

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (April-June 2008)

~Surveyed in August 2008~

September 26, 2008

Enterprise Statistics Office, Research and Statistics Department

★Forecasts for North America turned to a negative margin for the first time in seven years.

☆Forecasts (The Current Assessment DI^(*): July-September 2008

The Prospects DI: October-December 2008)

1. As for the Sales DI, both the Current Assessment and the Prospects declined in positive margin compared to the same quarter of the previous year.

Asia declined slightly in positive margin, compared to that for the same quarter of the previous year, and North America and Europe deteriorated significantly. North America became negative for the first time in seven years since the Current Assessment DI and the Prospects DI decreased by 5.6 and 3.5, respectively. Especially, transportation equipment saw a significant decrease (Current Assessment DI decreased by 26.4 and the Prospects DI decreased by 13.3).

2. As for the Capital Investment DI, both the Current Assessment and the Prospects declined in positive margin, compared to that for the same quarter of the previous year.

Asia almost leveled off, whereas North America and Europe deteriorated. Especially, North America became negative for the first time in seven years, with the Prospects DI decreasing by 0.7.

3. As for the Number of employees DI, both the Current Assessment and the Prospects declined in positive margin in comparison with that for the same quarter of the previous year.

Asia almost remained flat, whereas North America and Europe deteriorated. Especially, North America turned to a negative margin, declining by 17.8 points, compared to that for the same quarter of the previous year, with the Prospects DI decreasing by 9.8.

☆The Actual Results (April-June 2008, the increases from the same quarter of the previous year).

1. The actual sales (on a dollar basis) grew 13.3% compared to that for the same quarter of the previous year, showing double-digit growth for the fifth consecutive quarter. Asia (up 18.8 % id.) and Europe (up 14.5% id.) continued to show double-digit growth, while North America (up 2.6% id.) saw single-digit growth for the fourth consecutive quarter.

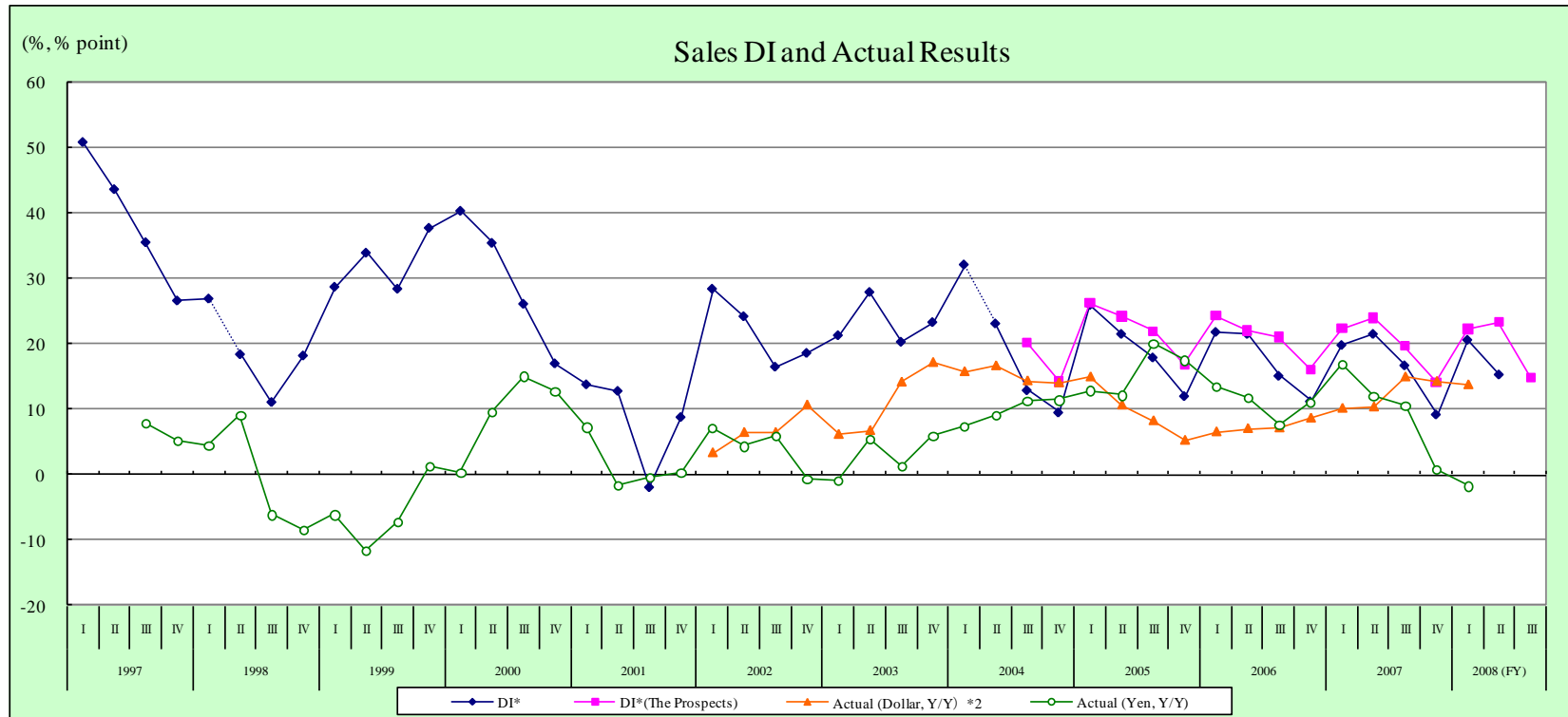
2. The actual capital investments (on a dollar basis) increased by 36.3% compared to that for the same quarter of the previous year, marking significant growth for the second consecutive quarter. North America (up 44.7%id.), Asia (up 38.5% id.) and Europe (up 14.7% id.) marked double-digit growth for the second consecutive quarter.

