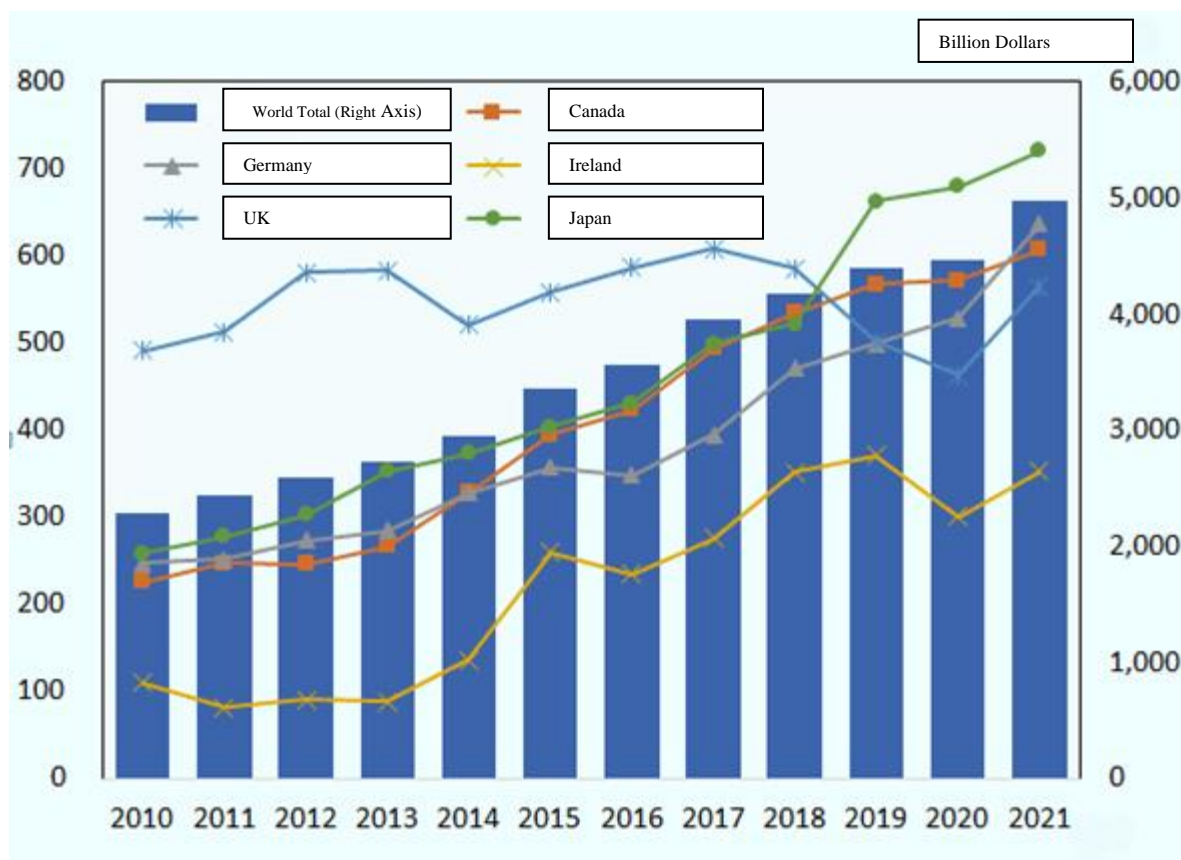


**U.S. IDI increases by 10% in 2021:  
Japan tops the list for three consecutive years**

On July 21, the U.S. Department of Commerce announced that U.S. inward direct investment (IDI) balance was \$4.977 trillion at the end of 2021, up 11.3% from the previous year. Foreign direct investment balance expanded year over year by \$506.1 billion. Continuing from the previous year, Japan is the most prominent investing country that has steadily increased the investment balances in its major investment destination industries, including Transportation Equipment, Chemicals, Wholesale, and Finance/Insurance.

