

Trends in Overseas Subsidiaries (Summary)

<Quarterly Survey of Overseas Subsidiaries (January–March 2012)>

~Surveyed in May 2012~

June 26, 2012

Research and Statistics Department
Ministry of Economy, Trade and Industry

1. Actual results

(1) Sales Results

- Sales (January-March 2012, in U.S. dollars) amounted to \$259.4 billion. In a year-on-year comparison*, this represented an increase of 5.6% and marked the tenth consecutive quarter of positive figures. Of the four major industry groups^{*1}, transportation equipment had a year-on-year increase of 12.8%, marking the third consecutive quarter of positive figures, while general-purpose machinery had an increase of 6.6% and chemicals had an increase of 0.3%, which marked positive figures for the first time in two quarters for both sectors. Electrical machinery had a year-on-year decrease of 7.8% for the second consecutive quarter of negative figures. North America had a year-on-year increase of 12.1% for the third consecutive quarter of positive figures, Europe had an increase of 1.0% for the ninth consecutive quarter of positive figures, and Asia had an increase of 3.8% for the first increase in two quarters.
- Sales (January-March 2012, in Japanese yen) amounted to ¥20.6 trillion. This marked a year-on-year increase of 1.7% and marked the first increase in four quarters.

1) North America: 28.9% of total sales in all regions

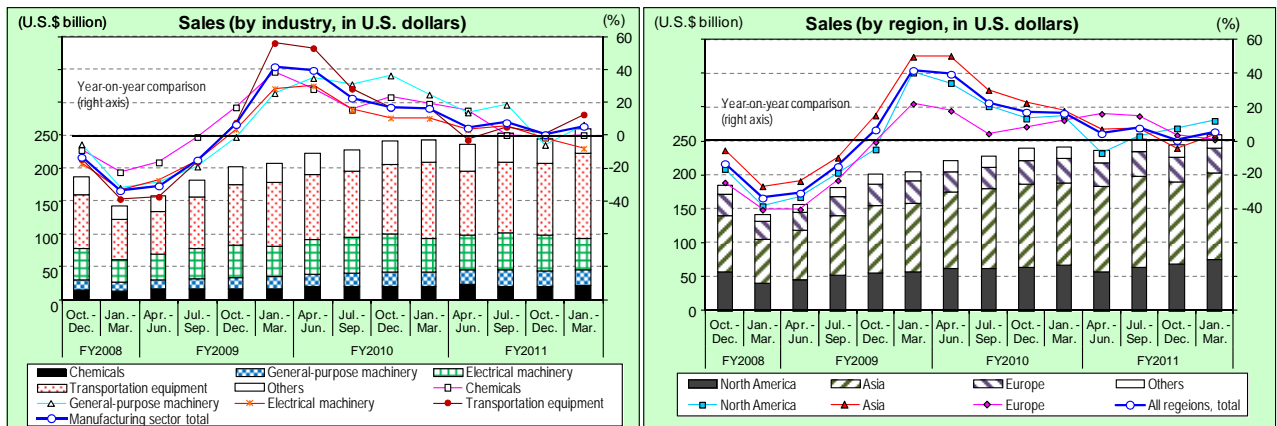
Sales (in U.S. dollars) amounted to \$75.0 billion. This was a year-on-year increase of 12.1%, marking the third consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 18.8% for the second consecutive quarter of positive figures, while general-purpose machinery had an increase of 14.2% for the ninth consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 9.3% for the second consecutive quarter of negative figures, and chemicals had a decrease of 0.2% for the first decrease in nine quarters.

2) Asia: 49.8% of total sales in all regions

Sales (in U.S. dollars) amounted to \$129.2 billion. This was a year-on-year increase of 3.8%, marking the first positive figure in two quarters. Of the four major industry groups, transportation equipment had a year-on-year increase of 11.2% and general-purpose machinery had an increase of 5.8%, which marked the first increase in two quarters for both sectors. Chemicals had a year-on-year increase of 3.6% for the first increase in three quarters. Electrical machinery had a year-on-year decrease of 7.0% for the second consecutive quarter of negative figures. China^{*4} (up 7.7% year-on-year) had a year-on-year increase for the tenth consecutive quarter. NIEs3^{*3} (up 3.7%) had a year-on-year increase for the first increase in two quarters. ASEAN4^{*2} (down 2.6%) had a year-on-year decrease for the second consecutive quarter.

