

Survey on Planned Capital Spending for Fiscal Year 2026

Positive Investor Sentiment despite Rising Uncertainties including in the Middle East:
Investment Propped Up by Spending for AI, Data Centers, Urban Function Enhancement
and Inbound Tourism

August 4, 2026



Industrial & Regional Research Department
Chief Research Office

Outline of the Survey

1. Survey subjects

(1) Planned capital spending

- Carried out since 1956
- Designed to provide an overview of capital spending in Japan by analyzing capital spending activity on a domestic non-consolidated basis, and on a domestic and overseas consolidated basis (in terms of trends by industry and by prefecture)
- Also covers subjects related to investment motives, profit/loss, R&D expenditure and investment in digitalization

(2) Survey of attitudes on corporate activities (special survey)

- Conducted to identify the attitudes and perspectives of firms on key current issues
- This year's topics: downside risks, growth opportunities, 17 strategic areas and domestic investment, supply chains, human resource investment, DX and decarbonization, among others

2. Survey period

- Up to Tuesday, June 30, 2026

3. Companies surveyed

- Private corporations (excluding those in the finance/insurance industries)
- 2,756 major firms capitalized at 1 billion yen or more
- 6,278 medium-sized firms with capital of 100 million up to 1 billion yen (for regional breakdowns)

4. Responding companies and response rates

- Domestic capital spending: 1,598 major firms (58.0%)
3,674 medium-sized firms (58.5%)
- Overseas capital spending: 556 major firms (20.2%)
- Capital spending by region: 4,368 firms (48.4%)
- Special survey: 829 major firms (30.1%)
2,308 medium-sized firms (36.8%)

5. Detailed results

Available at <https://www.dbj.jp/investigate/equip/index.html>
(Japanese only)

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Executive Summary

1. Overview of Domestic Capital Spending

Capital spending by major firms (capitalized at ¥1 billion or over) in FY2025 rose 7.3% overall, the fourth straight year of increase on the previous year, driven by investment for decarbonization in materials-based industries, for grid enhancement in electric power, and for station area redevelopment in transportation. Planned capital spending for FY2026 shows a 19.7% increase, pointing to active investor sentiment that exceeds even the previous year's planned level (up 14.3%) despite the rising uncertainties caused by the Middle East conflict, among others. The manufacturing sector plans a double-digit increase in spending, driven by increased investment related to artificial intelligence (AI) and data centers. A substantial increase in capital spending is also planned in the non-manufacturing sector, thanks to continued investment for grid enhancement and full-scale spending related to nuclear plants in electric power, as well as investment in urban function enhancement and inbound tourism.

2. Government Industrial Policy including the 17 Strategic Areas and Capital Spending

Among the 17 strategic areas, many companies are increasing spending on AI, semiconductors and digital, as a large percentage of the firms are planning additional investment within three years in this area. They show high expectations for government support while focusing on expected growth when deciding to increase domestic capital spending, thus indicating the crucial importance of building an environment that enables businesses to expect greater growth.

3. Middle East Conflict Impact, Supply Chains and Investment Overseas

Many firms are switching their focus from efficient supply chains through lower costs to more resilient supply chains. They are responding to the Middle East conflict primarily through the diversification of suppliers abroad. Planned capital spending in Japan shows faster growth than investment overseas, pointing to the continued downtrend of the overseas investment ratio.

4. Corporate Management

Major risks for companies include procurement risk due to the Middle East conflict, among others, as well as rising prices and labor shortages. Materials-based industries are experiencing difficulty in passing on the rising costs. Most firms are continuing to raise wages.

5. Investment in Human Resources

Companies continue to regard wage increases as a means of investing in human resources to help recruit talent. An increasing percentage of companies are finding that digital transformation is an alternative to talent recruitment.

6. Digitalization and R&D

Spending on digitalization continues to increase. Although AI adoption is expected to spread, its impact remains focused on operational efficiency. Spending on research and development remains robust, particularly for AI, semiconductors and decarbonization.

7. Decarbonization

As efforts for decarbonization continue to gain ground steadily, how to pass on related costs is becoming an even bigger issue for companies, indicating greater difficulties in reconciling profitability and decarbonization.

8. Characteristics of Capital Spending, by Region and by Medium-Sized Firms

By region, double-digit increases in capital spending are planned for FY2026 across the board, led by Tohoku, Hokkaido, and North Kanto & Koshin. While a larger percentage of medium-sized firms than major firms consider that the Middle East conflict, rising prices, labor shortages and succession planning are risk factors, they both see growth opportunities in new technologies including AI.

1. Overview of Domestic Capital Spending

Investor sentiment remains robust, particularly for AI and data centers, despite uncertainties including from the Middle East conflict.

Capital Spending in FY2025 and FY2026

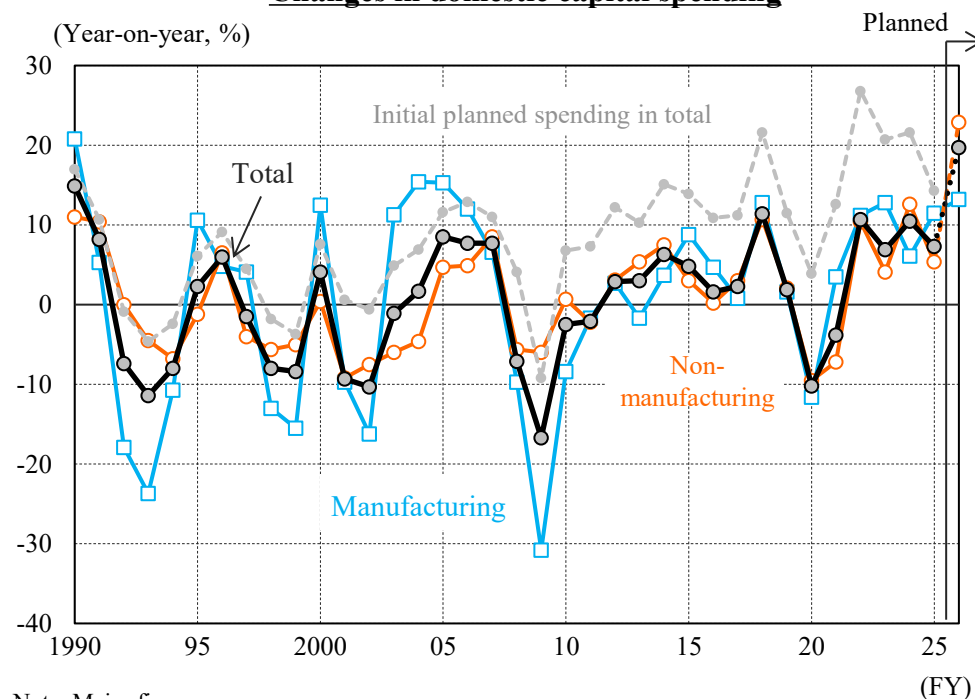
- Capital spending in **FY2025** rose 7.3% overall, the fourth straight year of increase on the previous year, driven by **investment for decarbonization in materials-based industries**, such as **iron & steel** and **petroleum**, for **grid enhancement in electric power**, and for **station area redevelopment in transportation**. Spending grew by as much as 11.5% on the previous year in the **manufacturing sector**, while spending in the **non-manufacturing sector** showed an **increase for the fourth consecutive year** (up 5.4%) despite slowing from the extraordinary growth in the previous year (up 12.6%).
- Planned capital spending for **FY2026** shows a 19.7% increase, pointing to **active investor sentiment** that exceeds even the previous year's planned level (up 14.3%) despite the **rising uncertainties** caused by the **Middle East conflict**, among others. The manufacturing sector plans a 13.2% increase in spending on the previous year, driven by increased **investment related to artificial intelligence (AI) and data centers**, although this represents slower growth as compared with the planned spending level in the previous year. A year-on-year increase of 22.9% is also planned in the non-manufacturing sector, thanks to continued investment for **grid enhancement** and full-scale spending **related to nuclear plants in electric power**, as well as investment in urban function enhancement including **station area redevelopment** and **new line construction in railways**, and in **inbound tourism**.

Capital spending in FY2025 and FY2026

(Year-on-year, %)	FY2025 (actual)		FY2026 (planned)
	1,476 firms	Plan as of PY	1,598 firms
Total	7.3	(14.3)	19.7
(Excluding electric power)	6.9	(15.0)	15.4
Manufacturing	11.5	(21.0)	13.2
Non-manufacturing	5.4	(11.3)	22.9
(Excluding electric power)	4.2	(11.7)	16.8

Note: Major firms.

Changes in domestic capital spending

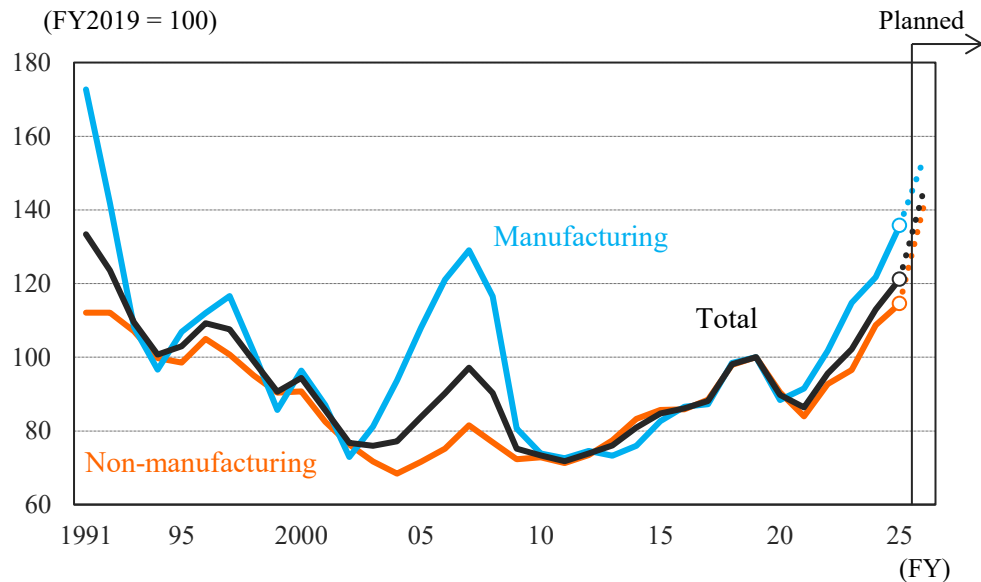


Note: Major firms.

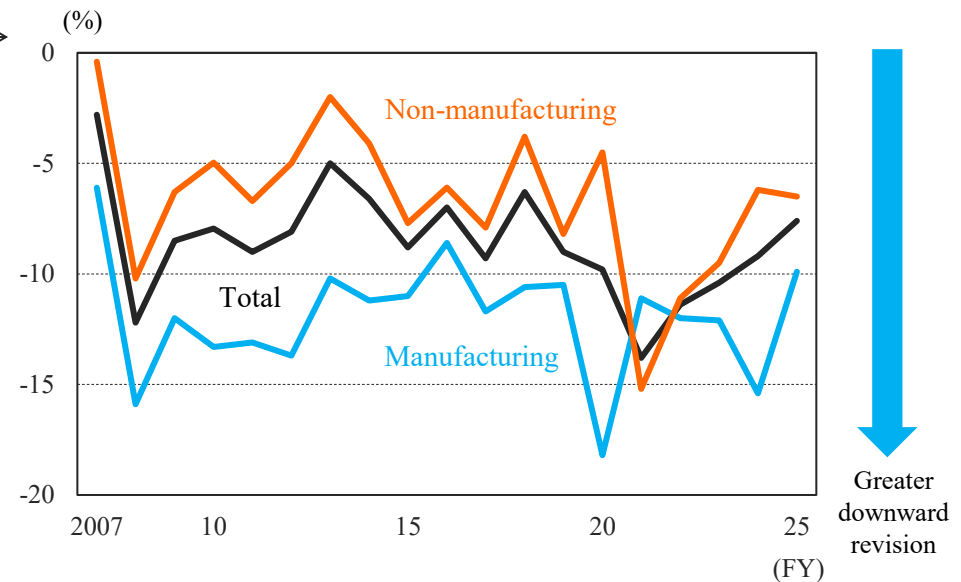
Record High Level of Domestic Capital Spending in FY2025, with Gradually Improving Revision Rate

- **Actual capital spending** in FY2025 overall (nominal value including price inflation) reached the **highest level since the bubble economy era**, reflecting the significant increases in both the manufacturing and non-manufacturing sectors in recent years. Spending in the **non-manufacturing sector** reached a **level that exceeds that of the bubble economy era**, while investment in **the manufacturing sector** exceeded the **level of FY2007**, the pre-Great Recession peak.
- The **revision rate** of domestic capital spending has been **improving gradually** with the disappearance of external shocks such as the Covid-19 pandemic. Indeed, **the revision rate for total spending regained the pre-pandemic level** in FY2025 thanks to substantial improvement in the manufacturing sector.

Levels of domestic capital spending



Revision rate of domestic capital spending



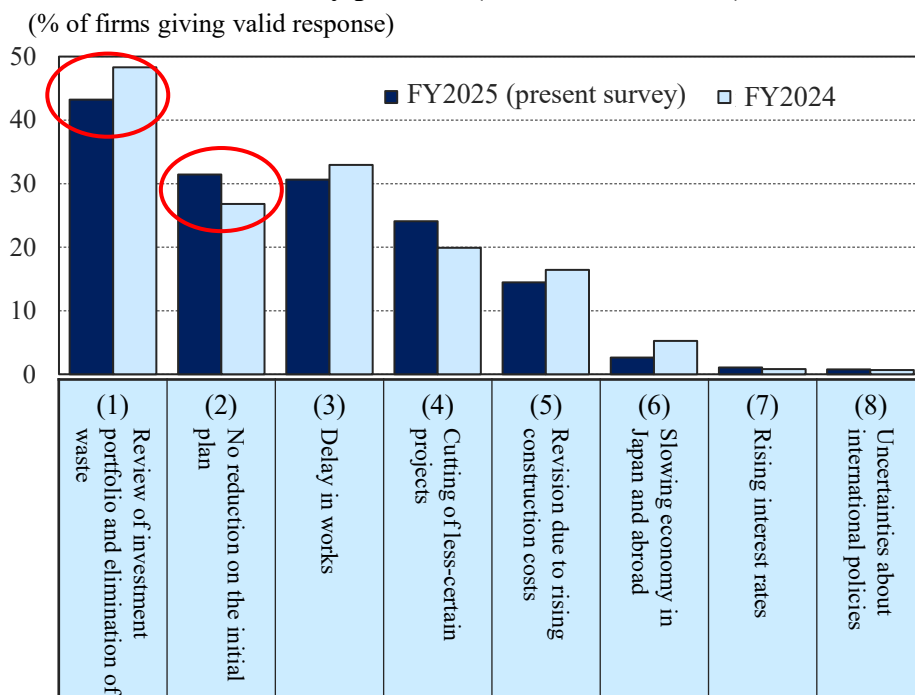
Notes: 1. Major firms.
2. Based on annual growth rates.

Notes: 1. Major firms.
2. The data only covers those firms which reported both planned spending for CY and actual spending for CY.
3. Revision rate = (Actual spending for CY – Planned spending for CY) / Planned spending for CY. A larger negative value of the revision rate indicates a greater downward revision.

More Detailed Investment Planning with Limited Downward Pressure from the Middle East Conflict on Planned Spending for FY2026

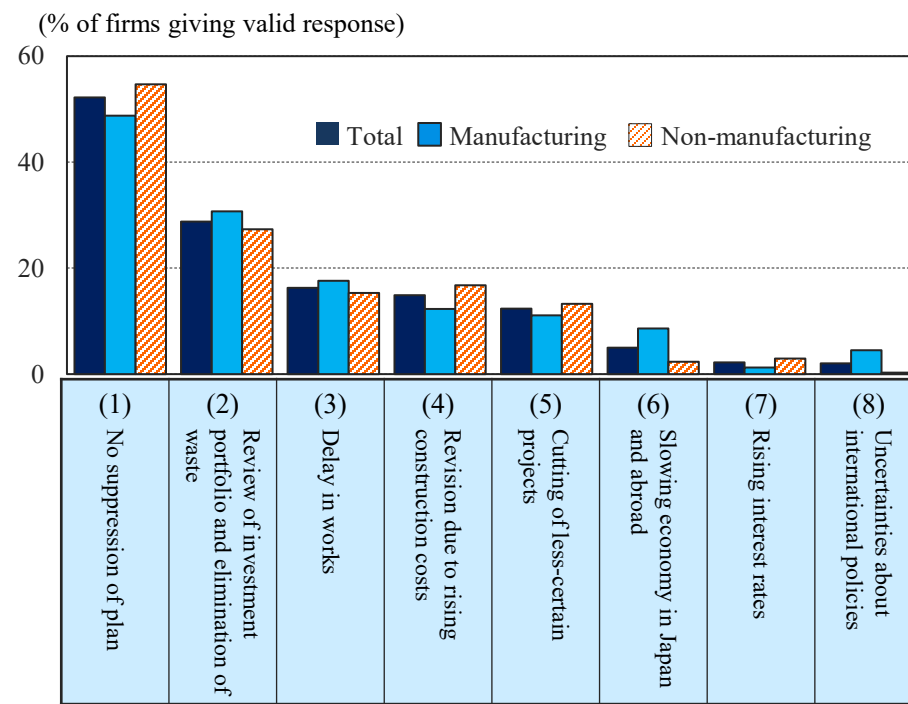
- Looking at the reasons why actual domestic spending in FY2025 did not reach the initially planned level, the share of **review of investment portfolio and elimination of waste declined**, while that of **no reduction on the initial plan increased**. The result may be explained by **more detailed investment planning and execution**.
- Among the reasons for suppressing planned capital spending, the share of **no suppression of plan** reached **over 50%**. The subdued shares of slowing economy in Japan and abroad and uncertainties about international policies also point to **limited downward pressure on planned investment despite the rising uncertainties including from the Middle East conflict**.

Reasons why actual figures for FY2025 did not reach the level initially planned (revised downward)



Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Factors suppressing planned capital spending for FY2026

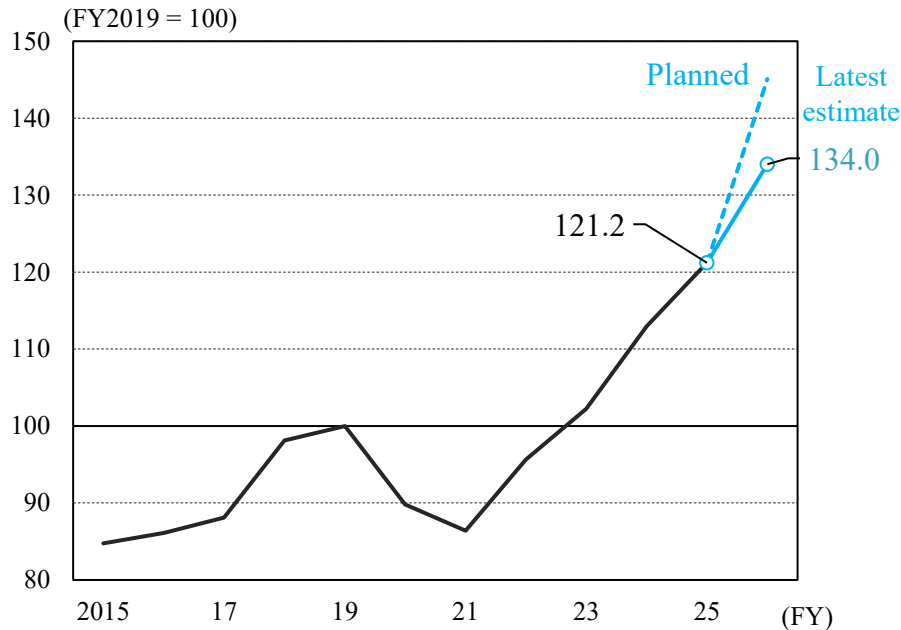


Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Spending Set to Rise for the Fifth Straight Year in FY2026 Even in Light of the Revision Pattern, with Mild Uptrend in Real Terms

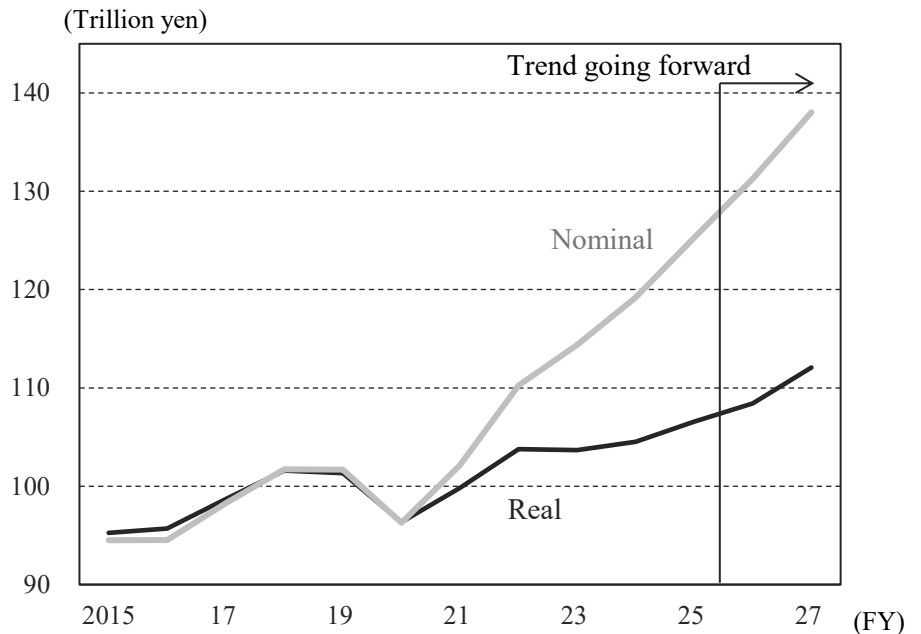
- Although the survey result tends to show downward revision of planned spending, the latest pattern of revision points to **growth of some 10%** in actual spending in FY2026, the **fifth consecutive year of positive growth**.
- Domestic capital spending on a GDP basis, including R&D and software, among others, as estimated using the result of the survey, also shows a **mild uptrend versus the pre-pandemic level in real terms**, excluding the impact of price inflation.

Actual spending level and latest estimate



Notes: 1. Major firms in all industries.
2. Latest estimate uses the average revision rate for FY2024 and FY2025.

Trend of capital spending on a GDP basis



Notes: 1. Cabinet Office, Development Bank of Japan, Ministry of Finance.
2. Estimated from the DBJ survey and the Business Outlook Survey.

AI & Data Centers, Urban Function Enhancement and Inbound Tourism to Drive Investment in FY2026

- In the manufacturing sector, investment in **semiconductors and components** related to **AI and data centers** is expected mainly in non-ferrous metals, chemicals and electric machinery. **Spending for decarbonization** is also planned, particularly in materials-based industries.
- In the non-manufacturing sector, continued **spending for grid enhancement** for **renewables**, **AI and data centers** in **electric power** will be accompanied by investment **related to nuclear plants**. Furthermore, the **rising demand for inbound tourism** will stimulate investment, particularly in **transportation**, including for **functional expansion of airports**, in addition to continued spending for **new line construction and rolling stock production in railways**, and for **station area and city center redevelopment**.

