Summary of the 40th Survey on Overseas Business Activities (conducted in July 2010)

Trends of overseas affiliates in the fiscal year (FY) 2009 survey
• The overseas production ratio was 17.0%, unchanged compared with the previous year. • Overseas affiliates posted double-digit sales reductions. Increases in ordinary profits, current net profits, and current retained earnings in the manufacturing industry offset the slowdown in the non-manufacturing industry. Capital investment in the manufacturing industry fell dramatically. • The ratio of the number of overseas affiliates in China against the total number in the whole world reached 30%. • The ratio of sales at overseas affiliates in manufacturing industries rose in Asia, as did the ratio of regional sales in North America and Europe, and the ratio of local procurements increased in Asia and North America. • The ratio of businesses for which a deciding factor in investments was that "demand growth is expected in the future" was high.

Summary of findings

1. The overseas production ratio was 17.0%, unchanged compared with the previous year.

The overseas production ratio for manufacturing industries (based on all domestic companies) was 17.0%, unchanged compared with the previous year. By sector, overseas production ratios were high, such as in transportation equipment sector (39.3%), information and communication electronics equipment sector (26.1%), and general-purpose machinery sector (21.2%).

2. Overseas affiliates posted double-digit sales reductions. Increases in ordinary profits, current net profits, and current retained earnings in the manufacturing industry offset the slowdown in the non-manufacturing industry. Capital investment in the manufacturing industry fell dramatically.

Sales of overseas affiliates amounted to 164.5 trillion yen (18.5% decrease as compared to the previous year; 16.8% decrease if only comparing companies that gave valid responses for this year and the previous year).

Ordinary profits amounted to 7.0 trillion yen (4.3% decrease (id.); 4.2% decrease (id.)).

Current net profits amounted to 4.7 trillion yen (5.1% increase (id.); 7.3% increase (id.)).

The amount of current retained earnings of overseas affiliates was 1.9 trillion yen (1.4% increase; 5.9% decrease (id.)).

The amount of capital investment (manufacturing industries) was 2.1 trillion yen (43.0% decrease (id.); 44.3% decrease (id.)).

Although sales saw double-digit declines, increases in ordinary profits, current net profits, and current retained earnings in the manufacturing industry offset the slowdown in the non-manufacturing industry, resulting in only a minor change. However, capital investment in manufacturing industries registered a substantial decrease of more than 40%.

By region, decreases in sales were observed in all of North America, Asia, and Europe, with the decline being largest in Europe.

3. The ratio of the number of overseas affiliates in China against the total number in the whole world reached 30%.

Asia accounted for more than 60% of the total number of overseas affiliates, which amounted to 18,201.

The ratio of those in China and other Asian countries, such as Vietnam and India, has been on the rise, with China accounting for 30% of the total.

4. The ratio of sales at overseas affiliates in manufacturing industries rose in Asia, as did the ratio of regional sales in North America and Europe, and the ratio of local procurements increased in Asia and North America.

The sales ratio of overseas affiliates in manufacturing industries increased significantly in Asia (up by 12.3 points), as did the regional sales ratios in North America (up by 20.6 points) and Europe (up by 13.1 points), as compared to FY2000.

The ratio of procurements of overseas affiliates in manufacturing industries also increased substantially in Asia (up by 20.7 points) and North America (up by 10.7 points).

*1 Sales ratio: Percentage of the amount of sales accounted for by the relevant region

*2 Procurement ratio: Percentage of the amount of purchases accounted for by the relevant region

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

Looking at the deciding factors for investments in FY2009, the largest number of businesses—some 70%—responded, "Local product demand is strong, or demand is anticipated in the future." Chronologically, the ratio of businesses that place the expectation of future demand growth in the overseas locality or third countries near the area of advancement as a deciding factor is on the rise.

1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2009 was 18,201 companies, consisting of 8,399 companies in manufacturing industries and 9,802 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 46.1% of the total number of overseas affiliates in all industries (unchanged from the previous year), and those in non-manufacturing industries accounted for 53.9% of the total (unchanged from the previous year) (see Table 1).
- The number of overseas affiliates increased in all regions of North America, Asia, and Europe.
- By region, the number of overseas affiliates in Asia was 11,217, accounting for more than 60% of the total. Within this, the number of overseas affiliates in China was 5,462 (accounting for 30.0% of all regions; up by 0.9 points from the previous year), and the number in other Asian countries, including Vietnam and India, was 679 (3.7% (id.); up by 0.2 points (id.)), both showing an expanding trend (see Table 2 and Figure 1).

Table 1. Distribution of overseas affiliates by sector

(Units: companies, %)

	End of FY2009	Breakdown by sector		
	Number of overseas	FY2008	FY2009	
		Breakdown	Breakdown	Change in points
All industries	18,201	100.0	100.0	-
Manufacturing industries	8,399	46.1	46.1	0.0
		100.0	100.0	-
Food	427	5.0	5.1	0.1
Textiles	395	5.0	4.7	-0.3
Lumber, wood, paper, and pulp	132	1.4	1.6	0.2
Chemicals	1,001	12.5	11.9	-0.6
Petroleum and coal	38	0.6	0.5	-0.1
Ceramic, stone, and clay products	215	2.7	2.6	-0.1
Iron and steel	254	3.5	3.0	-0.5
Non-ferrous metals	262	3.1	3.1	0.0
Metal products	387	4.0	4.6	0.6
General-purpose machinery	293	3.4	3.5	0.1
Production machinery	504	5.5	6.0	0.5
Business oriented machinery	286	3.1	3.4	0.3
Electrical machinery	558	7.1	6.6	-0.5
Information and communication electronics equipment	965	11.8	11.5	-0.3
Transportation equipment	1,681	19.9	20.0	0.1
Miscellaneous manufacturing industries	1,001	11.4	11.9	0.5
Non-manufacturing industries	9,802	53.9	53.9	0.0
		100.0	100.0	-
Agriculture, forestry, and fisheries	103	1.0	1.1	0.1
Mining	159	1.6	1.6	0.0
Construction	265	2.9	2.7	-0.2
Information and communications	565	6.0	5.8	-0.2
Transport	990	11.2	10.1	-1.1
Wholesale trade	4,982	50.7	50.8	0.1
Retail trade	479	4.9	4.9	0.0
Services	1,314	11.4	13.4	2.0
Miscellaneous non-manufacturing industries	945	10.5	9.6	-0.9

Table 2. Distribution of overseas affiliates by region

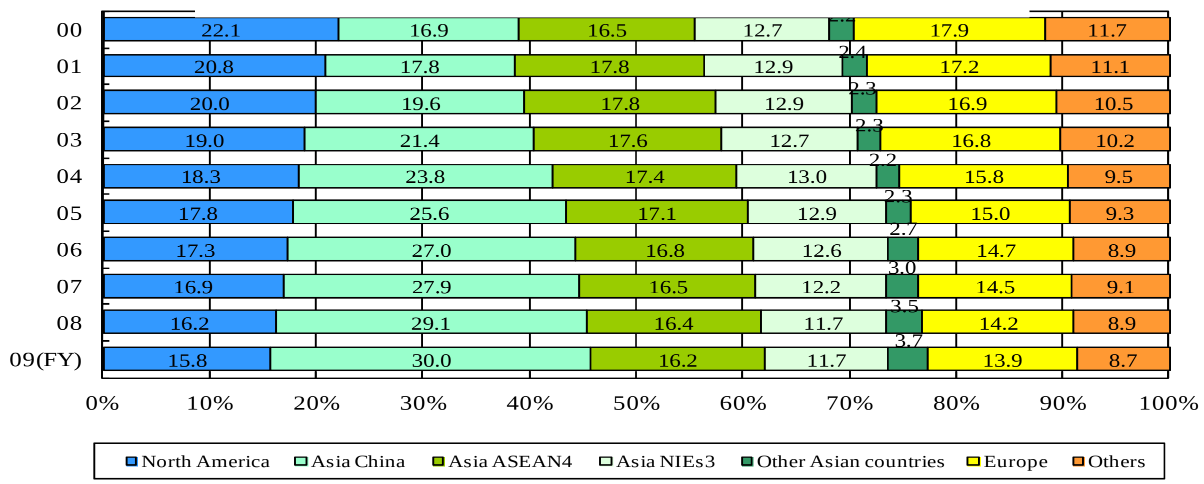
(Unit: companies)

	FY2008	FY2009
All regions	17,658	18,201
North America	2,865	2,872
Asia	10,712	11,217
China	5,130	5,462
ASEAN4	2,891	2,952
NIEs3	2,072	2,124
Other Asian countries	619	679
Europe	2,513	2,522
Others	1,568	1,590

Composition ratio (Unit: %)

	FY2008	FY2009
All regions	100.0	100.0
North America	16.2	15.8
Asia	60.7	61.6
China	29.1	30.0
ASEAN4	16.4	16.2
NIEs3	11.7	11.7
Other Asian countries	3.5	3.7
Europe	14.2	13.9
Others	8.9	8.7

