Trends in Overseas Subsidiaries (Summary)

<Quarterly Survey of Overseas Subsidiaries (October-December 2010)>

～Surveyed in February 2011～

March 24, 2011

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

★ Sales in October-December were positive for the fifth straight quarter; Forecasts for sales in January-March and April-June 2011 continue to post positive figures ★

☆Forecasts (Current DI (*1): January-March 2011, Next DI: April-June 2011)

1. The sales DI remained positive for the eighth straight quarter.
   The Current DI and the Next DI recorded positive figures, at 7.4 and 20.4, down 3.0 points and up 0.6 points from the same quarter of the previous year, respectively. North America, Asia, and Europe recorded positive figures for their Current DIs and Next DIs.

2. The Capital Investment DI posted positive figures for the seventh straight quarter.
   The Current DI and the Next DI reported positive figures, at 10.2 and 13.1, down 0.7 points and up 1.0 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 seventh straight quarter.

☆Actual results (October-December 2010, year-on-year growth rate)

1. Sales (in U.S. dollars) amounted to $242.11326 billion. This was a 17.2% increase from the same quarter of the previous year, up for the fifth consecutive quarter. All regions posted increases—Asia was up 22.6% year-on-year, North America up 13.5% year-on-year, and Europe up 8.5% year-on-year.

2. Capital investment (in U.S. dollars) amounted to $6.70335 billion. This was year-on-year increase of 45.7%, up for the third consecutive quarter. North America posted a decrease of 5.3% year-on-year, while Asia posted an increase of 64.9% and Europe an increase of 28.0% year-on-year.

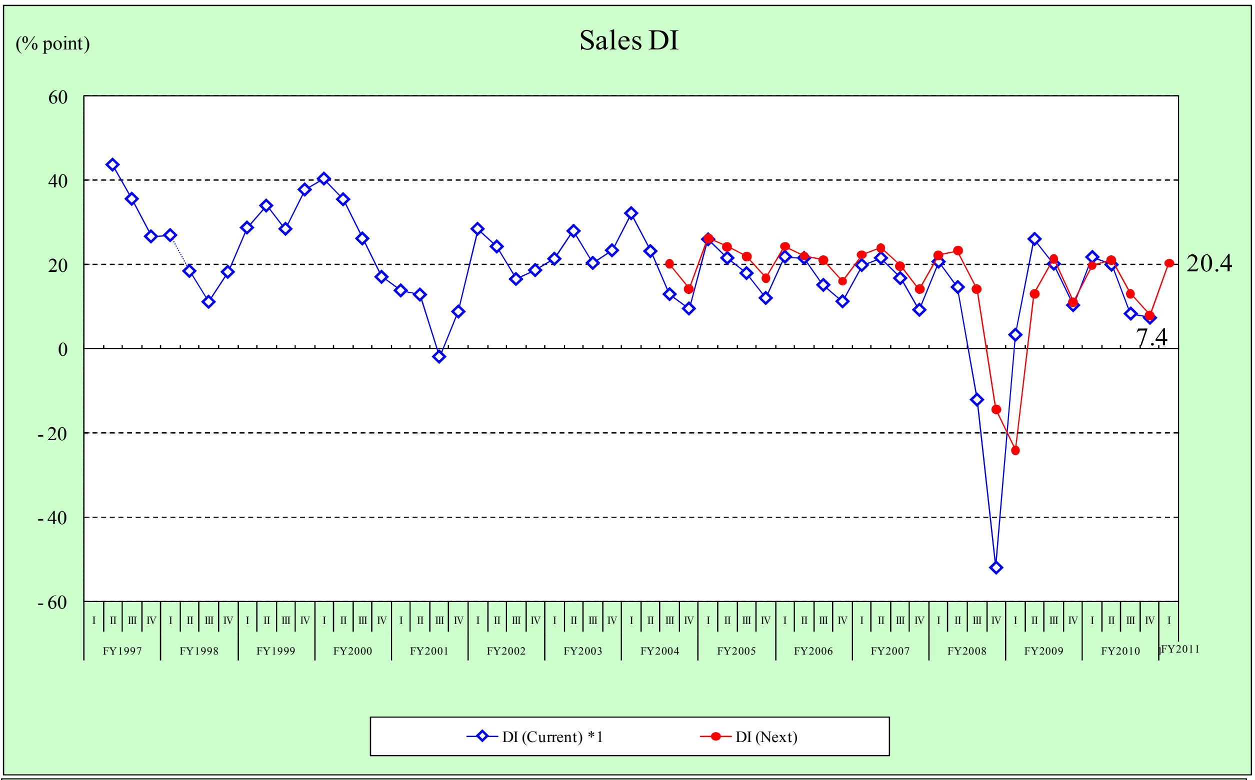
3. The number of employees amounted to 3,571,000. This was a year-on-year increase o 5.1%, up for the fourth consecutive quarter. This marked an increase for Asia (up 5.6% year-on-year), Europe (up 4.7% year-on-year), and North America (up 1.8% year-on-year).

