

Overseas Subsidiaries Trend

(Quarterly Survey of Japanese Business Activities)

Results for July-September 2001 and Prospects for October 2001-March 2002 (DI)

The Summary

Points of the survey in this term

- Overseas subsidiaries' sales saw a negative figure in the level of DI (diffusion index) for the October-March quarter of 2001-2002 for the first time since the survey began. The negative growth rate also marked the biggest. Only China & other Asia, however, remained at a plus of more than ten percent in the level of DI of sales, equipment investments and the number of employees. In contrast, NIES3 (Korea, Taiwan and Singapore) deteriorated significantly in the level of DI.
- Sales results for the July-September quarter of 2001 dropped after a lapse of seven periods, and the number of employees shrank for the first time in ten periods.
- By industry, electrical machinery showed a remarkable recession.

1. Sales

- The DI of sales (the prospects for the October-March term of 2001-2002) deteriorated for the sixth consecutive period, marking the biggest negative growth rate .
- On a yen basis, sales decreased 1.3% from the same period of the previous year after a lapse of seven periods.
- By industry, electrical machinery showed a sharp decrease.

(1) The DI (note 1) of sales by overseas subsidiaries fell 14.1% points (12.9 -1.2) from the preceding period for the sixth consecutive period of decrease. The negative growth rate registered the biggest since the survey for the October-December term of 1996 began. The level of DI also fell to minus digits for the first time since the survey started.

• By industry, ten out of thirteen industries saw drops in the DI such as electrical machinery and transport equipments. Although electrical machinery saw an increase in the DI in the previous term after a lapse of five periods, it deteriorated in this term again. The rate of decrease widened, marking double-digit figures in eight industries such as electrical machinery and transport equipments.

• By region, the DI of sales by overseas subsidiaries dropped in all regions including North America, China & other Asia. The rate of decrease was more than ten percent in all regions except other.

The level of DI has stayed at a double-digit plus (31.4 19.9) only in China & other Asia.

(2) In spite of the yen's fall against local currencies, on a yen basis (note 2), sales by overseas subsidiaries fell 1.3% from the same period of the previous year after a lapse of seven periods since the October-December quarter of 1999.

• By industry, electrical machinery marked a sharp fall in sales, and five out of thirteen industries saw drops in sales such as non-ferrous metals. In contrast, transport equipments showed an increase for the seventh period in a row.

• By region, sales decreased in NIES3, Europe and North America, whereas they increased in China & other Asia. The decline in electrical machinery's sales contributed to the drop of total sales in NIES3, Europe and North America.

Results for July-September 2001 and Prospects for October 2001-March 2002 by Region

Unit(Ratio over same quarter of last year:%, Ratio over previous term:%points)

		Total	North America	Asean4	Nies3	China and other	Europe
Sales	Results (Ratio over same quarter of last	-1.3	-1.3	2.4	-15.8	9.5	-4.3
	Prospects (Ratio over previous term)	-14.1	-11.9	-16.7	-26.3	-11.5	-12.0
	DI(Levels) Previous term This term	12.9 -1.2	1.0 -10.9	14.5 -2.2	0.0 -26.3	31.4 19.9	10.5 -1.5
Number of employees	Results (Ratio over same quarter of last	-1.9	-3.7	-3.0	-8.1	3.6	-0.7
	Prospects (Ratio over previous term)	-5.4	-6.4	-4.5	-5.0	-1.4	-6.3
	DI(Levels) Previous term This term	-1.0 -6.4	-9.2 -15.6	2.9 -1.6	-15.0 -20.0	12.6 11.2	-5.6 -11.9

