

Japanese economy feels more stagnant

Lack of economic revival will persist as internal and external risks increase

(Companies Researched: 23,442; Valid Responses: 10,867; Response Rate: 46.4%; Survey Start Date: May 2002)

<Overview of June 2015: Stagnation>

The Economic DI (Economic DI: 50 points is the threshold of assessment) in June 2015 decreased by 0.6 point compared to the previous month and stood at 44.7, dropping for the first time in two months.

Elements of downward pressure include concerns over Greece's default, increase in fuel price, and decrease in public works, in addition to poor weather triggered by heavy rain.

The Japanese economy feels more stagnant due to various concerns both in and outside of the country.

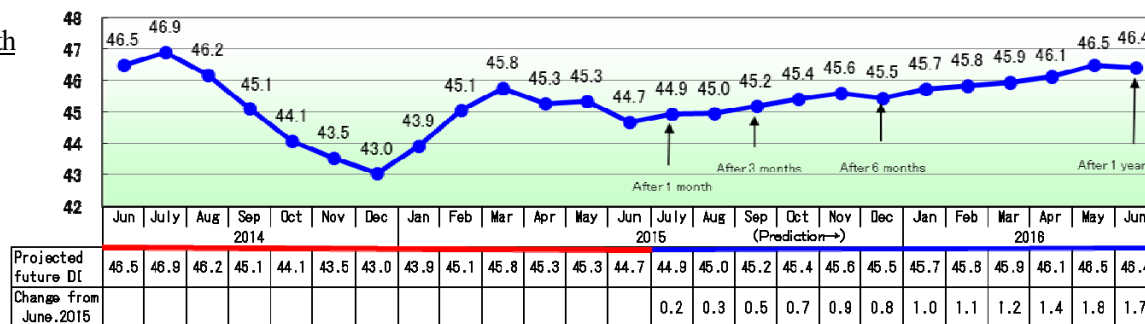
<Future Outlook: Mostly remain flat>

Japanese economy will likely face persistent stagnation, due to increasing risks of both internal and external nature.

By industry: 8 out of 10 industries decline; “wholesale” responsible for the 0.23 point drop throughout

By size: Downturn in all sizes for the first time in 6 months

By region : 9 out of 10 regions decline; “Kyushu” suffering significantly due to decreasing public works and heavy rain



*: 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

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Ratio to the PrFCious Month
Total	46.2	46.5	46.9	46.2	45.1	44.1	43.5	43.0	43.9	45.1	45.8	45.3	45.3	44.7	▲ 0.6
Large Firms	49.3	50.0	49.7	49.2	48.1	47.5	46.9	46.6	47.1	48.0	48.6	48.9	49.2	48.4	▲ 0.8
Small to Medium-sized Firms	45.3	45.4	46.1	45.3	44.3	43.1	42.6	42.0	43.0	44.2	45.0	44.3	44.3	43.6	▲ 0.7
Micro Firms	45.0	45.0	45.3	44.7	44.0	42.5	42.1	41.6	42.3	43.4	44.3	43.1	43.2	43.1	▲ 0.1

