

Survey on Operations of Foreign-affiliated Companies in Japan

Results (Preliminary)

Invest Japan Department
Japan External Trade Organization

July 14th, 2020

1. Objective of Survey

This survey is to understand the operations and business development of foreign-affiliated companies in Japan so that JETRO and the government could reflect the opinions to future support.

2. Survey Period

June 24th (Wednesday) ~ July 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 : 193

4. Method

Online survey

- **92.2% answered the COVID-19 has had negative impacts on their business**

46.1% answered the COVID-19 has had “Negative” impacts on their business while another 46.1% chose “Slightly negative” impacts. Combined, 92.2% reported the virus has had some sort of negative impacts on them. Compared to the April Survey, the number of companies that answered “Negative” impacts declined while more companies chose “Slightly negative” impacts.

- **No major change in future business development plan since April**

For future development of business in Japan, the top answer was “Maintain the current business” (34.2%), followed by “Delaying the expansion” (23.3%), and “Expanding as scheduled” (20.2%). The proportions of these answers did not have major changes since the April Survey. As for the attractiveness of Japanese market, “Current market size” (67.4%) and “Potential growth of relevant industries” (64.7%) were the top answers.

- **Future digitalization focuses on communication with clients**

33.7% answered “Communication with clients/consumers” as the most important aspect of future digitalization of their business operations, the choice of which was the only one that collected over 30% of the answer. In particular, 41.6% of the manufacturing companies chose the answer. As for the future management of business bases and procurement networks, many answered they would maintain the current system or no planning to change.

- **Comments heard on digitalization of administrative procedures and entry restrictions**

There were some positive comments on the government responses against the COVID-19 while others asked to ease the complicatedness of procedures as well as digitalization of administrative procedures. Furthermore, companies pointed out that the current entry restrictions of foreigners have had hindered business development in Japan.

(0) Company Profiles

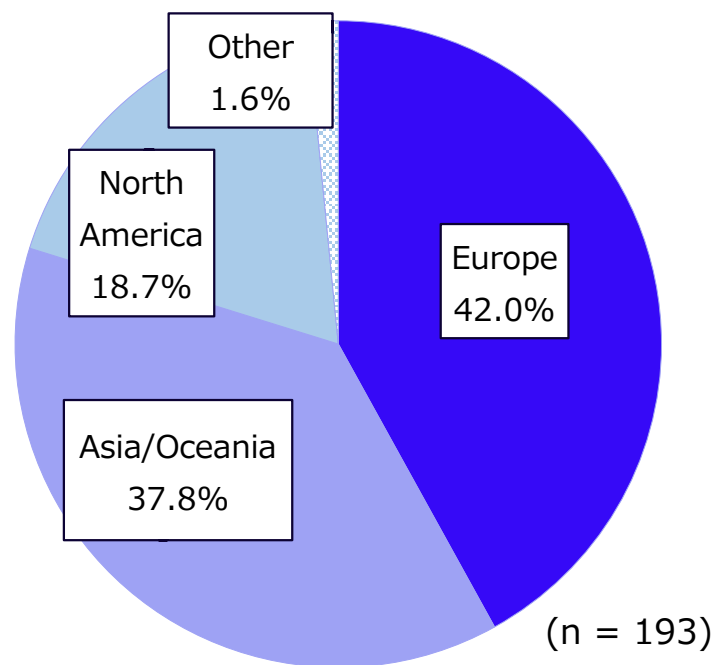
(1) Impacts of COVID-19

(2) Business Operations after COVID-19

(3) Investment/Business in Regions

(4) On Government Policy Measures

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

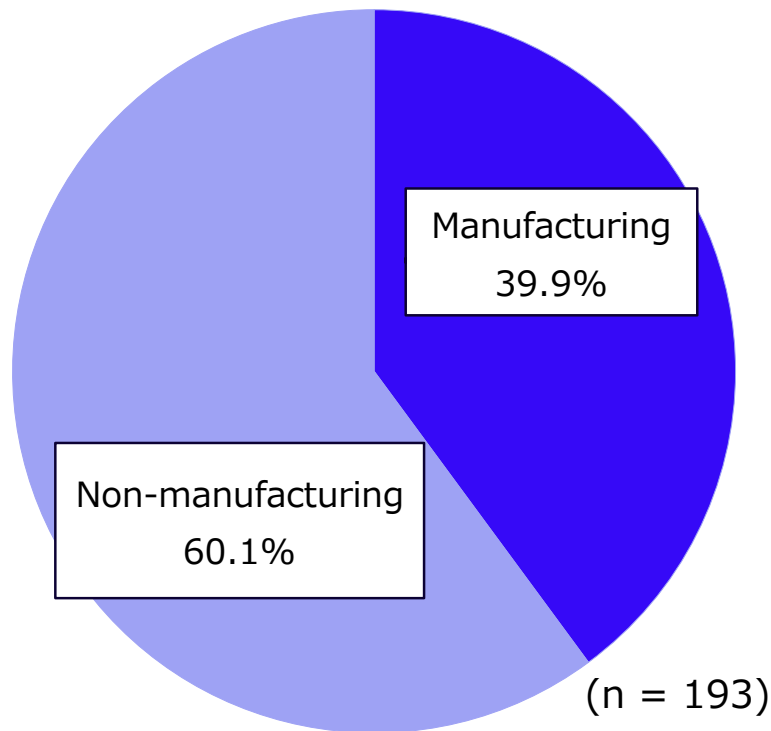


**Country of Parent Company
(by country)**

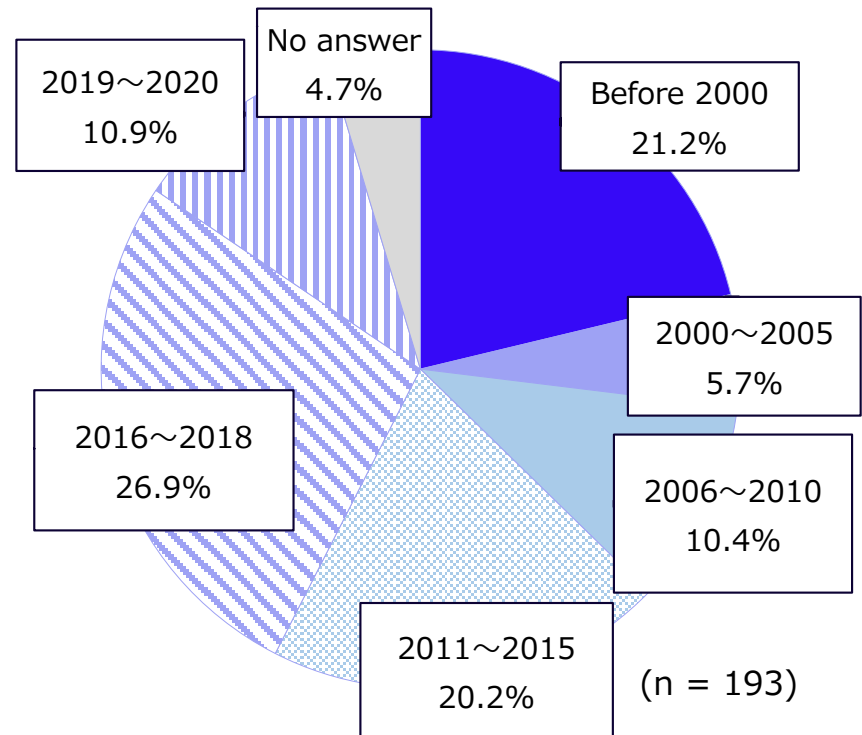
Country/ Region	# of Companies	Share (%)
China	49	25.4
US	32	16.6
Germany	26	13.5
France	12	6.2
Switzerland	10	5.2
UK	10	5.2
Singapore	7	3.6
Netherlands	5	2.6
Other	42	21.8
Total	193	100.0

Industry/Year of Starting Business in Japan

Industry



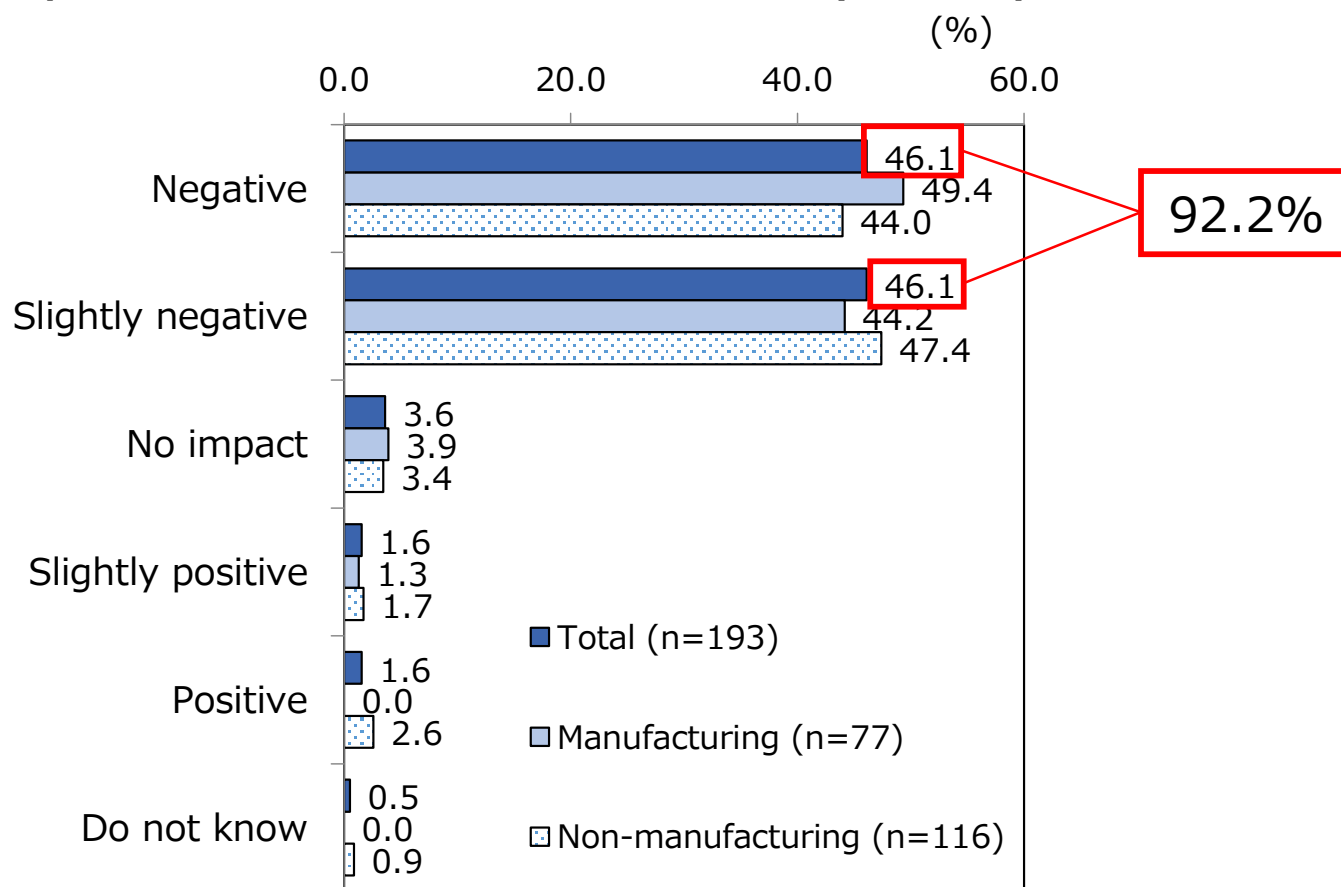
Year of Starting Business in Japan



(1) Impacts of COVID-19

- 92.2% of the companies answered either “Negative” or “Slightly negative” impacts because of the COVID-19.
- Among sectors in which more than 10 companies answered, the number of the companies that chose “Negative” was particularly high among those in transportation/tourism at 80.0%.

