

Results for October - December 1999 and Prospects for January - June 2000
(11th Quarterly Survey of Japanese Business Activities)
- Characteristics of the Current Period
as Reflected in the Behavior of Overseas Subsidiaries -

Overseas affiliated companies' sales (yen-based) decreased on a year-on-year basis, the fifth consecutive quarter of downtrend. The sales declined especially in North America. In Asia, however, industrial conditions improved noticeably: local sales rose for three consecutive quarters; imports turned up; and the total sales increased. Parent companies' sales also turned up and increased 1.5%.

- In all areas, overseas affiliated companies' sales DI (see Note 1) improved from the previous quarter and kept the level high.
- Domestic parent companies' sales DI decreased 3.5 points from the previous quarter (22.0 to 18.5), the first decline in four quarters. Many companies, however, continue to expect an upturn.
- Overseas affiliated companies' sales (yen-based) decreased on a year-on-year basis by 6.7%. A decline from the same quarter of the previous year continued for five consecutive quarters (by 5.6%, 7.8%, 4.9%, 11.4%, and 6.7%). Their sales fell 9.0% in North America and 14.9% in Europe, while they increased 6.2% in Asia. This is the first increase in Asia since the year-on-year comparison became available. Overseas affiliated companies' sales decreased partly because US dollars and European currencies fell against the Japanese yen. (See Note 2.)
- In Asia, because demand of electrical machinery and transportation equipment are growing, overseas affiliated companies' sales (yen-based) increased in all areas (by 8.3% in ASEAN 4, by 3.1% in NIES 3, and by 6.8% in China and other Asian countries) in spite of their falling currencies. This clearly shows that business conditions are improving in Asia.
- Domestic parent companies' sales increased 1.5% on a year-on-year basis. This is the first increase since the year-on-year comparison became available.

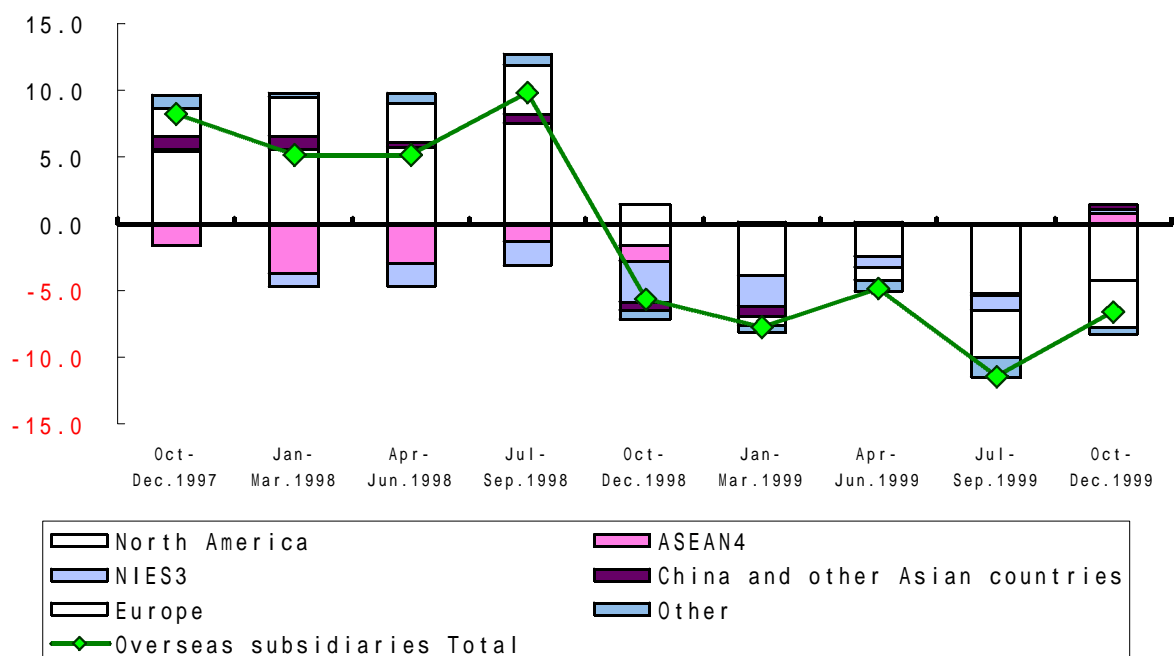
Sales of the Current Period (Oct-Dec)
and Diffusion Index on Sales (Prospects for Jan-Jun.2000)