	Investment related to AI & data centers		Investment for decarbonization		Other spending to meet expanding demand
Food & beverages					Capacity expansion for export overseas (new plant construction, etc.)
Iron & steel			Electric furnaces	Product development upgrading such as magnetic and electric furnace steel sheets for electric vehicles	
Non-ferrous metals	Components for AI & data centers	Semiconductor materials	Secondary materials refining		
Chemicals	Semiconductor materials		Materials for fuel cell vehicles	CO ₂ recovery	Pharmaceuticals
Electric machinery	Advanced semiconductors	Electronic parts related to semiconductors			Electronic parts for vehicles
Transport equipment			Investment for vehicle electrification*		Shipbuilding
General machinery					Aviation and national defense-related
Petroleum			SAF		
Telecom & information	Data centers				
Electric power & gas	Grid enhancement, investment related to nuclear plants				
Wholesale & retail	Transformation into AI-powered next-generation stores				New outlets in promising markets
Transportation					Airport functions Aircraft
Real estate					Logistics New vehicle & line construction
Services					Station area & city center development
					Entertainment facilities
					Hotels

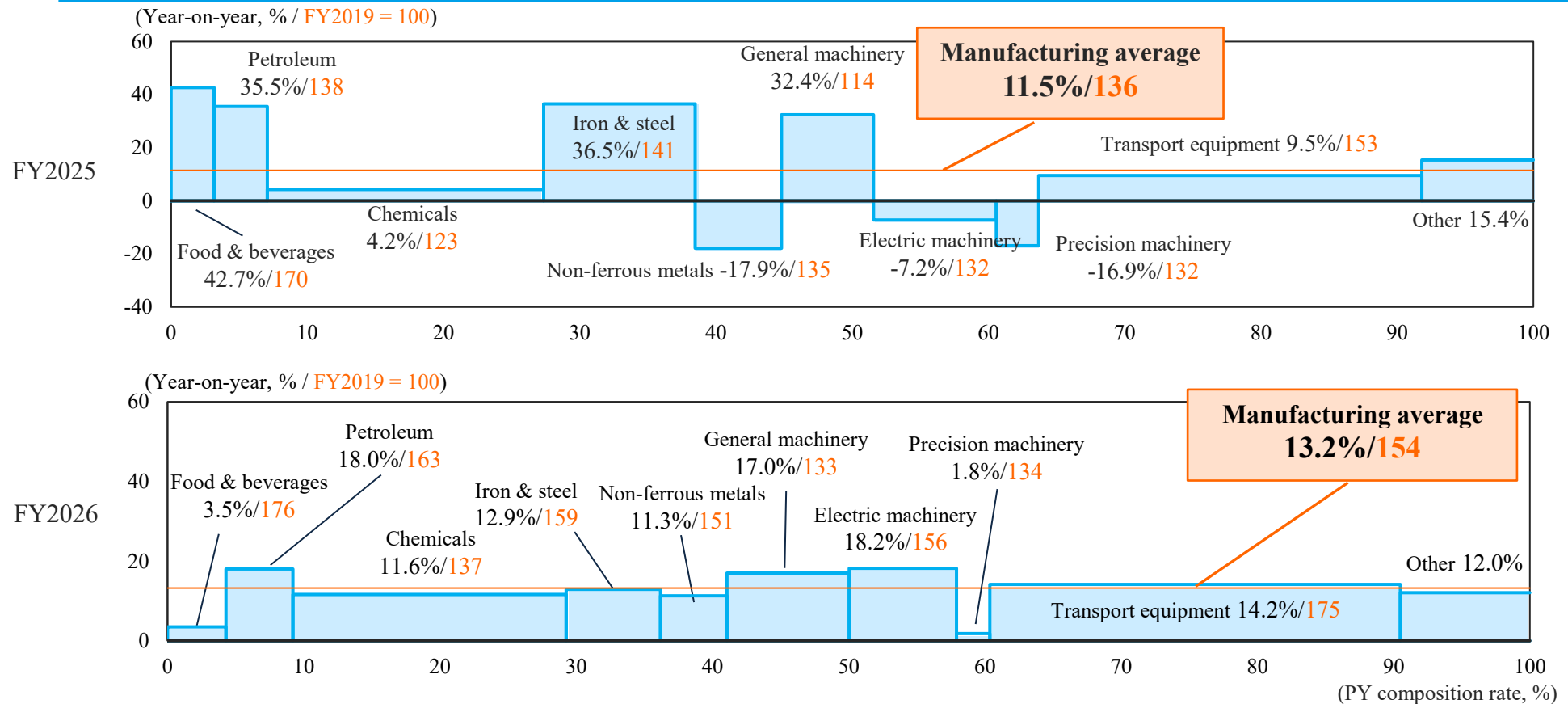
Notes: Orange-colored boxes indicate relatively large-scale investment. Red letters indicate new factors for increased investment as per the FY2026 survey.

* Vehicle electrification includes electric vehicles (EVs), fuel cell vehicles (FCVs), plug-in hybrid vehicles (PHVs) and hybrid vehicles (HVs).

Skyline Chart for Manufacturing Sector:

Broad-based Spending Increase including for AI/Data Centers and Decarbonization

- In **FY2025**, capital spending showed a double-digit increase with investment related to **decarbonization** in **petroleum** and **iron & steel**, investment related to **national defense** in **general machinery**, as well as **capacity expansion investment** in **food & beverages** to meet the **rising demand overseas** and for **health foods**. Spending also increased in transport equipment but suffered from a substantial downward revision to the initial plan due to reduced demand for EVs.
- A double-digit increase is planned for **FY2026**. Investment will continue in **materials-based industries** including **chemicals** and **iron & steel** for **decarbonization**, while a wide range of industries plan **spending for semiconductors and components** related to **AI and data centers**. Investment for **vehicle electrification** is also planned in **transport equipment**.



Notes: 1. Major firms.

2. The larger the area, the greater the contribution to total spending.

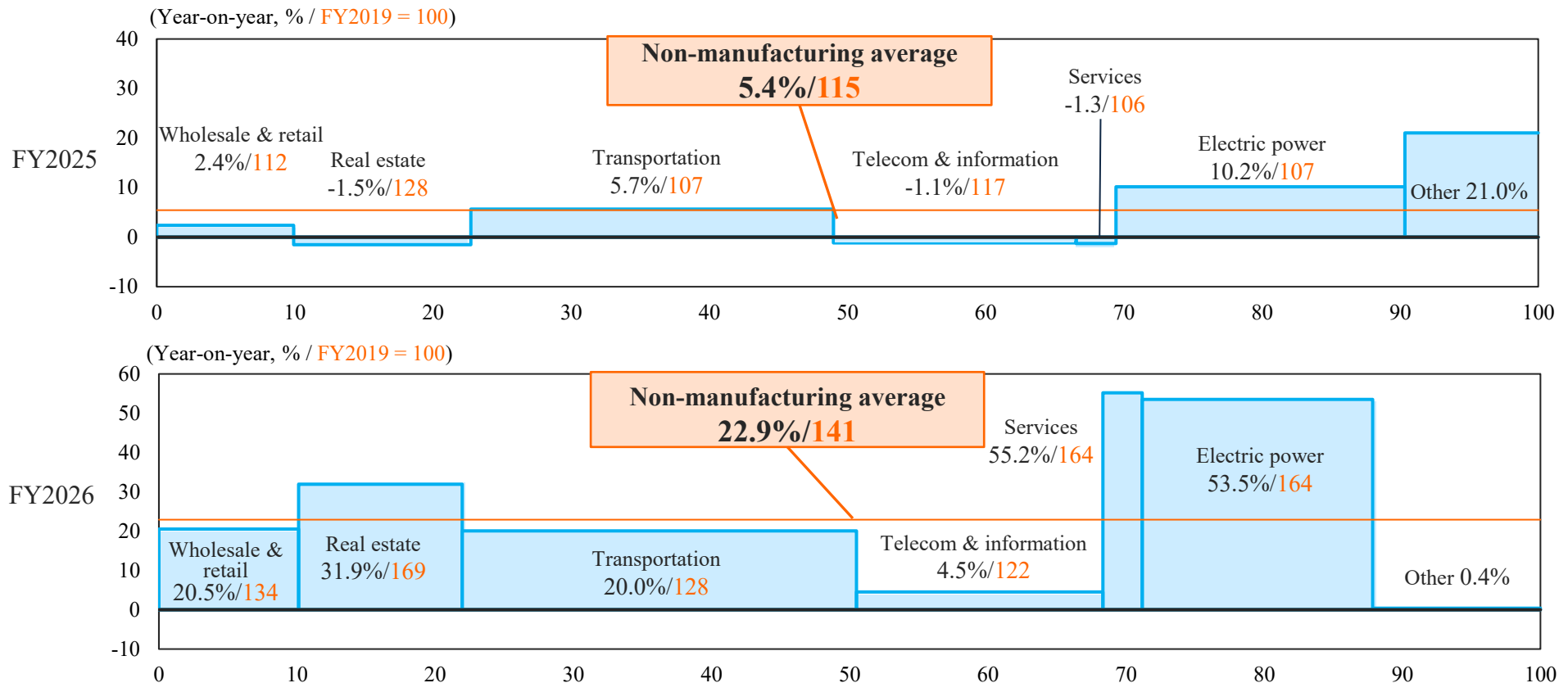
Characteristics of Planned Capital Spending: Manufacturing

	FY2025		FY2026	
	YoY (%)	Characteristics	YoY (%)	Characteristics
Automobiles	8.4	Spending increased, driven by investment in new models, production facility replacement and electrification.	13.2	Despite the termination of large-scale projects, a double-digit increase in spending is planned on production capacity expansion and facility replacement, particularly for electrification.
Chemicals	4.2	Spending increased particularly on semiconductor materials and other high-performing chemicals, and pharmaceuticals.	11.6	Spending will increase by double digits led by accelerated investment in decarbonization, in addition to semiconductor and other high-performing chemicals, and pharmaceuticals.
General machinery	32.4	Spending increased substantially, driven by large-scale projects in energy and national defense–related areas, and in machine tools.	17.0	A double-digit increase is planned despite the completion of large-scale projects in FY2025, mainly driven by robust demand related to aviation and national defense.
Electric machinery	-7.2	Spending declined for the second straight year due to reduced investment in power semiconductors for vehicles.	18.2	Spending will increase by double digits on the back of expanded investment in advanced semiconductors and electronic parts for AI and data centers and increased spending on electronic parts for automobiles.
Petroleum	35.5	Spending increased substantially, mainly for maintenance and replacement and for decarbonization.	18.0	A double-digit surge in spending is planned, with new large-scale maintenance and replacement projects and spending for decarbonization.
Iron & steel	36.5	Spending increased substantially, led by capacity investment in high-grade steel and spending for decarbonization including on large innovative electric furnaces.	12.9	A double-digit increase is expected as investment continues in new and upgraded products and for decarbonization including in electric furnaces.
Non-ferrous metals	-17.9	Spending declined by double digits due to the completion of large-scale projects and revision to investment plans due to the slowdown in demand for electric vehicles.	11.3	Spending will rise by double digits, in anticipation of longer-term growth in materials related to AI/data centers and semiconductors.
Food & beverages	42.7	Spending rose sharply due to capacity investment to meet demand overseas and for health foods, and DX investment for better efficiency.	3.5	Spending will increase despite the completion of large-scale products, led by continued spending for capacity expansion.
Precision machinery	-16.9	Spending dropped by double digits in reaction to the completion of large-scale projects in semiconductor production and medical equipment.	1.8	Spending will increase slightly, helped by rising demand for medical equipment and measuring instruments.

Note: Industries are listed in order of contribution to planned capital spending for FY2026.

Skyline Chart for Non-manufacturing Sector: Substantial Increase in City Center/Station Area Redevelopment and Electric Power

- In **FY2025**, spending increased for the fourth year in a row. Key contributing factors include **station area redevelopment** and **railway safety measures** in **transportation**, and **grid enhancement** and **nuclear plant-related investment** in **electric power**.
- A substantial increase is planned for **FY2026**, driven by **full-scale investment in nuclear plants** in **electric power**, as well as **city center redevelopment** in **real estate**, and **station area redevelopment** and **new railway line construction** in **transportation**. In addition, a sizable increase in spending is planned in **services**, as investment expands in **hotels** and **entertainment facilities** to meet the rising demand related to inbound tourism.



Notes: 1. Major firms.

2. The larger the area, the greater the contribution to total spending.

(PY composition rate, %)

Characteristics of Planned Capital Spending: Non-manufacturing

	FY2025		FY2026	
	YoY (%)	Characteristics	YoY (%)	Characteristics
Electric power	10.2	Spending rose by double digits, led by investment related to grid enhancement and nuclear power plants.	53.5	Spending will increase sharply with continued investment in grid enhancement and full-scale spending related to nuclear power plants.
Transportation	5.7	Spending increased with investment on safety and station area redevelopment in railways, and functional expansion of airports to meet the rising demand related to inbound tourism.	20.0	Sizable growth in spending is expected, thanks to station area redevelopment and new line construction in railways, aircraft procurement, warehouse construction and repair, and the development of airport facilities to address the rising demand related to inbound tourism.
Real estate	-1.5	Spending declined slightly in reaction to the completion of large-scale development projects in city centers and as planned investment was carried forward due to delays in construction works.	31.9	Spending will increase sharply as many city center redevelopment projects including office building construction near completion along with increased investment in logistics and hotels.
Wholesale & retail	2.4	Spending increased only marginally, propped up by office building acquisition and investment in new outlets, as investment projects for logistics center construction and business restructurings were terminated.	20.5	A sizable increase is expected with the upgrading of existing stores into next-generation outlets and the expansion of investment in labor-saving digitalization, as well as the opening of new outlets in promising markets.
Services	-1.3	Spending declined slightly with delays in construction works for some projects, even as capital spending remained robust on the back of strong demand related to tourism, particularly inbound tourism.	55.2	Spending will rise substantially, buoyed by active investment in new hotel development, as well as in improving the attractiveness and value of entertainment facilities to meet the rising demand related to tourism, particularly inbound tourism.
Telecom & information	-1.1	Spending declined slightly as some companies reduced investment related to 5G.	4.5	Spending will rise with the contribution from investment related to AI and data centers.

Note: Industries are listed in order of contribution to planned capital spending for FY2026.

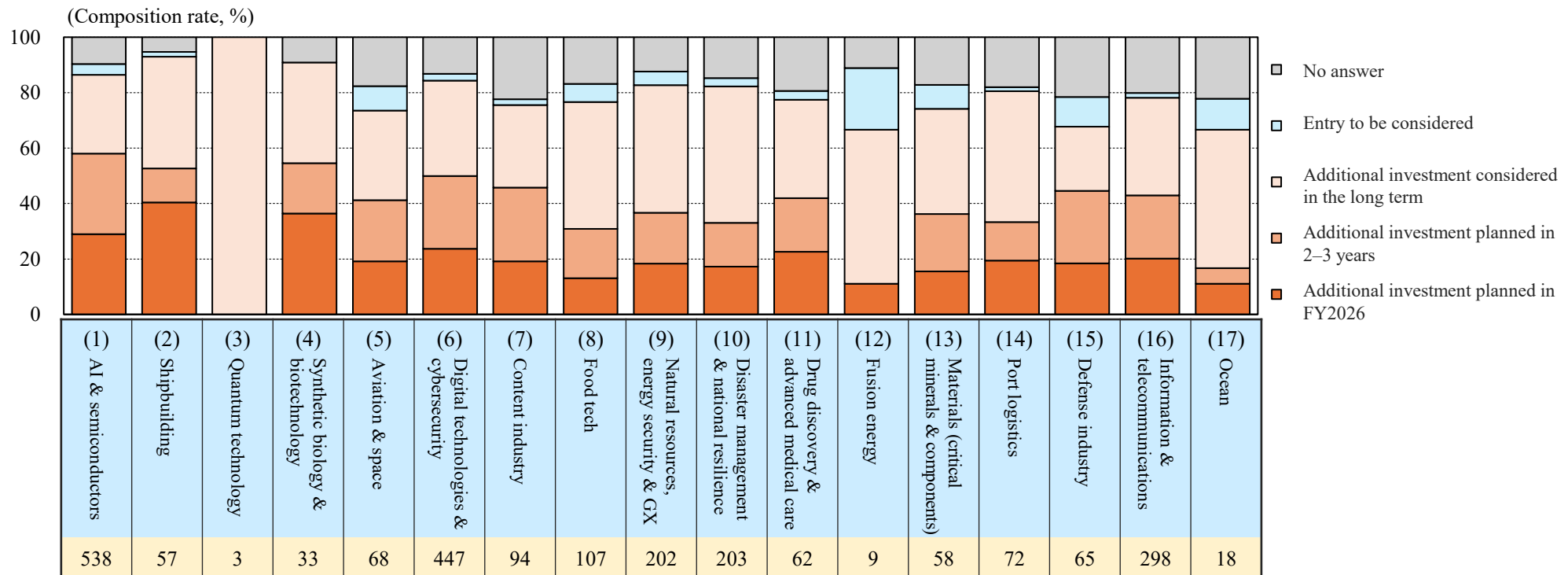
2. Government Industrial Policy including the 17 Strategic Areas and Capital Spending

Enhancement of the 17 strategic areas will prop up investment in the future. It is crucial to improve growth expectations if domestic capital spending is to be increased.

Additional Investment Expected on Every Time Horizon in the 17 Strategic Areas Selected by the Government

- Many companies plan additional investment in **AI & semiconductors**, **digital technologies & cybersecurity** and **information & telecommunications**, mostly within the three-year time horizon. Although not so many companies plan additional investment within three years in **natural resources, energy security & GX** and **disaster management & national resilience**, a large number of companies do plan additional spending sometime in the future, possibly propping up spending in the longer term.
- Only a limited number of firms plan investment in **shipbuilding**, **aviation & space** and **drug discovery & advanced medical care**, but some companies in specific related industries are poised to increase spending on those areas within a year.

Areas for increased investment following the government's selection of 17 strategic areas and related investment policies



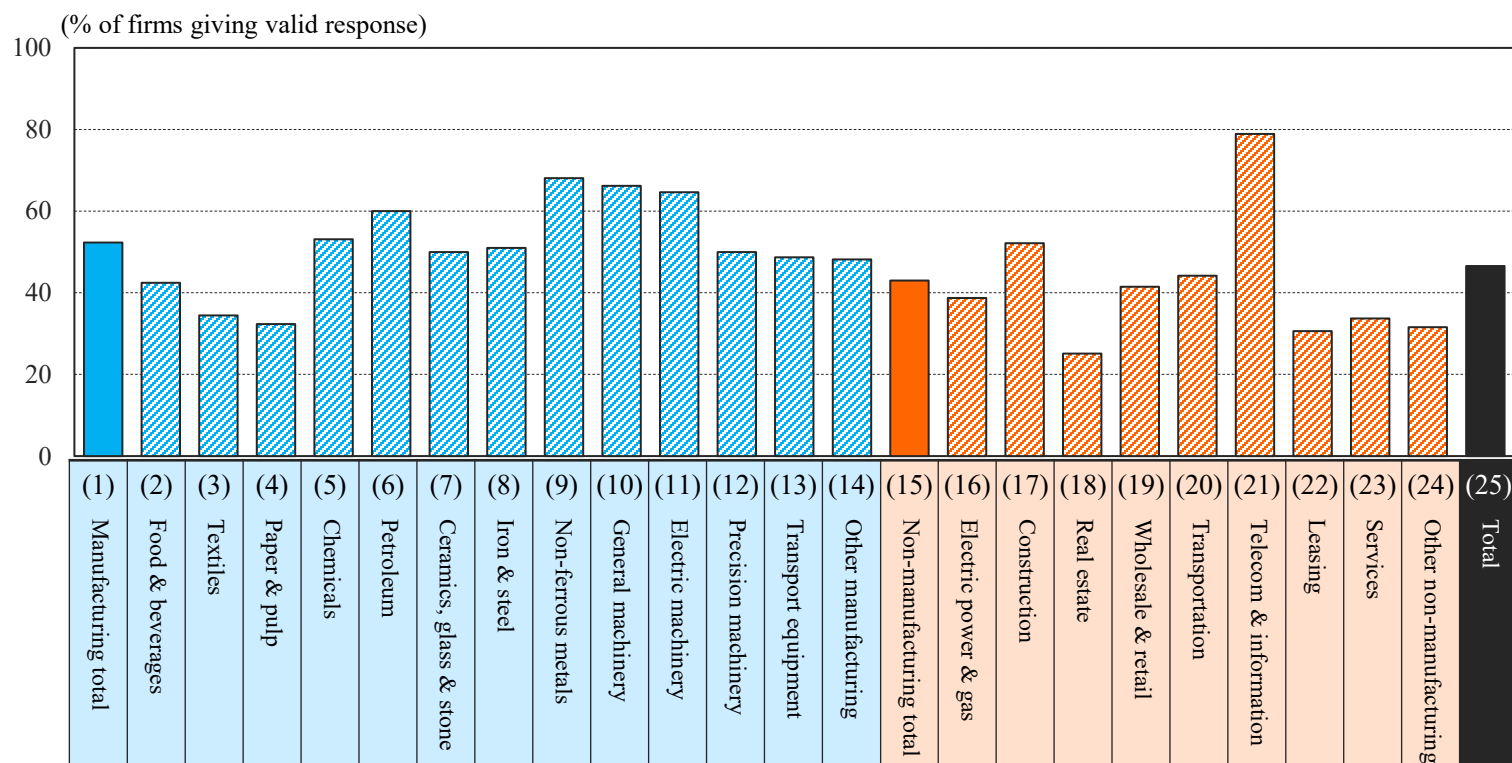
Notes: 1. Major and medium-sized firms in all industries. 2. Respondents may choose up to three answers.

3. Figures at the bottom of the 17 strategic areas represent the number of firms that responded they would enhance investment in the respective areas.

Firms in Industries Related to AI & Semiconductors to Enhance the 17 Strategic Areas in Particular

- **By industry**, the share of firms selecting the areas that they would like to enhance from among the 17 strategic areas is largest in **non-ferrous metals**, **general machinery** and **electric machinery** in the manufacturing sector, implying their intention to enhance **AI & semiconductors** and **digital-related** areas. The share is also large in **chemicals**, focused on **drug discovery & advanced medical care**.
- In the non-manufacturing sector, the share of firms citing **AI & semiconductors** and **digital-related** areas is particularly large in **telecommunications & information**, while many **construction** companies intend to increase investment in **disaster management & national resilience**.

By industry: Percentage of firms selecting sectors for increased investment from among the 17 strategic areas

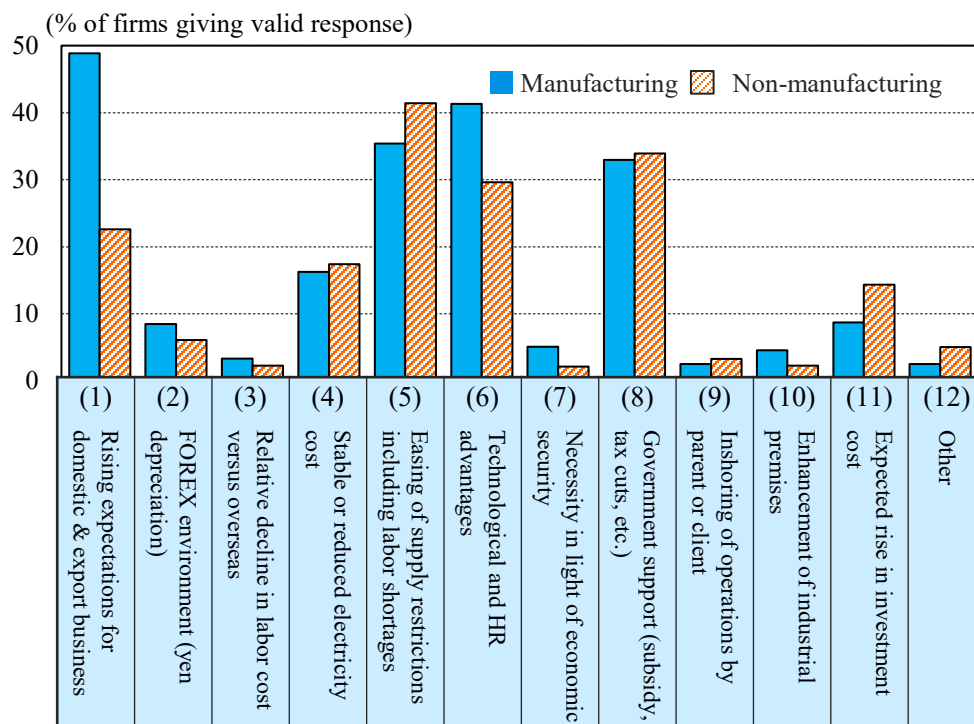


Notes: 1. Major and medium-sized firms in all industries. 2. Respondents may choose up to three answers.
3. Share of the firms in each industry that responded they would increase investment in any of the 17 areas.

