

## The Behavior of Overseas Subsidiaries

### (Quarterly Survey of Japanese Business Activities)

Results for January-March 2002 and Prospects for April-September 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 April-September term of 2002), each DI of sales, equipment investments and employment increased from the previous term.
- Sales for the January-March term of 2002 increased slightly for the first time in three quarters. By the type of industry, transport equipment's sales continued to increase favorably, whereas electrical machinery's have still remained stagnant.
- With regard to China and other Asia, all of sales, equipment investments and employment increased in this term.

The survey was conducted in mid- May of 2002.

#### Points of the survey in this term

1. **The DI (note 1) of sales by overseas subsidiaries sharply increased.**  
The DI of sales showed the highest climb since the commencement of the survey. By region, the prospects for sales increased in all regions such as North America, China and other Asia.
2. **With regard to sales for the January-March term of 2002, transport equipment's sales increased favorably, whereas electrical machinery's have still remained stagnant.**  
Transport equipment's sales increased in North America and Europe. Electrical machinery's decreased in all regions other than China and other Asia, partly due to the falling demand for IT-related electrical machinery.  
In China and other Asia, sales of transport equipment and electrical machinery were satisfactory.
3. **The DI of equipment investments showed a rise.**  
The prospects of equipment investments showed a rise, mainly in electrical machinery and industrial machinery. Especially, electrical machinery turned to a positive figure in the DI for the first time in three periods.
4. **The DI of employment showed a climb.**  
The prospects of employment showed a climb after two periods of decline. By region, the DI increased in all regions. The level of DI, having continued to show a negative figure, turned to a positive figure for the first time in five periods.
5. **In China and other Asia, business activities of overseas subsidiaries were satisfactory.**  
Sales, equipment investments and employment improved in this term (the January-March term of 2002), and in DIs, sales and employment increased. While the DI of equipment investments declined from the previous term (the January-June term of 2002), it has remained at a high level.

Note 1: 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 January-March quarter of 2002 (prospects for the April-September 2002 term)  
DI for the previous term: DI gained from the survey of the October-December quarter of 2001 (prospects for the January-June 2002)  
A positive figure of DI compared with the previous term shows improvement, and a negative one shows worsening.

Note 2: The term of survey for equipment investments was changed from a semi-annual term to a quarter at the survey for the April-June term of 2001. Accordingly, the comparison of this term's equipment investments with the same period of last year is based on the data of the period from October 2001 to March 2002.

## 1. Sales

- The DI of sales (the prospects for the April-September term of 2002) increased for the second consecutive term, marking the biggest increase since the beginning of the survey.
- On a yen basis, sales increased slightly by 0.7 percent from the same period of the previous term for the first time in three quarters.
- By the type of industry, transport equipment increased for the ninth consecutive term, and electrical machinery posted a decrease for the fourth straight term.

(1) The DI (note 1) of sales by overseas subsidiaries increased 20.2 percent points (8.9 to 29.1) from the previous term for the second straight term of increase. The DI increased sharply in the previous quarter, after marking the biggest negative growth rate since the beginning of the survey (the October-December term of 1996) in the quarter before the previous, and then it showed the biggest growth rate since the commencement of the survey in this quarter.

- By the type of industry, the outlook increased in twelve industries excluding food and tobacco, and the rates of increase were double-digit percent in the twelve industries. The level of DI showed plus figures in all industries.
- By region, the prospects for sales increased in all regions, following the previous term and the growth rate also increased. The level of DI marked plus figures in all regions, as NIES3' turned to a positive figure after the negative in the previous term.

(2) On a yen basis (note 2), sales by overseas affiliates increased slightly by 0.7 percent from the same period of the previous year for the first time in three quarters, partly because of yen's fall against local currencies (the dollar, up 12.2 percent and the euro, up 6.5 percent from the same term of last year).

- By the type of industry, nine out of thirteen industries posted increase in sales such as transport equipment. In contrast, electrical machinery registered a fall for the fourth consecutive quarter partly due to falling demand for IT-related electrical machinery.
- By region, overseas subsidiaries increased sales in China and other Asia, Europe and ASEAN4, whereas they diminished sales in NIES3 and North America. In all regions other than NIES3, transport equipment showed a rise in sales. On the other hand, sales of electrical machinery decreased in all regions other than China and other Asia.

