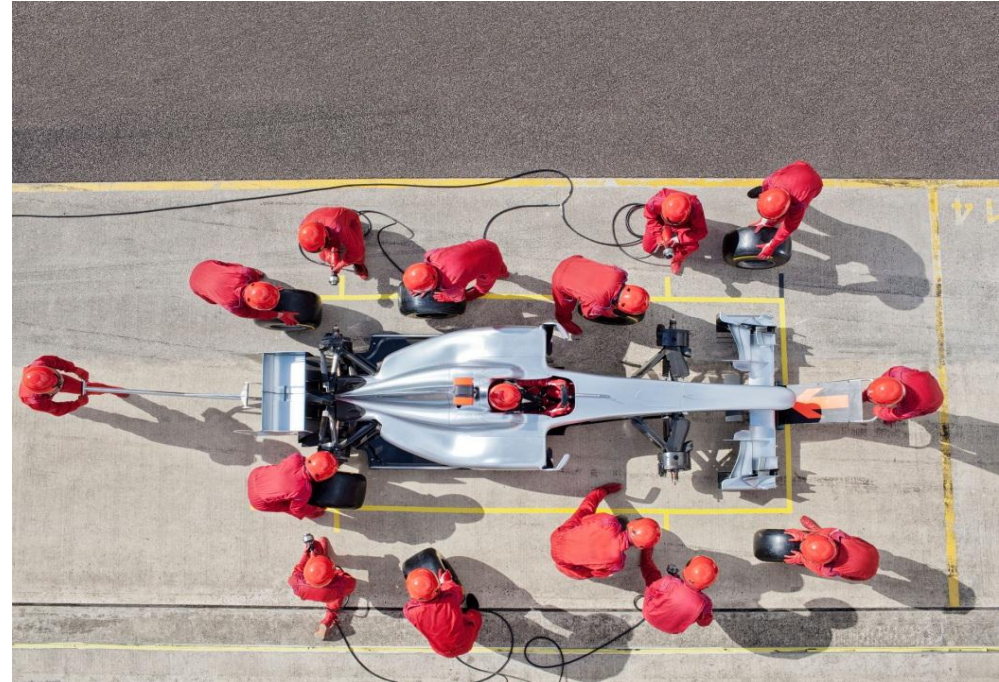


The Strategic CFO
Driving you and your
finance team to optimal,
strategic performance



Agenda

- The Four Faces of the CFO
- Talent in Japan
- CFOs as Strategists
- Session Summary
- Contacts

The Four Faces of the CFO

CFOs play four critical roles in companies

The Four Faces of the CFO

Catalyst

Catalyze behaviors across the organization to execute strategic and financial objectives while at the same time creating a risk intelligent culture

| Current | Desired |
|---------|---------|
| 21% | 31% |

| Current | Desired |
|---------|---------|
| 28% | 18% |

Steward

Protect and preserve the critical assets of the organization and accurately report on financial position and operations to internal and external stakeholders

Strategist

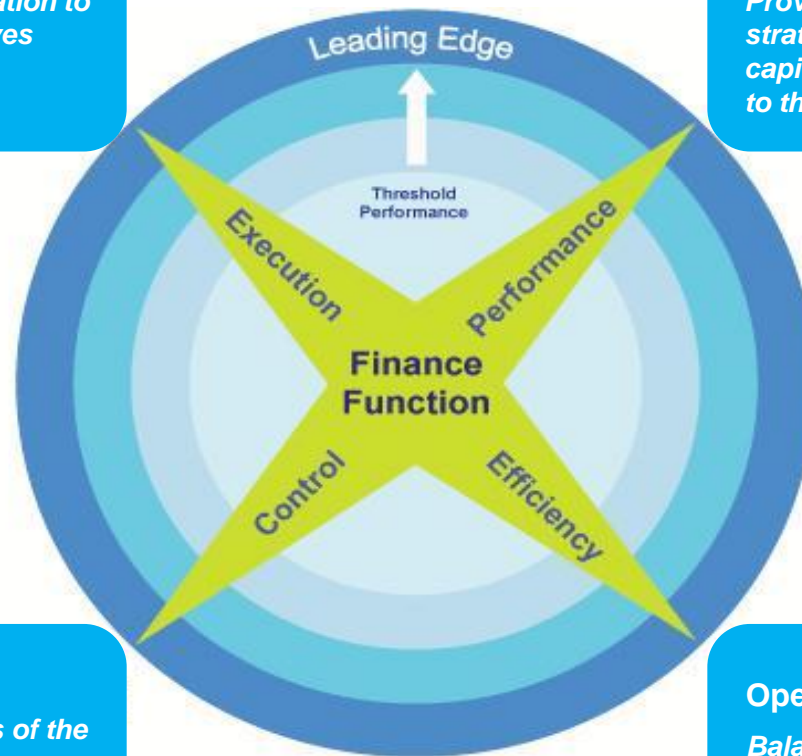
Provide financial leadership in determining strategic business direction, M&A, financing, capital market and longer term strategies vital to the future performance of the company

