

The Behavior of Overseas Subsidiaries

(Quarterly Survey of Japanese Business Activities)

Results for January-March 2003 and Prospects for April-September 2003 (DI)

Summary

With regard to Japanese overseas subsidiaries, sales for the January-March quarter of 2003 decreased for the first time in five terms. It decreased in North America, but increased in China and ASEAN4. Sales of electrical machinery decreased.

The prospects for April-September 2003 (DI) saw the ratio of companies expecting increase in sales and equipment investments increase.

In China, sales, employment, equipment investments, etc. worsened.

The survey was conducted in mid-May 2003.

Points of the survey in this term

1. Sales decreased on a yen basis, but increased on a dollar basis.
Sales of electrical machinery decreased, but that of transportation equipment increased.
By region, sales decreased in North America, but increased in China (note 1) and ASEAN4 (note 2).
Sales in China advanced for the sixteenth straight quarter since the April-June quarter of 1999.
Transportation equipment's sales rose for the thirteenth straight quarter. By region, sales remained brisk in ASEAN4, especially in Thailand.
2. Prospects of sales (DI) (note 3) marked an increase.
By region, sales prospects turned to increase in all regions other than China.
The DI level was positive in all regions.
China still remained on a high level, though many industries, especially electrical machinery, worsened due to SARS.
3. Employment rose for the straight forth quarter, but prospects of employment (DI) worsened.
Employment in transportation equipment, electrical machinery, etc. increased. By region, it rose in China and ASEAN4.
Employment prospects (DI) worsened in all regions except other regions. Prospects of transportation equipment improved in ASEAN4.
4. Equipment investments increased and the prospects (DI) showed an increase.
Equipment investments increased mainly in transportation equipment.
Equipment investments' prospects (DI) improved in North America, ASEAN4, etc., and decreased in China.

Note 1: China: Including Hong Kong.

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

Note 3: 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 2003 (prospects for the April-September term of 2003)

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

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 ¥118.82, an appreciation of 10.3% compared with the same quarter a year earlier, an appreciation of 3.3% compared with the previous quarter.

Average exchange rate of the yen to the Euro was ¥127.52, a depreciation of 9.9% compared with the same quarter a year earlier, a depreciation of 4.1% compared with the previous quarter.

As for changes in the exchange rates of local currencies to the yen, refer to (Reference) on page 9.

1. Sales

- Sales decreased on a yen basis 0.8% from the same quarter a year ago for the first time in five terms, and increased on a dollar basis 10.6%.
By industry, electrical machinery decreased in sales, and transportation equipment increased.
By region, sales declined in North America, and increased in China and ASEAN4.
- The DI of sales (the prospects for the April-September 2003 term) showed a rise, but decreased in China.

(1) On a yen basis, sales by overseas subsidiaries decreased by 0.8% from a year ago partly due to an decrease in electrical machinery for the first time in five terms.

- By industry, they decreased in seven, mainly in electrical machinery, out of thirteen industries. Transportation equipment increased in them for the thirteenth consecutive quarter since the January-March quarter of 2000.
- By region, overseas subsidiaries decreased sales in North America and NIES3 and increased it in China, ASEAN4 and Europe. In North America, sales decreased in all industries other than wood, pulp and paper products. On the other hand, electrical machinery in China and transportation equipment in ASEAN4 contributed to the rise in sales. Especially Thailand in ASEAN4 saw strong sales in transportation equipment.

Sales continued to increase in China for the sixteenth consecutive quarter since the April-June period of 1999, and in Europe for the eleventh straight quarter since the July-September period of 2000.

Sales of overseas subsidiaries surveyed both in the same quarter a year earlier (January-March 2002) and in this quarter (January-March 2003) (hereinafter referred as "consecutively-surveyed overseas subsidiaries") fell 0.2% from a year ago.

(2) The DI of sales by overseas subsidiaries rose 2.7 percentage points from the previous term (18.7 to 21.4), showing an increase for the second consecutive quarter.

- By industry, it improved in seven industries, including transportation equipment and electrical machinery, out of thirteen. Transportation equipment and non-ferrous metals rose for the second consecutive term. The DI level was positive in all thirteen industries.
- By region, sales DI turned to improve in all regions except China. The DI level registered a positive figure in all regions.

