

## The Behavior of Overseas Subsidiaries

### (Quarterly Survey of Japanese Business Activities)

Results for October-December 2002 and Prospects for January-June 2003 (DI)

#### Summary

**With regard to Japanese overseas subsidiaries, sales for the October-December quarter of 2002 increased for the fourth straight quarter with the largest-ever rise in ASEAN 4 and China (including Hong Kong), bolstered by strong sales in transportation equipment for the second consecutive quarter. The prospects for January-June 2003 (DI) saw the ratio of companies expecting increase in sales, equipment investments, employment, etc. increase. In China (including Hong Kong), business activities of overseas subsidiaries remained robust.**

The survey was conducted in mid-February 2003.

#### Topics

One out of five overseas subsidiaries increased sales by more than 20% in 2002.

#### Points of the survey in this term

##### 1. Sales were brisk.

By region, sales decreased in North America, while increasing in Asia. Especially sales in ASEAN4 (note 1) and China (including Hong Kong) increased by at least 20%, marking the largest growth since the October-December quarter of 1997 when figures became available for comparison with those in the previous fiscal year.

Sales in China (including Hong Kong) advanced for the fifteenth straight quarter since the April-June quarter of 1999.

Transportation equipment's sales rose for the twelfth straight quarter. By region, sales were brisk in ASEAN4, especially in Thailand and Indonesia.

##### 2. Prospects of sales (DI) (note 2) marked an increase for the first time in three terms.

By region, sales prospects turned to increase in all regions other than Europe. The DI level was positive in all regions. China (including Hong Kong) still remained on a high level.

##### 3. Employment rose for the straight third quarter, 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.

Employment prospects (DI) improved in all regions other than ASEAN4.

##### 4. Equipment investments declined and the prospects (DI) showed a slight increase.

Equipment investments decreased mainly in transportation equipment.

Equipment investments' prospects (DI) improved in China (including Hong Kong), North America, etc. The level of DI was positive in all regions.

Note 1: ASEAN4: Indonesia, Thailand, Philippine and Malaysia.

Note 2:  $DI = \frac{\text{the ratio of companies expecting increase} - \text{the ratio of companies expecting decrease}}{\text{DI compared with the previous term}}$   
 $= \frac{DI \text{ for this term} - DI \text{ for the previous term}}{DI \text{ for the previous term}}$

DI for this term: DI gained from the survey of the October-December quarter of 2002 (prospects for the January-June term of 2003)

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

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

The exchange rates in this quarter: average exchange rate of the yen to the U.S. dollar was ¥122.90, an appreciation of 0.6% compared with the same quarter a year earlier, a depreciation of 3.1% compared with the previous quarter

average exchange rate of the yen to the Euro was ¥122.49, a depreciation of 10.6% compared with the same quarter a year earlier, a depreciation of 4.5% compared with the previous quarter

## 1. Sales

- Sales (yen-based) increased 5.9% from the same quarter a year ago for the fourth consecutive quarter of growth.
- By industry, transportation equipment increased in sales for the twelfth consecutive quarter.
- By region, sales rose in all regions other than North America, among which ASEAN4 and China (including Hong Kong) marked the largest-ever increase rate.
- The DI of sales (the prospects for the January-June 2003 term) showed a rise for the first time in three terms.

(1) On a yen basis (note 1), sales by overseas subsidiaries increased by 5.9% from a year ago partly due to an increase in transportation equipment for the fourth consecutive quarter.

- By industry, they increased in ten out of thirteen industries. Transportation equipment increased in them for the twelfth consecutive quarter since the January-March quarter of 2000. Electrical machinery, which had showed a fall in the previous quarter, turned to slightly increase in this term.

- By region, overseas subsidiaries increased sales in all regions other than North America. Especially ASEAN4 and China (including Hong Kong) registered the largest increase rate since the October-December quarter of 1997 when figures became available for comparison with those in the previous fiscal year. Transportation equipment in ASEAN4 and electrical machinery in China (including Hong Kong) contributed to the rise in sales. Especially Thailand and Indonesia in ASEAN4 saw strong sales in transportation equipment.

Sales continued to increase in all regions, including for the fifteenth consecutive quarter since the April-June period of 1999 in China (including Hong Kong) and for the tenth straight quarter since the July-September period of 2000 in Europe.

(2) The DI (note 2) of sales by overseas subsidiaries rose 2.1 percentage points from the previous term (16.6 to 18.7), showing an increase for the first time in three terms.

- By industry, it improved in seven industries, mainly in materials industries such as chemicals, out of thirteen. Transportation equipment, chemicals and non-ferrous metals rose for the first time in three terms. The DI level was positive in all industries except precision instruments.

- By region, sales DI turned to improve in all regions except Europe. The DI level registered a positive figure in all regions. It remained still high in China (including Hong Kong).

