

May 2020

PwC's COVID-19 CFO Pulse Survey

Japan Edition

PwC Japan Group

www.pwc.com/jp

About PwC's COVID-19 CFO Pulse Survey

PwC is tracking sentiment and priorities about the COVID-19 outbreak among finance leaders. We surveyed 871 CFOs from 24 countries or territories during the week of 20 April. This survey is our third look at the COVID-19 pandemic on a global scale and our second look at the COVID-19 pandemic in Japan; we continue to add territories and companies to offer a robust view of how the crisis is affecting people and businesses worldwide.

Previous reports:

COVID-19 CFO Pulse Survey (Japan Edition): [14 April 2020](#)

Global COVID-19 CFO Pulse Survey:

[14 April 2020](#)

[30 March 2020](#)



Executive summary

Although the majority of Japanese CFOs (93%) say the pandemic has the potential to significantly impact their business operations and regard it as a great concern, many of them are moving beyond the short-term, reactive phase of COVID-19 and preparing to operate in “the new normal” to achieve stabilisation.

71% of Japanese CFOs say they will accelerate automation and consider new work styles as workplaces reopen.

When planning supply chain strategies, Japanese CFOs are keen to prioritise the following: understanding the financial and operational health of suppliers (57%); developing additional, alternate sourcing options (50%); and diversifying product assembly and/or service delivery (50%).



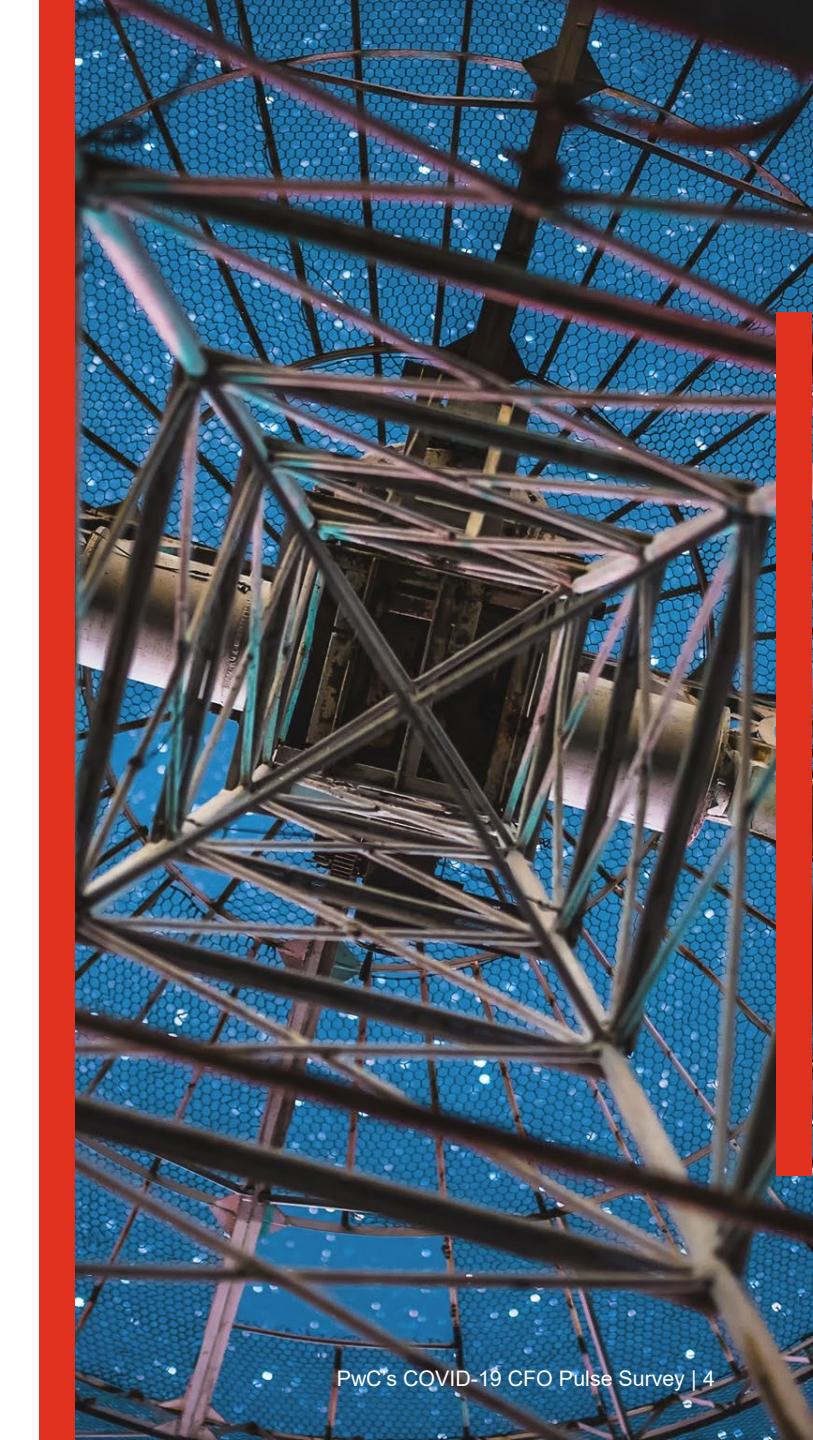
CFOs are moving beyond the short-term, reactive phase of COVID-19 and preparing to operate in “the new normal” in order to achieve stabilisation

