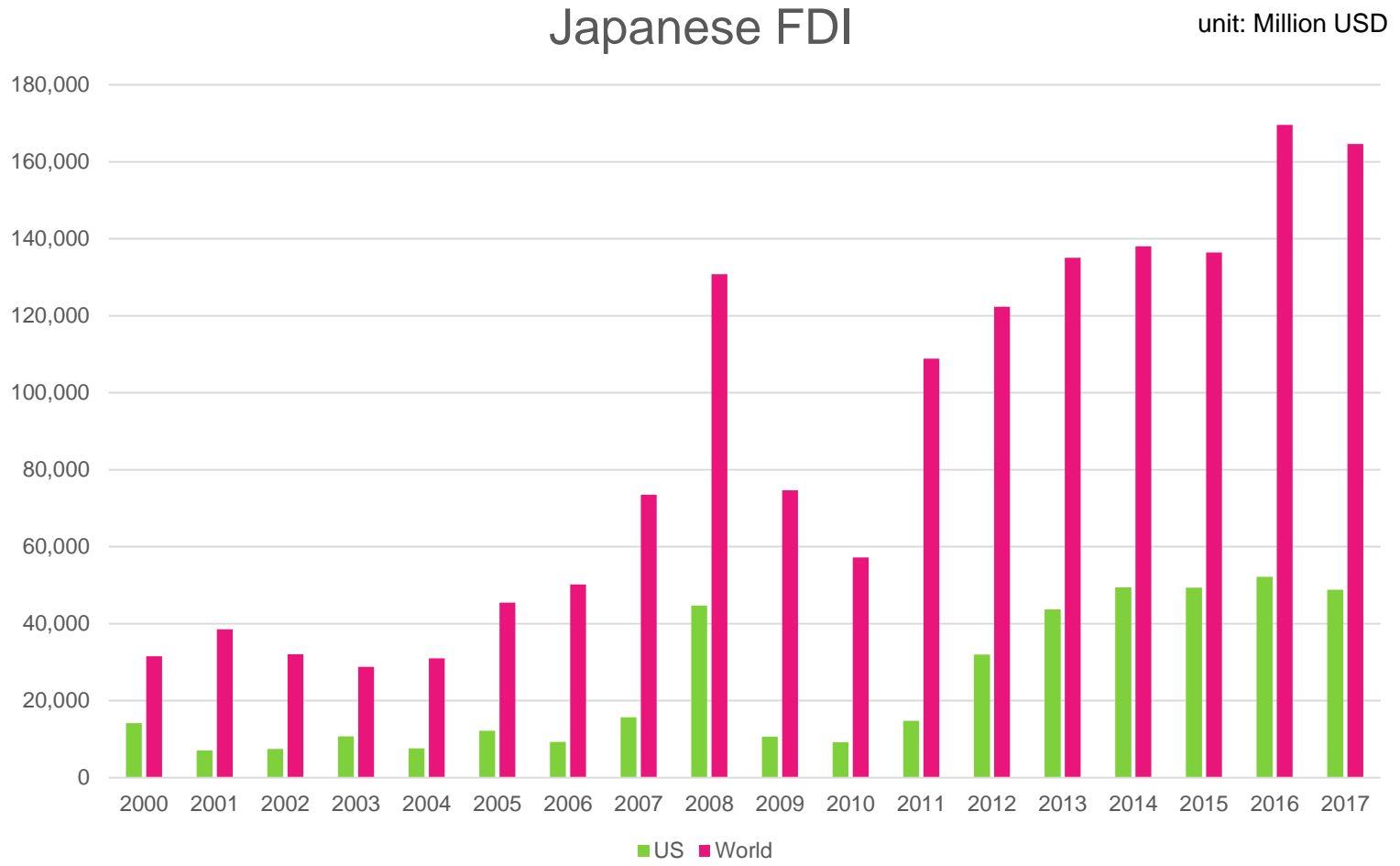


**FY2018 JETRO Survey on Business Conditions for Japanese
Companies in the U.S.
(37th Annual Survey)
(Summary)**

Japan External Trade Organization (JETRO)

March 7, 2019

Japan's outward FDI marks record high



(source; Ministry of Finance, compiled by JETRO).

