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■Property name/La Tour Minamiazabu(tentative Name) ●Address/4-135 Minami-azabu, Minato-ku, Tokyo(Percol number) ●Public Transportation/2 minute-walk from Hiroo Station(Tokyo Metro Hibiya-line)
●Structure & Size/Concrete-steel,12 stories above ground and 2 basement levels ●Total Number of Units/145 ●Estimated Completion Date/End of February 2018(projected) ●Unit Layout/1 Bedroom – 3 Bedrooms
●Unit Floor Size/78.9m²~226.7m² ●Developer/Taisei Corporation ●Landlord Realtor/Sumitomo Realty & Development Co., LTD; Minister of Land, Infrastructure, Transport and Tourism Article15 paragraph 38, All Japan Real Estate Federation Member, Real Estate Fair Trade Council Member ■Application Summary ●Number of Units/145 ●Rent/487,000yen~2,844,000yen ●Start of application/August 2017 ●Deposit Key Money/3months ●Monthly Management Fee/Included in rent ●Leasing Period/3 years(Fixed-Term Lease Agreement) ●Property and Casualty Insurance/Required(Homeowner's Insurance Policy)



COVER PHOTO

Bridge connecting Rinku Town and Kansai International Airport in Osaka

PHOTO: PONGPIPAT SRIWARALAK

– Page 24

THIS PAGE

A farmer tends rice crops using a drone.

– Page 28

5 EDITOR'S DESK

The Path Forward

C BRYAN JONES

7 PRESIDENT

An Enduring Mission in Changing Times

SACHIN N. SHAH

9 ACCJ EVENT

Ringing in a New Year

CUSTOM MEDIA

10 EVENTS

ACCJ in Pictures

13 ACCJ EVENT

Presentations with Passion

ROSE TANASUGARN

15 KANSAI

Art for Charity

Making a difference for those in need

CHISATO INAGAKI

17 ADVOCACY

Easier Startup

Japan makes visa changes for entrepreneurs

C BRYAN JONES

19 LEADER

Alternative Paths

Finding better performance in today's investment market

FRANK PACKARD

20 M&A

Build, Partner, or Buy?

How digital M&As are driving ideas and moving companies forward

JULIAN RYALL

24 BUSINESS

FDI Inflows

Japan opens up to foreign direct investors

ANTHONY FENSOM

28 TECH

New-Age Farms

How drones are changing the rice industry

MAXINE CHEYNEY

32 PARTNER CONTENT

Year of the Dog

Sony stakes its reputation on Aibo's return

HISASHI IWATO

37 PARTNER CONTENT

Change Now

Japan should tackle New Year challenges while winds are favorable

NIKKEI ASIAN REVIEW

41 J-MEDIA

Diet Dailies

- Greater efforts needed to boost domestic demand
- Interest-free loans to be extended for pilot training

TRANSLATION OF NEWS FROM KEIZAIKAI

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Custom Media
Publishers of *The ACCJ Journal* for the American Chamber of Commerce in Japan. Specialists in bilingual brand strategy/visual communications, corporate bespoke solutions. Producers of Business in Japan TV.

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The ACCJ Journal is printed on paper certified by the US Forest Stewardship Council with vegetable oil ink certified by the Japan Printing Ink Makers Association.



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THE PATH FORWARD



Christopher Bryan Jones
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Our February issue of *The ACCJ Journal* focuses on the future—from how technology solutions are opening new doors in many industries to the potential that new challenges bring the American Chamber of Commerce in Japan (ACCJ).

AUTOMATE

One of the biggest challenges facing Japan is the aging of society, which is leading to a smaller workforce. Agriculture is one industry feeling the impact, and the changes could threaten our food supply. On page 28, we talk to farmers and industry experts about how drones are providing a solution from above—and how the technology can not only close the human

resource gap but also make it possible to grow more food of higher quality.

COMBINE

Drones are just one driver on the path forward. Companies of all sizes are looking for tech assets to ensure business success, making digital mergers and acquisitions (M&As) one of the hottest areas of growth. Traditional companies, in particular, are turning to startups for the missing pieces of the puzzle needed to bring their portfolio up to date. On page 20, we speak to experts on M&As about some of the biggest moves of the past few years, the opportunities for those doing business in Japan, and whether it is better to build, partner, or buy.

EXPAND

Once the pieces are in place, how do you get started in Japan if you are coming from abroad? The system is known for being difficult for those who are not Japanese. But the government wants to change that, aiming to attracting ¥35 trillion annually

in foreign direct investment by 2020.

On page 24, we explore the programs that have been put in place to make this happen—including tax reform, incentive programs, assistance overcoming the language barrier in legal and accounting services, and an important change to the entrepreneur visa (details on page 17).

LEAD

All of these developments present opportunities for the ACCJ, and new President Sachin N. Shah shares his thoughts on how the chamber can seize the moment on page 7, in the first of what will be a monthly president's column. With the profound changes our society is facing—and so many technologies and innovative ideas being put forth to address them—this is an exciting time for global business in Japan. ■

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An Enduring Mission in Changing Times



FROM THE BOARD

By Sachin N. Shah
ACCJ President

Thank you for electing me president of the American Chamber of Commerce in Japan (ACCJ). It is a pleasure and honor to represent the US business community in Japan. I plan to use this column to provide updates from myself and the Board of Governors on key chamber activities and initiatives throughout the year.

Past ACCJ presidents have set a very high bar of achievement. I would like to thank Christopher J. LaFleur for his leadership over the past two years. I am honored to succeed him as president and look forward to his continued counsel as ACCJ chairman.

For 70 years, the ACCJ has worked to develop commercial ties between the United States and Japan, and to improve the local international business environment. This mission is as relevant and important today as it has been for the past seven decades. With the honor of being elected ACCJ president comes the responsibility to ensure that we continue to deliver on this mission and position the chamber for continued success in a changing environment.

KEYS TO THE FUTURE

I see three main areas of change for the ACCJ and its members.

First, the chamber itself is evolving: Over the past several years, membership has grown and become more diverse. We have a record number of Corporate Sustaining Members. We have more small companies, more Japanese members, more women, and more young professionals. This is great news. Now we need to upgrade our capabilities to deliver value to all members. This is key to ensuring that the chamber is well positioned for long-term growth.

Second, the business environment in Japan is changing: The economy is in its longest period of growth since 2001, tourists continue to visit in record numbers, and the upcoming Tokyo 2020 Olympic and Paralympic Games is an opportunity for Japan to upgrade its infrastructure and highlight its technology and culture to the world.

And third, the US–Japan partnership is changing: The relationship between our two countries is the strongest it has ever been; but it is also evolving. The US–Japan Economic

Dialogue is a new framework for trade and economic discussions. While the economic partnership is strong, it can be strengthened further to benefit both economies. I look forward to leading the chamber as a constructive contributor to this end.

OPENING DOORS

Amid these developments, Japan also faces several challenges: people remain concerned about financial security, health, and wellness in an aging society. They are concerned about national security and data security. And there remain questions about how to drive change in the workplace so businesses and communities reap the benefits of diversity and global thinking.

These challenges are also an opportunity. With the right policies, I believe that Japan can unlock its growth potential and create a more vibrant and productive society. The ACCJ can play a key role in highlighting the leadership of US companies of all sizes and across all sectors—from healthcare to technology, defense to key service sectors—in providing solutions to these challenges. Greater cross-industry collaboration within the chamber will be critical to achieving this goal.

GOING FORWARD

Over its 70-year history, the ACCJ has evolved to reflect the changing US–Japan partnership and to meet the needs of its members while remaining focused on its important mission. How we respond to the changes in front of us today will set the foundation for the chamber's continued growth and relevance, now and in the decades to come.

These are the questions that are at the forefront of my mind as I begin my term as president. I am discussing our go-forward strategy with the Board of Governors and plan to communicate more on that topic in my next column.

I look forward to working with all of you to further the chamber's mission and lay the foundation for success over our next 70 years.

My style of communication is open, direct, and transparent. Please feel free to contact me any time to share your ideas, experience and questions. You can reach me at: sshah@accj.or.jp ■

[Our] mission is as relevant and important today as it has been for the past seven decades.

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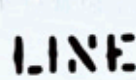
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Ring in a New Year

By Custom Media



PHOTO: ANTONY TRAN/JFE14



Last year was a record-breaking one for the American Chamber of Commerce in Japan (ACCJ), and 2018—our 70th anniversary—promises even greater success.

To usher in the new year, members of the ACCJ gathered at the Imperial Hotel on January 18 for the annual *shinnenkai*. ACCJ-Tokyo Governor Yumi Goto of Coca-Cola (Japan) Company, Ltd. served as master of ceremony, and ACCJ President Sachin N. Shah outlined his vision for the next 12 months. US Ambassador to Japan and Honorary

ACCJ President William F. Hagerty IV delivered remarks on the US-Japan partnership, and special guest Yoshimitsu Kobayashi, chairman of Keizai Doyukai (Japan Association of Corporate Executives), shared an encouraging message.

Following the *kagami-biraki*—the ceremonial cracking open of a sake barrel—members and guests enjoyed drinks, food, and a wonderful evening of conversation and networking. It was the perfect start of what promises to be another remarkable year for the chamber. ■





1 ACCJ Governor Yumi Goto, senior vice president of Public Affairs & Communications at Coca-Cola (Japan) Co., Ltd., welcomed members to the ACCJ Shinnenkai at the Imperial Hotel on January 18.

2 At the final ACCJ Board of Governors (BOG) meeting for 2017, held on December 12 at Tokyo American Club, the outgoing BOG welcomed those elected to serve in 2018.

3 Volunteers from the ACCJ-Chubu and Nagoya International School prepare to serve Christmas lunch at Shooters Sports Bar & Grill in Nagoya on December 9 for children who live in Washinkan Children's Home.

4 The ACCJ-Chubu Bella Nova Night #2 Women's Networking Event was held at Halelani Terrace in Nagoya on December 1. Members welcomed our special guest Chris Meigs-Owen of Mitsubishi Aircraft Corporation.

5 ACCJ-Kansai Women in Business Committee member Yoko Shinobu (left) presents a certificate of appreciation to Bob Noddin, president and CEO of AIG Japan Holdings KK for his opening session of the 2018 Leadership Series entitled "The Leadership Journey" at the AIG Osaka office seminar room on January 11.

6 The ACCJ-Chubu Aerospace Industry Subcommittee hosted a tour of the Mitsubishi Regional Jet Museum on December 22.

7 Richard Sheridan (center), CEO and chief storyteller at Menlo Innovations, with (left to right) Philip O'Neill, Tomoko Takazawa, Yuko Yogo, Roy Tomizawa, Yumiko Ohta, and Zane Zumbahlen at the event "Build a Workplace People Love—Just Add Joy" at Tokyo American Club on January 15.



