.3% from the previous year. It increased substantially in North America by 79.9%, Europe by 4.5 times, and Asia by 44.6%. In Asia, ASEAN4 and China showed great increases of 46.3% and 41.4%, respectively.

3. The number of new overseas affiliates is on the decline, while China showed a third consecutive increase by year.

The number of newly established or capital participating overseas affiliates is on the decline after hitting a peak in 1995, and marked 423 this year, a fall of 93 from the previous year. The number for China rose by 22 to 177, the third consecutive increase by year.

The number of overseas affiliates withdrawn from overseas rose by 269 to 700. The increase was seen in both manufacturing industries by 146, and non-manufacturing

industries by 123. The number for Asia rose significantly by 189, and those for North America and for Europe also increased.

4. Employment is on the rise.

The number of employees rose by 7.3% to 3.41 million after a dip in the previous year. The number for Asia and Europe rebounded by 11.4% and 9.1% respectively, and that for North America fell for the second consecutive year by 1.5%.

5. The amount of capital investment increased in manufacturing industries.

The amount of capital investment in manufacturing industries rose by 6.5% to 2.4 trillion yen after a fall in the previous year. The amount for the steel sector increased substantially by 11.3 times. Although the amount for the transport machinery sector declined for the first time in three years by 7.7%, it still continued its high standing. In Asia, which posted an increase of 46.9%, NIEs3 showed a significant increase of 3.4 times due to the increase in the steel sector.

6. The amount of local selling and procurement of manufacturing industries rose substantially.

The amount of local selling and procurement in Asia increased by 2 times and 5 times respectively, compared to that in ten years ago. Especially in China, compared to that in five years ago, they both increased substantially by 2.6 times and 2.8 times in terms of monetary amount, and the shares by region exceeded 50% for the first time.

Enterprise Statistics Office
Research and Statistics Department
Economic and Industrial Policy Bureau

Trade and Investment Facilitation Division
Trade and Economic Cooperation Bureau

Ministry of Economy, Trade and Industry

Outline of the Survey

1. Purpose

The purpose of this survey is to gain basic data for planning and implementation of a wide variety of measures, by clarifying the actual condition of overseas activities of Japanese companies.

2. Subject

The survey covered Japanese companies that had overseas affiliates (hereinafter referred to as “parent companies”) as of March 31, 2003, excluding those in the financial and insurance industry or real estate industry.

In this survey, “overseas subsidiaries” refers to overseas companies in which a Japanese company(s) makes a 10% or more investment. “Overseas sub-subsidiaries” refers to those in which an overseas subsidiary, in which a Japanese company(s) has invested more than 50% , makes more than 50% investment. Hereinafter they are included in “overseas affiliates.”

3. Method

Email survey based on self-declaration survey forms (one for parent company and one for each overseas affiliate) given to parent company.

4. Time

The survey was conducted on July 1, 2003, on the actual results of FY 2002 and those of the end of FY 2002, as of March 31, 2003 or the closest closing date before that.

5. Collection

Response rate: 64.8%

Number of companies that gave valid response: parent companies 2,166

Overseas affiliates 13,322

Note

1. Conversion

The currency unit is ¥ million, in principle.

It should be taken into consideration that compared to the previous year, the yen declined against most of the currencies of countries to which the surveyed overseas affiliates belonged, (e.g., yen declined against the U.S. dollar from ¥121.53/US\$ to ¥125.39/US\$, down 3.2% from the previous year.)

2. Definition of regions

In this survey, the definition below is applied unless otherwise mentioned. "China" includes Hong Kong. Some regions may be counted as a country.

NIEs3: Singapore, Taiwan and Korea

ASEAN4: Malaysia, Thailand, Indonesia and the Philippines

See Table3 in "Classification of region and country" of attached summary sheets for the definition of "North America," "Asia" and "Europe."

3. Issues to be taken into consideration for the results.

1. The statistics are based only on valid responses and there are, therefore, differences in the number of companies counted in each entry.
2. When comparing a result to the one from the previous year, differences in the response rate and the number of companies surveyed should be taken into consideration.
3. A break is seen between the results in 2000 and those in 2001, as the figures were counted in accordance with the new classification, in effect since 2001, along with the revision of the Japanese Standard Industry Classification.

Reference: Conditions of the World Economy (excerpts from the 2002 section)

- The economic growth in the United States, which had been underpinning world economy, declined in 2001, due to the bubble burst by the drop in technology stocks. Although it showed a modest recovery in 2002, the recovery has slowed down since autumn with the growing tensions in Iraq.
- In Europe, the economic growth has slowed down since 2001 to reach almost no growth in 2002. The slowdown is seen especially in Germany, and in France and the UK as well.
- In Asia, China has been sustaining a growth rate of between 7 to 8% since 2000 due to the active domestic demand. The growth in NIEs3 and ASEAN showed a recovery in 2002, reflecting the recovery in the U.S. economy.

