

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (January -March 2008)

June 26, 2008

Enterprise Statistics Office, Research and Statistics Department

Actual results for January - March 2008, Current Assessment DI for April - June 2008, and
Prospects DI for July - September 2008

<Important points in the survey>

Sales

- The Prospects DI (July - September 2008) increased in positive margin. North America stayed at a single-digit figure for the second consecutive quarter.

The Current Assessment DI (April - June 2008) increased in positive margin, especially in Asia. The Prospects DI rose in positive margin due mainly to increased positive margins in electrical machinery, maintaining positive figures in all the industries and all the regions. North America stayed at a single-digit positive figure for the second consecutive quarter.

- The actual sales (January - March 2008) increased by 14.3% from the same quarter of the previous year, double-digit growth for the fourth consecutive quarter.

By industry, all the industries achieved double-digit growth.

By region, all the regions other than North America achieved double-digit growth. Europe and Asia grew more than 10% for the sixth and fifth consecutive quarter, respectively. North America saw less than 10% growth for the 11th consecutive quarter as electrical machinery, transportation equipment and other industries grew slower.

Capital investment

- The Prospects DI (July - September 2008) declined in positive margin.

The Current Assessment DI (April - June 2008) increased in positive margin due mainly to increased positive margin in Asia.

The Prospects DI declined in positive margin as Asia and North America fell in positive margin, though all the industries and all the regions maintained positive figures.

- The actual capital investments (January - March 2008) increased by 19.1% from the same quarter of the previous year, growth for the first time in four quarters.

By industry, electrical machinery turned to a sharp increase due mainly to an increase in China, and transportation equipment picked up for the first time in five quarters, achieving double-digit growth.

By region, Asia grew fast thanks to sharp increases in all the sub-regions other than NIEs3. Europe took a sharp upward turn for the first time in four quarters, and North America grew for the fifth consecutive quarter.

Number of employees

- The Prospects DI (at the end of September 2008) leveled off in positive margin.

The Current Assessment DI (at the end of June 2008) increased in positive margin.

The Prospects DI leveled off in positive margin. All the industries maintained positive figures, and transportation equipment and Asia stayed at a double-digit figure.

- The actual number of employees (at the end of March 2008) continued to grow, increasing by 3.5% from the same quarter of the previous year.

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

Surveyed in: mid-May 2008

1. Sales

The Prospects DI(*1) stood at 23.3 percentage points, growing in positive margin. North America saw a single-digit figure for the second consecutive quarter. The actual sales grew 14.3% from the same quarter of the previous year, double-digit growth for the fourth consecutive quarter.

- The Current Assessment DI (April - June 2008) stood at 20.7 percentage points, a double-digit positive figure, increasing in positive margin by 11.3 percentage points from the Current Assessment DI in the previous quarter (January - March 2008).

By industry, all the industries other than electrical machinery saw double-digit positive figures.

By region, all the regions maintained positive figures. Asia increased in positive margin, especially in electrical machinery. China (*2), ASEAN4 (*3), and NIEs3 (*4) all maintained double-digit positive figures. North America increased in positive margin, but stayed at a single-digit positive figure, and its transportation equipment fell for the second consecutive quarter. Europe declined in positive margin for the second consecutive quarter, falling to a single-digit positive figure.

- The actual results (January - March 2008) grew by 14.3% from the same quarter of the previous year, a double-digit increase for the fourth consecutive quarter.

By industry, all the major industries achieved double-digit growth.

Industrial machinery, transportation equipment, chemicals and electrical machinery continued to grow by more than 10% due mainly to an increase in Asia and Europe. Iron & steel took an upward turn for the first time in three quarters.

By region, all the regions other than North America achieved double-digit growth.

