

Survey on Impacts of the COVID-19 and Needs of Foreign-affiliated Companies

Results

Invest Japan Department
Japan External Trade Organization
May 15th, 2020

1. Objective of Survey

Since the beginning of 2020, the COVID-19 has impacts on a variety of social and economic activities. This survey is to understand the impacts on foreign-affiliated companies in Japan as well as needs for supports so that JETRO and the government could reflect the opinions to future support.

2. Survey Period

April 2nd (Thursday) ~ April 10th (Friday) , 2020

3. Survey Target

- Foreign-affiliated companies in Japan that have established or expanded business in Japan with the help of JETRO between April 2003 and at the start of this survey as well as member companies of foreign chambers of commerce in the country.
- Number of companies answered : 376

4. Method

Online survey

- **93.4% answered negative impacts of COVID-19**

62.5% of the companies answered the COVID-19 has had “Negative” impacts on their business while 30.9% answered “Slightly negative.” Combined, 93.4% answered the virus has had negative impacts on them. The result aligns a third-party survey(※) targeting on Japanese companies, in which about 90% of large companies already recognized negative impacts. As for the nature of the impacts, the top answers were those coming from the decrease in demands, as 68.4% chose “decrease in sales/orders.”

- **Companies less enthusiastic about expanding business**

For future development of business in Japan, the top answer was “Maintain the current business” (37.5%) , followed by “Expanding as scheduled” and “Delaying the expansion” (22.6% for both answers) . The impacts of the virus lowered the sentiments for expansion, which was 70% in the FY2019 survey. How long it takes to contain the virus could prolong the current sentiment.

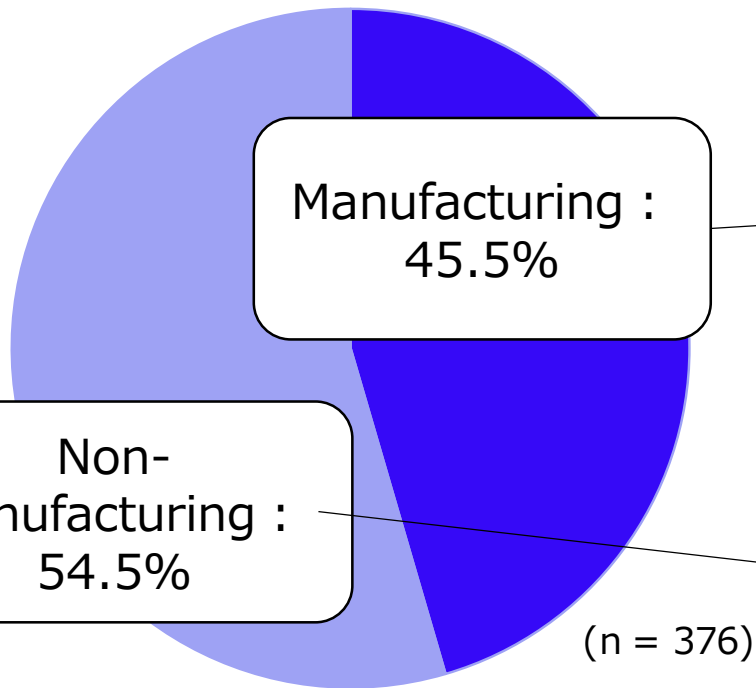
- **Many companies in need to secure/increase clients/consumers**

The largest number of companies, 51.3%, answered “Secure/increase clients/consumers” as a difficulty in managing business under the current circumstances, followed by securing cash flow, communication via digital tools and disruption of supply chains. These difficulties were raised in other surveys on domestic companies as well as policy proposals from domestic business organizations.

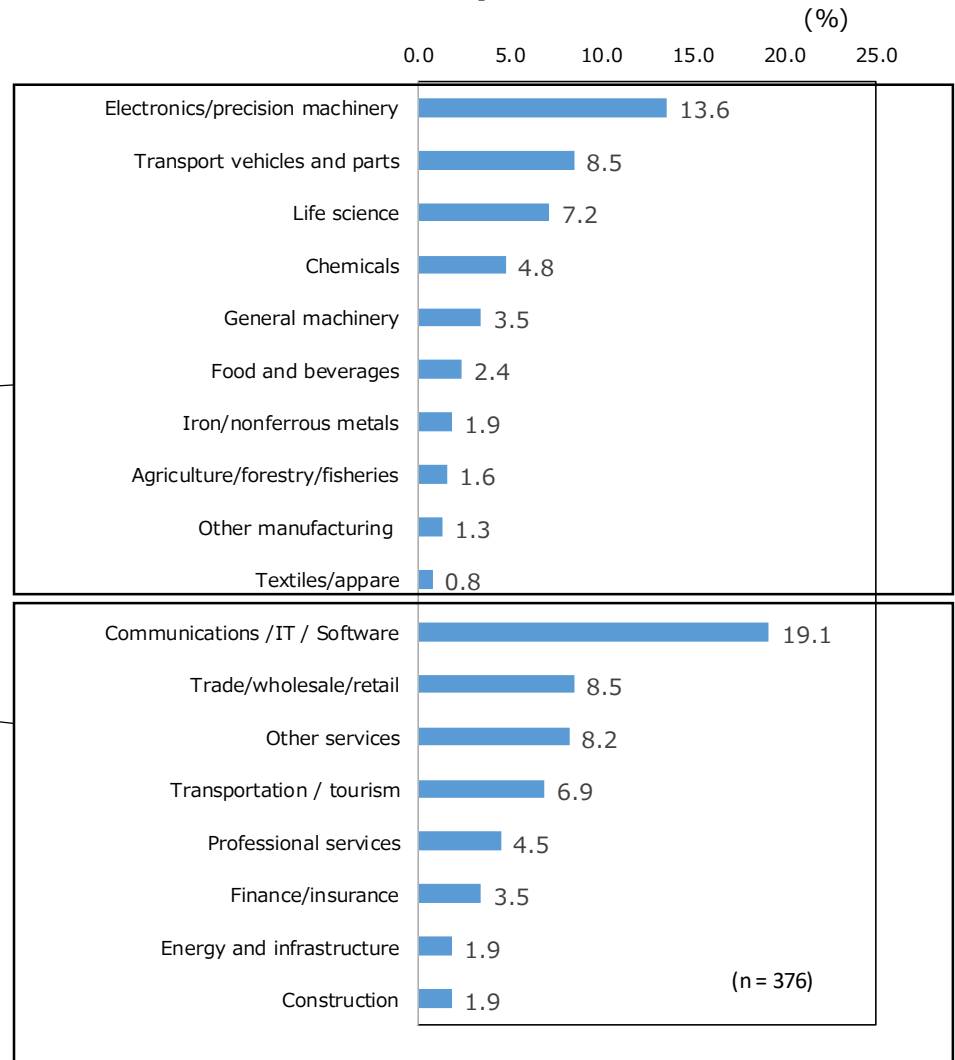
※ [“Fourth Survey on COVID-19 \(Tokyo Shoko Research\).”](#)

