

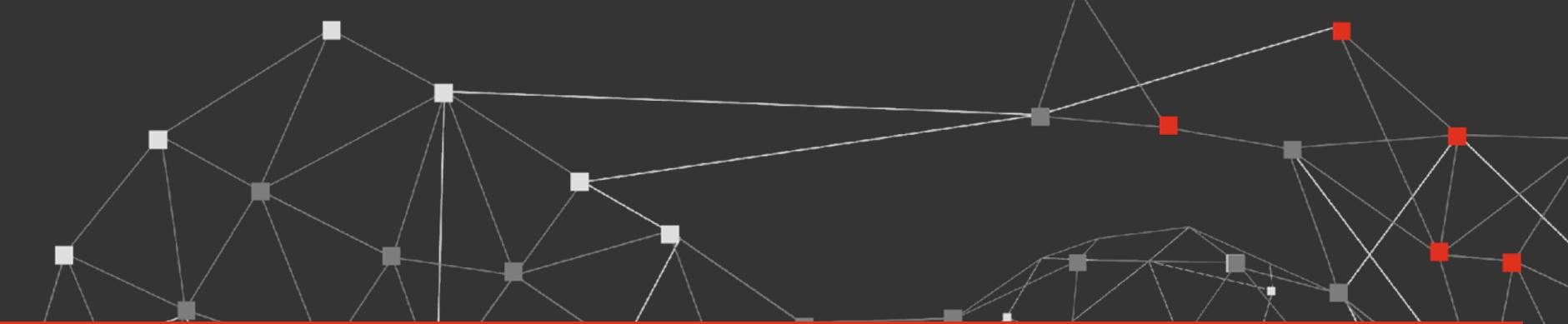
COVID-19

April 2020

PwC's COVID-19 CFO Pulse Survey

Japan Edition

PwC Japan Group



About the PwC CFO Pulse Survey

PwC is investigating the concerns, challenges and countermeasures of companies with regard to COVID-19. In the previous survey, we surveyed eight countries and 150 CFOs. For the outcomes of the previous survey, please refer to [\(Link\)](#).

The second survey, conducted on April 6, targeted 824 CFOs in 21 countries and regions, including Japan.

PwC will continue to expand the survey's geographic and businesses coverage to explore the implications for people and companies worldwide of the threat posed by the spread of COVID-19.



Japanese CFOs acknowledge the potential impact of COVID-19 and are cautious about mergers and acquisitions as well as future turnaround.

Executive Summary

71% of CFOs say the pandemic has the potential to significantly impact their business, while approximately 80% of CFOs say their revenues have been adversely affected.

43% of CFOs are finding it difficult to assess their M&A strategy at the moment. In addition, 13% of CFOs worldwide show willingness to increase M&A activity, compared with 0% in Japan.

33% of Japanese CFOs foresee their business returning to normal within three months if the COVID-19 pandemic were to end immediately, compared with 56% of global CFOs.



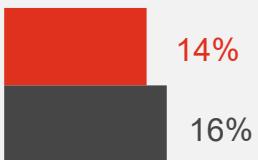


Q. What is your company's current level of concern related to COVID-19?

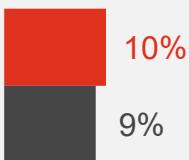
COVID-19 has the potential for significant impact to our business operations and it is causing us great concern.



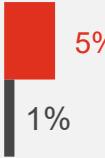
COVID-19 is limited to specific regions in our business currently, but we are monitoring closely.



COVID-19 is an isolated challenge and not greatly impacting our business currently, but we are monitoring the situation for any change.



COVID-19 is not currently impacting our business.



Note: Sums may not total 100 due to rounding.

Source: PwC, COVID-19 CFO Pulse, 6 April 2020

Base: Global 824 (Japan 21)

