

Summary

- Prospects DI for the July – September quarter of 2006
 - The Sales Current Assessment DI recovered and the Sales Prospects DI improved slightly, mainly in ASEAN4 and China. A sharp decline in Europe was notable.
 - The Capital Investment Current Assessment DI improved in all regions. The Capital Investment Prospects DI deteriorated in all regions, but maintained a double-digit level in all regions except Europe.
 - The Employment Prospects DI improved slightly in Asia, but deteriorated in North America and Europe. The Employment Prospects DI deteriorated somewhat in total.
- Actual Results for the January – March quarter of 2006
 - The rate of sales growth continued to diminish for the third consecutive quarter. In Asia, NIEs3 decreased for the first time in 11 quarters, and ASEAN4 registered only single-digit growth. China continued to increase. North America and Europe also saw increases.
 - Capital Investments decreased for the first time in 13 quarters. In Asia, capital investment in China decreased for the first time in seven quarters, while those in ASEAN4 and NIEs3 continued to increase. Europe saw a decrease in capital investments, and North America also saw a significant decrease due to a decrease in the electrical machinery sector.
 - The number of employees continued to increase in Asia. That in North America decreased slightly and that in Europe decreased somewhat.

Important points in the survey

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

1. The Sale Prospects DI^{*1} improved slightly, standing at 22.2 percentage points. Actual sales increased by 5.1% compared to the same quarter of the previous year, but the rate of growth continued to slow for the third consecutive quarter.

The Sales Current Assessment DI improved, mainly in China^{*2} and NIEs3^{*3}. The Prospects DI marked double-digit growth at a positive level in all regions except Europe. The overall Prospects DI improved slightly from the previous quarter. In Asia, that for China and ASEAN4^{*4} increased, while it deteriorated in NIEs3. Although North America saw some improvement, the Prospect DI for Europe deteriorated considerably.

The rate of increase actual sales continued to diminish for the third consecutive quarter. In Asia, sales in ASEAN4 saw the first single-digit growth in 15 quarters, due to a sharp decrease in the transportation equipment sector. NIEs3 saw a decrease in sales for the first time in 11 quarters due to decreases in the electrical machinery sector and the transportation equipment sector. In spite of sluggish growth in the electrical machinery sector, sales in China continued to increase because the transportation equipment sector maintained its high growth. North America saw only a single-digit increase in sales, due to slower growth in the electrical machinery sector and the transportation equipment sector. Sales in Europe rebounded due to increases in all major sectors except the chemical sector.

2. The Capital Investment Prospects DI deteriorated, standing at 14.1 percentage points. Actual capital investment decreased by 2.7% from the same quarter of the previous year, down for the first time in 13 quarters.

The Capital Investment Current Assessment DI improved in all regions, marking double-digit growth at a positive level in all regions except Europe. The Prospects DI deteriorated in all regions, but maintained double-digit growth at a positive level in all regions except Europe. The overall Prospects DI deteriorated in all regions from the previous quarter. In Asia, the Prospects DI for China deteriorated due to declines in the electrical machinery sector and the transportation equipment sector. In spite of a slight improvement in the transportation equipment sector, that for ASEAN4 deteriorated due to a significant decline in the electrical machinery sector. NIEs3 also saw deterioration due to declines in major sectors. The Prospects DI for North America deteriorated due to declines in the transportation equipment sector and the electrical machinery sector. That for Europe also deteriorated due to a sharp decline in the electrical machinery sector.

Actual capital investment decreased for the first time in 13 quarters. Capital investment in Europe decreased for

the first time in eight quarters due to a significant decrease in the transportation equipment sector. Capital investment in North America continued to decrease due to a decrease in the transportation equipment sector, and due to a sharp decline in the electrical machinery sector. Capital investment in Asia registered the first single-digit increase in 11 quarters. Capital investment in ASEAN4 continued to increase due to a significant increase in the electrical machinery sector. That in NIEs3 marked significant growth for the fourth consecutive quarter due to increases in the electrical machinery sector and the transportation equipment sector. In spite of an increase in the transportation equipment sector, China decreased for the first time in seven quarters, due to a sharp decline in the electrical machinery sector.

3. The Employment Prospects DI stood at 8.0 percentage points. The number of employees continued to grow, up by 4.7% on a year-on-year basis.

The Employment Current Assessment DI and the Employment Prospects DI both maintained a positive level in all regions except Europe. The Employment Prospects DI fell slightly from the previous quarter. In Asia, the Prospects DI deteriorated in NIEs3 but improved somewhat in China, and improved slightly in ASEAN4. The Prospects DI in North America worsened due to deterioration in the electrical machinery sector and that in Europe decreased somewhat due to deterioration in the electrical machinery sector and the transportation equipment sector.

