

## Explanation of Terms

### 1. Classification of geographical areas

The cities were classified based on the population size of municipalities as the result of the 2005 Population Census. However, the boundaries of municipalities were those as of November 21, 2007.

#### (1) City Groups

- Major cities ----- Cities with a population of 1,000,000 or more (12 cities)  
The Ku-area of Tokyo and cities of Sapporo-shi, Sendai-shi,  
Saitama-shi, Yokohama-shi, Kawasaki-shi, Nagoya-shi, Kyoto-shi,  
Osaka-shi, Kobe-shi, Hiroshima-shi and Fukuoka-shi
- Middle cities ----- Cities with a population of 150,000 to 999,999 (146 cities)
- Small cities A ----- Cities with a population of 50,000 to 149,999 (243 cities)
- Small cities B ----- Cities with a population of less than 50,000 (125 cities)
- Towns and villages ---- Towns and villages (147 towns and villages)

#### (2) Districts

Prefectures were grouped into the following 10 district:

- Hokkaido district ----- Hokkaido
- Tohoku district ----- Aomori-ken, Iwate-ken, Miyagi-ken, Akita-ken, Yamagata-ken and  
Fukushima-ken
- Kanto district ----- Ibaraki-ken, Tochigi-ken, Gumma-ken, Saitama-ken, Chiba-ken,  
Tokyo-to, Kanagawa-ken, Yamanashi-ken and Nagano-ken
- Hokuriku district ----- Niigata-ken, Toyama-ken, Ishikawa-ken and Fukui-ken
- Tokai district ----- Gifu-ken, Shizuoka-ken, Aichi-ken and Mie-ken
- Kinki district ----- Shiga-ken, Kyoto-fu, Osaka-fu, Hyogo-ken, Nara-ken and  
Wakayama-ken
- Chugoku district ----- Tottori-ken, Shimane-ken, Okayama-ken, Hiroshima-ken and  
Yamaguchi-ken
- Shikoku district ----- Tokushima-ken, Kagawa-ken, Ehime-ken and Kochi-ken
- Kyushu district ----- Fukuoka-ken, Saga-ken, Nagasaki-ken, Kumamoto-ken, Oita-ken,  
Miyazaki-ken and Kagoshima-ken
- Okinawa district ----- Okinawa-ken

#### (3) Major metropolitan areas

A major metropolitan area consists of a government-designated city and surrounding municipalities that are socially and economically connected with such city, and designated based on the commuting employed and attending school population by the 2005 Population Census. In

the 2007 National Survey of Prices, classifications were made using the data of municipalities to be surveyed in the eight major metropolitan areas throughout the country (Sapporo, Sendai, Kanto, Shizuoka, Chukyo, Keihanshin, Hiroshima and Kitakyushu-Fukuoka).

(4) Blocks within prefectures

The blocks within prefectures were regional classifications set for this survey to obtain detailed data on prices in regional units smaller than prefectures. Each block in a prefecture was designated by combining municipalities according to economic regions, etc. within the prefecture.

(5) Population-size groups within prefectures (blocks)

Municipalities in each prefecture were classified according to population as "Cities with a population of 100,000 or more", "Cities with a population of 50,000 to 99,999", "Cities with a population of less than 50,000" or "Towns and villages."

## **2. Matters related to surveyed outlets, establishments and companies**

(1) Retail outlets

Among the retail outlets surveyed, those dealing in any of the survey items were included in tabulation.

- Retail outlets conducting discount sale

Among the retail outlets, that surveyed "daily prices from Thursday, November 15, to Wednesday, November 21" and "the lowest prices in the past month" in the questionnaire for weekly prices.

- Retail outlets conducting online/mail-order sale <sup>(Note)</sup>

Among the retail outlets, that conducting their own online/mail-order sales business in addition to outlet sales, except where their head offices, headquarters or affiliated companies also conduct online/mail-order sales business.

(2) Service establishments

Among the establishments surveyed, those dealing in any of the survey items were included in tabulation.

(3) Online/mail-order companies <sup>(Note)</sup>

Any companies specializing in online/mail-order sales business as well as any outlets and other companies that conduct online/mail-order sales business at their head offices and/or online/mail-order division at their headquarters.

Among the online/mail-order companies surveyed, those dealing in any of the survey items were included in tabulation.

