

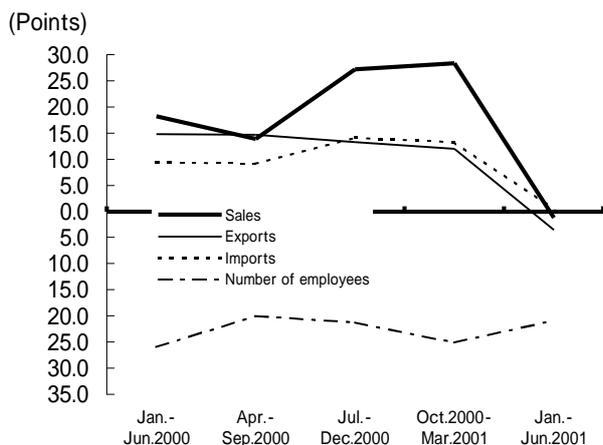
# Quarterly Survey of Japanese Business Activities

( October - December 2000 )

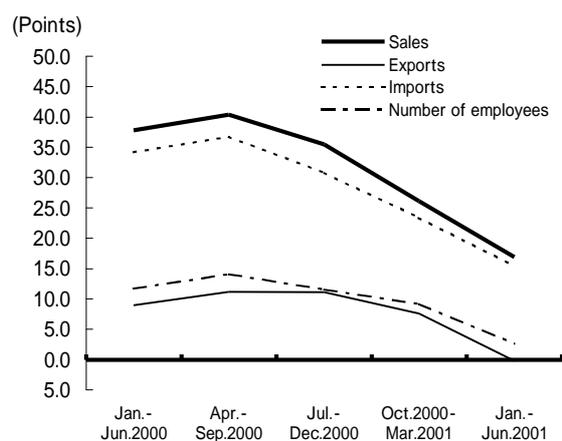
April 6, 2001

Enterprise Statistics Office,  
Research and Statistics Department,  
Ministry of Economy, Trade and Industry

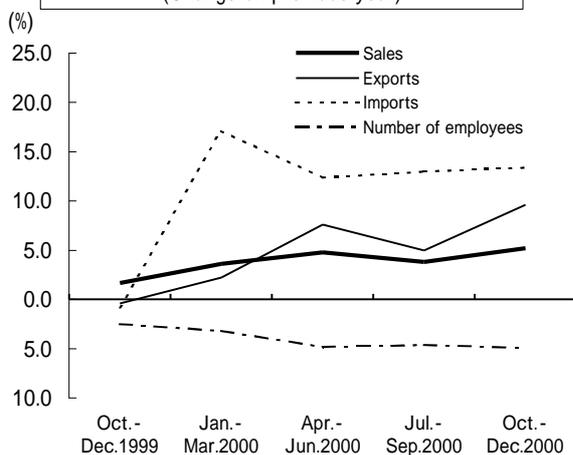
Prospects of Sales, etc for Domestic Parent Companies  
(Diffusion Index)



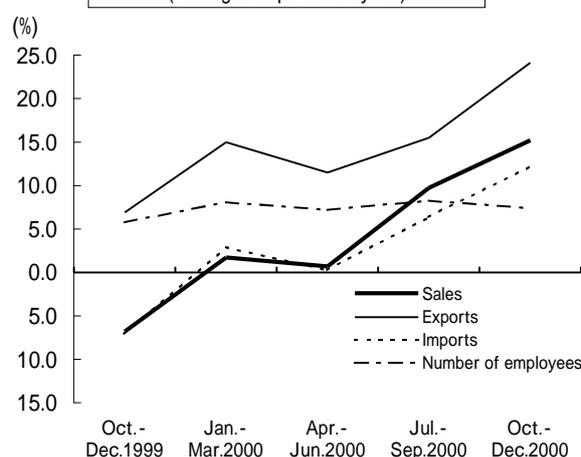
Prospects of Sales, etc for Overseas subsidiaries  
(Diffusion Index)



Growth of Sales, etc of Domestic Parent Companies  
(Change on previous year)



Growth of Sales, etc of Overseas Affiliated  
(Change on previous year)



## **Outline of the survey**

### **1. Objectives of the Survey**

The objectives of the survey were to dynamically grasp the business performances of Japanese incorporated enterprises engaged extensively in the business operations domestically and overseas, and to obtain the materials and data useful for the government to formulate its industrial policies and trade policies.

### **2. Legal foundations for the survey**

This survey was legally endorsed and authenticated by the Article 4 of the Statistical Report Adjustment Law.

Prior to the commencement of this survey, a pilot or test survey was consecutively conducted in the forth quarter of 1996 and in the first quarter of 1997. The findings obtained from those pilot surveys will also be published together with this survey findings after approval from the Management and Coordination Agency.

### **3. Timing of the survey**

The survey was conducted at the end of the survey quarter.

### **4. Coverage of the survey**

#### **(1) Parent companies**

This survey covered Japanese manufacturing companies with 50 or more employees and capitalization of more than 30 million yen as of the end of March 1998 which have reported or supplied notification of foreign currency denominated securities as specified by the Foreign Exchange and Foreign Trade Control Law and which own affiliated companies operating overseas.

#### **(2) Overseas subsidiaries**

This survey covered manufacturing companies with 50 employees or more owned by Japanese parent companies as specified in item (1) and operating overseas, where investment by the parent companies, both direct and indirect, exceeds 50% of total invested funds (also including those overseas subsidiaries established during the term of the survey).

### **5. Method of the survey**

A survey by mail was employed as survey method. Based on a self-administered questionnaire filled out by parent companies chosen as respondent.

### **6. Method of tabulating data**

Data for parent companies and overseas subsidiaries were compiled separately. Data that were not provided at the time of tabulation were estimated using the following formula

From the April-June quarter of 1999, the base of the estimating method was changed from the growth rate from the preceding quarter to the growth rate from a year before.

Current estimated data for companies that failed to provide relevant data = Previously provided data of the companies \* Currently provided data consolidated with the data from the companies that provided data both in the current survey and in the previous year survey / Previously provided data consolidated with the data from the companies that provided data both in the current survey and in the previous year survey

What were included into data estimation were as follows:

Parent companies:

sales, exports, exports to overseas subsidiaries, purchases, imports, imports from overseas subsidiaries, number of employees

Overseas subsidiaries:

sales, sales to Japan, local sales, number of employees

### **7. Classification of business category**

In principle, according to the Japan Standard Industrial Classification, the business category that has the largest share of the sales was recognized as the major business of each parent company and each subsidiary.

## 8. Country Classifications (Regions)

Classification of overseas subsidiaries by region based on country of residence was carried out as follows. (Countries arranged in alphabetical order.)

### North America

America, Canada

### Asia

ASEAN 4

Indonesia, Thailand, Philippines, Malaysia

NIES 3

Singapore, Taiwan, Republic of Korea

China and other Asian countries

India, Vietnam, Sri Lanka, Pakistan, People's Republic of China (including Hong Kong)

### Europe

Ireland, United Kingdom, Italy, Austria, Netherlands, Greece, Switzerland, Sweden, Spain, Denmark, Germany, Turkey, Hungary, Finland, France, Belgium, Poland, Portugal

### Other

United Arab Emirate, Argentina, Venezuela, Egypt, El Salvador, Australia, Guatemala, Costa Rica, Colombia, Swaziland, Tanzania, Chile, New Zealand, Papua New Guinea, Puerto Rico, Brazil, Peru, Mexico, Ivory Coast, South Africa,

## Notes on the survey

### 1. Fixation of samples within the fiscal year

Based on the survey results as of the year end, the companies targeted for this survey were fixed as a total sample during the following year.

