



## Result of Crisis Management Survey 2014

Deloitte Touche Tohmatsu LLC  
Crisis Management Service



# Table of contents

Introduction	3
<hr/>	
Executive Summary	7
<hr/>	
Analysis of respondents	10
<hr/>	
Analysis of domestic subsidiaries respondents	18
<hr/>	
Analysis of foreign subsidiaries respondents	24
<hr/>	

# Introduction

# Overview of Crisis Management Survey 2014 (1/3)

- Survey purpose  
Grasp the status of recognition of Crisis Management in the listed companies in Japan, and to obtain basic data for the future market of Crisis Management
- Sample  
3,562 Listed companies in Japan
- Survey period  
October 27, 2014 - December 5, 2014
- Survey method  
By Mail (Partially interview via telephone), sample collected by an independent research firm
- The number of collection  
431 companies

# Overview of Crisis Management Survey 2014 (2/3)

## ■ Definition of terms

### • **Crisis**

Crisis is a single large-scale or combination of events that could significantly damage organization's strategic objectives, critical assets\*, reputation or even the existence of the organization.

e.g., natural disaster, cyber attack, political change, product recall, information leakage, accounting fraud, legal amendment

\*human resources, physical assets, intellectual property, information, etc.

### • **Cyber**

cyber breach, info leakage, virus infection, etc.

### • **Fraud**

financial crime, fraud, violation of law, etc.

### • **Natural disaster**

earthquake, typhoon, pandemic, etc.

### • **Product**

supply chain disruption, recall, quality failure, facility accident, etc.

### • **Finance / Legal**

financial crisis, litigation, financial distress, labor-management issue, intellectual property violation, regulatory, etc.

### • **Geopolitical**

international conflict, terror, etc.

### • **Environment**

pollution, etc.

### • **Reputation**

harmful rumor, boycott movement, decline of stock market price caused by harmful rumor, etc.

## Overview of Crisis Management Survey 2014 (3/3)

Industry*	Number of respondents	Consolidated net sales	Number of respondents	Number of employee	Number of respondents
Agriculture and Forestry	1	More than 1 trillion JPY	21	More than 10,000	43
Mining and Quarrying of stone and gravel	2	More than 500 billion - Less than 1 trillion JPY	15	More than 5,000 - Less than 10,000	31
Construction	19	More than 100 billion - Less than 500 billion JPY	82	More than 3,000 - Less than 5,000	30
Manufacturing	175	More than 50 billion - Less than 100 billion JPY	46	More than 1,000 - Less than 3,000	86
Electricity, Gas, Heat supply and Water	3	More than 30 billion - Less than 50 billion JPY	63	More than 500 - Less than 1,000	85
Information and Communications	24	More than 10 billion - Less than 30 billion JPY	102	More than 300 - Less than 500	54
Transport and Postal services	16	More than 5 billion - Less than 10 billion JPY	46	More than 100 - Less than 300	65
Wholesale and Retail trade	99	Less than 5 billion JPY	56	Less than 100	37
Finance and Insurance	23	Total	431	Total	431
Real estate and Goods rental and leasing	13				
Services, N.E.C.	56				
Total	431				

\*Japan Standard Industry Classification, Ministry of Internal Affairs and Communications

# Executive Summary

# Executive Summary (1/2)

## Overview

The following points have been highlighted regarding number of experience of crisis and countermeasures for crisis;

- Number of experience of crisis within and out of Japan (specifically in East Asia and South East Asia) is increasing in recent years.
- Many of the Japanese companies are aware that their countermeasures against crisis is "minimum countermeasure".

## Number of crisis experienced by companies inside and outside of Japan

- 65% of companies have experienced more than one crisis in the last 12 years inside and outside of Japan (cf. p11)
- 36% of subsidiaries in overseas (hereinafter referred as "foreign subsidiaries") have experienced more than one crisis in the last 12 years (cf. p25)
- Crisis regarding Product, Natural disaster and Fraud were top crises that companies in Japan have experienced between 2003-2011, however, Cyber became the third solely for the first time ahead of Fraud in 2012-2014 (cf. p11)
- Incidence of crisis is growing in this 12 years even excluding the Great East Japan Earthquake, which made the number of Natural disaster crisis risen dramatically during 2009-2011 (cf. p12)
- Crisis regarding Product, Natural disaster and Cyber were top crises in foreign subsidiaries, however Geopolitical crisis became the top crisis between 2012-2014 for the first time (cf. p25)
- Number of crisis experienced in foreign subsidiaries has increased dramatically since 2009, and it has grown 6 times more in 2012-2014 than 10 years ago (cf. p26)
- Characteristics of crises differ according to region's where companies experienced in overseas. Faced to various crisis in the Asian market where it is leading the growth of Japanese companies (cf. p27)
  - ✓ Number of Cyber, Finance / Legal, Environment and Reputation crisis have been experienced in East Asia (China, Korea)
  - ✓ Number of Natural disaster, Product and Geopolitical crisis were high in South East Asia
  - ✓ Fraud crisis was mainly experienced in North America



# Executive Summary (2/2)

## Number of crisis experienced by companies inside and outside of Japan

- Number of companies that have taken adequate countermeasures is not high despite the number of crisis experienced is growing in Japan (cf. p13)
- Companies answered “Very well prepared” to crises regarding Cyber, Fraud, Natural disaster and Product which have been the top crises in Japan are under about 20% and most of the companies remain taking minimum countermeasures (cf. p13)
- Number of companies collecting information regarding crisis or developing manuals as a countermeasure for crisis is high (cf. p14)
- Reasons that companies have prepared for crisis are to minimize the damage, critical management issues regarding business continuity, and to respond quickly in the case of crisis occurs (cf. p16)
- Corresponding situation of expected crisis within domestic subsidiaries is behind comparing to the parent company (cf. p22)
- Corresponding situation of expected crisis within foreign subsidiaries is behind and insufficient comparing to the parent company particularly countermeasures for Geopolitical crisis that has recently become the top are still undeveloped (cf. p28-29)

## Corresponding department in the case of occurrence of crisis

- In the case of crisis, it is presumed that companies do not have centralized management which control on a company-wide basis, but departments directly related to each crisis response (cf. p15)
  - ✓ Cyber: IT System
  - ✓ Natural disaster, Geopolitical, Environment and Reputation; HR / General affairs
  - ✓ Product: Quality control
  - ✓ Fraud and Finance / Legal: HR / General affairs and Legal

# Analysis of respondents\*

\*431 listed companies in Japan which responded the questionnaire

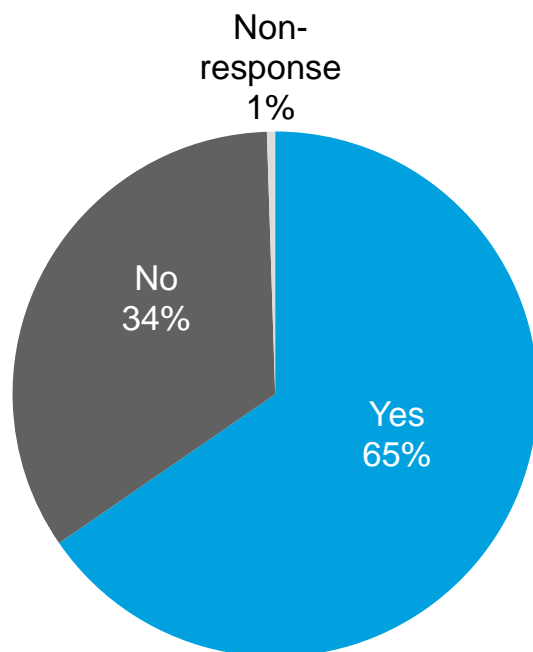
# 65% of companies have experienced crisis in the last 12 years. There is no significant change in the ranking of the experienced crisis

\*Summary of each sheet is written in this box, but we have erased it upon translating as it is summarized in the "Executive summary"

