

CBIA (Connecticut Business Industry Association)



Japan's U.S. Investment Dynamic: A New Look at the U.S. – Japan Economic Relationship

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- 1 — JETRO
Japan External Trade Organization
- 2 — JETRO Survey of Japanese-Affiliated Companies in the U.S.
- 3 — Japan's U.S. Investment Dynamic
- 4 — Osaka, Kansai Expo 2025

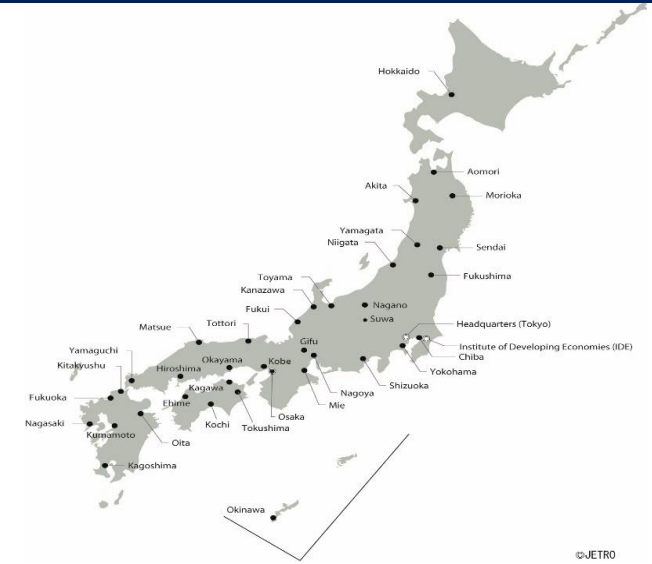
TOPICS

WHAT IS JETRO?

JETRO, the Japan External Trade Organization

- The official trade and investment promotion agency of the government of Japan.
- Headquartered in Tokyo and Osaka with 50 domestic offices in Japan and 76 overseas offices in 55 countries.
- Six locations in the U.S. – **New York**, Los Angeles, San Francisco, Houston, Atlanta, Chicago

52 Offices in Japan



76 Offices in 55 Countries

JETRO New York

- Established in 1959 as one of six U.S. offices of JETRO
- Covers 15 Northeastern States
- Located in New York, NY

Our Mission

- Support Japanese companies to smoothly launch their businesses in the Northeastern market
- Promote U.S. direct investment to Japan
- Promote the export of Japan's agricultural and fishery products
- Accelerate collaboration among Japan-U.S. start-ups, big companies and universities
- Strengthening relationships between state/local governments and Japanese companies in the U.S.-Northeast



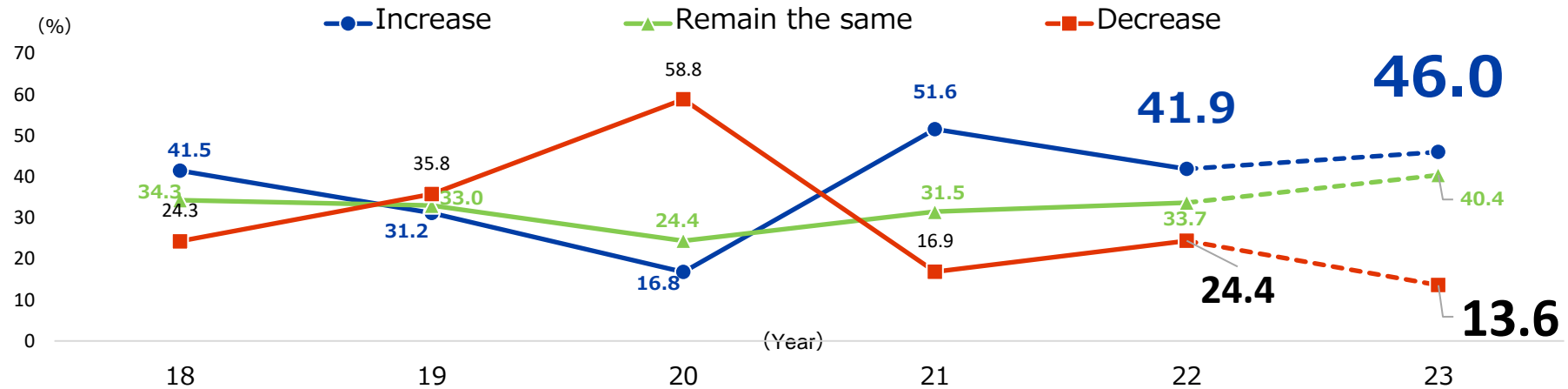
2022 JETRO Survey on Business Conditions for Japanese Companies Operating Overseas North America

- **41st** annual survey, conducted **since 1981**
- The current situation, prospects for future business and problems being faced by Japanese-Affiliated companies in foreign market
- From **787** out of 1,841 Japanese companies in the U.S.

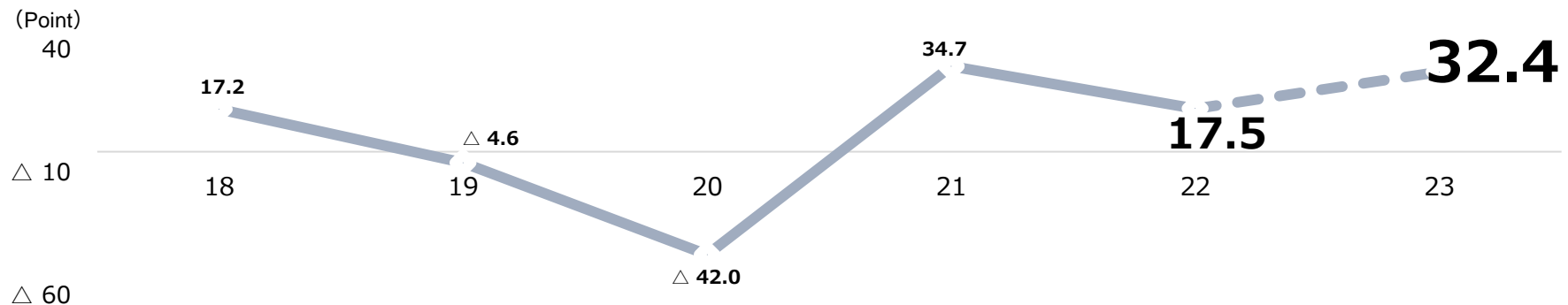
1 Business Sentiment DI (Diffusion Index) 2023:

- Outlook for operating profit in 2023, 46% expect "improvement" from the previous year, 40.4% expect "flat" and 13.6% expect "worsening".
- Business Sentiment DI (Diffusion Index) remains positive at 32.4, goes up from positive at 17.5 in 2022.

