

## Summary of the 46th Basic Survey on Overseas Business Activities (conducted in July 2016)

### Trends of overseas affiliates in the fiscal year (FY) 2015 survey

- The overseas production ratio for manufacturing industries (based on all domestic companies, 25.3%) marked a record high. The ratio of overseas capital investment decreased.
- Sales of overseas affiliates increased by 0.7% from the previous year at 274 trillion yen. Ordinary profits, net income, amount of current retained earnings and the amount of capital investment in manufacturing industries all decreased.
- The number of employees at overseas affiliates was 5.57 million people, a 3.0% decrease compared to the previous year.
- Research and development expenses of overseas affiliates in manufacturing industries continued to account for a high ratio of the total expenses at 5.2%
- Payments from overseas affiliates to Japanese investors (such as dividends and loyalties) marked a record high of 4.5 trillion yen with a 20.2% increase compared to the previous year.

### 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, for 4 consecutive years, by 1.0 points from the previous year to 25.3%, marking a record high. By sector, overseas production ratios were high in industries such as the transportation equipment sector (48.8 %), the general-purpose machinery sector (33.8 %), and the information and communication electronics equipment sector (29.4 %).
- (2) The ratio of overseas capital investment was 25.5% (down by 2.6% points compared to the previous year).

#### **2. Sales of overseas affiliates increased while ordinary profits, net income, the amount of current retained earnings and amount of capital investment in manufacturing industries decreased.**

- (1) Sales amounted to 274 trillion yen, up by 0.7% as compared to the previous year (up by 4.5% 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, food sector and the services sector. By region, increases were seen in North America and Europe while decreases were observed in Asia.
- (2) Ordinary profits was 9.6 trillion yen (a 10.8% decrease compared to the previous year), current net income was 6.5 trillion yen (a 15.1% decrease (id.)), the amount of current retained earnings was 2.0 trillion yen (a 36.9% decrease (id.)), and total retained earnings was 32.1 trillion yen (a 10.1% decrease (id.)).
- (3) The amount of capital investment (manufacturing industries) was 4.6 trillion yen (a 1.7% decrease (id.)).

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

- (1) The number of employees at overseas affiliates as of the end of FY2015 was a 5.57 million people, a 3.0% decrease compared to the previous year (a 1.2% decrease when comparing only companies that gave valid responses for this year and the previous year).
- (2) By sector, decreases were observed in the number of employees in both manufacturing industries (4.42 million people; a 3.2% decrease compared to the previous year) and non-manufacturing industries (1.16 million people; a 2.3% decrease (id.)). By region, there were decreases in Asia (3.99 million people; down by 5.2 % (id.)) and in North America (690,000 people; down by 1.2% (id.)).

#### **4. Overseas research and development expenses in manufacturing industries maintains high share.**

Research and development expenses in manufacturing industries was 637.3 billion yen, down by 2.4% compared to the previous year and the ratio of overseas research and development expenses dropped by 0.1 points compared to the previous year to 5.2%, still maintaining high share. Research and development expenses per company in manufacturing industries increased by 0.5% (id.) to 420 million yen. By sector, increases were observed in the electrical machinery sector, transportation equipment sector and information and communication electronic equipment sector. By region, research and development expenses increased in Asia but decreased in North America and Europe.

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

Payments (such as dividends and loyalties) from overseas affiliates to Japanese investors marked a record high at 4.5 trillion yen, up by 20.2% compared to the previous year. By sector, increases were observed in the transportation equipment sector, wholesale trade sector, information and communication electronic equipment sector and others. By region, increases were observed in Asia, North America, as well as Europe.

## 1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2015 was 25,233 companies, consisting of 11,080 companies in manufacturing industries and 14,153 companies in non-manufacturing industries. Overseas affiliates in manufacturing industries accounted for 43.9% of the total number of overseas affiliates in all industries (a 0.2% decrease compared to the previous year), and those in non-manufacturing industries accounted for 56.1% of the total (a 0.2% increase compared to the previous year) (see Table 1).
- By region, the number of overseas affiliates increased in North America, Asia, Europe and other areas (see Table 2).
- The number of overseas affiliates in Asia was 16,831, accounting for 66.7% of the total. Within this, the number of overseas affiliates in China was 7,900 (accounting for 31.3% of all regions; down by 0.4 points from the previous year). The number in ASEAN4 was 4,493 (17.8% (id.), up by 0.3 points (id.)) and the number in other Asian countries was 1,614 (6.4% (id.); up by 0.4 points (id.)), both showing an expanding trend of the proportion of the number to the total (see Table 2 and Figure 1).

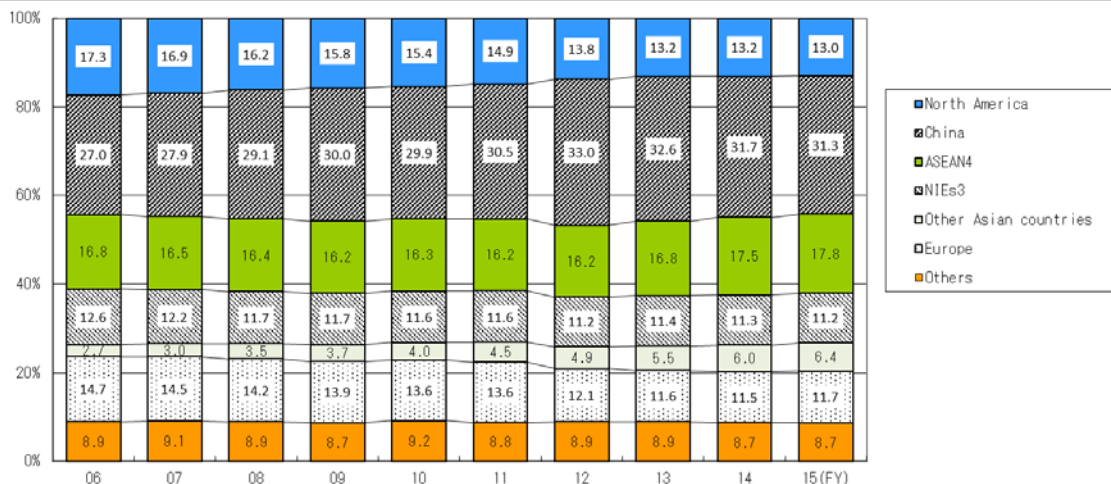
Table 1. Distribution of overseas affiliates by sector

	End of FY2015 Number of overseas	Breakdown by sector (Units: companies, %)		
		FY2014		FY2015
		Breakdown	Breakdown	Change in points
All industries	25,233	100.0	100.0	-
Manufacturing industries	11,080	44.1	43.9	▲ 0.2
		100.0	100.0	-
Food	517	4.7	4.7	0.0
Textiles	504	4.7	4.5	▲ 0.2
Lumber, wood, paper, and pulp	196	1.7	1.8	0.1
Chemicals	1,117	10.7	10.1	▲ 0.6
Petroleum and coal	44	0.4	0.4	0.0
Ceramic, stone, and clay products	263	2.5	2.4	▲ 0.1
Iron and steel	319	3.0	2.9	▲ 0.1
Non-ferrous metals	331	3.0	3.0	0.0
Metal products	572	5.3	5.2	▲ 0.1
General-purpose machinery	454	3.9	4.1	0.2
Production machinery	788	6.8	7.1	0.3
Business oriented machinery	374	3.3	3.4	0.1
Electrical machinery	698	6.1	6.3	0.2
Information and communication electronics equipment	1,065	10.1	9.6	▲ 0.5
Transportation equipment	2,351	20.8	21.2	0.4
Miscellaneous manufacturing industries	1,487	13.0	13.4	0.4
Non-manufacturing industries	14,153	55.9	56.1	0.2
		100.0	100.0	-
Agriculture, forestry, and fisheries	101	1.0	0.7	▲ 0.3
Mining	209	1.8	1.5	▲ 0.3
Construction	379	2.7	2.7	0.0
Information and communications	844	6.2	6.0	▲ 0.2
Transport	1,395	9.6	9.9	0.3
Wholesale trade	7,125	49.5	50.3	0.8
Retail trade	692	4.9	4.9	0.0
Services	2,399	15.7	17.0	1.3
Miscellaneous non-manufacturing industries	1,009	8.6	7.1	▲ 1.5

Table 2. Distribution of overseas affiliates by region

	(Unit: companies for upper columns, composition ratios (%) for lower columns)	
	FY2014	FY2015
All regions	24,011	25,233
	100.0	100.0
North America	3,180	3,268
	13.2	13.0
Asia	15,964	16,831
	66.5	66.7
China	7,604	7,900
	31.7	31.3
ASEAN4	4,210	4,493
	17.5	17.8
NIEs3	2,721	2,824
	11.3	11.2
Other Asian countries	1,429	1,614
	6.0	6.4
Europe	2,767	2,942
	11.5	11.7
Others	2,100	2,192
	8.7	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<sup>(Note 1)</sup> in FY2015 was 724 (increased by 96 companies compared to the previous year). Manufacturing industries was 290 companies (up by 41 companies (id.)) and non-manufacturing industries was 434 companies (up by 55 companies (id.)) (see Figure 2).
- The ratio of withdrawals<sup>(Note 2)</sup> was 2.8% (up by 0.3 points as compared to the previous year). By region, the ratio for North America was 3.1% (up by 0.9 % points (id.)) and the ratio for ASEAN4 was 1.8% (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 FY2015 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 NIEs3 and others, while the percentage of those that advanced to ASEAN4, China and Europe decreased (see Figure 3).

