

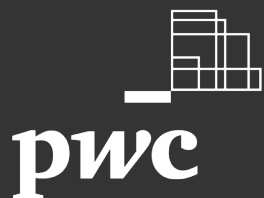
COVID-19

June 2020

# PwC's COVID-19 CFO Pulse Survey

## Japan Edition

PwC Japan Group





## About PwC's COVID-19 CFO Pulse Survey

Since March 2020, PwC has been tracking sentiment and priorities among finance leaders about the COVID-19 outbreak. For our fifth look across the globe (and our third look at Japan), we surveyed 989 CFOs from 23 countries or territories during the weeks of 1 June and 8 June.

### Previous reports:

COVID-19 CFO Pulse Survey (Japan Edition):

28 April 2020

14 April 2020

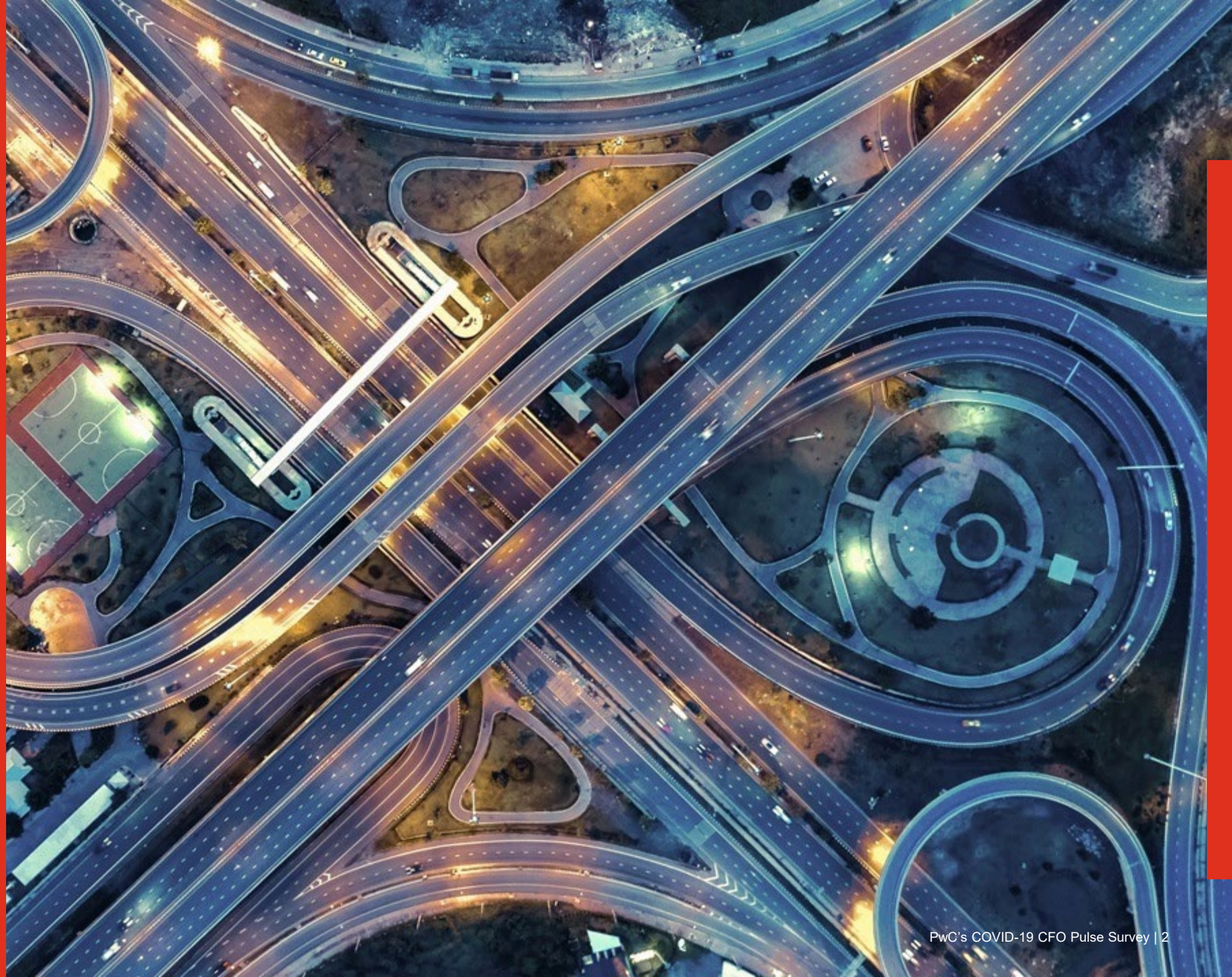
### Global COVID-19 CFO Pulse Survey:

11 May 2020

28 April 2020

14 April 2020

30 March 2020





## Executive Summary

As companies implement return-to-work strategies, Japanese CFOs are most concerned about both the impact of a global economic downturn (64%), and the financial impact on their company (64%), as well as the possibility of a new wave of infections (48%).

