

## Worsening domestic economy, a spate of domestic and overseas negative shocks

- Impact of Brexit lingers and downward swing continues -

(Companies Researched 23,606 ; Valid Responses 10,471 ; Response Rate 44.4% ;  
Survey Start Date: May 2002)

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### < Overview of June 2016: Shift to decline >

The economic diffusion index (DI) in June was 41.3, down 0.5 points from the previous month. This reflects a declining trend for three consecutive months. Japan's economy has been on a downward trend due to a spate of domestic and overseas bad news, such as the Kumamoto Earthquake, falsified fuel economy data, and the Britain's decision to leave the EU.

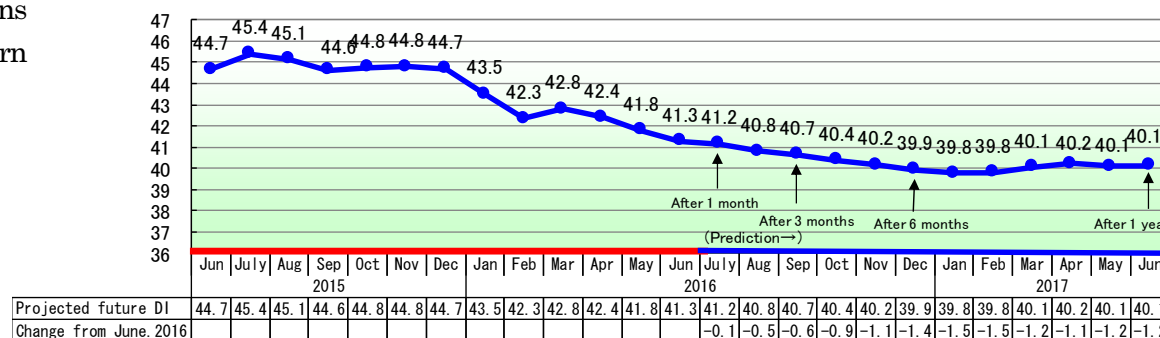
### < Future Outlook: Remain with an enhanced downward trend >

Brexit is likely to continue to shock for a while, and economic conditions are expected to remain with an enhanced downward trend amid concern over the impact on corporate performances.

By industry: Of the 12 sectors in the "Manufacturing" industry, 10 sectors deteriorate.

By size: The economy worsened "nationwide" for three consecutive months.

By region: Seven regions deteriorate. In the "Tokai" region, automobile-related business is sluggish.



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

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

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Ratio to the PrFDious Month
Total	44.7	45.4	45.1	44.6	44.8	44.8	44.7	43.5	42.3	42.8	42.4	41.8	41.3	▲ 0.5
Large Firms	48.4	48.8	48.9	48.2	48.4	48.4	47.9	47.1	46.0	46.5	46.2	45.7	45.1	▲ 0.6
Small to Medium-sized Firms	43.6	44.5	44.1	43.6	43.7	43.7	43.8	42.5	41.3	41.8	41.4	40.8	40.3	▲ 0.5
Micro Firms	43.1	43.4	43.2	43.2	43.2	43.1	43.3	41.8	40.3	40.8	40.3	39.7	39.6	▲ 0.1