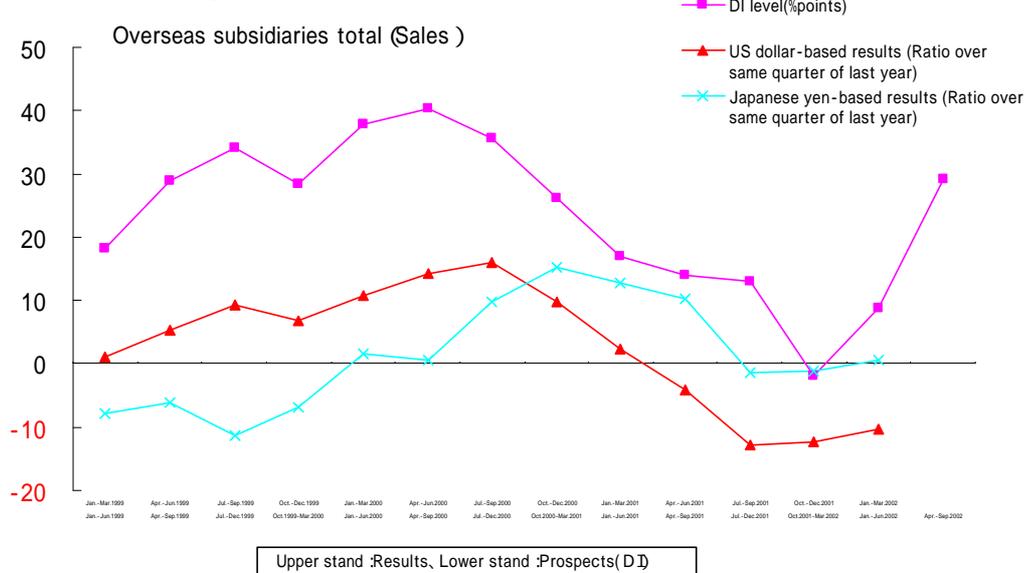
### Results for January-March 2002 and Prospects for April-September 2002 by Region

		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	0.7	-1.1		2.9		-6.5		14.0		3.8
	Prospects (Ratio over previous term )	20.2	25.3		23.1		31.5		11.0		10.1
	DI(Levels) Previous term This term	8.9 29.1	4.9 30.2	10.7 33.8	-9.0 22.5	21.1 32.1	6.9 17.0				
Number of employees	Results (Ratio over same quarter of last	-4.2	-8.7		-4.7		-10.1		4.3		-5.3
	Prospects (Ratio over previous term )	9.6	14.4		10.6		7.5		4.7		13.1
	DI(Levels) Previous term This term	-8.0 1.6	-19.6 -5.2	-7.9 2.7	-21.1 -13.6	9.9 14.6	-10.8 2.3				
Equipment investments	Prospects (Ratio over previous term )	4.6	1.9		7.5		11.0		-1.5		10.5
	DI(Levels) Previous term This term	8.2 12.8	3.6 5.5	7.4 14.9	-9.3 1.7	20.7 19.2	4.8 15.3				

### Results for January-March 2002 and Prospects for April-September 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		
Sales	Results (Ratio over same quarter of last	0.7	13.1		3.1		-10.1		6.3		
	Prospects (Ratio over previous term )	20.2	18.7		24.4		23.1		16.9		
	DI(Levels) Previous term This term	8.9 29.1	18.3 37.0	-1.1 23.3	-1.3 21.8	23.6 40.5					
Number of employees	Results (Ratio over same quarter of last	-4.2	-1.7		-6.0		-6.9		-1.2		
	Prospects (Ratio over previous term )	9.6	7.6		14.0		14.2		7.2		
	DI(Levels) Previous term This term	-8.0 1.6	-4.0 3.6	-14.5 -0.5	-17.7 -3.5	5.4 12.6					
Equipment investments	Prospects (Ratio over previous term )	4.6	-6.9		13.0		17.9		0.2		
	DI(Levels) Previous term This term	8.2 12.8	17.1 10.2	4.9 17.9	-3.2 14.7	22.5 22.7					

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



### 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 April-September term of 2002) showed a rise.
- With regard to results of this term (the October-March term of 2001-2002), by the type of industry, transport equipment increased investments, and by region, the equipment investments increased in North America, and China and other Asia.