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



2. Withdrawals and advances of overseas affiliates

- The number of overseas affiliates withdrawing from overseas markets(Note 1) in FY2009 was 659 (increased by 187 companies as compared to the previous year). Manufacturing industries saw an increase to 305 companies (up by 73 companies (id.)), and non-manufacturing industries also saw an increase to 354 companies (up by 114 companies (id.)) (see Figure 2).
- The ratio of withdrawals(Note 2) was 3.5% (up by 0.9 points as compared to the previous year). In North America the ratio was 4.6% (increased by 1.9 points (id.)), in Europe the ratio was 3.4% (increased by 1.2 points (id.)), and in Asia the ratio was 3.2% (increased by 0.4 points (id.)), for an increase in all regions. Within Asia, the ratio in China was 3.5% (increased by 0.6 points (id.)), and this rise contributed to the overall increase in Asia (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2009 by year of establishment or capital participation(Note 3) and by region, there was an increase in the percentage of companies that advanced to NIEs3 and North America, while the percentage of those that advanced to Asian countries and Europe declined (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

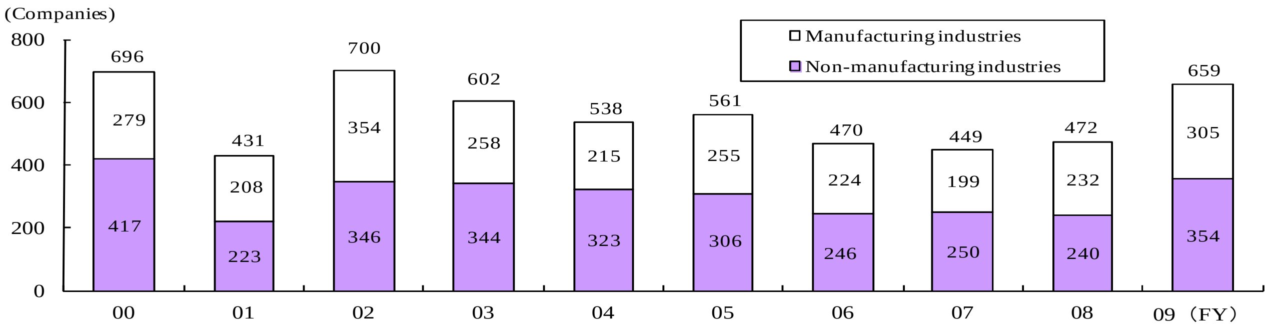
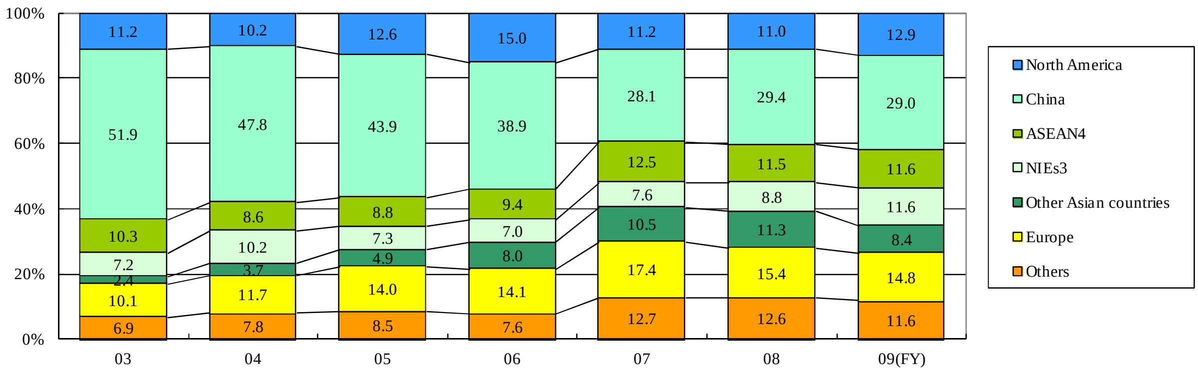


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

(Unit:Companies) (Unit:%)

	Number of overseas withdrawals						Ratio of overseas withdrawals					
	04	05	06	07	08	09(FY)	04	05	06	07	08	09(FY)
All regions	538	561	470	449	472	659	3.5	3.4	2.8	2.6	2.6	3.5
North America	136	137	127	94	81	140	4.7	4.6	4.3	3.2	2.7	4.6
Asia	238	241	231	235	303	371	2.7	2.6	2.3	2.3	2.8	3.2
China	92	109	123	82	151	200	2.5	2.6	2.7	1.7	2.9	3.5
ASEAN4	77	71	52	69	75	90	2.9	2.5	1.9	2.4	2.5	3.0
NIEs3	60	50	45	77	65	68	3.0	2.4	2.1	3.6	3.0	3.1
Europe	98	122	57	85	57	90	4.0	4.9	2.3	3.4	2.2	3.4

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



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

Note 2: Ratio of withdrawals = Number of overseas withdrawals in FY2009 / (Total number of overseas affiliates with valid responses in FY2009 + Number of overseas withdrawals in FY2009) × 100.0

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

3. Employment at overseas affiliates

- The number of employees at overseas affiliates as of the end of FY2009 was 4.70 million people, a 4.1% increase as compared to the previous year (3.4% increase if only comparing companies that gave valid responses for this year and the previous year) (see Table 4).
- The number of employees in manufacturing industries was 3.68 million people, marking an increase of 3.2% as compared to the previous year. By sector, there were increases in the transportation equipment sector (1.14 million people; up by 3.1% as compared to the previous year) and the information and communication electronics equipment sector (790,000 people; up by 8.1% (id.)) in manufacturing industries. The number of employees in non-manufacturing industries was 1.02 million people, which was a 7.3% increase compared to the previous year. By sector, increases were observed in the wholesale sector (410,000 people; up by 2.9% (id.)) and the retail trade sector (180,000 people; up 45.9% (id.)) (see Table 4 and Figure 4).
- By region, the number increased in Asia (3.28 million people; up by 2.2% (id.)) and Europe (470,000 people; up by 12.3% (id.)), but decreased in North America (610,000 people; down by 2.9% (id.)) (see Figure 5).
- In Asia, there were increases in China (1.55 million people; up by 3.4% (id.)), other Asian countries (310,000 people: up by 18.8% (id.)), and NIEs3 (250,000 people; up by 0.8% (id.)), and decreases in ASEAN4 (1.17 million people; down by 2.6% (id.)) (see Figure 6).

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

(Units: 10,000 persons, %)

	05		06		07		08		09(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	436	5.4	456	4.5	475	4.1	452	-4.8	470	4.1
Manufacturing industries	362	6.4	379	4.7	395	4.3	357	-9.8	368	3.2
Non-manufacturing industries	74	0.6	77	3.7	79	3.6	95	19.9	102	7.3

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

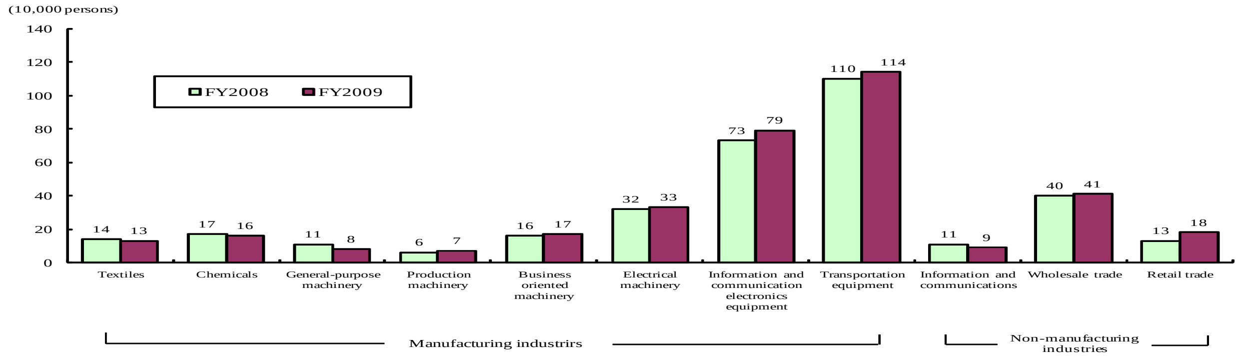


Figure 5. Number of employees at overseas affiliates (by region)