The message among global CFOs is clear: most companies have moved beyond the short-term, reactive phase of the novel coronavirus pandemic. During that first phase of the crisis, companies mobilised their response plans to address immediate concerns, such as health and well-being. Today, they still need to do what it takes to ensure the safety of their people and the survival of their business, but they are also thinking about how to stabilise — taking the tactical steps that will prepare them to operate in ‘the new normal.’

These moves come as the news about coronavirus ebbs and flows around the world. Many countries in the EU have now passed the peak of the initial wave of transmission, and several European countries — Germany, Denmark, the Czech Republic and Spain, among others — have begun to ease restrictions. In the Middle East and North Africa, the coronavirus combined with oil price volatility has led the IMF to project a 3.3% economic contraction in 2020.

In the US, the government passed a US\$484bn coronavirus relief package to help small businesses and hospitals — and the Congressional Budget Office predicted that the federal budget deficit will reach US\$3.7tn in FY 2020. Japan declared a national state of emergency, with plans to provide ¥100,000 to all citizens.

We see this complexity reflected in our current CFO Pulse results. Finance leaders are worried — the overall percentage (70%) who report being greatly concerned about the potential business impact of the coronavirus is roughly the same as in our previous survey; however, 93% of Japanese CFOs say they are greatly concerned about the situation, surpassing the previous result (See page 10). Moreover, as in the previous survey, Japanese CFOs are still considering cost containment measures, but they are also planning various actions around work sites, supply chains and investments that will position their company to succeed in the post-crisis world, and to emerge stronger and better prepared to face future crises (See page 11).