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries	41.9	42.9	44.7	44.7	44.6	45.2	46.4	43.6	44.5	42.3	42.4	42.1	43.7	1.6
Finance	49.2	48.1	46.5	46.3	47.3	46.6	46.3	45.3	44.3	44.8	45.5	44.3	45.0	0.7
Construction	47.7	48.6	48.8	49.1	49.5	49.6	49.3	47.9	45.9	46.3	45.2	44.9	44.7	▲ 0.2
Real Estate	49.1	49.8	48.4	48.7	48.7	48.9	48.4	47.1	48.0	48.2	48.1	48.3	48.4	0.1
Manufacturing	Food,BEWerages,Livestock Feed	43.1	43.4	43.0	43.6	44.3	44.5	44.1	44.2	43.2	44.2	43.4	43.0	▲ 0.4
	Textile,Textile Products,Clothing	39.4	39.4	40.2	38.8	39.8	39.4	39.3	36.4	37.6	39.8	38.2	38.2	▲ 0.2
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	40.3	41.2	41.2	40.9	40.2	38.9	40.7	38.5	38.0	38.6	37.9	37.8	▲ 0.5
	Pulp, Paper and Paper Products	39.0	39.7	42.0	40.8	41.1	42.4	41.7	40.3	36.8	37.6	40.2	38.6	▲ 0.1
	Publishing,Printing	33.5	33.7	34.9	34.8	34.8	34.6	34.7	34.0	34.6	35.3	34.1	34.0	▲ 1.1
	Chemical	43.9	44.7	45.3	44.4	44.4	44.9	45.4	44.3	42.8	42.7	43.0	42.7	▲ 0.5
	Steel,Nonferrous Metals,Mining	42.9	43.6	42.8	41.7	41.4	41.8	41.5	41.1	38.8	38.3	38.3	38.1	▲ 0.5
	General Machinery	51.3	51.9	50.3	47.3	47.9	47.3	48.6	46.0	45.5	45.7	45.3	44.0	▲ 0.4
	Electrical Machinery	47.4	47.4	44.8	45.2	45.2	45.2	44.9	43.0	42.8	42.8	42.3	40.4	0.0
	Transportation Machinery,Equipment	49.7	50.9	50.8	48.3	46.3	47.0	46.2	45.7	44.6	46.8	46.8	43.8	▲ 1.1
	Precision Machinery,Medical Instruments and Equipment	49.4	50.4	51.2	47.9	48.6	47.9	46.1	46.2	43.1	44.6	44.6	43.2	0.0
	Other	37.8	39.2	37.7	40.0	39.8	40.0	39.6	39.4	39.1	40.6	37.5	37.8	▲ 0.8
	Total	44.0	44.6	44.2	43.2	43.3	43.3	43.5	42.2	41.2	41.6	41.3	40.6	▲ 0.5
Wholesale	Food,BEWerages	43.0	44.1	42.7	43.6	43.0	43.1	42.6	41.9	40.9	42.2	42.6	41.0	▲ 0.9
	Textile,Textile Products,Clothing	34.8	34.4	34.7	36.5	37.8	34.4	34.4	33.5	32.7	33.8	35.7	34.6	0.7
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	38.1	39.8	39.7	39.5	41.3	41.5	41.8	40.5	39.1	39.4	39.2	38.4	▲ 0.8
	Paper Products,Stationery,Books	34.5	37.1	36.5	36.8	36.8	37.4	37.2	38.1	37.4	38.0	36.6	36.7	▲ 2.5
	Chemical	43.1	43.9	42.6	42.3	42.5	42.8	43.2	40.8	39.2	40.2	39.5	39.4	▲ 0.6
	Recycled Resources	40.1	35.8	36.0	25.8	29.9	26.7	32.1	25.6	28.4	30.7	39.3	33.3	▲ 5.0
	Steel,Nonferrous Metals,Mining Products	39.3	40.4	40.3	38.5	38.8	39.4	37.7	36.4	35.8	36.1	35.2	34.6	▲ 1.4
	Machinery,Equipment	45.1	45.6	45.3	43.6	43.6	43.4	43.6	42.6	41.2	41.7	40.9	41.1	▲ 1.4
	Other	42.0	42.4	41.4	40.8	41.0	41.1	41.1	39.9	39.0	39.6	39.1	38.6	▲ 0.4
	Total	41.7	42.5	41.9	41.2	41.5	41.4	41.4	40.1	39.0	39.7	39.4	38.9	▲ 1.0

