

**Trends in Overseas Subsidiaries**  
**Quarterly Survey of Overseas Subsidiaries (April-June 2003)**

**Summary**

With regard to the results of Japanese overseas subsidiaries for the April-June quarter of 2003, sales remained brisk. Those of transportation equipment recorded a double-digit increase for the fourth straight quarter and those of iron and steel decreased substantially. Sales in China showed a double-digit growth rate for the fourth consecutive quarter, while they decreased in North America. Equipment investments marked a double-digit increase for the second consecutive period. Those of transportation equipment in North America showed a sharp increase for the second straight quarter.

As for the prospects for July-December 2003 (DI), those of sales improved in almost all industries. In particular, those in China reached a record high. The prospects of equipment investments also improved in all regions. Those in China remained positive, in double figures for the ninth straight quarter.

\* The survey was conducted in mid-August 2003.

Results of the current survey:

1. Sales remained brisk and increased by 5.8% from the same quarter a year ago on a dollar basis.

Sales of transportation equipment saw a rise of 10.3% from a year earlier with a double-digit growth rate for the fourth straight quarter, while those of iron and steel decreased substantially by 40.0% on a year-on-year basis for the third consecutive quarter of decrease.

In China (See Note 1), sales increased by 30.9% over a year ago, thanks to strong domestic and foreign demand, and recorded a double-digit growth rate for the fourth straight quarter, while those in North America decreased, due to a drop in electrical machinery sales.

2. Prospects of sales (DI) (See Note 4) rose by 6.4 percentage points from the previous term, showing an increase for the third straight term.

Sales prospects (DI) improved in eleven industries out of thirteen. In particular, those of iron and steel and electrical machinery rose by 30.0 percentage points and 12.2 percentage points respectively from the preceding term. By region, Asia increased by 11.1 percentage points from the previous term for the third straight term of rise, and Europe worsened. The DI level was positive and in double figures in all regions other than Europe. In particular, the DI of China reached the highest level (47.2 percentage points) thanks to the subsiding of SARS.

3. Equipment investments increased by 14.3% from the same quarter a year ago, with a double-digit growth rate for the second straight quarter, and the prospects (DI) rose by 5.1 percentage points from the previous term.

Equipment investments of transportation equipment increased by 36.9% on a year-on-year basis with a growth rate of between 30 to 40 % for the second consecutive quarter. Those of electrical machinery and industrial machinery fell for the second straight period. By region, equipment investments in North America increased by 34.2% over a year ago, for the second straight quarter of growth, thanks to new construction of plants for transportation equipment. Those in Asia also advanced for the third consecutive quarter. In particular, China and NIES3 (See Note 3) both marked significant growth for the third straight quarter.

Equipment investments prospects (DI) improved in all regions. The DI in China was 23.8 percentage points, and has remained at a positive double-digit figure for the ninth straight term.

4. Employment increased by 2.4% from the same quarter a year ago for the fifth consecutive quarter of increase, and prospects (DI) rose by 2.9 percentage points from the previous term.

Employment in transportation equipment recorded an increase of 9.1% on a year-on-year basis for the seventh straight quarter of increase, while steel and iron fell substantially by 32.9% from a year earlier, for the third consecutive quarter of decrease. By region, employment in Asia advanced, and that in China rose by 14.1% year-on-year, with a double-digit growth rate for the fifth straight quarter.

Employment prospects (DI) improved in eight industries out of thirteen. The DI level of electrical machinery turned positive. The outlook improved in all regions and that of China increased by 16.4 percentage points, and has remained at a positive double-digit figure for the sixteenth consecutive term.

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Note: The figures are calculated in principle on a dollar basis. This policy is adopted from this quarter. The ratio of increase or decrease of the current quarter from the same quarter a year previous was calculated only on the basis of the total figures of companies that have been surveyed since the previous year or earlier. (As the companies subject to the survey were reviewed during the April-June quarter of 2003 and their number increased, the number of surveyed companies differs between this term and the previous term.)

Note 1: China: including Hong Kong

Note 2: ASEAN4: Indonesia, Thailand, the Philippines and Malaysia

Note 3: NIES3: Singapore, Taiwan and the Republic of Korea

Note 4:  $DI = \text{the ratio of companies expecting an increase} - \text{the ratio of companies expecting a decrease.}$

$DI \text{ compared with the previous term} = DI \text{ for this term} - DI \text{ for the previous term.}$

DI for this term: DI gained from the survey of the April-June quarter of 2003 (prospects for the July-December term of 2003).