Year-over-Year Operating Forecast Profit Changes



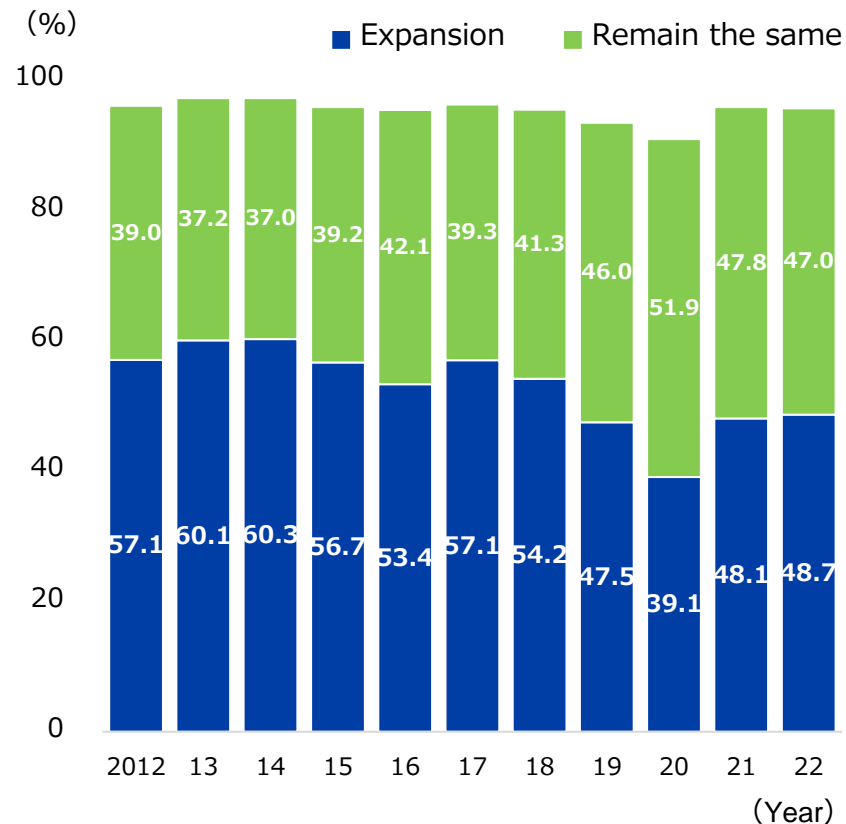
Business Sentiment DI Trends



2 Future Business Direction:

- Nearly 50% (48.7%) of the companies were expanding their business in the next 1-2 years, about the same as in the previous survey (48.1%).
- The main reason for business expansion, 50% chose “High growth potential,” followed by “Sales increase in local markets” (36.2%).

Trends in Business Expansion for Next 1-2 Years



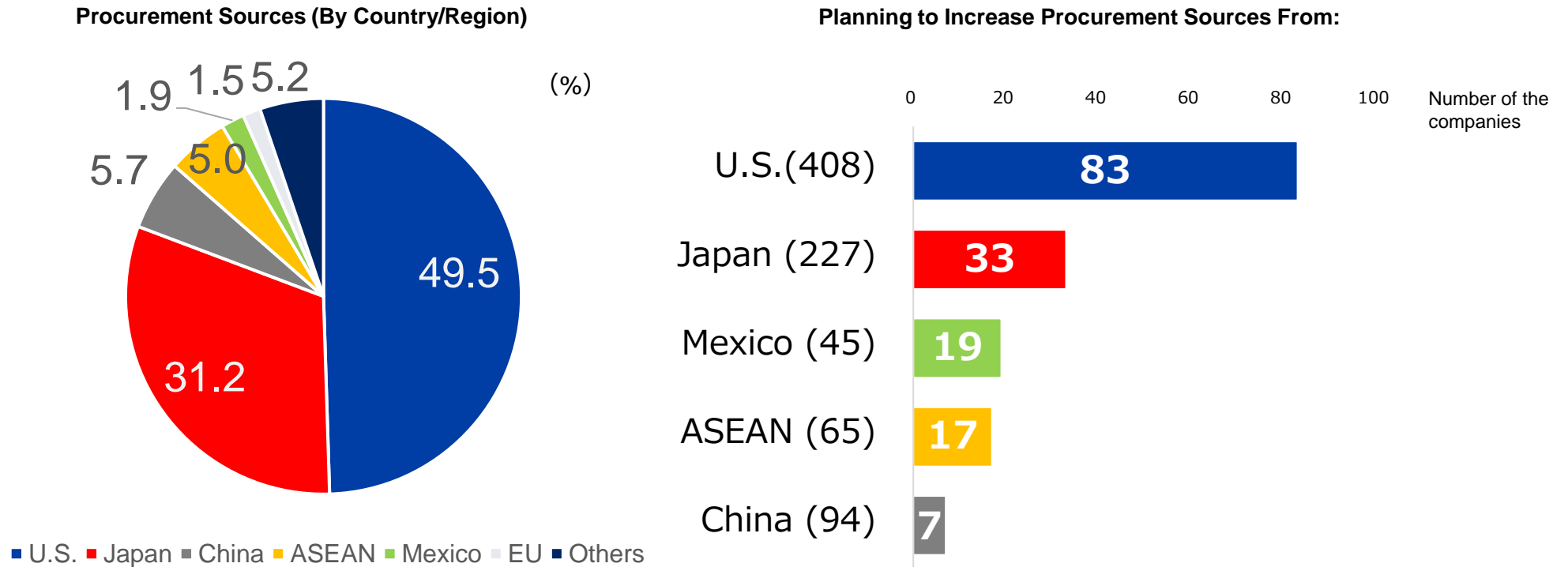
Reasons for Business Expansion (Multiple Answers)



(Note) This chart lists only the industry types for which valid responses were received from at least 10 companies.

