Trends in Overseas Subsidiaries (Summary)

<Quarterly Survey of Overseas Subsidiaries (January–March 2011)>
~Surveyed in May 2011~

June 24, 2011

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

★ The sales DI posted double-digit positive figures, at 0.5 in April–June and at 15.4 in July–September ★

☆ Forecasts (Current DI (*1): April–June 2011, Next DI: July–September 2011)

1. The sales DI remained positive for the ninth straight quarter.
The Current DI and the Next DI recorded positive figures, at 0.5 and 15.4, down 21.3 points and 5.7 points from the same quarter of the previous year, respectively. North America posted a negative figure, while Asia and Europe posted positive figures for their Current DIs. All regions other than Europe recorded positive figures for their Next DIs.

2. The Capital Investment DI posted positive figures for the eighth straight quarter.
The Current DI and the Next DI recorded positive figures, at 11.8 and 9.9, down 4.7 points and 1.2 points from the same quarter of the previous year, respectively. All regions (Asia, North America and Europe) recorded positive figures for their Current and Next DIs.

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

☆ Actual results (January–March 2011, year-on-year growth rate)

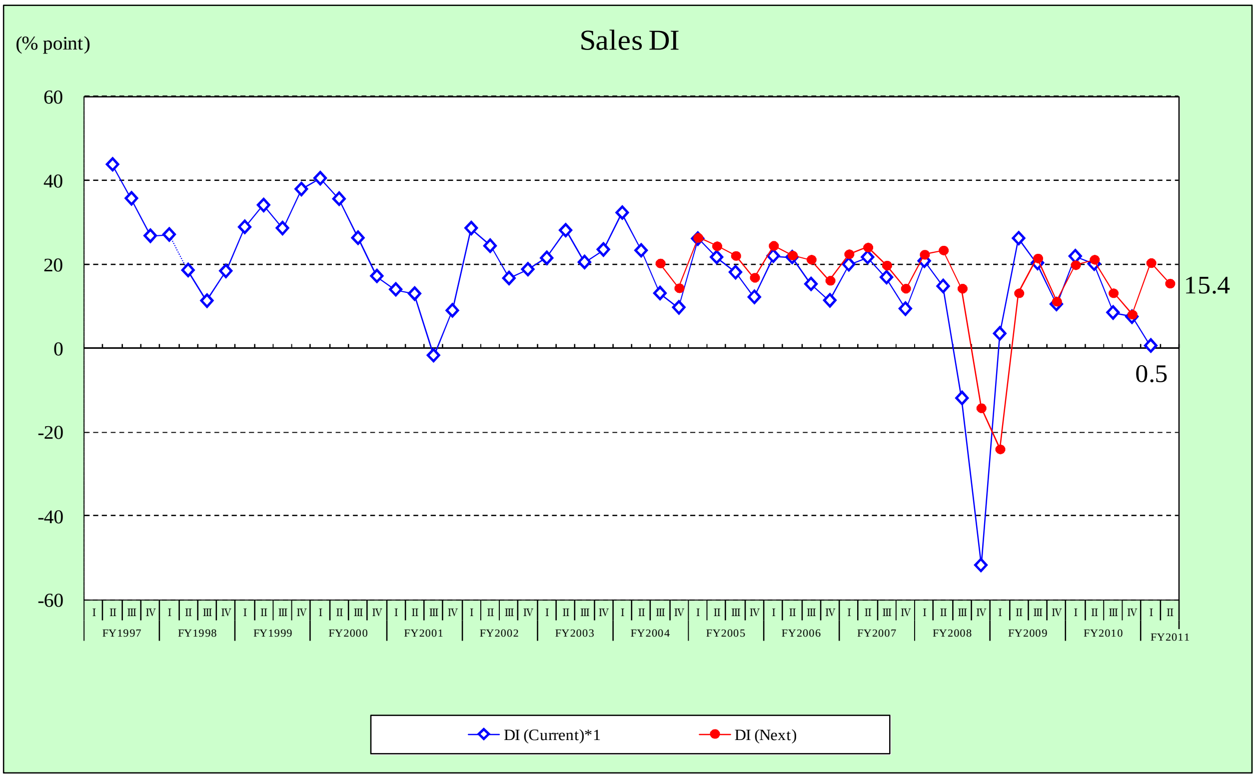
1. Sales (in U.S. dollars) amounted to $242.7 billion. This was a 16.5% increase from the same quarter of the previous year, up for the sixth consecutive quarter. All regions posted increases—Asia up 18.0% year-on-year, North America was up 15.2% year-on-year, and Europe was up 12.4% year-on-year.