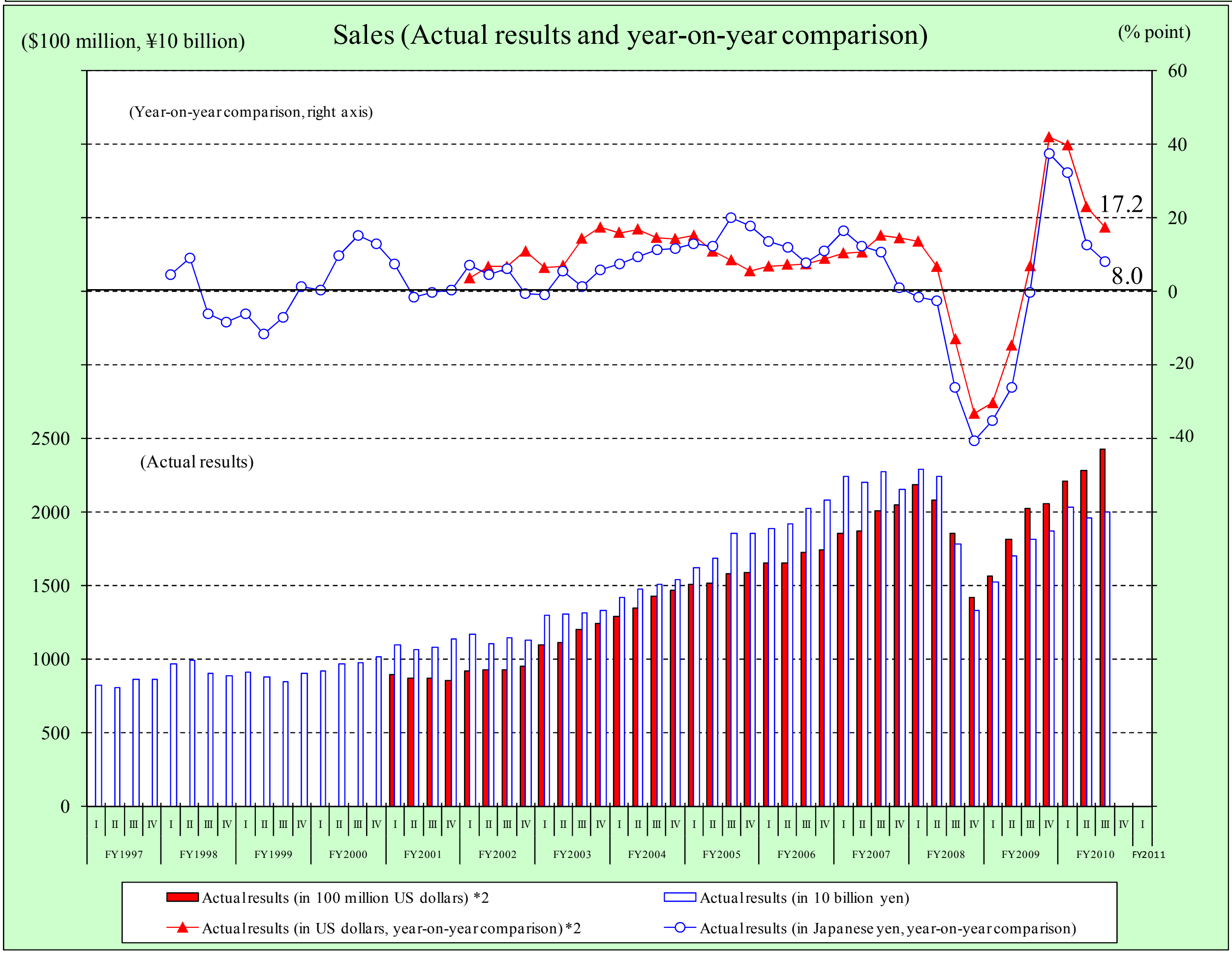
*1 "DI" is calculated as the percentage share (% points) of companies that responded that they expected an "increase" – the percentage share of companies that responded that they expected a "fall" based on making comparisons between the quarter that includes the time of the survey (Current) and the next 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 (January to March 2011) posted 7.4, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 3.0 points (compared with the Current DI for the January-March quarter of 2010). 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 chemicals. North America, Asia, and Europe posted positive figures.

