

Trends in Overseas Subsidiaries (Summary)

Quarterly Survey of Overseas Subsidiaries (July–September 2008) ~Surveyed in November~

December 24, 2008

Enterprise Statistics Office, Research and Statistics Department

★ Sales DIs fall to lowest level on record in all regions

☆ Forecasts (Current Assessment DI (*1): October–December 2008, Prospects DI: January–March 2009)

1. The Sales DIs, both in terms of current assessment and prospects, dropped significantly from the same quarter of the previous year to negative figures.

Both the Current Assessment DI and the Prospects DI fell to a record low at minus 11.5 and minus 14.0 respectively. North America (Current Assessment DI at minus 31.3, Prospects DI at minus 22.0) and Europe (Current Assessment DI at minus 16.3, Prospects DI at minus 19.4) posted negative figures, falling to the lowest level on record, while Asia (Current Assessment DI at minus 6.9, Prospects DI at minus 11.7) turned negative for the first time on record.

2. The Capital Investment DIs, both in terms of current assessment and prospects, dropped significantly from the same quarter of the previous year.

The Prospects DI stood at minus 2.1, turning negative for the first time on record. North America (Current Assessment DI at minus 10.0, Prospects DI at minus 8.3) and Europe (Current Assessment DI at minus 4.0, Prospects DI at minus 7.9) fell to the lowest level on record, while Asia (Prospects DI at minus 0.2) saw a negative figure for the first time since the July–September quarter of 1998.

3. The Number of Employees DIs, both in terms of current assessment and prospects, dropped significantly from the same quarter of the previous year to negative figures.

☆ Actual results (July–September 2008, year-on-year growth rate)

1. Sales (in US dollars) increased 6.4% from the same quarter of the previous year, slipping into single-digit growth. All the major industry groups (*2) in all regions saw a slowdown in growth.

2. Capital investment (in US dollars) increased 10.8% from the same quarter of the previous year, posting the third straight quarter of double-digit growth. Europe (up 26.5% year-on-year) and Asia (up 20.9% year-on-year) maintained double-digit growth, whereas North America (down 11.5% year-on-year) gave way to contraction for the first time in seven quarters.

3. The number of employees increased 1.3% from the same quarter of the previous year, showing a slowdown in growth. Asia (up 2.5% year-on-year) showed growth, while North America (down 4.1% year-on-year) and Europe (down 0.4% year-on-year) recorded declines.

(*1) Forecasted changes (“increase”, “stability” and “decrease”) for the quarter that includes the time of survey (current assessment) and the next quarter (prospects), compared with their preceding quarters.

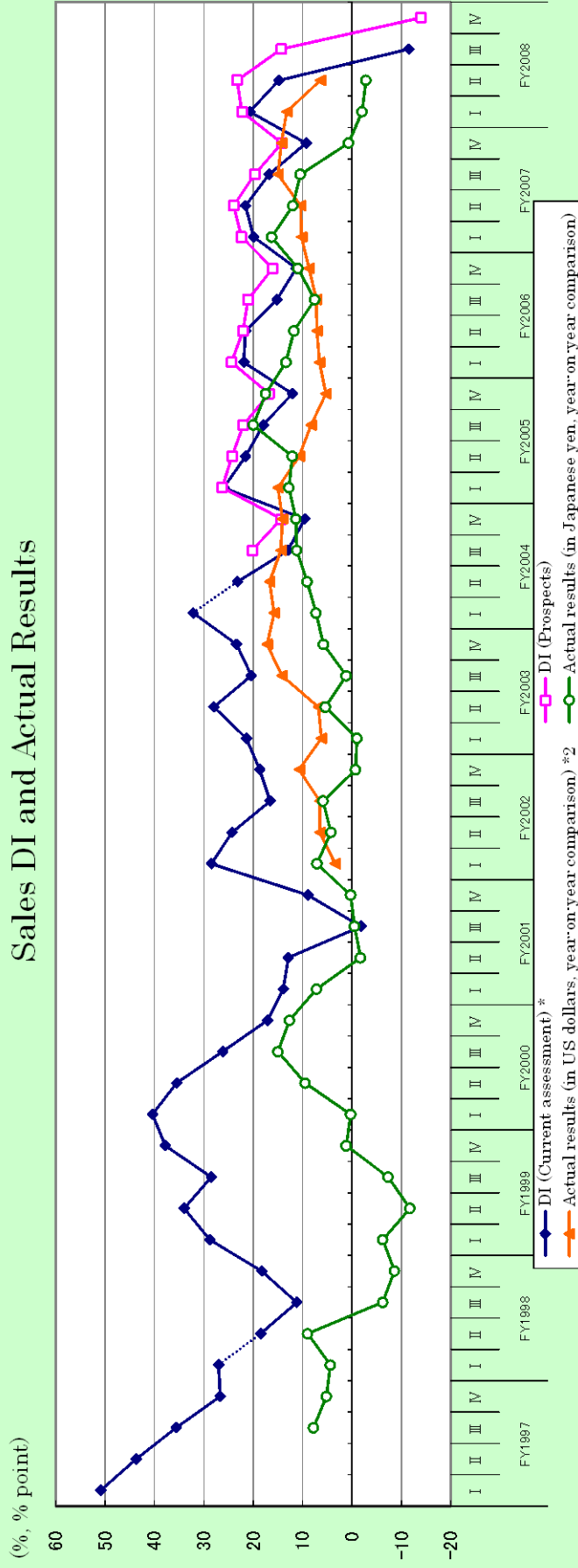
DI = [Percentage share of companies that responded that they expected an increase] –

