

2 . Trends in Supply and Final Demand

(1) Outline of Trends in Supply for Final Demand in this Quarter

The outline of trends in supply for the final demand in this quarter is as follows.

- For the supply of all industries for consumers, personal consumption was - 1.0% compared to the previous quarter, and has decreased for four consecutive quarters. Due to the decrease in government consumption by - 0.4% compared to the previous quarter, there was a - 0.9% decrease for the total, a decline for three consecutive quarters.

- For the supply of all industries for investment, private corporate facilities dropped by - 1.5% compared to the previous quarter, a decline for five consecutive years, and private housing by - 0.4% compared to the previous quarter. Though public investment increased by 6.1% compared to the previous quarter, the total remained at a level of 1.0% increase after four quarters.

- Exports increased by 12.1% compared to the previous quarter, increasing for the first time in after seven quarters. Imports also increased by 1.9% compared to the previous quarter, increasing for the first time in 5 quarters.

Changes in the Supply Indices for All Industries

(1995=100, percentage change over previous year, seasonally adjusted)

	2000 previous year	2001 previous year	2000				2001				2002
			1 ~ 3	4 ~ 6	7 ~ 9	10 ~ 12	1 ~ 3	4 ~ 6	7 ~ 9	10 ~ 12	
Consumption	2.2	0.6	0.5	1.3	0.0	0.8	0.3	0.3	0.9	0.4	0.9
Personal Consumption	2.2	0.2	0.6	1.3	0.2	0.8	0.6	0.3	1.0	0.7	1.0
Mining and manufacturing industry (goods)	4.8	0.4	0.7	1.6	2.4	0.8	1.0	0.0	0.9	3.1	1.1
Tertiary industry (service)	1.2	0.4	0.4	1.3	1.2	0.7	1.3	0.7	1.0	0.3	0.9
(Feature) IT-related	18.3	5.3	10.8	4.2	6.7	0.6	6.6	0.1	4.9	3.0	4.1
Government Consumption	2.4	1.9	0.2	1.2	0.4	0.8	0.2	1.5	0.2	0.8	0.4
Investment	0.5	4.0	0.3	1.2	0.6	1.6	4.0	6.8	3.3	1.3	1.0
Public investment	7.6	1.7	2.3	2.0	3.1	6.4	12.6	9.5	0.6	3.1	6.1
Private housing	0.6	5.3	2.6	1.9	0.3	4.7	0.1	9.1	2.8	2.8	0.4
Private corporate facilities	5.3	4.8	0.5	1.9	3.4	0.3	0.6	4.5	5.1	1.6	1.5
Mining and manufacturing industry (goods)	7.7	7.1	0.4	0.4	5.5	3.5	4.6	1.7	10.6	4.1	2.4
Construction industry (buildings)	1.0	6.5	0.7	4.7	1.2	5.6	2.5	9.3	1.6	1.1	3.4
Tertiary industry (service)	4.6	1.8	4.2	4.7	1.7	2.8	0.4	1.4	1.8	0.5	3.8
(Feature) IT-related	13.6	3.5	2.9	4.8	8.7	5.0	2.3	2.2	10.8	4.1	2.3
Export	5.6	7.2	0.2	3.3	2.7	0.2	1.4	3.6	3.8	1.0	12.1
Mining and manufacturing industry (goods)	5.7	8.6	0.6	3.6	3.3	0.4	1.6	4.6	4.0	1.2	12.7
Tertiary industry (service)	5.1	2.2	1.9	2.6	0.6	0.1	0.4	0.6	2.5	0.7	10.2
Import	6.9	2.3	2.9	1.1	8.1	5.4	1.9	0.2	5.0	2.6	1.9
Mining and manufacturing industry (goods)	13.2	3.7	0.7	1.6	11.5	6.1	2.6	0.1	6.1	0.5	0.9
Tertiary industry (service)	9.3	2.3	8.4	0.2	0.5	1.1	1.2	0.2	1.7	12.0	5.2

(Notes) 1. IT-related consumption is consumption related to facsimiles, PHS/mobile telephones, pagers, cordless telephones, personal computers, domestic telecommunications business (mobile communications excluded) and mobile communications, which are also supplied for private consumption.

2. IT-related investments are investments for communication wire and power cables, fiberoptic products for wires and cables, electrostatic indirect copying machines, digital color copying machines, cordless and dial telephones, key service units, facsimiles, electronic automatic exchange, transmission units, fixed communication devices, PHS and mobile telephones, pocket bells, base station communication devices, general purpose computers, mid-range computers, personal computers, external storage, input-output devices, terminal units, software development and program creation (subcontracts) that are also supplied to private enterprise facilities.

