

**Trends in Overseas Subsidiaries**  
**Quarterly Survey of Overseas Subsidiaries (October-December 2003)**

**Summary**

With regard to the prospects of Japanese overseas subsidiaries for January-June 2004 (DI):

- Those of sales (DI) remained positive for the ninth straight quarter, and increased by double figures in all regions. China remained on a high level. The sales prospects of transportation equipment were brisk in North America, and significantly improved in Europe. They also improved in Asia.
- The prospects of equipment investment (DI) remained positive, in double figures for the eighth consecutive term. In particular, that in China continued to be positive and at a double-digit figure.
- The prospects of the number of employees (DI) reached the highest level since the July-September 2000.

As for the results for the October-December quarter 2003:

- Sales increased for the seventh consecutive quarter. Those of transportation equipment in North America were brisk and increased, and those of electrical machinery in Europe were brisk and sharply increased. Sales in NIES3 showed a significant recovery due to a rise in electrical machinery sales.
- Equipment investment increased for the fourth straight quarter. Investment in transportation equipment in North America and Asia marked a steady growth, while that in electrical machinery in NIES3 was brisk and significantly increased.
- The number of employees increased for the seventh consecutive quarter. The number in China recorded a double-digit growth rate.

\* The survey was conducted in mid-February 2004.

**Results of the current survey:**

1. Prospects of sales (DI) (see Note 4) marked 23.7 percentage points, showing a positive figure for the ninth straight term, and rose to 3.4 percentage points from the worsened figures of the previous term.

The DI level this term was positive and in double figures in all regions. In particular, the DI of China (see Note 1) remained on a high level of 35.2 percentage points. Sales prospects improved in all regions from the preceding term. By region, North America and Europe both increased partly due to a rise in transportation equipment. Asia also improved partly due to active sales of electrical machinery.

2. Sales increased by 14.4% from the same quarter a year ago for the seventh straight quarter of rise on a dollar basis.

Sales in North America increased for the second consecutive quarter, thanks to a sharp rise in transportation equipment sales, etc. In Europe, sales of electrical machinery significantly increased thanks to the recovery of IT demand, while those of transportation equipment were brisk for the seventh straight quarter of growth. In Asia, sales increased in double figures for the sixth consecutive quarter. In particular, NIES3 (see Note 2) recorded a significant rise of 15.4% from a year ago.

3. Equipment investment prospects (DI) recorded a positive figure for the eighth straight term. Equipment investments increased by 11.4% on a year-on-year basis for the fourth consecutive quarter of growth.

The prospects (DI) for this term marked a positive figure for the eighth straight term. By region, they also recorded a positive level in all regions. In particular, the prospects of electrical machinery and industrial machinery in China improved and marked 28.9 percentage points with a double-digit positive figure for the eleventh consecutive period.

Equipment investment increased for the fourth straight quarter. By region, equipment investment in electrical machinery was brisk and increased by 22.4% from a year ago for the fourth straight quarter. In Asia, investment in electrical machinery and transportation equipment were brisk for the fifth consecutive quarter of rise. In particular, the investments in NIES3 recorded a sharp increase of 55.8% on a year-on-year basis thanks to a rise in investment in electrical machinery, while that in Europe decreased for the third consecutive quarter.

4. The prospects of the number of employees (DI) recorded a high level after the July-September quarter of 2000. The number of employees increased by 2.8% from the same quarter a year ago for the seventh straight quarter of rise.

The prospects of the number of employees (DI) marked 7.4 percentage points, the highest level since the July-September quarter of 2000, posting 9.1 percentage points. By region, they showed a positive level in all regions other than NIES3. In both North America and Europe, the DI level turned positive. In Asia the level recorded a double-digit figure. In particular, the prospects in China have remained at a positive double-digit figure for the eighteenth consecutive term.

The number of employees increased for the seventh straight quarter. By region, Asia saw the number increase for the eighth straight quarter. In particular, the number of employees in China increased by double figures for the seventh consecutive quarter due to increased employment in electrical machinery. Meanwhile, North America and Europe saw the number continue to decrease due to a fall in employment in electrical machinery.

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**Note:** The figures are calculated in principle on a dollar basis. This policy has been adopted from the survey for the April-June quarter of 2003. The ratio of increase or decrease of the current quarter from the same quarter the previous year was calculated only on the basis of the total figures of companies that have been surveyed since the previous year or earlier. (As the number of companies subject to the survey has increased since the April-June quarter of 2003 (through changing the investment rate from “over 50%” to “50% or more”), the number of surveyed companies differs between this term and the previous term.)

