

Summary of the 43rd Basic Survey on Overseas Business Activities (conducted in July 2013)

Trends of overseas affiliates in the fiscal year (FY) 2012 survey

- The overseas production ratio for manufacturing industries (based on all domestic companies, 20.3%) and the ratio of overseas capital investment (25.8%) marked a record high.
- Sales of overseas affiliates increased by 9.2% from the previous year. Ordinary profits, net income, and the amount of current retained earnings decreased. The amount of capital investment in manufacturing industries increased for the third consecutive year (up by 23.8% as compared to the previous year).
- The number of employees at overseas affiliates marked a record high of 5.58 million people, while there was a small decrease in China.
- Research and development expenses in manufacturing industries marked a record high of 500.9 billion yen. Payments from overseas affiliates to Japanese investors marked a record high of 3.2 trillion yen.

Summary of findings

1. The overseas production ratio for manufacturing industries and the ratio of overseas capital investment marked a record high.

- (1) The overseas production ratio for manufacturing industries (based on all domestic companies) rose by 2.3 points from the previous year to 20.3%, exceeding the highest ever recorded (19.1% in FY2007) by 1.2 points. By sector, overseas production ratios were high, such as in the transportation equipment sector (40.2%), the information and communication electronics equipment sector (28.3%), and the general-purpose machinery sector (26.6%).
- (2) The ratio of overseas capital investment was 25.8% (up by 4.3 points as compared to the previous year), continuing to exceed the highest ever recorded from the previous year. By sector, there were increases in the transportation equipment sector (up by 32.4% (id.)), the business oriented machinery sector (up by 118.5% (id.)), and the information communication electronics equipment sector (up by 14.1% (id.)), etc. By region, higher rates of increase were observed in North America (up by 41.3% (id.)) and Asia (up by 26.5% (id.)).

2. Sales of overseas affiliates increased. Ordinary profits, net income, and the amount of current retained earnings decreased. The amount of capital investment in manufacturing industries increased for the third consecutive year.

- (1) Sales amounted to 199.0 trillion yen (up by 9.2% as compared to the previous year; up by 7.1% when comparing only companies that gave valid responses for this year and the previous year). By sector, increases were observed in the transportation equipment sector and the wholesale trade sector. By region, increases were seen in Asia and North America.
- (2) Ordinary profits amounted to 7.6 trillion yen (a 28.1% decrease (id.); a 31.8% decrease (id.)), net income amounted to 6.5 trillion yen (a 12.6% decrease (id.); a 20.6% decrease (id.)), and the amount of current retained earnings amounted to 1.8 trillion yen (a 51.6% decrease (id.); a 47.1% decrease (id.)).
- (3) The amount of capital investment (manufacturing industries) increased for the third consecutive year to 3.8 trillion yen (a 23.8% increase (id.); a 15.0% increase (id.)).

3. The number of employees at overseas affiliates marked a record high, while there was a small decrease in China.

- (1) The number of employees at overseas affiliates as of the end of FY2012 marked a record high of 5.58 million people (a 6.8% increase as compared to the previous year; a 2.3% increase when comparing only companies that gave valid responses for this year and the previous year), continuing to exceed the highest ever recorded from the previous year.
- (2) By sector, the number of employees in manufacturing industries (4.36 million people; a 6.2% increase (id.)) and in non-manufacturing industries (1.22 million people; a 9.2% increase (id.)) marked a record high. By region, there was an increase in ASEAN4 (1.43 million people; up by 6.9% (id.)) and a small decrease in China (1.68 million people; down by 0.2% (id.)).

4. Research and development expenses in manufacturing industries marked a record high.

Research and development expenses in manufacturing industries marked a record high of 500.9 billion yen (up by 27.3% as compared to the previous year) (up by 15.8% when comparing only companies that gave valid responses for this year and the previous year). The ratio of overseas research and development expenses rose by 0.9% (id.) to 4.4%. Research and development expenses per company in manufacturing industries increased by 18.8% (id.) to 340 million yen. By sector, there were increases mainly in the transportation equipment sector and the production machinery sector. By region, research and development expenses increased in Asia and Europe, but decreased in North America.

5. Payments from overseas affiliates to Japan marked a record high.

Payments (such as dividends and royalties) from overseas affiliates to Japanese investors marked a record high of 3.2 trillion yen (up by 16.7% as compared to the previous year). By sector, increases were observed in the transportation equipment sector, the wholesale trade sector and the chemicals sector, and a decrease was observed in the electrical machinery sector. By region, increases were observed in North America, in Asia and in Europe.

1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2012 was 23,351 companies, consisting of 10,425 companies in manufacturing industries and 12,926 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 44.6% of the total number of overseas affiliates in all industries (down by 0.5 points from the previous year), and those in non-manufacturing industries accounted for 55.4% of the total (up by 0.5 points (id.)) (see Table 1).
- By region, the number of overseas affiliates increased in Asia (see Table 2).
- The number of overseas affiliates in Asia was 15,234, accounting for 65.2% of the total. Within this, the number of overseas affiliates in China was 7,700 (accounting for 33.0% of all regions; up by 2.5 points from the previous year), and the number in other Asian countries, including Vietnam and India, was 1,153 (4.9% (id.); up by 0.4 points (id.)), both showing an expanding trend (see Table 2 and Figure 1).

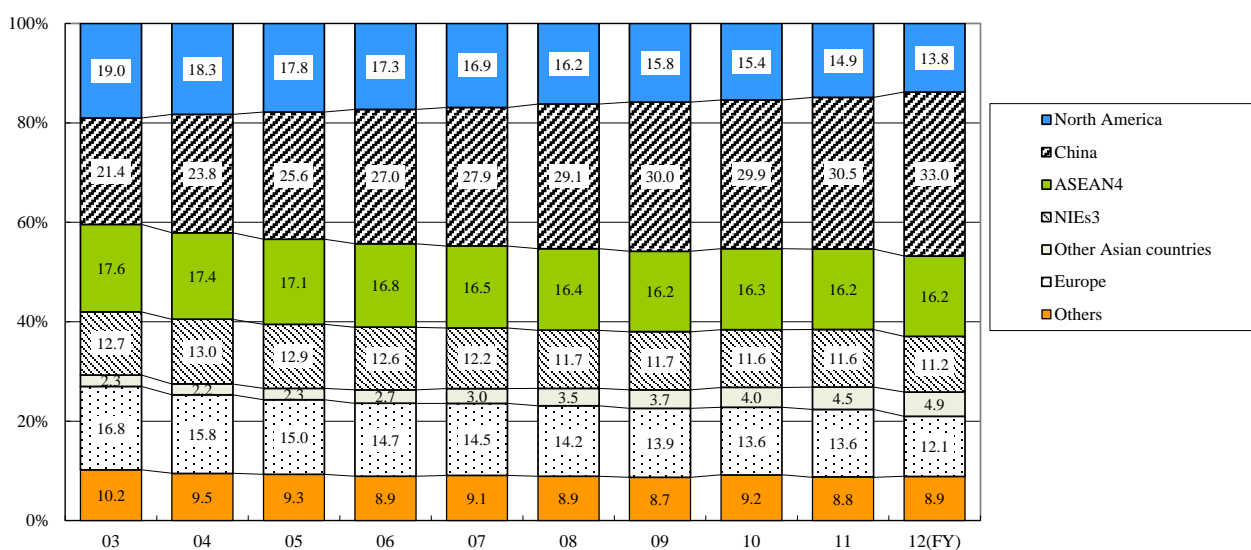
Table 1. Distribution of overseas affiliates by sector

| | End of FY2012 Number of overseas | Breakdown by sector (Units: companies, %) | | |
|---|--|--|-----------|------------------|
| | | FY2011 | | FY2012 |
| | | Breakdown | Breakdown | Change in points |
| All industries | 23,351 | 100.0 | 100.0 | - |
| Manufacturing industries | 10,425 | 45.1 | 44.6 | ▲ 0.5 |
| Food | 508 | 5.1 | 4.9 | ▲ 0.2 |
| Textiles | 554 | 4.7 | 5.3 | 0.6 |
| Lumber, wood, paper, and pulp | 155 | 1.3 | 1.5 | 0.2 |
| Chemicals | 1,213 | 12.5 | 11.6 | ▲ 0.9 |
| Petroleum and coal | 52 | 0.5 | 0.5 | 0.0 |
| Ceramic, stone, and clay products | 269 | 2.5 | 2.6 | 0.1 |
| Iron and steel | 297 | 3.2 | 2.8 | ▲ 0.4 |
| Non-ferrous metals | 316 | 2.9 | 3.0 | 0.1 |
| Metal products | 528 | 4.6 | 5.1 | 0.5 |
| General-purpose machinery | 347 | 3.2 | 3.3 | 0.1 |
| Production machinery | 674 | 6.3 | 6.5 | 0.2 |
| Business oriented machinery | 381 | 3.5 | 3.7 | 0.2 |
| Electrical machinery | 667 | 6.1 | 6.4 | 0.3 |
| Information and communication electronics equipment | 1,095 | 11.6 | 10.5 | ▲ 1.1 |
| Transportation equipment | 1,950 | 19.8 | 18.7 | ▲ 1.1 |
| Miscellaneous manufacturing industries | 1,419 | 12.1 | 13.6 | 1.5 |
| Non-manufacturing industries | 12,926 | 54.9 | 55.4 | 0.5 |
| Agriculture, forestry, and fisheries | 108 | 0.9 | 0.8 | ▲ 0.1 |
| Mining | 227 | 1.6 | 1.8 | 0.2 |
| Construction | 373 | 2.6 | 2.9 | 0.3 |
| Information and communications | 786 | 5.2 | 6.1 | 0.9 |
| Transport | 1,322 | 9.6 | 10.2 | 0.6 |
| Wholesale trade | 6,381 | 50.3 | 49.4 | ▲ 0.9 |
| Retail trade | 705 | 5.6 | 5.5 | ▲ 0.1 |
| Services | 1,918 | 15.0 | 14.8 | ▲ 0.2 |
| Miscellaneous non-manufacturing industries | 1,106 | 9.0 | 8.6 | ▲ 0.4 |