[Percentage share of companies that responded they expected a decrease] (percentage points)

Starting from the 2008 April–June quarter survey, the 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. minus 5.5), and the term “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).

(*2) The four major industry groups out of 13 industries are: transportation equipment, electrical machinery, general machinery, and chemicals

Sales DI and Actual Results



*: DI survey period for FY1997 was a quarter including the time of survey. DI surveys from FY1998 to FY2003 were conducted on a half year basis (the quarter including the time of survey and the next quarter). Starting from the FY2004 survey, the half year survey period that had been used up to the previous year was divided into the current assessment survey period (the quarter including the time of survey) and the prospects survey period (the next quarter).

*2: Actual results in US dollars are available starting from FY2001 data.

Forecasts

1. Sales

[All regions]

○The Current Assessment DI (October–December quarter 2008) fell 28.3 points from the same quarter of the previous year (compared with the Current Assessment DI for the October–December quarter 2007) to a record low at minus 11.5. All industries showed a decline, with all the major industry groups showing negative figures.

○The Prospects DI (January–March quarter 2009) fell 28.2 points year-on-year (compared with the Prospects DI for January–March quarter 2008) to minus 14.0, the lowest level on record. All industries except foods showed a decline, with all industries excluding foods and chemicals showing negative figures. Significant declines were seen in all regions.

[North America]

○The Current Assessment DI plunged 42.3 points from the same quarter of the previous year to minus 31.3, the lowest level on record. Transportation stood at minus 50.8, a significant year-on-year drop of 66.0 points.

○The Prospects DI also plunged 37.8 points year-on-year to minus 22.0. All the major industry groups recorded a significant decline, with all of them except chemicals showing negative figures.

[Asia]

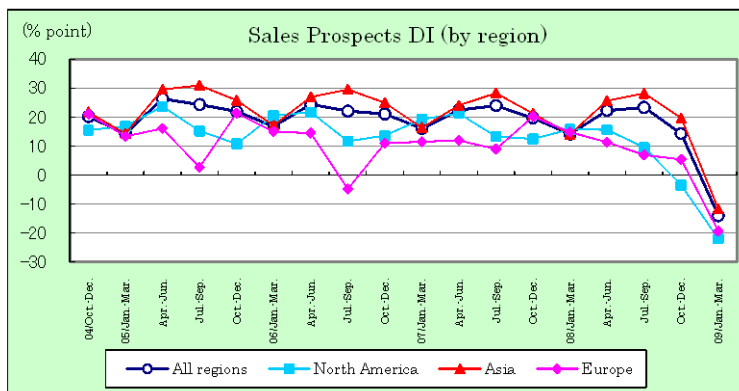
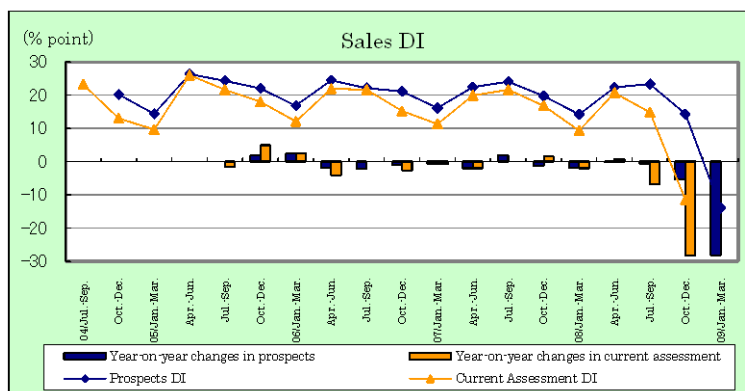
○The Current Assessment DI dropped 25.7 points from the same quarter of the previous year to minus 6.9, the first negative figure on record. All the major industry groups showed a significant decrease, recording negative figures. ASEAN4 ^(*2) (minus 16.7) posted the lowest level on record, while China ^(*3) (minus 0.3) recorded the first negative figure on record. NIEs3 ^(*4) (minus 15.5) posted a double-digit negative figure.

