

The Behavior of Overseas Subsidiaries
(Quarterly Survey of Japanese Business Activities)
Results for April -June 2002 and Prospects for July-December 2002 (DI)
Summary

Points of the survey in this term

With regard to Japanese overseas subsidiaries, sales for the April-June quarter of 2002 increased for the second straight quarter and the prospects for July-December 2002 (DI) (note 1) saw sales and employment deteriorating.

By the type of industry, both of the sales and the prospects of transportation equipment were favorable. With regard to China (including Hong Kong), sales and employment performed well. Domestic sales and exports to the other countries are strong as well.

The survey was conducted in mid- August 2002.

Points of the survey in this term

1. Transportation equipment's sales showed an upward trend, and electrical machinery's also increased for the first time in five quarters.

The sales of transportation equipment increased for the tenth straight period. By region, all regions except other regions saw their sales increase.

Electrical machinery, which had been weak in sales partly due to the decline of demand in IT-related industries, increased in all regions except Europe and other regions.

2. Prospects of Sales (DI) (Note 1) deteriorated for the first time in three terms.

While having showed a significant improvement in the previous period, sales prospects in this term deteriorated. But the DI remained on a high level.

By region, the prospects deteriorated in all regions except China (including Hong Kong).

3. Employment remained flat, and Prospects of employment (DI) (note 1) got worse.

Employment in this quarter remained flat after three consecutive periods of decline. By region, employment rose only in China (including Hong Kong). Employment prospects (DI), which had increased after two periods of decline in the previous quarter, worsened again this quarter.

4. Equipment investments declined, whereas the prospects (DI) (note 1) showed a slight rise.

Equipment investments declined, mainly in electrical machinery and industrial machinery. On the other hand, transportation equipment significantly increased with the help of rises in North America and ASEAN 4 (note 2). Equipment investments' DI of prospects also improved.

5. In China including Hong Kong, business activities of overseas subsidiaries were robust.

China including Hong Kong improved business activities in all fields except equipment investments (note 3) in this term. In addition, employment in China including Hong Kong alone improved due to a rise in electrical machinery, while declining in other regions.

The prospects of sales and equipment investments improved.

Domestic sales and exports to countries other than Japan rose and their prospects DIs also increased.

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 April-June quarter of 2002 (prospects for the July-December 2002 term)

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

A positive figure of DI compared with the previous term shows improvement, and a negative one shows worsening.

Note 2: ASEAN4: Indonesia, Thailand, Philippine and Malaysia.

Note 3: The survey of equipment investments (= the amount of acquired tangible fixed assets excluding land) have been conducted

quarterly in stead of on a semi-annual basis since the April-June term of 2001. Accordingly, the comparison of the equipment investments before the previous terms with the same period of last year is based on the data of the semi-annual term.

1. Sales

- Sales (yen-based) increased 7.4 percent from the same quarter a year ago for the second consecutive term.
- By industry, transportation equipment increased for the tenth consecutive quarter, and electrical machinery posted the first rise in five quarters.
- The DI of sales (the prospects for the July-December term of 2002) decreased for the first time in three quarters, but remained on a high level.
- By region, China including Hong Kong improved sales and the prospects DI.

(1) On a yen basis (note 2), sales by overseas subsidiaries increased by 7.4 percent from a year ago, partly because of yen's fall against local currencies (the dollar, up 3.6 percent and the euro, up 9.0 percent compared with a year earlier) and an increased sales in transportation equipment.

- By industry, eight industries, including transportation equipment, out of thirteen increased in sales. Electrical machinery, which had been in a slump partly due to the decreases of demand in IT-related industries, registered an increase for the first time in five terms and transportation equipment increased for the tenth consecutive term since the January-March quarter of 2000.
- By region, overseas subsidiaries increased sales in all regions except other regions. Especially in China including Hong Kong, sales increased for the thirteenth consecutive quarter since the April-June period of 1999, for the first time in four terms in North America and in five terms in NIES3.

