

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (Survey from April to June 2006)

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<Important points in the survey>

● Prospects DI for the October – December quarter of 2006

- The Sales Current Assessment DI slightly worsened. The Sales Prospects DI also declined slightly, however, it remained high, maintaining a high business confidence.
- The Capital Investment Current Assessment DI deteriorated. The Prospects DI maintained positive, though it worsened in all regions.
- The Current Employment Assessment DI slightly improved, however, the Employment Prospects DI fell in all regions except Europe.

● Actual Results for the April – June quarter of 2006

- Sales recovered slightly after registering a third consecutive quarter of lowered growth rate. China boosted its growth rate by, among other factors, a significant increase in the transportation equipment sector. The negative growth in NIEs3 was mainly because while the electrical machinery sector began to increase there was a decrease in the transportation equipment sector.
- Actual capital investment shifted to a double-digit increase. It is notable that the transportation equipment sector substantially increased. ASEAN4 significantly increased and North America expanded for the first time in five quarters. China saw the second straight quarter of decline.
- The number of employees continued to increase. In Asia, employment in China, in particular, increased. In contrast, North America declined slightly. Europe gained.

Note: The survey was conducted as of the middle of August, 2006.

(Reference) Overseas economies

The global economy is steadily recovering. The North American economy is expanding though personal spending and others are gradually growing. The Chinese economy is continuing to expand, and fixed asset investment is showing strong growth. Taiwan and Singapore are expanding mainly due to exports. The Malaysian economy is expanding mainly based on domestic demand. In Thailand the expansion of business is slowing. Korea's economy is gradually expanding. The euro-zone economy and the UK are recovering. (Excerpt from the September 2006 issue of The Monthly Economic Report)

1. Sales

The Sales Prospects DI*1 stood at 20.9 percentage points, and a slight deterioration is forecast. The growth ratio of actual sales recovered somewhat as sales increased 6.6% compared to the same quarter of the previous year.

- The Sales Current Assessment DI (for the quarter from July to September, 2006) slightly dropped, but remained positive in all regions except Europe. Although the Sales Prospects DI (for the quarter from October to December, 2006) also worsened slightly, positive business sentiment continued, keeping the growth rate at a double-digit pace in all regions. ASEAN4*2 and China*3 deteriorated. In contrast, North America, NIEs3*4 and Europe improved. In particular, Europe substantially gained ground.
- Actual sales (for the quarter from April to June, 2006) slightly recovered after the growth rate declined for three quarters in a row. All of the main sectors increased and the growth rate of each sector gained except in the chemical sector. By region, all regions except NIEs3 increased. While China boosted its growth rate, negative figures in NIEs3 contracted.

In Asia, NIEs3 negative growth slowed because the electrical machinery sector shifted to an increase though it decreased for the second consecutive quarter mainly due to a decrease in the transportation equipment sector. China realized a significant increase due to such reasons as a remarkable gain of the transportation equipment sector in spite of sluggish growth in the electrical machinery sector. The transportation parts sector, which had been suffering slack growth, saw significant growth. ASEAN4 showed only modest single-digit increase for two quarters in a row due to a decline in the electrical machinery sector and sluggish growth in the transportation equipment sector. North America posted a single-digit gain due to an underperformance of the transportation equipment sector. Europe increased for the second straight quarter mainly because the electrical machinery sector substantially increased.

Notes) *1: The Prospects DI is a survey that compares to the previous quarter with reference to the quarter in which the survey is being conducted (the current assessment) and the following quarter (the prospects quarter).

- DI = (Proportion of companies that responded that they expected an increase) – (Proportion of companies that responded that they expected a decrease)
- Quarterly Changes in Current Assessment DI = Current Assessment DI for July to September 2006 – Current Assessment DI for April to June 2006
- Quarterly Changes in Prospects DI = Prospects DI for October to December 2006 – Current Assessment DI for July to September 2006

*2 ASEAN4: Indonesia, Thailand, the Philippines and Malaysia

*3 China including Hong Kong

*4 NIEs3: Singapore, Taiwan and the Republic of Korea

Table 1 Sales DI and Actual Results (by Region and Main Industries)