3. The actual number of employees continued to grow, increasing by 3.1% in comparison with that for the same quarter of the previous year.

Asia (up 3.7% id.), Europe (up 2.8% id.) and North America (up 0.8% id.) also continued to grow.

*1 DI: Forecasts for the quarter which includes the time of survey (Current Assessment) and those for the next quarter (Prospects) are surveyed, compared to those from the preceding quarters (“increase”, “stability” and “decrease”) are surveyed. $DI = [\text{Proportion of companies that responded they would expect an increase}] - [\text{Proportion of companies that responded they would expect a decrease}]$ (% point)

From this survey, DI is compared to that of the same quarter of the previous year. (The Current Assessment DI and the Prospects DI are compared to the Current Assessment DI and the Prospects DI for the same quarter of the previous year, respectively.) In this report, DI figures are only numerically described (e.g. down 5.5), and “points” is placed after the number in the context of the comparison to the same quarter of the previous year (e.g. down 5.5 points).



*: DI survey period for FY1997 was the quarter of the year including the survey period, DI surveys from FY1998 to FY 2003 were conducted on a half-year basis (the quarter of the year including the survey period and the next quarter).

Since the survey for FY 2004, the half-year survey period up to the previous year was divided into the Current Assessment survey period (the quarter of the year including the survey period) and the Prospects survey period (the next quarter).

*2: Actual results on a dollar basis are available since the data for FY2001.

Forecasts

1. Sales

< All regions >

○The Current Assessment DI (July-September 2008) marked an increase of 15.0, standing 6.6 points lower than that for the same quarter of the previous year (compared to the Current Assessment DI for July-September of 2007). Major sectors other than electrical machinery declined in positive margin.

○The Prospects DI (October-December 2008) saw an increase of 14.4, standing by 5.3 points lower than that for the same quarter of the previous year (compared to the Prospects DI for October-December of 2007). Major sectors other than electrical machinery declined in positive margin.

< North America >

○The Current Assessment DI decreased by 5.6, turning negative for the first time since the survey for July-September of 2001 (forecast for October 2001- March 2002). In comparison with that for the same quarter of the previous year, it deteriorated significantly, by 16.6 points. Transportation equipment hit the lowest level since the commencement of the survey, down by 26.4.

○The Prospects DI stood at negative 3.5, deteriorating notably due to a decrease by 16.0 points. Major sectors other than chemicals worsened. In particular, transportation equipment deteriorated significantly, decreasing 27.4 points.