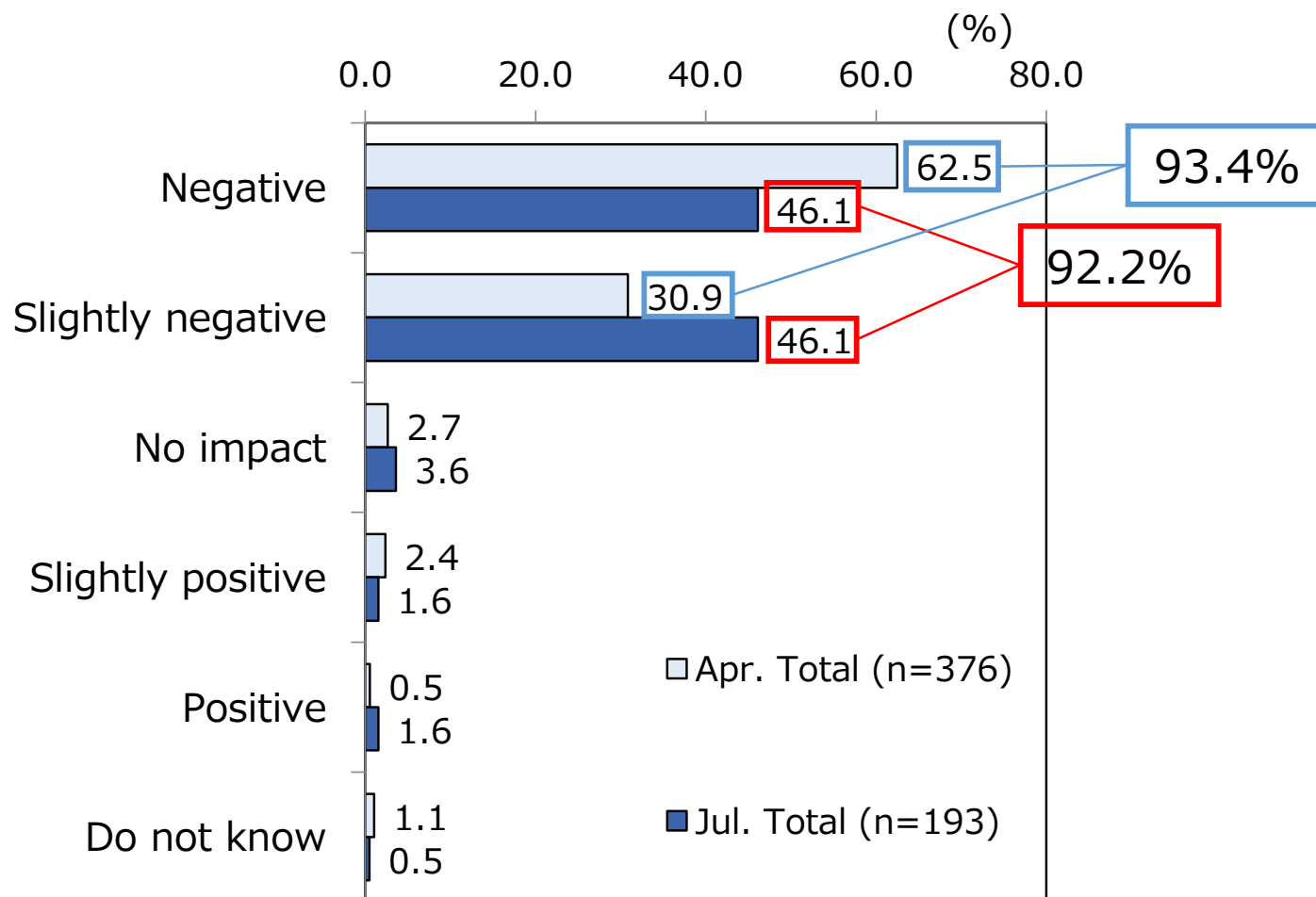
Impacts of COVID-19 on Business (total·by industry)



(1) Impacts of COVID-19

- Compared to the previous survey in April (hereafter, "April Survey"), more than 90% of the companies answered either "Negative" or "Slightly negative" impacts in both surveys. The proportion of "Negative," however, declined in this survey.

Impacts of the COVID-19 on Business (by time-series)



(1) Impacts of COVID-19

- Among those that answered negative impacts because of the COVID-19, the largest number of companies, 70.2%, chose “Decrease in sales/orders” as the nature of the impacts, followed by “Lower willingness of consumption” (43.3%) and “Reduced clients/consumers due to movement restriction” (37.6%) .
- By industry, 33.3% of the manufacturing companies answered “Movement of products and/or services,” whereas 13.2% of non-manufacturing chose the same answer.

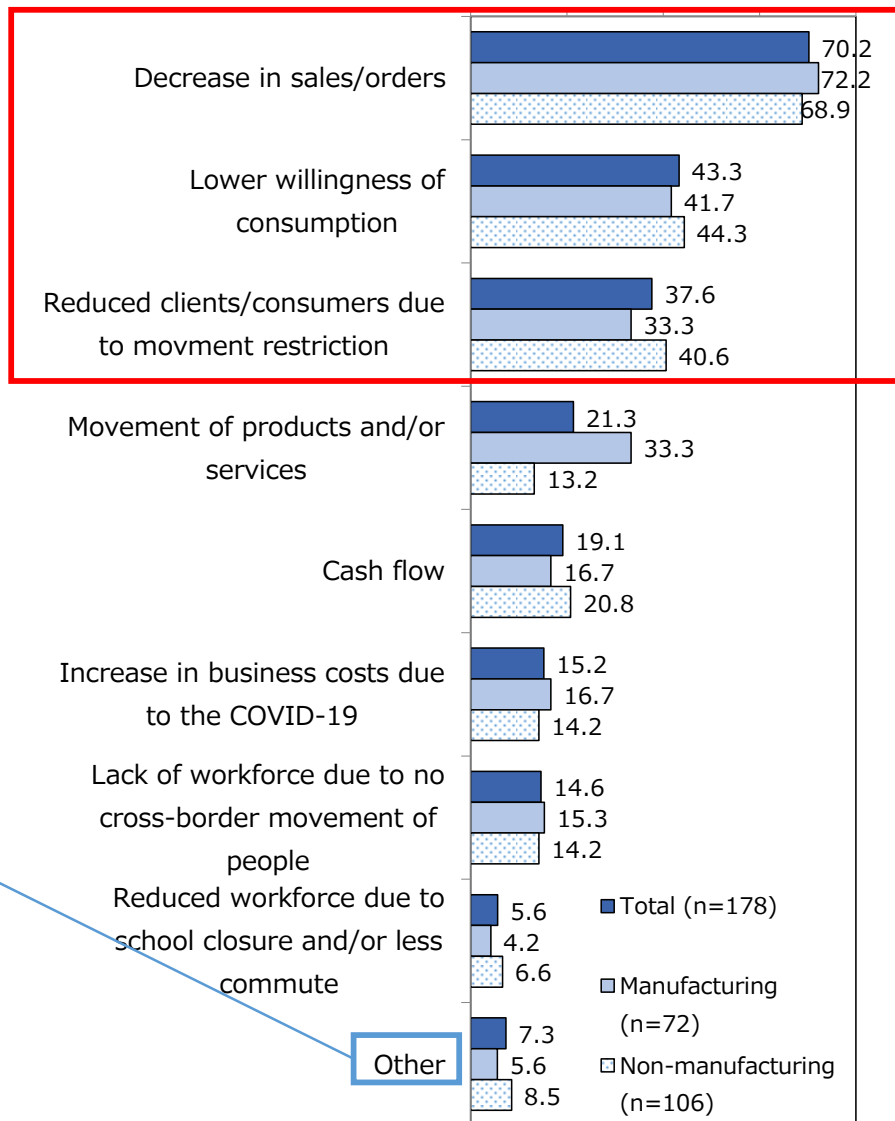
<Other>

- Incapable of fully functioning or conduct field research abroad due to re-entry restrictions of foreign nationals in Japan.
- Postponement/Cancellation of business events.

Note : n is companies that answered either “Negative” or “Slightly negative” impacts due to the COVID-19. Companies could choose up to three answers.

Nature of Impacts (total·by industry)

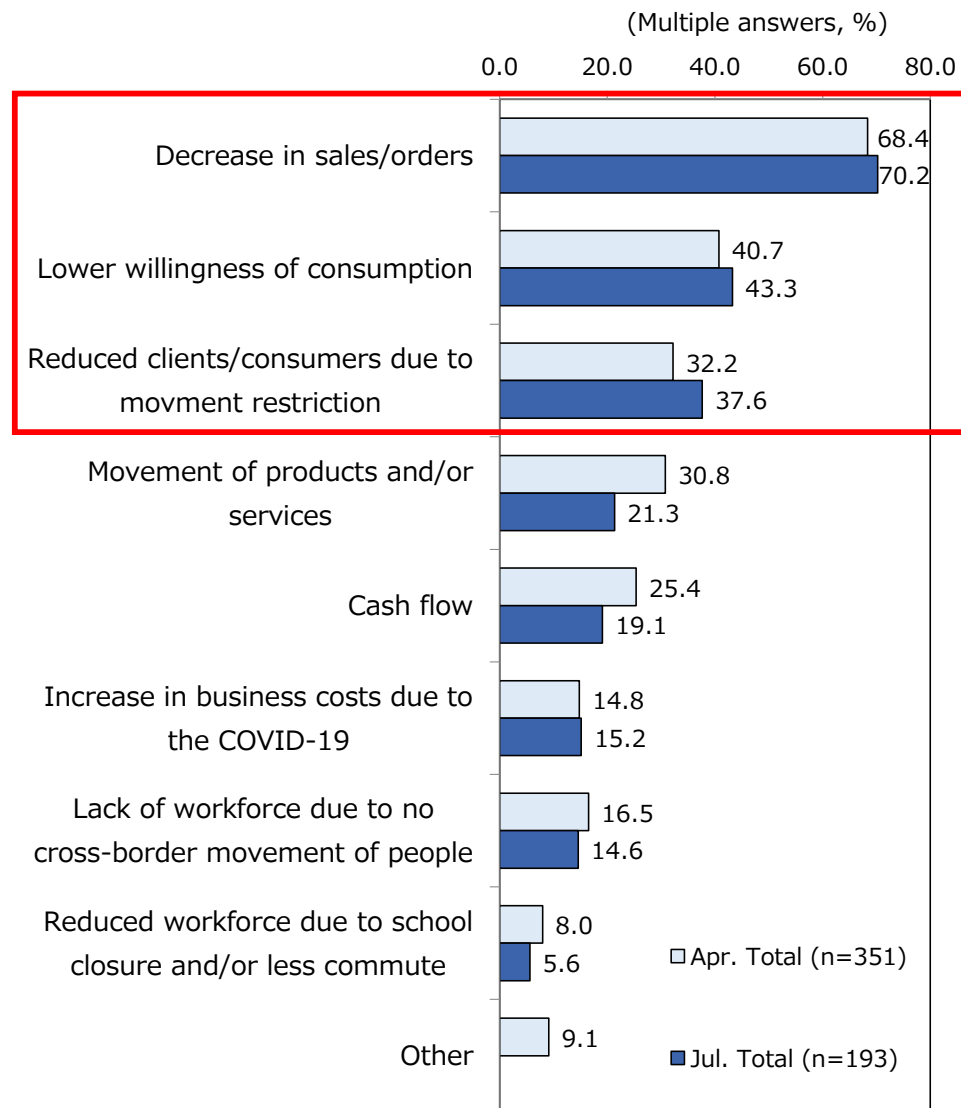
(Multiple answers, %)
0.0 20.0 40.0 60.0 80.0



