Trends in Overseas Subsidiaries (Summary)

<Quarterly Survey of Overseas Subsidiaries (July–September 2010)>

~Surveyed in November 2010~

December 22, 2010

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

★ The sales in July–September were positive for the fourth straight quarter; Forecasts for sales in October–December and January–March 2011 continue to post positive figures★

☆ **Forecasts (Current DI (*1): October–December 2010, Next DI: January–March 2011)**

1. The sales DI remained positive for the seventh straight quarter.
   The Current DI and the Next DI recorded positive figures, at 8.4 and 8.1, down 11.8 points and 3.0 points from the same quarter of the previous year, respectively. All regions recorded positive figures for their Current DIs and Next DIs.

2. The Capital Investment DI posted positive figures for the sixth straight quarter.
   The Current DI and the Next DI recorded positive figures, at 13.4 and 7.1, up 2.4 points and 0.8 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 sixth straight quarter.

☆ **Actual results (July–September 2010, year-on-year growth rate)**

1. Sales (in U.S. dollars) amounted to $227.64223 billion. This was a 22.8% increase from the same quarter of the previous year, up for the fourth consecutive quarter. All regions posted increases—Asia was up 30.3% year-on-year, North America up 20.8% year-on-year, and Europe up 4.6% year-on-year.

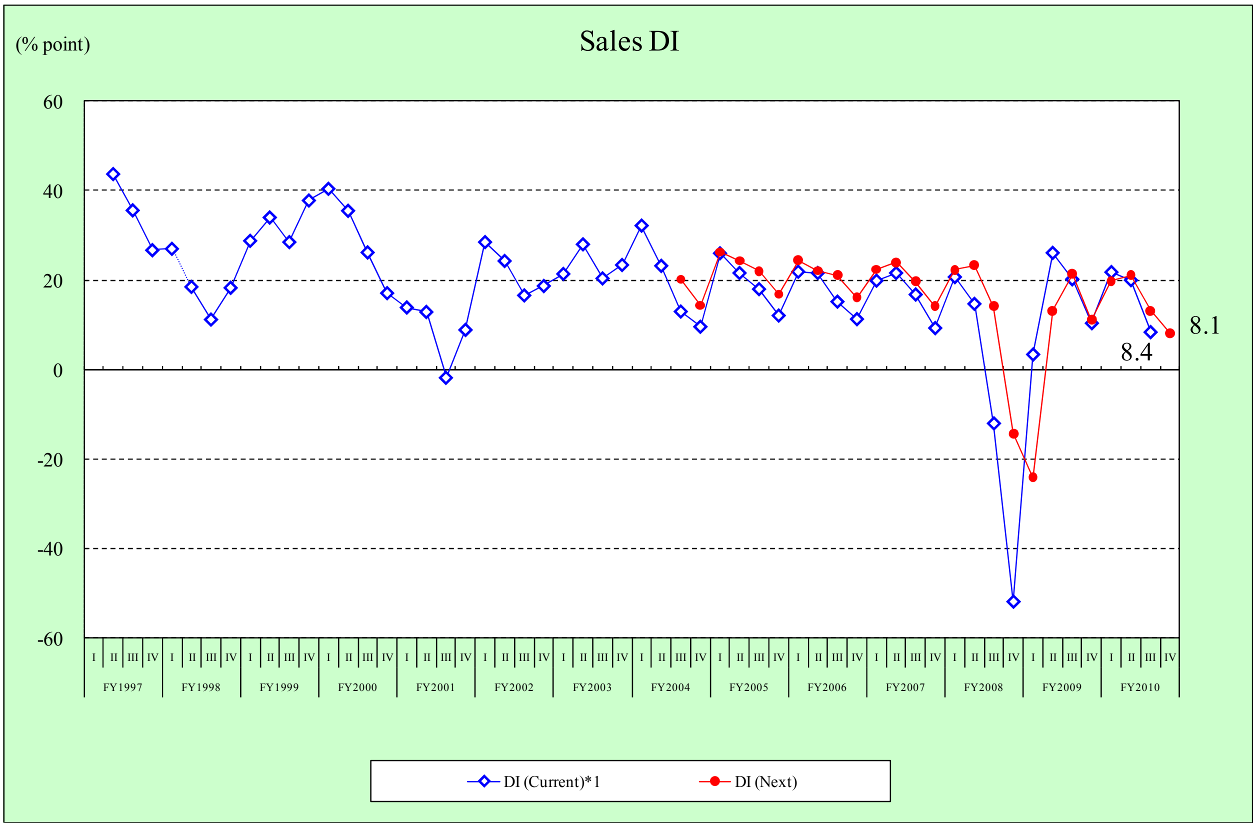
2. Capital investment (in U.S. dollars) amounted to $5.37636 billion. This was a year-on-year increase of 36.7%, up for the second consecutive quarter. All regions posted increases—Asia up 39.6% year-on-year, North America was up 32.1% year-on-year, and Europe up 16.6% year-on-year.

