【Article】

A Study on Affiliates of Japanese Firms in China: From China Plus One Perspective
日本企業の中国現地法人に関する一考察：チャイナプラスワンの視点から

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Contents

(Abstract)

This study examines data of Overseas Japanese Companies of Toyo Keizai Inc. in years of 2010, 15, 19, 20, 21, and 22 in order to find out characteristics of foreign affiliates in China that were liquidated or sold in 2022 and their (Japanese) parent companies by industry from the point of view of China Plus One, i.e., companies operating in China have production or other facilities in other countries. This study shows which industries (manufacturing, service, and others) have many affiliates lost and what characteristics those affiliates have in terms of geographical concentration, degrees of their business operations (ages of affiliates, employment and revenue), and their parent companies. Although China is still one of the most important countries for many Japanese firms, this study shows that in some manufacturing industries, countries in which they operate and industries that their affiliates belong to are quite diversified.

1. Introduction

One of various studies on roles of foreign direct investment (FDI) is how FDI may mitigate shocks of country risk such as natural disasters and economic crisis both in FDI source and host countries. For Japanese firms, there are many studies on how the Great East Japan Earthquake and the Great Thai Flood in 2011 affected production networks that Japanese machinery industry had developed (e.g., Ando 2016). Previous studies analyze international trade of machinery industry between Japan and (South) East Asian countries with fine classification including components, and many of them show that production networks that Japanese machinery industry had built were resilient to natural disasters.

Nowadays many firms operating in China are said to have built production facilities in other countries to cope with any changes in government policies and/or in economic environment in China. Such movements are called "China Plus One". However, studies on China Plus One are few except for those on specific countries (e.g., Viet Nam as location of additional production facilities) or industries such as textile. Other than machinery industries, studies on responses of Japanese firms to external shocks are also few. About Covid-19's impacts on Japanese firms, studies using trade data exist (e.g., Hayakawa and Mukunoki 2021). However, studies directly analyzing behaviors of foreign affiliates of Japanese firms such as switches of their business partners are few.

This article attempts to analyze behaviors of Japanese firms based on different perspectives and data from the previous studies. The data used in this study are Overseas Japanese Companies of Toyo Keizai Inc. This dataset has been used by many researchers to study FDI by Japanese firms (see Ito et al. (2024) for instance). By chasing foreign affiliates in China and their (Japanese) parent companies by industry, what characteristics the affiliates liquidated or sold and their parent companies have are examined from the point of view of China Plus One. Therefore, an objective of this study is to find facts on behaviors of Japanese firms operating in China as much as possible.

The structure of this article is the following. Section two describes the data used in this study. Section three shows data screening process to specify the affiliates that operated in China and either liquidated or sold in 2022, and lists the affiliates by industry. Section four describes the characteristics of the affiliates liquidated or sold by industry. The characteristics discussed in section four are (1) geographical distribution, (2) employment, (3) establishment year, (4) ownership structure, and (5) revenue. Section five performs more analysis on the affiliates of selected industries with information on their parent companies. Finally, section six concludes this article with some remarks.

2. Data Description

Overseas Japanese Companies (hereafter, OJC database) compiled by Toyo Keizai Inc. consists of "foreign affiliate data" and "Japanese parent company data". Foreign affiliate data have information on affiliates such as country, industry, description of

business, capital, number of employees, number of employees dispatched from Japan, year and month when the affiliate was established, sales, and objective of investment. Foreign affiliate data also have information on parent companies such as name of parent company, parent company's investment ratio, name of local company with which the parent company has formed joint venture, and local partner's investment ratio.

Japanese parent company data have information on parent companies such as industry, listing classification, address of headquarter, and capital. They also have information on foreign affiliates such as name, country, industry, state for affiliates in the U.S. and province for affiliates in China, and investment ratio. To classify industries, Toyo Keizai Inc.'s original industry code is used (57 industries including "not classifiable"). Note that OJC database is based on survey conducted in October of a year earlier. For companies answering the survey for a multi-year period, their information configures panel data.

This study uses the data of the following six years: 2011, 16, 20, 21, 22, and 23. Therefore, all sample years are one-year before, i.e., 2010, 15, 19, 20, 21, and 22. The last three years were under Covid-19 pandemic. Those years were also after 2018, the year when US-China trade war started intensifying.

3. Data Processing and Dataset Organized for This Study

If an affiliate of Japanese company in China is not in the data of 2023, it is not always the case that the affiliate was either liquidated or sold to other companies in 2022. For each case, whether the affiliate was really liquidated or sold must be checked due to the lack of information regarding why the affiliate is absent from the 2023 dataset. In order to check if each of affiliates was over, information on each of Japanese parent companies was examined. If a parent company is publicly listed, its information for investors provided by the company such as securities report (*Yuka Shoken Hokokusyo*), usually available at the website of the company, was used. If a parent company is not publicly listed, its press release or other forms of dispatch of information provided at the company's website was used.

In the data of 2023, among foreign affiliates in China whose information is available in the data of 2022, 245 affiliates of 46 industries are missing. However, after data processing described above, 101 affiliates of 36 industries are left. Those 101 affiliates and their (Japanese) parent companies are analytical objectives of this study hereafter. Numbers of affiliates either liquidated or sold in 2022 by industry are listed in Table 1. In the table, the following industries lose relatively more affiliates (four manufacturing and three service industries), whose names and numbers of affiliates are marked gray:

- Textile Products.
- Chemical and Allied Products.
- Ceramic, Stone, and Clay Products.
- General-Purpose Machinery.

- Information Services.
- Wholesale of Electrical Machinery, Equipment and Supplies.
- Real Estate Agency.

