

Results for April - June 2000 and Prospects for July -December 2000
(13th Quarterly Survey of Japanese Business Activities)
- Characteristics of the Current Period
as Reflected in the Behavior of Overseas Subsidiaries -

In respect of the outlook for July - December 2000, the level of overseas subsidiaries' DI of sales was generally high, but it decreased 5.1 points from the preceding quarter. Overseas subsidiaries' sales (yen-based) increased from a year earlier for the second consecutive quarter. In particular, sales in each Asian region continued to increase distinctly. Domestic parent companies' sales increased for the third consecutive quarter.

- Overseas subsidiaries' DI (see Note 1) of sales fell 5.1 points (40.4 35.3) from the preceding quarter. By area, they fell in all regions, especially in Europe (down 9.6 points from a year earlier). Except Europe, however, the DI level remained high in all regions.
- Domestic parent companies' DI of sales considerably improved, up 12.9 points from the preceding quarter, and the DI level remained positive for the fifth consecutive quarter (13.4 22.0 18.2 13.9 26.8).

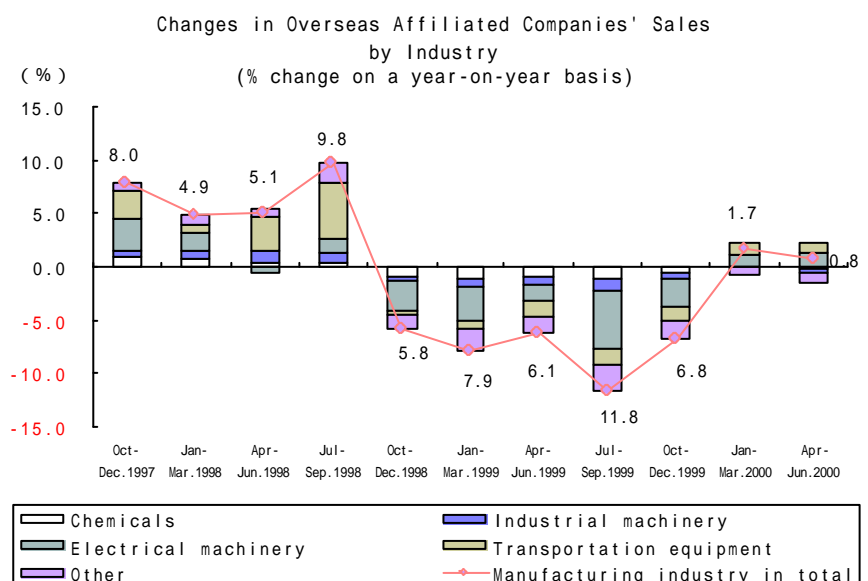
Sales of the Current Period (Apr-Jun)
and Diffusion Index on Sales (Prospects for Jul-Dec)

| | Year-on-year change in sales(%) | | D I (prospects for Jul- Dec.2000) Change on previous period (points) |
|---------------------------------|------------------------------------|---------|--|
| | Jan-Mar | Apr-Jun | |
| North America | -1.9 | -1.5 | -6.7 (34.8 28.1) |
| Asia | 11.5 | 9.9 | -3.9 (45.9 42.0) |
| ASEAN4 * | 14.0 | 12.1 | -2.9 (51.5 48.6) |
| NIES3 * | 7.6 | 8.2 | -5.0 (33.9 28.9) |
| China and other Asian countries | 12.6 | 8.6 | -4.4 (46.3 41.9) |
| Europe | 0.4 | -4.5 | -9.6 (28.6 19.0) |
| Overseas subsidiaries Total | 1.7 | 0.8 | -5.1 (40.4 35.3) |
| Domestic Parent companies | 3.6 | 4.8 | 12.9 (13.9 26.8) |

*ASEAN4 (Indonesia, Thailand, Philippines, Malaysia)