**Q: Has your company ever experienced any crisis?**

**Q: When and what type of crisis did your company experienced? \*multiple answers**

**Experience of crisis  
(Responded companies)**



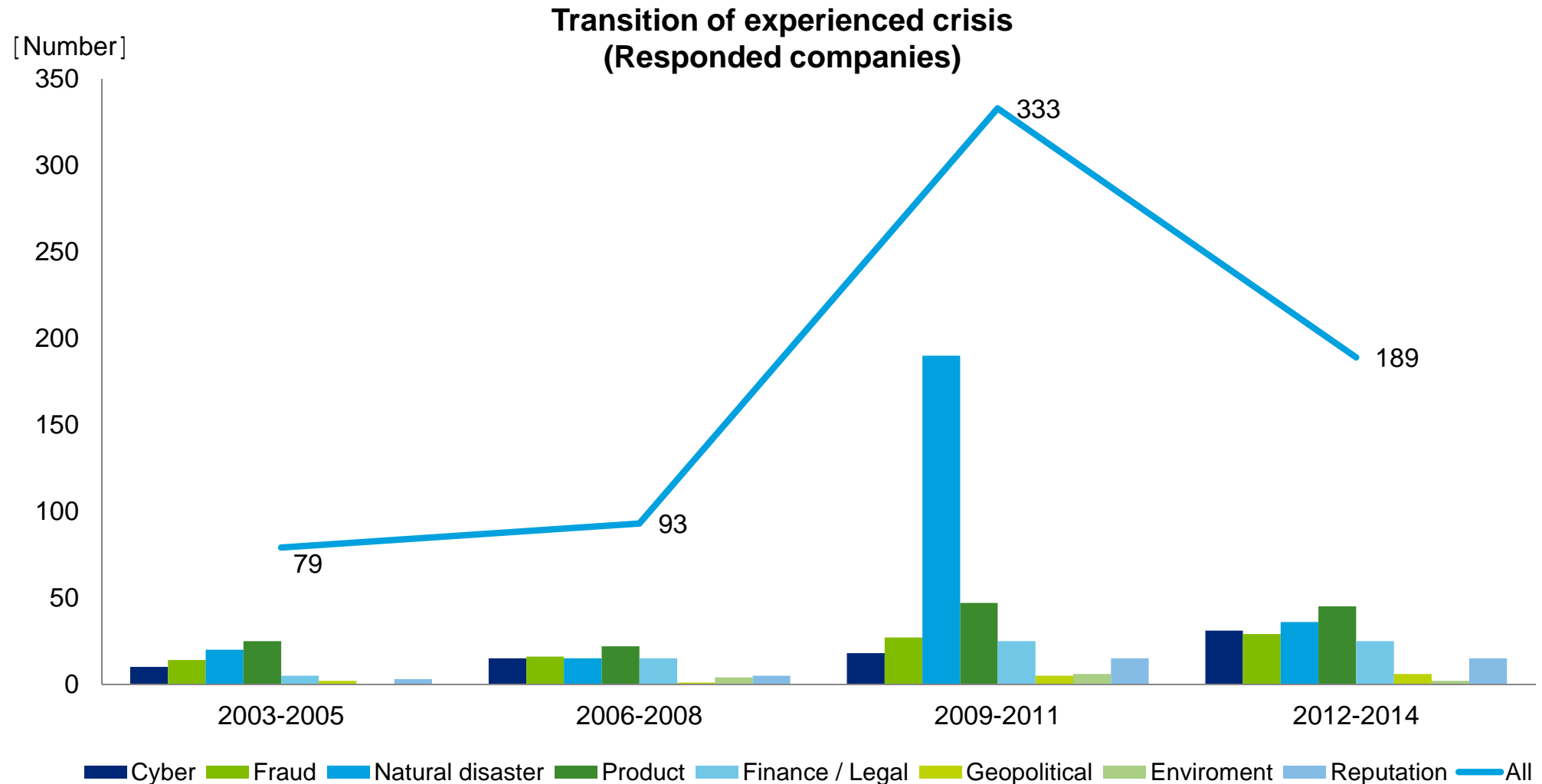
**Ranking of experienced crisis  
(Responded companies)**

	2003-2005	2006-2008	2009-2011	2012-2014	2003-2014
<b>1<sup>st</sup></b>	Product	Product	Natural disaster	Product	Natural disaster
<b>2<sup>nd</sup></b>	Natural disaster	Fraud	Product	Natural disaster	Product
<b>3<sup>rd</sup></b>	Fraud	Natural disaster Cyber Finance / Legal*	Fraud	Cyber	Fraud
<b>4<sup>th</sup></b>	Cyber		Finance / Legal	Fraud	Cyber
<b>5<sup>th</sup></b>	Finance / Legal		Cyber	Finance / Legal	Finance / Legal
<b>6<sup>th</sup></b>	Reputation	Reputation	Reputation	Reputation	Reputation
<b>7<sup>th</sup></b>	Geopolitical	Environment	Environment	Geopolitical	Geopolitical
<b>8<sup>th</sup></b>		Geopolitical	Geopolitical	Environment	Environment

\* Same rank as same number

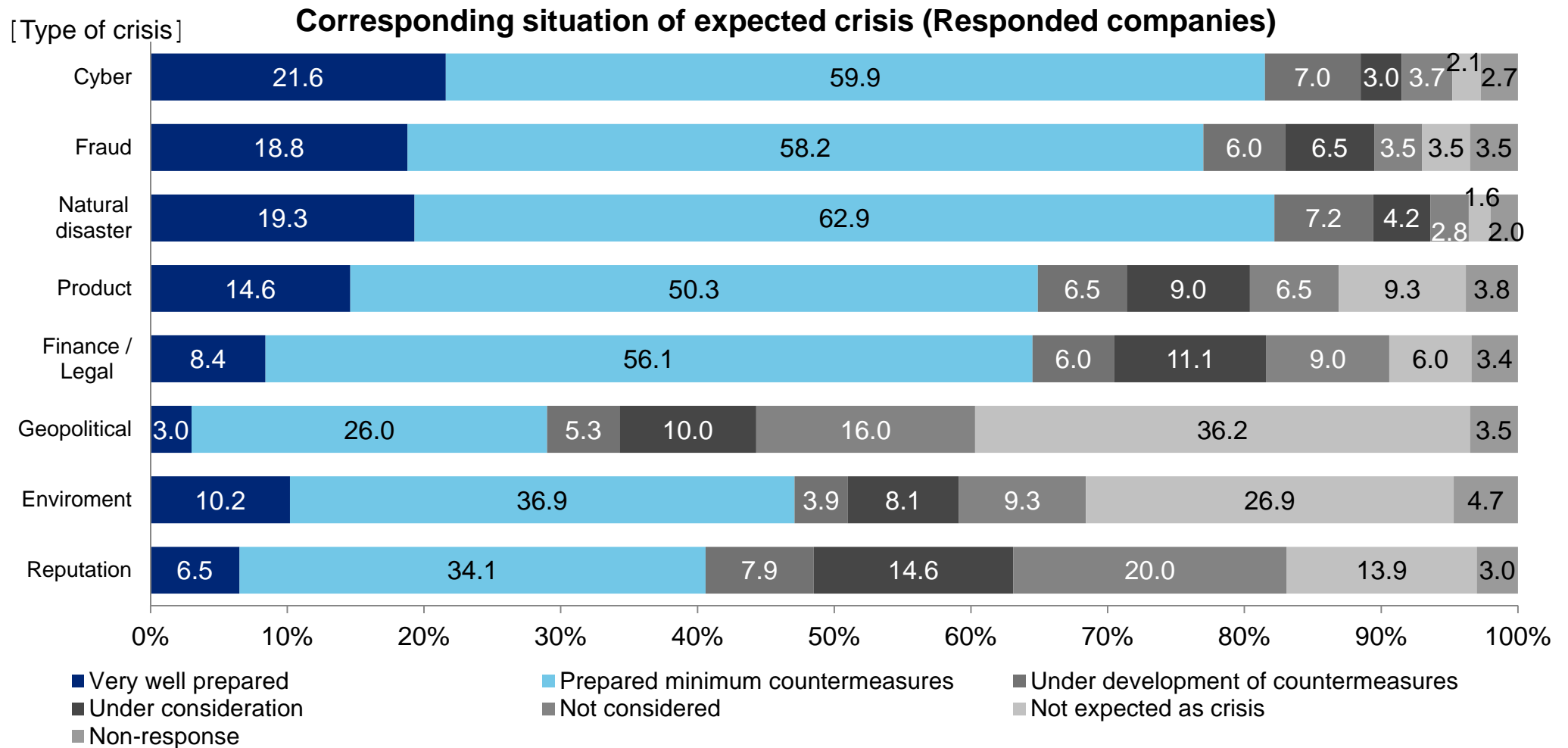
# Number of crisis experienced in companies has increased, and incidence of crisis is growing

Q: When and what type of crisis did your company has experienced? \*multiple answer