The return of on-site work, but with new policies and protections

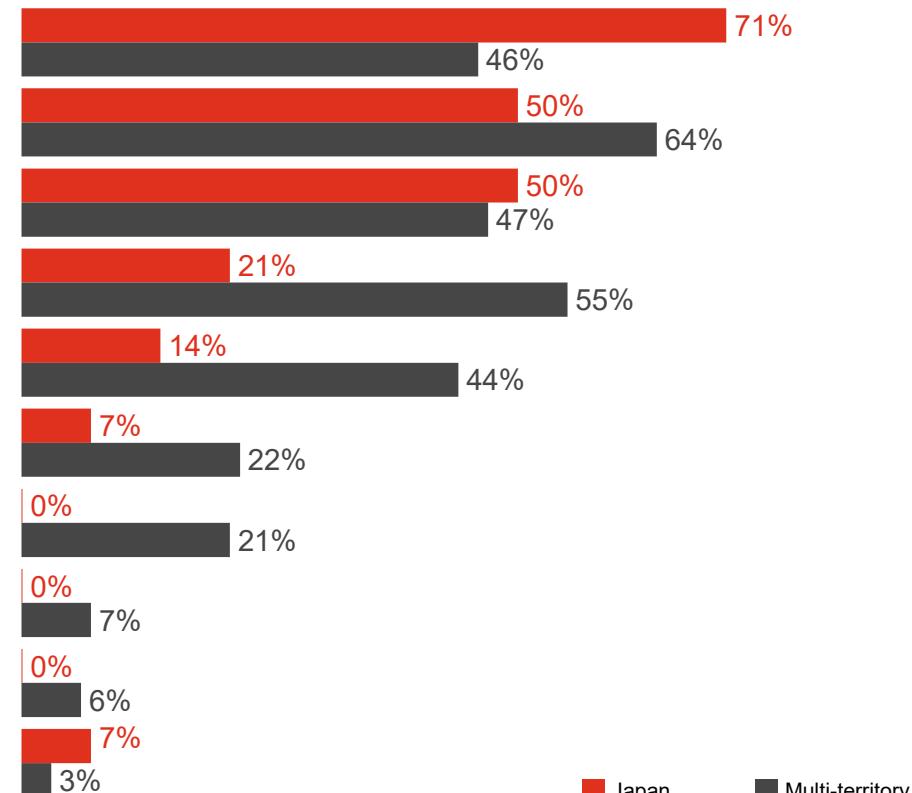
An essential part of stabilising business operations is the reopening of offices, factories and other work sites. Of course, doors can't simply be flung open, and company leaders are determining how best to protect their employees and customers. The top measures CFOs are considering are accelerating automation and new ways of working (71%), changes to workplace safety measures and requirements (50%) and making remote work a permanent option for roles that allow (50%).

Meanwhile, 55% of CFOs in the global survey also consider reconfiguring work sites to promote physical distancing and changing shifts and/ or alternate crews to reduce exposure (44%) as their top priorities.

As workplaces reopen, 71% of CFOs will accelerate automation and consider new work styles

Question: *Which of the following is your company planning to implement once you start to transition back to on-site work? Please select all that apply.*

- Accelerate automation and new ways of working
- Change workplace safety measures and requirements (e.g., wearing masks, offering testing to workers)
- Make remote work a permanent option for roles that allow
- Reconfigure work sites to promote physical distancing
- Change shifts and/or alternate crews to reduce exposure
- Reduce real-estate footprint (e.g., partial opening of offices, retail locations)
- Evaluate new tools to support workforce location tracking and contact tracing
- Offer targeted benefits for on-site workers in affected areas (e.g., childcare, private transportation)
- Provide hazard pay for on-site workers in affected areas
- Other



Source: PwC, COVID-19 CFO Pulse, 20 April 2020
Base: 871(Japan 14)

The return of on-site work, but with new policies and protections (Cont.)

Among the small percentage of companies that are beginning to bring people back, returning to work will not mean a return to normal. Companies should consider how to help frontline managers lead with empathy, to communicate transparently and make decisions quickly so employees understand where they stand, have access to the resources available to them, and can share feedback to ensure they feel safe and get what they need. Companies looking to make remote work a permanent option will need to enable leaders to manage a blended workforce of on-site and remote workers.

Given that many people may be wary of returning to on-site work, there's an opportunity for companies to create more targeted benefits to help make the transition easier. Paid sick leaves and worker protections, help with childcare, private transportation to and from work, or other benefits could help employees who may need extra flexibility or who want additional support as they prepare to come back.



Know your suppliers, and your risk

Also key to stabilising an organisation during a crisis?
Ensuring a high-functioning supply chain.

In the previous survey (April 6), more than half of the Japanese CFOs (57%) responded that they were not planning changes to supply chain strategy, but this survey reveals that CFOs have started to focus on different supply chain strategies, including understanding the financial and operational health of their suppliers (57%), developing additional, alternate sourcing options (50%), and diversifying product assembly and service delivery locations (50%).

Although the recent government supplementary budget plan* may have partly affected the result, the number of Japanese CFOs considering diversification of their company's supply chain is relatively large compared to CFOs in the global survey. For example, rather than companies concentrating production bases in specific countries, they may accelerate decentralisation of production to Japan and ASEAN countries.