DI for the previous term: DI gained from the survey of the January-March quarter of 2003 (prospects for the April-September term of 2003)

## 1. Sales

- Sales remained brisk and increased by 5.8% from the same quarter a year ago on a dollar basis.
- By industry, they advanced in ten industries out of thirteen. Sales of transportation equipment marked a 10.3% rise from a year earlier, with a double-digit growth rate for the fourth straight quarter, while those of iron and steel plunged substantially by 40.0% on a year-on-year basis, for the third consecutive quarter of decrease.
- By region, sales in China increased substantially by 30.9% over a year ago, thanks to strong domestic and foreign demand, and recorded a double-digit growth rate for the fourth straight quarter. At the same time, sales in North America decreased, due to a drop in electrical machinery sales.
- The DI of sales (the prospects for the July-December 2003 term) rose by 6.4 percentage points from the previous term, showing an increase for the third straight term.
- By industry, DI improved in eleven industries out of thirteen. In particular, those of iron and steel, and electrical machinery, rose by 30.0 percentage points and 12.2 percentage points, respectively, from the preceding term.
- By region, Asia showed an increase of 11.1 percentage points from the previous term for the third straight term of rise, while Europe dropped by 8.7 percentage points from the preceding period. The DI level was positive and in double figures in all regions other than Europe. In particular, China reached the highest level, thanks to the subsiding of SARS.

Reference: “With regard to overseas economies, the recovery of the North American economy is gathering momentum, and Asia has seen continued economic expansion in China and Thailand, and deceleration in South Korea and some other economies. The European economy is weakened.” (Excerpt from the Monthly Economic Report (August 2003) of the Government of Japan)

- (1) On a dollar basis, sales by overseas subsidiaries remained brisk and increased by 5.8% from the corresponding quarter of the previous year.
  - By industry, they advanced in ten industries out of thirteen. Sales of transportation equipment rose by 10.3% on a year-on-year basis and showed a double-digit increase for the fourth straight quarter. Those of electrical machinery remained nearly flat (up 0.4% from a year ago), while those of iron and steel plunged substantially, by 40.0% compared with a year earlier, for the third consecutive quarter of decrease.
  - By region, Asia registered a double-digit increase for the fourth consecutive period and Europe showed a double-digit growth rate for the second straight quarter. In particular, sales in China rose substantially by 30.9% over a year earlier, thanks to strong domestic and foreign demand, with a growth rate of between 20 and 30% for the fourth straight quarter. Meanwhile those in North America showed a slight drop, down 1.9% compared with a year earlier, due to a drop in electrical machinery sales, and NIES3 sales also fell by 8.3% year-on-year for the second straight quarter of decline.

- (2) The DI of sales marked a rise of 6.4 percentage points from the previous term (21.4 to 27.8), showing an increase for the third straight term. The level of DI was positive for the seventh consecutive period.
- By industry, it improved in eleven industries out of thirteen. Those of iron and steel, electrical machinery, industrial machinery and chemicals increased by 30.0 percentage points, 12.2 percentage points, 8.2 percentage points and 6.0 percentage points respectively from the preceding term.
  - By region, Asia increased by 11.1 percentage points from the previous term for the third straight term of rise. North America showed a moderate gain of 1.1 percentage points from the previous period. Meanwhile, Europe dropped by 8.7 percentage points from the previous period. The DI level was positive and in double figures in all regions other than Europe. In particular, the DI of China reached the highest level (47.2 percentage points), thanks to the subsiding of SARS, and that of transportation equipment reached a record high, thanks to strong domestic demand.

