Trends in Overseas Subsidiaries (Summary)

<Quarterly Survey of Overseas Subsidiaries (April-June 2010)>

~Surveyed in August 2010~

September 22, 2010
Research and Statistics Department, Economic and Industrial Policy Bureau
Ministry of Economy, Trade and Industry

★Capital investments in April-June increased for the first time in six quarters as compared to the previous year; Forecasts for sales continue to increase★

☆Forecasts (Current DI[*1]: July-September 2010, Next DI: October-December 2010)

1. The sales DI remained positive for the sixth straight quarter.
   The Current DI and the Next DI recorded positive figures at 19.8 and 12.9, down 6.3 points and 8.5 points from the same quarter of the previous year, respectively. All regions with the exception of Europe recorded positive figures for their Current DIs, and all recorded positive figures for their Next DIs.

2. The Capital Investment DI posted positive figures for the fifth straight quarter.
   The Current DI and the Next DI recorded positive figures at 17.8 and 13.2, up 8.8 points and 8.9 points from the same quarter of the previous year, respectively. All regions recorded positive figures for their Current and Next DIs.

3. The Number of Employees DI posted a positive figure for the fifth straight quarter.

☆Actual results (April-June 2010, year-on-year growth rate)

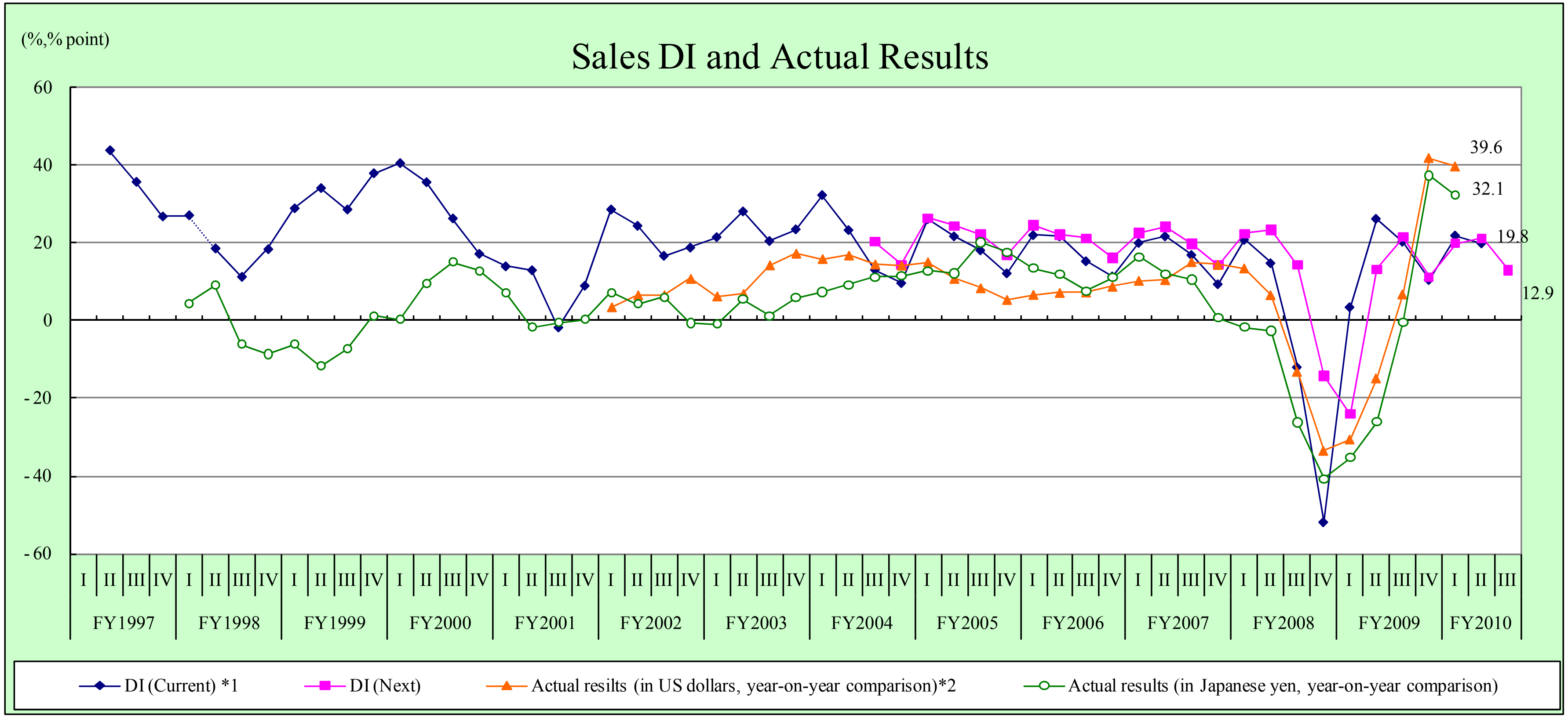
1. Sales (in U.S. dollars) amounted to $225.68727 billion. This was a 39.6% increase from the same quarter of the previous year, up for the third consecutive quarter. All regions posted increases—Asia up 50.4% year-on-year, North America up 34.4% year-on-year, and Europe up 18.0% year-on-year.