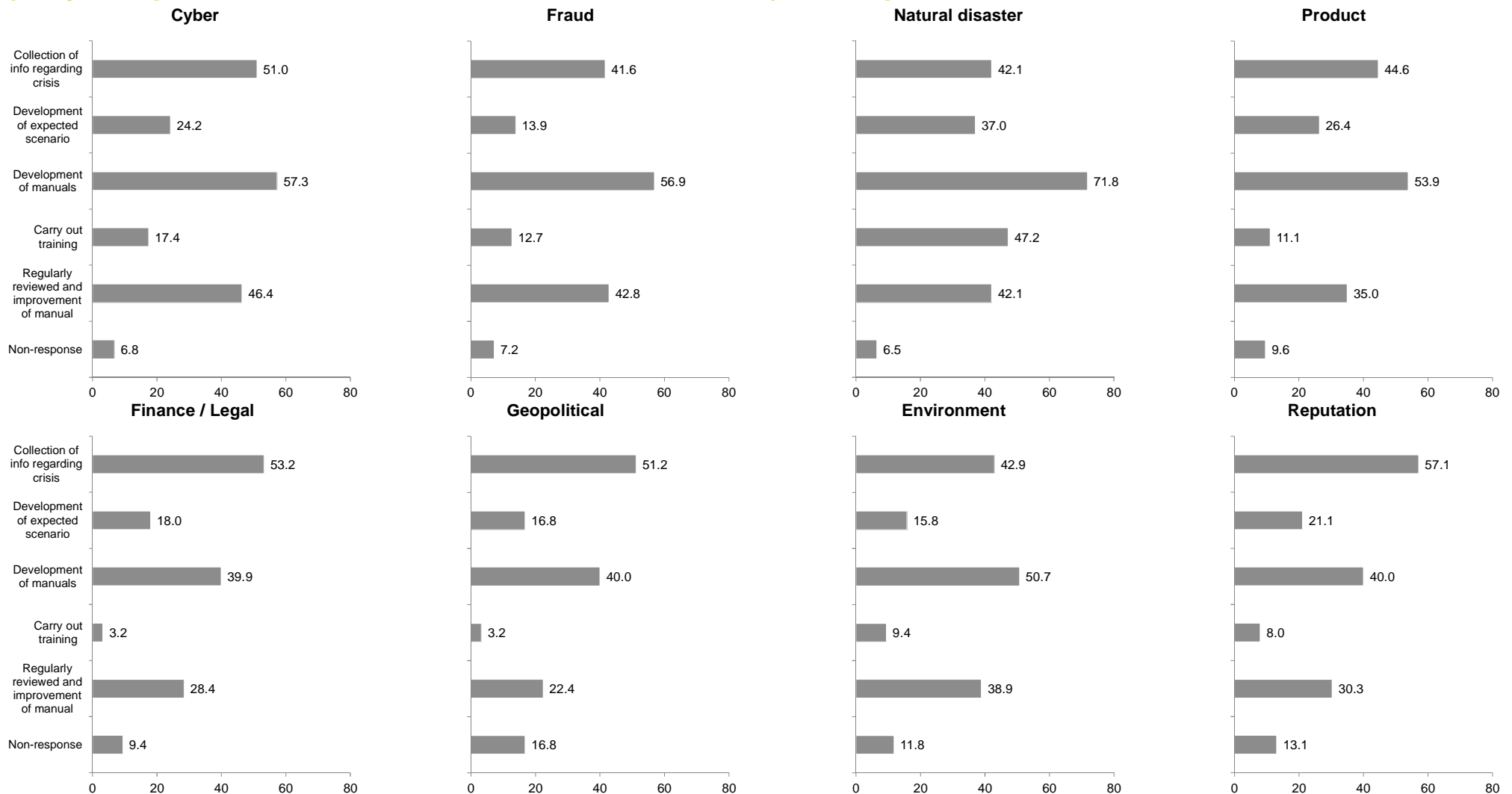
# Companies that have taken adequate countermeasures are not high

**Q: What is the corresponding situation of each type of expected crisis?**



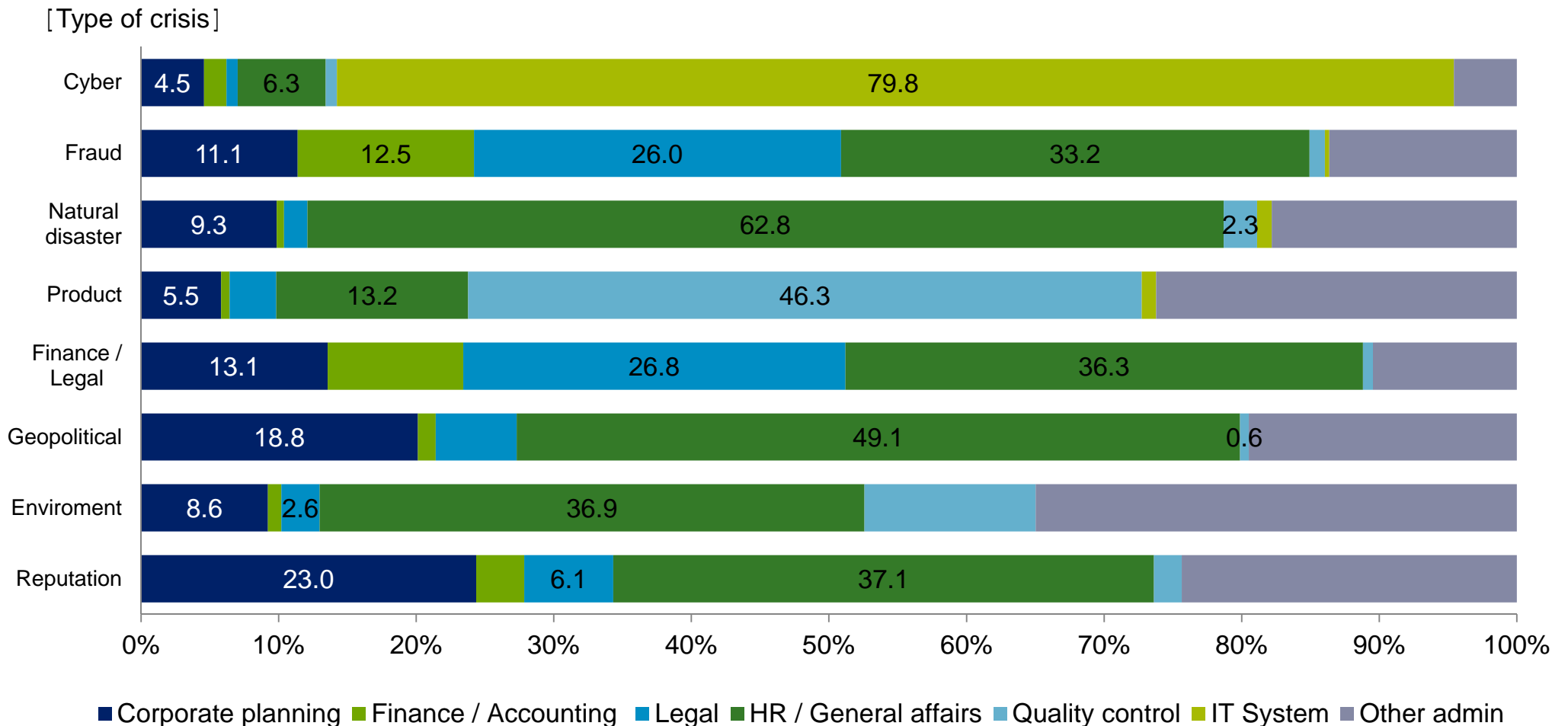
# Company developing manuals as a countermeasure for crisis is high

Q: What kind of countermeasures have your company taken, if your company has taken countermeasures (Only companies answered “taken countermeasures”) \*multiple answers



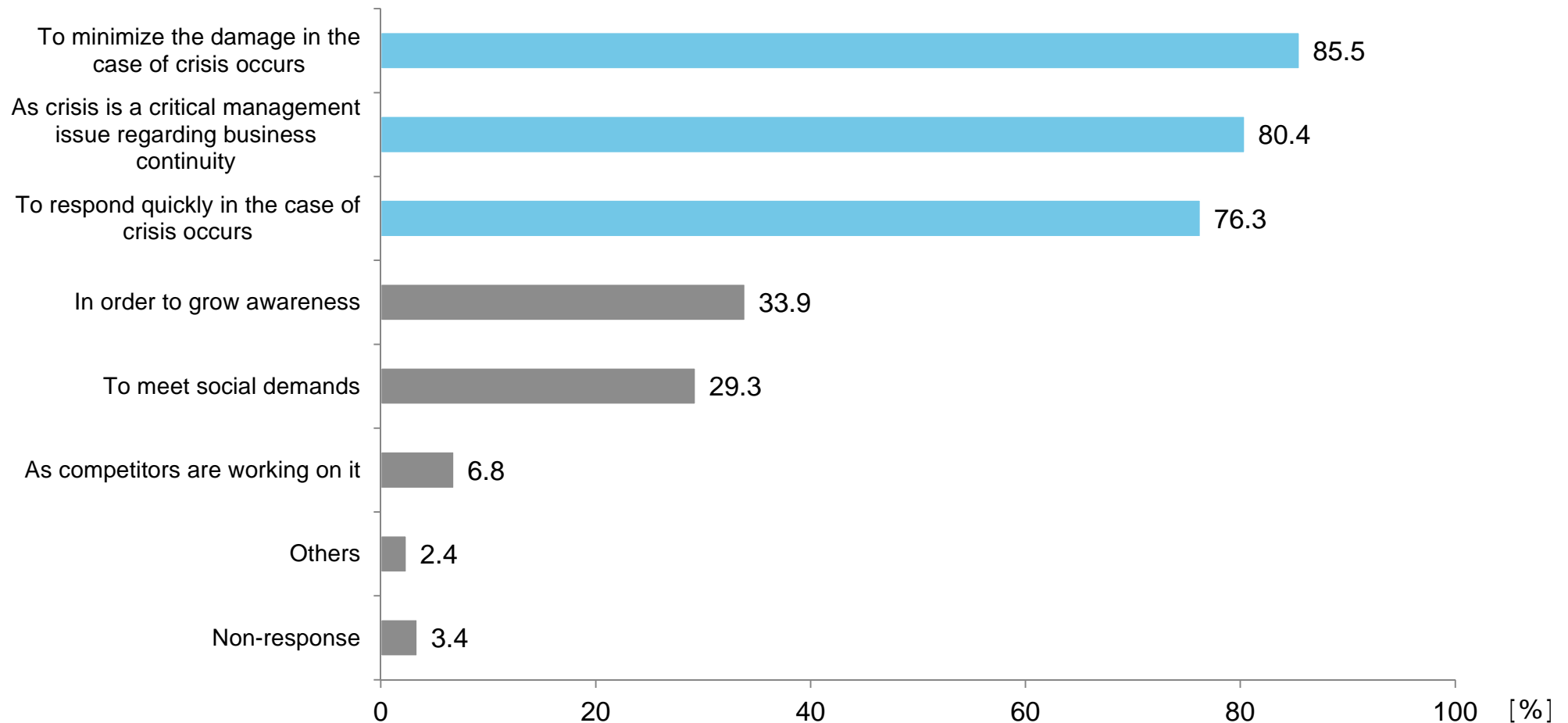
# HR/General affairs in the case of Natural disaster, Geopolitical, Environment and Reputation, IT system in the case of Cyber, and Quality control in the case of Product crisis will lead in the case of occurrence of crisis