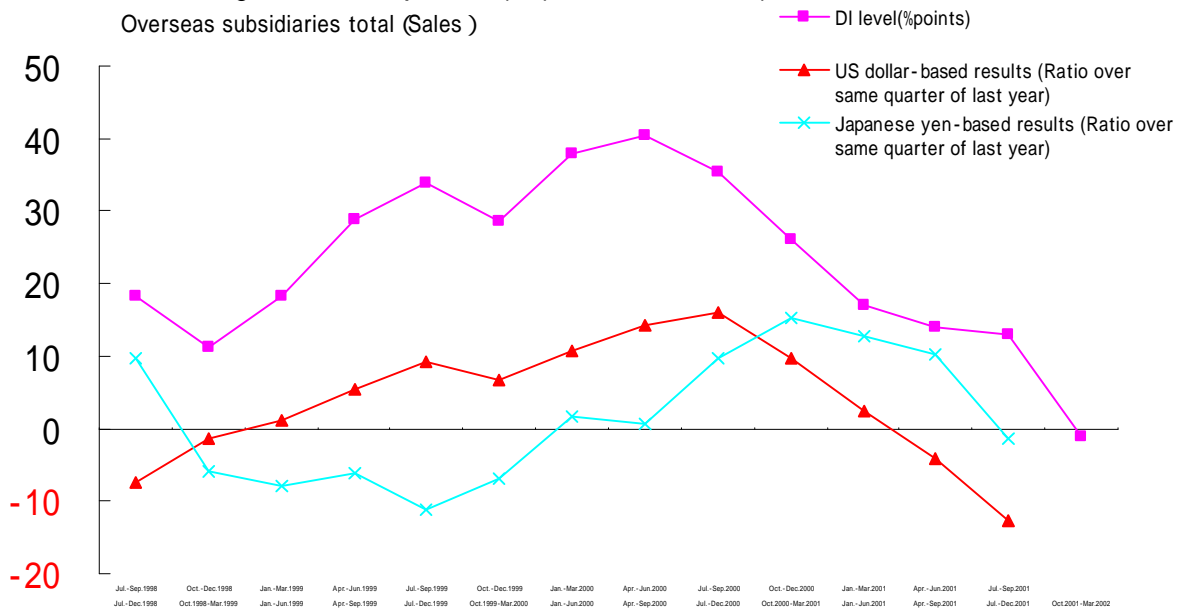
Results for July-September 2001 and Prospects for October 2001-March 2002 by Type of Industry

Unit(Ratio over same quarter of last year:%, Ratio over previous term:%points)

		Total	Chemicals	Industrial machinery	Electrical machinery	Transportation equipment
Sales	Results (Ratio over same quarter of last	-1.3	4.6	3.0	-11.7	7.9
	Prospects (Ratio over previous term)	-14.1	-22.0	-2.7	-16.6	-12.2
	DI(Levels) Previous term This term	12.9 -1.2	20.2 -1.8	6.0 3.3	2.9 -13.7	15.4 3.2
Number of employees	Results (Ratio over same quarter of last	-1.9	-0.5	0.8	-6.2	3.4
	Prospects (Ratio over previous term)	-5.4	-7.5	-2.4	-1.9	-6.9
	DI(Levels) Previous term This term	-1.0 -6.4	4.0 -3.5	-5.0 -7.4	-13.0 -14.9	7.3 0.4

Changes in Prospects (DI) and Results (Dollar and Yen)

Overseas subsidiaries total (Sales)



Upper stand :Results, Lower stand :Prospects (DI)

2. Total equipment investments (the total amount of money for the acquisition of fixed assets other than land)

- The DI of total equipment investments (prospects for the October 2001-March 2002 term) deteriorated.
- Twenty-one point nine percent of companies answered that they intended to increase equipment investments. About seventy percent of these companies planned to increase investments in order to boost productivity.

(1) The DI of total equipment investments fell 12.7% points (12.9 - 0.2) from the previous term.

- By industry, eight out of thirteen industries decreased the DIs, such as electrical machinery and transport equipments.
- By region, the DI of investments in plant and equipment declined in all regions except other. Above all, North America made a contribution to the decrease of the DI. Only China & other Asia marked a plus of more than 10% in the level of DI.

(2) Twenty-one point nine percent of companies (377 out of 1,721 companies that responded) forecasted an increase of equipment investments. Seen by the objective of increasing investments (plural answers acceptable), "a boost in productivity" accounted for about 70%, "renewal and repair" about 40% and "rationalization and streamlining" about 20%. When observing the rate of companies which mentioned "a boost in productivity" by region, it was about 70% in China & other and ASEAN4, and about 60% in North America and NIES3.

(3) In terms of equipment investments of this term (the July-September quarter of 2001) by industry, transport equipments accounted for about 40% of the total investments and electrical machinery below 30%. By region, investments in North America made up about 50 % of the total and those in ASEAN4 about 20%.