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Ratio to the PrFCious Month
Agriculture,Forestry,Fisheries	40.7	43.0	45.1	40.9	42.1	41.8	38.6	39.5	41.3	40.0	44.0	43.7	45.0	41.9	▲ 3.1
Finance	46.6	47.5	49.2	47.9	47.1	44.9	45.3	45.2	45.1	44.7	48.0	48.1	47.4	49.2	1.8
Construction	51.7	52.7	53.5	53.2	52.8	51.6	51.0	50.3	50.4	50.4	50.8	49.3	48.6	47.7	▲ 0.9
Real Estate	48.3	48.8	47.4	46.8	47.0	45.2	43.6	44.1	45.1	47.2	48.8	48.8	49.6	49.1	▲ 0.5
Manufacturing	Food,BEWerages,Livestock Feed	40.4	40.4	39.9	39.8	39.5	39.0	36.8	37.5	37.2	39.8	43.1	42.1	44.3	▲ 1.2
	Textile,Textile Products,Clothing	43.1	41.1	41.8	42.0	39.8	39.4	36.8	38.1	36.8	39.7	37.6	40.2	41.7	▲ 2.3
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	47.5	47.0	45.0	44.6	43.3	44.0	44.1	43.3	43.2	41.9	42.1	40.3	40.3	▲ 0.6
	Pulp, Paper and Paper Products	40.5	38.7	39.4	36.2	36.1	36.7	36.1	36.3	34.8	37.3	39.3	39.8	40.0	▲ 1.0
	Publishing,Printing	35.3	34.8	34.9	33.7	33.1	31.5	31.5	31.0	31.8	33.5	34.1	34.6	34.1	▲ 0.6
	Chemical	46.7	45.6	46.6	45.8	43.4	42.4	42.9	43.3	43.2	44.5	44.6	44.1	44.4	▲ 0.5
	Steel,Nonferrous Metals,Mining	47.4	48.1	48.7	49.1	46.8	45.3	44.4	42.8	44.8	46.8	45.2	43.9	43.0	▲ 0.1
	General Machinery	52.3	52.7	53.8	52.2	51.7	50.5	50.0	48.6	49.6	51.5	52.6	52.5	51.6	▲ 0.3
	Electrical Machinery	48.1	48.8	49.9	47.3	46.2	46.1	45.9	45.8	47.3	48.4	49.7	47.7	47.3	0.1
	Transportation Machinery,Equipment	50.2	51.7	52.8	53.4	50.7	48.2	48.0	47.7	47.4	50.3	50.4	51.1	47.8	1.9
	Precision Machinery,Medical Instruments and Equipment	45.2	47.7	48.2	49.3	48.1	46.6	45.4	45.0	47.9	48.9	49.2	47.8	49.8	▲ 0.4
	Other	38.0	37.8	39.2	39.3	38.3	37.9	38.4	35.2	35.4	38.7	38.7	37.1	40.7	▲ 2.9
	Total	45.9	45.9	46.3	45.6	44.2	43.4	42.9	42.3	43.0	44.6	45.1	44.4	44.5	▲ 0.5
Wholesale	Food,BEWerages	41.3	41.4	41.0	39.6	39.9	39.0	37.1	37.6	38.3	39.7	40.6	42.6	42.9	0.1
	Textile,Textile Products,Clothing	37.7	36.8	36.7	35.9	35.3	34.3	30.7	30.2	31.1	32.2	33.3	35.5	37.0	▲ 2.2
	Construction Materials,Furniture,Ceramics,Stone and Clay Products	46.8	44.3	44.3	42.9	41.5	41.0	39.5	39.3	39.0	40.5	40.2	38.2	38.7	▲ 0.6
	Paper Products,Stationery,Books	37.0	36.0	35.9	34.6	33.8	32.9	33.5	31.8	33.2	35.1	37.7	37.3	38.1	▲ 3.6
	Chemical	41.9	43.5	43.4	42.8	40.8	40.6	40.0	37.8	38.9	41.2	41.8	42.5	43.0	0.1
	Recycled Resources	48.7	50.0	47.3	47.3	46.1	37.8	40.4	40.8	39.0	38.5	39.3	39.7	42.3	▲ 2.2
	Steel,Nonferrous Metals,Mining Products	44.2	44.4	46.0	44.9	43.5	43.2	43.8	42.1	43.9	43.5	43.2	41.2	40.3	▲ 1.0
	Machinery,Equipment	45.8	46.6	47.6	46.7	44.9	43.9	43.6	43.2	44.8	46.0	47.3	46.7	46.3	▲ 1.2
	Other	40.5	40.3	40.4	40.2	38.5	36.7	37.1	35.1	37.5	38.5	40.7	40.9	41.8	0.2
	Total	43.3	43.4	43.8	42.9	41.5	40.6	40.0	39.1	40.4	41.5	42.5	42.3	42.5	▲ 0.8

