

Summary

Prospects DI for the April - June quarter of 2006

- Although the Sales Current Assessment DI continued to decline from the previous quarter, the Sales Prospects DI improved substantially compared with the Sales Current Assessment DI. The Sales Prospects DI improved in all regions, and in particular improved significantly in Asia. The improvement of the DI in China was notable.
- The Capital Investment Current Assessment DI improved in all regions except North America and NIEs3. Also the Capital Investment Prospects DI improved in all regions except NIEs3 and Europe.
- The Employment Prospects DI slightly deteriorated due to a decline in North America and Europe, while it improved in Asia.

Actual Results for the October - December quarter of 2005

- Sales registered single-digit growth on a year-to-year basis for the first time in nine quarters. Sales in the transportation equipment sector were met favorable conditions. Sales in the electrical machinery sector, however, increased marginally. China continued to increase. ASEAN4 and NIEs3 saw sluggish growth. While North America increased, Europe leveled off.
- Capital investments increased in all regions except North America. In Asia, capital investments in NIEs3 expanded considerably. Capital investments in Europe posted single-digit growth. In contrast, capital investments in North America showed the third straight quarter of decline due to a substantial decrease in the electrical machinery sector.
- The number of employees continued to climb in Asia. In particular, employment in China grew at a solid rate, marking double-digit growth. However, North America saw a slight decline in the number of employees.

Important points in the survey

*Note: The survey was conducted as of the middle of February, 2006.

1. **The Sales Prospects DI^{*1} stood at 25.5 percentage points, and it improved considerably compared with the Current Assessment DI for the current quarter. Actual sales continued its steady growth, though the result was a in single-digit increase of 8.1% compared to the same quarter of the previous year and, was the first single-digit growth for nine quarters.**

The sales Current Assessment DI deteriorated in all regions except North America and NIEs3^{*2}. The Prospects DI marked double-digit growth at a positive level in all regions. The DI substantially improved, focusing on Asia. The overall Prospects DI from the previous quarter improved considerably, in particular in Asia. That for China^{*3}, among others, noticeably improved. ASEAN4^{*4} and NIEs3 recorded a double-digit improvement.

Actual sales continued to rise in all regions except Europe. Sales in Asia marked the fourteenth consecutive quarter of double-digit growth, backed by the transportation equipment sector's good performance. In particular, sales in China heightened the growth rate because the electrical machinery sector posted double-digit year-on-year growth for two quarters in a row as well as a significant increase in the transportation equipment sector. Sales in NIEs3 continued to record low growth with a single-digit increase due to a decline in the electrical machinery sector, etc. ASEAN4 continued its bumper sales on account of the transportation equipment sector's excellent performance. Sales in North America registered single-digit growth due to a decline of the iron and steel sector despite growth in the transportation equipment sector. Sales in Europe remained unchanged due to a slight increase in the transportation equipment sector, though the electrical machinery sector recorded growth.

2. **The Capital Investment Prospects DI stood at 15.3 percentage points, which was higher than the Capital Investment Current Assessment DI. Actual capital investment was up 4.4% compared to the same quarter of the previous year, marking the twelfth straight quarter of growth.**

The Capital Investment Current Assessment DI improved in all regions except North America and NIEs3. The Prospects DI improved in all regions except NIEs3 and Europe, marking positive figures in all regions. Compared with the Current Assessment DI for the current quarter, the Prospects DI improved. In Asia, the Prospects DI in China improved thanks to the electrical machinery sector's improvement. The Prospects DI in ASEAN4 improved despite a slight deterioration in the transportation equipment sector, and that for NIEs3 marginally worsened. The Prospects DI in North America improved considerably, backed by an improvement in the transportation equipment sector, and that for Europe slightly deteriorated due to a decline in the electrical machinery sector and transportation equipment sectors.

Actual capital investment expanded in all regions except in North America. Capital investment in Asia recorded single-digit growth for the first time in ten quarters. Investment in ASEAN4 continued to increase backed by a gain in the transportation equipment sector. Capital investment in NIEs3 showed a substantial increase due to growth of the electrical machinery and transportation equipment sectors, but that for China recorded low growth with a single-digit increase due to a drop in the electrical machinery sector, despite an increase in the transportation equipment sector. Capital investment in Europe showed a single-digit increase for the first time in six quarters due to a decline in the transportation equipment sector. Capital investment in North America declined continuously because the electrical machinery sector decrease sharply, though the transportation equipment sector increased.