3. Exponential calculations are made for various statistical data in order to obtain the supply indices for all industries. Since some flash figures may be utilized as basic data, it must be noted that the indices of the previous quarter may be altered.

4. Amendments have been made to the supply indices for all industries for 2001 based on annual corrections. Furthermore, since retrogressive amendments have been made to the mining and manufacturing industry indices, which are used as basic data, retrogressive amendments have also been made to the supply indices for all industries.

(Source) "The indices of all industries"

(2) Trends in IT-related Consumption and Investment

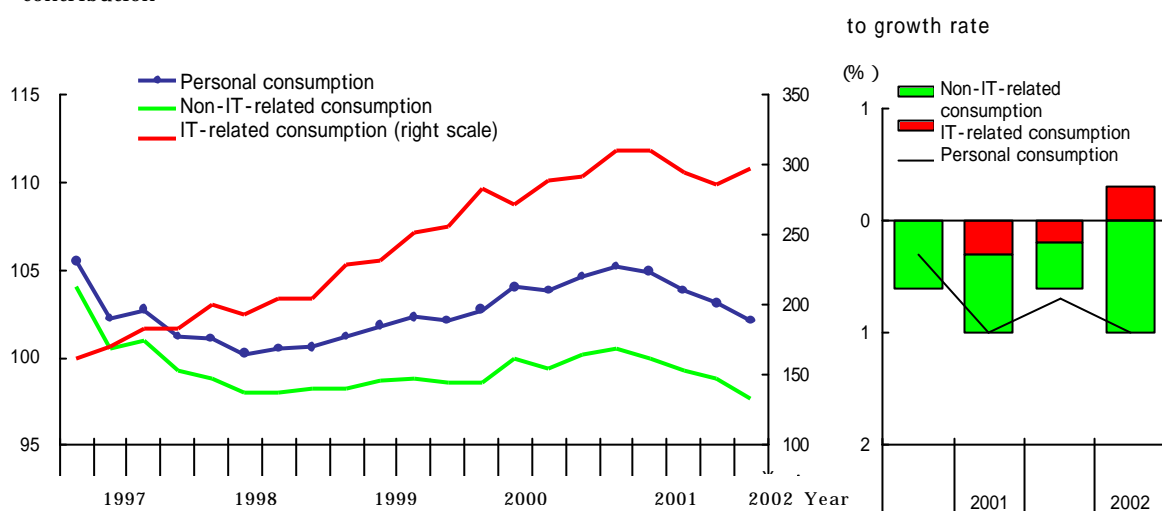
The IT-related consumption for the first quarter of 2002 increased by 4.1% compared to the previous quarter, increasing for the first time in four quarters, while the non-IT-related consumption fell by - 1.1% for the first quarter of 2002, and has declined for four consecutive quarters.

IT-related investments for private corporate facilities increased by 2.3% for the first quarter of 2002, and has increased for two consecutive quarters, while the investment for non-IT-related goods was - 3.2% for the first quarter of 2002, and has declined for six consecutive quarters.

