



# Deloitte CFO Signals Report

2023Q3

December 2023

# Contents

## **Survey on the Economic Environment**

Financial environment prospects .....	3
Business performance outlook .....	4
Uncertainty .....	6
Key change factors in the Japanese economy .....	7
Key change factors in the global economy .....	9

## **Survey on Strengthening Finance Human-capital Professionals**

Level of investment towards human capital development .....	11
Workforce composition among finance professionals .....	12
Recruitment process for finance professionals .....	15
Challenges of talent management .....	16
Sufficiency of professionals by types .....	17
Career path(s) required for a finance executive candidate .....	18
To conclude this section .....	20
<i>What is CFO Program?</i> .....	21

## About Deloitte CFO Signals

Deloitte CFO Signals is a quarterly global survey for investigating the thinking and actions of leading Chief Financial Officers (CFOs). We share the highlights of survey results with analysis from Deloitte Tohmatsu and publish the report as CFOs' Signals.

The survey consists of two sections: the "Survey on the Economic Environment," which is assessed globally in every edition, and the "Survey on Hot Topics," which varies for each country.

In Japan, the survey was conducted for the first time in August 2015, making this the 34th edition. In the "Survey on the Economic Environment," we analyze chronological changes in CFOs' thinking as well as the latest forecast at the time of the survey. In addition to recurring questions, we also inquire on strengthening finance human-capital professionals. The Survey for this 2023Q3 edition was conducted in November 2023, and we were able to receive responses from 27 CFOs and finance and accounting executives.

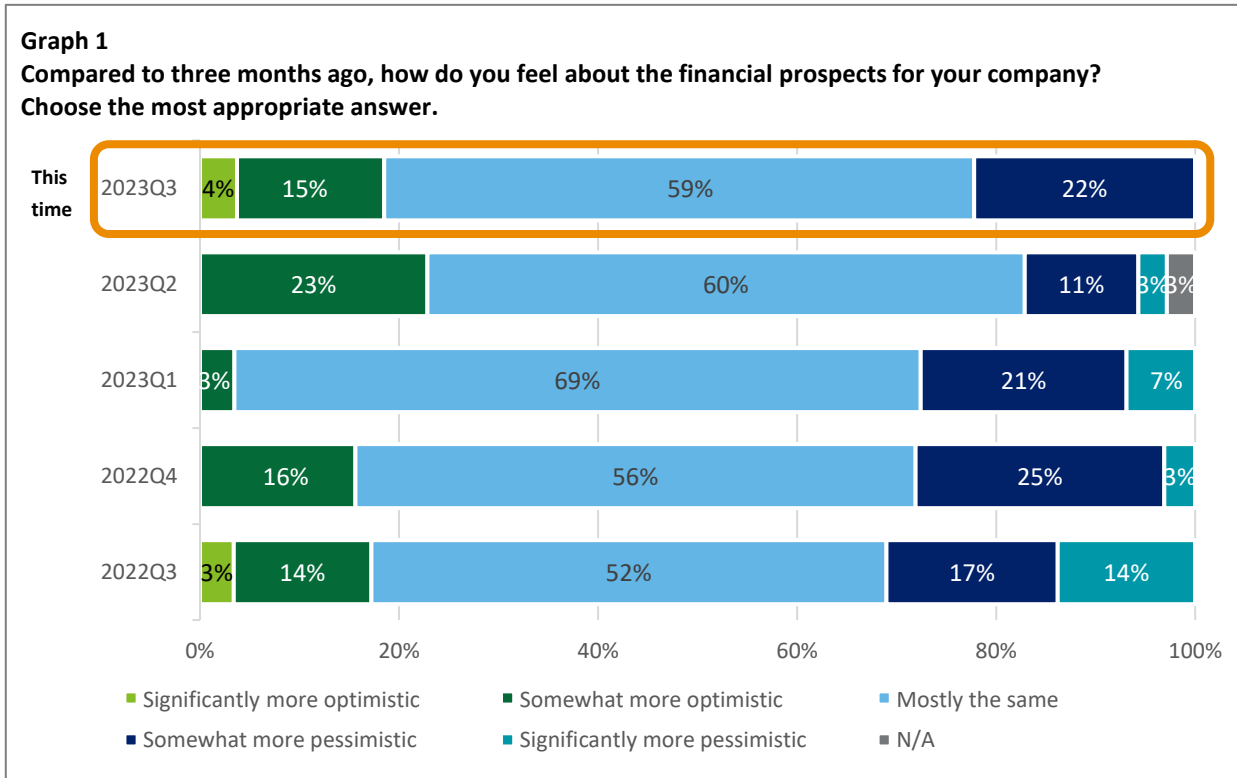
Thank you for your cooperation.

Deloitte Tohmatsu Group  
The CFO Program  
December 2023

## Survey on the Economic Environment

### Financial environment prospects

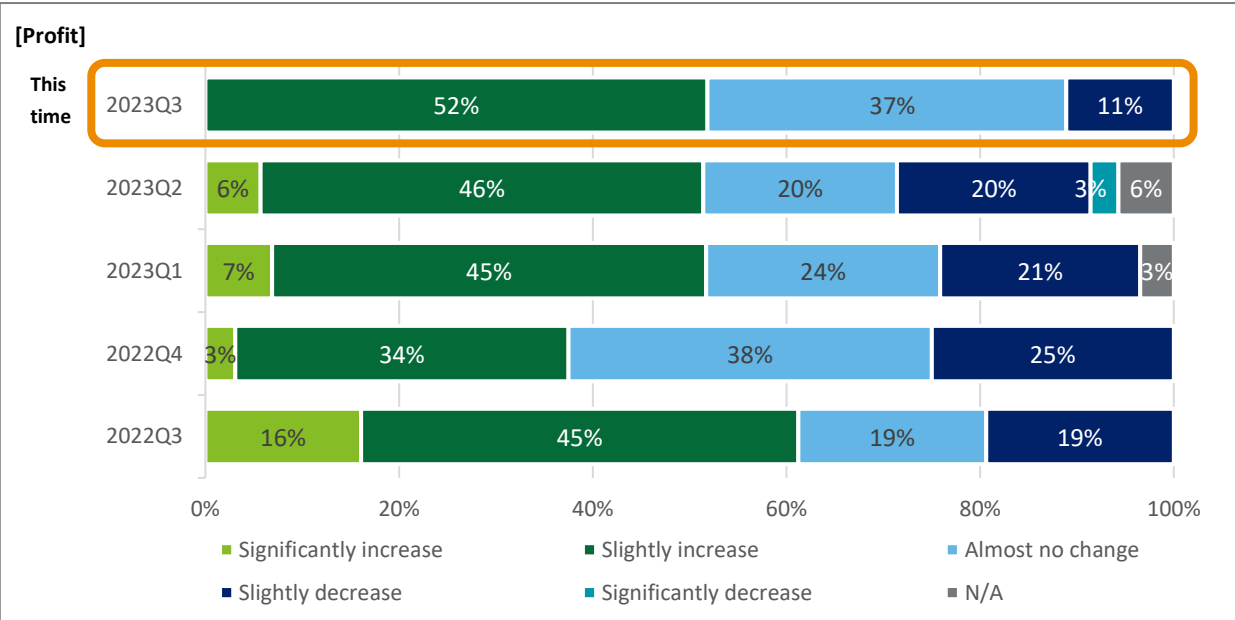
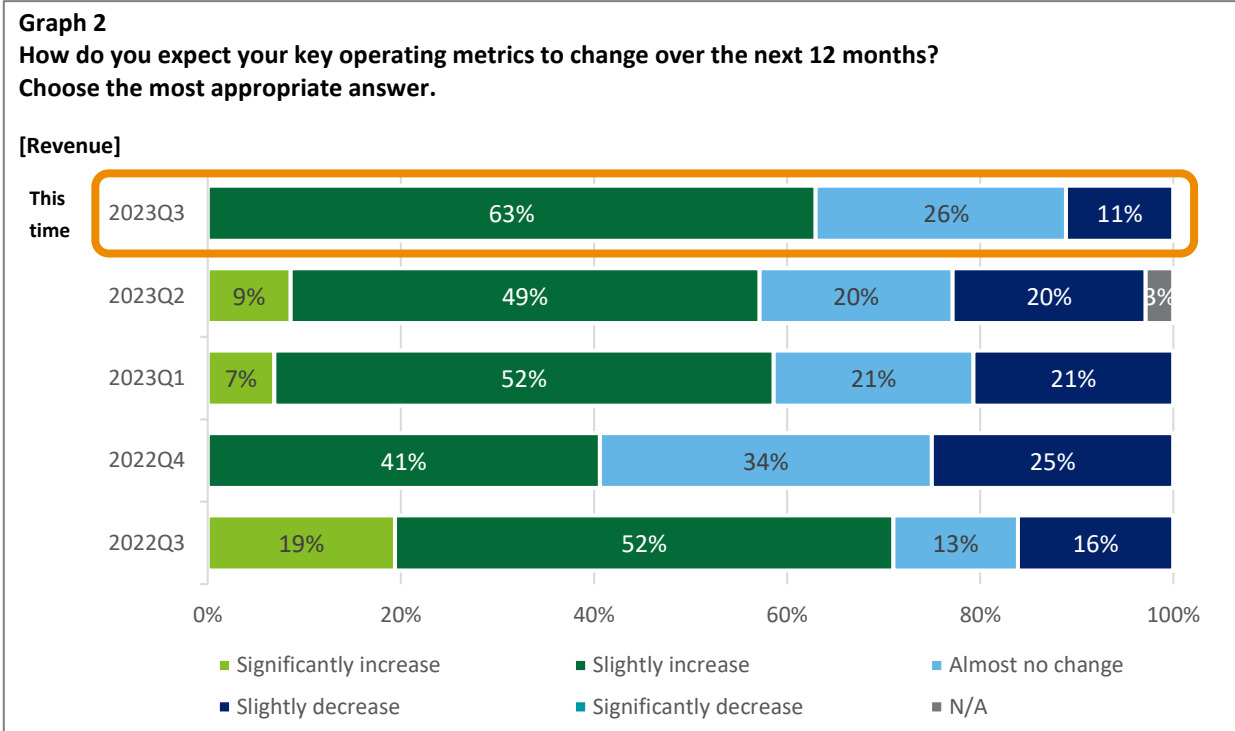
Financial prospects remains unchanged