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

	DI						Actual (comparison to corresponding period of previous year)	
	Survey of previous term			Survey of present term				comparison to the previous quarter
	① Current Assessment (Apr.-Jun. 2006)	② Current Assessment (Jul.-Sep. 2006)	③ Prospect (Oct.-Dec. 2006)	Current Assessment (②-①)	Prospect (③-②)			
Total	21.9	→ 21.4	→ 20.9	(-0.5)	-0.5	6.6		
North America	11.2	→ 7.6	→ 12.9	(-3.6)	5.3	4.6		
Asia	27.1	→ 29.0	→ 24.9	(1.9)	-4.1	7.9		
ASEAN4	21.1	→ 25.3	→ 17.8	(4.2)	-7.5	2.3		
NIEs3	19.4	→ 15.4	→ 19.8	(-4.0)	4.4	-0.7		
China(including Hong Kong)	34.6	→ 35.9	→ 31.6	(1.3)	-4.3	19.5		
Europe	11.4	→ -5.3	→ 11.1	(-16.7)	16.4	5.9		
	Survey of previous term			Survey of present term			comparison to the previous quarter	Actual (comparison to corresponding period of previous year)
	① Current Assessment (Apr.-Jun. 2006)	② Current Assessment (Jul.-Sep. 2006)	③ Prospect (Oct.-Dec. 2006)	Current Assessment (②-①)	Prospect (③-②)			
Transportation equipment	14.9	→ 15.3	→ 19.3	(0.4)	4.0	7.6		
Electrical machinery	15.5	→ 19.1	→ 15.8	(3.6)	-3.3	4.7		
Industrial machinery	27.9	→ 18.1	→ 23.2	(-9.8)	5.1	13.4		
Chemicals	29.0	→ 25.1	→ 23.5	(-3.9)	-1.6	2.5		
Iron and Steel	24.6	→ 14.1	→ 17.7	(-10.5)	3.6	2.8		