6



7



ACCJ
EVENTS

8



9

- 8 ACCJ Vice President Marie Kissel, senior advisor, international government affairs at Abbott, presents a certificate of appreciation to Ira Shapiro after his presentation "The Senate and the Trump Presidency: A Defining Moment in American Democracy" at Tokyo American Club on January 16.
- 9 The 6th Annual ACCJ Kansai Awards Ceremony was held at the Hyatt Regency Osaka on December 8.

UPCOMING EVENTS

Please visit www.accj.or.jp for a complete list of upcoming ACCJ events or check our weekly e-newsletter, *The ACCJ Insider*.

- **FEBRUARY 6**
It's A Small World:
A Multinational Networking Event
- **FEBRUARY 9**
Trivia Night: Love and Money
(Chubu Event)
- **FEBRUARY 27**
Enabling Global Digital Transformation—
An Infrastructure Perspective

David Stanley Hewett

Bushido Legacy

Tokyo American Club's Frederick Harris Gallery

April 11 – 30, 2018 11am-9pm



Hewett's painting entitled *Majime* was selected as the Gift to The First Lady of the United States by Akie Abe the wife of the Prime Minister of Japan on the occasion of the state visit to Japan by the President of the United States in November, 2017.

www.davidstanleyhewett.com

<https://www.tokyoamericanclub.org/index.php/en/frederick-harris-gallery>

*Tokyo American Club is a private club, but non-members can purchase artwork by calling the internal phone number (686). *Non-members are not allowed to enter the club facilities other than the B1 gallery area.
*There is no guest parking space at Tokyo American Club.*There is an age restriction for the gallery. Children under 6 years old are not allowed.*The gallery may be used temporarily by club events and guests' visits could be limited in such occasions.

Presentations with Passion

By Rose Tanasugarn

“We are all storytellers—it’s in our DNA,” Garr Reynolds told a packed audience at AstraZeneca KK’s offices in Osaka on December 14. Explaining that improved presentation skills lead to increased workplace confidence, he captivated the 119 attendees for an hour, using music, humor, easy-to-understand examples, and more than 400 stimulating slides.

Citing the book *Brain Rules* by molecular biologist John Medina, Reynolds said that vision is the most powerful sense, and visual storytelling conveys information in a way that is easier for people to remember.

He used interactive activities to remind participants not to be self-critical, but instead to take a chance and try different things and to use creativity to think outside the box.

“Your feelings are contagious,” Reynolds reminded the audience, adding that a genuine smile that carries up through the eyes can help you make a real connection with listeners.

Speaking from the heart and using positive vocabulary helps show passion for the topic.

EFFORT PAYS

Good presentations are a lot of work for the creator, but are easier for the audience to comprehend. Explaining his process, Reynolds recommended not starting on the computer, but instead setting aside quality time alone to think and to take an analog approach using sticky notes to storyboard the entire talk.

He suggested narrating ideas over multiple slides with larger text and visual graphs to simplify presentations, and avoiding slides with dense information that makes them difficult to read.

Reynolds said video clips are better than photos, and the use of supporting quotes from well-known people offers credibility. His last piece of advice was not to end a presentation with a question and answer session, but to make a final point instead.

TAKEAWAYS

“In today’s world, when it is more and more difficult to keep people focused, preparing a captivating presentation and passing the information to the audience in a way that sticks is a must,” said Michaela Smith, area director of sales and marketing at InterContinental Osaka. “I found Garr’s presentation extremely to the point, because he was doing exactly what he was presenting: passing the information to his audience in a very ‘sticky’ way. It is not often that we get the opportunity to learn from professionals about presentation skills.”

Mari Matthews, corporate officer at AIG Holdings Japan and vice-chair of the ACCJ Government Relations Committee added: “The most important thing is to be passionate with what you do and spread it through communication. Passion is contagious. I got a lot of technical information about presentation skills, but the really strong impression is that Garr is passionate and loves what he does!”

Mari Nogami, vice president of commercial excellence at AstraZeneca KK Japan, who had previously seen Reynolds only in training clips on the corporate website, tremendously enjoyed his live presentation. “It was a great opportunity to network with people from other companies—especially AIG, who are in the same building. It was a great reminder to me that making a presentation is not slides and reading. I should improve my skills. Many colleagues came to me and said that they were really impressed and inspired by Garr’s event. Thank you for giving AstraZeneca a great opportunity to learn from him!” ■



Rose Tanasugarn sits on the ACCJ–Kansai Membership Relations Committee



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Art for Charity

Making a difference for those in need

By Chisato Inagaki

At first glance, child poverty may not appear to be a problem in Japan. In a society where most families seem to be remarkably middle class, the unmet needs of the young go unnoticed. Little exposure is given to the fact that many children do not have sufficient food and basic necessities. In reality, 3.25 million children—or one in six—live in poverty.

The Community Service Committee (CSC) of the Kansai chapter of the American Chamber of Commerce in Japan (ACCJ) works to improve this situation and collaborated with Kitano Alley Gallery (KAG) in Kobe to present a series of events entitled “Art for Charity,” the first of which was held on June 24, 2017. Founded by ACCJ members Royi Akavia and Rica Bradshaw, who also sponsored the Art for Charity (Part 1) event, KAG plays host to the events that feature work by local and visiting artists. They also donate 10 percent of the proceeds of their gallery’s sales of artwork that are made during and after the events.

The first event was attended by local artists Taro Mizushima and Yuki Horiko, and featured work by 16 KAG member artists including DAAS, Rajul Shah, Akavia, and Tennessee-based Clifford Land. One lucky guest went home with a delightful raffle prize, Land’s playful *Marilyn and Mickey*.

NOURISHMENT

The beneficiary of these events is the NGO Food Bank Kansai (FBK), which distributes 180 tons of food free of charge to those in need, such as low-income, single-mother



households and domestic violence shelters. Sufficient food is essential for the proper development of a child’s mind and physical health, which in turn is critical to their confidence, self-esteem, communication skills, and academic performance. When these traits suffer, the future of the Japanese economy suffers.

FBK is staffed entirely by volunteers who manage the system, collect food from companies and individuals, and distribute it. This dedication inspired the ACCJ–Kansai to support them by donating proceeds from ticket sales. Combined with the additional monetary donations from KAG, the ACCJ–Kansai CSC has thus far been able to contribute ¥109,000 to support the needs of area children through FBK.

ART AND SAKE

On September 14, 2017, the ACCJ–Kansai CSC held the second Art for Charity event in support of FBK. Co-hosted by Hakutaka Co., Ltd., a renowned sake company based in Nishinomiya, Hyogo Prefecture, “Art of Sake—Appreciating Art, Appreciating Sake” was organized by Akavia and fellow ACCJ member Brent Jones and featured artwork for bottle designs entered into a competition held by Hakutaka.

Prior to the event, Hakutaka announced 12 finalists, and the top three winners were announced during the gathering at InterContinental Osaka. In addition to

browsing the entries, guests were able to bid on the artwork and bottles in silent auctions, with the money going to FBK.

Sake is made from rice, a grain that is also the most in-demand food among families in need. After FBK explained that rice donations fall short of needs, the ACCJ–Kansai CSC incorporated the cost of two kilograms of rice into the price of the event ticket. As a result, ACCJ–Kansai CSC plans to donate 120 kg of rice to the organization.

NEXT STEPS

FBK Director Megumi Asaba gave a speech at each event about the reality of poverty in Japan, the importance of their work, and why the support of the ACCJ–Kansai CSC and other groups, companies, and individuals is so important to creating a bright future for Japan and its children.

With the reestablishment of the ACCJ–Kansai Community Service Fund, the ACCJ–Kansai CSC plans to host more Art for Charity events in 2018 and continue our support of FBK. We hope that you will join us for these wonderful events that make a difference in the lives of the most vulnerable—our community’s children—and enrich our own lives with the incredible work of some of Kansai’s most talented artists. ■

Chisato Inagaki worked as an ACCJ–Kansai staff member from May to October 2017 and managed the Art for Charity events.





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Easier Startup

Japan makes visa changes for entrepreneurs

By C Bryan Jones

As part of Prime Minister Shinzo Abe's comprehensive economic policy package known as Abenomics, Japan has set a target for annual foreign direct investment (FDI) of ¥35 trillion by 2020. To reach this goal, the country must make itself not only a more desirable market but also an easier place for non-Japanese to conduct business.

Attracting startups is a key part of the plan, and in April 2015 steps were taken to make setting up a business easier.

Previously, those living abroad who wanted to come to Japan and start a company faced a Catch-22. To obtain a visa, one first had to register a company here. But to register a company, one needed to obtain a business manager visa and take up residence.

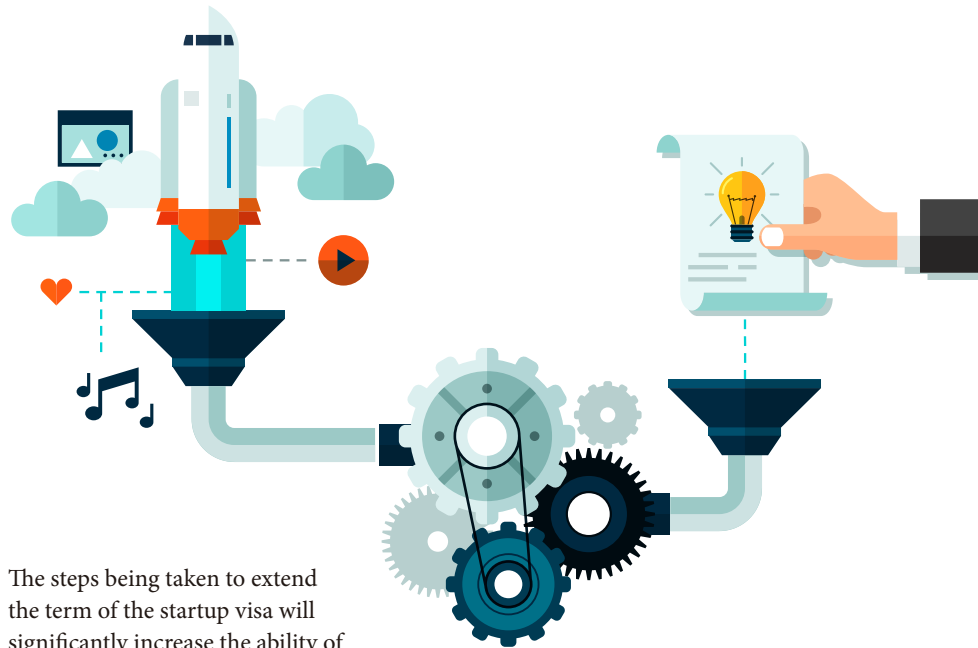
To solve this conundrum, a startup visa program was made available to those wishing to set up shop in the Tokyo and Fukuoka National Strategic Special Zones. This visa gave entrepreneurs six months to establish their business and could be renewed if one of two conditions were met: ¥5 million was invested in the company or two full-time employees were hired.

