

TDB Economic Trends Research (Research & Summary for January 2013)

Economic DI was 38.0, up 2.3 points from the previous month, improving for the second consecutive month

- The domestic economy is showing signs of recovery amidst growing expectations for economic policies. –

e-mail : keiki@mail.tdb.co.jp

< Overview of January 2013 Signs of recovery >

The Economic DI (Economic DI: 0 - 100, 50 points is the threshold of assessment) in January 2013 stood at 38.0, up 2.3 points from a month earlier, improving for the second consecutive month. The improvement was the largest since July 2011, immediately after the earthquake disaster.

With expectations for economic policies growing, the domestic economy is showing signs of recovery.

< Future Outlook Moderate recovery >

The projected DI was up 2.6 points from January to 40.6 for “one month later,” up 4.1 points to 42.1 for “three months later,” and up 5.7 points to 43.7 for “six months later.” A moderate recovery is expected for the domestic economy, which is now preceded by a sense of anticipation.

By Industry: All 10 industries improved together for the first time in 10 months.

By Size: “Large firms” improved for the third consecutive month, and “small-to-mid,” and “micro” firms improved for the second consecutive month.

By Region: All 10 regions improved together for the first time in 10 months.

| | | | | | | | | | |
|-------------------------|-----------|-------|------|-----------|-----------------------|---------------|----------------|----------------|--------------|
| Economic DI | Jan. 2012 | Feb | Mar | Apr | May | June | July | Aug | Sep |
| | 35.9 | 36.3 | 38.3 | 38.5 | 38.2 | 37.6 | 37.9 | 37.7 | 36.8 |
| Change from prior month | 0.2 | 0.4 | 2.0 | 0.2 | ▲ 0.3 | ▲ 0.6 | 0.3 | ▲ 0.2 | ▲ 0.9 |
| Economic DI | Oct. 2012 | Nov | Dec | Jan. 2013 | Projected future DI | After 1 month | After 3 months | After 6 months | After 1 year |
| | 35.5 | 35.3 | 35.7 | 38.0 | | 40.6 | 42.1 | 43.7 | 42.8 |
| Change from prior month | ▲ 1.3 | ▲ 0.2 | 0.4 | 2.3 | Change from Jan. 2013 | 2.6 | 4.1 | 5.7 | 4.8 |

*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.

Economic Diffusion Index (Economic DI)1/2

| | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Ratio to the Previous Month |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Total | 35.9 | 36.3 | 38.3 | 38.5 | 38.2 | 37.6 | 37.9 | 37.7 | 36.8 | 35.5 | 35.3 | 35.7 | 38.0 | 2.3 |
| Large Firms | 38.1 | 38.7 | 40.8 | 41.2 | 40.8 | 40.3 | 40.8 | 40.3 | 39.5 | 38.2 | 38.4 | 38.7 | 41.0 | 2.3 |
| Small to Medium-sized Firms | 35.1 | 35.6 | 37.5 | 37.7 | 37.4 | 36.8 | 37.1 | 36.9 | 36.0 | 34.6 | 34.4 | 34.7 | 37.1 | 2.4 |
| Micro Firms | 33.0 | 33.7 | 35.2 | 35.4 | 34.8 | 34.8 | 35.4 | 35.2 | 35.0 | 34.0 | 33.6 | 33.9 | 36.9 | 3.0 |

| | | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Ratio to the Previous Month |
|--------------------------------|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Agriculture,Forestry,Fisheries | | 33.3 | 35.3 | 35.8 | 36.4 | 35.0 | 34.8 | 34.5 | 35.8 | 35.2 | 33.3 | 33.7 | 34.9 | 36.0 | 1.1 |
| Finance | | 35.6 | 35.6 | 38.6 | 38.8 | 37.6 | 38.0 | 37.7 | 37.7 | 37.5 | 35.7 | 36.1 | 36.2 | 41.3 | 5.1 |
| Construction | | 33.6 | 34.6 | 35.7 | 35.7 | 35.5 | 36.2 | 37.2 | 38.0 | 38.1 | 38.6 | 39.0 | 38.7 | 41.9 | 3.2 |
| Real Estate | | 34.7 | 36.5 | 38.6 | 38.2 | 37.9 | 38.2 | 39.2 | 38.5 | 38.3 | 36.7 | 35.7 | 37.0 | 40.9 | 3.9 |
| Manufacturing | Food,Beverages,Livestock Feed | 34.2 | 33.8 | 36.7 | 36.7 | 36.6 | 35.2 | 34.5 | 33.8 | 34.7 | 33.4 | 32.7 | 33.4 | 34.5 | 1.1 |
| | Textile,Textile Products,Clothing | 37.6 | 38.0 | 38.9 | 39.9 | 39.4 | 37.9 | 37.9 | 35.9 | 36.0 | 33.7 | 33.1 | 35.6 | 36.9 | 1.3 |
| | Construction Materials,Furniture, Ceramics,Stone and Clay Products | 35.3 | 34.0 | 36.0 | 35.9 | 34.9 | 34.5 | 36.4 | 35.6 | 37.9 | 36.4 | 37.0 | 38.2 | 38.9 | 0.7 |
| | Pulp, Paper and Paper Products | 34.0 | 31.9 | 34.6 | 36.5 | 34.2 | 34.2 | 33.6 | 34.7 | 32.7 | 30.2 | 30.8 | 31.1 | 33.3 | 2.2 |
| | Publishing,Printing | 27.2 | 28.5 | 31.8 | 30.8 | 30.5 | 29.3 | 28.5 | 29.6 | 28.6 | 29.1 | 29.2 | 28.3 | 29.6 | 1.3 |
| | Chemical | 37.0 | 37.2 | 39.1 | 39.3 | 39.7 | 39.7 | 39.2 | 39.2 | 36.4 | 35.0 | 33.3 | 34.1 | 36.4 | 2.3 |
| | Steel,Nonferrous Metals,Mining | 38.6 | 37.4 | 39.2 | 39.2 | 38.4 | 37.7 | 38.0 | 37.2 | 35.6 | 32.1 | 31.9 | 32.6 | 35.5 | 2.9 |
| | General Machinery | 40.2 | 39.9 | 42.4 | 42.4 | 41.3 | 39.3 | 38.6 | 37.8 | 36.4 | 34.0 | 33.4 | 32.7 | 36.3 | 3.6 |
| | Electrical Machinery | 35.2 | 36.7 | 38.7 | 38.2 | 38.7 | 37.6 | 38.2 | 37.2 | 34.8 | 32.6 | 31.8 | 32.8 | 35.8 | 3.0 |
| | Transportation Machinery,Equipment | 43.4 | 42.8 | 47.2 | 48.0 | 48.2 | 44.9 | 44.4 | 43.1 | 40.5 | 33.3 | 32.8 | 32.6 | 34.2 | 1.6 |
| | Precision Machinery, Medical Instruments and Equipment | 36.6 | 39.3 | 40.7 | 38.5 | 37.1 | 39.5 | 39.7 | 39.4 | 36.2 | 33.5 | 32.5 | 32.4 | 33.6 | 1.2 |
| | Other | 27.5 | 29.9 | 33.0 | 33.0 | 33.7 | 30.8 | 33.5 | 32.1 | 32.2 | 29.2 | 30.8 | 31.0 | 31.3 | 0.3 |
| | Total | | 36.2 | 36.2 | 38.5 | 38.4 | 38.0 | 37.0 | 37.0 | 36.5 | 35.4 | 33.1 | 32.6 | 33.1 | 35.3 |
| Wholesale | Food,Beverages | 33.4 | 33.5 | 36.1 | 36.0 | 36.8 | 36.0 | 36.2 | 35.2 | 34.1 | 32.4 | 33.5 | 33.9 | 34.6 | 0.7 |
| | Textile,Textile Products,Clothing | 33.3 | 33.3 | 34.4 | 37.1 | 37.2 | 34.2 | 33.8 | 34.4 | 31.8 | 32.0 | 32.4 | 34.3 | 34.7 | 0.4 |
| | Construction Materials, Furniture,Ceramics, Stone and Clay Products | 35.0 | 35.1 | 36.1 | 35.9 | 35.4 | 35.3 | 36.9 | 37.6 | 37.3 | 38.3 | 39.3 | 39.9 | 42.2 | 2.3 |
| | Paper Products,Stationery,Books | 30.9 | 28.9 | 34.0 | 35.2 | 32.6 | 32.8 | 32.2 | 30.9 | 32.8 | 28.0 | 30.2 | 31.7 | 31.8 | 0.1 |
| | Chemical | 36.4 | 36.5 | 38.7 | 38.9 | 39.1 | 38.0 | 38.5 | 37.6 | 36.7 | 35.6 | 35.1 | 34.6 | 35.9 | 1.3 |
| | Recycled Resources | 31.5 | 37.2 | 33.3 | 38.7 | 36.7 | 32.2 | 29.0 | 35.1 | 27.0 | 22.4 | 30.1 | 32.1 | 41.9 | 9.8 |
| | Steel,Nonferrous Metals, Mining Products | 36.5 | 36.1 | 38.2 | 38.7 | 35.9 | 35.7 | 35.2 | 35.7 | 33.6 | 32.6 | 31.6 | 34.0 | 37.3 | 3.3 |
| | Machinery, Equipment | 36.2 | 37.7 | 40.1 | 40.3 | 38.7 | 38.8 | 38.8 | 37.9 | 36.9 | 34.6 | 33.7 | 34.1 | 36.8 | 2.7 |
| | Other | 34.2 | 35.0 | 35.7 | 36.6 | 37.6 | 36.1 | 36.0 | 35.5 | 34.1 | 32.8 | 32.8 | 32.2 | 34.0 | 1.8 |
| Total | | 35.1 | 35.6 | 37.6 | 38.1 | 37.4 | 36.7 | 36.8 | 36.4 | 35.3 | 33.9 | 33.9 | 34.5 | 36.5 | 2.0 |

