

Decrease in Capital Spending for the Second Consecutive Year Mainly in Manufacturing Industry

---Steady investment in urban infrastructures---

1. Total industries' planned capital spending for FY2002 will decrease for the second consecutive year (down 2.7%), continuing to decrease in the manufacturing sector (down 8.2%) and maintaining the level of the previous year in the non-manufacturing sector (up 0.0%).

2. In the manufacturing sector, capital spending is planned to increase in petroleum, for environmental protection, and not to change from the previous year in automobiles, because of new models. However, it is scheduled to decrease in many industries: in electric machinery, by double digits and mainly in electronic parts; in paper & pulp, largely due to an end to production capacity expansion and plant integration; and in iron & steel, due to an end to large refreshment.

In the non-manufacturing sector, decreases are planned in electric power, due to completed construction of thermal power plants; in telecommunications & information, due to restrains on fixed telephone investment; and in services, due to completion of a large amusement park. However, increases are planned in railways, led by construction of new lines and line extensions; in warehousing & transportation, as airport construction gets underway; in leasing, led by the shift from purchasing to leasing; and in retail, led by establishment of new outlets, mainly supermarkets under the Large-Scale Retail Store Siting Law.

3. Investment in information technology to improve business efficiency on the user side will continue to increase in the manufacturing sector, led by steady investment in production and customer management systems, but will begin to decrease in the non-manufacturing sector, due to substantial increases in the previous year in electric power, wholesale & retail, and airlines.

4. Investment in information technology on the equipment supply side, which was revised downward substantially in FY2001, is scheduled to be implemented modestly in FY2002 in line with market trend, due to shrink and postponement in IT investment overall. Less investment is planned for electric machinery, mainly due to lower DRAM production, despite favorable conditions for flat screens (plasma display panels [PDPs] and others). Decreases are scheduled to continue in cement and ceramics & glass, due mostly to postponement in investment related to information and communication, and in precision machinery, due to restrains on semiconductor equipment production. IT investment in the non-ferrous metals industry is scheduled to decrease, due to substantially reduced investment for expansion of production capacity in optical parts.

5. On the other hand, steady investment growth is forecast for urban infrastructures, backed by growth in metropolitan area transportation infrastructure, such as railway networks and airports, and in large redevelopment projects in the Tokyo metropolitan area. Within the telecommunications & information sector, there will be steady investment in fiber-optic networks, for fiber to the home (FTTH), and digital broadcasting.

(Target Firms and Survey Methods)

Survey Method: Questionnaire

Date of Survey: February 10, 2002

Target Firms: 3,559 private firms in Japan's major industries capitalized at ¥1 billion or more

Proportion of Valid Responses: 81.7% (2,906 firms)

Industrial Classification for the Totals: Classification by activity base as a rule, Principle Business

