

Trends in Overseas Subsidiaries
Quarterly Survey of Overseas Subsidiaries (October – December, 2004)

Summary

Prospects DI for April – June, 2005

- The Sales Prospects DI showed a significant improvement. In particular, that for Asia registered a huge gain due to improved business sentiments for the current quarter in the electrical machinery sector.
- The Capital Investments DI also increased for all regions due to improved business sentiments for the current quarter.
- The Employment DI picked up slightly for all regions except NIEs3, for which the index showed a deterioration.

Actual Results for October – December, 2004

- Sales posted the fifth straight quarter of double-digit growth on a year-to-year basis. The increase in sales was observed in all regions and was especially brisk in such sectors as electrical machinery and transportation equipment. Sales in Asia showed no sign of slowing. The electrical machinery sector in China continued to grow strongly.
- Capital investments in ASEAN4, China and Europe expanded considerably.
- The number of employees continued to surge in Asia and Europe.

Important points in the survey

* Note: The survey was conducted as of the middle of February 2005.

- 1. The Sales Prospects DI improved significantly, and was 16.7 percentage points higher than the Current Sales Assessment DI^{*1}. Actual sales (on a US-dollar basis) remained strong, increasing 14.6% compared to the same quarter of the previous year, and marking the fifth consecutive quarter of a double-digit growth on a year-to-year basis.**

The Prospects DI was positive for all regions. In particular, the Prospects DI for NIEs3^{*2}, which rebounded from the negative impact of factors such as production adjustments in the IT sector, increased significantly. Compared with the Current Assessment DI, the Prospects DI improved for all regions. In particular, the Prospects DI for the Asian region saw a significant gain. The Prospects DI for North America showed steady recovery due to good performance in the electrical machinery sector, etc. The Prospects DI for Europe showed a slight improvement.

Actual sales continued to rise in all regions. Compared to the previous year, sales in Asia posted their tenth straight quarter of double-digit growth. In particular, sales in China continued to increase sharply due to expansion in the electrical machinery sector. Sales in North America and Europe registered a gain due to strong performance in the transport equipment sector.

- 2. The Capital Investment Prospects DI exceeded the Current Capital Investment Assessment DI by 5.0 percentage points. Actual capital investment increased 13.9% compared with the same quarter a year ago, for the eighth consecutive quarter of double-digit growth.**

The Prospects DI was positive for all regions. Compared with the Current Assessment DI for the current quarter, the Prospects DI improved for all regions. The Prospects DI for the Asian region increased due to recovery in the electrical machinery sector. The Prospects DI for Europe showed a slight gain.

Actual capital investment expanded in all regions except in North America and NIEs. Capital investment in Asia continued its upward trend. In particular, investment in ASEAN4^{*3} saw its fourth consecutive quarter of significant increase on a year-to-year basis, due to favorable conditions in the transportation equipment sector. Capital investment in China saw a sharp increase backed by bumper sales in the electrical machinery sector. Capital investment in Europe was also active, registering the second consecutive quarter of substantial year-on-year growth.

3. The Employment Prospects DI improved marginally, exceeding the Current Employment Assessment DI by 1.9 percentage points. The number of employees increased 4.4% compared with the same quarter the previous year, marking the eleventh consecutive quarter of double-digit year-on-year growth.

The Prospects DI remained positive for all regions other than NIEs3. Compared to the Current Assessment DI, it improved for all regions except NIEs3. The Prospects DI for North America rose due to recovery in the electrical machinery sector. The Prospects DI for Europe and Asia also continued its upward trend. As for Asia, the Prospects DI for ASEAN4 and China showed continued growth due to favorable conditions in the electrical machinery sector, while that for NIEs3 declined because of a significant deterioration in the transportation equipment sector.

Actual employment numbers rose in all regions except in North America. Those in Asia continued to grow, with an increase of 6.2% from the same quarter a year earlier, and those in Europe also marked the third consecutive quarter of expansion on a year-on-year basis. The number of employees in China continued to grow, up 10.1% compared to the same quarter the previous year. The rate of increase was significant in such sectors as electrical machinery. The number of employees in ASEAN4 also saw a hike.

*1: The DI survey period was revised to three months from the period of April to June 2004. (The previous single six-month survey period was divided into the “current assessment” period and the “prospects” period, each of which is a three-month quarter.)

