

Trends in Overseas Subsidiaries
Quarterly Survey of Overseas Subsidiaries (January – March 2004)

Summary

Prospects (DI) for April 2004 – September 2004

- The sales DI was at its highest level since the second quarter of 2000, when IT-centered prosperity began. The sales DI improved in all regions due to favorable conditions in transportation equipment and electrical machinery. The DI in China remained at a high level, and the DI in NIES3 exhibited a particularly outstanding recovery from the previous period.
- The equipment investment DI and the employee DI remained at high levels.

Results of Japanese overseas subsidiaries for the January – March quarter of 2004

- Sales greatly increased for the second consecutive quarter due to favorable conditions in Asia. Sales increased in all regions due to recoveries in both transportation equipment and electrical machinery. Sales in China have been positive, and those in NIES3 have recovered.
- Equipment investment was active in Asia; that in ASEAN4 increased greatly due to favorable conditions in transportation equipment.
- Employment was robust in China, while that in North America and Europe continued to decrease.

Note: The survey was conducted in mid-May 2004.

Results of the current survey:

1. Due to the recovery of the world economy, the sales DI*4 was 32.3 points, its highest level since the second quarter of 2000 (35.5 points). Sales increased by 17.3% compared to the same quarter of the previous year on a dollar basis, a double-digit increase for the second consecutive quarter.

The sales DI for the current quarter remained positive in all regions. In particular, that in China*1 was at a high level of 46.4 points. Compared to the previous quarter, the DI improved in all regions, and Asia experienced a big improvement. NIES3*2 and China showed double-digit DI growth due to a big improvement in electrical machinery, in particular.

Sales continued to increase in all regions, with a double-digit increase in Asia for the seventh consecutive quarter. In particular, as a result of the increase in electrical machinery brought about by a boost in digital household appliances, China maintained a sharp rate of increase, and NIES3 registered a double-digit increase for the second consecutive quarter.

2. Equipment investment DI remained at a high level of 20.5 points, the ninth consecutive quarter of double-digit increase. Actual equipment investment compared to the same period of the previous year registered a 1.1% increase, growing for the fifth consecutive quarter.

The equipment investment DI for the current quarter continued to be positive in all regions. Asia has registered in the positive double digits for the ninth consecutive quarters. In particular, NIES3 recovered to a double-digit level, while China remained at a high level.

Actual results increased for the fifth consecutive quarter. Asia has registered increases for the sixth consecutive quarters, and ASEAN4*3, in particular, posted a sharp increase of 37.2% compared to the same quarter of the previous year, due to favorable conditions in transportation equipment and electrical machinery.

3. The DI for number of employees (“employees DI”) has been positive for the seventh consecutive quarters. Actual results increased by 3.2% compared to the same quarter of the previous year, for the eighth consecutive quarter of growth.

The employees DI for the current quarter was 8.7 points, remaining in positive territory for the seventh consecutive quarter. Asia registered a double-digit increase, and China, in particular, registered another double-digit increase, of 21.7 points, due to an improvement in electrical machinery. North America also improved.

Actual results have increased for the eighth consecutive quarters. Asia continued to increase, particularly in China, which increased by 15.0% compared to the same quarter of the previous year due to favorable conditions in electrical machinery; China has increased by double digits for the eighth consecutive quarters. In contrast, North America and Europe continued to decrease due to the declines in electrical machinery.

Note: Figures have been calculated on a dollar basis since the survey of April – June 2003. The ratio of actual results for the current quarter compared to the same quarter of the previous year is calculated based on those firms surveyed continuously. (Since the range of firms subject to this survey was extended from the April – June 2003 quarter [from “equity position over 50%” to “equity position equal to or greater than 50%”], there is a discrepancy between actual results for the April – June 2003 quarter and actual results for the quarters previous to January–March 2003. Figures are therefore calculated based on those overseas subsidiaries which were continuously subject to this survey from 2002 to 2003.)

*1: China: including Hong Kong

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

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

*4: $DI = (\text{the ratio of companies expecting an increase}) - (\text{the ratio of companies expecting a decrease})$

DI compared with the previous term = $(DI \text{ for the current term}) - (DI \text{ for the previous term})$

DI for the current term: DI gained from the survey of the January–March quarter of 2004

(prospects for April–September 2004)

DI for the previous term: DI results from the survey of the October–December quarter of 2003

(prospects for January–June 2004)

1. Sales

Due to recovery of world economy, the sales DI was 32.3 points, its highest level since the second quarter of 2000, when IT-centered prosperity began. It improved by 8.9 points compared to the previous quarter.