*On April 7, the Japanese Government announced the 2020 Supplementary Budget Plan for Fiscal 2020, which included a total of 243.5 billion yen as part of emergency economic measures to support the relocation of production centers from China to Japan or third countries in response to the disruption of the supply chain due to the COVID-19 pandemic ([Summary of the 2020 METI Supplementary Budget Plan](#) (only in Japanese))

The post-crisis supply chain will have more options, transparency and risk management

Question: As a result of COVID-19, in which of the following areas are you planning changes to your supply chain strategy? Please select the three most pressing areas.

Understand financial and operational health of suppliers

Developing additional, alternate sourcing options

Diversify product assembly and/or service delivery locations (e.g., to comply with regulations, shorten delivery lead time)

Extend visibility into your suppliers' network (e.g., risk alerts, what-if scenario planning)

Extend tools to better understand customer demand (e.g., changes in desired mix of offerings, triggers to place orders)

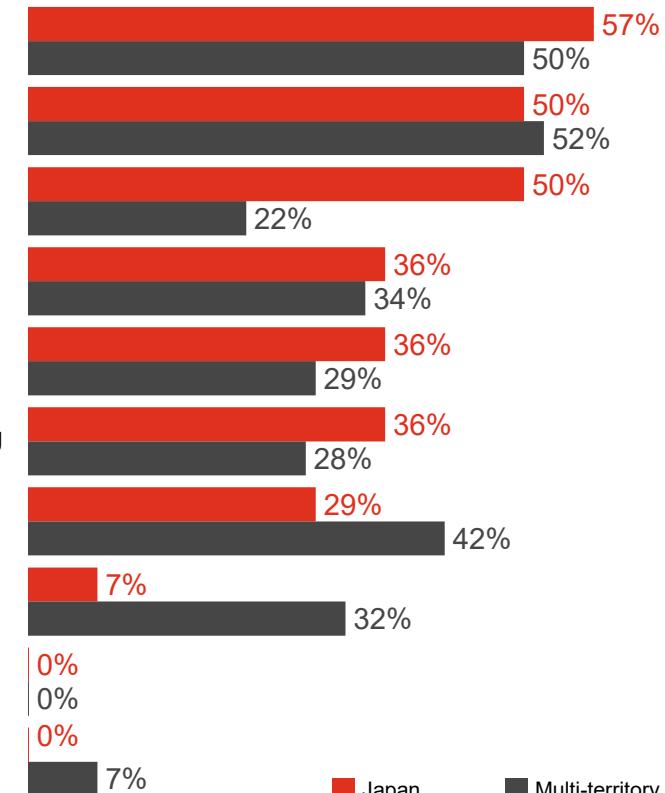
Use automation to improve the speed and accuracy of decision making

Change contractual terms (e.g., to provide your company added flexibility and downside protection)

Improve risk-protection measures (e.g., disaster insurance coverage, more flexible force majeure contract clauses)

Difficult to assess at this time

Other



Source: PwC, COVID-19 CFO Pulse, 20 April 2020
Base: 871(Japan 14)



Know your suppliers, and your risk (Cont.)

Some companies are starting to invest in creating data-backed profiles of their supplier base so they know where and when to look for second sources. Others are increasing communication with suppliers to better understand financial health. For many, conducting deeper financial and health reviews of suppliers will become a regular part of their business reviews. Physical supply chain relocations will likely happen only as a last resort, given the costs involved. However, automation of certain elements of the supply chain — to eliminate time-consuming manual tracking efforts and check tariff structures, for example — will likely become more common as companies seek better data to make more informed decisions.

Generally, organisations with supply chains that are highly integrated both internally and externally will be better equipped to develop alternative sourcing or extend visibility to suppliers. Companies that fit this profile have already automated most of their supply chain processes and decisions, both inside the organisation and with external partners. Yet according to PwC's recently published [Connected and autonomous supply chain ecosystems 2025](#), only 36% of companies surveyed were operating at this level of integration

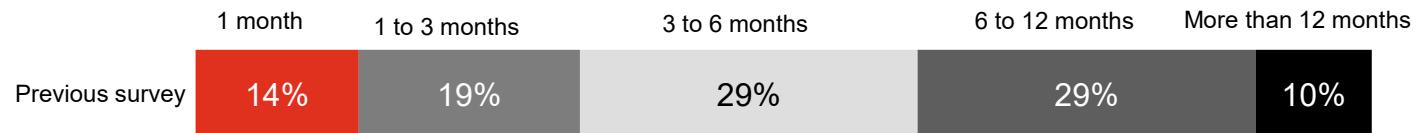
Companies are expecting to return to normal in 3 to 6 months

More than half of the Japanese CFOs (57%) expect their companies to return to normal within 3 to 6 months if COVID-19 were to end today, with the 29% of CFOs who said in the previous survey that they expect a return to normal within 6 to 12 months may have shifted their position, indicating a positive outlook.

