

## Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (Survey from April to June 2007)

September 22, 2007

Enterprise Statistics Office

Research and Statistics Department

Ministry of Economy, Trade and Industry

- Prospect DI for October to December 2007, actual results for April to June 2007 -

<Important points in the survey>

### Sales

- **The Prospects DI slightly declined in positive margin, but business confidence remained strong.**

The Current Assessment DI increased in positive margin. The Prospects DI slightly declined in positive margin as a result of the drop in positive margin in Asia, but all the regions maintained double-digit positive margins, keeping high business confidence.

- **The actual results increased by 10.5% from the same quarter of the previous year, double-digit growth for the first time in seven quarters.**

By industry, transportation equipment accelerated growth, reporting double-digit increase for the third consecutive quarter. Chemicals also accelerated growth, reporting double-digit increase for the second consecutive quarter. Industrial machinery maintained double-digit growth. Iron & steel and electrical machinery continued to grow only less than 10%.

By region, Europe accelerated growth mainly due to rapid increase in industrial machinery and transportation equipment, reporting double-digit increase for the third consecutive quarter. In Asia, China, ASEAN4, and NIEs3 all accelerated growth, reporting large increases. North America slightly declined for the first time in four years.

### Capital investment

- **The Prospects DI declined in positive margin, but all the regions maintained positive DI.**

The Current Assessment DI increased in positive margin. The Prospects DI declined in positive margin as a result of drop in positive margins in all the regions, but they all maintained positive DI.

- **The actual results decreased by 11.9%, decline for the first time in five quarters.**

By industry, chemicals turned to sharp decline as Europe, North America and Asia all reported decreases. Iron & steel and electrical machinery also turned to sharp drop, and transportation equipment decreased for the second consecutive quarter mainly due to rapid decline in Asia. Industrial machinery grew double-digit for the third consecutive quarter, but the growth slowed down mainly because investment in North America declined.

By region, Asia declined for the first time in 20 quarters as ASEAN4, NIEs3 and China all reported rapid declines mainly in transportation equipment. Europe turned to double-digit decline. North America grew for the second consecutive quarter.

### Number of employees

- **The Prospects DI slightly declined in positive margin, but all the regions maintained positive DI.**

The Current Assessment DI slightly increased in positive margin. The Prospects DI slightly declined in positive margin, but all the regions maintained positive DI. China maintained double-digit positive margin.

- **The actual results continued to grow, increasing by 3.5% 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.

Note: This survey was conducted as of the middle of August, 2007.

## 1. Sales

**The Prospects DI<sup>\*1</sup> stood at 19.9 percentage points, slightly declining in positive margin, but staying at a high level. The actual sales grew 10.5% from the same quarter of the previous year, double-digit growth for the first time in seven quarters.**

- **The Current Assessment DI** (July - September 2007) stood at 21.4 percentage points, growing in positive margin by 1.5 percentage points from the Current Assessment DI in the previous quarter (April - June 2007). Asia grew in positive margin as ASEAN4<sup>\*2</sup>, NIEs3<sup>\*3</sup>, and China<sup>\*4</sup> all increased in positive margin. North America decreased in positive margin due to sharp drop in positive margin in transportation equipment, but maintained a double-digit positive margin. Europe turned to a negative margin mainly due to the negative figure in transportation equipment.

**The Prospects DI** (October - December 2007) stood at 19.9 percentage points, lower by 1.5 points than the Current Assessment DI for the current quarter. All the regions in Asia declined in positive margin, but stayed at high levels. Europe grew in positive margin as transportation equipment turned to a positive figure and electrical machinery and Industrial machinery increased in positive margin. North America reported a slight increase in positive margin as transportation equipment grew rapidly in positive margin despite chemicals' sharp drop in positive margin. All the regions maintained double-digit positive margins, keeping high business confidence.

- **The actual results** (April - June 2007) grew by 10.5% from the same quarter of the previous year, continuing gradual improvement in growth, double-digit increase for the first time in seven quarters.

**By industry**, transportation equipment made double-digit growth for the third consecutive quarter as, while sales slightly dropped in North America and continued to decline in NIEs3, the other regions accelerated growth. Chemicals grew faster, double-digit increase for the second consecutive quarter. Industrial machinery maintained double-digit growth. Iron & steel and electrical machinery continued to grow less than 10%.

**By region**, Europe and Asia grew faster, maintaining double-digit increases, while North America declined for the first time in four years. **Europe** made double-digit growth (up 19.4% from the same quarter of the previous year), for the third consecutive quarter. In the region, industrial machinery, especially construction machinery, continued to grow fast, and transportation equipment accelerated growth, reporting sharp increase. **Asia** grew fast (up 15.0% from the same quarter of the previous year), as all the major industries and all the sub-regions reported increase. **China** accelerated growth (up 19.4% from the same quarter of the previous year), maintaining double-digit increase. In the country, transportation equipment and chemicals continued to grow fast, while electrical machinery stayed at less than 10% increase for the sixth consecutive quarter, though the growth rate recovered. **ASEAN4** made double-digit growth (up 14.0% from the same quarter of the previous year) for the second consecutive quarter. Transportation equipment accelerated growth there thanks mainly to rapid increase in Indonesia. **NIEs3** increased for the second consecutive quarter (up 2.6% from the same quarter of the previous year) after declining for four straight quarters. Chemicals grew at a higher rate. Transportation equipment declined for the sixth consecutive quarter due to slump in Taiwan, but the decline slowed down. **North America** slightly decreased (down 0.1% of from the same quarter of the previous year) after quarters of less than 10% growth. Industrial machinery declined for the second consecutive quarter mainly due to slump in construction machinery, electrical machinery fell for the first time in two quarters. Transportation equipment continued to grow only slowly.