**Note 1:** China: including Hong Kong

**Note 2:** NIES3: Singapore, Taiwan and the Republic of Korea

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

**Note 4:** DI = the ratio of companies expecting an increase – the ratio of companies expecting a 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 October-December quarter of 2003 (prospects for the January-June term of 2004)

DI for the previous term: DI gained from the survey of the July-September quarter of 2003 (prospects for the October 2003 – March 2004 term)

## 1. Sales

- The DI of sales recorded 23.7 percentage points with a positive figure for the ninth consecutive term of increase, and advanced to 3.4% from the worsened figure of the preceding period (20.3 to 23.7).

The DI level this term showed a positive double-digit figure in all regions. In particular, the level in China remained high at 35.2 percentage points. By region, the DI of sales rose in all regions from the preceding term. It increased by 8.1 percentage points from the previous term in North America and by 2.2 percentage points in Europe, thanks to a rise in transportation equipment, etc. In Asia, the DI rose thanks to brisk sales in electrical machinery and transportation equipment.

- Sales increased by 14.4% from the same quarter a year ago for the seventh straight quarter of rise on a dollar basis.

By region, sales in North America increased by 8.1% from a year earlier for the second consecutive quarter of rise, thanks to a significant growth in the sales of transportation equipment. In Europe, they increased for the seventh straight quarter as electrical machinery showed a sharp rise in sales, thanks to a recovery in the demand for IT products, and sales of transportation equipment were also brisk. In Asia, sales showed a double-digit increase for the sixth consecutive quarter. In particular, NIES3 (see Note 2) marked a significant increase in sales of 15.4% on a year-on-year basis as the sales of electrical machinery turned to an increase.

**Reference:** “With regard to overseas economies, the recovery of the North American economy is strong. Asia has seen the economy expanding in China, Thailand and Malaysia, recovering in Taiwan and Singapore, and signs of improvement in South Korea. The economy in the Euro-zone shows a moderate recovery.” (excerpt from the Monthly Economic Report (March 2004) of the Government of Japan)

(1) The DI of sales marked 23.7 percentage points, showing a positive figure for the ninth straight term.

It rose to 3.4 percentage points from the worsened figures of the preceding term (20.3 to 23.7).

- By type of industry, sales DI for this term showed a positive figure in twelve industries out of thirteen.

Those of transportation equipment and electrical machinery rose to 8.8 percentage points and 1.6 percentage points, respectively, from the preceding term. The DI for industrial machinery advanced to 2.1 percentage points from the previous period for the fourth consecutive term of increase.

- By region, the DI level this term showed a double-digit positive figure in all regions. In particular, Asia marked 25.9 percentage points and continued to remain on a high level. In

particular, China recorded 35.2 percentage points, continuing on a high level.

Sales DI improved in all regions from the worsened figures of the preceding term. It rose to 8.1 percentage points in North America thanks to a rise in the outlook of transportation equipment for the first time in four terms. In Europe it improved for the second consecutive term, thanks to improvements in transportation equipment and industrial machinery. Asia saw the outlook improve, thanks to active sales of electrical machinery, transportation equipment, etc.

- (2) On a dollar basis, sales by overseas subsidiaries increased by 14.4% from the corresponding quarter of the previous year, for the seventh straight quarter of increase.
- By type of industry, they advanced in ten industries out of thirteen. Sales of transportation equipment rose by 16.3% compared with a year earlier, thanks to a sharp rise in sales in North America, for the seventh straight quarter of increase. Those of electrical machinery showed a large increase of 13.3% on a year-on-year basis, thanks to rises from previous-quarter decreases in Europe and in NIES3, where the demand for IT products recovered. Those of chemicals increased for the fourth consecutive quarter and those of industrial machinery for the seventh straight quarter.
  - By region, sales in North America increased by 8.1% compared with a year earlier, for the second straight quarter of gain, thanks to a significant growth in the sales of transportation equipment. In Europe, sales increased for the seventh consecutive quarter, thanks to a sharp recovery in electrical machinery sales and brisk sales of transportation equipment. In Asia, sales showed a double-digit increase for the sixth straight quarter, thanks to brisk sales in electrical machinery and transportation equipment. In particular, sales in NIES3 recorded a significant increase of 15.4% on a year-on-year basis as electrical machinery sales turned to increase. Sales in China also rose by 31.6% from a year earlier, with a growth rate of between 30% and 40% for the third consecutive quarter. Sales in ASEAN4 (see Note 3) also continued to increase in double figures.

