

## Summary of the 41st Survey on Overseas Business Activities (conducted in July 2011)

### Trends of overseas affiliates in the fiscal year (FY) 2010 survey

- The overseas production ratio and ratio of overseas capital investment rose compared with the previous year to 18.1% and 17.1%, respectively.
- Overseas affiliates posted double-digit sales increases. Ordinary profits, current net profits, and current retained earnings significantly increased.
- The ratio of sales at overseas affiliates in manufacturing industries rose in Asia, as did the ratio of regional sales in North America, 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.
- Payments to Japan remained nearly unchanged.

### Summary of findings

#### **1. The overseas production ratio and ratio of overseas capital investment rose compared with the previous year to 18.1% and 17.1%, respectively.**

The overseas production ratio for manufacturing industries (based on all domestic companies) increased by 1.1 points to 18.1%. By sector, overseas production ratios were high, such as in the transportation equipment sector (39.2%), the information and communication electronics equipment sector (28.4%), and the general-purpose machinery sector (28.3%). The ratio of overseas capital investment also increased by 1.2 points to 17.1%.

#### **2. Overseas affiliates posted double-digit sales increases. Ordinary profits, current net profits, and current retained earnings significantly increased.**

##### **Capital investment in manufacturing industries increased by double-digits.**

Sales of overseas affiliates amounted to 183.2 trillion yen (11.4% increase as compared to the previous year; 10.2% increase if only comparing companies that gave valid responses for this year and the previous year), for an increase in all regions.

Ordinary profits amounted to 10.9 trillion yen (56.3% increase (id.); 53.1% increase (id.)), current net profits amounted to 7.7 trillion yen (64.3% increase (id.); 57.5% increase (id.)), and the amount of current retained earnings was 4.7 trillion yen (150.9% increase (id.); 110.9% increase (id.)). All of them increased significantly.

The amount of capital investment (manufacturing industries) was 2.3 trillion yen (13.0% increase (id.); 9.9% increase (id.)).

#### **3. The ratio of sales at overseas affiliates in manufacturing industries rose in Asia, as did the ratio of regional sales in North America.**

##### **The ratio of local procurements increased in Asia and North America.**

The ratio of sales at overseas affiliates in manufacturing industries increased significantly in Asia (up by 11.6 points) and decreased significantly in North America (down by 16.2 points), as compared to FY2001. The regional sales ratios increased significantly in North America (up by 14.5 points) and decreased in Europe (down by 5.1 points).

The ratio of procurements of overseas affiliates in manufacturing industries increased substantially in Asia (up by 14.9 points) and North America (up by 11.3 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

#### **4. 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, 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 was on the rise.

#### **5. Payments to Japan remained nearly unchanged.**

Payments of dividends and royalties from overseas affiliates to Japanese investors amounted to 2,550 billion yen (down by 0.3%), almost the same level as the previous year.

## 1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2010 was 18,599 companies, consisting of 8,412 companies in manufacturing industries and 10,187 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 45.2% of the total number of overseas affiliates in all industries (down by 0.9 points from the previous year), and those in non-manufacturing industries accounted for 54.8% of the total (up by 0.9 points (id.)) (see Table 1).
- By region, the number of overseas affiliates increased in Asia and Europe, and decreased in North America.
- The number of overseas affiliates in Asia was 11,497, accounting for more than 60% of the total. Within this, the number of overseas affiliates in China was 5,565 (accounting for 29.9% of all regions; down by 0.1 points from the previous year), and the number in other Asian countries, including Vietnam and India, was 743 (4.0% (id.); up by 0.3 points (id.)), both showing an expanding trend (see Table 2 and Figure 1).

Table 1. Distribution of overseas affiliates by sector

	End of FY2010 Number of overseas	Breakdown by sector (Units: companies, %)		
		FY2009	FY2010	
		Breakdown	Breakdown	Change in points
All industries	18,599	100.0	100.0	-
Manufacturing industries	8,412	46.1	45.2	-0.9
Food	447	5.1	5.3	0.2
Textiles	376	4.7	4.5	-0.2
Lumber, wood, paper, and pulp	125	1.6	1.5	-0.1
Chemicals	1,020	11.9	12.1	0.2
Petroleum and coal	43	0.5	0.5	0.0
Ceramic, stone, and clay products	214	2.6	2.5	-0.1
Iron and steel	246	3.0	2.9	-0.1
Non-ferrous metals	263	3.1	3.1	0.0
Metal products	407	4.6	4.8	0.2
General-purpose machinery	299	3.5	3.6	0.1
Production machinery	530	6.0	6.3	0.3
Business oriented machinery	268	3.4	3.2	-0.2
Electrical machinery	526	6.6	6.3	-0.3
Information and communication electronics equipment	985	11.5	11.7	0.2
Transportation equipment	1,659	20.0	19.7	-0.3
Miscellaneous manufacturing industries	1,004	11.9	11.9	0.0
Non-manufacturing industries	10,187	53.9	54.8	0.9
Agriculture, forestry, and fisheries	104	1.1	1.0	-0.1
Mining	178	1.6	1.7	0.1
Construction	291	2.7	2.9	0.2
Information and communications	575	5.8	5.6	-0.2
Transport	1,019	10.1	10.0	-0.1
Wholesale trade	5,134	50.8	50.4	-0.4
Retail trade	494	4.9	4.8	-0.1
Services	1,398	13.4	13.7	0.3
Miscellaneous non-manufacturing industries	994	9.6	9.8	0.2

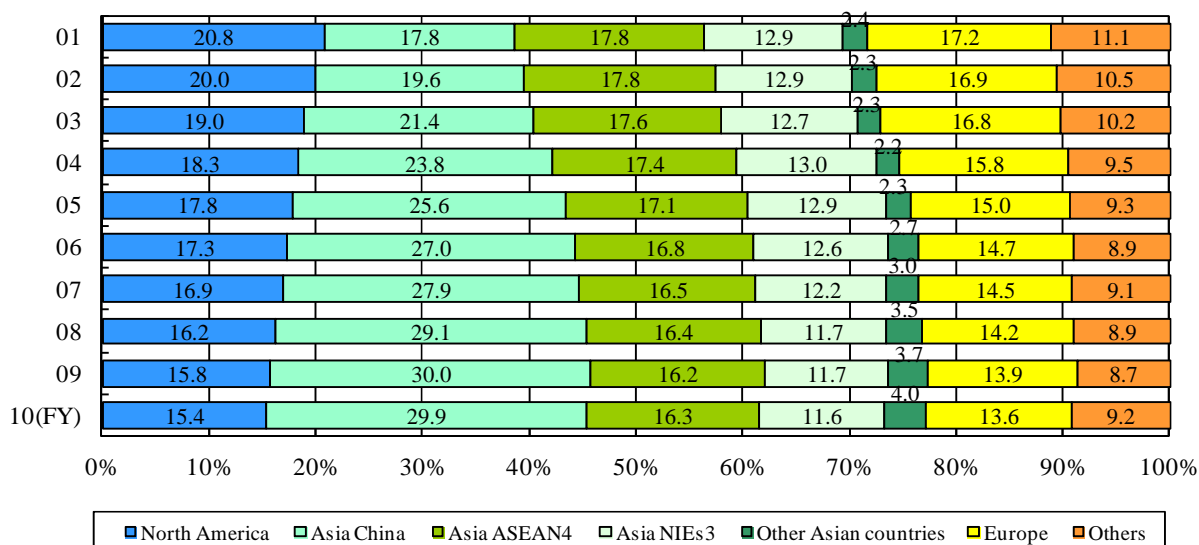
Table 2. Distribution of overseas affiliates by region

	(Unit: companies)	
	FY2009	FY2010
All regions	18,201	18,599
North America	2,872	2,860
Asia	11,217	11,497
China	5,462	5,565
ASEAN4	2,952	3,027
NIEs3	2,124	2,162
Other Asian countries	679	743
Europe	2,522	2,536
Others	1,590	1,706

	(Unit: %)	
	FY2009	FY2010
All regions	100.0	100.0
North America	15.8	15.4
Asia	61.6	61.8
China	30.0	29.9
ASEAN4	16.2	16.3
NIEs3	11.7	11.6
Other Asian countries	3.7	4.0
Europe	13.9	13.6
Others	8.7	9.2

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<sup>(Note 1)</sup> in FY2010 was 608 (decreased by 51 companies as compared to the previous year). Manufacturing industries saw a decrease to 237 companies (down by 68 companies (id.)), and non-manufacturing industries saw an increase to 371 companies (up by 17 companies (id.)) (see Figure 2).
- The ratio of withdrawals<sup>(Note 2)</sup> was 3.2% (down by 0.3 points as compared to the previous year). In North America the ratio was 3.8% (decreased by 0.8 points (id.)), in Asia the ratio was 2.9% (decreased by 0.3 points (id.)), and in Europe the ratio was 4.0% (increased by 0.6 points (id.)). Within Asia, the ratio in ASEAN4 was 2.2% (decreased by 0.8 points (id.)), and this decline contributed to the overall decrease in Asia (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2010 by year of establishment or capital participation<sup>(Note 3)</sup> and by region, there was an increase in the percentage of companies that advanced to China and NIEs3, while the percentage of those that advanced to North America and ASEAN4 declined (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