3. The Employment Prospects DI stood at 9.1 percentage points. The number of employees continued its growth, up 5.5% on a year-on-year basis.

The Employment Current Assessment DI maintained positive in all regions. The Employment Prospects DI was positive in all regions except Europe. The Employment Prospects DI from the previous quarter fell slightly. The Prospects DI in Asia improved in all regions, but that for North America, however, worsened due to deterioration in the transportation equipment sector. The Prospects DI in Europe worsened marginally because of deterioration in the electrical machinery and transportation equipment sectors.

The actual number of employees continued to rise in Asia. Employment in China continued to rise due to increases in sectors including electrical machinery and transportation equipment. ASEAN4 increased thanks to rise in employment in the transportation equipment sector. The actual number of employees in NIEs3 rose slightly due to an increase in the transportation equipment sector. While the actual number in North America dropped marginally because of a decline in the electrical machinery sector, Europe posted an increase for three quarters in a row fueled by a rise in the transportation equipment sector.

Notes) *1: The DI survey period was divided into the "current assessment" period and the "prospects" period, each of which is a three-month survey.

- $DI = (\text{Proportion of companies that responded that they expected an increase}) - (\text{Proportion of companies that responded that they expected a decrease})$
- Quarterly Changes in Current Assessment DI = Current Assessment DI for January to March 2006 - Current Assessment DI for October to December 2005
- Quarterly Changes in Prospects DI = Prospects DI for April to June 2006 - Current Assessment DI for January to March 2006

*2: NIEs3: Singapore, Taiwan and the Republic of Korea

*3: China including Hong Kong

*4: ASEAN4: Indonesia, Thailand, the Philippines and Malaysia

1. Sales

The Sales Current Assessment DI (for the quarter from January to March 2006) maintained double-digit levels in all regions except NIEs3, though it deteriorated by 4.4 percentage points compared with the previous quarter. The Sales Prospects DI (for the quarter from April to June 2006) improved substantially by 11.9 percentage points from the previous three months, marking a double-digit gain in all regions.

- The Sales Current Assessment DI was positive in all regions, though it deteriorated except in North America and ASEAN4.
- The Sales Prospects DI improved in all regions. In particular, the Sales Prospects DI improved considerably in Asia, and that for China among others it improved significantly, backed by an improvement in the electrical machinery sector, etc.

Actual sales increased 8.1% compared to the same period a year ago but did not top a single-digit gain for the first time in nine quarters. Actual sales in North America remained at a single-digit level for two quarters in a row due to a decline in the iron and steel sector, though the electrical machinery sector increased for the first time in three quarters. Actual sales in Europe remained unchanged due to the sluggish electrical machinery and transportation equipment sectors. In contrast, sales in Asia continued to register double-digit growth thanks to the brisk transportation equipment sector. In particular, China continued its growth backed by an increase in the electrical machinery sector. Actual sales in ASEAN4 posted single-digit growth for the first time in fourteen quarters due to the sluggish electrical machinery sector. Actual sales in NIEs3 were positive but did not top a single-digit gain for three quarters in a row because several sectors including the electrical machinery continued to decline.

(Reference) Overseas economies: The global economy is steadily recovering. The North American economy is expanding. In Asia, the Chinese economy is continuing to expand. The economies in Taiwan and Singapore are expanding led by foreign demand. The economy in Malaysia is expanding led by domestic demand. The expansion of Thailand's economy is moderating. Korea's economy is recovering. The euro-zone economy is also gradually recovering. The economy in the UK is recovering. (Excerpt from the March 2006 issue of *The Monthly Economic Report*)

- (1) The Sales Current Assessment DI for the current quarter (January to March 2006) stood at 13.6 percentage points, 4.4 points lower than that for the previous quarter (October to December 2005).

The Prospects DI for the next quarter (April to June 2006) stood at 25.5 percentage points, substantially improved by 11.9 points compared with the Current Assessment DI for the current quarter (January to March 2006) (see Table 1, Chart 1 and Chart 2).