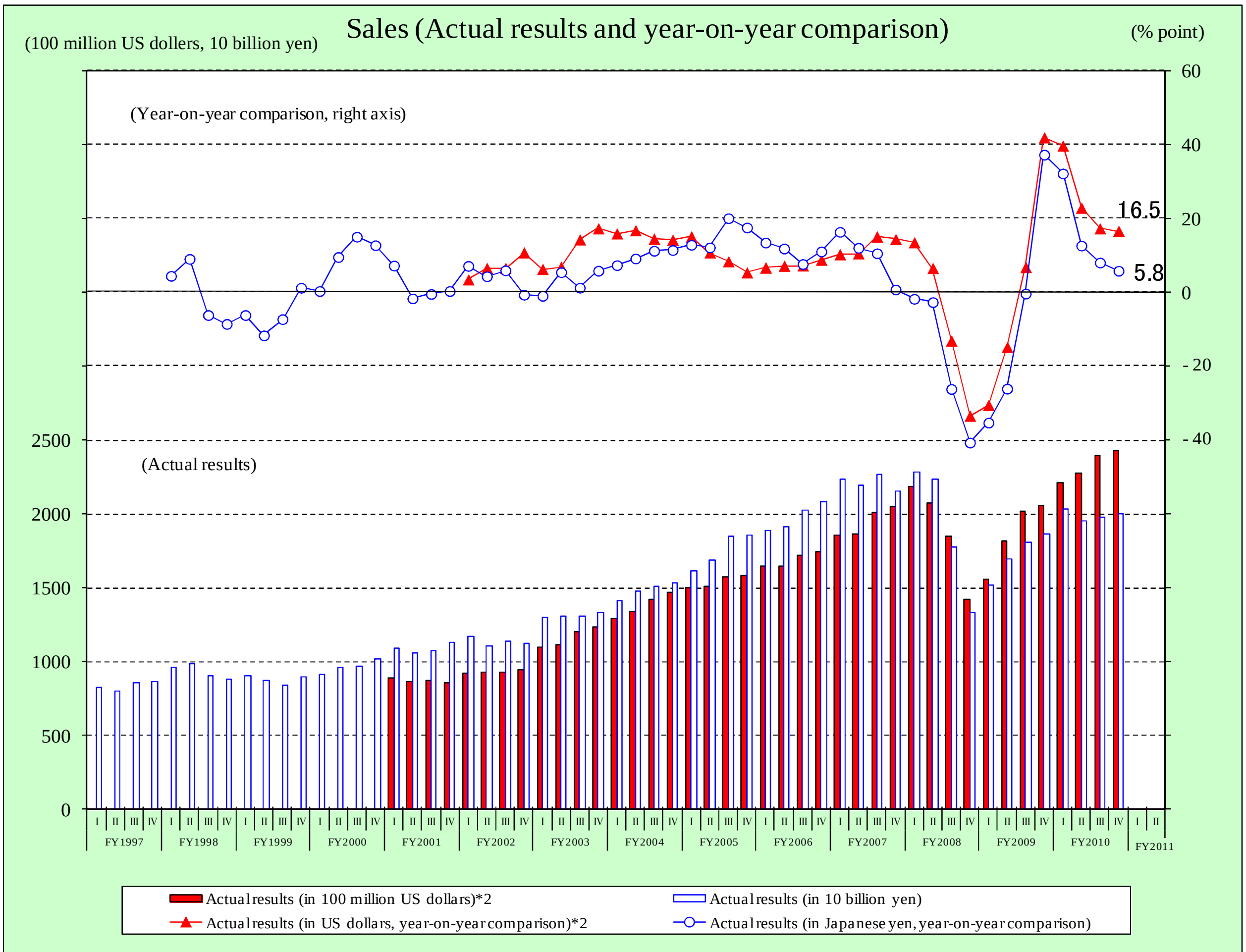
2. Capital investment (in U.S. dollars) amounted to $8.1 billion. This was a year-on-year increase of 62.0%, up for the fourth consecutive quarter. This marked an increase for North America (up 70.0% year-on-year), Asia (up 56.7% year-on-year), and Europe (up 44.0% year-on-year).

3. The number of employees amounted to 3,613,000. This was a year-on-year increase of 4.6%, up for the fifth consecutive quarter. All regions posted increases—Asia up by 4.8% year-on-year, Europe up by 4.7% year-on-year, and North America up by 2.6% 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 (April–June 2011) posted 0.5, marking its ninth straight quarter of positive figures. This was a year-on-year decrease of 21.3 points (compared with the Current DI for the April–June quarter of 2010). All four major industry groups in the manufacturing sector,(*1) except for transportation equipment, reported positive figures, and year-on-year changes declined as compared to the previous survey in all four major industry groups. North America posted a negative figure, while Asia and Europe posted positive figures.

