

Trends in Overseas Subsidiaries (Summary)

<Quarterly Survey of Overseas Subsidiaries (October–December 2011)>

~Surveyed in February 2012~

March 22, 2012

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

The sales DI posted positive figures, at 8.5 in January–March and at 21.6 in April–June

1. Actual results (October–December 2011, year-on-year growth rate)

- (1) Sales (in U.S. dollars) amounted to \$244.8 billion. This represented a year-on-year increase of 0.5%, and the ninth consecutive quarter of positive figures. By region, North America (up 7.6% year-on-year) and Europe (up 3.7%) posted increases, while Asia (down 3.9%) posted a decrease for the first time in nine quarters.
- (2) Capital investment (in U.S. dollars) amounted to \$8.96 billion. This represented a year-on-year increase of 30.5%, and the seventh consecutive quarter of positive figures. All regions posted increases—North America up by 69.1% year-on-year, Europe up by 26.0% and Asia up by 22.6%.
- (3) The number of employees amounted to 3.709 million. This represented a year-on-year increase of 4.0%, and the eighth consecutive quarter of positive figures. All regions posted increases—Europe up by 4.9% year-on-year, North America up by 3.8% and Asia up by 3.7%.

2. Forecasts (Current DI (*1): January–March 2012, Next DI: April–June 2012)

- (1) The Sales DI posted positive figures for both the Current DI and Next DI for the 12th consecutive quarter. The Current DI and Next DI recorded positive figures of 8.5 and 21.6, respectively. In terms of change compared to the previous year, the Current DI posted a positive figure for the first time in two quarters, and the Next DI also reported a positive figure for the third consecutive quarter. Looking at the Current DI and Next DI in terms of region, both remained positive in all regions. However, if Asia is examined in more detail, the Current DI for China reported a negative figure.
- (2) The Capital Investment DI posted positive figures for both the Current DI and Next DI for the 11th consecutive quarter. The Current DI and Next DI recorded positive figures of 9.6 and 10.5, respectively. The Current DI had a year-on-year decrease of 0.6 points, while the Next DI had a year-on-year decrease of 2.6 points. All regions had positive figures for both the Current DI and Next DI.
- (3) The Number of Employees DI posted positive figures for both the Current DI and Next DI for the 11th consecutive quarter. The Current DI and Next DI recorded positive figures of 8.2 and 10.7, respectively. However, the Current DI had a year-on-year decrease of 2.0 points, marking a decrease for the second consecutive quarter, and the Next DI also had a year-on-year decrease of 0.5 points, marking a decrease for the first time in three 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).

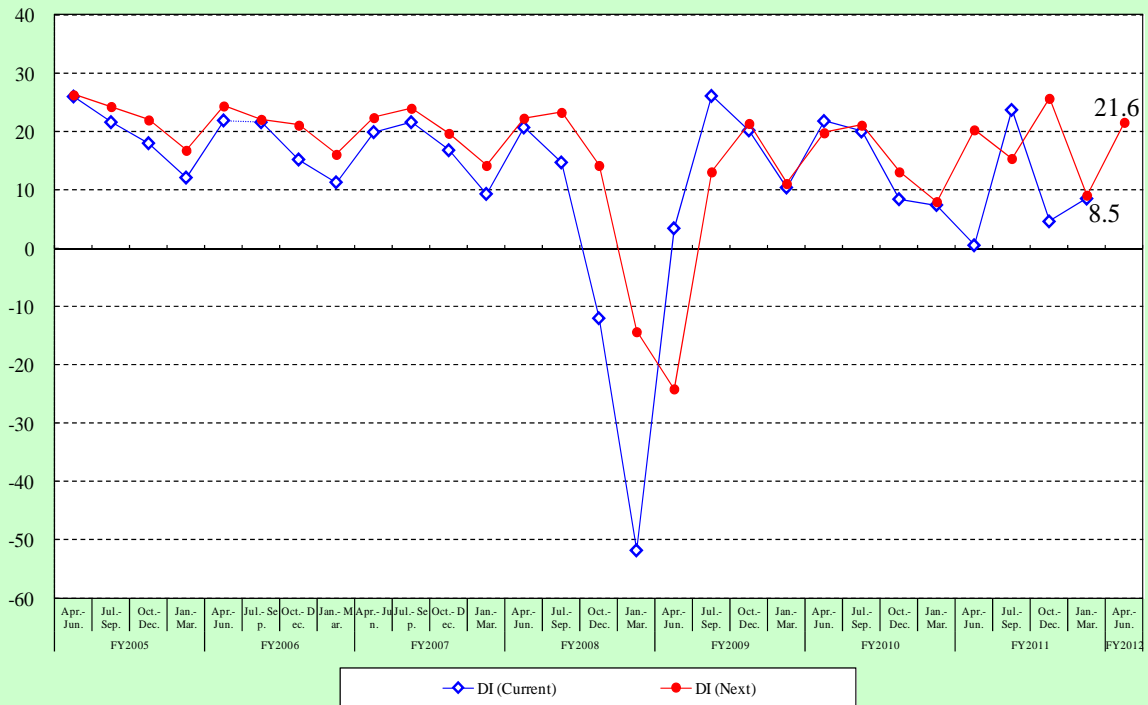
“Year-on-year change” (Current and Next) is calculated as the DI value for the current quarter minus the DI value for the same quarter of the previous year.