Notes \*1: Forecasted changes for the quarter which includes the time of survey (Current Assessment DI) and those for the next quarter (Prospects 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]

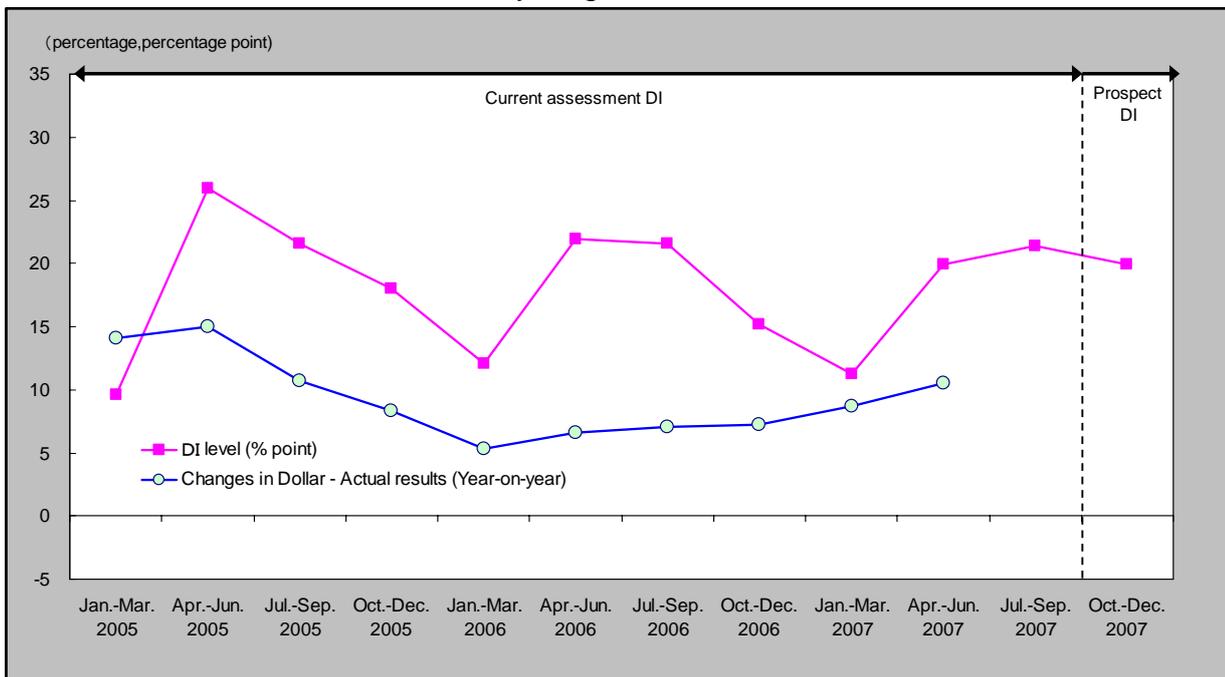
\*2 -4: ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia; NIEs3: Singapore, Taiwan, and South Korea; China: including Hong Kong.

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

Unit ( comparison to same quarter of 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 quaeer		comparison to corresponding period of previous year)		Survey of previos term		Survey of present term		comparison to the previous quaeer		comparison to corresponding period of previous year)		
	① Current Assessment	② Current Assessment	③ Prospect	Current Assessment	Prospect	Previous term (Jan.-Mar.2007)	Present term (Apr.-Jun.2007)		① Current Assessment	② Current Assessment	③ Prospect	Current Assessment	Prospect	Previous term (Jan.-Mar.2007)	Present term (Apr.-Jun.2007)		
	( Apr.-Jun. 2007 )	( Jul.-Sep. 2007 )	( Oct.-Dec. 2007 )	( ②-① )	( ③-② )				( Apr.-Jun. 2007 )	( Jul.-Sep. 2007 )	( Oct.-Dec. 2007 )	( ②-① )	( ③-② )				
<b>Total</b>	19.9	→ 21.4	→ 19.9	( 1.5 )	-1.5	8.7	10.5	Transportation equipment	20.5	→ 15.0	→ 22.0	( -5.5 )	7.0	11.3	13.7		
North America	16.0	→ 11.2	→ 12.4	( -4.8 )	1.2	0.9	-0.1	Electrical machinery	10.7	→ 18.0	→ 11.4	( 7.3 )	-6.6	3.3	0.7		
Asia	22.8	→ 26.3	→ 21.6	( 3.5 )	-4.7	11.6	15.0	Industrial machinery	23.2	→ 26.5	→ 26.3	( 3.3 )	-0.2	12.4	10.5		
ASEAN4	15.8	→ 21.4	→ 13.2	( 5.6 )	-8.2	10.4	14.0	Chemicals	27.2	→ 32.2	→ 27.3	( 5.0 )	-4.9	10.2	12.5		
NIEs3	14.9	→ 19.3	→ 13.7	( 4.4 )	-5.6	0.4	2.6	Iron and Steel	22.9	→ 26.4	→ 18.3	( 3.5 )	-8.1	1.8	3.3		
China(including Hong Kong)	30.7	→ 31.0	→ 28.7	( 0.3 )	-2.3	15.3	19.4										
Europe	6.2	→ -1.8	→ 20.2	( -8.0 )	22.0	15.9	19.4										