As in the previous survey, Japan lags behind global companies, with nearly half of the CFOs in the global survey (49%) expecting their companies to return to normal within three months.

More than half of the Japanese CFOs foresee that it will take three to six months for their business operations to return to normal

Question: 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”?



Source: PwC COVID-19 Japan CFO Pulse Survey,
April 6, 2020: base of 21; April 20, 2020: base of 14

Most CFOs regard COVID-19 as a great concern

In mid-April, the [IMF predicted](#) that the global economy will shrink by 3% in 2020, ushering in the worst economic downturn since the Great Depression.

The [World Bank has reported](#) on shocks to the commodities market, with oil and the food supply at gravest risk. These and other indicators are reflected in the responses of global CFOs, with 70% expecting significant impact to their business operations. .

The percentage of Japanese CFOs (93%) who are greatly concerned about the impact of COVID-19 on their business has increased since the previous survey.

In addition, 86% of Japanese CFOs in the current survey say that they had already expected a decline in revenue or profits, compared to 81% in the previous survey. This result is higher than that for the global survey.

The percentage of Japanese CFOs who are greatly concerned about the impact of COVID-19 on their business has rocketed from 71% to 93%

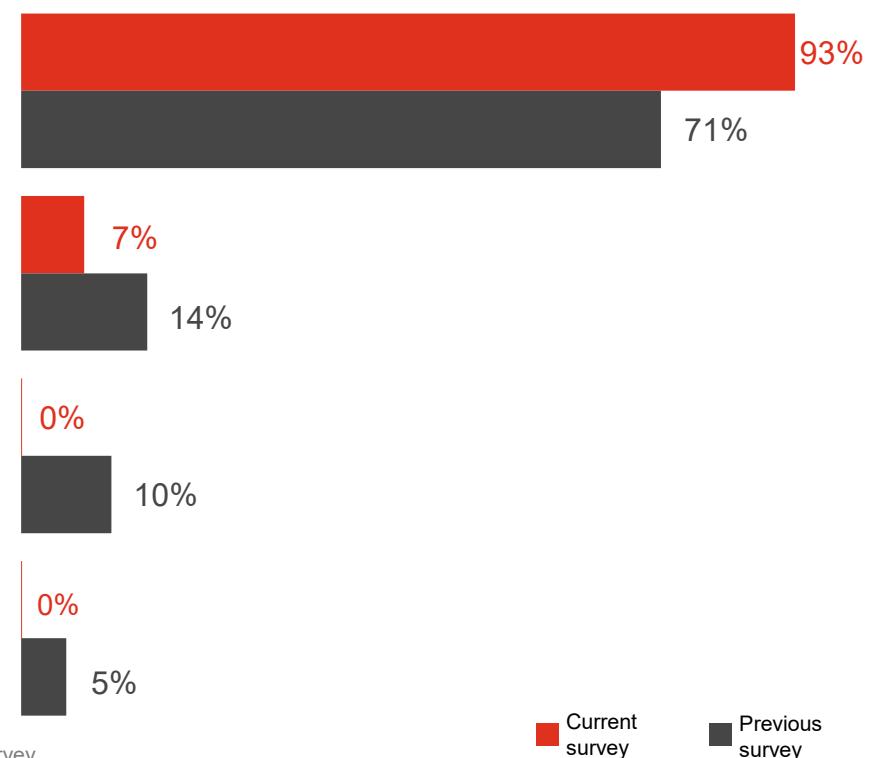
Question: What is your company's current level of concern related to COVID-19?

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.