■ Japan

■ Multi-territory

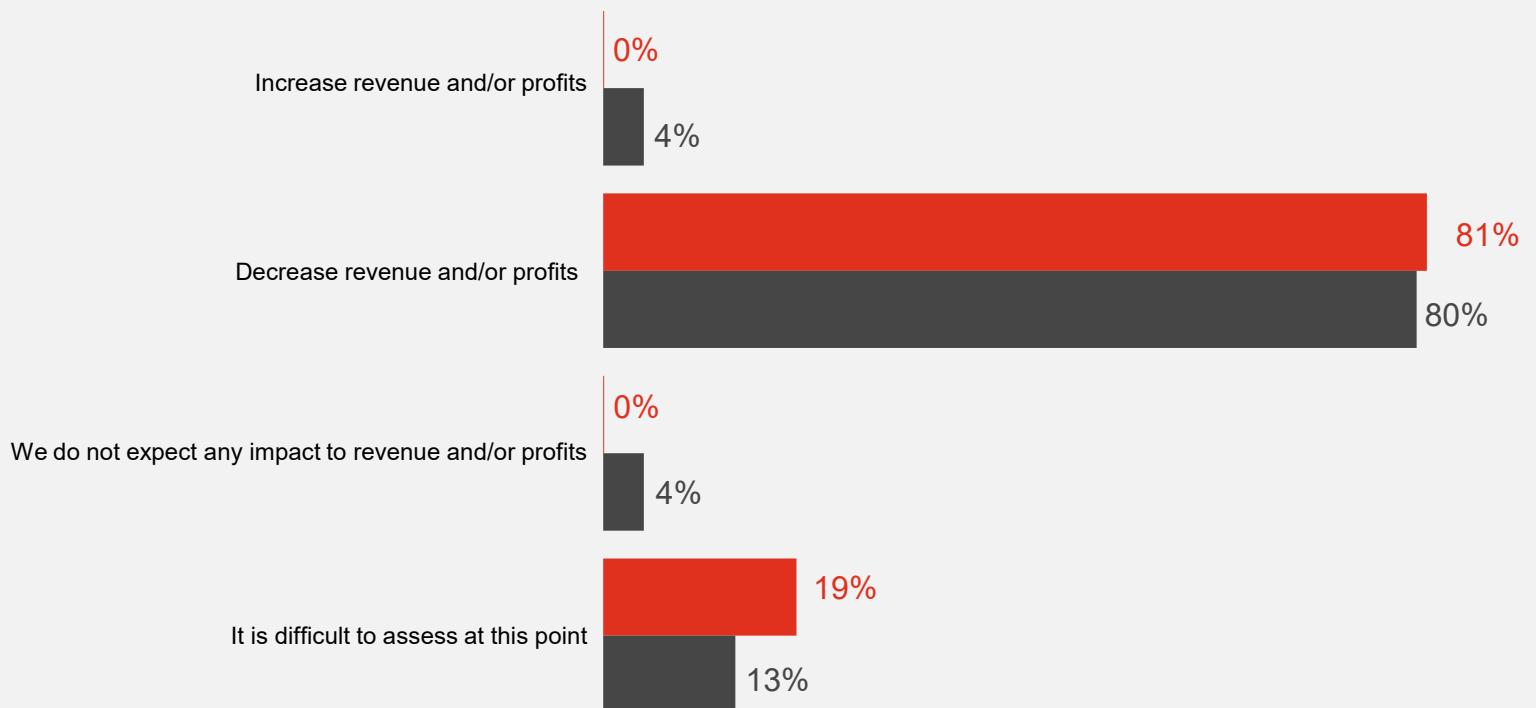
Japanese CFOs say the pandemic has the potential to significantly impact their business operations and they regard it as a concern

71%

Approximately 70% of CFOs say the pandemic has the potential to significantly impact their business and only 5% of respondents say their businesses are not affected at the moment. 95% of surveyed Japanese companies say they have already been affected—almost the same result as for companies in the global survey.



Q. What impact do you expect on your company's revenue and/or profits this year as a result of COVID-19?



Note: Sums may not total 100 due to rounding.

Source: PwC, COVID-19 CFO Pulse, 6 April 2020

Base: Global 824 (Japan 21)



Japan



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4 out of 5 CFOs expect a decrease in revenue and/or profits as a result of COVID-19

81%

This survey revealed that the impact of the COVID-19 pandemic is likely to affect the performance of Japanese companies.

Regarding the potential impact of the pandemic on this year's revenue and profits, 81% of respondents predict a decline, while 19% say it is difficult to assess the impact at this point. In contrast, 0% say they do not expect any impact on revenue and/or profits.