(2) The DI (note 1) of sales by overseas subsidiaries fell 4.2 percentage points (28.5 to 24.3) from the previous term for the first time in three periods.

- By industry, eight industries including transportation equipment worsened. On the other hand, electrical machinery saw a moderate increase. The DI level continued to be on a positive level in all industries.
- By region, the prospects for sales worsened in all regions except China including Hong Kong. The level of

Results for April - June 2002 and Prospects for July-December 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	7.4	5.7	10.8	8.8	8.8	10.5
Prospects (Ratio over previous term)	-4.2	-8.7	-2.5	-10.1	2.2	-6.7
DI(Levels)Previous term This term	28.5 24.3	29.4 20.7	33.3 30.8	22.0 11.9	29.8 32.0	15.4 8.7
Number of employees						
Results (Ratio over same quarter of last	0.0	-4.8	-2.2	-5.1	9.9	-2.5
Prospects (Ratio over previous term)	-1.8	-2.5	-1.4	4.7	-3.9	-3.9
DI(Levels)Previous term This term	1.5 -0.3	-5.3 -7.8	3.0 1.6	-13.5 -8.8	14.3 10.4	2.5 -1.4
Equipment investments						
Results (Ratio over same quarter of last	-22.7	-19.6	-38.2	-24.0	-29.6	-14.7
Prospects (Ratio over previous term)	0.1	2.1	-0.3	1.3	2.8	-4.4
DI(Levels)Previous term This term	12.8 12.9	5.8 7.9	14.6 14.3	2.1 3.4	18.5 21.3	16.5 12.1

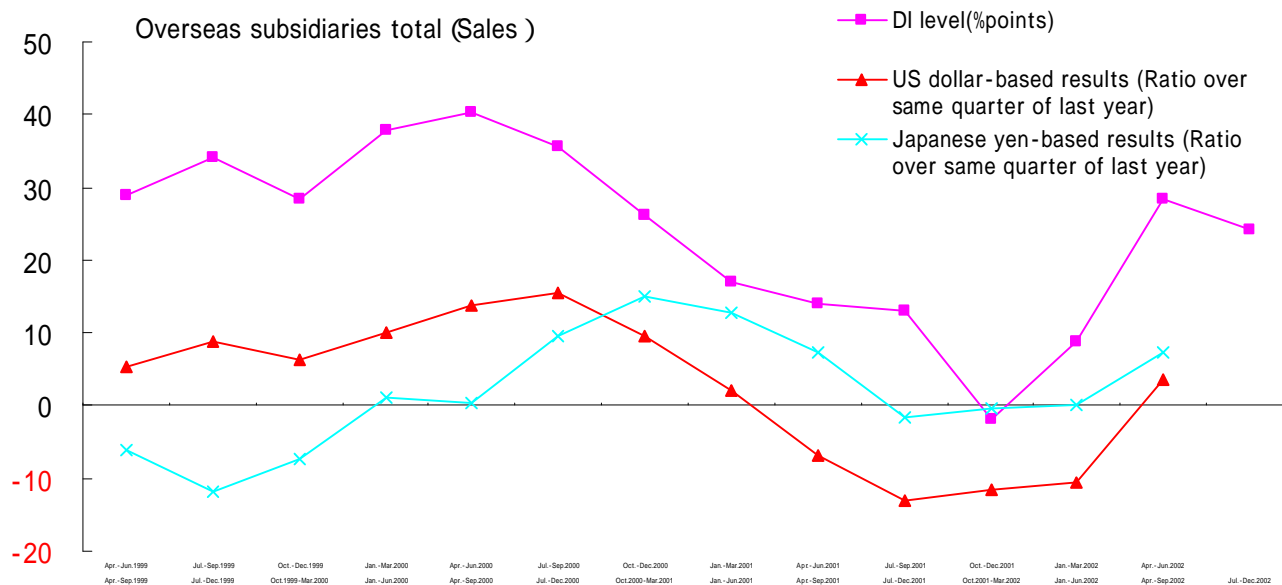
DI continued to be positive in all regions.