#### Results for April-June 2003 and Prospects for July-December 2003 by Type of Industry

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

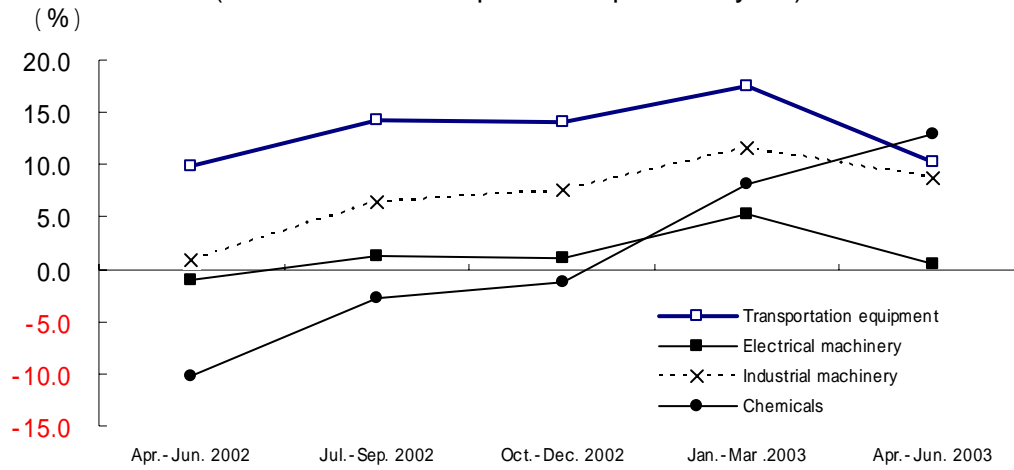
|  | Total     | Transportation equipment | Electrical machinery | Industrial machinery | Chemicals | Iron and steel |
|--|-----------|--------------------------|----------------------|----------------------|-----------|----------------|
| <b>Sales</b>                                   |           |                          |                      |                      |           |                |
| Results (ratio over same quarter of last year) | 6         | 10                       | 0                    | 9                    | 13        | -40            |
| Prospects (ratio over previous term)           | 6         | -12                      | 12                   | 8                    | 6         | 30             |
| DI (previous term this term)                   | 21.4 27.8 | 38.1 26.4                | 16.8 29.0            | 15.1 23.3            | 20.7 26.7 | 11.4 41.4      |
| <b>Equipment investments</b>                   |           |                          |                      |                      |           |                |
| Results (ratio over same quarter of last year) | 14        | 37                       | -15                  | -19                  | 1         | -36            |
| Prospects (ratio over previous term)           | 5         | 11                       | 5                    | 7                    | 3         | 11             |
| DI (previous term this term)                   | 12.7 17.8 | 10.1 21.1                | 10.4 15.3            | 5.9 13.0             | 16.7 19.9 | 15.8 27.0      |
| <b>Number of employees</b>                     |           |                          |                      |                      |           |                |
| Results (ratio over same quarter of last year) | 2         | 9                        | 2                    | 4                    | -1        | -33            |
| Prospects (ratio over previous term)           | 3         | 3                        | 9                    | 4                    | -4        | 4              |
| DI (previous term this term)                   | 1.0 3.9   | 10.0 12.7                | -6.7 1.9             | 3.2 6.7              | 4.1 0.4   | 11.6 16.0      |

#### Results for April-June 2003 and Prospects for July-December 2003 by Region

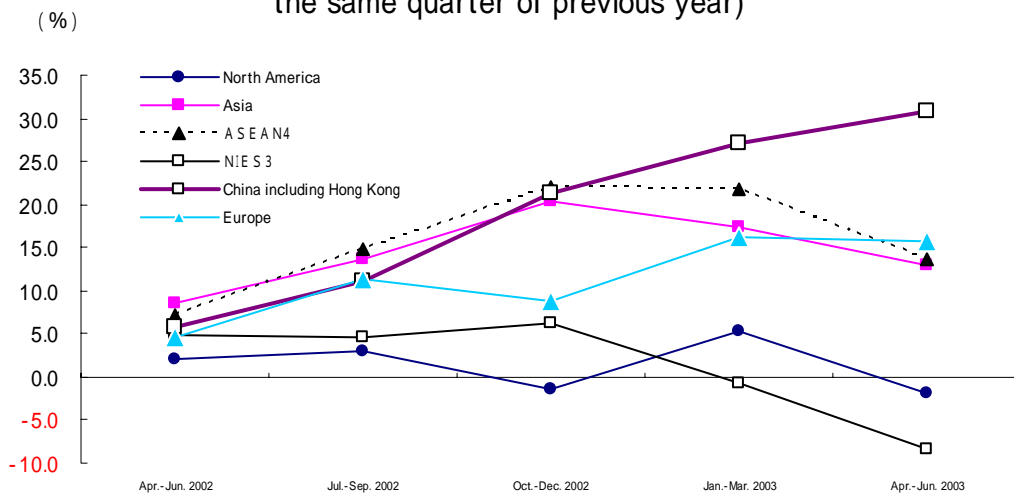
Unit (ratio over same quarter of last year: %, ratio over previous term: percentage points)

