

## **Summary of the 34th Survey on Overseas Business Activities (conducted in July 2004)**

March 23, 2005

### **Trend of overseas affiliates in the fiscal year 2004 survey**

- Both the overseas production ratio and the current profits were the highest ever. Asia continued to be active, led by China and ASEAN 4.
- The number of new overseas affiliates decreased, shifting from a continuous upward trend. The number of overseas affiliates withdrawn from overseas decreased, but still remained at a high level.

### **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 15.5%, and broke the previous highest record set the year before.

#### **2. Sales and current profits reached a record high. Asia showed strong growth.**

Sales hit a record high of 145 trillion yen, up by 4.8% from the previous year, and broke the previous highest record set the year before (It rose by 5.2% in a comparison among companies that gave a valid response for both the previous year and this year.).

The information and communication electronics equipment sector recovered (up by 17.8% from the previous year). The transport equipment sector and the wholesaling and retailing sector both showed their fourth straight year of increase, increasing by 9.2% (id.) and 0.7% (id.), respectively. The amount for Asia continued to be favorable, up by 8.2% (id.). In Asia, China and ASEAN4 showed significant increases of 11.5% (id.) and 15.8% (id.), respectively.

Current profits amounted to the highest ever at 4.6 trillion yen, up by 24.8% from the previous year (It rose by 25.9% in a comparison among companies that gave a valid response for both the previous year and this year). The amount for manufacturing industries rose by 15.8% (id.) and that for non-manufacturing industries rose by 40.9% (id.), both reaching a record high.

#### **3. The number of new overseas affiliates decreased, shifting from a continuous upward trend. The number of overseas affiliates withdrawn from overseas decreased, but still remained at a high level.**

The number of newly established or capital participating overseas affiliates decreased, shifting from a continuous upward trend for the first time since FY1998, and marked 377 this year, a fall of 274 from the previous year. The number for China decreased by

131 to 176, down for the first time in 4 years.

The number of overseas affiliates withdrawn from overseas decreased by 98 to 602, but still remained at a high level. The decrease was seen in both manufacturing industries, and non-manufacturing industries, decreasing by 96 and 2, respectively. The number for Asia decreased significantly by 60, and those for North America and for Europe also decreased.

**4. Employment increased in Asia, in particular in China.**

The number of employees increased by 9.2% from the previous year to 3.72 million, up for the second consecutive year (It increased by 5.9% in a comparison among companies that gave valid a response for both the previous year and this year). The number for Asia increased by 13.9% (id.), and in particular, that for China increased significantly by 26.2% (id.). The number for Europe also increased by 4.1% (id.), while that for North America fell for the third consecutive year by 1.2% (id.).

**5. The amount of capital investment in manufacturing industries was 2.1 trillion yen. There were increases in the amount for Europe and for China and ASEAN4 in Asia.**

The amount of capital investment in manufacturing industries rose by 4.4% from the previous year to 2.1 trillion yen. The amount for the steel sector decreased by 21.3% (id.), but that for the transport equipment sector sustained a high level of 8.1% (id.). The amount for Europe rose by 18.8% (id.). In Asia, which posted an increase of 10.7% (id.), China (up by 23.3% (id.)) and ASEAN4 (up by 13.6% (id.)) showed increases, while NIEs3 decreased by 12.9% (id.) (after eliminating the influence of large companies that had not submitted the forms).

**6. The amount of local procurement of manufacturing industries increased.**

The amount of local procurement of manufacturing industries in Asia was 53.5%, hitting a record high. In Asia, especially in ASEAN4 and NIES, it increased significantly from 51.7% to 55.9% and from 47.7% to 51.8%, respectively, hitting a record high.

**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, 2004, 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 a 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, 2004, on the actual results of FY2003 and those of the end of FY2003, as of March 31, 2004 or the closest closing date before that.

### **5. Collection**

Response rate: 64.9%

Number of companies that gave a valid response: parent companies 2,411

Overseas affiliates 13,856

**Note:**

**1. Conversion**

The currency unit is ¥, in principle.

It should be taken into consideration that compared to the previous year, the yen became stronger against most of the currencies of countries to which the surveyed overseas affiliates belonged, (e.g., the yen rose against the U.S. dollar from ¥125.39/US\$ to ¥115.93/US\$, up by 7.5% 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, Currency conversion table” 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 FY2000 and those in FY2001, as the figures were counted in accordance with the new classification, in effect since FY2001, along with the revision of the Japanese Standard Industry Classification.
4. As for the overseas production ratio and the overseas capital investment ratio, the calculation methods were changed as follows:

[The overseas production ratio]

(Old) “Sales of overseas affiliates (manufacturing industries)”

/ “Sales of domestic companies (manufacturing industries)” × 100

(New) “Sales of overseas affiliates (manufacturing industries)”

/ (“Sales of domestic companies (manufacturing industries)”

+ “Sales of overseas affiliates (manufacturing industries)”) × 100

[The overseas capital investment ratio]

(Old) “The amount of capital investment of overseas affiliates”

/ “The amount of capital investment of domestic companies” × 100

(New) “The amount of capital investment of overseas affiliates”

/ (“The amount of capital investment of domestic companies”

+ “The amount of capital investment of overseas affiliates”) × 100

## **1. Overseas expansion (ex. the establishment, etc.) and withdrawal of overseas affiliates**

### **(1) Overseas expansion**

- The number of newly established or capital participating overseas affiliates, which had been on an upward trend from the bottom in FY1998, decreased significantly in FY2003, and marked 377, down by 274 from the previous year. The number for manufacturing industries fell by 152 (id.) to 154, down for the second consecutive year, and that for non-manufacturing industries fell by 122 (id.) to 223, down for the first time in two years. The number for non-manufacturing industries exceeded that for manufacturing industries for the second consecutive year (see Figure 1).
- By type of sector, there were significant decreases in the number for the wholesaling and retailing sector (down by 69 (id.) to 105), the general machinery sector (down by 30 (id.) to 11), the transport equipment sector (down by 25 (id.) to 34), the information and communication and transportation sector (down by 24 (id.) to 46). (see Figure 2).
- In terms of region, the number fell in North America for the third consecutive year by 21 (id.) to 44. There was a sharp drop in Asia (down by 204(id.) to 241), among which it decreased in China for the first time in four years by 131 (id.) to 176. There was a decrease also in Europe by 41 (id.) to 59 (see Table 3).