Japanese companies are embracing new ways of working, with 88% reporting that they plan to make remote work a permanent option for roles that allow it, and 68% saying that they plan to improve the remote working experience.

To rebuild revenue streams, 72% of Japanese CFOs are planning to offer new or enhance existing products or services, and 56% are considering external partnerships such as mergers, acquisitions, joint ventures, or alliances.





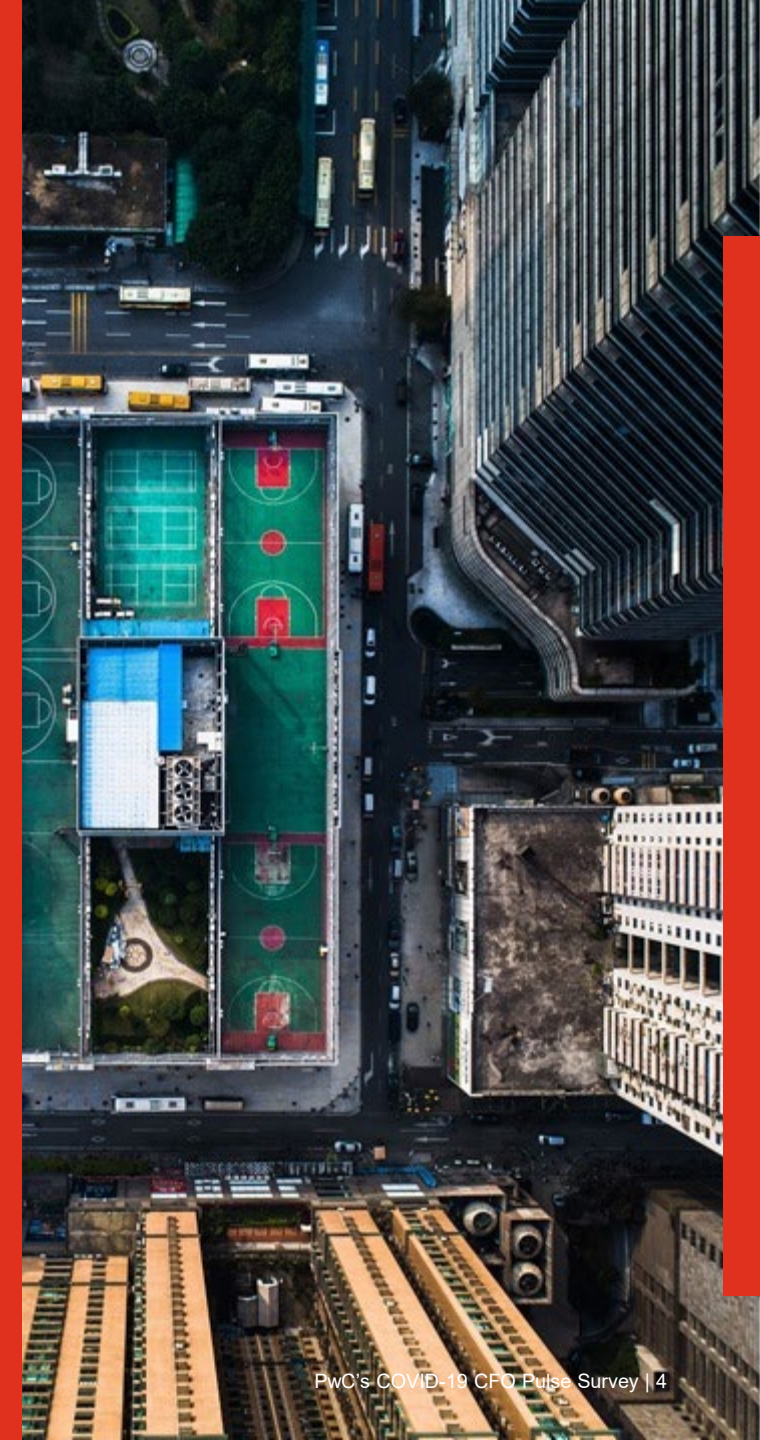


## A shift to new ways of working and pursuing revenue, with concerns about a second wave of infections

When we surveyed CFOs around the world about the impact of the coronavirus pandemic on their business in [April](#), nearly half (45%) expected productivity loss because of a lack of remote work capabilities. At that time, many companies were in the early stages of crisis response, not yet thinking about strategies for recovery. Today, lockdowns are being lifted around the world as leaders of nations and companies accept that economies will reopen and function alongside a virus that remains a constant threat.

In the face of this sobering reality, CFOs have shifted their focus to bringing people back to a workplace that has fundamentally changed. In contrast to the results of the survey conducted in April (45%), just 26% of the CFOs surveyed this time said that they anticipate productivity loss in the coming month.