|  | Total     | North America | Asia      | ASEAN4<br>(See Note 2) | NIES3<br>(See Note 3) | China including<br>Hong Kong | Europe    |
|--|-----------|---------------|-----------|------------------------|-----------------------|------------------------------|-----------|
| <b>Sales</b>                                   |           |               |           |                        |                       |                              |           |
| Results (ratio over same quarter of last year) | 6         | -2            | 13        | 14                     | -8                    | 31                           | 16        |
| Prospects (ratio over previous term)           | 6         | 1             | 11        | 5                      | 3                     | 22                           | -9        |
| DI (previous term this term)                   | 21.4 27.8 | 19.7 20.8     | 23.4 34.5 | 28.0 32.7              | 8.4 11.2              | 25.5 47.2                    | 14.7 6.0  |
| <b>Equipment investments</b>                   |           |               |           |                        |                       |                              |           |
| Results (ratio over same quarter of last year) | 14        | 34            | 4         | -15                    | 28                    | 25                           | -9        |
| Prospects (ratio over previous term)           | 5         | 5             | 3         | 4                      | 3                     | 3                            | 8         |
| DI (previous term this term)                   | 12.7 17.8 | 13.1 18.1     | 15.4 18.8 | 14.1 17.8              | 8.7 12.1              | 20.7 23.8                    | 3.7 11.3  |
| <b>Number of employees</b>                     |           |               |           |                        |                       |                              |           |
| Results (ratio over same quarter of last year) | 2         | -5            | 7         | 4                      | -2                    | 14                           | -6        |
| Prospects (ratio over previous term)           | 3         | 3             | 3         | 1                      | 5                     | 1                            | 3         |
| DI (previous term this term)                   | 1.0 3.9   | -5.7 -2.7     | 4.8 7.4   | 2.7 3.5                | -10.1 -5.3            | 15.1 16.4                    | -8.0 -4.6 |

Changes in Dollar-based Results of Sales by Type of Industry  
(ratio to the same quarter of previous year)



Changes in Dollar-based Results of Sales by Region (ratio to the same quarter of previous year)



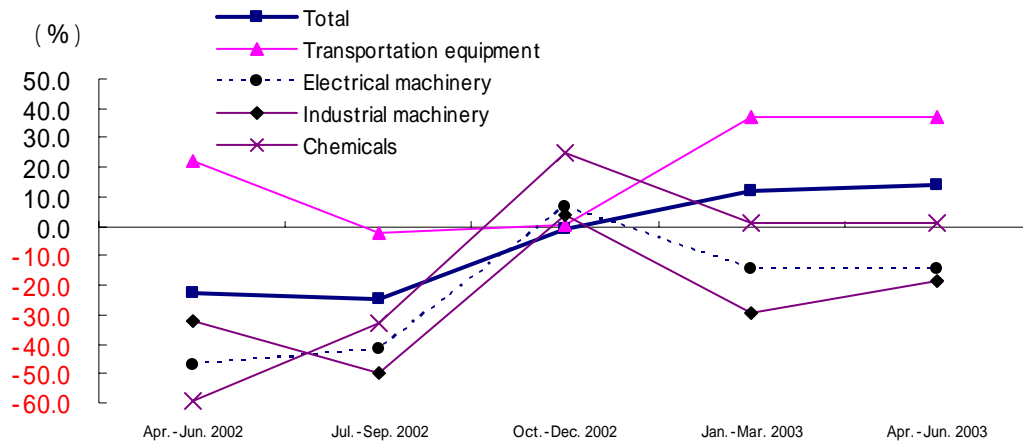
2. Equipment investments (the amount of acquired tangible fixed assets other than land)

