

## Summary of the 44th Basic Survey on Overseas Business Activities (conducted in July 2014)

### Trends of overseas affiliates in the fiscal year (FY) 2013 survey

- The overseas production ratio for manufacturing industries (based on all domestic companies, 22.9%) and the ratio of overseas capital investment (29.4%) marked a record high.
- Sales of overseas affiliates increased by 21.9% from the previous year. Ordinary profits, net income, and the amount of current retained earnings increased. The amount of capital investment in manufacturing industries increased for the fourth consecutive year (up by 21.8% as compared to the previous year).
- The number of employees at overseas affiliates decreased by 1.2% to 5.52 million people, while there was an increase in Asia.
- Research and development expenses in manufacturing industries marked a record high of 0.5 trillion 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 2.6 points from the previous year to 22.9%, exceeding the highest ever recorded (20.3% in FY2012) by 2.6 points. By sector, overseas production ratios were high, such as in the transportation equipment sector (43.7%), the information and communication electronics equipment sector (30.4%), and the general-purpose machinery sector (27.6%).
- (2) The ratio of overseas capital investment was 29.4% (up by 3.6 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 34.6% (id.)), the chemicals sector (up by 29.1% (id.)), etc. By region, increases were observed in North America (up by 33.0% (id.)) and Asia (up by 9.6% (id.)).

#### **2. Sales of overseas affiliates, ordinary profits, net income, and the amount of current retained earnings increased. The amount of capital investment in manufacturing industries increased for the fourth consecutive year.**

- (1) Sales amounted to 242.6 trillion yen (up by 21.9% as compared to the previous year; up by 22.0% 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, North America and Europe.
- (2) Ordinary profits amounted to 9.9 trillion yen (a 29.1% increase (id.); a 35.7% increase (id.)), net income amounted to 7.5 trillion yen (a 17.0% increase (id.); a 24.0% increase (id.)), and the amount of current retained earnings amounted to 2.8 trillion yen (a 56.2% increase (id.); a 54.0% increase (id.)).
- (3) The amount of capital investment (manufacturing industries) increased for the fourth consecutive year to 4.6 trillion yen (a 21.8% increase (id.); a 13.0% increase (id.)).

#### **3. The number of employees at overseas affiliates decreased, while there was an increase in Asia.**

- (1) The number of employees at overseas affiliates as of the end of FY2013 amounted to 5.52 million people (a 1.2% decrease 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).
- (2) By sector, a slight increase was observed in the number of employees in manufacturing industries (4.38 million people; a 0.4% increase as compared to the previous year), while there was a decrease in non-manufacturing industries (1.14 million people; a 6.9% decrease (id.)). By region, there were decreases in North America (650,000 people; down by 1.9% (id.)) and Europe (490,000 people; down by 7.1% (id.)), while an increase was seen in Asia.

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

Research and development expenses in manufacturing industries marked a record high of 0.5 trillion yen (up by 9.8% as compared to the previous year; up by 10.6% 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 0.3% (compared to the previous year) to 4.7%. Research and development expenses per company in manufacturing industries increased by 8.5% (id.) to 370 million yen. By sector, there were increases mainly in the electrical machinery sector, the chemicals sector and the business oriented machinery sector. By region, research and development expenses increased in North America and Asia, but decreased in Europe.

#### **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, exceeding the previous year (up by 0.2% as compared to the previous year). By sector, there was an increase in the electrical machinery sector, while decreases were observed in the wholesale trade sector, the chemicals sector, the information and communication electronics equipment sector, etc. By region, an increase was observed in Asia.

## 1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2013 was 23,927 companies, consisting of 10,545 companies in manufacturing industries and 13,382 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 44.1% 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 55.9% 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 15,874, accounting for 66.3% of the total. Within this, the number of overseas affiliates in China was 7,807 (accounting for 32.6% of all regions; down by 0.4 points from the previous year), and the number in other Asian countries, including Vietnam and India, was 1,321 (5.5% (id.)); up by 0.6 points (id.)), both showing an expanding trend of the proportion of the number in Asia to the total (see Table 2 and Figure 1).

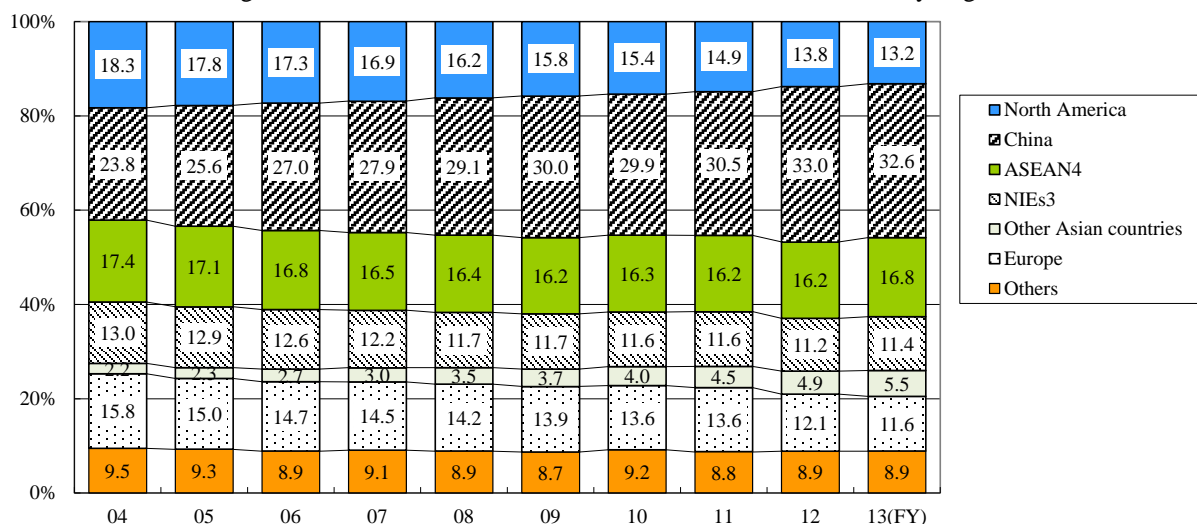
Table 1. Distribution of overseas affiliates by sector

	End of FY2013 Number of overseas affiliates	(Units: companies, %)		
		Breakdown by sector		
		FY2012	FY2013	
All industries	23,927	100.0	100.0	-
Manufacturing industries	10,545	44.6	44.1	▲ 0.5
Food	533	4.9	5.1	0.2
Textiles	516	5.3	4.9	▲ 0.4
Lumber, wood, paper, and pulp	159	1.5	1.5	0.0
Chemicals	1,209	11.6	11.5	▲ 0.1
Petroleum and coal	46	0.5	0.4	▲ 0.1
Ceramic, stone, and clay products	280	2.6	2.7	0.1
Iron and steel	313	2.8	3.0	0.2
Non-ferrous metals	314	3.0	3.0	0.0
Metal products	539	5.1	5.1	0.0
General-purpose machinery	374	3.3	3.5	0.2
Production machinery	698	6.5	6.6	0.1
Business oriented machinery	361	3.7	3.4	▲ 0.3
Electrical machinery	660	6.4	6.3	▲ 0.1
Information and communication electronics equipment	1,083	10.5	10.3	▲ 0.2
Transportation equipment	2,080	18.7	19.7	1.0
Miscellaneous manufacturing industries	1,380	13.6	13.1	▲ 0.5
Non-manufacturing industries	13,382	55.4	55.9	0.5
Agriculture, forestry, and fisheries	114	0.8	0.9	0.1
Mining	223	1.8	1.7	▲ 0.1
Construction	386	2.9	2.9	0.0
Information and communications	839	6.1	6.3	0.2
Transport	1,307	10.2	9.8	▲ 0.4
Wholesale trade	6,712	49.4	50.2	0.8
Retail trade	715	5.5	5.3	▲ 0.2
Services	1,968	14.8	14.7	▲ 0.1
Miscellaneous non-manufacturing industries	1,118	8.6	8.4	▲ 0.2

Table 2. Distribution of overseas affiliates by region

	(Unit: companies for upper columns, composition ratios (%) for lower columns)	
	FY2012	FY2013
All regions	23,351	23,927
North America	3,216	3,157
Asia	15,234	15,874
China	7,700	7,807
ASEAN4	3,776	4,009
NIEs3	2,605	2,737
Other Asian countries	1,153	1,321
Europe	2,834	2,768
Others	2,067	2,128

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 FY2013 was 554 (increased by 44 companies as compared to the previous year). Manufacturing industries saw a decrease (214 companies, down by 2 companies (id.)), while non-manufacturing industries saw an increase (340 companies, up by 46 companies (id.)) (see Figure 2).
- The ratio of withdrawals<sup>(Note 2)</sup> was 2.3% (up by 0.2 points as compared to the previous year). By region, in North America the ratio was 2.3% (up by 0.4 points (id.)), and the ratio in China was 2.6% (up by 0.2 points (id.)), both contributing to the overall increase (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2013 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, ASEAN4, etc., while the percentage of those that advanced to Europe and North America declined. The percentage of those advanced to NIEs3 remained at the same level (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