(1) Impacts of COVID-19

- Compared to the nature of the impacts to the April Survey, there was no large change in the overall trend, and answers that reflect the loss of demand, such as “Decrease in sales/orders,” remained the top three.
- The proportions of “Movement of products and/or services” and “Cash flow” declined. The decline was observed in both manufacturing and non-manufacturing industries.

**Nature of Impacts
(by time-series)**

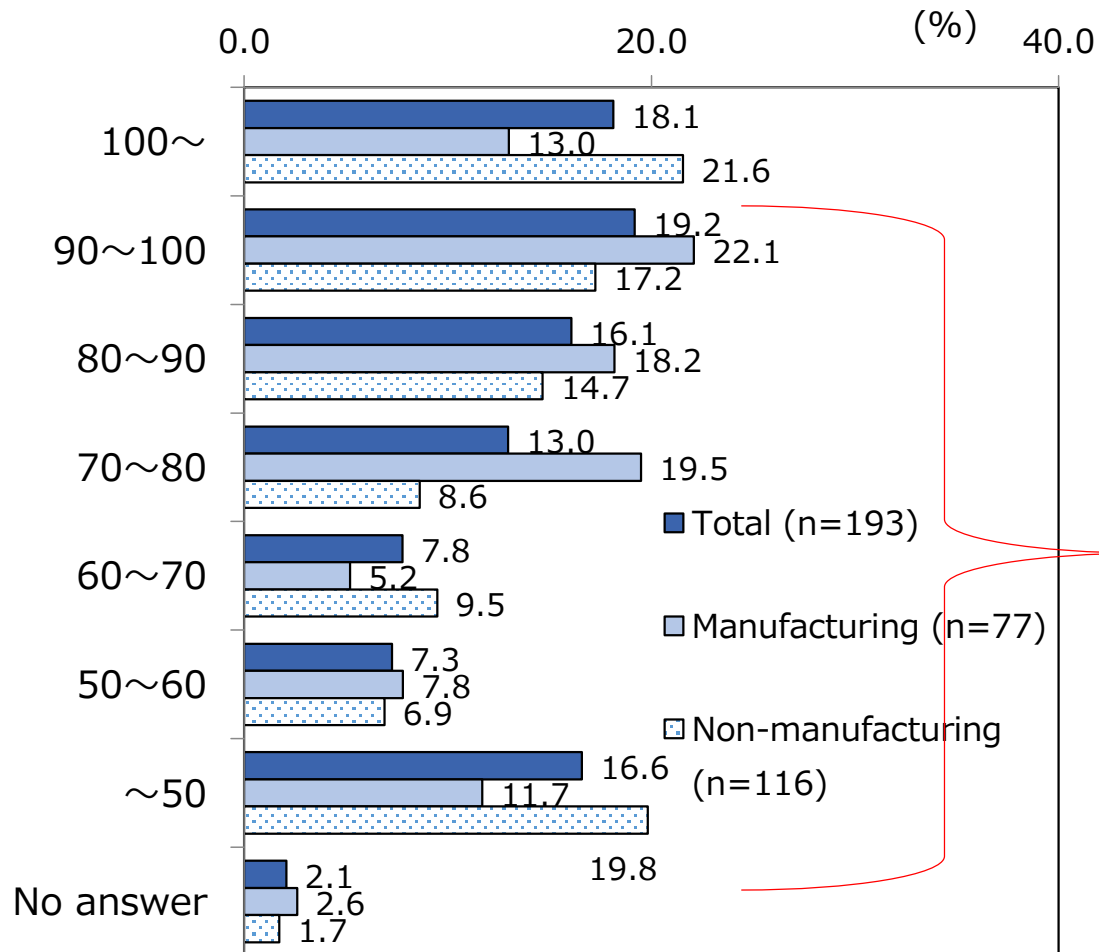


Note : n is companies that answered either “Negative” or “Slightly negative” impacts due to the COVID-19. Companies could choose up to three answers.

(1) Impacts of COVID-19

- Compared to the same period of 2019 (=100), 79.8% answered the sales declined this year. Among those, the largest number of the companies, 19.2%, chose "90~100", followed by "~50" at 16.6%.

Sales Compared to 2019 (total·by industry)

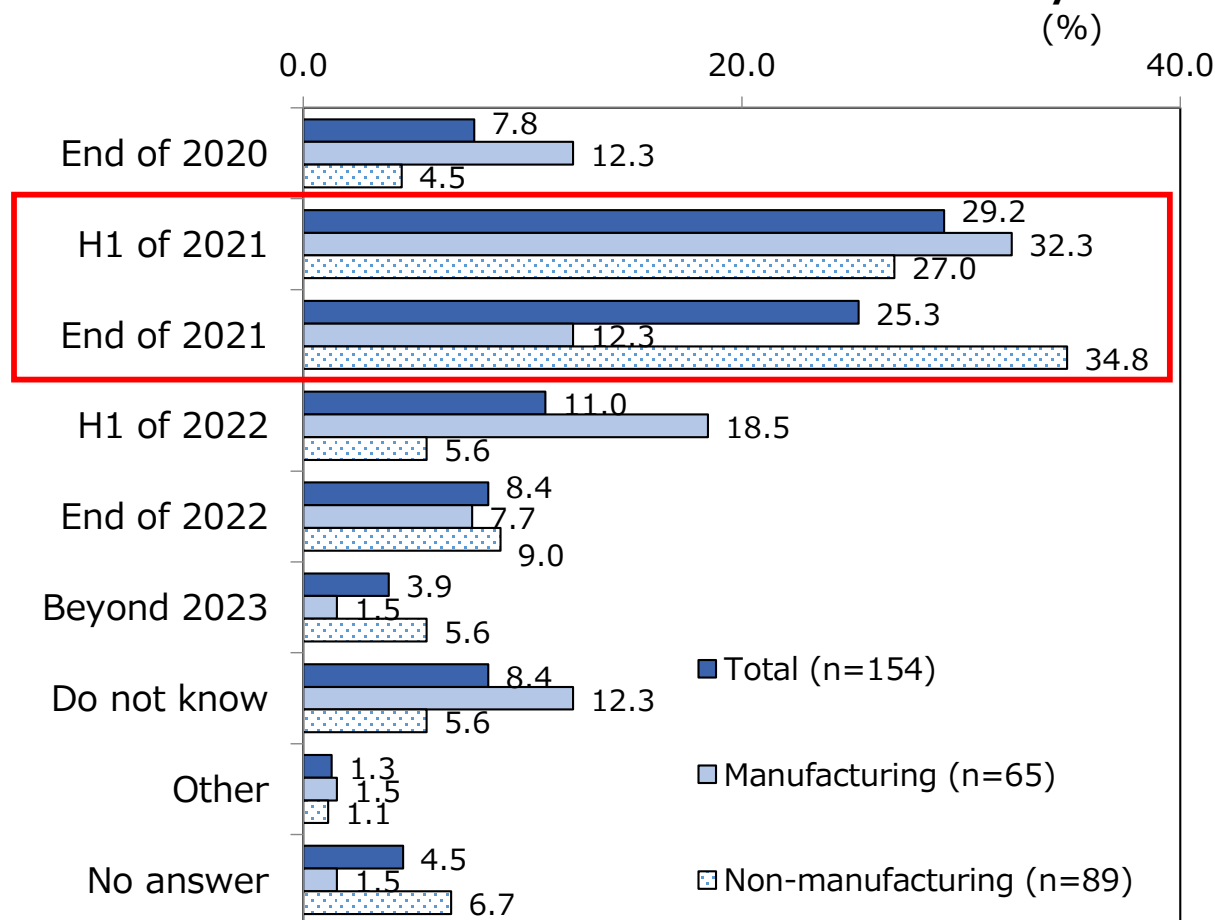


79.8%

(1) Impacts of COVID-19

- For those that have experienced the decline of the sales, the largest number of companies, 29.2%, answered they need until the "First half (H1) of 2021" to cover up the loss, followed by "End of 2021" at 25.3%.

Time Deemed Needed to Cover the Loss of Sales (total·by industry)

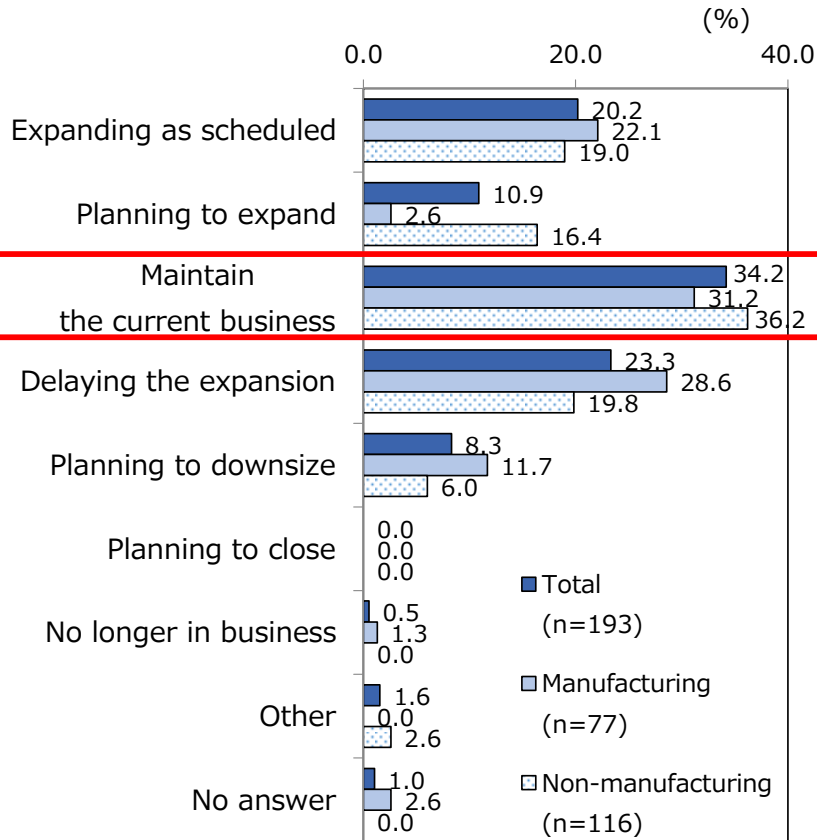


Note : n is companies that answered they have experienced the decline of the sales due to the COVID-19 in 2020, compared to the same period of 2019.