Locations of Japanese Manufacturers In North America

- Food/Processed food, agricultural or fishery products
- Textiles (Spinning/Woven fabrics/Chemical fibers)
- Printing/Publishing
- Paper/Pulp
- Textile apparel/Textile products
- Lumber/Wood products
- Furniture/Fixtures
- Chemical and allied products/Petroleum products
- Plastic products
- Rubber products
- Ceramic/Stone and clay products
- Medicines
- Fabricated metal products(Including plated products)
- Iron and steel(Including cast and wrought products)
- Non-ferrous metals
- Electrical machinery/Electronic devices(Including parts)
- General-purpose/Production machinery (Including molds and machine tools)
- Business oriented machinery (office machines, medical equipment, etc)
- Information and communication electronics equipment
- Transportation equipment parts (Motor vehicles/Motorcycles)
- Transportation equipment (Motor vehicles/Motorcycles)
- Transportation equipment parts (Railroad vehicles/Ship/Aircraft/Industrial trucks)
- Transportation equipment (Railroad vehicles/Ship/Aircraft/Industrial trucks)
- Miscellaneous manufacturing industries



Business Survey on Japanese Companies in the U.S. - Overview



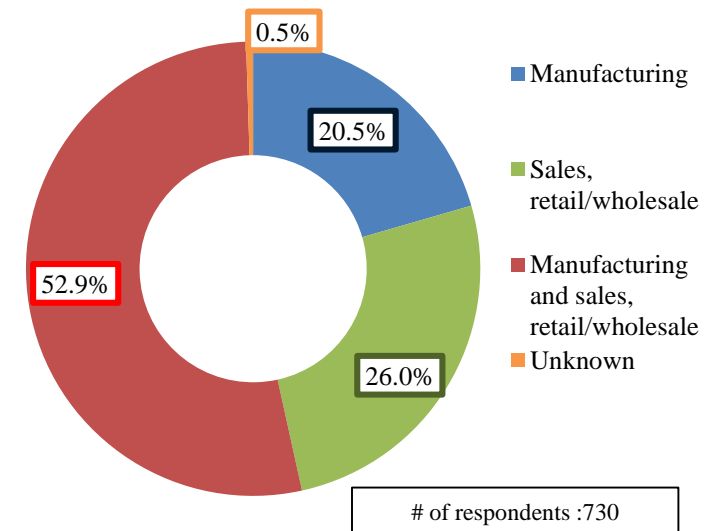
Overview:

- ❑ Survey period: November 9 – December 7, 2018
- ❑ Valid responses: 56.6% (730 of 1,289 companies)
- ❑ Survey coverage: Japanese manufacturers operating in the U.S. In this research “manufacturers” include those with sales functions, whereas “sellers” are limited to those without manufacturing functions. At least 10 of their capital must be owned by a Japanese company, directly or indirectly.
- ❑ Note: This is the 37th annual survey, initiated since 1981 (not conducted in 2004).

Respondents by Regions and Industries

	Manufacturing	Sales, retail/wholesale	Both Manufacturing and sales	Unknown	Total
Northeast	7 (1.0)	29 (4.0)	50 (6.8)	0 (0.0)	86 (11.8)
Midwest	51 (7.0)	45 (6.2)	98 (13.4)	0 (0.0)	194 (26.6)
South	73 (10.0)	46 (6.3)	154 (21.1)	4 (0.5)	277 (37.9)
West	19 (2.6)	70 (9.6)	84 (11.5)	0 (0.0)	173 (23.7)
Total	150 (20.5)	190 (26.0)	386 (52.9)	4 (0.5)	730 (100.0)

The Key of Business



(1) The totals in the surveys in this report may not be 100 because the numbers are rounded off to the first decimal point.