2. Capital investment (in U.S. dollars) amounted to $4.70526 billion, up for the first time in six quarters by 8.2% year-on-year. North America recorded a fall (down 19.4% year-on-year) as well as Europe (down 4.8% year-on-year), while Asia (up 29.9% year-on-year) posted an increase.

3. The number of employees amounted to 3,521,000. This was a year-on-year increase of 8.1%, up for the second consecutive quarter. All regions reported increases, with Asia up by 10.1% year-on-year, Europe up by 1.1% year-on-year, and North America up by 0.7% year-on-year.

*1 "DI" is calculated as the percentage share (% point) of companies that responded that they expected an "increase" – 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 DI value for current quarter – DI value for same quarter of 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 the comparison to the same quarter of the previous year (e.g., down 5.5 points)

* Overseas affiliates subject to 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 a capital of ¥100 million or more and 50 or more employees), 50 or more employees, and engaged in the manufacturing sector.



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

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

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

Forecasts

1. Sales

[All regions]

○The Current DI (July-September 2010) posted 19.8, marking its sixth straight quarter of positive figures. This was a year-on-year decrease of 6.3 points (compared with the Current DI for the July-September quarter of 2009), representing a decline as compared to the previous survey (18.4 points). All four major industry groups in the manufacturing sector(*1) reported positive figures, showing that year-on-year changes declined as compared to the previous survey. All regions except for Europe posted positive figures.

○The Next DI (October-December 2010) posted 12.9, marking its sixth straight quarter of double-digit positive figures. This was a year-on-year decrease of 8.5 points (compared with the Next DI for the October-December quarter of 2009), marking a decline as compared to the previous survey (8.0 points). All four major industry groups posted positive figures, but showed declines in year-on-year difference as compared to the previous survey. All regions posted positive figures.

[North America]

○The Current DI stood at 10.3, marking its fifth straight quarter of positive figures. This was a year-on-year decrease of 6.8 points, representing a decline as compared to the previous survey. All four major industry groups reported positive figures with the exception of transportation equipment.

○The Next DI saw a sixth straight quarter of positive figures at 4.7. This was a year-on-year decrease of 12.1 points, marking a decline as compared to the previous survey. All four major industry groups reported positive figures with the exception of chemicals.

[Asia]

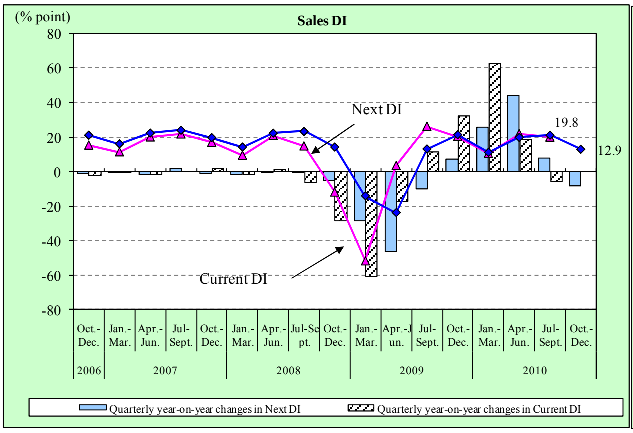
○The Current DI stood at 25.3, marking its sixth straight quarter of positive figures. This was a year-on-year decrease of 6.1 points, representing a decline as compared to the previous survey. All four major industry groups posted positive figures in the double digits. NIEs3(*2) (25.5), China(*3) (24.9), and ASEAN4(*4) (24.1) recorded positive figures.

