

## The Behavior of Overseas Subsidiaries

### (Quarterly Survey of Japanese Business Activities)

Results for July - September 2002 and Prospects for October 2002 - March 2003 (DI)

#### Summary

**With regard to Japanese overseas subsidiaries, sales for July – September 2002 rose for the third consecutive quarter, bolstered by strong sales in transportation equipment.**

**The prospects for October 2002 – March 2003 (DI) (note 1) saw the ratio of companies expecting increase in sales, equipment investments, etc. decrease.**

**In China including Hong Kong, business activities of overseas subsidiaries remained robust.**

The survey was conducted in mid- November 2002.

#### Topics

One out of three subsidiaries in China increased more than 20% in electrical machinery's sales.

#### Points of the survey in this term

##### 1. Sales were brisk.

By region, all regions except other regions saw their sales increase for the second consecutive quarter.

Sales in China including Hong Kong advanced for the fourteenth straight quarter since the April – June quarter of 1999.

Transportation equipment's sales rose for the eleventh straight quarter.

##### 2. Prospects of sales (DI) (note 1) worsened for the second consecutive quarter.

Sales prospects in this term deteriorated again following the previous term. The DI level, however, stayed in double figures.

By region, all regions except Europe saw the prospects deteriorating. China including Hong Kong still maintained its high DI level despite the worsening sales prospects.

##### 3. Employment rose, and prospects of employment (DI) improved.

Employment in transportation equipment, electrical machinery, etc. increased. By region, it rose in China including Hong Kong and ASEAN4 (note 2).

Employment prospects (DI) turned to increase in China including Hong Kong, ASEAN4 and North America.

##### 4. Equipment investments (note 3) declined and the prospects (DI) worsened.

Equipment investments decreased especially in electrical machinery and transportation equipment.

Equipment investments' prospects (DI) deteriorated in all regions other than ASEAN4. The level of DI was positive in all regions.

##### 5. In China including Hong Kong, business activities of overseas subsidiaries continued active.

China including Hong Kong improved business activities in all fields except equipment investments.

Employment showed a double-digit increase due to a rise in electrical machinery, etc.

The DI of prospects saw sales and equipment investments declining but the level still high.

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 July-September quarter of 2002 (prospects for the October 2002-March 2003 term)

DI for the previous term: DI gained from the survey of the April-June quarter of 2002 (prospects for the July-December term of 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 January-March term of 2002 with the same period of last year is based on the data of the semi-annual term.

## 1. Sales

- Sales (yen-based) increased 4.5% from the same quarter a year ago for the third consecutive quarter.
- By industry, transportation equipment increased in sales for the eleventh consecutive quarter, while electrical machinery declined.
- The DI of sales (the prospects for the October 2002 – March 2003) decreased for the second consecutive term.
- By region, sales increased in all regions other than other regions, while the DI of sales prospects deteriorated in all regions except Europe.

(1) On a yen basis (note 2), sales by overseas subsidiaries increased by 4.5% from a year ago, partly due to an increase in transportation equipment.

- By industry, they increased in ten out of thirteen industries. Transportation equipment increased in them for the eleventh consecutive term since the January-March quarter of 2000. Meanwhile, electrical machinery, which had shown for the first advance in five quarters last term, turned to fall in this term.
- By region, overseas subsidiaries increased sales in all regions except other regions for the second consecutive quarter. Especially in China including Hong Kong, sales increased for the fourteenth consecutive quarter since the April-June period of 1999, in Europe for the ninth consecutive quarter since the July-September quarter of 2000, and in the other regions for the second consecutive quarter.

(2) The DI (note 1) of sales by overseas subsidiaries fell 7.3 percentage points from the previous term (24.3 to 17.0) for the second straight term.

- By industry, it worsened in ten industries including transportation equipment and electrical machinery. Electrical machinery declined for the first time in four quarters. The DI level was positive for the third straight quarter in all industries.
- By region, sales DI declined in all regions except Europe. The DI level registered a positive figure for the third consecutive quarter in all regions. China including Hong Kong dropped for the first time in four quarters, but its DI level remained high.