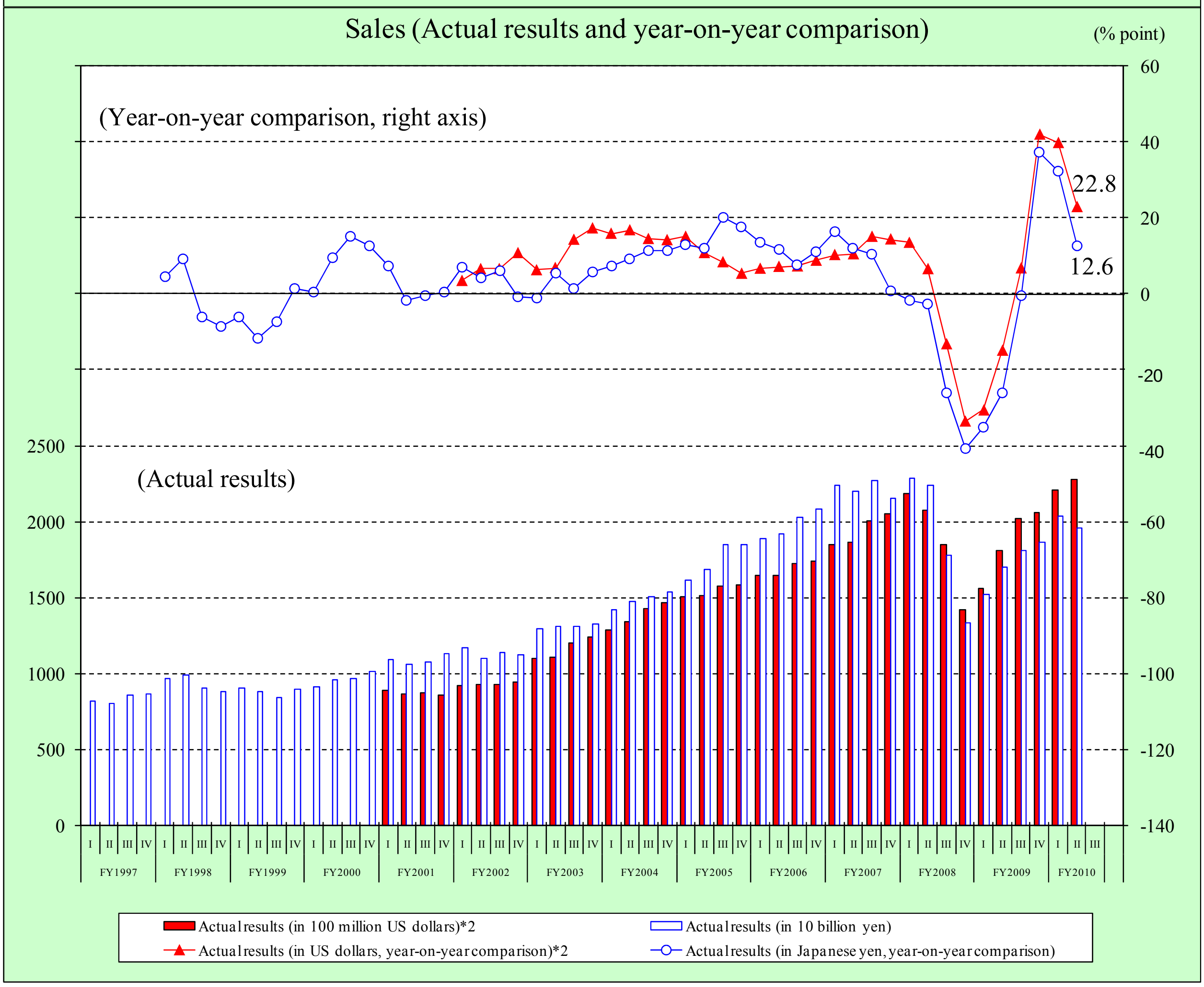
3. The number of employees amounted to 3,582,000. This was a year-on-year increase of 7.2%, up for the third consecutive quarter. The following regions reported increases, with Asia up by 8.5% year-on-year, Europe up by 4.0% year-on-year, and North America up by 1.7% year-on-year.

