Development Bank of Japan Research Report No. 49

Survey on Planned Capital Spending for Fiscal Years 2004 and 2005 (Conducted in November 2004)

January 2005

Economic and Industrial Research Department
Development Bank of Japan

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Contents

Capital Spending for FY2004 Revised Upward as Profits Increase

Sentiment Remains Positive in Manufacturing for FY2005

I Summary

1. According to revised plans, total capital spending by all industries for FY2004 will rise 8.3%, reflecting increased domestic and foreign demand, mainly in manufacturing, and upward revisions to corporate profits since the previous survey (June 2004). Spending in the manufacturing sector will post a double-digit increase for the second consecutive year (up 22.3%) with upward revisions in most industries, while non-manufacturing spending will increase for the first time in four years (up 1.9%).

2. In the manufacturing sector, capital spending will grow by double digits (up 22.3%). Electric machinery, the driving force behind the increase, will stimulate investment in devices including high-performance semiconductors for specific uses and flat panel displays, as applications have expanded to mobile phones, digital home electric appliances, and automobiles. Spending in the automobile industry will also increase by double digits, led by investment in new models, investment in new technologies and products related to the environment and safety, and investment for the expansion of production capacity in new and existing plants in the country. With this backdrop, substantial growth is expected in related industries such as precision machinery, non-ferrous metals, and cement, ceramics & glass. Moreover, other industries such as chemicals and iron & steel will also boost spending in order to expand production capacity to meet rising demand both in Japan and overseas.

3. In the non-manufacturing sector, capital spending will increase for the first time in four years (up 1.9%). Spending will decline slightly in electric power following the completion of wholesale power supply projects, as well as in telecommunications and information due to the completion of major investment projects in broadcasting. Nevertheless, increased spending is expected in retail as supermarkets continue to develop new outlets, and in leasing due to strong investment by client industries.

4. Regarding motives for investing in the manufacturing sector, the share of "expansion of production capacity" is rising in the materials sub-sector, while the shares of "product development and upgrading" and "research and development" are rising in the processing and assembly sub-sector. These three motives account for over 70% of the increase in capital spending in the manufacturing sector. Above all, capital spending for "research and development" is increasing in all manufacturing industries.

5. According to the present survey, the main feature of planned capital spending for FY2004 is that spending will record double-digit growth for the second year in a row, with upward revisions in almost all manufacturing industries. This strong recovery is the result of several factors:

(1) The current chain reaction of investment triggered by electric machinery has been more extensive and profound than in other recovery phases since the 1990s.

(2) Investment in automobiles has induced spending in related businesses.

(3) Investment for capacity expansion in response to increased demand has also been growing in the materials sub-sector including iron & steel and chemicals, as strong exports to Asia, mainly to China, have been accompanied by a recovery in domestic demand.

(4) Rising corporate profits through higher sales have boosted corporate confidence in capital spending, particularly in the manufacturing sector.

6. Planned capital spending for FY2005 indicates an overall decrease of 3.8%, rising for the third straight year in manufacturing (up 3.8%)

but declining in non-manufacturing (down 6.3%).

Investment in the manufacturing sector is expected to remain strong. Major investment projects are planned in electric machinery for semiconductors and flat panel displays. In automobiles, the development of new domestic production sites will continue, as will investment in new models. Large-scale investment projects for information-processing electronic components are planned in chemicals.

In the non-manufacturing sector, capital spending is expected to decline as electric power will remain sluggish. In transportation and real estate, decreases largely due to the completion of large-scale projects in the previous year are expected.

Capital spending in the years ahead will largely depend on the sustainability of the current economic recovery and the trend of corporate profits.

II Outline

Objectives

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

Scope of Capital Spending

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

Survey Methods

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

Target Firms

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

Date of Survey

November 12, 2004. Most of the responses to the questionnaire were obtained in November.

Responses

	No. of Firms Targeted	No. of Valid Responses	Proportion of Valid Responses
Principal Business Classification	3,638	2,734	75.2%
Investment-specific Classification	4,313	3,292	76.3%

On the Totals

Industrial classification

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

Timing of survey and years covered

The survey is conducted twice a year. Each fiscal year is surveyed five times (except in FY2003 and FY2004; see asterisk below the chart) until the planned investments are materialized.

Timing of survey \ Targeted FY	2001	2002	2003	2004	2005
August 2001	Modified plan	Plan for next FY			
February 2002	Estimate	Initial plan			
August 2002	Actual	Modified plan	Plan for next FY		
February 2003		Estimate	Initial plan		
August 2003		Actual	Modified plan	Plan for next FY	
June 2004*			Actual	Plan for current FY	Plan for next FY
November 2004*				Revised plan for current FY	Revised plan for next FY

Note: The timing of the survey was changed to June and November in FY2004; therefore FY2003 and FY2004 were only surveyed four times each.

III Survey Results

1. Overall Situation

Capital Spending

	FY2004 Planned (2,562 firms)			FY2005 Planned (1,668 firms)		
	FY2003 Actual	FY2004 Planned	Growth Rate (%) 2004/2003	FY2004 Planned	FY2005 Planned	Growth Rate (%) 2005/2004
Total	18,908.2	20,486.6	8.3	9,673.3	9,303.0	-3.8
Manufacturing	5,995.9	7,334.2	22.3	2,349.1	2,438.1	3.8
Non-Manufacturing	12,912.3	13,152.3	1.9	7,324.3	6,864.9	-6.3