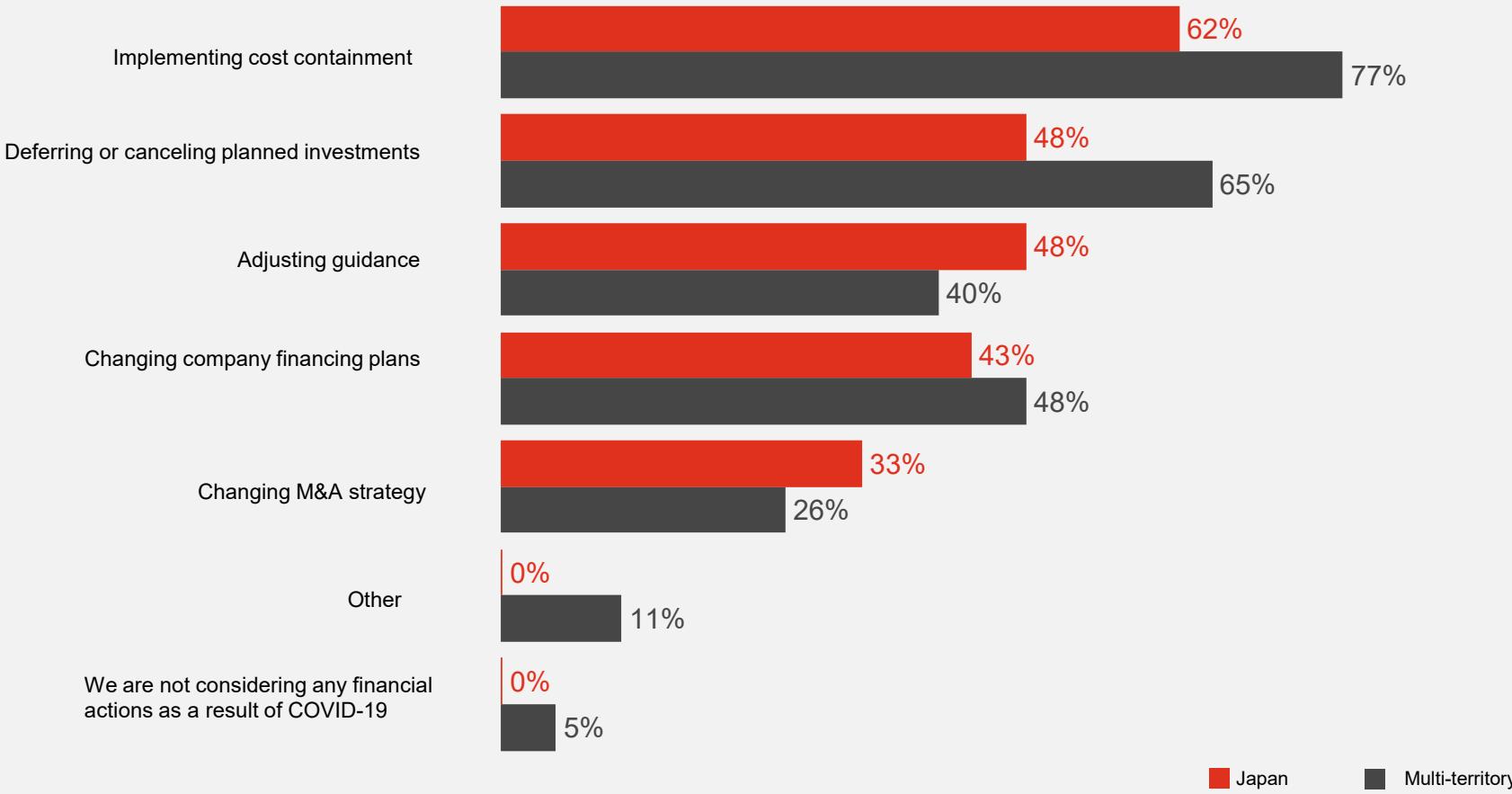
However, some enterprises in the global survey responded positively with regard to business performance.

Japanese CFOs are considering cost-containment measures

62%

CFOs are considering a number of measures in response to COVID-19, and approximately half of the CFOs in Japan say they are considering implementing cost-containment measures (62%), deferring or canceling planned investments (48%), or adjusting guidance (48%). No respondents said they are not considering any financial responses.

Q. Which of the following financial actions is your company considering as a result of COVID-19?
Select all applicable items.



Note: Sums may not total 100 due to rounding.

Source: PwC, COVID-19 CFO Pulse, 6 April 2020

Base: Global 824 (Japan 21)