Industry/Year of Starting Business in Japan

Industry



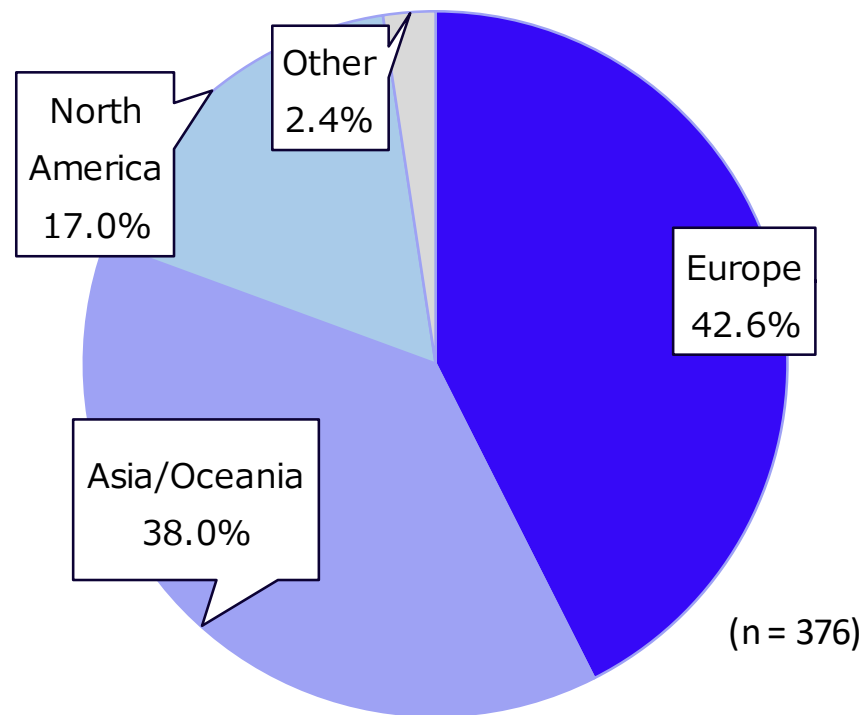
Industry in Detail



**Country of Parent Company
(by country/region)**

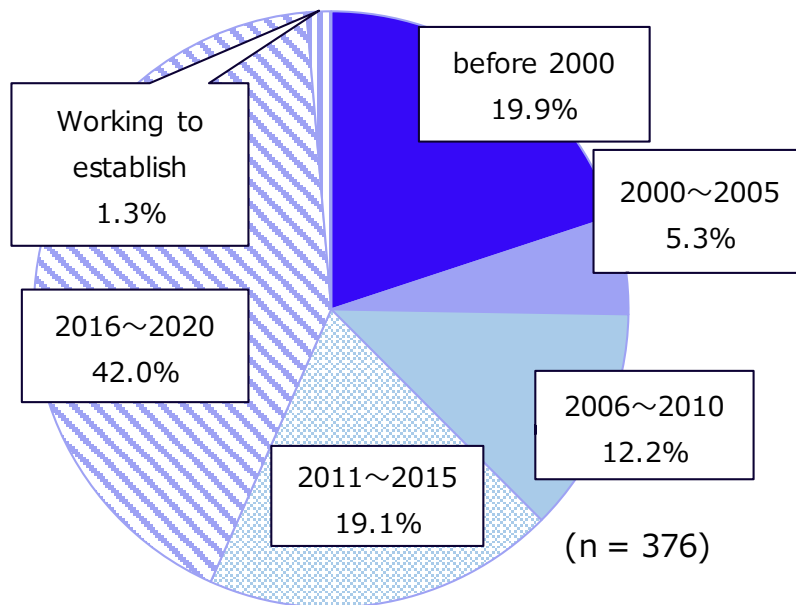
Country/ Region	# of Companies	Share (%)
China	71	18.9
US	60	16.0
Germany	39	10.4
France	31	8.2
UK	22	5.9
Switzerland	22	5.9
South Korea	17	4.5
India	11	2.9
Netherland	11	2.9
Taiwan	11	2.9
Singapore	10	2.7
Italy	8	2.1
Vietnam	7	1.9
Spain	5	1.3
Denmark	5	1.3
Finland	5	1.3
Hong Kong	5	1.3
Other	36	9.6
Total	376	100.0

**Country of Parent Company
(by region)**



Region	Share (%)		
	Manufac- turing	Non-manufac- turing	
Total(n=376)	100.0	45.5	54.5
Europe(160)	42.6	23.9	18.6
Asia/Oceania(143)	38.0	13.3	24.7
North America(64)	17.0	7.4	9.6
Other(9)	2.4	0.8	1.6

