

Trends in Overseas Subsidiaries (Summary)
Quarterly Survey of Overseas Subsidiaries (October-December 2007)

March 21, 2008
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Research and Statistics Dept.
Ministry of Economy, Trade and Industry

-Actual results for October-December 2007, Current Assessment DI for January-March 2008, and
Prospects DI for April-June 2008-

<Important points in the survey>

Sales

○The Prospects DI (April-June 2008) increased in positive margin, standing at double-digit figures in all the regions.

The Current Assessment DI (January-March 2008) declined in positive margin. The Prospects DI rose in positive margin due mainly to increased positive margins in Asia and North America, standing at double-digit figures in all the regions.

○The actual results (October - December 2007) increased by 15.1% from the same quarter of the previous year, reporting double-digit growth for the second consecutive quarter.

By industry, transportation equipment and chemicals maintained double-digit growth, and electrical machinery and industrial machinery expanded their growth to a double-digit level. Iron & steel declined for the second consecutive quarter.

By region, Europe grew more than 10% for the fifth consecutive quarter as transportation equipment, industrial machinery, and chemicals maintained double-digit growth. Asia reported double-digit growth for the fourth consecutive quarter as China, ASEAN4, and NIEs3 all accelerated growth in a range of industries. In North America, growth inched up, but stayed at less than a 10% increase for the tenth consecutive quarter.

Capital investment

○The Prospects DI (April-June 2008) increased in positive margin, maintaining positive figures in all the regions.

The Current Assessment DI (January-March 2008) declined in positive margin. The Prospects DI rose in positive margin in Asia, North America, and Europe, maintaining growth in all the regions.

○The actual results (October - December 2007) decreased by 1.4% from the same quarter of the previous year, reporting a decline for the third consecutive quarter.

By industry, chemicals reported a sharp decline for the third consecutive quarter. Transportation equipment decreased for the fourth consecutive quarter due mainly to declines in Europe and Asia, and electrical machinery witnessed a downturn. Industrial machinery and iron & steel maintained double-digit growth.

By region, Asia declined for the third consecutive quarter as NIEs3 and China continued to decrease. Europe decreased for the third consecutive quarter due mainly to declines in chemicals and transportation equipment. North America grew for the fourth consecutive quarter thanks mainly to increases in transportation equipment and electrical machinery.

Number of employees

○The Prospects DI (at the end of June 2008) grew in positive margin, maintaining positive margins in all the regions.

The Current Assessment DI (at the end of March 2008) increased in positive margin. The Prospects DI increased in positive margin as major industries except transportation equipment grew in positive margin. All the regions stayed at a positive margin, and Asia maintained a double-digit figure.

○The actual results (at the end of December 2007) continued to grow, increasing by 4.8% from the same quarter of the previous year.

The actual results continued to grow mainly in transportation equipment in terms of industry, and in China in terms of region.

Surveyed in: mid-February 2008.

1. Sales

The Prospects DI (*1) stood at 22.2 percentage points, growing in positive margin, and all the regions stood at a double-digit figure. The actual results grew 15.1% from the same quarter of the previous year, reporting double-digit growth for the third consecutive quarter.

- **The Current Assessment DI (January-March 2008)** stood at 9.2 percentage points, declining in positive margin by 7.6 percentage points from the Current Assessment DI in the previous quarter (October-December 2007). Europe increased slightly in positive margin as chemicals turned to a positive figure. Asia declined in positive margin as NIEs3 (*2) and China (*3) declined sharply in positive margin due to shrinking positive figures in all major industries. North America declined in positive margin due to drop in positive margin in electrical machinery and transportation equipment. All the regions maintained a positive figure.

The Prospects DI (April-June 2008) stood at 22.2 percentage points, larger by 13.0 points in positive margin, or a double-digit increase, than the Current Assessment DI for the current quarter. Asia increased sharply in positive margin as China, ASEAN4 (*4) and NIEs3 all grew in positive margin in major industries, except transportation equipment, especially electrical machinery. North America increased in positive margin as major industries except transportation equipment grew in positive margin. Europe declined in positive margin as electrical machinery turned to a negative margin and transportation equipment and industrial machinery decreased in positive margins. All the regions stood as a double-digit positive figure.

