



NFJ looks at what analysts say about the future of Japanese cars in Europe

## JAMA Update

### Prospects In 2000 After a Difficult 1999

At the beginning of the year, JAMA's Chairman, Mr Yoshifumi Tsuji, gave his traditional New Year's Greeting, which was more sombre than usual as he reflected on 1999, which had confronted the Japanese automobile industry with a difficult business climate. Governmental economic stimulus packages had led to "brighter prospects for the economy, but consumer demand has still not recovered to normal levels". However 2000 bodes relatively well, with JAMA estimating that domestic demand for cars and commercial vehicles will increase to 6 million, up 2 per cent from 1999.

#### Production

In 1999, overall production of cars and commercial vehicles declined 1.8 per cent to 9.87 million. Marking the first time in twenty years that domestic production has slipped below 10 million. The motorcycle sector was hard hit with production dropping 15 per cent to 2.24 million.

### JAMA Update

Prospects In 2000 After a Difficult 1999

### Topic

Where now for the Japanese automobile industry in Europe?

### Essay

Foreign CEOs in Japan



Producing in Europe

A Monthly Review of the Japanese Motor Vehicle Industry

## Sales

Total sales of cars and commercial vehicles reached 5.88 million in 1999 as demand remained fairly level. The brightest point were sales of mini-vehicles (Kei) which sold in record numbers following a revision of standards at the end of 1998. Motorcycle sales dropped for the fourth year running, posting a decline of 20.6 per cent to 870,000.

## Exports Helped By Asian Recovery

Cars and commercial vehicle exports are expected to decline modestly, although they should be helped from the continued recovery in Asian economies. Exports of motorcycles are also expected to increase slightly.

## Market Rejuvenation and Restructuring is the Challenge

The automobile industry will be redoubling its efforts to rejuvenate the market with attractive product offerings. It will be restructuring to increase its competitiveness as the global auto industry goes through a period of consolidation and increased operation tie-ups between international auto companies. ■

### Topic

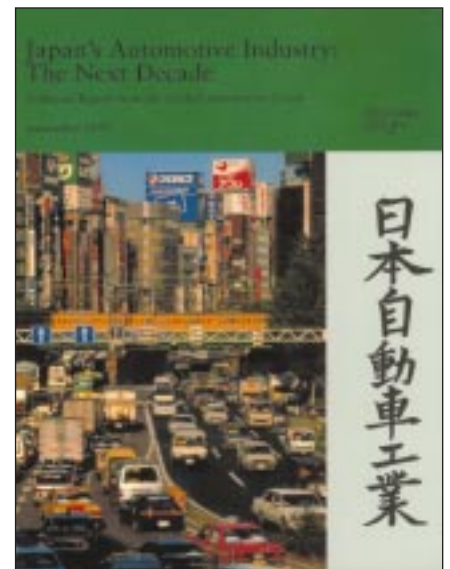
# Where now for the Japanese automobile industry in Europe?

*NFJ looks at what analysts say about the future of Japanese cars in Europe*

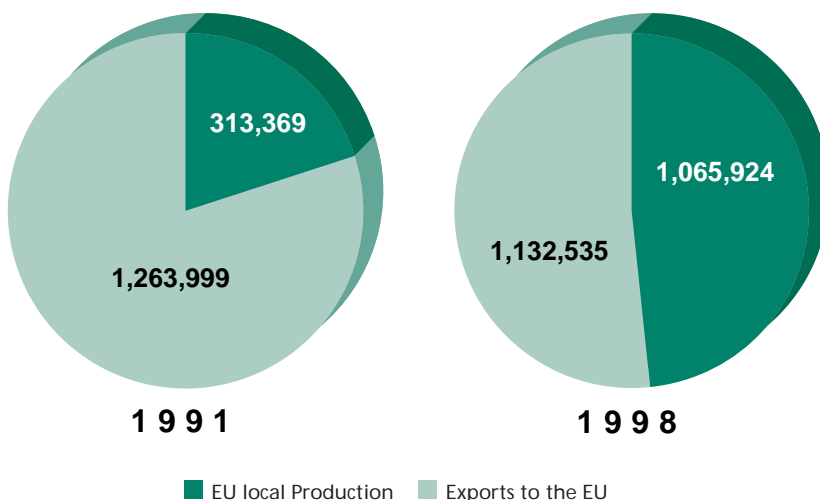
Since 1993, car exports from Japan to the EU have been closely monitored under the so-called Elements of Consensus. An agreement designed as a transition period to achieve a single EU market for Japanese car exports in 2000, from the initial situation where there were national restrictions on Japanese car imports in five EU countries. With the ending of the agreement on 31 December 1999, the national restrictions have been definitely phased out and a single market has been