Figure 2. Trends in the number of overseas withdrawals

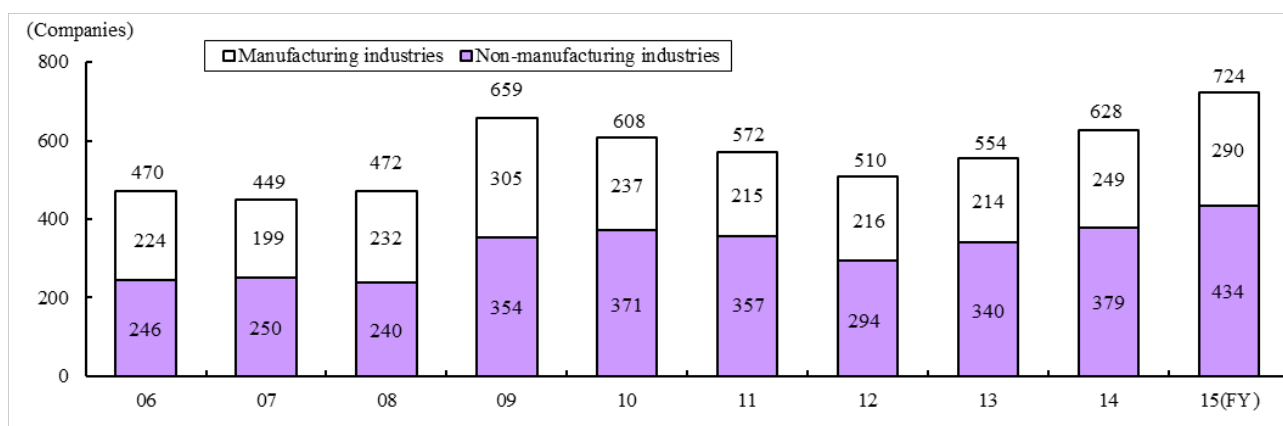
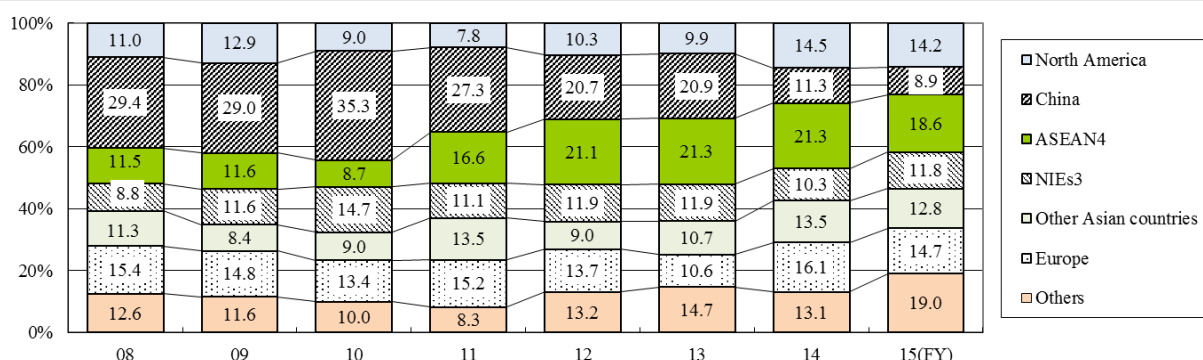


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	(Unit:Companies)						(Unit:%)					
	10	11	12	13	14	15(FY)	10	11	12	13	14	15(FY)
All regions	608	572	510	554	628	724	3.2	2.9	2.1	2.3	2.5	2.8
North America	113	110	63	73	70	103	3.8	3.7	1.9	2.3	2.2	3.1
Asia	339	317	314	365	406	466	2.9	2.6	2.0	2.2	2.5	2.7
China	181	166	188	205	274	278	3.2	2.7	2.4	2.6	3.5	3.4
ASEAN4	68	65	54	68	44	81	2.2	2.0	1.4	1.7	1.0	1.8
NIEs3	74	71	60	80	71	80	3.3	3.1	2.3	2.8	2.5	2.8
Europe	106	103	95	76	101	93	4.0	3.8	3.2	2.7	3.5	3.1

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 FY2015 / (Total number of overseas affiliates with valid responses in FY2015 + Number of overseas withdrawals in FY2015) × 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 FY2015 was 5.57 million people, a 3.0% decrease compared to the previous year (a 1.2% decrease 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 4.42 million people, marking a decrease of 3.2% compared to the previous year. By sector, there were decreases in the information and communication electronic equipment sector (660,000 people; down by 10.5% compared to the previous year), chemicals sector (180,000 people; down by 11.9% (id.)), and the electrical machinery sector (260,000 people; down by 6.6% (id.)), and increases in sectors such as the transportation equipment sector (1.62 million people; up by 1.1% (id.)) and business oriented machinery (200,000 people; up by 2.2%). The number of employees in non-manufacturing industries was 1.16 million people, marking a decrease of 2.3% (id.). By sector, decreases were observed in sectors such as the retail trade sector (110,000 people; down by 32.4% (id.)) and wholesale trade sector (500,000 people; down by 0.9% (id.)), and increases were observed in the information and communications sector (120,000 people; up by 20.1% (id.)) (see Table 4 and Figure 4).
- By region, the number decreased in Asia (3.99 million people; down by 5.2% compared to the previous year) and in North America (690,000 people; down by 1.2% (id.)) and the number increased in Europe (540,000 people; up by 11.4% (id.)) (see Figure 5).
- In Asia, there were decreases in China (1.62 million people; down by 9.4%) and ASEAN4 (1.45 million people; down by 4.2% (id.)) and an increase in NIEs3 (300,000 people; up by 2.2% compared to the previous year (id.)) (see Figure 6).

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

	11		12		13		14		15(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	523	4.7	558	6.8	552	▲ 1.2	575	4.2	557	▲ 3.0
Manufacturing industries	411	3.4	436	6.2	438	0.4	457	4.2	442	▲ 3.2
Non-manufacturing industries	112	9.5	122	9.2	114	▲ 6.9	118	4.2	116	▲ 2.3

(Units: 10,000 persons, %)

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

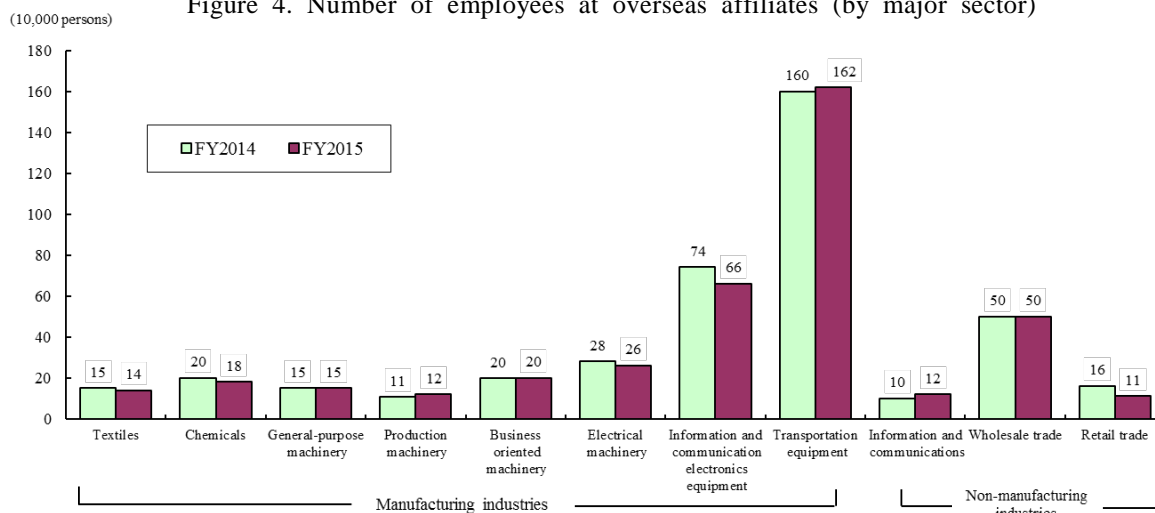


Figure 5. Number of employees at overseas affiliates (by region)

