

Summary of the 45th Basic Survey on Overseas Business Activities (conducted in July 2015)

Trends of overseas affiliates in the fiscal year (FY) 2014 survey

- The overseas production ratio for manufacturing industries (based on all domestic companies, 24.3%) marked a record high. The ratio of overseas capital investment decreased.
- Sales of overseas affiliates increased by 12.2% from the previous year at 272.2 trillion yen. Ordinary profits increased by 9.4%, net income increased by 2.0%, and the amount of current retained earnings also increased by 13.6%. The amount of capital investment in manufacturing industries remained almost unchanged.
- Research and development expenses of overseas affiliates in manufacturing industries was 653 billion yen, and the ratio of overseas research and development expenses increased for fifth consecutive year (by 5.3%), marking a record high.

Summary of findings

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

- (1) The overseas production ratio for manufacturing industries (based on all domestic companies) increased by 1.4 points from the previous year to 24.3%, marking a record high. By sector, overseas production ratios were high, such as in the transportation equipment sector (46.9%), the general-purpose machinery sector (34.2%), and the information and communication electronics equipment sector (30.7%).
- (2) The ratio of overseas capital investment was 28.1% (down by 1.3% points compared to the previous year).

2. Sales of overseas affiliates, ordinary profits, net income, and the amount of current retained earnings all increased. The amount of capital investment in manufacturing industries remained almost unchanged.

- (1) Sales amounted to 272.2 trillion yen, up by 12.2% as compared to the previous year (up by 9.9% when comparing only companies that gave valid responses for this year and the previous year). By sector, increases were observed in the wholesale trade sector and the transportation equipment sector. By region, increases were seen in Asia, North America and Europe.
- (2) Ordinary profits amounted to 10.8 trillion yen (a 9.4% increase compared to the previous year), current net income amounted to 7.7 trillion yen (a 2.0% increase (id.)), the amount of current retained earnings amounted to 3.2 trillion yen (a 13.6% increase (id.)), and total retained earnings amounted to 35.7 trillion yen (a 3.6% increase (id.)).
- (3) The amount of capital investment (manufacturing industries) was 4.6 trillion yen (a 0.1% increase (id.)), remaining almost unchanged.

3. The number of employees at overseas affiliates increased. The number increased in both manufacturing industries and non-manufacturing industries.

- (1) The number of employees at overseas affiliates as of the end of FY2014 amounted to 5.75 million people, a 4.2% increase compared to the previous year (a 2.4% increase when comparing only companies that gave valid responses for this year and the previous year).
- (2) By sector, increases were observed in the number of employees in both manufacturing industries (4.57 million people; a 4.2% increase compared to the previous year) and non-manufacturing industries (1.18 million people; a 4.2% increase (id.)). By region, there were increases in Asia (4.21 million people; up by 4.8% (id.)) and in North America (700,000 people; up by 7.7% (id.)) and a decrease in Europe (490,000 people; down by 1.5% (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 653 billion yen, up by 18.7% compared to the previous year (up by 11.8% when comparing only companies that gave valid responses for this year and the previous year), which is a record high. The ratio of overseas research and development expenses rose by 0.6 points compared to the previous year to 5.3%. Research and development expenses per company in manufacturing industries increased by 13.2% (id.) to 420 million yen. By sector, there were increases mainly in the chemicals sector, business oriented machinery sector, general purpose machinery sectors. By region, research and development expenses increased in North America and Europe, but decreased in Asia.

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

Payments (such as dividends and loyalties) from overseas affiliates to Japanese investors was 3.7 trillion yen, up by 16.3% compared to the previous year. By sector, there was an increase in all sectors. By region, an increase was observed in Asia and North America, but decreased in Europe.

1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2014 was 24,011 companies, consisting of 10,592 companies in manufacturing industries and 13,419 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 44.1% of the total number of overseas affiliates in all industries (no change from previous year), and those in non-manufacturing industries accounted for 55.9% of the total (id.) (no change from previous year). (see Table 1).
- By region, the number of overseas affiliates increased in Asia and remained at the same level in North America and Europe (see Table 2).
- The number of overseas affiliates in Asia was 15,964, accounting for 66.5% of the total. Within this, the number of overseas affiliates in China was 7,604 (accounting for 31.7% of all regions; down by 0.9 points from the previous year). The number in ASEAN4 was 4,210 (17.5% (id.), up by 0.7 points (id.)) and the number in other Asian countries, including Vietnam and India, was 1,429 (6.0% (id.); up by 0.5 points (id.)), both showing an expanding trend of the proportion of the number to the total (see Table 2 and Figure 1).

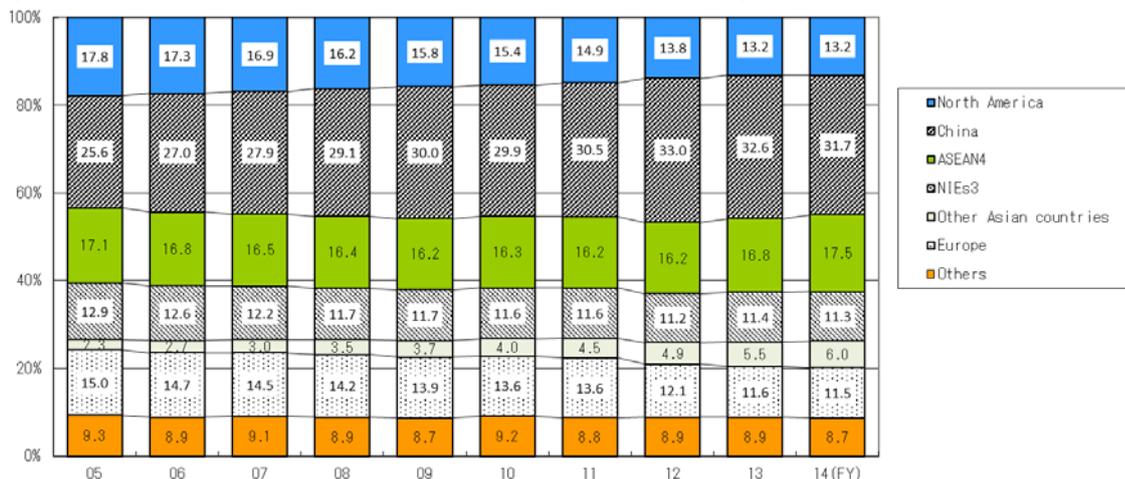
Table 1. Distribution of overseas affiliates by sector

	End of FY2014 Number of overseas	Breakdown by sector			
		FY2013		FY2014	
		Breakdown	Breakdown	Change in points	
All industries	24,011	100.0	100.0	-	-
Manufacturing industries	10,592	44.1	44.1	0.0	0.0
Food	495	5.1	4.7	▲ 0.4	
Textiles	499	4.9	4.7	▲ 0.2	
Lumber, wood, paper, and pulp	177	1.5	1.7	0.2	
Chemicals	1,133	11.5	10.7	▲ 0.8	
Petroleum and coal	46	0.4	0.4	0.0	
Ceramic, stone, and clay products	268	2.7	2.5	▲ 0.2	
Iron and steel	319	3.0	3.0	0.0	
Non-ferrous metals	323	3.0	3.0	0.0	
Metal products	563	5.1	5.3	0.2	
General-purpose machinery	412	3.5	3.9	0.4	
Production machinery	721	6.6	6.8	0.2	
Business oriented machinery	347	3.4	3.3	▲ 0.1	
Electrical machinery	646	6.3	6.1	▲ 0.2	
Information and communication electronics equipment	1,065	10.3	10.1	▲ 0.2	
Transportation equipment	2,201	19.7	20.8	1.1	
Miscellaneous manufacturing industries	1,377	13.1	13.0	▲ 0.1	
Non-manufacturing industries	13,419	55.9	55.9	0.0	0.0
Agriculture, forestry, and fisheries	132	0.9	1.0	0.1	
Mining	242	1.7	1.8	0.1	
Construction	369	2.9	2.7	▲ 0.2	
Information and communications	827	6.3	6.2	▲ 0.1	
Transport	1,294	9.8	9.6	▲ 0.2	
Wholesale trade	6,641	50.2	49.5	▲ 0.7	
Retail trade	660	5.3	4.9	▲ 0.4	
Services	2,105	14.7	15.7	1.0	
Miscellaneous non-manufacturing industries	1,149	8.4	8.6	0.2	