| Current | Desired |
|---------|---------|
| 21% | 31% |

| Current | Desired |
|---------|---------|
| 30% | 20% |

Operator

Balance capabilities, talent, costs and service levels to fulfill the finance organization's core responsibilities efficiently



Talent in Japan

Talent Profile of employees that join non-Japanese firms

- Join a Japanese Firm (J-Firm) as a new graduate and stay for around 10 years
- Then move to Non-Japanese Firms (Non-J) at around the age of 30

- Non-J Mid-Career: >70% New Graduates: < 2%
- J-Firm New Graduates: >70% for 2/3 of firms

- Graduates: 65% join firms as new Graduates
- Early 20's turnover: 10%, and 30% leave within 3 years

- Employees in their 40's: 60% with more than 15 service years
- Employees in their 50s: 50% with more than 25 service years

- How Are They Developed at J-firms?

◀ **Kacho Ceiling**

Visit a Japan Rail Station and you will find Green & Blue Lines

Yamanote Line



Keihin-Tohoku Line



**Go in Circle 'WA', which also means
Harmony**

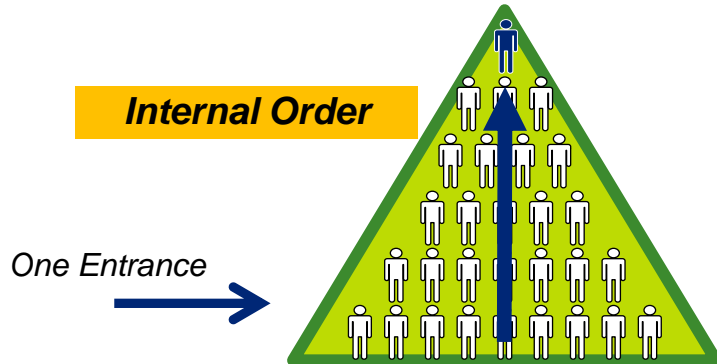
→ Symbolizes J-Firms

Go Straight, Business First

→ Symbolizes MNCs

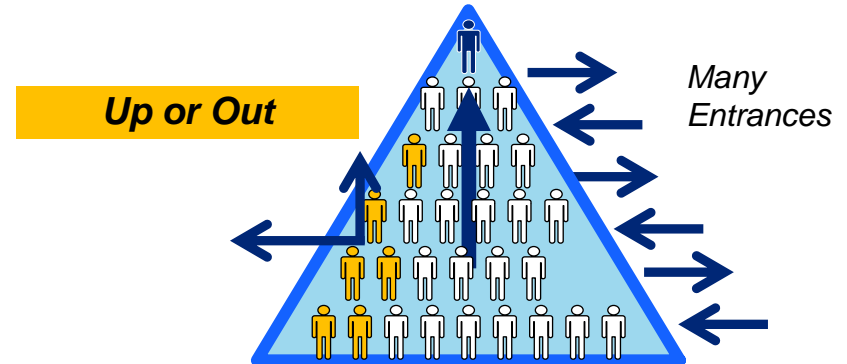
Contrast Between Green & Blue Organization Architecture

