

## Economic DI rose 0.2 points from the previous month to 35.7 for the first improvement in two months

—Merely underpinned primarily by reconstruction demand, the domestic economy continues to level off.—

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(Respondents: 23,311, Valid responses: 10,578, Response rate: 45.4%, Survey started in May 2002)

### < Overview of December 2011: Leveling Off >

The Economic DI (Economic DI: 0–100, 50 points is the threshold of assessment) in December 2011 stood at 35.7, up 0.2 points from a month earlier for the first improvement in two months. However, with weaknesses in both domestic and foreign demands, the domestic economy continues to level off.

### < Future Outlook: Leveling Off >

The projected DI was down 0.3 points from this month to 35.4 for “one month later,” up 1.0 points to 36.7 for “three months later,” and up 2.1 points to 37.8 for “six months later.” For the domestic economy, despite high hopes of policy support including reconstruction demand, the situation still does not allow an early shift to a self-sustaining recovery, and therefore the leveling off is likely to be prolonged.

|                         |           |           |       |       |                       |               |                |                |              |
|-------------------------|-----------|-----------|-------|-------|-----------------------|---------------|----------------|----------------|--------------|
| Economic DI             | Dec. 2010 | Jan. 2011 | Feb   | Mar   | Apr                   | May           | Jun            | July           | Aug          |
|                         | 32.9      | 33.7      | 35.4  | 31.6  | 30.4                  | 31.4          | 33.2           | 35.5           | 35.2         |
| Change from prior month | 0.6       | 0.8       | 1.7   | ▲ 3.8 | ▲ 1.2                 | 1.0           | 1.8            | 2.3            | ▲ 0.3        |
| Economic DI             | Sep       | Oct       | Nov   | Dec   | Projected future DI   | After 1 month | After 3 months | After 6 months | After 1 year |
|                         | 35.5      | 36.1      | 35.5  | 35.7  | 35.4                  | 35.4          | 36.7           | 37.8           | 37.9         |
| Change from prior month | 0.3       | 0.6       | ▲ 0.6 | 0.2   | Change from Dec. 2011 | ▲ 0.3         | 1.0            | 2.1            | 2.2          |

\*1: White columns mean an improvement, yellow-shaded columns mean the value was unchanged, and blue-shaded columns mean a decrease.

\*2: Economic DIs are calculated based on the structural ARIMA model, in which economic statistics are incorporated to the ARIMA model.

### By industry: “Construction” improved for the eighth consecutive month due to increased reconstruction demand

- Six industries, including “construction” and “retail,” improved, “wholesale” remained at the same level, and three industries, including “manufacturing,” worsened.
- **“Construction” (33.5, up 0.6 points from a month earlier)** In addition to reconstruction demand, constant demands for energy saving and seismic retrofit nationwide contributed to eight straight improvements. However, since investments from public and private sectors were concentrated in disaster-stricken areas, recovery in western Japan has been lagging behind, which thus caused the entire industry to remain low.
- **“Retail” (34.0, up 0.5)** Improved for the first time in two months as daily necessities were boosted by year-end demand; however, domestic demand has yet to show a strong recovery.
- **“Real Estate” (33.7, down 0.1)** With some exceptions such as metropolitan areas, individuals have not recovered the motivation to acquire real estate. Corporate motivation for investment remained low. As a result, the industry fell for two straight months.
- **“Manufacturing” (36.3, down 0.1)** Steel, machinery, electronics, and automobile-related sectors deteriorated across the board for the second consecutive month because of adverse effects from the sluggish economies in the US and Europe, the prolonged strong yen, and the delayed delivery of components due to flood damages in Thailand.

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**By size: Large, small-to-mid, micro companies improved for the first time in two months**

• “Large Firms” was up 0.4 points from the previous month to 38.0. “Small-to-Medium-sized Firms” was up 0.1 points to 35.0, and “Micro Firms” was up 0.2 points to 32.7. All categories improved for the first time in two months.

**By region: With a growing demand for reconstruction, “Tohoku” ranked top of the country’s 10 regions for the fourth consecutive month**

- “Tohoku” and three other regions improved, whereas “Tokai” remained at the same level and five regions, including “Kinki,” worsened.
- **“Tohoku” (40.3, up 0.9 points from a month earlier)** Increased reconstruction demand helped the region improve for the eighth straight month while ranking top for the fourth straight month.
- **“Tokai” (36.5, flat)** With adverse effects from the sluggish economies in the US and Europe, the strong yen, and flood damages in Thailand, the region’s “manufacturing” worsened for the third consecutive month, and “retail” also fell for the second consecutive month.

