FY2025

Survey on Business Conditions of Japanese Companies in North America

—Overcoming Uncertainty to Expand Operating Profit with Continued Focus on U.S. Markets

Japan External Trade Organization (JETRO)

Research and Analysis Department

February 25, 2026

Table of Contents

Survey Result Highlights

■ Profit projections have increased—slight increase in the U.S., the highest since 2000 in Canada

- ❖ For 2025, **66.5% of Japanese companies in the U.S. and 80.5% in Canada expect to turn a profit**. **The percentage for the U.S. slightly increased** by 0.3 percentage points from the previous year (p. 8), whereas the figure for **Canada** has reached **the highest since 2000,** driven primarily by surging resource prices (p. 35).
- ❖ **In the U.S., fewer respondents saw a YoY increase** in operating profit forecast due to cost increases and economic uncertainty caused by tariffs. As a result, **the 2025 business sentiment has reached the lowest level since 2020** (p. 11).
- ❖ Some common reasons for decreased operating profit forecasts are **rising procurement costs and decreasing demand in the U.S. market,** which are attributed to the Trump tariffs. Another frequently selected reason was rising labor costs—a factor also hindering recruitment efforts (p.11).

■ Trump tariffs attract interest in U.S. domestic sourcing

- ❖ Regarding **suppliers for raw materials and parts,** Japanese companies in the U.S. reported **88 shifts to U.S. sourcing**, **more than twice the previous year's level**. In particular, a notable number of respondents answered that they planned to switch from China (23) and Japan (45) to the U.S. Moreover, many companies intended to shift from China to Japan (17) and ASEAN countries (21) (p. 24).
- ❖ Production site trends were similar, with the number of planned shifts to the U.S. **increasing** from **11** in 2024 to **34.** In particular, **the number of shifts from Japan was 18, the highest since the survey on supplier and production site changes began in FY2019** (p. 25).
- ❖ As for the types of Trump tariffs affecting operating profits, **many companies selected "tariffs on Japanese products (73.9%)" and "reciprocal tariffs excluding Japan (57.2%)."** For specific impacts, they selected "**increasing procurement and import costs"** and **"decreasing cost competitiveness in the U.S. market"** (p. 17).
- ❖ Although the majority of the respondents cited "**passing on increased costs to customers"** as a countermeasure, a noticeable share of respondents answered they were **struggling to negotiate prices** (p. 19).

■ As local market demand increases, 50% of Japanese companies in the U.S. expect business expansion in the next one to two years

- ❖ While many Japanese companies in the U.S. acknowledge that tariffs and relevant policies will increase the uncertainty of the U.S. economy, **48.3% of them expect to expand their business in the next one to two years, maintaining a similar level to 2024** (48.6%) (p. 26).
- ❖ The reasons for expansion include **"increasing demand in local markets,"** specifically the growth expectations in the **semiconductor** and **data center** industries/sectors (p. 27).
- ❖ For Canada, **regarding business directions in the next one to two years, a higher percentage of respondents** selected **"remaining the same" than those planning for "expansion."** Among those that selected "remaining the same," a substantial number of respondents answered that **the market outlook is uncertain because of the Trump administration's trade policies** (p. 49).

JETRO

The United States
(44th Annual Survey)

Back to Table of Contents

1 Summary of this year's survey

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese affiliated companies operating in the U.S., and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 4-25, 2025

Valid responses

34.8%
(652 out of 1,871 companies)

Scope of Survey

Japanese-affiliated manufacturers and non-manufacturers operating in the U.S. that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese companies in the U.S.

Note

This is the 44th annual survey, conducted since 1981 (not conducted in 2004).

Breakdown of responding companies by industry and state

(Unit：Company, %)

	Total	Comp. Ratio		Total	Comp. Ratio
All Industries				652	100
By Industry					
Manufacturing	356	54.6	Non-manufacturing	296	45.4
Automotive etc. parts	55	8.4	Sales Companies/ Sales Subsidiaries	99	15.2
Chemicals/Medicines	52	8.0	Trading/Wholesale	54	8.3
General machinery	41	6.3	Transport	29	4.4
Iron/Non-ferrous metals/ Fabricated metal products	38	5.8	Information and communications	23	3.5
Electrical machinery/ Electronic device	33	5.1	Professional and technical services	18	2.8
Food	30	4.6	Travel/Amusement	15	2.3
Plastic products	23	3.5	Finance/Insurance	12	1.8
Electrical machinery parts/ Electronic device parts	15	2.3	Construction	11	1.7
Rubber/Ceramic/ Stone and clay products	15	2.3	Mining/Energy	7	1.1
Precision machines/ Medical equipment	13	2.0	Real estate and leasing	6	0.9
Paper/Wood products/Printing	8	1.2	Retail trade	5	0.8
Automobiles etc.	7	1.1	Restaurant	3	0.5
Railway/Transport vehicles etc.	4	0.6	Other non-manufacturing	14	2.1
Textiles/Apparel	2	0.3			
Railway/Transport vehicles etc.	1	0.2			
Other manufacturing	19	2.9			

(1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
(2) The companies that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
(3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
(4) In cases where the denominator of the number of respondents for a given choice did not meet a certain number, that industry/choice was excluded from the survey.

Back to Table of Contents

2 The States Where Respondents Are Located

Breakdown of Locations of the Respondents and Their Main Plants

(Unit：Company)

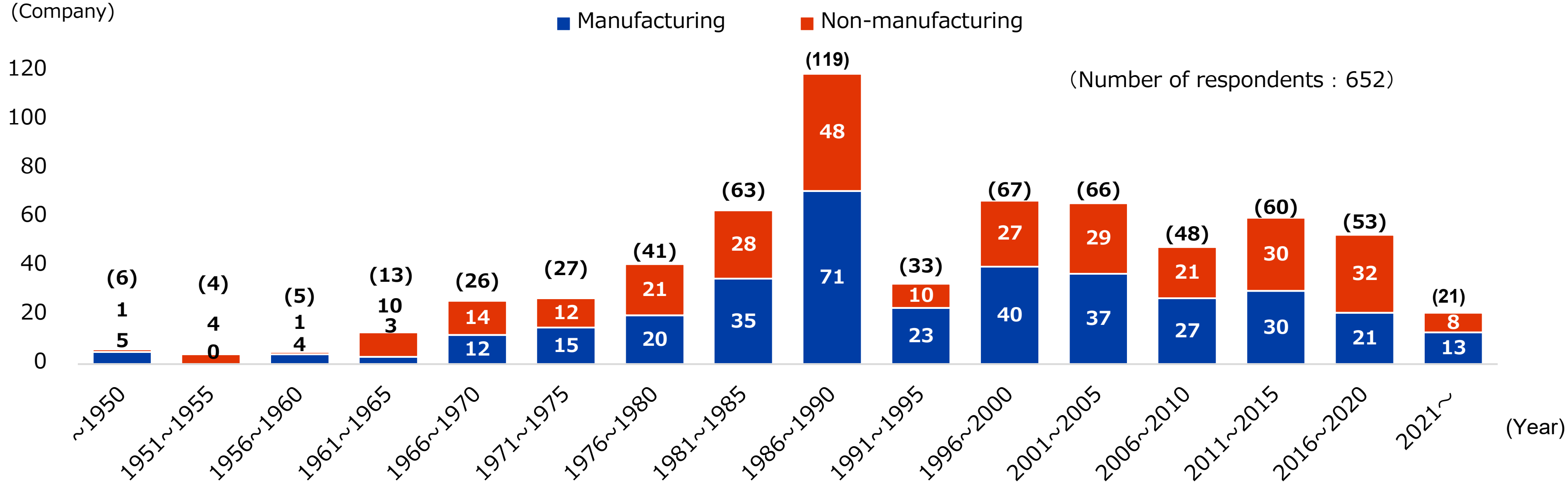
	State where the company headquarters is located			State where the factory is located
number of respondents	652			411
	Manufacturing	Non-manufacturing	Total	Total
Northeast	31	66	97	38
CT Connecticut	1	1	2	2
ME Maine	0	0	0	0
MA Massachusetts	6	4	10	6
NH New Hampshire	0	0	0	0
NJ New Jersey	5	14	19	4
NY New York	10	47	57	9
PA Pennsylvania	8	0	8	16
RI Rhode Island	1	0	1	1
VT Vermont	0	0	0	0
Midwest	108	58	166	111
IL Illinois	44	33	77	22
IN Indiana	14	1	15	19
IA Iowa	0	0	0	0
KS Kansas	3	1	4	9
MI Michigan	15	17	32	14
MN Minnesota	1	0	1	1
MO Missouri	1	0	1	2
NE Nebraska	2	0	2	3
ND North Dakota	0	0	0	0
OH Ohio	23	6	29	32
SD South Dakota	1	0	1	1
WI Wisconsin	4	0	4	8

	State where the company headquarters is located			State where the factory is located
	Manufacturing	Non-manufacturing	Total	Total
South	131	61	192	183
AL Alabama	10	0	10	13
AR Arkansas	0	0	0	1
DE Delaware	0	0	0	0
FL Florida	5	4	9	6
GA Georgia	40	12	52	45
KY Kentucky	16	5	21	26
LA Louisiana	0	0	0	1
MD Maryland	2	0	2	0
MS Mississippi	2	0	2	6
NC North Carolina	6	4	10	9
OK Oklahoma	0	0	0	0
SC South Carolina	3	1	4	10
TN Tennessee	20	5	25	24
TX Texas	20	26	46	28
VA Virginia	1	2	3	7
WV West Virginia	5	0	5	7
DC WashingtonDC	1	2	3	0
West	86	111	197	79
AK Alaska	0	0	0	0
AZ Arizona	7	2	9	9
CA California	65	97	162	46
CO Colorado	0	3	3	3
HI Hawaii	1	4	5	2
ID Idaho	0	0	0	0
MT Montana	0	0	0	0
NV Nevada	2	1	3	1
NM New Mexico	0	0	0	2
OR Oregon	3	3	6	7
UT Utah	2	0	2	2
WA Washington	6	1	7	6
WY Wyoming	0	0	0	1
Total	356	296	652	411

Back to Table of Contents

3 | Respondents’ Establishment Year, Number of Sites and Plants

Respondents’ year of establishment



Respondents’ number of sites

# of respondents	593			
Number of sites	Number of companies (n)			Number of sites
	Manufacturing	Non-manufacturing	Total	Total
～5	302	225	527	2,063
6～10	25	16	41	
11～15	7	6	13	
16～20	1	1	2	
21～25	0	2	2	
26～30	0	0	0	
30 or more	1	7	8	
Total	336	257	593	

Respondents’ number of plants

# of respondents	508			
Number of sites	Number of companies (n)			Number of sites
	Manufacturing	Non-manufacturing	Total	Total
No factories	71	182	253	489
1～5	230	13	243	
6～10	9	0	9	
11 or more	2	1	3	
Total	312	196	508	

Back to Table of Contents

4 Number of employees and employees dispatched from Japan: The medians are 38.5 and 3, respectively

- The total number of respondents' employees was 329,771, with an average of 506 and median of 38.5 per company. By industry, the median for manufacturers was 92.5 and that for non-manufacturers was 14.
- The total number of respondents' employees dispatched from Japan (expats) was 5,952, with an average of 9.1 and median of 3 per company. By industry, the median for manufacturers was 4 and that for non-manufacturers was 3.

Average and median numbers of employees

(Unit: People)

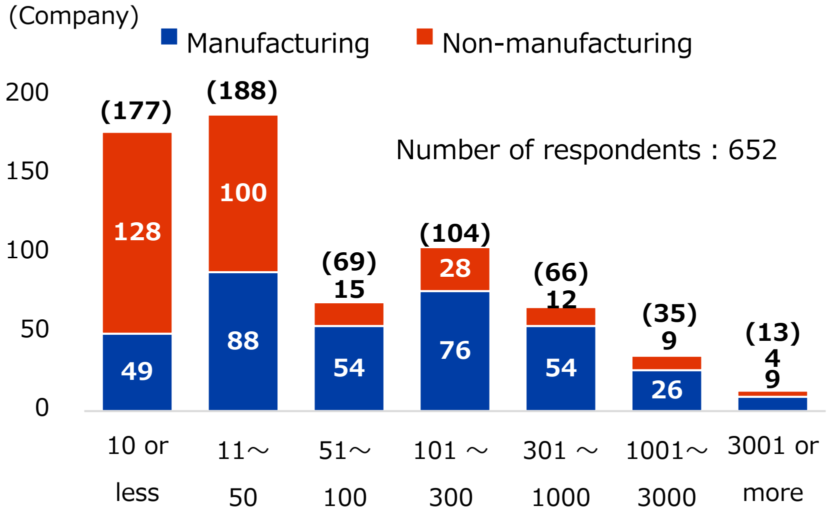
	Total number of employees	Average	Median
Total (652)	329,771	505.8	38.5
Manufacturing (356)	227,839	640.0	92.5
Non-manufacturing(296)	101,932	344.4	14.0

Average and median numbers of employees dispatched from Japan per company

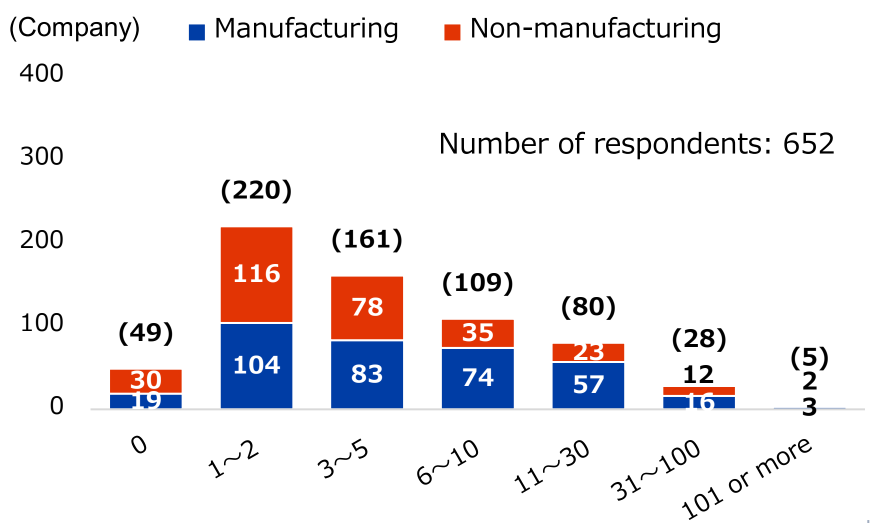
(Unit: People)

	Number of employees dispatched from Japan	Average	Median
Total (652)	5,952	9.1	3
Manufacturing (356)	3,841	10.8	4
Non-manufacturing(296)	2,111	7.1	3

Number of employees by industry



Number of employees dispatched from Japan by industry

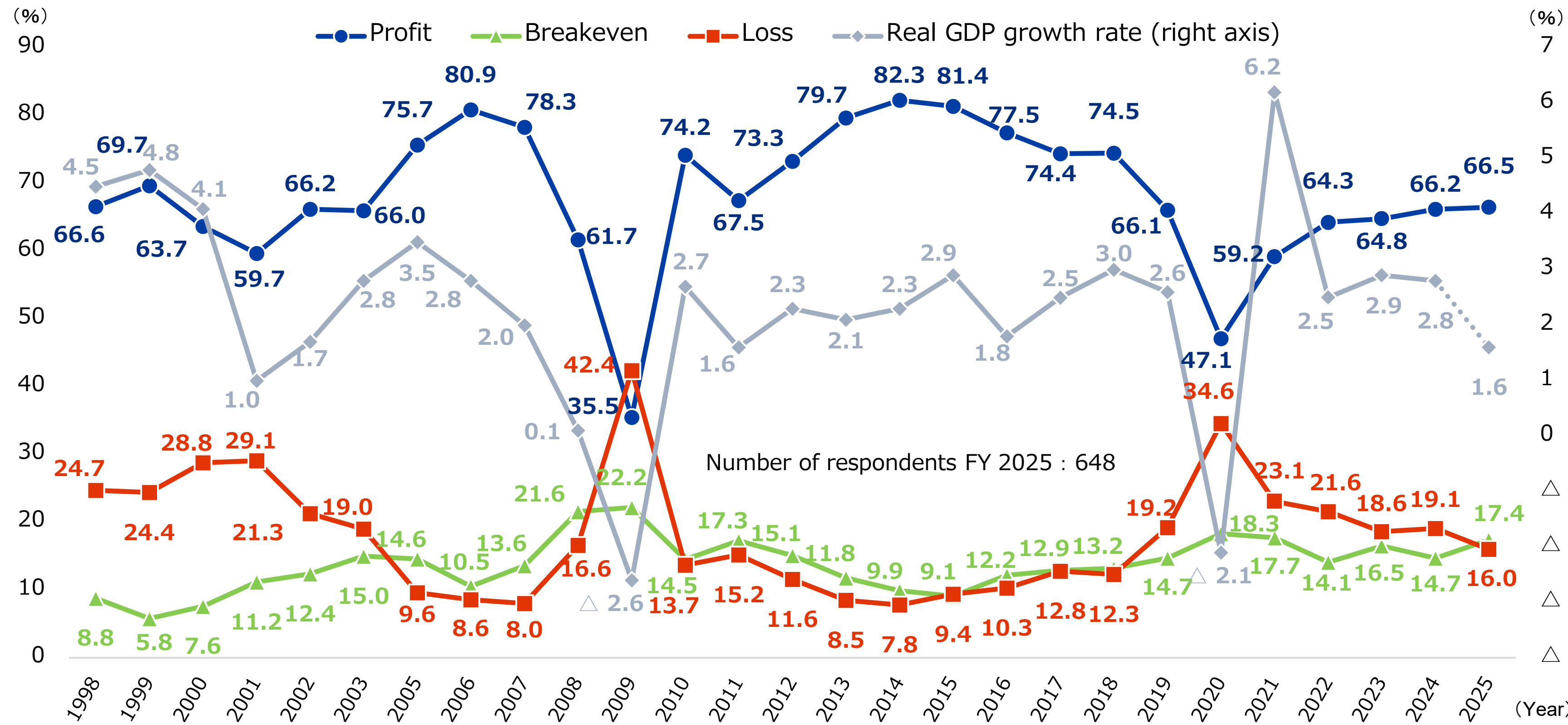


Back to Table of Contents

1 Operating profit forecasts for 2025: Companies projecting a profit increased to the mid-60% range, while the percentage forecasting a loss is on a declining trend

- The percentage of companies anticipating a profit for 2025 was 66.5%, slightly up by 0.3 percentage points from the previous year (66.2%).
- The share of those projecting a loss was 16.0%, down 3.1 percentage points from the previous year (19.1%), maintaining a downward trend since reaching the highest level (34.6%) in 2020.

Operating profit forecasts and U.S. real GDP growth rate



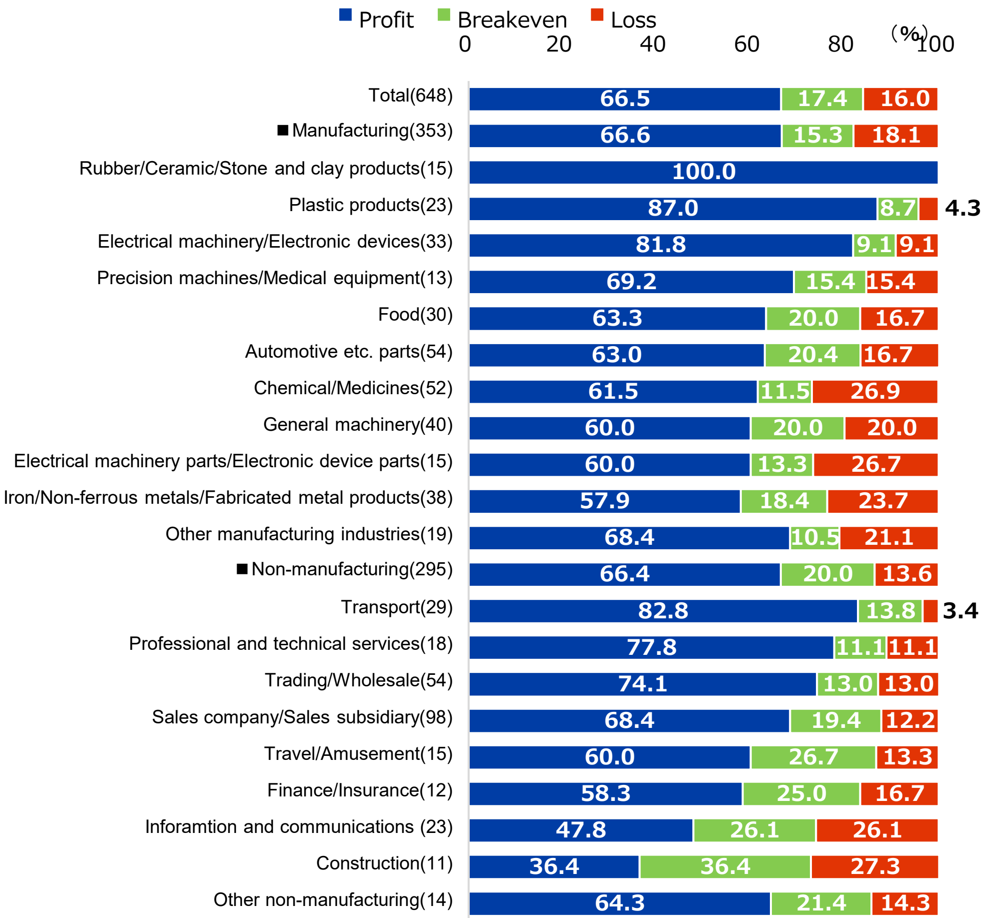
(Note) Real GDP growth rates through 2024 are based on data published by the U.S. Bureau of Economic Analysis (BEA) in September 2025.
The 2025 real GDP growth rate is the median rate projected by the participants of the Federal Open Market Committee (FOMC) meeting held in September 2025.
The survey was not conducted in FY2004.

Back to Table of Contents

2 Operating profit forecasts for 2025 (by industry): Over 80% project profitability in rubber/ceramic/stone and clay products, transport, etc.

- By industry, for operating profit forecasts in manufacturing, rubber/ceramic/stone and clay products led (100%), followed by plastic products (87.0%). In non-manufacturing, transport, among other industries, led with 82.8% expecting profitability.
- Companies expecting losses attributed them to rising costs due to tariff hikes, deteriorating market environments, and cost increases driven by inflation, including surging labor and raw material costs.

2025 operating profit forecast (by industry)



(Note) Only industries with 10 or more valid responses are shown.