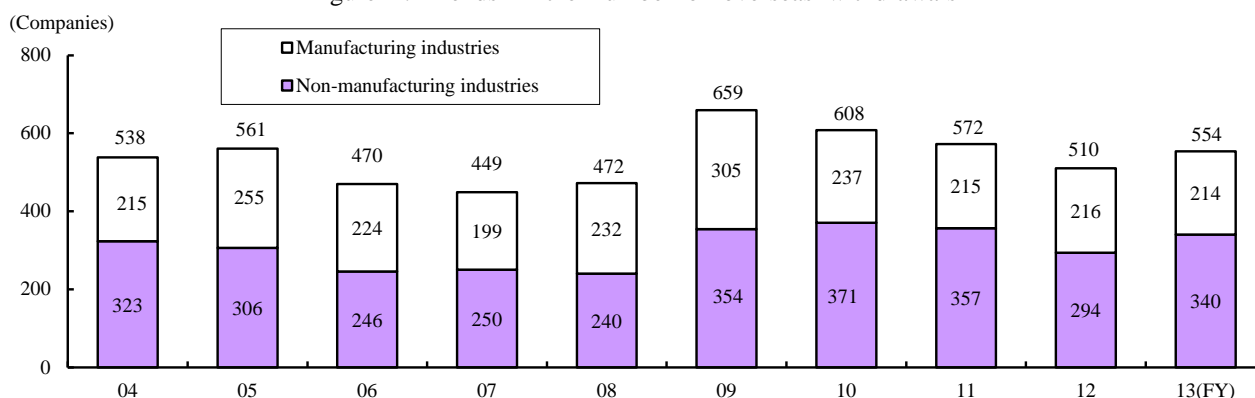
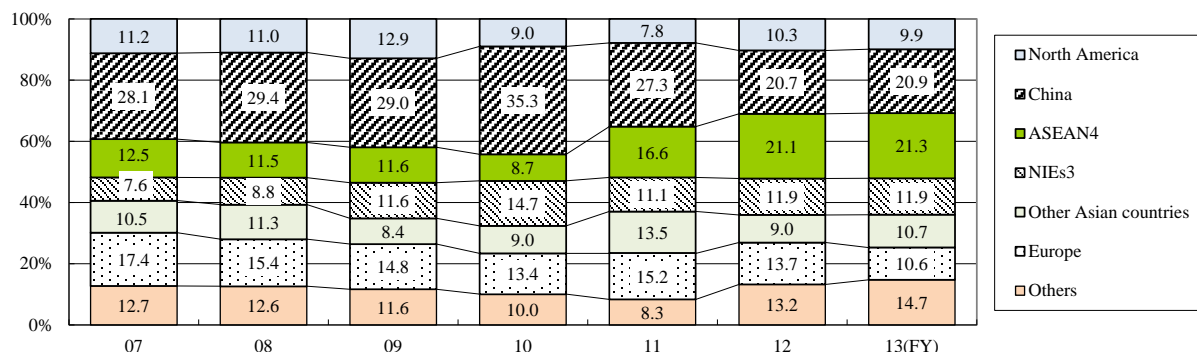


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	(Unit:Companies)						(Unit:%)					
	Number of overseas withdrawals						Ratio of overseas withdrawals					
	08	09	10	11	12	13(FY)	08	09	10	11	12	13(FY)
All regions	472	659	608	572	510	554	2.6	3.5	3.2	2.9	2.1	2.3
North America	81	140	113	110	63	73	2.7	4.6	3.8	3.7	1.9	2.3
Asia	303	371	339	317	314	365	2.8	3.2	2.9	2.6	2.0	2.2
China	151	200	181	166	188	205	2.9	3.5	3.2	2.7	2.4	2.6
ASEAN4	75	90	68	65	54	68	2.5	3.0	2.2	2.0	1.4	1.7
NIEs3	65	68	74	71	60	80	3.0	3.1	3.3	3.1	2.3	2.8
Europe	57	90	106	103	95	76	2.2	3.4	4.0	3.8	3.2	2.7

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 FY2013 / (Total number of overseas affiliates with valid responses in FY2013 + Number of overseas withdrawals in FY2013) × 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 FY2013 was 5.52 million people, a 1.2% decrease 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 4.38 million people, marking an increase of 0.4% as compared to the previous year. By sector, there were increases in the transportation equipment sector (1.48 million people; up by 2.5% as compared to the previous year) and the textiles sector (190,000 people; up by 5.9% (id.)), and decreases in such sectors as the electrical machinery sector (280,000 people; down by 8.6% (id.)). The number of employees in non-manufacturing industries was 1.14 million people, marking a decrease of 6.9% (id.). By sector, decreases were observed in such sectors as the retail trade sector (140,000 people; down by 33.2% (id.)) and the information and communications sector (110,000 people; down by 24.0% (id.)) (see Table 4 and Figure 4).
- By region, the number increased in Asia (4.02 million people; up by 2.0% as compared to the previous year), and the number decreased in North America (650,000 people; down by 1.9% (id.)) and Europe (490,000 people; down by 7.1% (id.)) (see Figure 5).
- In Asia, there were increases in China (1.71 million people; up by 2.2% as compared to the previous year) and NIEs3 (300,000 people; up by 7.7% (id.)), and a decrease in ASEAN4 (1.43 million people; down by 0.3% (id.)) (see Figure 6).

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

(Units: 10,000 persons, %)

	09		10		11		12		13(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	470	4.1	499	6.2	523	4.7	558	6.8	552	▲ 1.2
Manufacturing industries	368	3.2	397	7.9	411	3.4	436	6.2	438	0.4
Non-manufacturing industries	102	7.3	102	0.0	112	9.5	122	9.2	114	▲ 6.9

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

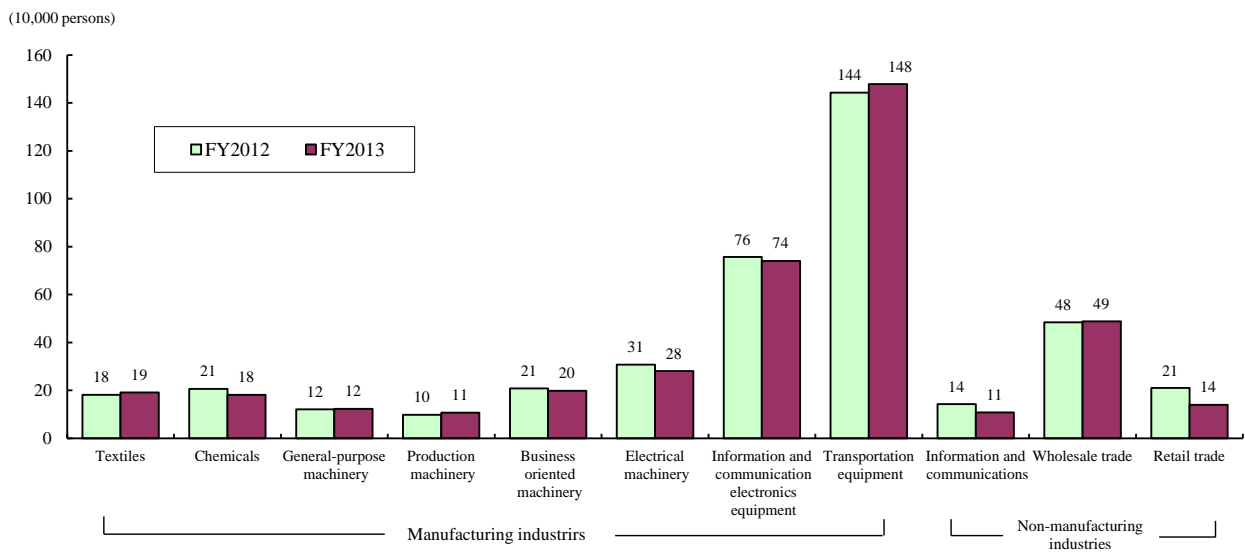


Figure 5. Number of employees at overseas affiliates (by region)

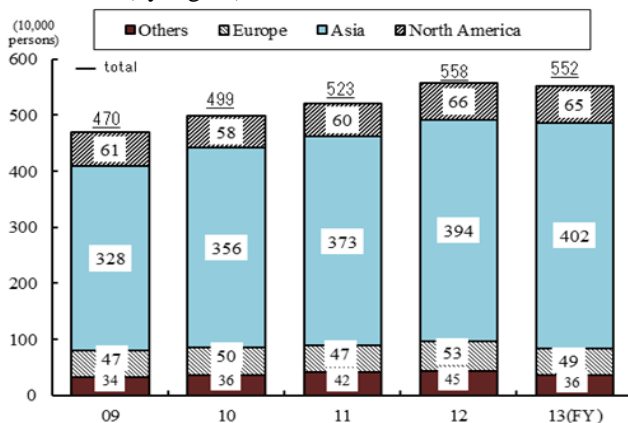
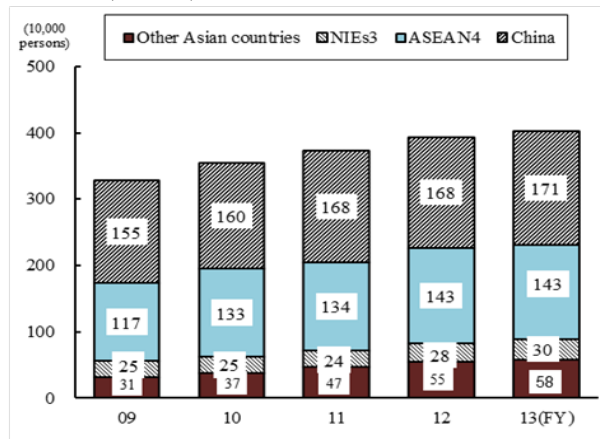


