

JAPAN'S U.S. INVESTMENT DYNAMIC

Reflecting on the
Economic Contributions
by Japanese Companies

2023

Understanding the Impact of Japanese Companies on the U.S. Economy

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 United States. Japanese direct investment is on a phenomenal growth trajectory in terms of capital investment, employment, U.S. merchandise exports, and R&D expenditures.

Specifically, Japan continues to be the #1 foreign investor in the United States with a record level of \$721 billion in 2021. Japan's direct investment to the U.S. economy is a driving force of job creation, especially critical to the U.S. manufacturing sector, providing highly compensated American production jobs. In addition, Japan's direct investment contributes to approximately 5% of total U.S. merchandise exports through U.S. based Japanese companies, and is providing an increasing amount of R&D capital spending in the United States.

More and more, we at JETRO have seen how Japanese companies in the United States are embraced by state and local leaders,

especially governors, mayors, county commissioners and economic developers. Many U.S. state and local leaders have designed their economies' growth strategies to include Japanese companies as cornerstones for their business communities.

Importantly, according to JETRO's 2022 Survey of Business Conditions for Japanese Companies Overseas (North America - United States), there continues to be a strong commitment by Japanese companies to build community relationships where they have operations. To explore the benefits of working with Japanese companies in your community, or to talk through a strategy to attract new Japanese investors to your region, please **TALK TO JETRO FIRST.**

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Japan's Direct Investment in the United States was the Largest Among All Investor Countries in 2021

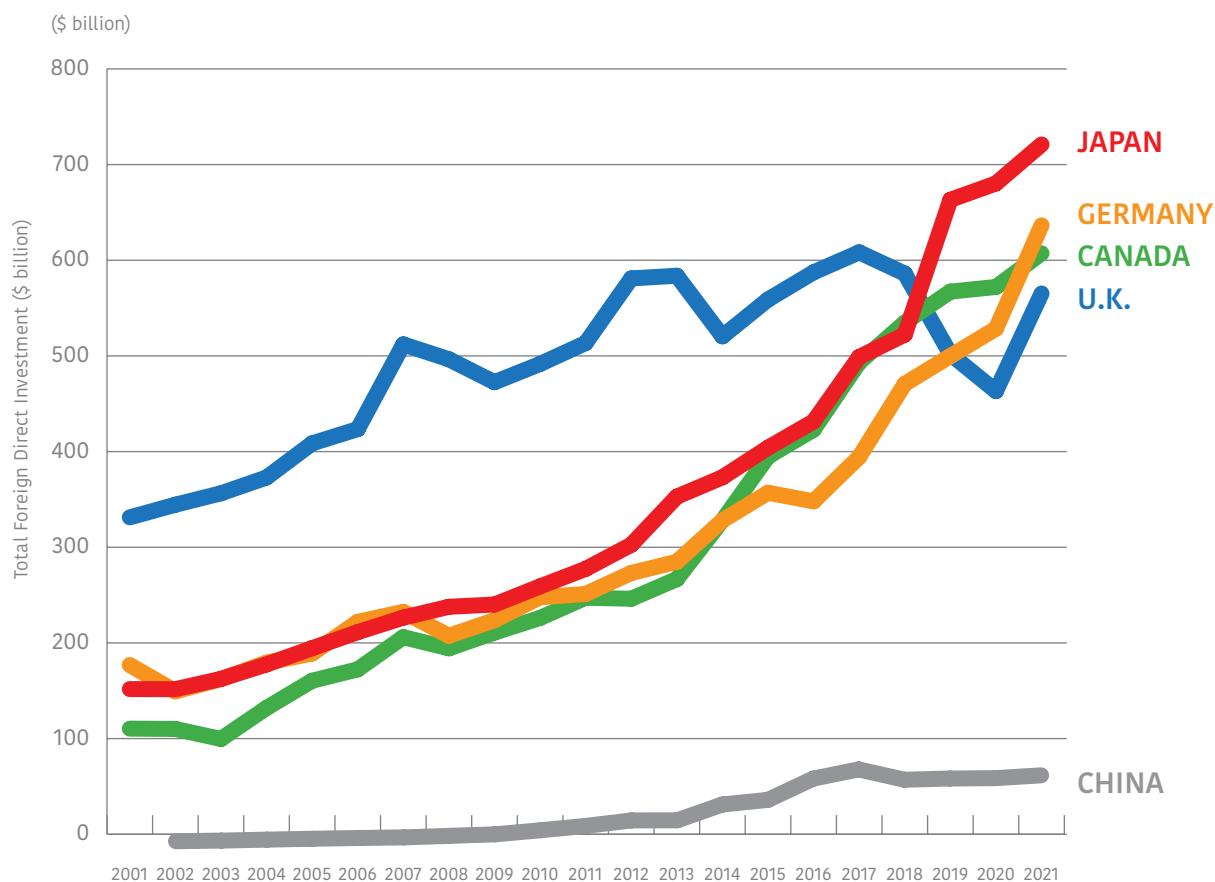
The US Department of Commerce reports that foreign direct investment (FDI) has increased 104% over the past 10 years, and Japan has emerged as the number one major source of foreign investment in the United States.

The amount of Japan's direct investment to the United States reached a record level of \$721 billion in 2021, three times greater than 2009.

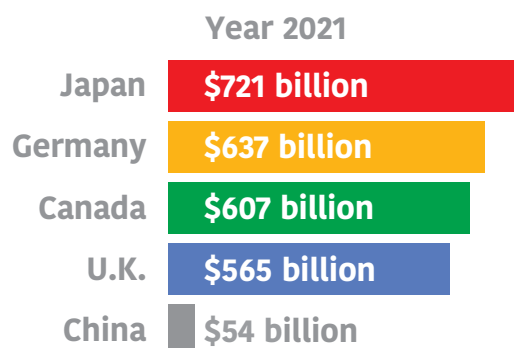
The pace and depth of Japan's direct investment to the United States was not slowed by the COVID-19 global pandemic. In fact, investment from Japan accelerated.

CONTRIBUTING TO CONSISTANT ECONOMIC GROWTH IN THE U.S.

Japanese total direct investment in the U.S. reaches a record level of \$721 billion in 2021.



Since 2009, Japan’s direct investment in the U.S. economy increased by 200.3% to \$721 billion. In comparison; Germany’s direct investment in the U.S. was \$637 billion; followed by Canada \$607 billion; the United Kingdom \$565 billion; and China \$54 billion.