Factors contributing to positive operating profit outlooks (specific comments)

- Cost pass-through to customers, cost reduction through rationalization, increased vehicle production volume [Automotive etc. parts]
- Increased order volume driven primarily by rising demand from data centers, along with growth across other sectors [Electrical machinery parts/electronic device parts]
- Increased demand for advanced semiconductor materials, demand related to AI data centers [Sales companies]
- Tourism and business demands, post-Covid market recovery [Travel/amusement, transport]

Factors contributing to negative operating profit outlooks (specific comments)

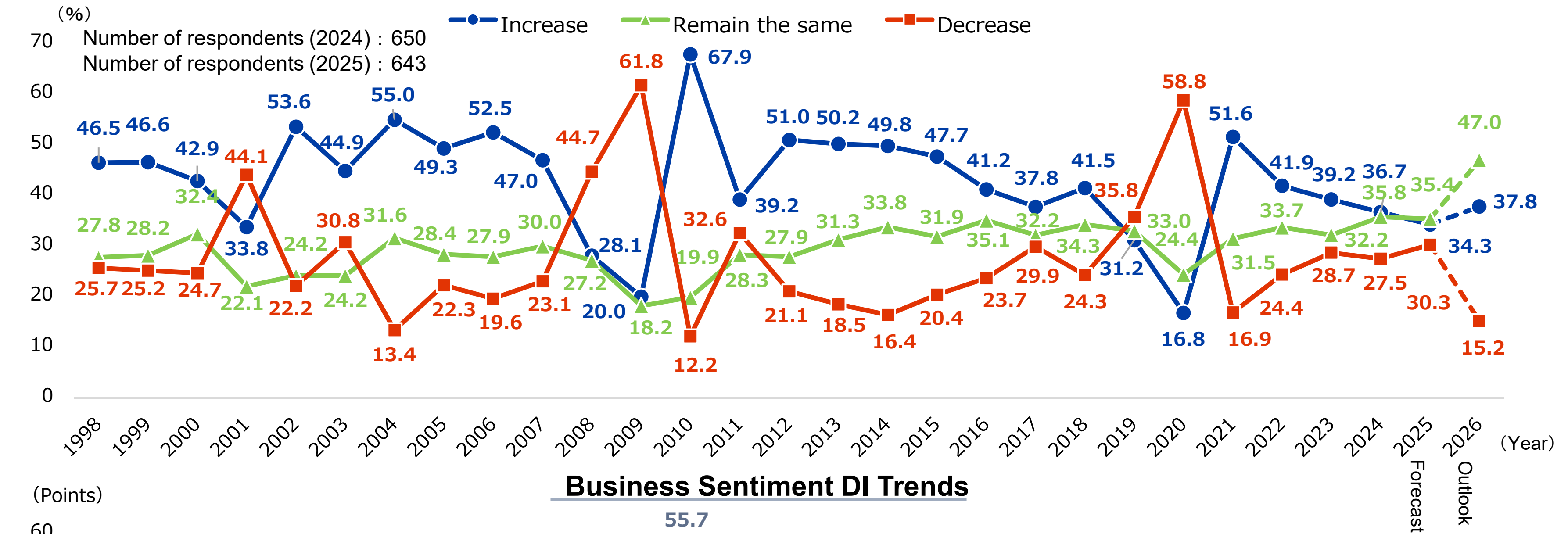
- Significant tariff hikes, sluggish demand due to economic uncertainty [Automobiles and other vehicles, automotive etc. parts, electrical machinery parts/electronic device parts]
- Deteriorating market environment due to tariffs, soaring labor costs and material prices [General machinery]
- Tariff hikes and surging transportation costs, deferred investments due to tariffs, postponed production [Sales companies, trading/wholesale]
- Cost increases driven by inflation [Information and communications, real estate/leasing, food]

(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

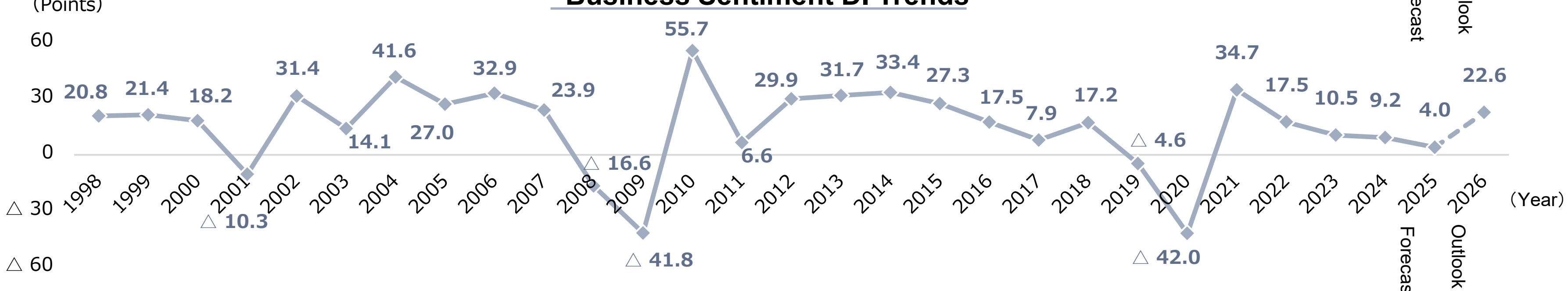
3 Business Sentiment DI Trends: The 2025 DI has reached the lowest level since 2020

- The percentage of respondents reporting an increase in their 2025 operating profit forecasts compared to the previous year was 34.3%, down 2.4 percentage points from the previous survey, while the percentage anticipating a decrease reached 30.3%, up 2.8 percentage points.
- The 2025 business sentiment DI was 4.0, indicating that a limited share of respondents anticipate an economic upturn. While the DI forecast for 2026 has improved to 22.6, nearly half (47.0%) project that the situation will “remain the same.”

Changes in operating profit forecasts from the previous year



Business Sentiment DI Trends



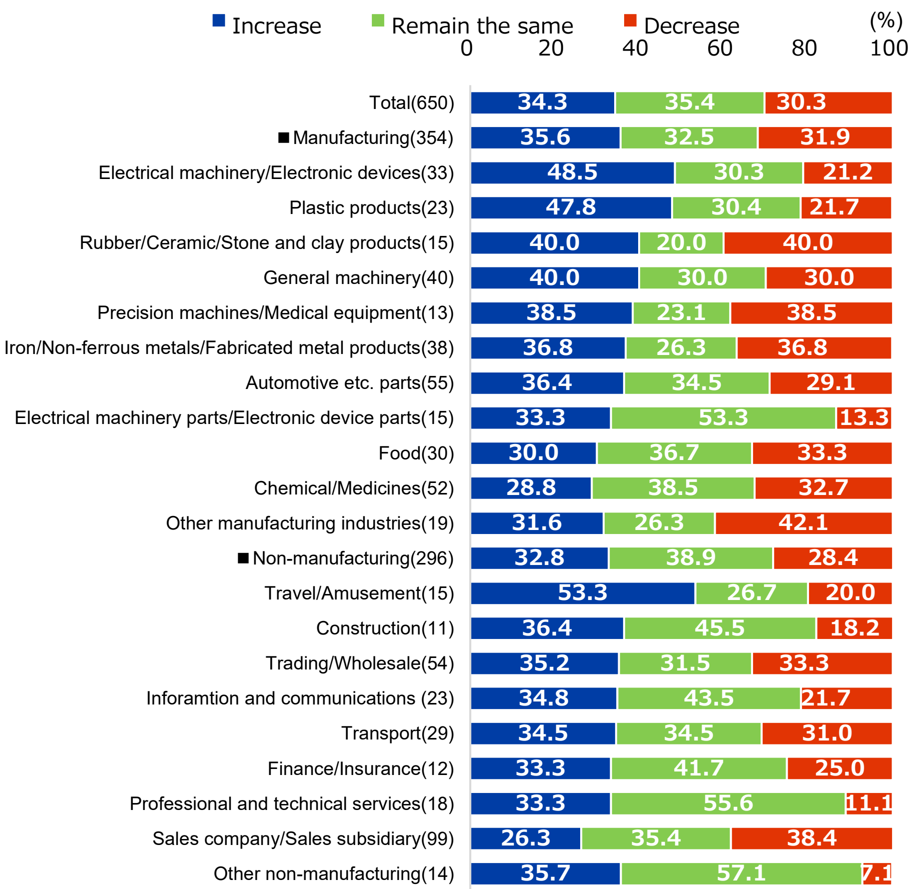
(Note) Since no survey was conducted in 2004, the figures reflect the forecast as of the 2003 survey.

Back to Table of Contents

4 Operating profit forecasts compared to the previous year (by industry): Over 30% see an increase, with growing local demand continuing to drive the forecasts

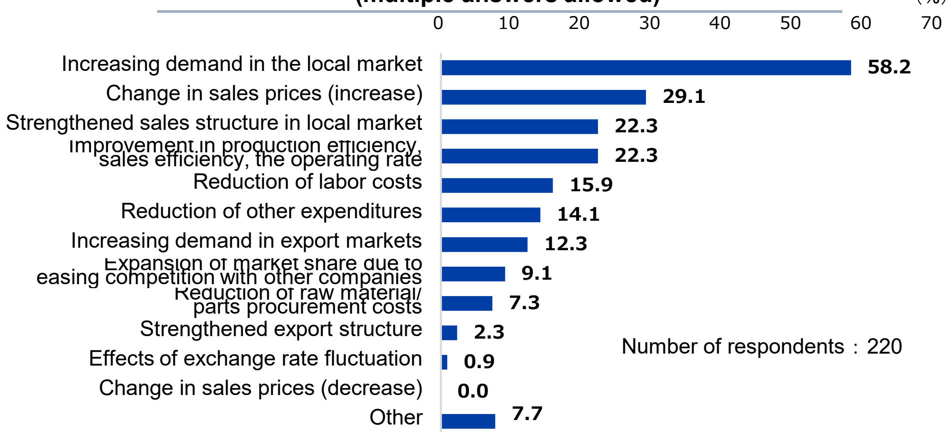
- The percentages of respondents forecasting a higher operating profit than the previous year were similar between manufacturing (35.6%) and non-manufacturing (32.8%) sectors. In manufacturing, the electrical machinery parts/electronic device parts industry continued to lead with 48.5%, as in the previous year.
- The most common reason for expecting growth in operating profit was increasing demand in local markets at 58.2%, continuing from the previous year. Meanwhile, the top reason for projecting a decrease was rising raw material/parts procurement costs, which accounted for 42.6%.

Changes in operating profit forecasts from 2024 (by industry)

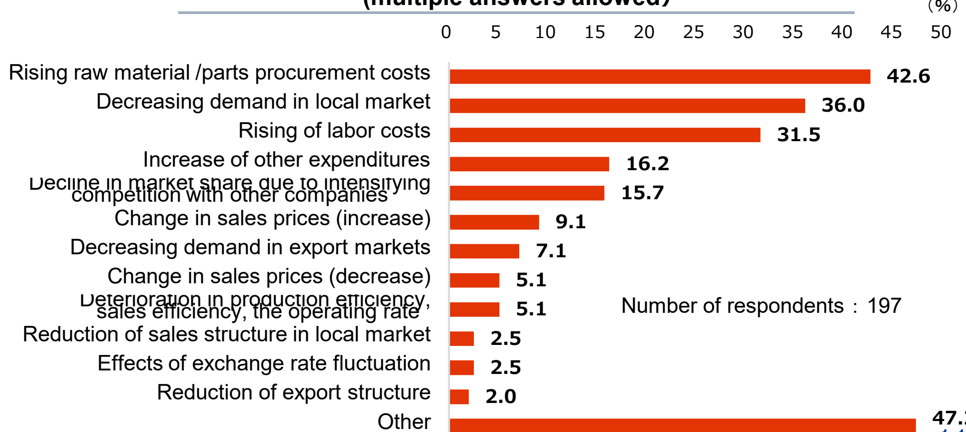


(Note) Only industries with 10 or more valid responses are shown.

Reasons for increased operating profit forecasts for 2025 (multiple answers allowed)



Reasons for decreased operating profit forecasts for 2025 (multiple answers allowed)

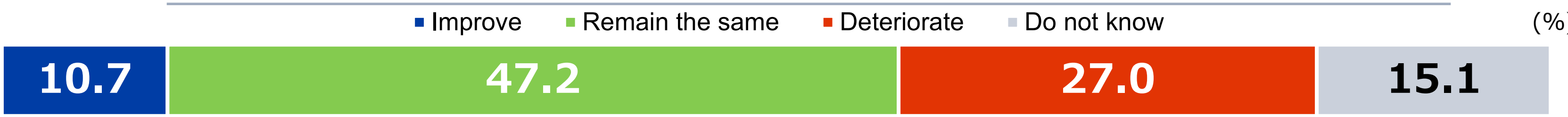


Back to Table of Contents

1 Labor shortages and wage challenges: Rising demands for higher wages/benefits has emerged as a top challenge in securing talent

- Regarding recruitment in local labor markets, nearly 30% (27.0%) of respondents answered that the situation has deteriorated over the past two years, far exceeding the percentage (10.7%) that reported improvement.
- As a reason for the deteriorating situation, “rising demands for wages/benefits” was cited across all positions. Other frequently cited reasons include “mismatch between the skills of job seekers and the skills required by the company.”

How recruitment conditions in local labor markets have changed over the past two years



Number of respondents：644

Reasons for the Improving Situation	Staff/Worker (62)	Professionals (22)	Manager (13)
Reduction of gap between supply and demand in the labor market	**51.6**	**45.5**	**46.2**
Reduction of wage pressures	24.2	27.3	38.5
Diversification of recruitment methods	24.2	22.7	38.5
Easing competition with other companies for human resources	16.1	18.2	23.1
Increasing job seekers who match the skills required by the company	11.3	27.3	23.1
Changes in the values of local human resources	11.3	4.5	15.4
Changes in local social conditions	9.7	27.3	7.7
Increasing working population due to factors such as population growth	6.5	4.5	0.0
Other	3.2	4.5	0.0

Reasons for the Deteriorating Situation	Staff/Worker (127)	Professionals (105)	Manager (76)
Rising demands for wages/benefits	**81.9**	**87.6**	**82.9**
Mismatch between the skills of job seekers and the skills required by the company	**40.9**	**40.0**	**46.1**
Intensifying competition with other companies for human resources	35.4	**45.7**	**40.8**
Widening gap between supply and demand in the labor market	24.4	26.7	22.4
Changes in the values of local human resources	18.1	15.2	14.5
Changes in local social conditions	11.8	7.6	6.6
Decline in the working population due to factors such as declining birthrates and aging population	7.1	5.7	2.6
Diversification of recruitment methods	3.1	1.0	2.6
Other	3.1	1.0	1.3

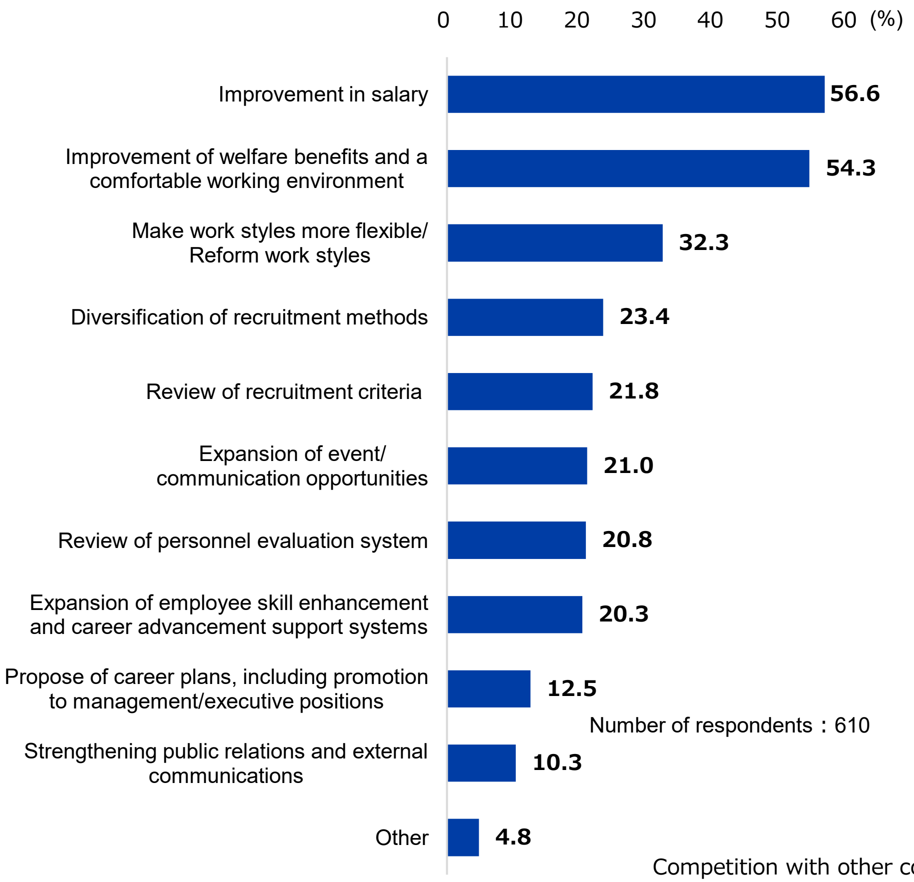
(Note 1) In the industry-specific columns providing reasons for deterioration, the numbers in parentheses indicate the number of respondents.
(Note 2) “Specialty occupations” refer to jobs requiring specialized skills such as legal, accounting, and engineering expertise. Only the top items have been excerpted. Items with 40% or more are shown in bold.

Back to Table of Contents

2 Specific recruitment and retention measures
Over 50% of companies are working to improve salaries and work environments

- To secure and retain talent, more than half (56.6%) of respondents are working on "improvement in salary."
- A considerable number of companies are providing non-financial support through the "improvement of welfare benefits and a comfortable working environment" (54.3%) and "make work styles more flexible/reform work styles" (32.3%). In addition, companies considering training programs in Japan were identified across industries.

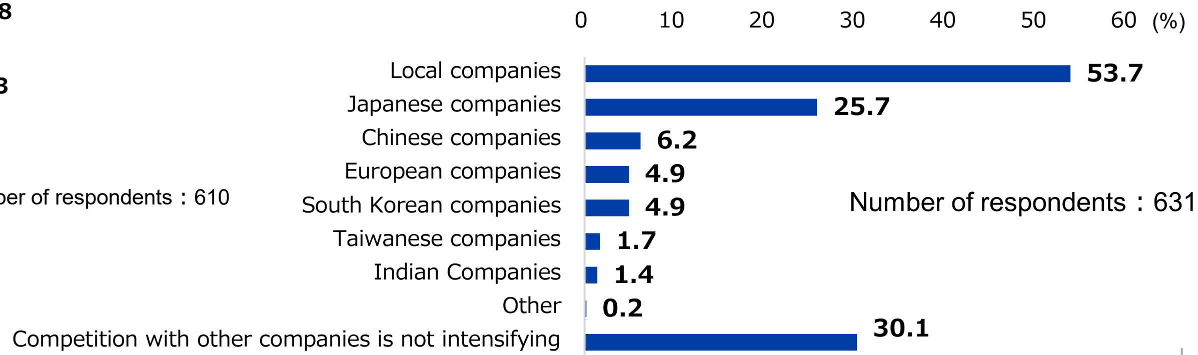
Specific recruitment and retention measures



Specific HR measures (specific comments)

- **Revising salaries and benefits**
  - Increase salaries to account for inflation [Sales companies, food, trading/wholesale]
  - Increase the employer's share of health insurance premiums, implement and enhance 401k [Automobiles, etc.]
- **Enhancing education and training**
  - Utilize internship programs [Electrical machinery parts/electronic device parts, real estate]
  - Conduct training in Japan [Chemical/Medicines, plastic, general machinery, sales companies, etc.]
- **Reforming work styles**
  - Implement hybrid work, teleworking, and flexible working hours [Multiple industries]
- **Expanding recruitment targets**
  - Hire non-native English speakers and provide a supportive environment, including translating work instructions [Automotive etc. parts]

Home countries/regions of competitors where recruitment competition is intensifying

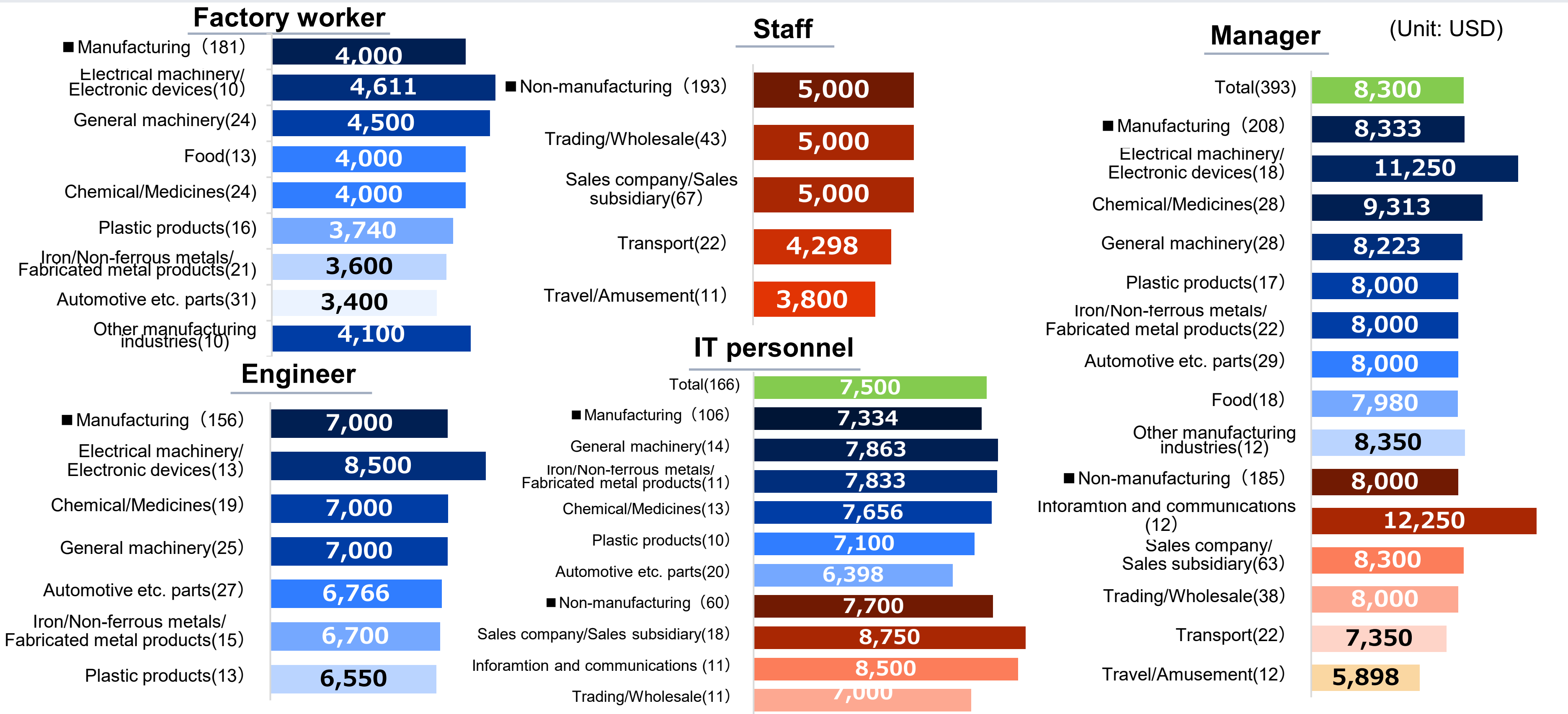


(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

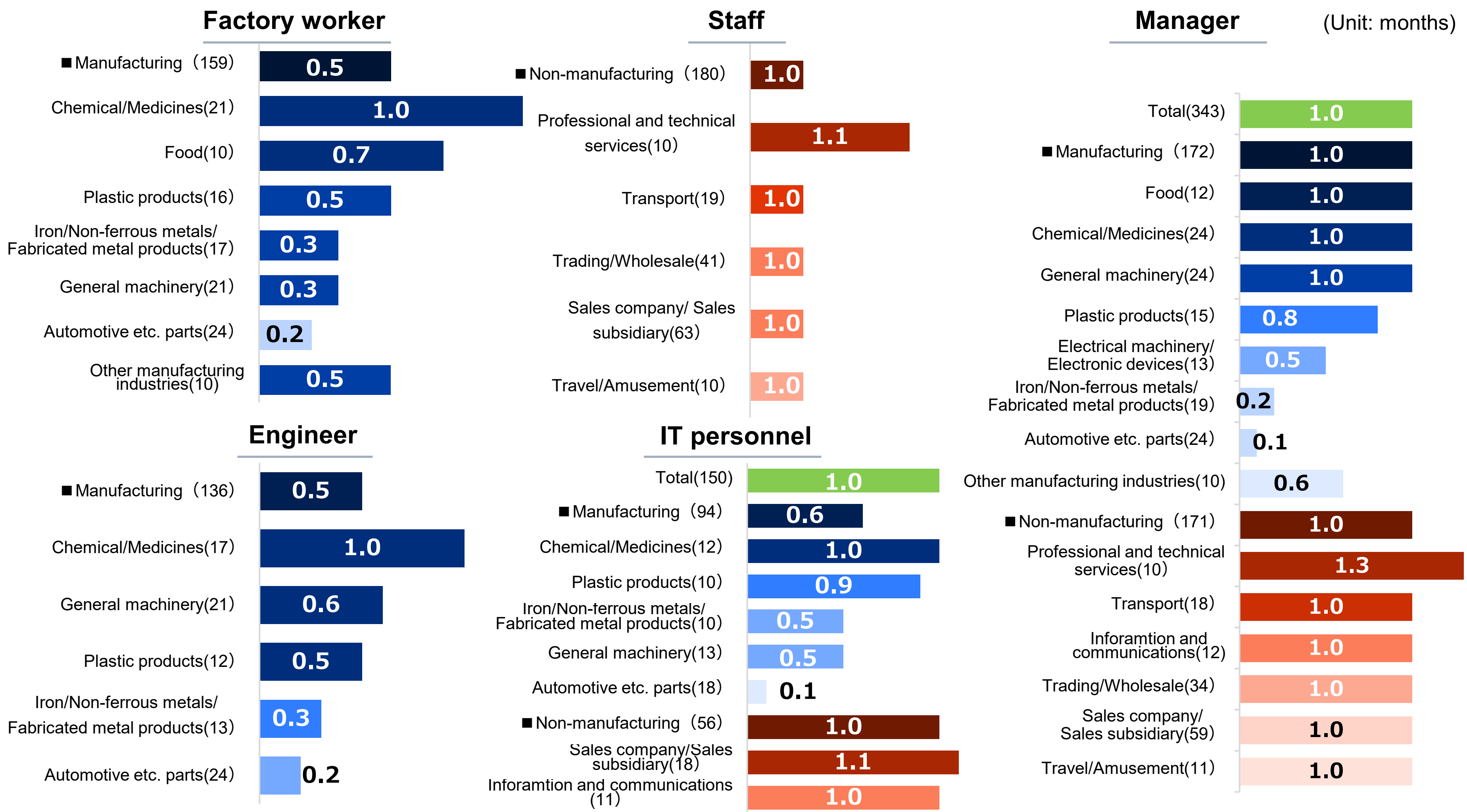
1 Wages (basic monthly salary, median): Median basic monthly salaries have increased across all surveyed positions

- The median basic monthly salaries across all surveyed positions have increased from the previous year's survey. In particular, the median for engineers has rose to USD 7,000, up 7.7% from the previous year (USD 6,500).
- In both manufacturing and non-manufacturing, the median nominal rate of base salary increase was 3.0% for the current fiscal year (2024 to 2025). The figures are below the median nominal rates (forecast for the next year) from the previous year's survey (manufacturing: 3.1%, non-manufacturing: 3.5%).