**Q: Which department will lead in the case of occurrence of crisis? (Only the companies answered “taken countermeasures”)**



# Reasons that companies have prepared for crisis are to minimize the damage, critical management issue regarding business continuity and to respond quickly in the case of crisis occurs

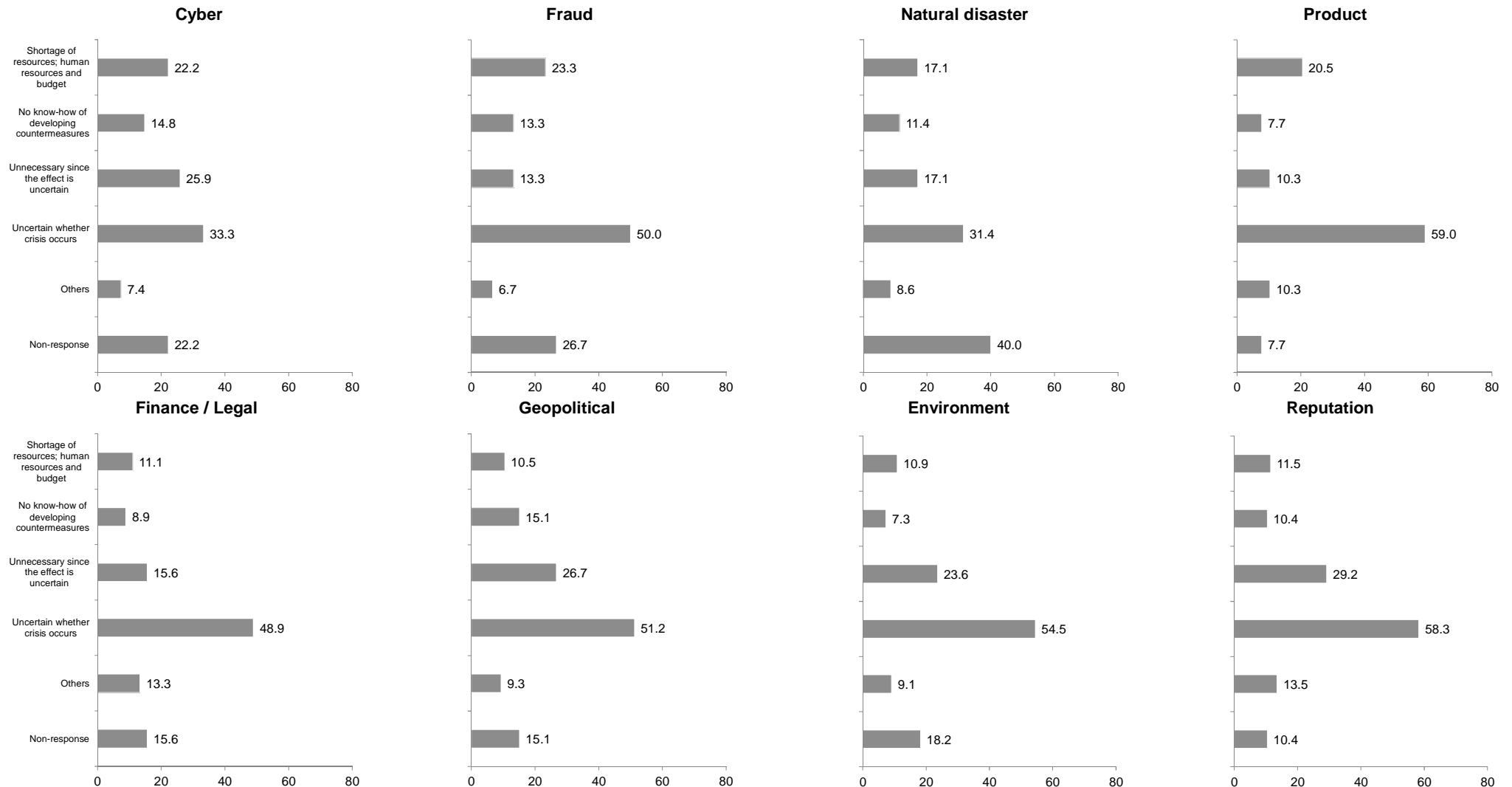
Q: What are the reasons that your company has prepared (or is preparing) for crisis? (Only companies answered “taken countermeasures”) \*multiple answers





# Uncertain whether crisis occurs is a high numbered answer for a reason not to consider countermeasures for crisis

**Q: What are the reasons of not considered countermeasures for crisis? (Only companies answered “not considered countermeasures”) \*multiple answers**



# Analysis of domestic subsidiaries respondents\*

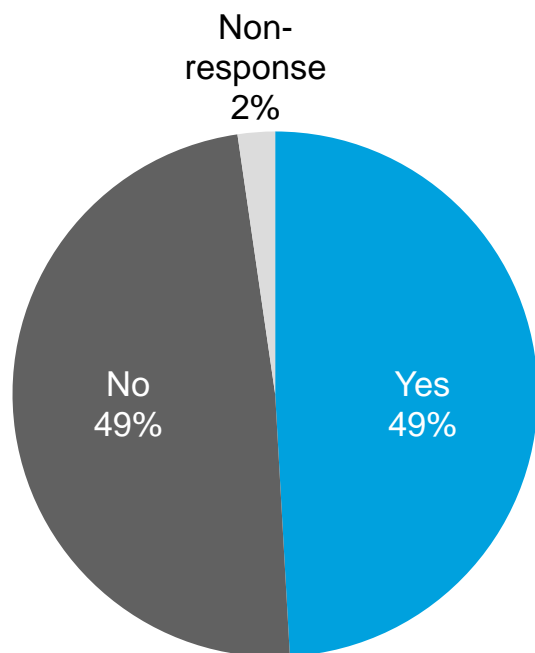
\*222 listed companies that owns domestic subsidiaries

# 49% of companies have experienced crisis in the last 12 years. There is no significant change in the ranking of the experienced crisis