Results for April - June 2002 and Prospects for July-December 2002 by Type of Industry

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

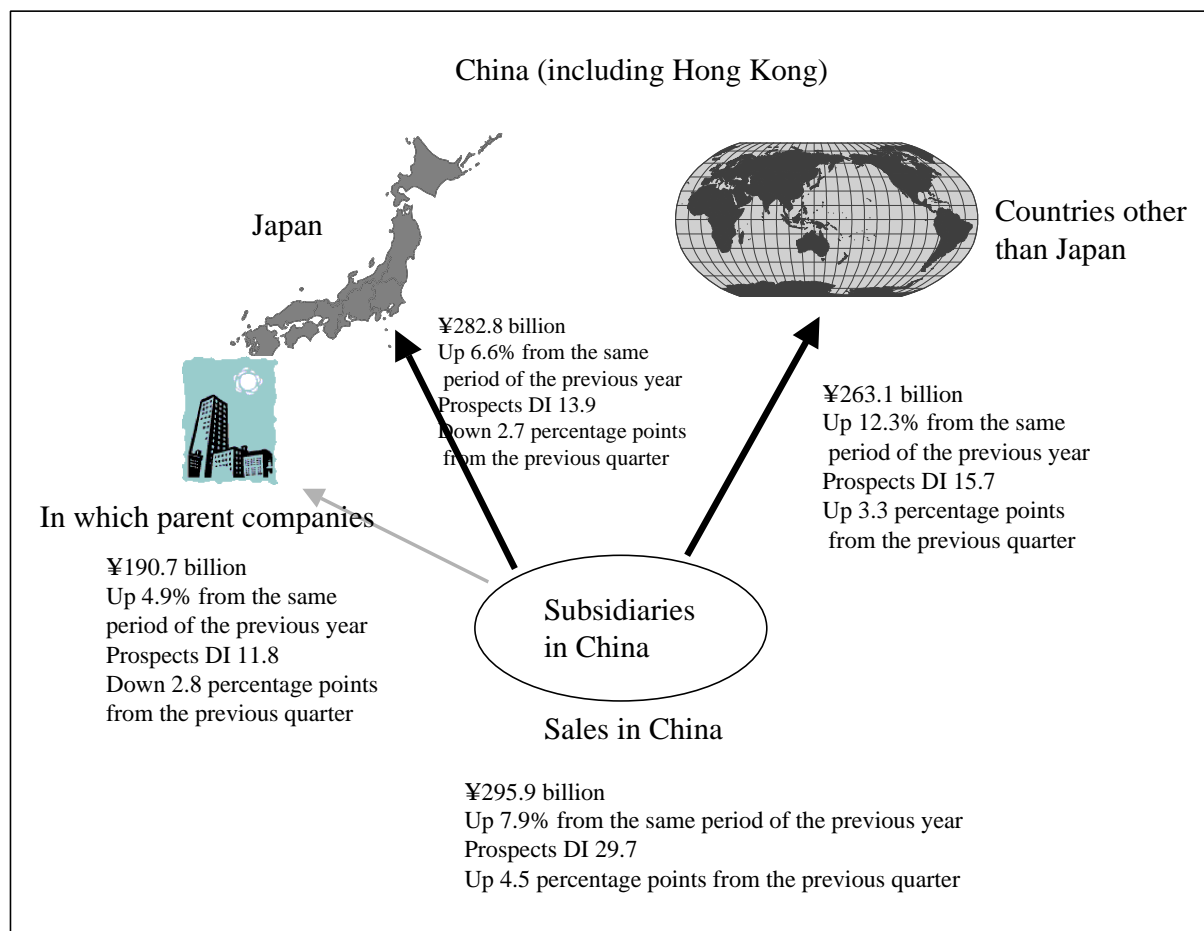
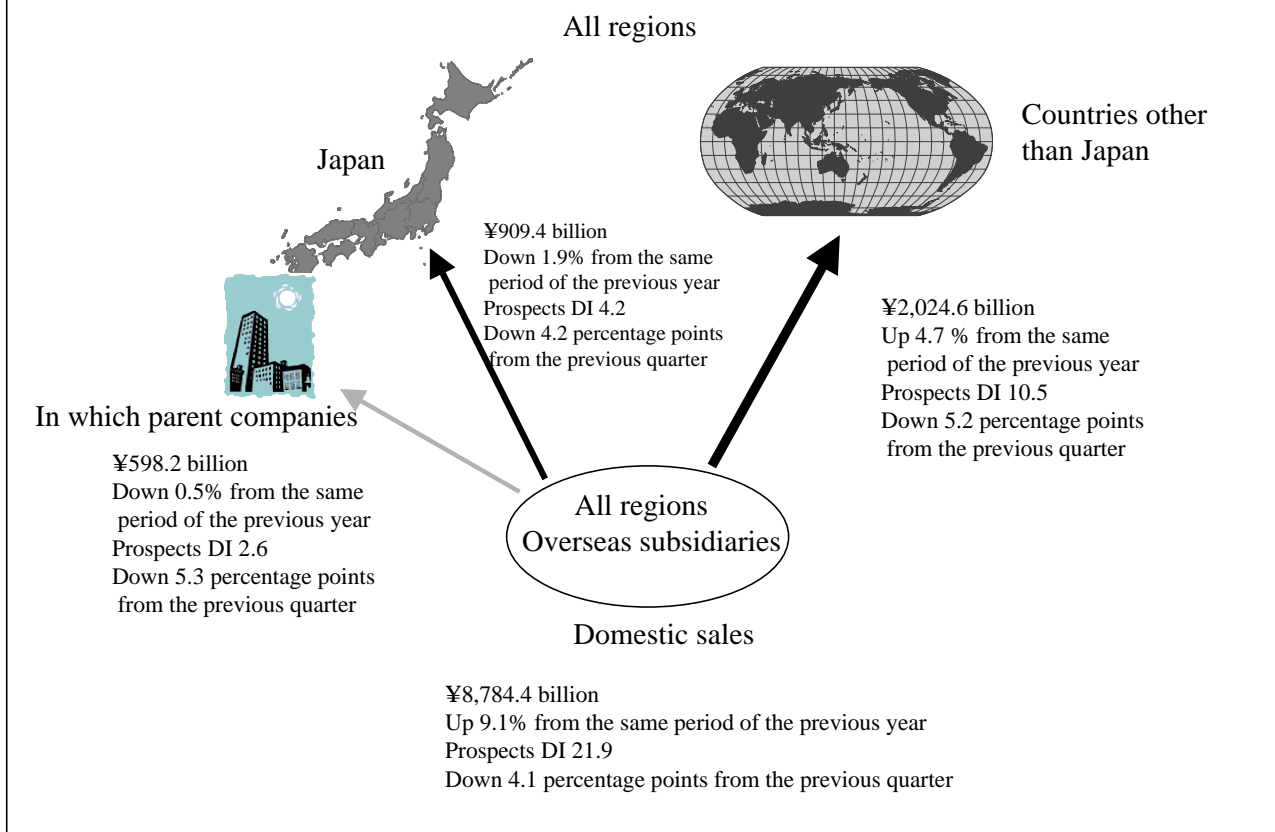
		Total	Chemicals	Industrial machinery	Electrical machinery	Transportation
Sales						
Results (Ratio over same quarter of last		7.4	-1.7	4.9	2.2	14.0
Prospects (Ratio over previous term)		-4.2	-1.6	0.1	1.2	-12.4
DI Levels	Previous term This term	28.5 24.3	36.2 34.6	23.1 23.2	21.5 22.7	41.7 29.3
Number of employees						
Results (Ratio over same quarter of last		0.0	-4.3	-4.6	-3.0	6.9
Prospects (Ratio over previous term)		-1.8	-1.4	-5.5	-0.4	1.9
DI Levels	Previous term This term	1.5 -0.3	3.1 1.7	0.0 -5.5	-3.3 -3.7	13.3 15.2
Equipment investments						
Results (Ratio over same quarter of last		-22.7	-68.5	-30.0	-45.7	24.5
Prospects (Ratio over previous term)		0.1	5.7	-3.3	-6.7	5.9
DI Levels	Previous term This term	12.8 12.9	10.2 15.9	17.9 14.6	14.3 7.6	22.5 28.4

