

**Results for July - September 1999 and Prospects for October 1999 - March 2000  
(10<sup>th</sup> Quarterly Survey of Japanese Business Activities)  
- Characteristics of the Current Period  
as Reflected in the Behavior of Overseas Subsidiaries -**

**Overseas subsidiaries' DI of sales (prospects for the period from October 1999 to March 2000) decreased by 6.0 points from the preceding quarter, but the level remained high at 28.0. On the other hand, domestic parent companies' DI improved for three consecutive quarters.**

**Overseas subsidiaries' sales (yen-based) decreased from the same quarter of the previous year, especially in North America. In Asia, although sales decreased from the same quarter of the previous year, local sales increased for two consecutive quarters.**

- Overseas subsidiaries' DI of sales (see Note 1) worsened from the previous quarter in all areas except Europe. However, because the level remained comparatively high in all areas, many companies still expect an increase in sales.
- Domestic parent companies' DI of sales increased from the preceding quarter by 8.5 points from 13.4 to 21.9, an increase for three consecutive quarters.
- Overseas subsidiaries' sales (yen-based) decreased by 11.8% from the same quarter of the previous year, an decrease for four consecutive quarters (by 5.6%, 7.8%, 4.9% and 11.8% in each quarter). A sharp decline in sales was seen in North America (by 11.9%) and Europe (by 15.8%), while sales in Asia decreased by a slight 5.3%. Sales reduced partly because of weak European and US currencies against a strong yen (See Note 2).
- The decreasing rate in sales (yen-based) in Asia from the same quarter of the previous year, which had reduced for two consecutive quarters until the preceding quarter, rose from 2.5% to 5.3%. However, local sales slightly increased for two consecutive quarters (by 4.2% and by 2.3%) because of an increase for two consecutive quarters in ASEAN 4 (by 13.3% and by 16.5%).

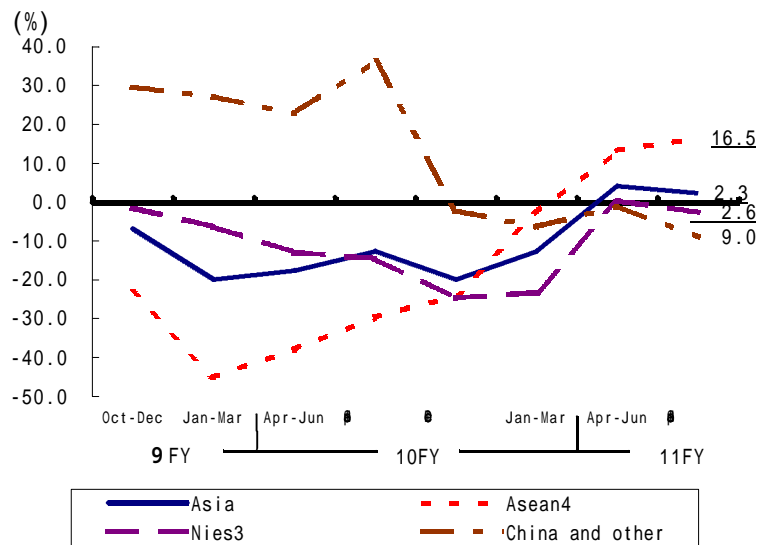
Sales of the Current Period (Jul-Sep)  
and Diffusion Index on Sales (Prospects for Oct.1999-Mar.2000)

	Year-on-year change in sales(%)		D I (prospects for Oct.1999 -Mar.2000) Change on previous period (points)	
	Apr-Jun	Jul-Sep	Apr-Jun	Jul-Sep
North America	-5.3	-11.9	-4.1	( 35.2 31.1)
Asia	-2.5	-5.3	-8.1	( 36.0 27.9)
ASEAN4 *	-0.3	-2.5	-9.6	( 42.9 33.3)
NIES3 *	-7.8	-13.1	-13.6	( 19.5 5.9)
China and other Asian countries	1.5	1.2	-2.2	( 38.3 36.1)
Europe	-4.9	-15.8	3.2	( 22.7 25.9)
Overseas subsidiaries Total	-4.9	-11.8	-6.0	( 34.0 28.0)
Domestic Parent companies	-4.3	-0.9	8.5	( 13.4 21.9)