*1 “DI” is calculated as the percentage share (% points) of companies that responded that they expected an “increase” – 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 – 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 ¥100 million or more and 50 or more employees), 50 or more employees, and engaged in the manufacturing sector.





*1: The DI survey period for FY1997 was the quarter including the time of survey. DI surveys from FY1998 to FY2003 were 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 which 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 (October–December 2010) posted 8.4, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 11.8 points (compared with the Current DI for the October–December quarter of 2009). All four major industry groups in the manufacturing sector,(*1) except electrical machinery, reported positive figures, and year-on-year changes declined as compared to the previous survey in all four major industry groups except general-purpose machinery. All regions posted positive figures.

○The Next DI (January–March 2011) posted 8.1, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 3.0 points (compared with the Next DI for the January–March quarter of 2010). All four major industry groups posted positive figures. Transportation equipment and chemicals showed declines, and general-purpose machinery and electrical machinery showed increases in year-on-year difference as compared to the previous survey. All regions posted positive figures.

[North America]

○The Current DI stood at 1.5, marking its sixth straight quarter of positive figures. This was a year-on-year decrease of 13.5 points. Of the four major industry groups, general-purpose machinery and electrical machinery reported positive figures, while chemicals and transportation equipment reported negative figures.

○The Next DI saw a seventh straight quarter of positive figures, at 8.6. This was a year-on-year decrease of 7.8 points. All four major industry groups posted positive figures. Chemicals and transportation equipment reported year-on-year declines, while general-purpose machinery and electrical machinery reported year-on-year increases.

[Asia]

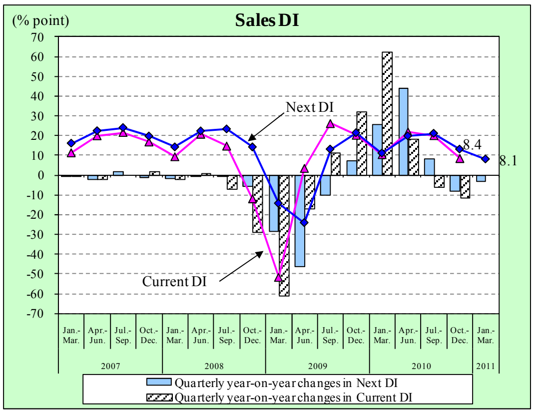
○The Current DI stood at 9.7, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 13.6 points. All four major industry groups except electrical machinery posted positive figures. China(*2) (12.0), ASEAN4(*3) (6.0), and NIEs3(*4) (0.4) recorded positive figures.

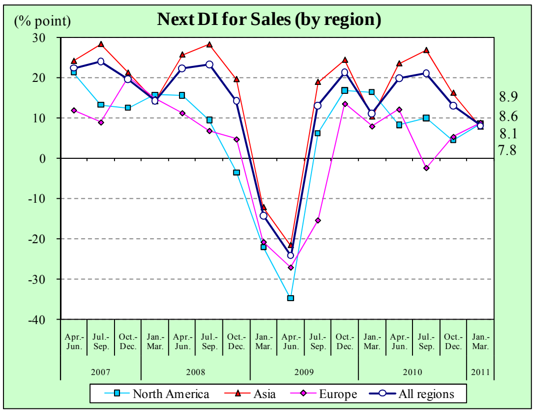
○The Next DI saw a seventh straight quarter of positive figures, at 7.8. This was a year-on-year decrease of 2.5 points. All four major industry groups except electrical machinery reported positive figures. In year-on-year comparison, transportation equipment and chemicals reported negative figures while general-purpose machinery and electrical machinery reported positive figures. China (7.8), ASEAN4 (7.6), and NIEs3 (0.4) posted positive figures.