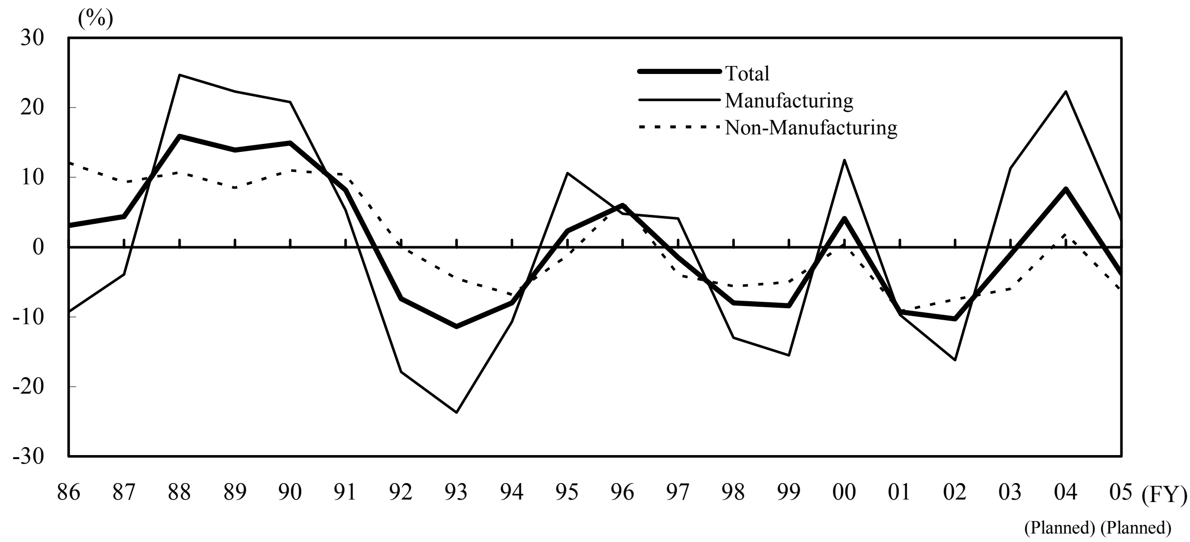
Note: Monetary amounts are in billion yen.

Revision Rate from Previous Survey

	FY2004 Planned	FY2005 Planned
Total	1.8	2.3
Manufacturing	3.4	12.3
Non-Manufacturing	0.9	-0.1

Notes: 1. Revision Rate (%) = [present survey (Nov. 2004) / previous survey (Jun. 2004) – 1]×100.
2. Figures are given as percentages.

Growth in Capital Spending



(1) Planned Capital Spending for FY2004 (revised plan for current fiscal year)

According to revised plans, total capital spending by all industries for FY2004 will rise 8.3%, reflecting increased domestic and foreign demand, mainly in manufacturing, and upward revisions to corporate profits since the previous survey (June 2004). Spending in the manufacturing sector will post a double-digit increase for the second consecutive year (up 22.3%) with upward revisions in most industries, while non-manufacturing spending will increase for the first time in four years (up 1.9%).

Revision from the Previous Survey (June 2004)

In comparison with the previous survey (June 2004), planned investment for FY2004 was revised upwards as a whole (up 1.8%). In manufacturing (up 3.4%), almost all industries show upward revisions, including electric machinery, transport equipment and iron & steel. A slight upward revision is also observed in the non-manufacturing sector (up 0.9%).

Manufacturing Sector

In the manufacturing sector, capital spending will grow substantially (up 22.3%), led by the heavily-weighted electric machinery and automobile industries. In electric machinery, investment in devices including high-performance semiconductors for specific uses and flat panel displays will be stimulated by expanded applications to mobile phones, digital home electronics, and automobiles. On the back of buoyant car sales in the world market, spending in the automobile industry will also increase by double digits, led by investment in new models, investment in new technologies and products related to the environment and safety, and investment for the expansion of production capacity in new and existing plants in the country. With this backdrop, there will be substantial growth in related industries such as precision machinery, non-ferrous metals, and cement, ceramics & glass. Moreover, other industries such as chemicals and iron & steel will also increase spending in order to expand production capacity to meet rising demand both in Japan and overseas.

Non-Manufacturing Sector

In the non-manufacturing sector, capital spending will increase for the first time in four years (up 1.9%). Spending will decline slightly in electric power following the completion of wholesale power supply projects, as well as in telecommunications and information due to the completion of major investment projects in broadcasting. Nevertheless, increased spending is expected in retail as supermarkets continue to develop new outlets, and in leasing due to strong investment by client industries.

Profits and Ratio of Capital Spending to Cash Flow

Projected revenues for FY2004 indicate a second straight year of increases in income and profits for both manufacturing and non-manufacturing. For all industries, total sales will grow 3.4% (5.3% in manufacturing and 1.4% in non-manufacturing), whereas ordinary profits will record a double-digit increase of 18.2% (21.8% in manufacturing and 13.4% in non-manufacturing).

As compared with the results of the previous survey (June 2004), all-industry total sales and ordinary profits were both revised upward, by 1.6% (up 3.6% in manufacturing and down 0.6% in non-manufacturing) and by 9.9% (up 14.8% in manufacturing and up 3.7% in non-manufacturing) respectively.

The present survey reveals a positive correlation between the revision of ordinary profits and revision to capital spending. Of the manufacturers that revised their ordinary profits upwards, 45% have also revised their capital spending upwards, whereas only 30% of them have curtailed investment. This implies that capital spending has been stimulated by upward revisions to corporate profits.

The ratio of capital spending to cash flow (net income plus depreciation expense) remains far below 100% in both manufacturing (60.4%) and non-manufacturing (86.2%). However, the ratio will rise in the manufacturing sector, reflecting investment optimism in electric machinery and automobiles.

After hitting the bottom in FY2002, the ratio of capital spending to depreciation expense rose in both manufacturing (120.9%) and non-manufacturing (110.7%). Capital spending for FY2004 is expected to exceed depreciation expense by about 20%, particularly due to that in the manufacturing sector. For both FY2003 and FY2004, an increasing number of companies responded that capital spending would exceed depreciation expense. Indeed, more than half of the manufacturers plan larger capital spending than depreciation expense.

Investment Motives

Looking at the motives for investing in the manufacturing sector, the share of "expansion of production capacity" is rising in the materials sub-sector, while the shares of "product development and upgrading" and "research and development" are rising in the processing and assembly sub-sector. These three motives account for over 70% of the increase in capital spending in manufacturing. Inter alia, the amount of capital spending for "research and development" is increasing in all manufacturing industries. The share of "product development and upgrading" is the largest it has been since FY1986, when the choice of investment motives was revised.