Table 1. Number of Affiliates in China Liquidated or Sold in 2022

Industry	Number of Affiliates
Agriculture	2
Construction	2
Manufacturing (55 affiliates of 14 industries)	
Food	3
Textile Products	7
Chemical and Allied Products	9
Medicines	2
Rubber Products	1
Ceramic, Stone, and Clay Products	7
Iron and Steel	2
Non-Ferrous Metals and Products	1
Fabricated Metal Products	3
General-Purpose Machinery	7
Electrical Machinery, Equipment, and Supplies	1
Transportation Equipment	4
Measuring Instruments, Physical and Chemical Instruments and Optical Instruments	3
Manufacturing, N.E.C.	5
Services (41 affiliates of 19 Industries)	
Transport	1
Warehousing	1
Information Services	6

Note: industries of whose numbers of affiliates are 5 or more are marked gray, except for industries whose names have a word “N.E.C.” (not elsewhere classified).

Among the above seven industries, two manufacturing ones, Chemical and Allied Products and General-Purpose Machinery, increased numbers of affiliates in the second half of the 2010s. On the other hand, affiliates of information services had decreased substantially since 2015 (Matsubara 2023, P.182). Therefore, such a trend might had continued in this industry. The bubble-burst of real estate market (especially housing market) may have affected the affiliates of real estate agency.[1)] Although the manufacturing industry has more affiliates lost than the service industry in 2022, number of industries of service industry is larger than that of manufacturing industry. However, only three manufacturing industries consists of just one firm in Table 1, twelve service industries does. Therefore, when examining within industry variations, gray-marked industries are mainly discussed.

Table 1. Number of Affiliates in China Liquidated or Sold in 2022 (Continued)

Industry	Number of Affiliates
Services (41 affiliates of 19 Industries: continued)	
Wholesale	
Wholesale of Chemicals and Allied Products	1
Wholesale of Medicines and Toiletries	1
Wholesale of Machinery and Equipment	1
Wholesale of Electrical Machinery, Equipment and Supplies	5
Wholesale of Measuring Instruments, Physical and Chemical Instruments and Optical Instruments	1
Wholesale Trade, N.E.C.	5
Retail	
Department Stores	1
Specialty Store	1
Retail Trade, N.E.C.	1
Finance	
Investment Advisory	1
Goods Rental and Leasing	1
Financial Auxiliaries	1
Other Services	
Real Estate Agency	6
Travel Agency	2
Business Consultant	2
Services, N.E.C.	3
Holding/Headquarters	
Headquarters	1
Total	101

Note: industries of whose numbers of affiliates are 5 or more are marked gray, except for industries whose names have a word “N.E.C.” (not elsewhere classified).

4. Characteristics of Affiliates in China Liquidated or Sold in 2022

In this section, various characteristics of affiliates either liquidated or sold in 2022 are examined. In 4.1, geographical distribution of affiliates and characteristics of two cities and two provinces that lost a lot of Japanese affiliates are described. In 4.2, as an indicator of affiliate’s scale of operation, employment and its changes by industry are discussed. In 4.3, as an indicator of affiliate’s age, its establishment year by industry is discussed. In, 4.4, ownership structure of affiliates by Industry are examined by looking at number of Japanese parent companies, investment ratios of Japanese and Chinese companies respectively (if any for the latter). In 4.5, as another indicator of affiliate’s business scale and also of market environment, revenue of affiliate is discussed.

Table 2. Geographical Distribution of Affiliates Liquidated or Sold in 2022

City or Province	Number of Affiliates	Province	Number of Affiliates	Province	Number of Affiliates
City		**Province**		**Province**	
Beijing	**10**	Jilin	1	Shandong	4
Tianjin	3	Heilongjiang	1	Henan	1
Shanghai	**30**	**Jiangsu**	**27**	**Guangdong**	**10**
Province		Zhejiang	2	Guangxi	1
Hebei	3	Anhui	2	Sichuan	1
Liaoning	4	Fujian	1	**Total**	**101**

Note: Cities and provinces that have ten or more affiliates are marked gray.

4.1 Geographical Distribution of Affiliates

Table 2 shows geographical distribution of affiliates either liquidated or sold in 2022. Obviously, Beijing and Shanghai, capital and economic center of China respectively, have many affiliates lost (numbers of remaining affiliates are still large for both cities). Besides those two mega cities, two provinces, Jiangsu and Guangdong, also have lost many affiliates. Those provinces have the following similar characteristics:

- Jiangsu, close to Shanghai, has the second-largest provincial GDP and has concentration of shipbuilding industry, one of China's comparative advantage industries.
- Guangdong, having two economic centers, Shenzhen and Guangzhou, has the largest provincial GDP and concentration of exporting manufacturing industry.[2)]

Both provinces also have exchange agreements with Hyogo prefecture (see the prefecture website).

Besides those four economic giants, most of other cities and provinces are located in coastal area facing East China Sea, where China's economic development started first in the end of the 1970s with its reform and opening-up policy.[3)]

Table 3. Employment and Its Changes by Industry (2011-22)

Industry	(1) Average Number of Employees 2011-22	(2) % Change in Number of Employees 2011-22
Construction (2)	26.5	N.A.
Manufacturing (12 industries)		
Food (3)	132.1	-68.5 (1)
Textile Products (3)	121.7	-97.6 (1)
Chemical and Allied Products (9)	79.3	-42.4 (7)
Ceramic, Stone, and Clay Products (2)	417.5	58.7 (1)
Iron and Steel (1)	239.2	-15.6 (1)
Non-Ferrous Metals and Products (1)	7.0	N.A.
Fabricated Metal Products (2)	740.4	106.7 (2)
General-Purpose Machinery (4)	76.9	-67.0 (2)
Electrical Machinery, Equipment, and Supplies (1)	6.0	N.A.
Transportation Equipment (4)	1211.4	-54.0 (2)
Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (1)	4053.8	-76.9 (1)
Manufacturing, N.E.C. (4)	96.6	21.8 (2)

Notes

1. Numbers in parentheses after industry names are those of affiliates whose numbers of employees are available for at least one year.
2. Numbers in parentheses after percentage changes are those of affiliates whose numbers of employees in both years 2011 and 22 are available.