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



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

Domestic Sales, Exports to Japan and Other Than Japan and Exports to Parent Companies



Top stand: Results for the April-June period of 2002

Middle upper stand: Change on previous year

Middle lower stand: Prospects DI level for the July-December quarter of 2002

Bottom stand: Change on previous quarter (Unit: percentage points)

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

- Equipment investments declined 22.7 % from the same period of the previous year.
- By the type of industry, transportation equipment saw equipment investments increase, and by region, the investments grew in North America and ASEAN 4.
- The DI of equipment investments (the prospects for the July-December quarter of 2002) showed a rise.

(1) Equipment investments posted a 22.7 % decrease from the same period of the previous year.

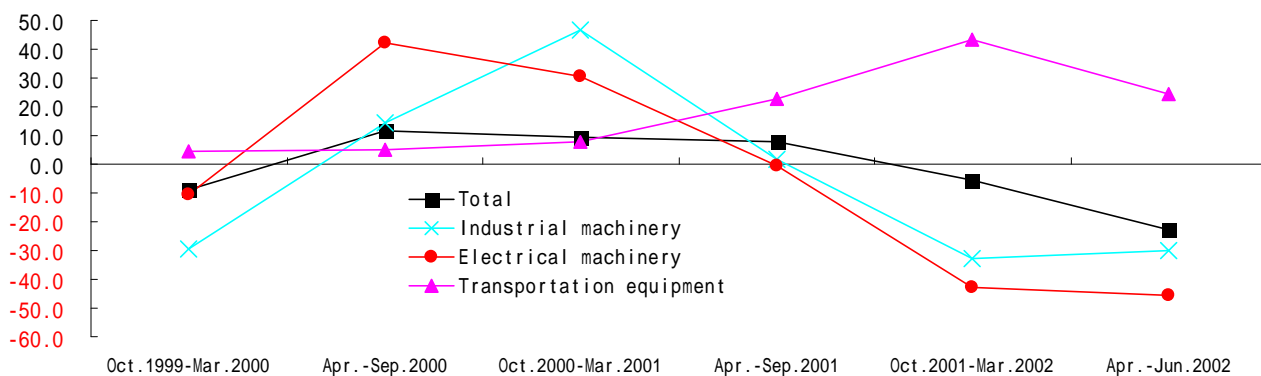
• By the type of industry, nine industries, including electrical machinery and industrial machinery, out of thirteen declined. On the other hand, transportation equipment increased 24.5% from the same period of the previous year due to rises in regions including North America and ASEAN 4.

(2) The DI (note 1) of equipment investments slightly rose to 0.1 percentage points (12.8 to 12.9) from the previous term.