< Asia >

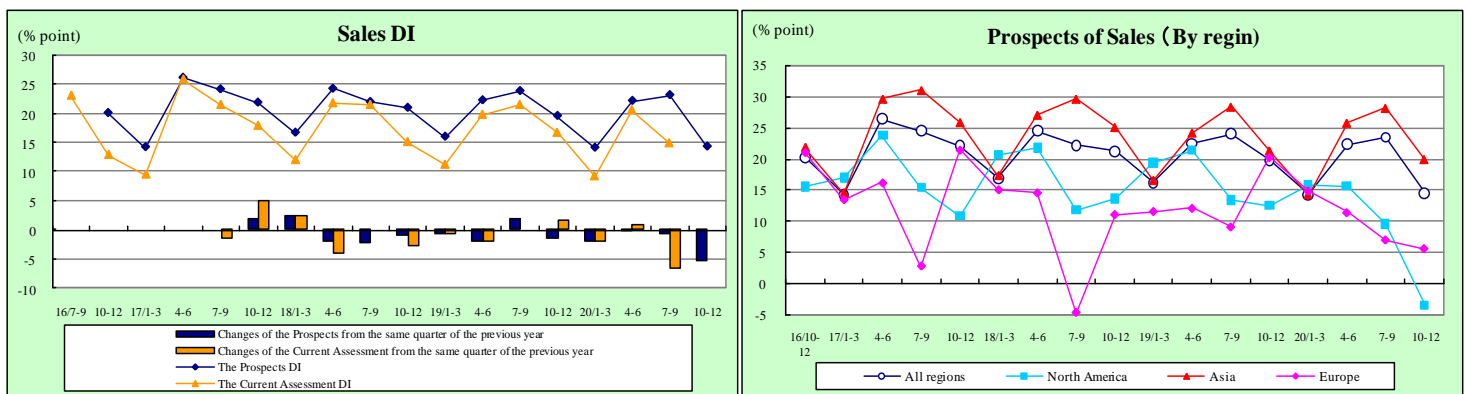
○The Current Assessment DI rose by 21.8, declining by 4.7 points in positive margin compared to that for the same quarter of the previous year. It, however, maintained double-digit growth. Chemicals saw a decline of 21.5 points in positive margin, but other major sectors saw double-digit increases. NIEs3 (*2) (down 11.9 points (id.)) and China (*3) (down 8.5 points (id.)) declined in positive margin; whereas ASEAN4 (*4) expanded its growth by 0.9 points (id.).

○The Prospects DI saw an increase of 19.8, declining by 1.4 points in positive margin compared to that for the same quarter of the previous year. All of the major sectors posted double-digit increases. NIEs3 (up 1.9 points (id.)) and ASEAN4 (up 0.9 points (id.)) expanded their growth, while China declined by 4.6 points (id.) in positive margin.

< Europe >

○The Current Assessment DI fell by 7.5, declining in negative margin by 5.7 points compared to that for the same quarter of the previous year. General machinery significantly deteriorated, decreasing by 30.9 points to become negative.

○The Prospects DI saw an increase of 5.5, declining by 14.7 points (id.) in positive margin. All of the major sectors declined in positive margin. In particular, general machinery fell sharply by 48.8 points (id.).



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

Forecasts

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

< All regions >

○The Current Assessment DI (July-September 2008) marked an increase of 15.8, declining in positive margin, standing 2.3 points lower than that for the same quarter of the previous year (compared to the Current Assessment DI for July-September of 2007).

○The Prospects DI (October-December 2008) saw an increase of 10.0, declining in positive margin by 2.2 points in comparison with that for the same quarter of the previous year (compared to the Current Assessment DI for October-December of 2007). As for major sectors, general machinery, transportation equipment and electrical machinery declined in positive margin

< North America >

○The Current Assessment DI increased by 1.5, declining in positive margin by 11.3 points compared to that for the same quarter of the previous year. Major sectors other than chemicals deteriorated.

○The Prospects DI saw a decrease of 0.7, deteriorating by 6.0 points and hitting the lowest level since the commencement of the survey.

As for major sectors, transportation equipment, electrical machinery and general machinery worsened.