Many companies have weathered the immediate crisis — they've implemented safety measures, transitioned to remote work and other new ways of working, and are now thinking about what they need to survive and thrive moving forward. And, of course, they are doing so at a time of [heightened social tension](#) in which their leadership will be critically important. Even in a global sample with countries at different points of virus spread and government response, common themes emerge: concern about a new wave of infections and how to keep people safe, the need for agile plans to navigate a global economic downturn and reengage customers, and the pursuit of new revenue streams through innovation.



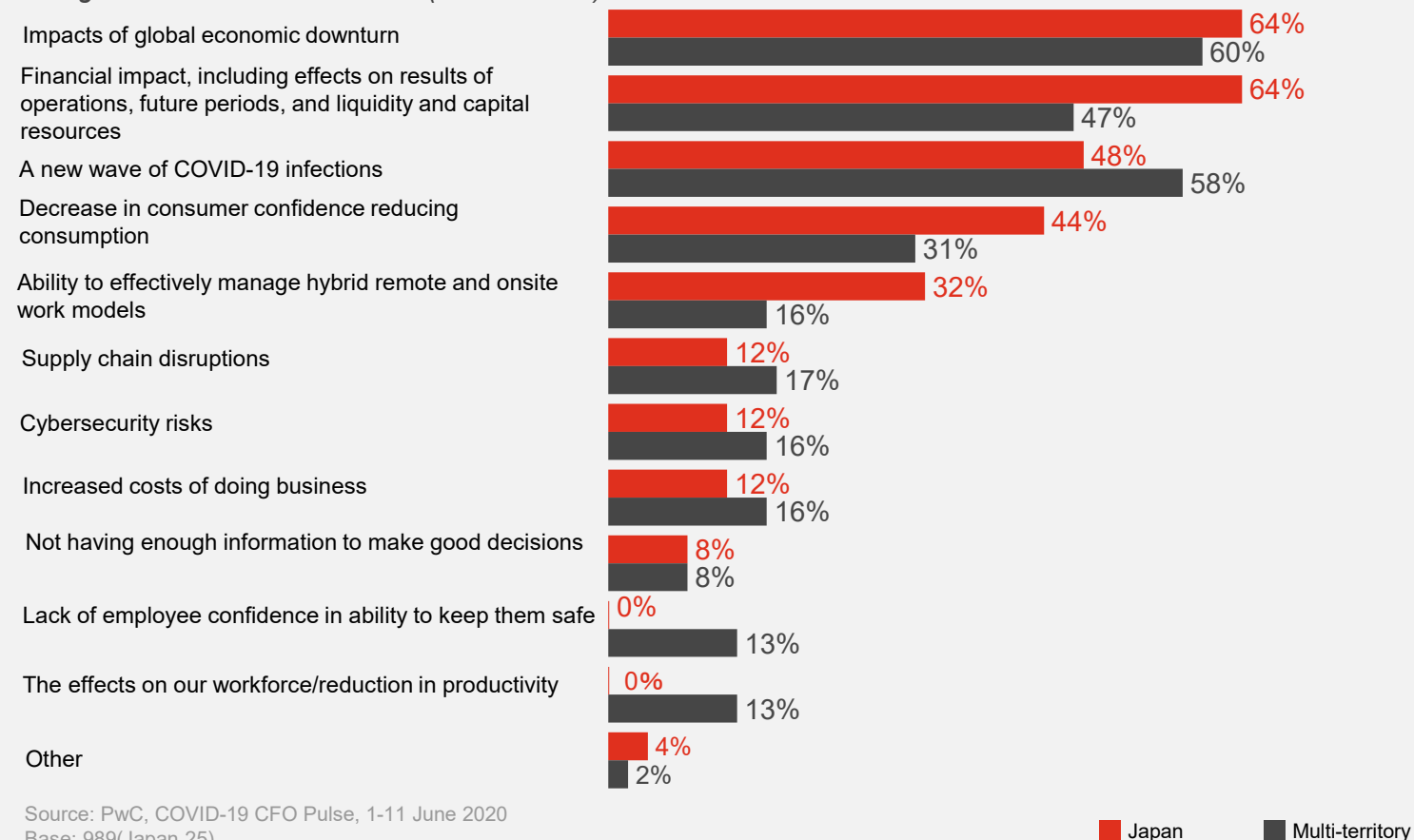
## Global economic downturn and financial impacts are the top concerns among Japanese CFOs

It's now been a few weeks since many countries have embarked on phased reopenings, slowly permitting more commerce and other activities. As these decisions unfold, CFOs are navigating return-to-work plans, determining when and how — and to what extent — to bring employees back. Among Japanese CFOs, the top concern as they implement these plans are the impact of a global economic downturn (64%) and the financial impact on their company (64%). 48% of Japanese CFOs are also worried about a new wave of infections, but this figure is relatively low compared to the figures obtained in the Global survey, a result that may be related to the comparatively low infection rate in Japan compared with other countries.

