



JAPAN'S U.S. INVESTMENT DYNAMIC

REFLECTING ON
THE ECONOMIC
CONTRIBUTIONS
BY JAPANESE
COMPANIES

UNDERSTANDING THE IMPACT MADE BY JAPANESE COMPANIES IN THE U.S. ECONOMY

Among Foreign Direct Investors, Japan is:

- THE LARGEST DIRECT INVESTOR IN TOTAL \$\$
- THE EMPLOYER OF NEARLY 1 MILLION AMERICANS
- THE #1 EXPORTER OF U.S. MERCHANDISE
- THE LEADER IN R&D FUNDING

Japan's U.S. Investment Dynamic is published to highlight key facts of the significant and growing economic contributions made by Japanese companies to the U.S., in terms of capital investment, employment, increased U.S. merchandise exports, and R&D spending.

Because these contributions to the U.S. economy are usually not reported by major mainstream media, it is our hope that this booklet will deepen your understanding of Japan's commitment to the U.S. economy.

If you would like to explore the benefits of working with Japanese companies in your community or developing a strategy to attract new Japanese investors to your region, please **TALK TO JETRO FIRST.**

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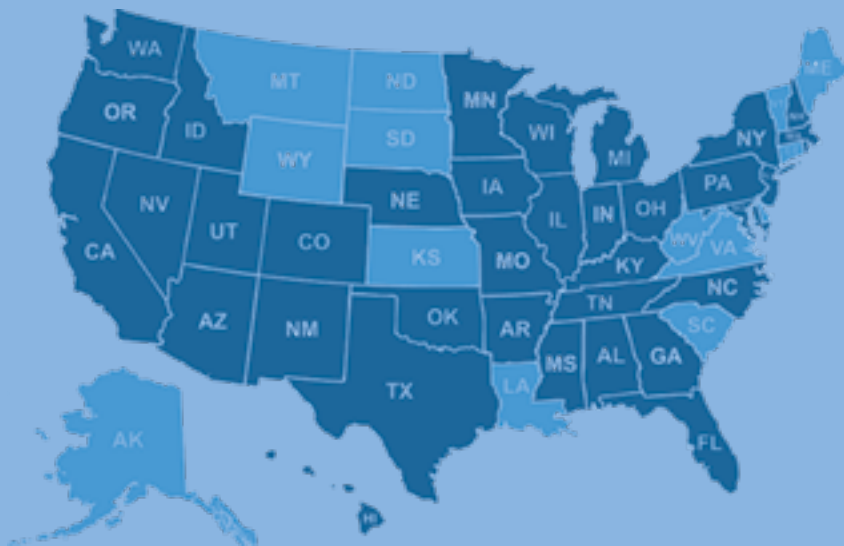
U.S.-Japan Bilateral Investment Opportunities Through Relationship Building: JETRO's Role

Learn how JETRO, for decades, has enabled U.S. state and local governments to discover positive and mutually beneficial business relationships with Japan's business community.

Overview of Direct Investment by Japanese Companies in the United States

The history of foreign investment in the U.S. economy over the past 40 years reflects its continuing growth and significance.

According to the U.S. Department of Commerce, with an increase in Foreign Direct Investment (FDI) of a towering 168% over ten years, Japan has emerged as the number one leading source of foreign investment in America.



As new businesses from Japan steadily enter the U.S., Japanese firms now rank among the top 3 in total number in all 50 states. And, as of 2021, in 36 states, Japanese companies represent the most operations of all foreign direct investors.

1st in total
number of
firms in

36
STATES

Ranked
in the
Top 3 in

50
STATES

CONTRIBUTING TO CONSISTANT ECONOMIC GROWTH IN THE U.S.

Comparison of Top U.S. Foreign Investors

FDI Ranking	Japan #1	Canada #2	Germany #3	U.K. #4
FDI Total (2020)	\$679.0 billion	\$580 billion	\$521.9 billion	\$446 billion
Manufacturing Jobs	527,500	130,000	307,400	265,700
R&D Investment	\$12.9 billion	\$1.1 billion	\$11.0 billion	\$7.1 billion
U.S. Exports	\$82.3 billion	\$16 billion	\$47.2 billion	\$52.3 billion
Top 6 Industry Sectors	1. Auto Components 2. Industrial Equipment 3. Plastics 4. Automotive OEM 5. Software & IT Services 6. Metals	1. Software & IT Services 2. Financial Services 3. Business Services 4. Real Estate 5. Industrial Equipment 6. Food & Beverages	1. Industrial Equipment 2. Software & IT Services 3. Auto Components 4. Transportation 5. Chemicals 6. Plastics	1. Business Services 2. Software & IT Services 3. Financial Services 4. Communications 5. Industrial Equipment 6. Transportation

Japan is:

#1 in Total Foreign Direct Investment in the U.S.