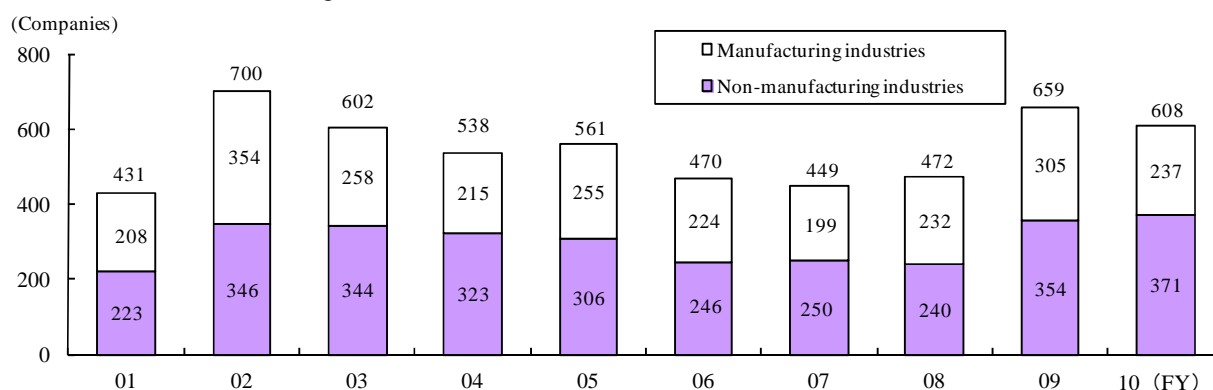
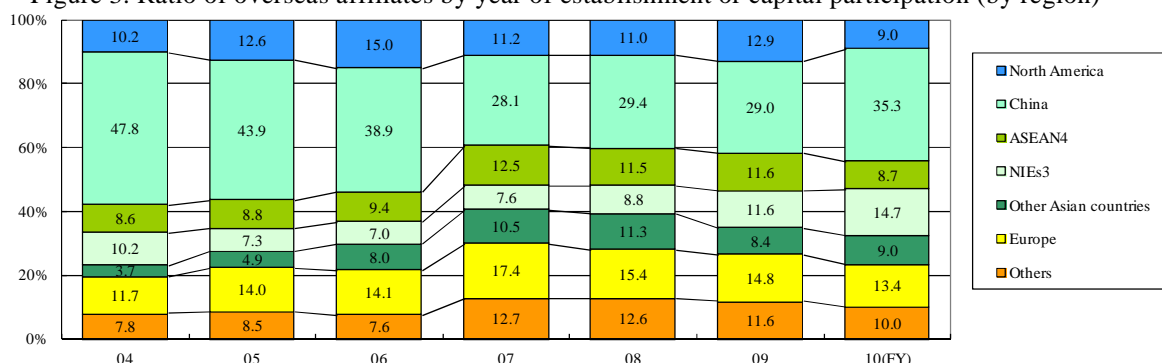


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	(Unit:Companies)						(Unit:%)					
	05	06	07	08	09	10(FY)	05	06	07	08	09	10(FY)
All regions	561	470	449	472	659	608	3.4	2.8	2.6	2.6	3.5	3.2
North America	137	127	94	81	140	113	4.6	4.3	3.2	2.7	4.6	3.8
Asia	241	231	235	303	371	339	2.6	2.3	2.3	2.8	3.2	2.9
China	109	123	82	151	200	181	2.6	2.7	1.7	2.9	3.5	3.2
ASEAN4	71	52	69	75	90	68	2.5	1.9	2.4	2.5	3.0	2.2
NIEs3	50	45	77	65	68	74	2.4	2.1	3.6	3.0	3.1	3.3
Europe	122	57	85	57	90	106	4.9	2.3	3.4	2.2	3.4	4.0

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 FY2010 / (Total number of overseas affiliates with valid responses in FY2010 + Number of overseas withdrawals in FY2010) × 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 FY2010 was 4.99 million people, a 6.2% increase as compared to the previous year (6.8% 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 3.97 million people, marking an increase of 7.9% as compared to the previous year. By sector, there were increases in the transportation equipment sector (1.23 million people; up by 8.1% as compared to the previous year) and the information and communication electronics equipment sector (880,000 people; up by 11.5% (id.)). The number of employees in non-manufacturing industries was 1.02 million people, almost the same level as the previous year. By sector, increases were observed in the information and communications sector (130,000 people; up by 41.4% (id.)), and decreases were observed in the retail trade sector (120,000 people; down 35.8% (id.)) (see Table 4 and Figure 4).
- By region, the number increased in Asia (3.56 million people; up by 8.4% (id.)) and Europe (500,000 people; up by 5.7% (id.)), but decreased in North America (580,000 people; down by 5.5% (id.)) (see Figure 5).
- In Asia, there were increases in ASEAN4 (1.33 million people; up by 13.6% (id.)), other Asian countries (370,000 people; up by 21.4% (id.)), and China (1.6 million people; up by 3.4% (id.)), and decreases in NIEs3 (250,000 people; down by 1.1% (id.)) (see Figure 6).

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

	06		07		08		09		10(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	456	4.5	475	4.1	452	-4.8	470	4.1	499	6.2
Manufacturing industries	379	4.7	395	4.3	357	-9.8	368	3.2	397	7.9
Non-manufacturing industries	77	3.7	79	3.6	95	19.9	102	7.3	102	0.0

(Units: 10,000 persons, %)

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

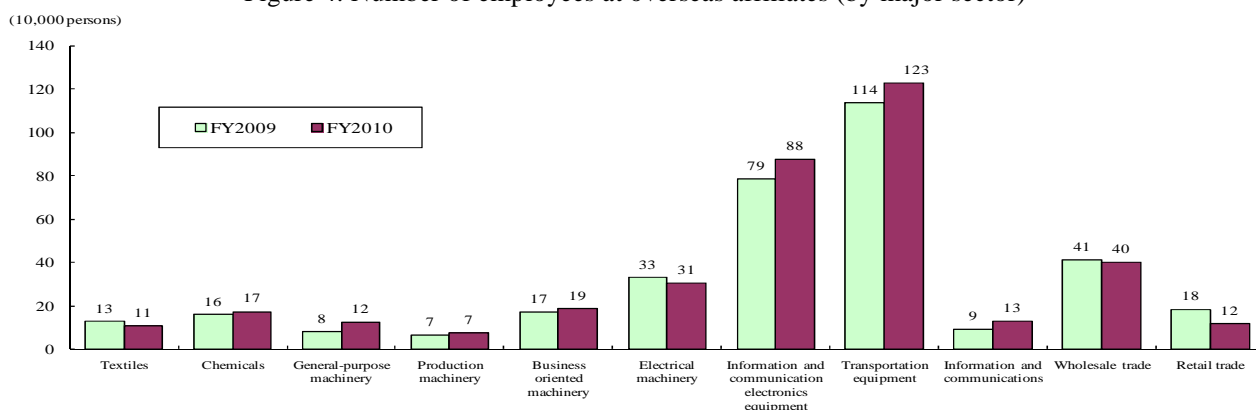


Figure 5. Number of employees at overseas affiliates (by region)

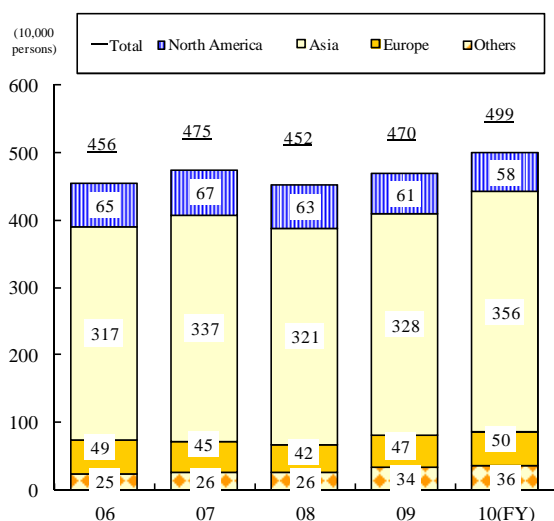
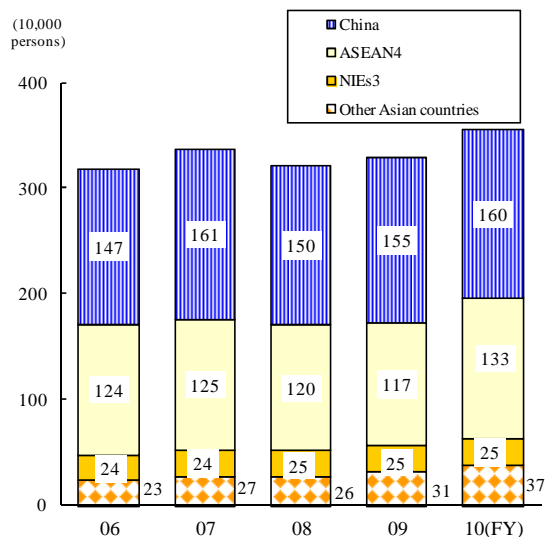