- $DI = (\text{Proportion of companies that responded that they expected an increase}) - (\text{Proportion of companies that responded that they expected a decrease})$
- Quarterly Changes in Current Assessment DI = Current Assessment DI for January to March 2005 – Current Assessment DI for October to December 2004
- Quarterly Changes in Prospects DI = Prospects DI for April to June 2005 – Current Assessment DI for January to March 2005

*2: NIEs3: Singapore, Taiwan, and the Republic of Korea

*3: ASEAN4: Indonesia, Thailand, the Philippines, and Malaysia

1. Sales

The Sales Prospects DI (for the quarter from April to June, 2005) improved significantly, and was 16.7 percentage points higher than the Current Sales Assessment DI.

The Prospects DI continued to be positive for all regions. In particular, the Prospects DI for NIEs3, which had recovered from the negative impact of factors such as production adjustments in the IT sector, saw a substantial pick-up. Compared to the Current Assessment DI, the Prospects DI improved for all regions. The Prospects DI for North America continued its upward trend supported by recovery in the electrical machinery sector. The Prospects DI for Asia rose drastically due to an improvement in the electrical machinery sector. The overall Prospects DI for Europe climbed slightly, backed by an improvement in such sectors as chemicals, although the DI in the transportation equipment and electrical machinery sectors worsened. In Asia, the Prospects DI for ASEAN4, NIEs3, and China improved, due to recovery in the electrical machinery sector.

Actual sales (on a US dollar basis) increased by 14.6% compared to the same quarter the previous year, marking the fifth consecutive quarter of year-on-year double-digit growth.

Actual sales continued to increase in all regions. Those in Asia registered the tenth straight quarter of year-on-year double-digit growth. Those in North America continued their upward trend, due to brisk performance in the transportation equipment sectors, and those in Europe continued their upward trend, due to brisk performance in transportation equipment and electrical machinery sectors. As for actual sales in Asia, those in China remained strong due to good results in the electrical machinery sector, while those in NIEs3 continued their declining trend as in the previous quarter.

Reference: Overseas economies: The North American economy is expanding. The Asian economy is continuing to grow strongly, as seen in countries such as China and Thailand. The European economy is showing signs of a moderate recovery. The economy in the UK is steadily improving. (Excerpt from the March issue of *The Monthly Economic Report*)

- (1) The Sales Current Assessment DI for the current quarter (January - March, 2005) stood at 9.7 percentage points, 3.5 points lower than that for the previous quarter (October - December, 2004).

The Prospects DI for the next quarter (April - June, 2005) improved significantly, reaching 26.4 percentage points, which was 16.7 points higher than the Current Assessment DI for the current quarter (January - March, 2005) (see Table 1, Chart1 and Chart2).

- The Prospects DI remained positive in all regions. In particular, that for NIEs3, which emerged from the negative impact of production adjustments in the IT sector, etc., showed a significant recovery.

The Prospects DI for North America remained on a recovery footing (6.9 percentage points higher than the Current Assessment DI for the current quarter) amid an improvement in the electrical machinery sector. The Prospects DI for Asia surged considerably (21.9 percentage points higher than the Current Assessment DI for the current quarter) due to an expansion in the industrial machinery and electrical machinery sectors. The Prospects DI for Europe showed slight growth (2.3 percentage points higher than the Current Assessment DI for the current quarter) due to improvements in sectors such as chemicals, in spite of deterioration in primary sectors such as electrical machinery and transportation equipment. The DI for in Asia, China rose by 24.9 percentage points thanks to improvements in electrical machinery sectors. The DI for ASEAN4 and that for NIEs3 also surged dramatically (20.3 points and 24.0 points higher than the Current Assessment DI for the current quarter, respectively).

(2) Actual sales (on a US-dollar basis) increased by 14.6% compared to the same quarter the previous year, for the fifth consecutive quarter of double-digit year-on-year growth (see Table 1, Chart1 and Chart3).