- The Sales Current Assessment DI in NIEs3 remained at a single-digit level, but those for other regions were positive, posting double-digit growth. As the Prospects DI in NIEs3 improved, those for all regions were positive and marked double-digit level.
 - The Prospects DI improved significantly by 11.9 percentage points from the Current Assessment DI for the current quarter. In Asia, the Prospects DI in China improved substantially due to an improvement in both the electrical machinery and the industrial machinery sectors. The Prospects DI in ASEAN4 improved thanks to the considerable improvement of the electrical machinery sector, and that for NIEs3 improved significantly due to the improvement of the electrical machinery sector despite the deterioration of the transportation equipment sector. The Prospects DI in North America improved thanks to the electrical machinery sector's major improvement despite deterioration of the transportation equipment sector. Although the electrical machinery sector and the transportation equipment sector deteriorated, the Prospects DI in Europe improved because the chemical sector and the industrial machinery sector improved.
- (2) Actual sales (on a US-dollar basis) increased 8.1% from the same quarter in the previous year but did not top a single-digit gain for the first time in nine quarters (see Table 1, Chart 1 and Chart 3).
 - In Asia, actual sales in ASEAN4 remained in single-digit growth for the first time in fourteen quarters because the electrical machinery sector marked the fifth consecutive quarter of sluggish growth, though the transportation equipment sector continued to increase significantly. Those in NIEs3 registered a single-digit year-on-year growth for three quarters in a row due to a decrease of the electrical machinery sector, etc., despite an increase of the transportation equipment sector. In China, actual sales continued to increase thanks to, in addition to the favorable transportation equipment sector, a double-digit growth in the electrical machinery sector for two quarters in a row. In North America, actual sales in the electrical machinery sector increased for the first time in three quarters and those in the transportation equipment sector continued to rise, but the iron and

steel sector declined, thus resulting in the second consecutive quarter of single-digit growth. Sales in Europe remained unchanged because the transportation equipment sector, which had been enjoying strong growth, was flat, while there was only marginal growth in the electrical machinery sector.

Table 1 Sales DI and Actual Results (by Region and Main Industries)

Unit (comparison to same quarter of previos year:%, comparison to the previous year:percentage points)

	DI						Actual (comparison to corresponding period of previous year)
	Survey of present term			comparison to the previous quaeter		Prospect	
	Survey of previos term	Current Assessment Oct.-Dec. 2005	Current Assessment Jan.-Mar. 2006	Prospect Apr.-Jun. 2006	Current Assessment (-)		
Total	18.0	13.6	25.5	(-4.4)	11.9	8.1	
North America	16.0	17.2	22.1	(1.2)	4.9	7.6	
Asia	18.9	12.3	28.6	(-6.6)	16.3	11.9	
ASEAN4	11.2	13.4	27.9	(2.2)	14.5	9.2	
NIEs3	14.4	2.9	13.5	(-11.5)	10.6	5.5	
China (including Hong Kong)	26.0	12.4	33.1	(-13.6)	20.7	18.5	
Europe	23.7	11.6	14.6	(-12.1)	3.0	0.0	

	DI						Actual (comparison to corresponding period of previous year)
	Survey of present term			comparison to the previous quaeter		Prospect	
	Survey of previos term	Current Assessment Oct.-Dec. 2005	Current Assessment Jan.-Mar. 2006	Prospect Apr.-Jun. 2006	Current Assessment (-)		
Transportation equipment	24.8	27.1	26.2	(2.3)	-0.9	13.5	
Electrical machinery	15.6	5.6	20.3	(-10.0)	14.7	3.8	
Industrial machinery	26.9	16.6	26.6	(-10.3)	10.0	10.0	
Chemicals	23.2	21.1	32.2	(-2.1)	11.1	6.8	
Iron and Steel	-3.5	4.5	19.1	(8.0)	14.6	-9.4	

Chart1 Sale DI and Actual Sales (Dollar Basis)