Table 2. Distribution of overseas affiliates by region

| | (Unit: companies for upper columns, composition ratios (%) for lower columns) | |
|-----------------------|---|--------|
| | FY2011 | FY2012 |
| All regions | 19,250 | 23,351 |
| | 100.0 | 100.0 |
| North America | 2,860 | 3,216 |
| | 14.9 | 13.8 |
| Asia | 12,089 | 15,234 |
| | 62.8 | 65.2 |
| China | 5,878 | 7,700 |
| | 30.5 | 33.0 |
| ASEAN4 | 3,111 | 3,776 |
| | 16.2 | 16.2 |
| NIEs3 | 2,238 | 2,605 |
| | 11.6 | 11.2 |
| Other Asian countries | 862 | 1,153 |
| | 4.5 | 4.9 |
| Europe | 2,614 | 2,834 |
| | 13.6 | 12.1 |
| Others | 1,687 | 2,067 |
| | 8.8 | 8.9 |

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 FY2012 was 510 (decreased by 62 companies as compared to the previous year). Manufacturing industries saw an increase (216 companies, up by 1 company (id.)) while non-manufacturing industries saw decreases (294 companies, down by 63 companies (id.)) (see Figure 2).
- The ratio of withdrawals^(Note 2) was 2.1% (down by 0.8 points as compared to the previous year). By region, in Europe the ratio was 3.2% (decreased by 0.6 points (id.)) and the ratio in China was 2.4% (decreased by 0.3 points (id.)), and these declines contributed to the overall decrease (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2012 by year of establishment or capital participation^(Note 3) and by region, there was an increase in the percentage of companies that advanced to North America, ASEAN4, NIEs3 and other countries, while the percentage of those that advanced to China and Europe declined (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

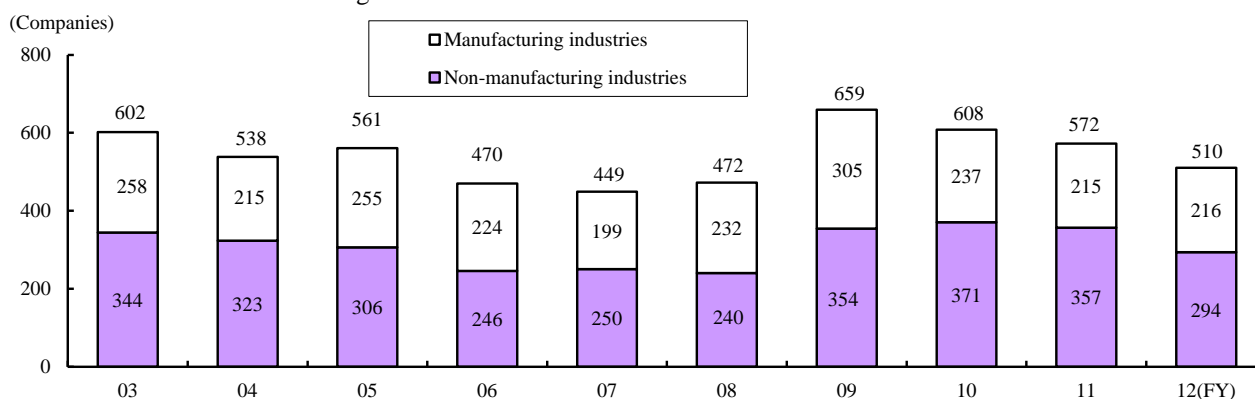
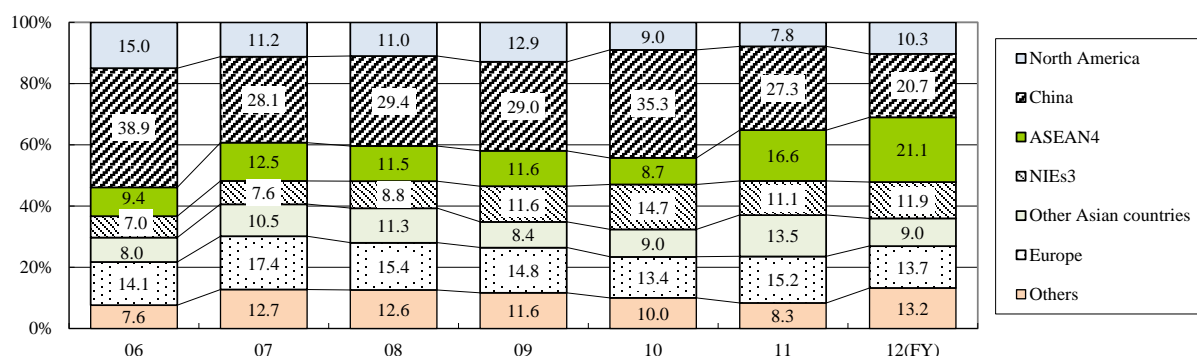


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

| | (Unit:Companies) | | | | | | (Unit:%) | | | | | |
|---------------|------------------|-----|-----|-----|-----|--------|----------|-----|-----|-----|-----|--------|
| | 07 | 08 | 09 | 10 | 11 | 12(FY) | 07 | 08 | 09 | 10 | 11 | 12(FY) |
| All regions | 449 | 472 | 659 | 608 | 572 | 510 | 2.6 | 2.6 | 3.5 | 3.2 | 2.9 | 2.1 |
| North America | 94 | 81 | 140 | 113 | 110 | 63 | 3.2 | 2.7 | 4.6 | 3.8 | 3.7 | 1.9 |
| Asia | 235 | 303 | 371 | 339 | 317 | 314 | 2.3 | 2.8 | 3.2 | 2.9 | 2.6 | 2.0 |
| China | 82 | 151 | 200 | 181 | 166 | 188 | 1.7 | 2.9 | 3.5 | 3.2 | 2.7 | 2.4 |
| ASEAN4 | 69 | 75 | 90 | 68 | 65 | 54 | 2.4 | 2.5 | 3.0 | 2.2 | 2.0 | 1.4 |
| NIEs3 | 77 | 65 | 68 | 74 | 71 | 60 | 3.6 | 3.0 | 3.1 | 3.3 | 3.1 | 2.3 |
| Europe | 85 | 57 | 90 | 106 | 103 | 95 | 3.4 | 2.2 | 3.4 | 4.0 | 3.8 | 3.2 |

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 FY2012 / (Total number of overseas affiliates with valid responses in FY2012 + Number of overseas withdrawals in FY2012) × 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 FY2012 was 5.58 million people, a 6.8% increase as compared to the previous year (a 2.3% increase when comparing only companies that gave valid responses for this year and the previous year) (see Table 4).
- The number of employees in manufacturing industries was 4.36 million people, marking an increase of 6.2% as compared to the previous year. By sector, there were increases in the transportation equipment sector (1.44 million people; up by 6.4% as compared to the previous year) and the textiles sector (180,000 people; up by 34.4% (id.)), and a decrease in the information and communication electronics equipment sector (760,000 people; down by 4.4% (id.)). The number of employees in non-manufacturing industries was 1.22 million people, marking an increase of 9.2% (id.). By sector, increases were observed in the wholesale trade sector (480,000 people; up by 13.0% (id.) and the information and communications sector (140,000 people; up by 6.3% (id.)) (see Table 4 and Figure 4).
- By region, the number increased in Asia (3.94 million people; up by 5.6% (id.)), North America (660,000 people; up by 9.3% (id.)) and Europe (530,000 people; up by 14.4% (id.)) (see Figure 5).
- In Asia, there were increases in ASEAN4 (1.43 million people; up by 6.9% (id.)) and NIEs3 (280,000 people; up by 13.3% (id.)) and a decrease in China (1.68 million people; down by 0.2% (id.)). (see Figure 6).

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

(Units: 10,000 persons, %)

| | 08 | | 09 | | 10 | | 11 | | 12(FY) | |
|------------------------------|-----|-------|-----|-----|-----|-----|-----|-----|--------|-----|
| | | Y/Y | | Y/Y | | Y/Y | | Y/Y | | Y/Y |
| All industries | 452 | ▲ 4.8 | 470 | 4.1 | 499 | 6.2 | 523 | 4.7 | 558 | 6.8 |
| Manufacturing industries | 357 | ▲ 9.8 | 368 | 3.2 | 397 | 7.9 | 411 | 3.4 | 436 | 6.2 |
| Non-manufacturing industries | 95 | 19.9 | 102 | 7.3 | 102 | 0.0 | 112 | 9.5 | 122 | 9.2 |

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

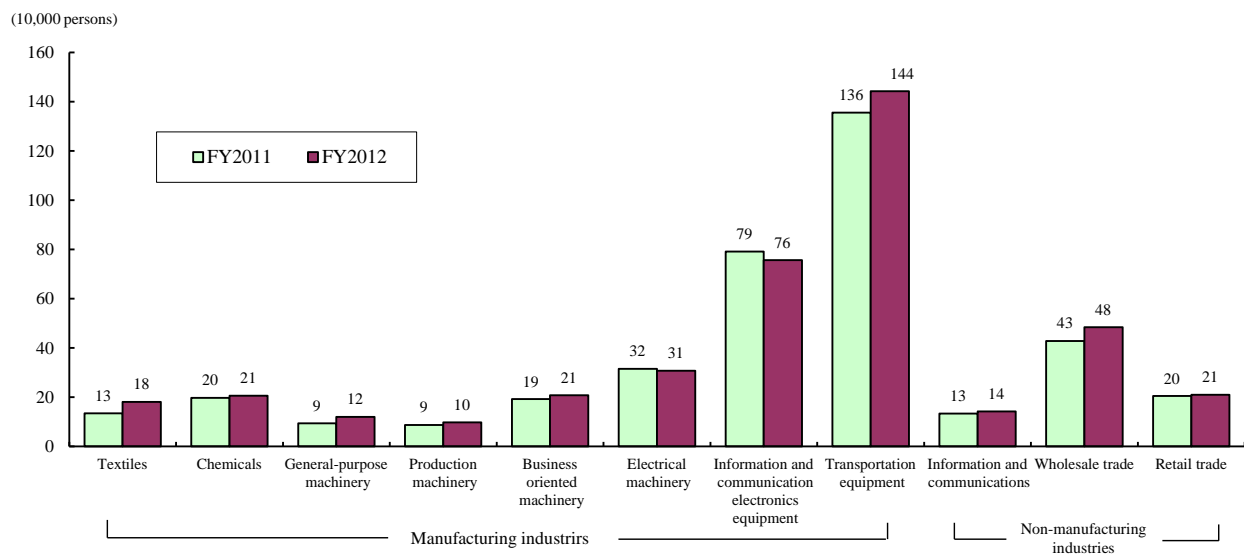


Figure 5. Number of employees at overseas affiliates (by region)