And Japanese CFOs are deferring or cancelling planned investments in operations

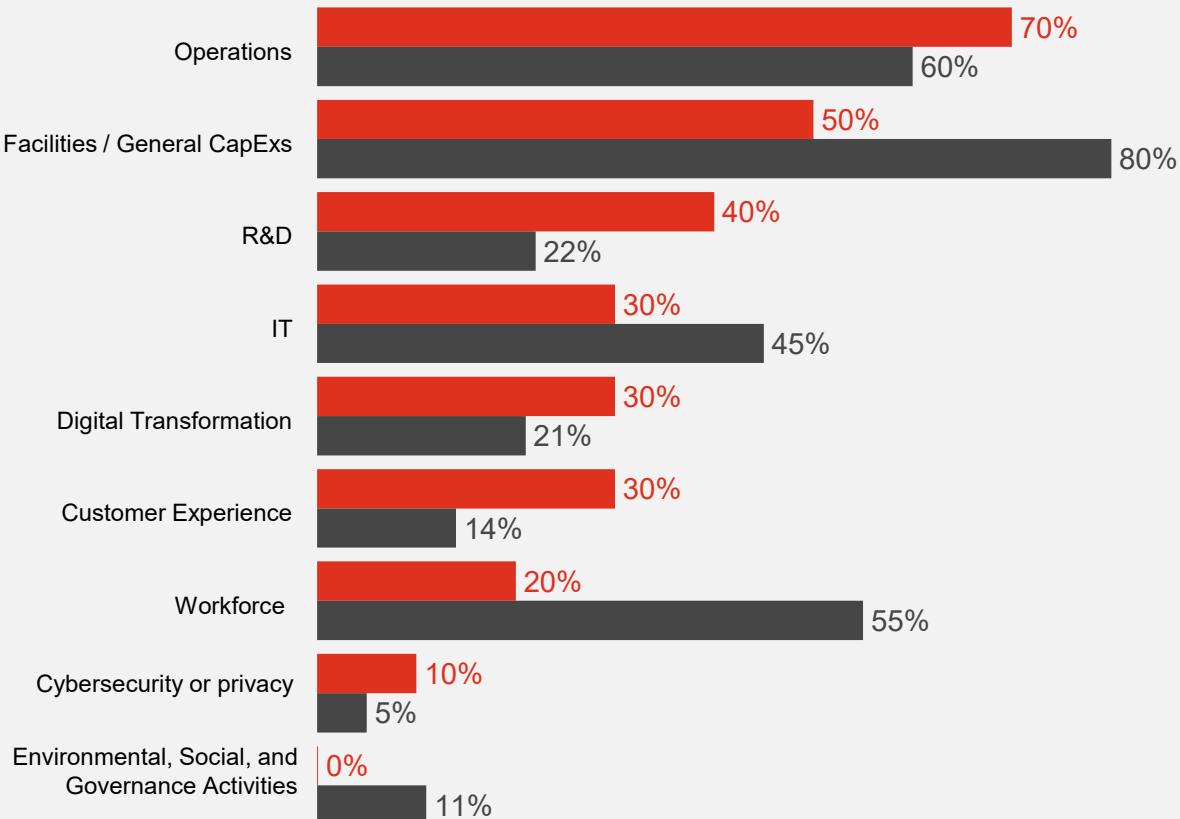
70%

Japanese CFOs are considering deferring or suspending their investment in operation costs (70%); facilities/general capital expenditures (50%); and R&D (40%).

In the global survey overall, the most common investment is in facilities/general capital expenditures (80%), followed by operations (60%), and workforce (55%).

Compared to overseas enterprises, Japanese companies have relatively little incentive to refrain from investing in their workforce. Conversely, they have more incentive to refrain from investing in customer experience and R&D.

Q. You mentioned your company is considering deferring or canceling planned investments as a result of COVID-19. Which of the following investment types are being considered in that regard? Select all applicable items.

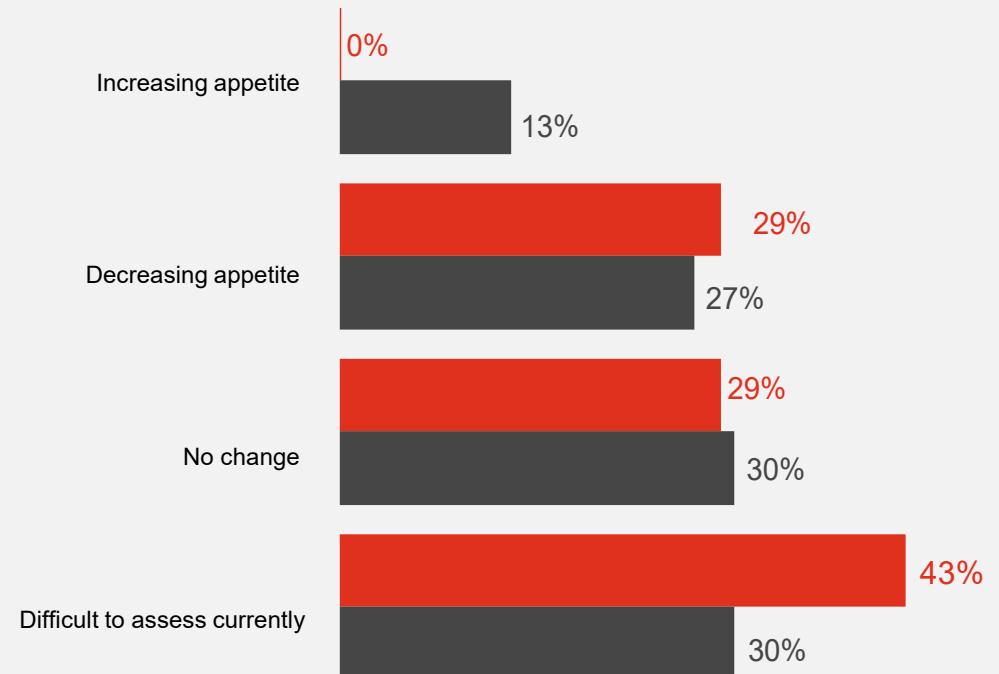


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Base: Global 824 (Japan 21)

■ Japan ■ Multi-territory



Q. How is COVID-19 affecting your M&A strategy?



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Source: PwC, COVID-19 CFO Pulse, 6 April 2020

Base: Global 824 (Japan 21)

■ Japan

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Japanese CFOs are finding it difficult to assess their M&A strategy at the moment, taking a prudent attitude.

43%

The impact of the COVID-19 pandemic on M&A is uncertain and many CFOs (43%) are finding it difficult to assess their M&A strategy at the moment.

In the global survey overall, 13% of respondents say they are increasingly willing to engage in M&A, compared with 0% of Japanese CFOs.

Either way, this result suggests that many companies are still in the first phase of their COVID-19 response, meaning that companies are implementing crisis management measures to cope with issues that require immediate action and have not yet begun to consider what actions they need to take for when the situation returns to normal.

