

# Trends in Overseas Subsidiaries (Summary)

## Quarterly Survey of Overseas Subsidiaries (July-September 2011)

### Surveyed in November 2011

December 21, 2011  
Research and Statistics Department  
Minister's Secretariat  
Ministry of Economy, Trade and Industry

#### The sales DI posted positive, 4.9 in October-December and 9.1 in January-March

#### **1. Actual results (July-September 2011, year-on-year growth rate)**

- (1) Sales (in U.S. dollars) amounted to \$252.8 billion. This represented a year-on-year increase of 7.8% and the eighth consecutive quarter of positive figures. By region, Europe (up 15.0% year-on-year), Asia (up 7.8%) and North America (up 3.1%) had increases.
- (2) Capital investment (in U.S. dollars) amounted to \$7.22 billion. This represented a year-on-year increase of 28.2% and the sixth consecutive quarter of positive figures. Europe (up 43.8% year-on-year), Asia (up 29.2%), and North America (up 7.7%) had increases.
- (3) The number of employees stood at 3.705 million. This represented a year-on-year increase of 3.0% and the seventh consecutive quarter of positive figures. Europe (up 4.6% year-on-year), Asia (up 2.6%), and North America (up 2.4%) had increases.

#### **2. Forecasts (Current DI\*<sup>1</sup>: October-December 2011, Next DI: January-March 2012)**

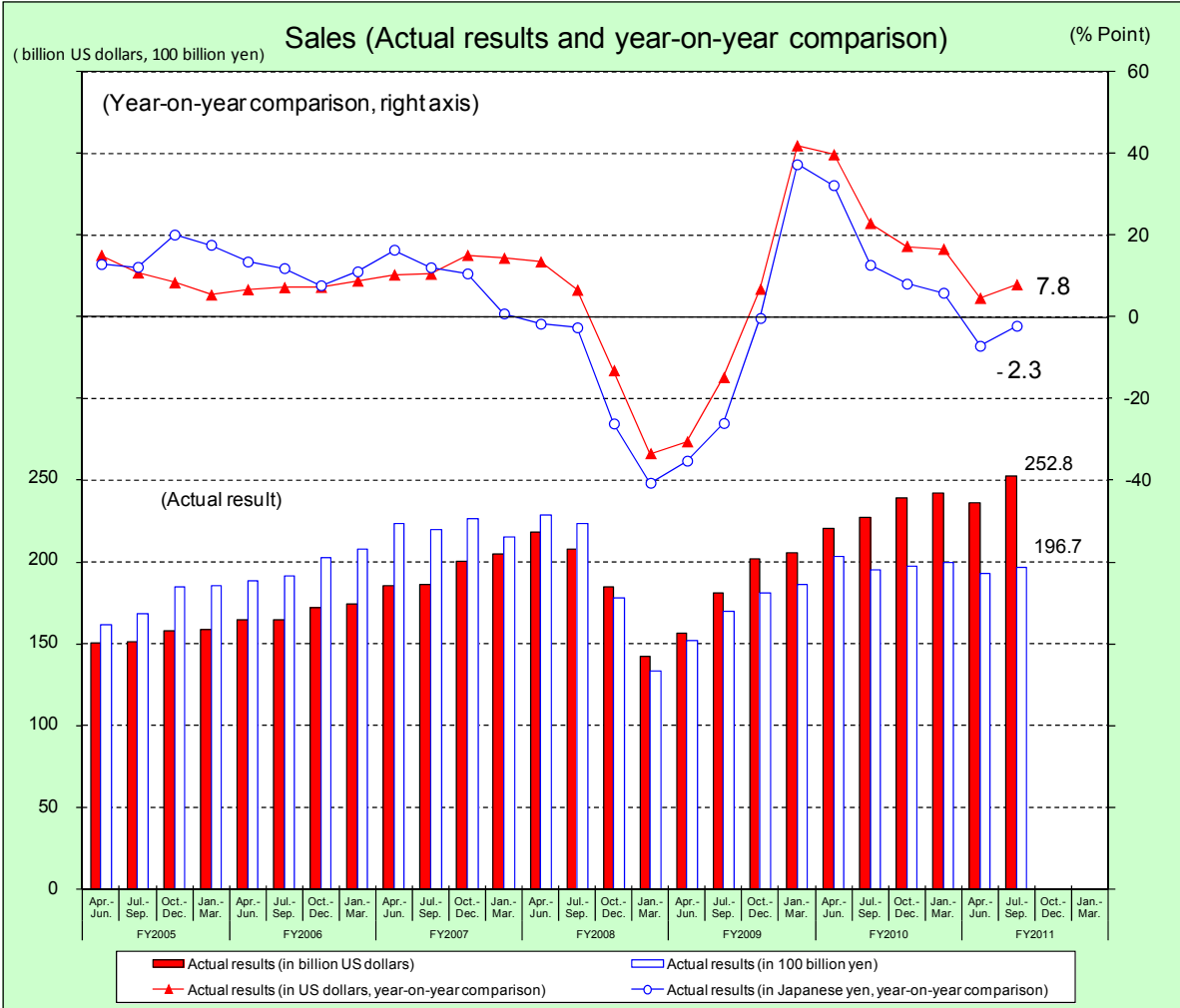
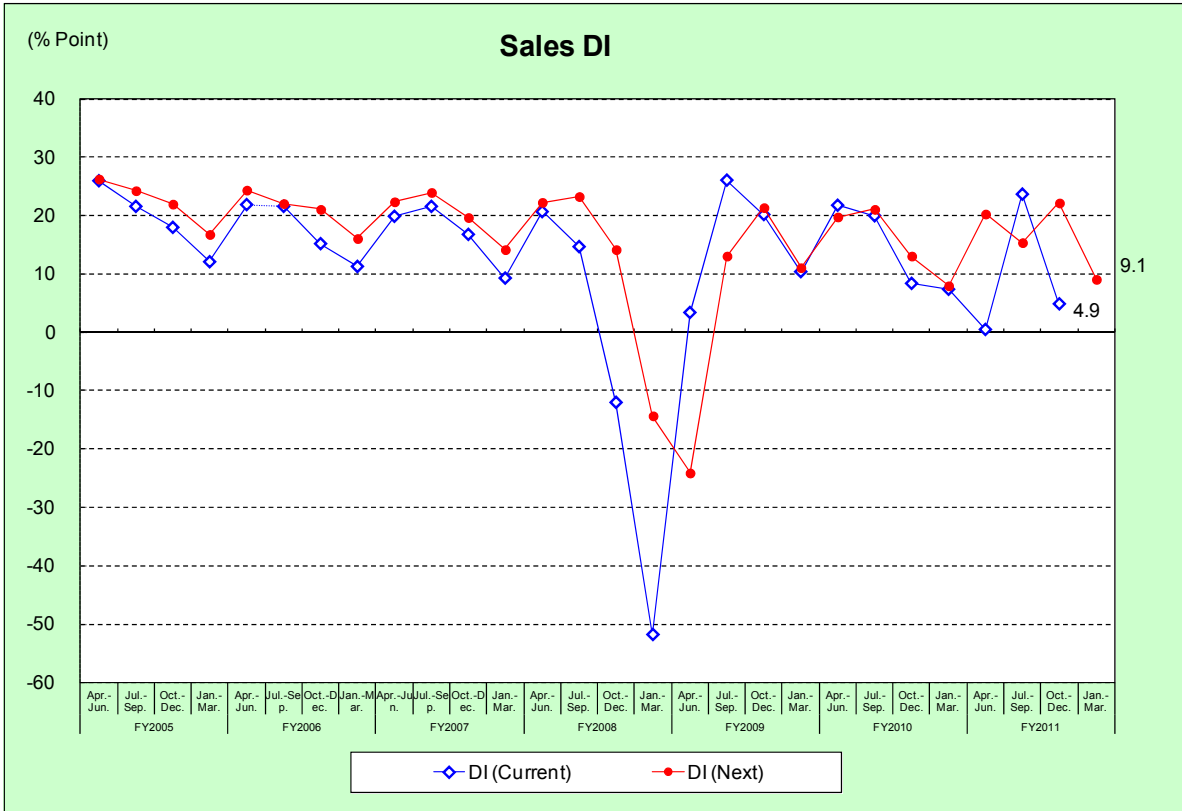
- (1) The sales DI recorded positive figures for both the Current DI and Next DI for the 11<sup>th</sup> consecutive quarter. The Current DI and Next DI recorded figures of 4.9 and 9.1, respectively. In terms of change compared to the previous year, the Current DI posted a negative figure for the first time in two quarters, while the Next DI reported a positive figure for the second consecutive quarter. Looking at the Current DI and Next DI in terms of region, both remained positive in all regions. However, if individual regions are examined in more detail, the Current DI in ASEAN4 reported a negative figure and the Current DI for Thailand, which experienced flood damage, recorded a significant decrease of 43.7. However, the Next DI remained positive with a figure of 3.3.
- (2) The Capital Investment DI posted positive figures in terms of both the Current DI and Next DI for the tenth consecutive quarter. The Current DI and Next DI stood at 12.5 and 6.9, respectively. The Current DI had a year-on-year decrease of 0.9 points, while the Next DI had a year-on-year decrease of 0.2 points. All regions had positive figures for both the Current DI and Next DI.
- (3) The Number of Employees DI posted positive figures in terms of both the Current DI and the Next DI for the tenth consecutive quarter. However, these figures fell short of those of the same quarter of the previous year for the first time in two quarters.