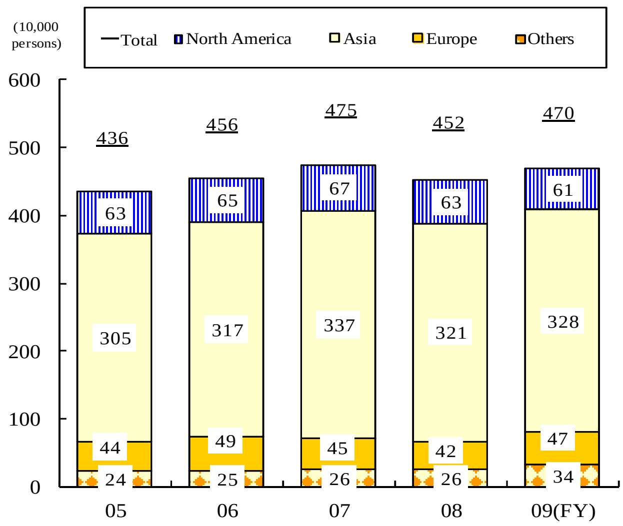
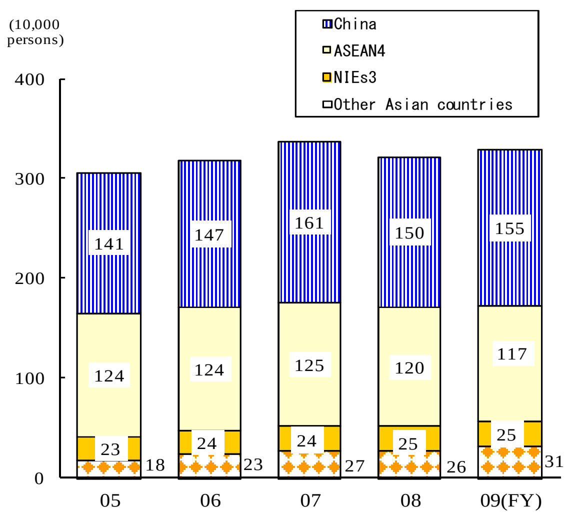


Figure 6. Number of employees at overseas affiliates (in Asia)



4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2009 decreased to 164.5 trillion yen (down by 18.5% as compared to the previous year) (16.8% decrease if only comparing companies that gave valid responses for this year and the previous year) (see Figure 7).
- Sales in manufacturing industries totaled 78.3 trillion yen (down by 14.1% (id.)). By sector, decreases were observed in the transportation equipment sector (37.3 trillion yen; down by 9.2% (id.)) and the information and communication electronics equipment sector (11.3 trillion yen; down by 17.0% (id.)). Sales in non-manufacturing industries amounted to 86.2 trillion yen (down by 22.0% (id.)). By sector, there were decreases in such sectors as the wholesale sector (66.6 trillion yen; down by 22.2% (id.)) (see Figure 7 and Figure 8).
- By region, decreases were seen in all of North America (52.0 trillion yen; down by 16.0% (id.)), Asia (67.3 trillion yen; down by 13.8% (id.)), and Europe (31.1 trillion yen; down by 26.5% (id.)). In Asia, China, ASEAN4, and NIEs3 all saw decreases (see Figure 9 and Figure 10).

Figure 7. Sales trends of overseas affiliates

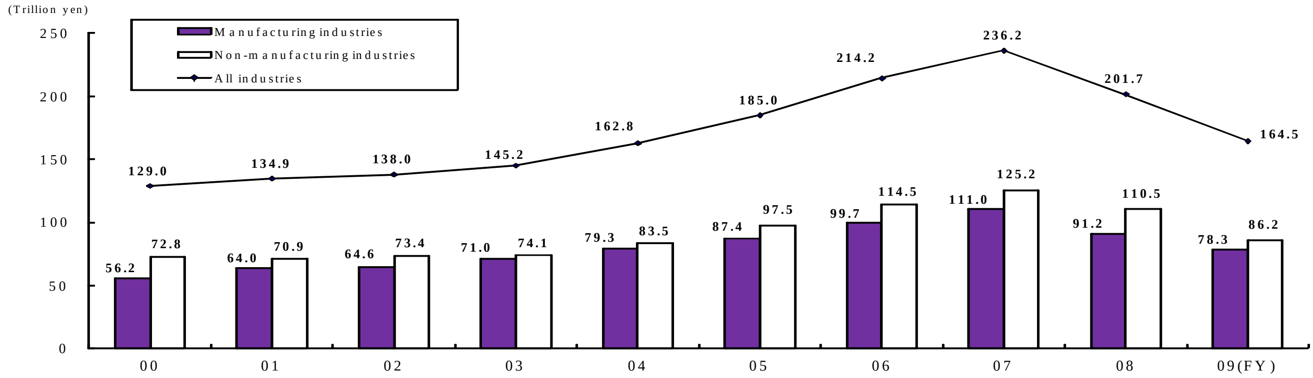


Figure 8. Sales of overseas affiliates (by major sector)

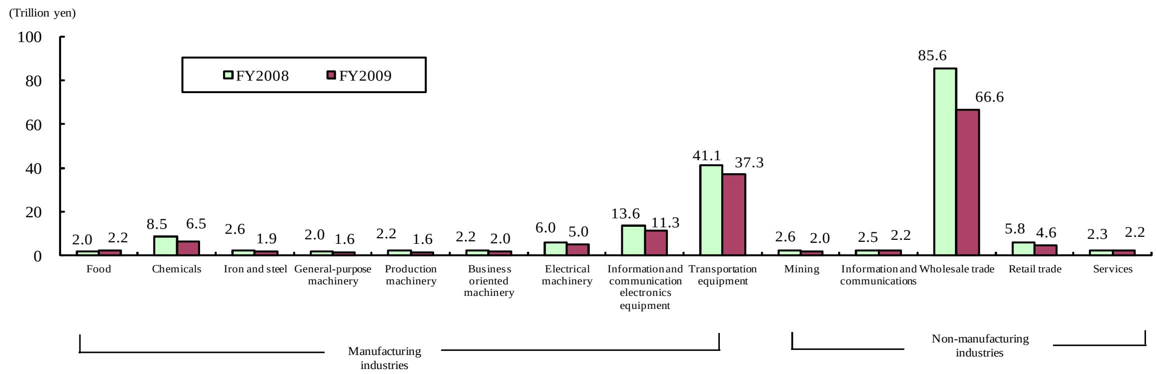
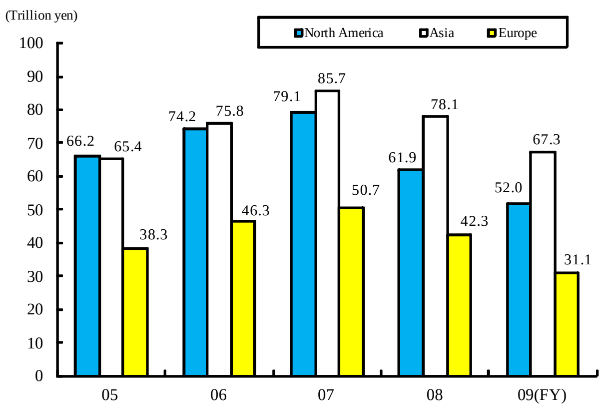
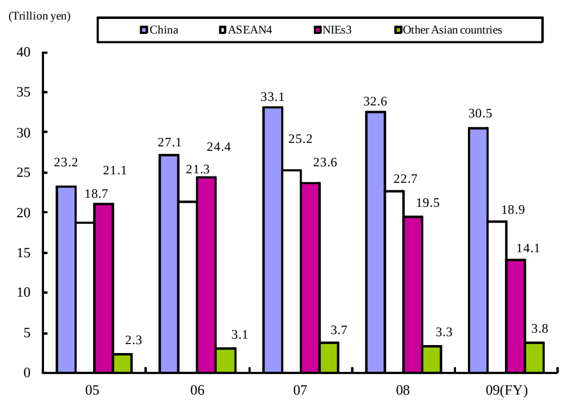


Figure 9. Sales trends of overseas affiliates (by region)

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





5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)(Note 1) was 17.0%, unchanged compared with the previous year (see Figure 11).
- By sector,(Note 2) as evidenced by the transportation equipment sector (39.3%), the information and communication electronics equipment sector (26.1%), and the general-purpose machinery sector (21.2%), the overseas production ratio is high (see Table 5).