- Equipment investments increased by 14.3% on a dollar basis from the same quarter a year ago, with a double-digit growth rate for the second straight quarter.
- Transportation equipment registered a rise of 36.9% on a year-on-year basis with a growth rate of between 30 to 40 % for the second consecutive quarter. Electrical machinery and industrial machinery both fell for the second straight quarter.
- By region, North America increased substantially by 34.2% over a year ago for the second straight quarter of rise, thanks to new construction of plants for transportation equipment. Asia also advanced for the third consecutive period. In particular, China and NIES3 both marked significant growth for the third straight quarter.
- The DI of equipment investments (the prospects for the July-December 2003 term) rose by 5.1 percentage points from the previous term.
- Transportation equipment registered a double-digit increase (11.0 percentage points) from the previous term.
- The outlook improved in all regions including Europe and North America. The DI level was positive and in double figures in all regions. In particular, that in China was 23.8 percentage points, and remained positive in double figures for the ninth straight term.

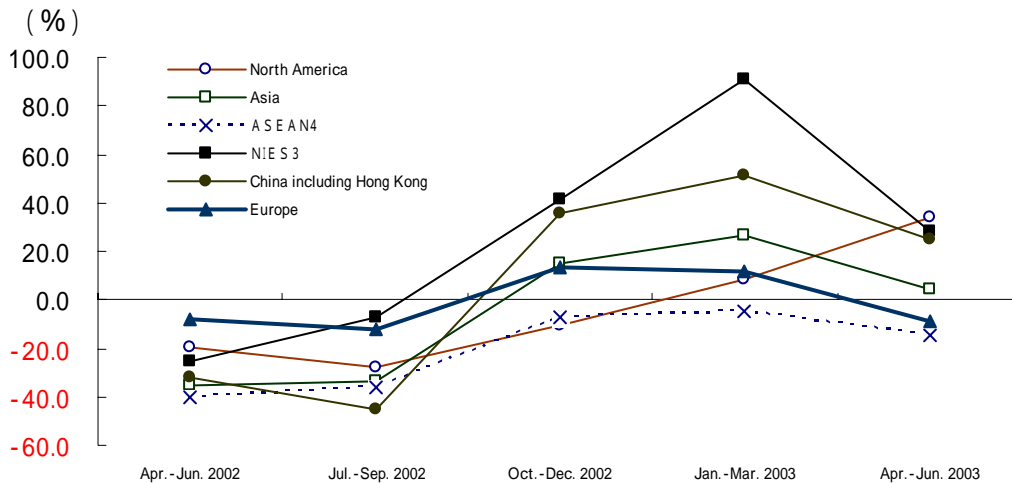
- (1) Equipment investments (dollar-based) marked a rise of 14.3% from the corresponding period of last year, with a double-digit growth rate for the second straight quarter.
  - By type of industry, transportation equipment marked a significant growth of 36.9% on a year-on-year basis, showing a growth rate of between 30 to 40 % for the second consecutive quarter. Meanwhile, electrical machinery and industrial machinery both fell for the second straight period.
  - By region, North America rose significantly by 34.2% over a year earlier, for the second straight quarter of increase, thanks to new construction of plants for transportation equipment. Asia also advanced for the third consecutive quarter. In particular, China grew by 24.8 %, due to a rise in electrical machinery, and NIES3 marked a growth of 28.0%, due to an increase in chemicals. Both marked a significant increase for the third straight quarter.
  
- (2) The DI of equipment investments showed a gain of 5.1 percentage points from the preceding term (12.7 to 17.8).
  - By type of industry, the forecast improved in eleven industries out of thirteen. In particular, transportation equipment registered a double-digit growth rate (11.0 percentage points) from the previous term. Meanwhile, industrial machinery, electrical machinery and chemicals increased by 7.1 percentage points, 4.9 percentage points and 3.2 percentage points respectively from the preceding term.
  - By region, the outlook improved in all regions including Europe and North America. Europe recovered from continuous poor conditions and changed to an increase. The DI level was positive and in double figures in all regions. In particular, that of China was 23.8 percentage points, and has remained at a positive double-digit figure for the ninth straight

term since the April-June quarter of 2001, when the survey period was changed to quarterly.