**Q: Have your domestic subsidiaries ever experienced any crisis?**

**Q: When and what type of crisis did your domestic subsidiaries have experienced? \*multiple answers**

**Experience of crisis  
(Responded domestic subsidiaries)**



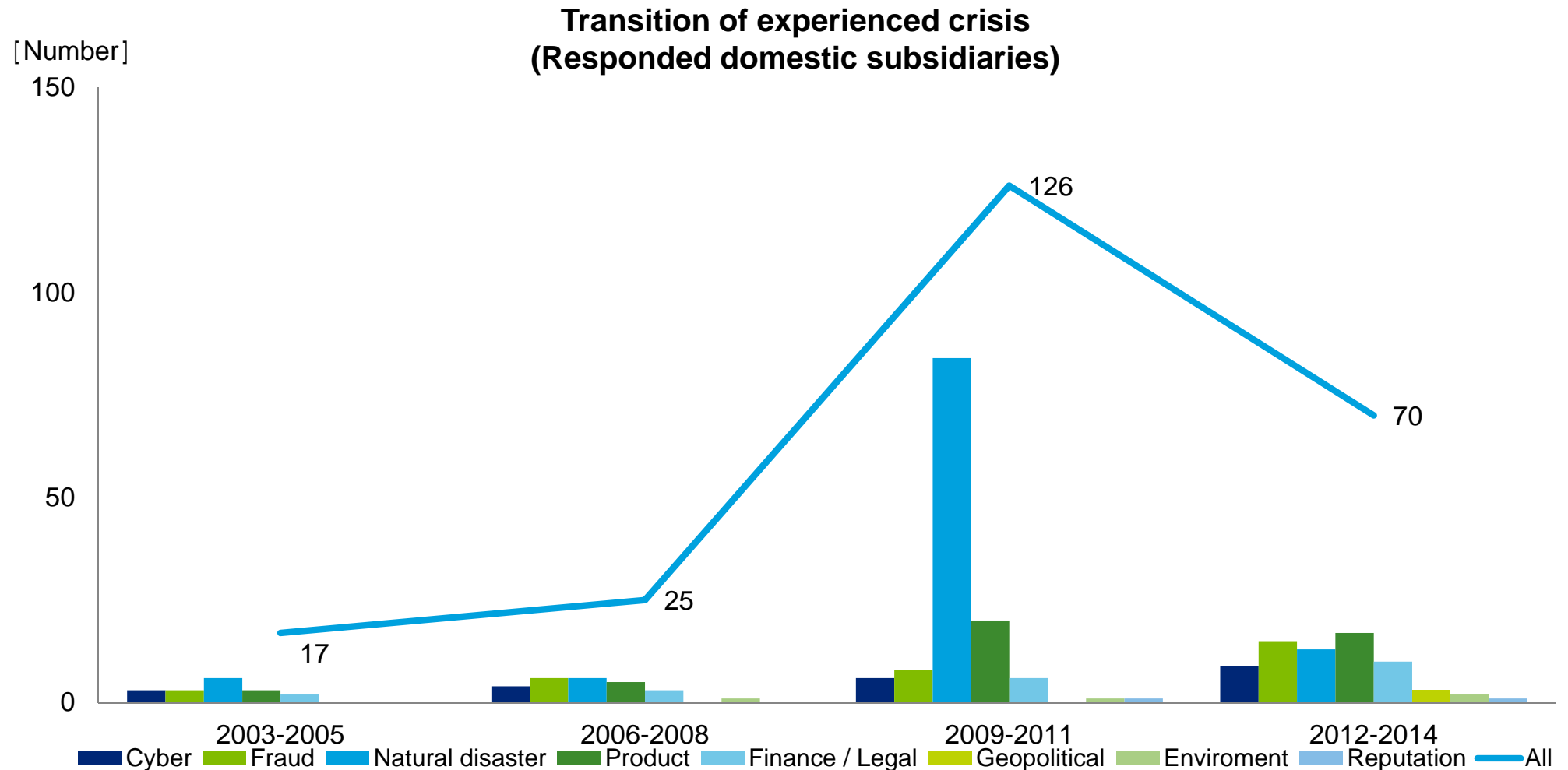
**Ranking of experienced crisis  
(Responded domestic subsidiaries)**

	2003-2005	2006-2008	2009-2011	2012-2014	2003-2014
1 <sup>st</sup>	Natural disaster	Natural disaster	Natural disaster	Product	Natural disaster
2 <sup>nd</sup>	Fraud Product Cyber (*1)	Fraud (*1)	Product	Fraud	Product
3 <sup>rd</sup>		Product	Fraud	Natural disaster	Fraud
4 <sup>th</sup>		Cyber	Cyber Finance / Legal (*1)	Finance / Legal	Cyber
5 <sup>th</sup>	Finance / Legal	Finance / Legal		Cyber	Finance / Legal
6 <sup>th</sup>	Environment Geopolitical Reputation (*2)	Environment	Environment Reputation (*2)	Geopolitical	Environment
7 <sup>th</sup>		Geopolitical Reputation (*2)		Environment	Geopolitical
8 <sup>th</sup>			Geopolitical	Reputation	Reputation

\* Same rank as same number

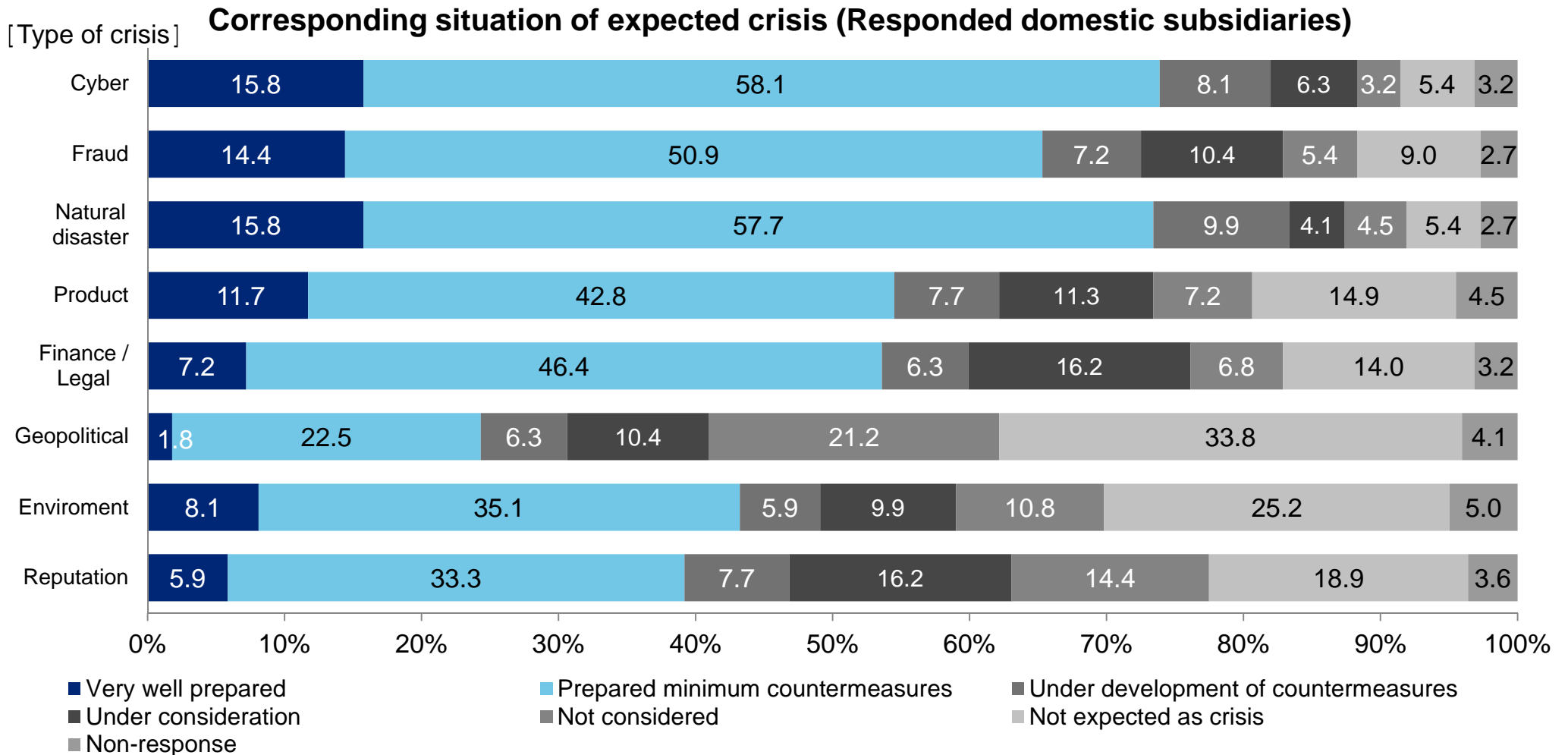
# Number of crisis experienced in domestic subsidiaries have increased, and incidence of crisis is growing

Q: When and what type of crisis did your domestic subsidiaries have experienced? \*multiple answers