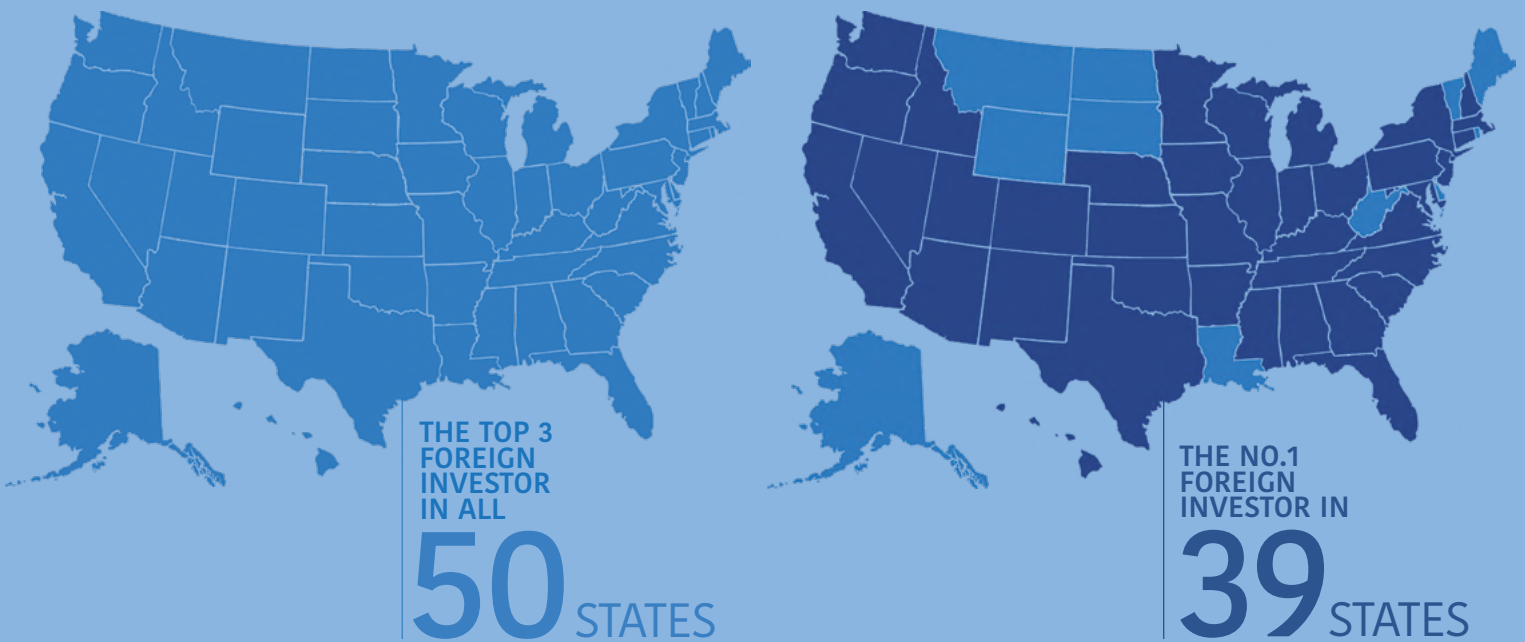


Source: U.S. Department of Commerce, “Activities of U.S. Affiliates of Foreign Multinational Enterprises (MNEs), U.S. Bureau of Economic Analysis (BEA).”

Japan's Comprehensive U.S. Direct Investment Presence

In 2020, Japan ranked in the top 3 in all 50 states for the number of companies among all foreign investor countries. In fact, Japanese companies were the #1 foreign investors in 39 U.S. states.

Note: A foreign firm is defined by the U.S. Bureau of Economic Analysis (BEA) as firms in which "A U.S. affiliate in which the combined ownership of all foreign parents exceeds 50 percent with total assets, sales, and net income (or loss) of \$20 million or more.

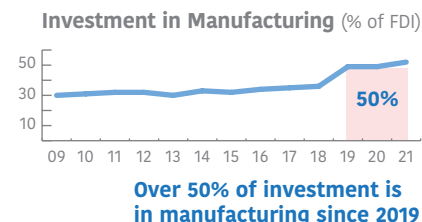
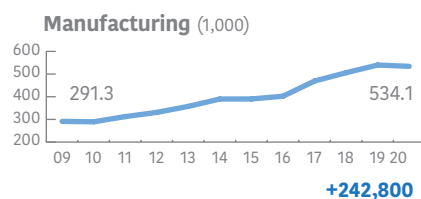
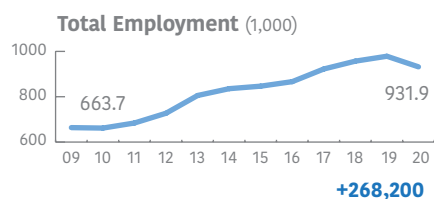


Source: U.S. Department of Commerce, "Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2020 Statistics, U.S. Bureau of Economic Analysis (BEA)."

JAPAN'S DIRECT INVESTMENT: IMPACTING STATES ALL ACROSS THE U.S.

Employment Picture of Japan’s Direct Investment in the United States 2009 - 2020.

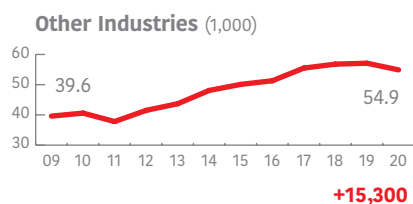
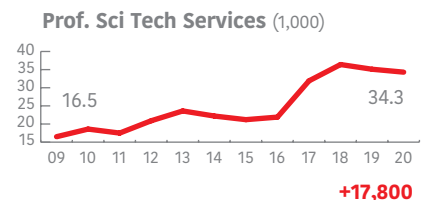
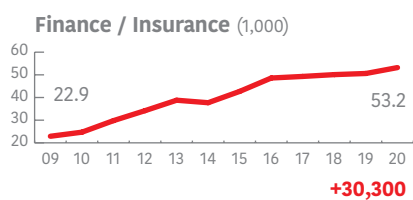
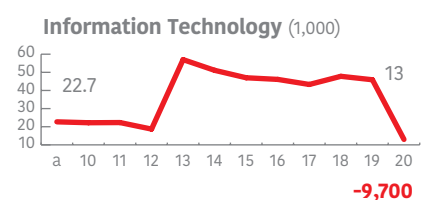
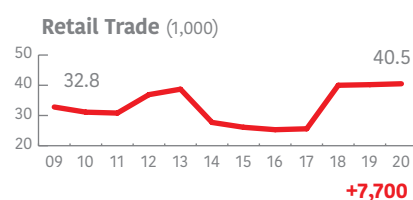
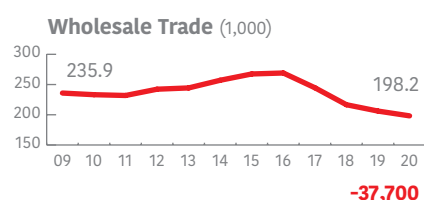
In 2020, Japan’s direct investment in the U.S. economy employed a record level of nearly 932,000 Americans across all business sectors, an increase of 268,000 employees since 2009. Ninety percent of Japanese investors’ U.S. employment growth between 2009 and 2020 derived from their investments in the U.S. manufacturing sector.



