

Summary of the 47th Basic Survey on Overseas Business Activities (conducted in July 2017)

Trends of overseas affiliates in the fiscal year (FY) 2016 survey

- The number of overseas affiliates was 24,959. China accounts for a declining percentage of overseas affiliates of all regions.
- The number of employees at overseas affiliates was 5.59 million, up by 0.3% from the previous year.
- Sales of overseas affiliates decreased by 6.0% from the previous year to 257.6 trillion yen.
- The overseas production ratio for manufacturing industries (based on all domestic companies) was 23.8%, showing a first drop in 5 years.
- Ordinary profits and net income marked a record high respectively.
- The amount of capital investment by manufacturing industries decreased. The ratio of overseas capital investment also decreased.

Summary of findings

1. China accounts for a declining percentage of overseas affiliates.

- (1) The number of overseas affiliates as of the end of FY2016 was 24,959. It consists of 10,919 companies of manufacturing industries and 14,040 companies of non-manufacturing industries.
- (2) Looking at Asia (which accounts for 66.2% of all regions), China's share declined (accounting for 30.2% of all regions) whereas ASEAN4 grew (18.1%) and so did Vietnam and other Asian countries (6.7%).

2. The number of employees at overseas affiliates increased.

- (1) The number of employees at overseas affiliates as of the end of FY2016 was 5.59 million, up by 0.3% from the previous year (up by 2.0% when comparing only companies that gave valid responses for this year and the previous year).
- (2) By sector, the number of employees fell in manufacturing industries (4.33 million people; a 2.1% decrease from the previous year) whereas non-manufacturing industries saw an increase in the number of employees (1.26 million people; a 9.3% increase). By region, increases were seen in North America (730,000 people; up by 6.8% from the previous year) and Europe (550,000 people; up by 0.5%) whereas Asia saw a decrease (3.94 million people; down by 1.4%), led by China (1.57 million people; down by 3.0%) and ASEAN4 (1.41 million people; down by 2.2%).

3. Sales of overseas affiliates dropped.

- (1) Sales amounted to 257.6 trillion yen, down by 6.0% from the previous year (down by 6.0% when comparing only companies that gave valid responses for this year and the previous year).
- (2) By sector, sales dropped in most sectors including the transportation equipment sector, the information and communication electronics equipment sector, and the wholesale trade sector. By region, Asia, North America, and Europe all saw a sales drop.

4. The overseas production ratio for manufacturing industries dropped.

- (1) The overseas production ratio for manufacturing industries (based on all domestic companies) was 23.8% (down by 1.5 percentage point (pp) from the previous year), showing a first drop in 5 years. By sector, overseas production ratios dropped in the transportation equipment sector (46.1%), the general-purpose machinery sector (32.9%), the information and communication electronics equipment sector (27.3%), etc.

5. Ordinary profits and net income marked a record high respectively.

- (1) Ordinary profits amounted to 12.2 trillion yen, up by 26.9% from the previous year (up by 14.5% when comparing only companies that gave valid responses for this year and the previous year).
- (2) Net income reached a record high at 9.0 trillion yen, up by 37.9% from the previous year (up by 26.8% when comparing only companies that gave valid responses for this year and the previous year).
- (3) The amount of current retained earnings increased to 4.3 trillion yen (up by 114.5% from the previous year), and the balance of retained earnings also grew to 33.7 trillion yen (up by 5.2%).

6. The amount of capital investment by manufacturing industries decreased. The ratio of overseas capital investment also decreased.

- (1) The amount of capital investment (manufacturing industries) amounted to 3.8 trillion yen, down by 17.6% from the previous year (down by 21.4% when comparing only companies that gave valid responses for this year and the previous year).
- (2) By sector, capital investment dropped in the transportation equipment sector, the chemicals sector, etc. By region, Asia, North America, and Europe all saw a decrease.
- (3) The ratio of overseas capital investment was 20.7% (down by 4.8 pp from the previous year).

1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2016 was 24,959. It consists of 10,919 companies of manufacturing industries and 14,040 companies of non-manufacturing industries. Overseas affiliates of manufacturing industries accounted for 43.7% of the total number of overseas affiliates of all industries (a 0.2 pp decrease from the previous year), and those of non-manufacturing industries accounted for 56.3% of the total (a 0.2 pp increase from the previous year). (Table 1)
- By region, the number of overseas affiliates decreased in North America, Asia, and Europe and increased in other areas. (Table 2)
- Looking at Asia (which accounts for 66.2% of all regions), China's share declined (accounting for 30.2% of all regions, down by 1.1 pp from the previous year) whereas ASEAN4 grew (18.1%, up by 0.3 pp) and so did Vietnam and other Asian countries (6.7%, up by 0.3 pp). (Table 2, Figure 1)

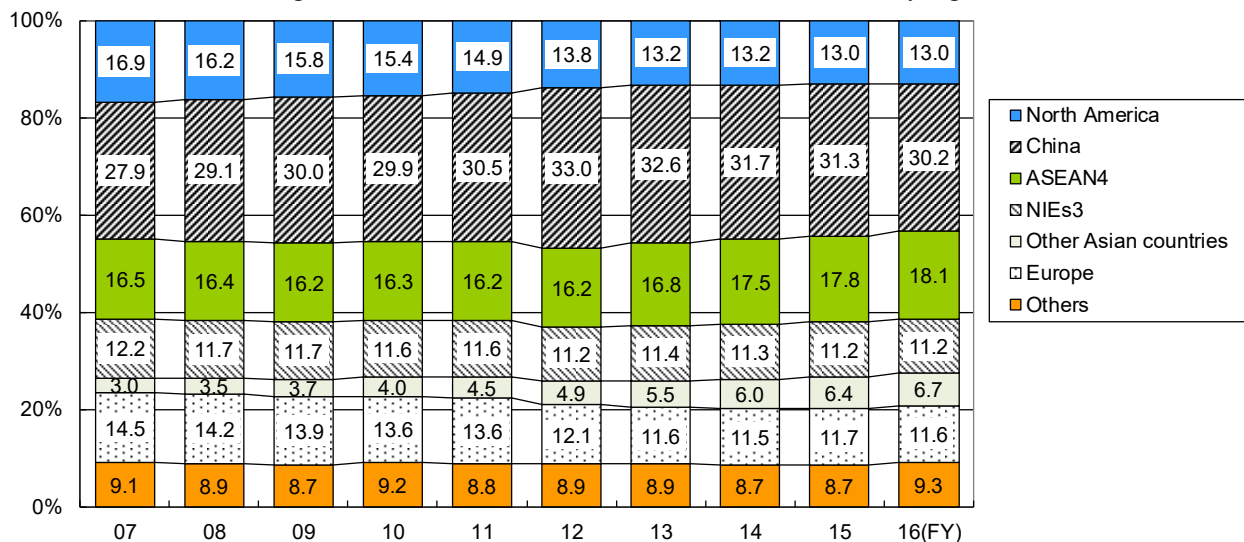
Table 1. Distribution of overseas affiliates by sector

	End of FY2016 Number of overseas	Breakdown by sector		
		FY2015		Change in points
		Breakdown	Breakdown	
All industries	24,959	100.0	100.0	-
Manufacturing industries	10,919	43.9	43.7	▲ 0.2
Food	537	4.7	4.9	0.2
Textiles	453	4.5	4.1	▲ 0.4
Lumber, wood, paper, and pulp	193	1.8	1.8	0.0
Chemicals	1,107	10.1	10.1	0.0
Petroleum and coal	44	0.4	0.4	0.0
Ceramic, stone, and clay products	249	2.4	2.3	▲ 0.1
Iron and steel	350	2.9	3.2	0.3
Non-ferrous metals	329	3.0	3.0	0.0
Metal products	581	5.2	5.3	0.1
General-purpose machinery	447	4.1	4.1	0.0
Production machinery	740	7.1	6.8	▲ 0.3
Business oriented machinery	374	3.4	3.4	0.0
Electrical machinery	688	6.3	6.3	0.0
Information and communication electronics equipment	1,022	9.6	9.4	▲ 0.2
Transportation equipment	2,364	21.2	21.7	0.5
Miscellaneous manufacturing industries	1,441	13.4	13.2	▲ 0.2
Non-manufacturing industries	14,040	56.1	56.3	0.2
Agriculture, forestry, and fisheries	98	0.7	0.7	0.0
Mining	209	1.5	1.5	0.0
Construction	366	2.7	2.6	▲ 0.1
Information and communications	837	6.0	6.0	0.0
Transport	1,447	9.9	10.3	0.4
Wholesale trade	7,005	50.3	49.9	▲ 0.4
Retail trade	680	4.9	4.8	▲ 0.1
Services	2,346	17.0	16.7	▲ 0.3
Miscellaneous non-manufacturing industries	1,052	7.1	7.5	0.4

Table 2. Distribution of overseas affiliates by region

	FY2015	FY2016
All regions	25,233	24,959
North America	3,268	3,235
Asia	16,831	16,512
China	7,900	7,526
ASEAN4	4,493	4,521
NIEs3	2,824	2,787
Other Asian countries	1,614	1,678
Europe	2,942	2,900
Others	2,192	2,312