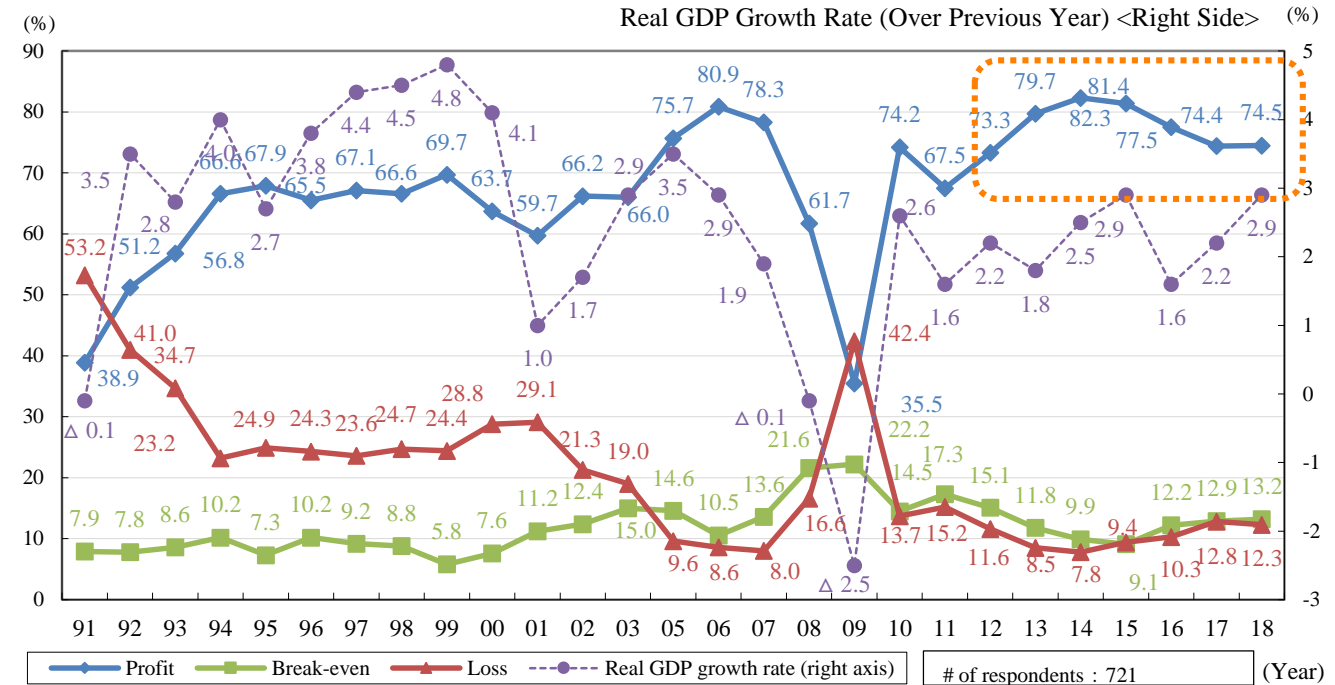
(2) The firms participated in this survey may not have answered all questions. The rates are calculated based on the numbers of answers collected.

Profit Forecast and Future Business Direction



Profit Forecast

74.5% Said Profitable – Figure Surpasses 70% for Seven Consecutive Years



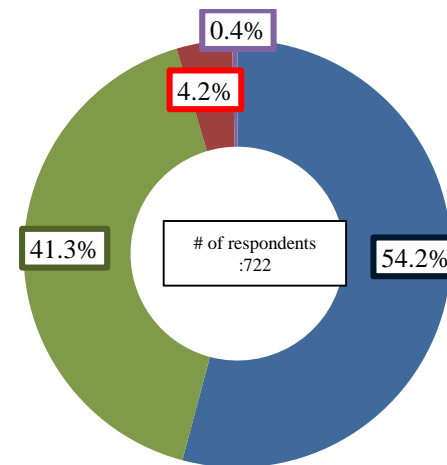
Note: The GDP growth rate for 2018 is the IMF estimate (announced Oct. 2018). No survey conducted in 2004.

Future Business Direction

54.2% of the respondents have plans to expand in the next year or two

*63.9% said they are looking to expand their sales function and 45.1% said production facilities are likely

- Expansion
- Remaining the same
- Reduction
- Transferring to a third country/region or withdrawal from current local market



