

TDB Trends Research (Nationwide) - Research & Summary for October 2013

Economic DI was 46.8, with small-scaled firms producing new record high results for two months in a row

6 out of 10 regions across Japan produced new record high results, with the economic upturn also making its way into regional economies

(Companies researched: 22,766; Valid responses: 10,769; Response rate: 47.3%)

<Overview of October 2013: The economy is soaring>

The Economic DI (Economic DI: 0-100, 50 points is the threshold of assessment) in October 2013 stood at 46.8, up 0.7 points from the previous month, improving for 4 months in a row. For the first time in 7 years and 5 months, the Economic DI reached a level as high as it was in May 2006 (47.0), reaching to the seventh highest level in history.

With 6 regions across Japan producing new record high results, the improvement of the Japanese economy is also permeating into regional economies.

<Future Outlook: The economic increase will continue>

Despite the looming consumption tax rise, both the domestic and external demands remain firm; thus the Japanese economy is believed to continue to improve.

Economic DI	Oct	Nov	Dec	Jan. 2013	Feb	Mar	Apr	May	Jun
	35.5	35.3	35.7	38.0	39.8	41.3	42.4	43.0	42.5
Change from prior month	▲ 1.3	▲ 0.2	0.4	2.3	1.8	1.5	1.1	0.6	▲ 0.5
Economic DI	July	Aug	Sep	Oct	Projected future DI	After 1 month	After 3 months	After 6 months	After 1 year
	43.6	44.6	46.1	46.8		47.4	48.0	47.0	47.9
Change from prior month	1.1	1.0	1.5	0.7	Change from Oct. 2013	0.6	1.2	0.2	1.1

*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.

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By industry: 7 out of 10 industries improved, with 6 out of 51 business sectors producing new record high results.

By size: “Large” and “small”-scale firms produced new record high results for 2 months in a row.

By region: All 10 regions improved for 4 months in a row, with 6 regions producing new record high results.

Economic Diffusion Index (Economic DI)1/2

	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Ratio to the Previous Month
Total	35.5	35.3	35.7	38.0	39.8	41.3	42.4	43.0	42.5	43.6	44.6	46.1	46.8	0.7
Large Firms	38.2	38.4	38.7	41.0	42.9	44.2	45.3	46.3	45.9	47.0	48.2	49.6	50.0	0.4
Small to Medium-sized Firms	34.6	34.4	34.7	37.1	38.9	40.4	41.5	42.0	41.4	42.6	43.5	45.0	45.9	0.9
Micro Firms	34.0	33.6	33.9	36.9	38.9	40.1	41.2	41.4	41.1	42.2	43.1	45.1	45.8	0.7

