

**Development Bank of Japan
Research Report
No. 60**

**Survey on Planned Capital Spending
for Fiscal Years 2006, 2007 and 2008
(Conducted in June 2007)**

September 2007

**Economic and Industrial Research Department
Development Bank of Japan**

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Global Increase in Demand, and Concerns about the Environment and Resources, to Boost Overall Spending for a Fourth Consecutive Year

A Fifth Consecutive Year of Increase in Manufacturing and a Third Consecutive Year of Accelerating Increase in Non-Manufacturing

All 10 Regions to Record Growth for the First Time in Two Years

I Summary

1. Planned capital spending of large-sized firms (capitalized at ¥1 billion or over) for 2007 shows a double-digit increase of 11.0% overall: the manufacturing sector will record a fifth consecutive double-digit increase with all industries showing positive growth, while spending in the non-manufacturing sector will accelerate and record an increase for the third straight year.

2. In the manufacturing sector (up 13.5%), significant growth in spending is expected in chemicals, thanks to active investment in products ranging from basic chemicals to high-performance materials and pharmaceuticals; in non-ferrous metals, led by silicon wafers for semiconductors; and in general machinery, largely due to buoyant investment in industrial machinery. In addition, the automobile industry is planning to increase spending on both finished cars and parts/bodies, while spending in electric machinery is expected to remain strong despite some slowdown, led by electronic devices. Indeed, capital spending is expected to increase across the board in the manufacturing industry. In the non-manufacturing sector (up 9.2%), the spending growth will be led by electric power, with a planned increase in investment in power source development and transmission/distribution facilities, and by transportation, which plans to introduce fuel-saving aircraft and new vehicle models while continuing to invest in safety measures. A considerable increase is also expected in consumption industries such as wholesale & retail and services, led by active spending to construct new stores and facilities.

As regards investment motives, “expansion of production capacity” is the main reason: in the materials manufacturing industries, its share is

the highest since the current survey items were introduced in FY1986.

3. According to the present survey, capital spending is now characterized by four developments:

- (1) expansion of global demand as the world economy remains strong: automobiles, electric machinery, non-ferrous metals, general machinery, etc.;
- (2) investment to address environmental and resource concerns: introduction of fuel-saving aircraft, development of, and capacity expansion for, environment-friendly cars, etc.;
- (3) construction and expansion of facilities in anticipation of recovery in consumption: active establishment of new supermarkets and specialty shops, construction of new hotels, etc.; and
- (4) enhancement of competitiveness in response to market reorganization and inflows of foreign capital: establishment of new pharmaceutical laboratories, refurbishment of hotels, etc.

4. Ancillary surveys gave the following results:

- (1) Research and development expenditure will increase for the fifth consecutive year since this survey item was introduced, led by transport equipment and chemicals.
- (2) Investment in information technology will record a back-to-back increase, with the introduction of systems to new plants and spending related to e-money.
- (3) Capital spending overseas will increase in a wide range of industries including automobiles and non-ferrous metals, particularly in North America and Asia.

- (4) Plans to expand operations overseas were reported by 44% of all firms, and 70% of manufacturers. Main targets include emerging economies such as China, India and Vietnam.
- (5) The principal impacts of the revision to the depreciation system in FY2007 include “increase in cash flow,” “replacement of existing facilities” and, particularly for the manufacturing industry, “facilitation of investment in new facilities.”
- (6) In both the manufacturing and non-manufacturing sectors, capital spending is the primary means of increasing corporate value, followed by M&A and business collaboration.
5. Planned capital spending of large- and medium-sized firms (capitalized at ¥100 million or over) shows an increase in all 10 regions of Japan for the first time in two years. Nationwide, capital spending will increase for a fourth consecutive year, up 9.4%.

II Outline

Survey on Planned Capital Spending (large-sized firms)

Objectives

This annual survey has been conducted since FY1956 by the Development Bank of Japan to assess major trends in the domestic capital spending of Japanese industry.

Scope of Capital Spending

In this survey, “capital spending” refers to domestic investment in the tangible fixed assets of one’s own corporation (excluding investment in land for subdivision in the real estate industry). In general, it is calculated as the sum of newly formed tangible fixed assets, including the “construction in progress” account (on a construction basis, without subtracting resale value, depreciation, or loss).

Survey Methods

The survey was conducted by questionnaire (sent to individual firms, followed up by telephone interviews when necessary).

Target Firms

This survey covers all private firms in Japan’s major industries capitalized at ¥1 billion or more, excluding agriculture, forestry, finance, insurance, and medicine.

Date of Survey

June 22, 2007. Most of the responses to the questionnaire were obtained in June.

Responses

| | No. of Firms Targeted | No. of Valid Responses | Proportion of Valid Responses |
|------------------------------------|-----------------------|------------------------|-------------------------------|
| Principal Business Classification | 3,545 | 2,544 | 71.8% |
| Investment-specific Classification | 4,178 | 3,055 | 73.1% |

On the Totals

Industrial classification

In principle, investment-specific classification (separate treatment for individual business departments of a company) is used for the amount of capital spending and investment motives, whereas principal business classification (based on the main business department of a company) is used for other survey items.

Timing of survey and years covered

The survey is conducted once a year. Each fiscal year is surveyed three times (until FY2005; see the note for the chart below) until the planned investments are materialized.

| Targeted FY | 2004 | 2005 | 2006 | 2007 | 2008 |
|------------------|--------|-----------------------------|--------------------------|---------------------|------------------|
| Timing of survey | | | | | |
| June 2005 | Actual | Plan for current FY | Plan for next FY | | |
| November 2005 | | Revised plan for current FY | Revised plan for next FY | | |
| June 2006 | | Actual | Plan for current FY | Plan for next FY | |
| June 2007 | | | Actual | Plan for current FY | Plan for next FY |

Note: Until FY2005, the survey was conducted twice a year, in June and November.

Survey on Planned Capital Spending, by Region (large- and medium-sized firms)

Objectives

The objective of this survey is to identify trends in capital spending by region, regrouping the prefecture-specific data obtained from the annual Survey on Planned Capital Spending.

Scope of Capital Spending

In this survey, “capital spending” refers to domestic investment by a firm in its own tangible fixed assets (excluding investment in land for subdivision in the real estate industry). In general, it is calculated as the sum of newly formed tangible fixed assets, including the “construction in progress” account (on a construction basis, without subtracting resale value, depreciation, or loss).

Survey Methods

The survey was conducted by questionnaire (sent to individual firms, followed up by telephone interviews when necessary).

Target Firms

In general, this survey covers all private firms in Japan’s major industries capitalized at ¥100 million or more, excluding agriculture, forestry, finance, insurance, and medical services.

Date of Survey

June 22, 2007. Most of the responses to the questionnaire were obtained in June.

Advantages of DBJ Survey

The survey adopts the “principle of territoriality,” focusing on the location of investment. In comparison with questionnaire surveys that focus on the location of the firm, it allows the identification of trends in capital spending that more truly reflect the actual conditions of local economies.

Responses

The composition of respondents is as follows. The numbers of targeted firms and responding firms are the largest among similar surveys conducted in Japan on capital spending.

| | No. of Firms | Proportion of Valid Responses |
|---|--------------|-------------------------------|
| No. of Firms Targeted | 14,295 | 100.0% |
| No. of Valid Responses | 7,669 | 53.6% |
| No. of Firms Providing Region-specific Data | 6,503 | 45.5% |

(Total number of firms providing region-specific data)

| | | | |
|-------------------------|-------|---------|-------|
| Hokkaido | 708 | Kansai | 1,276 |
| Tohoku | 1,440 | Chugoku | 890 |
| North Kanto and Koshin | 951 | Shikoku | 451 |
| Tokyo metropolitan area | 1,727 | Kyushu | 1,065 |
| Hokuriku | 554 | Okinawa | 55 |
| Tokai | 1,121 | | |

Note: The following regional classification is adopted for the purpose of this survey.

| <u>Region</u> | <u>Prefecture</u> |
|--------------------------|--|
| Hokkaido: | Hokkaido |
| Tohoku: | Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima, Niigata |
| North Kanto and Koshin: | Ibaraki, Tochigi, Gunma, Yamanashi, Nagano |
| Tokyo metropolitan area: | Saitama, Chiba, Tokyo, Kanagawa |
| Hokuriku: | Toyama, Ishikawa, Fukui |
| Tokai: | Gifu, Shizuoka, Aichi, Mie |
| Kansai: | Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama |
| Chugoku: | Tottori, Shimane, Okayama, Hiroshima, Yamaguchi |
| Shikoku: | Tokushima, Kagawa, Ehime, Kochi |
| Kyushu: | Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima |
| Okinawa: | Okinawa |