DOUBLE TIME

While a step forward, six months passes quickly and, according to *Nikkei Asian Review* only 30 such visas were issued in 2016 and 2017 combined. To better compete with other nations, a more flexible approach was needed.

As part of new economic package passed by the Diet on December 8, the startup visa period will be extended to one year and made available nationwide under a pilot program led by the Ministry of Justice and the Ministry of Economy, Trade and Industry (METI).

The American Chamber of Commerce in Japan (ACCJ) applauds the efforts of the government of Japan (GOJ) to make the country a more attractive place for those from abroad to start new businesses.



The steps being taken to extend the term of the startup visa will significantly increase the ability of global entrepreneurs to grow their businesses in the Japanese market. This, in turn, will lead to an environment that supports increased economic growth.

“We know that innovative small and medium-sized enterprises—including startups—have the potential to infuse energy and innovative solutions into the economy,” said ACCJ Venture Company Task Force (VCTF) co-chair Barry Hirschfeld. “We are pleased to see positive moves being made by the GOJ to make Japan more vibrant and internationally competitive.”

VCTF vice-chair Jim Weisser added: “By implementing measures to amend the startup visa, foreign entrepreneurs with the skills and experience to lead innovative businesses that address key business needs—as well as critical social needs—will be more willing to consider Japan.”

HELPING HAND

Efforts by METI to support local governments in attracting global startups are also welcome.

To help facilitate the process of establishing startups in Japan, METI will work together with localities wishing to attract FDI to identify professionals such as lawyers, accountants, and real estate agents who can provide services in English and other languages. By using these METI-certified professionals, entrepreneurs can gain access to private funds and government-affiliated lenders—something that will make a big difference for those trying to navigate a system that has long been difficult to crack from the outside. ■

The startup visa period will be extended to one year and made available nationwide

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Alternative Paths

Finding better performance in today's investment market

The investment world is becoming increasingly concentrated and assets under management (AUM) are in the hands of fewer—usually well-established—fund managers. At the same time, newer and smaller asset managers, often focusing on alternative investments, are generating some of the most interesting performance profiles.

This trend toward concentration is visible across all asset classes, from traditional assets (long-only investments in stocks and fixed income) to alternative investments (everything else). Two of the long-term drivers have been the high costs of complying with increased regulations put in place after the global financial crisis of 2008, and the increased costs of technology-driven investment management.

UPWARD TREND

The total AUM of traditional assets overseen by the 500 largest managers exceeded \$80 trillion in 2016. The top 20 managers handle more than 42 percent of AUM. Passively managed assets, such as exchange-traded funds (ETFs) continue to gain share of total AUM at the expense of active management.

Although passively managed assets remain significantly smaller than actively managed ones, their share is growing quickly. A major factor driving this trend has been downward pressure on traditional fee structures from investors coping with the current low-interest-rate environment.

Alternative investments remain sexy topics garnering much media attention. At the same time, as an asset class, they are much smaller. Despite AUM of about \$10 trillion, alternatives have shown similar trends toward concentration. Private capital (e.g., private



By Frank Packard, chair,
Alternative Investment Committee

equity, real estate, private credit, natural resources, infrastructure) has reached about \$5 trillion.

As much a particular mindset as about specific investments, alternatives is a broad term that may cover “unicorns” (those large pre-IPO private companies such as Uber), large private equity funds such as SoftBank’s \$100 billion Vision Fund and the \$25 billion Apollo Fund IX (for buyouts), or hedge funds, venture capital, and private credit.

One notable anomaly is that, nowadays, real estate is considered an alternative investment. In fact, it is probably the oldest investment class in the world and one of the first to be registered, traded, or pledged as collateral.

HEDGING BETS

Globally, 2017 was a great year for hedge funds—AUM reached a new high of \$3.2 trillion. For the first time in 15 years, this investment sector generated positive returns in all 12 months.

Hedge funds are also extremely concentrated. More than 60 percent are based in just three locations: New York City, Connecticut, and London. And the top 11 percent of hedge fund managers control more than 90 percent of AUM.

Quantitative funds—automated, algorithmic investment approaches such as high-octane strategies powered by artificial intelligence—have shown dramatic growth both for hedge funds and ETFs. Estimated AUM for quantitative strategies exceeds \$1.5 trillion.

Venture capital continues to grow and become more concentrated. Globally, in 2017—the most active year since the dot-com era—in excess of \$164 billion was invested in more than 11,000 tech startups. That’s up 50 percent from 2016. Of those numbers, the United States accounted for about 45 percent of the money invested and 49 percent of the deal flow.

GOING PRIVATE

One of the fastest growing alternative strategies is private credit, where private equity-style funds make mezzanine loans (usually unsecured loans, and many types exist), replace bank loans, etc.

As investors remain under pressure to find effective means of diversification and investment performance in an atmosphere of lower expected returns from traditional asset classes, alternatives are becoming increasingly popular.

Seeing this trend, and looking to educate the business community and help identify lucrative and interesting alternative options, the American Chamber of Commerce in Japan formed the Alternative Investment Subcommittee in 2015.

I’m pleased that, after many successful events and thanks to the support of ACCJ members and our wonderful guest speakers, 2018 finds us elevated to the position of full committee. Together with vice-chairs Christopher P. Wells and Jenifer Rogers, I look forward to continuing to share and explore alternative investment opportunities with you all. ■

BUILD, PARTNER, OR BUY?

How digital M&As are driving ideas and moving companies forward

By Julian Ryall

PHOTO: NEXUSPLEXUS / 123RF

Tokyo markets experienced a jolt on the morning of January 15, triggered by a single media report that came out at 2:00 a.m. local time. Shares in SoftBank Group Corp. soared nearly six percent in early trading on the Tokyo Stock Exchange after the *Nikkei* reported that the company “aims” to list its mobile phone unit, SoftBank Corp., in Tokyo and London later in the year.

The report suggested that selling off about 30 percent of the shares in the telecommunications arm of the company could net an impressive ¥2 trillion (\$18 billion), rivaling the record ¥2.2 trillion that Nippon Telegraph and Telephone Corporation raised when it was floated in 1987.

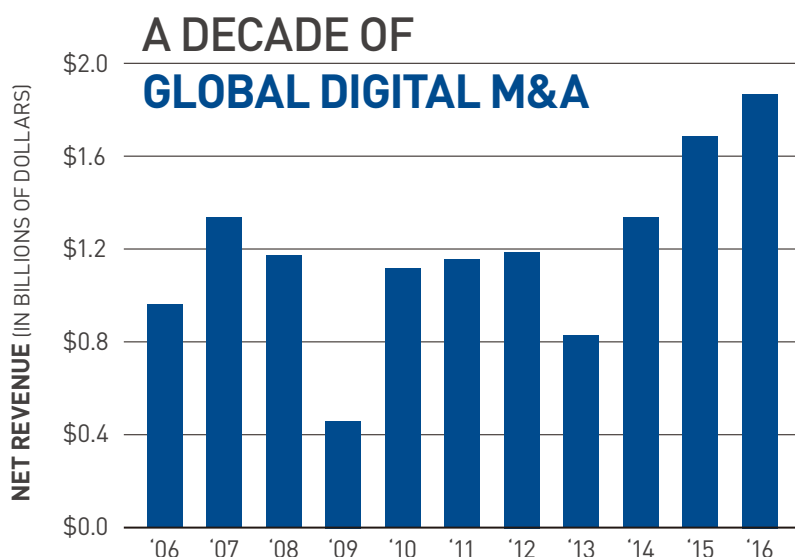
Frank Packard, chair of the American Chamber of Commerce in Japan (ACCJ) Alternative Investment Committee and president of cross-border financial services

provider Triple A Partners Japan Co., Ltd., seems far from surprised at the global appetite for the tech sector. He is also unsurprised that the agenda is being set by a company that appears to be redefining the concept of international mergers and acquisitions (M&As) in the technology space.

“SoftBank’s transactions have created their own category with digital M&As,” he told *The ACCJ Journal*. “First, it has launched the largest-ever private equity vehicle, the Vision Fund, valued at \$100 billion.

“Second, unlike traditional venture capital companies, which have tried to support one winner in each sector, SoftBank has backed almost every major competitor in the ride-sharing sector, for example, including Uber, Didi, and Lyft.

“And third, its wide appetite—from the acquisition in 2016 of British mobile telephone chipmaker ARM Holdings to that of American private equity fund manager Fortress Investments in 2017—has led some people to reach the conclusion that SoftBank is creating whole new industries, such as investment management or fund management applications on mobile telephones,” he said.



SOURCE: DEALOGIC

TECH ON TOP

While SoftBank may be setting the agenda for the future expansion strategies of Japanese technology companies, analysts say this is the sector to watch.

“Technology, as an industry, has been a big driver of growth in the global economy and has, to a large extent, been behind the recovery that we have seen in the years since the Lehman crisis,” said Scott Sugino, vice-chair of the ACCJ Foreign Direct Investment Committee and a partner at the Tokyo office of the O’Melveny & Myers law firm.

Japanese companies have been “very active” in tech-sector M&As, Sugino said, also singling out SoftBank as an example and its recent purchase of a 20-percent stake in Uber.

“But on the inbound side, there has been much less activity,” he said. “That is largely because there is not a lot here that is for sale, and the more notable deals have involved companies that are, for whatever reason, troubled.”

He cited Toshiba Corporation as one example. The conglomerate sold off its bankrupt US nuclear business for \$4.6 billion earlier this year, divested 95 percent of its TV unit to China’s Hisense Co., Ltd., and then spun off Toshiba Memory Corporation to Bain Capital, LP. The fire sale of some of the company’s most prized assets was forced upon management by an accounting scandal in 2015.

Equally, several Japanese companies, including Panasonic Corporation and Hitachi, Ltd., Sugino explained, have been “more active in divesting themselves of non-core businesses” as they try to focus their efforts on the most profitable elements of what they do.

Analysts say there are three broad categories of M&A transactions typically found in the digital sector. The first is existing technology firms snapping up other tech firms—often smaller startups with promising technology—and wrapping them into their own operations to improve their own products and services.

Alternatively, “traditional” companies with little tech-sector experience—and “fearful of being eaten by software,” according to Packard—are purchasing those they believe can offer them a new product or service, reinvent their business models, and perhaps move them away from an area that has seen declining opportunities.

The third scenario is traditional companies spinning off their digital operations when it becomes clear they are not able to absorb technology into what they do.