	Year-on-year change in sales(%)		D I (prospects for Jan -Jun.2000) Change on previous period (points)	
	98	99	98	99
North America	-10.9	-9.0	10.1	(32.3 42.4)
Asia	-5.3	6.2	11.0	(28.0 39.0)
ASEAN4 *	-2.3	8.3	5.7	(33.0 38.7)
NIES3 *	-12.9	3.1	24.7	(6.5 31.2)
China and other Asian countries	0.9	6.8	7.8	(36.4 44.2)
Europe	-15.8	-14.9	0.7	(26.2 26.9)
Overseas subsidiaries Total	-11.4	-6.7	9.4	(28.5 37.9)
Domestic Parent companies	-1.0	1.5	-3.5	(22.0 18.5)

*ASEAN4 (Indonesia, Thailand, Philippines, Malaysia)

*NIES3 (Singapore, Taiwan, Republic of Korea)

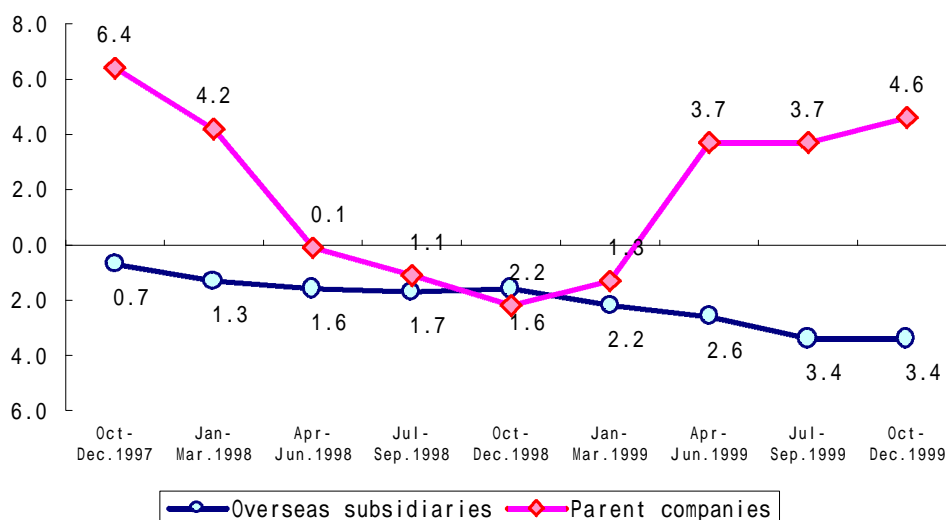
Changes in Overseas Affiliated Companies' Sales by Area
(% change on a year-on-year basis)



Domestic parent companies' employment decreased at the highest rate after the survey began, while overseas affiliated companies' employment increased for three consecutive quarters.

- Overseas affiliated companies' employment increased in all areas except North America, NIES 3, and Europe. It rose a year-on-year 4.6%, an uptrend for three consecutive quarters (by 3.7%, 3.7%, and 4.6%). The employment continued to grow high especially in ASEAN 4 (by 11.5%) and in China and other Asian countries (by 11.8%).
- Domestic parent companies' employment is still on a downward trend. It fell by 3.4% on a year-on-year basis, the same rate as in the previous quarter. The rate is the highest after the survey began.
- With respect to the outlook for the period from January to June 2000, domestic parent companies' DI increased from the previous quarter by 9.8 points (35.0 to 25.2). The DI improved especially in the electrical machinery industry. Foreign affiliated companies' DI also increased 7.4 points (4.2 to 11.6). The level of the DI exceeded 10% for the first time in nine quarters.
- Overseas affiliated companies' DI increased from the previous quarter in all areas: by 4.1 points in North America (5.5 to 9.6); by 7.4 points in Asia (6.4 to 13.8); and by 5.5 points in Europe (-0.4 to 5.1). Many companies continue to expect an upward trend. In Asia the DI rose 8.4 points in ASEAN 4 (10.0 to 18.4), 6.7 points in NIES 3 (-6.2 to 0.5), and 6.1 points in China and other Asian countries (10.6 to 16.7).