Graph 1 shows how the financial prospects of the respondents’ businesses have changed over the last three months. In this 2023 Q3 survey, 59% of respondents said their financial prospect outlook was “Mostly the same,” accounting for more than half, continuing from the previous result of 60%. The rest were divided into “(Significantly) more optimistic” and “(Significantly) more pessimistic,” with roughly 20% each. During the survey period, November 2023, the external environment was characterized by rising interest rates in Europe and the US with a sense of a brief pause, signs of global inflation easing, strong stock prices, and a weakening yen. During the past three months, the overall economic environment has not seen a drastic change, and the economies and financial markets in both Japan and overseas have remained stable. The military conflict between Israel and Hamas that broke out in October has remained a conflict between the two countries and regions, with no significant impact on the economy or financial markets so far. These above backgrounds could lead to the conclusion; the financial prospects of CFOs have remained roughly unchanged. However, over the next year, the financial prospects are expected to change with the evolving economic environment. Throughout 2023, central banks in Europe and the US continued to raise interest rates, but in 2024, it is expected that Western economies will slow down and interest rates will be cut. In Japan, as opposed to Europe and the US, interest rates are expected to rise due to the normalization of monetary policy by the Bank of Japan. The exchange rate also saw a great fluctuation after the survey in December, from the low yen value of 1 USD = approx. 150 yen to a temporary rise of nearly 10 yen. The year-end of 2023 may be a major turning point in economic and financial market trends.

## Business performance outlook

Revenue and profit outlook remain strong

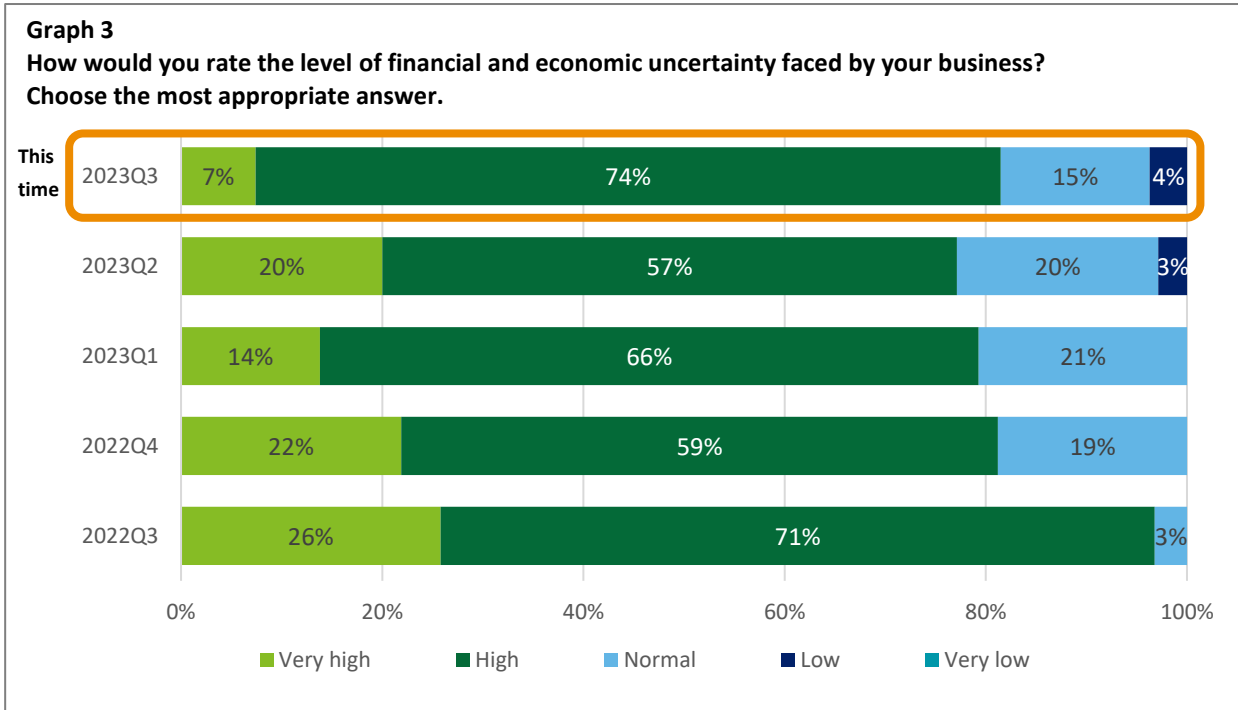


Graph 2 shows the CFOs’ prospects for each company’s financial performance (revenue and profit) for the coming year. A total of 63% of respondents said that they expected a “Significantly increase” or “Increase” in revenue and 52% for profit, both exceeding the majority and nearly or above the level of the previous survey. Some factors can be said to support the CFOs’ optimistic outlook. One is that economic expansion is relatively strong in both Japan and overseas, and the yen's depreciation has boosted the amount of foreign currency-denominated earnings overseas in yen. Another is that although costs are high, it is partially in progress that

companies pass the costs onto customers. However, as mentioned in Graph 1, the economy may see a slowdown and shift to a stronger yen in 2024. In addition, the high cost of raw materials and labor is likely to continue due to geopolitical factors and domestic labor shortages. To ensure that CFOs maintain a clear performance outlook in the future, it is essential to make further corporate efforts to secure profit margins.