### **(2) Withdrawal**

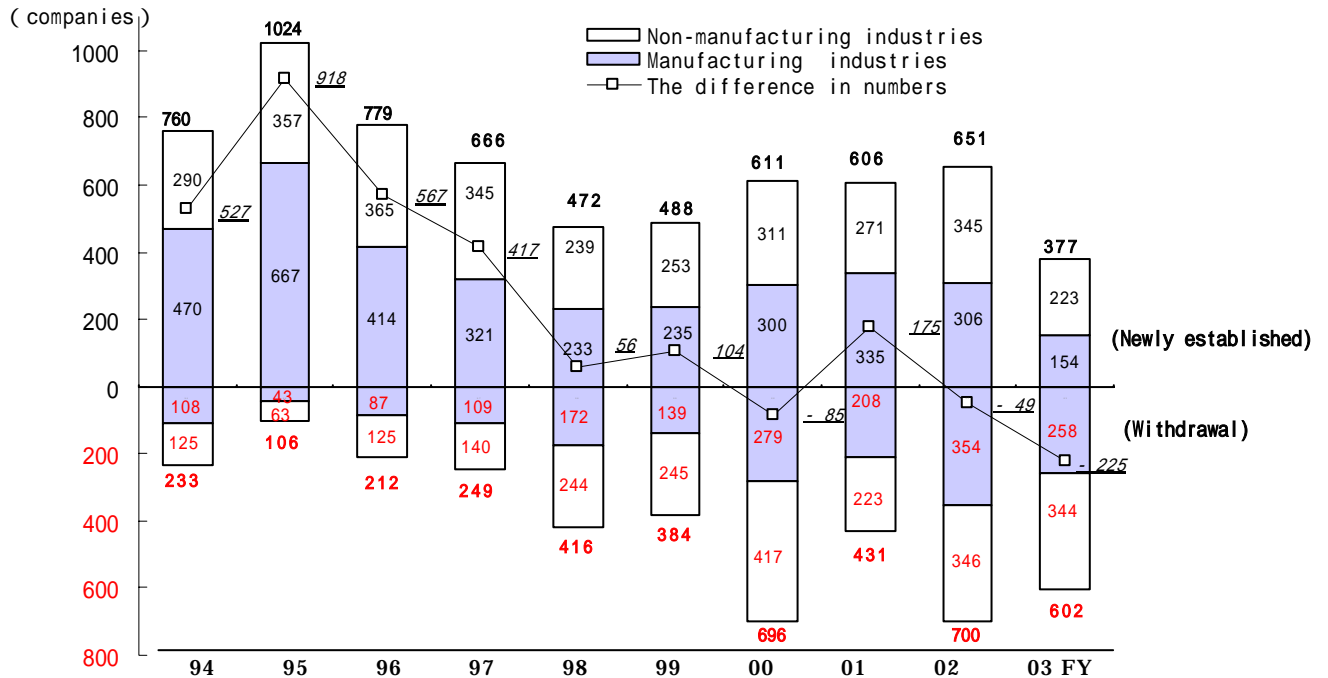
- The number of affiliates withdrawn<sup>1</sup> from overseas decreased by 98 compared to the previous year to 602, down for the first time in two years, but still sustained a high level. Both manufacturing and non-manufacturing industries shifted to decrease after increases in the previous year, by 96 (id.) to 258 and by 2 (id.) to 344 respectively (see Figure 1).
- By type of sector, significant decreases were observed in the information and communication machinery sector by 40 (id.) to 34, the chemical sector by 27 (id.) to 26 (manufacturing industries), and in the wholesaling and retailing sector by 22 (id.) to 140 and the information and communication and transportation sector by 21 (id.) to 40 (non-manufacturing industries) (see Figure 4).
- In terms of region, the number for Asia decreased by 60 (id.) to 263, and that for North America and Europe also decreased by 38 (id.) to 135 and by 19 (id.) to 105, respectively (see Table 5).
- The ratio of withdrawal<sup>2</sup> decreased by 0.7 points from the previous year to 4.3%, and showed a higher rate in North America at 4.8%, while it was below the average in Asia at 3.6% (see Table 5).

---

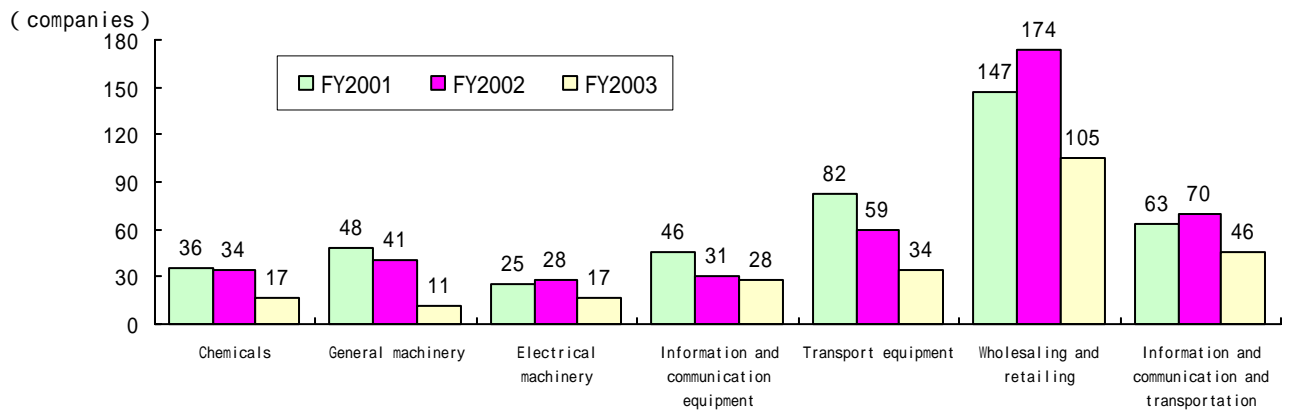
<sup>1</sup> “Withdrawal” includes “liquidation” (including dissolution and bankruptcy) and “drop in the share of controlling” (when the investment ratio declines to the range of over 0% to less than 10%).

<sup>2</sup> Ratio of withdrawal = Number of affiliates withdrawn in 2003 / (Total number of affiliates with valid response in 2003 + Number of affiliates withdrawn in 2003) × 100

**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)**

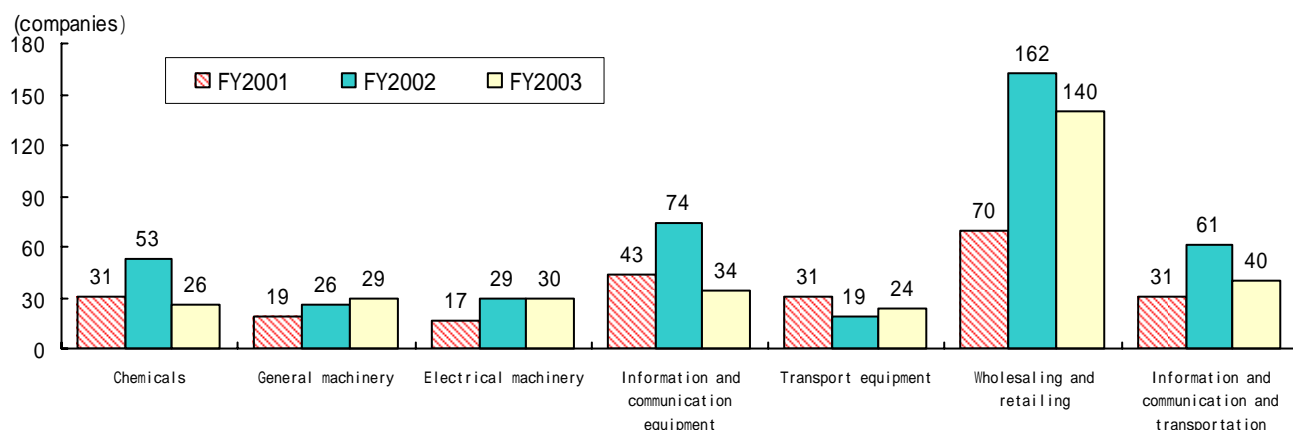


**Table 3. Number of overseas affiliates by year of establishment or capital participation (by region)**

(Unit: companies)