Among the five largest investing countries, Japan topped the list with \$721 billion, up \$40.8 billion from 2020, followed by Germany (up \$108 billion to \$636.5 billion), Canada (up \$35.2 billion to \$607.3 billion), the United Kingdom (up \$102 billion to \$565.2 billion), and Ireland (up \$52.9 billion to \$353 billion) (see figure) (Note 1). Germany had the largest year-to-year increase in balances. Among the top five countries, Germany ranked third a year ago and overtook Canada to emerge in second place, and Ireland passed France and reached the fifth place. Japan (1st) and the United Kingdom (4th) kept their positions. Japan has been the most significant investor in the U.S. for three consecutive years since 2019 (Note 2).

Figure: Changes in U.S. Inward Direct Investment Balance (UBO basis)



Note: Aggregated figures based on the country in which the entity that ultimately owns or controls the investment entity (UBO: Ultimate Beneficial Owner) is located.

Source: Compiled from the statistics by the Bureau of Economic Analysis (BEA), U.S. Department of Commerce

On the other hand, by industry-wide comparison, Chemicals is the largest investment destination in the Manufacturing sector, accounting for 42.4% of the total to expand its balance to \$821.2 billion, up \$89.8 billion from 2020 (See Table 1). In other industries in the Manufacturing sector, Computer and Electronic Products followed Chemicals, increasing its balance by \$42.9 billion to \$216.8 billion. Transportation Machinery also expanded by \$13.7 billion to \$179.5 billion. Comparatively, among the non-manufacturing sectors, Finance/Insurance was the largest investor, increasing the balance by \$37.2 billion to \$620.6 billion. Wholesale followed, up \$34.3 billion to \$483.3 billion. The Information Industry was up \$93.2 billion to \$281.1 billion, and Professional Services, up \$16.4 billion to \$221.6 billion. In 2021, Information had the largest increase in investment balances among all its peers.

**Table 1: Inward Direct Investment Balance by Sector** (Unit: Million USD) ( $\Delta$  Denotes Negative Value)

Sector	2019	2020	2021	Composition Ratio (%)	Year-to-Year Percentage Change (%)	Year-to-Year Difference
<b>Total</b>	4,398,763	4,471,403	4,977,492	100.0	11.3	506,089
Manufacturing	1,826,805	1,874,665	2,108,607	42.4	12.5	233,942
Food	113,025	113,185	115,444	2.3	2.0	2,259
Chemicals	747,054	731,439	821,223	16.5	12.3	89,784
Metals	80,650	84,565	91,979	1.8	8.8	7,414
General Machinery	79,526	94,399	104,112	2.1	10.3	9,713
Computer/Electronic Products	150,910	173,930	216,792	4.4	24.6	42,862
Electrical Machinery/Components	62,449	80,805	112,688	2.3	39.5	31,883
Transportation Machinery	159,570	165,830	179,529	3.6	8.3	13,699
Other Manufacturing	433,619	430,512	466,839	9.4	8.4	36,327
Wholesale	422,295	449,058	483,308	9.7	7.6	34,250
Retail	138,140	141,825	153,843	3.1	8.5	12,018
Information Industry	204,950	187,959	281,124	5.6	49.6	93,165
Depository Institutions	212,575	217,385	208,154	4.2	$\Delta$ 4.2	$\Delta$ 9,231
Finance (excluding Depository Institutions)/Insurance	537,905	583,325	620,552	12.5	6.4	37,227
Real Estate/Leasing	162,759	169,117	208,443	4.2	23.3	39,326
Professional Services	199,377	205,291	221,644	4.5	8.0	16,353
Other Sectors	693,958	642,779	691,816	13.9	7.6	49,037

Source: Compiled from Bureau of Economic Analysis (BEA) Statistics, U.S. Department of Commerce