- **The actual results (October-December 2007)** grew by 15.1% from the same quarter of the previous year, reporting a double-digit increase for the third consecutive quarter.

By industry, electrical machinery recovered remarkably. Transportation equipment reported double-digit growth for the fifth consecutive quarter as sales maintained sharp growth in Asia and Europe and continued to grow, but only slightly, in North America. Chemicals reported double-digit growth for the fourth consecutive quarter as the sector maintained growth in all the regions. Electrical machinery reported double-digit growth for the first time in thirteen quarters as all the regions, especially China, reported an increase. Industrial machinery accelerated its growth to more than ten percent. Iron & steel declined for the second consecutive quarter.

By region, all the regions accelerated growth. Europe made double-digit growth (up 23.7% from the same quarter of the previous year), for the fifth consecutive quarter. In the region, transportation equipment, industrial machinery and chemicals maintained double-digit growth, and electrical machinery reported double-digit growth for the first time in five quarters. Asia reported double-digit growth (up 19.0% from the same quarter of the previous year), for the fourth consecutive quarter as China, ASEAN4, and NIEs3 all accelerated growth. China maintained rapid growth (up 22.9% from the same quarter of the previous year). In the country, transportation equipment and chemicals continued to grow fast, and electrical machinery reported double digit growth for the second consecutive quarter. ASEAN4 reported double-digit growth (up 17.1% from the same quarter of the previous year) for the fourth consecutive quarter. Transportation equipment, industrial machinery, and iron & steel maintained double-digit growth, and electrical machinery accelerated growth. NIEs3 reported double digit growth (up 10.9% from the same quarter of the previous year) for the first time in 11 quarters as chemicals made rapid growth and electrical machinery increased for the first time in three quarters, though transportation equipment turned down. North America reported a single-digit increase (up 4.2% from the same quarter of the previous year) for the tenth consecutive quarter as growth in transportation equipment stayed at a low level, though electrical machinery saw accelerated growth.

Notes *1: Forecasted changes for the quarter which includes the time of survey (Current Assessment DI) and those for the next quarter (Protects DI) from the preceding quarters.

· DI = [Proportion of companies that responded they would expect an increase] – [Proportion of companies that responded they would expect a decrease]

*2-4: ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia;

NIEs3: Singapore, Taiwan, and South Korea; China: including Hong Kong.

Table 1 Sales DI and Actual Results (according to region and main industries)

Unit (comparison to same quarter of previous year:%, comparison to the previous year:percentage points)

	DI					Actual				DI					Actual				
	Survey of previous term		Survey of present term			comparison to the previous quarter		Previous term		Present term	Survey of previous term		Survey of present term			comparison to the previous quarter		Previous term	Present term
	① Current Assessment (Oct.-Dec. 2007)	② Current Assessment (Jan.-Mar. 2008)	③ Prospect (Apr.-Jun. 2008)	Current Assessment (②-①)	Prospect (③-②)	① Current Assessment (Oct.-Dec. 2007)	② Current Assessment (Jan.-Mar. 2008)				③ Prospect (Apr.-Jun. 2008)	Current Assessment (②-①)	Prospect (③-②)						
Total	16.8	→ 9.2	→ 22.2	(-7.6)	13.0	10.6	15.1	Transportation equipment	21.1	→ 21.9	→ 22.2	(0.8)	0.3	13.4	17.1				
North America	11.0	→ 8.6	→ 14.9	(-2.4)	6.3	2.4	4.2	Electrical machinery	13.0	→ -1.6	→ 18.6	(-14.6)	20.2	4.7	10.8				
Asia	18.8	→ 8.8	→ 25.6	(-10.0)	16.8	14.2	19.0	Industrial machinery	23.8	→ 14.7	→ 28.2	(-9.1)	13.5	6.5	10.3				
ASEAN4	9.6	→ 7.9	→ 20.3	(-1.7)	12.4	11.3	17.1	Chemicals	18.2	→ 16.5	→ 28.3	(-1.7)	11.8	10.4	14.1				
NIEs3	16.4	→ 0.4	→ 17.1	(-16.0)	16.7	4.6	10.9	Iron and Steel	11.0	→ 5.4	→ 30.0	(-5.6)	24.6	-1.5	-0.8				
China(including Hong Kong)	24.3	→ 9.0	→ 30.5	(-15.3)	21.5	19.0	22.9												
Europe	15.9	→ 17.0	→ 10.8	(1.1)	-6.2	18.2	23.7												