3) Europe: 14.1% of total sales in all regions

Sales (in U.S. dollars) amounted to \$36.5 billion. This was a year-on-year increase of 1.0%, marking the ninth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 12.5% for the ninth consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 11.1% for the third consecutive quarter of negative figures, chemicals and general-purpose machinery had a decrease of 2.9% and 1.2%, respectively, which marked the second consecutive quarter of negative figures for both sectors.



*In a year-on-year comparison is 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 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 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 price of tangible fixed assets [excluding land]) Results

- Capital investment (January-March 2012, in U.S. dollars) amounted to \$10.42 billion. This was a year-on-year increase of 27.0%, marking the eighth consecutive quarter of positive figures. Of the four major industry groups, general-purpose machinery had a year-on-year increase of 60.4% and transportation equipment had an increase of 44.9% which marked the seventh consecutive quarter of positive figures for both sectors. Chemicals had a year-on-year increase of 32.1% for the fourth consecutive quarter of positive figures, while electrical machinery had an increase of 16.8% for the first increase in three quarters. North America and Asia had year-on-year increases while Europe had a year-on-year decrease.
- Capital investment (January-March 2012, in Japanese yen) amounted to ¥825.8 billion. This was a year-on-year increase of 22.4%, marking the eighth consecutive quarter of positive figures.

1) North America: 20.1% of total capital investment in all regions

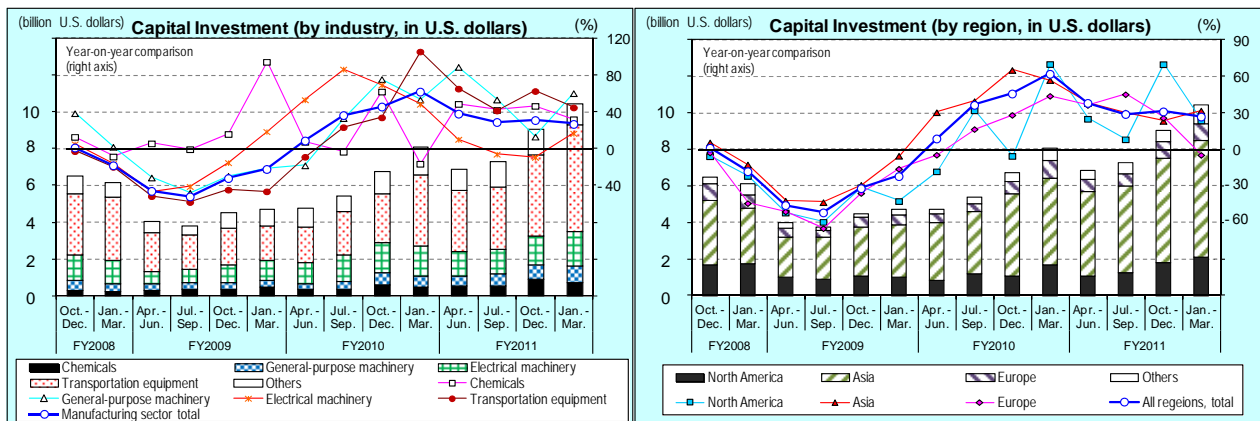
Capital investment (in U.S. dollars) amounted to \$2.09 billion. This was a year-on-year increase of 23.8%, marking the fifth consecutive quarter of positive figures. Of the four major industry groups, chemicals had a year-on-year increase of 98.2% and general-purpose machinery had an increase of 17.7%, which marked the sixth consecutive quarter of positive figures for both sectors. Transportation equipment had a year-on-year increase of 23.1% and marked the second consecutive quarter of positive figures, while electrical machinery had a year-on-year decrease of 7.5% for the first decrease in eight quarters.

