

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (April-June 2011)
Surveyed in August 2011

September 26, 2011
Research and Statistics Department
Minister's Secretariat
Ministry of Economy, Trade and Industry

The sales DI posted double-digit figures, at 23.9 in July-September and 25.5 in October-December

1. Forecasts (Current DI¹: July-September 2011, Next DI: October-December 2011)

- (1) The Sales DI was positive in terms of both the Current DI and the Next DI for the tenth consecutive quarter, with the Current DI surpassing the same quarter of the previous year for the first time in five quarters. The Current DI and the Next DI recorded figures of 23.9 and 25.5, respectively, and their year-on-year changes were positive for the first time in five quarters and two quarters, respectively. Looking at regional differences in the Current DI, North America posted a positive figure while Asia's positive figure showed further improvement. All regions had high positive figures for their Next DI.
- (2) The Capital Investment DI was positive for the ninth consecutive quarter in terms of both the Current DI and the Next DI, with the Current DI surpassing the same quarter of the previous year, albeit slightly, for the first time in three quarters. The Current DI and the Next DI recorded positive figures of 17.9 and 9.5, respectively. The year-on-year change was positive for the Current DI, at 0.4, but negative for the Next DI, at minus 3.3. All regions, including North America and Asia, had positive figures for both the Current DI and Next DI.
- (3) The Number of Employees DI was positive for the ninth consecutive quarter in terms of both the Current DI and the Next DI. Both surpassed the same quarter of the previous year for the first time in two quarters.