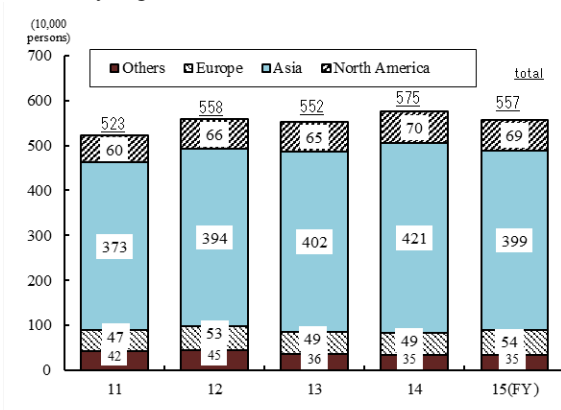
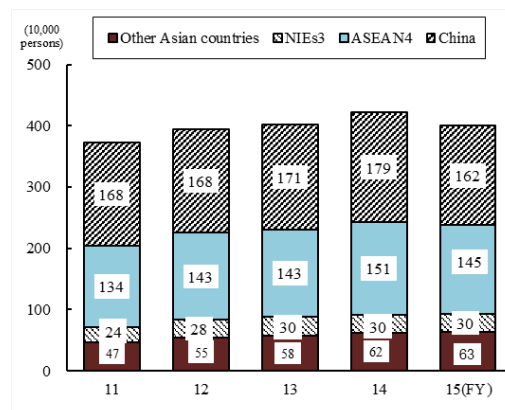


Figure 6. Number of employees at overseas affiliates (in Asia)



#### 4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2015 amounted to 274 trillion yen, up by 0.7% compared to the previous year (up by 4.5% when comparing only companies that gave valid responses for this year and the previous year) (see Figure 7).
- Sales in manufacturing industries totaled 135 trillion yen (up by 4.1% compared to the previous year). By sector, increases were observed in the transportation equipment sector (67.5 trillion yen; up by 11.1% (id.)), the food sector (6.2 trillion yen; up by 10.2% (id.)) and others. Sales in non-manufacturing industries amounted to 139.0 trillion yen (down by 2.4% (id.)). By sector, there were increases in sectors such as the services sector (12.6 trillion yen; up by 11.4% (id.)) (see Figure 7 and Figure 8).
- By region, increases were seen in North America (93.9 trillion yen; up by 7.7% compared to the previous year), and Europe (39.4 trillion yen; up by 2.5% (id.)) while decreases were seen in Asia (119.7 trillion yen; down by 1.3% (id.)) (see Figure 9).
- In Asia, China and ASEAN4 saw increases while NIEs3 saw decreases (see Figure 10).

Figure 7. Sales trends of overseas affiliates

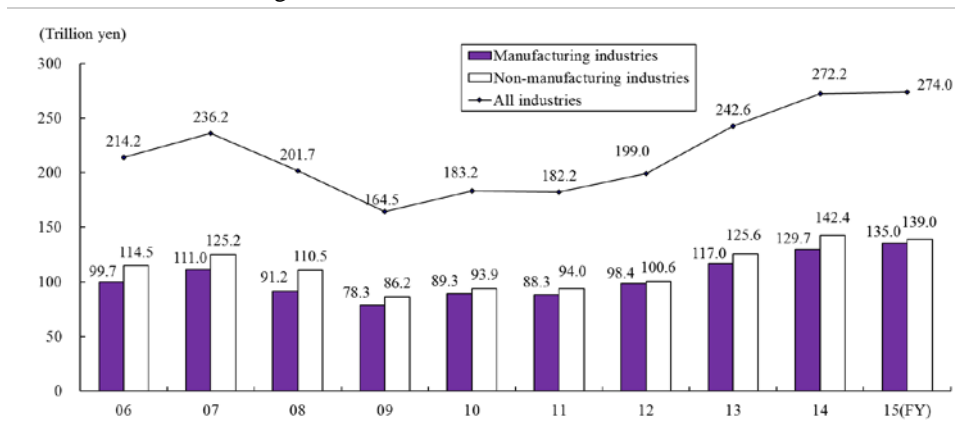


Figure 8. Sales of overseas affiliates (by major sector)

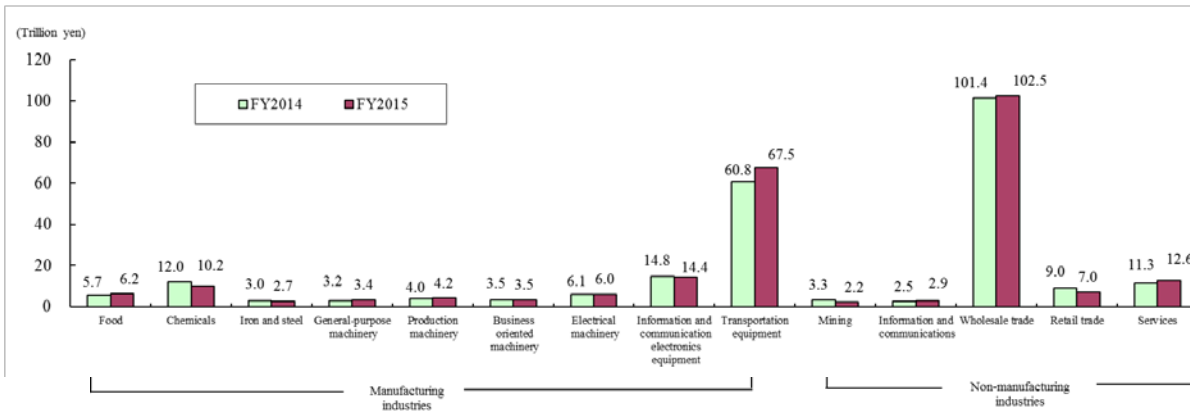


Figure 9. Sales trends of overseas affiliates (by region)

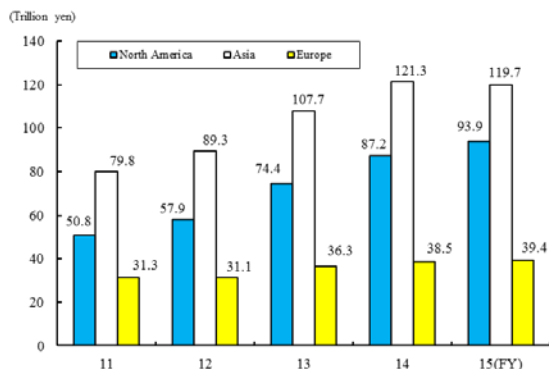
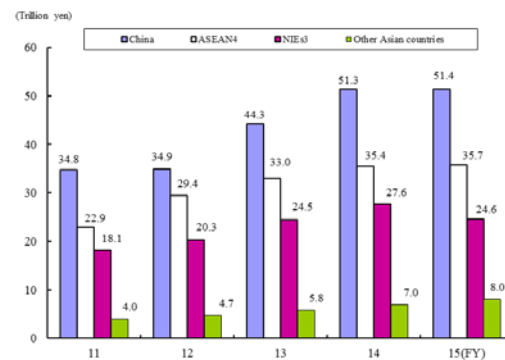


Figure 10. Sales trends of overseas affiliates (in Asia)



## 5. Overseas production ratio

- The overseas production ratio for manufacturing industries (calculated based on the total number of domestic companies)<sup>(Note 1)</sup> marked a record high of 25.3% (up by 1.0% points compared to the previous year) (see Figure 11).
- By sector<sup>(Note 2)</sup>, overseas production ratios were high in sectors such as in the transportation equipment sector (48.8%), the general-purpose machinery sector (33.8%), and the information and communication electronics equipment sector (29.4%) (see Table 5).