### Results for July -September 2002 and Prospects for October 2002- March 2003 by Region

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

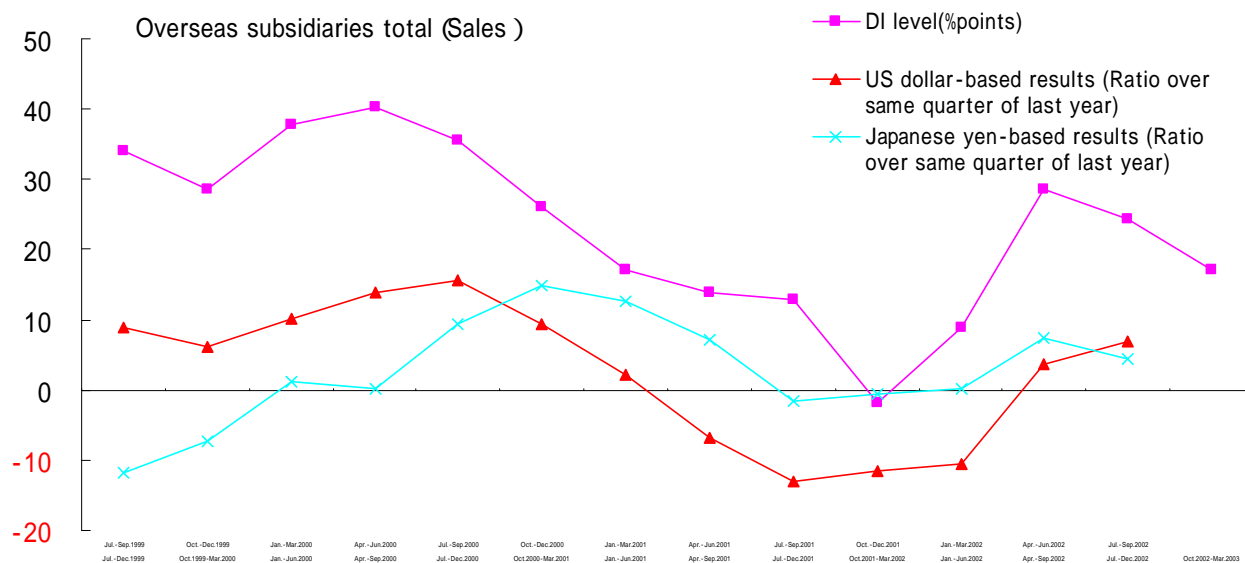
	Total	North America	Asean4	Nies3	China	Europe
<b>Sales</b>						
Results (Ratio over same quarter of last	4.5	0.6	12.5	2.1	8.7	9.3
Prospects (Ratio over previous term )	-7.3	-13.5	-11.3	-10.1	-0.3	9.7
DI(Levels )Previous term This term	24.3 17.0	20.7 7.2	30.8 19.5	11.9 1.8	32.0 31.7	8.7 18.4
<b>Number of employees</b>						
Results (Ratio over same quarter of last	2.4	-4.2	1.3	-3.4	15.4	-3.2
Prospects (Ratio over previous term )	0.8	1.8	3.7	-7.1	3.7	-1.6
DI(Levels )Previous term This term	-0.3 0.5	-7.8 -6.0	1.6 5.3	-8.8 -15.9	10.4 14.1	-1.4 -3.0
<b>Equipment investments</b>						
Results (Ratio over same quarter of last	-27.6	-30.5	-39.4	-11.1	-46.9	-14.2
Prospects (Ratio over previous term )	-0.8	-3.7	4.7	-0.3	-2.8	-1.1
DI(Levels )Previous term This term	12.9 12.1	7.9 4.2	14.3 19.0	3.4 3.1	21.3 18.5	12.1 11.0