(Note 1)Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.
(Note 2)The list only includes industries with 10 or more valid responses.

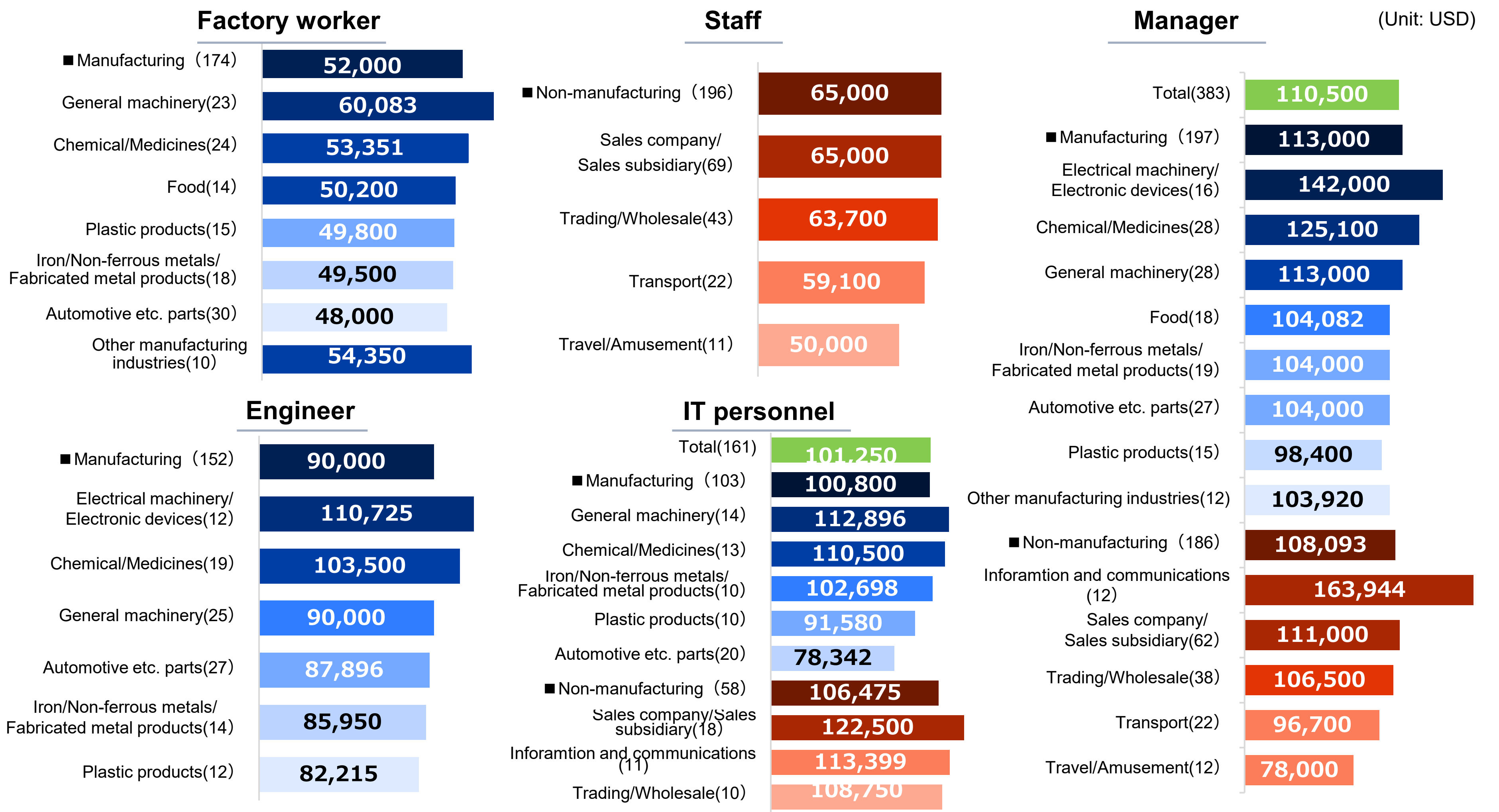
2 Wages (annual bonus, median): The median by position is 0.1 to 1.3 months



(Note 1)Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.
(Note 2)The list only includes industries with 10 or more valid responses.

Back to Table of Contents

3 Wages (actual annual contribution, median): By position, the median wage is particularly high in the communications industry, etc.



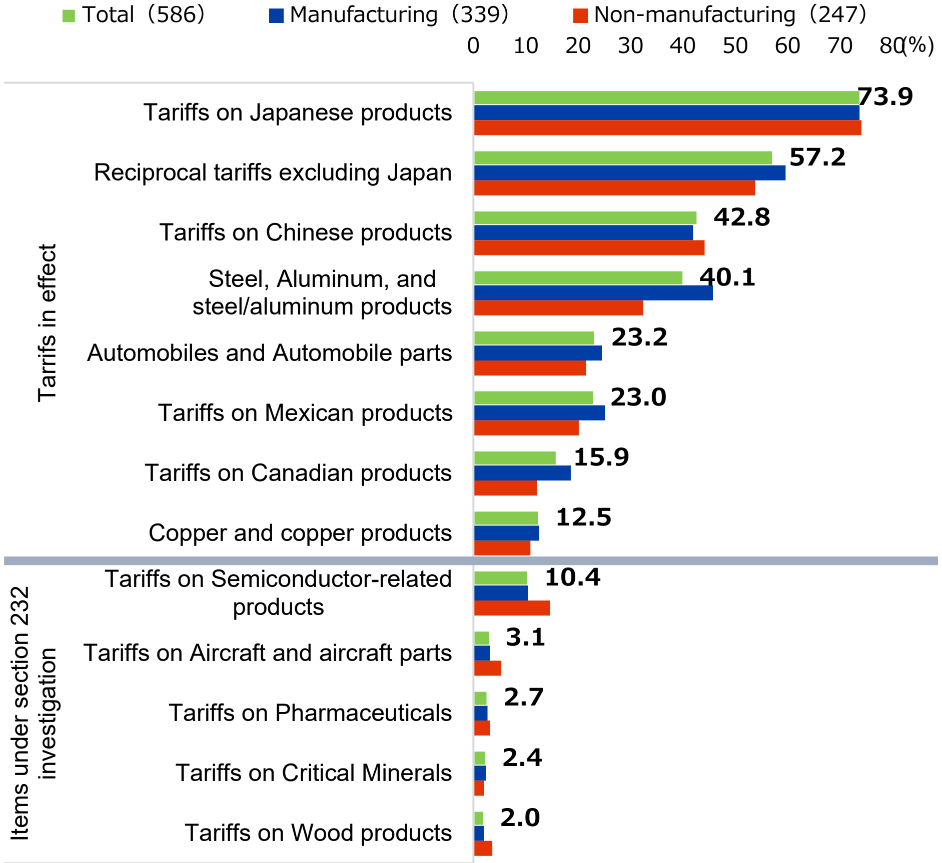
(Note 1)Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.
(Note 2)The list only includes industries with 10 or more valid responses.

Back to Table of Contents

1 Impacts of the Trump tariff policies (1): "Tariffs on Japanese products" and "reciprocal tariffs" have significant impacts on operating profits

- Regarding tariff policies implemented by the Trump administration, the largest percentage of respondents answered "tariffs on Japanese products" (73.9%) have a significant impact on their operating profits. This was followed by "reciprocal tariffs excluding Japan" and "tariffs on Chinese products," which represented 57.2% and 42.8%, respectively.
- Specific impacts include difficulty passing on tariff costs to product prices and increased complexity in calculating customs declaration values.

Tariffs with significant impacts (multiple answers allowed)



(Note) The percentages are shown for the overall totals only. Tariffs refer to those enacted or announced for investigations by June 2025.

Significant impacts perceived (specific comments)

- **Tariffs on Japanese products**
  - Unable to pass on tariff hikes to parts prices unless our customers agree, leaving us to bear the costs and straining our financial resources [Automotive etc. parts]
  - Since we import a significant volume of materials and parts from Japan, we are severely affected [Automotive etc. parts]
- **Reciprocal tariffs excluding Japan**
  - Reduced profitability due to tariff impact [Rubber/ceramic/stone and clay products]
- **Tariffs on steel and aluminum products**
  - We need to check steel and aluminum contents with our suppliers, and no clear guidelines for tariff calculation are available. Therefore, we need to repeatedly check with various parties, which is a time-consuming process. [General machinery]
  - Tariff rates are too high to pass on to sales prices (50% for steel and aluminum, etc.) [Automobiles and other vehicles]
- **Tariffs on automobiles and automotive parts**
  - Although we would like to avoid tariff costs, we cannot source domestically in the U.S.
    In addition, passing on tariff costs to customers is not easy, which adversely affects our business results. [Automotive etc. parts]

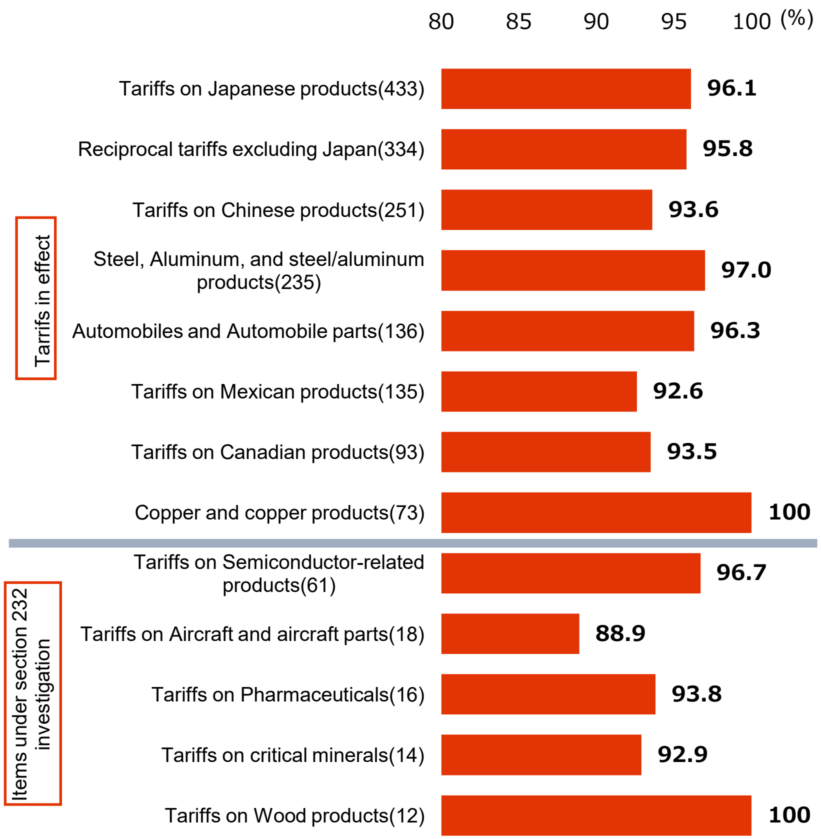
(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

2 Impacts of the Trump tariff policies (2): 90% answer that the Trump tariffs in effect have negative impacts

- For both existing tariffs and sector-specific tariffs under Section 232 investigation, 90% of affected respondents cited negative impacts on operating profits.
- The primary unfavorable factors include "increasing procurement and import costs," as well as "decreasing cost competitiveness" and "decreasing demand" in the U.S. market.

Negative impacts on operating profits



Factors of negative impacts (multiple answers allowed)

Unit: %

Type of tariff	Impact on the U.S. Market			Impact on Export Markets Outside the U.S.			Increase in Procurement and Import Costs	Decline in sales and profit margins due to the global economic downturn	Other
	Decrease in Demand	Increased Competition	Reduced Cost Competitiveness	Decrease in Demand	Increased Competition	Reduced Cost Competitiveness			
Tariffs on Japanese products(407)	35.9	22.6	60.0	4.9	3.7	7.6	65.6	21.6	1.7
Reciprocal tariffs excluding Japan(314)	36.0	23.2	57.3	7.0	5.7	10.5	69.4	18.5	2.2
Tariffs on Chinese products(231)	32.5	20.3	52.4	7.8	6.9	8.7	70.1	15.2	2.6
Steel, Aluminum, and steel/aluminum products(227)	28.6	18.5	55.1	6.6	4.0	8.4	75.3	10.1	4.0
Automobiles and Automobile parts(130)	40.0	20.8	47.7	5.4	3.8	8.5	60.8	20.0	3.1
Tariffs on Mexican products(120)	39.2	20.0	40.8	10.8	6.7	9.2	60.0	12.5	0.0
Tariffs on Canadian products(85)	25.9	10.6	37.6	14.1	5.9	14.1	55.3	12.9	0.0
Copper and copper products(73)	28.8	26.0	60.3	4.1	5.5	9.6	80.8	11.0	1.4
Tariffs on Semiconductor-related products (58)	32.8	34.5	53.4	5.2	5.2	6.9	67.2	20.7	0.0
Tariffs on Aircraft and aircraft parts (16)	31.3	31.3	43.8	6.3	0.0	0.0	68.8	25.0	0.0
Tariffs on Pharmaceuticals (14)	28.6	28.6	50.0	0.0	0.0	7.1	64.3	14.3	0.0
Tariffs on Critical Minerals (13)	23.1	15.4	38.5	0.0	0.0	0.0	84.6	23.1	0.0
Tariffs on Wood products (12)	33.3	8.3	16.7	0.0	0.0	0.0	66.7	33.3	0.0

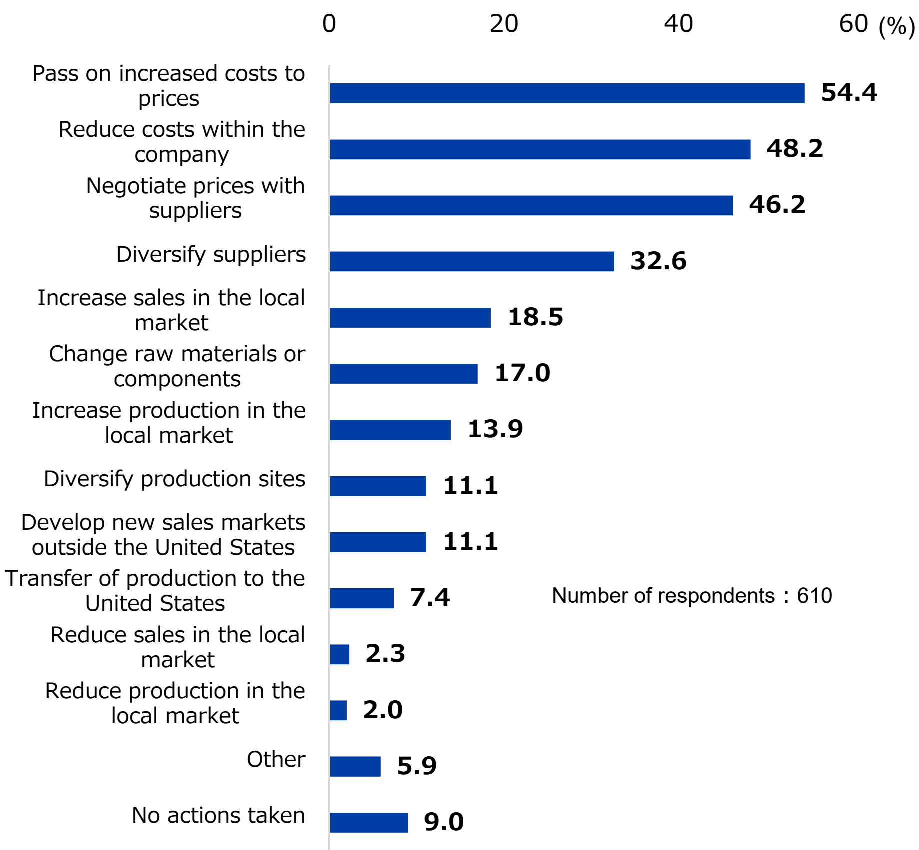
(Note) Tariffs refer to those enacted or announced for investigations by June 2025.

Back to Table of Contents

3 Impacts of the Trump tariff policies (3): Cost pass-through emerges as the most common countermeasure that companies are implementing to tackle tariff hikes

- As responses to changes in the business environment, including tariff hikes in the U.S. and other countries and regions, many companies selected "pass on increased costs (such as tariff hikes) to prices" (54.4%), "reduce costs within the company" (48.2%), and "negotiate (procurement) prices with suppliers" (46.2%).
- Meanwhile, 9.0% selected "None" when asked how they are addressing the changes.

Responses to changes in the business environment, including tariff hikes (multiple answers allowed)



Specific measures (specific comments)

- **Pass on tariff costs to customers**
  - First negotiate price increases with our customers to accommodate changes in tariff rates [General machinery]
  - Pass on cost increases to our customers while monitoring trends among our competitors [Precision machines/medical equipment]
- **Reduce costs within the company**
  - Do our best to reduce internal costs, mainly by reviewing indirect costs and the supply chain [Professional and technical services]
  - Promote factory automation to prevent factory labor costs from increasing [Iron/non-ferrous metals/metals]
  - Reduce unnecessary costs by consolidating raw materials, downsizing inventory, and modifying formulas [Chemicals/Medicines]
  - Discontinue underperforming products, promote a shift to products with high added value [Sales companies]
- **Negotiate prices with suppliers**
  - Negotiate prices with suppliers and change parts (look into the breakdown of tariffs charged by importers and import processors, switch to lower-cost alternatives) [General machinery]
  - Request long-term contracts by lowering internal margins to minimize increases in retail prices. In addition, implement more detailed arrangements in price negotiations for FY2026. [Food]
- **Utilize other programs**
  - Consider using customers' bonded warehouses in Foreign Trade Zones (FTZs) to avoid copper tariffs when U.S. customers re-export goods [Electrical machinery/electronic devices]

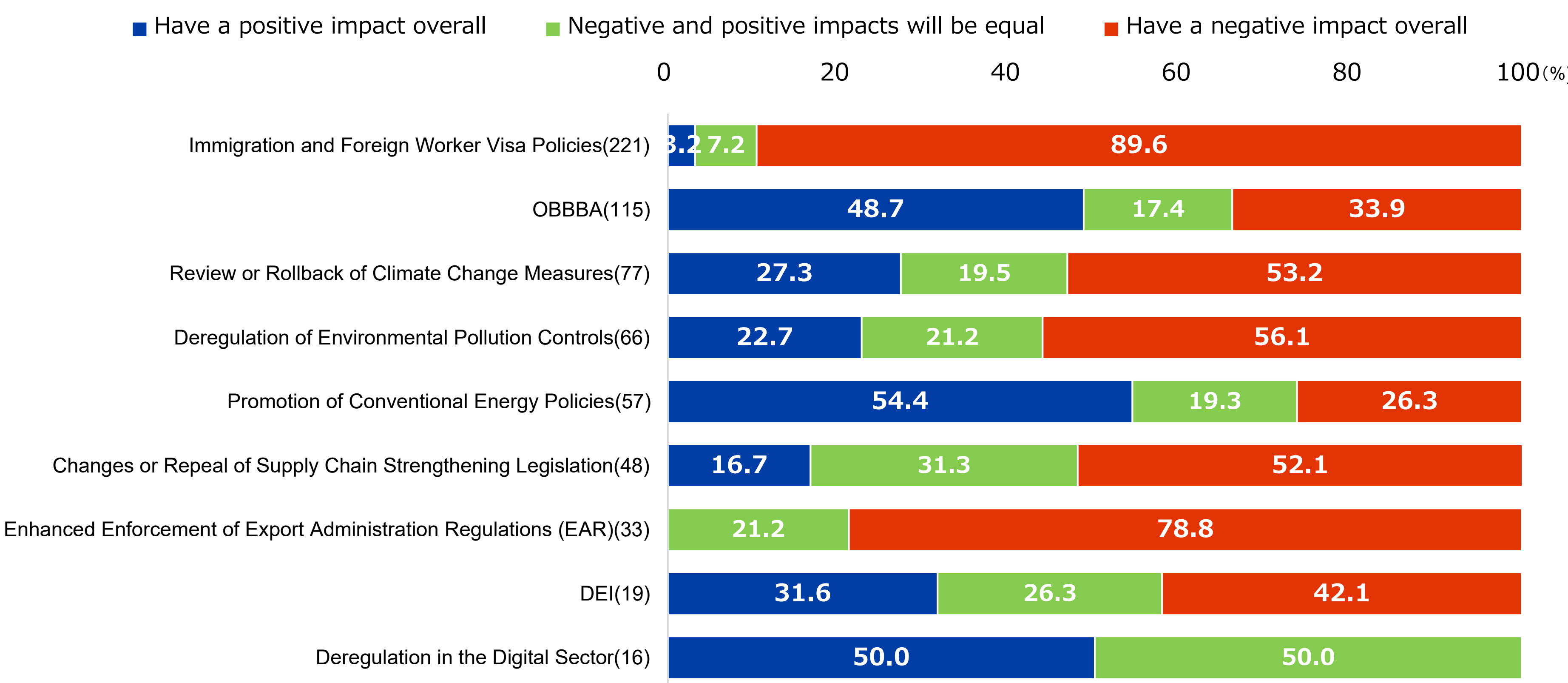
(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

1 Impacts of U.S. federal government policies: Immigration and foreign worker visa policies have particularly significant negative impacts

- Over 200 respondents answered that the immigration and foreign worker visa policies would affect them in one way or another. Among them, almost 90% (89.6%) are concerned about negative impacts.
- For the “promotion of conventional energy policies” (54.4%) and “tax reforms under the OBBBA (One Big Beautiful Bill Act)” (48.7%), positive impacts outweighed negative impacts.

Impacts of federal government policies (multiple answers allowed)



Back to Table of Contents

2 Impacts of the Trump administration's and other countries' policies: Companies are at the mercy of unpredictable trade and tariff policies, as well as retaliatory measures

- Respondents expressed concerns that tariff hikes may result in increased costs, deteriorated cash flows, declined competitiveness, and decreased demand.
- The most common countermeasure is to pass on increased costs. However, companies are apparently struggling to negotiate price increases with their business partners.
- Companies are restructuring supply chains by expanding sourcing from the U.S. and relocating production sites to the country.

Concerns about U.S. and other government policies (specific comments)

Unpredictability

- Tariff rates have not been finalized, making it impossible to determine selling prices [Sales companies]
- The future of tariff policies is unclear [General machinery]
- Extremely difficult to make investment decisions amid highly uncertain outlook [Plastic products]

Tariff-induced cost increases

- The average monthly tariff costs have quadrupled from the previous level [Electrical machinery/electronic devices]
- Procurement costs have increased by 50% [Automotive etc. parts]
- Experiencing a significant liquidity strain from tariff-payment timing gap [Automotive etc. parts]
- Higher import costs and complex customs procedures [Transport/warehouses]

Difficulty of passing on costs

- Have passed on 3–5% product cost increases to customers, which resulted in decreased demand [Automobiles and other vehicles]
- Some major wholesale customers have remained firmly resistant [Miscellaneous manufacturing industries]
- Some customers are rejecting any price increases while others are reluctant to cover the full amount [Miscellaneous manufacturing industries]
- Customers require proof of material prices to pass on costs [Automotive etc. parts]

Impacts of other countries' retaliatory measures

- China's retaliatory tariffs have resulted in a temporary suspension of imports, slowing down business growth [Iron/non-ferrous metals/metals]

Immigration policies, surging labor costs, etc.