4.2 Employment and Its Changes by Industry

Table 3 shows two numbers to describe employment and its changes in affiliates from 2011 to 22: (1) average number of employees and (2) percentage change in number of employees. Since only affiliates whose numbers of employees in years 2011 and 22 are available are included in Table 3, twenty-seven industries (construction, thirteen manufacturing industries, twelve service industries, and holding company) are in the table. On average, manufacturing industries had employed more people than service and other industries, although there are large variations within manufacturing and other industries (column (1)). Moreover, for many industries of manufacturing and others, percentage changes from 2011 to 22 are negative (column (2)). Especially, large decreases in numbers of employees are observed in many industries after 2019 (not shown in Table 3). Whether these decreases in employment are mainly due to Covid-19 pandemic or due to preparation for affiliate closure regardless of the pandemic is an interesting issue. Degrees of lockdown during the pandemic, e.g. duration of the lockdown, may have affected the former, but more analysis is needed.

Table 3. Employment and Its Changes by Industry (2011-22) (Continued)

Industry	(1) Average Number of Employees 2011-22	(2) %Change in Number of Employees 2011-22
Services (11 Industries)		
Warehousing (1)	246.5	N.A.
Information Services (5)	17.1	-66.3 (2)
Wholesale		
Wholesale of Chemicals and Allied Products (1)	3.0	N.A.
Wholesale of Medicines and Toiletries (1)	41.0	N.A.
Wholesale of Electrical Machinery, Equipment and Supplies (1)	16.4	-42.9 (1)
Wholesale Trade, N.E.C. (3)	9.2	42.9 (1)
Retail		
Department Stores (1)	300.4	-36.0 (1)
Specialty Store (1)	34.5	N.A.
Other Services		
Real Estate Agency (5)	7.2	-75.0 (1)
Business Consultant (2)	6.5	N.A.
Services, N.E.C. (2)	108.9	-60.2 (1)
Holding/Headquarters		
Headquarters (1)	43.3	N.A.

Notes

1. Numbers in parentheses after industry names are those of affiliates whose numbers of employees are available for at least one year.
2. Numbers in parentheses after percentage changes are those of affiliates whose numbers of employees in both years 2011 and 22 are available.

Table 4. Average of Affiliate Establishment Year by Industry

Industry	Average of Established Year by Industry
Agriculture (2)	2018
Construction (2)	2005
Manufacturing (14 Industries)	
Food (3)	2007
Textile Products (6)	2006
Chemical and Allied Products (9)	2002
Medicines (2)	2003
Rubber Products (1)	1997
Ceramic, Stone, and Clay Products (6)	2002
Iron and Steel (2)	2002
Non-Ferrous Metals and Products (1)	2007
Fabricated Metal Products (3)	2000
General-Purpose Machinery (6)	2007
Electrical Machinery, Equipment, and Supplies (1)	2009
Transportation Equipment (4)	2000
Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (3)	2000
Manufacturing Industries, N.E.C. (5)	2008
Services (19 Industries)	
Transport (1)	2005
Warehousing (1)	1997
Information Services (5)	2006

Note: numbers in parentheses after industry names are those of affiliates whose establishment years are available.

4.3 Average of Affiliate Establishment Year by Industry

Table 4 shows average of affiliate establishment year by industry. Overall, establishment years of manufacturing industries were relatively earlier than those of service industries. Iwasaki (2014) argues that there were four booms of FDI to China by Japanese firms. In the first and second booms (the second half of the 1980s and the first half of the 1990s respectively), a main objective of FDI is to build production bases. Therefore, FDI by manufacturers went first and FDI by other industries followed. There is no manufacturing industry whose average establishment year was in the 2010s (one industry in the 1990s and thirteen industries in the 2000s). This is consistent with a fact that the last FDI boom ended in 2013 (Iwasaki 2014, P.34). There are more variations within service industries (three industries in the 1990s, nine industries in the 2000s, and seven industries in the 2010s). However, many of service industries have only one firm, so this result should be with caveat.

Table 4. Average of Affiliate Establishment Year by Industry (Continued)

Industry	Average of Established Year by Industry
Services (19 Industries: Continued)	
Wholesale	
Wholesale of Chemicals and Allied Products (1)	2011
Wholesale of Medicines and Toiletries (1)	2005
Wholesale of Machinery and Equipment (1)	1994
Wholesale of Electrical Machinery, Equipment and Supplies (5)	2007
Wholesale of Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (1)	2011
Wholesale Trade, N.E.C. (5)	2008
Retail	
Department Stores (1)	2007
Specialty Store (1)	1994
Retail Trade, N.E.C. (1)	2016
Finance	
Investment Advisory (1)	2004
Goods Rental and Leasing (1)	2014
Financial Auxiliaries (1)	2018
Other Services	
Real Estate Agency (6)	2013
Travel Agency (2)	2007
Business Consultant (1)	2012
Services, N.E.C.(3)	2005
Holding/Headquarters	
Headquarters (1)	2011
Average of All Firms (96)	2006

Note: numbers in parentheses after industry names are those of affiliates whose establishment years are available.