## Results for July -September 2002 and Prospects for October 2002- March 2003 by Type of Industry

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

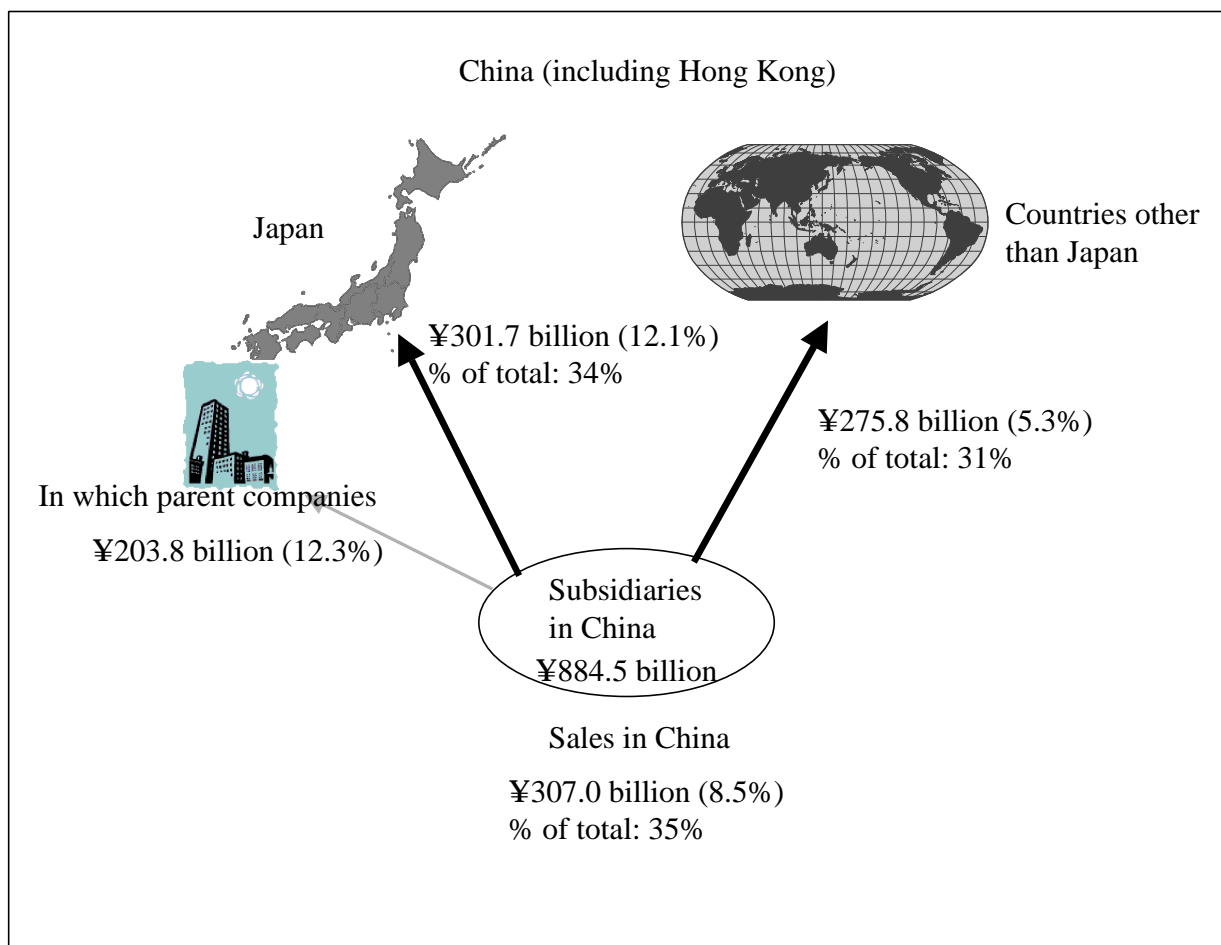
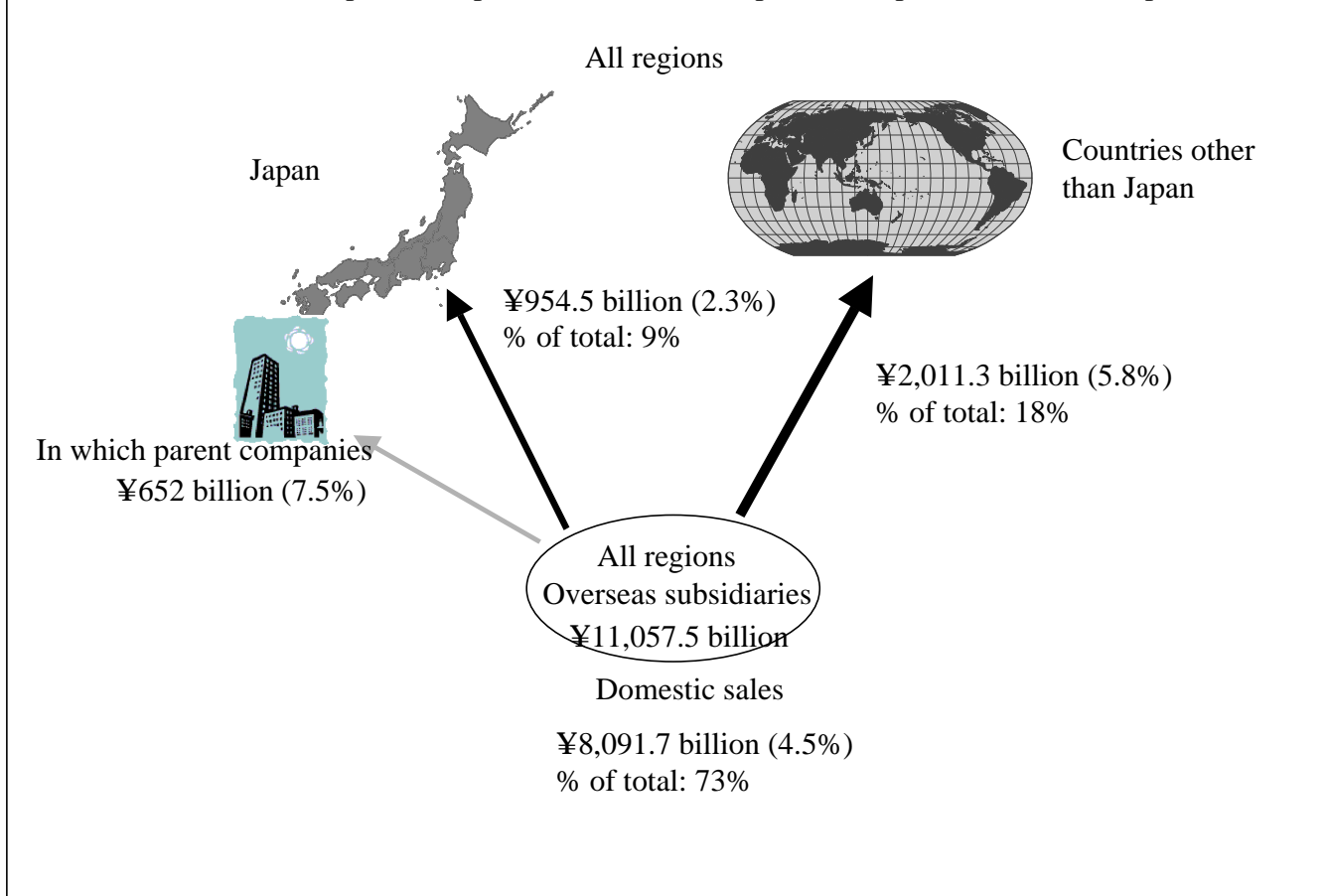
		Total	Chemicals	Industrial machinery	Electrical machinery	Transportation
<b>Sales</b>						
Results (Ratio over same quarter of last		4.5	-4.9	4.2	-1.1	11.8
Prospects (Ratio over previous term )		-7.3	-15.2	-4.6	-13.9	-3.6
DI Levels	Previous term This term	24.3 17.0	34.6 19.4	23.2 18.6	22.7 8.8	29.3 25.7
<b>Number of employees</b>						
Results (Ratio over same quarter of last		2.4	-2.7	-4.1	1.5	8.8
Prospects (Ratio over previous term )		0.8	-5.8	6.0	2.2	-1.9
DI Levels	Previous term This term	-0.3 0.5	1.7 -4.1	-5.5 0.5	-3.7 -1.5	15.2 13.3
<b>Equipment investments</b>						
Results (Ratio over same quarter of last		-27.6	-34.1	-50.9	-44.0	-6.3
Prospects (Ratio over previous term )		-0.8	-2.8	1.5	1.0	-13.3
DI Levels	Previous term This term	12.9 12.1	15.9 13.1	14.6 16.1	7.6 8.6	28.4 15.1