**Chart 1 Sales DI and Actual result by Region**



**Chart 2 Sale DI by Region**

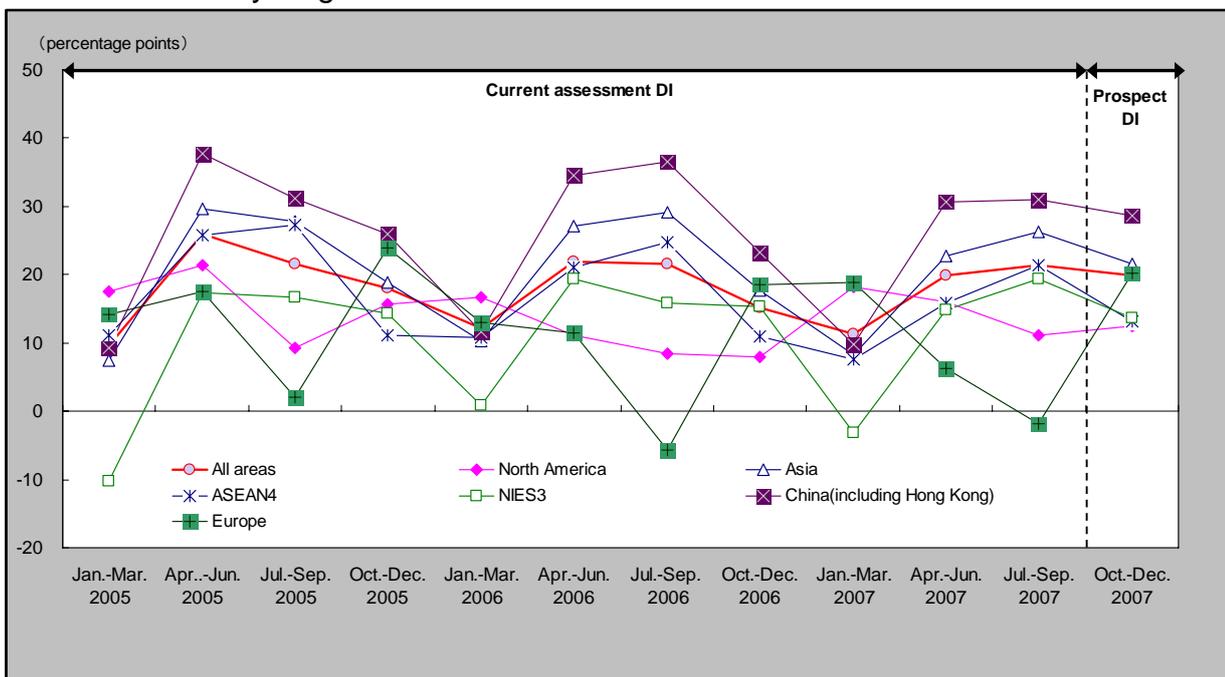
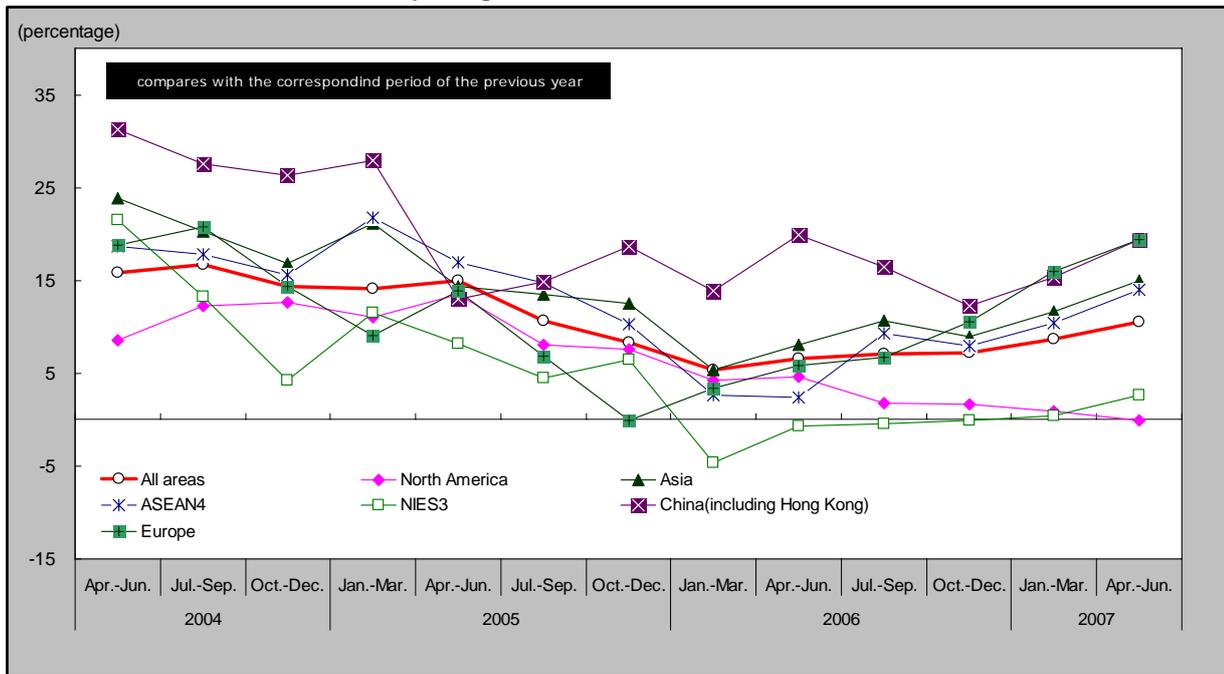