achieved. The question being asked now is how will the Japanese auto industry develop in Europe without political restraints?

Looking at the trends in exports since 1993, exports never exceeded their political limit, and responded more to economic factors, such as variations in the value of the Yen, the state of demand in the EU new car market and crucially the success or otherwise of the models offered to the European consumer.



## EU local production and exports from Japan (units)



Source: JAMA. \* figures include vehicles sold under non-Japanese brand names

During the last six years, two small Japanese models have been voted European Car of the Year, the Nissan Micra and the Toyota Yaris, and both of them were designed in Europe, for the European market. The Micra is produced in the UK and from 2001, the Yaris will be built in France. They illustrate: the fundamental change in the shape of the Japanese auto industry in Europe as local production has increased steadily to over 1 million in 1998 from 313,369 in 1991; and the underlying strategy of the Japanese automakers to design, produce and sell cars in Europe for Europeans.

This has seen the establishment of R&D and design facilities, production and parts' distribution centres in eight European countries and new and on-going investments into more European facilities.

Currently, the Japanese automakers have a EU market share of approximately 11 per cent. What will happen in the future? Below NFJ has highlighted some of the main conclusions and forecasts of Standard & Poor's DRI (DRI) and the Economist Intelligence Unit (EIU). Please note that the comments below are from these two organisations and do not necessarily reflect the views of JAMA or its members.

### Japan's Automotive Industry: The Next Decade\*

DRI see the Japanese automobile industry in a state of transition as it copes with "relatively flat prospects in Japan",

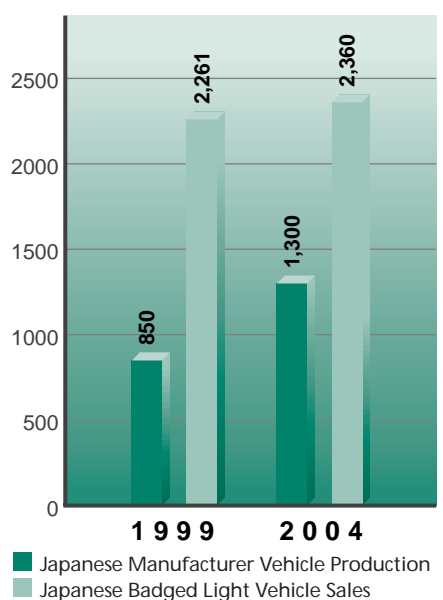


making "overseas opportunities seem all the more important". They estimate that vehicle production in Japan over the next five years will stay around 9.8-10m vehicles, while overseas production "will soar from 6.0 to 8.4m vehicles.

The nature of the Japanese automobile industry is changing, driven by intensifying competition and over-capacity. DRI believes this will result in "more tie-ups, not only among Japanese vehicle makers and between component makers, but with overseas manufacturers".

In Europe, DRI estimates an increase of 450,000 in total Japanese vehicle production from 1999-2004 to close to 1.3m (including Turkey and East Europe). Production and sales increases in volume terms will mainly be in the small car sector. DRI estimates that total Japanese car sales will increase from 2.2m in 1999 to 2.4m in 2004, mainly from greater sales promotion and dealer network creation to "increase the visibility and acceptance of Japanese vehicles in Europe".

