

JAPAN'S U.S. INVESTMENT DYNAMIC

Reflecting on the Economic Contributions

by Japanese Companies

2025

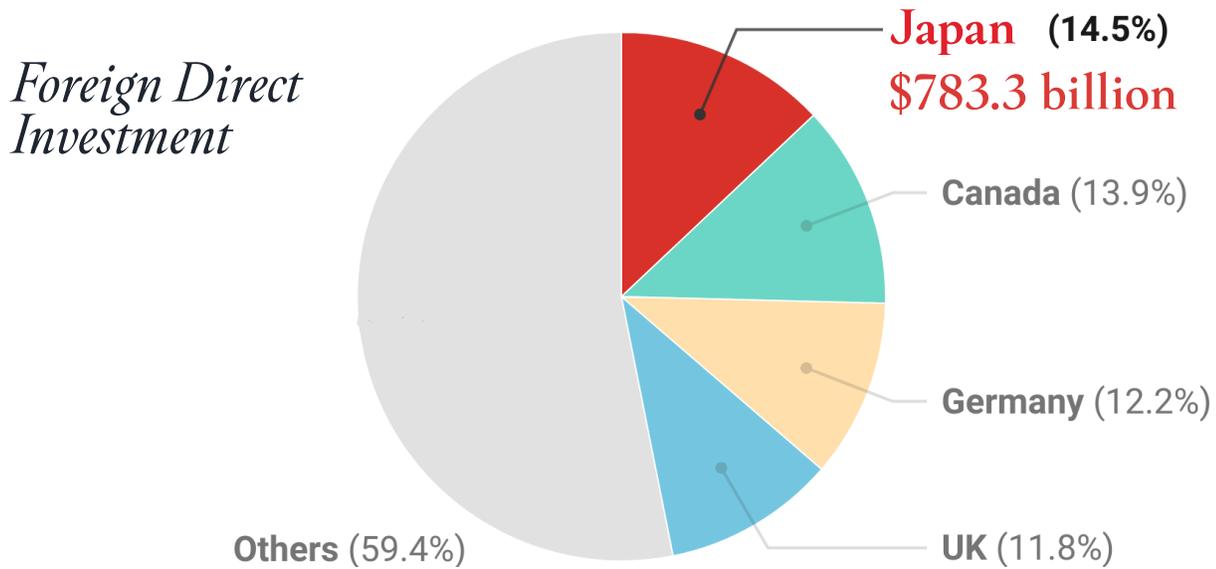


JETRO

Japan External Trade Organization

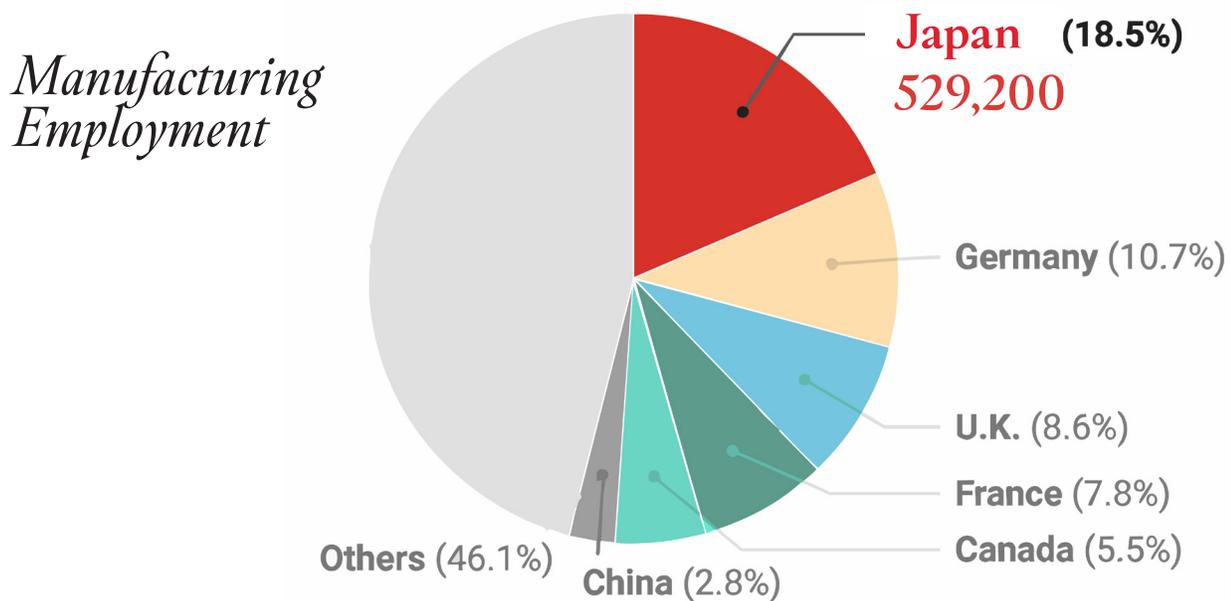
HIGHLIGHTS

JAPAN is the #1 Foreign Investor in the U.S.



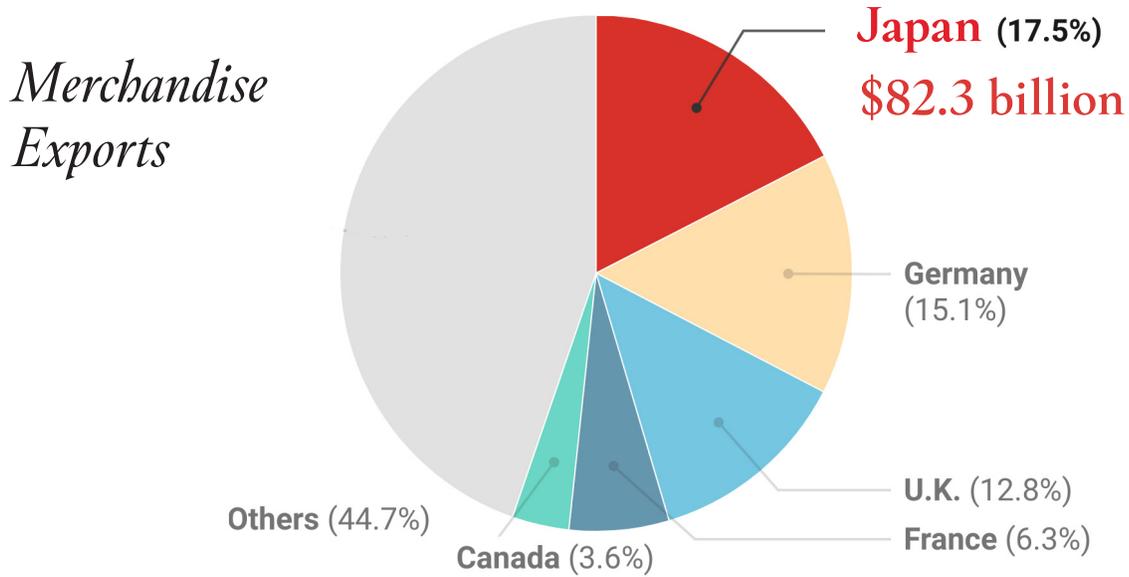
The Highest among all Foreign Investor Countries since 2019