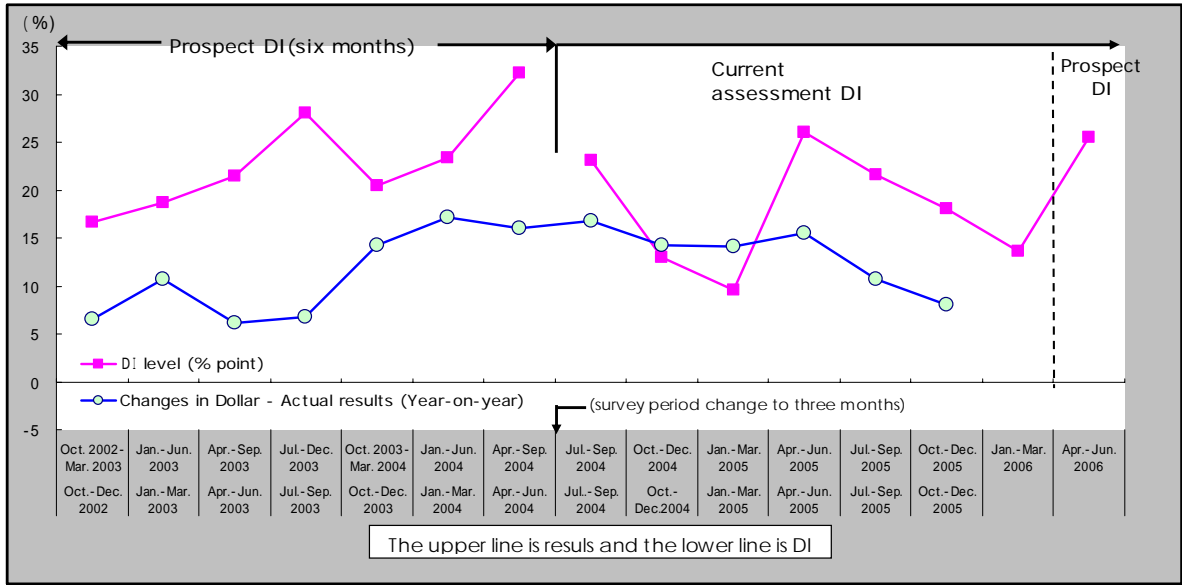


Chart2 Sales DI (by Region)

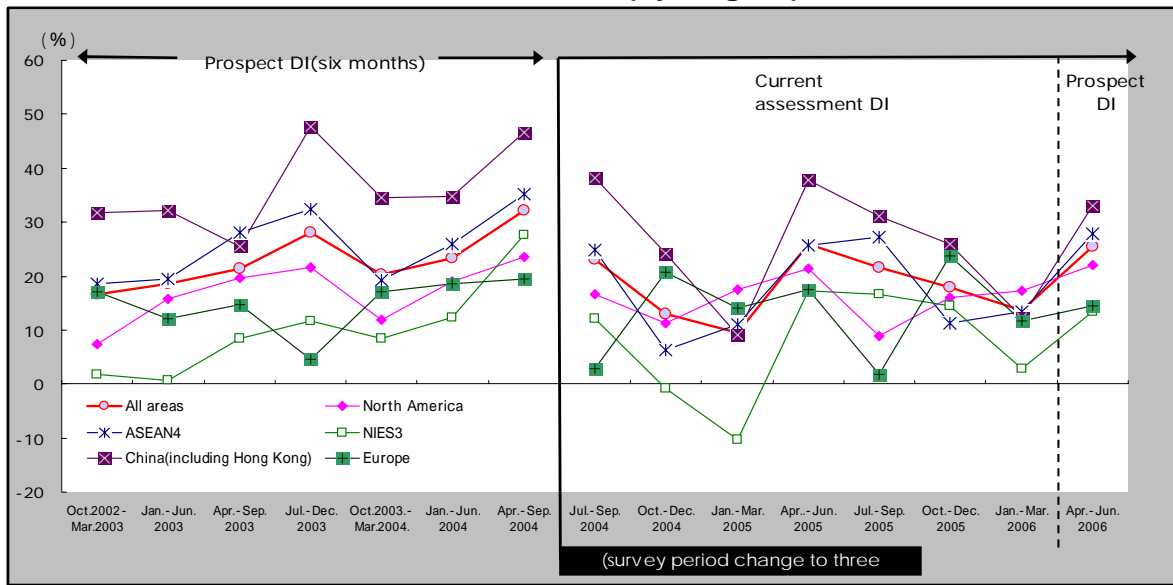
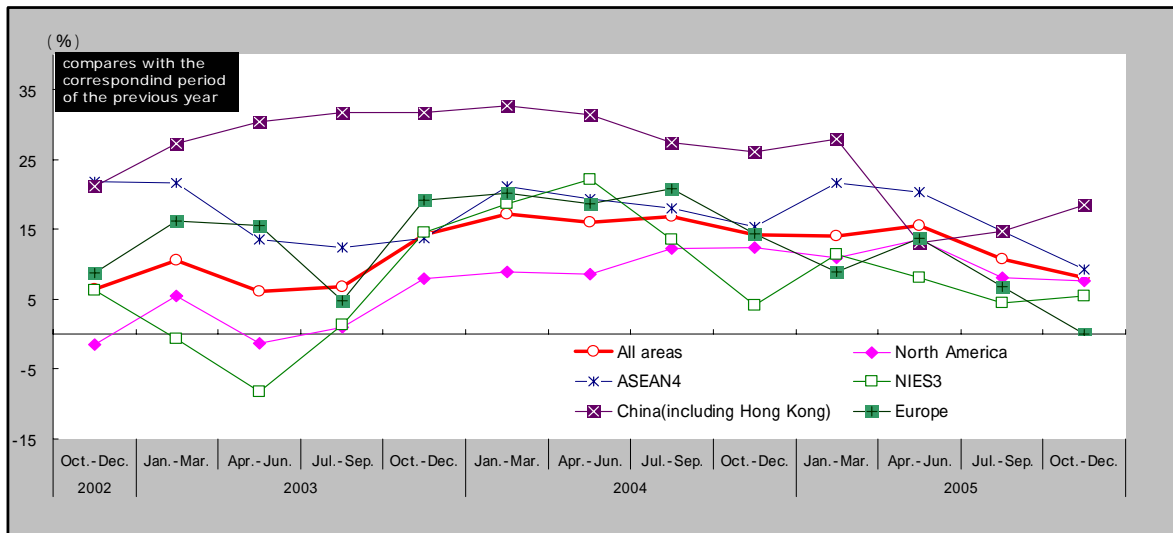