Changes in IT-related Consumption

Index level (Seasonally adjusted, 1995=100)
previous
contribution

Ratio compared to the
quarter, degree of

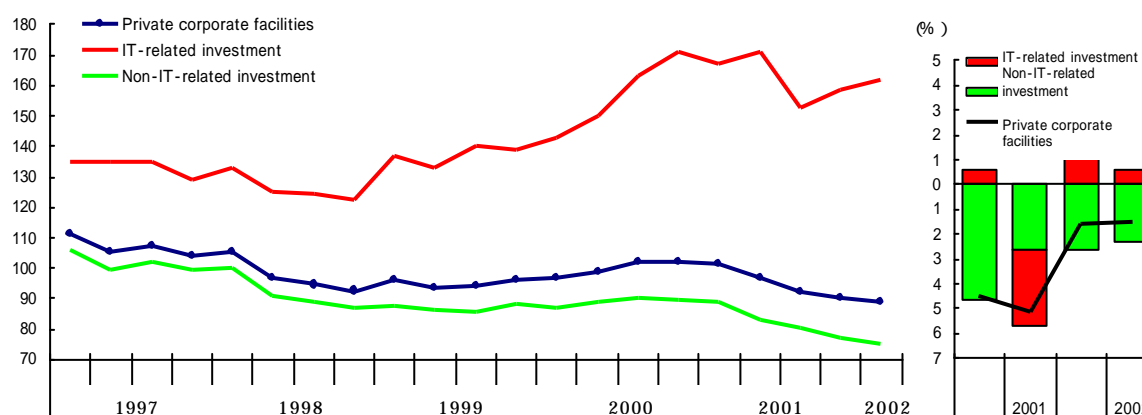


(Note) IT-related consumption is consumption related to facsimiles, PHS/mobile telephones, pagers, cordless telephones, personal computers, domestic telecommunications business (mobile communications excluded) and mobile communications, which are also supplied for private consumption.

Changes in IT-related Investment

Index level (Seasonally adjusted, 1995=100)
quarter,
growth rate

Ratio compared to the previous
degree of contribution to



(Note) IT-related investments are investments for communication wire and power cables, fiberoptic products, for wires and cables, electrostatic indirect copying machines, digital color copying machines, cordless and dial phones, key service units, facsimiles, electronic automatic exchange, transmission units, fixed communication devices, PHS and mobile telephones, pagers, base station communication devices, general purpose computers, mid-range computers, personal computers, external storage, input-output devices, terminal units, software development and program creation (subcontracts) that are also supplied to private enterprise facilities.

(Source) "The indices of all industries"

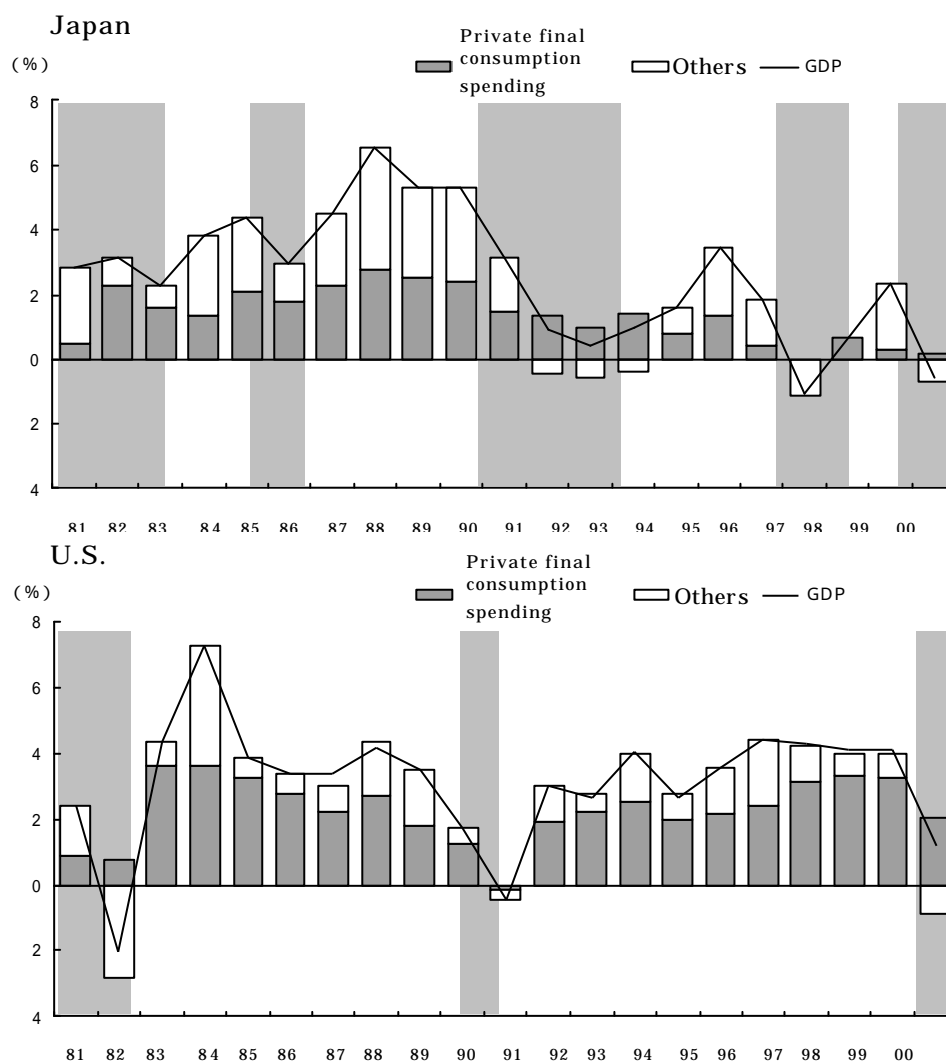
(3) Consumption trends in Japan and the U.S.