2) Asia: 61.2% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$6.38 billion. This was a year-on-year increase of 31.9%, marking the eighth consecutive quarter of positive figures. Of the four major industry groups, general-purpose machinery had a year-on-year increase of 76.4% for the seventh consecutive quarter of positive figures, transportation equipment had an increase of 62.3% for the eighth consecutive quarter of positive figures, electrical machinery had an increase of 19.3% for the first increase in three quarters, and chemicals had an increase of 19.1% for the fourth consecutive quarter of positive figure. ASEAN4 (up 56.6% year-on-year), NIEs3 (up 11.1%) and China (up 0.9%) had year-on-year increases.

3) Europe: 9.2% of total capital investment in all regions

Capital investment (in U.S. dollars) amounted to \$0.96 billion. This was a year-on-year decrease of 4.5%, marking the first decrease in seven quarters. Of the four major industry groups, general-purpose machinery had a year-on-year increase of 32.1% for the first increase in two quarters, transportation equipment had an increase of 27.1% for the seventh consecutive quarter of positive figures, and chemicals had an increase of 15.8% for the fourth consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 18.3% for the third consecutive quarter of negative figures.



(3) Number of employees Results

- The number of employees (as of the end of March 2012) amounted to 3.665 million. This was a year-on-year increase of 1.2%, marking the ninth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 10.2% for the ninth consecutive quarter of positive figures, general-purpose machinery had an increase of 3.3% for the tenth consecutive quarter of positive figures, and chemicals had an increase of 2.0% for the 13th consecutive quarter of positive figures. However, electrical machinery had a year-on-year decrease of 8.5% for the first decrease in two quarters. By region, North America and Europe had year-on-year increases, while Asia had a year-on-year decrease.

1) North America: 11.8% of total employment in all regions

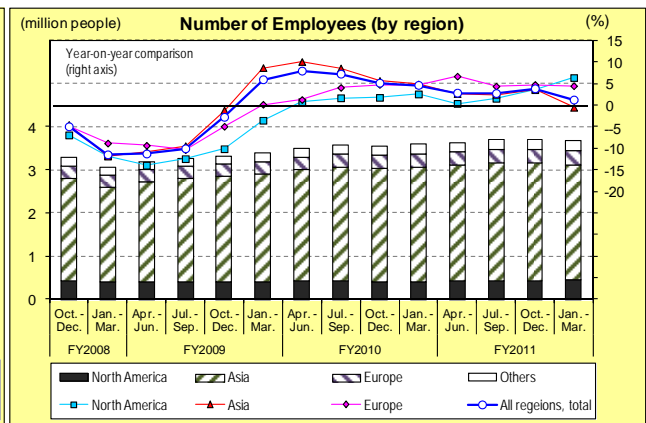
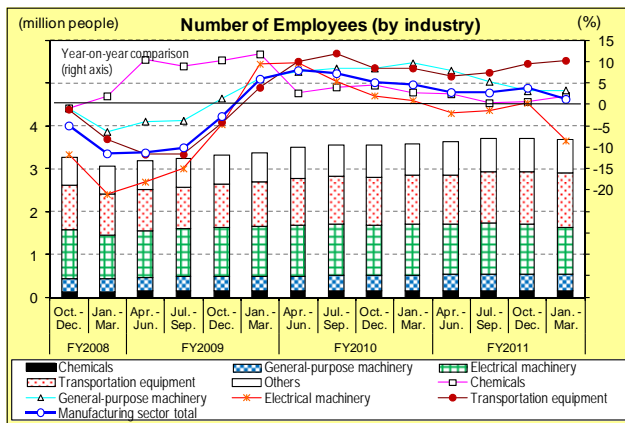
The number of employees amounted to 0.434 million. This was a year-on-year increase of 6.3%, marking the eighth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 10.5% for the third consecutive quarter of positive figures, general-purpose machinery had an increase of 7.5% for the sixth consecutive quarter of positive figures, and chemicals had an increase of 2.6% for the second consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 3.4% for the first decrease in four quarters.