- The DI for the current quarter remained positive in all regions. In particular, China registered a high level of 46.4 points. The DI for the current quarter improved in all regions compared to the previous quarter, with a big improvement in Asia. In particular, NIES3 and China registered a big improvement due to significant improvements in electrical machinery.

On a dollar basis, actual sales increased by 17.3% compared to the same quarter of the previous year, growing by double digits for the second consecutive quarter.

- Actual sales continued to increase in all regions, with a double-digit increase in Asia for the seventh consecutive quarter. In particular, China continued its sharp growth, and NIES3 increased by double digits for the second consecutive quarter due to an increase in electrical machinery brought about by expanding digital household appliances, etc. North America and Europe continued to increase due to gains in transportation equipment.

(Reference) With regard to overseas economies, the recovery in North America is gathering momentum. In Asia, the economies of China, Thailand, Malaysia, Taiwan, and Singapore are expanding, and Korea is showing signs of recovery. The European economy is also showing signs of a moderate recovery.

(Excerpt from the June Monthly Economic Report)

(1) Due to recovery in the world economy, the sales DI stood at 32.3 points, its highest level since the second quarter of 2000 (35.5 points), when IT-centered prosperity began (List 1, Chart 1). It improved by 8.9 points compared to the previous quarter (23.4 → 32.3)

• By industry, the DI for the current quarter has remained positive in all industries. Compared to the previous quarter, electrical machinery increased by 10.4 points and transportation equipment increased by 7.2 points, improving for the second consecutive quarter. General machinery also increased by 5.2 points, improving for the fifth consecutive quarter. Chemicals also improved by 12.3 points.

• By region, the DI for the current quarter has been positive and marking double digits in all regions. In particular, Asia maintained a high level of 37.4 points, and at 46.4 points, China showed an especially high level. Compared to the previous quarter, the DI improved in all regions for the second consecutive quarter. Asia showed a positive double-digit improvement of 11.2 points. In particular, there were great improvements in NIES3 (15.7 points) and China (11.6 points) due to a big improvement in electrical machinery. North America and Europe also improved.

(2) Sales on a dollar basis increased by 17.3% compared to the same quarter of the previous year, up by double digits for the second consecutive quarter (List 1, Chart 1).

• By industry, sales increased in 12 out of 13 industries. Compared to the same quarter of the previous year, transportation equipment, in particular, increased by 20.7%, while general machinery increased by 21.6%; both were up for the eighth consecutive quarter. Due to expansion in digital household appliances, etc., electrical machinery improved sharply, up 13.9% on the same quarter of the previous year, for the second consecutive quarter of double-digit growth (Chart 2).

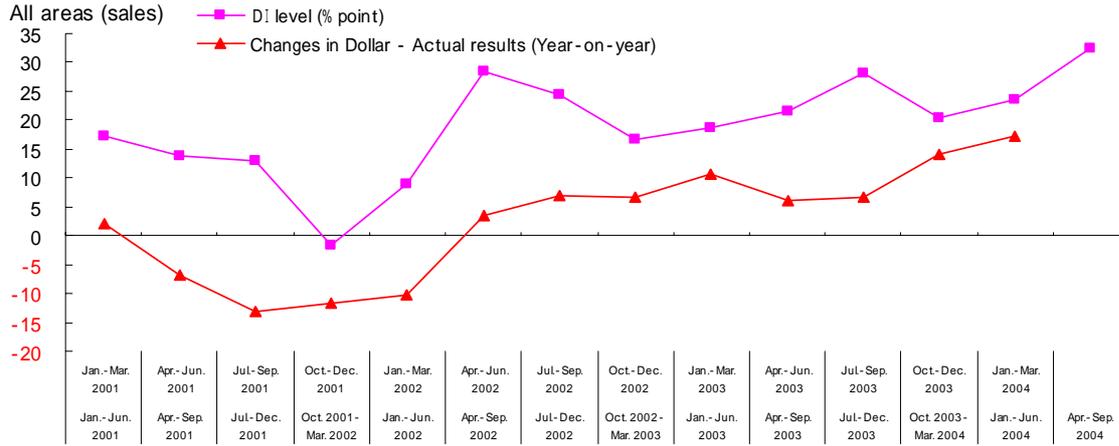
- By region, sales continued to increase across the board. Asia has increased by double digits for the seventh consecutive quarters, due in large part to an increase in electrical machinery, etc. China increased by 38.9%, remaining in the 30%-plus range for the fourth consecutive quarter; NIES3 also increased by double digits (18.7%). North America and Europe also continued to increase due to gains in transportation equipment, etc. (Chart 3).