Table 2. Distribution of overseas affiliates by region

	FY2013	FY2014
All regions	23,927	24,011
North America	3,157	3,180
Asia	15,874	15,964
China	7,807	7,604
ASEAN4	4,009	4,210
NIEs3	2,737	2,721
Other Asian countries	1,321	1,429
Europe	2,768	2,767
Others	11.6	11.5
	2,128	2,100
	8.9	8.7

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



2. Withdrawals and advances of overseas affiliates

- The number of overseas affiliates withdrawing from overseas markets^(Note 1) in FY2014 was 628 (increased by 74 companies compared to the previous year). Manufacturing industries was 249 companies (up by 35 companies (id.)) and non-manufacturing industries was 379 companies (up by 39 companies (id.)), both showing an increase (see Figure 2).
- The ratio of withdrawals^(Note 2) was 2.5% (up by 0.2 points as compared to the previous year). By region, the ratio for China was 3.5% (up by 0.9 % points (id.)) and the ratio for Europe was 3.5% (up by 0.8% points (id.)), both contributing to the overall increase (see Table 3).
- When looking at the percentage of overseas affiliates that expanded abroad in FY2014 by year of establishment or capital participation^(Note 3) and by region, there was a decrease in the percentage of companies that advanced to China, while the percentage of those that advanced to Europe, North America, and other Asia increased. (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

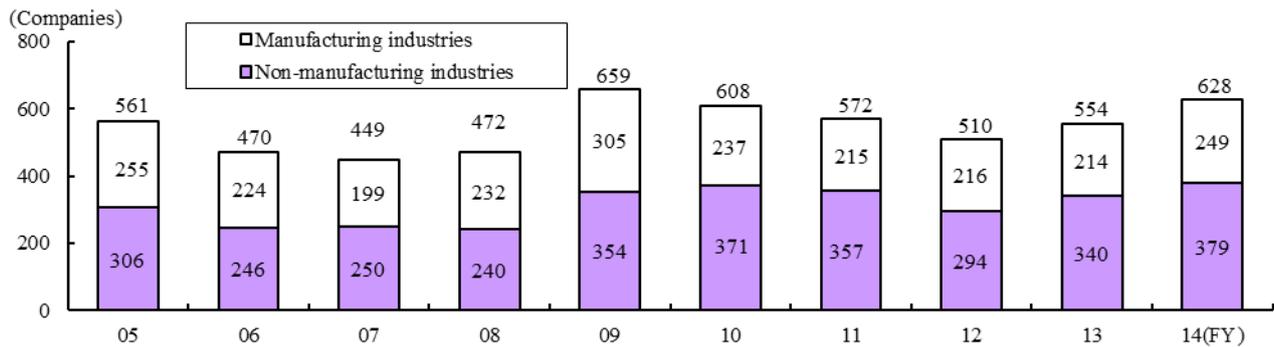
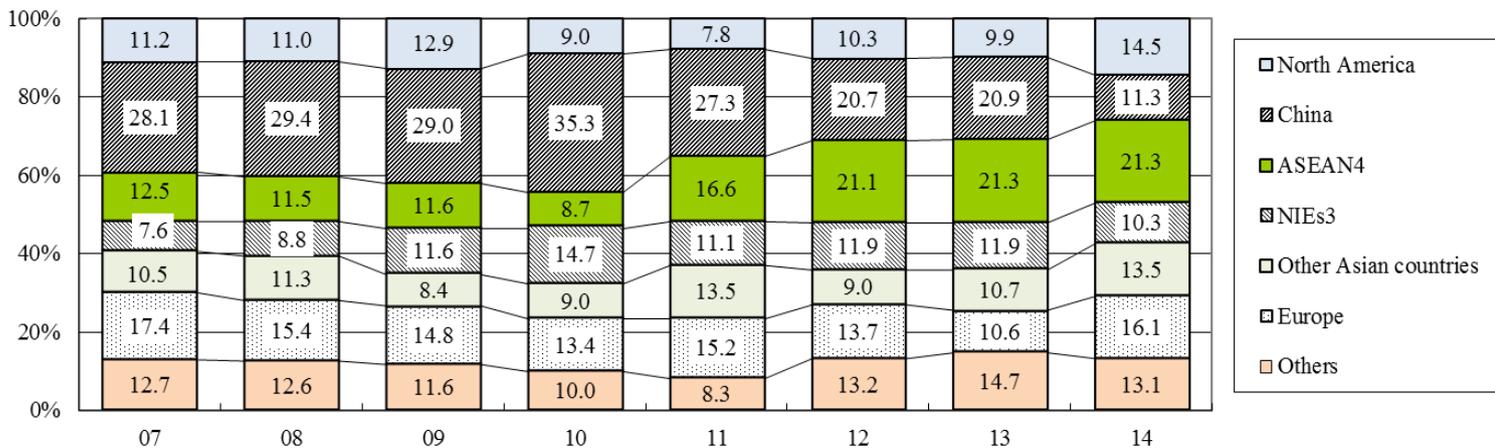


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	(Unit:Companies)						(Unit:%)					
	Number of overseas withdrawals						Ratio of overseas withdrawals					
	09	10	11	12	13	14(FY)	09	10	11	12	13	14(FY)
All regions	659	608	572	510	554	628	3.5	3.2	2.9	2.1	2.3	2.5
North America	140	113	110	63	73	70	4.6	3.8	3.7	1.9	2.3	2.2
Asia	371	339	317	314	365	406	3.2	2.9	2.6	2.0	2.2	2.5
China	200	181	166	188	205	274	3.5	3.2	2.7	2.4	2.6	3.5
ASEAN4	90	68	65	54	68	44	3.0	2.2	2.0	1.4	1.7	1.0
NIEs3	68	74	71	60	80	71	3.1	3.3	3.1	2.3	2.8	2.5
Europe	90	106	103	95	76	101	3.4	4.0	3.8	3.2	2.7	3.5

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 FY2014 / (Total number of overseas affiliates with valid responses in FY2014 + Number of overseas withdrawals in FY2014) × 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 FY2014 was 5.75 million people, a 4.2% increase compared to the previous year (a 2.4% 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 4.57 million people, marking an increase of 4.2% as compared to the previous year. By sector, there were increases in the transportation equipment sector (1.6 million people; up by 8.4% compared to the previous year), general purpose machinery sector (150,000 people; up by 21.9% (id.)), and the chemicals sector (200,000 people; up by 12.4% (id.)), and decreases in sectors such as the textiles sector (150,000 people; down by 21.8% (id.)). The number of employees in non-manufacturing industries was 1.18 million people, marking an increase of 4.2% (id.). By sector, increases were observed in sectors such as the retail trade sector (160,000 people; up by 13.2% (id.)) and wholesale trade sector (500,000 people; up by 2.6% (id.)), and decreases in the information and communications sector (100,000 people; down by 4.3% (id.)) (see Table 4 and Figure 4).
- By region, the number increased in Asia (4.21 million people; up by 4.8% compared to the previous year) and in North America (700,000 people; up by 7.7% (id.)) and the number decreased in Europe (490,000 people; down by 1.5% (id.)) (see Figure 5).
- In Asia, there were increases in China (1.79 million people; up by 4.1% compared to the previous year), ASEAN4 (1.51 million people; up by 5.5% (id.)) and a decrease in NIEs3 (300,000 people; down by 0.8% (id.)) (see Figure 6).

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

	10		11		12		13		14(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	499	6.2	523	4.7	558	6.8	552	▲ 1.2	575	4.2
Manufacturing industries	397	7.9	411	3.4	436	6.2	438	0.4	457	4.2
Non-manufacturing industries	102	0.0	112	9.5	122	9.2	114	▲ 6.9	118	4.2

(Units: 10,000 persons, %)