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

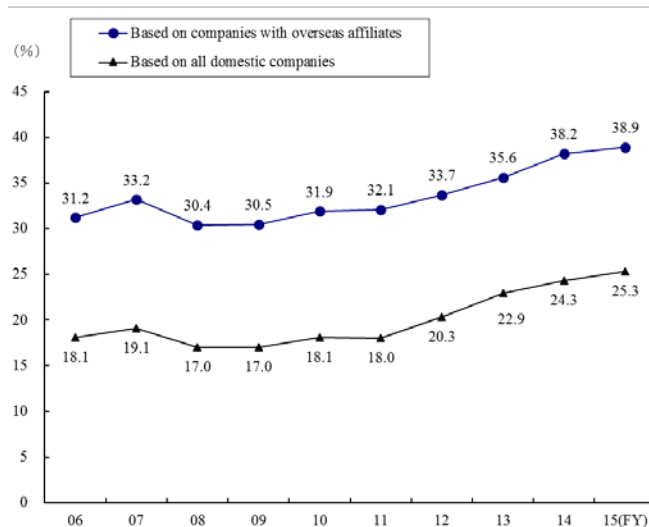


Table 5. Trends in the overseas production ratio by sector  
(calculated based on the total number of domestic companies (manufacturing industries))

	06	07	08	09	10	11	12	13	14	15(FY)
Total for manufacturing industries	18.1	19.1	17.0	17.0	18.1	18.0	20.3	22.9	24.3	25.3
Food	4.2	4.9	3.8	4.7	5.0	4.9	5.7	8.3	11.4	12.2
Textiles	9.0	11.1	9.5	6.2	6.2	8.3	11.9	12.3	12.4	12.9
Lumber, wood, paper, and pulp	4.7	4.2	4.2	3.7	4.5	4.3	4.7	5.7	7.8	9.7
Chemicals	17.9	16.6	17.4	15.1	17.4	18.5	19.5	20.5	22.4	19.4
Petroleum and coal	4.4	2.5	1.3	1.6	2.4	5.2	9.8	12.5	10.1	9.6
Ceramic, stone, and clay products	12.0	10.7	11.8	11.6	13.6	10.7	15.2	16.2	14.1	17.4
Iron and steel	10.6	11.7	10.3	10.7	11.2	10.2	11.5	13.6	14.5	14.0
Non-ferrous metals	10.3	12.1	11.0	11.8	14.7	14.8	15.3	17.5	19.1	18.8
Metal products	2.6	3.4	2.5	2.8	3.9	3.7	5.3	6.2	8.1	6.4
General-purpose machinery				21.2	28.3	24.8	26.6	27.6	34.2	33.8
Production machinery				8.0	11.1	11.5	11.8	13.6	14.6	15.7
Business oriented machinery				12.9	13.8	15.0	18.4	18.4	19.6	18.5
General machinery	14.3	14.4	12.8							
Electrical machinery	11.8	11.5	13.0	13.0	11.8	12.8	14.3	17.7	17.2	17.3
Information and communication electronics equipment	34.0	32.2	28.1	26.1	28.4	26.7	28.3	30.4	30.7	29.4
Transportation equipment	37.8	42.0	39.2	39.3	39.2	38.6	40.2	43.7	46.9	48.8
Precision instruments	8.9	9.4	7.9							
Miscellaneous manufacturing industries	9.7	9.3	9.1	8.7	9.1	11.5	12.8	14.8	12.0	14.3

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

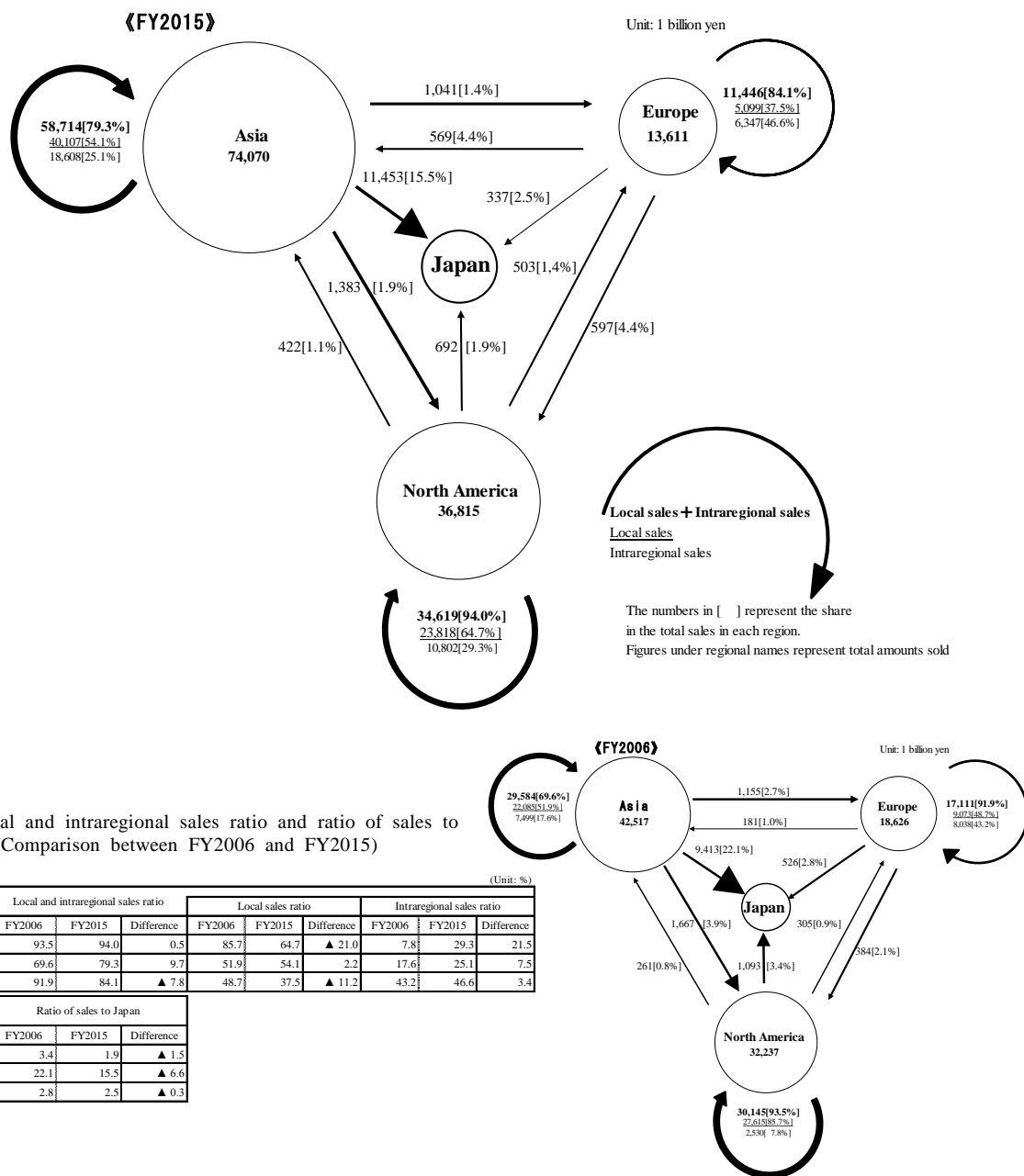
Note 2: Since the overseas production ratios by sector for FY2007 and FY2008 were aggregated by rearranging the survey results with old sector classifications for business statistics, the survey results have been incorporated into the old sector classifications, aggregated, and calculated. Since FY2009, 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 FY2015, the ratio was 94.0% in North America, 84.1% in Europe, and 79.3% in Asia.
- The ratio of sales to Japan was 15.5% in Asia, 2.5% in Europe and 1.9% in North America.
- Compared to FY2006, the ratio of local sales at overseas affiliates increased in Asia (up by 2.2 % points) and decreased in North America (down by 21.0% points) and Europe (down by 11.2% points). The intraregional sales ratio rose in North America (up by 21.5% points) (see Figure 12 and Table 6).