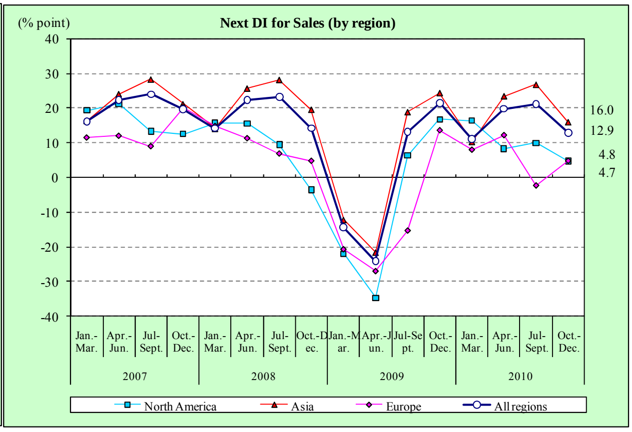
○The Next DI saw a sixth straight quarter of positive figures at 16.0. This was a year-on-year decrease of 8.4 points, marking a decline as compared to the previous survey. All four major industry groups reported positive figures. China (17.2), ASEAN4 (13.3), and NIEs3 (10.3) posted positive figures.

[Europe]

○The Current DI stood at minus 6.1, marking its first negative figure in five quarters. This was a year-on-year decrease of 8.6 points, marking a decline as compared to the previous survey. All four major industry groups in the manufacturing sector posted positive figures, with the exception of transportation equipment.

○The Next DI posted a positive figure of 4.8. This was a year-on-year decrease of 8.8 points as compared to the previous survey. All four major industry groups recorded positive figures, with the exception of transportation equipment.





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

Starting from the April–June survey of 2009, the survey uses a new industrial classification, which was revised in accordance with the12th revision made to the Japan Standard Industrial Classification.

(*2) ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia

(*3) NIEs3: Singapore, the Republic of Korea, and Taiwan

(*4) China: including Hong Kong

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

Forecasts

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

[All regions]

○The Current DI for capital investment (July-September 2010) posted 17.8, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 8.8 points (compared with the Current DI for the July-September quarter 2009), showing a contraction in the breadth of growth as compared to the previous survey (20.1 points). All four major industry groups reported positive figures, showing a contraction in the breadth of growth of year-on-year changes compared with the previous survey. All regions also posted positive figures.

○The Next DI (October-December 2010) posted 13.2, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 8.9 points (compared with the Next DI for the October-December quarter 2009), showing a contraction in the breadth of growth as compared to the previous survey (14.6 points). All four major industry groups reported positive figures, showing a contraction in the breadth of growth of year-on-year changes compared with the previous survey. All regions posted positive figures.

[North America]

○ The Current DI stood at 15.4, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 11.1 points, showing a contraction in the breadth of growth as compared to the previous survey. The four major industry groups all reported positive figures.

○ The Next DI stood at 8.3, showing its third straight quarter of positive figures. This was a year-on-year increase of 11.3 points, marking a contraction in the breadth of growth as compared to the previous survey. Of the four major industry groups, all except electrical machinery posted positive figures.