	94	95	96	97	98	99	00	01	02	03 FY
All regions	760	1024	779	666	472	488	611	606	651	377
North America	80	91	118	105	79	107	107	94	65	44
Asia	550	752	509	414	238	242	319	388	445	241
China	333	382	170	160	97	96	141	221	307	176
Europe	73	111	91	80	88	90	113	81	100	59

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



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

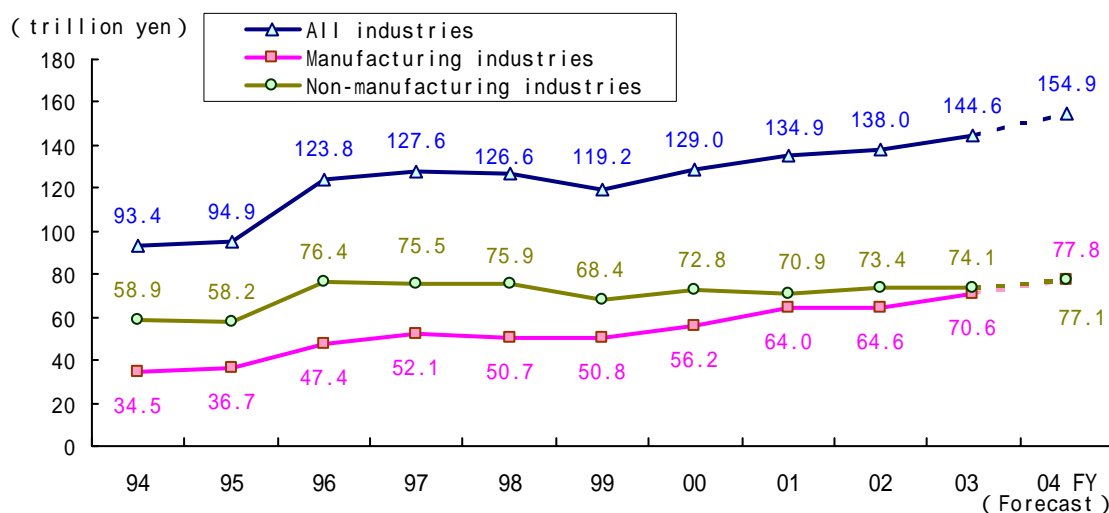
(Unit: companies)

	94	95	96	97	98	99	00	01	02	03 FY	Ratio of affiliates withdrawn in FY2003
All regions	233	106	212	249	416	384	696	431	700	602	4.3
North America	69	32	67	90	148	128	194	142	173	135	4.8
Asia	95	29	59	69	147	138	285	134	323	263	3.6
China	22	10	16	19	50	58	110	45	108	94	3.5
Europe	50	33	49	52	65	64	126	80	124	105	4.4

## 2. Sales

- Sales hit a record high of 145 trillion yen, up by 4.8% compared to the previous year. It rose by 5.2% in a comparison among companies that gave a valid response for both the previous year and this year. The amount for manufacturing industries increased by 9.3% from the previous year to 70.6 trillion, and that for non-manufacturing industries also increased by 0.9% (id.) to 74.1 trillion yen (see Figure 6).
- By type of sector, the information and communication machinery sector recovered from a decline in the previous year, up by 17.8% (id.). Major sectors all increased, such as the transport equipment sector (up by 9.2% (id.)) and the wholesaling and retailing sector (up by 0.7% (id.)) (see Figure 7).
- In terms of region, the amount for Asia increased by 8.2% (id.) to 43.3 trillion yen, and that for Europe also increased by 16.0% (id.) to 32.1 trillion yen. In contrast, it declined in North America for the second consecutive year by 1.1% (id.) to 58.0 trillion yen (see Figure 8). In Asia, China and ASEAN4 sustained a high growth of 11.5% (id.) and 15.8% (id.), respectively (see Figure 9).
- The overseas production ratio (calculated on the total number of domestic companies)<sup>3</sup> for manufacturing industries increased by 0.9 points compared to the previous year to mark a record high of 15.5%, up for the fourth consecutive year (see Figure 10).

Figure 6. Changes in sales



<sup>3</sup> The calculation method of overseas production ratio has been changed as follows:

[On the basis of domestic companies]

$$\text{(Old)} = \frac{\text{“Sales of overseas affiliates (manufacturing)”}}{\text{“Total sales of domestic companies (manufacturing)”}} \times 100$$

$$\text{(New)} = \frac{\text{“Sales of overseas affiliates (manufacturing)”}}{\text{“Total sales of domestic companies (manufacturing)”} + \text{“Sales of overseas affiliates (manufacturing)”}} \times 100$$

[On the basis of companies with overseas affiliates]

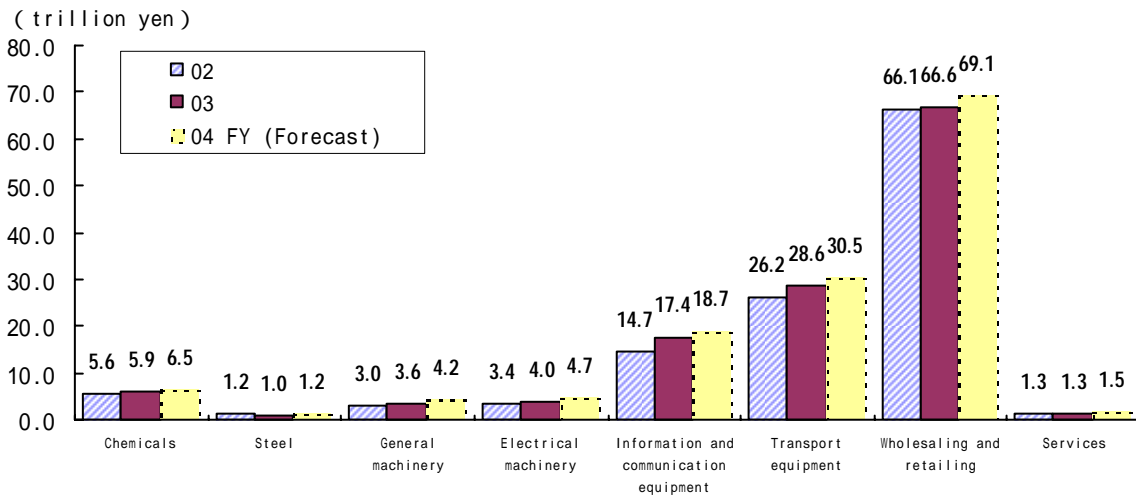
$$\text{(Old)} = \frac{\text{“Sales of overseas affiliates (manufacturing)”}}{\text{“Sales of parent companies (manufacturing)”}} \times 100$$

$$\text{(New)} = \frac{\text{“Sales of overseas affiliates (manufacturing)”}}{\text{“Sales of parent companies (manufacturing)”} + \text{“Sales of overseas affiliates (manufacturing)”}} \times 100$$