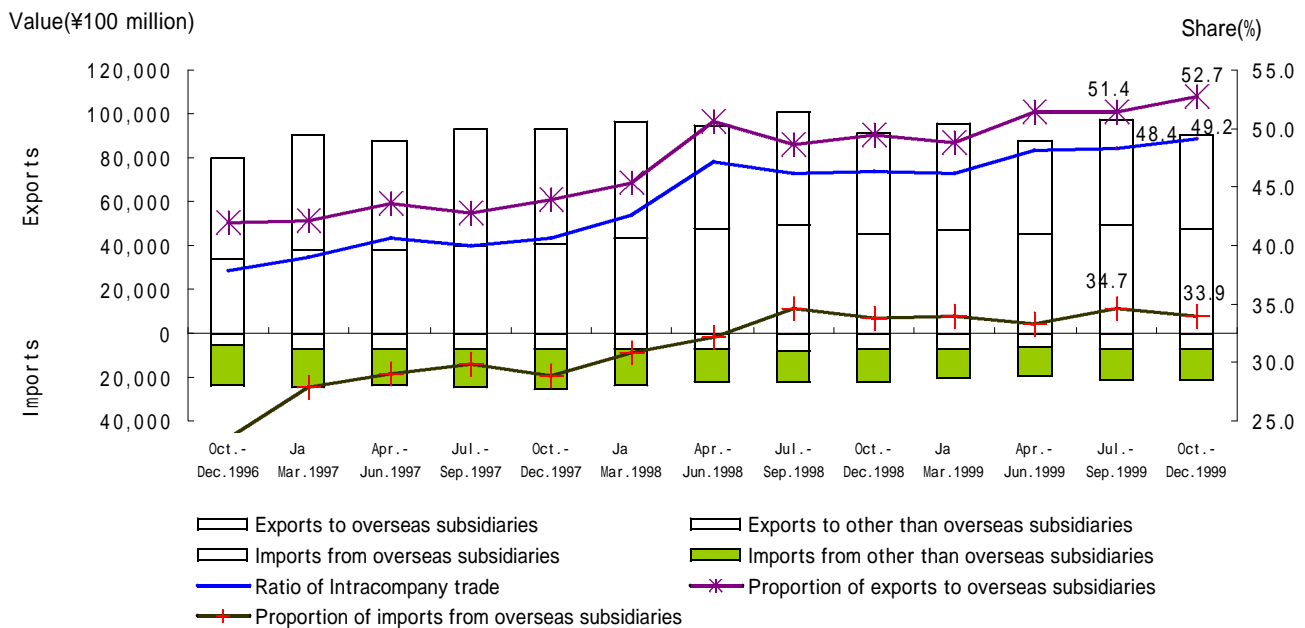
Employment in Domestic Parent Companies and Overseas subsidiaries (Year-on-year change in number employed)



The percentage of trade (export and import) between domestic parent companies and overseas affiliated companies continued to rise.

- Domestic parent companies' exports to overseas affiliated companies increased 5.9% on a year-on-year basis and accounted for 52.7% of their total exports, increasing 1.3 points from 51.4% in the previous quarter. Their imports from overseas affiliated companies fell by 2.0% on a year-on-year basis and accounted for 33.9% of their total imports, down 0.8 points from 34.7% in the previous quarter.
- The ratio of domestic parent companies' trade with overseas affiliated companies to their total trade is increasing. The ratio rose from the previous quarter by 0.8 points (48.4% to 49.2%).
- Overseas affiliated companies' exports to Japan (known as reimports) rose 5.2% on a year-on-year basis, the first increase in eight quarters.

Exports and Imports of Domestic Parent Companies and Trade Transaction with Their Overseas Subsidiaries



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

Note 2 "Trend of Major Currencies against the Yen" on page8 for changes in the yen-foreign currencies exchange rates.