As for overseas subsidiaries, however, newly-established companies as well as retreated companies during the current survey period were also included into the data tabulation in each period.

### 2. Currency conversion

Local currencies if used for entry of figures into the columns for amounts in the questionnaire were converted into Japanese currency at the mid-term mean exchange rate in the survey period published by IMF.

### 3. Exports and Imports

The amounts of exports and imports that completed the customs clearance under the company's own name were identified as the authentic exports and imports to be explored.

## 4. Acquisition of tangible fixed assets

(1) Until the January-March period in 1998

In regard to tangible fixed assets, the survey was conducted based on the amount of tangible fixed assets acquired in the relevant period except land.

(2) From the April-September period in 1998

In regard to tangible fixed assets, the survey was conducted based on the amount of tangible fixed assets acquired in the relevant period (including construction in progress) except land.

## 5. Foreign direct investment

Foreign direct investment portfolio reported or notified to the Bank of Japan (Ministry of Finance) during the current survey period were identified and targeted for exploration.

## 6. Number of employees

Paid officials, executives and directors were included into the number of employees.

## 7. Symbols in the statistical tables

[-] denotes the areas not applied nor explored.

[p] indicates a provisional figure that may or may not change in the following period.

[x] shows that the figures are hidden for the purpose of protecting the confidentiality of the individual reporters because the number of parent companies that owns the overseas subsidiary in question related to the hidden figures was either 1 or 2.

[r] figure from previous publication has been subject to revision (not including provisional figures)

## 8. Method of determining figures

(1) Determining the quarterly data

Figures for a given quarter will be determined in the following quarter.

(2) Determining the figures for the previous financial year (quarterly, financial year aggregate)

Figures will be determined in the quarter following the end of the financial year (April-June quarter). (Year-to-year compensation)

Financial year aggregates will be published in the January-March quarter with a "p" symbol.

## 9. Handling of consistency coefficients

As a result of inclusion of certain enterprises which had been left out from fiscal 1998 (from the April - June quarter of 1998), consistency coefficients are employed in order to ensure continuity of the current data with those of the periods before fiscal 1987 (up to the January - March quarter of 1998).

### (1) Periods to be connected

The quarters of fiscal 1997 (April - June quarter of 1997 to January - March quarter of 1998) and before and the quarters of fiscal 1998 (April - June quarter of 1998 to January - March quarter of 1999) shall be connected together for consistency.

### (2) Consistency coefficients

Coefficient = Actual results of enterprises left out during fiscal 1998 plus those of enterprises included in the statistics / Actual results of enterprises included in the statistics

### (3) Scope of adjustment by the coefficients

All the cells of Area x Industry x Item of the form for publication.

### (4) Treatment of the published figures

1) "Actual results" The figures listed are the actual results before treatment by the coefficients. For reference, the "consistency coefficients" for connection are listed in a separate sheet. Therefore, when using the actual results of fiscal 1997 and before in conjunction with those for later business years, you are kindly requested to multiply the actual results of fiscal 1997 by the coefficients before use, to ensure consistency.

2) "Year-on-year comparison" Listed figures are those calculated from the actual results after adjustment by the coefficients. For reference, the figures of acquisition of tangible fixed assets and the figures of outward direct investment have not been processed for smoothing gaps, as the increase/decrease of figures are too large to generate meaningful consistency coefficients.

**Note 1:** DI = Percentage of the companies expecting increase - Percentage of the companies expecting decrease

Comparison of DI with the previous period = The current DI - The previous DI

The current DI: DI in October-December 2000 (outlook for the period from January to June 2001)

The previous DI: DI in July-September 2000 (outlook for the period from October 2000 to March 2001)

**Note 2:** Local sales signify the sales made by locally-based overseas subsidiaries in their respective locations or countries.

**Note 3:** Overseas production ratio = Sales of overseas subsidiaries / Sales of domestic parent companies \* 100

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

## Changes to the content of the survey

### 1. Concerning parent companies

The realized and forecast values of "acquisition of tangible fixed assets (excluding land)" and "direct foreign investment" use the results of every second survey (the July-September and the January-March surveys) rather than the quarterly surveys.

The July-September survey concerns results for the April-September term and expectations for the October-March term, while the January-March survey pertains to results for the October-March term and expectations for the April-September term.

Of the data surveyed, the "acquisition of tangible fixed assets (excluding land)" item is extracted and then calculated from those Report on Current Situation of the Plant Investments of Private Sector that pertain to the parent companies targeted by this survey.

Therefore, no comparison will be made between surveys of the current period and periods before January-March 1998.

### 2. Concerning overseas subsidiaries

The realized and forecast values of "acquisition of tangible fixed assets (excluding land)" use the results of every second survey (the July-September and the January-March surveys) rather than the quarterly surveys.

The July-September survey concerns results for the April-September term and expectations for the October-March term, while the January-March survey pertains to results for the October-March term and expectations for the April-September term.

## Response rate and yen/dollar exchange rate

The average exchange rate of the yen to the U.S. dollar for this quarter was 109.82 yen, a depreciation of 5.28 yen compared with the same quarter a year earlier (104.54 yen) and a depreciation of 2.25 yen compared with the previous quarter (107.57 yen).

The responses to the questionnaire survey are summarized below.

Classification	Number of target company	Number of answered company	Response rate
Parent company	1,335	870	65.2%
Overseas subsidiaries	2,903	1,885	64.9%

## 1. Domestic and overseas sales, domestic sales and local sales

Table 1: Trends in Sales of Parent Companies and Overseas Subsidiaries

(Unit: million yen, %, DI points)

	Sales			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Parent Companies	41,213,597	42,932,552	p 43,340,590	p 5.2	p 1.0	1.2	p -29.6
Domestic sales	32,110,488	32,718,541	p 33,360,000	p 3.9	p 2.0		
Overseas Subsidiaries	8,410,618	9,625,367	p 9,686,782	p 15.2	p 0.6	-9.4	p -9.2
Local Sales	5,037,532	5,565,603	p 5,654,532	p 12.2	p 1.6	-7.4	p -8.0
Overseas production ratio	20.4	22.4	p 22.4				

Table 2: Trends in Sales of Overseas subsidiaries by region

(Unit: million yen, %, DI points)

	Sales			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Total	8,410,618	9,625,367	p 9,686,782	p 15.2	p 0.6	-9.4	p -9.2
North America	3,871,635	4,466,687	p 4,548,886	p 17.5	p 1.8	-2.0	p -11.6
Asia	2,377,494	2,845,589	p 2,750,891	p 15.7	p -3.3	-12.8	p -13.7
Asean4	1,041,812	1,260,387	p 1,246,691	p 19.7	p -1.1	-14.5	p -17.9
Nies3	770,919	882,120	p 838,511	p 8.8	p -4.9	-17.5	p -21.6
China and other	564,763	703,082	p 665,689	p 17.9	p -5.3	-7.8	p -4.1
Europe	1,690,429	1,758,765	p 1,814,485	p 7.3	p 3.2	-4.3	p 6.2
Other	471,060	554,326	p 572,520	p 21.5	p 3.3	-12.4	p 9.0

- Sales of domestic parent companies reached ¥43.3406 trillion (5.2% from the same period of the previous year) an increase over five consecutive periods, so the sales of 9 out of 13 industries increased. In particular, sales of electrical machinery increased by 10.5 % from the same period of the previous year, so that the rate of total increased sales is 51.8%.

