

20th CEO Survey – Japan Territory Cut

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20 years inside the mind of the CEO... What's next?

Japanese CEOs are finding a way in an age of divergence and digitization



14%

of Japanese CEOs showed growth confidence

48%

of Japanese CEOs plan on headcount increases

82%

of Japanese CEOs have concerns for “Speed of technological change”



Forward

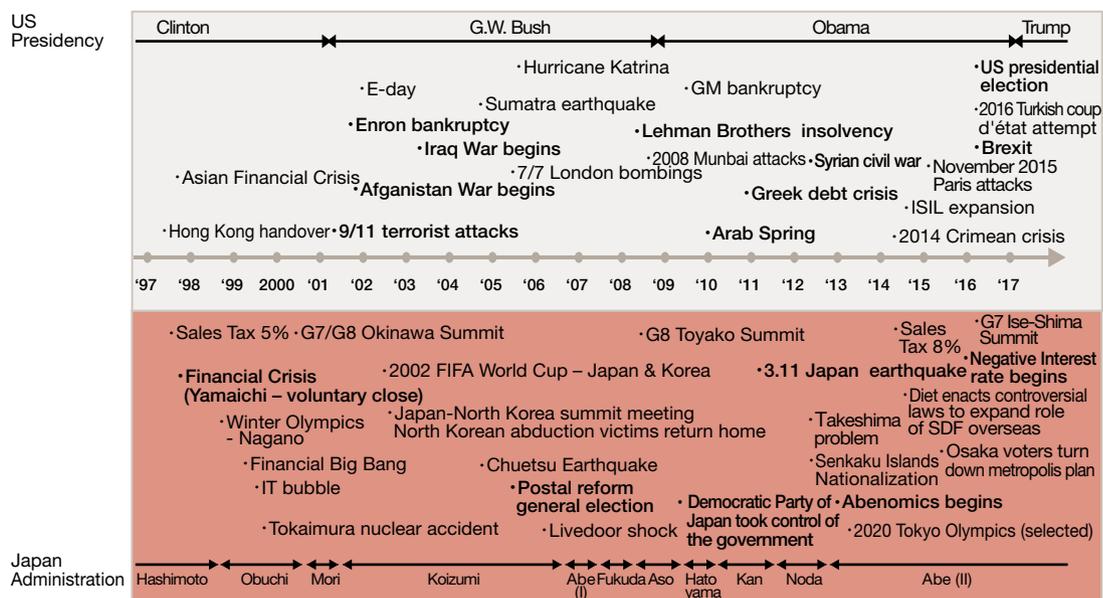
Over the past 20 years, PwC has surveyed the CEO’s awareness based on mega trends affecting the world such as changes in demographics, rapid urbanization, global economic power shifts, corporate activity reorganization, resource shortage and etc. In comparison to 20 years ago when we first conducted the survey, the world has undergone a major transformation with globalization and technology. Now, many of us face various challenges that we had not anticipated 20 years ago.

Chart1 shows the major socioeconomic events of the world and Japan over the past 20 years, from 1997 to 2017. The world has been exposed to the threat of further terrorism after the war and conflicts arising from the 9.11 terrorist attacks of the United States in 2001. In addition, the wave of democratization in the Arab countries which began with Arab Spring, and followed by the Syrian civil war and the refugee issues shaking European countries. In Japan while the latter half of the 1990s was still taking measures after the bubble burst, in the following 2000s the gradual economic boom continued under the Koizumi administration. This economic boom ended with the Lehman shock of 2008 and the administration changed to the Democratic Party. Soon after a change of Government, the public consciousness changed dramatically due to the unprecedented catastrophe of 3/11 East Japan great earthquake.

With the inauguration of the second Abe administration, the Abenomics economic policy was instigated and non-traditional monetary and fiscal policies including negative interest rate policies took place. The world and Japan’s society and economy continue to undergo major changes in the past 20 years. The technological capabilities of the Internet has developed rapidly. Starting with the appearance of smartphones, people’s lives and businesses are now “Connected (always connecting and communicating objects and things through the network)”. It is reconfigured as a new standard. In addition, new technological concepts such as Internet of Things (IoT) and artificial intelligence (AI) spread in businesses. However, there are concerns that our employment will be deprived by mechanization through utilizing these technologies in the near future.

According to last year’s survey conducted by PwC, most CEOs foresaw that society will be divided by various values and frameworks. But in 2016 it became clear how this social division appeared with actual events. Although Brexit and the US presidential election were contrary to the anticipation of many experts, they further impressed the divergence of the so-called “Establishment (the ruling class)” and the general public.

Chart1 Noticeable events of the world and Japan over the last 20 years



Due to factors such as the unexpected voting results, there is a tendency to worry about the rise of populism. But the background of this phenomenon is that there is strong anxiety and dissatisfaction with the present state of the general public. It is necessary to pay attention to the fact that politicians called populists are also selected through democratic procedures in democratic countries.

Many citizens feel that they have been left behind by social changes due to the rapid progression of globalization and technology in the past 20 years. We are pressing for a major turning point in the continuation of the “Established” system and regime, which shaped the world after World War II.

Given the world is facing such a paradigm shift, the 20th CEO Survey showed that the CEOs of the world see the changes as opportunity while Japanese CEOs consider them as risks and are being more cautious. It is a contrasting picture as less Japanese CEOs have shown concerns in “digital” and “technology” than CEOs from around the world. Those gaps are very prominent.

On the other hand, in order to build the trust of society, the areas which companies can contribute in our society are expanding. Companies should actively resolve various problems, that our society faces, by not only introducing activities that provide goods and services and employment, but also engagement with broader society’s stakeholders. From such a point of view, it is a case that many Japanese companies have placed “coexistence and co-prosperity (such as the spirit of “Sanpo Yoshi”) with society’s diverse stakeholders” on their own purposes. It can be said that the roles and expectations that Japanese companies should play in the global market are unprecedented.

In this survey, we received assistance from 110 Japanese CEOs and we would like to thank every one of them from the bottom of our hearts.



Koichiro Kimura
PwC Japan Group

Competing in an age of divergence



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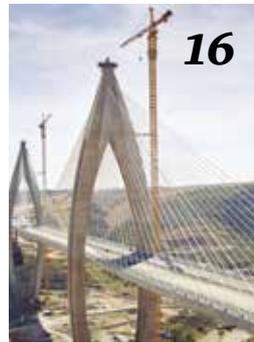
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Competing in an age of divergence

Japanese CEO's prospects for their own growths will be more careful

There is no doubt that 2016 was the year when the world came to a major turning point, such as Brexit and the presidential election in the US. In this unpredictable business environment, how do CEOs plan their companies growth?

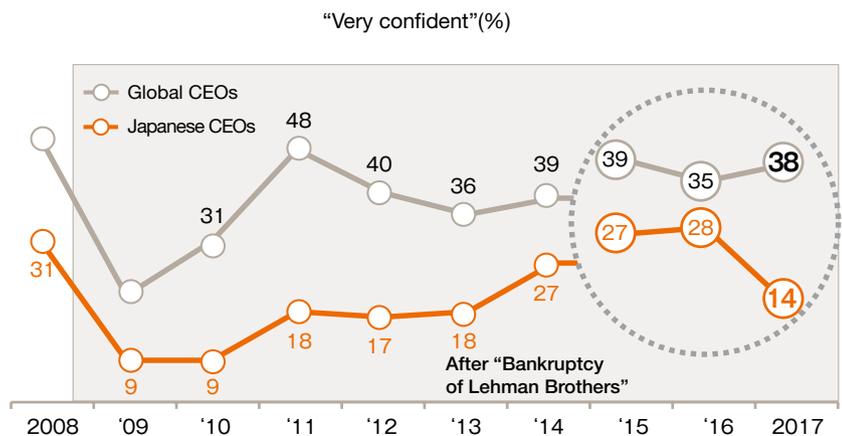
About 38% of the world CEOs said "very confident" in the short term (next 12 months) about the growth prospects of the company, while 51% selected it for the medium term (next 3 years) outlook (Chart2). In particular, the medium-term outlook of the global CEOs have recovered to the highest level since the financial crisis in 2008. In our first survey conducted in 1997, the CEOs who answered "very confident" were one-third of the total, even though the market at the time was quite bullish. We could recognize that now is a time when considerable optimism is intensifying in the last 20 years.