All Time Together



- People First
- Corporation Specific Skills
- Integral Architecture
- Localism

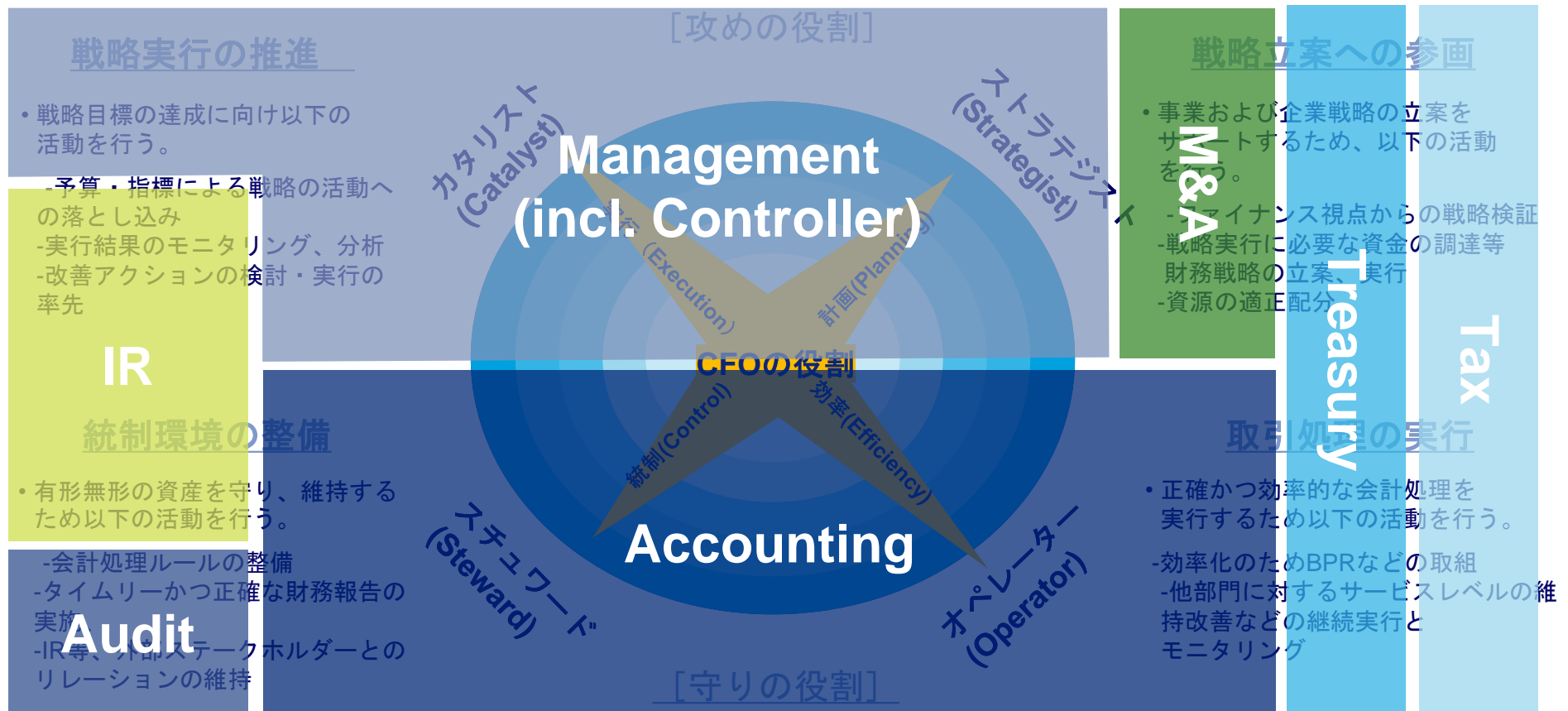
Renewal by Contract



- Job Design First
- Marketable Expertise
- Module & Interface
- Universalism

Typical Functions For CFO's 4 Faces at MNCs

4 faces of the CFO



Typical Functions For CFO's 4 Faces at Japanese Firms

Focusing on Reporting (too much Defensive)

Both Catalyst /Strategist Roles and Depth of Functional Expertise are lacking

4 faces of the CFO

[攻めの役割]

戦略実行の推進

- 戦略目標の達成に向け以下の活動を行う。
 - 予算・指標による戦略の活動への落とし込み
 - 実行結果のモニタリング、分析
 - 改善アクションの検討・実行の率先

Management Group
Corp. Accounting

戦略立案への参画

- 事業および企業戦略の立案をサポートするため、以下の活動を行う。
 - ファイナンス視点からの戦略検証
 - 戦略実行に必要な資金の調達等
 - 財務戦略の立案、実行
 - 資源の適正配分

Financing Group

IR環境の整備

- 有形無形の資産を守り、維持するため以下の活動を行う。
 - 会計処理ルールの整備
 - タイムリーかつ正確な財務報告の実施
 - IR等、外部ステークホルダーとのリレーションの維持