Sales of overseas subsidiaries were ¥9.6868 trillion (15.2% from the same period of the previous year), an increase over four consecutive periods. Sales of the current period also became positive figures in all regions.

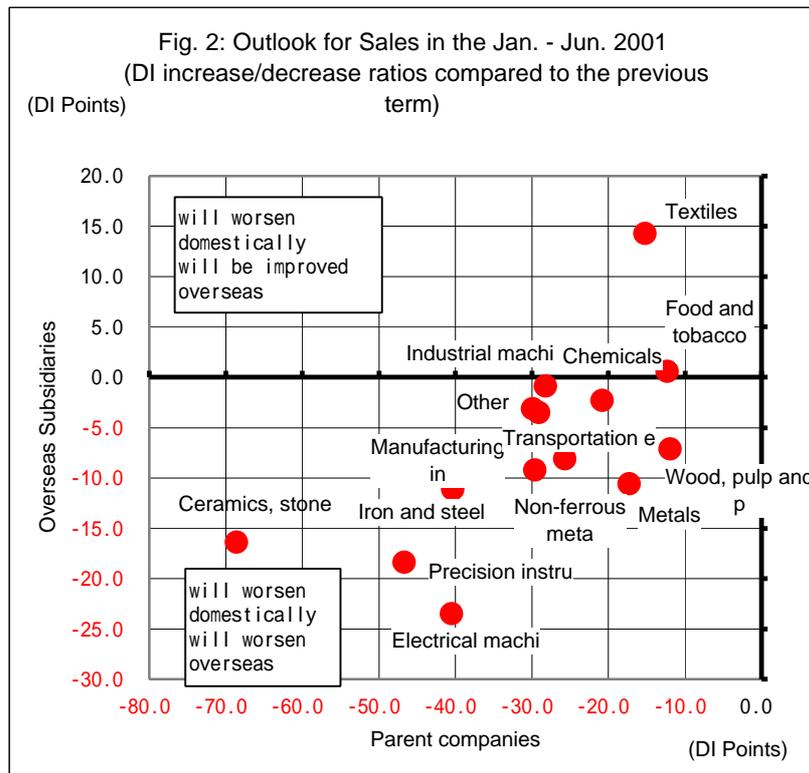
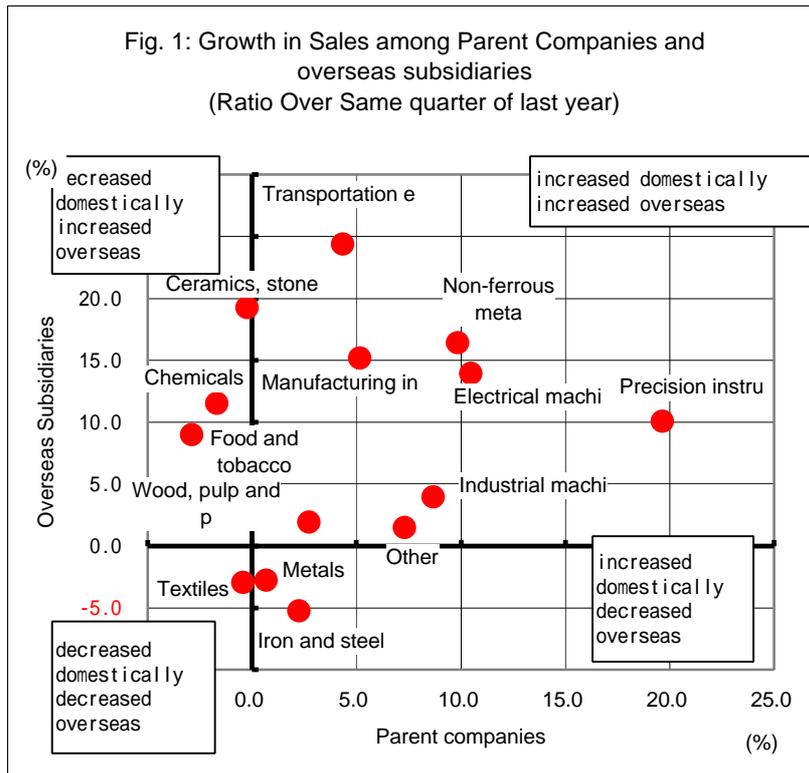
When comparing the Japanese yen rate against foreign currencies where overseas subsidiaries subject to this survey are located for the same period of the previous year (Figure 6), in the current period, US dollars were converted to a local currency appreciation of 5.1% after a lapse of 9 periods. On the other hand, the Euro continued to depreciate by -12.1%.

When comparing the forecast for DI (Note 1) from January to June 2001 with the previous period, sales of domestic parent companies deteriorated sharply by -29.6 points (28.4 → -1.2) during the current period from an improvement over two consecutive periods. The level of DI fell to minus

digits after a lapse of seven periods (from July to December 1999 13.4 → 22.0 → 18.2 → 13.9 → 27.2 → 28.4 → the current period (from January to June 2001) -1.2).

On the other hand, sales of overseas subsidiaries deteriorated for three consecutive periods by -9.2 points (26.1 → 16.9). By region, sales fell in North America and Asia. In particular, the level of DI in NIES3 dropped to negative digits, and a change in DI in regions where sales transited to relatively high levels can be seen.

- Local sales of overseas subsidiaries (Note 2) were ¥5.6545 trillion in 12.2% from the same period of the previous year, which also means an increase in sales for four consecutive periods. Sales also increased in all regions. The forecast for DI from January to June compared with the previous period fell by -8.0 points (23.4 → 15.4) along with sales for three consecutive periods.
- The overseas production ratio (Note 3) was 22.4% which rose by 2.0 points from the same period of the previous year.



## 2. Domestic and Overseas Employment

Table 3: Trends in the Number of Employees Employed by Parent Companies and Overseas Subsidiaries

	Number of employees			Ratio Over	Ratio Over	Next Term Outlook (DI	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Same quarter	Previous	points compared to previous	
				of last year	Quarter	Term)	
				Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Parent Companies	2,640,709	2,528,830	p 2,510,781	p -4.9	p -0.7	-3.9	p 4.3
Overseas Subsidiaries	1,627,633	1,748,803	p 1,748,731	p 7.4	p -0.0	-2.4	p -6.6

(Unit: persons,%,DI points)

Table 4: Trends in the Number of Employees Employed by Overseas Subsidiaries by region

	Number of employees			Ratio Over	Ratio Over	Next Term Outlook (DI	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Same quarter	Previous	points compared to previous	
				of last year	Quarter	Term)	
				Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Total	1,627,633	1,748,803	p 1,748,731	p 7.4	p -0.0	-2.4	p -6.6
North America	396,671	407,009	p 403,725	p 1.8	p -0.8	-4.0	p -6.8
Asia	955,059	1,042,715	p 1,051,676	p 10.1	p 0.9	-1.6	p -9.7
Asean4	519,628	569,553	p 569,158	p 9.5	p -0.1	-1.3	p -14.9
Nies3	116,526	122,186	p 122,366	p 5.0	p 0.1	0.3	p -10.8
China and other	318,905	350,976	p 360,152	p 12.9	p 2.6	-3.0	p -2.6
Europe	166,276	188,374	p 182,754	p 9.9	p -3.0	-0.7	p 0.7
Other	109,627	110,705	p 110,576	p 0.9	p -0.1	-5.3	p 8.7

(Unit: persons,%,DI points)

- The number of regular employees domestic parent companies was 2.511 million persons which is a decrease of -4.9% from the same period of the previous year, a slight decrease from the previous period. Although domestic parent companies were not applicable to this survey due to the branching out of parent companies or transfer of permanent domicile resulting from business reorganization, the decreasing trend continues (same period from October to December 1999 -2.5% -3.2% -4.8% -4.6% the current period -4.9%).
- On the other hand, the number of employees at overseas subsidiaries was 1.749 million persons, which is an increase of 7.4% from the same period of the previous year for seven consecutive periods. It increased in all regions. Compared with the previous period, although employment did increase for seven consecutive periods, it remains at the same level in the current period. Consequently, regions excluding China, other Asian regions and NIES3

fell from the previous period.

