



# Deloitte CFO Signals Report

2023Q4

March 2024

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## 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 35th 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 the initiatives on data-driven management. The Survey for this 2023Q4 edition was conducted in February 2024, and we were able to receive responses from 25 CFOs and finance and accounting executives.

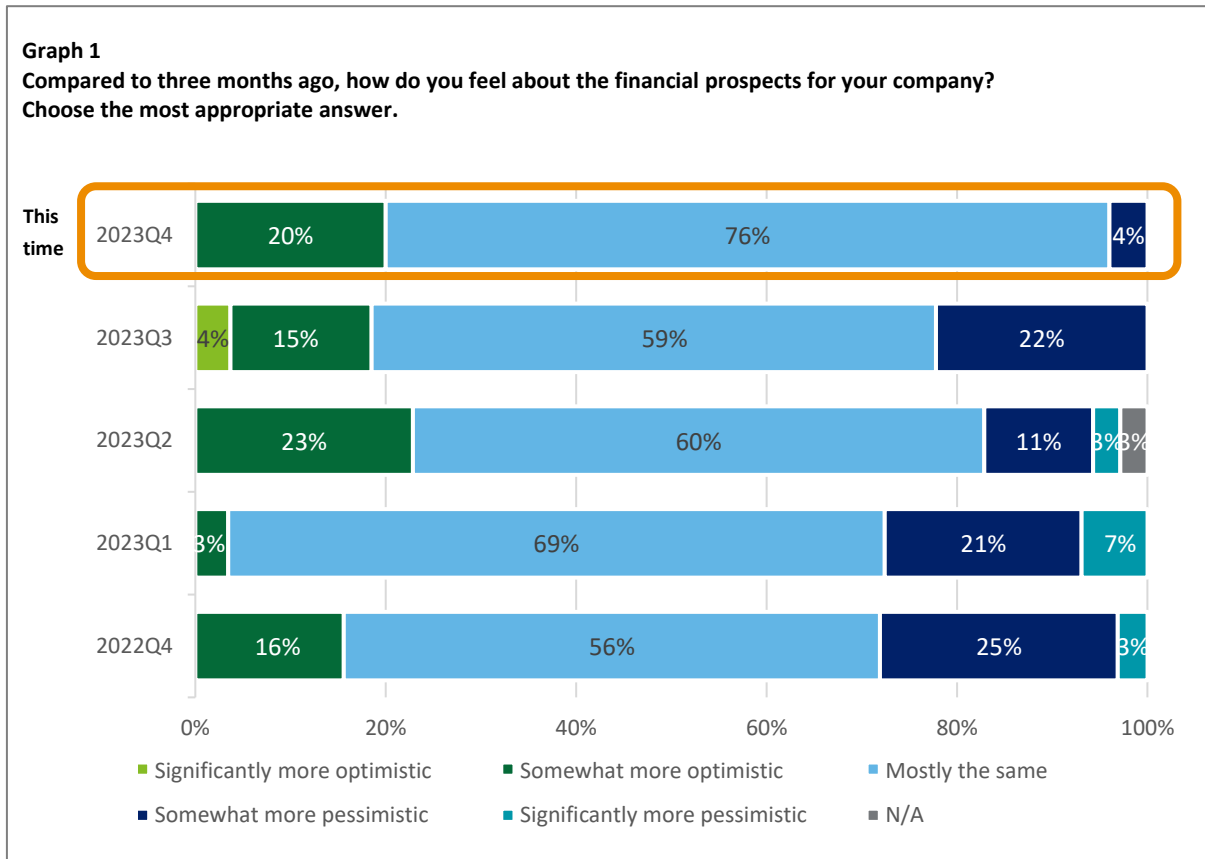
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Deloitte Tohmatsu Group  
The CFO Program  
March 2024

## Survey on the Economic Environment

### Financial environment prospects

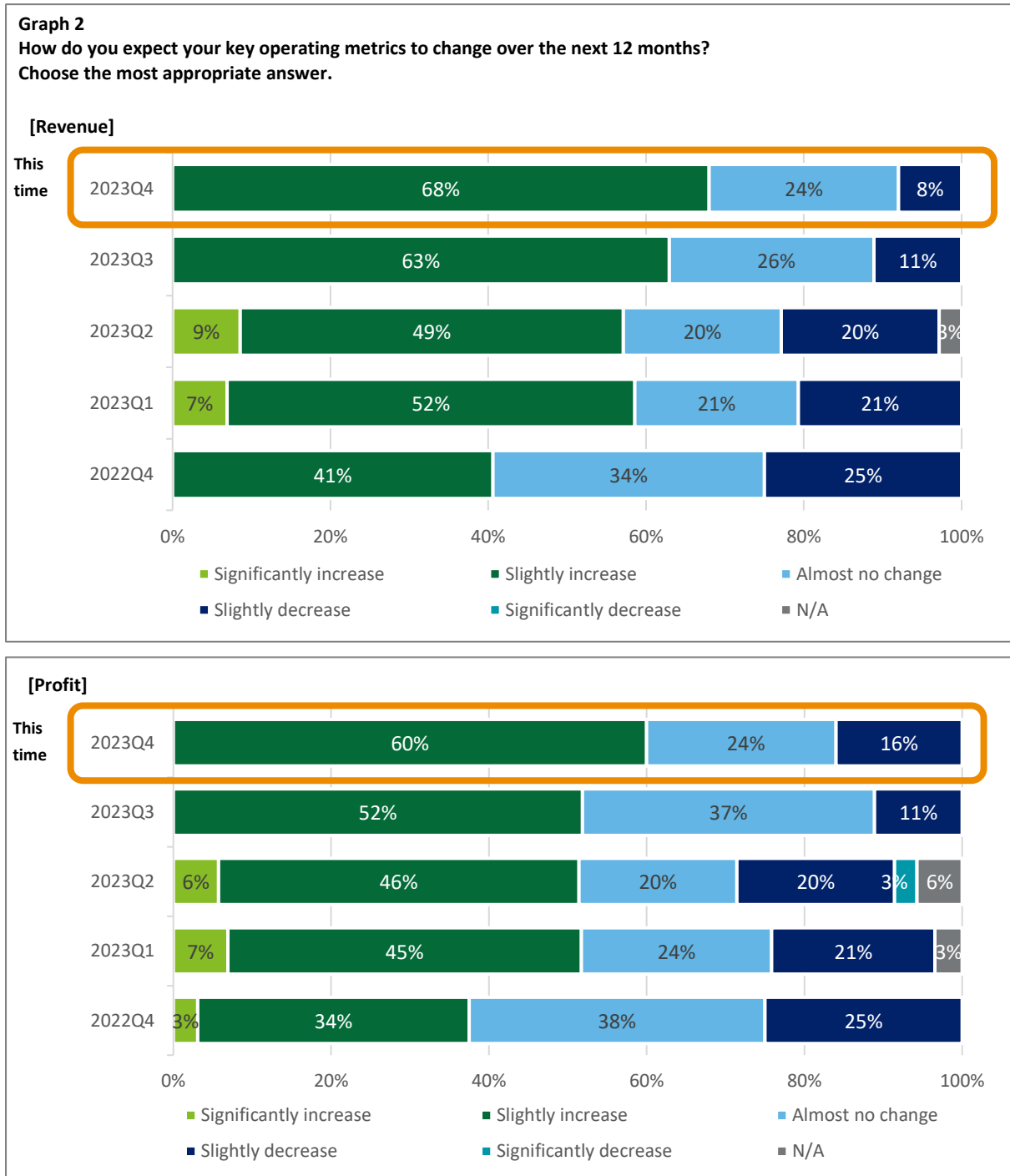
Financial prospects generally remain unchanged