JAPAN is #1 in Manufacturing Employment



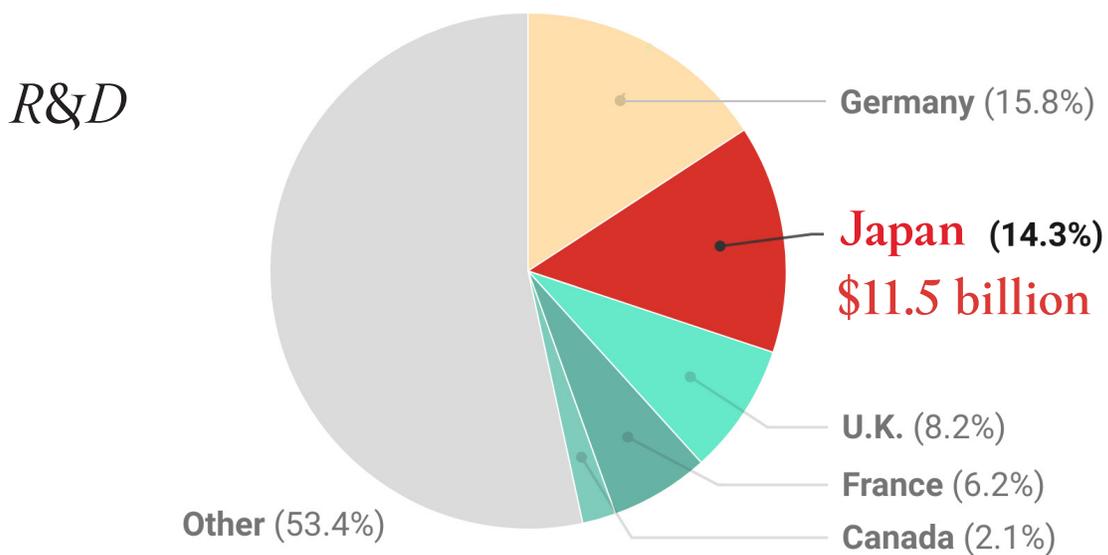
The Highest among all Foreign Investor Countries since 2009

JAPAN is #1 in Merchandise Exports



The Highest among all Foreign Investor Countries since the 1980s

JAPAN Continues to Increase R&D Spending in the U.S.



Research&Development spending by Japan's direct investment in the U.S. has shown a strong upward trend since 2001

EXECUTIVE SUMMARY

The U.S.-Japan Joint Leaders' Statement

In President Donald J. Trump and Prime Minister Shigeru Ishiba Joint Leaders' Statement on February 7, 2025, in Washington D.C. , “The two leaders affirmed that bilateral economic cooperation, including on economic security, forms an indispensable part of Alliance cooperation. As close economic partners, the United States and Japan provide the largest amount of foreign direct investment and create high quality jobs in each other's countries. Industries of both countries continue to play a vital role for each other's supply chains.” The U.S.-Japan Joint Leaders' Statement on developing a strong U.S.-Japan economic relationship is well aligned with the objectives of JETRO's activities in the United States.

Japan's U.S. Investment Dynamic 2025

JETRO's publication, “Japan's U.S. Dynamic Investment Dynamic 2025,” is intended to provide an in-depth understanding of the current economic perspectives of the U.S.-Japan relationship. It is important to realize that Japanese direct investment in the U.S. is experiencing impressive growth in capital investment and employment. In 2023, direct investment from Japan to the U.S. reached \$783.3 billion, maintaining Japan's position as the number one foreign investor in the United States for the fifth consecutive year. Importantly, Japanese investment is a driver of job creation in the U.S. manufacturing sector, which is increasingly recognized and supported by state and local governments. Japan has been the number one foreign investor in the U.S. manufacturing sector since 2008.

We hope that this booklet will serve as a cornerstone in understanding the U.S. - Japan economic relationship.

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COMPARISON OF THE TOP U.S. FOREIGN INVESTORS

Rank of FDI	Japan #1	Canada #2	Germany #3	U.K. #4
Amount of FDI (2023)	\$783.3 billion	\$749.6 billion	\$657.8 billion	\$635.6 billion
U.S. Employment (2022)	968,700	887,900	871,400	1,223,000
U.S. Manufacturing Employment (2022)	529,200	158,300	304,500	245,500
R&D Investment (2022)	\$11.5 billion	\$1.7 billion	\$12.8 billion	\$6.6 billion
U.S. Merchandise Exports (2022)	\$82.4 billion	\$16.8 billion	\$60.0 billion	\$71.0 billion
Top Industry Sectors By # of announced FDI projects in the U.S.	1. Industrial Equipment	1. Software & IT services	1. Industrial Equipment	1. Business Services
	2. Auto Components	2. Business Services	2. Software & IT Services	2. Software & IT services
	3. Software & IT services	3. Financial Services	3. Transportation	3. Financial Services
	4. Plastics	4. Real Estate	4. Auto Components	4. Communications
	5. Automotive OEM	5. Industrial Equipment	5. Electric Components	5. Industrial Equipment
	6. Chemicals	6. Food & Beverages	6. Chemicals	6. Transportation

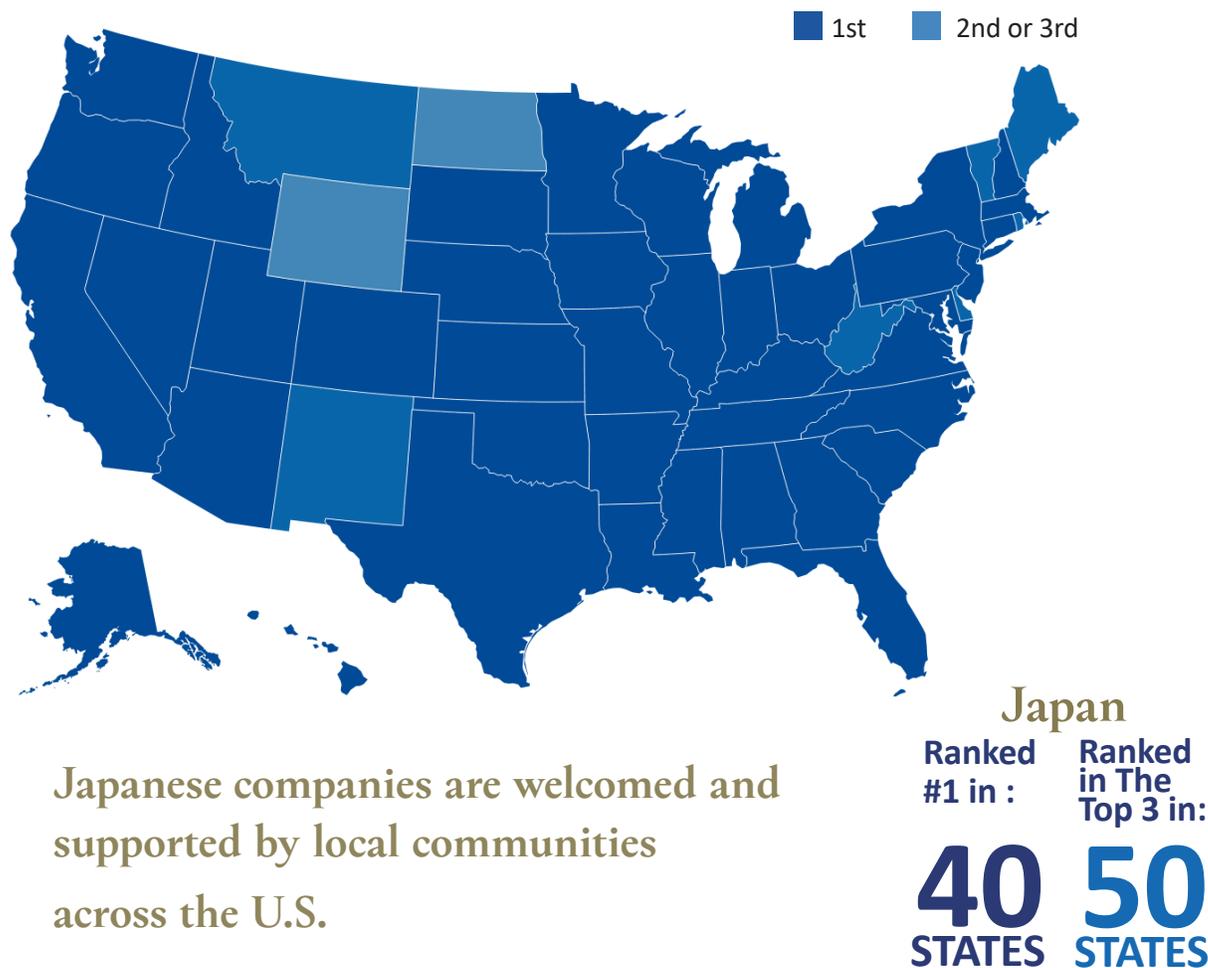
Sources:

- 1) Balance of Payments and Direct Investment Position Data, Foreign Direct Investment in the U.S. on a Historical-Cost Basis Country of UBO and Industry (NAICS) U.S. Department of Commerce, Bureau of Economic Analysis (BEA)
- 2) Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2022 Statistics, U.S. Department of Commerce, Bureau of Economic Analysis (BEA)
- 3) Direct Investment by Country and Industry, 2023, U.S. Bureau of Economic Analysis (BEA)

IMPACT OF JAPAN'S DIRECT INVESTMENT ACROSS THE U.S.

In 2022, the number of U.S. based Japanese companies ranked in the top 3 of foreign investor countries in all 50 states. In fact, Japanese companies were the #1 foreign investors in 40 U.S. states.

The Ranking of the Number of U.S. Based Japanese Firms



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: Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2022 Statistics, U.S. Department of Commerce, Bureau of Economic Analysis (BEA)

Japan's Direct Investment in the United States is the Largest Among All Investor Countries in 2023

Among all investor countries, Japan has emerged as the number one major source of foreign direct investment in the U.S. for five consecutive years.

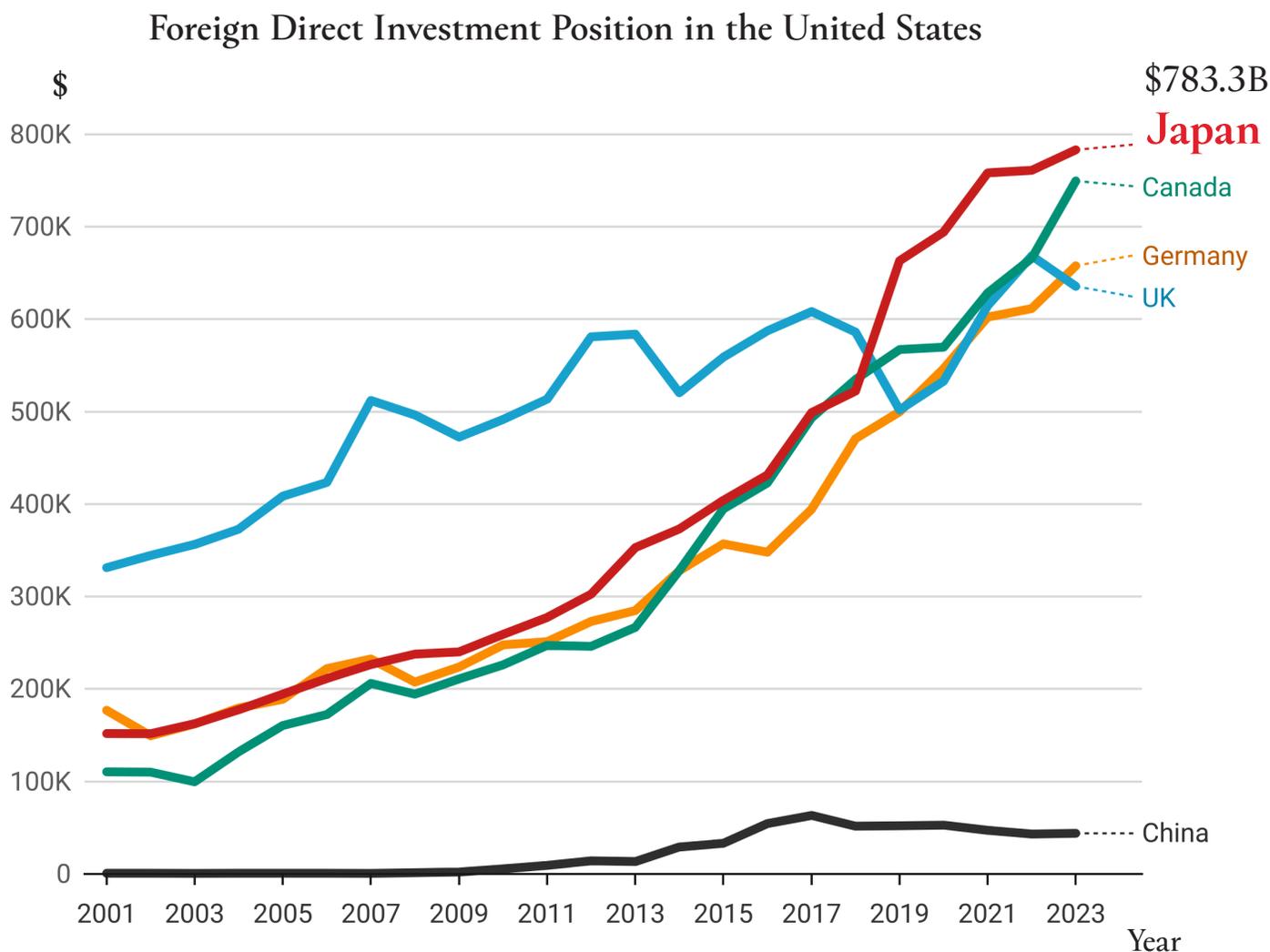
The amount of Japan's direct investment to the U.S. reached a record level of \$783.3 billion in 2023.

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

During the Japan-U.S. Summit Meeting on February 7, 2025, in Washington D.C., Prime Minister Ishiba conveyed his willingness to cooperate together to elevate Japan's investment in the U.S. to an unprecedented amount of one trillion dollars, and President Trump strongly welcomed such investments by Japanese companies.

JAPAN AIMS TO BOOST INVESTMENTS IN THE U.S. TO ONE TRILLION DOLLARS

Japanese total direct investment in the U.S. reaches a record level of \$783 billion in 2023.



Since 1990, Japanese direct investment in the U.S. economy has grown steadily, total investment at the end of 2023 was \$783.3 billion ranking first among all investor countries, ahead of Canada (\$749.6 billion), Germany (\$657.8 billion), and the United Kingdom (\$635.6 billion). At the end of 2023, Japan’s direct investment increased more than 3 times (226.2%) since the end of the 2009 U.S. financial crisis.

Source: 1) Foreign Direct Investment Position in the United States on a Historical-Cost Basis, by Country of Foreign Parent and of the Ultimate Beneficial Owner, 2020–2023, Table 8. U.S. Department of Commerce, Bureau of Economic Analysis (BEA)
 2) Balance of Payments and Direct Investment Position Data, Foreign Direct Investment in the U.S. on a Historical-Cost Basis Country of UBO and Industry (NAICS) U.S. Department of Commerce, Bureau of Economic Analysis (BEA)

A Continuing Upward Trend in the Pace of Japan's Direct Investment in the U.S. Manufacturing Sector

Japanese manufacturing investment in the economy of the United States has been on a steady upward trend, showing the pace accelerated from 2015 to the present.