Sourced: 2003 White Paper on International Trade

1. Overseas expansion, the establishment and capital participation of overseas affiliates

- The number of newly established or capital participating overseas affiliates is on the decline after hitting a peak in 1995, and marked 423 this year. This is a fall of 93 from the previous year. The number for manufacturing industries fell for the first time in three years by 84 to 188, and that for non-manufacturing industries fell for the second consecutive year by 84 to 235. The number for non-manufacturing industries exceeded that for manufacturing industries (see Figure 1).
- By type of sector, the number for the transport machinery sector fell for the first time in three years by 43. It also declined significantly in the wholesaling and retailing sector by 19, the information and communication machinery sector by 12, and the general machinery sector by 11 (see Figure 2).
- In terms of region, the number fell in North America for the second consecutive year by 47 to 49 and in Asia for the first time in three years by 45 to 266, while it increased in China for the third consecutive year by 22 to 177 and in Europe by 7 to 75 (see Table 3).

Figure 1. Number of overseas affiliates newly established or capital participating, and those withdrawn

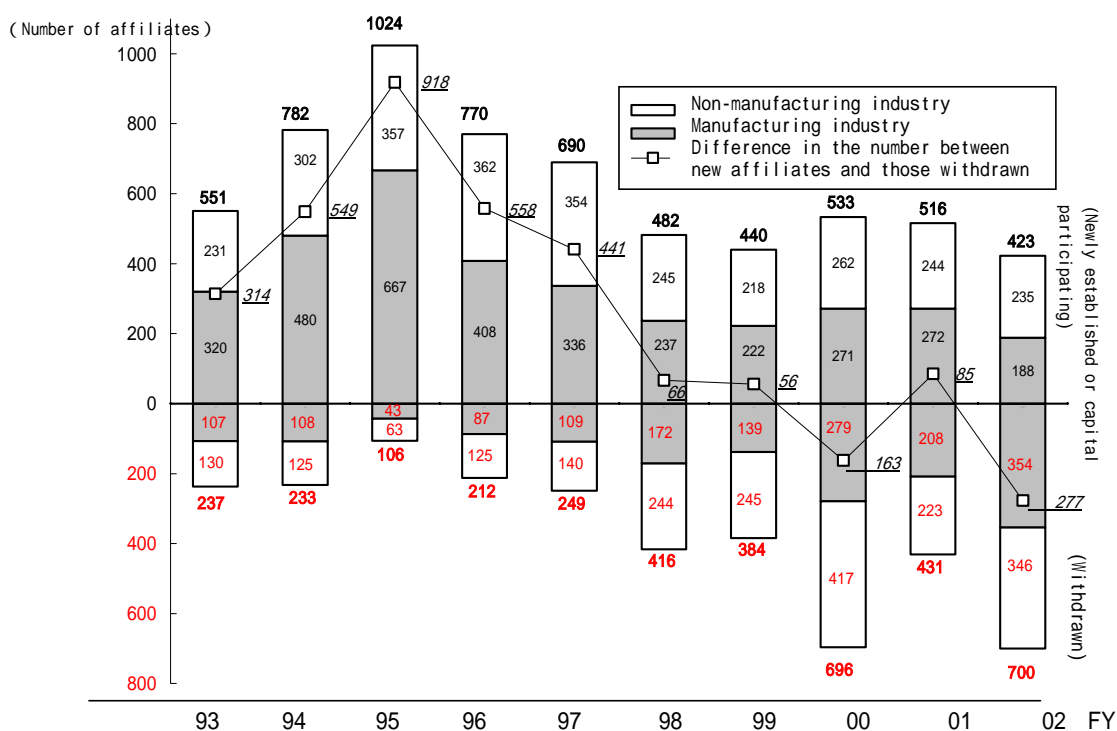


Figure 2. Number of overseas affiliates by year of establishment or capital participation (by type of sector)