Chart 1 Sales DI and actual results by Region

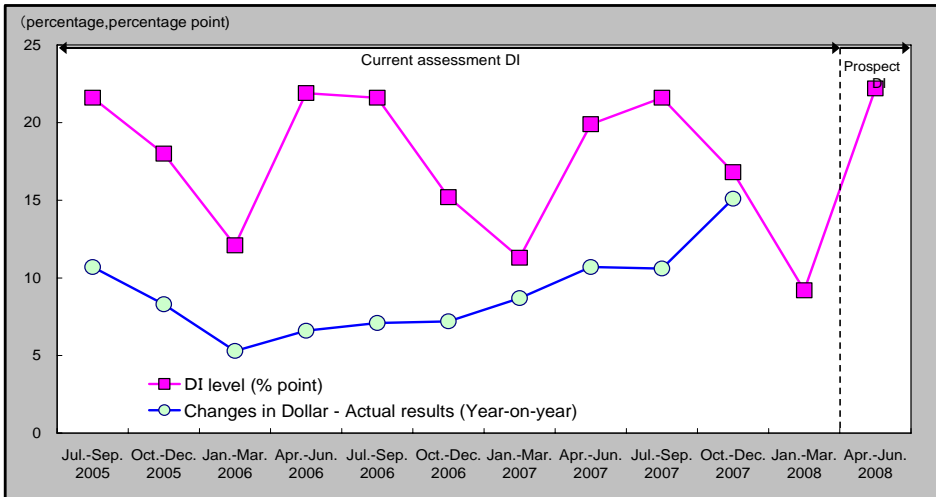


Chart 2 Sale DI by Region

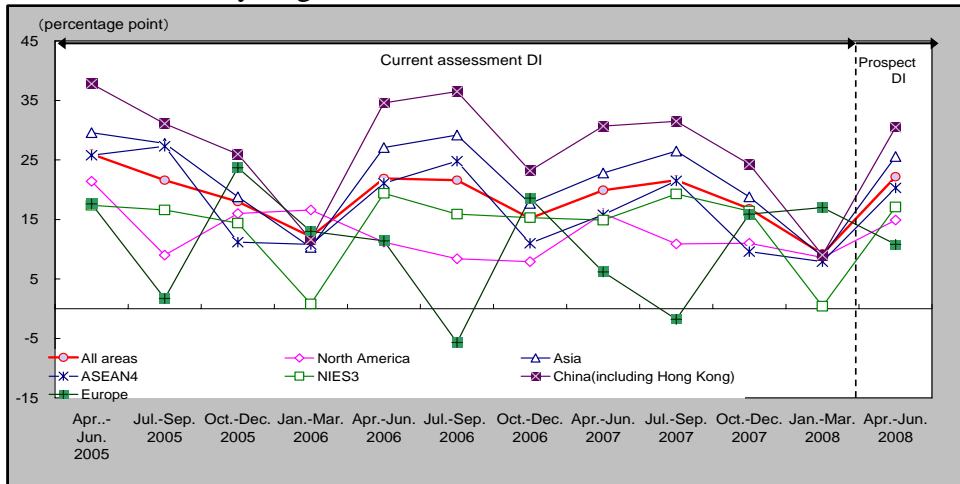
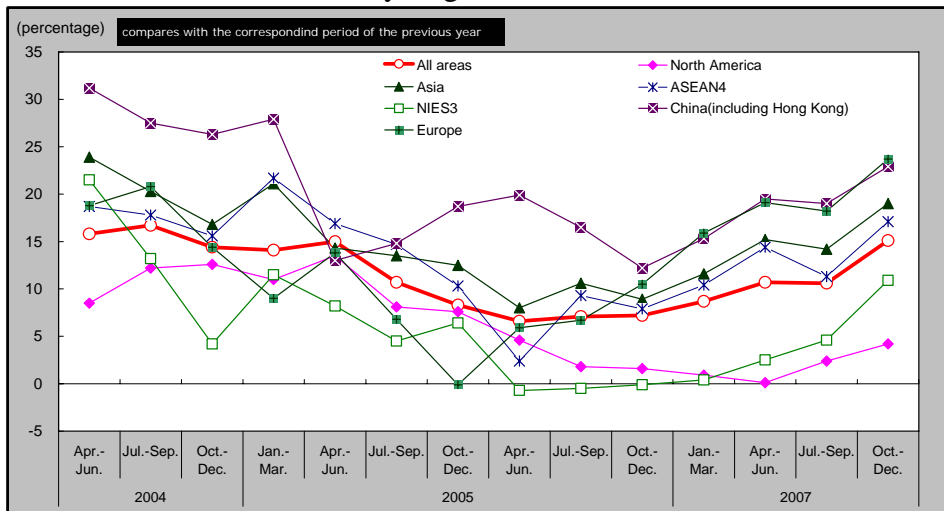