At present, more than half of Japanese companies have not considered supply chain modifications

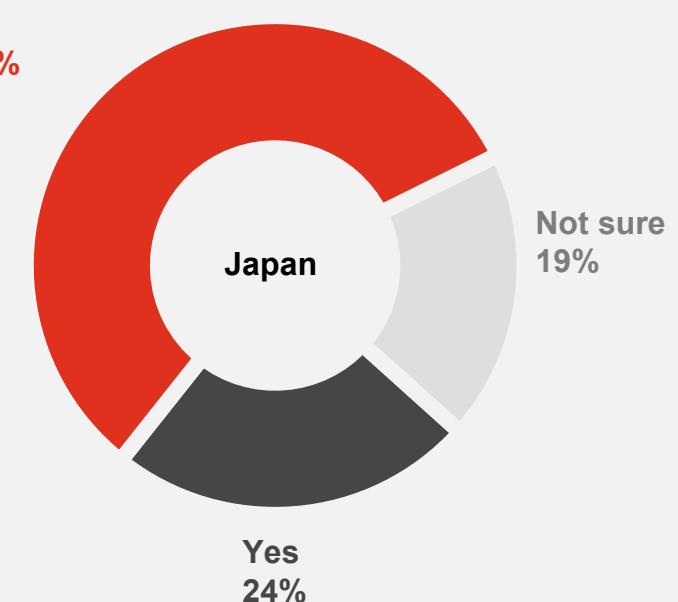
57%

More than half of Japanese CFOs say they are not considering changes to their supply chains in response to the uncertainties or the current situation.

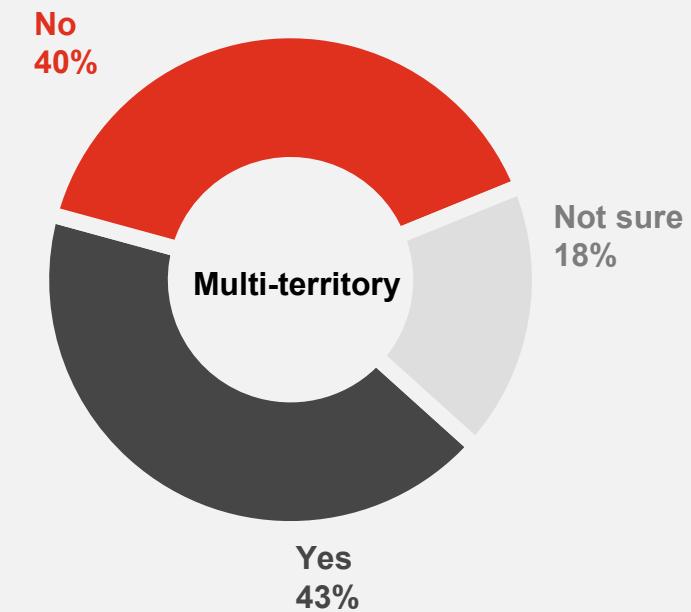
In the global survey overall, 43% of CFOs say that they have begun to assess and consider making changes to the supply chain in view of the global COVID-19 pandemic.

However, the majority of Japanese CFOs are currently not considering changes or not sure about making changes, which echoes the results on the previous page indicating that most of companies are still in their first phase of COVID-19 crisis response.

Q. As a result of COVID-19, are you considering changes in your supply chain (e.g., vendors, facilities, markets)?



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Source: PwC, COVID-19 CFO Pulse, 6 April 2020
Base: Global 824 (Japan 21)



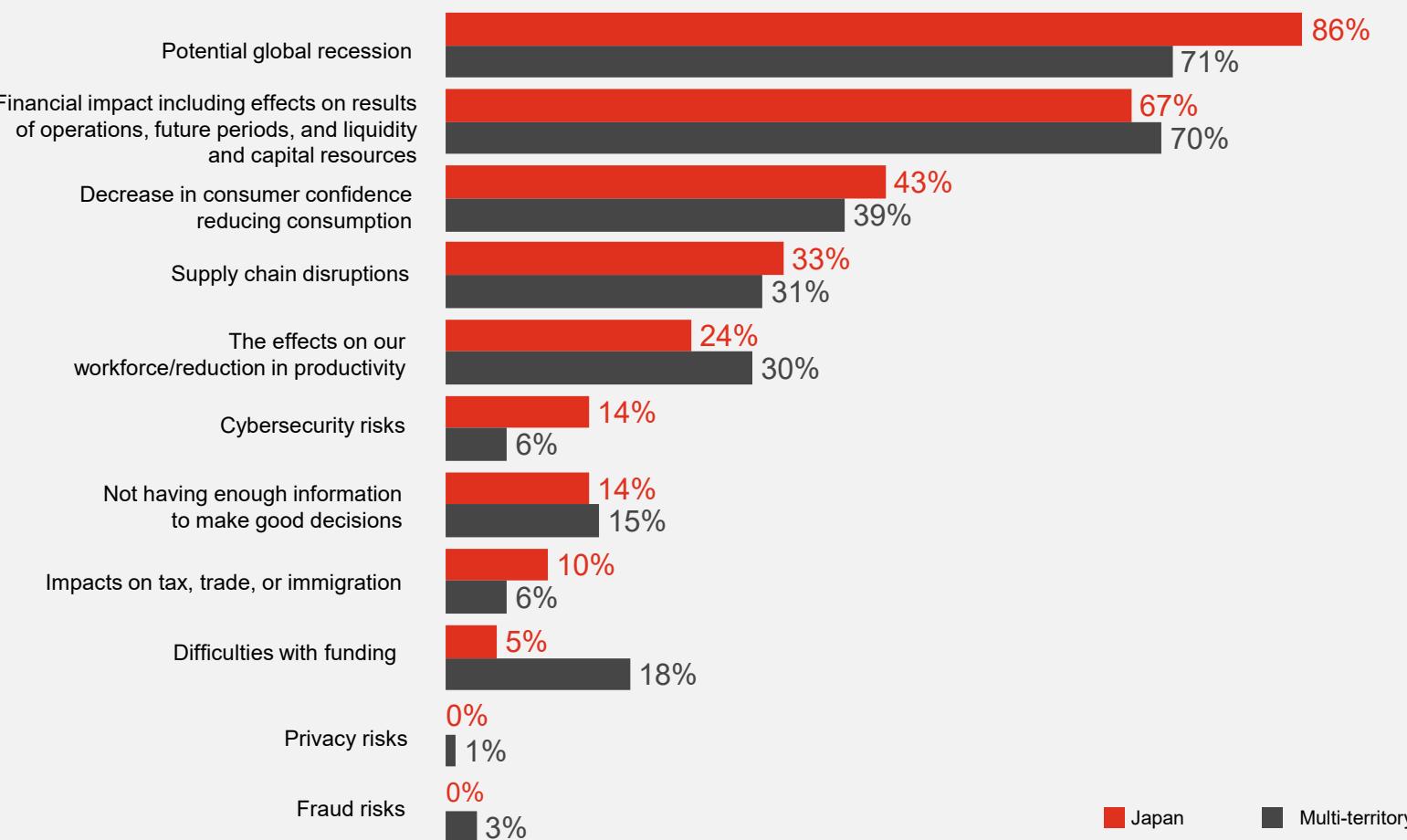
CFOs' three top concerns are the potential global recession, financial impact of the pandemic, and decrease in consumer confidence.