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

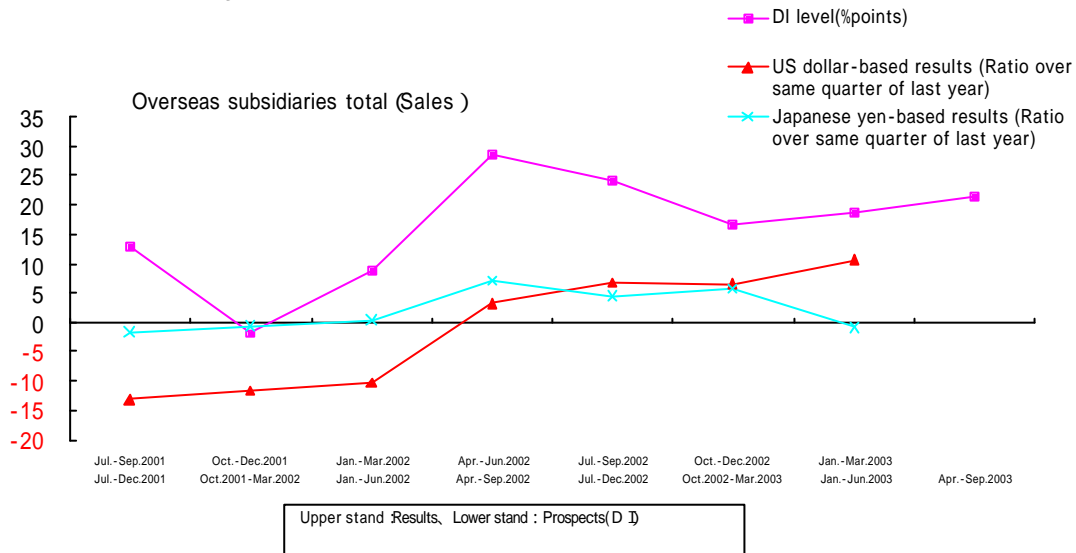
Unit(Ratio over same quarter of last year:%、Ratio over previous term:%points)

	Total	North America	Asean4	Nies3	China	Europe
Sales						
Results (Ratio over same quarter of last	0.8	5.4	9.1	10.9	14.1	4.3
Prospects (Ratio over previous term)	2.7	3.8	8.6	7.6	6.6	2.6
DI(levels)Previous term This term	18.7 21.4	15.9 19.7	19.4 28.0	0.8 8.4	32.1 25.5	12.1 14.7
Number of employees						
Results (Ratio over same quarter of last	3.9	0.7	3.8	1.4	14.0	4.5
Prospects (Ratio over previous term)	2.9	3.5	1.1	3.9	3.9	6.1
DI(levels)Previous term This term	3.9 1.0	2.2 5.7	3.8 2.7	6.2 10.1	19.0 15.1	1.9 8.0
Equipment investments						
Results (Ratio over same quarter of last	0.2	2.9	14.3	71.5	35.9	0.3
Prospects (Ratio over previous term)	0.8	7.5	1.3	5.8	4.0	5.0
DI(levels)Previous term This term	11.9 12.7	5.6 13.1	12.8 14.1	2.9 8.7	24.7 20.7	8.7 3.7

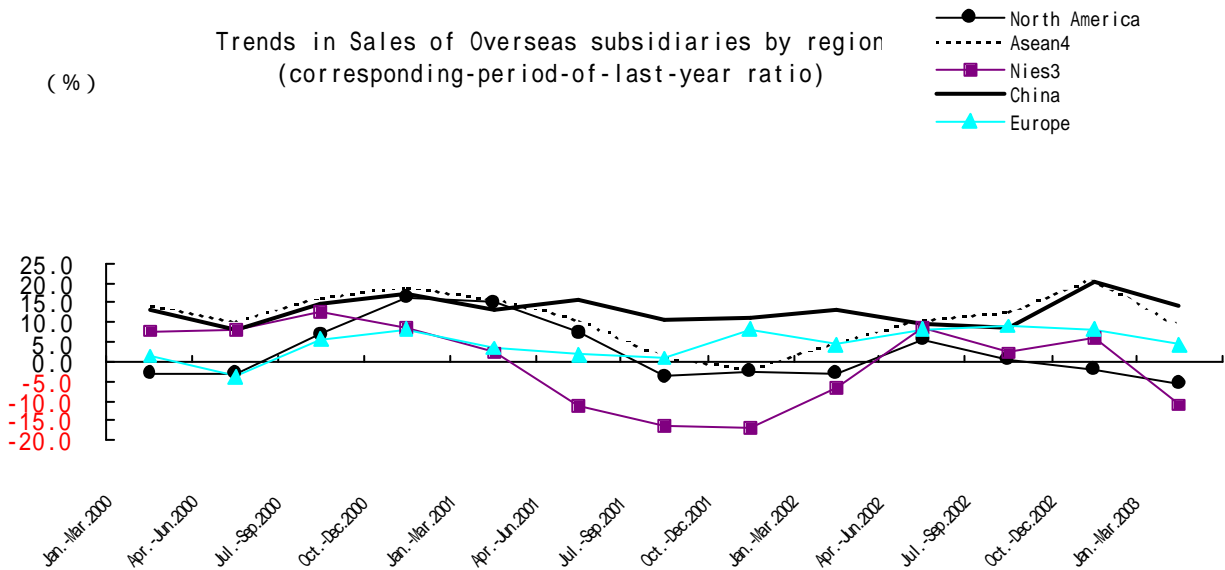
Results for October - December 2002 and Prospects for January - June 2003 by Type of Industry
 Unit(Ratio over same quarter of last year:%、Ratio over previous term:%points)