#1 in Creation of Manufacturing Jobs in the U.S.

#1 in Total R&D Spending in the U.S.

#1 in Total Value of Merchandise Exports from the U.S.

As of 2020, Japan continued to be the foreign direct investment leader in the United States among all top investors, including Germany, Canada and the United Kingdom. Japanese total direct investment in the U.S. attained a record level of \$679 billion in 2020.

Japan's direct investment in the United States is best characterized as industrial; predominantly in the automotive supply chain compared to investments by other foreign companies in the services and financial sectors.

Source: U.S. Department of Commerce, Select USA Website

<https://www.selectusa.gov/FDI-global-market/international-markets>

FDI: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

Japan's Investment Levels are the Largest among Other Foreign Direct Investors

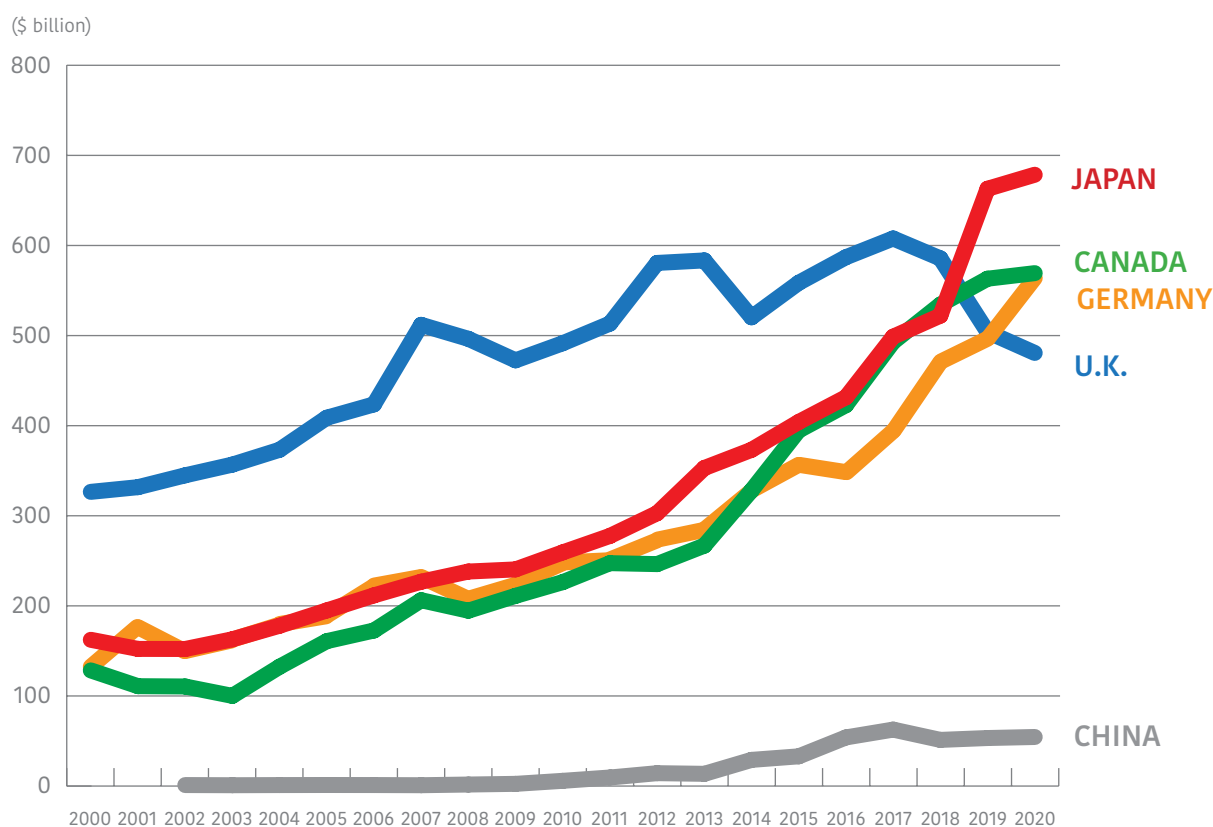
Japan's direct investment plays an essential role in contributing to U.S. economic growth and prosperity, creating highly compensated jobs, spurring innovation, and driving U.S. merchandise exports.

The velocity of Japanese companies' investment in the United States has shown significant results. In 2020, Japan's investment in America was approximately three times greater than in 2009.

Continued growth has especially impacted U.S. state and local governments by boosting a variety of key economic indicators, including new hires and business expansions of Japanese-owned companies throughout the United States.

JAPAN: THE #1 FOREIGN DIRECT INVESTOR IN THE U.S. ECONOMY

Japanese total direct investment in the U.S. reached a record level of \$679 billion in 2020.