J-Sox

取引処理の実行

- 正確かつ効率的な会計処理を実行するため以下の活動を行う。
 - 効率化のためBPRなどの取組
 - 各部門に対するサービスレベルの維持改善などの継続的実行とモニタリング

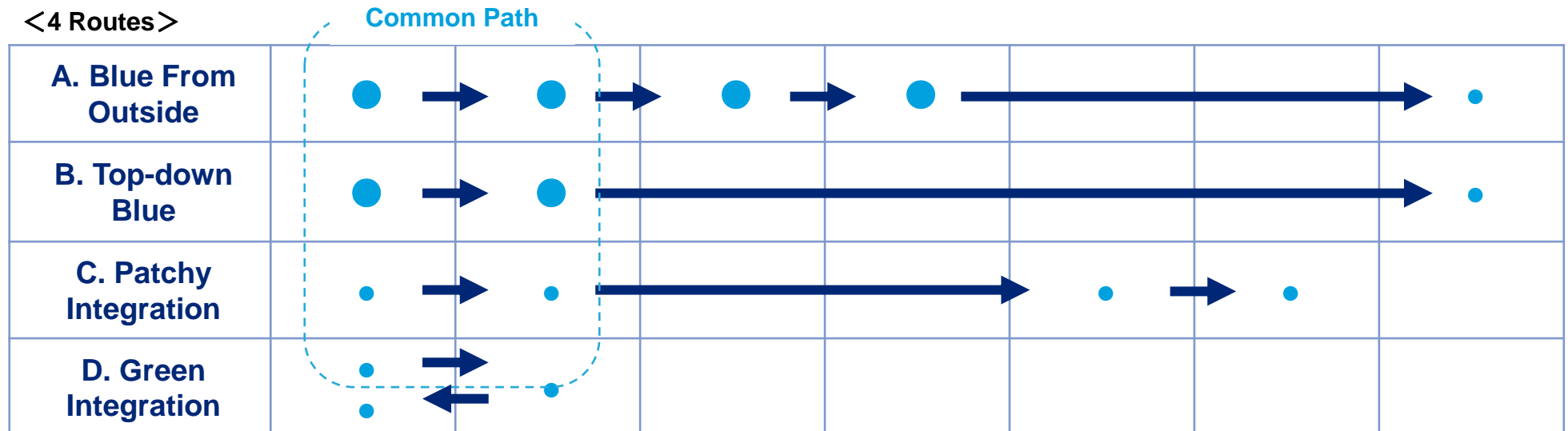
TAX

Closing Group
Companies Accounting
Accounting Service(outsourced)

[守りの役割]

Globalization of Japanese Firms: 7 Types & 4 Routes

| | | Japanese Way | | | | Foreign Way | |
|-----------|-------|--------------|---|------|------|-------------|---|
| <7 Types> | Type① | ② | ③ | ④ | ⑤ | ⑥ | ⑦ |
| HQ | | | | | | | |
| Overseas | | | | | | | |



