Corporate Governance

In June 2017, Yamaha significantly revised its governance structure. Could you please explain the events leading up to this transition and the aim behind it?

Nakata: To make a clear separation between the oversight and execution of management, thereby strengthening management oversight functions and accelerating management execution, the Company transitioned from a Company with a Board of Auditors to a Company with Three Committees (Nominating, Audit, and Compensation) after receiving approval at the Ordinary General Shareholders’ Meeting held in June 2017. By establishing a highly transparent organizational structure with a legally designated Nominating Committee, Audit Committee, and Compensation Committee, we aim to further strengthen our overall corporate governance and realize continuous improvement in corporate value.

We have held numerous internal discussions and implemented various initiatives related to governance, not limited to the transition we recently carried out. For example, to further enhance debate at Board of Directors’ meetings, which have a tendency to focus too heavily on internal affairs, we have been meeting outside directors to join the Board since the early 2000s. In addition, even during our time as a company with a board of auditors, we had in place the Corporate Directors Personnel Committee, which functioned as a voluntary Nominating and Compensation Committee. Through efforts such as these, we have been actively incorporating frameworks to enhance the transparency of management.

In addition, following this transition, we newly established the executive officer role. Acting as an official function under the Company Act, the executive officers now bear direct responsibility for the shareholders. Under this new role, executive officers have been delegated major authority from the Board of Directors to oversee important decision making pertaining to business execution. With this new executive officer role, we will strengthen the oversight functions of the Board of Directors while working to accelerate business execution. By having their roles and responsibilities made clear, I feel that the executive officers are steadily increasing their awareness toward being proactive in reaching an agreement through the decision-making process and approaching this process with a high level of responsibility.

Nakajima: This is my first time assuming a role as a director at a company that adopts a three-committee structure. The transition to this structure is the result of numerous discussions that took into account the approach the Company has taken toward corporate governance thus far. I strongly feel that with this transition, the Company has developed an attitude and awareness toward enhancing the effectiveness of its governance to a level higher than ever before with the aim of realizing corporate value improvement for the next 100 to 200 years. This is the second year for the Company under this new organizational structure, and looking back on the previous year, I feel that the Board of Directors has carried out effective oversight of the executive side and that each committee has been sufficiently leveraging the expertise of its members. Accordingly, I believe Yamaha is off to a solid start. Moving forward, while continuing to make evaluations on various aspects, I hope that Yamaha can continue to pursue its aims of strengthening corporate governance and improving corporate value.

Additionally, I have gotten a sense of the advanced nature of the Board’s management, which I believe functions better than many other companies. To give you an example, the Company has enhanced the sharing of information by digitizing various documents. While digitalization itself is nothing extraordinary, Yamaha’s case is unique in that agenda items of the Board are disclosed in a timely and appropriate fashion, allowing the outside directors to view and confirm these agenda items at the same time as the full-time directors. In addition to enhancing the Board’s effectiveness, this enables the timely sharing of information with the outside directors and provides us with a means for gaining a sense of the intricate connections within the Company. Therefore, give Yamaha a very high evaluation for ensuring this system of sharing information digitally without any time lag.

Nakata: In addition to the tendency for Board discussions to become too internally focused, the amount of time needed to execute business has also been an issue for the Board of Directors. As we expand our business globally, delays in responding to the rapidly changing business environment can have serious adverse impacts. To address this issue, we established a system where the details of discussions at meetings of the Managing Council, which are held separately from the Board of Directors, are shared between both inside and outside directors; thereby strengthening the functions for monitoring business execution. Going forward, we intend to regularly revise this system to enhance its overall effectiveness.

As Ms. Nakajima has said, by leveraging recent technologies in the sharing of information, we have been able to deepen the discussions at Board of Directors’ meetings and further reduce the time it takes to make decisions. In addition, for items that were previously decided by the Board of Directors but are now decided by the executive officers via the recent transfer of authority, the executive officers report such items to the Board of Directors, which allows the Board to secure its oversight function regarding business execution.
I strongly feel that the Company has developed an attitude and awareness toward enhancing the effectiveness of its governance to a level higher than ever before with the aim of realizing corporate value improvement.

Nakajima: My role as an outside director is to take every opportunity I can to verify various aspects pertaining to the Company’s decision making and business execution. For example, I verify whether or not the executive officers have made a decision based on a sufficient understanding and thorough examination of risks, or if the execution process is moving forward appropriately after a decision has been reached. My mission is also to provide follow-up support for risk analysis and the decision-making process. To fulfill these roles, I need to have a clear understanding of the background details, in addition to the Company’s opinions on risk analysis results and the reasons behind the judgments it has made. Thankfully, Yamaha has an atmosphere in which I am able to ask questions and offer my opinion without reserve. Furthermore, everyone is open to hearing what I have to say and answers my questions very thoroughly, which greatly assists me in my role as an outside officer.