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



2. Withdrawals and advances of overseas affiliates

- The number of overseas affiliates withdrawn from overseas markets ^(Note 1) in FY2016 was 650 (74 companies fewer than the previous year). Manufacturing industries accounted for 271 companies (down by 19 companies) and non-manufacturing industries accounted for 379 companies (down by 55 companies). (Figure 2)
- The ratio of withdrawals ^(Note 2) was 2.5% (down by 0.3 pp from the previous year). By region, the ratio dropped in North America, Europe, NIEs3, and ASEAN4. In the meantime, China grew by 0.1 pp to 3.5% from the previous year. (Table 3)
- When looking at the percentage of overseas affiliates that expanded abroad in FY2016 by year of establishment or capital participation ^(Note 3) and by region, there was an increase in the percentage of companies that advanced to Europe and North America, while the percentage of those that advanced to ASEAN4 and NIEs3 decreased. (Figure 3)

Figure 2. Trends in the number of overseas withdrawals

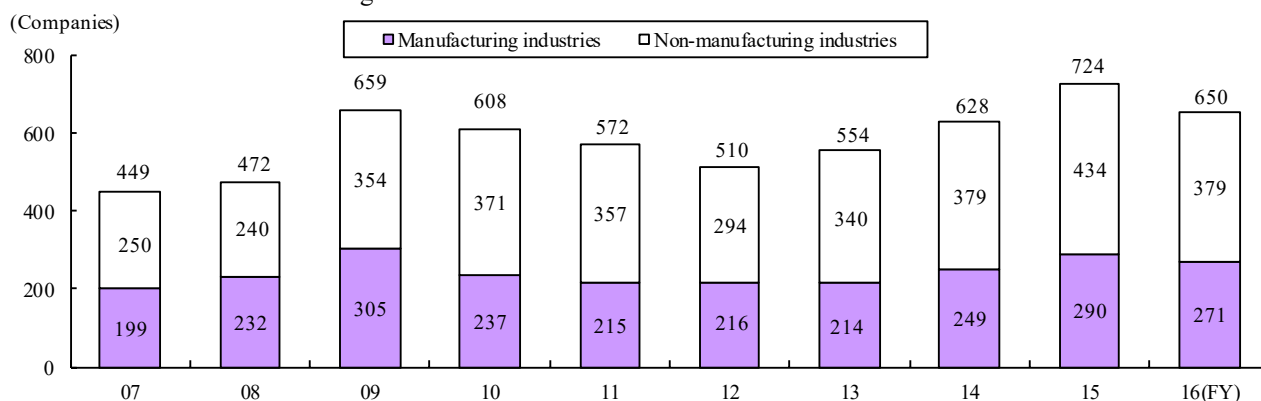
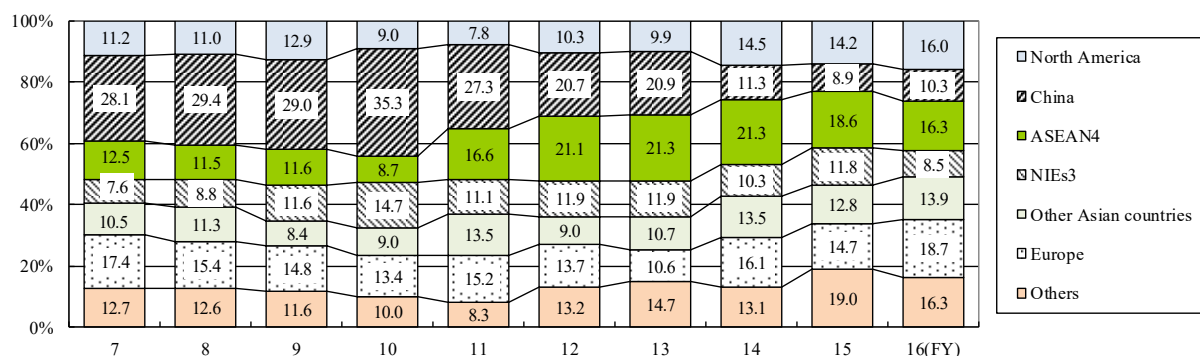


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	Number of overseas withdrawals					Ratio of overseas withdrawals				
	12	13	14	15	16(FY)	12	13	14	15	16(FY)
All regions	510	554	628	724	650	2.1	2.3	2.5	2.8	2.5
North America	63	73	70	103	76	1.9	2.3	2.2	3.1	2.3
Asia	314	365	406	466	435	2.0	2.2	2.5	2.7	2.6
China	188	205	274	278	269	2.4	2.6	3.5	3.4	3.5
ASEAN4	54	68	44	81	75	1.4	1.7	1.0	1.8	1.6
NIEs3	60	80	71	80	68	2.3	2.8	2.5	2.8	2.4
Europe	95	76	101	93	79	3.2	2.7	3.5	3.1	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 FY2016 / (Total number of overseas affiliates with valid responses in FY2016 + Number of overseas withdrawals in FY2016) × 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 FY2016 was 5.59 million, up by 0.3% from the previous year (up by 2.0% when comparing only companies that gave valid responses for this year and the previous year). (Table 4)
- The number of employees in manufacturing industries was 4.33 million, down by 2.1% from the previous year. By sector, the number of employees fell in the transportation equipment sector (1.58 million people; down by 2.7% from the previous year) and the information and communication electronics equipment sector (600,000 people; down by 8.2%) whereas the food sector, among others, saw a growth (310,000 people; up by 1.8%).
The number of employees in non-manufacturing industries was 1.26 million, up by 9.3%. By sector, increases were observed in the wholesale trade sector (550,000 people; up by 10%) and the retail trade sector (150,000 people; up by 39.7%) whereas the services sector saw a decrease (160,000 people; down by 4.3%). (Table 4, Figure 4)
- By region, the number of employees rose in North America (730,000 people; up by 6.8% from the previous year) and Europe (550,000 people; up by 0.5%) whereas Asia saw a decrease (3.94 million people; down by 1.4%). (Figure 5)
- In Asia, the number of employees fell in China and ASEAN4 and grew in NIEs3. (Figure 6)

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

	12		13		14		15		16(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	558	6.8	552	▲ 1.2	575	4.2	557	▲ 3.0	559	0.3
Manufacturing industries	436	6.2	438	0.4	457	4.2	442	▲ 3.2	433	▲ 2.1
Non-manufacturing industries	122	9.2	114	▲ 6.9	118	4.2	116	▲ 2.3	126	9.3

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

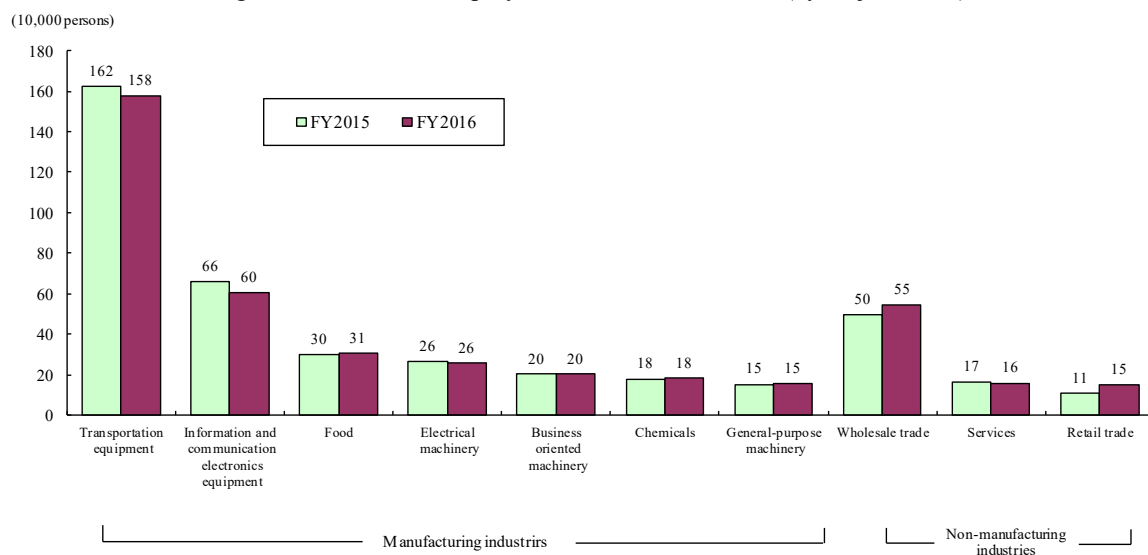


Figure 5. Number of employees at overseas affiliates (by region)

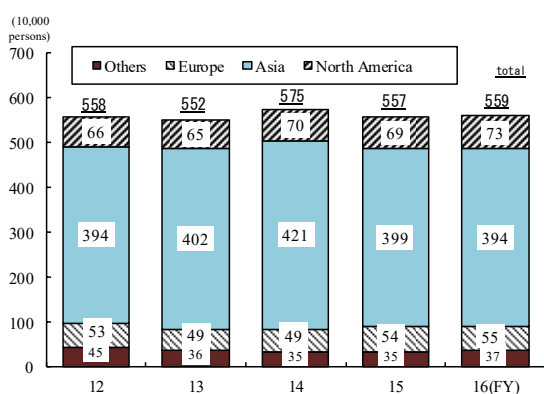
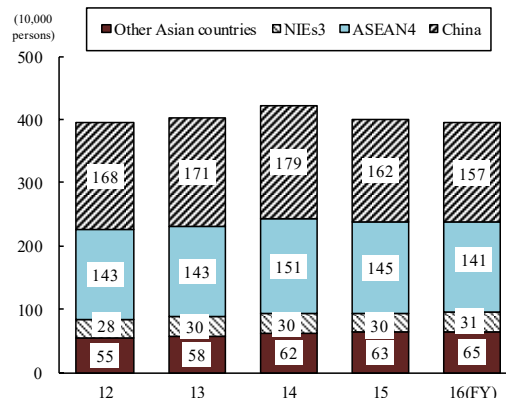