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

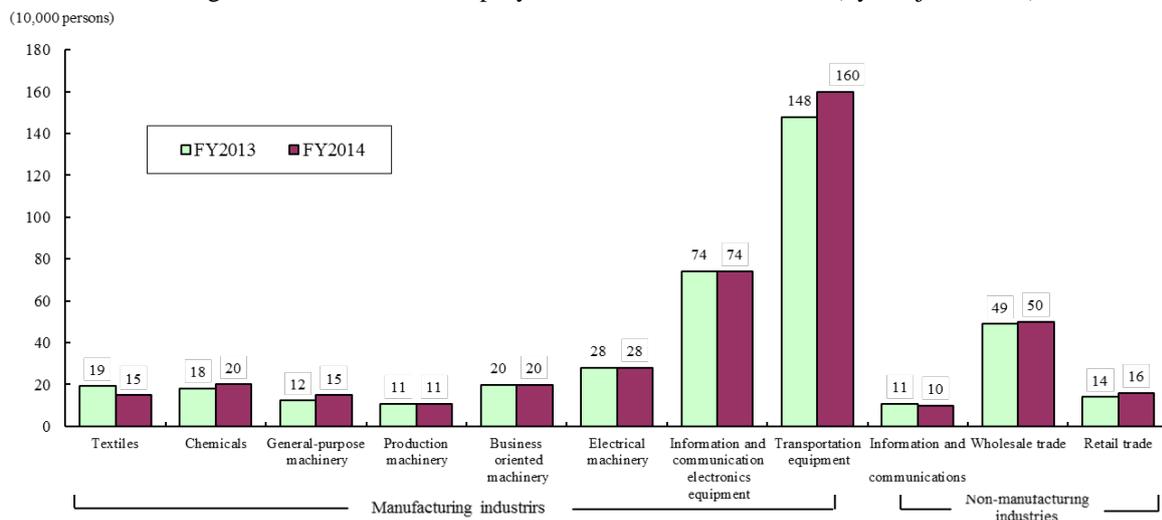


Figure 5. Number of employees at overseas affiliates (by region)

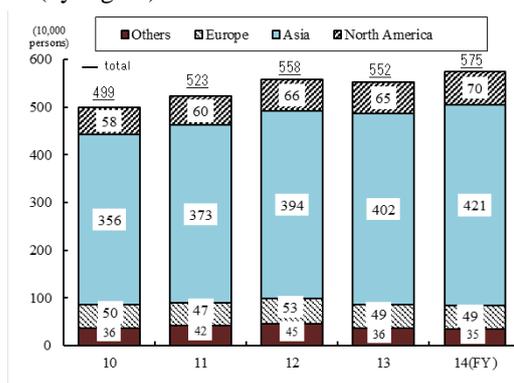
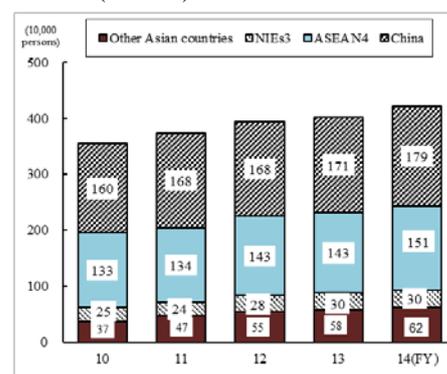


Figure 6. Number of employees at overseas affiliates (in Asia)



4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2014 amounted to 272.2 trillion yen, up by 12.2% as compared to the previous year (up by 9.9% when comparing only companies that gave valid responses for this year and the previous year) (see Figure 7).
- Sales in manufacturing industries totaled 129.7 trillion yen (up by 10.9% compared to the previous year). By sector, increases were observed in the food sector (5.7 trillion yen; up by 46.8% (id.)) and the transportation equipment sector (60.8 trillion yen; up by 14.0% (id.)). Sales in non-manufacturing industries amounted to 142.4 trillion yen (up by 13.4% (id.)). By sector, there were increases in sectors such as the wholesale trade sector (101.4 trillion yen; up by 14.7% (id.)) (see Figure 7 and Figure 8).
- By region, increases were seen in all regions in Asia (121.3 trillion yen; up by 12.6% compared to the previous year), North America (87.2 trillion yen; up by 17.1% (id.) and Europe (38.5 trillion yen; up by 6.0% (id.)). In Asia, China, NIEs3 and ASEAN4 all saw increases (see Figure 9 and Figure 10).

Figure 7. Sales trends of overseas affiliates

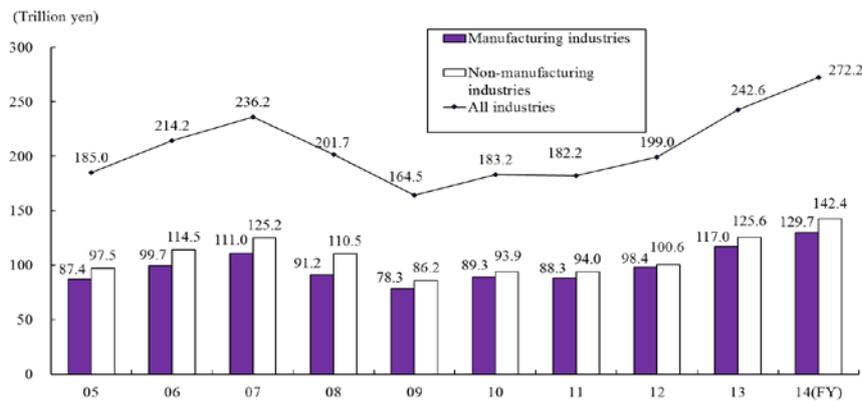


Figure 8. Sales of overseas affiliates (by major sector)

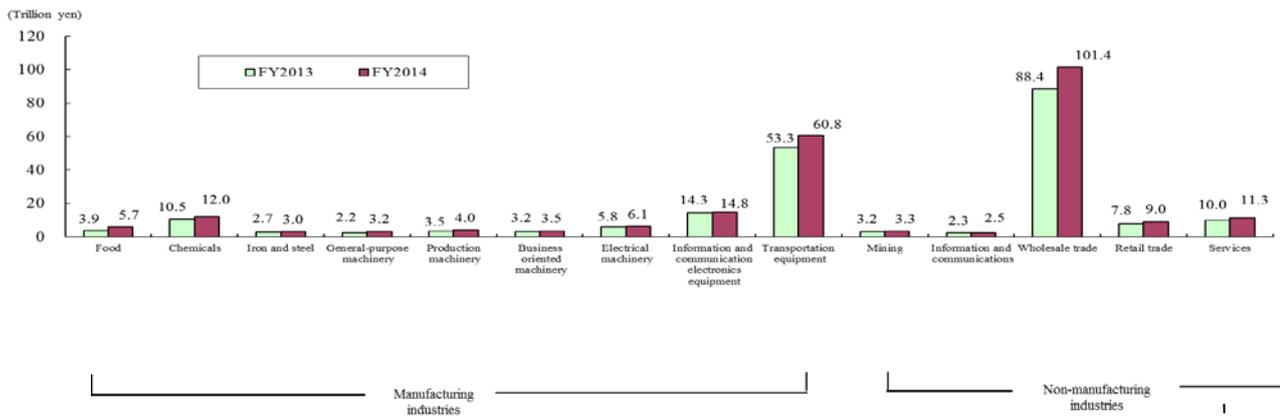


Figure 9. Sales trends of overseas affiliates (by region)

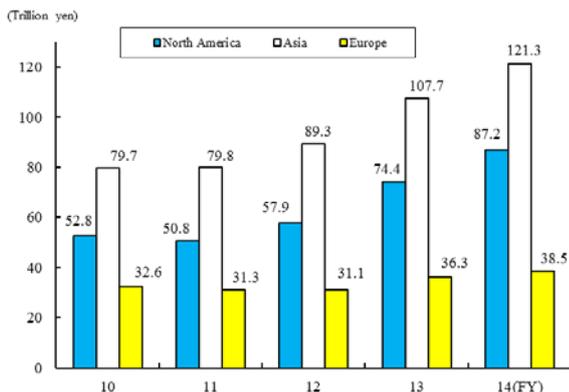
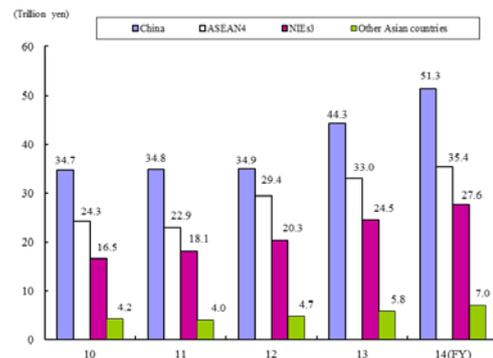


Figure 10. Sales trends of overseas affiliates (in Asia)



5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)^(Note 1) marked a record high of 24.3% (up by 1.4% 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 (46.9%), the general-purpose machinery sector (34.2%), and the information and communication electronics equipment sector (30.7%). (see Table 5).