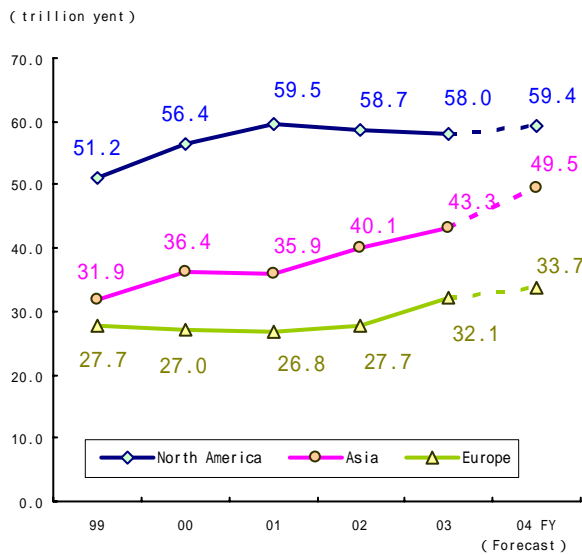
The figures for “sales of domestic companies” are from Financial Statements Statistics of Corporation (Ministry of Finance).



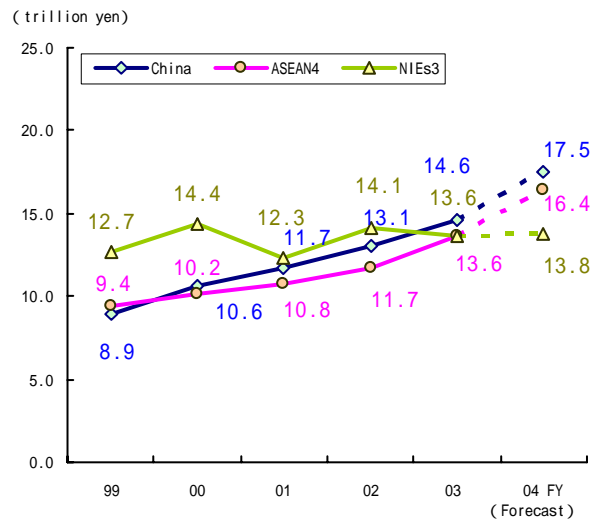
**Figure 7. Amount of sales by type of sector**



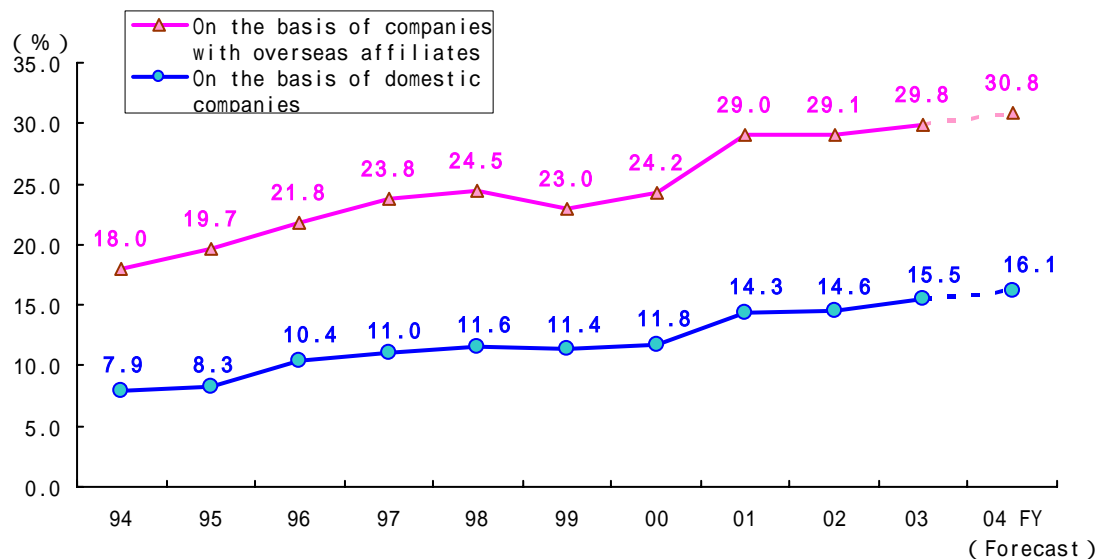
**Figure 8. Changes in the sales by region**



**Figure 9. Changes in the sales in Asia**



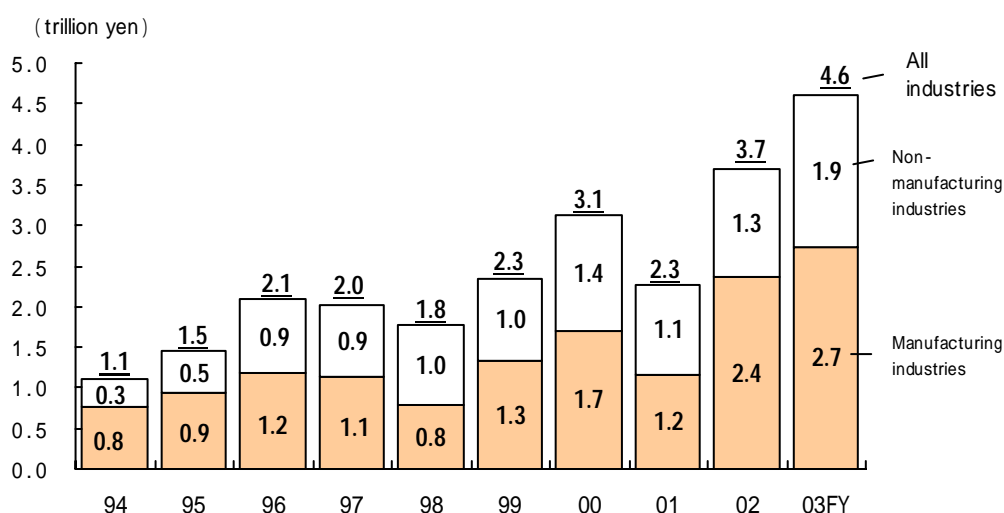
**Figure 10. Changes in the overseas production ratio of manufacturing industries**