**Table 1: Japanese Light Vehicle Manufacturer Production and Sales in Western and Eastern Europe (thousands of units)**



Concerning the Elements of Consensus, its ending "will also be a factor (in sales) since it will allow Japanese manufacturers to export beyond the current limits". However, since Japanese manufacturers have not exported up to the limits in recent years anyway this factor would not seem to be an important one.

On Europe, the study concludes "the overall strategy of Japanese manufacturers in Europe is to use their local production plants in Europe to further their penetration of the European market; especially in the small-medium car segment, where almost all of their European production will occur. Larger vehicles sales will continue to be sourced from exports from Japan".

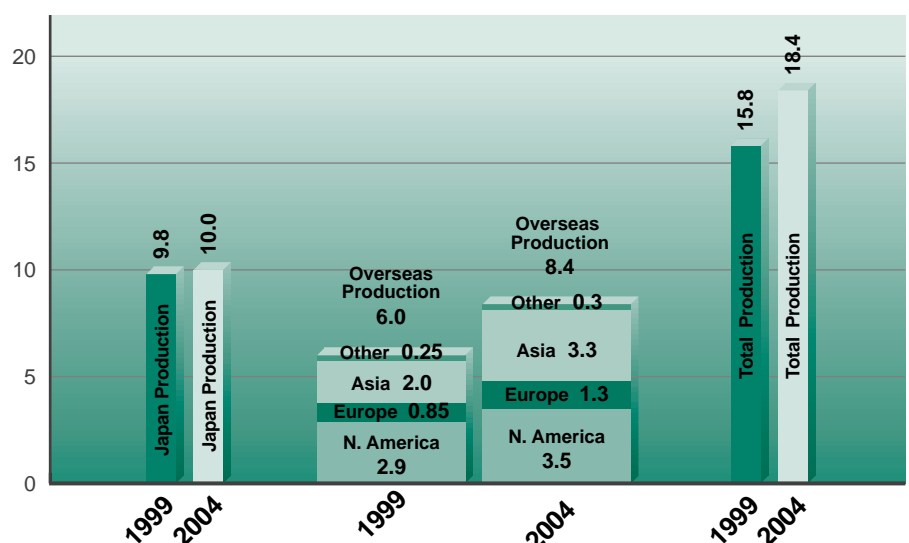
\* A special study from Standard & Poor's DRI - Global Automotive Group. Several European offices, contact via <http://www.dri.mcgraw-hill.com>

### Motor Business Japan: The Japanese Automotive Industry Worldwide\*\*

The EIU considers that exports may rise in the short term after the ending of the Elements of Consensus, but says that it will "only be temporary", until more local production comes on stream. "Simply being permitted to export in higher numbers does not translate to increased sales - product and the value of the Yen remain central".

\*\* quarterly review of the Japanese automobile industry by The Economist Intelligence Unit. Several offices, contact via <http://www.eiu.com>

**Table 2: Japanese Vehicle Manufacturer Production, Japan and Overseas (millions of units)**



► **Topic continued**

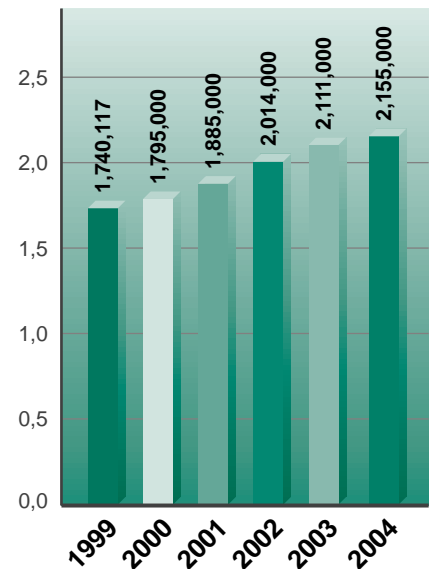
The EIU estimates that of great significance to exports is the “fact that the Japanese as a whole clearly wish to be seen as integral players in the European car market, investing in Europe, to supply from Europe”. The EIU considers that Western European vehicle production will near 1.8m units by 2003 and the “role of Japanese exports will be reduced to niche vehicles and portfolio builders”.