The actual number of employees continued to rise in Asia. Employment in China continued to rise due to increases in the electrical machinery sector and the transportation equipment sector. Employment in ASEAN4 increased due to increases in the electrical machinery sector and the general machinery sector, and that in NIEs3 showed some improvement due to an increase in the transportation machinery sector. Employment in North America decreased somewhat due to a decrease in the electrical machinery sector, and that in Europe decreased slightly due to a continuing decrease in the electrical machinery sector, although there was an increase 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 April to June 2006 - Current Assessment DI for January to March 2006
- Quarterly Changes in Prospects DI = Prospects DI for July to September 2006 - Current Assessment DI for April to June 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 April to June 2006) improved by 9.6 points compared with the previous quarter. The Sales Prospects DI (for the quarter from July to September 2006) improved slightly, by 0.5 points (id.).
 - The Sales Current Assessment DI marked double-digit growth at a positive level in all regions, with a significant improvement in China and NIEs3.
 - The Sales Prospects DI improved in all regions except NIEs3 and Europe. In Asia, it improved in ASEAN4 and China. In contrast, that in Europe marked a negative level due to a significant deterioration in the electrical machinery sector.
- Actual sales increased by 5.1% compared to the same quarter of the previous year, but the rate of increase diminished for the third consecutive quarter. In Asia, actual sales in NIEs3 decreased for the first time in 11 quarters due to the transportation equipment sector's first decrease in nine quarters. Actual sales in ASEAN4 marked the first single-digit increase in 15 quarters due to sluggish growth in the transportation equipment sector. China saw a continuing increase in actual sales. In spite of an increase in the transportation equipment sector, actual sales in North America showed only a single-digit increase due to sluggish growth in the electrical machinery sector. Actual sales in Europe rebounded due to increases in all major sectors except the chemical sector.

(Reference) Overseas economies: The global economy is steadily recovering. The North American economy is expanding. In Asia, economic growth continues in China and elsewhere. The economies of 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 expanding moderately. The eurozone economy is also gradually recovering. The economy in the UK is recovering. (Excerpt from the June 2006 issue of The Monthly Economic Report)

- (1) The Sales Current Assessment DI for the current quarter (April to June 2006) stood at 21.7 percentage points, 9.6 points higher than that for the previous quarter (January to March 2006). The Prospects DI for the next quarter (July to September 2006) stood at 22.2 percentage points, a slight improvement of 0.5 points over the Current Assessment DI for the current quarter (April to June 2006)(see Table 1 and Charts 1 and 2).

The Sales Current Assessment DI marked double-digit growth at a positive level in all regions, due to significant improvements in Asia.

The Prospects DI maintained double-digit growth at a positive level in all regions except Europe.

The overall Prospects DI improved slightly by 0.5 points from the previous quarter. In Asia, it improved in China due to growth in the electrical machinery and transportation equipment sectors, and in ASEAN4 due to improvements in major sectors. NIEs3 saw deterioration due to a sharp decline in the transportation equipment sector, although the electrical machinery sector improved. The Prospects DI in North America improved slightly due to an improvement in the electrical machinery sector, although the transportation equipment sector declined. That in Europe deteriorated considerably, shifting to a negative level, due to a sharp decline in the transportation equipment sector and deterioration in the electrical machinery, general machinery, and chemical sectors.

- (2) Actual sales (on a US-dollar basis) increased by 5.1% compared to the same quarter of the previous year but the rate of increase diminished for the third consecutive quarter (see Table 1, Charts 1 and 3).