While the worldwide optimistic view is strong, Japanese CEOs answers that the short-term outlook for their growth is "very confident" halved to 14% from 28% last year. For the medium term, it has declined sharply from 33% to 21%. Japanese CEO's cautious stance is widely noticeable compared with other countries.

Under the rapidly changing business environment, CEOs from around the world find opportunities for growth through facing a wide range of uncertainties. Japanese CEOs, however, have further strengthened their cautious views. In this survey, the contrast between Japanese CEOs and the world is getting much clearer.

Chart2 Japanese CEO's prospects for their own growths will be more careful

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?



Q: How confident are you about your company's prospects for revenue growth over the next 3 years?

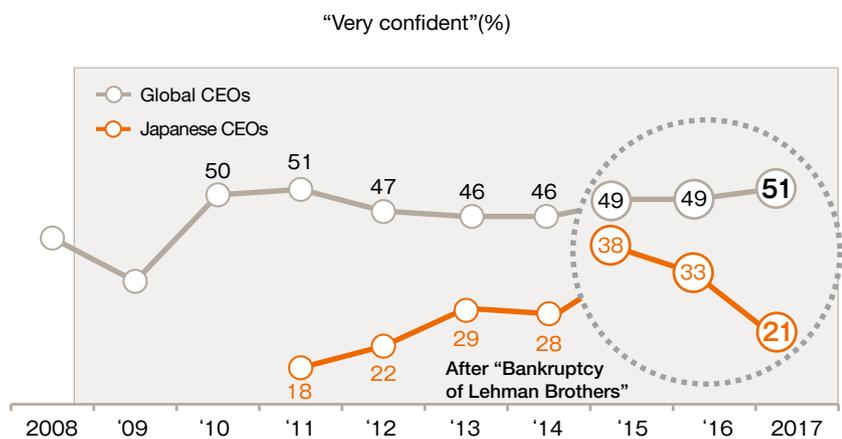
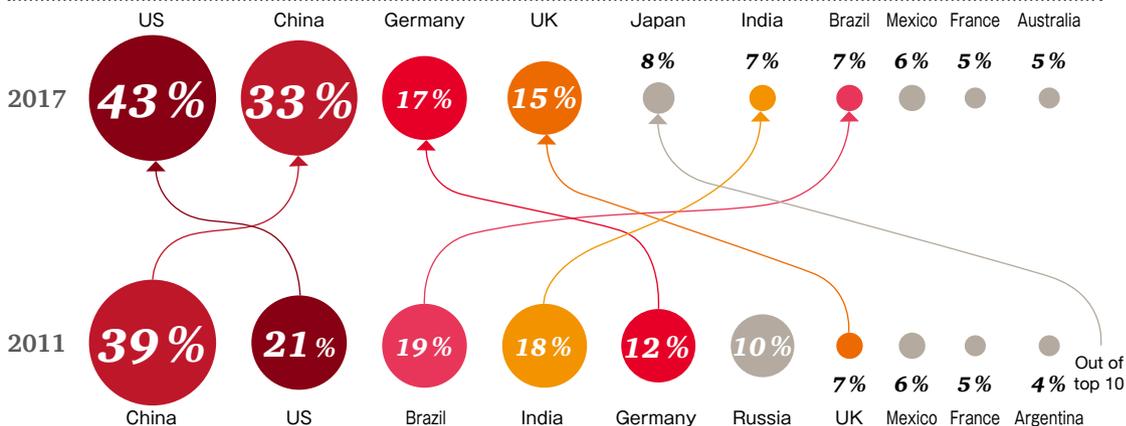


Chart3 Most important counties for your organisation’s overall growth prospects over the next 12 months? 2011 and 2017 survey (Global CEOs)

Q: Which three countries, excluding the country in which you are based, do you consider most important for your organisation’s overall growth prospects over the next 12 months?(Global CEOs)



Key countries for growth - Returning to developed countries

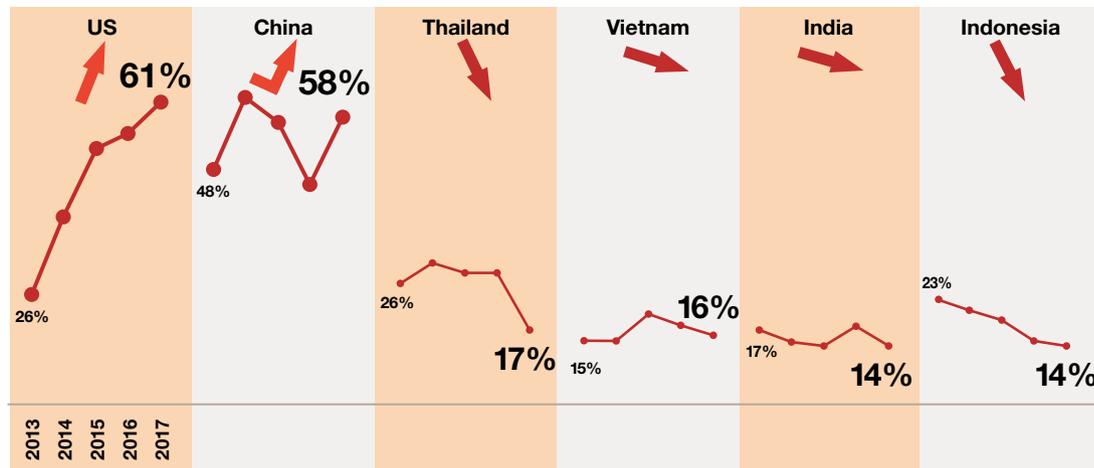
Regarding the countries which world CEOs expect to drive their growth, the survey of 2011 clearly showed their high expectations for emerging economies. But in comparison to the 20th survey shows specializations in two countries: US and China. We can see the polarization and the flow of return to developed countries (Chart3). Among them, Japan ranked fifth in the top 10 list of this survey, jumped up from being out of the list in 2011. On the other hand, interests in emerging countries have declined and the degree of interests in Japan relatively increased.

In comparison to the previous year, the rankings showed the United States (43%: this year, 39%: last year), China (33%, 34%), Germany (17%, 19%) and the UK (15%, 11%). There were no significant changes other than the further increases in US. In addition, Russia and UAE which were on the list of the last year are out of the list. This year France and Australia newly joined the top 10 list.

In Japan, the CEO’s responses concentrated in the United States (61%: this year, 55%: last year) and China (58%, 45%) and they are increasing, while interests in Asian emerging countries are decreasing (Chart4). In remarkable cases, Thailand has declined to 17% from 28% of last year. Also, Germany, which was ranked at 8th (11%) last year is outside of the list (6%), while South Korea has entered 10th place from last year.

