

Executive Dialogue



Further Evolving Global Management based on the Cycle of Goodness®

YKK currently does business in 72 countries and regions around the world guided by the YKK Philosophy of the Cycle of Goodness. In the pursuit to further evolve global management as society changes dramatically, Erica Okada has provided invaluable advice on the ideal form of global management on the basis of the YKK management principles since her appointment as an outside director in 2022.

Erica Okada

Outside Director, YKK Corporation
Professor, Department of International Corporate Strategy,
Graduate School of Business Administration, Hitotsubashi University

Dr. Okada received her bachelor's degree in economics from Princeton University, an MBA from the Tuck School at Dartmouth University, and a PhD from the Wharton School at the University of Pennsylvania. Her industry experience includes investment banking at Merrill Lynch and project finance at GE Capital. She has held faculty positions at the University of Washington, University of Hawaii at Manoa, and at the Wharton School, University of Pennsylvania. Her research has also been published extensively in top-tier peer reviewed academic journals, including the *Journal of Consumer Research*, *Journal of Marketing*, *Journal of Marketing Research*, and *Marketing Science*.

Masayuki Sarumaru

Chairman, YKK Corporation
Director, YKK AP Inc.

Born in 1951. Graduated from Sophia University. Joined YKK Corporation in 1975. After several positions, including at YKK (U.S.A.) Inc. and as head of the Fastening Products Group Fastening Business Global Marketing Group, Mr. Sarumaru was named YKK Senior Vice President and Fastening Products Group Director in 2007. In 2008, became YKK Director and Executive Vice President, Fastening Products Group Director. In 2011, became YKK President and Representative Director. In 2017, named YKK Vice Chairman of the Board. In 2018, became YKK Chairman of the Board (current) and in 2020 YKK AP Director (current).

Cycle of Goodness and Sustainability Core to YKK

Sarumaru Today, I hope to hear your thoughts on what global management should be, based on the management principles. In the course of his business activities, Tadao Yoshida, the founder of YKK, paid utmost attention to the fact that as an important member of society, a company survives through coexistence. When the benefits are shared, the value of the company's existence will be recognized by society. He considered ways to ensure mutual prosperity and believed that using ingenuity and inventiveness in business activities and constantly creating new value would lead to the prosperity of clients and business partners and make it possible to contribute to society. This idea is referred to as the Cycle of Goodness, and has always served as the foundation of our business activities. I have no doubt the Cycle of Goodness acts as a significant driving force in these changing times. That is why I am striving to raise employee awareness more than ever before.

First, I would like to pose a question to Dr. Okada. Could you please tell us your impression of the Cycle of Goodness as an outside director?

Okada The philosophy is simple and clearly worded, which makes Cycle of Goodness easy to understand for our stakeholders in Japan and around the world. It isn't just a mantra. The philosophy lies at the core of YKK's business activities. Frequent references are made to the Cycle of Goodness at the Board of Directors meetings. The other day when I had an opportunity to meet and greet the women who work at YKK, they brought up the Cycle of Goodness in our conversations on multiple occasions. As far as I know, management doesn't preach the philosophy, but everyone takes ownership of the Cycle of Goodness.

Sarumaru I think that the reason YKK employees act and make decisions founded in the Cycle of Goodness on a daily basis is because the Cycle of Goodness is not just some simple slogan but a pragmatic philosophy that grew out of business activities done in a harsh business environment. I am glad to have the Cycle of Goodness as a universal philosophy when expanding businesses globally because it goes beyond diverse values to evokes universal empathy.

Okada Cycle of Goodness is a broad philosophy that encompasses sustainability. Sustainability has become a hot topic in recent years, but sustainability just means that which can be maintained for a long time without interruption. Cycle of Goodness goes

beyond that to specifically highlight the virtues continuously created by that which can be maintained for a long time, including the environment and human rights. It's remarkable that the Cycle of Goodness has been the cornerstone of YKK since long before this current surge in interest in sustainable practices.

I think we can do a better job of communicating to, especially our outside, stakeholders how YKK is living up to the philosophy, and putting the Cycle of Goodness into action. I want more outside stakeholders to know about the virtues that YKK has created, with palpable demonstrations and examples.

Sarumaru I believe that has been a challenge for us. In 2019, we established the Sustainability Department to strengthen our initiatives and better communicate with customers and all our other stakeholders, but the fact is that it still is not enough. We will continue to work to more actively disseminate information.

Diversity Exemplified by the Board of Directors

Sarumaru Dr. Okada, you have extensive experience overseas. As an outside director, what do you think about our corporate governance system? When looking at YKK from the perspective of more global management and diversity, is there anywhere you see a lack of diversity, such as our lack of a non-Japanese director on the Board of Directors?

Okada It is true that there are no non-Japanese directors, but the YKK Board is quite global. Many of us have lived and worked in different regions of the world, and we all have varied backgrounds and experiences, which enables colorful discussions and debates. The Board respects differences in opinions, which in part results from this diversity. For example, in a previous vote about a certain resolution, I was the only one against the proposal. None the less the other directors encouraged me to express my dissenting opinion and the grounds. Our Board of Directors meetings are open, fair and productive. (They also always start early, so if you arrive on time, you're late!)