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

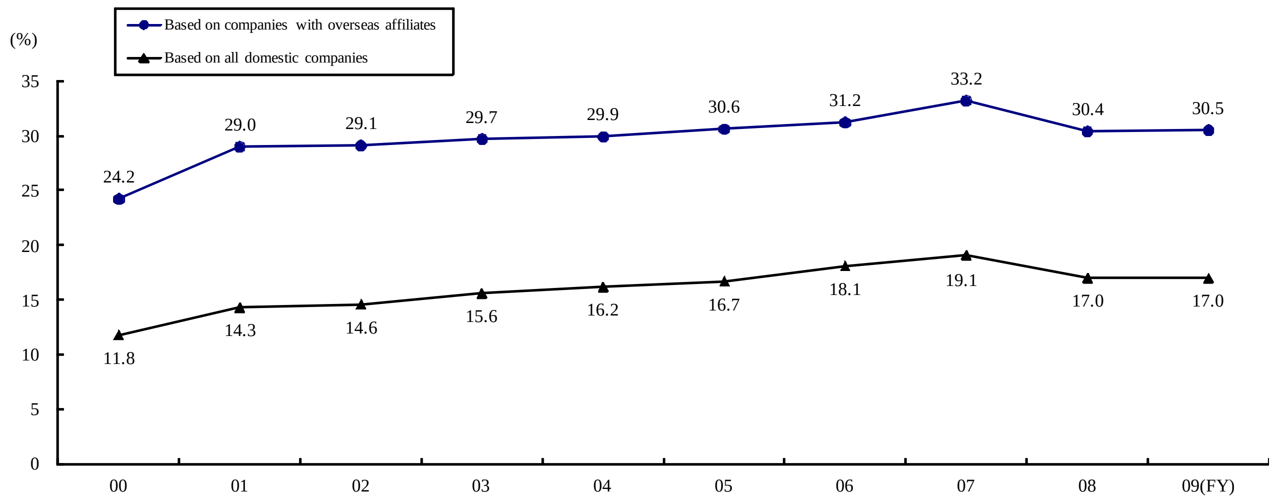


Table 5. Trends in the overseas production ratio by sector
(calculated based on the total number of domestic companies (manufacturing industries))

(Unit: %)

	00	01	02	03	04	05	06	07	08	09(FY)
Total for manufacturing industries	11.8	14.3	14.6	15.6	16.2	16.7	18.1	19.1	17.0	17.0
Food	2.7	4.5	4.6	4.9	4.4	4.2	4.2	4.9	3.8	4.7
Textiles	8.0	6.7	6.6	8.4	7.3	6.3	9.0	11.1	9.5	6.2
Lumber, wood, paper, and pulp	3.8	3.8	4.3	3.8	4.2	3.0	4.7	4.2	4.2	3.7
Chemicals	11.8	12.6	13.4	13.6	15.3	14.8	17.9	16.6	17.4	15.1
Petroleum and coal	1.4	1.5	2.0	1.6	1.8	2.6	4.4	2.5	1.3	1.6
Ceramic, stone, and clay products	8.1	5.2	5.8	5.3	6.3	6.6	12.0	10.7	11.8	11.6
Iron and steel	14.0	16.2	8.9	9.4	10.6	9.6	10.6	11.7	10.3	10.7
Non-ferrous metals	9.4	10.2	10.1	7.9	9.4	10.2	10.3	12.1	11.0	11.8
Metal products	1.6	1.8	1.9	1.6	1.7	2.2	2.6	3.4	2.5	2.8
General-purpose machinery										21.2
Production machinery										8.0
Business oriented machinery										12.9
General machinery	10.8	10.2	10.1	10.7	11.7	13.1	14.3	14.4	12.8	
Electrical machinery	18.0	21.6	21.0	23.4	9.5	11.0	11.8	11.5	13.0	13.0
Information and communication electronics equipment					33.1	34.9	34.0	32.2	28.1	26.1
Transportation equipment	23.7	30.6	32.2	32.6	36.0	37.0	37.8	42.0	39.2	39.3
Precision instruments	11.2	12.0	12.9	12.8	12.4	13.8	8.9	9.4	7.9	
Miscellaneous manufacturing industries	4.6	5.2	6.1	6.0	7.9	9.4	9.7	9.3	9.1	8.7

Note 1: Overseas production ratio based on all domestic companies
= Sales of overseas affiliates (manufacturing industries) / (Sales of overseas affiliates (manufacturing industries) + Sales of domestic companies (manufacturing industries)) × 100.0
Overseas production ratio based on companies with overseas affiliates
= Sales of overseas affiliates (manufacturing industries) / (Sales of overseas affiliates (manufacturing industries) + Sales of parent companies (manufacturing industries)) × 100.0

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

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

6. Sale destinations of overseas affiliates in manufacturing industries

- When looking at the local and intraregional sales ratio(Note 1) of overseas affiliates in manufacturing industries by region, in FY2009, the ratio was 94.7% in North America, 89.3% in Europe, and 77.0% in Asia.
- The ratio of sales to Japan was 17.3% in Asia, 2.4% in North America, and 2.5% in Europe.
- Compared to FY2000, the local sales ratio rose substantially in Asia (up by 12.3 points), and the intraregional sales ratio rose significantly in North America (up by 20.6 points) and Europe (up by 13.1 points) (see Figure 12 and Table 6).

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

《FY2009》 Unit: 1 billion yen

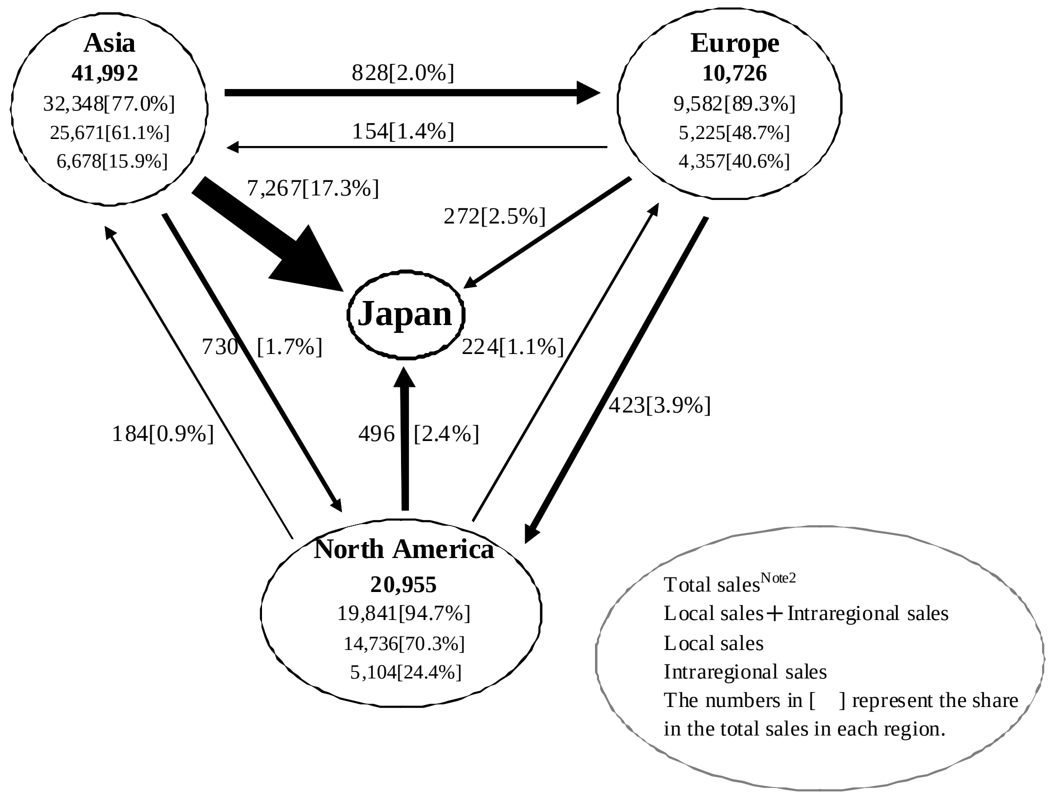


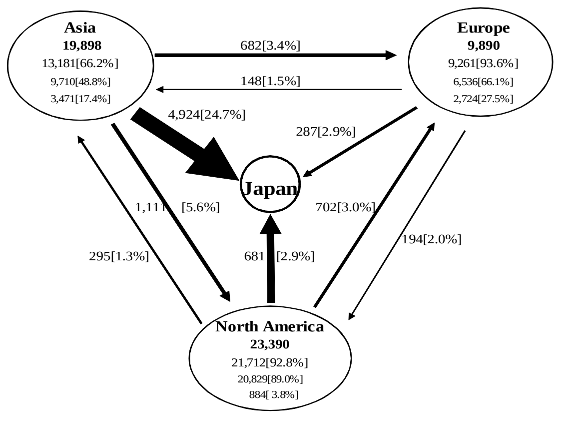
Table 6. Local and intraregional sales ratio and ratio of sales to Japan (Comparison between FY2000 and FY2009)

(Unit: %)

	Local and intraregional sales ratio		Local sales ratio		Intraregional sales ratio	
	FY2000	FY2009	FY2000	FY2009	FY2000	FY2009
North America	92.8	94.7	89.0	70.3	3.8	24.4
Asia	66.2	77.0	48.8	61.1	17.4	15.9
Europe	93.6	89.3	66.1	48.7	27.5	40.6

	Ratio of sales to Japan	
	FY2000	FY2009
North America	2.9	2.4
Asia	24.7	17.3
Europe	2.9	2.5

《FY2000》 Unit: 1 billion yen



Note 1. Local: Country in which overseas affiliates of Japanese companies are located

Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)

Local and intraregional sales ratio = Local and intraregional sales (sales) / Total sales of the region (total sales) × 100.0

Note 2. The amount of total sales includes the amount of sales to other regions.