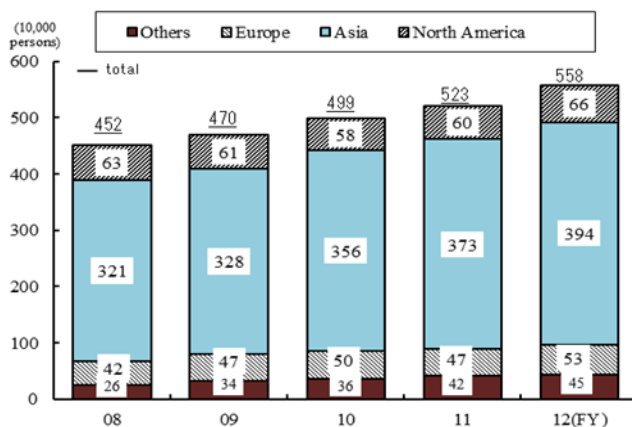
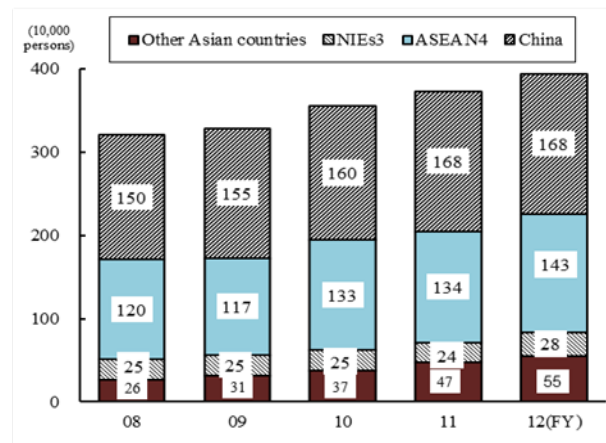


Figure 6. Number of employees at overseas affiliates (in Asia)



4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2012 amounted to 199.0 trillion yen (up by 9.2% as compared to the previous year; up by 7.1% when comparing only companies that gave valid responses for this year and the previous year). (see Figure 7).
- Sales in manufacturing industries totaled 98.4 trillion yen (up by 11.4% (id.)). By sector, increases were observed in the transportation equipment sector (44.8 trillion yen; up by 14.9% (id.)) and the business oriented machinery sector (2.9 trillion yen; up by 24.2% (id.)). Sales in non-manufacturing industries amounted to 100.6 trillion yen (up by 7.1% (id.)). By sector, there were increases in such sectors as the wholesale trade sector (72.4 trillion yen; up by 6.4% (id.)) (see Figure 7 and Figure 8).
- By region, while increases were seen in Asia (89.3 trillion yen; up by 11.9% (id.)) and North America (57.9 trillion yen; up by 14.1% (id.)), a decrease was seen in Europe (31.1 trillion yen; down by 0.6% (id.)). In Asia, ASEAN4, NIEs3 and China saw increases. (see Figure 9 and Figure 10).

Figure 7. Sales trends of overseas affiliates

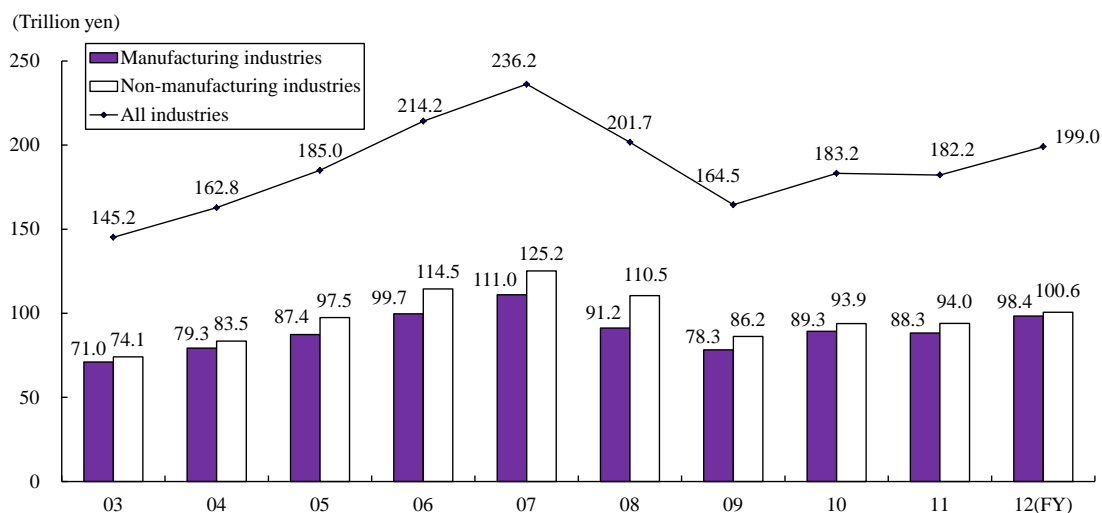


Figure 8. Sales of overseas affiliates (by major sector)

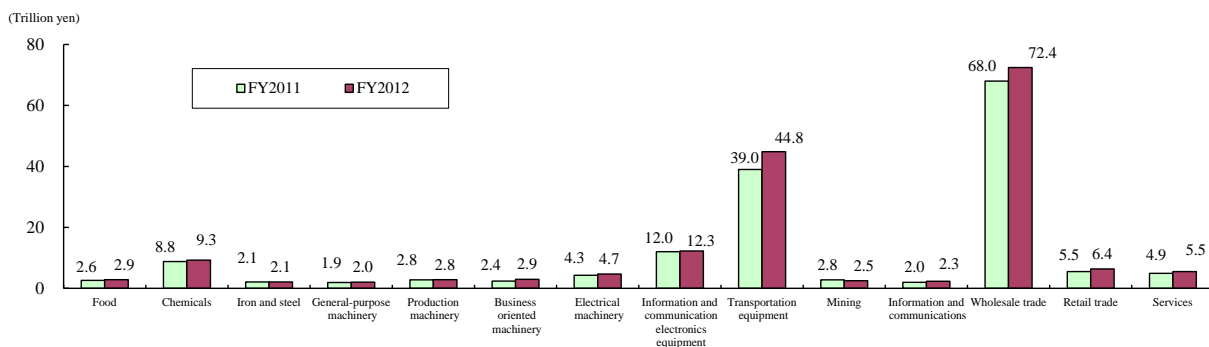


Figure 9. Sales trends of overseas affiliates (by region)

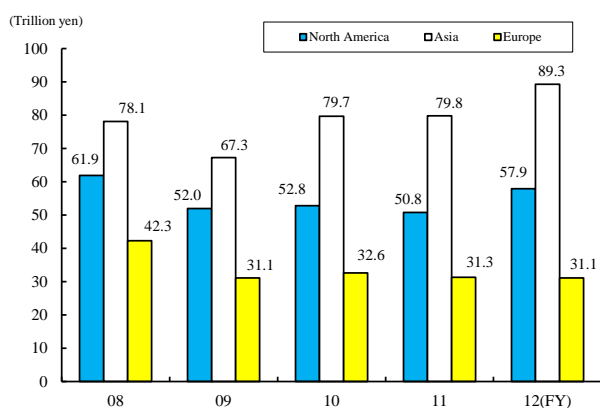
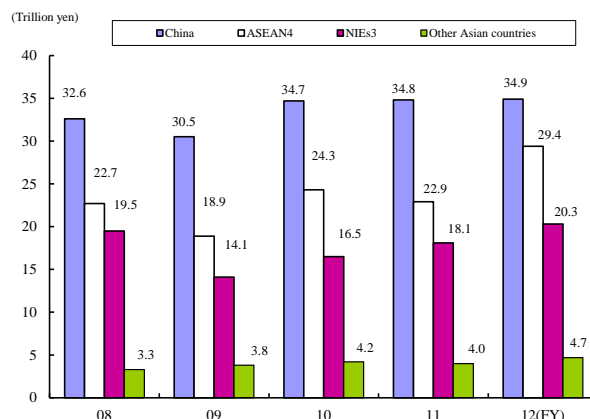


Figure 10. Sales trends of overseas affiliates (in Asia)



5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)^(Note 1) marked a record high of 20.3% (up by 2.3 points as compared to the previous year) (see Figure 11).
- By sector^(Note 2), overseas production ratios were high, such as in the transportation equipment sector (40.2%), the information and communication electronics equipment sector (28.3%), and the general-purpose machinery sector (26.6%) (see Table 5).