Meanwhile, the percentage of CFOs who are concerned about the decrease in consumption (44%) is higher than the figures obtained in the Global survey. The Organisation for Economic Co-operation and Development (OECD) [estimates](#) that Japan's private consumption has dropped by around a quarter between the middle of April and the middle of May due to the closure of non-essential businesses and government's stay home request following the declaration of the state of emergency in Japan.

### The impact of a global economic downturn has become a common concern among global CFOs

Question: What are your top-three concerns with respect to returning to the workplace and operating in a changed business environment? (Select three.)



# Most CFOs anticipate a decrease in revenue this year

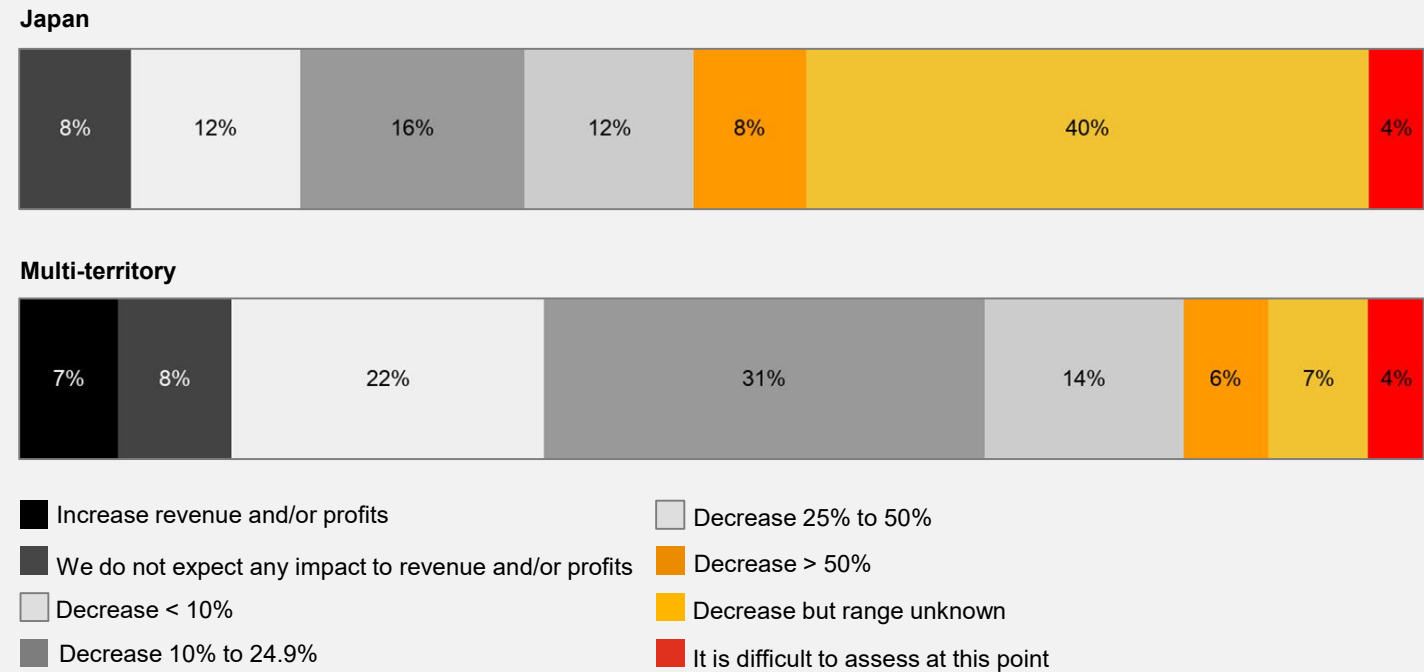
CFOs’ expectations of revenue decrease align with their concerns about the global downturn and financial impact, and with key economic indicators. The [World Bank predicts](#) that the global economy will experience the deepest recession since the end of World War II, with a 5.2% contraction in global GDP in 2020. Although the impact varies by region, most countries and regions are expecting negative growth due to COVID-19, and Japan’s economy is expected to shrink by 6.1%.

Under these circumstances, 88% of Japanese CFOs expect a decrease in revenue - the highest percentage for all three of our surveys thus far (14 April survey: 81%, 28 April survey: 86%). This result corresponds with the concerns expressed by CFOs regarding the impact of a global economic downturn and the financial impact on their company mentioned in the previous section.

In contrast, 40% of Japanese CFOs are unsure about the extent of the anticipated decrease in revenue, while 53% of Global CFOs are expecting a decrease in revenue of up to 25%.