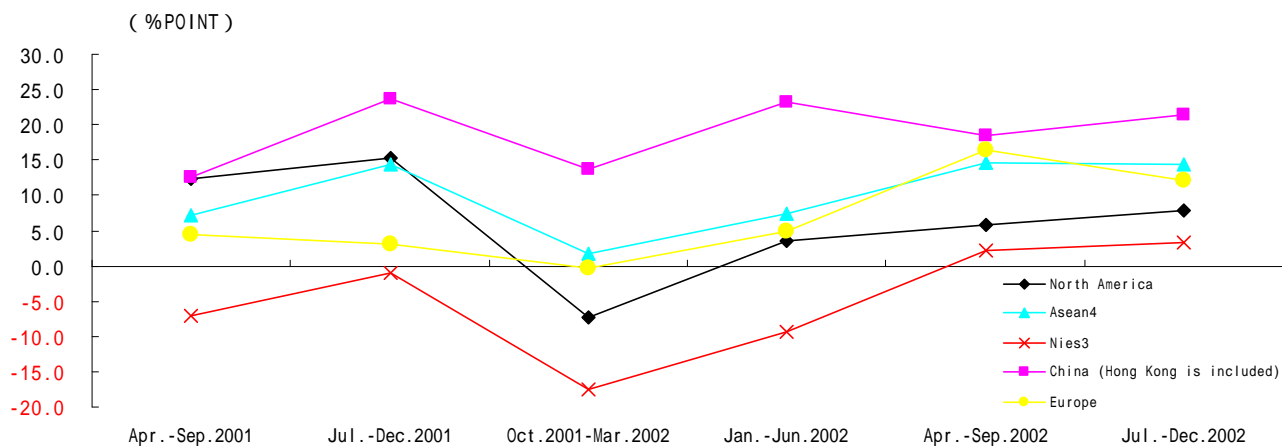
• By the type of industry, the forecast brightened in seven out of thirteen industries, mainly in transportation equipment. Electrical machinery, industrial machinery, etc. worsened.

• By region, the outlook for equipment investments increased in China including Hong Kong, North America and NIES3. The level of DI marked a plus figure in all regions, among which China including Hong Kong have shown a double-digit one.

Changes in Equipment Investments of Major Industries (Change on previous year)



Changes of DI levels in Equipment Investments by Region



3. Employment

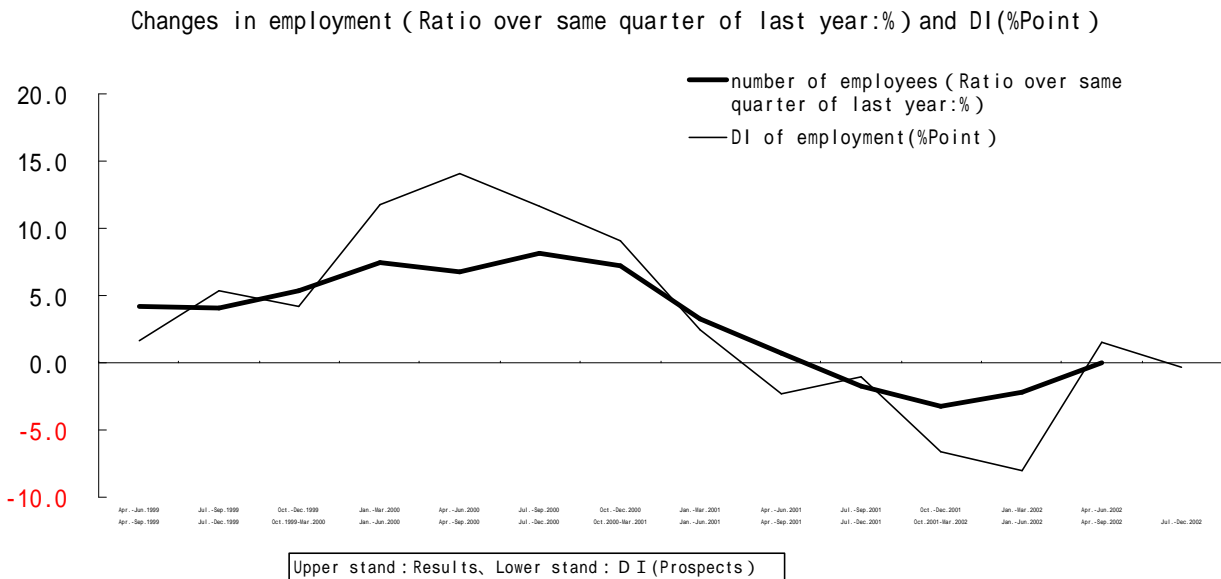
- The number of employees (at the end of the April-June quarter of 2002) was 1,937,000 people, unchanged from the same period a year ago.
- The DI of the number of employees (the prospects for the July-December quarter of 2002) worsened again.

(1) The number of employees (at the end of this quarter) was 1,937,000 persons, remaining flat at 0.0% from a year earlier. The number of employees in this term was the same level as the previous year, after having declined for three quarters in a row since the July-September quarter of 2001.

