

2018 SURVEY ON PLANNED CAPITAL SPENDING  
**SUBSTANTIAL GROWTH IN BOTH MANUFACTURING AND  
NON-MANUFACTURING**

*Driven by Investment for Expansion of Production Capacity and Urban Functions*

**SUMMARY**

1. Planned domestic capital spending in FY2018 by major firms, capitalized at JPY 1 billion or over, **shows an increase for the seventh consecutive year overall, up 21.6%**, with investment rising substantially in both manufacturing (up 27.2%) and non-manufacturing (up 18.5%).
2. Characteristics of domestic capital spending in FY2018 identified from the survey results:
  - (1) In the manufacturing sector, spending is expected to increase in a wide range of industries, led by investment in new electric vehicle models in automobiles, and in capacity enhancement and labor-saving including for auto components.
  - (2) In the non-manufacturing sector, spending will continue for developing urban functions in transportation and real estate, and for attracting inbound tourists, mainly in services, while investment is expected to increase in retail stores and logistics to cope with the labor shortage.
3. **In the manufacturing sector (up 27.2%, contribution of 9.8%)**, increased investment and R&D spending in the heavyweight transport equipment industry for new models, including for electrification, will be accompanied by a rise in spending in chemicals and nonferrous metals for electronic/battery materials. In electric machinery, investment in electronic parts is expected to increase for use in automobiles and efficiency, while spending will increase in general machinery for capacity expansion for automobile and industrial robot components.  
**In the non-manufacturing sector (up 18.5%, contribution of 11.9%)**, spending will continue in transportation for the development of railway/logistics facilities and in real estate for large-scale urban redevelopment projects. Services will also continue to invest in hotels and theme parks for inbound tourists. In wholesale & retail, investment will be driven by the introduction of labor-saving equipment, mainly among CVS outlets.
4. Continuing from the previous year, our **opinion poll** this year focuses on “investment in a broader sense,” including overseas tangible fixed asset investment, R&D, information technology investment, human investment and M&A. As regards R&D, almost 40% of the manufacturers responded that they are increasingly utilizing open innovation, etc. Even among the manufacturers reporting increased utilization of open innovation, however, most of the projects are implemented in collaboration with Japanese universities or research institutes, whereas cases of collaboration with SMEs, ventures or overseas institutions still represent a minority. As for information technology investment, about 30% of the respondents reported that they are utilizing, or considering utilizing, big data and AI, among other IT. In order to address human investment challenges, firms have improved the treatment of their employees but still struggle to ensure diversity in working styles. Likewise, many respondents indicated difficulties in human resource development due to busy working schedules and the shortage of mentors. Japanese firms became more aggressive in M&A over the previous year, as the percentage of firms acquiring another firm has followed an uptrend in recent years. Interest in environmental, social and governance matters has been increasing as 90% of the firms responded that they feel the need to act in this area. As for the relative importance of the various aspects of ESG, 40% of the respondents cited the environment or corporate governance but only a handful of firms emphasized social aspects such as respect for human rights.
5. **Planned capital spending overseas** shows an increase of 19.1% overall, thus recording positive growth for the second consecutive year. In the manufacturing sector, spending shows an increase of 21.2%, as double-digit growth in investment is expected almost across the board, led by transport equipment, electric machinery and general machinery. Capital spending in the non-manufacturing sector is expected to increase, rising 10.9%, led by real estate despite continued spending cuts in mining.