In western Japan, due to the weak domestic demand as well as the effect of the strong yen, “Kinki,” “Chugoku,” “Shikoku,” and “Kyushu” worsened, falling below the nationwide average, while reconstruction demand is increasing mainly in disaster-stricken areas.

## Economic Diffusion Index (Economic DI)1/2

|                             | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Ratio to the Previous Month |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Total                       | 32.9   | 33.7   | 35.4   | 31.6   | 30.4   | 31.4   | 33.2   | 35.5   | 35.2   | 35.5   | 36.1   | 35.5   | 35.7   | 0.2                         |
| Large Firms                 | 34.6   | 35.1   | 36.9   | 32.3   | 31.9   | 33.1   | 35.1   | 37.7   | 37.3   | 37.9   | 38.3   | 37.6   | 38.0   | 0.4                         |
| Small to Medium-sized Firms | 32.4   | 33.3   | 34.9   | 31.4   | 30.0   | 30.9   | 32.6   | 34.8   | 34.5   | 34.8   | 35.4   | 34.9   | 35.0   | 0.1                         |
| Micro Firms                 | 29.5   | 30.4   | 31.9   | 29.0   | 27.4   | 28.2   | 29.9   | 31.9   | 31.5   | 31.9   | 33.0   | 32.5   | 32.7   | 0.2                         |