	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Ratio to the Previous Month
Agriculture, Forestry, Fisheries	33.3	33.7	34.9	36.0	36.8	35.7	35.4	39.7	39.5	41.0	37.8	40.1	40.8	0.7
Finance	35.7	36.1	36.2	41.3	42.4	41.9	44.7	44.4	44.0	44.6	45.0	45.6	46.4	0.8
Construction	38.6	39.0	38.7	41.9	43.8	45.3	46.4	47.6	47.5	49.4	50.7	53.8	54.8	1.0
Real Estate	36.7	35.7	37.0	40.9	45.7	46.8	48.8	49.2	47.7	49.3	48.4	49.9	48.8	▲ 1.1
Manufacturing	Food, Beverages, Livestock Feed	33.4	32.7	33.4	34.5	35.6	36.8	38.7	38.1	38.7	39.3	39.0	40.4	▲ 0.4
	Textile, Textile Products, Clothing	33.7	33.1	35.6	36.9	37.3	38.1	39.9	37.8	37.8	40.2	39.9	40.3	0.1
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	36.4	37.0	38.2	38.9	40.3	42.7	43.4	45.3	46.5	47.4	49.6	49.9	3.2
	Pulp, Paper and Paper Products	30.2	30.8	31.1	33.3	33.0	36.0	37.0	38.2	34.9	36.0	37.3	38.6	1.4
	Publishing, Printing	29.1	29.2	28.3	29.6	31.4	32.8	32.8	33.1	31.9	32.1	31.7	33.8	0.9
	Chemical	35.0	33.3	34.1	36.4	38.0	39.9	41.0	42.6	42.1	42.4	43.9	45.0	1.5
	Steel, Nonferrous Metals, Mining	32.1	31.9	32.6	35.5	37.6	38.5	39.7	40.0	39.8	42.3	44.1	46.2	2.0
	General Machinery	34.0	33.4	32.7	36.3	39.2	39.8	40.0	41.0	40.8	42.8	44.0	46.0	0.8
	Electrical Machinery	32.6	31.8	32.8	35.8	38.2	38.4	40.1	41.9	40.2	42.3	43.3	43.7	0.9
	Transportation Machinery, Equipment	33.3	32.8	32.6	34.2	41.2	45.6	47.0	46.5	47.6	48.0	49.9	51.4	▲ 1.1
	Precision Machinery, Medical Instruments and Equipment	33.5	32.5	32.4	33.6	36.5	36.7	39.6	39.3	38.7	39.3	40.8	42.9	1.5
	Other	29.2	30.8	31.0	31.3	34.8	35.4	35.6	33.3	33.7	35.9	35.1	36.7	▲ 1.9
	Total	33.1	32.6	33.1	35.3	37.4	38.6	39.7	40.3	40.0	41.4	42.5	43.9	1.0
Wholesale	Food, Beverages	32.4	33.5	33.9	34.6	35.3	37.1	38.0	39.4	38.6	39.7	39.7	41.0	▲ 1.8
	Textile, Textile Products, Clothing	32.0	32.4	34.3	34.7	34.6	34.5	37.5	36.4	36.3	36.6	36.5	37.8	▲ 0.1
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	38.3	39.3	39.9	42.2	43.5	44.5	46.3	46.1	46.8	47.7	49.2	50.3	3.1
	Paper Products, Stationery, Books	28.0	30.2	31.7	31.8	32.3	34.3	36.3	36.5	35.3	35.2	34.9	37.2	0.4
	Chemical	35.6	35.1	34.6	35.9	36.1	38.5	39.7	41.4	40.2	41.0	41.9	43.2	0.7
	Recycled Resources	22.4	30.1	32.1	41.9	48.8	50.6	50.6	46.6	43.1	46.5	44.4	49.4	2.7
	Steel, Nonferrous Metals, Mining Products	32.6	31.6	34.0	37.3	38.2	40.2	38.7	39.9	39.0	41.4	43.4	44.9	2.9
	Machinery, Equipment	34.6	33.7	34.1	36.8	38.8	41.0	42.1	41.9	40.4	42.3	43.4	44.4	1.2
	Other	32.8	32.8	32.2	34.0	35.3	37.1	38.1	39.3	38.8	38.9	39.4	40.7	▲ 0.5
	Total	33.9	33.9	34.5	36.5	37.7	39.5	40.5	40.9	40.1	41.4	42.2	43.5	0.8