Table 5. Ownership Structure of Affiliates by Industry

Industry	(1)Average Number of Japanese Parent Companies	(2)Average Own Ratio of Japanese Parent Companies	(3)Average Own Ratio of Foreign Parent Companies
Agriculture (2)	1.0	20.0	30.0
Construction (2)	1.0	98.0	0.0
Manufacturing (14 Industries)			
Food (3)	1.3	59.7	1.7
Textile Products (7)	1.3	47.8	9.4
Chemical and Allied Products (9)	1.2	75.8	11.4
Medicines (2)	1.0	50.0	0.0
Rubber Products (1)	2.0	50.0	50.0
Ceramic, Stone, and Clay Products (7)	1.0	69.8	0.0
Iron and Steel (2)	1.5	20.0	45.0
Non-Ferrous Metals and Products (1)	1.0	100.0	0.0
Fabricated Metal Products (3)	1.3	61.7	5.0
General-Purpose Machinery (7)	1.0	39.3	0.0
Electrical Machinery, Equipment, and Supplies (1)	1.0	0.0	0.0
Transportation Equipment (4)	1.0	60.1	32.3
Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (3)	1.0	61.0	0.0
Manufacturing, N.E.C. (5)	1.0	68.2	9.8
Services (19 Industries)			
Transport (1)	1.0	0.0	0.0
Warehousing (1)	1.0	0.0	50.0
Information Services (6)	1.0	61.2	15.5

Note: numbers in parentheses after industry names are those of affiliates whose number of Japanese parent companies and/or other related information are available.

Table 5. Ownership Structure of Affiliates by Industry (Continued)

Industry	(1) Average Number of Japanese Parent Companies	(2) Average Investment Ratio of Japanese Parent Companies	(3) Average Investment Ratio of Foreign Parent Companies
Services (19 Industries: Continued)			
Wholesale			
Wholesale of Chemicals and Allied Products (1)	1.0	100.0	0.0
Wholesale of Medicines and Toiletries (1)	1.0	100.0	0.0
Wholesale of Machinery and Equipment (1)	1.0	0.0	0.0
Wholesale of Electrical Machinery, Equipment and Supplies (5)	1.0	80.0	0.0
Wholesale of Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (1)	1.0	100.0	0.0
Wholesale Trade, N.E.C. (5)	1.0	50.0	0.0
Retail			
Department Stores (1)	1.0	77.0	0.0
Specialty Store (1)	1.0	100.0	0.0
Retail Trade, N.E.C. (1)	1.0	50.0	50.0
Finance			
Investment Advisory (1)	1.0	100.0	0.0
Goods Rental and Leasing (1)	1.0	0.0	0.0
Financial Auxiliaries (1)	1.0	80.0	20.0
Other Services			
Real Estate Agency (6)	1.0	83.3	0.0
Travel Agency (2)	1.0	100.0	0.0
Business Consultant (2)	1.5	100.0	0.0
Services, N.E.C.(3)	1.0	98.9	0.0
Holding/Headquarters			
Headquarters (1)	1.0	100	0.0
Average of All Firms (101)	1.1	63.9	7.7

Note: numbers in parentheses after industry names are those of affiliates of whose numbers Japanese parent companies and/or other related information are available.

4.4 Ownership Structure of Affiliates by Industry

Table 5 shows ownership structure of affiliates by industry. From column (1), in most industries there is only one Japanese parent company. However, in column (2), investment ratios of Japanese parent companies vary among industries. Especially, in manufacturing industries, the ratios are much lower than one hundred percent. Four industries, i.e. Textile Products, Iron and Steel, General-Purpose Machinery, and Electrical Machinery, equipment, and Supplies, do not even have the majority, i.e. fifty percents.[4)] About investment ratios of foreign companies in column (3), the Chinese government has imposed various regulations on manufacturing industries such as automobile (see Japan

External Trade Organization (JETRO) 2024). Whether those regulations have affected investment ratios and other management-related factors for Japanese firms needs more analysis.[5)]

Table 6. Average Revenue of Affiliates and Percentage Changes (2011-22) by Industry

Industry	(1) Average of Revenue by Industry (1,000US$)	(2) % Change 2011-22
Construction (1)	6,092.2	-63.4
Textile Products (1)	4,775.3	-31.6
Chemical and Allied Products (6)	18,486.2	16.3
General-Purpose Machinery (1)	74,084.8	99.2
Manufacturing, N.E.C. (1)	6,443.6	-16.6
Wholesale Trade, N.E.C. (1)	3,129.3	733.6
Department Stores (1)	65,896.9	25.7

Notes
1. Numbers in parentheses after industry names are those of affiliates whose revenues in year 2011 and 22 are available.
2. For Chemical and Allied Products, the average of revenue is for five firms.

4.5 Average Revenue of Affiliates by Industry

Table 6 shows average revenue of affiliates and their percentage changes by Industry (from 2011 to 22). In the table, unit of revenue is one-thousand U.S. dollars. Yen revenues are not available for some companies, but dollar revenues are available for every company whose revenue is available in the dataset.[6)] Because industries whose revenues in both years 2011 and 22 are available are chosen, seven industries, i.e., construction, four manufacturing and two service industries, are in the table. Also, except for Chemical and Allied Products, which has six firms, each industry has only one firm. With those limitations, there are still some interesting observations. First, column (1) shows a large variation in average industry revenue of affiliates. Second, column (2) implies that not every industry had suffered decreases in revenues from 2011 to 22. However, cost data are not available in the dataset, so it does not always imply that an industry whose revenue increased also increased its profits. Associated with limited coverage of both industries and companies, it is too early to conclude that revenue or sales decrease is one reason for those affiliates to be liquidated or sold.

5. More Analysis on the Selected Industries

In this section, the following seven industries that have relatively more affiliates lost (section three for details) are examined further: Textile Products, Chemical and Allied Products, Ceramic, Stone, and Clay Products, General-Purpose Machinery, Information Services, Wholesale of Electrical Machinery, Equipment and Supplies, and Real Estate Agency. In 5.1, regional distribution of their affiliates and degrees of geographical concentration of specific industries are described. In 5.2, characteristics of Japanese

parent companies are discussed for the following two industries: Textile Products and General-Purpose Machinery.