Figure 6. Number of employees at overseas affiliates (in Asia)



#### 4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2010 increased to 183.2 trillion yen (up by 11.4% as compared to the previous year) (10.2% increase if only comparing companies that gave valid responses for this year and the previous year) (see Figure 7).
- Sales in manufacturing industries totaled 89.3 trillion yen (up by 14.1% (id.)). By sector, increases were observed in the transportation equipment sector (40.5 trillion yen; up by 8.6% (id.)), and the information and communication electronics equipment sector (13.7 trillion yen; up by 21.4% (id.)). Sales in non-manufacturing industries amounted to 93.9 trillion yen (up by 8.9% (id.)). By sector, there were increases in such sectors as the wholesale sector (70.0 trillion yen; up by 5.2% (id.)) (see Figure 7 and Figure 8).
- By region, increases were seen in all of Asia (79.7 trillion yen; up by 18.4% (id.)), Europe (32.6 trillion yen; up by 4.8% (id.)), and North America (52.8 trillion yen; up by 1.6% (id.)). In Asia, China, ASEAN4, and NIEs3 all saw increases (see Figure 9 and Figure 10).

Figure 7. Sales trends of overseas affiliates

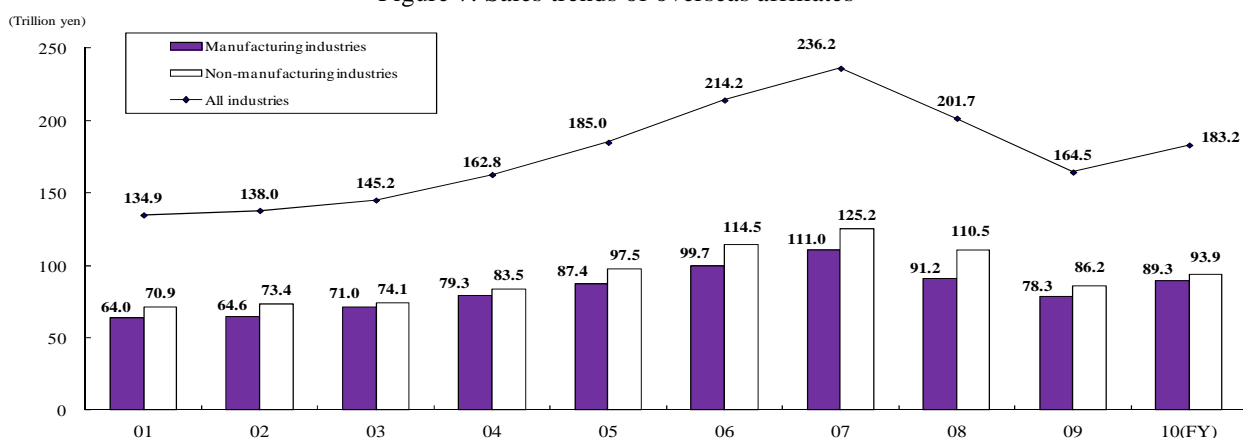


Figure 8. Sales of overseas affiliates (by major sector)

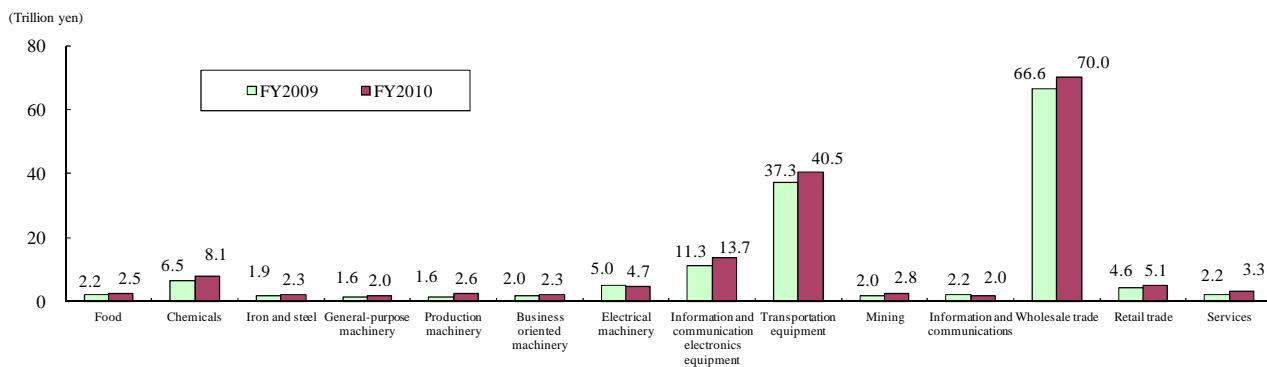


Figure 9. Sales trends of overseas affiliates (by region)

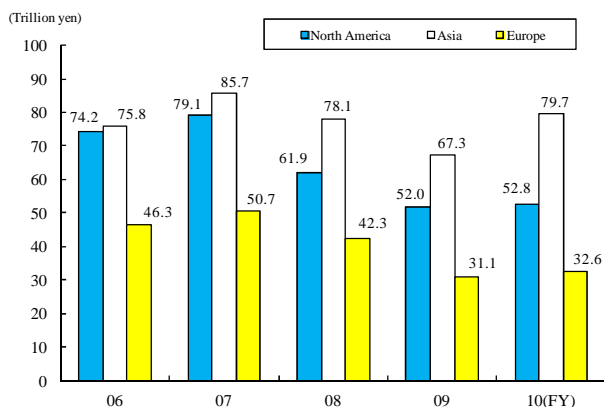
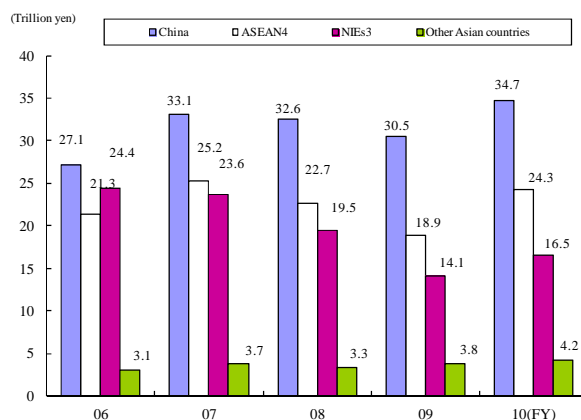


Figure 10. Sales trends of overseas affiliates (in Asia)



## 5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)<sup>(Note 1)</sup> was 18.1%, up by 1.1 points as compared to the previous year (see Figure 11).
- By sector<sup>(Note 2)</sup>, the ratio in many sectors rose such as the information and communication electronics equipment sector (28.4%; up by 2.3 points from the previous year) and the general-purpose machinery sector (28.3%; up by 7.1 points (id.)) while the ratio declined in the transportation equipment sector (39.2%; down by 0.1 points (id.)) (Table 5).

