1. General Summary of Regional Economic and Industrial Research Results (from October to December 2013) (1/2)

The assessment of economic conditions was revised upward in six regions: Kanto, Hokuriku, Kinki, Chugoku, Shikoku, and Kyushu. On a nationwide basis, conditions have continued pick up since the quarter from January to March 2013, for the fourth consecutive quarter.

**Production**: In the automobile and automobile-related industries, production in Kanto, Kinki, and Chugoku remains steady due to brisk sales of new-model cars, hybrid vehicles, and mini cars; however, that in Hokkaido, Tohoku, and Kyushu shows a pause for such reasons as production adjustment associated with model changes. Although the electronic devices industry remains steady due to brisk production of devices for automobiles and smartphones in Tohoku, Kanto, Hokuriku, Chugoku, and Kyushu, production in Kinki decreased from the previous quarter (July–September) partly due to the completion of overseas demand. The steel industry shows signs of production increase mainly due to the improvement of the export environment, an increase in public investment, and an increase in automobile-related orders in Hokkaido, Tohoku, Kanto, Chugoku, and Kyushu.

* The Indices of Industrial Production (Revised Report) for November 2013 marked 99.2, down 0.1% from the previous month.

**Business investment**: In manufacturing industries, movements of investment for the maintenance and renewal of equipment has continued nationwide since the second preceding quarter (April–June). There were some movements of domestic investment for production capacity enhancement in the automobile-related industries and the electronic devices industry in Tohoku, in the transport equipment industry and the electronic devices industry in Kanto, in the automobile-related industries in Chugoku, and in the metal products industry and the electronic devices industry in Kyushu. In non-manufacturing industries, there were movements of opening new stores and remodeling existing stores nationwide in the retail and services industries.
Employment situation: Movements of actively hiring new regular employees remain unable to be seen from the previous quarter (July–September) both among manufacturing and non-manufacturing industries due to uncertainties about the future. In manufacturing industries, movements of hiring mid-career employees of fully-qualified personnel and engineers, and actively hiring global human resources are seen in some areas of Kinki and Kyushu. In non-manufacturing industries, a labor shortage continues to be seen in the retail industry on a nationwide basis. The construction industry also continues to see a labor shortage due to an increase in public works, etc. in Hokkaido, Tohoku, Chugoku, and Okinawa.

Private consumption: At departments, sales of luxury goods and others remain steady nationwide. The budget-minded attitude persists for goods necessary for everyday life, such as daily necessities and food, although some regions (Tokai and Chugoku) show sales at a higher level than those in the previous year mainly due to a rise in market prices of fresh foods. Sales of home appliances show brisk sales of white goods and high-priced televisions. Automobile sales are brisk for sales of mini cars and hybrid vehicles nationwide. Although sales of houses remain brisk mainly for expensive properties in urban centers in Kanto, the movements of the last-minute demand before the consumption tax hike have been calming down in Tokai, Hokuriku, and Kyushu. As for travel, domestic trips are brisk. Some respondents pointed out that the number of foreign tourists has increased due to the effects of the depreciation of the yen, etc.