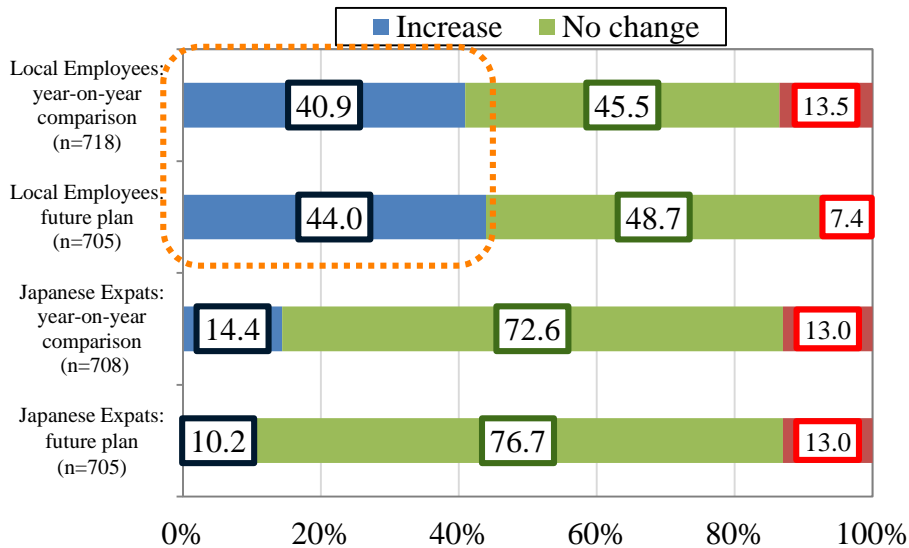
Workforce and Procurement



Workforce

Respondents in the survey said 40.9% has increased local employees and 44.0% would likely increase employees in the future.

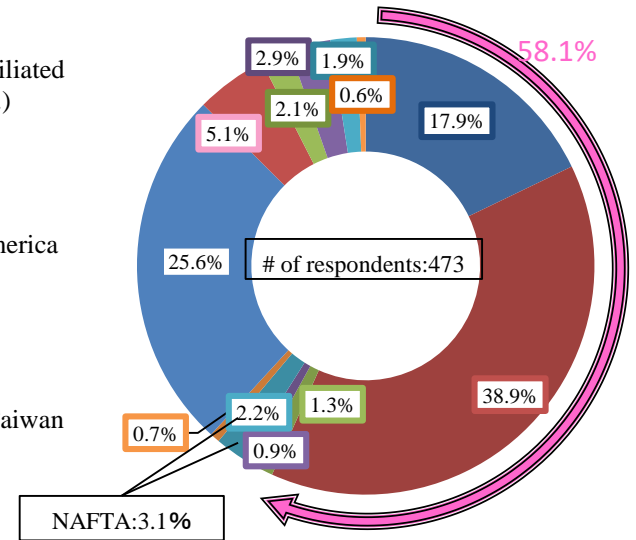
Number of local employees and Japanese expatriates



Procurement (Manufacture)

Approximately 60% of procurement rates within the U.S., of which 38.9% came from US companies.

- U.S.(Japanese companies in the U.S.)
- U.S.(U.S. company)
- U.S.(other foreign affiliated companies in the U.S.)
- Canada
- Mexico
- Central and South America
- Japan
- China
- Korea, Hong Kong, Taiwan
- ASEAN
- EU
- Other