2) Asia: 73.0% of total employment in all regions

The number of employees amounted to 2.676 million. This was a year-on-year decrease of 0.6%, marking the first decrease in nine quarters. Of the four major industry groups, transportation equipment had a year-on-year increase of 10.6% and general-purpose machinery had an increase of 2.4%, which marked the tenth consecutive quarter of positive figures for both sectors. Chemicals had a year-on-year increase of 3.1% for the 13th consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 9.3% for the first decrease in two quarters. ASEAN4 (down 2.0% year-on-year), NIEs3 (down 2.4%), and China (down 3.3%) had year-on-year decreases.

3) Europe: 8.8% of total employment in all regions

The number of employees amounted to 0.324 million. This was a year-on-year increase of 4.4%, marking the ninth consecutive quarter of positive figures. Of the four major industry groups, transportation equipment had a year-on-year increase of 8.5% for the ninth consecutive quarter of positive figures, and general-purpose machinery had an increase of 7.2% for the seventh consecutive quarter of positive figures. Electrical machinery had a year-on-year decrease of 6.4% for the third consecutive quarter of negative figures, and chemicals had a decrease of 1.4% for the fifth consecutive quarter of negative figures.



For reference: Overseas Economics

As a whole, the world economy is showing weak recovery, and it is expected that slow recovery will continue. However, the risk of an economic downturn exists given the fact that rising uncertainties over the financial future of some European countries are causing concerns vis-à-vis the financial systems. Moreover, attention must be paid to the effects of rising crude oil prices.

In the United States, gradual economic recovery is taking place, and it is expected that this trend will continue. However, there is a risk of economic slowdown stemming from a stubbornly high unemployment rate and collapsing housing prices. In addition, it will be important to observe the effects of fiscal restraint.

In Asia, the Chinese economy is seeing expansion driven by domestic demand; however, the tempo of this expansion is slowing. It is expected that an expansion trend will continue despite the slowdown. However, exports as well as movements in the prices of real estate and commodities must be watched. In India, the pace of economic expansion is slowing, and it is expected that this trend will continue. In addition, it will be necessary to watch for risks arising from rising prices. Other Asian economies are remaining much the same as before, although there are signs of recovery in some areas. However, it is expected that general stagnation will continue for the foreseeable future. In addition, attention must be paid to export trends.

The economies of Europe are stagnant, although some weak movement is visible. Recent signs of recovery have recently been seen in Germany. It is anticipated that Europe will see some weak activity in the near 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. 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 [May 2012])

2. Forecasts

(1) Trends in Sales

- The Current DI for sales (April-June 2012) posted 20.1, marking the 13th consecutive quarter of positive figures. In a year-on-year comparison (i.e., comparison with the Current DI of the April-June 2011 quarter), the Current DI had an increase of 19.6 points, marking the second consecutive quarter of positive figures. Of the four major industry groups, chemicals, general-purpose machinery, electrical machinery, and transportation equipment, all posted positive figures. In a year-on-year comparison, all of the four major industry groups had increases. Asia and North America posted positive figures, while Europe posted 0.0. In a year-on-year comparison, Europe had a decrease.
- The Next DI (July-September 2012) posted 20.5, marking the 13th consecutive quarter of positive figures. This was a year-on-year increase of 5.1 points, marking the fourth consecutive quarter of positive figures. Of the four major industry groups, all posted positive figures. In a year-on-year comparison, only general-purpose machinery had a decrease.

1) North America

The Current DI posted 13.7, marking the fourth consecutive quarter of positive figures. This was a year-on-year increase of 28.0 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, all of the four major industry groups had increases with the exception of electrical machinery, which remained unchanged at 0.0 points.

The Next DI posted 4.7, marking the 13th consecutive quarter of positive figures. This was a year-on-year decrease of 1.3 points. Of the four major industry groups, only transportation equipment posted a negative figure. In a year-on-year comparison, chemicals had a decrease, and electrical machinery remained unchanged at 0.0 points.