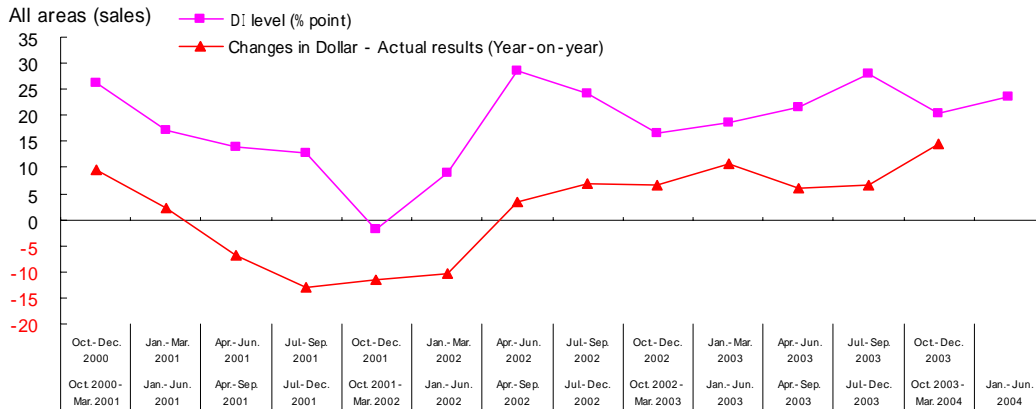
Sales DI prospect by region and major industries ( January - June 2004 ),and actual results ( October - December 2003 )  
Unit ( ratio over same quarter of last year:%, ratio over previous term:percentage points )

Industry	Total		transportation equipment		Electrical machinery		Industrial machinery		Chemicals	
DI (previous term this term)	20.3	23.7	19.3	28.1	20.4	22.0	27.6	29.7	24.5	24.2
Prospects (ratio over previous term)	3.4		8.8		1.6		2.1		-0.3	
Results (ratio over same quarter of last year)	14.4		16.3		13.3		14.5		23.5	

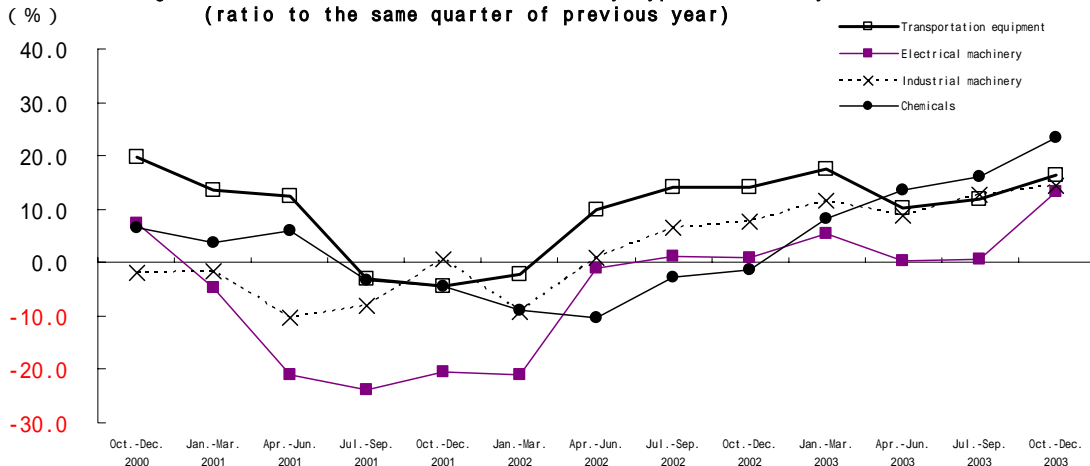
Region	North America		Asia		ASEAN4 (see Note 3)		NIES3 (see Note 2)		China including Hong Kong		Europe	
DI (previous term this term)	12.5	20.6	23.5	25.9	18.8	24.6	8.5	11.7	34.5	35.2	17.1	19.3
Prospects (ratio over previous term)	8.1		2.4		5.8		3.2		0.7		2.2	
Results (ratio over same quarter of last year)	8.1		20.3		14.4		15.4		31.6		19.2	