Since 2009, Japan's direct investment in the U.S. economy increased by 182.8% to \$679 billion. In comparison; Canada's direct investment in the U.S. was \$570 billion; followed by Germany \$564 billion; the United Kingdom \$481 billion; and China \$55 billion.

	YR 2020
JAPAN	\$679 billion
CANADA	\$570 billion
GERMANY	\$564 billion
U.K.	\$481 billion
CHINA	\$55 billion

Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).

Source: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

Japan's Investment is Critically Important to U.S. Manufacturing

Historically, the top industrial sector of Japan's investments to the United States is in manufacturing. When Japanese companies decide to invest in the U.S., it is generally in the formation of new manufacturing facilities, best known as Greenfield investments.

Recently, M&A plays an important role in Japanese direct investment to the United States. There is a certain positive synergy based on sharing manufacturing know-how (*Monozukuri) among Japanese and American engineers that results in a more productive U.S. manufacturing operation.

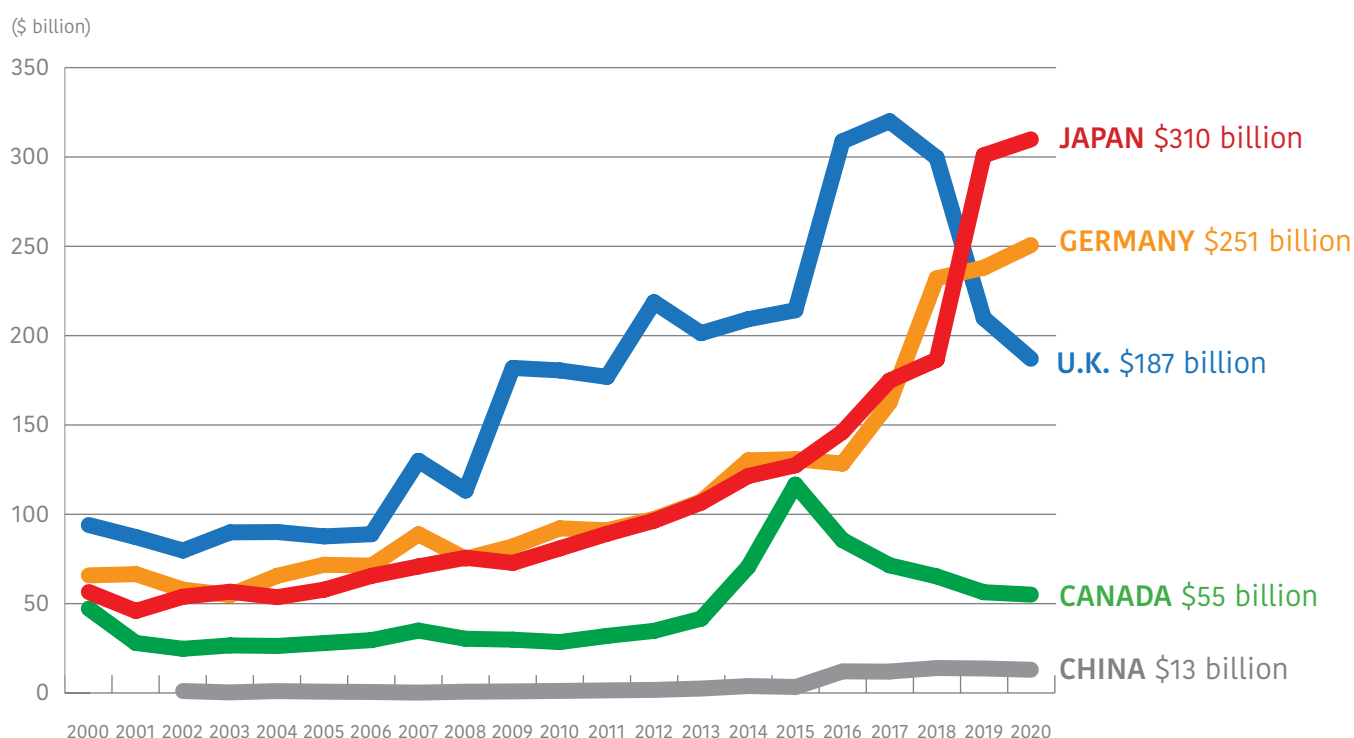
It is this combination of Japan's investment in Greenfield operations, the expansion of their existing U.S. manufacturing facilities and M&A which has resulted in a record growth of Japanese investments across the supply chain of the United States.

U.S. based Japanese manufacturing investments have a positive economic impact in local communities, specifically in terms of immediate job creation.

*Monozukuri – Human excellence in manufacturing

ADDING COMPETITIVENESS TO U.S. MANUFACTURING

In 2020, Japan's investment in U.S. manufacturing reached \$310 billion compared to \$73 billion in 2009, an increase of \$238 billion (327%).