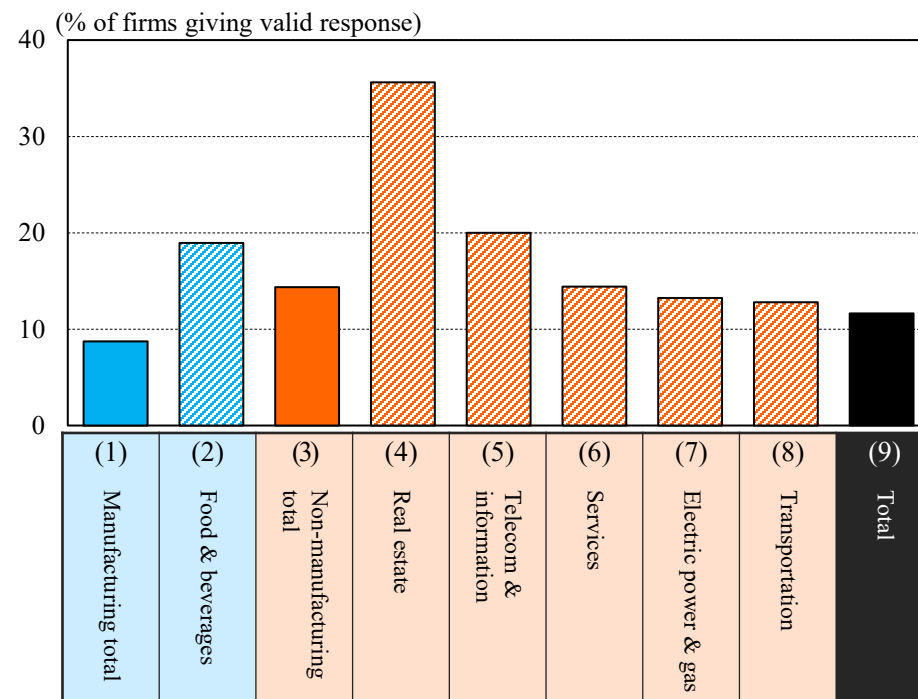
Importance of Building an Environment for Raising Growth Expectations to Increase Domestic Spending

- **Growth expectations** are deemed important for increasing domestic capital spending, particularly in the manufacturing sector, amid high expectations for **government support**, indicating that it is crucial to **build an environment for raising growth expectations among companies** to increase domestic spending. Manufacturers in particular also **focus on technological aspects**, which implies the **importance of increasing competitiveness through R&D**. Meanwhile, **supply restrictions including labor shortages** remain a drag on domestic capital spending.
- Over 10% of firms also cite **expected rise in investment cost**, pointing to a tendency to accelerate spending ahead of the plan. Many of those firms can be found in the **non-manufacturing sector** including **real estate**, characterized by a heavier weight of construction investment, as well as **food & beverages** in the manufacturing sector, due to new factory construction projects in recent years.

Factors deemed important in increasing domestic spending



By industry: Percentage of firms citing expected rise in investment cost as an important factor for increasing domestic spending



Notes: 1. Major and medium-sized firms in all industries.
2. Respondents may choose up to three answers.

Note: Major and medium-sized firms.

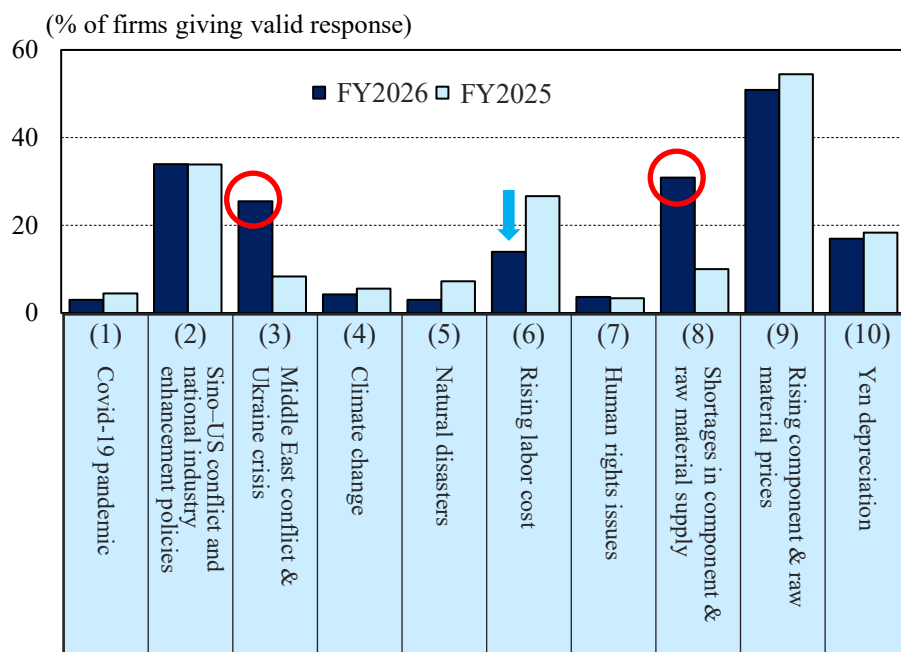
3. Middle East Conflict Impact, Supply Chains and Investment Overseas

Firms are addressing the Middle East conflict by diversifying sourcing, as investment overseas continues its slower growth as compared with domestic capital spending.

Companies Addressing the Middle East Crisis by Diversifying Sourcing Overseas

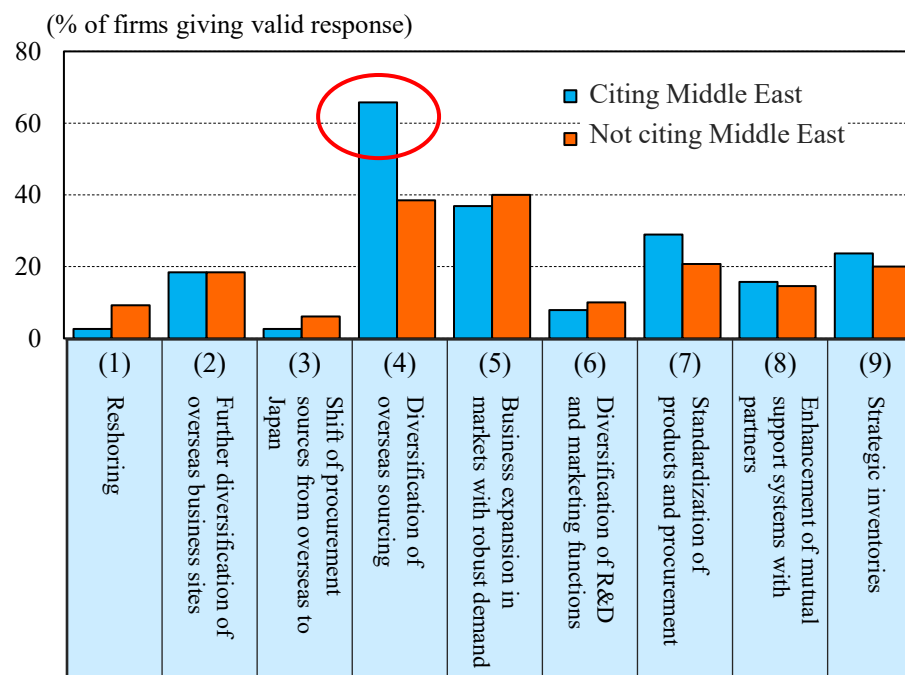
- More companies cite the **Middle East conflict** and **shortages in component & raw material supply** as triggers for revising their supply chains, rather than **rising labor cost**, etc. Many companies still cite **Sino-US conflict and national industry enhancement policies**, too. The result indicates that companies are shifting their focus from efficient supply chains focused on lower costs to **building more resilient supply chains**.
- Firms citing the Middle East conflict as an opportunity to revise their supply chains tend to address this issue by **diversifying overseas sourcing**. Elsewhere, many companies are resorting to **standardization of products and procurement** and **strategic inventories**.

Opportunities for revision of supply chains



- Notes: 1. Major firms in the manufacturing sector.
 2. Respondents may choose up to three answers.
 3. "Middle East conflict" and "Ukrainian crisis" are two separate choices in FY2026.
 4. "Shortages in component & raw material supply" corresponds to "semiconductor supply shortage" in FY2025.

Actions to revise supply chains



- Notes: 1. Major firms in the manufacturing sector.
 2. Respondents may choose up to three answers.
 3. Comparison between the firms citing the Middle East conflict as an opportunity for revision of supply chains and other firms.

Overseas Capital Spending in FY2026 to Decline for the First Time since the Pandemic

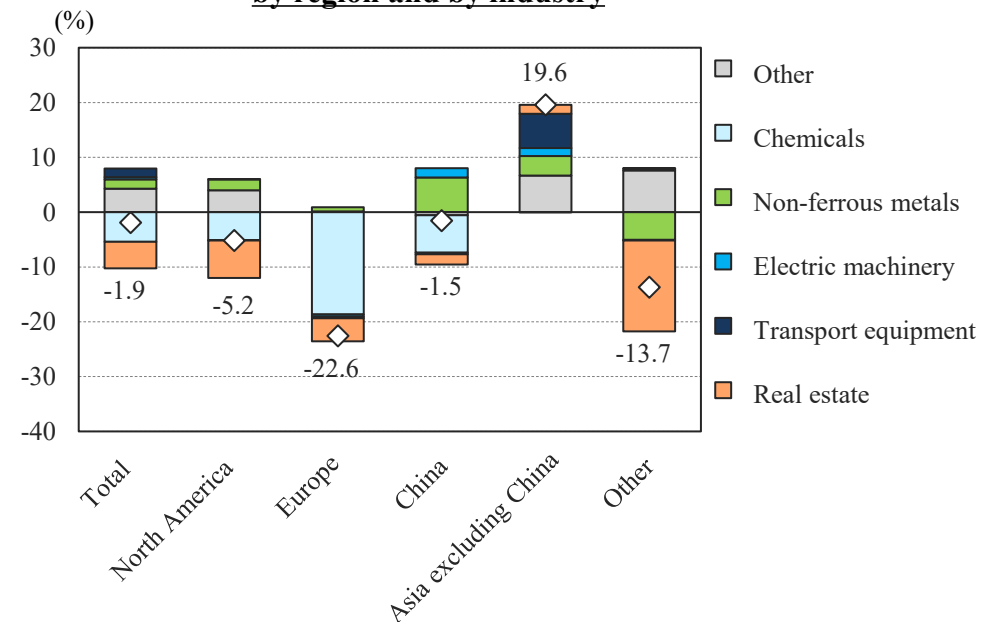
- Capital spending overseas in **FY2025** (consolidated basis; the same applies hereafter) stayed on a par with the previous year, showing a **slowdown in growth for the third consecutive year**. By region, spending increased in **Europe**, led by real estate, and in **Asia excluding China**, driven by automobiles, but continued to decline in **China**, mainly among manufacturers, and turned down in **North America**, mainly in chemicals.
- Planned spending for FY2026** shows a decrease of 1.9%, the first decline since FY2020 during the Covid-19 pandemic. Although investment will increase in **Asia excluding China**, led by automobiles, spending shows a continued decline in **China**, whereas investment in **chemicals** and **real estate** will **decline in many regions**, due to the completion of large-scale projects. In contrast, an increase in spending is planned in non-ferrous chemicals and electric machinery in **North America** and **Asia**, on the back of robust demand for investment in AI & data centers and semiconductor-related projects.

Change in capital spending overseas

(YoY, %)	FY2024 (actual) (480 firms)	FY2025 (actual) (504 firms)	FY2026 (planned) (556 firms)
Total	8.2	0.0	-1.9
North America	18.2	-5.9	-5.2
Europe	12.0	13.7	-22.6
China	-21.1	-18.2	-1.5
Asia excluding China	-8.2	11.2	19.6
Other	29.0	-10.6	-13.7

Note: Major firms in all industries on a consolidated basis.

Change in capital spending (planned) for FY2026, by region and by industry

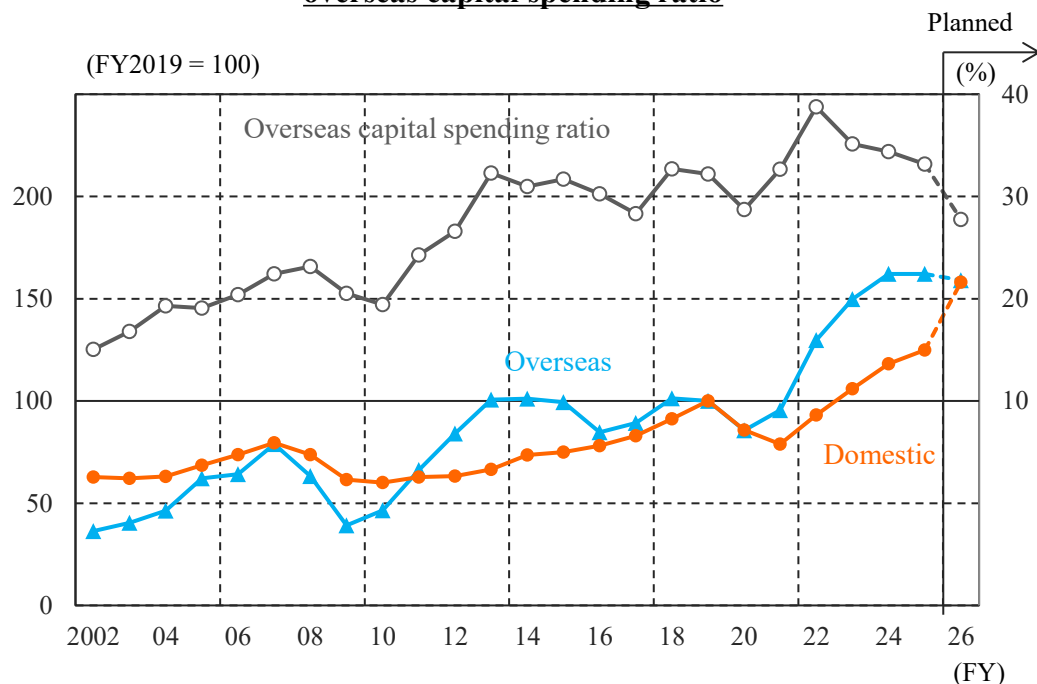


Note: Major firms in all industries on a consolidated basis.

Capital Spending Overseas Growing Slower than Spending in Japan

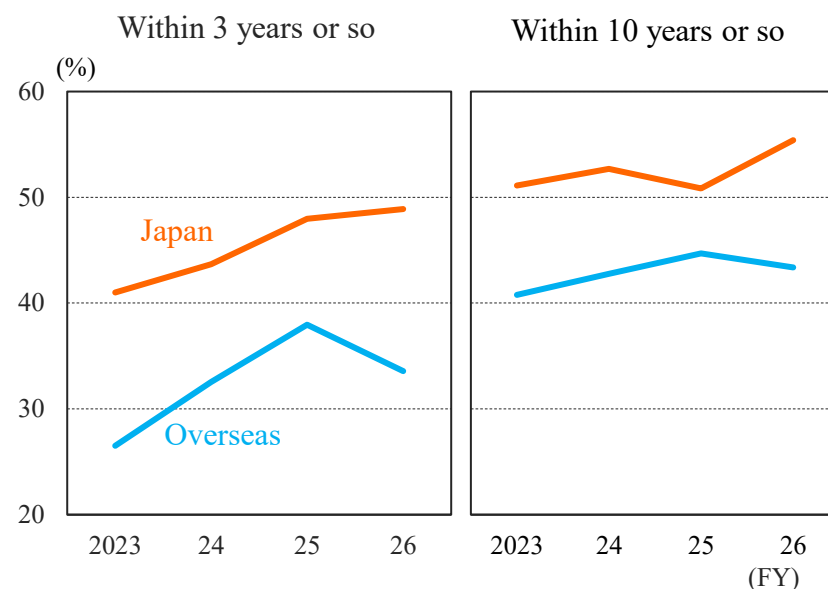
- Planned spending for FY2026 points to substantial growth in Japan and a reduction overseas, indicating a **continued downtrend in the overseas capital spending ratio**.
- With regard to **research and development activities**, the percentage of firms planning to enhance R&D sites in Japan in the longer term increased in FY2026, while that of firms planning to enhance laboratories overseas shows a decline.

Levels of domestic and overseas capital spending and the overseas capital spending ratio



- Notes: 1. Major firms in all industries.
 2. Consolidated basis, except for domestic spending up to 2009, shown on an unconsolidated basis.
 3. The overseas capital spending ratio is calculated from data concerning the firms responding to the question related to both domestic and overseas capital spending.

Share of firms looking to enhance R&D activities in Japan and overseas (manufacturing, on a consolidated basis)



- Notes: 1. Major firms.
 2. Firms without R&D facilities are not included in the calculation.

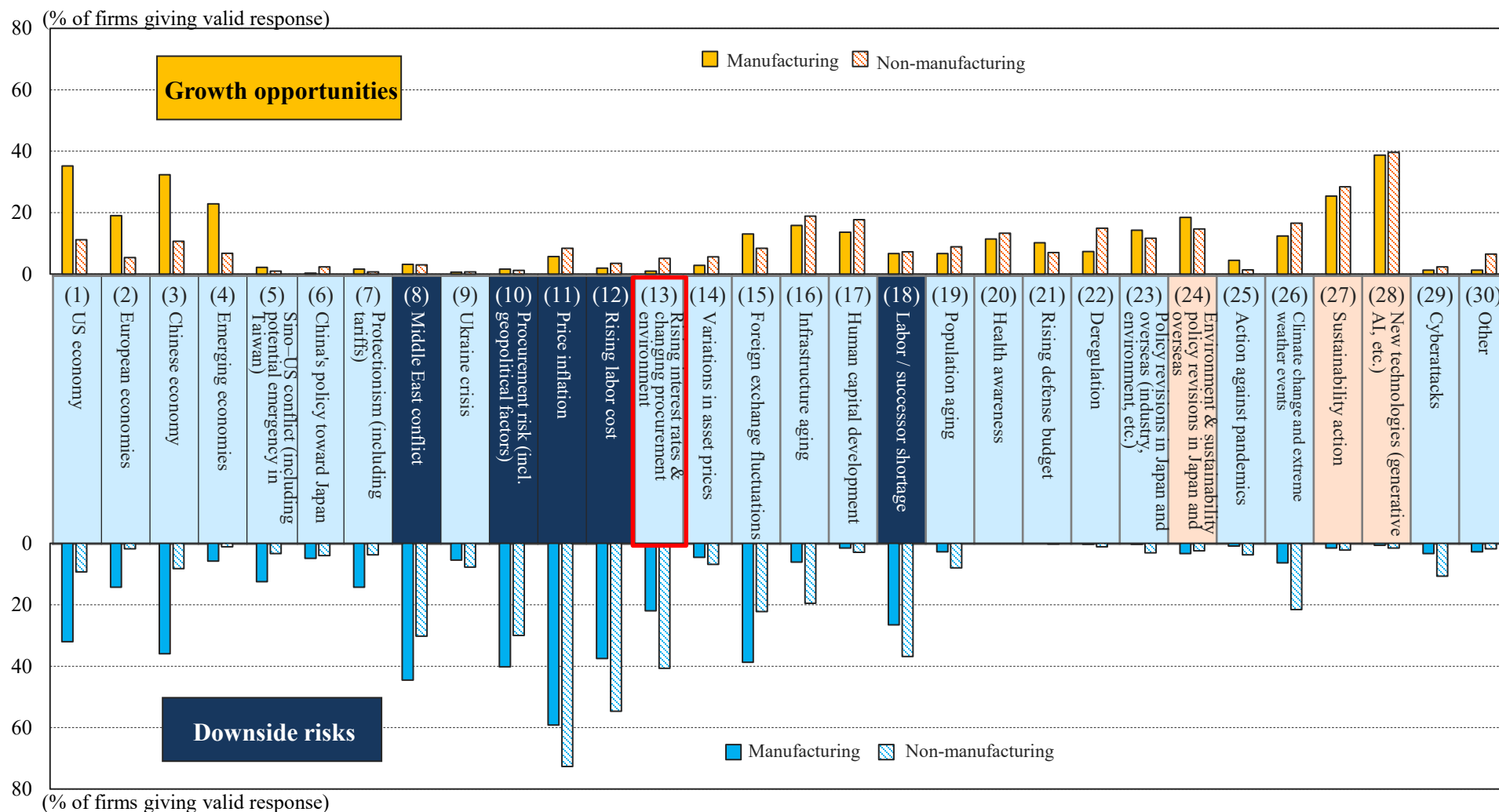
4. Corporate Management

Risk factors include constraints on component supply due to the Middle East conflict, as well as rising prices and labor shortages.

Business Growth Opportunities and Downside Risks

Risks from Price inflation, Rising labor cost and Labor shortages, in addition to the Middle East conflict and Procurement risk

Major firms		Medium firms	
Capital spending	Strategic areas	Middle East/SC	Management
HR investment	Digital/research	Decarbonization	Local
Appendices			



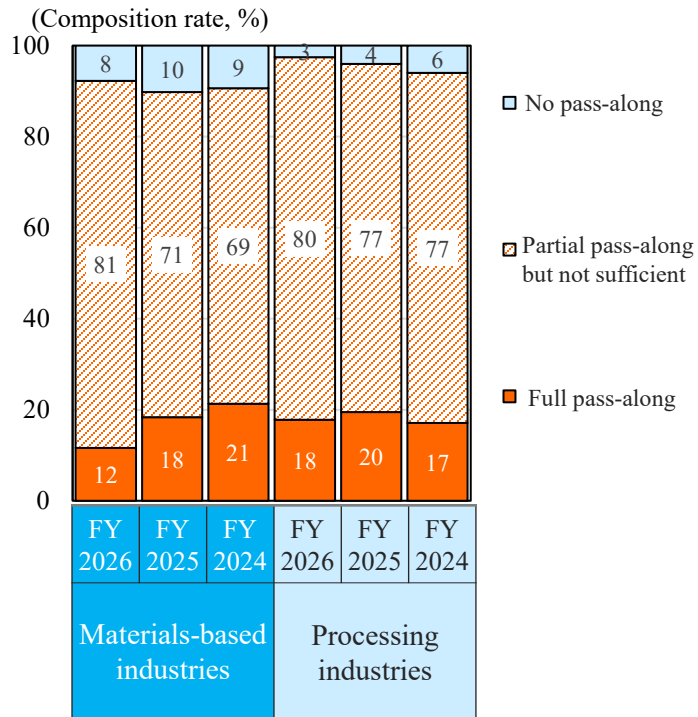
Notes: 1. Major firms.

2. Respondents may choose up to five answers.

Difficult Pass-along Particularly in Materials-based Industries, as Most Firms Continue to Raise Wages

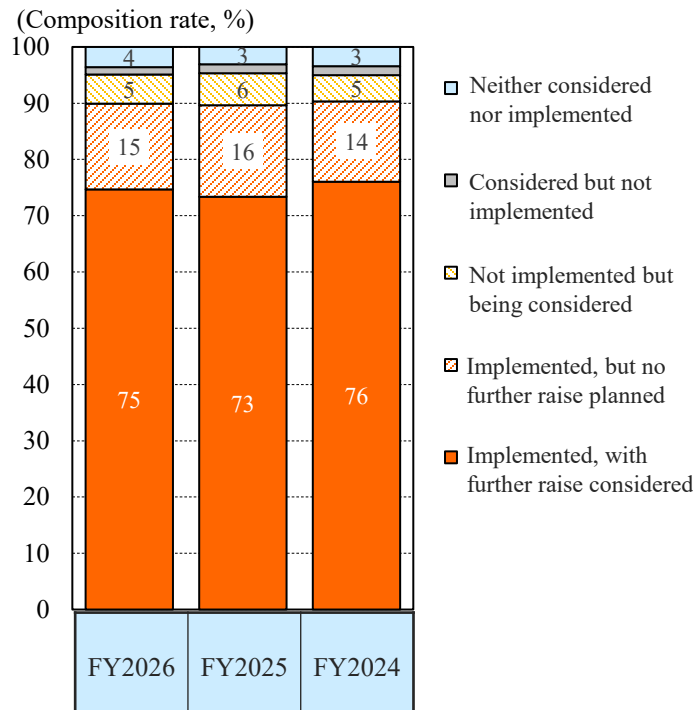
- Although companies continue to **pass on costs** in the wake of procurement cost increases due to the Middle East crisis, **this pass-along appears to remain partial, putting pressure on P/L**, as the percentage of respondents reporting that they were sufficiently passing on costs declined prominently in upstream materials-based industries.
- Meanwhile, most firms are continuing to **raise wages** amid rising procurement costs due to the Middle East conflict, as indicated by the fact that over 70% of the respondents are considering further **pay raises**. At the same time, however, the percentage of firms reporting a **pay raise rate** that **exceeds the previous year's level** shows a decline. Although the pay raise rate has been slowing, over half of the firms report a pay raise rate that is **on a par with the previous year's level**, suggesting that the **historically high level of pay raise rate will be maintained**.