**Uncertainty**

Uncertainty remains high (geopolitics, monetary policy, exchange rate, etc.)

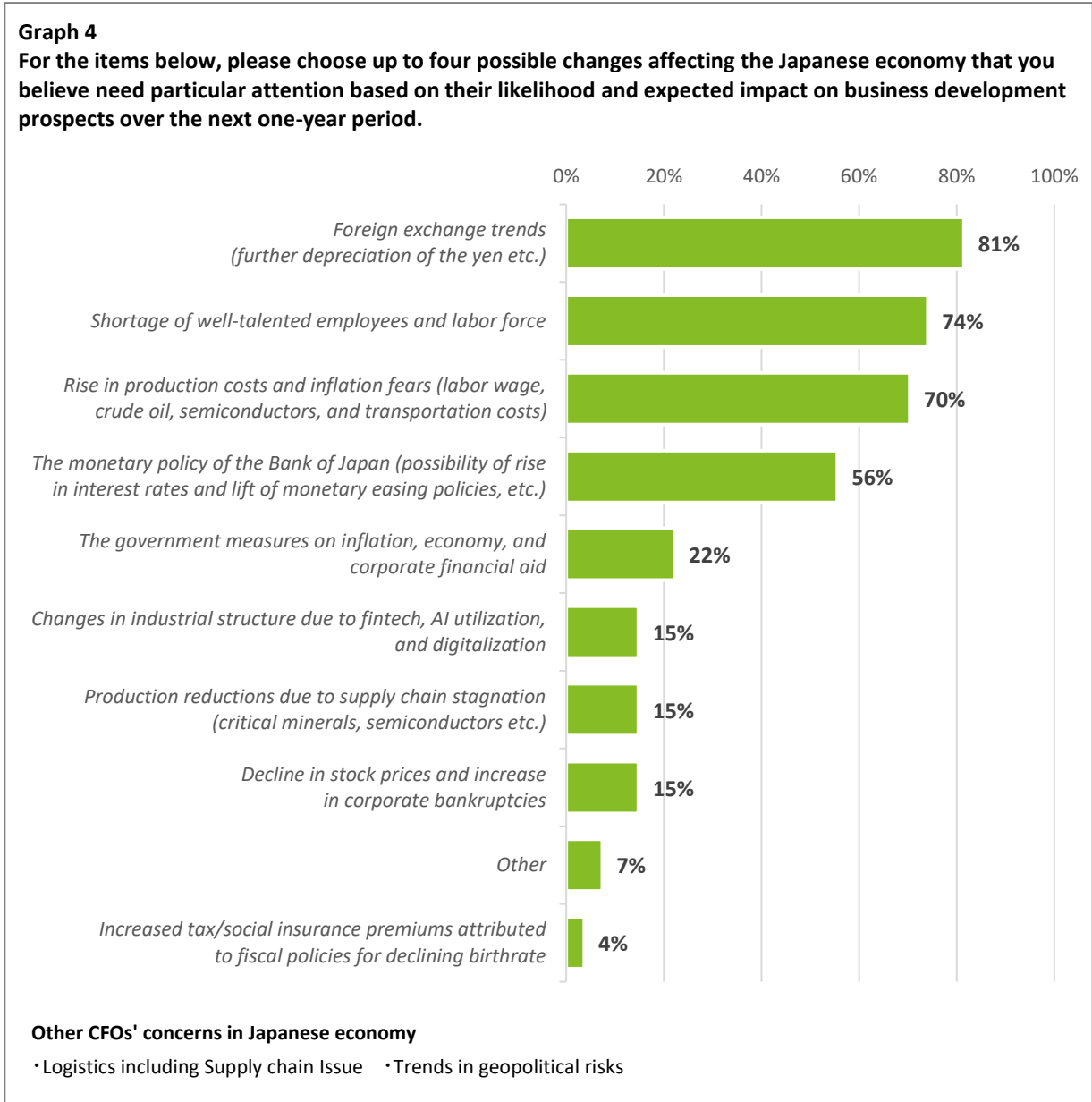


Graph 3 shows the outlook for financial and economic uncertainty. A total of 81% of CFOs felt that uncertainty was “Very high” or “High,” which remains at a high level. Although the impact of geopolitical factors such as the Russia-Ukraine and the Israel-Hamas conflict on the economy has been limited so far, there remains high uncertainty for the potential expansion of the war. Western central banks have not resolved inflation warnings on the surface, and interest rate trends are difficult to predict. In addition, the foreign exchange rate, in which the yen was significantly weak as of November, was highly volatile. It can be inferred that these may be some of the major factors leading to CFOs’ uncertainty. Furthermore, in terms of the Chinese economy, although it had recovered slightly in November due to government stimulus measures, the continuation of downward risk factors, such as the deterioration of the real estate market and a slowdown in income growth, has made China’s future economic prospects complicated.

A high level of uncertainty is likely to continue into 2024. The Taiwanese presidential election is scheduled for 2024, which will be an important event for future relations between China and Taiwan. In the US, as the presidential election gains momentum, various expectations on US industrial and trade policies after 2025 are likely to emerge.

## ¥ Key change factors in the Japanese economy

The foreign exchange trends is the top key change factor



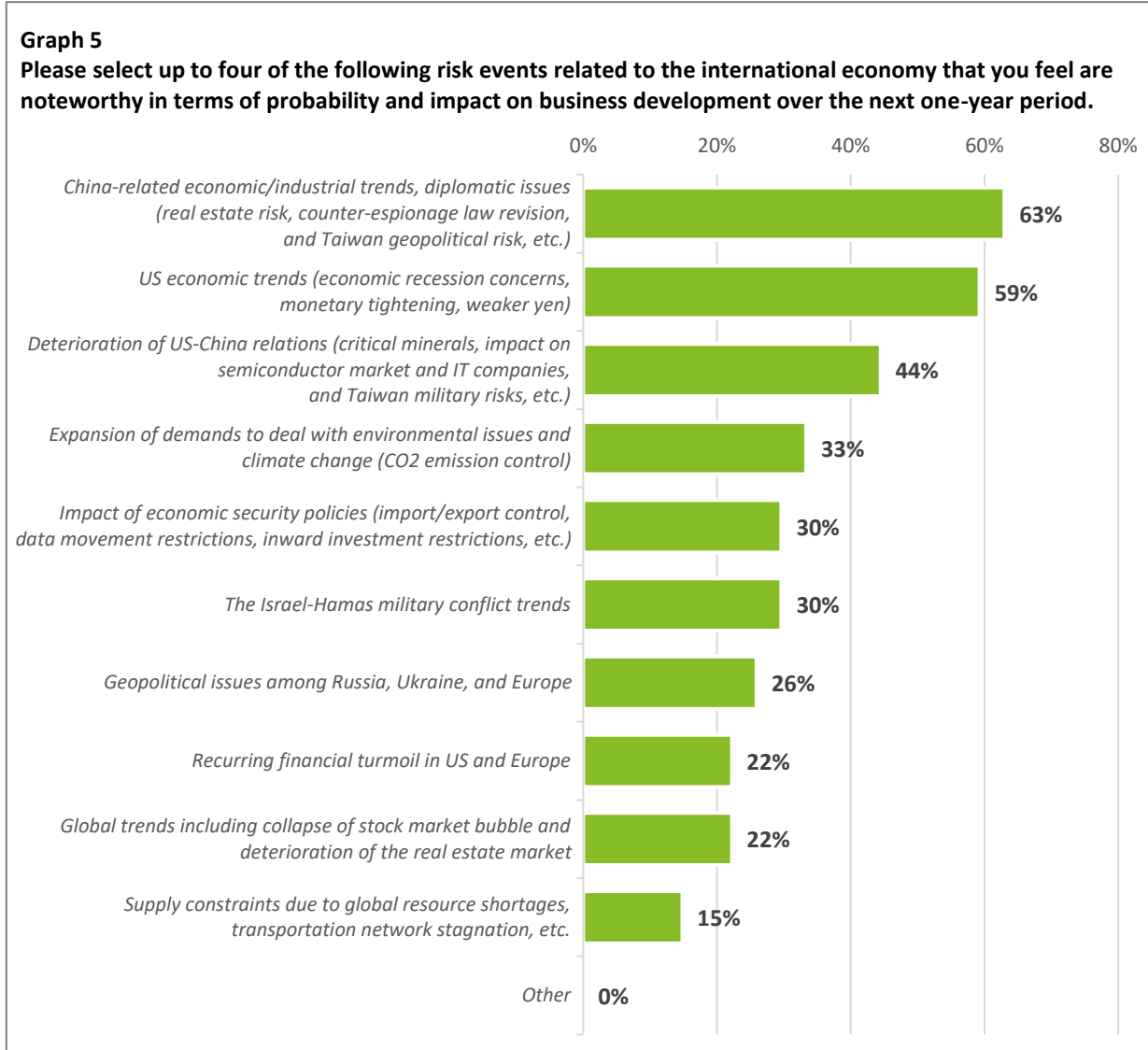
Graph 4 shows the key factors in the Japanese economy that CFOs will most closely watch when preparing business plans over the next year. In this survey, “Foreign exchange trends (further depreciation of the yen etc.),” which was newly added to the option, ranked first with a high response rate of 81%. Yen depreciation, which temporarily exceeded 1 USD = 150 yen in November, has increased input costs especially for importing companies, but also pushed up yen-based earnings of exporting companies and overseas businesses. For many companies, the fact that the yen depreciated more than it was expected at the beginning of the year and that it is time to formulate the planned rate for the next fiscal year, may be the reason for the increasing attention to foreign exchange trends. To note, in December, after this survey was conducted, the Bank of Japan Governor’s remarks raised expectations of the rise in the yen interest rate, and then the yen sharply rose to the level of 1 USD = 141 yen. The foreign