Figure 6. Number of employees at overseas affiliates (in Asia)



#### 4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2013 amounted to 242.6 trillion yen (up by 21.9% as compared to the previous year; up by 22.0% when comparing only companies that gave valid responses for this year and the previous year) (see Figure 7).
- Sales in manufacturing industries totaled 117.0 trillion yen (up by 18.9% as compared to the previous year). By sector, increases were observed in the transportation equipment sector (53.3 trillion yen; up by 18.9% (id.)) and the information and communication electronics equipment sector (14.3 trillion yen; up by 16.4% (id.)). Sales in non-manufacturing industries amounted to 125.6 trillion yen (up by 24.8% (id.)). By sector, there were increases in such sectors as the wholesale trade sector (88.4 trillion yen; up by 22.0% (id.)) (see Figure 7 and Figure 8).
- By region, increases were seen in Asia (107.7 trillion yen; up by 20.6% as compared to the previous year), North America (74.4 trillion yen; up by 28.4% (id.)) and Europe (36.3 trillion yen; up by 16.6% (id.)). In Asia, China, NIEs3 and ASEAN4 saw increases (see Figure 9 and Figure 10).

Figure 7. Sales trends of overseas affiliates

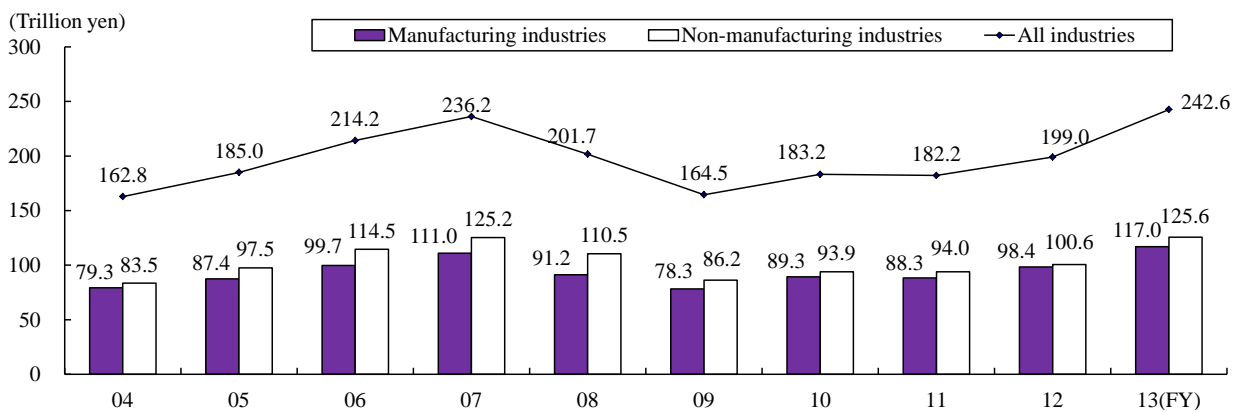


Figure 8. Sales of overseas affiliates (by major sector) (Trillion yen)

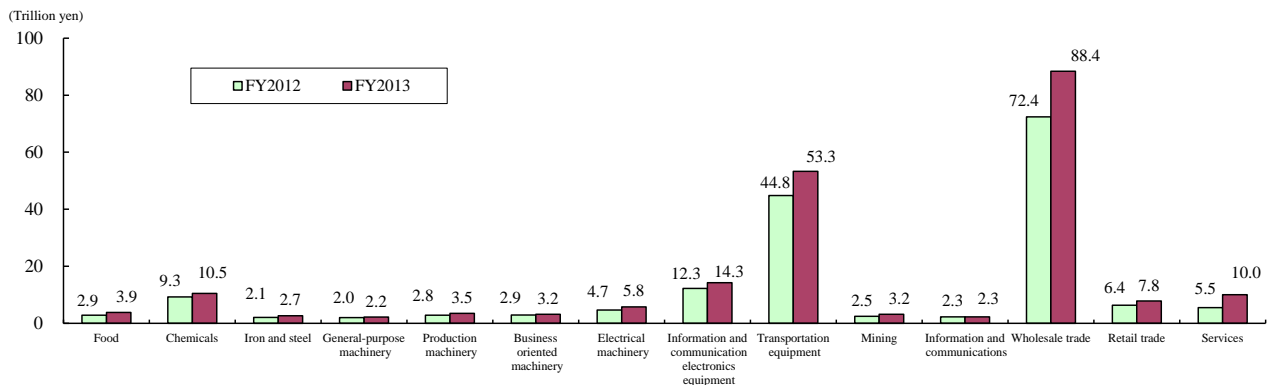


Figure 9. Sales trends of overseas affiliates (by region)

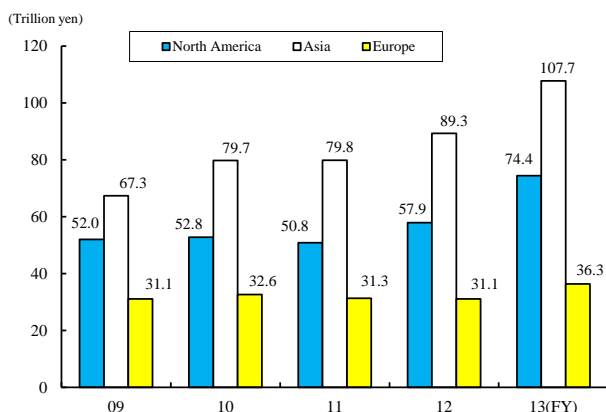
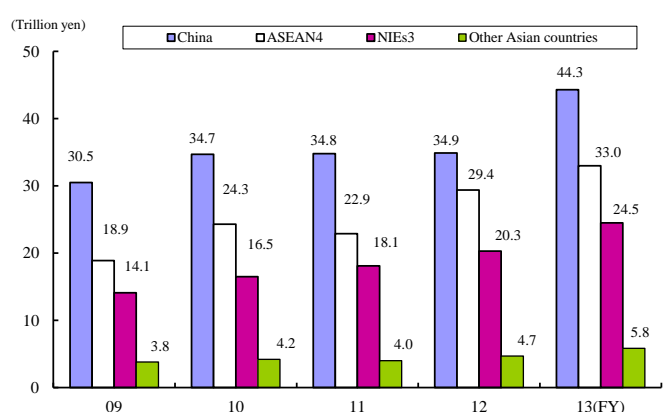


Figure 10. Sales trends of overseas affiliates (in Asia)



## 5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)<sup>(Note 1)</sup> marked a record high of 22.9% (up by 2.6 points as compared to the previous year) (see Figure 11).
- By sector<sup>(Note 2)</sup>, overseas production ratios were high, such as in the transportation equipment sector (43.7%), the information and communication electronics equipment sector (30.4%), and the general-purpose machinery sector (27.6%) (see Table 5).

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

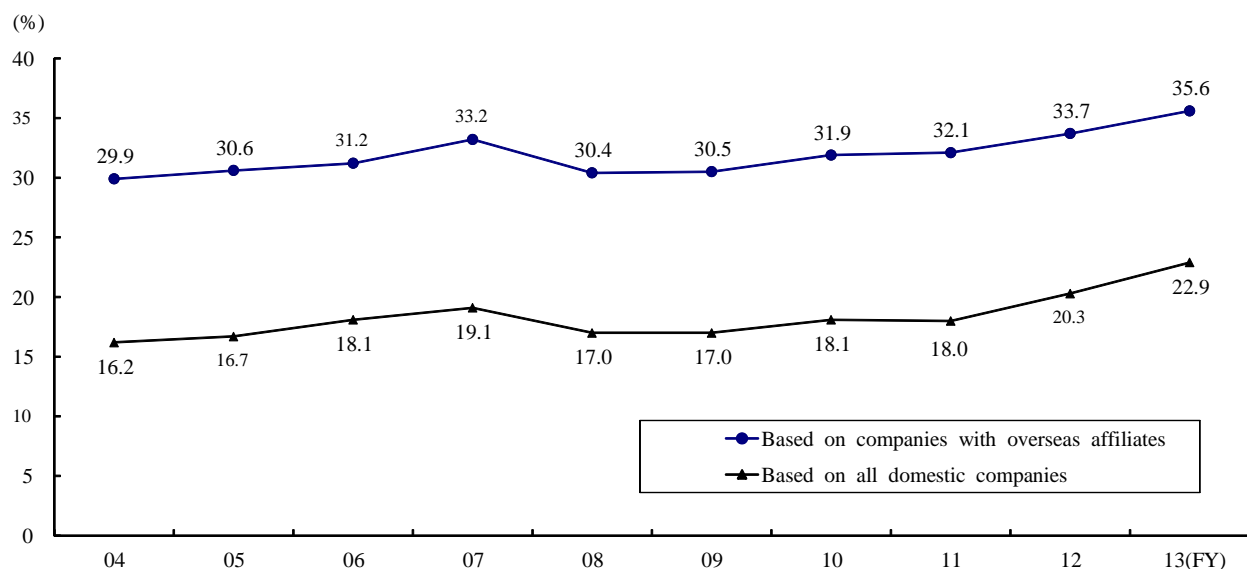


Table 5. Trends in the overseas production ratio by sector  
(calculated based on the total number of domestic companies (manufacturing industries))