Costs passed onto sales prices



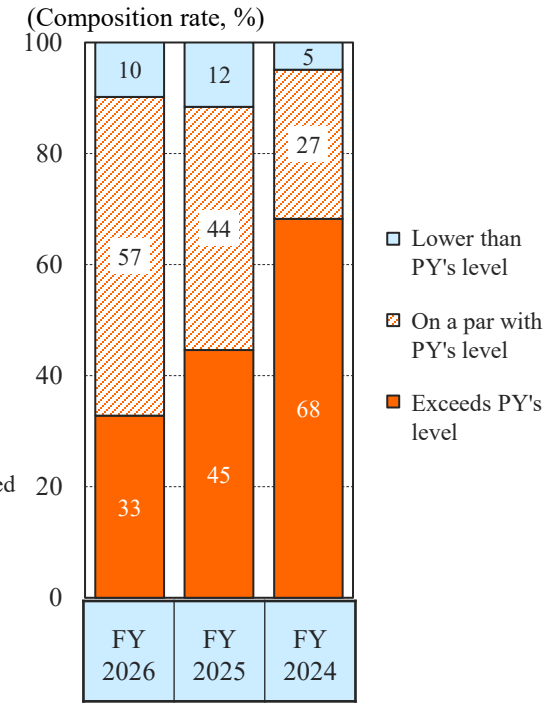
Pay raise

(major firms in all industries)



Pay raise rate

(major firms in all industries)



Notes: 1. Major firms.

2. Data on pay raise rate only covers those firms that have actually raised wages.

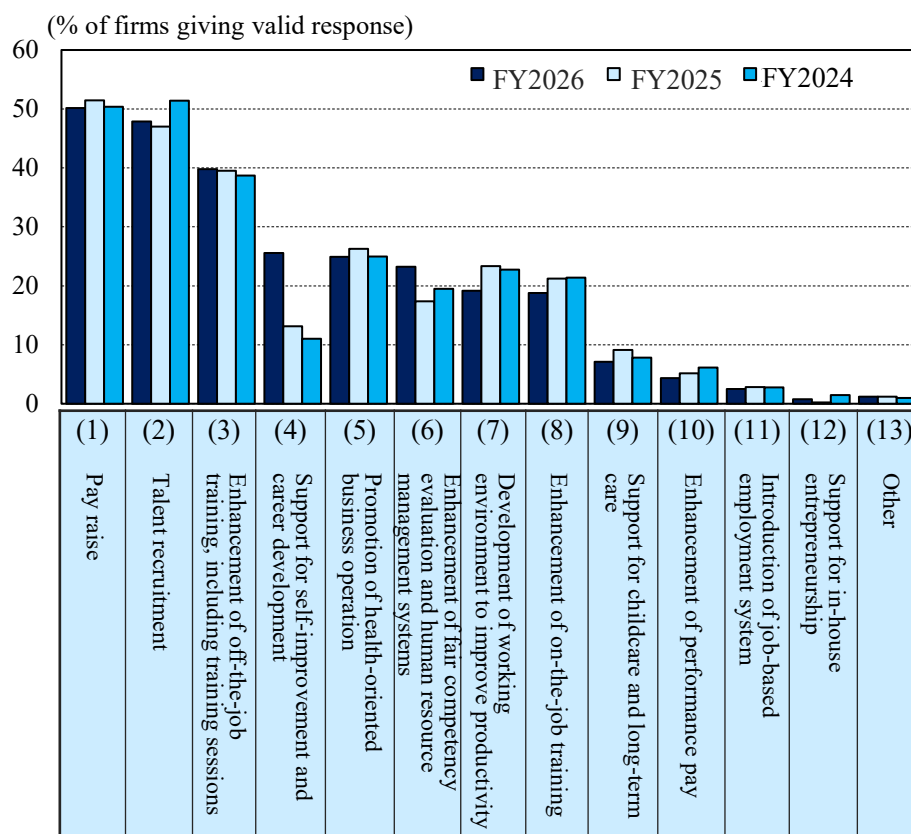
5. Investment in Human Resources

Firms continue to regard pay raises as investment in human resources, while showing a proactive attitude toward digitalization as an alternative to talent recruitment.

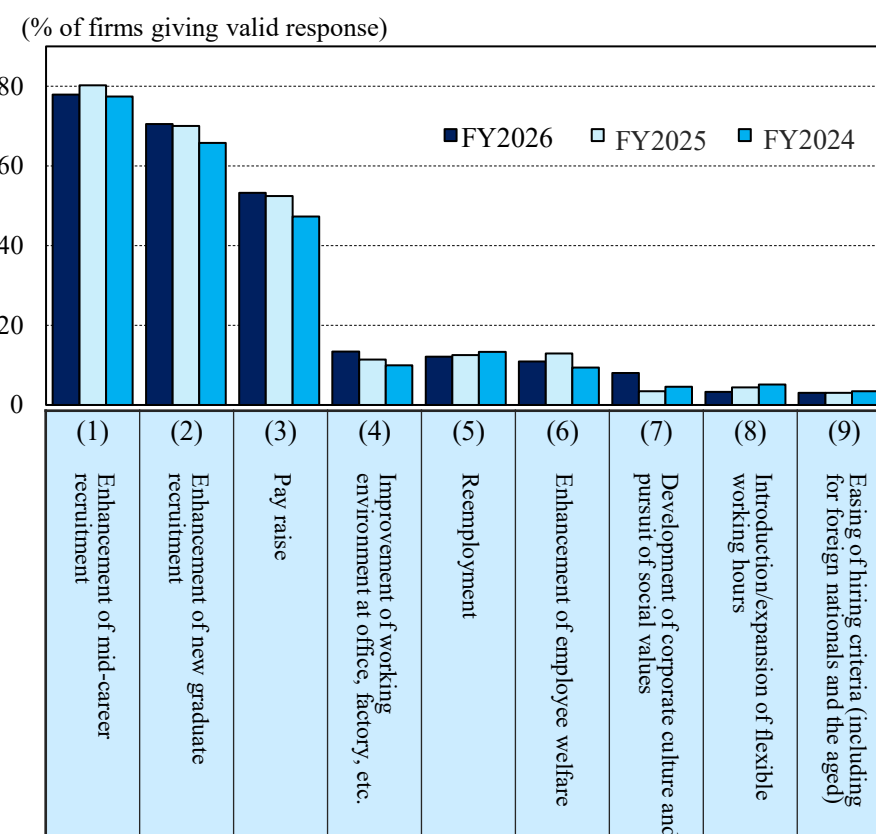
HR Investment and Talent Recruitment Both Focused on Pay Raises

- Asked about the **composition of investment in human resources**, more firms cited **pay raise** than **talent recruitment**, continuing from the previous year, attesting to the trend of viewing pay raises as an investment in human resources. The percentages of those citing **support for self-improvement and career development** and **enhancement of fair competency evaluation and human resource management systems** have also increased.
- The main actions for talent recruitment include **enhancement of mid-career and new graduate recruitment** and **pay raise**, but **improvement of working environment at the office, factory, etc.** and **development of corporate culture and pursuit of social values** also increased their share, albeit slightly.

Composition of HR investment



Actions for talent recruitment (major actions)



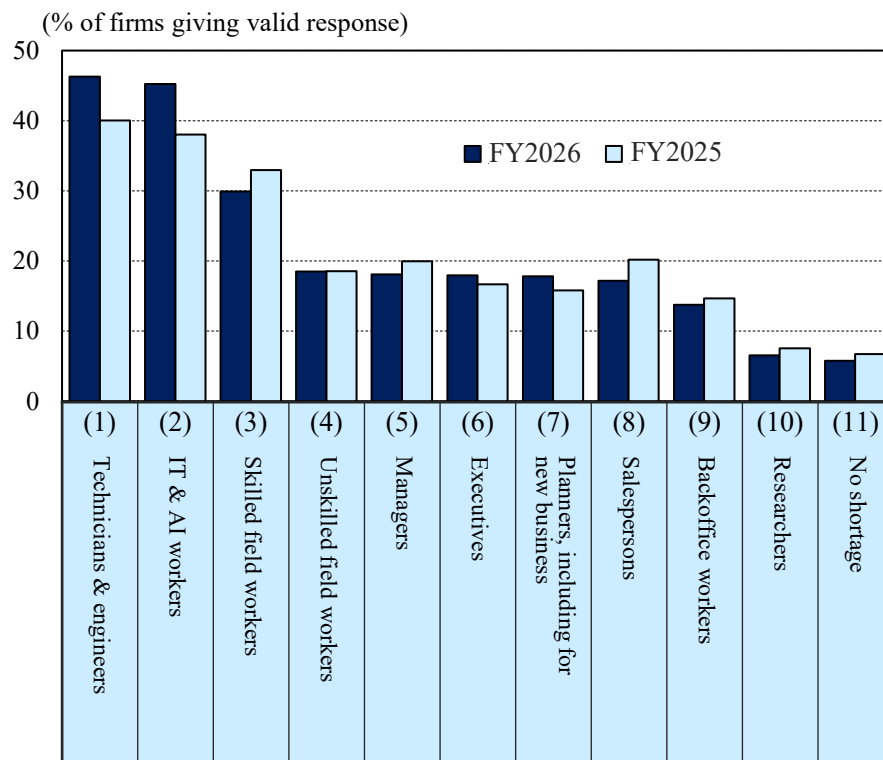
Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Shortages of Engineering, IT and AI Talent as Sizable Needs Remain for Labor-Saving Investment

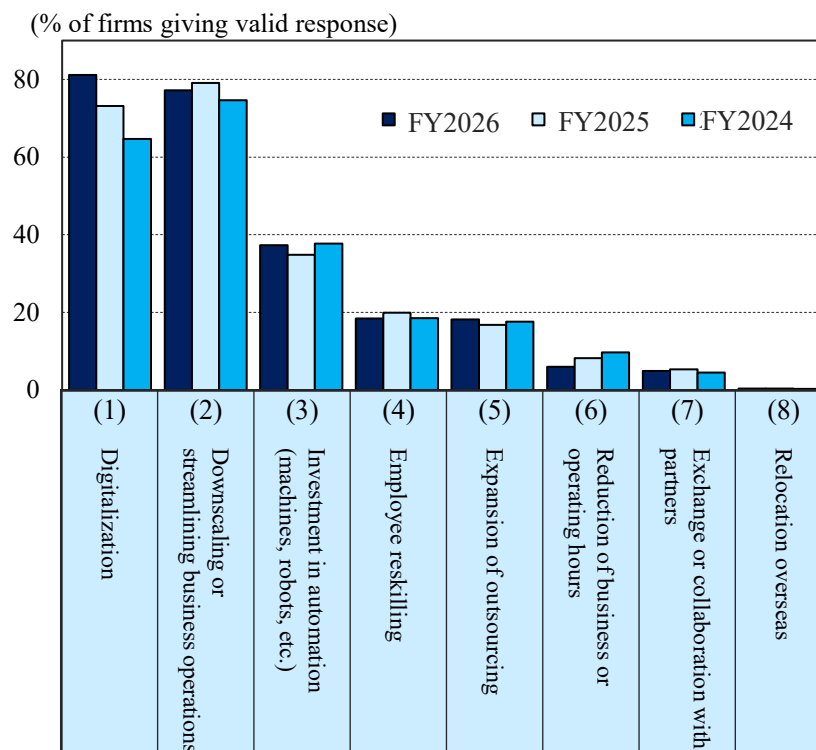
- As compared with the previous year, the percentages of firms reporting shortages of **IT & AI workers**, as well as **technicians and engineers**, rose substantially as AI makes further inroads. In contrast, the percentages of those citing **skilled field workers** and **salespersons** have declined.
- Digitalization** is fast emerging as a primary action to cover the gap when recruitment is unsuccessful. Sizable needs seem to remain for labor-saving investment to cope with the labor shortages, as many respondents cited investment in **automation**. In contrast, there appears to be little momentum toward other initiatives, including **employee reskilling**.

Categories of talent in short supply



Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Measures to cope with labor shortage, other than recruitment (primary actions)



Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

6. Digitalization and R&D

AI adoption makes further headway but remains focused on operational efficiency, while R&D activities are mainly related to AI & semiconductors and decarbonization.

Both Manufacturers and Non-manufacturers Planning to Increase Spending on Digitalization

- In **FY2025**, investment in digitalization rose 4.1% on the previous year overall. Spending in the manufacturing sector was driven by **general machinery** and **electric machinery**, while spending in the non-manufacturing sector was led by **transportation**. Planned spending for **FY2026** shows an increase of 23.3%. Spending in the manufacturing sector will rise 22.0%, led by **general machinery**. In the non-manufacturing sector, spending will increase by 24.1%, led by **transportation** and **wholesale & retail**.
- In the **manufacturing sector**, investment went to the introduction of **systems for centralized management of product data collection, accumulation and utilization**, as well as to ongoing **smart factory** projects for reducing costs. In the **non-manufacturing sector**, efforts have been made to improve value added, including through the **upgrading of customer management** powered by **data platforms** and **AI**, and to **adopt systems and AI** for **greater efficiency of field operations**.

Change in digitalization investment (actual spending in FY2025 and planned spending for FY2026)

	FY2025	FY2026
(Year-on-year, %)	Actual (686 firms)	Planned (747 firms)
Total	4.1	23.3
Manufacturing	9.1	22.0
General machinery	13.5	14.4
Electric machinery	50.5	30.4
Non-manufacturing	2.0	24.1
Transportation	14.5	63.6
Wholesale & retail	2.8	22.3

Note: Major firms.

Objectives of digitalization investment

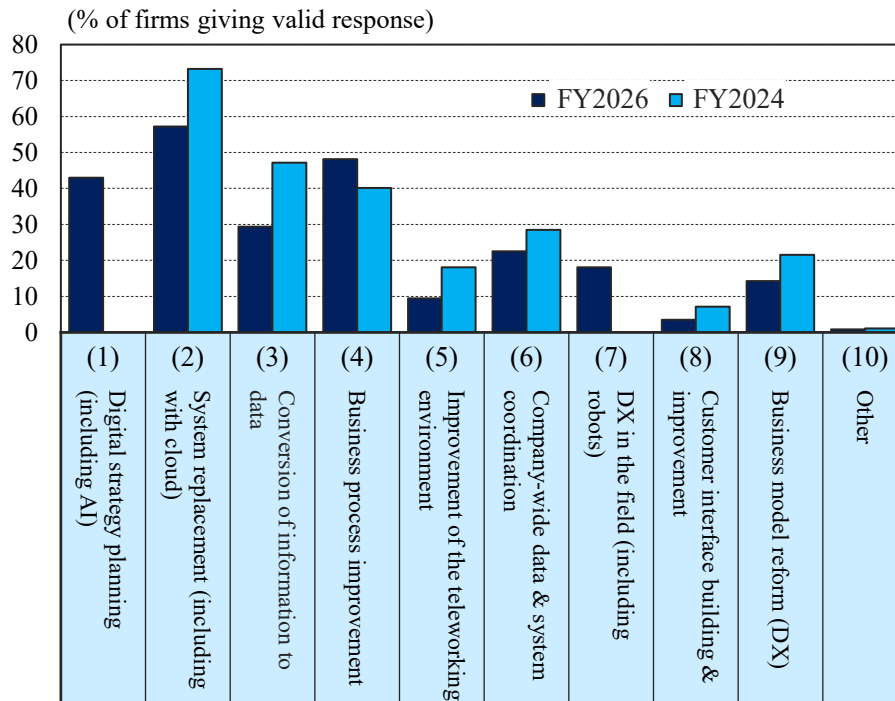
	Manufacturing	Non-manufacturing
Value increase	• Introduction of systems for centralized management of product data collection, accumulation and utilization	• Upgrading of customer management and analysis powered by data platforms and AI
Cost reduction	• Investment in smart factories • Data aggregation and management in the field and backoffice to accompany company-wide DX	• Introduction of product ordering systems • Improvement of efficiency in power plant operation and maintenance • Introduction of systems to streamline operating control • AI-powered monitoring system for automatic fueling permission at self-serve stations

Note: Major firms.

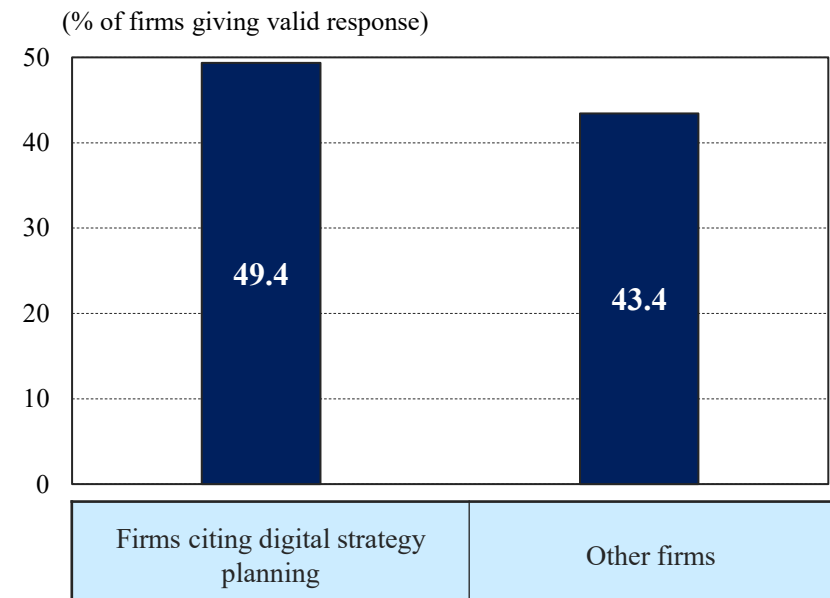
Focus of Digitalization Shifting from System Replacement to Digital Strategy Planning including AI

- Asked about the focus of digitalization, the percentage of companies citing **system replacement** fell from over 70% in FY2024, while the share of **business process improvement** went up with the appearance of **digital strategy planning including AI** as a factor to be reckoned with. A certain percentage of firms also cited **DX in the field** including the introduction of robots.
- As the need for digital strategy planning rises among companies, it is ironic that **firms more inclined to develop a digital strategy face severer shortages in IT & AI talent**.

Focus of digitalization effort



Percentage of firms reporting shortages in IT & AI talent

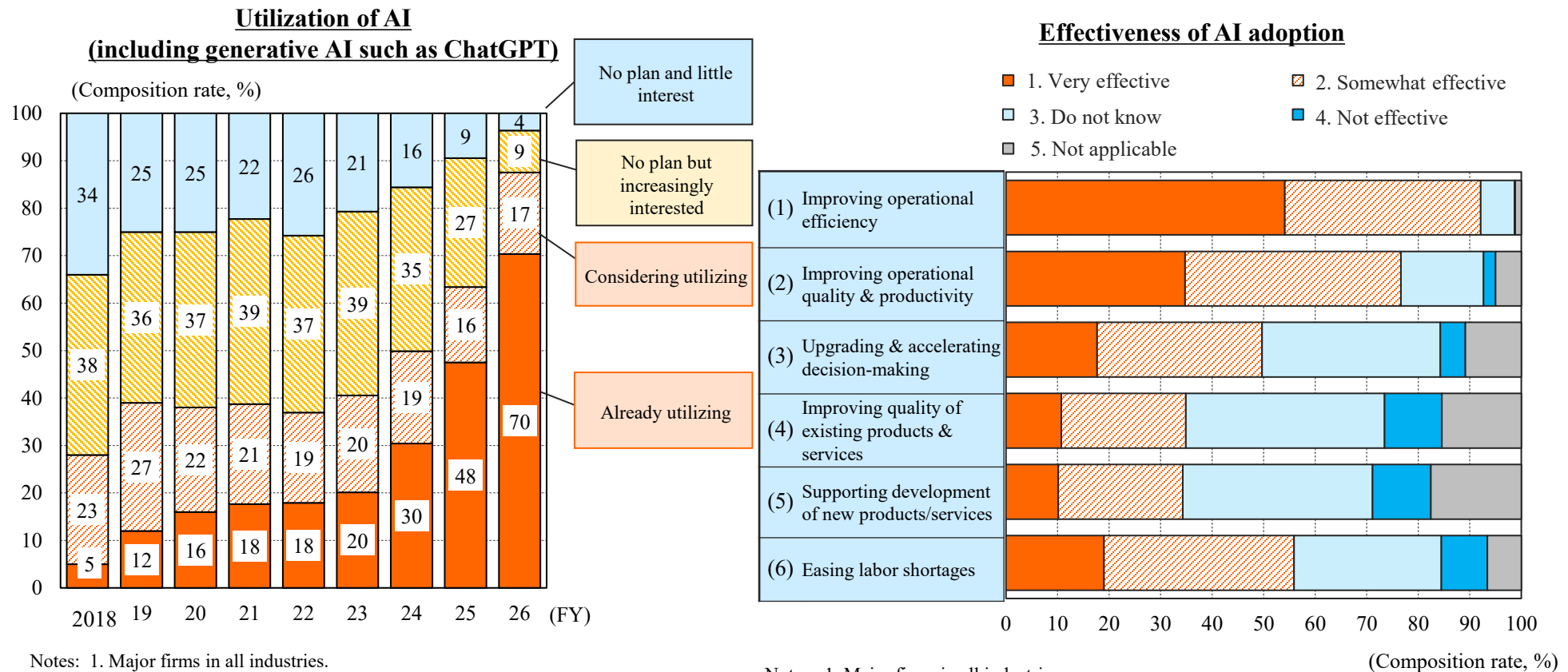


Notes: 1. Major firms in all industries.
 2. Respondents may choose up to three answers.
 3. “Digital strategy planning” and “DX in the field” are new choices added in the FY2026 survey.

Notes: 1. Major firms in all industries.
 2. Cross-tabulation of the left chart “Focus of digitalization effort” and “Categories of talent in short supply” on the left side of p. 27.

AI Adopted by 70% of Major Firms, Mainly for Operational Efficiency

- The share of firms that are **already utilizing AI** exceeded **70%** in FY2026, as generative AI penetrates the market.
- Asked about the **effectiveness of AI adoption**, a majority of firms consider it to be highly effective in **improving operational efficiency**, while a certain number of respondents reported effectiveness in **improving operational quality & productivity**. However, most of the firms have not found it to be effective in matters directly linked to profitability, such as **upgrading & accelerating decision-making**, **improving product & service quality** and **supporting new product & service development**.



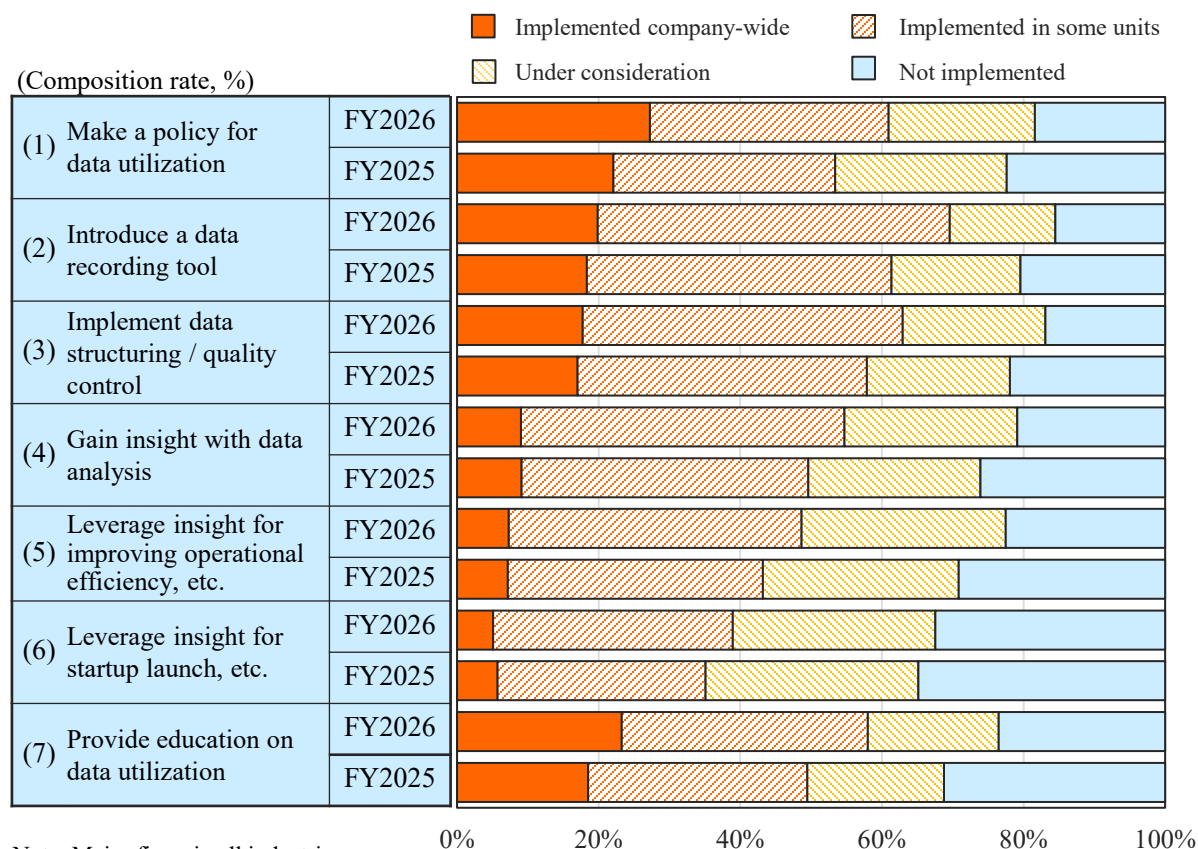
Notes: 1. Major firms in all industries.
 2. AI includes generative AI such as ChatGPT.
 3. Questions for the FY2024 survey concerned "utilization of AI/IoT."

