Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (January-March 2010)
~Surveyed in May 2010~

June 24, 2010

Research and Statistics Department, Economic and Industrial Policy Bureau
Ministry of Economy, Trade and Industry

★Sales performance in January-March increased consecutively for two quarters; Forecasts for April-June and July-September quarters continue to see improvements★

☆Forecasts (Current DI(*1): April-June 2010, Next DI: July-September 2010)

1. The Sales DI remained positive for the fifth straight quarter.
   The Current DI and the Next DI recorded positive figures at 21.9 and 21.2, up 18.5 points and 8.1 points from the same quarter of the previous year, respectively, showing a slowdown in the pace of contraction. All regions recorded positive figures for their Current DIs, and all with the exception of Europe recorded positive figures for their Next DIs.

2. The Capital Investment DI posted positive figures for the fourth straight quarter.
   The Current DI and the Next DI recorded positive figures at 16.7 and 11.1, up 20.3 points and 14.6 points from the same quarter of the previous year, respectively, showing an easing of the pace of contraction as compared to the previous survey. All regions recorded positive figures for their Current and Next DIs.

3. The Number of Employees DI posted a positive figure for the fourth straight quarter, with its year-on-year change showing a slowdown in the pace of contraction as compared to the previous survey.

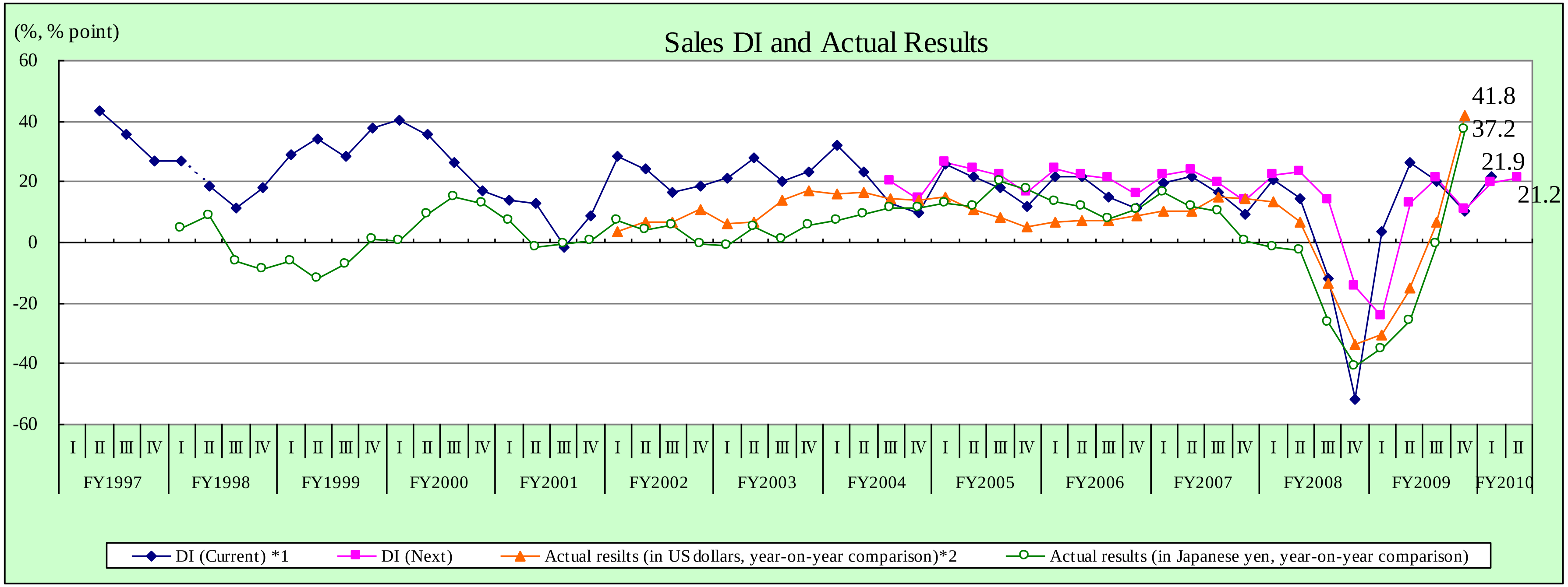
☆Actual results (January-March 2010, year-on-year growth rate)