Figure 6. Number of employees at overseas affiliates (in Asia)



4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2016 amounted to 257.6 trillion yen, down by 6.0% from the previous year (down by 6.0% when comparing only companies that gave valid responses for this year and the previous year). (Figure 7)
- Manufacturing industries saw a decrease to 123.6 trillion yen, down by 8.4% from the previous year. By sector, sales dropped in the transportation equipment sector (64.3 trillion yen; down by 4.8%), the information and communication electronics equipment sector (12.8 trillion yen; down by 10.9%) and others. Sales in non-manufacturing industries amounted to 134 trillion yen, down by 3.6%. By sector, sales dropped in the wholesale trade sector (95.2 trillion yen; down by 7.1%) among others. (Figure 7, Figure 8)
- By region, sales dropped in Asia (111.9 trillion yen; down by 6.5% from the previous year), North America (86.2 trillion yen; down by 8.3%), and Europe (36.6 trillion yen; down by 7.3%). (Figure 9)
- In Asia, China, ASEAN4, NIEs3 and other Asian countries all saw a sales drop. (Figure 10)

Figure 7. Sales trends of overseas affiliates

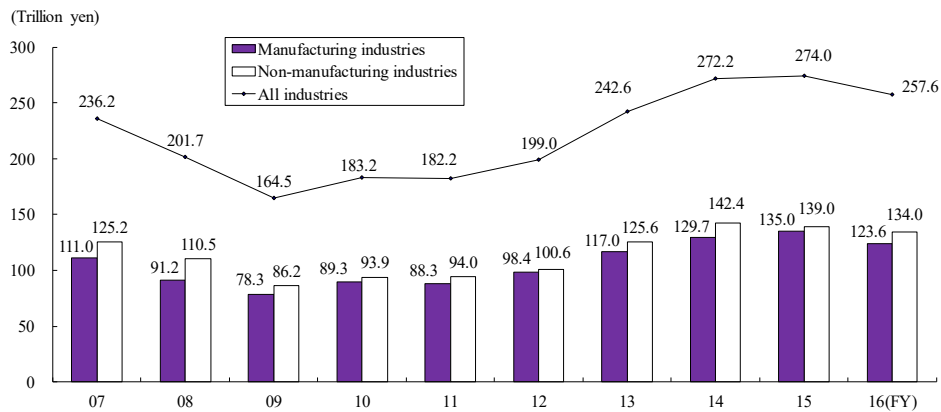


Figure 8. Sales of overseas affiliates (by major sector)

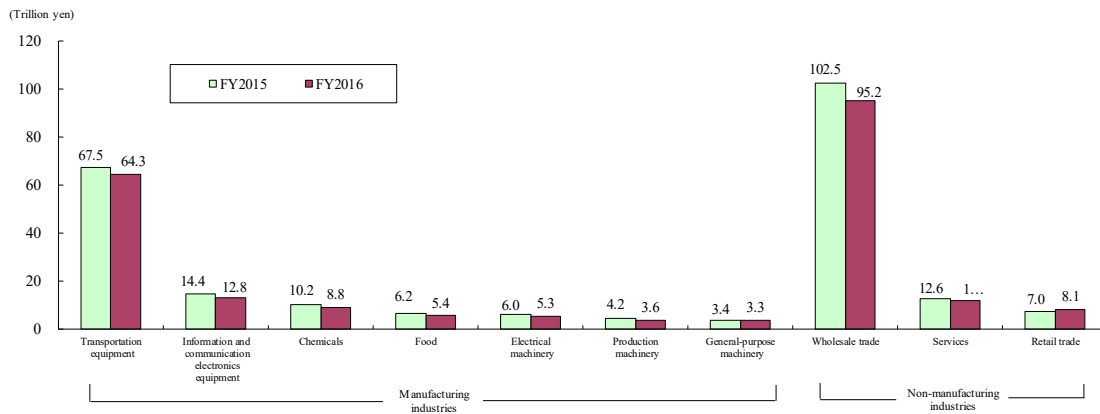


Figure 9. Sales trends of overseas affiliates (by region)

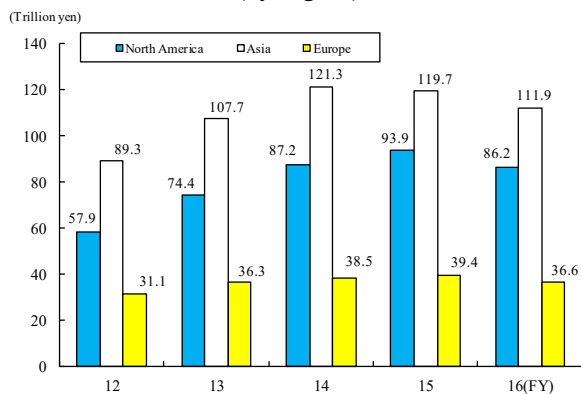
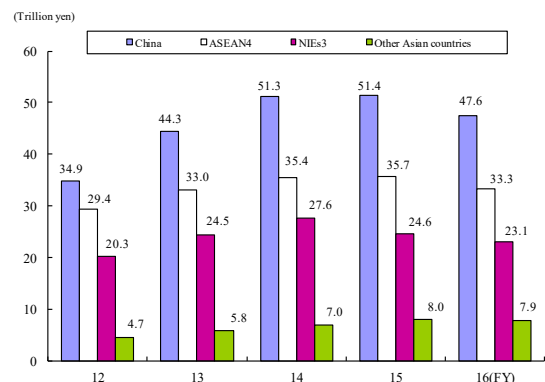


Figure 10. Sales trends of overseas affiliates (in Asia)



5. Overseas production ratio of overseas affiliates in manufacturing industries

- The overseas production ratio for manufacturing industries (based on all domestic companies) ^(Note 1) was 23.8%, down by 1.5 pp from the previous year. (Figure 11)
- By sector ^(Note 2), overseas production ratios dropped in the transportation equipment sector (46.1%), the general-purpose machinery sector (32.9%), the information and communication electronics equipment sector (27.3%), etc. (Table 5)

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

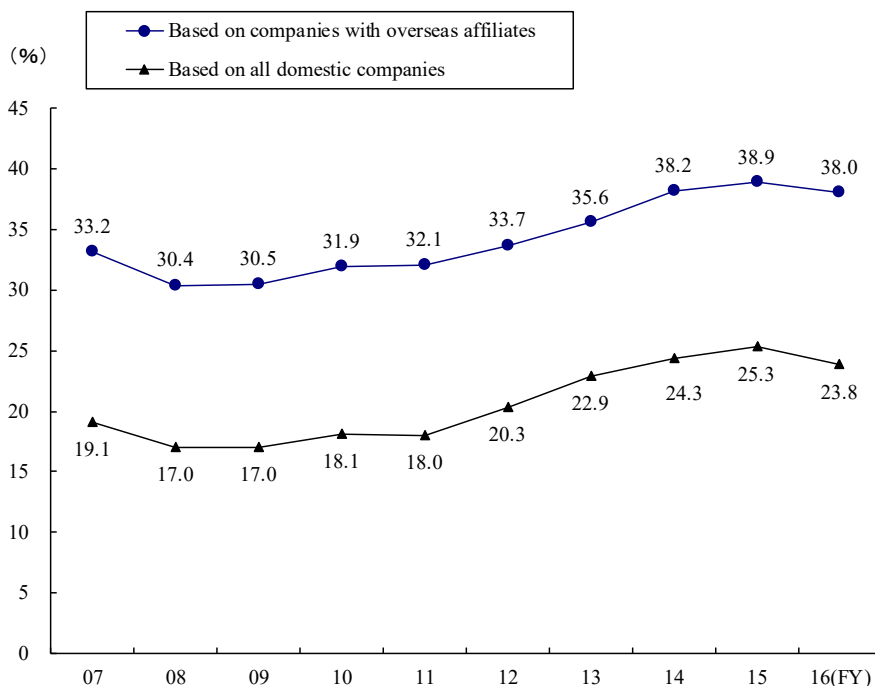


Table 5. Trends in the overseas production ratio by sector (calculated based on the total number of domestic companies (manufacturing industries))

(Unit: %)