\*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 they 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. Actual results

## (1) Sales results

- Sales (July-September 2011, in U.S. dollars) amounted to \$252.8 billion. In year-on-year comparison\*, this represented an increase of 7.8% and a positive figure for the eighth consecutive quarter. Of the four major industry groups, general-purpose machinery reported a year-on-year increase of 18.7%, marking the seventh consecutive quarter of positive figures; transportation equipment had an increase of 5.4% for its first positive figure in two quarters; electrical machinery had an increase of 5.2%, marking its eighth consecutive quarter of positive figures; and chemicals had a slight increase of 0.1%. North America had a year-on-year increase of 3.1% for its first positive figure in two quarters; Asia had an increase of 7.8% for an eighth consecutive quarter of positive figures; and Europe had an increase of 15.0% for a seventh consecutive quarter of positive figures.
- Sales (July-September 2011, in Japanese yen) amounted to ¥19.7 trillion. This marked a year-on-year decrease of 2.3% and the second consecutive quarter of negative figures.

### 1) North America: 25.1% of total sales in all regions

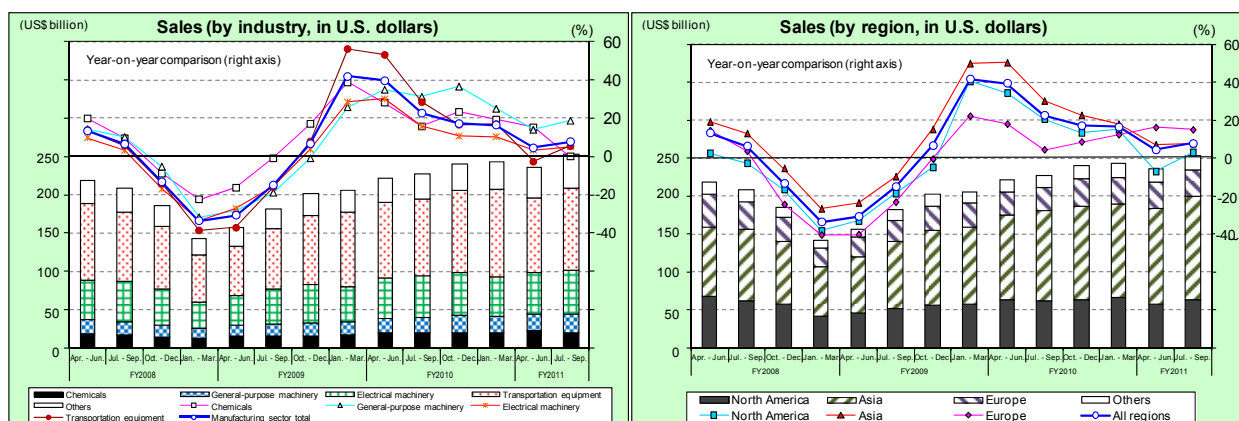
Sales (in U.S. dollars) amounted to \$63.6 billion. This was a year-on-year increase of 3.1% and the first positive figure in two quarters. Of the four major industry groups, transportation equipment had a year-on-year decrease of 4.3%, marking its second consecutive quarter of negative figures. General-purpose machinery had a year-on-year increase of 20.4%, chemicals had an increase of 7.8%, and electrical machinery had an increase of 5.4%; in each case, this marked a seventh consecutive quarter of positive figures.

### 2) Asia: 53.5% of total sales in all regions

Sales (in U.S. dollars) amounted to \$135.2 billion. This was a year-on-year increase of 7.8% and marked the eighth consecutive quarter of positive figures. Of the four major industry groups, chemicals had a year-on-year decrease of 6.5%, marking its first negative figure in eight quarters. General-purpose machinery had a year-on-year increase of 18.6%, electrical machinery had an increase of 6.4%, and transportation equipment had an increase of 5.2%; in each case, this marked an eighth consecutive quarter of positive figures. NIEs3 (up 12.7% year-on-year), ASEAN4 (up 12.4%), and China (up 2.7%) posted positive figures for the eighth consecutive quarter.