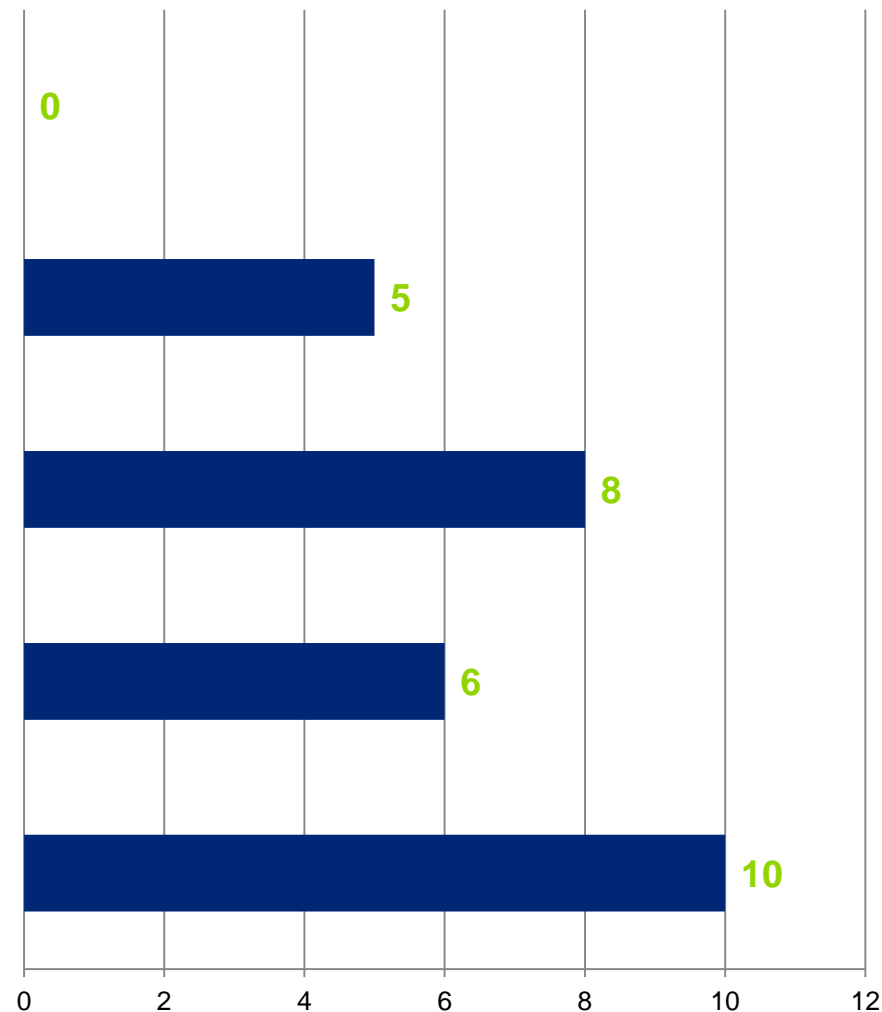
CFOs as Strategists

Polling question 1

Would you describe your role as strategic?

1. No, strategy is set elsewhere in the organization.
2. Yes, I contribute financial data and help frame strategic decisions from a financial standpoint. This helps others make better strategic decisions.
3. Yes, I am a champion and driver of strategic change, supported by financial information and analysis.
4. Yes, by identifying opportunities in our financial structures, I trigger other aspects of the business to be more strategic.
5. Yes, when strategic choices are being considered, I analyze them and present alternatives based on financial opportunities or impacts.

(n=22, multiple answers allowed)



Core strategic questions

There are three core questions that drive strategy development. CFOs can bring a financial discipline to support and extend these questions.

01

What products and markets will your company choose to play in?



What products and markets deliver the greatest promise for revenue or margin growth?

02

How will your company play to win in its product markets (differentiate to gain competitive advantage over its competitors)?



How should the company organize its investments to generate competitive advantage?

03

How will your company organize to deliver its product market strategy and what distinctive capabilities are required to sustain competitive advantage?



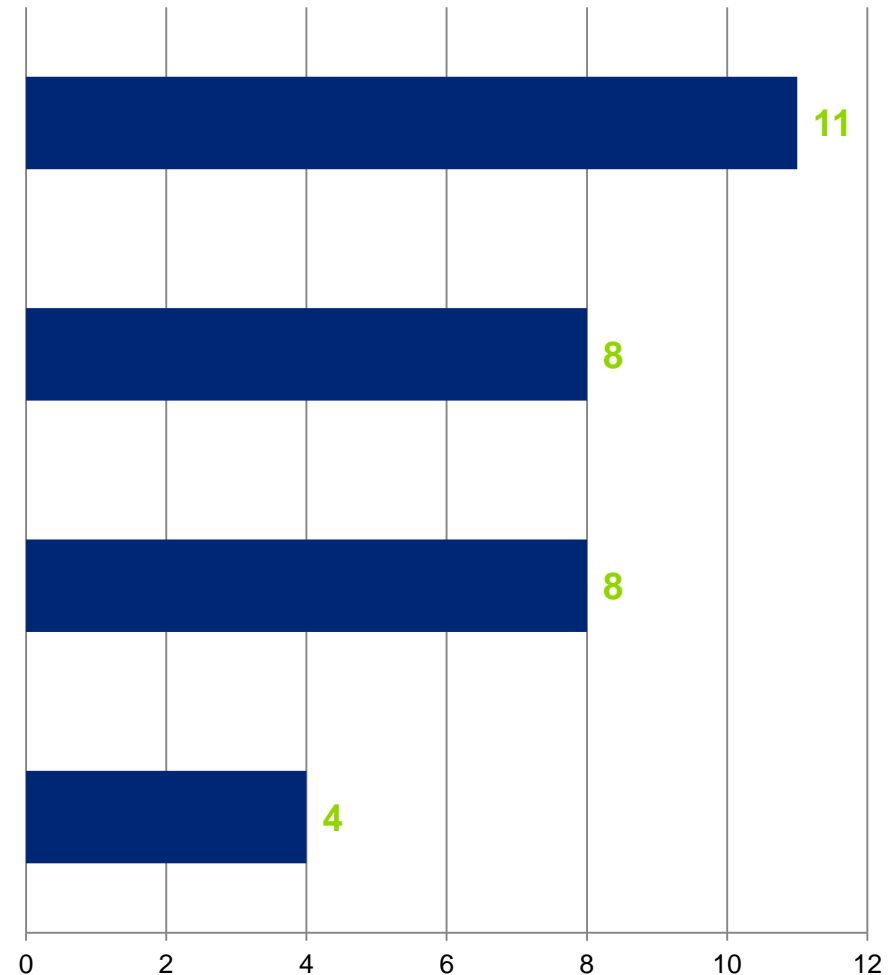
What structures (e.g., business models, legal entity and tax structures) and processes (automation, outsourcing etc.,) can deliver the greatest market valuation and returns?