	07	08	09	10	11	12	13	14	15	16(FY)
Total for manufacturing industries	19.1	17.0	17.0	18.1	18.0	20.3	22.9	24.3	25.3	23.8
Food	4.9	3.8	4.7	5.0	4.9	5.7	8.3	11.4	12.2	10.6
Textiles	11.1	9.5	6.2	6.2	8.3	11.9	12.3	12.4	12.9	11.1
Lumber, wood, paper, and pulp	4.2	4.2	3.7	4.5	4.3	4.7	5.7	7.8	9.7	8.2
Chemicals	16.6	17.4	15.1	17.4	18.5	19.5	20.5	22.4	19.4	18.0
Petroleum and coal	2.5	1.3	1.6	2.4	5.2	9.8	12.5	10.1	9.6	6.3
Ceramic, stone, and clay products	10.7	11.8	11.6	13.6	10.7	15.2	16.2	14.1	17.4	16.3
Iron and steel	11.7	10.3	10.7	11.2	10.2	11.5	13.6	14.5	14.0	17.6
Non-ferrous metals	12.1	11.0	11.8	14.7	14.8	15.3	17.5	19.1	18.8	19.0
Metal products	3.4	2.5	2.8	3.9	3.7	5.3	6.2	8.1	6.4	5.7
General-purpose machinery			21.2	28.3	24.8	26.6	27.6	34.2	33.8	32.9
Production machinery			8.0	11.1	11.5	11.8	13.6	14.6	15.7	13.9
Business oriented machinery			12.9	13.8	15.0	18.4	18.4	19.6	18.5	16.2
General machinery	14.4	12.8								
Electrical machinery	11.5	13.0	13.0	11.8	12.8	14.3	17.7	17.2	17.3	14.5
Information and communication electronics equipment	32.2	28.1	26.1	28.4	26.7	28.3	30.4	30.7	29.4	27.3
Transportation equipment	42.0	39.2	39.3	39.2	38.6	40.2	43.7	46.9	48.8	46.1
Precision instruments	9.4	7.9								
Miscellaneous manufacturing industries	9.3	9.1	8.7	9.1	11.5	12.8	14.8	12.0	14.3	12.6

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 FY2016, the ratio was 93.7% in North America, 81.7% in Europe, and 77.2% in Asia.
- The ratio of sales to Japan was 16.7% in Asia, 3.2% in Europe, and 1.7% in North America.
- Compared to FY2007, the ratio of local sales at overseas affiliates decreased in North America, Asia, and Europe whereas the ratio of intraregional sales increased in all of these three regions. (Figure 12, Table 6)

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

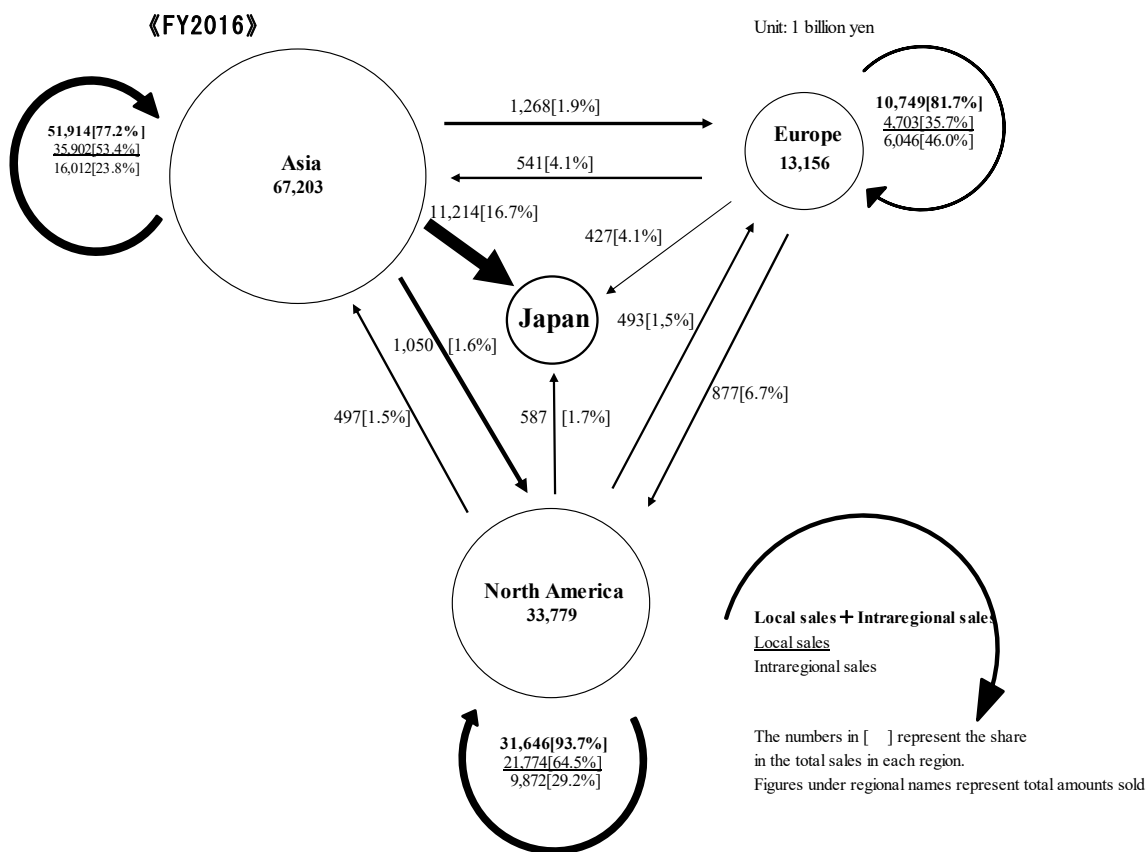
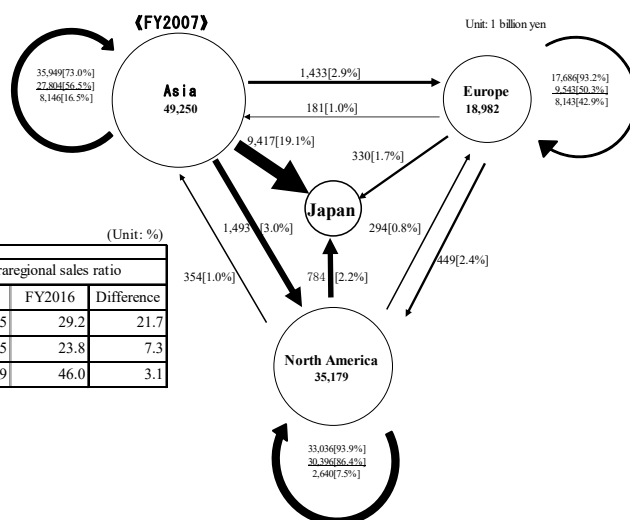


Table 6. FY2007/2016 comparison of local and intraregional sales ratios and ratios of sales to Japan

(Unit: %)

	Local and intraregional sales ratio			Local sales ratio			Intraregional sales ratio		
	FY2007	FY2016	Difference	FY2007	FY2016	Difference	FY2007	FY2016	Difference
North America	93.9	93.7	▲ 0.2	86.4	64.5	▲ 21.9	7.5	29.2	21.7
Asia	73.0	77.2	4.2	56.5	53.4	▲ 3.1	16.5	23.8	7.3
Europe	93.2	81.7	▲ 11.5	50.3	35.7	▲ 14.6	42.9	46.0	3.1

	Ratio of sales to Japan		
	FY2007	FY2016	Difference
North America	2.2	1.7	▲ 0.5
Asia	19.1	16.7	▲ 2.4
Europe	1.7	3.2	1.5



- 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 FY2016, the ratio was 75.5% in Asia, 67.5% in North America, and 65.7% in Europe.
- The procurement ratio from Japan was 22.0% in Asia, 25.6% in North America, and 22.6% in Europe.
- Compared to FY2007, the local procurement ratio increased in Asia and decreased in North America and Europe. In the meantime, Asia, North America and Europe all saw a drop in the procurement ratio from Japan. (Figure 13, Table 7)

