



Member of Cat Group

Zurich, 2nd April 2007

Today's Tankan Survey

Dear investor

The Bank of Japan quarterly Tankan report (survey of business sentiment by over 10'000 large companies) came out today.

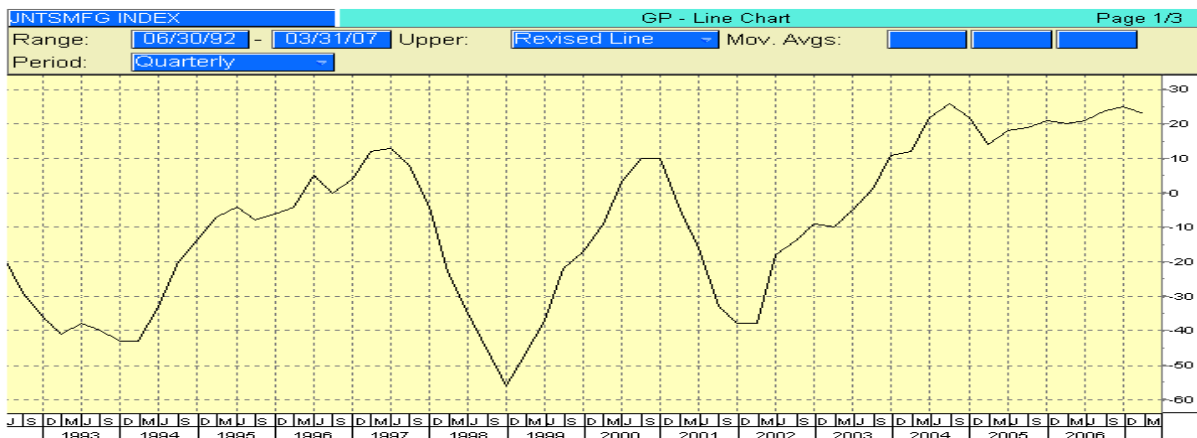
The Tankan showed that business sentiment slightly worsened from 24 to 23 in March (consensus was 24) reinforcing expectations that the central bank will not raise interest rates until much later this year.

The business outlook for steelmakers was very weak, dropping 15 points to 31. This was the largest drop among all the groups included in the survey. In addition, domestic car sales dropped for the 21st consecutive month.

Capex spending was the big positive surprise, gaining 2.9% YoY, above expectations of 1.7%, indicating that companies are upbeat about the outlook for growth at home and abroad.

The Tankan was released before the market opened today. The Nikkei opened higher and actually rose above 17'400 in the beginning only to steadily drop during the day and briefly touching sub-17'000 before closing at 17'028 (losing 425 points from the high)

Tankan Large Manufacturers Index Chart 1993 – 2007



Fundamentally nothing has changed in Japan. We would use these corrections as buy opportunities.

Kind regards

Your Cat team