1. Sales (in U.S. dollars) increased 41.8%, up from the same quarter of the previous year for the second consecutive quarter, due in part to rebounds from the previous year. Sales increased in all regions, from Asia (up 49.9% year-on-year), to North America (up 40.5% year-on-year) and Europe (up 22.2% year-on-year).

2. Capital investment (in U.S. dollars) fell 22.1% from the same quarter of the previous year for the fifth consecutive quarter, marking a slowdown in the pace of contraction. North America recorded a fall (down 42.6% year-on-year), while Asia (down 5.4% year-on-year) and Europe (down 15.9% year-on-year) showed an ease in the pace of contraction.

3. The number of employees increased 5.9% from the same quarter of the previous year, representing the first increase in six quarters. North America (down 3.5% year-on-year) recorded a fall, whereas Asia (up 8.6% year-on-year) and Europe (up 0.1% year-on-year) recorded increases.

(*1) Forecasted changes ("increase," "stability," and "falls") for the quarter that include the time of the survey (Current) and the next quarter (Next), compared with their preceding quarters.
DI = [Percentage share of companies that responded that expected an increase] – [Percentage share of companies that responded that they expected a fall] (percentage points)
Starting from the 2008 April-June quarter survey, the DI is compared to that of the same quarter of the previous year. (The Current DI and the Next DI are compared to the respective Current DI and Next DI for the same quarter of the previous year.) In this report, DI figures are only numerically described (e.g., minus 5.5), and "points" is placed after the number in the context of the comparison to the same quarter of the previous year (e.g., down 5.5 points)



*1: DI survey period for FY1997 was a quarter including the time of survey. DI surveys from FY1998 to FY2003 are conducted on a half-year basis (the quarter including the time of survey and the next quarter).

Starting from the FY2004 survey, the half-year survey period that had been used up to the previous year was divided into the current survey period (the quarter including the time of survey) and the next survey period (the next quarter).

*2: Actual results in US dollars are available starting from FY2001 data.

Forecasts

1. Sales

[All regions]

○ The Current DI (April-June 2010) posted 21.9, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 18.5 points (compared with the Current DI for the April-June quarter of 2009), representing a slowdown in the pace of contraction as compared to the previous survey (62.2 points). All four major industry groups in the manufacturing sector(*1) reported positive figures, showing an easing in the pace of contraction in year-on-year changes compared with the previous survey, with the exception of a fall by the chemicals industry. All regions also posted positive figures.

○ The Next DI (July-September 2010) posted 21.2, marking its fifth straight quarter of double-digit positive figures. This was a year-on-year increase of 8.1 points (compared with the Next DI for the July-September quarter of 2009), marking a slowdown in the pace of contraction as compared to the previous survey (44.0 points). All four major industry groups posted positive figures; with regard to the year-on-year difference, all with the exception of chemicals showed a slow rate of contraction as compared to the previous survey. All regions posted positive figures with the exception of Europe.

[North America]

○ The Current DI stood at 8.4, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 14.8 points, representing a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups reported positive figures with the exception of transportation equipment.

○ The Next DI saw a fifth straight quarter of positive figures at 9.9. This was a year-on-year increase of 3.6 points, marking an eased pace of contraction as compared to the previous survey. All four major industry groups reported positive figures with the exception of transportation equipment.