Chart 3 Sales actual results by Region



2. Capital Investment (acquisition costs of fixed assets except land)

The Prospects DI stood at 16.9%, increasing in positive margin, and all the regions maintained positive DI. The actual results fell by 1.4% from the same quarter of the previous year, reporting a decrease for the third consecutive quarter.

- **The Current Assessment DI (January-March 2008)** stood at 13.3 percentage points, declining in positive margin by 1.8 percentage points from the Current Assessment DI in the previous quarter (October-December 2007), but held at a double-digit positive figure. Asia declined slightly in positive margin as NIEs3 fell in positive margin, though China and ASEAN4 increased marginally in positive margin. North America increased slightly in positive margin. Europe declined to a single-digit positive margin as chemicals turned to a negative margin and transportation equipment decreased in positive margin. All the regions maintained a positive figure.

The Prospects DI (April-June 2008) stood at 16.9 percentage points, larger by 3.6 points in positive margin than the Current Assessment DI for the current quarter. Asia increased in positive margin as NIEs3 grew in positive margin mainly in transportation equipment and electrical machinery. North America increased in positive margin as industrial machinery turned to a positive figure and chemicals grew in positive margin. Europe increased in positive margin as chemicals turned to a positive figure and transportation equipment grew in positive margin. All the regions maintained a positive figure, and, except Europe, stood at a double-digit increase.

- **The actual results (October-December 2007)** decreased by 1.4% from the same quarter of the previous year, reporting a decline for the third consecutive quarter.

By industry, chemicals and transportation equipment continued to decrease. Chemicals marked a sharp decline for the third consecutive quarter as a result of double-digit decreases all in North America, Europe, and Asia. Transportation equipment declined for the fourth consecutive quarter though as Europe and Asia continued to decrease, though North America maintained single-digit growth. Electrical machinery turned down due to a decline in Asia. Industrial machinery reported double-digit growth for the fifth consecutive quarter. Iron & steel marked double-digit growth for the second consecutive quarter.

By region, Asia and Europe declined for the third consecutive quarter though the rate of decline slowed down, and North America grew for the fourth consecutive quarter. Asia declined (down 4.0% from the same quarter of the previous year) for the third consecutive quarter as NIEs3 and China continued to fall, though ASEAN4 turned upward. NIEs3 reported a sharp decline (down 24.7% from the same quarter of the previous year) for the third consecutive quarter. In the region, transportation equipment fell sharply for the sixth consecutive quarter, and chemicals, electrical machinery and industrial machinery also continued to fall. China fell (down 1.5% from the same quarter of the previous year) for the third consecutive quarter. In the country, industrial machinery reported rapid growth, but electrical machinery turned to a sharp decline and chemicals and transportation equipment decreased for the third consecutive quarter. ASEAN4 increased (up 6.2% from the same quarter of the previous year) for the first time in three quarters. In the region, industrial machinery and electrical machinery tuned down, but iron & steel and chemicals increased sharply and transportation equipment tuned up. Europe declined (down 3.2% from the same quarter of the previous year) for the third consecutive quarter. There electrical machinery grew fast for the second consecutive quarter, but chemicals and transportation equipment continued to fall rapidly and industrial machinery tuned to a sharp decline. North America increased (up 4.4% from the same quarter of the previous year) for the fourth consecutive quarter. Transportation equipment and electrical machinery grew for the fourth consecutive quarter and industrial machinery turned to a sharp increase. Chemicals fell fast for the third consecutive quarter.