2. Actual results (April-June 2011, year-on-year growth rate)

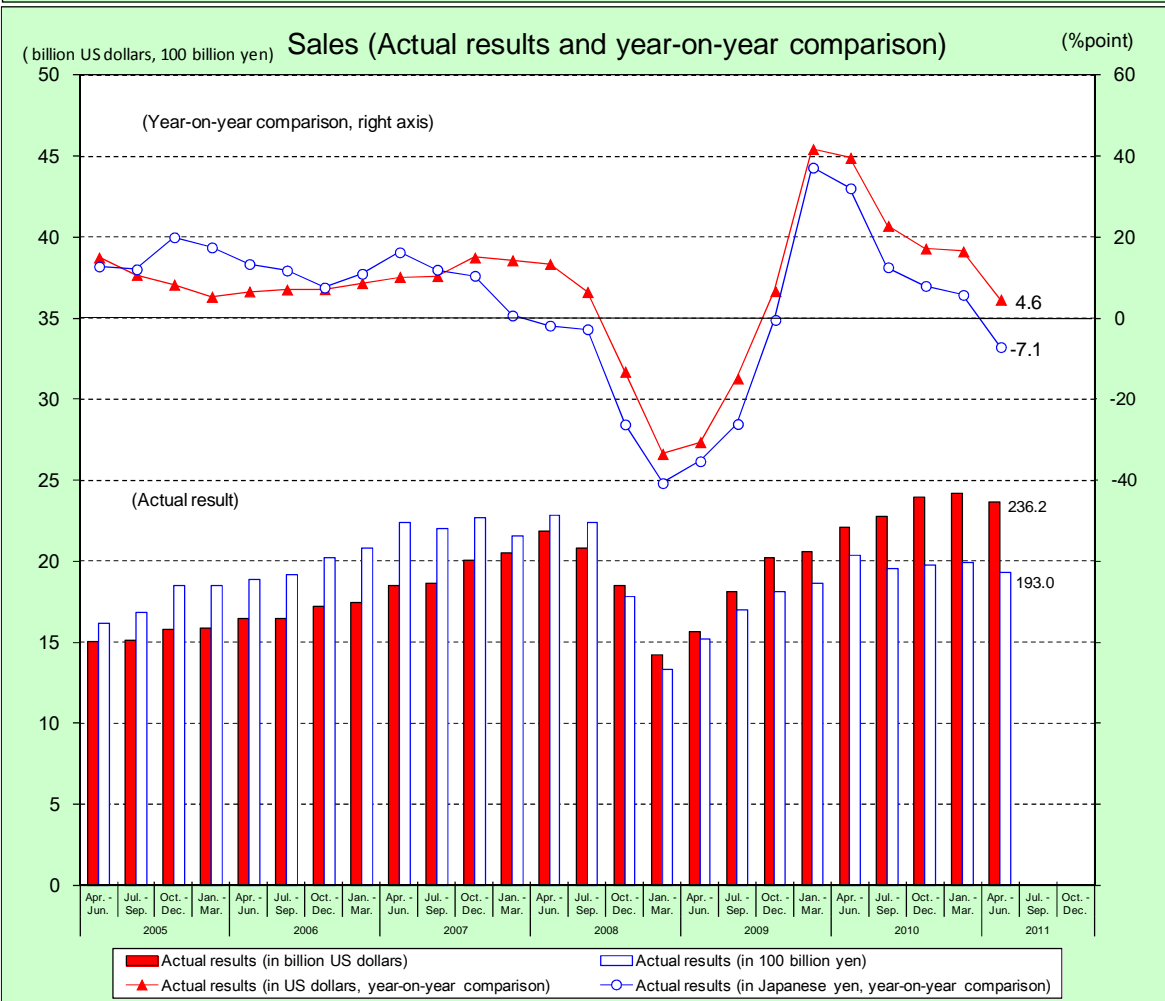
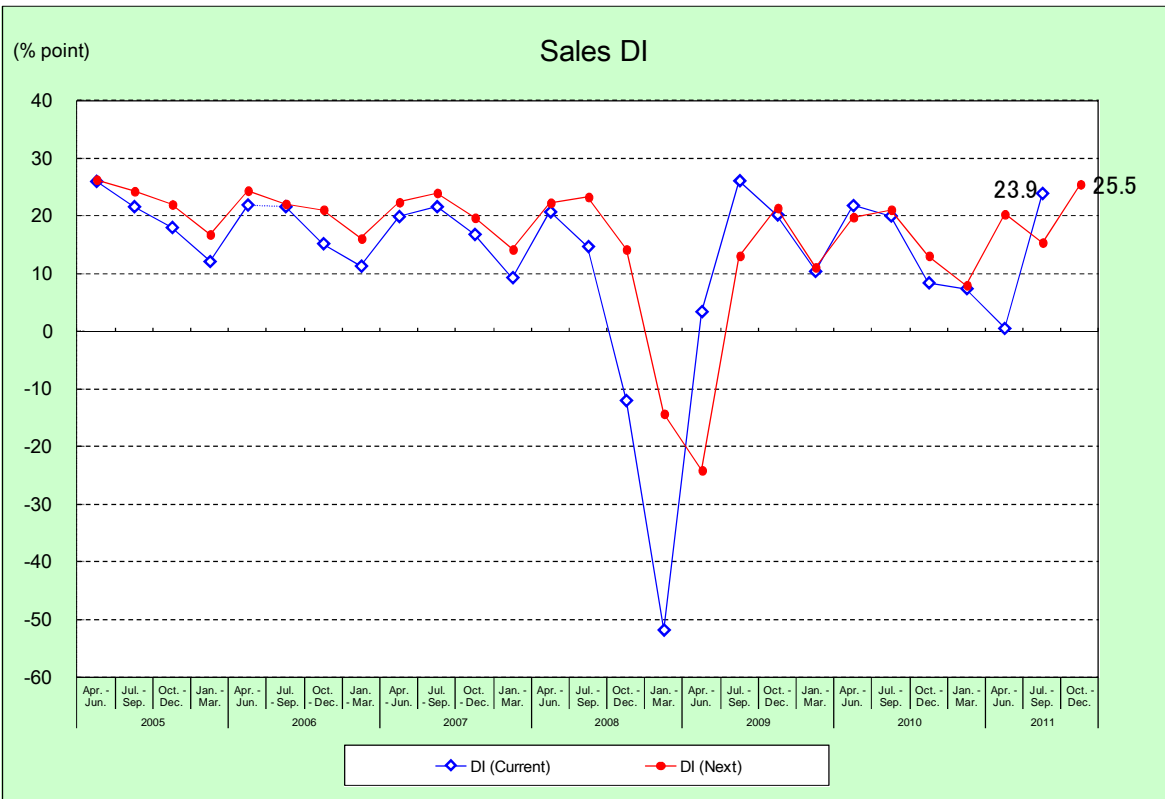
- (1) Sales (in US dollars) amounted to \$236.2 billion. This was a 4.6% increase from the same quarter of the previous year, up for the seventh consecutive quarter. Looking at specific regions, Europe (up 17.9% year-on-year) and Asia (up 7.2%) had positive figures while North America (down 7.4%) had a negative figure.
- (2) Capital investment (in US dollars) amounted to \$6.87 billion. This was a year-on-year increase of 38.7%, up for the fifth consecutive quarter. This represented an increase for Asia (up 38.5% year-on-year), Europe (up 38.4%), and North America (up 24.7%).
- (3) The number of employees amounted to 3.626 million. This was a year-on-year increase of 2.9% and an increase for the sixth consecutive quarter. All regions posted increases—Europe up by 6.9% year on year, Asia up by 2.7%, and North America up by 0.3%.

*1: "DI" is calculated as the percentage share (%) points) of companies that responded that they expected an "increase" minus the percentage share of companies that responded that the expected a "fall" based on making comparisons between the quarter that includes the time of the survey (Current) and the next quarter (Next).

"Year-on-year change" (Current and Next) is calculated as the DI value for the current quarter minus the DI value for the same quarter of the previous year.