[Asia]

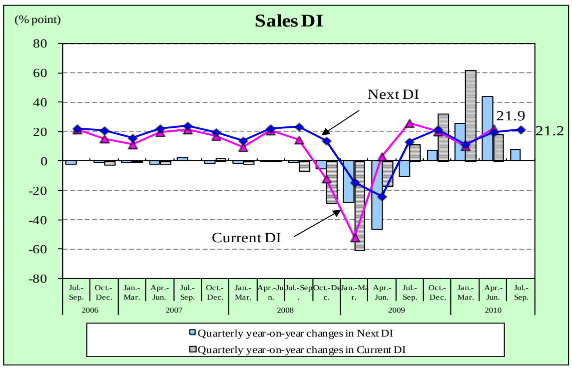
○ The Current DI stood at 27.8, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 19.1 points, showing a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups reported positive figures in the double digits. China (30.0), NIEs3 (28.5), and ASEAN4(*4) (24.1) posted positive figures.

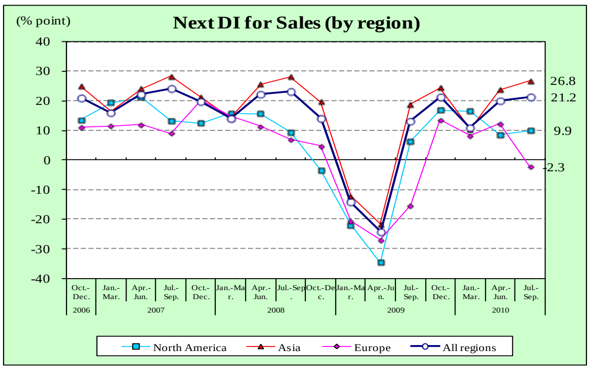
○ The Next DI saw a fifth straight quarter of positive figures at 26.8. This was a year-on-year increase of 7.9 points, marking a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups reported positive figures in the double digits. China (30.4), NIEs3 (24.1), and ASEAN4 (22.2) posted positive figures.

[Europe]

○ The Current DI stood at 0.9, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 17.7 points, marking a slowdown in the pace of contraction as compared to the previous survey. With regard to the four major industry groups in the manufacturing sector, electrical machinery and transportation equipment posted negative figures, while general-purpose machinery and chemicals posted positive figures.

○ The Next DI saw a quarter of negative figures for the first time in four quarters, at minus 2.3. This was a year-on-year increase of 13.0, showing an eased pace of contraction as compared to the previous survey. With regard to the four major industry groups, chemicals and general-purpose machinery posted positive figures, while transportation equipment posted negative figures.





(*1) The four major industry groups out of the 12 industries are: chemicals, general-purpose machinery (general-purpose, production and business-oriented machinery), electrical machinery, and transportation equipment.

Starting from the April–June survey of 2009, the survey uses a new industrial classification, which was revised in accordance with the 12th revision made to the Japan Standard Industrial Classification.

(*2) China: including Hong Kong (*3) NIEs3: Singapore, the Republic of Korea, and Taiwan (*4) ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia

(Reference) For details of DI, see the report "Trends in Overseas Subsidiaries," pages 4–15, or "Statistics," pages 21–41.

Forecasts

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

[All regions]

○ The Current DI for capital investment (April-June 2010) posted 16.7, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 20.3 points (compared with the Current DI for the April-June quarter 2009), showing a slowdown in the pace of contraction as compared to the previous survey (34.0 points). All four major industry groups reported positive figures, showing an eased pace of contraction in year-on-year changes compared with the previous survey. All regions also posted positive figures.

○ The Next DI (July-September 2010) posted 11.1, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 14.6 points (compared with the Next DI for the July-September quarter 2009), showing a slowdown in the pace of contraction as compared to the previous survey (29.5 points). All four major industry groups reported positive figures, showing an eased pace of contraction in year-on-year changes compared with the previous survey. All regions posted positive figures.

[North America]

○ The Current DI stood at 12.0, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 25.0 points, showing a slowdown in the pace of contraction as compared to the previous survey. The four major industry groups all reported positive figures.