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

		Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Ratio to the PrFDious Month
Retail	Food,BEWerages	42.7	45.0	44.0	44.5	44.6	41.4	43.2	39.9	40.4	43.4	42.1	38.9	38.6	▲ 0.3
	Textile,Textile Products,Clothing	37.0	38.6	38.7	36.9	40.1	36.8	32.1	34.8	31.6	33.3	35.1	32.9	32.5	▲ 0.4
	Drugs,Sundries	48.6	49.3	48.7	46.7	48.6	50.0	49.4	45.3	45.4	46.1	42.0	41.1	37.9	▲ 3.2
	Furniture	43.3	41.7	41.7	42.9	42.9	42.9	47.2	42.9	40.5	40.5	38.1	42.9	41.7	▲ 1.2
	Electrical Household Appliances, Information Machinery and Equipment	40.6	38.9	38.3	44.6	39.6	38.7	40.7	43.8	39.2	40.4	40.7	35.8	36.6	0.8
	Motor Vehicles,Motor Vehicle Parts	37.2	38.3	38.7	38.6	39.9	38.2	37.9	40.0	37.9	38.6	40.4	37.2	37.0	▲ 0.2
	Special Merchandise	38.0	39.9	41.6	40.7	39.2	39.8	38.4	40.4	39.2	37.4	38.9	37.0	37.4	0.4
	Various Merchandise	48.1	48.8	49.0	47.3	46.5	47.3	43.8	45.0	43.7	44.8	43.3	43.7	42.6	▲ 1.1
	Other	43.3	35.7	44.4	44.4	36.1	38.9	43.3	44.4	41.7	44.4	41.7	42.9	41.7	▲ 1.2
Total		40.7	41.9	42.4	42.2	41.6	40.9	40.2	41.0	39.5	40.1	40.2	38.0	37.7	▲ 0.3
Transportation,Warehousing		42.6	44.4	44.9	45.1	44.7	45.4	45.3	43.2	41.9	41.9	41.5	41.5	40.0	▲ 1.5
Service	Restaurants	48.3	47.4	51.3	45.3	49.2	46.2	44.4	47.1	42.1	43.6	43.1	42.3	40.2	▲ 2.1
	Postal,Telecommunications	50.0	47.0	53.0	59.3	57.6	53.0	51.5	58.3	54.2	50.0	59.1	52.4	46.2	▲ 6.2
	Electricity,Gas,Water,Heat	53.0	50.0	51.9	56.7	55.0	55.0	55.0	52.4	53.7	50.0	51.9	47.6	44.4	▲ 3.2
	Leasing,Rentals	47.9	48.7	49.9	48.0	48.0	49.2	49.7	48.1	46.2	47.1	45.9	46.7	45.5	▲ 1.2
	Lodging, Hotels	54.2	59.2	59.0	58.3	61.4	59.1	55.4	56.9	54.7	56.1	50.5	44.4	46.8	2.4
	Recreation	37.9	37.3	38.0	37.9	38.0	38.0	38.6	39.1	37.3	36.9	38.0	36.8	38.4	1.6
	Broadcasting	46.1	49.1	46.1	41.7	45.1	46.9	47.8	43.8	46.9	45.6	46.7	44.4	42.7	▲ 1.7
	Maintenance,Guarding,Testing	47.4	47.6	47.4	46.0	46.1	47.1	46.4	44.8	43.8	43.9	44.4	44.3	44.3	0.0
	Advertising	41.0	39.8	40.7	40.8	40.7	40.3	40.3	39.2	37.2	40.9	37.5	36.8	37.9	1.1
	Information	55.4	56.4	55.8	55.5	56.0	54.9	54.9	55.2	53.3	53.4	53.4	52.5	52.2	▲ 0.3
	Labor Dispatching	56.3	54.4	55.0	54.2	54.7	52.5	53.1	50.9	52.7	54.7	53.1	52.5	49.4	▲ 3.1
	Special Services	50.9	52.0	51.4	51.5	49.0	50.3	52.1	49.1	48.9	49.6	48.3	48.6	49.2	0.6
	Medical,Welfare,Public Health	43.3	45.3	43.6	42.8	42.3	44.1	42.2	39.9	39.2	42.5	41.5	41.4	41.5	0.1
	Education	44.4	40.6	44.1	42.1	45.0	50.8	46.7	46.3	46.8	47.4	43.0	42.2	43.9	1.7
	Other	49.5	50.9	48.5	49.3	49.2	50.1	49.0	45.9	47.5	47.1	46.7	45.7	46.8	1.1
Total		49.7	50.4	50.1	49.6	49.6	49.6	49.6	48.4	47.4	48.2	47.5	46.8	46.7	▲ 0.1
Other		41.9	42.6	40.7	41.4	42.3	41.9	43.8	40.9	39.4	38.8	37.4	37.5	37.5	0.0

