

Executive Dialogue

The CYCLE OF GOODNESS® is the starting point for principle-driven management at YKK

Sarumaru In recent years, purpose-driven management has been attracting a lot of attention in company management. However, since the days of YKK founder Tadao Yoshida, YKK has managed its affairs based on the corporate philosophy of the CYCLE OF GOODNESS: “No one prospers without rendering benefit to others.” This is the belief that as an important member of society, a company survives through coexistence, and when the benefits are shared, the value of the company’s existence will be recognized by society. I believe it is important that this CYCLE OF GOODNESS is not just a mantra on a plaque we hang on the wall, but that we put it into practice in our management and business activities.

Arai I heard about the CYCLE OF GOODNESS when I became an Outside Audit & Supervisory Board Member, and thought it was a wonderful mindset to have. The CYCLE OF GOODNESS is frequently mentioned at the various meetings I attend, and I feel that it has spread to both the management team and employees. YKK has survived from the past to the present because of the CYCLE OF GOODNESS at its core, and I believe that this idea will be the source for YKK’s continued development.

Sarumaru I get the sense that the CYCLE OF GOODNESS is highly compatible with a sustainability mindset. Long before the current emphasis on sustainability initiatives, founder Tadao Yoshida explained in 1965 that business activities must benefit human society and said that “business is like building a bridge.” He also had quotes linked to eco-friendliness, saying “manufacturing like clear spring water,” and “if we make use of our ingenuity, even our waste can be a great resource.” In the phrase “the strength of the forest is greater than the trees,” he explains that a company should not be a single tall tree, but rather an organization akin to a forest, in which individual personalities, such as solid trees with years of experience and young, slender trees, are put forth. This is precisely what we now refer to as “diversity.”

Arai Those words have been integrated into the CYCLE OF GOODNESS, which has become an action indicator for everyone at YKK. I believe that the CYCLE OF GOODNESS works to bring a sense of unity to the group as a whole.

Sarumaru I have shared the idea of the CYCLE OF GOODNESS with people of differing cultures and religions in different countries and regions, and I have never received any negative comments. It is probably because the CYCLE OF GOODNESS is a very fundamental attitude.

However, values have changed with the times, as well. As our employees have become more diverse

and increasingly from the younger generation, it is an important question as to how we can disseminate the founder’s philosophy within YKK. In addition to such dialogue opportunities as “roundtable meetings” between management and employees, and initiatives led by frontline employees to discuss YKK’s philosophy on a global basis, there is also the “Management Principles Study Group,” in which employees think for themselves about passing on the founder’s philosophy. I believe that these efforts will also lead to increased employee engagement with the company.

Arai As you say, activities to instill the philosophy in employees are vital. At YKK, I feel that management



Saeko Arai

Outside Audit & Supervisory Board Member,
YKK Corporation
Representative, Acuray Inc. Certified Public Accountant

After working in accounting audit and taxation at an accounting firm, Ms. Arai launched an IT startup with her co-founders and became the first female CFO of a Japanese company. Worked to build the company’s accounting, general affairs, and human resource systems from the ground up, and was involved in business planning, capital policy, and fundraising, among other endeavors. Three years after it was established, the company achieved the first listing on the Tokyo Stock Exchange Mothers market. Has served as CFO, director, and advisor in the hotel wedding and environmental energy industries, and holds a Master of Business Administration (MBA) from Duke University in the U.S. Currently serves as Representative for Acuray Inc., Member, Board of Directors (Outside) for Sumitomo Pharma Co., Ltd., Outside Audit & Supervisory Board Member for TeamS Inc., Outside Audit & Supervisory Board Member for Kao Corporation, Deputy Chairman of the Lifelong Health and Wellness Association, and Professor at Hakuoh University.

is putting considerable effort into spreading the philosophy to employees. This effort is conveyed to the employees and has led to the activities of the "Management Principles Study Group."

Sarumaru The decision to improve our efforts to spread the philosophy to each employee was triggered by a cartel-related scandal in Europe in 2007. Faced with this situation, I felt strongly that we needed to return to the basics and think about what the company should be. I think those efforts have led to the present state of affairs, where the CYCLE OF GOODNESS® has taken root even in the younger generation.