3. Employment

- The total number of employees (at the end of the July-September quarter of 2001) was 1,932,000 persons, down 1.9% from the same period of the previous year after a lapse of ten periods.
- The DI of the total number of employees (prospects for the October 2001-March 2002 term) deteriorated. The level of DI was minus for the third consecutive term, reaching the lowest ever in this period.

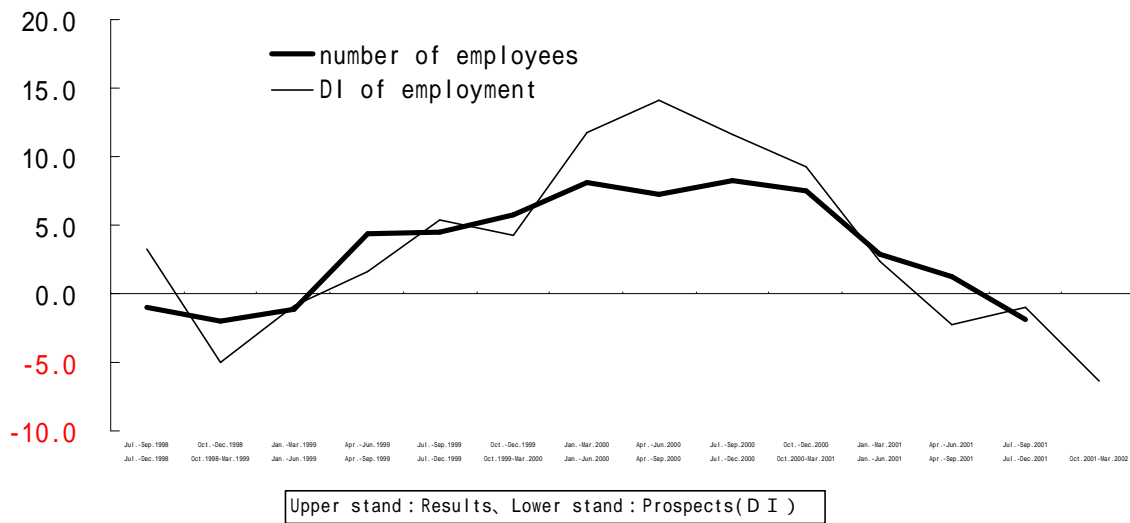
(1) The total number of employees (at the end of the July-September quarter) totaled 1,932,000 persons, down 1.9% in relation to the same period of last year. After reaching its peak in the July-September quarter of 2000, the rate of increase had slowed. In this term, employment saw a fall for the first time in ten periods.

- By industry, five industries decreased the number of employees such as electrical machinery and precision instruments. Electrical machinery, comprising a large percentage of the total employees, affected the total decrease. On the other hand, transport equipments saw a rise.
- By region, employment declined in all regions except China & other Asia. On the other hand, employment in China & other Asia rose in all industries except electrical machinery.

(2) The DI of the number of employees declined 5.4% points (-1.0 - -6.4) from the previous term. The level of DI marked a negative digit for the third consecutive term, reaching the lowest since the survey began.

- By industry, eleven industries decreased the DIs such as transport equipments and precision instruments.
- By region, the DI deteriorated in all regions. In China & other, the level of DI of employment has remained at a double-digit positive figure for nine straight terms.

Changes in employment (Ratio over same quarter of last year) and
Prospects (DI)



Note1: DI = the ratio of companies expecting increase - the ratio of companies expecting decrease
DI compared with the previous term = DI for this term - DI for the previous term

DI for this term: DI gained from the survey of the July-September quarter of 2001 (prospects for the October 2001-March 2002 term)

DI for the previous term: DI gained from the survey of the April-June quarter of 2001 (prospects for the July- December term of 2001)

Note 2:

In terms of local currencies of overseas subsidiaries included in this survey, be aware to the appreciation of most local currencies against the yen, when comparing the present exchange rates of them to the yen with those in the same period a year earlier. For example, the US dollar has risen by 13.2% from the same term of last year and has fallen by 0.7% from the previous term against the yen.)

With regard to changes in the exchange rates of local currencies to the yen, refer to page 6 "Progress of the currency rates of the main regions against the yen (reference)".