3 Procurement Sources (Manufacturers):

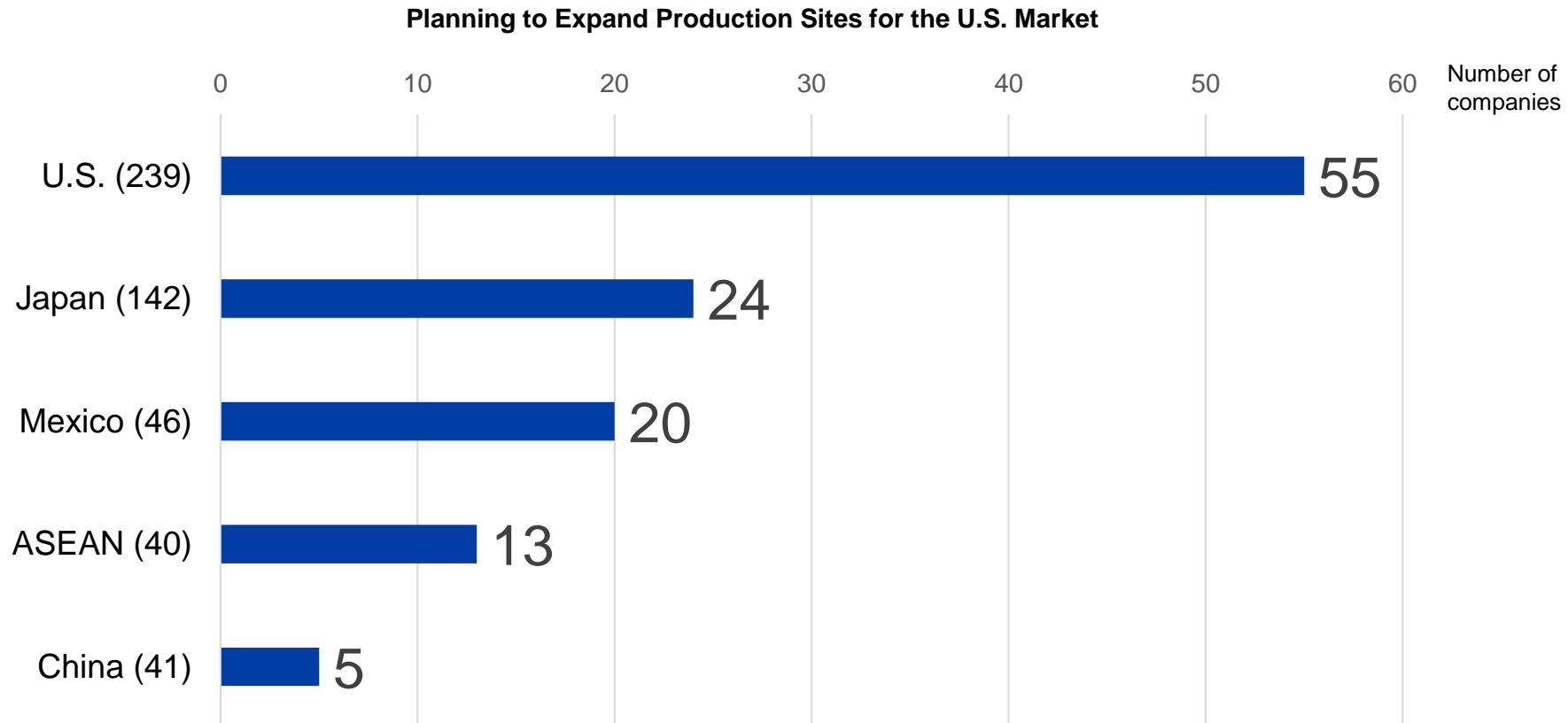
- Manufacturers procured 49.5% of raw materials and parts from within the U.S., followed by 31.2% from Japan and 5.7% from China.
- Out of 408 companies which have already procured in the U.S., 83 companies will expand their procurement. Out of 94 companies which have already procured from China, only 7 will expand their procurement, while 30 will reduce their procurement from China.



(Note) Each company was asked to calculate the ratio for every country/region to account for 100% of its procurement in terms of monetary amount, and these numbers were then averaged.

4 Future Production Sites for the U.S. Market:

- Out of 239 Japanese companies which have manufactured their products in the U.S. market, 55 will expand their facilities.
- Out of 41 companies which have imported their products from China, only 5 will expand in China, while 12 will reduce their facilities in China.

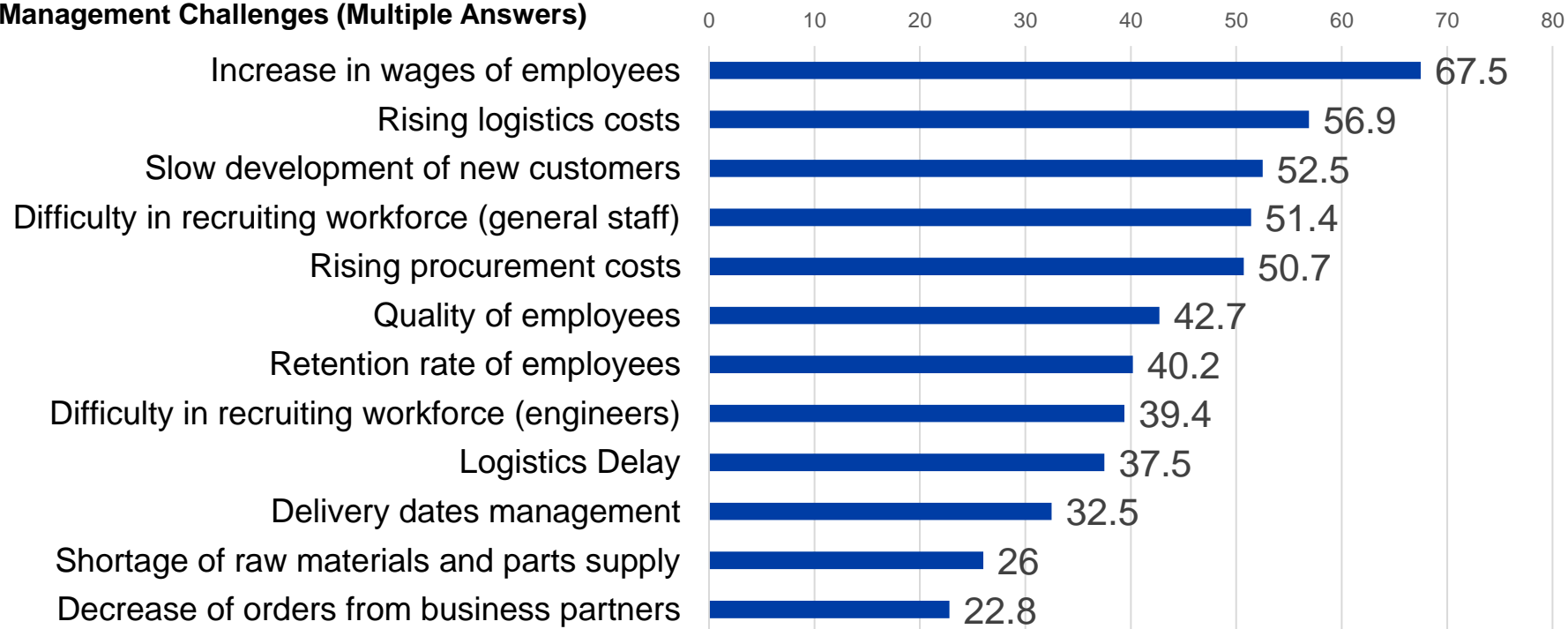


5 Management Challenges:

- “Increase in wages of employees” was the most common answer (67.5%) followed by “Rising logistics costs” (56.9%), “Slow development of new customers” (52.5%), “Difficulty in recruiting workforce (general staff)” (51.4%), and “Rising procurement costs” (50.7%) .
- As specific challenges, “upward pressure on wages due to prolonged inflation and disruptions in entire supply chains” and “increased borrowing interest burdens due to rising interest rates and workforce shortages.”