In Asia, actual sales in ASEAN4 registered the first single-digit growth in 15 quarters due to sluggish growth in both the transportation equipment and electrical machinery sectors. Actual sales in NIEs3 decreased for the first time in 11 quarters due to decreases in the transportation equipment, electrical machinery, and general machinery sectors. In China, actual sales continued to increase as favorable conditions in the transportation equipment sector continued, while the electrical machinery sector saw only a single-digit increase. In North America, actual sales showed a single-digit increase for the third consecutive quarter, due to a sluggish increase in the electrical machinery sector and the transportation equipment sector's first single-digit increase in seven quarters. Actual sales in Europe rebounded due to increases in all major sectors except the chemical 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)		DI					Actual (comparison to corresponding period of previous year)				
	Survey of previos term		Survey of present term					comparison to the previous quaeter		Survey of previos term		Survey of present term			comparison to the previous quaeter		
	① Current Assessment (Jan.-Mar. 2006)	② Current Assessment (Apr.-Jun. 2006)	③ Prospect (Jul.-Sep. 2006)	Current Assessment (②-①)	Prospect (③-②)			① Current Assessment (Jan.-Mar. 2006)	② Current Assessment (Apr.-Jun. 2006)	③ Prospect (Jul.-Sep. 2006)	Current Assessment (②-①)	Prospect (③-②)					
Total	12.1	→ 21.7	→ 22.2	(- 9.6)	0.5	5.1	Transportation equipment	26.6	→ 15.5	→ 10.3	(-11.1)	-5.2	6.1				
North America	16.6	→ 10.5	→ 11.4	(-6.1)	0.9	4.2	Electrical machinery	2.9	→ 15.6	→ 19.6	(12.7)	4.0	2.2				
Asia	10.3	→ 27.0	→ 29.7	(16.7)	2.7	5.0	Industrial machinery	11.3	→ 25.9	→ 23.2	(14.6)	-2.7	11.7				
ASEAN4	10.8	→ 21.7	→ 27.5	(10.9)	5.8	2.5	Chemicals	20.9	→ 29.0	→ 26.4	(8.1)	-2.6	4.6				
NIEs3	0.8	→ 19.0	→ 14.6	(18.2)	-4.4	-4.7	Iron and Steel	4.5	→ 24.6	→ 31.6	(20.1)	7.0	-10.4				
China(including Hong Kong)	11.6	→ 34.0	→ 36.7	(22.4)	2.7	12.7											
Europe	13.0	→ 10.9	→ -4.4	(-2.1)	-15.3	3.4											

Chart 1 Sales DI and Actual Sales (Dollar Basis)

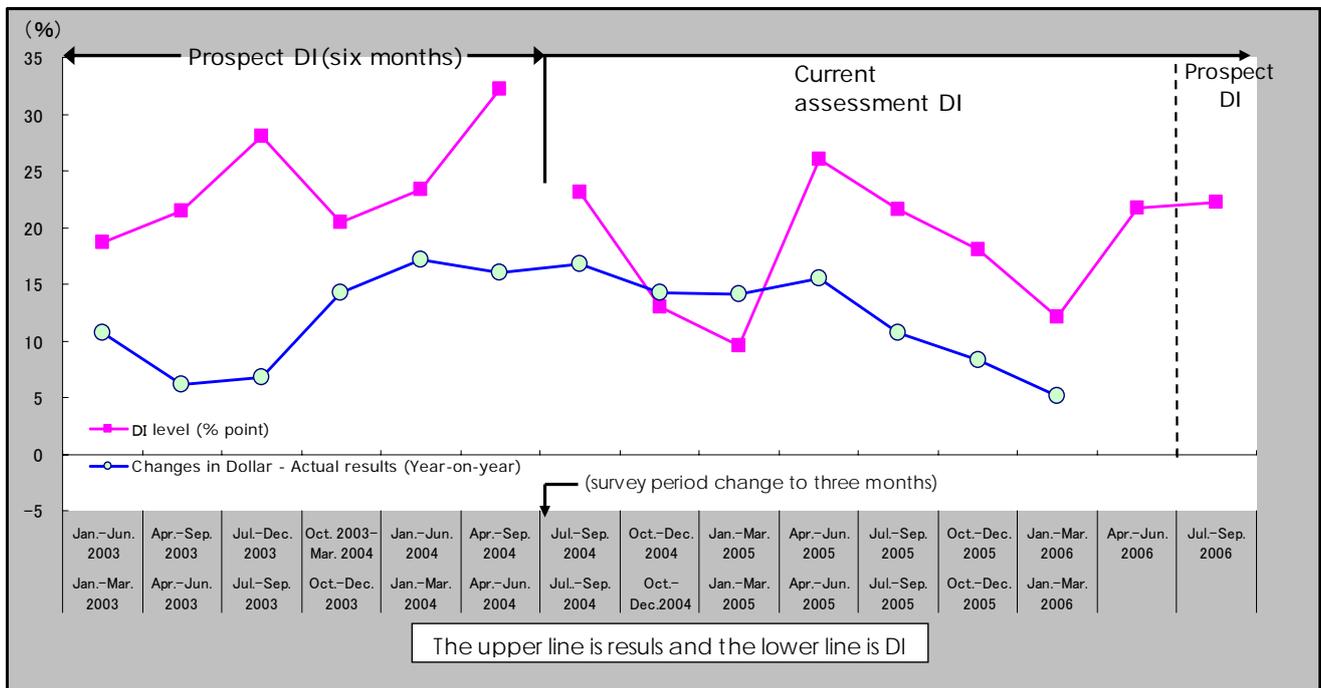


Chart 2 Sales DI (by Region)