“In the 1990s dot-com boom, the digital world created totally new business models, from selling books on Amazon to searching the web on Google,” said Packard. “However, since around 2010, the digital world has been noticeably disrupting almost all traditional industries, including global trillion-dollar sectors such as travel and tourism, health, energy, finance, real estate, insurance, retail, and transportation.



PHOTO: KOBAY DAGAN/123RF

Even companies operating at a loss may be attractive acquisitions—as long as the technology they are pioneering holds promise.

“None of these are immune to digital transformation,” he added. And companies that sense they are under threat have three potential responses; build, partner, or buy.

EVOLVE OR DIE

According to Packard, the danger of not evolving fast enough is leading to many forms of corporate venture capital. “It is not only digital M&As and strategies to bring innovation into companies, but also accessing business intelligence, exploring business opportunities, playing defense, and seeing the future and trends that might threaten or destroy existing business models and revenues.”

Consequently, a lot of “traditional” companies from around the world have set up their own proprietary corporate venture capital units. These companies include: Asahi Glass Co., Ltd.; BMW AG; General Electric; NTT DoCoMo, Inc.; Samsung; and Volvo. More specialist tech companies active in similar arrangements include: Bloomberg L.P.; Cisco Systems, Inc.; Comcast Corporation; Intel Corporation; Google LLC; Qualcomm Technologies, Inc.; and Salesforce.com. Inc.

Packard pointed out that digital M&As in 2017 were “particularly active” in data center acquisitions, with 48 deals worth \$20 billion, which eclipsed the 45 deals worth \$16 billion in 2015 and 2016 combined.

One reason for this renewed interest in the sector is a spike in enterprise data center outsourcing, or spin-offs by traditional companies of non-core digital operations.

Sugino identified the auto sector as a global industry that is looking hard at new tech opportunities, particularly companies with abilities in the self-driving space.

EYES ON JAPAN

Japanese companies are an attractive proposition for US firms looking for M&A options for a number of reasons, not least because Japan is seen as a trendsetter in terms of consumption of new technology. The nation’s aging population is also leading to the creation of tech solutions aimed squarely at that market.



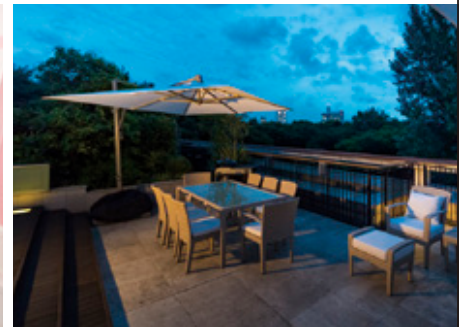
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The other side of Japan's demographic conundrum is a shrinking working population, which tech providers are also looking to overcome. Last year, Fukuoka Mutual Life Insurance Company replaced 34 employees with IBM's Watson Explorer, using artificial intelligence (AI) to calculate payments to policyholders. Experts anticipate a growing number of tasks will be taken over by AI in the near future.

Counterintuitively, Sugino said it has become apparent that bigger companies are willing to snap up tech outfits with little in the way of revenue. Even companies operating at a loss may be attractive acquisitions—as long as the technology they are pioneering holds promise.

In addition, the corporate venture capital model permits companies to pursue digital M&As in more “bite-sized” investments, Packard said, either through a fund or via later rounds of investment directly into the ventures. Ultimately, for the most appealing companies, this can lead to a 100-percent buyout.

“Japanese companies particularly like the corporate venture capital approach because the longer time frame allows the potential acquirer to evaluate a startup and its products and services,” he said.

CHALLENGES

Inevitably, international M&As in the tech sector have obstacles that must be overcome—not least because any deal rests on a product or service that might turn out to be the next big global thing, but equally might fizzle.

Another area of concern will be the often-vast differences in corporate culture between Japan and other countries, including in compensation arrangements for key personnel.

“US-based tech companies tend to want a flat management and free-flowing work style, which is the antithesis of how Japanese companies are set up, meaning that there can be problems meshing the two together after an acquisition,” Sugino said. And there is a risk that if senior management

are replaced, some of the other key officers of the company may also opt to leave. If the company has a good reputation, he points out, they are unlikely to be short of offers—so keeping the core team together is critically important.

“For a deal to be successful, the purchasing company really needs to do its due diligence, but it also needs to have a very clear post-acquisition plan in place to identify the key people and roles going forward” he said.

“There will be lots of questions: What will the relationship with the parent company be? What is the new management strategy? It is important that answers to those questions are available or people will start to leave.”

BRIGHT FUTURE

Yet all the analysts interviewed for this article are upbeat about the outlook for the sector moving forward.

“Corporate venture capital is seeing substantial and, seemingly sustainable, growth,” said Packard. “In 2015, investment reached levels of participation last seen in 1999 during the dot-com boom; and I predict that this is just the beginning of a long-term trend.

“Based on the last three years in Japan alone there are strong foundations for corporate venture,” he added, pointing to the success of a number of recent deals in the sector, such as Mitsubishi Corporation teaming up with John Roos, the former US Ambassador to Japan, to set up Geodesic Capital. The California-based venture-capital firm has Japanese corporate investors to provide late-stage investment to companies in the consumer technology industry. In 2016, Geodesic closed its first fund and raised \$335 million.

Sugino agrees. “When the music stops there will inevitably be some downturn in the global economy, but technology is driving the economy at the moment. This is where the global growth is happening.” ■

Experts anticipate a growing number of tasks will be taken over by AI in the near future.





FDI INFLOWS

Japan opens up to foreign
direct investors

By Anthony Fensom

Businesses of the world: Japan wants you. With Japanese Prime Minister Shinzo Abe pledging to make Japan “the world’s easiest country for companies to do business in,” US and other foreign businesses of all sizes can now tap into a raft of incentives to set up shop in the world’s third-largest economy.

The latest data shows the success of the government’s campaign—albeit coming from a low base. Helped by major investments from Asia and Europe, Japan’s net inflow of foreign direct investment (FDI) hit a record high of ¥3.8 trillion (\$34.3 billion) in 2016, according to the *Invest Japan Report 2017*, published by the Japan External Trade Organization (JETRO).

Significantly, the total inward FDI stock also reached a new high of ¥27.8 trillion, up for the third straight year. From just ¥6.1 trillion in 2000, the Japanese government hopes to grow the total to ¥35 trillion by 2020 as part of Abenomics policies aimed at reviving the economy.

“The policy target that was thought too ambitious at first has now become feasible,” said JETRO Chairman and Chief Executive Officer Hiroyuki Ishige.

Among the major investments identified by the government agency are Japan’s largest merger and acquisition (M&A) deal of 2016, in which a consortium led by France’s Vinci Airports acquired the management rights to Kansai International Airport, helping push European inflows to more than ¥2 trillion.

Asian net inflows also surged by 34 percent to more than ¥900 billion, including the move by Taiwan’s Hon Hai Precision Industry Co., Ltd. to take a controlling stake in Japanese electronics maker Sharp Corporation.

While inflows from North America were flat at around ¥630 billion in 2016, the United States remains the largest single overseas investor with some ¥7 trillion invested in Japan—accounting for one quarter of the total—followed by the Netherlands with ¥3.8 trillion and France with ¥3.4 trillion.

Key industries for foreign investors in Japan include finance and insurance (35 percent), electrical machinery (14 percent), and transportation equipment (13.6 percent), the report said.

JETRO cited a “qualitative change” in FDI, with the establishment of research and development (R&D) centers, expanding investments from Asia and an increasing focus on tourism amid Japan’s foreign tourism boom. Artificial intelligence (AI) and other technologies of the so-called Fourth Industrial Revolution are also attracting investor attention.

OBSTACLES

Despite recent progress and Japan’s supportive financial, legal, and regulatory environment, the US Department of State argues that “numerous challenges” remain in a country lagging behind its counterparts at the 35-nation-strong Organisation for Economic Co-operation and Development (OECD).

“Despite Japan’s wealth, high level of development, and general acceptance of foreign investment, inbound FDI stocks as

a share of GDP are the lowest in the OECD,” it noted in its *Investment Climate Statements for 2017*.

Japan’s low level of inward FDI, which accounted for four percent of its gross domestic product (GDP) at the end of 2011, paled in comparison to the UK’s 48.8 percent and nearly 20 percent in the United States.

The US Department of State points to inflexible labor laws, a traditional aversion within corporate Japan to M&As, and “deep relationships” between companies and suppliers that inhibit the entry of foreign competitors.

Other blocking factors identified by the OECD in its 2015 Japan economic survey included a high corporate tax rate, an “unclear regulatory environment,” and rules restricting the entry of foreign workers.

However, Tokyo has moved to address such issues, including through its 2016 policy package aimed at making Japan a “global hub.”

Among the measures launched by the Council for Promotion of Foreign Investment in Japan are the establishment of a process for skilled foreign professionals, similar to the US Green Card system, that slashes the waiting period for permanent residency.

Under the system, foreign entrepreneurs can apply for permanent residency after just one year, depending on their skills and job status. The previous wait was five years. The government is also eyeing an online system for residency status, aimed at reducing the time spent at congested Immigration Bureau offices.

Other measures, such as Japanese-language support in elementary and junior high schools and assistance with health and other services, aim to improve the living environment for foreign nationals.

JETRO also points to the establishment of 12 National Strategic Special Zones to achieve further deregulation, and simplified administrative procedures such as the Tokyo One-Stop Business Establishment Center to help entrepreneurs and businesses looking to start up in the capital.

INCENTIVES

From the national to local level, JETRO’s website currently promotes a range of stimuli related to investment in Japan—and not just for multinationals.

At the national level, there are various incentives for companies conducting R&D, as well as incentives related to new employment, capital investment, and easier immigration procedures.

Special zones also offer particular benefits, including subsidies for new business establishment and job creation in areas recovering from the Great East Japan Earthquake and Tsunami of March 11, 2011. This is in addition to the



72 percent of foreign-affiliated companies plan to expand their businesses within the next five years.

National Strategic Special Zones, Comprehensive Special Zones, and Special Zones for Reconstruction, which include tax benefits and financial support.

For example, the Tokyo Area special zone encompasses the Tokyo Metropolis and Kanagawa Prefecture, as well as Chiba City and Narita City in Chiba Prefecture. The zone includes special provisions for doctors and housekeepers from abroad, while an employment consultation center and “one-stop” business establishment center aim to smooth the process for new arrivals.

These entrepreneurs can also apply for residency status under the special provisions without needing to fulfill the usual conditions of employing at

least two people full-time or investing at least ¥5 million. In addition, companies in Tokyo can benefit from subsidies for expert consultations, for example with lawyers and recruiters.

One such business that tapped into Tokyo’s incentives is AI solution provider Imageous Inc. According to Chief Operating Officer Dennis Hsueh, the start-up has benefited from subsidies for local accountants and other business consultants.