○The Prospects DI fell 25.8 points year-on-year to a double-digit negative figure at minus 11.7. All the major industry groups showed a significant decrease, recording negative figures. Nies3 (minus 19.0), ASEAN 4 (minus 16.3) and China (minus 9.4) saw negative figures in all of their major industry groups.

[Europe]

○The Current Assessment DI stood at minus 16.3, a significant drop of 32.2 points from the same quarter of the previous year. All the major industry groups recorded a decline, with all of them except electrical machinery showing negative figures.

○The Prospects DI fell 34.2 points year-on-year to minus 19.4, the lowest level on record. All the major industry groups recorded a drop from the previous year, resulting in negative figures in all of them except chemicals.



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

(*3) China: including Hong Kong

(*4) NIEs3: Singapore, Republic of Korea and Taiwan

Forecasts

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

[All regions]

○The Current Assessment DI (October–December quarter 2008) reduced its positive margin by 12.7 points from the same quarter of the previous year (compared with the Current Assessment DI for the October–December quarter 2007) to 2.4.

○The Prospects DI (January–March quarter 2009) fell 13.7 points year-on-year (compared with the Prospects DI for January–March quarter 2008) to minus 2.1, the first negative figure on record. All industries showed a decline, resulting in negative figures in all of them except chemicals. Declines were seen in all regions.

[North America]

○The Current Assessment DI declined 20.6 points from the same quarter of the previous year to minus 10.0, the lowest level on record. All the major industry groups except chemicals recorded a significant decline, recording negative figures.

○The Prospects DI fell 18.9 points year-on-year to minus 8.3. All the major industry groups recorded a plunge from the previous year, with negative figures recorded in all of them excluding chemicals (0.0).

[Asia]

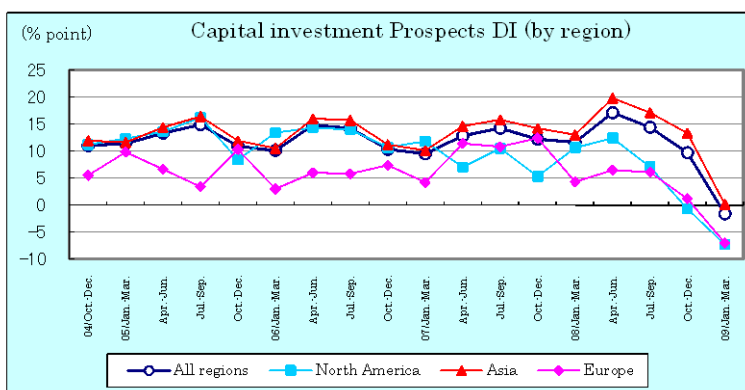
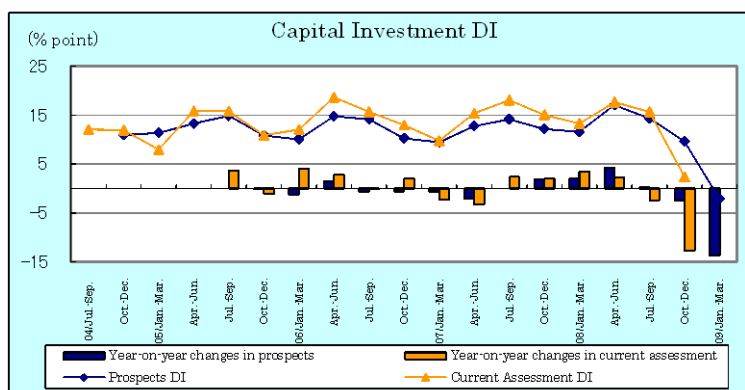
○The Current Assessment DI stood at 6.0, reducing its positive margin by 10.9 points from the same quarter of the previous year. All the major industry groups saw a decline, with electrical machinery showing a negative figure. NIEs3 (17.8-point decline), ASEAN4 (11.1-point decline) and China (9.0-point decline) all posted a year-on-year drop, with a negative figure recorded in NIEs3 (minus 5.0).