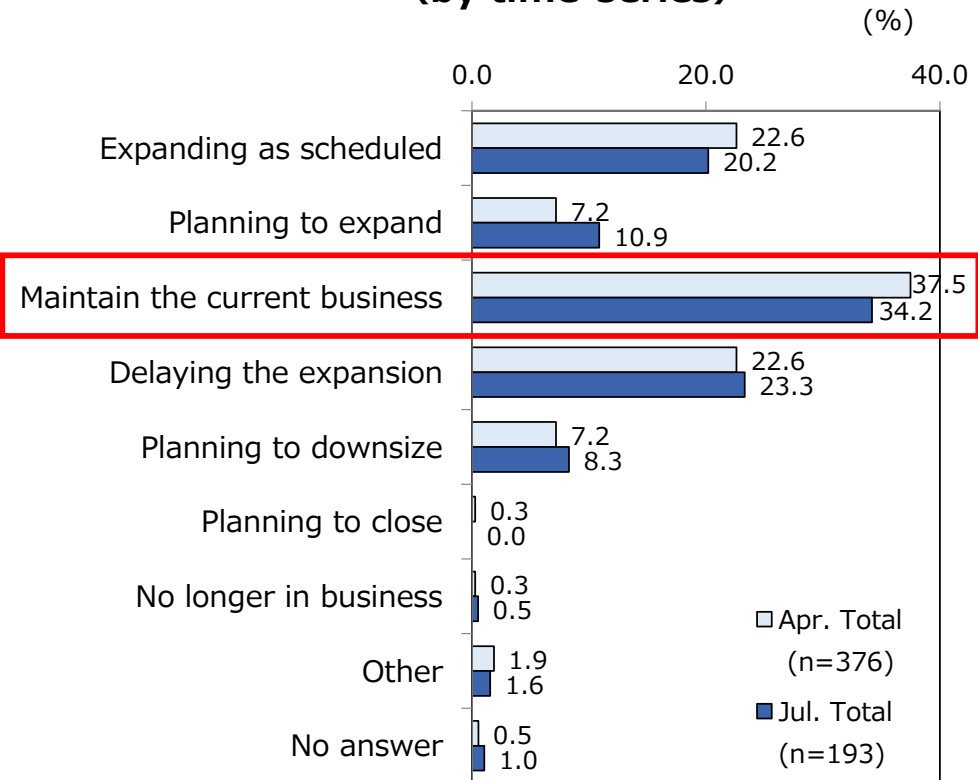
(2) Business Operations after COVID-19

- For the future business development, the top answer was “Maintain the current business” (34.2%), followed by “Delaying the expansion” (23.3%).
- Compared to the April Survey, the overall trend, including “Maintain the current business” being the top answer, did not change.

Future Business Development (total·by industry)



Future Business Development (by time-series)

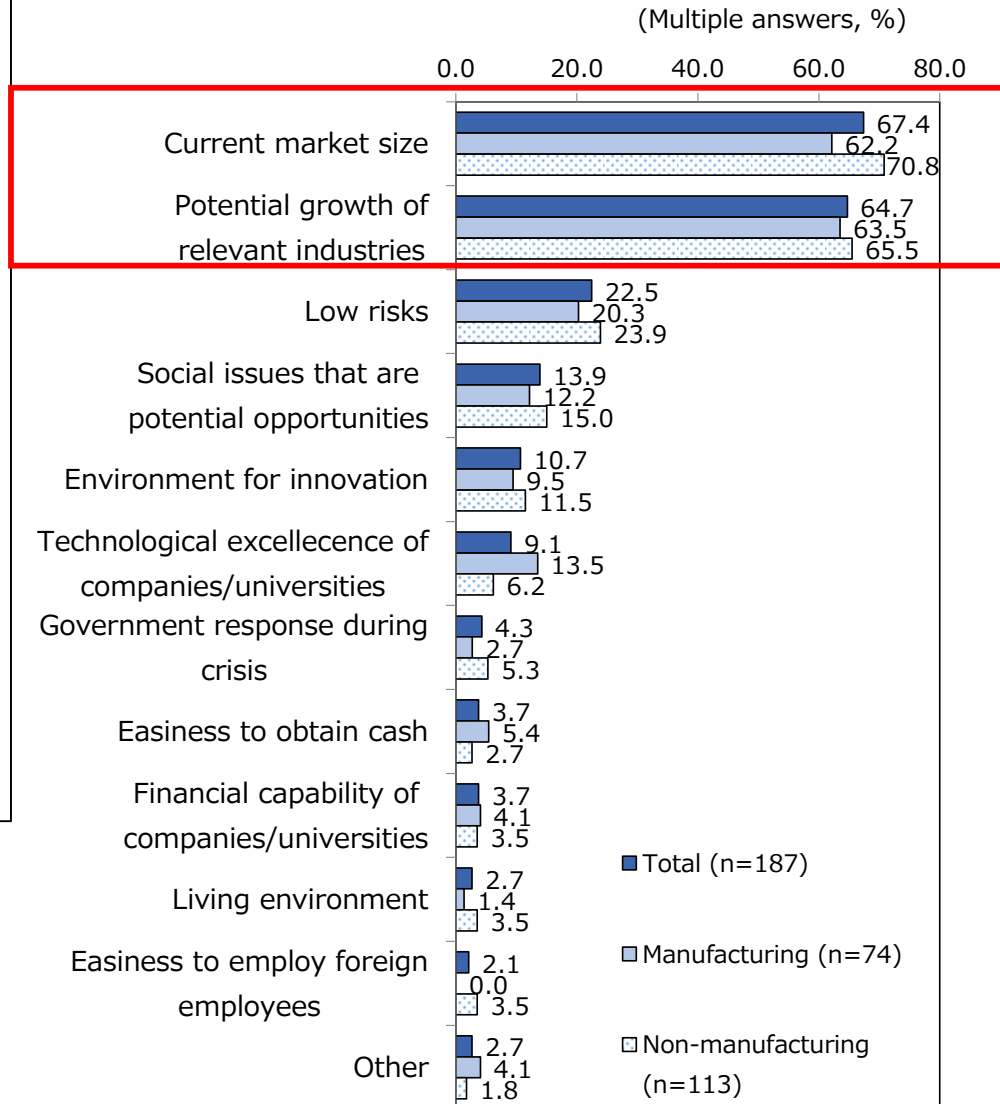


(2) Business Operations after COVID-19

- For those that will continue business in Japan (Note ①), the most attractive aspect of doing business in Japan was “Current market size” (67.4%), followed by “Potential Growth of relevant industries” (64.7%). 22.5% also chose “Low risks” of society and economy.
- By industry, similar trends were observed in general. A difference was observed, however, in the choice of “Technological excellence of companies/universities” where 13.5% of the manufacturing companies chose the answer while only 6.2% of the non-manufacturing companies did.

Note : ① n is companies that answered either “Expanding as scheduled,” “Planning to expand,” “Maintain the current business,” “Delaying the expansion,” or “Planning to downsize” in the question of future business development. ② Companies could choose up to three answers.

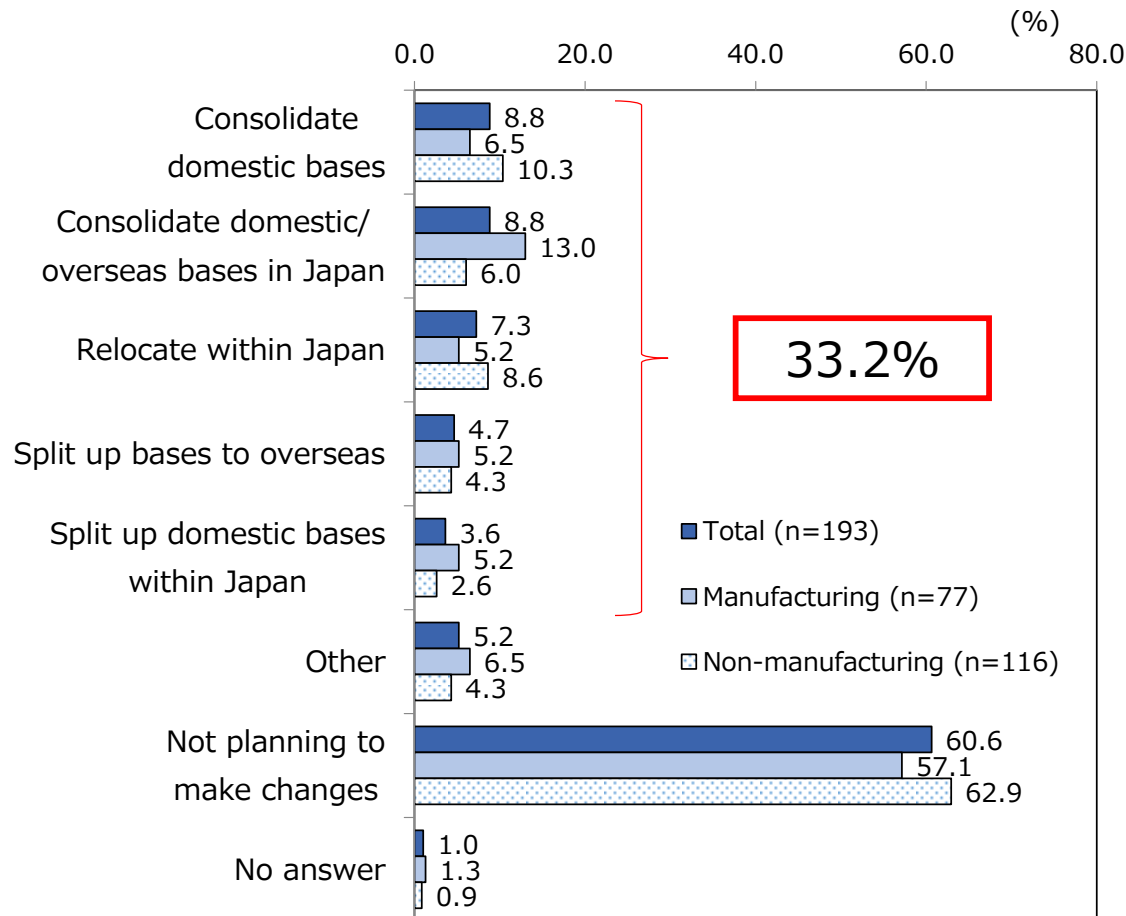
Attractiveness of Japan (total·by industry)



(2) Business Operations after COVID-19

- For the future management of business bases, 60.6% answered “Not planning to make changes” whereas 33.2% answered they would make changes. The strategy choices of changes varied among consolidation, relocation, and split-up of domestic and/or overseas bases.