Polling question 2

What strategic activities does your company expect you to undertake?

1. Proactively ask strategic questions and drive strategic decision making in the organization while making any necessary changes to the organization's financing to support the change.
2. Challenge decisions and alternatives based on an analysis of risks and expected returns.
3. Provide timely, relevant data to support strategic decision making.
4. Take a key role in strategy design by complementing business choices with strategic finance options such as hedging, creative finance arrangements etc.

(n=22, multiple answers allowed)



The four orientations of CFOs as strategists

We find CFOs can choose to orient themselves in four distinct ways as a strategist: responder, challenger, architect or transformer.



Being an effective strategist

As a CFO choosing to be an effective strategist demands: earning a seat at the strategy table, an effective finance team and selecting the strategy orientation that is appropriate to the context of the company.

| | Responder | Challenger | Architect | Transformer |
|---|--|--|---|---|
| Permission | Low permission to engage in strategy from CEO | Strong permission to challenge from CEO | Acceptance by business unit leaders in strategy process | Strong permission from CEO and/or the board to shape strategy |
| Typical Context | Highly decentralized businesses or where other executives are primarily responsible for strategy | Decentralized or non performing businesses seeking capital from the center for future investments | Finance is already viewed as a contributing partner to the businesses | Finance is a business partner or where finance is a key constraint to the growth of the overall business. |
| Required Finance Capability | Strong centralized FP&A capabilities | Strong FP&A, and access to relevant data to evaluate value and risk in business strategies and plans | Strong finance capabilities to partner with the businesses on strategic planning complemented by strong central expertise | Strong CFO capacity to influence the business to fundamentally change its strategy |
| Required Organizational Capability | Strong strategy capabilities in the business | Strong strategy capabilities in the business | Strong partners to finance in the businesses | Capacity to absorb any necessary changes to strategy |

Polling question 3

Which orientation do you think is most relevant to your role?