7. Procurement destinations of overseas affiliates in manufacturing industries

- When looking at the local and intraregional procurement ratio(Note 1) of overseas affiliates in manufacturing industries by region, in FY2009, the ratio was 67.9% in North America, 72.3% in Asia, and 57.3% in Europe. Between 60% and 70% of materials are purchased locally or in the neighboring countries for all regions.
- The procurement ratio from Japan was 27.2% in North America, 26.6% in Asia, and 33.9% in Europe.
- Compared to FY2000, the local procurement ratio increased significantly in Asia (up by 20.7 points) and North America (up by 10.7 points). In the meantime, the procurement ratio from Japan decreased in North America, Asia, and Europe, with the decline being substantial in North America (down by 12.7 points) and Asia (down by 10.0 points) (see Figure 13 and Table 7).

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

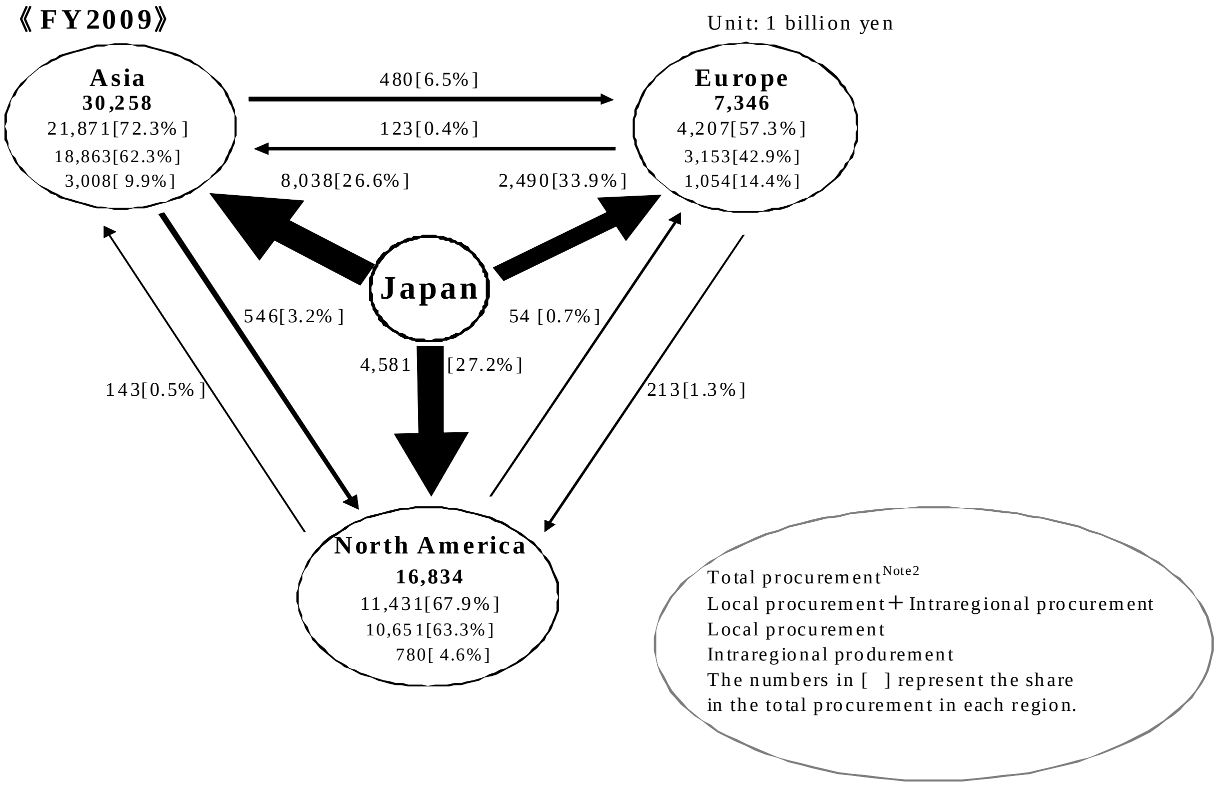
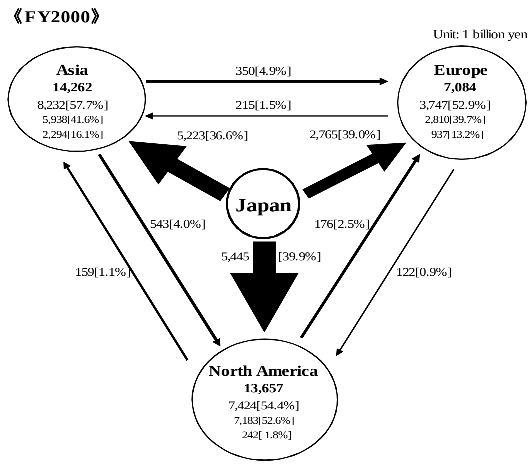


Table 7. Local and intraregional procurement ratio and procurement ratio from Japan (Comparison between FY2000 and FY2009)

(Unit: %)

	Local and intraregional procurement ratio		Local procurement ratio		Intraregional	
	FY2000	FY2009	FY2000	FY2009	FY2000	FY2009
North America	54.4	67.9	52.6	63.3	1.8	4.6
Asia	57.7	72.3	41.6	62.3	16.1	9.9
Europe	52.9	57.3	39.7	42.9	13.2	14.4

	Procurement ratio from Japan	
	FY2000	FY2009
North America	39.9	27.2
Asia	36.6	26.6
Europe	39.0	33.9



Note 1. Local: Country in which overseas affiliates of Japanese companies are located

Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)

Local procurement ratio = Local procurement (purchases) / Total procurement of the region (total purchases) × 100.0

Note 2. The amount of total procurement includes the amount of procurement from other regions.

8. Profits of overseas affiliates

- In FY2009, ordinary profits of overseas affiliates amounted to 7.0 trillion yen, down by 4.3% as compared to the previous year (down by 4.2% if only comparing companies that gave valid responses for this year and the previous year). Increases were observed in manufacturing industries (3.5 trillion yen, up by 29.5% (id.)), and decreases were observed in non-manufacturing industries (3.5 trillion yen, down by 24.1% (id.)) (see Figure 14).
- By region, there were increases in North America (1.0362 trillion yen, up by 95.3% (id.)) and in Asia (3.6273 trillion yen, up by 22.7% (id.), while there were decreases in Europe (471.6 billion yen, down by 36.7%) (see Figure 15).
- The ratio of ordinary profits to sales(Note) increased for the first time in two years, to 4.4% (up by 0.9 points (id.)), and exceeded the ratio for domestic companies by 2.1 points. The ratio for manufacturing industries increased by 1.8 points (id.), to 4.8%, and maintained a level above the ratio for domestic companies for the third consecutive year (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

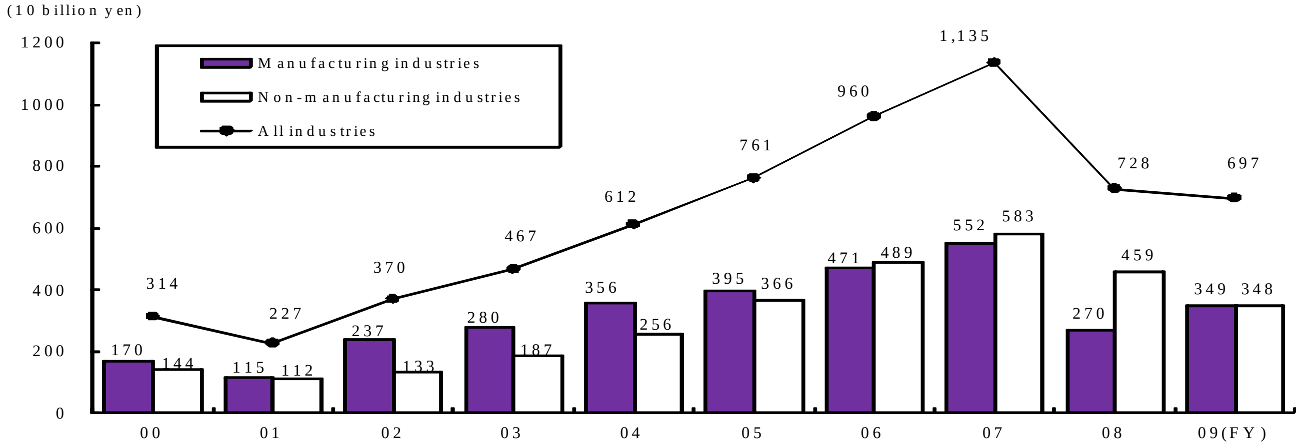


Figure 15. Ordinary profits of overseas affiliates (by region)