### Results for October - December 2002 and Prospects for January - June 2003 by Region

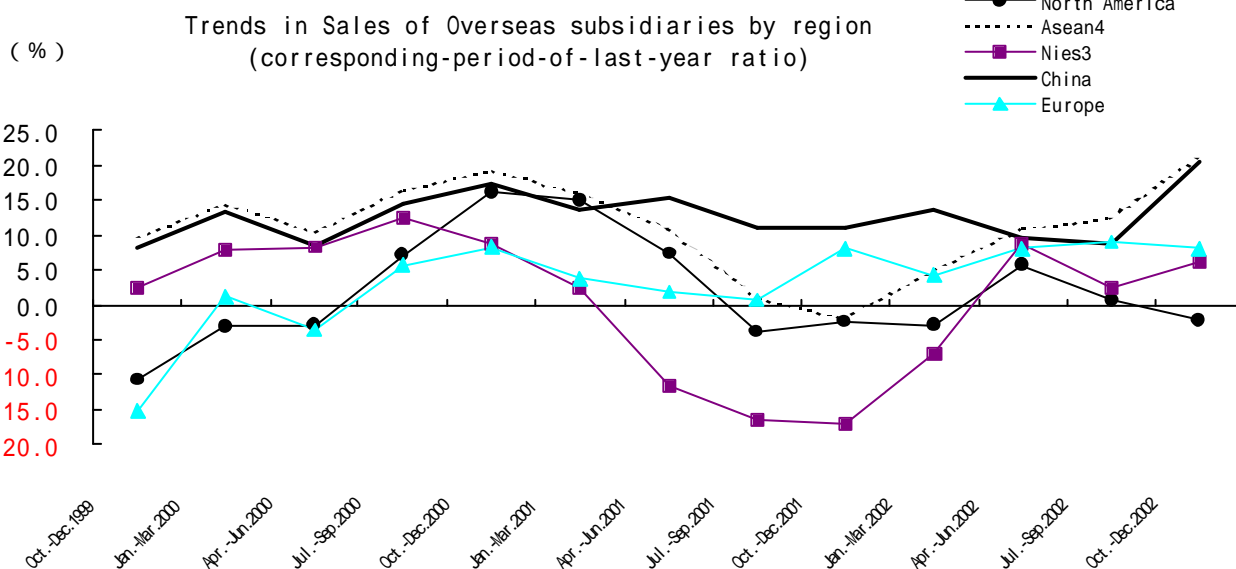
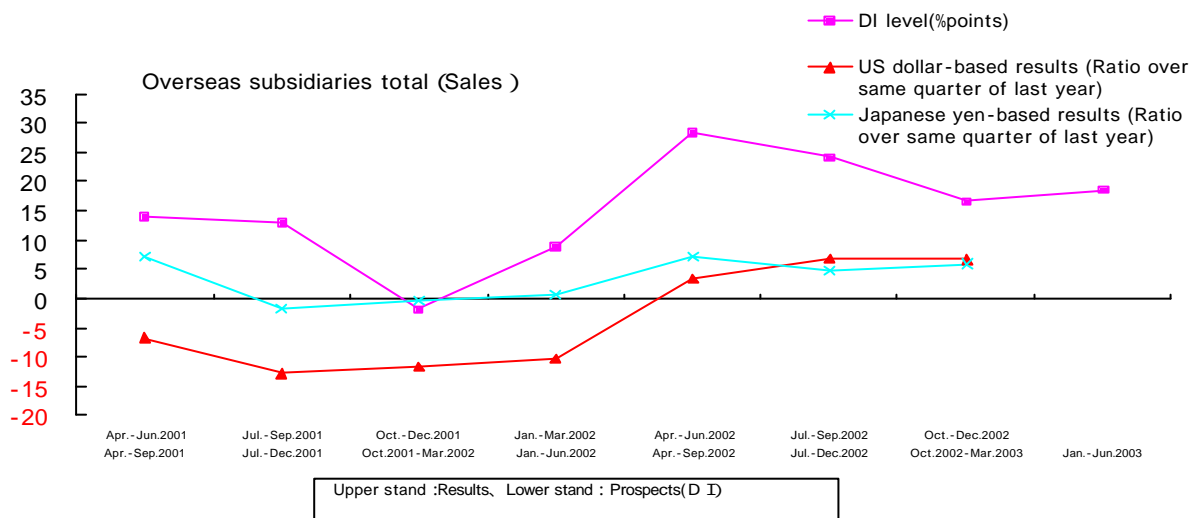
		Unit(Ratio over same quarter of last year:%、Ratio over previous term:%points)											
		Total		North America		Asean4		Nies3		China		Europe	
Sales	Results (Ratio over same quarter of last	5.9		-2.2		21.2		6.2		20.4		8.1	
	Prospects (Ratio over previous term )	2.1		8.3		0.9		0.1		0.6		-5.3	
	DI(Levels )Previous term This term	16.6	18.7	7.4	15.7	18.6	19.5	1.7	1.8	31.8	32.4	17.1	11.8
Number of employees	Results (Ratio over same quarter of last	3.9		-3.5		4.8		-1.1		15.7		-3.6	
	Prospects (Ratio over previous term )	3.1		2.6		-0.8		10.6		4		1.4	
	DI(Levels )Previous term This term	0.7	3.8	-5.0	-2.4	4.7	3.9	-15.1	-4.5	14.5	18.5	-4.2	-2.8
Equipment investments	Results (Ratio over same quarter of last	-23.2		-53.5		-8.5		40.2		32.6		11.6	
	Prospects (Ratio over previous term )	0.3		2.2		-3.9		-1.1		5.2		-1.9	
	DI(Levels )Previous term This term	12.1	12.4	3.9	6.1	18.5	14.6	4.0	2.9	19.3	24.5	10.6	8.7