○The Next DI (July–September 2011) posted 15.4, marking its ninth straight quarter of positive figures. This was a year-on-year decrease of 5.7 points (compared with the Next DI for the July–September quarter of 2010). All four major industry groups except for transportation equipment posted positive figures, and year-on-year difference declined as compared to the previous survey in all four major industry groups. Europe posted a negative figure, while North America and Asia posted positive figures.

[North America]

○The Current DI stood at minus 14.3, marking its first negative figure in eight quarters. This was a year-on-year decrease of 23.0 points. All four major industry groups except for transportation equipment posted positive figures.

○The Next DI saw a ninth straight quarter of positive figures, at 6.0. This was a year-on-year decrease of 4.0 points. All four major industry groups except for transportation equipment posted positive figures. In year-on-year comparison, all four major industry groups recorded negative figures, with the exception of chemicals.

[Asia]

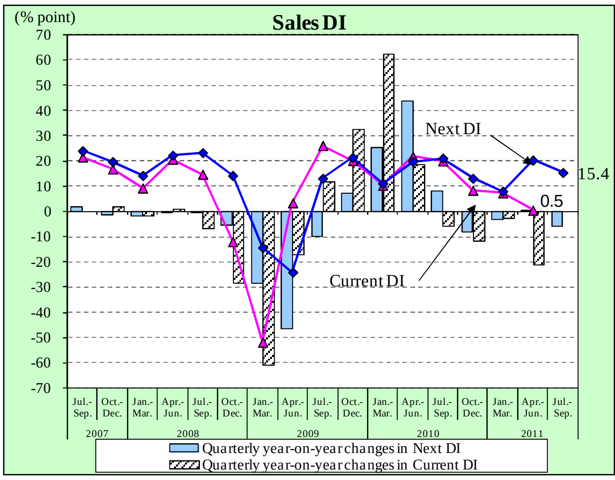
○The Current DI stood at 3.2, marking its ninth straight quarter of positive figures. This was a year-on-year decrease of 24.2 points. All four major industry groups except for transportation equipment posted positive figures. ASEAN4(*2) (minus 3.0) posted a negative figure, whereas NIEs3(*3) (10.8) and China(*4) (5.2) recorded positive figures.

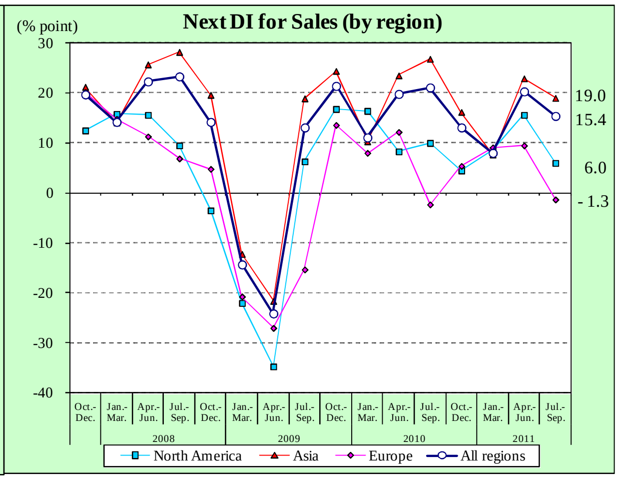
○The Next DI saw a ninth straight quarter of positive figures, at 19.0. This was a year-on-year decrease of 7.8 points. All four major industry groups except for transportation equipment reported positive figures, and year-on-year difference declined as compared to the previous survey in all four major industry groups. China (20.8), ASEAN4 (16.4), and NIEs3 (15.5) posted positive figures.

[Europe]

○The Current DI stood at 0.4, marking its third straight quarter of positive figures. This was a year-on-year decrease of 0.5 points. Of the four major industry groups, transportation equipment and electrical machinery reported negative figures, while general-purpose machinery and chemicals reported positive figures.

○The Next DI saw a quarter of negative figures for the first time in four quarters, at minus 1.3. This was a year-on-year increase of 1.0 points as compared to the previous survey. All four major industry groups recorded negative figures, with the exception of electrical machinery. In a year-on-year comparison, general-purpose machinery and chemicals reported negative figures, while electrical machinery and transportation equipment reported positive figures.