Chart3 Actual Sales (Dollar Basis) by Region



2. Capital Investment (acquisition costs of fixed assets except land)

The Current Capital Investment Assessment DI (for the quarter from January to March 2006) improved from the previous quarter in all regions except North America and NIEs3. Compared with the Current Capital Investment Assessment DI, the Capital Investment Prospects DI (for the quarter from April to June, 2006) improved in all regions except NIEs3 and Europe.

- The Current Assessment DI slightly improved. Those in North America and NIEs3 deteriorated but improved in other regions. The Current Assessment DI was positive in all regions.
- The Prospects DI improved. Those in NIEs3 and Europe worsened but grew in other regions. The Prospects DI was positive and posted double-digit growth in all regions except NIEs3 and Europe.

Actual capital investment increased 4.4% from the same quarter a year earlier, for the twelfth consecutive quarter of growth on a year-on-year basis. Capital investment expanded in all regions except North America. Capital investment in Asia remained at in single-digit growth for the first time in ten quarters. Investment in both China and ASEAN4 showed a single-digit increase. Investment in NIEs3 recorded a major increase of 49.6%. Investment in Europe registered single-digit growth for the first time in six quarters because the transportation equipment sector decreased for the first time in seven quarters. Capital Investment in North America declined for three quarters in a row because the electrical machinery sector posted a third consecutive quarter of considerable decrease while the transportation equipment sector gained.

- (1) The Capital Investment Current Assessment DI for the current quarter (January to March 2006) stood at 12.4 percentage points and slightly improved by 1.5 points from the previous quarter (October to December, 2005). The Capital Investment Current Assessment DI improved in all regions except NIEs3 and North America. That for North America, NIEs3 and Europe was at a single-digit growth level.

The Capital Investment Prospects DI for the next quarter (April to June 2006) stood at 15.3 percentage points, 2.9 points higher than the Current Assessment DI for the current quarter (January to March 2006). The Prospects DI marked a double-digit gain in all regions except NIEs3 and Europe (see Table 2 and Chart 4).

- The Capital Investment Prospects DI improved by 2.9 percentage points compared with the Current Assessment DI for the current quarter. The Prospects DI for Asia improved by 2.0 percentage points from the Current Assessment DI for the current quarter. In Asia, the Prospects DI for China improved thanks to an electrical machinery sector's improvement, that for ASEAN4 improved by 2.1 percentage points (id.) due to the increase of the chemical sector despite the deterioration in the transportation equipment and electrical machinery sectors. That for NIEs3 fell by 0.9 percentage points (id.) owing to the electrical machinery sector's deterioration. The Prospects DI for North America showed a recovery (7.2 percentage points higher than the Current Assessment DI for the current quarter) thanks to an improvement in the transportation equipment sector in spite of a decline in the electrical machinery sector. The Prospects DI for Europe marginally worsened (0.1 percentage points lower than the Current Assessment DI for the current quarter) as the transportation equipment and electrical machinery sectors dropped in spite of a recovery in the chemical sector.