“They’ve acted as a middleman in helping us with all the documentation and other bureaucracy, as well as market research—all in fluent English,” said the Taiwan native.

“The Tokyo government has been a huge plus for our business.”

BEYOND THE CAPITAL

Foreign businesses are also encouraged to venture outside the Big Mikan with a range of city and prefectural subsidies on offer.

In Fukuoka Prefecture, for example, companies in the automobile, biotechnology, information technology, and other high-tech industries are offered travel allotments, subsidized registration fees, and other benefits. Other cities and prefectures also offer various incentives, typically subsidized office rent and corporate registration.

Arthur Matsumoto, chair of the ACCJ–Kansai External Affairs Committee (EAC), suggests foreign businesses venture further afield than the capital. He points to data from the Ministry of Economy, Trade and Industry (METI) showing that the vast majority of FDI is to the Kanto region, with only around 10 percent to Kansai and eight percent to other areas.

“Tokyo is like any other global city, but the regions outside Tokyo are large economies in their own right. In Kansai, the focus is on education and tourism, such as through the new proposed integrated resorts,” he said.

Bryan Norton, chair of the ACCJ Globalization Committee, suggests that the central government no longer offers a gateway to all of Japan, with foreign businesses now needing to seek opportunities at the local level.

“There has been a major shift since the Koizumi administration away from the national government and its agencies being able to generate business opportunities for foreign



companies,” he said. “Foreign companies have to realize that they now must go to the prefectures and the cities, too.”

Norton highlights Fukuoka as one city that has taken advantage of the changes, successfully streamlining immigration procedures to allow increased tourism from visiting cruise ships, allowing tourists from China and elsewhere to stock up on “Made in Japan” goods before venturing home.

He also suggested that easier visa procedures have encouraged multinational companies to set up global teams in Japan, benefiting the country in the lead-up to the much-anticipated Tokyo 2020 Olympic and Paralympic Games.

REFORM PUSH

In its 2017 Growth Strategy, Japan announced a “regulatory sandbox” system aimed at encouraging the development of new business models not covered by existing regulations, such as those related to AI, drones, and autonomous vehicles.

Unlike the national strategic zones, the new system aims to promote “demonstration experiments” on a project level, with the government offering hands-on support.

The growth strategy also aims to curb administrative costs by 20 percent through the digitization of administrative procedures and unified documentation, including such areas as business licenses and tax.

Under recent reforms, Japan’s effective corporate tax rate has been cut from 34.6 percent in fiscal 2014 to 29.7 percent in fiscal 2018, putting it below France and Germany—although still higher than Asian rivals such as Hong Kong and Singapore.

JETRO also cites improved corporate governance, such as the introduction of a Japanese Stewardship Code and Corporate Governance Code, along with deregulatory measures in agriculture, energy, and medical care.

It also notes the need for Japan to move up the World Bank’s ease of doing business survey, in which the nation currently ranks 34th among 190 economies.

Japan now has a very positive vibe, particularly if you look at the surge in tourism since 2010.



Importantly, the nation's second-longest postwar economic expansion has Tokyo on the verge of declaring victory in its war against deflation.

Corporate profits are expected to hit a new record high of ¥25.6 trillion in fiscal 2017, up 17 percent from the prior year, helped by structural reforms along with an improving global economy.

The trade promotion agency points to a survey showing 72 percent of foreign-affiliated companies plan to expand their businesses within the next five years, with 70 percent intending to add staff.

GOING FARTHER

Yet, with the move by the administration of US President Donald Trump to slash corporate taxes and amid intense competition for FDI from other Asian economies, Japan cannot rest on its laurels if it wishes to gain a bigger slice of the pie.

Jim Weisser, co-chair of the ACCJ Venture Company Task Force (VCTF), urges further reforms to create a more vibrant ecosystem for venture companies.

These include greater flexibility in hiring and firing employees, eliminating restrictions on corporate officer remuneration, allowing for greater use of tax carryforwards for net operating losses, and the revision of gift and inheritance tax laws that have sparked an outcry among the expatriate community.

"The current scope of the gift and inheritance tax laws incentivizes foreign nationals to leave Japan before they have resided here for 10 years out of the past 15 years," the VCTF argues.

Weisser, who has lived in Japan since 1993, suggests the challenge for Japan is "making inheritance tax fair and reasonable, and addressable in a way where people don't leave."

Kumi Sato, vice-chair of the ACCJ Growth Strategy Task Force, also urges the authorities to better facilitate the introduction of housekeepers from outside Japan, to benefit women workers.

"All women need options, not just some. Not only special visa status holders who are non-Japanese, but also Japanese households should be allowed to sponsor foreign domestic workers. This will really encourage women workers, not just the top tier but also women who are starting their careers, to make sure they don't fall out of the workforce," she said.

Moving Japan higher up the global FDI rankings might require an even bigger change, according to Nicholas Benes, chair of the ACCJ Growth Strategy Task Force and director of the Board Director Training Institute of Japan.

"JETRO does a nice job at what it does, but it doesn't move the needle very much. The biggest barrier is the lack of a more developed and active M&A market in Japan, and this is a direct function of corporate governance," he said.

"If we can double the size of the M&A market, we'll help not only foreign, but also Japanese companies in creating a bigger marketplace for all, raising productivity and growth."

In the meantime, Japan's new growth push has given foreign businesses plenty of reason to establish operations here, not least its "Cool Japan" status.

"Japan now has a very positive vibe, particularly if you look at the surge in tourism since 2010," Weisser said. ■



NEW-AGE FARMS

How drones are changing the rice industry

By Maxine Cheyney

Over the past three years, drone sales have reached new heights. Chances are, you know someone who has bought one or received one as a gift. While they are great for aerial photography and fun to fly around haphazardly, their practical uses go far beyond.

Unmanned aerial vehicles (UAVs) were used for military purposes in the mid-1800s (balloon bombers) and World War I (pilotless aircraft). Today, a popular form of UAV is the drone, a small autonomous craft that is being applied to such diverse industries as real estate, construction, and agriculture. In Japan, an aging population means that the number of farmers is dwindling. As fewer young people take over from their elders, new technologies such as drones are becoming a central part of agriculture.

TECH DRIVE

According to the Statistics Bureau of the Ministry of International Affairs and Communications, forestland and fields account for the largest portion of the nation's surface area—about 250,000 square kilometers or 67 percent. Another 50,000 square kilometers—or 12 percent—is used for agriculture. Collectively, these areas cover nearly 80 percent of the country.

That's a lot of land to manage with a dwindling labor force.

Exacerbating the matter, in 2016, the child population (0–14 years) was 15.78 million (12.4 percent of the total population), the lowest level on record. Those aged 65 years and over have outnumbered the child population since 1997. The productive-age population (15–64 years) has been in decline since 1993, now totaling 76.56 million, or 60.3 percent.

Labor solutions have never been more necessary, and drone technology is proving to be one solution for farming.



Yamaha began developing pilotless drones in 1983 at the request of the Japanese Ministry of Agriculture, Forestry and Fisheries and completed its first utility-use unmanned helicopter, the R-50, in 1987.

This technology led to the R-MAX, an unmanned helicopter introduced in 1997. “They have been heavily utilized in spraying rice paddies,” said Brad Anderson, manager of Yamaha Motor Corporation, USA's Unmanned Systems Division. “Here in the United States, our initial target has been vineyards—specifically vineyards on difficult terrain, such as steep hillsides.”

OPTiM Corporation's Agri Drone is another product making headway in this space. It was originally created as part of a three-way collaborative agreement with Saga Prefecture and Saga University.

“The overall goal of the agreement is to modernize the agricultural industry in Saga, and drones were seen as a way to reduce labor and improve crop care,” Leslie James, a member of the promotion team of the Platform Department at OPTiM Corporation Tokyo Head Office, told *The ACCJ Journal*.



The technology can be used to survey crops and take photos of plants, allowing farmers to find insects, pest damage, weeds, diseased plants, and mold. The Agri Drone goes one step further. The “pinpoint insect extermination” feature allows farmers to attach a pesticide bottle to the drone and spray only areas where insects are detected, reducing labor and the amount of chemicals used.

Another feature that James highlighted is the chemical-free bug zapper attachment, which hangs from the drone as it flies low over crops. Using it, farmers can eliminate more than 50 common varieties of pests that come out only at night. A method for targeting white-backed plant-hoppers—insects that are particularly harmful to rice—is also under development. This technology will be especially useful in Japan, where rice is so critical to the market.

FARM FEARS

Kiichiro Katsumata, president and chief operating officer of Drone Japan Co., Ltd., spoke to *The ACCJ Journal* about the company’s Drone Rice Project. So far, the company has contracts with seven farmers to cultivate organic rice with the help of drones.

“People’s image of drones is that they are utilized for chemical spraying,” he said. “However, drones are gradually being used for crop growth and sculpting services, using a multi-spectrum camera.”

This camera can show what parts of the crops are growing well and which aren’t, using a simple map. This technology, he explained, is particularly helpful for what he calls “difficult” farming—namely, organic.

“Not all organic rice can be harvested each year. In fact, the average [yield] is 50 percent of what is harvested from chemically-treated rice.”

“In order to harvest more, organic farmers are also using organic fertilizers, and the drones can show which parts need to be fertilized.”

Katsumata is looking to grow the number of farmers involved to more than 10 by April this year.

Because drone technology changes so rapidly, the company uses various types of tech and won’t commit to one product. However, drone development has not moved as quickly in the agriculture industry as it has in others. Katsumata believes this is beginning to change.

“From now on, drone agriculture technology will be a major area, because the world will be suffering from food crises and land for cultivation is declining rapidly because of environmental issues.”

James mentions two ways that the Agri Drone helps reduce labor for farmers. First, it takes photos of crops and the analysis can be done by one person. Second, the footage helps to map out problems. “The farmer can go straight to the problem detected, requiring fewer staff overall.”

For Anderson, Yamaha’s R-MAX provides an alternative to hand spraying, and the use of an unmanned helicopter is



BENEFITS OF USING DRONES



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Improved productivity



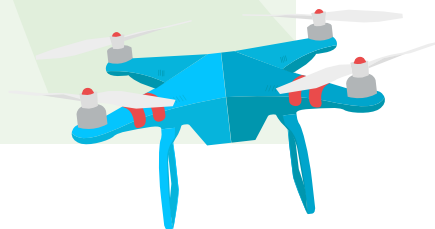
Reduced labor cost



More scalability and adaptability



Increased safety



SOURCE: PWC

something he believes is financially viable to reduce labor pressure. Further than its use on vineyards in California's Napa Valley, he foresees the technology being applied to other high-value specialty crops.