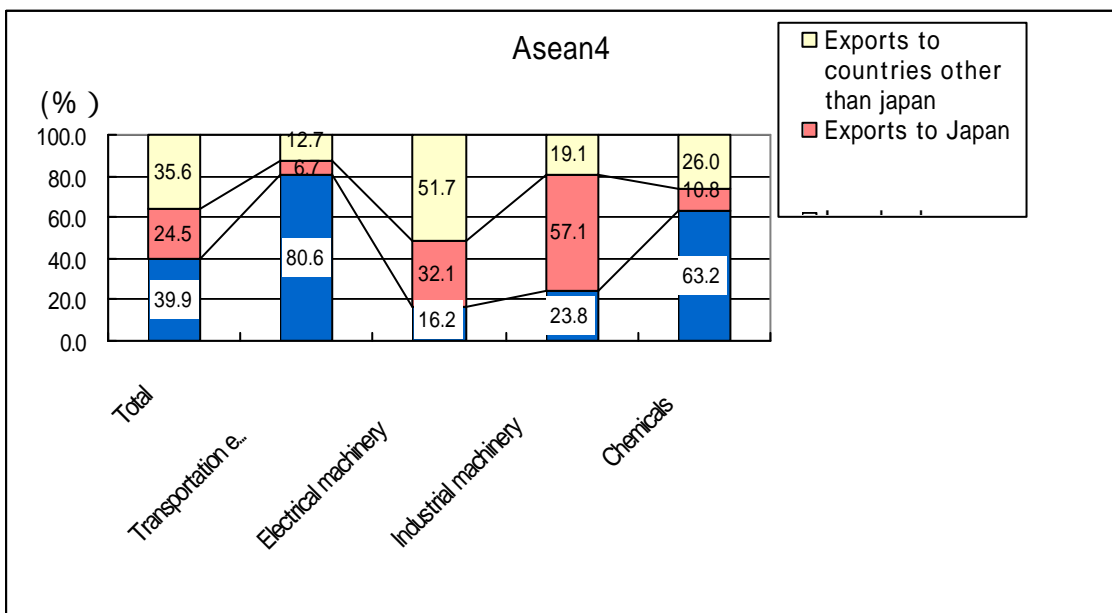
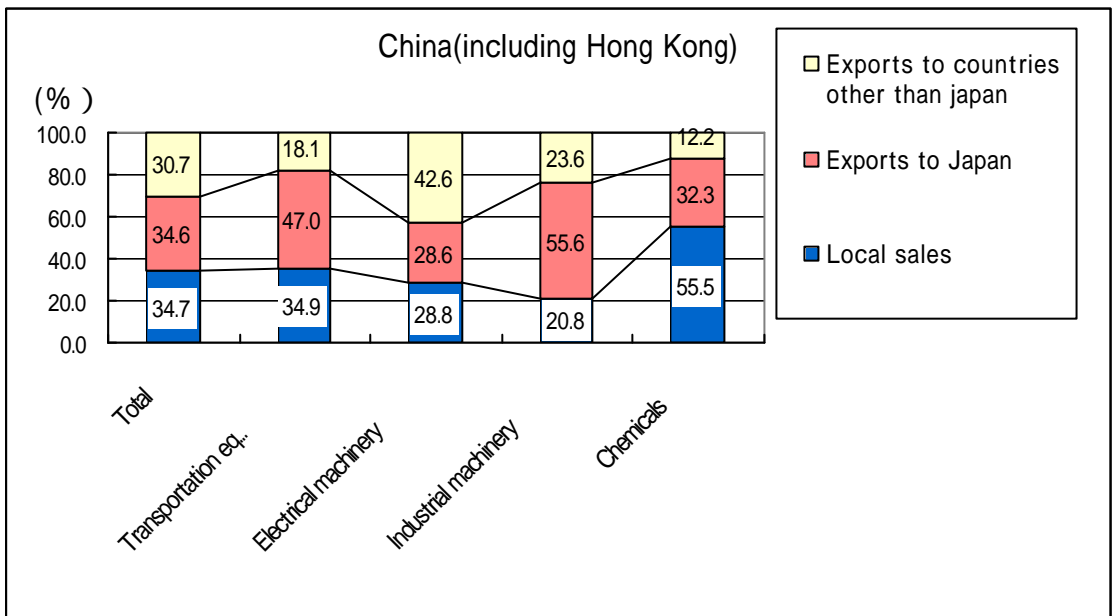
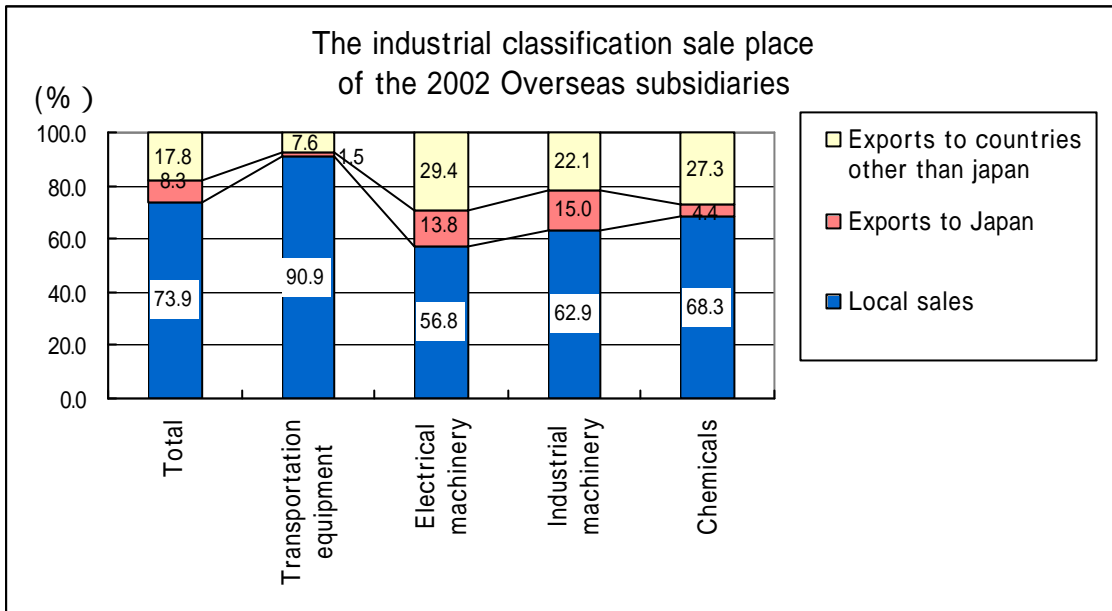
Results for October - December 2002 and Prospects for January - June 2003 by Type of Industry