Sarumaru Your participation in the Nomination and Compensation Committee has a vital role equivalent to that of the Board of Directors. What are your impressions of the Committee so far?

Okada My role as an outside director on the Nomination and Compensation Committee is to make sure there is proper deliberation and approval on matters, such as when a candidate is appointed as a director. To date, I think the Committee has undertaken this process fairly.

Sarumaru Thank you. YKK has been aware of the importance of corporate governance for listed companies since very early on. In 1999, we adopted the Officer System that separates business execution and oversight functions of management. The Nomination and Compensation Committee must have at least one outside director as a member, and it does not allow officers involved in business execution to participate. Currently, the Committee also has two outside directors. These measures ensure the Committee can make decisions independent of business execution by the officers who report to the Board of Directors.

Globalization and Localization of Operating Companies

Sarumaru I understand that another challenge of a global organization is the localization of management at operating companies overseas. Currently, it really depends on the region whether or not local people make up top management. What do you think about this?

Okada I don't think local talent per se is absolutely necessary in top management. Expertise in local markets and knowledge of local customs are important, and it would tend to be local people who have those skills. But it need not be, as managers who are not born and raised locally could acquire those skills, or may already possess those skills. Furthermore, such skills are necessary but not sufficient to be successful in top management. There is also merit in deploying top management from Japan or elsewhere to cultivate young and up-and-coming talent. At whatever level of management, it is indispensable to incorporate the experience and expertise of local talent.

Sarumaru I agree. Although it may not be necessary to have local people in top management roles, management cannot succeed without human assets who deeply understand the culture and background of each country and region. Especially in recent years as the world faces more uncertainty than seen before, I think operating companies need to have a greater sense of urgency due to the impact it has on business.

Okada I have read and heard that founder Tadao Yoshida told employees deployed overseas to "Be a Native." This exemplifies the unique YKK approach to move together with the community. The YKK corporate flag flies alongside the local country's national flag at YKK factories overseas. The Japanese national flag is not raised because the roots are set in the community, not Japan. It's a symbol of YKK's strong commitment to localization. As I said earlier, the ability to share the same core values is what has made YKK's global expansion possible.

Sarumaru Thank you. As the ideal approach, I would like to develop human assets who share important universal values regardless of their country or region and who have gained management experience in a country or region other than their own to nurture a broad view before joining YKK management at the head office. I plan to broaden penetration of our principles and promote even greater human asset development.

Acknowledging Diverse Work Styles

Sarumaru You are the first woman to serve as a director at YKK. Could you tell us a bit about how you see the active participation of women in the professional world? In Japan, there are still only a few women who choose a career in technology and very few that play a central role in the manufacturing industry. I would like to see more women gain a wealth of experience, even outside the work at operating companies overseas. The challenge includes how to go about supporting the career development of women.

Okada Simply by the numbers, YKK may not have a very high ratio of women in management, but I don't think we should focus on numerical targets. Ideally we would offer a wide range of career options, regardless of gender, and let people decide how to design their own work style and manage their own work-life balance. Some people may prefer to get work done reliably and produce results in the long-term. Some people may prefer to work in specialized jobs to produce specific and/or immediate results, while raising children or taking care of their families. I think YKK would have a need for both types of work and workers.

Sarumaru I see. At the head YKK office in Japan, we only have a few non-Japanese employees, and I feel we struggle to be international and diverse.

Okada Diversity is important at the employee level too, but we want meaningful diversity. People of diverse backgrounds bring diverse skills and experiences to the table. At the right level of diversity, people still share the same core values, but their differences foster creativity and ideation. Diversity can be in national origin or gender, as we have discussed, but also academic and professional training, family composition, age, etc.

Sarumaru That is a very important point. To properly respond to the changing times, I think it is important to develop human assets who have new knowledge and skills, such as a proficiency in DX and IT. Whether in corporate governance or human asset development, I would like to spearhead further growth as a global organization by identifying what we should protect and what we should change.

Becoming the Company of Choice for Consumers

Sarumaru Lastly, could you tell us what expectations you have for YKK in the future?

Okada YKK has a strong brand. The product is interwoven into the fabric of people's lives: I can't think of anyone in the world who does not have a YKK in their possession. YKK can take the next step to enhance the brand power so that consumers look for YKK when they go shopping for clothing, for example. I want consumers to choose an item because it has a YKK zipper on it. As a marketing professor I hope to play a role in making that happen.

Sarumaru Thank you. I am sure technology will be essential in making that happen. I hope to ensure YKK will continue to be a technology company that always provides unparalleled technology. When I was in my twenties, I often dreamed about YKK becoming such a big name in zippers that I could open a dictionary to the word "zipper" and see the three letters "YKK." That is still my dream. YKK will continue to propel itself forward toward becoming a company chosen by consumers while taking advantage of the advice that you shared with us today in management. Thank you very much for sharing your valuable insights with me today.