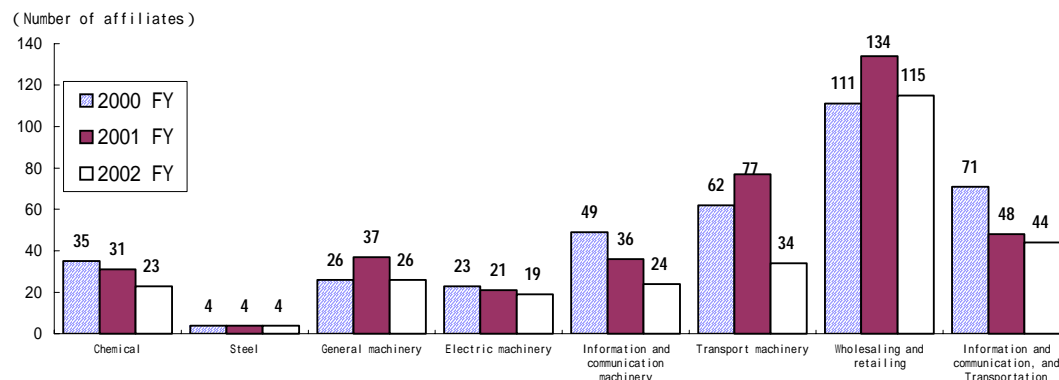


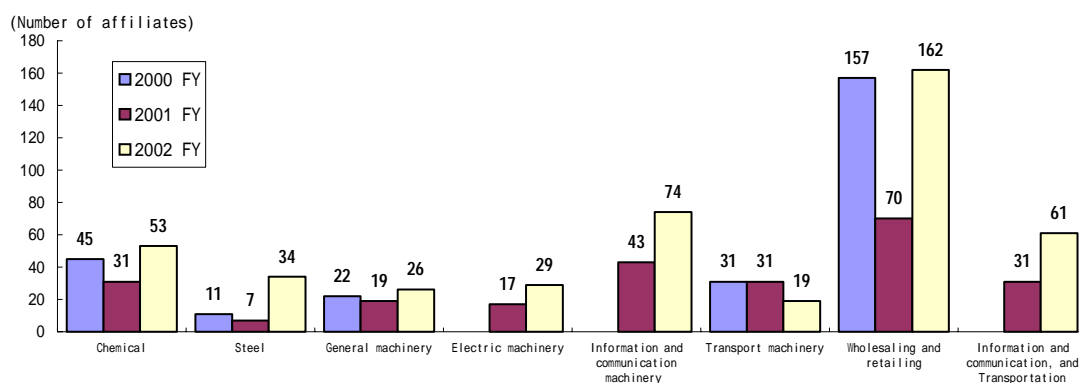
Table 3. Number of overseas affiliates by year of establishment or capital participation (by region)

	93	94	95	96	97	98	99	00	01	02 FY
All regions	551	782	1024	770	690	482	440	533	516	423
North America	69	84	99	107	110	82	96	106	96	49
Asia	362	563	748	506	429	239	226	267	311	266
China	243	341	398	171	152	100	85	114	155	177
Europe	71	74	106	91	78	90	69	95	68	75

2. Withdrawal of overseas affiliates

- The number of affiliates withdrawn¹ from overseas rose by 269 compared to the previous year, to reach 700. That is as high as the 2000 figure. The increase was seen in both manufacturing and non-manufacturing industries after a decline in the previous year, by 146 to 354 and by 123 to 346 respectively (see Figure 1).
- By type of sector, the number increased significantly in the information and communication machinery sector by 31 to 74, the steel sector by 27 to 34, and the chemical sector by 22 to 53 (manufacturing industries), and in the wholesaling and retailing sector by 92 to 162 and the information and communication, and transportation sector by 30 to 61 (non-manufacturing industries) (see figure 4).
- In region terms, the number for Asia rose significantly by 189 to 323, and that for North America and Europe also increased by 31 to 173 and by 44 to 124, respectively (see Figure 5).
- While the ratio of withdrawal² showed a higher rate in North America at 6.1%, it was below the average (5.0%) in Asia at 4.4% (see Table 5).

Figure 4. Number of overseas affiliates withdrawn by type of sector



Note: cannot be provided due to the change in categories.

¹ “Withdrawal” includes “liquidation” (including dissolution and bankruptcy) and “drop in the share of controlling” (when the investment ratio declines to the range of over 0% to less than 10%).

² Ratio of withdrawal = Number of affiliates withdrawn in 2002 / (Total number of affiliates with valid response in 2002 + Number of affiliates withdrawn in 2002) * 100

Table 5. Number and ratio of overseas affiliates withdrawn by region

(Unit: Number of affiliates)

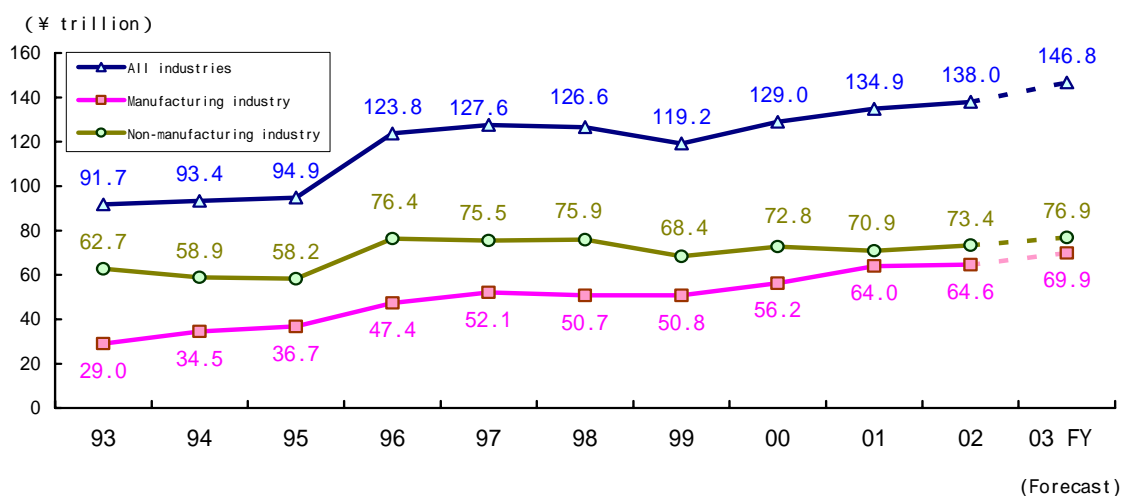
	94	95	96	97	98	99	00	01	02 FY	Ratio of affiliates withdrawn in 2002 FY
All regions	233	106	212	249	416	384	696	431	700	5.0
North America	69	32	67	90	148	128	194	142	173	6.1
Asia	95	29	59	69	147	138	285	134	323	4.4
China	22	10	16	19	50	58	110	45	108	4.0
Europe	50	33	49	52	65	64	126	80	124	5.2

Note: "China" before 1997 includes the number for Hong Kong.