Chart 1 Capital Investment DI by Region

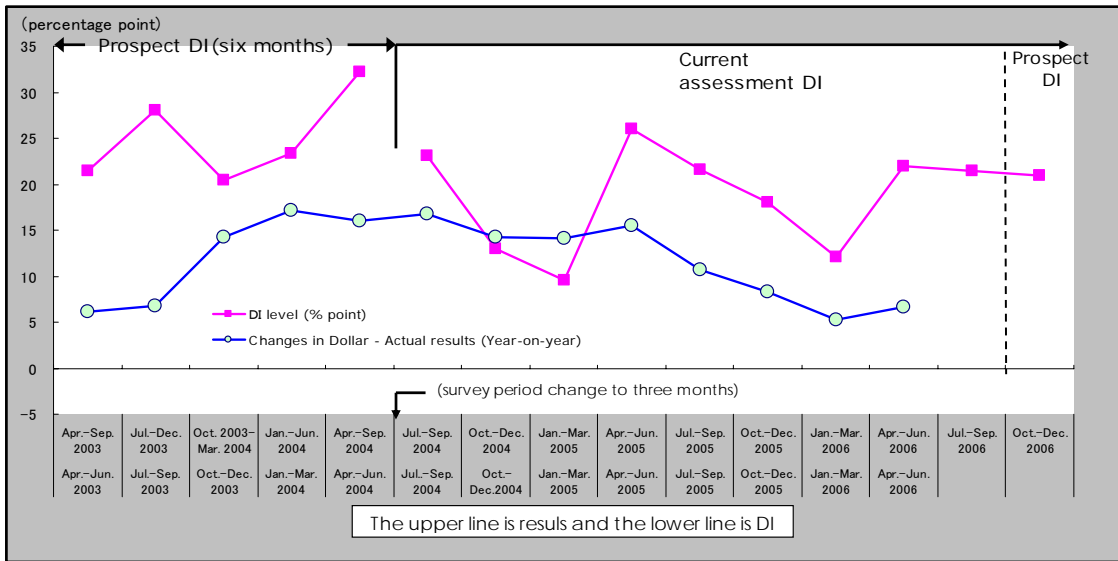


Chart 2 Capital Investment DI by Region

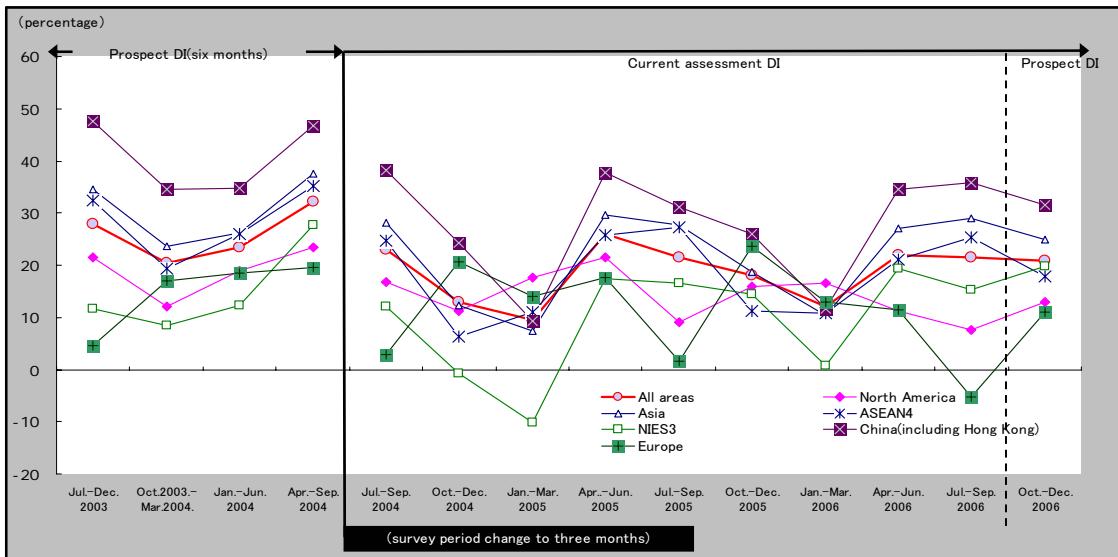
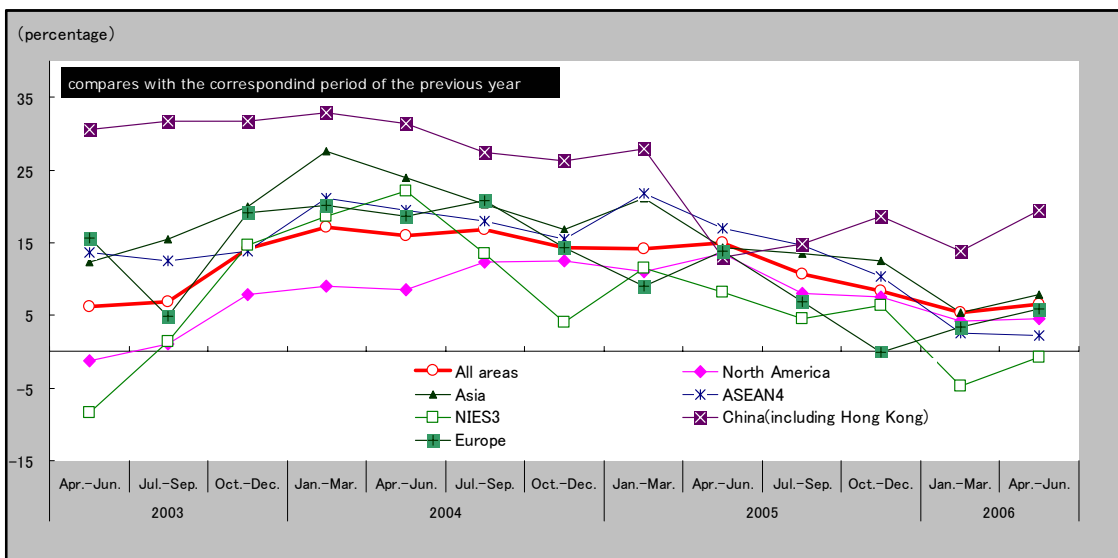


Chart 3 Capital Investment DI by Region



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

The Capital Investment Prospects DI stood at 10.4 percentage points, and is expected to decline. Actual capital investment turned to an increase, up 18.3% from the same quarter a year earlier.

- The Current Capital Investment Assessment DI (for the quarter from July to September, 2006) remained positive with a double-digit increase in all regions although it fell in all regions except NIEs3 and Europe. The Capital Investment Prospects DI (for the quarter from October to December) remained positive in all regions despite deteriorations in all regions.
- Actual capital investment (for the quarter from April to June) changed to a double-digit increase. The transportation machinery sector showed a remarkable rate of increase, up for the fourth straight quarter. The result was brought on by the significant increases in ASEAN4 and China, and North America's shift to an increase. The electrical machinery sector advanced for the first time in five quarters, and the chemical sector also increased from a decrease so far recorded. In Asian countries, ASEAN4 marked a drastic increase due to gains in the transportation equipment sector and the electrical machinery sector. Thai auto manufacturers, in particular, made substantial gains. NIEs3 dropped slightly for the first time in five quarters mainly because the transportation equipment sector decreased. Although China saw an extension of the increase of the transportation equipment sector, securing the ninth consecutive quarter of increase, the country suffered a decline of two quarters in a row because the electrical machinery decreased for the fourth consecutive quarter. North America increased for the first time in five quarters because the transportation equipment sector increased and a rate of decrease in the electrical machinery sector eased up. Europe registered a second consecutive quarter of decrease mainly because the transportation equipment sector dropped.