- When observing the forecast for DI from January to June 2001 compared with the previous period, although DI of domestic parent companies improved by 4.3 points (-25.1 -20.8), DI fell sharply. By industry, 10 industries including transportation machinery improved compared with the previous period. Results for overseas subsidiaries deteriorated by -6.6 points (9.2 2.6) for three consecutive periods. Except for Europe and some other regions, DI deteriorated.
- Due to a decrease in current domestic employment and an increase in overseas employment, the overseas employment rate (Note 4) for the current period was 69.9%, an increase of 8.0 points from the same period of the previous year.

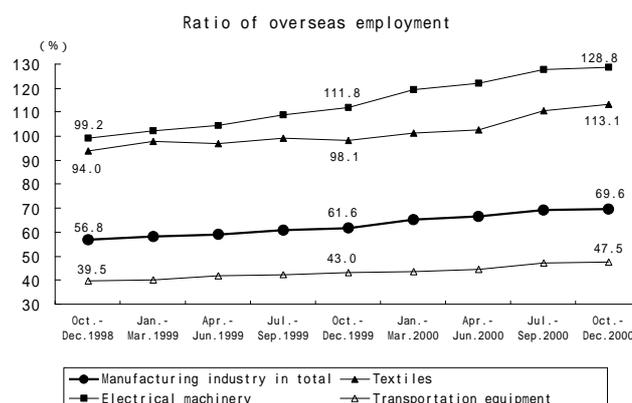


Fig. 3: Growth Rates in the Number of Employment Employed by Domestically-based Parent Companies and overseas subsidiaries (Ratio Over Same quarter of last year)

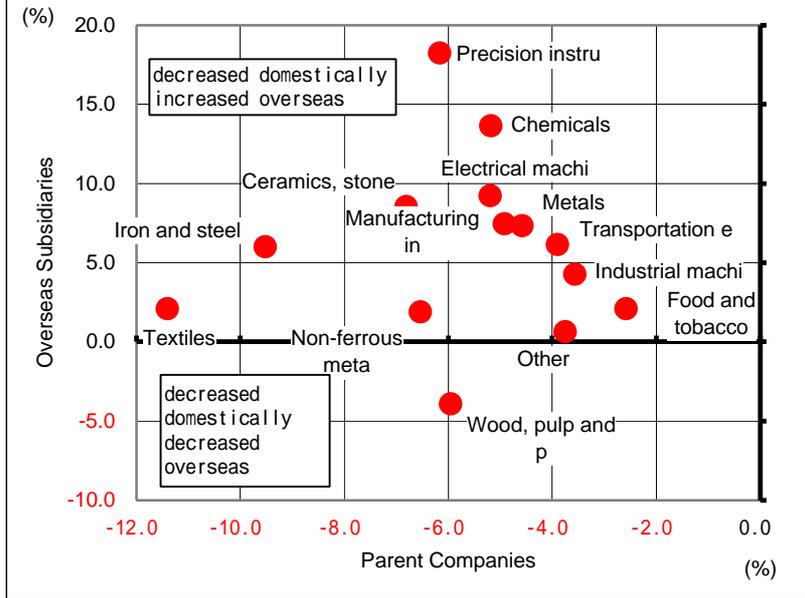
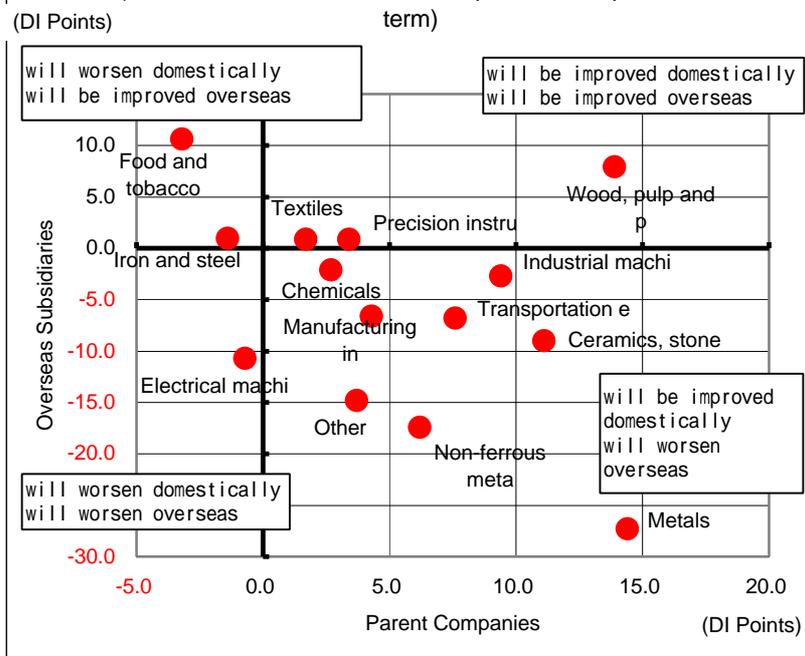


Fig. 4: Outlook for the Number of Employees in the Jan. - Jun. 2001 (DI increase/decrease ratios compared to the previous term)



### 3. Trade Transactions

Table 5: Trends in Trade Transactions by Parent Companies

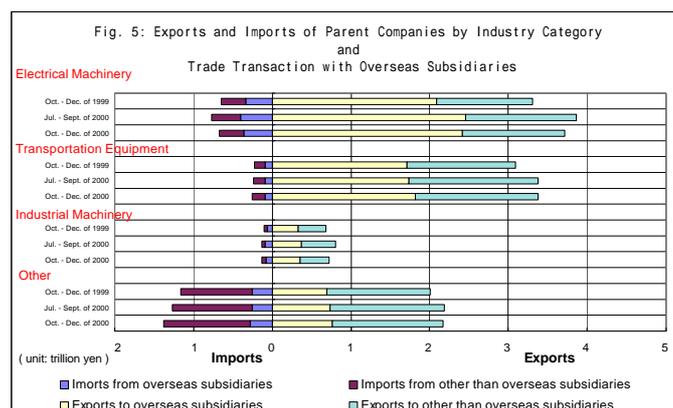
	Exports			Ratio Over	Ratio Over	Next Term Outlook (DI	
	Oct. - Dec.	Jul. - Sept.	Oct. - Dec.	Same quarter	Previous	points compared to previous	
	1999	2000	2000	of last year	Quarter	Term)	Term)
	Oct. - Dec.	Jul. - Sept.	Oct. - Dec.	Oct. - Dec.	Oct. - Dec.	Oct. 2000 -	Jan. - Jun.
	1999	2000	2000	2000	2000	Mar. 2001	2001
Exports	9,103,109	10,214,011	p 9,980,590	p 9.6	p -2.3	-1.3	p -15.5
Imports	2,141,911	2,413,526	p 2,429,729	p 13.4	p 0.7	-0.8	p -12.9
Exports - Imports	6,961,198	7,800,485	p 7,550,861	p 8.5	p -3.2		
Exports to overseas subsidiaries	4,822,402	5,309,338	p 5,349,327	p 10.9	p 0.8		
Imports from overseas subsidiaries	731,090	843,356	p 816,823	p 11.7	p -3.1		
Exports - Imports	4,091,312	4,465,982	p 4,532,504	p 10.8	p 1.5		
Proportion of exports to overseas subsidiaries	53.0	52.0	p 53.6				
Proportion of imports from overseas subsidiaries	34.1	34.9	p 33.6				