Notes: 1. Major firms in all industries.
 2. Only covers those firms which are already utilizing AI.

Data Utilization Making Headway at the Initial Stage, But Little Progress in Business Upgrading

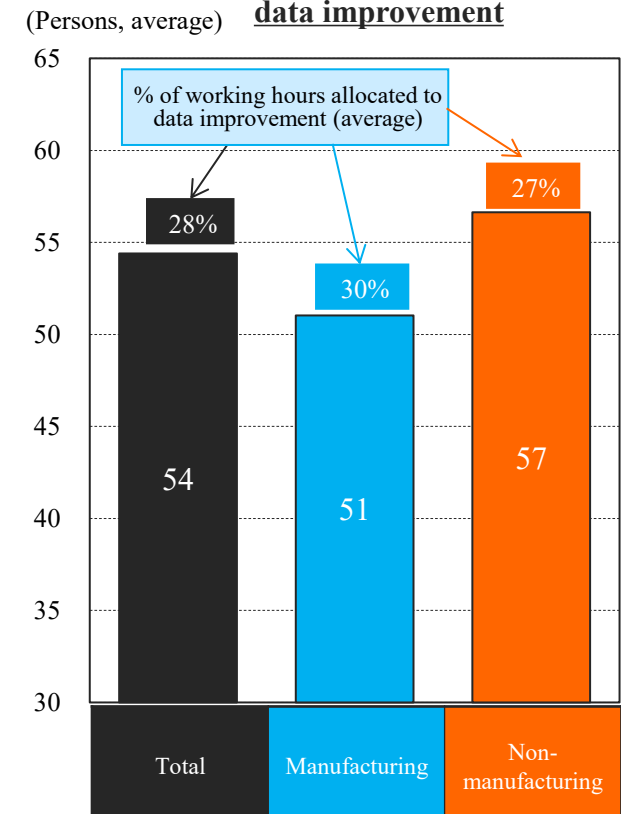
- The percentage of firms adopting data-utilizing practices at the initial stage increased on the previous year, **including making a policy for**, and **providing education on data utilization**. Yet, there has been little change in the percentage of firms taking other initiatives directly linked to upgrading business.
- About 50 employees are engaged in data improvement** on average, **allocating some 30% of their working hours to this task**.

Current practices in data utilization



Note: Major firms in all industries.

Number of employees involved in data improvement



Notes: 1. Major firms.
2. Mean values.

Growth to Accelerate, Led by Development for AI & Semiconductors and Spending for Decarbonization

- Spending in FY2025 rose 5.6% on the previous year despite slightly slower growth in chemicals, driven by double-digit growth in transport equipment thanks to **development related to carbon neutrality (CN)** including for **electrification**.
- Planned spending for FY2026 points to an even higher growth of 7.3% on the previous year. Spending growth in chemicals will pick up for the **development of high-performing products, including pharmaceuticals and semiconductor materials**. Spending will continue for **CN-related development** in transport equipment, while substantial growth is expected in general machinery, driven by the **development of high-value technologies for national defense, energy and AI & semiconductors**.

R&D expenditure

(Year-on-year, %)	FY 2024, actual (467 firms)	FY2025, actual (452 firms)	FY2026, planned (482 firms)	Share (FY2025)	Key R&D projects
Total	6.9	5.6	7.3	100.0	
Manufacturing	6.2	6.0	7.1	93.7	
Transport equipment	4.2	10.8	4.4	40.4	CN-related (including for electrification) development, development for autonomous driving
Chemicals	9.9	2.0	8.4	30.7	Research and development of high-performing chemicals, including for pharmaceuticals and semiconductors and CN-related products
Electric machinery	5.3	5.2	8.5	3.2	Development of electronic parts, etc. to realize downsizing and energy efficiency for AI & semiconductors, electric vehicles and advanced communication networks
General machinery	2.9	-8.8	14.3	4.7	Development of high-value technologies to meet the demand for energy security, national defense, AI & semiconductors and CN
Non-manufacturing	20.0	-0.8	13.3	6.3	

Notes: 1. Major firms.

2. For the purpose of this survey, R&D expenditure (consolidated basis) comprises all costs related to R&D, including personnel cost, raw materials cost, depreciation cost and allocated overhead.

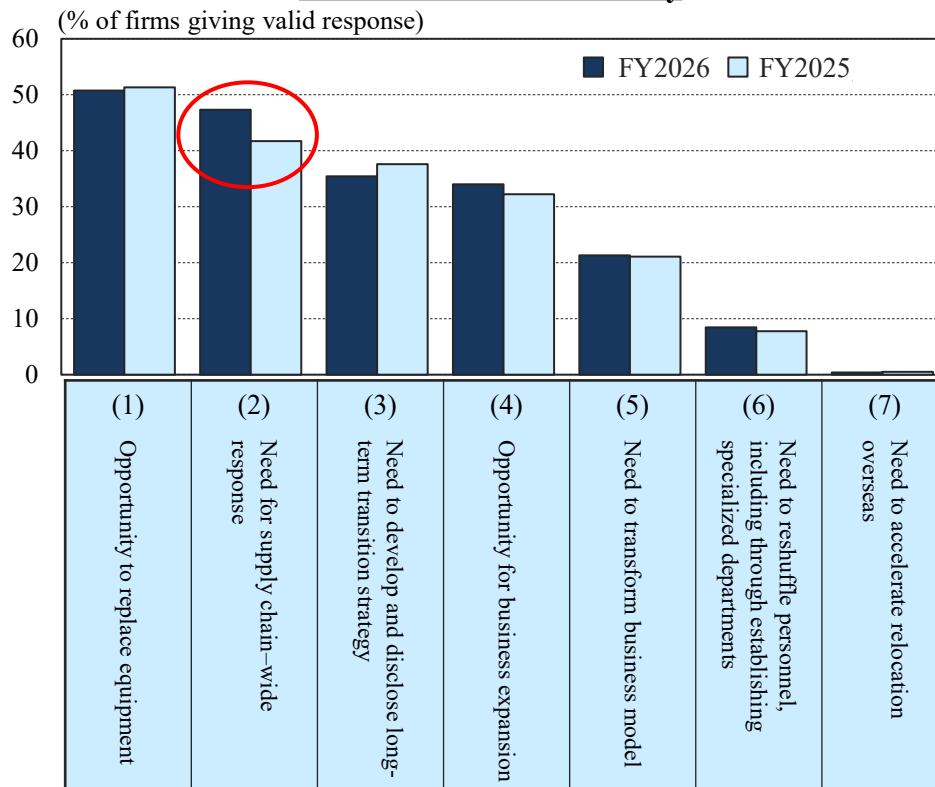
7. Decarbonization

Decarbonization initiatives are gradually taking shape, despite remaining issues such as compatibility with economic efficiency including by passing on costs.

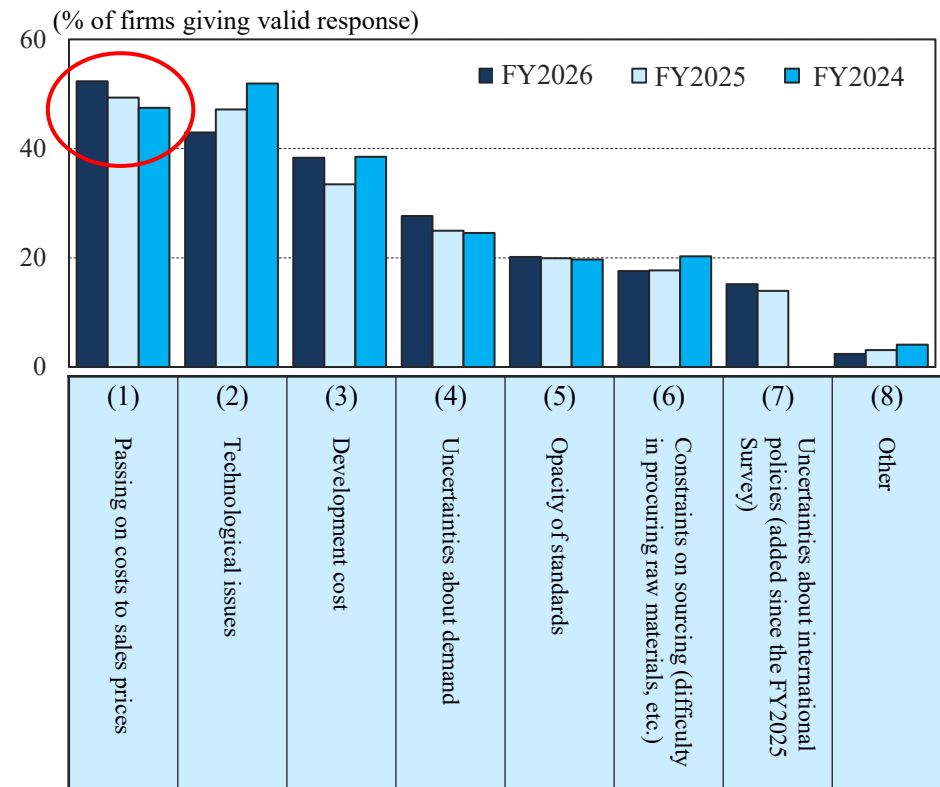
Actions to Achieve Carbon Neutrality Increasingly Fixed: How to Pass On Costs Is the Key to Decarbonization

- Asked about the impact of **carbon neutrality** on their business, firms reported a **gradual fixing of relevant actions** as a majority of respondents continue to cite **opportunity to replace equipment**, while the share of **need for supply chain-wide response** is rising.
- As regards challenges for progress in decarbonization efforts, the share of **technological issues** gradually declined as **passing on costs to sales prices** climbed to the top of the list, which indicates that how to pass the rising costs onto sales prices to ensure profitability has become a major issue in promoting decarbonization.

Expected business impact of accelerated actions to achieve carbon neutrality



Challenges for progress in decarbonization efforts



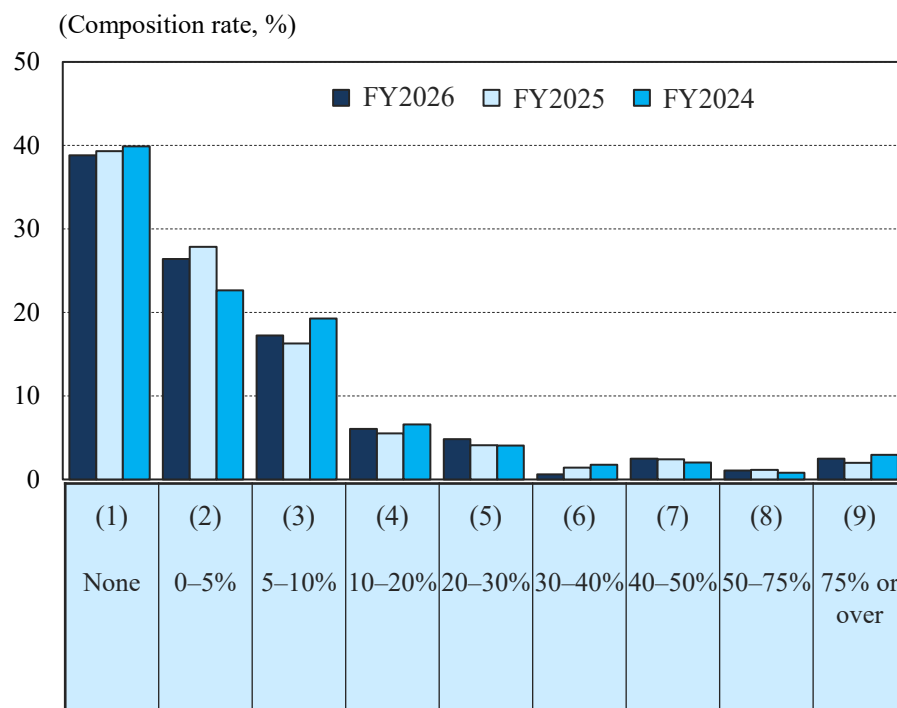
Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Notes: 1. Major firms in all industries.
2. Respondents may choose up to three answers.

Steadily Rising Share of Firms Investing in Decarbonization

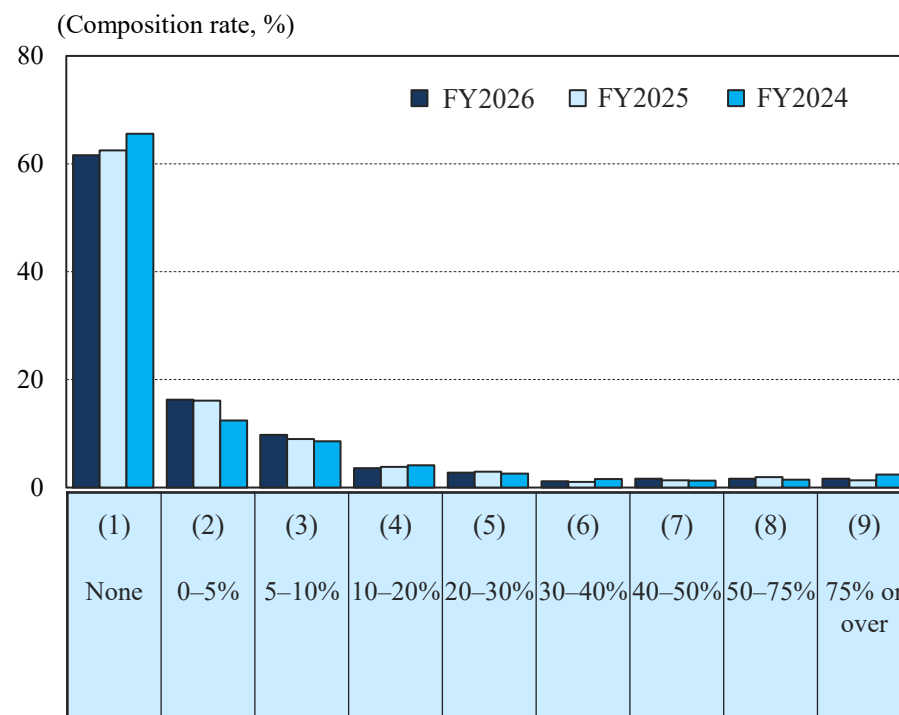
- The share of **investment related to decarbonization** in planned **capital spending** and **R&D expenditure** for FY2026 points to a gradually rising percentage of firms investing in decarbonization, as attested by the declining percentage of firms reporting “None” in recent years.

Share of decarbonization in capital spending



Note: Major firms in all industries.

Share of decarbonization in R&D investment



Note: Major firms in all industries.

8. Characteristics of Capital Spending, by Region and by Medium-Sized Firms

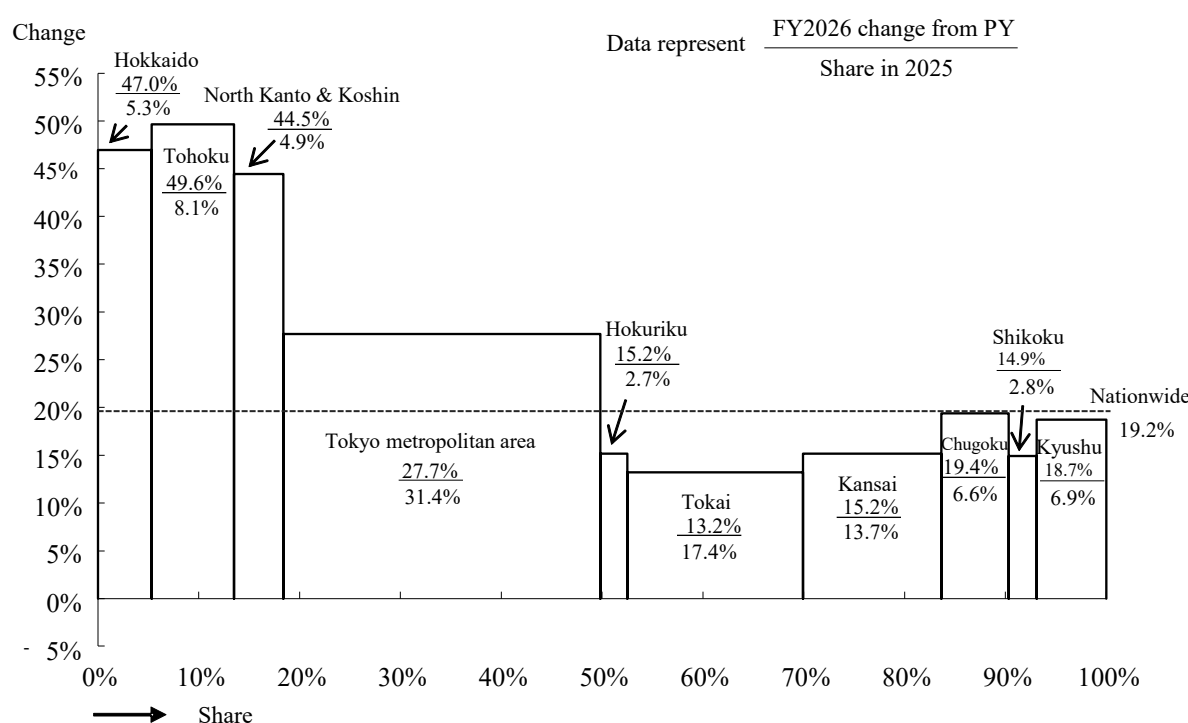
Planned capital spending for FY2026 shows a double-digit increase across the board. Many of the medium-sized firms recognize the Middle East conflict, price inflation and labor shortages as risk factors.

Planned Spending for FY2026, by Region

Major firms		Medium firms	
Capital spending	Strategic areas	Middle East/SC	Management
HR investment	Digital/research	Decarbonization	Local
Appendices			

Double-Digit Growth Planned Across the Board, Led by Tohoku, Hokkaido and North Kanto & Koshin

- Major and medium-sized firms plan an increase of 19.2% in capital spending nationwide. Spending is expected to **increase by double digits in all 10 regions**, led by **Tohoku, Hokkaido** and **North Kanto & Koshin**. This is the first time since FY1969 that planned capital spending shows double-digit growth across the board, with the exception of FY2023, during the recovery phase from the Covid-19 pandemic.
- The Tokyo metropolitan area accounts for over 30% of the total spending, followed by Tokai and Kansai. The largest contribution to the change in total spending comes from the **Tokyo metropolitan area, Tohoku and Hokkaido**.



*Regional composition

Hokkaido: Hokkaido

Tohoku: Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima, Niigata

North Kanto & 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

Notes: 1. Nationwide change on previous year includes data on unlocated firms and Okinawa Prefecture.

2. The share of each region reflects the prefectural composition of the respondents. The regional shares do not add up to 100% due to rounding.

3. Areas in the skyline chart reflect contribution to the nationwide change.

Planned Spending for FY2026, by Region

	Major firms	Medium firms		
Capital spending	Strategic areas	Middle East/SC	Management	
HR investment	Digital/research	Decarbonization	Local	Appendices

Double-Digit Growth Across the Board, Led by Non-manufacturers

C	Change on previous year (%)			Overview of capital spending, by region	
	FY2025 Actual Total	Planned for FY2026			
		Total	Manufacturing		Non- manufacturing
Hokkaido	17.9	47.0	118.6	35.0	Spending will increase substantially for the fourth consecutive year, driven by <u>electric power</u> with generation and distribution facility renewal, <u>real estate</u> with facility renewal and expansion, and <u>electric machinery</u> with facility expansion and establishment.
Tohoku	12.8	49.6	15.1	70.4	Spending will increase substantially despite a reduction in <u>chemicals</u> following the termination of large capacity investment projects, driven by <u>electric power</u> in anticipation of investment related to nuclear power plants, <u>transport equipment</u> to meet the demand for hybrid vehicles, and <u>paper & pulp</u> to promote decarbonization.
North Kanto & Koshin	-7.0	44.5	11.4	96.8	Spending will turn to a substantial increase, led by <u>chemicals</u> and <u>transport equipment</u> for facility construction and reinforcement, <u>electric power</u> for projects to improve generating equipment, and <u>services</u> for leisure facility development.
Tokyo metropolitan area	6.7	27.7	16.2	30.6	Spending will increase for the fifth straight year and by a substantial margin, led by <u>petroleum</u> with investment in decarbonization, <u>real estate</u> with continued large-scale redevelopment projects in city centers, and <u>transportation</u> for capacity expansion and safety measures.
Hokuriku	24.4	15.2	19.0	0.9	Spending will increase for the second straight year despite the completion of capacity enhancement projects in <u>electric machinery</u> , driven by factory construction related to pharmaceuticals and semiconductors in <u>chemicals</u> , and capacity expansion investment for medical equipment components in <u>general machinery</u> .
Tokai	14.8	13.2	18.2	-2.3	Spending will increase for the sixth consecutive year despite a decline in <u>transportation</u> due to the completion of redevelopment projects in the Nagoya Station area, driven by <u>transport equipment</u> with investment in vehicle electrification and production capacity expansion.
Kansai	7.1	15.2	17.5	13.8	Spending will increase for the fifth consecutive year, with increased investment to meet the demand for high-performing materials including for semiconductors & information/telecommunications in <u>non-ferrous metals</u> , active development of new lines and areas along railroads in <u>transportation</u> , and investment in preparation for rising demand in <u>electric power</u> .
Chugoku	2.3	19.4	20.6	14.6	Spending will grow for the fourth consecutive year despite a decline in <u>electric machinery</u> due to the termination of factory construction projects, led by <u>chemicals</u> with investment in decarbonization and capacity expansion, and <u>transport equipment</u> with spending for product upgrading.
Shikoku	7.7	14.9	22.3	-4.5	Spending will increase for the fifth consecutive year despite a downturn in <u>ceramics, glass & stone</u> due to the completion of plant construction projects, driven by <u>non-ferrous metals</u> with investment for resource recycling, and <u>electric machinery</u> with battery materials capacity investment.
Kyushu	-9.4	18.7	0.6	39.5	Spending is expected to turn up despite the completion of large-scale projects in <u>non-ferrous metals</u> , driven by <u>transportation</u> with investment in passenger transport and real estate development, and <u>real estate</u> with spending for redevelopment.
Nationwide	6.9	19.2	13.0	22.5	Spending will increase by double digits across the board in FY2026.

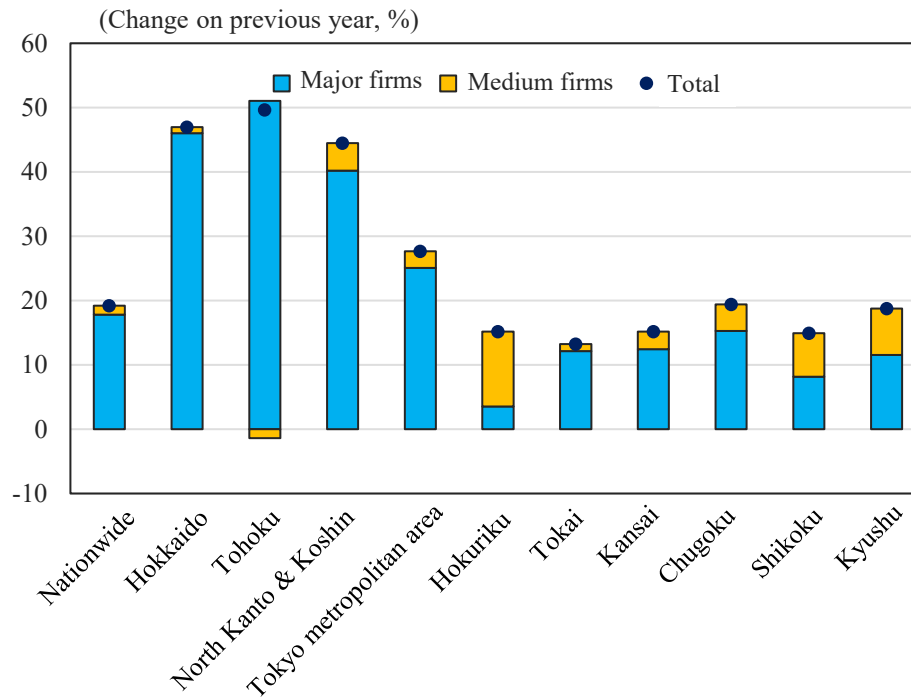
Note: Nationwide change on previous year includes data on firms not reporting region-specific spending and Okinawa Prefecture.