RICE RALLY

One major concern that Katsumata is trying to address is the size of the rice production market. The website World Rice Production shows that Japan produced 7.6 million metric tons in June 2017, far behind many of its Asian counterparts and not far from the 6,382,000 metric tons harvested in the United States. Improving rice exports may help offset shrinking consumption in Japan, which is declining by 80,000 tons per year.

One reason Katsumata is intent on taking Japanese organic rice abroad is a change in the nation's culinary preferences. "The Japanese are shifting food culture from rice-based to wheat," he explained. "So, even though we have lots of rice farmers in Japan, that population is rapidly declining because Japanese people do not eat [so much] rice today, and young people especially are shifting their food culture to more Western foods."

He pointed out, however, that sushi is a popular food in China, the United States, and Europe; so Japanese rice has potential markets abroad.

The cost of drones is, of course, an issue, so Katsumata is looking to connect with new investors. "If I can engage with high-conscious customers and partners worldwide, Japanese farmers will be motivated to grow rice organically."

NEW APPEAL

Attracting younger generations of farmers is a continuous problem. Anderson believes that the piloting of drones is a skill set the younger generation finds attractive. "We feel that introducing a new skill set such as this could provide some benefit to the shrinking labor pool within agriculture. While many people do not have any interest in hand spraying



a field, they may have interest in piloting an unmanned helicopter to do the spraying.”

OPTiM have an agreement with Saga University to encourage more students to major in agriculture and to stay in the area for farming after they graduate.

“We also work with students and faculty in development and testing,” James explained. “We hope that this agriculture technology can increase the appeal of farming for young people.”

But there are challenges to using new technology in farming, and Anderson sees three audiences for which education is critical. “The education extends to operators of the equipment and teaching them how to properly and safely perform a spray application; to the customer so they are aware of the details of the operations; and to regulators so they are aware of the operation and know how to properly regulate it.”

OPTiM is working with local governments to help educate about the benefits of drone usage, and is working with Fujieda City in Shizuoka and Obihiro City in Hokkaido Prefecture to find farmers to train.

The company recently announced the introduction of the Smart Agriculture Alliance to encourage anyone interested in working with OPTiM on agricultural solutions to reach out to them. They are offering participants drone flying lessons, use of their analysis apps, support for agricultural tech trials, and more. “We have already made some partnerships through this campaign, including with a local bank, winery, herb farm, and farm management company,” James said.

The hope is that this will improve crop yield and even increase the selling price and value of the crops.

“We also think that drones will be able to scan for more varied information. For example, our Agri Drone can take multi-spectrum images, such as near-infrared and thermal. Future drones may be able to record the height of a crop from above, or view root structures.”

Katsumata also said one of his core focuses is education. “Sustainability with technology is inevitable and mandatory for the future—especially for the next generation of farmers.” This is why he has partnered with schools nationwide—from junior high to university level—to help teach students how drones and artificial intelligence can be used for agriculture in the Big Data era. Particularly for Japanese rice, this technology can help make the sector more competitive.

“The Japanese Rice Project is about finding the Japanese traditional mind again, not just technology, selling, and agriculture. It’s an education for future farmers.” ■

Sustainability with technology is inevitable and mandatory for the future—especially for the next generation of farmers.



Twelve years after Aibo disappeared from store shelves, Sony has released a new version of its iconic robotic dog—a move the company hopes will mark its comeback as a tech powerhouse.

Aibo's rebirth was spearheaded by President and CEO Kazuo Hirai, who saw it as part of Sony's drive "to continue to be a company that inspires curiosity in people."

It is also part of his "One Sony" strategy of combining technological strengths across the company's different sections to create business capable of generating steady revenue. He has been promoting this strategy since becoming president in 2012.

PET ADVANCES

The failure of the Aibo is not an option for Hirai. If it dies off like its predecessor did soon after its 1999 debut, it will deal a blow to Sony's brand image. Success, on the other hand, is seen as a way to establish an iconic new product to solidify the company's fan base.

"We crammed a lot of our unique technologies and devices into the new Aibo," said Sony Director Izumi Kawanishi, who headed the Aibo development team. "We're going to offer a new experience by fusing hardware and cloud technology."

Hirai began working on the project in the summer of 2016, bringing together engineers from different divisions. Meeting this month's rollout deadline meant putting in serious overtime at the company's headquarters in Tokyo. The biggest challenge for the engineers was giving the dog natural movements and the ability to learn new tricks, which were seen as key to creating a bond between Aibo and its owners. One of the initial prototypes proved a major letdown—far too big and nothing like the cute puppy they had envisioned.

A camera mounted in its nose captures human faces, while another on its back gives it a view of the surrounding room. This allows Aibo to approach people it knows and avoid bumping into objects.

Sony decided that 2018, the Year of the Dog, was the right time for Aibo's comeback. The company held a "birthday

YEAR OF THE DOG

Sony stakes its reputation on Aibo's return

By Hisashi Iwato

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The artificial intelligence system was designed to mimic a dog's natural learning process.

PHOTO: SONY

ceremony” at its Tokyo headquarters on January 11 at 11:01 a.m. The sound of the date and time—one, one, one—is similar to the Japanese sound for a dog barking: wan, wan, wan.

The new Aibo has already proven a hit. Since November, Sony has taken three rounds of pre-orders, with each round selling out within an hour.

CUDDLIER AND CUTER

The current version is much more intelligent than the original, the company says. It comes with a price tag of ¥198,000 (\$1,778). Sony aims to sell it overseas as well.

The goal was to make the new Aibo cuddlier than its predecessor, rounding its edges and enhancing its cuteness by giving it gestures, such as cocking its head and wiggling its rump. This required installing a large number of actuators—components that control movement—which presented a challenge, because the team did not want any visible screws on the dog's body.

Engineers Hidenori Ishibashi and Naoyuki Izu were brought in from the digital camera division to design a new actuator capable of giving Aibo doglike movements.

The artificial intelligence (AI) system was designed to mimic a dog's natural learning process. Aibo does not immediately put out a paw when commanded to “shake” or “high five.” It develops these behaviors gradually, and it is friendlier to people who give it a lot of attention, just like a real dog.

During the product's development, Hirai visited the team every month for progress reports. Kawanishi, Sony's top engineer, thought the team could apply precision technology developed for rotating parts, such as those used in cassette tape decks, to Aibo. Luckily, this older technology was still being refined by engineers working on digital cameras.

Kawanishi, who joined the company in 1986, is known for his expertise in both hardware and software. After being assigned to a game subsidiary in 1995, he led development projects for the PlayStation 3 console and PlayStation Portable. He has also been tasked with the heavy challenges of revitalizing Sony's slumping smartphone business.

“I get the tough jobs,” he said with a wry smile.

MORE CLEVER

Aibo owes much of its brain to Takuma Morita, who previously worked on cameras, and to Tomohiro Taira, an expert in cloud computing who works for a Sony communications subsidiary.

“The important thing was to make sure it will both please and disappoint its owner to the right degree,” Morita said,

The original Aibo, introduced in 1999.





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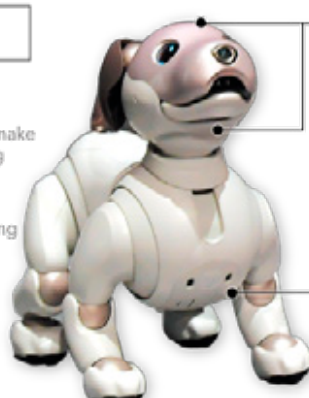
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Dissecting Aibo

Cloud-based artificial intelligence system

- Collects, analyzes data from chip in each Aibo
- Enables Aibo to learn to make unique gestures that bring happiness to each owner
- Allows for additional services, such as monitoring of elderly users

Aibo assembly requires
40
steps



Touch sensors

Allow Aibo to recognize when it is being petted

Aibo made of some
4,000
components

Motion sensor

Detects when someone is approaching

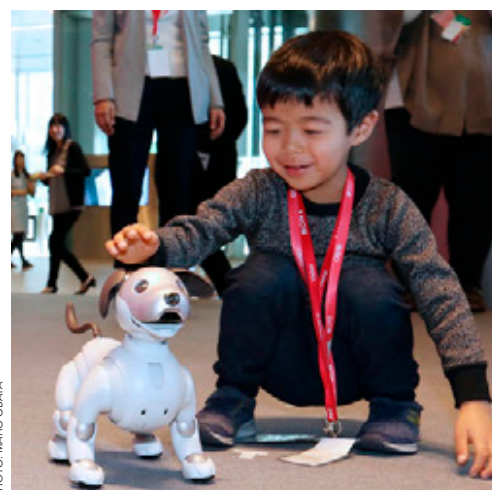


PHOTO: MAHO OBATA

since a bit of exasperation would make it more like owning a real dog and thus inspire greater affection.

The new Aibo is cleverer than its predecessor, thanks to a wireless cloud-based AI system that collects and analyzes data from other Aibo robots. This gives it a bigger repertoire of tricks and allows it to automatically download software that produces unexpected new behaviors.

The team worked hard on Aibo's final touches. After the announcement of the product launch in November, engineers took prototypes home to work on them.

In the final phase, Yusuke Kawabe joined the team from subsidiary Sony Mobile Communications. He repeatedly went to the zoo to study the movements of animals, even crawling around on all fours to get a feel for how they walk. This helped him fine-tune Aibo, giving it an endearing waddle and allowing it to mimic a real puppy when it lies down, "so we could make it really cute," he said.

We crammed a lot of our unique technologies and devices into the new Aibo.

Atsushi Obara, part of a research and development group made up of people from different divisions, came up with a tool to shorten the time to produce software to enable subtle, natural movements.

Despite all the innovations, Kawanishi said Aibo's release is "only the beginning." Sony hopes to sell related products and services such as software, like it does with its PlayStation game consoles. Aibo's camera, for example, could be used to monitor elderly family members, according to the company.