(*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 (April–June 2011) posted 11.8, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 4.7 points (compared with the Current DI for the April–June 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 (July–September 2011) posted 9.9, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 1.2 points (compared with the Next DI for the July–September quarter 2010). All four major industry groups reported positive figures, with all except for chemicals showing year-on-year declines. All regions posted positive figures.

[North America]

○ The Current DI stood at 8.6, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 3.6 points as compared to the previous survey. The four major industry groups all reported positive figures.

○ The Next DI stood at 7.6, showing its sixth straight quarter of positive figures. This was a year-on-year decrease of 0.1 points. Of the four major industry groups, electrical machinery and transportation equipment posted negative figures, while chemicals and general-purpose machinery posted positive figures. All four major industry groups except for chemicals showed year-on-year decreases.

[Asia]

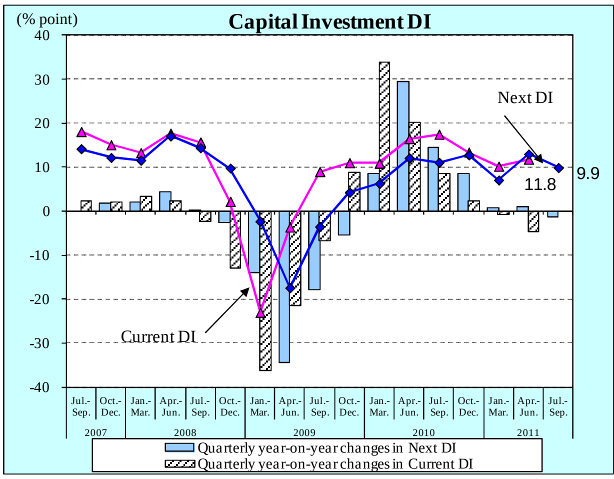
○ The Current DI stood at 13.9, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 5.0 points as compared to the previous survey. All four major industry groups reported positive figures. NIEs3 (15.8), ASEAN4 (13.9), and China (12.7) posted positive figures.

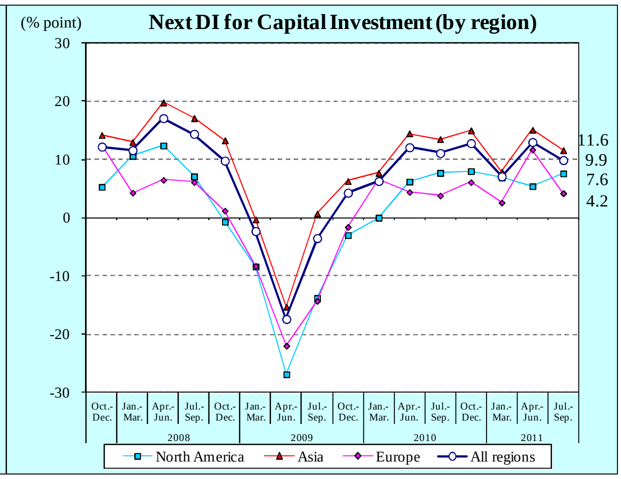
○ The Next DI saw a ninth straight quarter of positive figures, at 11.6. This was a year-on-year decrease of 1.9 points as compared to the previous survey. All four major industry groups posted positive figures, and all showed year-on-year declines. China (11.1), ASEAN4 (10.4), and NIEs3 (9.2) posted positive figures.

[Europe]

○ The Current DI stood at 2.7, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 1.2 points as compared to the previous survey. Of the four major industry groups, electrical machinery and transportation equipment posted negative figures, and chemicals and general-purpose machinery posted positive figures.

○ The Next DI stood at 4.2, marking its seventh straight quarter of positive figures. This was a year-on-year increase of 0.4 points as compared to the previous survey. Of the four major industry groups, transportation equipment and electrical machinery posted negative figures, while chemicals and general-purpose machinery posted positive figures. Transportation equipment and electrical machinery showed year-on-year decrease, whereas chemicals and general-purpose machinery showed year-on-year increase.





Forecasts

3. Number of Employees

[All regions]

○ The Current DI for the number of employees (April–June 2011) posted 6.9, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 4.2 points (compared with the Current DI for the April–June quarter 2010). All four major industry groups except for transportation equipment reported positive figures. Chemicals and general-purpose machinery showed year-on-year increases, while transportation equipment and electrical machinery showed year-on-year decreases. All regions recorded positive figures.

○ The Next DI (July–September 2011) posted 8.4, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 0.2 points (compared with the Next DI for the July–September quarter 2010). 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. All regions recorded positive figures.

[North America]

○ The Current DI stood at 1.6, marking its sixth straight quarter of positive figures. This was a year-on-year increase of 0.3 points. All four major industry groups, with the exception of transportation equipment, posted positive figures.