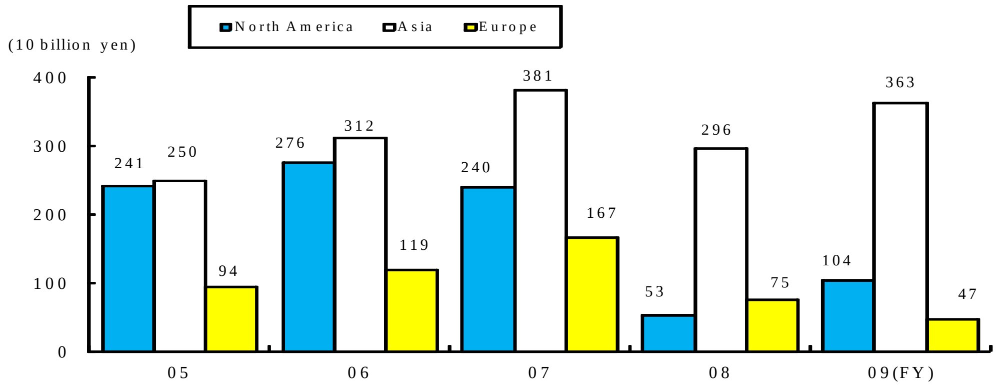


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

(Unit: %)

		02	03	04	05	06	07	08	09(FY)
	All industries	2.8	3.4	3.9	4.2	4.7	4.9	3.5	4.4
	Manufacturing industries	4.1	4.5	4.9	4.8	5.0	5.2	3.0	4.8
	Non-manufacturing industries	1.7	2.4	2.9	3.7	4.5	4.7	4.0	4.0
(Reference)	Domestic companies	2.3	2.7	3.1	3.4	3.5	3.4	2.4	2.3
	Manufacturing industries	3.2	3.9	4.8	5.0	5.3	5.1	2.3	2.4
	Non-manufacturing industries	2.0	2.2	2.5	2.8	2.7	2.7	2.4	2.3

Note: Ratio of ordinary profit to sales = Ordinary profits / Sales × 100.0 (Calculated based on overseas affiliates that responded to questionnaires for both ordinary profits and sales.)
Source: Ratio of ordinary profits to sales in domestic companies: "Financial Statements Statistics of Corporations by Industry" (Ministry of Finance)

9. Profit appropriation of overseas affiliates

- In FY2009, current net profits of overseas affiliates amounted to 4.7 trillion yen (up by 5.1% as compared to the previous year) (up by 7.3% if only comparing companies that gave valid responses for this year and the previous year). Current net profits increased in manufacturing industries (2.4 trillion yen, up by 44.6% (id.)) but decreased in non-manufacturing industries (2.3 trillion yen, down by 18.3% (id.)) (see Figure 16).
- The amount of current retained earnings[Note 1] of overseas affiliates in FY2009 was 1.9 trillion yen (up by 1.4% (id.)) (a 5.9% decrease if only comparing companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase of 40.8% (id.), to 0.5 trillion yen, and non-manufacturing industries fell 7.3% (id.), to 1.4 trillion yen.
- The balance of retained earnings[Note 2] was 17.9 trillion yen (down by 8.4% (id.)) (up by 0.5% if only comparing companies that gave valid responses for this year and the previous year) (see Figure 17 and Table 9).

Figure 16. Trends in current net profits

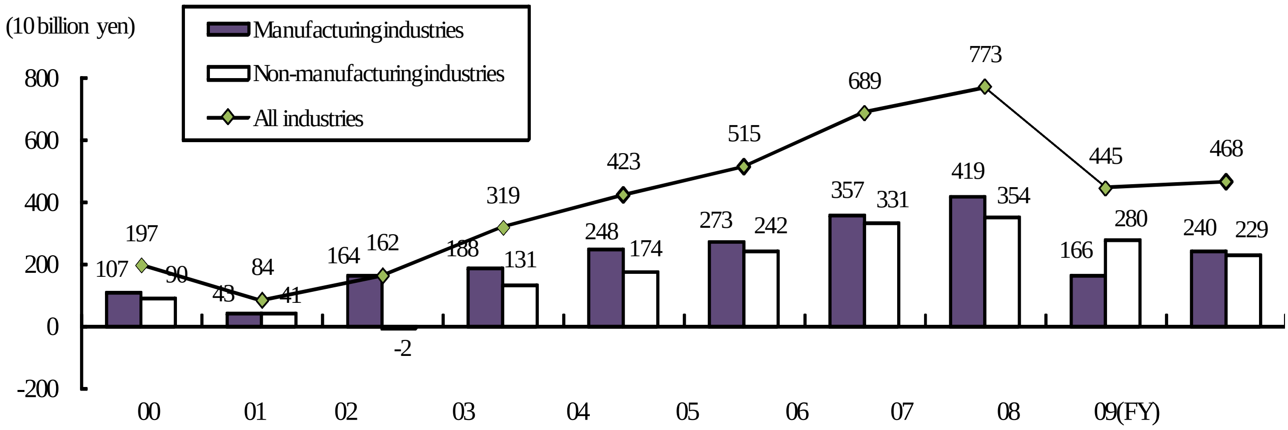


Figure 17. Trends in current retained earnings and balance of retained earnings

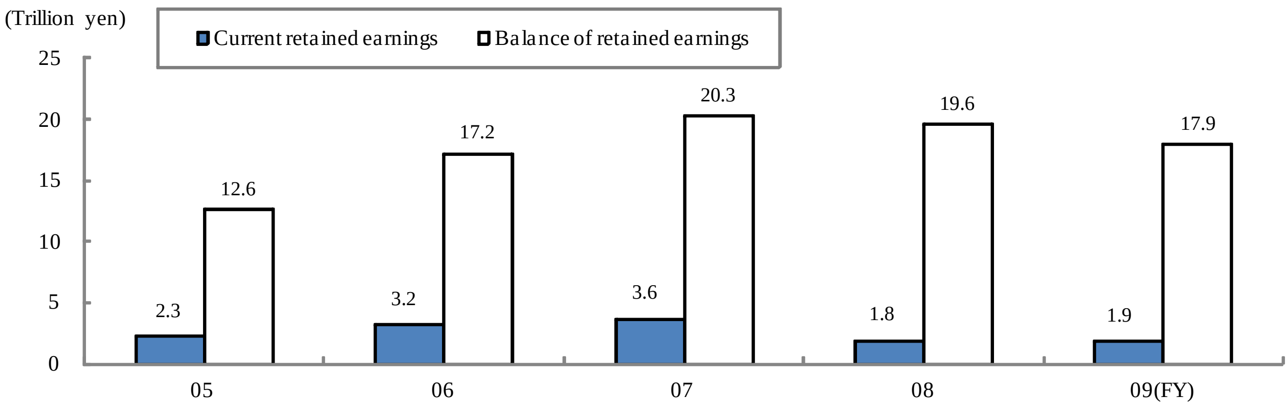


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2008	FY2009	Y/Y	FY2008	FY2009	Y/Y
All industries	18,313	18,574	1.4	195,892	179,448	-8.4
Manufacturing industries	3,304	4,654	40.8	90,007	78,010	-13.3
Non-manufacturing industries	15,008	13,920	-7.3	105,885	101,438	-4.2

Note 1: Current retained earnings = Current net profit or loss – Directors' bonuses – Dividends
Note 2: Year-end balance of retained earnings = Proprietary capital – Capital – Capital reserve

10. Research and development expenses of overseas affiliates

- In FY2009, research and development expenses in manufacturing industries amounted to 334.8 billion yen (down by 10.8% as compared to the previous year) (down by 8.2% if only comparing companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses[Note] remained unchanged (id.) at 3.0% (see Figure 18).
- Research and development expenses per company in manufacturing industries decreased by 11.6% (id.) to 270 million yen.
- By sector, there were decreases mainly in the information and communication electronic equipment sector, the general-purpose machinery sector, and the electrical machinery sector (see Table 10).
- By region, research and development expenses decreased in North America and Europe, but increased in Asia (see Table 11).