- Actual sales picked up in all regions. In particular, those in Asia registered the tenth straight quarter of double-digit growth on a year-on-year basis. Actual sales in China retained their strong momentum with an increase of 25.6% from the same quarter the previous year, with 12 of the 13 surveyed sectors experiencing sales expansion. Those in ASEAN4 posted a 16.7% increase from the same quarter last year due to good performance in the transportation equipment sector (especially in Thailand), although the year-on-year quarterly sales growth for the electrical machinery sector remained at a single-digit level (3.9%) for the first time in four quarters. Actual sales in NIEs3 showed a slight increase of 3.9% compared to the same quarter the previous year. The year-on-year quarterly sales growth in NIEs3 stood at only 3.9% on account of weak sales in the electrical machinery sector (down 12.9% from the same quarter last year), which resulted from declining exports in the IT-related sectors, although the transportation equipment sectors registered favorable sales (up 32.4% from the same quarter last year). Actual sales in North America expanded 12.5% compared with the same quarter last year, backed by good results in the transportation equipment sector as the primary driver. Those in Europe surged by 14.4% from the same quarter last year due to expansion in the electric machinery and transportation equipment sectors, leading to the fifth straight quarter of double-digit year-on-year growth.

Table 1 Sales DI and Actual Results (by Region and Main Industries)

Unit (comparison to same quarter of previos year:%, comparison to the previous year:percentage points)

Region	Total	North America	Asia	ASEAN4 (see Note 3)	NIEs3 (see Note 2)	China (including Hong Kong)	Europe
DI	13.2 9.7 26.4	11.1 17.3 24.2	12.8 7.8 29.7	6.9 11.6 31.9	-0.4 -10.2 13.6	24.3 9.5 34.4	20.7 13.5 15.8
DI comparison to the previous year	(-3.5) 16.7	(6.2) 6.9	(-5.0) 21.9	(4.7) 20.3	(-9.8) 24.0	(-14.8) 24.9	(-7.2) 2.3
Results (comparison to same quarter of previos year)	14.6	12.5	17.0	16.7	3.9	25.6	14.4
Industry	Transportation equipment	Electrical machinery	Industrial machinery	Chemicals	Iron & Steel		
DI	18.4 22.6 25.6	6.7 -3.3 22.3	24.4 12.9 28.5	17.3 15.8 30.7	7.5 30.6 32.2		
DI comparison to the previous year	(4.2) 3.0	(-10.0) 25.6	(-11.5) 15.6	(-1.5) 14.9	(23.1) 1.6		
Results (comparison to same quarter of previos year)	19.1	7.5	16.2	21.8	10.2		

note : Tables are shown in the order “Oct.-Dec.2004(current assessment) Jan.-Mar.2005(current assessment) Apr.-Jun 2005(prospects).

For DI comparison to the previous year, figures in parentheses are comparison with current assessment DI, while tables not in parentheses are comparisons with prospects (see note on page 1).

Chart1 Sales DI and Actual Sales (Dollar Basis)



Chart2 Sales DI (By Region)