[Asia]

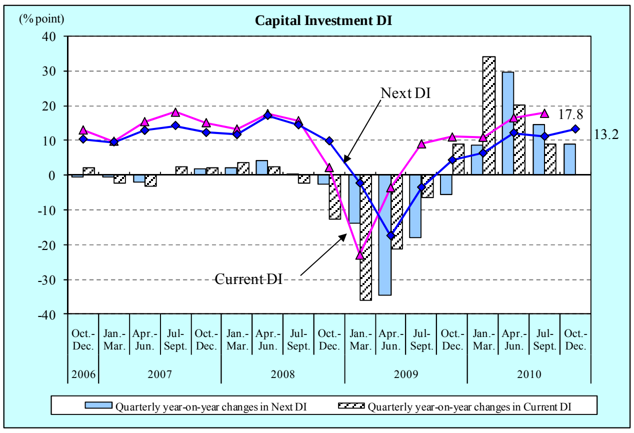
○ The Current DI stood at 20.2, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 9.6 points, showing a contraction in the breadth of growth as compared to the previous survey. All four major industry groups reported positive figures. China (21.4), ASEAN4 (19.9), and NIEs3 (14.4) posted positive figures.

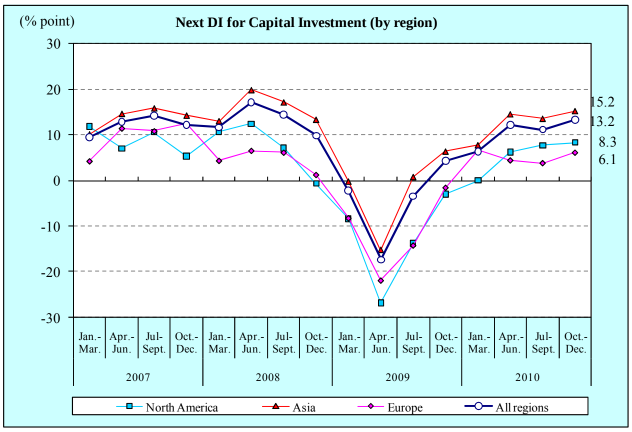
○ The Next DI saw a sixth straight quarter of positive figures at 15.2. This was a year-on-year increase of 8.9 points, marking a contraction in the breadth of growth as compared to the previous survey. All four major industry groups posted positive figures. ASEAN4 (16.2), China (15.7), and NIEs3 (10.5) posted positive figures.

[Europe]

○ The Current DI stood at 7.5, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 5.6 points, showing a contraction in the breadth of growth as compared to the previous survey. All four major industry groups posted positive figures.

○ The Next DI stood at 6.1, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 7.7 points, marking a contraction in the breadth of growth as compared to the previous survey. All four major industry groups posted positive figures.





Forecasts

3. Number of Employees

[All regions]

○ The Current DI for the number of employees (July-September quarter 2010) posted 12.2, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 9.3 points (compared with the Current DI for the July-September quarter 2009), showing a contraction in the breadth of growth as compared to the previous survey (23.5 points). All four major industry groups reported positive figures, and with the exception of chemicals, showed a contraction in the breadth of growth of year-on-year changes as compared with the previous survey.

○ The Next DI (October-December 2010) posted 7.3, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 5.6 points (compared with the Next DI for the October-December quarter 2009), showing a contraction in the breadth of growth as compared to the previous survey (13.5 points). All four major industry groups reported positive figures, and with the exception of chemicals, showed a contraction in the breadth of growth of year-on-year changes as compared with the previous survey.

[North America]

○ The Current DI stood at 3.9, marking its third straight quarter of positive figures. This was a year-on-year increase of 10.9 points, showing a contraction in the breadth of growth as compared to the previous survey. All four major industry groups with the exception of transportation machinery posted positive figures.

○ The Next DI posted a positive figure of 1.5. This was a year-on-year increase of 8.3 points, showing a contraction in the breadth of growth as compared to the previous survey. All four major industry groups with the exception of transportation machinery posted positive figures.