In 2009, Japan's manufacturing direct investment was 29% of its total investment in the United States. By 2020, despite the COVID pandemic, a record 45% of Japan's total direct investment in the U.S. economy was manufacturing investment.

This gradual increase over the past decade of Japan's manufacturing expansion is best characterized as "a life time investment commitment" in the United States.

Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).
Source: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

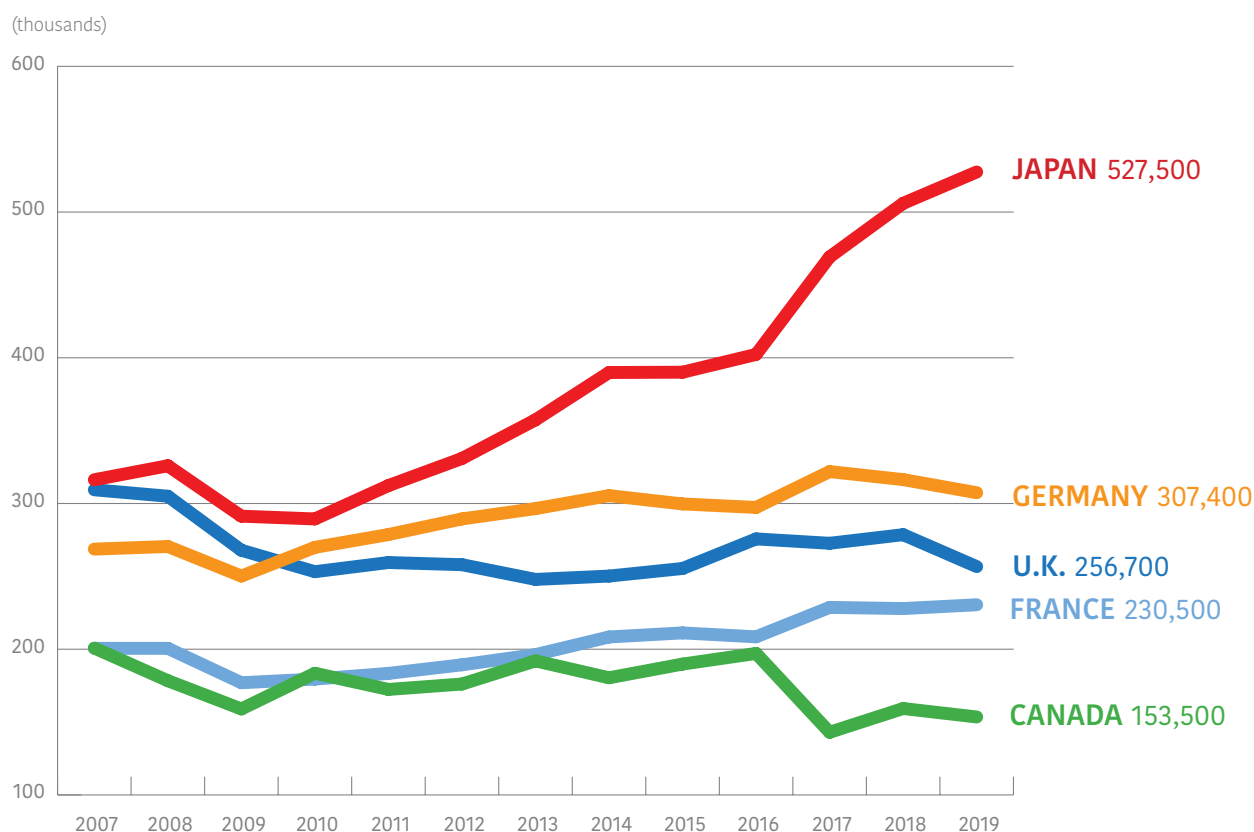
Japan's Investment is Critically Important to U.S. Manufacturing

Japanese companies play a critical role in employment of American workers in the manufacturing sector. In 2019, U.S. based manufacturing operations of Japanese companies employed over 500,000 Americans, a record level among all foreign investors.

In addition, Japanese companies in the U.S. are known historically for fair wages and extensive healthcare benefits they consistently provide to their employees.

JAPAN: THE #1 FOREIGN EMPLOYER IN U.S. MANUFACTURING

From 2010 to 2019, the number of Japanese companies' U.S. based manufacturing employees increased 82.3%, a gain of 238,100 jobs. In contrast, during the same period, total U.S. manufacturing employment growth increased by just 11.2%.



In 2019, the total number of Americans employed by Japanese companies in all U.S. business sectors reached an historic high

of 973,800. Of that number, more than half, 527,500 were in the manufacturing sector.

Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).