Europe (up 22.2% from the same quarter of the previous year) made double-digit growth for the sixth consecutive quarter. In the region, all major sectors maintained double-digit increase. Asia (up 20.8% from the same quarter of the previous year) grew more than 10% for the fifth consecutive quarter as Asia, ASEAN4, and NIEs3 all maintained double-digit

growth. China (up 27.4% from the same quarter of the previous year) grew for the fifth consecutive quarter. In the region, transportation equipment had a remarkable increase, and the other major sectors also achieved double-digit growth. ASEAN4 (up 16.4% from the same quarter of the previous year) made double-digit growth for the fifth consecutive quarter. In the region, transportation equipment and industrial machinery increased sharply, and chemicals and iron & steel also grew by more than 10%. NIEs3 (up 14.2% from the same quarter of the previous year) made double-digit growth for the second consecutive quarter. In the region, transportation equipment grew much faster, and industrial machinery and chemicals showed sharp increases. North America (up 2.5% from the same quarter of the previous year) grew slower, reporting a single-digit increase for the 11th consecutive quarter. In the region, industrial machinery and iron & steel made an upward turn, but electrical machinery and transportation equipment, its major sector, grew slower.

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

DI = [Proportion of companies that responded that they expected an increase] – [Proportion of companies that responded they expected 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 previos year:%, comparison to the previous year:percentage points)

	DI					Actual			DI					Actual					
	Survey of previos term		Survey of present term			comparison to the previous quaeter			(comparison to corresponding period of previous year)		Survey of previos term		Survey of present term			comparison to the previous quaeter		(comparison to corresponding period of previous year)	
	① Current Assessment (Jan.-Mar. 2008)	② Current Assessment (Apr.-Jun. 2008)	③ Prospect (Jul.-Sep. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previs term	Present term		① Current Assessment (Jan.-Mar. 2008)	② Current Assessment (Apr.-Jun. 2008)	③ Prospect (Jul.-Sep. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previs term	Present term				
Total	9.4	→ 20.7	→ 23.3	(▲ 11.3)	2.6	14.8	14.3	Transportation equipment	22.2	→ 17.8	→ 16.9	(▲ 4.4)	▲ 0.9	16.6	15.1				
North America	8.6	→ 6.7	→ 9.7	(▲ 1.9)	3.0	4.3	2.5	Electrical machinery	▲ 1.5	→ 14.0	→ 24.5	(▲ 15.5)	10.5	10.4	10.0				
Asia	8.9	→ 25.0	→ 28.3	(▲ 16.1)	3.3	18.8	20.8	Industrial machinery	14.7	→ 16.5	→ 16.2	(▲ 1.8)	▲ 0.3	10.3	18.6				
ASEAN4	8.1	→ 16.3	→ 23.2	(▲ 8.2)	6.9	17.1	16.4	Chemicals	17.4	→ 29.8	→ 27.9	(▲ 12.4)	▲ 1.9	14.4	12.4				
NIEs3	1.3	→ 11.0	→ 15.9	(▲ 9.7)	4.9	11.1	14.2	Iron and Steel	5.4	→ 49.3	→ 40.6	(▲ 43.9)	▲ 8.7	▲ 0.9	10.6				
China(including Hong Kong)	9.2	→ 34.0	→ 33.9	(▲ 24.8)	▲ 0.1	22.3	27.4												
Europe	17.3	→ 11.3	→ 6.7	(▲ 6.0)	▲ 4.6	23.9	22.2												