- Increased visa service costs [Transport/warehouses]
- Concerned about labor cost increases due to inflation [Sales companies]
- Have reduced local technical support from HQ due to immigration regulations [Electrical machinery parts/electronic device parts]
- Stricter immigration policies have resulted in the delay and suspension of major housing projects, leading to decreased order volume [Sales companies]
- Currently replacing immigrant factory workers with U.S. citizens, but the unstable staffing situation is affecting factory operations [Automotive etc. parts]

Countermeasures for U.S. and other government policies (specific comments)

Expanding production and sourcing in the U.S.

- Focus on sourcing raw materials and developing customer bases in the U.S. [Construction]
- Considering U.S.-based production due to customer requirements [Plastic products]
- Relocated the production function from Japan to the U.S. [Information and communication electronics equipment/office machines]
- Producing locally in the U.S. in collaboration with Japanese companies operating in the country [Paper/wood products/printing]

Response to the policies of China, Brazil, Canada, etc.

- Relocate some China-based production to other countries for imports [Rubber/ceramic/stone and clay products]
- Reduce costs by switching from suppliers in China to those in Japan [Precision machines/medical equipment]
- Diversify away from China by expanding production capabilities in Southeast Asia [Electrical machinery/electronic devices]
- Export from Japan to Brazil, not from the U.S. [Sales companies]
- Consider establishing a logistics base in Canada [Sales companies]
- Consider direct shipment from Japan to Canada, not from the U.S. [Chemicals/Medicines]

Utilizing bonded warehouses and Foreign Trade Zones (FTZs)

- Mitigate tariff impacts through bonded warehousing and relocating production locations while focusing on cost pass-through [Automotive etc. parts]
- Increase the use of bonded warehouses to avoid unnecessary tariffs [Sales companies]
- Eliminate impacts of additional tariffs by utilizing FTZs [Electrical machinery/electronic devices]

Other

- Be strategic about when to pass on cost increases [Food]
- Strengthen collaboration with customers, consider passing on cost increases, and revise procurement prices [Rubber/ceramic/stone and clay products]
- Review travelers' visa status more carefully [General machinery]
- Apply for visas as early as possible in case of processing delays [Transport/warehouses]

(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

3 Impacts of USMCA review: Concerns emerge about the modification and tightening of rules through the USMCA review

- Regarding the USMCA review, the overwhelming majority of respondents called for maintaining the current status or restoring the pre-Trump framework without high tariffs, rather than creating a new one.
- A significant percentage expressed concerns that the review may result in new tariff levies and stricter rules.

Requests and expectations for the USMCA review (specific comments)

- **Maintain the current tariff rates, restore the pre-Trump status**
  - Maintain tariff exemption for USMCA products [Chemicals/Medicines, electrical machinery/electronic devices, automotive etc. parts, rubber/ceramic/stone and clay products, trading/wholesale, plastic, iron/non-ferrous metals/metals, textile/textile apparel, sales companies, etc.]
  - Hope that the status quo will be maintained; otherwise, we may have to significantly change our business model [Trading/wholesale]
  - Under the existing USMCA, we can reactivate the Mexico production sites to enhance price competitiveness and address factory capacity challenges [Automotive etc. parts]
- **Expectations for supply chain stabilization**
  - Neighboring countries Canada and Mexico are essential for EV-related battery materials. Hope that negotiations will proceed on friendly terms, restoring the battery supply chains in the Americas. [Transport]
  - The predictability will increase if the supply chain stabilizes [Iron/non-ferrous metals/metals, trade/wholesale, general machinery, sales companies, etc.]
- **Easing and clarifying origin requirements and other rules**
  - Easing of origin rules [Transport, automotive etc. parts, etc.]
  - Tariff exemption for imports from Mexico and Canada [Electrical machinery/electronic devices, Chemicals/Medicines, miscellaneous non-manufacturing industries, etc.]
- **Other opinions**
  - Hope that the USMCA will be maintained and expanded [Electrical machinery/electronic devices, Chemicals/Medicines, etc.]
  - Hope that customs congestion will be resolved [Iron/non-ferrous metals/metals]
  - Since we only have factories in the U.S., where Mexican competitors account for large market shares, tariffs on products from Mexico and Canada would give us an advantage [General machinery, iron/non-ferrous metals/metals, etc.]

Concerns about the USMCA review (specific comments)

- **Eliminating and revising import tax incentives**
  - Concerned that import tax incentives may be eliminated or revised to favor U.S. interests [Automotive etc. parts, Chemicals/Medicines, etc.]
  - Concerned that potential tariff levies following the USMCA revision may result in cost increases [Plastic, automotive etc. parts, etc.]
- **Concerns about new tariff levies**
  - Retaliatory tariffs [Automotive etc. parts]
  - USMCA cancellation may result in individual high tariffs [General machinery]
- **Supply chain disruption**
  - Increased man-hours and decreased customer budgets for capital investment due to changes in the supply chain [Trading/wholesale]
  - Repeated modification of the rules may make it impossible to build a sustainable supply chain [Transport]
- **Modification and tightening of rules**
  - Concerned about complex procedures and the potential loss of commercial rights [Chemicals/Medicines]
  - Changes in origin determination criteria and roll-up application rules may result in product non-conformity [Sales companies]
  - Tighter import regulations on Mexico to prevent circumvention from China [Textile/textile apparel, etc.]
- **Shrinking markets in Mexico and Canada**
  - Any adverse impact on Japanese companies that own factories in Mexico may result in an economic downturn, indirectly affecting our business operations [Transport, iron/non-ferrous metals/metals, etc.]
  - Concerned about a downturn in the Mexican market [General machinery, trading/wholesale, etc.]

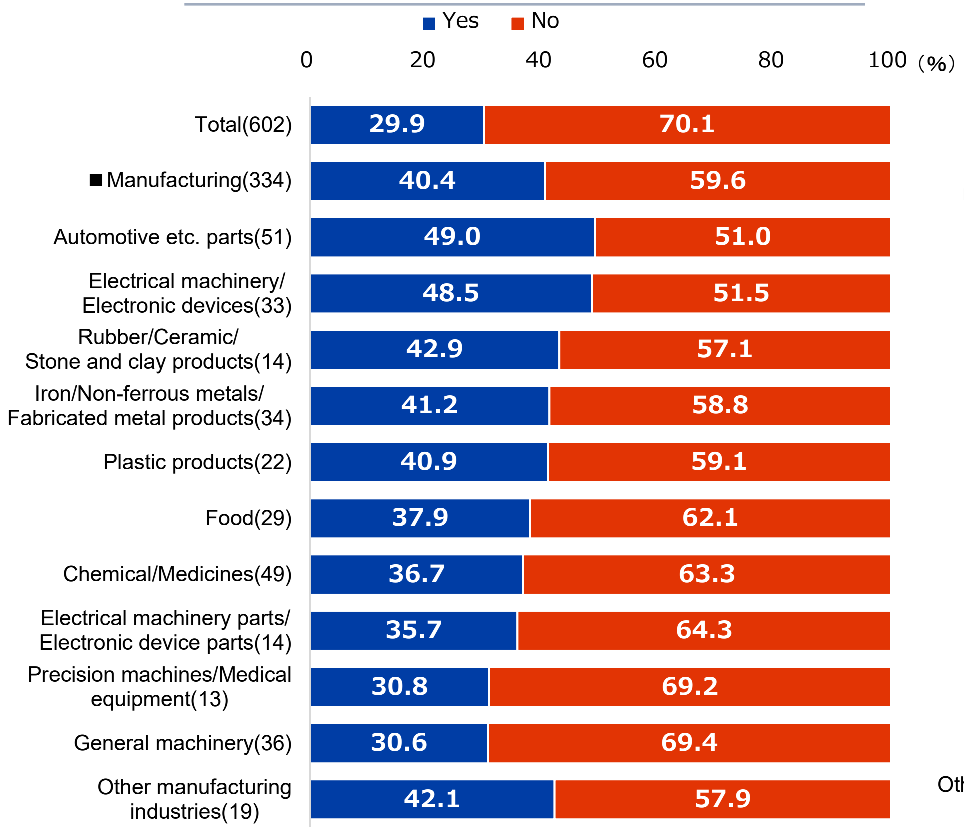
(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

1 Planned sourcing shifts: The percentage of manufacturers planning to change their suppliers has increased to about 40%

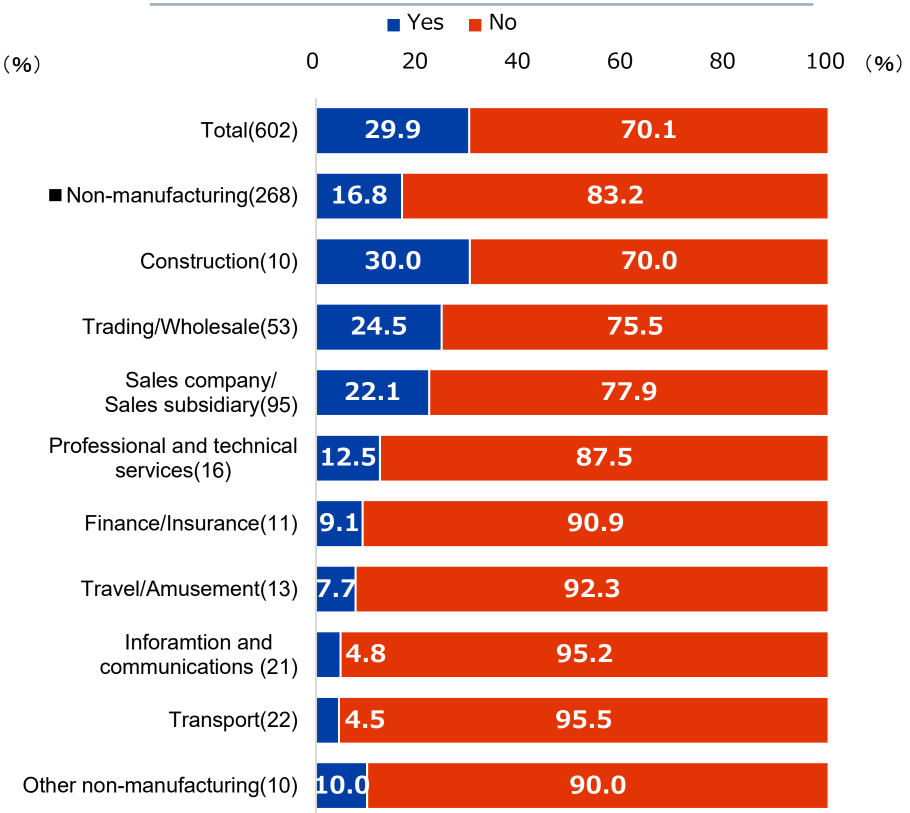
- The percentage of respondents planning to change their suppliers was 29.9%, up from the previous year (25.3%). The percentage among manufacturers has risen to 40.4% from the previous year's 32.4%; in particular, "automotive etc. parts" (49.0%) showed an increase of 11.3 percentage points.
- In non-manufacturing, the percentage has slightly increased to 16.8% from the previous year (16.1%). The percentage for "sales companies" (22.1%) increased by 11.1 percentage points, contributing to the overall increase.

Do you have plans to review procurement sources? (Manufacturing)



(Note) Only industries with 10 or more valid responses are shown.

Do you have plans to review procurement sources? (Non-manufacturing)



(Note) Only industries with 10 or more valid responses are shown.

Back to Table of Contents

2 Planned sourcing changes: As many as 88 shifts from non-U.S. to U.S. sourcing planned

- As many as 88 shifts from non-U.S. to U.S. sourcing were reported, predominantly from Japan (45) and China (23). The number of shifts to U.S. sourcing, including both domestic and international changes, reached 96, the highest since the survey on supplier and production site transfers began in FY2019.
- China is the most common current supplier location, with 87 shifts reported from the country. In particular, there is a significant number of shifts from China to the U.S. (23) and ASEAN countries (21).

Specific supplier changes (multiple answers allowed)

(Cases)

Change from	Change to: United States	Japan	ASEAN	Mexico	Taiwan	South Korea	China	Other countries of Asia and Oceania	Latin America (excluding Mexico)	Other countries	No source after (End of procurement)	NA	Total
China	**23**	**17**	**21**	**7**	**4**	2	1	**6**	2		1	**3**	**87**
Japan	**45**	**3**	2	**3**	1		1		1			2	**58**
United States	**8**	**10**	2	1		1		2	1			**13**	**38**
ASEAN	**6**			2						1		2	**11**
Canada	**6**												**6**
Europe	2	1		1									**4**
Mexico	1	1	1										**3**
Taiwan	1			1									**2**
South Korea	1												**1**
Other countries	2		1					1				2	**6**
New procurement source	1		1							2			**4**
Total	**96**	**32**	**28**	**15**	**5**	**3**	**2**	**9**	**4**	**3**	**1**	**22**	**220**

(Note) Changes planned by 3 or more companies are shown in bold, while those planned by 5 or more companies are bordered by blue frames

Back to Table of Contents

3 | Planned changes in production sites: The U.S. stands out as the leading new production site with 34 shifts, more than triple the previous year

- The number of reported production site changes was 77, up more than 20 from the previous year's 53. In particular, the U.S. was the leading destination with 34 shifts, and shifts from Japan to the U.S. stood out at 18.
- After the U.S., the most frequently cited new production sites were Japan (15) and ASEAN countries (10).

Details of production site changes (multiple answers allowed)

(Cases)

Change from	Change to: United States	Japan	ASEAN	Mexico	Other countries of Asia and Oceania	Europe	Latin America (excluding Mexico)	South Korea	Taiwan	NA	Total
China	**5**	**5**	**5**	**3**	2	1			1		**22**
United States	2	**9**	4	**3**				1		2	**21**
Japan	**18**		1			1					**20**
ASEAN	4	1		2							**7**
Mexico	2			1			1				**4**
Canada	1										**1**
Latin America (excluding Mexico)	1										**1**
Other countries of Asia and Oceania	1										**1**
Total	**34**	**15**	**10**	**9**	**2**	**2**	**1**	**1**	**1**	**2**	**77**

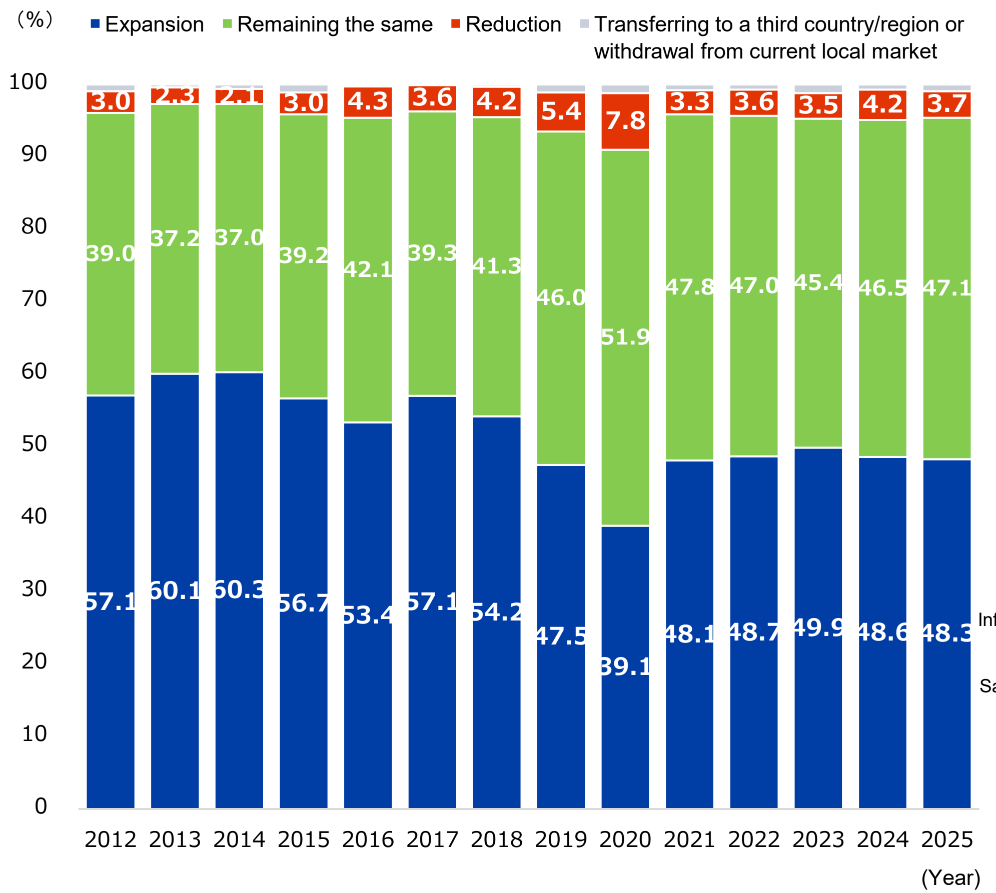
(Note) Changes planned by 3 or more companies are shown in bold, while those planned by 5 or more companies are bordered by blue frames

Back to Table of Contents

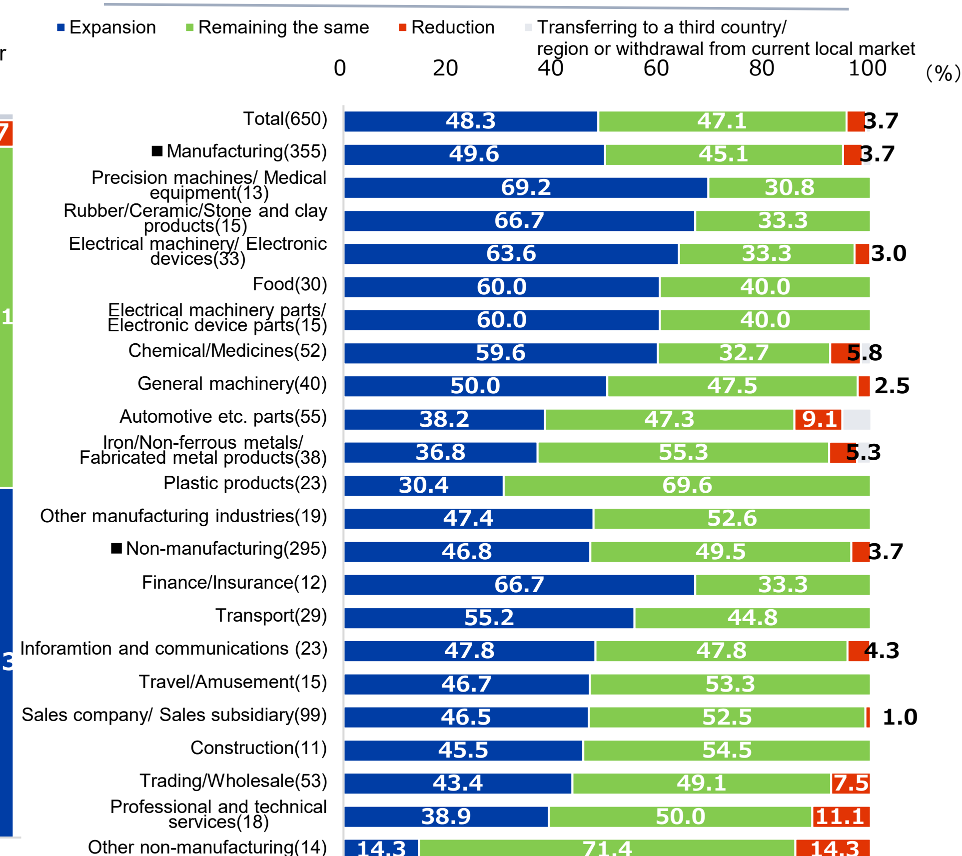
1 Future business direction: Approximately half will continue to expand their business in the U.S.

- Just under half (48.3%) of respondents will expand their business in the U.S. in the next one to two years, down slightly by 0.3 percentage points from the previous year (48.6%). The percentage has remained mostly unchanged since 2021, following the COVID-19 pandemic.
- By industry, in manufacturing, the percentage for "expansion" was highest in precision machines/medical equipment (69.2%) and rubber/ceramic/stone and clay products (66.7%); in non-manufacturing, finance/insurance (66.7%) and transport (55.2%) led the category.

Business direction for the next couple of years (all industries)



Business direction for the next couple of years (by industry)

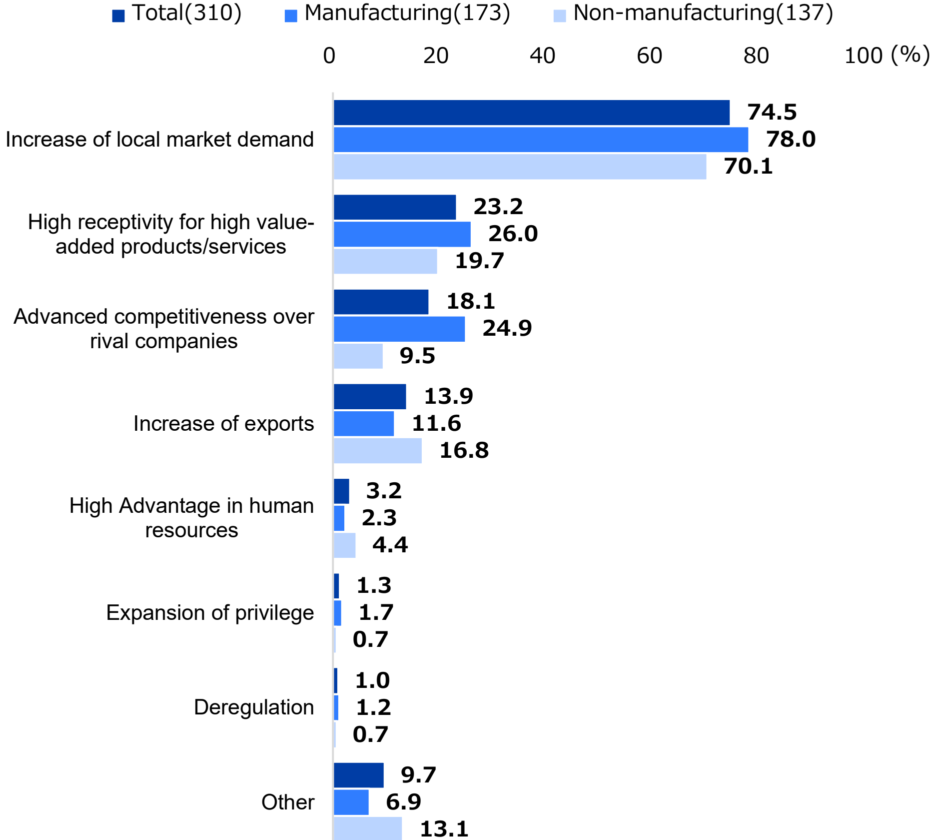


(Note) The figure includes only industries with 10 or more valid responses.

2 Reasons for expansion (1): Increased local market demand accounts for about 75%

- "Increase of local market demand" emerged as the most common reason for business expansion in the next one to two years (74.5%). Many respondents noted that market needs have increased in sectors like semiconductors, clean energy, electric vehicles (EVs), and data centers.
- This was followed by "high receptivity for high value-added products/services" (23.2%) and "advanced competitiveness over rival companies" (18.1%), indicating a similar pattern to the previous year.

Reasons for expansion (multiple answers allowed)



(Note) Only the top items are shown.