Table 2 Capital Investment DI and Actual Result (according to region and main industries)

Unit (comparison to same quarter of previous year:%, comparison to the previous year:percentage points)

	DI					Actual			DI					Actual					
	Survey of previous term		Survey of present term			comparison to the previous quarter			Previous term	Present term	Survey of previous term		Survey of present term			comparison to the previous quarter		Previous term	Present term
	① Current Assessment (Oct.-Dec. 2007)	② Current Assessment (Jan.-Mar. 2008)	③ Prospect (Apr.-Jun. 2008)	Current Assessment ((②)-(①))	Prospect ((③)-(②))	① Current Assessment (Oct.-Dec. 2007)	② Current Assessment (Jan.-Mar. 2008)				③ Prospect (Apr.-Jun. 2008)	Current Assessment ((②)-(①))	Prospect ((③)-(②))						
Total	15.1	→ 13.3	→ 16.9	(-1.8)	3.6	-4.9	-1.4	Transportation equipment	22.6	→ 18.4	→ 20.4	(-4.2)	2.0	-10.8	-6.0				
North America	10.4	→ 10.9	→ 12.1	(0.5)	1.2	1.8	4.4	Electrical machinery	12.4	→ 9.5	→ 12.7	(-2.9)	3.2	16.6	-5.0				
Asia	16.9	→ 16.1	→ 19.5	(-0.8)	3.4	-6.4	-4.0	Industrial machinery	6.4	→ 14.2	→ 18.6	(7.8)	4.4	24.1	14.9				
ASEAN4	14.4	→ 15.4	→ 18.1	(1.0)	2.7	-1.1	6.2	Chemicals	8.9	→ 9.5	→ 18.3	(0.6)	8.8	-32.3	-32.0				
NIEs3	12.8	→ 5.2	→ 14.6	(-7.6)	9.4	-27.7	-24.7	Iron and Steel	21.4	→ 21.6	→ 22.8	(0.2)	1.2	19.9	27.7				
China (including Hong Kong)	17.3	→ 17.6	→ 20.3	(0.3)	2.7	-0.6	-1.5												
Europe	12.1	→ 3.8	→ 6.7	(-8.3)	2.9	-12.7	-3.2												