Growth of Medium-Sized Firms Contributing to Overall Spending Increase in 9 of 10 Regions

- By business size, major firms are making the largest contribution, but by region, the contribution of medium-sized firms is relatively significant in Hokuriku, Kyushu, Shikoku and Chugoku, among others.
- By sector, non-manufacturing drives overall spending in the regions with the largest increases in capital spending, namely Hokkaido, Tohoku and North Kanto & Koshin.

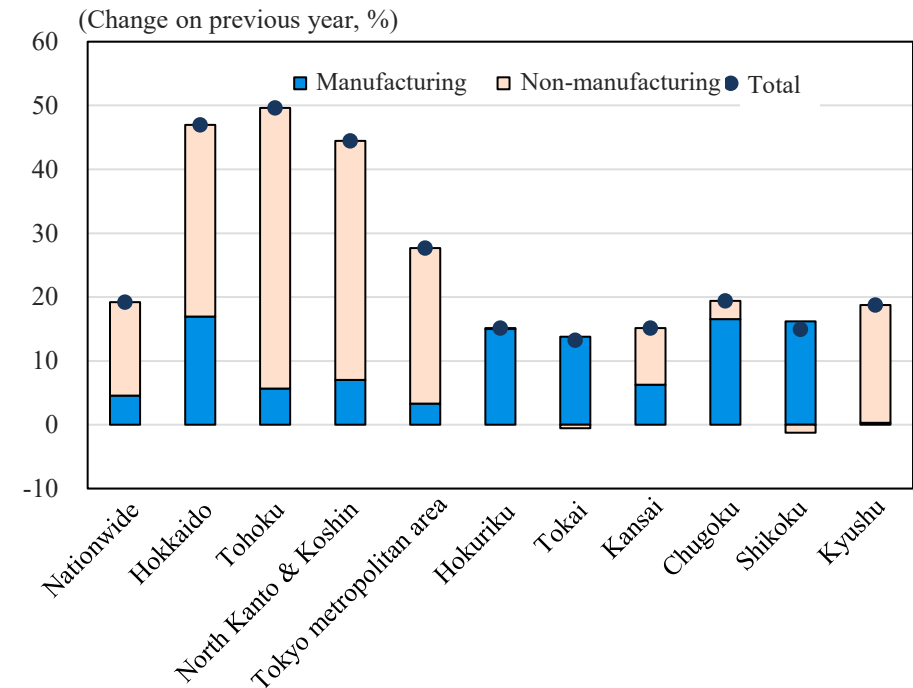
Change in capital spending, by region

By business size



Note: All industries.

By sector



Note: All firms (major and medium-sized firms) in all industries.

Expansion of Spending on AI & Data Centers Accompanied by Investment in Electric Furnaces, Batteries, SAF and Resource Recycling across the Country

Major firms		Medium firms	
Capital spending	Strategic areas	Middle East/SC	Management
HR investment	Digital/research	Decarbonization	Local
Appendices			

- Large-scale projects for data centers (DCs), semiconductors and telecommunication infrastructure are underway in Hokkaido, Kansai and Chugoku, among others, to meet the demand related to AI & DCs.
- As regards GX, investment projects reflecting regional characteristics are making headway including for electric furnaces, SAF and resource recycling.

	Hokkaido	Tohoku	North Kanto & Koshin	Tokyo metropolitan area	Hokuriku	Tokai	Kansai	Chugoku	Shikoku	Kyushu
DX	Container-type DCs			DC construction			Investment in DCs		Expansion of battery production for DCs	
	DCs for AI (AI factories)			Capacity expansion for semiconductor equipment component production	Semiconductor materials factories	Semiconductor materials factories		Semiconductor equipment component plants	Reinforcement of semiconductor production process	
	R&D sites for next-generation semiconductors	Next-generation memories for AI & DCs		Capacity expansion of optical fiber plants		Chemical materials production facilities for semiconductors		Next-generation memory plants for AI	Semiconductor materials factories	Advanced semi-conductors
		Factory automation equipment	Factories for automated, labor-saving production			Next-generation memories for AI & DCs				Introduction of mold steel robots
							Electric power substations			Communications-based train control (CBTC)
										Full transition to FTTH of rural communications
GX	Production sites for large batteries		Film component production facilities for EVs	Production facilities for smart meters and EVs	Construction of telecom component factories for EVs	Ceramic component production facilities for EVs	Perovskite solar cell prototyping facilities	Battery plants for EVs	Resource-saving materials factories	
		Battery recycling-related			Melting furnaces for aluminum recycling	Capacity expansion of power transmission infrastructure	Scrap melting furnaces	Innovative electric furnaces	Plastic pyrolysis oil reception facilities	Low-carbon cement production sites
		Boiler replacement (large- & medium-sized)		Introduction of energy-efficient passenger-carrying rail cars				Introduction of CFB boilers	Waste-to-energy boiler construction	Livestock biomass generation & composting
	Ancillary facilities related to gas and renewables		Biogas & photovoltaic generation			E-methane production pilot	SAF production sites		LNG reception & supply infrastructure	Batteries
	Nuclear power plant-related				Photovoltaic generation	Wind power generation facilities				Hydropower generation

Notes: 1. List of investment projects identified from published information including corporate disclosures, in addition to the Survey on Planned Capital Spending.

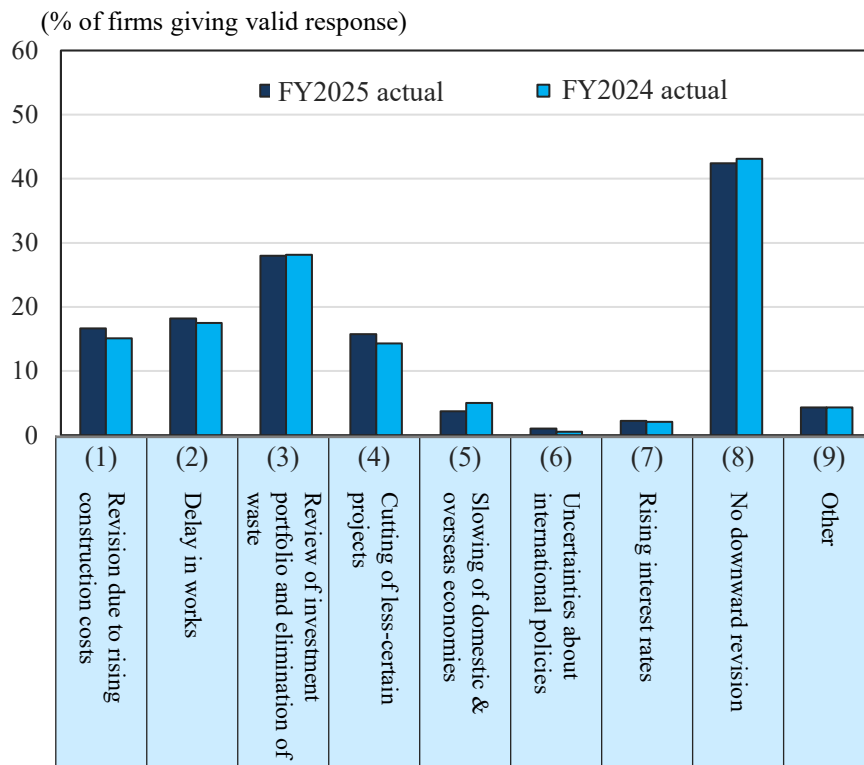
2. The color of the shading indicates the relative amount identified: the darker the color, the more active the industries and regions.

Capital spending in blue, R&D investment in black

Medium-Sized Firms: Downward Revision of Spending in FY2025 Mainly Due to Review of Investment Portfolio

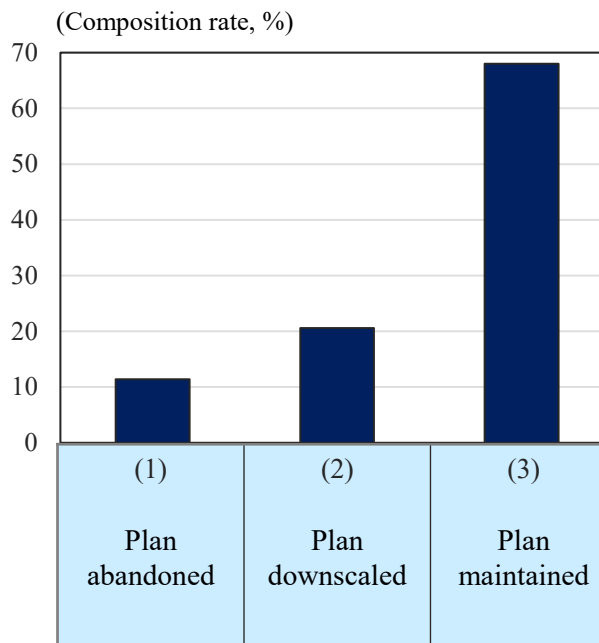
- Asked about actual capital spending in FY2025, 42.4% of the medium-sized firms reported **no downward revision**, pointing to a tendency to stick to the investment plan. Where actual spending did not reach the initially planned level, it was mainly due to **reviews of investment portfolios and elimination of waste**, with some impact from rising construction costs and delay in works.
- Almost 70% of the respondents reported that they **maintained the plan** even when capital spending was postponed, implying that the demand for investment has not been seriously affected.

Reason for domestic actual spending in FY2025 below planned level



Notes: 1. Medium-sized firms in all industries.
2. Respondents may choose up to three answers.

Action after postponement of capital spending



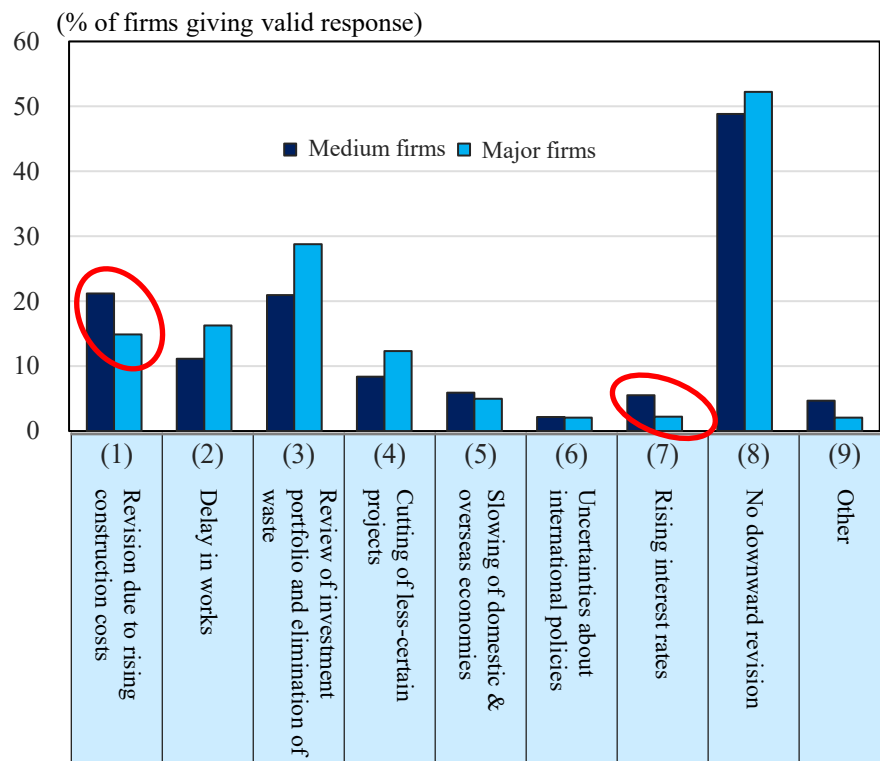
Note: Medium-sized firms in all industries.

Spending Plan More Sensitive to Rising Construction Costs than Major Firms But Still Focused on Investment in Talent and Digitalization

Major firms		Medium firms	
Capital spending	Strategic areas	Middle East/SC	Management
HR investment	Digital/research	Decarbonization	Local
Appendices			

- Asked about planned capital spending for FY2026, 48.9% of the medium-sized firms reported **no downward revision**, pointing to their robust spending intention. Meanwhile, more medium-sized firms than major firms cited **revision due to rising construction costs** or **rising interest rates** as factors exerting downward pressure on planned spending, implying that they are bearing heavier cost burdens.
- Top-priority investment areas include **human resource development & investment** and **investment in digitalization**.

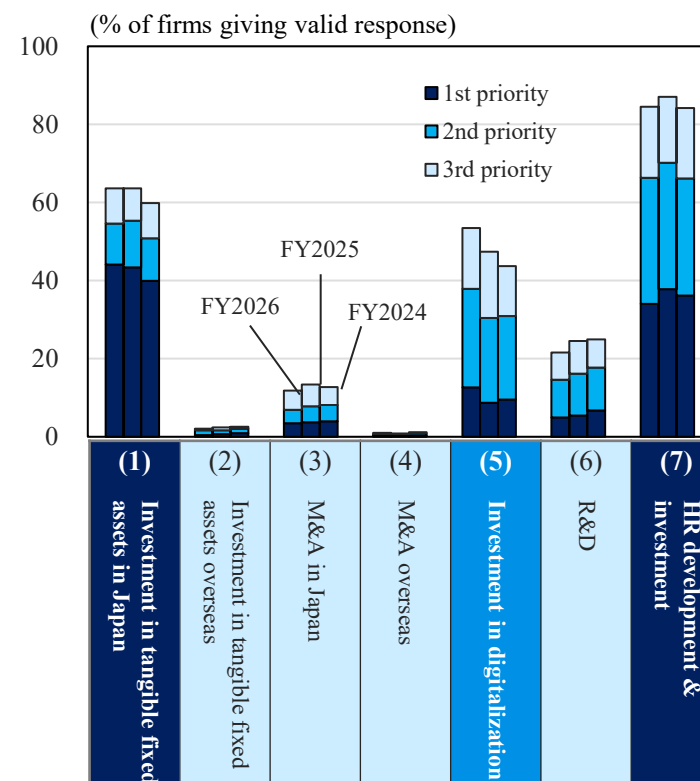
Factors exerting downward pressure on planned domestic capital spending for FY2026



Notes: 1. All industries.

2. Respondents may choose up to three answers.

Priority investment areas for business growth



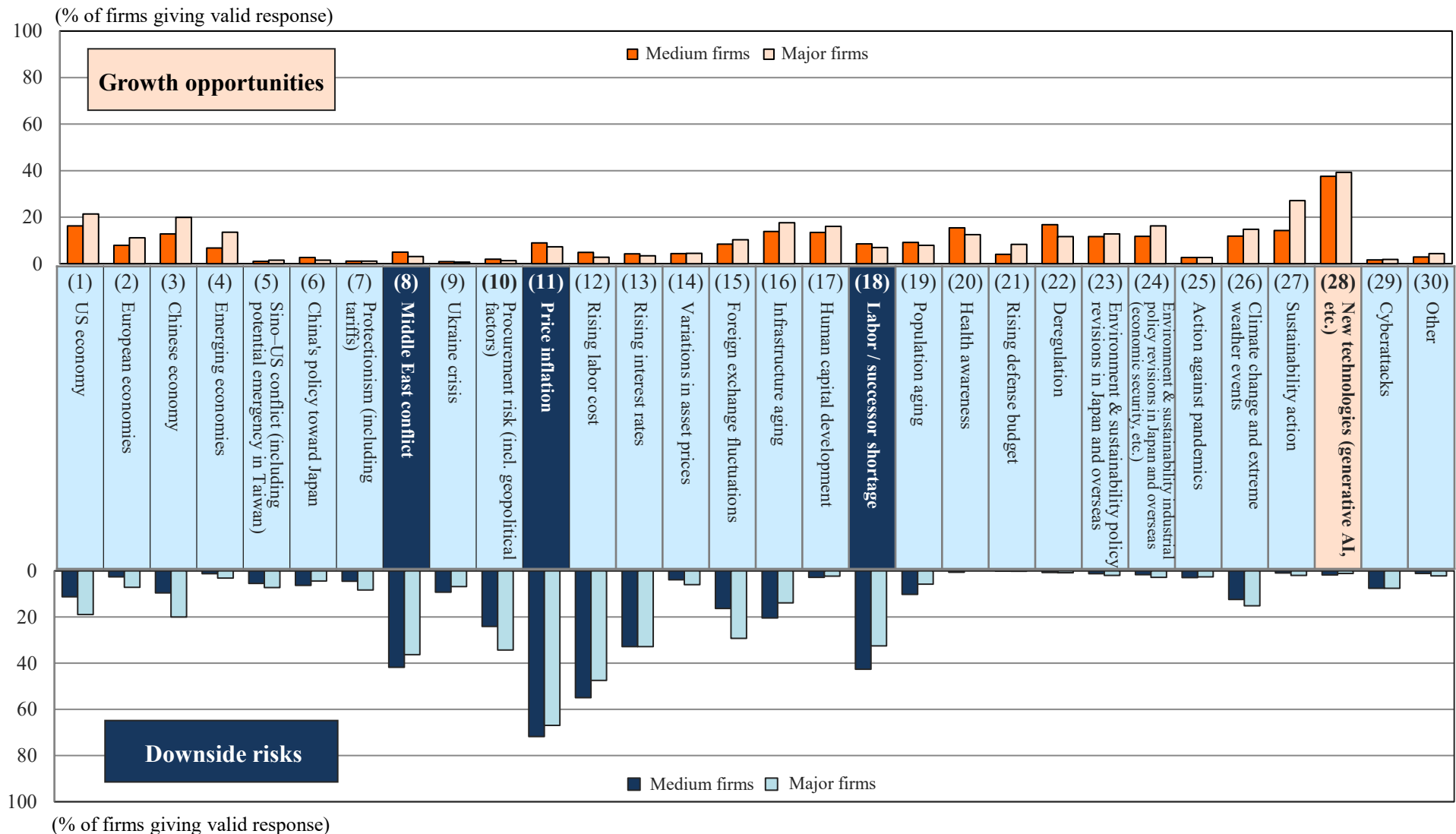
Notes: 1. Medium-sized firms in all industries.

2. Respondents may choose up to three answers with priority.

Business Growth Opportunities and Downside Risks

	Major firms	Medium firms	
Capital spending	Strategic areas	Middle East/SC	Management
HR investment	Digital/research	Decarbonization	Local
			Appendices

Medium-Sized Firms More Sensitive to the Middle East Conflict, Price Inflation and Labor / Successor Shortage as Risk Factors than Major Firms



Notes: 1. All industries.

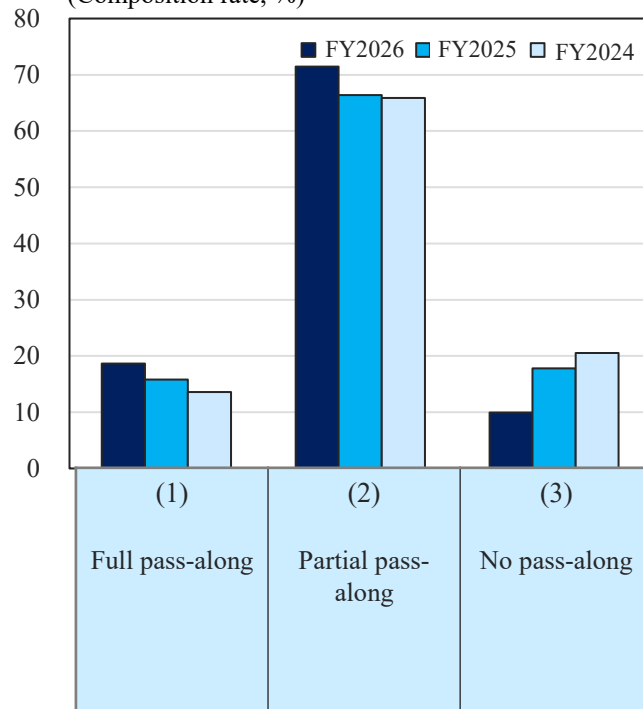
2. Respondents may choose up to five answers.

Medium-Sized Firms Continue to Raise Wages, at Previous Year's Rate

- Medium-sized firms are also gradually moving toward **passing the rising costs onto their product and service prices**.
- Although many medium-sized firms have implemented or are considering **pay raises** as a way to address price inflation and labor shortages, more respondents now report a **pay raise rate** on a par with the previous year's level.

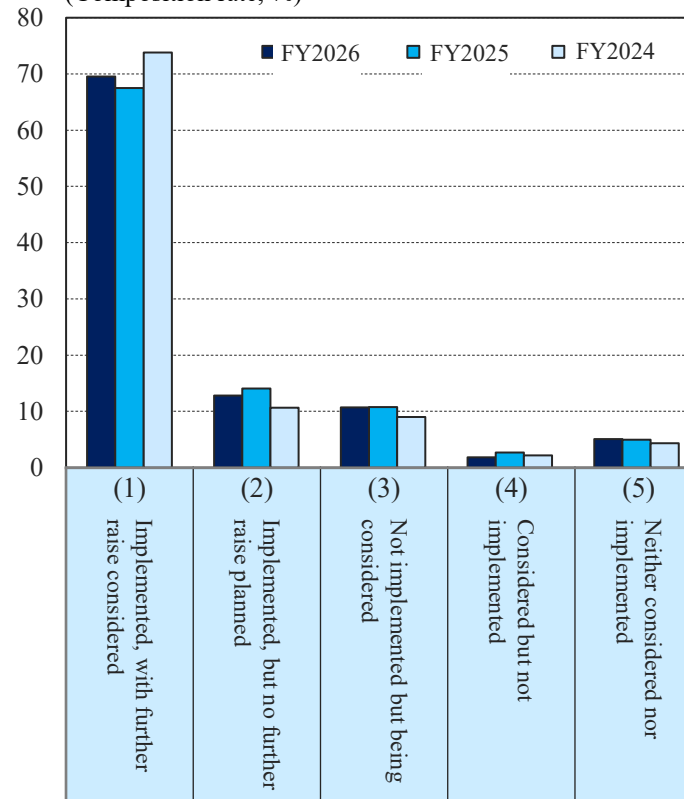
Costs passed onto sales prices

(Composition rate, %)



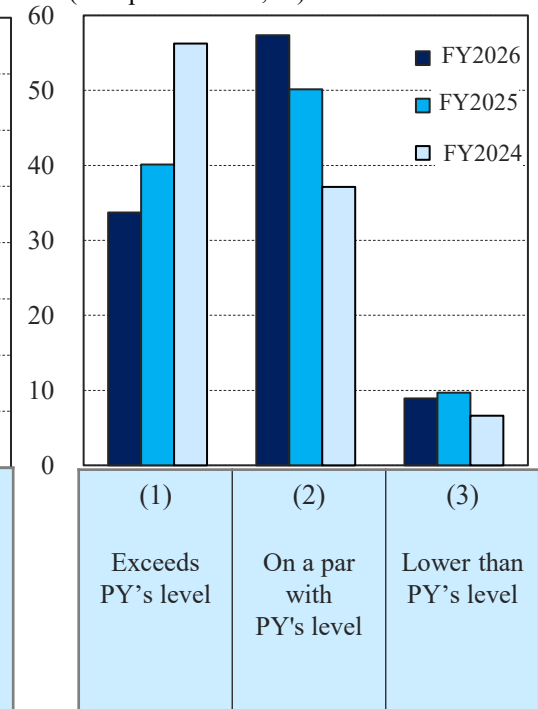
Pay raise

(Composition rate, %)



(For reference) Pay raise rate

(Composition rate, %)

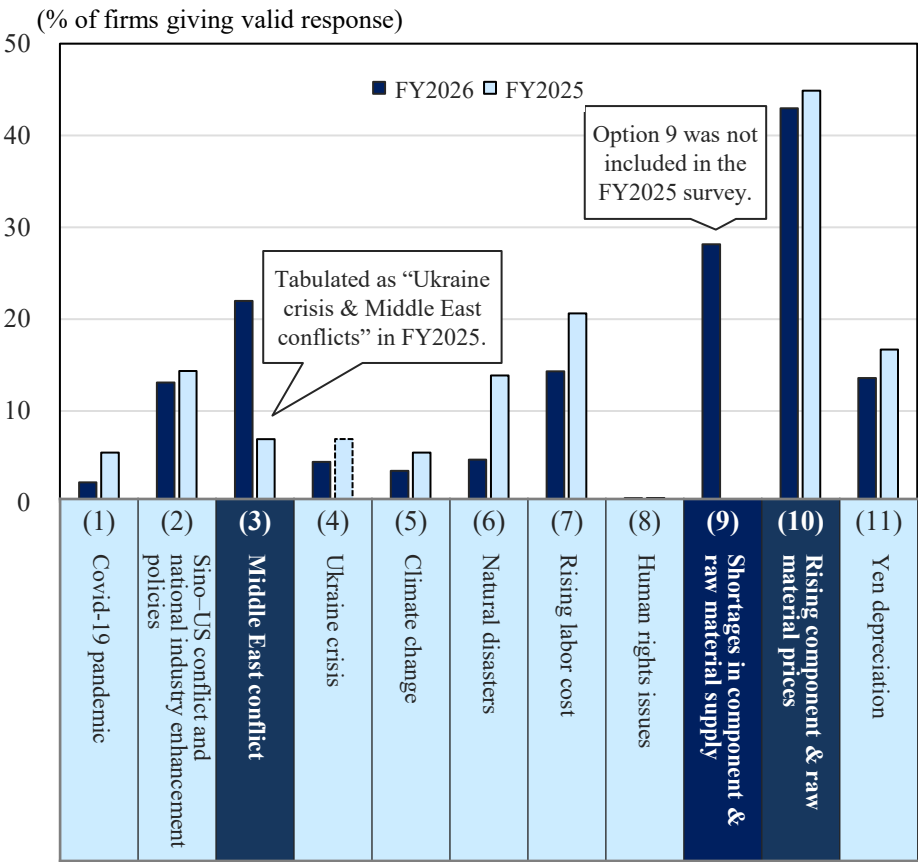


Notes: 1. Medium-sized firms in all industries. 2. (For reference) Data on pay raise rate only covers those firms that have actually raised or are considering raising wages.