Table 2 Capital Investment DI and Actual Result (by Region and Main Industries)

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

	DI					Actual (comparison to corresponding period of previous year)		DI					Actual (comparison to corresponding period of previous year)		
	Survey of previous term		Survey of present term		comparison to the previous quarter			Survey of previous term		Survey of present term		comparison to the previous quarter			
	① Current Assessment (Apr.-Jun. 2006)	② Current Assessment (Jul.-Sep. 2006)	③ Prospect (Oct.-Dec. 2006)	Current Assessment (②-①)	Prospect (③-②)			① Current Assessment (Apr.-Jun. 2006)	② Current Assessment (Jul.-Sep. 2006)	③ Prospect (Oct.-Dec. 2006)	Current Assessment (②-①)	Prospect (③-②)			
Total	18.7	→ 15.6	→ 10.4	(-3.1)	-5.2	18.3									
North America	16.1	→ 15.3	→ 10.4	(-0.8)	-4.9	11.5	Transportation equipment	22.3	→ 16.3	→ 10.4	(-6.0)	-5.9	33.5		
Asia	20.7	→ 17.2	→ 11.3	(-3.5)	-5.9	28.8	Electrical machinery	16.1	→ 15.7	→ 5.5	(-0.4)	-10.2	9.5		
ASEAN4	18.9	→ 15.1	→ 7.5	(-3.8)	-7.6	57.2	Industrial machinery	14.3	→ 15.4	→ 8.2	(1.1)	-7.2	-23.0		
NIEs3	14.5	→ 14.5	→ 10.0	(0.0)	-4.5	-1.6	Chemicals	14.0	→ 17.3	→ 13.4	(3.3)	-3.9	8.5		
China(including Hong Kong)	23.2	→ 20.5	→ 15.1	(-2.7)	-5.4	-5.6	Iron and Steel	18.8	→ 16.4	→ 16.9	(-2.4)	0.5	5.4		
Europe	9.0	→ 12.9	→ 7.4	(3.9)	-5.5	-2.0									

Chart4 Capital Investment DI by Region

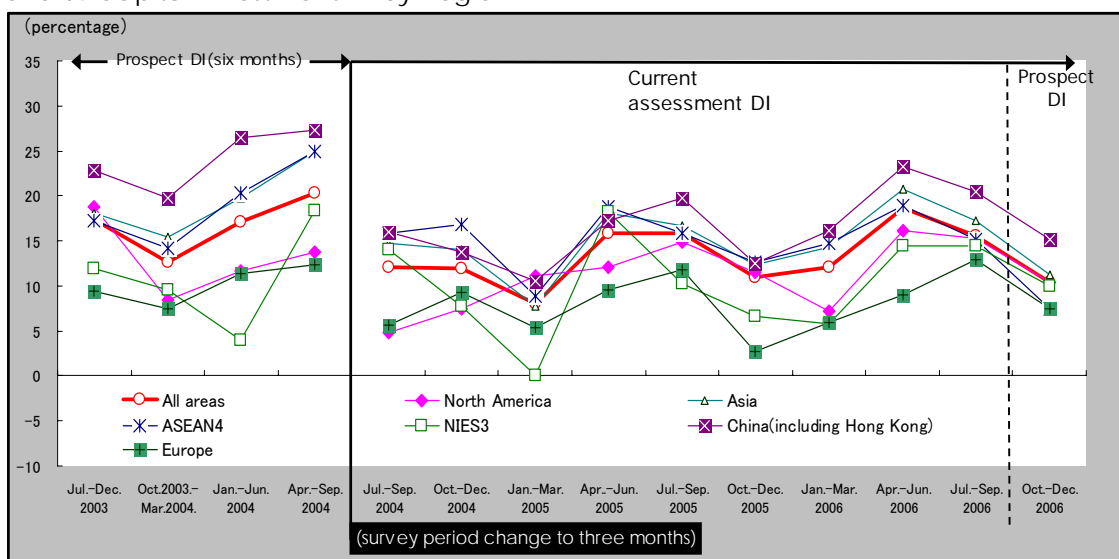
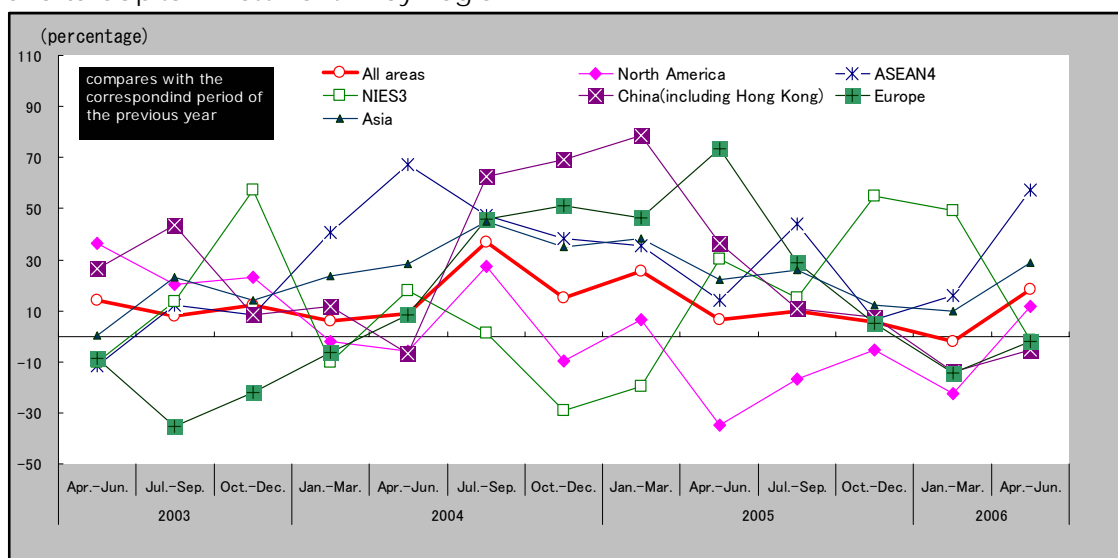