Chart 1 Sales DI and actual results by Region

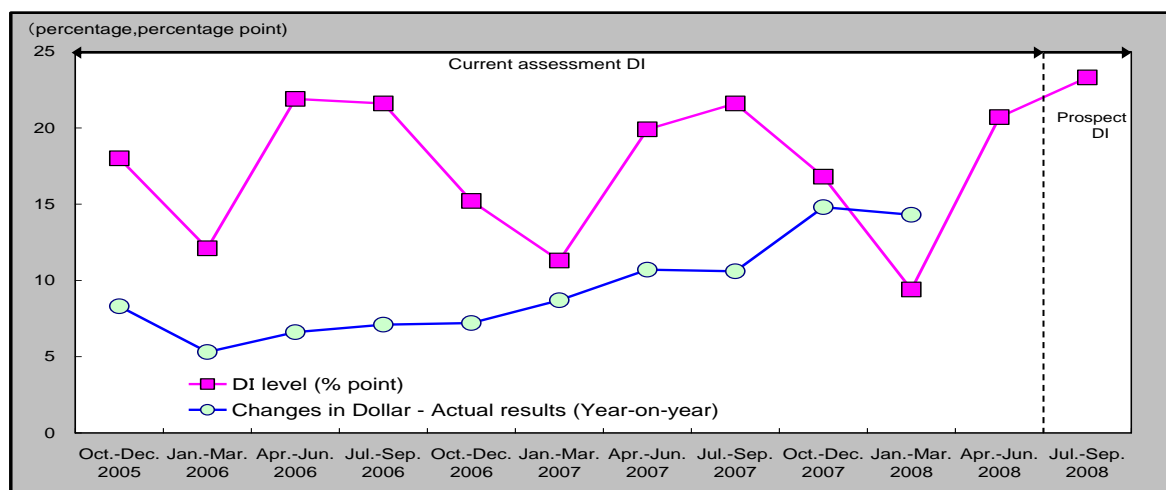


Chart 2 Sale DI by Region

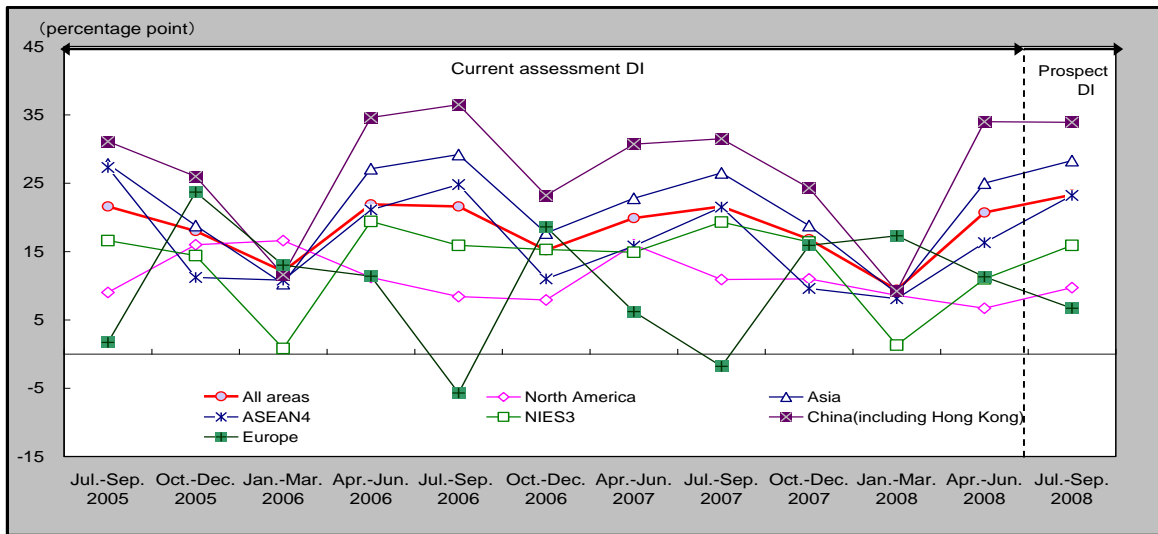
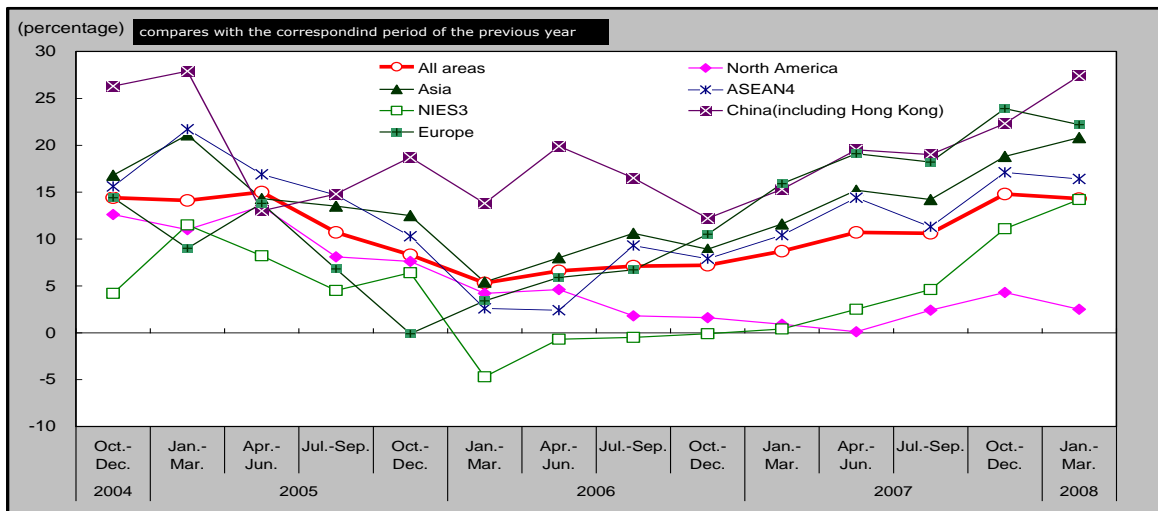