Economic Diffusion Index (Economic DI)2/2

| | | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Ratio to the Previous Month |
|----------------------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Retail | Food,Beverages | 33.1 | 34.5 | 37.3 | 38.2 | 36.4 | 38.0 | 35.5 | 37.2 | 36.7 | 33.1 | 34.7 | 30.6 | 32.9 | 2.3 |
| | Textile,Textile Products,Clothing | 36.5 | 34.8 | 38.0 | 36.5 | 40.7 | 35.6 | 34.2 | 34.0 | 32.2 | 32.9 | 35.5 | 32.9 | 34.6 | 1.7 |
| | Drugs,Sundries | 45.4 | 49.2 | 45.3 | 47.9 | 46.7 | 43.1 | 45.3 | 45.8 | 43.8 | 42.3 | 44.4 | 47.7 | 49.4 | 1.7 |
| | Furniture | 37.5 | 37.5 | 39.6 | 38.5 | 40.0 | 36.5 | 42.4 | 39.3 | 36.1 | 32.1 | 34.7 | 38.9 | 37.5 | ▲ 1.4 |
| | Electrical Household Appliances, Information Machinery and Equipment | 36.8 | 38.8 | 40.9 | 38.2 | 42.1 | 38.2 | 38.9 | 41.1 | 40.4 | 33.8 | 33.3 | 34.1 | 39.5 | 5.4 |
| | Motor Vehicles,Motor Vehicle Parts | 41.9 | 48.2 | 51.5 | 46.7 | 45.5 | 46.6 | 46.0 | 40.8 | 41.5 | 36.9 | 31.5 | 32.1 | 41.2 | 9.1 |
| | Special Merchandise | 32.5 | 33.3 | 32.3 | 34.7 | 35.0 | 34.9 | 35.3 | 33.6 | 33.0 | 32.4 | 32.7 | 33.0 | 32.7 | ▲ 0.3 |
| | Various Merchandise | 36.5 | 37.7 | 39.7 | 41.2 | 39.1 | 36.7 | 39.7 | 37.1 | 36.3 | 35.8 | 35.3 | 35.5 | 38.4 | 2.9 |
| | Other | 37.5 | 44.4 | 30.0 | 33.3 | 25.0 | 30.6 | 46.7 | 47.6 | 36.1 | 33.3 | 33.3 | 36.7 | 36.7 | 0.0 |
| | Total | 35.7 | 37.5 | 38.5 | 38.9 | 39.0 | 38.1 | 38.3 | 37.3 | 36.4 | 34.2 | 34.2 | 34.0 | 36.3 | 2.3 |
| Transportation,Warehousing | | 37.8 | 36.5 | 38.7 | 39.8 | 39.5 | 38.1 | 39.2 | 39.5 | 37.6 | 36.7 | 35.3 | 36.9 | 38.0 | 1.1 |
| Service | Restaurants | 32.3 | 35.0 | 39.4 | 37.1 | 36.5 | 40.6 | 39.6 | 41.7 | 39.6 | 36.0 | 32.4 | 35.4 | 35.7 | 0.3 |
| | Postal,Telecommunications | 45.8 | 51.4 | 47.6 | 47.2 | 51.5 | 52.1 | 47.0 | 53.0 | 50.0 | 45.2 | 48.7 | 48.7 | 53.8 | 5.1 |