Source: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

U.S. Based Japanese Companies: Long-Term Employment Opportunities

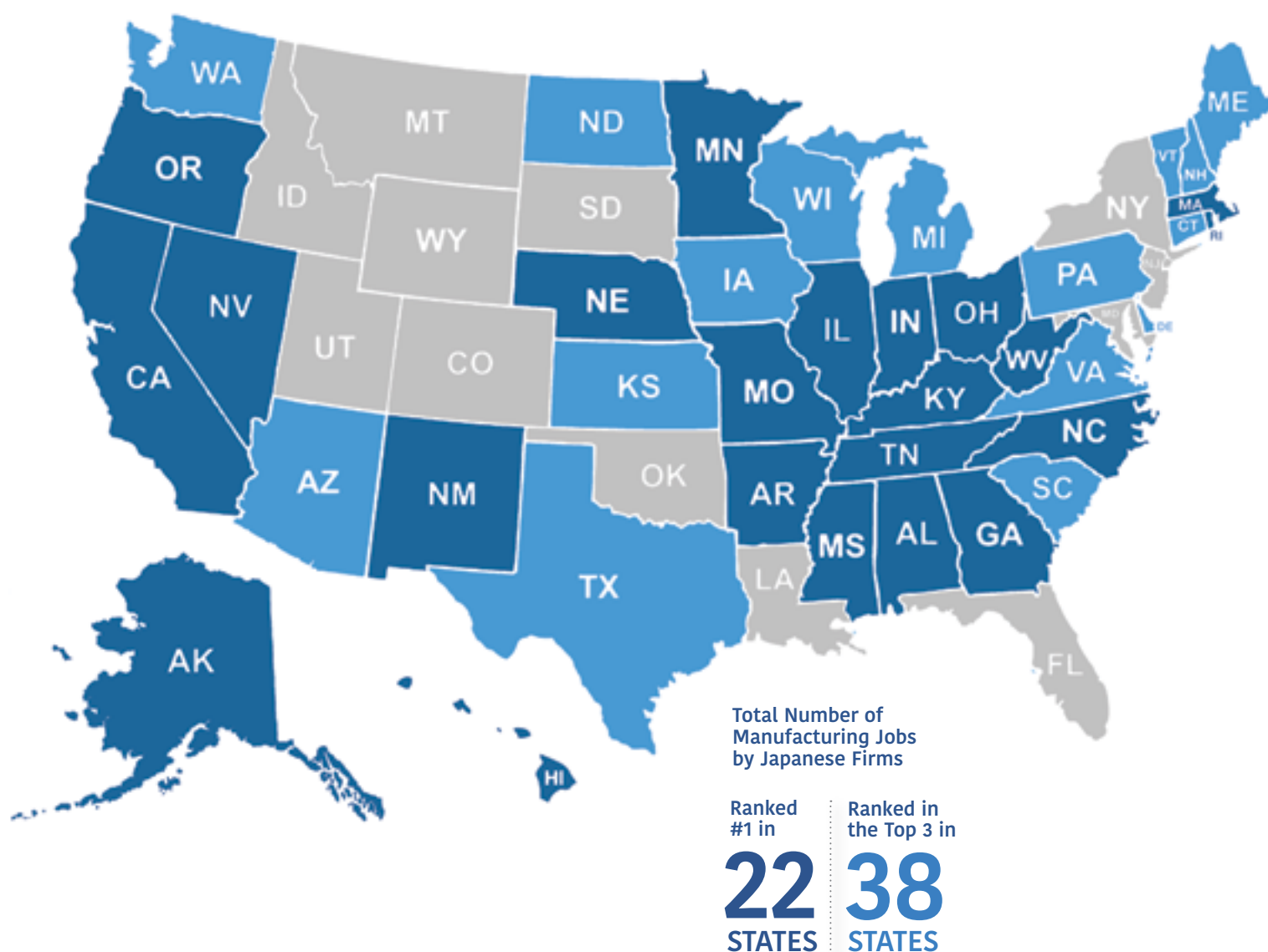
Japan is the largest manufacturing employer among all foreign investor countries in 22 U.S. states. Additionally, Japan ranks as one of the top three manufacturing employers among all investor countries in 38 U.S. states.

In fact, there are numerous states in the Midwest, Southeast and West regions where Japanese companies have the highest number of manufacturing employees among all other countries.

What attracts American workers to U.S. based Japanese companies; fair wages and qualitative benefits, including health insurance, 401K retirement plans, flexible hours and more.

Therefore, Japanese companies offer their U.S. employees job security, which results in financial stability and a sense of well-being for their families.