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 and 50 or more employees), 50 or more employees, and engaged in the manufacturing sector.

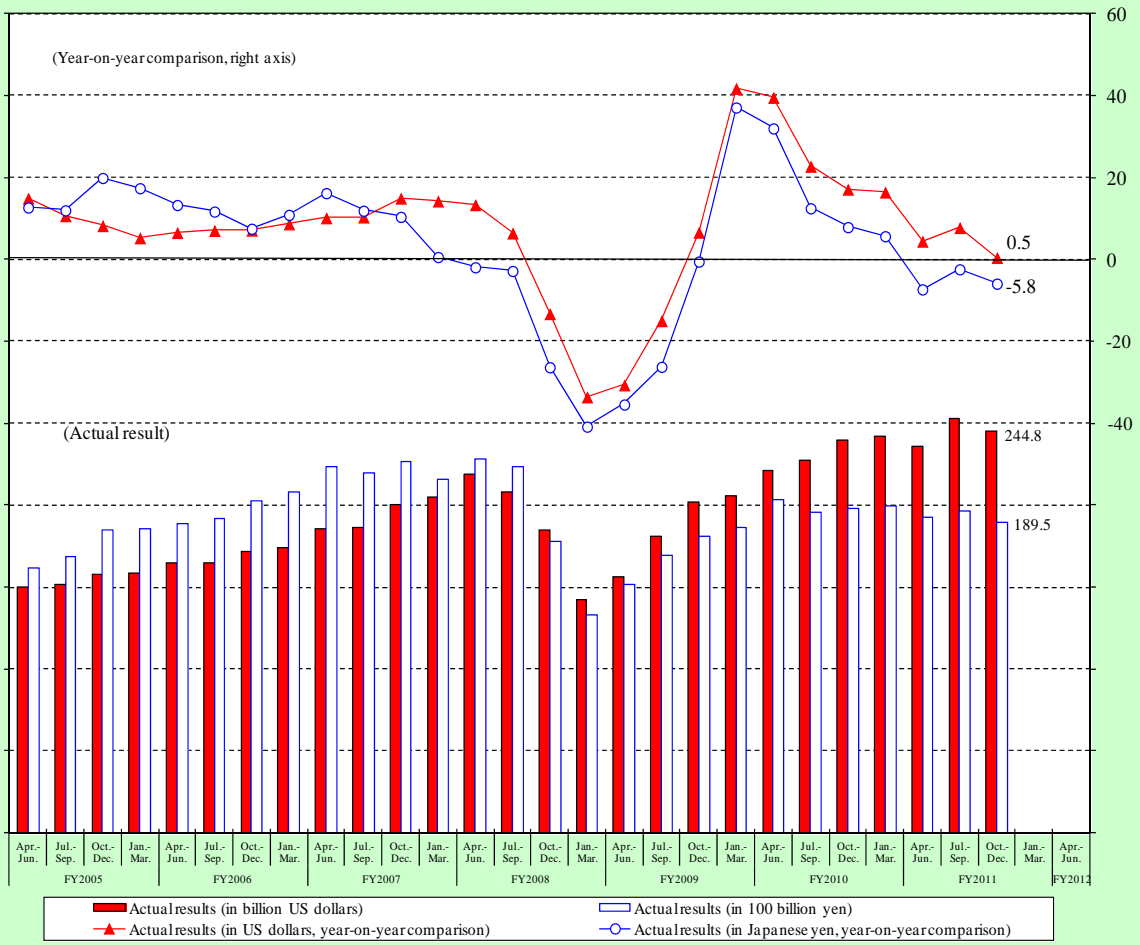
(% Point)

