Results for October - December 2000 and Prospects for January - June 2001 (15th Quarterly Survey of Japanese Business Activities)

- Characteristics of the Current Period as Reflected in the Behavior of Overseas Subsidiaries -

1. Sales, etc.

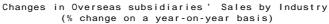
- The DI (diffusion index) of overseas subsidiaries' sales (prospect from January to June 2001) is anticipated to deteriorate mainly in North America and Asia for three consecutive periods. In particular, the levels of NIES3 (newly industrializing economies) fell to negative digits. Consequently, the change is expected to show in the DI which has remained at a high level since the beginning of the period.
- The DI of parent companies' sales in Japan is expected deteriorate drastically compared with the preceding period, and the level will also fall to minus digits after a lapse of 7 periods.
- Overseas subsidiaries'sales will increase for four consecutive periods.
- O The DI (Note 1) of overseas subsidiaries's ales dropped by -9.2 points (26.1 16.9) from the previous period for three consecutive periods. Sales in North America and Asia deteriorated, in particular the NIES3 which fell to negative digits, despite the continuous transition from high levels at the beginning of the period.
- O The DI of domestic (Japanese) parent companies' sales fell sharply by -29.6 points (28.4 -1.2) to negative digits after a lapse of 7 periods from April to September 1999.
- O Since overseas subsidiaries'sales (yen base) (Note 2) increased in all regions, sales increased by 15.2% from the same period of the previous year for four consecutive periods. Particularly in Asia, sales of mainly electrical and transportation machinery increased for five consecutive periods.

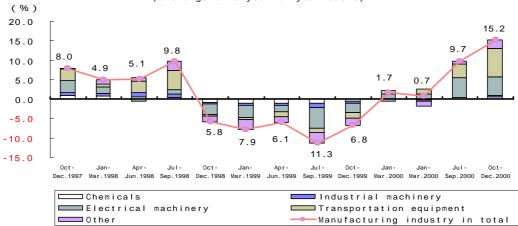
Sales of the Current Period (Oct-Dec) and Diffusion Index on Sales (Prospects for Jan-Jun.2001)

		Year-on-year change in sales(%)		D I (prospects for Jan- Jun.2001) Change on
		Jul-Sep	Oct-Dec	previous period (points)
North America		7.7	17.5	-11.6 (26.0 14.4)
As	ia	15.2	15.7	-13.7 (29.5 15.8)
	ASEAN4 *	17.1	19.7	-17.9 (34.0 16.1)
	NIES3 *	12.7	8.8	-21.6 (11.5 -10.1)
	China and other Asian countries	15.0	17.9	-4.1 (35.1 31.0)
Europe		4.9	7.3	6.2 (15.0 21.2)
Overseas subsidiaries		9.7	15.2	-9.2 (26.1 16.9)
Domestic Parent compa		3.8	5.2	-29.6 (28.4 -1.2)

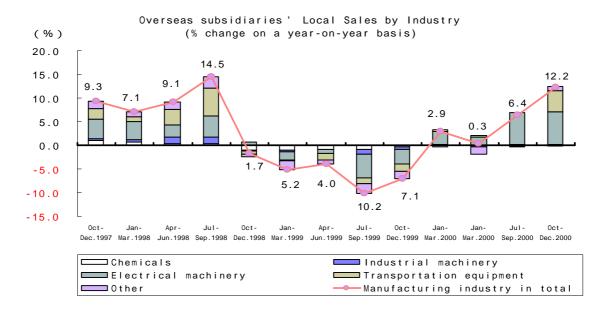
^{*}ASEAN4 (Indonesia, Thailand, Philippines, Malaysia)

^{*}NIES3 (Singapore, Taiwan, Republic of Korea)

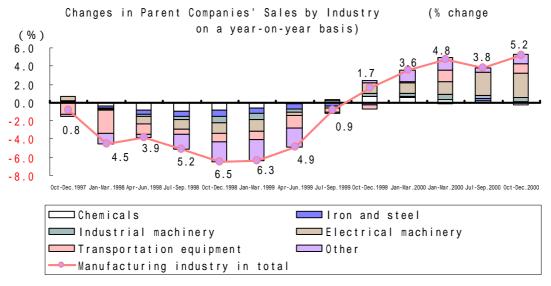




O Local sales (Note 3) of overseas subsidiaries increased in all regions. Consequently, sales increased for four consecutive periods.