Since 2019, over 50% of Japan’s direct investment in the United States consisted of manufacturing investment. Specifically, in

U.S. manufacturing, there were 534,000 Americans working in U.S. based Japanese production companies in 2020, representing

an increase in employment of approximately 243,000 more Americans engaged in the manufacturing sector since 2009.



Source: U.S. Department of Commerce, “Activities of U.S. Affiliates of Foreign Multinational Enterprises (MNEs), U.S. Bureau of Economic Analysis (BEA).”

An Unprecedented Upward Trajectory in the Pace of Japan's Direct Investment in the U.S. Manufacturing Sector

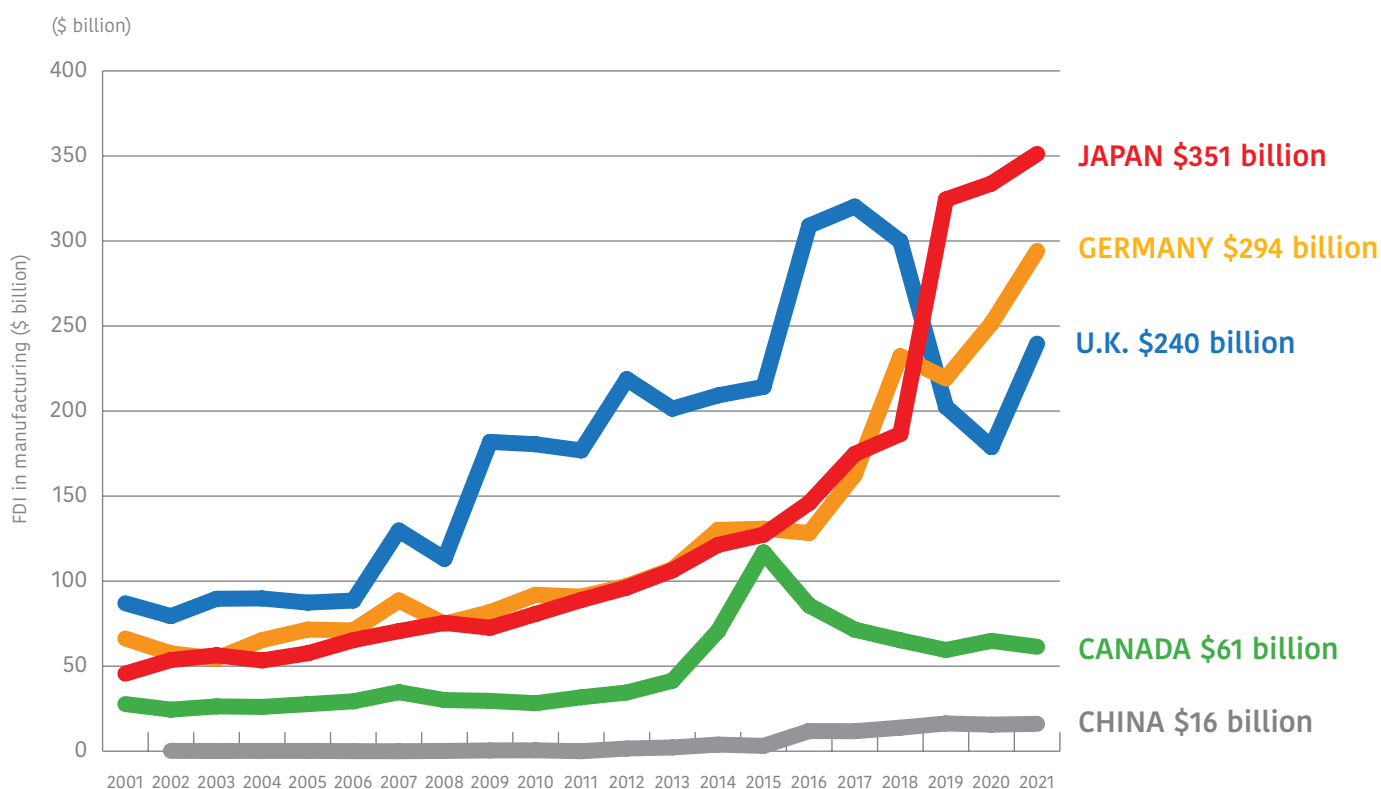
Two trends can be discerned in the Japanese investment data focusing on the manufacturing sector.

The first is a realization that since the immediate aftermath of the U.S. financial crisis triggered by the Lehman Shock (2008) there's been an unprecedented upward trajectory of Japanese manufacturing investment in the United States. Specifically, from 2009 - 2021, direct investment from Japan in the U.S. manufacturing sector increased by \$279 billion (384%) unmatched by all foreign investors.

The second trend is that, in 2009, Japan's Direct Investment in the U.S. manufacturing sector was 30.2% of its total direct investment. By 2021, Japan's direct investment in U.S. manufacturing reached 51.7% of its total U.S. investment. At no other period in the history of the Japan - U.S. bilateral economic relationship has the pace and depth of Japan's direct investment in U.S. manufacturing been so robust.

ADDING COMPETITIVENESS TO U.S. MANUFACTURING

In 2021, Japan’s direct investment in the U.S. manufacturing sector realized a record of \$351 billion, an increase of 384% (\$278 billion) since 2009.



The manufacturing sector is Japan’s leading direct investment category. Merger and acquisition, new greenfield production facilities and expansions to existing operations are all forms of investments that U.S. based Japanese manufacturers have initiated.

Whether it was overcoming the severe economic challenges of the U.S. financial crisis of 2008-2009 or the COVID-19 pandemic, there exists a deeply engrained commitment by Japanese manufacturers to survive and to succeed in the U.S. economy.

Source: U.S. Department of Commerce, “Activities of U.S. Affiliates of Foreign Multinational Enterprises (MNEs), U.S. Bureau of Economic Analysis (BEA).”

