

Executive Dialogue



Contributing to a sustainable future through YKK philosophy of the "Cycle of Goodness"

Charles D. Lake II

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Born in 1962 in the U.S. Juris Doctor (J.D.) from the George Washington University School of Law. Practiced law in Washington, D.C. after serving as director of Japan affairs and special counsel at the office of the U.S. Trade Representative in the Executive Office of the President. Joined Aflac in 1999. Served as general counsel and vice president. Since 2003, Mr. Lake has served as representative in Japan/president, vice chairman, and chairman for Aflac in Japan. In January 2014, he also assumed the position of president, Aflac International (concurrent). On April 2, 2018, he also assumed the position of chairman and representative director of the newly formed Aflac Life Insurance Japan (current position). From 2003 to 2019, he was an advisory member of the YKK Group advisory board. He currently serves as an independent outside director on the boards of Tokyo Electron Ltd. and Japan Post Holdings Co., Ltd. In March 2020, he published "The Art of War for Outside Directors – Guide to Good Governance & Best Practices" (Nikkei Business Publications, Inc.)

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).

Based on the YKK philosophy, the "Cycle of Goodness," YKK aims to contribute to a sustainable society through its core business. The new normal is requiring us to seek further sustainable growth in partnership with society, customers, and employees. We invited Charles D. Lake II to join Masayuki Sarumaru, YKK Chairman of the Board, for an online dialog. Mr. Lake is the representative director of Aflac Life Insurance Japan, and has a deep knowledge of philosophy management.

The new normal will demonstrate the strength of the "Cycle of Goodness" pragmatic philosophy

Sarumaru Today, I hope to hear your thoughts on management based on management principles and core values. First, could you tell us about the core values of your own company?

Lake Peter Drucker said, "Culture eats strategy for breakfast." I understand this to mean that if the corporate culture is firmly rooted in management foundations, then management will be effective over and beyond any strategy. I believe that if executives and employees can act according to basic, shared values, they will be able to respond to any challenge, deal with major changes, and, in this case, adapt to the new normal. At Aflac, we place a lot of importance on our core values, including our founding ideals, the Aflac Way, corporate philosophy, and brand promise "Creating Living in Your Own Way," but I think the ideal is for each and every employee to thoroughly absorb these ideas and apply them as second nature, as a matter of course. In this respect, your company's management principles resonate with me. I understand that as your company develops its business, you place great importance on the "Cycle of Goodness" management philosophy, an idea that your founder came up with.

Sarumaru Thank you. Yes, as you say, the "Cycle of

Goodness" corporate philosophy is at the core of all our business activities, and was conceived by Tadao Yoshida, the founder of YKK. Our founder always sought to make the company an important member of society that constantly created new value and provided it to society, and shared the benefits of its business activities so everyone could mutually prosper. The "Cycle of Goodness" is a philosophy that grew out of the process of conducting business in challenging environments. In other words, it is a pragmatic philosophy. As our business develops around the world, it pleases me to know that this idea resonates with people who have different values. I think this is due to the fact that the "Cycle of Goodness" is an idea based on universal truths.

Lake That is an excellent point.

Sarumaru You mentioned earlier how corporate culture plays a significant role in overcoming challenges, and I completely agree with that. In particular, I am convinced that the pragmatic philosophy of the "Cycle of Goodness" can really show its strength in times such as this "new normal," and I want to imbue this philosophy and our management principles in our employees as the whole company continues to take on challenges.

Linking sustained corporate growth with solutions to social issues

Sarumaru At your company, you pursue CSV (Creating Shared Value) management, which aims to achieve both sustained corporate growth and solutions to social issues. I wonder if you'd care to talk again about the importance of CSV management.

Lake As you know, CSV management is a management theory put forth by Professor Michael Porter. The idea is to use the unique resources and expertise of a company to solve social issues, to create social value by responding to the needs of society, and thereby create economic value and

achieve sustainable growth. Originally, the idea came out of discussions around issues that arose during the financial crisis of the late 2000s, but I think that as a general management strategy, it is a very powerful concept. Especially in the new normal, companies face an environment and issues that continue to change significantly. By focusing on solving those issues, we can also test the direction of management strategies. At Aflac, too, we are working to build business execution systems based on ever more effective CSV management. As well, "stakeholder capitalism," which is



the idea that companies must consider the benefit not only to shareholders, but also customers, employees, regions and communities, and other stakeholders, is becoming more mainstream in Europe and North America. *Sampo yoshi* (“good for everyone”) and similar concepts have long been entrenched in Japan, but going forward, I think a consensus is growing around the world that companies develop precisely because they solve societal problems and thus create economic value, and so I want us to put even more effort into CSV management.