Chart 3 Sales actual results by Region



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

The Prospects DI stood at 14.4%, declining in positive margin. The actual investments increased by 19.1% from the same quarter of the previous year, growing for the first time in four quarters.

- The Current Assessment DI (April - June 2008) stood at 17.6 percentage points, increasing in positive margin by 4.3 percentage points from the Current Assessment DI in the previous quarter (January - March 2008).

By industry, all the industries saw double-digit positive figures.

By region, Asia increased in positive margin, maintained a double-digit figure, but North America and Europe declined slightly in positive margin, falling to a single-digit positive figure.

The Prospects DI (July - September 2008) stood at 14.4 percentage points, declining by 3.2 percentage points from the Current Assessment DI for the current quarter.

By industry, major sectors other than iron & steel, especially chemicals, declined in positive margin, but all the industries maintained positive figures.

By region, all the regions maintained positive figures, and, except North America and Europe, saw double-digit positive figures. Asia declined in positive margin mainly as in China all the major sectors fell in positive margin. North America declined in positive margin mainly as transportation equipment turned to a negative figure. Europe increased in positive margin mainly as transportation equipment increased in positive margin and electrical machinery turned to a positive figure.

- The actual capital investments (January - March 2008) increased by 19.1% from the same quarter of the previous year, growth for the first time in four quarters.

By industry, transportation equipment and electrical machinery turned to a double-digit increase.

Electrical machinery turned to a sharp increase due mainly to the remarkable growth in China. Iron & steel increased rapidly for the third consecutive quarter. Transportation equipment increased for the first time in five quarters thanks to rapid growth in other Asian regions, ASEAN4, and North America. Industrial machinery turned down for the first time in seven quarters, and chemicals fell sharply for the fourth consecutive quarter.

By region, Asia and Europe turned to a sharp increase, and North America grew faster, increasing for the fifth consecutive quarter.

Asia (up 23.6% from the same quarter of the previous year) turned to a sharp increase as all the sub-regions other than NIEs3 grew fast. China (up 27.2% from the same quarter of the previous year) turned to a sharp increase for the first time in four quarters as electrical machinery grew remarkably. ASEAN4 (up 24.2% from the same quarter of the previous year) grew much faster, thanks mainly to a remarkable increase in transportation equipment. NIEs3 (down 27.3% from the same quarter of the previous year) declined sharply for the fourth consecutive quarter as all the major sectors continued to fall. Europe (up 20.0% from the same quarter of the previous year) turned to a sharp increase for the first time in four quarters as ceramics and stone & clay grew remarkably and electrical machinery also increased, as well as the slower decline of transportation equipment. North America (up 19.3% from the same quarter of the previous year) grew much faster, increasing for the fifth consecutive quarter. In the region, transportation equipment grew still faster, but chemicals declined sharply for the fourth consecutive quarter.