- (2) Actual capital investment (on a US-dollar basis) increased by 4.4% from the same quarter a year earlier, for the twelfth consecutive quarter of growth (see Table 2 and Chart 5).

- Actual capital investment expanded in all regions except North America, which marked the third straight quarterly decline. Actual capital investment in Asia was up 9.8% on a year-on-year basis. In ASEAN4, actual capital investment in the transportation equipment sector continued to rise, however the electrical machinery sector declined slightly, and besides, the chemical sector as well as the iron and steel sector dropped substantially, resulting in single-digit growth. Actual capital investment in China posted a single-digit increase due to the second consecutive quarterly decline in the electrical machinery sector. That for NIEs3 significantly increased because the transportation equipment sector continued to surge and the electrical machinery sector marked growth for the first time in five quarters. That for Europe (up 4.7% compared to the same quarter of the previous year) posted single-digit growth for the first time in six quarters, due to the decline of the transportation equipment and industrial machinery sectors despite gains seen in the electrical machinery and chemical sectors. Actual capital investment in North America declined 5.3% year-on-year, marking the third consecutive quarterly decline. The transportation equipment sector in North America increased by 32.3% year-on-year, recording a major increase for the first time in five quarters. However, the electrical machinery sector plunged 77.1% from a year earlier, posting the third consecutive significant quarterly decline.

Table 2 Capital Investment DI and Actual Result (by Region and Main Industries)

Unit (comparison to same quarter of previous year:%, comparison to the previous year:percentage points)

	DI					Actual (comparison to corresponding period of previous year)		DI					Actual (comparison to corresponding period of previous year)		
	Survey of previous term		Survey of present term		comparison to the previous quarter			Survey of previous term		Survey of present term		comparison to the previous quarter			
	Current Assessment (Oct.-Dec. 2005)	Current Assessment (Jan.-Mar. 2006)	Prospect (Apr.-Jun. 2006)	Current Assessment (-)	Prospect (-)			Current Assessment (Oct.-Dec. 2005)	Current Assessment (Jan.-Mar. 2006)	Prospect (Apr.-Jun. 2006)	Current Assessment (-)	Prospect (-)			
Total	10.9	12.4	15.3	(1.5)	2.9	4.4	Transportation equipment	13.9	18.1	23.1	(4.2)	5.0	22.0		
North America	11.5	7.5	14.7	(-4.0)	7.2	-5.3	Electrical machinery	8.7	10.3	8.9	(1.6)	-1.4	-31.7		
Asia	12.5	14.5	16.5	(2.0)	2.0	9.8	Industrial machinery	17.9	16.1	13.2	(-1.8)	-2.9	1.8		
ASEAN4	12.7	15.3	17.4	(2.6)	2.1	3.6	Chemicals	12.6	8.3	15.4	(-4.3)	7.1	3.1		
NIEs3	6.6	5.5	4.6	(-1.1)	-0.9	49.6	Iron and Steel	4.0	11.5	27.8	(7.5)	16.3	-12.3		
China(including Hong Kong)	12.5	16.0	18.4	(3.5)	2.4	7.2									
Europe	3.1	6.2	6.1	(3.1)	-0.1	4.7									