III Survey Results

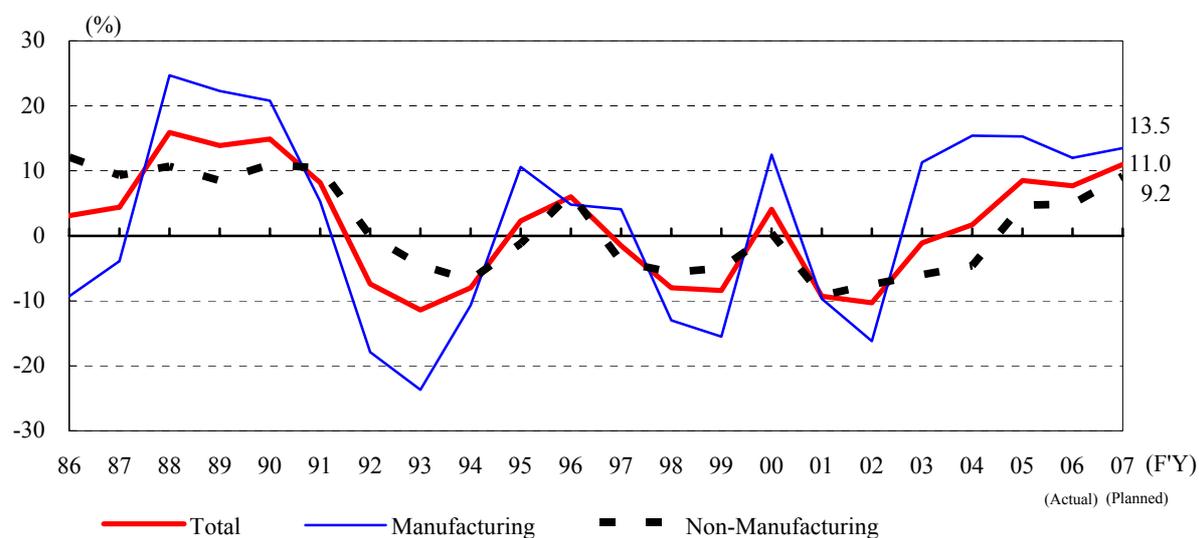
1. Overall Situation

Table 1. Capital Spending

| | FY2006 Actual (2,382 firms) | | | FY2007 Planned (2,544 firms) | | | FY2008 Planned (1,209 firms) | | |
|-------------------|--------------------------------|------------------|---------------------------------|---------------------------------|-------------------|---------------------------------|---------------------------------|-------------------|---------------------------------|
| | FY2005 Actual | FY2006 Actual | Growth Rate (%) 2006/2005 | FY2006 Actual | FY2007 Planned | Growth Rate (%) 2007/2006 | FY2007 Planned | FY2008 Planned | Growth Rate (%) 2008/2007 |
| Total | 20,302.5 | 21,861.8 | 7.7 | 22,250.2 | 24,687.6 | 11.0 | 8,151.4 | 7,433.3 | -8.8 |
| Manufacturing | 7,938.6 | 8,891.8 | 12.0 | 9,111.8 | 10,339.3 | 13.5 | 2,331.8 | 1,880.2 | -19.4 |
| Non-Manufacturing | 12,363.9 | 12,970.0 | 4.9 | 13,138.4 | 14,348.3 | 9.2 | 5,819.5 | 5,553.1 | -4.6 |

Note: Monetary amounts are in billion yen.

Figure 1. Growth in Capital Spending



- Notes:
1. Data cover those firms which also responded concerning spending in the previous year.
 2. For data up to FY2005, see actual figures for August presented in appendix table 2 on page 17.

(1) Actual Capital Spending in FY2006

On an all-industry basis, actual capital spending in FY2006 increased for the third consecutive year (up 7.7%): spending in the manufacturing sector slowed down but recorded a fourth straight double-digit increase, while positive growth continued in the non-manufacturing sector.

In the manufacturing sector (up 12.0%), electric machinery led the overall growth, as active investment in semiconductors and flat-panel displays induced ripple effects in related industries such as non-ferrous metals and cement, ceramics & glass. Spending in chemicals also increased, led by capacity investment in commodity and functional resins. Furthermore, iron & steel experienced substantial growth in spending, thanks primarily to large-scale blast furnace repair projects and capacity expansion in response to rising demand for high-grade steel products.

Spending continued to increase in the non-manufacturing sector (up 4.9%). A substantial increase in investment was observed in transportation mainly for safety measures, while real estate recorded back-to-back double-digit growth as redevelopment projects proceeded in the Tokyo metropolitan area and Nagoya.

(2) Planned Capital Spending for FY2007

Planned capital spending for FY2007 shows a double-digit increase of 11.0% overall: the manufacturing sector will record a fifth consecutive double-digit increase with all industries showing positive growth, while spending in the non-manufacturing sector will accelerate and record an increase for the third straight year.

In the manufacturing sector (up 13.5%), significant growth in spending is expected in chemicals, thanks to active investment in products ranging from basic chemicals to high-performance materials and pharmaceuticals; in non-ferrous metals, led by silicon wafers for semiconductors; and in general machinery, largely due to buoyant investment in industrial machinery. In addition, the automobile industry is planning to increase spending on both finished cars and parts/bodies, while spending in electric machinery is expected to remain strong despite some slowdown, led by electronic devices. In-

deed, capital spending is expected to increase across the board in the manufacturing industry.

In the non-manufacturing sector (up 9.2%), spending growth will be led by electric power, with a planned increase in investment in power source development and transmission/distribution facilities, and by transportation, which plans to introduce fuel-saving aircraft and new vehicle models while continuing to invest in safety measures. A considerable increase is also expected in consumption industries such as wholesale & retail and services, led by active spending to construct new stores and facilities.

As regards investment motives, "expansion of production capacity" is the main reason: in the materials manufacturing industries, its share is the highest since the current survey items were introduced in FY1986.

Although spending remains within cash flow, the former is growing faster than the latter. Consequently, the ratio of capital spending to cash flow will rise for the third straight year.

(3) Highlights of This Survey (regarding Planned Capital Spending for FY2007)

According to the present survey, capital spending is now characterized by four developments:

1. expansion of global demand as the world economy remains strong: automobiles, electric machinery, non-ferrous metals, general machinery, etc.;
2. investment to address environmental and resource concerns: introduction of fuel-saving aircraft, development of, and capacity expansion for, environment-friendly cars, etc.;
3. construction and expansion of facilities in anticipation of recovery in consumption: active establishment of new supermarkets and specialty shops, construction of new hotels, etc.; and
4. enhancement of competitiveness in response to market reorganization and inflows of foreign capital: establishment of new pharmaceutical laboratories, refurbishment of hotels, etc.

(4) Planned Capital Spending for FY2008

Planned capital spending for FY2008 shows an overall decline of 8.8%: down 19.4% in manu-

facturing and down 4.6% in non-manufacturing. Much remains to be seen, however, as the number of respondents to this question was considerably smaller than that of firms which provided information on planned spending for the current year.

2. Characteristics of Capital Spending, by Industry

Manufacturing

Food & Beverages

(-11.1%→9.3%) 1.8%

Spending will turn up as a whole, as investment for capacity expansion and maintenance and repair is expected to revitalize spending in livestock processed food products, flour/sugar/edible oils, beer/spirits and other food products.

Pulp & Paper

(34.4%→25.2%) 1.5%

Spending will increase for the third consecutive year. Capacity investment will pick up again in enamel paper, and active investment for rationalization will continue in order to reduce production costs.

Chemicals

(13.2%→19.4%) 5.3%

The fifth straight increase in spending is expected. Investment in petrochemicals will increase to enhance the core basic chemical businesses and expand production capacity in carbon fiber and other high-performance materials, as well as in functional chemicals for automobiles and electric machinery. A substantial increase in spending is also expected in pharmaceuticals, led by investment for plant consolidation and the enhancement of R&D functions.

Petroleum

(79.9%→11.7%) 1.5%

The fourth consecutive year of increase is on the way. In oil refining, capacity investment will continue to increase mainly in materials for petrochemical products. In distribution, investment is expected to increase for the establishment of larger gas stations, including self-service stations.

Cement, Ceramics & Glass

(16.1%→18.3%) 1.7%

Spending is expected to increase for the fifth consecutive year. Some large-scale projects are planned in relation to semiconductors. Investment in cement will also increase, including for private power generation facilities.

Iron & Steel

(35.8%→6.2%) 3.4%

The fifth straight year of increase will be led by blast furnace repair projects, as well as capacity investment in high-grade steel, largely in response to rising demand for oil drilling.

Non-Ferrous Metals

(18.5%→46.1%) 1.9%

Spending will rise for the fifth consecutive year, as investment for boosting silicon wafer production is expected to accelerate. Capacity investment will also continue in electronic materials.