PROVIDING HIGH QUALITY U.S. JOBS THAT OFTEN BECOME CAREERS



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Japanese Companies: Valuable Contributors to U.S. Merchandise Exports

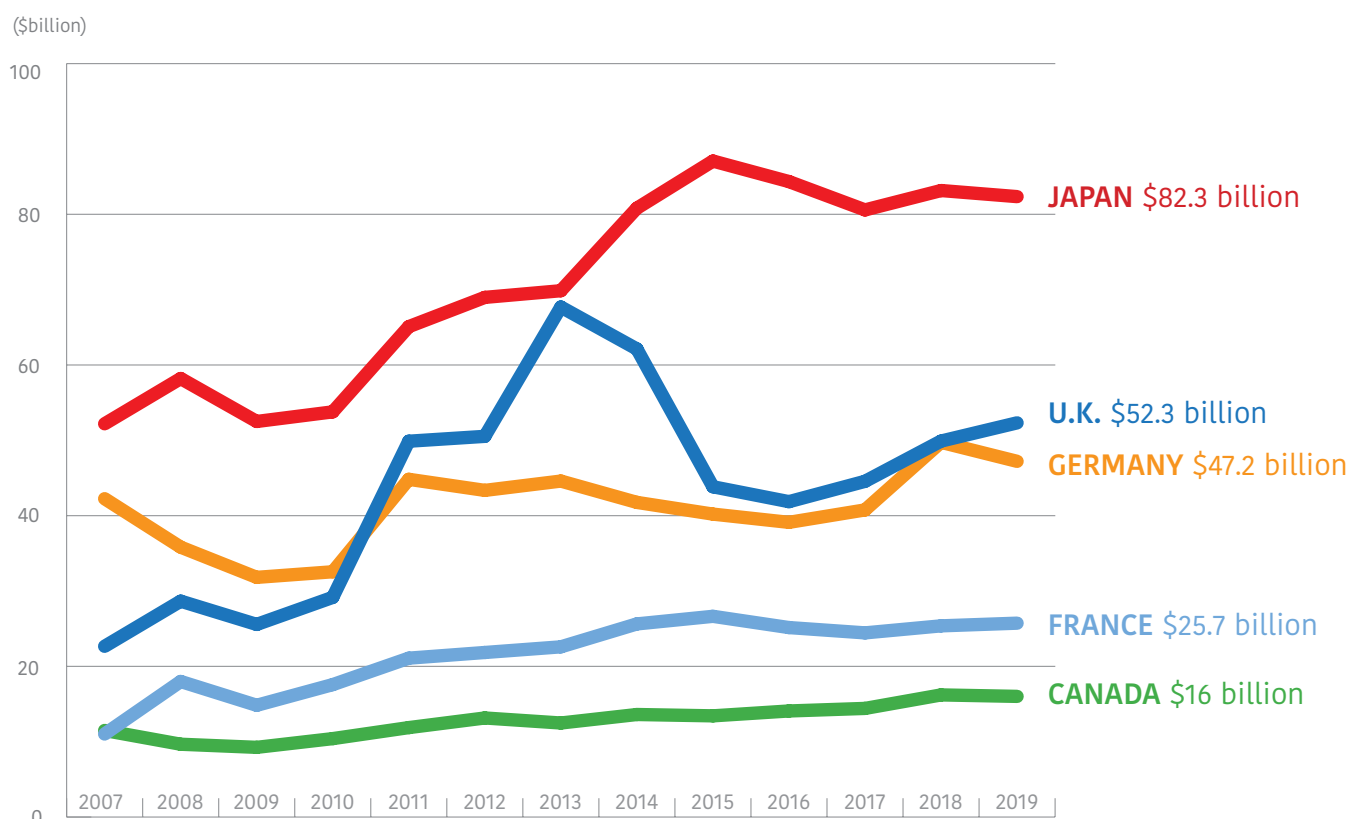
Direct investment from Japan contributes significantly to the large U.S. consumer and industrial markets, and increasingly, to global markets as well.

As global demand increased for products produced by Japanese companies in the U.S., they were agile enough to accelerate their exports from their U.S. business models. The success that Japanese companies have had in exporting from the United States has been phenomenal – resulting in a record level of U.S. merchandise exports; \$82 billion in 2019.

ADDING TO THE ECONOMIC IMPACT OF U.S. EXPORTS

U.S. Merchandise Exports:

U.S. based Japanese companies sustained a high level of exports - \$82.3 billion in 2019 - which is the largest amount among investor countries.



This \$82.3 billion in merchandise exports by U.S. based Japanese companies accounts for 5.0% of total U.S. exports, which are 20.7% of all exports from the U.S. by foreign firms.

Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).