Economic Diffusion Index (Economic DI)2/2

		Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Ratio to the Previous Month
Retail	Food,Beverages	33.1	34.7	30.6	32.9	38.8	40.5	40.5	41.0	38.2	40.0	39.9	39.1	38.6	▲ 0.5
	Textile,Textile Products,Clothing	32.9	35.5	32.9	34.6	34.8	41.4	40.7	38.6	39.2	38.6	34.5	39.9	35.4	▲ 4.5
	Drugs,Sundries	42.3	44.4	47.7	49.4	45.7	44.9	44.7	50.7	44.0	46.7	45.8	46.7	50.0	3.3
	Furniture	32.1	34.7	38.9	37.5	44.4	46.2	50.0	50.0	48.8	57.4	41.7	51.5	48.6	▲ 2.9
	Electrical Household Appliances, Information Machinery and Equipment	33.8	33.3	34.1	39.5	38.7	41.7	44.1	42.1	47.5	44.1	46.1	49.2	46.2	▲ 3.0
	Motor Vehicles,Motor Vehicle Parts	36.9	31.5	32.1	41.2	42.9	49.4	43.4	47.2	43.8	45.0	47.8	47.7	47.2	▲ 0.5
	Special Merchandise	32.4	32.7	33.0	32.7	35.1	37.0	36.9	37.2	37.0	37.0	37.4	37.6	39.7	2.1
	Various Merchandise	35.8	35.3	35.5	38.4	40.5	42.8	45.5	46.9	46.2	45.7	45.4	46.5	42.7	▲ 3.8
	Other	33.3	33.3	36.7	36.7	31.0	33.3	40.5	35.7	38.9	37.5	33.3	41.7	33.3	▲ 8.4
	Total	34.2	34.2	34.0	36.3	38.4	41.2	41.1	41.9	40.9	41.1	41.1	42.4	41.7	▲ 0.7
Transportation,Warehousing		36.7	35.3	36.9	38.0	39.5	40.6	41.5	42.6	41.7	42.9	43.7	46.4	46.7	0.3
Service	Restaurants	36.0	32.4	35.4	35.7	37.8	43.5	43.8	48.0	47.5	45.2	45.6	44.3	38.9	▲ 5.4
	Postal,Telecommunications	45.2	48.7	48.7	53.8	53.0	55.0	56.4	55.0	54.5	51.7	55.6	51.7	54.5	2.8
	Electricity,Gas,Water,Heat	37.0	42.6	37.5	43.8	45.8	40.5	48.1	48.1	51.7	48.1	48.1	45.8	48.6	2.8
	Leasing,Rentals	43.3	43.7	45.2	45.3	48.4	49.9	49.6	50.7	50.7	51.2	51.6	53.5	57.0	3.5
	Lodging, Hotels	38.1	40.0	37.2	38.4	40.1	45.8	48.2	49.1	48.3	51.4	50.8	50.9	46.9	▲ 4.0
	Recreation	37.4	36.2	36.7	38.5	38.5	40.6	41.0	38.5	40.5	36.7	38.6	39.5	39.2	▲ 0.3
	Broadcasting	38.2	40.6	38.5	41.7	37.8	43.8	43.5	49.0	44.0	45.1	45.4	49.1	48.1	▲ 1.0
	Maintenance,Guarding,Testing	37.7	38.4	37.6	40.7	44.0	43.3	44.8	43.7	43.5	45.0	45.7	47.6		1.9
	Advertising	35.1	34.7	34.5	35.4	38.9	40.8	42.5	42.4	42.6	42.3	42.5	41.9	43.2	1.3
	Information	42.2	42.8	42.2	45.2	47.3	47.7	49.5	49.3	48.7	49.4	50.6	51.3	51.8	0.5
	Labor Dispatching	46.6	42.8	44.9	44.7	48.7	50.3	50.3	50.6	52.2	52.6	54.5	55.7	57.2	1.5
	Special Services	40.5	40.4	41.1	44.3	46.9	47.3	48.7	50.8	47.7	50.4	52.8	53.5	55.3	1.8
	Medical,Welfare,Public Health	41.8	41.1	40.8	45.3	45.7	48.0	49.0	48.8	47.3	45.7	46.9	45.0	47.3	2.3
	Education	42.3	40.1	38.3	46.8	46.8	45.3	48.0	47.0	46.7	46.4	47.1	42.0	43.8	1.8
	Other	41.1	40.7	39.5	42.2	42.1	44.7	44.7	46.2	46.2	47.0	47.9	49.6	48.2	▲ 1.4
Total		40.6	40.5	40.5	43.0	45.0	46.2	47.3	47.9	47.2	47.6	48.8	49.3	50.1	0.8
Other		37.4	36.0	36.2	36.7	33.8	35.7	42.3	41.5	41.4	38.9	40.1	42.8	40.6	▲ 2.2