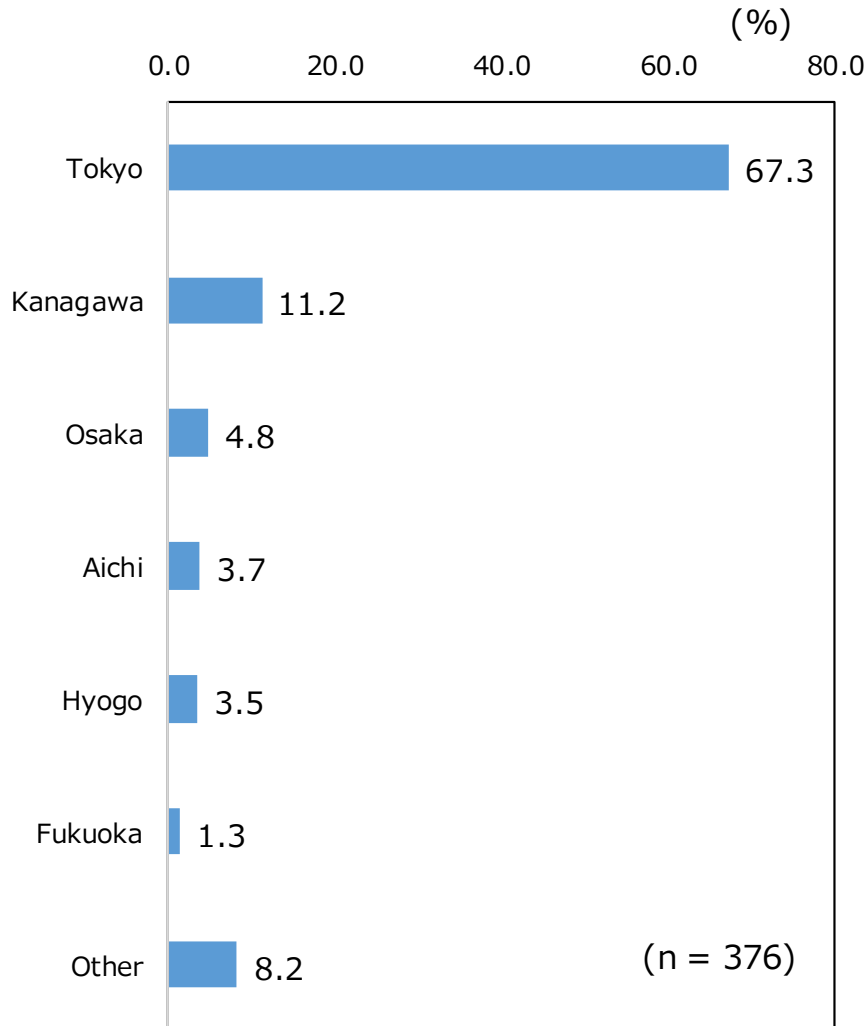
Year of Starting Business in Japan



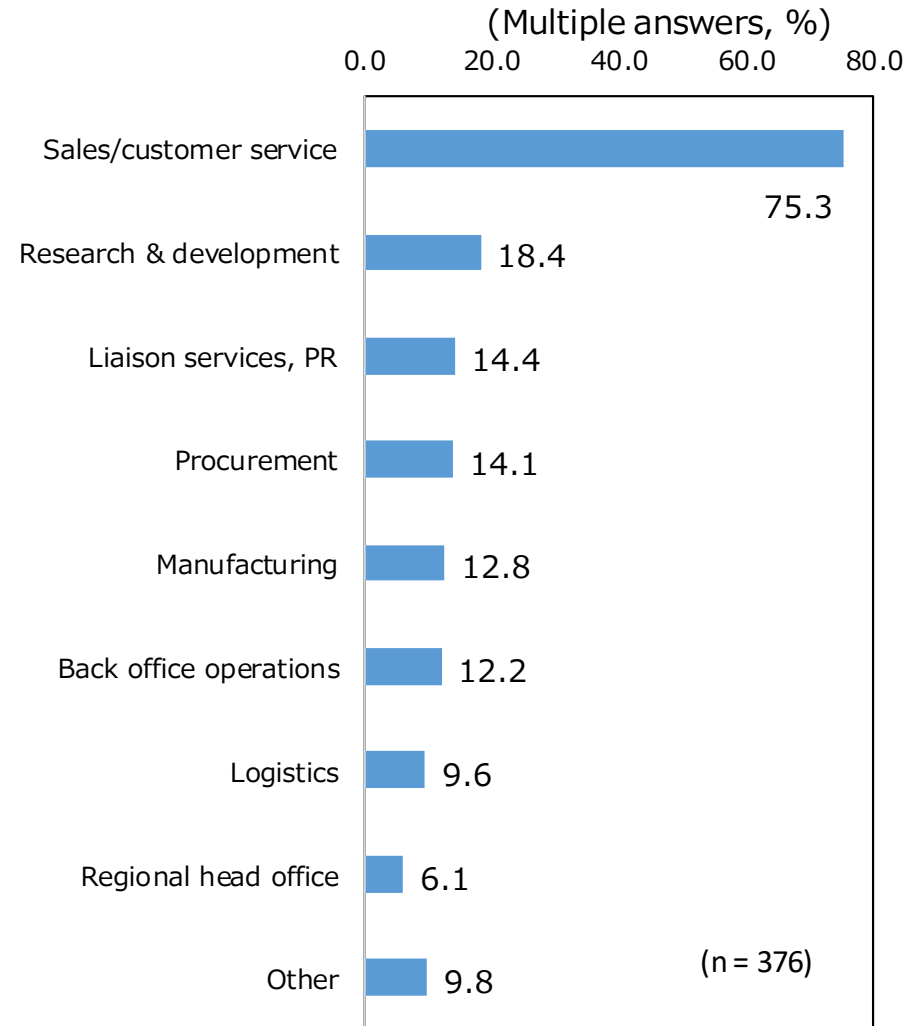
Year of Starting Business in Japan (Total · by industry)

Year of Establishment	Share (%)	
	Manufacturing	Non-manufacturing
Total (n=376)	100.0	54.5
Before 2000 (75)	19.9	6.4
2000~2005 (20)	5.3	2.9
2006~2010 (46)	12.2	7.4
2011~2015 (72)	19.1	12.2
2016~2020 (158)	42.0	25.0
Working to Establish(5)	1.3	0.5

Location of Head Office in Japan

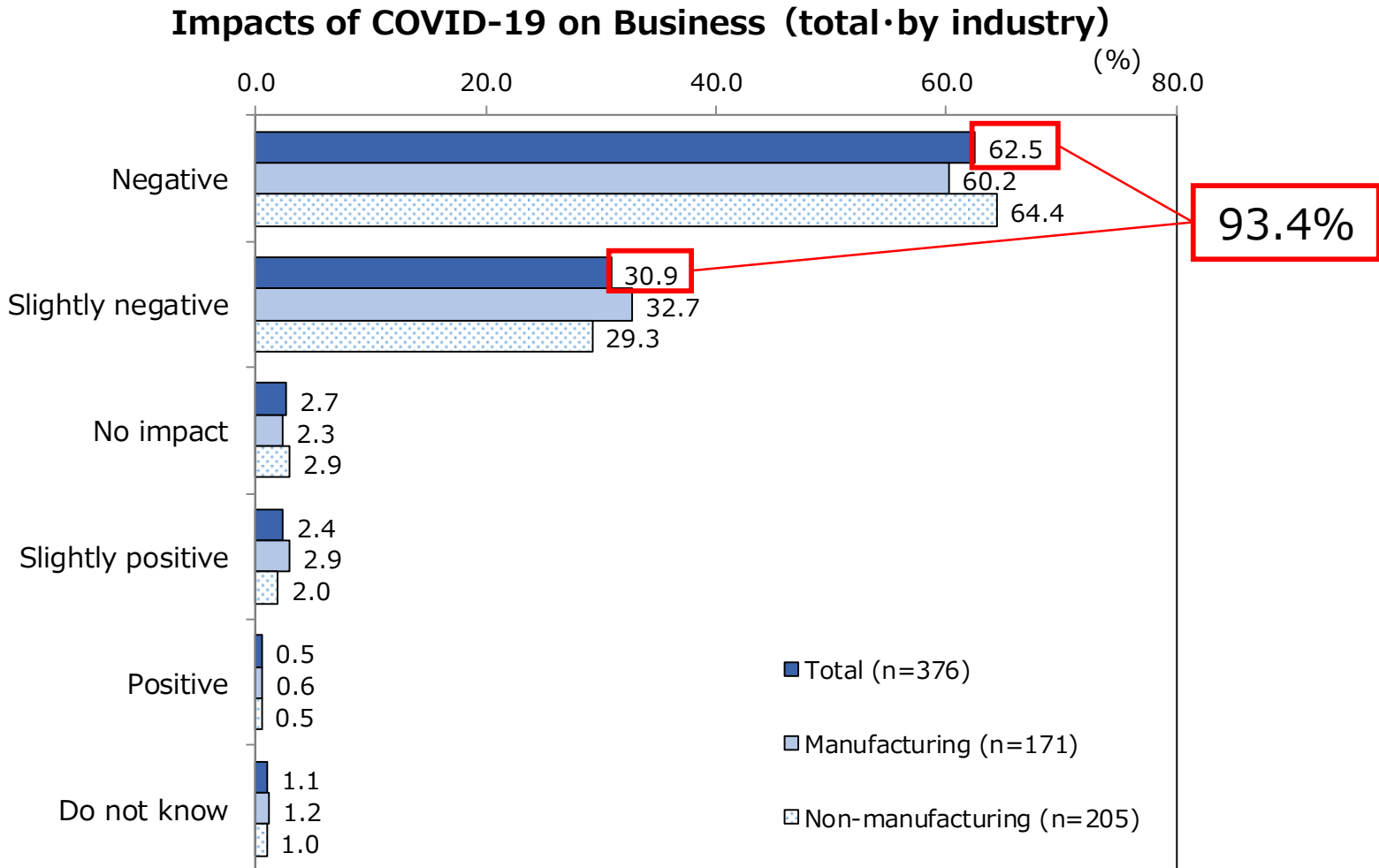


Business Operations in Japan



(1) -① Impacts of COVID-19

- In both manufacturing and non-manufacturing, the largest number of companies answered the COVID-19 has had “Negative” impacts on them. 93.4% chose either “Negative” or “Slightly negative”



(1) - ① Impacts of COVID-19

- “Negative” was the most common answer for all industries, except for agriculture.
- In particular, as many as 88.5% of companies in the transportation/tourism sector chose the answer

Impacts of COVID-19 on Business (total·by industry)

(%)