In this report, DI figures are only numerically described (e.g., minus 5.5), and "points" are placed after the number in the context of comparison to the same quarter of the previous year (e.g., down 5.5 points).

* Overseas affiliates subject to the survey are those that fulfill the following conditions: Investment ratio of 50% or higher as the total of direct investments and indirect investments by Japanese companies (Japanese companies in industries other than finance, insurance, and real estate, with capital of ¥0.1 billion or more or 50 or more employees), 50 or more employees, and engaged in the manufacturing sector.



1. Forecasts

(1) Sales forecast

<All regions>

- The Current DI (July-September 2011) posted 23.9, marking its tenth straight quarter of positive figures. This was a year-on-year increase of 3.9 points (compared with the Current DI for the July-September quarter of 2010) and was the first positive figure in five quarters. All four major industry groups in the manufacturing sector^{*1}, including transportation equipment, reported positive figures, and year-on-year changes showed increases, with a particularly noteworthy increase in transportation equipment. North America returned to the positive side, and the positive figure for Asia remained high.
- The Next DI (October-December 2011) posted 25.5, marking its tenth consecutive quarter of positive figures. This was a year-on-year change of 12.4 points and the first increase in two quarters. All four major industry groups posted positive figures, and all showed a positive year-on-year change.

<North America>

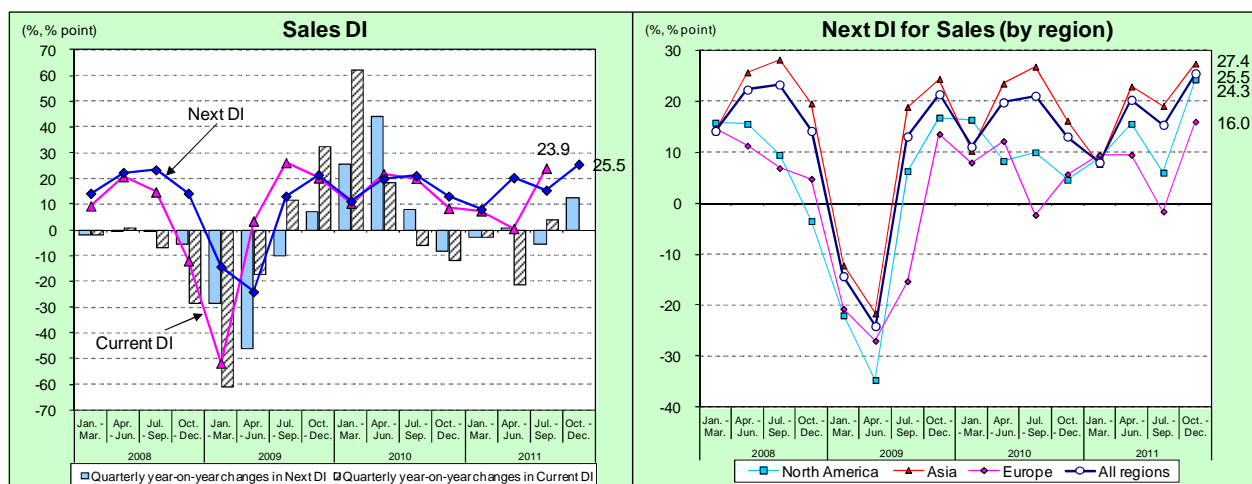
- The Current DI stood at 26.5, which marked the first positive figure in two quarters. This was year-on-year increase of 16.0 points. All four major industry groups posted positive figures, with transportation equipment, which had decreased the previous quarter, showing a particularly conspicuous increase.
- The Next DI stood at 24.3, which marked the tenth consecutive quarter of positive figures. This was a year-on-year increase of 19.7 points. All four major industry groups posted positive figures, and all except electrical machinery showed year-on-year increases.

<Asia>

- The Current DI stood at 26.2, marking the tenth consecutive quarter of positive figures. This was a year-on-year increase of 0.8 points. All four major industry groups posted positive figures. ASEAN4^{*2} (29.8), China^{*4} (24.2), and NIEs3^{*3} (15.3) posted positive figures.
- The Next DI stood at 27.4, which marked its tenth consecutive quarter of positive figures. This was a year-on-year increase of 11.2 points. All four major industry groups reported positive figures. ASEAN4 (26.7), NIEs3 (26.6), and China (26.6) recorded positive figures.

<Europe>

- The Current DI stood at 1.6, marking its fourth consecutive quarter of positive figures. This was a year-on-year increase of 7.2 points. Of the four major industry groups, all posted positive figures with the exception of chemicals, which reported a negative figure.
- The Next DI stood at 16.0, which was the first positive report in two quarters. This marked a year-on-year increase of 10.3 points. All four major industry groups reported positive figures. As for year-on-year change, general-purpose machinery and chemicals posted year-on-year increases, while electrical machinery reported a year-on-year decrease.