Graph 1 shows how the financial prospects of the respondents’ businesses have changed over the last three months. In this 2023Q4 survey, 76% of respondents said their financial prospects were “Mostly the same,” a further increase from the previous 59% and accounting for more than three-quarters of the total. Indeed, it can be said that there was no drastic change in the economic and political environment during the three months up until this survey was conducted in February 2024. The Russia-Ukraine conflict remained a stalemate, central banks in Europe and the US halted interest rate hikes and entered a phase of observation, stock prices continued to rise steadily, and the yen maintained a low value. These situations above lead to the conclusion that the financial prospects of CFOs were unchanged. However, it seems highly likely that there will be changes in the prospects going forward. In the US presidential campaign, Donald Trump won the Republican Party nomination. According to the public opinion poll, Trump slightly leads President Joe Biden in the approval rating. If Trump wins the 2024 presidential election, the circumstances around the US foreign, economic, and trade policies are to be changed. In terms of monetary policy, the Bank of Japan is expected to normalize its monetary policy this year, while central banks in Europe and the US are considering the timing of interest rate cuts. Consequently, it is expected that the foreign exchange market will shift to a stronger yen in the future.

## Business performance outlook

Revenue and profit outlook continues to grow

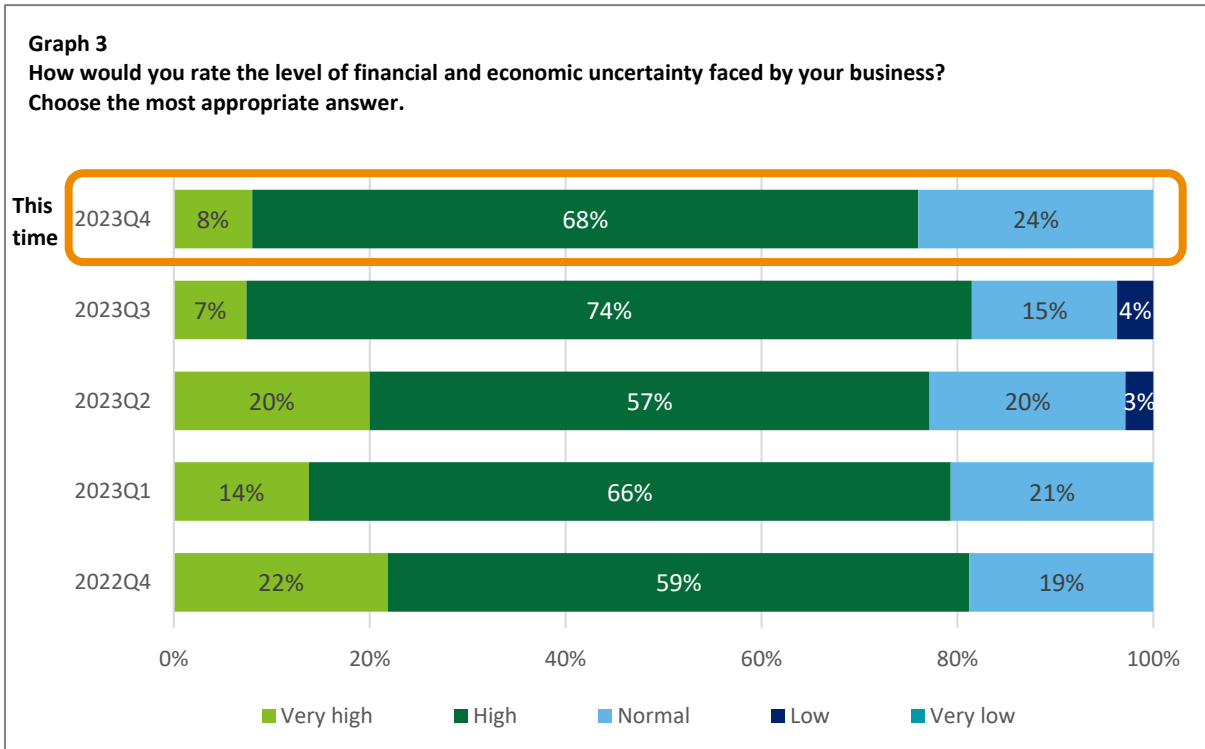


Graph 2 shows the CFOs’ prospects for each company’s financial performance (revenue and profit) for the coming year. A total of 68% of respondents said that they expect to “Significantly increase” or “Slightly Increase” in revenue and 60% said the same for profit, which both exceeded the majority and surpassed the previous survey. The CFO’s business performance outlook remains optimistic with revenue and profit both expected to increase. This is likely to be driven by the strong US economy, expectations that the Japanese economy will emerge from deflation, the rise in US and Japanese stock prices, and the depreciation of the yen. Deloitte

expects the growth rates of the US, Europe, and Japan to slightly decelerate in 2024, and the exchange rate will shift to a stronger yen. It is often the case that the Chinese economy and the geopolitical factors are considered to bring a potentially negative impact. Furthermore, it is expected that the US and other Western countries will strengthen their trade restrictions on China. With these in mind, it should be noted that there are headwinds for Japanese companies to consider as well. Presumably, the slowdown in the growth this year is not to the extent of falling into a recession, and Deloitte expects a soft landing with interest rate cuts in the US and Europe and the normalization of monetary policy at a cautious pace in Japan. However, we would like to carefully follow with the possibility that CFOs' performance outlook will shift from optimism to a neutral direction going forward.