< Asia >

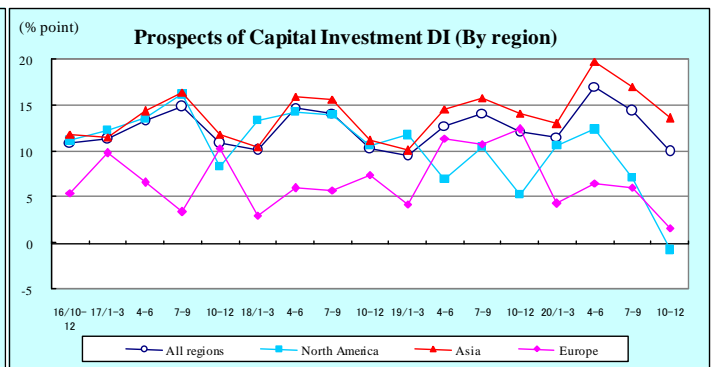
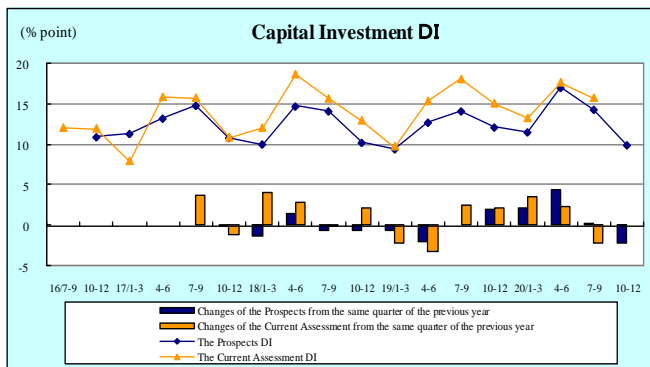
○The Current Assessment DI rose by 19.5, remaining flat, compared to that for the same quarter of the previous year. As for major sectors, iron & steel and transportation equipment declined in positive margin. China (up 4.0 points id.) increased in positive margin; whereas ASEAN4 (down 0.8 points id) and NIEs3 (down 10.7 points id.) declined in positive margin.

○The Prospects DI saw an increase of 13.6, declining in positive margin 0.6 points lower than that of the same quarter of the previous year. As for major sectors, general machinery and transportation equipment declined in positive margin. ASEAN4 (up 1.6 points id) and NIEs3 (up 3.1 points id.) increased in positive margin.

< Europe >

○The Current Assessment DI rose by 8.5, declining in positive margin by 8.5 points in comparison with the same quarter of the previous year. All of the major sectors deteriorated. In particular, general machinery significantly deteriorated, decreasing by 28.6 points.

○The Prospects DI saw an increase of 1.7, declining in positive margin by 10.7 points lower than that for the same quarter of the previous year. All of the major sectors deteriorated. Especially, chemicals and general machinery significantly decreased.



Forecasts

3. Number of employees

< All regions >

○The Current Assessment DI (July-September 2008) marked an increase of 6.6, declining in positive margin by 3.2 points in comparison with the same quarter of the previous year (compared to the Current Assessment DI for July-September of 2007). Major sectors, other than general machinery, declined in positive margin

○The Prospects DI (October-December 2008) posted an increase of 4.9, declining in positive margin 3.5 points lower than that for the same quarter of the previous year (compared to the Current Assessment DI for October-December of 2007). Major sectors other than chemicals declined in positive margin

< North America >

○The Current Assessment DI significantly deteriorated by 16.2 points compared to that for the same quarter of the previous year, decreasing by 8.1 to become negative .

○The Prospects DI notably deteriorated by 17.8 points compared to that for the same quarter of the previous year, decreasing by 9.8 to become negative. All of the major sectors deteriorated. In particular, transportation equipment worsened significantly, decreasing by 30.8.