(1) The DI of equipment investments rose 4.6 percent points (8.2 to 12.8) from the previous term.

- By the type of industry, the forecast brightened in seven out of thirteen industries, mainly in electrical machinery and industrial machinery. With regard to the DI level, electrical machinery marked a plus figure in this term for the first time in three terms.

- By region, the outlook for equipment investments increased in all regions other than China and other Asia. The level of DI marked a plus figure in all regions, as NIES3, having continued to post a negative figure, turned to a positive digit. Among others, China and other Asia have shown a double-digit plus in the DI level.

(2) Comparing the equipment investments results of this term (the October -March term of 2001-2002) of major industries with the same period of the previous year, overseas subsidiaries' investments declined. By region, North America, and China and other Asia showed rises in the investments and by the type of industry, transport equipment showed an increase, whereas other industries, mainly electrical machinery, showed drops.

#### Changes in Equipment Investments by Major Industry (Ratio over same period of last year)

	Oct.1999- Mar.2000	Apr.- Sep.2000	Oct.2000- Mar.2001	Apr.- Sep.2001	Oct.2001- Mar.2002
Total	-8.8	11.4	9.2	8.0	-5.9
Chemicals	26.0	-32.9	-42.8	8.5	-32.2
Industrial machinery	-29.2	14.6	46.5	1.8	-32.8
Electrical machinery	-10.7	42.5	30.7	-0.4	-44.1
Transportation equipment	4.6	5.2	7.7	23.0	44.5

#### Changes in Equipment Investments by Region (Ratio over same period of last year)

	Oct.1999- Mar.2000	Apr.- Sep.2000	Oct.2000- Mar.2001	Apr.- Sep.2001	Oct.2001- Mar.2002
North America	-18.1	57.1	21.0	6.0	19.3
ASEAN4	-1.8	64.4	36.0	-7.1	-34.4
NIES3	-24.1	-26.1	35.7	-31.0	-59.6
China and other	-29.7	84.9	-8.3	54.0	2.1
Europe	16.4	-49.7	-28.0	24.4	-19.5

### 3. Employment

- The number of employees (at the end of the January-March quarter of 2002) was 1,905,000 persons, down 4.2 percent from the same period a year earlier, marking a fall for the third consecutive term.
- The DI of the number of employees (the prospects for the April-September term of 2002) increased for the first time in three terms.

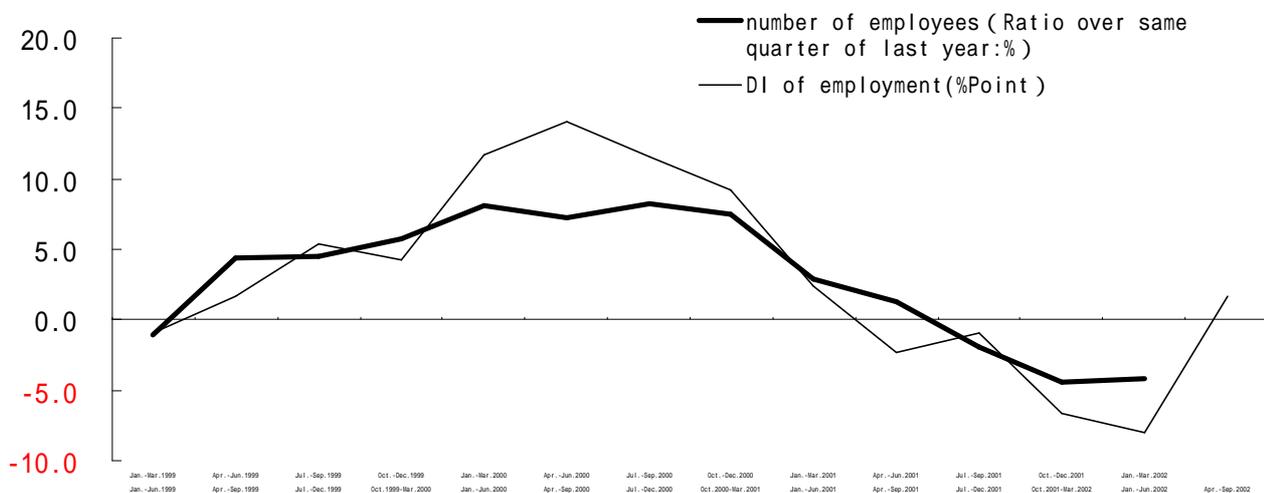
(1) The number of employees (at the end of this term) was 1,905,000 persons, down 4.2% on a year-over-year basis. The rate of increase had slowed after reaching its peak in the July-September quarter of 2000. The number of employees dropped for the third consecutive quarter since the July-September quarter of 2001 in this term.