Source: PwC COVID-19 Japan CFO Pulse Survey, April 6, 2020: base of 21; April 20, 2020: base of 14

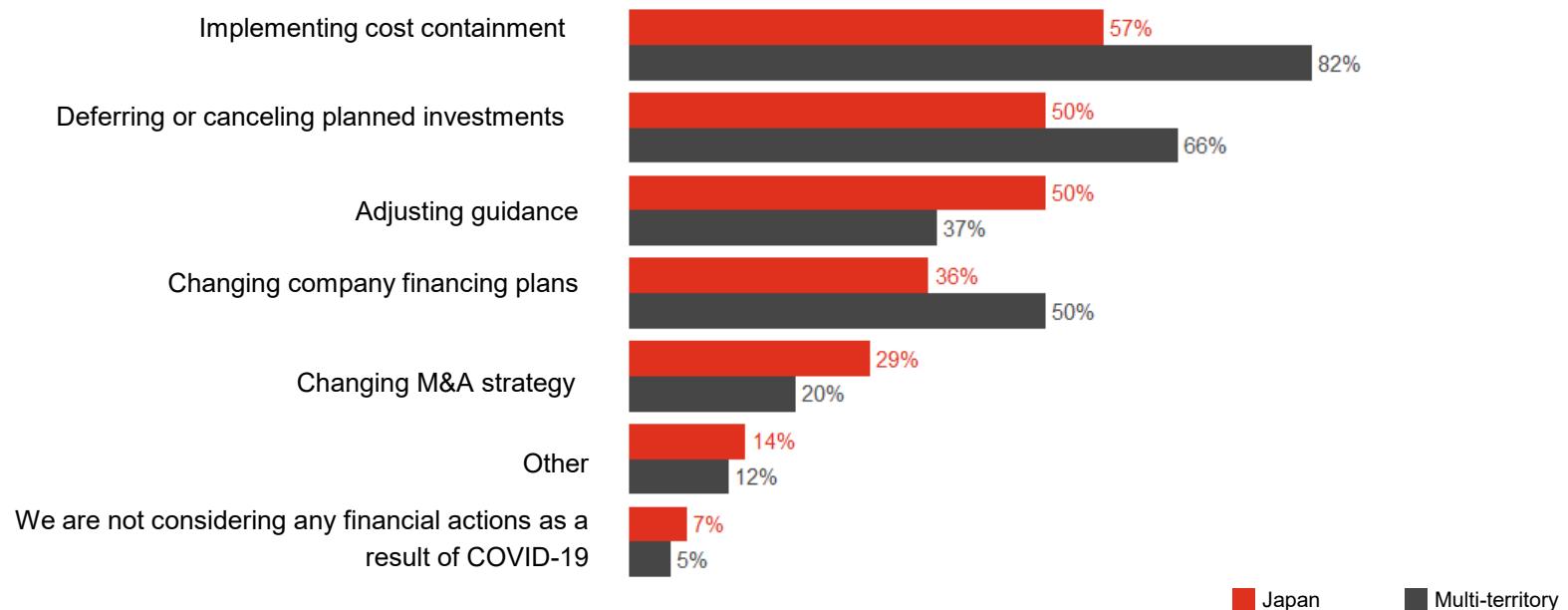
Half of the CFOs are considering deferring or canceling planned investments while cost containment in digital and R&D areas are not being considered

Capex investments are the costs most likely to be cut, and none of the CFOs plan to cancel digital transformation, R&D, or cybersecurity spending.

Regarding M&A strategy changes due to COVID-19, more CFOs are taking a prudent attitude, with 50% saying that it is currently difficult to make an assessment and 36% saying that there has been no change.

While most of the CFOs in the global survey are considering cost containment, few of them are considering changing their M&A strategies

Question. Which of the following financial actions is your company considering as a result of COVID-19? Please select all that apply.