Chart4 Most important counties for your organisation’s overall growth prospects over the next 12 months? From 2013 and 2017 survey (Japanese CEOs)

Q: Which three countries, excluding the country in which you are based, do you consider most important for your organisation’s overall growth prospects over the next 12 months?(Global CEOs)



Measures for management threats and growth for Japanese CEO

What are the management threats for CEOs who are charged with unprecedented difficult steering? Also, what kind of measures are undertaken by CEOs to deal with these threats in order to achieve further growth?

Regarding the threats that the CEO face in the economic, political, social and environmental aspects, many of the world CEOs chose “Uncertain economic growth (82%)”, “Over-regulation (80%)” and “Geopolitical uncertainty (74%)” (Chart5). In the response of Japanese CEOs, “Uncertain economic growth (90%)” was the highest, while the 2nd and 3rd place were “Exchange rate volatility (89%)” and “Terrorism (75%)”.

Chart5 Economic, policy, social and environmental threats to your organisation's growth prospects.

Q: Please find below a list of potential economic, policy, social and environmental threats to your organisation's growth prospects. How concerned are you, if at all, about each of these?

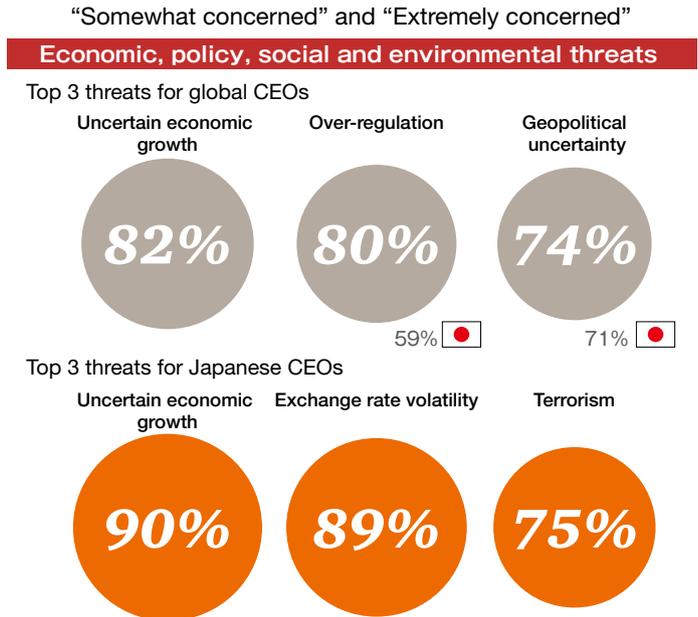


Chart6 Business threats to your organisation's growth prospects

Q: Please find below a list of potential business threats to your organisation's growth prospects. How concerned are you, if at all, about each of these?



About business threats, both worldwide and Japanese CEOs picked “Availability of key skills (77% in the world, 88% in Japan)”, “Speed of technological change (70%, 82%)”, “Changing consumer behaviour (65%, 75%)” as their main responses(Chart6). In addition, Japanese CEOs paid more attention to the following threats which are “Speed of technological change”, “Lack of trust in business”, “Supply chain disruption” and “Changing consumer behavior”, compared with 2015 results. Among them, “Lack of trust in business” showed a big rise.

Compared with the last year, “Supply chain disruption” is a threat to be taken note of, as the Japanese CEO’s response is rising rapidly while world CEOs replies stayed at the same levels.

Increased threats for Japanese CEOs since 2015

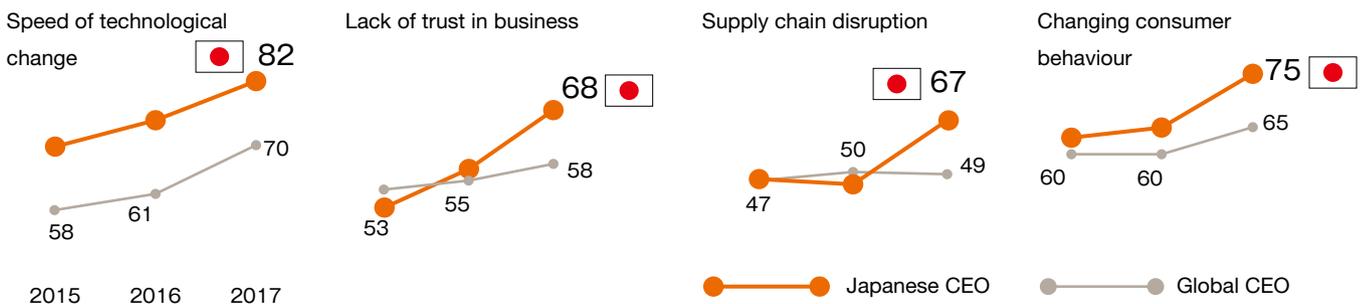
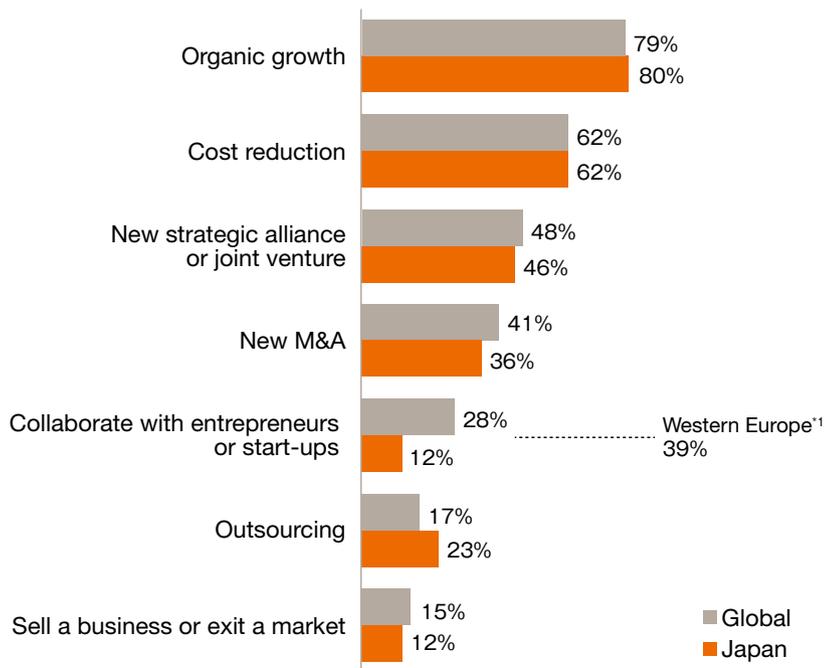


Chart7 Japanese CEOs are cautious to collaborate with start-ups

Q: Which of the following activities, if any, are you planning in the coming twelve months in order to drive corporate growth or profitability?



As a measure that emphasizes short-term company growth, CEOs who mentioned “Organic growth” in both the world and Japan were the most frequent followed by “Cost reduction” and “New strategic alliance or joint venture” (Chart7).

On the other hand, 28% of global CEOs cited “Collaborate with entrepreneurs or start-ups”, whilst only 12% of Japanese CEOs chose it. The figure is less than half of the global figures and even by country, Japanese CEO’s response rates are the lowest. On the other hand, the Western Europe countries selected this option at nearly 40% of all responses. This may be due to many Japanese CEOs still being cautious to collaborate with companies which are young with innovative technologies and entrepreneurs.

*1 Western Europe : UK, Germany, Italy, Spain, Switzerland and etc...

