

JETRO's Quick Business Survey: Summary of Responses of Japanese Companies in the United States (March, 24-26, 2020)

KEY TOPIC: Business Concerns and Reactions to COVID-19

March 27, 2020

Japan External Trade Organization (JETRO)

New York
San Francisco
Los Angeles

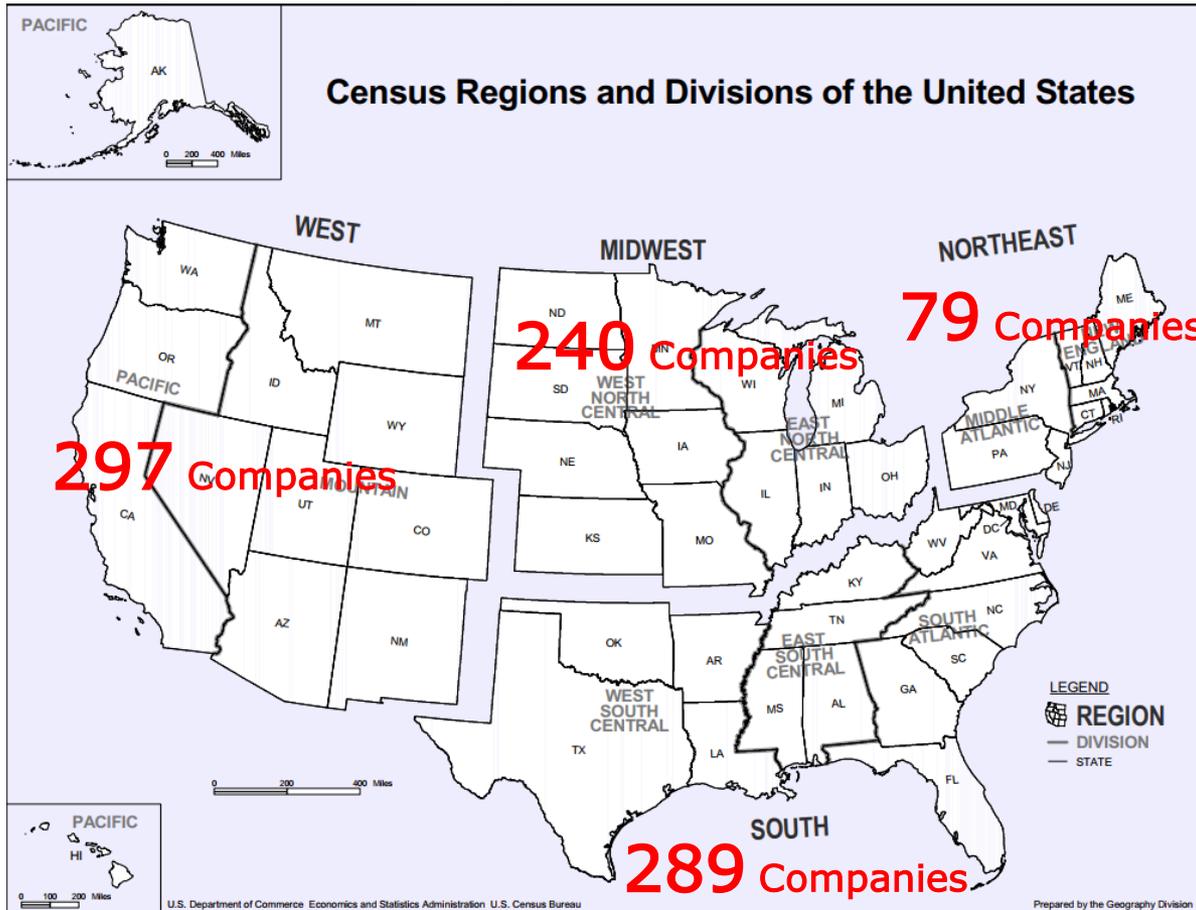
Chicago
Atlanta
Houston

Overview

Survey Period : March 24 – March 26, 2020

Valid responses : 905 Companies

❖ Respondents by Regions



❖ Respondents by Industries

Manufacturing : 489
 Non-manufacturing : 416

❖ Respondents by number of employee

1~10 : 239
 11~100 : 332
 101~500 : 192
 More than 501 : 142

Created by JETRO based on the Census Bureau's regional classification Note: Hawaii is classified as West