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



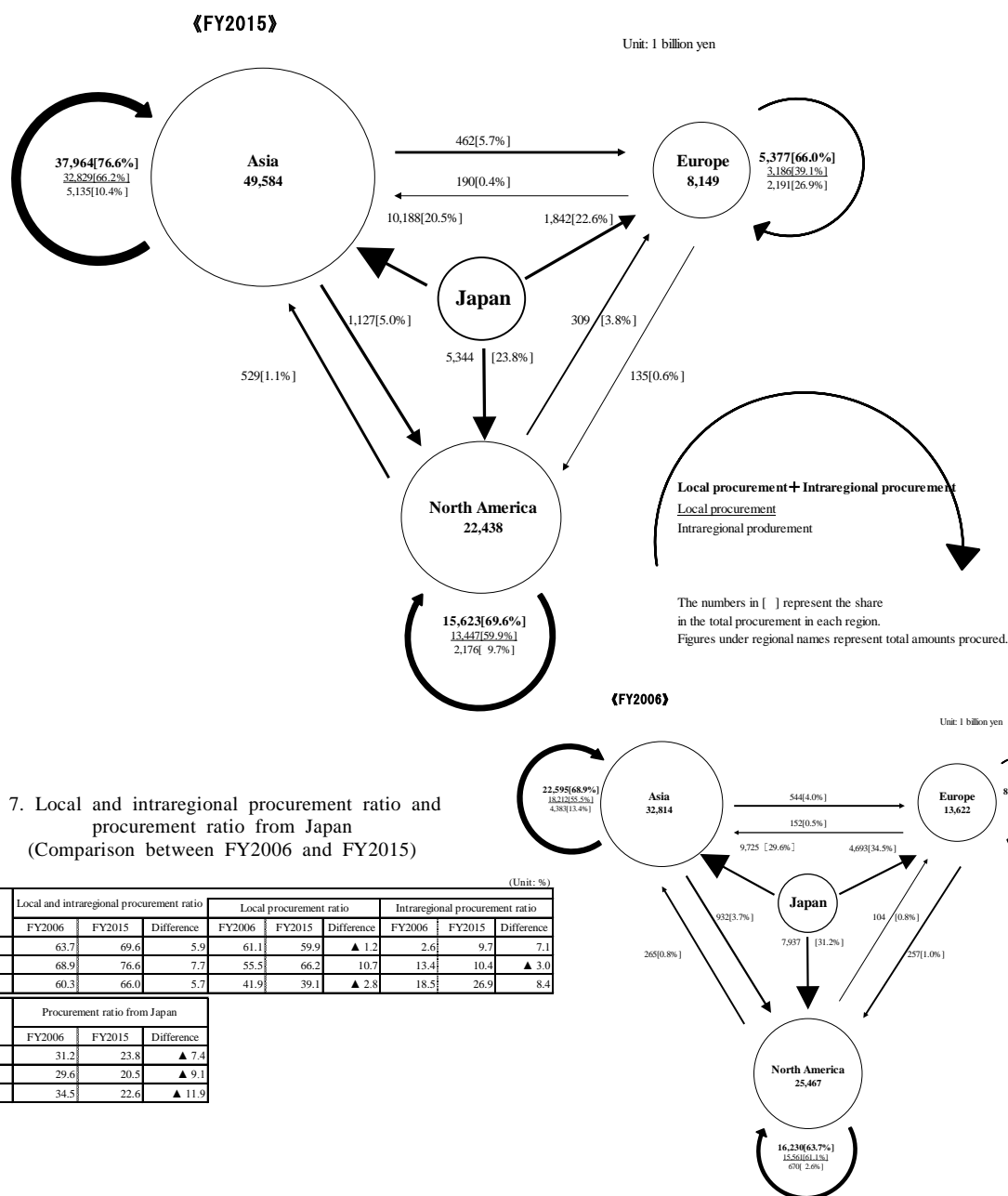
Note 1. Local: Country in which overseas affiliates of Japanese companies are located  
 Intraregional: Same region other than the country in which overseas affiliates of Japanese companies are located (regional classifications: North America, Asia, Europe, etc.)  
 Local and intraregional sales ratio = 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 FY2015, 76.6%, 69.6%, and 66.0% of materials were purchased locally or in the neighboring countries in Asia, North America, and Europe, respectively.
- The procurement ratio from Japan was 20.5% in Asia, 23.8% in North America, and 22.6% in Europe.
- Compared to FY2006, the local procurement ratio increased in Asia and decreased in North America and Europe. In the meantime, the procurement ratio from Japan decreased in all areas, Asia, North America and Europe (see Figure 13 and Table 7).

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



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 FY2015, ordinary profits of overseas affiliates amounted to 9.6 trillion yen, down by 10.8% compared to the previous year (down by 2.4% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 6.3 trillion yen, up by 9.5% compared to the previous year. Non-manufacturing industries saw a decrease to 3.4 trillion yen, down by 33.7% (id.) (see Figure 14).
- By region, there were increases in Asia (up by 7.1% compared to the previous year) and North America (up by 2.3% (id.)) while Europe saw a decrease (down by 56.7% (id.)) (see Figure 15).
- The ratio of ordinary profits to sales<sup>(Note)</sup> decreased to 4.0%, down by 0.1 points compared to the previous year. The ratio for manufacturing industries was 5.0% marking a 0.3 % point increase (id.), while the ratio for non-manufacturing industries saw a decrease to 3.0%, down by 0.5 points (id.) (see Table 8).

Figure 14. Trends in ordinary profits of overseas affiliates

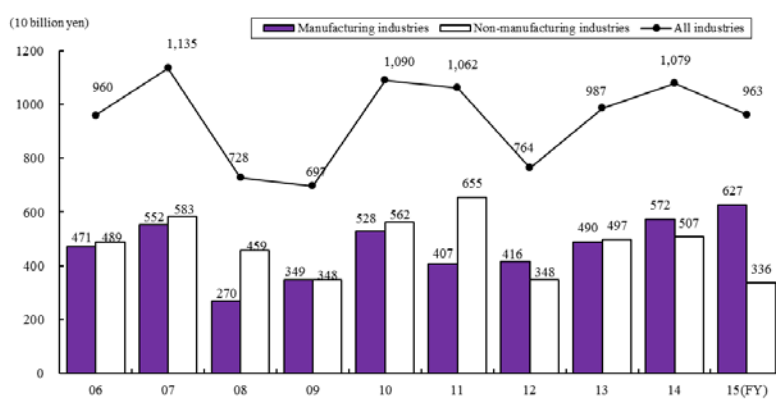


Figure 15. Ordinary profits of overseas affiliates (by region)

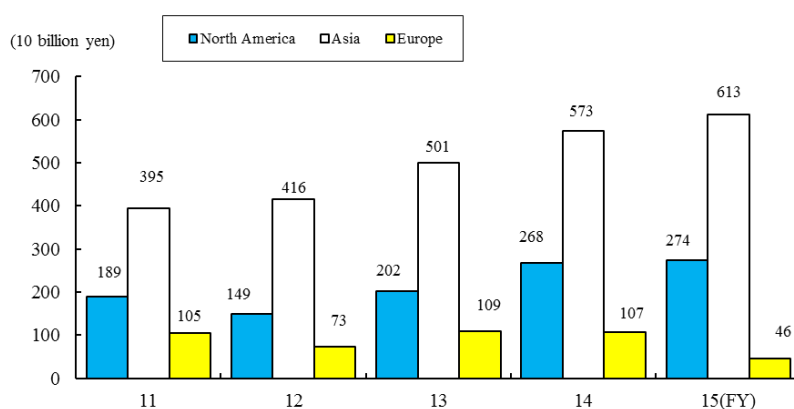


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

		(Unit: %)							
		08	09	10	11	12	13	14	15(FY)
(Reference)	All industries	3.5	4.4	6.1	5.9	3.9	4.2	4.1	4.0
	Manufacturing industries	3.0	4.8	6.2	4.9	4.6	4.6	4.7	5.0
	Non-manufacturing industries	4.0	4.0	6.1	6.8	3.3	3.9	3.5	3.0
	Domestic companies	2.4	2.3	3.2	3.3	3.5	4.2	4.5	4.8
	Manufacturing industries	2.3	2.4	3.9	3.7	4.1	5.5	5.9	5.9
	Non-manufacturing industries	2.4	2.3	2.8	3.1	3.3	3.7	3.9	4.3