	(Unit: %)										
	04	05	06	07	08	09	10	11	12	13(FY)	
Total for manufacturing industries	16.2	16.7	18.1	19.1	17.0	17.0	18.1	18.0	20.3	22.9	
Food	4.4	4.2	4.2	4.9	3.8	4.7	5.0	4.9	5.7	8.3	
Textiles	7.3	6.3	9.0	11.1	9.5	6.2	6.2	8.3	11.9	12.3	
Lumber, wood, paper, and pulp	4.2	3.0	4.7	4.2	4.2	3.7	4.5	4.3	4.7	5.7	
Chemicals	15.3	14.8	17.9	16.6	17.4	15.1	17.4	18.5	19.5	20.5	
Petroleum and coal	1.8	2.6	4.4	2.5	1.3	1.6	2.4	5.2	9.8	12.5	
Ceramic, stone, and clay products	6.3	6.6	12.0	10.7	11.8	11.6	13.6	10.7	15.2	16.2	
Iron and steel	10.6	9.6	10.6	11.7	10.3	10.7	11.2	10.2	11.5	13.6	
Non-ferrous metals	9.4	10.2	10.3	12.1	11.0	11.8	14.7	14.8	15.3	17.5	
Metal products	1.7	2.2	2.6	3.4	2.5	2.8	3.9	3.7	5.3	6.2	
General-purpose machinery						21.2	28.3	24.8	26.6	27.6	
Production machinery						8.0	11.1	11.5	11.8	13.6	
Business oriented machinery						12.9	13.8	15.0	18.4	18.4	
General machinery	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	12.8	14.3	17.7	
Information and communication electronics equipment	33.1	34.9	34.0	32.2	28.1	26.1	28.4	26.7	28.3	30.4	
Transportation equipment	36.0	37.0	37.8	42.0	39.2	39.3	39.2	38.6	40.2	43.7	
Precision instruments	12.4	13.8	8.9	9.4	7.9						
Miscellaneous manufacturing industries	7.9	9.4	9.7	9.3	9.1	8.7	9.1	11.5	12.8	14.8	

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<sup>(Note 1)</sup> of overseas affiliates in manufacturing industries by region, in FY2013, the ratio was 85.8% in North America, 86.3% in Europe, and 70.1% in Asia.
- The ratio of sales to Japan was 16.7% in Asia, 2.7% in North America and 2.3% in Europe.
- The ratio of sales at overseas affiliates in manufacturing industries decreased in North America (down by 19.1 points) and Europe (down by 5.9 points), and increased in Asia (up by 4.7 points), as compared to FY2004. The intraregional sales ratio rose significantly in North America (up by 12.4 points) (see Figure 12 and Table 6).

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

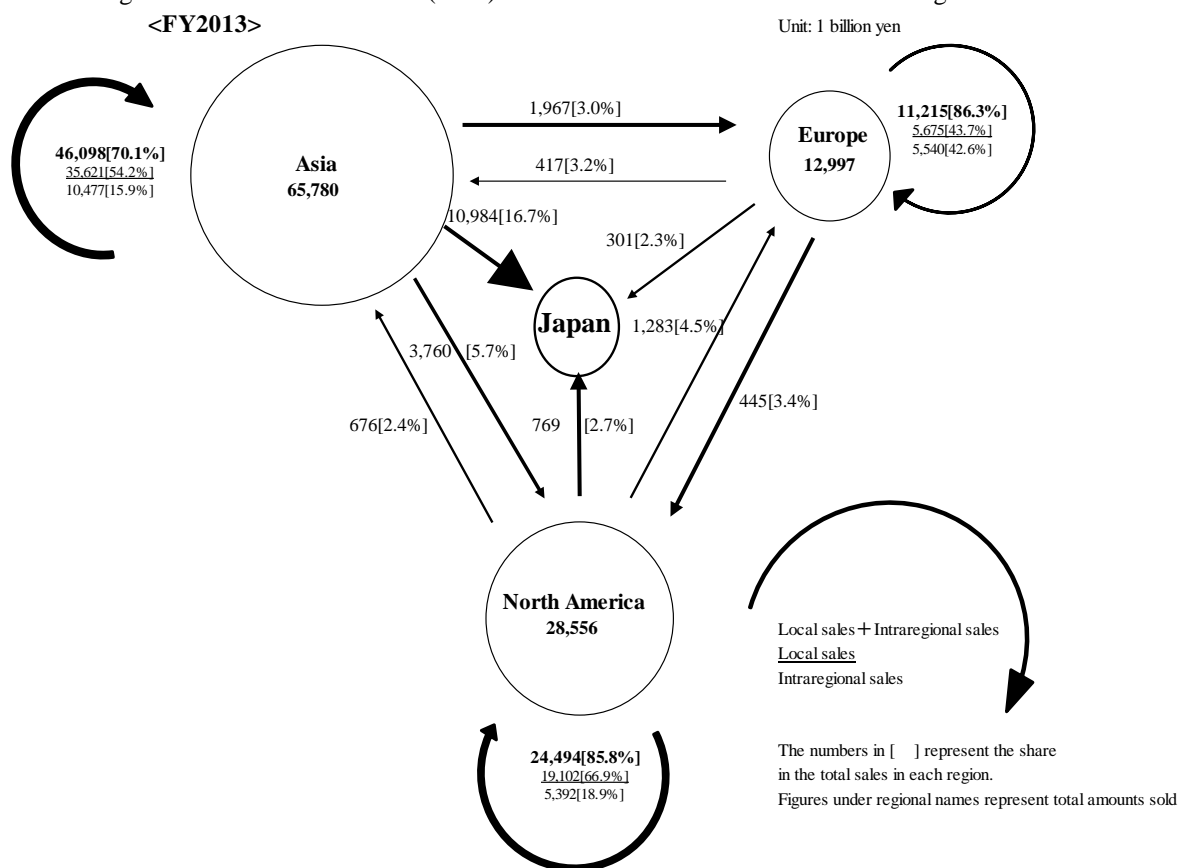


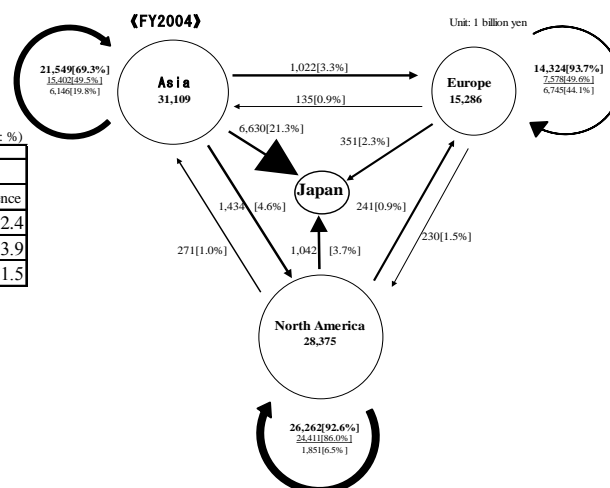
Table 6. Local and intraregional sales ratio and ratio of sales to Japan (Comparison between FY2004 and FY2013)

(Unit: %)

	Local and intraregional sales ratio			Local sales ratio			Intraregional sales ratio		
	FY2004	FY2013	Difference	FY2004	FY2013	Difference	FY2004	FY2013	Difference
North America	92.6	85.8	▲ 6.8	86.0	66.9	▲ 19.1	6.5	18.9	12.4
Asia	69.3	70.1	0.8	49.5	54.2	▲ 4.7	19.8	15.9	▲ 3.9
Europe	93.7	86.3	▲ 7.4	49.6	43.7	▲ 5.9	44.1	42.6	▲ 1.5

	Ratio of sales to Japan		
	FY2004	FY2013	Difference
North America	3.7	2.7	▲ 1.0
Asia	21.3	16.7	▲ 4.6
Europe	2.3	2.3	0.0



- 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 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 FY2013, 72.6%, 65.4%, and 61.1% of materials were purchased locally or in the neighboring countries in Asia, in North America, and in Europe, respectively.
- The procurement ratio from Japan was 28.2% in North America, 25.5% in Europe, and 24.5% in Asia.
- Compared to FY2004, the local procurement ratio increased in Asia (up by 12.3 points) and Europe (up by 13.3 points), while the ratio decreased in North America (down by 1.3 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  
<FY2013>