< Asia >

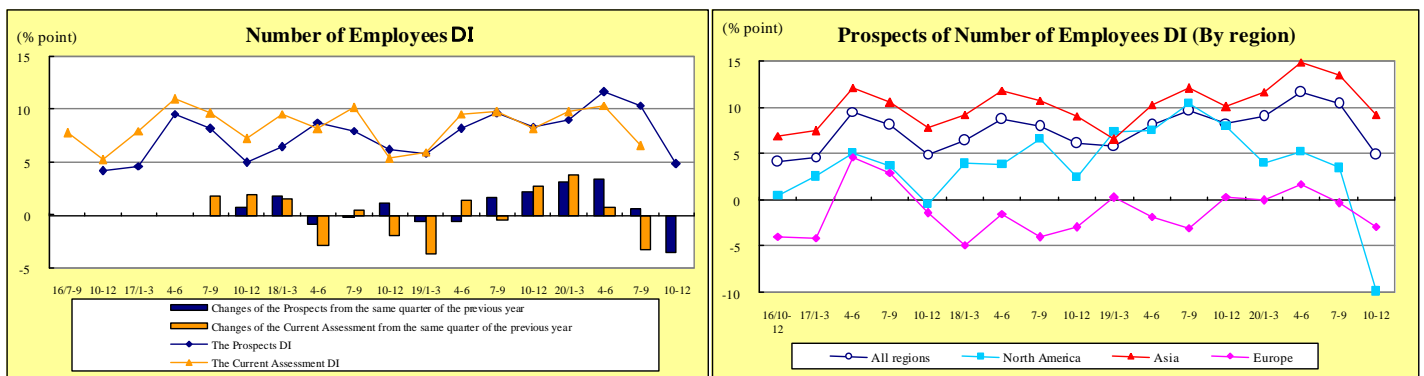
○The Current Assessment DI rose by 10.8, declining in positive margin 1.5 points lower than that for the same quarter of the previous year. Iron & steel, transportation equipment and chemicals declined in positive margin. China (down 3.0 points id.), ASEAN4 (down 1.7 points id) and NIEs3 (down 1.3 points id.) declined in positive margin.

○The Prospects DI saw an increase of 9.3, declining in positive margin 0.8 points lower than that for the same quarter of the previous year. Major sectors, excluding chemicals, declined in positive margin. ASEAN4 (up 2.3 points id) increased in positive margin; whereas China (down 4.0 points id.) declined in positive margin and NIEs3 (down 3.8 points id.) turned negative.

< Europe >

○The Current Assessment DI rose by 1.7, increasing in negative margin by 0.7 points in comparison with the same quarter of the previous year. Electrical machinery worsened, turning negative.

○The Prospects DI saw a decrease of 2.8, standing 3.2 points lower than that in the same quarter of the previous year, to become negative. As for major sectors, general machinery decreased significantly by 17.6 points, and electrical machinery increased in negative margin.



< Reference > For DI details, see the report, “Trends in Overseas Subsidiaries” page 4-21 or “Statistics” page 21-41.

Actual Results

1. Sales

< All regions >

○The Actual results of sales (April-June 2008 on a dollar basis) posted double-digit increases for the fifth consecutive quarter, growing by 13.3% in comparison with the same quarter of the previous year. Major sectors, including chemicals (up 20.0% id.) and general machinery (up 14.2% id.), saw double-digit increases other than electrical machinery (up 9.5% id.).

< North America: Share of sales is 31.0% >

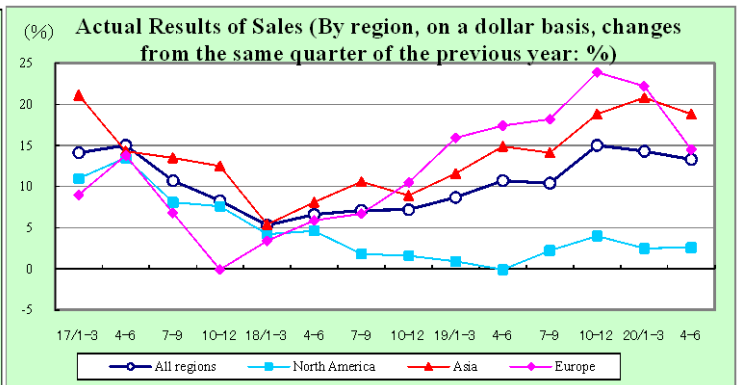
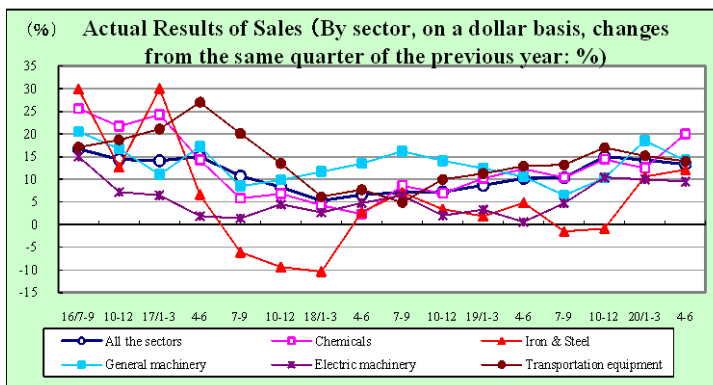
○North America posted a single-digit increase for the fourth consecutive quarter, increasing by 2.6% in comparison with the same quarter of the previous year. Transportation equipment saw a decrease for the first time in seven quarters, decreasing by 1.6%, whereas iron & steel and chemicals posted double-digit growth.