■ Key Findings of Survey Results (Part 1)

1. Challenges while Working from Home

- Overall, 90% of respondents have implemented working from home actions for employees. Among these companies, 10% stated there were “significant” challenges, with more than 80% stating there have been slightly lesser “somewhat” challenges.
- These challenges include internal and external communications, handling on-site operations such as in manufacturing facilities and warehouses, processing accounting tasks, and an overall decline in productivity due to working remotely.
- As for Japanese companies with employees who are unable to initiate work from home policies, approximately 50% of them are providing full compensation, which is a significant burden for the companies.
- While two-thirds of companies do not plan to return their expatriates and their families temporarily to Japan, 13.9% stated the decision is under consideration.

2. Challenges with Production and Sales

- With the rising spread of COVID-19 in the United States, 70% of companies stated there has been a decline in sales.

■ Key Findings of Survey Results (Part 2)

2. Challenges with Production and Sales (continue)

- The reasons of decline in sales among manufacturers, 70% stated this decline is due to a decrease in domestic demand (including reduction of their customers' production). 20.8% of the respondents stated the suspension of factory operations due to the Stay-At- Home Order had an impact.
- Over 50% of Japanese manufacturers stated their level of productivity was less than normal or fully suspended due to a decline in orders and a shortage of workers.

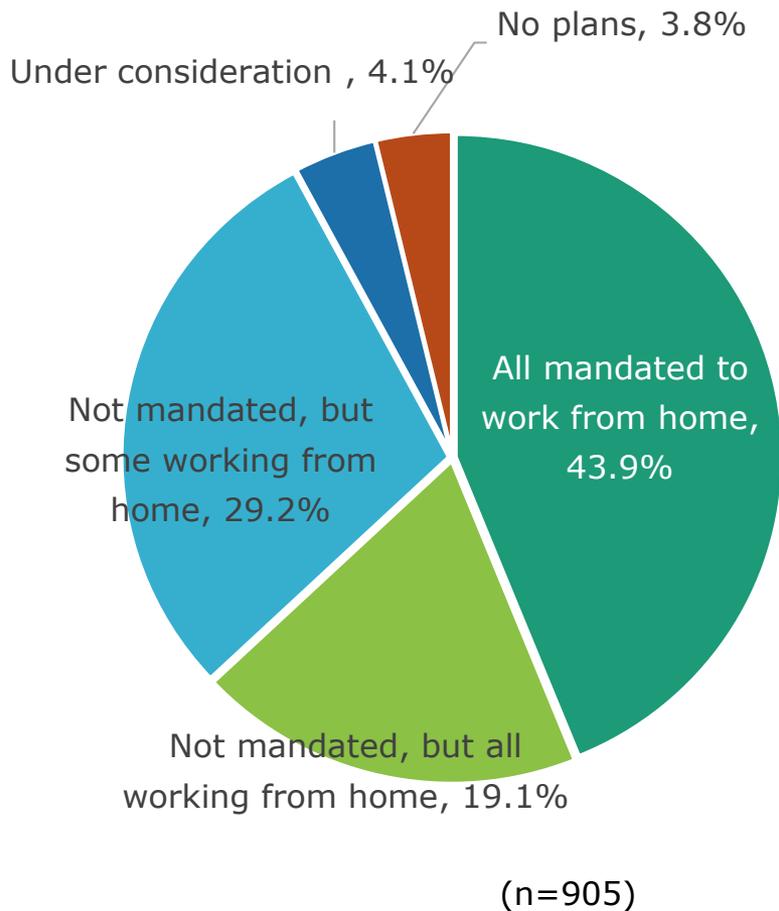
3. Challenges Companies are Struggling to Address

- One of the major challenges has been issues with labor management.
- Especially for small to midsize enterprises, a majority have expressed the need for further understanding of federal and state guidelines. It is requested that they would like to read official points of guidance in Japanese.
- Some respondents also stated challenges concerning visas and severe financial situations.
- There is also a need for information on public aid and assistance measures.

In response to this situation, JETRO is further strengthening its provision of information services in the North American region by working closely with professionals to provide key information on federal, state, county and city-level assistance programs, regarding topics such as employment and financing.