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

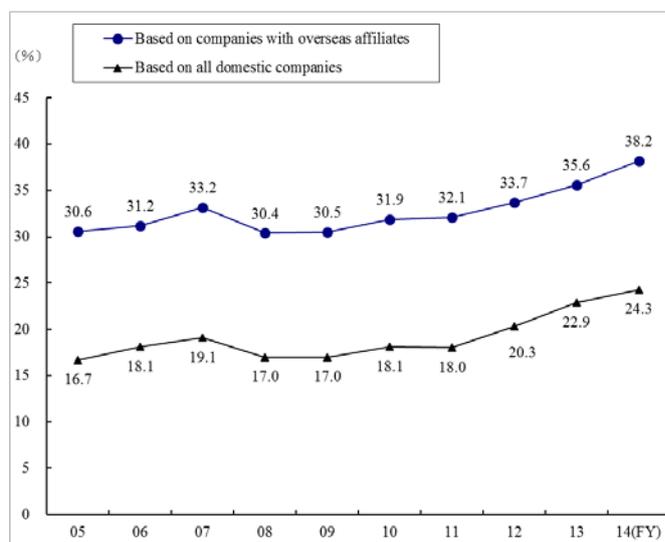


Table 5. Trends in the overseas production ratio by sector
(calculated based on the total number of domestic companies (manufacturing industries))

	(Unit: %)										
	05	06	07	08	09	10	11	12	13	14(FY)	
Total for manufacturing industries	16.7	18.1	19.1	17.0	17.0	18.1	18.0	20.3	22.9	24.3	
Food	4.2	4.2	4.9	3.8	4.7	5.0	4.9	5.7	8.3	11.4	
Textiles	6.3	9.0	11.1	9.5	6.2	6.2	8.3	11.9	12.3	12.4	
Lumber, wood, paper, and pulp	3.0	4.7	4.2	4.2	3.7	4.5	4.3	4.7	5.7	7.8	
Chemicals	14.8	17.9	16.6	17.4	15.1	17.4	18.5	19.5	20.5	22.4	
Petroleum and coal	2.6	4.4	2.5	1.3	1.6	2.4	5.2	9.8	12.5	10.1	
Ceramic, stone, and clay products	6.6	12.0	10.7	11.8	11.6	13.6	10.7	15.2	16.2	14.1	
Iron and steel	9.6	10.6	11.7	10.3	10.7	11.2	10.2	11.5	13.6	14.5	
Non-ferrous metals	10.2	10.3	12.1	11.0	11.8	14.7	14.8	15.3	17.5	19.1	
Metal products	2.2	2.6	3.4	2.5	2.8	3.9	3.7	5.3	6.2	8.1	
General-purpose machinery					21.2	28.3	24.8	26.6	27.6	34.2	
Production machinery					8.0	11.1	11.5	11.8	13.6	14.6	
Business oriented machinery					12.9	13.8	15.0	18.4	18.4	19.6	
General machinery	13.1	14.3	14.4	12.8							
Electrical machinery	11.0	11.8	11.5	13.0	13.0	11.8	12.8	14.3	17.7	17.2	
Information and communication electronics equipment	34.9	34.0	32.2	28.1	26.1	28.4	26.7	28.3	30.4	30.7	
Transportation equipment	37.0	37.8	42.0	39.2	39.3	39.2	38.6	40.2	43.7	46.9	
Precision instruments	13.8	8.9	9.4	7.9							
Miscellaneous manufacturing industries	9.4	9.7	9.3	9.1	8.7	9.1	11.5	12.8	14.8	12.0	

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 FY2014, the ratio was 76.9% in Asia, 93.8% in North America, and 86.7% in Europe.
- The ratio of sales to Japan was 16.9% in Asia, 2.1% in North America and 2.7% in Europe.
- Compared to FY2005, the ratio of local sales ratio at overseas affiliates increased in Asia (up by 0.7 % points) and decreased in North America (down by 19.8% points) and Europe (down by 9.9 % points). The intraregional sales ratio rose in North America (up by 19.3 % points) (see Figure 12 and Table 6).

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

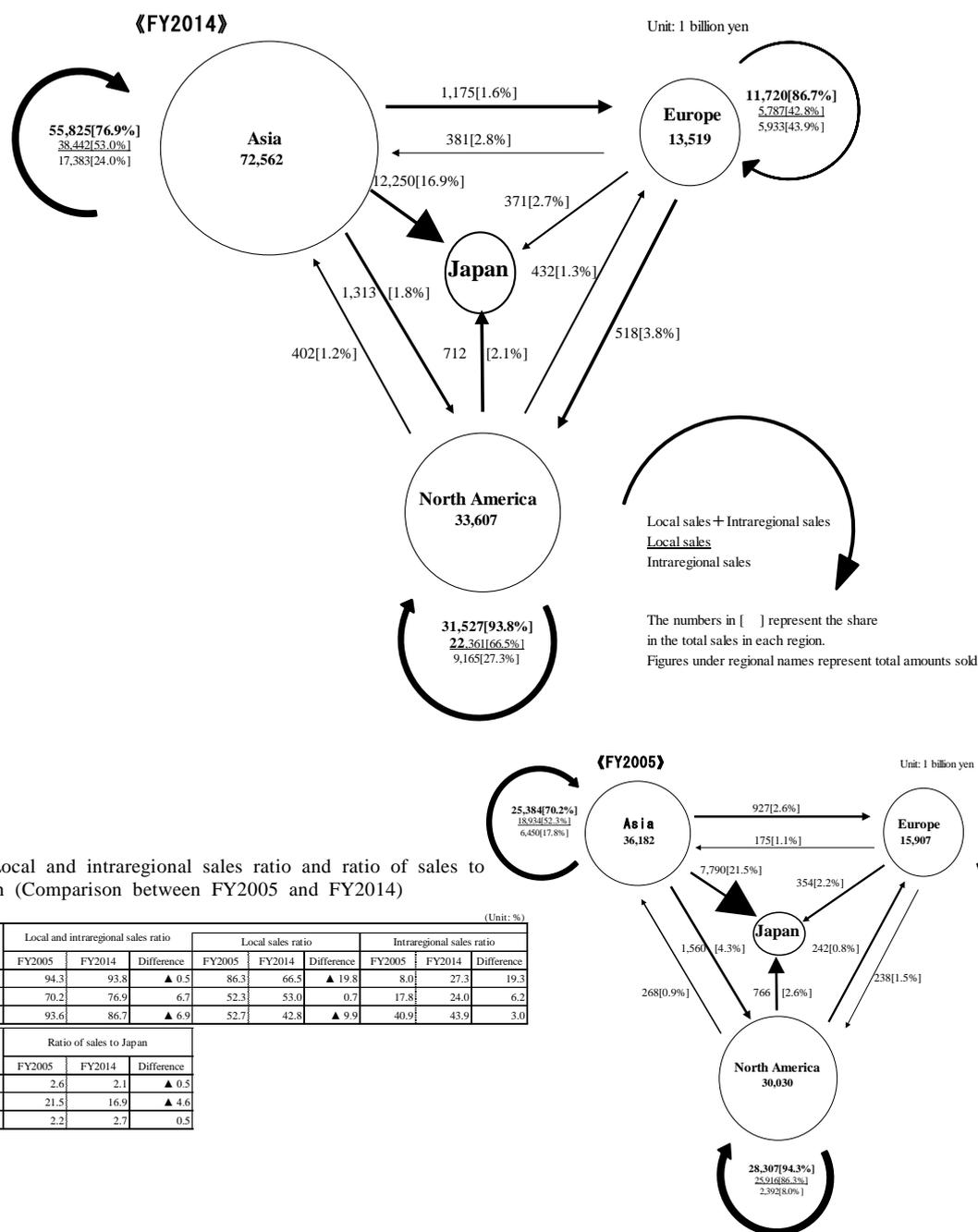


Table 6. Local and intraregional sales ratio and ratio of sales to Japan (Comparison between FY2005 and FY2014)

	Local and intraregional sales ratio								
	Local and intraregional sales ratio			Local sales ratio			Intraregional sales ratio		
	FY2005	FY2014	Difference	FY2005	FY2014	Difference	FY2005	FY2014	Difference
North America	94.3	93.8	▲ 0.5	86.3	66.5	▲ 19.8	8.0	27.3	19.3
Asia	70.2	76.9	▲ 6.7	52.3	53.0	▲ 0.7	17.8	24.0	6.2
Europe	93.6	86.7	▲ 6.9	52.7	42.8	▲ 9.9	40.9	43.9	3.0

	Ratio of sales to Japan		
	FY2005	FY2014	Difference
	North America	2.6	2.1
Asia	21.5	16.9	▲ 4.6
Europe	2.2	2.7	0.5

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 FY2014, 74.3%, 68.5%, and 63.9% 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 23.3% in Asia, 25.3% in North America, and 26.5% in Europe.
- Compared to FY2005, the local procurement ratio increased in all areas, North America, Asia, and Europe. In the meantime, the procurement ratio from Japan decreased in all areas, Asia, Europe, and North America. (see Figure 13 and Table 7).