Sales DI



Sales (Actual results and year-on-year comparison)

(% Point)



1 Actual results

(1) Sales Results

- Sales (October–December 2011, in U.S. dollars) amounted to \$244.8 billion. This represented a 0.5% increase as compared to the same quarter of the previous year^(*) and the ninth consecutive quarter of positive figures. Of the four major industry groups,^(*) transportation equipment had a year-on-year increase of 0.8%, marking the second consecutive quarter of positive figures. General-purpose machinery had a decrease of 5.6% for the first negative figure in eight quarters. Electrical machinery had a decrease of 1.5%, and chemicals had a decrease of 1.0%, which marked decreases for the first time in nine quarters for both sectors. North America had a year-on-year increase of 7.6% for the second consecutive quarter of positive figures, and Europe also had an increase of 3.7% for the eighth consecutive quarter of positive figures, while Asia had a decrease of 3.9% for the first negative figure in nine quarters.
- Sales (October–December 2011, in Japanese yen) amounted to ¥19.0 trillion. This represented a year-on-year decrease of 5.8%, and the third consecutive quarter of negative figures.

1) North America: 28.1% of total sales in all regions

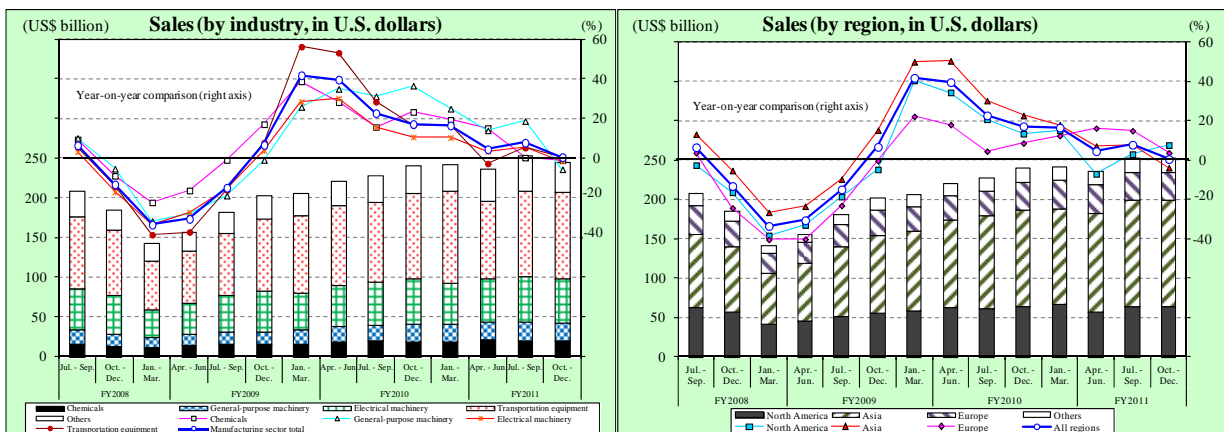
Sales (in U.S. dollars) amounted to \$68.7 billion. This represented a year-on-year increase of 7.6%, and the second consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 9.1%, marking the first positive figure in three quarters. Chemicals had an increase of 6.1% and general-purpose machinery had an increase of 2.4%, marking increases for the eighth consecutive quarter for both sectors. Electrical machinery had a year-on-year decrease of 0.1%, marking the first negative figure in eight quarters.