| | Electricity,Gas,Water,Heat | 43.8 | 42.9 | 41.7 | 43.8 | 47.9 | 45.8 | 40.0 | 35.4 | 41.7 | 37.0 | 42.6 | 37.5 | 43.8 | 6.3 |
| | Leasing,Rentals | 41.8 | 41.1 | 43.3 | 40.9 | 46.1 | 43.6 | 44.2 | 43.6 | 43.8 | 43.3 | 43.7 | 45.2 | 45.3 | 0.1 |
| | Lodging, Hotels | 31.9 | 29.8 | 38.9 | 41.5 | 41.4 | 41.7 | 42.4 | 42.2 | 41.7 | 38.1 | 40.0 | 37.2 | 38.4 | 1.2 |
| | Recreation | 32.5 | 32.8 | 35.9 | 38.5 | 38.1 | 35.5 | 33.3 | 36.1 | 35.0 | 37.4 | 36.2 | 36.7 | 38.5 | 1.8 |
| | Broadcasting | 39.5 | 40.6 | 40.7 | 46.1 | 43.1 | 45.1 | 39.2 | 40.2 | 41.2 | 38.2 | 40.6 | 38.5 | 41.7 | 3.2 |
| | Maintenance,Guarding,Testing | 36.0 | 37.0 | 38.2 | 37.0 | 37.8 | 39.4 | 38.1 | 38.9 | 39.7 | 37.7 | 38.4 | 37.6 | 40.7 | 3.1 |
| | Advertising | 34.1 | 35.1 | 36.6 | 37.4 | 38.3 | 37.2 | 37.3 | 36.1 | 35.9 | 35.1 | 34.7 | 34.5 | 35.4 | 0.9 |
| | Information | 40.5 | 41.8 | 43.1 | 43.7 | 43.3 | 43.5 | 43.9 | 43.7 | 42.5 | 42.2 | 42.8 | 42.2 | 45.2 | 3.0 |
| | Labor Dispatching | 48.8 | 49.1 | 48.0 | 52.0 | 51.1 | 51.9 | 49.2 | 50.0 | 48.8 | 46.6 | 42.8 | 44.9 | 44.7 | ▲ 0.2 |
| | Special Services | 37.0 | 38.2 | 41.7 | 40.6 | 41.6 | 40.0 | 41.2 | 41.6 | 41.1 | 40.5 | 40.4 | 41.1 | 44.3 | 3.2 |
| | Medical,Welfare,Public Health | 40.8 | 41.2 | 42.6 | 44.7 | 44.0 | 42.4 | 43.5 | 43.8 | 43.4 | 41.8 | 41.1 | 40.8 | 45.3 | 4.5 |
| | Education | 38.6 | 44.2 | 43.2 | 43.8 | 42.3 | 38.2 | 41.0 | 43.2 | 39.3 | 42.3 | 40.1 | 38.3 | 46.8 | 8.5 |
| | Other | 39.5 | 39.7 | 43.0 | 44.7 | 43.9 | 44.0 | 44.3 | 42.8 | 42.9 | 41.1 | 40.7 | 39.5 | 42.2 | 2.7 |
| | Total | 38.7 | 39.5 | 41.6 | 41.9 | 42.4 | 41.9 | 42.0 | 42.1 | 41.5 | 40.6 | 40.5 | 40.5 | 43.0 | 2.5 |
| Other | | 33.3 | 33.3 | 34.4 | 37.2 | 33.9 | 35.8 | 40.0 | 35.6 | 38.7 | 37.4 | 36.0 | 36.2 | 36.7 | 0.5 |