[Europe]

○The Current DI stood at 9.0, marking its first positive figure in two quarters. This was a year-on-year decrease of 2.4 points. All four major industry groups in the manufacturing sector posted positive figures, with the exception of chemicals.

○The Next DI stood at 8.9, marking its second straight quarter of positive figures. This was a year-on-year increase of 0.9 points as compared to the previous survey. All four major industry groups recorded positive figures, with the exception of chemicals. In a year-on-year comparison, all four major industry groups recorded positive figures, with the exception of chemicals.





(*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 (October–December 2010) posted 13.4, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 2.4 points (compared with the Current DI for the October–December quarter 2009). All four major industry groups reported positive figures. Chemicals and transportation equipment showed year-on-year increases, while electrical machinery and general-purpose machinery showed year-on-year declines. All regions also posted positive figures.

○The Next DI (January–March 2011) posted 7.1, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 0.8 points (compared with the Next DI for the January–March quarter 2010). All four major industry groups reported positive figures. Electrical machinery and chemicals showed year-on-year increases, while transportation equipment and general-purpose machinery showed year-on-year declines. All regions posted positive figures.

[North America]

○ The Current DI stood at 10.5, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 6.2 points as compared to the previous survey. The four major industry groups all reported positive figures.

○ The Next DI stood at 7.0, showing its fourth straight quarter of positive figures. This was a year-on-year increase of 7.0 points. Of the four major industry groups, all except transportation equipment posted positive figures. All four major industry groups showed year-on-year increases.

[Asia]

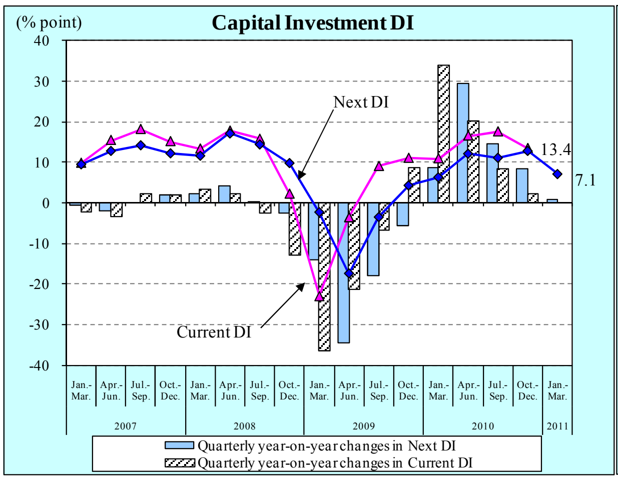
○ The Current DI stood at 14.3, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 1.2 points as compared to the previous survey. All four major industry groups reported positive figures. China (15.4), ASEAN4 (11.3), and NIEs3 (8.8) posted positive figures.

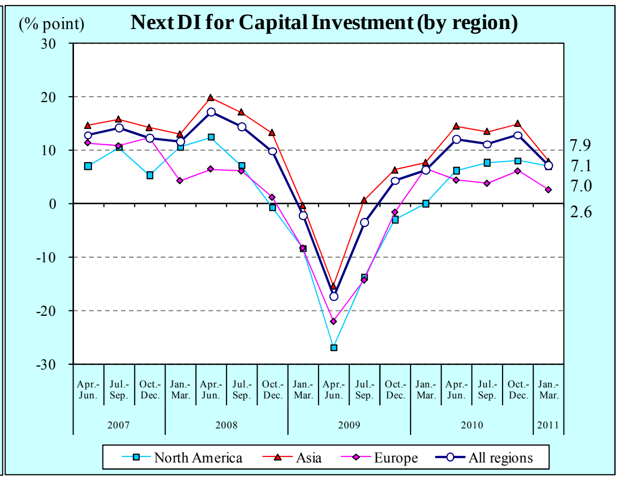
○ The Next DI saw a seventh straight quarter of positive figures, at 7.9. This was a year-on-year increase of 0.2 points as compared to the previous survey. All four major industry groups posted positive figures. Chemicals and electrical machinery showed year-on-year increases, while transportation equipment and general-purpose machinery showed year-on-year declines. China (9.6), ASEAN4 (6.2), and NIEs3 (2.1) posted positive figures.

[Europe]

○ The Current DI stood at 10.3, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 3.5 points as compared to the previous survey. Of the four major industry groups, transportation equipment and chemicals posted positive figures, and electrical machinery and general-purpose machinery posted negative figures.