# Domestic subsidiaries that have taken adequate countermeasures are not high

**Q: What is the corresponding situation of each type of expected crisis?**

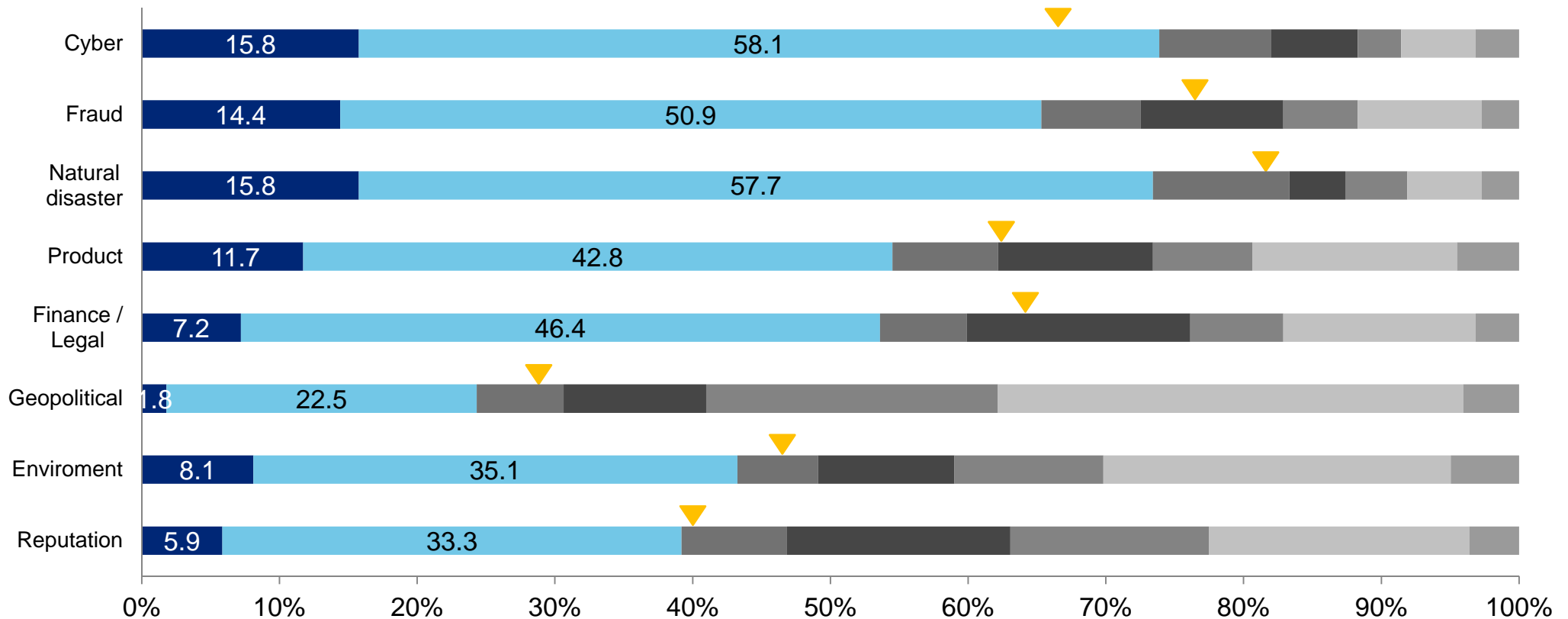


# Corresponding situation of expected crisis within domestic subsidiaries is behind comparing to the parent company

**Q: What is the corresponding situation of each type of expected crisis? (Comparing with the parent company)**

## Corresponding situation of expected crisis (Responded companies and domestic subsidiaries)

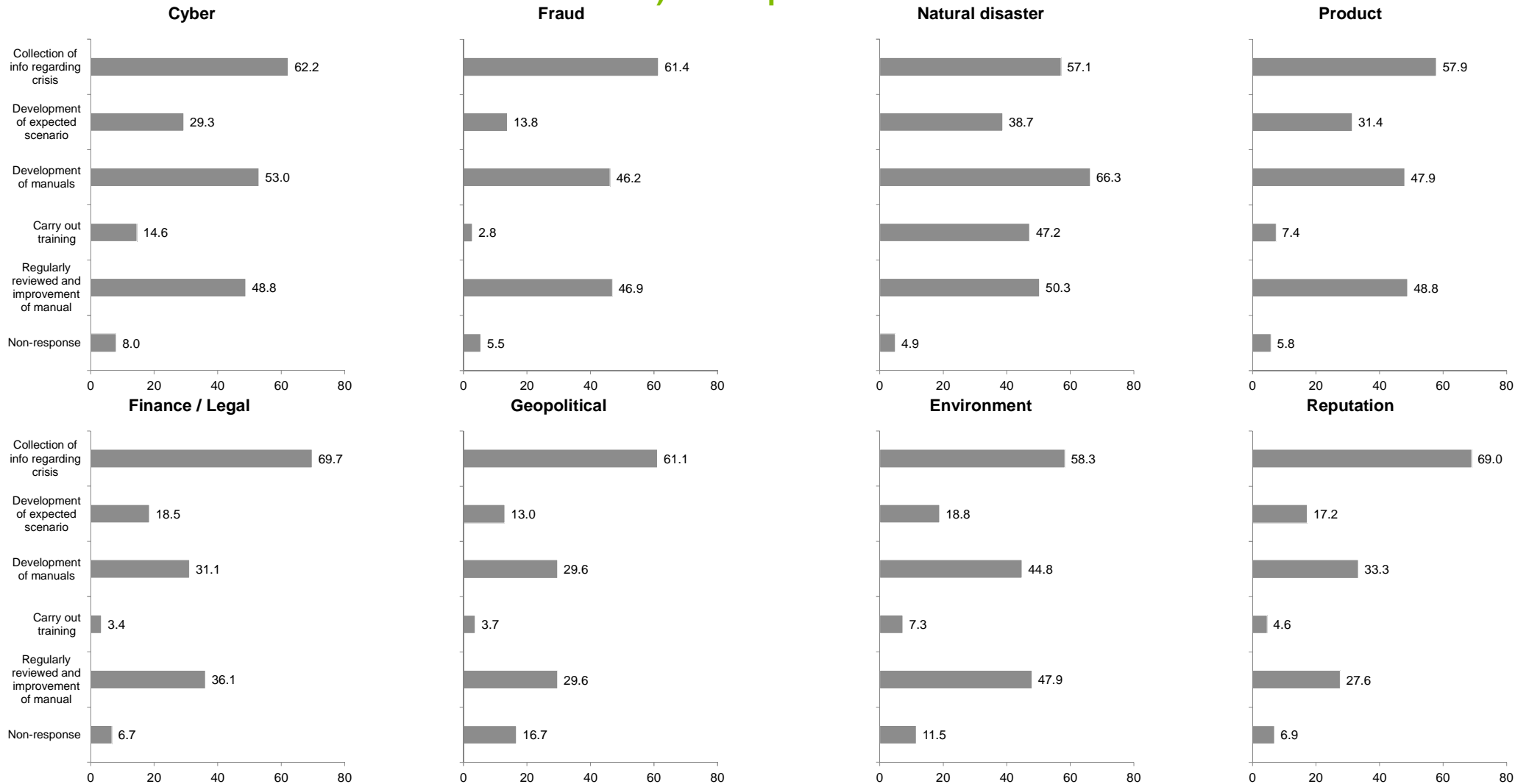
[Type of crisis]



■ Very well prepared     
 ■ Prepared minimum countermeasures     
 ■ Under development of countermeasures  
■ Under consideration     
 ■ Not considered     
 ■ Not expected as crisis  
■ Non-response     
 ▼ Total number of "Very well prepared" and "Prepared minimum countermeasure" of parent company

# Countermeasures are remained collection of info regarding crisis within domestic subsidiaries

**Q: What kind of countermeasures has your domestic subsidiaries taken? (Only domestic subsidiaries answered “not considered countermeasures”) \*multiple answers**