#### 1) Exports and imports

- Exports of domestic parent companies increased to ¥9.9806 trillion (9.6% from the same period of the previous year) for four consecutive periods. By industry, exports in electrical machinery and transportation machinery greatly contributed to this so that exports increased in 10 industries.
- Imports of domestic parent companies increased in ¥2.4297 billion, an increase of 13.4% from the same period of the previous year. By industry, imports increased in 11 other industries, including the petroleum industry.
- When observing the prospect of DI from January to June 2001, exports fell substantially by -15.5 points (12.0 -3.5). By industry, exports fell in 9 industries, including precision machinery, electrical machinery and general machinery. On the other hand, imports fell by -12.9 points (13.3 -0.4). Although the trend in the level of DI expanded, it was greatly reduced during the current period. When observing DI by industry, DI deteriorated in 12 industries, excluding timber, pulp, paper, and processed paper goods.

#### (2) Intra-company transactions between domestic

- Exports to overseas affiliated companies owned by domestic parent companies were ¥5.3493 trillion, an increase of 10.9% from the same period of the previous year. The ratio of the said exports accounting for exports of domestic parent companies increased 0.6 points to 53.6% from the same period of the previous year.
- Imports from overseas subsidiaries were ¥816.8 billion, an increase of 11.7% from the same period of the previous year. By industry, imports increased in 10 industries, with electrical machinery and general machinery having a great influence. The ratio of the said imports accounting for imports of domestic parent companies was 33.6%, which indicates a decline of -0.5 points from the same period of the previous year.
- Regarding the balance of exports and imports with overseas subsidiaries, there was a surplus of exports of ¥4.5325 trillion, a 10.8% increase from the same period of the previous year.



#### 4. Overseas subsidiaries by region

##### 【Prospects】

- Sales of overseas subsidiaries from January to June 2001 compared with the DI of the previous period fell -9.2 points (26.1 → 16.9) for three consecutive periods. By region, remarkable deterioration was seen in North America, ASEAN 4 and NIES3.

By region in detail, North America fell by a further -11.6 points (26.0 → 14.4) compared with the previous period due to a sharp fall in electrical machinery and transportation machinery as key industries. Sales of ASEAN 4 also deteriorated by -17.9 points (34.0 → 16.1) from the previous period due to a sharp fall in electrical machinery and general machinery. In addition, those of NIES3 fell -21.6 points (11.5 → -10.1) due to electrical machinery and chemicals. Accordingly, it is obvious that the range of deterioration expanded. On the other hand, sales in Europe rose by 6.2 points (15.0 → 21.2) from the previous period due to remarkable improvement in transportation machinery, machinery in general and chemicals, etc.

- When estimating the employment forecast (the number of employees) compared with the DI of the previous period, it fell by -6.6 points (9.2 → 2.6) for three consecutive periods. When observing employment by region, the level of DI fell to negative digits in NIES3 and also fell in ASEAN 4, China and other regions in Asia.

##### 【Results】

- Sales totaled ¥9.6868 trillion which is 15.2% higher than the same period of the previous year, and local sales totaled ¥5.6545 trillion which is 12.2% higher than the same period of the previous year. Accordingly, both types of sales increased for four consecutive periods in all regions.

By region, the results in Asia increased by 15.7% from the same period of the previous year for four consecutive periods due to an increase in transportation and general machinery, including electrical machinery. The results in North America also increased by 17.5 % from the same period of the previous year due to an increase in transportation machinery, and the results in Europe increased by 7.3 % from the same period of the previous year due to an increase in electrical machinery and chemicals, etc.

- Exports (re-exports) to Japan totaled ¥798.9 billion which is a sharp increase of 24.1% from the same period of the preceding year. Even when observing the transition in results compared with the same period of the previous year, the expanding trend can be seen as 6.9% from October to December 1999 from the same period of the previous year → 15.0% from the same period of the previous year → 11.5% from the same period of the previous year → 24.1% from the same period of the previous year.
- Employment (number of employees) totaled 1.749 million persons, which is an increase of 7.4% from the same period of the previous year. By region, increases were mainly seen in ASEAN 4, China and Asia. However, the trend of increasing numbers of employees has begun to change. When observing the transition from the previous period, although the number of employees at overseas affiliated companies increased for seven consecutive periods until the beginning of this period, it remains at the same level for the current period. By region, it increased slightly by 0.9% in Asia. In addition, it decreased by -0.8% in North America and -3.0% in Europe respectively.

Table 6: Business Trends among Overseas Subsidiaries in All Business Categories

	Quarterly Performances			Ratio Over	Ratio Over	Next Term Outlook (DI	
	Oct. - Dec.	Jul. - Sept.	Oct. - Dec.	Same quarter	Previous	points compared to previous	
	1999	2000	2000	of last year	Quarter	Term)	Term)
	Oct. - Dec.	Jul. - Sept.	Oct. - Dec.	Oct. - Dec.	Oct. - Dec.	Oct. 2000 -	Jan. - Jun.
	1999	2000	2000	2000	2000	Mar. 2001	2001
Sales	8,410,618	9,625,367	p 9,686,782	p 15.2	p 0.6	-9.4	p -9.2
Exports to Japan	643,760	771,647	p 798,913	p 24.1	p 3.5	-3.5	p -7.8
Local sales	5,037,532	5,565,603	p 5,654,532	p 12.2	p 1.6	-7.4	p -8.0
Number of employees	1,627,633	1,748,803	p 1,748,731	p 7.4	p -0.0	-2.4	p -6.6
Proportion of local sales to all sales	59.9	57.8	p 58.4				

(Unit: million yen, %, DI points)

## (1) North America

Table 7: Business Trends among Overseas Subsidiaries in All Business Categories in North America

(Unit: million yen,%,DI points)

	Quarterly Performances			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Sales	3,871,635	4,466,687	p 4,548,886	p 17.5	p 1.8	-2.0	p -11.6
Exports to Japan	67,202	81,703	p 78,419	p 16.7	p -4.0	-3.3	p -3.6
Local sales	2,784,691	2,969,905	p 3,024,146	p 8.6	p 1.8	-1.5	p -11.0
Number of employees	396,671	407,009	p 403,725	p 1.8	p -0.8	-4.0	p -6.8
Proportion of local sales to all sales	71.9	66.5	p 66.5				

Total sales, local sales, etc.

Sales were ¥4.5489 billion which is an increase of 17.5% for two consecutive periods from the same period of the previous year due to the influence of yen conversion under local currency depreciation. By industry, transportation machinery sharply expanded by 34.8% from the same period of the previous year due to the influence of company mergers and increase in range for four consecutive periods. Sales of electrical machinery also increased for two consecutive periods. In addition, precision machinery and chemicals also increased.

Local sales were ¥3.241 billion. In addition, local sales increased by 8.6% from the same period of the previous year due to an increase mainly in transportation and electrical machinery.