“Digital and Technology” is the areas CEOs believe should be strengthened most – Japanese CEOs at the lowest result by region

The field that CEOs believe should be most strengthened in the future was “Innovation” for both the world and Japan. On the other hand, through observing all the other results, large gaps were evident. Statistics indicated that “Digital and technology capabilities (15%)” and “Human capital (15%)” ranked second in the world. “Human capital (30%)” and “Competitive advantage (17%)” were the highest in Japan. Remarkably, Japanese CEOs who raised “Digital and technology capabilities” were only 4% (Chart8). By region, Japanese CEO’s levels of “Digital and technology capabilities” were the lowest.

In addition, the 20th survey covers CEO’s personal technological habits and other digital related questions as well. Japanese CEO’s answers to the experience of using digital skills, home automation systems, robotics and other technologies are overwhelmingly lower than CEOs in other regions (Chart9). The lack of personal experience with new technology may be a reason why Japanese CEOs did not prioritize digital and technology as much as international standards.

Chart8 Japanese CEOs did not prioritize digital and technology as much as international standards

Q: Given the business environment you’re in, which one of the following do you most want to strengthen in order to capitalise on new opportunities?

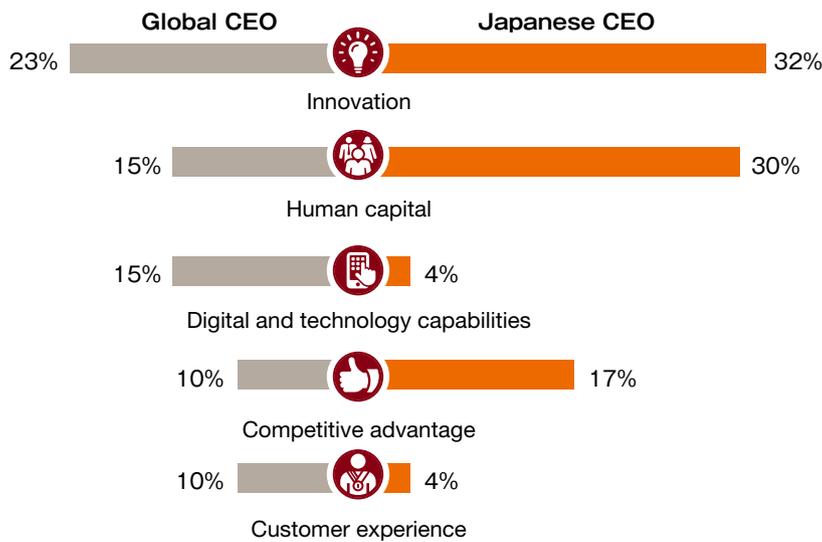
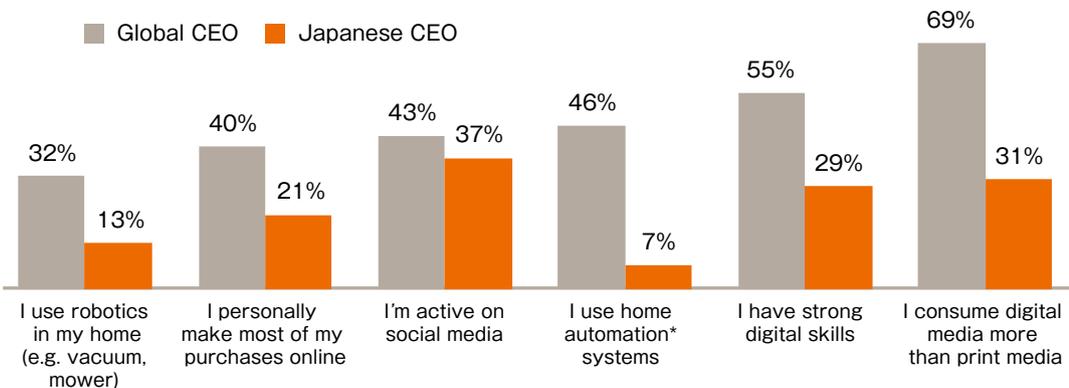


Chart9 CEOs technology literacy

Q: To what extent do you agree or disagree with the following statements about your personal use of technology?



Note: By home automation we mean the use of computers to control basic home functions automatically and remotely as required

Managing man and machine

The impact of technology and mechanization on employment is still limited

Looking back on the development of technology over the past 20 years, we can not understand it without the Internet and the rapid spread of new devices such as smartphones that appear to respond to wireless access to the Internet.

20 years ago, the penetration rate of the Internet in Japan was only 9.2% and the number of users was around 10 million¹. Those respectively increased to 83% and to more than 100 million in 2015. Regarding smartphones, the household penetration rate has expanded to 72% from 9.7% in the last five years (2010 – 2015)². Those examples show us that recent new technologies are spreading at such a speed that it has never seen.

Starting with the appearance of smartphones, everything including cars is being reconfigured as a new standard, “Connected (always connecting and communicating objects and things through the network)”.

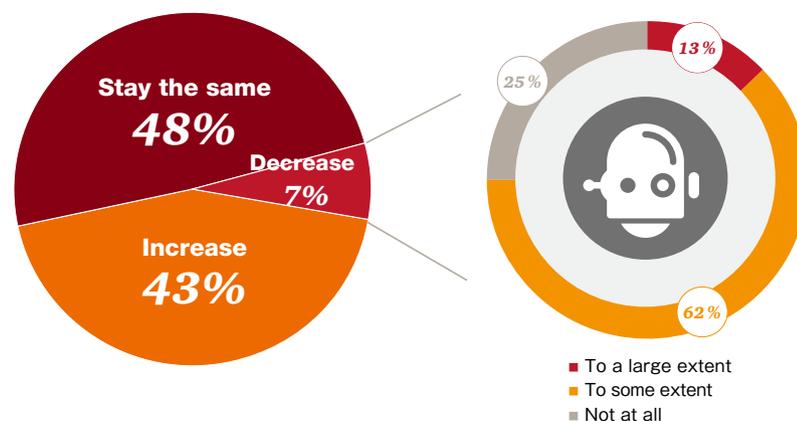
In addition, research to apply technologies represented by concepts such as IoT and artificial intelligence (AI) to business in recent years is actively conducted. In the near future, people’s employment could be deprived by machines applying these technologies. Those kinds of forecasts are becoming real. Along with them, concerns about people’s employment are also increasing. Then, to what extent is the influence by mechanization? In this survey we asked CEOs about the labor force size in the next 12 months. The result is contrary to prior expectations of scaling down.

Japanese CEOs with plans to decrease the number of workers are extremely low at 7% (16% worldwide), while 40% (around 50% in the world) are expected to increase the staff size (Chart10).

Chart10 Although only 7% of Japanese CEOs plan to reduce headcount, technological affects are considerable

Q: Do you expect headcount at your company to increase, decrease or stay the same over the next 12 months?

Q: Only answer if you selected ‘decrease’, to what extent will the decrease in headcount be the result of automation and other technologies?



Among Japanese CEOs anticipating to shrink worker numbers, only 13% answered that “the result of automation and other technologies” is the main cause of staff reduction. It can be seen that the technologies and mechanization influence on employment, that are currently drawing attention, are not yet at the stage of bringing about this real impact.

However in this survey, aggregating the answers that automation and other technologies influence on the reduction of employees “to large extent” and “to some extent,” 76% of Japanese CEOs says that automation and other technologies have some kind of negative impact. In addition, many of the global and Japanese CEOs agreed that the technology “Completely reshaped” or “Significantly impacted” competitive conditions of each industry in the past five years. Regarding over the next 5 years, 70% of Japanese CEOs expect that the technology would completely reshape or significantly impact on competition. We believe at this moment it is too early to judge whether technology actually impacts on employment in the near future. But those are worth noting that many global and Japanese CEOs with plans to reduce labor size recognize the effects from automation and technology and that the majority of Japanese CEOs say that technology will change competitive conditions in the industry.