Chart4 Capital Investment DI and actual results by Region

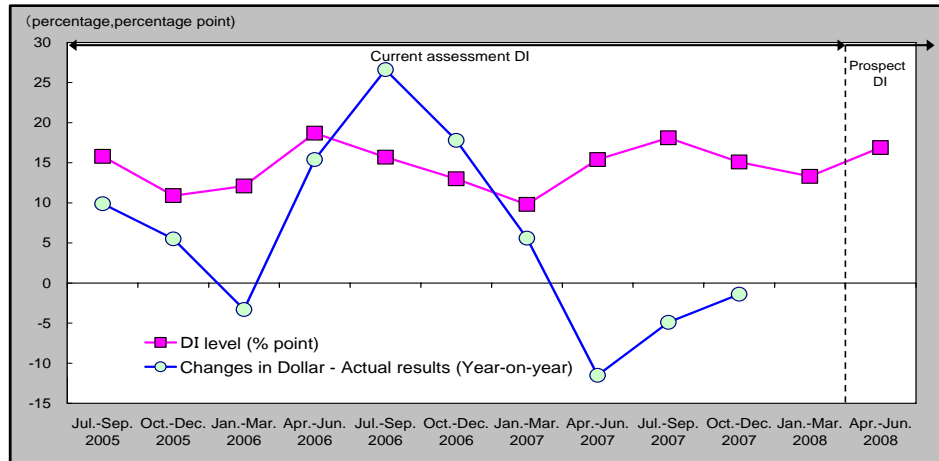


Chart5 Capital investment DI by Region

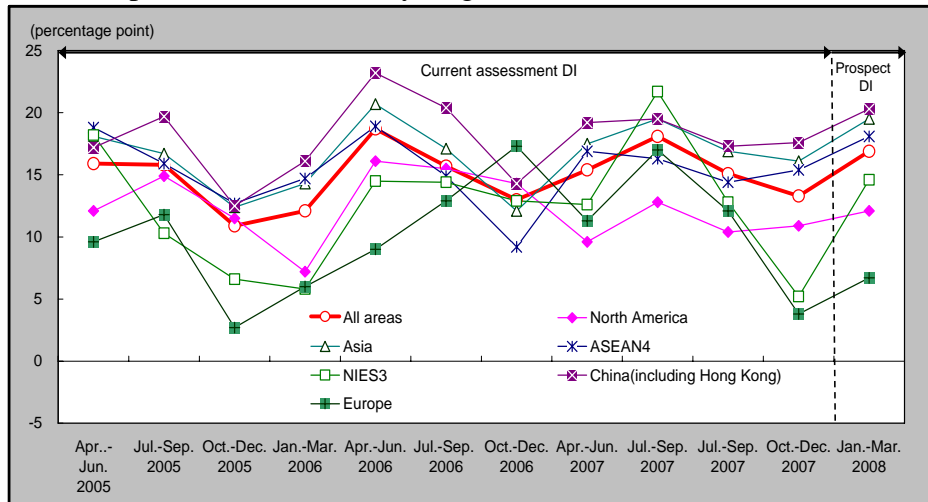
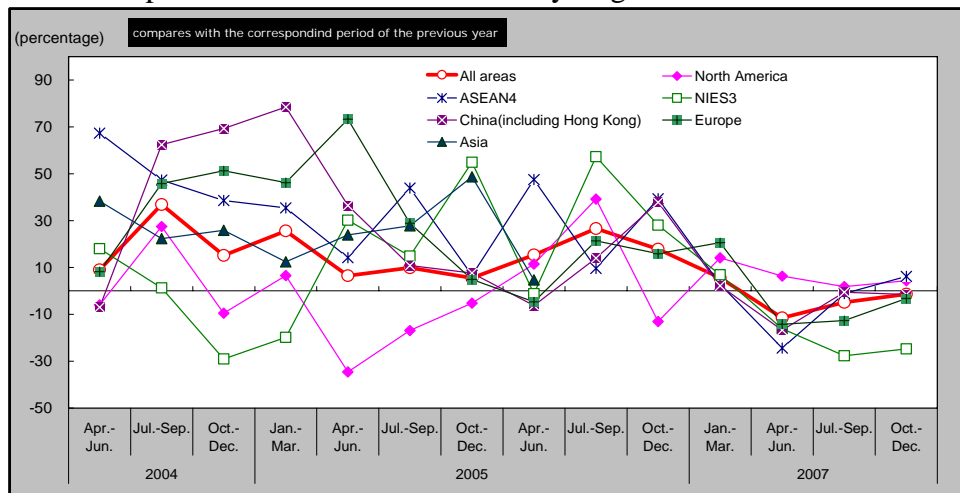


Chart6 Capital investment actual results by Region



3. Employment (Number of employees)

The Prospects DI stood at 11.7 percentage points, growing in positive margin. The actual results continued to grow, increasing by 4.8% from the same quarter of the previous year.

- **The Current Assessment DI (at the end of March 2008)** stood at 9.7 percentage points, growing in positive margin by 1.4 percentage points from the Current Assessment DI in the previous quarter (at the end of December 2007). Chemicals, industrial machinery, and transportation equipment increased in positive margin. Europe turned to a positive figure as industrial machinery and electrical machinery grew in positive margin. All the regions stood at a positive figure.

The Prospects DI (at the end of June 2008) stood at 11.7 percentage points, larger by 2.0 points than the Current Assessment DI for the current quarter. Major industries, except transportation equipment, increased in positive margin. All the regions stayed at a positive margin, and Asia maintained a double-digit figure.

- **The actual results (at the end of December 2007)** grew by 4.8% from the same quarter of the previous year, maintaining growth.

By industry, transportation equipment and other sectors continued to grow. Transportation equipment reported double-digit growth for the fourth consecutive quarter as the sector continued to increase in the regions except NIEs3. Electrical machinery increased for the first time in four quarters as it accelerated growth in North America and turned to a marginal increase in Europe and Asia.