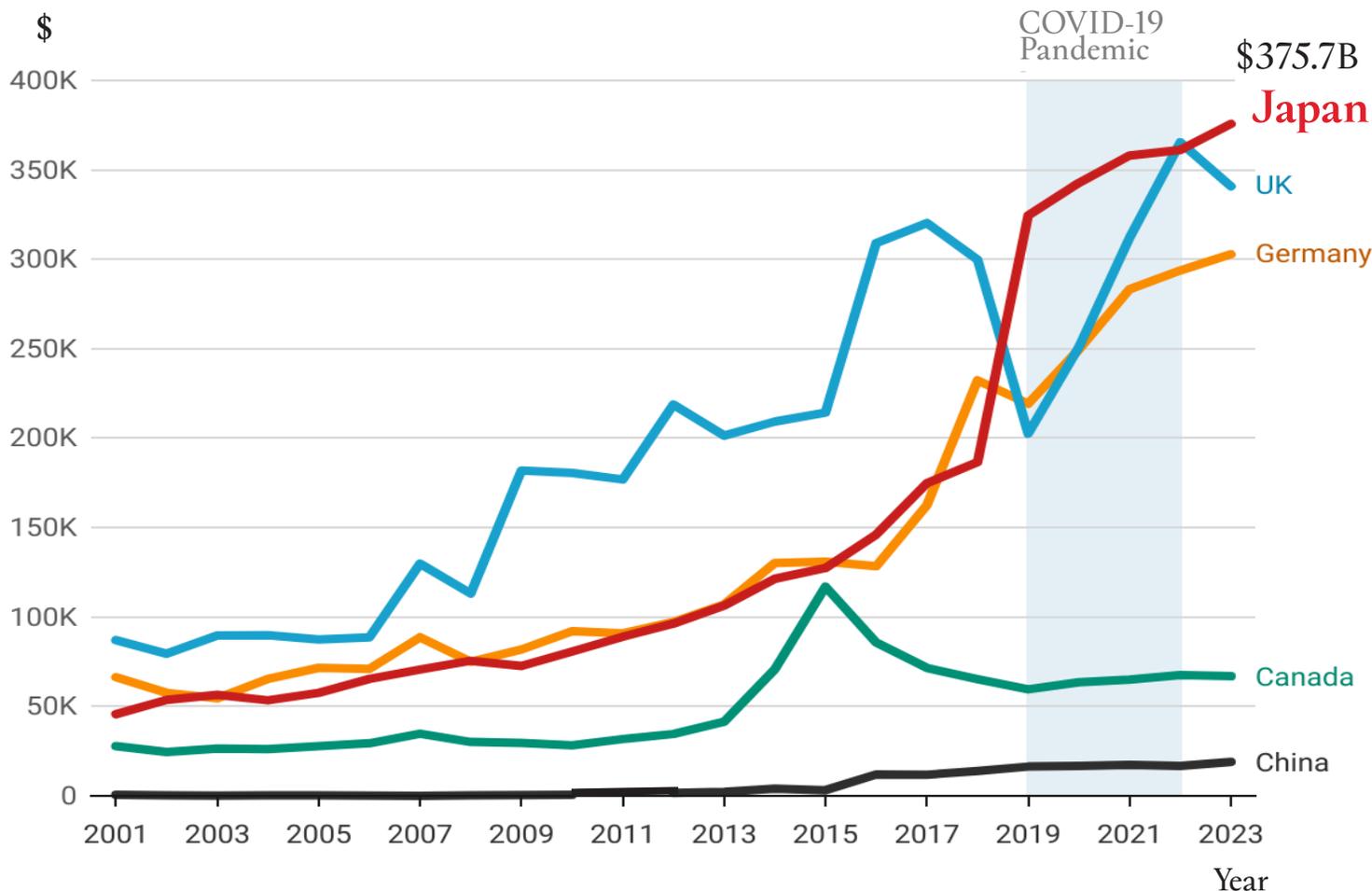
Comparing the 2009 and 2023 timeframe, direct investment from Japan to the U.S. manufacturing sector increased by \$303 billion (418%) from \$72.5 billion (2009) to \$375.7 billion (2023), outpacing that of all major foreign investing countries.

There is a second significant trend beginning in 2009. At that time, Japanese direct investment in U.S. manufacturing accounted for 30.2% of Japan's total direct investment. Notably, in 2023, Japanese direct investment in U.S. manufacturing reached 48.0% of its total direct investment, the largest increase among all foreign investing countries.

JAPAN'S MANUFACTURING INVESTMENT IN THE U.S. IS AT THE HIGHEST LEVEL IN THE HISTORY OF THE BILATERAL RELATIONSHIP

Japan's direct investment in U.S. manufacturing:
\$376 billion in 2023, an increase of 418% (\$303 billion) since 2009.

Foreign Direct Investment Position in U.S. Manufacturing



The U.S. manufacturing sector is a major area of direct investment by Japan; mergers and acquisitions, construction of new production facilities, and expansion of existing operations, are all forms of investments by U.S.-based Japanese manufacturers.

When crises occur, there is a deep commitment among Japanese manufacturers to remain in the United States to assist their workforce and communities to survive the events. This strong corporate ethic among Japanese manufacturers develops a spirit of civic responsibility and strengthens the morale of their American employees allowing their companies to thrive once the crisis ends. This was exactly the case from the end of 2019 to 2022, when COVID-19 was pervasive. Japanese investment in the U.S. remained resilient compared to other investor countries.

Source: Balance of Payments and Direct Investment Position Data, Foreign Direct Investment in the U.S. on a Historical-Cost Basis Country of UBO and Industry (NAICS) U.S. Department of Commerce, Bureau of Economic Analysis (BEA)

A Record Level of 529,200 Americans were Employed by Japanese Manufacturers in the United States