Table 7a. Regional Distribution of Affiliates of Four Manufacturing Industries

Industry/City or Province	Textile Products	Chemical and Allied Products	Ceramic, Stone, and Clay Products	General-Purpose Machinery	Manufacturing Total
City					
Beijing					0
Tianjin			2		2
Shanghai	1	2	1		4
Province					
Hebei			1		1
Liaoning			1	1	2
Jiangsu	3	4	1	3	11
Zhejiang				1	1
Anhui	1				1
Shandong	2	1			3
Guangdong		2		2	4
Guangxi			1		1
All Region Total	7	9	7	7	30

5.1 Regional Distribution of Affiliates of Selected Industries

Tables 7 shows Regional Distribution of Affiliates of seven selected industries from Tables 1 and 2 (7a for four manufacturing and 7b for three service industries respectively). Those tables show the following interesting observations. First, Shanghai has many affiliates of both industries lost (more service industry firms though). On the other hand, Jiangsu and Guangdong, which also have many affiliates in Table 2, rather concentrate on manufacturing industry compared to Shanghai. Because Jiangsu province is near Shanghai, both may complement each other. Second, more specifically for some industries, concentration on some specific city or province is observed. Especially, concentration of the following industries is outstanding (numbers in parenthesis are the ones of the affiliates):

- Textile Products (7): 3 affiliates are in Jiangsu, and 2 affiliates are in Shandong.
- Chemical and Allied Products (9): 4 affiliates are in Jiangsu, and 2 affiliates are in Shanghai and Guangdong respectively.
- General-Purpose Machinery (7): 3 affiliates are in Jiangsu, and 2 affiliates are in Guangdong.
- Information Services: (6): 4 affiliates are in Shanghai.
- Wholesale of Electrical Machinery, Equipment and Supplies (5): 4 affiliates are in Shanghai.

Table 7b. Regional Distribution of Affiliates of Three Service Industries

Industry / City or Province	Information Services	Wholesale of Electrical Machinery, Equipment and Supplies	Real Estate Agency	Service Total	All Industry Total
City					
Beijing	1		1	2	2
Tianjin				0	2
Shanghai	4	4	2	10	14
Province					
Hebei				0	1
Liaoning			1	1	3
Jiangsu		1	1	2	13
Zhejiang				0	1
Anhui	1			1	2
Shandong				0	3
Guangdong			1	1	5
Guangxi				0	1
All Region Total	6	5	6	17	47

Table 8a. Japanese Parent Companies (JPC) whose Chinese Affiliates of Textile Products were Liquidated or Sold in 2022:

JPC	Industry	Foreign Affiliates			
		Country	Industry	Establishment Year	Investment Ratio
1	Retail Trade, N.E.C.	Cambodia (2)	Textile Products (1)	2012	0
			Manufacturing, N.E.C. (1)	2014	100
2	Textile Products	China (6)	Textile Products (4)	2008	100
			Wholesale of Textile Products (2)	2006	100
		Hong Kong (1)	Wholesale of Textile Products (1)	1963	100
3	Textile Products	Thailand	Textile Products (1)	2001	0
4	Retail Trade, N.E.C.	China (1)	Retail Trade, N.E.C. (1)	2016	0
		Singapore (1)	Investment Business (1)	2015	100
5	Textile Products	China (2)	Textile Products (1)	2002	100
			Wholesale of Textile Products (1)	2007	100
		Viet Nam (1)	Wholesale of Textile Products (1)	2015	87
6	Wholesale of Textile Products	China (5)	Textile Products (4)	2005	0
			Wholesale of Textile Products (1)	1998	100
		Viet Nam (1)	Textile Products (1)	2011	0
		Indonesia (1)	Textile Products (1)	2013	0
		Cambodia (1)	Textile Products (1)	2020	0
7	Textile Products	China (1)	Wholesale of Textile Products (1)	2007	100
		Thailand (1)	Textile Products (1)	1991	48.9
		Laos (1)	Textile Products (1)	2006	100

Notes

1. Numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.
2. JPC6 has two Chinese affiliates lost in 2022.
3. If a JPC has more than one affiliate in an industry, establishment year and investment ratio are averages of all affiliates in the same industry. For JPC6, establishment year is the average of two affiliates (data for the rest of two affiliates are missing).

In Ceramic, Stone, and Clay Products and Real Estate Agency, affiliates are not concentrated in specific city or province, although about the latter, Shanghai has one third of affiliates (2 out of 6).

5.2 Japanese Parent Companies having Chinese Affiliates

As explained in Section two, the OJC database consists of "foreign affiliate data" and "Japanese parent company data". In this subsection, first, Japanese parent companies (JPC hereafter) having Chinese Affiliates of Textile Products liquidated or sold in 2022 are discussed. Next, JPCs having Chinese Affiliates of General-Purpose Machinery are examined.

5.2.1 JPCs whose affiliates of Textile Products were lost

Tables 8 shows eight JPCs with their industries and four characteristics of their affiliates still operating (country, industry, establishment year, and investment ratio).[7] Note that JPC8 in Tables 8b and other seven JPCs in Table 8a are different in many senses. JPC8 is a large company of Chemical and Allied Products industry, while other seven JPCs are in either of the following three industries:

- Textile Products (JPC2, 3, 5 and 7).
- Wholesale of Textile Products (JPC6).
- Retail Trade, N.E.C. (JPC1 and 4).

All of the above three industries are directly related with textile products as producers, wholesalers, and retailers respectively. On the other hand, JPC8 is a large company with many affiliates of various industries both in Japan and many foreign countries including China, which has the largest number of currently operating foreign affiliates for JPC8.

