

## A break in the downward trend while growing inequality evident among industries

Seesaw consumer spending and housing investment expected  
after the turn of the year

(Companies Researched: 23,173; Valid Responses: 10,838; Response Rate: 46.8%;  
Survey Start Date: May 2002)

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### < Overview of October 2015: Growing inequality evident in industry business confidence >

The Economic DI (Economic DI: 50 points is the threshold of assessment) in October 2015 stood at 44.8, up 0.2 points from the previous month and improving for the first time in three months.

The Japanese economy, while marking a break in the downward trend due to reduced negative factors such as poor weather, is experiencing further growing equality as exhibited in its industry business confidence.

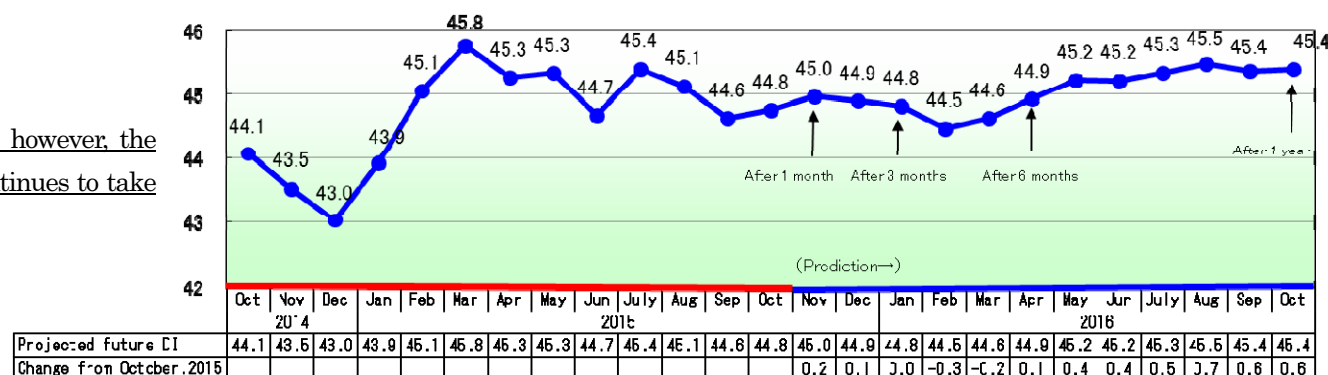
### <Future Outlook: A seesaw affair >

A moderate upward trend is expected after the turn of the year; however, the impact of wage increase will lack in substance as a seesaw affair continues to take place.

By industry: Housing-related industries improve while consumer spending such as 'retail' remain stagnant

By size: 'Small and medium-sized companies' improve for the first time in three months due to housing-related constructions

By region: 5 out of 10 regions improve



\*: 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

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Ratio to the PrFDious Month
Total	44.1	43.5	43.0	43.9	45.1	45.8	45.3	45.3	44.7	45.4	45.1	44.6	44.8	0.2
Large Firms	47.5	46.9	46.6	47.1	48.0	48.6	48.9	49.2	48.4	48.8	48.9	48.2	48.4	0.2
Small to Medium-sized Firms	43.1	42.6	42.0	43.0	44.2	45.0	44.3	44.3	43.6	44.5	44.1	43.6	43.7	0.1
Micro Firms	42.5	42.1	41.6	42.3	43.4	44.3	43.1	43.2	43.1	43.4	43.2	43.2	43.2	0.0

		Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		41.8	38.6	39.5	41.3	40.0	44.0	43.7	45.0	41.9	42.9	44.7	44.7	44.6	▲ 0.1
Finance		44.9	45.3	45.2	45.1	44.7	48.0	48.1	47.4	49.2	48.1	46.5	46.3	47.3	1.0
Construction		51.6	51.0	50.3	50.4	50.4	50.8	49.3	48.6	47.7	48.6	48.8	49.1	49.5	0.4
Real Estate		45.2	43.6	44.1	45.1	47.2	48.8	48.8	49.6	49.1	49.8	48.4	48.7	48.7	0.0
Manufacturing	Food,BEWerages,Livestock Feed	39.0	36.8	37.5	37.2	39.8	43.1	42.1	44.3	43.1	43.4	43.0	43.6	44.3	0.7
	Textile,Textile Products,Clothing	39.4	36.8	38.1	36.8	39.7	37.6	40.2	41.7	39.4	39.4	40.2	38.8	39.8	1.0
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	44.0	44.1	43.3	43.2	41.9	42.1	40.3	40.9	40.3	41.2	41.2	40.9	40.2	▲ 0.7
	Pulp, Paper and Paper Products	36.7	36.1	36.3	34.8	37.3	39.3	39.8	40.0	39.0	39.7	42.0	40.8	41.1	0.3
	Publishing,Printing	31.5	31.5	31.0	31.8	33.5	34.1	34.6	34.1	33.5	33.7	34.9	34.8	34.8	0.0
	Chemical	42.4	42.9	43.3	43.2	44.5	44.6	44.1	44.4	43.9	44.7	45.3	44.4	44.4	0.0
	Steel,Nonferrous Metals,Mining	45.3	44.4	42.8	44.8	46.8	45.2	43.9	43.0	42.9	43.6	42.8	41.7	41.4	▲ 0.3
	General Machinery	50.5	50.0	48.6	49.6	51.5	52.6	52.5	51.6	51.3	51.9	50.3	47.3	47.9	0.6
	Electrical Machinery	46.1	45.9	45.8	47.3	48.4	49.7	47.7	47.3	47.4	47.4	44.8	45.2	45.2	0.0
	Transportation Machinery,Equipment	48.2	48.0	47.7	47.4	50.3	50.4	51.1	47.8	49.7	50.9	50.8	48.3	46.3	▲ 2.0
	Precision Machinery, Medical Instruments and Equipment	46.6	45.4	45.0	47.9	48.9	49.2	47.8	49.8	49.4	50.4	51.2	47.9	48.6	0.7
	Other	37.9	38.4	35.2	35.4	38.7	38.7	37.1	40.7	37.8	39.2	37.7	40.0	39.8	▲ 0.2
Total		43.4	42.9	42.3	43.0	44.6	45.1	44.4	44.5	44.0	44.6	44.2	43.2	43.3	0.1
Wholesale	Food,BEWerages	39.0	37.1	37.6	38.3	39.7	40.6	42.6	42.9	43.0	44.1	42.7	43.6	43.0	▲ 0.6
	Textile,Textile Products,Clothing	34.3	30.7	30.2	31.1	32.2	33.3	35.5	37.0	34.8	34.4	34.7	36.5	37.8	1.3
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	41.0	39.5	39.3	39.0	40.5	40.2	38.2	38.7	38.1	39.8	39.7	39.5	41.3	1.8
	Paper Products,Stationery,Books	32.9	33.5	31.8	33.2	35.1	37.7	37.3	38.1	34.5	37.1	36.5	36.8	36.8	0.0
	Chemical	40.6	40.0	37.8	38.9	41.2	41.8	42.5	43.0	43.1	43.9	42.6	42.3	42.5	0.2
	Recycled Resources	37.8	40.4	40.8	39.0	38.5	39.3	39.7	42.3	40.1	35.8	36.0	25.8	29.9	4.1
	Steel,Nonferrous Metals, Mining Products	43.2	43.8	42.1	43.9	43.5	43.2	41.2	40.3	39.3	40.4	40.3	38.5	38.8	0.3
	Machinery,Equipment	43.9	43.6	43.2	44.8	46.0	47.3	46.7	46.3	45.1	45.6	45.3	43.6	43.6	0.0
	Other	36.7	37.1	35.1	37.5	38.5	40.7	40.9	41.8	42.0	42.4	41.4	40.8	41.0	0.2
	Total		40.6	40.0	39.1	40.4	41.5	42.5	42.3	42.5	41.7	42.5	41.9	41.2	41.5