86%

The three most worrisome issues for CFOs are the likelihood of a global recession (86%), financial impact of the pandemic (67%)—including its effect on operational results, future periods, and liquidity and capital resources—and decrease in consumer confidence (43%).

These findings are similar to those for the global survey overall. Japanese CFOs have relatively more concerns about cybersecurity risks and relatively fewer concerns about difficulties with funding.

Q. What are your top 3 concerns with respect to COVID-19? (Select up to 3)



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Source: PwC, COVID-19 CFO Pulse, 6 April 2020

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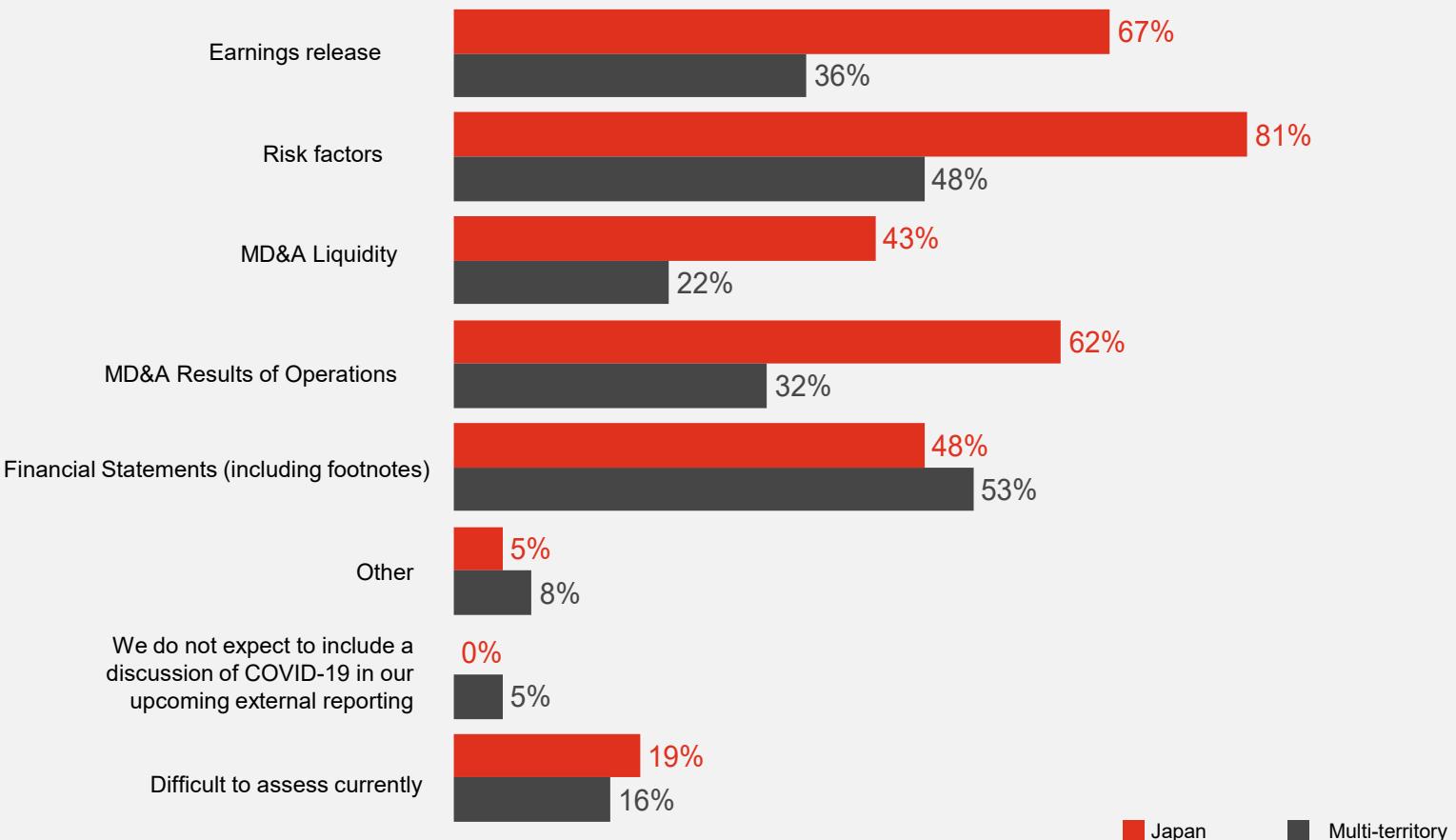
Japanese CFOs expect to include discussion on COVID-19 in the Risk factors section of their external reports