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	5.9	-2	7.1	0.3	13.4
Prospects (Ratio over previous term )	2.1	14.8	-8.9	-2	8.6
DI(levels )Previous term This term	16.6 18.7	19.7 34.5	19.1 10.2	7.5 5.5	25.3 33.9
<b>Number of employees</b>					
Results (Ratio over same quarter of last	3.9	-2.1	-2.3	3.7	12.6
Prospects (Ratio over previous term )	3.1	10.9	1.9	0.8	0.8
DI(levels )Previous term This term	0.7 3.8	-3.6 7.3	1.0 2.9	-2.2 -1.4	13.8 14.6
<b>Equipment investments</b>					
Results (Ratio over same quarter of last	-23.2	21.7	3.2	5.9	-38.8
Prospects (Ratio over previous term )	0.3	1.6	-3.6	-0.9	2.2
DI(levels )Previous term This term	12.1 12.4	13.6 15.2	16.6 13.0	7.8 6.9	16.0 18.2

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





## 2. Equipment investments (the amount of acquired tangible fixed assets other than land)

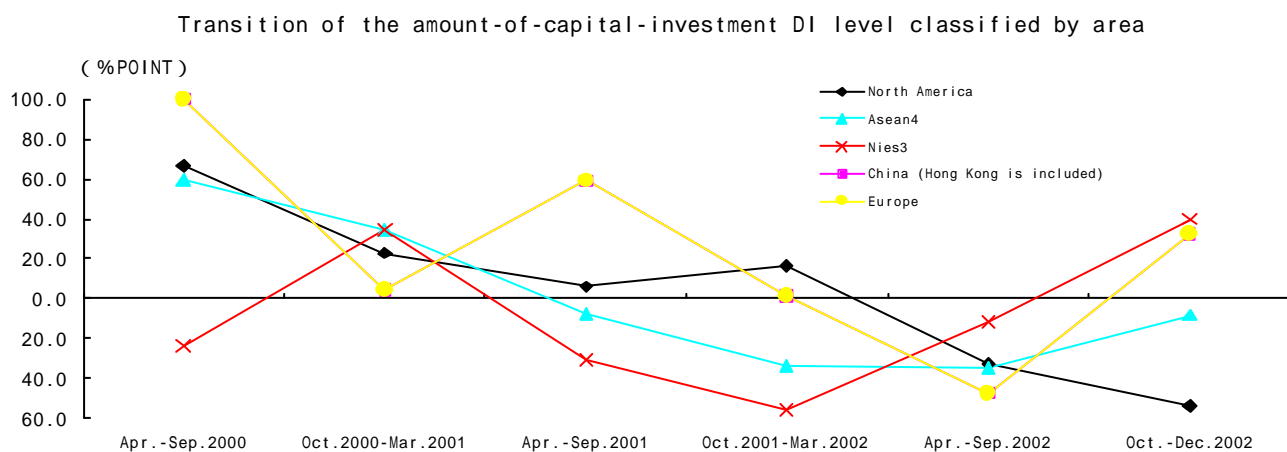
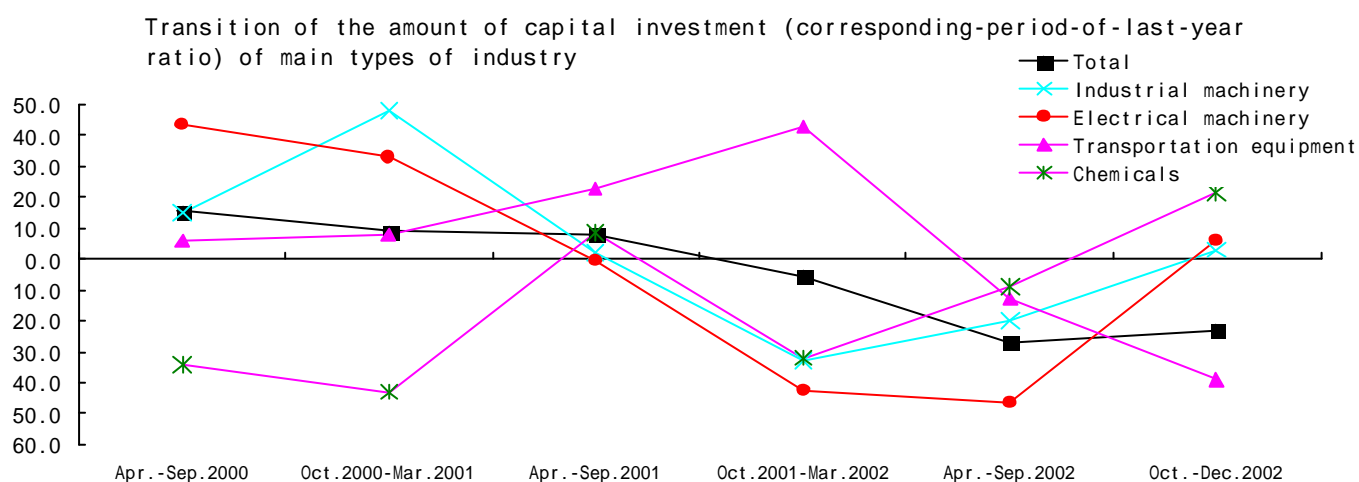
- Equipment investments slumped by 23.2% on a year-on-year basis.
- The DI of equipment investments (the prospects for the January-June 2003 term) slightly improved.
- Transportation equipment saw the realized investments fall but the prospects DI increase.

(1) Equipment investments plunged 23.2% from the same quarter a year ago.

- By the type of industry, they declined in six industries, mainly in transportation equipment, out of thirteen. Meanwhile, electrical machinery and chemicals which had dropped significantly in the previous quarter turned to increase in this quarter.

(2) The DI (note 1) of equipment investments showed a slight gain of 0.3 percentage points from the preceding term (12.1 to 12.4).

- By the type of industry, the forecast improved in seven industries, including transportation equipment and chemicals, out of thirteen. On the other hand, electrical machinery and industrial machinery, which had turned to increase in the preceding term, worsened again.
- By region, the outlook for equipment investments improved in China (including Hong Kong), North America, etc., while deteriorating in ASEAN4, Europe and NIES3. The DI level was positive in all regions, among which China (including Hong Kong) and ASEAN4 continued to be positive in double figures.