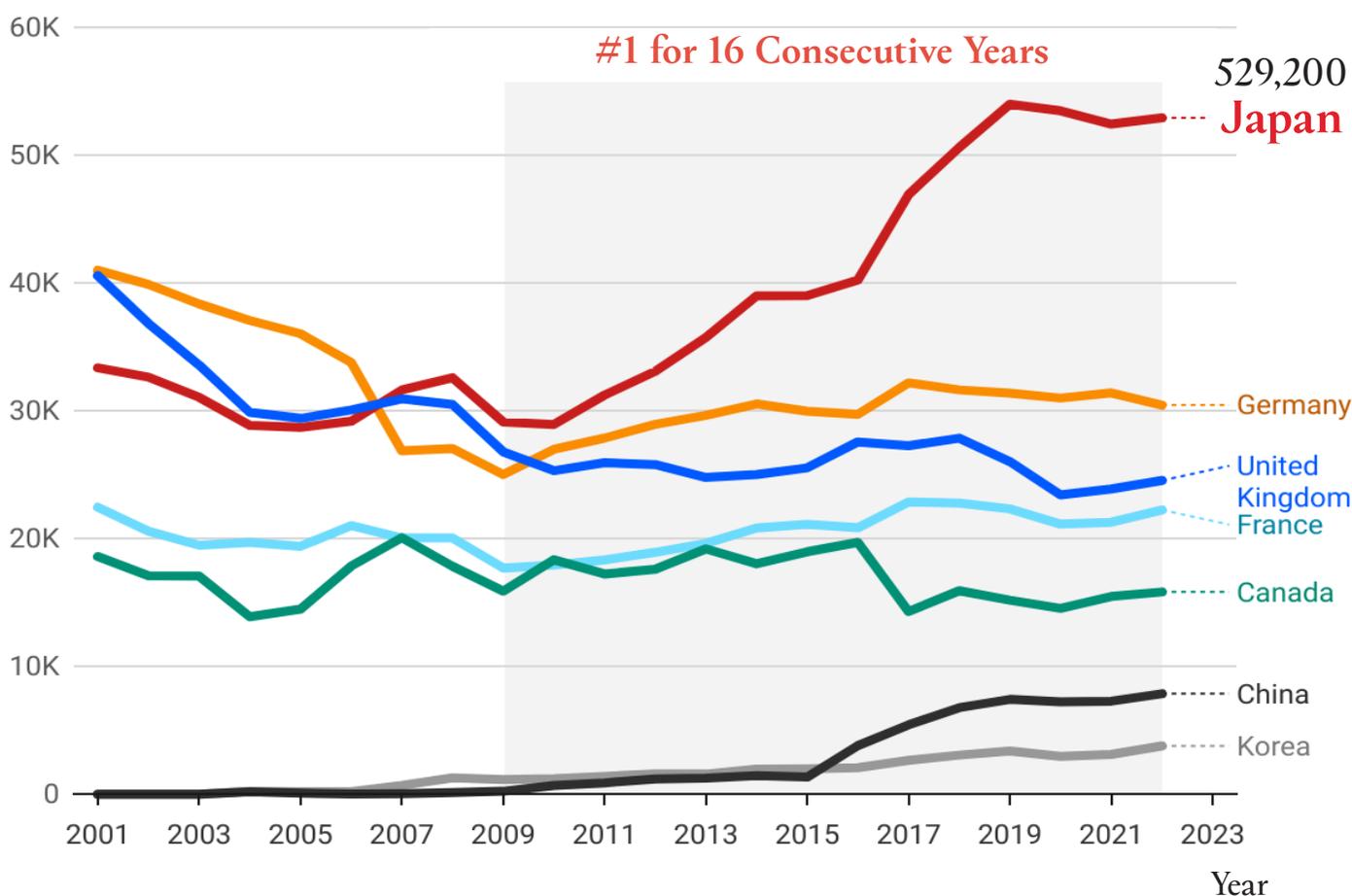
As Japan's capital investment in U.S. manufacturing has increased, the number of Americans employed by U.S. based Japanese manufacturers has also significantly grown. In 2022, a record 529,200 Americans were employed by Japanese manufacturers in the U.S., the highest level of any foreign investor in the United States.

In many small and medium-sized U.S. cities, Japanese companies are major employers in their manufacturing sector. Japanese companies offer competitive and fair wages, comprehensive benefits, and a deep commitment to the welfare of their American hometowns. Across America, city and state leaders have through the years perceived Japanese companies as being cornerstones of their communities fortifying local economic stability.

JAPAN IS THE #1 EMPLOYER IN THE U.S. MANUFACTURING SECTOR FOR 16 CONSECUTIVE YEARS

The record number of 529,200 Americans employed in U.S. based manufacturing (2022): an increase of 82.9% since 2010, or 239,800 more employees.

Manufacturing Employment by Foreign Investor Countries in the United States



A record number of 968,700 Americans were employed by Japanese companies in all sectors of the U.S. economy of which more than half were employed in manufacturing. When examining foreign direct investment in the U.S., Japanese manufacturers employed more than eight times the number of Americans compared to the combined U.S. employment in manufacturing investment from China (78,700) and South Korea (37,900) in 2022.

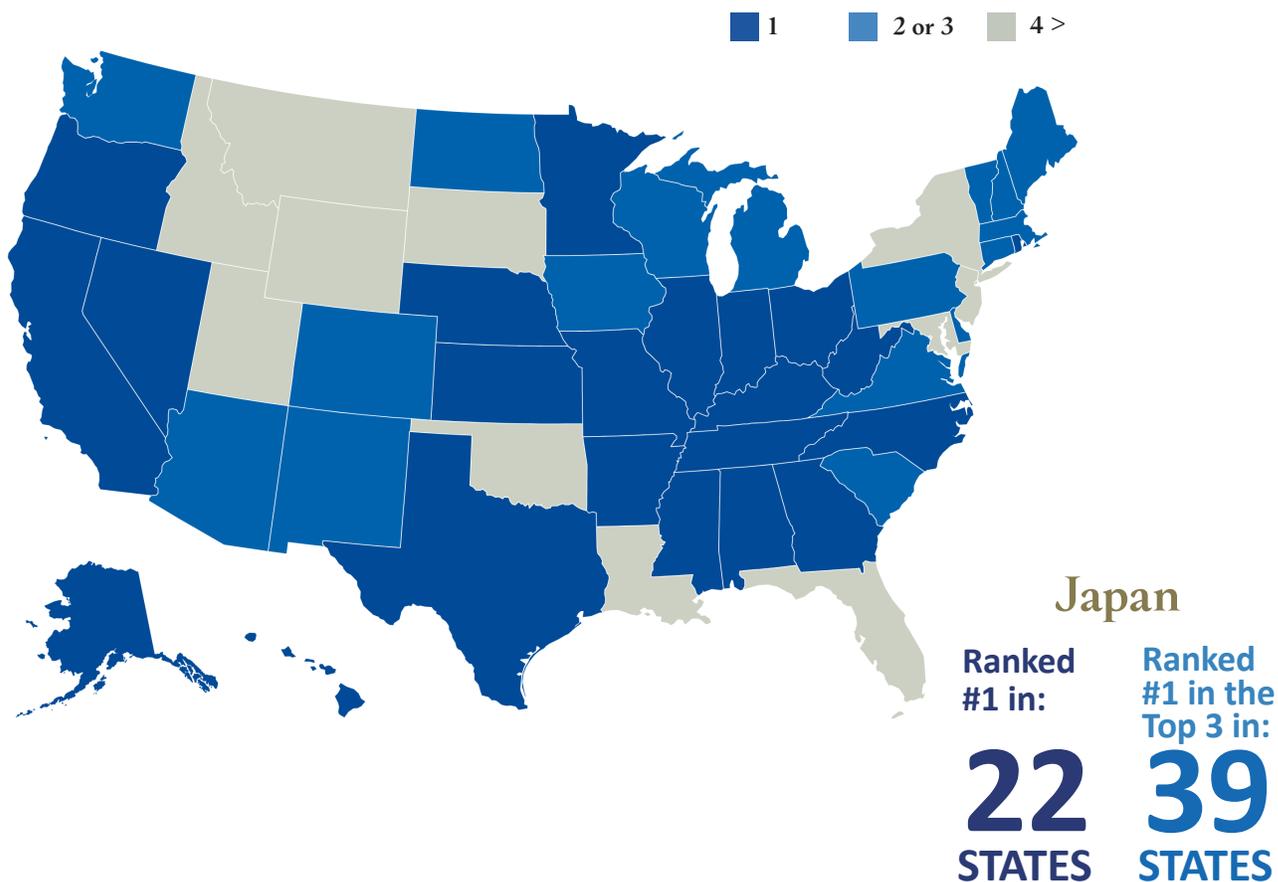
Among All Investor Countries, Japan Ranks in the Top Three in 39 States for the Total Number of Employees in the U.S. Manufacturing Sector (2022)

As Japan's capital investment in U.S. manufacturing has increased, there has been substantial growth in the number of Americans employed by U.S. based Japanese manufacturers. In 2022, a record number of 529,200 Americans were employed by Japanese manufacturers in the U.S. economy, the highest level among all foreign investors in the United States. Japanese investment in the U.S. manufacturing sector has sustained American middle class families for decades.