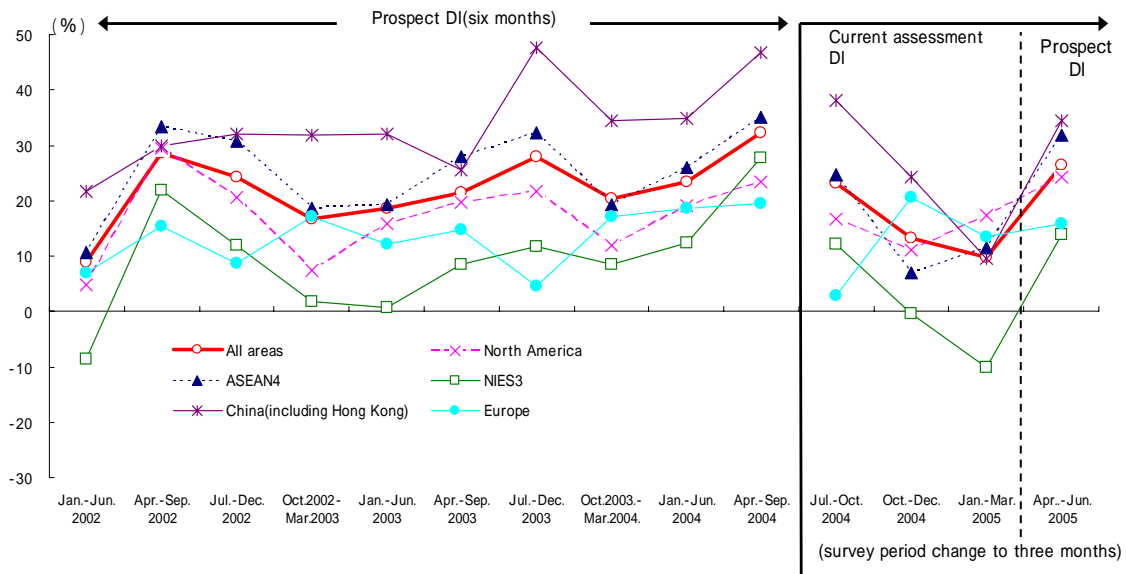
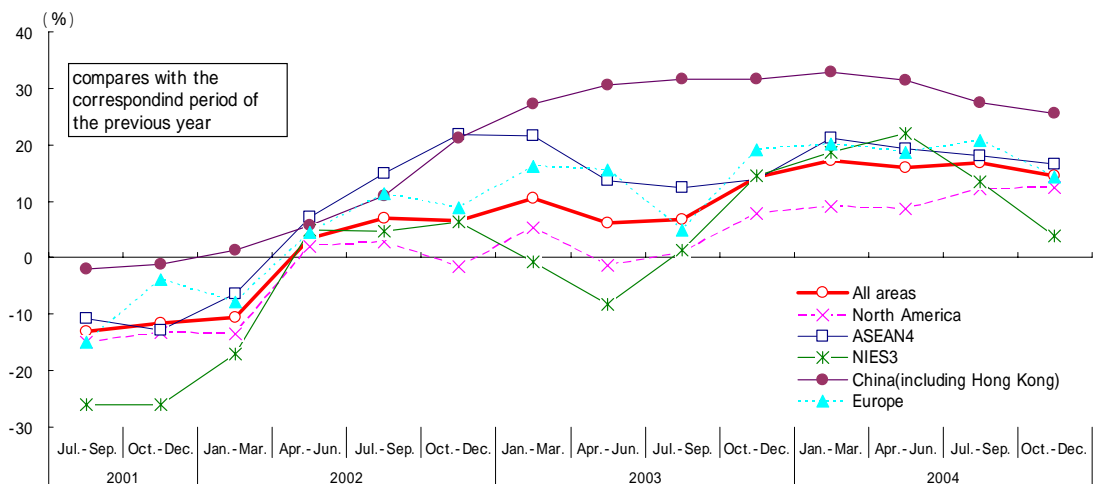


Chart3 Actual Sales (Dollar Basis) by Region



2. Capital Investment (acquisition costs of fixed assets except land)

The Capital Investment Prospects DI (for the quarter from April to June, 2005) exceeded the Current Capital Investment Assessment DI by 5.0 percentage points.

Compared to the Current Assessment DI, the Prospects DI improved for all regions. The Prospects DI remained positive for all regions.

The Prospects DI for North America continued its upward trend due to recovery in the electrical machinery sector.

The Prospects DI for Asia increased due to improved results in the electrical machinery sector, etc.

The Prospects DI for Europe surged slightly.

In particular, the Prospects DI for ASEAN4 and NIEs3 picked up significantly.

Actual capital investment (on a US dollar basis) increased 13.9% from the same quarter a year earlier, for the eighth consecutive quarter of growth on a year-on-year basis.

Capital investment expanded in all regions except North America and NIEs3. Capital investment in Asia continued its upward trend. That in Europe also saw its second straight year-on-year quarterly growth. In Asia, capital investment in ASEAN4 registered its fourth straight quarter of growth due to good results in the transportation equipment sector. Investment in China also surged significantly, led by steady conditions in the electrical machinery sector, while that in NIEs3 showed a drop for the first time in three quarters because of a significant decline in the electrical machinery sector.

- (1) The Capital Investment Current Assessment DI for the current quarter (January to March, 2005) stood at 8.4 percentage points, 3.7 points lower than that for the previous quarter (October - December 2004).

The Capital Investment Prospects DI for the next quarter (April - June, 2005) stood at 13.4 percentage points, 5.0 points higher than the Capital Investment Current Assessment DI for the current quarter (January - March, 2005) (see Table 2 and Chart4).