In terms of the GDP of Japan and the U.S., when broken down into the private final consumption spending and other demand components, the private final consumption spending of Japan up to 1997 had shown relatively stable growth, inspite of the economic expansion or recession and contributed to the upward trend of total GDP. However, the degree of contribution to the upward trend was reduced thereafter. On the other hand, the U.S. had experienced economic expansion for approximately 10 years, up until the beginning of 2001. In addition to the economy entering a recession in 2001, the events of September 11, 2001 have also worked as an external recession pressure and though many demand components have declined, consumption spending continues to be strong and has contributed to maintaining the growth of the total GDP.

In spite of the economic recession in both Japan and the U.S, the assurance of consumption spending in the U.S. proves to be prominent.

Changes in Real GDP in Japan and the U.S.

(Ratio compared to the previous year, degree of contribution to growth)

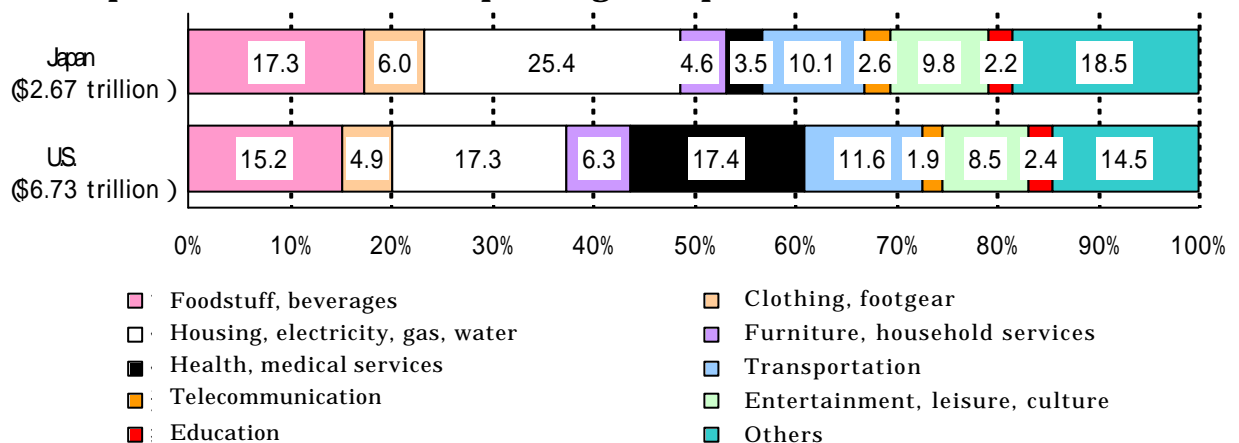


(Note)The gray portion indicates the phase of economic recession.
Source : "National Account data" (Cabinet Office), "Survey of Current Business"
(U.S. Department of Commerce)

Let's compare the contents of consumer spending in Japan and in the U.S. in detail based on the SNA (System of National Accounts). In terms of the composition of consumer spending by purpose, the biggest difference may be seen in "health and medical care." Medical expenses are relatively higher in the U.S. compared to Japan, and the medical system for both countries play a significant role. Next is the spending for "housing, electricity, gas, water supply," which is affected by spurious spending for the "imputed rent of the owned house" irrelevant to actual economic fluctuations.