○The Next DI (April-June 2011) posted 20.4, marking its eighth straight quarter of positive figures. This was a year-on-year increase of 0.6 points (compared with the Next DI for the April-June quarter of 2010). All four major industry groups in the manufacturing sector posted positive figures. Chemicals and electrical machinery showed declines, and general-purpose machinery and transportation equipment 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 18.5, marking its seventh straight quarter of positive figures. This was a year-on-year increase of 8.2 points. All four major industry groups in the manufacturing sector posted positive figures.

○The Next DI saw an eighth straight quarter of positive figures, at 15.6. This was a year-on-year increase of 7.3 points. All four major industry groups in the manufacturing sector posted positive figures. Electrical machinery and chemicals reported year-on-year decreases, while transportation equipment and general-purpose machinery recorded year-on-year increases.

[Asia]

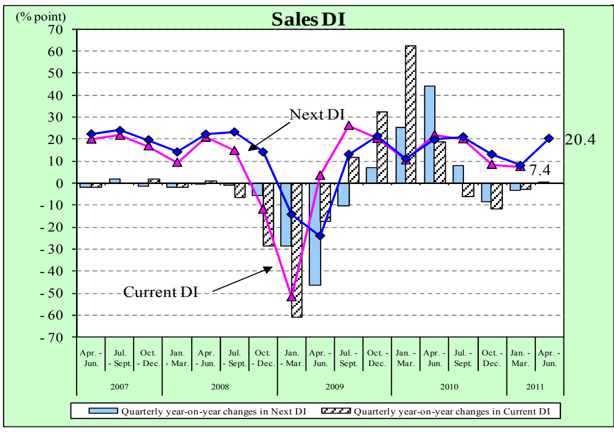
○The Current DI stood at 5.1, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 4.8 points. All four major industry groups except electrical machinery reported positive figures. ASEAN4(*2) (14.8) posted a positive figure, while NIEs3(*3) (0.0) and China(*4) (minus 1.5) posted negative figures.

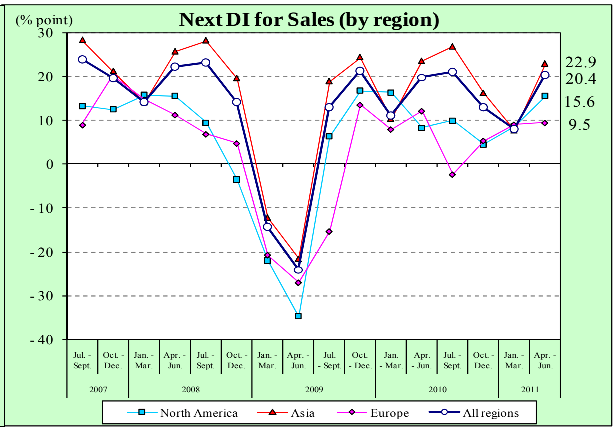
○The Next DI saw an eighth straight quarter of positive figures, at 22.9. This was a year-on-year decrease of 0.6 points. All four major industry groups posted positive figures, and in year-on-year comparisons, all except general-purpose machinery recorded negative figures. China (24.7), ASEAN4 (23.0), and NIEs3 (11.8) reported positive figures.

[Europe]

○The Current DI stood at 8.6, marking its second straight quarter of positive figures. This was a year-on-year decrease of 5.7 points. All four major industry groups in the manufacturing sector except for electrical machinery reported positive figures.

○The Next DI stood at 9.5, marking its third straight quarter of positive figures. This was a year-on-year decrease of 2.7 points as compared to the previous survey. All four major industry groups recorded positive figures. In a year-on-year comparison, electrical machinery and general-purpose machinery recorded increases, while chemicals and transportation equipment posted decreases.