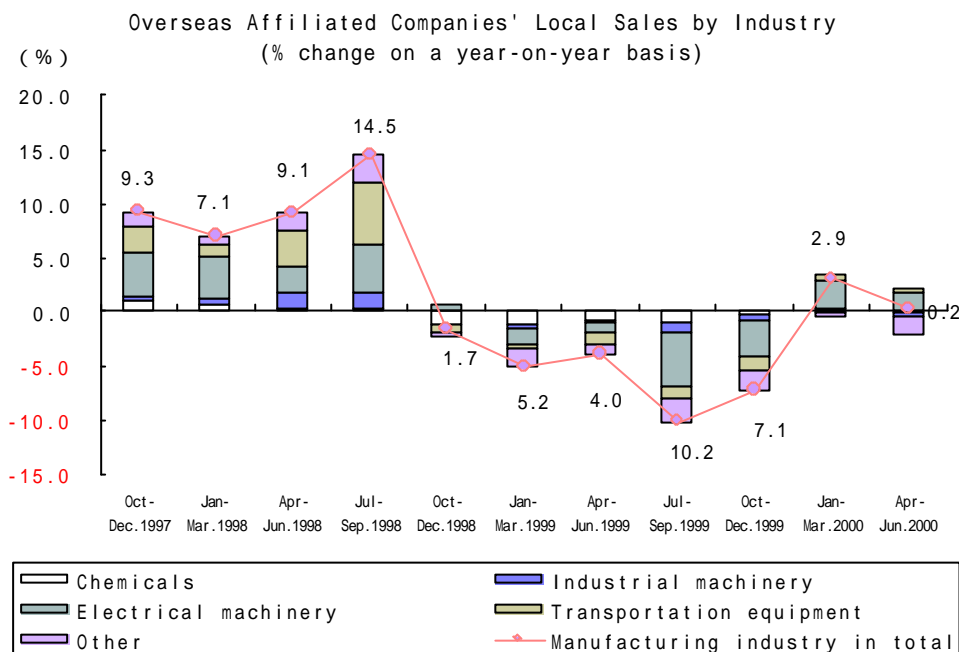
*NIES3 (Singapore, Taiwan, Republic of Korea)

- Overseas subsidiaries' sales (yen-based (see Note 2)) rose 0.8% from a year earlier for the second consecutive quarter despite weak local currencies against the yen. They fell in all of North America, Europe and other regions, but a year-on-year increase took place for the third consecutive quarter (6.4% 11.5% 9.9%) in Asia due to active demand for electrical machinery, transportation equipment, etc. By Asian regions, the rate of increase on a year-on-year basis continued to expand markedly: from 9.1% to

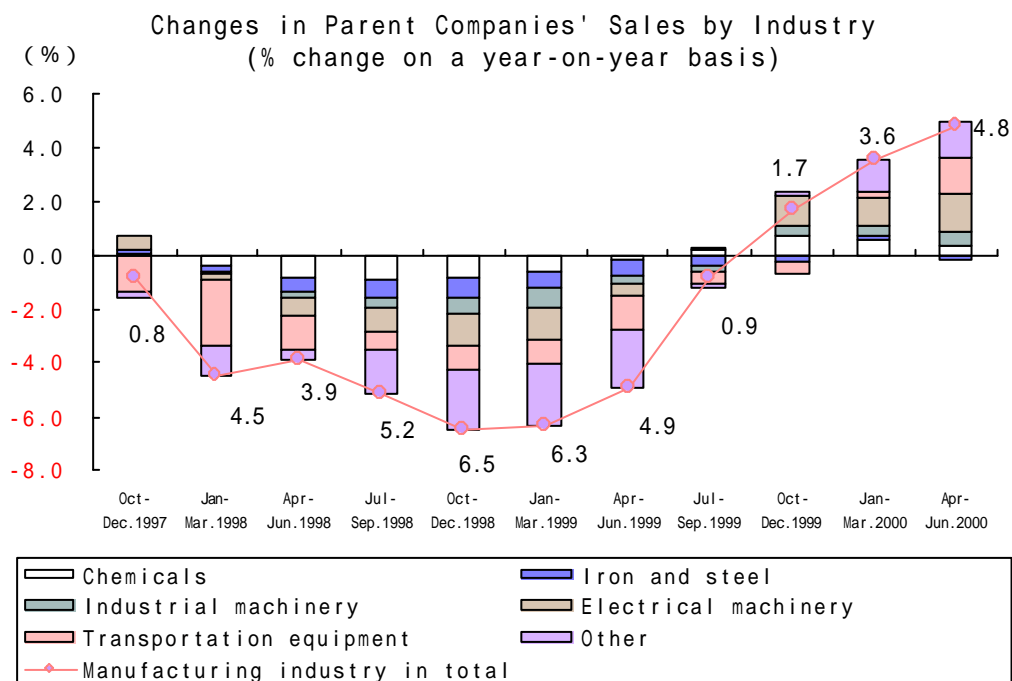


14.0% to 12.1% in ASEAN4 and from 2.2% to 7.6% to 8.2% in NIEs3, for the third consecutive quarter; and from 0.9% to 0.3% to 7.4% to 12.6% to 8.6% in China and other Asian countries for the fifth consecutive quarter.