General Machinery

(8.7%→16.7%) 4.1%

The industry will experience the fifth straight year of spending increase. Substantial growth in industrial machinery and boilers/motors will be led by capacity investment on the back of buoyant external demand. Spending is also expected to increase in other industries, including general machinery components.

Electric Machinery

(15.1%→7.8%) 8.4%

The fifth consecutive increase in spending is also expected in this industry despite some slowdown, as the completion of projects related to semiconductors and flat-panel displays will be more than offset by the continuing strong growth in investment in other electronic devices, on the back of rising demand both in Japan and overseas.

Precision Machinery

(-0.2%→9.4%) 0.9%

An upturn in capital spending is expected, as investment in medical equipment will continue to increase. Spending in semiconductor manufacturing equipment will remain strong, while investment in cameras and measuring instruments is expected to hold steady.

Automobiles

(-3.8%→9.9%) 8.0%

Spending will turn up in this industry as well. Investment in finished cars will continue to rise, led by the construction of flexible and efficient domestic production lines in response to the acceleration of market globalization, and environmental safety technologies to meet global needs. Active investment in environmental safety technologies is also expected in parts/bodies.

Non-Manufacturing

Wholesale & Retail

(-3.7%→13.0%) 4.2%

A double-digit increase is expected overall. In retail, department stores are planning to build new outlets or refurbish existing ones, while full-scale investment will proceed for establishing new specialty shops. In wholesale, the successive construction of logistics centers is also expected.

Real Estate

(17.6%→-5.1%) 5.1%

Spending will turn down despite some progress in redevelopment/rebuilding projects in Osaka. Projects in the Tokyo metropolitan area will fall in number, and a decrease from last year's active trading in used assets should also be expected.

Transportation

(14.8%→19.9%) 9.7%

A double-digit increase in spending is expected for the second year in a row. Substantial growth will continue in safety measures for railways, in addition to the introduction of new model vehicles and construction of new lines. The shift to new model aircraft and construction of large-scale airports will make headway. Investment for the construction of logistics centers will

also remain strong.

Electric Power

(-2.6%→36.8%) 9.7%

Double-digit growth is planned, with a substantial increase in investment in power source development and transmission/distribution facilities to secure stable supply.

Telecommunications & Information

(3.5%→-2.6%) 10.0%

The industry will experience its first decline in four years, as successive investment in data centers in information services will be more than offset by the termination of projects related to third-generation mobile phones.

Leasing

(0.6%→0.9%) 15.2%

Spending will increase slightly, backed by non-manufacturing customers including wholesale & retail. Information equipment will be the mainstay of the industry.

Services

(23.7%→24.3%) 1.6%

Double-digit growth is expected to continue, as the termination of projects related to waste disposal and treatment facilities will be more than compensated for by spending on the construction/refurbishment of hotels and amusement facilities.

- Notes:
1. The figures in parentheses () indicate changes in the rate of capital spending growth for each industry between FY2006 and FY2007.
 2. The figure to the right for each industry indicates its share in total planned capital spending for FY2007.

3. Ratio of Capital Spending to Cash Flow

Table 2. Ratio of Capital Spending to Cash Flow

| | Revenue Growth | | Income (ordinary) Growth | | Capital Spending/ Cash Flow Ratio | | Capital Spending/ Depreciation Expenses Ratio | |
|-------------------|------------------|-------------------|--------------------------|-------------------|--------------------------------------|-------------------|--|-------------------|
| | 1,716 firms | 1,821 firms | 1,716 firms | 1,821 firms | 1,821 firms | | | |
| | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned |
| Total | 6.7 | 3.1 | 11.9 | -2.2 | 78.0 | 84.7 | 126.5 | 132.5 |
| Manufacturing | 8.8 | 3.2 | 13.6 | -2.2 | 70.2 | 74.2 | 146.0 | 140.7 |
| Non-Manufacturing | 4.4 | 2.9 | 9.7 | -2.2 | 84.3 | 93.6 | 116.1 | 127.5 |

Notes: 1. Capital Spending / Cash Flow = [capital spending / (ordinary profit / 2 + depreciation expenses)] × 100.
2. Figures are given as percentages.

Figure 2. Trends in Ratio of Capital Spending to Cash Flow

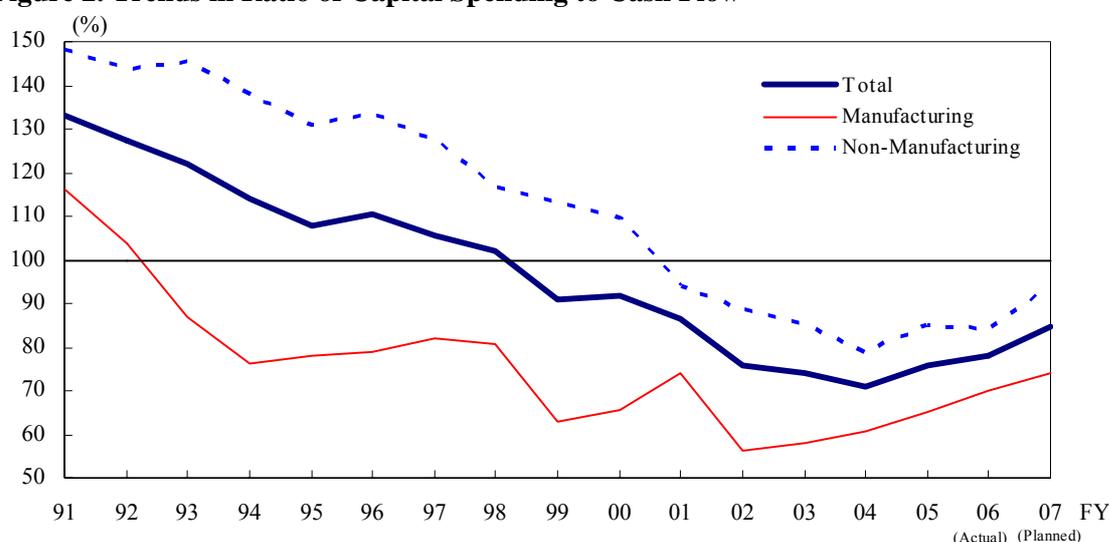
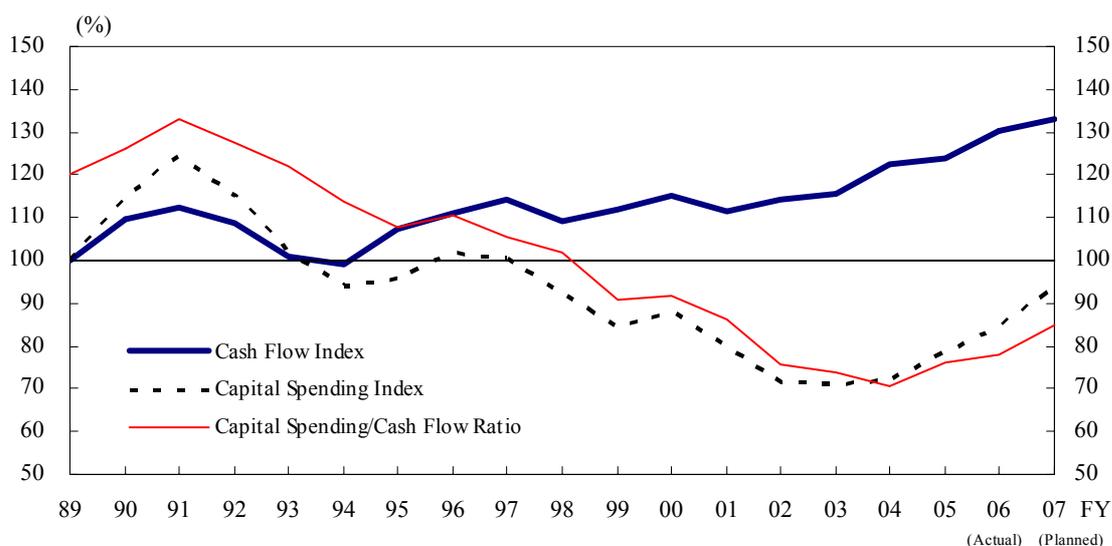


Figure 3. Levels of Capital Spending and Cash Flow (1989=100) (Overall Industry)