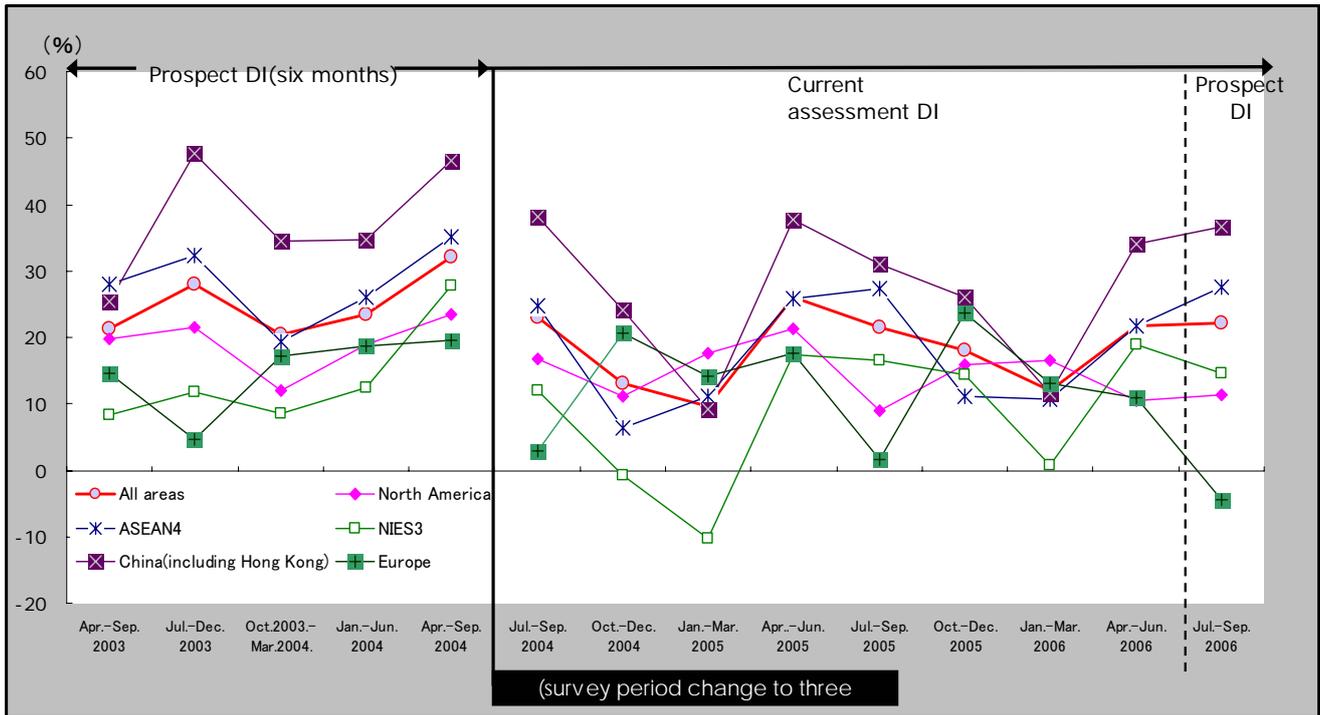
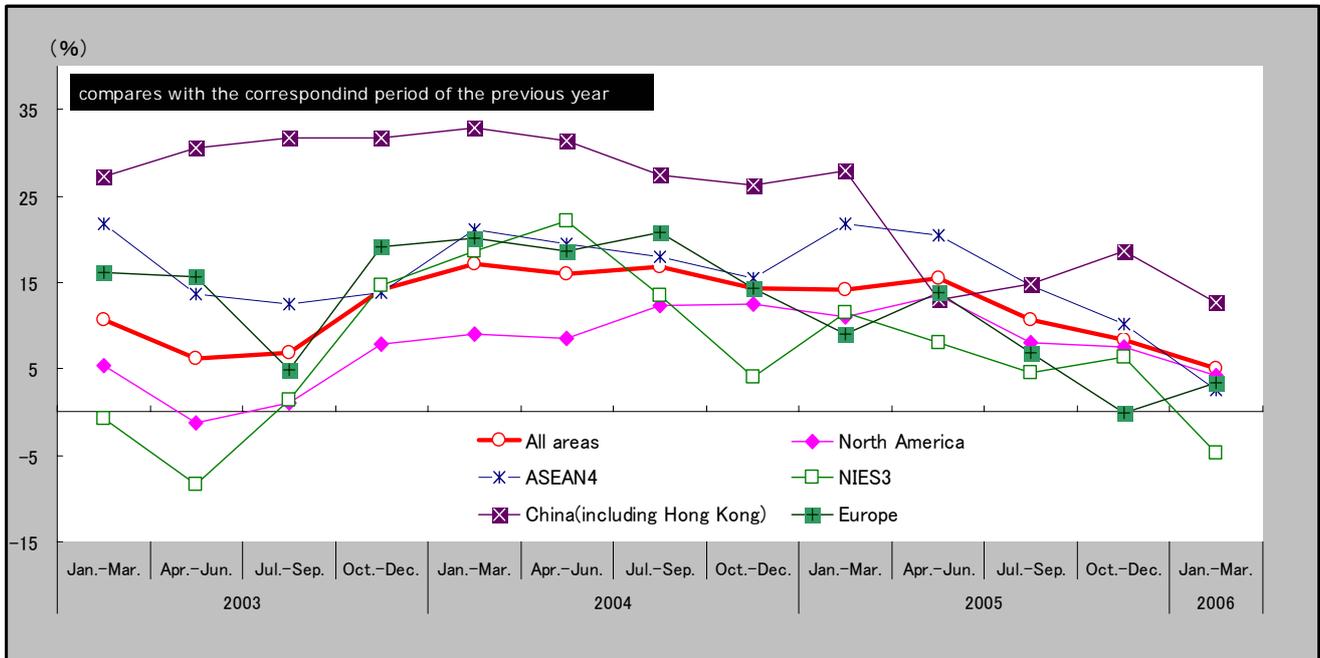