Human resources policy of CEOs of Japan and the comparison with ones of the world

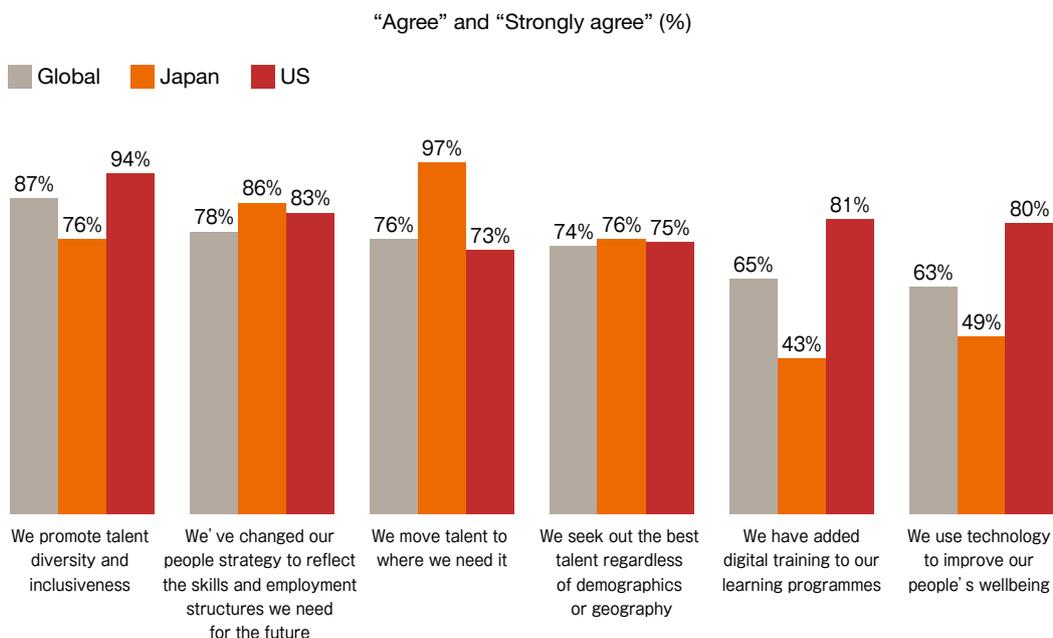
In terms of Human Resources policy, both CEOs of the world and Japan mainly chose the followings: “We promote talent diversity and inclusiveness”, “We’ve changed our people strategy to reflect the skills and employment structures we need for the future”, “We move talent to where we need it” and “We seek out the best talent regardless of demographics or geography” (Chart11).

Regarding the items that received the most answers, 97% of Japanese CEOs selected “We move talent to where we need it”, while 87% of the world CEOs replied on “We promote talent diversity and inclusiveness” (76% in Japan, the United States 94%).

About 60% of the world CEOs and 80% of the CEOs in the United States responded “We have added digital training to our learning programmes” and “We use technology to improve our people’s wellbeing”, while Japanese CEOs’ answers are less than 50% in both. Again, we could see that Japanese CEOs do not pay much attention to “digital” and “technology”, as much as the CEOs of the world.

Chart11 In human resource policy, utilization of digital and technology by Japanese CEOs is relatively low, compared with Global CEOs

Q: To what extent do you agree or disagree with the following statements about your organisations talent activities?



Securing human resources with creativity and innovation is the most important issue

So what kind of people are CEOs looking for? About the skills that CEOs are seeking, nearly all Japanese CEOs cite “Problem-solving”, “Adaptability”, “Collaboration”, “Leadership” and “Creativity and innovation”. This is consistent with the results for global CEOs (Chart12). These top-ranked skills are more difficult to replace with technology and machines so far. In other words, CEOs consider these skills as the most difficult to be mechanized and still the most important in the digital age.

On the other hand, Japanese CEOs’ choices on “Emotional intelligence (EQ) (88% in the world, 74% in Japan)” and “Digital skills (79% in the world, 66% in Japan)” were at lower levels than CEOs of the global.

Inquiring about the difficulty of recruiting human resources with the required skills, Japanese CEOs showed “Creativity and innovation (93%)” at the top, followed by “Leadership (81%)” and “Problem-solving (75%)”. Especially, the proportion of CEOs in Japan who raised the difficulty of securing human resources with “Creativity and innovation” is prominent compared with other regions. They seem to struggle with securing innovative talents for further growth.

Chart12 CEOs consider those skills important and those are difficult to be replaced by machines

Q: In addition to technical business expertise, how important are the following skills to your organisation?
(Q: How difficult, if at all, is it for your organisation to recruit people with these skills or characteristics.)

“Somewhat important” and “Very important” (%)
(“Somewhat difficult” and “Very difficult” (%))

Global (1,379 CEOs)		Japan (110 CEOs)	
Problem-solving	98% (61%)	1 Leadership	96% (81%)
Adaptability	96% (61%)	2 Problem-solving	95% (75%)
Collaboration	96% (48%)	3 Adaptability	95% (58%)
Leadership	95% (75%)	4 Creativity and innovation	92% (93%)
Creativity and innovation	92% (77%)	5 Collaboration	91% (39%)

Gaining from connectivity without losing trust

In a digitizing society, CEOs place greater emphasis on “corporate purpose” and “social responsibilities”

For a long time, Japanese companies emphasized its contribution to not only shareholders but also a wider range of society's stakeholders such as employees, national and local communities. There are a lot of differences with US-style corporate management which prioritizes on maximizing stockholders equity values in capital markets.

In the past 20 years, it has been critically reviewed for Japanese style management (review of corporate governance, emphasis on management indicators such as ROE and etc...) due to the long recession after the bubble burst. In the meantime, the United States faced the collapse of the dot-com bubble and the financial crisis in 2000s. Those actually raised awareness about corporate trust in society.

It is interesting that companies management styles in the two countries seemed compromising during the past two decades.

PwC began surveying “trust” since 2002, when it was shaken by accounting fraud cases and the dot-com bubble. But even at that time, only 12% of CEOs thought public trust in companies in their country had greatly declined. CEO's concern on trust has risen after the financial crisis and the survey of 2013 showed 37% of global CEOs were concerned that its growth will be hindered by lack of trust. In this 20th survey, 58% of the global CEOs answered that lack of trust in business is a threat to their businesses. However, 68% of Japanese CEOs agreed upon this statement which is 10% higher than global measures.

In recent years the rapid development of technology, especially digitization is progressing and the world is always “connected”. Based on this reality, a way to gain and maintain trust has changed dramatically than before. With the spread of SNS, it is now possible for anyone to criticize businesses and there is a situation in which the trust of companies is easily compromised by untruthful information on the Internet.

68%

of Japanese CEOs consider “Lack of trust in business” as a business threat.

Chart13 In the context of an increasingly digitised world, CEOs put much importance on corporate purpose and social obligation

Q: In the context of an increasingly digitised world, to what extent do you agree or disagree with the following statements?