- Overseas subsidiaries' local sales (see Note3) continuously increased in each Asian region as in the preceding quarter, but they remained slightly high, up 0.2% from a year earlier, due to the decrease in other regions except Asia.

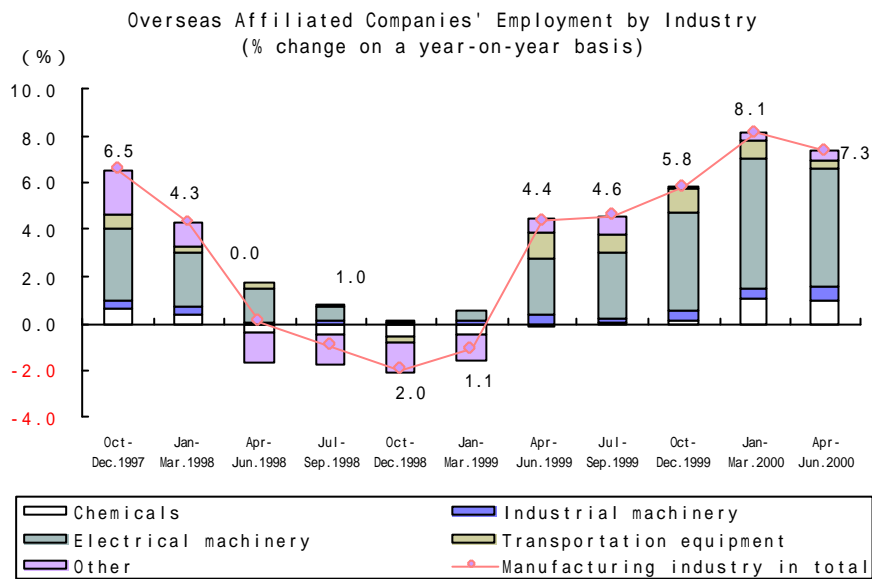


- Domestic parent companies' sales increased for the third consecutive quarter, because they increased in 10 out of 13 industries, especially in electrical machinery. Sales in transportation equipment turned to increase in the preceding year for the first time since October-December 1997 when the comparison with a year earlier was made possible, and they continued to increase for the second consecutive quarter.

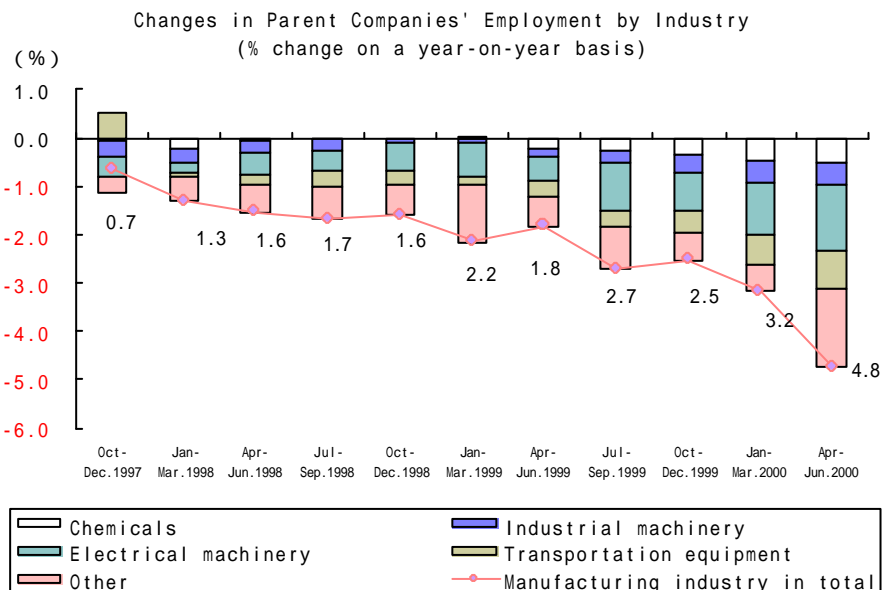


The number of employees of domestic parent companies decreased the most significantly since the survey began, while the number of employees of overseas subsidiaries increased for the fifth consecutive quarter. The ratio of overseas employment rose 7.5 points from a year earlier to 66.8%.