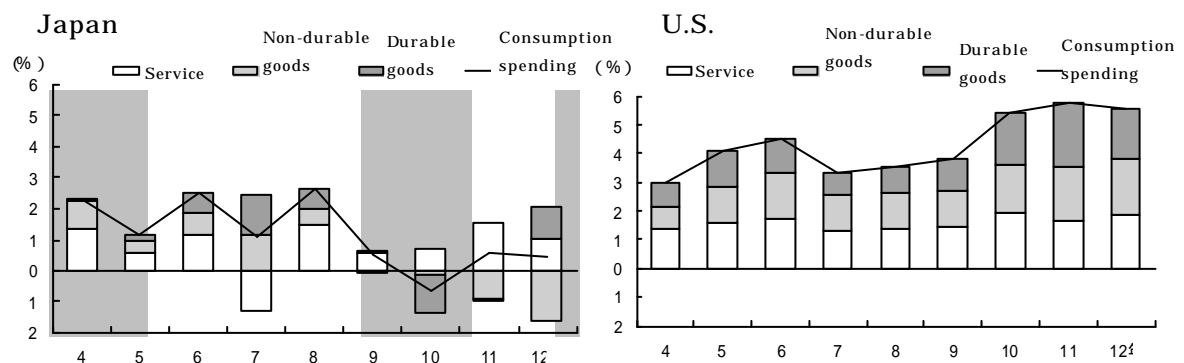
To look at the trend of consumption excluding the above elements, the U.S. has maintained a phase of economic expansion and also, since there is an upswing in population, goods and services in general are continuously contributing to the increase in consumption. On the other hand, although service consumption is relatively stable in Japan, after 1997 the consumption for non-durable goods such as food, beverage, clothing and footgear have become very dull, and are not pushing up consumption. Therefore, it is becoming difficult to maintain the stability of total consumption spending because it is being affected by the consumption of durable goods which tends to have a link to fluctuations in economy.

Composition of Consumer Spending in Japan and the U.S. (2000)



Percentage change compared to the previous year in consumer spending (excludes imputed rent of owned house, health services/medical care) for Japan and the U.S.,

Degree of contribution to the growth ratio to growth by goods and services



(Note) Non-durable goods = semi-durable goods + non-durable goods

Source: "National account data" (Cabinet office), "Survey of Current Business" (U.S. Department of Commerce)

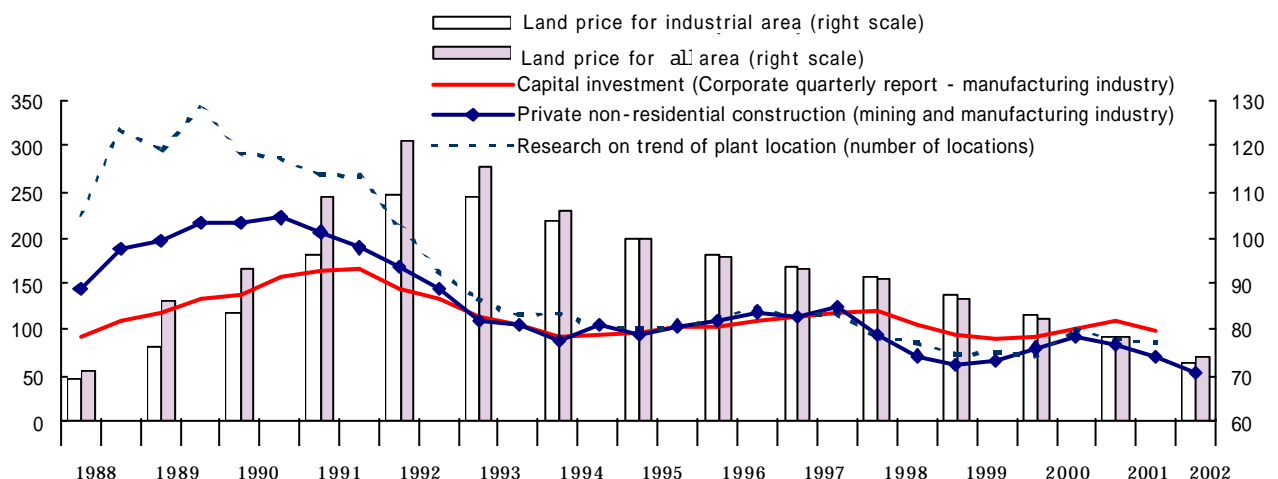
(4) Comparison of the trend in capital investment, plant location and financial indices

Validating preceding actions for capital investments of the manufacturing industry through plant locations, new construction projects, and the balance sheet ratio in relation to the capital investment for new construction or extensions of firms, the building construction for private non-residential for the mining and manufacturing industry and the number of plant locations against the capital investment amount have a higher correlation when the action precedes the investment by a half to one year. The changes showing a decreasing trend in the second half of 2001 show the conditions that capital investment related to new construction sites and extensions in the manufacturing industry are weak.

In terms of the correlation between the capital investment amount and, the operating profit ratio of liabilities & net worth and the fixed assets turnover rate, the balance sheet ratio indicates a maximum correlation four quarters in advance. For the third quarter of 2001, the operating profit ratio of liabilities & net worth had declined for four consecutive quarters, the fixed assets turnover rate though very dull barely turned into an increase after 5 quarters. When a factor analysis was made for the change in the fixed asset turnover rate, which indicates the degree of efficient use of fixed assets with the sales volume and the change in fixed assets, the reduction in fixed assets have been continued since the third quarter of 2000, and the balance sheet ratio also shows that capital investment is very weak.