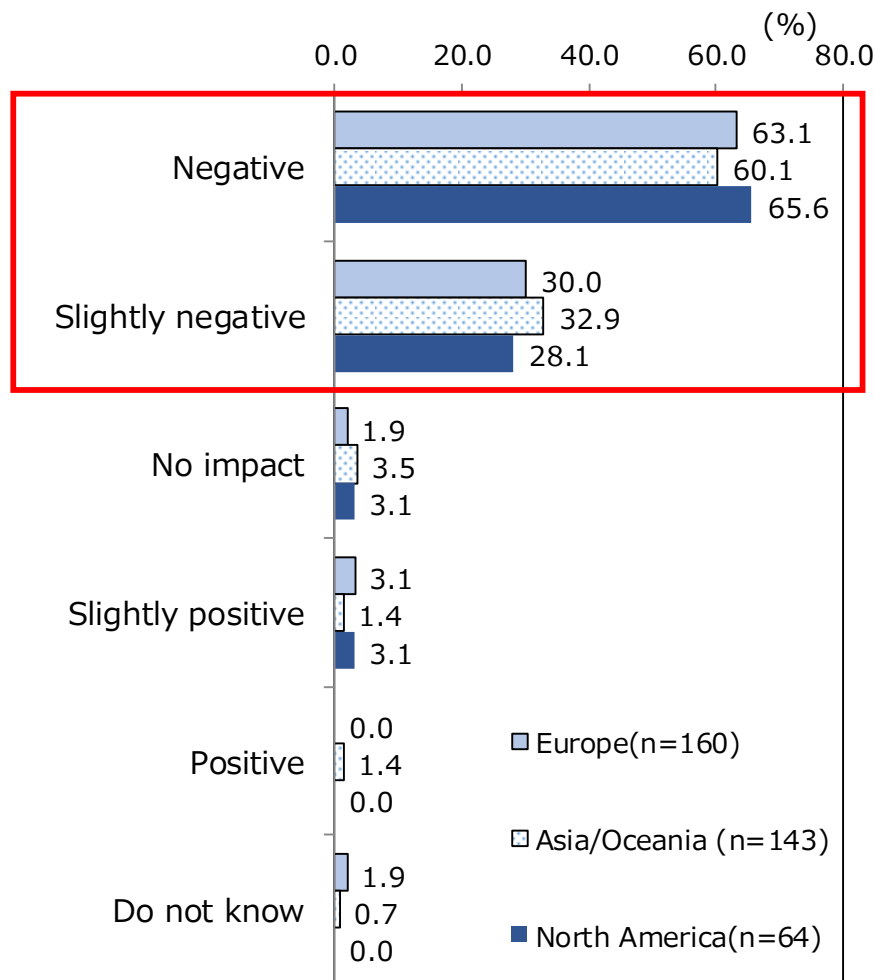
Industry	Negative	Slightly negative	No impact	Slightly positive	Positive	Do not know
Total (n=376)	62.5	30.9	2.7	2.4	0.5	1.1
Transportation / tourism (n=26)	88.5	3.8	0.0	3.8	0.0	3.8
Transport vehicles and parts (n=32)	68.8	28.1	3.1	0.0	0.0	0.0
Other services (n=31)	67.7	22.6	3.2	6.5	0.0	0.0
Electronics/precision machinery (n=51)	66.7	33.3	0.0	0.0	0.0	0.0
Trade/wholesale/retail (n=32)	62.5	34.4	3.1	0.0	0.0	0.0
General machinery (n=13)	61.5	38.5	0.0	0.0	0.0	0.0
Chemicals (n=18)	61.1	33.3	5.6	0.0	0.0	0.0
Communications /IT / Software (n=72)	58.3	33.3	5.6	1.4	1.4	0.0
Finance/insurance (n=13)	53.8	46.2	0.0	0.0	0.0	0.0
Professional services (n=17)	47.1	47.1	0.0	0.0	0.0	5.9
Life science (n=27)	40.7	37.0	7.4	14.8	0.0	0.0

Note: Industries with less than 10 companies are not listed.

(1) -① Impacts of COVID-19

- By region of parent company, all regions chose “Negative” impacts most. Combined with “slightly negative,” over 90% answered that the virus has had negative impacts on their business.

Impacts of COVID-19 on Business (by region)



Note: “Other” is not listed since the number of companies are less than 10.

(1) -① Impacts of COVID-19

- By year of establishment in Japan, less than 60% of companies that started business during 2006~2010 and after 2016 answered "Negative" while these companies chose "slightly negative" more than the other companies. Regardless of the year of establishment, over 90% of companies answered either "Negative" or "Slightly negative."

Impacts of COVID-19 on Business (Total·by year of establishment)

(%)

Year of Establishment	Negative	Slightly negative	No impact
Total (n=376)	62.5	30.9	2.7
Before 2000 (n=75)	66.7	26.7	1.3
2000~2005 (n=20)	70.0	25.0	5.0
2006~2010 (n=46)	58.7	37.0	4.3
2011~2015 (n=72)	70.8	20.8	4.2
After 2016 (n=158)	57.0	36.7	1.9

Slightly positive	Positive	Do not know
2.4	0.5	1.1
4.0	0.0	1.3
0.0	0.0	0.0
0.0	0.0	0.0
2.8	1.4	0.0
2.5	0.6	1.3

Note: Companies that have not entered Japan yet are not listed since the number of companies are less than 10.

(1) - ② Impacts of COVID-19

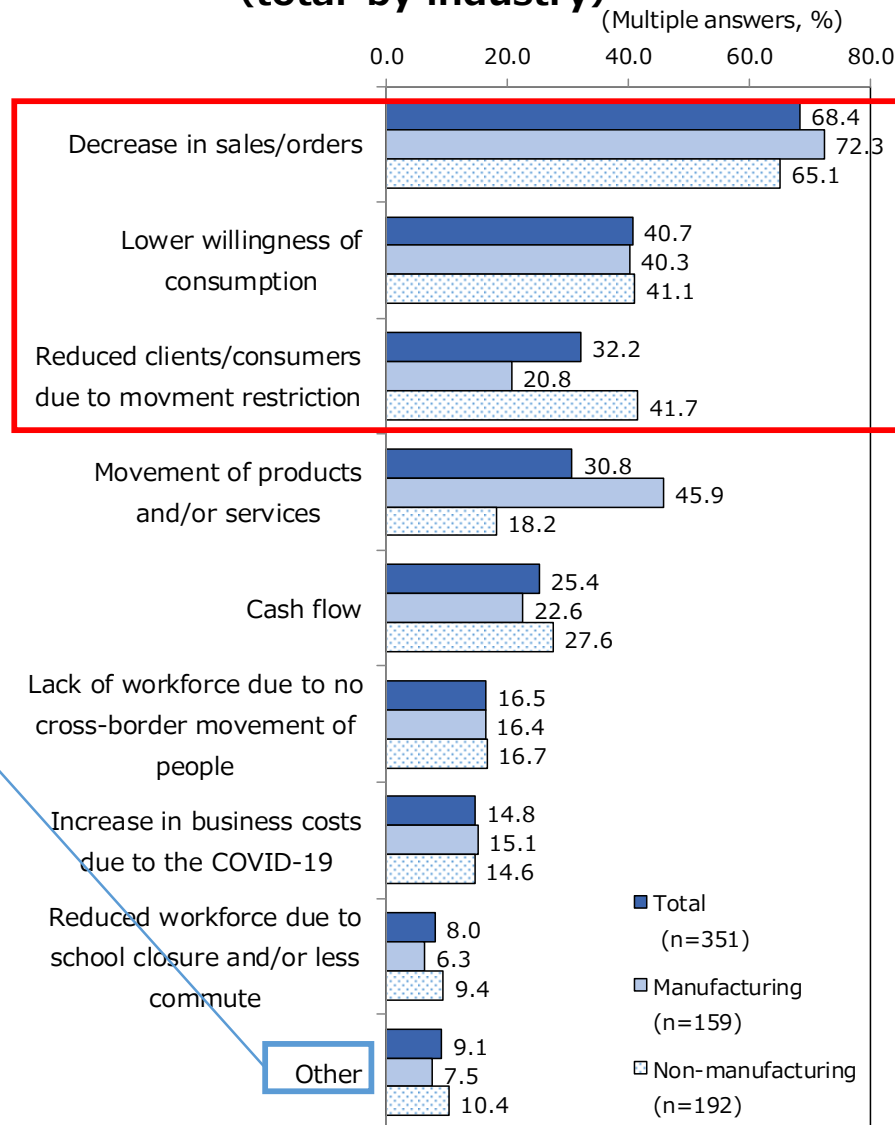
- 68.4% of the companies that answered the virus has had negative impacts chose "Decrease in sales/orders" as the nature of the impacts, and the top three answers were those that reflect decrease in demand.
- By industry, 41.7% of non-manufacturing chose "Reduced clients/consumers due to movement restriction", a lot higher than manufacturing(20.8%). 45.9% of manufacturing, on the other hand, answered "Movement of products and/or services" while only 18.2% of non-manufacturing chose the same answer.