Chart4 Capital Investment DI by Region

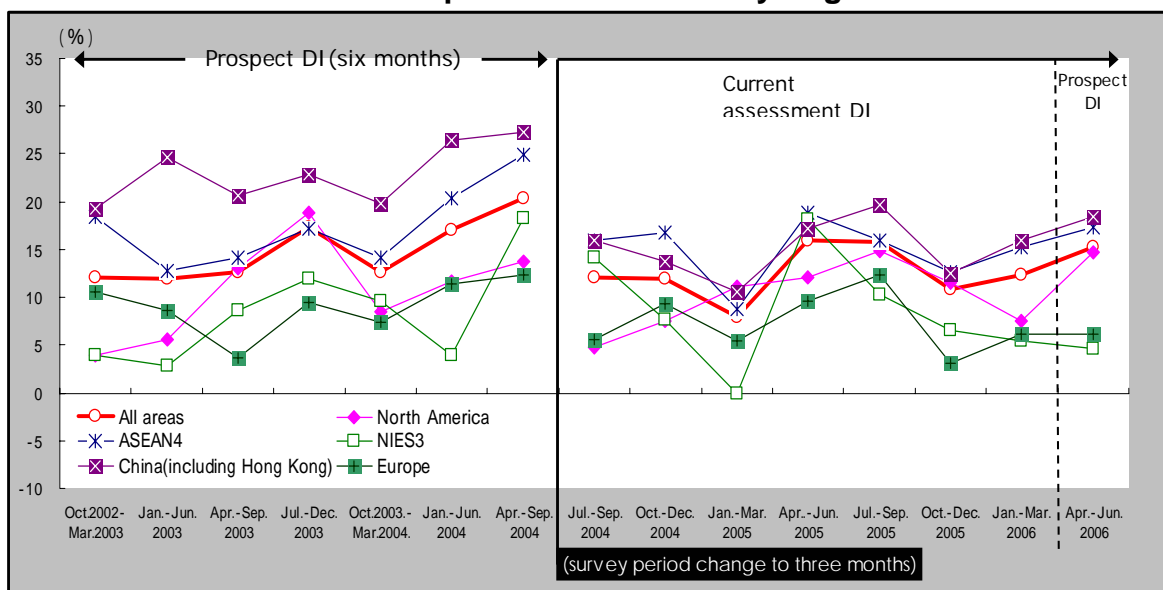
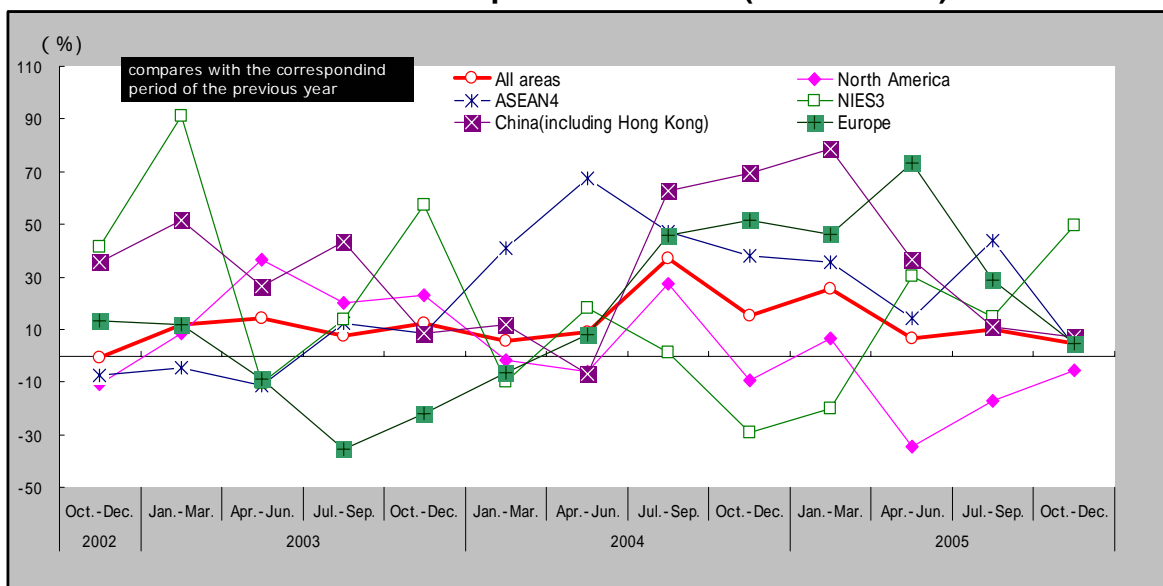


Chart5 Actual Capital Investment (Dollar Basis)



3. Employment

The Employment Prospects DI (for the quarter of April to June 2006) stood at 9.1 percentage points. The Prospects DI was positive for all regions except Europe. Compared with the Current Assessment DI for the current quarter, the Prospects DI for Asia improved, but that for North America and Europe worsened.

- The Current Employment Assessment DI (for the quarter of January to March 2006) was positive for all regions, and it improved in all regions except NIEs3 compared with the previous quarter.
- The Employment Prospects DI marginally worsened from the current quarter. The Prospects DI for Europe slightly deteriorated, and that for North America worsened due to the transportation equipment sector's deterioration. The Prospects DI for Asia showed a slight improvement.