Furthermore, when a comparison is made for capital investment volume, the number of plant locations and the change in the balance sheet ratio by type of business within the manufacturing industry, investment is slightly recovering in business dealings with raw material, however, due to the decline in the processing and assembling businesses, on the whole capital investment for the manufacturing industry is declining.

Changes in capital investment for the manufacturing industry and private non-residential new construction(mining and manufacturing industry), research for the trend in plant location (number of locations) (1995=100)



Comparison table for the coefficient of correlations

	No lag	Half year lead	One year lead	One and a half year lead	two years lead
Private non-residential construction (mining and manufacturing industry)	0.79	0.92	0.91	0.80	0.64
Research on trend of plant location (number of locations)	0.68	0.82	0.87	0.84	0.76

(Note) 1.The research for the trend of plant location is research on the number and the area of

plant locations for land over 1,000m³ acquired (includes rented ground) for the purpose of constructing factories or business establishments for the manufacturing business, electrical supply (hydroelectric power plant, geothermal power plant excluded), gas and heat supply business. However, the number of plant locations only for manufacturing will be subject to aggregation here, indexed as 1995=100.

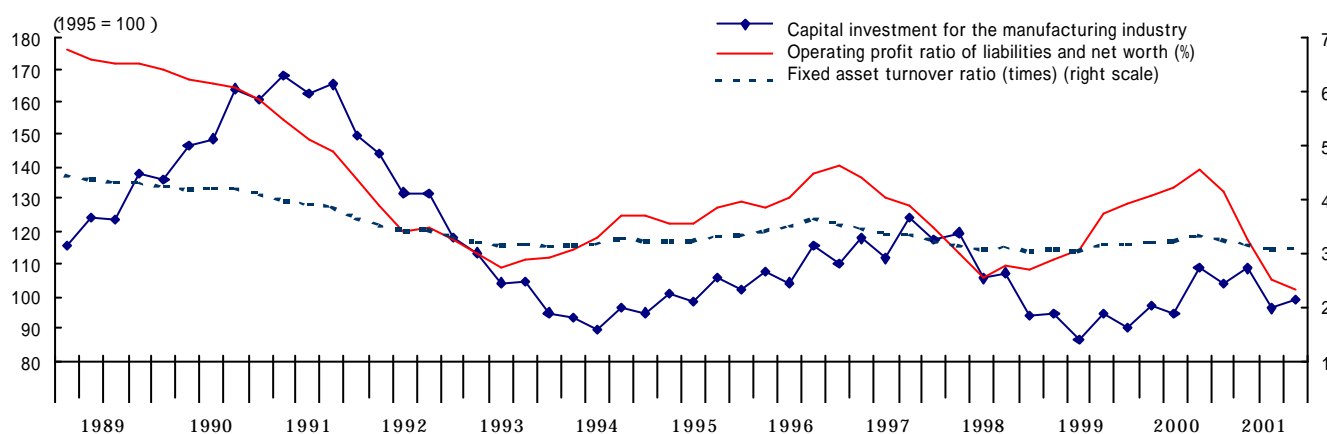
2. The data from the first to fourth quarters for the private non-residential construction in the mining industry is reported. The reference indexation (1995=100) for the first half year of 2002 is made by doubling these figures.

3. The land price of industrial regions and the land price for all applications, which are given as a series of reference, is reported and publicly disclosed as of January 1st every year. The fluctuation ratio of land price is the percentage change from the previous year based on 1995=100 and indexed.

4. The comparative synopsis for the coefficient of correlation is based upon the capital investment volume for the manufacturing industry. The coefficient of correlation is estimated by taking the lag for the private non-residential construction and number of plant locations into consideration.

Source : "A quarterly reports on corporate statistics" (MOF), "Statistics for building construction starts"/"Land Price Publication" (MIIT), "The research for the trend of plant location."