(%)

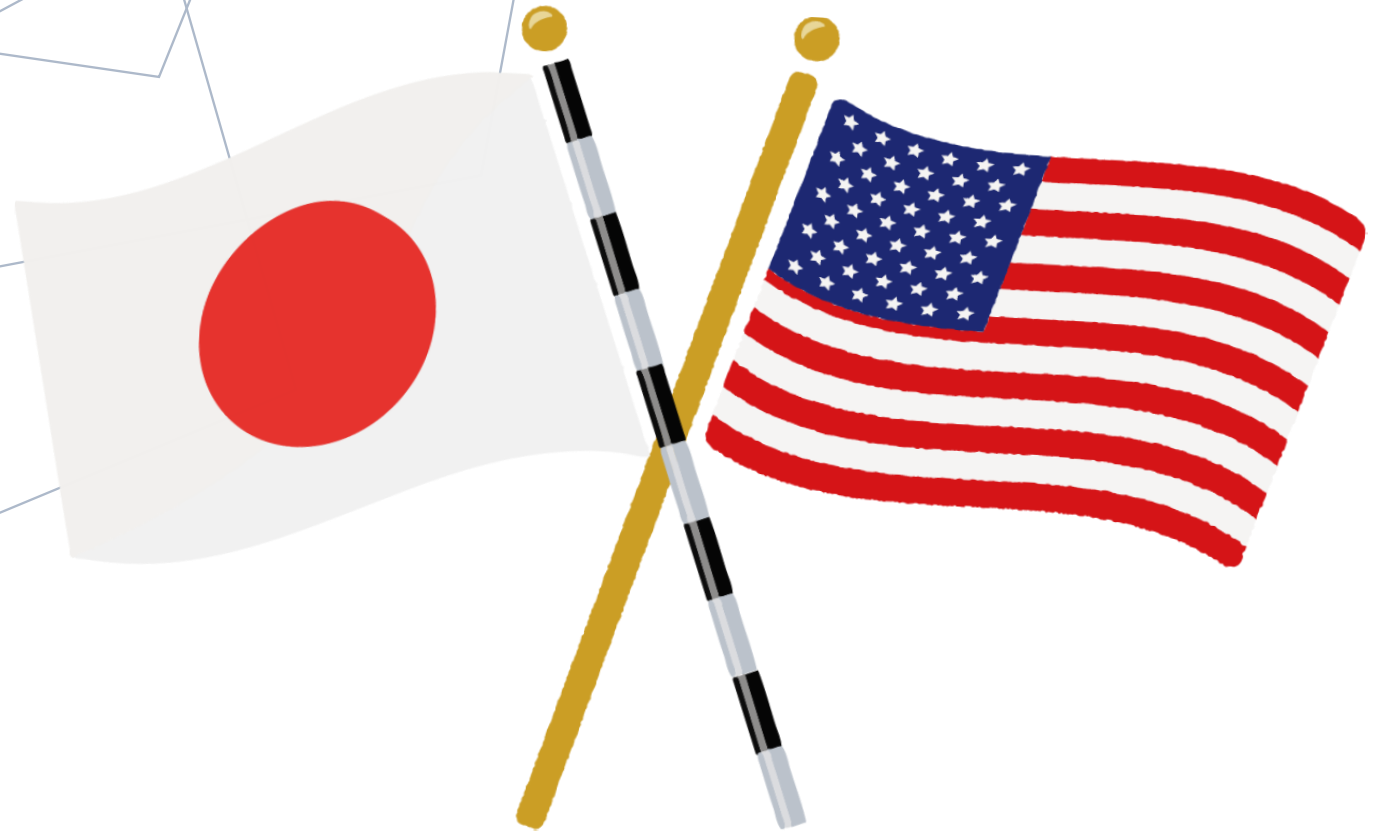
Management Challenges (Multiple Answers)



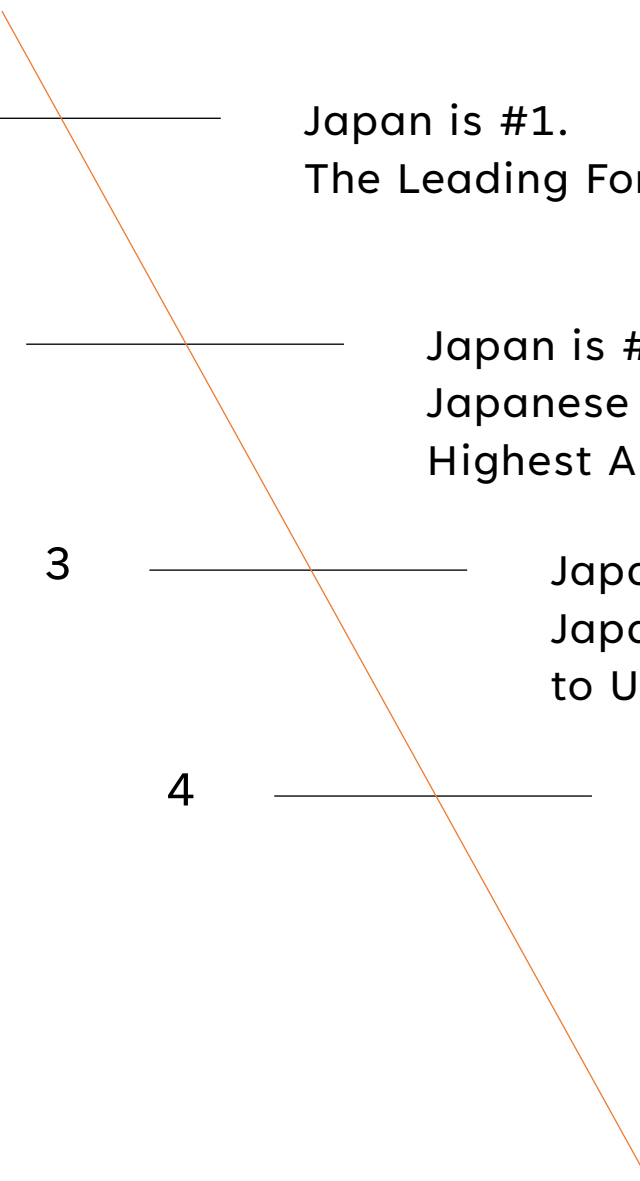
of respondents:766

(Note) Only the top response items are listed in this chart.