○ The Next DI stood at 7.7, showing its second straight quarter of positive figures. This was a year-on-year increase of 21.5 points, marking an eased pace of contraction as compared to the previous survey. Of the four major industry groups, all except electrical machinery and transportation equipment posted positive figures.

[Asia]

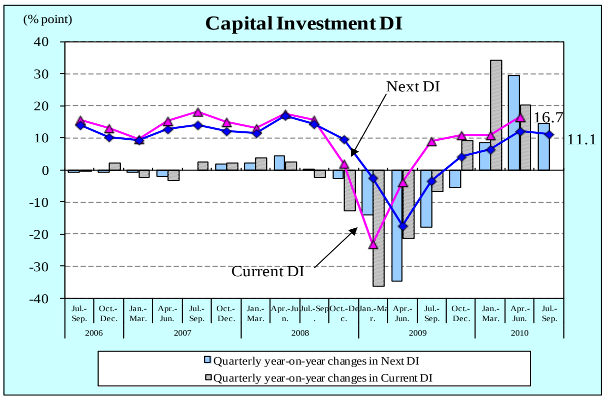
○ The Current DI stood at 19.1, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 20.2 points, showing a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups reported positive figures. China (20.4), NIEs3 (16.5), and ASEAN4 (16.2) posted positive figures.

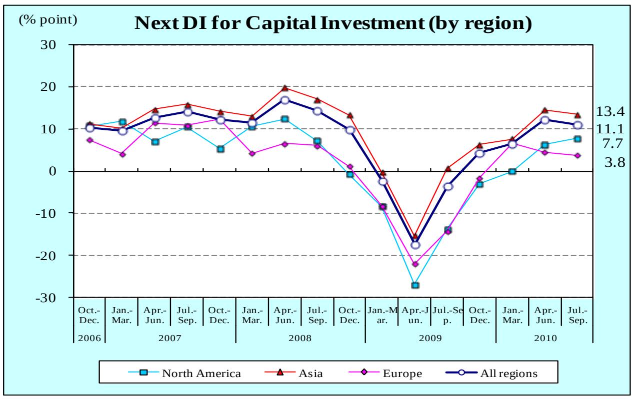
○ The Next DI saw a fifth straight quarter of positive figures at 13.4. This was a year-on-year increase of 12.7 points, marking a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups posted positive figures. China (15.5), ASEAN4 (11.6), and NIEs3 (10.2) posted positive figures.

[Europe]

○ The Current DI stood at 3.9, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 12.6 points, showing a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups except general-purpose machinery posted positive figures.

○ The Next DI stood at 3.8, marking its third straight quarter of positive figures. This was a year-on-year increase of 18.1 points, marking an eased pace of contraction as compared to the previous survey. All four major industry groups posted positive figures.





Forecasts

3. Number of Employees

[All regions]

○ The Current DI for the number of employees (April-June quarter 2010) posted 11.2, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 23.6 points (compared with the Current DI for the April-June quarter 2009), showing a slowdown in the pace of contraction as compared to the previous survey (41.1 points). All four major industry groups reported positive figures, showing an ease in the pace of contraction of year-on-year changes as compared with the previous survey.

○ The Next DI (July-September 2010) posted 8.7, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 13.6 points (compared with the Next DI for the July-September quarter 2009), showing a slowdown in the pace of contraction as compared to the previous survey (31.6 points). All four major industry groups reported positive figures, showing an eased pace of contraction in year-on-year changes compared with the previous survey.

[North America]

○ The Current DI stood at 1.3, marking its second straight quarter of positive figures. This was a year-on-year increase of 19.4 points, showing a slower pace of contraction as compared to the previous survey. Of the four major industry groups, electrical machinery and transportation equipment resulted in negative figures, whereas chemicals and general-purpose machinery marked positive figures.