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

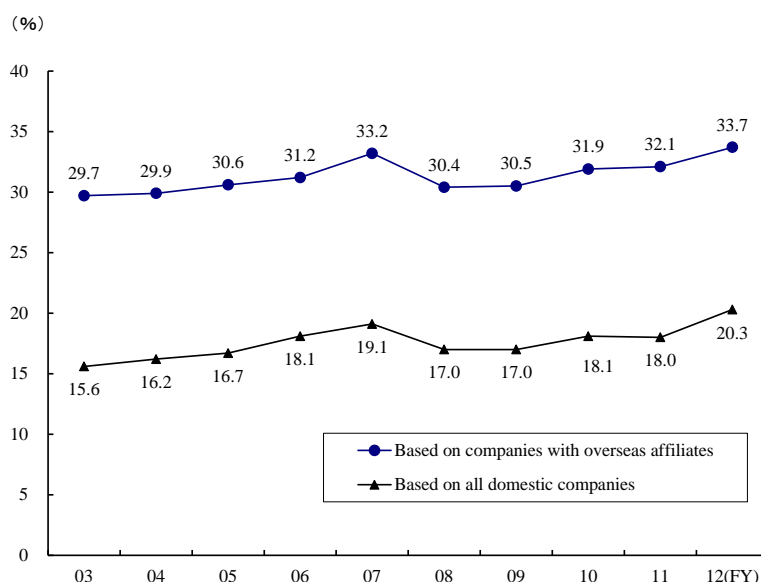


Table 5. Trends in the overseas production ratio by sector
(calculated based on the total number of domestic companies (manufacturing industries))

| | (Unit: %) | | | | | | | | | | |
|---|-----------|------|------|------|------|------|------|------|------|------|------|
| | 03 | 04 | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12 | (FY) |
| Total for manufacturing industries | 15.6 | 16.2 | 16.7 | 18.1 | 19.1 | 17.0 | 17.0 | 18.1 | 18.0 | 20.3 | |
| Food | 4.9 | 4.4 | 4.2 | 4.2 | 4.9 | 3.8 | 4.7 | 5.0 | 4.9 | 5.7 | |
| Textiles | 8.4 | 7.3 | 6.3 | 9.0 | 11.1 | 9.5 | 6.2 | 6.2 | 8.3 | 11.9 | |
| Lumber, wood, paper, and pulp | 3.8 | 4.2 | 3.0 | 4.7 | 4.2 | 4.2 | 3.7 | 4.5 | 4.3 | 4.7 | |
| Chemicals | 13.6 | 15.3 | 14.8 | 17.9 | 16.6 | 17.4 | 15.1 | 17.4 | 18.5 | 19.5 | |
| Petroleum and coal | 1.6 | 1.8 | 2.6 | 4.4 | 2.5 | 1.3 | 1.6 | 2.4 | 5.2 | 9.8 | |
| Ceramic, stone, and clay products | 5.3 | 6.3 | 6.6 | 12.0 | 10.7 | 11.8 | 11.6 | 13.6 | 10.7 | 15.2 | |
| Iron and steel | 9.4 | 10.6 | 9.6 | 10.6 | 11.7 | 10.3 | 10.7 | 11.2 | 10.2 | 11.5 | |
| Non-ferrous metals | 7.9 | 9.4 | 10.2 | 10.3 | 12.1 | 11.0 | 11.8 | 14.7 | 14.8 | 15.3 | |
| Metal products | 1.6 | 1.7 | 2.2 | 2.6 | 3.4 | 2.5 | 2.8 | 3.9 | 3.7 | 5.3 | |
| General-purpose machinery | | | | | | | 21.2 | 28.3 | 24.8 | 26.6 | |
| Production machinery | | | | | | | 8.0 | 11.1 | 11.5 | 11.8 | |
| Business oriented machinery | | | | | | | 12.9 | 13.8 | 15.0 | 18.4 | |
| General machinery | 10.7 | 11.7 | 13.1 | 14.3 | 14.4 | 12.8 | | | | | |
| Electrical machinery | 23.4 | 9.5 | 11.0 | 11.8 | 11.5 | 13.0 | 13.0 | 11.8 | 12.8 | 14.3 | |
| Information and communication electronics equipment | | 33.1 | 34.9 | 34.0 | 32.2 | 28.1 | 26.1 | 28.4 | 26.7 | 28.3 | |
| Transportation equipment | 32.6 | 36.0 | 37.0 | 37.8 | 42.0 | 39.2 | 39.3 | 39.2 | 38.6 | 40.2 | |
| Precision instruments | 12.8 | 12.4 | 13.8 | 8.9 | 9.4 | 7.9 | | | | | |
| Miscellaneous manufacturing industries | 6.0 | 7.9 | 9.4 | 9.7 | 9.3 | 9.1 | 8.7 | 9.1 | 11.5 | 12.8 | |

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. 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^(Note 1) of overseas affiliates in manufacturing industries by region, in FY2012, the ratio was 93.7% in North America, 84.2% in Europe, and 75.4% in Asia.
- The ratio of sales to Japan was 18.6% in Asia, 2.5% in North America and 3.2% in Europe.
- The ratio of sales at overseas affiliates in manufacturing industries decreased significantly in North America (down by 19.3 points) and Europe (down by 12.5 points) and increased in Asia (up by 6.3 points), as compared to FY2003. The intraregional sales ratio rose significantly in North America (up by 17.6 points). (see Figure 12 and Table 6).

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

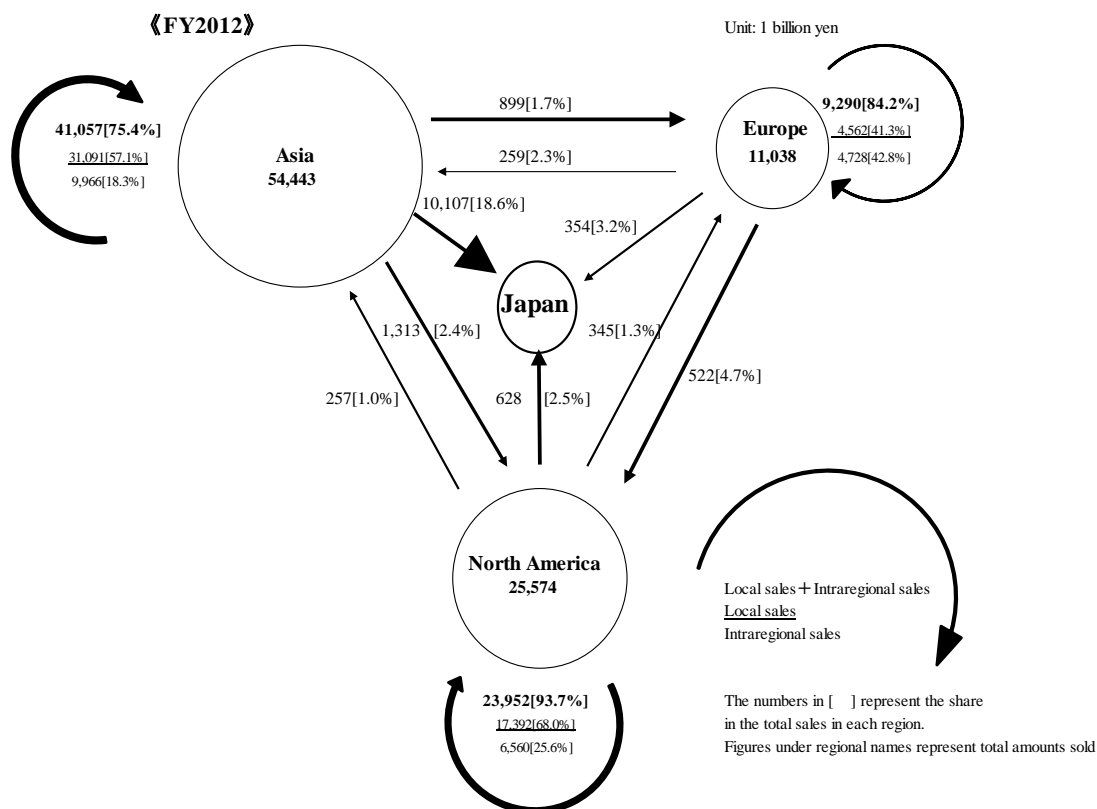
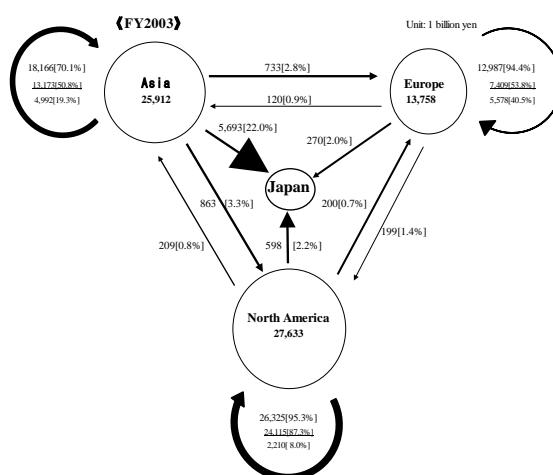


Table 6. Local and intraregional sales ratio and ratio of sales to Japan (Comparison between FY2003 and FY2012)

Unit: %

| | Local and intraregional sales ratio | | | Local sales ratio | | | Intraregional sales ratio | | |
|---------------|-------------------------------------|--------|------------|-------------------|--------|------------|---------------------------|--------|------------|
| | FY2003 | FY2012 | Difference | FY2003 | FY2012 | Difference | FY2003 | FY2012 | Difference |
| North America | 95.3 | 93.7 | ▲ 1.6 | 87.3 | 68.0 | ▲ 19.3 | 8.0 | 25.6 | 17.6 |
| Asia | 70.1 | 75.4 | 5.3 | 50.8 | 57.1 | 6.3 | 19.3 | 18.3 | ▲ 1.0 |
| Europe | 94.4 | 84.2 | ▲ 10.2 | 53.8 | 41.3 | ▲ 12.5 | 40.5 | 42.8 | 2.3 |

| | Ratio of sales to Japan | | |
|---------------|-------------------------|--------|------------|
| | FY2003 | FY2012 | Difference |
| North America | 2.2 | 2.5 | 0.3 |
| Asia | 22.0 | 18.6 | ▲ 3.4 |
| Europe | 2.0 | 3.2 | 1.2 |



- 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 FY2012, 71.0%, 65.3%, and 64.4% of materials are purchased locally or in the neighboring countries in Asia, in North America, and in Europe, respectively.
- The procurement ratio from Japan was 28.6% in North America, 28.6% in Europe, 26.7% in Asia.
- Compared to FY2003, the local procurement ratio increased in North America, Asia, and Europe, with the rise being substantial in Europe (up by 13.2 points). In the meantime, the procurement ratio from Japan decreased in Europe, North America and Asia. (see Figure 13 and Table 7).