|                                | Dec-10  | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Ratio to the Previous Month |       |
|--------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|-------|
| Agriculture,Forestry,Fisheries | 35.2  | 33.3   | 37.4   | 31.9   | 32.0   | 32.9   | 38.2   | 36.2   | 37.2   | 38.6   | 35.3   | 34.1   | 36.0   | 1.9                         |       |
| Finance                        | 33.5  | 33.1   | 34.2   | 31.4   | 30.7   | 31.0   | 35.1   | 34.4   | 34.1   | 34.3   | 34.7   | 36.5   | 35.5   | ▲ 1.0                       |       |
| Construction                   | 26.4  | 27.3   | 28.1   | 26.6   | 26.1   | 26.8   | 28.4   | 30.1   | 30.7   | 31.6   | 32.8   | 32.9   | 33.5   | 0.6                         |       |
| Real Estate                    | 33.3  | 34.7   | 36.0   | 30.6   | 29.2   | 32.8   | 33.3   | 33.9   | 34.1   | 35.1   | 35.5   | 33.8   | 33.7   | ▲ 0.1                       |       |
| Manufacturing                  | Food,Beverages,Livestock Feed                                     | 33.0   | 32.9   | 33.3   | 32.3   | 32.6   | 33.6   | 34.5   | 35.4   | 34.6   | 34.8   | 35.3   | 34.9   | 34.1                        | ▲ 0.8 |
|                                | Textile,Textile Products,Clothing                                 | 32.5   | 32.2   | 36.1   | 30.6   | 29.8   | 30.8   | 34.8   | 37.8   | 37.6   | 37.1   | 36.3   | 36.1   | 36.7                        | 0.6   |
|                                | Construction Materials,Furniture,Ceramics,Stone and Clay Products | 31.5   | 31.3   | 33.3   | 30.5   | 28.4   | 29.4   | 29.0   | 32.9   | 32.8   | 34.2   | 34.7   | 35.0   | 36.9                        | 1.9   |
|                                | Pulp, Paper and Paper Products                                    | 34.3   | 33.3   | 33.2   | 32.1   | 31.8   | 28.6   | 32.2   | 34.1   | 32.9   | 32.8   | 33.7   | 33.1   | 34.4                        | 1.3   |
|                                | Publishing,Printing   | 25.5   | 27.6   | 27.2   | 25.0   | 24.2   | 23.2   | 24.6   | 25.5   | 25.7   | 25.2   | 26.7   | 26.9   | 27.4                        | 0.5   |
|                                | Chemical  | 38.1   | 39.6   | 41.5   | 37.1   | 34.4   | 35.2   | 38.1   | 39.7   | 37.8   | 38.9   | 39.7   | 37.7   | 37.7                        | 0.0   |
|                                | Steel,Nonferrous Metals,Mining                                    | 35.0   | 36.3   | 38.9   | 34.8   | 32.3   | 31.3   | 35.0   | 39.9   | 39.2   | 40.4   | 40.7   | 39.2   | 38.7                        | ▲ 0.5 |
|                                | General Machinery   | 37.6   | 39.2   | 43.0   | 39.5   | 38.5   | 39.2   | 40.8   | 42.2   | 40.7   | 39.6   | 40.3   | 40.4   | 39.4                        | ▲ 1.0 |
|                                | Electrical Machinery  | 38.7   | 39.9   | 41.6   | 38.1   | 34.8   | 36.8   | 39.6   | 41.8   | 39.4   | 37.4   | 36.9   | 35.1   | 34.8                        | ▲ 0.3 |
|                                | Transportation Machinery,Equipment                                | 34.5   | 37.2   | 38.8   | 27.6   | 22.4   | 24.0   | 32.6   | 42.1   | 42.9   | 47.7   | 46.7   | 41.1   | 40.4                        | ▲ 0.7 |
|                                | Precision Machinery,Medical Instruments and Equipment             | 41.6   | 41.7   | 45.0   | 42.3   | 39.5   | 39.4   | 43.2   | 42.9   | 42.1   | 43.2   | 41.4   | 40.5   | 38.6                        | ▲ 1.9 |
|                                | Other   | 28.5   | 29.9   | 30.4   | 28.0   | 24.0   | 26.1   | 24.7   | 29.7   | 28.0   | 28.2   | 29.5   | 28.8   | 30.0                        | 1.2   |
| Total                          | 34.9  | 35.9   | 37.8   | 34.3   | 32.4   | 32.9   | 35.2   | 37.9   | 36.8   | 37.1   | 37.4   | 36.4   | 36.3   | ▲ 0.1                       |       |
| Wholesale                      | Food,Beverages  | 34.3   | 32.5   | 33.5   | 29.7   | 29.0   | 30.7   | 31.8   | 33.2   | 33.5   | 33.5   | 33.8   | 32.9   | 32.7                        | ▲ 0.2 |
|                                | Textile,Textile Products,Clothing                                 | 29.7   | 29.7   | 31.2   | 25.9   | 27.0   | 28.6   | 32.6   | 34.7   | 33.3   | 33.5   | 34.1   | 32.6   | 33.9                        | 1.3   |
|                                | Construction Materials,Furniture,Ceramics,Stone and Clay Products | 30.9   | 30.6   | 32.1   | 29.2   | 27.2   | 27.3   | 28.8   | 31.4   | 31.5   | 33.3   | 33.8   | 35.3   | 36.4                        | 1.1   |
|                                | Paper Products,Stationery,Books                                   | 28.0   | 30.4   | 31.3   | 28.4   | 27.0   | 25.6   | 26.1   | 29.1   | 28.1   | 29.1   | 31.3   | 30.6   | 31.9                        | 1.3   |
|                                | Chemical  | 37.4   | 37.3   | 38.8   | 35.8   | 33.5   | 35.2   | 34.9   | 37.0   | 37.4   | 36.6   | 37.4   | 36.6   | 36.3                        | ▲ 0.3 |
|                                | Recycled Resources  | 42.5   | 42.4   | 42.3   | 36.1   | 34.0   | 35.8   | 38.4   | 39.4   | 33.3   | 31.3   | 28.2   | 28.4   | 28.4                        | 0.0   |
|                                | Steel,Nonferrous Metals,Mining Products                           | 33.1   | 34.2   | 37.1   | 34.6   | 32.3   | 31.0   | 32.7   | 35.3   | 35.6   | 36.5   | 36.6   | 36.5   | 35.7                        | ▲ 0.8 |
|                                | Machinery,Equipment   | 35.0   | 36.2   | 38.6   | 35.3   | 34.6   | 34.8   | 36.4   | 38.1   | 37.2   | 37.5   | 37.4   | 36.3   | 36.0                        | ▲ 0.3 |
|                                | Other   | 32.4   | 33.1   | 34.5   | 29.5   | 28.3   | 30.3   | 30.9   | 33.6   | 33.7   | 33.9   | 33.8   | 34.0   | 34.0                        | 0.0   |
|                                | Total   | 33.6   | 34.0   | 35.8   | 32.3   | 31.1   | 31.7   | 33.1   | 35.2   | 34.9   | 35.3   | 35.5   | 35.0   | 35.0                        | 0.0   |