Nevertheless, it is also true that because the CYCLE OF GOODNESS is a universal concept, we tend to rely on it too much. We recognize that simply pursuing the CYCLE OF GOODNESS is not enough. We also need to constantly adjust to the common language and standards of society at any given time.

Although YKK is privately held company, we have been working to establish information disclosure and governance on a par with publicly listed companies. We are continuously making improvements by introducing external perspectives into management, strengthening internal audits, and ensuring transparency.

YKK Management Principles

- Aiming to Evolve Corporate Governance -

In 2034, YKK will celebrate the 100th anniversary of its founding. In the present day, what do we need to continue to evolve even further, with the YKK philosophy of the CYCLE OF GOODNESS at our core? We asked Ms. Saeko Arai, who has served as an Outside Audit & Supervisory Board Member since 2023, to share her views on improving governance and the YKK Management Principles.



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. Appointed Representative Director and Chairman (Chairman of the Board) in 2018 (current), and Director, YKK AP Inc. (current) in 2020.

Maximizing our corporate value by incorporating diverse perspectives

Arai While I began my career as an accountant, I was later involved with the management of an IT company as its co-founder. I have accumulated diverse career experiences, such as providing support for Japanese and American startup businesses and training students and other candidates for roles as corporate leaders and executives. I feel that I have been running at full speed, without being aware of being a woman. I hope to leverage such experience to provide diverse perspectives as an Audit & Supervisory Board Member.

Sarumaru As you say, we are very grateful to be able to receive your input from a variety of perspectives. We have also been reviewing the skills matrixes of Directors and Audit & Supervisory Board Members, as we strongly believe that different viewpoints and different criteria are needed in the future management of the company.

Arai I think having three perspectives—those of management/involved parties/third parties (shareholders, customers, and consumers)—is particularly important. With these three perspectives, I would like to explore the essence of issues while conducting interviews in a balanced manner to avoid bias as much as possible. Originally, the English word “audit,” comes from the Latin word for “listen,” so listening plays an important role. I recognize that my role is to provide advice through those efforts which encourages everyone to have insights toward our goal of maximizing corporate value, while simultaneously monitoring the company.

Sarumaru Since the majority of YKK’s business activities are overseas, we would be very interested

in having you examine the actual state of affairs at those overseas operations, and hearing your opinions on how we can enhance local audits by utilizing your knowledge and experience.

Arai I am grateful that when I was newly appointed, everyone at YKK, including the President and Chairman, told me that “a fresh perspective is important, so feel free to speak your mind,” even though I was in the process of understanding the company’s situation. The Board of Directors and Audit & Supervisory Board have created an environment where people are comfortable speaking up, and I feel that such leadership by the Chairpersons of each Board enhances the effectiveness of the meetings. In both cases, the discussions are so lively that there is never enough time to discuss everything.

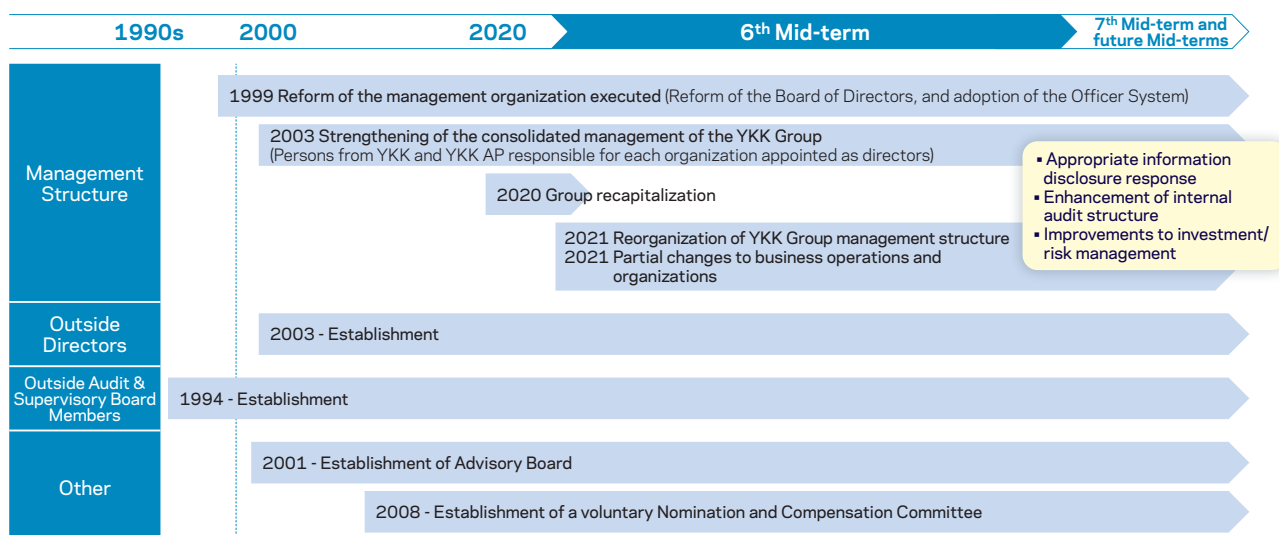
Questions and comments from outside directors are always taken seriously, and we invariably receive feedback in one form or another. We are given plenty of chances to interact directly with vice presidents. These are very valuable opportunities for learning in the field.