List 1 Sales DI prospect by region and major industries (April - September 2004),and actual results (January - March 2004)
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)	23.4 32.3	26.0 33.2	21.7 32.1	28.8 34.0	25.0 37.3
Prospects (ratio over previous term)	8.9	7.2	10.4	5.2	12.3
Results (ratio over same quarter of last year)	17.3	20.7	13.9	21.6	14.8

Region	North America	Asia	ASEAN4 (see Note 3)	NIES3 (see Note 2)	China including Hong Kong	Europe
DI (previous term this term)	19.0 24.4	26.2 37.4	25.8 34.4	12.4 28.1	34.8 46.4	18.6 19.7
Prospects (ratio over previous term)	5.4	11.2	8.6	15.7	11.6	1.1
Results (ratio over same quarter of last year)	9.2	27.6	18.1	18.7	38.9	19.9

Chart 1 Sales DI and Actual Results (Dollar base)



The upper line is results and the lower line is DI

Chart 2 Changes in Dollar-based Results of Sales by Type of Industry (ratio to the same quarter of previous year)

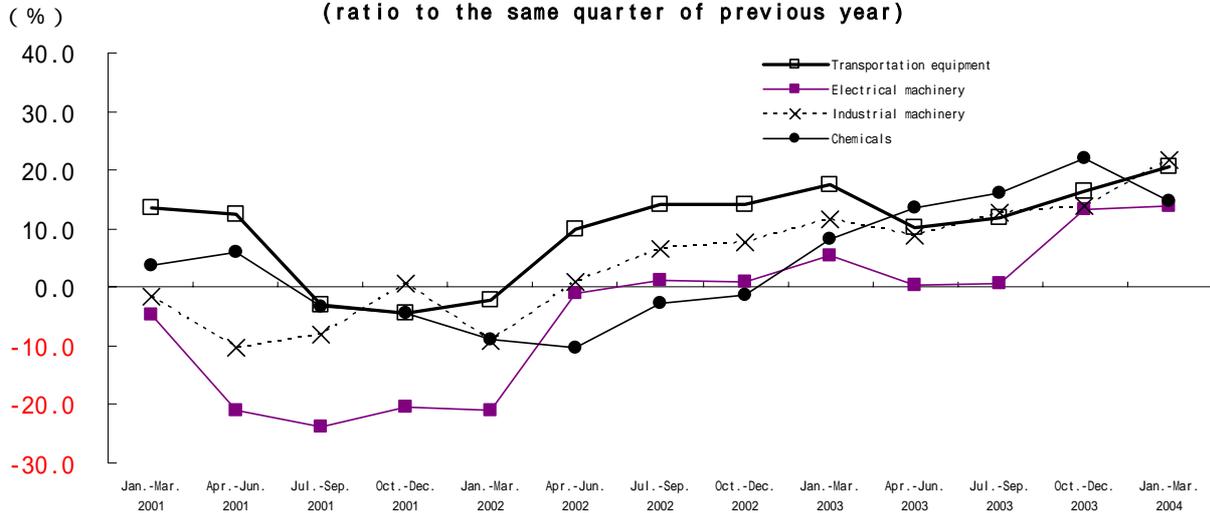
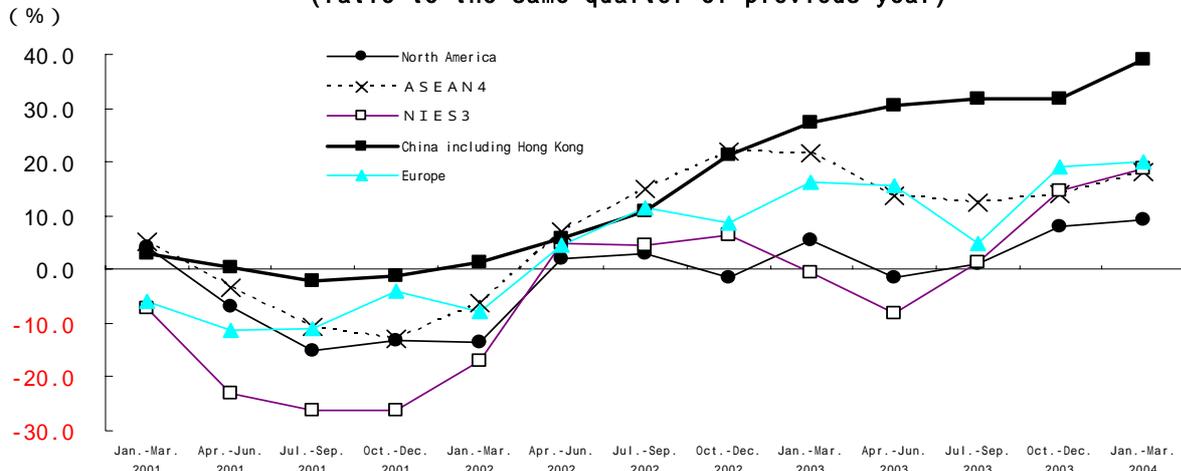