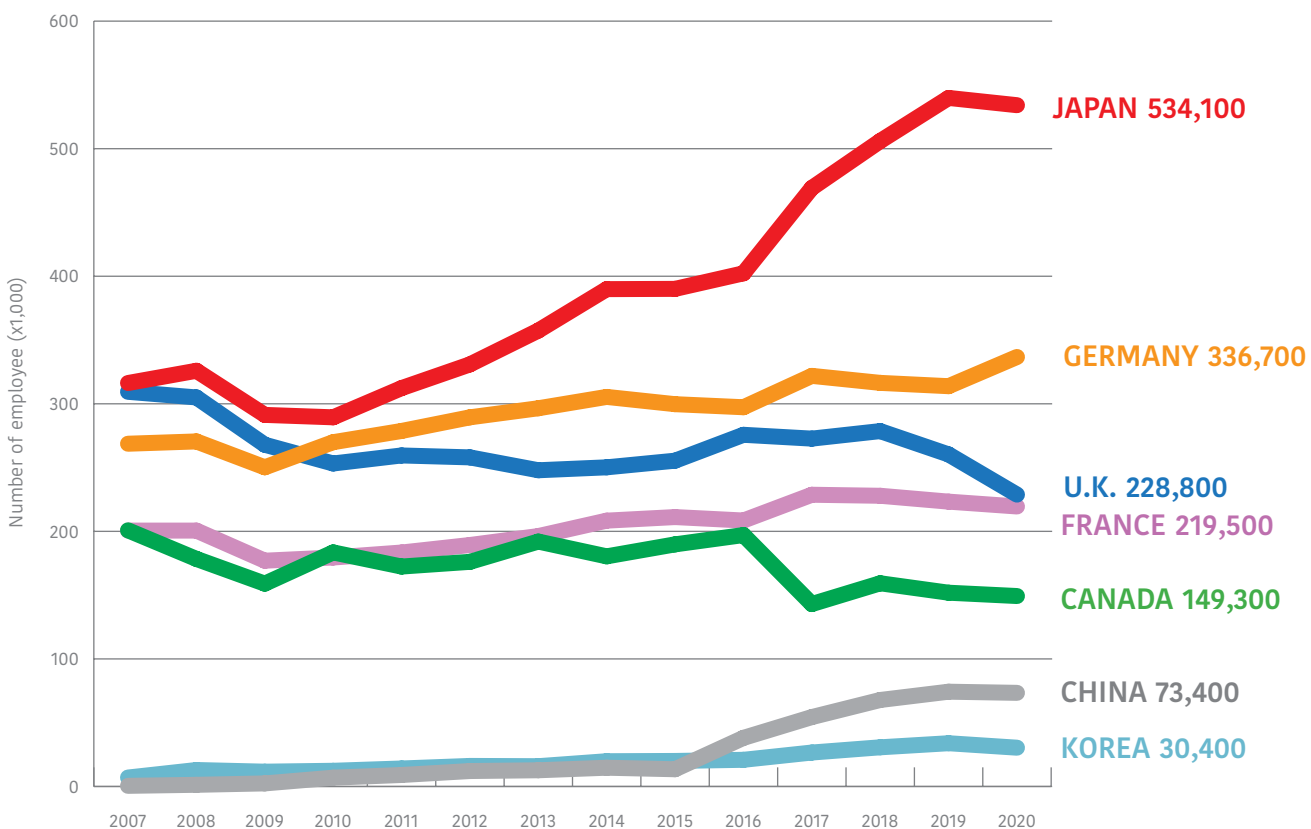
A Record Level of 534,100 Americans were Employed at Japanese Manufacturers in the United States

As Japan's capital investment in the U.S. manufacturing sector increased, tremendous growth in the employment of Americans at U.S. based Japanese production facilities has occurred. A record level of 534,100, Americans were employed by Japanese manufacturers in the U.S. economy in 2020, the highest level among all foreign investors ever in the United States.

In many small and medium size U.S. cities, Japanese companies are in fact their leading manufacturing employers. Japanese companies offer fair wages, extensive healthcare benefits, and a deep commitment to the well-being of their American hometowns. As a result, Japanese firms are increasingly seen by American city and county leaders as cornerstones of economic stability for a local economy.

JAPAN CONTINUES AS THE #1 FOREIGN EMPLOYER IN U.S. MANUFACTURING

In 2020, the 534,100 Americans employed in Japan’s direct investment in U.S. based manufacturing was an increase of 84.6% since 2010, or 244,700 more employees. In comparison, the total number of employees in the entire U.S. manufacturing sector increased by 593,000 or 5.1% from 2010 to 2020.



A record number of 931,900 Americans were employed by Japanese companies in all sectors of the U.S. economy of which more than half are employed in manufacturing.

When examining foreign direct investment in the U.S. from the Asia-

Pacific region, Japanese production facilities in the U.S. economy employed more than five times the number of Americans compared to the combined U.S. investments in manufacturing from China and Korea in 2020.

Source: U.S. Department of Commerce, “Activities of U.S. Affiliates of Foreign Multinational Enterprises (MNEs), U.S. Bureau of Economic Analysis (BEA).”