- By industry, the number of employees increased in eight out of thirteen industries, mainly in transportation equipment, while five industries including electrical machinery decreased. Electrical machinery, comprising 40 percent of the total number of employees, has marked a fall for the fifth straight term.
- By region, the number of employees increased only in China (including Hong Kong), where it increased in all industries except textiles and, especially, the number significantly increased in electrical machinery and transportation equipment.

(2) The DI (note 1) of employment fell 1.8 percent points from the preceding quarter. The survey conducted in the previous term had showed an improvement for the first time in three periods. This term, however, saw the DI of employment deteriorate again. Its DI level also posted a negative figure (1.5 to minus 0.3).

- By the type of industry, the forecast worsened in ten industries including industrial machinery and electrical machinery out of thirteen, whereas it improved in transportation equipment for the third straight term. The DI level also posted a double digit for the second consecutive term.
- By region, the DI of employment fell in all regions except NIES3. However, in NIES3 where the forecast turned to be an increase, the DI level registered a negative figure for the seventh consecutive term with the lowest of all regions.



Note1: $DI = \frac{\text{the ratio of companies expecting increase}}{\text{the ratio of companies expecting decrease}}$
 $DI \text{ compared with the previous term} = DI \text{ for this term} - DI \text{ for the previous term}$
DI for this term: DI gained from the survey of the April-June quarter of 2002
(prospects for the July-December 2002 term)
DI for the previous term: DI gained from the survey of the January-March quarter of 2002
(prospects for the April-September 2002)

Note 2: In terms of local currencies of countries where overseas subsidiaries included in this survey locate, note that many of them rose against the yen, when comparing their present exchange rates of them to the yen with those in the same period a year ago. For example, the US dollar (= ¥127.05) has fallen by 3.6% (¥122.64) from the same term of last year and has risen by 4.1% (¥132.46) from the previous term against the yen. As for changes in the exchange rates of local currencies to the yen, refer to page 9 "Progress of the currency rates of the main regions against the yen (reference)".

For your information:

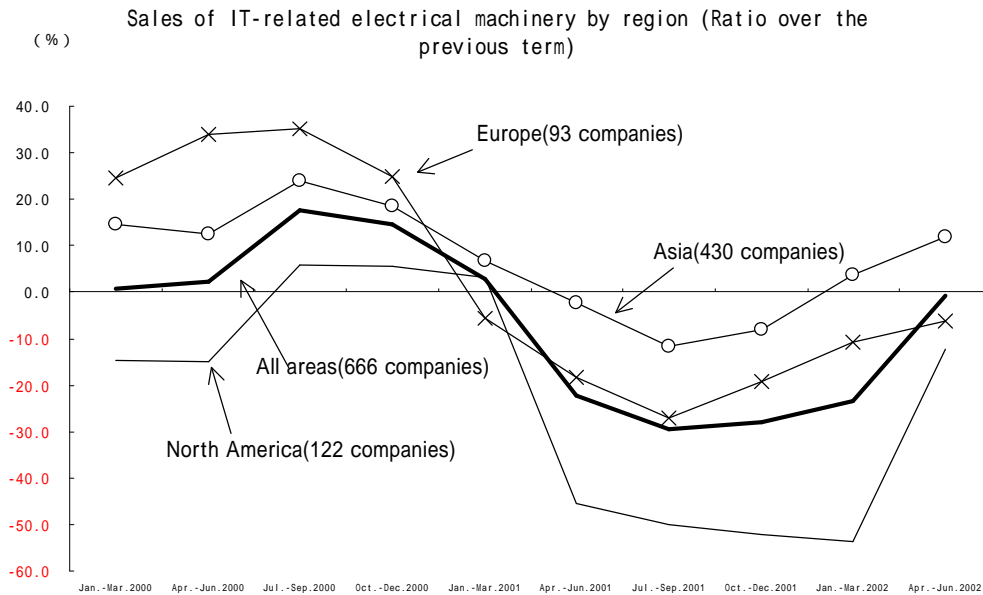
Since the previous term (the April-June quarter of 2001), "Quarterly Survey of Japanese Business Activities" has been renewed after being combined with "The Survey of Industrial and Economic Activities" under the control of Ministry of Economy, Trade and Industry. In addition, since companies included in the survey and questions to be asked were reviewed, differences have come to the fore between findings in the April-June quarter of 2001 and those in the quarterlies 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.