### 3. Profit

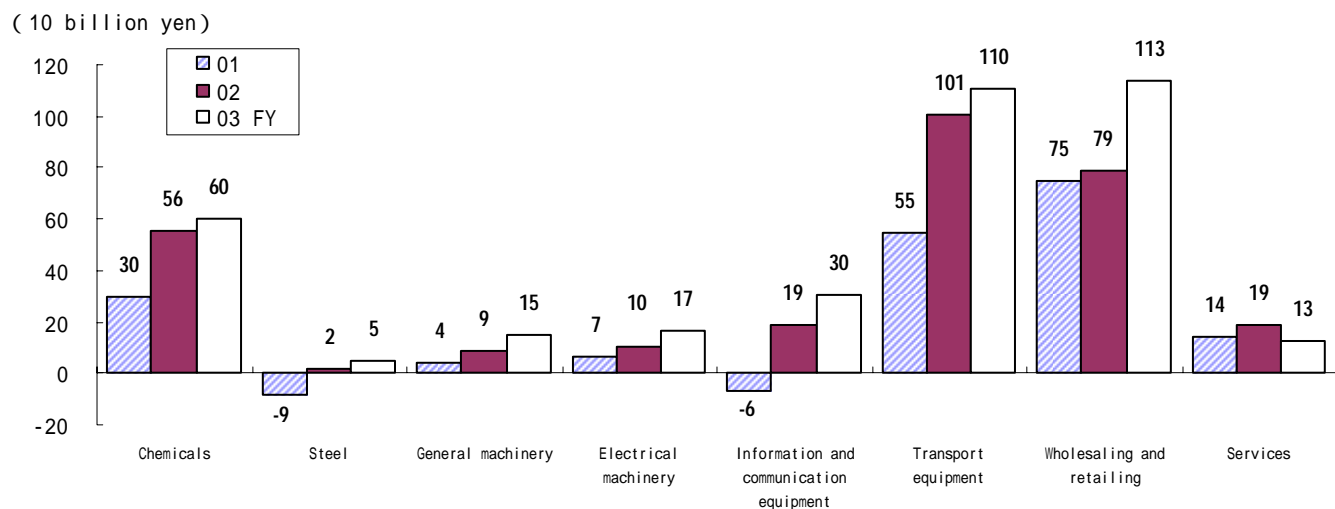
- The current profits amounted to the highest ever at 4.6 trillion yen, up by 24.8% from the previous year (It rose by 25.9% in a comparison among companies that gave a valid response for both the previous year and this year). The amount for manufacturing industries increased by 15.8% (id.) to 2.7 trillion yen, and that for non-manufacturing industries also increased by 40.9% (id.) to 1.9 trillion yen, both reaching a record high (see Figure 11).
- By type of sector, in manufacturing industries, the general machinery sector, the electrical machinery sector, and information and communication equipment sector showed significant increases, up by 69.5% (id.), 67.8% (id.), and 59.2% (id.), respectively. The transport equipment also remained active. In non-manufacturing industries, the wholesaling and retailing sector showed a significant increase, up by 44.1% (id.) (see Figure 12).
- In terms of region, it continued to increase in Europe by 22.7% (id.), in Asia by 18.5% (id.), and in North America by 12.1% (id.) (see Figure 13). In Asia, China and ASEAN4 showed great increases of 34.9% (id.) and 18.0% (id.), respectively (see Figure 14).
- The ratio of current profits<sup>4</sup> to sales improved by 0.5 points from the previous year to 3.3% and exceeded that of domestic companies for the second consecutive year. The ratio for manufacturing industries increased by 0.3 points (id.) to 4.4%, breaking the record of the previous year, and that for non-manufacturing industries recovered from a decline in the previous year, rising 0.7 points (id.) to 2.4%. In terms of region, the ratio for Asia remained at a high level, up by 0.4 points (id.) to 4.3%, and that for North America and for Europe also increased by 0.4 points (id.) to 3.1% and by 0.2 points (id.) to 1.6%, respectively (see Table 15).

Figure 11. Changes in current profits

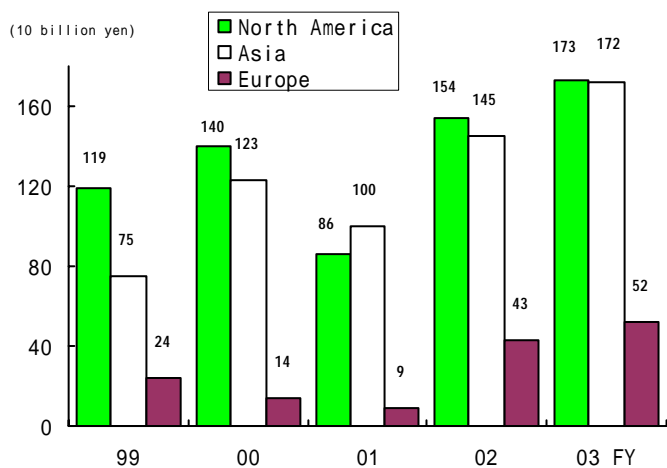


<sup>4</sup> Ratio of current profit to sales = Current profit / Sales × 100 (calculated on figures from affiliates that responded to questionnaires for both current profit and sales.)

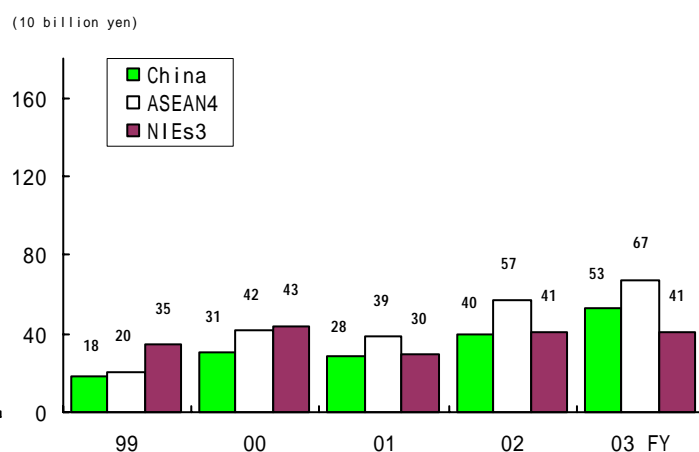
**Figure 12. Amount of current profits by type of sector**



**Figure 13. Changes in current profits by region**



**Figure 14. Changes in current profits in Asia**



**Table 15. Changes in the ratio of current profits to sales**

(Unit: %)

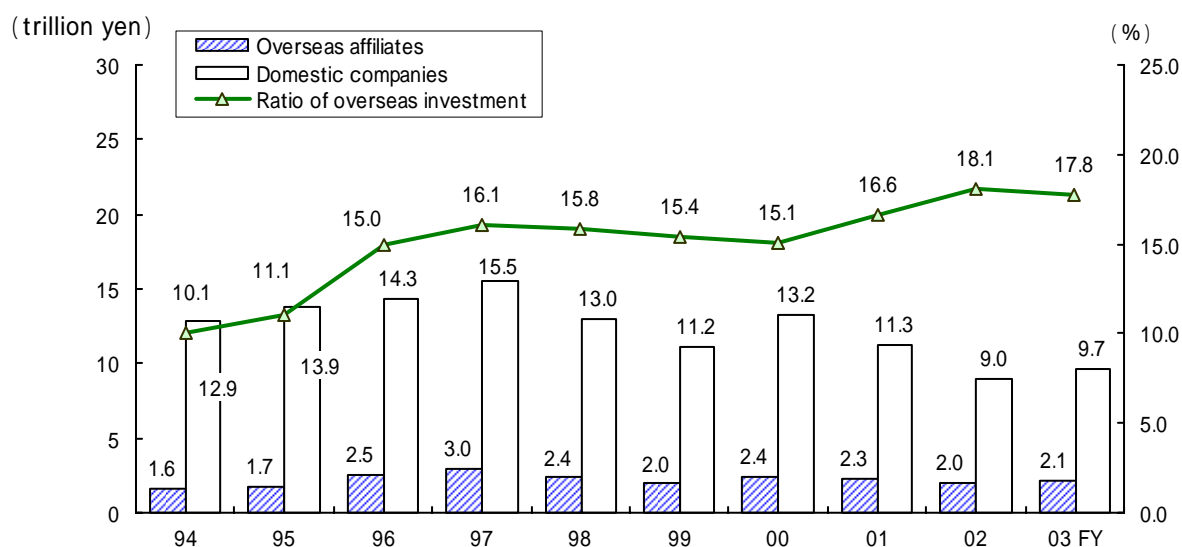
	94	95	96	97	98	99	00	01	02	03 FY
All industries	1.6	1.9	1.9	1.8	1.6	2.4	2.9	2.0	2.8	3.3
Manufacturing industries	2.9	3.1	2.9	2.7	1.9	3.2	3.9	2.2	4.1	4.4
Non-manufacturing industries	-	-	-	-	-	-	-	1.8	1.7	2.4
North America	0.9	1.8	1.4	1.9	2.0	3.0	3.1	1.7	2.7	3.1
Asia	2.7	4.5	2.9	1.5	1.6	2.7	3.7	3.2	3.9	4.3
Europe	0.4	1.3	0.6	1.4	0.9	1.0	0.6	0.4	1.4	1.6
Domestic companies	1.5	1.8	1.9	1.9	1.5	1.9	2.5	2.1	2.3	2.7