○The Prospects DI fell 13.2 points from the same quarter of the previous year to minus 0.2, the first negative figure since the July–September quarter of 1998 (forecasts for the period from October 1998 to March 1999). All the major industry groups except chemicals recorded negative figures. ASEAN4 (minus 3.9) posted the first negative figure since the July–September quarter in 1998. China (1.5) maintained a positive figure but one which still marked the lowest level on record.

[Europe]

○The Current Assessment DI plunged 16.1 points from the same quarter of the previous year to minus 4.0. All the major industry groups saw a decline. Among the worst hit was transportation equipment, which recorded a steep decline of 43.6 points and posted a negative figure.

○The Prospects DI fell 12.2 points year-on-year to minus 7.9, the lowest level on record. Transportation equipment saw a significant decline, standing at minus 29.5.



Forecasts

3. Number of Employees

[All regions]

- The Current Assessment DI (October–December quarter 2008) fell 13.8 points from the same quarter of the previous year (compared with the Current Assessment DI for the October–December quarter 2007) to minus 5.6. All the major industry groups showed a decrease, with all of them except chemicals showing negative figures.
- The Prospects DI (January–March quarter 2009) fell 15.1 points year-on-year (compared with the Prospects DI for January–March quarter 2008) to minus 6.0. By industry, 11 out of 13 industry groups recorded a drop, with ten of them showing negative figures. Declines were seen in all regions.

[North America]

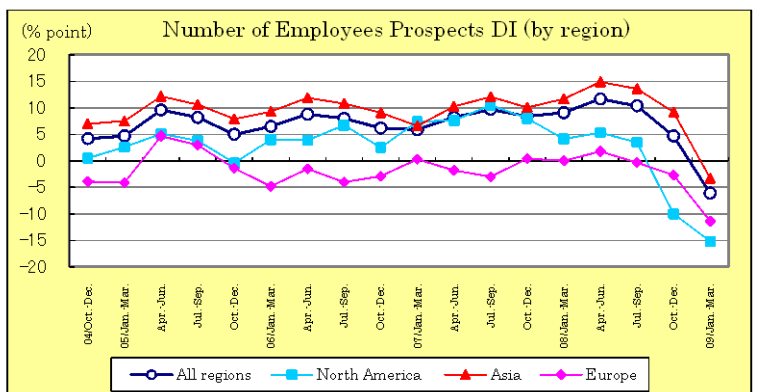
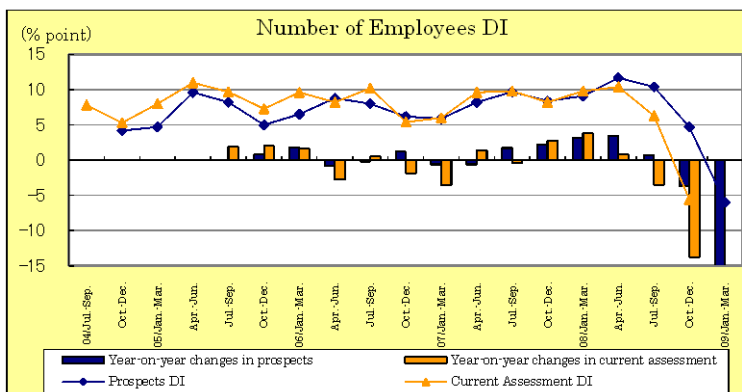
- The Current Assessment DI stood at minus 17.2, a significant drop of 20.4 points from the same quarter of the previous year. Transportation equipment and general machinery saw significant declines, with transportation equipment posting minus 30.6, the lowest level on record.
- The Prospects DI also plunged 20.1 points year-on-year to minus 16.0. All the major industry groups except electrical machinery recorded a significant decline, recording negative figures.