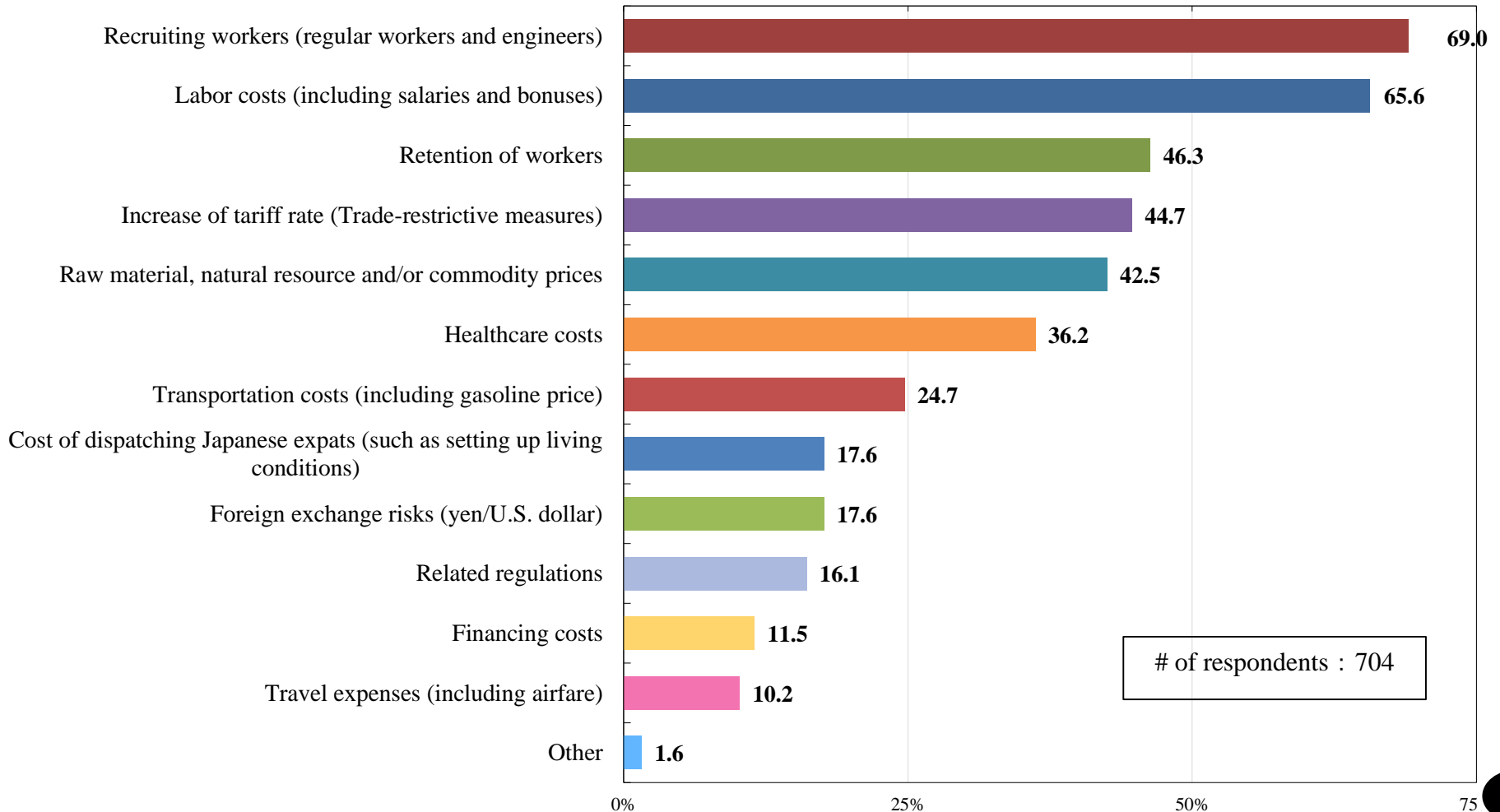


Factors for Increased Cost



Results showed Recruiting Workers (69.0%), Labor Costs (65.6%), Retention of Workers (46.3%), and Increase of Tariff Rate (44.7%) were the top factors by respondents.

Management issues - Factors for increased cost



Growing Market Sectors for the Next 2 to 3 Years



Information and communication technology (ICT) was the most popular answer, followed by healthcare and the environment. While ICT jumped 20 percentage points from the last survey in 2016, the top 10 ranking did not change.