2) Asia

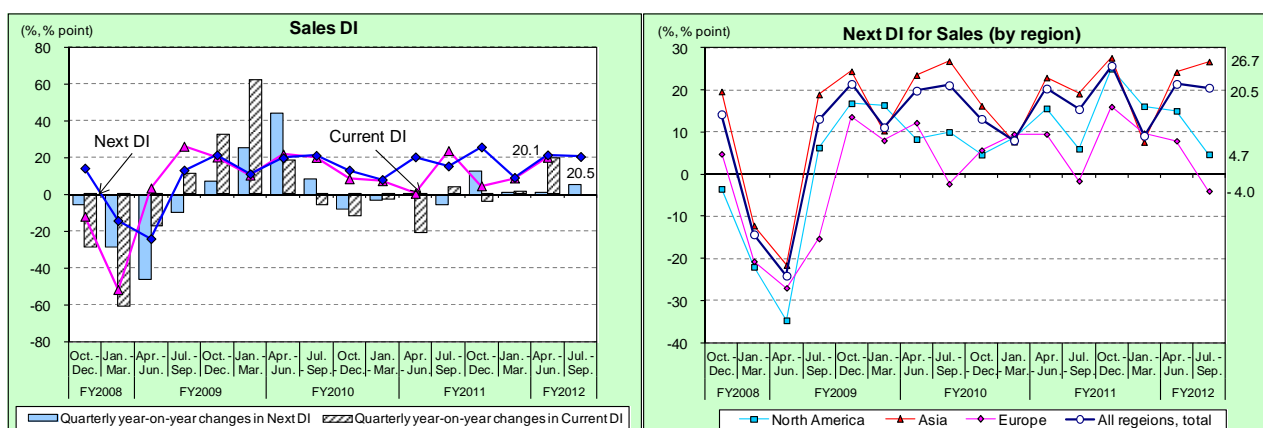
The Current DI posted 23.9, marking the 13th consecutive quarter of positive figures. This was a year-on-year increase of 20.7 points. All of the four major industry groups posted positive figures. ASEAN4 (27.1) posted a positive figure for the second consecutive quarter. China (22.2) posted a positive figure for the first time in two quarters. NIEs3 (18.5) continued to post a positive figure.

The Next DI posted 26.7, marking the 13th consecutive quarter of positive figures. This was a year-on-year increase of 7.6 point. Of the four major industry groups, only general-purpose machinery had a year-on-year decrease. China (27.4), ASEAN4 (26.9) and NIEs3 (17.5) had year-on-year increases.

3) Europe

The Current DI posted 0.0. This was a year-on-year decrease of 0.4 points. Of the four major industry groups, electrical machinery and transportation equipment had year-on-year decreases.

The Next DI posted -4.0, marking the first decrease in four quarters. This was a year-on-year decrease of 2.4 points. Of the four major industry groups, transportation equipment and general-purpose machinery posted negative figures. In a year-on-year comparison, Electrical machinery and general-purpose machinery had decreases.



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 posted 17.1, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 5.2 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, all of the four major industry groups had increases. All regions posted positive figures.
- The Next DI posted 13.6, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 3.5 points. All of four major industry groups posted positive figures. In year-on-year comparison, only chemicals had a decrease. All regions posted positive figures.

1) North America

The Current DI posted 15.5, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 6.7 points, marking the fourth consecutive quarters. All of four major industry groups posted positive figures.

The Next DI posted 8.0, marking the tenth 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 a year-on-year comparison, only chemicals had a decrease.