Chart 3 Actual Sales (Dollar Basis) by Region



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

- The Capital Investment Current Assessment DI (for the quarter from April to June 2006) improved from the previous quarter in all regions. Compared with the Capital Investment Current Assessment DI, the Capital Investment Prospects DI (for the quarter from July to September 2006) deteriorated in all regions.
 - The Capital Investment Current Assessment DI improved in all regions, maintaining double-digit growth at a positive level in all regions except Europe.
 - The Capital Investment Prospects DI deteriorated in all regions, but maintained a double-digit positive level everywhere except in Europe.
- Actual capital investment decreased by 2.7% from the same quarter of the previous year, down for the first time in 13 quarters. It decreased in all regions except ASEAN4 and NIEs3. Actual capital investment in Asia showed a single-digit increase for the first time in 11 quarters. Actual capital investment in NIEs3 continued to increase significantly due to increases in the transportation equipment sector and the electrical machinery sector. ASEAN4 marked a double-digit increase in actual capital investment due to a significant growth in the electrical machinery sector. In contrast, China registered a decrease for the first time in seven quarters, due to decreases in the electrical machinery and chemical sectors, although the transportation equipment sector continued to increase significantly. In spite of a significant increase in the electrical machinery sector, actual capital investment in Europe decreased for the first time in eight quarters, due to a sharp decline in the transportation equipment sector. Actual capital investment in North America decreased for the fourth consecutive quarter, due to a significant decrease in the electrical machinery sector for the fourth consecutive quarter, and the transportation equipment sector rebounded.

- (1) The Capital Investment Current Assessment DI for the current quarter (April to June 2006) stood at 18.8 percentage points, improving by 6.7 points from the previous quarter (January to March 2006). It improved in all regions, maintaining double-digit growth at a positive level in all regions except Europe.

The Capital Investment Prospects DI for the next quarter (July to September 2006) stood at 14.1 percentage points, 4.7 points lower than the Current Assessment DI for the current quarter (April to June 2006). It deteriorated in all regions, but maintained a double-digit positive level in regions except Europe (see Table 2 and Chart 4).

The Capital Investment Prospects DI deteriorated by 4.7 points compared with the Current Assessment DI for the current quarter. In Asia (down by 5.3 points (id.)), the Prospects DI for China deteriorated by 7.3 points (id.) due to deterioration in the electrical machinery sector and the transportation equipment sector. The Prospects DI for ASEAN4 deteriorated by 3.5 points (id.) due to a decline in the electrical machinery sector, in spite of a slight improvement in the transportation equipment sector. The Prospects DI for NIEs3 deteriorated by 3.8 points (id.) due to deterioration in major sectors. The Prospects DI for North America deteriorated by 2.1 points (id.) due to a decline in the transportation equipment and other sectors, in spite of an improvement in the chemical sector. The Prospects DI for Europe deteriorated by 3.2 points (id.) due to deterioration in the transportation equipment sector and a sharp decline in the electrical machinery sector.