2) Asia: 49.7% of total sales in all regions

Sales (in U.S. dollars) amounted to \$121.7 billion. This represented a year-on-year decrease of 3.9%, and the first negative figure in nine quarters. Of the four major industry groups, general-purpose machinery had a year-on-year decrease of 9.9%, transportation equipment had a decrease of 7.6%, and electrical machinery had a decrease of 0.2%. In each case, this marked the first negative figure in nine quarters. Chemicals had a decrease of 3.8%, marking the second consecutive quarter of negative figures. ASEAN4^(*) (down 18.3% year-on-year) and NIEs3^(*) (down 5.1%) posted negative figures for the first time in nine quarters, while China (up 10.5%) posted positive figures for the ninth consecutive quarter.

3) Europe: 14.8% of total sales in all regions

Sales (in U.S. dollars) amounted to \$36.1 billion. This represented a year-on-year increase of 3.7%, and the eighth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 15.3%, marking the eighth consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 12.1%, marking the second consecutive quarter of negative figures. General-purpose machinery had a decrease of 2.9%, marking the first negative figure in eight quarters. Chemicals had a decrease of 1.9%, marking the first negative figure in nine quarters.



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

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

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

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

- Capital investment (October–December 2011, in U.S. dollars) amounted to \$8.96 billion. This represented a year-on-year increase of 30.5%, and the seventh consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 62.1%, and general-purpose machinery had an increase of 13.1%, which marked increases for the sixth consecutive quarter for both sectors. Chemicals had an increase of 46.6% for the third consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 9.5% for the second consecutive quarter of negative figures. North America, Europe, and Asia posted increases.
- Capital investment (October–December 2011, in Japanese yen) amounted to ¥693.4 billion. This represented a year-on-year increase of 22.3%, and the seventh consecutive quarter of positive figures.

1) North America: 19.6% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$1.76 billion. This represented a year-on-year increase of 69.1%, and the fourth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 70.9%, marking the first positive figure in three quarters. Chemicals had an increase of 44.3% and general-purpose machinery had an increase of 43.4%, marking increases for the fifth consecutive quarter for both. Electrical machinery had an increase of 4.0%, marking the seventh consecutive quarter of positive figures.

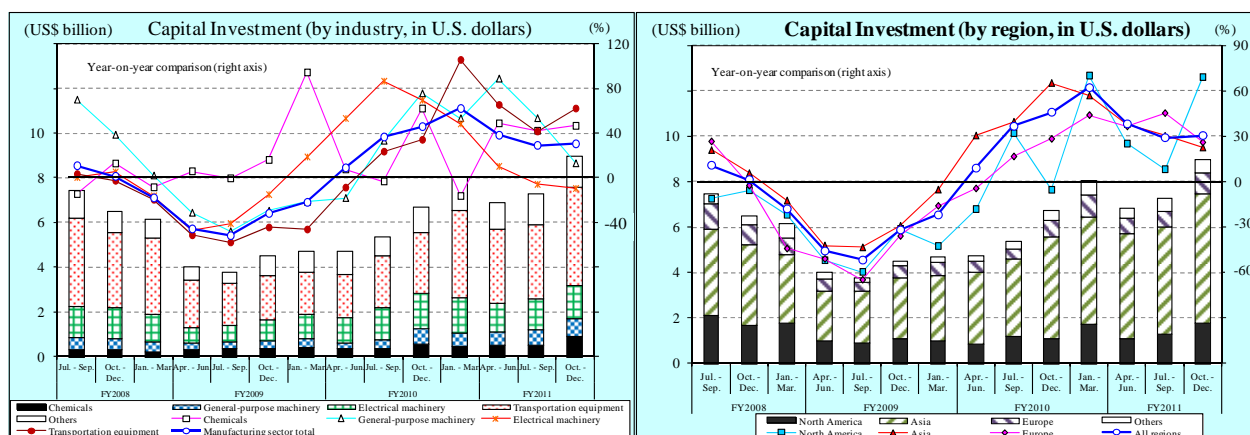
2) Asia: 63.7% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$5.71 billion. This represented a year-on-year increase of 22.6%, and the seventh consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 74.9%, marking the seventh consecutive quarter of positive figures. Chemicals had an increase of 56.7%, marking the third consecutive quarter of positive figures. General-purpose machinery had an increase of 28.9%, marking the sixth consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 11.5%, marking the second consecutive quarter of negative figures.