○ The Next DI stood at 3.2, marking its fourth straight quarter of positive figures. This was a year-on-year increase of 7.0 points. All four major industry groups, with the exception of transportation equipment, posted positive figures, and all showed year-on-year increases.

[Asia]

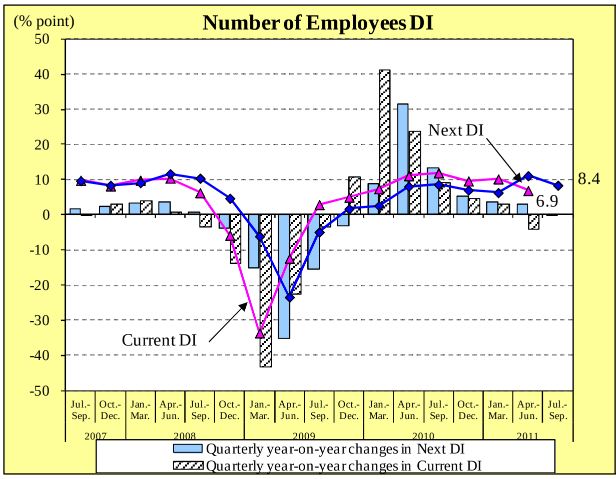
○ The Current DI stood at 7.8, marking its eighth straight quarter of positive figures. This was a year-on-year decrease of 7.7 points. All four major industry groups except for transportation equipment reported positive figures. NIEs3 (11.5), China (8.3), and ASEAN4 (3.8) posted positive figures.

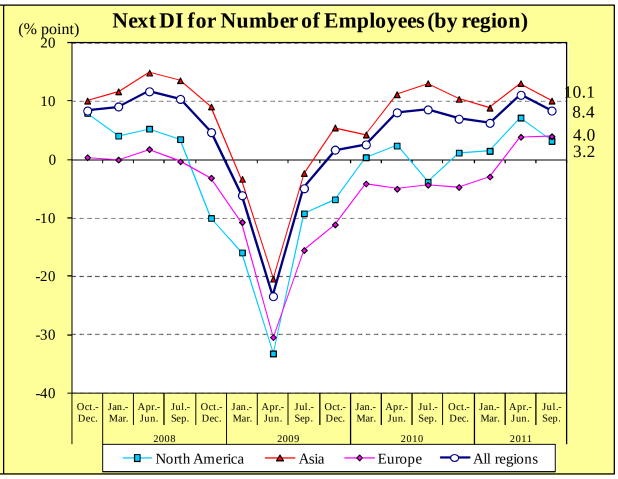
○ The Next DI saw an eighth straight quarter of positive figures, at 10.1. This was a year-on-year decrease of 3.0 points. All four major industry groups posted positive figures. Chemicals and general-purpose machinery showed year-on-year increases, while transportation equipment and electrical machinery showed year-on-year decreases. China (10.7), NIEs3 (8.2), and ASEAN4 (8.0) all reported positive figures.

[Europe]

○ The Current DI stood at 5.9, marking its third straight quarter of positive figures. This was a year-on-year increase of 11.4 points. Of the four major industry groups, all except for electrical machinery reported positive figures.

○ The Next DI stood at 4.0, marking its second straight quarter of positive figures. This was a year-on-year increase of 8.3. 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 (January–March quarter 2011, in U.S. dollars) amounted to $242.7 billion. This was a 16.5% increase as compared to the same quarter of the previous year,(*) marking an increase for the sixth consecutive quarter. Of the four major industry groups in the manufacturing sector, general-purpose machinery increased by 24.8% year-on-year, up for the fifth consecutive quarter, while chemicals increased by 19.2% year-on-year, transportation equipment increased by 16.9% year-on-year, and electrical machinery increased by 10.5% year-on-year, all three marking increases for the sixth consecutive quarter. All regions posted positive figures.

○ Sales (January–March quarter 2011, in Japanese yen) amounted to ¥20.0 trillion. This was a 5.8% year-on-year increase, marking the fifth consecutive quarter of growth.

