

Results for January-March 2001 and Prospects for April-September 2001

(16th Quarterly Survey of Japanese Business Activities)

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

1. Sales

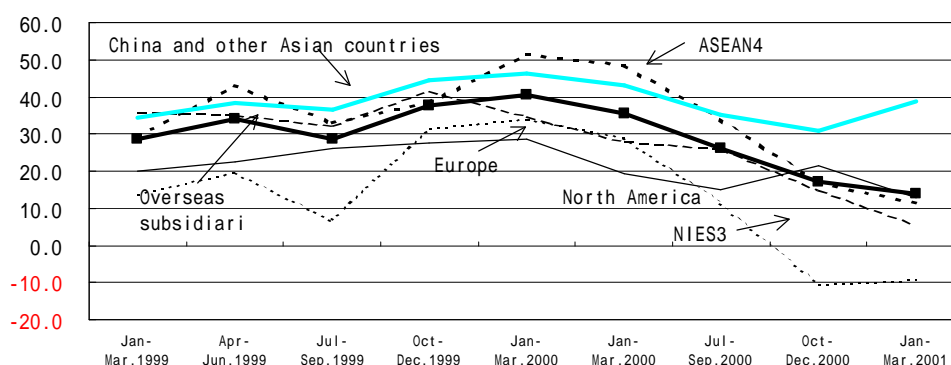
- The DI (diffusion index) of overseas subsidiaries' sales (prospects from April to September 2001) deteriorated for the fourth consecutive period.
- The DI of parent companies' sales in Japan deteriorated significantly for the second consecutive period. With regard to prospects from April to September 2001, the negative growth rate widened.
- Overseas subsidiaries' sales (yen base) increased from the same period of the preceding year for the fifth consecutive period. They showed an increase in all regions.
- Parent companies' sales increased for the sixth consecutive period.

- The DI (Note 1) of overseas subsidiaries' sales dropped by 3.1 points (17.1 → 14.0) from the previous period for the fourth consecutive period. By region, the DI in North America, ASEAN4 and Europe deteriorated, whereas that in China and other Asian countries improved.
- The DI of domestic (Japanese) parent companies' sales fell sharply by 19.2 points from the previous period for the second consecutive period. The level of DI has fallen to negative digits since the previous period and the negative growth rate expanded in this period.
- The overseas subsidiaries' sales (yen base (Note 2)) rose 12.8 % from the same period of the preceding year for the fifth consecutive period, partly because the local currencies rose against the yen in general. By region, they showed an increase in all regions. By industry, sales in transportation machinery increased in North America and those in general machinery showed an increase mainly in China and other Asian countries and ASEAN4. On the other hand, those in electrical machinery decreased in Europe and NIES 3, causing the growth rate to diminish.

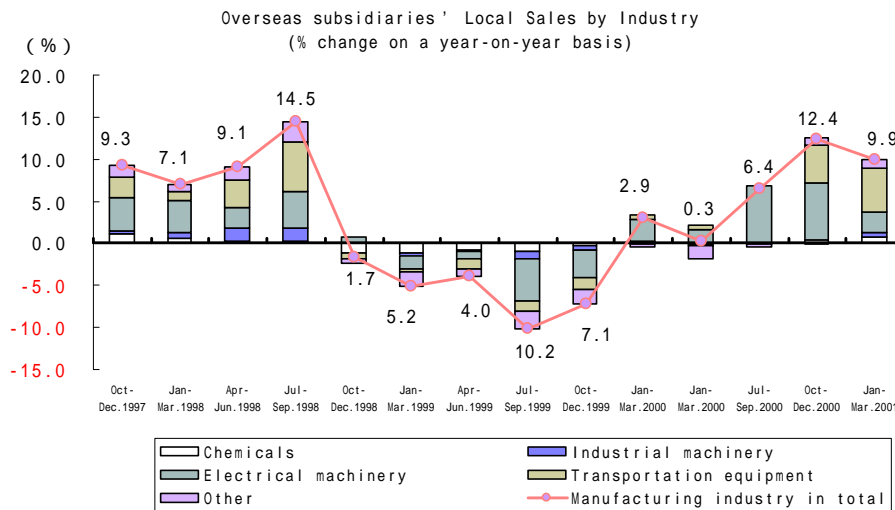
Sales of the Current Period (Jan-Mar)
and Diffusion Index on Sales (Prospects for Apr-Sep.2001)