When observing the forecast for January to June 2001 compared with DI of the previous period, sales fell sharply by -11.6 points (26.0 → 14.4). By industry, local sales of electrical machinery fell by -28.7 points (25.9 → -2.8) from the same period of the previous year and the level of DI also fell to negative digits. In addition, local sales of transportation machinery deteriorated remarkably by -16.7 points (25.7 → 9.0).

Moreover, local sales fell by -11.0 points (26.0 → 15.0) from the same period of the previous year.

### Employment

The number of employees totaled 404,000 persons, which is an increase of 1.8% from the same period of the previous year for two consecutive years. By industry, employment in transportation machinery increased by 7.2% from the start of this survey for thirteen consecutive periods. In addition, the employment situation in electrical machinery and pre-

cision machinery also increased. On the other hand, employment in general machinery and other industries decreased.

When observing the forecast for January to June 2001 compared with DI of the previous period, employment fell by -6.8 points (6.3 → -0.5) for three consecutive periods. By industry, employment in electrical machinery fell sharply by -16.6 points (2.5 → -14.1) from the same period of the previous year. The level of DI also fell to negative digits and employment in transporting deteriorated by -8.3 points (8.3 → 0.0) from the same period of the previous year.

### Exports to Japan

Exports to Japan, or so-called re-imports, totaled ¥78.4 billion, which is an increase of 16.7% from the same period of the previous year. When observing the forecast for January to June 2001 compared with DI of the previous period, re-imports fell by -3.6 points (1.3 → -2.3).

## (2) ASEAN4

Table 8: Business Trends among Overseas Subsidiaries in All Business Categories in Asean4

	Quarterly Performances			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Sales	1,041,812	1,260,387	p 1,246,691	p 19.7	p -1.1	-14.5	p -17.9
Exports to Japan	257,363	310,594	p 327,610	p 27.3	p 5.5	-3.2	p -17.9
Local sales	405,505	478,214	p 500,115	p 23.3	p 4.6	-8.2	p -14.1
Number of employees	519,628	569,553	p 569,158	p 9.5	p -0.1	-1.3	p -14.9
Proportion of local sales to all sales	38.9	37.9	p 40.1				

(Unit: million yen,%,DI points)

Total sales, local sales, etc.

Sales were ¥1.2467 trillion which is an increase of 19.7% from the same period of the previous year for five consecutive periods, in spite of yen conversion under local currency depreciation in general. By industry, sales in electrical machinery mainly increased by 20.7% from the same period of the previous year, sales in transportation machinery, general machinery, ceramic industry and soil and rocks increased by 19.2%, 52.0% and 58.1% respectively from the same period of the previous year. Therefore, sales in 8 industries increased.

Local sales totaled ¥500.1 billion. In addition, local sales improved in 10 industries. Transportation machinery and electrical machinery increased by 31.2% and 18.5% respectively from the same period of the previous year. Therefore, local sales increased sharply by 23.3% from the same period of the previous year for seven consecutive years.

When observing the forecast for January to June 2001 compared with DI of the previous period, both sales and local sales fell by -17.9 points (34.0 - 16.1) and -14.1 points (25.7 - 11.6) respectively from the same period of the previous year. By industry, sales particularly in electrical machinery fell remarkably by -29.2 points (31.1 - 1.9) from the same period of the previous year. In addition, the level of DI fell to minus digits. For example, sales in general machinery fell -41.2 points (17.4 - 23.8). Therefore, sales in 8 industries deteriorated.

### Employment

The number of employees were 569,000 persons,

an increased of 9.5% from the same period of the previous year for seven consecutive periods. By industry, the number of employees in 10 industries such as ceramics, soil and rocks and chemicals mainly including electrical machinery increased (9.6% from the same period of the previous year).

When observing the forecast for January to June 2001 compared with the previous period, the employment situation fell remarkably by -14.9 points (20.8 - 5.9) By industry, the number of employees in electrical machinery fell sharply by -17.2 points (18.5 - 1.3), and the level of DI also declined to single a digit figure. In addition, the employment situation in 9 industries deteriorated, for example, transportation machinery which fell by -14.8 points (24.6 - 9.8).

### Exports to Japan

Exports to Japan, or so-called re-imports totaled ¥327.6 billion, which is an increase of 27.3% from the same period of the previous year for five consecutive periods due to an increase of exports in 7 industries, such as general machinery or primarily electrical machinery (27.1% from the same period of the previous year).

When observing the forecast for January to June 2001 compared with DI of the previous period, the situation fell by -17.9 points (17.6 - 0.3). By industry, exports to Japan in electrical machinery and general machinery fell by -27.9 points (21.3 - 6.6) and -34.1 points (9.1 - 25.0) respectively from the same period of the previous year. The level of DI for both industries fell to minus digits, and therefore, exports to Japan deteriorated in 10 industries.

### (3) NIES3

Table 9: Business Trends among Overseas Subsidiaries in All Business Categories in Nies3

(Unit: million yen,%,DI points)

	Quarterly Performances			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Sales	770,919	882,120	p 838,511	p 8.8	p -4.9	-17.5	p -21.6
Exports to Japan	133,513	150,794	p 161,849	p 21.2	p 7.3	-10.8	p -4.4
Local sales	351,019	412,355	p 388,154	p 10.6	p -5.9	-10.4	p -26.8
Number of employees	116,526	122,186	p 122,366	p 5.0	p 0.1	0.3	p -10.8
Proportion of local sales to all sales	45.5	46.7	p 46.3				

Total sales, local sales, etc.

Sales were ¥838.5 billion (8.8% from the same period of the previous year). Due to increases in 9 industries such as electrical machinery (8.7% from the same period of the previous year) and transportation machinery (16.7% from the same period of the previous year), sales increased for five consecutive.

In addition, local sales totaled ¥388.2 billion.

Moreover, due to increases in 10 industries such as electrical machinery and transportation machinery, local sales increased by 10.6% from the same period of the previous year.

When observing the forecast from January to December 2001 compared with DI of the previous period, both sales and local sales fell by -21.6 points (11.5 -10.1) and by -26.8 points (16.5 -10.3) respectively from the same period of the previous year. Consequently, the level of DI also deteriorated after a lapse of eight periods. By industry, sales in electrical machinery and chemicals fell by -26.8 points (5.4 -21.4) and by -26.8 points (23.5 -3.3) respectively, so the level of DI for both types of sales fell to minus digits, and consequently, sales in 8 industries deteriorated.

Employment

The number of employees totaled 122,000 persons, which is an increase of 5.0% from the same period of the previous year for four consecutive periods. By industry, the employment in electrical machinery increased (6.3% from the same period of the previous year) for three consecutive periods. Consequently, employment in 9 industries such as general machinery increased.

When observing the forecast for January to June 2001 compared with DI of the previous period, the situation deteriorated by -10.8 points (3.0 -7.8), so the level of DI fell to minus digits after a lapse of five periods. By industry, the employment in electrical machinery fell by -12.3 points (-2.2 -14.5) for three consecutive periods, and in transportation machinery by -11.8 points (0.0 -11.8).

Exports to Japan

Exports to Japan, or so-called re-imports were ¥161.8 billion which is an increase of 21.2% from the same period of the preceding year for five consecutive periods. Therefore, exports increased to double digits. By industry, exports of electrical machinery (23.3% from the same period of the previous year) increased for five consecutive periods, and the situation in 10 industries such as precision machinery increased.