The EIU is optimistic on sales, estimating that new Japanese car sales in Western Europe could surpass 2m units as early as 2002. A lot of these sales will be met from local production especially in the small, low-medium/compact, upper medium/family segments. Germany, followed by the UK will remain the biggest markets, but other countries such as France, Italy and Spain will increase in importance.

This anticipated progress will not be automatic or easy, “the Japanese face an up-hill struggle to prise customers away from the national makes of the southern European markets, but we expect slow and steady gains as products become more focused and dealer networks strengthened”.

**Table 3: Forecast of new Japanese-badged car registrations in Western Europe 1999-2004**



Source: Economist Intelligence Unit (estimate for 1999)

**Essay**

by Peter NUNN

## Foreign CEOs in Japan

Once upon a time, car executives in Japan were busy people who perhaps didn't have the time or inclination to appear in adverts promoting their own company's cause.

But times change.

Carlos Ghosn, Nissan's renowned chief operating officer, is certainly a busy man yet he's the latest to appear in person in corporate ads as part of the company's artfully-worked "Renaissance" campaign. While he's the chief architect of the groundbreaking Nissan Revival Plan, Mr Ghosn is not out there taking centre stage, as it were. That Nissan is changing and a massive, far-reaching transformation has begun is the ads' primary message.

Nissan could, if it wanted to, have produced its "transformation" ads without Mr. Ghosn. But having him personally involved obviously raises the tempo, making the message more direct, more clear-cut. Ever since he arrived in Japan in spring 1999, the Japanese media has been fascinated by Mr Ghosn and the

task he has set himself to do. What better way to build on that exposure than to ask him personally to be part of the campaign? Like all good ideas, it's really so simple.

Go back a few years and it was Henry Wallace, then Mazda president and the first foreign-born CEO of a Japanese car company, that surprised readers of Japanese newspapers by suddenly appearing one day in a full length, single page advert.

The time was summer 1996, not long after Mr Wallace became CEO at Hiroshima. The point of the ad was double-fold. First, to give a teaser for a new model Mazda was about to unveil (the Demio). Second, to explain Mazda's new corporate philosophy now that new management was in place. Backing this up with a full 50 cm image of Mr Wallace in businesslike shirt and tie more than brought the point home. In Japan, the ad was a cultural first.

But don't worry. While some car chiefs are starting to become public figures, Japan still has some way to go before a cigar

chomping, car-executive-turns-car-salesman starts pitching his own cars on TV.

Sure Japan is changing, but not *that* much. ■

If you would like to know more about JAMA activities, contact Darcy Nicolle, JAMA Europe  
On Tel: 32-2-639-14-30 - e-mail: pa@jama-e.be

### Japan Automobile Manufacturers Association, Inc

#### JAMA Europe

European Office  
Avenue Louise 327, Box 16 1050 Brussels, Belgium  
Telephone: (02) 639-14-30 - Facsimile: (02) 647-57-54

#### JAMA Tokyo (Head Office)

Ohtemachi Bldg., 6-1, Ohtemachi 1 - chome Chiyoda-ku, Tokyo 100 - Japan  
Telephone: (03) 5219-6660 - Facsimile: (03) 3287-2073

#### JAMA Washington

1050 17th Street N.W. Suite 410 Washington, D.C. 20036 - U.S.A.  
Telephone: (202) 296-8537 - Facsimile: (202) 872-1212

#### JAMA Singapore

GB Building, 9th Floor, #09-03/04 143 Cecil Street - Singapore 069542  
Telephone: (65) 221-5057 - Facsimile: (65) 221-5072

#### JAMA Associate Offices

Japan Automobile Manufacturers Association of Canada, Suite 460, 151 Bloor Street West, Toronto, Canada M5S1S4, Telephone: (416) 968 0150 - Facsimile: (416) 968 7095 - E-mail: jamacan@interlog.com

JAMA informationsbüro Deutschland, Meckenheimer Allee 67-69 53115 Bonn - Germany, Telephone: (0228) 766 82-74 - Facsimile: (0228) 766 82-75