A New Era at the U.S. – Japan Relationship



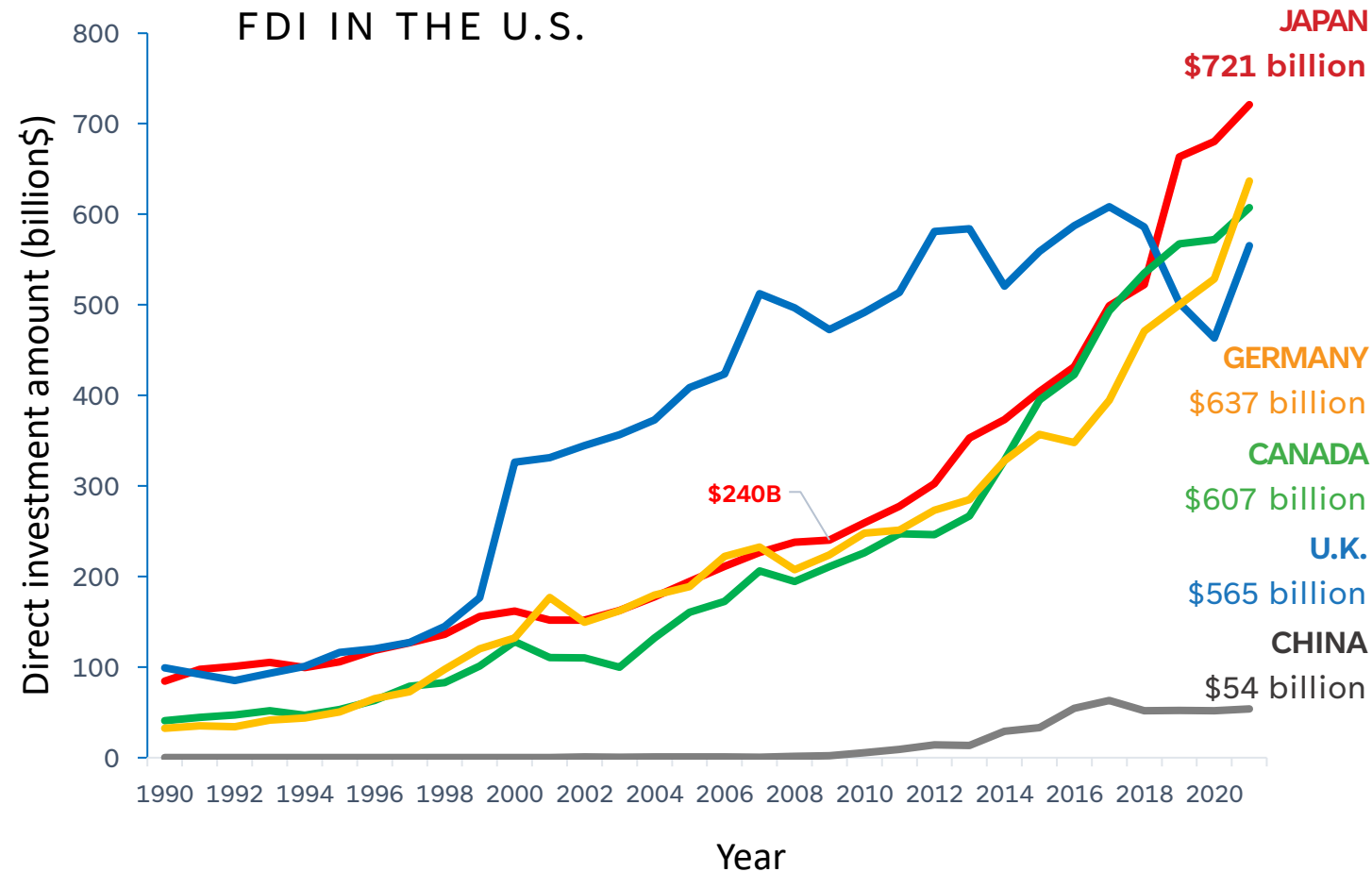
JAPAN'S U.S. INVESTMENT DYNAMIC

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- 1 ————— Japan is #1.
The Leading Foreign Direct Investor in the United States (2021)
 - 2 ————— Japan is #1:
Japanese Manufacturers Employ 534,100 Americans, the
Highest Among All Investor Countries (2020)
 - 3 ————— Japan is #1:
Japanese companies continue to be the #1 contributors
to U.S merchandise exports among all foreign investors.
 - 4 ————— Japan's R&D capital deployment
Direct investment in R&D from Japan has shown a
strong upward trend.

INSIGHTS

Japan Is #1. The Leading Foreign Direct Investor in The United States (2021)

- Since 1990, Japanese direct investment in the U.S. economy has grown steadily. Total investment at the end of 2021 was **\$721 billion ranking first among all investor countries**, ahead of Germany (\$636.5 billion), Canada (\$607.2 billion) and the UK (\$565.2 billion).
- At the end of 2021, Japan's direct investment increased **more than 3 times than in 2009**, the year of the U.S. financial crisis.