Specific reasons for expansion (specific comments)

- **Increase of local market demand**
  - Expand business to capture new customers
    [General machinery, electrical machinery parts/electronic device parts, Chemicals/Medicines, sales companies, etc.]
  - Growth in data center-related demand
    [Electrical machinery/electronic devices, iron/non-ferrous metals/metals, sales companies]
- **High receptivity for high value-added products/services**
  - Shift to high-end, high-function products
    [Electrical machinery/electronic devices, Chemicals/Medicines, iron/non-ferrous metals/metals, food, etc.]
- **Advanced competitiveness over rival companies**
  - Competitive advantage through differentiated technologies and products
    [Electrical machinery/electronic devices, precision machines/medical equipment, Chemicals/Medicines, etc.]
- **Increase of exports**
  - Cultivate Central and South American markets
    [Electrical machinery/electronic devices, precision machines/medical equipment, Chemicals/Medicines, plastic products, rubber/ceramic/stone and clay products, sales companies]

Specific reasons for remaining the same (specific comments)

- **The Trump administration's policies, tariff-induced economic uncertainty**
  [Multiple industries]
- **Cost increases, including inflation and surging labor costs**
  [Multiple industries]

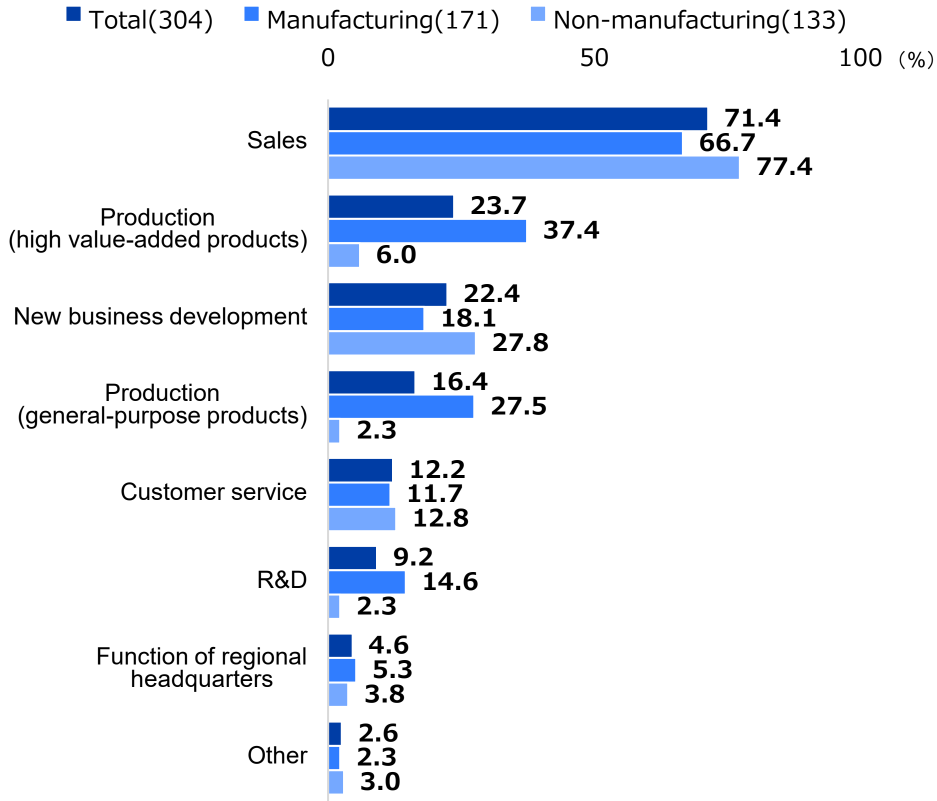
(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

3 Reasons for expansion (2): California and Texas lead as the most popular expansion destinations

- Regarding functions that companies plan to expand over the next one to two years, “sales” continued to lead at 71.4%, consistent with the previous year. The second and third places also followed a similar trend to the previous year, with “production (high-value added products)” and “new business development” accounting for 23.7% and 22.4%, respectively.
- Companies plan to expand these functions primarily to California and Texas, which have large economies.

Specific functions that companies plan to expand (multiple answers allowed)



Main expansion destinations in the U.S. sales

Sales	Manufacturing		Non-manufacturing	
	State	Number of respondents	State	Number of respondents
	California	14	California	17
	Texas	7	Texas	12
	Florida	5	Illinois	7
	Kentucky	4	New York	5

Production (high value-added products)	Manufacturing		Non-manufacturing	
	State	Number of respondents	State	Number of respondents
	California Georgia Kentucky	4	Arizona California Illinois	1
	Arizona, Ohio Tennessee Texas	3		

New business development	Manufacturing		Non-manufacturing	
	State	Number of respondents	State	Number of respondents
	California Georgia Texas	3	California	6
	Kentucky Michigan	2	Texas	5

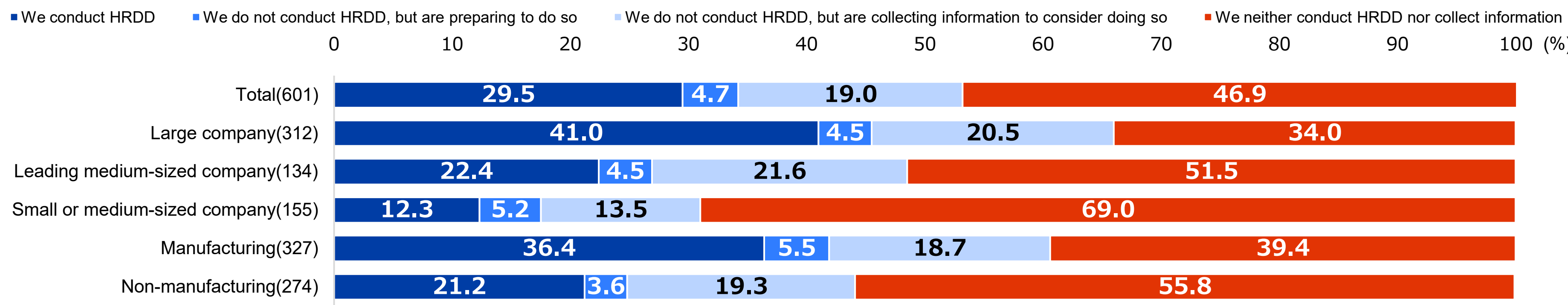
(Note) Only the top-ranking states are shown for functions that many respondents plan to expand.

Back to Table of Contents

1 Business and human rights (1): Implementation status of HRDD significantly varies by company size

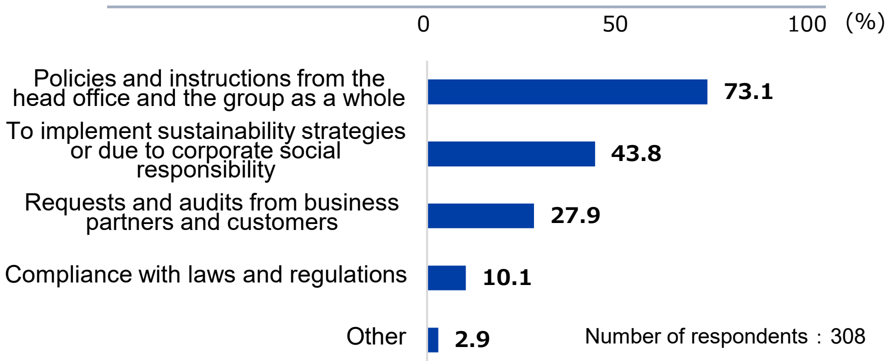
- While compliance with human rights laws and corporate policies attracts increasing attention as key challenges, only 29.5% of companies conduct human rights due diligence (HRDD). Overall, 53.2% are aware of HRDD, including companies preparing for or gathering information on it.
- Nearly half, or 41.0%, of large enterprises conduct HRDD, whereas only 12.3% of small and medium-sized enterprises do. The most common reason for not conducting or considering HRDD was lack of manpower or information at 32.7%.

Companies conducting or considering HRDD (by company size and industry)



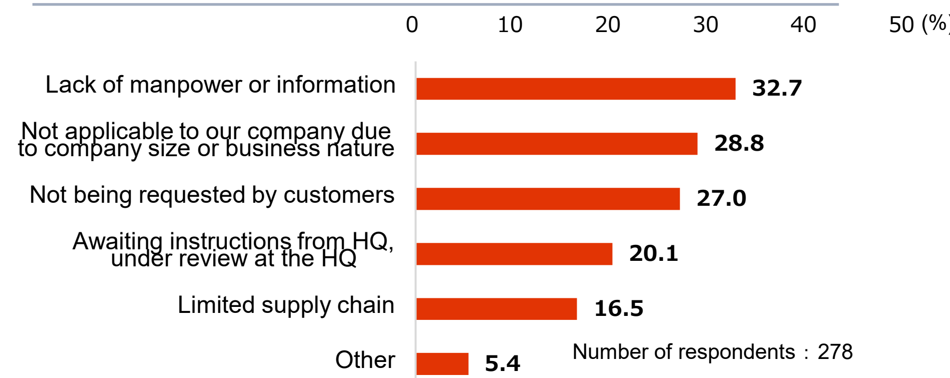
(Note) The figures in parentheses presented with company sizes and industry names represent the numbers of valid responses.

Reasons for conducting or considering HRDD



(Note) This question is for companies that selected “conduct HRDD,” “do not conduct HRDD, but are preparing to do so,” or “do not conduct HRDD, but are collecting information to consider doing so.”

Reasons for not conducting or considering HRDD

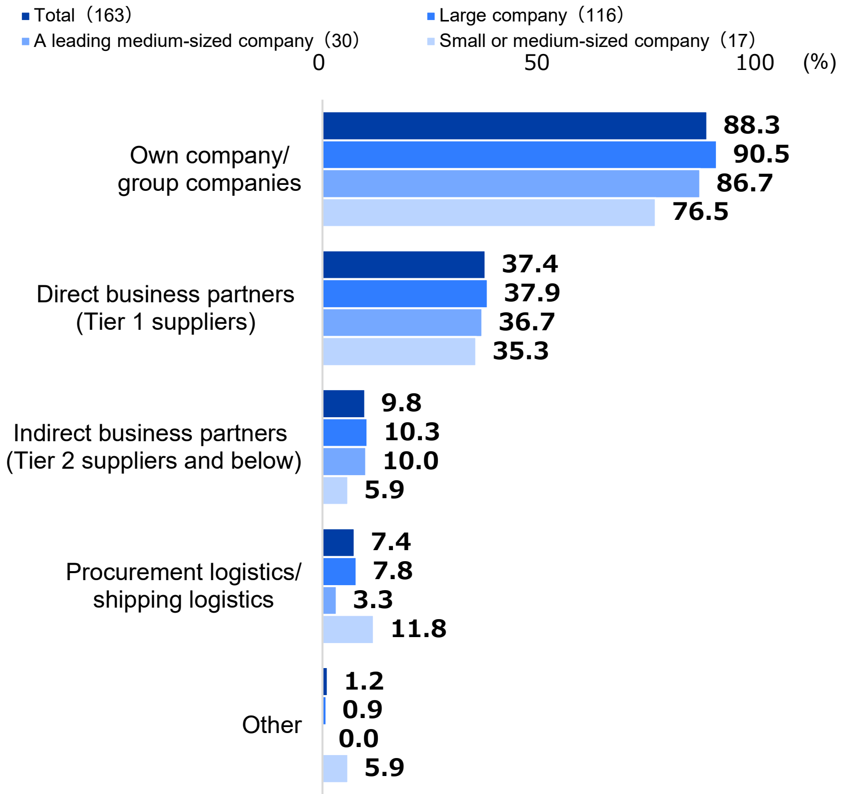


(Note) This question is for companies that selected “neither conduct HRDD nor collect information.”

2 Business and human rights (2): Few companies conduct HRDD that extends to indirect business partners

- When asked about the extent of HRDD, 88.3% selected “own company/group companies” and 37.4% “direct business partners (Tier 1).” The percentage of companies that conduct HRDD extending to indirect business partners (Tier 2) and below was only 9.8%.
- Commonly cited challenges include allocating resources for information gathering and expanding coverage to indirect business partners.

Extent to which companies have conducted HRDD in their supply chains, etc. (multiple answers allowed)



（Note） This question is for companies that selected “we conduct HRDD” only.

Challenges in implementing HRDD

- It takes substantial time and effort to collect responses, conduct follow-ups, and perform other relevant tasks [Electrical machinery parts/electronic device parts, Chemicals/Medicines, sales companies, etc.]
- While we can identify direct business partners, it is extremely difficult to trace back to secondary, tertiary, and subsequent subcontractors and raw material suppliers [General machinery, construction, electrical machinery parts/electronic device parts, etc.]
- Do not have sufficient human resources and staff to conduct it [Rubber/ceramic/stone and clay products, sales companies]
- Not sure if our business partners would be willing to provide information for HRDD [Electrical machinery parts/electronic device parts, paper/wood products/printing, sales companies, etc.]
- Lack an established method for collecting information [General machinery, sales companies, transport, etc.]
- Changes in human rights protection guidelines resulting from a shift in the international order, and the weaponization of human rights issues in international conflicts [Finance/insurance, construction, electrical machinery/electronic devices, information and communication]
- The global nature of the supply chain makes it difficult to verify collected information [General machinery, Chemicals/Medicines, miscellaneous manufacturing industries, etc.]
- Difficulty in managing and lack of enforcement power [Travel/amusement]

Supply chain concerns arising in conducting HRDD

- Harsh work conditions, inadequate safety controls in the work environment [General machinery, transport]
- Potential issues like child and forced labor at indirect suppliers [Precision machines/medical equipment, Chemicals/Medicines, electrical machinery parts/electronic device parts, iron/non-ferrous metals/metals, miscellaneous manufacturing industries, etc.]

（Note） Specific comments have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

Canada
（36th Annual Survey）

Back to Table of Contents

1 Summary of this year's survey

Survey Objectives

The purpose of this survey was to ascertain the management situations and changes in the local business environments of Japanese affiliated companies operating in Canada, and to contribute to the formulation of the companies' overseas business strategies and of policies for related organizations.

Survey Period

September 2-23, 2025

Valid Responses

44.9%
(83 out of 187 companies)

Scope of Survey

Japanese-affiliated manufacturers and non-manufacturers operating in Canada that are at least 10% owned by a Japanese parent, directly or indirectly, and branches of Japanese companies in Canada

Note

This is the 36th annual survey, conducted since 1989 (not conducted in 2004).

Breakdown of responding companies by industry and Region

(Unit：Company, %)

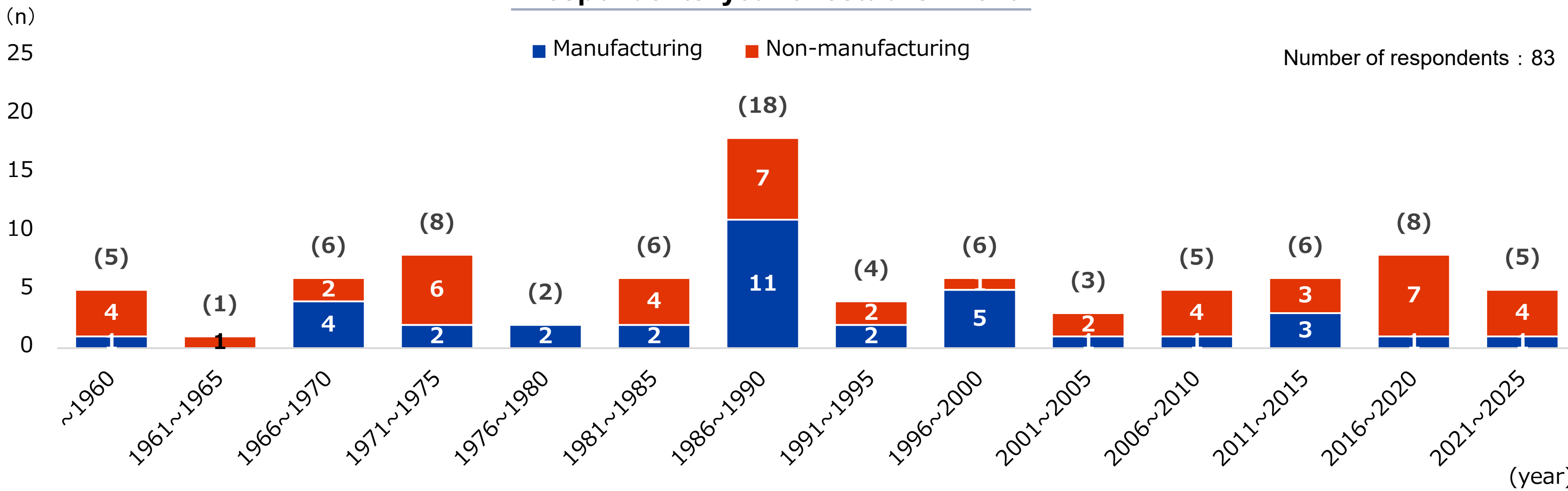
				Total	Comp. Ratio
All Industries				83	100
By Industry					
Manufacturing	**Total**	**Comp. Ratio**	**Non-Manufacturing**	**Total**	**Comp. Ratio**
	36	43.4		47	56.6
Automotive etc. parts	6	7.2	Sales company/ Sales subsidiary	10	12.0
Iron/Non-ferrous metals/ Fabricated metal products	5	6.0	Information and communications	9	10.8
Automobiles etc.	4	4.8	Trading/Wholesale	8	9.6
Plastic products	3	3.6	Travel/Amusement	6	7.2
General machinery	3	3.6	Transport	5	6.0
Electrical machinery/ Electronic device	3	3.6	Finance/Insurance	4	4.8
Food	3	3.6	Professional and technical services	4	4.8
Precision machines/ Medical equipment	2	2.4	Other non-manufacturing	1	1.2
Railway/ Transport vehicle etc. parts	1	1.2			
Paper/Wood products/Printing	1	1.2			
Rubber/Ceramic/ Stone and clay products	1	1.2			
Other Manufacturing	4	4.8			
By Province（Manufacturing）			**By Province（Non-Manufacturing）**		
Ontario	30	36.1	Ontario	28	33.7
British Columbia	4	4.8	British Columbia	12	14.5
Quebec	2	2.4	Quebec	4	4.8
			Alberta	3	3.6

(1) The totals in the survey results in this report may not be 100 because the numbers are rounded off to the first decimal point.
(2) The companies that participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected for each question.
(3) From the following page onward, in cases where no particular details are written in the charts, the numerals in parentheses indicate the number of respondents.
(4) In cases where the denominator of the number of respondents for a given choice did not meet a certain number, that industry/choice was excluded from the survey.

Back to Table of Contents

2 | Respondents' Establishment Year, Location, Number of Plants

Respondents' year of establishment



Respondents' number of sites

Number of respondents	69			
Number of Sites	Number of companies			Number of Sites
	Manufacturing	Non-manufacturing	Total	Total
1	15	18	33	205
2	9	8	17	
3	5	5	10	
4	2	1	3	
5	0	0	0	
6～10	1	3	4	
11 or more	0	2	3	
Total	32	37	69	

Respondents' number of plants

Number of respondents	54			
Number of factories	Number of companies			Number of factories
	Manufacturing	Non-manufacturing	Total	Total
No factories	4	20	24	49
1	19	0	19	
2	6	2	8	
3 or more	2	1	3	
Total	31	23	54	

3 Number of employees and employees dispatched from Japan: The medians per company are 70 and 2, respectively

- The total number of respondents' employees was 16,127, with an average of 194 and median of 70 per company. By industry, the median for manufacturers was 175 and that for non-manufacturers was 21.
- The total number of respondents' employees dispatched from Japan (expats) was 385, with an average of 4.6 and median of 2 per company. By industry, the median for manufacturers was 3 and that for non-manufacturers was 2.

Average and median numbers of employees

(Unit：People)

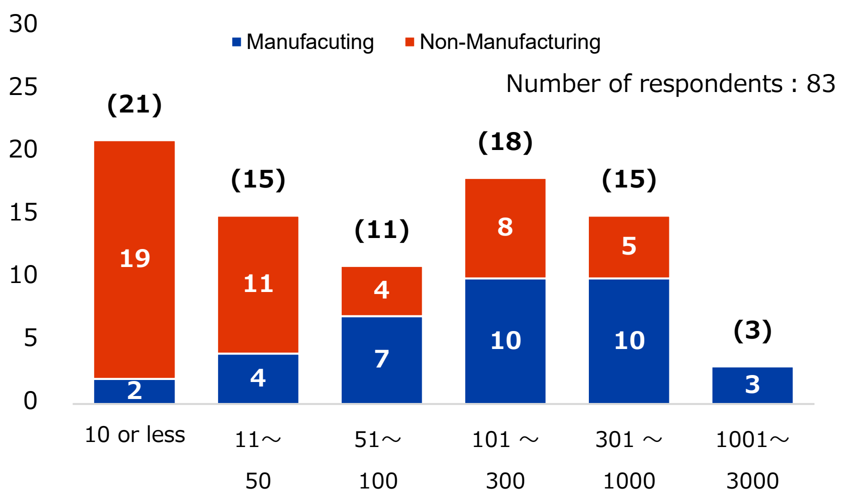
	Total number of employees	Average	Median
Total(83)	16,127	194.3	70
Manufacturing(36)	11,315	314.3	175
Non-manufacturing(47)	4,812	102.4	21

Average and median numbers of employees dispatched from Japan per company

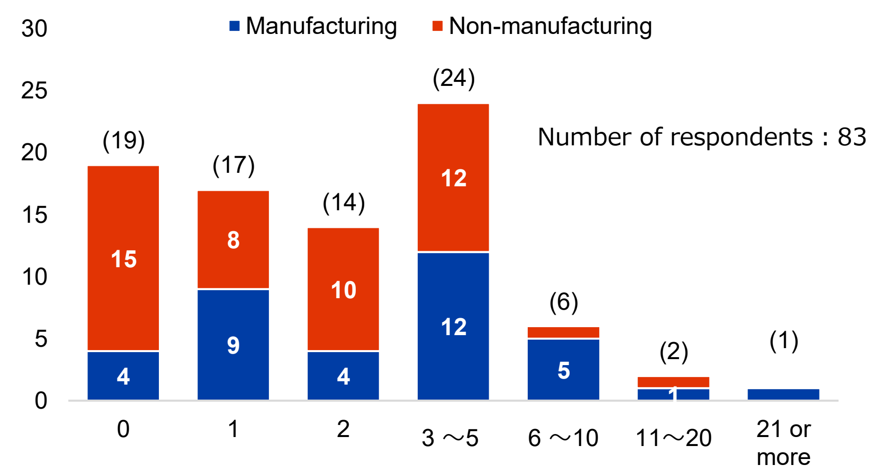
(Unit：People)

	Number of employees dispatched from Japan	Average	Median
Total(83)	385	4.6	2
Manufacturing(36)	288	8.0	3
Non-manufacturing(47)	97	2.1	2

Number of employees by industry



Number of employees dispatched from Japan by industry

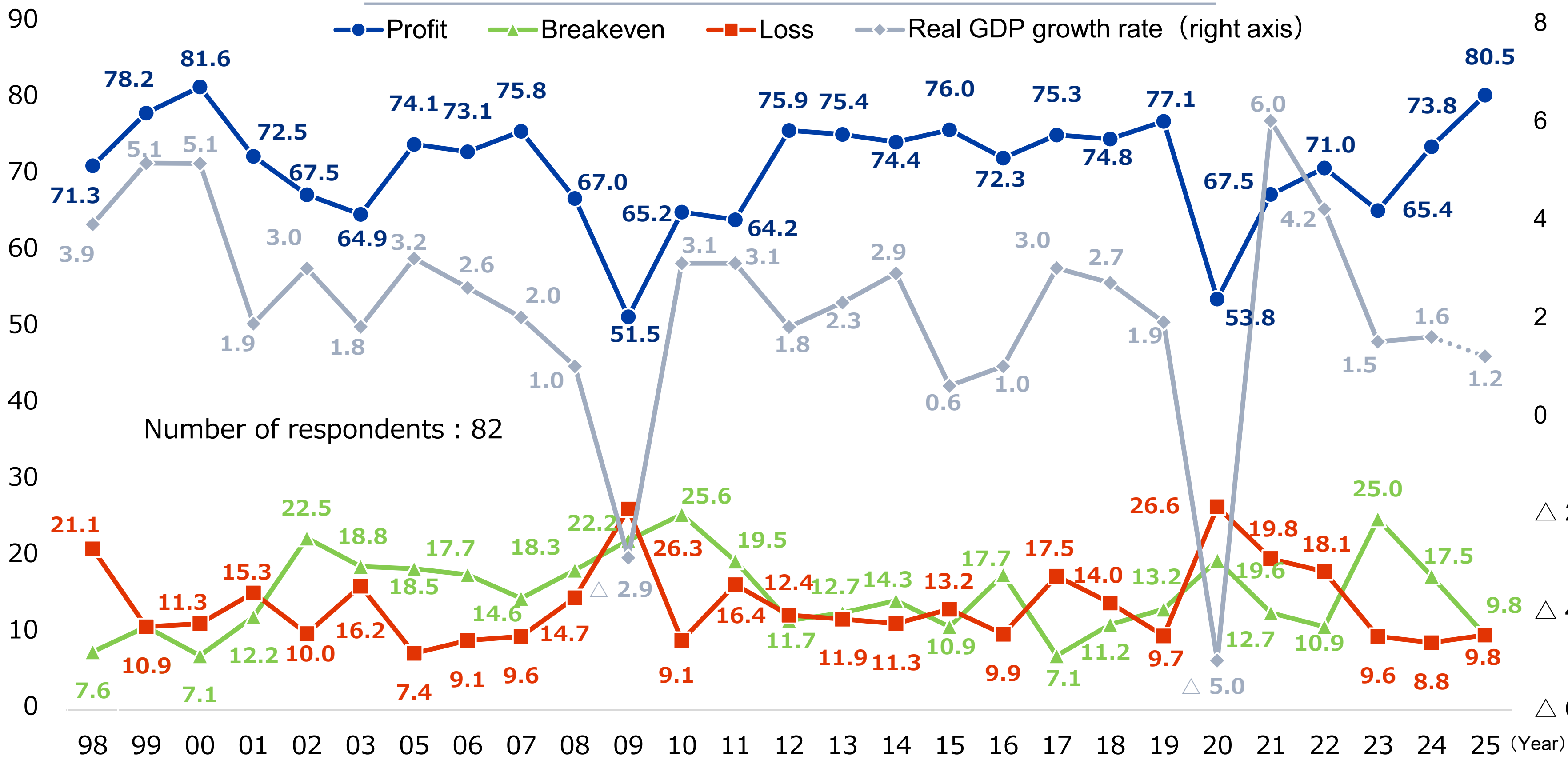


Back to Table of Contents

1 Operating profit forecasts for 2025: The percentage of companies projecting profitability reaches the highest since the FY2000 survey

- The percentage of companies forecasting a “profit” for 2025 rose to 80.5%, up 6.7 percentage points from the previous year (73.8%), surpassing the pre-pandemic 2019 level (77.1%) for the first time in six years to reach a level not seen since 2000.
- Meanwhile, the share of those projecting a “loss” was 9.8%, up from the previous year (8.8%).