### 3) Europe: 14.0% of total sales in all regions

Sales (in U.S. dollars) amounted to \$35.4 billion. This was a year-on-year increase of 15.0% and marked the seventh consecutive quarter of positive figures. Of the four major industry groups, electrical machinery had a year-on-year decrease of 4.9%, marking its first negative figure in six quarters. General-purpose machinery posted a year-on-year increase of 20.5% and transportation equipment posted an increase of 24.6%; in both cases, this marked a seventh consecutive quarter of positive figures. Chemicals had a year-on-year increase of 10.4%, marking its eight consecutive quarter of positive figures.



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

- Capital investment (July-September 2011, in U.S. dollars) amounted to \$7.22 billion. This was a year-on-year increase of 28.2% and marked an increase of the sixth consecutive quarter. Of the four major industry groups, chemicals increased by 41.5% year-on-year, marking an increase for the second consecutive quarter. General-purpose machinery increased by 51.4% and transportation equipment increased by 40.5%, which marked increases for the fifth consecutive quarter for both. Electrical machinery decreased by 5.9%, marking the first decrease in seven quarters. Europe, Asia, and North America posted increases.
- Capital investment (July-September 2011, in Japanese yen) amounted to ¥562.1 billion. This was a year-on-year increase of 16.2% and marked an increase for the sixth consecutive quarter.

### 1) North America: 17.5% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$1.27 billion. This was a year-on-year increase of 7.7% and marked an increase for the third consecutive quarter. Of the four major industry groups, transportation equipment had a year-on-year decrease of 14.0%, marking a decrease for the second consecutive quarter. General-purpose machinery had a year-on-year increase of 66.9% and chemicals had an increase of 59.0%, marking increases for the fourth consecutive quarter for both. Electrical machinery had an increase of 45.9%, which marked an increase for the sixth consecutive quarter.

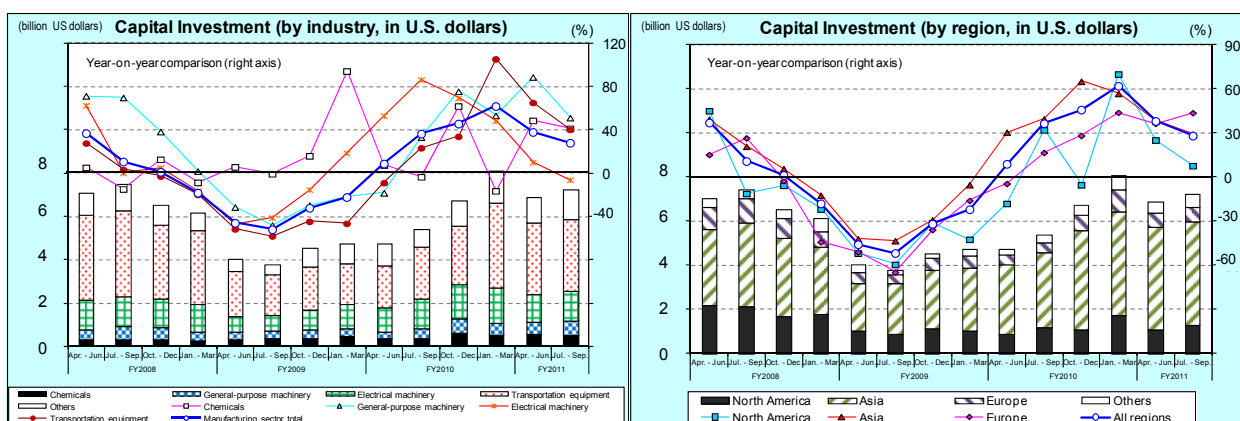
### 2) Asia: 65.0% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$4.69 billion. This was a year-on-year increase of 29.2% and marked an increase for the sixth consecutive quarter. Of the four major industry groups, transportation equipment had a year-on-year increase of 74.3%, marking an increase for the sixth consecutive quarter; general-purpose machinery had an increase of 41.3%, marking an increase for the fifth consecutive quarter; and chemicals had an increase of 37.9%, marking an increase for the second consecutive quarter. Electrical machinery had a year-on-year decrease of 6.5%, which was its first decrease in seven quarters.