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

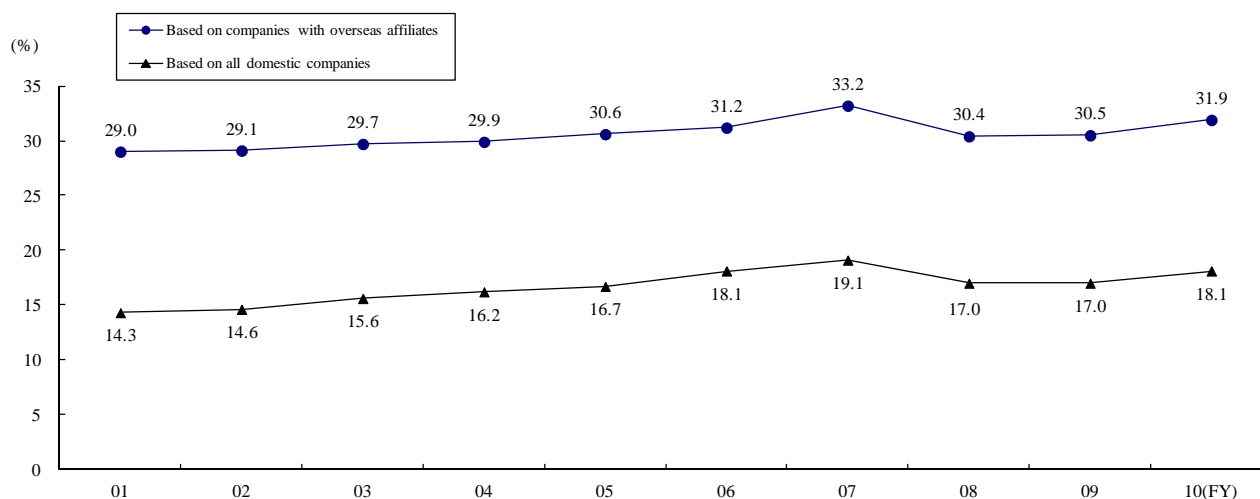


Table 5. Trends in the overseas production ratio by sector  
(calculated based on the total number of domestic companies (manufacturing industries))

	(Unit: %)									
	01	02	03	04	05	06	07	08	09	10(FY)
Total for manufacturing industries	14.3	14.6	15.6	16.2	16.7	18.1	19.1	17.0	17.0	18.1
Food	4.5	4.6	4.9	4.4	4.2	4.2	4.9	3.8	4.7	5.0
Textiles	6.7	6.6	8.4	7.3	6.3	9.0	11.1	9.5	6.2	6.2
Lumber, wood, paper, and pulp	3.8	4.3	3.8	4.2	3.0	4.7	4.2	4.2	3.7	4.5
Chemicals	12.6	13.4	13.6	15.3	14.8	17.9	16.6	17.4	15.1	17.4
Petroleum and coal	1.5	2.0	1.6	1.8	2.6	4.4	2.5	1.3	1.6	2.4
Ceramic, stone, and clay products	5.2	5.8	5.3	6.3	6.6	12.0	10.7	11.8	11.6	13.6
Iron and steel	16.2	8.9	9.4	10.6	9.6	10.6	11.7	10.3	10.7	11.2
Non-ferrous metals	10.2	10.1	7.9	9.4	10.2	10.3	12.1	11.0	11.8	14.7
Metal products	1.8	1.9	1.6	1.7	2.2	2.6	3.4	2.5	2.8	3.9
General-purpose machinery									21.2	28.3
Production machinery									8.0	11.1
Business oriented machinery									12.9	13.8
General machinery	10.2	10.1	10.7	11.7	13.1	14.3	14.4	12.8		
Electrical machinery				9.5	11.0	11.8	11.5	13.0	13.0	11.8
Information and communication electronics equipment	21.6	21.0	23.4	33.1	34.9	34.0	32.2	28.1	26.1	28.4
Transportation equipment	30.6	32.2	32.6	36.0	37.0	37.8	42.0	39.2	39.3	39.2
Precision instruments	12.0	12.9	12.8	12.4	13.8	8.9	9.4	7.9		
Miscellaneous manufacturing industries	5.2	6.1	6.0	7.9	9.4	9.7	9.3	9.1	8.7	9.1

Note 1: Overseas production ratio based on all domestic companies

$$= \text{Sales of overseas affiliates (manufacturing industries)} / (\text{Sales of overseas affiliates (manufacturing industries)} + \text{Sales of domestic companies (manufacturing industries)}) \times 100.0$$

Overseas production ratio based on companies with overseas affiliates

$$= \text{Sales of overseas affiliates (manufacturing industries)} / (\text{Sales of overseas affiliates (manufacturing industries)} + \text{Sales of parent companies (manufacturing industries)}) \times 100.0$$

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. Since FY2009, the results have been displayed in the new sector classifications.

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<sup>(Note 1)</sup> of overseas affiliates in manufacturing industries by region, in FY2010, the ratio was 93.8% in North America, 86.8% in Europe, and 75.3% in Asia.
- The ratio of sales to Japan was 18.2% in Asia, 2.3% in North America, and 3.0% in Europe.
- The ratio of sales at overseas affiliates in manufacturing industries increased significantly in Asia (up by 11.6 points), and decreased significantly in North America (down by 16.2 points), as compared to FY2001. The intraregional sales ratio rose significantly in North America (up by 14.5 points) and decreased in Europe (down by 5.1 points) (see Figure 12 and Table 6).

Figure 12. Sale destinations (sales) of overseas affiliates in manufacturing industries  
 <<FY2010>> Unit: 1 billion yen

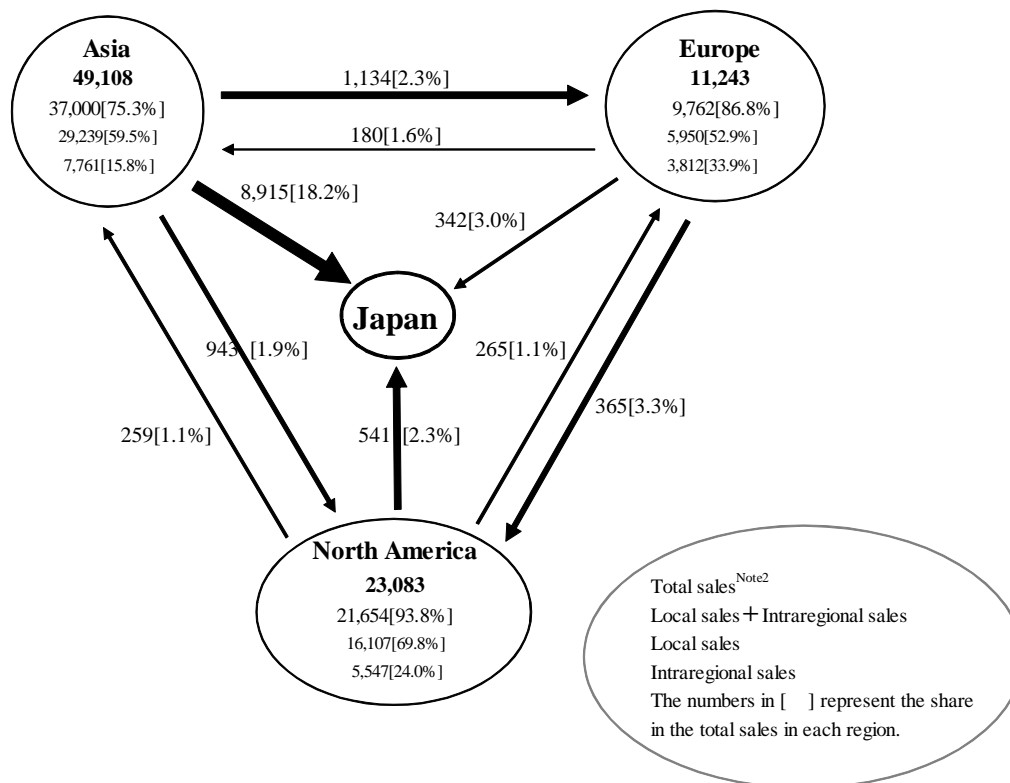
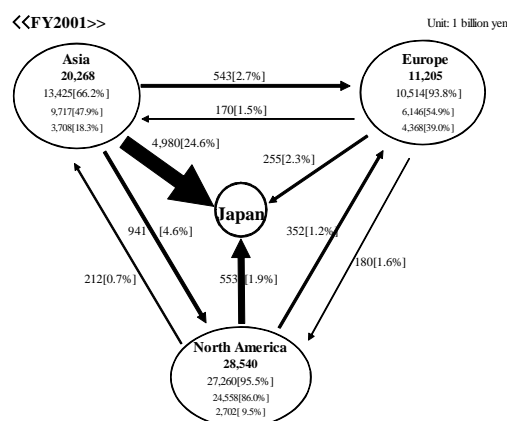


Table 6. Local and intraregional sales ratio and ratio of sales to Japan (Comparison between FY2001 and FY2010)

	Local and intraregional sales ratio (Unit: %)								
	Local and intraregional sales ratio			Local sales ratio			Intraregional sales ratio		
	FY2001	FY2010	Difference	FY2001	FY2010	Difference	FY2001	FY2010	Difference
North America	95.5	93.8	-1.7	86.0	69.8	-16.2	9.5	24.0	14.5
Asia	66.2	75.3	9.1	47.9	59.5	11.6	18.3	15.8	-2.5
Europe	93.8	86.8	-7.0	54.9	52.9	-2.0	39.0	33.9	-5.1

	Ratio of sales to Japan		
	FY2001	FY2010	Difference
North America	1.9	2.3	0.4
Asia	24.6	18.2	-6.4
Europe	2.3	3.0	0.7



- 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<sup>(Note 1)</sup> of overseas affiliates in manufacturing industries by region, in FY2010, 65.0%, 69.4%, and 55.6% of materials are purchased locally or in the neighboring countries in North America, in Asia, and in Europe, respectively.
- The procurement ratio from Japan was 29.1% in North America, 28.5% in Asia, and 34.4% in Europe.
- Compared to FY2001, the local procurement ratio increased significantly in North America, Asia, and Europe, with the rise being substantial in Asia (up by 14.9 points) and North America (up by 11.3 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 13.2 points) (see Figure 13 and Table 7).

