

## The Behavior of Overseas Subsidiaries

### (Quarterly Survey of Japanese Business Activities)

#### Results for October-December 2001 and Prospects for January-June 2002 (DI)

#### Summary

##### Points of the survey in this term

- With regard to the DI (diffusion index) of Japanese overseas subsidiaries (the prospects for the January-June term of 2002), the DI of sales increased from the previous term after a lapse of seven periods. The level of DI had showed a negative figure in the previous term for the first time since the survey began, while it marked a positive figure in this term. The DI of equipment investments also showed a rise.
- The number of employees decreased and its DI also deteriorated.
- Sales for the October-December term of 2001 fell for the second consecutive period. By the type of industry, transport equipment's sales have moved ahead strongly, whereas electrical machinery's have remained stagnant.

The survey was conducted in mid-February of 2002.

##### 1. Sales

- The DI of sales (the prospects for the January-June term of 2002) increased for the first time in seven periods.
- On a yen basis, sales dropped by 1.0 percent from the same period of the previous term for the second consecutive term of decrease.
- By the type of industry, electrical machinery showed a sharp fall in sales.

(1) The DI (note 1) of sales by overseas subsidiaries increased 10.7% points (minus 1.8 to 8.9) from the previous term, after marking the biggest negative growth rate since the beginning of the survey in the preceding period. The DI rose for the first time in seven periods since the April-September term of 2000.

• By the type of industry, the outlook increased in eleven out of thirteen industries such as transport equipment and electrical machinery. Above all, transport equipment saw a rise in the DI for the first time in five periods. Five industries including transport equipment and electrical machinery marked double-digit increases. On the other hand, general machinery saw a decline in the DI for the fourth straight period, marking the first negative figure in the DI level since the survey began.

• By region, the prospects for sales increased in all regions such as North America, China and other Asia. The level of DI marked plus figures in all regions other than NIES' three countries. Especially, the level of DI in China and other Asia has remained at a double-digit plus figure (19.3 to 20.9).

(2) In spite of the yen's fall against local currencies, on a yen basis (note 2), sales by overseas subsidiaries fell 1.0% from the same period of the previous year for the second straight term of decline.

• By the type of industry, five out of thirteen industries posted decreases in sales such as electrical machinery and non-ferrous metals. While electrical machinery marked the third consecutive term of sales decrease due to falling demand for IT-related electrical machinery, transport equipment saw sales growth for the eighth straight period.

• By region, overseas subsidiaries diminished sales in North America, ASEAN4 and NIES3, whereas they increased sales in China & other Asia and Europe. Electrical machinery showed a drop in sales in all regions other than China & other Asia. In contrast, transport equipment registered a rise in all regions except NIES' three countries.

Results for October-December 2001 and Prospects for January-June 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
<b>Sales</b>						
Results (Ratio over same quarter of last	-1.0	-1.8	-0.4	-16.9	8.3	4.3
Prospects (Ratio over previous term )	10.7	16.5	14.0	15.9	1.6	9.3
DI(Levels) Previous term This term	-1.8 8.9	-11.1 5.4	-3.2 10.8	-26.6 -10.7	19.3 20.9	-1.9 7.4
<b>Number of employees</b>						
Results (Ratio over same quarter of last	-4.3	-6.5	-5.4	-11.4	-0.5	0.5
Prospects (Ratio over previous term )	-0.7	-2.7	-5.6	0.5	-0.4	1.8
DI(Levels) Previous term This term	-6.6 -7.3	-16.1 -18.8	-1.5 -7.1	-20.9 -20.4	11.1 10.7	-12.2 -10.4
<b>Equipment investments</b>						
Prospects (Ratio over previous term )	8.2	10.3	6.4	9.9	6.2	5.2
DI(Levels) Previous term This term	0.3 8.5	-7.4 2.9	1.7 8.1	-17.5 -7.6	15.0 21.2	-0.4 4.8

