

Summary of the 48th Basic Survey on Overseas Business Activities (conducted in July 2018)

Trends of overseas affiliates in the fiscal year (FY) 2017 survey

- The number of overseas affiliates was 25,034. The percentage accounted for by overseas affiliates of ASEAN10 among the total increased for seven consecutive years.
- The number of employees at overseas affiliates was 5.95 million, up by 6.5% from the previous fiscal year.
- Sales of overseas affiliates increased by 11.8% from the previous fiscal year to 288.1 trillion yen. Ordinary profits and current net profits increased.
- The overseas production ratio for manufacturing industries (based on all domestic companies) marked a record high at 25.4%.
- Research and development expenses and the amount of capital investment increased in manufacturing industries.

Summary of findings

1. The percentage accounted for by overseas affiliates of ASEAN10 increased for seven consecutive years.

- (1) The number of overseas affiliates as of the end of FY2017 was 25,034. It consists of 10,838 companies in the manufacturing industries and 14,196 companies in the non-manufacturing industries.
- (2) Manufacturing companies accounted for 43.3% and non-manufacturing companies accounted for 56.7% of the total.
- (3) By region, the number increased in Asia but decreased in North America and Europe. In Asia, the percentage of ASEAN10 continued to increase, while that of China decreased for five consecutive years.

2. The number of employees at overseas affiliates increased.

- (1) The number of employees at overseas affiliates as of the end of FY2017 was 5.95 million, up by 6.5% from the previous fiscal year.
- (2) By sector, the number of employees increased both in manufacturing industries (4.57 million, up by 5.6% from the previous fiscal year) and in non-manufacturing industries (1.39 million, up by 9.5% (id.)).
- (3) By region, increases were seen all in Asia, Europe and North America. In Asia, the number increased in ASEAN10 but decreased in China.

3. Sales, ordinary profits and current net profits of overseas affiliates increased.

- (1) Sales amounted to 288.1 trillion yen, up by 11.8% from the previous fiscal year. By sector, increases were seen in almost all sectors including the transportation equipment sector and the wholesale trade sector. By region as well, sales increased all in Asia, North America and Europe.
- (2) Ordinary profits increased by 3.0% from the previous fiscal year to 12.6 trillion yen, while current net profits increased to 10.4 trillion yen, up by 15.7% (id.).
- (3) The amount of current retained earnings was 4.7 trillion yen (up by 8.8% from the previous fiscal year), and the balance of retained earnings was 35.7 trillion yen (up by 5.9% (id.)).

4. The overseas production ratio for manufacturing industries marked a record high.

- (1) The overseas production ratio for manufacturing industries (based on all domestic companies) was 25.4% (up by 1.6 percentage points (pp) from the previous fiscal year), marking a record high.
- (2) By sector, overseas production ratios increased in the transportation equipment sector (47.2%), the information and communication electronics equipment sector (29.3%) and others.

5. Research and development expenses and the amount of capital investment increased in manufacturing industries.

- (1) Research and development expenses in manufacturing industries increased by 17.8% from the previous fiscal year to 722.7 billion yen.
- (2) Research and development expenses per company in manufacturing industries amounted to 0.49 billion yen, up by 13.3% from the previous fiscal year. By sector, increases were seen in the chemicals sector and the transportation equipment sector, etc.
- (3) The amount of capital investment in manufacturing industries amounted to 4.0 trillion yen, up by 5.2% from the previous fiscal year. By sector, the amount increased in the information and communication electronics equipment sector, etc. but decreased in the transportation equipment sector.

1. Distribution of overseas affiliates

- The number of overseas affiliates as of the end of FY2017 was 25,034. It consists of 10,838 companies in the manufacturing industries and 14,196 companies in the non-manufacturing industries. Overseas affiliates in the manufacturing industries accounted for 43.3% of the total number of overseas affiliates of all industries (a 0.4 pp decrease from the previous fiscal year), and those in the non-manufacturing industries accounted for 56.7% of the total (a 0.4 pp increase (id.)). (Table 1)
- By region, the number of overseas affiliates increased in Asia, but decreased in North America and Europe. (Table 2)
- In Asia (which accounted for 66.5% of all regions), ASEAN10's share increased for seven consecutive years and reached 27.2% of all regions (up by 0.5 pp from the previous fiscal year), but China's share decreased for five consecutive years and was 29.8% (down by 0.4 pp (id.)). (Table 2, Figure 1)

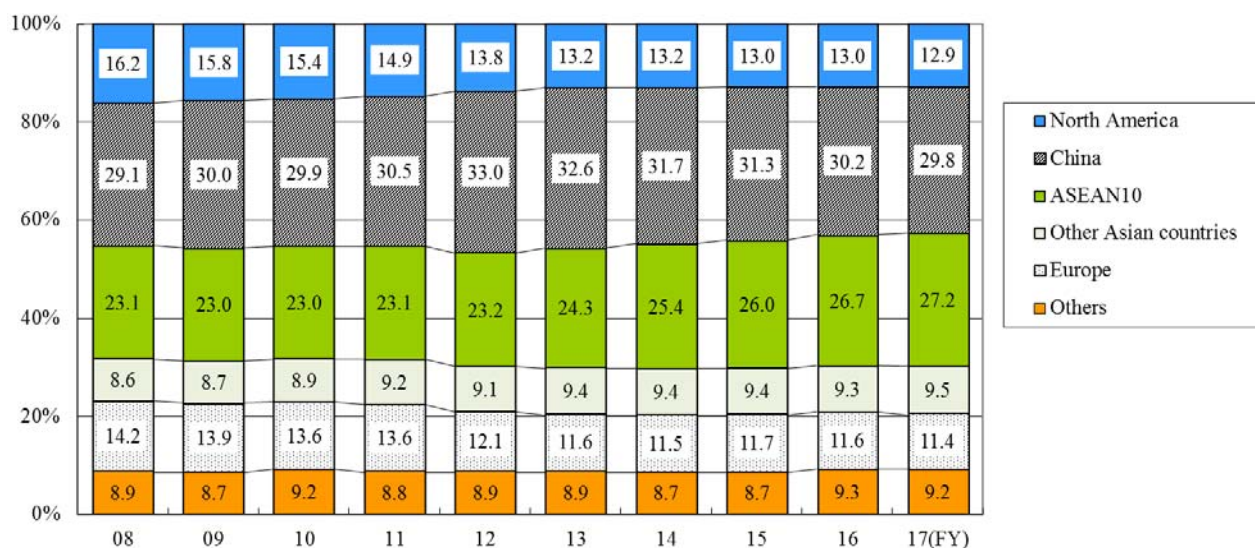
Table 1. Distribution of overseas affiliates by sector

	End of FY2017 Number of overseas	Breakdown by sector		
		FY2016		FY2017
		Breakdown	Breakdown	Change in points
All industries	25,034	100.0	100.0	-
Manufacturing industries	10,838	43.7	43.3	-0.4
Food	521	100.0	100.0	-
Textiles	451	4.9	4.8	-0.1
Lumber, wood, paper, and pulp	191	4.1	4.2	0.1
Chemicals	1,079	1.8	1.8	0.0
Petroleum and coal	41	10.1	10.0	-0.1
Ceramic, stone, and clay products	254	0.4	0.4	0.0
Iron and steel	345	2.3	2.3	0.0
Non-ferrous metals	341	3.2	3.2	0.0
Metal products	574	3.0	3.1	0.1
General-purpose machinery	449	4.1	4.1	0.0
Production machinery	788	5.3	5.3	0.0
Business oriented machinery	376	6.8	7.3	0.5
Electrical machinery	650	3.4	3.5	0.1
Information and communication electronics equipment	1,003	6.3	6.0	-0.3
Transportation equipment	2,354	9.4	9.3	-0.1
Miscellaneous manufacturing industries	1,421	21.7	21.7	0.0
Non-manufacturing industries	14,196	56.3	56.7	0.4
Agriculture, forestry, and fisheries	96	100.0	100.0	-
Mining	208	0.7	0.7	0.0
Construction	375	1.5	1.5	0.0
Information and communications	852	2.6	2.6	0.0
Transport	1,341	6.0	6.0	0.0
Wholesale trade	7,092	10.3	9.4	-0.9
Retail trade	708	49.9	50.0	0.1
Services	2,460	4.8	5.0	0.2
Miscellaneous non-manufacturing industries	1,064	16.7	17.3	0.6
		7.5	7.5	0.0