## 88% of Japanese CFOs expect a decrease in revenue, with 40% unsure about the extent

Q. What impact do you expect on your company’s revenue and/or profits this year as a result of COVID-19?



Source: PwC, COVID-19 CFO Pulse, 1-11 June 2020  
Base: 989(Japan 25)

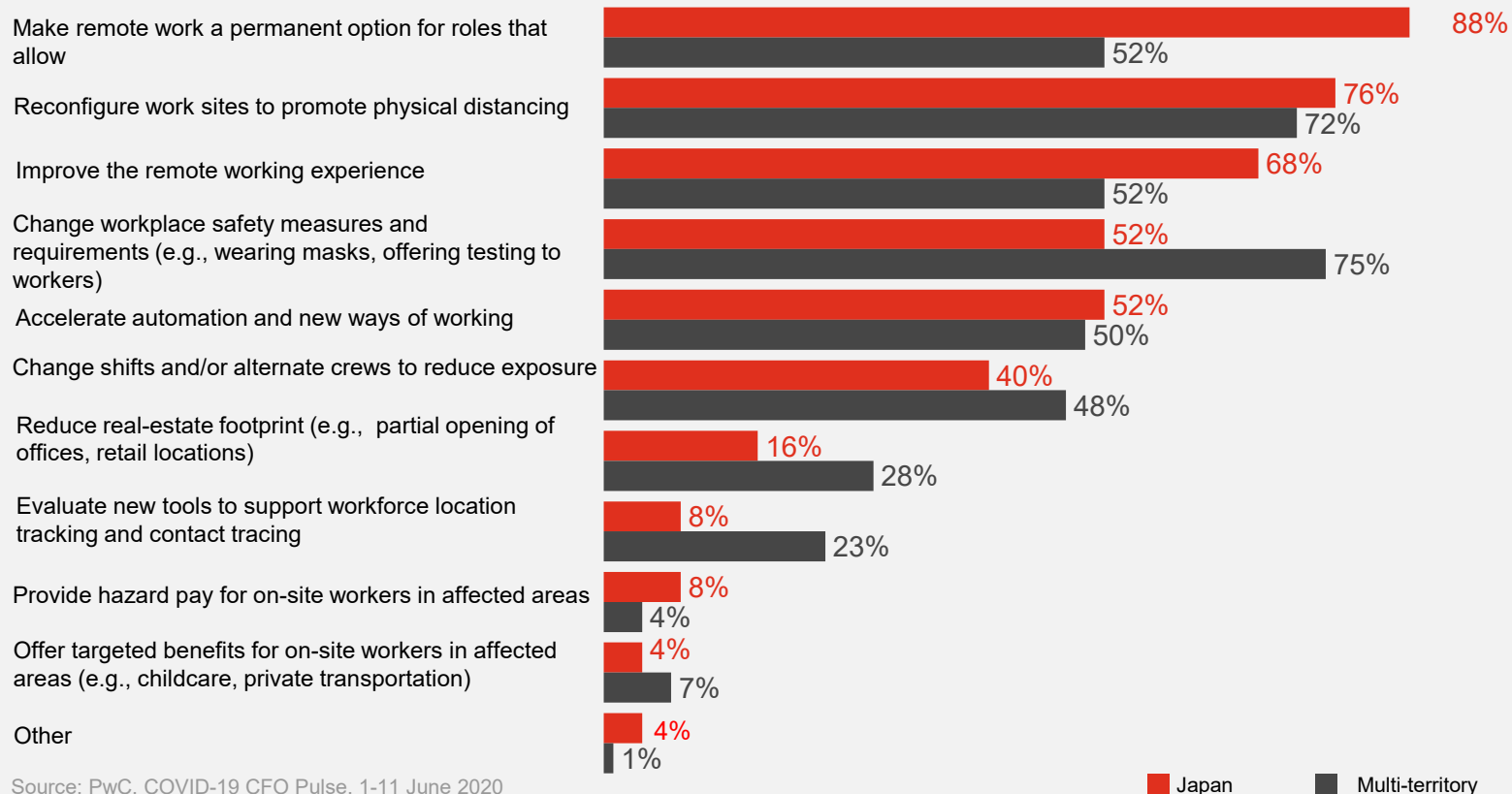
## COVID-19 is accelerating new ways of working

While managing these financial challenges, the majority of Japanese CFOs are planning to make remote work a permanent option for roles that allow it. In addition to reconfiguring work sites to promote physical distancing (76%), improving the remote working experience (68%) is also a top priority. Compared to Global CFOs, Japanese CFOs are actively promoting remote work.

These findings correspond with the decrease in the number of CFOs who said they are worried about productivity loss due to lack of remote work capabilities (16% in this survey, compared to 52% in the 14 April survey and 43% in the 28 April survey). This indicates that remote work capabilities have been enhanced over the past few months, with more employees growing accustomed to this new working style and productivity concerns decreasing.