Economic Diffusion Index (Economic DI)2/2

		May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Ratio to the PrFCious Month
Retail	Food,BEWerages	40.8	40.8	39.1	40.7	39.3	36.8	34.7	34.5	36.8	38.2	39.4	39.3	41.6	42.7	1.1
	Textile,Textile Products,Clothing	37.7	37.3	36.3	36.2	38.2	36.7	32.0	30.8	30.7	32.3	34.8	38.0	40.2	37.0	▲ 3.2
	Drugs,Sundries	40.7	44.3	40.8	40.7	41.7	41.1	42.6	38.9	44.6	45.3	46.0	48.1	48.0	48.6	0.6
	Furniture	31.7	33.3	28.8	30.6	37.0	22.7	27.3	26.4	28.8	33.3	27.8	35.0	40.0	43.3	3.3
	Electrical Household Appliances, Information Machinery and Equipment	38.4	37.4	39.7	37.4	36.1	36.2	36.0	34.3	39.3	39.0	43.2	38.4	41.5	40.6	▲ 0.9
	Motor Vehicles,Motor Vehicle Parts	30.9	30.7	32.1	34.4	33.0	30.1	31.8	28.7	37.8	40.7	38.8	36.5	39.9	37.2	▲ 2.7
	Special Merchandise	35.2	35.7	36.2	36.8	36.2	36.3	36.0	39.2	41.4	43.7	42.3	39.4	40.5	38.0	▲ 2.5
	Various Merchandise	43.3	45.0	42.1	41.7	41.8	41.2	39.1	40.5	42.6	41.0	40.6	47.1	49.7	48.1	▲ 1.6
	Other	33.3	27.8	36.7	43.3	37.5	40.0	40.0	41.7	33.3	36.7	38.9	41.7	36.1	43.3	7.2
	Total	37.3	37.8	37.3	37.8	37.5	36.3	35.5	35.9	39.1	40.5	40.5	40.2	42.1	40.7	▲ 1.4
Transportation,Warehousing		46.3	45.1	44.9	45.8	43.7	43.7	44.8	43.8	43.7	44.8	44.9	44.8	44.8	42.6	▲ 2.2
Service	Restaurants	46.9	49.5	49.1	48.7	46.7	42.6	45.1	39.9	44.6	45.2	49.2	50.0	49.6	48.3	▲ 1.3
	Postal,Telecommunications	45.8	50.0	53.3	50.0	50.0	46.3	48.1	50.0	56.3	53.7	48.3	54.2	53.7	50.0	▲ 3.7
	Electricity,Gas,Water,Heat	53.7	50.0	51.7	48.3	50.0	46.3	43.8	44.4	50.0	50.0	48.3	55.0	53.7	53.0	▲ 0.7
	Leasing,Rentals	54.3	52.7	53.8	51.7	51.8	49.7	49.9	49.1	50.9	50.0	49.3	49.6	47.9	47.9	0.0
	Lodging, Hotels	45.2	47.5	47.7	44.4	46.2	46.3	47.0	47.6	47.7	49.5	48.6	51.4	53.1	54.2	1.1
	Recreation	38.0	37.6	38.3	39.5	39.4	39.5	36.4	36.5	34.4	40.0	45.6	38.7	40.2	37.9	▲ 2.3
	Broadcasting	40.7	44.0	44.4	45.2	44.0	45.2	43.3	41.7	44.4	40.0	45.6	47.9	45.6	46.1	0.5
	Maintenance,Guarding,Testing	46.2	46.0	49.4	46.8	45.7	45.8	43.1	42.6	44.6	46.9	47.2	47.8	48.1	47.4	▲ 0.7
	Advertising	40.8	42.6	42.5	41.4	41.1	38.6	38.7	38.8	38.8	39.3	42.1	42.2	41.1	41.0	▲ 0.1
	Information	55.5	55.0	54.5	53.5	52.8	51.4	51.6	52.2	53.5	54.6	56.3	56.3	55.3	55.4	0.1
	Labor Dispatching	54.6	57.2	57.2	56.2	56.9	55.6	53.9	54.0	55.7	57.5	56.7	55.5	56.2	56.3	0.1
	Special Services	53.8	55.1	55.2	53.7	53.9	50.7	50.7	50.3	50.8	51.4	53.0	51.0	51.7	50.9	▲ 0.8
	Medical,Welfare,Public Health	46.6	47.9	47.6	47.1	46.2	46.2	45.0	44.1	44.7	45.7	45.3	46.1	46.3	43.3	▲ 3.0
	Education	40.3	44.7	45.1	40.7	41.7	42.4	41.7	39.9	40.5	40.2	39.5	41.2	41.1	44.4	3.3
	Other	47.2	48.1	48.7	48.4	47.2	44.9	45.2	45.0	47.4	48.1	47.2	46.1	46.8	49.5	2.7
	Total	50.1	50.6	50.9	49.7	49.2	47.7	47.3	47.2	48.3	49.2	50.3	50.1	49.9	49.7	▲ 0.2
Other		47.5	44.3	44.9	43.1	42.8	40.6	37.7	41.5	37.3	41.7	42.0	43.2	40.2	41.9	1.7