[North America: 27.5% of total sales in all regions]

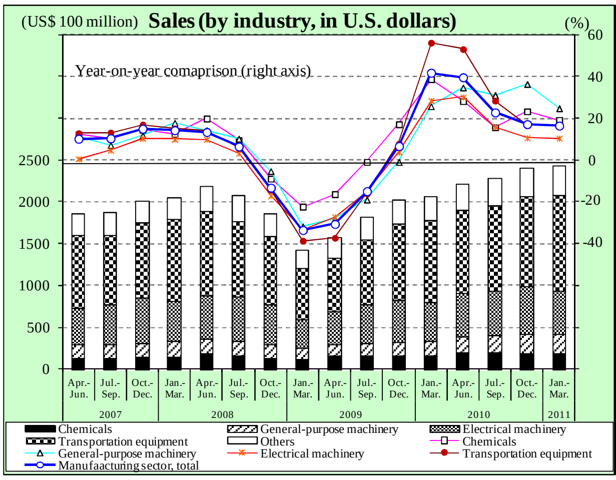
○ Sales (in U.S. dollars) amounted to $66.8 billion. This was a 15.2% year-on-year increase, marking an increase for the fifth consecutive quarter. All of the four major industry groups increased for the fifth straight quarter; electrical machinery by 21.3% year-on-year, general-purpose machinery by 18.8% year-on-year, transportation equipment by 13.8% year-on-year, and chemicals by 12.1% year-on-year.

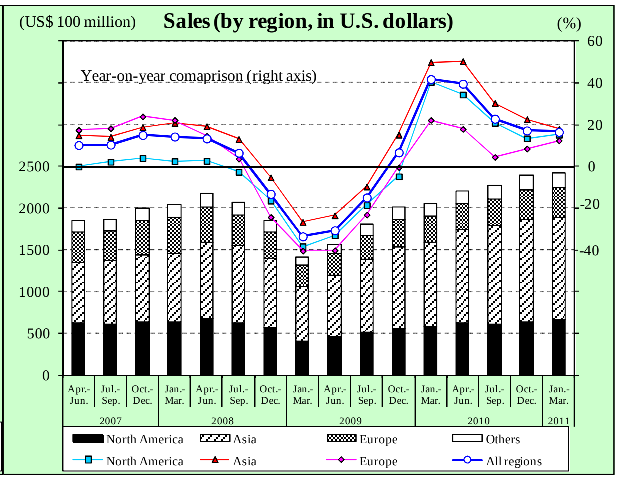
[Asia: 50.4% of total sales in all regions]

○ Sales (in U.S. dollars) amounted to $122.3 billion. This was an increase of 18.0% year-on-year, marking an increase for the sixth consecutive quarter. All four major industry groups reported increases for the sixth consecutive quarter, with general-purpose machinery posting year-on-year growth of 30.9%, chemicals year-on-year growth of 24.1%, transportation equipment year-on-year growth of 19.3%, and electrical machinery year-on-year growth of 9.2%. ASEAN4 (up 20.6% year-on-year), China (up 16.5% year-on-year), and NIEs3 (up 15.3% year-on-year) all saw increases for the sixth consecutive quarter.

[Europe 14.8% of total sales in all regions]

○ Sales (in U.S. dollars) amounted to $35.9 billion. This was an increase of 12.4% year-on-year, marking an increase for the fifth consecutive quarter. All of the four major industry groups recorded growth, with electrical machinery posting a year-on-year increase of 4.2%, marking an increase for the fourth consecutive quarter, transportation equipment recording a year-on-year increase of 14.8% and general-purpose machinery year-on-year increase of 14.3%, both marking increases for the fifth consecutive quarter, and chemicals posting a year-on-year increase of 14.5%, marking an increase for the sixth 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 (January–March quarter 2011, in U.S. dollars) amounted to $8.1 billion. This was a year-on-year increase of 62.0%, marking an increase for the fourth consecutive quarter. Of the four major industry groups, chemicals reported a negative figure of minus 16.4% year-on-year, marking the first decline in two quarters, transportation equipment posted a year-on-year increase of 105.6% and general-purpose machinery a year-on-year increase of 53.4%, both marking increases for the third consecutive, and electrical machinery recorded a year-on-year increase of 48.4%, marking an increase for the fifth consecutive quarter. North America, Asia and Europe marked increases.

○ Capital investment (January–March quarter 2011, in Japanese yen) amounted to ¥662.9 billion. This was a year-on-year increase of 47.1 %, marking an increase for the fourth consecutive quarter.