With many challenges to address to ensure that Aibo becomes an enduring global hit rather than a short-lived fad, Kawanishi and his team undoubtedly have many busy days still ahead of them. ■

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PHOTO: SONY

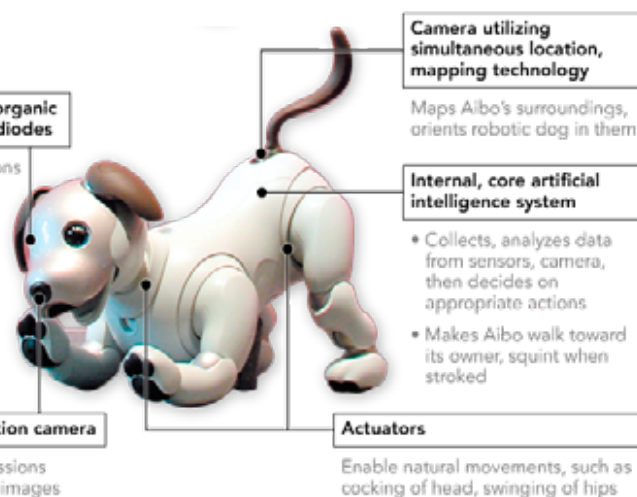


Eyes made of organic light-emitting diodes

Enable formations of various expressions

Image recognition camera

Captures expressions of owner, other images



Camera utilizing simultaneous location, mapping technology

Maps Aibo's surroundings, orients robotic dog in them

Internal, core artificial intelligence system

- Collects, analyzes data from sensors, camera, then decides on appropriate actions
- Makes Aibo walk toward its owner, squint when stroked

Actuators

Enable natural movements, such as cocking of head, swinging of hips

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CHANGE NOW

Japan should tackle New Year challenges while winds are favorable

By Nikkei Asian Review

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Now that 2018 is in full swing, let us consider what New Year's resolutions Japan should make and the main challenges facing the government and businesses in achieving them.

Goldman Sachs forecasts the world's gross domestic product will grow 4 percent this year, up from 3.7 percent in 2017. For the first time in years, the global economy is entering a new year amid largely favorable winds.

Japan's GDP posted a seventh consecutive quarter of growth through the July–September period, and many economists predict the growth rate for fiscal 2017, which ends in March, will be close to 2 percent. Workforce shortages caused by an aging and declining population have prompted companies to invest more in labor-saving technologies. Listed companies are expected to post a record combined net profit for fiscal 2017.

DOMESTIC MATTERS

The new year will likely be less stormy on the domestic political front, too. The lower house was dissolved for a snap election only a few months ago, and there will be no upper house election until the summer of 2019. The ruling Liberal Democratic Party is to hold a presidential election this autumn, but Prime Minister Shinzo Abe has no rival who threatens to oust him as party chief.

In a recent speech, Christine Lagarde, managing director of the International Monetary Fund, borrowed the words of late US President John F. Kennedy, saying that “the time to repair the roof is when the sun is shining.” Painful reforms, in other words, should be carried out while the economy is faring well.



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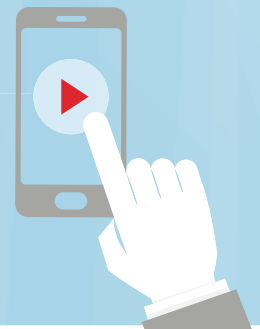


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This year marks the 150th anniversary of the Meiji Restoration, a historical milestone that put Japan on the track to modernization. The past century and a half is divided into two distinct halves. The first extends from the Meiji Restoration to the Pacific War, while the second encompasses Japan's postwar reconstruction, its economic bubble, and other developments up to the present day.

What should be the government's first priority, particularly as the country prepares for a change in Imperial era names after the emperor steps down next year?

The most crucial task is to draw a blueprint of what the country's social security system and public finance should look like, with a view to coping with the advent of a super-aged society. It is a challenge comparable to constructing a modern state or rebuilding an economy, but we hope the government will face it squarely and formulate an economic policy package this summer.

AGE ISSUES

All of Japan's baby boomers will be 75 years or older by 2025, after which it will be even more difficult to rein in ballooning social security costs. Over the next two to three decades, as the number of elderly grows, the working-age population is set to decline. Increases in healthy life expectancy mean it is no longer feasible to maintain the current age threshold for social security programs for the elderly.

The number of people aged 65 or older as a percentage of the total workforce is also growing. [*Nikkei Asian Review*] suggests considering a comprehensive package of measures aimed at raising the pension eligibility age to 70 incrementally, while also making efforts to increase employment opportunities for elderly citizens.

The Abe government is prepared to raise the consumption tax from 8 percent to 10 percent in 2019. The problem is what to do as a follow-up. The government must devise a plan for pushing ahead with further tax hikes at a moderate but continuous pace, while also keeping an eye on whether such increases risk pushing the country back into deflation or triggering a spike in the yen's value.

The government must also be careful regarding monetary policy, which has become more closely linked with public finances than before. While US and European monetary authorities are moving to wind down their unprecedented monetary easing, Bank of Japan (BOJ) Governor Haruhiko Kuroda has indicated that his first priority is breaking the deflationary mindset in Japan.

But the BOJ must not forget to provide the market with clear signals as to what economic conditions would cause the bank to rethink its monetary policy, and in what order it intends to implement any policy changes.

PRIVATE HELP

The public sector alone cannot invigorate the Japanese economy. There is much that the private sector must do.

Companies should use more of their ample cash reserves for investing in new technologies and rewarding employees.

It has been many years since the days when Japanese companies were churning out epoch-making products and services. In the digital age, companies must utilize both in-house and outside talent to tackle challenges nimbly and without fear of failure.

Creating a highly liquid labor market is a challenge for Japan. Another urgent task is to facilitate the reform of corporate labor and personnel management, and to further promote women's participation in the workforce.

Many major events are scheduled to take place in Japan in 2019: Emperor Akihito's abdication and a change in the country's Imperial era names, local elections across the country, an upper house election, and an annual summit of the Group of 20 leading economies, with Japan holding the rotating chairmanship. Where Japan stands 10 years from now will hinge largely on whether the country can manage to tackle its various challenges ahead of these events. ■

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CABINET OFFICE

GREATER EFFORTS NEEDED TO BOOST DOMESTIC DEMAND

On November 15, the Cabinet Office announced that the adjusted gross domestic product (GDP) for the July–September 2017 quarter showed an annual growth of 1.4 percent. This marked an unusually long period of 28 quarters (seven years) of consecutive growth.

But individual consumption declined from the previous quarter by 0.5 percent, failing to match the 0.7 percent growth achieved from April to June. This essentially reverts the growth model to one based on external demand led by exports, thus far-reaching measures are urgently needed to shore up consumer demand at home.

“We want to analyze the factors causing negative domestic demand,” said Toshimitsu Motegi, the minister in charge of economic revitalization, at the press conference held following the release of the GDP data.

Consumption in service-related sectors, such as travel and dining, were negatively affected by typhoons, prolonged rain, and other meteorological factors during the July–September period. Consumers also remained hesitant to open their wallets, and this was reflected in a variety of retail stats.

The global economy—bolstered in part by exports from Japan and overseas operations by Japanese firms—continues to enjoy favorable conditions. The US unemployment rate dropped to 4.1 percent in October and held steady in November and December, its lowest level in 17 years. The European Union has also been enjoying record-low unemployment figures, buoyed by Japan’s exports of automobiles, construction equipment, and related components.

But some are concerned that protectionist trade policies embraced by US President Donald Trump might lead to global economic chaos. In such an environment, shifts abroad could deal

a severe blow to Japan’s growth if it is dependent on foreign demand. Robust domestic demand not influenced by overseas economies is necessary to prevent this.

Prime Minister Shinzo Abe has encouraged the industrial sector to follow through with a 3-percent increase in wages to reinforce individual consumption. But for companies to implement continuous wage increases, improvements are needed to strengthen their productivity and profitability.

Another concern is the increasingly heavy burden placed on young workers to keep the social welfare system afloat. This requires these workers to pay a higher portion of their income into the system, making it important for the government to alleviate concerns about the viability of pensions.

MINISTRY OF LAND, INFRASTRUCTURE, TRANSPORT AND TOURISM

INTEREST-FREE LOANS TO BE EXTENDED FOR PILOT TRAINING

At the end of November, the Ministry of Land, Infrastructure, Transport and Tourism announced it had created a scholarship system for aspiring student pilots at private universities and other

training facilities, which will take effect in 2018.

In the face of high tuition costs, the government—with its long-term target of boosting inbound tourism—must expand overseas air routes. To do this, it must work together with the private sector to ensure there are enough pilots.

Tuition for pilot training can run from ¥15 to 20 million, and many potential students are said to opt out because of the costs.

The new “Future Pilot” scholarship program is to be overseen by a foundation called the Aircraft Operator Nurturing Group. Funds of up to ¥500,000 will be made available to some 25 candidates, distributed in one to three installments beginning in their sophomore year. Students will have up to 10 years to repay the loans after graduation. Japan Airlines Co., Ltd. and ANA Holdings Inc. will take part, underwriting one-half of the funds.

However, of the approximately 6,400 pilots employed by 17 domestic airlines, 54 percent are presently aged 45 or older. As these individuals begin to retire, a shortfall is anticipated. With the increase in air routes, some 380 new pilots will be required by the time of the Tokyo 2020 Olympic and Paralympic Games—a figure that is expected to soar to 430 by 2030. ■



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LOVING LEARNING

Summerhill sets children on the path to success



For any parent, choosing a school for their child is a big decision. But when it concerns the very start of their education, it is even more so—and any preschool will need to tick a number of boxes.

"It's probably one of the most important levels in education, because everything starts here—absolutely everything," said Kathyne Imabayashi, director of Summerhill International School in leafy Moto-Azabu. "If you have a strong, solid foundation, when you have a small child that understands at a very early age their own power in steering their education, then that's something they'll have their whole life. If they have this positive attitude of success and joy at learning, they'll carry that with them."

But to do that, a preschool must have the right philosophy and a curriculum built around it. "Children here are treated with a sense of respect, with an understanding that they are very capable and competent at each developmental level."

HERE AND NOW

For many parents and teachers, there is an understandable focus on preparing children for the next stage in their education. But Imabayashi firmly believes that is best achieved by concentrating on where the child is at the moment.

In part, that is about creating an environment where they can act on their natural curiosity and we can target these interests. And, with that, the child will develop their skills and knowledge while also building their creativity, self-esteem, and understanding of the importance of asking questions—not just seeking answers.

"If the focus is on valuing each of the developmental levels that a child is going through, they will always be prepared for whatever comes next, but they will also be fully in the current moment," she said.

The importance of setting the right environment applies on a physical level, too. Walking around Summerhill, it is hard not to be struck by the large, bright classrooms.

"The environment is a crucial part of education," said Imabayashi. "It influences learning—some educational philosophies refer to it as the third teacher. Our rooms are set up so that children have some individual choice and power over what their learning is going to look like."

Summerhill's environment is aesthetically beautiful, she added, pointing to little things around the school that just create a sense of awe.

MAGICAL ENVIRONMENT

Summerhill is also looking ahead in other ways, and this year has seen the creation of two new areas at the school. The first of these is a light room, which creates a "magical" environment where children can explore lights and shadows—as well as reflections and prisms—enabling learners to expand their thinking.

The second is in the school's outdoor play space—usually used by one- and two-year-olds—where a wall has been divided into three sections based on themes of sound, movement and writing, and painting. These encourage exploration and experimentation.