Table 2 Capital Investment 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	
	Survey of present term			comparison to the previous quarter		comparison to corresponding period of previous year	
	① Current Assessment (Jan.-Mar. 2008)	② Current Assessment (Apr.-Jun. 2008)	③ Prospect (Jul.-Sep. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previos term	Present term
Total	13.3	→ 17.6	→ 14.4	(4.3)	▲ 3.2	▲ 1.3	19.1
North America	10.9	→ 9.3	→ 7.1	(▲ 1.6)	▲ 2.2	4.8	19.3
Asia	16.1	→ 21.3	→ 17.0	(5.2)	▲ 4.3	▲ 3.5	23.6
ASEAN4	15.4	→ 18.2	→ 16.1	(2.8)	▲ 2.1	6.5	24.2
NIEs3	5.1	→ 10.6	→ 11.3	(5.5)	0.7	▲ 24.0	▲ 27.3
China(including Hong Kong)	17.7	→ 24.8	→ 17.2	(7.1)	▲ 7.6	▲ 0.6	27.2
Europe	4.5	→ 4.0	→ 6.2	(▲ 0.5)	2.2	▲ 2.2	20.0
Transportation equipment	18.6	→ 19.5	→ 14.4	(0.9)	▲ 5.1	▲ 6.3	14.7
Electrical machinery	9.7	→ 13.3	→ 10.8	(3.6)	▲ 2.5	▲ 4.6	20.6
Industrial machinery	13.7	→ 17.6	→ 15.4	(3.9)	▲ 2.2	15.7	▲ 1.4
Chemicals	10.0	→ 19.6	→ 9.7	(9.6)	▲ 9.9	▲ 30.3	▲ 19.8
Iron and Steel	21.6	→ 24.2	→ 30.5	(2.6)	6.3	16.0	17.2