[Asia]

- The Current Assessment DI fell 12.5 points from the same quarter of the previous year to minus 1.8. All the major industry groups saw a decline, with electrical machinery showing a negative figure. China (15.4-point decline), ASEAN4 (11.0-point decline) and NIEs3 (10.8-point decline) all posted a significant year-on-year drop, with negative figures recorded in NIEs3 and ASEAN4.
- The Prospects DI dropped 14.8 points year-on-year to minus 3.1. All the major industry groups recorded a decline, with electrical machinery and general machinery showing negative figures. ASEAN4 and NIEs3 saw significant declines, both of them recording negative figures. China (15.3-point decline) also plunged to 0.2, maintaining a positive figure but marking the lowest level on record.

[Europe]

- The Current Assessment DI declined 11.0 points from the same quarter of the previous year to minus 12.4, the lowest level on record. Transportation equipment stood at minus 27.9, a significant year-on-year drop of 30.6 points.
- The Prospects DI fell 10.4 points year-on-year to minus 10.4. All the major industry groups saw a decrease, recording negative figures.



(Reference)

For DI details, see the report, “Trends in Overseas Subsidiaries” pages 4–15 or “Statistics” pages 21–41.

Actual Results

1. Sales

[All regions]

○Sales (July–September quarter 2008, in US dollars) increased 6.4% from the same quarter of the previous year, slipping into single-digit growth for the first time in six quarters. Compared with the same quarter of the previous year, all the major industry groups reported a slowdown in growth, with a single-digit growth rate of 9.8% in chemicals, 7.1% in general machinery, 5.7% in transportation equipment, and 3.7% in electrical machinery. All regions saw a slowdown in growth.

○Sales (July–September quarter 2008, in Japanese yen) dropped 2.8 from the same quarter of the previous year, posting the second straight quarter of decline.

[North America: 29.9% of total sales in all regions]

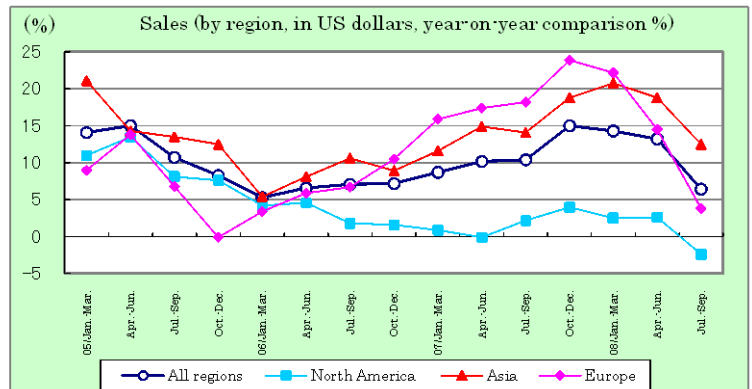
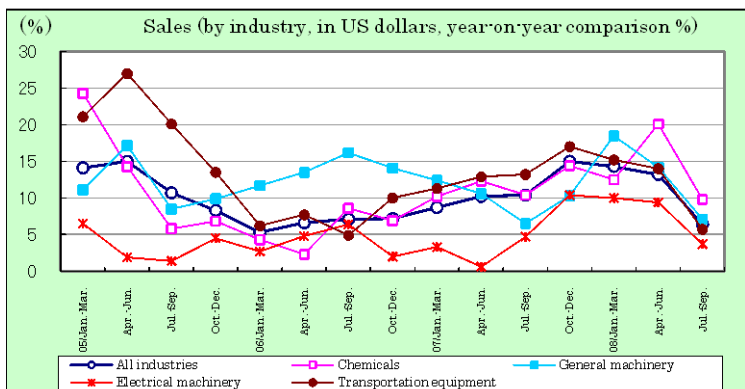
○Sales (in US dollars) dropped 2.4% from the same quarter of the previous year, the first year-on-year decline in five quarters. All the major industry groups reported a slowdown in growth. Transportation equipment fell 7.5% year-on-year, the second straight quarter of decline, accelerating the pace of decline.

[Asia: 44.9% of total sales in all regions]

○Sales (in US dollars) increased 12.5% from the same quarter of the previous year, posting double-digit growth for the seventh straight quarter. All the major industry groups reported a slowdown in year-on-year growth, but maintained double digit growth except a 4.6% increase posted by electrical machinery. China (up 18.8% year-on-year) and ASEAN4 (up 10.1% year-on-year) maintained double-digit growth but still saw a slowdown. NIEs's growth (up 2.2% year-on-year) contracted, posting single-digit growth for the second straight quarter.