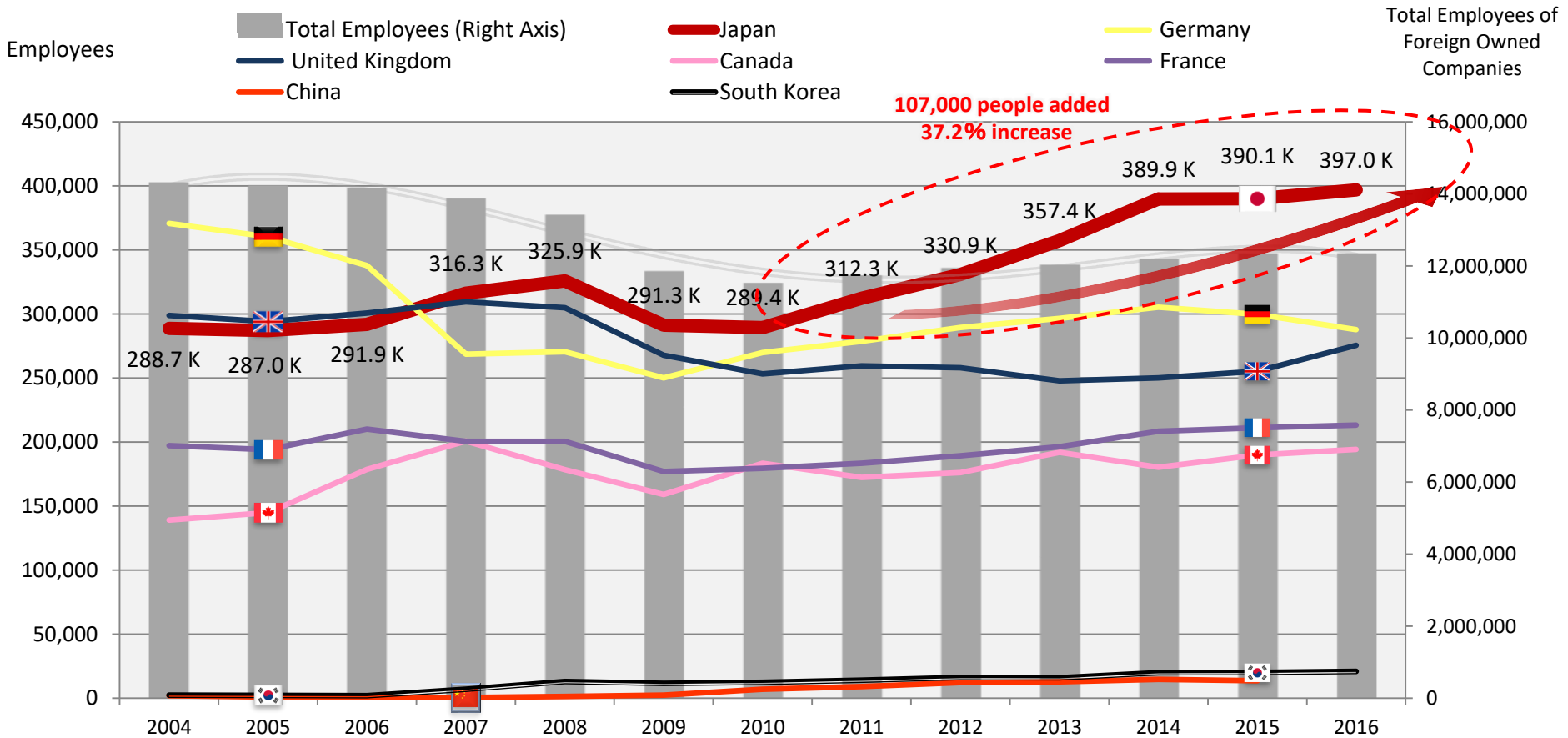
Fig. Industrial fields where market growth is expected going forward

(Unit: %)

2016 (# of respondents 651)		2018 (# of respondents 665)	
ICT	51.5	ICT	71.6
Medical	46.9	Medical	44.7
Environment	43.2	Environment	30.4
Health	26.1	Health	25.7
Robotics/Mechatronics	17.1	Robotics/Mechatronics	20.3
Information Security	14.3	Information Security	14.7
Oil/Natural Gas	11.7	Oil/Natural Gas	13.4
Biotechnology	11.2	Biotechnology	9.5
Transportation	7.8	Transportation	9.2
Nanotechnology	5.5	Nanotechnology	5.3
Rail/Roads/Bridges	4.6	Agriculture and food processing	2.6
Agriculture and food processing	3.4	Rail/Roads/Bridges	2.0
Real estate	3.2	Pro and business services	1.5
Social infrastructure	2.9	Real estate	1.4
Pro and business services	2.8	Social infrastructure	1.2
Other	2.2	Accomm., food and ENTMT services	0.9
Educational services	2.0	Educational services	0.2
Accomm., food and ENTMT services	0.8	Other	0.0

Trends in Employment in the Manufacturing Sector: 400,000 American Employees, the Highest Among Investor Countries.

- The total number people employed by Japanese-owned manufacturing companies in the US was 397,000 in 2016 – the highest among all investor countries.
- It has increased by 107,600 (37.2%) since 2010, the largest increase in the number of employees during that period among investor countries.
- In contrast, the total number of employees in the US manufacturing sector only showed a slight increase of 819,000 (7.1%) during the same period.