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

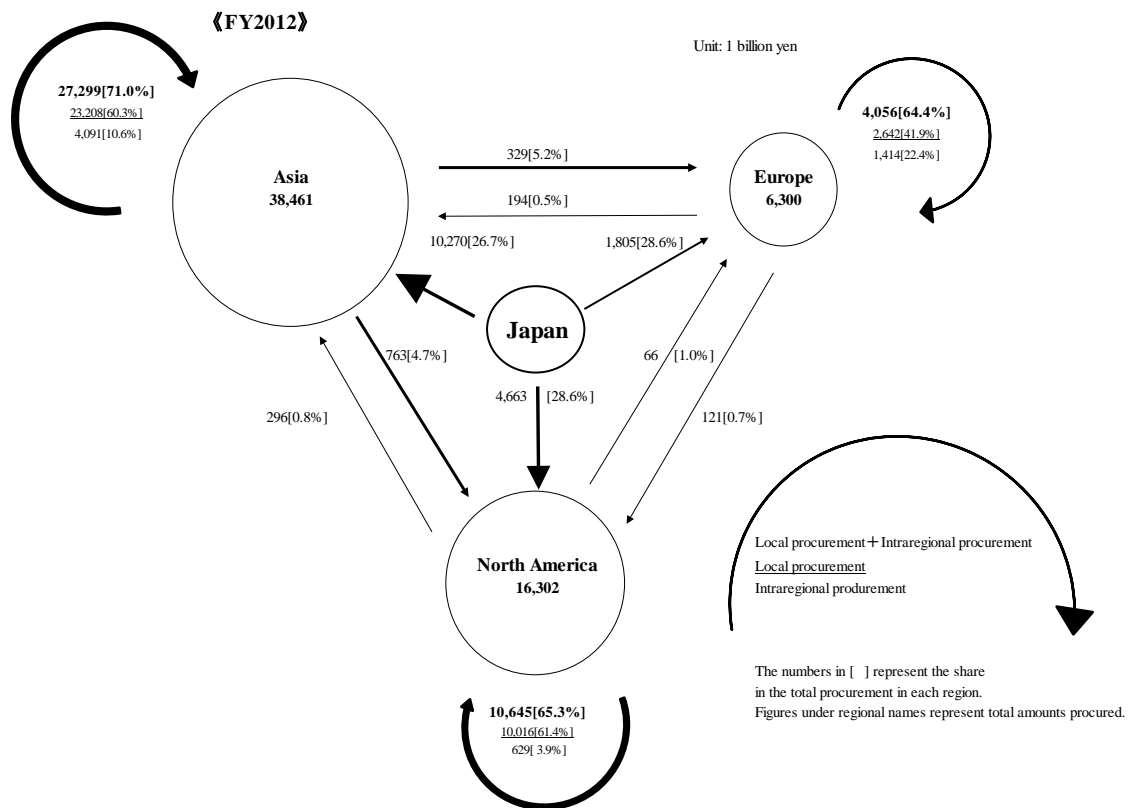
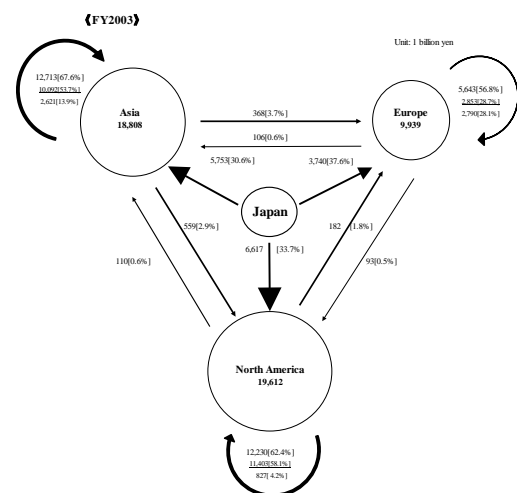


Table 7. Local and intraregional procurement ratio and procurement ratio from Japan (Comparison between FY2003 and FY2012)

Unit: %

| | Local and intraregional procurement ratio | | | Local procurement ratio | | | Intraregional procurement ratio | | |
|---------------|---|--------|------------|-------------------------|--------|------------|---------------------------------|--------|------------|
| | FY2003 | FY2012 | Difference | FY2003 | FY2012 | Difference | FY2003 | FY2012 | Difference |
| North America | 62.4 | 65.3 | 2.9 | 58.1 | 61.4 | 3.3 | 4.2 | 3.9 | ▲ 0.3 |
| Asia | 67.6 | 71.0 | 3.4 | 53.7 | 60.3 | 6.6 | 13.9 | 10.6 | ▲ 3.3 |
| Europe | 56.8 | 64.4 | 7.6 | 28.7 | 41.9 | 13.2 | 28.1 | 22.4 | ▲ 5.7 |

| | Procurement ratio from Japan | | |
|---------------|------------------------------|--------|------------|
| | FY2003 | FY2012 | Difference |
| North America | 33.7 | 28.6 | ▲ 5.1 |
| Asia | 30.6 | 26.7 | ▲ 3.9 |
| Europe | 37.6 | 28.6 | ▲ 9.0 |



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 FY2012, ordinary profits of overseas affiliates amounted to 7.6 trillion yen, down by 28.1% as compared to the previous year (down by 31.8% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 4.2 trillion yen (up by 2.2% (id.)), and non-manufacturing industries saw a decrease to 3.5 trillion yen (down by 46.8% (id.)) (see Figure 14).
- By region, there were decreases in North America (1.4880 trillion yen, down by 21.1% (id.)), in Europe (728.4 billion yen, down by 30.7% (id.)), and an increase in Asia (4.1599 trillion yen, up by 5.3% (id.)) (see Figure 15).
- The ratio of ordinary profits to sales^(Note) decreased to 3.9% (down by 2.0 points (id.)), but exceeded the ratio for domestic companies by 0.4 points. The ratio for manufacturing industries decreased by 0.3 points (id.) to 4.6%, but maintained a level above the ratio for domestic companies for the sixth consecutive year (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

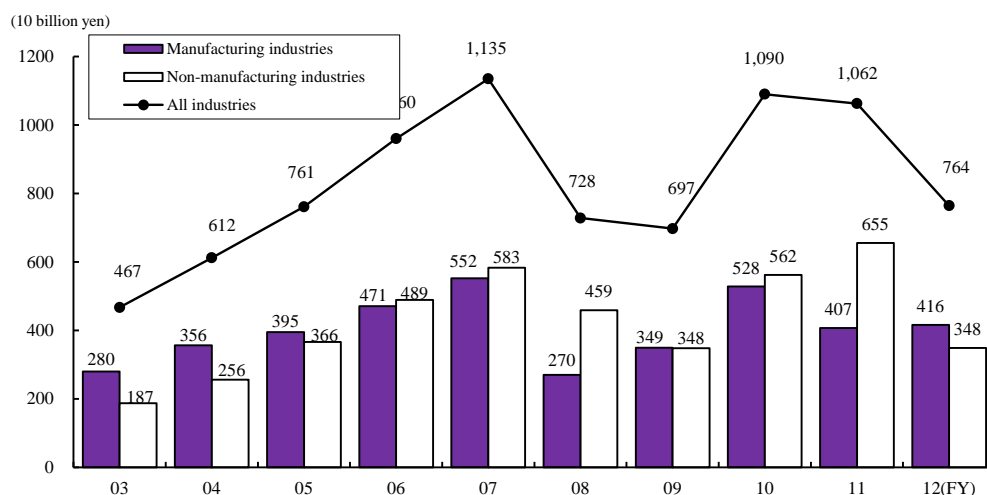


Figure 15. Ordinary profits of overseas affiliates (by region)

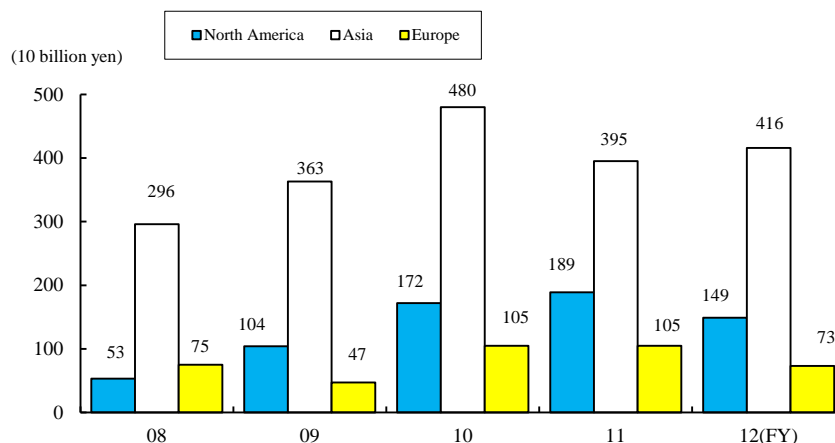


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

| | | (Unit: %) | | | | | | | |
|-------------|------------------------------|-----------|-----|-----|-----|-----|-----|-----|--------|
| | | 05 | 06 | 07 | 08 | 09 | 10 | 11 | 12(FY) |
| | All industries | 4.2 | 4.7 | 4.9 | 3.5 | 4.4 | 6.1 | 5.9 | 3.9 |
| | Manufacturing industries | 4.8 | 5.0 | 5.2 | 3.0 | 4.8 | 6.2 | 4.9 | 4.6 |
| | Non-manufacturing industries | 3.7 | 4.5 | 4.7 | 4.0 | 4.0 | 6.1 | 6.8 | 3.3 |
| (Reference) | Domestic companies | 3.4 | 3.5 | 3.4 | 2.4 | 2.3 | 3.2 | 3.3 | 3.5 |
| | Manufacturing industries | 5.0 | 5.3 | 5.1 | 2.3 | 2.4 | 3.9 | 3.7 | 4.1 |
| | Non-manufacturing industries | 2.8 | 2.7 | 2.7 | 2.4 | 2.3 | 2.8 | 3.1 | 3.3 |