NIEs3 (up 41.2% year-on-year), China (up 31.9%), and ASEAN4 (up 23.6%) posted increases.

### 3) Europe: 9.4% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$0.68 billion. This was a year-on-year increase of 43.8% and marked an increase for the fifth consecutive quarter. Of the four major industry groups, chemicals had a year-on-year increase of 36.2%, which marked an increase for the second consecutive quarter; general-purpose machinery had an increase of 76.3%, which marked an increase for the second consecutive quarter; and transportation equipment had an increase of 72.8%, marking an increase for the fifth consecutive quarter. Electrical machinery had a year-on-year decrease of 45.7%, which was its first decrease in two quarters.



### (3) Number of employees results

- The number of employees (as of the end of September 2011) was 3.705 million. This was a year-on-year increase of 3.0% and represented an increase for the seventh consecutive quarter. Of the four major industry groups, general-purpose machinery increased by 5.5% year-on-year, marking an increase for the eighth consecutive quarter; transportation equipment increased by 7.4%, marking an increase for the seventh consecutive quarter; and chemicals had an increase of 0.9%, which marked an increase for the 11<sup>th</sup> consecutive quarter. However, electrical machinery decreased by 1.4% year-on-year, which marked a decrease for the second consecutive quarter. Europe, Asia, and North America posted positive figures.

#### 1) North America: 11.2% of total employment in all regions

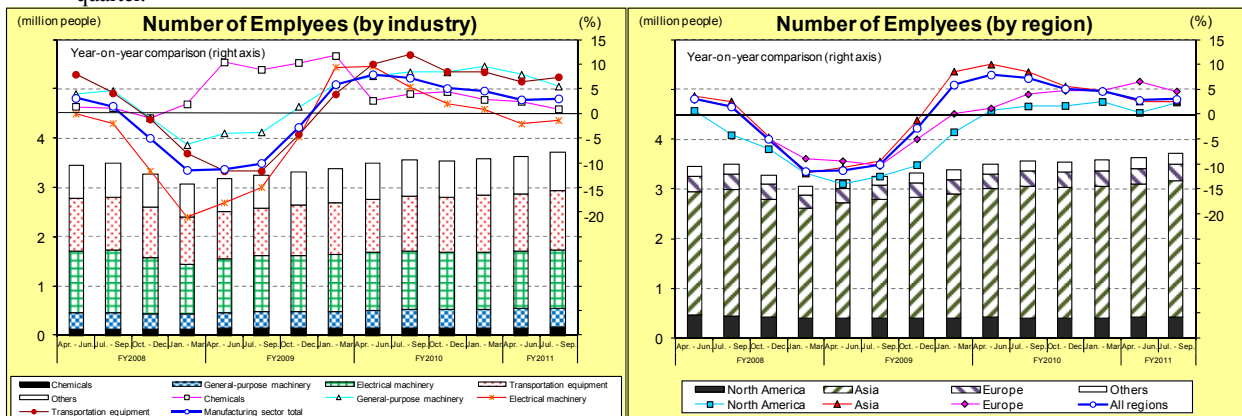
The number of employees was 0.415 million. This was a year-on-year increase of 2.4% and marked an increase for the sixth consecutive quarter. Of the four major industry groups, transportation equipment had a year-on-year increase of 2.9%, which marked its first increase in two quarters. General-purpose machinery increased by 5.8%, marking an increase for the fourth consecutive quarter, and electrical machinery increased by 0.7%, marking an increase for the second consecutive quarter. Chemicals increased by 0.2% for its first increase in two quarters.

#### 2) Asia: 74.2% of total employment in all regions

The number of employees was 2.749 million. This was a year-on-year increase of 2.6% and marked an increase for the seventh consecutive quarter. Of the four major industry groups, electrical machinery had a year-on-year decrease of 1.5%, marking a decrease for the second consecutive quarter. General-purpose machinery had a year-on-year increase of 5.3% and transportation equipment had an increase 8.1%; these figures marked the eighth consecutive quarter of increase for both. Chemicals had an increase of 2.7%, which marked an increase for the 11<sup>th</sup> consecutive quarter. ASEAN4 (up 3.6% year-on-year) posted an increase, China (0.0%) posted no change, and NIEs3 (down 0.9%) saw a decrease.