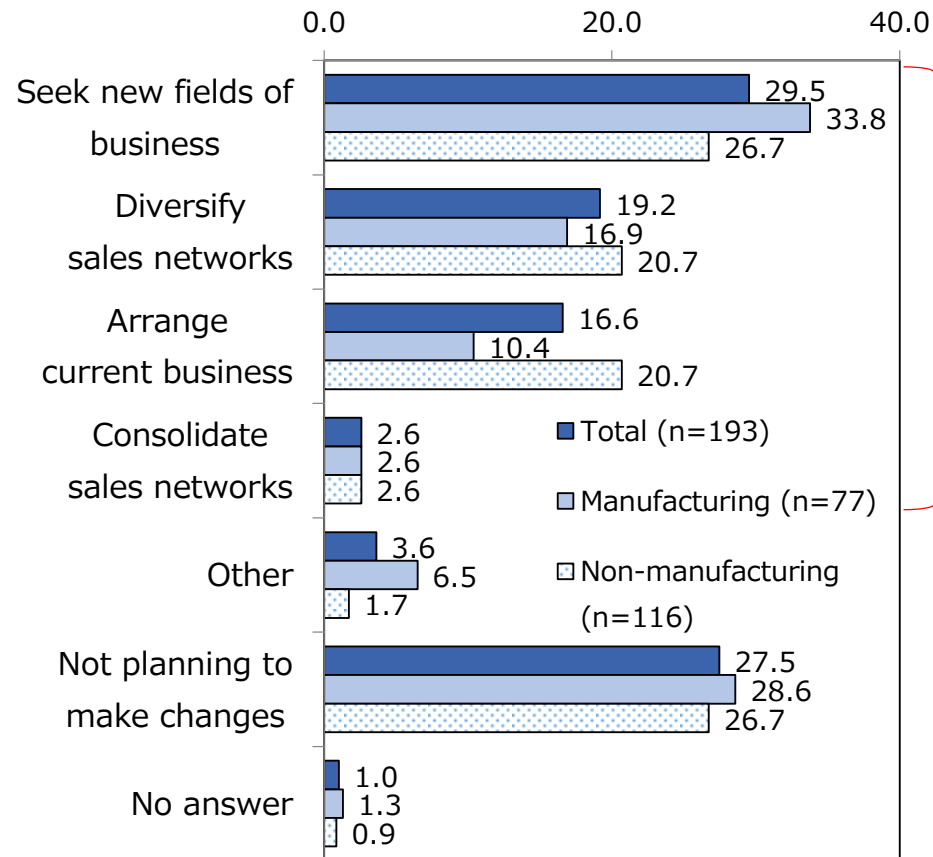
Management of Business Bases (total·by industry)



(2) Business Operations after COVID-19

- As for the future business operations, 67.9% answered they would make some sort of changes while 27.5% answered “Not planning to make changes.”
- Among those that would make changes, the most common answer was “Seek new fields of business” at 29.5% (overall).

Future Business Operations (total·by industry)
(%)

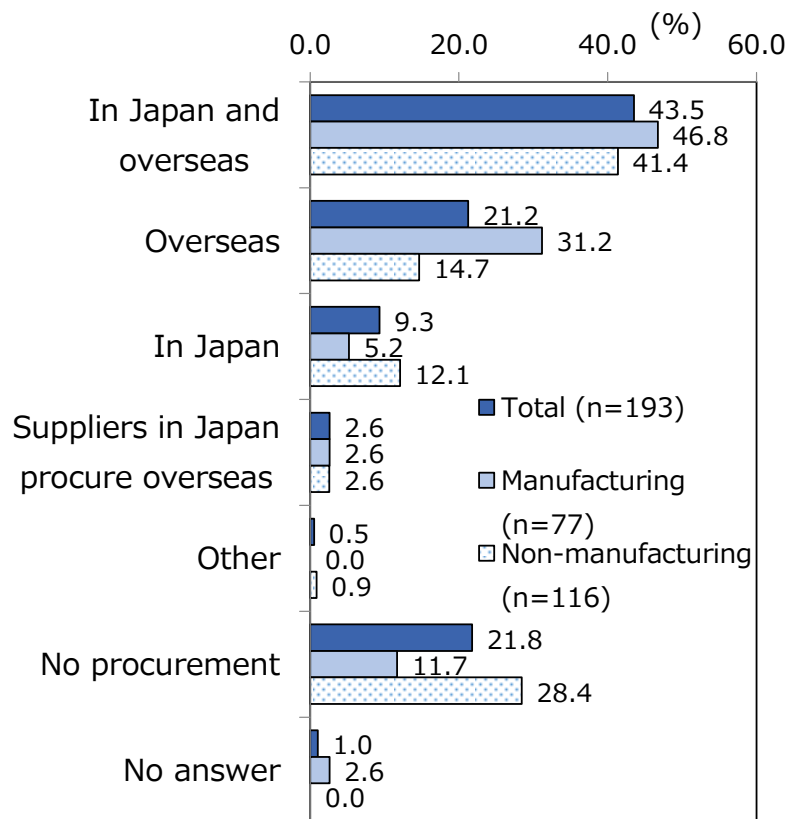


67.9%

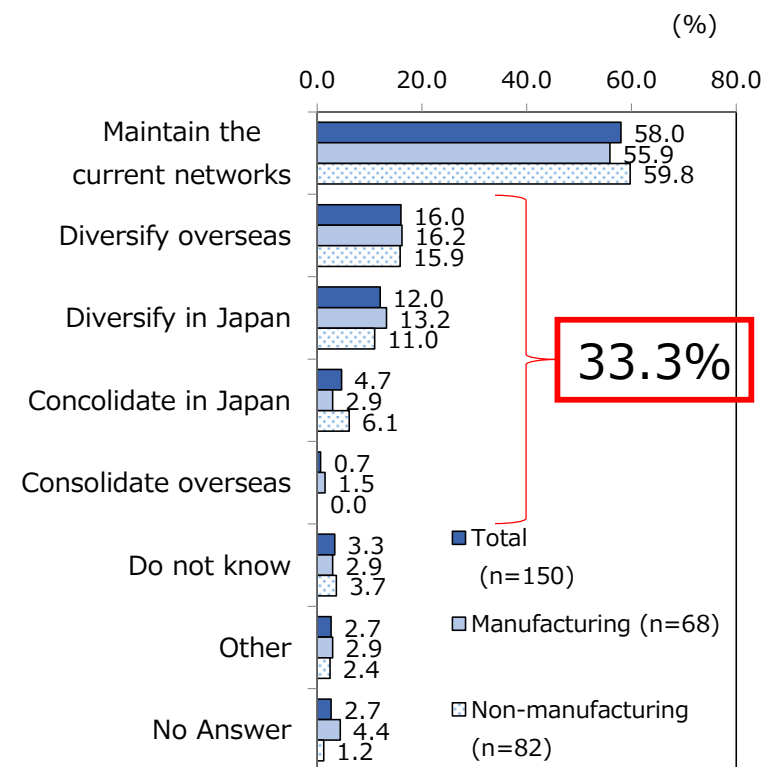
(2) Business Operations after COVID-19

- The largest number of companies, 43.5%, answered they currently procure “In Japan and overseas,” followed by “Overseas” at 21.2%.
- As for the future procurement, 58.0% answered they would “Maintain the current networks” while 33.3% answered they would make some change. Among the changes, “Diversify overseas” was the top answer (16.0% overall), followed by “Diversify in Japan” (12.0% overall).

Current Procurement (total·by industry)



Future Procurement (total·by industry)

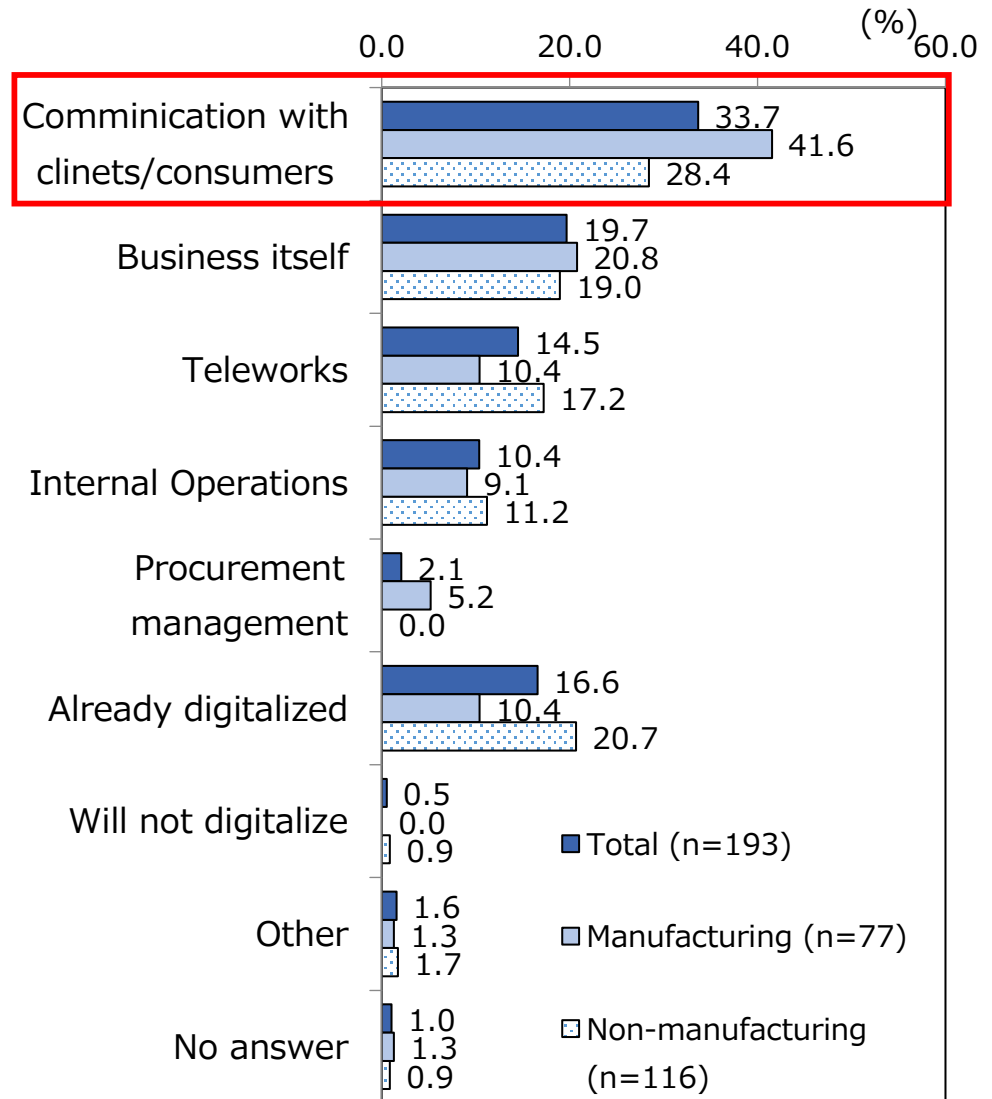


Note : n is the companies that procure.