(*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 the 12th revision made to the Japan Standard Industrial Classification.

(*2) to (*4) ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia NIEs3: Singapore, the Republic of Korea, and Taiwan 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 (January-March 2011) posted 10.2, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 0.7 points (compared with the Current DI for the January-March quarter 2010). All four major industry groups reported positive figures, with all except for general-purpose machinery showing year-on-year declines. All regions posted positive figures.

○The Next DI (April-June 2011) posted 13.1, marking its seventh straight quarter of positive figures. This was a year-on-year increase of 1.0 points (compared with the Next DI for the April-June quarter 2010). All four major industry groups reported positive figures. Electrical machinery and chemicals showed year-on-year declines, while general-purpose machinery and transportation equipment posted year-on-year increases. All regions posted positive figures.

[North America]

○The Current DI stood at 4.6, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 0.3 points as compared to the previous survey. The four major industry groups except general-purpose machinery and chemicals reported positive figures.

○The Next DI stood at 5.4, showing its fifth straight quarter of positive figures. This was a year-on-year decrease of 0.8 points. Of the four major industry groups, all except electrical machinery posted positive figures. Chemicals and general-purpose machinery showed year-on-year increases, while electrical machinery and transportation equipment posted year-on-year decreases.

[Asia]

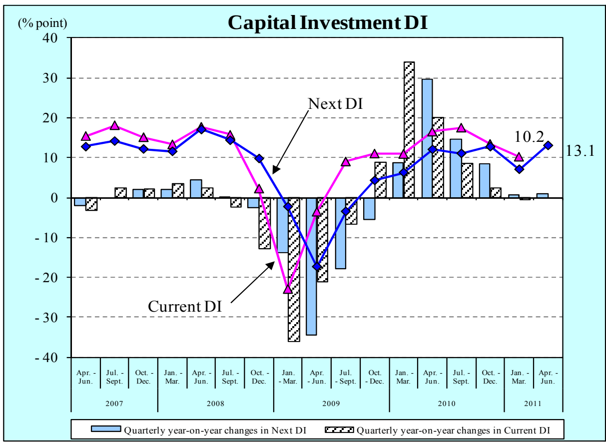
○The Current DI stood at 11.5, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 1.0 points as compared to the previous survey. All four major industry groups reported positive figures. ASEAN4 (12.4), China (10.7), and NIEs3 (5.9) posted positive figures.

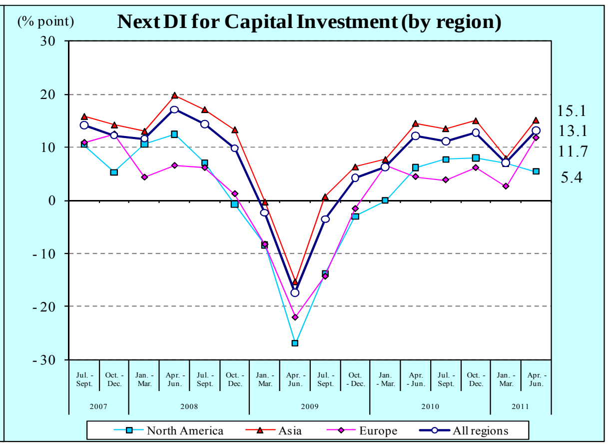
○The Next DI saw an eighth straight quarter of positive figures, at 15.1. This was a year-on-year increase of 0.6 points as compared to the previous survey. All four major industry groups posted positive figures. Chemicals and electrical machinery showed year-on-year decreases, while general-purpose machinery and transportation equipment showed year-on-year increases. ASEAN4 (18.2), China (13.4), and NIEs3 (12.1) posted positive figures.

[Europe]

○The Current DI stood at 4.7, marking its seventh straight quarter of positive figures. This was a year-on-year decrease of 1.1 points as compared to the previous survey. All four major industry groups posted positive figures.

○The Next DI stood at 11.7, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 7.3 points as compared to the previous survey. All four major industry groups posted positive figures, and all showed year-on-year increases, with the exception of electrical machinery.