Medium-Sized Firms: More Diversified Sourcing Triggered by Supply Shortages and Rising Raw Material Prices

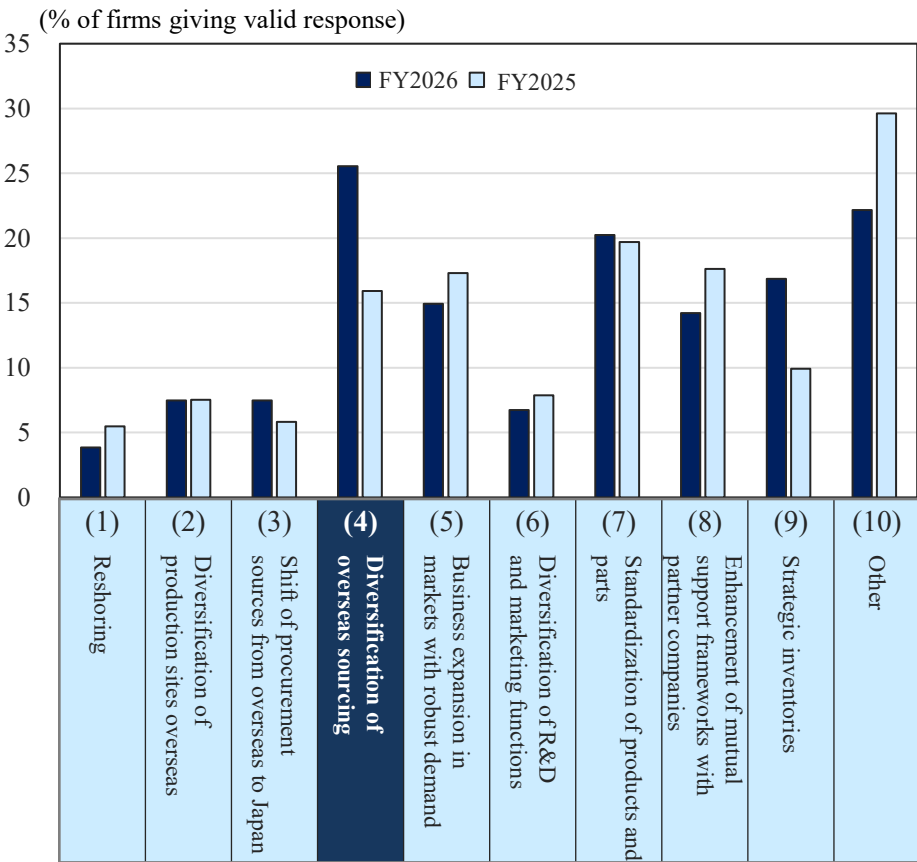
- Asked about opportunities for revision of supply chains, many medium-sized firms cited **shortages in component & raw material supply or rising raw material prices**, with more respondents **citing the Middle East conflict** as compared with the previous year.
- As regards actions to revise supply chains, an increasing number of respondents referred to **diversification of overseas sourcing**, which has become the primary action to address supply chain issues.

Opportunities for revision of supply chains



Notes: 1. Medium-sized firms in all industries.
2. Respondents may choose up to three answers.

Actions to revise supply chains

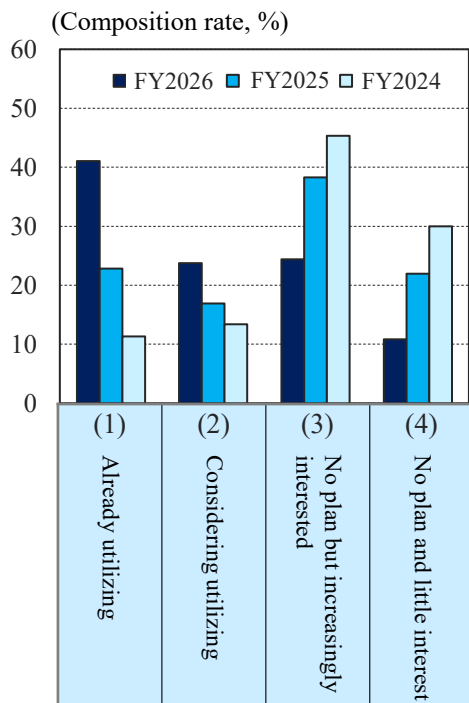


Notes: 1. Medium-sized firms in all industries.
2. Respondents may choose up to three answers.

Medium-Sized Firms: Generative AI Adoption Rate Exceeding 40%, with Perceived Impact on Operational Efficiency and Productivity

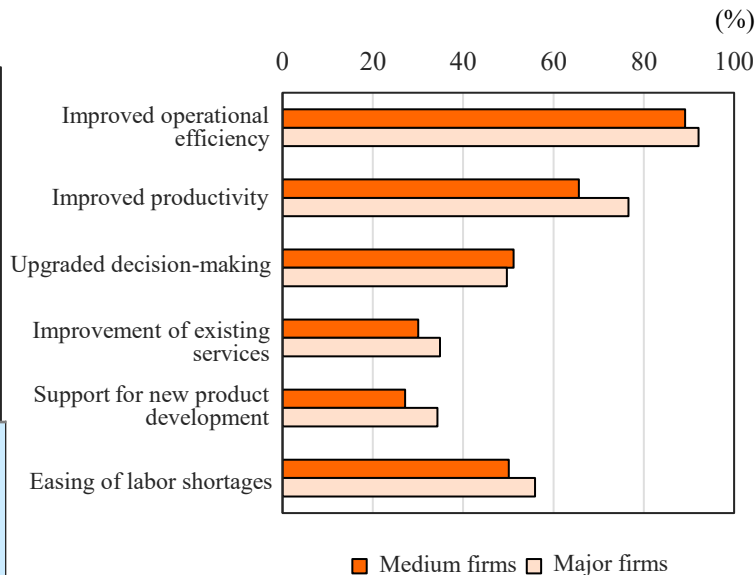
- The percentage of medium-sized firms adopting generative AI has **increased to over 40%**.
- Both medium-sized and major firms perceive the effectiveness of AI adoption for **improving operational efficiency and productivity**.
- As compared with major firms, medium-sized firms have **substantial room to expand AI adoption** in terms of **improvement of existing services** and **support for new product development**.

Use of AI (including generative AI such as ChatGPT)



Note: Medium-sized firms in all industries.

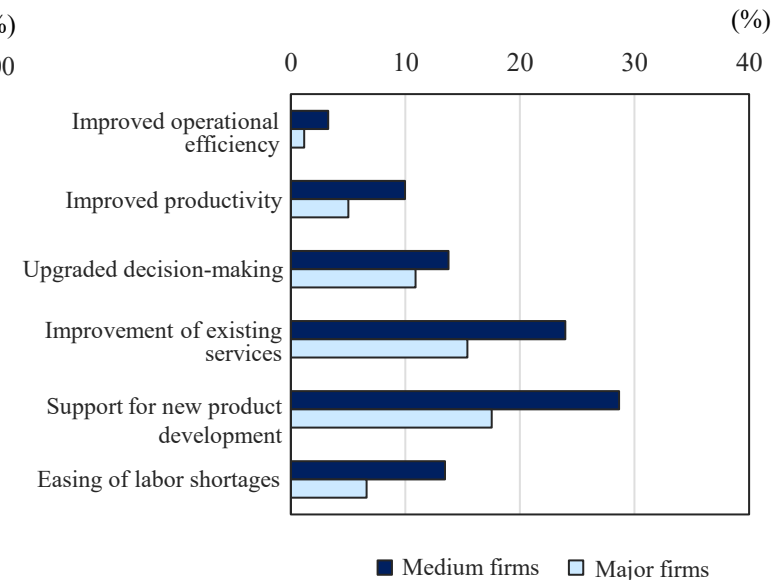
Percentage of firms recognizing the effectiveness* of AI adoption in specific areas of operation



Note: All industries.

*Data on the effectiveness of AI adoption only covers those firms which responded that they were already utilizing AI. Firms recognizing effectiveness is the total of those choosing "1. Very effective" or "2. Somewhat effective."

Percentage of firms that have yet to adopt AI in specific areas of operation

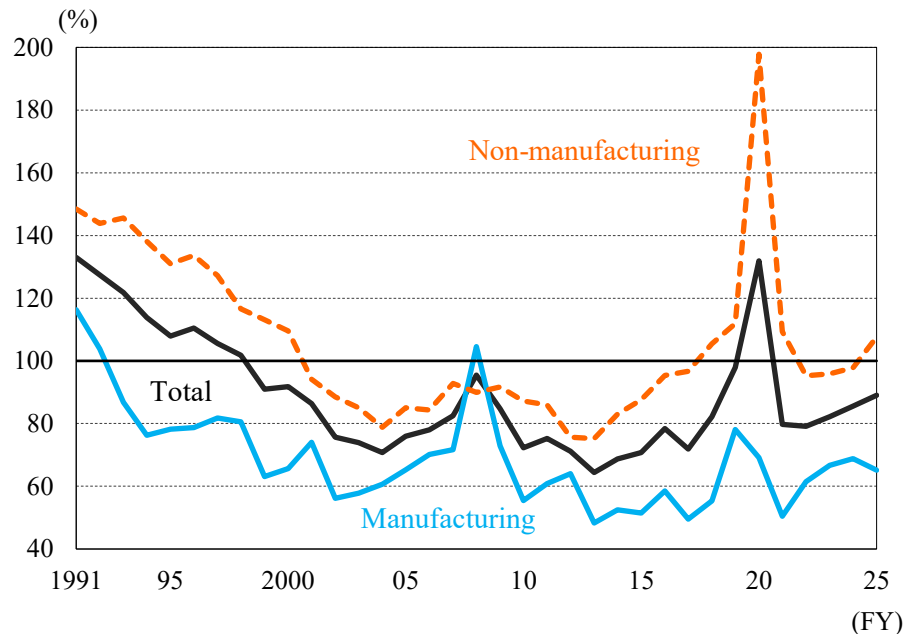


9. Appendices

Domestic Capital Spending Staying within Cash Flow

- In FY2025, the **domestic capital spending/cash flow ratio** rose for the third straight year, particularly in the non-manufacturing sector. Although **domestic capital spending stayed within the limits of cash flow** overall, particularly in the manufacturing sector, the ratio reached 107.6% in the non-manufacturing sector, which means spending finally exceeded cash flow.
- The **diffusion index (DI)** on ordinary profit improved slightly in FY2025, as the number of firms reporting an increase in profit rose particularly in the manufacturing sector. The index is expected to remain positive in **FY2026**, as increased profits continue in the manufacturing sector.

Domestic capital spending/cash flow ratio



- Notes: 1. Major firms.
2. Cash flow is calculated as ordinary profit/2 + depreciation expenses (simplified formula assuming an effective corporate tax rate of 50%).

DI on ordinary profit

(in % points)

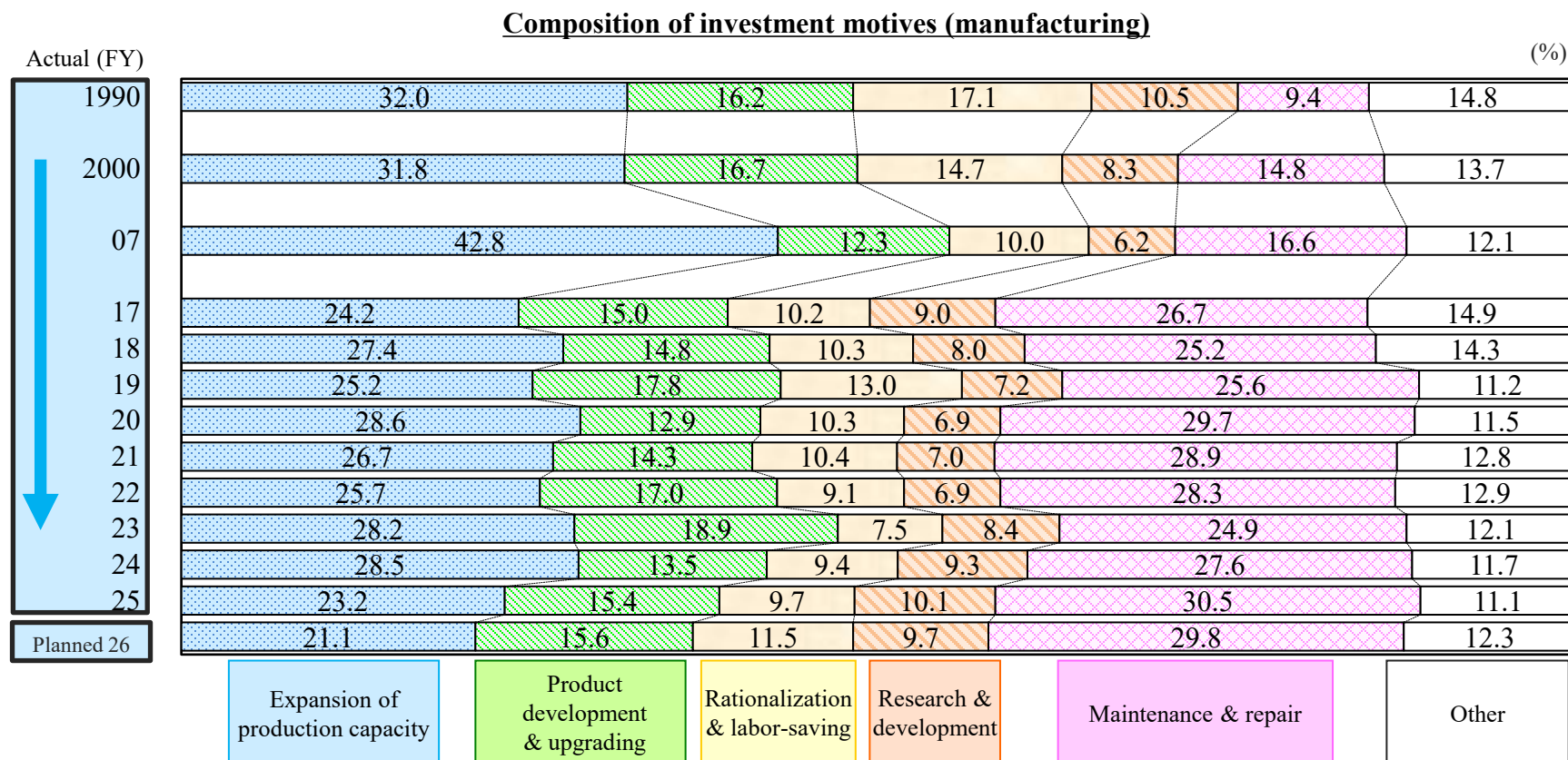
	DI on ordinary profit		
	FY2024 Actual 757 firms	FY2025 Actual 734 firms	FY2026 Planned 897 firms
Total	18.1	19.1	0.9
Manufacturing	11.7	17.9	2.9
Non-manufacturing	22.6	19.9	-0.6

Notes: 1. Major firms.

2. DI on ordinary profit = $\frac{\text{No. of responses: Profit increase} - \text{Profit decrease}}{\text{Total of valid responses}}$

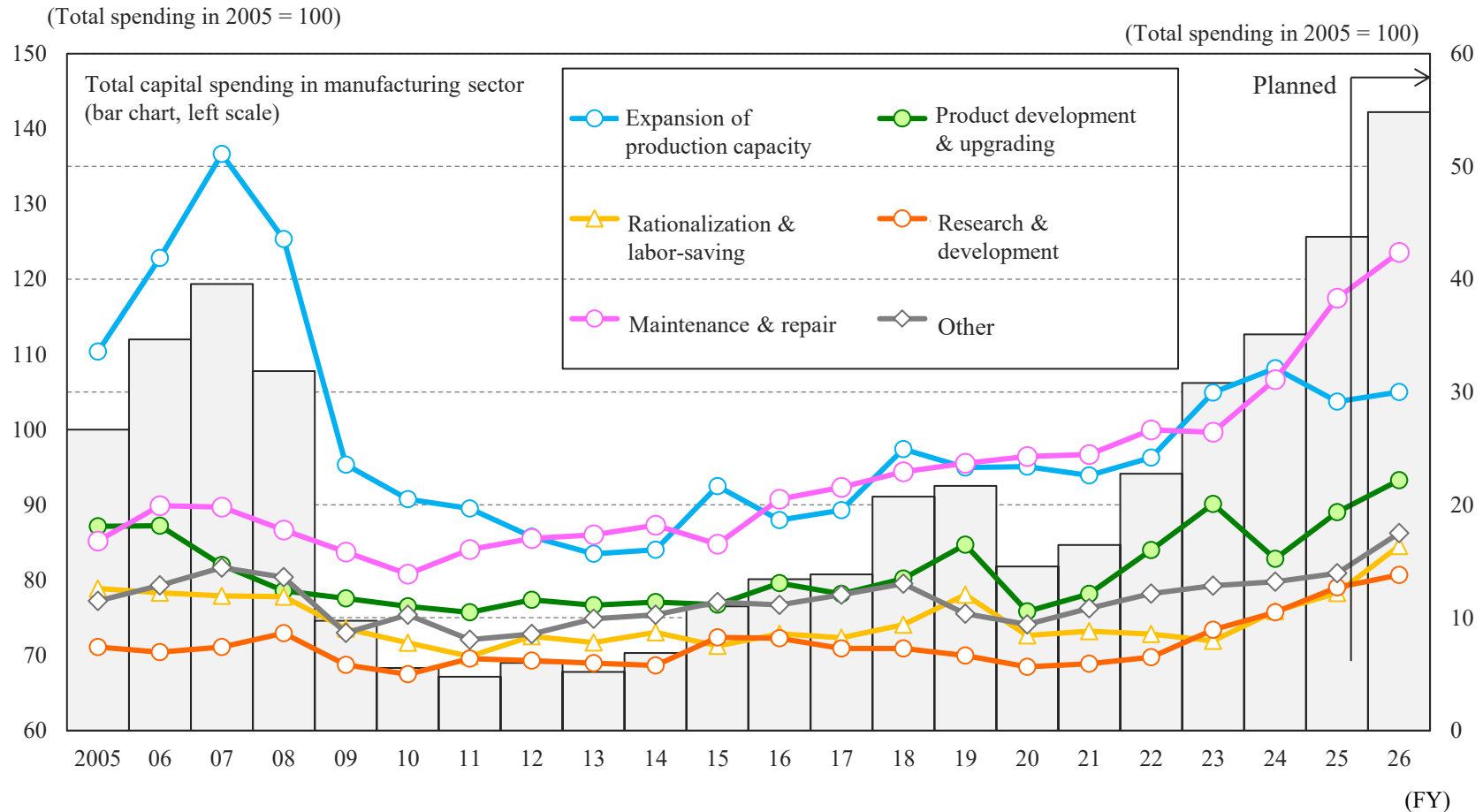
Composition of Investment Motives in Manufacturing: Maintenance & Repair Reaching a Substantial Level

- Among the investment motives of manufacturers in FY2025, maintenance & repair increased its share to the detriment of expansion of production capacity, reaching the highest level since FY1986, when the survey on investment motives started with the current configuration. In FY2026, expansion of production capacity will continue to lose weight while maintenance & repair is expected to stay at a high level.



Notes: 1. Major firms.
2. Share of each investment motive in total capital spending, by value.

Index of Investment Motives (Manufacturing)



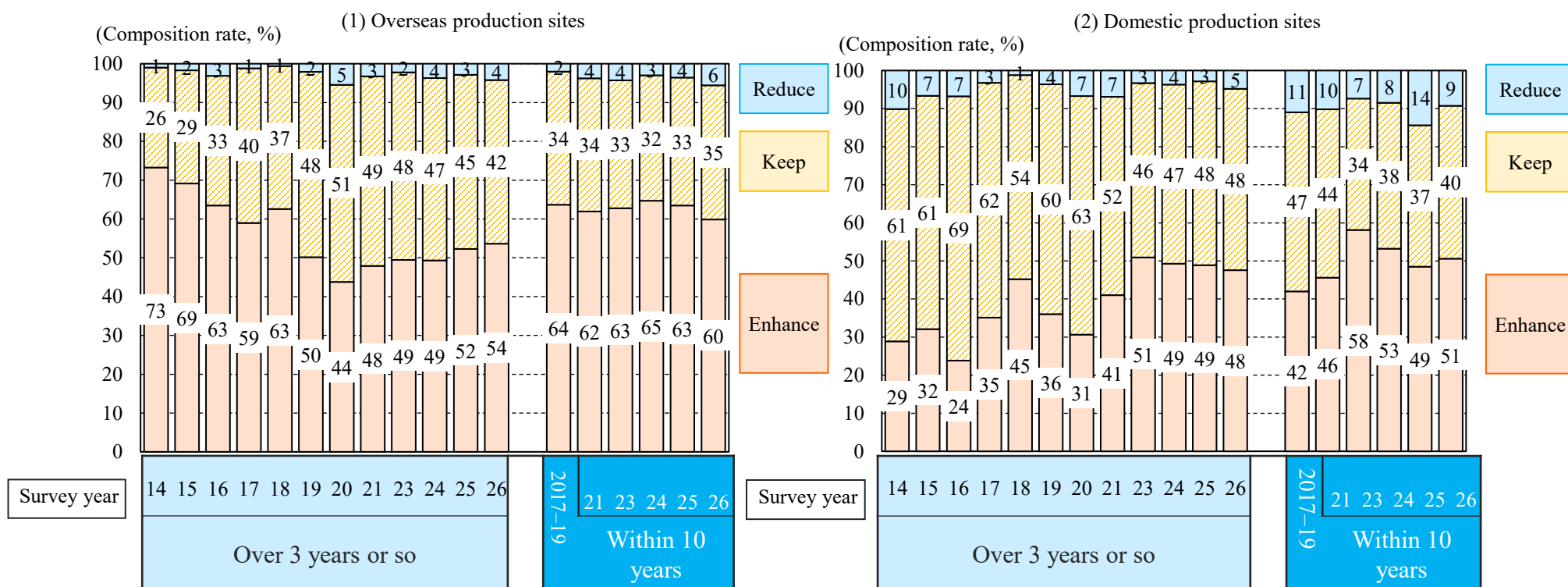
Notes: 1. Major firms.

2. The chart shows capital spending indexed on the total spending in FY2005 in the manufacturing sector. For each year, the capital spending indices (right scale) for individual investment motives add up to the capital spending index for the whole manufacturing sector.

Continued Trend to Reinforce Domestic Production Sites

- Regarding the perspective of manufacturers pertaining to supply capacity in the medium term, the share of companies seeking to enhance overseas production sites over the coming three years or so has not returned to the pre-pandemic level of 2018. Nevertheless, those intending to **enhance overseas production capacity** within 10 years now account for some 60%.
- Regarding **domestic production**, the share of firms looking to **increase capacity** over the coming three years or so **far exceeds the pre-pandemic level**, as in the previous year. Asked about their 10-year perspective, **a majority of firms** report their intention to **increase capacity**, still exceeding the pre-pandemic average of FY2017–2019.

Medium-term domestic and overseas supply capacity (manufacturing)



Notes: 1. Major firms.