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

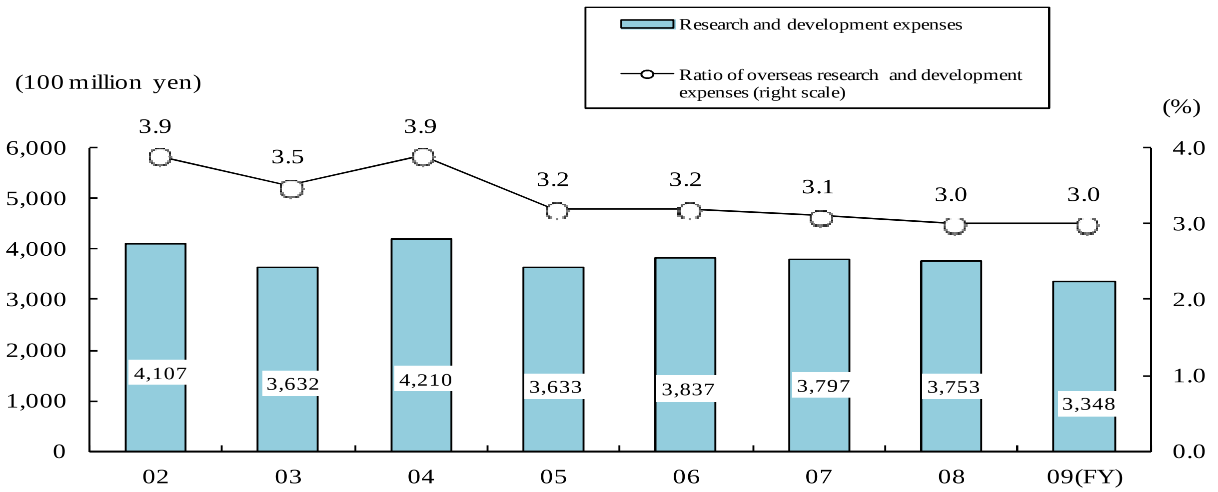


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2008	FY2009	Y/Y difference	Y/Y ratio
Manufacturing industries	303	268	-35	-11.6
Chemicals	513	467	-46	-9.0
General-purpose machinery	166	92	-74	-44.6
Production machinery	208	190	-18	-8.7
Business oriented machinery	210	192	-18	-8.6
Electrical machinery	296	242	-54	-18.2
Information and communication electronics equipment	595	430	-165	-27.7
Transportation equipment	364	317	-47	-12.9

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

(Units: Million yen, %)

	FY2008			FY2009		
		Y/Y difference	Y/Y ratio		Y/Y difference	Y/Y ratio
All regions	303	7	2.4	268	-35	-11.6
North America	647	59	10.0	553	-94	-14.5
Asia	123	-8	-6.1	125	2	1.6
Europe	662	98	17.4	564	-98	-14.8

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

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

11. Capital investment in overseas affiliates

- In FY2009, the amount of capital investment in overseas affiliates in manufacturing industries decreased for the second consecutive year, to 2.1 trillion yen (down by 43.0% as compared to the previous year) (down by 44.3% if only comparing companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment(Note) was 15.9% (down by 2.5 points (id.)) (see Figure 19).
- By sector, there were decreases in capital investment in the transportation equipment sector (down by 48.8% (id.)), chemicals sector (down by 40.7% (id.)), and information and communication electronics equipment sector (down by 48.2% (id.)), etc. (see Figure 20).
- By region, decreases were observed in all regions of Asia (down by 34.8% (id.)), North America (down by 55.5% (id.)), and Europe (down by 54.6% (id.)). In Asia, ASEAN4, China, other Asian countries, and NIEs3 all showed decreases (see Figures 21 and 22).

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

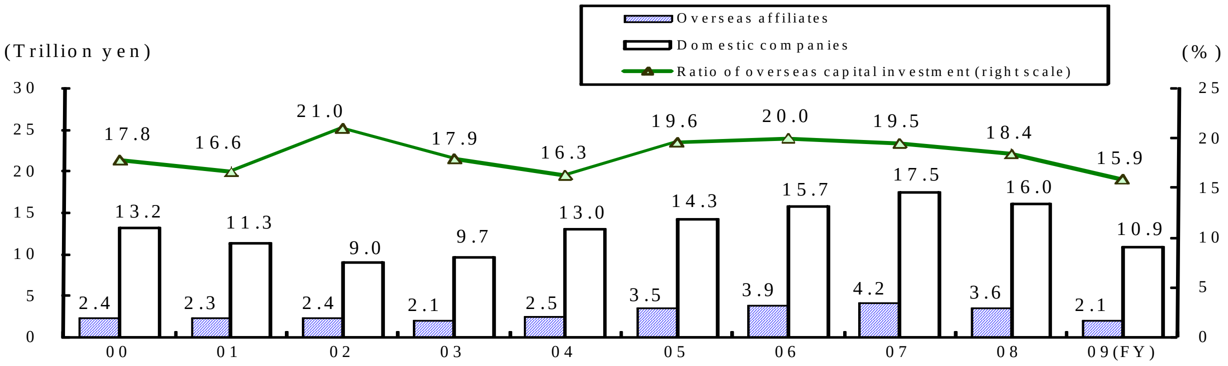


Figure 20. Capital investment in overseas affiliates (by major sector)

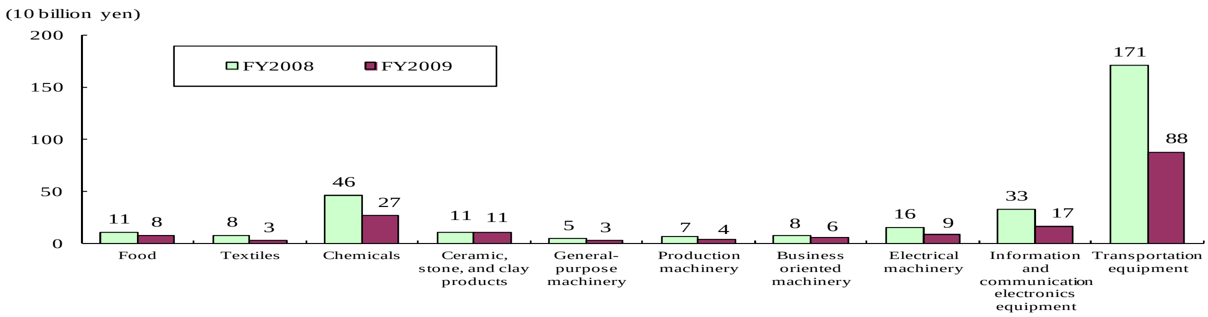


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

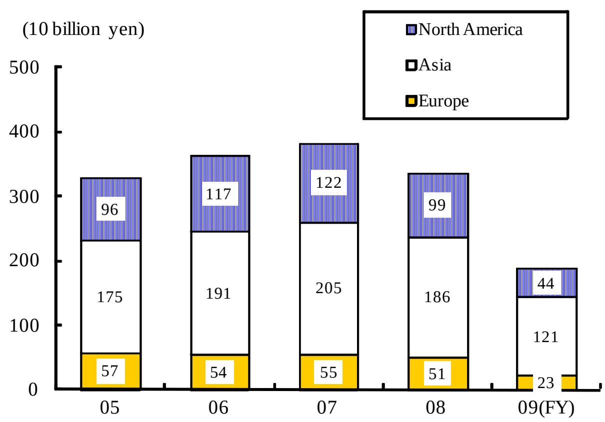
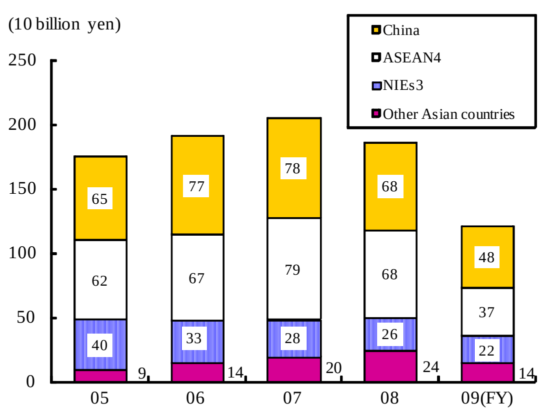


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



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

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

12. On the deciding factors for investments

- Looking at the deciding factors for investments in FY2009, the largest number of businesses—some 70%—responded, "Local product demand is strong, or demand is anticipated in the future." The next most common responses were "high-quality, inexpensive labor can be secured," "other Japanese companies have made forays, including delivery destinations," and "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future" (see Figure 23).
- Viewing these top four factors chronologically, even though the ratio using the anticipation of future demand growth at the overseas location or in third countries near the area of advancement as a deciding factor in investment is growing, at the same time there seem to be fewer companies making investment decisions based on "high-quality, inexpensive labor can be secured" or "other Japanese companies have made forays" (see Figure 24)