1. Implementation of Working from Home

- Approximately **90% of companies** have implemented working from home, regardless of whether the “Stay-At-Home Order” is in place



(Examples of Working from Home)

■ Job Functions

- Working in the divisions of sales, human resources, accounting, management, IT, customer service, marketing, designers, etc.
- Excluding on-site floor workers in factories and/or warehouses, workers in the production site and/or R&D facilities

■ Internet Infrastructure

- Accessible to the corporate network from home
- Available for encrypted communication services

■ Personal Health and Family Circumstances

- People who have traveled by air or ship within two weeks
- Vulnerable people (elderly, pregnant women) and those who have to care for their children

■ Other

- Those willing to work from home
- Employees are divided into teams A and B, and take turns rotating shifts
- All local hires are currently working from home and expatriates are under consideration
- Decisions are made by department managers

2. Challenges while Working from Home

- Over 80% of companies stated **they have experienced challenges somewhat**.
- Some challenges included internal and external communication, executing on-site work such as at manufacturing facilities and warehouses, processing accounting and keeping productivity levels.

(Examples of Significant Challenges)

■ Constraints in executing operations

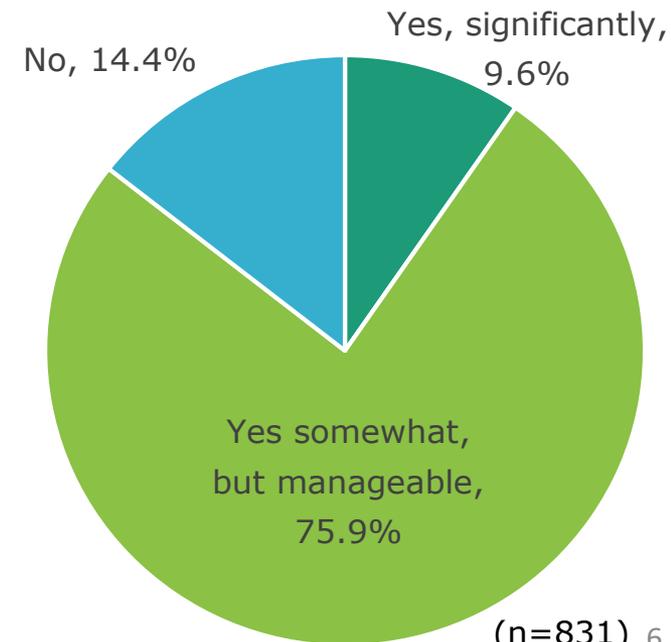
- Unable to provide services or manufacture products
- Restraints productivity and decline in incoming orders
- No incoming sales due to temporary store closure; restaurant with no experience in delivering orders
- Unable to conduct walk-in sales or meet with customers, unable to travel for business
- Unable to provide customer support
- Unable to receive or ship cargo at the warehouse
- Unable to access equipment and systems only available for use in the office
- Challenges with settlement of accounts and processing accounts payable and receivable
- Unable to receive mail
- Difficulty communicating with customers and business operators
- Difficulty conducting sales via online meetings or phone calls

■ Business Management and Productivity

- Difficulty monitoring work progress of employees
- Large difference in results between working in office and remotely

■ Other

- Cloud capabilities, internet infrastructure is not yet established
- High-performance PCs are not available, CAD is too slow



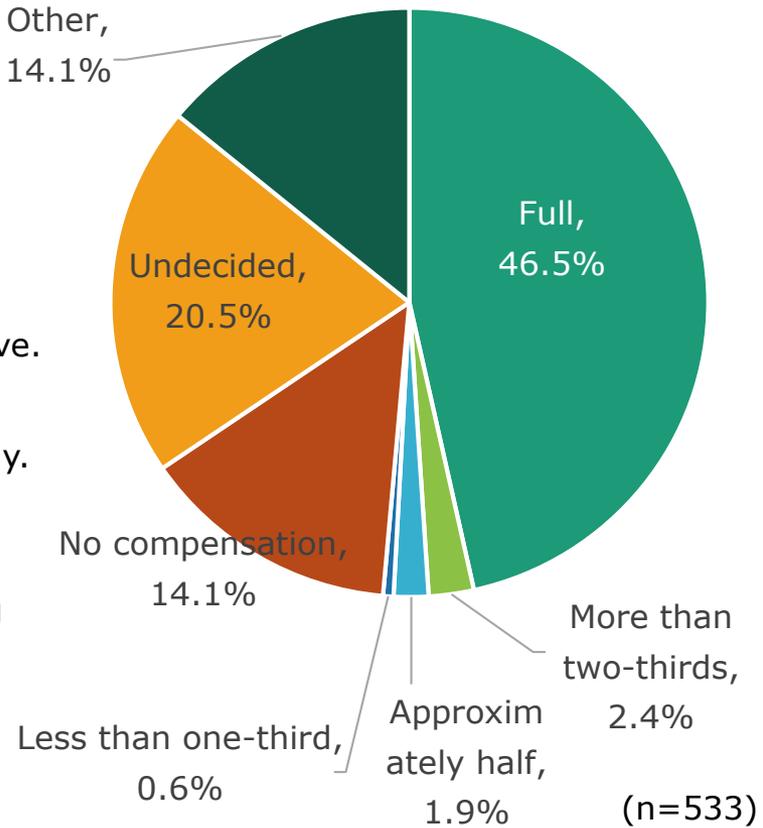
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3. Compensation for Employees who are Unable to Work Remotely