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

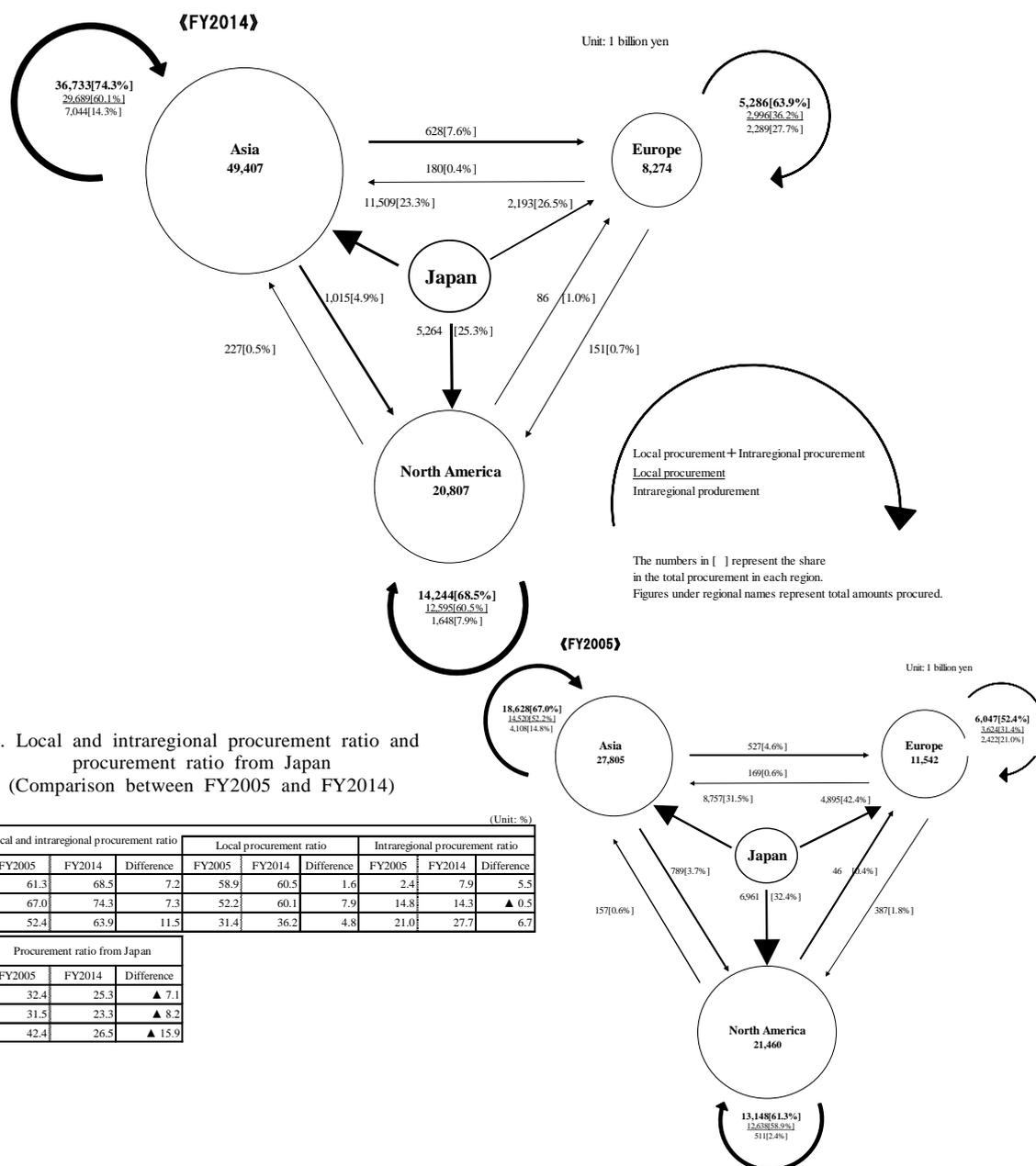


Table 7. Local and intraregional procurement ratio and procurement ratio from Japan (Comparison between FY2005 and FY2014)

	Local and intraregional procurement ratio								
	Local and intraregional procurement ratio			Local procurement ratio			Intraregional procurement ratio		
	FY2005	FY2014	Difference	FY2005	FY2014	Difference	FY2005	FY2014	Difference
North America	61.3	68.5	7.2	58.9	60.5	1.6	2.4	7.9	5.5
Asia	67.0	74.3	7.3	52.2	60.1	7.9	14.8	14.3	▲ 0.5
Europe	52.4	63.9	11.5	31.4	36.2	4.8	21.0	27.7	6.7

	Procurement ratio from Japan		
	FY2005	FY2014	Difference
North America	32.4	25.3	▲ 7.1
Asia	31.5	23.3	▲ 8.2
Europe	42.4	26.5	▲ 15.9

Note 1. Local: Country in which overseas affiliates of Japanese companies are located
 Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)

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

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

8. Profits of overseas affiliates

- In FY2014, ordinary profits of overseas affiliates amounted to 10.8 trillion yen, up by 9.4% compared to the previous year (up by 9.0% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 5.7 trillion yen, up by 16.8% compared to the previous year. Non-manufacturing industries saw an increase to 5.1 trillion yen, up by 2.1% (id.) (see Figure 14).
- By region, there were increases in Asia (5.7255 trillion yen, up by 14.2% compared to the previous year), North America (2.6792 trillion yen, up by 32.9% (id.)) while Europe saw a decrease (1.0670 trillion yen, down by 2.0% (id.)) (see Figure 15).
- The ratio of ordinary profits to sales^(Note) decreased to 4.1%, down by 0.1 points as compared to the previous year. The ratio for manufacturing industries was 4.7% marking a 0.1 % point increase, while the ratio for non-manufacturing industries saw a decrease to 3.5%, down by 0.4 points (id.) (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

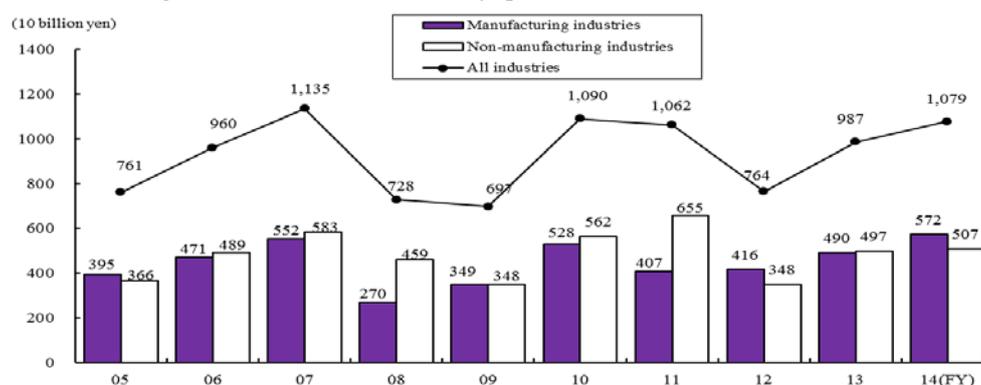


Figure 15. Ordinary profits of overseas affiliates (by region)

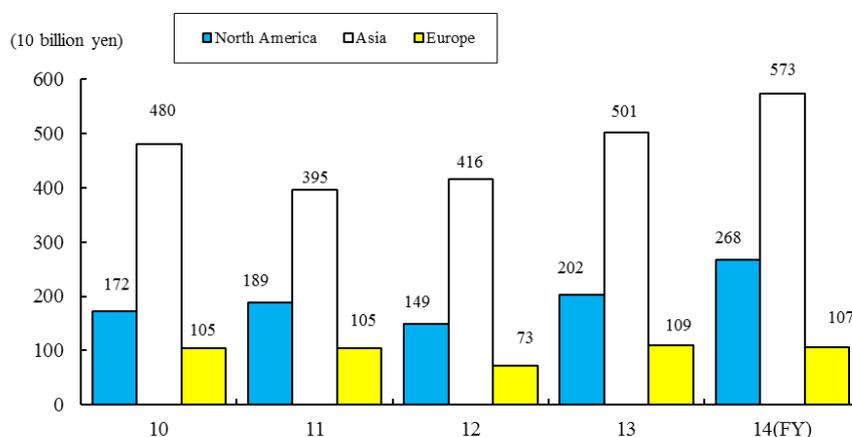


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

		(Unit: %)							
		07	08	09	10	11	12	13	14(FY)
(Reference)	All industries	4.9	3.5	4.4	6.1	5.9	3.9	4.2	4.1
	Manufacturing industries	5.2	3.0	4.8	6.2	4.9	4.6	4.6	4.7
	Non-manufacturing industries	4.7	4.0	4.0	6.1	6.8	3.3	3.9	3.5
	Domestic companies	3.4	2.4	2.3	3.2	3.3	3.5	4.2	4.5
	Manufacturing industries	5.1	2.3	2.4	3.9	3.7	4.1	5.5	5.9
	Non-manufacturing industries	2.7	2.4	2.3	2.8	3.1	3.3	3.7	3.9