2) Asia

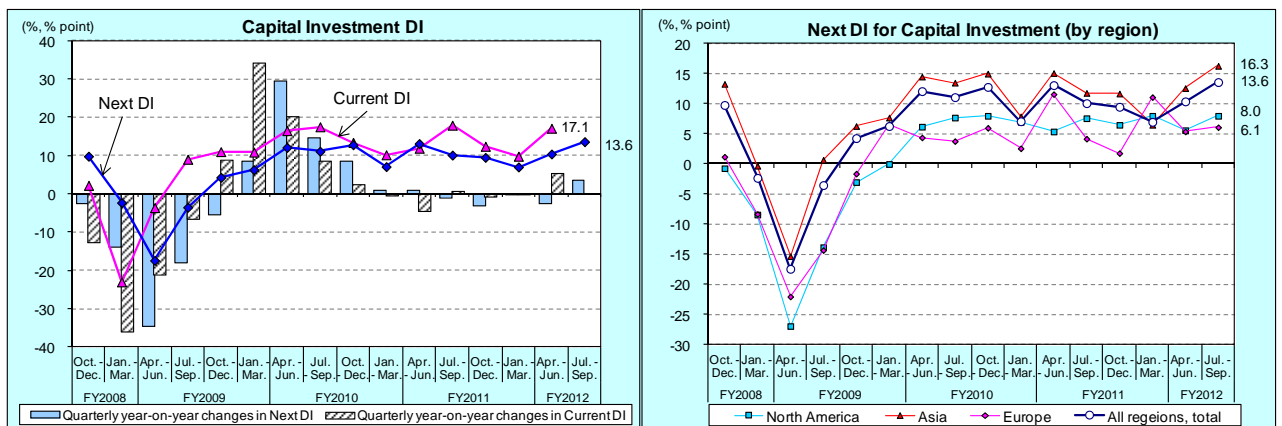
The Current DI posted 19.3, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 5.3 points. All of the four major industry groups posted positive figures. ASEAN4 (21.1), China (19.6) and NIEs3 (9.3) posted positive figures.

The Next DI posted 16.3, marking the 13th consecutive quarter of positive figures. This was a year-on-year increase of 4.5 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, all of the four major industry groups had year-on-year increases. China (17.3), NIEs3 (16.1), and ASEAN4 (15.6) posted positive figures.

3) Europe

The Current DI posted 7.2, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 4.5 points. All of the four major industry groups posted positive figures. In year-on-year comparison, only general-purpose machinery had a decrease.

The Next DI posted 6.1, marking the 11th consecutive quarter of positive figures. This was a year-on-year increase of 1.9 points. Of the four major industry groups, only electrical machinery posted a negative figure. In year-on-year comparison, only transportation equipment had a decrease.



(3) Number of employees forecast

- The Next DI posted 10.9, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 4.1 points, marking the first increase in two quarters. All of the four major industry groups posted positive figures. In a year-on-year comparison, general-purpose machinery and chemicals had decreases. All regions posted positive figures.
- The Next DI posted 9.6, marking the 12th 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. In a year-on-year comparison, transportation equipment and electrical machinery had increases. Europe was the only region to post a negative figure.

1) North America

The Current DI posted 12.9, marking the tenth consecutive quarter of positive figures. This was a year-on-year increase of 11.3 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, only electrical machinery had a decrease.

The Next DI posted 9.4, marking the eighth consecutive quarter of positive figures. This was a year-on-year increase of 6.2 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, only general-purpose machinery had a decrease.

2) Asia

The Current DI posted 11.6, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 3.7 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, transportation equipment and electrical machinery had increases. ASEAN4 (15.0), NIEs3 (13.8) and China (8.5) posted positive figures.

The Next DI posted 11.6, marking the 12th consecutive quarter of positive figures. This was a year-on-year increase of 1.5 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, transportation equipment and electrical machinery had increases. ASEAN4 (12.5), China (11.0) and NIEs3 (8.1) posted positive figures.

3) Europe

The Current DI posted 5.2, marking the seventh consecutive quarter of positive figures. This was a year-on-year decrease of 0.7 points. All of the four major industry groups posted positive figures. In a year-on-year comparison, only electrical machinery had an increase.

The Next DI posted -1.4, marking the first negative figure in six quarters. This was a year-on-year decrease of 5.4 points. Of the four major industry groups, only transportation equipment posted a negative figure. In a year-on-year comparison, only electrical machinery had an increase.