[Asia]

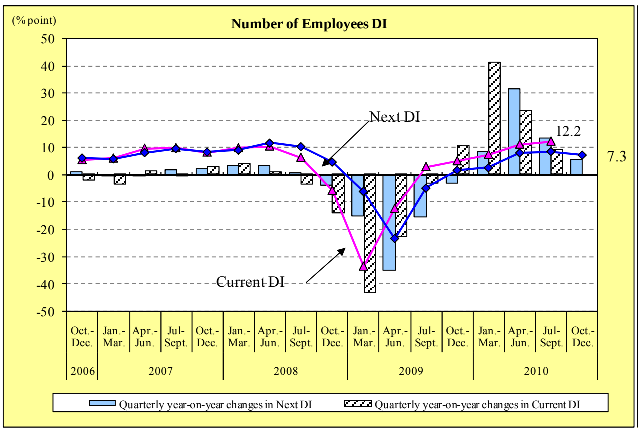
○ The Current DI stood at 16.0, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 8.5 points, showing a contraction in the breadth of growth as compared to the previous survey. All four major industry groups reported positive figures. China (16.4), ASEAN4 (15.4), and NIEs3 (12.0) posted positive figures.

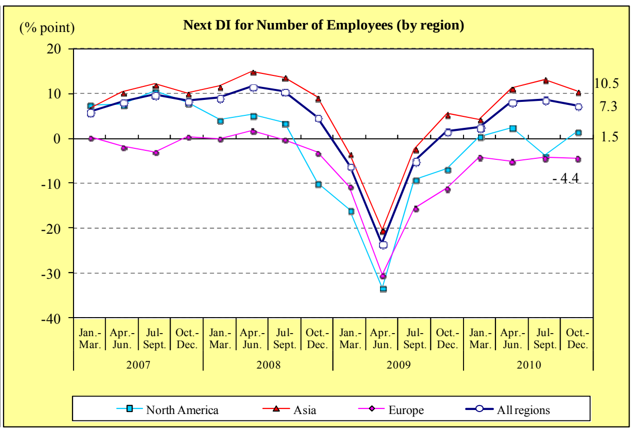
○ The Next DI saw a fifth straight quarter of positive figures at 10.5. This was a year-on-year increase of 5.0 points, marking a contraction in the breadth of growth as compared to the previous survey. All four major industry groups posted positive figures. China (11.1), ASEAN4 (8.7), and NIEs3 (6.8) all reported positive figures.

[Europe]

○ The Current DI remained at a negative level of minus 1.6, marking its ninth straight quarter of negative figures. This was a year-on-year increase of 9.6 points, showing a contraction in the breadth of growth as compared to the previous survey. Of the four major industry groups, chemicals and electrical machinery reported positive figures, while general-purpose machinery (0.0) and transportation equipment posted negative figures.

○ The Next DI remained at a negative level of minus 4.4, marking its tenth straight quarter of negative figures. This was a year-on-year increase of 6.7, marking a contraction in the breadth of growth as compared to the previous survey. Of the four major industry groups, chemicals and general-purpose machinery reported positive figures, while electrical machinery and transportation equipment posted negative figures.





Actual Results

1. Sales

[All regions]

○ Sales (April-June quarter 2010, in U.S. dollars) amounted to $225.68727 billion. This was a 39.6% increase as compared to the same quarter of the previous year(*), marking an increase for the third consecutive quarter. Of the four major industry groups in the manufacturing industry, general-purpose machinery increased by 35.0% year-on-year, up for the second consecutive quarter, while transportation equipment increased by 53.0% year-on-year, electrical machinery increased by 30.2% year-on-year, and chemicals increased by 28.2% year-on-year, marking increases for the third consecutive quarter. All regions saw growth.

○ Sales (April-June quarter 2010, in Japanese yen) amounted to ¥20.768 trillion. This was a 32.1% year-on-year increase, marking a second consecutive quarter of growth.

[North America: 27.7% of total sales in all regions]

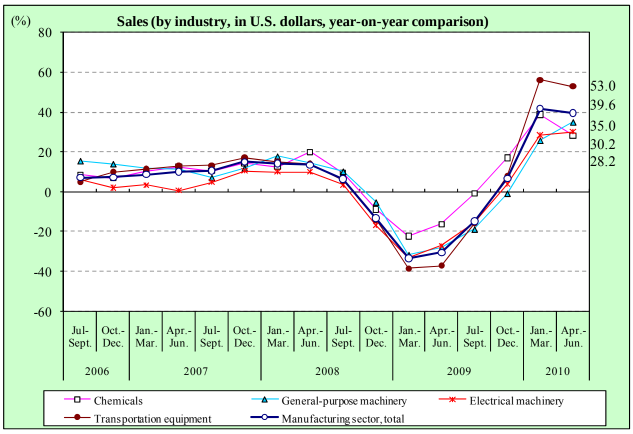
○ Sales (in U.S. dollars) amounted to $62.55278 billion. This was a 34.4% year-on-year increase, marking an increase for the second consecutive quarter. All of the four major industry groups increased for the second straight quarter—electrical machinery by 44.9% year-on-year, transportation equipment by 43.9% year-on-year, chemicals by 16.9% year-on-year, and general-purpose machinery by 16.4% year-on-year.