81%

Approximately 20% of respondents said that it is difficult to assess at this point what to include in upcoming external reports, but 80% of Japanese CFOs anticipate including discussion of COVID-19-related impacts in several external reports.

Almost the same as with the global survey, financial statements would also be items to be included in external reports, but Japanese CFOs are more likely to include discussion of COVID-19-related impacts.

Q. In which sections of your upcoming external reporting do you expect to include a discussion of COVID-19?



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Source: PwC, COVID-19 CFO Pulse, 6 April 2020

Base: Global 824 (Japan 21)

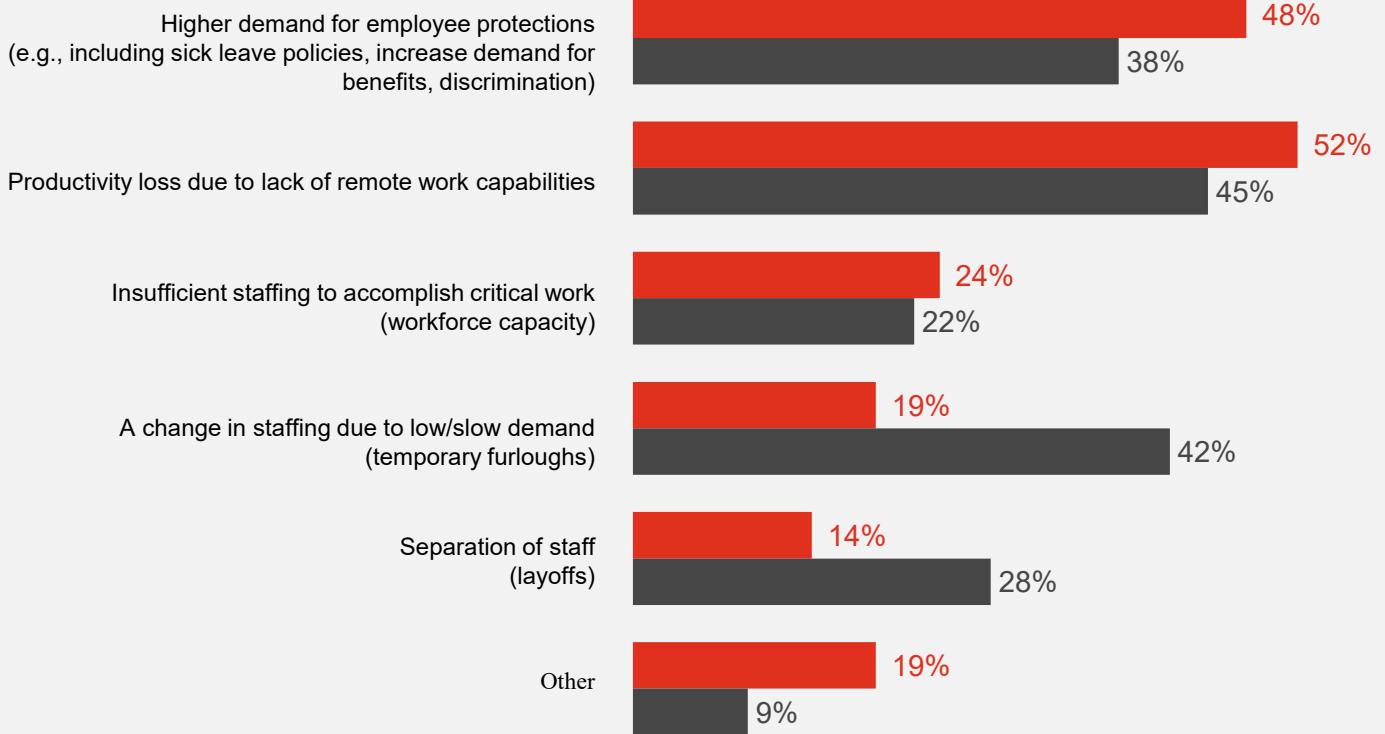
Despite concerns regarding productivity decline (52%), only a minority of Japanese companies are considering layoffs

14%

Globally, 42% of CFOs are considering temporary furloughs, whereas expectations of temporary furloughs or layoffs occurring tend to be lower in Japan (19% and 14%, respectively), with companies showing a higher awareness of maintaining employment.