(2) Business Operations after COVID-19

Future Digitalization (total·by industry)

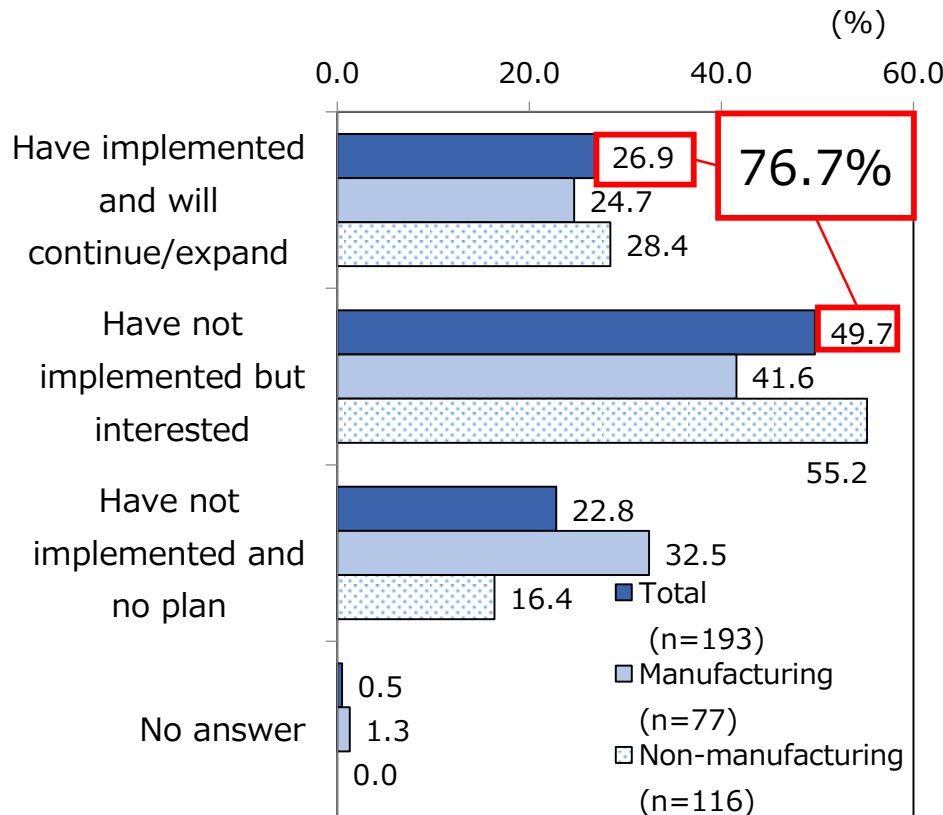
- 33.7% of the companies answered “Communication with clients/consumers” as the most important aspect of the future digitalization. In particular, 41.6% of the manufacturing companies chose the answer.
- The second overall most common answer was “Business itself” at 19.7%.
- The third overall most common answer was “Already digitalized” at 16.6%. 20.7% of the non-manufacturing companies chose the answer, the rate of which was about twice larger than the manufacturing (10.4%).



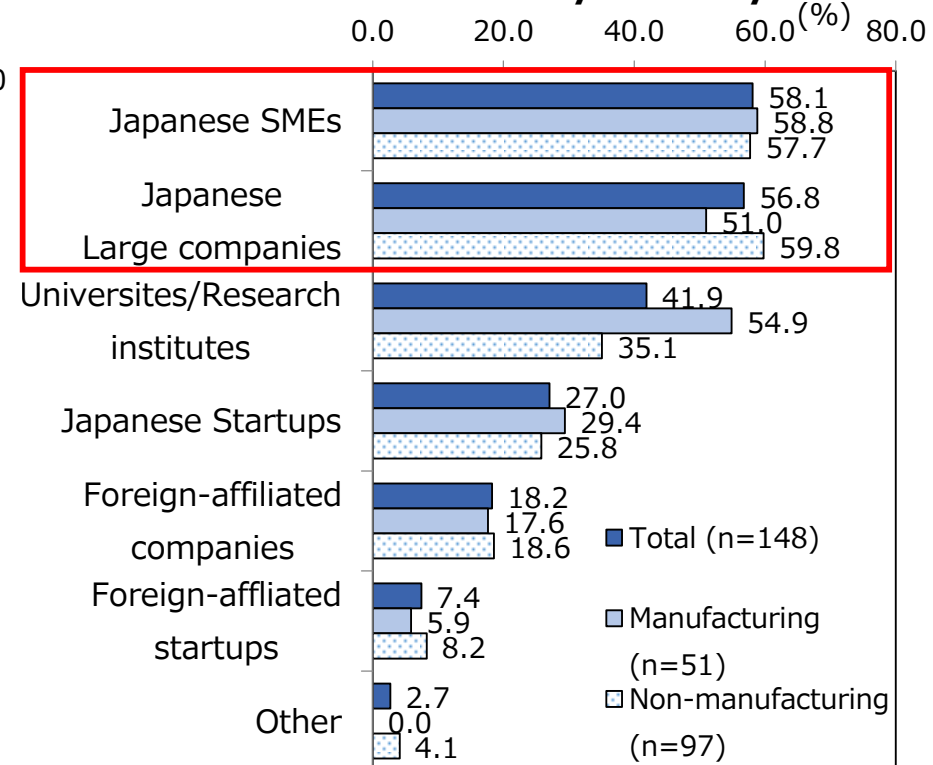
(2) Business Operations after COVID-19

- On open innovation (OI) in Japan, 26.9% answered they “Have implemented and will continue/expand” while 49.7% also answered they “Have not implemented but interested.” In total, 76.7% showed positive attitude towards OI.
- The most common answer as entities for the partners was “Japanese SMEs” at 58.1%. The answers varied among industries.

OI Efforts in Japan (total·by industry)



Partner of OI (total·by industry)

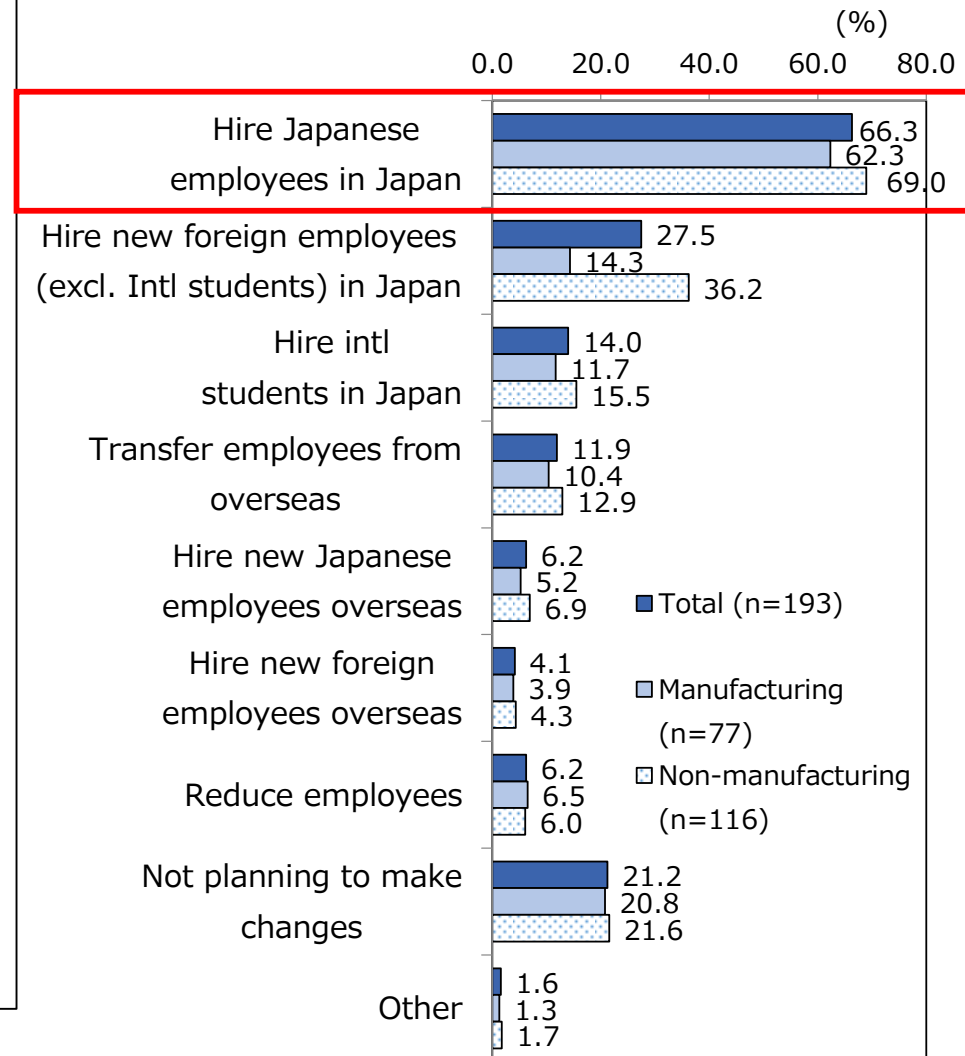


Note : n is companies that have engaged in or were interested in open innovation in Japan.

(2) Business Operations after COVID-19

- The top answer for the future employment for domestic business operations was “Hire Japanese employees in Japan,” regardless of industries (overall:66.3%, manufacturing:62.3%、non-manufacturing:69.0%).
- “Hire new foreign employees (excl. international students) in Japan” was the second most common answer at 27.5% overall. By industry, 36.2% of the non-manufacturing companies chose the answer, which was over twice larger than the manufacturing companies (14.3%).