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 FY2012, net income of overseas affiliates amounted to 6.5 trillion yen (down by 12.6% as compared to the previous year) (down by 20.6% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 3.2 trillion yen (up by 5.0% (id.)), and non-manufacturing industries saw a decrease to 3.2 trillion yen (up by 25.0% (id.)) (see Figure 16).
- The amount of current retained earnings^(Note 1) of overseas affiliates in FY2012 was 1.8 trillion yen (down by 51.6% (id.)) (a 47.1% decrease when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw a decrease to 1.0 trillion yen (down by 15.8% (id.)), and non-manufacturing industries saw a decrease to 0.8 trillion yen (down by 67.4% (id.)).
- The balance of retained earnings^(Note 2) was 28.7 trillion yen (up by 21.9% (id.)) (up by 17.6% when comparing only 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

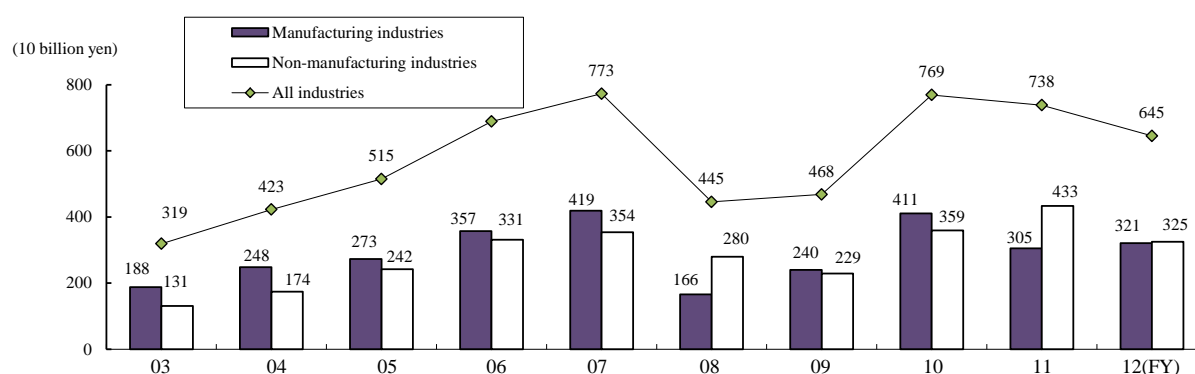


Figure 17. Trends in current retained earnings and balance of retained earnings

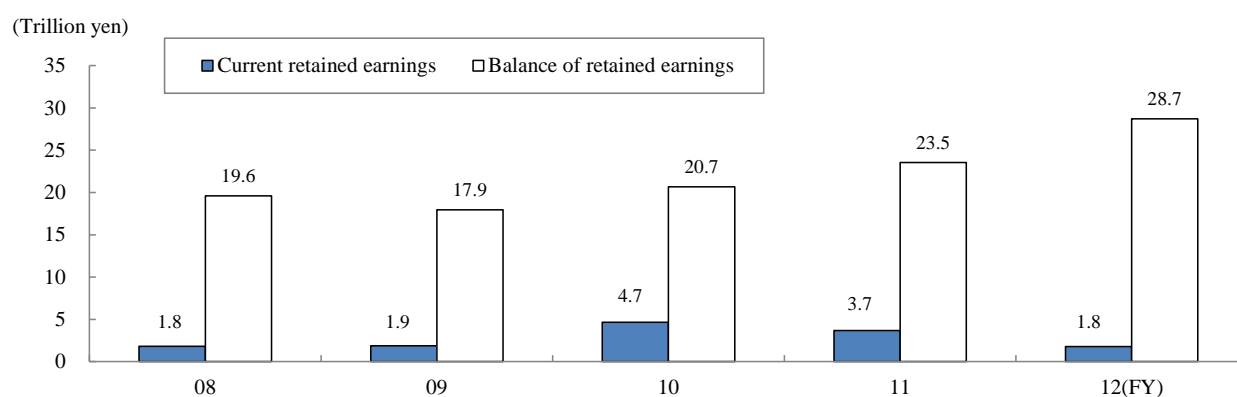


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

| | Current retained earnings | | | Balance of retained earnings | | |
|------------------------------|---------------------------|--------|--------|------------------------------|---------|------|
| | FY2011 | FY2012 | Y/Y | FY2011 | FY2012 | Y/Y |
| All industries | 36,857 | 17,857 | ▲ 51.6 | 235,419 | 287,006 | 21.9 |
| Manufacturing industries | 11,306 | 9,518 | ▲ 15.8 | 92,438 | 117,448 | 27.1 |
| Non-manufacturing industries | 25,551 | 8,338 | ▲ 67.4 | 142,981 | 169,559 | 18.6 |

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 FY2012, research and development expenses in manufacturing industries marked a record high of 500.9 billion yen (up by 27.3% as compared to the previous year) (up by 15.8% when comparing only companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses^(Note) rose by 0.9% (id.) to 4.4% (see Figure 18).
- Research and development expenses per company in manufacturing industries increased by 18.8% (id.) to 340 million yen.
- By sector, there were increases mainly in the transportation equipment sector and the production machinery sector (see Table 10).
- By region, research and development expenses increased in Asia and Europe, 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)

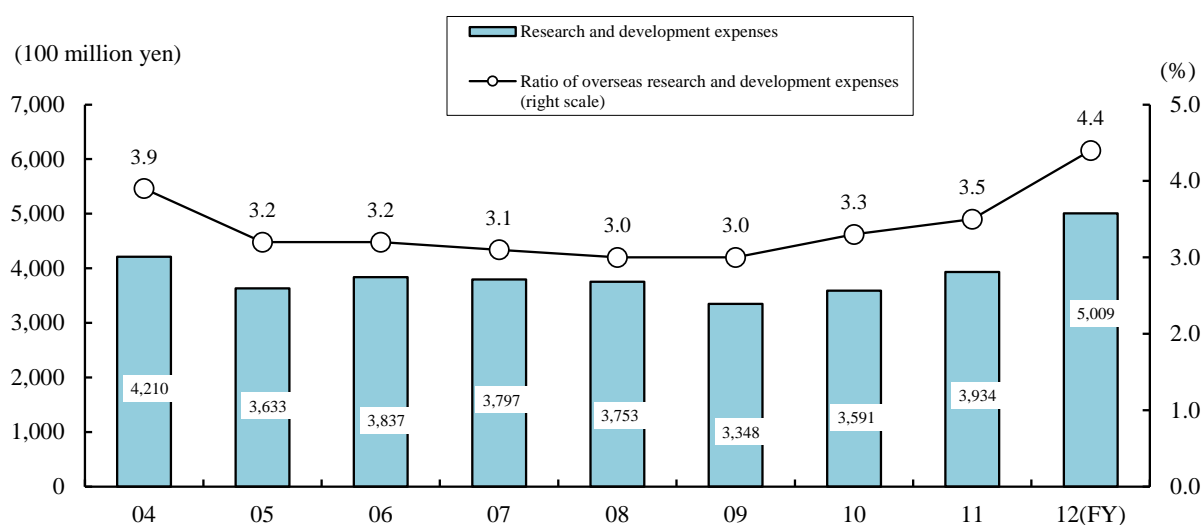


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

| | FY2011 | FY2012 | FY2012 | |
|---|--------|--------|----------------|-----------|
| | | | Y/Y difference | Y/Y ratio |
| Manufacturing industries | 288 | 342 | 54 | 18.8 |
| Chemicals | 469 | 445 | ▲ 24 | ▲ 5.1 |
| General-purpose machinery | 84 | 89 | 5 | 6.0 |
| Production machinery | 258 | 378 | 120 | 46.5 |
| Business oriented machinery | 292 | 258 | ▲ 34 | ▲ 11.6 |
| Electrical machinery | 256 | 222 | ▲ 34 | ▲ 13.3 |
| Information and communication electronics equipment | 461 | 520 | 59 | 12.8 |
| Transportation equipment | 335 | 528 | 193 | 57.6 |

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

(Units: Million yen, %)

| | FY2011 | | FY2012 | | | |
|---------------|----------------|-----------|----------------|-----------|------|-------|
| | Y/Y difference | Y/Y ratio | Y/Y difference | Y/Y ratio | | |
| All regions | 288 | 3 | 1.1 | 342 | 54 | 18.8 |
| North America | 583 | 41 | 7.6 | 569 | ▲ 14 | ▲ 2.4 |
| Asia | 137 | ▲ 11 | ▲ 7.4 | 192 | 55 | 40.1 |
| Europe | 559 | ▲ 42 | ▲ 7.0 | 693 | 134 | 24.0 |

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 FY2012, the amount of capital investment in overseas affiliates in manufacturing industries increased for the third consecutive year to 3.8 trillion yen (up by 23.8% as compared to the previous year) (up by 15.0% when comparing only companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment^(Note) was 25.8% (up by 4.3 points (id.)) (see Figure 19).
- By sector, there were increases in the amount of capital investment in the transportation equipment sector (up by 32.4% (id.)), the business oriented machinery sector (up by 118.5% (id.)), and the information communication electronics equipment sector (up by 14.1% (id.)), etc. (see Figure 20).
- By region, increases were observed in North America (up by 41.3% (id.)), Asia (up by 26.5% (id.)), and Europe (up by 8.8% (id.)). In Asia, China and ASEAN4 showed increases while NIEs3 showed decreases (see Figure 21 and Figure 22).