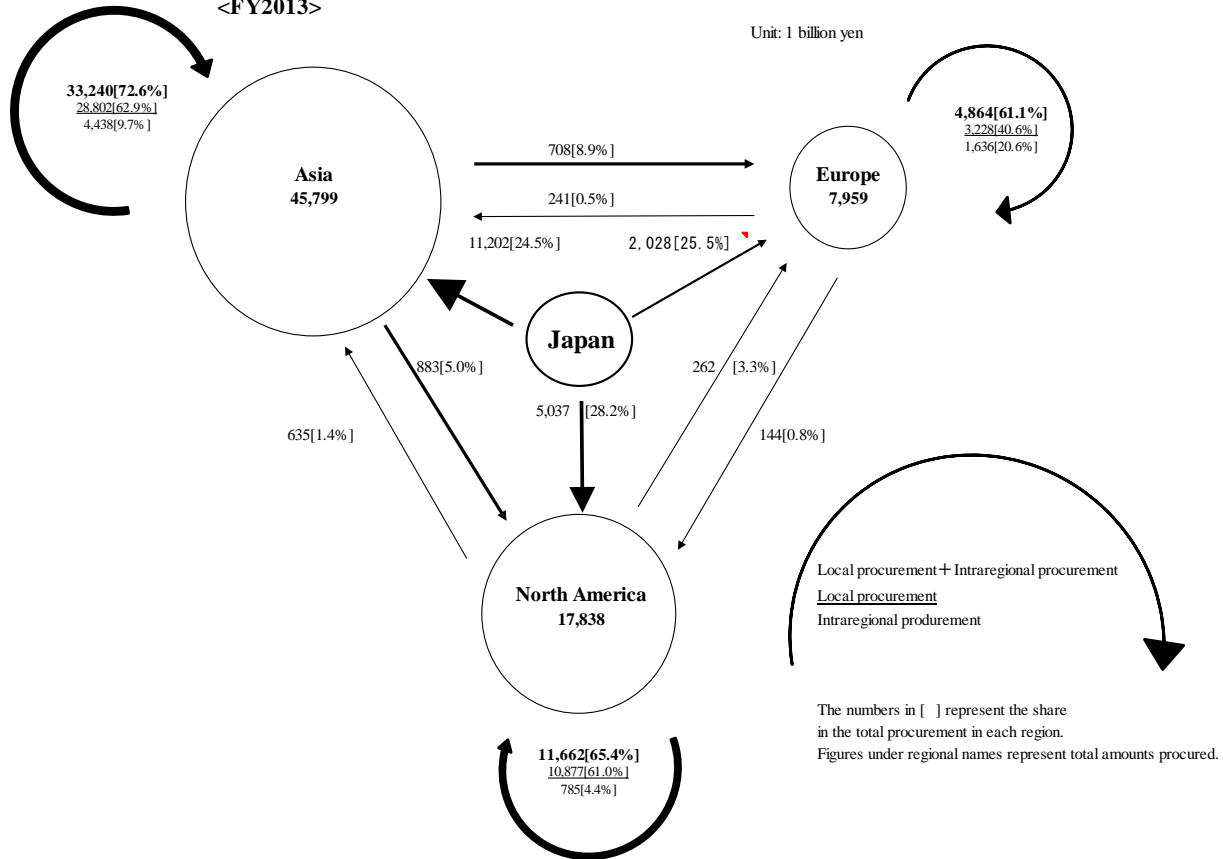
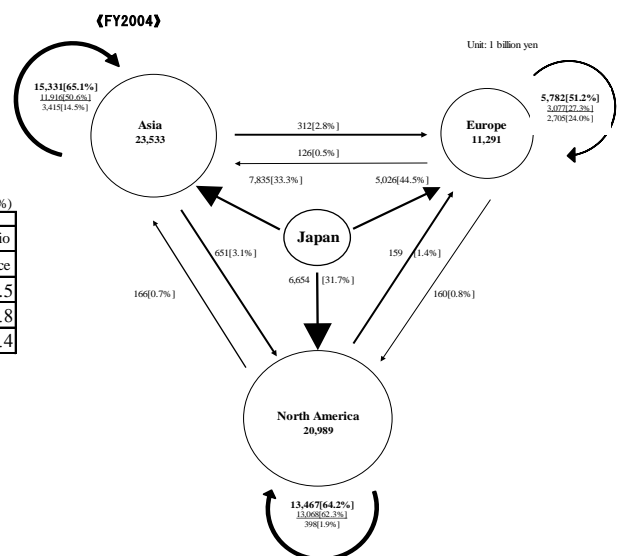


Table 7. Local and intraregional procurement ratio and procurement ratio from Japan  
(Comparison between FY2004 and FY2013)

	(Unit: %)								
	Local and intraregional procurement ratio			Local procurement ratio			Intraregional procurement ratio		
	FY2004	FY2013	Difference	FY2004	FY2013	Difference	FY2004	FY2013	Difference
North America	64.2	65.4	1.2	62.3	61.0	▲ 1.3	1.9	4.4	2.5
Asia	65.1	72.6	7.5	50.6	62.9	12.3	14.5	9.7	▲ 4.8
Europe	51.2	61.1	9.9	27.3	40.6	13.3	24.0	20.6	▲ 3.4

	Procurement ratio from Japan		
	FY2004	FY2013	Difference
North America	31.7	28.2	▲ 3.5
Asia	33.3	24.5	▲ 8.8
Europe	44.5	25.5	▲ 19.0



- 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 FY2013, ordinary profits of overseas affiliates amounted to 9.9 trillion yen, up by 29.1% as compared to the previous year (up by 35.7% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 4.9 trillion yen (up by 17.8% as compared to the previous year), and non-manufacturing industries saw an increase to 5.0 trillion yen (up by 42.6% (id.)) (see Figure 14).
- By region, there were increases in Asia (5.0124 trillion yen, up by 20.5% as compared to the previous year), North America (2.0165 trillion yen, up by 35.5% (id.)) and Europe (1.0886 trillion yen, up by 49.5% (id.)) (see Figure 15).
- The ratio of ordinary profits to sales<sup>(Note)</sup> increased to 4.2% (up by 0.3 points as compared to the previous year), which was at the same level as the ratio for domestic companies. The ratio for manufacturing industries was 4.6%, remaining at the same level as the previous year, and the ratio for non-manufacturing industries increased to 3.9% (up by 0.6 points (id.)) (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

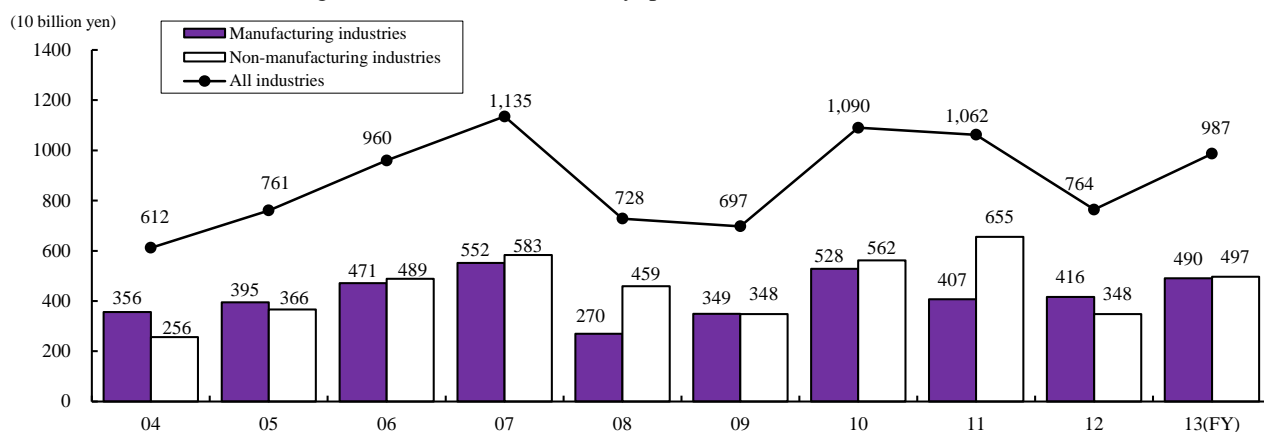


Figure 15. Ordinary profits of overseas affiliates (by region)

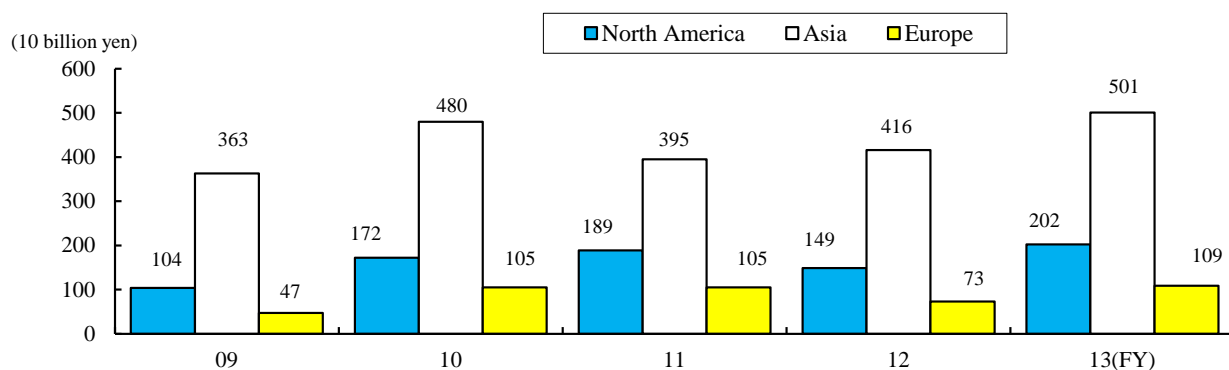


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

		(Unit: %)							
		06	07	08	09	10	11	12	13(FY)
(Reference)	All industries	4.7	4.9	3.5	4.4	6.1	5.9	3.9	4.2
	Manufacturing industries	5.0	5.2	3.0	4.8	6.2	4.9	4.6	4.6
	Non-manufacturing industries	4.5	4.7	4.0	4.0	6.1	6.8	3.3	3.9
	Domestic companies	3.5	3.4	2.4	2.3	3.2	3.3	3.5	4.2
	Manufacturing industries	5.3	5.1	2.3	2.4	3.9	3.7	4.1	5.5
	Non-manufacturing industries	2.7	2.7	2.4	2.3	2.8	3.1	3.3	3.7