JAPAN'S MANUFACTURING
INVESTMENT CREATES
EMPLOYMENT FOR AMERICAN
MIDDLE CLASS FAMILIES

In 39 States, Japan ranks in the top three for the total number of employees in the U.S. manufacturing sector among all investor countries (2022).

Japan's Ranking of Total Number of Manufacturing Employment



In many small and mid-size U.S. cities, Japanese companies are in fact the leading manufacturing employers. Japanese companies offer competitive and fair wages, comprehensive healthcare benefits, and a deep commitment to the well-being of their American hometowns. Japanese companies are therefore increasingly considered by American city and county leaders to be an important cornerstone of economic stability in their local economies.

Japan Has Ranked First Among All Investor Countries in U.S. Merchandise Exports Since the Late 1990s

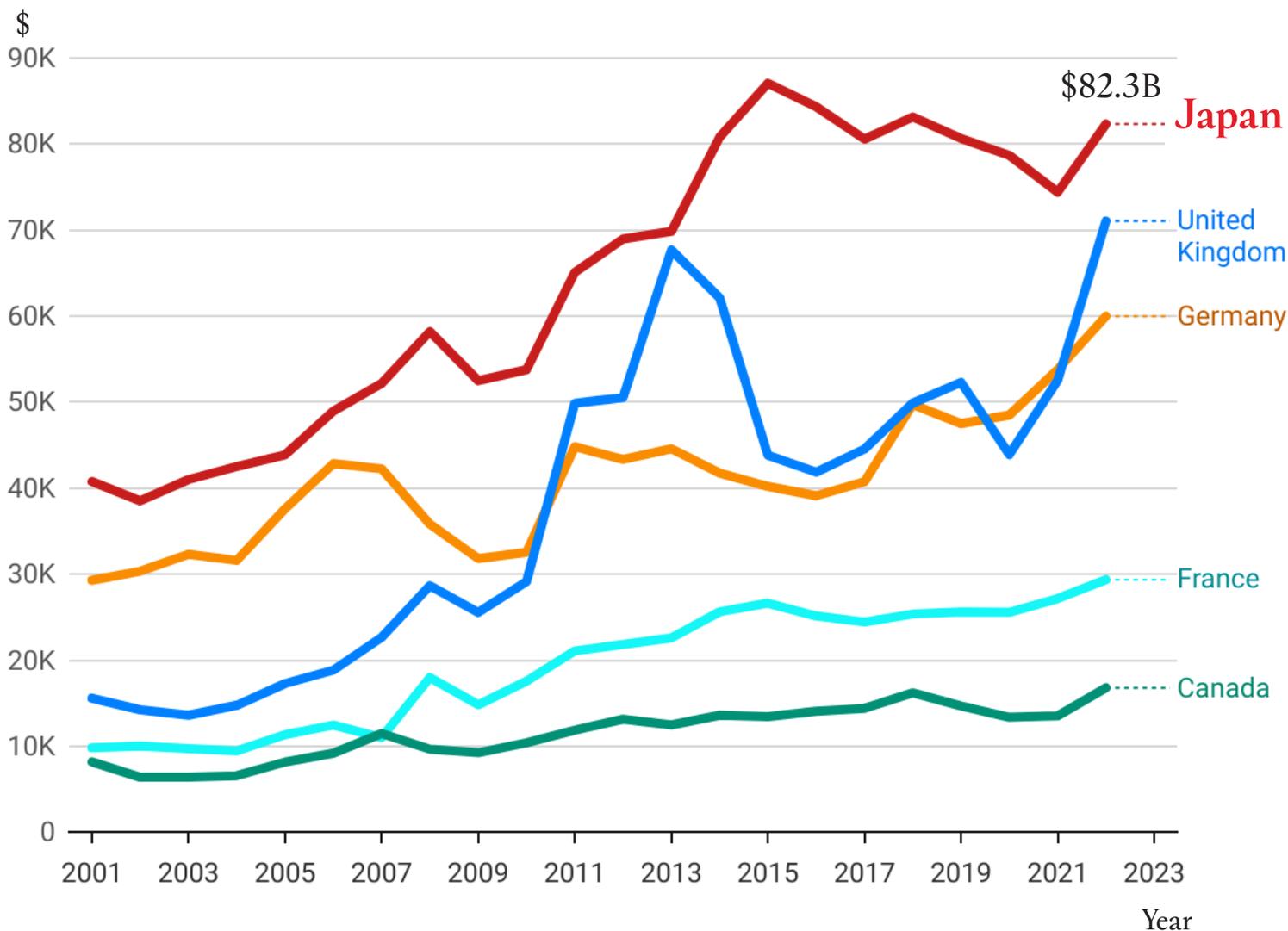
Foreign direct investment in the United States serves the needs of U.S. consumers and businesses alike. Importantly, foreign companies are increasingly using the U.S. economy as an export platform to meet global demand for their American made products.

Japanese companies in the U.S. are integrating export strategies into their business models. Japanese companies in the U.S. generated \$82.3 billion in exports in 2022, a remarkable 4% of total U.S. merchandise exports. Since the late 1990's, Japanese investment in the U.S. has been the leader in generating U.S. merchandise exports among all foreign investors.

JAPAN'S DIRECT INVESTMENT IS ACCELERATING U.S. MERCHANDISE EXPORTS

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

Merchandise Exports by Foreign Investors in the United States



Japan’s direct investment in the United States has provided well over two decades of significant U.S. export growth, which has sustained American jobs and has increased the global competitiveness of the U.S. economy.

Source: Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2022 Statistics, U.S. Department of Commerce, Bureau of Economic Analysis (BEA)