## **Balance of Japanese investment increases in Wholesale, Finance/Insurance, Transportation Machinery, and others**

A breakdown of the direct investment balance from Japan at the end of 2021 shows that Manufacturing accounts for approximately 50% of the total investment balance, while Transportation Machinery grew by \$3.7 billion from 2020 to \$65.1 billion (9.0% of the total) (See Table 2). Regarding this industry, Toyota Motor Corporation continued to build and strengthen its domestic production facilities in 2021. In December, the company announced a plan to invest \$1.29 billion to build North America's first EV (electric vehicle) battery plant in North Carolina. It aims to supply batteries for 1.2 million vehicles annually ([See Biznews, December 7, 2021](#)). It also manifested additional projects such as a \$210 million investment in a plant in West Virginia (February), \$800 million in a plant in Indiana (April), and \$460 million in a plant in Kentucky (October). The Kentucky plant will begin producing fuel cell modules for hydrogen trucks in 2023 ([See Biznews, August 27, 2021](#)). Additionally, in July, Woven Planet Holdings, a Toyota subsidiary in charge of mobility development centered on software, acquired Level 5, the self-driving division of Lyft, a car allocation service in the United States, for US \$550 million (Note 3).

Chemicals led all industries in the list of the investment balance from Japan, up \$3.0 billion to \$156.9 billion (21.8% of the total). In the same industry, Fujifilm announced in March that it would build a large-scale biopharmaceutical manufacturing facility in North Carolina. With an investment of \$2 billion, the company plans to start the plant's operation by spring 2025 ([See Biznews, March 23, 2021](#)). Also, in October, JSR acquired 100% ownership of Inpria, a U.S. semiconductor materials manufacturer, for approximately \$421 million.

Among the Manufacturing industries other than Transportation Equipment and Chemicals, investments in Computer and Electronic products increased \$1.6 billion year-to-year to \$38.2 billion (5.3% of the total). In the same field, Panasonic acquired an additional \$7.08 billion stock of Blue Yonder, the world's leading supply chain software company, and completed its acquisition.

**Table 2: Inward Direct Investment from Japan by Industry (UBO basis)** (Unit: Million USD) (△ Denotes Negative Value)

Sector	2019	2020	2021	Composition Ratio (%)	Year-to-Year Percentage Change (%)	Year-to-Year Difference
<b>Total</b>	663,176	680,278	721,035	100.0	6.0	40,757
Manufacturing	324,466	333,807	351,192	48.7	5.2	17,385
Food	5,335	5,642	5,792	0.8	2.7	150
Chemicals	149,459	153,941	156,903	21.8	1.9	2,962
Metals	9,125	9,476	11,252	1.6	18.7	1,776
General Machinery	18,137	19,317	20,401	2.8	5.6	1,084
Computer/Electronic Products	31,036	36,597	38,233	5.3	4.5	1,636
Electrical Machinery/Components	2,685	2,425	2,668	0.4	10.0	243
Transportation Machinery	65,176	61,482	65,146	9.0	6.0	3,664
Other Manufacturing	43,512	44,927	50,797	7.0	13.1	5,870
Wholesale	107,670	114,856	124,587	17.3	8.5	9,731
Retail	11,810	11,576	13,436	1.9	16.1	1,860
Information Industry	30,101	10,971	10,759	1.5	△ 1.9	△ 212
Depository Institutions	30,204	30,395	32,546	4.5	7.1	2,151
Finance (excluding Depository Institutions)/Insurance	95,978	113,023	117,538	16.3	4.0	4,515
Real Estate/Leasing	26,857	28,070	30,539	4.2	8.8	2,469
Professional Services	14,324	14,649	14,572	2.0	△ 0.5	△ 77
Other Sectors	21,765	22,931	25,864	3.6	12.8	2,933

Source: Compiled from Bureau of Economic Analysis (BEA) Statistics, U.S. Department of Commerce

On the other hand, in the non-manufacturing sector, Wholesale expanded its investment balance by \$9.7 billion year-to-year to \$124.6 billion (17.3% of the total). In this field, in May, a U.S. subsidiary of Seven & i Holdings acquired the convenience store business and fuel retail business operated mainly under the Speedway brand from U.S. oil refining company Marathon Petroleum for \$21 billion. The deal is considered the largest acquisition of a U.S. company by a Japanese company in 2021 (Table 3).