**Uncertainty**

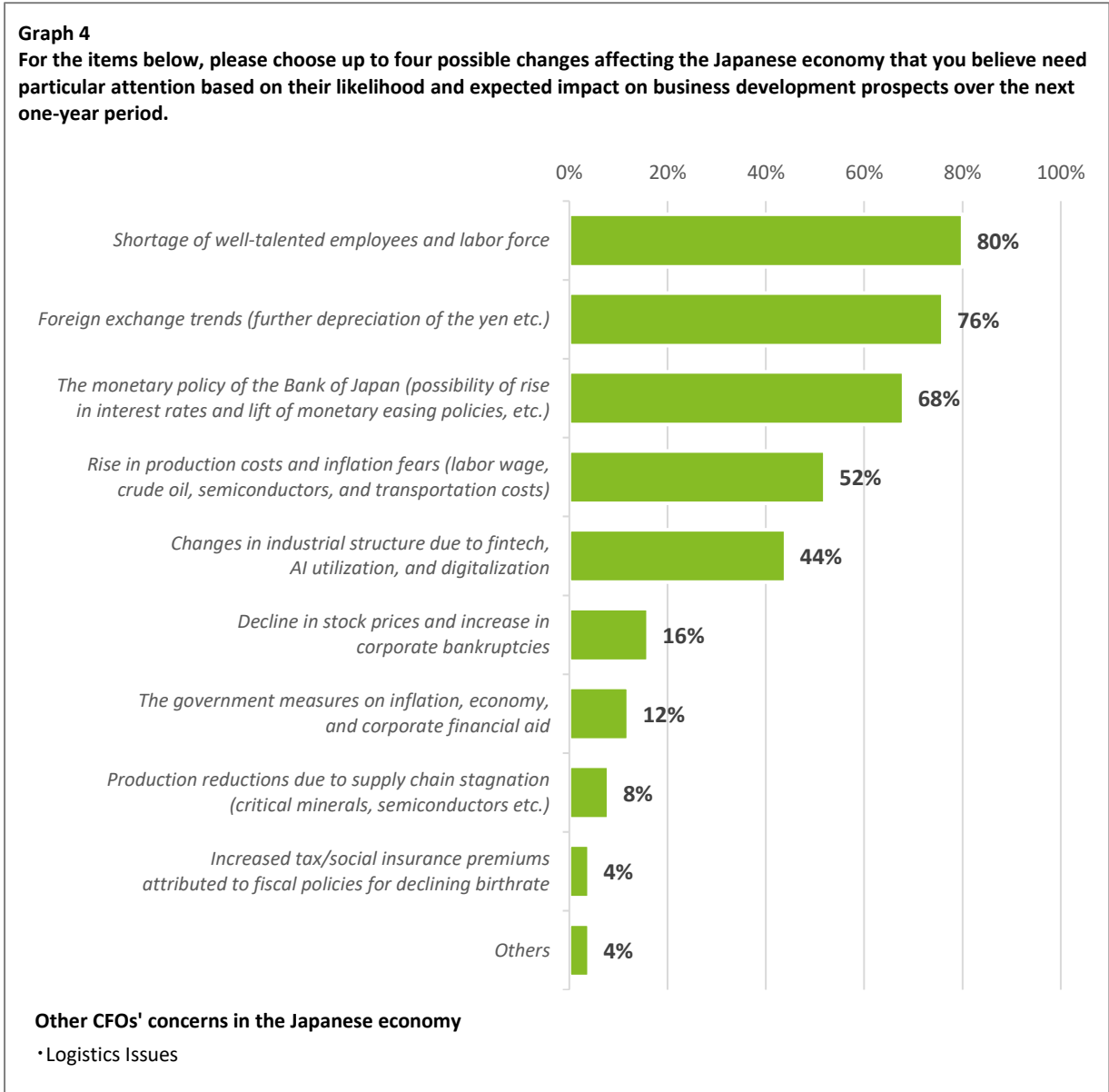
Uncertainty still remains high



Graph 3 shows the outlook for financial and economic uncertainty. A total of 76% of respondents said that uncertainty was “Very high” or “High”, a slight decrease from the previous 81% but remaining at a high level. It is unlikely that the geopolitical risks arising from the Russia-Ukraine and the Middle East conflicts to resolve in the short term. The outlook for the US presidential election is expected to fluctuate until the election takes place in November. It is also difficult to foresee a recovery in the Chinese real estate market for the next few years, and even the Chinese government has shown a skeptical stance toward its economic recovery. Given this context, the CFOs’ uncertainty will likely continue at a high level.

## Key change factors in the Japanese economy

Talent, foreign exchange trends, monetary policy, and inflation are the main key change factors



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, “Shortage of well-talented employees and labor force,” ranked first and the second was “Foreign exchange rate trends,” which the order was reversed from the previous survey. Ranked third, “The monetary policy of the Bank of Japan” moved up from fourth place, and “Rise in production costs and inflation fears” fell back from third to fourth place. The top four results were consistent with the previous 2023Q3 results, and the key factors that impact CFOs have remained unchanged: talent, exchange rate, monetary policy, and inflation. As the business outlook improves, the shortage of well-talented employees to support the expanding business becomes more severe, which presumably led to the response of a significant wage increase in the annual labor talks.