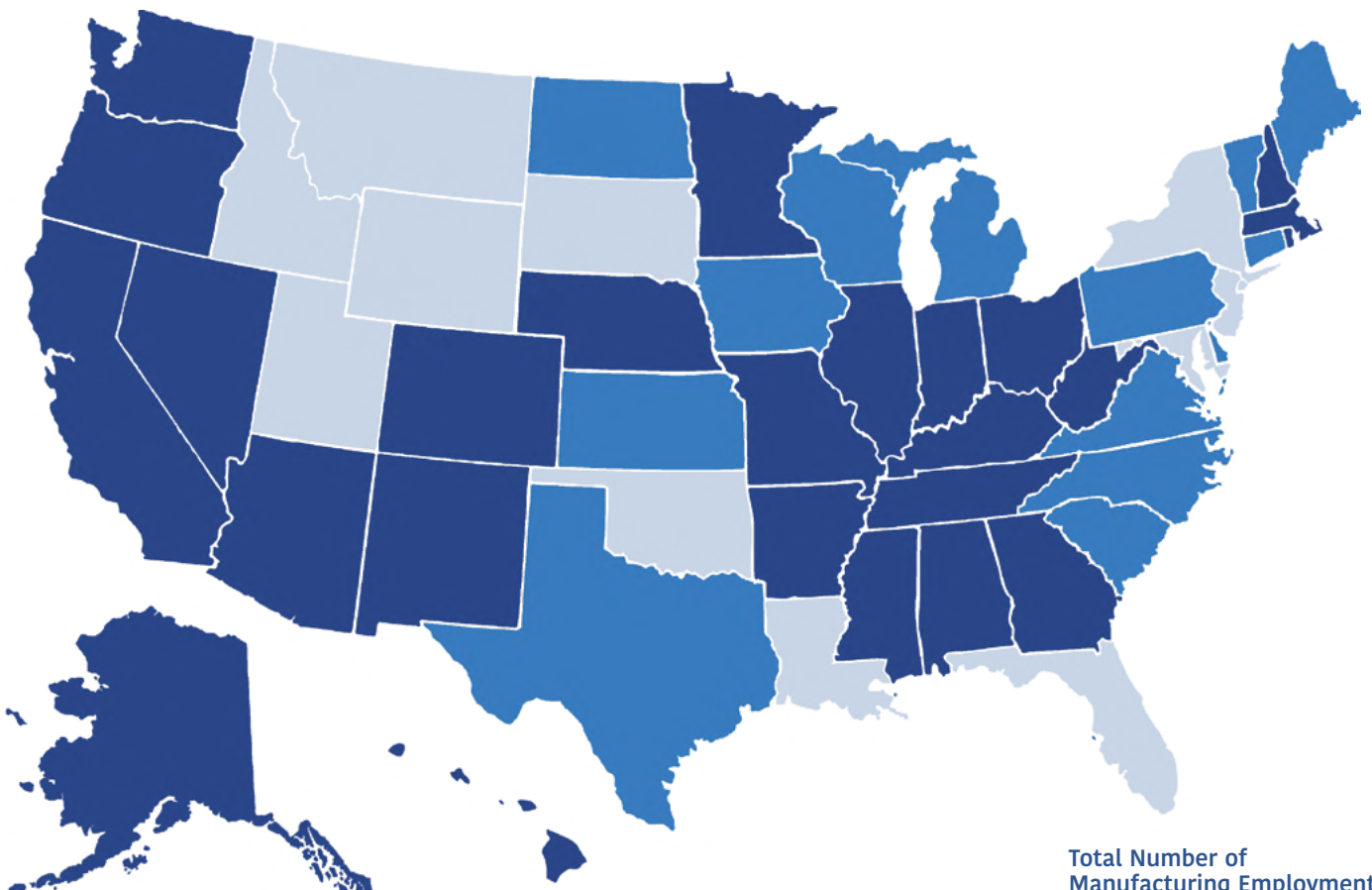
The Geographic Scale of Japan's Manufacturing Investment in the United States

In 2020, Japanese manufacturing companies were the top employers of all foreign investors in 25 U.S. states. In 39 states, Japan's manufacturing employment ranks as one of the top three foreign investors in U.S. manufacturing.

High concentrations of Japanese production facilities are in the Midwest, Southeast and Western regions of the United States where in fact, Japan is the lead investor.

**HIGH QUALITY MANUFACTURING
JOBS ARE BEING CREATED AND
SUSTAINED BY JAPANESE
COMPANIES ACROSS THE U.S.**

In 39 states, Japan ranks among the top three of all foreign investor countries in terms of the total number of employees in the U.S. manufacturing sector.



Total Number of Manufacturing Employment by Japanese Firms

Ranked #1 in **25** STATES
 Ranked in the Top 3 in **39** STATES

In many small and medium size American cities, Japanese companies are in fact their leading manufacturing employers. Japanese manufacturing companies offer fair wages and extensive healthcare benefits to their team members

and have a deep commitment to the well-being of their American hometowns. Therefore, Japanese firms are increasingly seen by American city and county leaders as cornerstones of economic stability for a local economy.

Note: No data for Montana and Wyoming.

Source: U.S. Department of Commerce, "Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2020 Statistics, U.S. Bureau of Economic Analysis (BEA)."

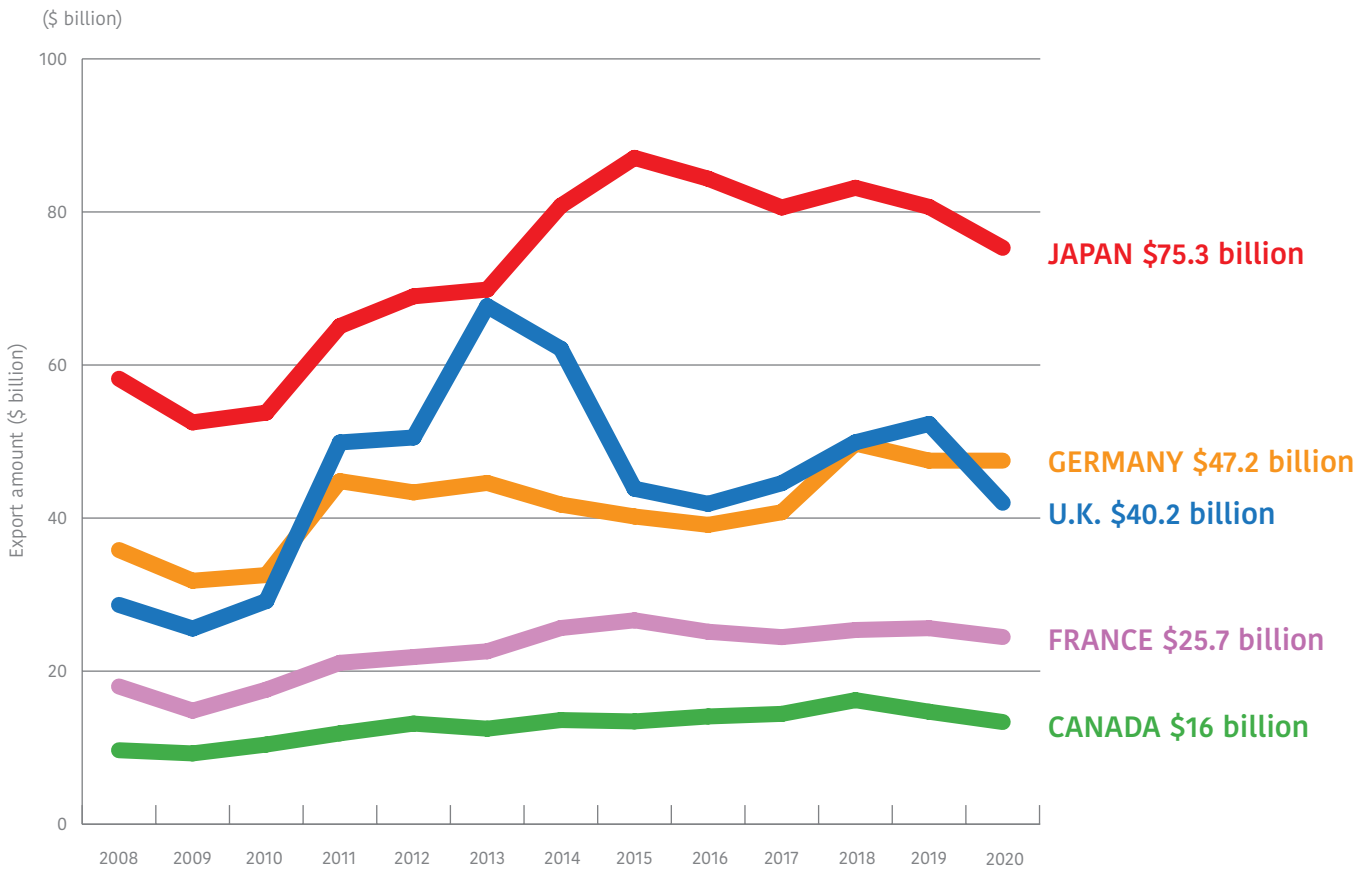
In 2020, 5.3% of Total U.S. Merchandise Exports were Generated by Japanese Companies