Figure 23. Deciding Factors for Investments

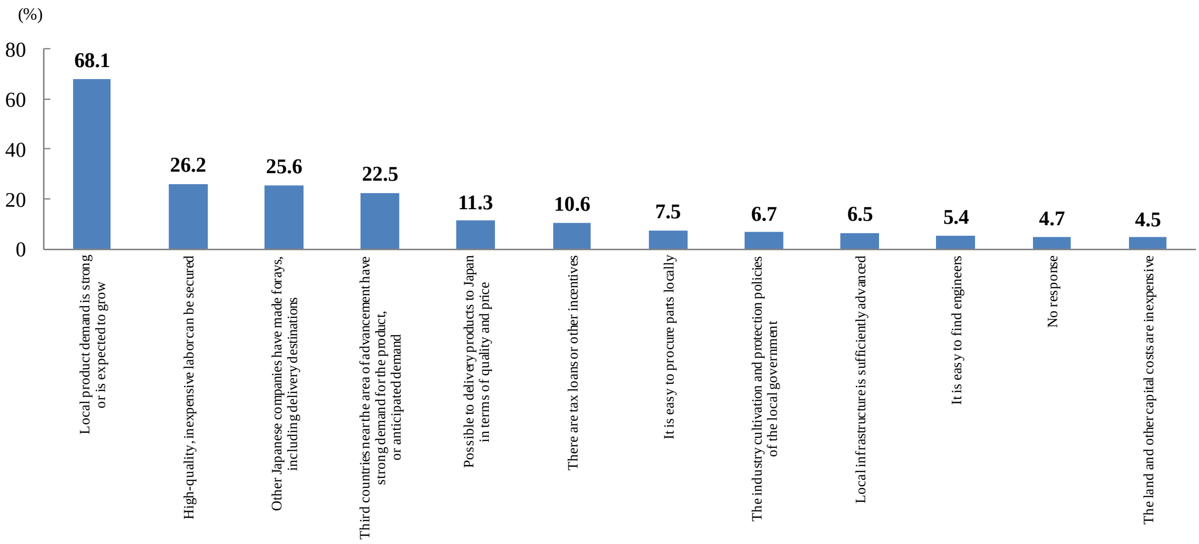
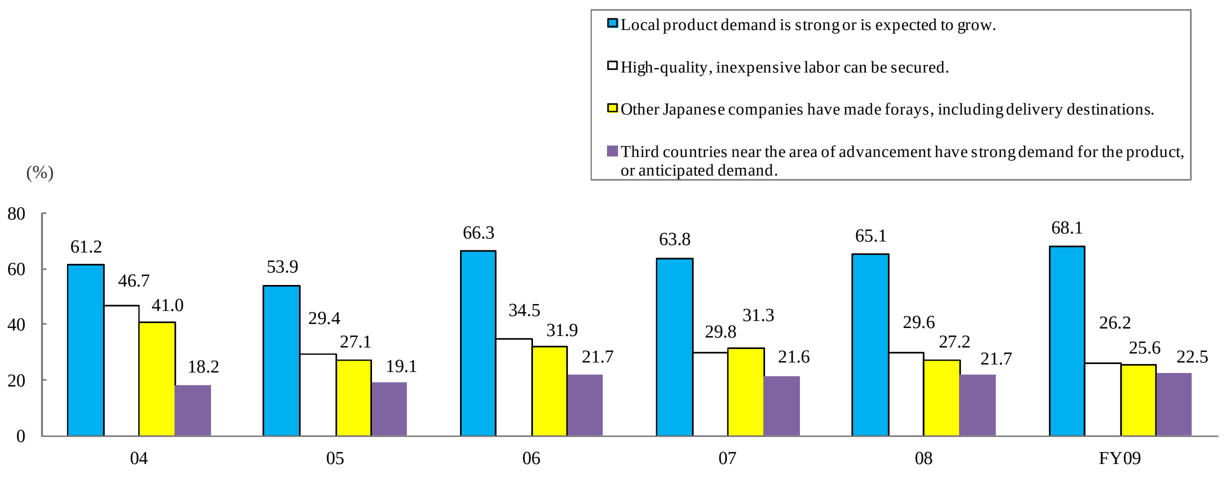


Figure 24. Chronological View of the Top Four Deciding Factors for Investments



Details of the survey:

・The survey targets are corporate headquarters.

・Tabulation of a question to companies that made capital investments or increased capital investments in FY2009, where the respondents can choose up to three answers as to what the deciding factors are when it comes to their investing decisions.

・Ratio of the number of companies that selected respective questionnaire options against the total number of respondents

13. Dividends from overseas affiliates

- Regarding dividends from overseas affiliates, in the short term (the next one to two years) 49% of companies responded that there will be "no changes" in dividends, and 12% of companies responded that they will "increase" their dividend payouts. 26% of those businesses that aim to increase dividends responded that they would raise dividends by between 10% and 50% compared with the preceding year (see Figure 25 and Figure 26).
- Looking at the medium and long term (the next three to five years), 36% of companies said there will be "no change" in dividends and 17% said they will "increase" dividends. 28% of those businesses that aim to increase dividends responded that they would raise dividends by between 10% and 50% compared with the preceding year (see Figure 25 and Figure 26).
- Concerning what the dividends from overseas affiliates will be used for, the response "To be determined" was most prevalent among companies over both the short term and the medium and long term, with 20% of companies saying that would use the dividends for "research and development, and capital investment" in the short term, and 23% giving that response in the medium and long term (see Figure 27).

Figure 25: Dividends from overseas affiliates

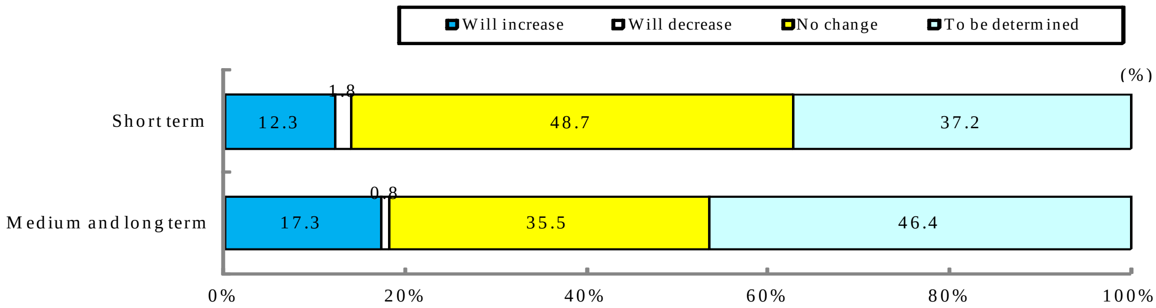


Figure 26: Planned rate of change in dividends

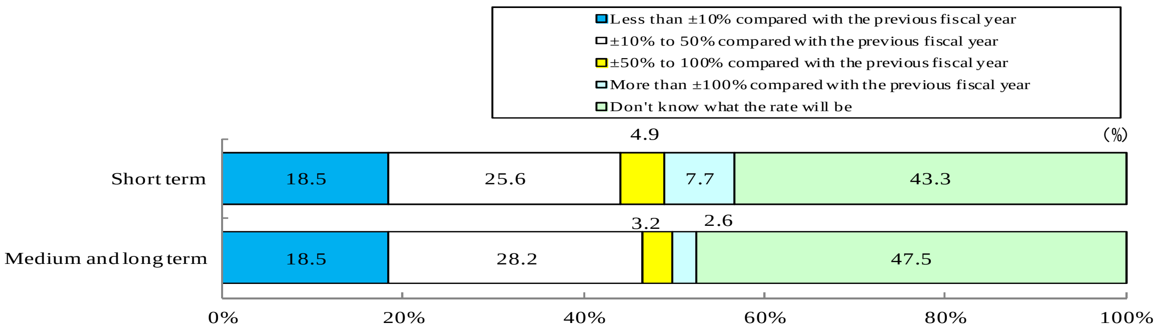
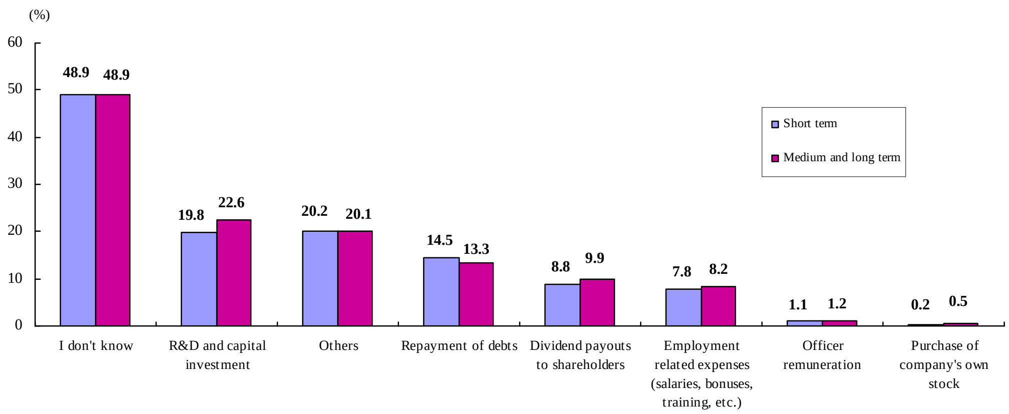


Figure 27: Uses for Dividends from Overseas Affiliates (multiple answers allowed)



Details of the survey:

・The survey targets are corporate headquarters

・Concerning dividends from overseas affiliates to corporate headquarters, the survey tabulates company's selected responses as to their future policy on whether to increase dividends and what kind of application they are to be used for, over the short term (one to two years from now) and the medium and long term (three to five years from now).

・Ratio of the number of companies that selected respective questionnaire options against the total number of respondents