Classification in some parts of the analysis

Outline

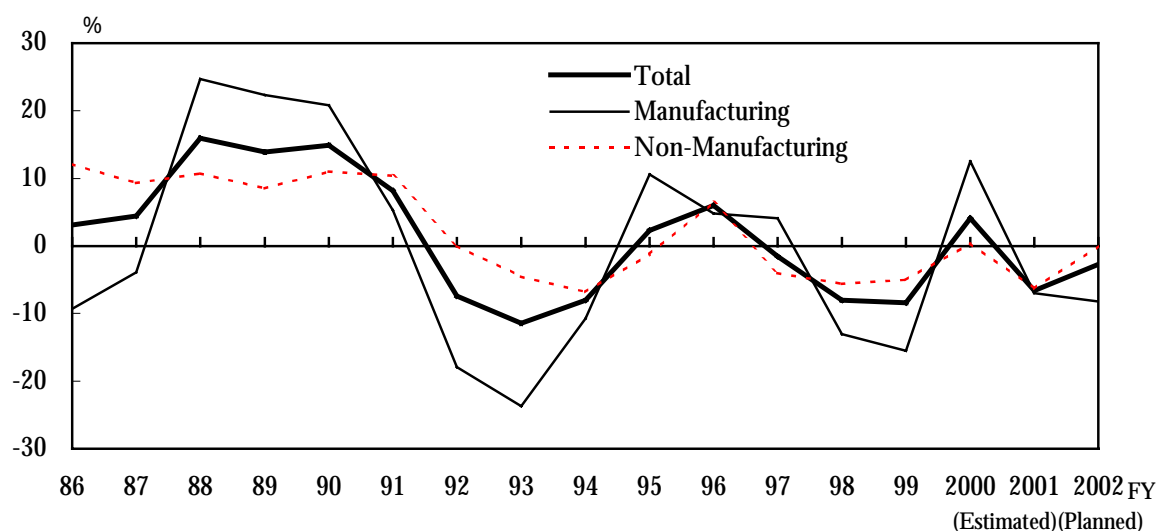
Estimates on capital spending in FY2001 (all figures are based on construction; the growth rate is in comparison with the previous year) showed that it would begin to decrease (down 6.6%), both in the manufacturing sector (down 7.0%) and in the non-manufacturing sector (down 6.3%). Capital spending planned by total industries for FY2002 will decrease for the second consecutive year (down 2.7%), as that planned by the manufacturing sector is continuing to decrease (down 8.2%) and that planned by the non-manufacturing sector is maintaining the level of the previous year (up 0.0%).

Capital Spending

	FY2001 Survey (2,783 firms)			FY2002 Survey (2,906 firms)		
	FY2000 Actual	FY2001 Estimated	Growth Rate (%) 2001/2000	FY2001 Estimated	FY2002 Planned	Growth Rate (%) 2002/2001
Total	23,075.2	21,558.9	-6.6	21,833.3	21,235.1	-2.7
<i>Excluding Electric Power</i>	<i>19,557.5</i>	<i>18,053.9</i>	<i>-7.7</i>	<i>18,318.7</i>	<i>17,907.0</i>	<i>-2.2</i>
Manufacturing	7,730.6	7,188.0	-7.0	7,325.1	6,726.3	-8.2
Non-Manufacturing	15,344.5	14,370.8	-6.3	14,508.2	14,508.8	0.0
<i>Excluding Electric Power</i>	<i>11,826.8</i>	<i>10,865.9</i>	<i>-8.1</i>	<i>10,993.6</i>	<i>11,180.6</i>	<i>1.7</i>
<i>Electric Power</i>	<i>3,517.7</i>	<i>3,505.0</i>	<i>-0.4</i>	<i>3,514.6</i>	<i>3,328.2</i>	<i>-5.3</i>

Note: Monetary amounts are in billion yen.