(Reference)

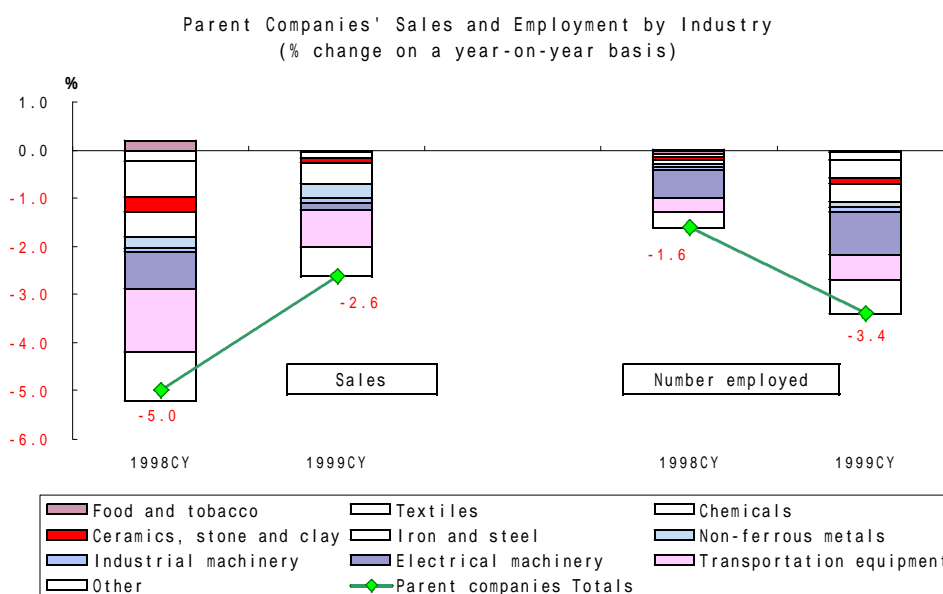
Domestic and Overseas Trends in 1999

1. Trends in domestic parent companies

Domestic parent companies' sales fell in all industries, especially in the transportation equipment industry. The 1999 sales decreased from the previous year by 2.6% to 163.7 trillion yen, although the decreasing rate shrank (5.0% to 2.6%).

Domestic parent companies' exports decreased from the previous year by 4.4% to 37.1 trillion yen.

With respect to domestic parent companies' employment, the number of regular workers at the end of 1999 was 2,617,000, a 3.4 % decrease from the end of the previous year. Employment declined from the previous year in all industries, especially in the electrical machinery industry.

