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Payout by Japanese Firms During COVID-19 Pandemic

Three environmental changes to be considered for future payout

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Summary

- Many companies have accumulated cash in the wake of the COVID-19 pandemic. While some companies are still in severe business environment, those experiencing a recovery in business conditions may be questioned regarding the use and importance of cash holdings in the future. This paper summarizes trends in payout as a means of cash disposal during the COVID-19 pandemic.
- **Dividends:** In the fiscal year of 2020, the actual amount in interim dividends declined slightly. Regarding dividend forecast for the full fiscal year, many companies have left their forecasts unchanged from the previous fiscal year regardless of increase or decrease in their profit forecast. This implies rigidity of dividends. However, many enterprises which suffered losses have cut dividends.
- **Share buybacks:** The amount of share buybacks in 2020 was about ¥4.4 tril, down from about ¥8.2 tril in 2019. Looking at the breakdown, the overall amount includes a boost of approximately ¥1.6 tril from one company. Hence, it can be said that many companies decreased share buybacks. By industry, the rate of decline in the banking industry was significant. Banks seemed to have prioritized securing equity capital in order to respond to the heightened demand for funds.
- Looking ahead, it will be important to take into account three changes when considering payouts; 1. the relaxation of the advisory policy of a proxy advisory firm, 2. validity of share buybacks at heightened valuation of stock price, and 3. competitive nature of rising/high interest rates and dividends.
- **Increased dividends with profit decline?:** One of the characteristics of the dividend policies of companies expecting dividend increase and profit decrease is that they announce their intention to continue increasing dividends, or at least, keeping them stable. Aims behind these policies are to acquire stable shareholders and secure certainty of dividend yields.

Attention

This report is a summary translation. The official document is only in Japanese.

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