Research & Development Expenditure

Planned research & development expenditure for FY2004 is up 4.8% for all industries combined, with strong growth of 5.1% in the heavily-weighted manufacturing sector and slight growth of 0.2% in the non-manufacturing sector. As with capital spending, R&D expenditure is expected to rise in almost all manufacturing industries, including electric machinery and transport equipment.

(2) Highlights of This Survey (as regards Planned Capital Spending for FY2004)

According to the present survey, capital spending for FY2004 will record a second straight year of double-digit growth, with upward revisions in almost all manufacturing industries. This strong recovery is the result of several factors:

(i) Due to expanded applications in the field of electronic devices, the current chain reaction of investment triggered by electric machinery has been more extensive and profound than in other recovery phases since the 1990s.

(ii) Investment in automobiles has induced spending in related businesses.

(iii) Investment for capacity expansion in response to increased demand has also been growing in the materials sub-sector including iron & steel and chemicals, as strong exports to Asia, mainly to China, have been accompanied by a recovery in domestic demand.

(iv) Rising corporate profits through higher sales has boosted corporate confidence in capital spending, particularly in the manufacturing sector.

(3) Planned Capital Spending for FY2005

Planned capital spending for FY2005 in manufacturing shows growth of 3.8%, the third consecutive year of increase, with a double-digit upward revision (12.3%) from the previous survey (June 2004). In the non-manufacturing sector, capital spending will decline 6.3%, with no significant movements in comparison with the previous survey. Overall, capital spending is expected to decline 3.8% for all industries in FY2005.

In the manufacturing sector, the investment outlook remains positive. Major investment projects are planned in electric machinery for semiconductors and flat panel displays. In automobiles, the development of new domestic production sites will continue, as will investment in new models. Large-scale investment projects for information-processing electronic materials are planned in chemicals.

In the non-manufacturing sector, capital spending is expected to decline as electric power will remain sluggish. In transportation and real estate, decreases largely due to the completion of large-scale projects in the previous year are expected.

When asked about the outlook for planned capital spending for FY2005, half of the manufacturers and non-manufacturers responded that spending would stay "almost flat." In the manufacturing sector, however, more companies expect an "increase" (26%) than "decrease" (24%). Backed by increases in domestic and foreign demand as well as upward revisions to corporate profits, the outlook for capital spending remains positive particularly in the manufacturing sector.

Capital spending in the years ahead will largely depend on the sustainability of the current economic recovery and the trend of corporate profits.

2. Characteristics of Capital Spending, by Industry

Trends in Capital Spending for FY2004 (Revised Plan for Current Fiscal Year), by Industry

Trends in capital spending in main industries are described below. The figures in parentheses ( ) indicate changes in the rate of growth in capital spending for each industry between FY2003 and FY2004. The figures in brackets [ ] indicate rates of revision from the previous survey (June 2004).

Manufacturing

Food & Beverages

(-11.2% → 18.9%) [*-3.5%*]

The beverages sector, which accounts for a large share of spending, will invest actively in new and expanded production lines as well as in distribution. Spending on measures against bovine spongiform encephalopathy (BSE) will rise in the fodder sector, with many companies in other fields also boosting investment. Overall, there will be a double-digit increase in spending in the industry.

Pulp & Paper

(-9.1%→ -2.0%) [*-3.6%*]

There will be investment in environmental measures including power-generating boilers fueled by biomass and by refuse paper and plastic fuel (RPF), but spending for expanding production capacity will be limited. On balance, the growth of capital spending in the industry will be slightly negative for the third straight year.

Chemicals

(5.3%→ 16.7%) [*1.8%*]

Pharmaceuticals will experience a downturn due to cooling of investment in laboratories and in constructing facilities for producing new drugs. Conversely, the petrochemical sector will boost spending on the construction of product chains (e.g. diversifying raw materials and enhancing facilities for intermediate materials); investment in electronic materials, including components for flat panel displays, will also gather momentum. The industry as a whole will thus see a double-digit increase.

Petroleum

(-11.1%→ 54.2%) [*-6.1%*]

There will be a substantial rise in capital spending in the petroleum sector as spending on desulfurization (sulfur content of 10 ppm or less) at refineries rises ahead of further tightening of environmental regulations.

Cement, Ceramics & Glass

(8.3%→ 40.1%) [*4.9%*]

In cement, investment will rise due to increased spending on recycling and the like. There will also be a wave of investment in substrate glass for flat panel displays, for which there is brisk demand in the digital home electronics market, in ceramic components for automobiles, and in residential appliances and fixtures for rebuilding. The cement, ceramics & glass sector will thus experience a substantial overall increase.

Iron & Steel

(20.2%→ 6.9%) [*9.5%*]

Although major overhauls of blast furnaces will peak, investment is expected to increase for the second consecutive year with upward revisions to spending on expanding production capacity in materials for automobiles and shipbuilding (e.g., slabs and sheet metals) to meet increased demand in domestic and overseas markets.

Non-Ferrous Metals

(12.9%→ 23.4%) [*6.0%*]

Although the industry continues to rein in spending on optical parts and fiber, investment for boosting the production of 300-mm silicon wafers will continue to surge. There will also be spending on new electronic materials and automobile components, as well as on recycling. Overall, there will be a double-digit increase for the second year in a row.

General Machinery

(4.6%→ 26.7%) [*2.0%*]

Spending on office equipment will rise thanks to expansion of research facilities and production plants. There will also be increased investment in construction equipment, for which there is heavy demand overseas, in roller bearings, for which demand is brisk in the automobile industry, as well as in machine tools mainly for electric machinery and automobiles. Investment will thus rise by double digits overall.