## Economic Diffusion Index (Economic DI)2/2

|                            |  | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Ratio to the Previous Month |
|----------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Retail                     | Food,Beverages   | 31.1   | 30.8   | 33.8   | 28.4   | 28.6   | 29.4   | 30.7   | 32.8   | 33.9   | 33.0   | 35.8   | 34.1   | 34.7   | 0.6                         |
|                            | Textile,Textile Products,Clothing                                    | 28.6   | 34.1   | 34.5   | 18.7   | 27.6   | 28.8   | 28.2   | 33.3   | 34.5   | 31.3   | 33.3   | 33.3   | 32.9   | ▲ 0.4                       |
|                            | Drugs,Sundries   | 43.8   | 41.7   | 42.0   | 41.3   | 38.1   | 41.3   | 40.6   | 47.0   | 39.2   | 44.4   | 43.7   | 43.7   | 43.3   | ▲ 0.4                       |
|                            | Furniture  | 34.4   | 35.7   | 39.7   | 20.8   | 28.2   | 33.3   | 32.1   | 36.7   | 32.4   | 34.4   | 35.7   | 36.7   | 32.1   | ▲ 4.6                       |
|                            | Electrical Household Appliances, Information Machinery and Equipment | 37.4   | 38.2   | 38.6   | 38.8   | 34.2   | 33.3   | 38.3   | 40.0   | 41.1   | 39.3   | 38.4   | 34.3   | 36.1   | 1.8                         |
|                            | Motor Vehicles,Motor Vehicle Parts                                   | 23.0   | 27.2   | 31.4   | 25.9   | 20.5   | 25.5   | 29.1   | 32.1   | 32.8   | 33.6   | 35.9   | 33.1   | 32.8   | ▲ 0.3                       |
|                            | Special Merchandise  | 29.3   | 30.5   | 31.4   | 26.4   | 28.2   | 28.5   | 29.5   | 31.1   | 33.8   | 31.0   | 34.0   | 31.4   | 31.6   | 0.2                         |
|                            | Various Merchandise  | 33.1   | 32.8   | 36.1   | 29.2   | 30.0   | 34.1   | 34.6   | 38.6   | 37.1   | 36.8   | 33.8   | 34.2   | 36.5   | 2.3                         |
|                            | Other  | 22.2   | 19.4   | 26.7   | 23.3   | 16.7   | 30.0   | 30.0   | 40.0   | 41.7   | 30.6   | 33.3   | 29.2   | 33.3   | 4.1                         |
|                            | Total  | 30.7   | 32.0   | 34.1   | 28.1   | 28.3   | 30.2   | 31.5   | 34.4   | 35.0   | 33.7   | 35.3   | 33.5   | 34.0   | 0.5                         |
| Transportation,Warehousing |  | 36.2   | 35.7   | 36.6   | 32.3   | 31.0   | 33.3   | 33.5   | 37.5   | 37.1   | 37.6   | 38.0   | 36.3   | 37.8   | 1.5                         |
| Service                    | Restaurants  | 33.8   | 34.7   | 33.3   | 27.3   | 26.2   | 26.6   | 33.8   | 32.9   | 36.7   | 31.9   | 34.3   | 32.9   | 32.8   | ▲ 0.1                       |
|                            | Postal,Telecommunications  | 56.1   | 55.0   | 53.6   | 40.9   | 39.4   | 46.7   | 48.6   | 48.7   | 50.0   | 48.8   | 45.8   | 50.0   | 48.5   | ▲ 1.5                       |
|                            | Electricity,Gas,Water,Heat   | 44.4   | 45.8   | 45.8   | 44.4   | 33.3   | 33.3   | 38.3   | 39.6   | 39.6   | 37.5   | 31.0   | 37.5   | 37.0   | ▲ 0.5                       |
|                            | Leasing,Rentals  | 33.0   | 33.3   | 35.0   | 31.3   | 30.5   | 33.3   | 34.9   | 39.0   | 38.8   | 40.5   | 41.4   | 42.7   | 42.0   | ▲ 0.7                       |
|                            | Lodging, Hotels  | 26.7   | 28.3   | 28.1   | 15.3   | 10.1   | 19.0   | 26.9   | 32.2   | 34.6   | 37.5   | 36.1   | 35.1   | 35.2   | 0.1                         |
|                            | Recreation   | 31.9   | 32.8   | 32.2   | 25.7   | 26.7   | 33.1   | 34.4   | 35.1   | 33.3   | 34.7   | 33.1   | 34.7   | 32.6   | ▲ 2.1                       |
|                            | Broadcasting   | 40.6   | 34.4   | 41.1   | 36.7   | 26.0   | 24.4   | 26.2   | 32.5   | 32.5   | 36.0   | 34.2   | 34.3   | 36.0   | 1.7                         |
|                            | Maintenance,Guarding,Testing   | 33.9   | 36.7   | 37.3   | 31.1   | 32.5   | 31.9   | 32.6   | 36.7   | 35.1   | 36.3   | 37.0   | 37.2   | 36.1   | ▲ 1.1                       |
|                            | Advertising  | 27.3   | 29.7   | 30.8   | 21.3   | 20.6   | 25.0   | 25.9   | 29.1   | 28.2   | 30.6   | 32.2   | 33.5   | 34.3   | 0.8                         |
|                            | Information  | 34.1   | 36.4   | 39.4   | 34.7   | 33.5   | 34.5   | 35.8   | 38.0   | 38.2   | 38.0   | 39.2   | 39.3   | 38.9   | ▲ 0.4                       |
|                            | Labor Dispatching  | 38.3   | 37.5   | 40.7   | 32.8   | 32.4   | 34.7   | 37.9   | 48.7   | 46.0   | 43.3   | 47.4   | 45.4   | 49.2   | 3.8                         |
|                            | Special Services   | 32.0   | 33.5   | 34.6   | 29.5   | 29.3   | 32.4   | 34.7   | 35.7   | 35.3   | 35.0   | 37.1   | 36.8   | 37.3   | 0.5                         |
|                            | Medical,Welfare,Public Health  | 35.2   | 35.0   | 36.8   | 33.7   | 34.2   | 33.9   | 38.1   | 38.1   | 39.1   | 40.0   | 39.1   | 40.2   | 41.8   | 1.6                         |
|                            | Education  | 34.3   | 36.8   | 42.1   | 29.2   | 30.2   | 32.6   | 33.3   | 34.9   | 33.3   | 37.0   | 35.4   | 35.5   | 37.9   | 2.4                         |
|                            | Other  | 37.4   | 37.9   | 39.6   | 31.6   | 30.3   | 32.8   | 35.7   | 37.5   | 36.2   | 37.2   | 37.3   | 37.8   | 37.7   | ▲ 0.1                       |
| Total                      | 33.5   | 35.0   | 36.8   | 30.7   | 29.9   | 32.1   | 34.2   | 36.8   | 36.5   | 37.0   | 37.9   | 38.2   | 38.3   | 0.1    |                             |
| Other                      | 28.3   | 30.6   | 31.3   | 26.7   | 23.5   | 29.7   | 30.7   | 28.2   | 33.3   | 32.3   | 31.3   | 28.8   | 32.3   | 3.5    |                             |

