

# Country experience: Japan (Chapter 6)

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6.120. The Survey on Overseas Business Activities of Japan (outward survey) and the Survey of Trends in Business Activities of Foreign Affiliates (inward survey), conducted by the Ministry of the Economy, Trade and Industry (METI) serve as Japan's FATS surveys. They are conducted on an annual basis and the data correspond to those recommended by MSITS 2010, although with the following deviations:

- (a) If the parent company is mainly involved in the financial, insurance and real estate industries, the company and its affiliates are excluded from the outward survey;
- (b) Inward data are based on an ownership ratio exceeding one-third, while outward data are based on 10-per-cent standard, as opposed to the majority standard of MSITS 2010;
- (c) Ultimate investors are not identified in inward surveys.

6.121. The Survey on Overseas Business Activities of Japan aims to present the actual conditions concerning overseas business activities of Japanese corporations to serve as a basis for future industrial and trade policies. Survey targets are parent companies, namely, Japanese corporations that, as of the end of March, own overseas affiliates, excluding those in the financial, insurance or real estate industries (hereinafter referred to as "parent companies") and overseas affiliates ("subsidiaries" and "sub-subsidiaries" are collectively referred to as "overseas affiliates"). The following overseas affiliates are surveyed:

- (a) A foreign affiliate in which a Japanese corporation has invested capital of 10 per cent or more;
- (b) A foreign affiliate in which a subsidiary, funded by more than 50 per cent by a Japanese corporation, has invested capital of more than 50 per cent;
- (c) A foreign affiliate in which a Japanese corporation and a subsidiary, funded by more than 50 per cent by a Japanese corporation, has invested capital of more than 50 per cent cumulatively.

6.122. The outward survey is based on the Statistics Law of Japan. For the 2013 survey, questionnaires were sent to the entire population of 8,662 parent companies and 76.4 per cent of those enterprises replied. It is obligatory for survey forms to be filled out by parent companies. If multiple Japanese companies are parents, the company with the largest equity share (the leading company if the shares of two companies are the same) of a foreign affiliate should fill out the form.

6.123. The outward FATS information that is collected includes overseas affiliate profile, investment, operation status, decline in control share, employment on a full-time equivalent (FTE) basis employment, sales turnover, purchases and related costs, profits, appropriation of earnings; research and development expenses, capital investment and major products broken down into intermediate and final goods.

6.124. The Survey of Trends in Business Activities of Foreign Affiliates (inward FATS) is conducted in accordance with the Statistics Law of Japan. The 2013 survey covered 5,463 companies, of which 60.3 percent replied. The following enterprises were covered:

- (a) A company in which more than one third of shares or holdings is owned by foreign investor;
- (b) A company funded by a domestic company (in Japan) in which more than one third of shares or holdings is owned by foreign investors, and in which the total ratio of the foreign investor's direct and indirect investment is more than one third of the shares or holdings of the company concerned;
- (c) Companies that fall under (a) or (b), in which the principal foreign investor's direct investment ratio is more than 10 per cent.

6.125. The inward FATS information that is collected includes the company profile operation status, employment on an FTE basis, type and function of the establishment (i.e., whether the affiliate in Japan is a regional headquarters), sales turnover, type of imports purchased, payments to the principal foreign investor (dividends, interest on loans and royalties), research and development expenses, plant and equipment investments and profits and assets.

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