| | | Jan-12 | Feb-12 | Mar-12 | Apr-12 | May-12 | Jun-12 | Jul-12 | Aug-12 | Sep-12 | Oct-12 | Nov-12 | Dec-12 | Jan-13 | Ratio to the Previous Month |
|-------------|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Hokkaido | | 30.3 | 30.4 | 31.6 | 32.6 | 33.0 | 33.5 | 35.1 | 35.0 | 35.2 | 35.3 | 34.3 | 34.0 | 36.1 | 2.1 |
| Tohoku | | 41.5 | 41.5 | 43.1 | 44.4 | 43.7 | 43.3 | 44.9 | 44.2 | 43.5 | 42.7 | 42.8 | 42.1 | 42.8 | 0.7 |
| kitakanto | | 34.5 | 35.5 | 37.1 | 37.5 | 37.0 | 36.2 | 36.4 | 35.5 | 34.8 | 32.4 | 31.4 | 32.7 | 34.1 | 1.4 |
| minamikanto | | 36.8 | 37.6 | 39.9 | 40.1 | 39.7 | 38.9 | 39.1 | 38.9 | 37.9 | 36.6 | 36.5 | 37.1 | 39.4 | 2.3 |
| Hokuriku | | 35.0 | 35.8 | 38.0 | 37.9 | 37.2 | 37.3 | 37.7 | 37.5 | 36.5 | 34.2 | 34.6 | 34.2 | 36.9 | 2.7 |
| Tokai | | 37.4 | 37.6 | 39.9 | 40.1 | 39.7 | 38.7 | 39.4 | 39.3 | 37.3 | 34.9 | 34.2 | 34.6 | 37.4 | 2.8 |
| Kinki | | 34.6 | 35.0 | 36.9 | 37.1 | 36.8 | 36.3 | 36.2 | 36.3 | 35.2 | 33.9 | 33.8 | 34.3 | 36.7 | 2.4 |
| Chugoku | | 33.9 | 33.5 | 34.7 | 35.2 | 34.9 | 34.3 | 33.5 | 33.9 | 33.1 | 33.0 | 33.1 | 32.6 | 36.2 | 3.6 |
| Shikoku | | 35.4 | 36.4 | 37.3 | 36.2 | 36.3 | 36.6 | 36.1 | 35.9 | 35.1 | 34.6 | 34.8 | 36.4 | 38.4 | 2.0 |
| Kyushu | | 35.4 | 35.4 | 37.4 | 36.9 | 36.7 | 36.4 | 36.6 | 36.0 | 36.5 | 35.2 | 36.0 | 36.0 | 39.0 | 3.0 |

Survey on Corporate Attitudes towards Wage Trends in Fiscal 2013

**A slightly higher percentage of firms, 39.3%,
expect to see wage improvement.**

The percentage of firms to “increase their wage levels” or “pay bonuses” has been unchanged for three years.

Amid the continuing severe environment for employment and wages, the Abe administration is targeting a departure from deflation as a top priority policy challenge, thus drawing attention to the trend of wage improvement. Approved by the cabinet on January 29, the 2013 Large Package of Tax Revisions outlines more specific tax breaks for the expansion of employment and income.