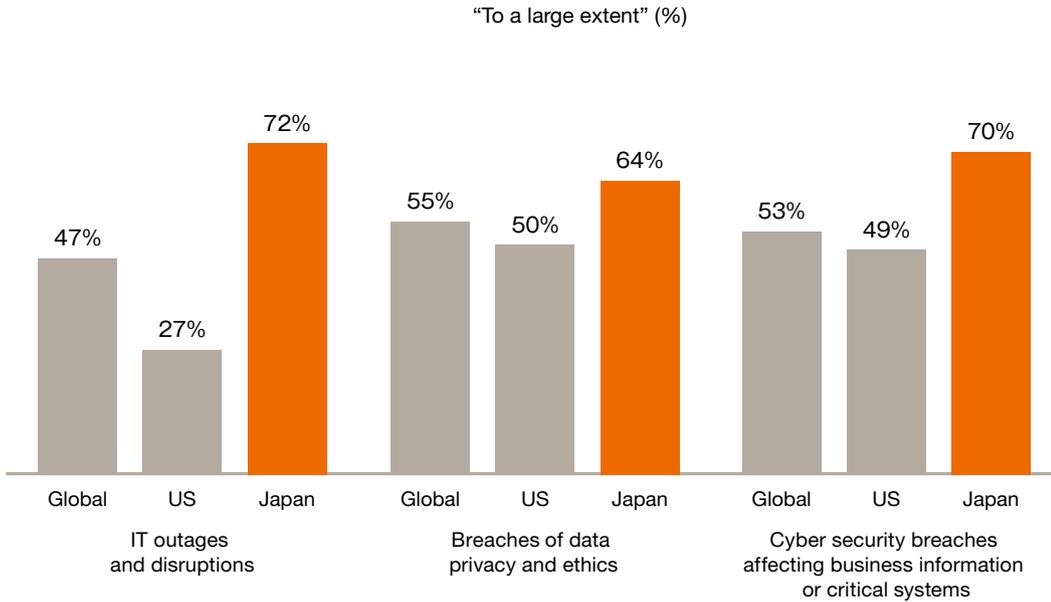
“Agree” and “Strongly agree” (%)



In this survey, we asked about the CEO's ideas about the purpose and social responsibility of a company on the premise of the arrival of such a connected era. Most of the global CEOs including Japanese agreed that “It's more important to have a strong corporate purpose, that's reflected in our values, culture and behaviours” (93% worldwide, Japan 88%). CEOs who replied that “It's more important to run our business in a way that accounts for wider stakeholder expectations” was 85% worldwide and 82% in Japan, both exceeding 80% (Chart13). Meanwhile, 41% of Japanese CEOs agreed that “It's harder for business to gain and keep trust” in the digitizing society. This was far lower than CEOs worldwide (69%).

Chart14 Incidents: losing trust from stakeholders

Q: To what extent do you think the following areas will impact negatively on stakeholder trust levels in your industry in the next five years?



Attentions to risks that could impair trust - Level of Japanese CEOs is at the highest

We asked about factors that negatively affect stakeholders trust of their industries in the next five years. About a half of the global CEOs chose “Breaches of data privacy and ethics (55%)”, “Cyber security breaches affecting business information or critical systems (53%)” and “IT outages and disruptions (47%)” (Chart14). A lot of Japanese CEOs picked up the same factors, but compared with other territories, the proportions of “to a large extent” from Japanese CEOs are outstanding.

Especially about “IT outages and disruptions”, 72% of Japanese CEOs chose “to a large extent” while 27% of US CEOs selected it. As a further query to this question, we asked “To what extent is your organisation addressing these issues today?” Interestingly, the results were 71% of US CEOs are addressing to “IT outages and disruptions” to a large extent, while only 47% of Japanese CEOs is tackling it. This might imply that preparation for IT system crises could cause the different levels of senses of crisis between US and Japan.

47%
of Japanese CEOs responded that they are preparing for “IT outages and disruptions” risk at a certain level, while 71% of US CEOs did.

Making globalisation work for all

Changes with globalization and technology

Over the past two decades, the world has certainly benefited from globalization.

Regional agreements such as EU, NAFTA (North American Free Trade Agreement) and ASEAN (Association of Southeast Asian Nations), as well as trade agreements and tax treaties between countries are not only limited to intra-regional trade agreements and cooperation for economic development. With these agreements, obstacles concerning trade and international capital movements have lessened and the scope of activities of multinational corporations have dramatically expanded. As a result, employment was generated in many areas and the standard of living has been improving.

In accordance with the globalization of economic activities, the establishment of common systems and standards centered on international organizations has progressed. For example, financial regulations after the financial crisis have been under international agreements and each domestic regulatory system have accept those with adjustments.

Along with the development of information technology using the Internet, the information network has been extended all the way to every corner of the world and distribution in real time became possible. As a result, people are able to more easily and inexpensively communicate each other and accurately know the situation outside their own country.

While globalization has brought these visible benefits to people over the past two decades, the world has witnessed the intensification of conflicts between different races, ethnic groups, beliefs and values. In other words, although there are more room to develop globalization at least technically, continuous wars, conflicts and terrorism since the 9/11 terrorist attacks in 2001 seem to make the world go against the globalization.

Brexit and the US presidential election in 2016 were symbolic events in the sense that the United States and UK withdrew from conventional globalization, even though the both countries have strongly promoted globalization after the end of the Cold War. Globalization looks slowing and the world seems to be headed towards divergences, while technological changes keep accelerating.

How are the CEOs evaluating traditional globalization in the world that has entered in such a paradigm shift? For the CEOs, what globalization brought and what has not deliver?

What did globalization bring to the CEOs?

Many CEOs in the world, including Japan said that globalization has a great effect on the “Enabling universal connectivity” and “Improving the ease of moving capital, people, goods and information.”

In addition, many respondents indicated that there were certain impacts on the “Creating a skilled and educated labour force” and “Universal access to infrastructure and basic services” (Chart15).

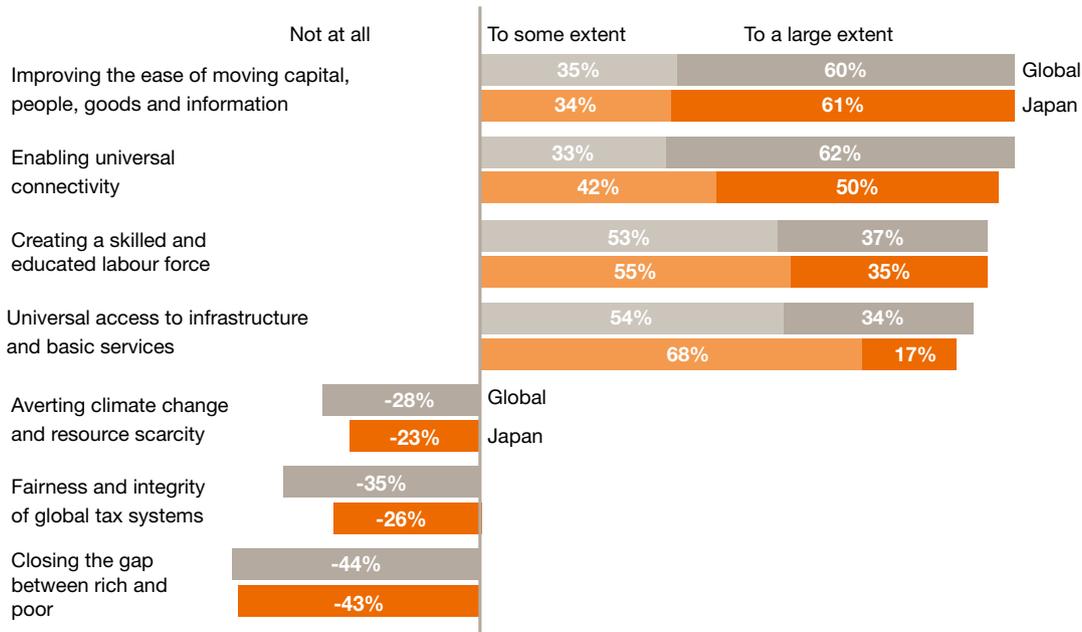
On the other hand, the answer that “globalization did not help at all” is often seen in “Closing the gap between rich and poor”, “Fairness and integrity of global tax systems” and “Averting climate change and resource scarcity.” In particular, more than 40% of the responses was gathered into “Closing the gap between rich and poor.”