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 FY2015, net income of overseas affiliates amounted to 6.5 trillion yen, down by 15.1% compared to the previous year (down by 7.8% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 4.5 trillion yen (up by 9.8% (id.)), while non-manufacturing industries saw a decrease to 2.0 trillion yen (down by 43.5% (id.)) (see Figure 16).
- The amount of current retained earnings<sup>(Note 1)</sup> of overseas affiliates in FY2015 was 2.0 trillion yen, down by 36.9% compared to the previous year (a 45.8% decrease when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 1.6 trillion yen, up by 8.1% (id.) and non-manufacturing industries saw a decrease to 0.4 trillion yen, down by 77.5% (id.).
- The balance of retained earnings<sup>(Note 2)</sup> was 32.1 trillion yen, down by 10.1% compared to the previous year (down by 2.6% 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

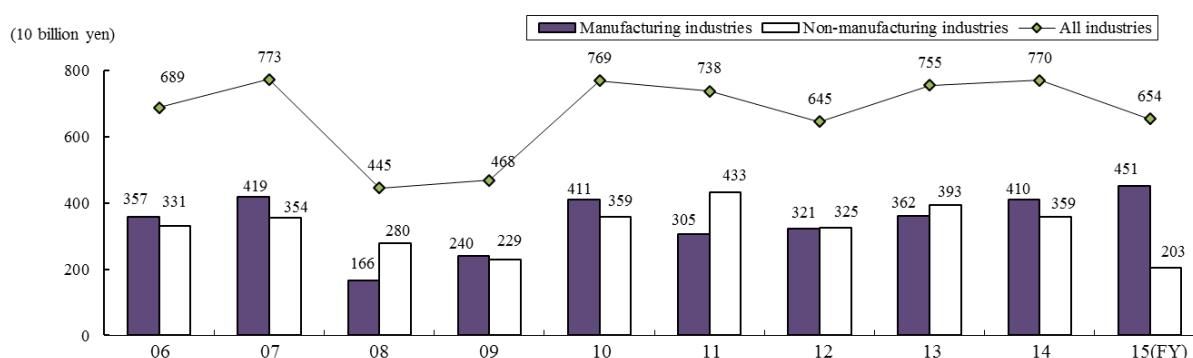


Figure 17. Trends in current retained earnings and balance of retained earnings

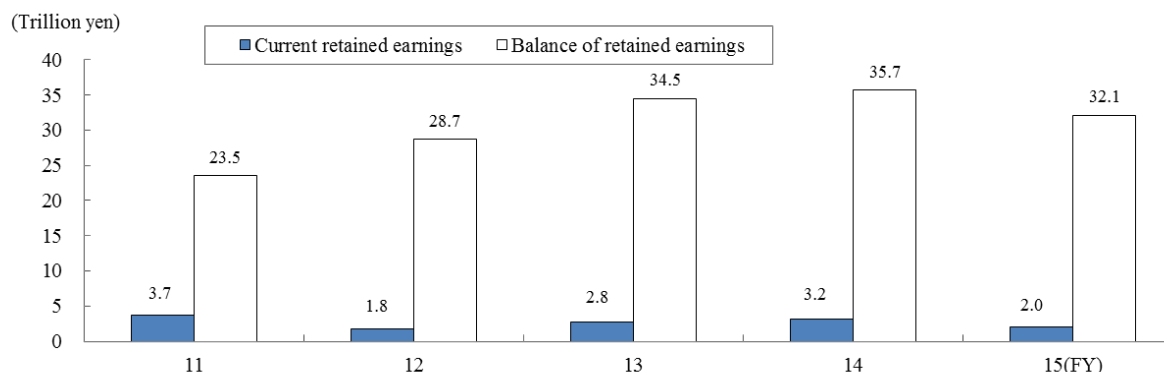


Table 9. Current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2014	FY2015	Y/Y	FY2014	FY2015	Y/Y
All industries	31,696	19,994	▲ 36.9	356,872	320,704	▲ 10.1
Manufacturing industries	15,025	16,248	8.1	152,778	155,035	1.5
Non-manufacturing industries	16,671	3,747	▲ 77.5	204,094	165,668	▲ 18.8

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 FY2015, research and development expenses in manufacturing industries was 637.3 billion yen, down by 2.4% compared to the previous year (up by 3.3% 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> decreased by 0.1 points compared to the previous year to 5.2% (see Figure 18).
- Research and development expenses per company in the manufacturing industries increased by 0.5% compared to the previous year to 420 million yen. By sector, there were increases mainly in the electrical machinery, transportation equipment and information and communication electronics equipment sectors (see Table 10). By region, research and development expenses increased in Asia, but decreased in North America and 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)

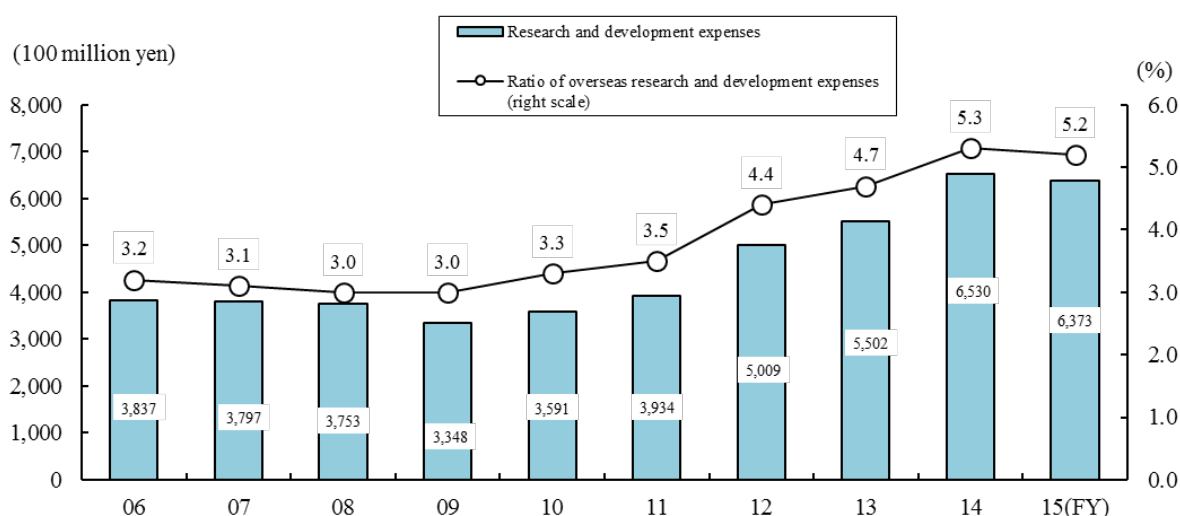


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2014	FY2015		
		Y/Y difference	Y/Y ratio	
Manufacturing industries	420	422	2	0.5
Chemicals	727	574	▲ 153	▲ 21.0
General-purpose machinery	123	104	▲ 19	▲ 15.4
Production machinery	511	490	▲ 21	▲ 4.1
Business oriented machinery	412	375	▲ 37	▲ 9.0
Electrical machinery	334	371	37	11.1
Information and communication electronics equipment	652	664	12	1.8
Transportation equipment	650	680	30	4.6

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

(Units: Million yen, %)

	FY2014		FY2015			
	Y/Y difference	Y/Y ratio	Y/Y difference	Y/Y ratio		
All regions	420	49	13.2	422	2	0.5
North America	1,010	190	23.2	1,004	▲ 6	▲ 0.6
Asia	230	▲ 1	▲ 0.4	240	10	4.3
Europe	675	156	30.1	621	▲ 54	▲ 8.0

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: 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 FY2015, the amount of capital investment in overseas affiliates in manufacturing industries decreased to 4.6 trillion yen, down by 1.7% (down by 4.8% 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 25.5%, down by 2.6 % points compared to the previous year (see Figure 19).
- By sector, there were decreases in the amount of capital investment in sectors such as the transportation equipment sector (down by 10.1% compared to the previous year), business oriented machinery sector (down by 45.7% (id.)) and textiles sector (down by 28.2% (id.)), etc. (see Figure 20).
- By region, decreases were observed in Asia (down by 1.9% compared to the previous year), while increasing in North America (up by 6.4% (id.)) and Europe (up by 11.6% (id.)). In Asia, China and ASEAN4 showed decreases while NIEs3 showed increases (see Figure 21 and Figure 22).