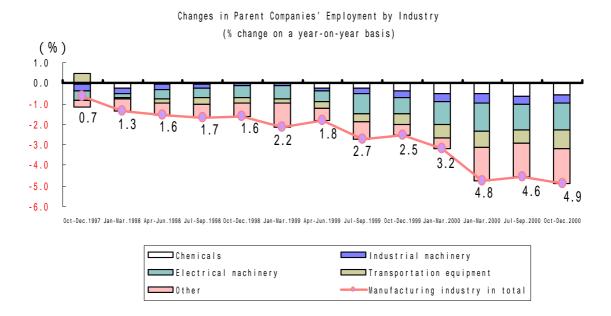
O Regarding Japanese (domestic) parent companies' sales, since 9 (mainly electrical machinery) out of 13 industries increased, sales increased for five consecutive periods.



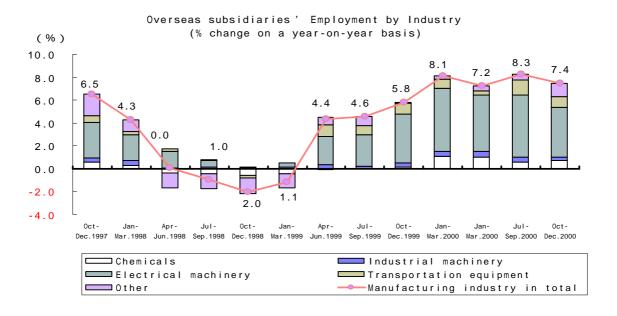
2. Employment

- Since the number of regular employees at domestic parent companies has expanded from a slight decrease in the previous period, the decreasing trend continues.
- Although the number of employees of overseas subsidiaries has increased compared with the same period of the previous year for seven consecutive periods, the trend in expansion which continued for seven consecutive periods compared with the previous period has ended.
- The DI of employees at overseas subsidiaries compared with the previous period has declined for three consecutive periods.

The number of regular employees of domestic parent companies decreased by -4.9% from the same period of the previous year. Compared with the previous period, it decreased slightly, so the decreasing trend continues.



Since the number of employees of overseas subsidiaries increased in all regions, it increased by 7.4% from the same period of the previous year for seven consecutive periods. As a result, the overseas employment rate (Note 4) increased by 8.0 points to 69.6%. However, the rate of the previous period fell to negative digits in most regions except for China, other Asian regions and the NIES3. So it remains the same level in all regions. The trend of expansion for seven consecutive periods appears to be slowing.



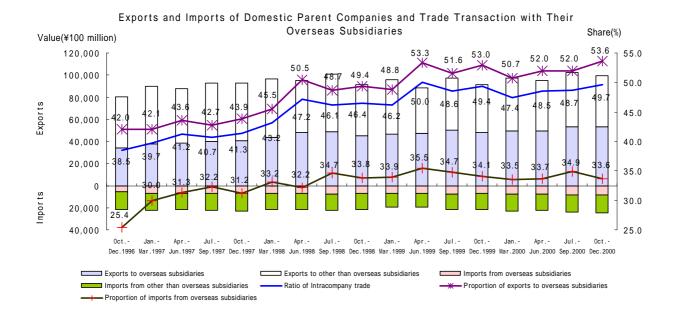
When comparing the DI with the previous period, despite an improvement of 4.3 points at domestic parent companies (-25.1 -20.8), the level still continues to fall sharply. Furthermore, the DI of overseas subsidiaries which has fallen in Europe and other regions except for a few which declined by -6.6 points for three consecutive periods (11.6 9.2 2.6).

- 3. Transactions within companies
 - The ratio of transactions (exports and imports) between domestic parent companies and overseas subsidiaries increased slightly compared with the same period of the previous year.

When observing transactions within companies between domestic parent companies and overseas subsidiaries, since exports toward overseas affiliated companies increased by 10.9% from the same period of the previous year, the ratio (53.6%) in total exports of domestic parent companies increased by 0.6 points. On the other hand, imports from overseas affiliated companies increased by 11.7% mainly in electrical machinery and general machinery. However, the rate (33.6%) in total exports of domestic parent companies contributed to lower growth of total imports (increase of 13.4% from the same period of the previous year), which declined by -0.5% points.

The rate (49.7%) of exports and imports with overseas subsidiaries in total exports and imports of domestic parent companies increased by 0.3 points from the same period of the previous year.

However, DI rates for total exports and imports at domestic parent companies at the beginning of the period deteriorated considerably by -15.5 points (12.0 -3.5) and by -12.9 points (13.3 0.4) respectively.