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

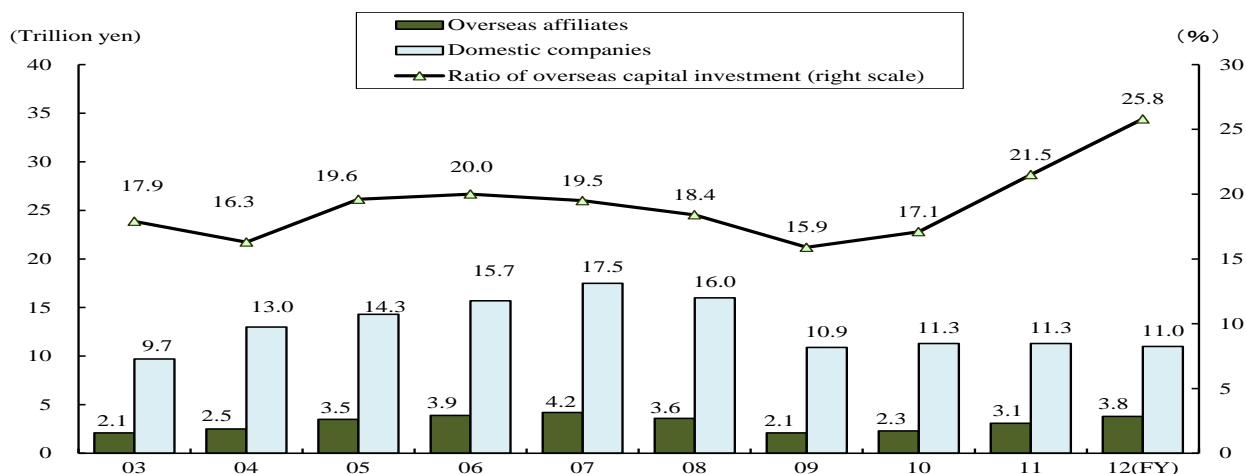


Figure 20. Capital investment in overseas affiliates (by major sector)

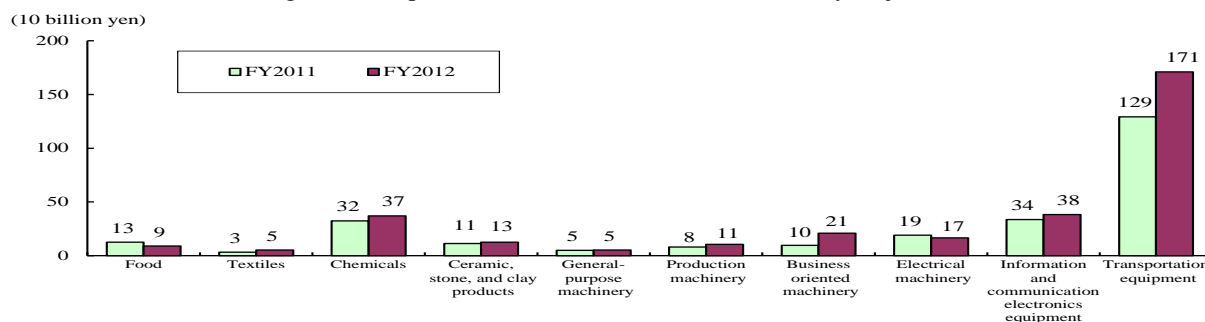


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

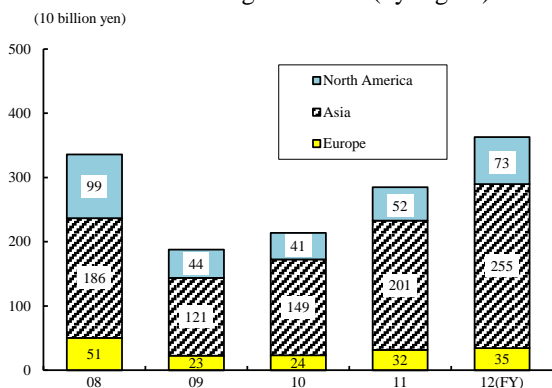
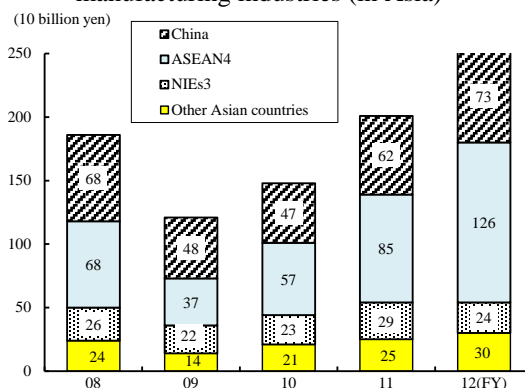


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



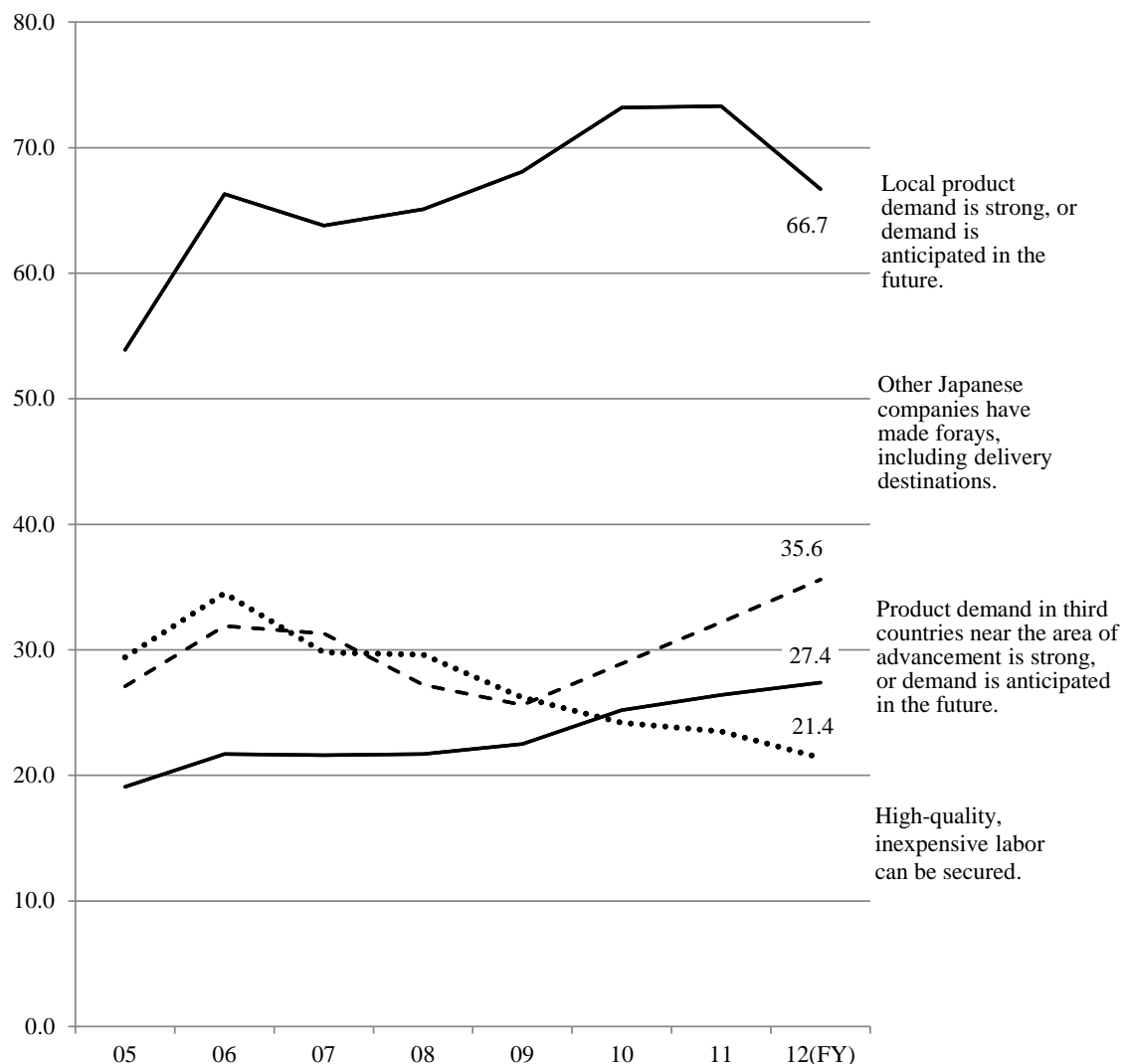
Note: Ratio of overseas capital investment (manufacturing industries) = Amount of capital investment in overseas affiliates (manufacturing industries) / (Amount of capital investment in overseas affiliates (manufacturing industries) + Amount of capital investment in domestic companies (manufacturing industries)) × 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 FY2012, the largest number of businesses—a little less than 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 number of businesses that responded, "other Japanese companies have made forays, including delivery destinations" continued to increase. Regarding future demand growth, while the percentage of companies that responded, "local product demand is strong, or demand is anticipated in the future" declined for the first time in four years, the percentage of those that responded, "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future" increased for the fifth consecutive year. The ratio using future demand growth in countries near the area of advancement as a deciding factor in investment is growing. On the other hand, there are fewer companies making investment decisions based on "high-quality, inexpensive labor can be secured" (see Figure 23).

Figure 23. 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 FY2012, 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 FY2012 amounted to 3,200 billion yen (up by 16.7% as compared to the previous year) (Figure 24).
- By region, payments from overseas affiliates to Japanese investors increased in North America (up by 4.6% as compared to the previous year), in Asia (up by 22.0% (id.)) and in Europe (up by 57.0% (id.)). In Asia, China, ASEAN4, and NIEs3 showed increases (Figure 25 and Figure 26).
- By major sector, increases were observed in the transportation equipment sector (up by 44.9% (id.)), the wholesale trade sector (up by 22.4% (id.)) and the chemicals sector (up by 50.1% (id.)), and a decrease was observed in the electrical machinery sector (down by 10.5% (id.)) (see Figure 27).