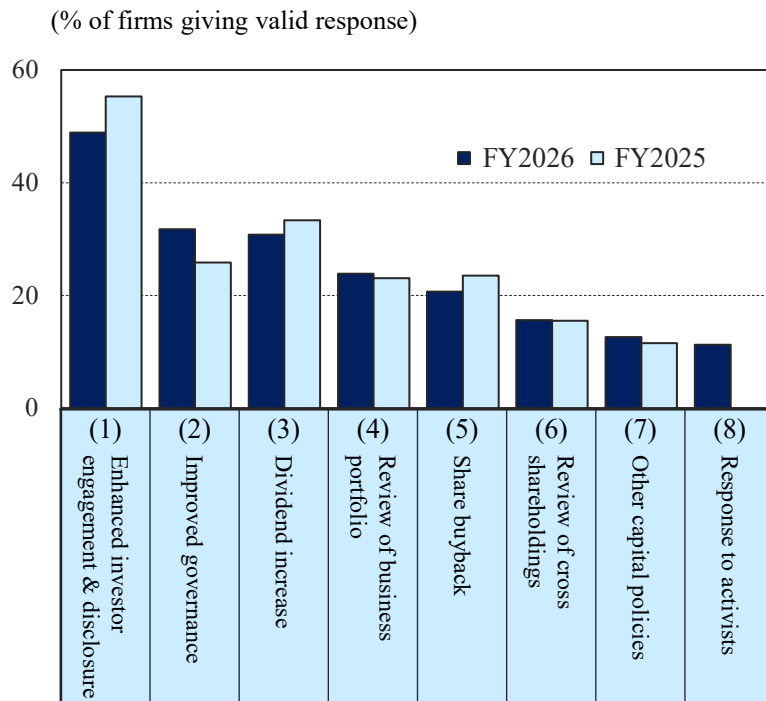
2. Data covers the firms reporting both domestic and overseas operations (FY2026: 166 firms [3-year perspective], 162 firms [10-year perspective]).

3. This survey was not conducted in FY2022.

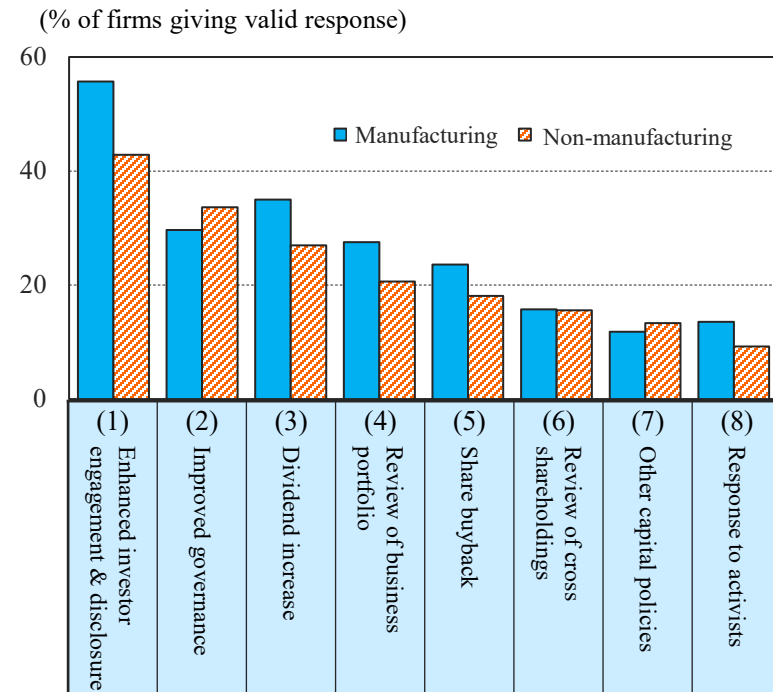
Many Firms Taking an Interest in Disclosure and Engagement with Investors to Drive Up Share Prices

- Asked about the **focus of interest in propping up share prices**, most firms cited **enhancement of investor engagement & disclosure**, but their percentage declined on the previous year. Meanwhile, the share of **review of business portfolio** rose by a small margin.
- By sector**, manufacturers are interested in more actions for propping up share prices largely because many of them are listed companies.

Focus for propping up share prices other than growth strategy



Focus for propping up share prices other than growth strategy (FY2026 survey, by sector)

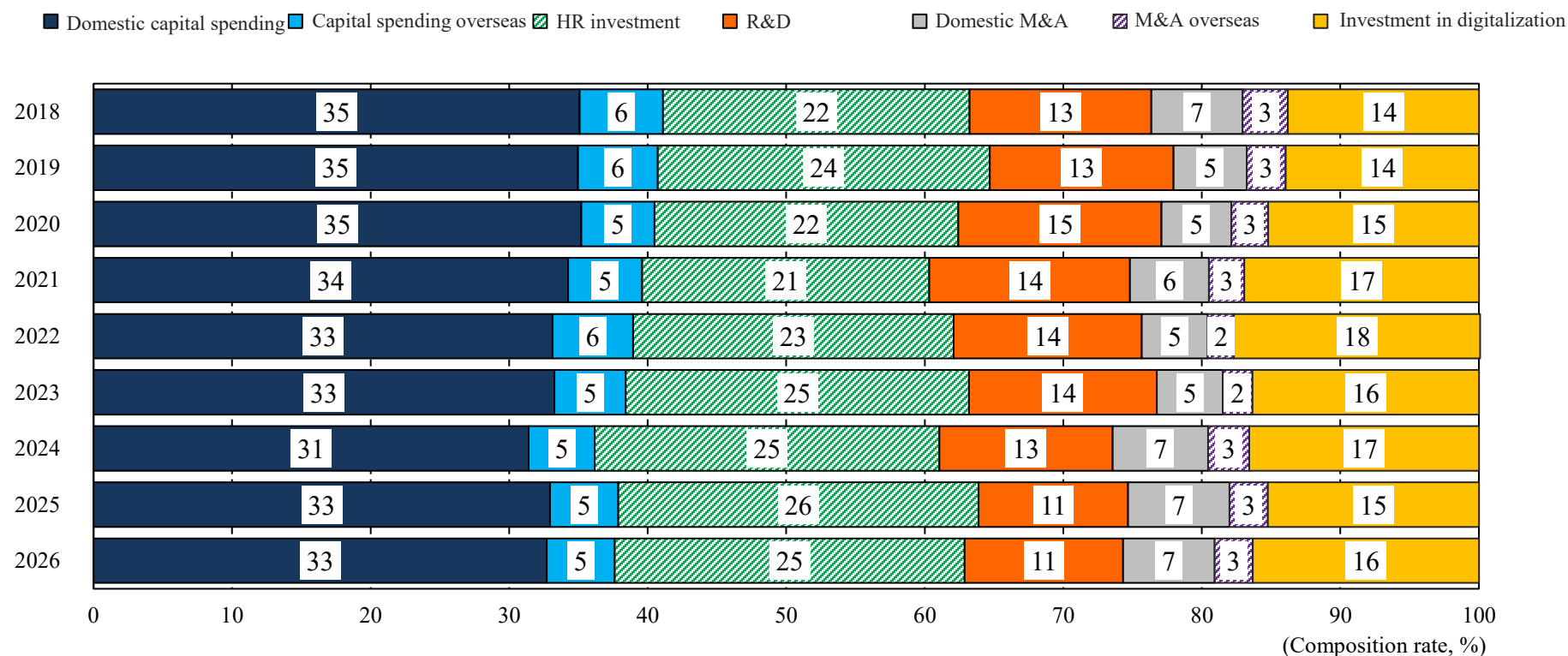


- Notes: 1. Major firms in all industries. 2. Respondents may choose up to three answers.
 3. “Enhanced disclosure” and “Enhanced engagement with investors” were two separate choices in the FY2025 survey.
 4. “Response to activists” is a new choice added to the survey in FY2026.

Rising Priority of Investment in Human Resources

- The share of **investment in digitalization** and **R&D** in investment in a broader sense, including items other than tangible fixed assets, shows a modest increase in FY2026. The share of investment in intangible assets has also been following a mild uptrend of late, including **HR investment**.

Priority of investment in a broader sense



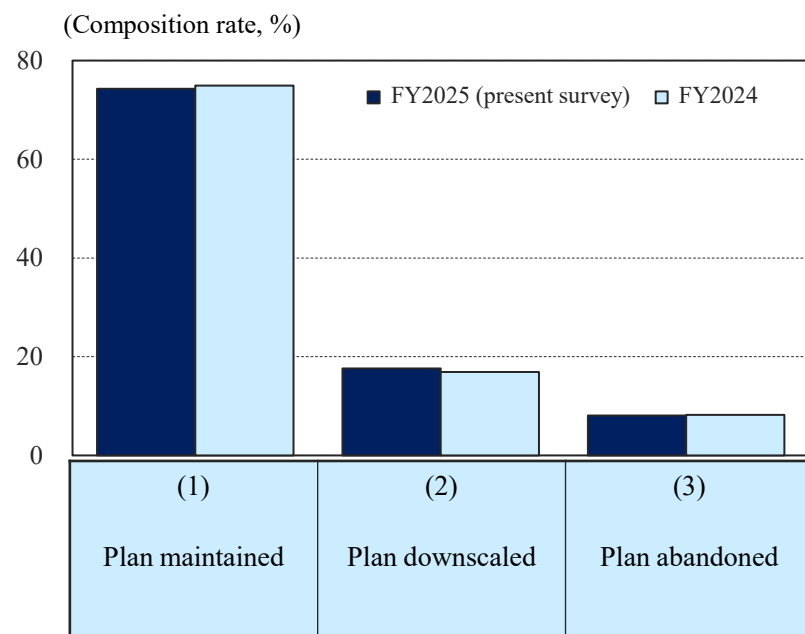
Notes: 1. Major firms in all industries.

2. Figures represent percentages calculated based on a scoring mechanism giving three points to the top priority, two points to the second priority, and one point to the third priority, and adding up to 100%.

Most Firms Retaining Postponed Projects, with Steady Progress in ICP Initiatives

- Asked about actions after partial postponement of capital spending, **over 70%** of the firms responded that they would **maintain the plan**, as had been the case in the previous year, despite rising uncertainties accompanying geopolitical risks including the Middle East conflict. It is thus expected that the postponed projects will largely materialize going forward.
- Although only about 10% of the firms have introduced **internal carbon pricing (ICP)**, this percentage has been rising steadily. The average price has declined slightly on the previous year to 11,329 yen/t-CO₂.

Action after (partial) postponement of domestic capital spending



Note: Major firms in all industries.

Internal carbon pricing (ICP)

	Already introduced (%)	Average pricing (core business, yen/t-CO ₂)
Total	10.3 <i>9.4</i>	11,329 <i>11,409</i>
Manufacturing	15.2 <i>14.2</i>	11,910 <i>11,211</i>
Non-manufacturing	6.8 <i>6.0</i>	10,168 <i>11,816</i>

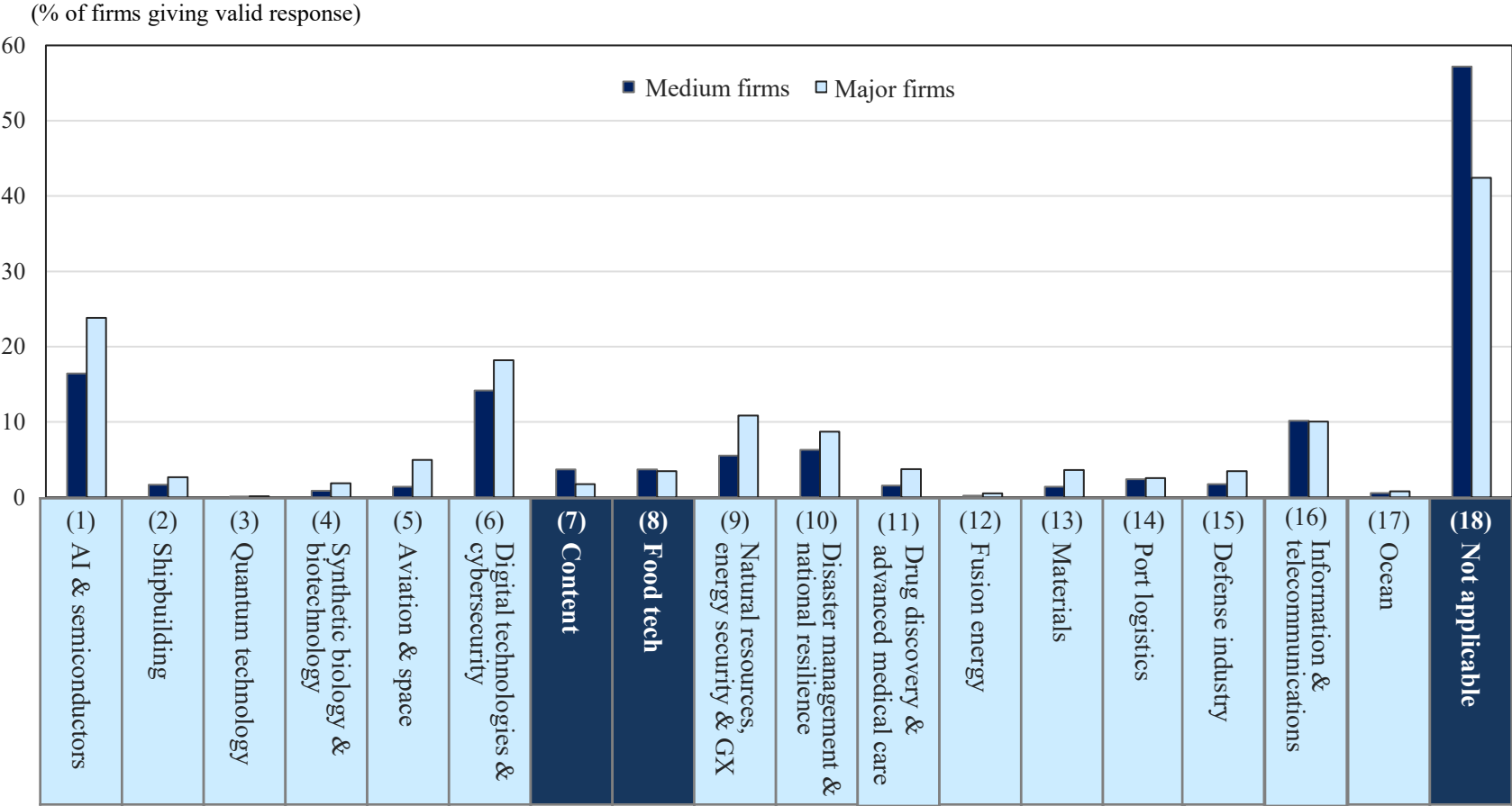
Notes: 1. Major firms.

2. Italics on lower lines indicate PY's figures.

3. Mean ICP values calculated after excluding outliers.

17 Strategic Areas: Medium-Sized Firms Also Highly Interested in AI and Digital

- Asked about their focus of investment following the selection of 17 strategic areas by the government, a majority of medium-sized companies reported no applicable area among them. Nevertheless, their attention has been focused on AI & semiconductors and digital technologies & cybersecurity.
- Medium-sized firms tend to be more focused on content and food tech.

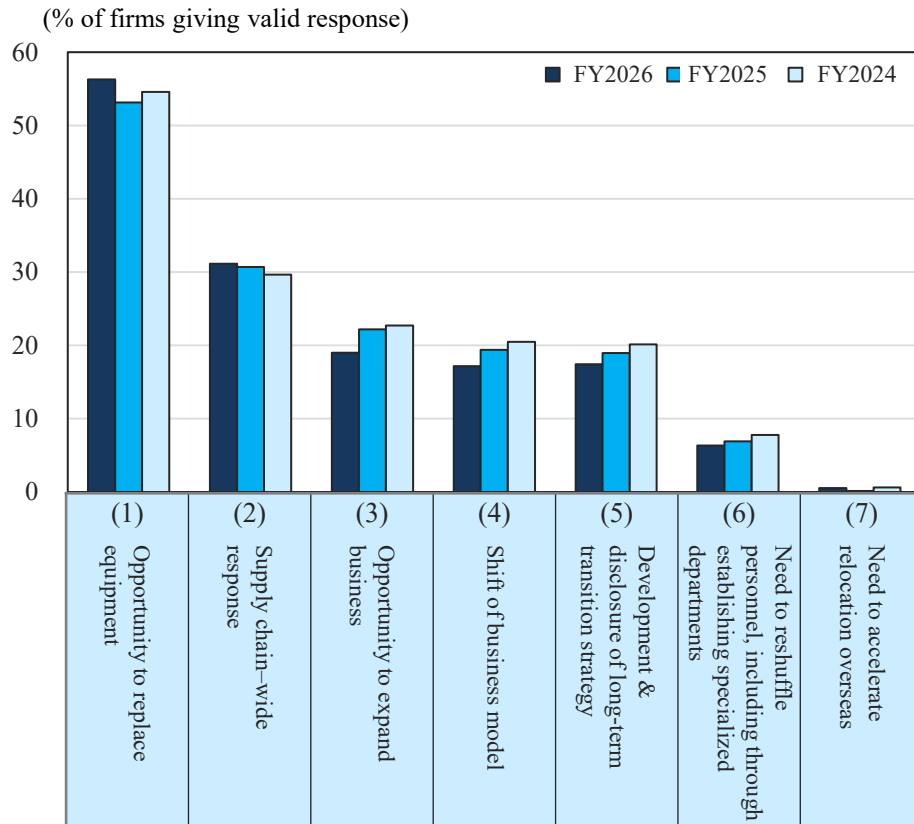


Notes: 1. All industries.
2. Respondents may choose up to three answers.

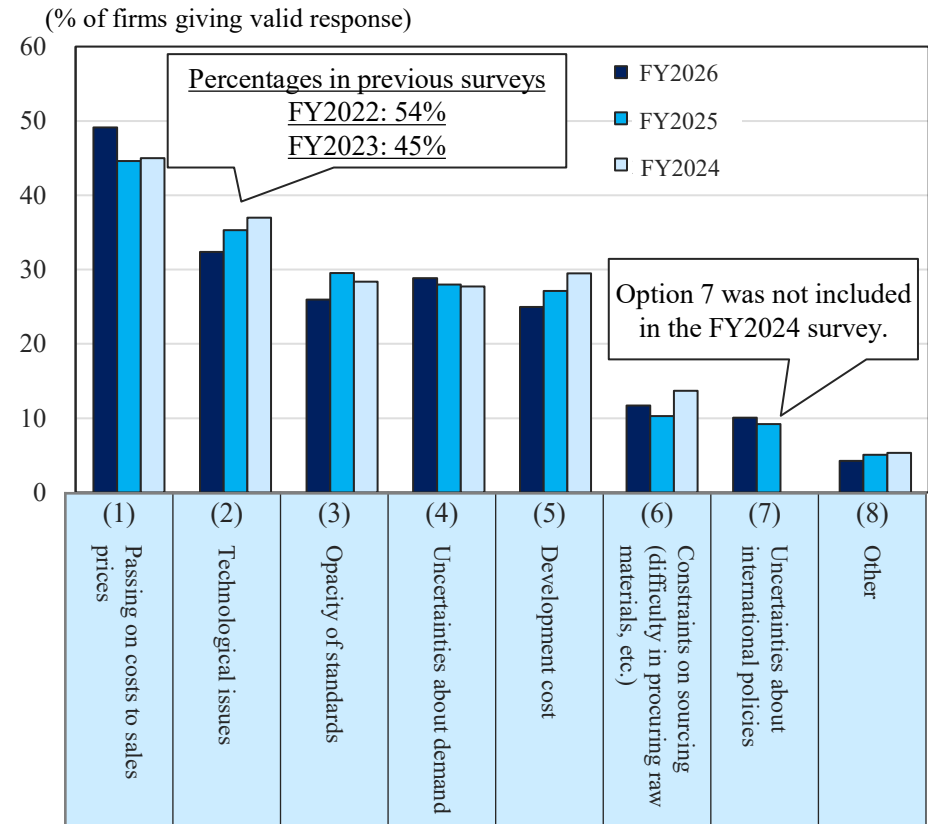
Medium-Sized Firms: Need to Pass On Increased Costs for Achieving Carbon Neutrality

- Asked about how to address carbon neutrality issues, a majority of firms continue to cite **opportunity to replace equipment**, whereas those citing opportunity to expand business, and development & disclosure of long-term transition strategy have been on a decline over the years, indicating a change in the positioning of measures to address carbon neutrality.
- As the percentage of firms citing technological issues continues to follow a downward path, **uncertainties about demand** and **passing on costs to sales prices** will emerge as key issues going forward.

Business impact of carbon neutrality



Challenges for achieving carbon neutrality



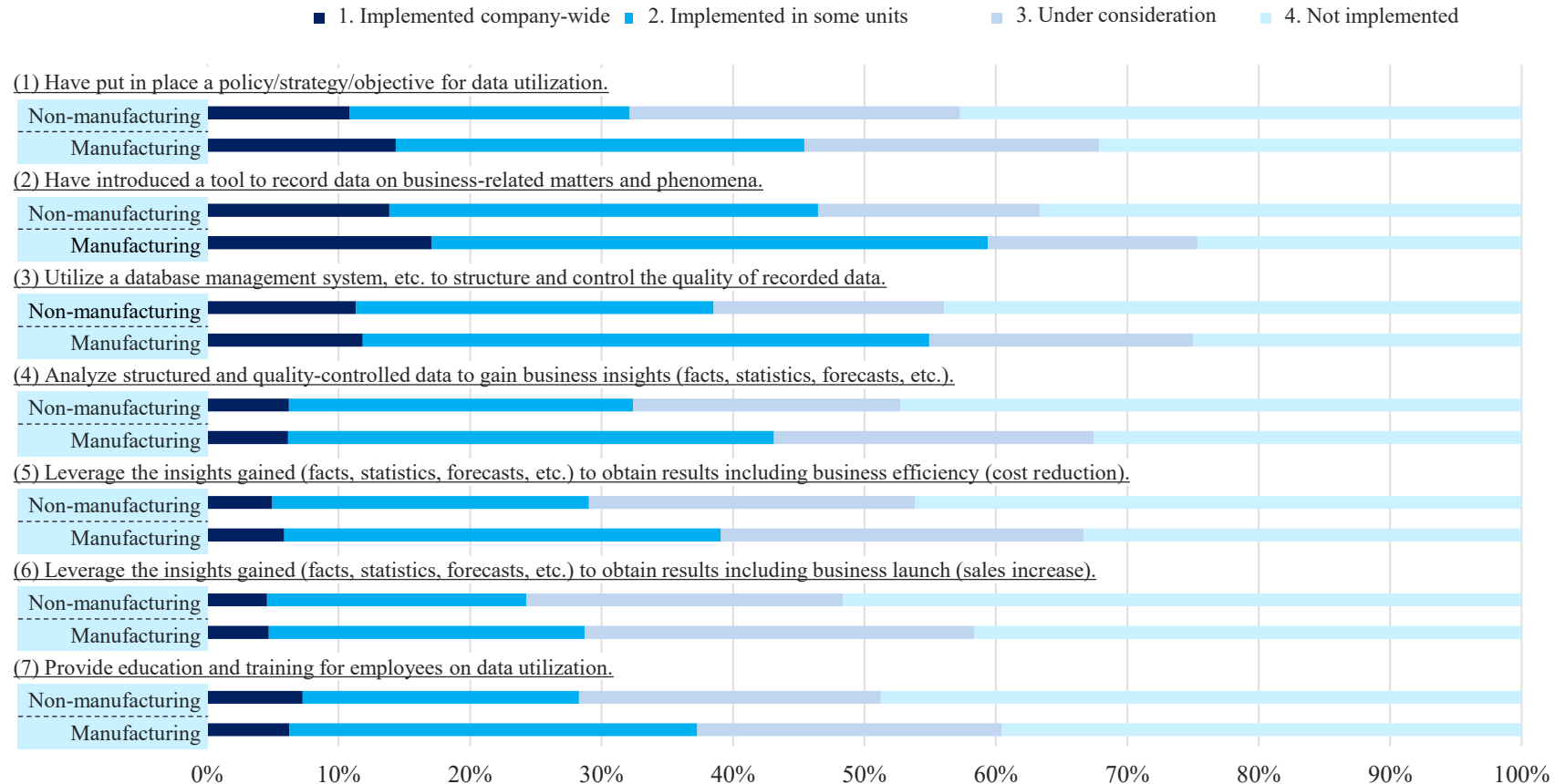
Notes: 1. Medium-sized firms in all industries.
2. Respondents may choose up to three answers.

Notes: 1. Medium-sized firms in all industries.
2. Respondents may choose up to three answers.

Medium-Sized Firms: Data Utilization Making Headway But Limited

- Actions to utilize data are making headway but remain limited in both the manufacturing and non-manufacturing sectors.

Actions to utilize data



Note: Medium-sized firms.

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