Changes in Dollar-based Results of Equipment Investments by Type of Industry (ratio to the same quarter of previous year)



Changes in Dollar-based Results of Equipment Investments by Region (ratio to the same quarter of previous year)





### 3. Employment

- The number of employees (as of the end of June 2003) was 2,260,000, up 2.4% compared with a year earlier for the fifth consecutive quarter of growth.
- Employment in transportation equipment rose by 9.1% on a year-on-year basis, showing an increase for the seventh straight quarter, while steel and iron dropped substantially by 32.9% from a year earlier for the third consecutive quarter of decline.
- By region, employment in Asia marked a rise of 7.1% over a year ago. In particular, China rose by 14.1% year-on-year, with a double-digit growth rate for the fifth straight quarter, thanks to a steady growth in electrical machinery.
- The DI of the number of employees (the prospects for the July-December 2003 term) increased by 2.9 percentage points from the previous term. The DI level registered positive for the fourth straight period.
- Employment prospects (DI) improved in eight industries out of thirteen. The DI level of electrical machinery turned positive after posting a minus figure for the tenth consecutive term.
- The outlook improved in all regions, but the DI level was negative in all regions other than Asia. In Asia, China was 16.4 percentage points, and remained positive in double figures for the sixteenth consecutive term.

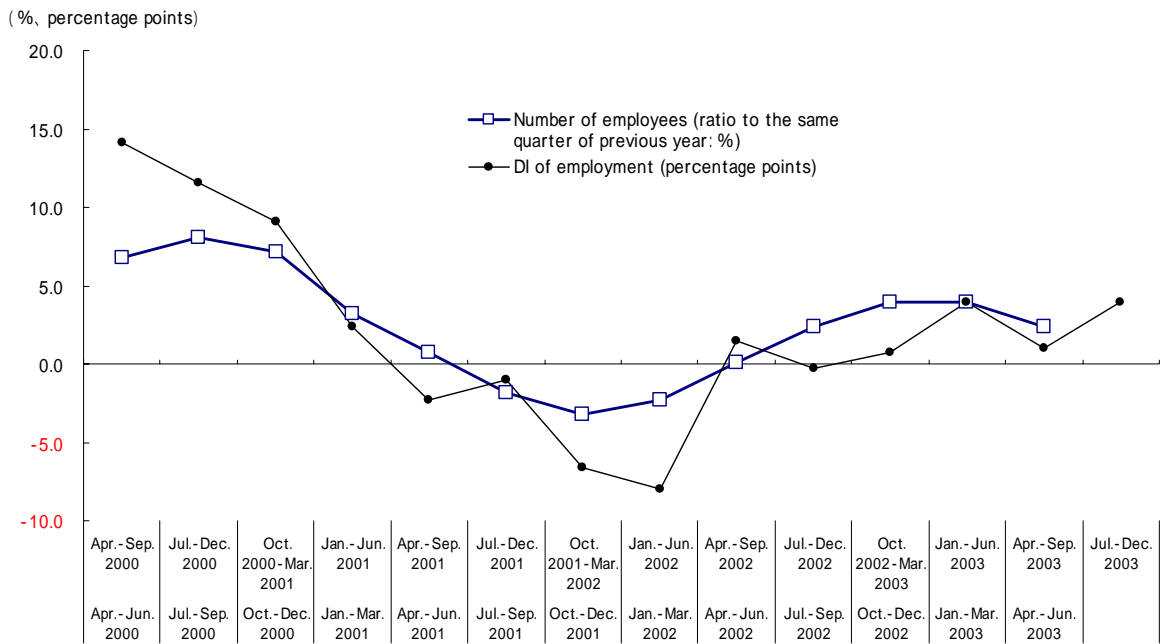
(1) The number of employees (as of the end of this quarter) was 2,260,000, a 2.4% year-on-year increase, for the fifth consecutive quarter of growth.

- By type of industry, transportation equipment marked a 9.1% rise from the corresponding period of last year for the seventh straight quarter of increase, while steel and iron marked a significant drop of 32.9% from a year earlier for the third consecutive quarter of decline.
- By region, Asia showed a rise of 7.1% over a year ago, and China rose by 14.1% year-on-year, with a double-digit growth rate for the fifth straight quarter, thanks to the steady growth in electrical machinery.

(2) The DI of employment increased by 2.9 percentage points from the preceding term, and the DI level registered positive for the fourth straight term.