Table 2. Distribution of overseas affiliates by region

	(Unit: companies for upper columns, composition ratios (%) for lower columns)	
	FY2016	FY2017
All regions	24,959	25,034
	100.0	100.0
North America	3,235	3,221
	13.0	12.9
Asia	16,512	16,655
	66.2	66.5
China	7,526	7,463
	30.2	29.8
ASEAN10	6,662	6,813
	26.7	27.2
Other Asian countries	2,324	2,379
	9.3	9.5
Europe	2,900	2,859
	11.6	11.4
Others	2,312	2,299
	9.3	9.2

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 FY2017 was 725 (an increase of 75 companies from the previous fiscal year), of which 296 were companies in the manufacturing industries (up by 25 companies (id.)) and 429 were companies in the non-manufacturing industries (up by 50 companies (id.)). (Figure 2)
- The ratio of withdrawals ^(Note 2) was 2.8% (up by 0.3 pp from the previous fiscal year). By region, the ratio increased in North America and ASEAN10. (Table 3)
- When looking at the percentage of overseas affiliates that expanded abroad in FY2017 by year of establishment or capital participation ^(Note 3) and by region, increases were seen in the percentage of companies that advanced to China and other Asian countries, while the percentage decreased for companies that advanced to ASEAN10, Europe and North America. (Figure 3)

Figure 2. Trends in the number of overseas withdrawals

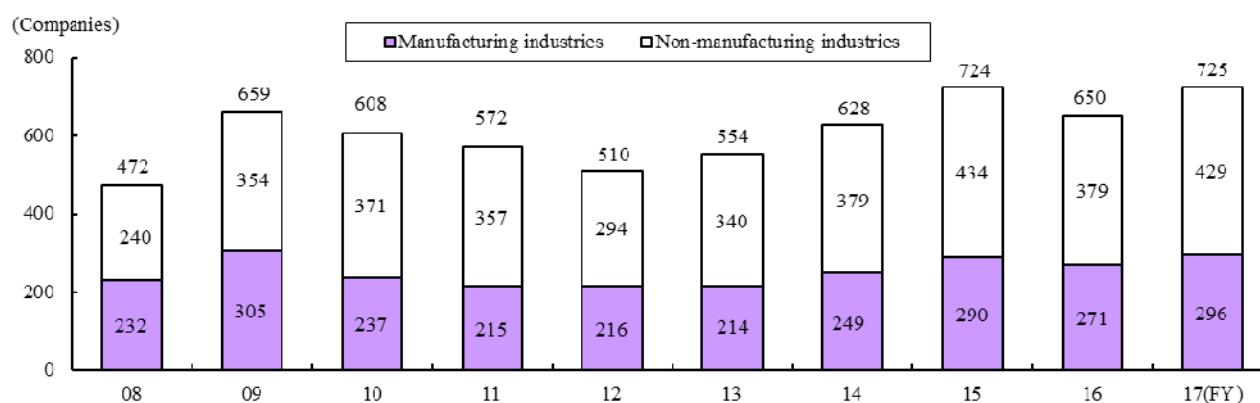
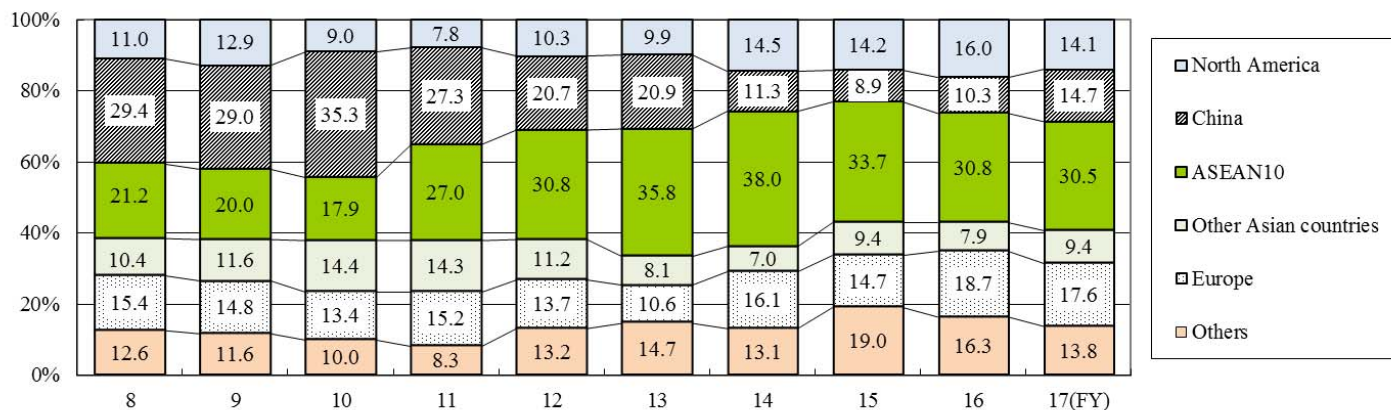


Table 3. Trends in the number of overseas withdrawals and ratio of overseas withdrawals by region

	(Unit:Companies)					(Unit:%)				
	Number of overseas withdrawals					Ratio of overseas withdrawals				
	13	14	15	16	17(FY)	13	14	15	16	17(FY)
All regions	554	628	724	650	725	2.3	2.5	2.8	2.5	2.8
North America	73	70	103	76	94	2.3	2.2	3.1	2.3	2.8
Asia	365	406	466	435	472	2.2	2.5	2.7	2.6	2.8
China	205	274	278	269	270	2.6	3.5	3.4	3.5	3.5
ASEAN10	106	78	121	119	141	1.7	1.0	1.8	1.6	2.0
Europe	76	101	93	79	80	2.7	3.5	3.1	2.7	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 FY2017 / (Total number of overseas affiliates with valid responses in FY2017 + Number of overseas withdrawals in FY2017) × 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 FY2017 was 5.95 million, up by 6.5% from the previous fiscal year (or 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 4.57 million, up by 5.6% from the previous fiscal year. By sector, the number of employees increased in the transportation equipment sector (1.77 million, up by 12.2% (id.)) and the electrical machinery sector (0.32 million, up by 25.0% (id.)) and others, but decreased in the information and communication electronics equipment sector (0.59 million, down by 2.2% (id.)).
The number of employees in non-manufacturing industries was 1.39 million, up by 9.5% (id.). By sector, increases were observed in the wholesale trade sector (0.57 million, up by 4.8% (id.)), the services sector (0.19 million; up by 21.5% (id.)), and the retail trade sector (0.18 million, up by 17.5% (id.)). (Table 4, Figure 4)
- By region, the number of employees increased all in Asia (4.08 million, up by 3.7% from the previous fiscal year), Europe (0.63 million, up by 15.7% (id.)), and North America (0.79 million, up by 7.4% (id.)). (Figure 5)
- In Asia, the number of employees increased in ASEAN10 but decreased in China. (Figure 6)

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

	13		14		15		16		17(FY)	
		Y/Y		Y/Y		Y/Y		Y/Y		Y/Y
All industries	552	-1.2	575	4.2	557	-3.0	559	0.3	595	6.5
Manufacturing industries	438	0.4	457	4.2	442	-3.2	433	-2.1	457	5.6
Non-manufacturing industries	114	-6.9	118	4.2	116	-2.3	126	9.3	139	9.5

(Units: 10,000 persons, %)

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

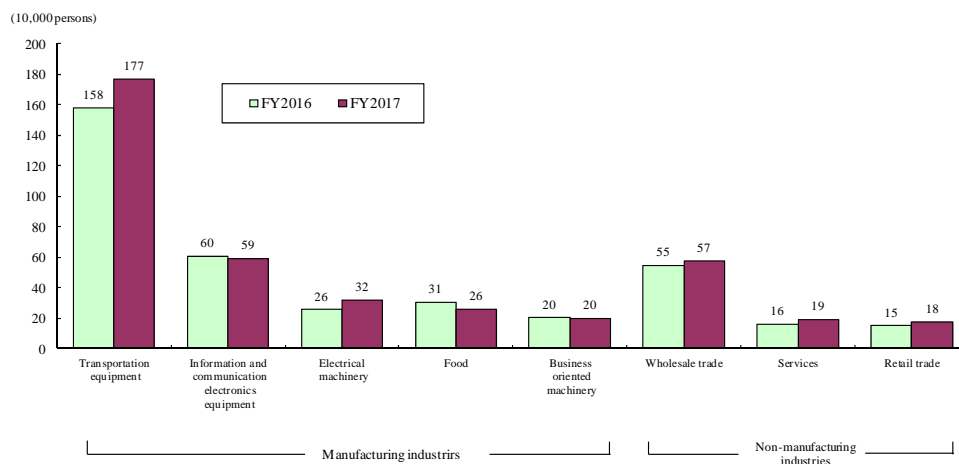


Figure 5. Number of employees at overseas affiliates (by region)