- 46.5% of respondents fully compensate for Non-Exempt employees even though they are unable to work from home, such as floor workers.
- Some companies fully compensate for a defined time period first and plan to reevaluate payments afterwards.

(Other Examples)

- **Limitation on Period of Payment**
 - Full compensation for the first week.
 - Full compensation for 2 weeks. 60% afterwards.
 - Full compensation for 2 weeks, limited to 80 hours.
 - Currently fully compensating employees, but need to reevaluate if this situation prolongs.
 - Full payment for a defined time period. Afterwards, use of paid leave.
- **Use of Paid Leave**
 - Sick leave and PTO, first. Once depleted, use of time off with no pay.
 - Unpaid leave
 - PTO, depending on the time period. Once depleted, they are asked to apply for unemployment benefits.
 - PTO. Once depleted, we will think of other measures after checking governments' assistance.
 - Paid sick leave
 - Unemployment insurance until 4/1, use of paid sick leave after 4/2
 - Vacation days and sick leave. Once depleted, unpaid time off.
- **Other**
 - Temporary layoff due to suspension of business.
 - Depends on whether schools are closed or depends on whether the employees have any symptoms.



4. Expatriates' Temporary Return to Japan

- On March 22, the Ministry of Foreign Affairs of Japan raised infectious disease risk information throughout the United States to "Level 2". Despite this, **approximately 60% of companies do not have plans for expatriates to return temporarily to Japan.**
- 14% respondents stated they are considering to do it in the near future.

(Other Examples)

■ Upon Expats' Request

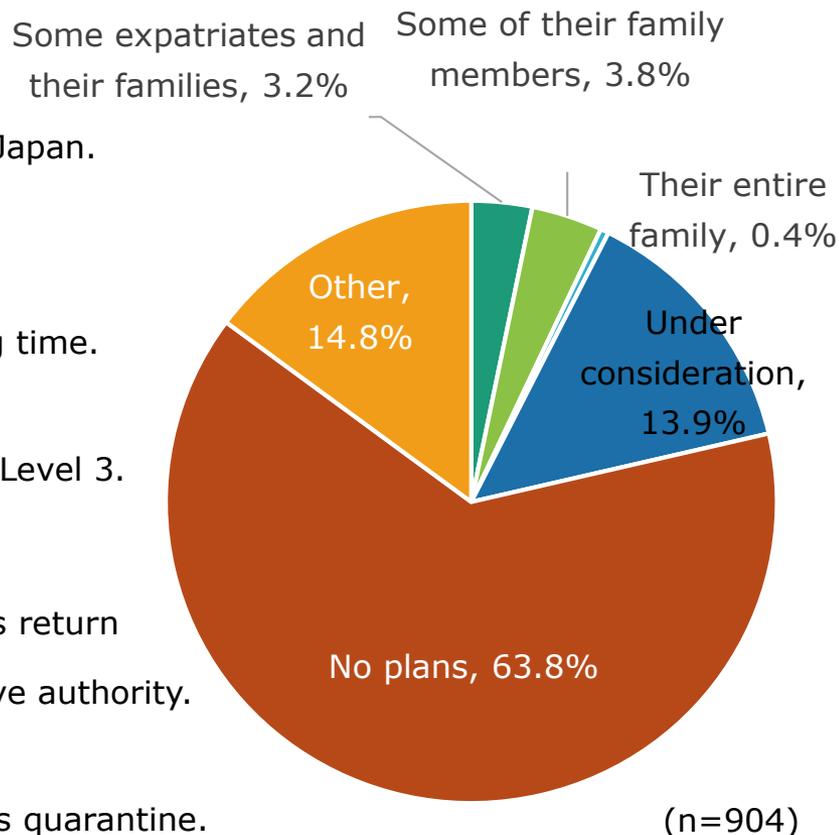
- May be allowed if they want to return.
- Company will support whole family to return temporarily to Japan.
- Conducting a survey currently for expats if they request.