China (up 30.7% year-on-year) and ASEAN4 (up 15.2%) posted positive figures, while NIEs3 (down 15.8%) posted a negative figure.

3) Europe: 10.2% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$0.91 billion. This represented a year-on-year increase of 26.0%, and the sixth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 37.9%, marking the sixth consecutive quarter of positive figures. Chemicals had an increase of 12.5%, marking the third consecutive quarter of positive figures. General-purpose machinery had a year-on-year decrease of 59.3%, marking the first negative figure in three quarters. Electrical machinery had a decrease of 23.6%, marking the second consecutive quarter of negative figures.



(3) Number of employees Results

- The number of employees (as of the end of December 2011) amounted to 3.709 million. This represented a year-on-year increase of 4.0%, and the eighth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 9.5% for the eighth consecutive quarter of positive figures. General-purpose machinery had an increase of 3.6% for the ninth consecutive quarter of positive figures. Chemicals had an increase of 1.3% for the 12th consecutive quarter of positive figures. Electrical machinery had an increase of 0.3% for the first positive figure in three quarters. Europe, North America, and Asia posted increases.

1) North America: 11.4% of total employment in all regions

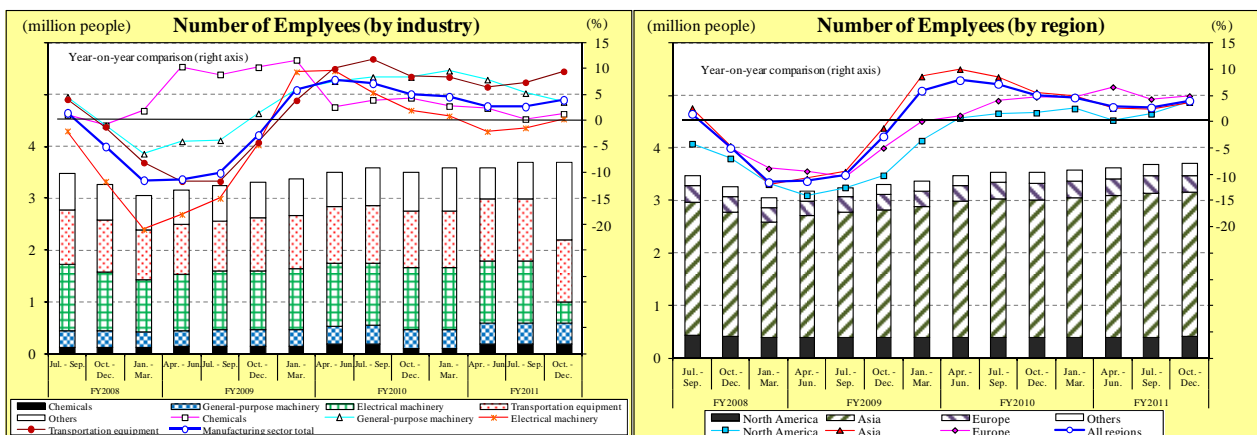
The number of employees amounted to 0.422 million. This represented a year-on-year increase of 3.8%, and the seventh consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 6.9%, marking the second consecutive quarter of positive figures. General-purpose machinery had an increase of 6.5%, marking the fifth consecutive quarter of positive figures. Chemicals had an increase of 3.6%, marking the first positive figure in three quarters. Electrical machinery had an increase of 2.4%, marking the third consecutive quarter of positive figures.

2) Asia: 73.8% of total employment in all regions

The number of employees amounted to 2.739 million. This represented a year-on-year increase of 3.7%, and the eighth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 10.8%, and general-purpose machinery had an increase of 2.7%, marking increases for the ninth consecutive quarter for both. Chemicals had an increase of 1.6%, marking the 12th consecutive quarter of positive figures. Electrical machinery had an increase of 0.3%, marking the first positive figure in three quarters. ASEAN4 (up 3.6% year-on-year) and China (up 1.0%) posted positive figures, while NIEs3 (down 0.1%) posted a negative figure.