Note: Although the survey of equipment investments have been conducted quarterly instead of on a semi-annual basis since FY 2001, data recalculated on a semi-annual basis were used to allow comparison with those in the past.

However, the year-on-year comparison for the October-December quarter of 2002 was made based on the survey results of this quarter (the October-December period of 2002) and those of the same period last year (the October-December period of 2001).

### 3. Employment

- The number of employees (as of the end of the October-December quarter of 2002) was 1,973,000 people, up 3.9% compared with a year earlier for the third consecutive quarter of growth. The increase rate also showed a widening trend.
- The DI of the number of employees (the prospects for the January-June 2003 term) improved.

(1) The number of employees (as of the end of this quarter) was 1,973,000 people, a 3.9% year-on-year increase, for the third consecutive quarter of growth.

- By industry, it increased in eight 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 second consecutive quarter.

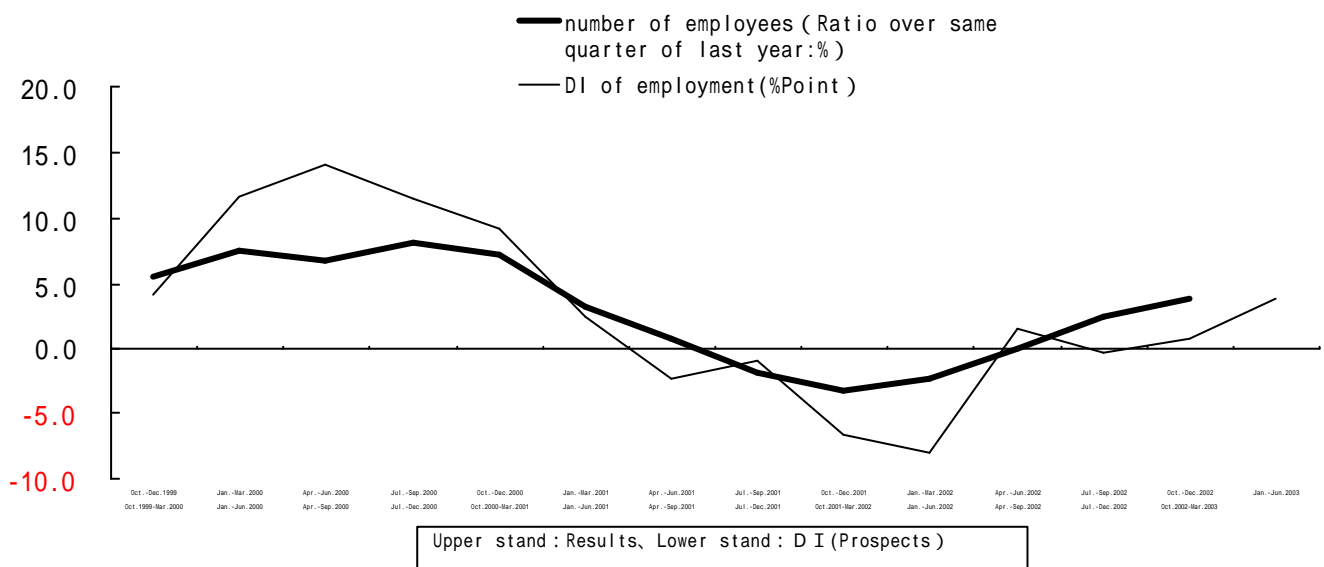
- By region, the number of employees increased in China (including Hong Kong) and ASEAN4.

(2) The DI (note 1) of employment increased 3.1 percentage points from the preceding term for the second consecutive term of rise. The DI level also registered positive for the second straight term.

- By the type of industry, the forecast improved in ten out of thirteen industries, including transportation equipment and electrical machinery. The DI level of transportation equipment was positive in double figures for the fourth consecutive term.

- By region, the DI of employment improved in all regions other than ASEAN4. The level of DI still 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)



Note 1: In terms of local currencies of countries where overseas subsidiaries included in this survey locate, note that when comparing the present exchange rates of them to the yen with those in the same period a year ago, the US dollar (=¥122.90) has risen by 0.6% (¥123.65) from the same term of last year and has fallen by 3.1% (¥119.15) from the previous term against the yen, and the Euro (=¥122.49) has slipped by 10.6% (¥110.71) from the same term of last year and has dropped by 4.5% (¥117.18) from the previous term against the yen.

As for changes in the exchange rates of local currencies to the yen, refer to page 10 "Progress of the currency rates of the main regions against the yen (reference)".