- (Note 1) DI (diffusion index) = rates to which companies replied that their rate increased rates of companies to which companies replied that their rate decreased

 The rate of the previous period for DI = the current period's DI the previous period's DI
- (Note 2) When comparing the Japanese yen conversion rate for foreign currencies where overseas subsidiaries are located subject to this survey from the same period of the previous year, local currency depreciation in the exchange rate of major nations or ASEAN 4 (-12.1% in Euro), attention should be given to local currency appreciation against yen (5.1% from the same period of the previous year in US dollars) in North America, China and other major Asian countries and each nation of NIES3.

 Incidentally, regarding the floating Japanese yen rate against foreign currencies, please refer to Page 6, "Transition in Japanese yen rate against major regional currencies".
- (Note 3) Local sales indicate sales within countries where overseas subsidiaries are located.
- (Note 4) Overseas employment rate = number of employees at overseas subsidiaries/number of regular employees at domestic parent companies

Continuous Expansion of Re-importation from Asia Primarily in IT-related Electrical Machinery

Exports (re-imports) of overseas subsidiaries toward Japan were ¥798.9 billion (24.1% from the same period of the previous year) have increased for five consecutive periods. In particular, Asia continues to display a sharp increase of 25.6%, particularly in key electrical machinery.

If we classify electrical machinery in Asia into IT-related and other generally related types, the rate of IT related electrical machinery for the current period increased sharply by 29.5% from the same period of the previous year (Table 1); whereas, the rate of generally related electrical machinery increased by 17.9%. When observing the transition in rates of IT-related and general related electronic machinery (Figure 1), we can see that during the current period the rate of IT-related machinery increased by 2.2 % points from the previous year of 65.1%.

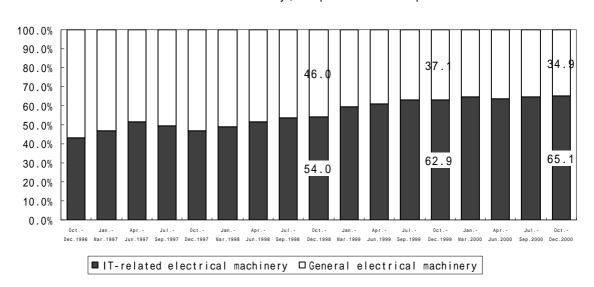
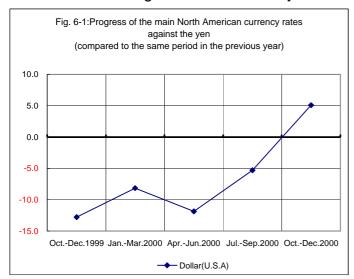
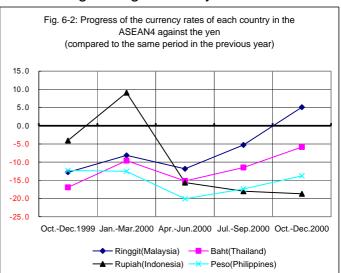


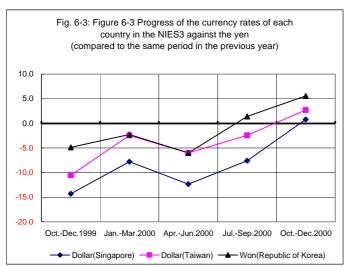
Figure 1 Ratios of IT-related electrical machinery in the total electrical machinery, exported to Japan from Asia

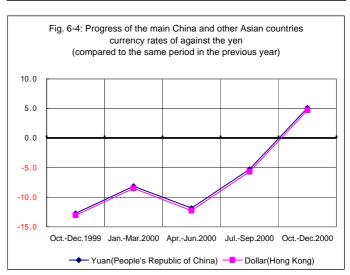
Note: Of electrical machinery, IT-related electrical machinery represents computers, electrical communications equipment, electronic communications equipment and parts, integrated circuits, etc. General electrical machinery represents household electric equipment, acoustic equipment, heavy electrical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

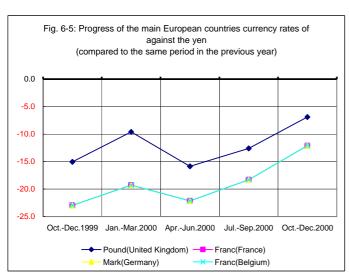
Progress of the currency rates of the main regions against the yen











International Financial Statistics (International Monetary Fund)