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

*2-4: ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia. NIEs3: Singapore, Republic of Korea, and Taiwan. China includes Hong Kong.

Reference: For details of DI, see the report "Trends in Overseas Subsidiaries," pages 4-15, and "Statistics," pages 21-41.

(2) Capital investment (current acquisition price of tangible fixed assets [excluding land]) forecast

<All regions>

- The Current DI for capital investment posted 17.9, marking its ninth consecutive quarter of positive figures. This was a year-on-year increase of 0.4 points. All four major industry groups reported positive figures; however, all with the exception of transportation equipment showed year-on-year decreases. All regions posted positive figures.
- The Next DI stood at 9.5, marking its ninth consecutive quarter of positive figures. However, this was a year-on-year decrease of 3.3 points. All four major industry groups reported positive figures; however all with the exception of electrical equipment showed year-on-year decreases. All regions posted positive figures.

<North America>

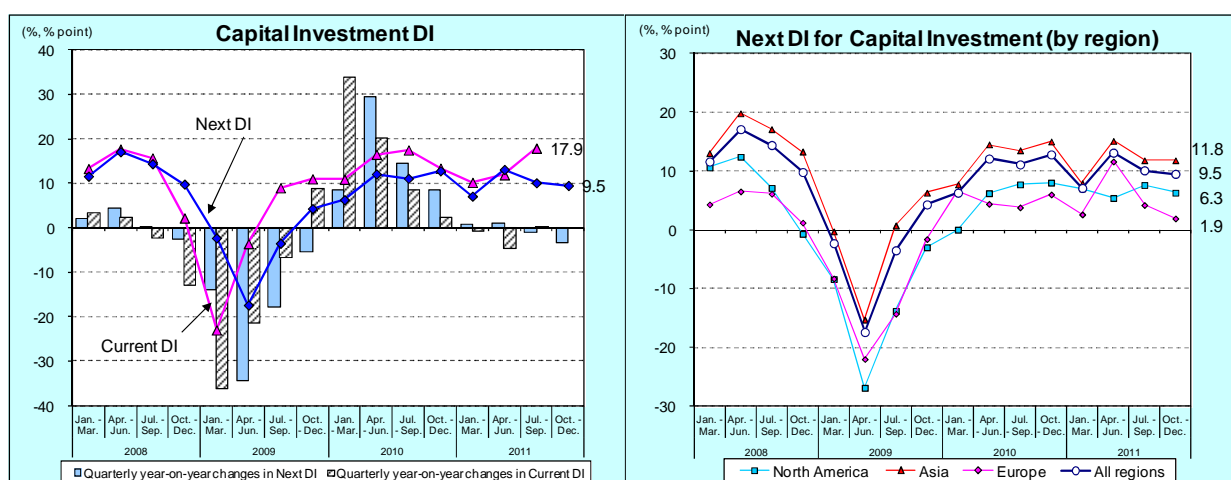
- The Current DI stood at 20.5, marking its ninth consecutive quarter of positive figures. This was a year-on-year increase of 5.6 points and represented the first increase in three quarters. All four major industry groups with the exception of general-purpose machinery posted positive figures.
- The Next DI stood at 6.3, showing its seventh consecutive quarter of positive figures. However, this was a year-on-year decrease of 1.7 points. All four major industry groups with the exception of transportation equipment posted positive figures, and all with the exception of transportation equipment showed year-on-year increases.

<Asia>

- The Current DI stood at 19.3, marking the ninth consecutive quarter of increase. However, this was a year-on-year decrease of 0.7 points. All four major industry groups posted positive figures. ASEAN4 (20.3), China (18.5), and NIEs3 (16.7) posted positive figures.
- The Next DI stood at 11.8, which was its tenth consecutive quarter of increase. However, this was a year-on-year decrease of 3.2 points. All four major industry groups posted positive figures. Electrical machinery and general-purpose machinery showed year-on-year increases, while chemicals and transportation equipment showed year-on-year decreases. ASEAN4 (12.5), China (11.3), and NIEs3 (8.9) posted positive figures.

<Europe>

- The Current DI stood at 4.1, which was its ninth consecutive quarter of increase. However, this was a year-on-year decrease of 3.4 points. Of the four major industry groups, chemicals, transportation equipment, and electrical machinery posted positive figures, while general-purpose machinery posted a negative figure.
- The Next DI stood at 1.9, which was its eighth consecutive quarter of increase. However, this was a year-on-year decrease of 4.1 points. Of the four major industry groups, chemicals maintained a positive figure, transportation equipment was zero, and general-purpose machinery and electrical machinery posted negative figures. All of the four major industry groups with the exception of chemicals showed year-on-year decreases.