Note 2:  $DI = \text{the ratio of companies expecting increase} - \text{the ratio of companies expecting decrease}$   
 $DI \text{ compared with the previous term} = DI \text{ for this term} - DI \text{ for the previous term}$   
DI for this term: DI gained from the survey of the October-December quarter of 2002 (prospects for the January-June 2003 term)  
DI for the previous term: DI gained from the survey of the July-September quarter of 2002 (prospects for the October 2002-March 2003 term)

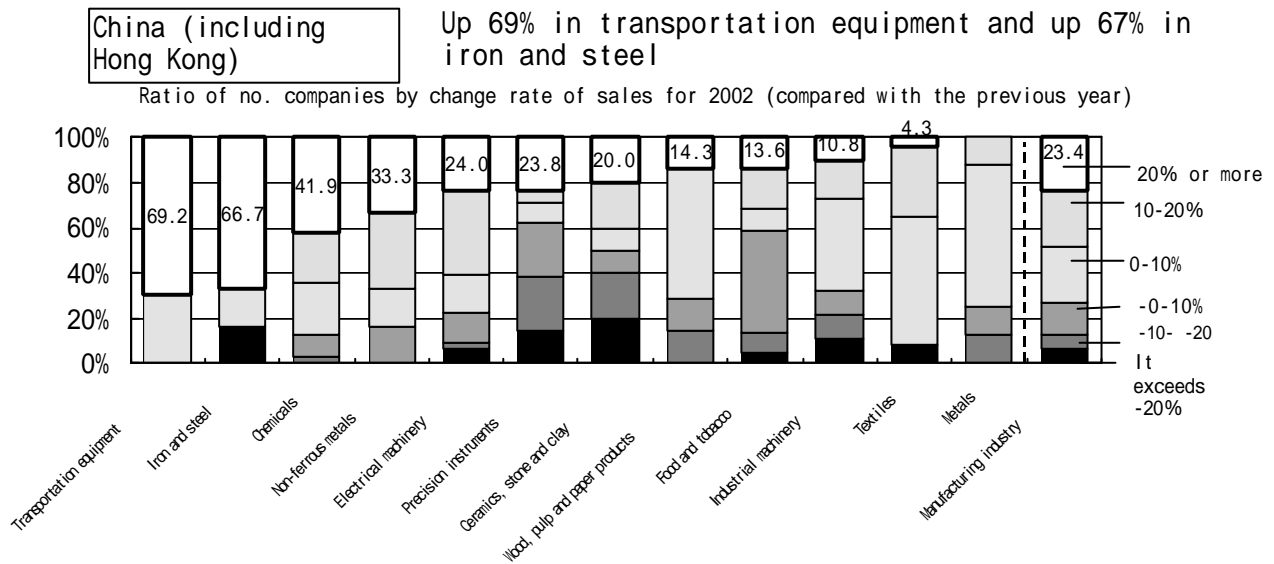
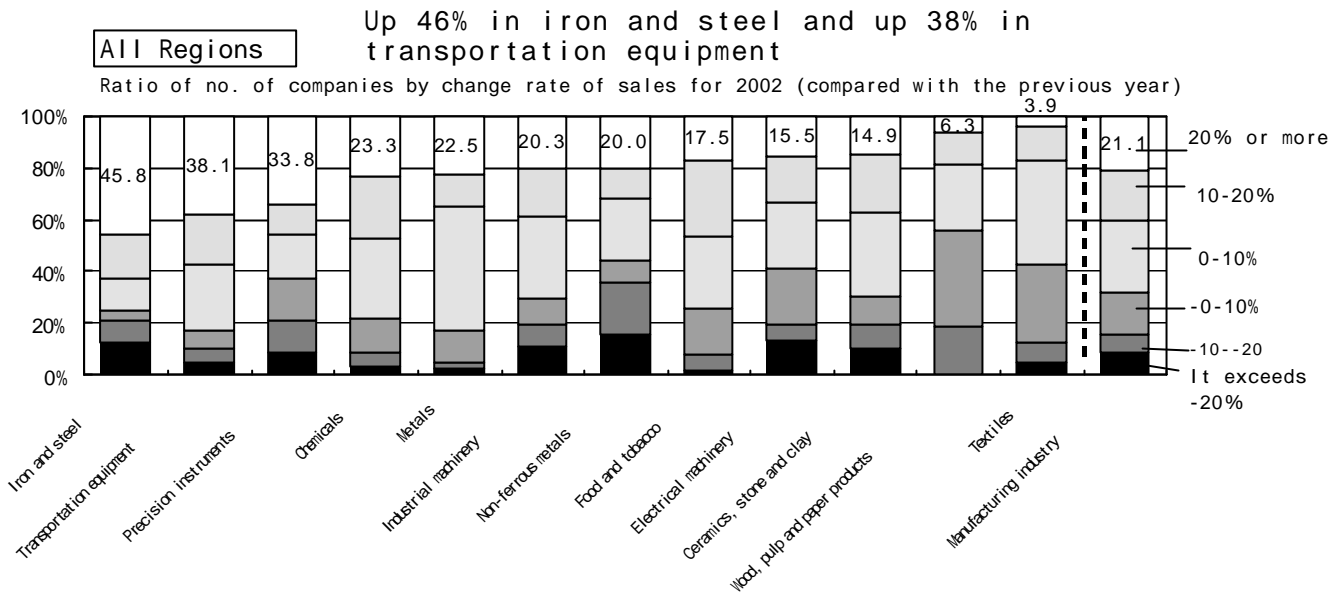
For your information:

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 only based on companies consecutively surveyed to a comparison method based on the companies surveyed 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.