Teikoku Databank conducted a survey on corporate attitudes towards wage trends in fiscal 2013 along with the TDB Economic Trends Research for February 2013.

Key points of survey results

1. 39.3% of companies expect wage improvement in fiscal 2013, which is only 1.8 points higher than last year’s level.
2. Specific wage improvements are: a 32.0% increase in base pay, and a 21.0% bonus (lump-sum). The percentage of companies expecting to implement such improvements has remained almost the same for the three years since fiscal 2011.
3. Reasons for implementing wage improvement: “To secure a stable workforce” ranked top. “Business expansion” exceeded 50%.
The top reason for not improving wages was “weak company performance.”
4. Despite the tax breaks aimed at expanding employment and income, only 23.6% of firms will “reflect the impact” in their salaries.

Appendix

1. Research Subjects(Corporations: 22,972

Valid responses:10,461,Response rate:45.5%)

1.Region

| | | | |
|-------------|-------|---------|-------|
| Hokkaido | 553 | Tokai | 1,140 |
| Tohoku | 608 | Kinki | 1,737 |
| kitaKanto | 669 | Chugoku | 622 |
| minamikanto | 3,428 | Shikoku | 346 |
| Hokuriku | 538 | Kyushu | 820 |
| Total | | 10,461 | |

2.Industry (10 Industries 51 Lines of business)

| | | |
|--------------------------------|---|-------|
| Agriculture,Forestry,Fisheries | | 44 |
| Finance | | 122 |
| Construction | | 1,427 |
| Real Estate | | 256 |
| Manufacturing 3,223 | Food,Beverages,Livestock Feed | 350 |
| | Textile,Textile Products,Clothing | 117 |
| | Construction Materials,Furniture,Ceramics,Stone and Clay Products | 235 |
| | Pulp, Paper and Paper Products | 106 |
| | Publishing,Printing | 188 |
| | Chemical | 407 |
| | Steel,Nonferrous Metals,Mining | 535 |
| | General Machinery | 455 |
| | Electrical Machinery | 363 |
| | Transportation Machinery,Equipment | 100 |
| Wholesale 3,959 | Precision Machinery,Medical Instruments and Equipment | 75 |
| | Others | 91 |
| | Food,Beverages | 397 |
| | Textile,Textile Products,Clothing | 223 |
| | Construction Materials,Furniture,Ceramics,Stone and Clay Products | 382 |
| | Paper Products,Stationery,Books | 122 |
| | Chemical | 327 |
| | Recycled Resources | 31 |
| | Steel,Nonferrous Metals,Mining Products | 345 |
| | Machinery,Equipment | 1,005 |
| | Others | 384 |

| | | |
|----------------------------|---|--------|
| Retail 480 | Food,Beverages | 86 |
| | Textile,Textile Products,Clothing | 38 |
| | Drugs,Sundries | 26 |
| | Furniture | 12 |
| | Electrical Household Appliances,Information Machinery and Equipment | 38 |
| | Motor Vehicles,Motor Vehicle Parts | 51 |
| | Special Merchandise | 142 |
| | Various Merchandise | 53 |
| | Others | 5 |
| Transportation,Warehousing | | 397 |
| Service 1,384 | Restaurants | 35 |
| | Telecommunications | 13 |
| | Electricity,Gas,Water,Heat | 8 |
| | Leasing,Rentals | 137 |
| | Lodging, Hotels | 36 |
| | Recreation | 58 |
| | Broadcasting | 16 |
| | Maintenance,Guarding,Testing | 141 |
| | Advertising | 121 |
| | Information | 406 |
| | Labor Dispatching | 57 |
| | Special Services | 201 |
| Others | Medical,Welfare,Public Health | 106 |
| | Education | 26 |
| | Others | 130 |
| Total | | 10,461 |

3.Size

| | | |
|-----------------------------|--------|-------|
| Large Firms | 2,444 | 23.4% |
| Small to Medium-sized Firms | 8,017 | 76.6% |
| micro Firms | 2,402 | 23.0% |
| Total | 10,461 | 46.3% |

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 January 21 to 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.