### 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



Results for the July-September quarter of 2002 (from the same period of the previous year)  
 % of total: the ratio of sales to total sales posted by the relevant subsidiaries

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

- Equipment investments plunged 27.6% from the same quarter a year ago.
- By the type of industry, they decreased in electrical machinery and transportation equipment.
- The DI of equipment investments (the prospects for the October 2000 – March 2003 term) showed a decline for the first time in four terms.

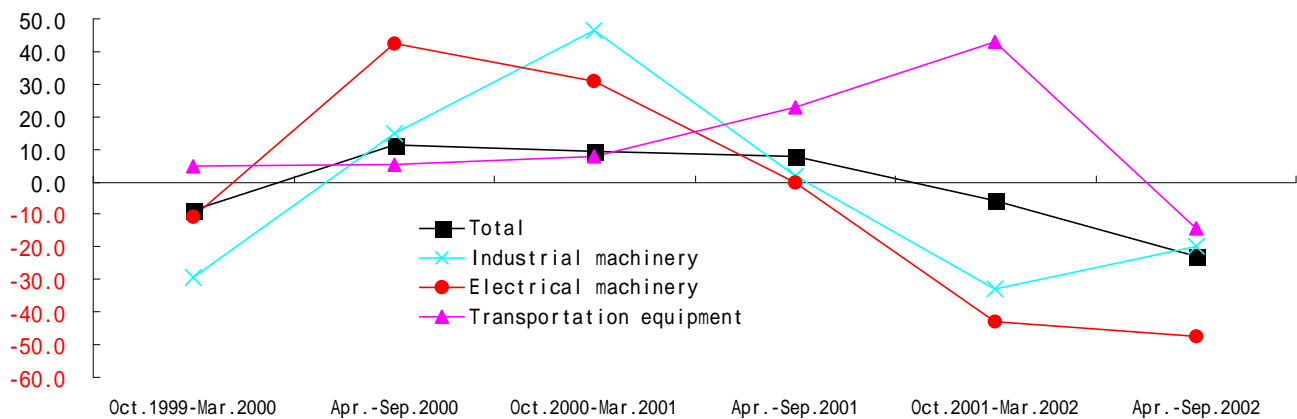
(1) Equipment investments posted a 27.6 % drop from the same period of the previous year.

- By the type of industry, they declined in all industries except food and tobacco. Especially, transportation equipment turned to decrease from an increase in the previous quarter and electrical machinery showed a significant fall for the second consecutive quarter.

(2) The DI (note 1) of equipment investments dropped 0.8 percentage points from the previous quarter (12.9 to 12.1).

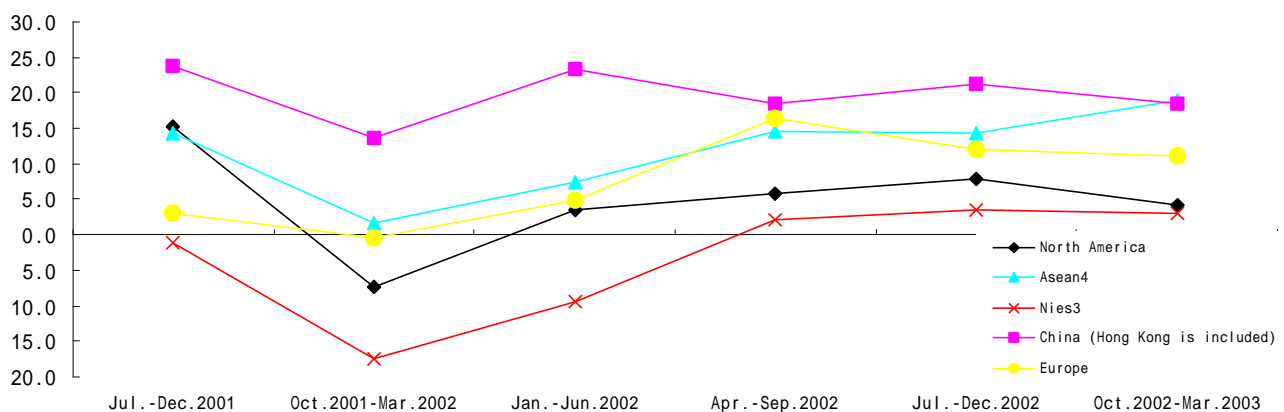
- By the type of industry, the forecast worsened in five out of thirteen industries including transportation equipment. On the other hand, electrical machinery and industrial machinery turned to increase.
- By region, the outlook for equipment investments deteriorated in all regions other than ASEAN4. The DI level registered a plus figure in all regions, among which China including Hong Kong remains positive in double figures.