	Year-on-year change in sales(%)		DI (prospects for Apr- Sep.2001) Change on previous period (points)
	Oct-Dec	Jan-Mar	
North America	17.6	16.5	-9.2 (14.9 5.7)
Asia	15.8	11.6	0.5 (15.8 16.3)
ASEAN4 *	19.8	17.0	-5.6 (16.9 11.3)
NIES3 *	8.8	2.2	1.7 (10.8 9.1)
China and other Asian countries	17.9	14.3	8.1 (30.8 38.9)
Europe	7.3	2.5	-8.9 (21.6 12.7)
Overseas subsidiaries	15.3	12.8	-3.1 (17.1 14.0)
Domestic Parent compa	5.1	2.8	-19.2 (1.3 20.5)

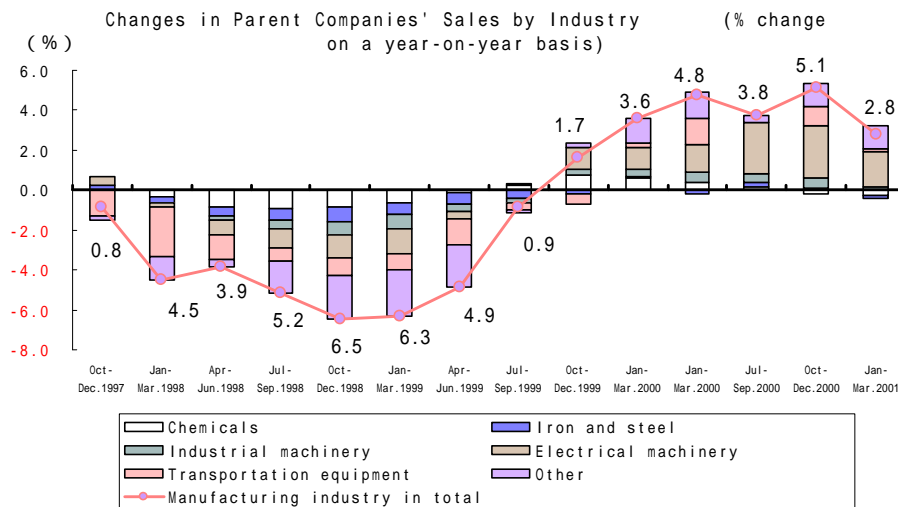
Overseas subsidiaries Diffusion Index on Sales



- Local sales (Note 3) of overseas subsidiaries increased in all regions. Consequently, they showed an year-on-year increase of 9.9% for the fifth consecutive period.



- Sales of domestic parent companies rose 2.8% from the same period of the preceding year for the sixth straight period, whereas the growth rate narrowed. By industry, they increased in 7 out of 13 industries, mainly in electrical machinery.