Forecasts

3. Number of Employees

[All regions]

○The Current DI for the number of employees (January to March 2011) posted 10.3, marking its seventh straight quarter of positive figures. This was a year-on-year increase of 2.9 points (compared with the Current DI for the January-March quarter 2010). All four major industry groups reported positive figures. Electrical machinery and transportation equipment showed year-on-year decreases, while general-purpose machinery and chemicals showed year-on-year increases. All regions recorded positive figures.

○The Next DI (April to June 2011) posted 11.2, marking its seventh straight quarter of positive figures. This was a year-on-year increase of 3.1 points (compared with the Next DI for the April-June quarter 2010). All four major industry groups reported positive figures, and with the exception of transportation equipment, showed year-on-year increases. All regions recorded positive figures.

[North America]

○The Current DI stood at 9.3, marking its fifth straight quarter of positive figures. This was a year-on-year increase of 8.0 points. All four major industry groups reported positive figures.

○The Next DI stood at 7.3, marking its third straight quarter of positive figures. This was a year-on-year increase of 4.9 points. All four major industry groups, with the exception of transportation machinery, posted positive figures and all showed year-on-year increases.

[Asia]

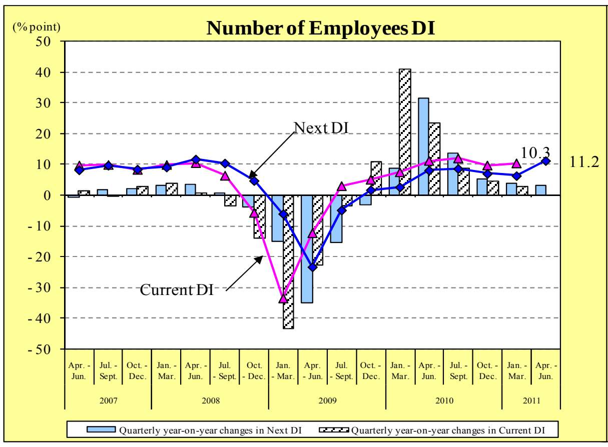
○The Current DI stood at 12.0, marking its seventh straight quarter of positive figures. This was a year-on-year increase of 1.7 points. All four major industry groups posted positive figures. ASEAN4 (13.5), China (10.3), and NIEs3 (9.4) posted positive figures.

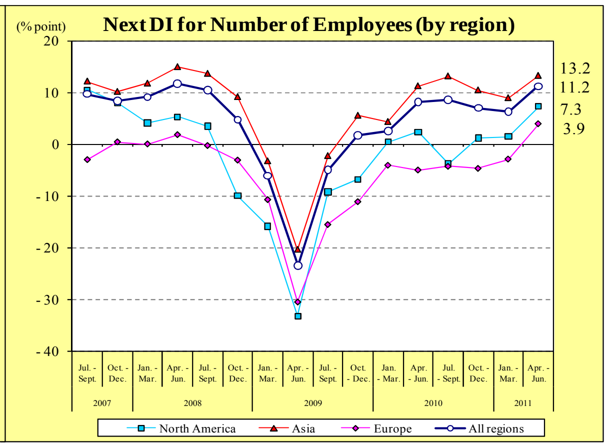
○The Next DI saw a seventh straight quarter of positive figures, at 13.2. This was a year-on-year increase of 2.0 points. All four major industry groups posted positive figures. Transportation equipment and electrical machinery showed year-on-year decreases, while general-purpose machinery and chemicals posted year-on-year increases. ASEAN4 (13.6), China (12.9), and NIEs3 (7.3) reported positive figures.

[Europe]

○The Current DI stood at 3.3, marking its second straight quarter of positive figures. This was a year-on-year increase of 8.8 points. Of the four major industry groups, all except for electrical machinery reported positive figures.

○The Next DI posted a positive figure for the first time in 12 quarters, at 3.9. This was a year-on-year increase of 8.9 points. Of the four major industry groups, all except for transportation equipment reported positive figures, and all showed year-on-year increases.





Actual Results

1. Sales

[All regions]

○Sales (October-December quarter 2010, in U.S. dollars) amounted to $242.11326 billion. This was a 17.2% increase as compared to the same quarter of the previous year(*), marking an increase for the fifth consecutive quarter. Of the four major industry groups in the manufacturing sector, general-purpose machinery increased by 36.4% year-on-year, up for the fourth consecutive quarter, while chemicals increased by 23.3% year-on-year, transportation equipment increased by 16.7% year-on-year, and electrical machinery increased by 10.7% year-on-year, marking increases for the fifth consecutive quarter, respectively. All regions posted positive figures.