Chart4 Capital Investment DI and actual results by Region

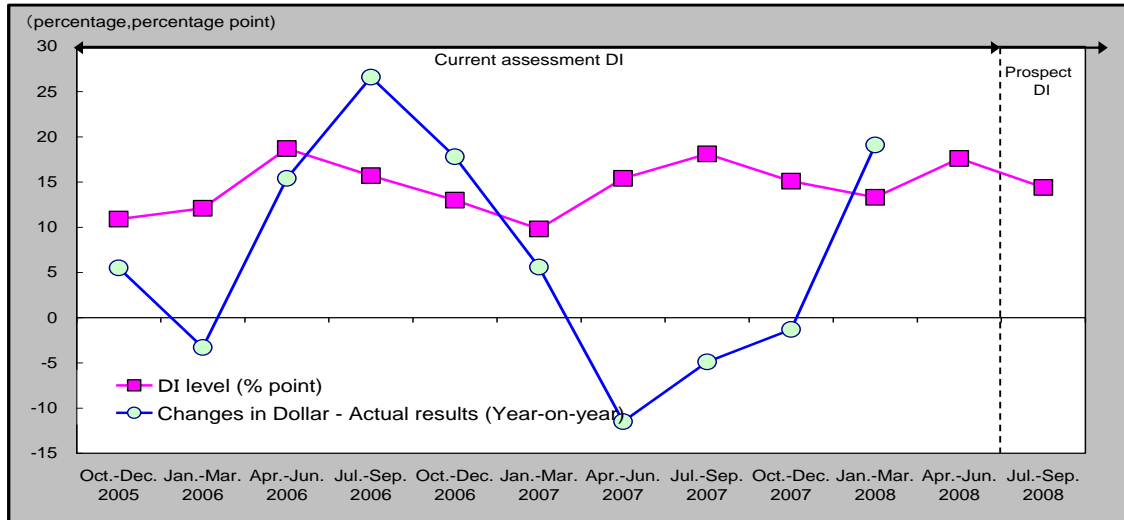


Chart5 Capital investment DI by Region

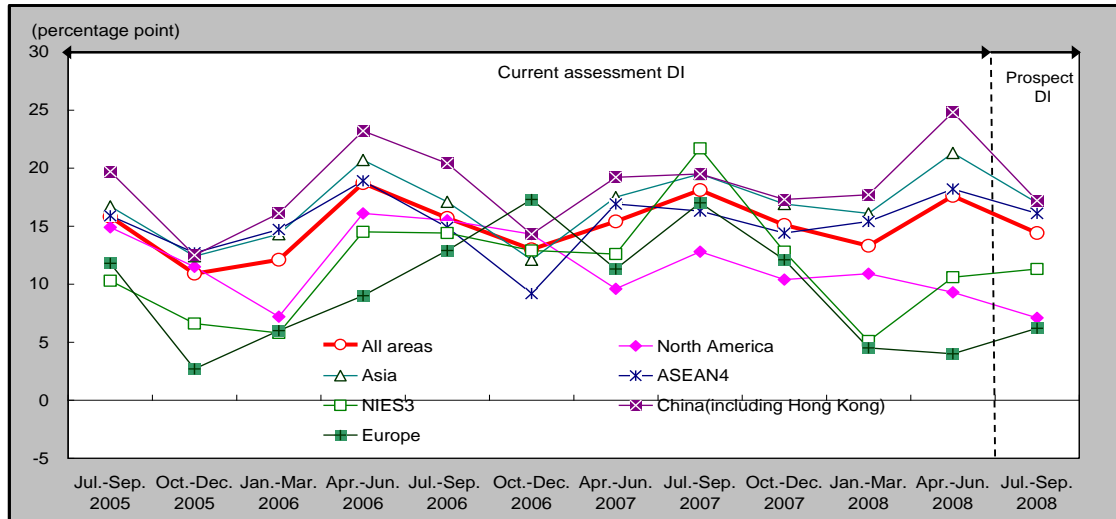
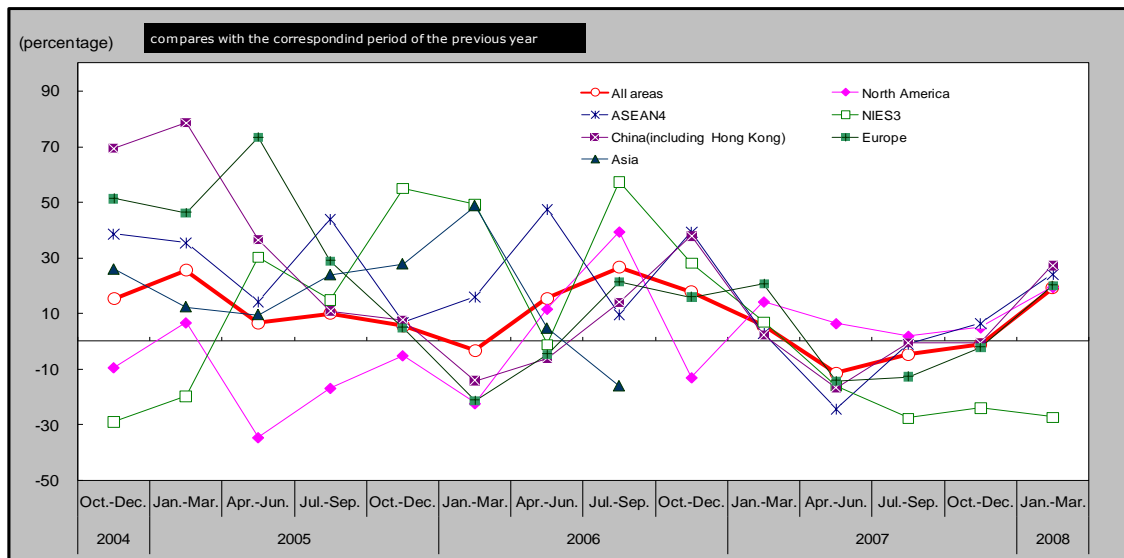


Chart6 Capital investment actual results by Region



3. Employment (number of employees)

The Prospects DI stood at 10.5 percentage points, leveling off in positive margin. The actual number of employees continued to grow, increasing by 3.5% from the same quarter of the previous year.

- The Current Assessment DI (at the end of June 2008) stood at 10.5 percentage points, growing in positive margin by 0.7 percentage points from the Current Assessment DI in the previous quarter (at the end of March 2008). All the industries and all the regions maintained positive figures.

The Prospects DI (at the end of September 2008) stood at 10.5 percentage points, leveling off from the Current Assessment DI for the current quarter.

By industry, all the industries maintained positive figures. Transportation equipment stayed at a double-digit figure.