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

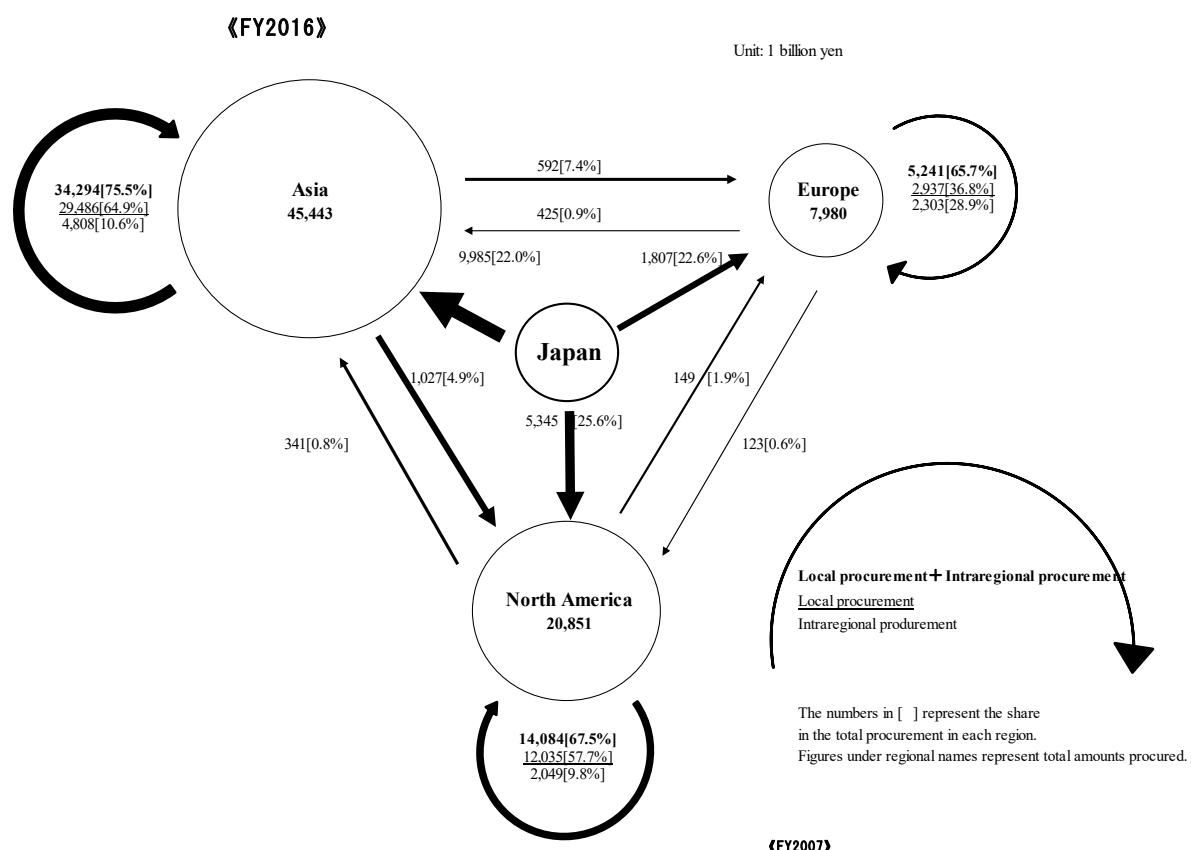
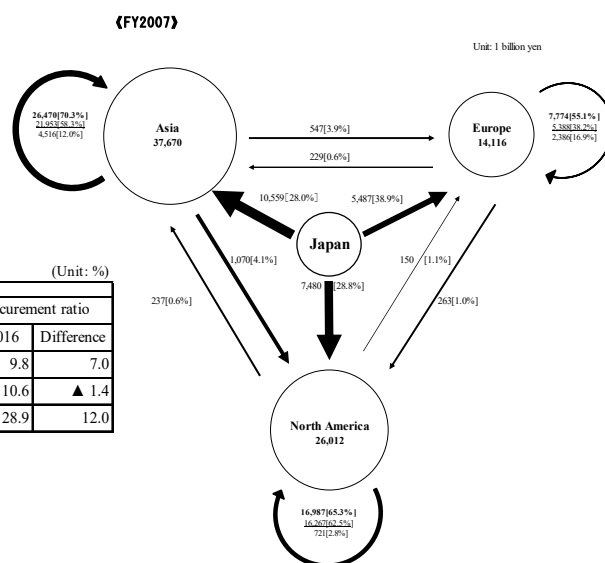


Table 7. FY2007/2016 comparison of local and intraregional procurement ratios and procurement ratios from Japan

(Unit: %)

	Local and intraregional procurement ratio			Local procurement ratio			Intraregional procurement ratio		
	FY2007	FY2016	Difference	FY2007	FY2016	Difference	FY2007	FY2016	Difference
North America	65.3	67.5	2.2	62.5	57.7	▲ 4.8	2.8	9.8	7.0
Asia	70.3	75.5	5.2	58.3	64.9	▲ 6.6	12.0	10.6	▲ 1.4
Europe	55.1	65.7	10.6	38.2	36.8	▲ 1.4	16.9	28.9	12.0

	Procurement ratio from Japan		
	FY2007	FY2016	Difference
North America	28.8	25.6	▲ 3.2
Asia	28.0	22.0	▲ 6.0
Europe	38.9	22.6	▲ 16.3



- 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 procurement ratio = Local and intraregional 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 FY2016, ordinary profits of overseas affiliates reached a record high at 12.2 trillion yen, up by 26.9% from the previous year (up by 14.5% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 6.7 trillion yen, up by 7.1% from the previous year. Non-manufacturing industries saw a 63.8% increase to 5.5 trillion yen. (Figure 14)
- By region, ordinary profits grew in all of the three regions: Europe (up by 177.0% from the previous year), Asia (up by 1.3%), and North America (up by 0.4%). (Figure 15)
- The ratio of ordinary profits to sales ^(Note) increased to 4.9%, up by 0.9 pp from the previous year. The ratio for manufacturing industries was 5.8% (up by 0.8 pp from the previous year), and that for non-manufacturing industries was 4.1% (up by 1.1 pp). (Table 8)

Figure 14. Trends in ordinary profits of overseas affiliates

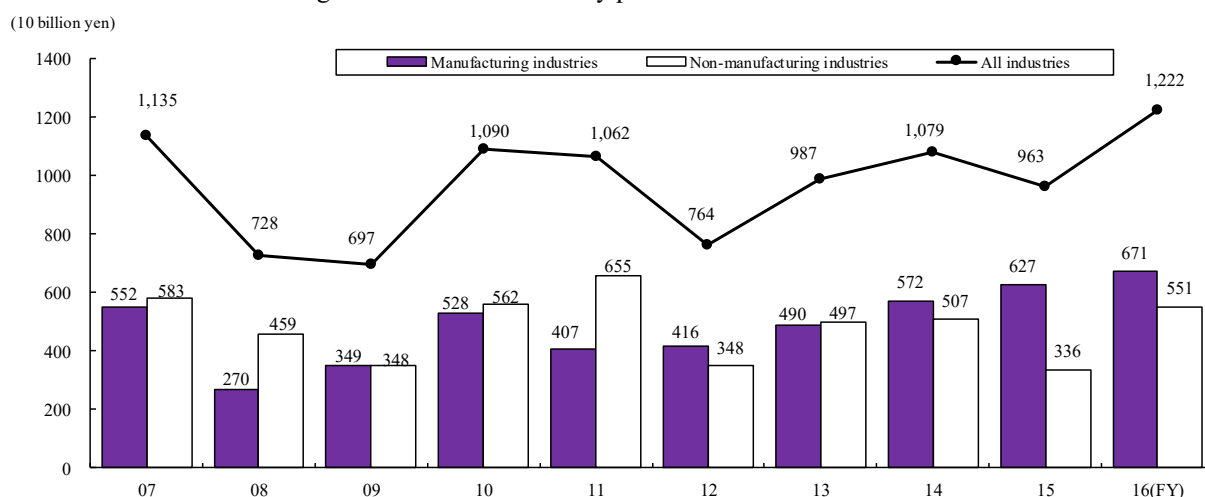


Figure 15. Trends in ordinary profits of overseas affiliates (by region)

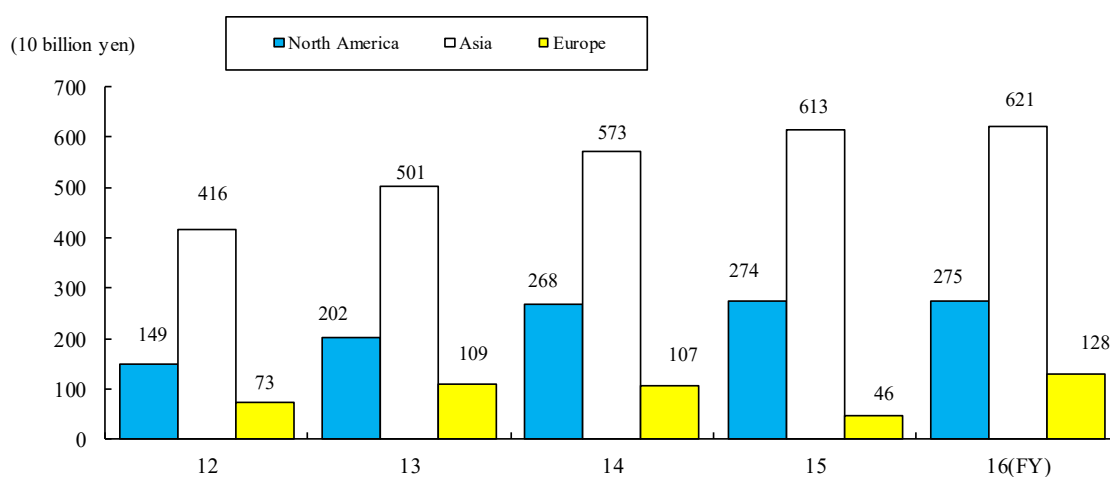


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

	07	08	09	10	11	12	13	14	15	16(FY)
(Reference) All industries	4.9	3.5	4.4	6.1	5.9	3.9	4.2	4.1	4.0	4.9
Manufacturing industries	5.2	3.0	4.8	6.2	4.9	4.6	4.6	4.7	5.0	5.8
Non-manufacturing industries	4.7	4.0	4.0	6.1	6.8	3.3	3.9	3.5	3.0	4.1
Domestic companies	3.4	2.4	2.3	3.2	3.3	3.5	4.2	4.5	4.8	5.2
Manufacturing industries	5.1	2.3	2.4	3.9	3.7	4.1	5.5	5.9	5.9	6.1
Non-manufacturing industries	2.7	2.4	2.3	2.8	3.1	3.3	3.7	3.9	4.3	4.8