Sarumaru I agree with that. Part of the “Cycle of Goodness” is the proposition that “no one prospers without rendering benefit to others,” and I feel that this way of thinking is close to that of the CSV management thinking. In FY2014, YKK had the honor of being awarded the Porter Prize (named in honor of Professor Michael Porter), and I believe that this also demonstrates the similarity of our management methods to CSV. There is also the question of how to connect the philosophy to the business. With regard to this, I feel it is extremely important that we respond positively to societal demands for sustainability. This is exactly why we placed sustainability at the center of management under our Sixth Mid-term Management Plan, which began in April this year. As well, the “YKK Sustainability Vision 2050” that we formulated last year, which aims for climate neutrality by 2050, was also motivated by the same idea. Furthermore, the thinking behind sustainability is inherent in the ideas that our founder believed were important when building the company more than half a century ago. Our goal is to always be a company that serves the social good. Based on the “Cycle of Goodness,” we

must, more than ever, look toward society at large, quickly identify issues, and work to solve them.

Lake It is exactly when we are confronting difficult circumstances that we return to our management principles and core values and imbed them in our management strategy. Such a commitment leads to improved results and sustainable growth. I believe that this is the essence of CSV management. Under the Aflac Vision 2024, we are working to become a leading company that creates “Living in Your Own Way” and creates new value above and beyond insurance. Aflac’s core business is our “insurance for living” products, such as cancer and medical insurance, but in terms of supporting customers facing cancer and who have financial difficulties, we are seeing advances in treatment technology and the development of diagnostic technology. Compared to the past, then, cancer can be seen as a curable disease, but at the same time, the importance of quality of life in the face of the disease is growing. Against a background of such changes, we held meetings and conferences to talk about cancer patient-oriented engagement, and published a book based on two years of such discussions. In this process, we found that in order to solve problems, we had to look at issues from the point of view of the cancer patients and their families first and foremost, and importantly, to engage with a broad range of stakeholders that include those engaged in medical care, workplaces, schools, private organizations and companies, and the governments that create social systems. We want to take this opportunity to demonstrate leadership in this field by further developing our “Cancer Ecosystem” platform that supports alliances and partnerships between diverse stakeholders. I believe that this kind of initiative is made possible by having clear core values and visions and putting them into practice.

Sarumaru It's a wonderful and innovative initiative that can lead to a wide range of social contributions.

Lake Thank you. When it comes to value creation and sustainable growth at your company, what is important to you?

Sarumaru You talked earlier about how your company seeks to organically link “solving social issues” and “sustainable growth.” YKK also strives to “contribute to a sustainable society through our core businesses.” Our Sixth Mid-term Management Plan includes a mid-term management vision, “Technology Oriented Value Creation,” which means exactly what it suggests:

creating value driven by technology. This is a common theme for all manufacturing companies, and I believe it will be even more significant in terms of sustainable growth under the new normal. In any case, boosting technology capability and product appeal and

providing the value that this creates to customers is very important. We are working to support more and more customers with YKK value, and I am confident that this will ultimately lead to sustainable growth.

Using the independent growth of diverse human resources to contribute to future society

Sarumaru You have said with regard to engagement that it is important to integrate and disseminate financial and non-financial information, and communicate it to stakeholders.

Lake For engagement to be as effective and efficient as possible, it is important to first recognize that there are market stakeholders and non-market stakeholders, to understand the position of the listener, and communicate to that listener. We think integrated reports are an effective tool for achieving this.

Sarumaru At YKK, we are strengthening our messaging and also started issuing an "Integrated Report" this year. As well, in 2008 we formulated the YKK Group Code of Conduct at your recommendation, and this year we made revisions to bolster activities based on this Code. Going forward, we plan to widely release it outside the company as a governance message. At the same time, I believe that it is important to disseminate it to our employees. Finally, I wonder if you would share your thoughts on human resources.

Lake At Aflac, we strongly believe in an idea that has been passed on through generations which says "if you take care of the people, they will take care of the business." We are moving from the VUCA era of Volatility, Uncertainty, Complexity, and Ambiguity to a more extreme era of "Super-VUCA." However, in such uncertain times, I believe that people who can work on their own initiative while being guided by our core values are assets to the company. Of course, future human resources development cannot be made to fit one single pattern. I think it is important to allow employees to discover their own way of contributing while getting the most out of their diverse talents.

Sarumaru That is diversity in practice. At YKK, one of the key points of our sixth Mid-term Management Plan is "diverse human resources." One of the ideas of our founder was that our strength should be that of the forest, rather than single trees. We call this "Forest Management," and I believe it dovetails perfectly with

the idea of diversity. A forest is made up of stout trees with many rings of experience as well as young, slender trees. Some trees are tall, others are short. Our founder advocated this concept based on the idea that every person can exploit their individual talents and strengths and apply them in their work, and in doing so we can move forward together without any one person taking the lead. Also, in April of this year we introduced a new personnel system that does away with compulsory retirement. I want us to work to create an environment where people with diverse abilities can contribute to their full extent of their ability, regardless of age, gender, or nationality.

Lake Forest Management is a very YKK approach to human resources management.

Sarumaru As you said, nothing is as important as our human resources. Going forward, I want us to continue to value this idea, to see diverse human resources around the world as individual trees that together make up a forest, as people who cooperate with each other and complement each other to achieve their own growth and to contribute to society, and thus enable our company, YKK, to keep growing like a forest. Thank you very much for sharing your thoughtful and valuable insights with us today.