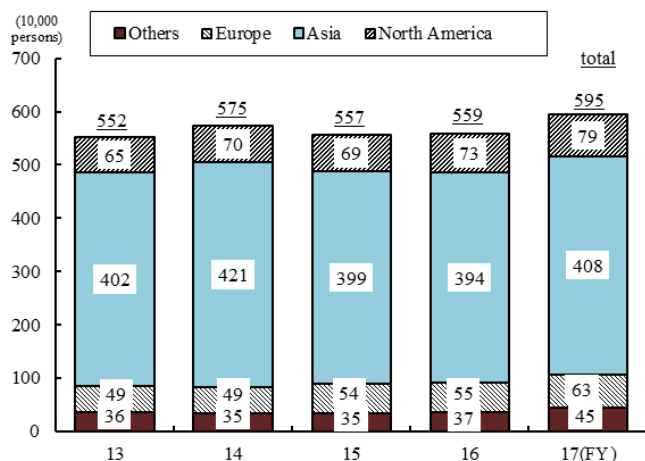
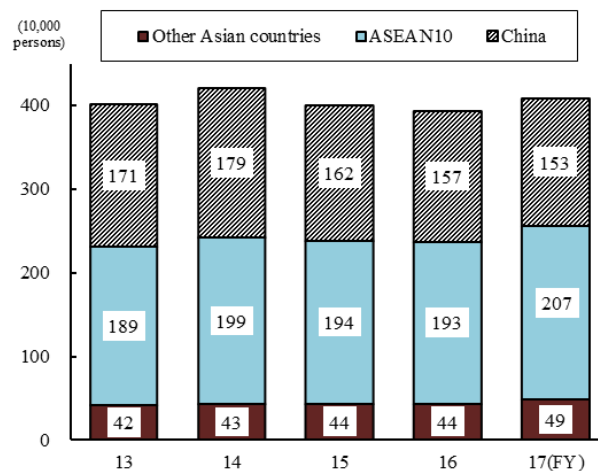


Figure 6. Number of employees at overseas affiliates (in Asia)



4. Sales of overseas affiliates

- Sales of overseas affiliates in FY2017 amounted to 288.1 trillion yen, up by 11.8% from the previous fiscal year (or up by 10.6% when comparing only companies that gave valid responses for this year and the previous year). (Figure 7)
- Manufacturing industries saw an increase to 138.0 trillion yen, up by 11.6% from the previous fiscal year. By sector, sales increased in the transportation equipment sector (69.9 trillion yen, up by 8.7% (id.)), the information and communication electronics equipment sector (13.4 trillion yen, up by 4.4% (id.)) and others. Sales in non-manufacturing industries also increased to reach 150.1 trillion yen, up by 12.0% (id.). By sector, sales increased in the wholesale trade sector (108.3 trillion yen, up by 13.8% (id.)) and others. (Figure 7, Figure 8)
- By region, sales increased all in Asia (130.0 trillion yen, up by 16.2% from the previous fiscal year), North America (92.8 trillion yen, up by 7.7% (id.)), and Europe (43.2 trillion yen, up by 18.2% (id.)). (Figure 9)
- In Asia, ASEAN10, China and other Asian countries all saw sales increases. (Figure 10)

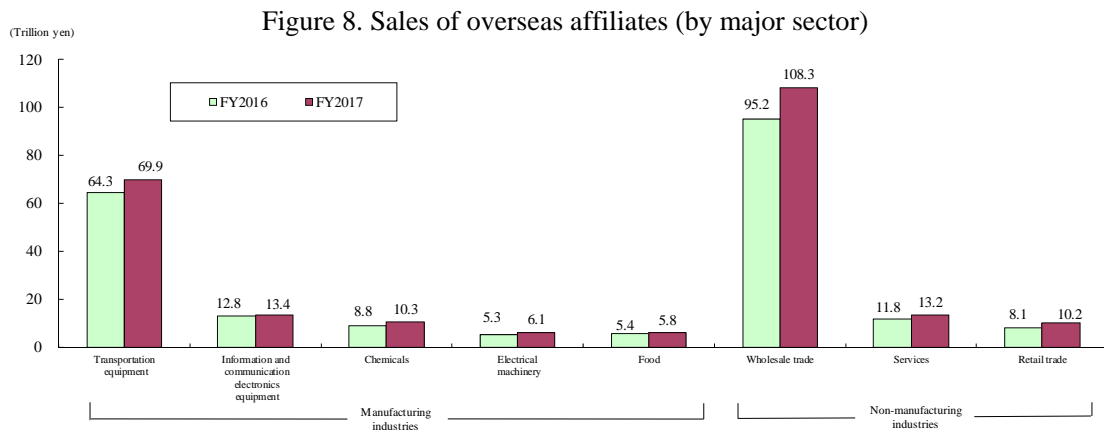
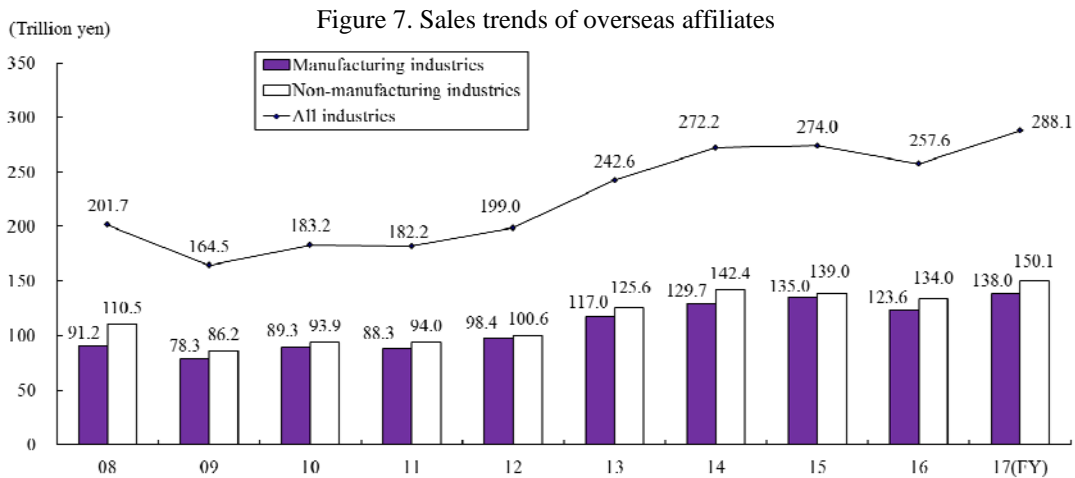


Figure 9. Sales trends of overseas affiliates (by region)

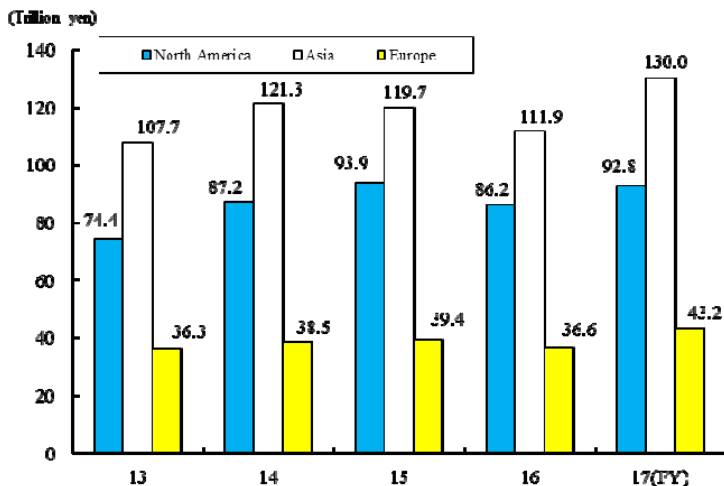
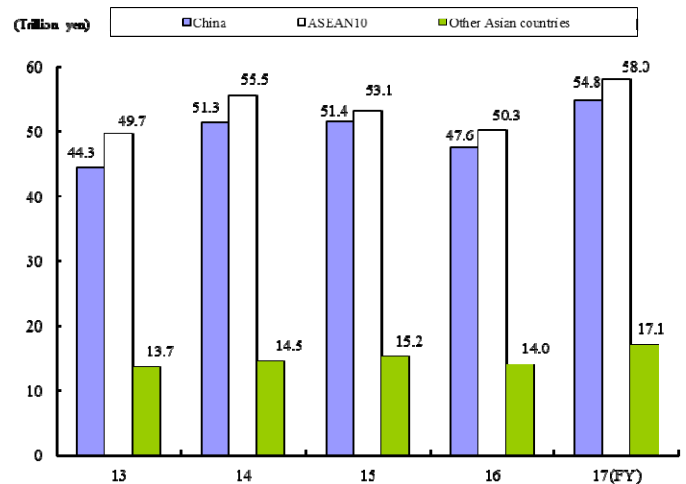


