

## Nagata Global Partners

**American CEO** claims :

Not enough for me !!

**Japanese CEO** surprised :

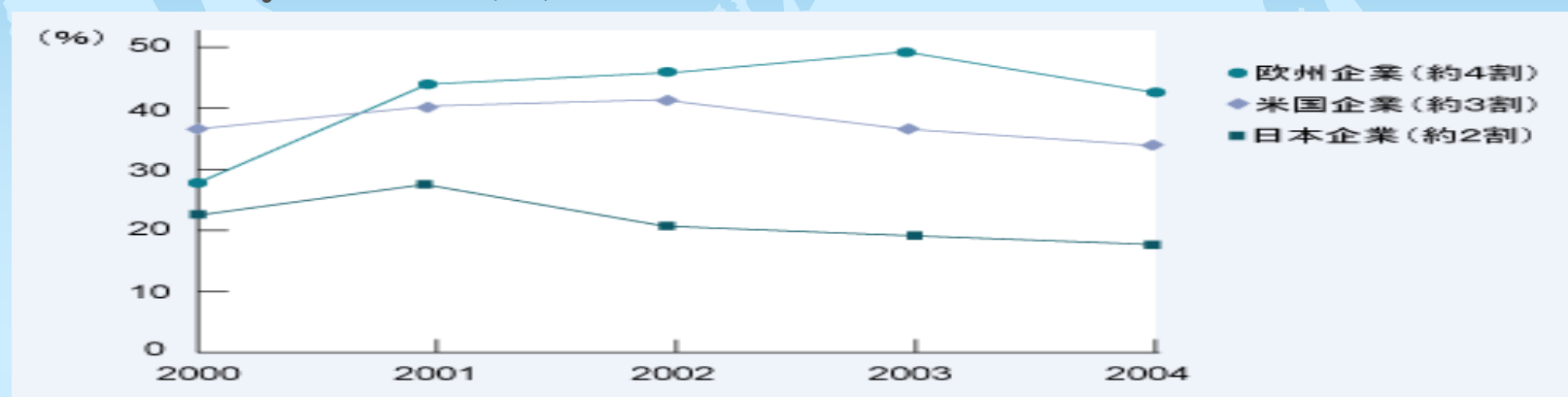
Too much for me !!



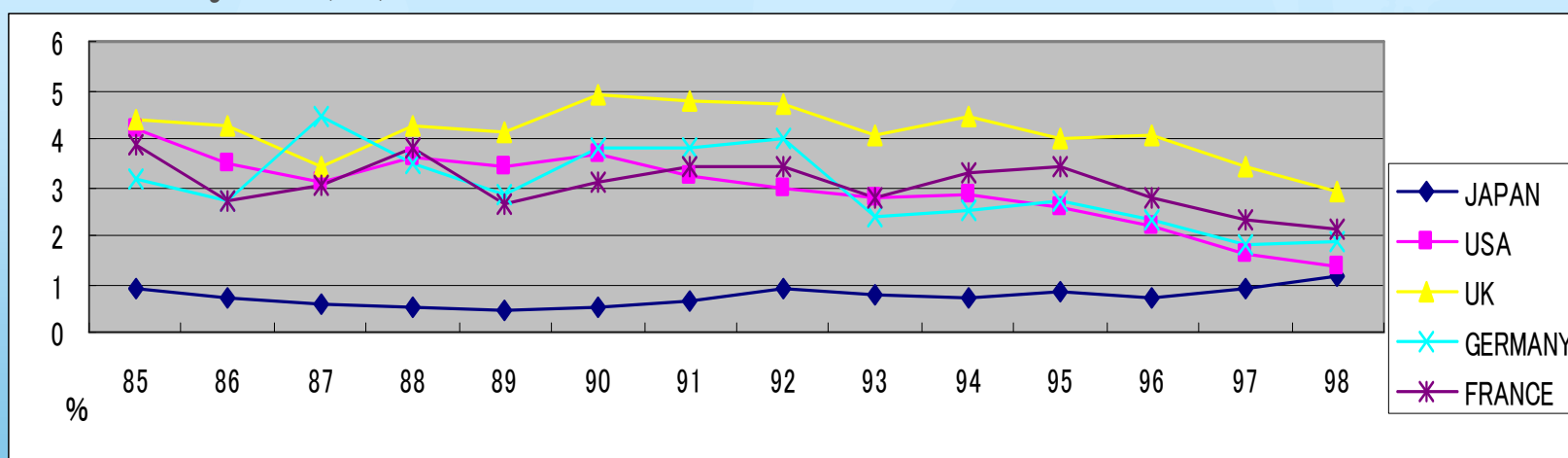
**L'argent responsable au Japon  
la rémunération des chefs d'entreprise et des actionnaires**