○ The Next DI stood at 2.6, marking its fifth straight quarter of positive figures. This was a year-on-year decrease of 4.0 points as compared to the previous survey. Of the four major industry groups, transportation equipment and general-purpose machinery posted positive figures, while chemicals (0.0) and electrical machinery posted negative figures. All four major industry groups showed year-on-year declines, with the exception of transportation equipment.





Forecasts

3. Number of Employees

[All regions]

○ The Current DI for the number of employees (October–December quarter 2010) posted 9.6, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 4.6 points (compared with the Current DI for the October–December quarter 2009). All four major industry groups reported positive figures. General-purpose machinery and chemicals showed year-on-year increases, while transportation equipment and electrical machinery showed year-on-year decreases.

○ The Next DI (January–March 2011) posted 6.3, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 3.7 points (compared with the Next DI for the January–March quarter 2010). All four major industry groups reported positive figures, and with the exception of transportation equipment, showed year-on-year increases.

[North America]

○ The Current DI stood at 4.1, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 4.1 points. All four major industry groups, with the exception of transportation machinery, posted positive figures.

○ The Next DI stood at 1.5, marking its second straight quarter of positive figures. This was a year-on-year increase of 1.1 points. All four major industry groups, with the exception of transportation machinery, posted positive figures and showed year-on-year increases.

[Asia]

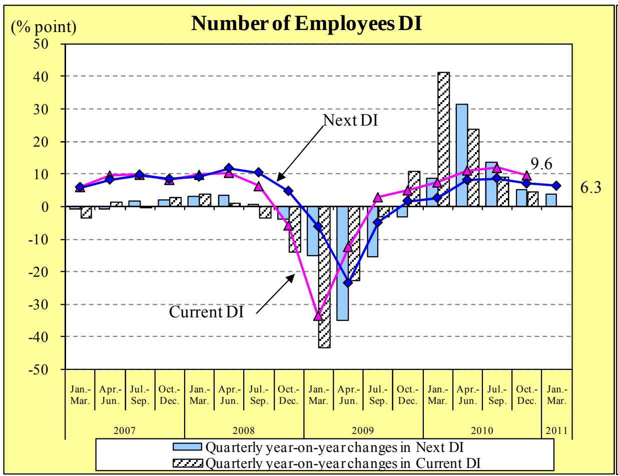
○ The Current DI stood at 12.6, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 4.6 points. All four major industry groups reported positive figures. China (14.4), ASEAN4 (9.9), and NIEs3 (9.1) posted positive figures.

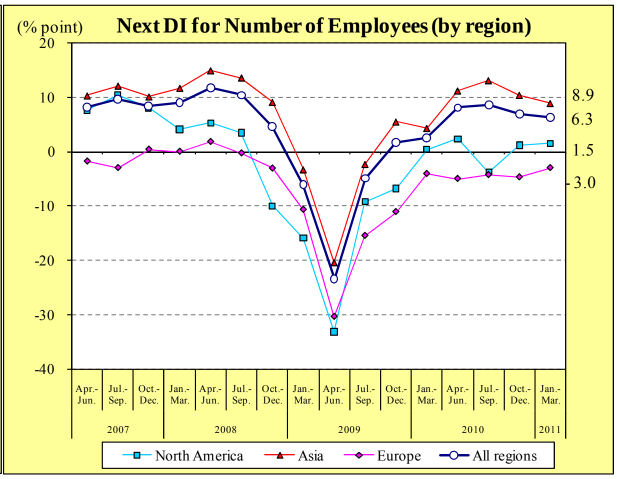
○ The Next DI saw a sixth straight quarter of positive figures, at 8.9. This was a year-on-year increase of 4.6 points. All four major industry groups posted positive figures. They all showed year-on-year increases, with the exception of transportation machinery. China (9.9), ASEAN4 (6.6), and NIEs3 (5.4) all reported positive figures.

[Europe]

○ The Current DI stood at 0.7, marking its first positive figure in ten quarters. This was a year-on-year increase of 7.7 points. Of the four major industry groups, chemicals and general-purpose machinery reported positive figures, while transportation equipment and electrical machinery posted negative figures.