exchange market is expected to remain volatile and will continue to attract a high level of attention from its speculation surrounding monetary policy. Coming in second place, “Shortage of well-talented employees and labor force” and third place “Rise in production costs and inflation fears”, both continue to rank high, which shows that cost increases are an ongoing focus for CFOs.

€ Key change factors in the global economy

China’s economy and diplomatic issues continue as a concern



Graph 5 shows what key factors in the global economy CFOs will most closely watch when preparing their business plans over the next year. “China-related economic/industrial trends, diplomatic issues” was the top concern and the same as the previous survey. This result may reflect increasing potential impacts on Japanese companies – the economic impact of the deterioration of the real estate market and the slowdown in income growth, as well as increasing legal risks such as the Counter-Espionage Law and the Personal Information Protection Law. The second and third places were “US economic trends” and “Deterioration of US-China relations,” respectively, and although the two switched rankings from the previous survey, both received high responses. In particular, the rise of “US economic trends” to second place reflects the downward risk factors leading up to November, such as the stagnation of some economic activities due to large-scale strikes in the US and the continuation of FRB interest rate hikes. The trends in China and the US will continue to be the focus of CFOs in the coming months. Ranked fourth was “Expansion of demands to deal with environmental issues

and climate change” in response to the increase in ESG disclosure requirements, and fifth was “Impact of economic security policies”, reacting to supply chain risks related to critical minerals. Both will also remain a CFO's attention in the medium term.

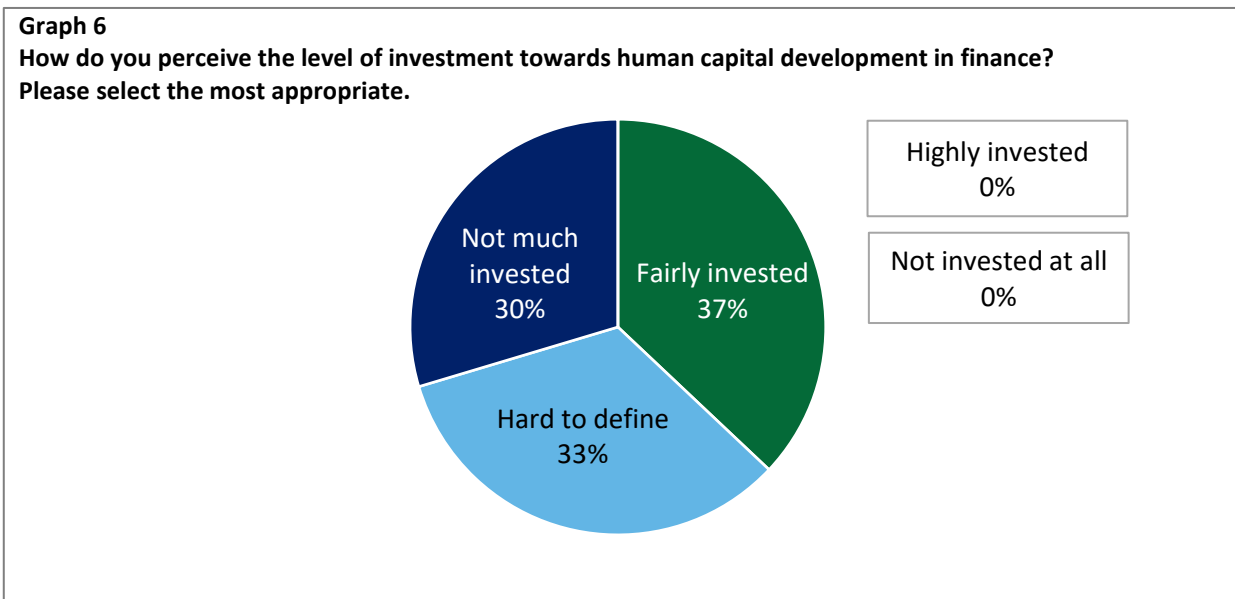
## Survey on Strengthening Finance Human-capital Professionals

In the latter part of the survey, we inquire about "Strengthening finance human-capital professionals". This is the agenda that CFOs responded to in the CFO Signals 2022Q4 survey as one of the top initiatives that they would like to focus on in their finance function in the future.



### Level of investment towards human capital development

None of the companies responded that they are "Highly invested" or "Not invested at all" in human capital, and all are implementing some form of human capital investment



None of the companies responded that they are "Highly invested" in human capital development for finance professionals, indicating that all companies are currently working on this agenda. This result supports the findings of the survey conducted in Feb. 2023, which ranked "Strengthening finance professional development/human capital" as a high priority initiative for the finance function to focus on in the future. Furthermore, this survey result indicates that companies are willing to invest more in human capital development.

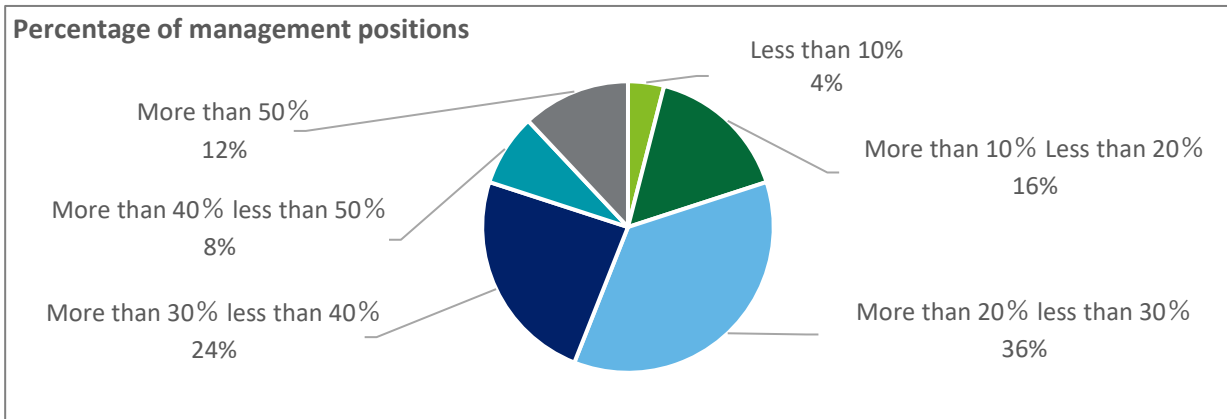
On the other hand, 0% responded that they are "Not invested at all," which shows that all companies are in the process of investing in human capital development to some extent. However, the level of investment varied among companies and results split into the three options of "Fairly invested," "Hard to define," and "Not much invested."