By region, Europe shrunk its positive margin to 0.0 percentage points, but the other regions maintained positive figures. Asia stayed at a double-digit positive figure as China and other Asian regions maintained double-digit figures.

- The actual number of employees (at the end of March 2008) continued to grow, increasing by 3.5% from the same quarter of the previous year.

By industry, transportation equipment and other sectors continued to increase, but transportation equipment grew less than 10% for the first time in five quarters. Electrical machinery declined for the fifth consecutive quarter.

By region, all the regions, especially Asia, increased. Europe (up 13.7% from the same quarter of the previous year) grew more than 10% for the second consecutive quarter. In the region, ceramics and stone & clay grew remarkably for the fourth consecutive quarter, and transportation equipment continued to grow. Asia (up 3.0% from the same quarter of the previous year), especially China and other Asian regions, continued to increase. China (up 3.7% from the same quarter of the previous year) continued to increase by less than 10% for the seventh consecutive quarter, growing slower quarter by quarter due mainly to the slowing growth in transportation equipment. NIEs3 (up 1.0% from the same quarter of the previous year) increased for the first time in sixth quarters thanks mainly to growth in electrical machinery for the first time in five quarters. ASEAN4 (up 0.7% from the same quarter of the previous year) saw a slight increase for the fourth consecutive quarter. In the region, transportation equipment and industrial machinery continued to grow, but electrical machinery declined for the sixth consecutive quarter. North America (up 0.1% from the same quarter of the previous year) increased for the fifth consecutive quarter. In the region, chemicals and transportation equipment continued to grow.

Table 3 Number of Employee 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 present term			comparison to the previous quarter		comparison to corresponding period of previous year			Survey of present term			comparison to the previous quarter		comparison to corresponding period of previous year	
	① Current Assessment (Jan.-Mar. 2008)	② Current Assessment (Apr.-Jun. 2008)	③ Prospect (Jul.-Sep. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previous term	Present term		① Current Assessment (Jan.-Mar. 2008)	② Current Assessment (Apr.-Jun. 2008)	③ Prospect (Jul.-Sep. 2008)	Current Assessment (②-①)	Prospect (③-②)	Previous term	Present term
Total	9.8	→ 10.5	→ 10.5	(0.7)	0.0	4.5	3.5	Transportation equipment	14.3	→ 12.4	→ 14.2	(▲ 1.9)	1.8	10.4	6.9
North America	4.3	→ 1.5	→ 3.3	(▲ 2.8)	1.8	4.9	0.1	Electrical machinery	4.6	→ 4.3	→ 9.5	(▲ 0.3)	5.2	▲ 0.3	▲ 0.5
Asia	12.2	→ 14.1	→ 13.6	(1.9)	▲ 0.5	3.1	3.0	Industrial machinery	13.4	→ 9.6	→ 9.9	(▲ 3.8)	0.3	5.9	4.1
ASEAN4	8.1	→ 9.2	→ 9.2	(1.1)	0.0	0.3	0.7	Chemicals	12.2	→ 13.1	→ 8.5	(0.9)	▲ 4.6	▲ 1.8	▲ 0.7
NIEs3	3.4	→ 4.3	→ 1.3	(0.9)	▲ 3.0	▲ 1.7	1.0	Iron and Steel	12.5	→ 25.0	→ 19.4	(12.5)	▲ 5.6	▲ 16.9	▲ 9.9
China(including Hong Kong)	16.2	→ 18.4	→ 18.5	(2.2)	0.1	4.4	3.7								
Europe	3.1	→ 1.4	→ 0.0	(▲ 1.7)	▲ 1.4	14.5	13.7								

For reference: overseas economies

The world economy is still recovering though a slowdown is observed in more regions. In the United States, economic activity is softening, and there is concern that the economy might be going into a phase of recession. In Asia, economies are still expanding in China and other regions. The Chinese economy is still expanding, and 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, but the growth seems to be slowing down recently. In Thailand, business activity is slowing slightly. In the euro area, the recovery of business conditions is slowing down. In the United Kingdom, the recovery of business conditions is slowing down. (from the Monthly Economic Report (June 2008), Cabinet Office)