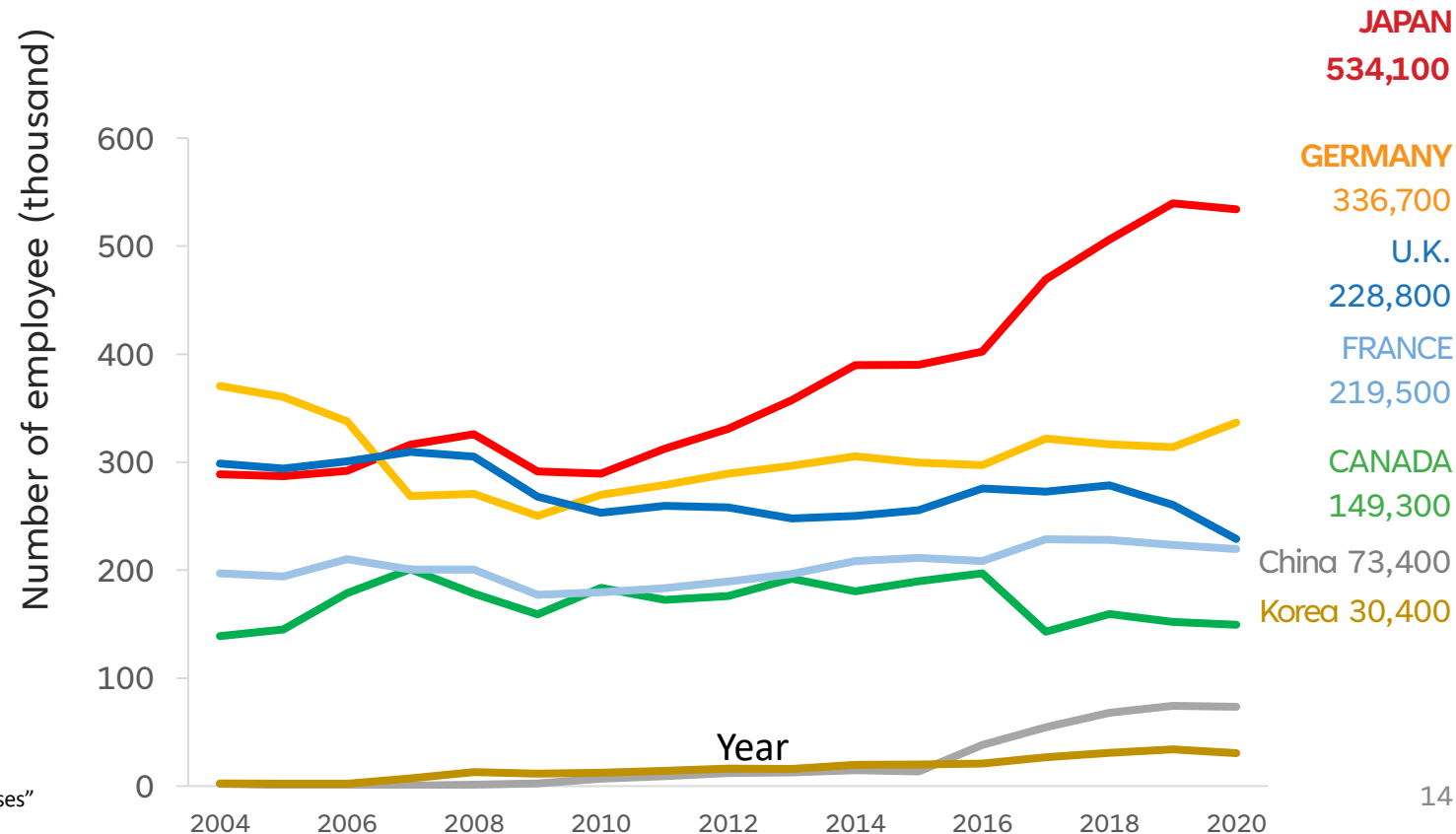


Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).
Source: U.S. Department of Commerce "Activities of U.S. Affiliates of Foreign Multinational Enterprises"

Japan is #1: Japanese Manufacturers Employ 534,100 Americans, The Highest Among All Investor Countries (2020)

- The total number of Americans employed by Japanese-owned manufacturing companies in the U.S. was 534,100 in 2020 – a record level among all investor countries.
- It has increased by 244,700 (84.6%) since 2010. While the total number of employees in the overall U.S. manufacturing sector only showed an increase of 593,000 (5.1%) during the same period.

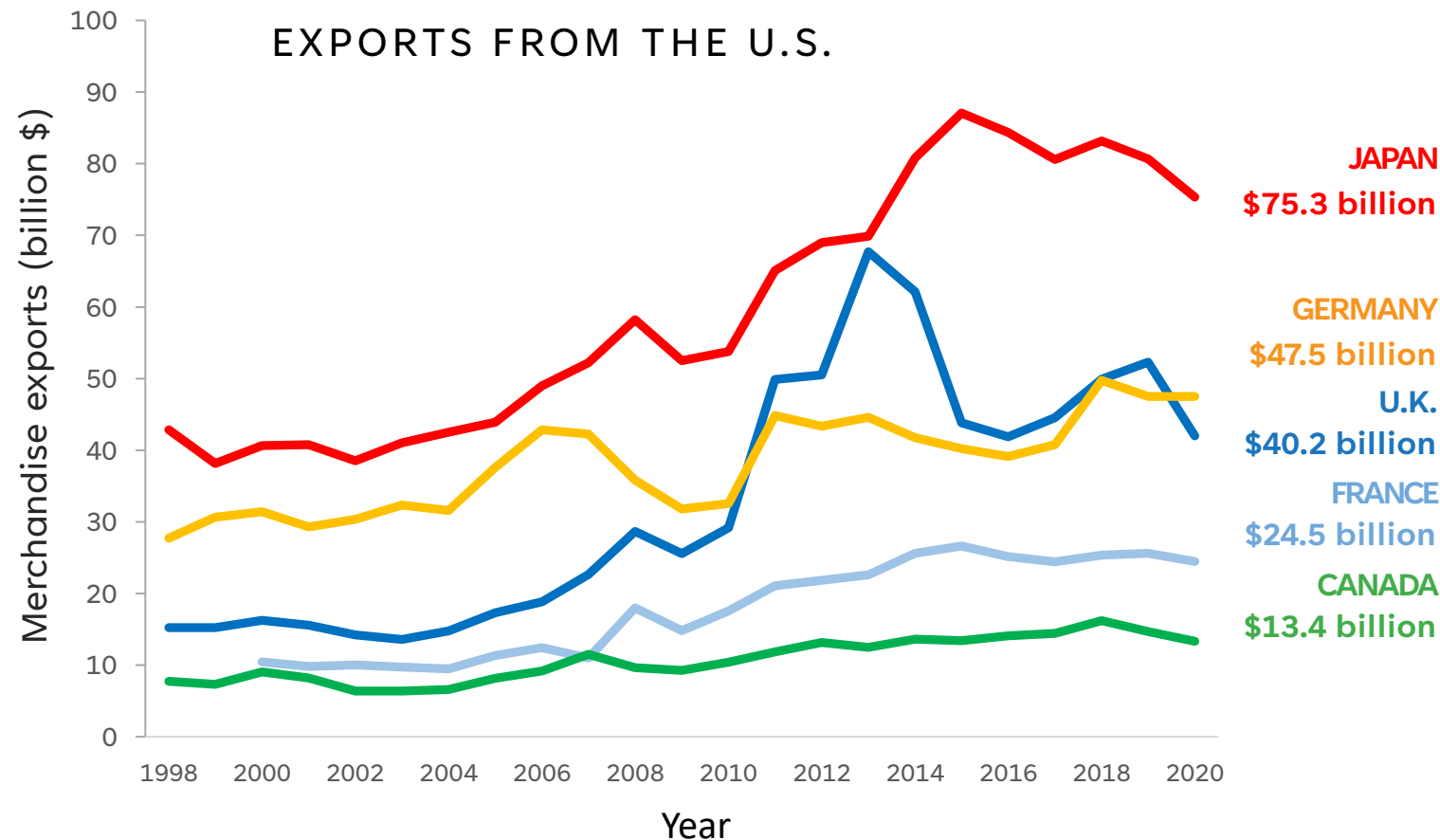
EMPLOYMENT IN THE U.S.



Japan is #1:

Japanese Companies Continue to be The #1 Contributors to U.S. Merchandise Exports among All U.S. Foreign Investors.(2020)

- Japanese companies in the United States generated a phenomenal \$75.3 billion in U.S. exports, which is 5.3% of all U.S. merchandise exports for 2020.
- 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.