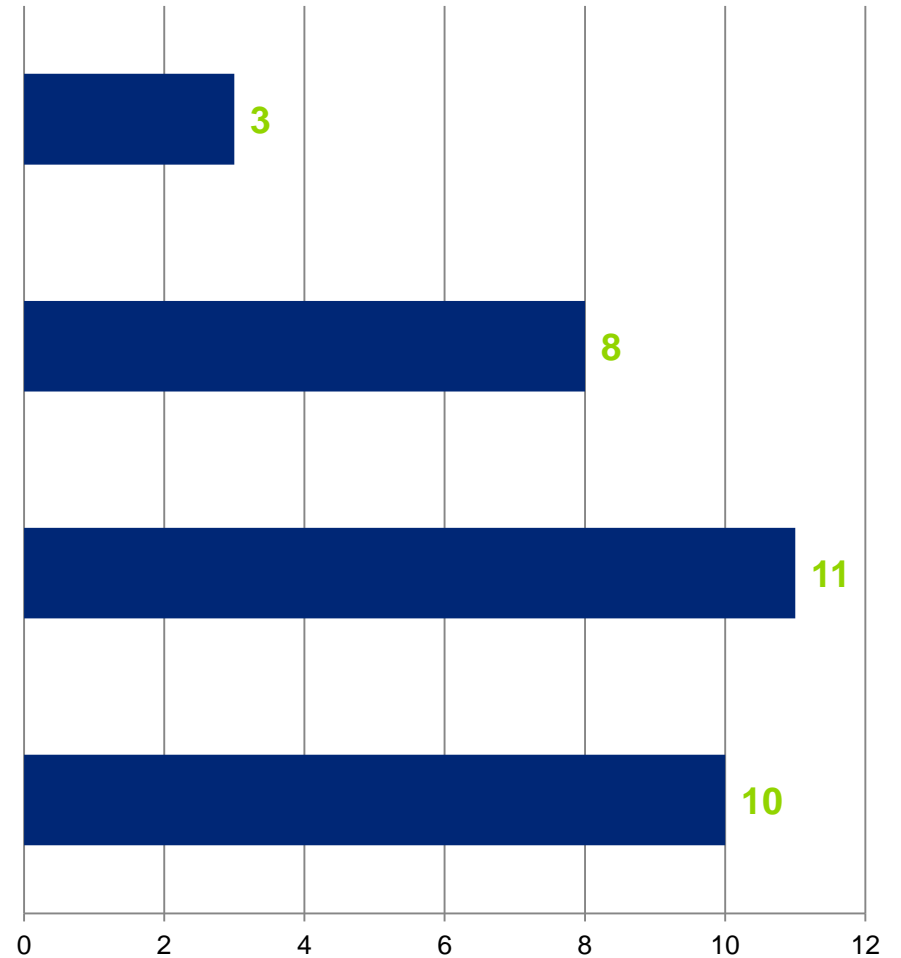
(n=22, multiple answers allowed)

1. Responder

2. Challenger

3. Architect

4. Transformer



Building a strategic mind-set

Some CFOs may have a strategic mind-set naturally. But based on the outcomes of our CFO Transition Labs, it is clear that such a mind-set may also be cultivated by asking the following seven questions:

- 1. How does your company plan to grow: through M&A, organically (i.e. by driving new or existing products to new or existing markets), or both?**
- 2. What are the dominant constraints that hold back your company's growth, and how might you overcome them?**
- 3. What is the greatest uncertainty facing your company, and what can you do to resolve or navigate it?**
- 4. What is your greatest area of spend where there is a lot of uncertainty about return?**
- 5. Are your company's financial and growth goals ambitious enough?**
- 6. What could disrupt your company, and what can finance do about it?**
- 7. What would you like your company to stop doing?**

The Four Faces of the CFO

CFOs commented:

(abridged and edited for clarity)

“The roles of a CFO depends on the culture of the company. In some organizations, CFOs are still regarded as Accountants.”

“I spend a lot of time managing the team to perform better, which I believe is a very strategic task.”

“The Four Faces model is applicable to the Finance Function in US companies. But in Japan, I see that 90% of the Finance Function is in an Operator or Steward role.”

“It is difficult to find a true business partner because the staff are mainly stuck in the Operator or Steward area.”

Talent in Japan

CFOs commented:

(abridged and edited for clarity)

“In my organization a lot of the transactional work is done by staff from the recently acquired Japanese company, and our challenge is to move the overall Finance organization to more strategic roles. It is a difficult task as the **skill sets in the two organizations** were so different.”

“Taking the language barrier aside, the green model companies tend to look for **generalists.**”

“By creating an environment where it is difficult to move in from the outside, you exclude yourself from an **enormous global talent** that could help the organization. You want the **diversity** to influence your local activities.”

“The challenge is benchmarking against talent that has to be able to **flex between both the green and the blue sphere.**”

CFOs as Strategists

CFOs commented:

(abridged and edited for clarity)

“**Organizational structure** and what it allows you to do is important. Since strategy and planning moved into finance, I have been able to play a more strategic role.”

“We outsource a lot of our activities, so the only agreement we still have is to move up the value chain. But you have to be careful because people can end up doing **operational strategic work** in the top half of the value chain.”

“You need people with **commercial mindsets**.”

“It’s a challenge and takes time for people to gain different skills; you can’t be a controller or accountant one day and a strategic guru the next.”

“If you want **strategic thinking** in the lower levels of the organization, you have to open up the boardroom.”

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