* Comments on travel
- Hotels in Sapporo City maintain high occupancy rates, as well as showing an increase in per-customer spending. The number of guests from overseas also increased 30% from the previous year. (Hokkaido)
- The number of guests of tourist facilities and accommodations significantly increased due to the effect of “Yae no Sakura,” a long-running historical drama series on NHK. (Tohoku)
- The number of tourist groups from Southeast Asia increased 150% from the previous year due to the effects of the depreciation of the yen, etc. (Kanto)
- The number of foreign tourists mainly from the Republic of Korea and Taiwan showed an increase of 170% from September to November. (Okinawa)
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| Hokkaido | Picking up moderately (↩)  | ○ **Production remains flat.** (↓) The electrical machinery industry is on a recovery trend due to an increase in the production of mobile phones and brisk demand for electronic parts for automobiles. Production in the steel industry has increased ahead of renewal of equipment and periodic repairs, in addition to brisk public investment and private construction demand. On the other hand, the transport equipment industry, which was on an upward trend, has been showing slow movement reflecting poor demand for steel vessels and some motor vehicle parts. Moreover, production in the metal products industry has decreased partly due to the effects of a backlog of shipments of steel frames caused by a delay in construction work.  
○ **Business investment shows signs of picking up.** (↩) In manufacturing industries, business investment is centered on the maintenance and renewal of equipment, but investment for streamlining and enhancement of equipment has also been seen. In non-manufacturing industries, there are movements of enhancement of communication infrastructure in the information and communication industry, and movements of remodeling stores and opening new stores in the retail industry, including department stores and supermarkets.  
○ **Employment is moderately improving.** (↩) In manufacturing industries, there are movements of responding by temporary employees to a shortage of employees in the production department, while in non-manufacturing industries, some respondents pointed out a serious shortage of employees in the construction and the transport industries. The effective ratio of job offers to applicants has improved over the long term, though it is at a lower level compared with the national ratio.  
○ **Private consumption is picking up.** (↑) At department stores, sales of luxury goods continue to remain brisk, and sales of duty-free items by foreign tourists have significantly increased. Sales at supermarkets remain steady, centered on food. Sales of home appliances show signs of picking up, though it is at a moderate pace, with the sales of flat-screen televisions being at the same level as the previous year. The number of sales of new cars remains brisk mainly due to the effect of introducing new car models and last-minute demand before the consumption tax hike. As for travel, the number of foreign tourists has increased, partly due to the effects of an increase in international flights and the depreciation of the yen. The total number of tourists to Hokkaido remains strong, exceeding that of the same month a year ago for the 21st consecutive month. |

**Comments from companies**
- We could not ship steel frame products, reflecting stagnant work on the relevant construction related sites, resulting in a decline in production with an inventory growth. (Small and medium-sized metal product manufacturer)  
- We plan to construct a new building and repair equipment in accordance with plant relocation, so we would like to consider the utilization of the investment promotion tax system for production equipment, etc. in that regard. (Small and medium-sized ceramics, stone, and clay business)  
- Sales of relatively high-priced items are growing with a good response. There has been a remarkable tendency of spending much money on a celebration day. (Large retailer)
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| Tohoku | Continuing to recover moderately from the Great East Japan Earthquake | ○ Production shows signs of moderately picking up. (↑) Although production in the transport equipment industry (automobiles, etc.) is showing a pause in this quarter, there are movements of an increase in production and recovery with continuous strong automobile-related orders in the general machinery, electronic parts and devices, and steel industries.  
○ Business investment shows signs of moderately picking up. (→) In the manufacturing industries, there is much positive investment for production capacity enhancement and investment in research and development, in addition to investment regarding maintenance and renewal, but this has not led to boosting the whole business investment plan. In non-manufacturing industries, although business investment is centered on the maintenance, renewal, and streamlining of equipment, movements of investment in new store openings with the aim of securing shares and maintaining earnings amid fiercer competition among retailers continue to stand out.  
○ The employment situation continues to improve. (→) Since July, job offers related to the manufacturing industries, which have recovered orders, have increased, and there have also been many job offers for temporary employees. In coastal areas in disaster-affected prefectures, although the ratio of job offers to applicants continues to be high, there are many job offers in the manufacturing industries, including seafood processing, and the construction industry, such as civil engineering work, the mismatch continues between the needs of those offering jobs and those of job seekers.  
○ Private consumption remains steady. (→) Sales at large-scale retail stores remain steady. At department stores, the Japan Series championship celebration sale was especially successful, and on the day of the parade celebrating the professional baseball team’s victory, some respondents saw a crowd similar to the one during the New Year sale. As for travel, some areas showed an increase in foreign tourists due to the effects of planning tours for tourists from Taiwan at various areas in Tohoku. |

Comments from companies
- We had not given an annual pay increase for the past three years, but we gave an annual pay increase in October this year, rather than in April, reflecting a slight business recovery. (Large manufacturer (electronic parts and devices)/Miyagi Prefecture)
- We established new technology by purchasing equipment using the “Monodzukuri (manufacturing) Subsidy.” The subsidy seemed to have a certain effect on business investment. (Small and medium-sized manufacturer (metal products)/Yamagata Prefecture)
- Rising stock prices and an increase in bonuses and wages can be seen in other industries due to the effects of Abenomics. However, we see a bias in the industries and company sizes which can enjoy the effects. (Large retailer/Iwate Prefecture)
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| Kanto  | Picking up (↑)              | **○ Production shows signs of picking up.** (↑) Production remains on an upward trend in a wide range of industries, including the transport equipment, electrical machinery, and general machinery industries, due to the effect of the yen’s depreciation, in addition to brisk sales of mini cars and new car models. In the electronic parts industry, production for automobiles and smartphones is on an upward trend. The steel industry shows a steady undertone reflecting demand for automobiles and construction.  