○Sales (October to December quarter 2010, in Japanese yen) amounted to ¥19.9961 trillion. This was an 8.0% year-on-year increase, marking the fourth consecutive quarter of growth.

[North America: 26.3% of total sales in all regions]

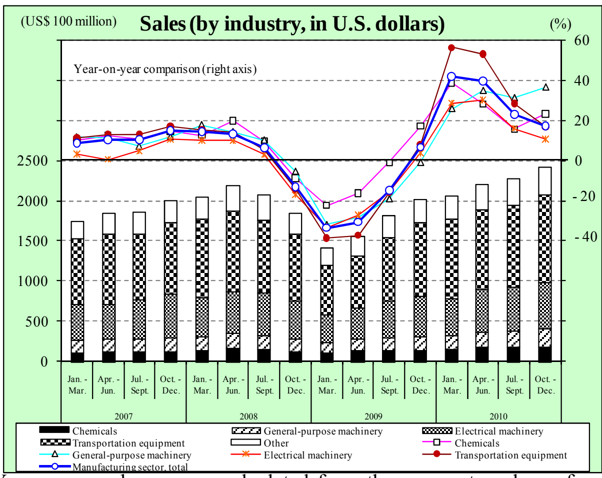
○Sales (in U.S. dollars) amounted to $63.68248 billion. This was a 13.5% year-on-year increase, marking an increase for the fourth consecutive quarter. All of the four major industry groups increased for the fourth straight quarter; general-purpose machinery by 39.6% year-on-year, electrical machinery by 22.4% year-on-year, chemicals by 17.6% year-on-year, and transportation equipment by 7.7% year-on-year.

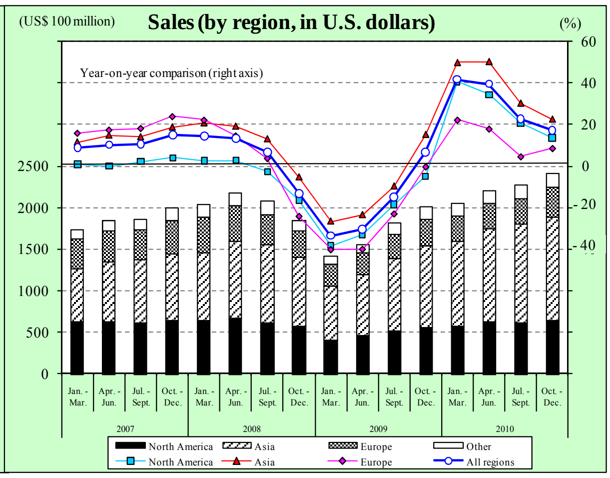
[Asia: 52.0% of total sales in all regions]

○Sales (in U.S. dollars) amounted to $125.84858 billion. This was an increase of 22.6% year-on-year, marking an increase for the fifth consecutive quarter. All four major industry groups reported increases for the fifth consecutive quarter, with general-purpose machinery posting year-on-year growth of 42.5%, chemicals a year-on-year growth of 33.9%, transportation equipment a year-on-year growth of 25.4%, and electrical machinery a year-on-year growth of 10.9%. ASEAN4 (up 26.5% year-on-year), NIEs3 (up 22.5% year-on-year), and China (up 19.0% year-on-year) all saw increases for the fifth consecutive quarter.

[Europe: 14.5% of total sales in all regions]

○Sales (in U.S. dollars) amounted to $35.07354 billion. This was an increase of 8.5% year-on-year, marking an increase for the fourth consecutive quarter. All of the four major industry groups recorded growth, with general-purpose machinery posting a year-on-year increase of 14.5% and transportation equipment a year-on-year increase of 8.8%, representing increases for the fourth consecutive quarter, respectively, chemicals recording a year-on-year increase of 12.4%, representing an increase for the fifth consecutive quarter, and electrical machinery posting a year-on-year increase of 3.5%, representing an increase for the third consecutive quarter.





* 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.

(Reference) For details of actual results, see the report "Trends in Overseas Subsidiaries," pages 16 to 27, or "Statistics," pages 1-20.