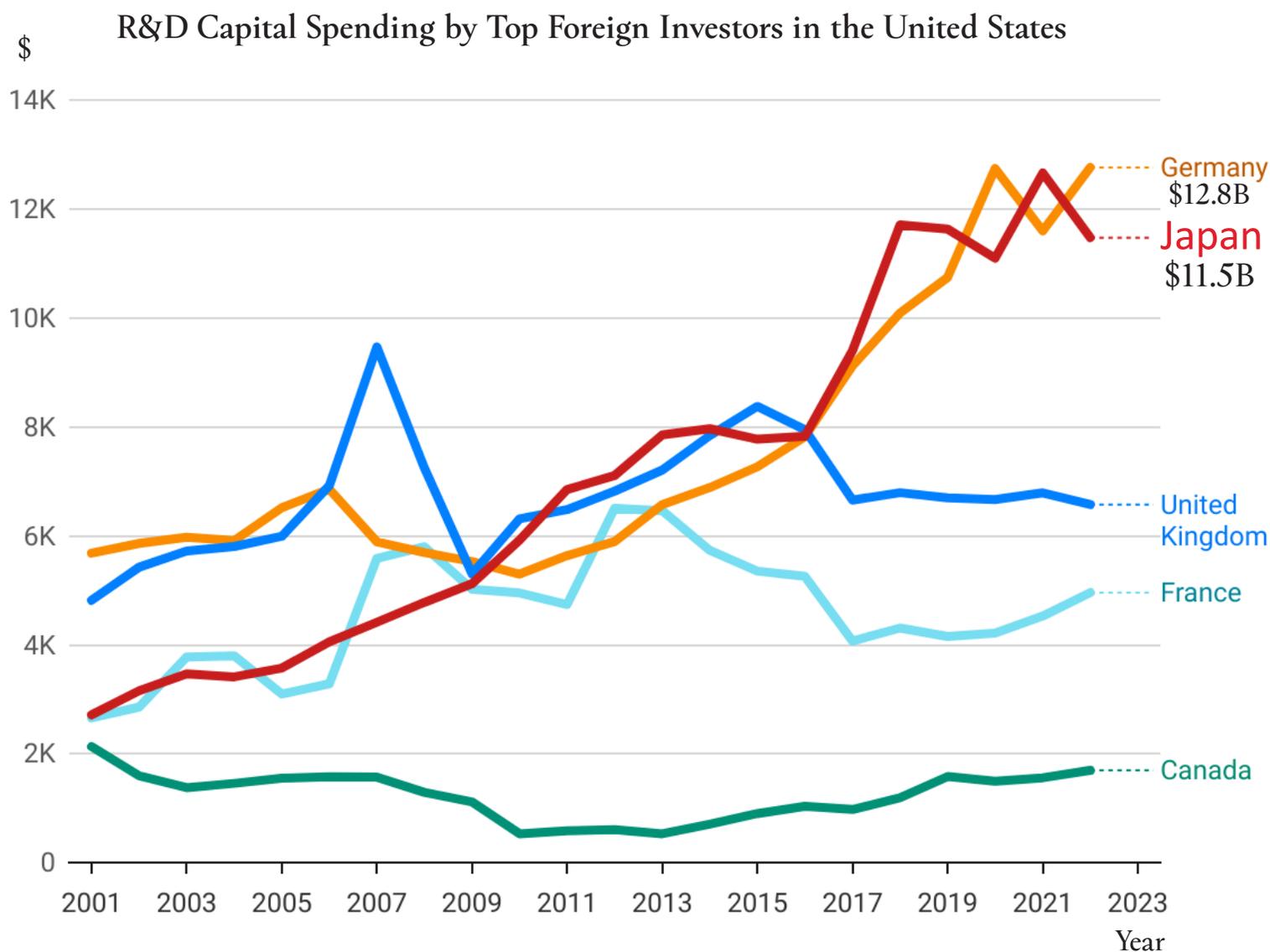
Innovation and Creativity: the U.S. Economy is a R&D Platform for Japanese Companies

For Japanese companies, the United States is more than just a market. It is an environment that welcomes open innovation from start-up and medium-sized companies, major global corporations, academic based innovations, and federal research agencies.

Japanese companies have made the realization that to remain globally competitive, their U.S. based businesses must initiate investment and collaboration in American innovation and ingenuity. Japanese technology innovation must be accelerated by pursuing collaborative research in the United States. Japanese investment in the U.S. R&D sector reached a record level of \$11.5 billion in 2022, an increase of 123.9% or \$6.4 billion since 2009.

JAPANESE R&D INVESTMENT CONTRIBUTES TO ADVANCING U.S. INNOVATION

Japanese companies allocated \$11.5 billion in R&D spending in the U.S. (2022)



Direct investments from Germany (\$12.8 billion) and Japan (\$11.5 billion) have shown a very strong upward trend in R&D spending in the United States. It is reasonable to assume that as more foreign manufacturing investment expands in the U.S., R&D capital spending by foreign investors in the U.S. economy will also increase.

Source: Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2022 Statistics, U.S. Department of Commerce, Bureau of Economic Analysis (BEA)

Highlights from JETRO's 2024 Survey on Business Conditions of U.S. Based Japanese Companies

Since 1981, the Japan External Trade Organization (JETRO) has conducted annual in-depth survey research on the business conditions and outlook of Japanese companies operating overseas. These highlights are from the 43rd Annual Survey of Japanese companies for the United States.

Survey Period

September 3 ~24, 2024

Valid Responses

42.1% - 694 responses from 1,649 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 either directly or indirectly, and branches of Japanese companies in the U.S.

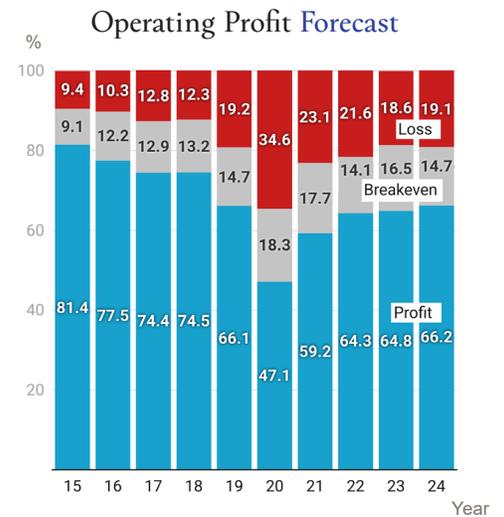


QR code to access full report

Operating Profit Forecast

The percentage of companies forecasting profits has returned to pre-COVID levels, exceeding last year's figures.

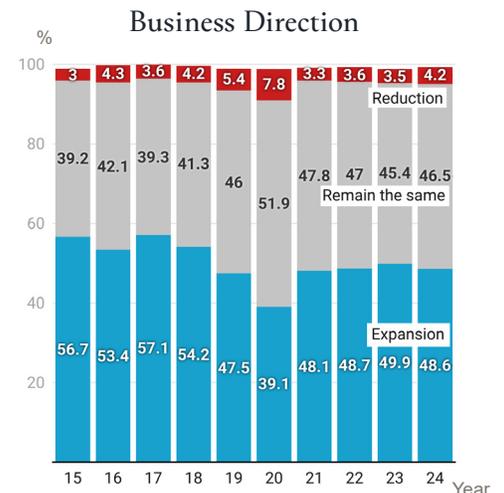
This is the first time since 2020 for the operating profits of responding companies to exceed the 2019 pre-COVID level of 66.2%. The number of company respondents expecting deficits was 19.1% which remains similar to 2023 at 18.6%. By industry sector, 100% of respondents forecasting a profit in 2024 were involved in rubber, ceramic or stone and clay industries. This was followed with 86.2% profit forecast from respondents in the electrical machinery and electrical device sectors. Regarding the automotive parts sector, despite exceeding last year's figure (45.8%) on profitability, the 2024 figure of 53.2% remained low even with increased vehicle sales. The percentage of respondents expecting a deficit in 2024 decreased by more than 10% (33.9%) from the previous year. (694 respondents)



Future Business Direction

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

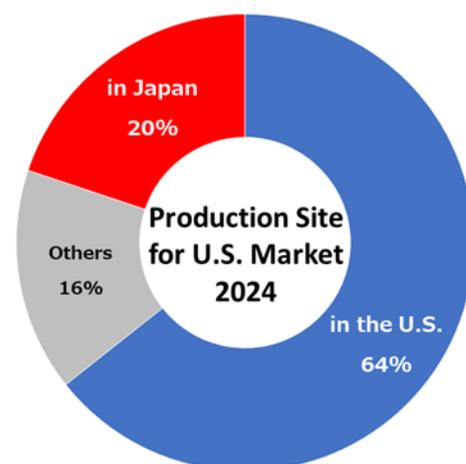
Nearly half (48.6%) of respondents indicated they will expand their U.S. operations during the next couple of years, which is the same level as the previous year's 49.9%. Importantly, the respondents maintained their post pandemic trend of business growth in the United States. By industry sector, business expansion was particularly high among food processors (80%), and electrical machinery and electric device parts (66.7%). For non-manufacturing respondents: mining and energy companies (70%) and information and communications companies (66.7%) indicated positively to expanding their operations in the U.S. (694 respondents)



Production for the U.S. Market

Local production accounts for about 64%, with 80% of respondents having no plans to reconsider their production sites.