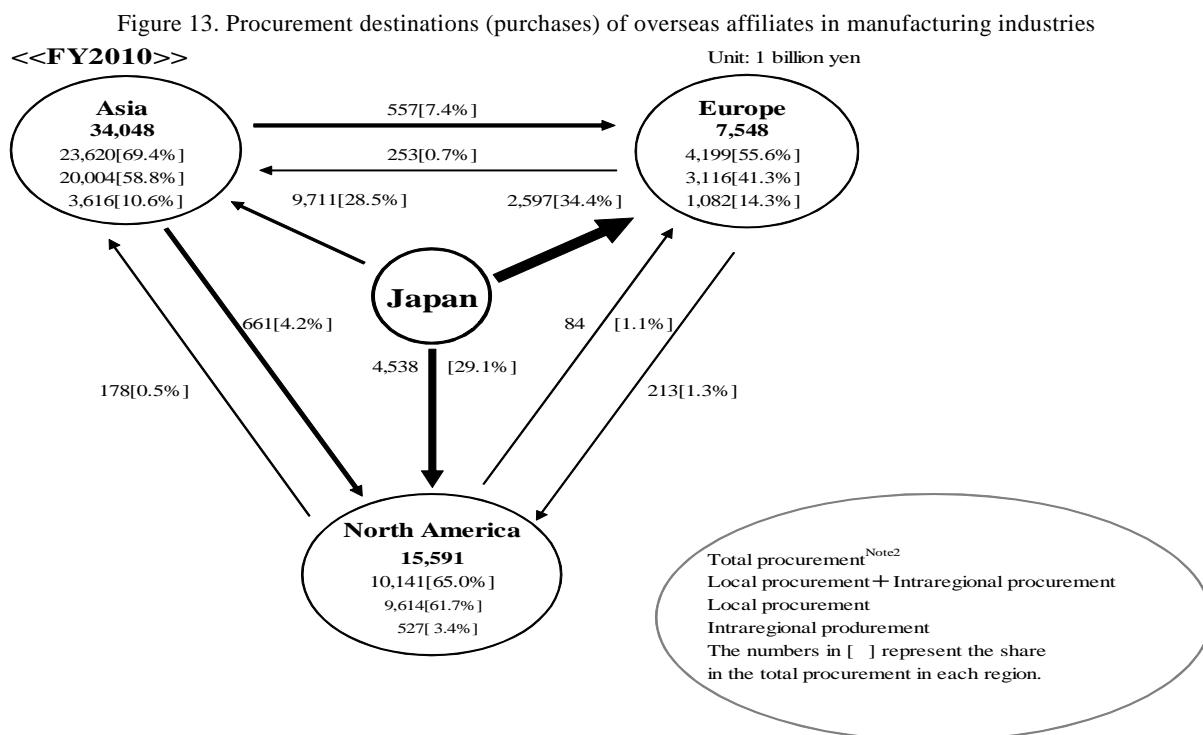
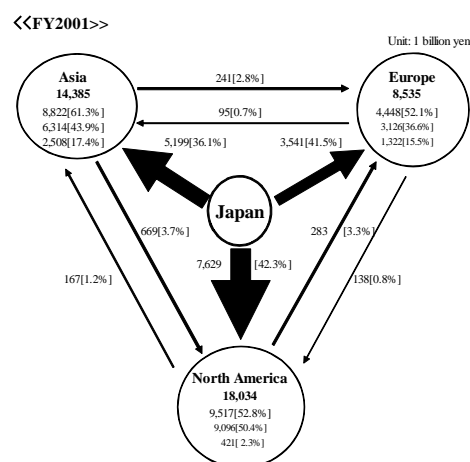


Table 7. Local and intraregional procurement ratio and procurement ratio from Japan (Comparison between FY2001 and FY2010)

	Local and intraregional procurement ratio								
	Local and intraregional procurement ratio			Local procurement ratio			Intraregional procurement ratio		
	FY2001	FY2010	Difference	FY2001	FY2010	Difference	FY2001	FY2010	Difference
North America	52.8	65.0	12.2	50.4	61.7	11.3	2.3	3.4	1.1
Asia	61.3	69.4	8.1	43.9	58.8	14.9	17.4	10.6	-6.8
Europe	52.1	55.6	3.5	36.6	41.3	4.7	15.5	14.3	-1.2

	Procurement ratio from Japan		
	FY2001	FY2010	Difference
	North America	42.3	29.1
Asia	36.1	28.5	-7.6
Europe	41.5	34.4	-7.1



- 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 FY2010, ordinary profits of overseas affiliates amounted to 10.9 trillion yen, up by 56.3% as compared to the previous year (up by 53.1% if only comparing companies that gave valid responses for this year and the previous year). Increases were observed in manufacturing industries (5.3 trillion yen, up by 51.1% (id.)), and in non-manufacturing industries (5.6 trillion yen, up by 61.5% (id.)) (see Figure 14).
- By region, there were increases in Asia (4.7995 trillion yen, up by 32.3% (id.)), in North America (1.7250 trillion yen, up by 66.5% (id.)), and in Europe (1.0460 trillion yen, up by 121.8%) (see Figure 15).
- The ratio of ordinary profits to sales<sup>(Note)</sup> increased for the second consecutive year, to 6.1% (up by 1.7 points (id.)), and exceeded the ratio for domestic companies by 2.9 points. The ratio for manufacturing industries increased by 1.4 points (id.), to 6.2%, and maintained a level above the ratio for domestic companies for the fourth consecutive year (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

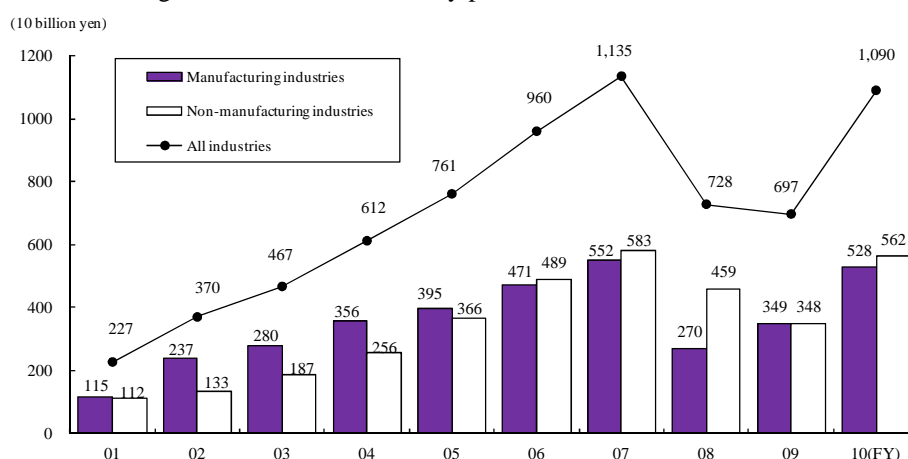


Figure 15. Ordinary profits of overseas affiliates (by region)

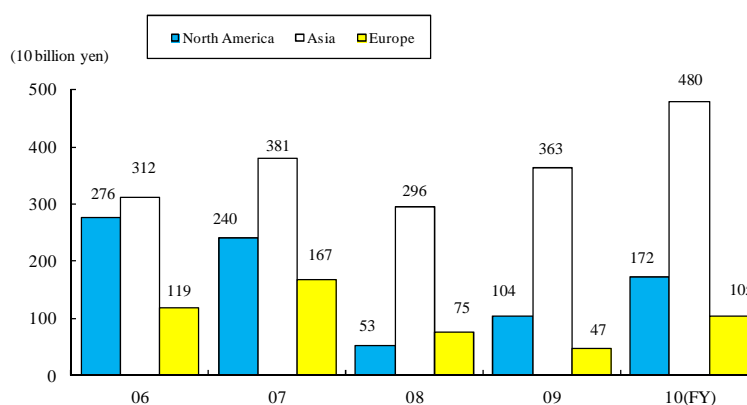


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

		(Unit: %)							
		03	04	05	06	07	08	09	10(FY)
(Reference)	All industries	3.4	3.9	4.2	4.7	4.9	3.5	4.4	6.1
	Manufacturing industries	4.5	4.9	4.8	5.0	5.2	3.0	4.8	6.2
	Non-manufacturing industries	2.4	2.9	3.7	4.5	4.7	4.0	4.0	6.1
	Domestic companies	2.7	3.1	3.4	3.5	3.4	2.4	2.3	3.2
	Manufacturing industries	3.9	4.8	5.0	5.3	5.1	2.3	2.4	3.9
	Non-manufacturing industries	2.2	2.5	2.8	2.7	2.7	2.4	2.3	2.8