3. Sales

- The sales hit a record high of 138 trillion yen, up 2.3% compared to the previous year. The amount for manufacturing industries rose by 0.8% to reach a record high of 64.6 trillion, the fourth consecutive increase by year. The amount for non-manufacturing industries also rose by 3.5% to reach 73.4 trillion yen (see Figure 6).
- By type of sector, the transport machinery, and wholesaling and retailing sectors both showed a third straight year of increase by 11.4% and 1.9%, while the information and communication machinery sector showed a decline of 14.7% (see Figure 7).
- In terms of region, the amount for Asia rose substantially by 11.7% to 40.1 trillion yen. It increased in Europe by 3.6% to 27.7 trillion yen after a fall in the previous year, while it declined in North America for the first time in three years by 1.3% to 58.7 trillion yen (see Figure 8). In Asia, NIEs³ and China showed great increases of 14.1% and 12.3%, respectively (see Figure 9).
- The overseas production ratio (calculated on the total number of domestic companies)³ for manufacturing industries rose by 0.4 percentage point to mark a record high of 17.1% (see Figure 10).

Figure 6. Change in the sales



³ Overseas production ratio on the basis of all domestic companies = Sales of overseas affiliates (manufacturing) / Total sales of domestic companies(manufacturing) * 100

Overseas production ratio on the basis of companies with overseas affiliates = Sales of overseas affiliates(manufacturing) / Total sales of parent companies (manufacturing) * 100

The figures for “sales of domestic companies” are from Financial Statements Statistics of Corporation (Ministry of Finance).