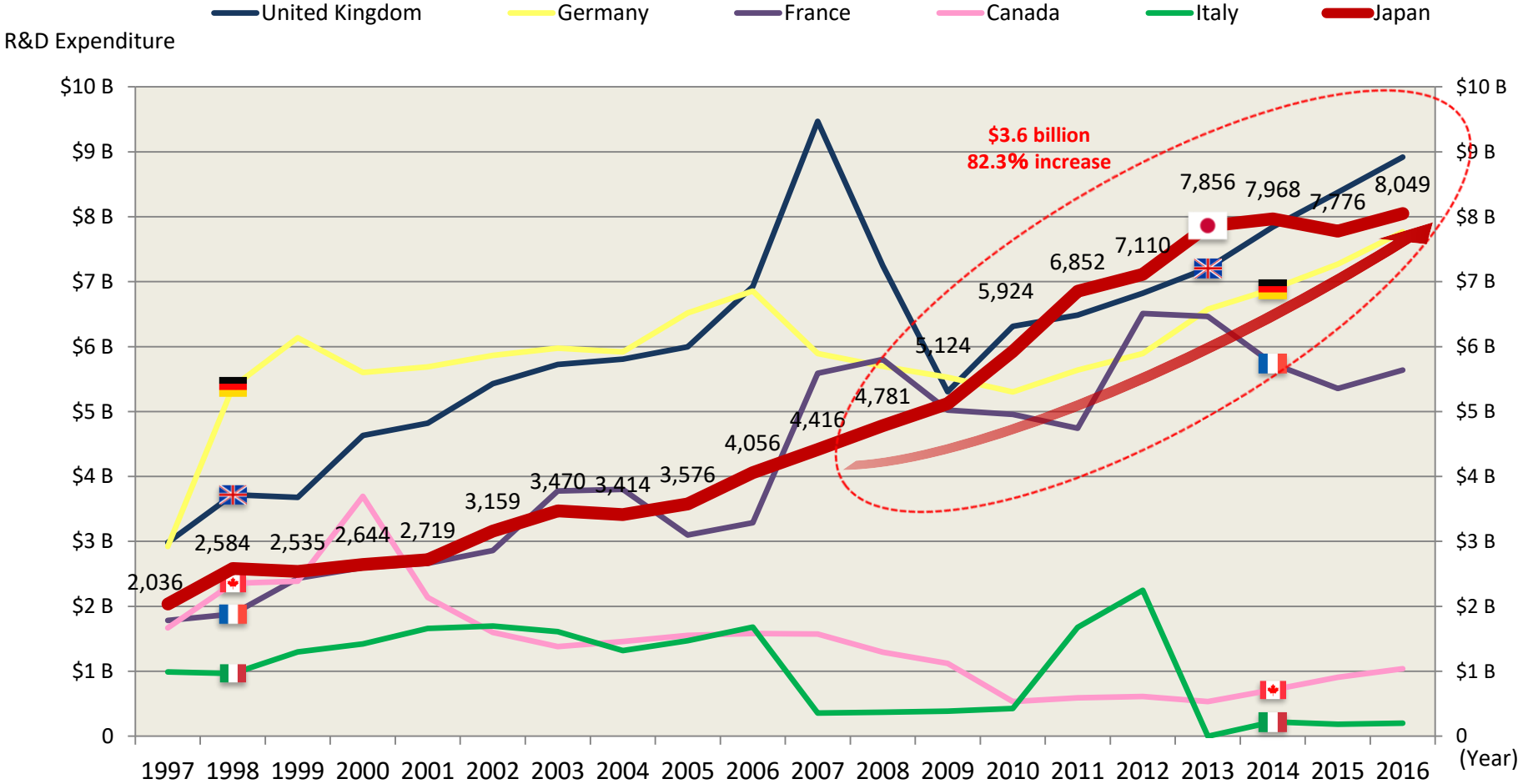


Note: Companies with 50% or more of investment from the ultimate beneficial owner (UBO).

Source: US Department of Commerce "[Activities of U.S. Affiliates of Foreign Multinational companies](#)"