(4) Hotels and golf courses

Among the hotels and golf courses surveyed, those dealing in any of the survey items were included in tabulation.

(Note): Online/mail-order means: a method of sales by which an outlet (or company) advertises goods or services by means of an "Internet or cellular phone Web site," "TV/radio," "newspaper/magazine advertisement," "catalog," "direct mail," or "leaflets delivered to the general public," and receives orders via the "Internet," "mail," "telephone," "facsimile," etc.

### 3. Matters related to prices, charges and fees

#### (1) Prices

The prices at which goods are actually sold to consumers were surveyed and not standard retail prices or list prices (or such special prices as those limited to particular hours, bundle sales prices, members' discount prices, installment sales prices, etc.).

Only brand-new goods were surveyed, and not used goods.

In case of multiple goods conforming to the prescribed properties as a survey item, the price of goods accounting for the largest sales quantity was surveyed.

In case the survey date fell on a non-business day, the prices on the day before that day were surveyed.

In case when any price on the survey date was a bargain price applicable to a short period of less than one week, the regular price prevailing immediately before such special sale was surveyed. However, the prices surveyed according to the "Questionnaire for weekly prices" include the discount prices available for a period of less than a week.

#### A. Prices at retail outlets ("Questionnaire for prices")

The prices on the date of the survey were surveyed.

Prices at retail outlet conducting online/mail-order were classified into as follows:

##### - Outlet sales prices

Depending on whether the same goods are subject to online/mail-order sales in addition to outlet sales, further classifications were made as "with online/mail-order prices" and "without online/mail-order prices"

##### - Online/mail-order prices

#### B. Prices at retail outlets ("Questionnaire for weekly prices")

"Daily prices from Thursday, November 15, to Wednesday, November 21, 2007" and "the lowest prices in the past month" were surveyed.

Maximum (Ceiling) prices	The highest prices among the "daily prices in the week" and "the
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Minimum (Floor) prices	lowest prices in the past month” for each item. Naturally, the maximum and minimum prices of outlets without difference in prices are the same.
Regular prices / Sale prices	Among the above-mentioned “maximum prices” and the “minimum prices”, at outlets with price differentials, the highest prices were recorded as regular prices and the lowest prices as sale prices.
Difference in prices	Difference between the above-mentioned “Regular prices” and the “Sale prices”
Prices by day of week	Daily prices from Thursday, November 15, to Wednesday, November 21.

C. Online/mail-order prices ("Questionnaire for online/mail-order sales prices")

Prices at online/mail-order companies

(2) Service charges and fees ("Questionnaire for service charges and fees ")

Service charges and fees on the date of the survey were surveyed, other than those for a limited period like a monthly contract.

In case the survey date fell on a non-business day, the prices on the day before that day were surveyed.

(3) Accommodation charges

Accommodation charges for a weekday (Wednesday, November 21, 2007) and a day before a holiday (Saturday, November 24, 2007), for which reservations were made one or two weeks in advance, respectively.

For hotels, overnight stay charges for one person sharing a twin-bed room with another person without meals, including consumption tax (except bathing tax) and service charge were surveyed; for ryokan (Japanese-style hotels), overnight stay charges for one person sharing one room with another person with two meals, including consumption tax (except bathing tax) and service charge were surveyed.

In case of multiple types of rooms meeting the prescribed conditions in hotel or ryokan surveyed, charges for the type of room comprising the largest group of room type in the hotel or ryokan were surveyed.

Accommodation charges were classified according to the form of reservations as follows:

- Rates by interpersonal reservation

Accommodation charges in case of reservation made by telephone.

Depending on whether the same contents of accommodation (room, meals, etc.) can be reserved over the Internet in addition to the interpersonal reservation, further classifications were made as "The Internet reservation rates available" and "The Internet reservation rates unavailable."

- Rates by the Internet (official site)

Accommodation charge in case of reservations made through hotel's or ryokan's official site.

The survey only applied to cases when reservation of one and the same contents of accommodation can also be made by interpersonal reservation.

- Rates by the Internet (booking service site)

Accommodation charges in case of reservations made through a booking service site.

The survey only applied to cases when reservation of one and the same contents of accommodation can also be made by interpersonal reservation.