Chart 3 Sales actual result by Region



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

**The Prospects DI stood at 12.4%, declining in positive margin, and all the regions maintained positive DI. The actual results fell by 11.9% from the same quarter of the previous year, decrease for the first time in five quarters.**

- **The Current Assessment DI** (July - September 2007) stood at 18.2 percentage points, growing in positive margin by 2.8 percentage points from the Current Assessment DI in the previous quarter (April - June 2007). Electrical machinery, transportation equipment and other industries increased in positive margin. Asia grew in positive margin as transportation equipment and electrical machinery increased in positive margin. Europe grew in positive margin as chemicals, electrical machinery and other industries increased in positive margin. North America grew in positive margin thanks mainly to rapid increase of the positive margin in electrical machinery. The Current Assessment DI stood at double-digit positive figures in all the regions.

**The Prospects DI** (October - December 2007) stood at 12.4 percentage points, lower by 5.8 points than the Current Assessment DI for the current quarter, but maintained a double-digit positive margin. Asia declined in positive margin as transport equipment and electrical machinery fell in positive margin. Europe declined in positive margin due mainly to sharp decrease of electrical equipment in positive margin. North America declined in positive margin as industrial machinery, electrical machinery and transportation equipment fell in positive margin. All the regions maintained positive DI.

- **The actual results** (April - June 2007) decreased by 11.9% from the same quarter of the previous year, first decline in these five quarters.

**By industry**, chemicals reported sharp decrease after double-digit increases for three straight quarters as Europe, North America and Asia all declined. Iron & steel turned to decline, and electrical equipment also turned to sharp decline due to decrease in Europe and Asia. Transport equipment fell faster, decreasing for the second consecutive quarter. Industry machinery reported double-digit increase for the third consecutive quarter while the growth slowed down due mainly to decrease in North America.

**By region**, Asia declined for the first time in 20 quarters, and Europe turned to a double-digit decline. North America increased for the second consecutive quarter. In Asia (down 16.2% from the same quarter in the previous year), ASEAN4, NIEs3, and China all turned to sharp decline. In the region, transport equipment reported double-digit decline for the second consecutive quarter, and iron & steel, electrical machinery and chemicals turned to double-digit decrease. ASEAN4 decreased (down 24.6% from the same quarter in the previous year) for the first time in four years.

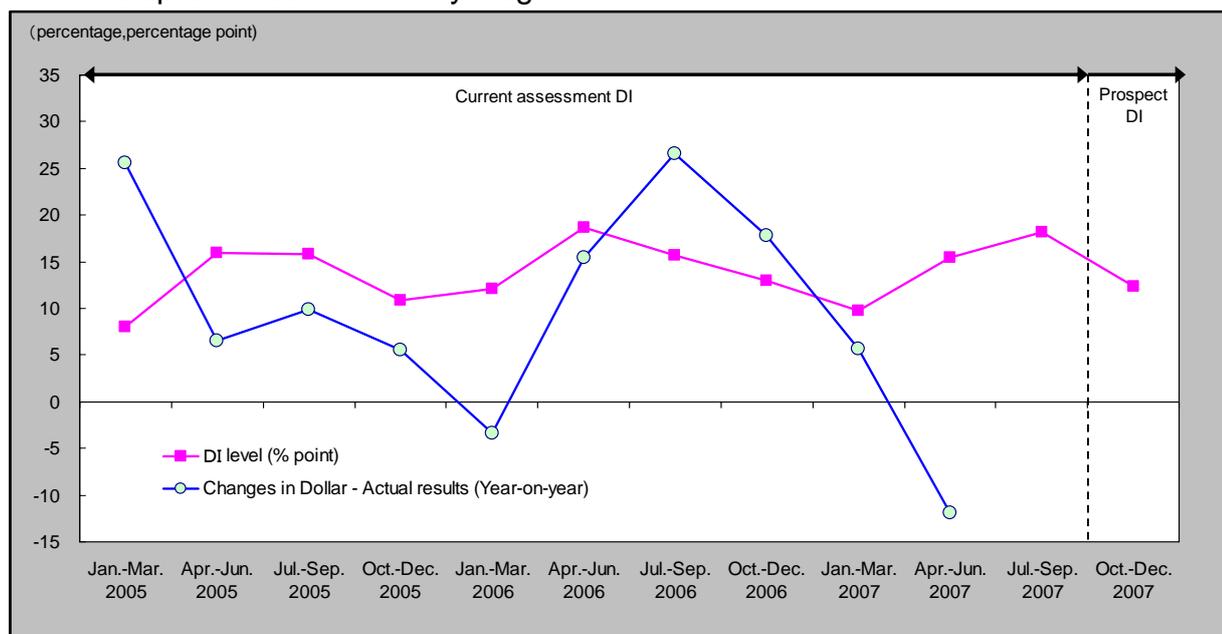
In the region, transportation equipment fell fast for the second consecutive quarter due mainly to decline in Thailand, and electrical machinery decreased for the first time in nine quarters. NIEs3 decreased (down 17.2% from the same quarter in the previous year) for the first time in four quarters. In the region, transportation equipment fell fast for the fourth consecutive quarter, due mainly to decline in Taiwan, and industrial machinery also fell for the fourth consecutive quarter. Electrical machinery and chemicals turned to decline. China decreased (down 16.8% from the same period in the previous year) for the first time in four quarters. In the country, transport equipment declined for the first time in three years, and chemicals and industrial machinery turned to decline. Electrical machinery declined for the second consecutive quarter. Europe decreased (down 14.9% from the same period in the previous year) for the first time in four quarters. In the region, chemicals fell faster, decreasing for the third consecutive quarter. Electrical machinery turned to sharp decline. North America grew (up 5.7% from the same quarter in the previous year) for the second consecutive quarter, though the growth slowed down due mainly to sharp decline in chemicals and industrial machinery. In the region, transportation equipment increased for the second consecutive period, though the growth slowed down.