## Workforce composition among finance professionals

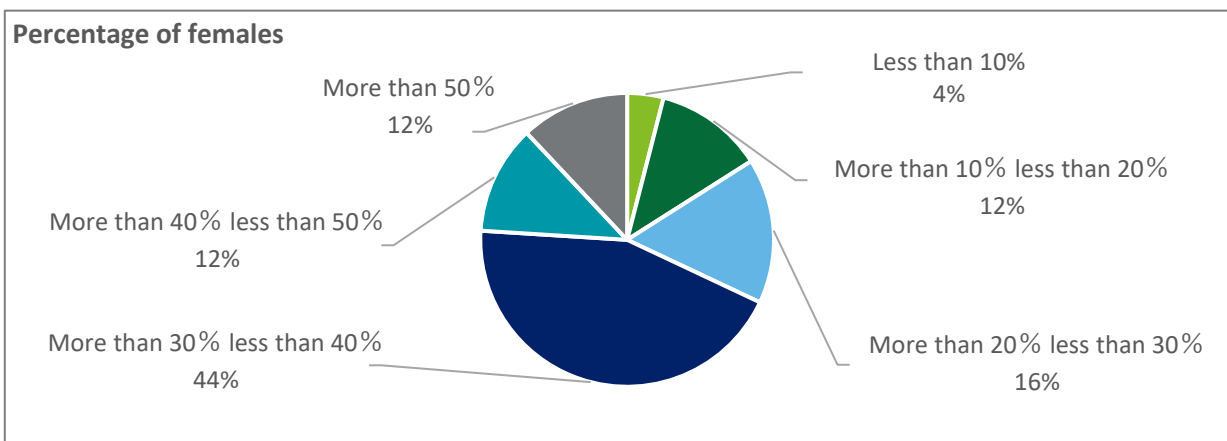
The results showed distinctive characteristics of the workforce compositions among companies

### Graph 7

Please describe the workforce composition among the finance professionals for each given categories. Please input the number in percentage (0 to 100(%)) for each category.



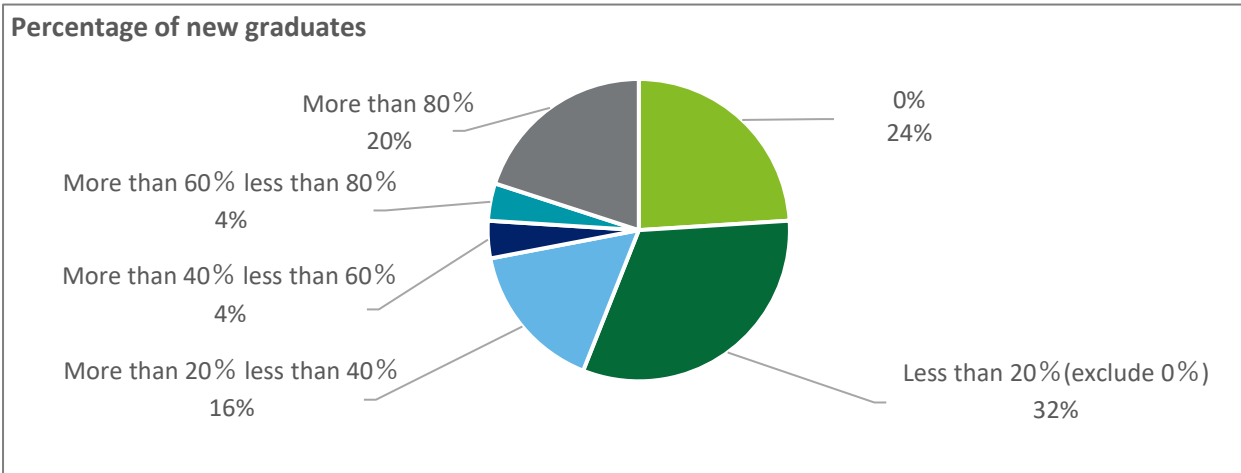
More than half of the companies said that the percentage of management positions was less than 30%. On the other hand, more than 10% answered that more than 50% of finance function are in management positions; some companies are facing an imbalance of titles and generations in their workforce. With the extension of the retirement age and promotion of re-employment, it will be important to consider senior human professionals to play an active role going forward. It will also be necessary to prepare strategically about the career paths of younger generations to build a sustainable organization.



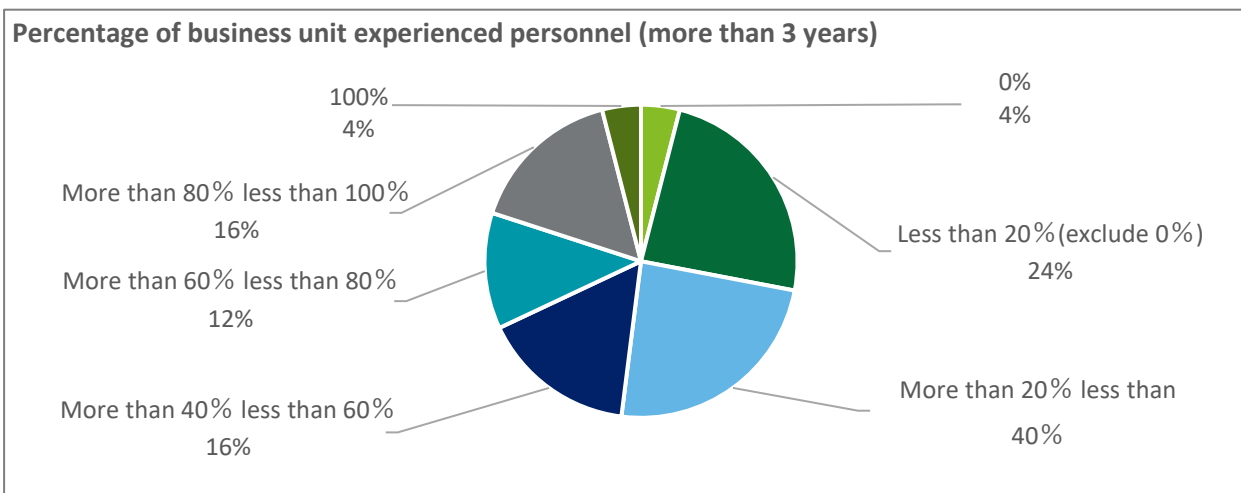
More than half of the companies said that the percentage of females was around 30%, making it the largest segment. According to the labor force survey conducted by the Bureau of Statistics of the Ministry of Internal Affairs and Communications, "the percentage of females in the total number of employed persons was 45.8%" in 2022 (source: Ministry of Health, Labour and Welfare website, 2023 edition of Annual Health, Labour and Welfare Report, p.216 <https://www.mhlw.go.jp/wp/hakusyo/kousei/22/dl/zentai.pdf>). Compared to this number, the percentage of females in the finance function in this survey was slightly lower.