## LOW DIVIDEND UNTIL THE MID 2000

### Dividend Payout Ratio (%)



### Dividend yield (%)



## KEY REASONS

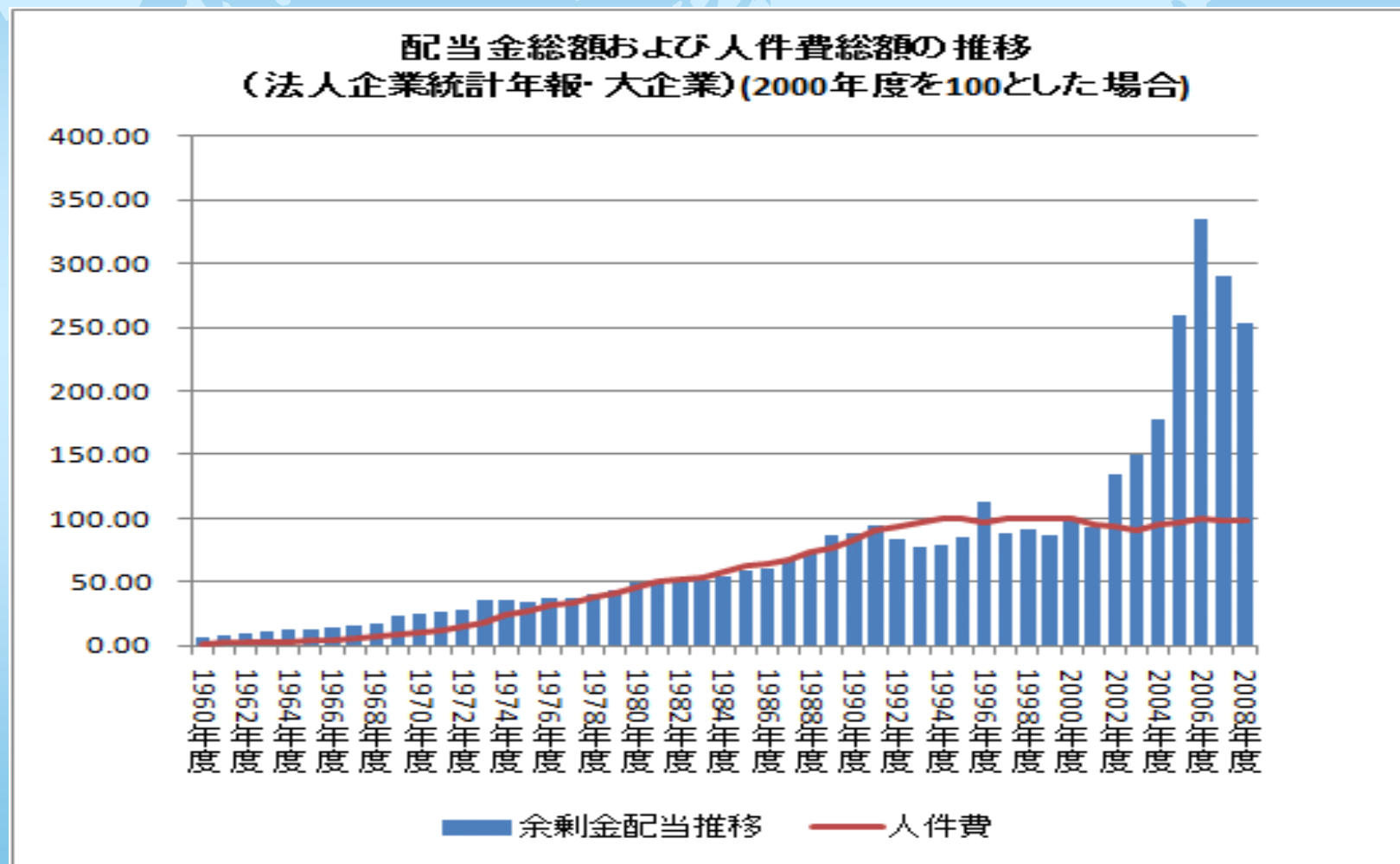
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### **Low pressure from shareholders**