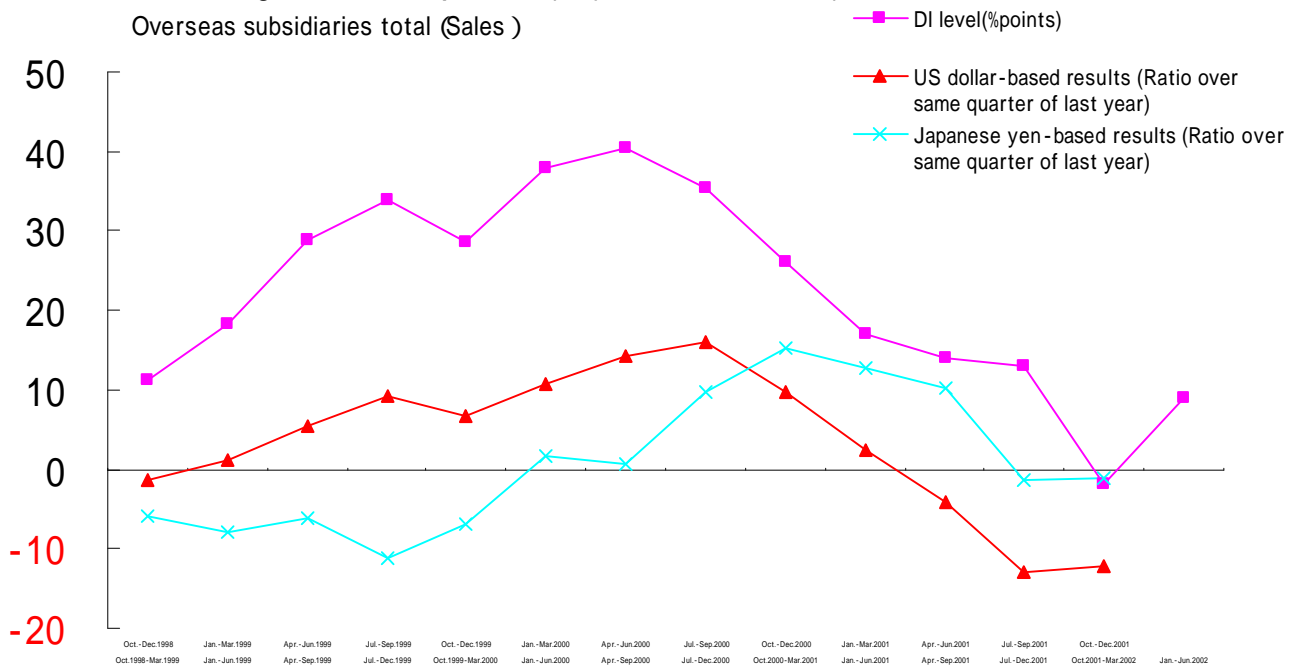
Results for October-December 2001 and Prospects for January-June 2002 by Type of Industry

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

	Total	Chemicals	Industrial machinery	Electrical machinery	Transportation equipment
<b>Sales</b>					
Results (Ratio over same quarter of last	-1.0	10.7	11.7	-12.0	5.9
Prospects (Ratio over previous term )	10.7	21.8	-4.4	14.0	20.4
DI(Levels) Previous term This term	-1.8 8.9	-2.2 19.6	3.3 -1.1	-15.4 -1.4	3.2 23.6
<b>Number of employees</b>					
Results (Ratio over same quarter of last	-4.3	-3.8	-1.5	-9.0	1.8
Prospects (Ratio over previous term )	-0.7	1.1	-7.1	-1.9	5.8
DI(Levels) Previous term This term	-6.6 -7.3	-3.9 -2.8	-7.4 -14.5	-15.1 -17.0	0.0 5.8
<b>Equipment investments</b>					
Prospects (Ratio over previous term )	8.2	8.5	9.4	13.8	11.0
DI(Levels) Previous term This term	0.3 8.5	9.6 18.1	-4.5 4.9	-16.0 -2.2	10.8 21.8

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

Overseas subsidiaries total (Sales)



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

## 2. Equipment investments (the amount of money for the acquisition of fixed assets other than land)

- The DI of equipment investments (the prospects for the January-June term of 2002) showed a rise.
- Seen by region, the DI grew in all regions including North America and China & other Asia.

(1) The DI of equipment investments rose 8.2 percent points (0.3 to 8.5) from the previous term.

- By the type of industry, the forecast brightened in eight out of thirteen industries, mainly in electrical machinery and transport equipment.
- Seen by region, the outlook for investments increased in all regions. In North America and Europe, the DI level marked a plus figure in this term, after posting a minus digit in the previous term. China & other Asia saw a double-digit plus in the level of DI. On the contrary, the level has stayed at a negative figure in NIES3.

(2) With regard to results of this term (the October-December term of 2001), by the type of industry, equipment investments fell in eleven out of thirteen industries, mainly in electrical machinery, compared with the previous term. By region, the investments dropped in all regions.

## 3. Employment

- The number of employees (at the end of the October-December quarter of 2001) was 1,898,000 persons, down 4.3 percent from the same period a year earlier, marking a fall for the second consecutive term.
- The DI of the number of employees (the prospects for the January-June term of 2002) dropped. The level of DI reached the lowest ever, showing a negative figure for the fourth straight term.