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

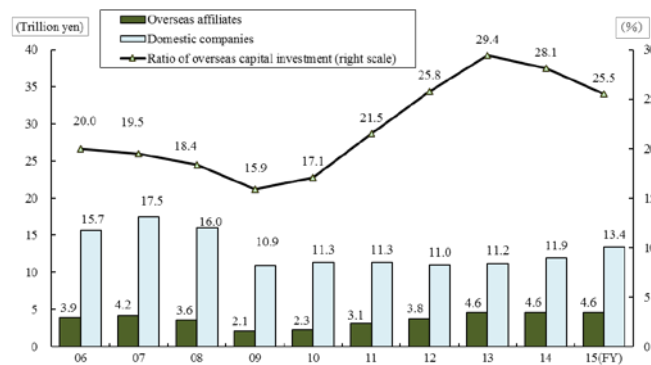


Figure 20. Capital investment in overseas affiliates (by major manufacturing sector)

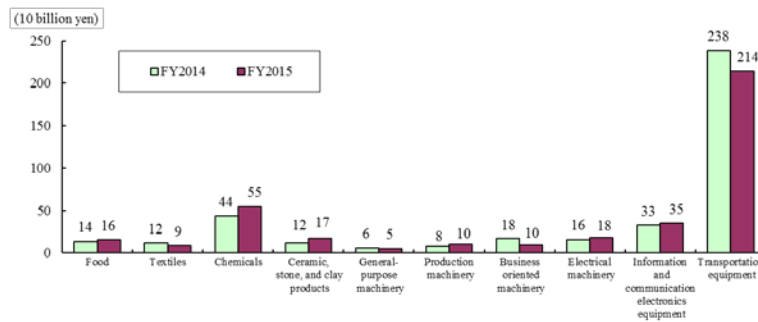


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

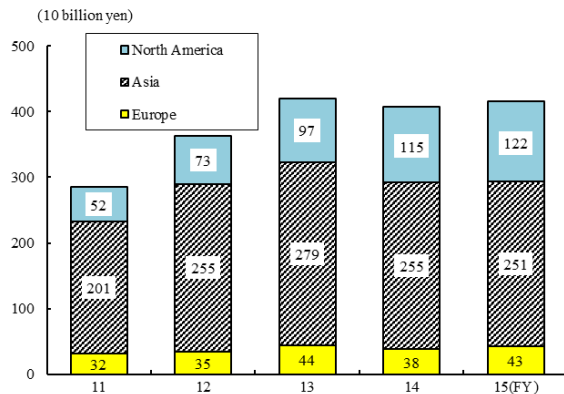
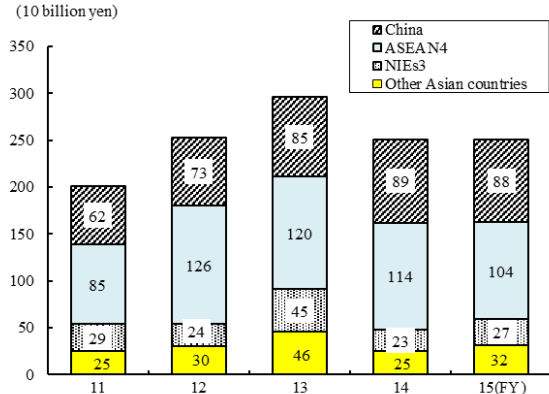


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)

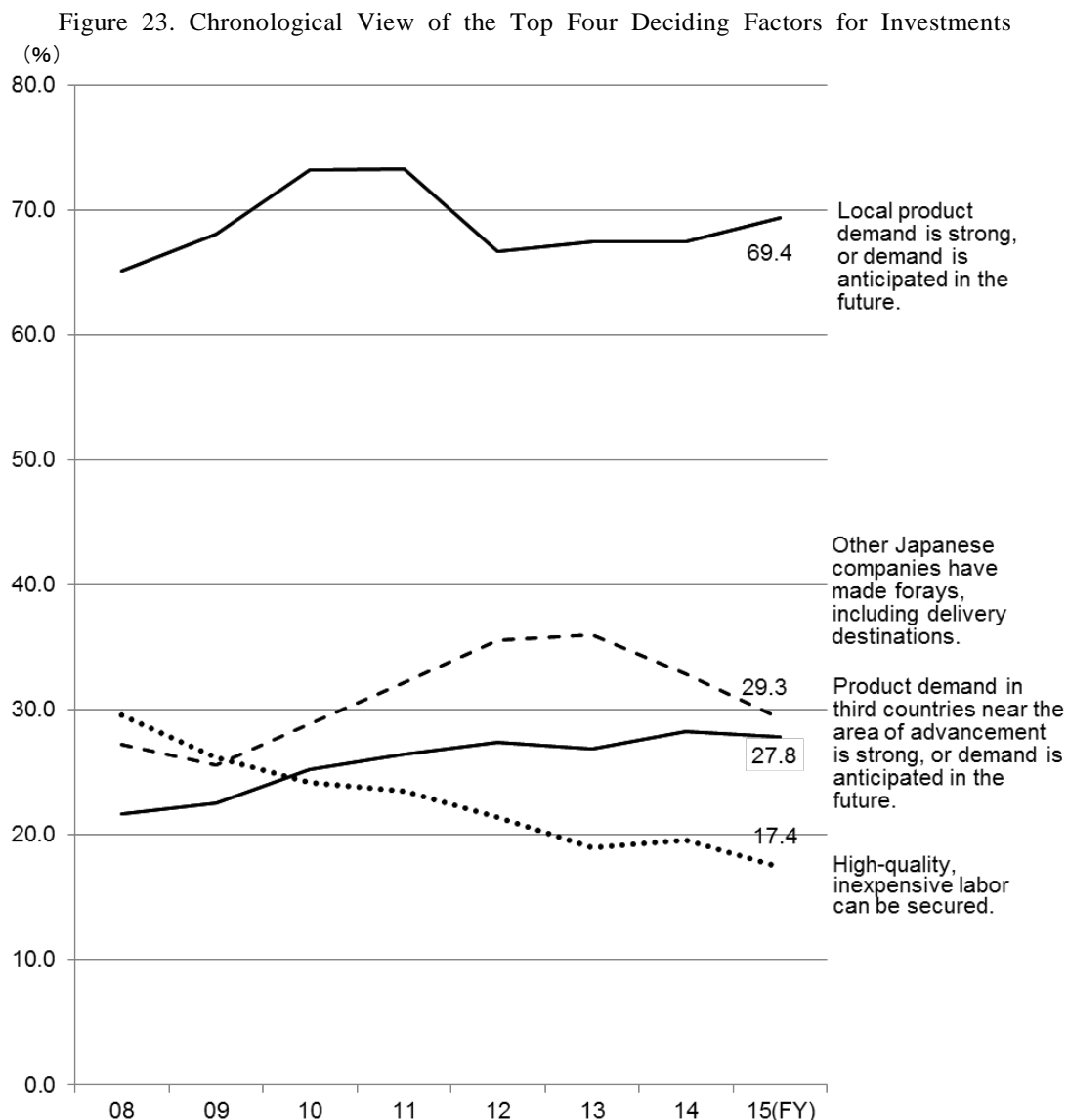


Note: Ratio of overseas capital investment (manufacturing industries) = Amount of capital investment in overseas affiliates (manufacturing industries) / (Amount of capital investment in overseas affiliates (manufacturing industries) + Amount of capital investment in domestic companies (manufacturing 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 FY2015, 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 after two years of decrease while "other Japanese companies have made forays, including delivery destinations" decreased for two consecutive years. The percentage of businesses that responded "product demand in third countries near the area of advancement is strong or demand is anticipated in the future" has not seen any significant change in recent years, while the percentage of companies making investment decisions based on "high-quality, inexpensive labor can be secured" continued to fall (see Figure 23).



### 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 FY2015, 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 FY2015 amounted to 4.5 trillion yen (up by 20.2% compared to the previous year) (see Figure 24).
- By region, payments from overseas affiliates to Japanese investors increased in Asia (up by 19.1% compared to the previous year), North America (up by 33.9% (id.)) and Europe (up by 17.2% (id.)). In Asia, China and ASEAN4 showed increases (see Figure 25 and Figure 26).
- By major sector, increases were observed in the transportation equipment sector (up by 33.0% compared to the previous year), wholesale trade sector (up by 17.3% (id.)), information and communication electronics equipment sector (up by 19.1% (id.)) and electric machinery sector (up by 2.4% (id.)) while a decrease was observed in the chemicals sector (down by 22.2% (id.)).