- (2) Actual capital investment (on a US-dollar basis) decreased by 2.7% from the same quarter of the previous year, down for the first time in 13 quarters (see Table 2 and Chart 5).

Actual capital investment in Asia was up by 9.4% from the same quarter of the previous year. Actual capital investment in NIEs3 increased by 49.0% (id.), up significantly for the fourth consecutive quarter, due to a continuing increase in the transportation equipment sector and a significant increase in the electrical machinery sector. Actual capital investment in ASEAN4 registered a double-digit increase (up by 15.9% (id.)) due to an increase in the transportation equipment sector and a significant increase in the electrical machinery sector. Actual capital investment in China decreased by 14.5% (id.), down for the first time in seven quarters due to a sharp decline in the electrical machinery sector, although the transportation equipment sector continued to increase significantly. Actual capital investment in Europe decreased by 14.7% (id.), down for the first time in eight quarters, due to a sharp decline in the transportation equipment sector, in spite of a significant increase in the electrical machinery sector. Actual capital investment in North America decreased by 23.7% (id.), down for the fourth consecutive quarter. The electrical machinery sector was down by 72.0% (id.), a sharp decrease for the fourth consecutive quarter. The transportation equipment sector was down by 4.3% (id.), a decrease for the first time in two quarter.

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		
	① Current Assessment (Jan.-Mar. 2006)	② Current Assessment (Apr.-Jun. 2006)	③ Prospect (Jul.-Sep. 2006)	Current Assessment (②-①)	Prospect (③-②)			① Current Assessment (Jan.-Mar. 2006)	② Current Assessment (Apr.-Jun. 2006)	③ Prospect (Jul.-Sep. 2006)	Current Assessment (②-①)	Prospect (③-②)					
Total	12.1	→ 18.8	→ 14.1	(6.7)	-4.7	-2.7	Transportation equipment	18.4	→ 22.5	→ 17.9	(4.1)	-4.6	8.9				
North America	7.2	→ 16.2	→ 14.1	(9.0)	-2.1	-23.7	Electrical machinery	9.7	→ 16.1	→ 7.6	(6.4)	-8.5	-18.9				
Asia	14.3	→ 20.9	→ 15.6	(6.6)	-5.3	9.4	Industrial machinery	15.2	→ 14.5	→ 8.9	(-0.7)	-5.6	-13.1				
ASEAN4	14.7	→ 19.0	→ 15.5	(4.3)	-3.5	15.9	Chemicals	8.2	→ 14.3	→ 12.3	(6.1)	-2.0	-23.3				
NIEs3	5.8	→ 14.8	→ 11.0	(9.0)	-3.8	49.0	Iron and Steel	11.5	→ 18.8	→ 20.0	(7.3)	1.2	28.0				
China(including Hong Kong)	16.1	→ 23.3	→ 16.0	(7.2)	-7.3	-14.5											
Europe	6.0	→ 9.1	→ 5.9	(3.1)	-3.2	-14.7											