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 FY2013, net income of overseas affiliates amounted to 7.5 trillion yen (up by 17.0% as compared to the previous year) (up by 24.0% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 3.6 trillion yen (up by 12.9% (id.)), and non-manufacturing industries saw an increase to 3.9 trillion yen (up by 21.1% (id.)) (see Figure 16).
- The amount of current retained earnings<sup>(Note 1)</sup> of overseas affiliates in FY2013 was 2.8 trillion yen (up by 56.2% as compared to the previous year) (a 54.0% increase when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 1.4 trillion yen (up by 50.2% (id.)), and non-manufacturing industries saw an increase to 1.4 trillion yen (up by 63.1% (id.)).
- The balance of retained earnings<sup>(Note 2)</sup> was 34.5 trillion yen (up by 20.1% as compared to the previous year) (up by 16.2% 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

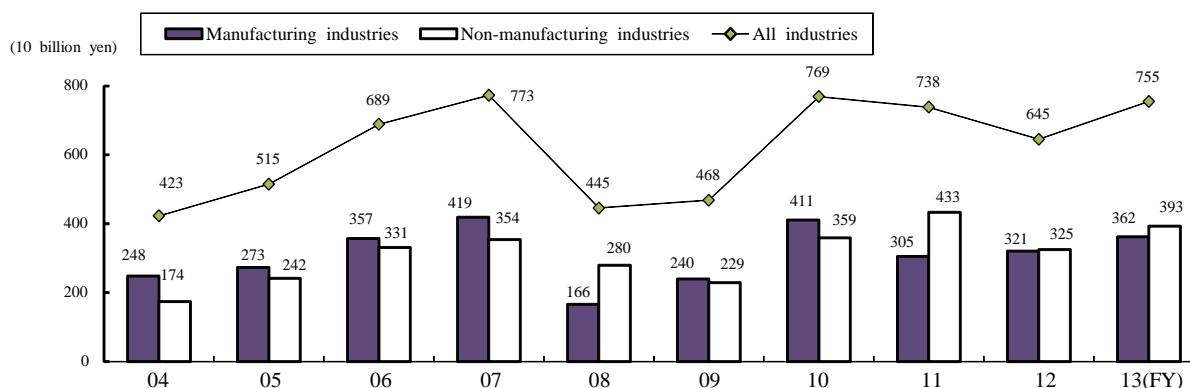


Figure 17. Trends in current retained earnings and balance of retained earnings

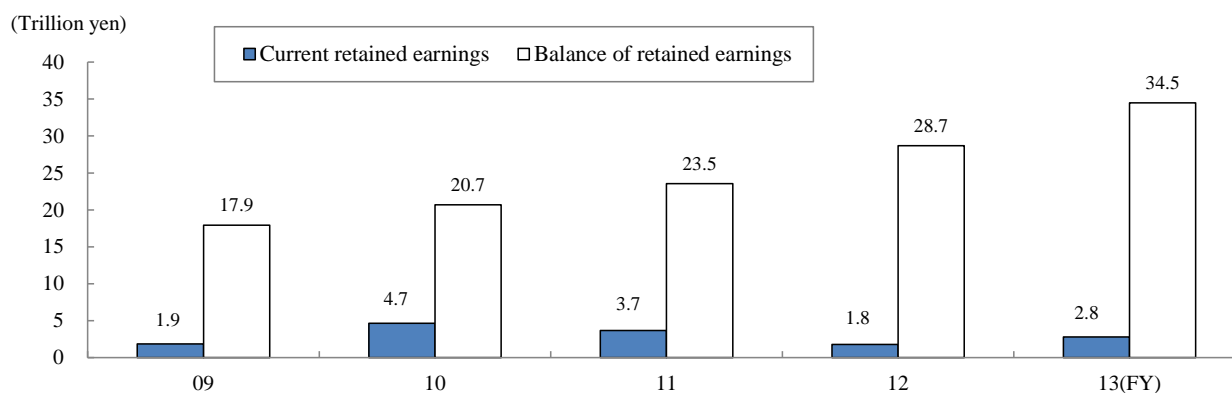


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2012	FY2013	Y/Y	FY2012	FY2013	Y/Y
All industries	17,857	27,900	56.2	287,006	344,560	20.1
Manufacturing industries	9,518	14,301	50.2	117,448	142,133	21.0
Non-manufacturing industries	8,338	13,599	63.1	169,559	202,427	19.4

Note 1: Current retained earnings = Current net profit or loss – Dividends

Note 2: Year-end balance of retained earnings = Proprietary capital – Capital – Capital reserve

## 10. Research and development expenses of overseas affiliates

- In FY2013, research and development expenses in manufacturing industries marked a record high of 0.5 trillion yen (up by 9.8% as compared to the previous year) (up by 10.6% when comparing only 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 points (as compared to the previous year) to 4.7% (see Figure 18).
- Research and development expenses per company in manufacturing industries increased by 8.5% (as compared to the previous year) to 370 million yen.
- By sector, there were increases mainly in the electrical machinery sector, the chemicals sector and the business oriented machinery sector (see Table 10).
- By region, research and development expenses increased in North America and Asia, but decreased in Europe (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)

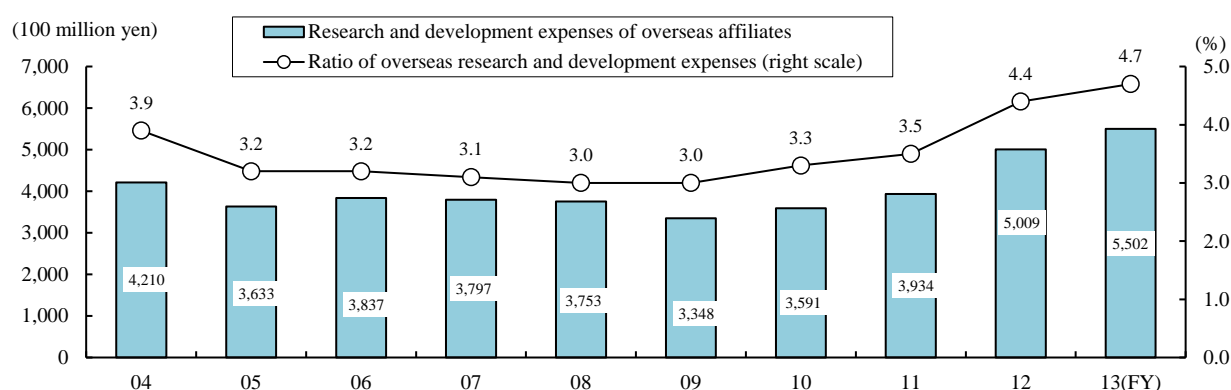


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2012	FY2013	FY2013	
			Y/Y difference	Y/Y ratio
Manufacturing industries	342	371	29	8.5
Chemicals	445	546	101	22.7
General-purpose machinery	89	100	11	12.4
Production machinery	378	422	44	11.6
Business oriented machinery	258	310	52	20.2
Electrical machinery	222	347	125	56.3
Information and communication electronics equipment	520	567	47	9.0
Transportation equipment	528	579	51	9.7

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

(Units: Million yen, %)

	FY2012			FY2013		
	Y/Y difference	Y/Y ratio		Y/Y difference	Y/Y ratio	
All regions	342	54	18.8	371	29	8.5
North America	569	▲ 14	▲ 2.4	820	251	44.1
Asia	192	55	40.1	231	39	20.3
Europe	693	134	24.0	519	▲ 174	▲ 25.1

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 FY2013, the amount of capital investment in overseas affiliates in manufacturing industries increased for the fourth consecutive year to 4.6 trillion yen (up by 21.8% as compared to the previous year) (up by 13.0% when comparing only companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment<sup>(Note)</sup> was 29.4% (up by 3.6 points (id.)) (see Figure 19).
- By sector, there were increases in the amount of capital investment in the transportation equipment sector (up by 34.6% as compared to the previous year), the chemicals sector (up by 29.1% (id.)), the production machinery sector (up by 58.6% (id.)), etc. (see Figure 20).
- By region, increases were observed in North America (up by 33.0% as compared to the previous year), Asia (up by 9.6% (id.)) and Europe (up by 25.7% (id.)). In Asia, China and NIEs3 showed increases while ASEAN4 showed decreases (see Figure 21 and Figure 22).