2. Capital Investment

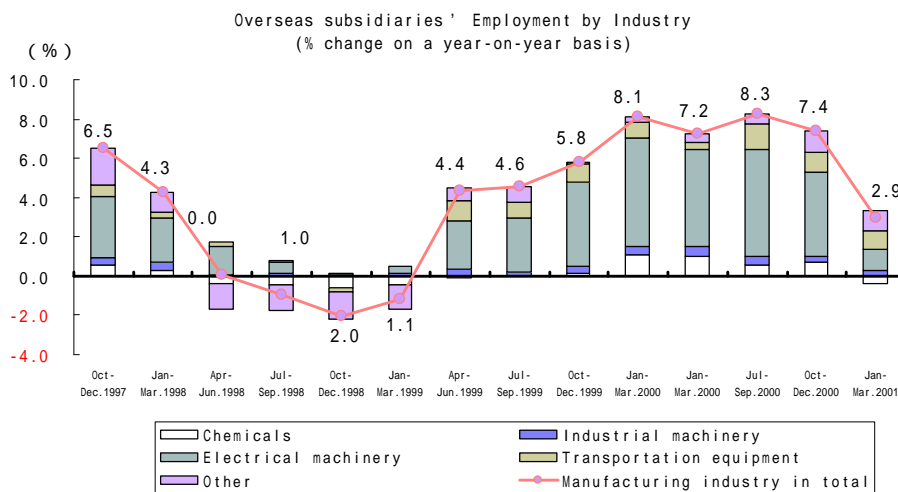
- Overseas subsidiaries' capital investment increased for the second consecutive period for the first time after the first half (April-September) of 1998, when the semiannual survey began.

Overseas subsidiaries' capital investment rose 9.2% from the same period of the previous year for the second consecutive period. It increased in North America, ASEAN4 and NIES3, mainly in electrical and transportation machinery. On the other hand, the DI dropped by 9.5 points from the preceding period for the second consecutive period.

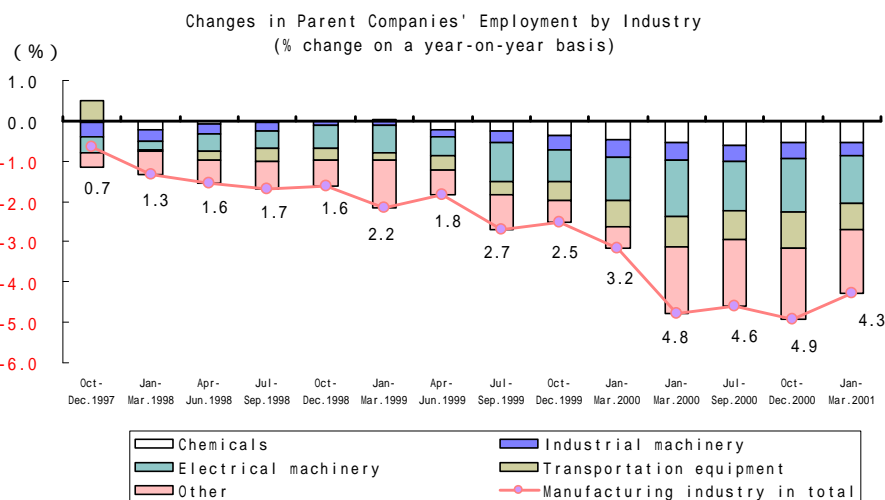
3. Employment

- Employment results of overseas subsidiaries increased for the eighth consecutive period, but the growth rate diminished considerably.
- Employment results of domestic parent companies continued to decrease.
- The DI of employees at overseas subsidiaries deteriorated for the fourth consecutive period. The level of DI fell to negative digits after a lapse of nine periods.

Employment results of overseas subsidiaries (= the number of employees, hereinafter same as this) totaled 1,730,000 persons, up 2.9% from the same period of the preceding year, for the eighth consecutive period. However, the growth rate declined sharply (8.1% for January-March 2000 7.2% 8.3% 7.4% 2.9% for this period). By region, the number of employees increased in China and other Asian countries and ASEAN4.



Employment results of domestic parent companies totaled 2,470,000 persons, down 4.3% from a year earlier. The rate of decrease, however, narrowed slightly from the previous period, when the widest rate was recorded after the survey began in the October-December 1996 (-3.2% for January-March 2000 -4.8% -4.6% -4.9% -4.3% for this term). The overseas employment rate (Note 4) rose 4.9% points from a year ago to 70.1%.