Based on those results, if we summarize the merits and demerits of globalization that the CEOs considered, it states that “Wealth was created, but the disparity did not shrink.” If we could call a globalization, which does not help “Closing the gap between rich and poor” (or even widening the disparity) and could bring decoupling in societies and divergences in the world, as “20th century globalization”, could we seek out a new globalization that could solve the problems of the “20th century globalization” and distribute wealth in a more equitable way?

For many companies, access to the global market is indispensable to grow in the future. But in order to maintain them, each company must be more actively involved with society’s issues, collaborate with wider range of stakeholders and bring solutions.

Chart15 CEOs recognise both the benefits and downsides of globalisation

Q: In your view, to what extent has globalisation helped with the following areas?



43%
of Japanese CEOs and 44% of all CEOs choose “Not at all”, replying to the question that “Globalization helped closing the gap between rich and poor.”

How to draw our future?

At present, in Japan there are yet to be any dramatic changes which were seen in cases such as Brexit or the US presidential election. Moreover, we cannot see such signs in Japan. Japan is politically very stable compared with other countries. As mentioned earlier, Japan ranked fifth from last year's 7th in the ranking of the countries that world CEOs place importance on growth. Japan's stability seems to be well evaluated amongst overseas nations.

However, in a rapidly changing business environment, the CEOs of Japan are taking a more cautious view due to uncertainties on the change, as opposed to the world CEO's findings of growth opportunities as well as the risk. Additionally, in this survey it is also clear that Japanese CEOs are less concerned about changes in "digital" and "technology" as compared with the CEOs around the world. There is a possibility that Japanese CEOs did not prioritize on measures in digital and technology because they did not pay much attention to them.

There are obvious gaps between the world and Japan. The question is where are Japanese companies trying to find growth opportunities in the future? What is the future that Japanese companies draw in the world? Based on the findings of CEO's surveys, conducted by PwC over the past 20 years, we would like to mention the following three points at the end of this report.

First of all, it is important that the development of technology and progress of digitization are trends that no one can resist and those trends will accelerate in the future.

They will also destroy the traditional business models heartlessly and create new ecosystems in business one after another. Unless CEOs recognize the trends of technologies and digitalization and CEOs personally have high sensitivity (including experience of use) to the state-of-the-art technologies, CEOs would be behind changes in the real world. Once you were behind, you could be outside of the new ecosystem. Or even if you stayed within the ecosystem, you might be merely one of many suppliers.

Meanwhile, for Japanese companies armed with technology and digital, we are seeing more growth opportunities in the fusion of “manufacturing” with networks such as IoT and Industry 4.0 (the fourth industrial revolution) which will progress rapidly in the future.

Companies in Silicon Valley such as Google and Facebook generates new ecosystems with software. But to realize these new ecosystems, new hardware corresponding to it is required. As an example, automation of the manufacturing industry through the introduction of robotics requires the development of a robot (= hardware) capable of precisely realizing the movement instructed by the software. “Momozukuri”, which basically makes Japanese companies competitive and add-valued and hardly become obsolete, can differentiate Japanese companies from Silicon Valley companies even in new ecosystems. In order to maximize growth opportunities in the new ecosystems, it is necessary to select the ecosystem to which the company belongs and to select the appropriate partner companies to collaborate with. In addition, it is necessary to implement appropriate strategies related to their positioning in ecosystems.

Finally, the confidence of the general public is decreasing globally and it is our responsibility to continue to build trust in society that Japanese companies have been doing through a lot of corporate activities. From now on, it can be regarded as a kind of role model in the global market. Trust in the social system of ordinary citizens is indispensable for the stable development of society. But contributions, which companies can make to build trust in society, are much widened. Companies are now required to not only provide goods and services but also engage with broader stakeholders in society, thereby contributing to solving various problems that society faces.

From such a point of view, it is precisely this type of indication that “coexistence and co-prosperity (such as the spirit of “Sanpo Yoshi”) with society’s diverse stakeholders that many Japanese companies have placed on their own purposes.

Expectations are rising that it is the role of Japanese companies to continue to do this in the global market.



Appendix

Chart1 It's outstanding that Japanese CEOs strengthened their cautious views.

Q: How confident are you about your company's prospects for revenue growth over the next 12 months?