○ **Business investment shows signs of picking up.** (→) Investment in manufacturing industries is mainly for maintenance, renewal, and streamlining. Thanks to the steady demand, the transport equipment and other industries show active movements, such as investment in emerging countries centered on Southeast Asia, in addition to additional investment for production equipment in Japan. In non-manufacturing industries, there are steady movements of remodeling stores, etc. and opening new stores mainly in the retail industry. Especially among convenience stores, investment in new store openings in Japan as well as Southeast Asia and other countries has continued.  

○ **The employment situation is recovering moderately.** (↑) In manufacturing industries, there are movements of increasing the number of personnel engaged in production processes reflecting an increase in production. On the other hand, some respondents pointed out that some non-manufacturers plan to hire more new graduates after the next quarter due to a shortage of young regular employees caused by curbing hires in the past.  

○ **Private consumption is picking up.** (↑) At department stores, sales continue to be brisk, centered on luxury goods including jewelry. Automobile sales remain brisk for mini cars, and the number of car registrations is also brisk. As for travel, the number of foreign tourists from Asia continues to increase, and unit prices of domestic tours are on an upward trend. Sales of houses remain brisk mainly for expensive properties in urban centers. At home appliance retailers, high-value-added products begin to sell well. On the other hand, low-end and budget-minded attitudes persist for daily necessities and eating out. |

**Comments from companies**

- In order to revitalize the company by boosting employee motivation, we gave an annual pay increase and bonus increase. We also basically plan to give them in FY2014, depending on our business results. (Small and medium-sized electronic parts and device manufacturer/Tokyo)  
- The Monodzukuri Subsidy is the right type of subsidy for small and medium-sized enterprises (SMEs). It is helpful for us to develop new products while reducing the burden on companies. There are few SMEs that have human resources and money to spare for development. Many of such SMEs feel encouraged by just being eligible for the subsidy. (Small and medium-sized ceramic, stone, and clay product manufacturer/Tokyo)  
- The effects of Abenomics have improved the willingness to take on a new business, such as starting efforts in medical, nursing care, and energy saving fields. (Small and medium-sized information service business/Shizuoka Prefecture)
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| Chubu (Tokai)   | Improving moderately (→)    | ☐ **Production shows signs of picking up.** (↑) In the core automobile-related industries, in addition to remaining steady demand in North America, there are movements of increasing domestic demand. Production in the electronic parts and devices industry remains at a high level mainly for smartphones. In addition, movements of last-minute demand before the consumption tax hike can be seen in such industries as the housing-related, production machinery, and transport equipment industries. Some small and medium-sized enterprises see an improvement in production due to an increase in automobile-related orders, while some are facing a decline in profits, reflecting soaring raw material costs.  
☐ **Business investment increased moderately.** (→) In manufacturing industries, investment for production capacity enhancement for North America and Asia is observed, while domestic investment shows movements of investment for maintenance, renewal, and streamlining, partly due to business improvement. Orders received for metal-cutting machine tools show policy effects of the subsidy and movements of last-minute demand before the consumption tax hike. In non-manufacturing industries, there are movements of remodeling stores and opening new stores in the retail industry, such as department stores and supermarkets.  
☐ **The employment situation is improving.** (↑) In manufacturing industries, the automobile-related industries are increasing seasonal workers in accordance with an increase in production. In non-manufacturing industries, a sense of an insufficient number of non-regular employees has increased in the retail industry, including supermarkets, and the situation has continued in which the number of applicants is insufficient to meet the number of offers.  
☐ **Private consumption is moderately picking up.** (→) At department stores, sales of luxury goods continue to be brisk. Although sales at supermarkets exceeded those in the previous year mainly due to a rise in market prices of fresh foods, the low-end attitude of customers continues to be seen. Automobile sales remain at a higher level than those in the previous year, centered on mini cars and hybrid vehicles. As for sales of houses, movements of last-minute demand before the consumption tax hike have been calming down. |