Operating profit forecast and Canada’s real GDP growth rate



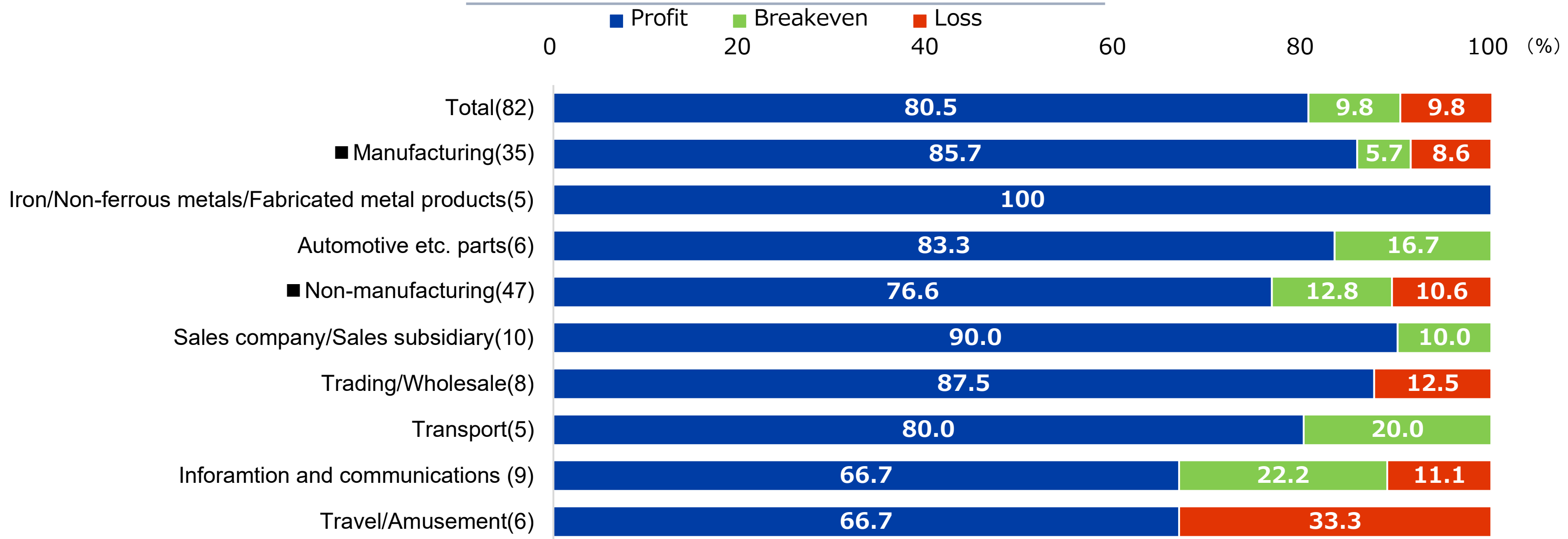
（Note） Real GDP growth rates through 2024 are based on figures released by Statistics Canada in May 2025.
The 2025 real GDP growth rate is a forecast released by the IMF in November 2025. The survey was not conducted in FY2004.

Back to Table of Contents

2 Operating profit forecasts for 2025 (by industry): Over 80% project profitability in automotive-related parts and other industries

- Looking at operating profit forecast by industry, among manufacturers (85.7%) and non-manufacturers (76.6%), over three-quarters project a "profit." In particular, all the iron/non-ferrous metals/metals companies project profitability.
- Meanwhile, the share of those forecasting a loss has increased from the previous year. The percentage was particularly high in travel and amusement at 33.3%, primarily because the digitization of business operations has resulted in decreased business travel demand.

2025 operating profit forecast (by industry)



(Note) Only industries with 5 or more valid responses are shown.

Factors contributing to positive operating profit outlooks (specific comments)

- Due to increased customer production volume and stable order volume [Automotive etc. parts]
- Were able to respond promptly to Canada's retaliatory tariffs on U.S. imports [Sales company/Sales subsidiary]

Factors contributing to positive operating profit outlooks (specific comments)

- Suspended imports of some vehicle models due to U.S. tariffs and their impacts [Sales company/Sales subsidiary]
- The demand for business trips has declined primarily because more companies are having meetings online [Travel/amusement]

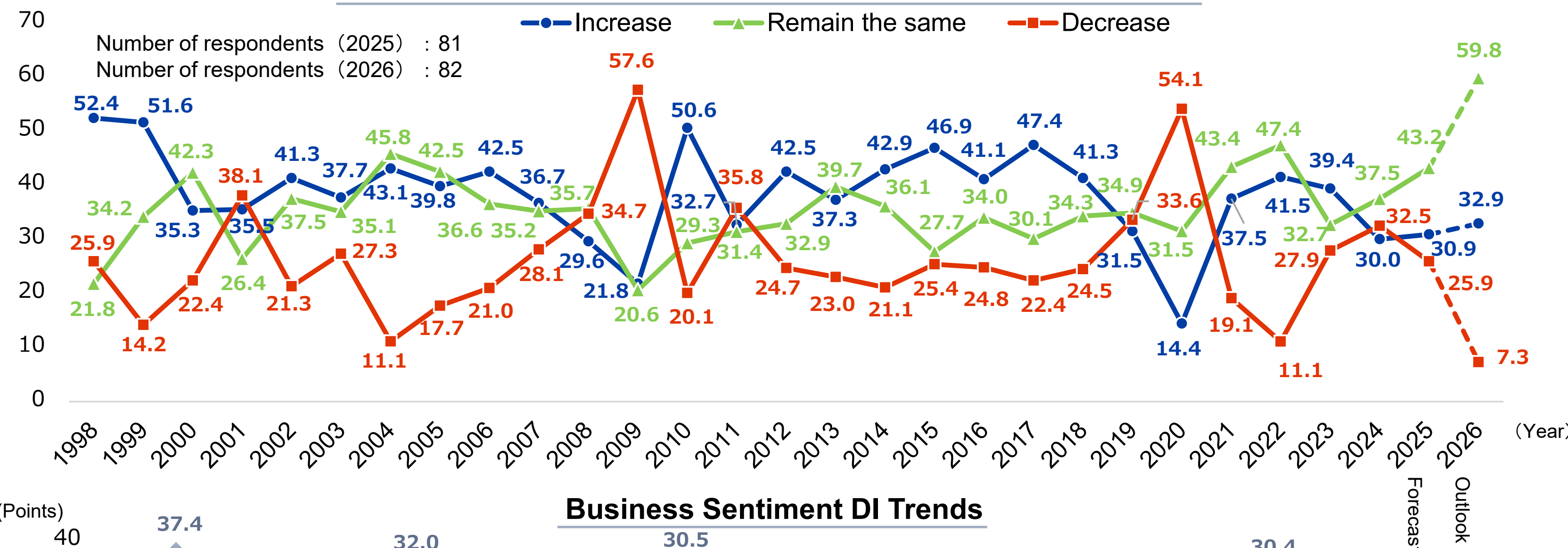
(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

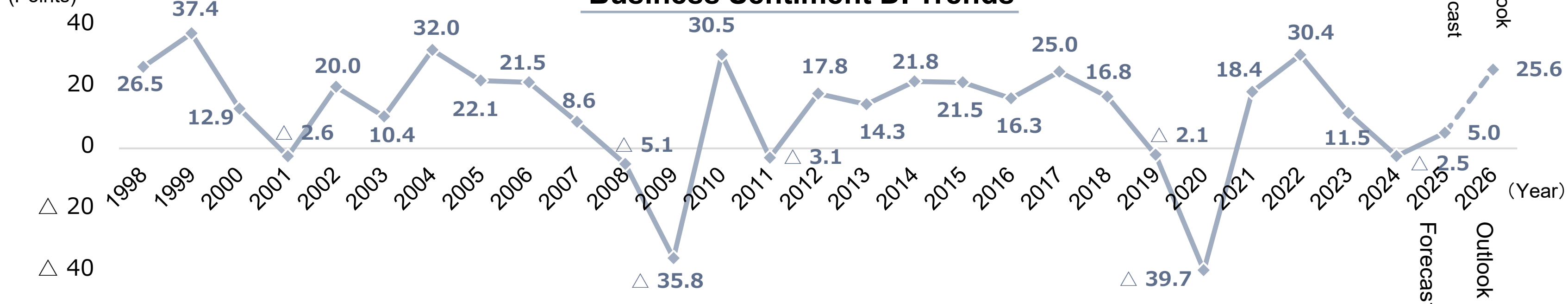
3 Business Sentiment DI Trends: The percentages of companies that selected "remain the same" or "increase" have increased from the previous year

- The percentage of companies reporting that their operating profit forecast has "remained the same" since the previous year was 43.2%, up 5.7 percentage points from 2024 (37.5%). The share for "increase" has slightly increased to 30.9% from the previous fiscal year (30.0%).
- Fewer companies selected "decrease," with the figure dropping 6.6 percentage points to 25.9% from the previous year's 32.5%.

Changes in operating profit forecasts from the previous year



Business Sentiment DI Trends



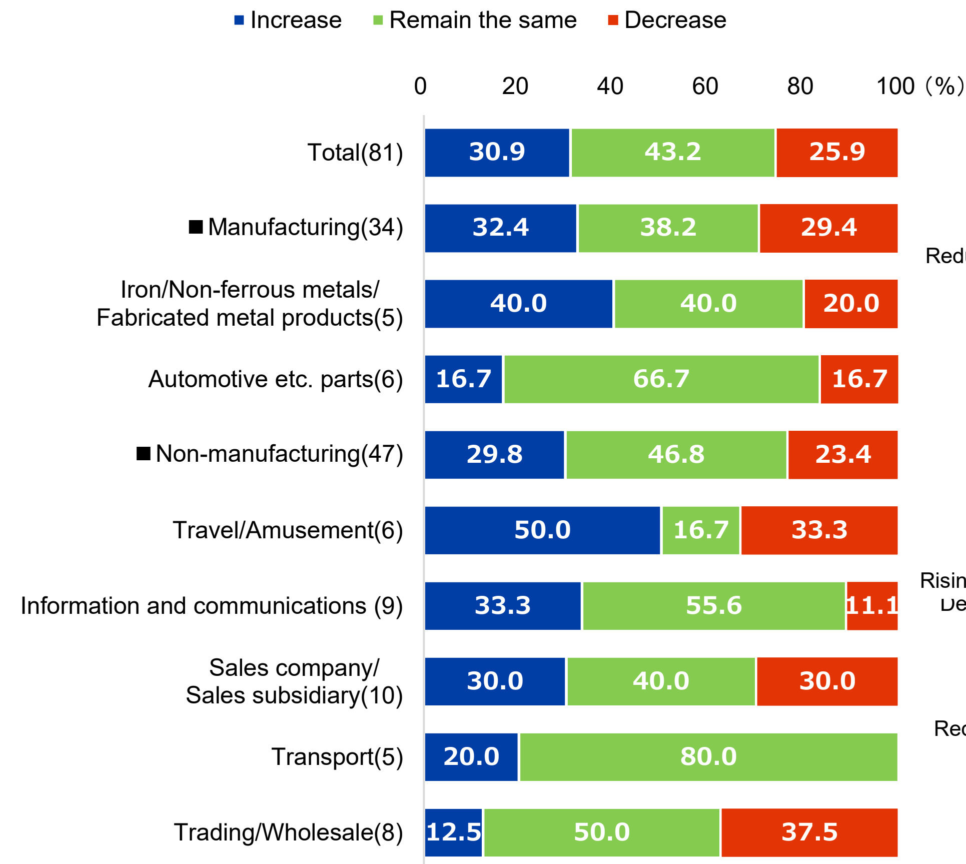
(Note) Since the survey was not conducted in FY2004, the figure for the year is the forecast from the FY2003 survey.

Back to Table of Contents

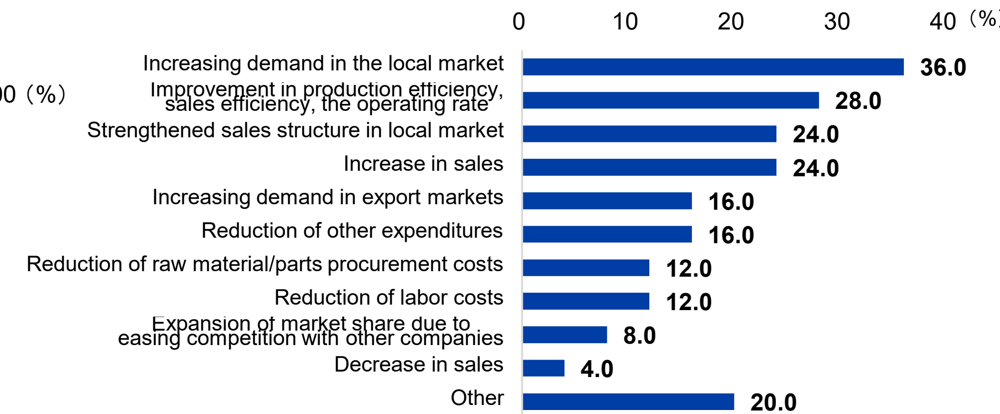
4 Operating profit forecasts compared to the previous year (by industry): The largest share of companies' forecasts remains the same, while fewer project a decrease than in the previous year

- Operating profit forecast trends vary by sector; in manufacturing, higher percentages of respondents selected "increase" (32.4%) and "decrease" (29.4%), whereas in non-manufacturing, a higher percentage selected "remain the same"(46.8%).
- Among manufacturers, as many as 40.0% of iron/non-ferrous metals/metals companies selected "increase." In non-manufacturing, over 30% of trading/wholesale (37.5%), travel/amusement (33.3%), and sales companies (30.0%) answered that their forecasts have decreased.

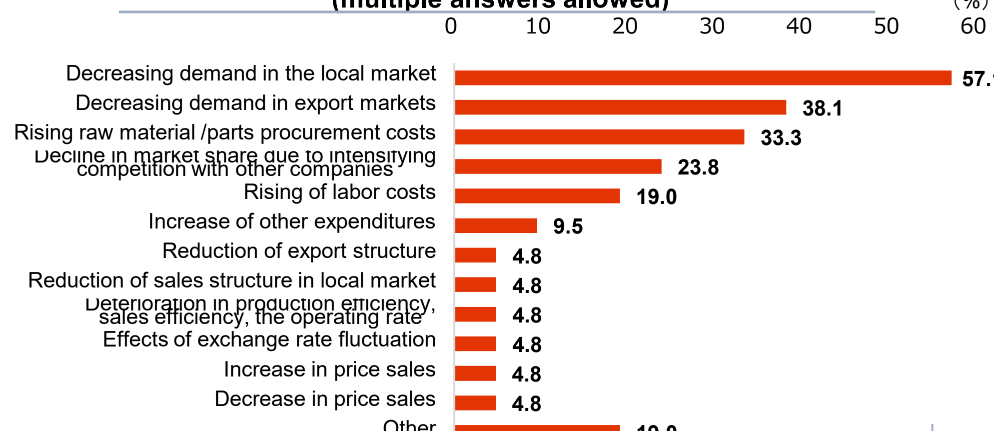
Changes in operating profit forecasts from 2024 (by industry)



Reasons for increased operating profit forecasts for 2025 (multiple answers allowed)



Reasons for decreased operating profit forecasts for 2025 (multiple answers allowed)



(Note) The figure includes only industries with 5 or more valid responses.

Back to Table of Contents

1 Labor shortages and wage challenges: Rising demands for higher wages/benefits emerge as a critical challenge

- Among companies facing deteriorating recruitment conditions, the most common reason was “rising demands for wages/benefits,” representing over 90% for staff/worker and specialty occupations, and over 70% for management positions.
- For some positions, “mismatch between the skills of job seekers and the skills required by the company” and “intensifying competition with other companies for human resources” accounted for over 50% of the reasons attributed to the deteriorating conditions.

How recruitment conditions in local labor markets have changed over the past two years

Number of resnpodents：81

Reasons for the Improving Situation	Staff/Worker (11)	Professionals (3)	Manager (4)
Reduction of gap between supply and demand in the labor market	**81.8**	33.3	**50.0**
Changes in local social conditions	18.2	0.0	25.0
Diversification of recruitment methods	18.2	33.3	25.0
Easing competition with other companies for human resources	9.1	**66.7**	0.0
Reduction of wage pressures	9.1	33.3	0.0
Increasing job seekers who match the skills required by the company	9.1	0.0	0.0
Increasing working population due to factors such as population growth	0.0	0.0	0.0
Changes in the values of local human resources	0.0	0.0	0.0

Reasons for the deteriorating Situation	Staff/Worker (11)	Professionals (12)	Manager (7)
Rising demands for wages/benefits	**90.9**	**91.7**	**71.4**
Mismatch between the skills of job seekers and the skills required by the company	**54.5**	41.7	**71.4**
Intensifying competition with other companies for human resources	45.5	**50.0**	42.9
Widening gap between supply and demand in the labor market	45.5	33.3	28.6
Decline in the working population due to factors such as declining birthrates and aging population	27.3	0.0	14.3
Changes in the values of local human resources	9.1	16.7	14.3
Other	9.1	8.3	0.0

(Note) “Specialty occupations” refer to jobs requiring specialized skills such as legal, accounting, and engineering expertise. Only the top items have been excerpted. Items with 50% or more are shown in bold.

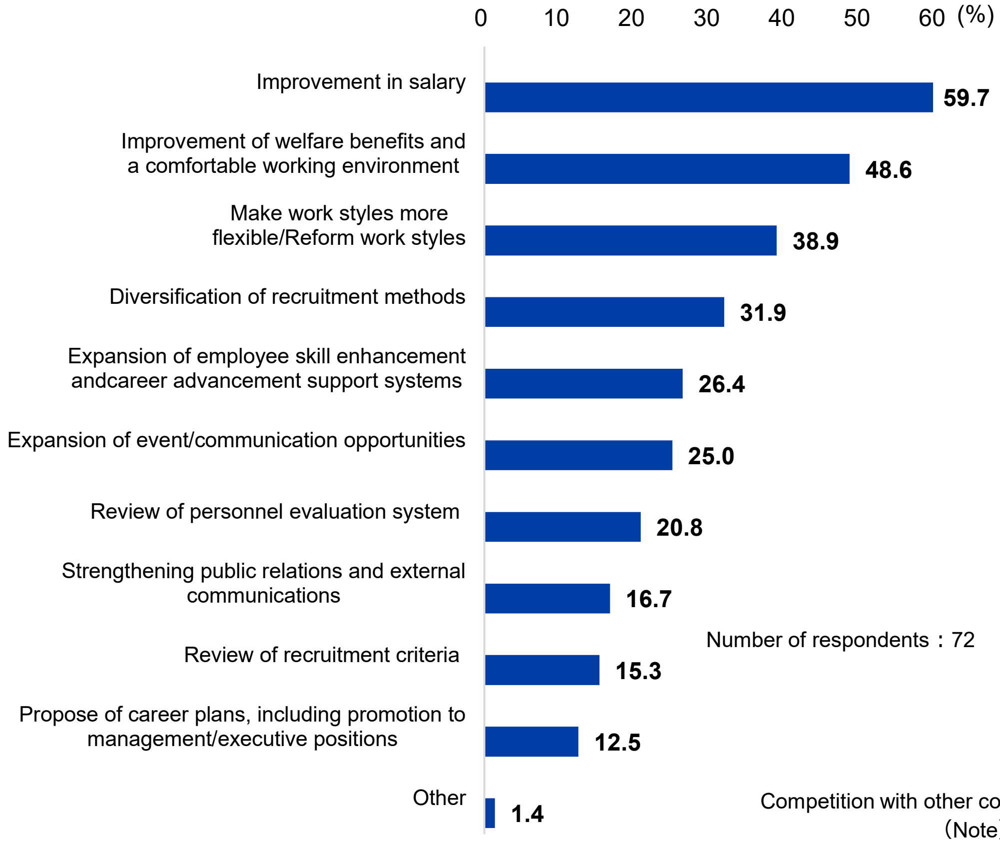
Number of respondents: 15

Back to Table of Contents

2 Specific recruitment and retention measures
Over 50% of companies are working to improve salaries and work environments

- As specific recruitment and retention measures, over 50% selected “improvement in salary.” This was followed by “improvement of welfare benefits and a comfortable working environment” (48.6%) and “make work styles more flexible/reform work styles” (38.9%).
- As a specific measure to improve salaries, some companies have set wage levels above those of industry peers. Some initiatives are unique to Canada, with companies recruiting French speakers from outside of the country.