Trends in US R&D Expenditures by Japanese Companies

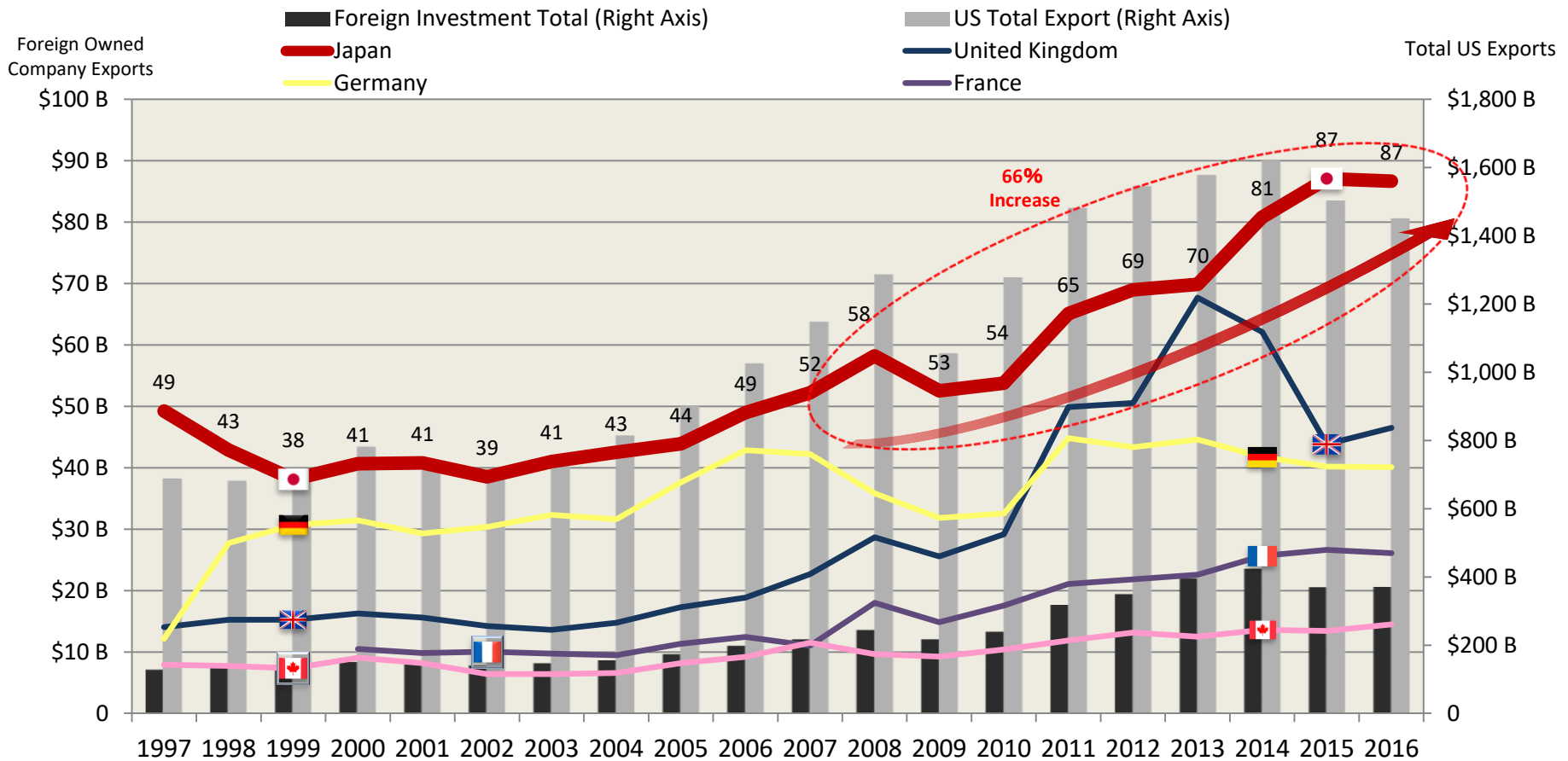
- The R&D expenditure of Japanese-owned companies in the United States was \$8.05 billion in 2016, an increase of 82.3% compared to 2007.
- The \$3.6 billion increase in R&D expenditure during this period is ranked second only to the United Kingdom among G7 countries.



Note: Companies with 50% or more of investment from the ultimate beneficial owner (UBO).
 Source: US Department of Commerce "[Activities of U.S. Affiliates of Foreign Multinational companies](#)"

Trends in Exports by Japanese-Owned Companies in the US

- Exports from Japanese-owned companies in the US totaled \$86.6 billion in 2016, an increase of 66% compared to before the US financial crisis totals of 2007.
- Japan tops all other investor countries in exports from the US, comprising 6.0% of total US exports and 5% of US GDP.
- Japanese companies generated 23.4% of all foreign company exports in the US in 2016.



Note: Companies with 50% or more of investment from the ultimate beneficial owner (UBO).

Source: US Department of Commerce "[Activities of U.S. Affiliates of Foreign Multinational companies](#)"