# Analysis of foreign subsidiaries respondents\*

\*173 listed companies that owns foreign subsidiaries

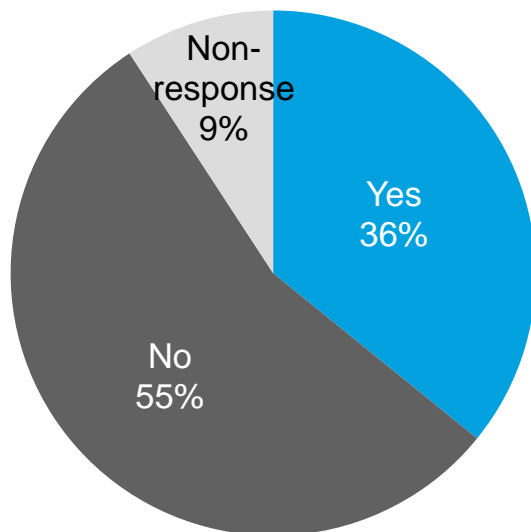


# 36% of foreign subsidiaries have experienced crisis in the last 12 years. Most recently Geopolitical at the top

**Q: Have your foreign subsidiaries ever experienced any crisis?**

**Q: When and what type of crisis did your foreign subsidiaries have experienced? \*multiple answers**

**Experience of crisis  
(Responded foreign subsidiaries)**



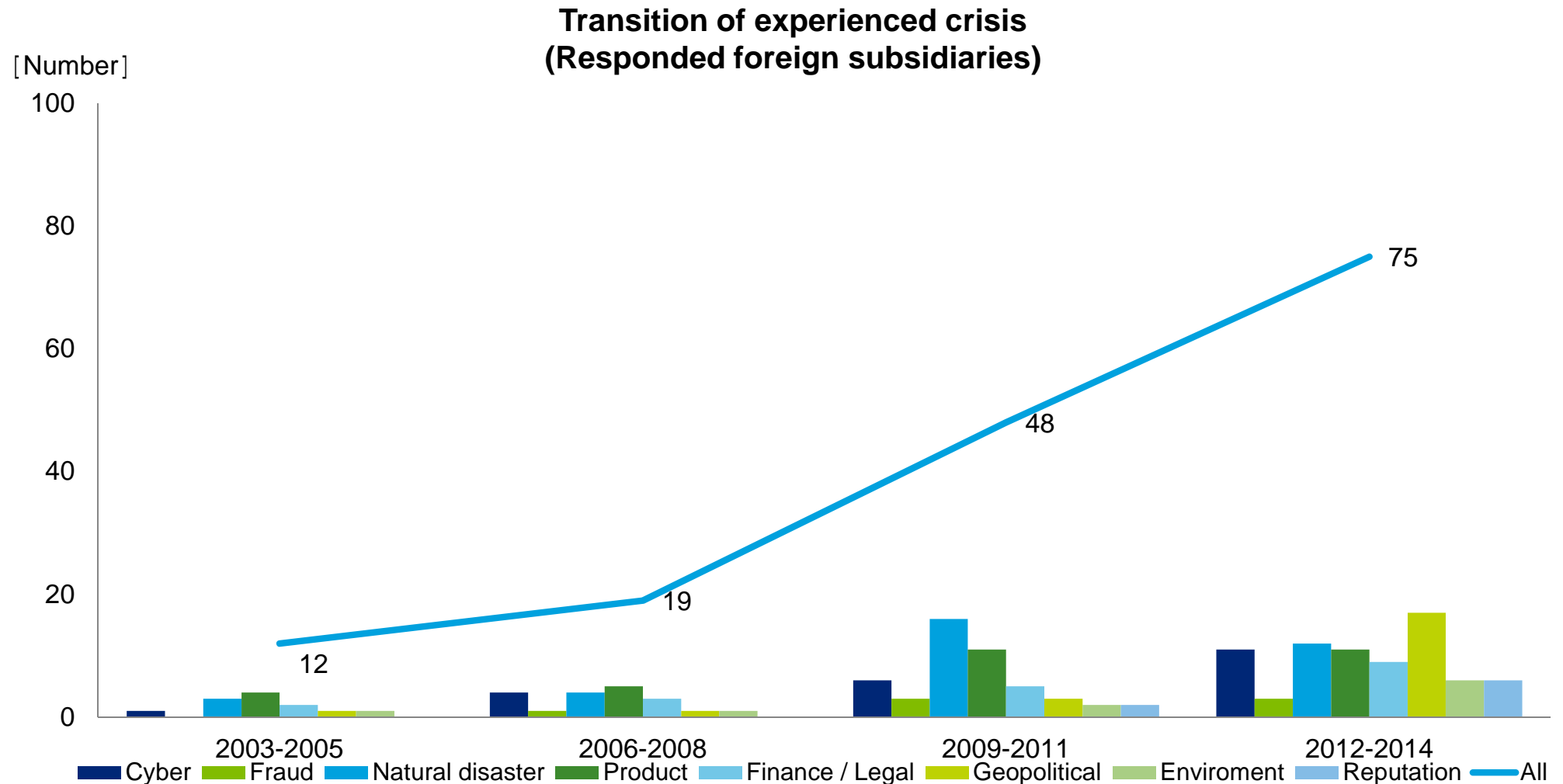
**Ranking of experienced crisis  
(Responded foreign subsidiaries)**

	2003-2005	2006-2008	2009-2011	2012-2014	2003-2014
1 <sup>st</sup>	Product	Product	Natural disaster	Geopolitical	Natural disaster
2 <sup>nd</sup>	Natural disaster	Natural disaster	Product	Natural disaster	Product
3 <sup>rd</sup>	Finance / Legal	Cyber*	Cyber	Product Cyber*	Cyber Geopolitical*
4 <sup>th</sup>	Cyber Geopolitical Environment*	Finance / Legal	Finance / Legal	Finance / Legal	Finance / Legal
5 <sup>th</sup>		Geopolitical Environment Fraud*	Geopolitical Fraud*	Environment Reputation*	Environment
6 <sup>th</sup>					Reputation
7 <sup>th</sup>			Environment Reputation*		
8 <sup>th</sup>				Fraud	Fraud

\* Same rank as same number

# Number of crisis experienced in foreign subsidiaries has increased, and incidence of crisis is growing

Q: When and what type of crisis did your foreign subsidiaries have experienced? \*multiple answers



# High number of crisis has been experienced in East Asia and South East Asia

Q: In which region have your foreign subsidiaries experienced crisis? \*multiple answers

Situation of experienced crisis (Responded foreign subsidiaries)

[%]

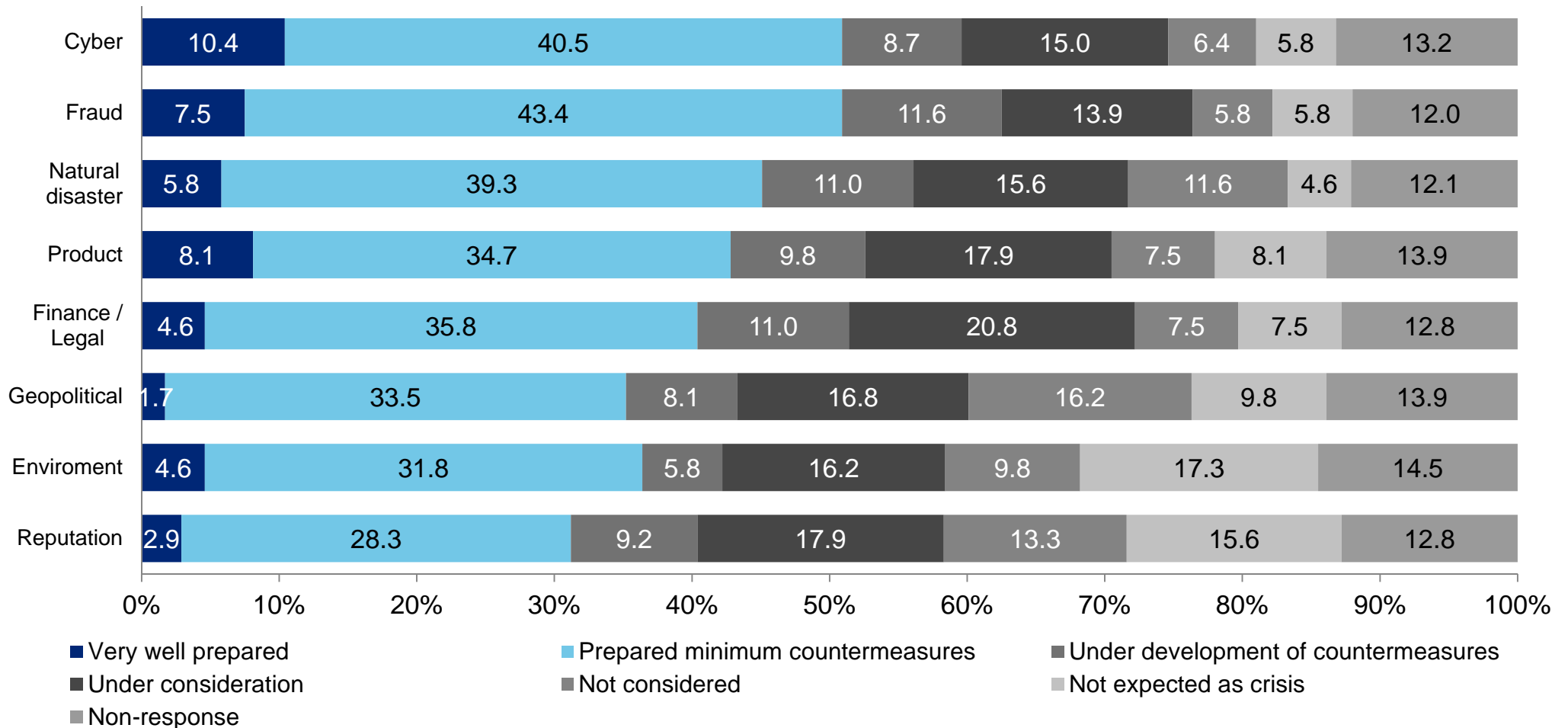
	East Asia	South East Asia	Other Asia Country	Oceania	North America	South & Central America	Europe	Africa	N/A
<b>Cyber</b>	1 55.6	27.8	5.6	0.0	16.7	0.0	0.0	0.0	5.6
<b>Fraud</b>	33.3	16.7	0.0	0.0	1 50.0	0.0	16.7	0.0	0.0
<b>Natural disaster</b>	16.7	1 80.0	10.0	6.7	3.3	0.0	3.3	0.0	0.0
<b>Product</b>	29.4	1 58.8	0.0	5.9	29.4	0.0	5.9	0.0	0.0
<b>Finance / Legal</b>	1 33.3	1 33.3	0.0	0.0	1 33.3	0.0	25.0	0.0	0.0
<b>Geopolitical</b>	47.4	1 52.6	0.0	0.0	5.3	0.0	5.3	5.3	5.3
<b>Environment</b>	1 57.1	14.3	0.0	14.3	0.0	0.0	0.0	0.0	14.3
<b>Reputation</b>	1 75.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0	12.5

# Foreign subsidiaries that have taken adequate countermeasures are not high

**Q: What is the corresponding situation of each type of expected crisis?**

**Corresponding situation of expected crisis (Responded foreign subsidiaries)**

[Type of crisis]