### Around 90% of Japanese CFOs are planning to make remote work a permanent option for roles that allow it

*Q. 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.*



Source: PwC, COVID-19 CFO Pulse, 1-11 June 2020  
Base: 989(Japan 25)

■ Japan ■ Multi-territory

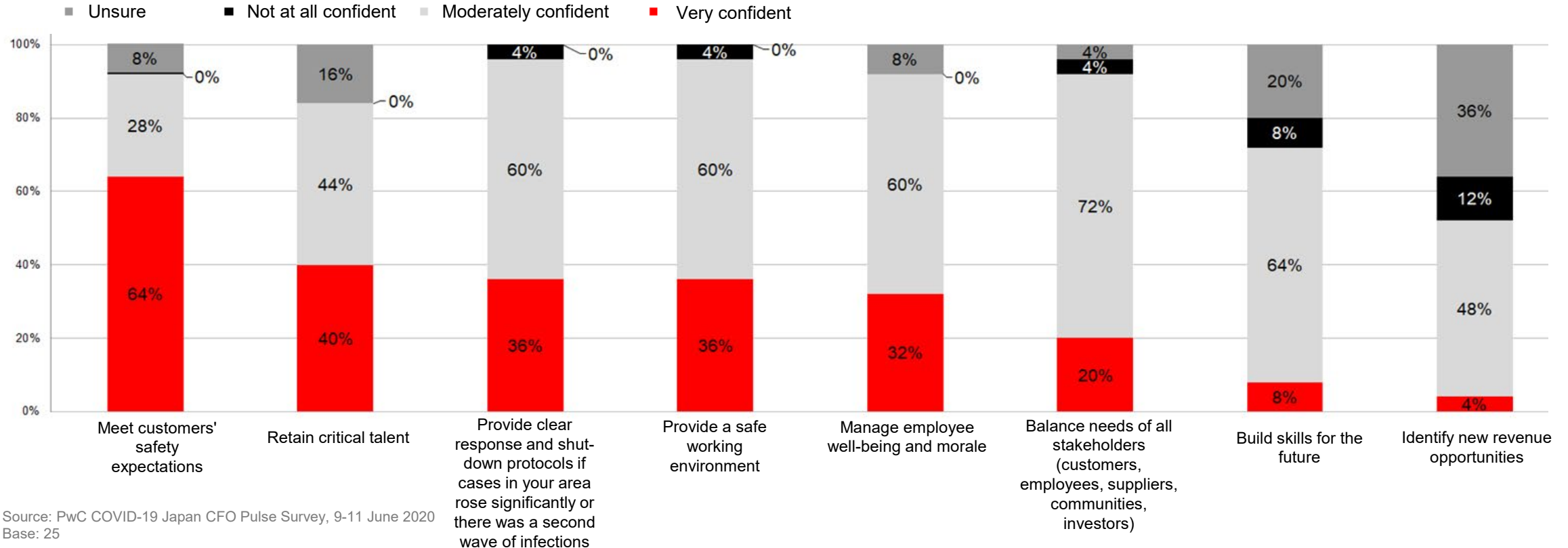


## Confidence among CFOs about safety preparations for customers and employees is high

Upon resuming work in the workplace, Japanese CFOs report feeling very confident about their company's ability to provide a safe environment for customers (64%). In addition to focusing on more tactical responses to bringing employees back to work in the office, Japanese CFOs are also very confident about both having clear protocols for a second wave of infections (36%) and, providing a safe working environment for employees (36%), as well as managing employees' well-being and morale (32%). When it comes to more forward-looking measures, confidence starts to wane. Fewer CFOs say they are very confident about building skills for the future (8%) or identifying new revenue opportunities (4%). This maybe because most of them were probably not as focused on these areas during the peak of the crisis.