- By the type of industry, the number of employees slid in ten 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 four straight terms.
- By region, the number of employees fell in all regions other than China and other Asia. In North America, it declined in all industries.

(2) The DI of employment increased 9.6 percent points from the previous term after two terms of decline. The level of DI marked a positive figure (minus 8.0 to 1.6) for the first time in five terms.

- Seen by the type of industries, the forecast increased in eleven industries including general machinery and electrical machinery. Electrical machinery, comprising more than 40 percent of the total employment, recovered after seven terms of decline, whereas its DI level has seen a negative figure for six straight terms.
- By region, the DIs of employment increased in all regions. While the DI level has still stayed at a negative figure in North America and NIES3, DI levels in ASEAN4 and in Europe turned to be positive from negative figures in the previous term.

Changes in employment (Ratio over same quarter of last year:%) and DI(%Point)



Upper stand : Results, Lower stand : D I (Prospects)

Note1:  $DI = \frac{\text{the ratio of companies expecting increase}}{\text{the ratio of companies expecting decrease}}$   
DI compared with the previous term =  $DI \text{ for this term} - DI \text{ for the previous term}$   
DI for this term: DI gained from the survey of the January-March quarter of 2002  
(prospects for the April-September 2002 term)  
DI for the previous term: DI gained from the survey of the October-December quarter of 2001  
(prospects for the January-June 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 fallen by 12.2% from the same term of last year and has fallen by 7.1% from the previous term against the yen.)  
With regard to changes in the exchange rates of local currencies to the yen, refer to page 7 "Progress of the currency rates of the main regions against the yen (reference)".

For your information:

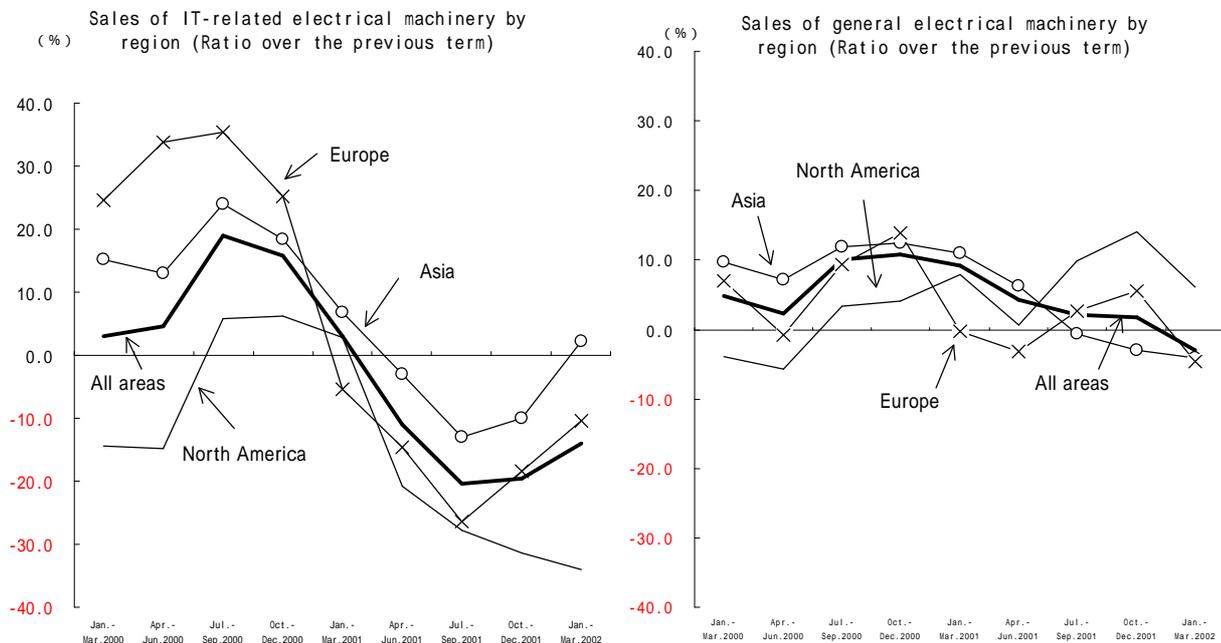
Since the previous term (the April-June quarter of 2001), "Quarterly Survey of Japanese Business Activities" has been renewed after being combined with "The Survey of Industrial and Economic Activities" under the control of Ministry of Economy, Trade and Industry. In addition, since companies included 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.