Chart 4 Capital Investment DI by Region

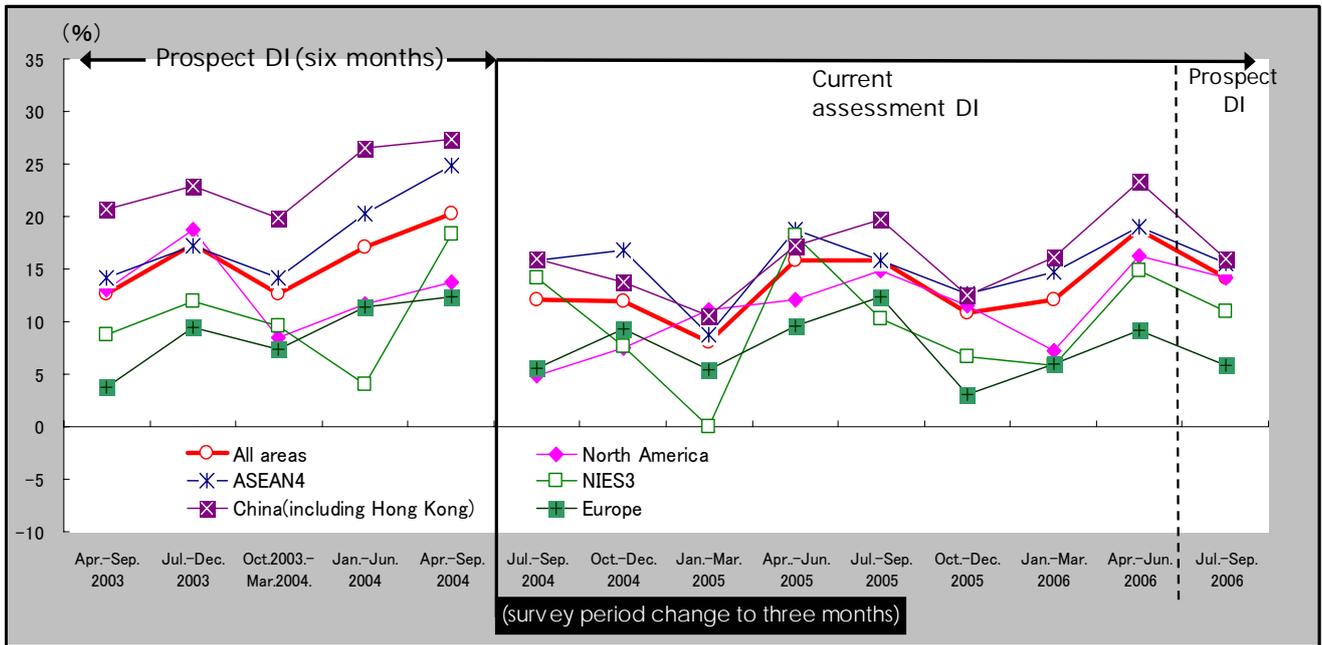
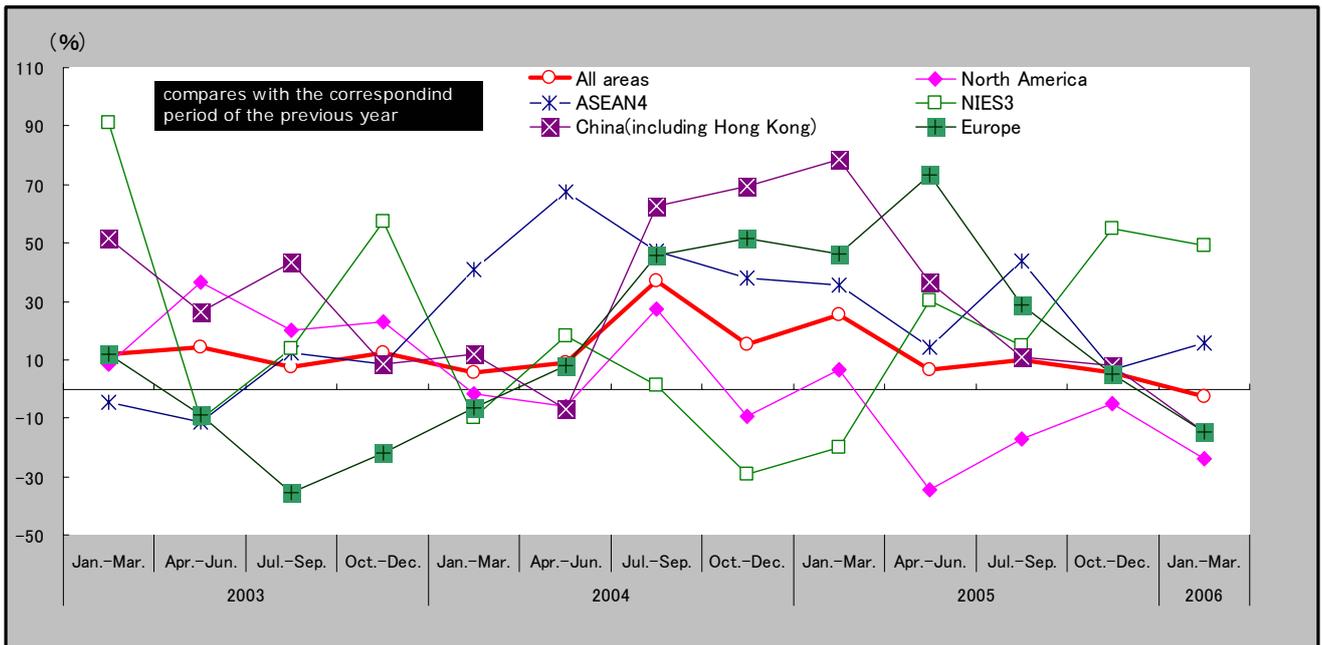