(3) Number of employees forecast

<All regions>

- The Current DI stood at 13.3, which marked its ninth consecutive quarter of increase. This was a year-on-year increase of 1.3 points and represented the first increase in two quarters. All four major industry groups posted positive figures. Chemicals showed its first year-on-year decrease in nine quarters and electrical machinery showed its fourth consecutive year-on-year decrease, while general-purpose machinery showed its eighth consecutive year-on-year increase and transportation equipment posted its first increase in four quarters. All regions recorded positive figures.
- The Next DI stood at 9.8, which marked its ninth consecutive quarter of positive figures. This was a year-on-year increase of 2.7 points. All four major industry groups posted positive figures. Chemicals and electrical machinery showed year-on-year decreases, while transportation equipment and general-purpose equipment showed year-on-year increases. All regions recorded positive figures.

<North America>

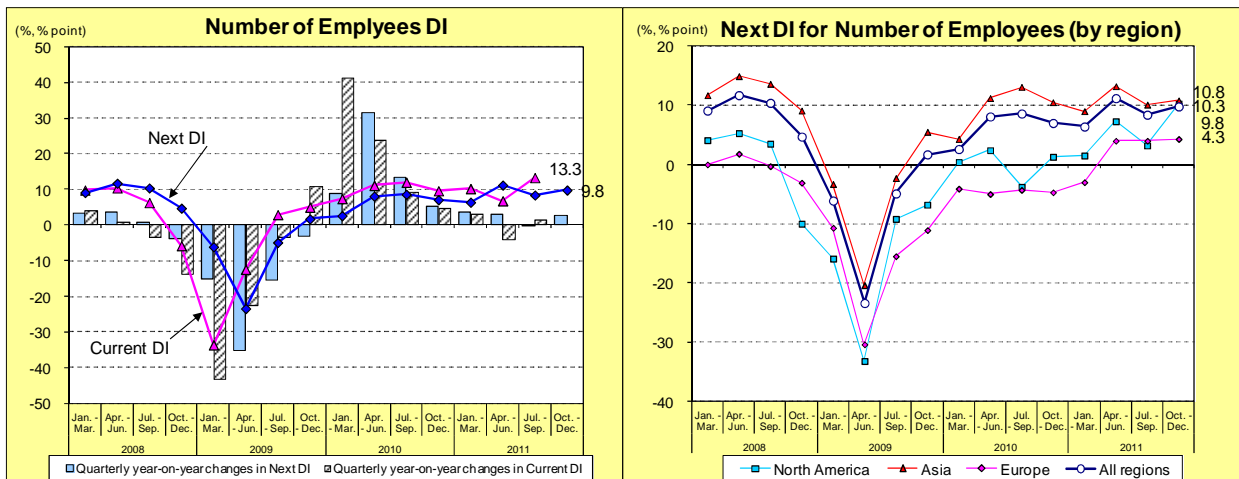
- The Current DI stood at 12.3, which marked its seventh consecutive quarter of positive figures. This was a year-on-year increase of 8.5 points. All four major industry groups posted positive figures.
- The Next DI stood at 10.3, which marked its fifth consecutive quarter of positive figures. This was a year-on-year increase of 9.0 points. All four major industry groups posted positive figures, and all except electrical machinery showed year-on-year increases.

<Asia>

- The Current DI stood at 15.2, which marked its ninth consecutive quarter of positive figures. However, this was a year-on-year decrease of 0.6 points. All four major industry groups posted positive figures. China (16.2), ASEAN4 (13.4), and NIEs3 (11.6) posted positive figures.
- The Next DI stood at 10.8, which marked its ninth consecutive quarter of positive figures. This was a year-on-year increase of 0.3 points. All four major industry groups posted positive figures. Transportation equipment and general-purpose machinery showed year-on-year increases, while electrical machinery and chemicals showed year-on-year decreases. ASEAN4 (12.6), China (9.1), and NIEs3 (6.2) posted positive figures.

<Europe>

- The Current DI stood at 1.0, which marked its fourth consecutive quarter of positive figures. This was a year-on-year increase of 2.5 points. All four major industry groups with the exception of transportation equipment posted positive figures.
- The Next DI stood at 4.3, which marked its third consecutive quarter of positive figures. This was a year-on-year increase of 9.0 points. All four major industry groups with the exception of transportation equipment posted positive figures, and all showed year-on-year increases.



2. Actual Results

(1) Sales results

<All regions>

- Sales (April-June 2011, in US dollars) amounted to \$236.2 billion. This was a 4.6% increase compared to the same quarter of the previous year*, marking an increase for the seventh consecutive quarter. Of the four major industry groups in the manufacturing sector, chemicals increased by 15.2% year-on-year and electrical machinery increased by 3.4%, both marking increases for the seventh consecutive quarter, general-purpose machinery increased by 13.7% year-on-year for its sixth consecutive quarter of increase, and transportation equipment decreased by 2.3% year-on-year for its first decrease in seven quarters. North America posted a 7.4% decrease, its first in six quarters, while Asia posted a 7.2% increase for its seventh consecutive quarter of increase and Europe posted a 17.9% increase for its sixth consecutive quarter of increase.
- Sales (April-June 2011, in Japanese yen) amounted to ¥19,300 billion. This was a 7.1% year-on-year decrease and marked the first decrease in six quarters.