Growth Rate of Capital Spending



Capital Spending by Industry

	Capital Spending (Billion Yen)				Growth Rate (%)		Component Rate (%)	
	FY2000	FY2001	FY2001	FY2002	2001/2000	2002/2001	FY2001	FY2002
	(Actual)	(Estimated)	(Estimated)	(Planned)			(Estimated)	(Planned)
	(2,783 firms)		(2,906 firms)				(2,906 firms)	
Total	23,075.2	21,558.9	21,833.3	21,235.1	-6.6	-2.7	100.0	100.0
<i>Excluding Electric Power</i>	<i>19,557.5</i>	<i>18,053.9</i>	<i>18,318.7</i>	<i>17,907.0</i>	<i>-7.7</i>	<i>-2.2</i>	<i>83.9</i>	<i>84.3</i>
Manufacturing	7,730.6	7,188.0	7,325.1	6,726.3	-7.0	-8.2	33.5	31.7
Food and Beverages	465.2	447.7	461.9	422.3	-3.8	-8.6	2.1	2.0
Textiles	62.9	76.0	77.4	68.3	20.7	-11.8	0.4	0.3
Paper and Pulp	222.3	268.7	268.7	202.6	20.9	-24.6	1.2	1.0
Chemicals	924.9	1,026.9	1,050.5	989.8	11.0	-5.8	4.8	4.7
<i>Organic Chemicals</i>	<i>411.5</i>	<i>445.5</i>	<i>462.0</i>	<i>448.1</i>	<i>8.3</i>	<i>-3.0</i>	<i>2.1</i>	<i>2.1</i>
<i>Pharmaceuticals</i>	<i>185.5</i>	<i>212.2</i>	<i>216.5</i>	<i>192.7</i>	<i>14.4</i>	<i>-11.0</i>	<i>1.0</i>	<i>0.9</i>
Petroleum	93.6	131.4	131.4	170.4	40.4	29.6	0.6	0.8
Cement, Ceramics and Glass	241.0	223.7	226.1	188.1	-7.2	-16.8	1.0	0.9
Iron and Steel	390.6	438.0	438.0	379.0	12.1	-13.5	2.0	1.8
<i>Ordinary Steel</i>	<i>321.0</i>	<i>368.0</i>	<i>368.0</i>	<i>301.9</i>	<i>14.7</i>	<i>-18.0</i>	<i>1.7</i>	<i>1.4</i>
Non-Ferrous Metals	310.3	336.8	342.4	294.3	8.6	-14.1	1.6	1.4
General Machinery	423.6	434.8	457.6	420.4	2.7	-8.1	2.1	2.0
Electric Machinery	2,665.1	1,879.5	1,935.8	1,721.8	-29.5	-11.1	8.9	8.1
<i>Electric Devices, etc.</i>	<i>2,037.1</i>	<i>1,300.4</i>	<i>1,318.2</i>	<i>1,149.7</i>	<i>-36.2</i>	<i>-12.8</i>	<i>6.0</i>	<i>5.4</i>
Precision Machinery	148.9	132.2	135.4	126.9	-11.2	-6.3	0.6	0.6
Transportation	1,283.8	1,378.4	1,379.9	1,368.4	7.4	-0.8	6.3	6.4
<i>Automobiles</i>	<i>1,219.9</i>	<i>1,302.0</i>	<i>1,302.9</i>	<i>1,302.5</i>	<i>6.7</i>	<i>0.0</i>	<i>6.0</i>	<i>6.1</i>
Other Manufacturing	498.5	414.1	420.0	374.1	-16.9	-10.9	1.9	1.8
Non-Manufacturing	15,344.5	14,370.8	14,508.2	14,508.8	-6.3	0.0	66.5	68.3
<i>Excluding Electric Power</i>	<i>11,826.8</i>	<i>10,865.9</i>	<i>10,993.6</i>	<i>11,180.6</i>	<i>-8.1</i>	<i>1.7</i>	<i>50.4</i>	<i>52.7</i>
Construction	142.2	145.4	145.9	121.1	2.3	-17.0	0.7	0.6
Wholesale and Retail	1,311.7	1,028.5	1,050.5	1,070.2	-21.6	1.9	4.8	5.0
<i>Retail</i>	<i>1,056.6</i>	<i>835.2</i>	<i>850.8</i>	<i>913.8</i>	<i>-21.0</i>	<i>7.4</i>	<i>3.9</i>	<i>4.3</i>
Real Estate	1,075.5	873.1	874.3	890.4	-18.8	1.8	4.0	4.2
Transportation	1,758.8	1,691.9	1,693.6	2,044.4	-3.8	20.7	7.8	9.6
<i>Railways</i>	<i>1,273.4</i>	<i>1,066.2</i>	<i>1,066.2</i>	<i>1,297.8</i>	<i>-16.3</i>	<i>21.7</i>	<i>4.9</i>	<i>6.1</i>
<i>Marine Transport</i>	<i>38.2</i>	<i>44.1</i>	<i>44.1</i>	<i>28.0</i>	<i>15.5</i>	<i>-36.6</i>	<i>0.2</i>	<i>0.1</i>
<i>Airlines</i>	<i>168.6</i>	<i>176.4</i>	<i>176.4</i>	<i>199.5</i>	<i>4.6</i>	<i>13.1</i>	<i>0.8</i>	<i>0.9</i>
<i>Warehousing etc.</i>	<i>156.6</i>	<i>271.5</i>	<i>273.2</i>	<i>389.1</i>	<i>73.4</i>	<i>42.4</i>	<i>1.3</i>	<i>1.8</i>
Electric Power and City Gas	3,834.0	3,812.7	3,822.3	3,620.7	-0.6	-5.3	17.5	17.1
<i>Electric Power</i>	<i>3,517.7</i>	<i>3,505.0</i>	<i>3,514.6</i>	<i>3,328.2</i>	<i>-0.4</i>	<i>-5.3</i>	<i>16.1</i>	<i>15.7</i>
<i>City Gas</i>	<i>316.4</i>	<i>307.7</i>	<i>307.7</i>	<i>292.6</i>	<i>-2.7</i>	<i>-4.9</i>	<i>1.4</i>	<i>1.4</i>
Telecom. and Information	3,234.7	3,032.5	3,090.0	2,972.2	-6.3	-3.8	14.2	14.0
Leasing	3,456.2	3,410.3	3,436.3	3,514.8	-1.3	2.3	15.7	16.6
Services	503.3	327.3	339.9	227.5	-35.0	-33.1	1.6	1.1
Other Non-Manufacturing	28.1	49.3	55.5	47.5	75.4	-14.3	0.3	0.2