Chart5 Capital Investment DI by Region



3. Employment (the number of employees)

The Employment Prospects DI stood at 6.2 percentage points, down by 3.9 points compared to the previous quarter. In contrast, the number of employees continued to increase, up 7.0% from the same quarter of the previous year.

- The Current Employment Assessment DI improved in all regions except Europe. China maintained a double-digit increase. The Prospects DI worsened in all the main sectors and in all regions except Europe, however, it remained positive in all regions except Europe. Though Europe remained negative, it rose slightly.
- The number of employees continued to increase. Employment rose in all the main sectors excluding the chemical sector and in all regions except North America. In Asia, China continued to see an increase due to such reasons as a leap in the transportation equipment sector. Employment in North America continued to decline, but Europe climbed for the first time in two quarters.

Table 3 Employment Numbers DI and Actual Result (by Region and Main Industries)

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

	DI					Actual (comparison to corresponding period of previous year)
	Survey of previous term		Survey of present term		comparison to the previous quarter	
	① Current Assessment (Apr.-Jun. 2006)	② Current Assessment (Jul.-Sep. 2006)	③ Prospect (Oct.-Dec. 2006)	Current Assessment (②-①)		
Total	8.2	→ 10.1	→ 6.2	(1.9)	-3.9	7.0
North America	7.9	→ 8.3	→ 2.5	(0.4)	-5.8	-0.1
Asia	10.3	→ 13.4	→ 9.1	(3.1)	-4.3	9.0
ASEAN4	7.6	→ 9.9	→ 4.1	(2.3)	-5.8	3.1
NIES3	4.7	→ 5.9	→ 2.4	(1.2)	-3.5	0.6
China(including Hong Kong)	14.4	→ 19.0	→ 15.5	(4.6)	-3.5	15.0
Europe	-2.2	→ -3.9	→ -2.9	(-1.7)	1.0	2.4

	DI					Actual (comparison to corresponding period of previous year)
	Survey of previous term		Survey of present term		comparison to the previous quarter	
	① Current Assessment (Apr.-Jun. 2006)	② Current Assessment (Jul.-Sep. 2006)	③ Prospect (Oct.-Dec. 2006)	Current Assessment (②-①)		
Transportation equipment	8.9	→ 12.3	→ 10.6	(3.4)	-1.7	14.3
Electrical machinery	7.6	→ 8.1	→ 2.5	(0.5)	-5.6	5.8
Industrial machinery	13.8	→ 12.1	→ 8.1	(-1.7)	-4.0	12.4
Chemicals	8.0	→ 11.8	→ 7.4	(3.8)	-4.4	-0.8
Iron and Steel	5.3	→ 0.0	→ -1.5	(-5.3)	-1.5	4.6