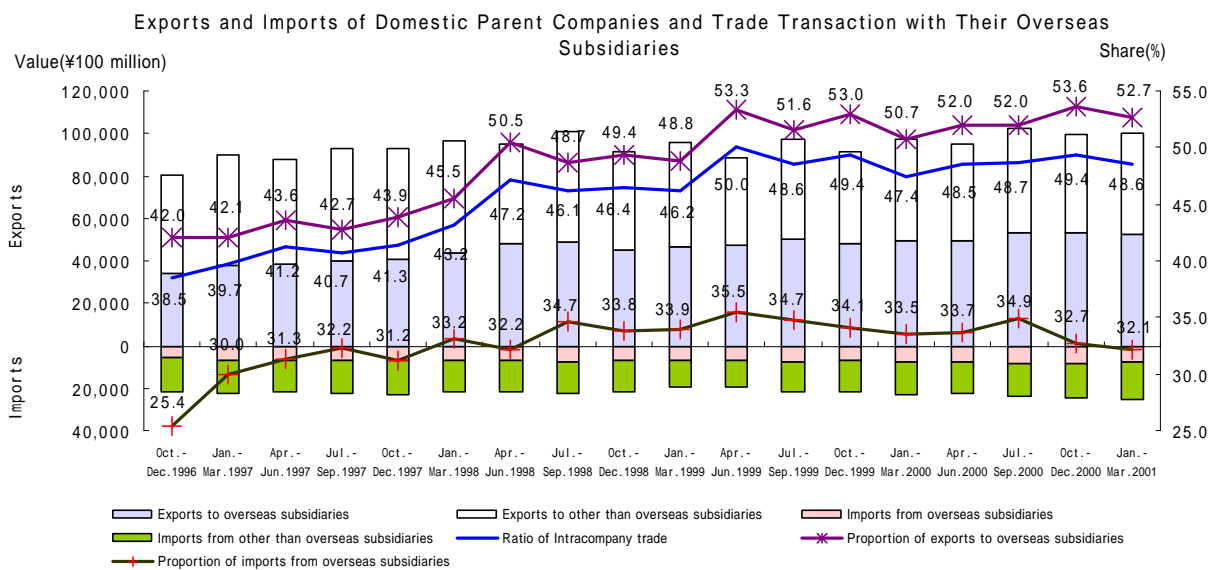
When observing the DI's change on previous period, the DI of domestic parent companies remained unchanged and the level of DI continued to fall sharply (-20.5). That of overseas subsidiaries dropped by 4.7 points for the fourth consecutive period. The level fell to minus digits after a lapse of nine periods (2.4 -2.3).

4. Trade Transactions

- The ratio of transactions (exports and imports) between domestic parent companies and overseas subsidiaries rose 1.2% points over the corresponding period of the previous year.

With regard to intra-company transactions between domestic parent companies and overseas subsidiaries, exports toward overseas affiliated companies showed a year-to-year increase of 6.7%. The ratio of them in total exports of domestic parent companies increased by 2.0% points from a year earlier to 52.7%. Moreover, imports from overseas affiliated companies showed a year-to-year increase of 4.2% mainly in general machinery. However, the ratio of them in total imports of domestic parent companies fell 1.4% points from a year earlier to 32.1%.

The rate of exports and imports with overseas subsidiaries in total exports and imports of domestic parent companies increased by 1.2% points from the same period of the preceding year to 48.6%.



(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) Compared with the same period a year ago, many local currencies in foreign countries, where overseas subsidiaries belonging to this survey were located, rose against the yen (The US dollar rose 10.3% and the Euro rose 3.2% from a year ago). That should be paid attention.

With regard to the changes of foreign currency rates against the Japanese yen, see page 6, "Progress of the currency rates of the main regions against the yen".