### Sales DI and Actual Results (Dollar base)

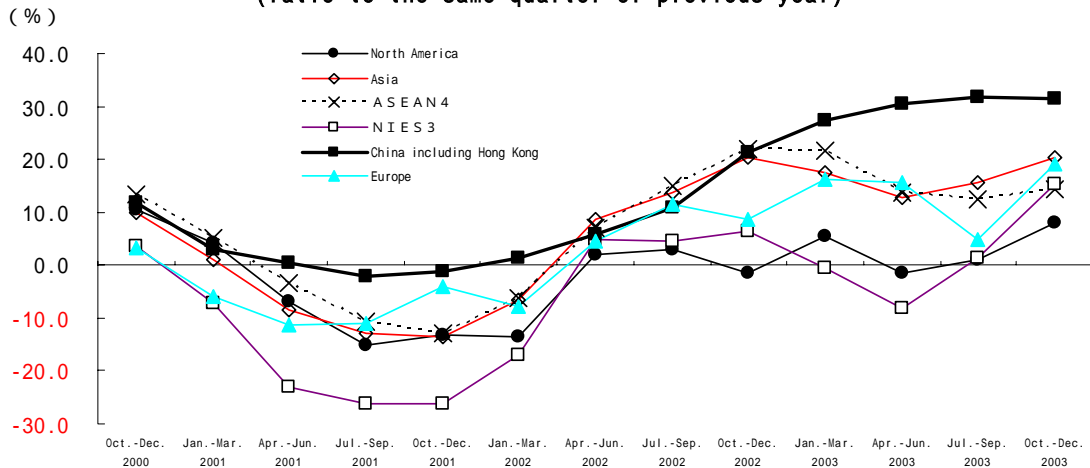


The upper line is results and the lower line is DI

### 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)

\* The DI of equipment investments was 17.4 percentage points with a double-digit positive figure for the eighth consecutive term. It rose to 4.6 percentage points from the worsened figure of the previous term.

The DI for this term marked a positive figure in all regions. Particularly, that in China was 28.9 percentage points and remained positive in double figures for the eleventh straight term, thanks to improvements in the areas of electrical machinery and industrial machinery. The outlook compared to the previous term improved in all regions other than NIES3.

\* Equipment investment increased by 11.4% on a dollar basis from the same quarter a year ago, for the fourth consecutive quarter.

By region, North America increased by 22.4% over a year ago for the fourth consecutive quarter of rise, thanks to active investment in electrical machinery. Asia advanced for the fifth straight period, thanks to active investment in electrical machinery and in transportation equipment. In particular, NIES3 marked a significant growth of 55.8% on a year-on-year basis, thanks to an increase in investment in electrical machinery, while Europe decreased for the third consecutive quarter.

(1) The DI of equipment investment registered 17.4 percentage points, showing a double-digit positive figure for the eighth straight term. It improved to 4.6 percentage points from the worsened figures of the previous term (12.8 to 17.4).

- By industry, DI for this term marked positive in all industries. It improved from the preceding term in twelve industries out of thirteen. The prospects of electrical machinery and transportation equipment rose to 4.1 percentage points and 5.1 percentage points respectively, from the previous term.
- By region, the outlook this term was positive in all regions. In Asia, the DI was 20.6 percentage points, showing a double-digit positive figure for the eighth consecutive term. In particular, the outlook in China registered 28.9 percentage points, thanks to improvements in the prospects of electrical machinery and industrial machinery, and has remained at a double-digit figure for the eleventh straight term since the April-June quarter of 2001, when the survey frequency was changed from biannually to quarterly. The outlook compared with the previous term improved in all regions other than NIES3.

(2) Equipment investment (dollar-based) increased by 11.4% from the corresponding period of last year for the fourth consecutive quarter of rise.

- By type of industry, transportation equipment increased by 13.6% on a year-on-year basis for the fifth consecutive quarter. Electrical machinery rose by 32.9% from the previous year, for the second straight quarter.
- By region, North America grew by 22.4% over the previous year, due to a significant rise in electrical machinery, for the fourth consecutive quarter of increase. Asia advanced for the fifth straight quarter, thanks to active investment in electrical machinery and transportation equipment. In particular, NIES3 showed a dramatic increase of 55.8% on a year-on-year basis due to a rise in investment in electrical machinery. Meanwhile, Europe dropped for the third consecutive quarter, due to a fall in chemicals.

Capital investment DI prospect by region and major industries ( January - June 2004 ),  
and actual results ( October - December 2003 )

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

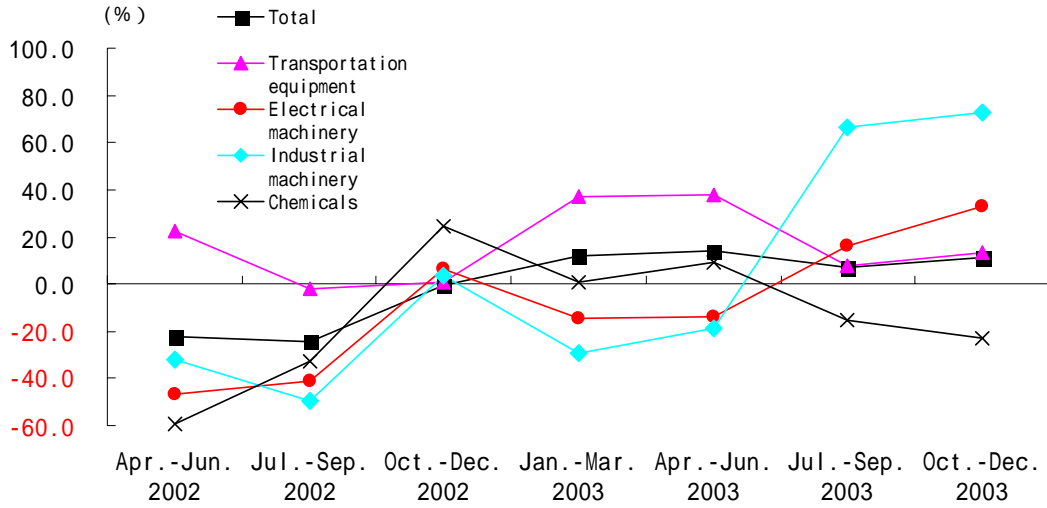
Industry	Total		transportation equipment		Electrical machinery		Industrial machinery		Chemicals	
DI (previous term    this term)	12.8	17.4	17.2	22.3	11.1	15.2	12.7	14.1	11.9	8.3
Prospects (ratio over previous term)	4.6		5.1		4.1		1.4		<b>-3.6</b>	
Results (ratio over same quarter of last year)	11.4		13.6		32.9		72.8		<b>-23.1</b>	

