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Zoom to Lay Off 15% of Staff While CEO Slashes His Salary

Videoconferencing company's cuts come as work-from-home trend winds down

By Will Feuer

Zoom Video Communications Inc. is laying off 1,300 of its employees, or 15% of its staff, becoming the latest technology company to trim its workforce as it adjusts to more normalized trends after a pandemic-fueled growth spurt.

Chief Executive Eric Yuan said Tuesday he was reducing his salary and forgoing his bonus, joining other corporate leaders across finance and technology to take pay cuts this year.

He made just over $300,000 in salary for the fiscal year ended Jan. 31, 2022, and about $13,000 as part of a nonequity bonus plan.

Shares of the San Jose, Calif.-based company jumped nearly 10% to $84.66. Over the past 12 months, the stock has fallen more than 40%.

Once a pandemic darling, Zoom grew rapidly during the Covid-19 pandemic, when companies and consumers turned to its videoconferencing software to connect with one another. That growth has cooled in recent quarters as companies have called employees back to offices and people returned to in-person activities.

Mr. Yuan said the company tripled in size in two years. As of Jan. 31, 2022, the company had nearly 6,800 employees, up from about 2,500 in 2020, according to regulatory filings.

"We didn't take as much time as we should have to thoroughly analyze our teams or assess if we were growing sustainably, toward the highest priorities," Mr. Yuan said in a message to employees. "I am accountable for these mistakes."

Mr. Yuan said he is reducing his salary for the coming fiscal year by 98% and forgoing his fiscal 2023 corporate bonus. Members of his executive leadership team also will forfeit their bonuses and reduce their base salaries by 20% for the coming fiscal year.

KENA BETANCUR/GETTY IMAGES

CEO Eric Yuan said he was accountable for the firm's mistakes.

The company is slated to report fiscal fourth-quarter results on Feb. 27.

Zoom joins a wave of technology companies, including Dell Technologies Inc., International Business Machines Corp. and others, that have moved to trim their staffs amid rising interest rates and a leveling off of pandemic-related growth. Business-software companies also have said customers are paring back spending as they look to reel in costs.

Various companies have laid off thousands of employees in a round that was led by large technology companies, including Microsoft Corp. and Amazon.com Inc. Large companies from other sectors have made similar moves, with FedEx Corp., 3M Co. and Dow Inc. all announcing layoffs in recent weeks.

Japan Ends Multibillion-Dollar Passenger-Jet Bid

By Chieko Tsuneoka

TOKYO—**Mitsubishi Heavy Industries** Ltd. pulled the plug on Tuesday on a passenger-jet project that swallowed billions of dollars and 15 years in a fruitless bid to take a chunk of the U.S. market.

The decision was a blow to national pride in Japan, which was hoping for a return to the commercial-aircraft market led globally by **Boeing** Co., **Airbus** SE and **Embraer** SA of Brazil.

With backing from leader Xi Jinping, China is trying to build a position in the passenger-jet market with a plane called the C919 that aims to challenge Boeing and Airbus.

Mitsubishi Heavy's airplane, initially known as the Mitsubishi Regional Jet and later as SpaceJet, was originally conceived as a 90-seater that could fly workhorse routes in the U.S. and Japan.

The company, famed for developing the Zero fighter in World War II, decided in 2008 to go ahead with the project, which received subsidies from the Japanese government.

YUYA SHINO/KYODO NEWS/ASSOCIATED PRESS

Mitsubishi Heavy Industries' SpaceJet ran into delays, due in part to redesigns for the U.S. market.

Its first delivery was scheduled for 2013, to Japan's **All Nippon Airways**.

The airplane would have been the first domestically developed and manufactured passenger aircraft in Japan since the YS-11, which made its first flight in 1962.

But the project underwent repeated delays, in part because of stumbles designing the plane for the U.S. market. Mitsubishi Heavy learned that its 90-seat model couldn't be flown by certain U.S. regional carriers owing to agreements with pilot unions over plane size.

In another instance, it learned that the main and backup wiring of the plane were routed too close together under U.S. regulatory standards, forcing a redesign.

"There probably weren't experienced engineers in Japan," Mitsubishi Heavy Chief Executive Seiji Izumisawa said Tuesday.

He also said it was hard to get good terms from potential airline partners because the project wasn't large enough.

In 2020, Mitsubishi Heavy froze development of the jet and cited the Covid-19 outbreak, which hit air travel globally. At the time it left open the possibility of starting again when the pandemic ebbed.

On Tuesday, with air travel virtually back to normal around the globe, it canceled the jet for good.

"It's a sad day," said Ulrike Schaede, a professor of Japanese business at the University of California, San Diego. She said Mitsubishi Heavy could have had "a really nice global niche" but "they were always playing catch-up."

Mr. Izumisawa said the company estimated it would have taken a few more years to get type certification, a key step for regulatory approval, with spending of close to $1 billion a year.

Mr. Izumisawa said he was confident that the company had the technical ability to make an airworthy plane, observing that the jet made successful test flights. However, he said, "we lacked sufficient preparation and knowledge to make it into a business."

Analysts estimated the total development cost of the plane was more than $7 billion. Mitsubishi Heavy declined to confirm that.

Its aircraft subsidiary reported an annual loss equivalent at the time to $4.9 billion in 2020 as the project was winding down.

The news isn't all bad for Mitsubishi Heavy's aircraft business: It is the Japanese contractor on a project with the U.K. and Italy to build a new stealth jet fighter that is scheduled to be ready in the 2030s.

The company said some of the passenger jet's engineers would move over to the military project.

—Peter Landers contributed to this article.