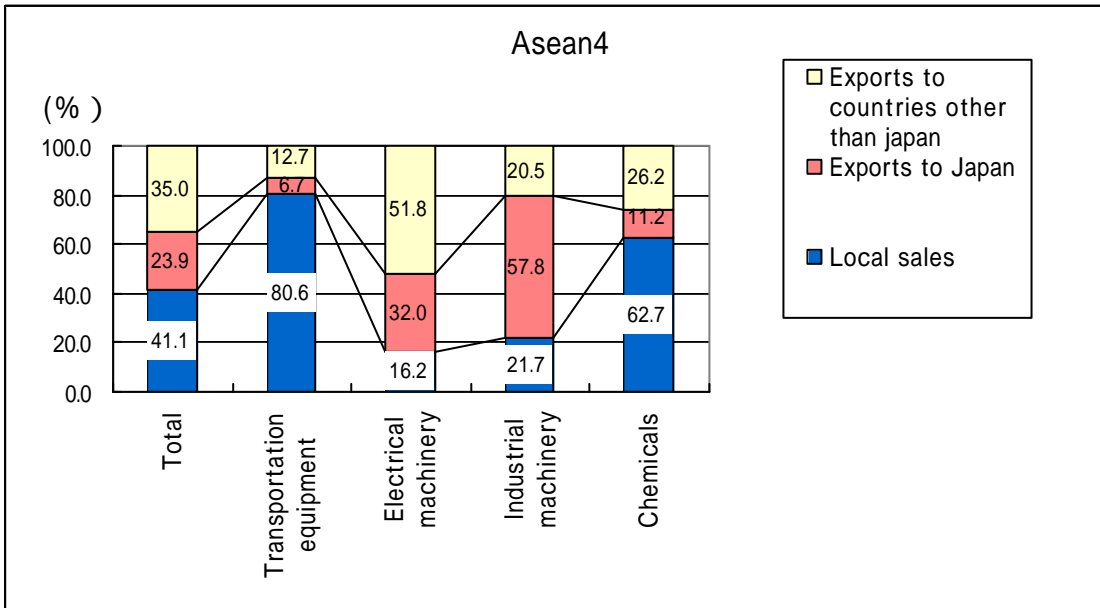
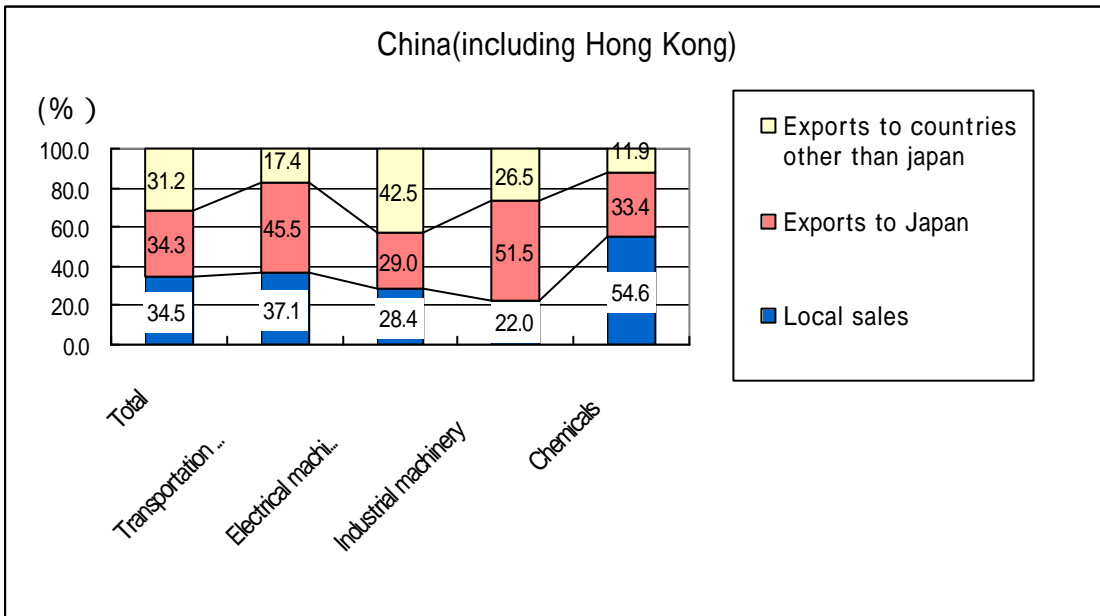
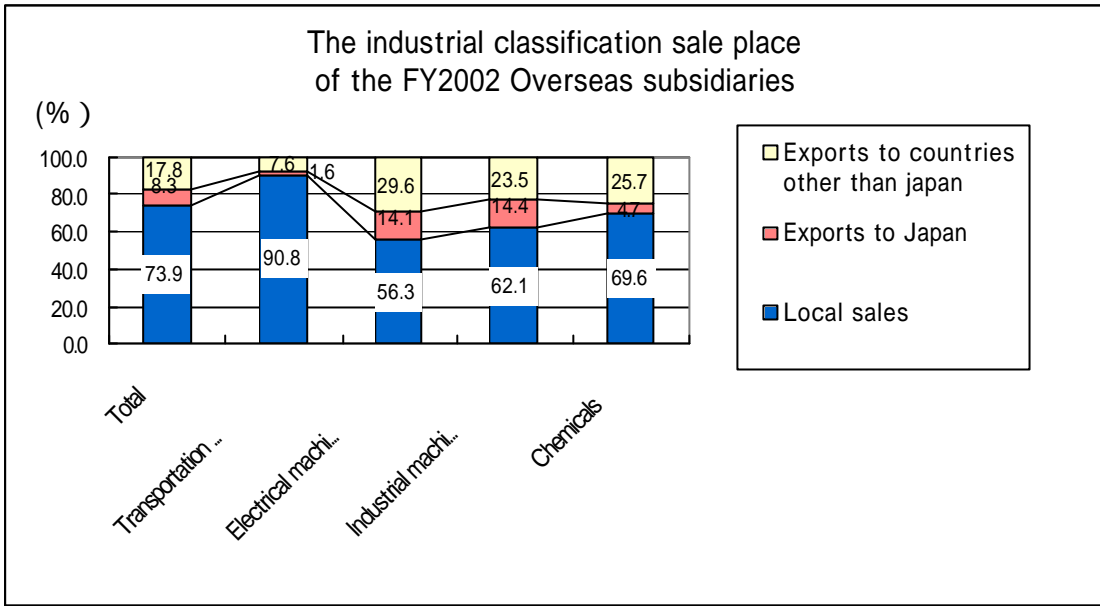
	Total	Chemicals	Industrial machinery	Electrical machinery	Transportation
Sales					
Results (Ratio over same quarter of last	0.8	2.9	0.1	5.5	5.5
Prospects (Ratio over previous term)	2.7	13.9	5.6	11.2	3.7
DI Levels Previous term This term	18.7 21.4	34.6 20.7	9.5 15.1	5.6 16.8	34.4 38.1
Number of employees					
Results (Ratio over same quarter of last	3.9	2.6	3.9	2.6	13.7
Prospects (Ratio over previous term)	2.9	3.1	3.3	5.9	4.2
DI Levels Previous term This term	3.9 1.0	7.2 4.1	6.5 3.2	0.8 6.7	14.2 10.0
Equipment investments					
Results (Ratio over same quarter of last	0.2	9.3	36.8	23.4	22.8
Prospects (Ratio over previous term)	0.8	1.6	7.1	4.1	8.7
DI Levels Previous term This term	11.9 12.7	15.1 16.7	13.0 5.9	6.3 10.4	18.8 10.1