Figure 19. Trends in capital investment in overseas affiliates and the ratio of overseas capital investment (manufacturing industries)

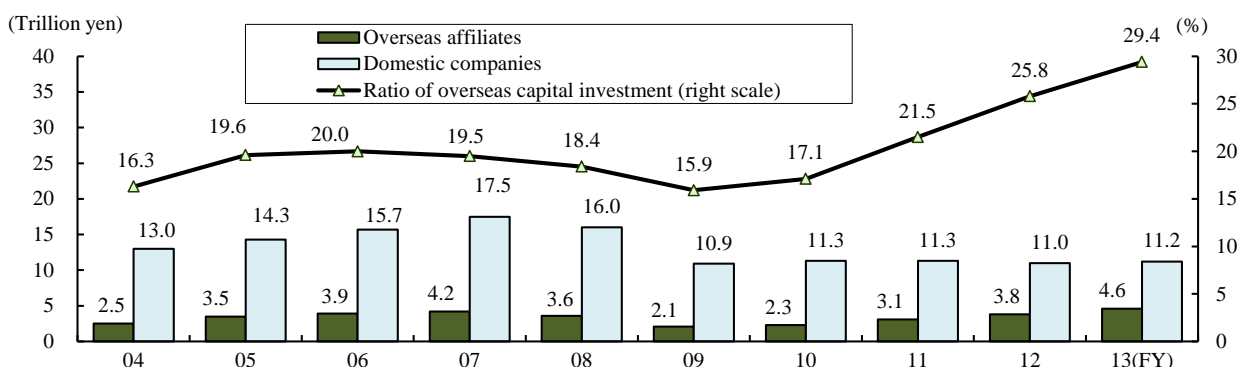


Figure 20. Capital investment in overseas affiliates (by major sector)

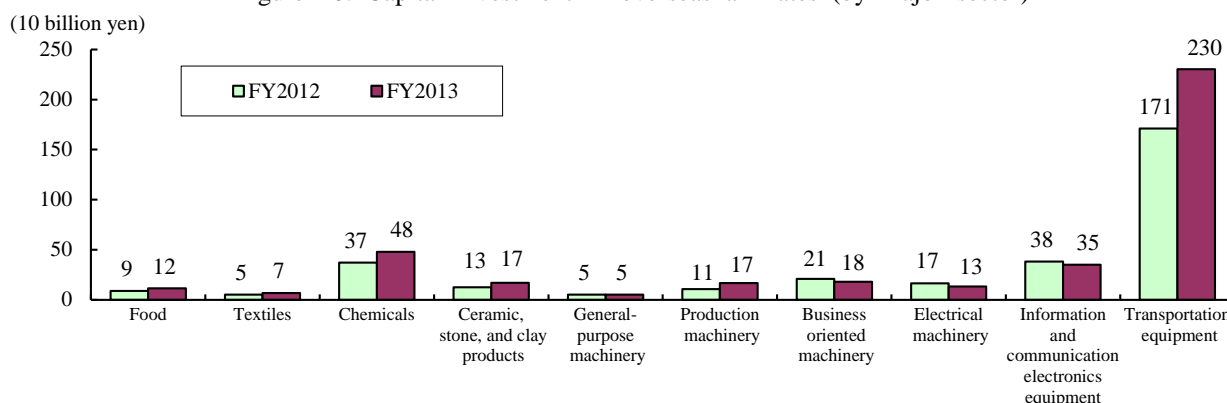


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

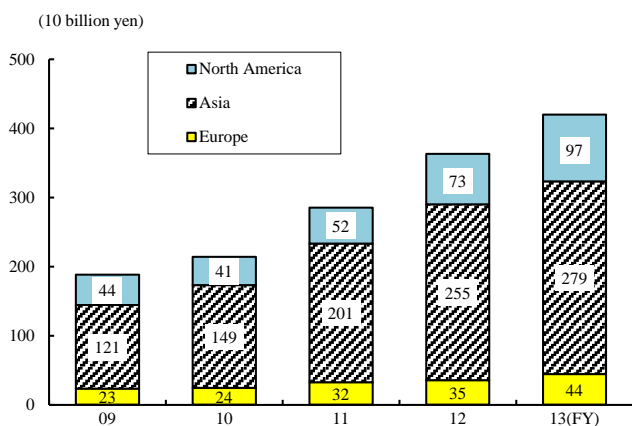
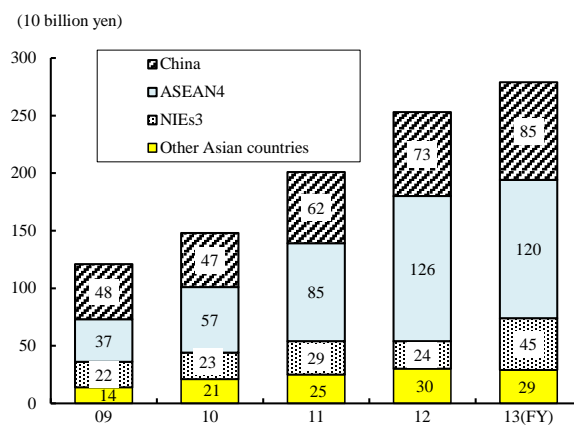


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



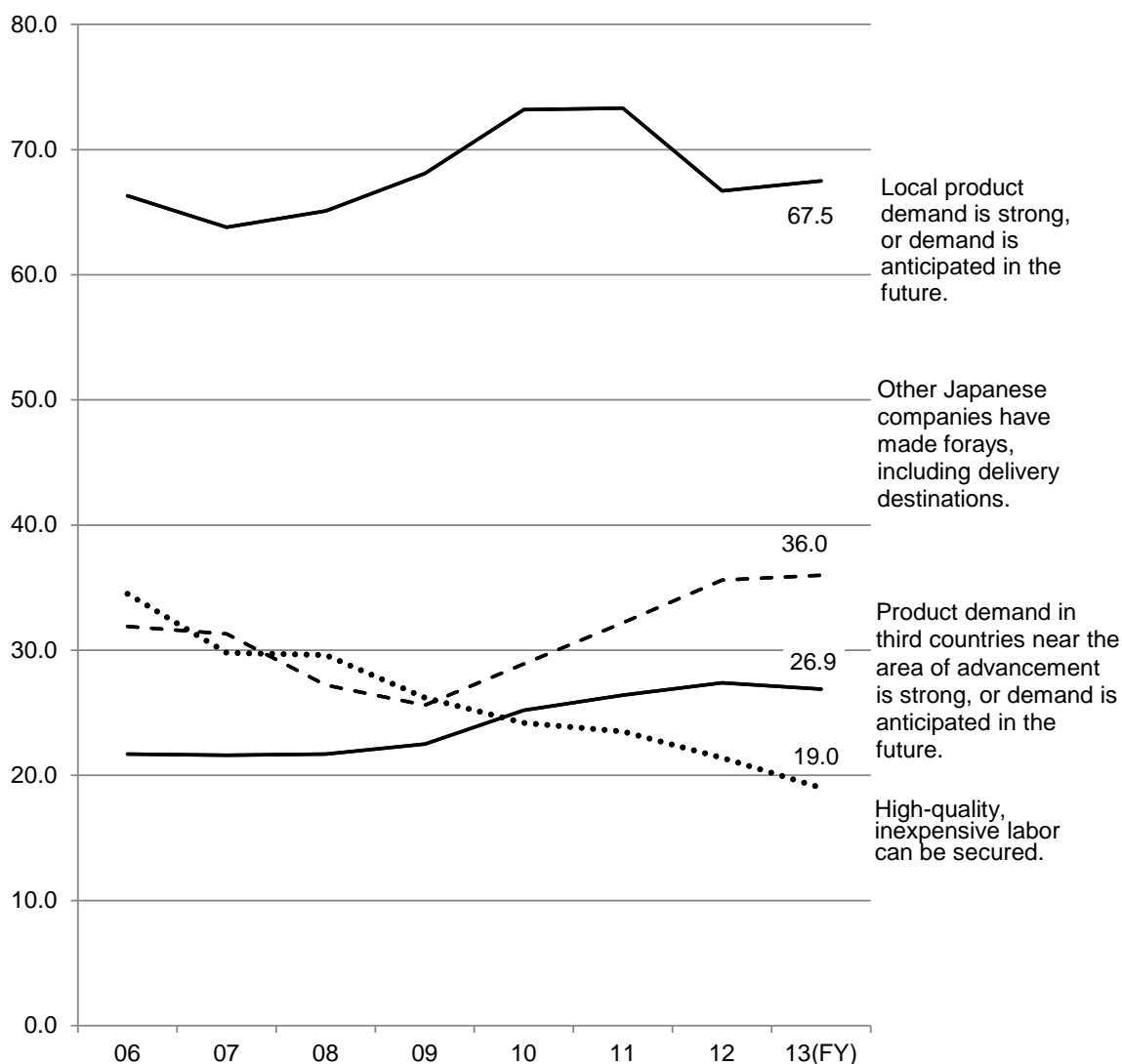
Note: Ratio of overseas capital investment (manufacturing industries) = Amount of capital investment in overseas affiliates (manufacturing industries) / (Amount of capital investment in overseas affiliates (manufacturing industries) + Amount of capital investment in domestic companies (manufacturing 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 FY2013, there was no change in the top factors. 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, "Local product demand is strong, or demand is anticipated in the future" increased for the first time in two years. While the percentage of companies that responded, "Other Japanese companies have made forays, including delivery destinations" increased for the fourth consecutive year, 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" declined for the first time in six years. Further, the percentage of companies making investment decisions based on "High-quality, inexpensive labor can be secured" continued to fall (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 FY2013, 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 FY2013 amounted to 3.2 trillion yen (up by 0.2% as compared to the previous year) (Figure 24).
- By region, payments from overseas affiliates to Japanese investors increased in Asia (up by 3.2% as compared to the previous year), but decreased in North America (down by 4.3% (id.)) and in Europe (down by 15.3% (id.)). In Asia, China showed an increase, while ASEAN4 and NIEs3 showed decreases (Figure 25 and Figure 26).
- By major sector, an increase was observed in the electrical machinery sector (up by 11.6% as compared to the previous year), and decreases were observed in such sectors as the wholesale trade sector (down by 34.2% (id.)), the chemicals sector (down by 19.8% (id.)) and the information and communication electronics equipment sector (down by 16.0% (id.)) (see Figure 27).