Foreign direct investment in the U.S. serves the needs of U.S. consumers and businesses. But, in addition, foreign companies are also increasingly using the U.S. as an export platform to meet global demand for products.

Many Japanese investors in the United States have developed export strategies into their U.S. business models. Japanese companies in the United States generated a phenomenal \$75.3 billion, or 5.3% of total U.S. merchandise exports in 2020.

ACCELERATING U.S. EXPORTS

Japanese companies continue to be the #1 contributors to U.S merchandise exports compared to all U.S. foreign investors.



Japan’s direct investment in the United States has provided over two decades of significant U.S. export growth, and as a result has helped sustain American jobs and increase U.S. industrial

competitiveness. The \$75.3 billion in merchandise exports by U.S.-based Japanese companies in 2020 is 21.7% of all exports from foreign-affiliated companies in the United States.

U.S. Department of Commerce, “Activities of U.S. Affiliates of Foreign Multinational Enterprises (MNEs), U.S. Bureau of Economic Analysis (BEA).”

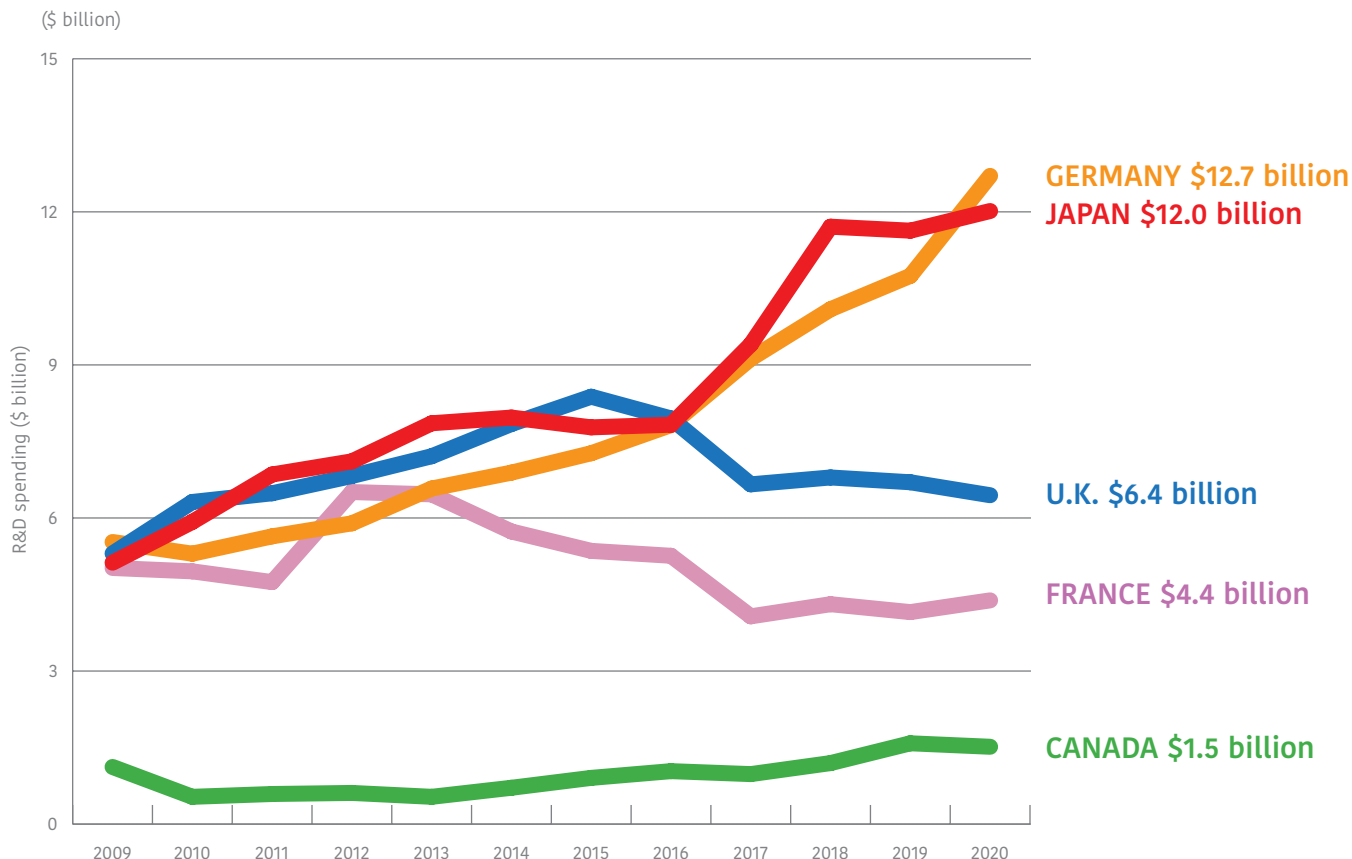
Characterized by Innovation and Creativity, the U.S. Economy is a R&D Platform for Japanese Companies

For Japanese companies, the United States is more than a market. It is a welcoming environment for open innovation from small and medium enterprises (SMEs), large global companies, university technology licensing offices, and federal government research institutes.

Japanese companies realized that to remain competitive they must accelerate investment in American ingenuity by pursuing research collaborations in the United States. Therefore, Japan's deployment in the U.S. R&D sector reached a record level of \$12 billion in 2020.

INCREASING R&D INVESTMENT: ADVANCING INNOVATION

Japan's \$12 billion in R&D spending in the U.S. achieved a record level in 2020.