**Comments from companies**
- We marked increases both in sales and profit mainly due to exchange gains caused by the yen’s depreciation. We concerned about soaring prices of raw materials caused by the yen’s depreciation, but we have been influenced by exchange gains more greatly. (Large motor vehicle parts manufacturer/Aichi Prefecture)
- The entire economic activity seems to be improved. On the other hand, soaring raw material costs affected by the yen’s depreciation bring about adverse effects, and we are facing difficulties in terms of revenues. (Small and medium-sized cast and forged product manufacturer/Aichi Prefecture)
- Sales of luxury goods, including watches and jewelry, remain brisk. Per-customer spending of and the number of items purchased by foreign tourists have increased due to the effects of the yen’s depreciation. (Large department store/Aichi Prefecture)
- Movements of business recovery have not spread in SMEs, so we have not decided to raise wages at this time. We will make a judgment by seeing movements after the consumption tax hike. (Small and medium-sized motor vehicle parts manufacturer/Aichi Prefecture)
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| **Chubu** (Hokuriku) | Showing signs of improvement (**↑**) | ○ **Production is increasing.** (→) The chemical industry remains strong, centered on drugs. Production in the electronic parts and devices industry remains at a high level for smartphones and automobiles. The general-purpose, production, and business oriented machinery industries are on a recovery trend in certain sectors, including that related to business investment. The metal products and textiles industries are picking up for aluminum building materials and for automobiles and medical uses, respectively.  
○ **Business investment is improving.** (→) In manufacturing industries, in addition to domestic investment for enhancing equipment in response to R&D for new products and production increases, and setting up new plants, overseas investment to meet demand in emerging countries, etc. is still increasing. In non-manufacturing industries, investment is mainly for the renewal of equipment and energy saving investment. Some companies are making investment to gain new demand accompanying the extension of the Hokuriku Shinkansen to Kanazawa.  
○ **The employment situation shows signs of improvement.** (↑) In manufacturing industries, some companies have responded by increasing overtime hours, shifting regular employees from other departments, and increasing non-regular employees. Non-manufacturing industries face difficulty in securing construction workers, artisans and engineers because job seekers tend to flow into jobs with good working conditions. As for salaries, many companies gave an annual pay increase, and some companies with improved business results increased bonuses.  
○ **Private consumption is picking up.** (↑) At department stores, sales of expensive items, such as art works, continue to be brisk. Sales of home appliances are brisk for high-value-added products. Automobile sales are brisk for sales of new car models. On the other hand, sales of houses began to show a reactionary decline after the last-minute demand accompanying the consumption tax hike. Consumers’ attitudes show signs of spending money on things with which they have a high level of satisfaction and popular items. |

**Comments from companies**  
- Although construction orders received have increased reflecting an increase in budget for public works, earning recovery is unclear due to soaring payment of subcontract and construction materials costs, so we cannot determine to raise wages under the present circumstances. (Constructor association/Toyama Prefecture)  
- While it is difficult for us to expect to grow with only our existing business, we were cautious about making investment for new sectors that involve great risks. However, this time we carried out a development of prototypes, etc. by utilizing the government subsidy. (Small and medium-sized electronic parts and device manufacturer/Toyama Prefecture)  
- Hot spring inns have good occupancy rates for high-priced rooms due to the effects of Abenomics. Some inns show movements of promoting remodeling of rooms and restaurants with an eye toward the extension of Hokuriku Shinkansen to Kanazawa. (Tourist agent association/Ishikawa Prefecture)
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| Kinki  | Picking up steadily (↑)     | ○ **Production remains flat.** (↓) Production of solar cells, automobiles and motor vehicle parts, and housing- and other-related sectors remain brisk. Production of liquid crystal and electronic parts, including semiconductors, decreased from the previous quarter (July–September) following the completion of overseas demand. The small construction machinery sector is brisk, driven by reconstruction demand, export, etc., while the large construction machinery sector is sluggish in terms of overseas demand. The production equipment-related sectors remain flat in terms of domestic demand and steady in terms of overseas demand.  
  ○ **Business investment is moderately picking up.** (↑) In manufacturing industries, there are movements of new investment in the automobile and semiconductor equipment-related industries, and upgrading investment in the chemicals industry. In non-manufacturing industries, there are movements of investment mainly for establishing logistics facilities, opening new stores, remodeling stores, and renewing airport facilities, etc. In small and medium-sized enterprises, investment for improving product quality and enhancing quality management, and investment for introducing photovoltaic generation are standing out.  
  ○ **The employment situation is moderately picking up, although it still faces some severe situations.** (↑) In industries including automobiles, housing, and services, movements of increasing non-regular employees and adjusting excess and shortage between departments due to business improvement were seen. Both manufacturing and non-manufacturing industries show an increase in overtime hours. As for hiring mid-career employees, there are active movements of hiring fully-qualified personnel and engineers. Regarding hiring new employees, some small and medium-sized enterprises pointed out that human resources flow into large companies in accordance with economic recovery, and the number of applicants is insufficient to meet the number of offers.  
  ○ **Private consumption is picking up.** (↑) At department stores, sales of luxury goods remain brisk due to the financial asset effects driven by rising stock prices. Moreover, amounts purchased by foreign tourist have increased. Automobile sales, including mini cars, remain at a high level, and sales of home appliances exceeded those in the previous year for white goods and high unit priced 4K televisions. Domestic trips and leisure sales are also brisk, while the budget-minded attitude persists for goods necessary for everyday life. |