○ The Next DI stood at minus 3.8, showing negative figures for the first time in three quarters. This was a year-on-year increase of 5.4 points, showing a slowdown in the pace of contraction as compared to the previous survey. Of the four major industry groups, chemicals, general-purpose machinery, and electrical machinery marked positive figures, while transportation equipment resulted in negative figures.

[Asia]

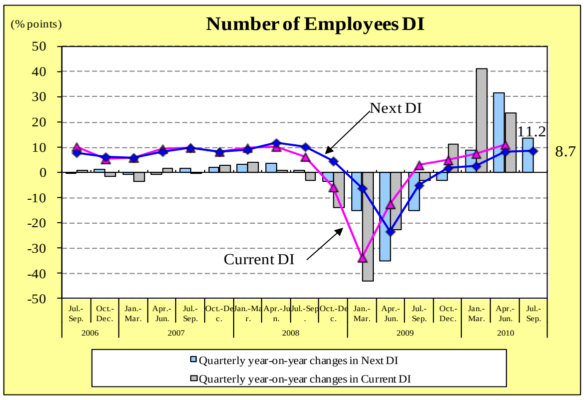
○ The Current DI stood at 15.7, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 24.7 points, showing a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups reported positive figures. China (16.2), ASEAN4 (15.6), and NIEs3 (12.5) posted positive figures.

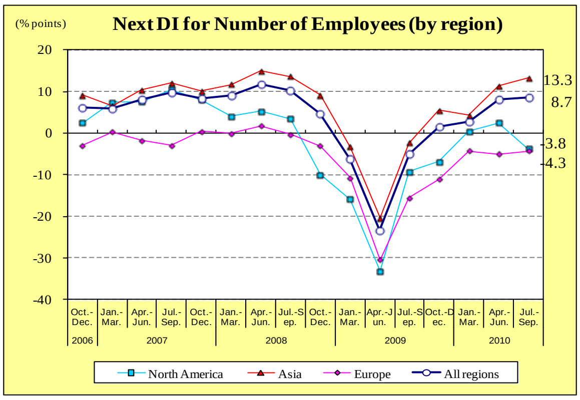
○ The Next DI saw a fourth straight quarter of positive figures at 13.3. This was a year-on-year increase of 15.6 points, marking an eased pace of contraction as compared to the previous survey. All four major industry groups posted positive figures. China (14.5), ASEAN4 (11.5), and NIEs3 (8.2) all reported positive figures.

[Europe]

○ The Current DI remained at a negative level of minus 5.5, marking its eighth straight quarter of negative figures. This was a year-on-year increase of 17.6 points, showing a slowdown in the pace of contraction as compared to the previous survey. All four major industry groups posted negative figures.

○ The Next DI remained at a negative level of minus 4.3, marking its ninth straight quarter of negative figures. This was a year-on-year increase of 11.2 points, marking an eased pace of contraction as compared to the previous survey. All four major industry groups except chemicals posted negative figures.





Actual Results

1. Sales

[All regions]

○ Sales (January-March quarter 2010, in U.S. dollars) increased 41.8% year-on-year, marking its second straight quarter of increase, due party as the rebound from the previous year. Of the four major industry groups in the manufacturing industry, general-purpose machinery recovered to a year-on-year increase of 25.8%. Transportation equipment recorded an increase of 56.2% year-on-year, chemicals an increase of 38.6% year-on-year, and electrical machinery an increase of 28.6% year-on-year, showing an increase for the second consecutive quarter. All regions saw growth.

○ Sales (January-March quarter 2010, in Japanese yen) increased 37.2% year-on-year, exceeding the previous year's actual results for the first time in eight quarters.