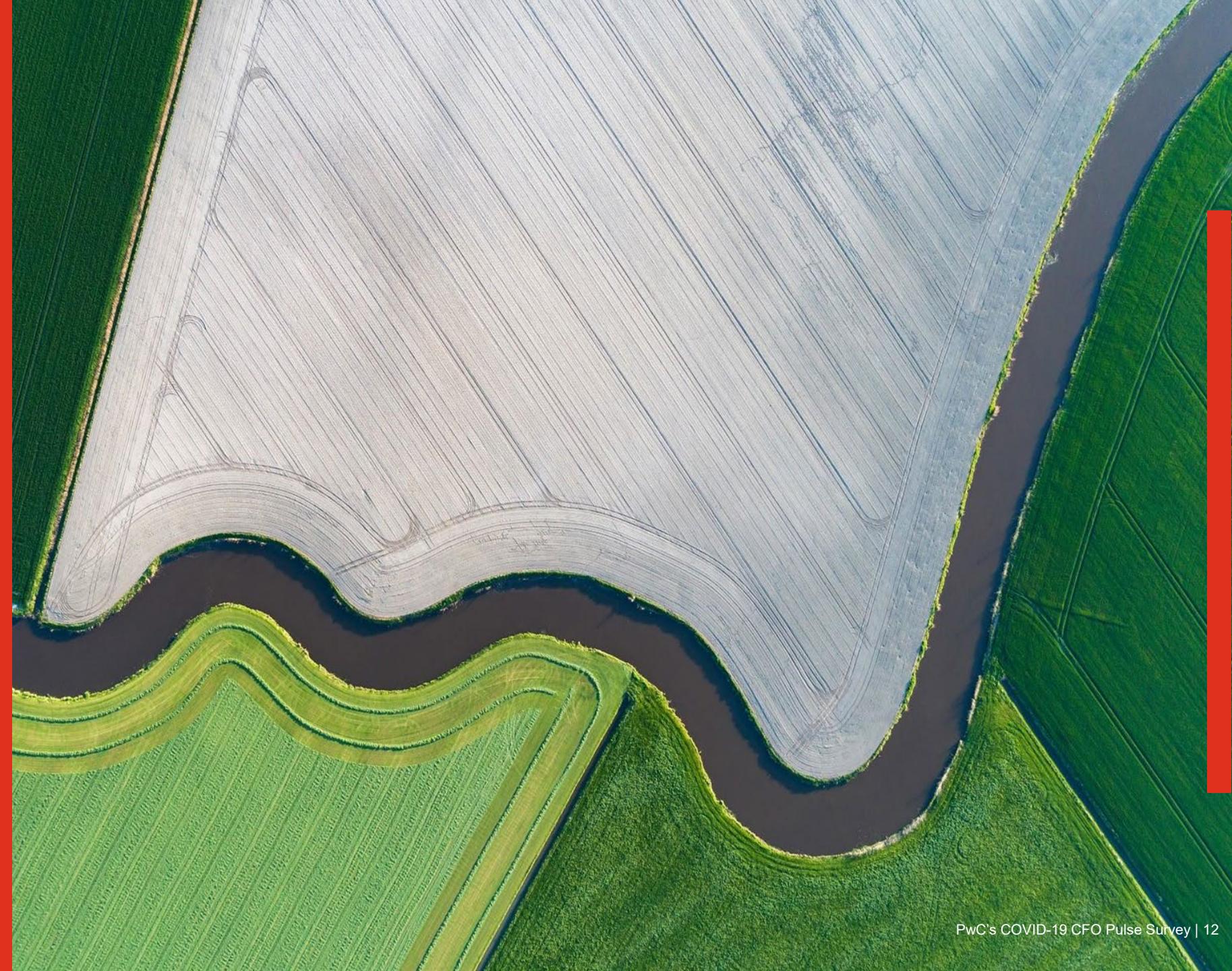


Source: PwC, COVID-19 CFO Pulse, 20 April 2020
Base: 871(Japan 14)

Monitoring finance leaders' evolving response

Finance leaders are starting to think about the future of their organisations, both through the intermediate phase of the coronavirus crisis, and in the new normal that ultimately emerges.

They are planning tactical moves to ensure safe reopening of their physical work sites and a strong, secure supply chain. As new recovery milestones are reached, we'll continue to monitor how CFOs react and respond.



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 871 surveyed for the global report during the week of 20 April 2020, respondents were from 24 countries or territories: Armenia, Azerbaijan, Brazil, Cyprus, Denmark, France, Germany, Ireland, Japan, Kazakhstan, Malta, Mexico, Middle East*, Netherlands, Philippines, Portugal, Singapore, Slovakia, Sweden, Switzerland, Thailand, Turkey, US and Vietnam.

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

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