Figure 7. Amount of sales by type of sector

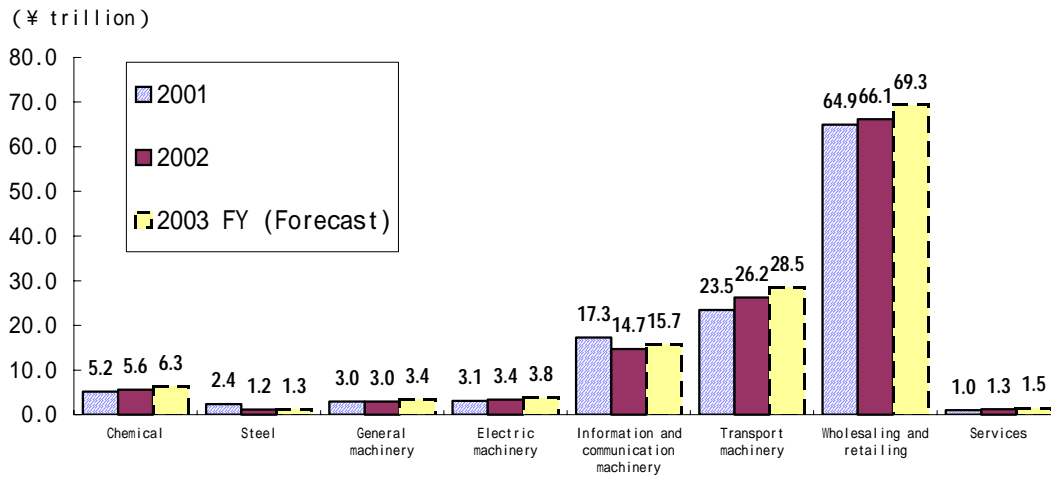


Figure 8. Change in the sales by region

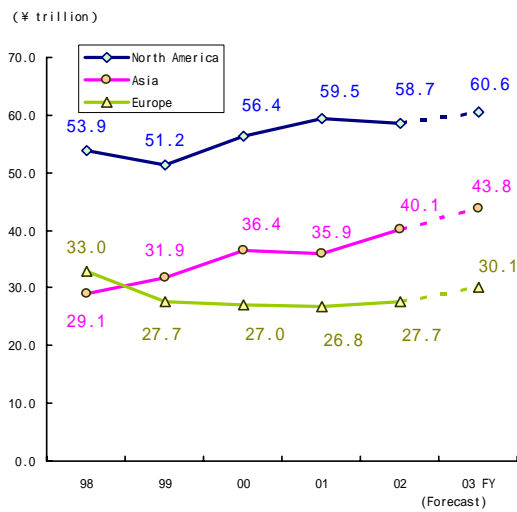


Figure 9. Change in the sales in Asia

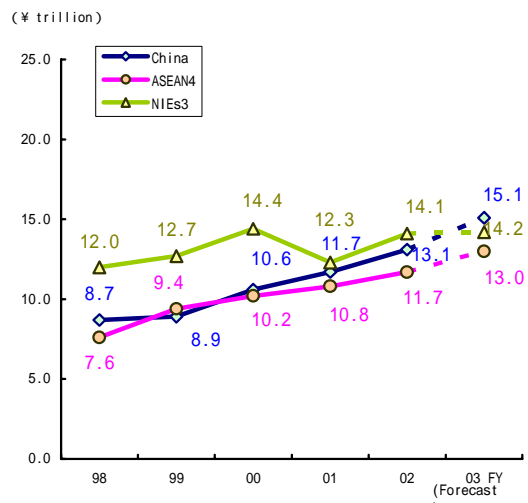
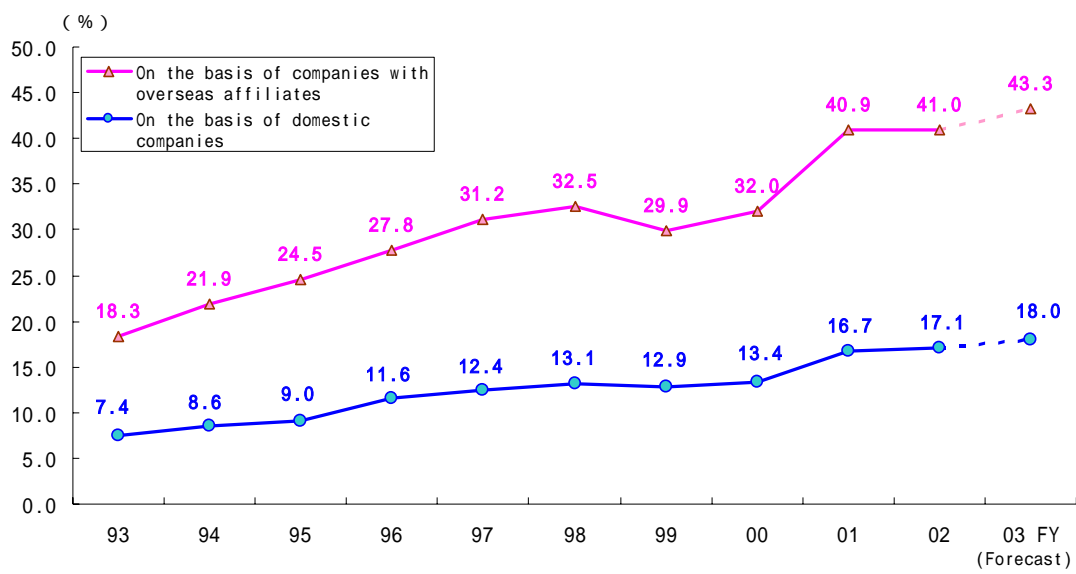


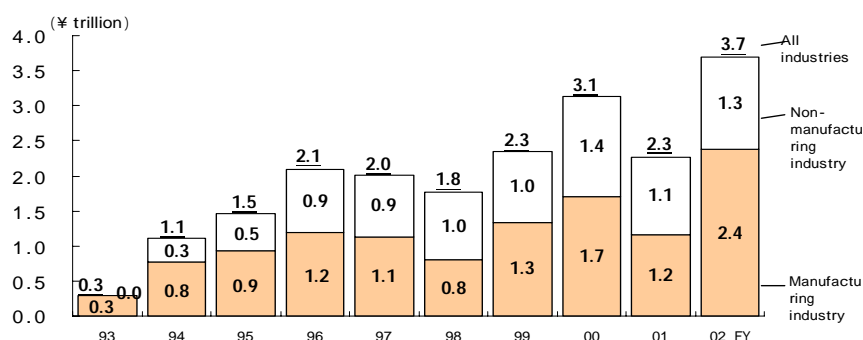
Figure 10. Change in the overseas production ratio of manufacturing industries



4. Profit

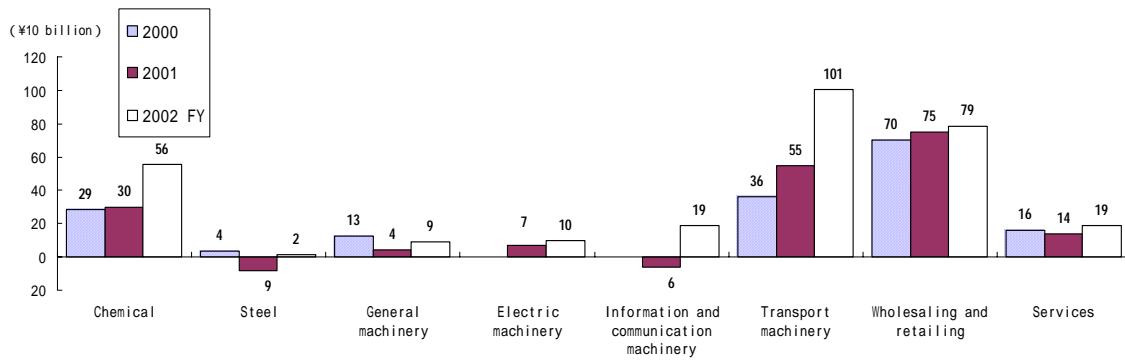
- The current profits amounted to the highest ever at 3.7 trillion yen, up 63.0% from the previous year. The amount for manufacturing industries rose by 105.4% to reach a record high, and that for non-manufacturing industries also rose by 19.0% (see Figure 11).
- By type of sector, the transport machinery and chemical sectors both marked their fourth straight year of increase by 84.3% and 85.9%, respectively. The amount for the information and communication machinery, and steel sectors rose from a fall in the previous year (see Figure 12).
- In terms of region, it increased substantially after a fall in the previous year, in North America by 79.9%, Europe by 4.5 times, and Asia by 44.6% (see Figure 13). In Asia, ASEAN4 and China showed a great increase of 46.3% and 41.4%, respectively (see Figure 14).
- The ratio of current profits⁴ to sales improved by 0.8 percentage point to 2.8% and exceeded that of domestic companies (2.3%). The ratio for manufacturing industries rose by 1.9 percentage point to reach a record high of 4.1%, and that for non-manufacturing industries fell slightly by 0.1 percentage point to 1.7%. In terms of region, the ratio for Asia exceeded that of domestic companies for the fifth consecutive year at 3.9%, up 0.7 percentage point from the previous year. The ratio for North America and for Europe also rose by 1.0 percentage point to 2.7% and by 1.0 percentage point to 1.4%, respectively (see Table 15).