**Graph 7 (continued)**

**Please describe the workforce composition among the finance professionals for each given categories. Please input the number in percentage (0 to 100%) for each category.**



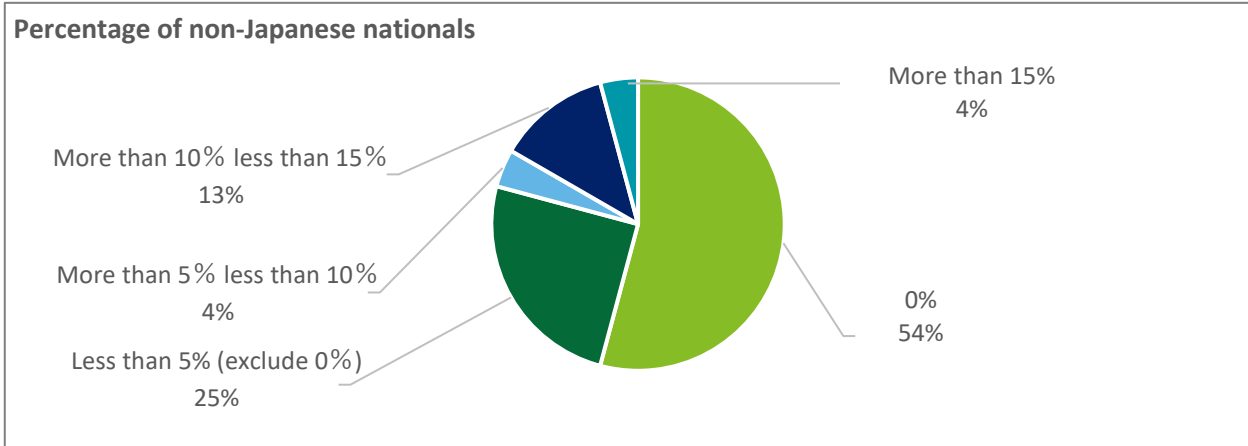
While nearly 1/4 of companies said that none of the new graduates consists of the finance function, 1/5 of companies said that it is 80% or more, which shows polarization is progressing. Perhaps it can be said that this result reflects the corporate culture, but it showed distinctive characteristics of each company.



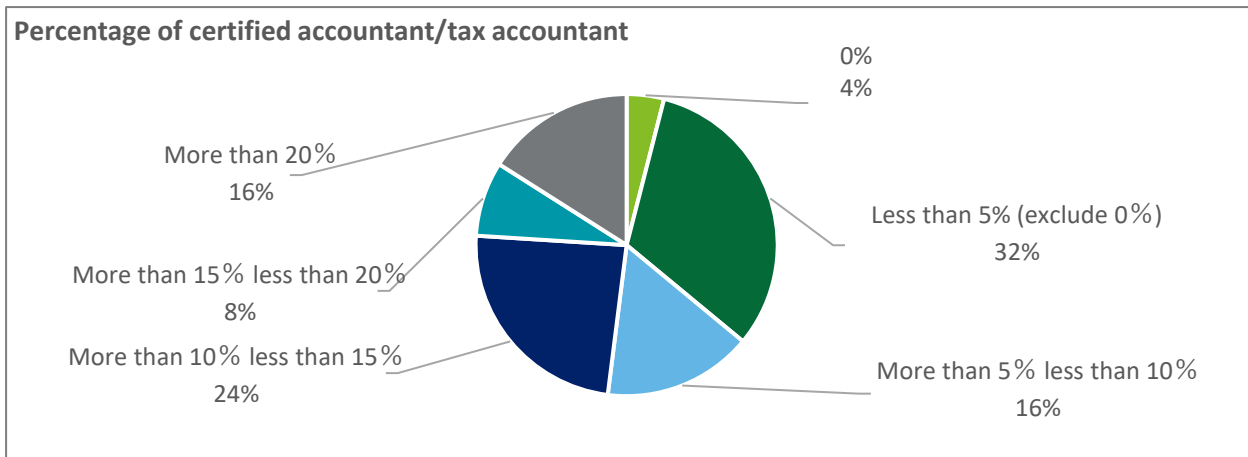
Some companies have 0% percentage of business unit experienced personnel (for more than 3 years), while others have 100%, which highlighted each company's policies. Given the finding that 50% of CFOs have business unit experience in the CFO Signals 2022Q3 survey on "Career path to the position of CFO", it is likely that business unit experience is highly beneficial in building one's careers, especially at a time when the role of finance professionals is diversifying. As more roles as strategists will be required in the future, it is expected that more companies will incorporate business unit experience into finance career paths.

**Graph 7 (continued)**

Please describe the workforce composition among the finance professionals for each given categories. Please input the number in percentage (0 to 100(%)) for each category.



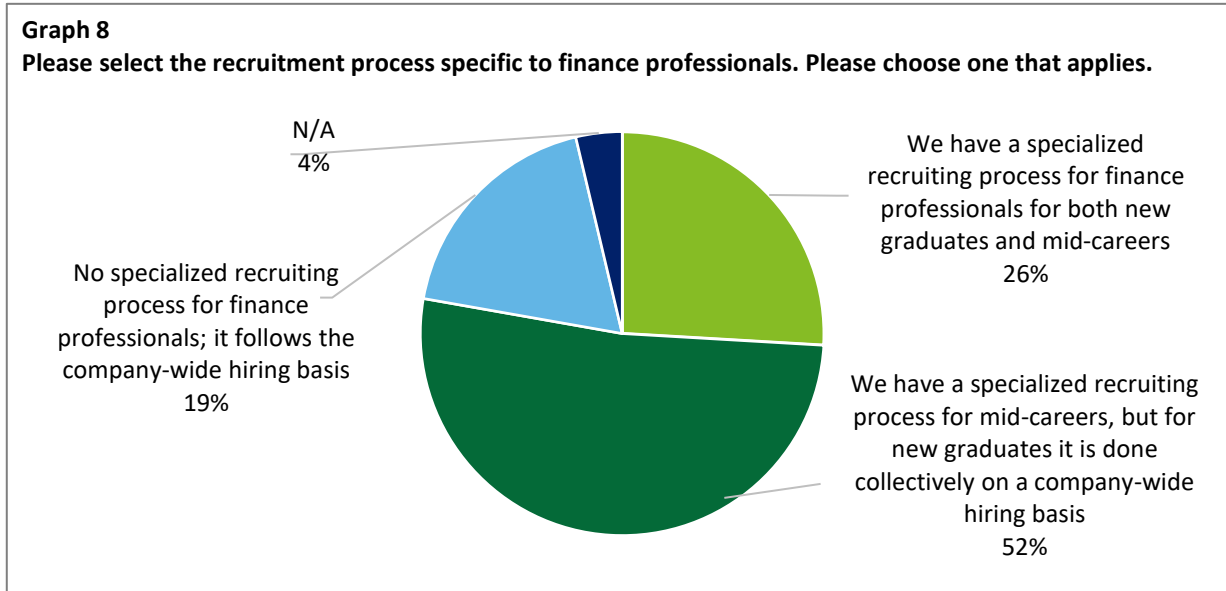
More than half of the companies said that the percentage of non-Japanese nationals was 0%. For most companies, the percentage is less than 10%, and diversity in terms of nationalities has not much progressed yet.



Over one-third of companies said that the percentage of certified accountants/tax accountants was less than 5% (including 0%). On the other hand, 16% of companies said it was 20% or more, indicating progress in the recruitment of specialists/certified personnel. More strategic ingenuity in human resource management will become important to meet the needs of a more diverse workforce in the future, for example, creating different job rotation plans for specialists with advanced expertise and generalists aiming for management positions.

**Recruitment process for finance professionals**

Majority of companies have a specialized process for mid-career recruitment while it is done collectively for new graduates



Regarding the recruitment process of finance professionals, more than half of companies said “We have a specialized recruiting process for mid-careers, but for new graduates it is done collectively on a company-wide hiring basis.” This shows that a constant demand for professionals with knowledge and experience who can be an immediate asset to the team, and mid-career recruitment for finance personnel is becoming more common.