The actual number of employees (as of the end of December 2005) continued to increase, up by 5.5% from the same quarter of the previous year. In Asia, the number of employees in China continued to pick up, with an increase of 10.2% compared with the same quarter last year, marking the third consecutive quarterly double-digit growth. Employment in ASEAN4 registered an increase of 5.5% from the previous year, and that in NIEs3 also picked up, with a modest increase of 1.7% compared with the same quarter last year. Employment in Europe and North America registered a gain of 2.2% and a drop of 0.8% respectively, both on a year-on-year basis.

- (1) The Employment Current Assessment DI for the current quarter (January to March 2006) stood at 10.0 percentage points, 2.7 points higher than that for the previous quarter (October to December 2005).

The Employment Prospects DI for the next quarter (April to June 2006) worsened slightly, reaching 9.1 percentage points, which was 0.9 points lower than the Current Assessment DI for the current quarter (January to March 2006) (see Table 3).

- Compared with the Current Assessment DI for the current quarter, the Prospects DI registered a modest decline of 0.9 percentage points. The Prospects DI in Asia improved slightly by 1.5 percentage points compared with the Current Assessment DI for the current quarter. The Prospects DI for ASEAN4 improved, and that for NIEs3 and China posted a marginal increase. The Prospects DI for North America recorded a decline of 6.3 percentage points due to a deterioration in the transportation equipment sector. The Prospects DI for Europe showed a slight decline of 1.6 percentage points compared with the Current Assessment DI for the current quarter owing to a deterioration in the transportation equipment and electrical machinery sectors.

- (2) The number of employees stood at 2.81 million as of the end of December 2005, continuing on an upward trend, up 5.5% from the previous year (see Table 3).

Employment in Asia continued its upward trend. In China, it registered its third consecutive quarterly double-digit increase thanks to continuing improvements in the transportation equipment and electrical machinery sectors. The number of employees in ASEAN4 increased 5.5% from the year earlier thanks to the transportation equipment sector's expansion, and that for NIEs3 slightly increased 1.7% as the transportation equipment sector continued to increase, though employment in the electrical machinery sector decreased. Employment in Europe increased 2.2% backed by the third consecutive quarterly double-digit growth in the transportation equipment sector in spite of the continuing decline in the electrical machinery sector. The number of employees in North America recorded a slight decline of 0.8% compared to the year earlier due to a continuous decline in the electrical machinery sector despite a gain in the transportation equipment sector.

Table 3 Employment Numbers DI and Actual Result (by Region and Main Industries)

Unit (comparison to same quarter of previous year:%, comparison to the previous year:percentage points)

	DI						Actual (comparison to corresponding period of previous year)
	Survey of present term			comparison to the previous quarter			
	Survey of previous term	Current Assessment	Prospect	Current Assessment	Prospect		
	(Oct.-Dec. 2005)	(Jan.-Mar. 2006)	(Apr.-Jun. 2006)	(-)	(-)	(-)	
Total	7.3	10.0	9.1	(2.7)	-0.9	5.5	
North America	5.4	10.4	4.1	(5.0)	-6.3	-0.8	
Asia	10.3	10.6	12.1	(0.3)	1.5	7.8	
ASEAN4	9.2	9.4	12.4	(0.2)	3.0	5.5	
NIEs3	5.5	0.4	0.9	(-5.1)	0.5	1.7	
China (including Hong Kong)	12.5	15.1	15.9	(2.6)	0.8	10.2	
Europe	-4.6	0.8	-0.8	(5.4)	-1.6	2.2	
	DI			comparison to the previous quarter			
	Survey of previous term	Current Assessment	Prospect	Current Assessment	Prospect		
	(Oct.-Dec. 2005)	(Jan.-Mar. 2006)	(Apr.-Jun. 2006)	(-)	(-)	(-)	
Transportation equipment	12.4	18.5	14.4	(6.1)	-4.1	11.1	
Electrical machinery	7.4	6.9	7.0	(-0.5)	0.1	3.5	
Industrial machinery	12.4	10.7	10.0	(-1.7)	-0.7	10.2	
Chemicals	5.0	9.9	7.8	(4.9)	-2.1	1.5	
Iron and Steel	0.0	8.7	4.4	(8.7)	-4.3	-1.3	