Since 2009, R&D expenditures by Japanese companies in the United States increased by 134.5% or by \$6.9 billion. Direct investments from Japan and Germany have recently shown a very strong upward trend in R&D spending

in the U.S. It is reasonable to assume that as more manufacturing investment from foreign countries takes place in the United States, the more R&D capital will be spent by foreign investors in the U.S. economy.

Key Findings from JETRO's 2022 Survey on Business Conditions of U.S. Based Japanese Companies

Since 1981, the Japan External Trade Organization (JETRO) is the only institution conducting annual in-depth survey research on the business conditions and outlook of Japanese companies operating globally.

Survey Period

September 8-30, 2022

Valid Responses

43.4% (787 out of 1841 companies)

Scope of Survey

Japanese companies operating in the U.S. that are at least 10% owned directly or indirectly by a Japanese company.

As direct investment from Japan in the United States has significantly grown, JETRO survey data has become an important business indicator of Japanese companies having an investment presence in the United States. Survey results focusing on Japanese companies' sentiment on their forward business guidance, investment expansion in the U.S and future procurement of parts and materials have become important topics for us all. The JETRO Survey contains a qualitative richness because it includes comments from the respondents giving greater clarity to the data. **A full report of the 2022 JETRO Survey on Business Conditions for Japanese Companies Operating Overseas, (North America – United States) is available.**

https://www.jetro.go.jp/newsletter/cgo/2023/GR/rp_northamerica2022e.pdf



Scan this QR code to access 2022 JETRO survey.

Business Trends

Approximately 50% of U.S. Based Japanese Companies are Planning a Business Expansion

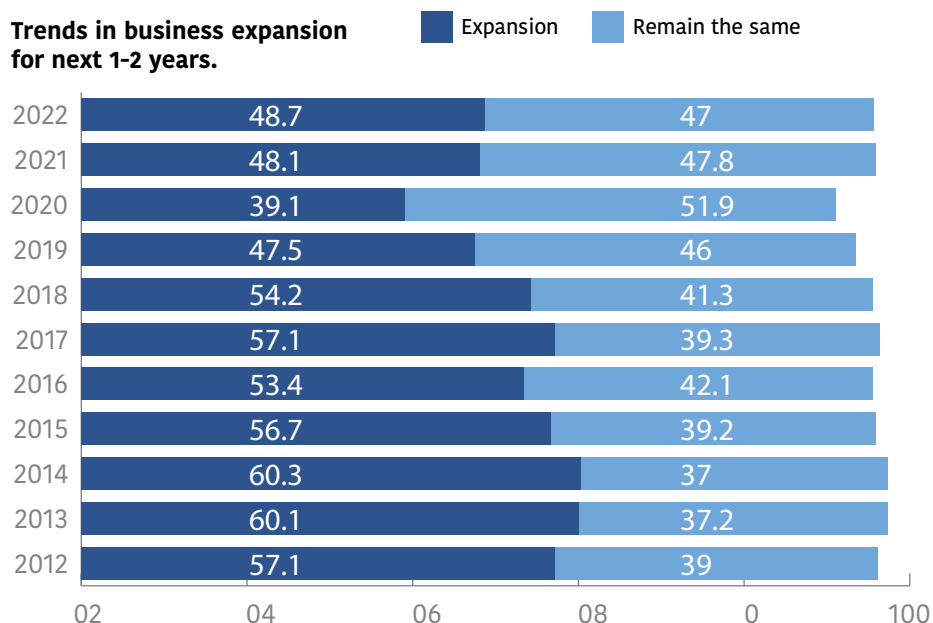
Of the 783 Japanese companies who responded to our survey question regarding business expansion within the United States, approximately 50% (precisely 48.7%) of the respondents were positive to a U.S. business expansion within a timeframe of 1 to 2 years. In 2021, similarly, 48.1% of respondents were positive about expanding business operations in the United States. The primary reasons for undertaking an expansion were:

49% of the survey respondents see the U.S. market as having high economic growth potential.

36% of the respondents forecast an increase in U.S. market sales

30% of the respondents stated they have established a competitive advantage in the U.S. market and see a high receptivity for their value-added products and services. Interestingly, almost 17% of our JETRO survey respondents indicated exporting from the United State is contributing to their growth in sales.

Trends in business expansion for next 1-2 years.



Business Challenges

Workforce and Supply Chain Management Challenges are Increasing for Japanese Companies in the United States

Of the 766 Japanese companies responding to the topic of current management challenges encountered in the U.S. business environment; survey respondents predominantly cited issues related to managing their workforce and issues related to their supply chains.

Workforce issues focused on rising wages (67% of the survey respondents), recruitment of new employees (51%), the quality of employees (43%), workforce retention (40%), and difficulties in recruiting new hires, especially

engineers (39%) were all concerns for Japanese business operating in the United States.

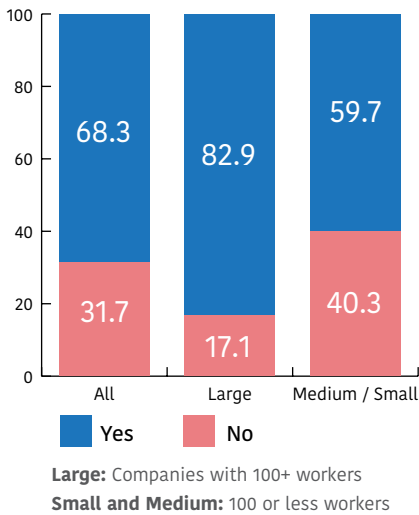
Challenges related to transportation and logistics were also consistently cited by survey respondents. For example, companies indicated they are concerned about increased logistics costs (57%), delays caused by logistics problems (35%), managing changing delivery dates (32%), and parts and materials shortages (26%).

Increasing wages	67.5%
Rising logistics costs	56.9%
Slow development of new customers	52.5%
Difficulty in recruiting general staff	51.4%
Rising procurement costs	50.7%
Quality of employees	42.7%
Retention rate of employees	40.2%
Difficulty in recruiting engineers	39.4%
Logistics delay	37.5%
Delivery dates management	32.5%
Shortage of raw materials/parts supply	26.0%
Decreasing orders from customers	22.8%

Decarbonization Efforts by Japanese companies

There is a recognition of respondent companies indicating that efforts to implement decarbonization methodologies in their operation and throughout their respective industry supply chains in the U.S. to meet the United Nations' Sustainable Development Goals (SDGs) is a business concern.

Size of Company and Recognition of Decarbonization Issues



Of the 748 respondents, 68% are fully aware of the issue of decarbonization throughout their supply chain, while 83% of the large Japanese automotive and automotive parts companies understand that decarbonization is an important challenge for them to meet. For example, a survey respondent indicated that, “Recognition that decarbonization will be one of the key KPI’s that will determine the

company’s future survival,” is typical commentary from survey respondents.