- Compared to the Current Assessment DI for the current quarter, the Prospects DI improved for all regions. The Prospects DI remained positive for all regions.

The Prospects DI for North America continued its upward trend (2.2 percentage points higher than the Current Assessment DI for the current quarter) due to recovery in the electrical machinery sector. The Prospects DI for Asia improved (6.4 percentage points higher than the Current Assessment DI for the current quarter) due to improved results in the electrical machinery sector, etc. The Prospects DI for Europe grew slightly (0.6 percentage points higher than the Current Assessment DI for the current quarter) due to improvements in the industrial machinery sector, etc., despite a slump in the transportation equipment and electrical machinery sectors. In Asia, the Prospects DI for ASEAN4 gained 8.1 percentage points from the Current Assessment DI for the current quarter owing to good performance in 10 of the 13 surveyed industries, including the electrical machinery sector. The Prospects DI for NIEs3 also improved (7.5 percentage points higher than the Current Assessment DI for the current quarter) backed by a recovery in the electrical machinery sector. The Prospects DI for China showed a moderate recovery (2.5 percentage points higher than the Current Assessment DI for the current quarter) thanks to steady growth in the electrical machinery sector, although there was a significant deterioration in the transportation equipment sector.

- (2) Actual capital investment (on a US-dollar basis) increased 13.9% from the same quarter a year earlier, for the eighth consecutive quarter of growth (see Table 2 and Chart5).
- Actual equipment investment expanded in all regions except North America and NIEs3. Investment in Asia continued its upward trend. In particular, that in ASEAN4 registered the fourth straight quarter of year-on-year growth (up 36.3% from the same quarter last year) due to good results in the transportation equipment sector (especially in Thailand). Capital investment in China continued its robust growth (up 66.5% from the same quarter last year) due to steady conditions in the transportation equipment and electrical machinery sectors, as in the previous quarter. That in Europe continued to climb significantly as in the previous year (up 48.7% from the same quarter last year). Meanwhile, capital investment in North America declined (down 10.3% from the same quarter last year) as a result of a backlash against the previous quarter's expansion. Capital investment in NIEs3 dropped for the first time in three quarters (down 29.4% from the same quarter last year) because of a considerable shrinkage in the electrical machinery sector.

Table 2 Equipment Investment DI and Actual Result (by Region and Main Industries)

Unit (comparison to same quarter of previos year;% ,comparison to the previous year;percentage points)

Region	Total			North America			Asia			ASEAN4 (see Note 3)			NIEs3 (see Note 2)			China (including Hong Kong)			Europe		
DI	12.1	8.4	13.4	7.6	11.7	13.9	14.1	7.9	14.3	17.1	9.2	17.3	7.7	0.0	7.5	13.6	10.7	13.2	9.3	6.1	6.7
DI comparison to the previous year		(-3.7)	5.0		(4.1)	2.2		(-6.2)	6.4		(-7.9)	8.1		(-7.7)	7.5		(-2.9)	2.5		(-3.2)	0.6
Results (comparison to same quarter of previos year)			13.9			-10.3			32.9			36.3			-29.4			66.5			48.7

Industry	Transportation equipment			Electrical machinery			Industrial machinery			Chemicals			Iron & Steel		
DI	15.8	15.9	17.7	12.3	3.4	12.1	12.7	5.9	13.8	11.0	6.5	7.4	16.3	6.2	18.0
DI comparison to the previous year		(0.1)	1.8		(-8.9)	8.7		(-6.8)	7.9		(-4.5)	0.9		(-10.1)	11.8
Results (comparison to same quarter of previos year)			-1.3			43.7			8.9			50.9			31.4

note : Tables are shown in the order "Oct.-Dec.2004(current assessment) Jan.-Mar.2005(current assessment) Apr.-Jun 2005(prospects).

For DI comparison to the previous year, figures in parentheses are comparison with current assessment DI, while tables not in parentheses are comparisons with prospects (see note on page 1).