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

#### 4. Capital investment

- The amount of capital investment in the manufacturing industries decreased by 12.9% from the previous year to 2.1 trillion yen (If calculated after eliminating the influence of large companies that had not submitted the forms, it increased by 4.4% (id.); the following ratios to the previous year were all calculated in the same way after eliminating the influence of large companies that had not submitted the forms.). The ratio of overseas investment<sup>5</sup> decreased by 0.3 points from the previous year to 17.8% as a result of an increase in domestic companies (see Figure 16).
- By type of sector, the amount for the steel sector decreased by 21.3% (id.), however, the amount for the information and communication equipment sector and that for the electrical machinery sector were favorable, increasing by 22.7% (id.) and by 12.2% (id.), respectively. The amount for the transport equipment sector sustained a high level, up by 8.1% (id.) (see Figure 17).
- In terms of region, the amount for all of Asia increased by 10.7% (id.). There were increases in the amount for China (up by 23.3% (id.)), and for ASEAN4 (up by 13.6% (id.)), due to a favorable condition in the transport equipment sector. In contrast that for NIEs3 decreased by 12.9% (id.) (see Figure 18 and Figure 19).

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



<sup>5</sup> The calculation method of the ratio of overseas investment has been changed as follows:

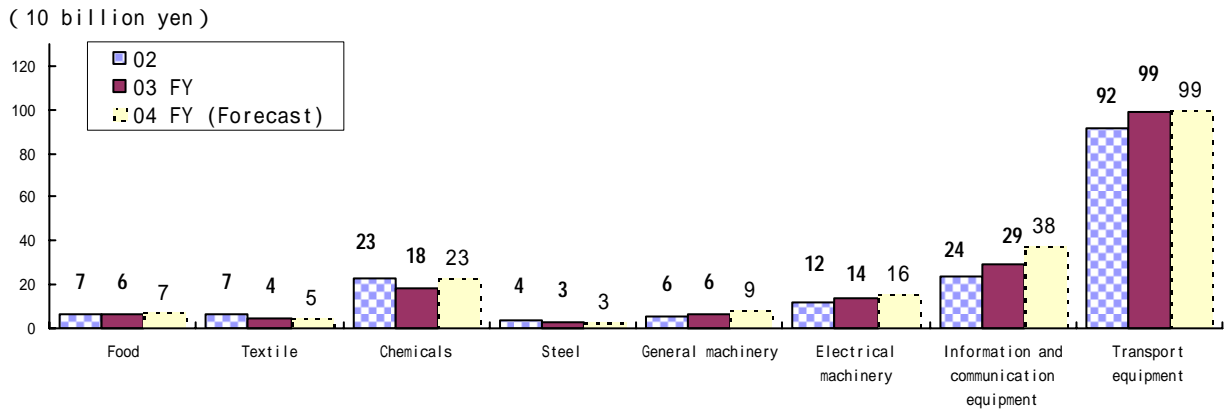
(Old) = "Capital investment amount of overseas affiliates"

/ "Capital investment amount of domestic companies" × 100

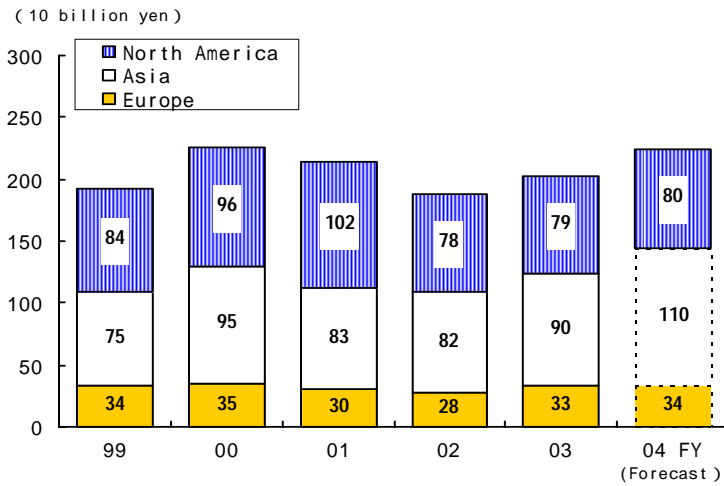
(New) = "Capital investment amount of overseas affiliates" / ("Capital investment amount of domestic companies" + "Capital investment amount of overseas affiliates") × 100

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

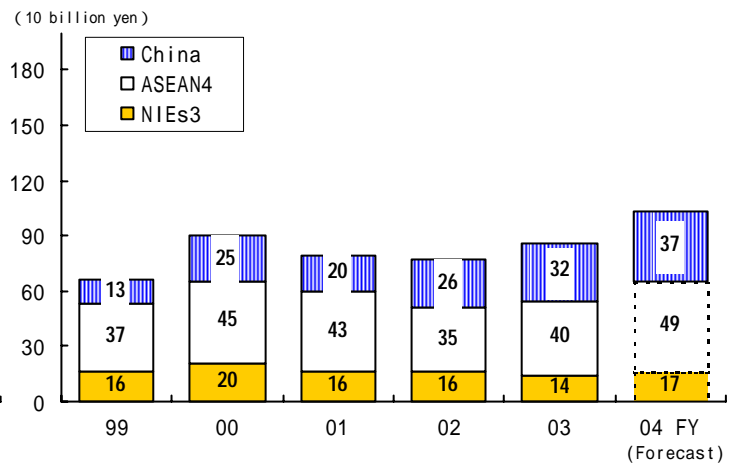
**Figure 17. Amount of capital investment by type of sector**