Electric Machinery

(34.8%→ 21.8%) [*4.6%*]

The electronic devices sector remains the driving force behind spending. For example, investment will be strong in high-performance semiconductors for specific uses as their applications expand. Large-scale investment projects are also planned for flat panel displays. The industry as a whole will thus experience a double-digit increase for the second consecutive year.

Precision Machinery

(29.5%→ 73.3%) [*2.4%*]

On the back of active investment by semiconductor and liquid crystal (LC) panel manufacturers, spending on new products and research and development facilities will rise in the semiconductor and LC manufacturing field. Investment in bolstering digital camera production will also remain brisk. There will thus be a substantial rise for the second year in a row.

Automobiles

(1.2%→ 27.1%) [*5.3%*]

Backed by the buoyant sales of Japanese-affiliated car manufacturers in the world market, active investment is expected in new models, and in new technologies and products related to the environment and safety, as well as for the expansion of production capacity in new and existing plants in Japan. In particular, parts manufacturers will substantially increase investment for new models and for large-scale development of new and existing key component production facilities. Overall, the industry will experience a rise in capital spending for the fourth consecutive year.

Non-Manufacturing

Construction

(-7.2%→ 2.9%) [*12.2%*]

Investment remains low but is expected to rise as some constructors plan to acquire real estate.

Wholesale & Retail

(9.8%→ 6.3%) [*2.7%*]

The wholesale sector will experience a second straight year of increases in capital spending thanks to investment in distribution centers and other commercial facilities. The retail sector will experience the third consecutive year of increase as supermarkets continue to boost spending on new stores; department stores, convenience stores and home centers are also planning to invest in opening or remodeling outlets. The wholesale & retail sector as a whole will thus experience the third consecutive year of higher capital spending.

Real Estate

(-8.8%→ 0.8%) [*6.2%*]

Although major redevelopment projects in the Tokyo metropolitan area will cool down, capital spending in the whole industry will remain almost flat as investment is expected to increase in expansion and repair works related to commercial facilities, hotels and airports.

Transportation

(-9.3%→ 2.3%) [*-0.1%*]

Railways will experience a decline as the construction of new train lines eases in the Tokyo metropolitan area. Conversely, there will be a rise in spending on airport facilities; spending will also increase in freight transport for developing terminals and acquiring new equipment. Thus, capital spending will rise in the industry as a whole.

Electric Power

(-18.7%→ -4.9%) [*-0.6%*]

The industry will experience the eleventh consecutive year of decline as major spending on wholesale supply by independent power producers (IPPs) eases and the expansion of thermal power sources by general electricity utilities slows down.

Gas

(5.0%→ 2.5%) [*2.3%*]

The heat supply sector will experience a decline in reaction to last year's investment in overhauling operations, but this will be offset by an increase in spending on business facilities in the city gas sector. Capital spending will thus increase slightly.

Telecommunications & Information

(-3.8%→ -0.1%) [*2.6%*]

Telecommunications will strengthen with continued brisk spending on third generation (3G) mobile phones and on expanding the optical fiber network, despite a decline in investment in 2G mobile phones and fixed-line phone operations. Broadcasting will experience a decline now that spending on terrestrial digital broadcasting in the three big broadcast markets has passed its peak. On balance, capital spending in the industry is expected to remain almost flat.

Leasing

(-2.3%→ 6.0%) [*-0.1%*]

Due to strong business investment by client industries, capital spending in leasing will increase as a whole, particularly on industrial machinery and IT equipment, for which demand is rising to replace equipment introduced to address the millennium bug.

Services

(15.9%→ -4.2%)[*-5.5%*]

Capital spending in the services sector will decline overall in reaction to last year's wave of investment in hotels and amusement facilities, despite increased spending on waste recycling.

3. Revisions to Planned Capital Spending

Compared with the results of the previous survey (June 2004), all-industry planned capital spending for FY2004 has been revised upwards by 1.8%, with upward revisions in almost every industry in the manufacturing sector (up 3.4%) and a slight upward revision in the non-manufacturing sector as a whole (up 0.9%).

For FY2005, all-industry planned capital spending has been revised upwards by 2.3% despite a slight downward revision in the non-manufacturing sector (down 0.1%), as a double-digit upward revision was made in the manufacturing sector (up 12.3%), led by transport equipment and electric machinery.

Comparison with Previous Survey (June 2004)

	FY2004 (Planned) (2,562 Firms)			FY2005 (Planned) (1,218 Firms)		
	Amount of Capital Spending		Revision Rate (%)	Amount of Capital Spending		Revision Rate (%)
	Previous (Plan)	Present (Revised Plan)	Present/Previous	Previous (Plan)	Present (Revised Plan)	Present/Previous
Total	20,126.7	20,486.6	1.8	6,175.6	6,319.7	2.3
Manufacturing	7,096.0	7,334.2	3.4	1,209.7	1,358.2	12.3
Non-Manufacturing	13,030.7	13,152.3	0.9	4,965.9	4,961.4	-0.1

Notes: 1. Revision Rate (%) = [present survey (November 2004) / previous survey (June 2004) – 1] × 100.
2. Monetary amounts are in billion yen.

Charts

Chart 1. Ratio of Capital Spending to Cash Flow

	Revenue Growth		Income (Ordinary)		Capital Spending/ Cash Flow Ratio		Capital Spending/ Depreciation Expenses Ratio	
	(1,854 firms)	(1,088 firms)	(1,854 firms)	(1,088 firms)	(1,854 firms)	(1,088 firms)	(1,854 firms)	(1,088 firms)
	FY2004 Planned	FY2005 Planned	FY2004 Planned	FY2005 Planned	FY2004 Planned	FY2005 Planned	FY2004 Planned	FY2005 Planned
Total	3.4	2.2	18.2	4.1	74.5	78.5	114.3	123.7
Manufacturing	5.3	2.5	21.8	0.3	60.4	61.3	120.9	127.7
Non-Manufacturing	1.4	2.0	13.4	12.4	86.2	93.9	110.7	121.6

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

Chart 2. Comparison with Previous Survey (June 2004)

	FY2004 (Planned) (1,816 Firms)			
	(A) Sales	(B) Ordinary Profits	(C) Capital Spending/ Cash Flow Ratio	(D) Capital Spending/ Depreciation Expense Ratio
Total	1.6	9.9	1.9	3.0
Manufacturing	3.6	14.8	0.1	6.7
Non-Manufacturing	-0.6	3.7	4.0	1.0

Notes: 1. (A) and (B) represent revision rates [present survey (November 2004) / previous survey (June 2004) – 1] × 100.
2. (C) and (D) represent percentage point differentials [present survey (November 2004) – previous survey (June 2004)].