The challenge is “training human assets who can handle audits”

Arai I think the establishment of a Chief Risk Management Officer (CRO) position is also very significant in terms of governance. I find it to be wonderful that various committees, such as committees for quality and risk management, have been set up under the CRO, and that each of them is functioning well.

With regard to diversity on the Board of Directors and the Audit & Supervisory Board, which we touched on earlier, I feel that we have achieved a balance that

History of the strengthening of corporate governance



is sufficient to function at this stage. While there is no answer that is 100% correct, I think it is important for us to make changes toward becoming the kind of company we wish to be in the future.

Sarumaru Thank you. Earlier, you mentioned that the Board of Directors and the Audit & Supervisory Board hold lively discussions. I believe that communication is all about two-way dialogue, in which we properly respond to what people have to say.

Arai The fact that the Chairman himself is guided by such ideas about communication may help to set the tone for the entire company, and enhance the effectiveness of the Board of Directors and the Audit & Supervisory Board.

On the other hand, if I had to point out an issue, it would be the development of human assets capable of carrying out audits. In Japan, some companies have weak internal audit functions, but in Western countries, there are companies that position the internal audit department as a stepping stone to becoming the future president. Some have auditor academies, which assemble auditor candidates and newly appointed auditors from across the group for training.

My own experience has shown me that auditing duties and studying for that purpose are valuable for various jobs and management. These will be beneficial experiences even if the employee does not become an auditor, in the sense that they will greatly influence the employee's mindset and conduct.

Sarumaru Accounting audits are outsourced, but apart from that, I feel we need to further improve the system that enables internal audits from a compliance perspective, both in terms of quality and level. While we have established the YKK Global Criteria of Compliance (YGCC) at a global level, due to the fact that we are engaged in operational deployment in a variety of countries and regions, I also perceive the difficulty of conducting audits in each situation. As you say, I think developing human assets is a key issue.

Toward the 100th year of our founding

Arai YKK will celebrate its 100th anniversary in 2034, and I think it is astonishing that the company has grown so significantly with small parts like zippers and snaps and buttons, and has expanded its business worldwide. This is the result of the hard work that YKK employees all over the world have put in. I also believe that constant striving for the CYCLE OF GOODNESS® is also a force for continuity. Going forward, I hope YKK will continue to be an appealing company where its customers say, "We want to use YKK zippers." I am also looking forward to further development of new products, using various technologies that have been developed.

Sarumaru Sarumaru Thank you. Naturally, "people" are the most important element for a company's survival. A company is a collection of people and is also made up of individuals. I think it is important to have an organization that is exactly like "a forest" where each and every employee can demonstrate their abilities and is full of vitality. In the decade leading up to 2034, the pace of social change will be extremely fast, and the market is difficult to predict. However, I am looking forward to seeing how YKK employees will work together to expand the company and create products that will delight customers and society.

The important thing is if YKK will be able to continue being a company that is beneficial to the world, and a company that contributes to society; that is what implementing the CYCLE OF GOODNESS is all about. I am convinced that we can continue to be a company where everyone is always ready to take on new challenges because we are rooted in the spirit of the CYCLE OF GOODNESS, which has remained a constant throughout our history. Thank you very much for sharing your valuable insights with me today.