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 FY2014, net income of overseas affiliates amounted to 7.7 trillion yen, up by 2.0% compared to the previous year (down by 1.7% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 4.1 trillion yen (up by 13.5% (id.)), while non-manufacturing industries saw a decrease to 3.6 trillion yen (down by 8.6% (id.)) (see Figure 16).
- The amount of current retained earnings^(Note 1) of overseas affiliates in FY2014 was 3.2 trillion yen, up by 13.6% as compared to the previous year (a 22.5% decrease when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 1.5 trillion yen, up by 5.1% (id.), and non-manufacturing industries saw an increase to 1.7 trillion yen, up by 22.6% (id.).
- The balance of retained earnings^(Note 2) was 35.7 trillion yen, up by 3.6% compared to the previous year (up by 9.6% 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

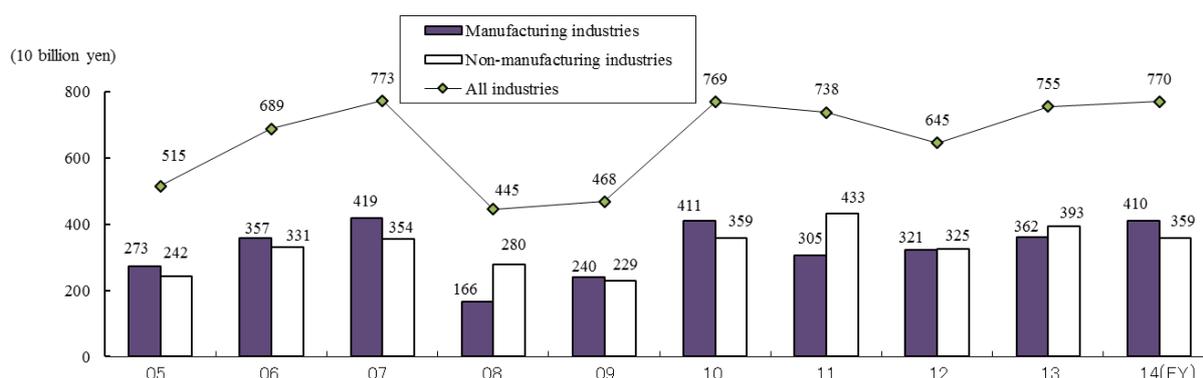


Figure 17. Trends in current retained earnings and balance of retained earnings

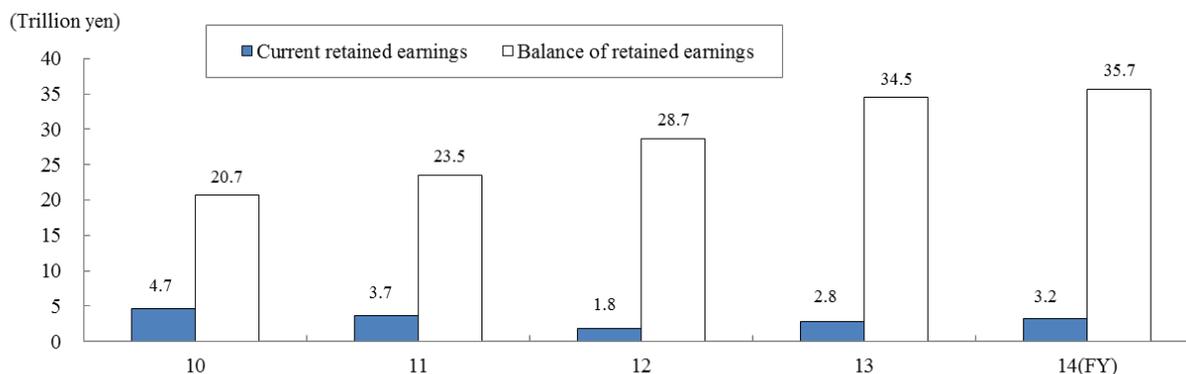


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2013	FY2014	Y/Y	FY2013	FY2014	Y/Y
All industries	27,900	31,696	13.6	344,560	356,872	3.6
Manufacturing industries	14,301	15,025	5.1	142,133	152,778	7.5
Non-manufacturing industries	13,599	16,671	22.6	202,427	204,094	0.8

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 FY2014, research and development expenses in manufacturing industries marked a record high of 653 billion yen, up by 18.7% compared to the previous year (up by 11.8% when comparing only companies that gave valid responses for this year and the previous year) and marked a record high.
- The ratio of overseas research and development expenses^(Note) rose by 0.6 points compared to the previous year to 5.3% (see Figure 18).
- Research and development expenses per company in manufacturing industries increased by 13.2% compared to the previous year to 420 million yen.
- By sector, there were increases mainly in the chemicals, business oriented machinery, and general purpose machinery sectors (see Table 10).
- By region, research and development expenses increased in North America and Europe, but decreased in Asia (see Table 11).

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

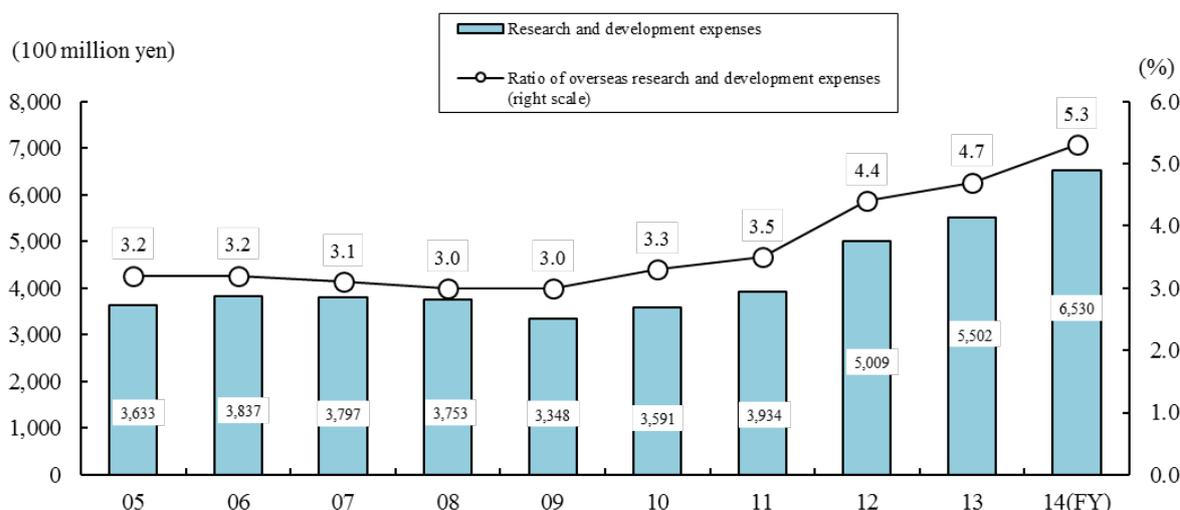


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: 1 million yen, %)

	FY2013	FY2014	FY2014	
			Y/Y difference	Y/Y ratio
Manufacturing industries	371	420	49	13.2
Chemicals	546	727	181	33.2
General-purpose machinery	100	123	23	23.0
Production machinery	422	511	89	21.1
Business oriented machinery	310	412	102	32.9
Electrical machinery	347	334	▲ 13	▲ 3.7
Information and communication electronics equipment	567	652	85	15.0
Transportation equipment	579	650	71	12.3

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

(Units: 1 million yen, %)

	FY2013			FY2014		
	Y/Y difference	Y/Y ratio		Y/Y difference	Y/Y ratio	
All regions	371	29	8.5	420	49	13.2
North America	820	251	44.1	1,010	190	23.2
Asia	231	39	20.3	230	▲ 1	▲ 0.4
Europe	519	▲ 174	▲ 25.1	675	156	30.1