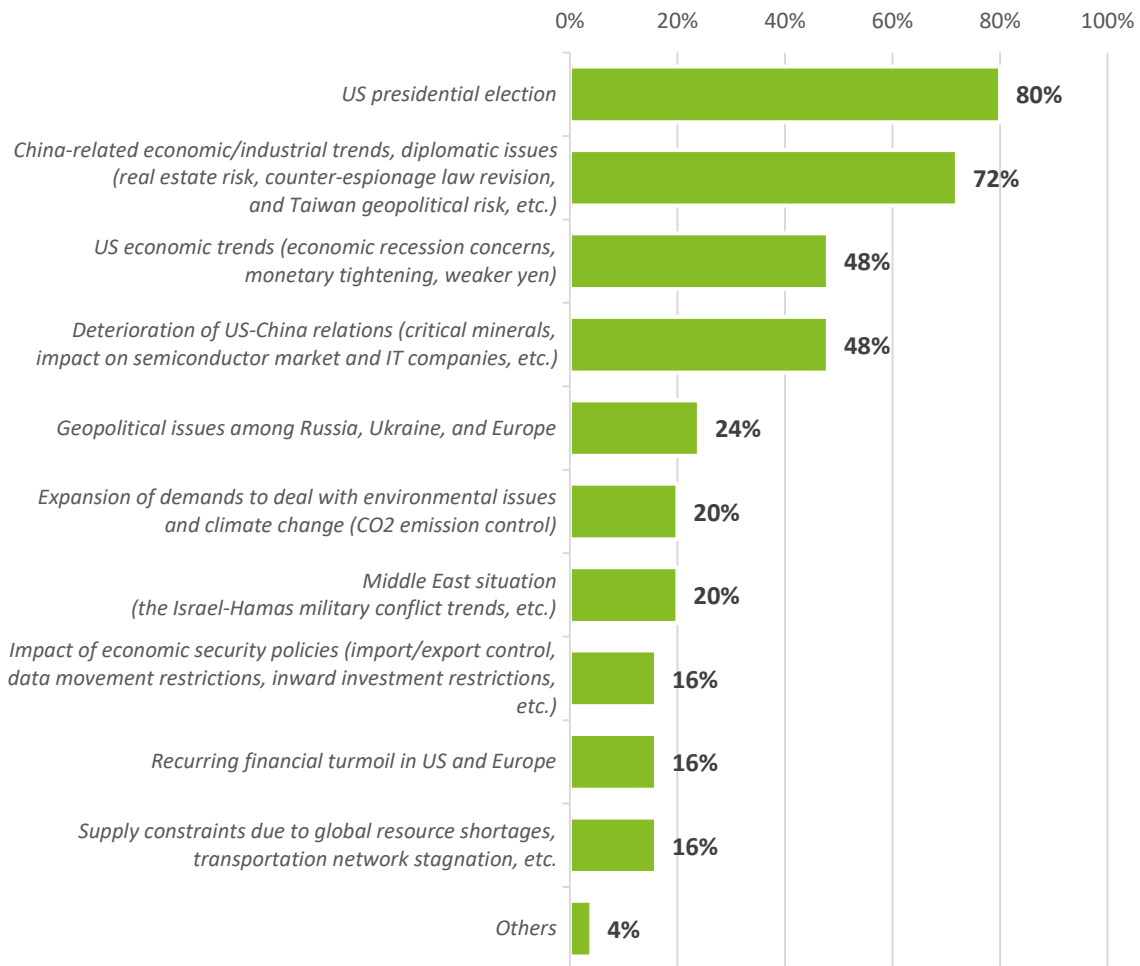
The exchange rate between the USD and the Yen had been depreciating at the rate of 1 USD = 150 yen until February. However, it is expected that the Yen will strengthen due to the normalization of the monetary policy by the Bank of Japan and the lowering of interest rates by central banks in Europe and the US. Depending on the progress, the normalization of the monetary policy by the BOJ may lead to an increase not only in exchange rates but also in the cost of capital procurement for companies. For the time being, these key change factors will likely remain an ongoing focus for CFOs.

€ **Key change factors in the global economy**

The US presidential election, followed by the Chinese economy are the main concerns

**Graph 5**

Please select up to four of the following risk events related to the international economy that you feel are noteworthy in terms of probability and impact on business development over the next one-year period.



**Other CFOs' concerns in the global economy**

- Indian presidential election, the Indian market

Graph 5 shows what key factors in the global economy CFOs will most closely watch when preparing their business plans over the next year. The “US presidential election,” which was added as a new option this time ranked first, followed by the “Chinese economy” and “US economy,” which ranked first and second in the previous survey. The consequence of Trump winning the election would cause a far-reaching impact on the geopolitical risks facing the world and Japan. Among there are the possibility of suspending support for Ukraine and withdrawing from collective security frameworks such as NATO and the US-Japan security alliance. The negative impacts of protectionism expansion on Japanese companies’ exports are inevitable. Furthermore, any setbacks in decarbonization investments will deter Japanese companies from achieving their decarbonization plans. The trend of the US presidential campaign will be a major concern for CFOs until the November election. The slowdown in the Chinese economy, the

second largest, has also been a factor in the stagnation of Japanese exports. Furthermore, companies from many countries, including Japan, have shifted their China strategies in correlation with the decrease in domestic investments in China. The US economy, which ranked third, is now exceptionally strong among major countries but is expected to slow down in the future due to the impact of interest rate hikes. Economic trends in the US and China will also continue to be a major key change factor for CFOs.

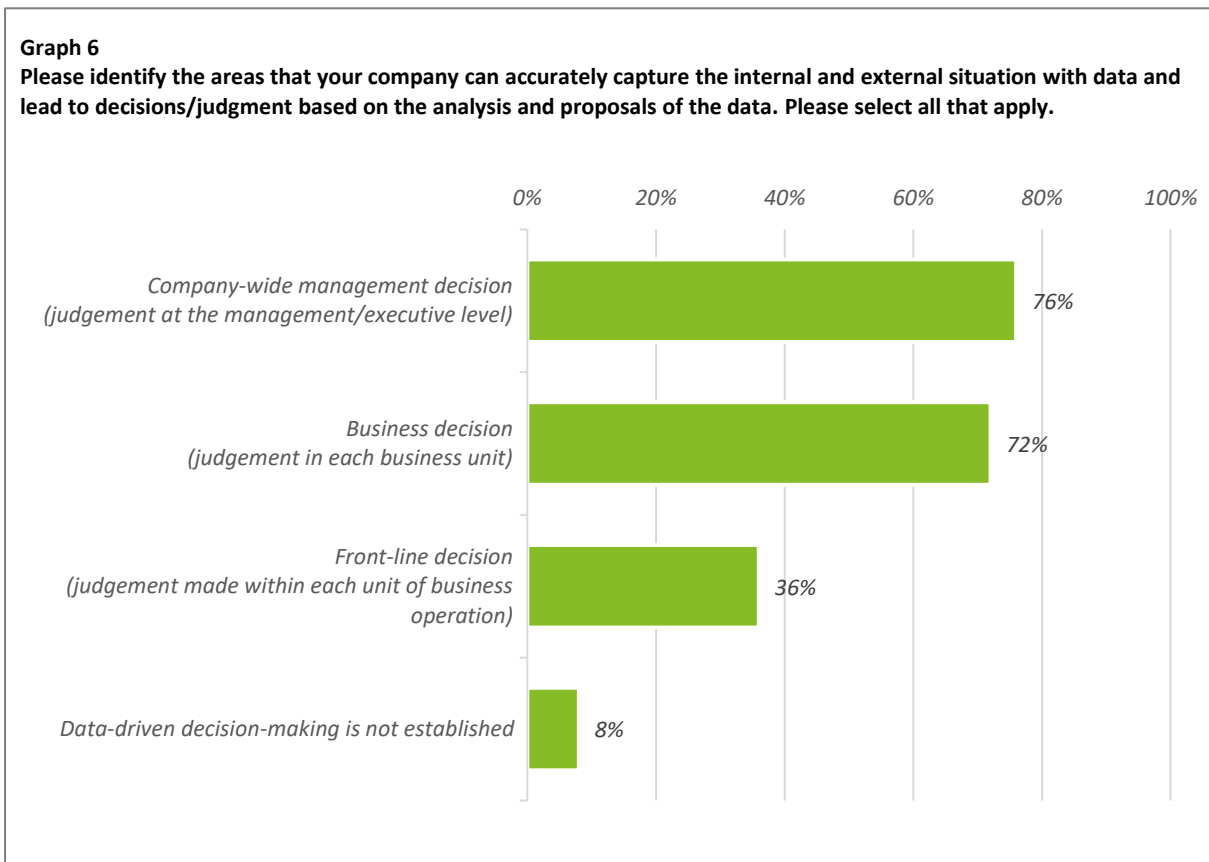
## Survey on Initiatives on Data-driven Management