Chart 3. Relationship between Corporate Profits and Capital Spending

			Planned Capital Spending (Number of Firms)				Share (%)			
			Total	Upward Revision	Unchanged	Downward Revision	Total	Upward Revision	Unchanged	Downward Revision
Ordinary Profits	Upward Revision	Total	665	269	181	215	100	40	27	32
		Manufacturing	335	151	84	100	100	45	25	30
		Non-Manufacturing	330	118	97	115	100	36	29	35
	Unchanged	Total	687	177	363	147	100	26	53	21
		Manufacturing	260	72	134	54	100	28	52	21
		Non-Manufacturing	427	105	229	93	100	25	54	22
	Downward Revision	Total	464	167	129	168	100	36	28	36
		Manufacturing	174	61	49	64	100	35	28	37
		Non-Manufacturing	290	106	80	104	100	37	28	36
	Total	Total	1,816	613	673	530	100	34	37	29
		Manufacturing	769	284	267	218	100	37	35	28
		Non-Manufacturing	1,047	329	406	312	100	31	39	30

Chart 4. Trend of Ratio of Capital Spending to Cash Flow

FY	Projected Ratio for Current Fiscal Year			
	Survey Month	Total	Manu-facturing	Non-Manufacturing
1995	8/1996	111.1	77.8	138.8
1996	8/1997	114.4	80.4	139.7
1997	8/1998	114.7	84.4	145.3
1998	8/1999	123.9	95.3	145.0
1999	8/2000	111.1	77.1	138.1
2000	8/2001	111.5	84.0	128.6
2001	8/2002	116.6	126.7	112.3
2002	8/2003	90.5	68.8	104.0
2003	6/2004	74.4	55.7	88.6
2004	11/2004	74.5	60.4	86.2
2005	11/2004	78.5	61.3	93.9

Chart 5. Trend of Ratio of Capital Spending to Depreciation Expenses

FY	Actual Ratio in Previous Fiscal Year			
	Survey Month	Total	Manu-facturing	Non-Manufacturing
1995	8/1996	139.0	113.7	155.1
1996	8/1997	141.3	116.1	155.9
1997	8/1998	137.4	118.9	151.3
1998	8/1999	125.8	105.0	139.1
1999	8/2000	117.5	85.7	140.6
2000	8/2001	124.6	101.3	137.5
2001	8/2002	109.0	96.8	116.1
2002	8/2003	101.1	86.9	108.4
2003	6/2004	105.3	98.9	108.6
2004	11/2004	114.3	120.9	110.7
2005	11/2004	123.7	127.7	121.6

Notes: 1. Shaded figures represent results of the present survey.
2. Actual figures through FY2003. Planned figures for FY2004 and FY2005.
3. Figures are given as percentages.

Chart 6. Percentage of Companies with Capital Spending Exceeding Depreciation Expense

FY	Projected Percentage for Current Fiscal Year				Actual Ratio in Previous Fiscal Year			
	Survey Month	Total	Manufacturing	Non-Manufacturing	Survey Month	Total	Manufacturing	Non-Manufacturing
2002					8/2003	34.1	28.5	38.0
2003	8/2003	38.2	39.3	37.4	6/2004	36.8	35.7	37.7
2004	11/2004	43.6	51.5	37.9				

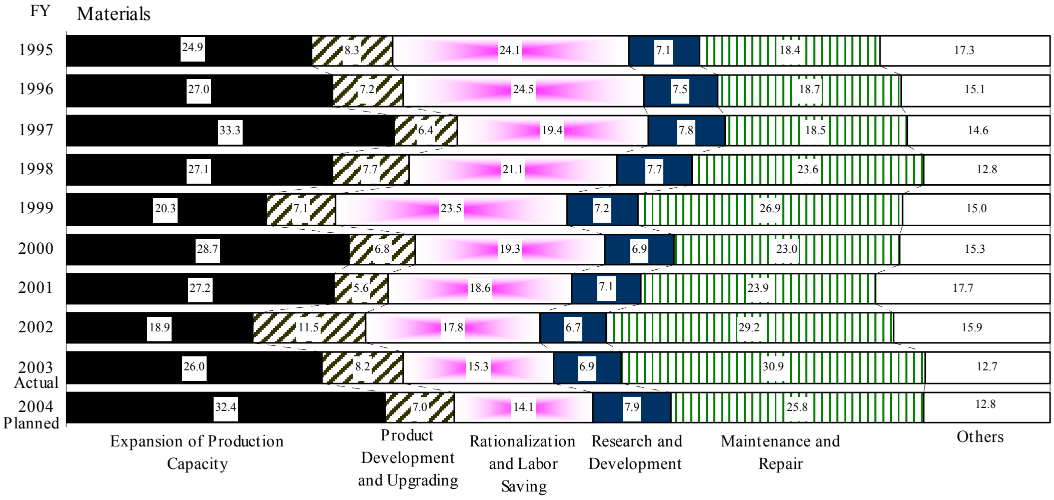
Notes: 1. Shaded figures represent results of the present survey.
2. Figures are given as percentages.