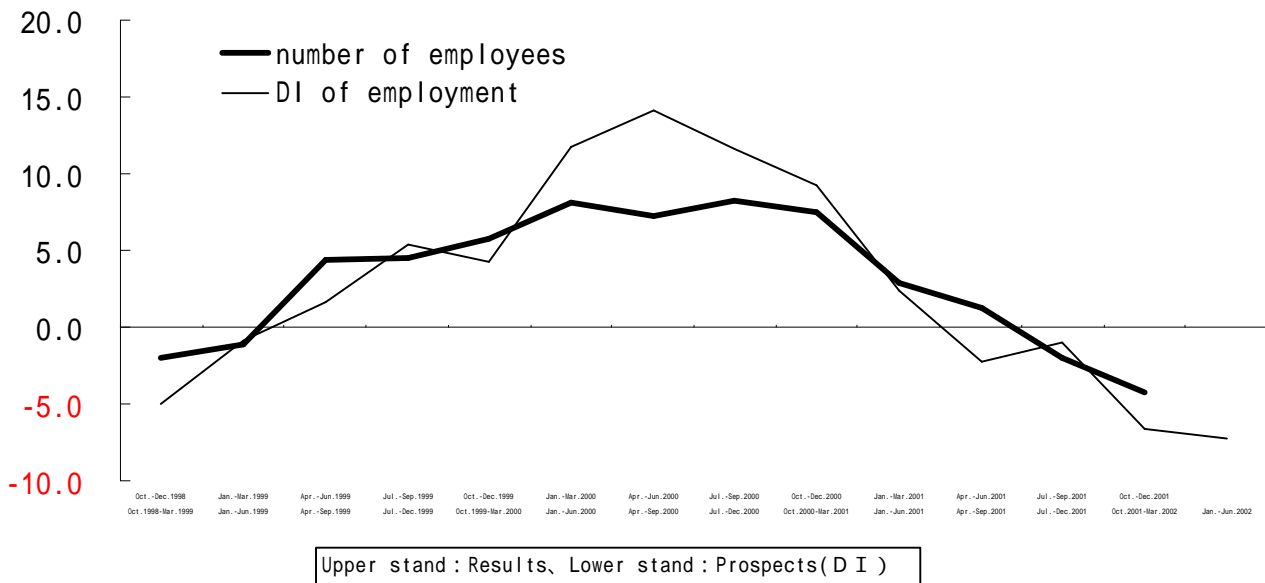
(1) The number of employees (at the end of this term) was 1,898,000 persons, down 4.3 percent on a year-over-year basis. The rate of increase had slowed after reaching its peak in the July-September term of 2000. The number of employees dropped for the second consecutive period in this term.

- By the type of industry, the number of employees slid in eight industries such as electrical machinery and general machinery. Electrical machinery, comprising a large percentage of the total number of employees, has marked a fall for three straight terms. General machinery saw a decline in employment for the first time since the survey began. On the other hand, transport equipment registered a rise in employment, whereas the rate of growth slowed.
- By region, the number of employees fell in all regions other than Europe. It dropped for the first time since the beginning of the survey in China & other Asia, reflecting a decrease in employment in electrical machinery.

(2) The DI of employment declined 0.7 percent points (minus 6.6 to minus 7.3) from the previous term. The level of DI marked a negative figure for the fourth straight term, falling below the lowest level of the previous term since the beginning of the survey.

- Seen by the type of industry, the forecasts decreased in eight industries including electrical machinery and general machinery. In contrast, the outlook for transport equipment turned toward recovery from a deterioration of the previous term. Electrical machinery has seen a negative figure in the level of DI for five straight terms. Its rate of decrease expanded.
- By region, the DIs of employment deteriorated in North America, ASEAN's four countries and China & other Asia. As for the level of DI, China & other Asia have posted double-digit positive figures for ten consecutive 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 October -December quarter of 2001 (prospects for the January-June 2002 term)

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

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 12.6% from the same term of last year and has fallen by 1.6% 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.