The results of employees (hereinafter is referred to as the number of employees) of overseas subsidiaries were 1,717,000, up 7.3% from a year earlier, the fifth consecutive increase (4.4% 4.6% 5.8% 8.1% 7.3%), increasing mainly in electrical machinery and transportation equipment. The number of employees rose in all regions except North America (down 0.8%). The number conspicuously increased especially in China and other Asian countries (up 17.2%).



The number of employees of domestic parent companies was 2,569,000, down 4.8% from the preceding year, the highest fall since the survey began, because of the decrease in all industries. As a result, the ratio of overseas employment (see Note 4) was 66.8%, up 7.5 points compared with that in the preceding year. By industry, the ratio exceeded 100% in electrical machinery and textile.



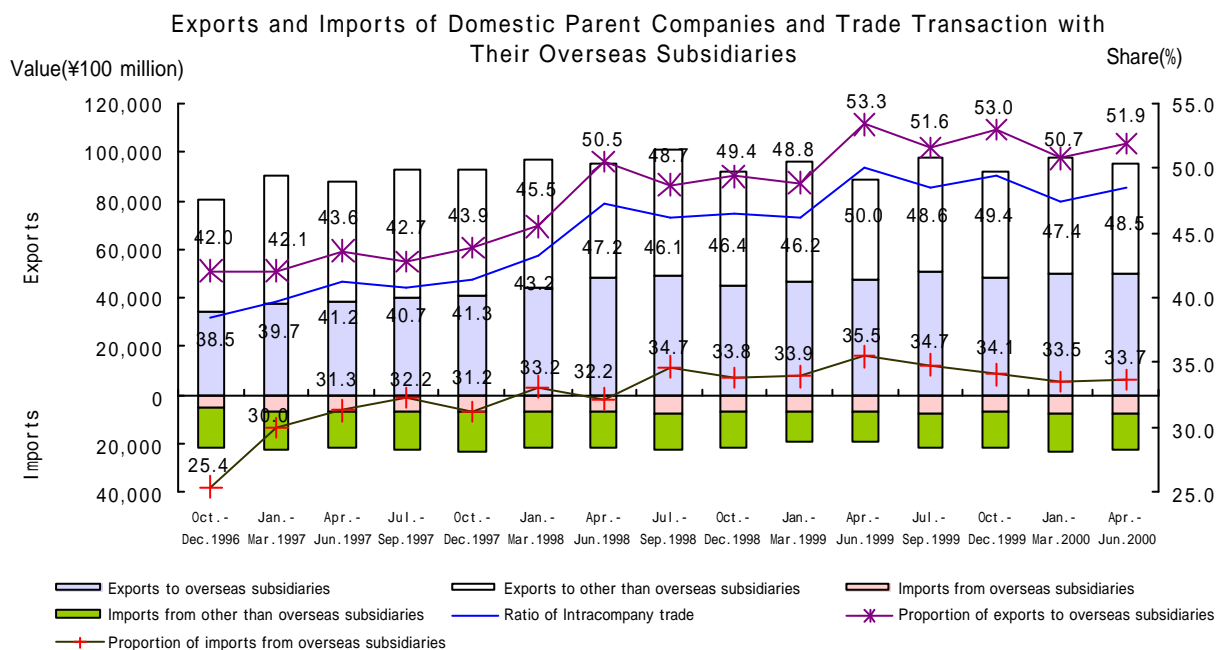
• Domestic parent companies' DI of employment fell 1.2 points from the preceding quarter, decreasing mainly in electrical machinery, and the level remained negative. Overseas subsidiaries' DI of employment also fell in all regions, down 3.1 points, for the first time in three quarters.

The ratio of trade (exports and imports) between domestic parent companies and overseas subsidiaries decreased from a year earlier.

• As for intra-company transactions between domestic parent companies and overseas subsidiaries, domestic parent companies' exports to overseas subsidiaries rose 5.1% from a year earlier, and accounted for 51.9% of their total exports, down 1.4 points from a year earlier. Meanwhile, their imports from overseas subsidiaries, mainly in electrical machinery, rose 6.6% from a year earlier, and accounted for 33.7% of their total imports, down 1.8 points from a year earlier.

• Domestic parent companies' trade with overseas subsidiaries accounted for 48.5% of their total exports and imports, down 1.5 points from 50.0% in the preceding year.

• Overseas subsidiaries' exports to Japan (also known as reimports) rose 11.7% from a year earlier for the third consecutive quarter, because they increased in all regions, mainly in electrical machinery, and especially in Asia, increased in double figures for the third consecutive quarter.