Chart 3 Changes in Dollar-based Results of Sales by Region (ratio to the same quarter of previous year)



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

The DI for equipment investment was 20.5 points, in positive double digits for the ninth consecutive quarter. Compared to the previous quarter, it improved by 3.5 points, up for the second consecutive quarters.

- The DI for the current quarter remained positive in all regions. Asia has been experiencing positive double-digit growth for the ninth consecutive quarters. In particular, NIES3 recovered to the double-digit range, and China also remained at a high level.

Actual investment on a dollar basis increased by 1.1% compared to the same quarter of the previous year, up for the fifth consecutive quarters.

- Asia has increased for the sixth consecutive quarters. In particular, ASEAN4 increased sharply by 37.2% due to favorable conditions in transportation equipment and electrical machinery.

(1) The DI for equipment investment stood at 20.5 points, staying in positive double digits for the ninth consecutive quarter. Compared to the previous quarter, it improved by 3.5 points, for the second consecutive quarter of increase (17.0 → 20.5); (List 2).

- By industry, the DI for the current quarter was positive in 12 out of 13 industries. Compared to the previous quarter, it improved in 6 out of 13 industries. Electrical machinery improved to 9.1 points, up for the second consecutive quarters. In contrast, transportation equipment declined by 5.8 points, though it remained at a high level.

- By region, the DI for the current quarter was positive in all regions. Asia stood at 25.2 points, remaining in positive double digits for the ninth consecutive quarter. In particular, due to an improvement in electrical machinery, NIES3 registered 18.3 points, improving to double digits, while China registered 27.7 points, maintaining a high level in the 20-point range.

(2) Actual equipment investment on a dollar basis increased by 1.1% compared to the same quarter of the previous year, up for the fifth consecutive quarter (List 2).

- By industry, electrical machinery increased sharply, by 32.7%, up for the third consecutive quarter, while transportation equipment decreased by 20.0% due to a reaction to the sharp increase of the previous year (Chart 4).

- By region, Asia has increased for the sixth consecutive quarters. In particular, ASEAN4 increased sharply, by 37.2%, due to an increase in transportation equipment and electrical machinery. In contrast to this, North America decreased by 8.6% due to a reaction to the sharp increase in transportation equipment of the previous year. Europe also continued to decrease (Chart 5).