\*ASEAN4 (Indonesia, Thailand, Philippines, Malaysia)

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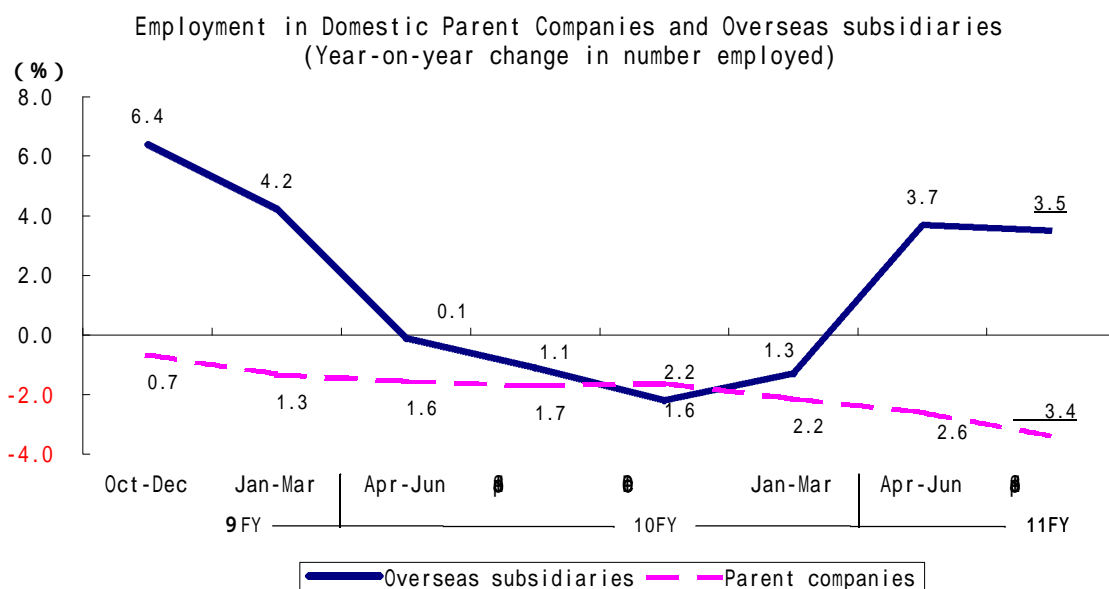
Year-on-year comparison of local sales of  
subsidiaries in Asia



Employment by domestic parent companies again decreased at the highest rate since the start of the survey, while employment by overseas subsidiaries increased for two consecutive quarters.

- Employment by overseas subsidiaries rose in all areas except North America, and increased by 3.5% from the same quarter of the previous year, an increase for two consecutive quarters. A remarkable increase was seen especially in ASEAN 4 (8.2%) and China and Other Asian Countries (7.9%).

- On the other hand, employment by domestic parent companies is declining. It decreased by 3.4% from the same quarter of the previous year, which exceeded the preceding quarter's record decreasing rate (2.6%).



- With respect to prospects for the period from October 1999 to March 2000, domestic parent companies' DI decreased slightly by 0.4 points (-34.5 to -34.9) (from the previous quarter). The decrease slowed especially in the transportation equipment industry. Overseas subsidiaries' DI decreased by 1.4 points (5.4 to 4.0).