#### 3) Europe: 8.6% of total employment in all regions

The number of employees was 0.320 million. This was a year-on-year increase of 4.6% and marked an increase for the seventh consecutive quarter. Of the four major industry groups, electrical machinery had a year-on-year decrease of 4.4%, marking a decrease for the fifth consecutive quarter, while chemicals had a decrease of 3.4%, which marked a decrease for the third consecutive quarter. Transportation equipment had a year-on-year increase of 7.7%, representing an increase for the seventh consecutive quarter, and general-purpose machinery had an increase of 7.3%, which marked an increase for the fifth consecutive quarter.



For reference: Overseas Economics

As a whole, recovery of the world economy is slowing down, partially as a result of the slowing pace of recovery in Europe. It is expected that weak recovery will continue over the short term. However, the risk of an economic downturn exists due to the fact that rising uncertainties over the financial future of some European countries are causing concerns vis-à-vis the financial system and influencing financial and capital markets. In the United States, a weak economic recovery is taking place. It is expected that weak economic recovery will continue for the foreseeable future. However, there is a risk of economic downturn stemming from a high unemployment rate and collapsing housing prices among other factors. In addition, 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, recent developments in financial and capital markets, and trends in exports to the United States and Europe must be watched. The Indian economy is also seeing expansion driven by domestic demand, but the rate of expansion is slowing 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 must be paid to risks stemming from rising commodities prices as well as recent developments in financial and capital markets. 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 is a risk that an economic downturn can occur due to declining exports to Europe and the United States and a rise in commodity prices. Moreover, attention must be paid to recent developments in financial and capital markets and the effects of flooding in Thailand. The pace of economic recovery in Europe is slowing. The German economy is showing gradual recovery and some weak movement is seen. The economies of France and the UK are at a standstill, but weak movement is seen in some areas. The economic outlook is that the European economy will continue to see an extremely gradual recovery. However, the risk of an economic downturn exists due to the fact that rising uncertainties over the financial future of some European countries are causing concerns vis-à-vis the financial system and influencing financial and capital markets. At the same time, attention must be paid to effects caused by financial austerity in various countries and continuing high unemployment rates.

(From the Monthly Economic Report [November 2011])

## 2. Forecasts

### (1) Trends in Sales

- The Current DI for sales (October-December 2011) stood at 4.9, marking its 11<sup>th</sup> straight quarter of positive figures. In year-on-year comparison (i.e., comparison with the Current DI of the October-December 2010 quarter), the Current DI had a decrease of 3.5 points, marking its first negative figure in two quarters. Of the four major industry groups<sup>\*1</sup>, transportation equipment and general-purpose machinery posted positive figures, while electrical machinery and chemicals posted negative figures. With the exception of transportation equipment, all industry groups posted negative figures in a year-on-year comparison.  
All regions posted positive figures with the exception of ASEAN4<sup>\*2</sup>. ASEAN4 had a year-on-year decrease.
- The Next DI (January-March 2012) stood at 9.1, marking its 11<sup>th</sup> straight quarter of positive figures. It had a year-on-year increase of 1.1 points, which marked an increase for the second consecutive quarter. Of the four major industry groups, all posted positive figures with the exception of electrical machinery. In year-on-year comparison, transportation equipment and chemicals posted positive figures, while general-purpose machinery and electrical machinery posted negative figures.

#### 1) North America

The Current DI stood at 12.3, marking its second consecutive quarter of positive figures. This was a year-on-year increase of 10.8 points. Of the four major industry groups, chemical showed a negative figure for the first time in four quarters; however, the other groups posted positive figures. With the exception of transportation equipment, all groups posted negative figures in year-on-year comparison.

The Next DI stood at 16.0, marking its 11<sup>th</sup> consecutive quarter of positive figures. This was a year-on-year increase of 7.3 points. All four major industry groups posted positive figures, and all showed a positive year-on-year change with the exception of general-purpose machinery.

#### 2) Asia

The Current DI stood at 1.9, marking its 11<sup>th</sup> consecutive quarter of positive figures. However, this was a year-on-year decrease of 7.9 points. Of the four major industry groups, all posted positive figures with the exception of electrical machinery. Although ASEAN4 (down 19.9) posted a negative figure for the first time in two quarters, China<sup>\*3</sup> (12.5) and NIEs3<sup>\*4</sup> (5.0) posted positive figures.