### CFOs are most confident about meeting customer's safety expectations

Q. In returning to the workplace, how confident are you in your company's ability to do the following?





## A renewed focus on innovation and external partnerships will be critical to companies' recovery

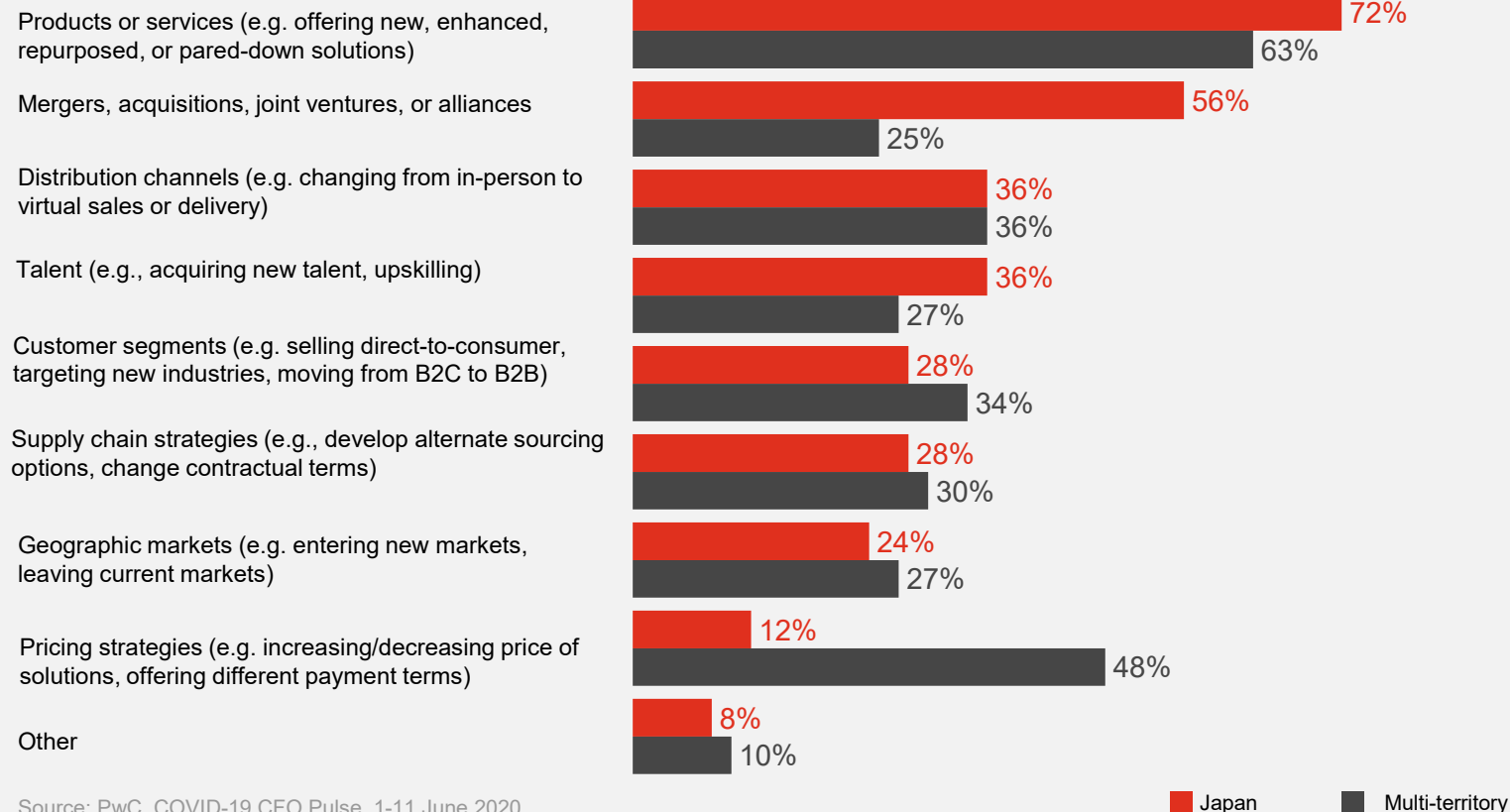
With regard to rebuilding or enhancing revenue streams, most CFOs (72%) cite offering new or enhanced products or services as most important to this pursuit.

While offering products and services that can assist people who are in self-isolation or medical workers was the most important mission at the peak of the crisis, implementing innovations meeting needs generated by the new living style and sense of values will be a key factor during the recovery period.

With regard to other alternatives, Japanese CFOs also expressed interest in external partnerships such as mergers, acquisitions, joint ventures, or alliances (56%). With the spread of COVID-19, there are already many companies, affiliates, academic institutions, and startups working to develop new products and technologies, as well as provide services in new forms.

### Enhancing products and services is the key to rebuilding revenue streams

Q. Changes in which of the following will be most important to rebuilding or enhancing your revenue streams? (Select three.)



Source: PwC, COVID-19 CFO Pulse, 1-11 June 2020  
Base: 989(Japan 25)

## Intention to continue technology investment related to growth

The survey found that, despite cost-cutting efforts in other areas during the COVID-19 pandemic, the cost of investment in technology will likely remain unchanged over the next 12 months.