Chart 5 Actual Capital Investment (Dollar Basis) by Region



3. Employment

- The Employment Prospects DI (for the quarter from July to September 2006) stood at 8.0 percentage points. The Prospects DI was positive for all regions except Europe.
 - The Employment Current Assessment DI (for the quarter of April to June 2006) was positive for all regions except Europe. Compared with the previous quarter, it deteriorated in all regions except NIEs3.
 - The Employment Prospects DI worsened marginally from the current quarter. The Prospects DI for North America deteriorated somewhat, and that for Europe deteriorated slightly. In Asia, the Prospects DI for NIEs3 deteriorated, while that for China and ASEAN4 improved.
- The actual number of employees (as of the end of March 2006) continued to increase, up by 4.7% from the same quarter of the previous year. In Asia, the number of employees in China continued to increase, up by 9.6% (id.). The number of employees in ASEAN4 increased by 2.9% (id.), and that in NIEs3 registered a slight increase of 1.2% (id.). The number of employees in Europe decreased slightly by 0.1% (id.), and that in North America decreased by 1.2% (id.).

- (1) The Employment Current Assessment DI for the current quarter (April to June 2006) stood at 8.1 percentage points, 1.5 points lower than that for the previous quarter (January to March 2006). The Employment Prospects DI for the next quarter (July to September 2006) stood at 8.0 percentage points, worsening slightly by 0.1 points from the Current Assessment DI for the current quarter (April to June 2006) (see Table 3).

Compared with the Current Assessment DI for the current quarter, the Prospects DI worsened slightly, down by 0.1 points. The Prospects DI in Asia improved slightly by 0.7 points (id.). The Prospects DI improved somewhat for China (by 1.1 points (id.)) and for ASEAN4 (by 0.3 points (id.)). Meanwhile, that for NIEs3 recorded a decline of 2.4 points (id.). The Prospects DI for North America deteriorated slightly, down by 0.9 points (id.), due to deterioration in the electrical machinery sector, in spite of an improvement in the transportation equipment sector. The Prospects DI for Europe deteriorated by 1.5 points (id.), due to deterioration in the transportation equipment sector and the electrical machinery sector.

- (2) The number of employees stood at 2.83 million as of the end of March 2006, continuing its upward trend, up by 4.7% from the same quarter of the previous year (see Table 3).

Employment in Asia continued to increase, up by 6.5% from the same quarter of the previous year. In China, the number of employees continued to increase, up by 9.6% (id.), due to increases in the transportation equipment sector and electrical machinery sector. Although the transportation equipment sector registered only a single-digit increase, the number of employees in ASEAN4 increased by 2.9% (id.), due to increases in the general machinery and sector electrical machinery sector. The number of employees in NIEs3 increased by 1.2% (id.), due to an increase in the transportation equipment sector and a slight increase in the electrical machinery sector. The number of employees in Europe decreased slightly, down by 0.1% (id.), due to a continued decrease in the electrical machinery sector, in spite of an increase in the transportation equipment sector. The number of employees in North America also decreased slightly, down by 1.2% (id.), due also to a continued decrease in the electrical machinery sector, in spite of an increase 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)		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		
	① Current Assessment Jan.-Mar. 2006	② Current Assessment Apr.-Jun. 2006	③ Prospect Jul.-Sep. 2006	Current Assessment (②-①)	Prospect (③-②)			① Current Assessment Jan.-Mar. 2006	② Current Assessment Apr.-Jun. 2006	③ Prospect Jul.-Sep. 2006	Current Assessment (②-①)	Prospect (③-②)					
Total	9.6	→ 8.1	→ 8.0	(-1.5)	-0.1	4.7	Transportation equipment	18.3	→ 8.9	→ 9.9	(-9.4)	1.0	7.3				
North America	10.1	→ 7.5	→ 6.6	(-2.6)	-0.9	-1.2	Electrical machinery	6.7	→ 7.7	→ 9.0	(1.0)	1.3	4.2				
Asia	10.5	→ 10.2	→ 10.9	(-0.3)	0.7	6.5	Industrial machinery	10.8	→ 11.6	→ 9.7	(0.8)	-1.9	11.5				
ASEAN4	8.8	→ 7.5	→ 7.8	(-1.3)	0.3	2.9	Chemicals	9.7	→ 8.1	→ 6.2	(-1.6)	-1.9	-0.9				
NIEs3	0.4	→ 4.0	→ 1.6	(3.6)	-2.4	1.2	Iron and Steel	8.7	→ 5.3	→ 8.9	(-3.4)	3.6	-1.9				
China(including Hong Kong)	15.2	→ 14.3	→ 15.4	(-0.9)	1.1	9.6											
Europe	0.7	→ -2.6	→ -4.1	(-3.3)	-1.5	-0.1											