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: Total of labor costs, raw material costs, lease costs, other costs and depreciation costs in "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 FY2014, the amount of capital investment in overseas affiliates in manufacturing industries increased to 4.6 trillion yen, up by 0.1%, remaining at the same level compared to the previous year (down by 5.8% when comparing only companies that gave valid responses for this year and the previous year).
- The ratio of overseas capital investment^(Note) was 28.1%, down by 1.3 % points compared to the previous year. (see Figure 19).
- By sector, there were increases in the amount of capital investment in sectors such as the textiles sector (up by 75.9% compared to the previous year), electric machinery sector (up by 20.7% (id.)), and food sector (up by 19.3% (id.)), etc. (see Figure 20).
- By region, increases were observed in North America (up by 17.9% compared to the previous year), while decreasing in Asia (down by 8.5% (id.)) and Europe (down by 13.0% (id.)). In Asia, China showed increases while ASEAN4 and NIEs3 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)

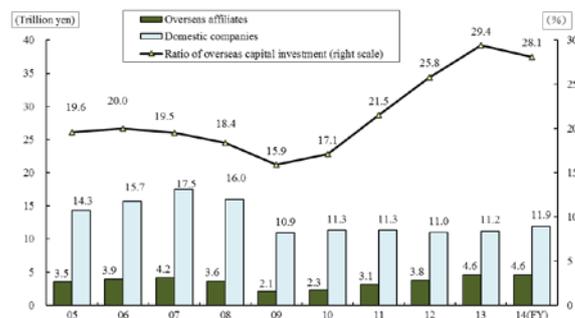


Figure 20. Capital investment in overseas affiliates (by major manufacturing sector)

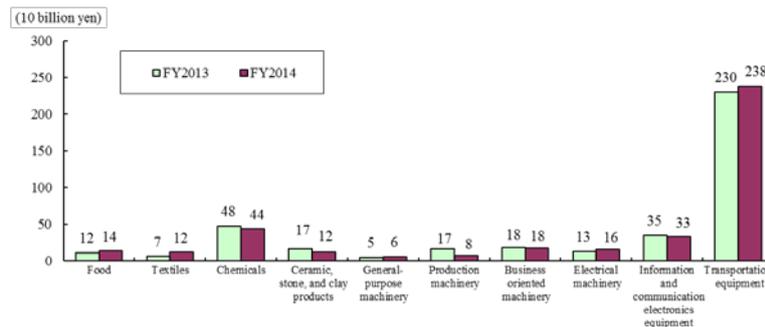


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

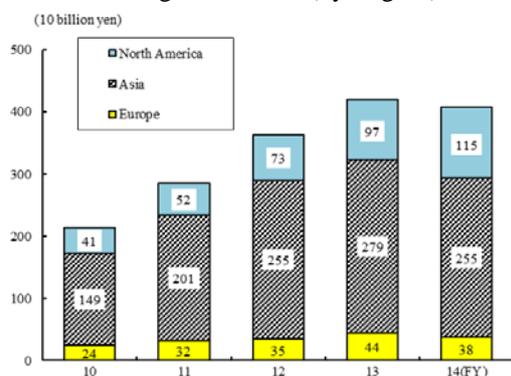
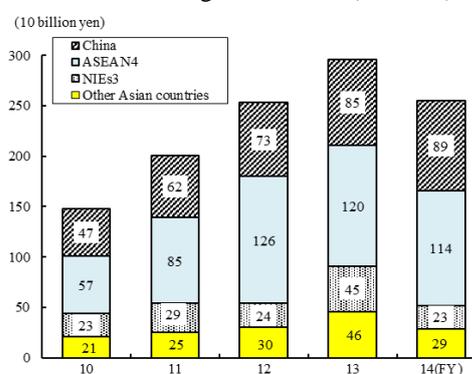


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



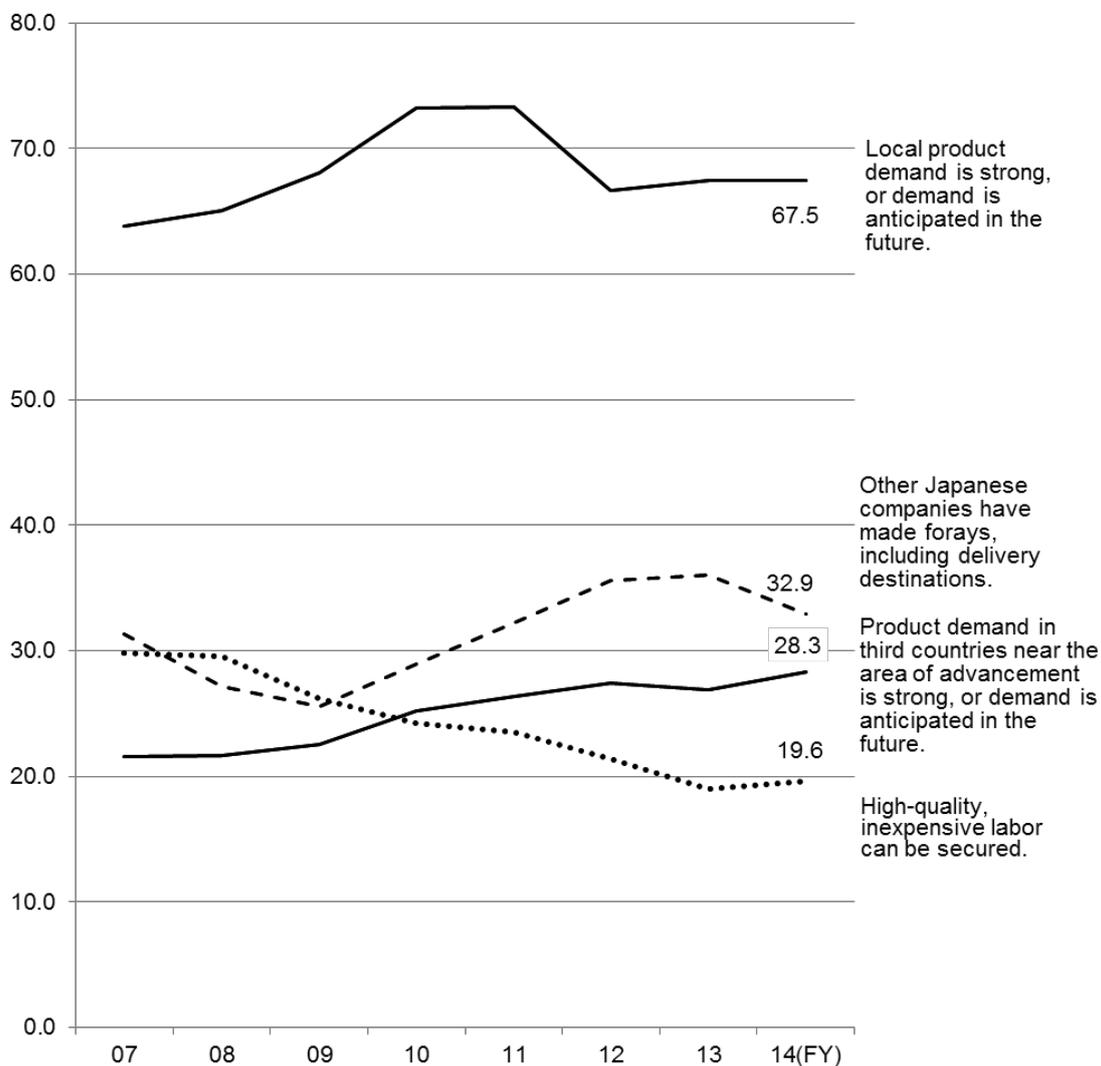
Note: Ratio of overseas capital investment (manufacturing industries) = Amount of capital investment in overseas affiliates (manufacturing industries) / (Amount of capital investment in overseas affiliates (manufacturing industries) + Amount of capital investment in domestic companies (manufacturing 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 FY2014, 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" decreased. Regarding future expansion of demand, the ratio of companies responding "local product demand is strong, or demand is anticipated in the future" remained unchanged and "product demand in third countries near the area of advancement is strong or demand is anticipated in the future" increased. 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. 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 FY2014, 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 FY2014 amounted to 3.7 trillion yen (up by 16.3% compared to the previous year) (Figure 24).
- By region, payments from overseas affiliates to Japanese investors increased in Asia (up by 26.7% as compared to the previous year) and in North America (up by 9.0% (id.)) but decreased in Europe (down by 5.8% (id.)). In Asia, China, ASEAN4 and NIEs3 all showed increases (Figure 25 and Figure 26).
- By major sector, an increase was observed in the electrical machinery sector (up by 34.5% as compared to the previous year), wholesale trade sector (up by 34.3% (id.)), chemicals sector (up by 24.5% (id.)), transportation equipment (up by 13.3% (id.)), and the information and communication electronics equipment sector (up by 10.8% (id.)) (see Figure 27).