< Asia: Share of sales is 41.9% >

○Asia posted a double-digit increase for the sixth consecutive quarter, increasing by 18.8% in comparison with the same quarter of the previous year. Major sectors, including transportation equipment (up 28.4% id.) and chemicals (up 23.1% id.), saw double-digit increases other than electrical machinery (up 9.8% id.). China (up 24.3% id.) and ASEAN4 (up 18.2% id.) maintained a double-digit positive margin. NIEs3 (up 7.0% id.) continued to show an increase.

< Europe: Share of sales is 19.6% >

○Europe posted a double-digit increase for the seventh consecutive quarter, increasing by 14.5% in comparison with the same quarter of the previous year. All of the major sectors, including chemicals (up 20.6% id.) and transportation equipment (up 15.4% id.), saw double-digit increases



< Reference > For details of actual results, see the report “Trends in Overseas Subsidiaries” page 22-38 or “Statistics” page 1-20.

Actual Results

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

< All regions >

○The actual results of capital investment (April-June 2008 on a dollar basis) increased significantly for the second consecutive quarter, growing by 36.3% in comparison with the same quarter of the previous year. Chemicals increased slightly for the first time in five quarters. Other major sectors, other than iron & steel (up 89.9% id.), and electrical machinery (up 59.4% id.), showed significant growth.

< North America: Share of capital investment is 30.7% >

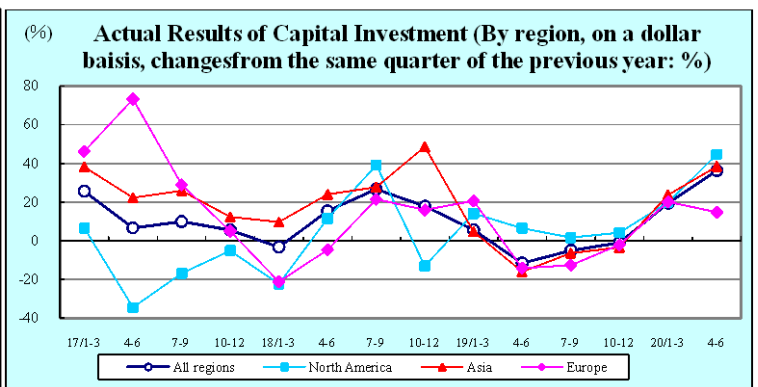
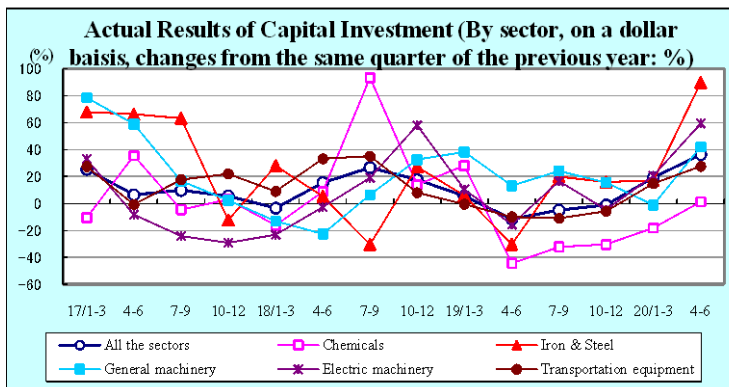
○North America marked a significant increase for the second consecutive quarter, increasing by 44.7% in comparison with the same quarter of the previous year. Electrical machinery (up 3.3% id.) posted a single-digit decrease, whereas other major sectors, including iron & steel (up 136.4% id.) and transportation equipment (up 48.0 id.), saw notable growth.

< Asia: Share of capital investment is 49.2% >

○Asia marked an increase for the second consecutive quarter, increasing by 38.5% in comparison with the same quarter of the previous year. Chemicals saw a double-digit increase for the fifth consecutive quarter, whereas other major sectors, including general machinery (up 72.2% id.) and iron & steel (up 69.2% id.), significantly increased. China (up 72.6% id.) saw a notable increase and NIEs3 (up 16.5% id.) rose for the first time in five quarters. ASEAN4 (up 1.2% id.) marked an increase for the third consecutive quarter. In other Asian regions (up 129.4% id.), transportation equipment mainly saw significant growth.