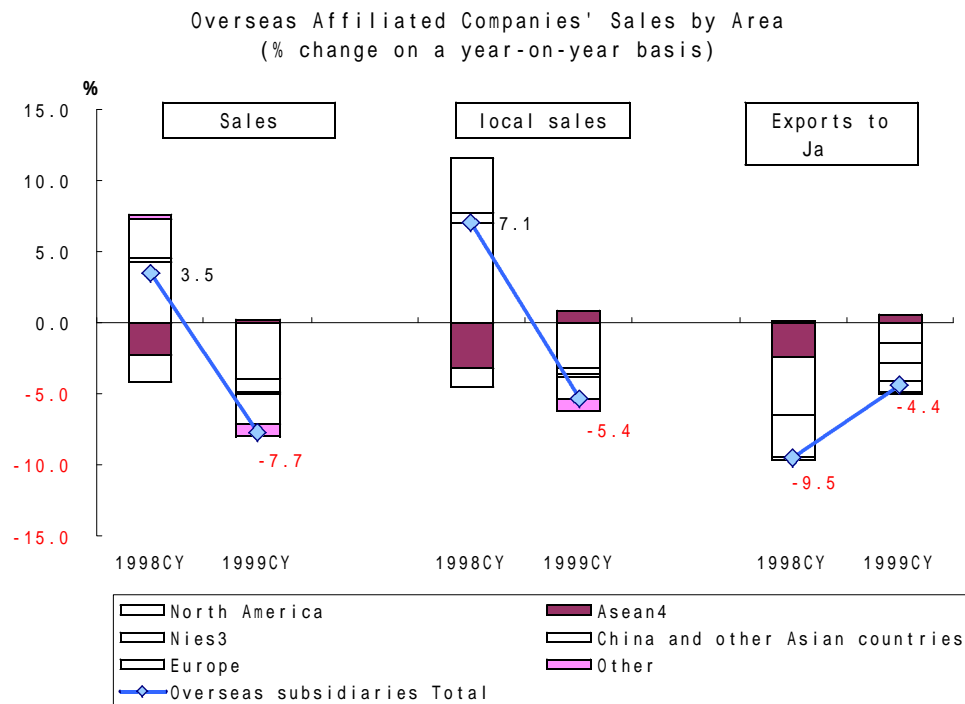


2. Trends in Overseas Affiliated Companies

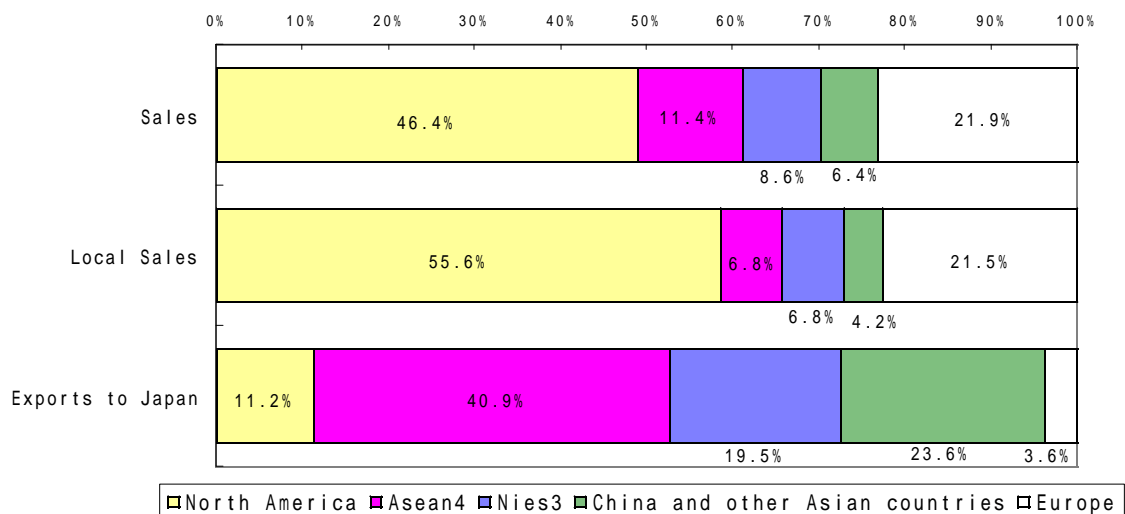
(1) Overseas affiliated companies' sales in 1999 decreased from the previous year by 7.7% to 35.9 trillion yen. Although sales increased 1.8% to 4.1 trillion yen in ASEAN 4, they decreased in the other areas. For example, they fell by 8.4% to 16.6 trillion yen in North America and by 9.7% to 7.8 trillion yen in Europe. This is partly because US dollars and European currencies fell against the Japanese yen (See page 8).

(2) Overseas affiliated companies' sales in North America accounted for about 50% of their total sales, followed by 26.4% in Asia, and 21.9% in Europe. In Asia, affiliated companies' sales in ASEAN 4 accounted for 11.4%, those in NIES 3 8.6%, and those in China and other Asian countries 6.4%.

Overseas affiliated companies' local sales in North America accounted for 55.6% of their total local sales. Affiliated companies' exports to Japan (reimports) from ASEAN 4 accounted for 40.9% of their total exports to Japan, followed by those from China and other Asian countries (23.6%). Affiliated companies' exports from the two areas accounted for more than 60%.



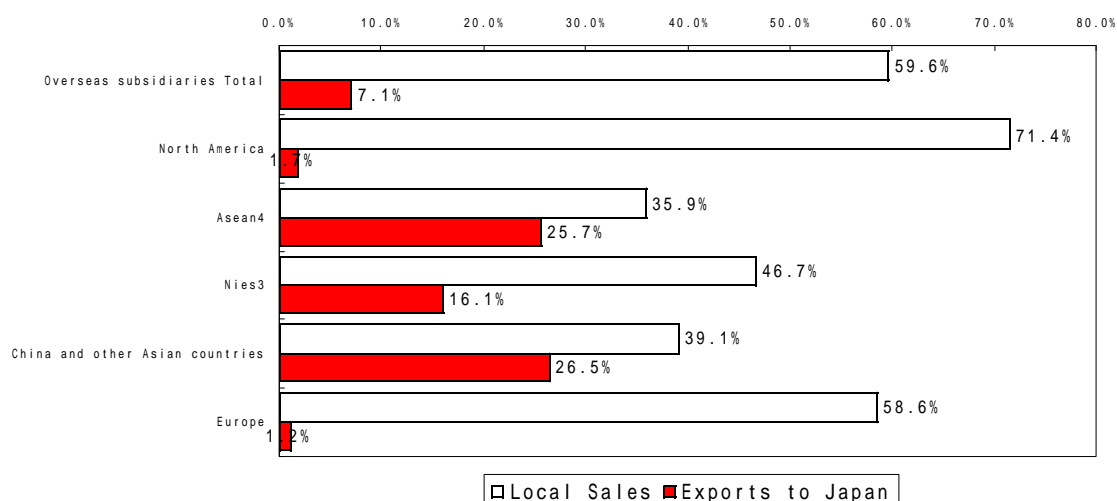
Composition of Overseas Affiliated Companies' Sales Area by Sales