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



Trends in Sales of Overseas subsidiaries by region
 (corresponding-period-of-last-year ratio)





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

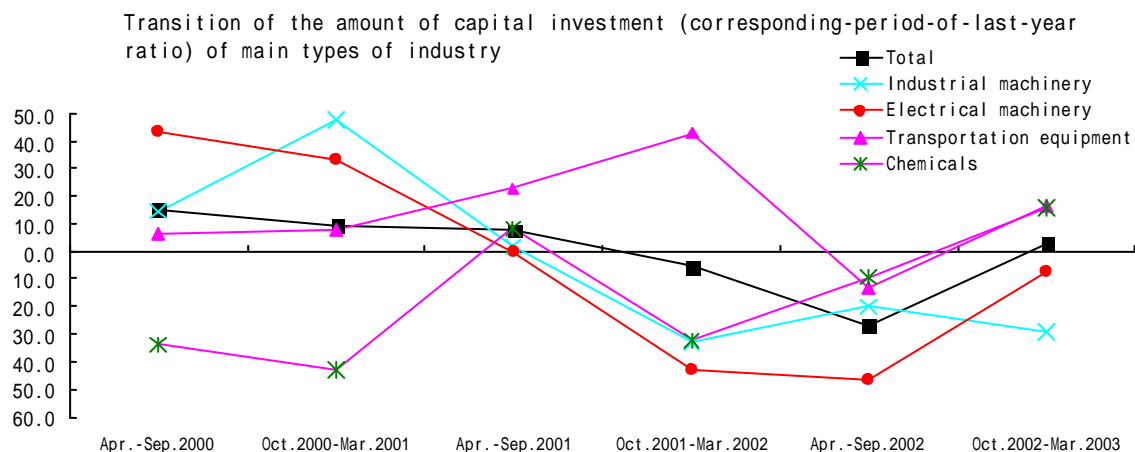
- Equipment investments increased by 0.2% from the same quarter a year ago on a yen basis and by 11.7% on a dollar basis.
- The DI of equipment investments (the prospects for the April-September 2003 term) improved. By region, it improved in North America and ASEAN4, but worsened in China.