Figure 10. Sales trends of overseas affiliates (in Asia)



5. Overseas production ratio of overseas affiliates in manufacturing industries

- The overseas production ratio for manufacturing industries (based on all domestic companies) ^(Note 1) in FY2017 was 25.4%, up by 1.6 pp from the previous fiscal year, marking a record high. (Figure 11)
- By sector ^(Note 2), the overseas production ratio increased in the transportation equipment sector (47.2%), the information and communication electronics equipment sector (29.3%), and others. (Table 5)

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

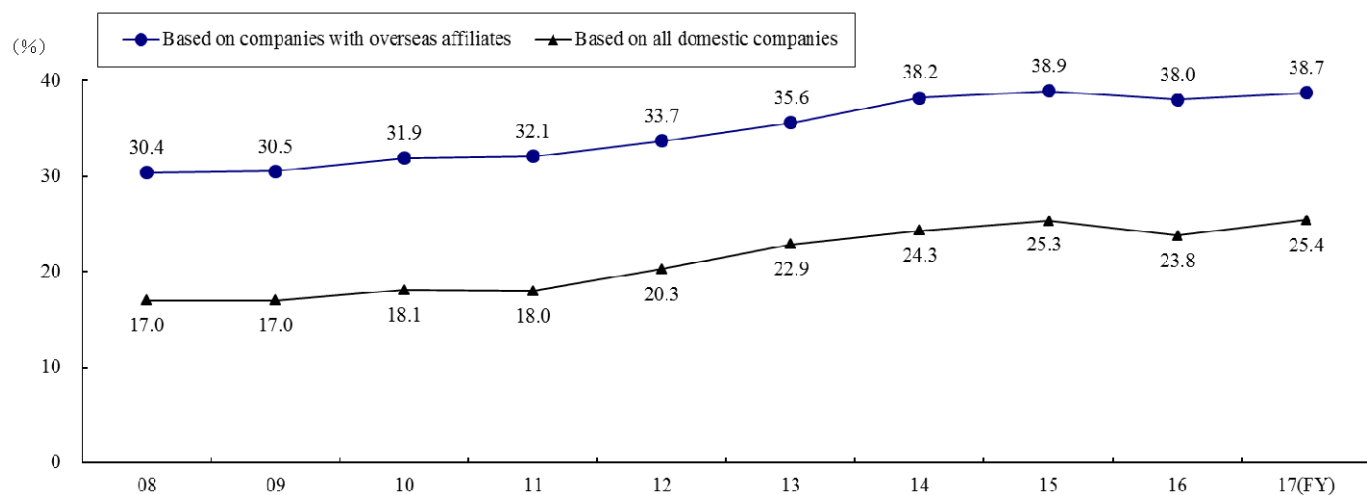


Table 5. Trends in the overseas production ratio by sector (calculated based on the total number of domestic companies (manufacturing industries))

(Unit: %)

	08	09	10	11	12	13	14	15	16	17(FY)
Total for manufacturing industries	17.0	17.0	18.1	18.0	20.3	22.9	24.3	25.3	23.8	25.4
Food	3.8	4.7	5.0	4.9	5.7	8.3	11.4	12.2	10.6	11.4
Textiles	9.5	6.2	6.2	8.3	11.9	12.3	12.4	12.9	11.1	14.0
Lumber, wood, paper, and pulp	4.2	3.7	4.5	4.3	4.7	5.7	7.8	9.7	8.2	9.8
Chemicals	17.4	15.1	17.4	18.5	19.5	20.5	22.4	19.4	18.0	20.1
Petroleum and coal	1.3	1.6	2.4	5.2	9.8	12.5	10.1	9.6	6.3	12.8
Ceramic, stone, and clay products	11.8	11.6	13.6	10.7	15.2	16.2	14.1	17.4	16.3	19.0
Iron and steel	10.3	10.7	11.2	10.2	11.5	13.6	14.5	14.0	17.6	19.3
Non-ferrous metals	11.0	11.8	14.7	14.8	15.3	17.5	19.1	18.8	19.0	20.7
Metal products	2.5	2.8	3.9	3.7	5.3	6.2	8.1	6.4	5.7	7.9
General-purpose machinery		21.2	28.3	24.8	26.6	27.6	34.2	33.8	32.9	31.9
Production machinery		8.0	11.1	11.5	11.8	13.6	14.6	15.7	13.9	15.9
Business oriented machinery		12.9	13.8	15.0	18.4	18.4	19.6	18.5	16.2	17.0
General machinery	12.8									
Electrical machinery	13.0	13.0	11.8	12.8	14.3	17.7	17.2	17.3	14.5	16.3
Information and communication electronics equipment	28.1	26.1	28.4	26.7	28.3	30.4	30.7	29.4	27.3	29.3
Transportation equipment	39.2	39.3	39.2	38.6	40.2	43.7	46.9	48.8	46.1	47.2
Precision instruments	7.9									
Miscellaneous manufacturing industries	9.1	8.7	9.1	11.5	12.8	14.8	12.0	14.3	12.6	12.9

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

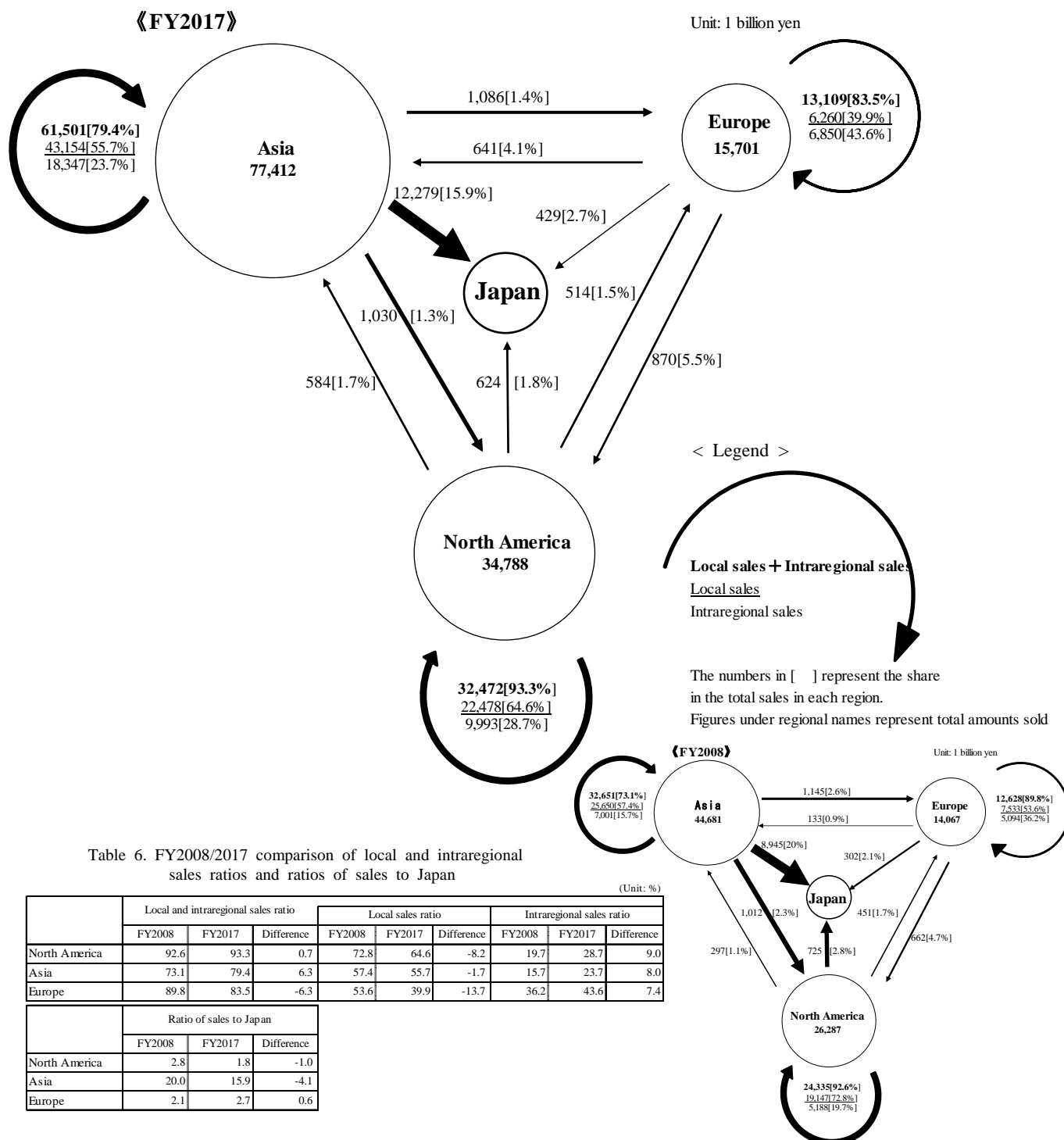
Note 2: Since the overseas production ratios by sector for FY2008 were aggregated by rearranging the survey results with old sector classifications for business statistics, the survey results have been incorporated into the old sector classifications, aggregated, and calculated. Since FY2009, the results 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 FY2017, the ratio was 93.3% in North America, 83.5% in Europe, and 79.4% in Asia.
- The ratio of sales to Japan was 15.9% in Asia, 2.7% in Europe, and 1.8% in North America.
- Compared to FY2008, 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