■ Depends on the Situation

- Respond accordingly to future circumstances.
- Consider if we cannot operate or schools stay closed for long time.
- Consider if employees or their families face any risks.
- Consider if public security worsens.
- Voluntary when Level 2 (now), Urged family to return when Level 3.
- Currently return those who are renewing visas.

■ Other

- Plan to have the director level stay while all other employees return by end of March.
- Decision is based on headquarters; the US side does not have authority.
- N/A. Only have local hires and expatriates residing alone.
- Only allowing those originally planned to return to Japan.
- Passed the decision due to Japan's announcement of 14 days quarantine.



5. Challenges: Relationship with Employees

- Business: Management and communication while working remotely.
- Sanitation: Ensuring employee health, workplace safety, and keeping awareness of personal hygiene.
- Compensation: Guaranteeing salary

(Sample Responses)

■ Business Aspects

- Difficult to maintain equality between those who work from home and work at the office,
- Since schools and childcare facilities are closed, it is difficult to secure the working environment at home while children are taken care of at the same time.
- Conflict caused by a lack of communication.

■ Sanitation

- Difficult to enforce the use of masks, as this may be due to cultural differences.
- Difficult for on-site workers to maintain a distance of more than 6 feet.
- Being an essential manufacturer, there is necessary work to do and operation is possible. On the other hand, there are mandated work at home orders, so it is difficult to maintain the balance between employee safety and business operations.
- Taking proper actions when an employee or their family member is found to be infected.

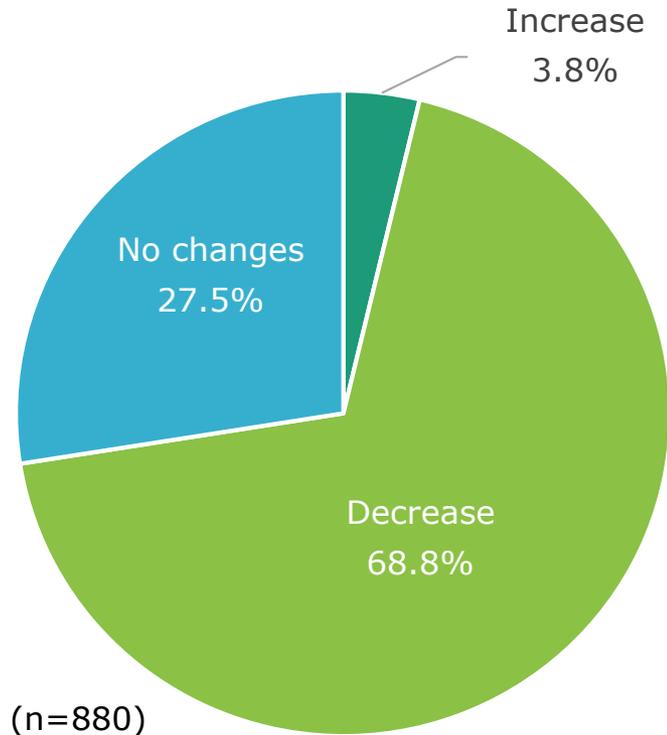
■ Compensation

- Factory workers are staying home this week. If the factory should remain closed for longer, it is difficult to determine how long the compensation should remain.
- If there are no sales moving forward, need to consider term of pay, layoffs, etc.
- With a halt in production, need to consider how to deal with compensation, for example if we can keep employees once we lay-off temporarily.
- Treating exempt and non-exempt workers fairly.