- (1) Equipment investments (yen-based) increased 0.2% from the same quarter a year ago.
- By the type of industry, they increased in three industries, including transportation equipment and precision instruments, out of thirteen. On the other hand, they decreased in electrical machinery, chemicals, etc.
 - By region, they increased in NIES3, China, etc. and decreased in North America and ASEAN4.

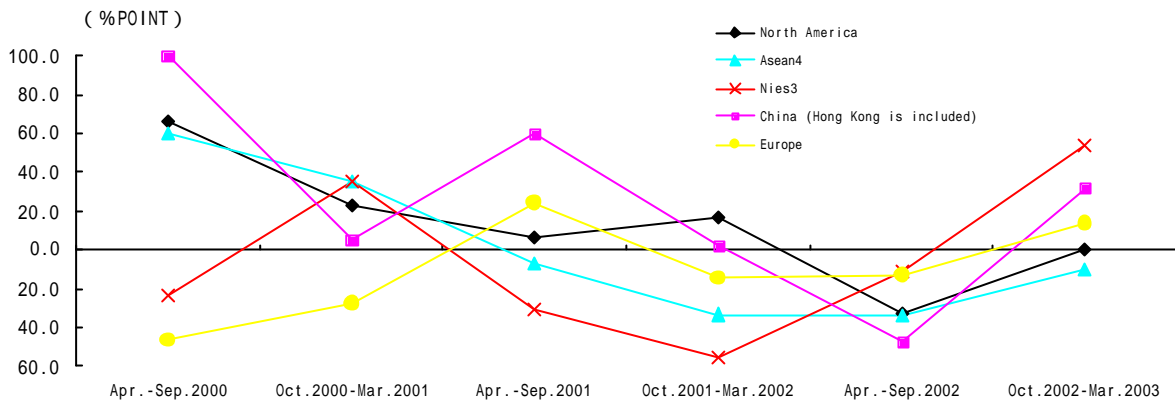
Equipment investments of consecutively-surveyed overseas subsidiaries decreased 1.6% from the same quarter a year ago.

- (2) The DI of equipment investments showed a gain of 0.8 percentage points from the preceding term (11.9 to 12.7).
- By the type of industry, the forecast improved in eight industries, including electrical machinery and chemicals, out of thirteen. On the other hand, transportation equipment, which had shown a gain in the preceding term, worsened and industrial machinery worsened for the second consecutive quarter.
 - By region, the outlook for equipment investments improved in North America, ASEAN4, etc., while deteriorating in China and Europe, among which China showed deterioration in transportation equipment, electrical machinery, etc.

The DI level was positive in all regions, among which North America was positive in double figures for the first time in seven quarters.



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



Note: Although the survey of equipment investments has 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.

3. Employment

- The number of employees (as of the end of the January-March quarter of 2003) was 1,976,000 people, up 3.9% compared with a year earlier for the fourth consecutive quarter of growth.
- The DI of the number of employees (the prospects for the April-September 2003 term) worsened.

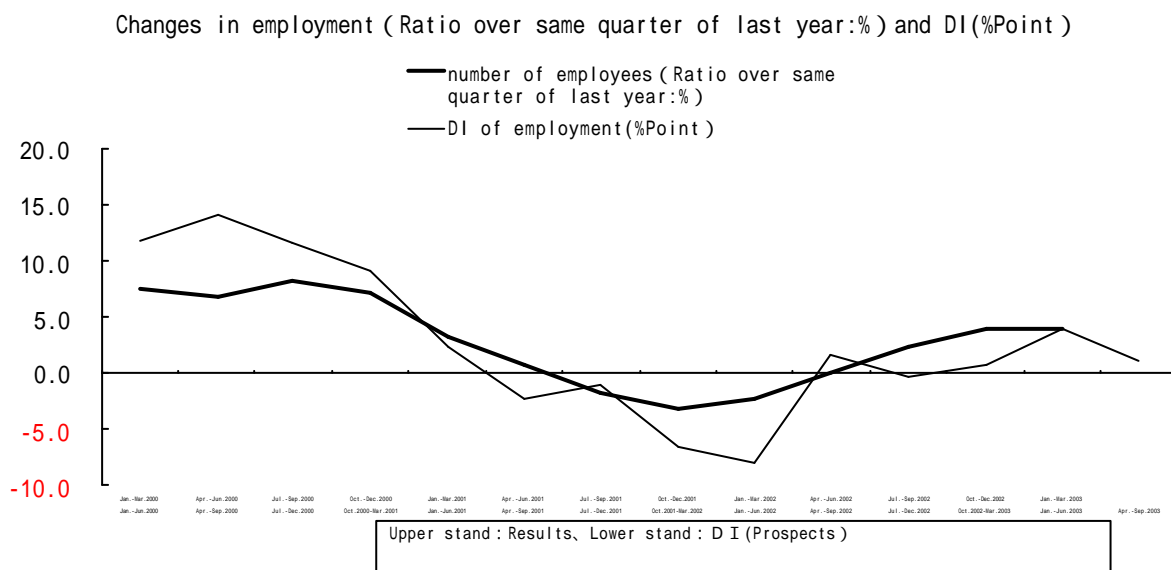
(1) The number of employees (as of the end of this quarter) was 1,976,000 people, a 3.9% year-on-year increase, for the fourth consecutive quarter of growth.