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

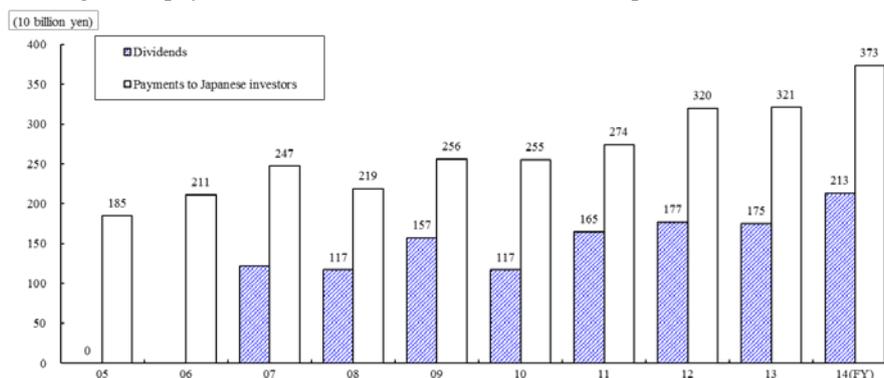


Figure 25. Payments from overseas affiliates to Japanese investors (by region)

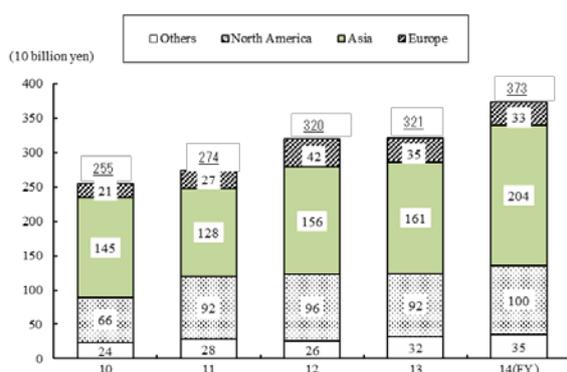


Figure 26. Payments from overseas affiliates to Japanese investors (in Asia)

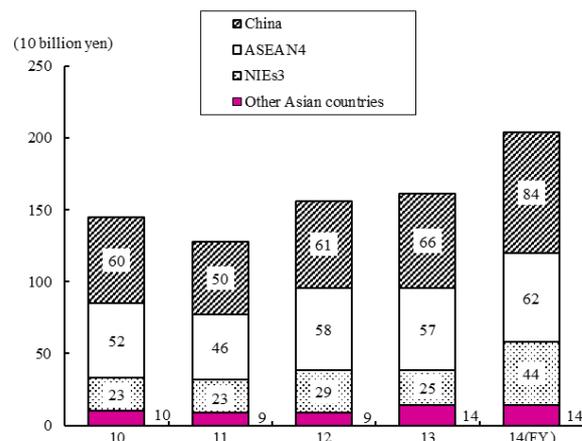
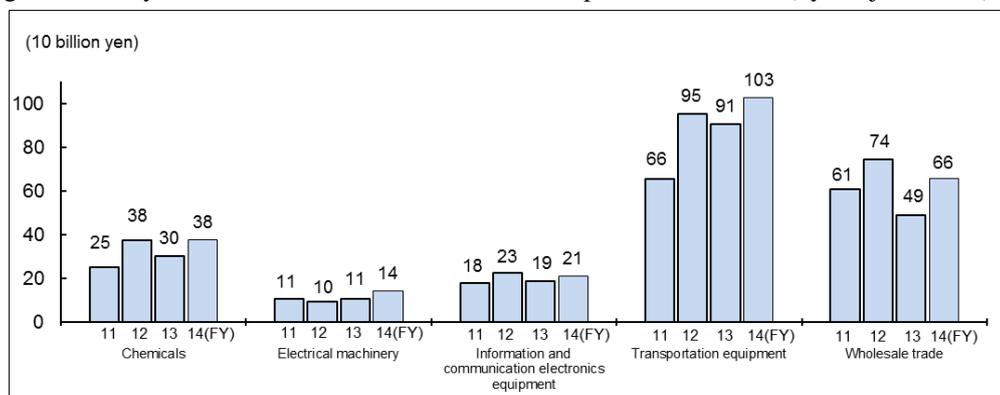


Figure 27. Payments from overseas affiliates to Japanese investors (by major sector)



Note. In Figure 24, the amount of dividends in FY2006 was not surveyed.

14. Dividends from overseas affiliates

- Regarding dividends from overseas affiliates, in the short term (the next one to two years), 49% of companies responded that there would be "no changes" in dividends, and 10% of companies responded that they would "increase" their dividend payouts. Of those businesses that were aiming to increase dividends, 22% responded that they would raise dividends by less than 10% compared to the preceding year, 19% responded that they would raise dividends between 10% and 50% (id.). (see Figure 28 and Figure 29).
- In the medium and long term, 35% of companies said there would be "no change" in dividends, and 16% said they would "increase" dividends. 22% of those businesses that were aiming to increase dividends responded that they would raise dividends by less than 10% compared to 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 for both the short term and the medium and long term, with 20% 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

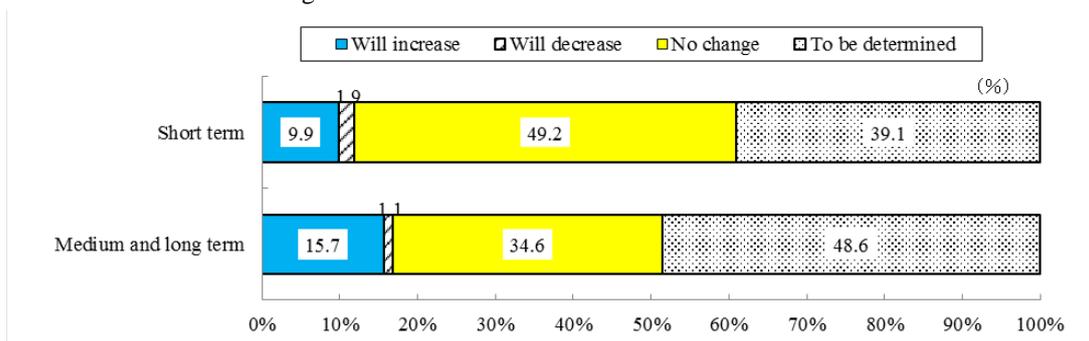


Figure 29: Planned rate of change in dividends

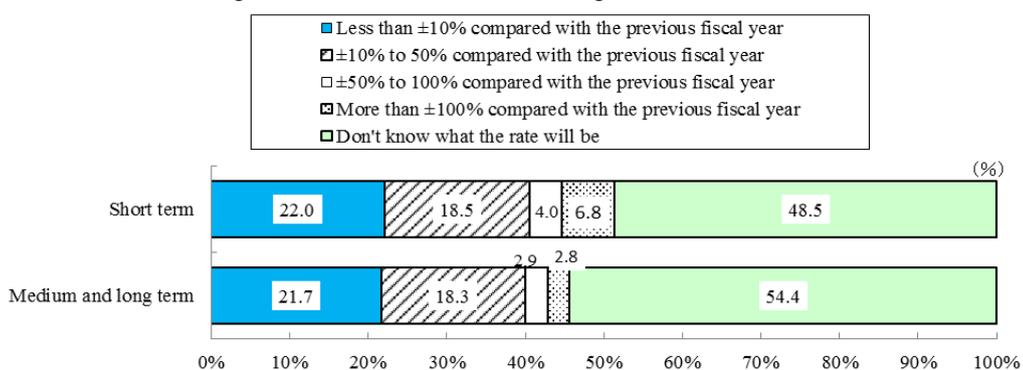
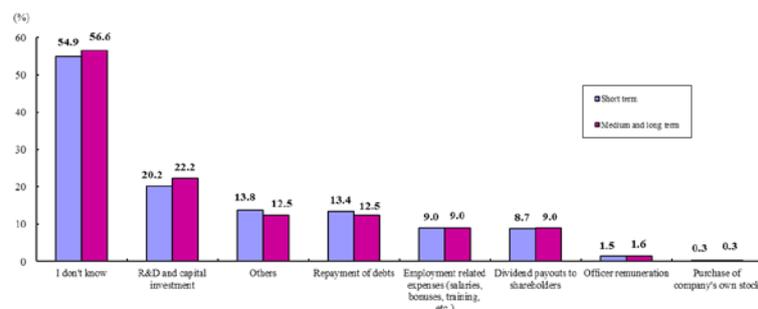


Figure 30: Uses for Dividends from Overseas Affiliates (multiple answers allowed)



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