<Other>

- Cannot conduct face-to-face business meeting or slow progress online,
- Limited business hours and/or activities,
- Slower decision making for business development and expansion, etc.

Note: 1) n is companies that answered the COVID-19 has had either "Negative" or "Slightly negative" impacts on them. 2) Companies could choose up to three answers.

Nature of the Impacts (total·by industry)

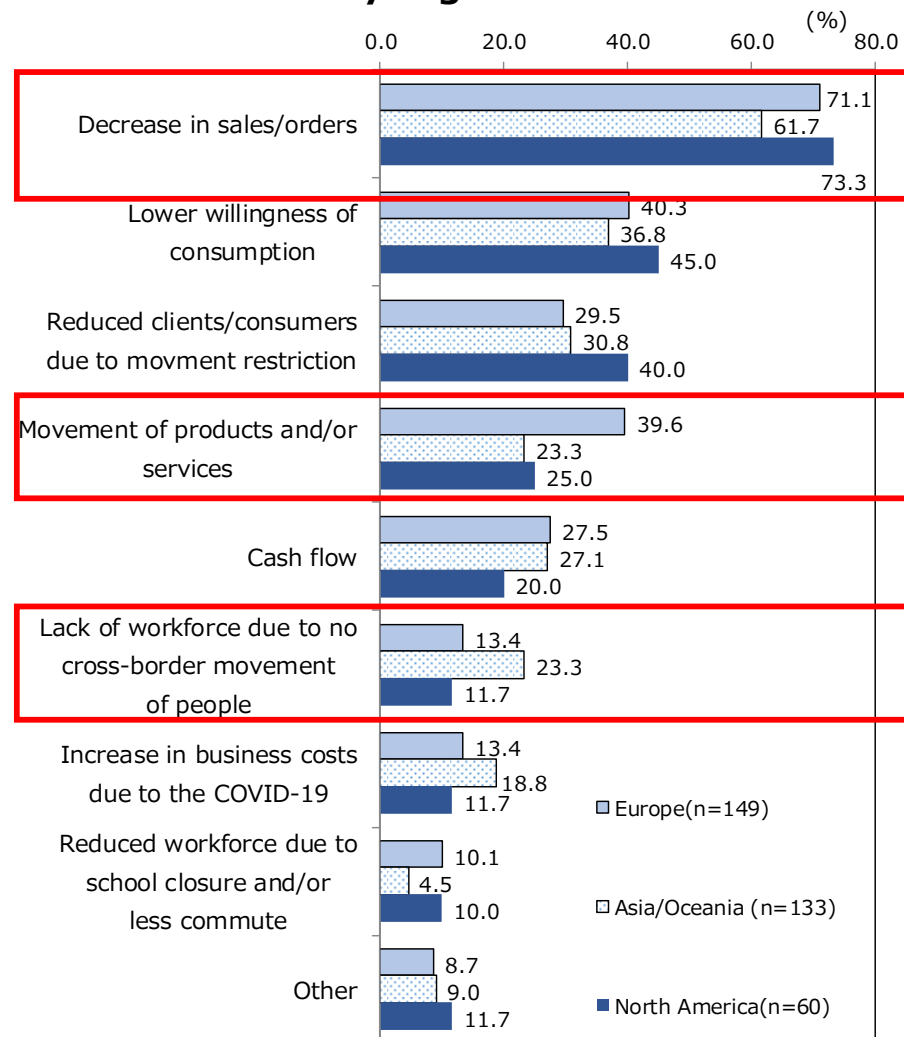


(1) - ② Impacts of COVID-19

- By region of parent company, over 70% of European and North American companies answered “Decrease in sales/orders” whereas the rate was slightly above 60% among Asian companies.
- Over 40% of European companies answered “Movement of products and/or services” while only about 20% of Asian and North American companies said the same.
- “Lack of workforce due to no cross-border movement of people” was particularly high among Asian companies, 23% of which chose the answer.

Note: 1) n is companies that answered the COVID-19 has had either “Negative” or “Slightly negative” impacts on them. 2) Companies could choose up to three answers. 3) “Other” is not listed since the number of companies are less than 10.

Nature of the Impacts (by region)



(1) - ② Impacts of COVID-19

- By year of establishment of companies that answered the virus has negative impacts on them, “Decrease in sales/orders” was the largest answer regardless of the year. The rates of answer were relatively high among those that have been in Japan for a long time, as 81.4% of those that started business before 2000 and 84.2% of companies that started between 2000 and 2005 chose the answer.

Nature of the Impacts (by year of establishment)

(Multiple answers, %)

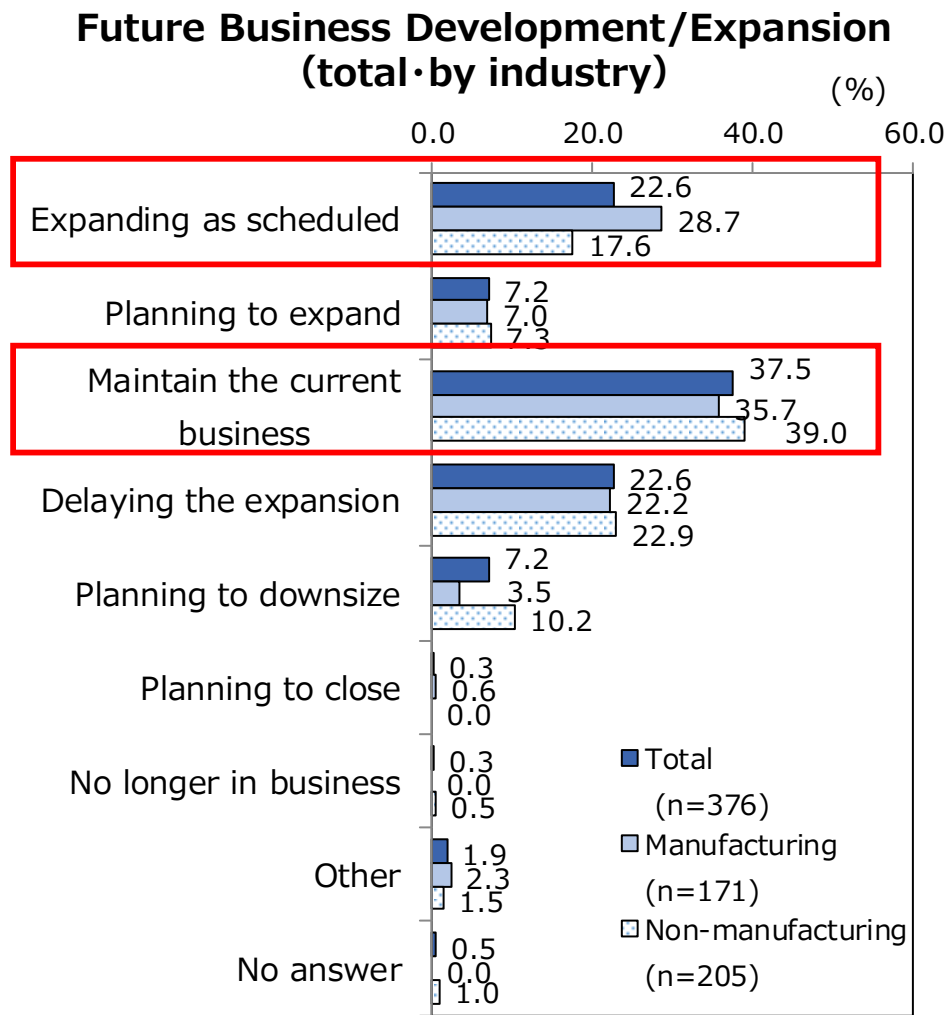
Year of Establishment	Decrease in sales/orders	Lower willingness of consumption	Reduced clients/consumers due to movement restriction	Movement of products and/or services	Cash flow
Total (n=351)	68.4	40.7	32.2	30.8	25.4
Before 2000 (n=70)	81.4	42.9	21.4	35.7	24.3
2000~2005 (n=19)	84.2	42.1	26.3	47.4	5.3
2006~2010 (n=44)	72.7	31.8	38.6	38.6	27.3
2011~2015 (n=66)	65.2	40.9	40.9	24.2	33.3
After 2016 (n=148)	60.8	42.6	32.4	26.4	25.0