(4) Golf fees

Greens fees for playing golf on a week day (Wednesday, November 21, 2007) and a holiday (Saturday, November 24, 2007), for which surveys were made one or two weeks in advance, respectively.

Greens fees for one person playing 18 holes as a guest in a party of four were surveyed. Cases where greens fees included additional service such as meals, etc. were omitted.

Depending on the type of reservation, further classifications were made as follows:

- Rates by interpersonal reservation

Golf fees in case of reservation directly made by telephone.

Depending on whether the same reservation can also be made over the Internet booking service site in addition to that by telephone, further classifications were made as "The Internet reservation rates available" and "The Internet reservation rates unavailable."

- Rates by the Internet (booking service site)

Golf fees in case of reservation made through an Internet booking service site.

The survey only applied to cases when reservation of one and the same contents of service can also be made by interpersonal reservation.

(5) Average

Simple average of the tabulated prices (includes charges and fees).

(6) 1st percentile point, 5th percentile point, etc.

The prices (hereinafter, includes charges and fees) at the outlets surveyed are arranged in order from lowest to highest by each item, and these prices mean the price positioned at the 1st percentile point or price positioned at the 5th percentile point as counted from the lowest price.

The 25th percentile point, 50th percentile point and 75th percentile point are the values of prices located at the three boundaries when the total number of prices is divided equally into four groups. Therefore, the 25th percentile point is referred to as the first quartile, the 50th percentile point as the second quartile or median (medium value), and the 75th percentile point as the third quartile. The difference between the values of the 75th percentile point and 25th percentile point is referred to as the interquartile range. Half of that range is the quartile deviation.

To study the differences in prices, average prices as well as the distribution of surveyed prices (i.e., "dispersion") are important factors. These percentile numbers are used as indices to study the distribution of prices.

(7) Standard deviation

"Standard deviation ( $\sigma$ )" is calculated using the following formula, where  $\bar{x}$  is the data average,  $x_i$  is individual tabulated price (hereinafter, includes charge and fee), and  $N$  is the number of tabulated prices:

$$\sigma = \sqrt{\frac{\sum_{i=1}^N (x_i - \bar{x})^2}{(N-1)}}$$

(8) Treatment of consumption tax

The tabulated prices (includes charges and fees) include consumption tax (5%).

**4. Matters related to the attributes of outlets, establishments and companies**

(1) Types of outlets

Each retail outlet is determined according to the type of outlet with reference to the following classifications:

Conventional retail outlet	Specialty store, privately owned outlet, etc. operating on a shopping street, near a railway station, along the roadside, in a commercial building, etc. that falling under any classifications below from "Supermarket" to "Consumers' cooperative store" including packed lunch stores, gas stations, etc.
Supermarket	Outlet mainly selling foods and general goods based on a self-service system, including so-called general supermarkets, and outlet that sells various goods at a uniformed price (one-price store).
Discount store	Outlet mainly selling electric home appliances, housing-related goods, clothing, toys, sporting goods, etc. based on a policy of small profits and quick returns, including so-called D-I-Y centers.
Pharmacy (drug store)	Outlet mainly selling medicines and cosmetics based on a self-service system, including outlets also selling other daily goods such as domestic household items, foods, stationery, etc.
Convenience store	Outlet selling a variety of items based on a self-service system, dealing in daily goods such as foodstuffs, houseware, magazines, etc., with relatively small floor space (30 to 250 m <sup>2</sup> ) and typically open 24 hours or an extended period (14 hours or more) everyday.
Department store	Outlet dealing in most commodities related to clothing, food and housing, and selling mainly based on a face-to-face system.
Consumers' cooperative store	Outlet managed by a consumer cooperative association. An outlet managed by an agricultural cooperative (such as A-coop) falls under the classification of Supermarket or Conventional retail outlet, etc. according to the type of outlet.
Others	Outlets not belonging to any of the above-mentioned types, including

	commissary stores located on the premises of a governmental organization or other public office, schools, corporations, etc.
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(2) Number of persons engaged

A. Number of persons engaged at retail outlets

The number of employees includes part-time workers and "arubaito" (temporary workers) belonging to the relevant outlet as of the survey date.

The owners of individually managed businesses, their family employees, officers, and temporally outsourcing staff from other outlets, etc. under separate management were included.

Employees who are loaned or dispatched to other companies, etc. were excluded.