When observing the forecast for January to June 2001 compared with DI of the previous period, the situation deteriorated by -4.4 points (-3.2 -7.6). By industry, it is remarkable that the level of DI fell to minus digits, such as exports to Japan in electrical machinery, which showed -10.9 points (3.5 -7.4).

#### (4) China and other Asian countries

Table 10: Business Trends among Overseas Subsidiaries in All Business Categories in China and Other Asian Countries  
(Unit: million yen,%,DI points)

	Quarterly Performances			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Sales	564,763	703,082	p 665,689	p 17.9	p -5.3	-7.8	p -4.1
Exports to Japan	159,245	201,788	p 201,726	p 26.7	p -0.0	-3.3	p -6.0
Local sales	202,864	270,290	p 245,148	p 20.8	p -9.3	-11.1	p 2.1
Number of employees	318,905	350,976	p 360,152	p 12.9	p 2.6	-3.0	p -2.6
Proportion of local sales to all sales	35.9	38.4	p 36.8				

Total sales, local sales, etc.  
Sales totaled ¥665.7 billion which is an increase 17.9% in 12 industries from the same period of the previous year for seven consecutive periods due to the influence of yen conversion under the local currency appreciation. By industry, sales in electric machinery increased by 17.0% from the same period of the previous year for seven consecutive periods. General machinery also had a high increase by 31.6%, and sales of precision machinery, ceramics, soil and rock increased by 11.2% and 47.6% respectively from the same period of the previous year.

In addition, local sales totaled ¥245.1 billion, which is an increase of 20.8% for four consecutive periods due to an increase in 9 industries mainly in electric machinery (25.2%).

When observing the forecast of January to June 2001 compared with the DI of the previous period, sales fell by -4.1 points (35.1 → 31.0) for three consecutive periods. By industry, sales in electric machinery were -21.3 points (39.4 → 18.1) from the same period of the previous year, so that the level of DI declined sharply and sales of precision machinery fell by -27.6 points (-4.2 → -31.8). Accordingly, sales deteriorated in 4 industries. On the other hand, sales of transporting machinery and chemicals showed an improvement at 26.0 points (29.6 → 55.6) and 9.0 points (48.6 → 57.6) respectively.

#### Employment

The number of employees was 360,000 persons, which is an increase of 12.9% from the same period of the previous year. This is an increase for thirteen

consecutive periods which could be compared with the same period of the previous year. By industry, the number of employees increased in 9 industries, including precision machinery, general machinery, non-ferrous metals and chemicals including electric machinery (15.2% from the same period of the previous year).

When observing the forecast for January to June 2001 compared with DI of the previous period, the situation deteriorated by -2.6 points (12.5 → 9.9) for three consecutive periods. By industry, employment in electric machinery fell by -9.8 points (22.4 → 12.6), the situation deteriorated in 8 industries including other types of precision machinery.

#### Exports to Japan

Exports to Japan, or so-called re-imports were ¥201.7 billion, which is an increase of 26.7% from the same period of the previous year for six consecutive periods due to an increase in 10 industries including general and precision machinery and mainly including electric machinery (23.4% from the same period of the previous year).

When observing the forecast for January to June 2001 compared with DI of the previous period, exports to Japan fell by -6.0 (14.7 → 8.7) points in 6 industries including -20.9 points (-9.1 → -30.0) in precision machinery.

## (5) Europe

Table 11: Business Trends among Overseas Subsidiaries in All Business Categories in Europe

	Quarterly Performances			Ratio Over Same quarter of last year	Ratio Over Previous Quarter	Next Term Outlook (DI points compared to previous Term)	
	Oct. - Dec. 1999	Jul. - Sept. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. - Dec. 2000	Oct. 2000 - Mar. 2001	Jan. - Jun. 2001
Sales	1,690,429	1,758,765	p 1,814,485	p 7.3	p 3.2	-4.3	p 6.2
Exports to Japan	18,643	17,946	p 17,418	p -6.6	p -2.9	5.1	p -5.1
Local sales	1,045,337	1,151,883	p 1,186,778	p 13.5	p 3.0	-5.6	p 6.0
Number of employees	166,276	188,374	p 182,754	p 9.9	p -3.0	-0.7	p 0.7
Proportion of local sales to all sales	61.8	65.5	p 65.4				

(Unit: million yen,%,DI points)

Total sales, local sales, etc.  
Sales were ¥1.8145 trillion, which is an increase of 7.3% from the same period of the previous year despite the influence of yen conversion under local currency depreciation. By industry, due to the influence of company mergers and amalgamation, sales in electric machinery increased by 21.5% from the same period of the previous year for four consecutive periods, and chemicals increased by 16.7% from the same period of the previous year for two consecutive periods. On the other hand, sales in transporting machinery decreased continuously by 7.3%, and sales in general machinery also decreased by 6.0%.

Local sales were ¥1.1868 trillion, which is an increase of 13.5% from the same period of the previous year. By industry, profits and local sales increased mainly in electric machinery (44.3% from the same period of the previous year).

When observing the forecast for January to June 2001 compared with DI of the previous period, sales improved by 6.2 points (15.0 - 21.2) after a lapse of three periods. Sales in transporting machinery jumped sharply by 27.6 points (-2.6 - 25.0) and the level of DI rode to positive digits. In addition, sales of general machinery and chemicals improved by 11.2 points (14.6 - 25.8) and by 12.2 points (23.7 - 35.9) respectively from the same period of the previous year. On the other hand, sales in electric machinery and precision machinery fell by -10.9 points (22.0 - 11.1) and by -27.7 points (33.3 - 5.6) respectively.

Local sales in transporting and general machinery rose by 25.1 points (-5.1 - 20.0) and by 4.2

points (18.4 - 22.6) respectively. Accordingly, local sales rode by 6.0 points (14.0 - 20.0) due to an increase of local sales in 7 industries

### Employment

The number of employees was 183,000 persons, which is an increase of 9.9% from the same period of the previous year for four consecutive periods. By industry, the employment situation in chemicals and electric machinery increased sharply by 23.7% and by 14.2% respectively from the same period of the previous year. In addition, transporting machinery also increased by 12.6% from the same period of the previous year.

When observing the forecast for January to June 2001 compared with DI of the previous period, the situation improved slightly by 0.7 points (-2.1 - 1.4). By industry, the employment situation in electric machinery and transporting machinery improved by 7.1 points (-3.4 - 3.7) and by 4.8 points (7.7 - 12.5) from the same period of the previous year. On the other hand, it continued to deteriorate in general machinery and other industries.

### Exports to Japan

Exports to Japan, or so-called re-imports were ¥17.4 billion, which is a drop of -6.6% from the same period of the previous year.

When observing the forecast for January to June 2001 compared with DI of the previous period, the situation deteriorated by -5.1 points (4.1 - 1.0). The situation deteriorated in 5 industries including exports in electric machinery which fell -13.2 points (11.1 - -2.1) and the level of DI fell to minus digits.