3) Europe: 8.7% of total employment in all regions

The number of employees amounted to 0.324 million. This represented a year-on-year increase of 4.9%, and the eighth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 7.8%, marking the eighth consecutive quarter of positive figures. General-purpose machinery had an increase of 7.6%, marking the sixth consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 3.7%, marking the second consecutive quarter of negative figures. Chemicals had a decrease of 1.4%, marking the fourth consecutive quarter of negative figures.



For reference: Overseas Economies

On the whole, the recovery of the world economy has been weak. Concerning short-term prospects, the world economy is expected to continue its weak 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.

In the United States, the recovery of the economy has been moderate. As for short-term prospects, the economy is expected to continue its moderate recovery. However, there is a risk of economic downturn stemming from a continuing high unemployment rate and collapsing housing prices among other factors. In addition, it will be important to observe movements in financial and capital markets and the effects of fiscal restraint.

In Asia, the Chinese economy is seeing expansion driven by domestic demand, but the rate of expansion is slowing somewhat. Although this expansion is expected to continue into the foreseeable future, movements in the prices of real estate and commodities, developments in financial and capital markets, and trends in exports must be monitored. The Indian economy is slowing down in terms of its rate of expansion. As for short-term prospects, the slowing of economic expansion is expected to continue. In addition, attention must be paid to risks stemming from rising commodities prices as well as developments in financial and capital markets. Other Asian economies are at a standstill recently. As for short-term prospects, these economies are expected to continue to be at a standstill. Moreover, attention must be paid to trends in exports and developments in financial and capital markets.

The European economy is at a standstill, but is showing some weakness. The economic outlook shows that the European economy will show some weak movement. Moreover, 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 austerity measures in various countries and continuing high unemployment rates.

(From the Monthly Economic Report [February 2012])

2 Forecasts

(1) Sales forecasts

- The Current DI for sales (January–March 2012) posted 8.5, marking the 12th consecutive quarter of positive figures. In a year-on-year comparison (i.e., comparison with the Current DI for the January–March 2011 quarter), the Current DI had an increase of 1.1 points, marking the first positive figure in two quarters. Of the four major industry groups, transportation equipment, chemicals, and general-purpose machinery posted positive figures, while electrical machinery posted a negative figure. Transportation equipment and electrical machinery posted positive figures in year-on-year comparisons. North America, Europe, and Asia posted positive figures. All regions also posted positive figures in year-on-year comparisons.
- The Next DI (April–June 2012) posted 21.6, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 1.3 points and marked the third consecutive quarter of positive figures. Of the four major industry groups, all posted positive figures. 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 posted 23.1, marking the third consecutive quarter of positive figures. This represented a year-on-year increase of 4.6 points. All four major industry groups except for electrical machinery posted positive figures. Only transportation equipment posted a positive figure in year-on-year comparison.

The Next DI posted 15.3, marking the 12th consecutive quarter of positive figures. This was a year-on-year decrease of 0.3 points. All four major industry groups posted positive figures. General-purpose machinery posted a negative figure in year-on-year comparison.

2) Asia

The Current DI posted 5.6, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 0.4 points. All four major industry groups except for electrical machinery posted positive figures. Although ASEAN4 (20.0) posted a positive figure for the first time in two quarters, China (down 6.4) posted a negative figure for the first time in four quarters, and NIEs3 (4.3) posted a positive figure.