- 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 FY2017, the ratio was 75.0% in Asia, 67.7% in North America, and 66.3% in Europe.
- The procurement ratio from Japan was 21.9% in Asia, 24.6% in North America, and 25.6% in Europe.
- Compared to FY2008, the local procurement ratio increased in Asia but decreased in North America and Europe. In the meantime, North America, Asia 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
《FY2017》

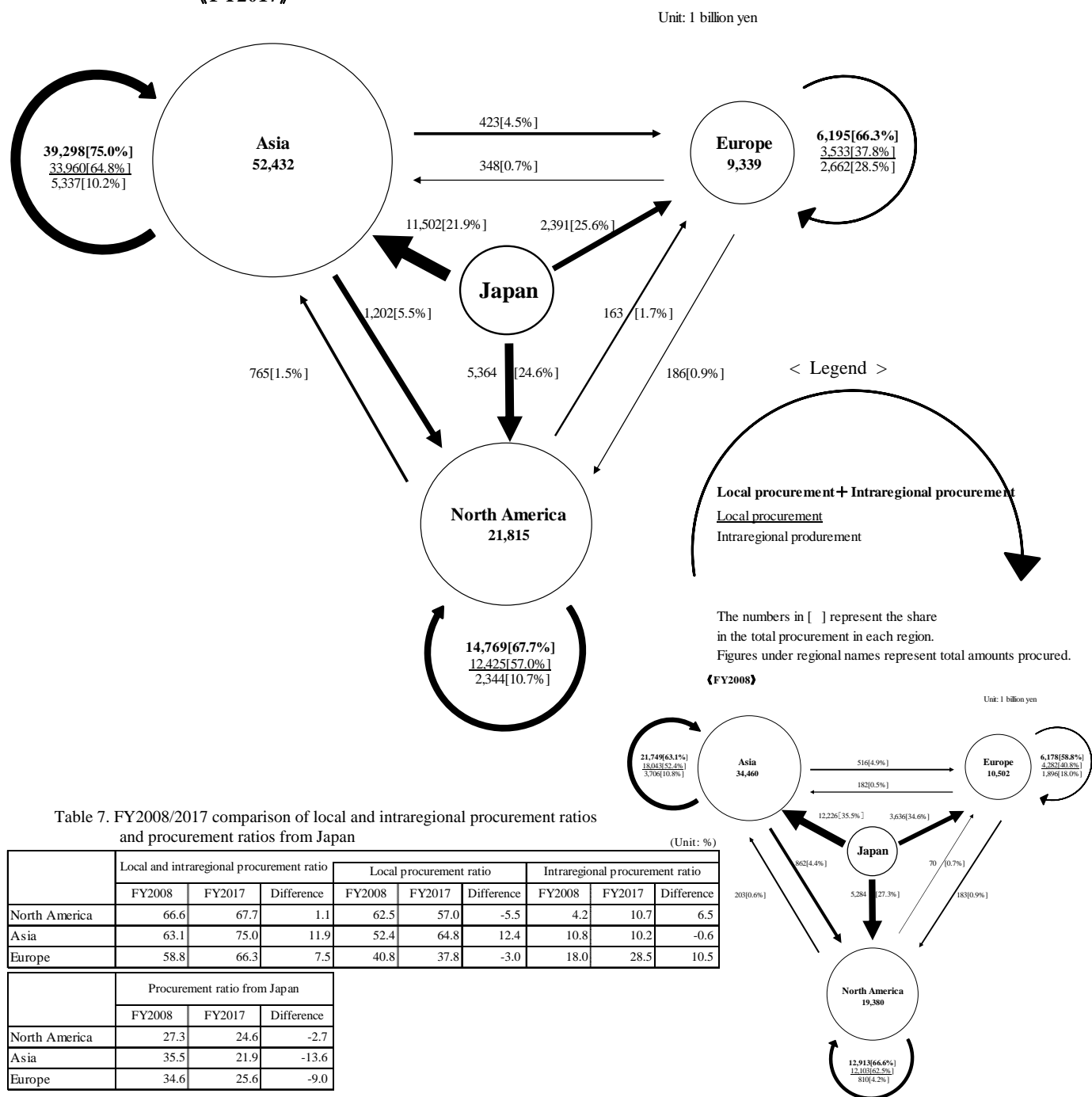


Table 7. FY2008/2017 comparison of local and intraregional procurement ratios and procurement ratios from Japan

	Local and intraregional procurement ratio			Local procurement ratio			Intraregional procurement ratio		
	FY2008	FY2017	Difference	FY2008	FY2017	Difference	FY2008	FY2017	Difference
North America	66.6	67.7	1.1	62.5	57.0	-5.5	4.2	10.7	6.5
Asia	63.1	75.0	11.9	52.4	64.8	12.4	10.8	10.2	-0.6
Europe	58.8	66.3	7.5	40.8	37.8	-3.0	18.0	28.5	10.5

	Procurement ratio from Japan		
	FY2008	FY2017	Difference
North America	27.3	24.6	-2.7
Asia	35.5	21.9	-13.6
Europe	34.6	25.6	-9.0

(Unit: %)

- 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 FY2017, ordinary profits of overseas affiliates decreased to 12.6 trillion yen, up by 3.0% from the previous fiscal year (but increased by 9.0% when comparing only companies that gave valid responses for this year and the previous year). Ordinary profits for manufacturing industries were 6.9 trillion yen, up by 3.4% (id.), but those for non-manufacturing industries increased to 5.7 trillion yen, up by 2.6% (id.). (Figure 14)
- By region, ordinary profits decreased in North America (down by 28.9% from the previous fiscal year), but increased in Asia (up by 17.9% (id.)) and Europe (up by 21.1% (id.)). (Figure 15)
- The ratio of ordinary profits to sales ^(Note) decreased to 4.6%, down by 0.3 pp from the previous fiscal year. The ratio for manufacturing industries was 5.4% (down by 0.4 pp (id.)) and that for non-manufacturing industries was 3.7% (down by 0.4 pp (id.)). (Table 8)