Figure 11. Change in the current profits



⁴ Ratio of current profit to sales = Current profit / Sales * 100 (calculated on figures from affiliates that responded to questionnaires for both current profit and sales.)

Figure 12. Amount of current profits by type of sector



Note: cannot be provided due to the change in categories.

Figure 13. Change in the current profits by region

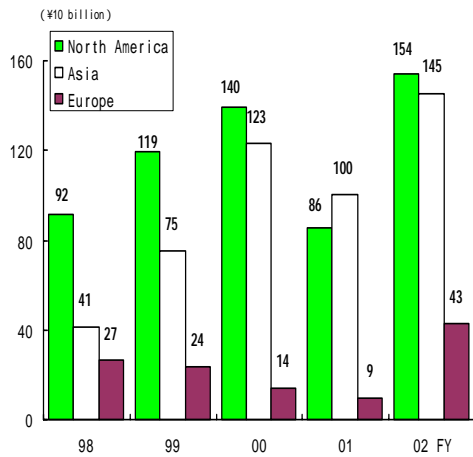


Figure 14. Change in the current profits in Asia

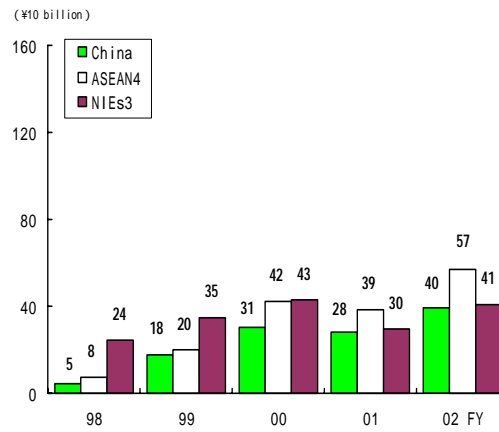


Table 15. Change in the ratio of current profits to sales

(Unit : %)

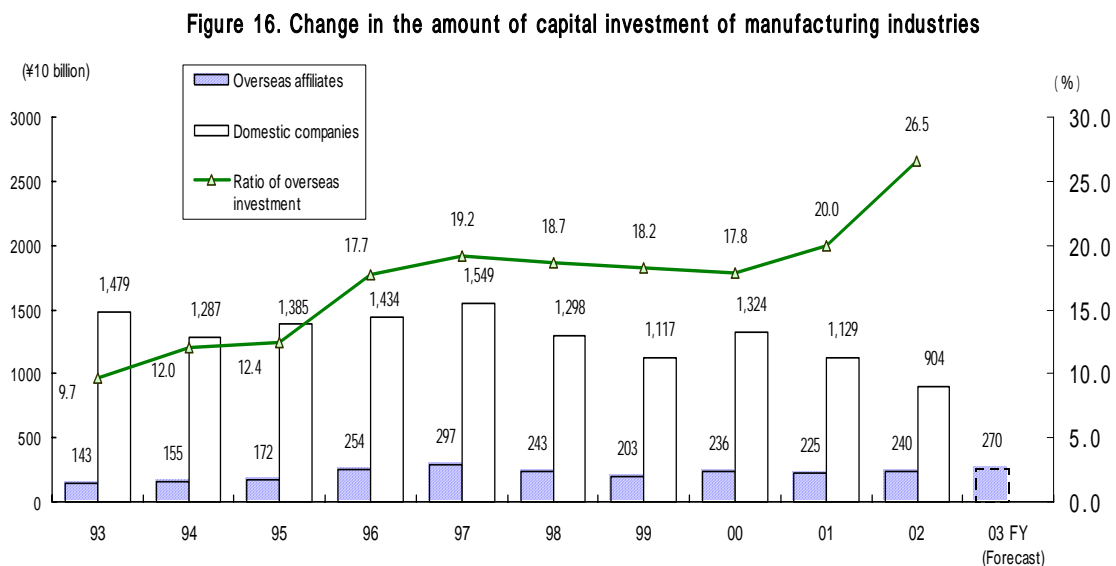
Region \ FY	93	94	95	96	97	98	99	00	01	02
All industries	0.4	1.6	1.9	1.9	1.8	1.6	2.4	2.9	2.0	2.8
Manufacturing industry	1.4	2.9	3.1	2.9	2.7	1.9	3.2	3.9	2.2	4.1
Non-manufacturing industry	-	-	-	-	-	-	-	-	1.8	1.7
North America	0.4	0.9	1.8	1.4	1.9	2.0	3.0	3.1	1.7	2.7
Asia	2.5	2.7	4.5	2.9	1.5	1.6	2.7	3.7	3.2	3.9
Europe	0.3	0.4	1.3	0.6	1.4	0.9	1.0	0.6	0.4	1.4
Domestic corporations	1.4	1.5	1.8	1.9	1.9	1.5	1.9	2.5	2.1	2.3

Note: The figures for “domestic companies” are from Financial Statements Statistics of Corporation (Ministry of Finance).