[Europe: 17.6% of total sales in all regions]

○Sales (in US dollars) increased 3.8% from the same quarter of the previous year, slipping into single-digit growth for the first time in eight quarters. All the major industry groups reported a slowdown in growth. It was notable in transportation equipment and general machinery, which recorded very small year-on-year growth rates of 0.4% and 0.8%, respectively.



(Reference)

For details of actual results, see the report, “Trends in Overseas Subsidiaries” pages 16–27 or “Statistics” pages 1–20.

Actual Results

2. Capital Investment (current acquisition price of tangible fixed assets [excluding land])

[All regions]

○Capital investment (July–September quarter in 2008, in US dollars) increased 10.8% from the same quarter of the previous year. This is the third straight quarter of double-digit growth, though the growth shrank sharply. Compared with the same quarter of the previous year, chemicals dropped 13.6%, taking a downward turn, while electrical machinery and transportation equipment slipped into single-digit growth rates of 4.8% and 3.2%, respectively. Europe and Asia maintained double-digit growth, whereas North America gave way to double-digit contraction.

○Capital investment (July–September quarter 2008, in Japanese yen) rose 1.2% from the same quarter of the previous year. This is the third straight quarter of increase, but still, growth slowed down.

[North America: 28.2% of total capital investment in all regions]

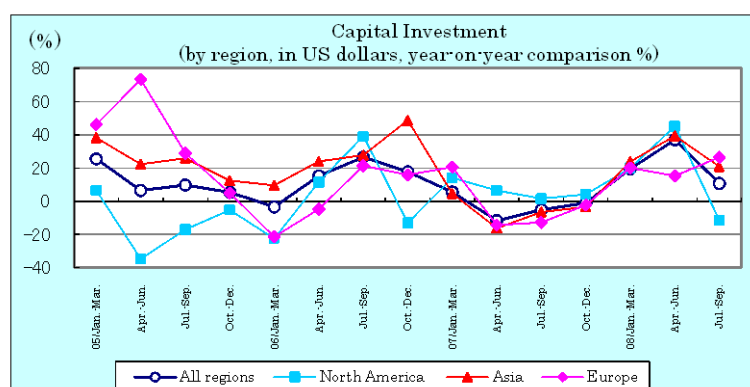
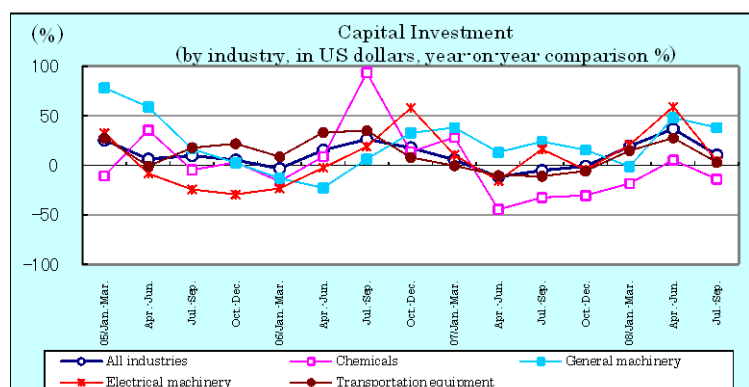
○Capital investment (in US dollars) dropped 11.5% from the same quarter of the previous year, the first downturn in seven quarters. Transportation equipment posted a year-on-year decrease of 16.8%, experiencing a downturn for the first time in seven quarters. General machinery and chemicals maintained double-digit growth, recording year-on-year increases of 42.5% and 36.7%, respectively.

[Asia: 51.4% of total capital investment in all regions]

○Capital investment (in US dollars) was up 20.9% from the same quarter of the previous year, marking a significant increase for the third straight quarter. Compared with the same quarter of the previous year, chemicals continued to decline significantly by 46.5%, whereas general machinery and transportation equipment showed big rises of 79.2% and 19.9%, respectively. China (up 31.9% year-on-year) posted a large increase for the third straight quarter, while ASEAN 4 (up 6.1% year-on-year) saw an increase for the fourth straight quarter. NIEs3 (down 8.7% year-on-year) took a downward turn. Other Asian countries (up 77.2% year-on-year) continued their significant upward trends, led by transportation equipment.

[Europe: 14.6% of total capital investment in all regions]

○Capital investment (in US dollars) rose 26.5% from the same quarter of the previous year, representing the third straight quarter of double-digit growth. Compared with the same quarter of the previous year, general machinery fell 15.2%, taking a downward turn, whereas transportation equipment rose 32.3% after five quarters of decline.