4. Investment Motives

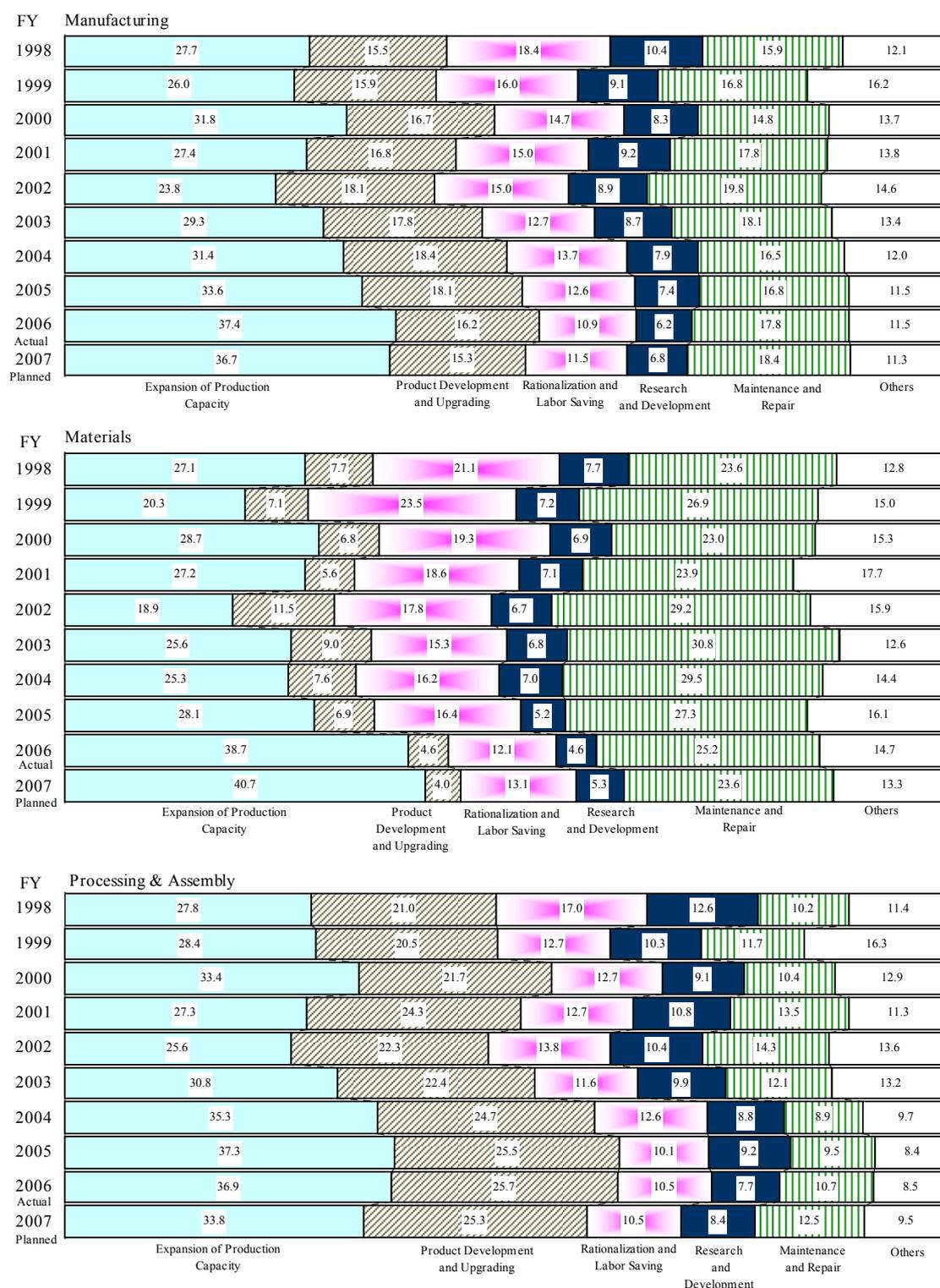
Table 3. Investment Motives

(1,960 firms)

| | Total | | Manufacturing | | Materials | | Processing & Assembly | | Non-Manufacturing | |
|-----------------------------------|---------------|----------------|---------------|----------------|---------------|----------------|-----------------------|----------------|-------------------|----------------|
| | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned | FY2006 Actual | FY2007 Planned |
| Expansion of Production Capacity | 43.7 | 42.9 | 37.4 | 36.7 | 38.7 | 40.7 | 36.9 | 33.8 | 49.6 | 48.6 |
| Product Development and Upgrading | 10.2 | 9.9 | 16.2 | 15.3 | 4.6 | 4.0 | 25.7 | 25.3 | 4.6 | 4.8 |
| Rationalization and Labor Saving | 8.1 | 8.6 | 10.9 | 11.5 | 12.1 | 13.1 | 10.5 | 10.5 | 5.4 | 5.9 |
| Research and Development | 3.6 | 3.8 | 6.2 | 6.8 | 4.6 | 5.3 | 7.7 | 8.4 | 1.2 | 1.0 |
| Maintenance and Repair | 23.3 | 23.9 | 17.8 | 18.4 | 25.2 | 23.6 | 10.7 | 12.5 | 28.4 | 29.1 |
| Others | 11.1 | 11.0 | 11.5 | 11.3 | 14.7 | 13.3 | 8.5 | 9.5 | 10.8 | 10.6 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Figures are given as percentages.

Figure 4. Long-term Trend of Investment Motives



- Notes: 1. Materials: Textiles; Pulp & Paper; Chemicals; Cement, Ceramics & Glass; Iron & Steel; Non-Ferrous Metals. Processing & Assembly: Food & Beverages; General Machinery; Electric Machinery; Precision Machinery; Other Transport Equipment; Other Manufacturing.
2. Figures are given as percentages.

5. Capital Spending Overseas

Table 4. Capital Spending Overseas (by Region)

(1,451 firms)

| | FY2006 Actual | | FY2007 Planned | | Growth Rate (%) |
|------------------------|---------------|-----------|----------------|-----------|-----------------|
| | Amount | Share (%) | Amount | Share (%) | 2007/2006 |
| Manufacturing | 2,668.0 | 88.3 | 2,972.8 | 85.8 | 11.4 |
| Non-Manufacturing | 355.2 | 11.7 | 491.6 | 14.2 | 38.4 |
| Total | 3,023.2 | 100.0 | 3,464.4 | 100.0 | 14.6 |
| North America | 951.1 | 31.5 | 1,133.7 | 32.7 | 19.2 |
| Europe | 373.4 | 12.4 | 390.7 | 11.3 | 4.6 |
| Asia | 1,167.5 | 38.6 | 1,300.8 | 37.5 | 11.4 |
| <i>of which: China</i> | 388.0 | 12.8 | 411.0 | 11.9 | 5.9 |
| Others | 531.2 | 17.6 | 639.2 | 18.4 | 20.3 |

- Notes:
1. Capital spending overseas includes capital spending on a consolidated basis of firms adopting consolidated accounting and capital spending of overseas subsidiaries owned 50% or more by firms that do not adopt consolidated accounting.
 2. "Others" includes all corporate capital spending overseas for which geographical location is unknown. "Asia excluding China" includes corporate capital spending in Asia for which precise geographical location ("China" or "other Asia") is unknown.
 3. Monetary amounts are in billion yen.

6. Research & Development Expenditure

Table 5. Overview of R&D Expenditure

| | FY2006 Actual (1,491 firms) | | | FY2007 Planned (1,640 firms) | | |
|--------------------------------------|--------------------------------|------------------|------------------------------|---------------------------------|-------------------|------------------------------|
| | FY2005 Actual | FY2006 Actual | Growth Rate (%) 2006/2005 | FY2006 Actual | FY2007 Planned | Growth Rate (%) 2007/2006 |
| Total | 7,044.1 | 7,446.0 | 5.7 | 5,981.9 | 6,418.5 | 7.3 |
| Manufacturing | 6,664.0 | 7,067.1 | 6.0 | 5,778.0 | 6,181.9 | 7.0 |
| <i>Transport Equipment</i> | 2,203.5 | 2,392.2 | 8.6 | 2,079.3 | 2,240.3 | 7.7 |
| <i>Electric Machinery</i> | 2,056.7 | 2,145.0 | 4.3 | 1,407.0 | 1,467.5 | 4.3 |
| <i>Chemicals</i> | 915.7 | 969.2 | 5.8 | 928.4 | 971.3 | 4.6 |
| Non-Manufacturing | 380.1 | 378.9 | -0.3 | 203.9 | 236.6 | 16.1 |
| <i>Electric Power & City Gas</i> | 119.9 | 113.9 | -5.0 | 68.9 | 88.0 | 27.8 |
| <i>Telecom. & Information</i> | 159.8 | 163.9 | 2.6 | 33.4 | 39.3 | 17.6 |

Note: Monetary amounts are in billion yen.

IV Survey on Planned Capital Spending, by Region (large- and medium-sized firms)

By region, planned capital spending for FY2007 (according to region-specific data provided by 6,503 of the 7,669 firms responding to the survey) shows an increase in all 10 regions of Japan for the first time in two years, despite decreases planned by the manufacturing sector in Hokkaido and the non-manufacturing sector in North Kanto and Koshin. Nationwide, capital spending will increase for the fourth consecutive year, up 9.4%.