Realizing Corporate Management Appropriate for the Next Stage of Growth as a Global Company

The Company has decided to introduce a new system for officer compensation. What kind of impact will this system have?

Nakajima: In conjunction with the change in organisational structure, the Company introduced a restricted stock compensation system* in which Company shares are transferred to officers on the condition that management targets are achieved. In actuality, very few companies in Japan have adopted this system. Accordingly, Yamaha’s introduction of this system not only indicates the desire to management to align itself with the Company’s shareholders and other investors, it also conveys a strong message that Yamaha is a company with leading-edge management and decision-making execution capabilities. From my perspective, I believe that the management of Yamaha, starting with President Nakata, has a clear understanding and positive approach toward constructive dialogue with capital markets.

Nakata: The introduction of restricted stock compensation is the result of our consistent desire to further underscore the responsibility of corporate officers to improve shareholder value while boosting the motivation of management to commit to the Company’s future. Leading up to the introduction of this compensation system, we held countless discussions on the ideal system for officer compensation.

Yamaha has a long and rich history. Throughout this history, we have been a company that has often made unprecedented accomplishments and pursued innovations even from the perspective of management. These accomplishments are not limited to restricted stock compensation. For example, at one time, we were the first company in Japan to issue shares at market price. While the main aim of our organisational structure change was to allow us to focus better on the Company’s future, we also had an aim to transform our management style on our own initiative to achieve further growth and convey to our stakeholders, both inside and outside the Company, our desire to boldly pursue new challenges.

Nakajima: Yamaha has over 100 years of history as a Japan-based global company. This history also includes Yamaha’s concerted efforts to thoroughly understand people’s emotions and feelings so that it can deliver excitement around the world that is deeply rooted in local cultures. Through such efforts, Yamaha has fostered a corporate culture that embraces diversity and encourages both an understanding and true enjoyment of the unique cultures and customs of each country and region.

Furthermore, I feel that another attractive element of the Company’s culture is its active stance on embracing new things, rather than being passive about them.

Going forward, I believe an issue for management will be to see if the Company can use its innovative DNA and diversity-loving culture as a foundation for swiftly inventing management resources in fields for future growth drivers, while also adhering to strict financial disciplines.

Nakata: Music is something that intricately reflects the culture of a country or region, and our business cannot exist without an understanding of that culture. We are a company that offers excitement to the world through our businesses and, as such, we have naturally been focusing our efforts on creating social value long before such matters as ESG and the SDGs became popular topics. As we move forward, we will maintain an awareness of not only understanding a culture but also considering how we can contribute to the progression of that culture through our business. In doing so, we will provide our customers with even more attractive products and services.

Thanks to the support of our customers, we have already achieved a very high level of brand recognition. To raise this level even further, we will formulate strategic measures for providing appealing products and services that better satisfy our customers. As an example of such measures, we are pursuing collaborative efforts to enhance brand value with Yamaha Motor Company, a company that shares the same name as ours and also places passion at the center of its corporate philosophy. Under the slogan of “Two Yamaahas One Passion,” we have established a joint Brand Committee with Yamaha Motor and have been promoting various projects related to such matters as product design. For example, we are working to generate synergistic effects between our two brands in such ways as promoting our brands to consumers in emerging countries, who are already well aware of the Yamaha Motor brand. By doing so, we will realize the mutual enhancement of corporate value.

Nakajima: ESG and the SDGs have given rise to new opportunities to pursue sustainability. Accordingly, the efforts that Yamaha has engaged in so far have become more prominent. In addition, by thoroughly analyzing various social issues, ESG and the SDGs have shed light on issues that need to be addressed. I therefore believe that ESG and the SDGs are providing Yamaha, a company whose source of growth is social value creation, with favorable conditions to pursue efforts to further enhance its corporate value.

Nakata: In April 2018, we established the Brand Development Unit. The establishment of this division has helped us review our approach to systematically enhance brand value with the aim of establishing and implementing Companywide brand and marketing strategies. While the results of our approach may take some time to appear, we would like to ask our stakeholders to look forward in anticipation to the progress we will make in the future.

Recently, innovation has been progressing at a remarkable pace, making it possible to accomplish tasks that took years in the past in the period of just one to two years. While it will not be easy, we will strive to not just keep up with the pace of change but actually lead that pace. With this ambition, we will aim to simultaneously enhance our corporate value and create social value going forward.

Giving consideration to how we can contribute to the progression of culture through our business, we will provide our customers with even more attractive products and services.

Takuya Nakata
Director, President and Representative Executive Officer