(Unit: %)

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 FY2016, net profits of overseas affiliates reached a record high at 9.0 trillion yen, up by 37.9% from the previous year (up by 26.8% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 5.1 trillion yen, up by 13.3%, and non-manufacturing industries saw a 92.4% increase to 3.9 trillion yen. (Figure 16)
- The amount of current retained earnings ^(Note 1) of overseas affiliates in FY2016 was 4.3 trillion yen, up by 114.5% from the previous year (up by 123.0% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 2.0 trillion yen, up by 25.1%, and non-manufacturing industries saw a 502.2% increase to 2.3 trillion yen.
- The balance of retained earnings ^(Note 2) was 33.7 trillion yen, up by 5.2% from the previous year (up by 0.6% when comparing only companies that gave valid responses for this year and the previous year). (Figure 17, Table 9)

Figure 16. Trends in current net profits

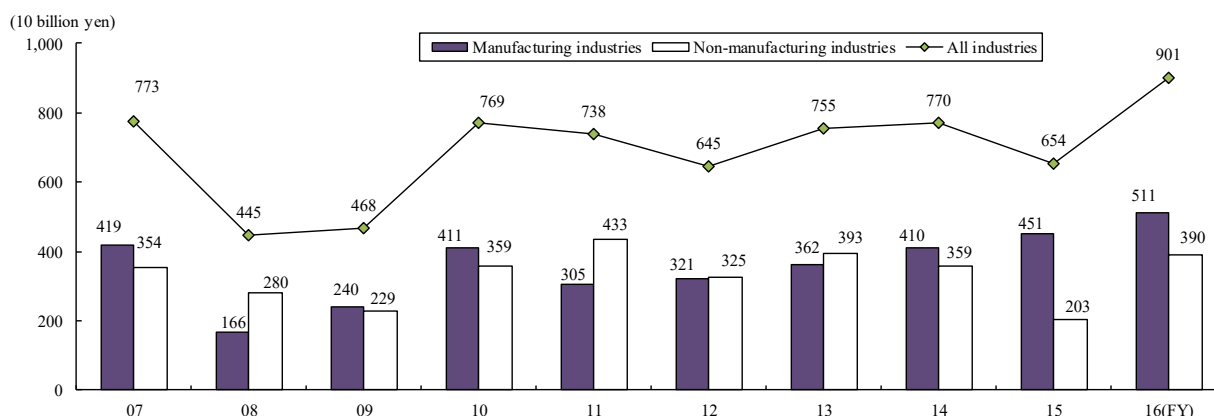


Figure 17. Trends in current retained earnings and balance of retained earnings

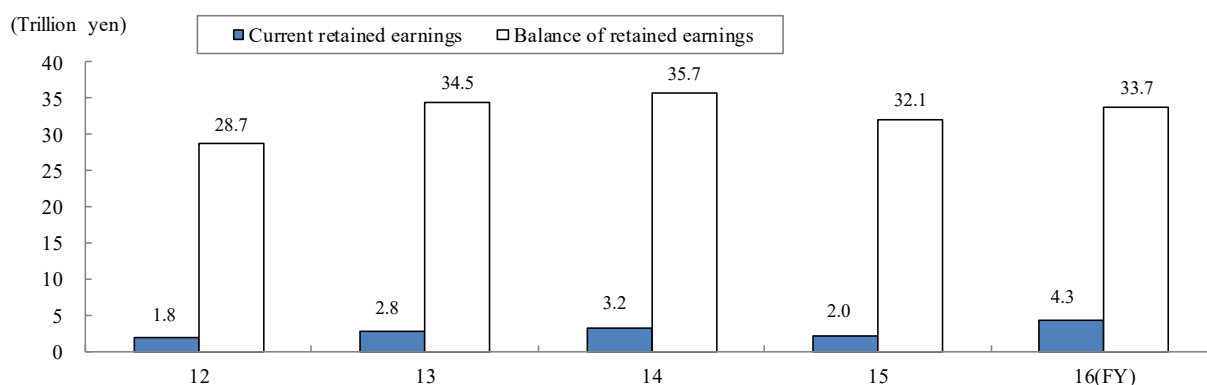


Table 9. Trends in current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2015	FY2016	Y/Y	FY2015	FY2016	Y/Y
All industries	19,994	42,887	114.5	320,704	337,485	5.2
Manufacturing industries	16,248	20,324	25.1	155,035	158,356	2.1
Non-manufacturing industries	3,747	22,563	502.2	165,668	179,129	8.1

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 manufacturing industries

- In FY2016, research and development expenses in manufacturing industries were 613.4 billion yen, down by 3.7% from the previous year (down by 4.1% when comparing only companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses ^(Note) decreased by 0.1 pp from the previous year to 5.1%. (Figure 18)
- Research and development expenses per company in the manufacturing industries increased by 1.4% from the previous year to 430 million yen. By sector, they increased in the chemicals sector, the business oriented machinery sector, the electrical machinery sector, etc. (Table 10) By region, an increase was observed in North America whereas Europe and Asia saw a decrease. (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)

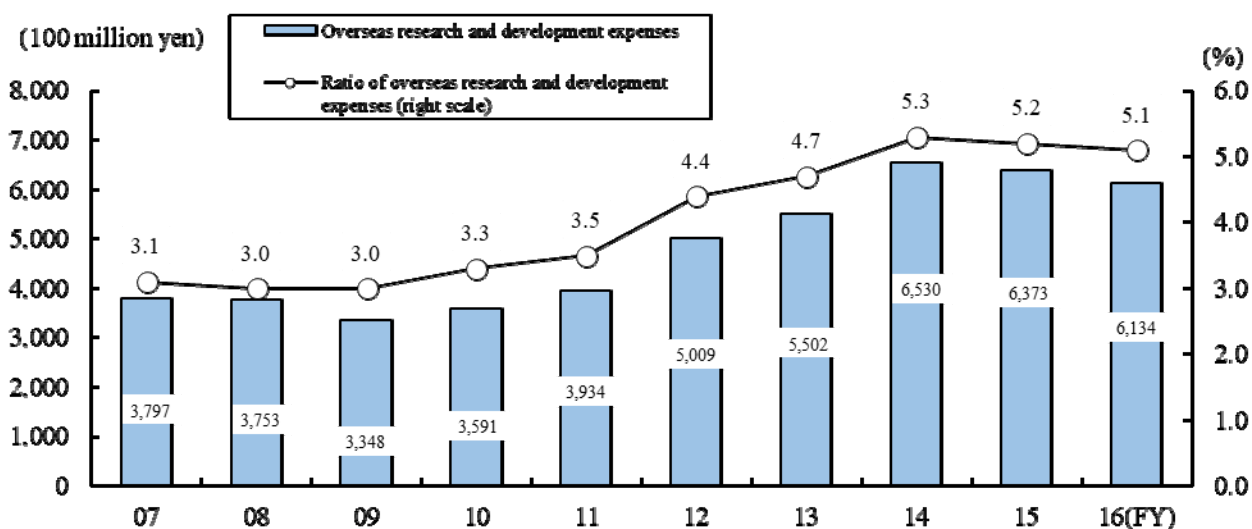


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2015	FY2016	
		Y/Y difference	Y/Y ratio
Manufacturing industries	422	428	1.4
Information and communication electronics equipment	664	649	▲ 2.3
Transportation equipment	680	638	▲ 6.2
Chemicals	574	624	8.7
Business oriented machinery	375	596	58.9
Electrical machinery	371	468	26.1
Production machinery	490	463	▲ 5.5
General-purpose machinery	104	117	12.5

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

(Units: Million yen, %)

	FY2015		FY2016	
	Y/Y difference	Y/Y ratio	Y/Y difference	Y/Y ratio
All regions	2	0.5	6	1.4
North America	▲ 6	▲ 0.6	78	7.8
Asia	10	4.3	▲ 9	▲ 3.8
Europe	▲ 54	▲ 8.0	▲ 37	▲ 6.0

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 manufacturing industries

- In FY2016, the amount of capital investment in overseas affiliates in manufacturing industries decreased to 3.8 trillion yen, down by 17.6% from the previous year (down by 21.4% when comparing only companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment ^(Note) was 20.7%, down by 4.8 pp from the previous year. (Figure 19)
- By sector, the amount of capital investment dropped in the transportation equipment sector (down by 15.3% from the previous year), the chemicals sector (down by 27.6%), etc. (Figure 20)
- By region, it fell in all of the three regions: Asia (down by 16.3% from the previous year), North America (down by 17.4%), and Europe (down by 5.4%). In Asia, China, ASEAN4, and NIEs3 all saw a drop. (Figure 21, Figure 22)