In the latter part of the survey, we inquire about the "Shift to data-driven management (data provision and getting involved in decision-making process)". This was one of the initiatives many CFOs responded that they would like to focus on in their finance function in the CFO Signals 2022Q4 survey. We also conducted a survey on the same topic two years ago (2021Q4), and would like to analyze the results from this time in comparison.



### Decision-making/judgment based on data analysis

The majority of companies is making company-wide management and business unit decisions based on data analysis

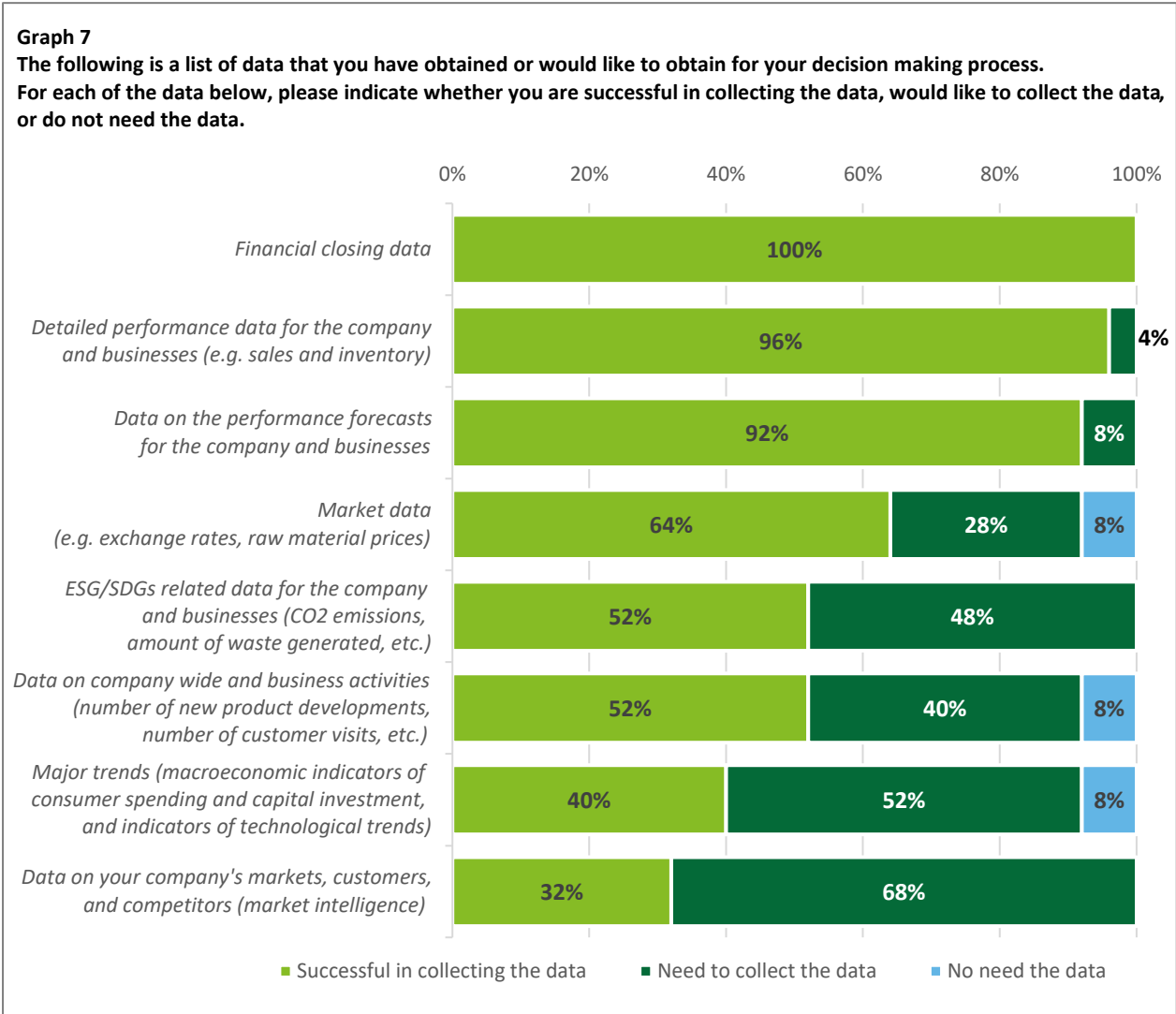


The results showed that a majority of the companies are utilizing data analysis to make decisions in two key areas: “Company-wide management decision (judgment at the management/ executive level)” (76%) and “Business decision (judgment in each business unit)” (72%). While the shift towards data-driven management (data provision and getting involved in decision-making process) is a prioritized initiative for finance organizations, the results indicate that it is being implemented at both the management and business unit levels.

On the other hand, many companies have not yet utilized data in “Front-line decision (judgment made within each unit of business operation)” (36%). It can be inferred that there are challenges in that either data assisting front-line decisions has not yet been collected, or that awareness of data utilization has not yet been nurtured at the front-line level.