Source: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

Japan's R&D Spending in the U.S. Generates Ongoing Competitive Advantages

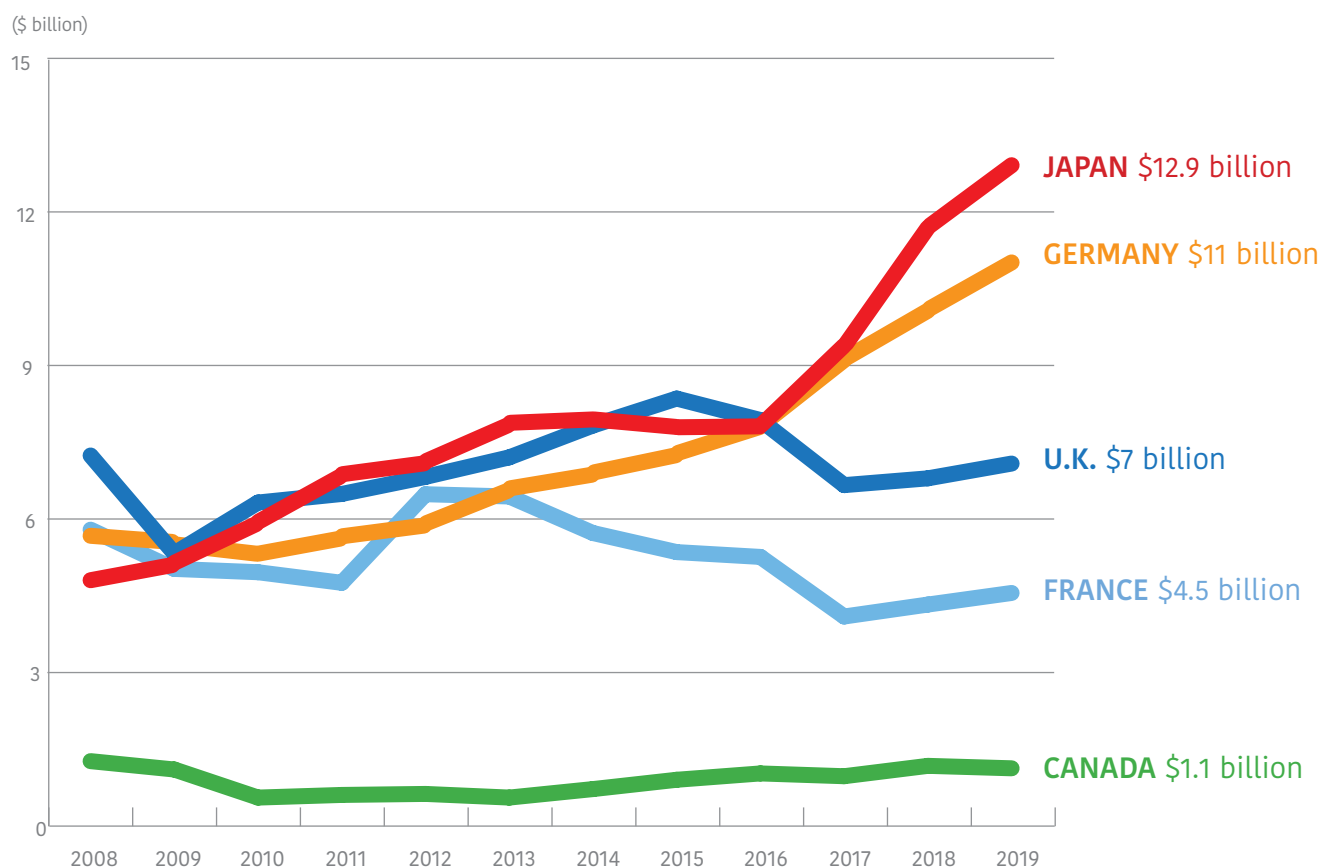
To be globally competitive, businesses must have an active R&D presence in the U.S. economy. Precisely, it is this recognition among Japanese companies that have resulted in a record level of \$12.9 billion (2019) in R&D capital deployment in the United States.

While Japanese companies are hiring more Americans to do in-house research, there exists numerous collaborative R&D activities between Japanese and U.S. companies, American universities and U.S. research institutions.

R&D activities are important for all Japanese companies because they constantly need to innovate new products and services to remain globally competitive, which simultaneously adds to overall American industrial competitiveness.

ACCELERATING THE SPEED OF AMERICAN INNOVATION

Japan ranks #1 in R&D expenditures among foreign investors in the U.S., spending \$12.9 billion in 2019.



Investment from Japan to the United States has a specific sequence which results in creating a consistent flow of inward capital deployment. Generally, Japanese companies start their U.S. businesses by establishing sales offices, warehouses, and manufacturing operations.

It was an awareness by Japanese companies that an open American society was in fact a magnet attracting the world's top R&D talent. This recognition was the impetus among Japanese companies to catalyze the dramatic increase of their U.S. focused R&D investments.

Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).
Source: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

U.S.-Japan Bilateral Investment Opportunities Through Relationship Building: JETRO's Role

JETRO (Japan External Trade Organization) is the Government of Japan's official trade and investment promotion agency.

It is important to realize that trade and investment flows two ways between countries, JETRO is therefore committed to encouraging and assisting Japanese companies to either make an initial investment or add to an existing investment in the United States. And, we are equally dedicated to making every effort in assisting businesses from the United States when establishing an initial business presence or adding to an existing investment in Japan.