○ The Next DI remained at a negative level of minus 3.0, marking its eleventh straight quarter of negative figures. This was a year-on-year increase of 1.1. Of the four major industry groups, electrical machinery and transportation equipment posted negative figures, while chemicals and general-purpose machinery reported positive figures. Chemicals and general-purpose machinery showed year-on-year increases, while electrical machinery and transportation equipment showed year-on-year decreases.





Actual Results

1. Sales

[All regions]

○ Sales (July–September quarter 2010, in U.S. dollars) amounted to $227.64223 billion. This was a 22.8% increase as compared to the same quarter of the previous year,(*) marking an increase for the fourth consecutive quarter. Of the four major industry groups in the manufacturing sector, general-purpose machinery increased by 31.2% year-on-year, up for the third consecutive quarter, while transportation equipment increased by 28.4% year-on-year, electrical machinery increased by 16.0% year-on-year, and chemicals increased by 15.7% year-on-year, marking increases for the fourth consecutive quarter, respectively. All regions saw growth.

○ Sales (July–September quarter 2010, in Japanese yen) amounted to ¥19.5442 trillion. This was a 12.6% year-on-year increase, marking the third consecutive quarter of growth.

[North America: 27.3% of total sales in all regions]

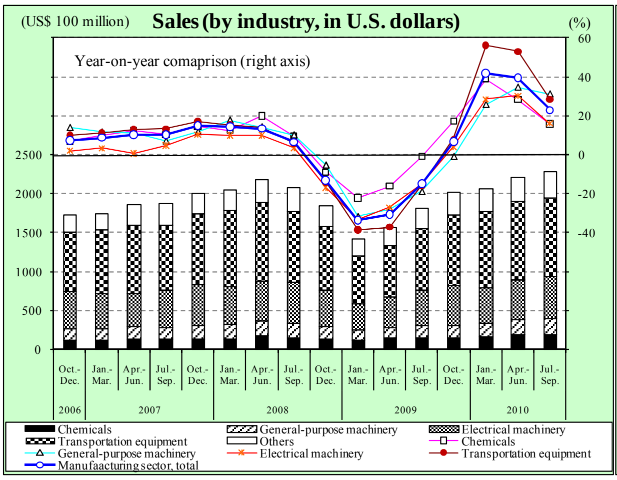
○ Sales (in U.S. dollars) amounted to $62.06533 billion. This was a 20.8% year-on-year increase, marking an increase for the third consecutive quarter. All of the four major industry groups increased for the third straight quarter—general-purpose machinery by 25.9% year-on-year, electrical machinery by 24.8% year-on-year, transportation equipment by 23.5% year-on-year, and chemicals by 8.1% year-on-year.

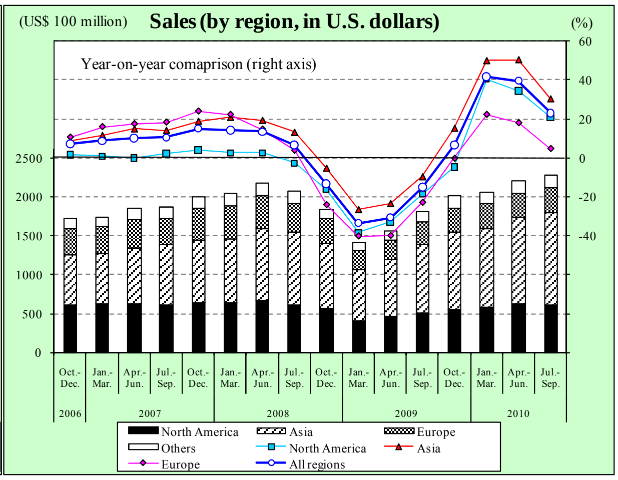
[Asia: 51.9% of total sales in all regions]

○ Sales (in U.S. dollars) amounted to $118.25159 billion. This was an increase of 30.3% year-on-year, marking an increase for the fourth consecutive quarter. All four major industry groups reported increases for the fourth consecutive quarter, with general-purpose machinery posting year-on-year growth of 42.5%, transportation equipment year-on-year growth of 41.3%, chemicals year-on-year growth of 29.5%, and electrical machinery year-on-year growth of 16.4%. ASEAN4 (up 38.8% year-on-year), NIEs3 (up 25.4% year-on-year), and China (up 24.7% year-on-year) all saw increases for the fourth consecutive quarter.