5. Capital investment

- The amount of capital investment in the manufacturing industries rose by 6.5% to 2.4 trillion yen after a fall in the previous year. The ratio of overseas investment⁵ exceeded the record high in the previous year at 26.5%, up 6.5 percentage point from the previous year, due to the decline of domestic companies (see Figure 16).
- By type of sector, the amount for the steel sector increased substantially by 11.3 times. Although the amount for the transport machinery sector declined for the first time in three years by 7.7%, it still continued its high standing (see Figure 17).
- In terms of region, the amount for Asia rose substantially by 46.9% after a decline in the previous year, while that for North America fell for the first time in three years by 23.1% and that for Europe fell for the second consecutive year by 6.8% (see Figure 18). In Asia, NIEs3 showed a significant increase of 3.4 times due to the increase in the steel sector (see Figure 19).

Figure 16. Change in the amount of capital investment of manufacturing industries



⁵ Ratio of overseas investment = Capital investment amount of overseas affiliates / Capital investment amount of domestic companies * 100
The figures for "domestic companies" are from Financial Statements Statistics of Corporation (Ministry of Finance).

Figure 17. Amount of capital investment by type of sector

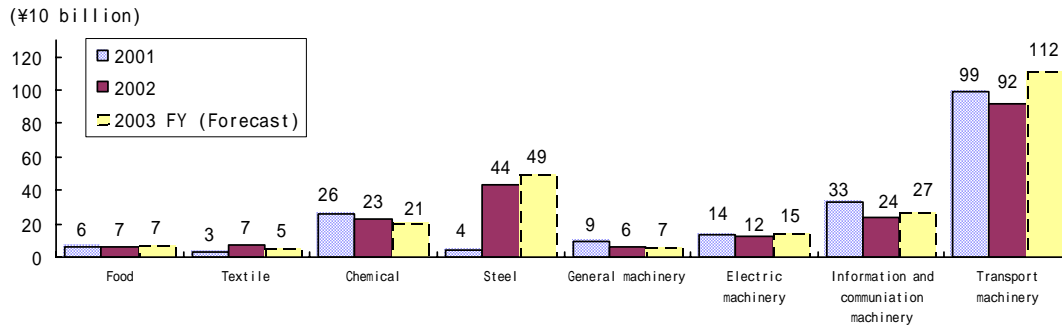


Figure 18. Amount of capital investment by region

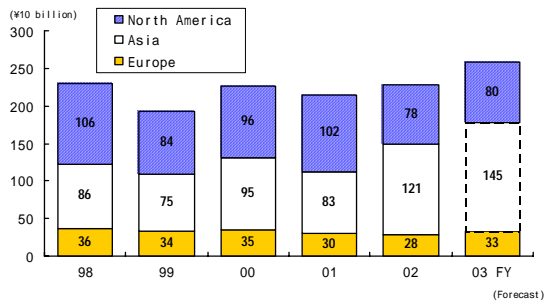
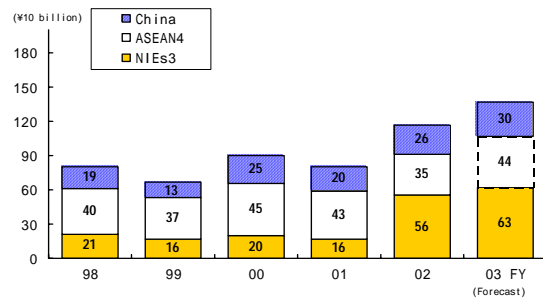


Figure 19. Amount of capital investment in Asia



6. Employment

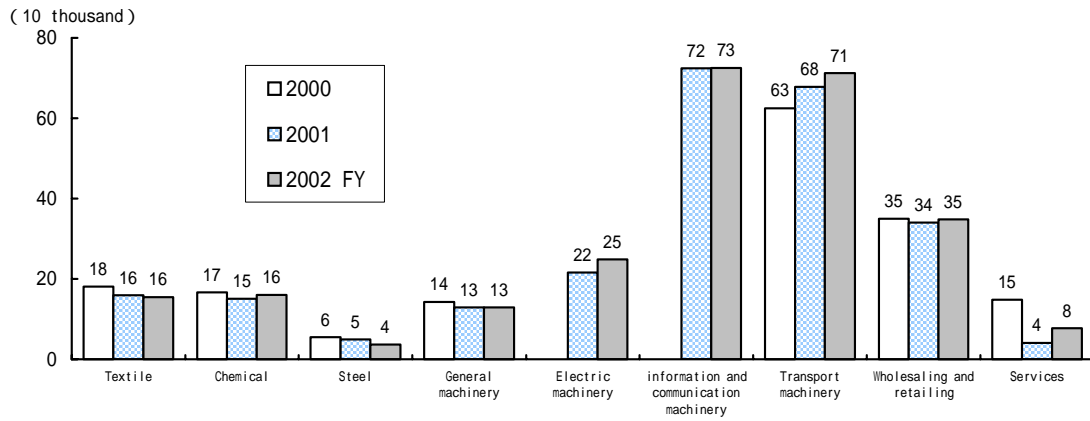
- The number of employees rose by 7.3% to 3.41 million after a dip in the previous year; it is generally on the rise. The number for manufacturing and non-manufacturing industries both rose after a decline in the previous year, by 6.5% to 2.80 million and by 11.3% to 0.6 million, respectively (see Table 20).
- By type of sector, the number for the transport machinery sector increased for four years in a row by 4.9%, and that for the information and communication machinery sector stayed almost the same, up 0.1% from the previous year. The number for the steel sector declined for the third consecutive year by 27.4% (see Figure 21).
- In terms of region, the number for Asia, which accounted for 60% of the total, rose by 11.4% to reach a record high after a dip in the previous year. The number for Europe increased by 9.1% and that for North America declined for two years in row by 1.5% (see Figure 22). In Asia, the number for China rose significantly by 23.9%, and that for ASEAN4 also rose by 8.1%. In contrast, NIEs3 showed a decrease of 8.8% (see Figure 23).