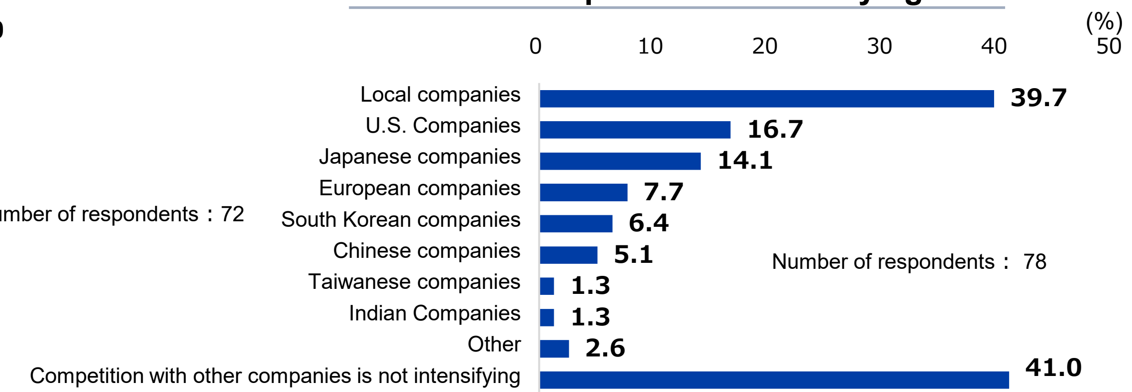
Specific recruitment and retention measures



Specific HR measures (specific comments)

- **Improvement in salary**
  - Research regional and industry trends and set wages exceeding those levels [General machinery, information and communication, miscellaneous manufacturing industries, professional and technical services, Sales company/Sales subsidiary]
- **Recruitment activities**
  - Participate in college career fairs [Food, travel/amusement]
  - Hold recruitment events as needed [Automotive etc. parts]
  - Continue recruitment activities in French-speaking countries [Rubber/ceramic/stone and clay products]

Home countries/regions of competitors where competition is intensifying

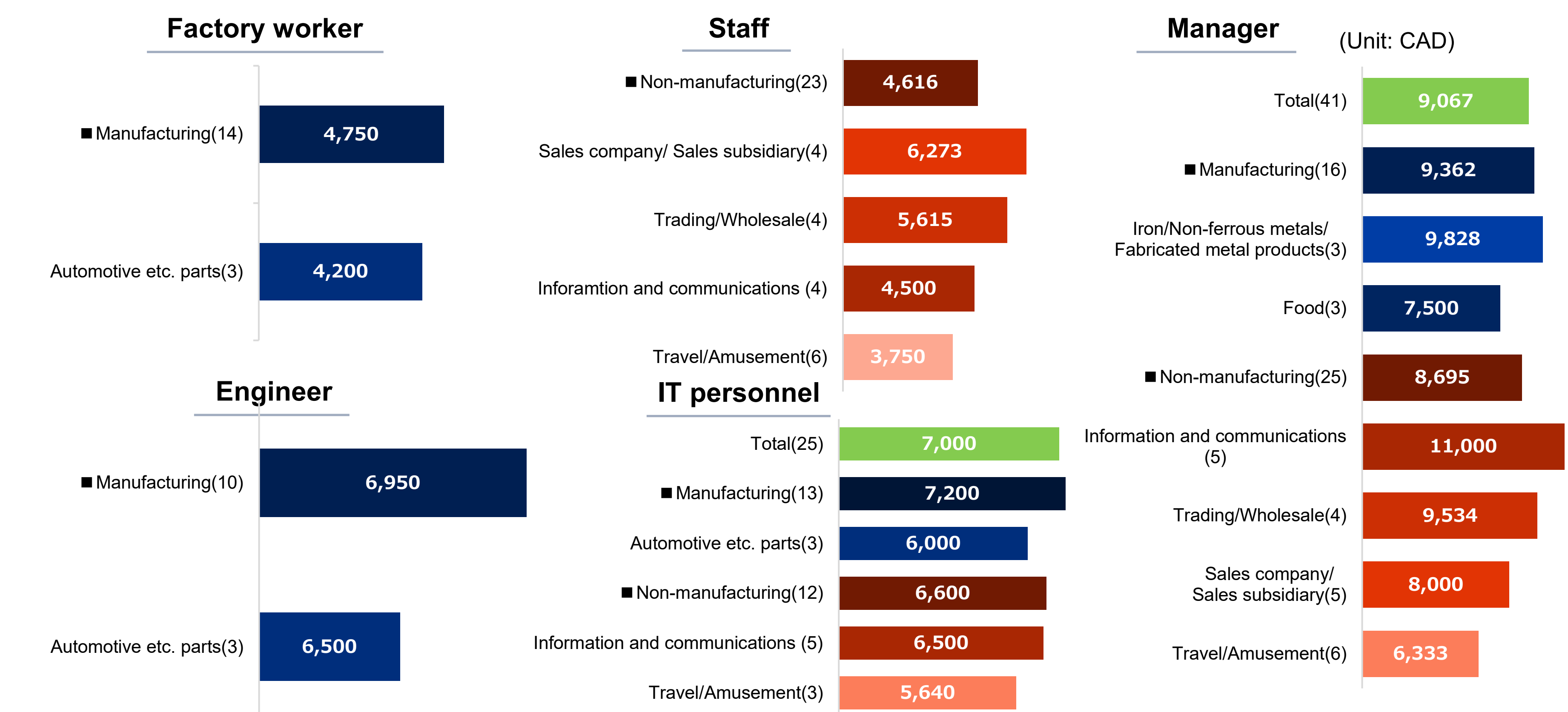


(Note) Specific comments have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

Back to Table of Contents

1 Wages (basic monthly salary, median): Basic monthly salaries fell below the previous year's level, except for managers

- The median basic monthly salaries across the four job types surveyed, except for managers, fell below the previous year's levels. Even for managers, the figure was CAD 9,067, showing only a slight increase from the previous year (CAD 9,000).
- In both manufacturing and non-manufacturing, the median nominal rate of base salary increase was 3.0% for the current fiscal year (2024 to 2025). In manufacturing, the median nominal rate (forecast) has decreased from the previous year's 3.5%, whereas the figure for non-manufacturers has remained the same.

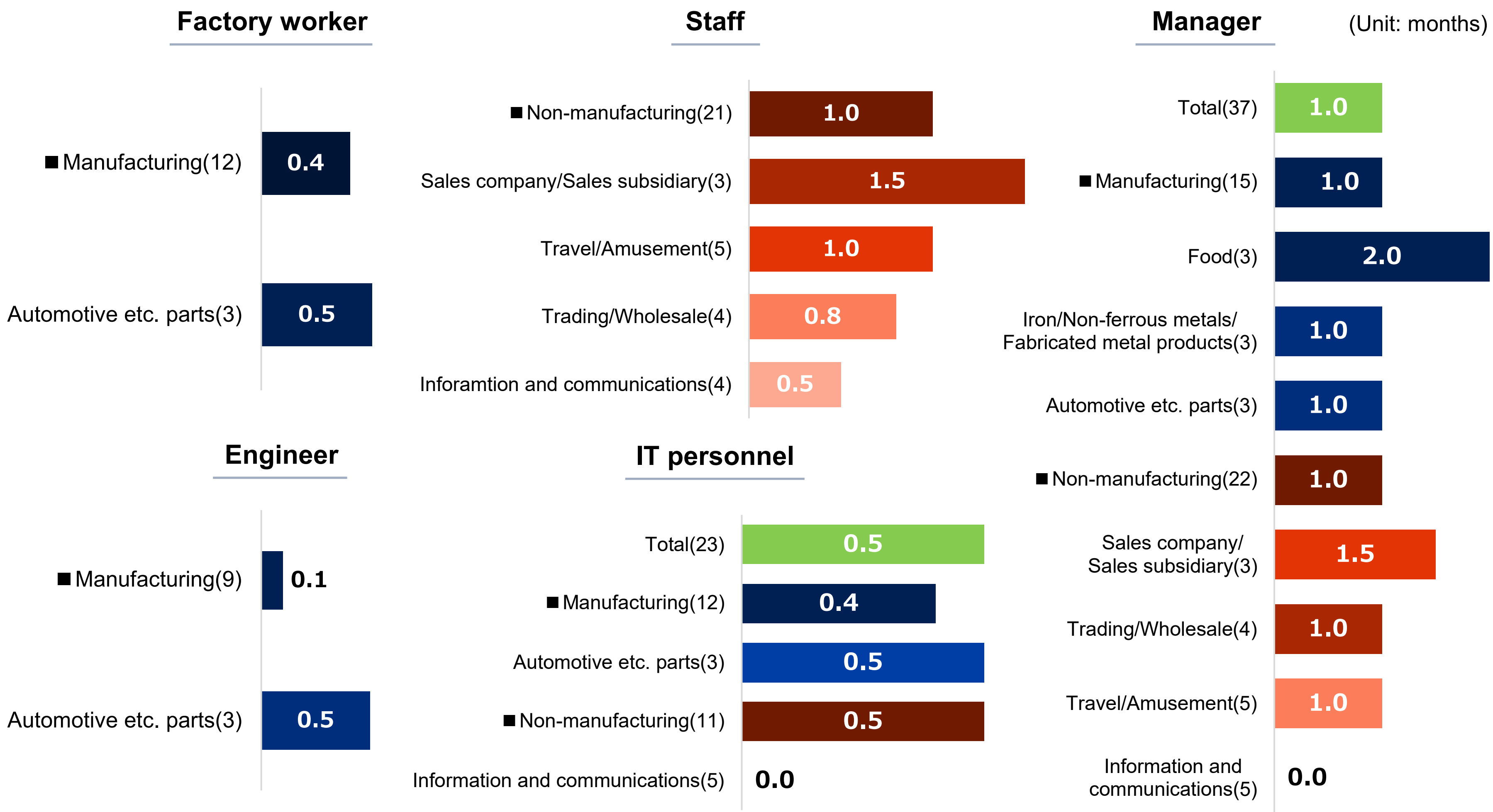


(Note 1)Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.
(Note 2)The list only includes industries with 10 or more valid responses.

Back to Table of Contents

2 Wages (annual bonus, median): The median by position is 0.0 to 2.0 months

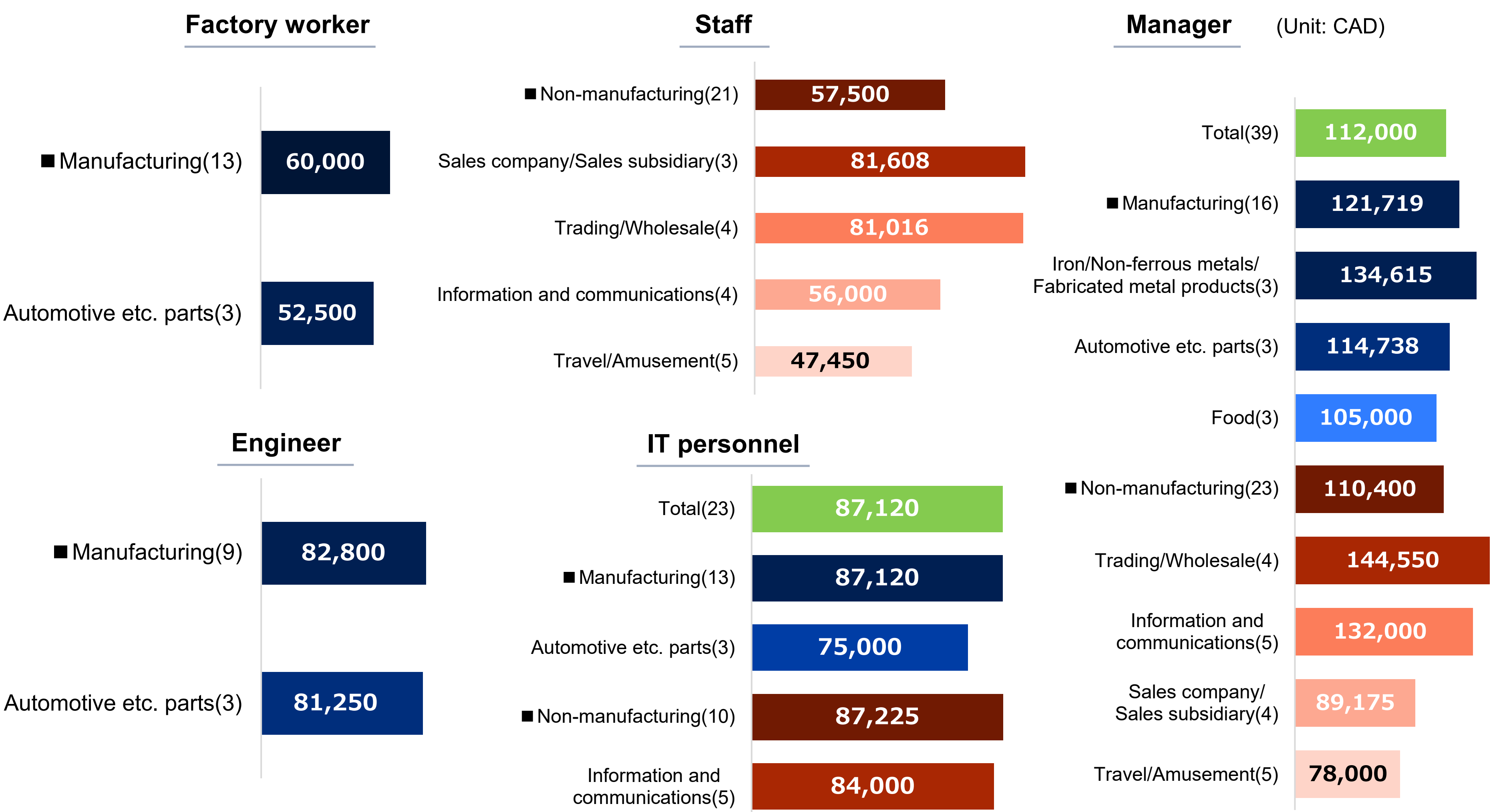
(Unit: months)



(Note 1)Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

(Note 2)The list only includes industries with 10 or more valid responses.

3 Wages (actual annual contribution, median): The median by position is CAD 47,450–144,550



(Note 1)Companies in each sector provided responses for the following types of employees: Manufacturing – Workers (regularly employed general construction workers with about 3 years of work experience, excluding contract workers and probationary workers), engineers (regularly employed mid-level engineers with at least a technical school or university degree and 5 years of work experience), managers (regularly employed sales managers with at least a university degree and 10 years of work experience), and IT personnel (regularly employed system engineers with at least a technical school or university degree and 5 years of work experience); Non-manufacturing companies – Staff members (full-time regular service employees with 3 years of work experience, excluding temporary and probationary employees), managers, and IT personnel.

(Note 2)The list only includes industries with 10 or more valid responses.

Back to Table of Contents

1 Impacts of the Trump tariff policies (1): The Trump tariff negative impacts are particularly significant in manufacturing industries

- Looking at all industries, the percentage of companies that selected “significant negative impact” (39.2%) far exceeded the percentage for “significant positive impact” (5.1%).
- Among all manufacturers, the majority (51.4%) reported negative impacts, while the percentage for positive impacts was only 5.7%. Meanwhile, most non-manufacturers selected either “not sure” (34.1%) or “no impact” (31.8%).

Impacts of the Trump tariff increase, etc.

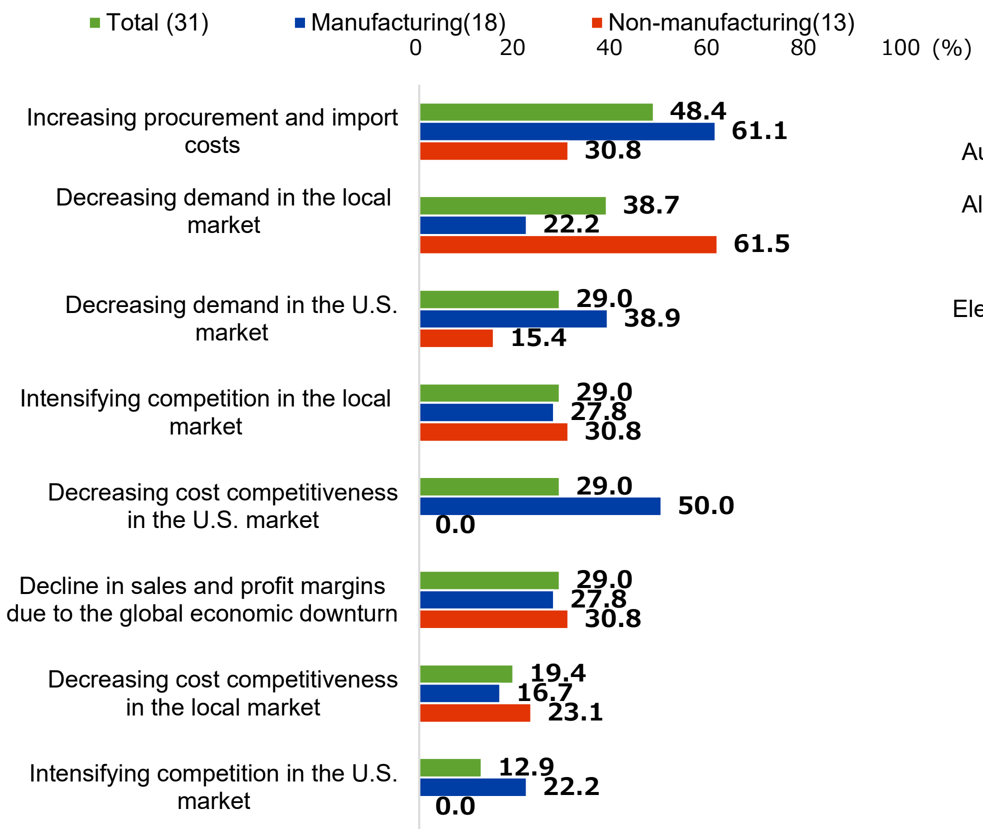
（Note） The figure includes only industries with 10 or more valid responses.

Back to Table of Contents

2 Impacts of the Trump tariff policies (2): Increased procurement and import costs emerge as a significant consequence of the Trump tariffs

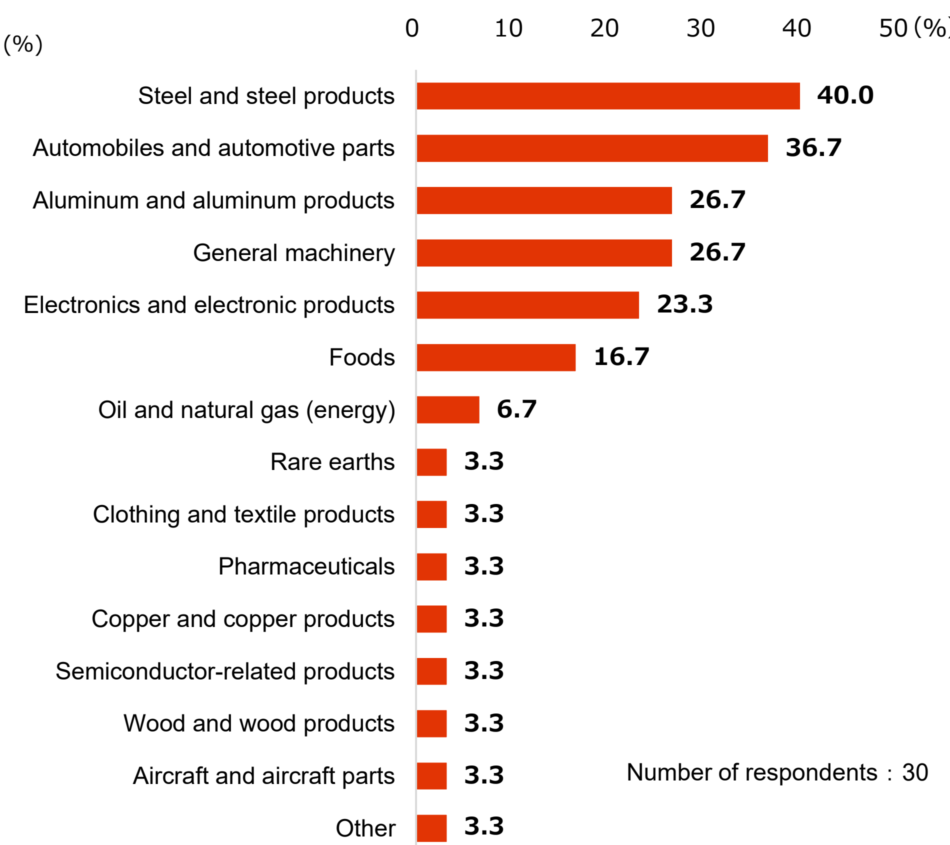
- When asked why the Trump tariffs have negative impacts, most respondents cited "increasing procurement and import costs" (48.4%) and "decreasing demand in the Canadian market" (38.7%).
- As specific items with particularly significant negative impacts, many respondents selected steel and steel products (40.0%) and automobile and automotive parts (36.7%).

Reasons for negative impacts (multiple answers allowed)



(Note) Only the top items are shown.

Items with particularly significant negative impacts (multiple answers allowed)



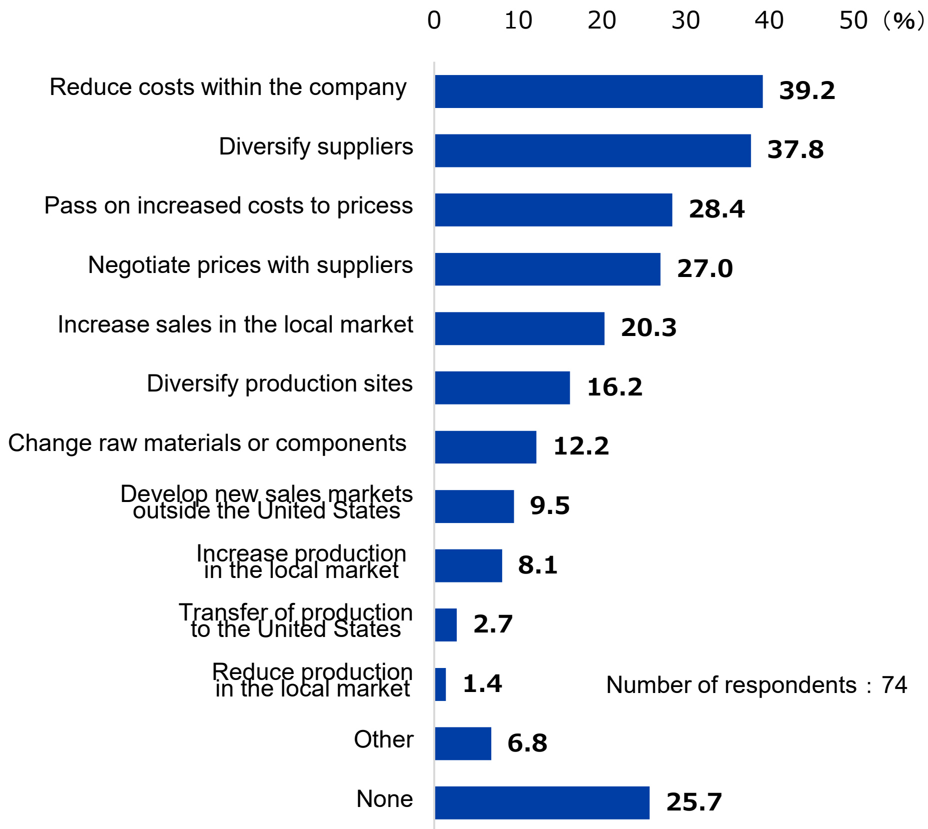
(Note) Only the top items are shown.

Back to Table of Contents

3 Impacts of the Trump tariff policies (3): Companies are cutting internal costs to tackle the Trump tariffs

- As responses to changes in the business environment, including tariff hikes in the U.S. and other countries and regions, many companies selected “reduce costs within the company” (39.2%) and “diversify suppliers” (37.8%).
- Meanwhile, about a quarter (25.7%) of companies selected “None” when asked how they are tackling the situation.

Responses to changes in the business environment, including the Trump tariff increase (multiple answers allowed)



(Note) Only the top items are shown.

Specific measures (specific comments)

- The U.S. has imposed additional tariffs on foreign-made machinery sold in the U.S., including products from Japan. This may result in declining sales. We have started covering some of the tariff costs ourselves, though not the full amount [Miscellaneous manufacturing industries]
- Strengthen production capabilities in Canada and leverage them to enhance sales capacity within the country [Food]
- Consider passing on additional tariff costs to wholesale prices as needed, while considering competitors’ actions [Trading/Wholesale]
- Because of the tariffs, some customers (especially municipal governments) request products made in Canada, not those made in the U.S. This often requires us to make products using our partners’ facilities in Canada, instead of providing products made at our U.S. factories [Sales companies]
- The underlying assumptions may change due to retaliatory tariffs on U.S. products, the review of the USMCA, etc. We are establishing a flexible production system to source from optimal countries of origin [Sales companies]
- The cost of aluminum cans imported from the U.S. has increased due to the tariffs. We plan to address this by passing on the cost increases to customers and reducing other costs [Food]

(Note) Specific comments have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

Back to Table of Contents

4 Impacts of the Trump tariff policies (4): For the USMCA review, despite hopes to maintain the status quo, concerns are strong about conditions favoring the U.S. and the imposition of tariffs

- Regarding the USMCA review scheduled to take place by July 1, 2026, companies expressed hopes for maintaining the status quo and establishing stable, long-term trade partnerships.
- However, many expressed concerns that the review may result in conditions favoring the U.S. or a discontinuation of the agreement, imposing tariffs on products currently covered by the USMCA.