<North America: 24.1% of total sales in all regions>

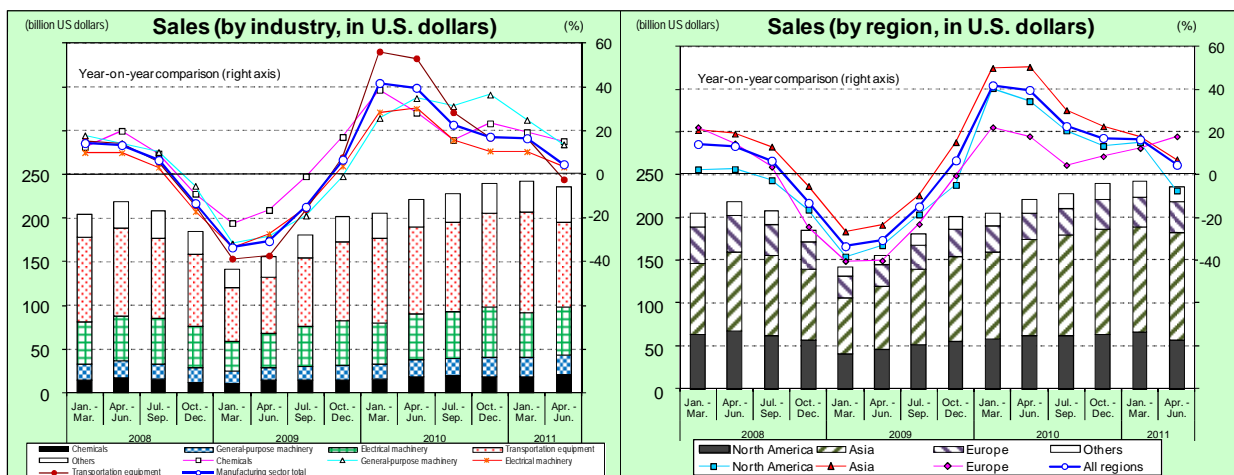
- Sales (in US dollars) amounted to \$56.8 billion. This was a 7.4% year-on-year decrease, marking the first decrease in six quarters. Of the four major industry groups, transportation equipment decreased by 21.4% year-on-year, marking its first decrease in six quarters, while general-purpose machinery increased by 14.1%, chemicals by 9.0%, and electrical machinery by 3.3%, marking the sixth consecutive quarter of increase for all three.

<Asia: 53.4% of total sales of all regions>

- Sales (in US dollars) amounted to \$126.0 billion. This was a 7.2% increase year-on-year, marking an increase for the seventh consecutive quarter. Of the four major industry groups, chemicals increased by 18.1% year-on-year, general-purpose machinery by 10.5%, electrical machinery by 3.8%, and transportation equipment by 3.1%, which marked the seventh consecutive quarter of increase for all. NIEs3 (up 9.6% year-on-year), China (up 8.3%), and ASEAN4 (up 5.9%) saw increases for the seventh consecutive quarter.

<Europe: 15.4% of total sales of all regions>

- Sales (in US dollars) amounted to \$36.3 billion. This was a 17.9% increase year-on-year, marking an increase for the sixth consecutive quarter. Of the four major industry groups, electrical machinery increased by 2.8% year-on-year, marking an increase for the fifth consecutive quarter; general-purpose machinery increased by 23.5% and transportation equipment increased by 22.7%, which marked an increase for the six consecutive quarter for both; and chemicals increased by 15.0%, marking an increase for the seventh consecutive quarter.



* Year-on-year changes are calculated from the aggregate values of only overseas subsidiaries (including newly established companies) that are subject to survey as a continuation from the previous fiscal year and thus differ from figures obtained from actual values. For details of actual results, see the report "Trends in Overseas Subsidiaries," pages 16 to 27, or "Statistics," pages 1-20.

(2) Capital investment (current acquisition price of tangible fixed assets [excluding land]) results

<All regions>

- Capital investment (April-June 2011, in US dollars) amounted to \$6.87 billion. This was a year-on-year increase of 38.7% and marked an increase for the fifth consecutive quarter. Of the four major industry groups, chemicals increased by 48.8% year-on-year, marking an increase for the second consecutive quarter. General-purpose machinery increased by 88.8% year-on-year and transportation equipment increased by 66.6%, which marked increases for the fourth consecutive quarter for both, and electrical machinery increased by 10.3%, marking an increase for the sixth consecutive quarter. Asia, Europe, and North America posted increases.
- Capital investment (April-June 2011, in Japanese yen) amounted to ¥561.0 billion. This was a year-on-year increase of 23.1% and marked an increase for the fifth consecutive quarter.

