

Economy Watchers Survey

September 2008

OVERVIEW OF THE MONTH

The DI for current economic conditions in September fell 0.3 points from the previous month to 28.0, posting a fall for the sixth consecutive month.

The household activity-related DI dropped slightly, due mainly to a continuously prevalent thrift-oriented mentality of consumers, stemming from rises in food prices, in addition to a preference for refraining from dining out, caused by the outbreak of problems related to the safety of foods, such as the mislabeling of rice, although gasoline prices declined. The corporate activity-related DI moved almost sideways, partly due to increases in the number of bankruptcies in the construction and real-estate industries, despite a decline in crude oil prices. The employment-related DI also moved almost sideways, as new job offers continued to decline.

The DI for future economic conditions in September rose 0.1 points from the previous month to 32.1, posting a rise for the second consecutive month.

The household activity-related DI remained almost unchanged, as expectations for the favorable effects of declining gasoline prices were seen in some sectors, although there are concerns about the deterioration of consumer confidence caused by financial uncertainty in the United States. The corporate activity-related DI fell, due to concerns about further deterioration of the real-estate industry and a decrease in exports to the United States. The employment-related DI rose, with fewer people evaluating employment conditions as deteriorating and more saying that they remain unchanged.

On the whole, the assessments of the Economy Watchers indicate that the current state of the economy is severe.

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**SUMMARY OF CHARACTERISTIC REASONS FOR THE
ASSESSMENT OF THE ECONOMY**

(Assessments) **A**, Better; **B**, Slightly better; **C**, Unchanged; **D**, Slightly worse; **E**, Worse

1. Current conditions

Household activity

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| C | <ul style="list-style-type: none"> • Although crude oil prices have begun to stabilize slightly, people continue to choose low-priced, near-destination, and short-term travel, due to concerns about the future outlook. With fuel surcharges likely to rise further, we are unable to make overseas travel proposals. (Northern Kanto: Travel agency) • Although we are raising retail prices gradually to reflect a rise in purchase prices, our sales show no decline, as the volume of purchases by customers remains almost unchanged. (Kinki: General retailer [Bicycle]) |
| D | <ul style="list-style-type: none"> • Amid rising food prices prompted by a rise in raw material prices, customers are refraining from making purchases, and the frequency of their visits to our store has been decreasing. As a result, our sales situation is becoming severe. (Hokkaido: Supermarket) • The number of customers visiting our store was brisk until the mid-September consecutive holidays, when gasoline prices were lowered. But the number of customers decreased in the second half of the month due to concerns about the safety of foods caused by such incidents as the selling of tainted rice, the contamination of Chinese dairy products, the bankruptcies of major U.S. securities companies, and the stock-market crash. As a result, total sales in the month fell below the level seen in the same month of the previous year. (Hokuriku: Standard class restaurant) |
| E | <ul style="list-style-type: none"> • Although the wholesale prices of gasoline started to be lowered, earnings at gas stations are deteriorating rapidly, because the decline in retail prices caused by competition is larger than the decline caused by purchase prices, and because the sales volume has continued to decrease from the previous year. Moreover, with the bankruptcy of corporate customers increasing, we have to be careful with credit management. (Tohoku: Other specialty shop [Gas station]) • Following the outbreak of tainted rice scandals, Japanese-style confection businesses are in a very severe situation. They are not only suffering from a decrease in the number of customers, but also are inundated with inquiries about the safety of their products from customers. (Tokai: Shopping area) |

Corporate activity

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| C | <ul style="list-style-type: none"> • With fuel, material and gasoline prices stabilizing, our business is gradually getting back on track. (Kyushu: Ceramic, stone and clay product manufacturer) • We have many business partners in steel-related sectors and they still show a willingness to make business investment. In addition, the amount of orders received remains unchanged. (Kinki: Ordinary machinery and equipment manufacturer) |
| D | <ul style="list-style-type: none"> • Due to a series of incidents and accidents regarding food materials, beginning with the tainted rice, consumers have become less eager to make purchases, resulting in a decrease in orders received. (Hokkaido: Food manufacturer) • Although sales are higher than they were in the previous year, our profit has been on a downward trend due to slow progress in passing on higher costs through increased product prices. We plan to market new products reflecting higher costs in the spring of next year. Until then, our situation will remain severe. (Shikoku: Textile company) |

E	As we clinched orders for public works projects at low prices, we will register a loss for the current business year for the third consecutive term. We cannot count on loans from financial institutions in the future. (Northern Kanto: General contractor)
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Employment

C	<ul style="list-style-type: none"> Job offers from the transport-related industries, such as the taxi industry, have decreased by half from the previous year, and those from the distribution-related industries fell by about 40%. The number of job offers as a whole decreased 10% from the previous year. There are no signs of recovery in job offers, with the cumulative total of job offers in the past one year falling by more than 10% from a year earlier. (Hokkaido: Newspaper publisher [Help wanted ad])
D	<ul style="list-style-type: none"> Moves to slash personnel costs by restricting overtime work have become conspicuous. (Tokai: Temporary manpower company)

2. Future conditions

Household activity

C	<ul style="list-style-type: none"> Although there are positive factors for our business, such as the decline of crude oil prices and some highway tolls, we are still under severe conditions as consumption remains slumped. (Northern Kanto: Amusement park) Though Christmas and the year-end are a busy season for us, customers are cautious as purchasing incentives were dampened by such factors as the financial meltdown in the United States and higher prices. (Southern Kanto: City hotel)
D	<ul style="list-style-type: none"> We will face an uphill battle in the coming Christmas and year-end sales seasons due to the bankruptcies of major U.S. stock companies and the adverse effects of tainted rice scandals on rice snacks. (Tohoku: Department store) Winter bonuses will decrease due to our poor business performance in the first half of this fiscal year. (Chugoku: Electric appliance retailer)

Corporate activity

C	<ul style="list-style-type: none"> Although the movement of goods has become slightly lively thanks to price revisions, our business remains almost unchanged, as demand has not actually increased. (Southern Kanto: Chemical and allied products) With exports and overseas production, not to mention domestic production, becoming worse, the number of orders has been decreasing. This trend is expected to continue for some time (Kyushu: Transport equipment maker)
D	<ul style="list-style-type: none"> In the leasing division, we expect some cancellation of contracts by commercial tenants. In the sales division, we may have no choice but to drastically lower the selling prices of condominiums due to the deterioration of sales environments, making it very difficult for us to secure profits. (Southern Kanto: Real estate broker) Even a small regional company like us is feeling the effect of the financial unrest in the United States. Some of the contracts that we were about to receive from the United States have been postponed. Other small regional companies have also come to feel the ripple effect of the financial confusion in the United States. (Shikoku: Electrical machinery equipment manufacturer)

Employment

C	<ul style="list-style-type: none"> Although demand for young skilled workers to hand down techniques to remains as strong as ever, demand is weak for dispatched temporary workers and part-timers, which are said to serve as employment adjusters, due to uncertainty about the business outlook. The
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situation will remain unchanged for some time. (Chugoku: Job placement office)

- D** • Corporations are increasingly reducing new job offers, with periphery firms forecasting that major domestic manufacturers, affected by the financial uncertainty in the United States, will reduce the number of job offers. (Okinawa: School [Vocational school])
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