Chart4 Equipment Investment DI by Region

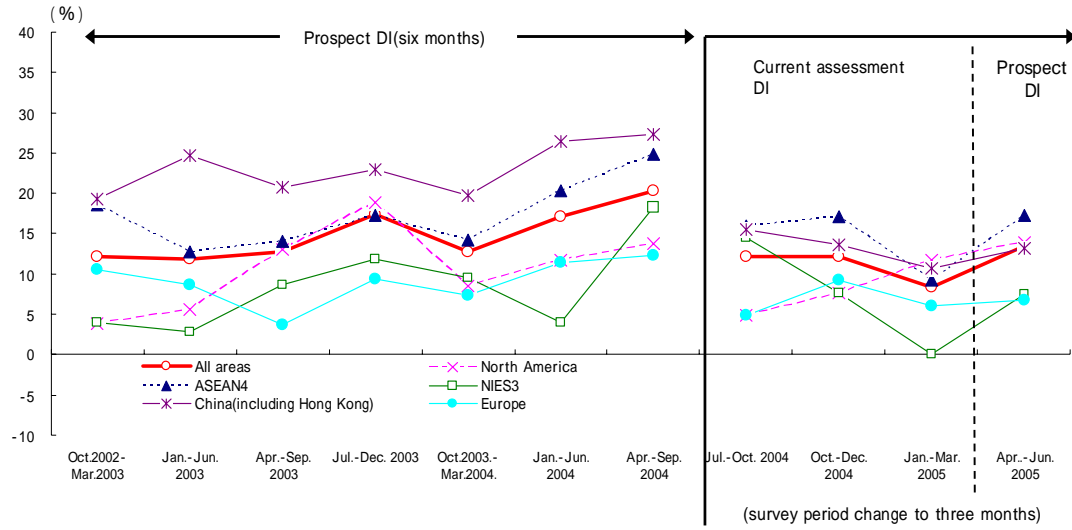
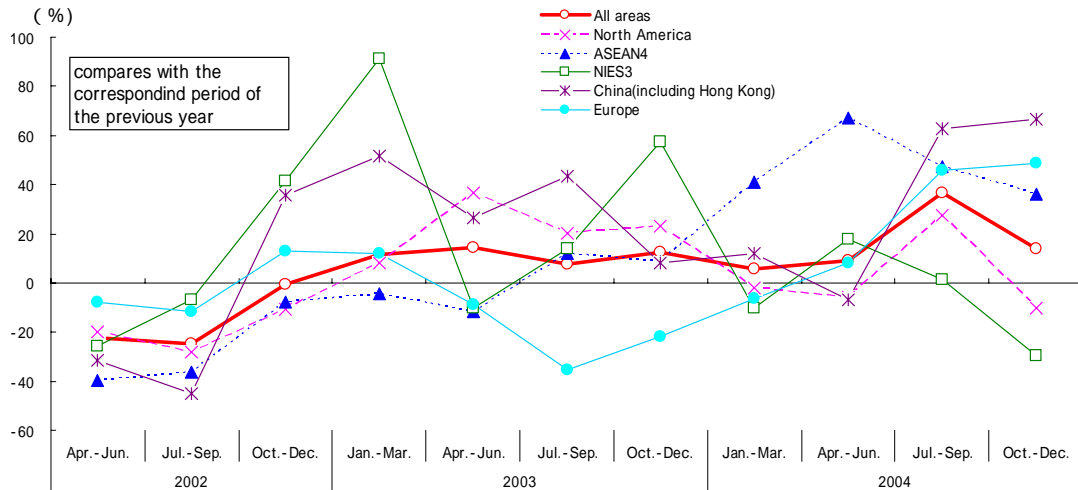


Chart5 Actual Equipment Investment (Dollar Basis) by Region



3. Employment

The Employment Prospects DI (for the quarter of April - June, 2005) improved slightly, exceeding the Current Employment Assessment DI by 1.9 percentage points.

The Prospects DI was positive for all regions except NIEs3. Compared to the Current Assessment DI, the Prospects DI improved for all regions except NIEs3. The Prospects DI for North America improved due to recovery in the electrical machinery sector, etc. The Prospects DI for Asia and that for Europe continued to be on an upward trend. In Asia, the Prospects DI for China continued its growth trajectory due to recovery in the electrical machinery sector, etc., while the DI for ASEAN4 improved slightly, and that for NIEs3 worsened because of the huge decline in the transportation equipment sector.

The number of employees (as of the end of December, 2004) increased 4.4% from the same quarter the previous year, marking the eleventh consecutive quarter of growth on a year-on-year basis.