  

|             |  | Dec-10 | Jan-11 | Feb-11 | Mar-11 | Apr-11 | May-11 | Jun-11 | Jul-11 | Aug-11 | Sep-11 | Oct-11 | Nov-11 | Dec-11 | Ratio to the Previous Month |
|-------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Hokkaido    |  | 26.6   | 25.8   | 27.9   | 25.5   | 25.2   | 27.3   | 28.2   | 29.7   | 30.8   | 30.8   | 31.7   | 30.7   | 31.3   | 0.6                         |
| Tohoku      |  | 29.7   | 30.7   | 31.7   | 24.0   | 23.5   | 27.6   | 31.3   | 35.1   | 36.4   | 38.3   | 39.2   | 39.4   | 40.3   | 0.9                         |
| kitakanto   |  | 31.2   | 32.9   | 34.4   | 28.7   | 28.1   | 29.2   | 32.8   | 35.5   | 34.6   | 35.4   | 35.5   | 35.0   | 35.5   | 0.5                         |
| minamikanto |  | 34.4   | 35.9   | 37.1   | 31.5   | 31.0   | 32.7   | 34.6   | 36.7   | 35.9   | 36.0   | 36.6   | 36.1   | 36.7   | 0.6                         |
| Hokuriku    |  | 32.1   | 32.3   | 34.5   | 32.3   | 31.3   | 32.2   | 33.7   | 36.6   | 35.7   | 36.5   | 37.3   | 36.5   | 36.1   | ▲ 0.4                       |
| Tokai       |  | 32.8   | 33.1   | 35.7   | 31.9   | 28.3   | 28.5   | 31.8   | 36.3   | 36.6   | 37.3   | 37.5   | 36.5   | 36.5   | 0.0                         |
| Kinki       |  | 33.7   | 34.7   | 36.3   | 34.2   | 32.8   | 33.0   | 33.7   | 35.2   | 34.6   | 34.8   | 35.5   | 34.8   | 34.4   | ▲ 0.4                       |
| Chugoku     |  | 33.1   | 33.7   | 35.2   | 33.4   | 31.9   | 31.1   | 32.6   | 34.8   | 34.6   | 34.5   | 33.9   | 34.6   | 34.3   | ▲ 0.3                       |
| Shikoku     |  | 34.0   | 33.0   | 35.2   | 34.1   | 33.7   | 34.4   | 33.9   | 35.5   | 35.5   | 36.1   | 35.9   | 35.7   | 34.9   | ▲ 0.8                       |
| Kyushu      |  | 33.2   | 33.0   | 35.4   | 33.6   | 31.8   | 32.5   | 33.0   | 34.1   | 33.7   | 34.2   | 35.4   | 34.4   | 33.7   | ▲ 0.7                       |