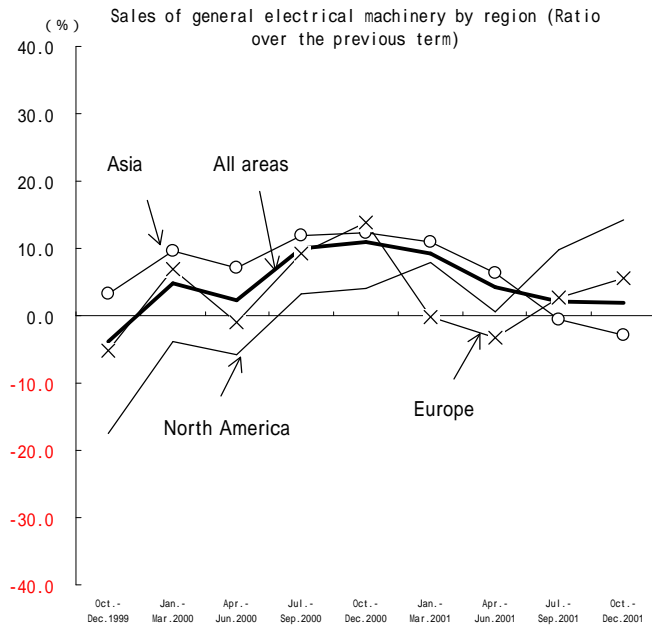
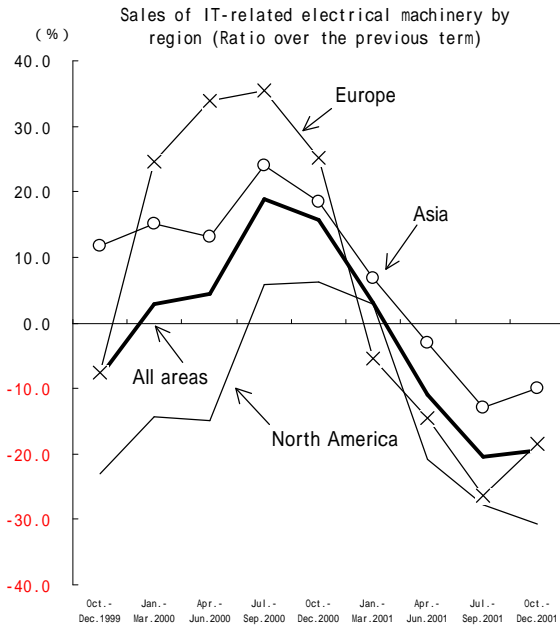
Performance figures for each term were not adjusted.

### Sales in China Up

#### Sales comparison of IT-related electrical machinery and general electrical machinery

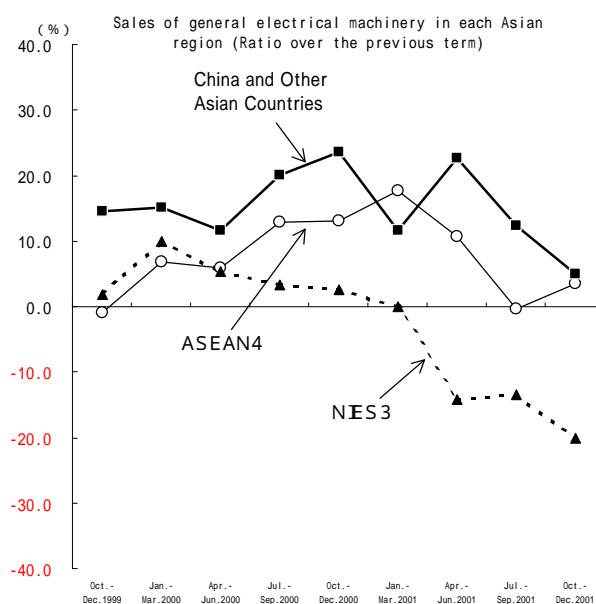
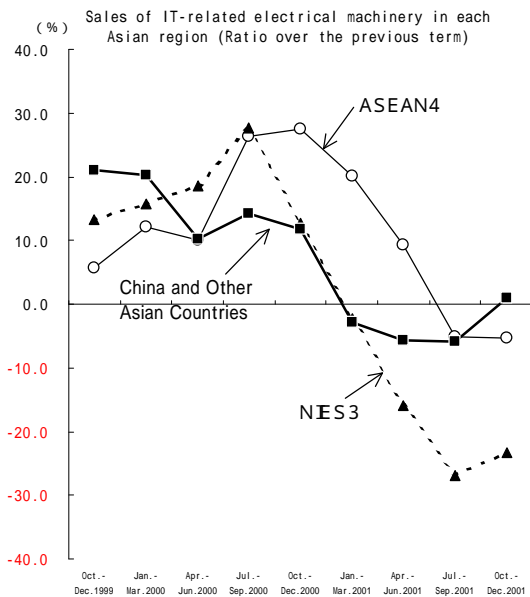
With regard to sales of electrical machinery by region, since the peak in the July-September term of 2000, IT-related electrical machinery has slowed its rate of increase drastically in each region, and then the sales turned to decrease. IT-related electrical machinery saw a sharp fall in sales in each region in the July-September term of 2001, whereas the rate of decrease diminished in Asia and Europe in this term.

On the other hand, as for general electrical machinery, the growth rate has developed on a steady level compared with IT-related electrical machinery.



With regard to Asian regions, sales of IT-related electrical machinery plummeted in NIES' three countries.

On the contrary, general electrical machinery has showed a steady trend in the rate of increase compared with IT-related electrical machinery. In NIES' three countries, however, sales of general machinery have dropped sharply together with IT-related electrical machinery.



(Note) Of electrical machinery, IT-related electrical machinery represented electronic computers, electronic and communication equipments and parts and integrated circuits, etc. General electrical machinery represented household electric machinery, acoustic equipments and heavy electrical equipments, etc. other than IT-related electrical machinery.

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