Figure 5. Change in Capital Spending, by Region, FY2007/FY2006

Difference from 2006/2005 in parentheses ()

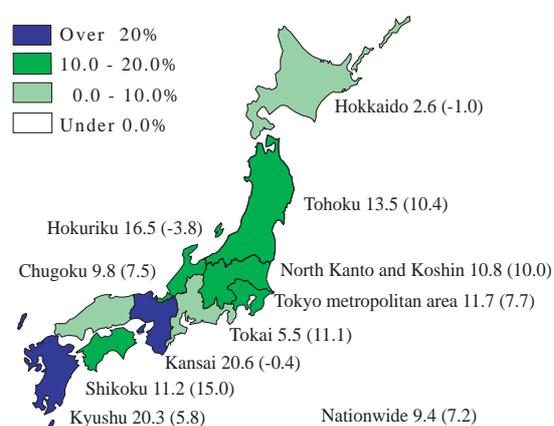


Table 6. Change in Capital Spending, by Region, FY 2007

| | Total | Manufacturing | Non-Manufacturing |
|-------------------------|-------|---------------|-------------------|
| Hokkaido | 2.6 | -11.1 | 9.1 |
| Tohoku | 13.5 | 5.5 | 20.0 |
| North Kanto and Koshin | 10.8 | 18.1 | -0.6 |
| Tokyo metropolitan area | 11.7 | 19.2 | 9.7 |
| Hokuriku | 16.5 | 0.1 | 37.6 |
| Tokai | 5.5 | 4.0 | 9.6 |
| Kansai | 20.6 | 27.2 | 15.9 |
| Chugoku | 9.8 | 6.1 | 17.1 |
| Shikoku | 11.2 | 17.4 | 3.2 |
| Kyushu | 20.3 | 26.5 | 13.8 |
| Nationwide | 9.4 | 11.0 | 8.3 |

Note: Figures are given as percentages.

Manufacturing (11.0%)

- In the manufacturing sector, capital spending will increase in nine of the ten regions (except Hokkaido, where a downturn is expected mainly due to a substantial decline in paper & pulp). A fifth consecutive year of increase is on the way nationwide, as well as in eight regions including Tohoku, North Kanto and Koshin, Hokuriku, Tokai, Kansai, Chugoku, Shikoku, and Kyushu.
- Major contributors to the spending increase in the manufacturing sector (nationwide) include chemicals (contribution of 0.8% [nationwide]), transport equipment (0.8%), non-ferrous metals (0.7%), and general machinery (0.6%).

Non-Manufacturing (8.3%)

- In the non-manufacturing sector, capital spending will increase in nine of the ten regions (except North Kanto and Koshin, where spending will decline primarily due to a substantial decrease in wholesale & retail). A third consecutive year of increase is expected nationwide.
- Major contributors to the spending increase in the non-manufacturing sector (nationwide) include electric power (contribution of 2.6% [nationwide]), transportation (1.7%) and wholesale & retail (0.4%).

V Opinion Poll on Corporate Behavior

1. Future Overseas Operations

Overseas operations were being considered by 44% of the companies overall and by 70% of those in the manufacturing sector. Among the manufacturing industries, the share is highest in non-ferrous metals and general machinery at around 90%. In the non-manufacturing sector, interest in overseas operations is particularly high among the leasing and construction firms.

China is the preferred target for overseas operations, with 32% of the firms considering new or expanded operations there. Other emerging economies are also ranked high in the list: India is ranked second, followed by Vietnam, while Russia occupies eighth place. By region, 75% of the potential targets are in Asia—an overwhelming share compared with North America’s 9.7%.

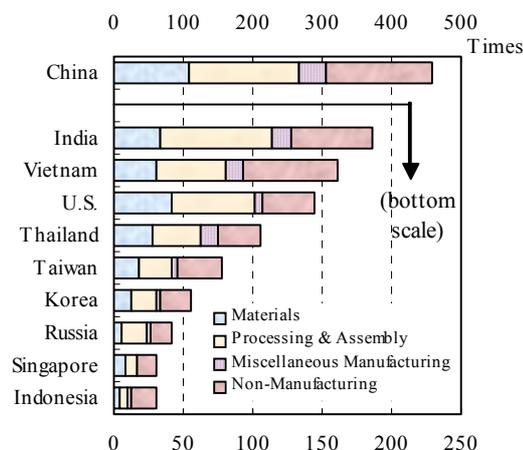
Table 7. Share of Firms Considering Overseas Operations

| (Manufacturing) | | (Non-Manufacturing) | |
|--------------------------|------|---------------------------|------|
| Non-Ferrous Metals | 91.3 | Total | 44.3 |
| General Machinery | 87.1 | Manufacturing | 69.7 |
| Textiles | 78.3 | Non-Manufacturing | 26.2 |
| Chemicals | 75.6 | Leasing | 45.5 |
| Transport Equipment | 75.0 | Construction | 40.3 |
| Electric Machinery | 73.5 | Wholesale & Retail | 37.9 |
| Precision Machinery | 72.7 | Transportation | 29.6 |
| Cement, Ceramics & Glass | 65.5 | Services | 18.7 |
| Iron & Steel | 54.5 | Telecom. & Information | 18.1 |
| Food & Beverages | 51.9 | Electric Power & City Gas | 18.0 |
| Pulp & Paper | 38.5 | Real Estate | 9.3 |
| Petroleum | 30.0 | | |

Note: Figures are given as percentages.

Figure 6. Potential Targets of Overseas Operations

(Total number of times cited as any of top 3 targets)



2. Impact of Revision to Depreciation Regime in FY2007

Regarding the recent revision to the depreciation regime, the most frequently cited concrete effects (multiple answers allowed) include “increased cash flow” and “replacement of existing facilities.” Manufacturers most often cited “facilitation of capital spending.”

The revision seems to have had considerable impact on the international competitiveness of Japanese firms; almost all the companies which responded that the revision was “ineffective” in increasing domestic capital spending for 2007 admitted that it was “effective” in improving their international competitiveness.

Figure 7. Effect of Revised Depreciation Regime

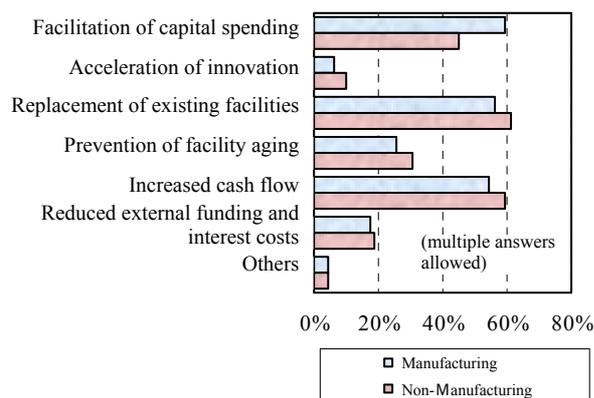
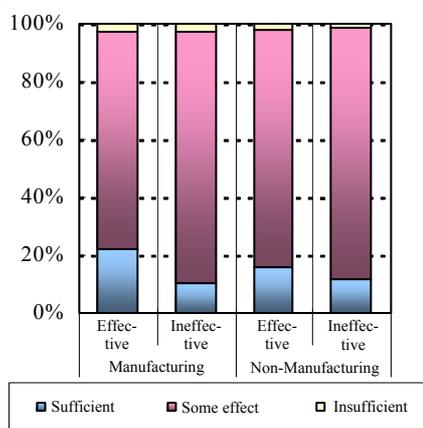


Figure 8. Evaluation of Positive Effect on International Competitiveness of Japanese Firms



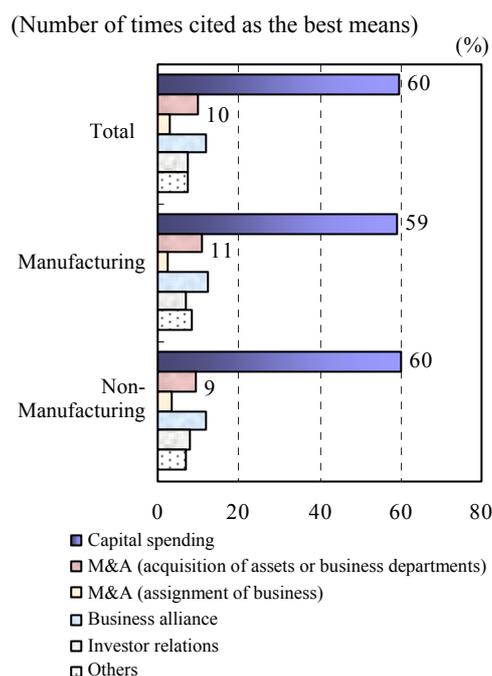
3. Trends in M&A

In both the manufacturing and non-manufacturing sectors, capital spending is considered to be the most important means of increasing corporate value, followed by M&A (acquisition and assignment of assets and business departments) and business alliance.