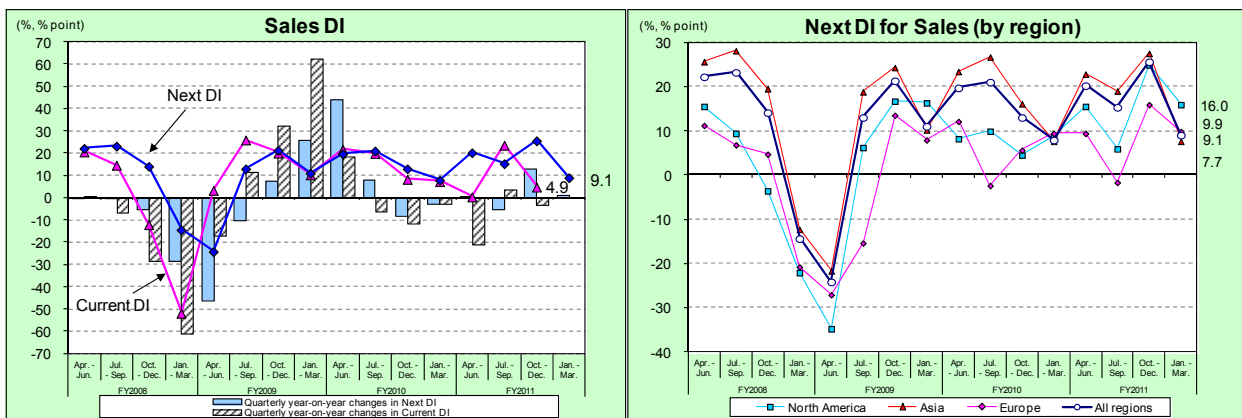
The Next DI stood at 7.7, marking its 11<sup>th</sup> consecutive quarter of positive figures. This represented no change (0.0) in year-on-year comparison. All four major industry groups posted positive figures with the exception of electrical machinery. ASEAN4 (6.9), NIEs3 (6.3), and China (4.9) posted positive figures.

The Current DI for Thailand, which experienced flood damage, recorded a significant decrease of 43.7. However, the Next DI remained on the positive side with a figure of 3.3.

#### 3) Europe

The Current DI stood at 10.2, marking its fifth consecutive quarter of positive figures. This was a year-on-year increase of 1.2 points. All of the four major industry groups posted positive figures.

The Next DI stood at 9.9, marking its second consecutive quarter of positive figures. This was a year-on-year increase of 0.4 points. All of the four major industry groups posted positive figures. In terms of year-on-year change, chemicals posted a positive figure for the second consecutive quarter; however, electrical machinery posted a negative figure for the second consecutive quarter, general-purpose machinery posted a negative figure for the first time in two quarters, and transportation equipment posted a negative figure for the first time in three quarters.



\*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]) forecasts

- The Current DI for capital investment posted 12.5, marking its tenth consecutive quarter of positive figures. However, this was a year-on-year decrease of 0.9 points. All of the four major industry groups reported positive figures, and all with the exception of transportation equipment reported year-on-year increases. All regions posted positive figures.
- The Next DI stood at 6.9, marking its tenth consecutive quarter of positive figures. However, this was a year-on-year decrease of 0.2 points. With the exception of electrical machinery, all four major industry groups reported positive figures. Electrical machinery and chemicals showed year-on-year decreases. All regions posted positive figures.

### 1) North America

The Current DI stood at 10.8, marking its tenth consecutive quarter of positive figures. This was a year-on-year increase of 0.3 points for two consecutive quarters. All four major industry groups posted positive figures.

The Next DI stood at 7.7, showing its eighth consecutive quarter of positive figures. This was a year-on-year increase of 0.7 points. All four major industry groups posted positive figures. In a year-on-year comparison, chemicals and transportation equipment posted increases, while the other groups posted decreases.