Transition of the amount of capital investment (corresponding-period-of-last-year ratio) of main types of industry



Transition of the amount-of-capital-investment DI level classified by area

(%POINT)



### 3. Employment

- The number of employees (at the end of the July-September quarter of 2002) was 1,975,000 people, an increase of 2.4% from the same quarter a year ago.
- The DI of the number of employees (the prospects for the October 2002–March 2003 term) improved.

(1) The number of employees (at the end of this quarter) was 1,975,000 people, up 2.4% from a year ago, an increase for two consecutive quarters.

- By industry, it increased in nine out of thirteen industries including transportation equipment and electrical machinery. Electrical machinery, comprising 40% of the total number of employees, marked an increase for the first time in six quarters.
- By region, the number of employees increased in China including Hong Kong and ASEAN4.

(2) The DI (note 1) of employment increased 0.8 percentage points from the preceding term and the DI level also turned positive.

- By the type of industry, the forecast improved in seven out of thirteen industries including industrial machinery and electrical machinery. On the other hand, although it worsened in transportation equipment, the DI level advanced in double figures for the third consecutive term.
- By region, the DI of employment turned to increase in China including Hong Kong, ASEAN4 and North America. The level of DI continued to move in a double-digit positive figure in China including Hong Kong.

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 for this term – DI for the previous term  
DI for this term: DI gained from the survey of the July-September quarter of 2002  
(prospects for the October 2002-March 2003 term)  
DI for the previous term: DI gained from the survey of the April-June quarter of 2002  
(prospects for the July-December 2002 term)

Note 2: In terms of local currencies of countries where overseas subsidiaries included in this survey locate, note that many of them fell against the yen, when comparing the present exchange rates of them to the yen with those in the same period a year ago. For example, the US dollar (= ¥119.15) has risen by 2.1% (¥121.74) from the same term of last year and has risen by 6.2% (¥127.05) 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 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 past data with the method changed to a comparison method based on the survey conducted in FY 2001.

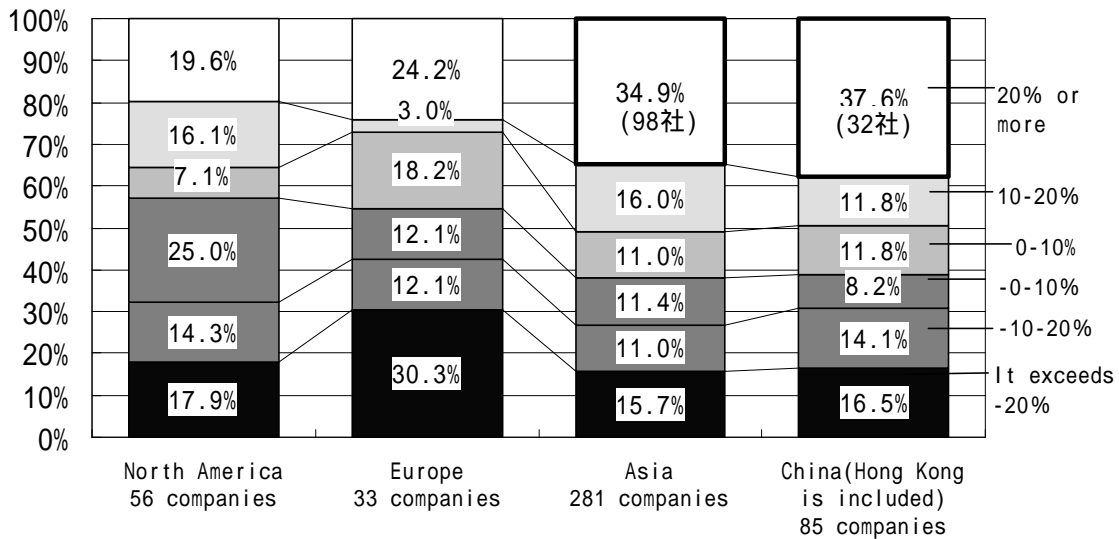
Performance figures for each term as well as "the amount of acquired tangible fixed assets (=equipment investments)" over a year earlier were not adjusted.