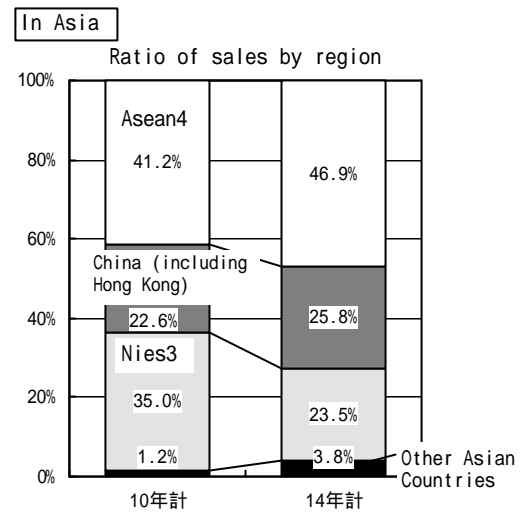
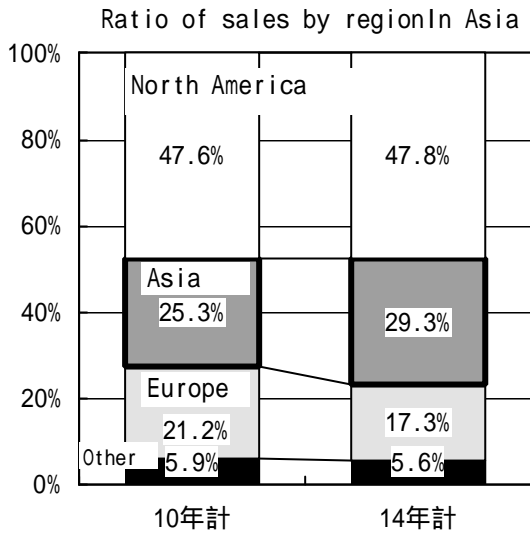
## One out of five overseas subsidiaries increased sales by more than 20% in 2002.



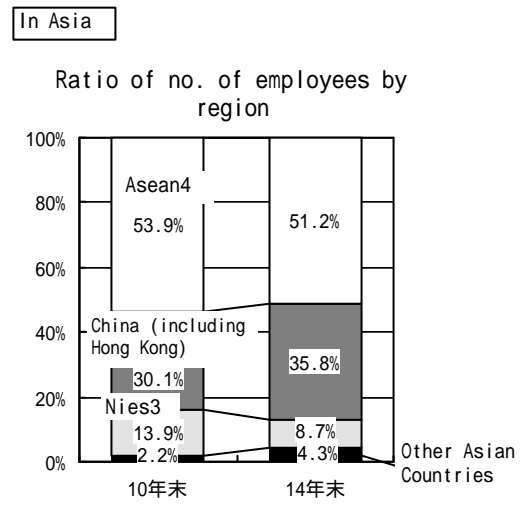
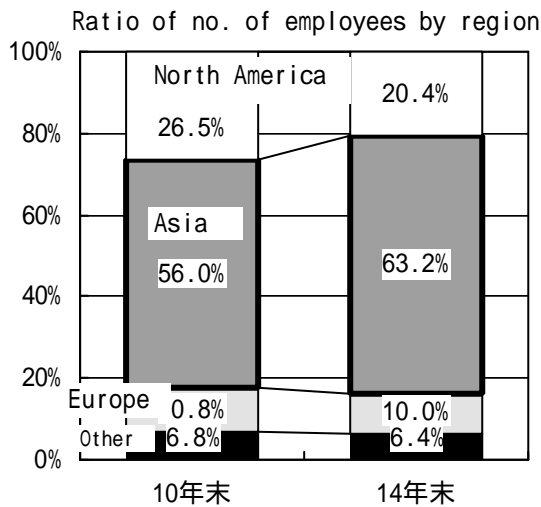
Note: Overseas subsidiaries posting more than ¥100 million in sales (quarterly) were surveyed.



Sales ratio increased in Asia, especially in ASEAN4 and China



The ratio of the number of employees remarkably increased in Asia, especially in China.



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