[North America: 21.0% of total capital investment in all regions]

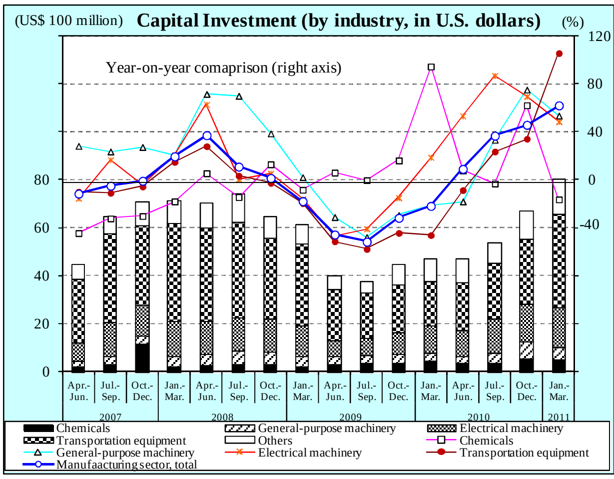
○ Capital investment (in U.S. dollars) amounted to $1.7 billion. This was a year-on-year increase of 70.0%, marking a positive figure for the first time in two quarters. All four major industry groups reported year-on-year growth: with transportation equipment reporting a year-on-year increase of 78.8%, marking a positive figure for the first time in two quarters, chemicals and general-purpose machinery posting year-on-year increases of 45.4% and 16.4%, both marking increases for the second consecutive quarter, and electrical machinery posting a year-on-year increase of 26.2%, marking an increase for the fourth consecutive quarter.

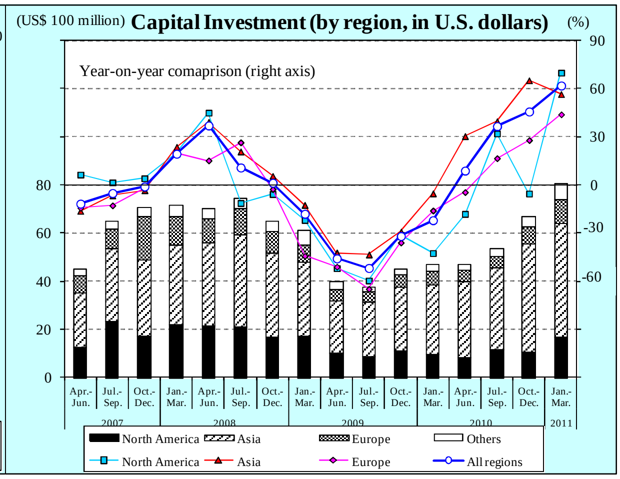
[Asia: 58.7% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) amounted to $4.7 billion. This was a year-on-year increase of 56.7%, marking an increase for the fourth consecutive quarter. Of the four major industry groups, chemicals reported a negative figure of minus 34.6% year-on-year, marking the first decline in seven quarters, general-purpose machinery posted a year-on-year increase of 84.2%, marking an increase for the third consecutive quarter, transportation equipment recorded a year-on-year increase of 139.3%, marking an increase for the fourth consecutive quarter, and electrical machinery recorded a year-on-year increase of 50.5%, marking an increase for the fifth consecutive quarter. NIEs3 (down 13.1% year-on-year) reported a decrease, while ASEAN4 (up 84.4% year-on-year) and China (up 60.5% year-on-year) reported increases.

[Europe: 12.4% of total capital investment in all regions]

○ Capital investment (in U.S. dollars) amounted to $1.0 billion. This was year-on-year growth of 44.0%, representing an increase for the third consecutive quarter. Of the four major industry groups, electrical machinery reported a year-on-year decrease of 2.5%, marking a decrease for the second consecutive quarter, general-purpose machinery and chemicals showed year-on-year decreases of 8.1% and 2.8%, both marking the first declines in two quarters, while transportation equipment reported a year-on-year increase of 72.0%, marking an increase for the third consecutive quarter.





Actual Results

3. Number of Employees

[All regions]

○ The number of employees (as of the end of March 2011) was 3,613,000. This was a year-on-year increase of 4.6%, representing an increase for the fifth consecutive quarter. All four major industry groups reported increases, with transportation equipment posting an 8.4% year-on-year increase and electrical machinery an 0.9% year-on-year increase, both marking increases for the fifth consecutive quarter, general-purpose machinery posting a 9.6% year-on-year increase, marking an increase for the sixth consecutive quarter, and chemicals recording a 2.8% year-on-year increase, marking an increase for the ninth consecutive quarter. All regions reported growth.