<North America: 15.6% of total capital investment in all regions>

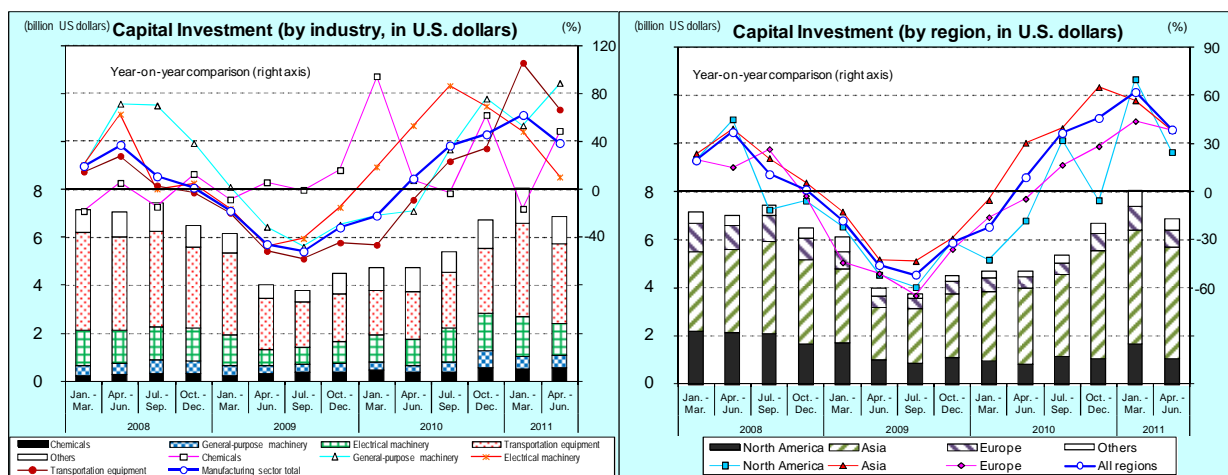
- Capital investment (in US dollars) amounted to \$1.07 billion. This was a year-on-year increase of 24.7% and marked an increase for the second consecutive quarter. Of the four major industry groups, transportation equipment decreased by 0.9% year-on-year for its first decrease in two quarters, while general-purpose machinery increased by 100.2% year-on-year and chemicals increased by 92.0%, marking increases for the third consecutive quarter for both, and electrical machinery increased by 21.5%, marking an increase for the fifth consecutive quarter.

<Asia: 67.7% of total capital investment in all regions>

- Capital investment (in US dollars) amounted to \$4.65 billion. This was a year-on-year increase of 38.5% and marked an increase for the fifth consecutive quarter. Of the four major industry groups, transportation equipment increased by 128.0% year-on-year, marking an increase for the fifth consecutive quarter; general-purpose machinery increased by 88.7%, which represented an increase for the fourth consecutive quarter; chemicals increased by 22.7% for its first increase in two quarters; and electrical machinery increased by 3.7%, marking its sixth consecutive quarter of increase. ASEAN4 (up 42.3% year-on-year), China (up 29.5%), and NIEs3 (up 10.0%) reported increases.

<Europe: 10.0% of total capital investment in all regions>

- Capital investment (in US dollars) amounted to \$0.69 billion. This was a year-on-year increase of 38.4% and marked an increase for the fourth consecutive quarter. Of the four major industry groups, chemicals increased by 95.7% year-on-year, which was its first increase in two quarters; electrical machinery increased by 90.6%, which was its first increase in three quarters; general-purpose machinery increased by 57.3%, which was its first increase in two quarters; and transportation equipment increased by 4.5%, marking an increase for the fourth consecutive quarter.



(3) Number of employees results

<All regions>

- The number of employees (as of the end of June 2011) was 3.626 million. This was an increase of 2.9% year-on-year and represented an increase for the sixth consecutive quarter. Of the four major industry groups, general-purpose machinery increased by 7.9% year-on-year, marking an increase for the seventh consecutive quarter; transportation equipment increased by 6.5%, marking an increase for the sixth consecutive quarter; and chemicals increased by 3.6% to mark a tenth consecutive quarter of growth. However, electrical machinery decreased by 2.1% year-on-year, which represented its first decrease in six quarters. All regions reported growth.