Figure 14. Trends in ordinary profits of overseas affiliates

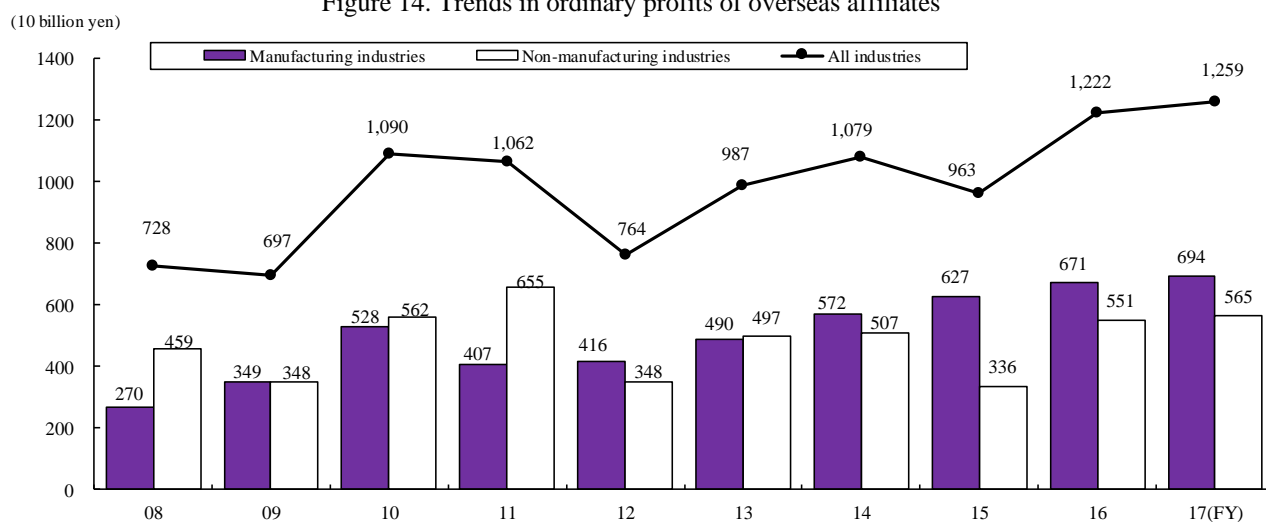


Figure 15. Trends in ordinary profits of overseas affiliates (by region)

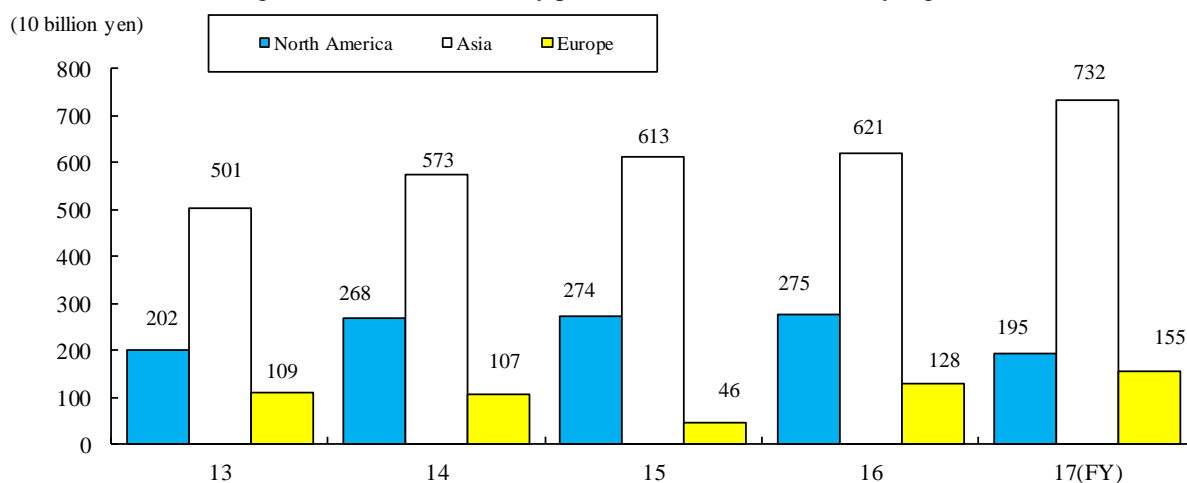


Table 8. Trends in the ratio of ordinary profits to sales of overseas affiliates

(Unit: %)

	08	09	10	11	12	13	14	15	16	17(FY)
All industries	3.5	4.4	6.1	5.9	3.9	4.2	4.1	4.0	4.9	4.6
Manufacturing industries	3.0	4.8	6.2	4.9	4.6	4.6	4.7	5.0	5.8	5.4
Non-manufacturing industries	4.0	4.0	6.1	6.8	3.3	3.9	3.5	3.0	4.1	3.7
(Reference) Domestic companies	2.4	2.3	3.2	3.3	3.5	4.2	4.5	4.8	5.2	5.4
Manufacturing industries	2.3	2.4	3.9	3.7	4.1	5.5	5.9	5.9	6.1	7.0
Non-manufacturing industries	2.4	2.3	2.8	3.1	3.3	3.7	3.9	4.3	4.8	4.9

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 FY2017, current net profits of overseas affiliates increased to 10.4 trillion yen, up by 15.7% from the previous fiscal year (or up by 15.6% when comparing only companies that gave valid responses for this year and the previous year). Manufacturing industries saw an increase to 5.4 trillion yen, up by 6.1% (id.), while non-manufacturing industries saw a 28.3% increase to 5.0 trillion yen. (Figure 16)
- The amount of current retained earnings ^(Note 1) of overseas affiliates in FY2017 was 4.7 trillion yen, up by 8.8% from the previous fiscal year (but increased by 47.3% when comparing only companies that gave valid responses for this year and the previous year).
- The balance of retained earnings ^(Note 2) was 35.7 trillion yen, up by 5.9% from the previous fiscal year (or up by 6.6% 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

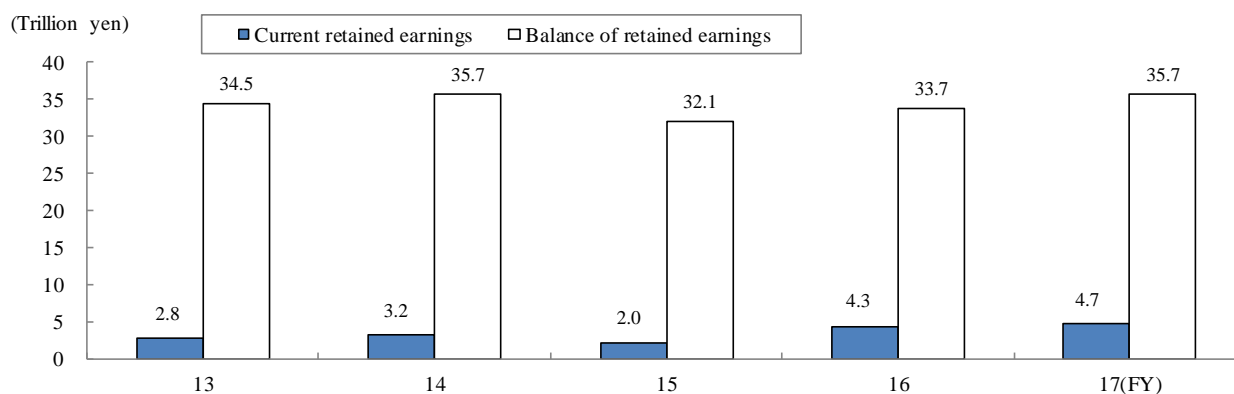


Table 9. Trends in current retained earnings and balance of retained earnings

(Units: 100 million yen, %)

	Current retained earnings			Balance of retained earnings		
	FY2016	FY2017	Y/Y	FY2016	FY2017	Y/Y
All industries	42,887	46,676	8.8	337,485	357,310	5.9
Manufacturing industries	20,324	21,322	4.9	158,356	168,677	6.5
Non-manufacturing industries	22,563	25,354	12.4	179,129	188,634	5.3

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 FY2017, research and development expenses in manufacturing industries were 722.7 billion yen, up by 17.8% from the previous fiscal year (or up by 21.1% when comparing only companies that gave valid responses for this year and the previous year).
- The ratio of overseas research and development expenses ^(Note) increased by 0.7 pp from the previous fiscal year to 5.8%. (Figure 18)
- Research and development expenses per company in the manufacturing industries increased by 13.3% from the previous fiscal year to 490 million yen. By sector, increases were seen in the chemicals sector, the transportation equipment sector, the information and communication electronics equipment sector, etc. (Table 10) By region, increases were seen all in North America, Europe and Asia. (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)