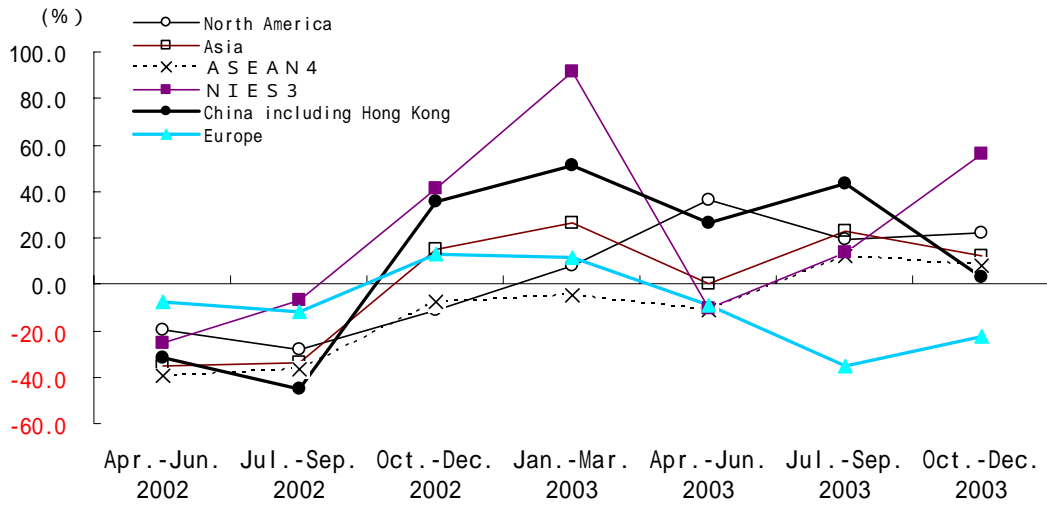
Region	North America		Asia		ASEAN4 (see Note 3)		NIES3 (see Note 2)		China including Hong Kong		Europe	
DI (previous term    this term)	8.8	11.6	15.5	20.6	14.2	20.7	9.6	2.7	19.8	28.9	7.4	10.5
Prospects (ratio over previous term)	2.8		5.1		6.5		<b>-6.9</b>		9.1		3.1	
Results (ratio over same quarter of last year)	22.4		11.9		7.9		55.8		3.2		<b>-22.3</b>	



**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 DI of the number of employees (the prospects for the January-June 2004 term) was 7.4 percentage points, showing the highest level since the 9.1 percentage points registered in the July-September term of 2000. It improved from the previous term, when it had worsened.

By type of industry, employment prospects registered a positive level in all regions other than NIES3. North America and Europe both turned to a positive level in the prospects, thanks to an improvement in transportation equipment. Asia showed a double-digit level. In particular, China marked 20.3 percentage points and has remained at a positive double-digit figure, due to a dramatic increase in transportation equipment.

\* The number of employees (as of the end of December 2003) increased for the seventh consecutive quarter.

By region, employment in Asia increased for the eighth consecutive quarter. In particular, China rose by 15.9% from a year earlier, thanks to increased employment in electrical machinery, posting a double-digit growth rate for the seventh straight quarter. Meanwhile, North America decreased for the eleventh consecutive quarter due to a drop in electrical machinery, and Europe also decreased for the twelfth straight quarter.

\* The DI of employment posted 7.4 percentage points this term and the highest level since the 9.1 percentage points registered in the July-September, 2000 term. It was 5.1 percentage points on a year-on-year basis after falling in the previous term (2.3 to 7.4).

- By type of industry, the forecast for this term improved in eleven industries out of thirteen. The outlook of transportation equipment registered 18.2 percentage points and returned to a double-digit positive level. Prospects advanced in ten industries, including transportation equipment, industrial machinery and electrical machinery, out of thirteen.

- By region, prospects registered a positive level in all regions other than NIES3 this term. The DI level turned positive in North America and in Europe. In Asia, it registered a double-digit figure. Especially, that in China posted 20.3 percentage points and has remained at a double-digit positive figure for the eighteenth straight term.