As regards triangular mergers, which were legalized last May, 70% of the firms in all industries perceive them to be neither a threat nor an opportunity. However, more manufacturers “feel the threat of acquisition” than non-manufacturers.

Among the measures against a hostile takeover, Japanese firms are primarily interested in “reciprocal shareholdings” and “share buyback.” Non-manufacturers are more interested in “allocation of new shares to third parties” than manufacturers as effective measure against the threat of a hostile takeover.

Figure 9. Means of Improving Corporate Value



Note: Capital spending does not include acquisition of used assets.

Figure 10. Perception about Legalization of Triangular Mergers

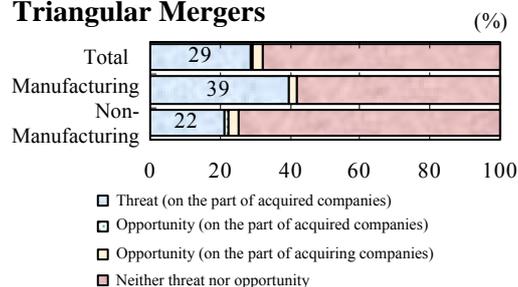
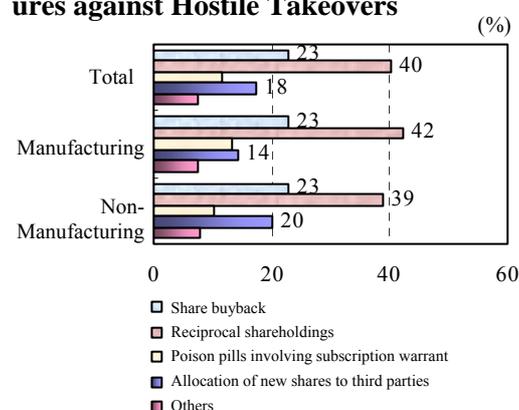


Figure 11. Respondents' Interest in Measures against Hostile Takeovers



Appendix

Appendix Table 1. Capital Spending, by Industry

| | Capital Spending | | | | Growth Rate (%) | | | Component Rate (%) | |
|-------------------------------|------------------|-------------------|-------------------|-------------------|-----------------|-------------|--------------|--------------------|-------------------|
| | 2,544 firms | | 1,209 firms | | 2006/2005 | 2007/2006 | 2008/2007 | 2,544 firms | |
| | FY2006 Actual | FY2007 Planned | FY2007 Planned | FY2008 Planned | | | | FY2006 Actual | FY2007 Planned |
| Total | 22,250.2 | 24,687.6 | 8,151.4 | 7,433.3 | 7.7 | 11.0 | -8.8 | 100.0 | 100.0 |
| Manufacturing | 9,111.8 | 10,339.3 | 2,331.8 | 1,880.2 | 12.0 | 13.5 | -19.4 | 41.0 | 41.9 |
| Food & Beverages | 414.3 | 452.7 | 57.1 | 61.7 | -11.1 | 9.3 | 8.2 | 1.9 | 1.8 |
| Textiles | 55.5 | 129.4 | 30.4 | 23.3 | -31.7 | 133.2 | -23.2 | 0.2 | 0.5 |
| Pulp & Paper | 296.3 | 370.8 | 81.8 | 29.2 | 34.4 | 25.2 | -64.2 | 1.3 | 1.5 |
| Chemicals | 1,092.6 | 1,304.7 | 443.5 | 388.5 | 13.2 | 19.4 | -12.4 | 4.9 | 5.3 |
| Petroleum | 325.9 | 363.9 | 190.9 | 152.8 | 79.9 | 11.7 | -20.0 | 1.5 | 1.5 |
| Cement, Ceramics & Glass | 350.4 | 414.6 | 54.8 | 39.3 | 16.1 | 18.3 | -28.2 | 1.6 | 1.7 |
| Iron & Steel | 780.6 | 828.8 | 260.2 | 159.2 | 35.8 | 6.2 | -38.8 | 3.5 | 3.4 |
| Non-Ferrous Metals | 321.5 | 469.7 | 256.0 | 234.2 | 18.5 | 46.1 | -8.5 | 1.4 | 1.9 |
| General Machinery | 868.6 | 1,013.6 | 95.5 | 65.5 | 8.7 | 16.7 | -31.4 | 3.9 | 4.1 |
| Electric Machinery | 1,925.8 | 2,075.6 | 344.5 | 289.0 | 15.1 | 7.8 | -16.1 | 8.7 | 8.4 |
| <i>Electric Devices, etc.</i> | <i>1,432.2</i> | <i>1,475.5</i> | <i>198.7</i> | <i>148.1</i> | <i>22.6</i> | <i>3.0</i> | <i>-25.4</i> | <i>6.4</i> | <i>6.0</i> |
| Precision Machinery | 204.1 | 223.1 | 47.8 | 33.6 | -0.2 | 9.4 | -29.6 | 0.9 | 0.9 |
| Transport Equipment | 1,937.7 | 2,129.6 | 305.9 | 261.0 | -1.5 | 9.9 | -14.7 | 8.7 | 8.6 |
| <i>Automobiles</i> | <i>1,798.0</i> | <i>1,975.2</i> | <i>289.0</i> | <i>235.6</i> | <i>-3.8</i> | <i>9.9</i> | <i>-18.5</i> | <i>8.1</i> | <i>8.0</i> |
| Other Manufacturing | 538.6 | 562.9 | 163.7 | 142.7 | 19.9 | 4.5 | -12.8 | 2.4 | 2.3 |
| Non-Manufacturing | 13,138.4 | 14,348.3 | 5,819.5 | 5,553.1 | 4.9 | 9.2 | -4.6 | 59.0 | 58.1 |
| Construction | 212.7 | 236.2 | 45.7 | 38.5 | 25.2 | 11.0 | -15.7 | 1.0 | 1.0 |
| Wholesale & Retail | 925.5 | 1,045.9 | 234.9 | 241.2 | -3.7 | 13.0 | 2.7 | 4.2 | 4.2 |
| <i>Retail</i> | <i>792.7</i> | <i>898.9</i> | <i>176.9</i> | <i>171.6</i> | <i>-2.9</i> | <i>13.4</i> | <i>-3.0</i> | <i>3.6</i> | <i>3.6</i> |
| Real Estate | 1,335.4 | 1,266.9 | 529.0 | 454.4 | 17.6 | -5.1 | -14.1 | 6.0 | 5.1 |
| Transportation | 1,988.7 | 2,385.2 | 780.5 | 565.8 | 14.8 | 19.9 | -27.5 | 8.9 | 9.7 |
| Electric Power & City Gas | 2,021.2 | 2,691.9 | 2,358.4 | 2,450.9 | -1.7 | 33.2 | 3.9 | 9.1 | 10.9 |
| <i>Electric Power</i> | <i>1,753.9</i> | <i>2,399.5</i> | <i>2,119.0</i> | <i>2,218.6</i> | <i>-2.6</i> | <i>36.8</i> | <i>4.7</i> | <i>7.9</i> | <i>9.7</i> |
| <i>City Gas</i> | <i>267.3</i> | <i>292.4</i> | <i>239.4</i> | <i>232.3</i> | <i>4.8</i> | <i>9.4</i> | <i>-3.0</i> | <i>1.2</i> | <i>1.2</i> |
| Telecom. & Information | 2,542.4 | 2,476.9 | 256.6 | 246.8 | 3.5 | -2.6 | -3.8 | 11.4 | 10.0 |
| Leasing | 3,722.3 | 3,756.4 | 1,418.6 | 1,425.2 | 0.6 | 0.9 | 0.5 | 16.7 | 15.2 |
| Services | 315.4 | 392.0 | 180.2 | 121.8 | 23.7 | 24.3 | -32.4 | 1.4 | 1.6 |
| Other Non-Manufacturing | 74.7 | 96.8 | 15.6 | 8.5 | 38.8 | 29.5 | -45.2 | 0.3 | 0.4 |

- Notes: 1. "Other Manufacturing" includes publishing & printing, rubber, metal products, and others.
 "Other Non-Manufacturing" includes fishing, mining and others.
2. Monetary amounts are in billion yen.