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

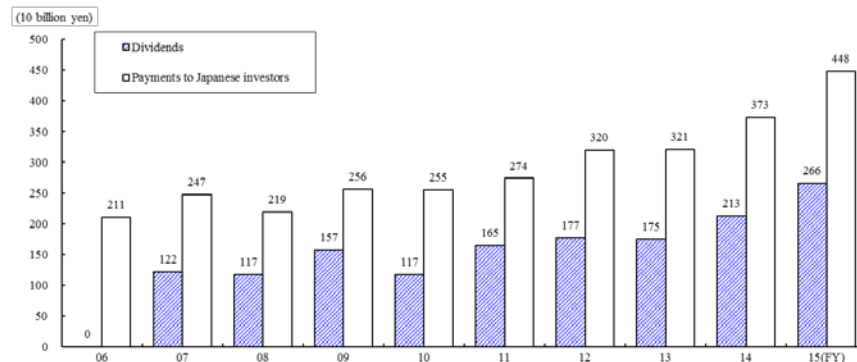


Figure 25. Payments from overseas affiliates to Japanese investors (by region)

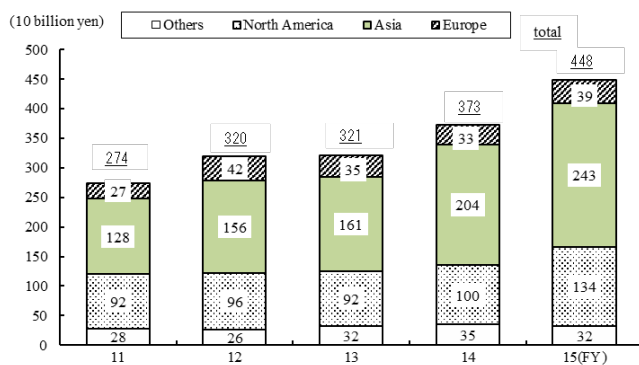


Figure 26. Payments from overseas affiliates to Japanese investors (in Asia)

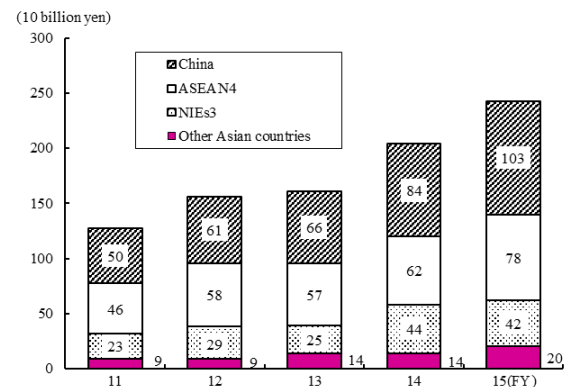
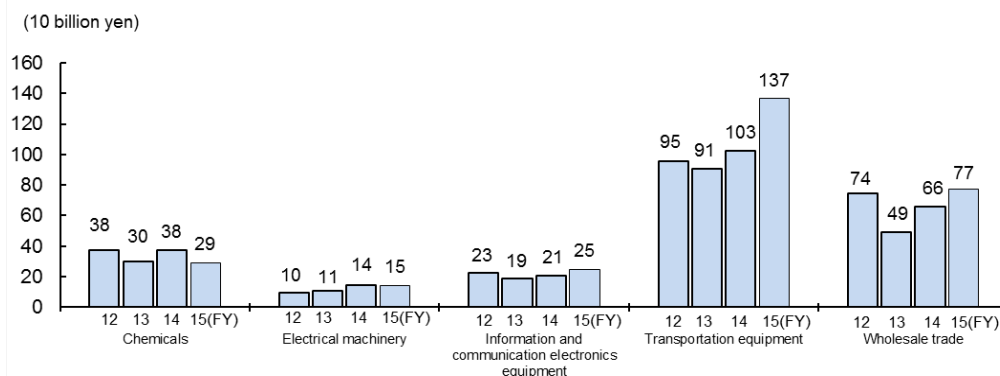


Figure 27. Payments from overseas affiliates to Japanese investors (by major sector)



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), 50.6% of companies responded that there would be "no changes" in dividends, and 9.0% of companies responded that they would "increase" their dividend payouts. Of those businesses that were aiming to increase dividends, 40.4% responded that they would raise dividends by less than 50% compared to the preceding year (see Figure 28 and Figure 29).
- In the medium and long term (the next three to five years), 36.7% of companies said there would be "no change" in dividends, and 14.7% said they would "increase" dividends. 38.6% of the businesses that were aiming to increase dividends responded that they would raise dividends by less than 50% 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 20.0% and 21.3% of companies saying that they would use the dividends for "research and development, and capital investment" in the short term and in the medium and long term respectively (see Figure 30).

Figure 28: Dividends from overseas affiliates

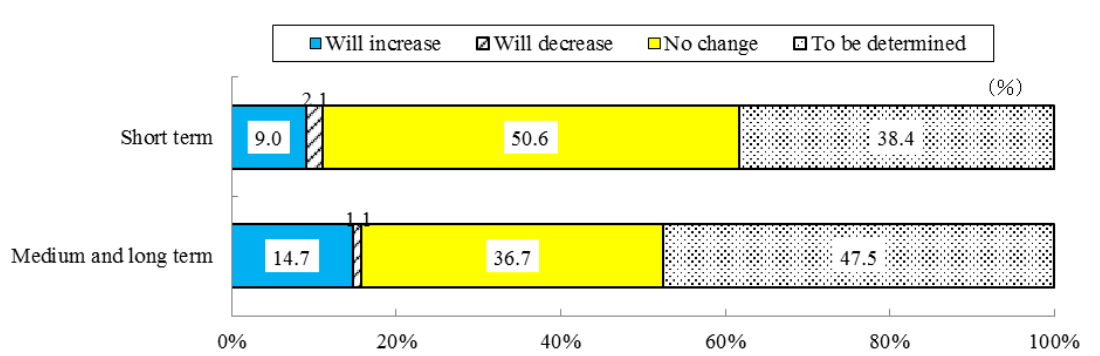


Figure 29: Planned rate of change in dividends

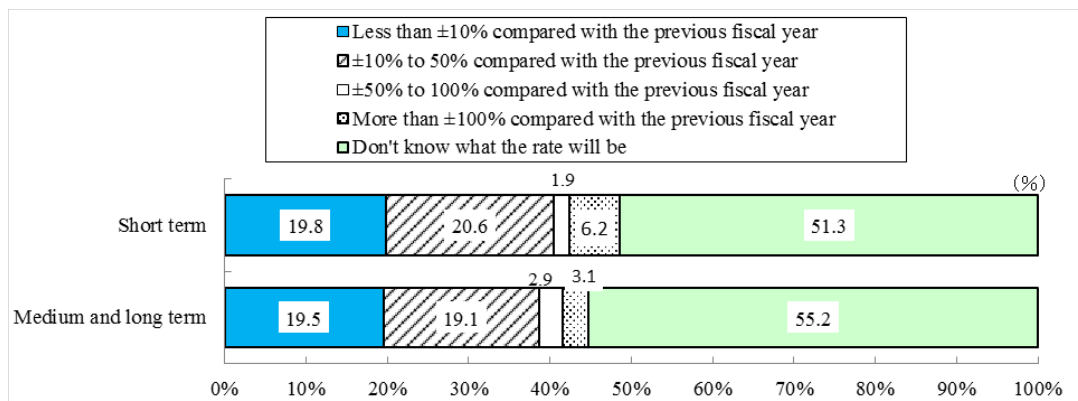
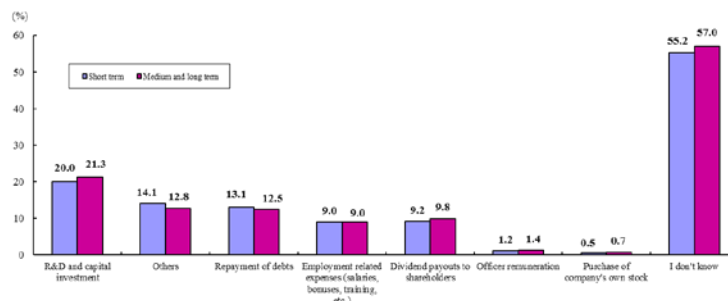


Figure 30: Uses for Dividends from Overseas Affiliates (multiple answers allowed)



### 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