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

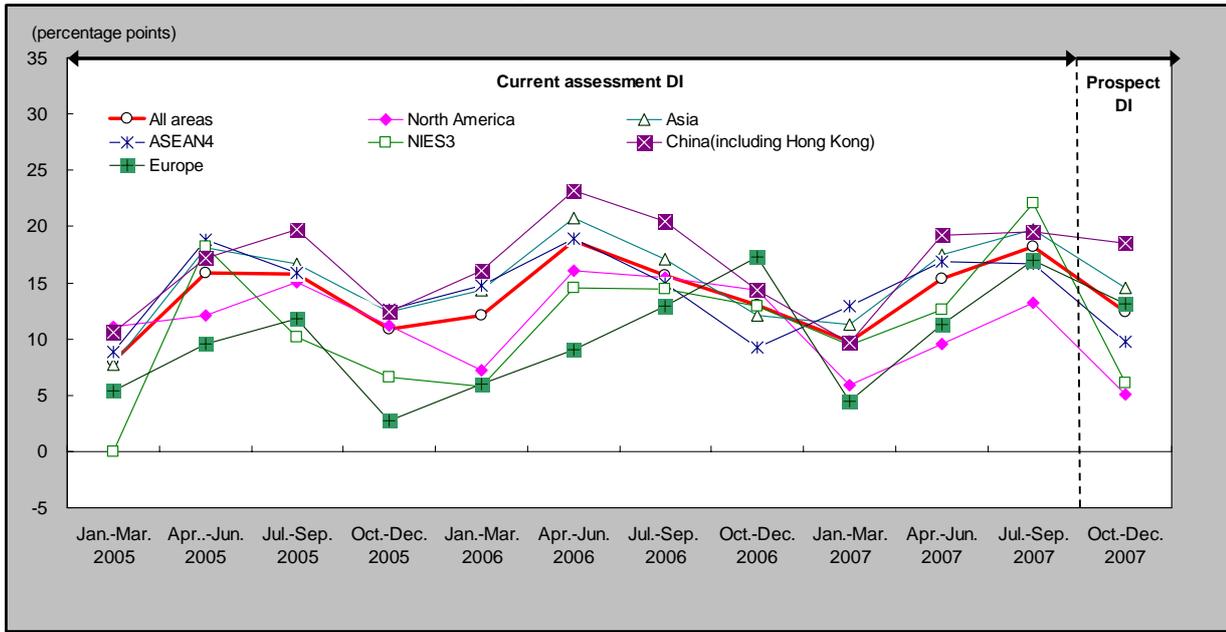
Unit ( comparison to same quarter of previos year:%, comparison to the previous year:percentage points )