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

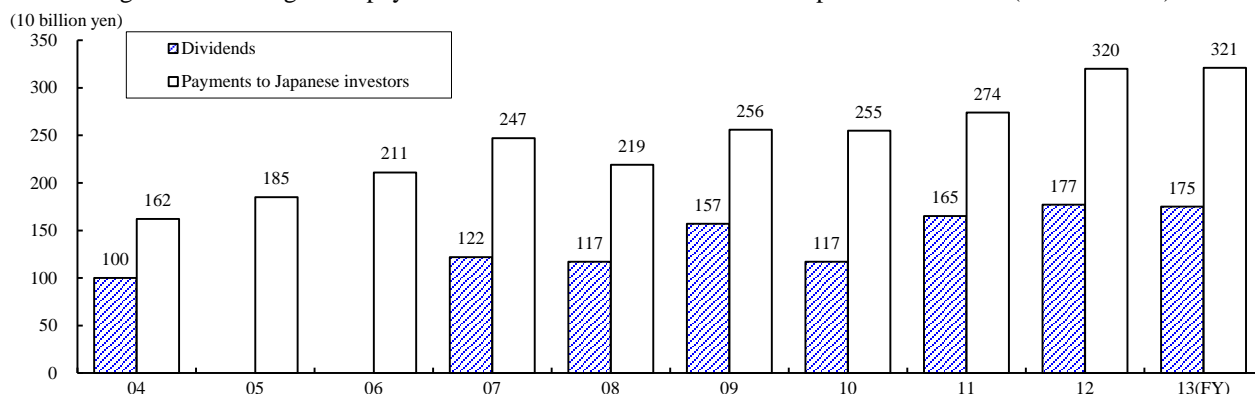


Figure 25. Payments from overseas affiliates to Japanese investors (by region)

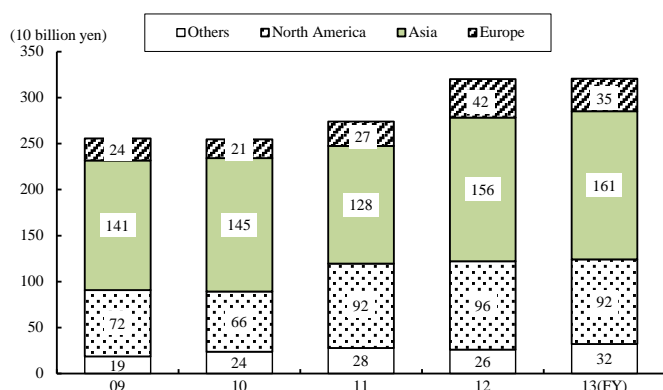


Figure 26. Payments from overseas affiliates to Japanese investors (in Asia)

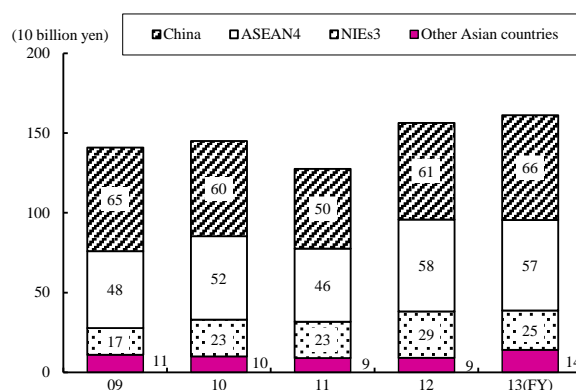
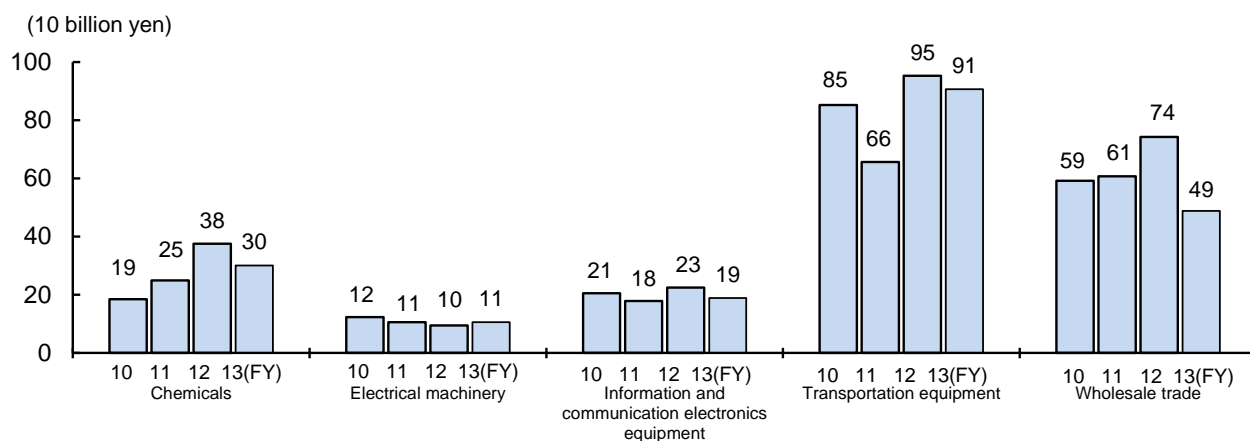


Figure 27. Payments from overseas affiliates to Japanese investors (by major sector)



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 would be "no changes" in dividends, and 11% of companies responded that they would "increase" their dividend payouts. Of those businesses that were aiming to increase dividends, 21% responded that they would raise dividends by between 10% and 50% compared with the preceding year, and 20% 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 would be "no change" in dividends, and 17% said they would "increase" dividends. 20% of those businesses that were aiming 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 would be used for, the response "to be determined" was the 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

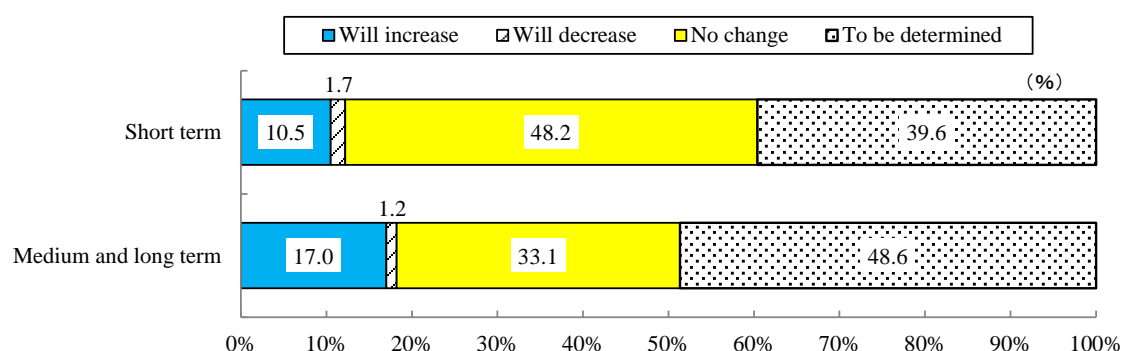


Figure 29: Planned increase rate of change in dividends

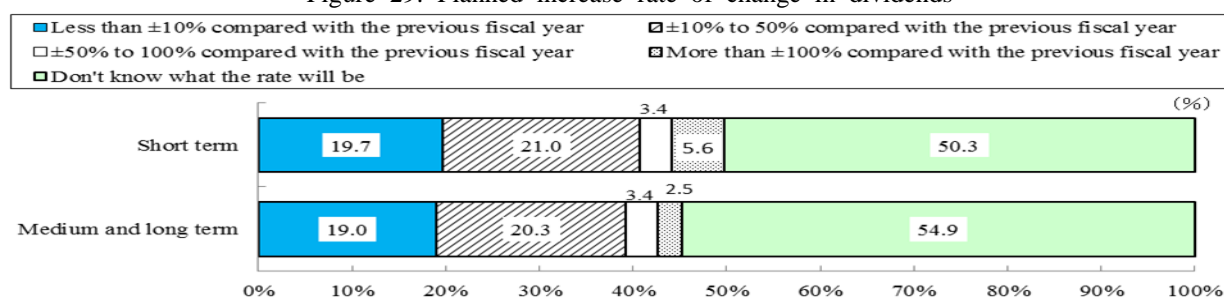


Figure 30: Uses for dividends from overseas affiliates (multiple answers allowed)



### 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