## Collecting data for decision-making

Compared to two years ago, the amount of data being collected has generally increased

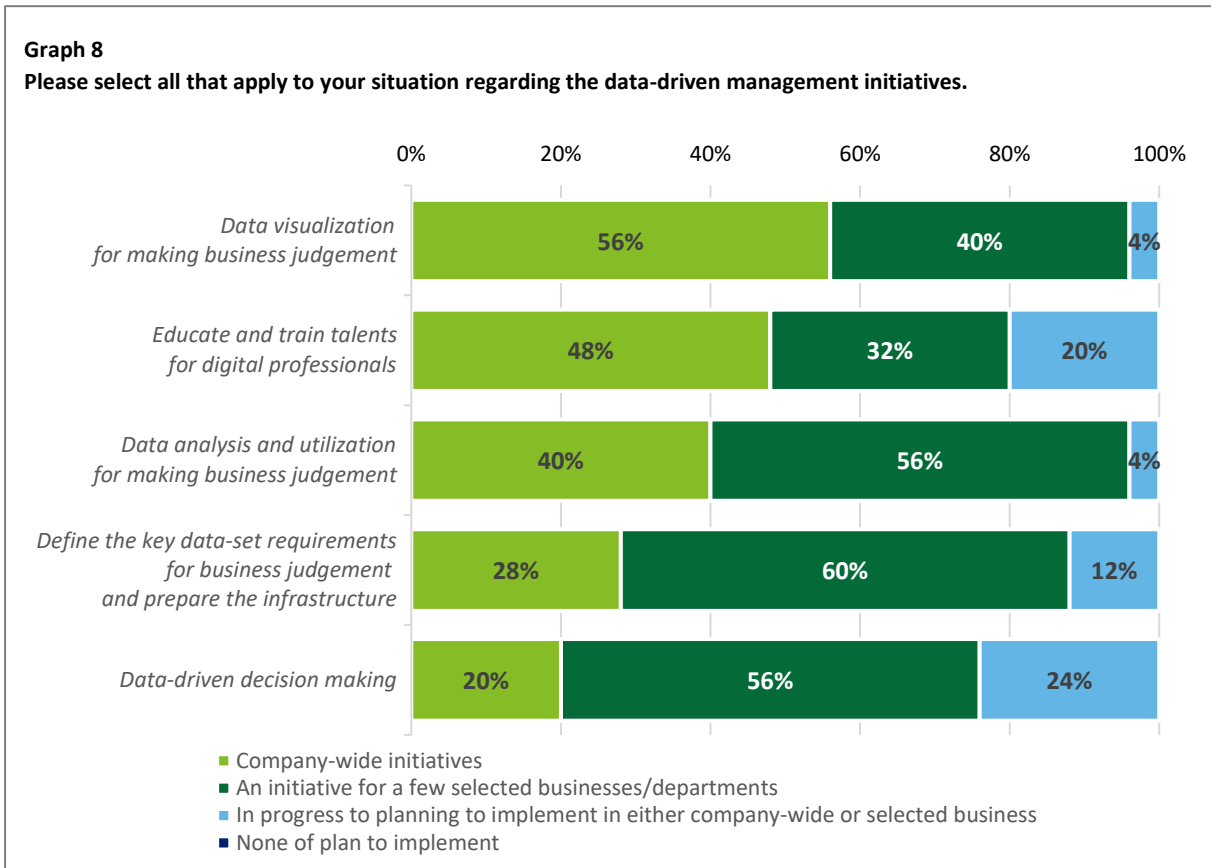


“Financial closing data” (100%), “Detailed performance data for the company and businesses” (96%), and “Data on the performance forecasts for the company and businesses” (92%), all of which are about finance, plus “Market data” (64%), were ranked high as successful in collecting the data which was consistent with the results from two years ago. This reveals that the majority of finance-related data can be collected through the establishment of finance/accounting operations and system infrastructure.

In addition, the number of respondents that are successful in collecting “ESG/SDGs related data for the company and businesses” surged from two years ago, from 31% to 52%. In the previous survey, 9% of respondents indicated that this data was “Not needed.” However, no one expressed this view in this survey. This result well reflects the current demands which require the disclosure of ESG/SDGs-related data and emphasizes the importance of monitoring this data internally. The acquisition of non-financial data focused on ESG/SDGs will undoubtedly remain a crucial topic of finance/accounting operations in the future, as shown by the fact that many respondents (48%) consider that they also “Need to collect the data.”

## Initiatives on Data-driven management

“Data visualization” is the top company-wide initiative, but “Educate and train talents for digital professionals” is also increasing