Changes in capital investment and the balance sheet ratio for the manufacturing industry



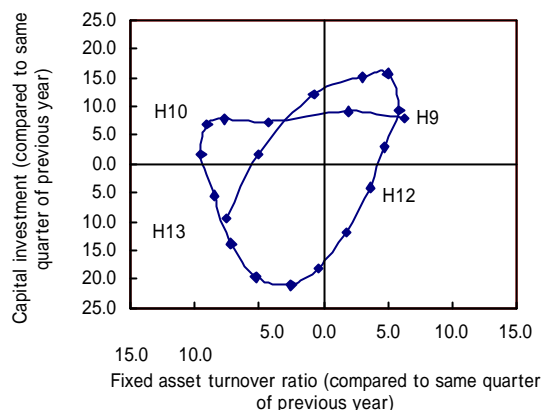
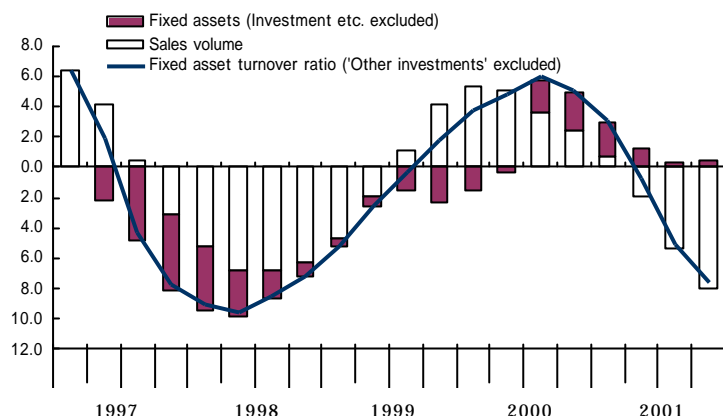
(Note) 1. The operating profit ratio of liabilities & net worth (%) is obtained using the following formula : (operating profit x 4 / total liabilities and net worth). Calculations are made based on the current figures for the "operating profit" and "total of liabilities and net worth."

2. The fixed asset turnover ratio (turnover) is usually obtained by (sales volume x 4 / fixed assets). It will be calculated based upon current figures for the "fixed assets" and "sales volume," excluding portfolio investments etc. categorized under "other assets" within investments from fixed assets.

3. Capital investment for the manufacturing industry, the operating profit ratio of liabilities & net worth, the fixed asset turnover ratio are the moving average for three quarters.

Source : "A quarterly reports on corporate statistics" (MOF)

Changes in the factor analysis (change over the previous year) of the fixed asset turnover rate and the circulation of capital investment



(Note) 1. Since the change in Fixed asset turnover ratio = Sales volume / Fixed assets will be Fixed asset turnover ratio = Sales volume - fixed asset, a factor analysis is made for the sales volume and fixed assets based on the ratio over the previous year in order to obtain the fixed asset turnover ratio. The sign for the factors of fixed asset is negative, therefore, it must be noted that the compression of capital investment will be an increasing factor for the fixed asset turnover ratio.

2. The circulation diagram for the change in circulation of capital investment is obtained based upon the ratio of capital investments and fixed asset turn over ratio over the previous year including the periods from the first quarter of 1997 to the fourth quarter of 2001. The diagram is read as the following:

An increase in the fixed asset turnover ratio is due to an increase in sales volume or the compression of fixed assets (fourth quadrant first quadrant)

Increase in capital investment after an increase in sales volume and the mood of excess installation is settled. (first quadrant second quadrant)

A decrease in the fixed asset turnover ratio is due to a decrease in sales volume or the mood of excess installation. (second quadrant third quadrant)

A decrease in capital investment for the settlement of a decrease in sales volume and the mood of excess installation. (third quadrant fourth quadrant)

Source : "A quarterly reports on corporate statistics" (MOF)

(5) Outline of Import and Export

From the import and export trend for the first quarter of 2002, the export of goods (mining and manufacturing industry) recorded 12.7% increase compared to the previous quarter, increasing for the first time in seven quarters, and receivables for services also recorded an increase of 10.2% for the first quarter of 2002, increasing for the first time in five quarters. A 12.1% increase for the first quarter of 2002 was recorded for the total, marking its first increase in seven quarters.