At the publication of the FY 2002 survey, the coefficient of connection was used for the processing of data again to maintain consistency with the past data with the method changed to a comparison method based on the survey conducted in FY 2001.

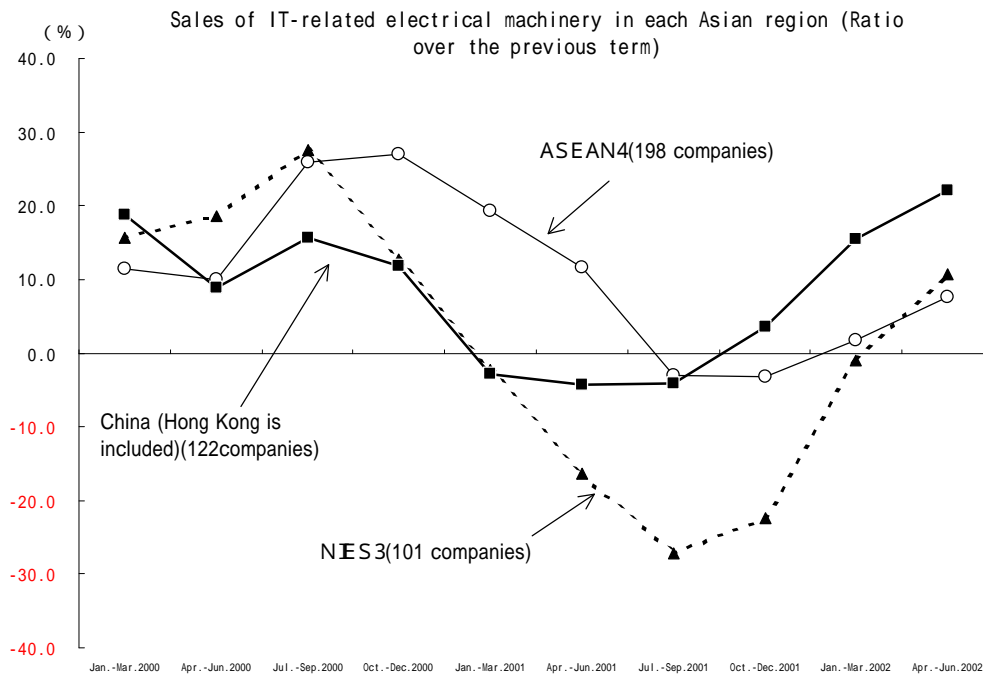
Performance figures for each term as well as "the amount of acquired tangible fixed assets (= equipment investments)" over a year earlier were not adjusted.

IT-related Development in Electrical Machinery

With regard to sales of electrical machinery by region, since the peak in the July-September quarter of 2000, IT-related electrical machinery has slowed its rate of increase drastically in each region, and then, after hitting the bottom in Asia and Europe in the July-September quarter of 2001 and in North America in the January-March term of 2002, the rate of decrease diminished. Since the January-March term of 2002, sales in Asia have turned to be on an upward trend.



With regard to Asian regions, sales of IT-related electrical machinery plummeted especially in NIES3 after the October-December term of 2002. After that, 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 including Hong Kong. This term saw the sales increase in all regions.



Note 1: Of electrical machinery, IT-related electrical machinery represented computers, electrical communications equipment, electronic communications equipment and parts and integrated circuits, etc.

Note 2: The total figure of the sales of individual regions does not equal the total figure of overseas subsidiaries sales and the total of Asian sales because other regions and some Asian regions are excluded from the "regions".

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