- Stable and cross shareholding (lower ROA, ROE, PER)
- Indirect financing (bank loan - lower capital costs)
- Absence of legal frame in favor of shareholders

## SHARP INCREASE OF DIVIDEND SINCE 2002

Total amount of dividend &amp; labor costs (year 2000 = 100)



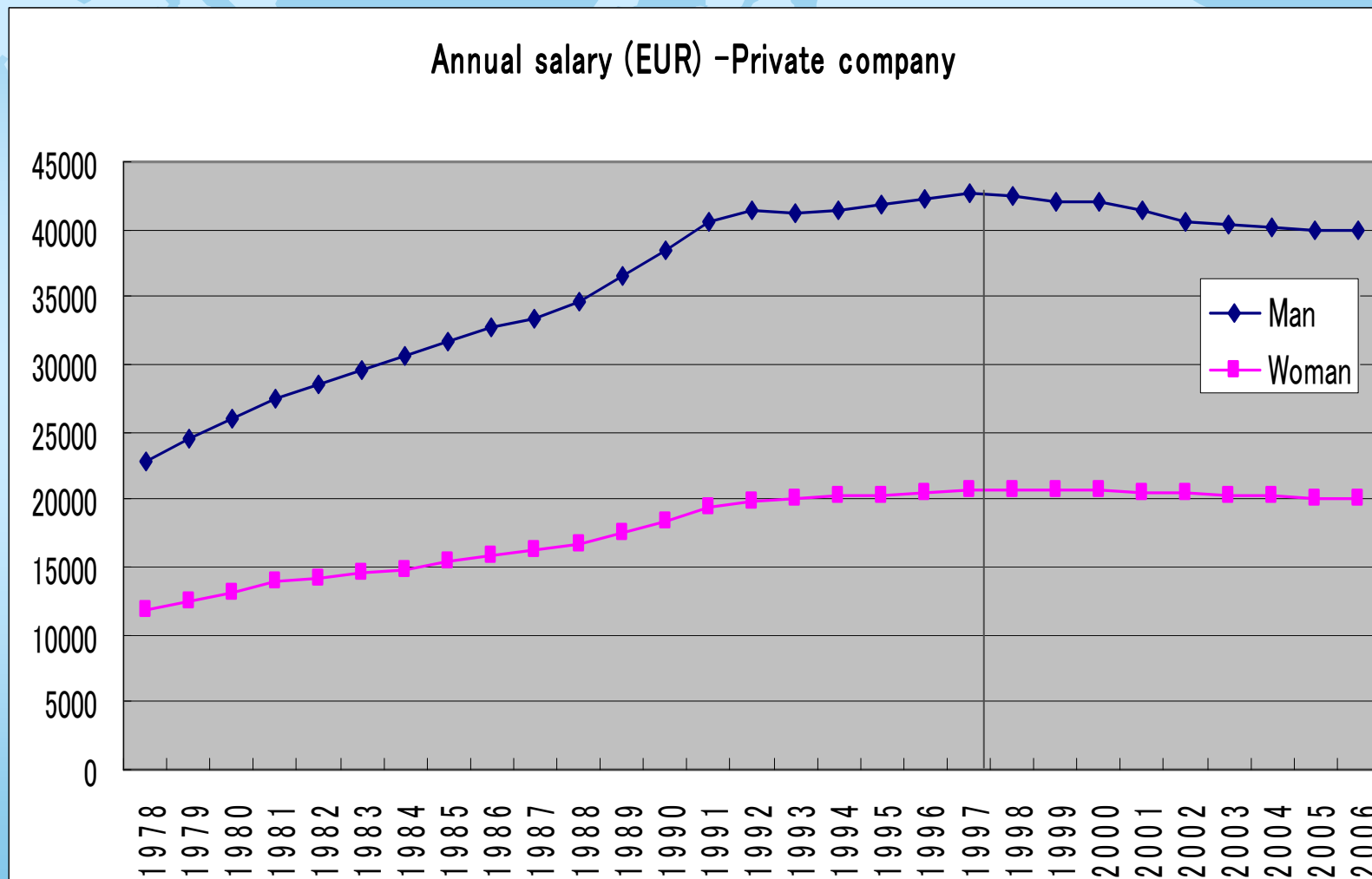
## MAIN REASONS

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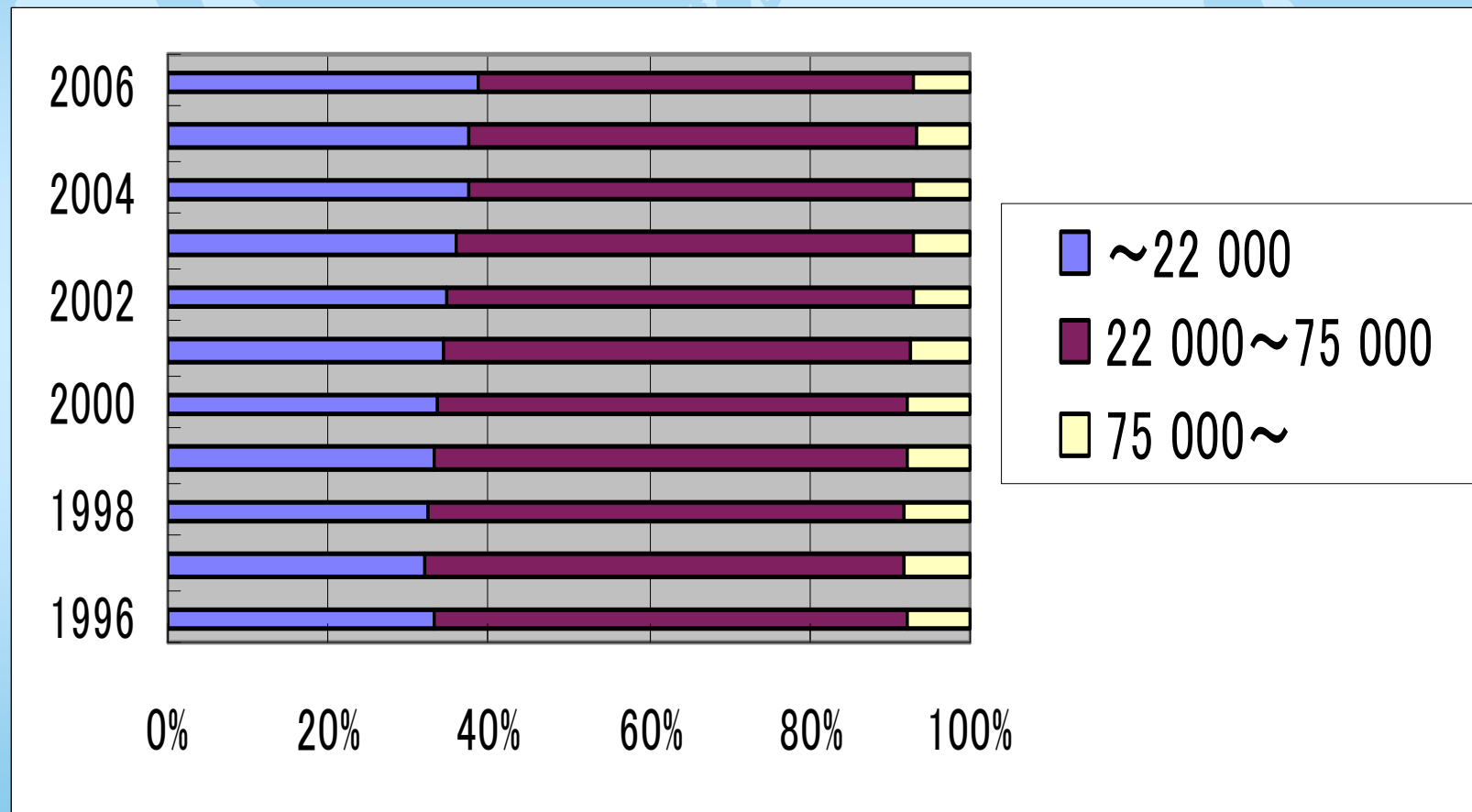
### **Growing pressure from shareholders**