Year/Month of M&A Implementation (Based on Completion)	Acquiring Company		Acquired Company		Amount (Million USD)	Post-Acquisition Investment Ratio (%)
	Company Name	Sector	Company Name	Sector		
May 2021	7-Eleven, Inc.	Food Sales	Speedway, LLC.	Other Retail	21,000	100.0
July 2021	Hitachi Global Digital Holdings, Corp.	Software	GlobalLogic Worldwide Holdings, Inc.	Software	9,600	100.0
September 2021	Panasonic Corporation	Electronics/Electrical Equipment	Blue Yonder Group, Inc.	Software	7,100	100.0
August 2021	Funimation Global Group, LLC.	Movies	Ellation, Inc.	Business Services	1,175	100.0
November 2021	Mitsubishi HC Capital, Inc.	Non-bank	CAI International, Inc.	Business Services	1,103	100.0
April 2021	Woven Planet Holdings, Inc.	Transportation Equipment	Lyft, Inc. (Self-Driving Division, Level 5)	Transportation Services	550	100.0
December 2021	Fortress Investment Group, LLC.	Investment Firms, Securities, Trusts	Colony Capital, LLC-OED Portfolio	Real Estate Leasing and Brokerage	535	100.0
October 2021	JSR Corporation	Chemical Products Related	Inpria Corp.	General Machinery	514	100.0

**Table 3: Top 10 Cross-Border M&A by Japanese Companies to the U.S. Companies (2021)**

Year/Month of M&A Implementation (Based on Completion)	Acquiring Company		Acquired Company		Amount (Million USD)	Post-Acquisition Investment Ratio (%)
	Company Name	Sector	Company Name	Sector		
December 2021	Nomura Research Institute Holdings America, Inc.	Business Services	Convergence Technologies, Inc.	Business Services	462	100.0
September 2021	Daiwa House USA Holdings, Inc.	Construction	CastleRock Communities, LP.	Construction	402	80.0

Note 1: The nationality of the acquiring company is that of its ultimate parent company.

Note 2: Ranking based on the amount of one transaction.

Source: Compiled from Refinitive

Year-to-Year Investment balances in Finance/Insurance also increased by \$4.5 billion to \$117.5 billion (16.3% of the total). In the same sector, Mitsubishi HC Capital acquired CAI, a major U.S. marine container leasing company, for \$1.1 billion in November, making it a wholly owned subsidiary. Affiliated companies of the SoftBank Group also followed suit to make other significant investments in U.S. companies.

In the non-manufacturing sector, other large-scale investments in the U.S. include the following: The acquisition of GlobalLogic, a digital engineering services company, by a U.S. subsidiary of Hitachi, Ltd. (\$9.6 billion in July), while Funimation Global Group, a Sony Group company, acquired Ellation Holdings, the operator of AT&T's animation distribution business "Crunchyroll" (\$1.175 billion in August).

Despite the Covid-19 pandemic and supply chain disruptions, the balance of direct investments in the U.S. by Japan and other major countries expanded consistently. However, in 2022, the Ukraine crisis is spurring supply disruptions; higher inflation is pushing up production costs, such as expenses for raw materials and the labor force. Will the momentum of uprising foreign investments in the U.S. continue? Close attention is necessary to see what lies ahead.

Note 1: These five countries account for 57.9% of the total U.S. IDI balance. Breakdown is; Japan:14.5%, Germany:12.8%, Canada:12.2%, United Kingdom:11.4%, and Ireland:7.1%.

Note 2: For Japan, the U.S. has always been the largest investment destination since 2014, the year to which data can be traced back on the same basis, as the U.S. accounts for 33.3% of Japan's foreign direct investment balance (End of 2021).

Note 3: The Committee on Foreign Investment in the United States (CFIUS) completed the review before the acquisition came into effect on July 20.

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