<North America: 11.2% of total employment in all regions>

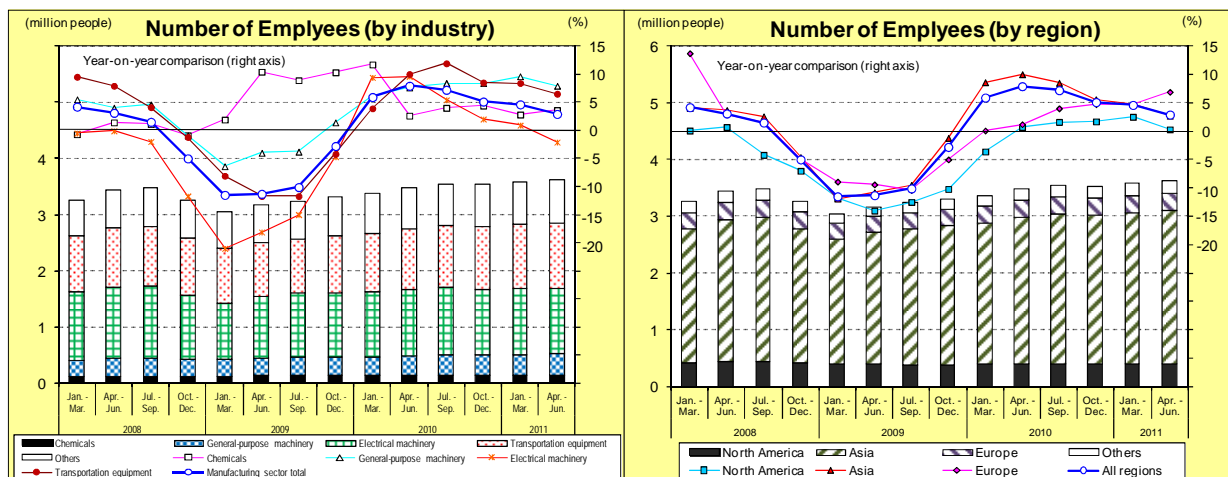
- The number of employees was 0.406 million. This was a year-on-year increase of 0.3% and marked an increase for the fifth consecutive quarter. Of the four major industry groups, transportation equipment decreased by 2.8% year-on-year, marking its first decrease in five quarters, however general-purpose machinery increased by 5.0% year-on-year, marking an increase for the third consecutive quarter; electrical machinery increased by 3.1% for its first increase in 14 quarters; and chemicals increased by 0.8%, which marked its sixth consecutive quarter of increase.

<Asia: 74.2% of total employment in all regions>

- The number of employees was 2.691 million. This was a year-on-year increase of 2.7%, up for the sixth consecutive quarter. Of the four major industry groups, electrical machinery decreased by 2.6% year-on-year for its first decline in six quarters; however general-purpose machinery increased by 8.3% year-on-year and transportation equipment increased by 8.1%, both marking their seventh consecutive quarter of increase, and chemicals increased by 5.3% for its tenth consecutive quarter of increase. ASEAN4 (up 3.3% year-on-year), NIEs3 (up 0.5%), and China (up 0.1%) all recorded increases.

<Europe: 8.7% of total employment in all regions>

- The number of employees was 0.315 million. This was a year-on-year increase of 6.9%, up for the sixth consecutive quarter. Of the four major industry groups, chemicals reported a decrease of 0.5% year-on-year for its first decline in two quarters; however transportation equipment increased by 10.3% year-on-year for its sixth consecutive quarter of growth, and general-purpose machinery increased by 7.5% and electrical machinery increased by 5.1% to mark the fourth consecutive quarter of increase for both.



For reference: Overseas Economics

As a whole, recovery of the world economy is slowing down. Recovery in the United States is extremely weak and the pace of recovery in Europe is slowing. Although, looking forward over the short term, weak recovery is expected to continue, the risk of an economic downturn exists. Moreover, attention must be paid to recent movements in the financial and capital markets. In the United States, the economic recovery is extremely weak and is expected to remain extremely weak for the foreseeable future. In addition, there is a risk of economic downturn stemming from a high unemployment rate and collapsing houses prices among other factors. Moreover, it will be important to observe recent movements in financial and capital markets and the effects of fiscal restraint. In Asia, the Chinese economy is seeing expansion driven by domestic demand. Although this expansion is expected to continue into the foreseeable future, movements in the prices of real estate and commodities must be watched. The Indian economy is also seeing expansion driven by domestic demand, but the rate of expansion is slowing down somewhat. As for short-term prospects, the economy 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 rising commodities prices. Other Asian economies are recovering overall, but the pace of this recovery has been slowing recently. It is expected that gradual economic recovery will continue for the short term. Still, there are risks, such as a continuing slump in exports to Europe and the United States and a rise in the prices of commodities. The pace of economic recovery in Europe is slowing. Recovery of the German economy has become less vigorous recently, while that of the French economy has stalled. The UK economy is at a standstill but is showing weak movement in some areas. The economic outlook is that the European economy will continue to see an extremely gradual recovery. However, it will be necessary to pay attention to the impact of fiscal restraints in each country. At the same time, there is also the risk that recovery could become sluggish due to concerns vis-à-vis financial systems that reflect fiscal uncertainty in some countries and a continuing high unemployment rate.

(From the Monthly Economic Report [September 2011])