< Europe: Share of capital investment is 14.1% >

○Europe posted double-digit growth for the second consecutive quarter, increasing by 14.7% in comparison with the same quarter of the previous year. While transportation equipment fell for the fourth consecutive quarter, decreasing by 7.6%, other major sectors, including electrical machinery (up 66.3% id.) and chemicals (up 29.3% id.), posted significant growth.



Actual Results

3. Number of Employees

< All regions >

○The Actual results of number of employees (as of the end of June 2008) maintained growth, increasing by 3.1% in comparison with the same quarter of the previous year. As for major sectors, transportation equipment (up 8.1% id.) and general machinery (up 6.1% id.) continued to increase, and chemicals (up 1.4% id.) and electrical machinery (up 0.1% id.) became positive. Iron & steel (down 5.5% id.) decreased for the fourth consecutive quarters.

< North America: Share of number of employees is 13.1% >

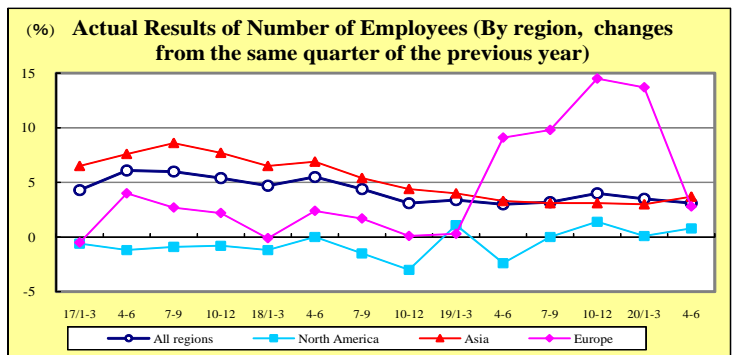
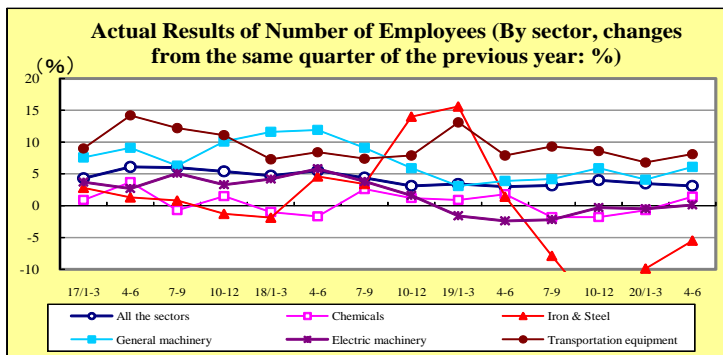
○North America posted an increase for the fourth consecutive quarter, increasing by 0.8% in comparison with the same quarter of the previous year. As for major sectors, chemicals and transportation equipment continued to increase. Electrical machinery, iron & steel, and general machinery continued to fall.

< Asia: Share of number of employees is 72.0% >

○Asia saw continuous growth by 3.7% in comparison with the same quarter of the previous year. Transportation equipment (up 12.7% id.) maintained a double-digit increase. General machinery continued to post a positive figure. Chemicals and electrical machinery slightly increased. Iron & steel fell for the fourth consecutive quarter. China (up 3.7% id.), ASEAN4 (up 2.0% id.) and NIEs3 (up 1.8% id.) saw increases.

< Europe: Share of number of employees is 9.0% >

○Europe decreased by 2.8% compared to the same quarter of the previous year. As for major sectors, transportation equipment (up 8.7% id.) maintained an increase, and general machinery grew slightly, while electrical machinery and chemicals became negative.



For reference: Overseas economies

The world economy saw a slowdown. In the United States, economic activity is of a weak tone, and there is concern that a recession will begin. 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 Malaysia the economy expanded. In Taiwan, the economy is growing softly. In Thailand, the recovery of business conditions is slowing down. The economy of South Korea is slowing. Singapore's economy is in recession mainly in foreign demand. In the euro area, economies of Germany, France and the United Kingdom are becoming worse. (from the Monthly Economic Report (September 2008), Cabinet Office)