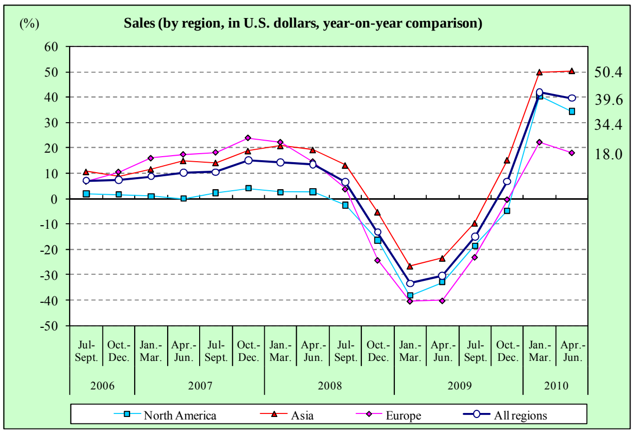
[Asia: 51.7% of total sales in all regions]

○ Sales (in U.S. dollars) amounted to $116.71299 billion. This was an increase of 50.4% year-on-year, marking a double-digit increase for the third consecutive quarter. All four major industry groups reported increases for the third consecutive quarter, with transportation equipment posting a year-on-year growth of 72.5%, general-purpose machinery a year-on-year growth of 55.7%, chemicals a year-on-year growth of 41.3%, and electrical machinery a year-on-year growth of 32.4%. ASEAN4 (up 54.6% year-on-year), China (up 50.3% year-on-year), and NIEs3 (up 43.6% year-on-year) all saw double-digit increases for the third consecutive quarter.

[Europe 13.7% of total sales in all regions]

○ Sales (in U.S. dollars) amounted to $30.98312. This was an increase of 18.0% year-on-year, marking an increase for the second consecutive quarter. All of the four major industry groups recorded growth, with transportation equipment posting a year-on-year increase of 24.6%, chemicals a year-on-year increase of 22.8%, electrical machinery a year-on-year increase of 12.2%, and general-purpose machinery a year-on-year growth of 6.3%.





* 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; thus, they are different from the values calculated from actual results.

(Reference)

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

Actual Results

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

[All regions]

○ Capital investment (April-June quarter 2010, in U.S. dollars) amounted to $4.70526 billion. This was an 8.2% year-on-year increase, marking an increase for the first time in six quarters. Of the four major industry groups, general-purpose machinery and transportation equipment reported negative figures of minus 20.5% year-on-year and minus 9.4% year-on-year, respectively, while electrical machinery and chemicals continued growing, posting increases of 53.2% year-on-year and 6.8% year-on-year, respectively. North America and Europe posted falls, but Asia saw significant growth.

○ Capital investment (April-June quarter 2010, in Japanese yen) amounted to ¥433 billion. This was a year-on-year increase of 2.4 %, marking the first increase in seven quarters.

[North America: 17.7% of total capital investment in all regions]