**Comments from companies**
- We raised basic wages in the first half of this fiscal year (accordingly, we also increased bonuses). We will raise basic wages of young employees by about 1–2% in the future. (Small and medium-sized steel manufacturer/Osaka Prefecture)  
- We want to repay employees for brisk business results by bonuses. However, we will not give a basic wage raise. That would bring about increased personnel costs, resulting in management problems in the future. (Large non-manufacturer/Osaka Prefecture)  
- The Monodzukuri Subsidy enables us to conduct research and development with risks. It was helpful to pursue collaboration with a university. (Small and medium-sized manufacturer/Nara Prefecture)  
- Our corporate earnings have declined, reflecting a rise in fuel costs (electricity and gas rates) due to the yen’s depreciation. (Small and medium-sized dyeing and processing business/Wakayama Prefecture)
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| Chugoku | Picking up (↑) | ○ **Production shows signs of picking up.** (↑) In the automobile industry, production has increased due to brisk production of new car models and the effects of model changes of main cars. Production in the steel industry has slightly increased due to steady production of automobiles and brisk building materials sectors. Production in the general-purpose, production, and business oriented machinery industries has slightly increased, accompanying some recovery of overseas demand. Production in the electronic parts and devices industry has slightly increased due to an increase for game-machine uses and mobile-device uses responding to the year-end shopping season.  
  ○ **Business investment shows signs of picking up.** (→) In manufacturing industries, there are few upward revisions of business investment plans, but investment for capacity enhancement, maintenance and renewal utilizing the government support is promoted as planned. Especially in automobile-related industries, there are movements toward an increase in orders received and responses to new products in Japan, as well as the development of overseas bases. In non-manufacturing industries, new store openings and store remodeling mainly in the retail industry have been promoted at a significantly larger scale than the previous year.  
  ○ **The employment situation is picking up.** (↑) There is a shortage of employees in the production and technical departments due to an increase in production and orders received in the manufacturing and construction industries. There is also a shortage of regular employees and part-timers associated with opening new stores in the retail industry. According to these situations, some people point out that a sense of labor shortage is spread over a wide range of industries.  
  ○ **Private consumption is picking up.** (↑) At department stores, sales of luxury goods remain brisk, and the year-end gift selling is also favorable. At supermarkets, some respondents pointed out that per-customer spending increased mainly due to the effects of a rise in market prices of fresh foods. At home appliance retailers, sales of air conditioners remain brisk in accordance with building new houses mainly due to last-minute demand before the consumption tax hike. Automobile sales show the effects of introducing new car models with overcoming decreases as a reaction to a decline in demand accompanying the termination of the subsidy for eco-friendly cars, and begin to show last-minute demand before the consumption tax hike. |