Actual Results

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

[All regions]

○Capital investment (October-December quarter 2010, in U.S. dollars) amounted to $6.70335 billion. This was a year-on-year increase of 45.7%, marking an increase for the third consecutive quarter. Of the four major industry groups, general-purpose machinery reported a year-on-year increase of 75.1%, electrical machinery a year-on-year increase of 69.4%, chemicals a year-on-year increase of 62.1%, and transportation equipment a year-on-year increase of 34.1%. North America marked a decrease, while Asia and Europe marked increases.

○Capital investment (October-December 2010, in Japanese yen) amounted to ¥553.6 billion. This was a year-on-year increase of 34.1%, marking an increase for the third consecutive quarter.

[North America: 15.9% of total capital investment in all regions]

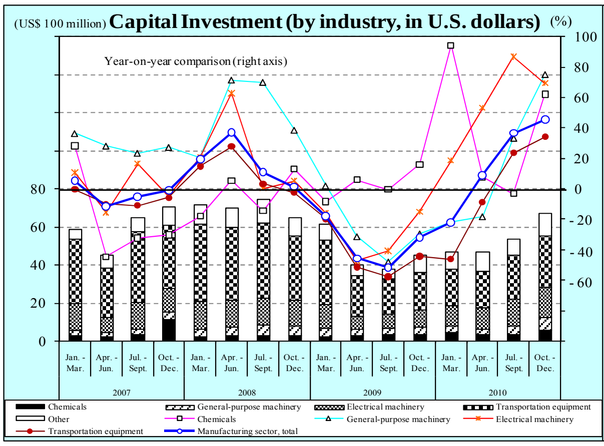
○Capital investment (in U.S. dollars) amounted to $1.06814 billion. This was a year-on-year decrease of 5.3%, marking a negative figure for the first time in two quarters. Of the four major industry groups, electrical machinery, chemicals, and general-purpose machinery reported positive year-on-year increases of 79.7%, 26.7%, and 17.4%, respectively, while transportation equipment posted a year-on-year fall of 22.3%.

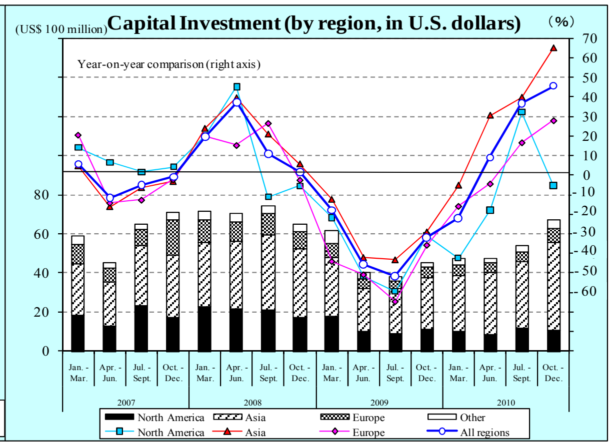
[Asia: 66.9% of total capital investment in all regions]

○Capital investment (in U.S. dollars) amounted to $4.48252 billion. This was a year-on-year increase of 64.9%, marking an increase for the third consecutive quarter. All four major industry groups reported year-on-year growth: general-purpose machinery by 119.0%, transportation equipment by 88.1%, chemicals by 81.1%, and electrical machinery by 74.5%. NIEs3 (up 79.6% year-on-year), ASEAN4 (up 52.0% year-on-year), and China (up 50.4% year-on-year) all reported increases.

[Europe: 10.6% of total capital investment in all regions]

○Capital investment (in U.S. dollars) amounted to $708.32 million. This represented year-on-year growth of 28.0%, representing an increase for the second consecutive quarter. Of the four major industry groups, electrical machinery showed a year-on-year decrease of 27.1%, while chemicals, general-purpose machinery, and transportation equipment showed year-on-year increases of 48.0%, 32.7%, and 13.6%.





Actual Results

3. Number of Employees

[All regions]

○The number of employees (as of the end of December 2010) was 3,571,000. This was a year-on-year increase of 5.1%, representing an increase for the fourth consecutive quarter. All four major industry groups reported increases, with transportation equipment posting an 8.5% year-on-year increase, general-purpose machinery an 8.4% year-on-year increase, chemicals a 4.4% year-on-year increase, and electrical machinery a 2.1% year-on-year increase. Asia, Europe, and North America reported growth.