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

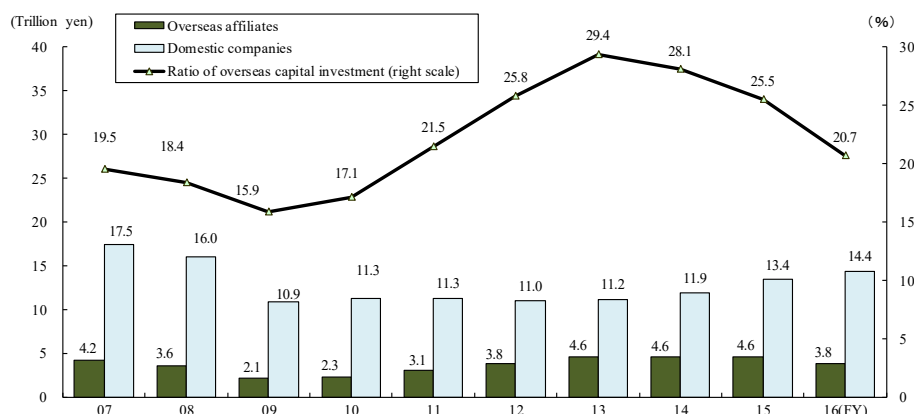


Figure 20. Capital investment in overseas affiliates (by major manufacturing sector)

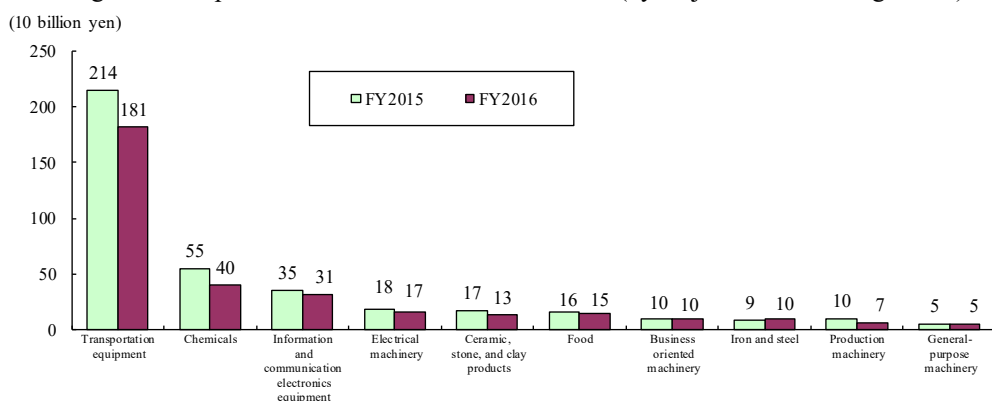


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

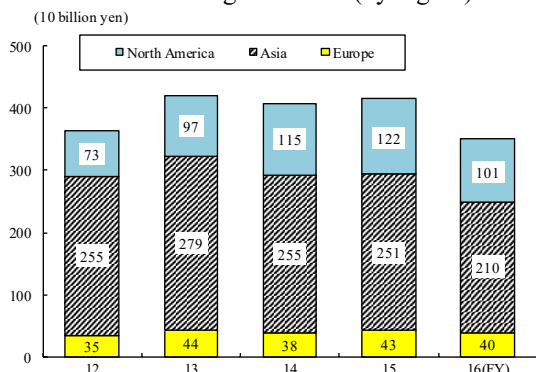
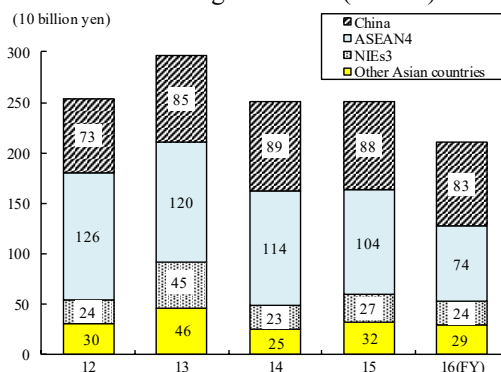


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



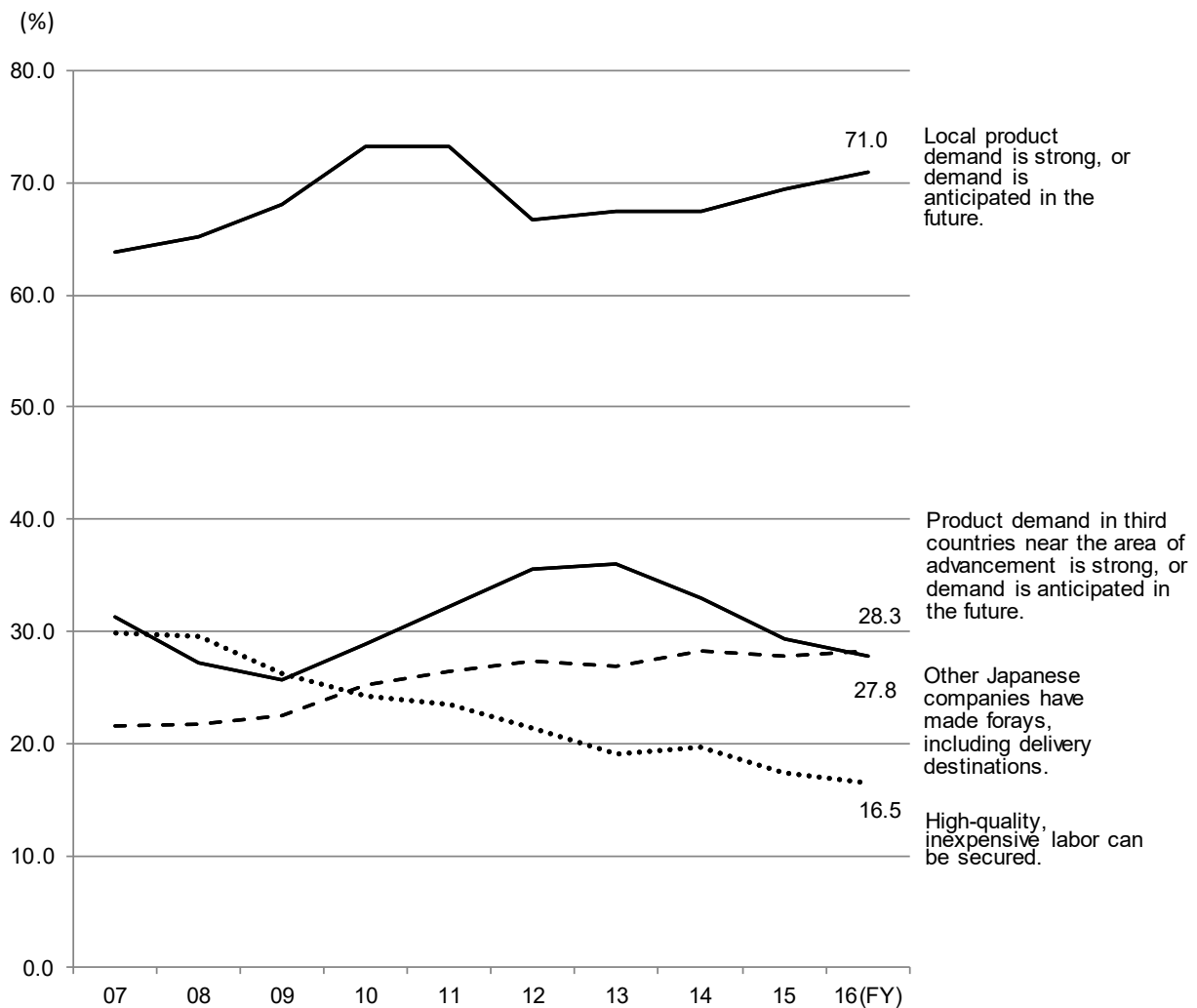
Note: Ratio of overseas capital investment (manufacturing industries) = Amount of capital investment in overseas affiliates (manufacturing industries) / (Amount of capital investment in overseas affiliates (manufacturing industries) + Amount of capital investment in domestic companies (manufacturing 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 FY2016, the largest number of businesses, more than 70%, responded "local product demand is strong, or demand is anticipated in the future". The next most common responses were "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future", "other Japanese companies have made forays, including delivery destinations", and "high-quality, inexpensive labor can be secured". (Figure 23)
- Viewing these top four factors chronologically, the percentage of businesses that responded "local product demand is strong, or demand is anticipated in the future" increased for three years in a row. The percentage of companies that said "product demand in third countries near the area of advancement is strong, or demand is anticipated in the future" also increased first time in two years, beating the percentage of businesses that said "other Japanese companies have made forays, including delivery destinations" for the first time. Businesses which say "high-quality, inexpensive labor can be secured" are on the decline in percentage terms. (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 FY2016, 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 FY2016 amounted to 4.4 trillion yen, down by 2.1% from the previous year. (Figure 24)
- Looking at payments from overseas affiliates to Japanese investors by region, payments decreased from North America (down by 8.5% from the previous year) and Asia (down by 2.7%) and increased from Europe (up by 21.4%). In Asia, payments dropped from China, ASEAN4, and NIEs3. (Figure 25, Figure 26)
- By major sector, payments dropped in the transportation equipment sector (down by 5.5%), the wholesale trade sector (down by 6.8%), the services sector (down by 3.5%), and the information and communication electronics equipment sector (down by 5.9%) whereas the chemicals sector saw an increase (up by 5.5%).