**Comments from companies**
- We revised the wage system to raise basic wages of middle-class employees, as well as an additional payment of 4% of basic wages on salaries. We will also increase bonuses, supported by brisk business results. (Large general machinery manufacturer/Yamaguchi Prefecture)  
- The Monodzukuri Subsidy enables us to enhance production equipment, leading to improvement of productivity. (Small and medium-sized manufacturer/Okayama Prefecture)  
- Our sales have increased more than 10% due to an increase in orders of public works. We want to make fundamental management reform within a few years. In the process of improving the management environment, we want to take a new approach to create a few new revenue sectors. (Small and medium-sized services business/Shimane Prefecture)
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| Shikoku | Showing signs of picking up
(↑) | ○ Production shows signs of moderately picking up. (→) Production of cement and construction machinery is at a high level due to public works and reconstruction demand. Production of galvanized steel sheet and aluminum shapes show signs of picking up centered on automobile uses and housing building materials. On the other hand, production of chemical fibers and raw materials for synthetic fibers and resin remains sluggish partly due to a decline in domestic and overseas demand, showing movements of discontinuing production of some items.

○ Business investment shows some signs of picking up. (↑) In manufacturing industries, although investment is restrained by focusing on the maintenance and renewal of existing equipment in the textiles and electrical machinery industries, there are plans to make investment in response to a production increase and new orders received, and to conduct research and development, etc. in the food, nonferrous metal, general-purpose and production machinery, and transport equipment (shipbuilding) industries. In addition, some companies decided to make additional investment to increase production of automobile parts. In non-manufacturing industries, there are movements of opening new stores and remodeling existing stores in the retail industry.

○ The employment situation shows signs of improvement. (↑) While most companies indicate that they have an appropriate number of employees, companies which respond that they have an insufficient or a slightly insufficient number of employees have increased. As for a future movement, the number of employees is expected to increase in a wide range of industries. By scale, small- and medium-sized enterprises show a high degree of that tendency. The number of employees will be increased by hiring new employees and mid-career employees, and increasing non-regular employees and temporary employees.

○ Private consumption shows signs of picking up. (↑) At department stores, sales of luxury goods show signs of good performance. While sales at supermarkets continue to see consumers’ budget-minded and low-end attitudes, sales of fresh foods, etc. remain steady, reflecting a trend of eating at home. Sales of home appliances show signs of picking up, with brisk sales of air conditioners and refrigerators, as well as showing movements in television which had remained sluggish for a long period. Sales of passenger cars remain brisk, centered on mini cars, showing signs of picking up.

Comments from companies
- We were able to make business investment ahead of schedule that had not been planned in this fiscal year by utilizing the government subsidy. (Small and medium-sized pulp and paper manufacturer/Kochi Prefecture)
- We expect an increase in sales due to last-minute demand before the consumption tax hike, but we are concerned about how long a reactionary decline after the tax hike will last. (Small and medium-sized DIY store/Kagawa Prefecture)
- Despite an increase in raw material costs due to the yen’s depreciation, we have not passed on the hike in product prices, which is having a huge impact on a decline in profits. (Large plastic product manufacturer/Kagawa Prefecture)
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| Kyushu | Picking up moderately (↑)   | ○ **Production remains flat.** (↓) The core automobile industry shows a pause due to the temporary effects of moving production operation of some types of cars overseas and production adjustment in accordance with model changes. In the electronic parts and devices industry, there are weak movements for audiovisual devices and digital cameras while there are signs of picking up for automobiles and smartphones. The steel and production and general-purpose machinery industries remain steady in accordance with an increase in overseas demand and public works.  

○ **Business investment shows signs of picking up.** (→) In manufacturing industries, investment is centered on maintenance and renewal, but there are movements of making investment for capacity enhancement and self manufacturing by utilizing the government subsidy, etc. In non-manufacturing industries, there are active movements such as remodeling stores targeting bringing in a new customer segment, renewal of systems to the latest model, and investment for supply capacity enhancement aiming for demand expansion. On the other hand, there are also cautious stances on business investment due to an unclear outlook for stable orders.  

○ **The employment situation is moderately picking up.** (→) There are signs of actively hiring experienced sales personnel and global human resources in accordance with business recovery. Hiring human resources with expertise in construction, electricity, etc., including hiring mid-career employees, faces a situation of lacking the expected applicants despite the efforts. Furthermore, a sense of an insufficient number of non-regular employees is continued both in manufacturing and non-manufacturing industries. On the other hand, some pointed out that the number of regular employees remains in slight excess despite a small reduction with an unclear outlook for orders, and that hiring new employees would be curbed.  