Many of the reasons for recognizing decarbonization as a management challenge are related to heightened awareness in society and on a global level.

- Because the head office is tackling social issues including SDGs [Automotive parts]
- Impact of social conditions [Plastic products]
- Aiming to reduce disposal opportunities by extending product life [Plastic products]
- Increased demand for disclosing information in response to ESG [Electric machinery parts/electric device parts]
- Dealing with the issue directly in relation to corporate evaluation in the market [Electrical machinery/electric devices]
- On the basis of the recognition that decarbonization is one of the main KPIs for corporate survival in the future [Rubber/ceramics/stone and clay products]
- Although there is no obligation to disclose data for the company, it is expected that we will be required by customers to disclose data in the future [Sales companies/sales subsidiaries]

Beyond Capital Investment:

Japanese Companies are Focused on Their American Communities

Japanese companies recognize the importance of developing relationship building within their communities, with 86% of them indicating that they have an existing relationship with or have expressed a keen interest in developing a relationship with American community hometowns and with their local governments. Survey respondents indicated they are, “Building relationship through local chambers of commerce and industry.” or “Through participation in local community events, donations, and acceptance of interns.”

Of the 416 JETRO survey respondents from the manufacturing sector; 33% indicated they have a good relationship with their local communities where they have an investment presence and 34.6% indicated that they have an existing relationship within their local community. Additionally, 19.5% of the respondents from Japanese manufacturers indicated an interest in a developing a relationship with their local American community.

Relationships with Local Communities: In High Interest



Comparison of Top U.S. Foreign Investors

FDI Ranking	Japan #1	Germany #2	Canada #3	U.K. #4
FDI Total (2021)	\$721 billion	\$637 billion	\$607 billion	\$565 billion
Manufacturing FDI (2021)	\$351 billion	\$294 billion	\$61 billion	\$240 billion
Total U.S. Jobs (2020)	931,900	885,100	844,600	1,217,600
Manufacturing Jobs (2020)	534,100	336,700	149,300	228,800
R&D Investment (2020)	\$12 billion	\$12.7 billion	\$1.5 billion	\$6.4 billion
U.S. Exports (2020)	\$75.3 billion	\$47.5 billion	\$13.4 billion	\$42.0 billion
U.S. Tax Paid: Manufacturing (2020)	\$7,603 million \$2,193 million	\$4,165 million \$1,148 million	\$7,563 million \$452 million	\$14,289 million (D)
Top 6 Industry Sectors By # of announced FDI projects in the USA*	<ol style="list-style-type: none"> 1. Auto Components 2. Industrial Equipment 3. Software & IT Services 4. Automotive OEM 5. Plastics 6. Metals 	<ol style="list-style-type: none"> 1. Industrial Equipment 2. Software & IT Services 3. Auto Components 4. Transportation 5. Chemicals 6. Plastics 	<ol style="list-style-type: none"> 1. Software & IT Services 2. Business Services 3. Financial Services 4. Real Estate 5. Industrial Equipment 6. Food & Beverages 	<ol style="list-style-type: none"> 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.
- #2 in Total R&D Spending in the U.S.
- #1 in Total Value of Manufactured Goods Exported from the U.S.

(D) Suppressed data

Sources: U.S. Department of Commerce, “Activities of U.S. Affiliates of Foreign Multinational Enterprises (MNEs), U.S. Bureau of Economic Analysis (BEA).” “SelectUSA International Fact Sheets,” International Trade Administration | Trade.gov, February 24, 2023, <https://www.trade.gov/selectusa-international-fact-sheets>.

U.S. Department of Commerce “Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2020 Statistics | U.S. Bureau of Economic Analysis (BEA).”

JETRO Contact Information

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

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

For 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

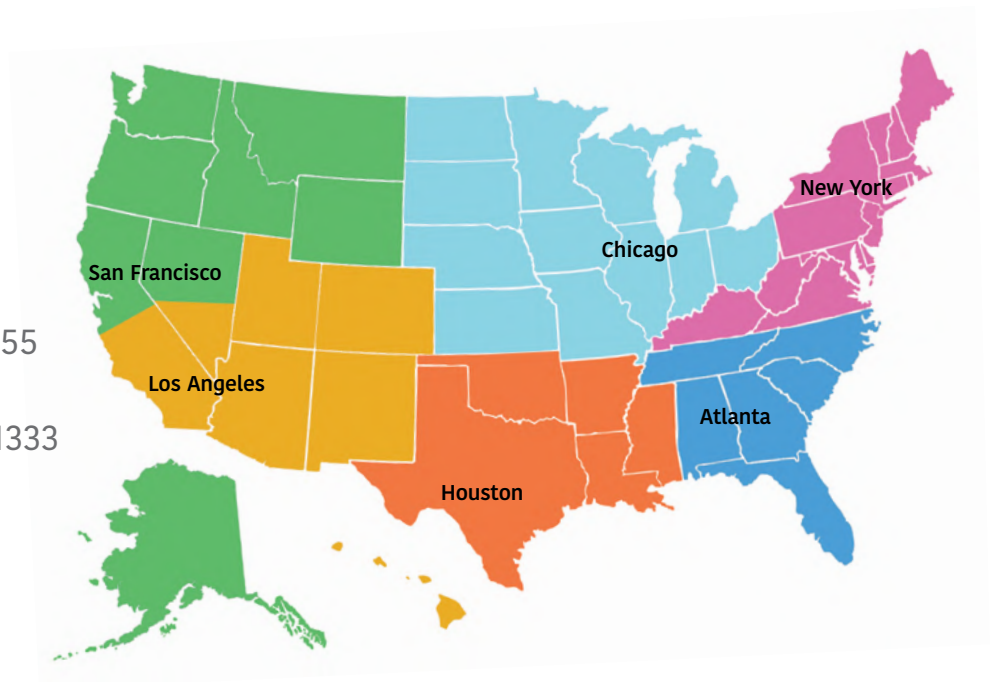
Chicago: 312-832-6000

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.



<https://www.youtube.com/watch?v=otWWhd62JFE&t=2s>



Digital Investment Promotion Initiative

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



<https://www.jetro.go.jp/world/n-america/us/grassroots-seminar/>

2022 JETRO Survey

Annual research on the business conditions, outlook and sentiment of Japanese companies in the U.S.



https://www.jetro.go.jp/newsletter/cgo/2023/GR/rp_northamerica2022e.pdf

JETRO USA Website

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



<https://www.jetro.go.jp/usa/>

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