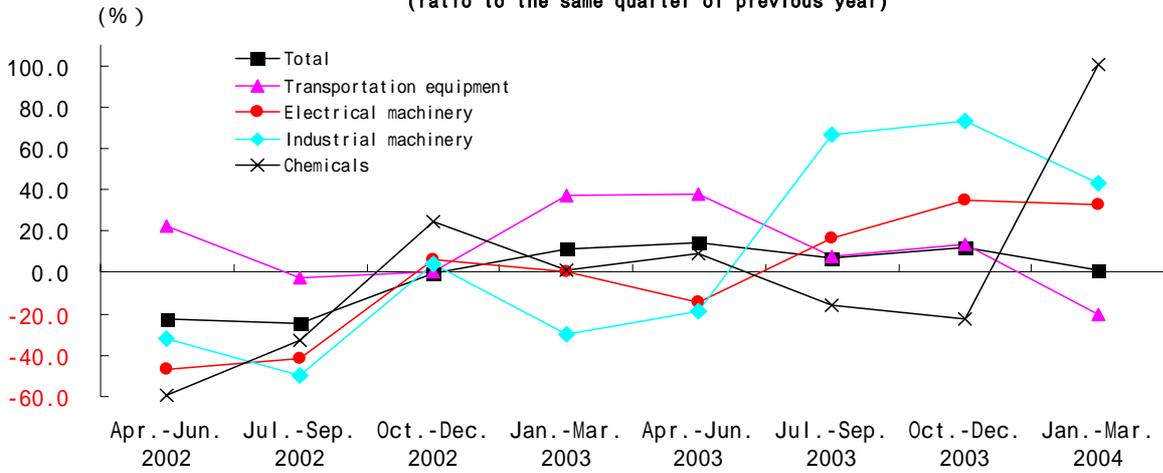
List 2 Capital investment DI prospect by region and major industries (April - September 2004), and actual results (January - March 2004)

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

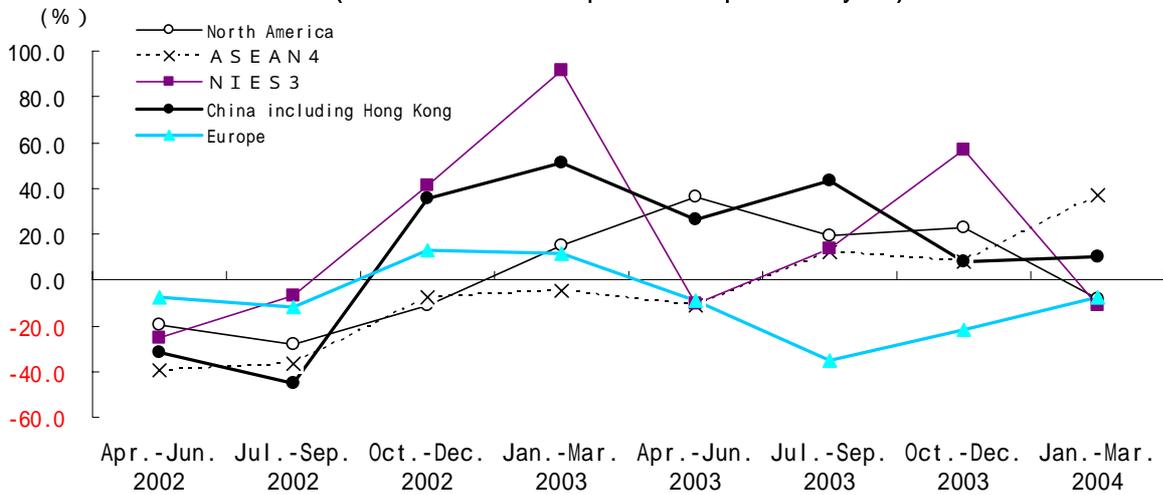
Industry	Total	transportation equipment	Electrical machinery	Industrial machinery	Chemicals
DI (previous term this term)	17.0 20.5	21.9 16.1	14.3 23.4	14.2 17.0	9.6 17.9
Prospects (ratio over previous term)	3.5	-5.8	9.1	2.8	8.3
Results (ratio over same quarter of last year)	1.1	-20.0	32.7	43.1	100.4

Region	North America	Asia	ASEAN4 (see Note 3)	NIES3 (see Note 2)	China including Hong Kong	Europe
DI (previous term this term)	11.7 14.0	19.8 25.2	20.3 25.3	4.0 18.3	26.5 27.7	11.4 12.0
Prospects (ratio over previous term)	2.3	5.4	5.0	14.3	1.2	0.6
Results (ratio over same quarter of last year)	-8.6	21.2	37.2	-10.9	9.9	-7.9

**Chart 4 Changes in Dollar-based Results of Equipment Investments by Type of Industry
(ratio to the same quarter of previous year)**



**Chart 5 Changes in Dollar-based Results of Equipment Investments by Region
(ratio to the same quarter of previous year)**



3. Employment

The employees DI (April – September 2004) stood at 8.7 points, remaining positive for the seventh consecutive quarter. Compared to the previous quarter, it improved by 2.2 points.

- Asia was in positive double digits. In particular, China registered 21.7 points due to an improvement in electrical machinery, remaining in positive double digits for the 19th consecutive quarter. North America has been positive for the second consecutive quarters due gains in transportation equipment.