(3) With respect to overseas affiliated companies' sales, the percentage of local sales was high in all areas except ASEAN 4. The percentage was more than 50% in North America (71.4%) and in Europe (58.6%).

The percentage of exports to Japan (reimports) was high in China and other Asian countries (26.5%) and in ASEAN 4 (25.7%), while it was about 1% in North America and in Europe.

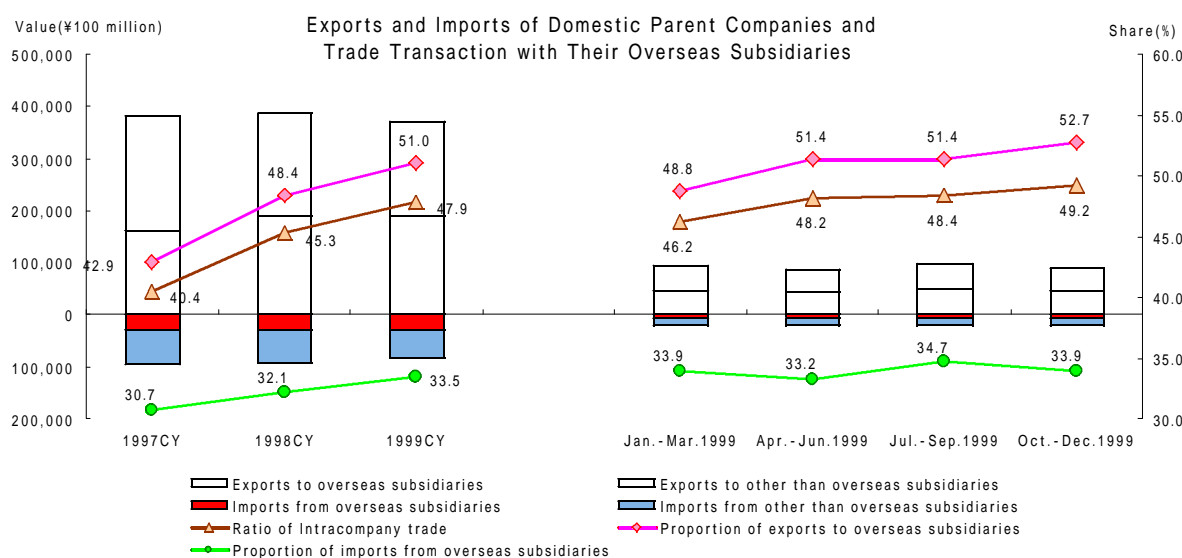
Percentage of Affiliated Companies' Total Sales in Each Area