Expectations for the USMCA review (specific comments)

- The current USMCA should be maintained [General machinery, trade/wholesale, Sales companies]
- Tariff exemption for automotive parts [Automobiles]
- Hope for a stable, long-term trade relationship [Finance/Insurance]

Concerns about the USMCA review (specific comments)

- Concerned that product-specific tariffs may be imposed or that, in the end, the U.S. may aggressively enforce tariffs to accelerate domestic production. Uncertainty contingent on President Trump's decisions [Rubber/Ceramic/Stone and clay products]
- If USMCA revisions lead to increased tariffs within North America, concerns include supply chain impacts, higher procurement costs, and changes in our operating markets' sales environments (Impacts on the supply-demand balance, consumer sentiment shifts due to changing economic conditions) [Sales companies]
- Stricter conditions, new conditions favoring the U.S. [Transport]
- Introduction of new regulations in the IT and cloud segments, changes in competitive conditions due to uneven preferential treatment, strengthening of government procurement policies favoring local firms, and delays or increased caution in customer decision-making amid the agreement review [Information and communication]
- Since Canada is highly dependent on the U.S., the economic impact would be significant. We are concerned that the U.S. may one-sidedly revise the agreement [Finance/Insurance]
- New tariffs may be imposed on items that are currently covered by the CUSMA [Food]
- Risk of the agreement being canceled and tariffs being imposed [Sales companies]

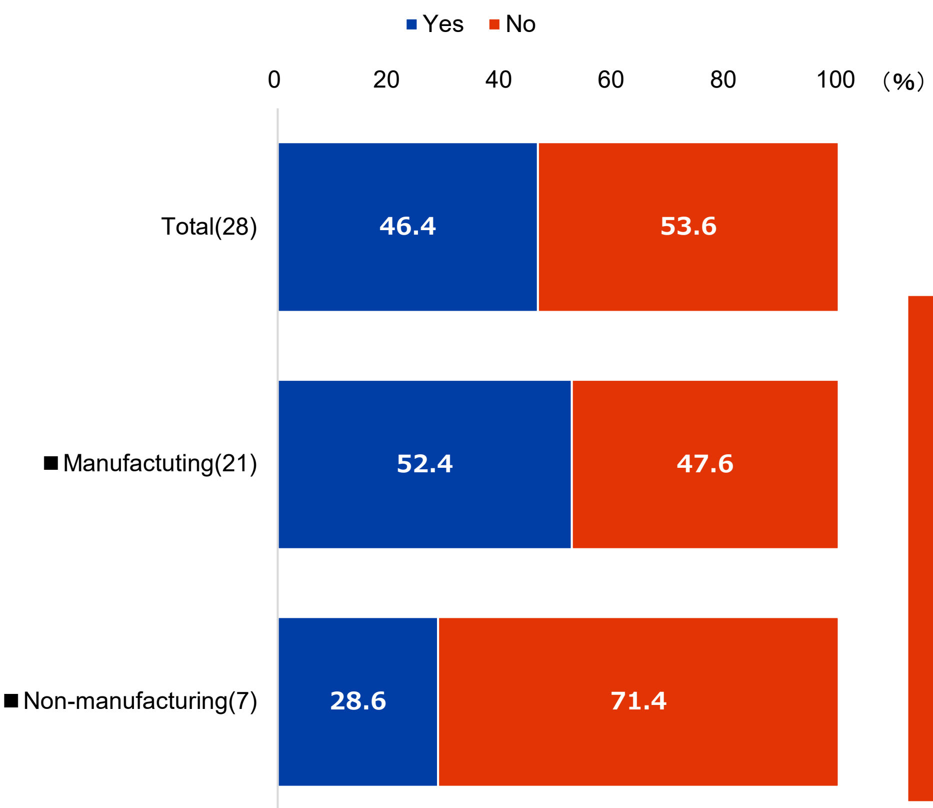
(Note) Specific comments have been supplemented or edited to clarify the respondents' intentions without altering their original intent.

Back to Table of Contents

1 Planned sourcing shifts:
More than half of manufacturers plan to change their suppliers

- About 46.4% of respondents answered they intended to change their suppliers, up over 20 percentage points from the previous year (24.3%). In particular, more than half (52.4%) of manufacturers answered they planned to switch their suppliers.
- Specifically, a considerable share of companies will shift from suppliers in the U.S. to those in Asian countries, including Japan, and in Canada.

Plans to review procurement sources



(Note) The figure only includes industries with 5 or more valid responses.

Specific supplier changes (multiple answers allowed)

(Unit：Company)

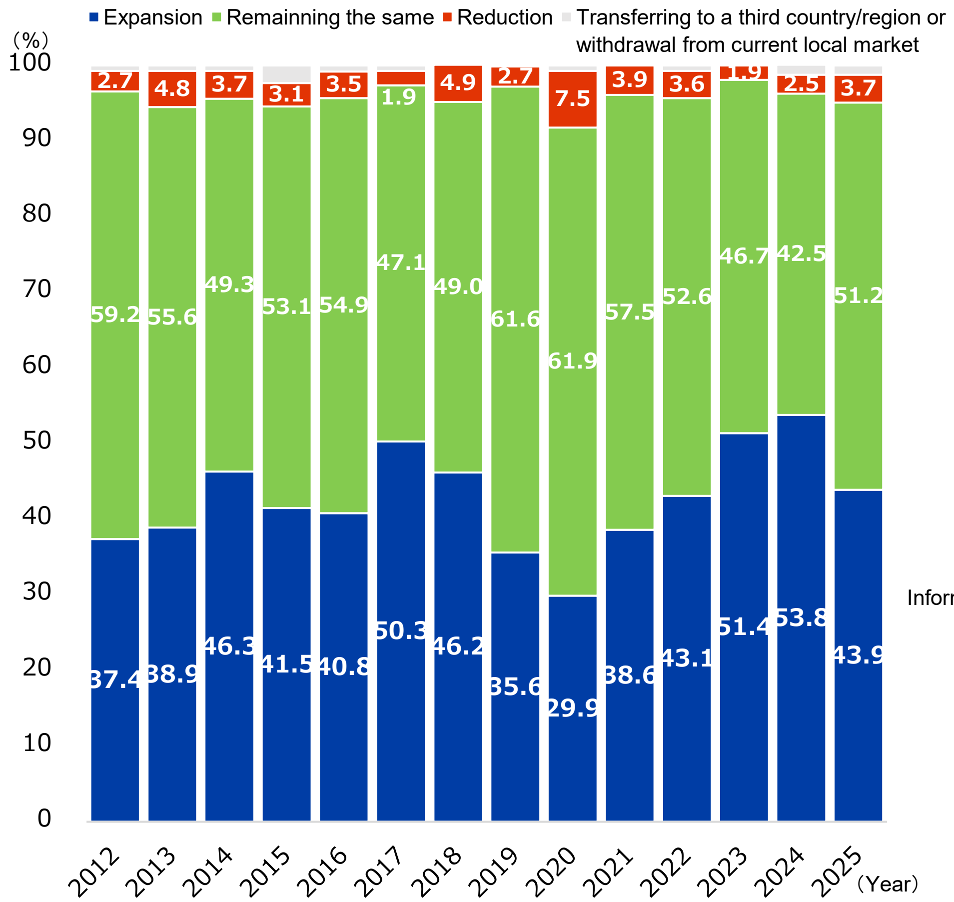
Change from \ Change to	Japan	Canada	China	United States	South Korea	ASEAN	NA	Total
United States	**4**	2	2		1	1		**10**
Japan	0	1		1				2
Mexico							1	1
Total	**4**	**3**	2	1	1	1	1	**13**

(Note) Changes of 3 or more are indicated in bold.

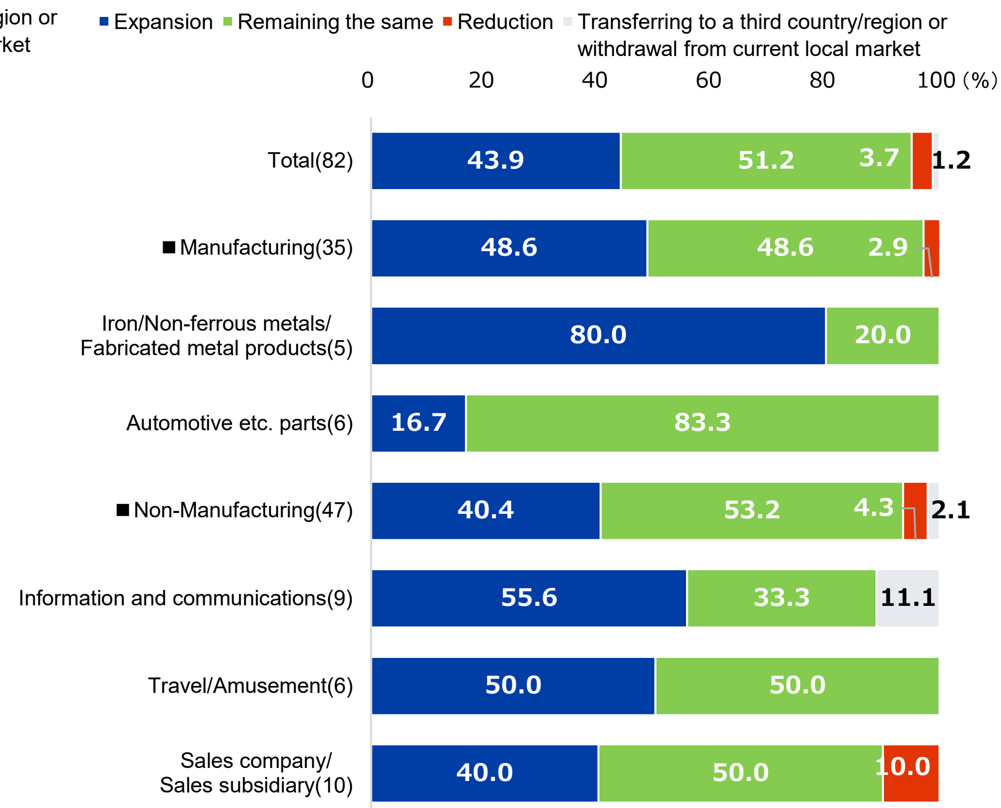
1 Future business direction: The percentage of companies expecting to expand their business fell below 50% for the first time in three years

- The percentage of companies expecting to expand their business in Canada over the next one to two years was slightly above 40% (43.9%), down nearly 10 percentage points from the previous year (53.8%). This marks the first time in three years that the figure fell below 50%, lower than the share of respondents that selected "remaining the same" (51.2%).
- By industry, in manufacturing, 80% of iron/non-ferrous metals/metals companies project expansion, whereas over 80% (83.3%) of automotive etc. parts companies plan to remain the same. Among non-manufacturers, over 50% (53.2%) of the total selected "remaining the same."

Business direction for the next couple of years (all industries)



Business direction for the next couple of years (by industry)



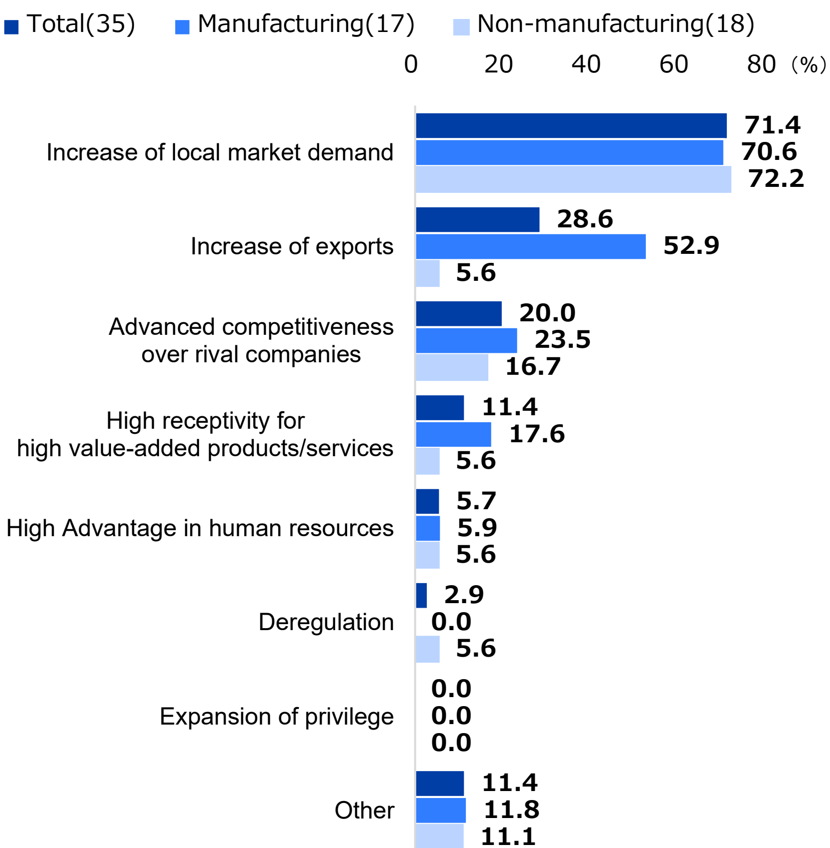
(Note) Only industries with 5 or more valid responses are shown.

Back to Table of Contents

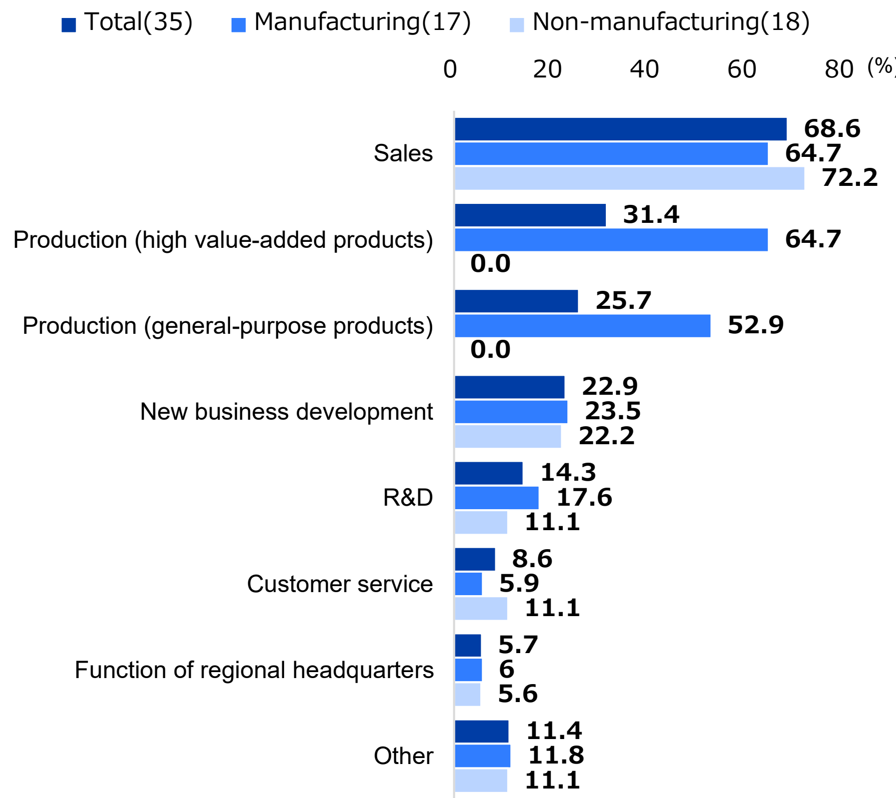
2 | Reasons for expansion: Increased local market demand led at over 70%

- Among the reasons for business expansion over the next one to two years, “increase of local market demand” accounted for the largest share of 71.4%.
- Regarding specific functions that companies plan to expand, sales (68.6%) topped the list, followed by production (high-value added products, 31.4%) and production (general-purpose products, 25.7%).

Reasons for expansion (multiple answers allowed)



Specific functions that companies would like to expand (multiple answers allowed)



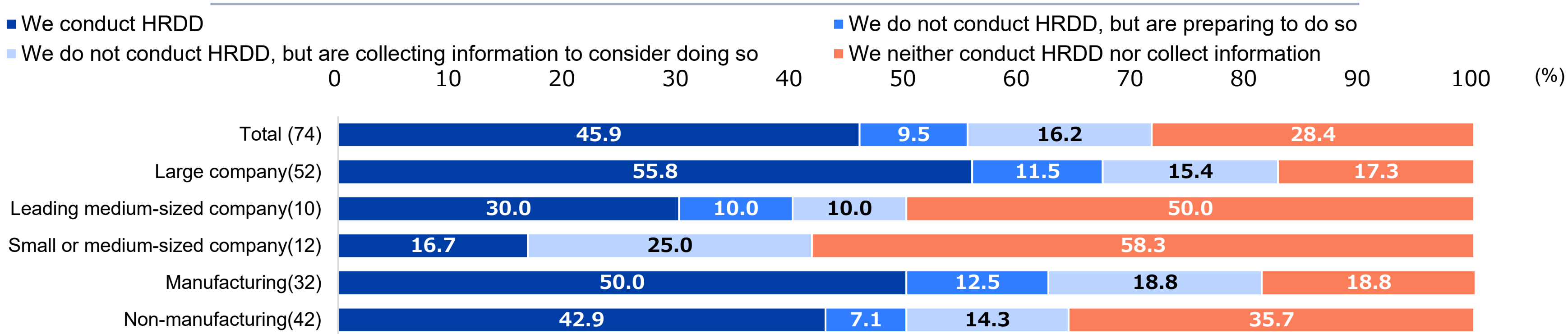
(Note) Only the top items are shown.

Back to Table of Contents

1 Business and human rights (1): While nearly half of companies are currently conducting HRDD, the implementation status significantly varies by company size

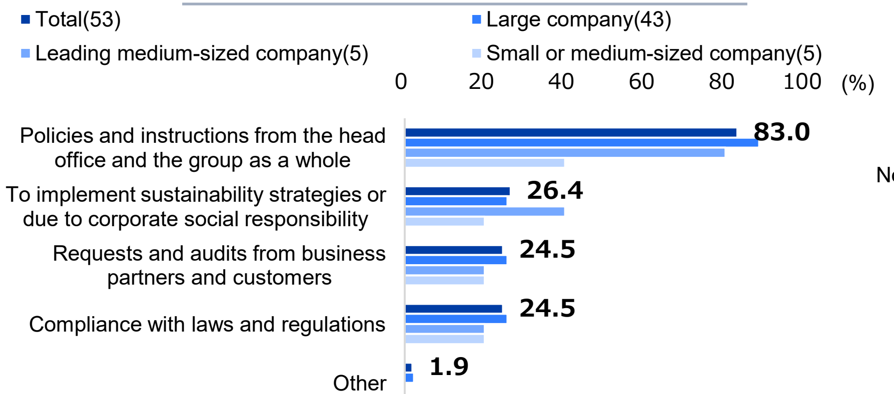
- The companies conducting human rights due diligence (HRDD) accounted for 45.9%, including over half (55.8%) of large enterprises. Meanwhile, the percentages for leading medium enterprises and small and medium-sized enterprises were 30.0% and 16.7%, respectively, indicating that implementation rates vary significantly by company size.
- The most common reason for conducting, considering, or collecting information on HRDD was “policies and instructions from the head office and the group as a whole,” which accounted for 83.0%.

Do you conduct HRDD in your business activities? (by company size and industry)



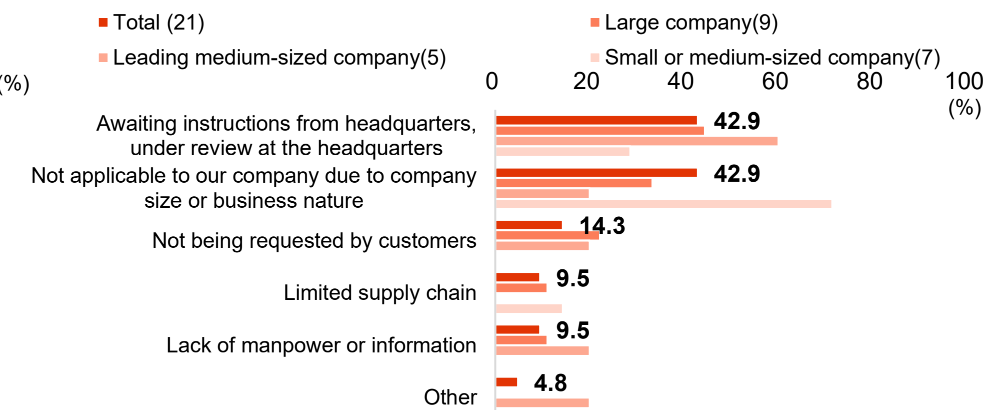
(Note) The figures in parentheses presented with company sizes and industry names represent the numbers of valid responses.

Reasons for conducting, considering, or collecting information on HRDD



(Note) This question is for companies that selected “conduct HRDD,” “do not conduct HRDD, but are preparing to do so,” or “do not conduct HRDD, but are collecting information to consider doing so.” The percentages are shown for overall totals only.

Reasons for not conducting HRDD

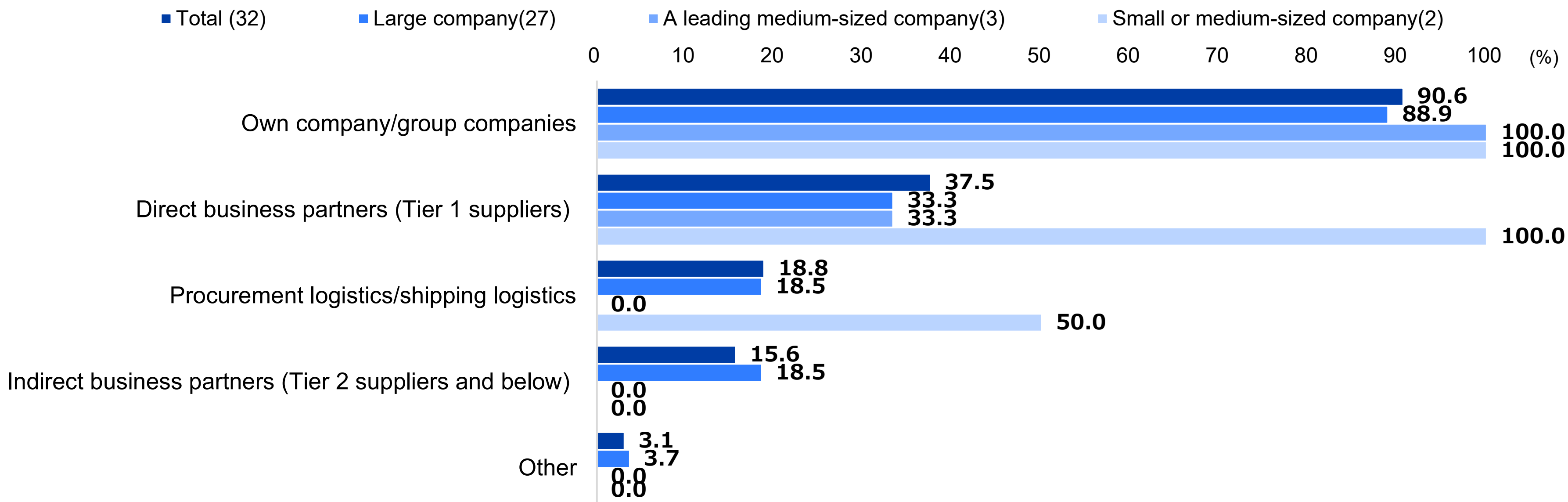


(Note) This question is for companies that selected “neither conduct HRDD nor collect information.” The percentages are shown for overall totals only.

2 Business and human rights (2): Companies conducting HRDD struggle to trace back to indirect business partners

- When asked about the extent of HRDD coverage, 90.6% selected “own company/group companies” and 37.5% “direct business partners (Tier 1).” The percentage of companies that conduct HRDD extending to indirect business partners (Tier 2) and below was limited.
- In conducting HRDD, many companies expressed concerns about labor conditions that cannot be tracked in the supply chain.

Extent to which companies have conducted HRDD in their supply chains, etc. (multiple answers allowed)



Challenges in implementing HRDD (specific comments)

- Means of gathering information and reliability of information [General machinery]
- Ensuring understanding and compliance with new regulations [Food]
- Gathering information from suppliers/vendors [Sales companies]

Supply chain challenges in implementing HRDD

- Lack of transparency regarding raw material manufacturers, especially third-tier and lower-tier contractors in China [Rubber/ceramic/stone and clay products]
- Lack of visibility into supply chain environments, including suppliers and vendors [Sales companies]
- Conducting HRDD as part of customer service in the service industry [Travel/amusement]

（Note 1）This question is for companies that selected “we conduct HRDD” only.
（Note 2）Specific comments have been supplemented or edited to clarify the respondents’ intentions without altering their original intent.

Japan External Trade Organization (JETRO)

Americas Division,
Research & Analysis Department

81-3-3582-5545

ORB@jetro.go.jp

6F ARK Mori Building, 1-12-32 Akasaka,
Minato-ku, Tokyo, 107-6006, Japan

■ Disclaimer

■ Please use the information in this report at your own discretion. While we strive to provide the highest level of accuracy to the users, we cannot be held responsible for any loss associated with the use of this report