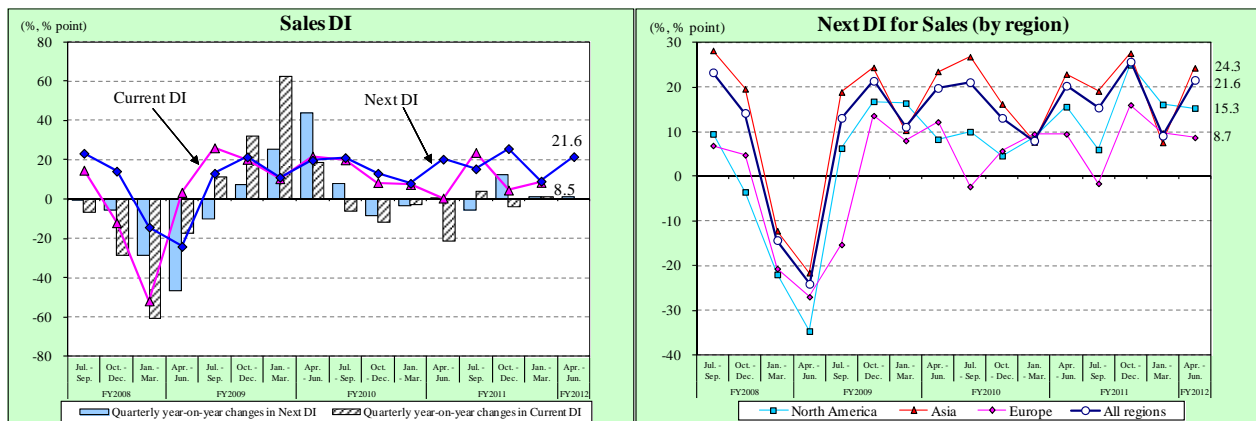
The Next DI posted 24.3, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 1.4 points. All four major industry groups posted positive figures. ASEAN4 (31.5), China (19.4), and NIEs3 (19.2) posted positive figures.

The Current DI and Next DI for Thailand, which experienced flood damage, posted positive figures of 31.7 and 41.9, respectively.

3) Europe

The Current DI posted 10.7, marking the sixth consecutive quarter of positive figures. This was a year-on-year increase of 1.8 points. All four major industry groups except for electrical machinery posted positive figures.

The Next DI posted 8.7, marking the third consecutive quarter of positive figures. This was a year-on-year decrease of 0.8 points. All four major industry groups except for electrical machinery posted positive figures. In year-on-year comparison, transportation equipment posted a positive figure for the first time in two quarters, chemicals posted a positive figure for the third consecutive quarter, however, electrical machinery and general-purpose machinery posted negative figures.



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

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

- The Current DI for capital investment posted 9.6, marking the 11th 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. Electrical machinery and transportation equipment posted negative figures in year-on-year comparison. All regions posted positive figures.
- The Next DI posted 10.5, marking the 11th consecutive quarter of positive figures. However, this was a year-on-year decrease of 2.6 points. All four major industry groups posted positive figures. Only general-purpose machinery posted a positive figure in year-on-year comparison. All regions posted positive figures.

1) North America

The Current DI posted 11.6, marking the 11th consecutive quarter of positive figures. This was a year-on-year increase of 6.9 points and marked the third consecutive quarter of positive figures. All four major industry groups posted positive figures.

The Next DI posted 5.6, marking the ninth consecutive quarter of positive figures. This was a year-on-year increase of 0.2 points. All four major industry groups except for chemicals posted positive figures. Chemicals and transportation equipment posted negative figures in year-on-year comparison.

2) Asia

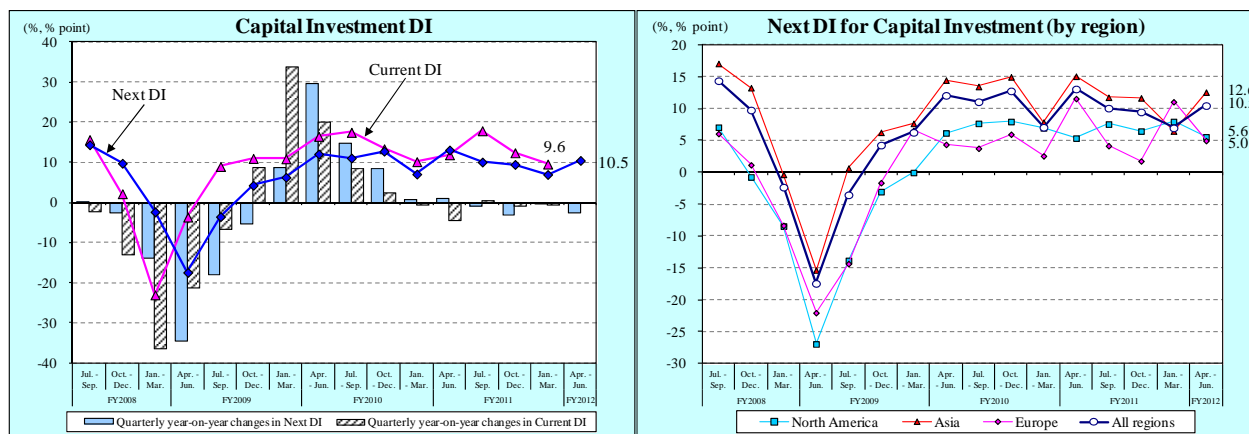
The Current DI posted 9.6, marking the 11th consecutive quarter of positive figures. This was a year-on-year decrease of 1.9 points. All four major industry groups posted positive figures. ASEAN4 (12.9), China (7.9), and NIEs3 (3.8) posted positive figures.