	DI						Actual			DI						Actual					
	Survey of previous term			Survey of present term			comparison to the previous quaeter			(comparison to corresponding period of previous year)		Survey of previous term			Survey of present term			comparison to the previous quaeter		(comparison to corresponding period of previous year)	
	① Current Assessment	② Current Assessment	③ Prospect	Current Assessment	Prospect		Previous term	Present term		① Current Assessment	② Current Assessment	③ Prospect	Current Assessment	Prospect		Previous term	Present term				
	( Apr.-Jun. 2007 )	( Jul.-Sep. 2007 )	( Oct.-Dec. 2007 )	( ②-① )	( ③-② )		(Jan.-Mar.2007)	(Apr.-Jun.2007)		( Apr.-Jun. 2007 )	( Jul.-Sep. 2007 )	( Oct.-Dec. 2007 )	( ②-① )	( ③-② )		(Jan.-Mar.2007)	(Apr.-Jun.2007)				
<b>Total</b>	15.4	→ 18.2	→ 12.4	( 2.8 )	-5.8		5.6	-11.9	Transportation equipment	16.1	→ 21.6	→ 10.3	( 5.5 )	-11.3		-0.4	<b>-10.3</b>				
North America	9.6	→ 13.2	→ 5.1	( 3.6 )	-8.1		14.1	5.7	Electrical machinery	9.9	→ 18.5	→ 7.2	( 8.6 )	-11.3		10.6	<b>-16.1</b>				
Asia	17.5	→ 19.7	→ 14.5	( 2.2 )	-5.2		4.7	-16.2	Industrial machinery	15.5	→ 8.5	→ 12.8	( -7.0 )	4.3		38.3	<b>13.7</b>				
ASEAN4	16.9	→ 16.7	→ 9.8	( -0.2 )	-6.9		2.9	-24.6	Chemicals	13.5	→ 16.0	→ 16.2	( 2.5 )	0.2		28.3	<b>-45.2</b>				
NIEs3	12.6	→ 22.1	→ 6.1	( 9.5 )	-16.0		6.9	-17.2	Iron and Steel	25.5	→ 23.3	→ 26.2	( -2.2 )	2.9		5.9	<b>-21.9</b>				
China(including Hong Kong)	19.2	→ 19.5	→ 18.5	( 0.3 )	-1.0		2.2	-16.8													
Europe	11.3	→ 17.0	→ 13.1	( 5.7 )	-3.9		20.6	-14.9													

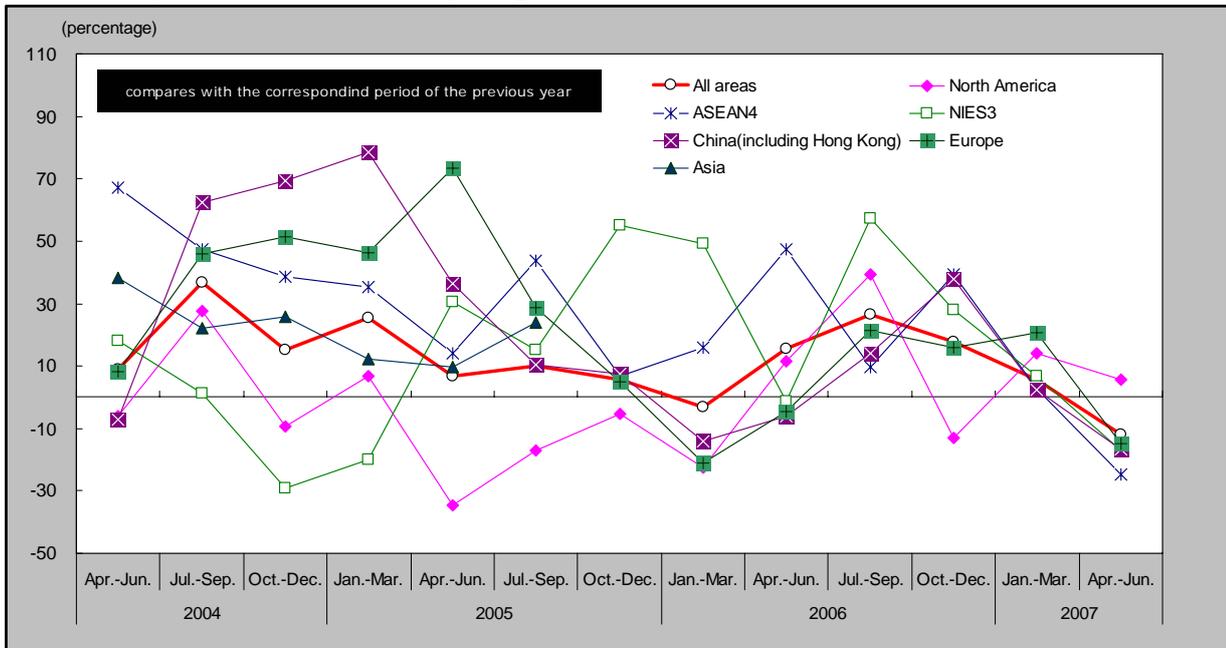
**Chart4 Capital Investment DI by Region**



**Chart5 Capital Investment DI by Region**



**Chart6 Capital Investment DI by Region**



**3. Employment (Number of employees)**

The Prospects DI stood at 8.5 percentage points, slightly declining in positive margin. The actual results continued to grow, increasing by 3.5% from the same quarter of the previous year.

- **The Current Assessment DI** (July - September 2007) stood at 10.1 percentage points, growing in positive margin by 0.5 percentage points from the Current Assessment DI in the previous quarter (April - June 2007). All the regions except Europe grew in positive margin. Europe turned to a negative margin as transportation equipment turned negative and the negative margin of chemicals increased.

**The Prospects DI** (October - December 2007) stood at 8.5 percentage points, lower by 1.6 points than the Current Assessment DI for the current quarter, but all the regions maintained positive DI. China maintained double-digit positive margin.

- **The actual results** (April - June 2007) grew by 3.5% from the same quarter of the previous year, maintaining growth.

**By industry**, transportation equipment continued to grow thanks to increases in all the regions

except NIEs3. Electrical machinery declined for the second consecutive quarter due to decreases in all the regions except China.