However, compared with the global survey results, 19% of Japanese respondents chose "Other", indicating that the options provided in this question may not adequately reflect the situations of Japanese companies.

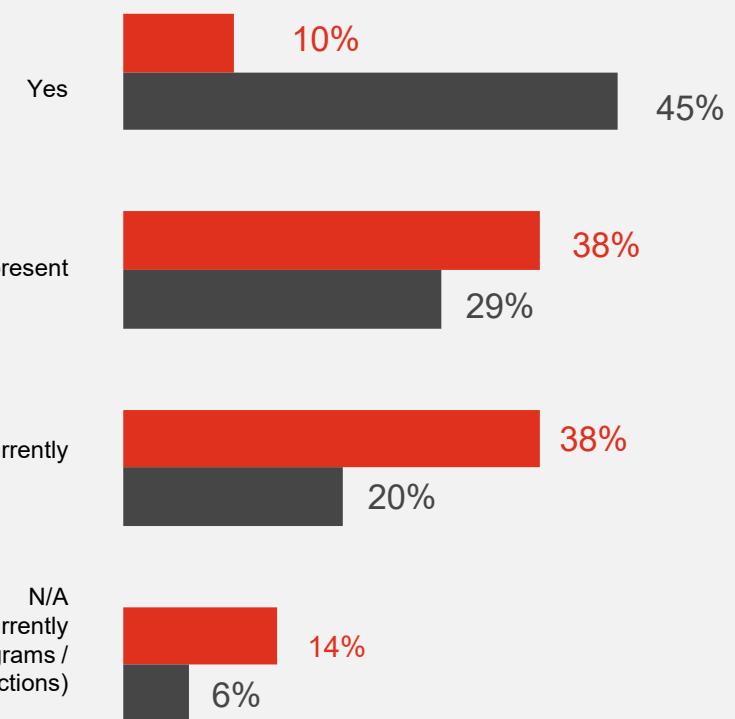
Q. As a result of COVID-19, which of the following does your company expect to occur in the next month?



Note: Sums may not total 100 due to rounding.
Source: PwC, COVID-19 CFO Pulse, 6 April 2020
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**Q. Is your company planning on or considering taking advantage of any government program/action designed to address the economic fallout from COVID-19?
(Select one)**



Note: Sums may not total 100 due to rounding.
Source: PwC, COVID-19 CFO Pulse, 6 April 2020
Base: Global 824 (Japan 21)

■ Japan ■ Multi-territory

Most companies in Japan do not plan to take advantage of government programs

76%

More than a third of Japanese CFOs say they are not considering or are having difficulty deciding at this time whether or not to take advantage of government assistance programs (38%), which comprises around 80% of total responses.

As of April 2020, Japan's Ministry of Economy, Trade and Industry has created a number of programs to assist companies, many of which target small- and medium-sized companies and small business operators and so may not be the Japanese companies surveyed in this study. ([METI assistance programs](#))



Approximately 70% of Japanese CFOs foresee that it will take three months or longer for their business to return to normal

68%

Some 68% of Japanese CFOs say they anticipate that it would take three months or longer for their company to get back to “business as usual” if the COVID-19 epidemic were to end immediately. In contrast, only around 30% of enterprises anticipate a recovery within three months.

More than half (56%) of the respondents in the global survey expect to recover within three months.

Q. If COVID-19 were to end today, how long would you estimate it would take for your company to get back to “business as usual”?

Japan



Multi-territory



Note: Sums may not total 100 due to rounding.
Source: PwC, COVID-19 CFO Pulse, 6 April 2020
Base: Global 824 (Japan 21)

Evolution of crisis response by CFOs/ financial managers

As the COVID-19 crisis progresses, there is a need for CFOs and financial managers to finalize plans in particular areas. Many companies are still in the early phases of their crisis response, and few companies currently have an overall picture of their recovery and what decisions need to be made.

As COVID-19 infections peak in more and more countries, we hope this report will assist Japanese companies with their response to the crisis, and we will continue to conduct surveys in order to monitor the attitudes and behaviors of CFOs and financial managers and share information on how their responses evolve over time.



About the survey

To help identify the business and economic impact of COVID-19, PwC is conducting a global, biweekly survey of finance leaders. Of the 824 surveyed for the global report during the week of 6 April 2020, respondents were from 21 countries or territories: Armenia, Brazil, Colombia, the Czech Republic, Denmark, France, Germany, Greece, Ireland, Japan, Kazakhstan, Mexico, Middle East*, Netherlands, Philippines, Portugal, Singapore, Sweden, Switzerland, Thailand and the US.

* Representatives from Bahrain, Oman, Qatar, KSA, Kuwait, UAE, Egypt, Jordan, Lebanon and Palestine

For more information, please visit:

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