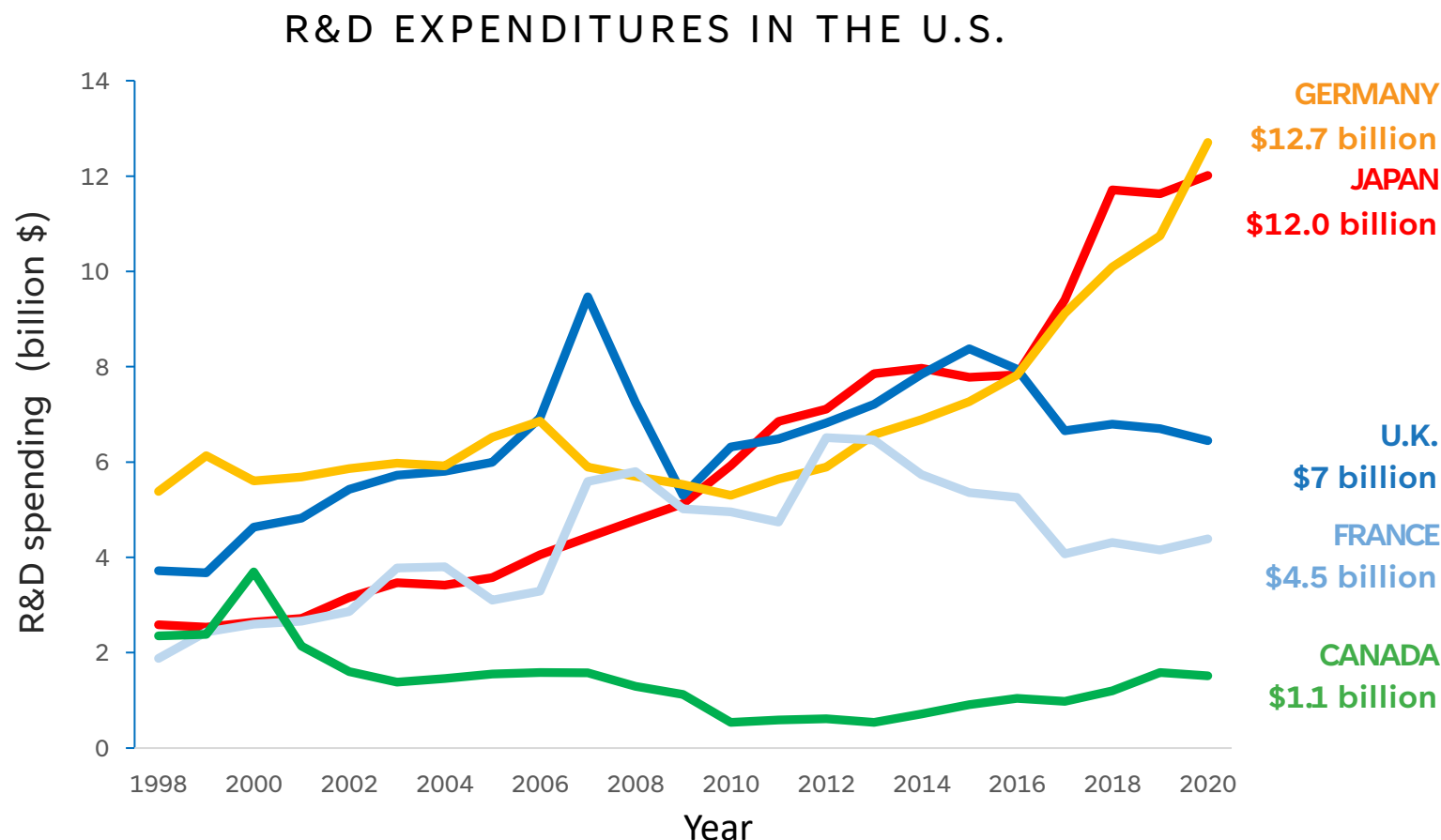


Note: Companies with 50% or more of investment from the Ultimate Beneficial Owner (UBO).

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

Direct Investments from Japan has Shown A Strong Upward Trend in the Deployment Of R&D Capital in the U.S.

- Japanese companies are very R&D focused and are constantly pursuing innovative new products and processes to maintain a high degree of global competitiveness. In the United States, Japan's direct investment in the U.S. R&D sector reached a record level of \$12.0 billion in 2020.
- The current record level of R&D investment by Japanese companies indicates that they are engaging the U.S. innovation process.



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"

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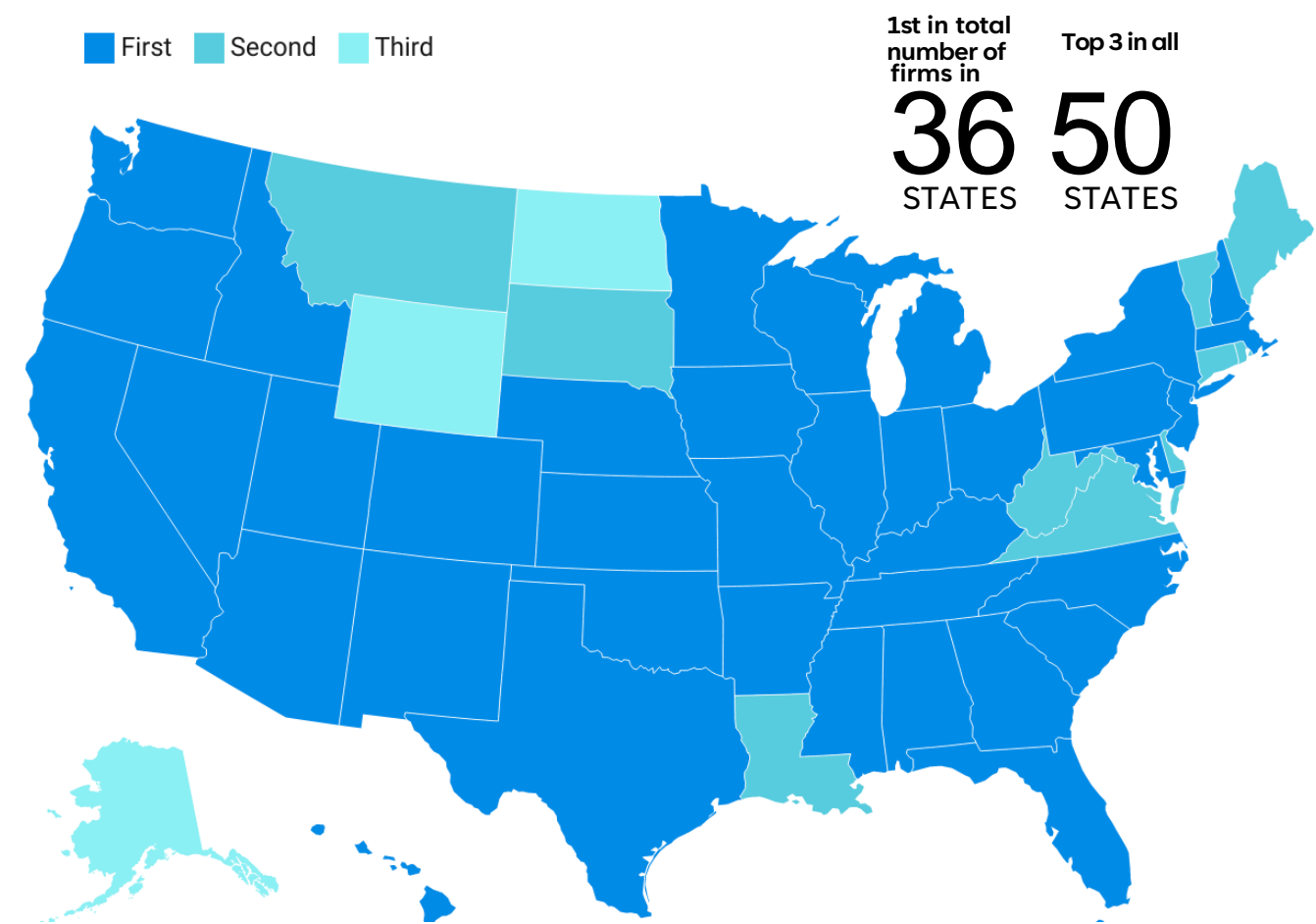
Comparison of Top U.S. Foreign Investors