(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

Re-importation from Asia
At a slower rate in IT-related Electrical Machinery

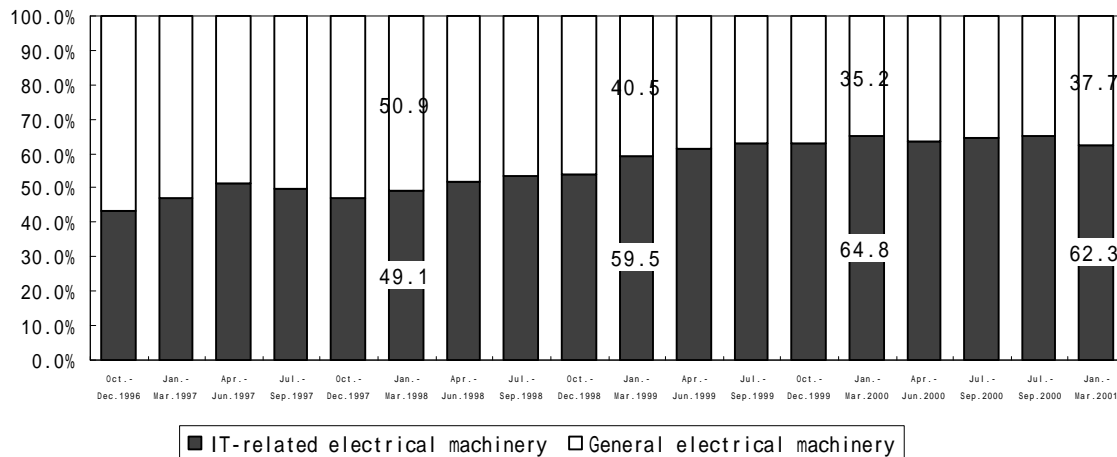
Exports (re-imports) of overseas subsidiaries toward Japan totaled ¥817.1 billion, up 19.1% from a year earlier, which was an increase for the sixth consecutive period. Those in Asia particularly continued to display a sharp increase of 20.4% from a year earlier, being contributed substantially by the increase in electrical machinery, which was regarded as highly important in exports.

When we classify electrical machinery in Asia into IT-related and other general electrical machinery, exports in IT related electrical machinery increased by 8.6% from the same period of the previous year (Table 1), but the growth rate diminished. On the other hand, those in general electrical machinery increased by 21.3%. When observing the progress of the ratios of IT-related electrical machinery in the total electrical machinery (Figure 1), we can see that the ratio of IT-related machinery reduced by 2.5% points from the previous year to 62.3% for this period.