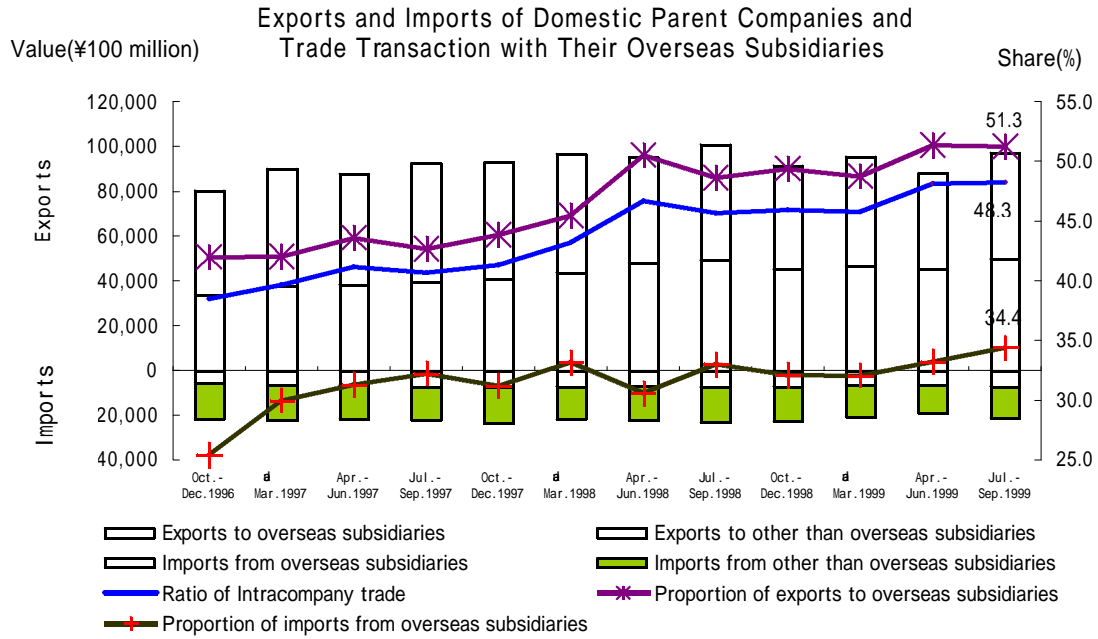
- Overseas subsidiaries' DI slightly decreased by 2.2 points in North America (8.1 to 5.9) and by 0.8 points in Asia (6.7 to 5.9), but many companies still expect an increase. In Europe, the DI increased slightly by 0.2 points (-1.0 to -0.8). In Asia, a decrease of 2.4 points (11.8 to 9.4) was seen in ASEAN 4, an increase of 0.1 points (-6.9 to -6.8) was seen in NIES 3, and an increase of 1.0 point (9.2 to 10.2) was seen in China and Other Asian Countries.

**With respect to prospects for the period from October 1999 to March 2000, overseas subsidiaries' DI of investment in plant and equipment increased from the previous quarter for two consecutive quarters. In addition, domestic parent companies' DI of foreign direct investment greatly increased from the preceding quarter.**

- Overseas subsidiaries' DI of investment in plant and equipment increased from the first half (from April to September 1999) in all areas by 4.7 points. This is an increase for two consecutive quarters, and the level of the DI is positive for three consecutive quarters (3.9, 7.5 and 12.2).
- On the other hand, domestic parent companies' DI of foreign direct investment greatly increased by 10.0 points from the preceding quarter, if negative (-13.1 to -3.1).

**The percentage of transactions (import and export) between domestic parent companies and overseas subsidiaries is continuously increasing.**

- With respect to the intracompany trade between domestic parent companies and overseas subsidiaries, exports to overseas subsidiaries increased by 1.4% from the same quarter of the previous year, but the percentage to domestic parent companies' total exports decreased by 0.1 points from the preceding quarter (51.4% to 51.3%). On the other hand, imports from overseas subsidiaries decreased by 5.3% from a year before, but the percentage to domestic parent companies' total import increased by 1.2% from the preceding quarter (33.2% to 34.4%).
- The percentage of trade with overseas subsidiaries to domestic parent companies' total increased again by 0.1 points from the preceding quarter (48.2% to 48.3%).
- Overseas subsidiaries' exports to Japan (known as reimports) continuously decreased by 3.1%.



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 page 6 for changes in the yen-foreign currencies exchange rates.

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