The number of employees expanded in all regions except North America. Employment in Asia continued to climb, up 6.2% from the same quarter last year. Employment in Europe also surged, for the third straight quarter of growth on a year-on-year basis. In Asia, employment in China continued to pick up, with an increase of 10.1% compared with the same quarter last year, and that in ASEAN4 also remained on an upward trend.

(1) The Employment Current Assessment DI for the current quarter (January - March, 2005) stood at 7.7 percentage points, 2.3 points higher than that for the previous quarter (October - December, 2004).

The Employment Prospects DI for the next quarter (April - June, 2005) improved slightly, reaching 9.6 percentage points, which was 1.9 points higher than the Current Assessment DI for the current quarter (January - March, 2005) (see Table 3).

- The Prospects DI was positive for all regions except NIEs3. The negative figures in the DI for NIEs3 widened.

Compared to the Current Assessment DI for the current quarter, the Prospects DI improved for all regions except NIEs3. The Prospects DI for North America gained 2.3 percentage points from the Current Assessment DI for the current quarter due to recovery in the electrical machinery sector, etc. The Prospects DI for Europe increased by 2.1 points from the Current Assessment DI due to improvements in the transportation equipment sector, etc., despite a slump in the electrical machinery sector. In Asia, the Prospects DI showed a slight improvement (up 1.4 percentage points from the Current Assessment DI). The Prospects DI for China expanded by 3.6 percentage points from the Current Assessment DI due to good performance in the transportation equipment and electrical machinery sectors. The Prospects DI for ASEAN4 picked up slightly (up 1.2 percentage points from the Current Assessment DI) due to favorable results in the electrical machinery sector, although there was a drop in the transportation equipment sector. In contrast, the DI for NIEs3 declined by 1.2 percentage points compared to the Current Assessment DI, as a result of a significant drop in the transportation equipment sector.

(2) The number of employees stood at 2.49 million as of the end of December 2004, up 4.4% from the same quarter a year ago, and marking the eleventh consecutive quarter of year-on-year growth (see Table 3).

- Employment expanded in all regions except North America. Employment in Asia continued its upward trend, increasing 6.2% from the same quarter last year. Employment in Europe also surged 5.1% compared to the same quarter of the previous year, for the third straight quarter of year-on-year growth. In Asia, employment in China continued to pick up, with an increase of 10.1% compared with the same quarter last year. Employment in ASEAN4 also remained on an upward trend, registering its third consecutive double-digit increase vs. year-ago levels.

Table 3 Employment Numbers DI and Actual Result (by Region and Main Industries)

Unit (comparison to same quarter of previous year:%, comparison to the previous year percentage points)

Region	Total			North America			Asia			ASEAN4 (see Note 3)			NIES3 (see Note 2)			China (including Hong Kong)			Europe		
DI	5.4	7.7	9.6	4.7	2.4	4.7	7.7	11.0	12.4	4.1	10.3	11.5	-2.3	-2.1	-3.3	14.6	16.0	19.6	-3.0	2.3	4.4
DI comparison to the previous year	(2.3)	1.9		(-2.3)	2.3		(3.3)	1.4		(6.2)	1.2		(0.2)	-1.2		(1.4)	3.6		(5.3)	2.1	
Results (comparison to same quarter of previous year)	4.4			-2.4			6.2			3.4			1.2			10.1			5.1		

Industry	Transportation equipment			Electrical machinery			Industrial machinery			Chemicals			Iron & Steel		
DI	7.9	11.8	12.5	3.3	5.8	8.1	6.1	6.4	10.8	5.2	12.3	10.2	13.5	15.0	11.6
DI comparison to the previous year	(3.9)	0.7		(2.5)	2.3		(0.3)	4.4		(7.1)	-2.1		(1.5)	-3.4	
Results (comparison to same quarter of previous year)	10.4			3.4			7.8			1.8			-16.0		

note : Tables are shown in the order “Oct.-Dec.2004(current assessment) Jan.-Mar.2005(current assessment) Apr.-Jun 2005(prospects).

For DI comparison to the previous year, figures in parentheses are comparison with current assessment DI, while tables not in parentheses are comparisons with prospects (see note on page 1).