In Table 8a for JPC1 to 7, all of currently operating foreign affiliates are in either East or Southeast Asian countries.[8] Except for JPCs1 and 3, all JPCs have affiliates still operating in China. Although the all seven JPCs lost at least one Chinese affiliate in 2022, the importance of China seems not to be decreasing for those Japanese companies. Other operating countries, all of that are ASEAN member countries, are quite diversified as follows:

- Thailand: JPC3 and 7 (both are Textile Products).
- Singapore: JPC4 (Retail Trade, N.E.C.).
- Indonesia: JPC6 (Wholesale of Textile Products).
- Viet Nam: JPC5 and 6 (Textile Products and Wholesale of Textile Products).
- Cambodia: JPC1 and 6 (Retail Trade, N.E.C. and Wholesale of Textile Products).
- Laos: JPC7 (Textile Products).

Table 8b. Japanese Parent Companies (JPC) whose Chinese Affiliates of Textile Products were Liquidated or Sold in 2022 (Continued: JPC8 in Chemical and Allied Products Industry)

Country	Industry of Affiliate	Establishment Year	Investment Ratio
Asia (28)			
Korea (2)	Chemical and Allied Products (1)	1969	100
	Wholesale of Chemical and Allied Products (1)	2002	100
China (13)	Textile Products (3)	2000	39.2
	Chemical and Allied Products (6)	2004	33.3
	Wholesale of Chemical and Allied Products (2)	2006	0
	Services, N.E.C.(1)	2008	0
	Headquarters (1)	2007	100
Taiwan (3)	Textile Products (1)	1997	80.6
	Chemical and Allied Products (1)	1998	50
	Ceramic, Stone, and Clay Products (1)	1980	51
Hong Kong (2)	Information Services (1)	1973	100
	Wholesale of Chemical and Allied Products (1)	2003	100
Thailand (4)	Textile Products (2)	2008	75
	Chemical and Allied Products (2)	2006	81
Singapore (3)	Chemical and Allied Products (2)	2000	61
	Rubber Products (1)	2010	100
India (1)	Headquarters (1)	2012	99.9
Europe (6)			
Denmark (1)	Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (1)	2002	0
United Kingdom (1)	Wholesale of Chemical and Allied Products (1)	1997	0
Belgium (1)	Wholesale of Chemical and Allied Products (1)	1998	100
Germany (2)	Textile Products (1)	2005	100
	Wholesale of Chemical and Allied Products (1)	2016	100
Italy (1)	Wholesale of Textile Products (1)	2003	100

Notes
1. Numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.
2. Textile Products and Wholesale of Textile Products are marked gray.

Thailand, Singapore, and Indonesia are relatively developed countries in Southeast Asia. Viet Nam follows these three counties, and Cambodia and Laos are relatively less developed in the region. Wages of the last three countries are cheaper than those of the first three ones and also labor is abundant in the last three ones, which implies that the last three countries could have comparative advantages in labor-intensive industries such as Textile Products. Except for Thailand, which has two Textile Products companies, distribution of industries of affiliates are consistent with this prediction.

In Table 8b for only JPC8, all of currently operating foreign affiliates are quite diversified across and within regions, although Asia has about sixty-percent of affiliates. About industry distribution, Textile Products is just one of many industries: Chemical and Allied Products and other manufacturing industries can be seen in most of the countries. Also, affiliates of manufacturing and wholesale of the same product coexist in many

countries. It is interesting that affiliates of Textile Products or wholesale of Textile Products are not just in Asian countries but developed countries in Europe and North America. Except for differentiated products, those countries may have comparative disadvantage in Textile Products like Japan. Therefore, characteristics of the products made in those countries may be important to understand the rationale of the location of those affiliates.

Table 8b. Japanese Parent Companies (JPC) whose Chinese Affiliates of Textile Products were Liquidated or Sold in 2022 (JPC8 in Chemical and Allied Products Industry: Continued)

Country	Industry of Affiliate	Establishment Year	Investment Ratio
North America and Oceania (11)			
United States (10)	Textile Products (1)	2009	100
	Chemical and Allied Products (3)	1995	33.3
	Medicines (1)	2020	100
	Electrical Machinery, Equipment, and Supplies (1)	1997	100
	Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (1)	1980	0
	Wholesale of Chemical and Allied Products (2)	2001	50
	Wholesale of Medicines (1)	1971	100
Australia (1)	Services, N.E.C. (1)	2023	0

Notes
1. Numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.
2. Textile Products is marked gray.

5.2.2 JPCs whose affiliates of General-Purpose Machinery were lost

The next focus in this subsection is on JPCs that have affiliates of General-Purpose Machinery lost in 2022. Tables 9a to 9f show each of six JPCs with four characteristics of their affiliates still operating as Tables 8 (JPCs of affiliates of Textile Products). For convenience, JPC in Table 9a is called JPC9a and the same way is applied to JPCs in Tables 9b to 9f. All JPCs in Tables 9 are also in General-Purpose Machinery and have affiliates in many regions, except for Table 9e in Manufacturing, N.E.C with only one affiliate of Wholesale Trade, N.E.C in China. First, Tables 9 shows that China is still a host country of many foreign affiliates as well as Tables 8. Moreover, other Asian countries host a lot of Affiliates as well as China. However, some JPCs have many affiliates in either Europe or North America. For JPC9c and 9f, numbers of affiliates of Europe and North America combined are larger than those of affiliates in Asia. Besides North America, some JPC9s have affiliates in Mexico and/or Brazil. Especially, Mexico is a member of United States-Mexico-Canada Agreement (USMCA), which is a successor of North America Trade Agreement (NAFTA), and thus many manufacturing firms use Mexico as exporting platform to America.[9] Also, some JPC9s have affiliates in Australia and South Africa, showing that their operating counties are quite diversified.