## Appendix

### 1. Research Subjects(Corporations:23,311

Valid responses:10,578,Response rate:45.4%)

#### 1.Region

|             |       |              |               |
|-------------|-------|--------------|---------------|
| Hokkaido    | 551   | Tokai        | 1,136         |
| Tohoku      | 605   | Kinki        | 1,744         |
| kitaKanto   | 681   | Chugoku      | 663           |
| minamikanto | 3,461 | Shikoku      | 355           |
| Hokuriku    | 532   | Kyushu       | 850           |
|             |       | <b>Total</b> | <b>10,578</b> |

#### 2. Industry (10 Industries 51 Lines of business)

|                                |   |       |
|--------------------------------|---|-------|
| Agriculture,Forestry,Fisheries |   | 44    |
| Finance                        |   | 139   |
| Construction                   |   | 1,449 |
| Real Estate                    |   | 269   |
| Manufacturing<br>3,223         | Food,Beverages,Livestock Feed                                     | 361   |
|                                | Textile,Textile Products,Clothing                                 | 119   |
|                                | Construction Materials,Furniture,Ceramics,Stone and Clay Products | 239   |
|                                | Pulp, Paper and Paper Products                                    | 121   |
|                                | Publishing,Printing   | 194   |
|                                | Chemical  | 416   |
|                                | Steel,Nonferrous Metals,Mining                                    | 500   |
|                                | General Machinery   | 461   |
|                                | Electrical Machinery  | 357   |
|                                | Transportation Machinery,Equipment                                | 90    |
| Wholesale<br>3,959             | Precision Machinery,Medical Instruments and Equipment             | 69    |
|                                | Others  | 94    |
|                                | Food,Beverages  | 423   |
|                                | Textile,Textile Products,Clothing                                 | 215   |
|                                | Construction Materials,Furniture,Ceramics,Stone and Clay Products | 374   |
|                                | Paper Products,Stationery,Books                                   | 118   |
|                                | Chemical  | 338   |
|                                | Recycled Resources  | 27    |
|                                | Steel,Nonferrous Metals,Mining Products                           | 338   |
|                                | Machinery,Equipment   | 1,006 |
| Others                         | 378   |       |

|                               |   |               |
|-------------------------------|---|---------------|
| Retail<br>480                 | Food,Beverages  | 87            |
|                               | Textile,Textile Products,Clothing                                   | 43            |
|                               | Drugs,Sundries  | 20            |
|                               | Furniture   | 13            |
|                               | Electrical Household Appliances,Information Machinery and Equipment | 42            |
|                               | Motor Vehicles,Motor Vehicle Parts                                  | 63            |
|                               | Special Merchandise   | 142           |
|                               | Various Merchandise   | 63            |
| Others                        | 4   |               |
| Transportation,Warehousing    |   | 405           |
| Service<br>1,384              | Restaurants   | 30            |
|                               | Telecommunications  | 11            |
|                               | Electricity,Gas,Water,Heat  | 9             |
|                               | Leasing,Rentals   | 143           |
|                               | Lodging, Hotels   | 36            |
|                               | Recreation  | 66            |
|                               | Broadcasting  | 19            |
|                               | Maintenance,Guarding,Testing  | 149           |
|                               | Advertising   | 126           |
|                               | Information   | 401           |
|                               | Labor Dispatching   | 60            |
|                               | Special Services  | 214           |
| Medical,Welfare,Public Health | 102   |               |
| Education                     | 22  |               |
| Others                        | 137   |               |
| Others                        |   | 32            |
| <b>Total</b>                  |   | <b>10,578</b> |