In addition, more than a quarter of companies have a specialized recruiting process for hiring new graduates as finance professionals. Since the finance is more specialized compared to other functions, it can be said that companies are looking more into the person’s major, interests, and passions.

Recruiting new graduates has traditionally been the primary recruiting process in Japanese companies, but in recent years, the mobilization of human capital has led to an increase in recruiting mid-careers and specialized recruiting for finance. The competition to recruit well-talented individuals will become more and more intense going forward.

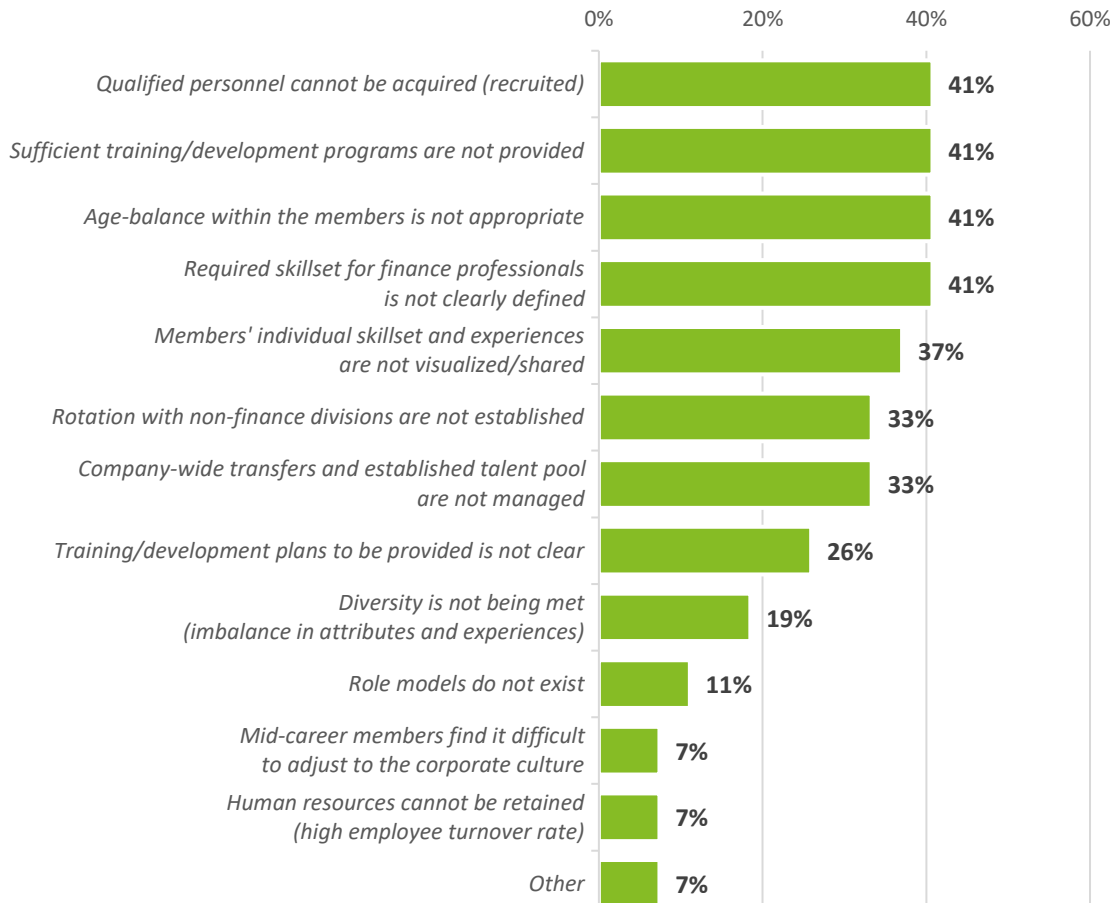


## Challenges of talent management

Each company has its own challenges in talent management

**Graph 9**

**Please select the challenges of talent management in the finance function. Please select all that apply.**



**Other challenges of talent management**

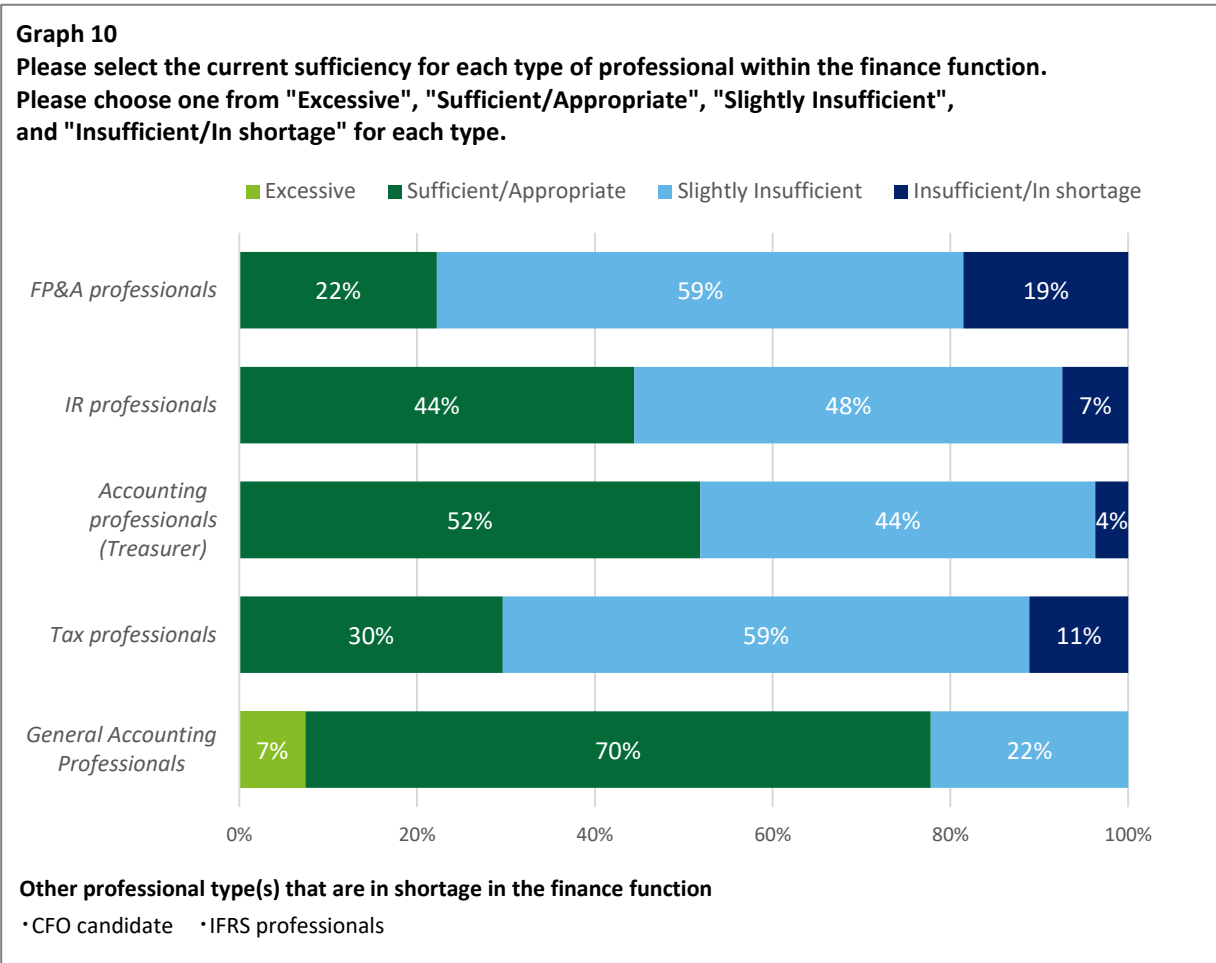
- A lack of initiative and interest in new fields related to finance (data and analytics, ai, predictive forecasting)
- Agree on the shortage of human resources/talent in general, but the CFO is responsible for rotating finance staff positions as finance professionals are highly specialized, and manage the situation.