Appendix Table 2. Long-term Trend of Capital Spending, by Timing of Survey

| FY | Total | | | | | Manufacturing | | | | | Non-Manufacturing | | | | |
|------|------------------------------|-----------------------------|-----------------------------|--|------------------------------|------------------------------|-----------------------------|-----------------------------|--|------------------------------|------------------------------|-----------------------------|-----------------------------|--|------------------------------|
| | Aug. of Previous Yr. Planned | Feb. of Current Yr. Planned | Aug. of Current Yr. Planned | Feb. of Following Yr. Estimated Actual | Aug. of Following Yr. Actual | Aug. of Previous Yr. Planned | Feb. of Current Yr. Planned | Aug. of Current Yr. Planned | Feb. of Following Yr. Estimated Actual | Aug. of Following Yr. Actual | Aug. of Previous Yr. Planned | Feb. of Current Yr. Planned | Aug. of Current Yr. Planned | Feb. of Following Yr. Estimated Actual | Aug. of Following Yr. Actual |
| 1973 | 2.1 | 14.8 | 25.9 | 20.6 | 18.6 | -6.8 | 14.7 | 33.4 | 26.2 | 25.7 | 8.9 | 14.9 | 18.3 | 15.0 | 11.5 |
| 1974 | 0.6 | 18.3 | 23.4 | 15.3 | 12.0 | -6.9 | 27.4 | 35.1 | 26.6 | 22.9 | 7.0 | 9.7 | 10.3 | 2.7 | -0.3 |
| 1975 | 21.6 | 9.7 | 5.5 | -4.9 | -10.3 | 12.9 | 3.8 | 0.3 | -10.0 | -16.1 | 30.4 | 17.5 | 12.9 | 2.2 | -2.3 |
| 1976 | 14.0 | 9.9 | 16.3 | 12.2 | 5.9 | 8.5 | -2.1 | 6.4 | 1.9 | -3.5 | 19.1 | 24.5 | 27.7 | 24.0 | 16.4 |
| 1977 | -1.5 | 2.1 | 5.7 | 0.8 | -3.4 | -11.1 | -6.9 | -3.1 | -8.2 | -11.2 | 7.0 | 10.7 | 14.1 | 9.5 | 4.0 |
| 1978 | 10.3 | 7.3 | 15.1 | 15.2 | 10.1 | -0.9 | -6.9 | 0.0 | -2.2 | -4.4 | 17.6 | 19.3 | 27.5 | 28.6 | 21.8 |
| 1979 | -2.6 | 0.3 | 13.0 | 12.8 | 9.3 | -6.1 | 4.5 | 19.1 | 21.9 | 18.9 | -1.0 | -2.2 | 9.1 | 7.0 | 3.3 |
| 1980 | 0.7 | 13.1 | 23.5 | 23.9 | 20.6 | -16.0 | 5.2 | 23.3 | 25.8 | 24.8 | 7.8 | 18.8 | 23.7 | 22.6 | 17.5 |
| 1981 | 5.8 | 9.9 | 12.3 | 12.0 | 8.8 | -8.2 | 6.7 | 14.5 | 13.0 | 10.4 | 13.2 | 12.4 | 10.5 | 11.1 | 7.5 |
| 1982 | 10.0 | 11.2 | 10.2 | 8.4 | 2.8 | -1.8 | 7.2 | 10.3 | 6.6 | 3.8 | 16.3 | 14.5 | 10.1 | 9.9 | 2.0 |
| 1983 | 5.5 | 1.8 | 1.8 | 2.7 | -2.1 | -6.7 | -5.3 | -1.5 | -2.6 | -8.6 | 13.3 | 7.9 | 4.6 | 7.2 | 3.4 |
| 1984 | 0.7 | 2.6 | 10.5 | 11.3 | 7.6 | -10.2 | 2.7 | 17.1 | 20.3 | 17.1 | 7.1 | 2.6 | 5.6 | 4.2 | 0.2 |
| 1985 | -2.6 | 5.3 | 10.6 | 9.2 | 7.6 | -9.6 | 5.1 | 12.6 | 9.7 | 8.6 | 0.9 | 5.6 | 9.1 | 8.8 | 6.9 |
| 1986 | 0.2 | 1.6 | 5.4 | 3.1 | 3.1 | -9.1 | -4.1 | -3.6 | -7.1 | -9.3 | 5.0 | 5.7 | 12.0 | 10.3 | 12.1 |
| 1987 | -0.7 | 0.1 | 3.5 | 6.0 | 4.4 | -10.6 | -5.6 | -2.2 | -0.2 | -3.9 | 2.1 | 4.0 | 7.0 | 9.7 | 9.3 |
| 1988 | -2.6 | 6.7 | 15.7 | 18.8 | 15.9 | -7.1 | 9.3 | 25.3 | 27.5 | 24.7 | -1.4 | 5.2 | 10.8 | 13.0 | 10.7 |
| 1989 | -0.7 | 6.4 | 17.5 | 17.4 | 13.9 | -4.0 | 9.4 | 26.3 | 26.7 | 22.3 | 0.9 | 4.4 | 11.8 | 11.5 | 8.5 |
| 1990 | -1.8 | 8.6 | 17.0 | 16.2 | 14.9 | -7.9 | 10.1 | 23.6 | 22.8 | 20.8 | 1.4 | 7.6 | 12.5 | 11.9 | 11.0 |
| 1991 | 0.6 | 4.4 | 10.7 | 8.9 | 8.2 | -7.1 | 1.7 | 7.9 | 5.2 | 5.3 | 3.7 | 6.1 | 12.8 | 11.5 | 10.4 |
| 1992 | 0.3 | -0.8 | -0.9 | -4.7 | -7.4 | -2.8 | -6.4 | -10.5 | -15.5 | -17.9 | 1.4 | 3.2 | 6.0 | 2.7 | -0.0 |
| 1993 | -1.5 | -5.6 | -4.6 | -8.4 | -11.4 | -11.9 | -12.9 | -13.1 | -19.0 | -23.7 | 2.0 | -1.6 | 0.3 | -2.3 | -4.5 |
| 1994 | -3.3 | -5.6 | -2.4 | -4.7 | -8.0 | -14.7 | -9.0 | -4.0 | -7.1 | -10.7 | -0.1 | -4.0 | -1.6 | -3.7 | -6.8 |
| 1995 | -1.4 | 0.3 | 6.1 | 5.7 | 2.3 | -4.3 | 3.8 | 13.5 | 13.9 | 10.6 | -0.7 | -1.3 | 3.0 | 2.4 | -1.2 |
| 1996 | -3.1 | 0.7 | 9.1 | 8.5 | 6.0 | -13.6 | -0.6 | 8.8 | 7.0 | 4.8 | -1.2 | 1.3 | 9.2 | 9.2 | 6.5 |
| 1997 | -7.5 | -1.3 | 4.5 | 2.8 | -1.5 | -11.1 | -1.0 | 8.9 | 7.5 | 4.1 | -6.8 | -1.5 | 2.5 | 0.7 | -4.0 |
| 1998 | -7.5 | -4.0 | -1.8 | -3.5 | -8.0 | -11.7 | -6.7 | -4.7 | -8.5 | -13.0 | -6.8 | -2.7 | -0.3 | -1.1 | -5.6 |
| 1999 | -4.6 | -5.3 | -3.7 | -3.4 | -8.4 | -13.6 | -10.1 | -10.1 | -11.8 | -15.5 | -3.1 | -3.2 | -0.7 | 0.8 | -5.0 |
| 2000 | -5.0 | 0.2 | 7.6 | 7.8 | 4.1 | -10.9 | 0.3 | 15.2 | 18.0 | 12.5 | -4.0 | 0.2 | 4.4 | 3.2 | 0.4 |
| 2001 | -8.6 | -5.2 | 0.6 | -6.6 | -9.3 | -3.5 | -0.7 | 6.2 | -7.0 | -9.7 | -9.6 | -7.4 | -2.0 | -6.3 | -9.2 |
| 2002 | 1.4 | -2.7 | -0.6 | -3.8 | -10.3 | -9.2 | -8.2 | -5.6 | -11.4 | -16.2 | 3.4 | 0.0 | 1.7 | -0.2 | -7.5 |
| 2003 | -5.1 | -3.0 | 4.9 | — | -1.1 | -3.9 | 1.1 | 16.2 | — | 11.3 | -5.3 | -4.8 | 0.2 | — | -6.0 |
| 2004 | -6.1 | — | 6.9 | 8.3 | 1.7 | -11.0 | — | 18.8 | 22.3 | 15.4 | -5.1 | — | 1.3 | 1.9 | -4.6 |
| 2005 | -7.6 | -3.8 | 11.6 | 15.0 | 8.5 | -7.9 | 3.8 | 19.8 | 22.7 | 15.3 | -7.5 | -6.3 | 6.9 | 10.6 | 4.7 |
| 2006 | -1.0 | -0.3 | 12.9 | — | 7.7 | 1.9 | 1.7 | 21.8 | — | 12.0 | -2.1 | -1.0 | 7.4 | — | 4.9 |
| 2007 | -1.4 | — | 11.0 | — | — | -4.3 | — | 13.5 | — | — | -0.1 | — | 9.2 | — | — |
| 2008 | -8.8 | — | — | — | — | -19.4 | — | — | — | — | -4.6 | — | — | — | — |

- Notes:
1. The shaded figures represent the result of this survey.
 2. As of June 2004, the survey months changed from August and February to June and November, respectively.
Therefore:
“Aug. of Previous Yr. Planned” should be read as “Jun. of Previous Yr. Planned”;
“Feb. of Current Yr. Planned” should be read as “Nov. of Previous Yr. Planned”;
“Aug. of Current Yr. Planned” should be read as “Jun. of Current Yr. Planned”;
“Feb. of Following Yr. Estimated Actual” should be read as “Nov. of Current Year Planned”; and
“Aug. of Following Yr. Actual” should be read as “Jun. of Following Yr. Actual.”
 3. In FY2006, the frequency of the survey was changed to once a year.
 4. Figures are given as percentages.