[North America: 28.2% of total sales in all regions]

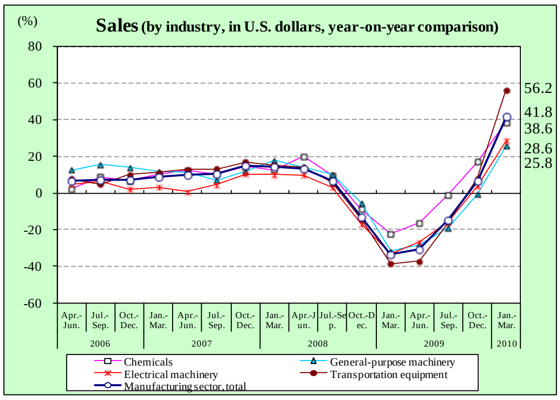
○ Sales (in U.S. dollars) increased 40.5% year-on-year, marking its first quarter of increase in seven quarters. All of the four major industry groups increased—transportation equipment by 68.0% year-on-year, electrical machinery by 22.5% year-on-year, chemicals by 21.5% year-on-year, and general-purpose machinery by 4.8% year-on-year.

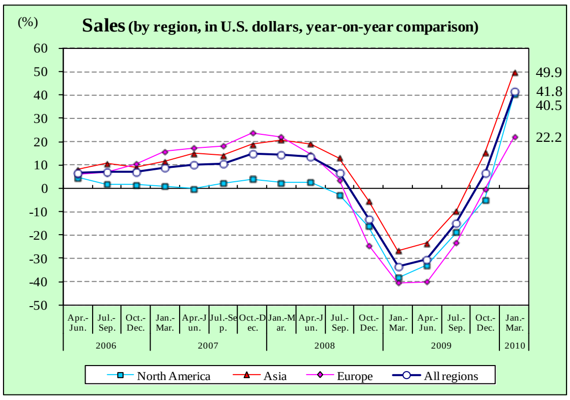
[Asia: 49.2% of total sales in all regions]

○ Sales (in U.S. dollars) posted a double-digit year-on-year increase of 49.9% for the second consecutive quarter. All four major industry groups reported increases for the second consecutive quarter, with chemicals posting a year-on-year increase of 69.1%, transportation equipment 57.3%, general-purpose machinery 43.8%, and electrical machinery 41.2%. ASEAN4 (up 60.0% year-on-year), NIEs3 (up 56.1% year-on-year), and China (up 38.2% year-on-year) all saw double-digit increases for the second consecutive quarter.

[Europe 15.4% of total sales in all regions]

○ Sales (in U.S. dollars) increased 22.2% year-on-year, up for the first time in six quarters. Of the four major industry groups, electrical machinery reported a fall (down 5.8% year-on-year), while transportation equipment (up 42.5% year-on-year), chemicals (up 20.6% year-on-year), and general-purpose machinery (up 11.9% year-on-year) posted increases.





(Reference)

For details of actual results, see the report "Trends in Overseas Subsidiaries," pages 16–27, or "Statistics," pages 1–20.

Actual Results

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

[All regions]

○ Capital investment (January-March quarter 2010, in U.S. dollars) fell for the fifth consecutive quarter by 22.1% year-on-year, showing a slowdown in the pace of contraction. Of the four major industry groups, chemicals reported a year-on-year increase of 94.3% and electrical machinery a year-on-year increase of 18.6%, while transportation equipment fell by 46.5% and general-purpose machinery fell by 21.5%. North America posted a fall, and Europe and Asia both saw a slowdown in the pace of contraction.

○ Capital investment (January-March quarter 2010, in Japanese yen) fell 24.6% year-on-year, down for the sixth straight quarter with a slowdown in the pace of contraction.