Rank of Source of FDI (2021)	Japan #1	Germany #2	Canada #3	UK #4
Total FDI (2021)	\$721 billion	\$637 billion	\$607 billion	\$565 billion
Manufacturing FDI	\$351 billion	\$294 billion	\$61 billion	\$240 billion
Total U.S. Jobs	931,900	885,100	844,600	1,217,600
Supporting U.S. Manufacturing Jobs (2020)	534,100	336,700	149,300	228,800
Investing in R&D (2020)	\$12.0 billion	\$12.7 billion	\$1.5 billion	\$6.4 billion
Expanding U.S. Exports (2020)	\$75.3 billion	\$47.5 billion	\$13.4 billion	\$42.0 billion
U.S. Tax Paid (2020)	All industries \$7,603 million	All industries \$4,165 million	All industries \$7,563 million	All industries \$14,289 million
	Manufacturing \$2,193 million	Manufacturing \$1,148 million	Manufacturing \$452 million	Manufacturing (D)
Top 6 INDUSTRY SECTORS (2021)	1. Auto Components 2. Industrial Equipment 3. Software & IT services 4. Automotive OEM 5. Plastics 6. Metals	1. Industrial Equipment 2. Software & IT services 3. Auto Components 4. Transportation 5. Chemicals 6. Plastics	1. Software&IT services 2. Business Services 3. Financial Services 4. Real Estate 5. Industrial Equipment 6. Food & Beverages	1. Business Services 2. Software & IT services 3. Financial Services 4. Communications 5. Industrial Equipment 6. Transportation

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

(D) data suppression

Japan's Comprehensive U.S. Direct Investment Presence (2020)



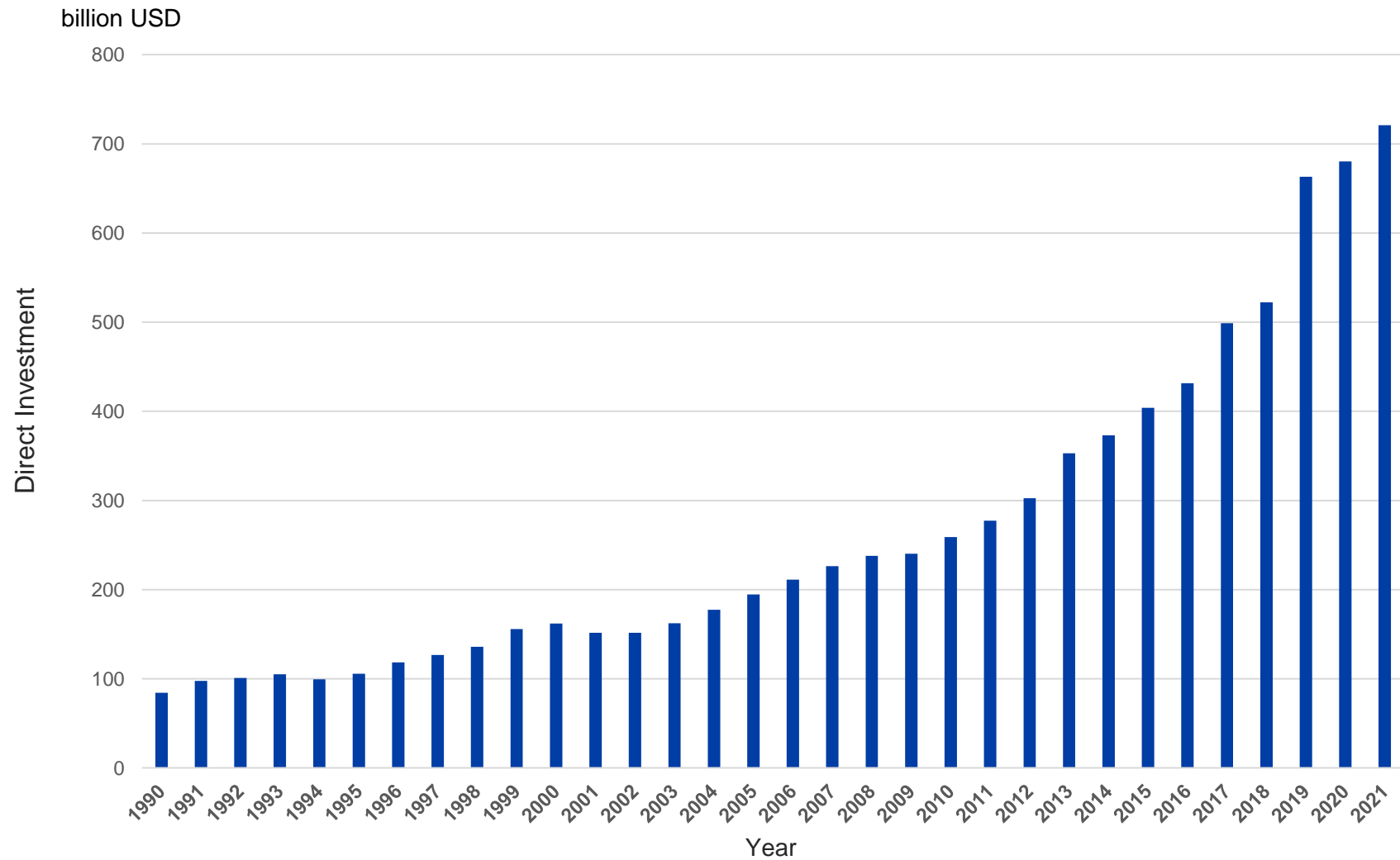
The Employment Structure of Japan's Direct Investment in the U.S. 2020

year	2009	2020	change
Total Employment	663.7	931.9	268.2
Manufacturing	291.3	534.1	242.8
Wholesale trade	235.9	198.2	-37.7
Retail Trade	32.8	40.5	7.7
Information	22.7	13	-9.7
Finance insurance	22.9	53.2	30.3
Real estate	2	3.8	1.8
Prof Sci Tech services	16.5	34.3	17.8
Others	39.6	54.9	15.3

In 2021, U.S. based Japanese companies now rank in the top 3 of foreign investments in all 50 states. In fact, Japanese companies were the #1 foreign investors in 36 U.S. 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"

Direct Investment from Japan to 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"

Thank you for your attention.

Proudly Serving for Japan and the US -Northeast!!



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