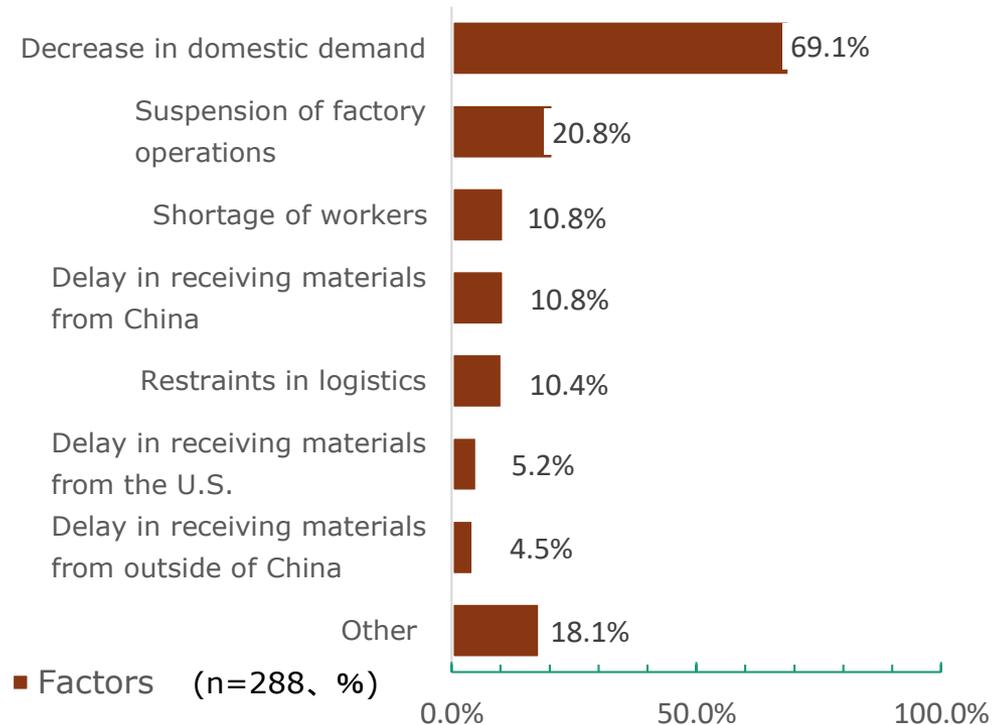
6. Impact on Sales

- 70% of companies stated a decrease in sales (both manufacturing and non-manufacturing)
- For the manufacturing industry, the leading factor was a decrease in domestic demand, followed by suspension of factories and labor shortages.

Impact on Sales
(Manufacturing /non-manufacturing)



Factors of the Impact
(Manufacturing)

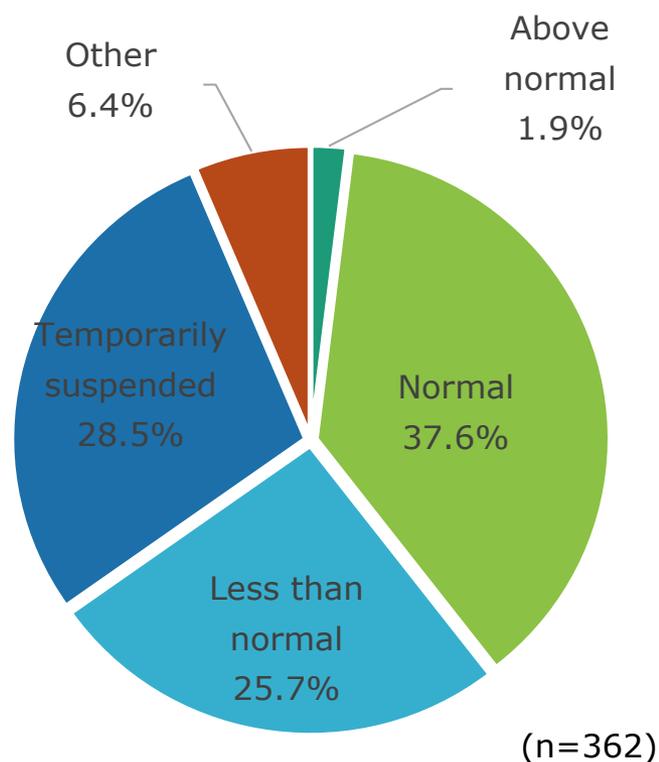


*Respondents may have selected multiple factors.

*Outside of China; includes Taiwan, Philippine, Malaysia, India, EU and Japan 10

7. Production Status

- **More than 50% of companies** suspended production or reported less than the normal rate of production.
- The main factors were a decrease in demand and shortage of factory workers, due to an increase in absentees.