**By region,** Asia, especially China, continued to increase. Europe reported a sharp increase, and North America also grew. Europe (up 9.3% from the same quarter of the previous year) significantly accelerated growth, helped by significant increase in ceramics and stone & clay. Transportation equipment continued to grow steadily in the region. Asia (up 3.4% from the same quarter of the previous year) continued to grow, though the growth gradually slowed down. China (up 5.3% from the same quarter of the previous year) continued to grow by less than 10% for the fourth consecutive quarter. In the country, transportation equipment maintained rapid growth, and industrial machinery reported a double-digit increase. Growth of electrical machinery slowed down. ASEAN4 (up 0.1% from the same quarter of the previous year) continued to grow only slightly. Electrical machinery declined for the third consecutive quarter there. NIEs3 (down 1.3% from the same quarter of the previous year) declined for the third consecutive quarter. Transportation equipment fell for the fifth consecutive quarter, and electrical machinery decreased for the second consecutive quarter. North America (up 0.6% from the same quarter of the previous year) increased slightly for the second consecutive quarter. Transportation equipment continued to increase, though electrical machinery and industrial machinery continued to decline.

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 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 ( Apr.-Jun. 2007 )	② Current Assessment ( Jul.-Sep. 2007 )	③ Prospect ( Oct.-Dec. 2007 )	Current Assessment ( ②-① )	Prospect ( ③-② )	Previos term (Jan.-Mar.2007)	Present term (Apr.-Jun.2007)		① Current Assessment ( Apr.-Jun. 2007 )	② Current Assessment ( Jul.-Sep. 2007 )	③ Prospect ( Oct.-Dec. 2007 )	Current Assessment ( ②-① )	Prospect ( ③-② )	Previos term (Jan.-Mar.2007)	Present term (Apr.-Jun.2007)				
<b>Total</b>	9.6	→ 10.1	→ 8.5	( 0.5 )	-1.6	3.4	3.5	Transportation equipment	14.3	→ 14.5	→ 16.2	( 0.2 )	1.7	13.1	9.9				
North America	8.5	→ 8.9	→ 8.2	( 0.4 )	-0.7	1.1	0.6	Electrical machinery	8.0	→ 6.4	→ 3.7	( -1.6 )	-2.7	-1.6	-2.5				
Asia	11.2	→ 12.4	→ 10.3	( 1.2 )	-2.1	4.0	3.4	Industrial machinery	5.5	→ 12.8	→ 10.9	( 7.3 )	-1.9	3.1	3.9				
ASEAN4	8.1	→ 8.4	→ 4.6	( 0.3 )	-3.8	1.7	0.1	Chemicals	10.3	→ 8.1	→ 6.9	( -2.2 )	-1.2	0.9	1.5				
NIEs3	-0.4	→ 0.8	→ 1.7	( 1.2 )	0.9	-3.1	-1.3	Iron and Steel	13.5	→ 19.4	→ 15.2	( 5.9 )	-4.2	15.6	2.1				
China(including Hong Kong)	16.5	→ 18.1	→ 16.0	( 1.6 )	-2.1	5.1	5.3												
Europe	0.7	→ -0.7	→ 0.7	( -1.4 )	1.4	0.3	9.3												

<Reference> Overseas economies

The world economy is recovering. In the United States, the economy continues to improve, but only slowly due mainly to decrease in housing construction. In China, the economy continues to grow. Growth of investment in fixed asset is accelerating. In Singapore and Malaysia, the economies are growing. In South Korea and Taiwan, the economies are growing slowly. In Thailand, the economy is weak due to sluggish domestic demand. In the Euro area and the United Kingdom, the economies are improving. (from Monthly Economic Report (September 2007), Cabinet Office)

**【Topics】 The number of employees of Japanese manufacturers is increasing mainly in Asia.**

- Driven by growth in China -

The April - June 2007 survey showed the number of people employed by Japanese manufacturing subsidiaries overseas\*1 had increased by 740,000 people from the period of April - June 2004 to 3,150,000 people. The number of Japanese overseas subsidiaries turned out to have increased by 588 companies to 4,170 companies.(Chart 1)

(\*1) The survey covered manufacturers in which their parents had 50% or more of a stake directly or indirectly that employed 50 people or more.

By region, the number of employees increased in Asia by 600,000 people, that is, more than 80% of the whole growth (740,000 people) took place in Asia. The number of Japanese overseas subsidiaries also increased significantly in Asia, 554 companies among 588 new subsidiaries, that is more than 90%. (Chart 2)

Chart1 Number of employees by area (ten thousand persons)