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

	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Ratio to the PrFDious Month
Total	44.1	43.5	43.0	43.9	45.1	45.8	45.3	45.3	44.7	45.4	45.1	44.6	44.8	0.2
Large Firms	47.5	46.9	46.6	47.1	48.0	48.6	48.9	49.2	48.4	48.8	48.9	48.2	48.4	0.2
Small to Medium-sized Firms	43.1	42.6	42.0	43.0	44.2	45.0	44.3	44.3	43.6	44.5	44.1	43.6	43.7	0.1
Micro Firms	42.5	42.1	41.6	42.3	43.4	44.3	43.1	43.2	43.1	43.4	43.2	43.2	43.2	0.0

		Oct-14	Nov-14	Dec-14	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Ratio to the PrFDious Month
Agriculture,Forestry,Fisheries		41.8	38.6	39.5	41.3	40.0	44.0	43.7	45.0	41.9	42.9	44.7	44.7	44.6	▲ 0.1
Finance		44.9	45.3	45.2	45.1	44.7	48.0	48.1	47.4	49.2	48.1	46.5	46.3	47.3	1.0
Construction		51.6	51.0	50.3	50.4	50.4	50.8	49.3	48.6	47.7	48.6	48.8	49.1	49.5	0.4
Real Estate		45.2	43.6	44.1	45.1	47.2	48.8	48.8	49.6	49.1	49.8	48.4	48.7	48.7	0.0
Manufacturing	Food,BEWerages,Livestock Feed	39.0	36.8	37.5	37.2	39.8	43.1	42.1	44.3	43.1	43.4	43.0	43.6	44.3	0.7
	Textile,Textile Products,Clothing	39.4	36.8	38.1	36.8	39.7	37.6	40.2	41.7	39.4	39.4	40.2	38.8	39.8	1.0
	Construction Materials,Furniture, Ceramics,Stone and Clay Products	44.0	44.1	43.3	43.2	41.9	42.1	40.3	40.9	40.3	41.2	41.2	40.9	40.2	▲ 0.7
	Pulp, Paper and Paper Products	36.7	36.1	36.3	34.8	37.3	39.3	39.8	40.0	39.0	39.7	42.0	40.8	41.1	0.3
	Publishing,Printing	31.5	31.5	31.0	31.8	33.5	34.1	34.6	34.1	33.5	33.7	34.9	34.8	34.8	0.0
	Chemical	42.4	42.9	43.3	43.2	44.5	44.6	44.1	44.4	43.9	44.7	45.3	44.4	44.4	0.0
	Steel,Nonferrous Metals,Mining	45.3	44.4	42.8	44.8	46.8	45.2	43.9	43.0	42.9	43.6	42.8	41.7	41.4	▲ 0.3
	General Machinery	50.5	50.0	48.6	49.6	51.5	52.6	52.5	51.6	51.3	51.9	50.3	47.3	47.9	0.6
	Electrical Machinery	46.1	45.9	45.8	47.3	48.4	49.7	47.7	47.3	47.4	47.4	44.8	45.2	45.2	0.0
	Transportation Machinery,Equipment	48.2	48.0	47.7	47.4	50.3	50.4	51.1	47.8	49.7	50.9	50.8	48.3	46.3	▲ 2.0
	Precision Machinery, Medical Instruments and Equipment	46.6	45.4	45.0	47.9	48.9	49.2	47.8	49.8	49.4	50.4	51.2	47.9	48.6	0.7
	Other	37.9	38.4	35.2	35.4	38.7	38.7	37.1	40.7	37.8	39.2	37.7	40.0	39.8	▲ 0.2
Total		43.4	42.9	42.3	43.0	44.6	45.1	44.4	44.5	44.0	44.6	44.2	43.2	43.3	0.1
Wholesale	Food,BEWerages	39.0	37.1	37.6	38.3	39.7	40.6	42.6	42.9	43.0	44.1	42.7	43.6	43.0	▲ 0.6
	Textile,Textile Products,Clothing	34.3	30.7	30.2	31.1	32.2	33.3	35.5	37.0	34.8	34.4	34.7	36.5	37.8	1.3
	Construction Materials, Furniture,Ceramics, Stone and Clay Products	41.0	39.5	39.3	39.0	40.5	40.2	38.2	38.7	38.1	39.8	39.7	39.5	41.3	1.8
	Paper Products,Stationery,Books	32.9	33.5	31.8	33.2	35.1	37.7	37.3	38.1	34.5	37.1	36.5	36.8	36.8	0.0
	Chemical	40.6	40.0	37.8	38.9	41.2	41.8	42.5	43.0	43.1	43.9	42.6	42.3	42.5	0.2
	Recycled Resources	37.8	40.4	40.8	39.0	38.5	39.3	39.7	42.3	40.1	35.8	36.0	25.8	29.9	4.1
	Steel,Nonferrous Metals, Mining Products	43.2	43.8	42.1	43.9	43.5	43.2	41.2	40.3	39.3	40.4	40.3	38.5	38.8	0.3
	Machinery,Equipment	43.9	43.6	43.2	44.8	46.0	47.3	46.7	46.3	45.1	45.6	45.3	43.6	43.6	0.0
	Other	36.7	37.1	35.1	37.5	38.5	40.7	40.9	41.8	42.0	42.4	41.4	40.8	41.0	0.2
	Total		40.6	40.0	39.1	40.4	41.5	42.5	42.3	42.5	41.7	42.5	41.9	41.2	41.5