JETRO Plays a Critical Role

JETRO offers superb and extensive business assistance, data, and vital information on market trends for numerous Japanese industrial sectors.

JETRO also has access to business and governmental networks within Japan that American companies may utilize to assist them in conducting their Japanese market and INVEST IN JAPAN diligence.

We believe that for all globally aspiring American companies to be successful in the Japanese market, means they must have an active business presence in Japan.

Building Trust to Enable Successful Relationships

JETRO has over the years established a deep level of trust among U.S. state and local governments, helping them to smoothly and effectively work with Japanese companies to invest in America's local communities.

Staying Connected: Virtually

JETRO refused to let the COVID-19 pandemic cause a communication gap between Japan and the United States. Specifically, JETRO's six U.S. offices have worked diligently to keep state and local governments in touch with Japan by developing a virtual format through our JETRO Digital Investment Promotion Initiative.

By March 2022, over half of U.S. state governments including 16 state governors virtually presented to Japan's business community during the course of the pandemic by participating in JETRO's Digital Investment Promotion Initiative.

We at JETRO experienced first-hand during the pandemic the effective role of state and local governments in supporting existing and new investments from Japan.

Reaching Out to JETRO to Discover New Opportunities

Today, local governments contact JETRO's offices to exchange ideas and information in order to better understand how to support existing Japanese companies that have already established operations in their communities.

And, more and more local governments are contacting JETRO to see how we can assist them to better position themselves to attract new investment from Japan.

We are honored by our relationships with state and local governments and wish to expand upon them.

We encourage you to **TALK TO JETRO FIRST.**

JETRO Contact Information

JETRO (Japan External Trade Organization) has an active mission in the United States focused on two-way trade and investment between Japan and the U.S.

For state and local governments, please contact us to discuss how we may work together to sustain existing and to support new investment from Japan in your region.

For all American companies wishing to discuss their business models for entering into Japan or simply needing to review their current business diligence on the Japanese market, please contact us.

JETRO Offices in U.S.

Atlanta: 404-681-0600

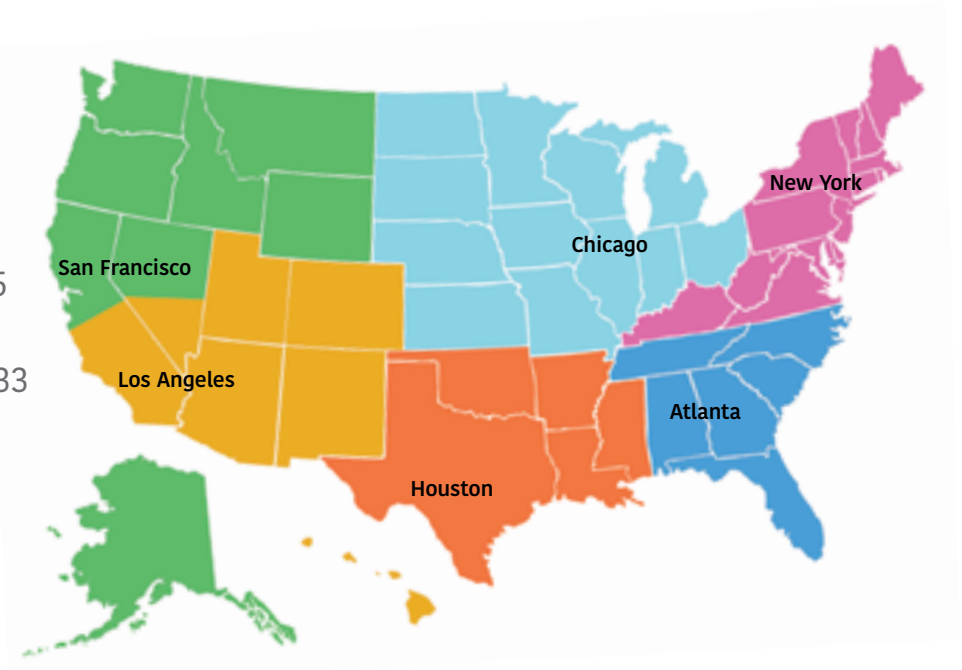
Chicago: 312-832-6000

Houston: 713-759-9595

Los Angeles: 213-624-8855

New York: 212-997-0400

San Francisco: 415-392-1333



TALK TO JETRO FIRST

Additional Resources:

Perspectives from America's Local Leaders: Interviews

Local leaders discuss the importance of relationship building with Japanese companies.



Digital Investment Promotion Initiative

Messages from U.S. governors
and state economic development
leaders to Japan's business
community.



JETRO USA Website

Latest activities focused on JETRO's mission in the United States.



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Memo:

This image shows a blank sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

2022

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