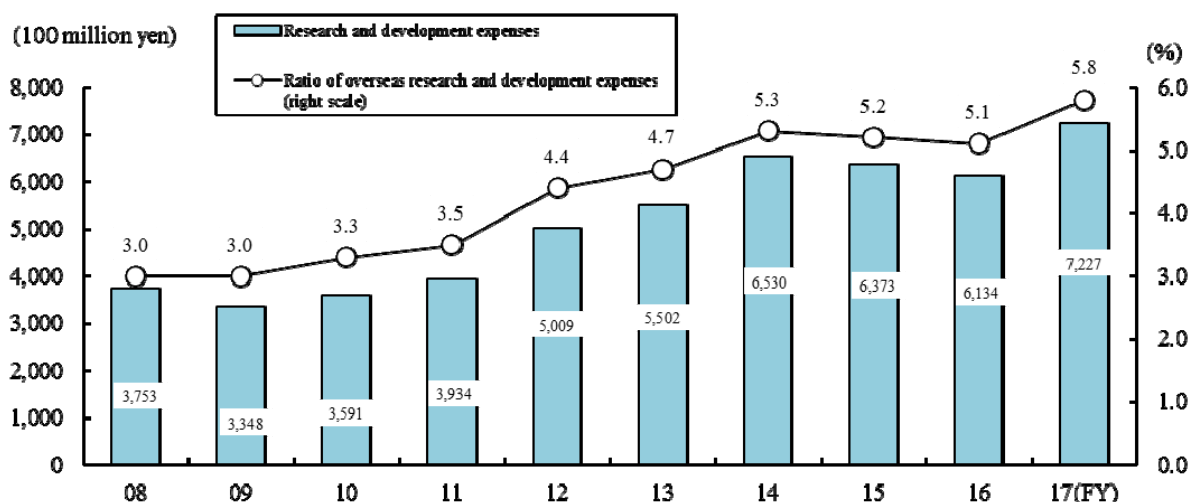


Table 10. Research and development expenses per company in manufacturing industries (by major sector)

(Units: Million yen, %)

	FY2016	FY2017	FY2017	
			Y/Y difference	Y/Y ratio
Manufacturing industries	428	485	57	13.3
Chemicals	624	862	238	38.1
Transportation equipment	638	782	144	22.6
Information and communication electronics equipment	649	666	17	2.6
Production machinery	463	477	14	3.0
Business oriented machinery	596	446	-150	-25.2

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

(Units: Million yen, %)

	FY2016			FY2017		
		Y/Y difference	Y/Y ratio		Y/Y difference	Y/Y ratio
All regions	428	6	1.4	485	57	13.3
North America	1,082	78	7.8	1,217	135	12.5
Asia	231	-9	-3.8	257	26	11.3
Europe	584	-37	-6.0	655	71	12.2

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 FY2017, the amount of capital investment in overseas affiliates in manufacturing industries increased to 4.0 trillion yen, up by 5.2% from the previous fiscal year (but decreased by 0.8% when comparing only companies that gave valid responses for this year and the previous year). The ratio of overseas capital investment ^(Note) was 20.8%, up by 0.1 pp from the previous fiscal year. (Figure 19)
- By sector, the amount of capital investment increased in the information and communication electronics equipment sector (up by 49.8% from the previous fiscal year) and others, but decreased in the transportation equipment sector (down by 6.5% (id.)). (Figure 20)
- By region, the amount increased in North America and Europe but fell in Asia. In Asia, China and other Asian countries saw a drop, while ASEAN10 saw an increase. (Figure 21, Figure 22)

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

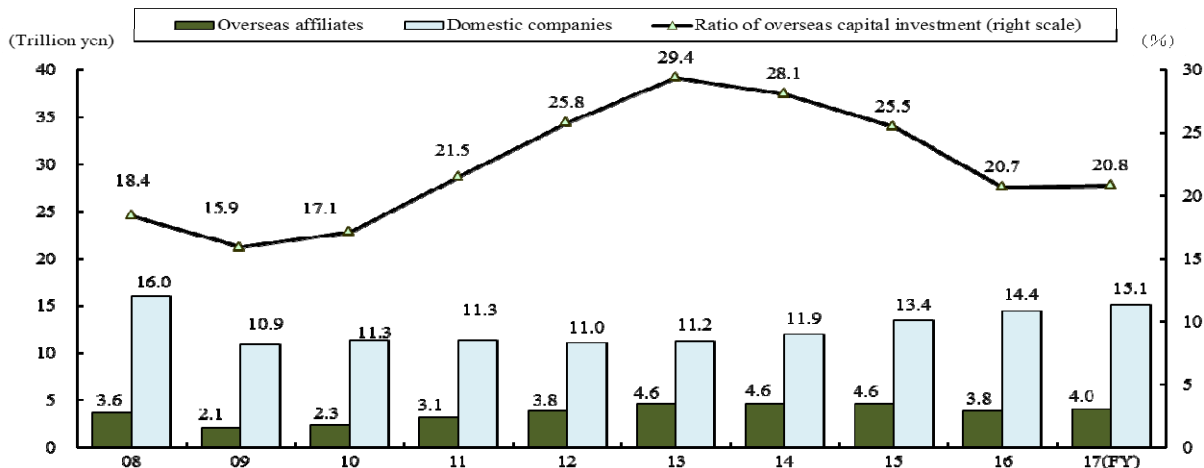


Figure 20. Capital investment in overseas affiliates (by major manufacturing sector)

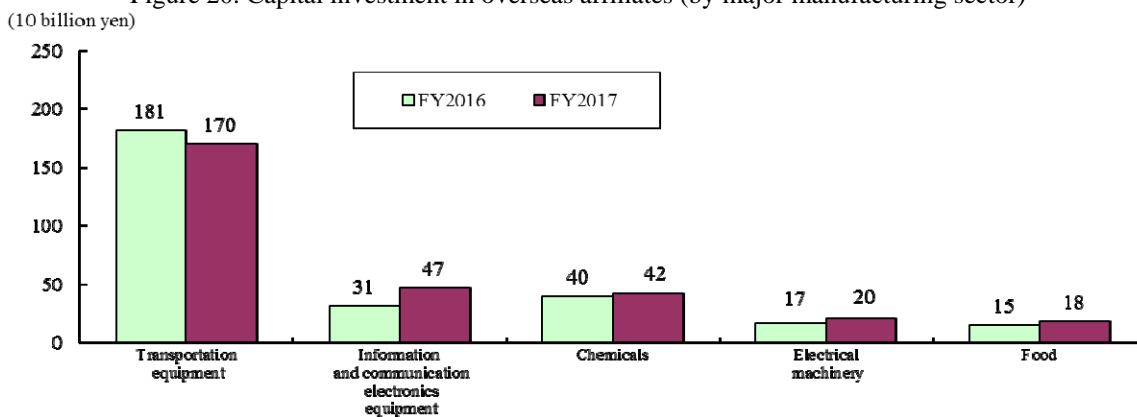


Figure 21. Capital investment in overseas affiliates in manufacturing industries (by region)

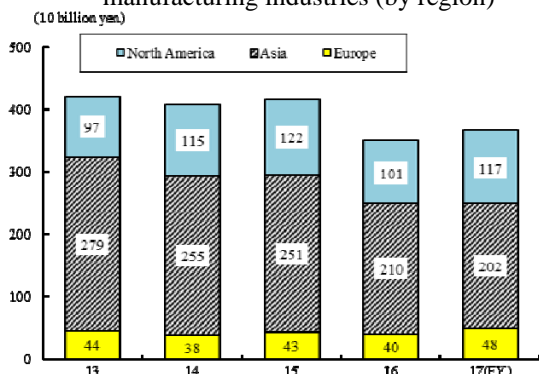
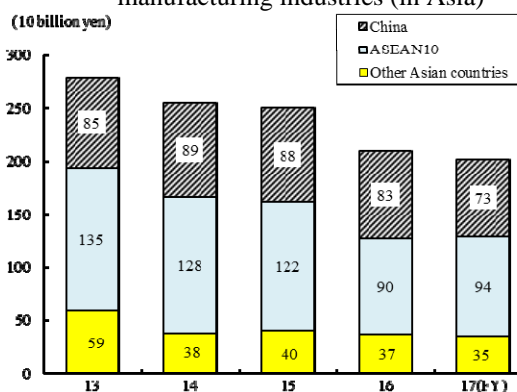


Figure 22. Capital investment in overseas affiliates in manufacturing industries (in Asia)