Table 9a. JPCs whose Chinese Affiliates of General-Purpose Machinery were Liquidated or Sold in 2022 (JPC9a)

Country	Industry	Establishment Year	Investment Ratio
Asia (10)			
China (5)	General-Purpose Machinery (3)	1996	32
	Wholesale of General-Purpose Machinery (1)	1995	100
	Wholesale of Measuring Instruments, Physical and Chemical Instruments and Optical Instruments (1)	2000	100
Hong Kong (1)	General-Purpose Machinery (1)	1970	100
Viet Nam (1)	General-Purpose Machinery (1)	1995	100
Thailand (1)	Wholesale of General-Purpose Machinery (1)	2006	100
Singapore (1)	Wholesale of General-Purpose Machinery (1)	1995	100
India (1)	Wholesale of General-Purpose Machinery (1)	2000	0
Europe and North America (4)			
Germany (1)	Wholesale of General-Purpose Machinery (1)	1999	100
Italy (1)	Wholesale of General-Purpose Machinery (1)	1988	100
Poland (1)	Wholesale of General-Purpose Machinery (1)	2005	100
America (1)	Wholesale of General-Purpose Machinery (1)	1974	100

Note: numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.

About industries of affiliates, as in Table 8b (JPC8 of Chemical and Allied Products), affiliates of manufacturing and wholesale of the same product coexist in many countries. General-Purpose Machinery is a typical example. Average establishment years are quite diversified among and within industries. Although for many JPC9s only one affiliate exists in many industries, establishment years in the 1990s or even before are not rare. About (average) investment ratios, one hundred percent can be seen in many affiliates of many industries. However, to see backgrounds for those observations, more analysis is needed.

Table 9b. JPCs whose Chinese Affiliates of General-Purpose Machinery were Liquidated or Sold in 2022 (JPC9b)

Country	Industry	Establishment Year	Investment Ratio
Asia and Middle East (6)			
Korea (1)	General-Purpose Machinery (1)	1980	49
China (2)	Wholesale of General-Purpose Machinery (2)	2013	50
Taiwan (1)	Chemical and Allied Products (1)	1997	100
Singapore (1)	Wholesale Trade, N.E.C. (1)	1993	100
United Arab Emirates (1)	Wholesale of General-Purpose Machinery (1)	2015	100
Europe and North/Central America (3)			
Germany (1)	Wholesale of General-Purpose Machinery (1)	2018	100
America (1)	Wholesale of Electrical Machinery, Equipment, and Supplies (1)	1999	100
Mexico (1)	General-Purpose Machinery (1)	2016	99

Note: numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.

6. Concluding Remarks

In this article, data of Overseas Japanese Companies of Toyo Keizai Inc. are examined to find out characteristics of foreign affiliates in China that stopped their operations in 2022 as well as those of their Japanese parent companies. This study shows which industries have many affiliates lost and what characteristics those affiliates have in terms of geographical concentration, degrees of their business operations (ages of affiliates, employment and revenue), and their parent companies. Although China is still one of the most important countries for many Japanese firms, this study shows that in some manufacturing industries, countries where they operate, and the industries the affiliates belong to, are highly diverse.

Table 9c. JPCs whose Chinese Affiliates of General-Purpose Machinery were Liquidated or Sold in 2022 (JPC9c)

Country	Industry	Establishment Year	Investment Ratio
Asia (16)			
Korea (1)	General-Purpose Machinery (1)	2005	51
China (7)	General-Purpose Machinery (5)	2001	49.2
	Wholesale of General-Purpose Machinery (2)	2007	100
Taiwan (2)	General-Purpose Machinery (2)	2003	50.6
Viet Nam (1)	Wholesale of General-Purpose Machinery (1)	2013	100
Thailand (1)	General-Purpose Machinery (1)	2005	100
Indonesia (1)	Wholesale of General-Purpose Machinery (1)	2014	99
India (3)	General-Purpose Machinery (2)	2004	51
	Wholesale of General-Purpose Machinery (1)	2007	0
Europe (14)			
Sweden (1)	Wholesale of General-Purpose Machinery (1)	2000	100
United Kingdom (1)	Wholesale of General-Purpose Machinery (1)	1993	100
France (1)	Wholesale of General-Purpose Machinery (1)	1992	100
Germany (3)	General-Purpose Machinery (2)	1948	50
	Wholesale of General-Purpose Machinery (1)	2009	100
Spain (1)	Wholesale of General-Purpose Machinery (1)	2007	100
Italy (5)	General-Purpose Machinery (3)	2007	93.3
	Wholesale of General-Purpose Machinery (2)	1989	52.5
Poland (1)	Wholesale of General-Purpose Machinery (1)	2014	100
Russia (1)	Wholesale of General-Purpose Machinery (1)	2010	100
Americas (7)			
America (4)	General-Purpose Machinery (4)	1998	71
Mexico (1)	Wholesale of General-Purpose Machinery (1)	2016	99
Brazil (2)	General-Purpose Machinery (1)	2000	51
	Wholesale of General-Purpose Machinery (1)	2010	100
Africa and Oceania (2)			
South Africa (1)	Wholesale of General-Purpose Machinery (1)	2012	100
Australia (1)	Wholesale of General-Purpose Machinery (1)	1997	51

Note: numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.

Table 9d. JPCs whose Chinese Affiliates of General-Purpose Machinery were Liquidated or Sold in 2022 (JPC9d)

Country	Industry	Establishment Year	Investment Ratio
Asia (20)			
Korea (1)	General-Purpose Machinery (1)	1988	45
China (7)	General-Purpose Machinery (5)	2007	78.2
	Information Services (1)	2016	15
	Wholesale of General-Purpose Machinery (1)	2004	100
Taiwan (2)	General-Purpose Machinery (1)	1987	51
	Wholesale of General-Purpose Machinery (1)	2016	100
Viet Nam (1)	Wholesale of General-Purpose Machinery (1)	2017	0
Thailand (2)	General-Purpose Machinery (2)	2007	100
Singapore (2)	General-Purpose Machinery (1)	1979	100
	Wholesale of General-Purpose Machinery (1)	1974	100
Malaysia (1)	Wholesale of General-Purpose Machinery (1)	1980	0
The Philippines (1)	General-Purpose Machinery (1)	1989	100
Indonesia (1)	Wholesale of General-Purpose Machinery (1)	2003	0
India (2)	General-Purpose Machinery (2)	2011	100
Europe (3)			
Germany (1)	Wholesale of General-Purpose Machinery (1)	1967	100
Czech (1)	General-Purpose Machinery (1)	2003	100
Canada (1)	Wholesale of General-Purpose Machinery (1)	1975	0
Americas and Oceania (8)			
America (4)	General-Purpose Machinery (2)	1997	0
	Wholesale of General-Purpose Machinery (2)	1976	50
Mexico (2)	General-Purpose Machinery (1)	2014	100
	Wholesale of General-Purpose Machinery (1)	1982	0.1
Brazil (1)	General-Purpose Machinery (1)	1972	100
Australia (1)	Wholesale of General-Purpose Machinery (1)	1970	100

Note: numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.