Notes: Other Manufacturing Industries include Publishing and Printing, Rubber, Metal Products and Others. Other Non-Manufacturing Industries include Fishing, Mining and Others.

Revision of Planned Capital Spending

In comparison with the previous survey (August 2001), investment for FY2001 was revised downwards in both the manufacturing sector (down 12.2%) and the non-manufacturing sector (down 4.5%). In the manufacturing sector, planned investment in electric machinery accounts for a major part of the downward revision. Planned investment for FY2002 was revised downwards in both the manufacturing sector (down 8.7%) and the non-manufacturing sector (down 2.3%), leading to an overall downward revision (down 3.2%).

Comparison with the August 2001 Survey

	FY2001 Survey (2,783 firms)			FY2002 Survey (1,399 firms)		
	Capital Spending		Revision Rates (%)	Capital Spending		Revision Rates (%)
	Aug.2001 Planned	Feb.2002 Estimated	Feb.2002 /Aug.2001	Aug.2001 Planned	Feb.2002 Planned	Feb.2002 /Aug.2001
Total	23,233.8	21,558.9	-7.2	8,808.1	8,527.5	-3.2
<i>Excluding Electric Power</i>	<i>19718.13</i>	<i>18053.9</i>	<i>-8.4</i>	<i>6124.61</i>	<i>5850.61</i>	<i>-4.5</i>
Manufacturing	8,184.4	7,188.0	-12.2	1,238.2	1,129.9	-8.7
Non-Manufacturing	15,049.4	14,370.8	-4.5	7,569.9	7,397.6	-2.3
<i>Excluding Electric Power</i>	<i>11533.73</i>	<i>10865.87</i>	<i>-5.8</i>	<i>4886.44</i>	<i>4720.75</i>	<i>-3.4</i>
<i>Electric Power</i>	<i>3515.71</i>	<i>3504.97</i>	<i>-0.3</i>	<i>2683.44</i>	<i>2676.87</i>	<i>-0.2</i>

Notes: Revision rates = {(Aug. 2001 survey)/(Feb. 2001 survey)-1} × 100

Monetary amounts are in billion yen.

Investment Motives

Looking at investment motives in the manufacturing sector, we see ratio decrease for “expansion of production capacity” in IT investment for cement, ceramics & glass and non-ferrous metals, but ratio increase for “maintenance”, “product development & product upgrading”, “rationalization & labor saving”, and “research & development” overall in manufacturing.

Investment Motives

(%)

[illegible]

Investment in Information Technology (industry classified according to principal business area)

1. Investment in information technology for FY2001 (based on 1,496 firms which responded to the survey in both FY2000 and FY2001) is expected to increase in both the manufacturing sector (up 7.6%) and the non-manufacturing sector (up 21.3%). This results in a 17.0% increase for total industries, which is in excess of the expected growth rate for total capital spending. Materials and other sectors in investment for production management systems are major contributors to the increase in the manufacturing sector. As for the increase in the non-manufacturing sector, electric power, which occupies a large part, wholesale & retail, and transportation such as airlines and railways are major contributors.

