

Characteristics of Planned Capital Spending for FY2022

**Substantial Growth to Regain Pre-Pandemic Level:  
Buoyed by Resumed Investment and Spending on Carbon Neutrality,  
Digitization and Resilience**

**Executive Summary**

**1. Overview of domestic capital spending**

- Domestic capital spending by major firms (capitalized at ¥1 billion or over) fell 3.8% overall in FY2021, the second consecutive year of decline following substantial downward revisions as major investment projects were postponed largely due to the protracted Covid-19 pandemic.
- Planned capital spending for FY2022 shows a sizable increase (up 26.8% overall) to recover the post-pandemic level of FY2019, on the back of the resumption of postponed projects and the acceleration of investment in preparing for a carbon-neutral, digitalized society and for enhancing resilience.

**2. Covid-19, geopolitical risks and supply chains**

- Investment for improving resilience is expected to rise, including strengthening supply chains to ensure economic security such as by maintaining strategic inventories, in the face of mounting risks resulting from the reorganization of the international order triggered by the Ukrainian crisis, price inflation and yen depreciation, in addition to the Covid-19 pandemic.

**3. Investment for carbon neutrality**

- Carbon-neutral investment will still be led by renewable energy, energy conservation and electric vehicles. The share of such investment, up to 13% in overall planned capital spending and 24% in planned R&D investment this year, respectively. Some firms are planning concrete actions including collaboration with suppliers and internal carbon pricing.

**4. Investment in innovation and human resources**

- R&D investment in Transport equipment, Chemicals, and Electric machinery remains in rapid growth while Transport equipment especially develops technologies for CASE and carbon neutralization. Human investment is made in various categories, such as in training enhancement and health management. As for ICT investment, data management and labor saving will be key drivers.

**5. Characteristics of capital spending by region and by medium-sized firms**

- Double-digit increases in investment are expected in most regions, driven by the expansion of production capacity in the manufacturing sector, including for carbon neutrality. Meanwhile,

most medium-sized firms are still struggling to find appropriate carbon-neutral actions, and have high expectations for support measures.