The actual number of employees (at the end of the March 2004 period) increased by 3.2%, rising for the eighth consecutive quarter.

- Asia continued to increase. In particular, China grew by 15.0%, rising by double digits for the eighth consecutive quarter due to favorable conditions in electrical machinery. In contrast, North America and Europe continued to decline due to a decrease in electrical machinery.

(1) The employees DI stood at 8.7 points, remaining positive for the seventh consecutive quarter.

Compared to the previous quarter, it improved by 2.2 points, up for the second consecutive quarter (6.5 8.7); (List 3).

- By industry, the DI for the current quarter was positive in 10 out of 13 industries. Transportation equipment registered 17.2 points, remaining positive for the second consecutive quarter. General machinery was also in positive double digits, at 13.0 points. Compared to the previous quarter, the DI improved in 8 out of 13 industries, such as transportation equipment, electrical machinery, and general machinery.

- By region, Asia was in positive double digits. China, in particular, registered 21.7 points, remaining in positive double-digit range for the 19th consecutive quarter. North America stood at 4.4 points, up from the previous quarter, while Europe continued to decline.

(2) The number of employees (as of the end of this quarter) stood at 2.35 million, for an increase of 3.2% compared to the same quarter of the previous year, and up for the eighth consecutive quarter (List 3).

- By industry, electrical machinery increased by 5.7%, up for the seventh consecutive quarter, and transportation equipment continued to increase, rising by 5.2%.

- By region, Asia continued to increase, rising by 6.7%. In particular, China increased by 15.0%, rising by double digits for the eighth consecutive quarter due to favorable conditions in electrical machinery.

In contrast, North America and Europe continued to decline due to a decrease in electrical machinery.

List 3 DI prospect for the number of employees by region and major industries (April - September 2004), and actual results (January - March 2004)

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

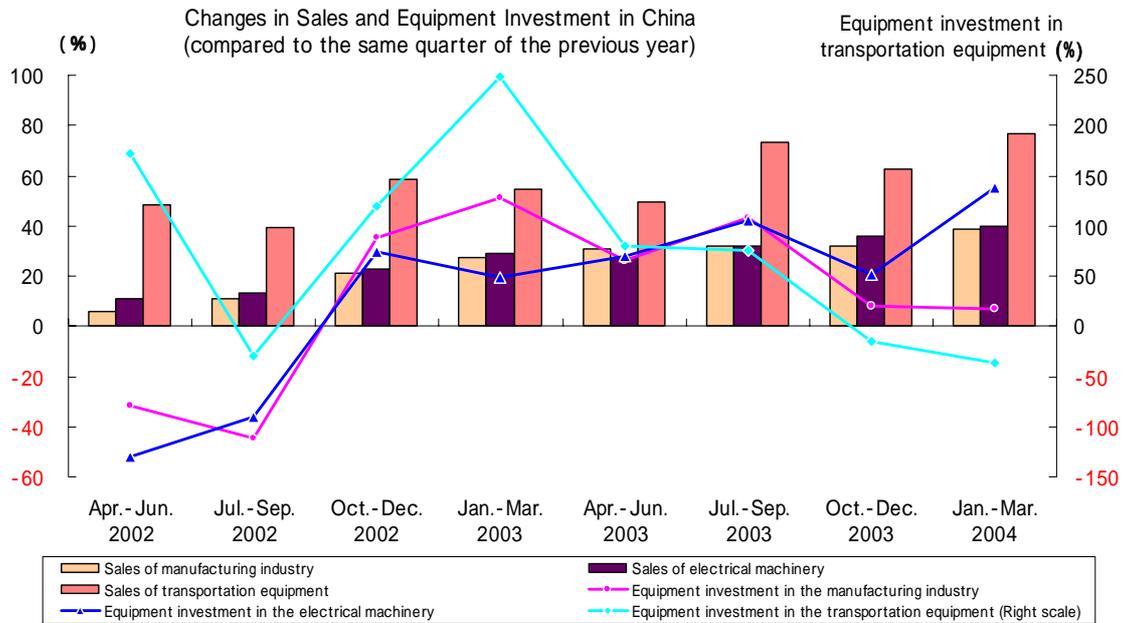
Industry	Total	transportation equipment	Electrical machinery	Industrial machinery	Chemicals
DI (previous term this term)	6.5 8.7	15.9 17.2	5.2 9.5	3.8 13.0	7.6 7.2
Prospects (ratio over previous term)	2.2	1.3	4.3	9.2	-0.4
Results (ratio over same quarter of last year)	3.2	5.2	5.7	0.9	-3.2