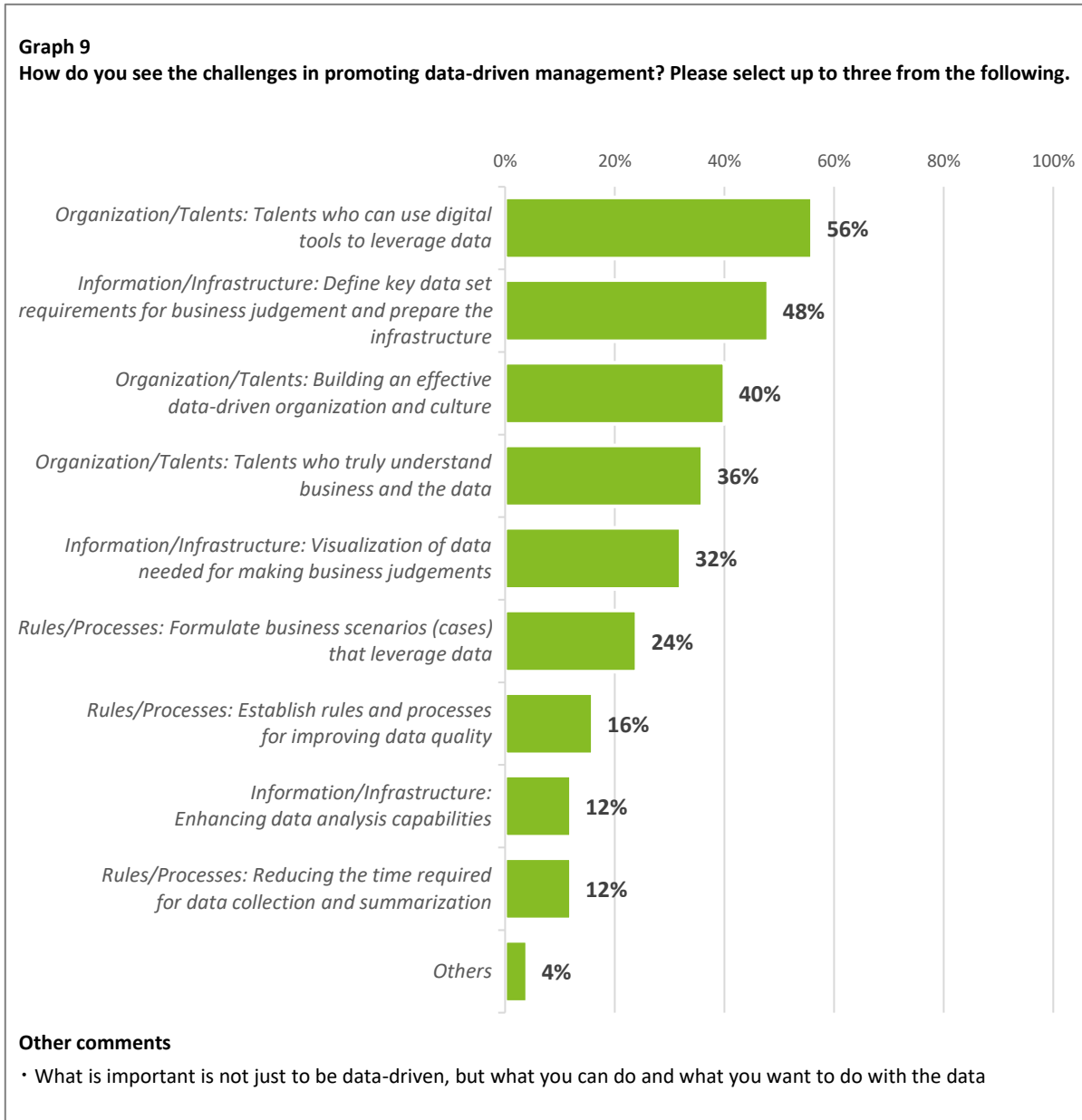


In terms of company-wide efforts regarding data-driven management initiatives, “Data visualization for making business judgments” (56%) and “Educate and train talents for digital professionals” (48%) were the top results. Notably, “Educate and train talents for digital professionals” increased significantly from 29% in the survey two years ago to 48% this time. These results provide insight into both the importance and challenges of developing well-talented professionals, emphasizing that a comprehensive company-wide approach is necessary, rather than relying solely on individual business units/departments.

In addition, none of the companies responded “No plan to implement” to the listed initiatives, indicating the significance of data utilization in today’s management and business operations. This suggests that various initiatives regarding data utilization will continue to be implemented more frequently in the future.

## Challenges in promoting data-driven management

“Talents who can use digital tools to leverage data” is regarded as the top challenge, the same as two years ago



“Organization/Talents: Talents who can use digital tools to leverage data” was identified as the most common challenge for promoting data-driven management, with 56% of respondents recognizing this difficulty. Talent has remained a major challenge since two years ago. This response may derive from the increasing number of company-wide initiatives for “Educating and training talents for digital professionals” for data-driven management (Graph 8). Accordingly, the fact that talent is perceived as a significant challenge may be the reason for company-wide efforts.

On the other hand, 57% of respondents said “Enhancing data analysis capabilities” was a challenge in the survey two years ago, but this time it decreased to 12%. When taking into account the results in Graph 6 “Decision-making/judgment based on data analysis,” it can be

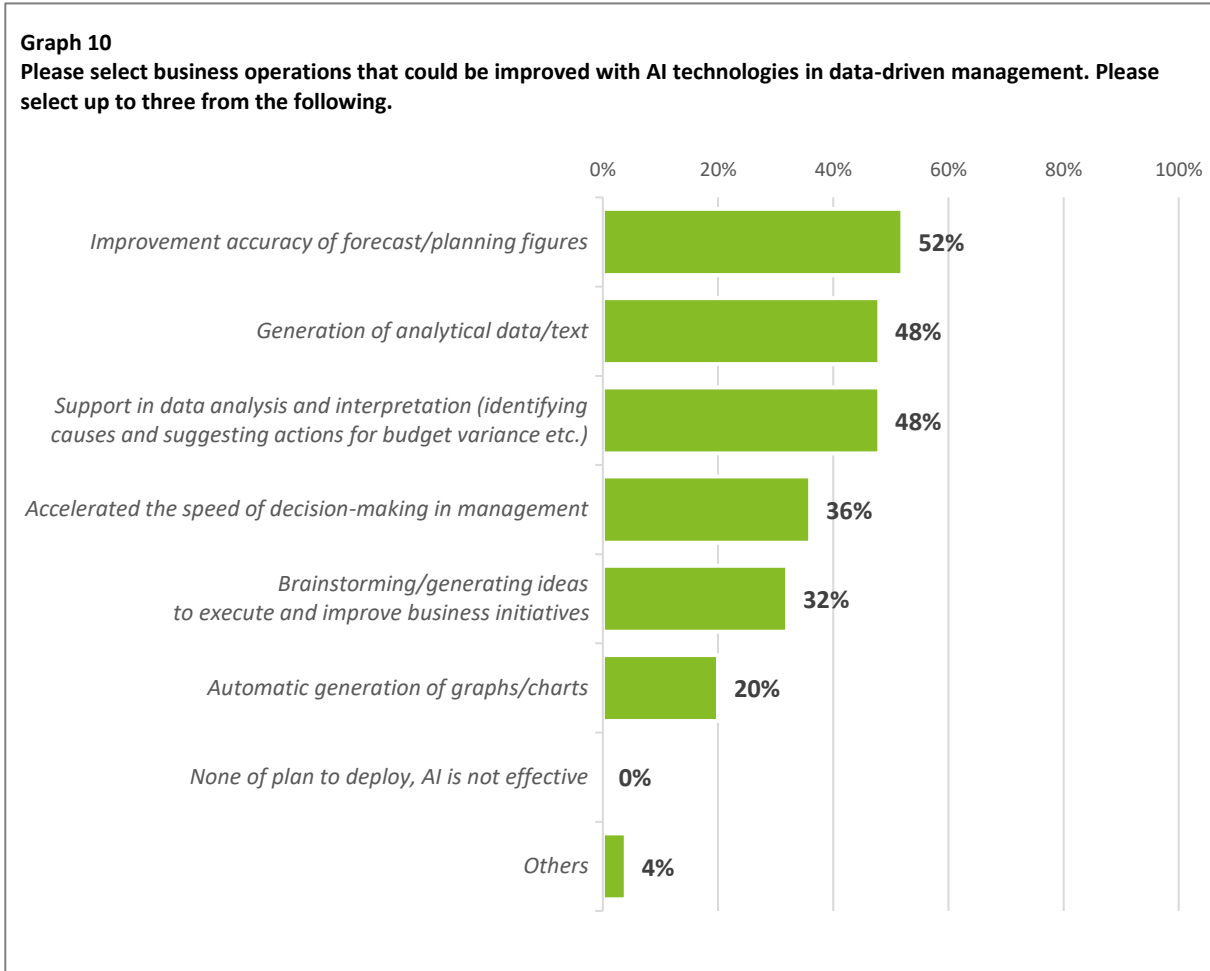
assumed that the adoption and enhancement of data analysis tools and functions have already been implemented over the past two years and have been gradually utilized for decision-making in management level and business units. As the availability of data analysis tools and functions improves and the increasing opportunities for using the actual data, more companies are now facing digital talent shortages as a challenge.