- 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 third consecutive quarter. Transportation equipment showed a double-digit growth for the second consecutive quarter.
- By region, the number of employees increased in China and ASEAN4, among which China showed an increase in electrical machinery, transportation equipment, etc., and ASEAN4 showed a significant growth in transportation equipment.

The number of employees of consecutively-surveyed overseas subsidiaries increased 4.3% from the same quarter a year ago.

(2) The DI of employment decreased 2.9 percentage points from the preceding term for the first time in three terms. The DI level registered positive for the third straight term.

- By the type of industry, the forecast worsened 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 fifth consecutive term.
- By region, the DI of employment worsened in all regions except other regions. ASEAN4 showed an improvement in transportation equipment, though each region marked negative points in many industries.



[Topics]

Features of overseas subsidiaries in Asia seen on sales areas in FY2002

Comparative analysis of the number of overseas subsidiaries classified by a growth rate of sales

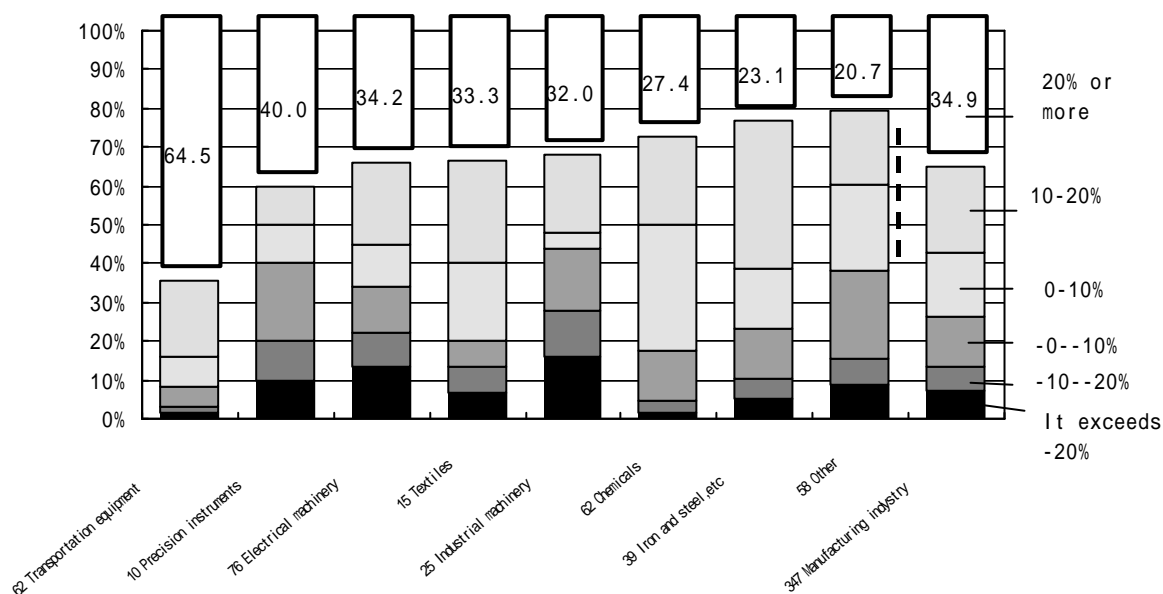
Types of overseas subsidiaries classified by major destinations (sales areas)

Local sales exceed 50% of the total sales → Local sales type
 Exports to Japan exceed 50% of the total sales → Exports-to-Japan type
 Exports to countries other than Japan exceed 50% of the total sales → Exports-to-others type
 Overseas subsidiaries which are not classified into any of them are excluded.

65% of transportation equipment and 40% of precision instruments increased the sales by 20% or more.