Region	North America	Asia	ASEAN4 (see Note 3)	NIES3 (see Note 2)	China including Hong Kong	Europe
DI (previous term this term)	0.9 4.4	9.7 11.7	4.7 6.8	-0.3 -0.4	18.5 21.7	-0.3 -0.4
Prospects (ratio over previous term)	3.5	2.0	2.1	-0.1	3.2	-0.1
Results (ratio over same quarter of last year)	-4.4	6.7	1.5	2.0	15.0	-1.2

【 Topics 】

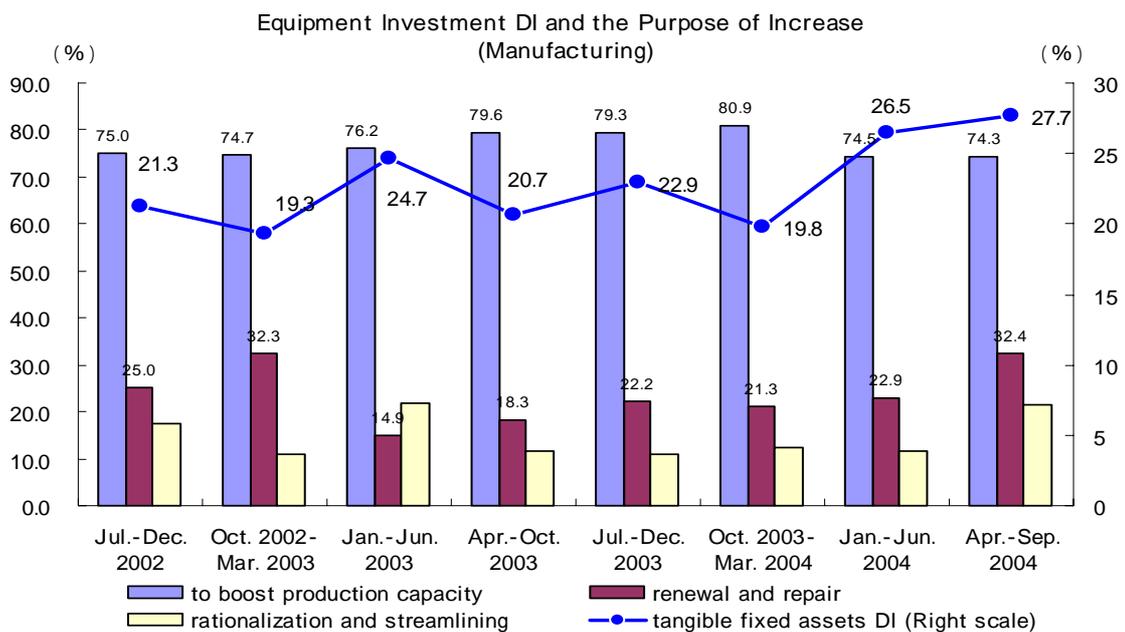
Equipment investment in China (including Hong Kong) increased for the 6th consecutive quarter, reflecting favorable sales.

Electrical machinery continued to increase significantly both in sales and in equipment investment. Transport equipment increased in sales, but decreased in equipment investment, down for 2 consecutive quarters.