- By type of industry, the forecast improved in eight industries out of thirteen. The DI level of electrical machinery turned positive after posting a minus figure for the tenth consecutive term.
- By region, prospects improved in all regions, but the DI level was negative in all regions other than Asia. In Asia, China was 16.4 percentage points, and has remained at a double-digit-plus figure for the sixteenth consecutive period.

### Changes in Results (ratio to the same quarter of previous year: %) and DI (percentage points) of Employment

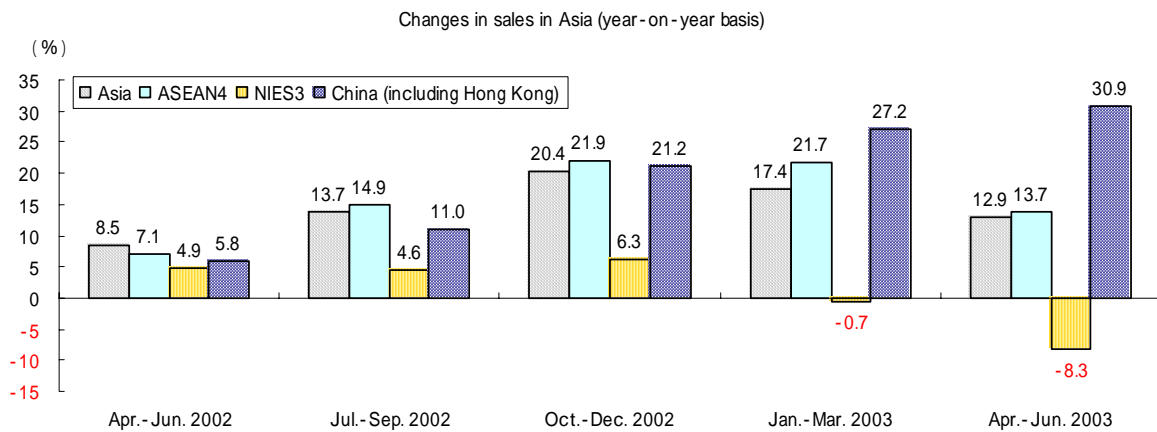


Note: The upper line is results and the lower line is DI (prospects)

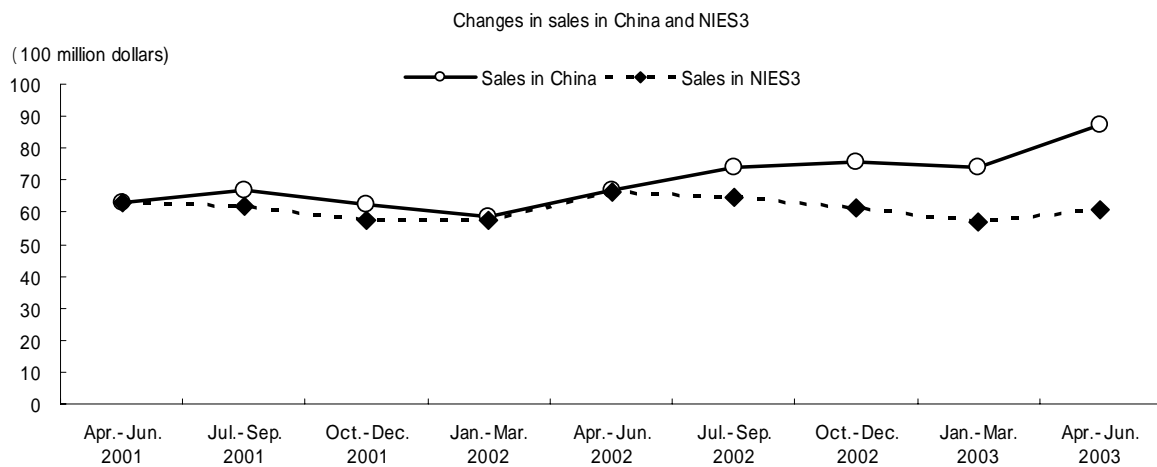
[Topics]

## Accelerating China, Decelerating NIES3

Sales in China grew rapidly, while sales in NIES3 recorded a negative growth rate compared to the same quarter of the previous year for the second consecutive period.



The gap in sales between China and NIES3, which was small last year, has widened recently.



In the area of electrical machinery, China enjoyed brisk domestic and foreign demand, while NIES3 suffered from weakened exports to countries other than Japan.