	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Ratio to the PrFCious Month
Hokkaido	46.4	46.4	47.0	46.0	45.0	42.5	41.5	40.1	39.1	39.9	40.0	40.8	41.6	40.9	▲ 0.7
Tohoku	46.9	46.8	47.6	47.5	46.1	45.2	45.6	44.5	45.4	46.0	46.5	46.0	44.9	45.0	0.1
kitakanto	46.9	47.0	48.1	46.8	45.8	43.1	43.4	43.2	44.1	45.3	46.2	45.4	45.2	44.8	▲ 0.4
minamikanto	46.9	47.1	47.4	46.5	45.4	44.4	43.8	43.6	44.7	46.0	46.8	46.2	46.5	46.1	▲ 0.4
Hokuriku	46.2	46.2	46.5	46.3	45.2	44.3	42.8	41.9	43.6	44.6	44.4	44.4	44.8	43.8	▲ 1.0
Tokai	45.9	46.9	47.5	47.0	45.6	44.7	44.4	43.4	45.0	46.3	46.4	45.6	46.5	45.3	▲ 1.2
Kinki	44.8	44.6	45.4	44.4	43.7	42.7	42.1	41.5	42.2	43.2	44.5	43.7	43.4	42.6	▲ 0.8
Chugoku	45.3	46.3	46.5	46.4	44.5	43.9	44.0	42.9	43.6	44.4	45.5	45.4	45.6	44.8	▲ 0.8
Shikoku	44.8	45.6	45.1	44.9	44.2	44.5	43.5	43.6	43.8	45.5	46.6	47.7	46.9	46.3	▲ 0.6
Kyushu	46.7	47.4	46.4	45.9	46.0	45.4	44.2	44.7	45.3	46.6	47.2	46.2	45.6	44.3	▲ 1.3

Appendix

1. Research Subjects (Companies Researched: 23,442; Valid Responses: 10,867; Response Rate: 46.4%)

Appendix

1. Region

Hokkaido	577	Tokai	1,200
Tohoku	686	Kinki	1,804
kitaKanto	756	Chugoku	604
minamikanto	3,519	Shikoku	336
Hokuriku	566	Kyushu	819
Total			10,867

2. Industry (10 Industries 51 Lines of business)

Agriculture, Forestry, Fisheries		60
Finance		148
Construction		1,556
Real Estate		289
Manufacturing 3,223	Food, Beverages, Livestock Feed	367
	Textile, Textile Products, Clothing	116
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	246
	Pulp, Paper and Paper Products	118
	Publishing, Printing	208
	Chemical	436
	Steel, Nonferrous Metals, Mining	546
	General Machinery	461
	Electrical Machinery	364
	Transportation Machinery, Equipment	103
	Precision Machinery, Medical Instruments and Equipment	88
	Others	97
Wholesale 3,959	Food, Beverages	404
	Textile, Textile Products, Clothing	190
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	388
	Paper Products, Stationery, Books	124
	Chemical	306
	Recycled Resources	37
	Steel, Nonferrous Metals, Mining Products	338
	Machinery, Equipment	981
	Others	376

Retail 480	Food, Beverages	78
	Textile, Textile Products, Clothing	36
	Drugs, Sundries	24
	Furniture	10
	Electrical Household Appliances, Information Machinery and Equipment	39
	Motor Vehicles, Motor Vehicle Parts	61
	Special Merchandise	150
	Various Merchandise	52
Others		5
Transportation, Warehousing		448
Service 1,384	Restaurants	39
	Telecommunications	9
	Electricity, Gas, Water, Heat	11
	Leasing, Rentals	127
	Lodging, Hotels	32
	Recreation	55
	Broadcasting	17
	Maintenance, Guarding, Testing	162
	Advertising	140
	Information	442
	Labor Dispatching	56
	Special Services	229
	Medical, Welfare, Public Health	102
	Education	18
Others		139
Others		39
Total		10,867

3. Size

Large Firms	2,364	21.8%
Small to Medium-sized Firms	8,503	78.2%
micro Firms	2,672	24.6%
Total	10,867	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 2015

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.