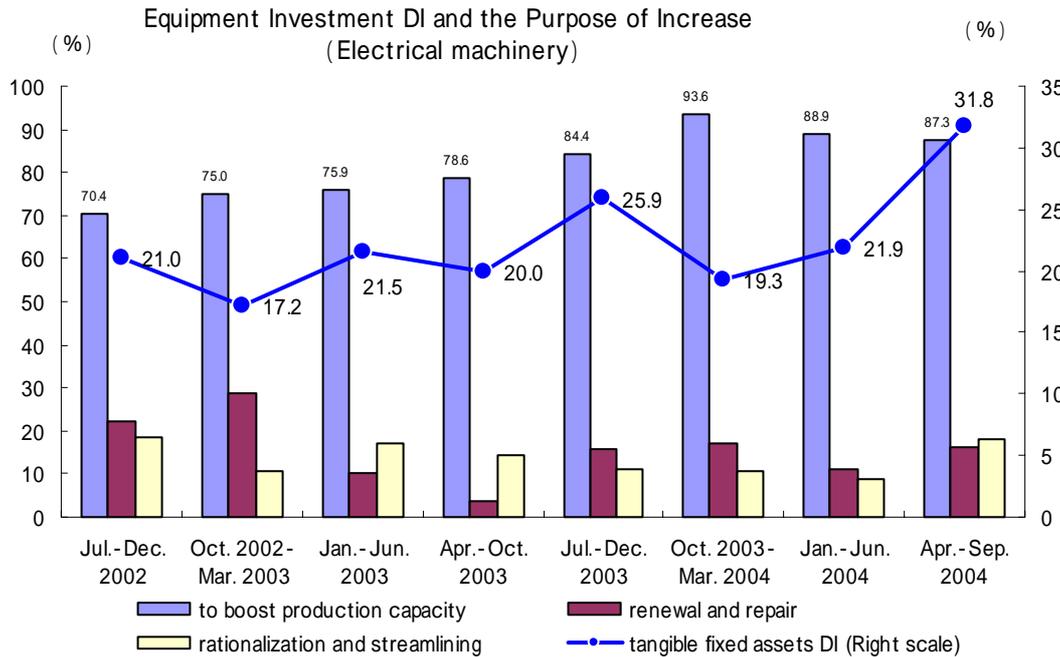


Equipment investment DI maintained a high level.

The rate of “to boost production capacity” decreased to the 70% range from the 80% range of the quarter before last. The rate of “renewal and repair” and “rationalization and streamlining” increased again.

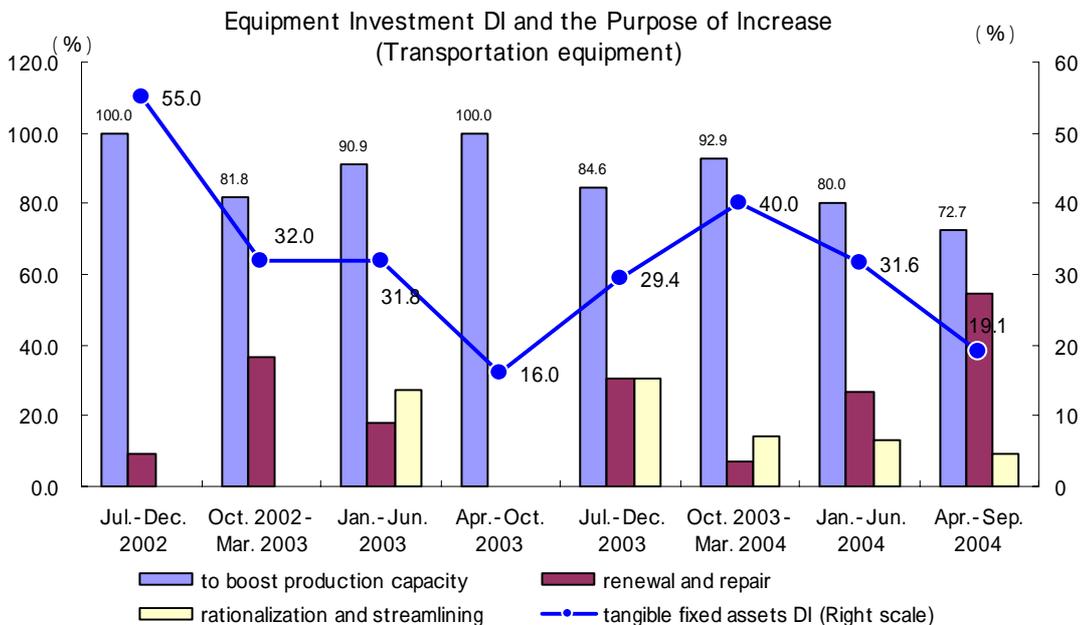


**Equipment Investment DI in electrical machinery was at a higher level of 31.8 percentage points.
The rate of “to boost production capacity” maintained a high level.**



**Equipment Investment DI in transportation equipment decreased to 19.1 percentage points,
down for 2 consecutive quarters.**

The rate of “to boost production capacity” decreased.



* "The ratio by purpose of increase" is the ratio of enterprises which answered "increase" for DI and marked either of the questionnaires of "to boost production capacity," "renewal and repair," "rationalization and streamlining," and "others" (multiple answers).