(Factors Contributing to less than Normal Production Rate)

- Shortage of floor workers
- Decrease in production volume due to a decline in orders
- Slight decline in operation rate due to infection prevention measures
- Halt in production due to conflicts with overtime
- Increase in absentees
- Reduction in production lines
- Reduced foot traffic due to restaurant closures
- Reduced production to align with the demand
- Only partial operations to align with customer demand
- No overtime due to employees requesting time off
- Reduced production to align with production adjustments of the big three automobile manufacturers
- Shortage of employees at production site (to care for children), leading to reduction in overall operation time

(Factors Contributing to Increased Production)

- Orders for food production are well above normal
- Rising demand to produce monitoring equipment and ventilators needed by hospitals
- Customers are increasing inventory

8. Challenges Companies are Struggling to Address (Part 1)

(Sample Responses)

■ Visa and Immigration Restrictions

- Visas cannot be renewed since the U.S. Embassy has suspended all interviews. Employees are only permitted to work until the I-94 visa expires.
- Many personnel changes due for March and April have been postponed. It is unknown when processes will resume and scheduling cannot be arranged for new assignees.
- I want the Japanese government to request some exceptions to have visas extended under these unexpected circumstances to the US government.

■ Financing

- Managing cash flow is the greatest concern. Japanese business owners may not be supported by the US government.
- I'm concerned how much longer restaurants can stand with business limited to home delivery and takeout.
- Depending on the duration of the Stay-At-Home Order, cash flow situation will become tighter. Sales receivables are delayed due to stagnated business activities.

■ Business Continuity

- Since automobile makers have closed factories, auto parts suppliers have been forced to close or reduce production.
- If the number of infections increase in Mexico, production may come to a halt.

8. Challenges Companies are Struggling to Address (Part 2)

■ Business Continuity (continue)

- The food manufacturing plant requires masks, but inventory will only last for another month and the next shipment of masks is not due for another 6 months.

■ Responding to Stay-At-Home Orders

- The implementation of Stay-At-Home Orders and the definition of an "essential business" varies by state.
- It is not clear whether it is up to each business to decide to continue operations if they deem themselves "essential," or special approval is required from the state or country.

*In some states such as New York and Pennsylvania, companies may apply to continue their operations.

- The business categories qualifying as "essential" are ambiguous. Interpretations can differ depending on the customers. Because the closure period differs for each manufacturer, it is impossible to stop operation fully.
- Although I understand there is no formal approval stating which businesses are "essential," it is difficult to communicate well with the HQ's about this issue, because there is a large gap between the reality here and what media reports in Japan.
- From the definition of an "essential" business, services are deemed critical. Under the guidance of a lawyer, business is continually operating with a reduced team.

8. Challenges Companies are Struggling to Address (Part 3)

■ Working from Home

- Though it would be difficult to have all employees work from home, it is also challenging to manage the number of people who can work from home.
- There are employees that need to work from home to take care of their children. We cannot allocate human resources effectively in advance as the outlook remains unclear.

■ Special Relief Measures for Business Operators

- I would like information on aid and assistance measures for business operators in the US as soon as possible.
- We provide full compensation for employees who cannot work from home. I want to know whether the government will compensate us for these costs.

■ Employee Responses

- Unsure how to deal with employees who raise concerns of COVID-19 or what measures should be taken (e.g. disinfection, isolation) if they or their families are infected.
- Cannot conduct in-person interviews for newly employees
- It is difficult to manage employees when media coverage shows the outbreak is only worsening and the outlook is unknown.

8. Challenges Companies are Struggling to Address (Part 4)

■ Daily Life

- Cannot purchase effective infection prevention gear such as masks, gloves and hand sanitizers as well as food and paper products.
- A growing sense of anti-Asian discrimination. Rising sales of guns. Concerns over personal safety. Reputational damage.

■ Temporary Return to Japan

- It is difficult to decide whether expatriates should be allowed to visit Japan.
- It is difficult to be prepared without knowing the situation in Japan more, including being quarantined at home or at places like hotels.

■ Other

- Upon the settlement of the accounts by the end of March(The end of Japanese fiscal year), we keep consulting with an auditing firm to review if it is possible to report on time.
- It would be helpful to have state-by-state information available in Japanese.

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