○ **Private consumption is moderately picking up.** (↑) Although the budget-minded attitude persists for daily necessities, etc., sales of high unit-priced items was brisk at a food and products fair and for food and beverages for the New Year, in addition to luxury items, such as watches and jewelry. Moreover, sales of automobiles and home appliances and travel also remain steady. Sales of houses show a pause due to a reaction to last-minute demand before the consumption tax hike. |

**Comments from companies**

- We raised bonuses reflecting good business results. We don’t give an annual pay increase, and have a system of promotion or demotion in accordance with abilities and business results. It is unlikely that we will raise basic wages, but we will give back to employees by paying bonuses when we have good business results. (Large other services business/Nagasaki Prefecture)  

- The atmosphere of economic recovery is being enhanced, and there seems to be signs of a gradual increase in employment, which was below the surface in SMEs. Moreover, the number of companies which show an interest in utilizing the female workforce has rapidly increased in the last six months, and we feel it as a sign of the effects of Abenomics. (Large temporary-employment agency/Fukuoka Prefecture)  

- We expanded production lines for motor vehicle parts by utilizing the government subsidy. Moreover, we aim to enhance capacity as requested by our clients. (Small and medium-sized metal product manufacturer/Fukuoka Prefecture)
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| Okinawa | Improving (→)               | ○ **Production has been flat.** (→) Profits of some companies in the metal product industry, including aluminum, have declined, reflecting a sharp rise in unit costs of materials caused by the yen’s depreciation without passing it on in prices. In the food industry, there are negative effects of soaring raw material costs caused by the yen’s depreciation. On the other hand, the ceramics, stone, and clay industry shows signs of picking up, supported by an increase in public investment and private demand.  
○ **Business investment has been flat.** (→) In manufacturing industries, investment is centered on the maintenance and renewal of equipment. Industries such as the food industry show positive movements, including investment for enhancement in anticipation of future demand increase. In non-manufacturing industries, the services, transport, and retail industries show movements of enhancing equipment and opening new stores.  
○ **The employment situation shows signs of improvement.** (↑) Although it remains in a severe situation compared with the national ratio, the effective ratio of job offers to applicants continues to be on an improvement trend, marking the highest level since the reversion to Japan. While most companies indicate that they have an appropriate number of employees, there is a sense of an insufficient number of employees due to business expansion in the transport industry and food retail industry, and due to an increase in public and private demand in the construction industry.  
○ **Private consumption shows signs of improvement.** (↑) Sales at department stores and supermarkets remain steady; the number of customers, per-customer spending, and the number of items purchased have continued to be on an upward trend following the previous quarter, and sales of winter clothing and home appliances especially have increased due to a drop in temperature in early autumn and an increase in housing demand, respectively. Sales at convenience stores remain brisk, mainly due to the effects of new store openings. As for travel, group tours such as school excursions remain steady, due to a significant increase in the number of tourists to the Yaeyama area associated with the opening of New Ishigaki Airport, in addition to the effects of attracting customers to low-cost carriers, which are in service from Narita and Kansai Airports. As for the number of tourists from overseas, the number of tourists from Taiwan, Hong Kong, the Republic of Korea, etc. has increased mainly due to the effects of the yen’s depreciation, and the number of tourists from China has recovered to the level of the year before last, due to the first calling at a port by a charter cruise ship in a year and five months. Thus, the number of tourists as a whole remains steady, exceeding the level of the same month in the previous year for the 15th consecutive month since October 2012, marking a record high of 510,000 tourists for a month in November 2013. |

**Comments from companies**
- We have paid a certain ratio of profit as bonuses (lump-sum payments). (Small and medium-sized construction materials wholesaler)
- We have a tendency to curb orders received due to a shortage of human resources and soaring materials costs in accordance with an overall increase in public and private works. Therefore, the progress of work tends to be delayed while the overall amount of work is increasing. (Small and medium-sized ceramic, stone, and clay product manufacturer)
- We cannot see the effects of Abenomics on SMEs in Okinawa. Profits are shrunk by raised purchase costs of raw materials caused by the yen’s depreciation. (Small and medium-sized metal product manufacturer)