[Topics]

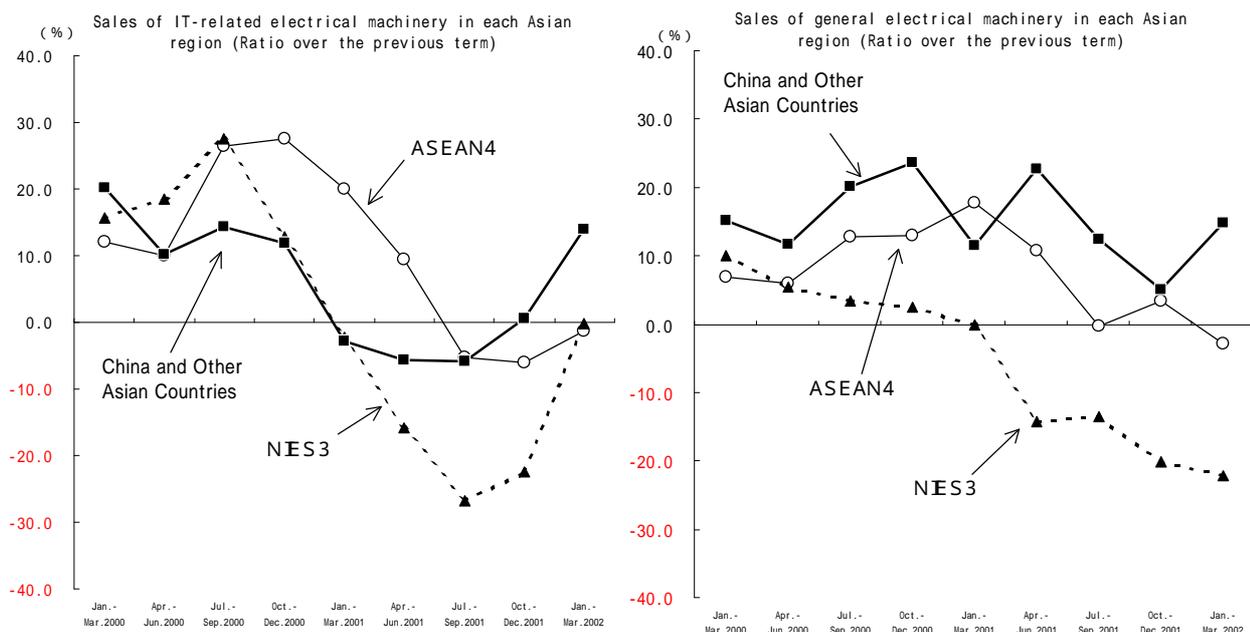
### Sales comparison of IT-related electrical machinery and general electrical machinery

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 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 since then, and sales in Asia turned to an increase 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, after the period from October to December term of 2001, sales of IT-related electrical machinery plummeted in NIES3 after the October-December term of 2000. Since then, the sales bottomed out in the July-September term of 2001, and the rate of decrease sharply diminished in NIES3 and sales of IT-related electrical machinery turned to an increase in China and other Asia.

On the contrary, general electrical machinery has showed a steady trend in the rate of increase compared with IT-related electrical machinery. In NIES3, 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 equipment and parts and integrated circuits, etc. General electrical machinery represented household electric machinery, acoustic equipment and heavy electrical equipment, etc. other than IT-related electrical machinery.

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