Overseas subsidiaries classified into local sales type

The ratio of overseas subsidiaries in Asia classified by the growth rate of sales in FY2002 (year-on-year)



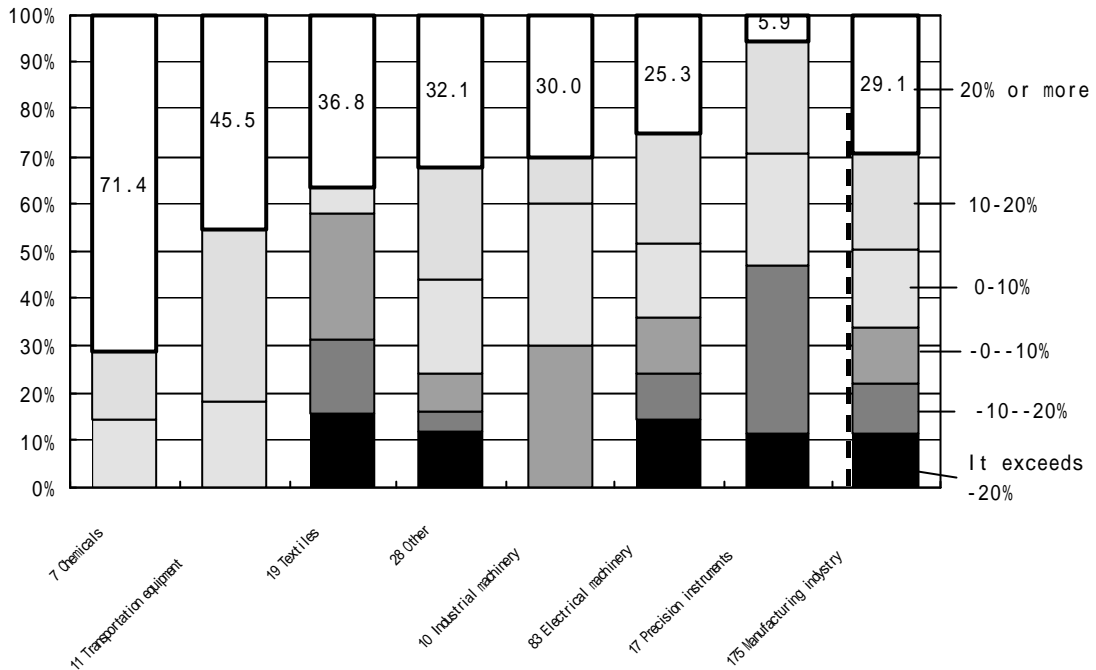
(Notes)

- Overseas subsidiaries which achieved 100 million or more sales (in a quarter) and replied to surveys both in FY2001 and in FY2002 were surveyed.
- The type of sales area is decided by the regional sales which exceed 50% of the total sales among the following three regional sales: local sales, exports to Japan, and exports to countries other than Japan.

71% of chemicals and 46% of transportation equipment increased the sales by 20% or more.

Overseas subsidiaries classified into Exports-to-Japan type

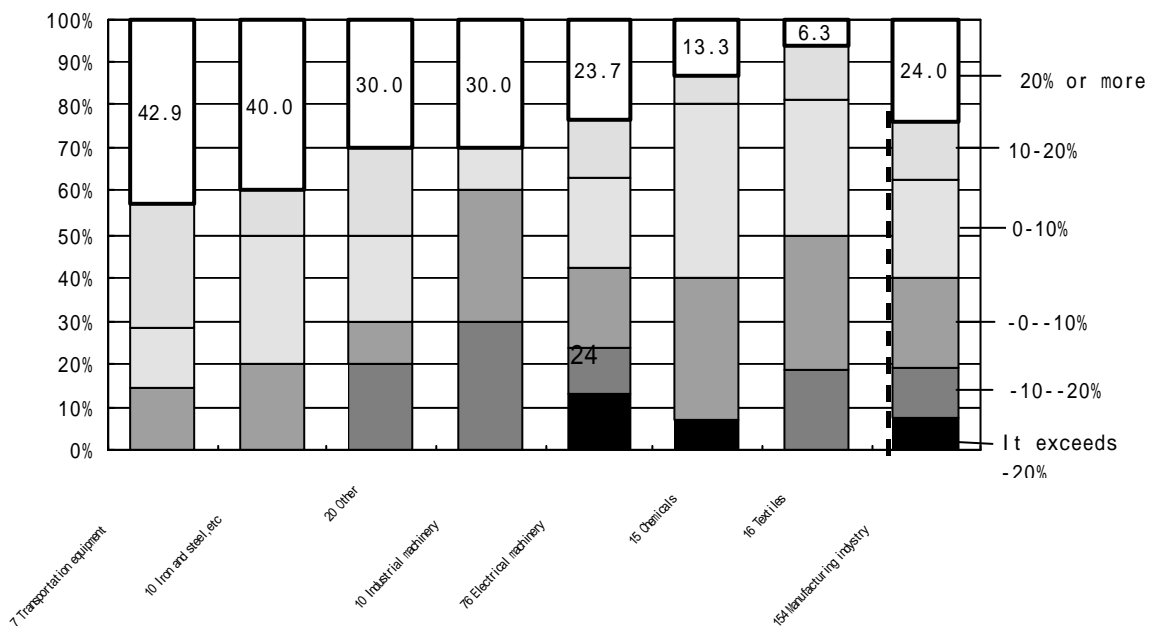
The ratio of overseas subsidiaries in Asia classified by the growth rate of sales in FY2002 (year-on-year)