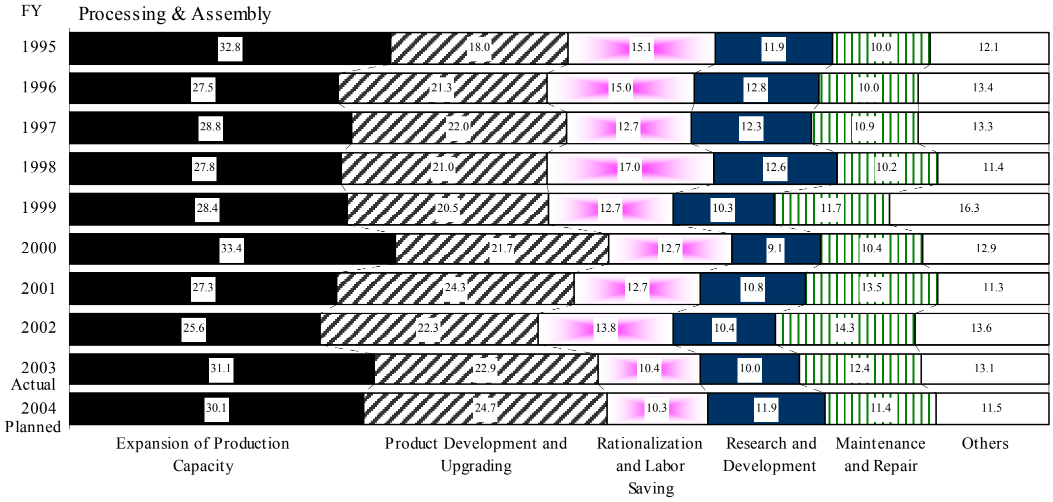
Chart 7. Investment Motives

	Total (1,991 firms)		Manufacturing		Materials		Processing & Assembly		Non-Manufacturing	
	FY2003 Actual	FY2004 Planned	FY2003 Actual	FY2004 Planned	FY2003 Actual	FY2004 Planned	FY2003 Actual	FY2004 Planned	FY2003 Actual	FY2004 Planned
Expansion of Production Capacity	39.9	39.1	29.5	30.4	26.0	32.4	31.1	30.1	45.2	44.5
Product Development and Upgrading	8.4	9.7	17.8	19.0	8.2	7.0	22.9	24.7	3.6	4.0
Rationalization and Labor Saving	7.0	7.0	12.0	11.4	15.3	14.1	10.4	10.3	4.4	4.2
Research and Development	3.8	4.8	8.8	10.4	6.9	7.9	10.0	11.9	1.2	1.3
Maintenance and Repair	19.8	19.4	18.6	16.5	30.9	25.8	12.4	11.4	20.4	21.1
Others	21.2	20.1	13.4	12.3	12.7	12.8	13.1	11.5	25.1	25.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Notes: 1. For the purpose of this table, "Research and Development" represents the share of investment for research and development in total domestic investment in the tangible fixed assets of one's own corporation and therefore differs from the R&D expenditure on Chart 9. The same applies to Chart 8.
2. Figures are given as percentages.

Chart 8. Long-term Trend of Investment Motives





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

Chart 9. Overview of R&D Expenditure (FY2004 - FY2005)

	FY2004 (Planned) (1,576 Firms)			FY2005 (Planned) (1,211 Firms)			Share of R&D Expenditure (%)	
	FY2003 Actual	FY2004 Planned	Growth Rate (%) 2004/2003	FY2004 Planned	FY2005 Planned	Growth Rate (%) 2005/2004	FY2004 Planned	FY2005 Planned
Total	5,016.5	5,258.3	4.8	1,821.3	1,865.3	2.4	100.0	100.0
Manufacturing	4,738.4	4,979.5	5.1	1,740.0	1,779.5	2.3	94.7	95.4
Non-Manufacturing	278.1	278.8	0.2	81.3	85.8	5.5	5.3	4.6

Note: Monetary amounts are in billion yen.

Chart 10. Comparison with Previous Survey (June 2004)

	FY2004 (Planned) (1,530 Firms)		
	R&D Expenditure		Revision Rate (%)
	Previous	Present	Previous/Present
Total	5,017.7	5,019.1	0.0
Manufacturing	4,746.0	4,748.5	0.1
Non-Manufacturing	271.7	270.6	-0.4

Note: Monetary amounts are in billion yen.

Chart 11. Capital Spending by Industry

	Capital Spending				Growth Rate (%)		Component Rate (%)	
	2,562 firms		1,668 firms					
	FY2003 Actual	FY2004 Planned	FY2004 Planned	FY2005 Planned	2004/2003	2005/2004	FY2004 Planned	FY2005 Planned
Total	18,908.2	20,486.6	9,673.3	9,303.0	8.3	-3.8	100.0	100.0
Manufacturing	5,995.9	7,334.2	2,349.1	2,438.1	22.3	3.8	35.8	26.2
Food and Bevarages	324.9	386.2	90.3	105.3	18.9	16.6	1.9	1.1
Textiles	70.5	67.0	26.1	27.1	-4.9	3.6	0.3	0.3
Pulp and Paper	170.8	167.4	60.5	58.7	-2.0	-2.9	0.8	0.6
Chemicals	843.4	984.7	239.7	265.9	16.7	10.9	4.8	2.9
Petroleum	137.8	212.6	89.4	88.4	54.2	-1.1	1.0	1.0
Cement, Ceramics and Glass	173.9	243.6	130.4	127.2	40.1	-2.4	1.2	1.4
Iron and Steel	386.3	413.1	180.1	169.2	6.9	-6.0	2.0	1.8
Non-Ferrous Metals	204.3	252.1	93.9	93.3	23.4	-0.7	1.2	1.0
General Machinery	398.6	505.1	168.7	178.6	26.7	5.9	2.5	1.9
Electric Machinery	1,548.2	1,885.3	500.7	533.1	21.8	6.5	9.2	5.7
(Electric Devices, etc.)	(1,150.7)	(1,415.4)	(345.5)	(375.5)	(23.0)	(8.7)	(6.9)	(4.0)
Precision Machinery	128.3	222.3	30.4	27.1	73.3	-10.7	1.1	0.3
Transportation	1,220.1	1,542.9	601.8	627.2	26.5	4.2	7.5	6.7
(Automobiles)	(1,143.2)	(1,453.3)	(581.1)	(608.5)	(27.1)	(4.7)	(7.1)	(6.5)
Other Manufacturing	388.7	452.0	137.1	137.0	16.3	-0.1	2.2	1.5
Non-Manufacturing	12,912.3	13,152.3	7,324.3	6,864.9	1.9	-6.3	64.2	73.8
Construction	145.7	149.8	59.9	52.3	2.9	-12.7	0.7	0.6
Wholesale and Retail	991.7	1,054.5	489.6	409.8	6.3	-16.3	5.1	4.4
(Retail)	(823.7)	(882.4)	(378.0)	(350.3)	(7.1)	(-7.3)	(4.3)	(3.8)
Real Estate	764.3	770.6	469.2	357.8	0.8	-23.7	3.8	3.8
Transportation	1,874.8	1,918.7	943.7	712.1	2.3	-24.5	9.4	7.7
Electric Power and City Gas	2,401.4	2,303.7	2,190.3	2,077.1	-4.1	-5.2	11.2	22.3
(Electric Power)	(2,142.2)	(2,038.0)	(1,966.3)	(1,861.2)	(-4.9)	(-5.3)	(9.9)	(20.0)
(City Gas)	(259.2)	(265.8)	(224.0)	(215.9)	(2.5)	(-3.6)	(1.3)	(2.3)
Telecom. and Information	2,556.7	2,554.1	300.9	293.7	-0.1	-2.4	12.5	3.2
Leasing	3,853.8	4,084.2	2,734.9	2,872.7	6.0	5.0	19.9	30.9
Services	282.7	270.9	125.3	79.2	-4.2	-36.8	1.3	0.9
Other Non-Manufacturing	41.2	45.8	10.6	10.2	11.0	-3.4	0.2	0.1