Lack of workforce due to no cross-border movement of people	Increase in business costs due to the COVID-19	Reduced workforce due to school closure and/or less commute	Other
16.5	14.8	8.0	9.1
10.0	18.6	4.3	8.6
15.8	31.6	10.5	5.3
22.7	15.9	11.4	2.3
15.2	13.6	9.1	7.6
17.6	11.5	7.4	12.2

Note: 1) Companies could choose up to three answers. 2) Companies that have not entered Japan yet are not listed since the number of companies are less than 10.

(2) Future Business Development/Expansion

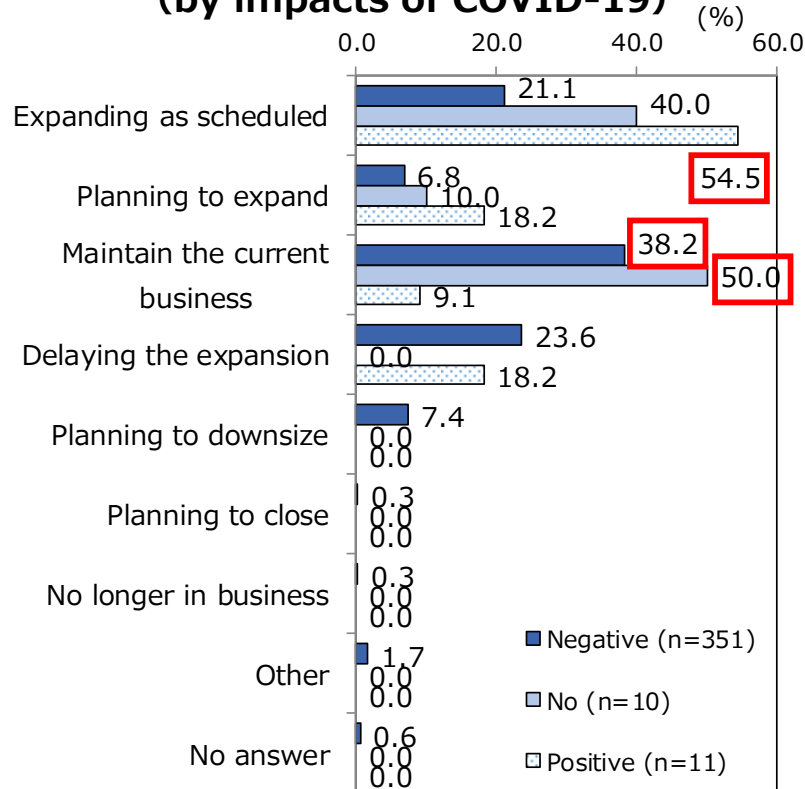
- In total, the top answer was “Maintain the current business”(37.5%), followed by “Expanding as scheduled” and “Delaying the expansion”(22.6% for both answers). Compared to the survey in 2019, the rate for expansion(70.3%) decreased while maintaining the business(28.3%) increased.



(2) Future Business Development/Expansion

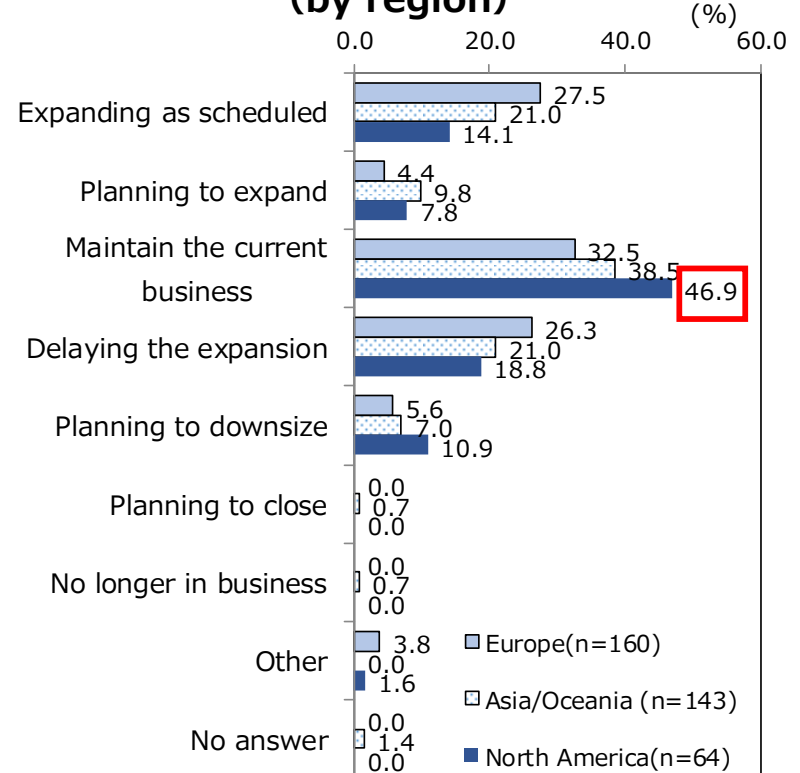
- By impact of COVID-19, “Positive” chose “Expanding as scheduled”(54.5%) most, whereas the top answer for “Negative”(38.2%) and “No”(50.0%) was “Maintain the current business.”
- By region of parent company, the rate of answer for “Maintain the current business” was particularly high among North American companies. Only 14.1% of North American companies answered “Expanding as scheduled,” the rate of which was about half of European companies.

Future Business Development/Expansion (by impacts of COVID-19) (%)



Note: Companies that have not entered Japan yet are not listed since the number of companies are less than 10.

Future Business Development/Expansion (by region) (%)



Note: “Other” is not listed since the number of companies are less than 10.

(2) Future Business Development/Expansion

- By year of establishment, “Maintain the current business” was the top answer in most of the categories. Among those that started business in Japan after 2016, however, the largest number of companies, over 30%, chose “Expanding as scheduled.” Notably, 43.9% of those came to Japan after 2019 answered so. Despite the impacts of the COVID-19, companies that are in the process of establishing business presence in the country are trying to expand their business as initially planned.

Future Business Development/Expansion (by year of establishment)

(%)

Year of Establishment	Expanding as scheduled	Planning to expand	Maintain the current business	Delaying the expansion	Planning to downsize
Total (n=376)	22.6	7.2	37.5	22.6	7.2
After 2000 (n=75)	21.3	1.3	40.0	21.3	9.3
2000~2005 (n=20)	25.0	15.0	35.0	10.0	10.0
2006~2010 (n=46)	4.3	4.3	54.3	30.4	6.5
2011~2015 (n=72)	13.9	11.1	40.3	23.6	8.3
After 2016 (n=158)	32.3	8.2	31.6	21.5	5.7

Planning to close	No longer in business	Other	No answer
0.3	0.3	1.9	0.5
0.0	0.0	5.3	1.3
0.0	0.0	0.0	5.0
0.0	0.0	0.0	0.0
1.4	0.0	1.4	0.0
0.0	0.6	0.0	0.0

Note: Companies that have not entered Japan yet are not listed since the number of companies are less than 10.