#### 3.Size

|                             |               |              |
|-----------------------------|---------------|--------------|
| Large Firms                 | 2,524         | 23.9%        |
| Small to Medium-sized Firms | 8,054         | 76.1%        |
| micro Firms                 | 2,359         | 22.3%        |
| <b>Total</b>                | <b>10,578</b> | <b>46.2%</b> |

## 2. Research Items

- \*Business Confidence (current, in 3 months, in 6 months, in 1 year)
- \*Business Conditions (sales, purchasing and selling unit price, inventory, capacity utilization ratio, number of employees, overtime work hours)
- \* Survey on Corporate Attitudes toward Reduction in Summertime Electric Power Consumption
- \* Survey on Corporate Attitudes Towards the SME Financing Facilitation Act

## 3. Research Period and Methodology

Internet-based survey conducted December 16 through January 5, 2012.

### The explanation of the Economic Diffusion Index

#### Research Purpose/Researched Terms

TDB Economic Trend Research (started from May 2002) is a monthly statistical survey conducted for over 20,000 nationwide corporations on their general business activities including the current condition and future outlook of the industry business performance and operating climate. The primary purpose of such a survey is to assess the current state of Japan's economy.

#### Selection of the Subject Corporations

Companies of all sizes in all domestic industries are eligible to participate in the survey.

#### DI Formula

The DI (Diffusion Index) is calculated by attaching a number (in parenthesis in the diagram below) to each of seven possible responses. Then multiplying the percentage of each response by the appropriate number, and adding the results.

| Very Bad | Bad     | Moderately Bad | Neither Good or Bad     | Moderately Good | Good    | Very Good |
|----------|---------|----------------|-------------------------|-----------------|---------|-----------|
| ( 0 )    | ( 1/6 ) | ( 2/6 )        | ( 3/6 )                 | ( 4/6 )         | ( 5/6 ) | ( 6/6 )   |
| 0        | 16.7    | 33.3           | DI=50<br>Dividing point | 66.7            | 83.3    | 100       |

A DI over 50 is in the range of "Good." A score under 50 is "Bad." The number 50 is the dividing point ("Neither Good or Bad"). All numbers are rounded off to the hundredth. It should be noted that no weight is given to a company's responses based on its size. Calculations are made according to a "one company, one vote" rule.

For example, all corporations rated 'Very Good'.

$$DI=6/6 \times 100(\%)=100$$

All corporations rated 'Neither Good nor Bad'.

$$DI=3/6 \times 100(\%)=50$$

#### Size Classification

| Industry                            | Large Firms   | Small to Medium-Sized Firms<br>(Micro Firms included)           | Micro Firms               |
|-------------------------------------|---|---|---------------------------|
| Manufacturing and Other Industries* | Capital: More than 300 million yen and<br>No. of Employee: Over 300 | Capital: Below 300 million yen or<br>No. of Employee: Below 300 | No. of Employee: Below 20 |
| Wholesale Trade                     | Capital: More than 100 million yen and<br>No. of Employee: Over 100 | Capital: Below 100 million yen or<br>No. of Employee: Below 100 | No. of Employee: Below 5  |
| Retail Trade                        | Capital: More than 50 million yen and<br>No. of Employee: Over 50   | Capital: Below 50 million yen or<br>No. of Employee: Below 50   | No. of Employee: Below 5  |
| Service**                           | Capital: More than 50 million yen and<br>No. of Employee: Over 100  | Capital: Below 50 million yen or<br>No. of Employee: Below 100  | No. of Employee: Below 5  |

Note1: Large Firms refer to companies that rank in the top 3% in terms of sales volume according to the type of business, among small to medium-sized corporations excluding micro firms, which are defined in Small and Medium Enterprises Basic Act.

Note2: Small to Medium-Sized Firms refer to companies that rank in the bottom 50% in terms of sales volume according to the type of business, among those not categorized as small to medium-sized corporations in Small to Medium-Sized Enterprises Basic Act.