[North America: 21.0% of total capital investment in all regions]

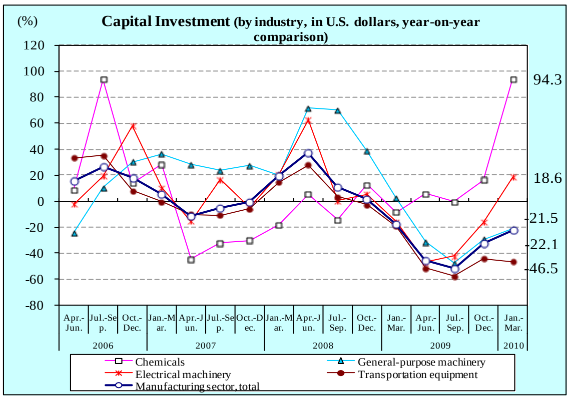
○ Capital investment (in U.S. dollars) fell 42.6% year-on-year for the seventh consecutive quarter. Of the four major industry groups, transportation equipment and chemicals posted year-on-year falls of 48.5% and 21.4%, respectively, while general-purpose machinery reported a year-on-year fall of 20.7% and electrical machinery reported a year-on-year fall of 15.6%, marking a slowdown in the pace of contraction.

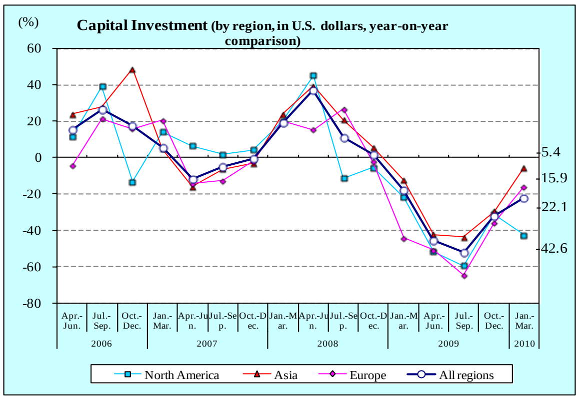
[Asia: 61.2% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) fell for the fifth consecutive quarter by 5.4% year-on-year, easing the pace of contraction. Of the four major industry groups, chemicals and electrical machinery reported year-on-year increases of 231.9% and 22.0%, respectively, while transportation equipment and general-purpose machinery reported year-on-year falls of 45.7% and 23.6%, respectively, marking a slowdown in the pace of contraction. NIEs3 (up 32.5% year-on-year) reported an increase, while China (down 14.9% year-on-year) and ASEAN4 (down 3.8% year-on-year) showed an ease in the pace of contraction.

[Europe: 11.8% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) fell for the sixth consecutive quarter by 15.9% year-on-year, easing the pace of contraction. Of the four major industry groups, chemicals showed a year-on-year increase of 49.1%, while transportation equipment, general-purpose machinery, and electrical machinery reported a year-on-year falls of 30.3%, 5.1%, and 12.6%, respectively.





Actual Results

3. Number of Employees

[All regions]

○ The number of employees (as of the end of March 2010) increased for the first time in six quarters, by 5.9% year-on-year. Of the four major industry groups, chemicals marked a year-on-year increase of 11.7%, electrical machinery recorded year-on-year increase of 9.5%, general-purpose machinery reported a year-on-year increase of 6.0%, and transportation equipment recorded a year-on-year increase of 3.9%. North America, Asia, and Europe all reported increases.

[North America: 11.7% of total employment in all regions]

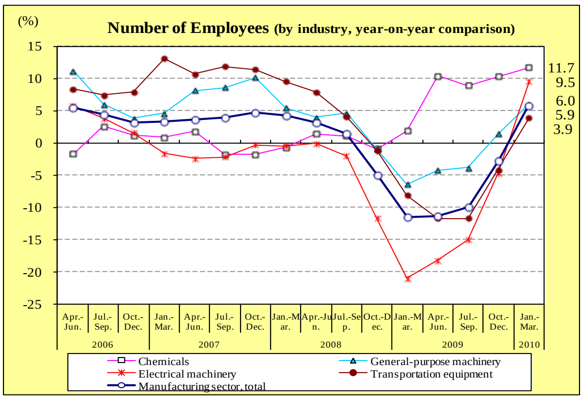
○ The number of employees fell 3.5% year-on-year, down for the seventh straight quarter. Among the four major industry groups, chemicals reported year-on-year increases of 4.0%, whereas transportation equipment and general-purpose machinery reported year-on-year falls of 7.4% and 5.8%, respectively, both showing falls for the seventh straight quarter. Electrical machinery fell 2.8% year-on-year, down for the ninth straight quarter.