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 FY2010, current net profits of overseas affiliates amounted to 7.7 trillion yen (up by 64.3% as compared to the previous year) (up by 57.5% if only comparing companies that gave valid responses for this year and the previous year). Current net profits increased in manufacturing industries (4.1 trillion yen, up by 71.4% (id.)) and in non-manufacturing industries (3.6 trillion yen, up by 56.9% (id.)) (see Figure 16).
- The amount of current retained earnings<sup>(Note 1)</sup> of overseas affiliates in FY2010 was 4.7 trillion yen (up by 150.9% (id.)) (a 110.9% increase if only comparing companies that gave valid responses for this year and the previous year). The amount in manufacturing industries increased to 2.2 trillion yen (up by 380.3% (id.)), and the amount in non-manufacturing industries increased to 2.4 trillion yen (up by 74.2% (id.)).
- The balance of retained earnings<sup>(Note 2)</sup> was 20.7 trillion yen (up by 15.3% (id.)) (up by 9.8% 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

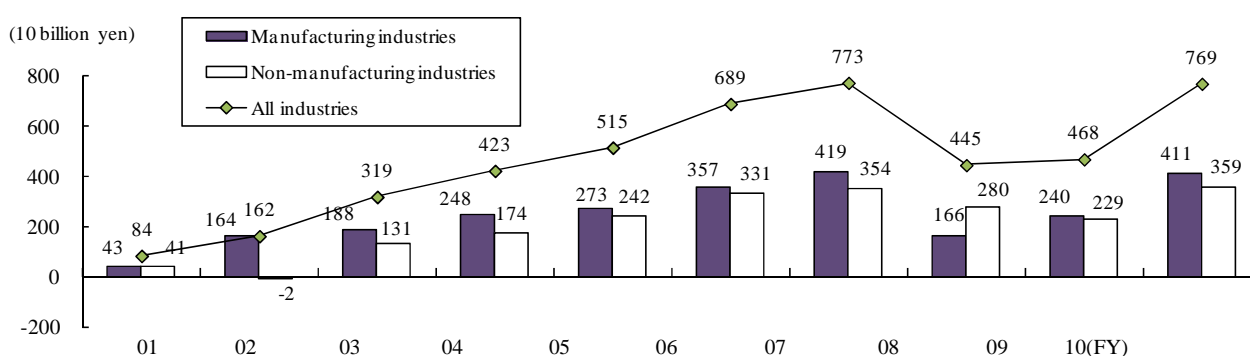


Figure 17. Trends in current retained earnings and balance of retained earnings

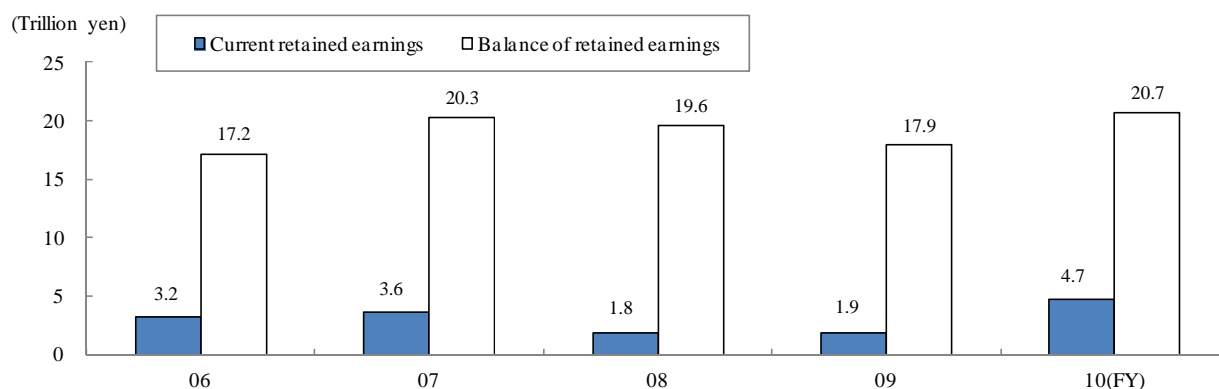


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2009	FY2010	Y/Y	FY2009	FY2010	Y/Y
All industries	18,574	46,603	150.9	179,448	206,853	15.3
Manufacturing industries	4,654	22,352	380.3	78,010	96,583	23.8
Non-manufacturing industries	13,919	24,250	74.2	101,438	110,269	8.7

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 FY2010, research and development expenses in manufacturing industries amounted to 359.1 billion yen (up by 7.3% as compared to the previous year) (up by 1.6% if only comparing companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses<sup>(Note)</sup> rose by 0.3% (id.) to 3.3% (see Figure 18).
- Research and development expenses per company in manufacturing industries increased by 6.3% (id.) to 290 million yen.
- By sector, there were increases mainly in the information and communication electronic equipment sector, the business oriented machinery sector, and the transportation equipment sector (see Table 10).
- By region, research and development expenses increased in Europe and Asia, but decreased in North America (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)

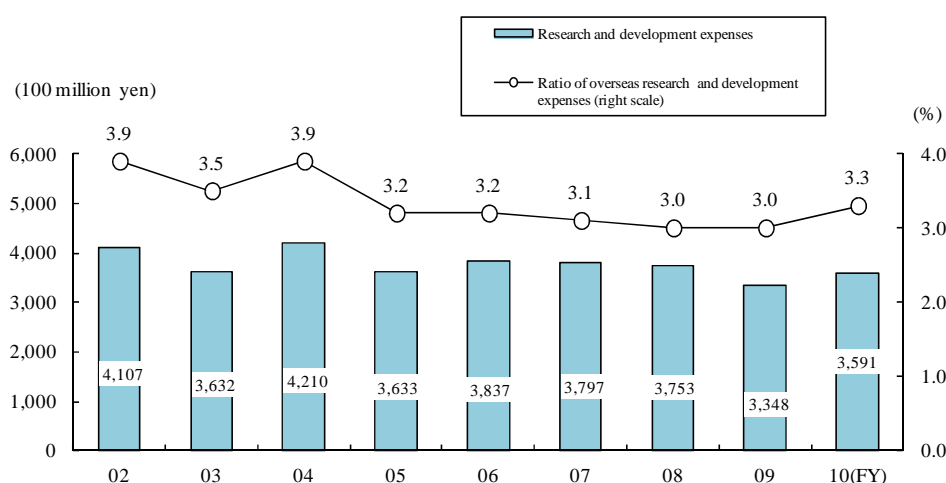


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2009	FY2010	FY2010	
			Y/Y difference	Y/Y ratio
Manufacturing industries	268	285	17	6.3
Chemicals	467	495	28	6.0
General-purpose machinery	92	88	-4	-4.3
Production machinery	190	220	30	15.8
Business oriented machinery	192	228	36	18.8
Electrical machinery	242	263	21	8.7
Information and communication electronics equipment	430	475	45	10.5
Transportation equipment	317	347	30	9.5

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

(Units: Million yen, %)

	FY2009		FY2010			
	Y/Y difference	Y/Y ratio	Y/Y difference	Y/Y ratio		
All regions	268	-35	-11.6	285	17	6.3
North America	553	-94	-14.5	542	-11	-2.0
Asia	125	2	1.6	148	23	18.4
Europe	564	-98	-14.8	601	37	6.6

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 FY2010, the amount of capital investment in overseas affiliates in manufacturing industries increased for the first time in three years, to 2.3 trillion yen (up by 13.0% as compared to the previous year) (up by 9.9% if only comparing companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment<sup>(Note)</sup> was 17.1% (up by 1.2 points (id.)) (see Figure 19).
- By sector, there were increases in capital investment in the information and communication electronic equipment sector (up by 100.8% (id.)), the electrical machinery sector (up by 62.4% (id.)), and the production machinery sector (up by 77.2% (id.)), etc. (see Figure 20).
- By region, increases were observed in Asia (up by 22.4% (id.)), Europe (up by 2.2% (id.)), and decreases were observed in North America (down by 7.0% (id.)). In Asia, ASEAN4, other Asian countries, and NIEs3 showed increases, and China showed decreases (see Figure 21 and Figure 22).