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

Chart 12. Long-term Trend of Capital Spending, by Timing of Survey

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

Notes: 1. As of June 2004, the survey months changed from August and February to June and November, respectively. Therefore, light shaded ( ) figures represent results of the June survey (i.e., read "June" rather than "August"), and dark shaded ( ) figures represent the November survey (i.e., read "November" rather than "February"). And the formerly named "Estimated Actual as of February of Following Yr." column should read as "Plans as of November of Current Yr."

2. Figures are given as percentages.

Chart 13. Revisions from Previous Survey (June 2004), by Industry

	FY2004 (2,562 firms)			FY2005 (1,218 firms)		
	Capital Spending		Revision Rate (%)	Amount of Capital Spending		Revision Rate (%)
	Previous Survey	Present Survey	Present/Previous	Previous Survey	Present Survey	Present/Previous
Total	20,126.7	20,486.6	1.8	6,175.6	6,319.7	2.3
Manufacturing	7,096.0	7,334.2	3.4	1,209.7	1,358.2	12.3
Food and Bevarages	400.3	386.2	-3.5	44.6	56.5	26.7
Textiles	64.6	67.0	3.7	10.5	13.0	23.2
Pulp and Paper	173.6	167.4	-3.6	39.9	40.3	1.0
Chemicals	967.0	984.7	1.8	144.7	156.9	8.5
Petroleum	226.4	212.6	-6.1	47.8	54.1	13.2
Cement, Ceramics and Glass	232.2	243.6	4.9	24.3	44.7	84.0
Iron and Steel	377.2	413.1	9.5	152.9	160.9	5.2
Non-Ferrous Metals	237.9	252.1	6.0	91.5	87.2	-4.7
General Machinery	495.3	505.1	2.0	57.6	68.1	18.2
Electric Machinery	1,803.1	1,885.3	4.6	340.1	370.6	9.0
(Electric Devices, etc.)	(1,336.3)	(1,415.4)	(5.9)	(229.9)	(247.7)	(7.7)
Precision Machinery	217.1	222.3	2.4	7.4	8.7	17.5
Transportation	1,463.4	1,542.9	5.4	170.5	215.3	26.2
(Automobiles)	(1,380.3)	(1,453.3)	(5.3)	(157.4)	(196.6)	(24.9)
Other Manufacturing	438.1	452.0	3.2	77.9	82.1	5.3
Non-Manufacturing	13,030.7	13,152.3	0.9	4,965.9	4,961.4	-0.1
Construction	133.6	149.8	12.2	32.6	37.4	14.7
Wholesale and Retail	1,026.5	1,054.5	2.7	282.3	259.3	-8.1
(Retail)	(876.2)	(882.4)	(0.7)	(208.6)	(210.9)	(1.1)
Real Estate	725.3	770.6	6.2	221.6	224.2	1.2
Transportation	1,920.5	1,918.7	-0.1	609.2	629.3	3.3
Electric Power and City Gas	2,309.8	2,303.7	-0.3	1,957.2	1,950.1	-0.4
(Electric Power)	(2,050.1)	(2,038.0)	(-0.6)	(1,741.6)	(1,734.4)	(-0.4)
(City Gas)	(259.7)	(265.8)	(2.3)	(215.6)	(215.7)	(0.0)
Telecom. and Information	2,490.5	2,554.1	2.6	239.5	238.9	-0.2
Leasing	4,087.2	4,084.2	-0.1	1,556.6	1,560.7	0.3
Services	286.7	270.9	-5.5	56.7	51.9	-8.5
Other Non-Manufacturing	50.5	45.8	-9.4	10.2	9.6	-5.6