## Business operations that could be improved with AI technologies

The results showed that AI is regarded to improve business operations in various ways

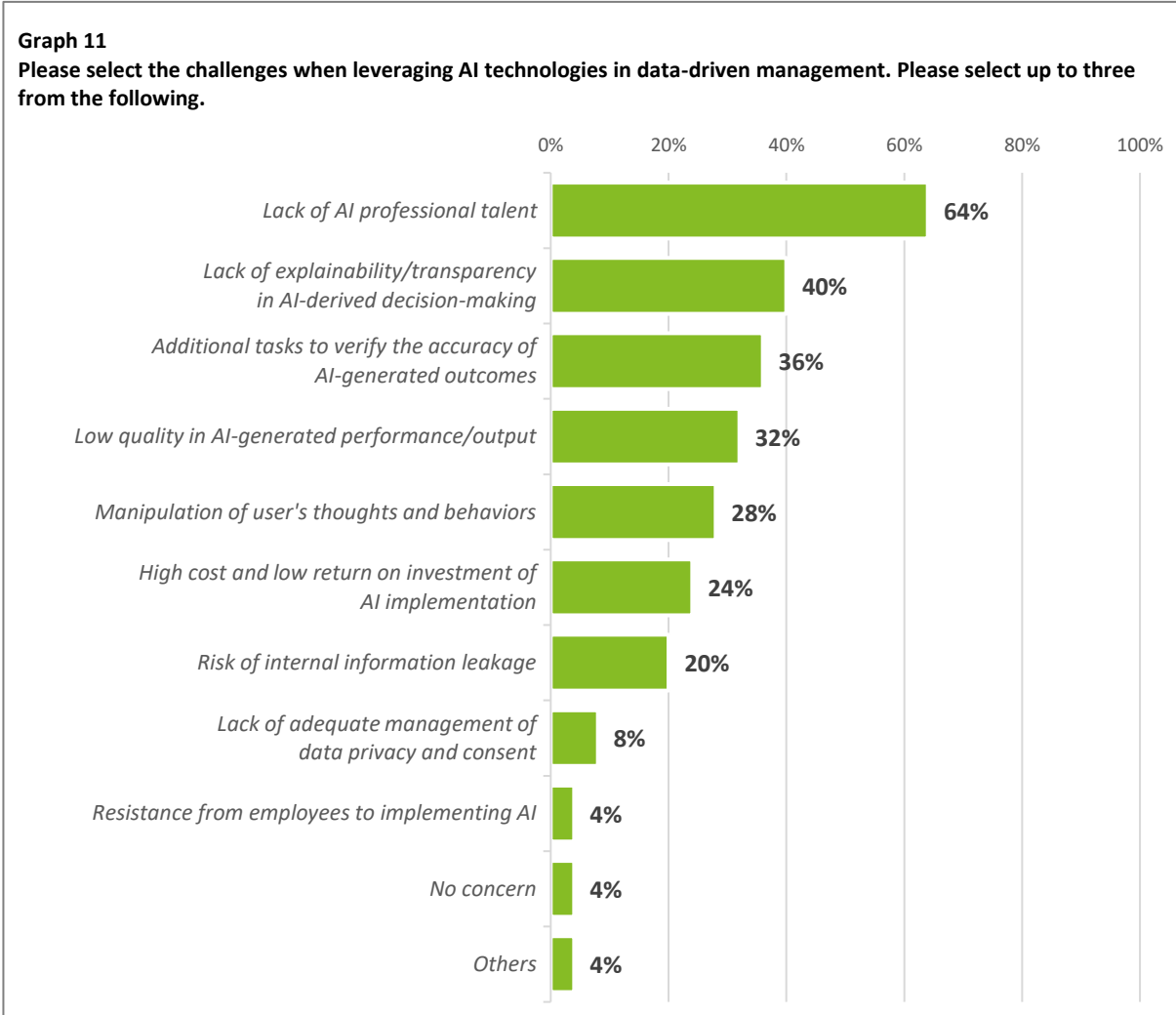


First of all, the results showed that none of the respondents said, “None of plan to deploy, AI is not effective” (0%). It can be said that all CFOs expect some form of improvement in business operations through the utilization of AI technologies.

While there is a wide range of operations that can be expected to be improved by AI, the most popular were “Improvement accuracy of forecast/planning figures” (52%), “Generation of analytical data/text” (48%), and “Support in data analysis and interpretation (identifying causes and suggesting actions for budget variance etc.)” (48%). When it comes to the utilization of AI, companies expect the sophistication of business operations to go beyond merely replacing human work, with a greater focus on improving forecast accuracy, making suggestions in analysis, discovering new insights through AI-driven discoveries, and utilizing extensive data for analysis, etc.

## Challenges in leveraging AI technologies

Lack of talent is regarded as a major challenge in leveraging AI too



The results indicate that lack of talent is also a major challenge in leveraging AI. “Lack of AI professional talent” was cited as the largest challenge (64%), same as the result in Graph 9 “Challenges in promoting data-driven management”. Again, it can be said that talent shortage is regarded as a challenge that should be addressed on a company-wide level.

Next, “Lack of explainability/transparency in AI-derived decision-making” (40%), “Additional tasks to verify the accuracy of AI-generated outcomes” (36%), and “Low quality in AI-generated performance/output” (32%) were also cited as challenges. While there are expectations for improving business operations through the utilization of AI, it is recognized that AI cannot replace everything, and that remaining or even increasing human tasks for verifying the accuracy and validity of AI outputs may become a potential challenge.

“Risk of internal information leakage” (20%), “Lack of adequate management of data privacy and consent” (8%), and “Resistance from employees to implementing AI” (4%) seem to be a relatively minor challenge. It can be assumed that at least, the vague sense of fear associated with utilizing AI has been removed and that AI is widely gaining acceptance.



### To conclude this section...

In this 2023Q4 survey, we inquired about the shift to data-driven management (data provision and getting involved in decision-making process), an initiative that many companies identified as a focus for their finance function in the near future in the “Survey on the Initiatives of Transforming the Finance Function” conducted in the last fiscal year.

When we conducted the same questionnaire two years ago, we then concluded that “It is increasingly important to utilize data to make decisions, and data-driven management has now become more familiar.” It can be said that there has been a shift towards more data-driven management in the past two years - companies have been working on collecting non-financial data and moving forward to utilizing data for judgment and decision-making at company-wide and business unit levels. Furthermore, the utilization of AI could also accelerate the shift to data-driven management.

On the other hand, the results revealed that a major challenge in the shift to data-driven management is the lack of digital (AI) talent. Talent acquisition competitions and the implementation of skill-development training will soon become a widespread requirement for companies.

Moving forward, companies will be expected to approach and respond even more towards the shift to data-driven management.

## **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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