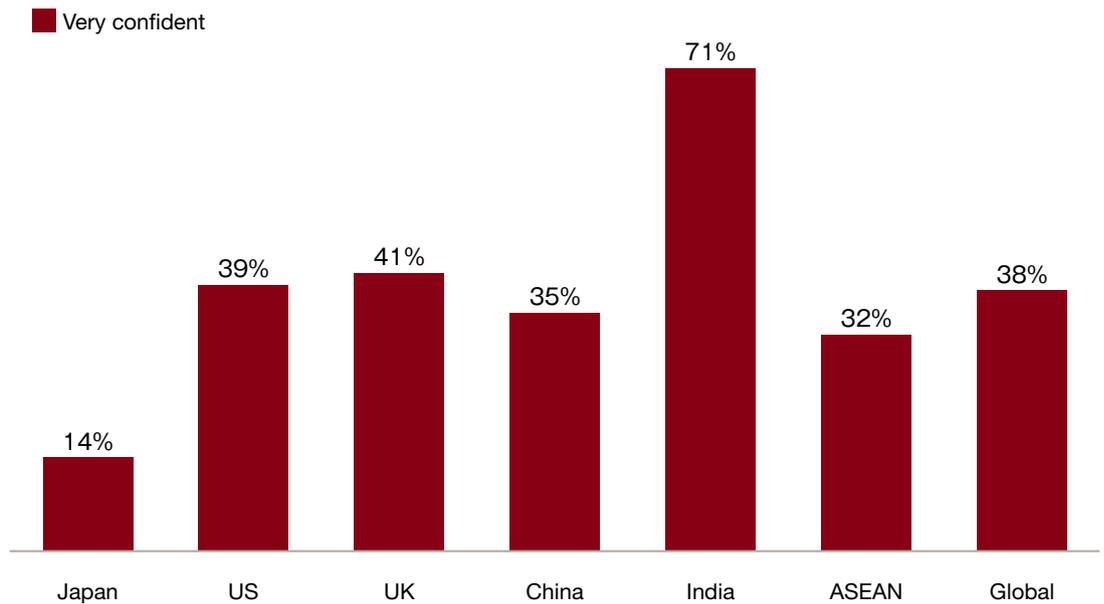


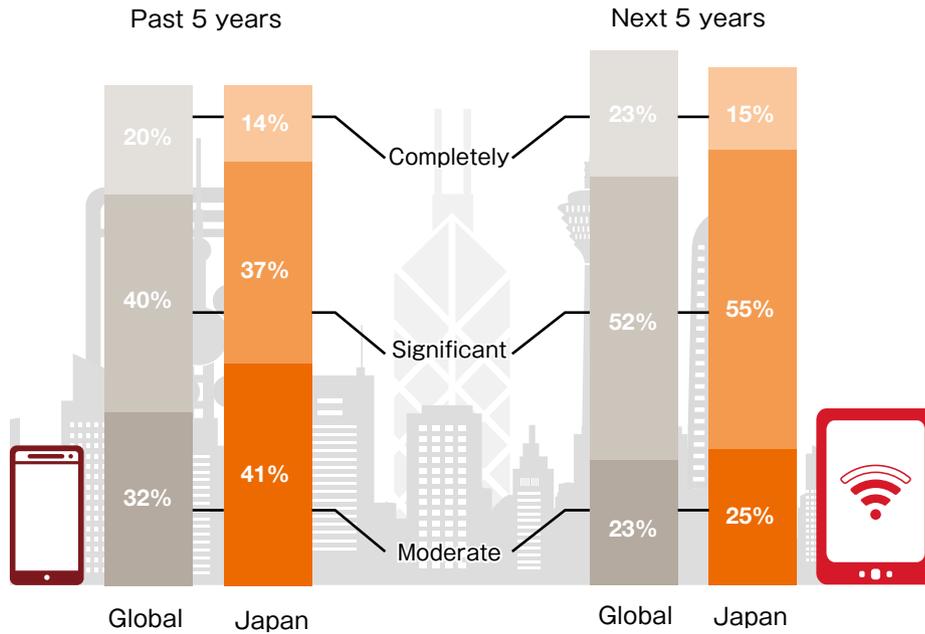
Chart2 Most important counties for your organisation's overall growth prospects over the next 12 months?

Q: Which three countries, excluding the country in which you are based, do you consider most important for your organisation's overall growth prospects over the next 12 months?

Global (1,379 CEOs)		Japan (110 CEOs)	
US	43%	1	US 61%
China	33%	2	China 58%
Germany	17%	3	Thailand 17%
UK	15%	4	Vietnam 16%
Japan	8%	5	Indonesia 14%
India	7%	6	India 14%
Brazil	7%	7	Taiwan 12%
Mexico	6%	8	UK 11%
Australia	5%	9	Singapore 9%
France	5%	10	Korea 9%

Chart3 Technology changes competition rules

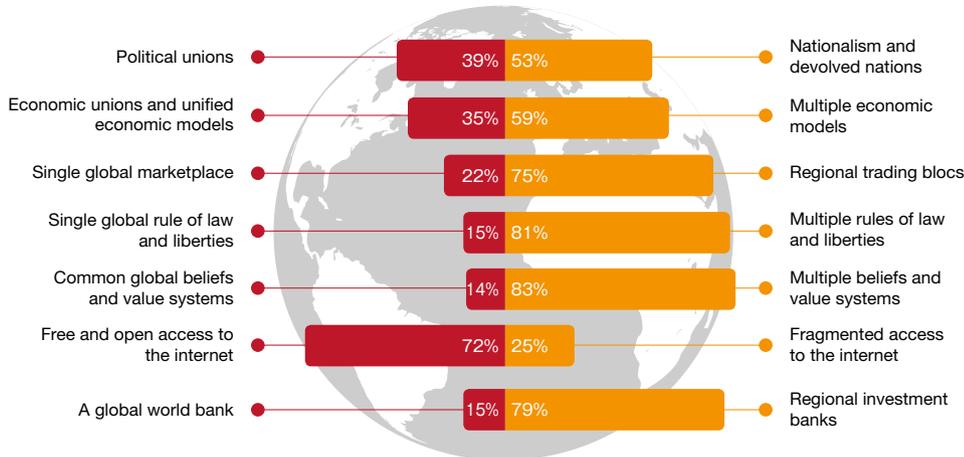
Q: To what extent has technology changed competition in your industry over the past 5 years alone?
 Q: To what extent do you think technology will change competition in your industry over the next 5 years?



70%
 of Japanese CEOs expect that technology will change competition in your industry over the next 5 years.

Chart4 What's the world coming to?

Q: For each alternative, select the one you believe the world is moving more towards



Source: PwC, 19th Annual Global CEO Survey. Base: All respondents (1,409) *Only for Chart4

Research methodology

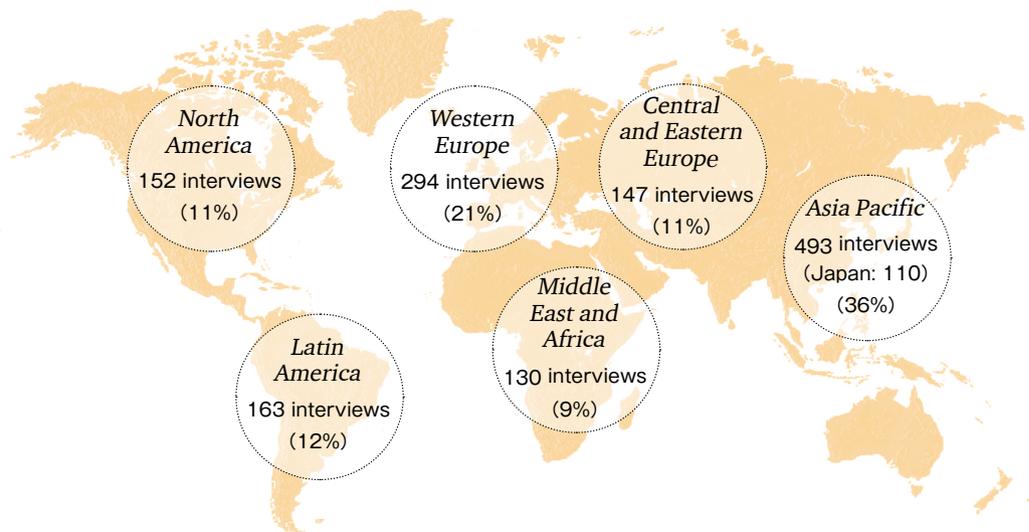
1,379

interviews completed in 2016 across.

We've conducted 1,379 interviews with CEOs in 79 countries, including 110 Japanese CEOs. Our sample is weighted by national GDP, to ensure CEOs' views are fairly represented across all major countries. The interviews were also spread across a range of industries. Further details, by region and industry, are available on request. Twenty-eight percent of the interviews were conducted by telephone, 63% online and 9% by post or face-to-face. All quantitative interviews were conducted on a confidential basis.

79

countries between 26 Sept and 5 Dec 2016.



2,196

members of the PwC's Global CEO Panel were invited to participate via the online survey, contributing to the total online responses.

The lower threshold for all companies included in the top ten countries (by GDP) was 500 employees or revenues of more than US \$50 million. The threshold for companies included in the next 20 countries was companies with more than 100 employees or revenues of more than \$10 million.

- 36% of companies had revenues of \$1 billion or more
- 38% of companies had revenues of over \$100 million up to \$1 billion
- 21% of companies had revenues of up to \$100 million
- 57% of companies were privately owned

Notes:

- Not all figures add up to 100%, due to rounding of percentages and exclusion of "neither/nor" and "don't know" responses.
- The base for figures is 1,379 (all respondents) unless otherwise stated.

We also conducted face-to-face in-depth interviews with 20 CEOs from five continents over the fourth quarter of 2016. Their interviews and more extensive extracts can be found on our website at ceosurvey.pwc where you can explore responses by sector and location.

In addition, we surveyed 5,351 members of the public from 22 countries. The interviews were conducted in December 2016 using an online survey community of global consumers.

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Global Report

20th CEO Survey 第20回世界CEO意識調査
調査対象は世界100以上の国と地域に所在するCEO、CEOの職務内容に関する調査結果、およびCEOの意識変化に関する調査結果

**20 years inside the mind of the CEO...
What's next?**
過去20年におけるCEOの意識変化—未来をどう描くか?

1,379
CEOの職務内容に関する調査結果

44%
CEOの職務内容に関する調査結果

69%
CEOの職務内容に関する調査結果

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