The results were split on challenges related to talent management. As there were no challenges that exceeded 50%, this indicates there are no common challenges among companies, but each has its own challenges. For talent management, it will be necessary to formulate a core strategy as a basic standpoint, and consider the entire cycle of recruitment, assignment, and development in accordance.

Only a few companies raised issues such as “Mid-career members find it difficult to adjust to the corporate culture” and “Human resources cannot be retained.” As the rate of mid-career recruitment increases, a culture of acceptance is becoming more established on the corporate side.

## Sufficiency of professionals by types

There is a shortage particularly in FP&A and tax professionals



The results show an overall trend of shortage in finance human resources, regardless of the professional type. When viewed by type, there is a particular shortage of FP&A (Financial Planning & Analysis) professionals, followed by tax professionals.

With regard to FP&A professionals, it is expected that the demand for this type will increase as the role of strategists and catalysts expands in the finance function. A strategic reskilling will be essential, as further in-depth knowledge of the business and more advanced analysis/proposal skills on the business will become required.

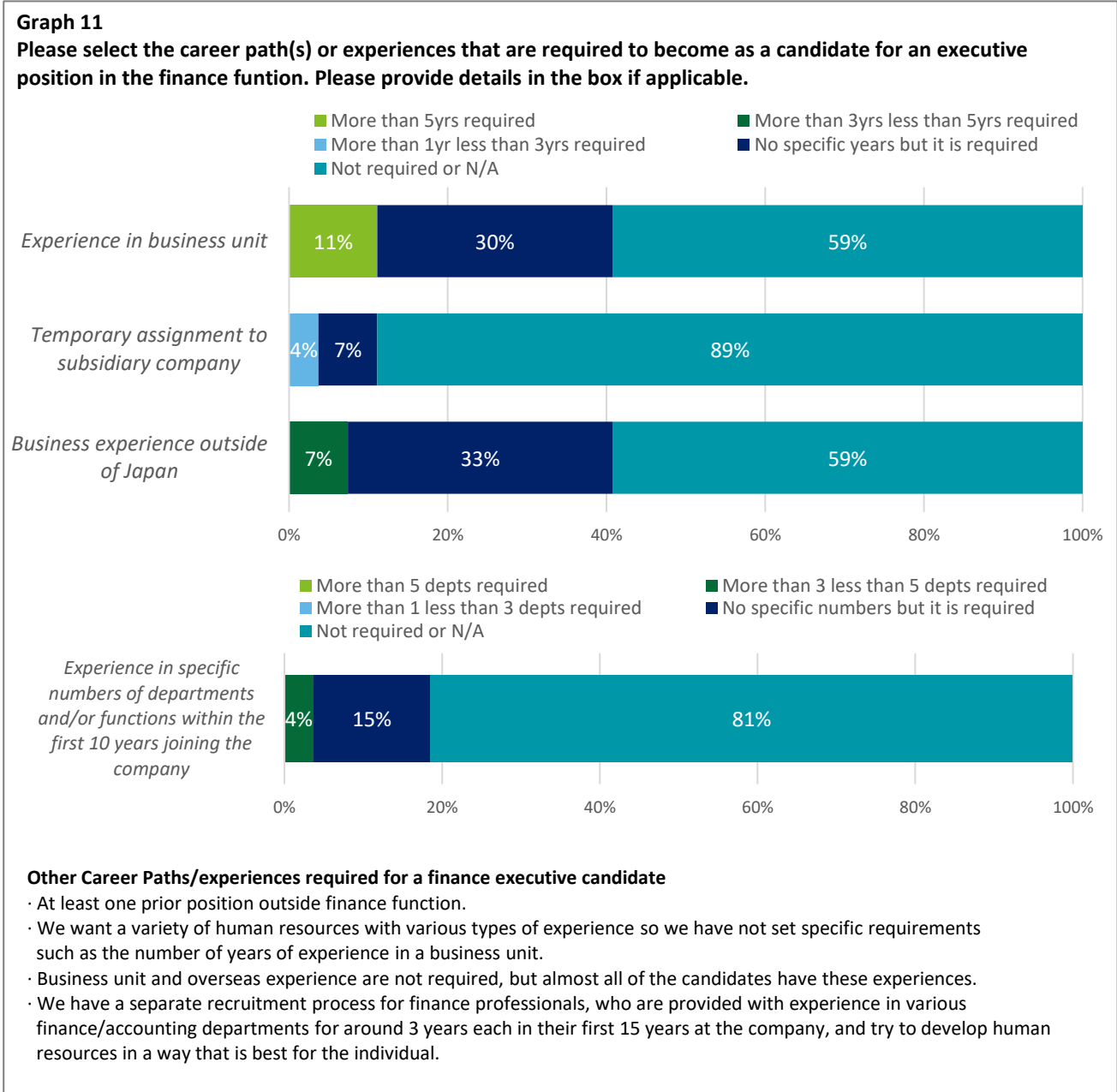
Concerning tax professionals, as the international tax system becomes more complex, there is likely to be an increased demand for professionals with advanced expertise.

On the other hand, some companies said that they have “Excessive” general accounting professionals. It may be necessary to consider shifting the balance of human resources and using digital technologies, such as automation of operations.

Moreover, for comments on other shortages, “CFO candidates” was mentioned – which implies the necessity to develop individuals that combine not only financial knowledge but also business knowledge, management skills, and humanity skills.

**Career path(s) required for a finance executive candidate**

40% of companies require business unit experience and overseas experience



More than 40% of companies require executive candidates in the finance function to have business unit experience and business experience outside of Japan. In addition, it was mentioned in the comments that even if it is not an official requirement, most candidates ultimately have these experiences outside the domestic finance function. This experience is often seen as a gateway to becoming a CFO for many companies. Both experiences in overseas and business management are beneficial to future CFOs, as it is also shown by the result that 42% of CFOs answered “Management executives of overseas group companies” for the question “Beneficial past experiences (for CFOs)” in the CFO Signals 2022Q3 survey.

Only 20% of companies have established the number of departments and functions that employees should experience in their first 10 years at the company. Some companies may be attempting to stabilize their sustainable finance functions by clarifying training policies for younger generations.



### To conclude this section...

In this 2023Q3 CFO Signals survey, we inquired about the strengthening of finance human-capital professionals, a topic that many companies said they wanted to focus on as a finance function in the future in the “Survey on the Initiatives of Transforming the Finance Function” conducted in the last fiscal year.

The results showed that most companies have started investing in finance human resources, but it is still underway. With the role of the finance function expanding, major challenges remain to be how to secure and develop necessary talent, as there is a trend of shortage in all professional types.

For the composition of finance professionals, each company’s feature stood out strongly. It is believed that more diversity will take place in the finance function moving ahead, necessitating the preparation of various career paths based on the individual’s background and professional aspirations.

Talent management does not achieve results in the short term; therefore, it is crucial to design ahead and strategically in response to environmental changes and shifts in the role of the finance function.

## **What is CFO Program?**

*The Deloitte Tohmatsu Group's CFO Program is a comprehensive program to revitalize the Japanese economy by supporting the CFOs of companies that it rests on and contributing to improving the capabilities of CFO organizations. As a Trusted Advisor, we bring together professionals from all walks of life to help CFOs solve challenges. In addition, we aim to improve the competitiveness of Japanese companies by providing the latest information, including global trends, and CFO-networking beyond corporate and industry boundaries.*

## **Deloitte Tohmatsu Group**

### **The CFO Program**

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