Compared with the previous term, the outlook improved both in North America and in Europe

after falling in the previous term, registering 11.3 percentage points in North America and 9.7 percentage points in Europe thanks to the growth in transportation equipment. The forecast in Asia marked 2.4 percentage points from the preceding term, with a growth rate for the third consecutive term. In particular, the forecast in China posted an increase of 4.4 percentage points, thanks to a significant improvement in transportation equipment.

\* The number of employees (as of the end of this quarter) was 2,32 million up 2.8% compared with the previous year for the seventh consecutive quarter of growth.

- By industry, electrical machinery marked a 3.6% rise from the corresponding period of last year for the sixth consecutive quarter of increase, thanks to a gain in China, while transportation equipment marked a 5.2% year-on-year increase for the ninth straight quarter, due to gains in North America and ASEAN4.
- By region, Asia showed a rise of 7.4% over the previous year for the eighth consecutive quarter of gain. In particular, China posted 15.9% from a year earlier, with a double-digit growth rate for the seventh consecutive quarter. Meanwhile, North America marked a drop of 6.3% over a year ago for the eleventh straight quarter of decline and Europe also showed a fall of 5.3% from the corresponding period of last year for the twelfth straight quarter of decline, due to a drop in electrical machinery.

DI prospect for the number of employees by region and major industries ( January - June 2004 ),  
and actual results ( October - December 2003 )

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

Industry	Total	transportation equipment	Electrical machinery	Industrial machinery	Chemicals
DI (previous term this term)	2.3 7.4	9.6 18.2	2.0 6.5	4.8 6.7	1.1 5.9
Prospects (ratio over previous term)	5.1	8.6	4.5	1.9	4.8
Results (ratio over same quarter of last year)	2.8	5.2	3.6	4.0	-2.0

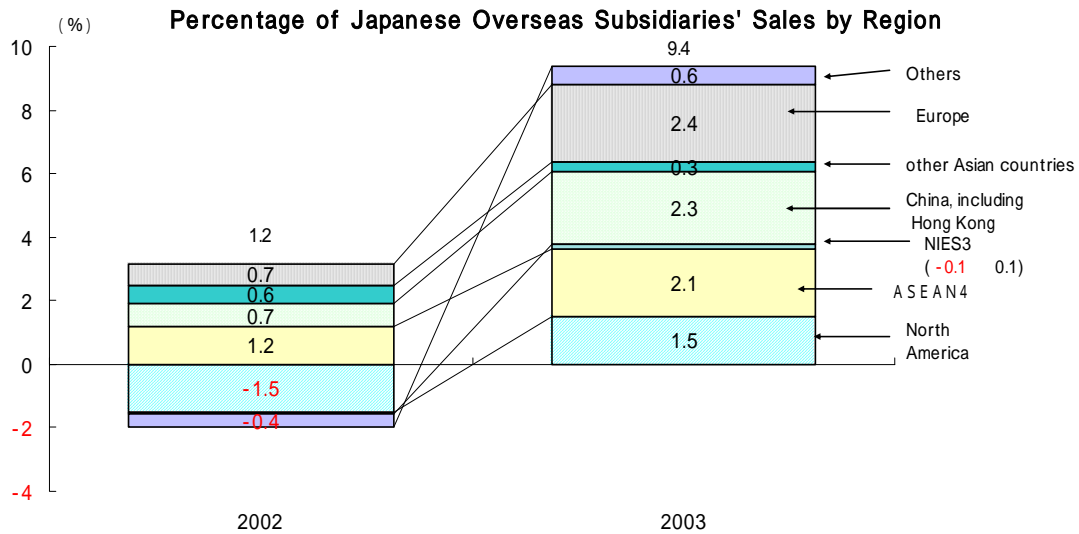
  

Region	North America	Asia	ASEAN4 (see Note 3)	NIES3 (see Note 2)	China including Hong Kong	Europe
DI (previous term this term)	- 9.0 2.3	7.8 10.2	0.3 4.4	4.3 - 1.4	15.9 20.3	- 8.1 1.6
Prospects (ratio over previous term)	11.3	2.4	4.1	-5.7	4.4	9.7
Results (ratio over same quarter of last year)	-6.3	7.4	1.8	2.7	15.9	-5.3