[Europe 13.7% of total sales in all regions]

○ Sales (in U.S. dollars) amounted to $31.10059 billion. This was an increase of 4.6% year-on-year, marking an increase for the third consecutive quarter. All of the four major industry groups recorded growth, with electrical machinery posting a year-on-year increase of 8.4%, general-purpose machinery year-on-year growth of 6.1%, transportation equipment a year-on-year increase of 3.0%, and chemicals a year-on-year increase of 1.0%.





Actual Results

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

[All regions]

○ Capital investment (July–September quarter 2010, in U.S. dollars) amounted to $5.37636 billion. This was a year-on-year increase of 36.7%, marking an increase for the second consecutive quarter. Of the four major industry groups, electrical machinery, general-purpose machinery, and transportation equipment posted year-on-year increases of 86.8%, 33.3% and 23.5%, respectively, while chemicals reported a negative figure of minus 3.4% year-on-year, marking the first decline in four quarters. North America and Europe changed to mark positive figures, and Asia marked an increase for the second consecutive quarter.

○ Capital investment (July–September quarter 2010, in Japanese yen) amounted to ¥461.6 billion. This was a year-on-year increase of 25.3 %, marking an increase for the second consecutive quarter.

[North America: 22.0% of total capital investment in all regions]

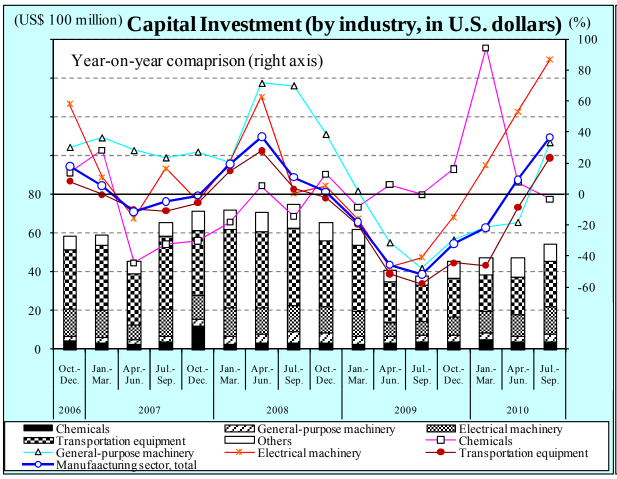
○ Capital investment (in U.S. dollars) amounted to $1.18238 billion. This was a year-on-year increase of 32.1%, marking a positive figure for the first time in nine quarters. Of the four major industry groups, electrical machinery and transportation equipment reported year-on-year increases of 119.5% and 44.7%, respectively, while general-purpose machinery and chemicals posted year-on-year falls of 10.9% and 8.6%, respectively.

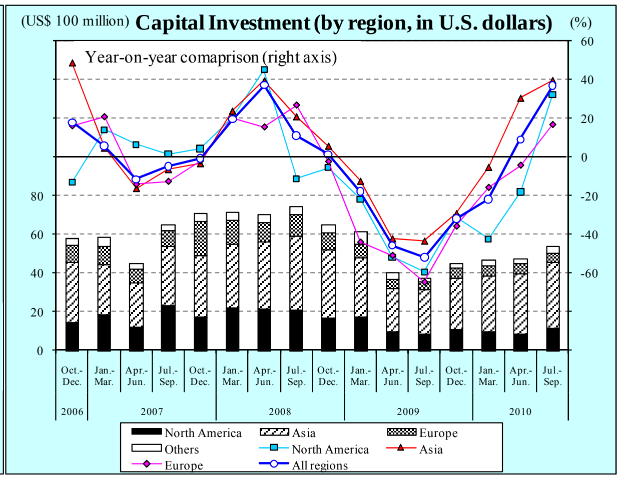
[Asia: 63.2% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) amounted to $3.39801 billion. This was a year-on-year increase of 39.6%, marking an increase for the second consecutive quarter. All four major industry groups reported year-on-year growth: electrical machinery by 87.3%, general-purpose machinery by 65.2%, transportation equipment by 5.3%, and chemicals by 1.9%. ASEAN4 (up 65.7% year-on-year), NIEs3 (up 53.2% year-on-year) and China (up 12.5% year-on-year) all reported increases.