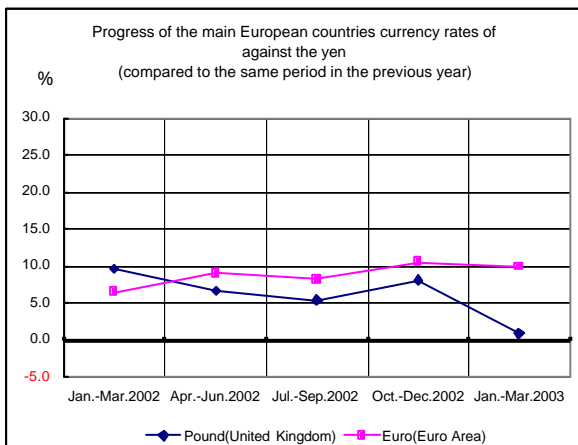
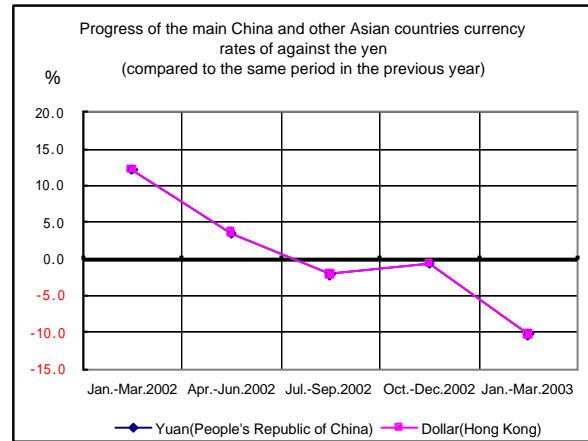
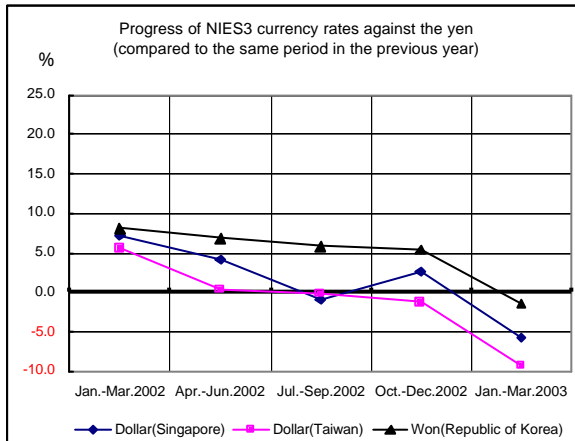
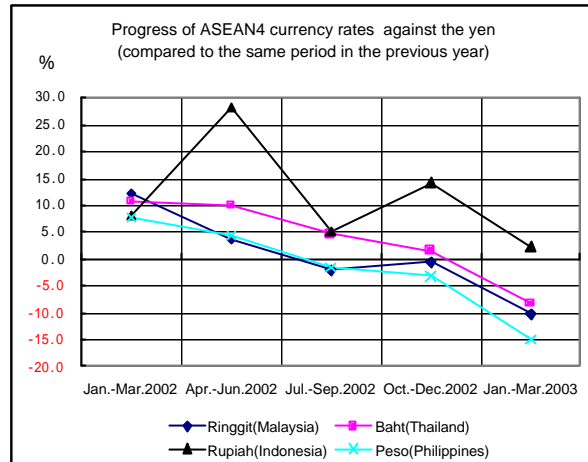
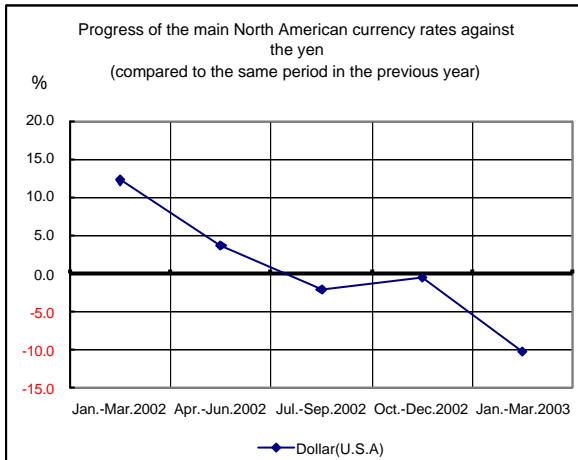
43% of transportation equipment and 40% of iron and steel, etc. increased the sales by 20% or more.

Overseas subsidiaries classified into Exports-to-others type

The ratio of overseas subsidiaries in Asia classified by the growth rate of sales in FY2002 (year-on-year)



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



International Financial Statistics (International Monetary Fund)