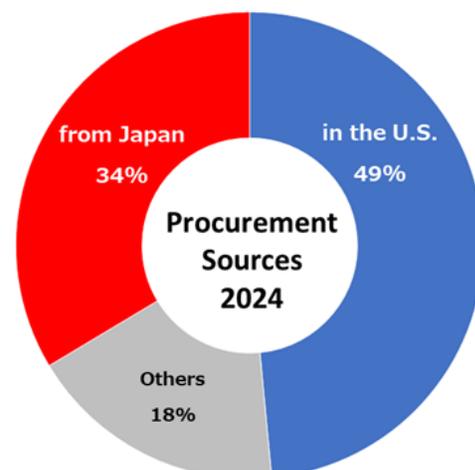
A trend toward local production is occurring as 64.4% of this year’s survey respondents indicated that their products for the U.S. market are predominantly manufactured in the United States compared to 60.8% in 2023. Japan sourced production for the U.S. market decreased to 19.9% in 2024 compared to 22.9% in 2023. Respondents planning to review and reassess their U.S. production sites was 19.6% in 2024 while 80.4% planned to maintain their current production status. (319 respondents)



Procurement Sources

The trend toward domestic procurement is accelerating as more companies are sourcing from local suppliers.

Japanese companies in the U.S. are primarily shifting to domestic procurement, indicating that supply chain localization is accelerating. Manufacturers procure 48.5% of raw materials and parts from the U.S. (previous year: 46.3%), followed by 33.6% (previous year: 36.1%) from Japan in 2024. The number of companies procuring from Mexico has decreased to 10% from 21% in 2023. (297 respondents)



Management Challenges

A common countermeasure from survey respondents to offset inflation driven increases in labor costs are to increase wages for existing employees of Japanese companies.

With a prolonged experience with inflation, increasing employee wages has emerged as the biggest challenge for 53.2% of the survey respondents. Additional employment related concerns among respondents include the difficulty in recruiting new employees (45.5%), hiring qualified employees (43.6%) , and retaining employees (29.9%). The challenge of soaring living costs for Japanese expatriates was also cited as a challenge (28.6%). (675 respondents)

Comments from Respondents

Adjust wages to keep pace with inflation. [Automotive parts, general machinery, iron/non-ferrous metals/fabricated metal products, logistics, etc.]

Employee wages and other costs have risen, leading to a higher ratio of expenses to sales. [Automobile, precision machines/medical equipment, and other manufacturing industries]

Soaring labor and raw material costs make it difficult to actively invest in facilities and human resources. [Electrical machinery/electronic device parts]

THE JAPAN – U.S. DIRECT INVESTMENT RELATIONSHIP AND JETRO'S ROLE

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

We realize that trade and direct investment flows two-ways among countries. JETRO plays a significant role in assisting Japanese companies with establishing relationships in the United States to make an initial investment, adding to an existing investment, seeking for the possibility of business/technical collaboration and alliance with US innovation companies. Importantly, we are dedicated to assisting qualified U.S. innovation companies to develop an initial business presence in Japan or assist a U.S. company, which already has a Japanese business presence to physically expand their existing investment in Japan's market. It is the velocity of direct investment between Japan and the United States, in which JETRO will sustain and accelerate our economic dynamism.

ENABLING BUSINESS RELATIONSHIPS IN JAPAN FOR STATE AND LOCAL GOVERNMENTS

JETRO has built numerous relationships among U.S. state and local government leaders interested in supporting Japanese companies expand their investment presence in their communities. More and more, JETRO is working closely with state and local leaders to assist them in obtaining visibility in Japan.

ENGAGING JETRO TO CONNECT WITH JAPAN

At no other time in JETRO's history has there been such a strong momentum from U.S. state and local leaders to call upon us to assist them to initiate and sustain relationships with Japanese companies and with their Japanese peers in prefectural and local governments. As a matter of fact, JETRO has recently hosted a record number of twenty-five U.S. governors and lieutenant governors at our Tokyo head office enabling them to meet JETRO's leadership and to participate in JETRO's customized state investment briefings for Japanese businesses interested in expanding to the United States. We at JETRO realize that Japanese businesses welcome the voices of U.S. governors; to directly listen in-person regarding how governors and their economic teams introduce their states and to initiate investment or business-related inquiries. U.S. governors want to engage Japanese. They are excited to introduce their states and their delegations to Japanese businesses. We at JETRO are honored to engage with state and local government officials. We have seen how our involvement has led to successful investments from Japan into American communities contributing to economic growth thereby enhancing their quality of life. We believe it is the sum of our efforts with state and local governments and Japanese companies that strengthens the foundation for a strong and dynamic U.S. - Japan economic partnership.

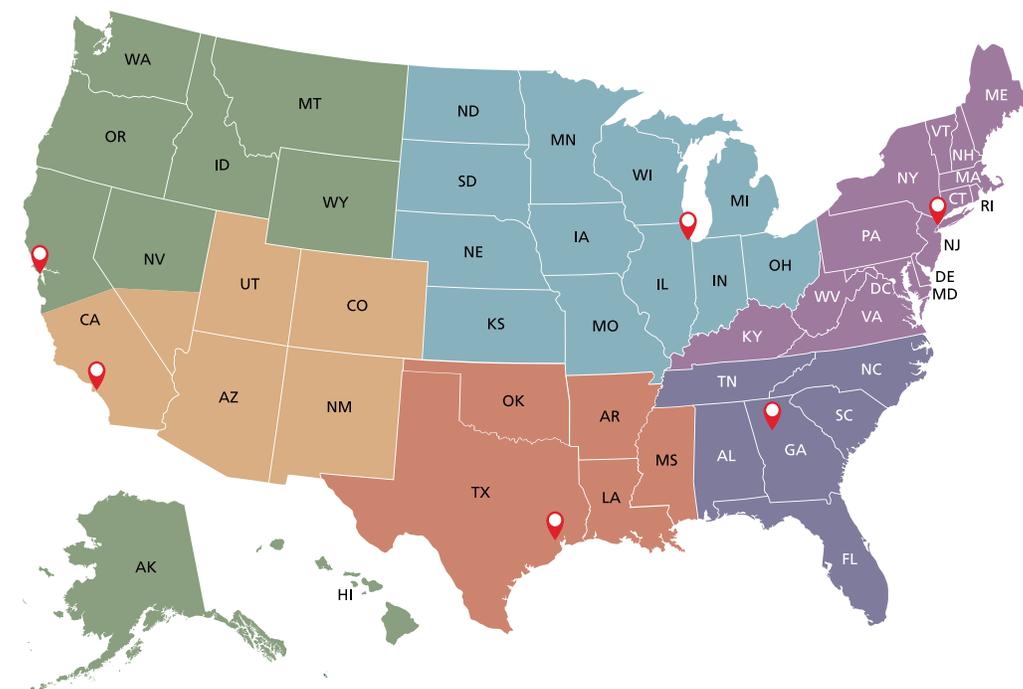
JETRO CONTACT INFORMATION

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

For state and local governments, please contact JETRO to discuss how we could work together to sustain existing and support new investment from Japan in your region. For American companies wishing to discuss their business models for entering into Japan or simply seeking the possibility of business/technical collaboration with Japanese companies, please contact us.

JETRO U.S. OFFICES

- New York: 212-997-0400
- San Francisco: 415-392-1333
- Los Angeles: 213-624-8855
- Chicago: 312-832-6000
- Houston: 713-759-9595
- Atlanta: 404-681-0600



ADDITIONAL RESOURCES:

JAPAN STORIES

A compilation of interviews with team members, managers, and presidents of Japanese companies throughout the United States.



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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Japan External Trade Organization

JAPAN'S U.S. INVESTMENT DYNAMIC 2025

*Reflecting on the Economic
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