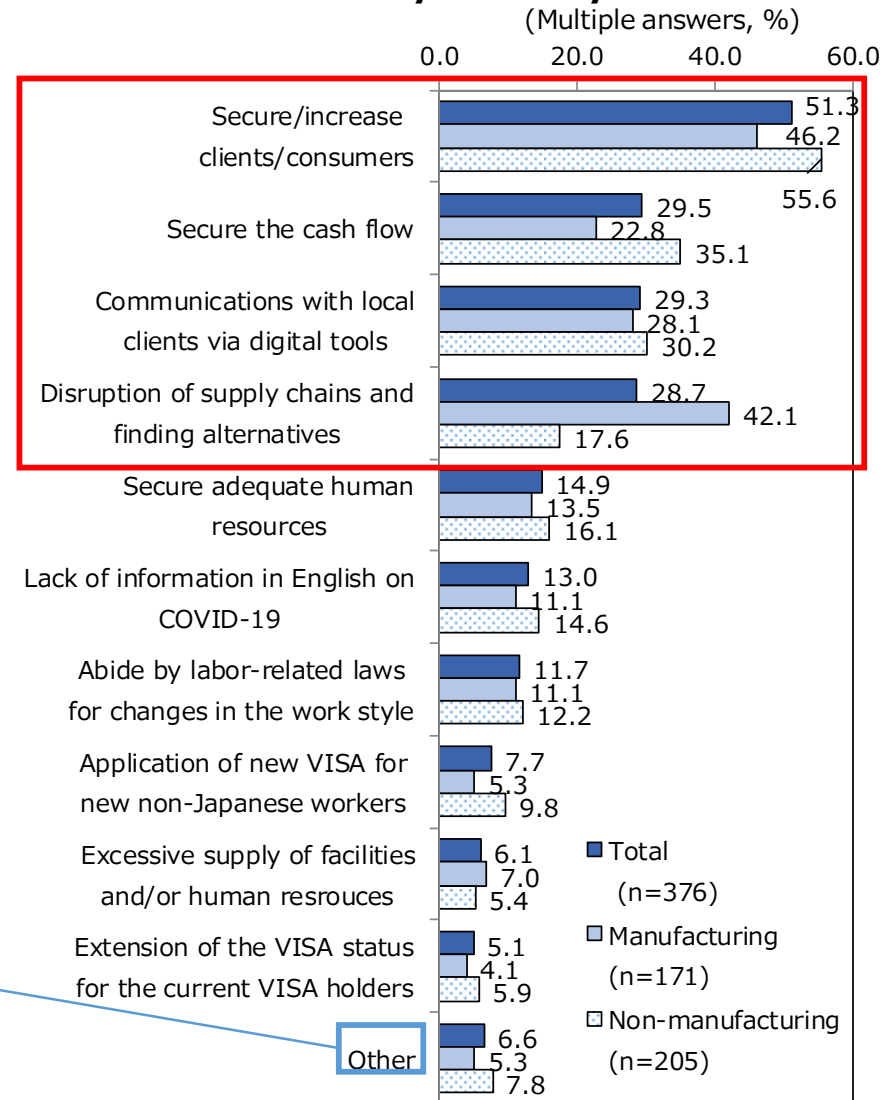
(3) - ① Current Difficulties in Management

- The largest number, 51.3%, answered “Secure/increase clients/consumers”, which would directly result in sales. In particular, 55.6% of non-manufacturing chose the answer, about 10% higher than manufacturing (46.2%).
- More non-manufacturing companies (35.1%) chose “Secure the cash flow” which was the second most popular answer overall, than manufacturing.
- The third highest answer was “Communications with local clients via digital tools” (29.3 %), which about 30% of both manufacturing (28.1%) and non-manufacturing(30.2%) chose.
- The rate of those that answered “Disruption of supply chains and finding alternatives” was 28.7% in total. In manufacturing, however, the rate was 42.1% and the second most common choice.

<Other>

- Keep staff safe, lack of disinfectant and masks,
- Slower approval processes/correspondence with authorities
- Cancellation of orders expected
- Restriction of cross-border movement for business activities and going back to home country, etc.

Current Difficulties in Management (total·by industry)

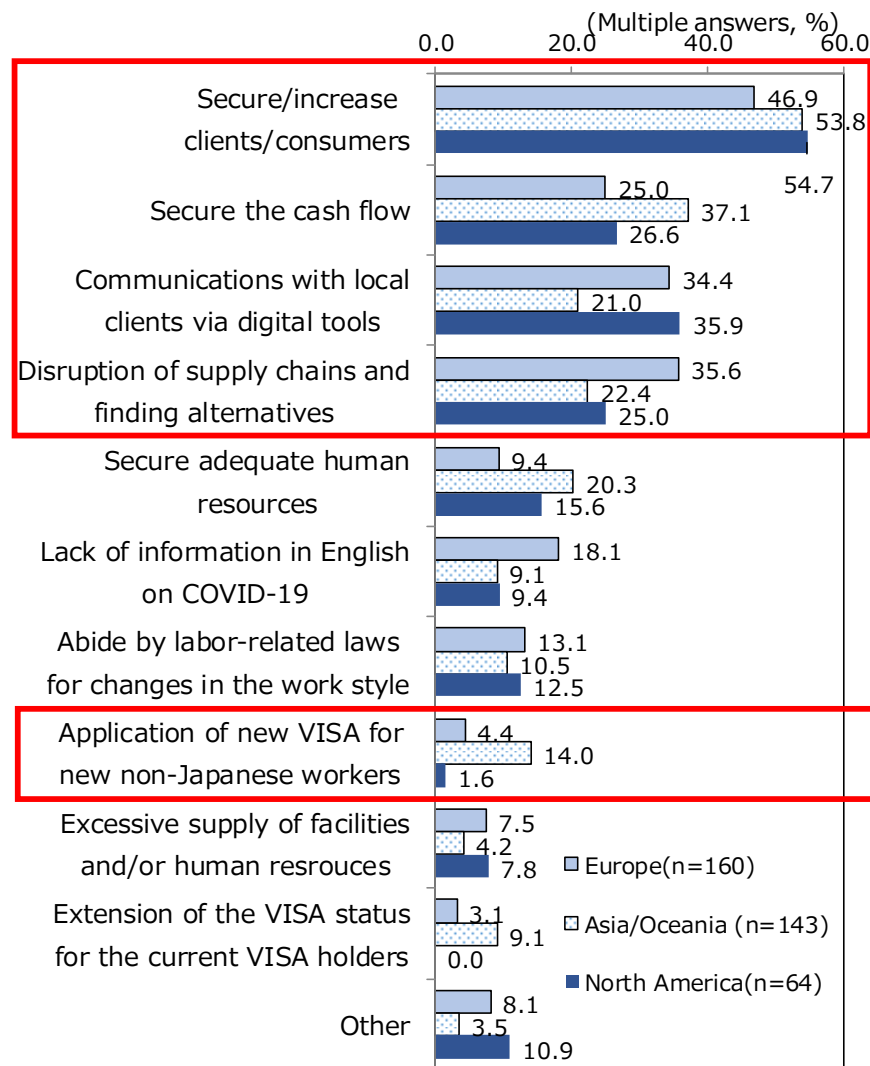


Note: Companies could choose up to three answers.