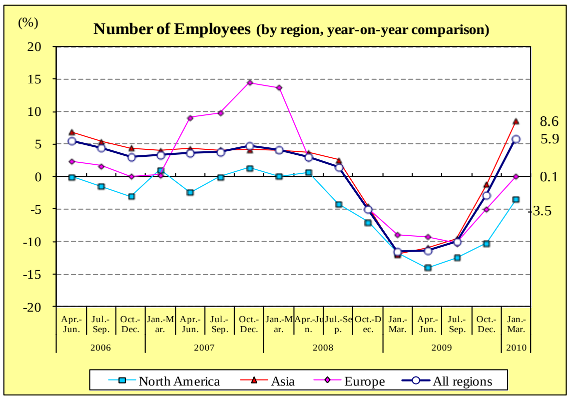
[Asia: 73.9% of total employment in all regions]

○ The number of employees increased 8.6% year-on-year, up for the first time in six quarters. The four major industry groups reported increases, with chemicals posting a year-on-year increase of 18.3%, electrical machinery a year-on-year increase of 10.9%, general-purpose machinery a year-on-year increase of 9.1%, and transportation equipment a year-on-year increase of 8.2%. NIEs3 (up 0.8% year-on-year) continued to see growth, and ASEAN4 (up 9.5% year-on-year) and China (up 7.5% year-on-year) both recorded increases this quarter.

[Europe: 8.6% of total employment in all regions]

○ The number of employees increased for the first time in six quarters, by 0.1% year-on-year. Of the four major industry groups, general-purpose machinery and electrical machinery reported falls of 4.4% and 3.6%, respectively, but transportation equipment and chemicals increased by 1.5% and 0.6%, respectively.





For reference: Overseas Economies

Though the condition of the global economy continues to be serious, as indicated by high unemployment rates, it is making its way toward modest recovery due in part to government stimulus measures. The world economy is expected to continue its modest recovery, but there are risks that conditions such as a credit squeeze and deteriorating employment could keep it sluggish, such as the escalation of the fluctuations in the financial markets centering on Europe and aggravation of the credit crunch and employment, etc. The United States continues to face serious conditions, with unemployment hovering at a high level, but the effects of government measures helped its economy to get back on course toward modest recovery. The US economy is expected to continue its way toward modest recovery, yet there are risks that a continuing credit squeeze and worsening unemployment could keep it sluggish. In Asia, the Chinese economy is seeing a domestic-demand driven expansion thanks to the effects of government stimulus measures. The economic outlook shows that it will stay on the path to expansion, as domestic demand is expected to remain strong. However, attention needs to be paid to risks stemming from the surging money supply. The Indian economy is seeing a domestic-demand driven recovery. The economic outlook shows that it will stay on the path to recovery, as domestic demand is expected to remain strong, but attention needs to be paid to risks stemming from rising prices. Other Asian economies overall are recovering, driven by the effects of government stimulus measures and growth in China-bound exports. The economic outlook expects them to continue their way toward recovery, as exports to China are expected to remain strong. Still, there are risks that issues such as a continuing slump in exports to Europe and the United States could delay the Asian economies' full recovery. European countries continue to face serious conditions, including high unemployment, but their economies stopped contracting. The countries are expected to get back on track to modest recovery. However, due to the financial crisis in Greece, there have been increasing concerns regarding the financial state of other European countries and the European financial system, and it is necessary to pay attention to the risk of fluctuations in the financial and capital markets becoming more escalated. Additionally, there are risks that problems, such as a credit squeeze caused by bad debts originating from loans to developing countries, a backlash from the new car incentives, and worsening employment, could keep them sluggish.

(From the Monthly Economic Report [June 2010], Cabinet Office)