As for components of actual investment in information technology for FY2001, tangible fixed assets and intangible fixed assets held their levels at 30.5% and 29.7%, respectively.

Overview of IT Investment (estimated figures for FY2001)

Industrial Sector	Amount of IT Investment (1,496 firms)		Change in IT Investment (%)	Change in Capital Spending (%)	Share of IT Investment (%)		IT Investment/ Capital Spending (%)	
	FY2000	FY2001	2001/2000 (1,496 firms)	2001/2000	FY2000	FY2001	FY2000	FY2001
	Actual	Estimated			Actual	Estimated	Actual	Estimated
Total	895.4	1,047.5	17.0	-5.0	100.0	100.0	7.6	9.3
Manufacturing	282.8	304.3	7.6	-1.7	31.6	29.0	10.6	11.6
Non-Manufacturing	612.7	743.2	21.3	-5.9	68.4	71.0	6.7	8.6

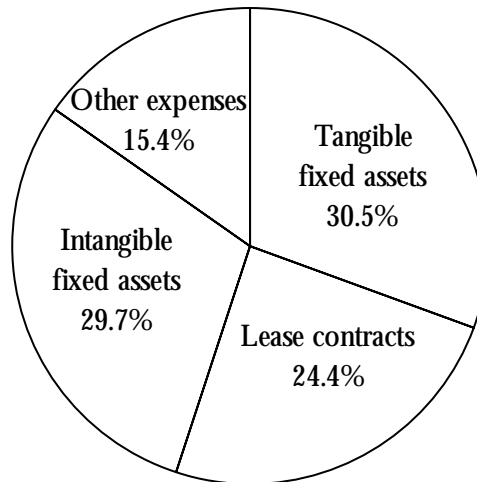
Note: Monetary amounts are in billion yen.

Revised IT Investment

Industrial sector	FY2001, Estimated		
	IT Investment (1,424 firms)		Revisions (%)
	Aug. 2001	Feb. 2002	
Total	1076.2	1009.8	-6.2
Manufacturing	313.7	282.1	-10.1
Non-Manufacturing	762.6	727.7	-4.6

Note: Monetary amounts are in billion yen.

Components of IT Investment (estimated FY2001)



Investment in information technology is based on the respondents' self-assessment of

- Tangible fixed assets
- Lease contracts
- Intangible fixed assets
- Other expenses

2. Planned investment in information technology for FY2002 (based on 1,374 firms which responded to the survey in both FY2001 and FY2002) is expected to increase only slightly (up 1.5%) in the manufacturing sector and begin to decrease (down 11.3%) in the non-manufacturing sector, leading to an overall decrease (down 7.6%). By sectors, steady investments in production and inventory management systems and customer management systems are major contributors to steady growth in the manufacturing sector. In the non-manufacturing sector, on the other hand, planned investment in IT will begin to decrease in electric power, wholesale & retail, and transportation such as airlines and railways, where large investments were seen in the previous year. Therefore the share of IT investment in total capital spending will begin to decrease.

Overview of IT Investment (planned figures for FY2002)

Industrial Sector	Amount of IT Investment (1,374 firms)		Change in IT Investment (%)	Change in Capital Spending (%)	Share of IT Investment (%)		IT investment/ Capital Spending (%)	
	FY2001 Estimated	FY2002 Planned	2002/2001 (1,374 firms)	2002/2001	FY2001 Estimated	FY2002 Planned	FY2001 Estimated	FY2002 Planned
Total	678.3	626.5	-7.6	0.6	100.0	100.0	9.8	9.0
Manufacturing	195.6	198.6	1.5	-6.8	28.8	31.7	11.9	12.9
Non-Manufacturing	482.6	427.9	-11.3	3.0	71.2	68.3	9.2	7.9

Note: Monetary amounts are in billion yen.