Sales of electrical machinery for the July-September quarter of 2002

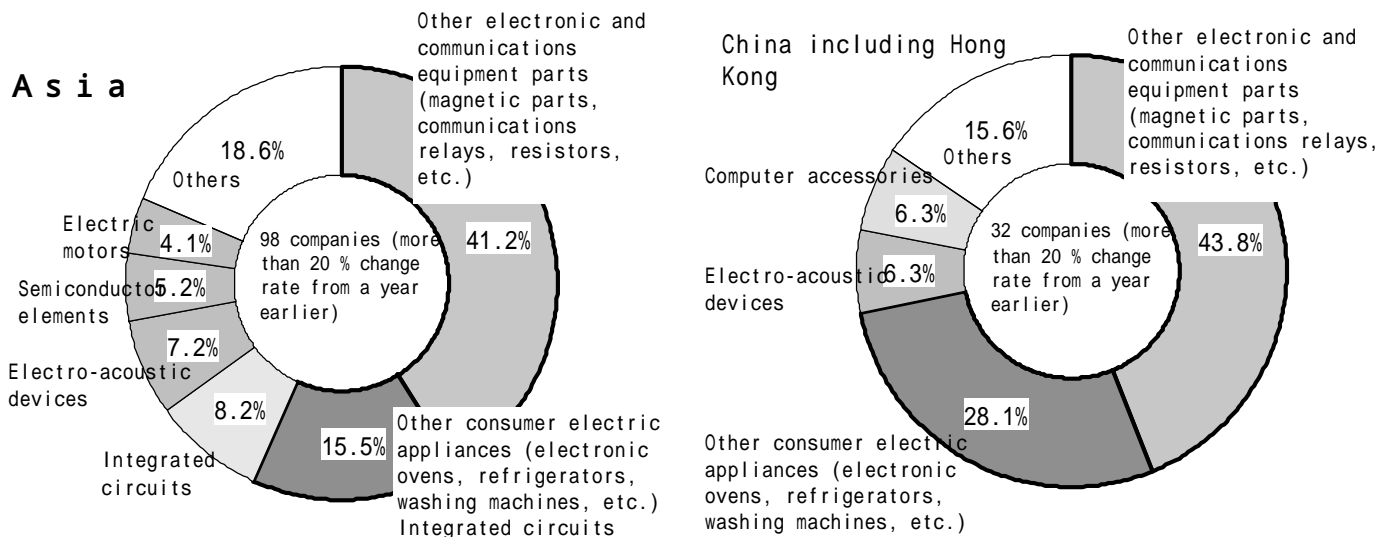
**One out of three subsidiaries in China increased in the sales of electrical machinery more than 20% from a year earlier.**

**1. Sales of electrical machinery was active in Asia, and increased more than 20% from a year earlier in one out of three subsidiaries in China.**

Year-on-year changes in the number of subsidiaries by region/country



**2. Electronic parts other than ICs and white goods played the role of an engine for brisk sales by subsidiaries in China**



Note: Overseas subsidiaries posting more than ¥100 million in sales were surveyed.



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