## Appendix

### 1. Research Subjects (Companies Researched: 23,173 ; Valid Responses: 10,838; Response Rate: 46.8%)

#### Appendix

##### 1. Region

Hokkaido	600	Tokai	1,226
Tohoku	677	Kinki	1,808
kitaKanto	754	Chugoku	613
minamikanto	3,474	Shikoku	329
Hokuriku	564	Kyushu	793
Total		10,838	

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

Agriculture, Forestry, Fisheries		59
Finance		136
Construction		1,530
Real Estate		293
Manufacturing 3,223	Food, Beverages, Livestock Feed	348
	Textile, Textile Products, Clothing	116
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	253
	Pulp, Paper and Paper Products	107
	Publishing, Printing	206
	Chemical	425
	Steel, Nonferrous Metals, Mining	542
	General Machinery	476
	Electrical Machinery	363
	Transportation Machinery, Equipment	107
Wholesale 3,959	Precision Machinery, Medical Instruments and Equipment	82
	Others	93
	Food, Beverages	384
	Textile, Textile Products, Clothing	197
	Construction Materials, Furniture, Ceramics, Stone and Clay Products	374
	Paper Products, Stationery, Books	117
	Chemical	305
	Recycled Resources	44
	Steel, Nonferrous Metals, Mining Products	335
	Machinery, Equipment	1,001
	Others	370

##### 3. Size

Large Firms	2,355	21.7%
Small to Medium-sized Firms	8,483	78.3%
micro Firms	2,648	24.4%
Total	10,838	100.0%

Retail 480	Food, Beverages	74
	Textile, Textile Products, Clothing	37
	Drugs, Sundries	24
	Furniture	7
	Electrical Household Appliances, Information Machinery and Equipment	40
	Motor Vehicles, Motor Vehicle Parts	69
	Special Merchandise	158
	Various Merchandise	52
	Others	6
Transportation, Warehousing		462
Service 1,384	Restaurants	43
	Telecommunications	11
	Electricity, Gas, Water, Heat	10
	Leasing, Rentals	132
	Lodging, Hotels	38
	Recreation	61
	Broadcasting	17
	Maintenance, Guarding, Testing	162
	Advertising	134
	Information	462
	Labor Dispatching	50
	Special Services	225
	Medical, Welfare, Public Health	106
	Education	20
	Others	138
Others		37
Total		10,838

## 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 19 – 31 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.