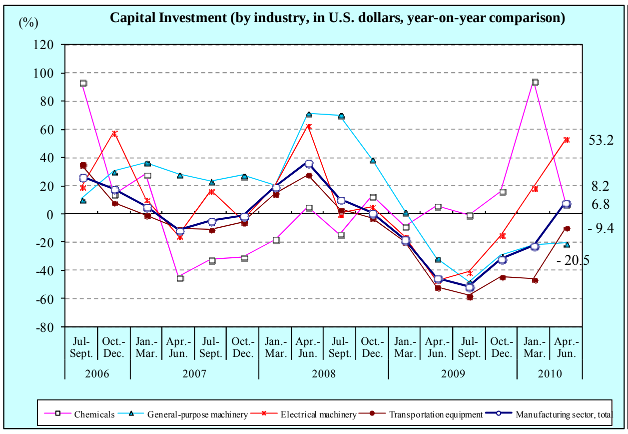
○ Capital investment (in U.S. dollars) amounted to $830.72 million. This was a year-on-year fall of 19.4%, marking a fall for the eighth consecutive quarters and a contraction in the breadth of decline. Of the four major industry groups, electrical machinery reported a year-on-year increase of 16.7%, while general-purpose machinery, chemicals and transportation equipment posted year-on-year falls of 36.9%, 31.8% and 17.4%, respectively.

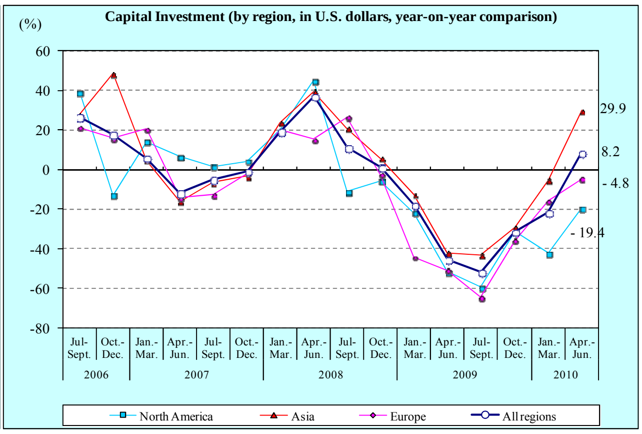
[Asia: 67.1% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) amounted to $3.15652 billion. This was a year-on-year increase of 29.9%, representing the first increase in six quarters. Of the four major industry groups, general-purpose machinery posted a year-on-year fall of 14.1%, while electrical machinery, chemicals, and transportation equipment reported year-on-year growth of 53.8%, 49.1%, and 4.3%, respectively. NIEs3 (up 73.2% year-on-year) and ASEAN4 (up 53.4% year-on-year) reported increases, while China (down 1.3% year-on-year) showed a contraction in the breadth of growth.

[Europe: 10.3% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) amounted to $482.52 million. This was a year-on-year fall of 4.8%, representing the seventh consecutive quarter of decline and a contraction in the breadth of decline. Of the four major industry groups, electrical machinery showed a year-on-year increase of 89.8%, while general-purpose machinery, chemicals, and transportation equipment reported year-on-year falls of 26.0%, 12.5%, and 4.0%, respectively.





Actual Results

3. Number of Employees

[All regions]

○ The number of employees (as of the end of June 2010) was 3,521,000. This was a year-on-year increase of 8.1%, representing an increase for the second consecutive quarter. All four major industry groups reported increases, with transportation equipment posting a 10.4% year-on-year increase, electrical machinery a 9.6% year-on-year increase, general-purpose machinery a 7.4% year-on-year increase, and chemicals a 2.6% year-on-year increase. All regions reported growth.

[North America: 11.6% of total employment in all regions]

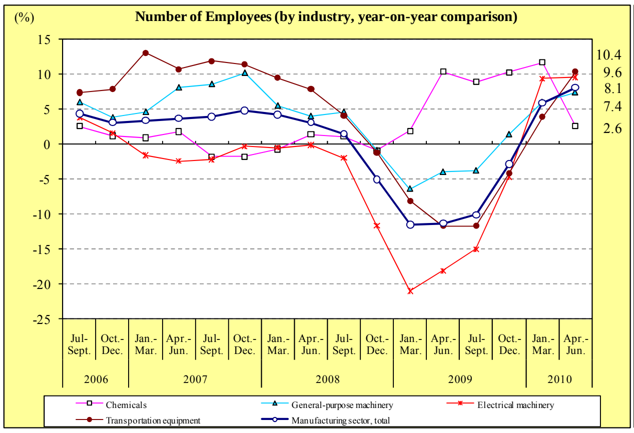
○ The number of employees was 407,000. This was a year-on-year increase of 0.7%, marking the first increase in eight quarters. Of the four major industry groups, electrical machinery and general-purpose machinery reported falls of 2.6% year-on-year and 2.0% year-on-year, respectively, while chemicals and transportation equipment posted increases of 6.6% year-on-year and 3.2% year-on-year, respectively.