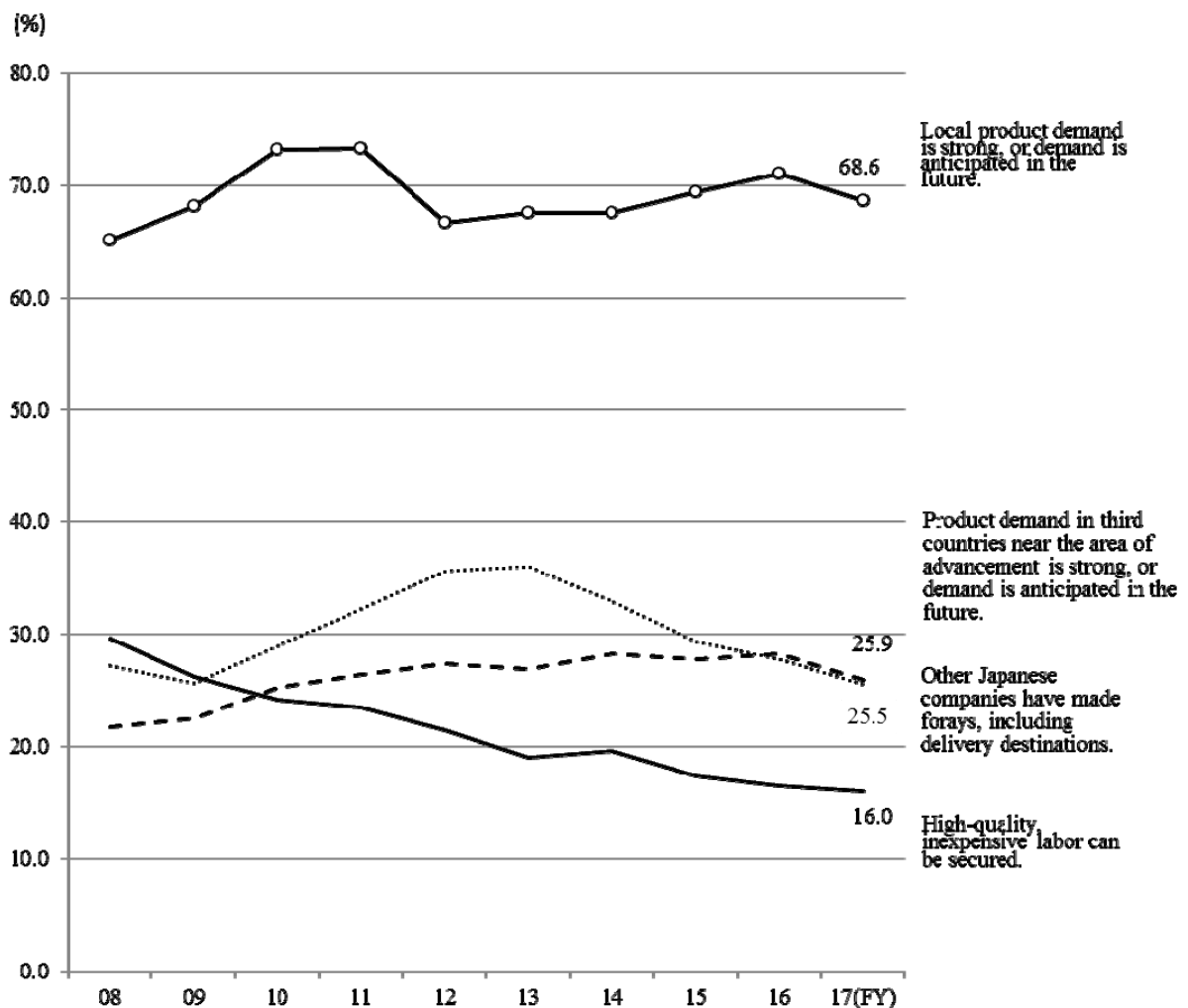
Note: Ratio of overseas capital investment (manufacturing industries) = Amount of capital investment in overseas affiliates (manufacturing industries) / (Amount of capital investment in overseas affiliates (manufacturing industries) + Amount of capital investment in domestic companies (manufacturing 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 FY2017, the largest number of companies, about 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 companies that responded "local product demand is strong, or demand is anticipated in the future" decreased for the first time in four years. 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 decreased for the first time in two years. Companies that responded "other Japanese companies have made forays, including delivery destinations" or "high-quality, inexpensive labor can be secured" are continuously on a 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 FY2017, 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 FY2017 amounted to 4.6 trillion yen, up by 4.5% from the previous fiscal year. (Figure 24)
- Looking at payments from overseas affiliates to Japanese investors by region, payments increased all from Asia (up by 8.8% from the previous fiscal year), Europe (up by 3.2% (id.)), and North America (up by 0.9% (id.)). In Asia, payments increased both from ASEAN10 and China. (Figure 25, Figure 26)
- By major sector, payments increased in the transportation equipment sector (up by 7.7% from the previous fiscal year), the wholesale trade sector (up by 2.7% (id.)), and others. (Figure 27)

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

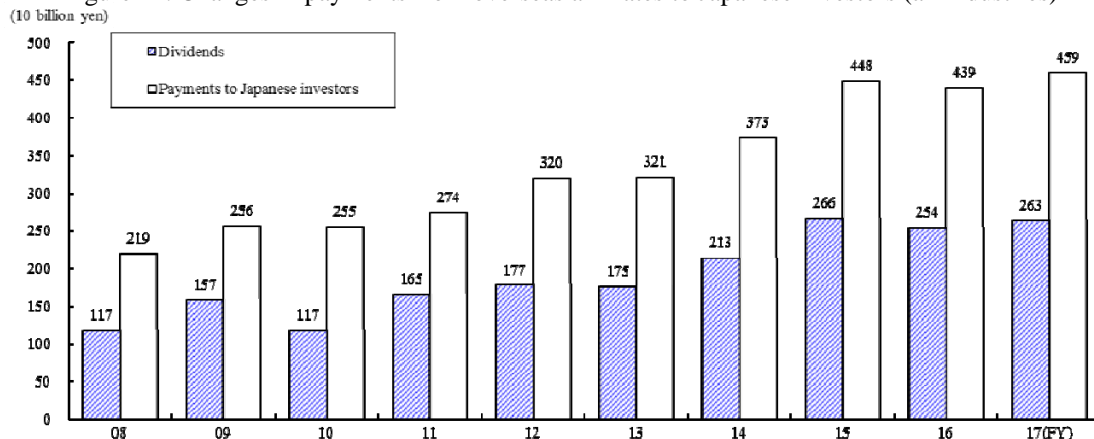


Figure 25. Payments from overseas affiliates to Japanese investors (by region)

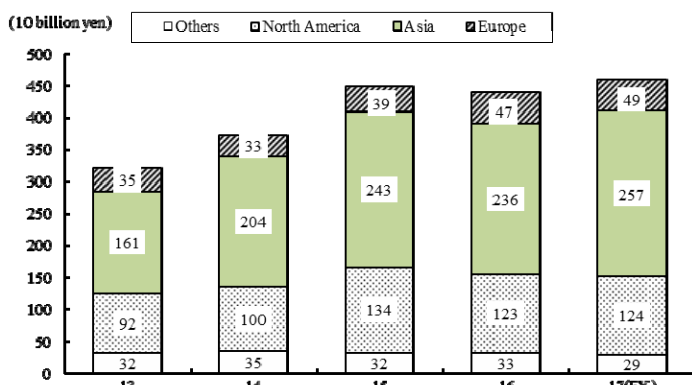


Figure 26. Payments from overseas affiliates to Japanese investors (in Asia)

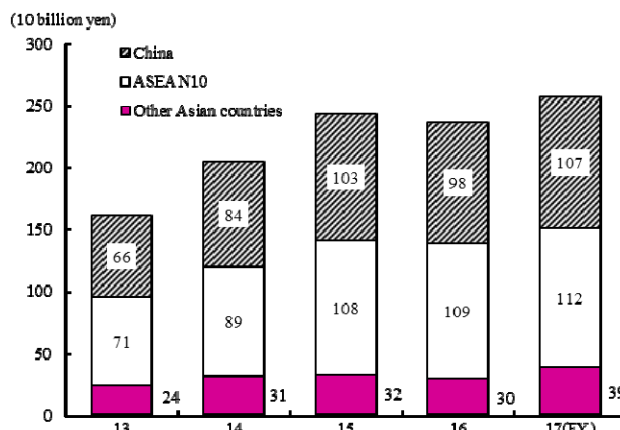


Figure 27. Payments from overseas affiliates to Japanese investors (by major sector)