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

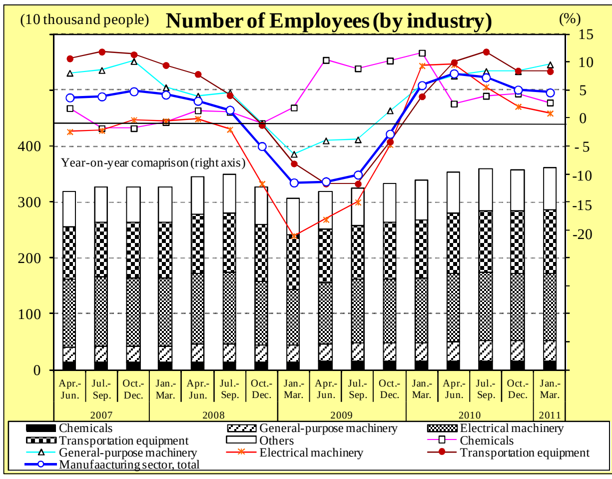
○ The number of employees was 407,000. This was a year-on-year increase of 2.6%, marking an increase for the fourth consecutive quarter. Of the four major industry groups, electrical machinery reported a negative figure of minus 3.7% year-on-year, marking the first decline in thirteen quarters, general-purpose machinery posted a year-on-year increase of 4.0%, marking an increase for the second consecutive quarter, transportation equipment recorded a year-on-year increase of 4.8%, marking an increase for the fourth consecutive quarter, and chemicals recorded a year-on-year increase of 4.4%, marking an increase for the fifth consecutive quarter.

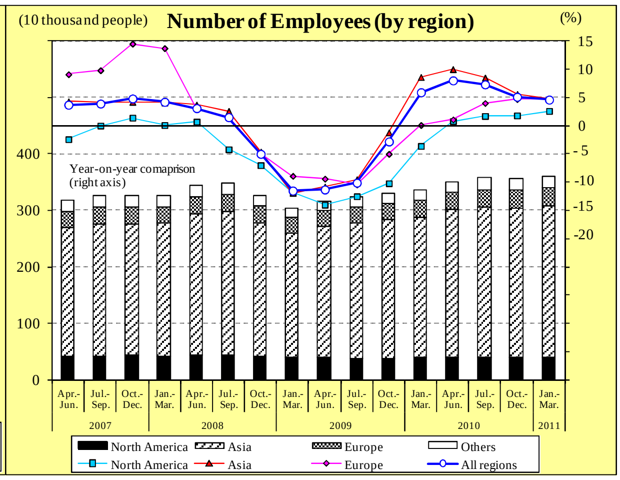
[Asia: 74.3% of total employment in all regions]

○ The number of employees was 2,685,000. This was a year-on-year increase of 4.8%, up for the fifth straight quarter. All four major industry groups reported increases, with electrical machinery posting a year-on-year increase of 1.1%, marking an increase for the fifth consecutive quarter, general-purpose machinery recording a year-on-year increase of 11.1% and transportation equipment a year-on-year increase of 9.2%, both marking increases for the sixth consecutive quarter, and chemicals posting a year-on-year increase of 3.7%, marking an increase for the ninth consecutive quarter. ASEAN4 (up 5.2% year-on-year), China (up 2.0% year-on-year), and NIEs3 (up 0.4% year-on-year) all recorded increases.

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

○ The number of employees was 309,000. This was a year-on-year increase of 4.7%, up for the fifth straight quarter. Of the four major industry groups, chemicals reported a negative figure of minus 1.3% year-on-year, marking the first decline in three quarters, general-purpose machinery posted a year-on-year increase of 3.0% and electrical machinery a year-on-year increase of 1.2%, both marking an increase for the third consecutive quarter, and transportation equipment recorded a year-on-year increase of 8.8%, marking an increase for the fifth consecutive quarter.





For reference: Overseas Economies

As a whole, the recovery of the world economy has been moderate. Concerning short-term prospects, the world economy is expected to continue its moderate recovery. However, there is the risk that the economic climate in Europe, the United States and Asia will face a downturn. In the United States, the recovery of the economy has been moderate. As for short-term prospects, the economy is expected to continue its moderate recovery. However, there is the risk of an economic downturn due to the unemployment rate's hovering at a high level, the soaring prices of houses, etc. In Asia, the Chinese economy is seeing expansion driven by domestic demand. This expansion is expected 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 expansion driven by domestic demand, but the rate of expansion is slowing down somewhat. As for short-term prospects, the economy will stay on the path to expansion, 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 are showing weakness recently. As for short-term prospects, these economies are expected 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 recovering, and the French economy is making a modest recovery. The UK economy is at a standstill, but is showing some weakness. The economic outlook shows that the European economy will pick up at a modest rate. However, it is necessary to pay attention to the impact of fiscal restraints by each country. At the same time, there is also the risk that recovery could be sluggish, due to the fact that there are concerns over the financial system reflecting fiscal uncertainty in some countries, and that the unemployment rate remains high. (From the Monthly Economic Report [June 2011], Cabinet Office)