		Oct-12	Nov-12	Dec-12	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Ratio to the Previous Month
Hokkaido		35.3	34.3	34.0	36.1	38.4	40.5	43.2	43.3	44.8	47.4	48.6	50.2	51.3	1.1
Tohoku		42.7	42.8	42.1	42.8	43.3	44.3	44.9	45.9	45.8	45.9	46.9	49.0	50.1	1.1
kitakanto		32.4	31.4	32.7	34.1	37.1	38.3	39.9	41.4	40.1	42.8	43.0	44.0	44.9	0.9
minamikanto		36.6	36.5	37.1	39.4	41.3	42.5	43.5	44.2	43.5	44.1	44.8	46.4	46.6	0.2
Hokuriku		34.2	34.6	34.2	36.9	38.4	40.3	42.0	43.5	42.8	45.2	45.7	47.9	48.3	0.4
Tokai		34.9	34.2	34.6	37.4	39.8	41.5	42.8	44.2	43.0	44.4	45.4	46.7	47.2	0.5
Kinki		33.9	33.8	34.3	36.7	38.5	39.7	40.6	40.5	40.0	40.9	42.2	43.4	44.7	1.3
Chugoku		33.0	33.1	32.6	36.2	37.2	39.4	40.4	40.4	40.2	41.7	43.1	44.7	46.5	1.8
Shikoku		34.6	34.8	36.4	38.4	39.8	39.7	41.0	41.2	41.2	42.2	43.4	44.5	45.5	1.0
Kyushu		35.2	36.0	36.0	39.0	40.5	42.6	42.6	43.0	42.5	43.7	45.4	46.8	47.8	1.0

Appendix

1. Research Subjects(Corporations: 22,766

Valid responses:10,769,Response rate:47.3%)

1.Region

Hokkaido	558	Tokai	1,209
Tohoku	628	Kinki	1,796
kitaKanto	705	Chugoku	650
minamikanto	3,521	Shikoku	313
Hokuriku	555	Kyushu	834
Total		10,769	

2.Industry (10 Industries 51 Lines of business)

Agriculture,Forestry,Fisheries		60
Finance		122
Construction		1,405
Real Estate		268
Manufacturing 3,223	Food,Beverages,Livestock Feed	387
	Textile,Textile Products,Clothing	122
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	255
	Pulp, Paper and Paper Products	115
	Publishing,Printing	207
	Chemical	428
	Steel,Nonferrous Metals,Mining	561
	General Machinery	473
	Electrical Machinery	394
	Transportation Machinery,Equipment	116
Wholesale 3,959	Precision Machinery,Medical Instruments and Equipment	83
	Others	90
	Food,Beverages	409
	Textile,Textile Products,Clothing	214
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	375
	Paper Products,Stationery,Books	113
	Chemical	324
	Recycled Resources	32
	Steel,Nonferrous Metals,Mining Products	342
	Machinery,Equipment	970
	Others	385

3.Size

Large Firms	2,497	23.2%
Small to Medium-sized Firms	8,272	76.8%
micro Firms	2,405	22.3%
Total	10,769	45.5%

Retail 480	Food,Beverages	73
	Textile,Textile Products,Clothing	41
	Drugs,Sundries	26
	Furniture	12
	Electrical Household Appliances,Information Machinery and Equipment	35
	Motor Vehicles,Motor Vehicle Parts	54
	Special Merchandise	141
	Various Merchandise	50
	Others	3
Transportation,Warehousing		446
Service 1,384	Restaurants	36
	Telecommunications	11
	Electricity,Gas,Water,Heat	12
	Leasing,Rentals	134
	Lodging, Hotels	38
	Recreation	57
	Broadcasting	18
	Maintenance,Guarding,Testing	150
	Advertising	139
	Information	480
	Labor Dispatching	65
	Special Services	207
	Medical,Welfare,Public Health	104
	Education	24
	Others	131
Others		32
Total		10,769

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 October 21 – 31, 2013

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.