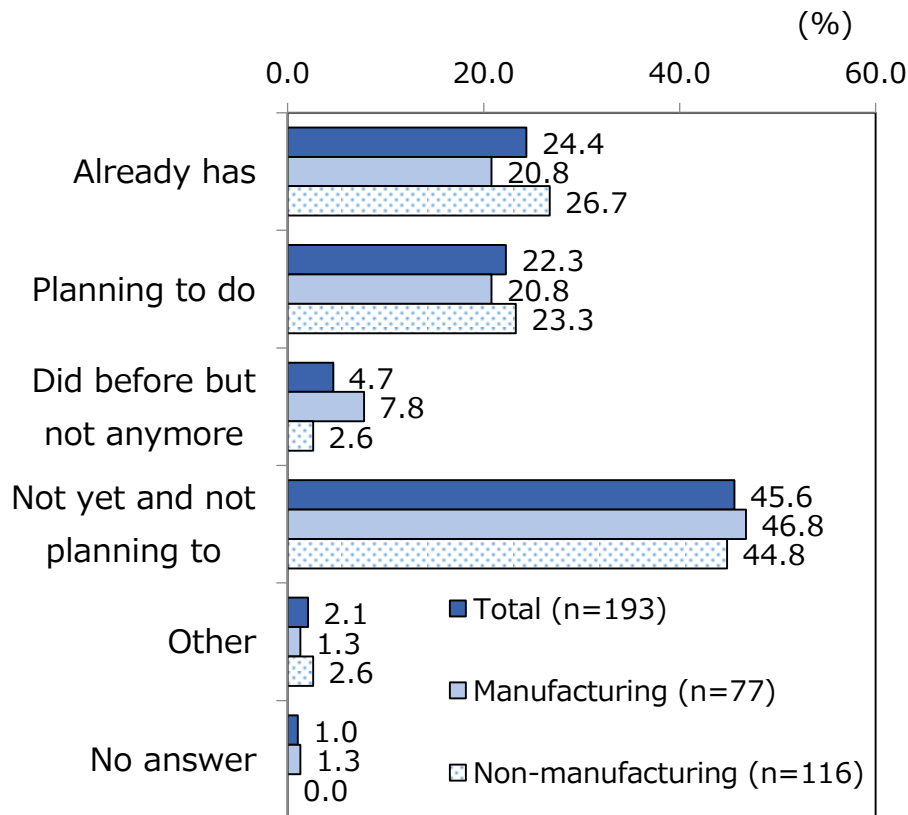
Future Employment (total·by industry)



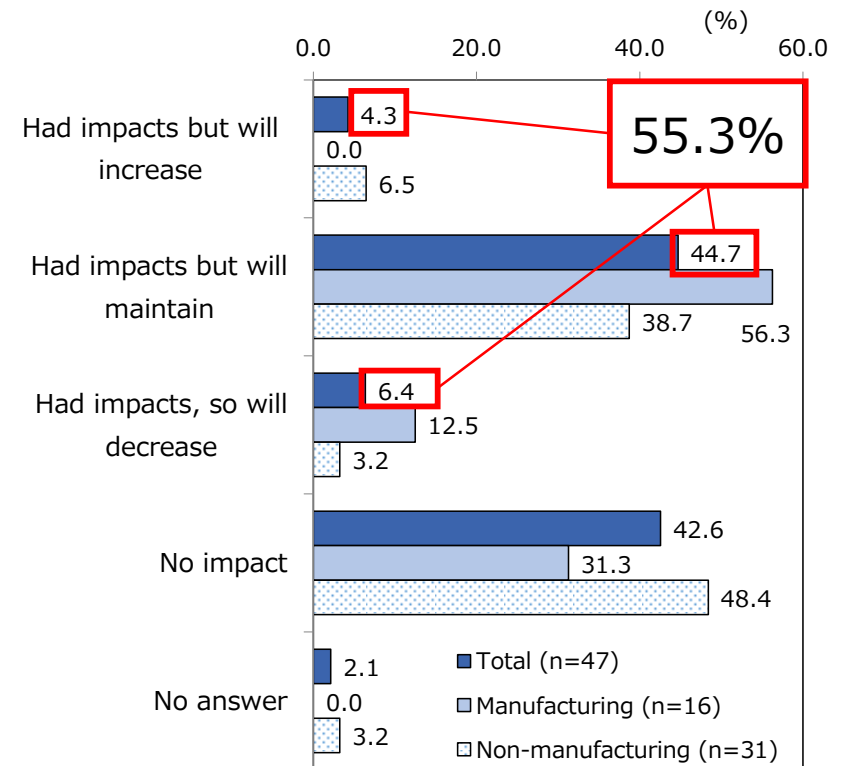
(2) Business Operations after COVID-19

- For the use of “highly-skilled professional visa,” 51.3% answered either they had used the system before or they were interested in doing so.
- Among companies that are currently using the system, 55.3% of them answered the COVID-19 has had impacts on the use. Most of these companies, however, answered they would increase or maintain the use, despite the impacts.

Use of Highly-skilled Professional Visa (total·by industry)



Future Use of Highly-skilled Professional Visa (total·by industry)

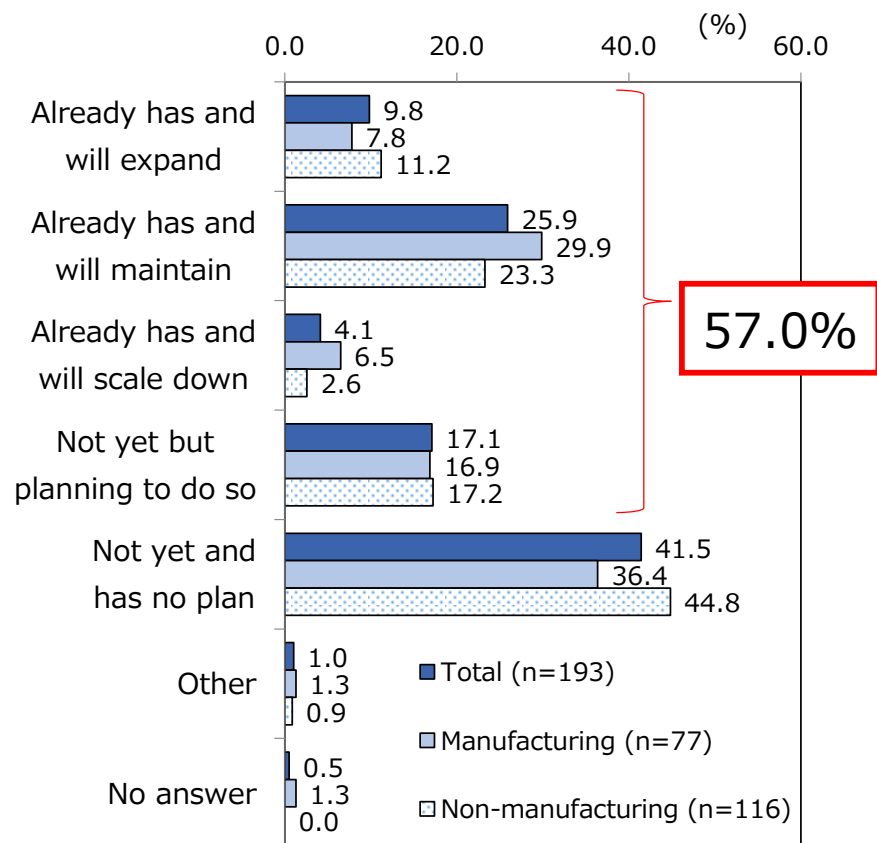


Note : n is companies that are currently using the highly-skilled professional visa.

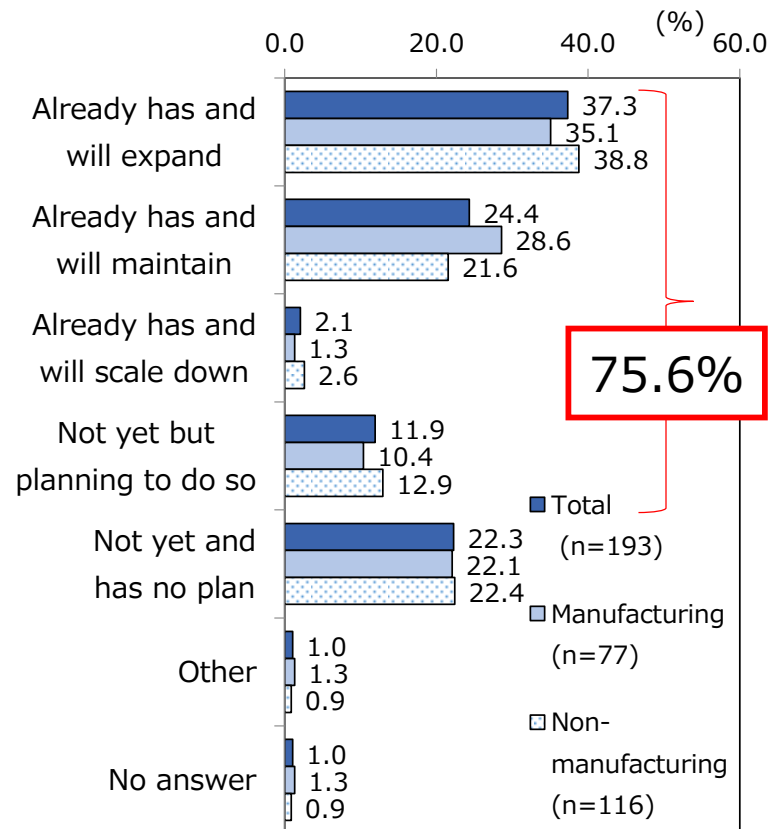
(3) Investment/Business in Regions

- On investment in regions, 57.0% answered either they have already invested or were planning to do so. About 40% have already invested in regions, the destinations of which were commonly observed in Osaka, Kanagawa, and Aichi.
- On business relationships with companies in regions, 75.6% answered either they have already done or were interested in planning to do so. "Already has and will expand" was the most common answer at 37.3%.

Investment in Regions (total·by investment)



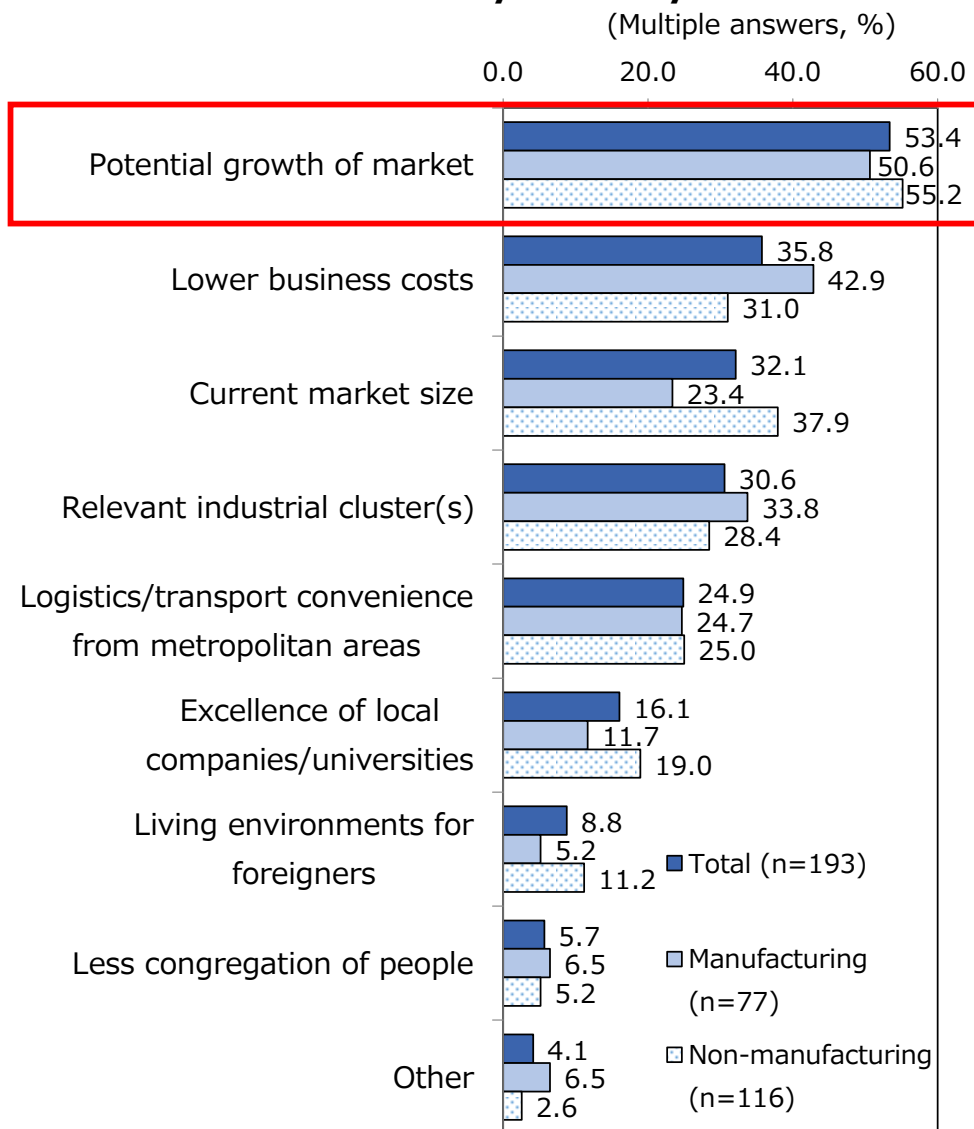
Business in Regions (total·by industry)



(3) Investment/Business in Regions

- When considering in investing in regions, more than half, 53.4%, of the companies answered “Potential growth of market” as the most important factor. Regardless of industries, the answer was the most common among the factors.
- Overall, “Lower business costs” (35.8%), “Current market size” (32.1%), and “Relevant industrial cluster(s)” (30.6%) follow the top answer.
- By industry, a couple of differences were observed. A number of the manufacturing companies chose “Lower business costs” and “Relevant industrial cluster(s)” (42.9% and 33.8% of the manufacturing companies, respectively), whereas many of the non-manufacturing companies chose “Current market size” (37.9 % of the non-manufacturing companies).