In this study, at least the following issues are not discussed enough. First, about affiliates either liquidated or sold in 2022, comparison with affiliates that stayed in China is not done, so the differences between those two kinds of affiliates are not clearly shown. About remaining affiliates, analyzing their decisions such as downsizing and operational changes is an interesting research topic. Also, studying more affiliates stopping their operations in years other than 2022 may give more generality to the analysis. Second, about decision making of Japanese parent companies, any testable hypothesis is not discussed or tested. In order to tackle these and other issues such as impacts of Covid-19 and U.S.-China trade war, more data processing and exploring related studies including methodology of analysis are possible future agenda.

Table 9e. JPCs whose Chinese Affiliates of General-Purpose Machinery were Liquidated or Sold in 2022 (JPC9e)

Country	Industry	Establishment Year	Investment Ratio
China (1)	Other Wholesale Trade (1)	2005	100

Note: numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.

Table 9f. JPCs whose Chinese Affiliates of General-Purpose Machinery were Liquidated or Sold in 2022 (JPC9f)

Country	Industry	Establishment Year	Investment Ratio
Asia (3)			
China (1)	General-Purpose Machinery (1)	2004	100
Taiwan (1)	Wholesale of General-Purpose Machinery (1)	2006	100
Viet Nam (1)	General-Purpose Machinery (1)	2014	100
Europe and North America (5)			
Belgium (1)	General-Purpose Machinery (2)	2002	100
Canada (1)	Wholesale of General-Purpose Machinery (1)	1984	0
America (3)	Chemical and Allied Products (1)	N.A.	0
	General-Purpose Machinery (2)	1976	50

Note: numbers in parentheses after the names of countries or industries are those of affiliates operating in those countries or industries.

Notes

1) About China's real estate bubble, subsequent bubble burst and its impact on the Chinese Economy, See Kwan (2023).
2) Shenzhen was a small village until the 1970s. However, after designated as one of China's first special economic zones (SEZs) in 1980, it has attained economic development at very high speed. Shenzhen is now called "Chinese Silicon Valley", because it is a cluster of ICT industry. For example, Huawei Technologies, whose headquarters are in this city, is one of world's leading communication equipment manufacturers. See Kwan (2016) for details of Shenzhen's rapid economic development.
3) About China's reform and opening-up policy, see Dorn (2023). This policy first attained the economic development of coastal area, including four mega economies in Table 2. On the other hand, other areas had to wait until the Chinese government changed their focus from coastal to inland and other less developed areas. For instance, three northeast provinces in Table 2, Liaoning, Jilin, Heilongjiang, were once famous for their steel and coal industries under China's planning economy, but now are considered to be less developed area, although located in the east coast. See Li (2004).
4) Investment ratios of one manufacturing and four service industries are even zero, although those industries have only one firm respectively and thus the result may not be generalized.

5) Bai et al. (2022) analyze effects of joint-venture requirement for foreign automakers with domestic counterparts, which was deregulated in 2022, by estimating degrees of knowledge spillovers.
6) For some companies, only Chinese yuan (renminbi) revenues are available, instead of yen revenues.
7) For most foreign affiliates in Tables 8, there is only one JPC. However, for some affiliates, there is one extra JPC other than JPC1 to JPC8. Numbers in the row of "Investment Ratio" is that of corresponding JPC in the tables.
8) For JPCs in OJC database, the same screening process for missing Chinese affiliates in 2022 explained in section three were applied. Therefore, some JPCs in the database are excluded because either they or their affiliates no longer operate due to liquidation or other reasons. Moreover, for some JPCs in Tables 8, there are extra foreign affiliates not listed in the tables like those in areas other than East or Southeast Asia (their information is available from websites of the JPCs, for instance). However, only the foreign affiliates in Tables 8 are analyzed in this study because for such extra foreign affiliates, characteristics of the affiliates shown in Table 8 are not available.
9) The Office of the United States Trade Representative (USTR) shows brief explanation of USMCA with U.S. government's expectation on this agreement, stating that
The Agreement creates more balanced, reciprocal trade supporting high-paying jobs for Americans and grow the North American economy.

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（要旨）

本研究は東洋経済新報社「海外進出企業データ・パネルデータ」の2010, 15, 19, 20, 21, 22年のデータを利用し，日本企業が中国に設立した現地法人のうち2022年に清算または売却されたものに関して，産業ごとにその性質や（日本の）親会社の特徴について，中国に進出した日本企業が他国に生産拠点等を設ける動きを指すチャイナプラスワンの観点から分析を行った。その結果製造業だけでなくサービス業も含めどの産業で多くの現地法人が清算・売却されたか，地理的集中や中国でのビジネスの度合い（現地法人の社齢，雇用や売上）などについて現地法人や親会社がどのような特徴を持つのかを示した。これらの結果から多くの日本企業にとって中国は依然最も重要な国の一つではあるが，同時に本研究はいくつかの製造業企業について，企業活動を行う国や現地法人の属する産業が極めて多様化していることも合わせて示した。

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