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

Chart 14. Long-term Trend of Revision Rate from Previous Survey

Fiscal Year	Timing of Survey	Plan for Current Year: Total	(Excluding Electric Power)	Manufacturing	Non-Manufacturing	(Excluding Electric Power)	Plan for Next Year: Total	(Excluding Electric Power)	Manufacturing	Non-Manufacturing	(Excluding Electric Power)
1974	2/1975	-7.0	(-6.4)	-6.5	-7.7	(-6.3)	-14.2	(-13.1)	-11.6	-16.3	(-15.6)
1975	2/1976	-10.6	(-11.4)	-10.8	-10.4	(-12.9)	-10.7	(-13.8)	-18.0	-4.4	(-5.4)
1976	2/1977	-4.1	(-4.5)	-4.3	-3.9	(-4.9)	-1.8	(-2.2)	-3.1	-0.9	(-0.5)
1977	2/1978	-4.6	(-5.3)	-5.0	-4.2	(-6.0)	-5.4	(-8.6)	-10.4	-2.5	(-5.6)
1978	2/1979	-0.3	(-2.2)	-1.8	0.6	(-2.6)	2.3	(6.4)	6.3	0.6	(6.4)
1979	2/1980	-0.3	(1.6)	2.1	-2.0	(0.6)	12.1	(16.5)	21.4	9.1	(12.0)
1980	2/1981	0.0	(1.2)	1.7	-1.2	(0.4)	3.9	(10.9)	16.3	-1.3	(4.4)
1981	2/1982	-1.1	(-1.3)	-1.4	-0.9	(-1.2)	0.6	(4.2)	5.5	-1.6	(2.8)
1982	2/1983	-1.6	(-1.3)	-3.2	-0.2	(2.1)	-3.8	(-1.0)	-4.1	-3.6	(2.9)
1983	2/1984	0.6	(-1.8)	-1.5	2.2	(-2.2)	2.1	(5.8)	10.5	-2.1	(0.8)
1984	2/1985	0.5	(1.2)	2.8	-1.6	(-1.5)	6.2	(9.5)	13.2	3.0	(6.1)
1985	2/1986	-1.4	(-1.5)	-2.5	-0.7	(-0.5)	2.7	(2.0)	2.9	2.6	(1.3)
1986	2/1987	-2.0	(-2.8)	-3.4	-1.1	(-2.9)	0.4	(0.3)	1.2	0.2	(-0.0)
1987	2/1988	2.4	(3.3)	1.9	2.7	(4.4)	9.4	(15.0)	13.2	8.5	(15.8)
1988	2/1989	1.5	(1.8)	2.2	1.0	(1.4)	9.5	(12.3)	17.4	5.4	(8.1)
1989	2/1990	0.1	(0.1)	0.1	0.1	(0.0)	9.8	(12.9)	18.8	5.7	(8.7)
1990	2/1991	-0.6	(0.7)	-0.8	-0.4	(-0.6)	1.4	(1.4)	0.7	1.7	(1.8)
1991	2/1992	-1.9	(-2.2)	-2.8	-1.3	(-1.6)	0.6	(0.7)	1.8	0.2	(0.1)
1992	2/1993	-4.2	(-5.2)	-5.8	-3.2	(-4.7)	-5.3	(-8.0)	-6.9	-4.8	(-8.5)
1993	2/1994	-4.2	(-5.1)	-6.9	-2.8	(-4.0)	-3.5	(-5.4)	-2.8	-3.6	(-6.5)
1994	2/1995	-2.3	(-2.7)	-3.6	-1.7	(-2.1)	1.6	(3.2)	5.6	0.7	(2.1)
1995	2/1996	-0.3	(0.5)	0.3	-0.5	(0.6)	4.1	(8.6)	10.1	3.2	(8.2)
1996	2/1997	-0.5	(-0.5)	-1.5	-0.0	(0.2)	4.7	(7.9)	6.6	4.4	(8.3)
1997	2/1998	-1.7	(-1.3)	-1.3	-1.9	(-1.3)	1.1	(3.3)	-2.4	1.7	(5.0)
1998	2/1999	-2.0	(-2.2)	-4.1	-1.0	(-1.0)	0.1	(-0.3)	-7.5	1.2	(1.7)
1999	2/2000	-0.4	(0.0)	-1.8	0.2	(1.1)	6.9	(11.1)	2.8	7.5	(13.4)
2000	2/2001	0.4	(0.7)	2.6	-0.7	(-0.5)	3.8	(5.7)	7.9	2.8	(4.9)
2001	2/2002	-7.2	(-8.4)	-12.2	-4.5	(-5.8)	-3.2	(-4.5)	-8.7	-2.3	(-3.4)
2002	2/2003	-3.0	(-3.5)	-4.7	-2.2	(-2.8)	0.0	(0.1)	7.6	-1.3	(-1.9)
2003											
2004	11/2004	1.8	(2.1)	3.4	0.9	(1.2)	2.3	(3.4)	12.3	-0.1	(0.1)

Notes:
1. Until FY2002, figures represent revision rates from August of the current fiscal year to February of the current fiscal year (February of the next calendar year).
2. No data are available for FY2003 as the February survey was not conducted due to change in the timing of survey.
3. Figures for FY2004 represent revision rates from June of the current fiscal year to November of the current fiscal year.
4. Figures are given as percentages.

List of Back Numbers (Including JDB Research Report)

No. 49 Survey on Planned Capital Spending for Fiscal Years 2004 and 2005 (Conducted in November 2004) (this issue)

No. 48 Recent Trends in the Japanese Economy: Medium-term Outlook of Japanese Industrial Structure, January 2005

No. 47 Survey on Planned Capital Spending for Fiscal Years 2003, 2004 and 2005 (Conducted in June 2004), September 2004

No. 46 Recent Trends in the Japanese Economy: Impact of Rising International Commodity Prices on Corporate Input/Output Behavior, September 2004

No. 45 How Life Cycle Assessment (LCA) Can Enhance the Fight against Global Warming, August 2004

No. 44 Recent Trends in the Japanese Economy: A Medium-term Scenario for the Japanese Economy with Special Focus on the Flow of Funds and Finance, March 2004

No. 43 Survey on Planned Capital Spending for Fiscal Years 2002, 2003 and 2004 (Conducted in August 2003), November 2003

No. 42 Promoting Corporate Measures to Combat Global Warming: An Analysis of Innovative Activities in the Field, September 2003

No. 41 Prospects and Challenges for End-of-Life Vehicle Recycling, May 2003

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