Note 1: $DI = \text{percentage of companies expecting increase} - \text{percentage of companies expecting decrease}$

Change of DI from the preceding quarter = DI in current quarter - DI in preceding quarter

Note 2: Compared with the same quarter a year ago, many local currencies fell against the yen. The US dollar fell 11.8% and the Euro 22.1%. See page 6, "Changes in Exchange Rates of Major Currencies on the Yen."

Note 3: "Local sales" means sales in countries where overseas subsidiaries are located.

Note 4: Ratio of overseas employment = Number of employees of overseas subsidiaries / Number of employees of domestic parent companies

The Increase in Reimports of IT-related electrical machinery from Asian regions is in Sharp Relief

Overseas subsidiaries' exports to Japan (reimports) were 727.9 billion yen, up 11.7% from a year earlier, for the third consecutive quarter. Especially in Asia, they advanced in double figures, up 11.7% from a year earlier, for the third consecutive quarter, substantially contributed by the increased reimports of electrical machinery being in the important position.

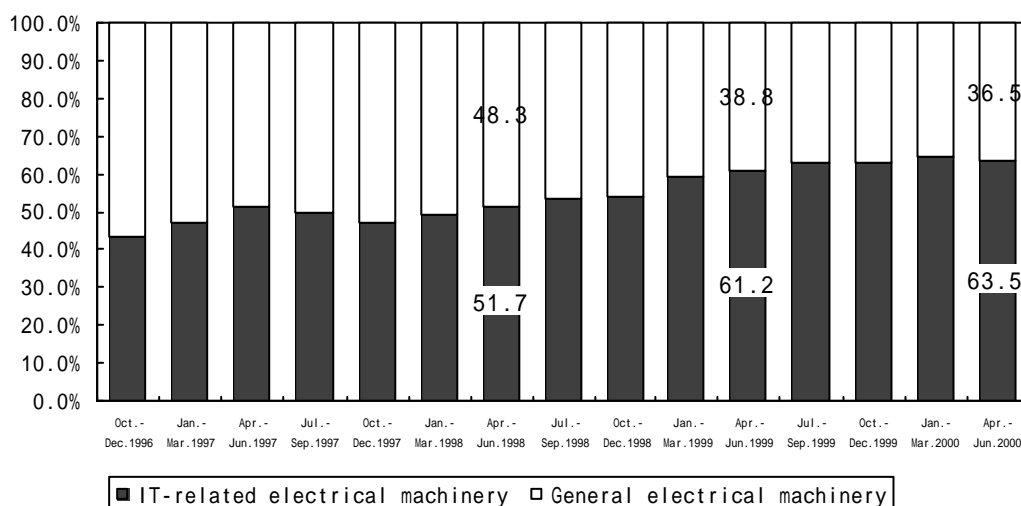
Table 1 Trends of IT-related electrical machinery in the total electrical machinery, exported to Japan from Asia

| | | 1999 | | | 2000 | |
|---------------------------------|----------------------|-------------|--------------|-------------|-------------|-------------|
| | | Apr. - Jun. | Jul. - Sept. | Oct. - Dec. | Jan. - Mar. | Apr. - Jun. |
| IT-related electrical machinery | results | 210,787 | 221,027 | 218,576 | 245,064 | 246,984 |
| | quarter of last year | 22.6 | 19.7 | 34.9 | 32.6 | 17.2 |
| General electrical machinery | results | 133,428 | 130,284 | 128,857 | 132,982 | 141,776 |
| | quarter of last year | -16.8 | -18.9 | -6.5 | 5.5 | 6.3 |

(Unit: million yen,%)

The breakdown of reimports of electrical machinery from Asia into IT-related electrical machinery and other general electrical machinery indicates that the former continued to rise in double figures, a 17.2% increase from a year earlier (see Table 1), while the latter remained at a 6.3% increase from a year earlier. The examination of the change of ratios between IT-related and general electrical machinery (see Figure 1) revealed that the ratios of reimports of IT-related electrical machinery were in an upward trend, showing the increase of 63.5% for this quarter, up 2.3 points from a year earlier.

Figure 1 Ratios of IT-related electrical machinery in the total electrical machinery, exported to Japan from Asia



Note: Of electrical machinery, IT-related electrical machinery represents computers, electrical communications equipment, electronic communications equipment and parts, integrated circuits, etc. General electrical machinery represents household electric equipment, acoustic equipment, heavy electrical equipment, etc., excluding IT-related electrical machinery.

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