### 2) Asia

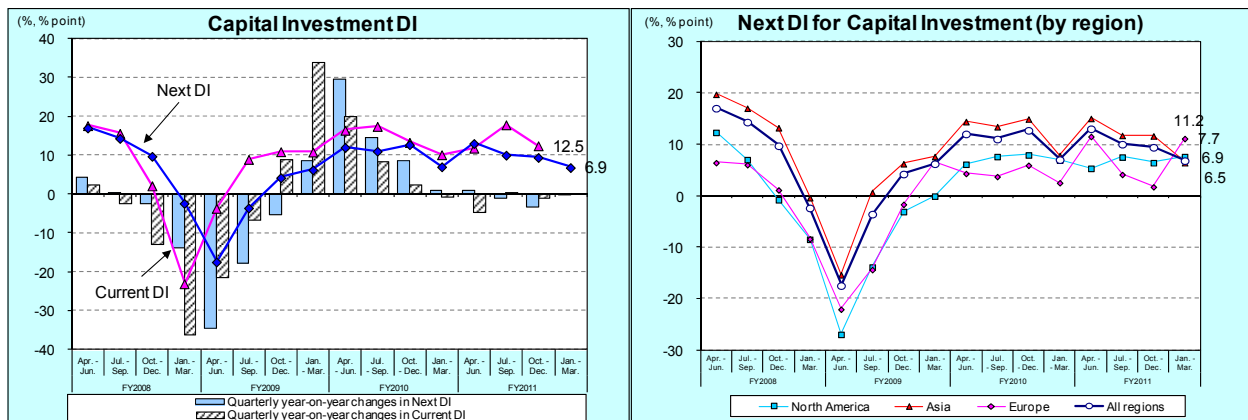
The Current DI stood at 13.3, marking the tenth consecutive quarter of increase. However, this was a year-on-year decrease of 1.0 points. All four major industry groups posted positive figures. China (16.5), NIEs3 (14.8), and ASEAN4 (8.0) posted positive figures.

The Next DI stood at 6.5, marking its 11<sup>th</sup> consecutive quarter of increase. However, this was a year-on-year decrease of 1.4 points. With the exception of electrical machinery, all four major industry groups reported positive figures. In a year-on-year comparison, electrical machinery and chemicals posted decreases. ASEAN4 (7.1), China (6.0), and NIEs3 (1.6) posted positive figures.

### 3) Europe

The Current DI stood at 7.8, which was a tenth consecutive quarter of increase. However, this was a year-on-year decrease of 2.4 points. All four major industry groups with the exception of electrical machinery posted positive figures.

The Next DI stood at 11.2, which was its ninth consecutive quarter of increase. This was a year-on-year increase of 8.6 points. All four major industry groups posted positive figures as well as year-on-year increases.



### (3) Number of employees forecast

- The Current DI for the number of employees stood at 7.2, which marked its tenth consecutive quarter of increase. However, this was a year-on-year decrease of 2.4 points and marked the first year-on-year decrease in two quarters. Of the four major industry groups, all with the exception of electrical machinery posted positive figures. In year-on-year comparison, electrical machinery posted a decrease for the fifth consecutive quarter and general-purpose machinery posted a decrease for the first time in nine quarters; however, chemicals returned to the positive side for the first time in two quarters and transportation equipment posted a positive figure for the second consecutive quarter. All regions posted positive figures.
- The Next DI stood at 6.3, which marked its tenth consecutive quarter of positive figures. However, this was a year-on-year decrease of 0.1 points. Of the four major industry groups, all with the exception of electrical machinery posted positive figures. Electrical machinery was the only group to report a year-on-year decrease. All regions posted positive figures.

#### 1) North America

The Current DI stood at 11.6, which marked its eighth consecutive quarter of positive figures. This was a year-on-year increase of 7.5 points. All four major industry groups posted positive figures.

The Next DI stood at 6.8, which marked its sixth consecutive quarter of positive figures. This was a year-on-year increase of 5.3 points. All four major industry groups with the exception of electrical machinery posted positive figures, and all except electrical machinery showed year-on-year increases.

#### 2) Asia

The Current DI stood at 6.8, which marked its tenth consecutive quarter of positive figures. However, this was a year-on-year decrease of 5.9 points. All four major industry groups with the exception of electrical machinery posted positive figures. China (8.6), NIEs3 (5.8), and ASEAN4 (2.4) reported positive figures.

The Next DI stood at 6.9, which marked its tenth consecutive quarter of positive figures. However, this was a year-on-year decrease of 2.1 points. All four major industry groups with the exception of electrical machinery posted positive figures; however, all except transportation equipment showed year-on-year decreases. China (7.4), ASEAN4 (6.5), and NIEs3 (1.3) posted positive figures.

#### 3) Europe

The Current DI stood at 3.8, which marked its fifth consecutive quarter of positive figures. This was a year-on-year increase of 3.1 points. All four major industry groups posted positive figures.

The Next DI stood at 2.8, which marked its fourth consecutive quarter of positive figures. This was a year-on-year increase of 5.8 points. Of the four major industry groups, electrical machinery and transportation equipment showed no change, while general-purpose machinery and chemicals posted positive figures. All groups reported year-on-year increases.