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

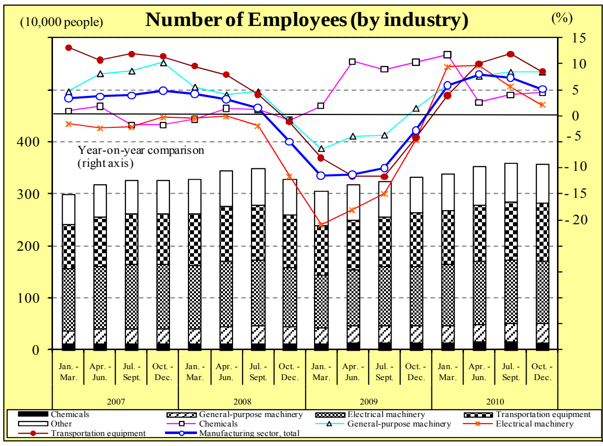
○The number of employees was 404,000. This was a year-on-year increase of 1.8%, marking an increase for the third consecutive quarter. Of the four major industry groups, electrical machinery posted a decrease of 4.6% year-on-year, while chemicals recorded a year-on-year increase of 5.5%, transportation equipment a year-on-year increase of 3.2%, and general-purpose machinery a year-on-year increase of 1.6%.

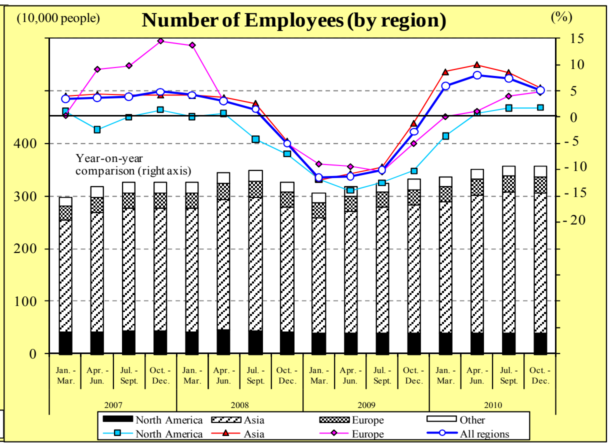
[Asia: 74.3% of total employment in all regions]

○The number of employees was 2,653,000. This was a year-on-year increase of 5.6%, up for the fourth straight quarter. Of the four major industry groups, transportation equipment posted a year-on-year increase of 10.1%, general-purpose machinery a year-on-year increase of 10.0%, and chemicals a year-on-year growth of 5.2%. ASEAN4 (up 6.6% year-on-year) and China (up 3.1% year-on-year) reported increases, while NIEs3 (down 1.0% year-on-year) recorded a fall.

[Europe: 8.6% of total employment in all regions]

○The number of employees was 307,000. This was a year-on-year increase of 4.7%, up for the fourth straight quarter. All four major industry groups reported increases: transportation equipment increased by 7.7% year-on-year, general-purpose machinery by 1.3% year-on-year, chemicals by 0.9% year-on-year, and electrical machinery by 0.6% year-on-year.





For reference: Overseas Economies

As a whole, the world economy is recovering. With regard to the economic outlook, the world economy is expected to continue its recovery. However, there is the risk that the economic climate in Europe and the United States will face a downturn. Moreover, it is also necessary to take heed of impacts caused by a rise in the prices of primary commodities. In the United States, although the unemployment rate is at a high level, the economic climate is recovering. Continued recovery is expected in the future. However, due to continuation of a credit squeeze, high unemployment rate, etc., there is the risk of an economic downturn. In Asia, the Chinese economy is seeing a domestic-demand driven expansion. It is expected for this expansion to continue in the future, but attention also needs to be paid to trends in real estate prices and prices of commodities. The Indian economy is also 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. However, attention needs to be paid to risks stemming from rising prices. Other Asian economies are recovering overall, but the rate of recovery is slowing down somewhat. The economic outlook expects these economics to continue their way toward recovery. Still, there are risks such as a continuing slump in exports to Europe and the United States and a rise in the prices of commodities. The European economy has picked up as a whole, but there is considerable variation among the different countries. The German economy is making a modest recovery. 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 [February 2011], Cabinet Office)