**Figure 18.**  
**Amount of capital investment by region**



**Figure 19.**  
**Amount of capital investment in Asia**



## 5. Employment

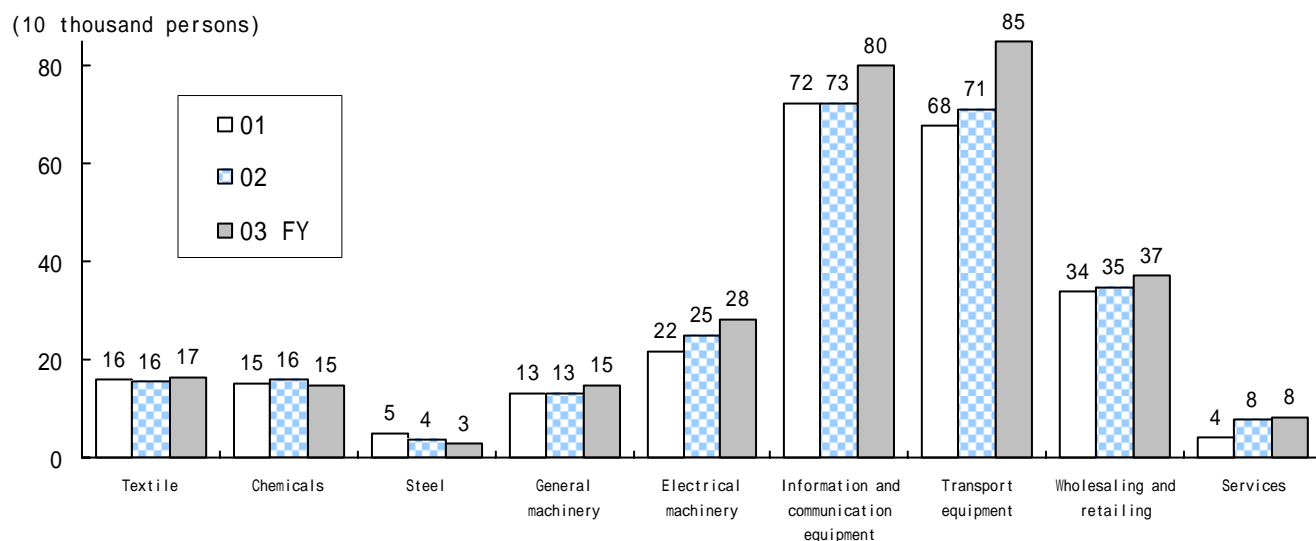
- The number of employees increased by 9.2% compared to the previous year to 3.72 million, up for the second consecutive year, hitting a record high. It rose by 5.9% in a comparison among companies which gave a valid response for both the previous year and this year. The number for manufacturing and non-manufacturing industries both increased by 9.7% (id.) to 3.08 million and by 6.9% (id.) to 0.64 million, respectively (see Table 20).
- By type of sector, there were significant increases in the number for the transport equipment sector (up by 19.7% (id.)) and that for the information and communication equipment sector (up by 10.7% (id.)) (see Figure 21).
- In terms of region, the number for Asia, which accounted for 60% of the total, increased by 13.9%, up for the second consecutive year, to reach a record high. The number for Europe also increased by 4.1%, while that for North America declined for the third consecutive year by 1.2% (see Figure 22). In Asia, the number for China increased significantly by 26.2%, due to favorable conditions in the transport equipment sector and the information and communication equipment sector (see Figure 23).

**Table 20. Changes in the number of employees**

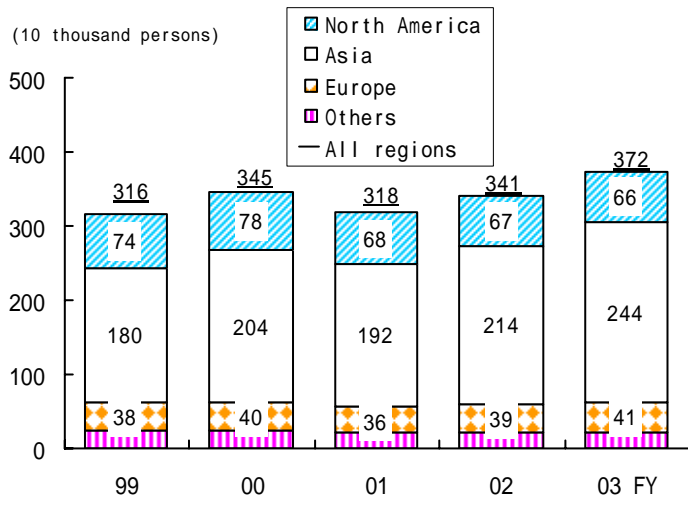
(Unit: 10 thousand persons)

	00		01		02		03 FY	
		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison		Year-on-year comparison
All industries	345	9.2	318	-8.0	341	7.3	372	9.2
Manufacturing industries	281	8.8	263	-6.2	280	6.5	308	9.7
Non-manufacturing industries	65	11.4	54	-16.2	60	11.3	64	6.9

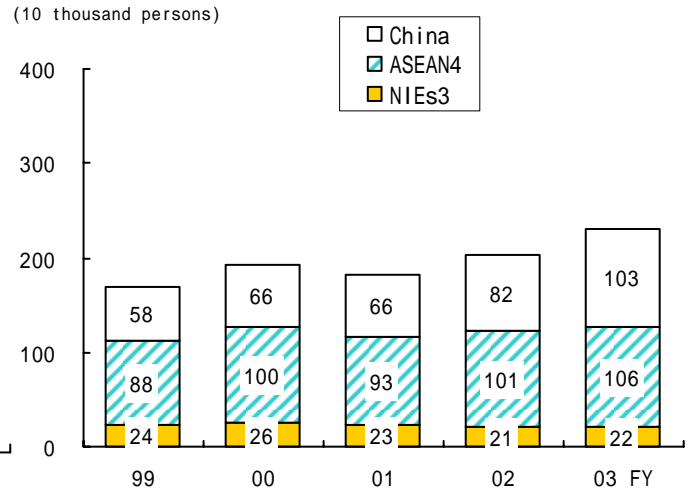
**Figure 21. Number of employees by type of sector**