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

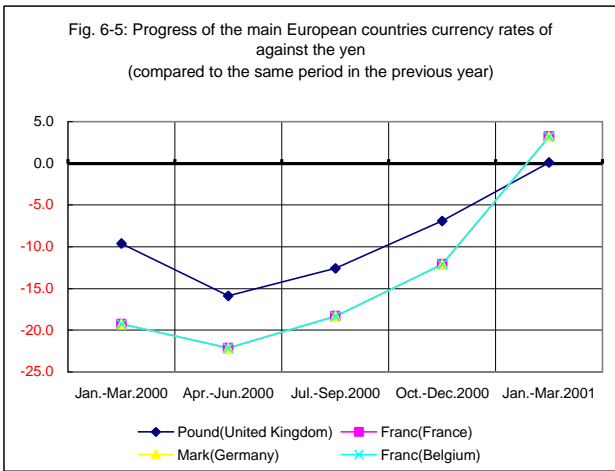
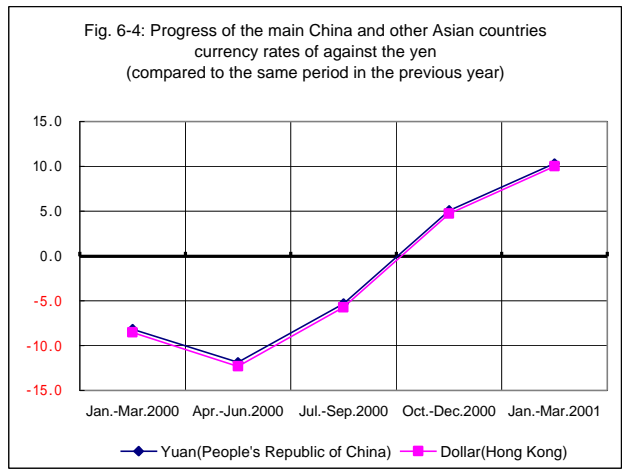
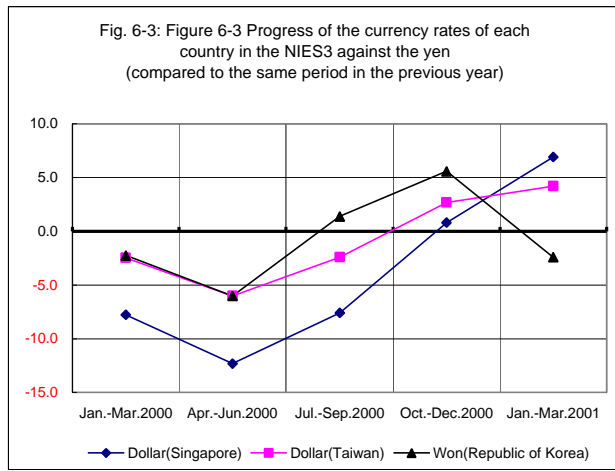
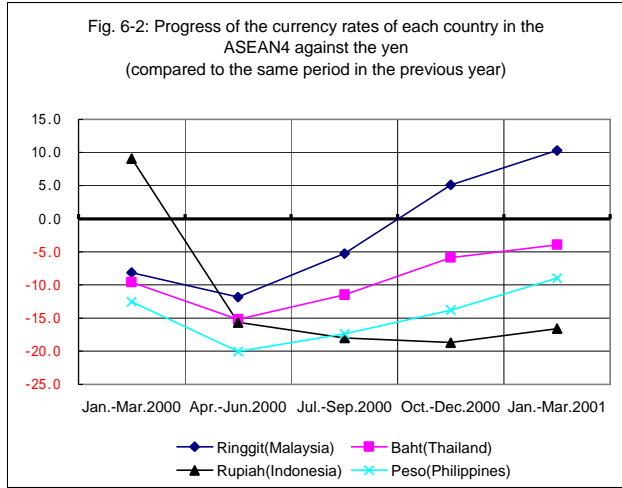
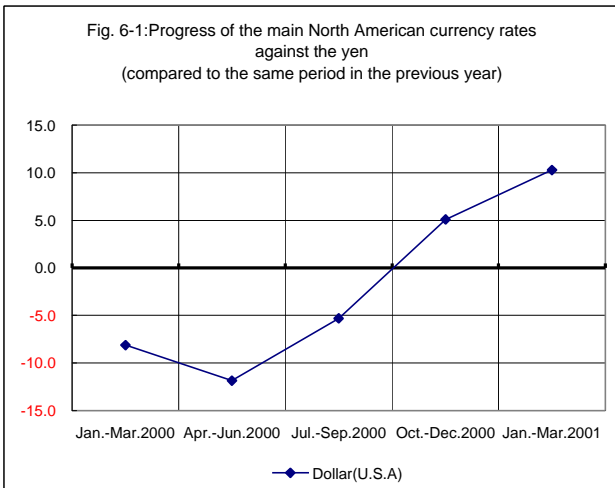
		2000				2001
		Jan. - Mar.	Apr. - Jun.	Jul. - Sept.	Oct. - Dec.	Jan. - Mar.
IT-related electrical machinery	results	245,064	246,703	265,984	283,025	266,173
	quarter of last year	32.6	17.0	20.3	29.5	8.6
General electrical machinery	results	132,982	142,005	145,322	151,836	161,268
	quarter of last year	5.5	6.4	11.5	17.8	21.3

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)

Notice

We plan to reorganize (integrate) "Quarterly Survey of Industry and Economy" and "Quarterly Survey of Japanese Business Activities" managed by the Ministry of Economy from the quarter of April-June 2001, Trade and Industry and make a new "Quarterly Survey of Japanese Business Activities". Moreover, it will be classified into "The Volume of Domestic Parent Companies" and "The Volume of Overseas Subsidiaries" from the same quarter. The former volume was published on June 27, and the publication of the latter is scheduled for September 28.