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

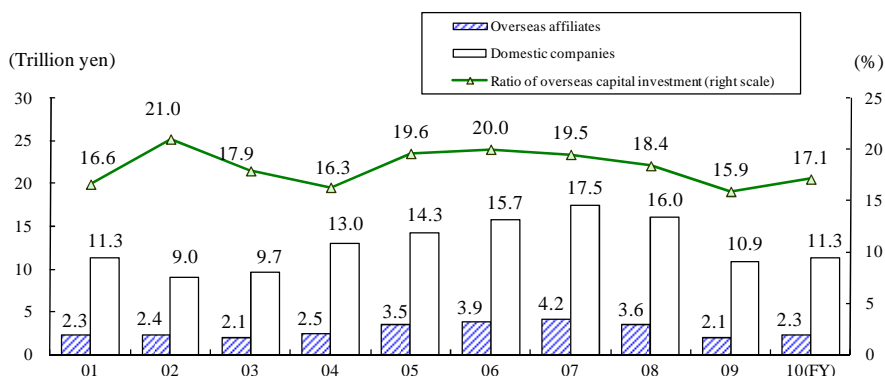


Figure 20. Capital investment in overseas affiliates (by major sector)

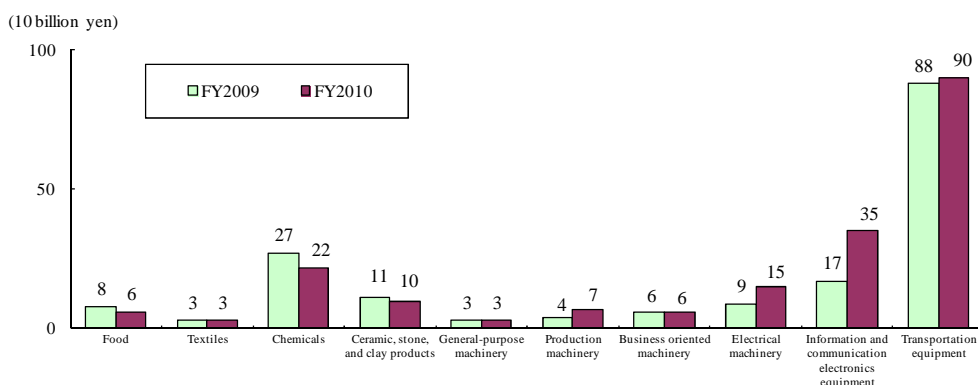


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

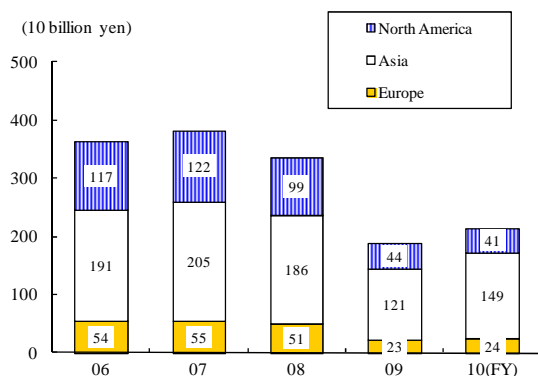
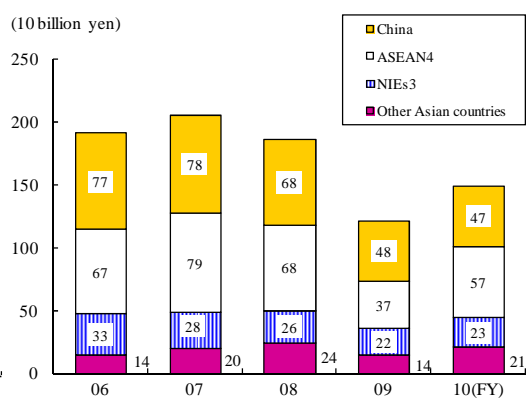


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



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 FY2010, the largest number of businesses—over 70%—responded, "local product demand is strong, or demand is anticipated in the future." The next most common responses were "other Japanese companies have made forays, including delivery destinations," "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future," and "high-quality, inexpensive labor can be secured" (see Figure 23).
- Viewing these top four factors chronologically, 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, as evidenced in the responses, "local product demand is strong, or demand is anticipated in the future," and "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future." On the other hand, there are fewer companies making investment decisions based on "high-quality, inexpensive labor can be secured" (see Figure 24).

Figure 23. Deciding Factors for Investments

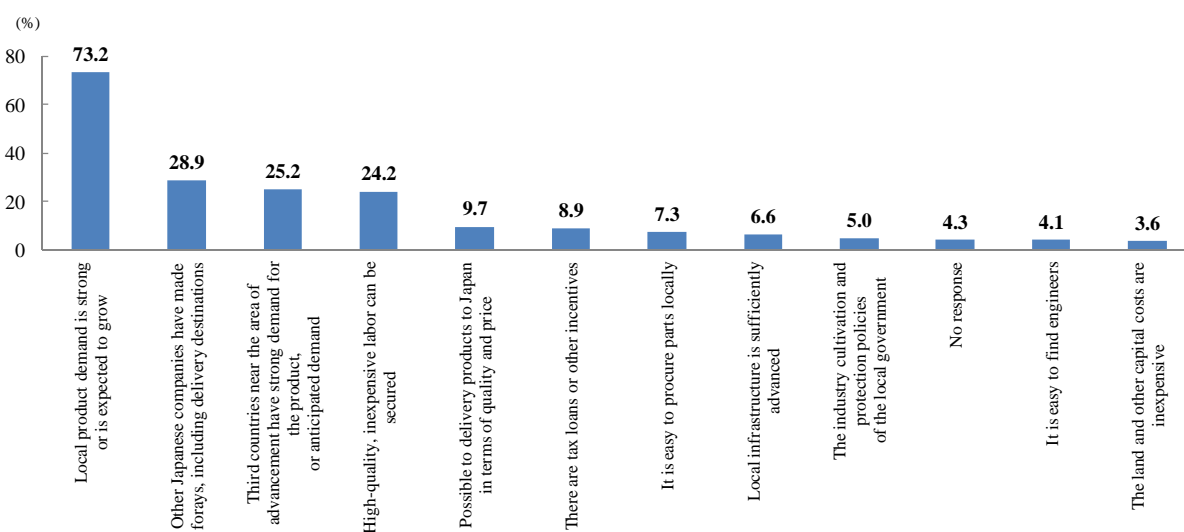
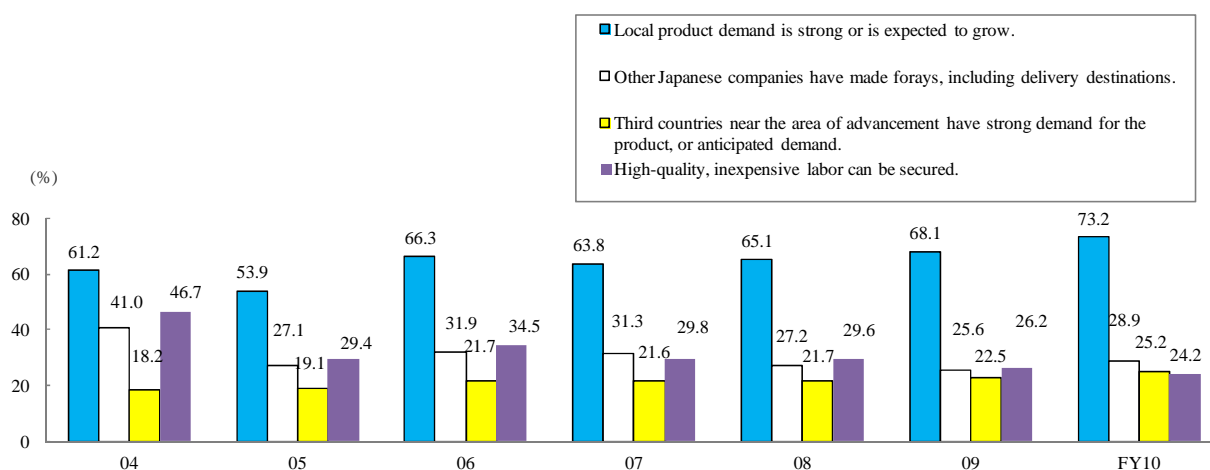


Figure 24. Chronological View of the Top Four Deciding Factors for Investments



### Details of the survey:

- The survey targets are corporate headquarters.
- Tabulation of a question to companies that made new capital investments or increased capital investments in FY2010, 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. Payments from overseas affiliates to Japanese investors

- Payments (such as dividends and royalties) from overseas affiliates to Japanese investors in FY2010 amounted to 2,550 billion yen (down by 0.3%), almost the same level as the previous year (Figure 25).
- By region, payments from overseas affiliates to Japanese investors increased in Asia (up by 2.9% as compared to the previous year), but decreased in Europe (down by 14.6% (id.)) and in North America (down by 8.9% (id.)). In Asia, NIEs3 and ASEAN4 showed increases, and China and other Asian countries showed decreases, with the increase being substantial in NIEs3 (up by 37.3% (id.)) (Figure 26 and Figure 27).
- By major sector, increases were observed in the information and communication electronic equipment sector (up by 8.1% (id.)), and decreases were observed in the transportation equipment sector (down by 9.0% (id.)), the chemicals sector (down by 19.4% (id.)), and the electrical machinery sector (down by 6.8% (id.)) (see Figure 28).