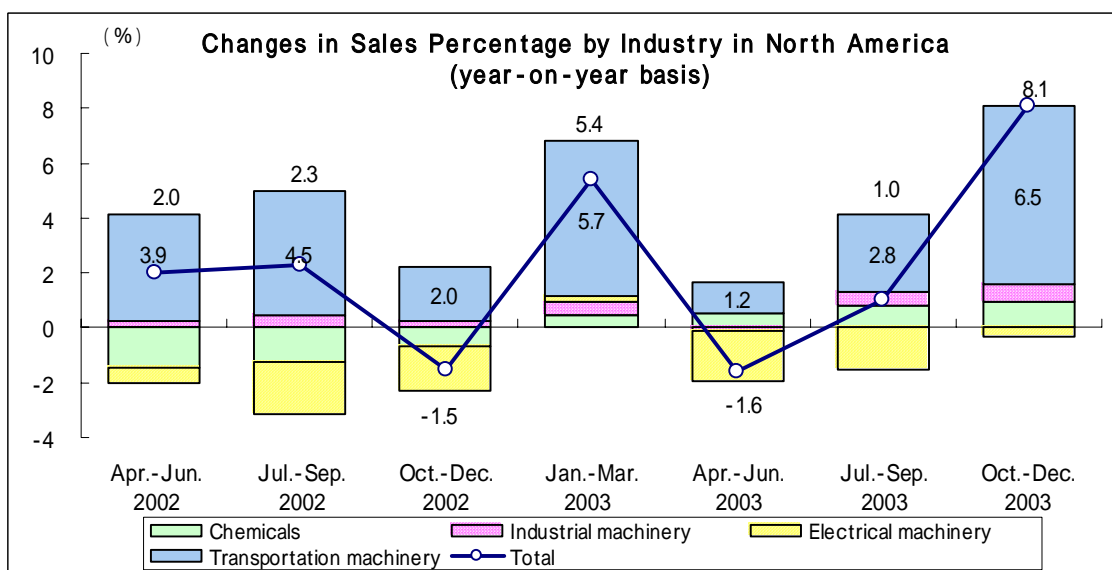
## 【 Topics 】

Sales by Japanese overseas subsidiaries totaled 396.8 billion dollars on an annualized basis, a gain of 9.4% from the same period a year earlier.

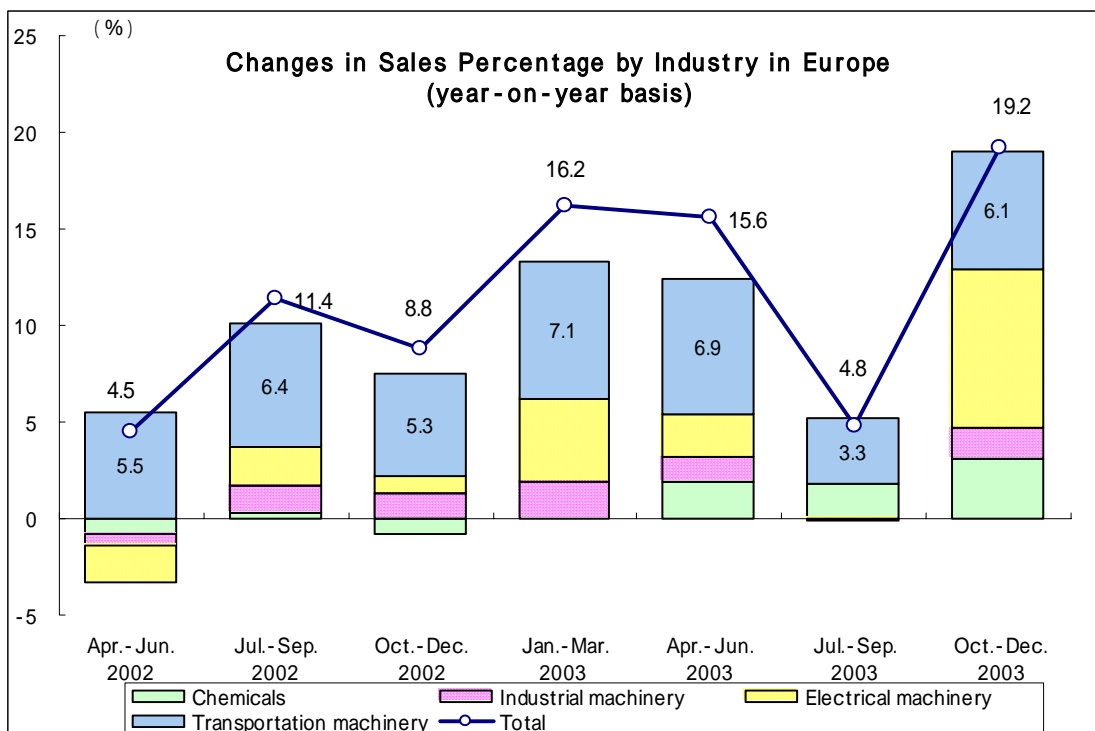
Sales increased in all regions, among which North America and Europe showed a recovery.