For your information:

Since the previous term (the April-June quarter of 2001), "Quarterly Survey of Japanese Business Activities" has been renewed after being combined with "The Survey of Industrial and Economic Activities" under the control of Ministry of Economy, Trade and Industry. In addition, since companies included in the survey and questions to ask were reviewed, differences have come to the fore between findings in the April-June quarter of 2001 and those in the quarters before that. Therefore, the ratio over the same period of the previous year was estimated only on the basis of the total figures of companies which continued to be included in the survey from the previous fiscal year to the April-June quarter of 2001.

Performance figures for each term were not adjusted.

Sales in China Up

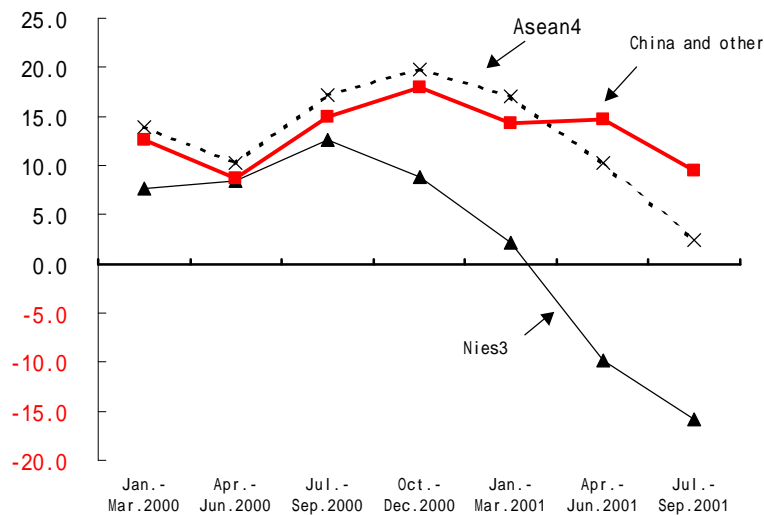
The level of DI remained at more than ten percent points.

Total equipment investments saw a sharp increase.

(1) With regard to sales in Asian regions, NIES3 countries have decreased sales drastically since the April-June quarter of 2001. ASEAN4 countries have also seen sharp falls in the growth rate after the October-December quarter of 2000.

On the other hand, China & other Asia have fluctuated at a higher growth rate compared with the other two regions.

The actual sales in Asian regions (Ratio over the same period of the previous year)



(2) In terms of electrical machinery in Asian regions, overseas subsidiaries in NIES3 saw sharp falls in sales (-22.0% from the same period of last year), total equipment investments and the number of employees. They also marked double-digit negative figures in the level of DI of all the above three items such as a fall of 29.0% points in sales.

On the contrary, although overseas subsidiaries in China & other Asia decreased the number of employees, they skyrocketed in total investments in plant and equipment (77.4%) and also saw a rise in sales (2.7%). Moreover, the levels of DI remained plus such as 10.9% points in sales, 5.1% points in total equipment investments and 12.6% points in employment.

Results of electrical machinery in Asian regions in this term (the July-September quarter of 2001) and the DI (the October 2001-March 2002 term)

Unit (Results Ratio over the same quarter of last year : %, DI ΔI level Ratio over the previous term : %points)

		Asia	Asean4	Nies3	China and other
Sales					
Results	Ratio over same quarter of last	-5.9	1.2	-22.0	2.7
	Ratio over previous term	-16.2	-18.5	-12.3	-14.6
DI	Levels	-14.6	-24.9	-29.0	10.9
Total investments in plant and equipment					
Results	Ratio over same quarter of last	-10.3	-21.6	-46.0	77.4
	Ratio over previous term	-24.1	-29.8	-18.5	-17.0
DI	Levels	-15.0	-19.8	-31.2	5.1
Number of employees					
Results	Ratio over same quarter of last	-6.4	-7.5	-13.4	-1.8
	Ratio over previous term	0.9	-3.5	2.0	7.5
DI	Levels	-9.9	-18.4	-24.7	12.6

Note: With regard to the calculation of the ratio over the same quarter of last year of total equipment investments, results for the April-June quarter and those for the July-September quarter of 2001 were added up and compared with results for the previous year (the April-September term of 2000).

Progress of the currency rates of the main regions against the yen