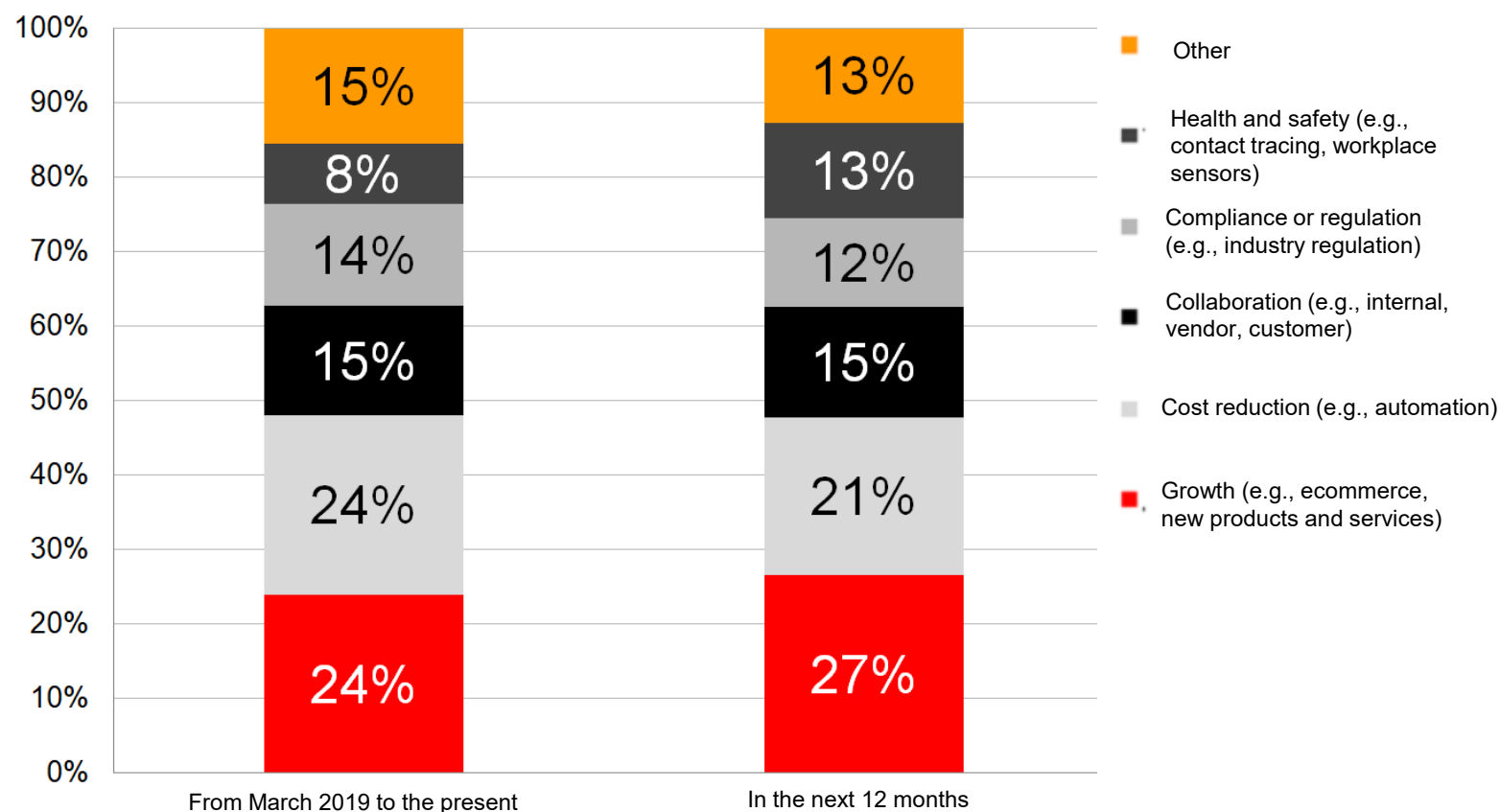
Japanese CFOs invested around 24% of technology-related spending between March 2019 and the present on average in the expansion of e-commerce, new products, and new services, and they expect to invest 27% of spending over the next 12 months in these areas.

Investment in technology related to health and safety measures is expected to continue increasing. Health and safety measurements such as contact tracing and workplace sensors will provide employees with a sense of security when they return to the workplace.

Continued investment in technology for growth rather than cost reduction indicates that companies are not abandoning expanding or developing products and services needed for the “new normal” following the COVID-19 pandemic.

## Higher intention to invest in technology related to health and safety measures

Q. What percent of your technology-related spend is driven by the following factors? (Must add up to 100%.)



Source: PwC COVID-19 Japan CFO Pulse Survey, 9-11 June 2020  
Base: 25



## A look back at CFOs' evolving response

Since we first surveyed CFOs about their perceptions of and responses to COVID-19 in March 2020, we've watched as they focused on safety, managed health, economic and societal crises and adapted their business model to rapidly shifting circumstances. Ultimately, they accepted that they'll need to find a way to exist alongside, and thrive in spite of, the ongoing threat of COVID-19 in the months and possibly years to come. While bracing for a second wave of infections and working to enhance revenue streams, finance leaders will continue to prioritise agility as they navigate this new world.

Last but not least, we would like to express our gratitude to the CFOs who have shared their insights with us through this survey.





## About the survey

To help identify the business and economic impact of COVID-19, PwC has been conducting a global survey of finance leaders. Of the 989 surveyed for the global report during the weeks of 1 June and 8 June 2020, respondents were from 23 countries or territories: Central and Southern Africa\*, Brazil, Caribbean\*\*, China/Hong Kong, Cyprus, Denmark, France, Germany, Greece, Ireland, Japan, Lithuania, Malaysia, Mexico, Middle East\*\*\*, Netherlands, Portugal, Singapore, Sweden, Thailand, Turkey, US and Vietnam.

\*Representatives from Ghana, Kenya, Mauritius, Namibia, Nigeria, South Africa, Togo, Uganda and Zimbabwe

\*\*Representatives from the Bahamas, Bermuda, Jamaica and Trinidad

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

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