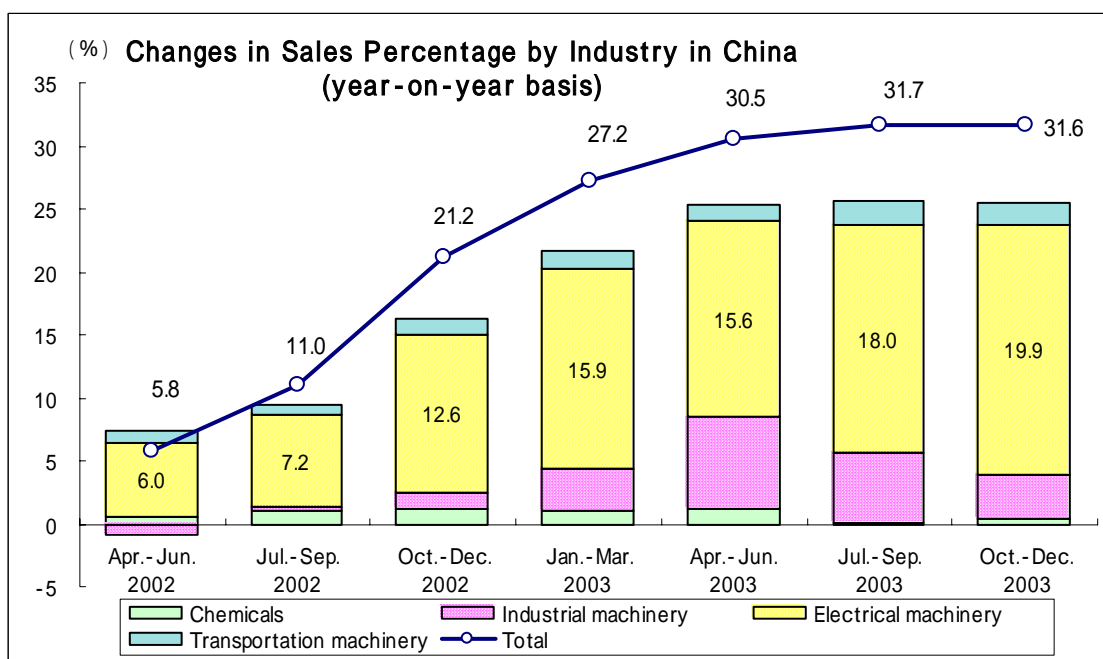
<North America> Active sales of transportation equipment, and a trend to recovery in electrical machinery sales



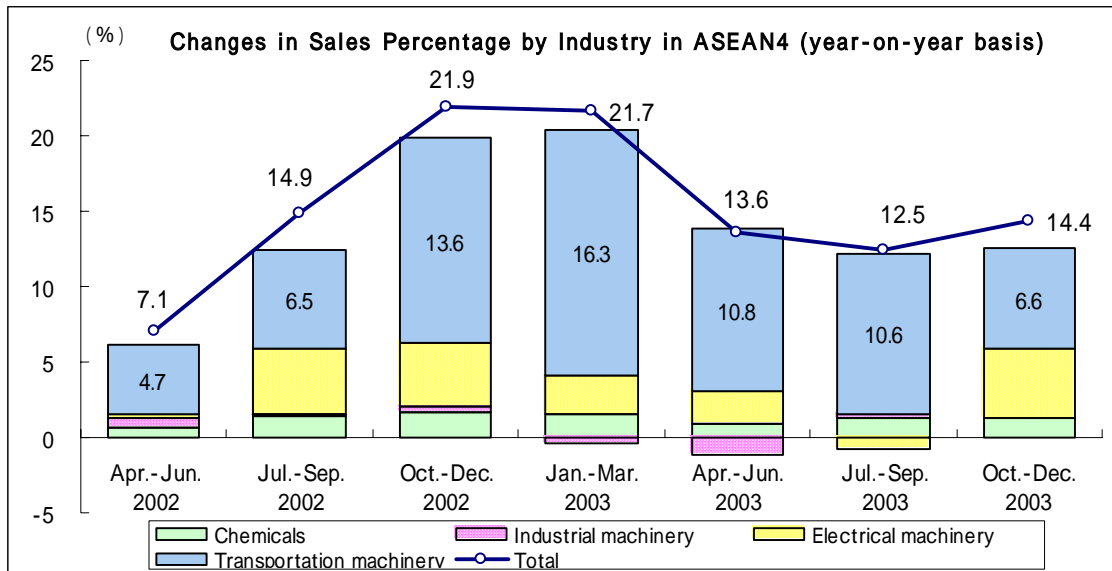
<Europe> Sales in transportation equipment remained strong, and electrical machinery sales recovered.



<China (Hong Kong included)> Sales of electrical machinery were brisk and those of industrial machinery remained on the rise.



<ASEAN4> Sales of transportation equipment boosted the total sales, and electrical machinery sales also recovered in the October-December quarter of 2003.



<NIES3> Sales of electrical machinery, which had been in a slump, showed a dramatic recovery.