Table 20. Change in the number of employees

(Unit: 10 thousand)

	1999		2000		2001		2002 FY	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
All industries	316	15.0	345	9.2	318	8.0	341	7.3
Manufacturing industry	258	16.1	281	8.8	263	6.2	280	6.5
Non-manufacturing industry	58	10.2	65	11.4	54	16.2	60	11.3

Figure 21. Number of employees by type of sector



Note: cannot be provided due to the change in categories.

Figure 22. Number of employees by region

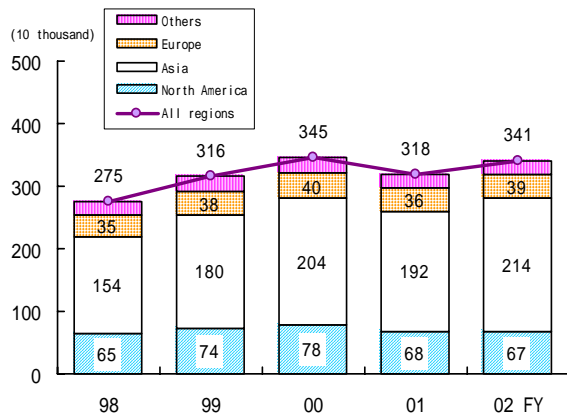
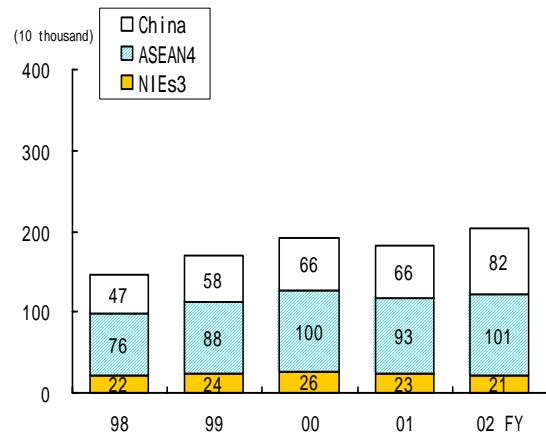


Figure 23. Number of employees in Asia



7. Selling and procurement of manufacturing industries in China

- Looking at the local selling of manufacturing industries in China, it rose substantially over the last five years to become 2.6 times as much as that in 1997. The ratio for overseas affiliates to the whole-selling in China increased by 8.7%.
- The amount of selling to Japan rose by 2.4 times while the ratio showed only a small increase of 1.5 percentage point. Although the selling to Asia rose by 1.5 times, the ratio fell by 5.5 percentage point (see Figure 24).
- The amount of local procurement rose significantly to become 2.8 times greater than that from five years ago. The ratio of local procurement to the whole procurement also rose by 12.6 percentage point.
- The amount of procurement from Japan and Asia increased by 1.8 times and 1.2 times while the ratio decreased by 5.0% and 9.2%, respectively (see Figure 25).
- The ratio of the local selling and the local procurement became more than half of the total amount for the first time, at 56.6% and 52.4%, respectively.

Note: "China" does not include Hong Kong.

Figure 24. Amount and ratio of selling for manufacturing industries in China

(Unit: ¥ billion, %)

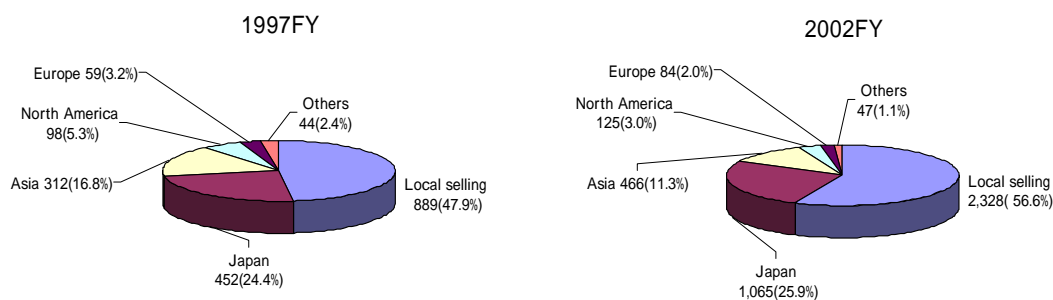


Figure 25. Amount and ratio of procurement for manufacturing industries in China

(Unit: ¥ billion, %)