The numbers of part-time workers and "arubaito" (temporary workers) were not the number of employees belonging to relevant outlets, but were calculated by totalizing the working hours of employees at work on the survey date, and then converting the total working hours into the number of employees based on an eight-hour workday per person.

B. Number of persons engaged at online/mail-order companies

The number of employees includes part-time workers and "arubaito" (temporary workers) belonging to the relevant companies as of the survey date.

The owners of individually managed businesses, their family employees, officers, and temporally outsourcing staff from other outlets, etc. under separate management were included.

Employees who are loaned or dispatched to other companies, etc. were excluded.

In case part of business is entrusted to another company, etc. under the separate management, employees of such company, etc. were excluded.

The numbers of part-time workers and "arubaito" (temporary workers) were not the number of persons belonging to relevant corporations, but were calculated by totalizing the working hours of employees at work on the survey date, and then converting the total working hours into the number of employees based on an eight-hour workday per person.

C. Number of persons engaged at service establishments, hotels, ryokan and golf courses

The number of employees includes part-time workers and "arubaito" (temporary workers) belonging to the relevant establishments. The number of persons engaged obtained from the result of 2006 Establishment and Enterprise Census were used.

The owners of individually managed businesses, their family employees, officers, and temporally outsourcing staff from other outlets, etc. under separate management, or staff members dispatched from other establishments under separate management based on a subcontract were included.

Employees who are loaned or dispatched to other establishments, or dispatched to other

establishments under separate management based on a subcontract were excluded.

(3) Ratio of part-time workers and "arubaito" (temporary workers)

Ratio of the number of part-time workers and "arubaito" (temporary workers) to the number of persons engaged.

(4) Characteristics of outlets

Management policy considered important by a retail outlet in order to distinguish itself from other outlets, as determined by each outlet.

Low prices	Cases where prices lower than those at other outlets are set.
Goods of high quality and selected with particular interests	Cases where an outlet offers goods with the advantage of reputed brands and/or high added values, enriches its assortment of goods (such as various kinds and small-lot packages of goods), and/or thoroughly practices quality control.
Improvement of services	Cases where an outlet emphasizes staff training to provide meticulous service and speedy response, providing nursery/parking facilities, after-sale services, etc. Cases where services attractive to customers are provided.
Advertisement	Cases where an outlet practices promotional activities to enhance its image and name recognition, as well as its goods by means of advertisement, sample tasting of beverages/foods, or particular goods given away for free, etc.
Extension of business days and hours	Cases where an outlet has fewer days closed or extends its business hours to provide better services.
Diversification of sales channels	Cases where an outlet has a sales system other than outlet sales, such as online/mail-order sales and the delivery of goods to remote regions. "Online/mail-order sales" mentioned here refers to that practiced independently by the outlet, and not that practiced by its head office, etc.
Securing customers and customer retention	Cases where an outlet emphasizes point system, stamp cards, discounts for repeat customers, a membership system, discount and privilege services limited to particular customers, etc. in order to secure customers.
Others	Cases where an outlet attaches importance to anything other than those mentioned above, such as endeavoring to protect the environment, responding to the aging society, contributing to the local community, self-beautification, etc.

(5) Presence of competitors

Presence of any other outlet(s) for which competition is taken into consideration when setting sales prices, as determined by each retail outlet surveyed.

(6) Discount and privilege services

Discount and/or privilege services that can be utilized by anyone without any particular conditions. (Multiple answers possible)

Discount prices for	Cases where membership can be obtained on the spot for applying
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members	discount prices
Discount price coupons	Coupons printed in ad leaflets, magazines, etc. targeting the general public, attached to goods, or displayed on screens through the Internet or cellular phones.
Point system	Points credited to customers according to amounts of purchase, frequency of purchase, etc. at an outlet that can be used for payment or a discount in subsequent purchases, or can be exchanged for certain goods or other points according to accrued points.
Stamp cards	Stamps, seals or cards given to customers according to the amounts of purchase, etc. for using their own shopping bags or cooperation in recycling resources that can be exchanged for cash, cash vouchers, certain goods, discounts, etc. according to the number accrued thereof.
Others	Any services not falling under any of the above-mentioned discount and privilege services.

(7) Ratio of discount and privilege service users

The ratio customers who utilize discount and/or privilege services at purchasing among all customers.