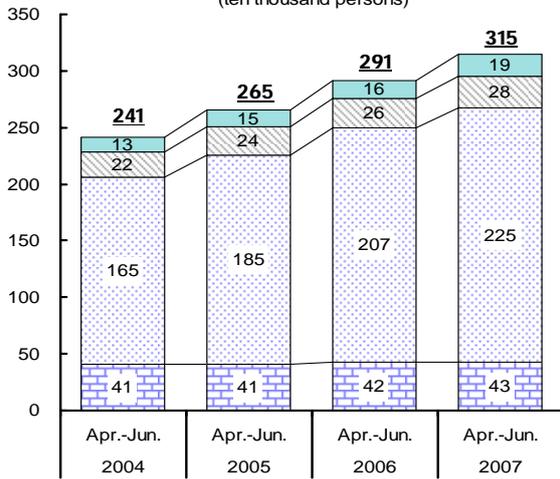
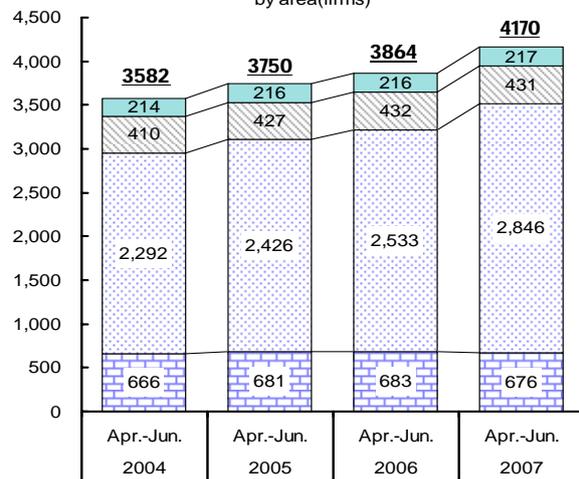


Chart2 Number of overseas subsidiaries by area (firms)

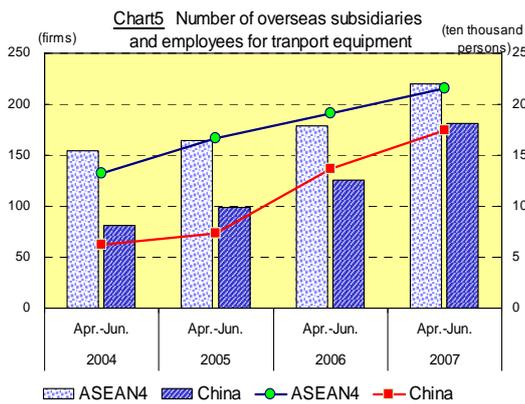
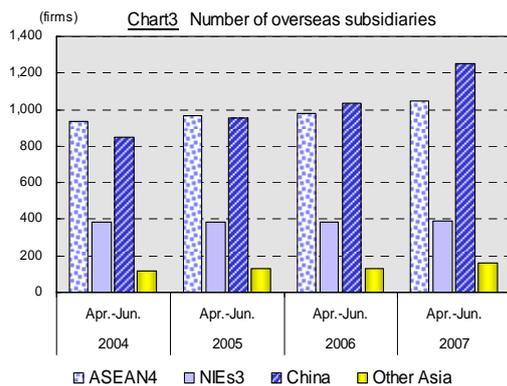


■ North America    ■ Asia    ■ Europe    ■ Other's

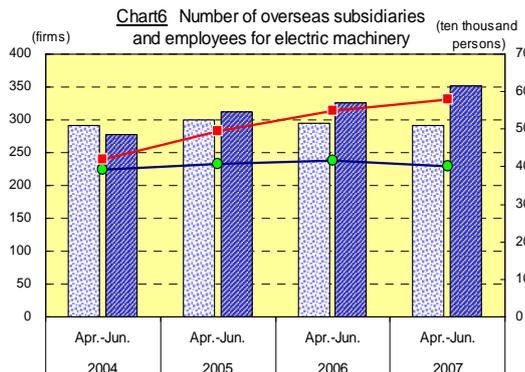
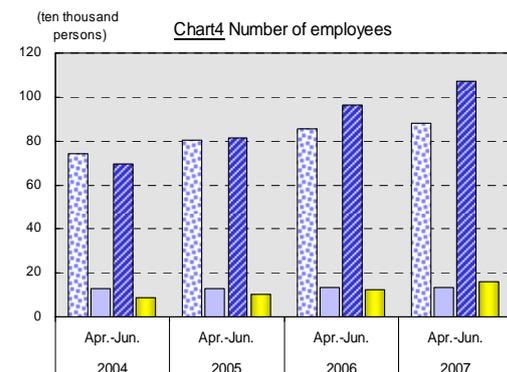
Among the Japanese subsidiaries in Asia, those in ASEAN4 and China accounted for more than 70%, and they employed around 87% of people working for Japanese subsidiaries. China had surpassed ASEAN4 in the number of Japanese subsidiaries and that of people employed by them since the of April - June 2006 survey and since the April - June 2005 survey, respectively, and held the largest member of Japanese subsidiaries and employees in Asia. (Chart 3 and Chart 4)

As for transportation equipment and electrical machinery in ASEAN4 and China, China had the largest number of Japanese subsidiaries and the largest number of people employed by Japanese subsidiaries in the sector of electrical machinery. In the sector of transportation equipment, ASEAN4 had the largest number of Japanese subsidiaries and the largest number of employees, but the growth was faster in China than in ASEAN4: 2.2-fold for the number of subsidiaries and 2.8-fold\*2 for that of employees in China while 1.4-fold for the number of subsidiaries and 1.6-fold for that of employees in ASEAN4. (Chart 5 and Chart6)

(\*2) Number of the actual number for the April - June 2007 survey divided by that for the April - June 2004 survey.



\* Number of employee:  
Line graph (Right scale)



Number of subsidiaries:  
Stick line graph (Left scale)