[Europe: 8.5% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) amounted to $456.49 million. This represented year-on-year growth of 16.6%, representing the first increase in eight quarters. Of the four major industry groups, electrical machinery and transportation equipment showed year-on-year increases of 62.4% and 14.4%, respectively, while chemicals and general-purpose machinery reported year-on-year falls of 11.0% and 3.1%, respectively.





Actual Results

3. Number of Employees

[All regions]

○ The number of employees (as of the end of September 2010) was 3,582,000. This was a year-on-year increase of 7.2%, representing an increase for the third consecutive quarter. All four major industry groups reported increases, with transportation equipment posting an 11.9% year-on-year increase, general-purpose machinery an 8.4% year-on-year increase, electrical machinery a 5.6% year-on-year increase, and chemicals a 3.9% year-on-year increase. Asia, Europe, and North America reported growth.

[North America: 11.3% of total employment in all regions]

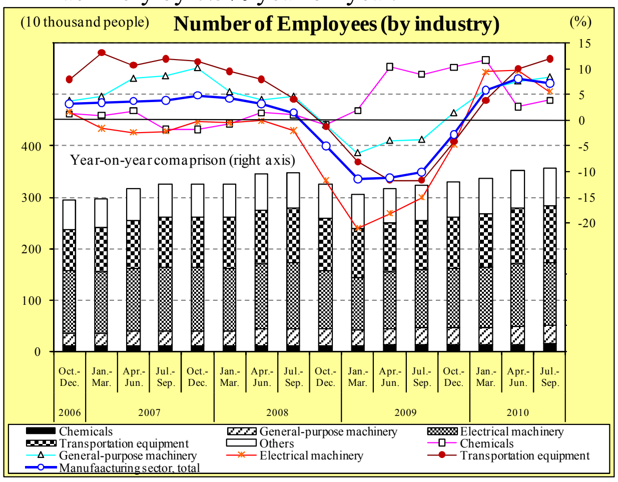
○ The number of employees was 406,000. This was a year-on-year increase of 1.7%, marking an increase for the second consecutive quarter. Of the four major industry groups, chemicals and transportation equipment posted increases of 4.0% year-on-year and 3.6% year-on-year, respectively, while general-purpose machinery remained unchanged and electrical machinery reported falls of 1.9% year-on-year.

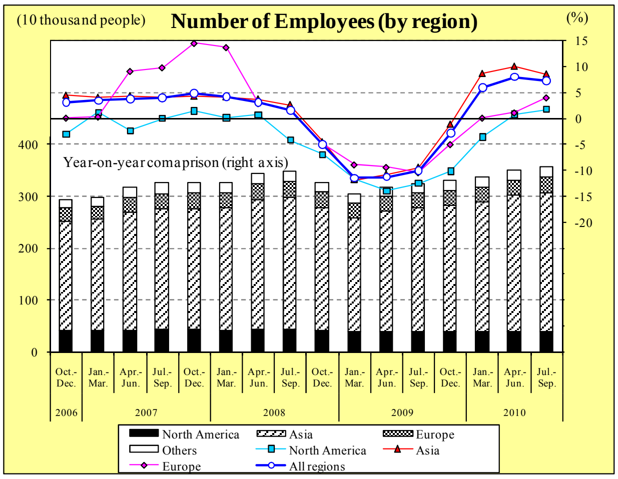
[Asia: 74.5% of total employment in all regions]

○ The number of employees was 2,668,000. This was a year-on-year increase of 8.5%, up for the third straight quarter. The four major industry groups reported increases, with transportation equipment posting a year-on-year increase of 15.3%, general-purpose machinery a year-on-year increase of 10.5%, electrical machinery a year-on-year increase of 6.1%, and chemicals a year-on-year increase of 5.1%. ASEAN4 (up 9.3% year-on-year) and China (up 6.1% year-on-year) recorded increases, while NIEs3 (down 1.0% year-on-year) recorded a fall.

[Europe: 8.5% of total employment in all regions]

○ The number of employees was 304,000. This was a year-on-year increase of 4.0%, up for the third straight quarter. All four major industry groups reported increases: transportation equipment increased by 7.4% year-on-year, electrical machinery by 3.3% year-on-year, chemicals by 0.4% year-on-year, and general-purpose machinery by 0.3% 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 restraint, in mind. In the United States, although there are still downward factors such as unemployment continuing to hover 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 [November 2010], Cabinet Office)