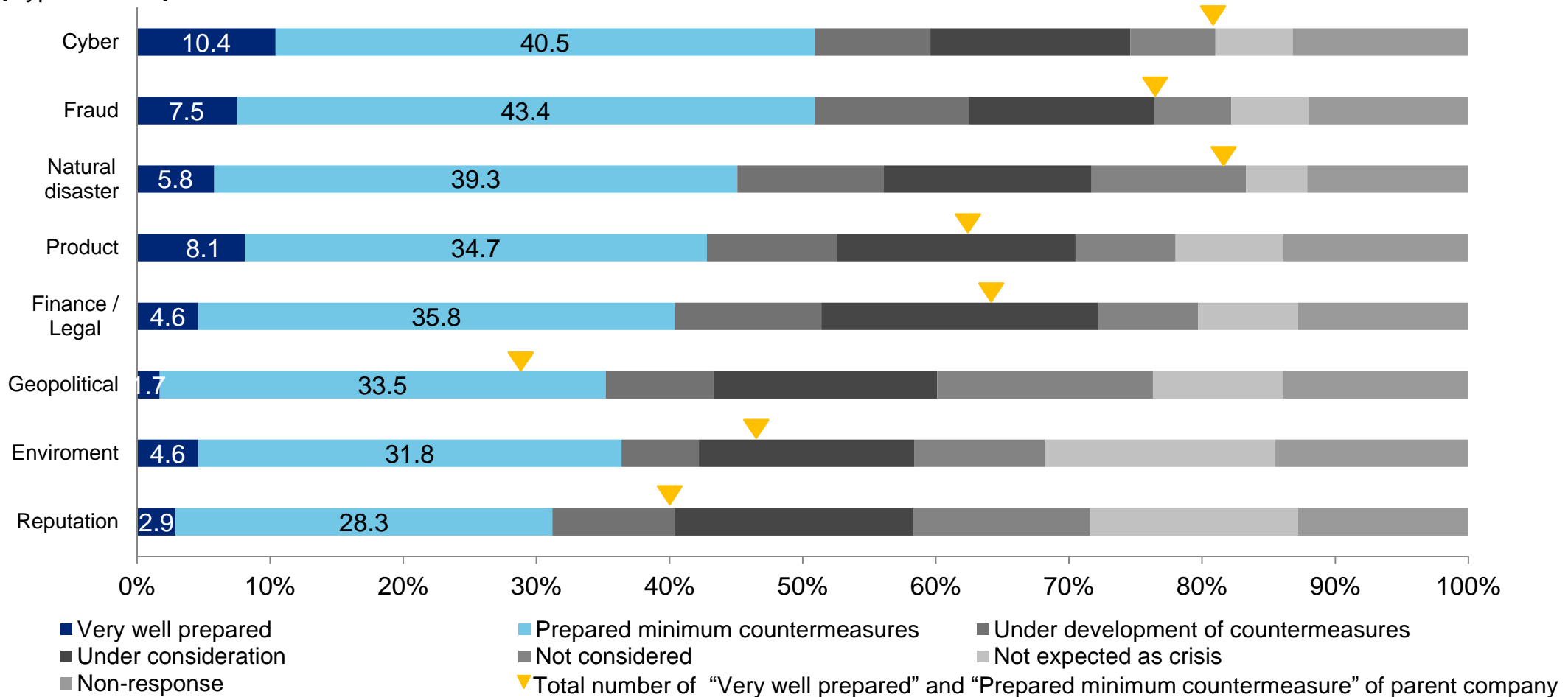


# Corresponding situation of expected crisis within foreign subsidiaries is behind comparing to the parent company

**Q: What is the corresponding situation of each type of expected crisis? (Comparing with the parent company)**

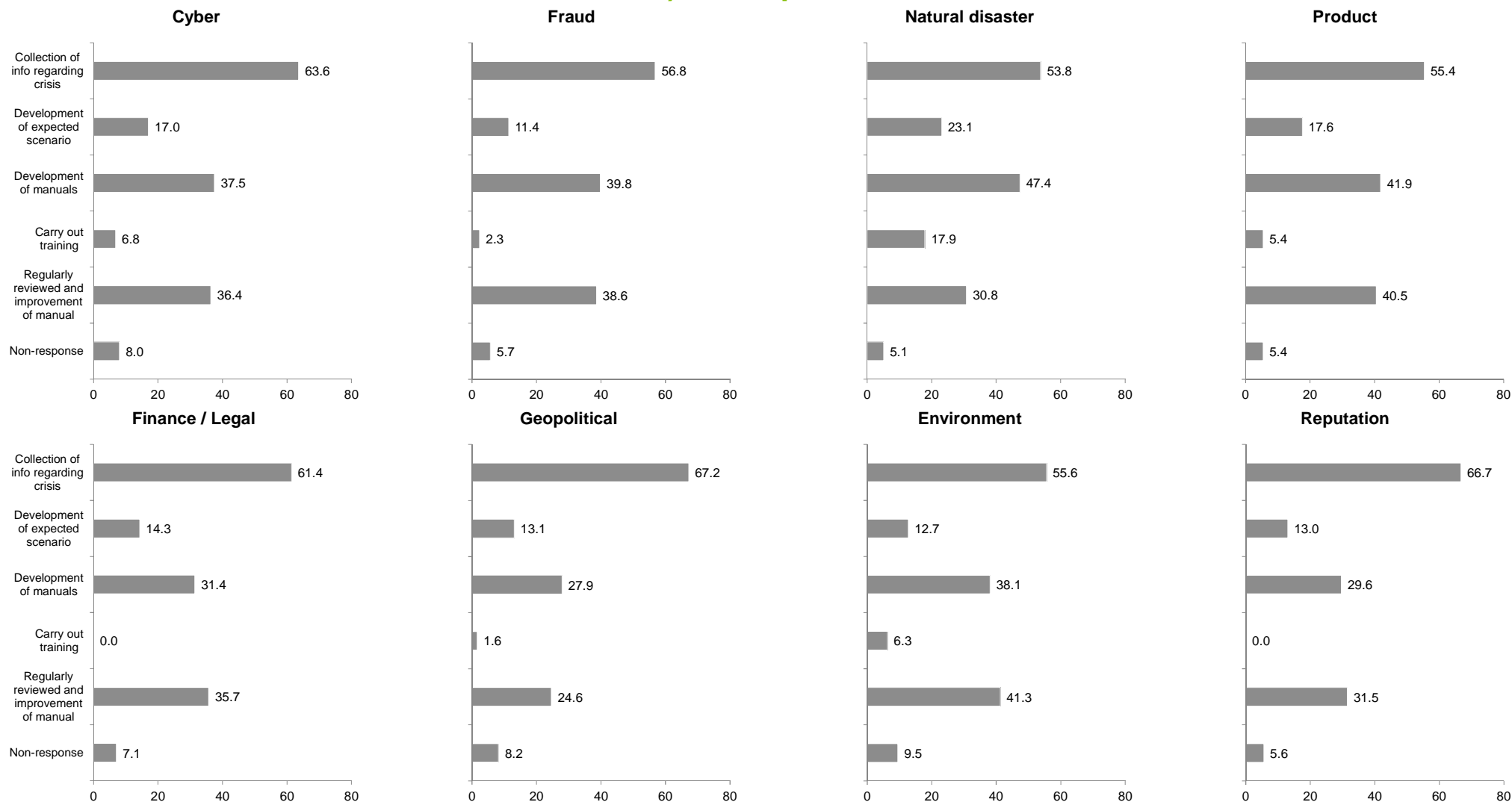
## Corresponding situation of expected crisis (Responded companies and foreign subsidiaries)

[Type of crisis]



# Countermeasures are remained collection of info regarding crisis within foreign subsidiaries

**Q: What kind of countermeasures has your foreign subsidiaries taken? (Only foreign subsidiaries answered “not considered countermeasures”) \*multiple answers**





Deloitte Touche Tohmatsu (Japan Group) is the name of the group consisting of member firms in Japan of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee, and Deloitte Touche Tohmatsu (Japan Group) provides services in Japan through Deloitte Touche Tohmatsu LLC, Deloitte Tohmatsu Consulting Co., Ltd., Deloitte Tohmatsu Financial Advisory Co., Ltd., Deloitte Tohmatsu Tax Co., and all of their respective subsidiaries and affiliates. Deloitte Touche Tohmatsu (Japan Group) is among the nation's leading professional services firms and each entity in Deloitte Touche Tohmatsu (Japan Group) provides services in accordance with applicable laws and regulations. The services include audit, tax, consulting, and financial advisory services which are delivered to many clients including multi-national enterprises and major Japanese business entities through nearly 7,900 professionals in almost 40 cities of Japan. For more information, please visit Deloitte Touche Tohmatsu (Japan Group)'s website at [www.deloitte.com/jp/en](http://www.deloitte.com/jp/en).

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 210,000 professionals are committed to becoming the standard of excellence.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a more detailed description of DTTL and its member firms.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte Network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.