The Next DI posted 12.6, marking the 12th consecutive quarter of positive figures. This was a year-on-year decrease of 2.5 points. All four major industry groups posted positive figures. Only chemicals posted a positive figure in year-on-year comparison. ASEAN4 (15.0), China (11.4), and NIEs3 (10.2) posted positive figures.

3) Europe

The Current DI posted 8.6, marking the 11th consecutive quarter of positive figures. This was a year-on-year increase of 3.9 points. All four major industry groups except for electrical machinery posted positive figures.

The Next DI posted 5.0, marking the tenth consecutive quarter of positive figures. This was a year-on-year decrease of 6.6 points. All four major industry groups posted positive figures. However, transportation equipment and electrical machinery posted negative figures in year-on-year comparison.



(3) Number of employees forecasts

- The Current DI for the number of employees posted 8.2, marking the 11th consecutive quarter of positive figures. However, this was a year-on-year decrease of 2.0 points and marked the second consecutive quarter of negative figures. All four major industry groups except for electrical machinery posted positive figures. In year-on-year comparison, electrical machinery posted a negative figure for the sixth consecutive quarter, general-purpose machinery posted a negative figure for the second consecutive quarter, and chemicals posted a negative figure for the first time in two quarters, while transportation equipment posted a positive figure for the third consecutive quarter. All regions posted positive figures.
- The Next DI posted 10.7, marking the 11th consecutive quarter of positive figures. However, this was a year-on-year decrease of 0.5 points. All four major industry groups posted positive figures. Only transportation equipment posted a positive figure in year-on-year comparison. All regions posted positive figures.

1) North America

The Current DI posted 14.5, marking the ninth consecutive quarter of positive figures. This was a year-on-year increase of 5.1 points. All four major industry groups posted positive figures.

The Next DI posted 11.7, marking the seventh consecutive quarter of positive figures. This was a year-on-year increase of 4.4 points. All four major industry groups posted positive figures. General-purpose machinery and chemicals posted negative figures in year-on-year comparison.

2) Asia

The Current DI posted 8.1, marking the 11th consecutive quarter of positive figures. This was a year-on-year decrease of 3.8 points. All four major industry groups except for electrical machinery posted positive figures. Only transportation equipment posted a positive figure in year-on-year comparison. ASEAN4 (12.8), China (5.5), and NIEs3 (4.5) posted positive figures.

The Next DI posted 11.8, marking the 11th consecutive quarter of positive figures. This was a year-on-year decrease of 1.4 points. All four major industry groups posted positive figures. Only transportation equipment posted a positive figure in year-on-year comparison. ASEAN4 (13.2), China (11.6), and NIEs3 (5.0) posted positive figures.

3) Europe

The Current DI posted 2.3, marking the sixth consecutive quarter of positive figures. This was a year-on-year decrease of 0.9 points. All four major industry groups except for transportation equipment posted positive figures.

The Next DI posted 4.7, marking the fifth consecutive quarter of positive figures. This was a year-on-year increase of 0.7 points. All four major industry groups except for transportation equipment posted positive figures. Only electrical machinery posted a positive figure in year-on-year comparison.