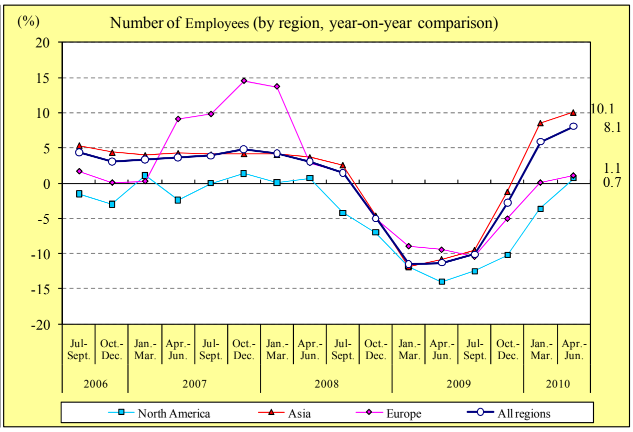
[Asia: 74.4% of total employment in all regions]

○ The number of employees was 2,619,000. This was increase of 10.1% year-on-year, up for the second straight quarter. The four major industry groups reported increases, with transportation equipment posting a year-on-year increase of 14.1%, electrical machinery a year-on-year increase of 10.8%, general-purpose machinery a year-on-year increase of 10.2% and chemicals a year-on-year increase of 2.7%. ASEAN4 (up 11.4% year-on-year), China (up 8.3% year-on-year), and NIEs3 (up 2.5% year-on-year) recorded increases.

[Europe: 8.3% of total employment in all regions]

○ The number of employees was 294,000. This was the second straight quarter of increase of 1.1% year-on-year. Of the four major industry groups, general-purpose machinery, electrical machinery, and chemicals reported year-on-year falls of 4.4%, 0.4%, and 0.9%, respectively, but transportation equipment increased by 2.0% year-on-year.





For reference: Overseas Economies

Though the condition of the global economy continues to be serious, as indicated by high unemployment rates, it is making its way toward modest recovery due in part to government stimulus measures. The world economy is expected to continue its modest recovery, but there is the possibility that the speed of recovery could become even more gradual. In addition, there is the risk that recovery could stagnate due to continuation of a credit squeeze and deteriorating employment, etc. It is also necessary to keep the impacts of changes in the stance of the fiscal policies of various countries, such as fiscal restraints, in mind. In the United States, although there continue to be downward factors such as unemployment still hovering at a high level, the effects of government measures helped its economy to get back on course toward modest recovery. The U.S. economy is expected to continue its way toward modest recovery, yet there are risks that a continuing credit squeeze and worsening unemployment could keep it sluggish, and it is also necessary to take heed that weak trends may be seen in indices that indicate business confidence. In Asia, the Chinese economy is seeing a domestic-demand driven expansion thanks to the effects of government stimulus measures, but recently, the rate of expansion has slowed down somewhat. The economic outlook shows that despite this slowdown, China will stay on the path to expansion. However, attention needs to be paid to trends in real estate prices and exports to Europe and the United States. The Indian economy is seeing a domestic-demand driven expansion. The economic outlook shows that it will stay on the path to recovery, as domestic demand is expected to remain strong, but attention needs to be paid to risks stemming from rising prices. Other Asian economies are recovering overall, but the rate of recovery in some economies is slowing down. The economic outlook expects these economies to continue their way toward recovery, despite this slowdown. Still, there are risks that issues such as a continuing slump in exports to Europe and the United States could delay the Asian economies' full recovery. The European economy has picked up as a whole, but there is considerable variation among the different countries. The economic outlook shows that the European economy will pick up at a modest rate. However, there is the risk that recovery could be sluggish, due to the fact that concerns regarding the financial system have not been completely cast aside, and that the unemployment rate remains high. It is necessary to pay attention to the impact of fiscal restraints by each country.

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