

# HOW MUCH JAPANESE CEOs REALLY MAKE

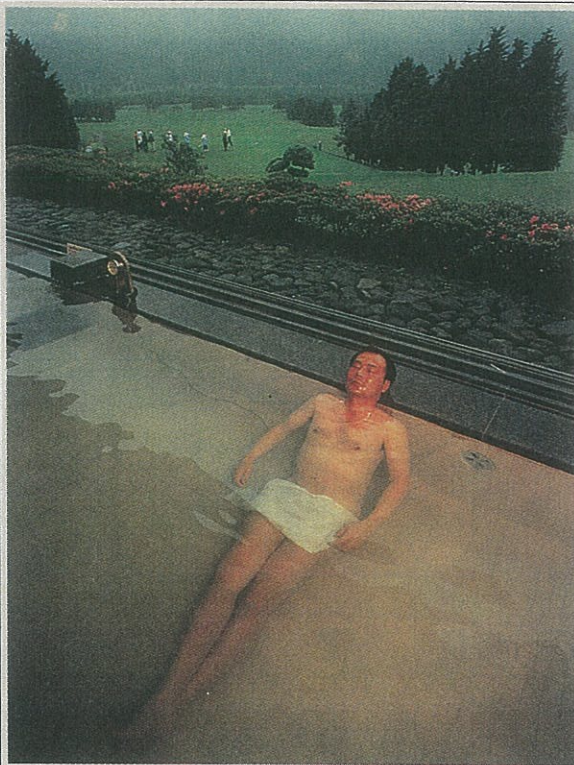
And how they stack up against the U.S. bosses they've criticized

If Shoichi Saba had been tapped as CEO of a major U.S. company, the question of his compensation would have been up for immediate discussion. Instead, Saba became CEO of Toshiba Corp., the Japanese electronics giant. During six years in that job in the 1980s, he never raised the issue of his pay with Toshiba's board. Although he refused to disclose his income, estimates range from \$320,000 to \$440,000. "I don't think many Japanese executives are ambitious for money," Saba says. "They're driven more by desire for responsibility than financial gain."

Whatever the reason, Japanese CEOs make considerably less than their U.S. counterparts, a subject that injected rancor into the recent visit to Tokyo by 21 American CEOs with President Bush. A peek into Japan's CEO compensation numbers suggests that world-class executives don't get paychecks to match.

What do top Japanese executives make? Unlike U.S. corporations, Japanese public companies aren't legally required to disclose top-manager pay, so most don't. But a Nissan Motor Co. spokesman confirms that CEO Yutaka Kume is near the top of the scale with about \$640,000 last year in salary and bonus. Honda Motor Co. CEO Nobuhiko Kawamoto made the same, while Toyota Motor Corp.'s Eiji Toyoda pocketed \$800,000, according to *Yomiuri Shimbun* estimates. "That's on the very, very high side for a Japanese CEO," says Thomas J. Nevins, president of Tokyo-based search firm TMT Inc. Citing Japanese government figures, Saba says the typical CEO of a Japanese manufacturer with 3,000 or more employees earns \$392,000 in salary and bonus. Fluctuating with company performance, bonuses are 20% to 30% of total pay.

**LONG-TERM EFFECTS.** The contrast with the American plan couldn't be more stark. At the biggest U.S. companies, a CEO collects an average yearly total of \$3.2 million (chart). His Japanese counterpart pulls down \$525,000. Industrial



AT THE CLUB: MEMBERSHIP MAY BE WORTH HALF A MILLION

Bank of Japan President Yoh Kurosawa and NEC President Tadahiro Sekimoto, for example, make between \$400,000 and \$640,000 in salary and bonus, estimates Gerald W. Williams, general manager of Towers, Perrin, Forster & Crosby Inc. A key difference: The long-term incentives such as stock options, which add up to nearly \$1.6 million for a U.S. CEO, are virtually unknown in Japan. "The irony is that in Japan there are no long-term incentives, but the Japanese exhibit the most long-term behavior," says Graef S. Crystal, a professor and executive pay expert at the University of California, Berkeley.

Japanese CEOs often set their own salaries. Each year, the board of directors, composed mainly of the company's top executives, votes a pool for director-level compensation based on company profits, rates of inflation, and what rivals are paying. The CEO doles out the money

as he sees fit, including his own share. A rule of thumb among big manufacturing companies is for the CEO to earn about one-third more in salary and bonus than the second-in-command. Taking a pay cut during hard times isn't unusual. Last year, directors at loss-plagued Isuzu Motors Ltd. cut their own pay by more than 10%. In 1986, directors of Hitachi Ltd. took a similar measure when profits fell.

What's behind the difference between top-level U.S. and Japanese salaries? Different business cultures, basically. Rarely is a Japanese executive fired, which can hardly be said for his U.S. counterpart. Take Kazuo Tobiyama, who clung to power for seven years as president of Isuzu as its fortunes slid. He was finally ousted last October. And unlike in the U.S., there's just no open market for CEOs: Japanese companies don't raid each other for top talent.

Then there's U.S. individualism vs. Japanese teamwork. Americans believe one person—Disney's Michael Eisner or Tenneco's Mike Walsh—can turn a company around. By contrast, Japanese CEOs such as Honda's Kawamoto or President Akio Tanii of Matsushita Electric Industrial Co. lead their powerhouses by consensus management.

**PERK BARREL.** Some Americans retort that enormous perks pull the Japanese up into the U.S. league. Nissan's Kume, for one, lives rent-free in a lovely Tokyo house, a fairly unusual perk easily worth \$100,000 a year. A more common add-on is free golf-club membership, worth up to half a million dollars plus thousands in yearly fees. Also *de rigueur* is a chauffeur-driven car. Most notorious are the fat expense accounts that allow Japanese executives to treat customers, bureaucrats, and politicians to good times at Tokyo's toniest hostess clubs and geisha houses. American Express Co. reports that the \$35.5 billion Japanese companies lavished on such entertainment in 1989 was three times more than U.S. companies spent.

But CEO perks are also juicy in the U.S., home of the executive jet and the company hunting lodge. Increasingly, analysts are arguing that fat bennies

are hurting U.S. competitiveness. Although Sadao Ohta, president of Tokyo-based Seikei Kenkyusho, an independent research firm specializing in personnel matters, complains that the typical Japanese CEO pay is "pretty terrible," it sure hasn't hurt Japan Inc.'s bottom line.

By Robert Neff in Tokyo, with Joyce Bar-nathan in New York

## MODEST PAYCHECKS FOR JAPAN'S GLOBAL HEAVYWEIGHTS

Country	Compensation*
U.S.	\$3,200,000
BRITAIN	1,100,000
FRANCE	800,000
GERMANY	800,000
JAPAN	525,000

\*Approximate annual salary, bonus, and present value of long-term incentives for typical CEO at the top 30 companies

DATA: GRAEF S. CRYSTAL