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Ratio to the PrFDious Month
Hokkaido	40.9	41.8	41.8	41.8	39.3	39.8	39.4	39.0	37.9	38.6	39.2	39.6	39.4	▲ 0.2
Tohoku	45.0	46.3	46.1	45.9	45.8	45.9	45.6	43.9	43.2	43.1	43.3	41.7	42.9	1.2
kitakanto	44.8	45.0	45.2	42.6	43.3	43.8	43.0	41.1	40.3	41.5	40.8	41.2	40.0	▲ 1.2
minamikanto	46.1	46.8	46.1	45.4	45.8	45.8	45.8	44.6	43.2	43.9	43.6	43.0	42.3	▲ 0.7
Hokuriku	43.8	44.3	44.6	44.2	43.9	43.9	43.8	41.1	40.3	40.4	39.2	39.3	38.4	▲ 0.9
Tokai	45.3	46.9	46.5	46.0	46.0	45.9	46.4	45.4	43.6	43.6	43.3	42.7	41.5	▲ 1.2
Kinki	42.6	43.2	43.1	42.7	42.6	42.3	42.5	41.7	40.7	41.1	40.8	40.3	39.4	▲ 0.9
Chugoku	44.8	45.5	44.9	45.0	45.6	45.8	45.8	44.8	43.7	44.3	43.1	41.5	41.5	0.0
Shikoku	46.3	45.6	47.7	46.5	47.3	48.3	47.5	46.7	45.1	45.7	45.2	45.0	43.4	▲ 1.6
Kyushu	44.3	44.9	44.5	45.7	46.6	46.0	45.6	44.8	44.0	44.3	43.4	41.7	42.5	0.8

## Appendix

### 1. Research Subjects (Companies Researched: 23,606 ; Valid Responses 10,471 ; Response Rate 44.4%)

Appendix

#### 1. Region

Hokkaido	553	Tokai	1,188
Tohoku	652	Kinki	1,736
kitaKanto	716	Chugoku	581
minamikanto	3,382	Shikoku	334
Hokuriku	557	Kyushu	772
		Total	10,471

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

Agriculture, Forestry, Fisheries		58
Finance		136
Construction		1,507
Real Estate		277
Manufacturing 3,223	Food, Beverages, Livestock Feed	347
	Textile, Textile Products, Clothing	112
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	245
	Pulp, Paper and Paper Products	109
	Publishing, Printing	208
	Chemical	425
	Steel, Nonferrous Metals, Mining	525
	General Machinery	435
	Electrical Machinery	342
	Transportation Machinery, Equipment	96
	Precision Machinery, Medical Instruments and Equipment	78
	Others	100
Wholesale 3,959	Food, Beverages	357
	Textile, Textile Products, Clothing	183
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	363
	Paper Products, Stationery, Books	112
	Chemical	296
	Recycled Resources	40
	Steel, Nonferrous Metals, Mining Products	335
	Machinery, Equipment	939
	Others	351

Retail 480	Food, Beverages	70
	Textile, Textile Products, Clothing	38
	Drugs, Sundries	29
	Furniture	6
	Electrical Household Appliances, Information Machinery and Equipment	41
	Motor Vehicles, Motor Vehicle Parts	63
	Special Merchandise	144
	Various Merchandise	43
	Others	6
Transportation, Warehousing		471
Service 1,384	Restaurants	39
	Telecommunications	13
	Electricity, Gas, Water, Heat	6
	Leasing, Rentals	125
	Lodging, Hotels	31
	Recreation	56
	Broadcasting	16
	Maintenance, Guarding, Testing	169
	Advertising	125
	Information	430
	Labor Dispatching	57
	Special Services	211
	Medical, Welfare, Public Health	108
	Education	19
	Others	131
Others		48
Total		10,471

#### 3. Size

Large Firms	2,209	21.1%
Small to Medium-sized Firms	8,262	78.9%
micro Firms	2,595	24.8%
Total	10,471	100.0%

## 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)

## 3. Research Period and Methodology

Internet-based survey conducted June 17 – 30 2016

### 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 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 (Micro Firms included)	Micro Firms
Manufacturing and Other Industries*	Capital: More than 300 million yen and No. of Employee: Over 300	Capital: Below 300 million yen or No. of Employee: Below 300	No. of Employee: Below 20
Wholesale Trade	Capital: More than 100 million yen and No. of Employee: Over 100	Capital: Below 100 million yen or No. of Employee: Below 100	No. of Employee: Below 5
Retail Trade	Capital: More than 50 million yen and No. of Employee: Over 50	Capital: Below 50 million yen or No. of Employee: Below 50	No. of Employee: Below 5
Service**	Capital: More than 50 million yen and No. of Employee: Over 100	Capital: Below 50 million yen or 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.