Figure 25. Changes in payments from overseas affiliates to Japanese investors (all industries)

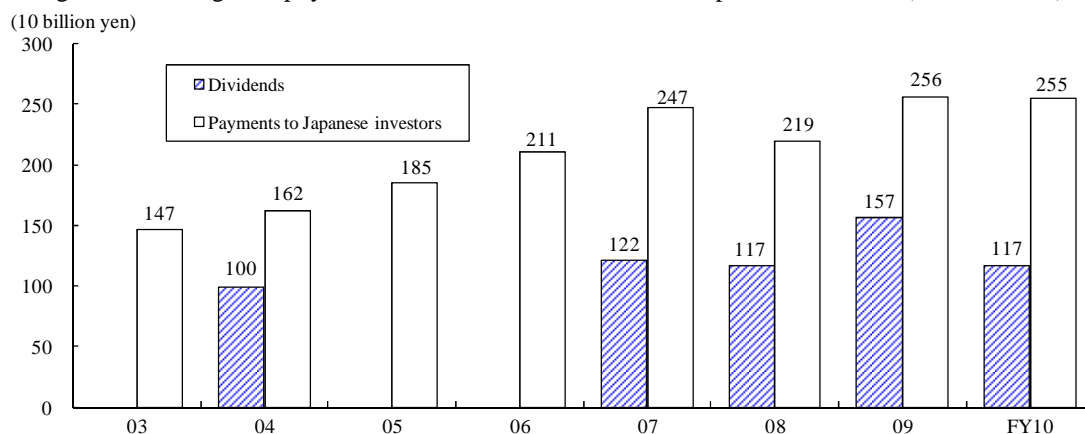


Figure 26. Payments from overseas affiliates to Japanese investors (by region)

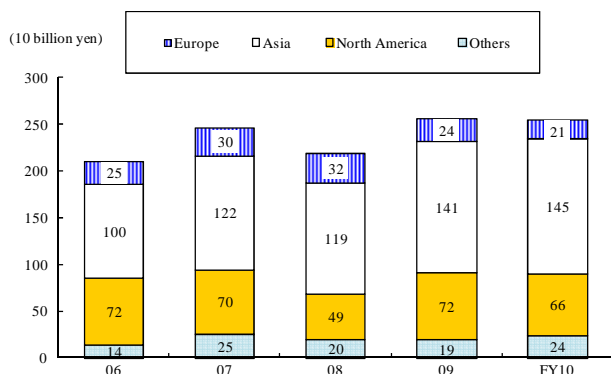


Figure 27. Payments from overseas affiliates to Japanese investors (in Asia)

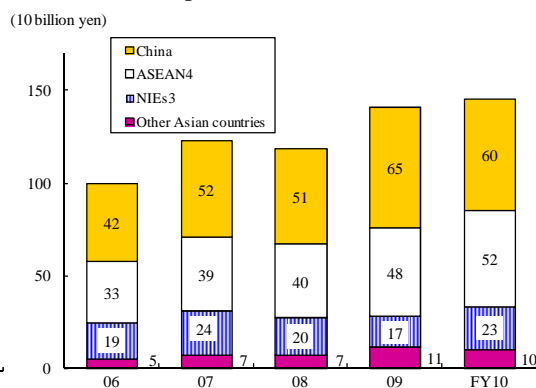
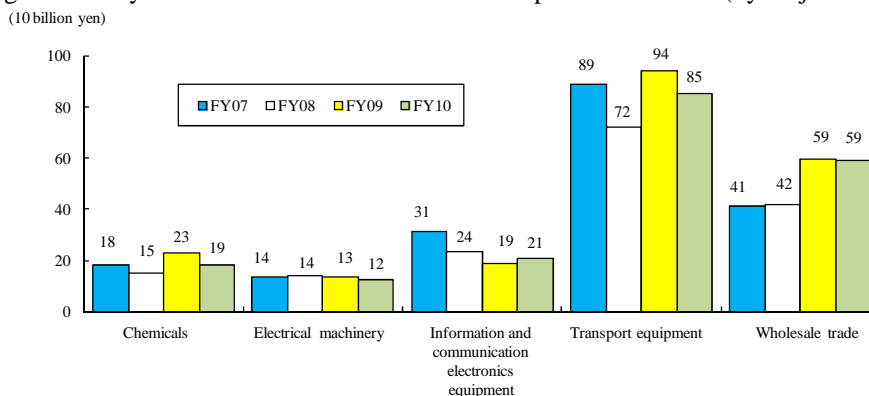


Figure 28. Payments from overseas affiliates to Japanese investors (by major sector)



Note. In Figure 25, the amount of dividends in FY2003, FY2005, and FY2006 was not surveyed.

## 14. Dividends from overseas affiliates

- Regarding dividends from overseas affiliates, in the short term (the next one to two years) 48% of companies responded that there will be "no changes" in dividends, and 13% of companies responded that they will "increase" their dividend payouts. 25% 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 29 and Figure 30).
- In the medium and long term (the next three to five years), 34% of companies said there will be "no change" in dividends and 18% said they will "increase" dividends. 24% 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 29 and Figure 30).
- 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 22% giving that response in the medium and long term (see Figure 31).

Figure 29: Dividends from overseas affiliates

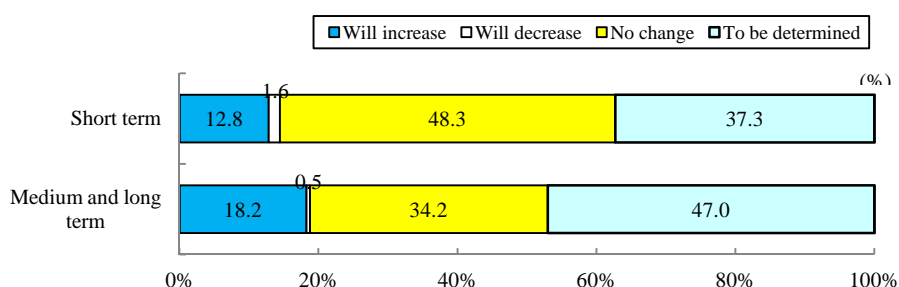


Figure 30: Planned rate of change in dividends

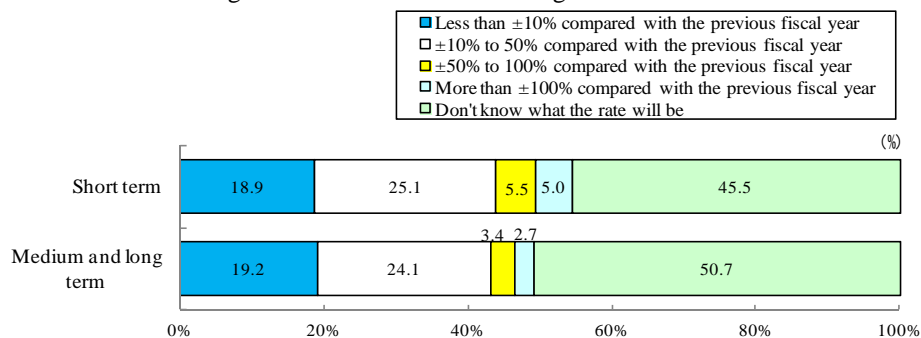
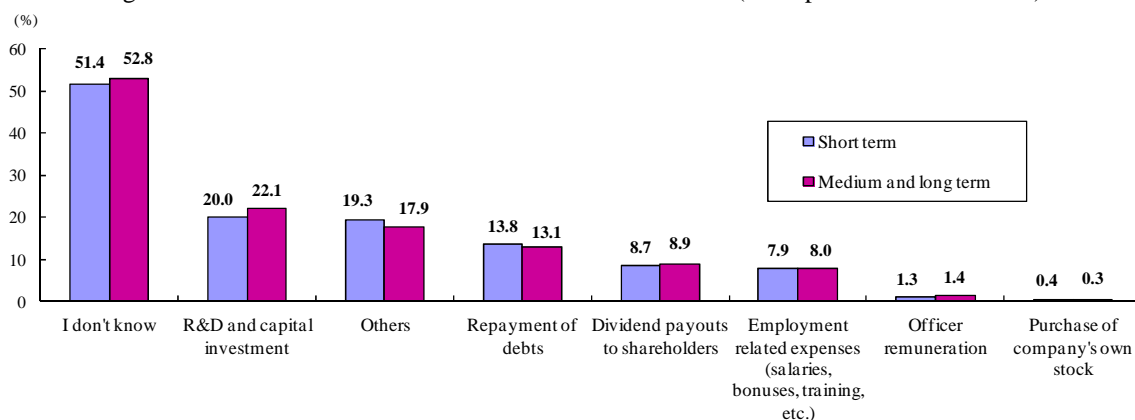


Figure 31: Uses for Dividends from Overseas Affiliates (multiple answers allowed)



### 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