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

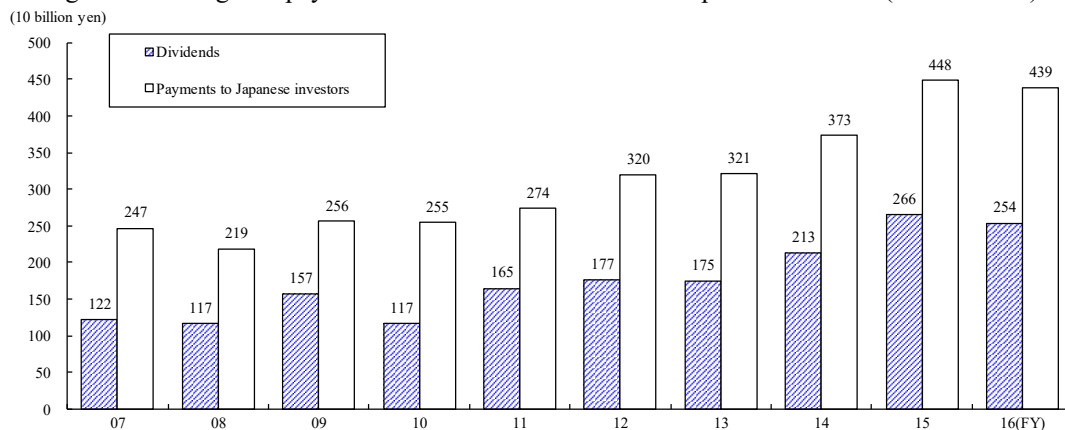


Figure 25. Payments from overseas affiliates to Japanese investors (by region)

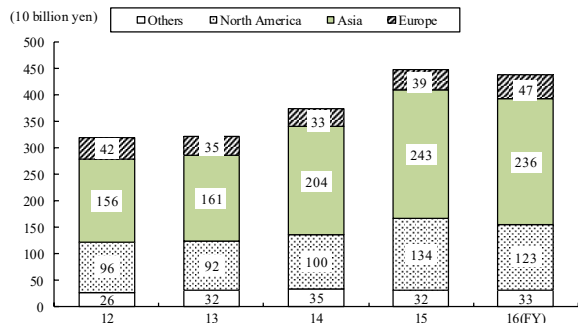


Figure 26. Payments from overseas affiliates to Japanese investors (in Asia)

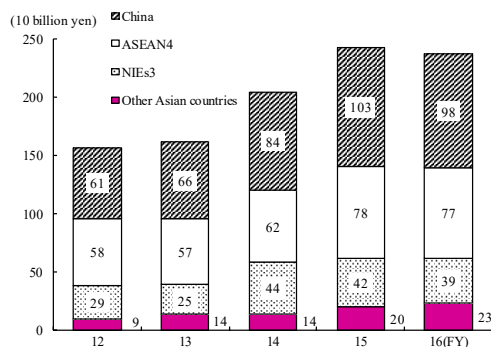
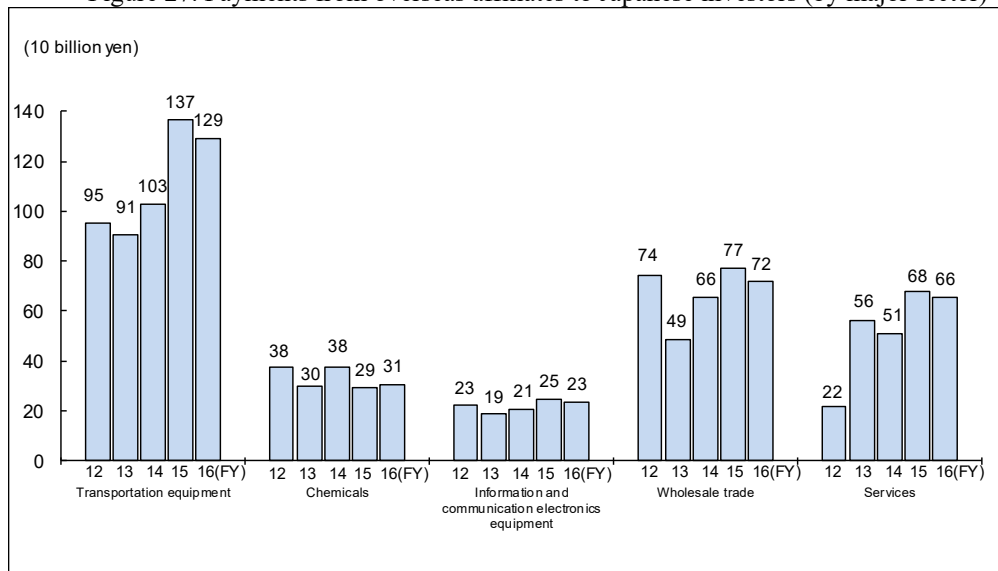


Figure 27. Payments from overseas affiliates to Japanese investors (by major sector)



14. Dividends from overseas affiliates

- Regarding dividends from overseas affiliates, in the short term (the next one to two years), 51.2% of companies responded that there would be "no changes" in dividends, and 10.1% of companies responded that they would "increase" their dividend payouts. 42.1% of the businesses that were aiming to increase dividends responded that they would raise dividends by less than 50% compared to the preceding year. (Figure 28, Figure 29)
- In the medium and long term (the next three to five years), 37.2% of companies said there would be "no change" in dividends, and 15.1% said they would "increase" dividends. 41.8% of the businesses that were aiming to increase dividends responded that they would raise dividends by less than 50% compared to the preceding year. (Figure 28, 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, and 20.9% and 21.7% of companies said 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. (Figure 30)

Figure 28. Dividends from overseas affiliates

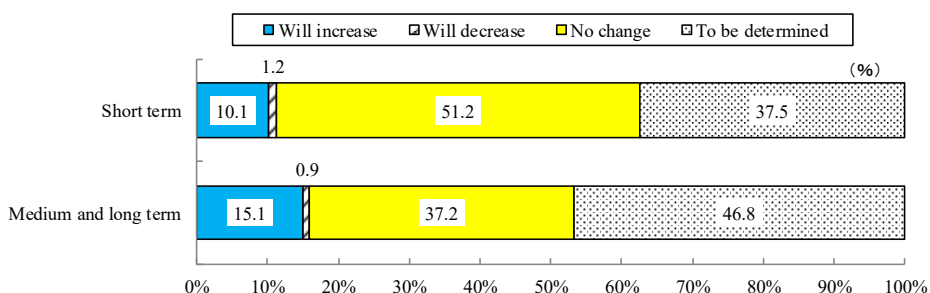


Figure 29. Planned rate of change in dividends

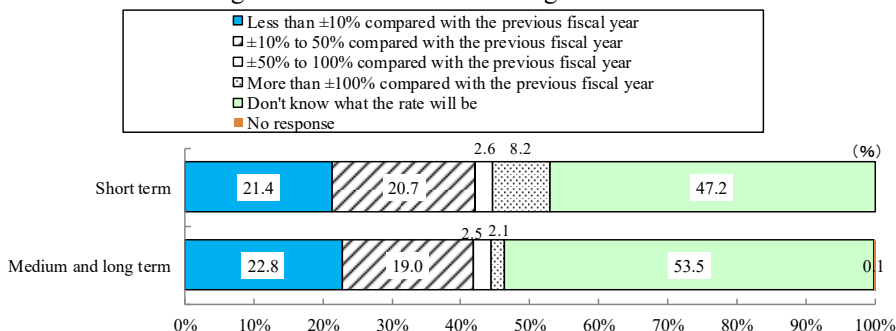
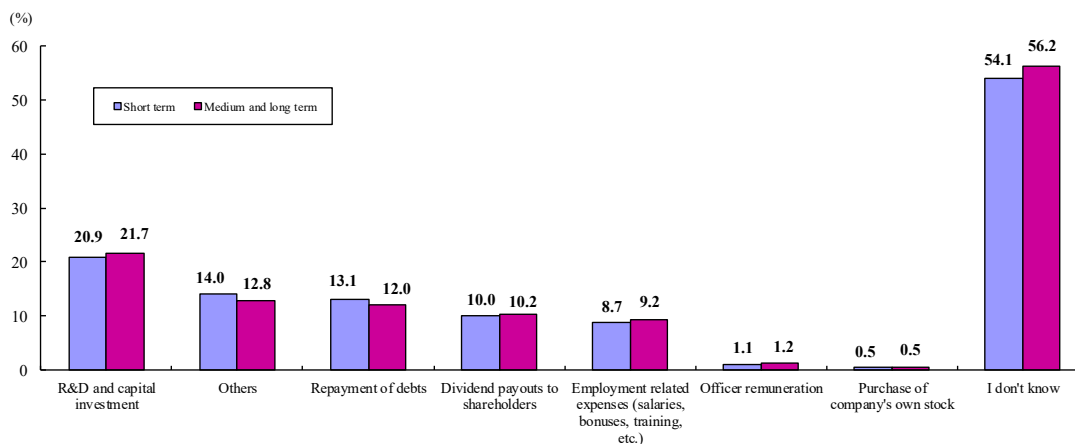


Figure 30. Use of dividends from overseas affiliates (multiple answers allowed)



Details of the survey:

- The survey targets are corporate headquarters.
- Concerning dividends from overseas affiliates to corporate headquarters, the survey tabulates companies' 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