Appendix Table 3. Trend of Ratio of Capital Spending to Cash Flow

| FY | Projected Ratio for Current Fiscal Year | | | | Actual Ratio in Previous Fiscal Year | | | |
|------|---|-------|--------------------|-----------------------|--------------------------------------|-------|--------------------|-----------------------|
| | Survey Month | Total | Manu- facturing | Non- Manufacturing | Survey Month | Total | Manu- facturing | Non- Manufacturing |
| 1991 | 8/1991 | 129.3 | 104.2 | 150.1 | 8/1992 | 133.0 | 116.3 | 148.4 |
| 1992 | 8/1992 | 128.0 | 102.8 | 150.4 | 8/1993 | 127.4 | 103.8 | 143.8 |
| 1993 | 8/1993 | 114.1 | 90.0 | 129.2 | 8/1994 | 121.8 | 86.8 | 145.6 |
| 1994 | 8/1994 | 116.4 | 80.7 | 141.2 | 8/1995 | 113.8 | 76.3 | 138.1 |
| 1995 | 8/1995 | 113.9 | 79.8 | 136.6 | 8/1996 | 107.9 | 78.2 | 131.0 |
| 1996 | 8/1996 | 112.2 | 80.1 | 137.6 | 8/1997 | 110.5 | 78.7 | 133.6 |
| 1997 | 8/1997 | 107.7 | 79.9 | 128.0 | 8/1998 | 105.6 | 81.8 | 127.2 |
| 1998 | 8/1998 | 103.0 | 77.4 | 126.4 | 8/1999 | 101.8 | 80.6 | 116.6 |
| 1999 | 8/1999 | 90.4 | 60.3 | 114.3 | 8/2000 | 91.0 | 63.1 | 113.1 |
| 2000 | 8/2000 | 92.3 | 64.5 | 115.5 | 8/2001 | 91.8 | 65.7 | 109.5 |
| 2001 | 8/2001 | 88.6 | 71.2 | 99.8 | 8/2002 | 86.4 | 74.0 | 94.1 |
| 2002 | 8/2002 | 85.0 | 64.4 | 98.9 | 8/2003 | 75.7 | 56.2 | 88.5 |
| 2003 | 8/2003 | 79.6 | 63.5 | 90.4 | 6/2004 | 73.9 | 57.8 | 85.1 |
| 2004 | 6/2004 | 76.4 | 66.9 | 83.2 | 6/2005 | 70.8 | 60.7 | 78.8 |
| 2005 | 6/2005 | 78.5 | 71.5 | 84.3 | 6/2006 | 76.0 | 65.2 | 85.1 |
| 2006 | 6/2006 | 85.5 | 77.6 | 92.5 | 6/2007 | 78.0 | 70.2 | 84.3 |
| 2007 | 6/2007 | 84.7 | 74.2 | 93.6 | | | | |

- Notes:
1. Shaded figures represent results of the present survey.
 2. $\text{Capital Spending} / \text{Cash Flow} = [\text{capital spending} / (\text{ordinary profit} / 2 + \text{depreciation expenses})] \times 100$.
 3. Figures are given as percentages.

Appendix Table 4. Trend of Capital Spending, by Region

| | Change FY2006/FY2005 | | | Change FY2007/FY2006 | | | | | | | Change FY2008/FY2007 | | |
|-------------------------|----------------------|----------|-----------------|----------------------|----------|-----------------|---------------|-------------------|-----------|--------|----------------------|---------|-----------------|
| | FY2005 | FY2006 | Growth Rate (%) | FY2006 | FY2007 | Growth Rate (%) | | | Share (%) | | FY2007 | FY2008 | Growth Rate (%) |
| | | | | | | Total | Manufacturing | Non-Manufacturing | FY2006 | FY2007 | | | |
| Hokkaido | 389.9 | 385.9 | -1.0 | 401.8 | 412.1 | 2.6 | -11.1 | 9.1 | 2.4 | 2.2 | 274.4 | 266.8 | -2.8 |
| Tohoku | 1,146.4 | 1,265.2 | 10.4 | 1,317.4 | 1,494.6 | 13.5 | 5.5 | 20.0 | 7.9 | 8.0 | 528.8 | 501.6 | -5.1 |
| North Kanto and Koshin | 701.6 | 771.6 | 10.0 | 848.4 | 940.2 | 10.8 | 18.1 | -0.6 | 5.1 | 5.0 | 490.0 | 418.6 | -14.6 |
| Tokyo Metropolitan Area | 5,002.1 | 5,385.4 | 7.7 | 5,843.7 | 6,527.7 | 11.7 | 19.2 | 9.7 | 35.2 | 35.0 | 2,925.2 | 2,489.7 | -14.9 |
| Hokuriku | 478.6 | 460.3 | -3.8 | 481.3 | 560.7 | 16.5 | 0.1 | 37.6 | 2.9 | 3.0 | 355.1 | 318.7 | -10.3 |
| Tokai | 2,455.8 | 2,729.6 | 11.1 | 2,863.2 | 3,019.8 | 5.5 | 4.0 | 9.6 | 17.2 | 16.2 | 841.9 | 748.6 | -11.1 |
| Kansai | 1,855.7 | 1,848.7 | -0.4 | 1,945.9 | 2,346.9 | 20.6 | 27.2 | 15.9 | 11.7 | 12.6 | 953.7 | 918.5 | -3.7 |
| Chugoku | 1,044.8 | 1,123.4 | 7.5 | 1,213.7 | 1,332.8 | 9.8 | 6.1 | 17.1 | 7.3 | 7.1 | 592.6 | 574.3 | -3.1 |
| Shikoku | 401.6 | 461.7 | 15.0 | 480.6 | 534.4 | 11.2 | 17.4 | 3.2 | 2.9 | 2.9 | 335.4 | 288.9 | -13.8 |
| Kyushu | 1,074.5 | 1,137.0 | 5.8 | 1,181.5 | 1,421.7 | 20.3 | 26.5 | 13.8 | 7.1 | 7.6 | 821.8 | 760.8 | -7.4 |
| Nationwide | 22,372.0 | 23,984.8 | 7.2 | 24,637.1 | 26,960.5 | 9.4 | 11.0 | 8.3 | - | - | 9,742.0 | 8,758.8 | -10.1 |

- Notes:
1. Shares are expressed as percentages of all firms providing prefecture-specific data.
 2. Nationwide figures include firms not reporting prefecture-specific data and firms in Okinawa Prefecture.
 3. Monetary amounts are in billion yen.

List of Back Numbers (including JDB Research Report)

- No. 60 Survey on Planned Capital Spending for Fiscal Years 2006, 2007 and 2008 (Conducted in June 2007) (this issue)
- No. 59 Do M&A Improve Corporate Financial Performance in Japan? March 2007
- No. 58 Survey on Planned Capital Spending for Fiscal Years 2005, 2006 and 2007 (Conducted in June 2006) September 2006
- No. 57 Policies to Restore the International Competitiveness of Japanese Semiconductor Industry, August 2006
- No. 56 Survey on Planned Capital Spending for Fiscal Years 2005 and 2006 (Conducted in November 2005), January 2006
- No. 55 Survey on Planned Capital Spending for Fiscal Years 2004, 2005 and 2006 (Conducted in June 2005), September 2005
- No. 54 Improving Corporate Value through Disaster Management: Prospects of Socially Responsible Investment (SRI) for Disaster Reduction, July 2005
- No. 53 Japan's Innovative Capacity and Policies for Commercializing New Technologies: Using Carve-Outs to Create New Industries, May 2005
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