(8) Online/mail-order sale

Online/mail-order sales business conducted at outlets in addition to outlet sales, except where their head offices, headquarters or affiliated companies conduct online/mail-order sales business.

(9) Advertisement media for online/mail-order

Advertisement of the online/mail-order sales system itself, including the names of goods, prices and method of ordering. This does not mean advertisement for publicizing the company or specific goods.

Internet own site	An outlet's/company's own Internet site
Internet intermediary site	Shopping site (Mall) other than own site
Cellular phone site	Shopping site established on a cellular phone site
TV	Time for programs or advertisement scheduled by TV stations
Radio	Time for programs or advertisement scheduled by radio stations
Direct mail	Leaflets or postcards sent by mail delivery service, post, courier service, etc.
Catalog	Catalogs sent by mail delivery service, post, courier service, etc.
Advertisement by newspaper and magazine	Newspapers and magazines
Leaflets in newspaper	Leaflets, etc. inserted in the pages of a newspaper or in one's own or other company's goods
Others	Any ad media not falling under those mentioned above

(10) Suppliers

Main suppliers of goods handled by an outlet

From maker, producer or farm directly	Including agricultural cooperatives (JA) located in producing districts
From wholesaler	Including purchases at the market
From head office of corporation	Cases where the head office or headquarters makes purchases en bloc
Others	Cases where any of the above-mentioned suppliers are not applicable

(11) Size of outlets

According to the size of sales floor space, the following classifications are made. However these classifications are as of the survey outlet list of 2007 National survey of prices, it is not necessarily correspond to the classification of "Sales floor space" obtained from the result of 2007 Census of Commerce.

- Large-scale outlets

Outlets with sales floor space of 1,000 m<sup>2</sup> or more. All such outlets in the municipalities were surveyed in principle.

- Small-scale outlets

Outlets with sales floor space of less than 1,000 m<sup>2</sup>. Such outlets were sampled according to the population size of the municipalities surveyed.

(12) Suppliers of goods

Suppliers of goods (Multiple answers possible)

(13) Payment method

The method of paying purchase prices (Multiple answers possible)

(14) Delivery charges

Depending on whether delivery charges are required in addition to the prices of goods purchased, classifications were made as follows (with multiple answers possible in case charges are required):

- Charged

All are charged

Cases where a charge is required regardless of delivery area, the quantity, item or amount of purchase

Charged depending on the delivery area

Cases where a charge is required depending on the area such as an isolated island, etc. to which goods are delivered

Charged depending on the quantity and/or amount of purchase

Cases where a charge is required when the amount of purchase is under a certain amount

Charged depending on the item of article

Cases where a charge is required depending on items purchased

Others

Cases where any of the above-mentioned conditions is not applicable

- Free of charge

(15) Number of guest rooms

Classifications were made according to the number of guest rooms at hotels and ryokan.

(16) Interpersonal reservation rates

A. Interpersonal reservation rates in tabulating the numbers of accommodations

Classifications were made according to interpersonal reservation rates on the day before a holiday.

B. Interpersonal reservation rates in tabulating accommodation charges (average rates and distribution of rates)

Classifications were made according to interpersonal reservation rates for each day of stay (weekday and day before a holiday) at hotels and ryokan.

C. Interpersonal reservation rates in tabulating the number of golf courses

Classifications were made according to interpersonal reservation rates on a holiday for each type of golf fee (with or without caddy service or golf carts).

D. Interpersonal reservation rates in tabulating golf fees (average rates and distribution of rates)

Classifications were made according to the interpersonal reservation rate for each type of fee set for playing each day (weekdays and holidays)

## **5. Classification/Grouping for regional difference index of prices**

(1) Basic groups

The basic groups include "All items" as well as major groups, medium groups, etc. for items of goods classified by purpose of consumption. (For details, refer to "Aggregation Table of Basic Classification")

(2) Goods and service groups

Items are classified into groups of goods and services according to their main nature, and further classified into smaller groups. (For details, refer to "Aggregation Table of Goods and Services Classification")

(3) Index by Characteristics of Household

The influence of regional differences in prices is also considered to differ depending on the status of housing ownership and age of the head of the household. Therefore, in order to analyze

these factors, an index based on each consumption structure was prepared in addition to an index by the average of all households.