**Figure 22. Number of employees by region**



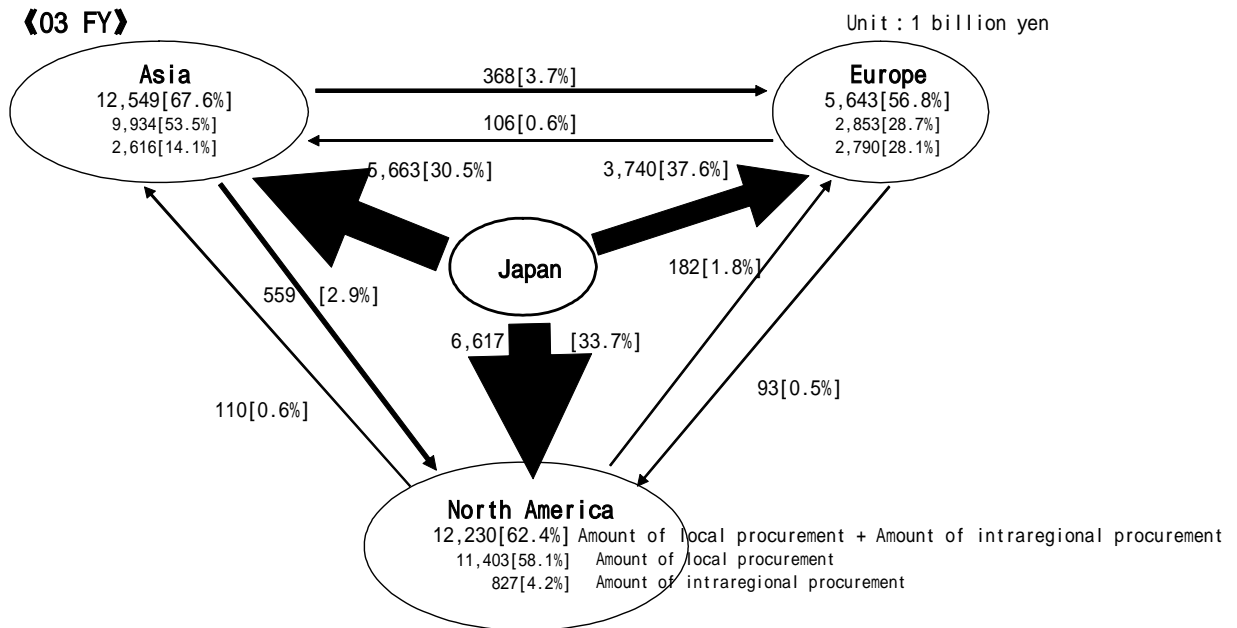
**Figure 23. Number of employees in Asia**



## 6. Local procurement of manufacturing industries

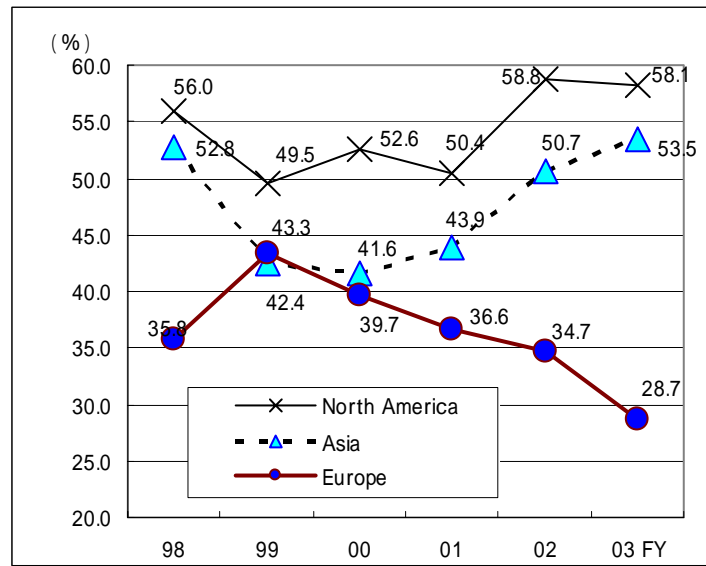
- Looking at the ratio of local procurement of manufacturing industries, North America decreased by 0.7 points from the previous year, but it still remained at a high level at approximately 60%. The ratio in Asia increased for the third consecutive year to reach a record high at 53.5% (see Figure 24 and Figure 25).
- The ratio of local procurement in Europe decreased for the fourth consecutive year, after hitting a peak at 43.3% in 1999. It was approximately 30%, which was only the half of that in North America and in Asia (see Figure 25). However, the ratio of intraregional procurement (including local procurement) increased by 5.0 points from the previous year to 56.8%, which indicates a progress of intraregional procurement (see Figure 25 and Figure 26).
- In Asia, the ratio of local procurement of manufacturing industries in China increased only slightly, while that in ASEAN4 and in NIES increased significantly from 51.7% to 55.9% and from 47.7% to 51.8%, respectively, hitting a record high (see Figure 27).

Figure 24. Amount of procurement for manufacturing industries by source region

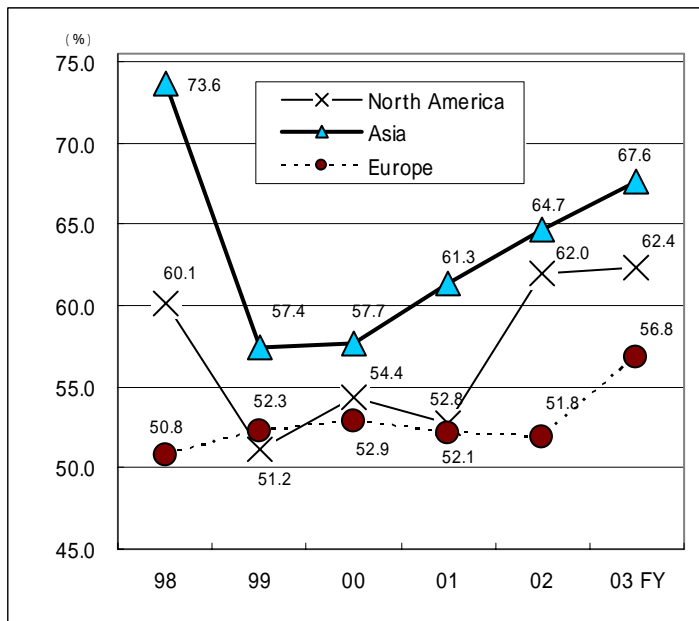




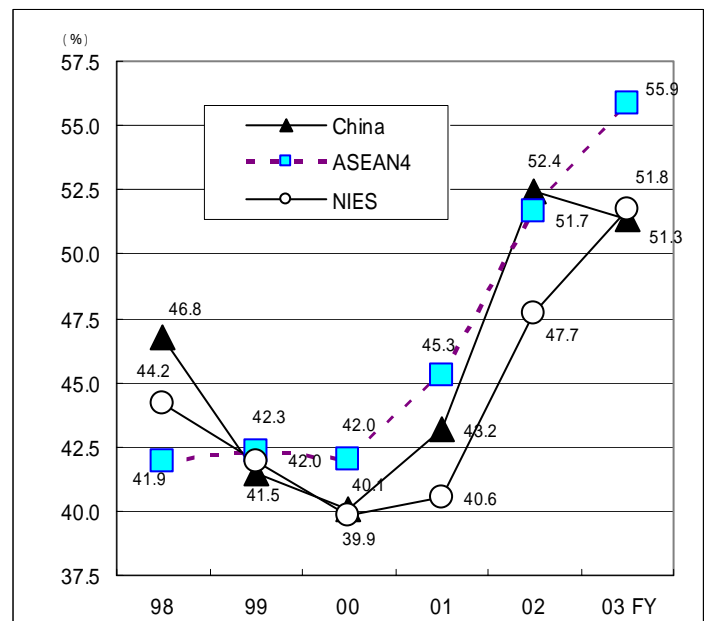
**Figure 25. Changes in ratio of local procurement for manufacturing industries**



**Figure 26. Changes in ratio of intraregional procurement (including local procurement) for manufacturing industries**



**Figure 27. Changes in ratio of local procurement for manufacturing industries in Asia**



Note: ASEAN4 means Malaysia, Thailand, Indonesia, and Philippines. NIEs means Singapore, Taiwan, Korea, and Hong Kong. China does not include Hong Kong.