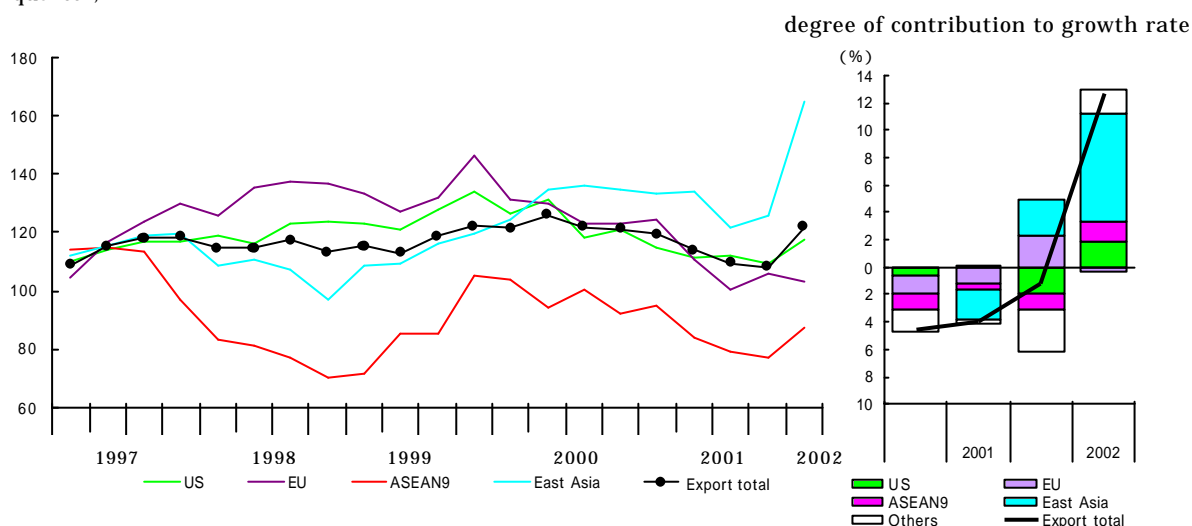
The import of goods (mining industry) recorded an increase for two consecutive quarters, increasing by 0.9% over the previous quarter. In addition, payables for service, increased 5.2% for the first quarter of 2002, increasing for the first time in four quarters, and a 1.9% increase for the same quarter was recorded marking the first. increase in five quarters.

Regionally, exports bound for the EU decreased, however, exports for East Asia, the U.S., and ASEAN9 all increased. Imports from the EU decreased while imports from East Asia, ASEAN9 and from the U.S. all increased.

Changes in Export by region

Index level (seasonally adjusted, 1995=100)

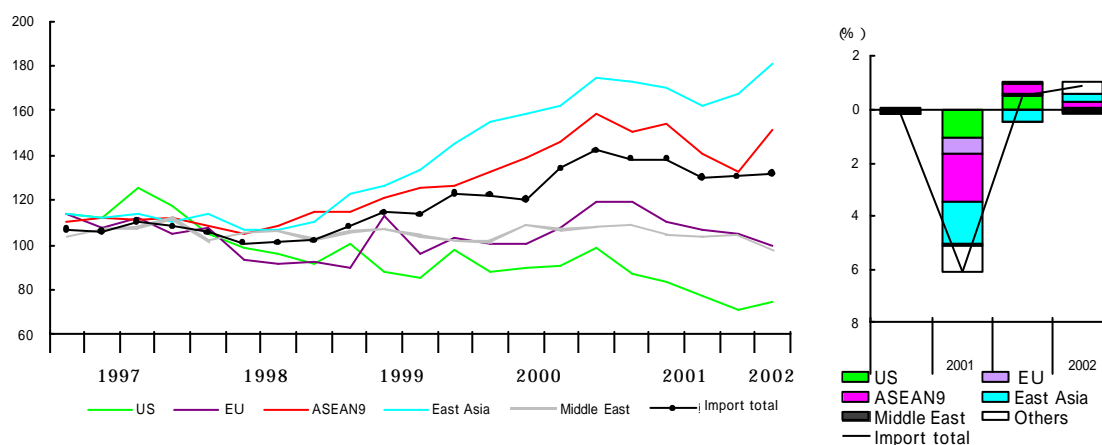
Ratio compared to the previous



Changes in import by region

Index level (seasonally adjusted, 1995=100)

Ratio compared to the previous quarter,
degree of contribution to growth rate



- (Note) 1. The import index is estimated by rearranging the trade statistics with the total supply index groups.
 2. The regional classifications are as follows:
 ASEAN9: Singapore, Thailand, Malaysia, Brunei, Philippines, Indonesia, Vietnam, Laos and Myanmar.
 East Asia: Korea, China, Taiwan, Hong Kong
 Middle East: Iran, Iraq, Bahrain, Saudi Arabia, Kuwait, Qatar, Oman, Israel, Jordan, Syria, Lebanon, United Arab Emirates, Gaze, and Yemen.

Source: "Table of total supply for the mine industry."