By region, Asia, especially China, continued to increase, and Europe and North America also grew. Europe (up 14.5% from the same quarter of the previous year) accelerated growth, reporting a double-digit increase. In the region, ceramics and stone & clay reported significant increases, and in addition, transportation equipment accelerated growth and industrial machinery and electrical machinery turned up. North America (up 4.9% from the same quarter of the previous year) increased for the fourth consecutive quarter. In the region, transportation equipment, chemicals, and electrical machinery continued to grow. Asia (up 3.7% from the same quarter of the previous year) continued to increase. China (up 5.1% from the same quarter of the previous year) continued to grow by less than 10% for the sixth consecutive quarter. In the country, transportation equipment maintained rapid increase, but growth in electrical machinery stayed marginal for the third consecutive quarter. ASEAN4 (up 0.9% from the same quarter of the previous year) increased slightly for the third consecutive quarter. In the region, transportation equipment and industrial machinery continued to grow, but electrical machinery declined for the fifth consecutive quarter. NIEs3 (down 1.8% from the same quarter of the previous year) decreased for the fifth consecutive quarter. Transportation equipment declined for the seventh consecutive quarter, and so did electrical machinery for the fourth consecutive quarter.

Table 3 Number of Employee DI and Actual Result (according to region and main industries)

Unit (comparison to same quarter of previos year:%, comparison to the previous year:percentage points)

	DI						Actual			DI						Actual					
	Survey of previous term			Survey of present term			comparison to the previous quaeter			comparison to the corresponding period of previous year		Survey of previous term			Survey of present term			comparison to the previous quaeter		comparison to the corresponding period of previous year	
	① Current Assessment (Oct.-Dec. 2007)	② Current Assessment (Jan.-Mar. 2008)	③ Prospect (Apr.-Jun. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previous term	Present term	① Current Assessment (Oct.-Dec. 2007)		② Current Assessment (Jan.-Mar. 2008)	③ Prospect (Apr.-Jun. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previous term	Present term	① Current Assessment (Oct.-Dec. 2007)	② Current Assessment (Jan.-Mar. 2008)	③ Prospect (Apr.-Jun. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previous term
Total	8.3	→	9.7	→	11.7	(1.4)	2.0	3.6	4.8	Transportation equipment	12.1	→	14.0	→	11.6	(1.9)	-2.4	10.9	10.1		
North America	3.2	→	4.5	→	5.7	(1.3)	1.2	3.4	4.9	Electrical machinery	9.5	→	4.6	→	9.1	(-4.9)	4.5	-2.2	0.3		
Asia	10.8	→	11.9	→	14.7	(1.1)	2.8	3.1	3.7	Industrial machinery	11.0	→	13.4	→	15.8	(2.4)	2.4	4.2	5.9		
ASEAN4	5.9	→	8.0	→	9.4	(2.1)	1.4	0.0	0.9	Chemicals	7.9	→	12.2	→	16.6	(4.3)	4.4	-1.8	-1.6		
NIEs3	3.0	→	3.1	→	3.9	(0.1)	0.8	-4.7	-1.8	Iron and Steel	15.3	→	12.5	→	27.0	(-2.8)	14.5	-7.2	-16.3		
China(including Hong Kong)	15.6	→	15.9	→	19.8	(0.3)	3.9	4.9	5.1												
Europe	-1.4	→	2.8	→	1.8	(4.2)	-1.0	9.8	14.5												

<Reference> Overseas economies

The world economy is continuing to recover though slowdown is observed in more regions. In the United States recovery of business conditions has weakened. In terms of the outlook, the US economy has further downside risks due to the problem of subprime housing loans. In Asia, economies are continuing to grow in China and other regions. The Chinese economy is continuing to grow. In the county, rapid growth of investment in fixed assets is continuing. In Taiwan, Singapore and Malaysia, the economies are growing. The economy of South Korea is growing modestly. In Thailand, signs of recovery are observed. In the euro area the recovery of business conditions is slowing down. The economy of United Kingdom is recovering. (from Monthly Economic Report (February 2008), Cabinet Office)