Figure 24. Changes in payments from overseas affiliates to Japanese investors (all industries)

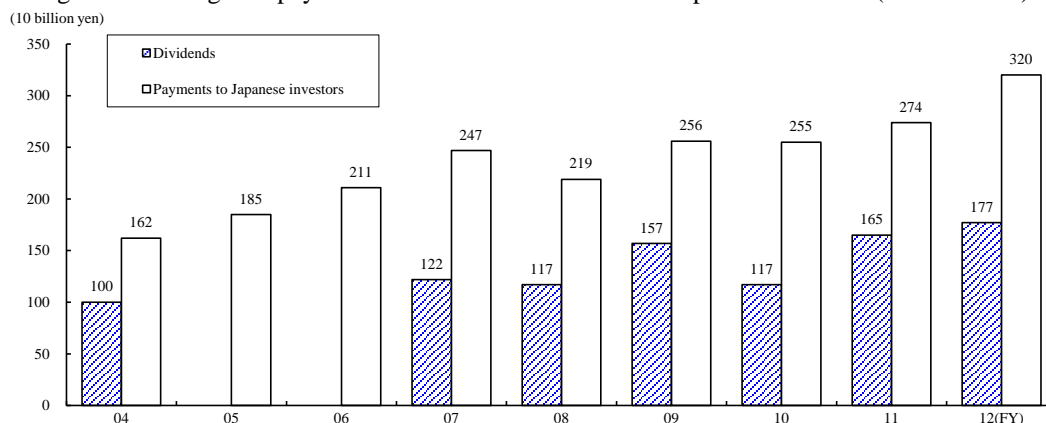


Figure 25. Payments from overseas affiliates to Japanese investors (by region)

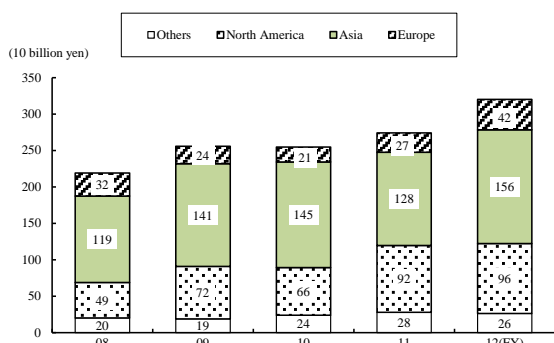


Figure 26. Payments from overseas affiliates to Japanese investors (in Asia)

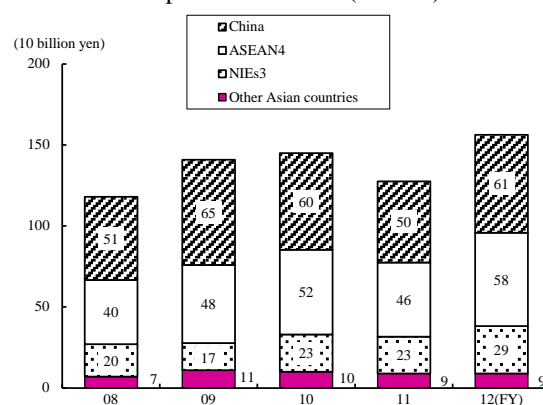
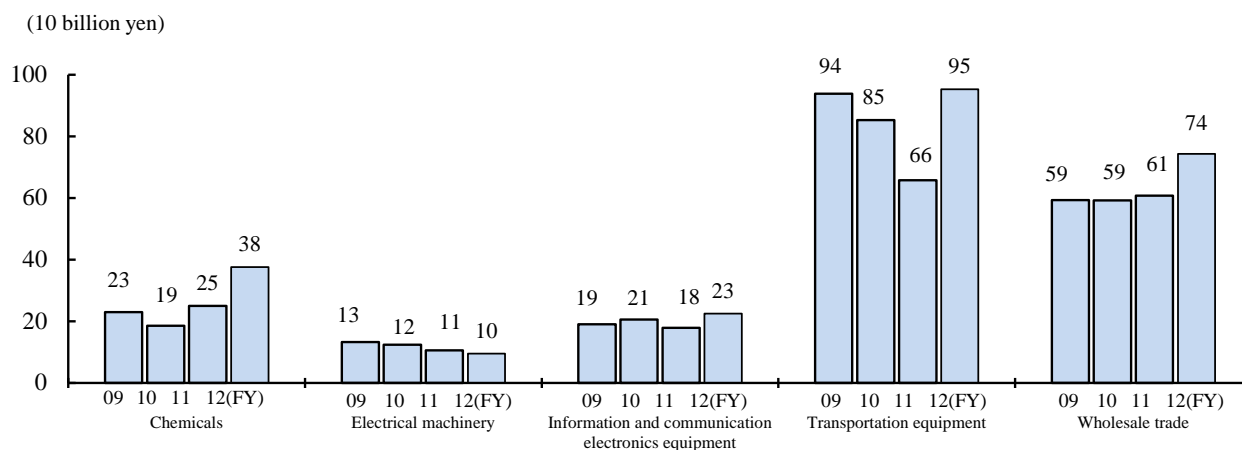


Figure 27. Payments from overseas affiliates to Japanese investors (by major sector)



Note. In Figure 24, the amount of dividends in 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 12% of companies responded that they will "increase" their dividend payouts. Of those businesses that aim to increase dividends, 22% responded that they would raise dividends by between 10% and 50% compared with the preceding year and 21% responded that they would raise dividends by less than 10% compared with the preceding year (see Figure 28 and Figure 29).
- In the medium and long term, 33% of companies said there will be "no change" in dividends and 18% said they will "increase" dividends. 22% 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 28 and Figure 29).
- 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 19% of companies saying that they 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 30).

Figure 28: Dividends from overseas affiliates

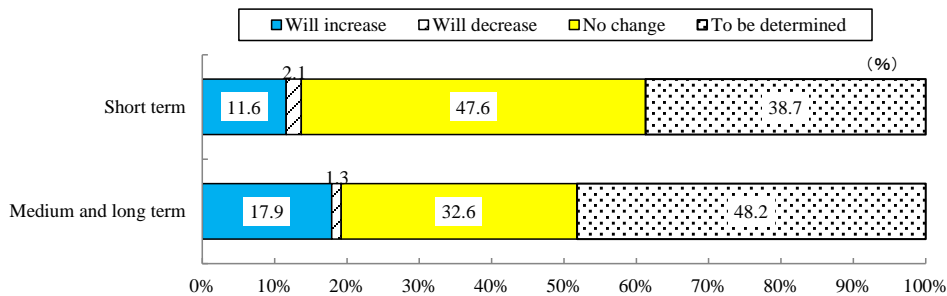


Figure 29: Planned rate of change in dividends

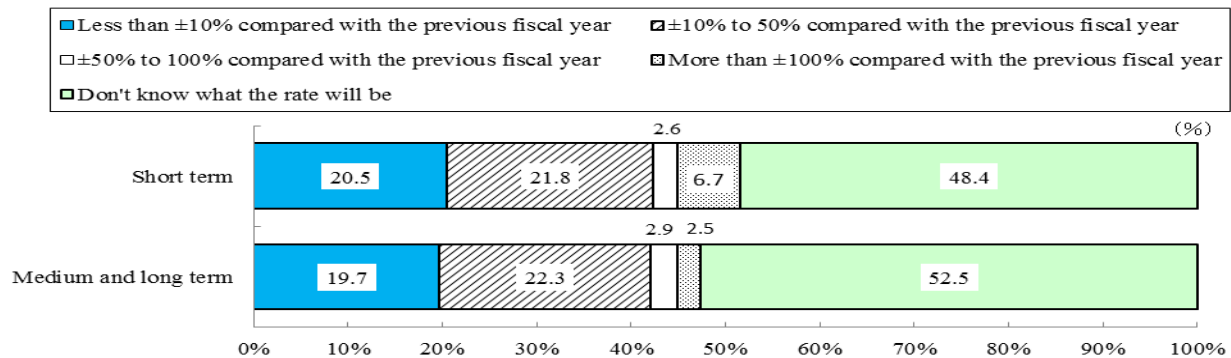
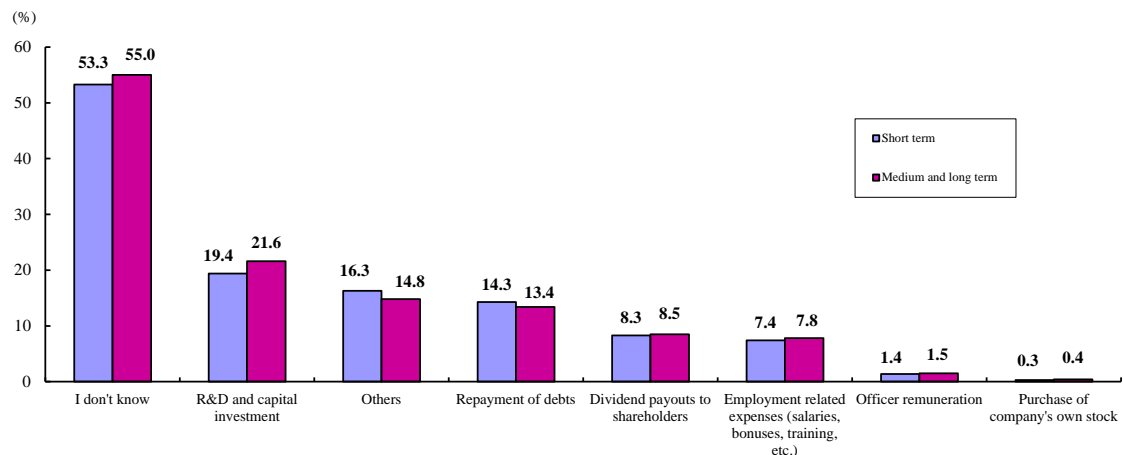


Figure 30: Uses for Dividends from Overseas Affiliates (multiple answers allowed)



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