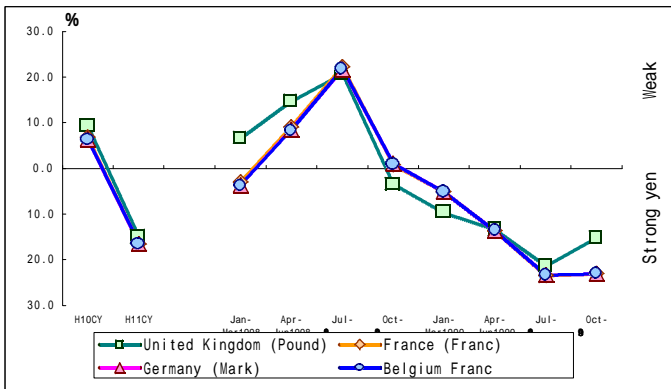
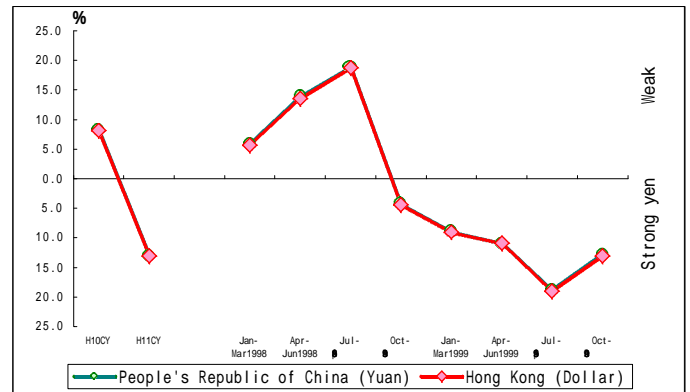
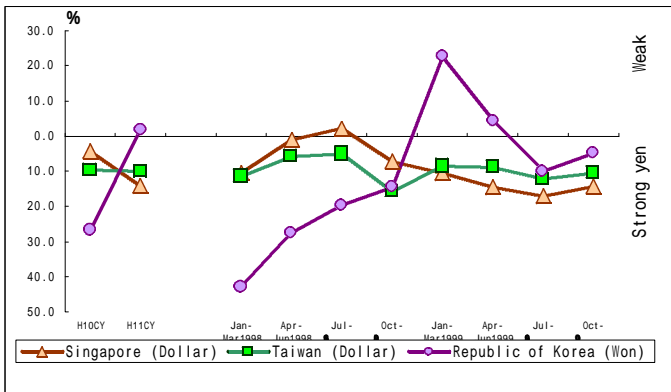
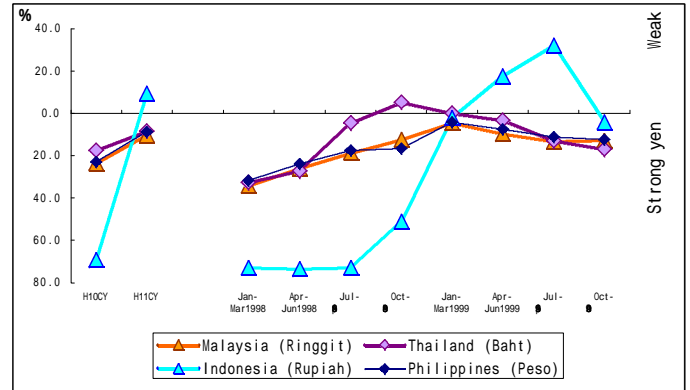
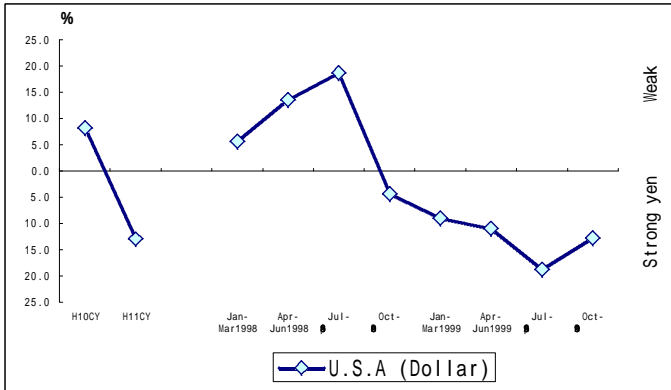
3. Trends in Trade between Domestic Parent Companies and Overseas Affiliated Companies

(1) Although domestic parent companies' exports to overseas affiliated companies increased 0.8% from the previous year, their imports from overseas affiliated companies decreased 6.7%. The percentage of exports to overseas affiliated companies in their total exports rose 2.7 points (48.4% to 51.0%), while the percentage of imports from overseas affiliated companies in their total imports increased 1.4 points because the total imports decreased greatly (32.1% to 33.5%).

(2) Domestic parent companies' exports and imports with overseas affiliated companies accounted for 47.9% of their total exports and imports, increasing 2.6 points from the previous year's 45.3%. Trade between domestic parent companies and overseas affiliated companies has been expanding since 1997.



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



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