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

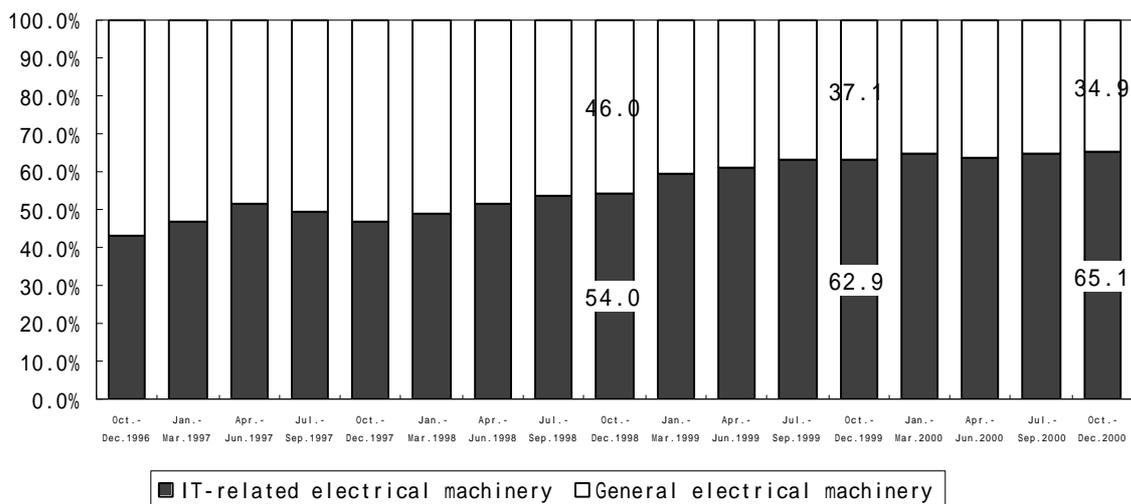
Exports (re-imports) of overseas subsidiaries toward Japan were ¥798.9 billion (24.1% from the same period of the previous year) have increased for five consecutive periods. In particular, Asia continues to display a sharp increase of 25.6%, particularly in key electrical machinery.

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%.

Table 1 Trends of IT-related electrical machinery in the total electrical machinery,  
(Unit: million yen,%)

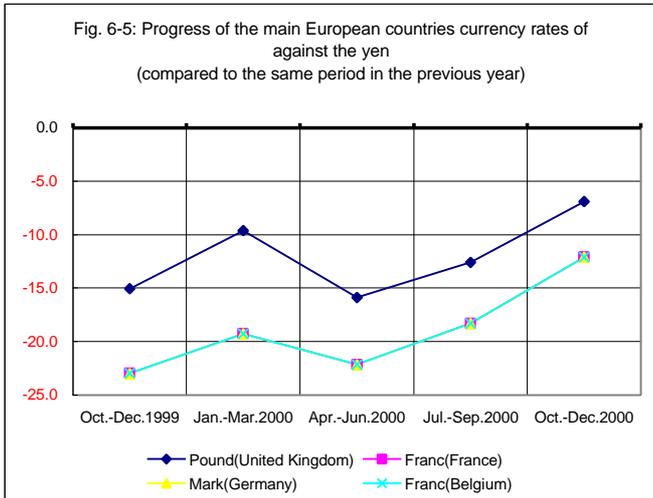
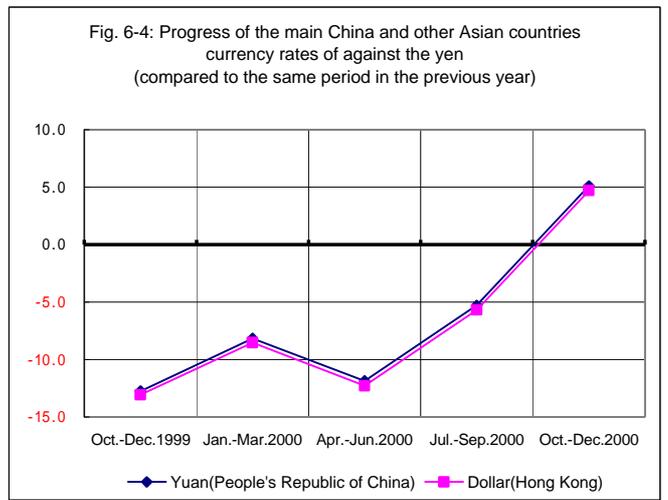
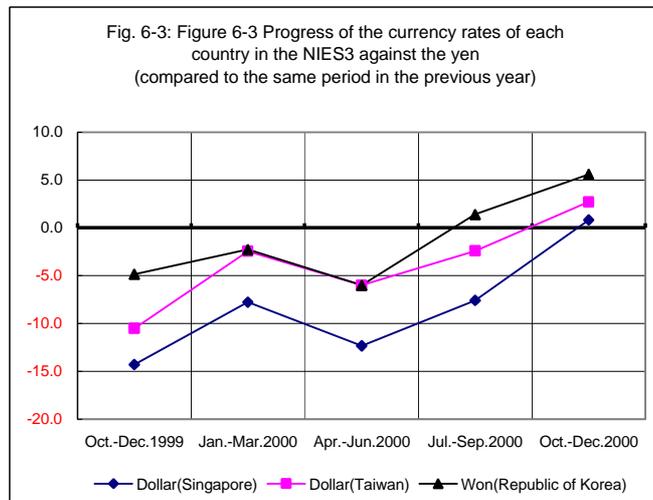
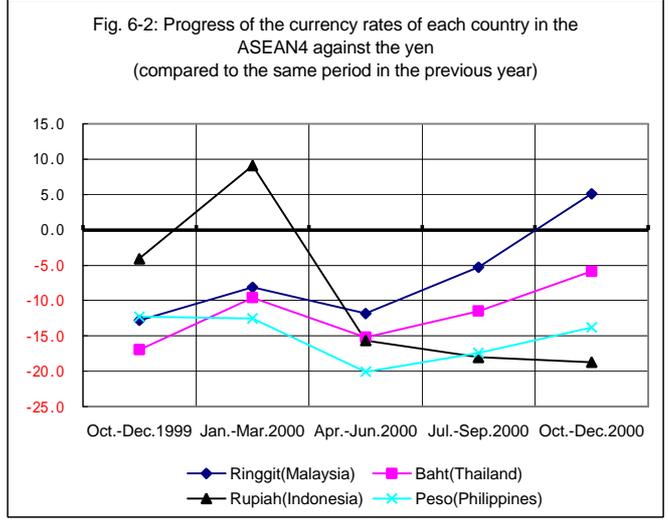
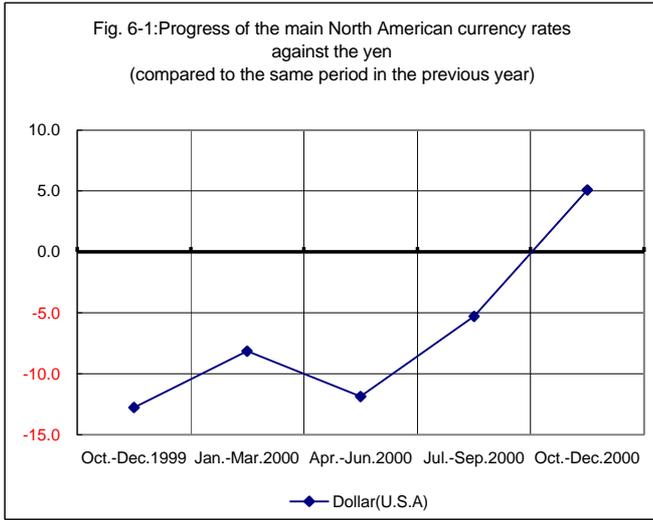
		1999		2000		
		Oct. - Dec.	Jan. - Mar.	Apr. - Jun.	Jul. - Sept.	Oct. - Dec.
IT-related electrical machinery	results	218,576	245,064	246,703	265,984	283,025
	quarter of last year	34.9	32.6	17.0	20.3	29.5
General electrical machinery	results	128,857	132,982	142,005	145,322	151,886
	quarter of last year	-6.5	5.5	6.4	11.5	17.9

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)