- Shift to direct financing (on stock market)
- Increasing number of foreign shareholders
- Introduction of legal frame in favor of shareholders' benefit
- Stimulation for self-incentive of top managers

## WAGE LEVEL - DOWNWORD SINCE 1997



## GRATER GAP BETWEEN POOR AND RICH SINCE THE MID 90's (ANNUAL SALARY IN EURO)



## MAIN REASONS

Before 80's

After 90's

Constantly growing economy

Stagnant and uncertainty economy

Pyramidal organization

Rectangular (reverse pyramidal) organization

Seniority based promotion

Competence based promotion

HR from own employees

Increasing HR from temporary HR agents

## MODEST SALARY OF JAPANESE CEOs

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### 1. Average compensation (source: Institute of Labor Administration 2007)

- € 241 400 (employees less than 299)
- € 253 000 (employees from 300 to 999)
- € 406 000 (employees more than 1000)

### 2. Average compensation in comparison (source: Towers Perrin 2007)

- Japanese top 100 companies (capitalisation) : € 1 007 861
- American top companies (revenue + \$10 billion) : € 8 936 370
- European top companies (revenue + \$10 billion) : € 4,435,782

### 3. Estimated gap of compensation between CEO and employees (average)

- Japan : Less than 10 times
- USA : More than 180 times
- France : ????? (240 times – 50 CEOs of CAC40 / SMIC)

## MAIN REASONS

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### 1. Top management is not “a profession” but a social status

- They have never been trained as top managers from younger days
- They have been promoted step by step from the bottom of hierarchy
- Motivation to become CEO is getting social status rather than financial incentive

### 2. Genba shuyugi

Bottom-up approach and working together in the ground (shop, factory, etc)

### 3. Japanese traditional mentality and social value

- Dutifulness of children
- Perennity of house
- Self-denial, self-sacrifice
- Appreciation of modesty
- Be temperate in their tight
- Taboo self-interest
- Respect social harmony and fairness
- Benevolence
- A nail that sticks up gets hammered down

## **BUT, SOME NEW PHENOMENONS HERE...**

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### **1. Billionaire of new generation CEOs (some examples)**

- Takafumi HORIE (Live Door - IT)
- Hiroshi MIKITANI (Rakuten- E-Commerce)

### **2. Foreign nationals CEOs (some examples) with high compensation**

- Howard STRINGER (Sony)
- Carlos GHOSN (Nissan)

### **3. Companies more than 10 times gap between average compensation of top managers and that of employees**

Nissan (36.7), Sony (30.3), Sumitomo Real Estate (17.2), Hoya (15.1), Toyota (14.7), Sharp (12.5), Daikin (12.1), Mitsubishi Electric (11.2), Shinsei bank (10.8), Yahoo Japan (10.5)

## GENERAL BEHAVIOR AS A RESULT OF NON PERFORMANCE

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It is firstly CEO who cut off his money “HARAKIRI” (some examples):

❑ **Panasonic: Chairman, Kunio NAKAMURA**

- ✓ Mr. Panasonic decide to cut down his salary

❑ **Itochu: Chairman, Uichiro NIWA**

- ✓ Should CEO resign first
- ✓ I take subway to my office, because I want to understand employees' point of view

❑ **City of Chiba: Mayor, Toshihito KUMAGAI**

- ✓ The youngest mayor (31 years old) proposes to cut down his own salary

❑ **Japan Airline: CEO, Haruka NISHIMATSU**

- ✓ This man should be a good exemplary model for all non-Japanese CEOs (CNN)
- ✓ My salary is less than those of our pilot!

## CONCLUSION...

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Many CEOs should challenge to increase its financial allocation, in a good balance, to shareholders, employees, business investment and his pocket.

I believe that Japanese CEOs keep its traditional ethics based on Samurai spirit !