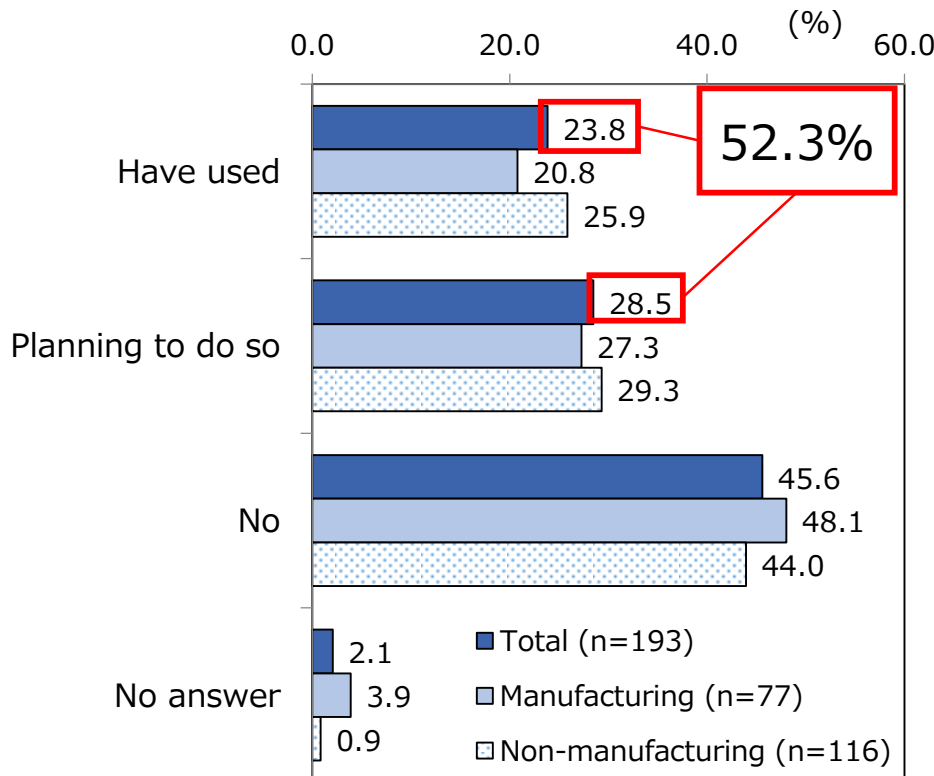
Factors to Consider in Investment in Regions (total·by industry)



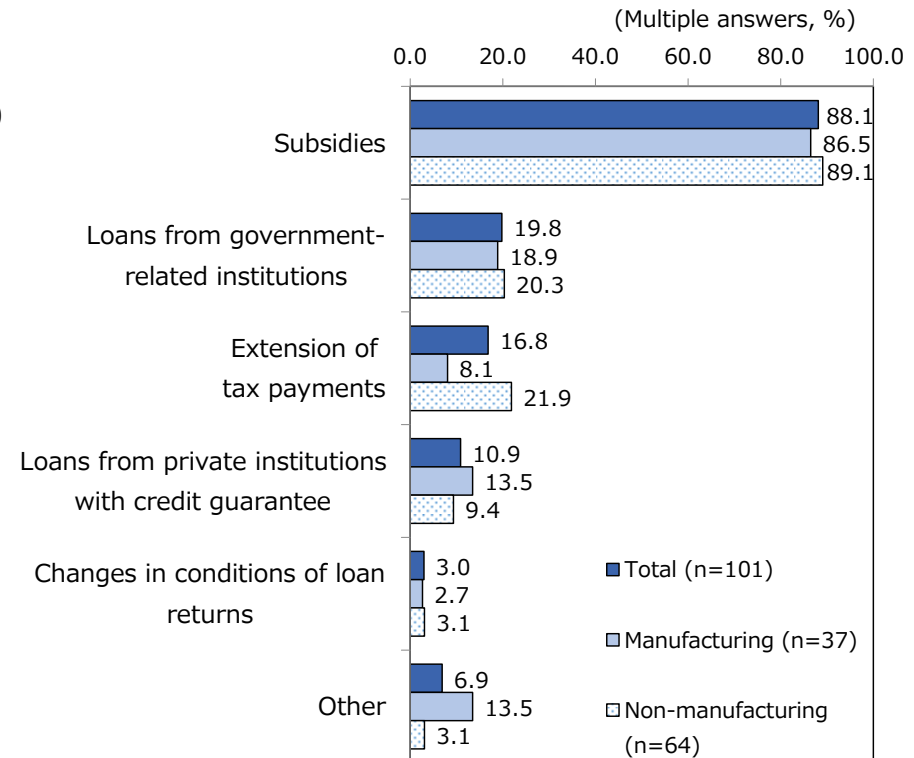
(4) On Government Policy Measures

- 23.8% answered they “Have used” the government supports introduced in response to the COVID-19 while 28.5% answered they were “Planning to do so.” In total, over half, 52.3%, answered they have used or were planning to do so.
- Among various support measures, 88.1% answered they have used or were planning to use the support of “subsidies.”

Use of Government Support in Response to COVID-19 (total·by industry)



Government Supports (total·by industry)

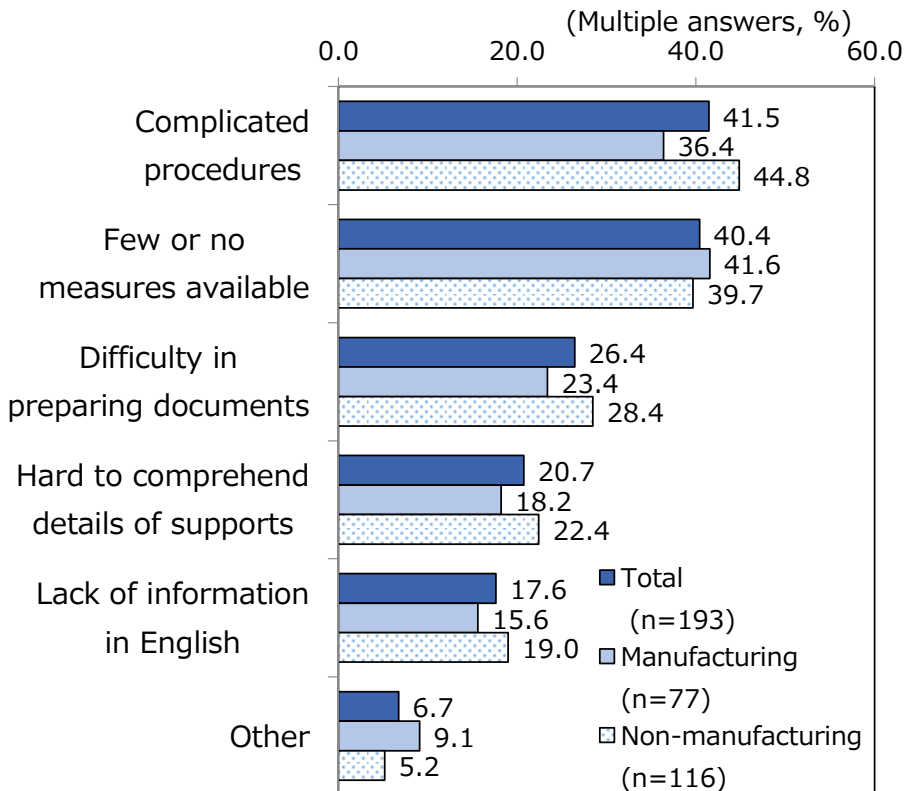


Note : n is companies that have used or were planning to use government supports for the COVID-19.

(4) On Government Policy Measures

- 41.5% of the companies raised “Complicated procedures” as the issue of government support measures, followed by “Few or no measures available” at 40.4%.
- Among the comments on government supports were observed positive comments such as “Adequate support measures.” On the other hand, comments were also observed on complicated procedures as well as the speed of the processing.

Issues in Government Supports (total·by industry)



Comments on Government Supports

- The procedures required are too complex and are not applicant-friendly. Some relevant counters were not open, which incurred additional time for preparing the documents.
 - Compared to other countries, it took longer for Japan to introduce support measures. The process of the support from applications to benefits are also slow.
 - There is no information on an overall picture of all the supports, which made it hard to grasp the entire support measures. Also, we could use more detailed information in English.
- etc.

Note : JETRO’s summary based upon the actual comments.

(4) On Government Policy Measures

- On other government policy measures, more than one third of the comments were on the entry restrictions of foreigners from certain countries, a policy imposed by the Japanese government. Other companies were concerned with digitalization of administrative procedures.

On Entry Restrictions

- Japan needs to treat visa holders and their family members in the same way as Japanese nationals. Policies that differentiate the treatment by nationality are not adequate public health policies and are damaging attractiveness of Japan as a place for investment and business operations.
- The entry restrictions of long-term foreign residents and business persons has lowered attractiveness of Japan as a country for regional headquarters. The risks of COVID-19 infections for the Japanese are just as high as foreigners, and the current policy cannot be legitimized.
- The policy has hindered planned business development in Japan. At this moment, it has been difficult to plan ahead without government announcement of future policy plans.

etc.

On Digitalization of Procedures

- Digitalization of procedures in Japan are lagging among developed countries.
- Not only the process itself is complicated but hard copies and stamps are required, which adds complication. These procedures should be able to completed online.

etc.

Other comments

- More support measures, regardless of industries, are desired for foreign-affiliated companies that are expanding business in Japan, despite the COVID-19.
- Simplification and/or more efficient processes for visa application.

etc.



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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