(3) Current Difficulties in Management

- By region of parent company, “Secure/increase clients/consumers” was the most popular answer among all companies. Over half of companies from Asia (53.8%) and North America (54.7%) chose the answer.
- About 40% of Asian companies chose “Secure the cash flow”, the rate of which is over 10% higher than the second highest, North American companies. Compared to the other two regions, relatively many Asian companies, 14.0%, answered they see “Application of new VISA for new non-Japanese workers” as a key difficulty in business management. The region, on the other hand, was the only one where less than 30% companies chose “Communications with local clients via digital tools”.
- A particularly large number of European companies, 35.6%, chose “Disruption of supply chains and finding alternatives,” which was the fourth highest answer overall.

Current Difficulties in Management (by region)



Note: 1) Companies could choose up to three answers. 2) “Other” is not listed since the number of companies are less than 10.

(3) Current Difficulties in Management

- By year of establishment in Japan, “Secure/increase clients/consumers” was the top answer for all the periods, except for those that came to Japan before 2000, whose top choice was “Disruption of supply chains and finding alternatives” at 50.7%. 40.0% of the second older group of companies (2000~2005) also chose the answer.

Current Difficulties in Management (by year of establishment)

(Multiple answers, %)

Year of Establishment	Secure/increase clients/consumers	Secure the cash flow	Communications with local clients via digital tools	Disruption of supply chains and finding alternatives	Secure adequate human resources	Lack of information in English on COVID-19
Total (n=376)	51.3	29.5	29.3	28.7	14.9	13.0
Before 2000 (n=75)	45.3	25.3	25.3	50.7	10.7	13.3
2000~05 (n=20)	55.0	25.0	20.0	40.0	15.0	20.0
2006~10 (n=46)	43.5	34.8	26.1	26.1	15.2	15.2
2011~15 (n=72)	52.8	36.1	29.2	19.4	13.9	15.3
After 2016 (n=158)	55.1	28.5	32.9	20.9	17.7	10.8

Abide by labor-related laws for changes in the work style	Application of new VISA for new non-Japanese workers	Excessive supply of facilities and/or human resources	Extension of the VISA status for the current VISA holders	Other
11.7	7.7	5.1	6.1	6.6
16.0	4.0	5.3	10.7	6.7
0.0	5.0	5.0	0.0	10.0
13.0	8.7	4.3	6.5	2.2
20.8	6.9	4.2	8.3	6.9
7.0	9.5	5.7	3.8	7.0

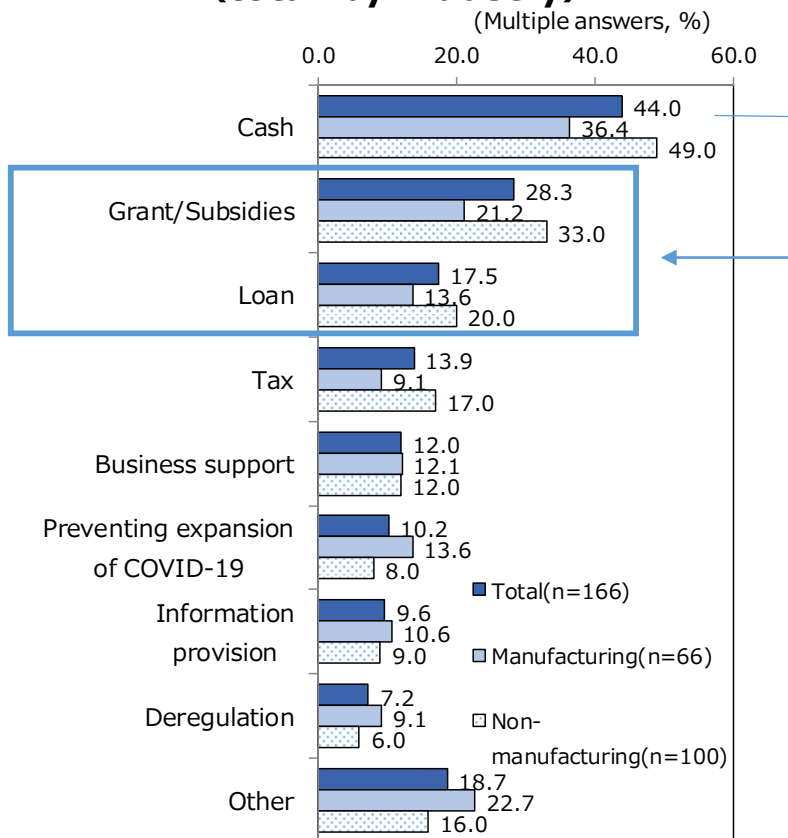
Note:

- Companies could choose up to three answers.
- Highlighted cells are the choices the largest number of companies that started business during the concerned period chose.

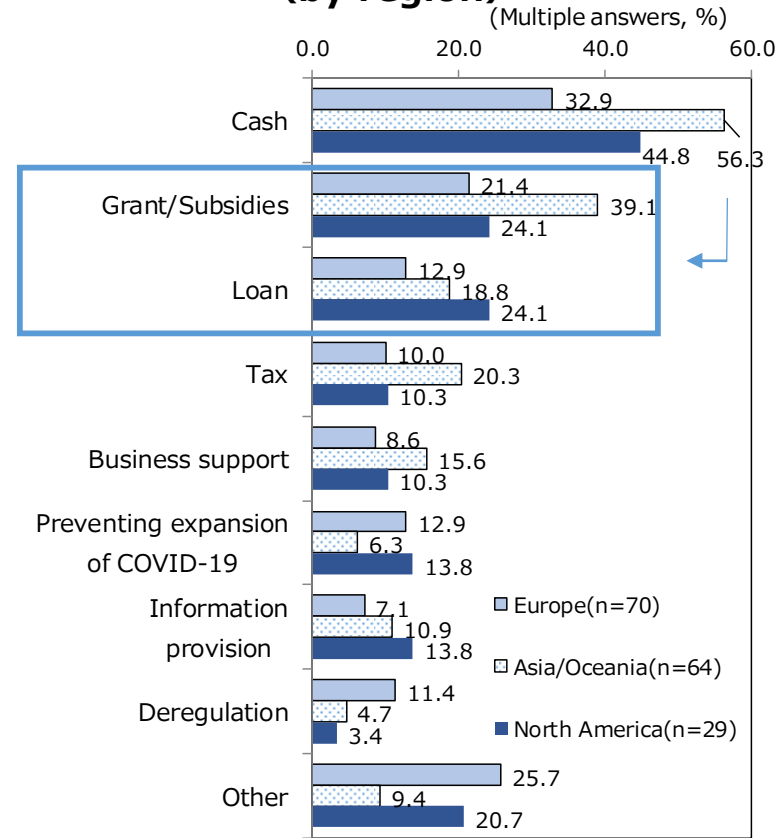
(4) Needs for Support/Information

- 44.0% raised "Cash"-related measures as supports they need from the government for business development and/or expansion in Japan. Combined with answers related to "Tax (13.9%)," the second most common answer, over half of the companies are in need for financial support. By industry and region of parent companies, non-manufacturing companies as well as Asian companies tend to be in the stronger need of financial support.

Needs for Support from Government (total·by industry)



Needs for Support from Government (by region)



Note: 1) n is the number of short answers in the survey, excluding those such as "not in particular." 2) "Other" is not listed since the number of companies are less than 10.

- 1 . Impacts of COVID-19 on business**
- 2 . Nature of the Impacts**
- 3 . Plan of Development/Expansion of Business in Japan**
- 4 . Difficulties in Managing Business Operations in Japan**
- 5 . Information to be Provided in English**
- 6 . Support You Need to Manage/Expand Business in Japan**



www.investjapan.org

(COVID-19) Business Support

<https://www.jetro.go.jp/en/invest/covid-19/>

Invest Japan Report Web address

Japanese:

<https://www.jetro.go.jp/invest/ijre.html>

English:

<https://www.jetro.go.jp/en/invest/reports.html>

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