Actual Results

3. Number of Employees

[All regions]

○The number of employees (as of the end of September 2008) continued to grow, up 1.3% from the same quarter of the previous year.

Among major industry groups, general machinery (up 9.1% year-on-year), chemicals (up 3.4% year-on-year) and transportation equipment (up 3.3% year-on-year) maintained their upward trend, whereas electrical machinery (down 2.2% year-on-year) posted a decrease. Asia showed continuous growth, while North America and Europe recorded a decline.

[North America: 12.6% of total employment in all regions]

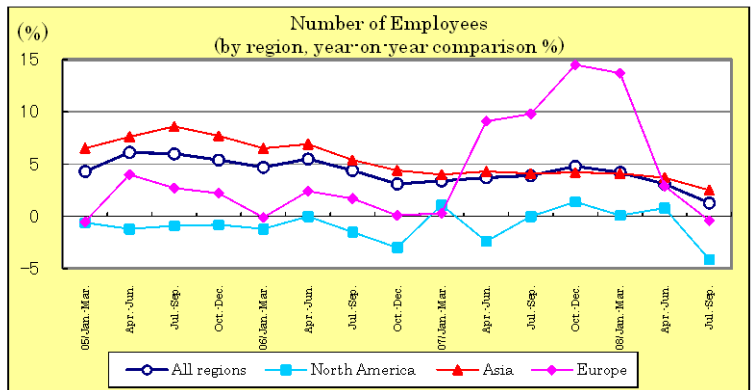
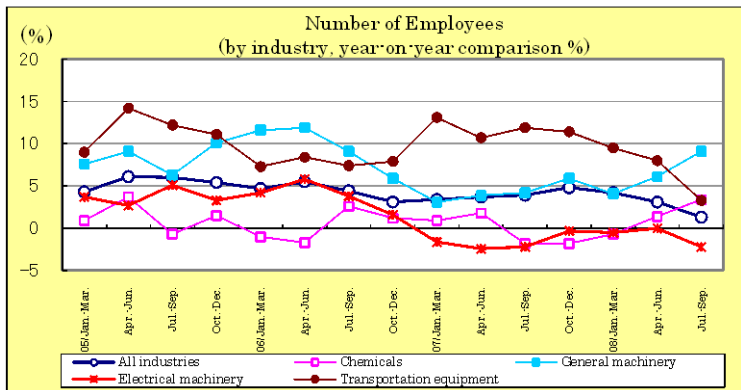
○The number of employees fell 4.1% from the same quarter of the previous year, taking a downward turn for the first time in five quarters. Although chemicals maintained its upward trend, electrical machinery and general machinery continued to decline, and transportation equipment took a downward turn.

[Asia: 73.0% of total employment in all regions]

○The number of employees continued its upward trend, up 2.5% from the same quarter of the previous year, but saw a slowdown in growth. Transportation equipment fell from double-digit to single-digit year-on-year growth at 8.8%. China (up 1.8% year-on-year), NIEs3 (up 1.5% year-on-year) and ASEAN4 (up 0.8% year-on-year) all saw increases, but China marked the second lowest year-on-year growth rate after 1.7% recorded in the October–December quarter in 1998.

[Europe: 8.8% of total employment in all regions]

○The number of employees saw a slight decline of 0.4% from the same quarter of the previous year, marking the first downturn in ten quarters. Among major industry groups, electrical machinery and chemicals showed a decrease, while transportation equipment and general machinery recorded a small increase.



For reference: Overseas Economies

With the economic downturn in the U.S. and Europe, signs of economic slowdown are seen in Asia. The economic prospects could further deteriorate due to the impact of the present financial crisis. The U.S. economy is in recession. The financial crisis could worsen U.S. economic prospects. The Asian economy is showing signs of downturn, with China experiencing a modest slowdown in economic growth. China's economic expansion is facing a gradual slowdown. Investment in fixed assets has continued to see strong growth. The Malaysian economy is growing, whereas Taiwan is seeing a slowdown in economic growth. The Thai economy is continuing its gradual recovery. South Korea is facing economic slowdown, while Singapore's economy is weakening. The Eurozone and the UK economy are in recession. The financial crisis could worsen their economic prospects. (From the Monthly Economic Report (November 2008), Cabinet Office)