As part of the Business Breakthrough Inc. (BBT) group, Summerhill plans to use the company's strengths to improve its offering further, for example by collaborating with BBT's other educational institutions when it comes to teacher training.

COMMUNITY

Parents touring the school often remark on its warmth and friendly atmosphere, and for Imabayashi this community spirit is one of Summerhill's distinguishing features. Many families at the school live in the neighborhood, adding to this sense of cohesion.

"For teachers, it's not just a job. For parents, it's not just a place to send their children," said Imabayashi. "It's somewhere that we're all working together to make the very best experience for the children, and there is a great deal of love." ■



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Aoba-Japan International School embraces an evolving world

Scarcely a day goes by when we don't witness technology impact our lives in a new way. With some jobs disappearing and others emerging in their place, schools increasingly need to consider how they're readying young people for the world of tomorrow.

In Tokyo, Aoba-Japan International School is at the forefront of preparing young learners.

"Really, when we think about it, there are a number of skills they need," said Karen O'Neill, Aoba-Japan's primary school principal. "We want them to be able to innovate, solve problems, and take wise risks. We want them to be able to communicate effectively. We expect our learners to be caring, collaborative creators and researchers. So, there are sets of skills that we want our kids to have so that they can actually apply their ideas to any situation they are confronted with."



QUICK TO ADAPT

Drawing on the latest evidence-based research, Aoba-Japan is implementing several new projects. Among these is the Collaborative Blended Learning Project, which seeks to find the optimum combination of face-to-face interaction and technology-assisted education.

This three-year project, consisting of research and professional learning initiatives, was developed in partnership with Australia's Southern Cross University. Working in teams, participants—called "Teachers as Researchers"—conduct classroom-focused research to build their collective expertise.

"What we're trying to do is innovate or disrupt the way that we traditionally do school, because—as the research literature tells us—not a lot has changed since my generation went to school," said O'Neill. "Because we're not a state system, we're not a British or US system, we're not confined by set traditions. We're an international school that can implement change quite quickly and quite effectively. We have staff that are very engaged in doing that."

GLOBAL LEADERSHIP

In addition to being a fully authorized International Baccalaureate continuum school, Aoba-Japan also offers the A-JIS Global Leadership Diploma (GLD). Based on research, this diploma, led by world-renowned expert Dr. Paul Lowe, has been specifically



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designed to engender learner agency and self-efficacy as key attributes of success. Based on the principles of entrepreneurship and social responsibility, the GLD engages our senior learners in purposeful education. It allows them to identify where they want to go after graduation and plan how they are going to get there. They identify their goals and then select areas of learning to help reach them. The end game is to create individuals who are entrepreneurial and globally aware.

"They become very invested in what they're doing and have a natural enthusiasm for it. They know the reason for learning is to get them to where they want to be," explained Robert Thorn, an educational manager involved with the development of the GLD.

One popular aspect of the program is the One-Month Idea Transformation Process. Learners are tasked with developing an entrepreneurial mindset by turning ideas into real "products" that are of value to other people. By the end of the month, learners have a product and have developed the habits and dispositions needed to make things happen—to turn ideas into reality.

"We have found that our senior learners become really excited about this very real type of learning when given the opportunity to participate in its design and application," said Thorn.

INNOVATE

Aoba-Japan is also in the process of upgrading its physical infrastructure. New, flexible furniture was recently added to the primary and secondary schools to facilitate new ways of learning, and the school is also working with Chiba University to examine ways to restructure the campus to take this even further.

"Learning doesn't necessarily happen in the classroom," said O'Neill. "It can happen anywhere, anytime, in any space."

Such initiatives speak to the range of partnerships the school enjoys. However, it is not all one-way, and Aoba-Japan is seeking to develop a greater voice in the Japanese education sector to promote the innovative ideas and practices they're developing.

"With the other partnerships, we have a role in sharing our ideas in terms of what modern-day teacher training looks like," said O'Neill.

These innovations are also winning support from Aoba-Japan's tight-knit community.

"It's been very rewarding to see that the alignment between what we're trying to do and what parents want is becoming stronger, and I think that's where our sense of community comes from." ■



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YOUR WORD IS YOUR BOND

Due diligence is key in property investment

Knowing how to calibrate trust and transparency when dealing with property managers is a challenge for investors in Japan; and there are many reasons why. For both first-time and experienced investors, the language barrier is often a stumbling block. This also applies to long-term residents who can, in fact, speak Japanese.

But the challenges don't end with communication. Common problems include traditional approaches to property management that prioritize short-term revenue over long-term return on investment (ROI) and an entrenched lack of transparency.

The upshot? Due diligence, the most important step when seeking property investment opportunities, is often an afterthought or ignored altogether, Tsuyoshi Hikichi, managing director of Tokyo-based Axios Management K.K., told *The ACCJ Journal*.

"Property and asset management is at the core of what we do. That touches on a number of things: increasing rent, minimizing costs, and dealing with issues like a death on the property. But due diligence—including property valuation, market research, and assessment of the property—is key."



Tsuyoshi Hikichi, managing director

TRUST AND TRANSPARENCY

Prospective and experienced investors seek Axios Management's services for many reasons: two are Hikichi's 15 years of experience in the industry and his bilingual skills.

But perhaps the main reason they seek his services—often after first reaching out to him for a second opinion—is the lack of trust and transparency that often exists in Japan between investors and traditional property managers.

"I get a lot of questions from investors who are suspicious of their property management company. Recently, I got an email asking: 'Does this invoice make sense?' This person had received a quote for repairs to his property that did not match expectations. He thought he was being overcharged."

Hikichi said such complaints are not uncommon in Japan.

In fact, it is common practice for traditional property managers to engage in cost-plus practices, where an additional 10 percent is added to invoices for work such as repairs.

On another occasion, a US investor and personal friend of Hikichi came asking for advice. The investor's property in Hokkaido had six units that sat empty for months. Despite several phone calls to the management company—and promises by them to put a plan in place to find renters—nothing happened.

"My friend went up to Hokkaido to find out what was going on. When he got there, he found out the property manager was working with a local partner. But as the local partner and the manager had not prioritized his apartment, nothing was done for months," Hikichi said. When Axios

eventually took over management of the property, the empty units were filled within two months.

"There are two takeaways here," Hikichi said. "The first is that we provide 100 percent transparency when it comes to revenues and expenses. And the second: we go the extra mile to do due diligence, with a focus on long-term ROI. That is our promise to clients." ■

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New Contract Business Division

An interview with Ben Cordier, director

Why is RGF starting a Contract Business Division?

The permanent placement business at RGF has gone from strength to strength, and we are the fastest growing company in our industry in Tokyo. In 2017, we doubled the number of our consultants and we will be 120 strong by April 2018. By starting our contract division now, we will be able to offer our clients a complete staffing solution. Our objective is to become the number-one bilingual recruitment company in Japan, and servicing our clients' contract hiring requirements will enable us to do this.

What is the state of the bilingual contract recruitment market in Japan?

It is well known that Japan is currently experiencing the most candidate-short, candidate-driven market in more than 20 years. What this means is that if you are a bilingual candidate with a specific skill set and experience, you can expect with confidence to be in demand. IT, in particular, is a hot area for contract recruitment, as projects such as system migrations or global rollouts need proven technical experience. Companies that have project-based hiring need contract staff, and in the build-up to the Tokyo 2020 Olympic and Paralympic Games, such project-based or fixed-duration hiring needs will continue to increase.

What are the advantages of contract recruitment and contract employment?

In this candidate-short market, companies are increasingly looking to hire skilled professionals on a contractual basis as a fast, flexible hiring option without initial recruitment fees. For the hiring company and the candidate, this provides a low-risk option for both sides to evaluate performance before potentially converting to a full-time hire. Working as a contractor is a flexible option that provides a variety of industry experience, allowing for skill sets to be developed in different sectors, as well as offering good work-life balance, and often a higher rate of pay. Lifelong jobs are a thing of the past, and contract recruitment is a key driver of the growing gig economy in Japan.

What attracted you to RGF?

Having worked for more than 10 years in recruitment here in Japan at both an established staffing company and as a founder member of a successful start-up staffing business, I am excited to join such a well known company and to lead this new division. We are the bilingual arm of the Recruit Group, the fourth largest company in our industry globally with such a strong brand, network and unique candidate sources. We have the resources in place for us to make a strong impact in the contract market here. ■



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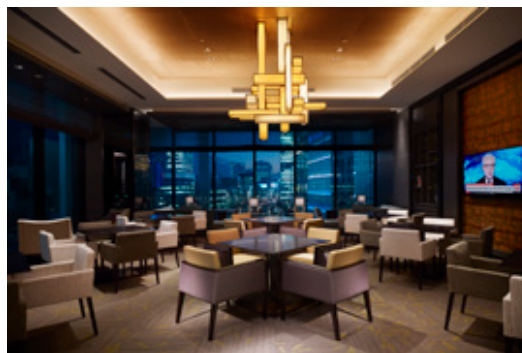
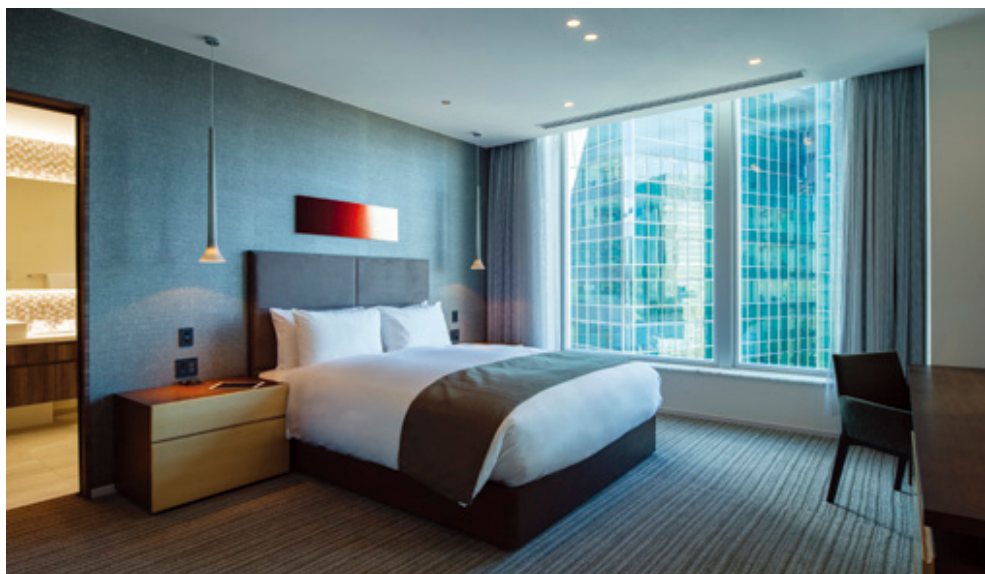
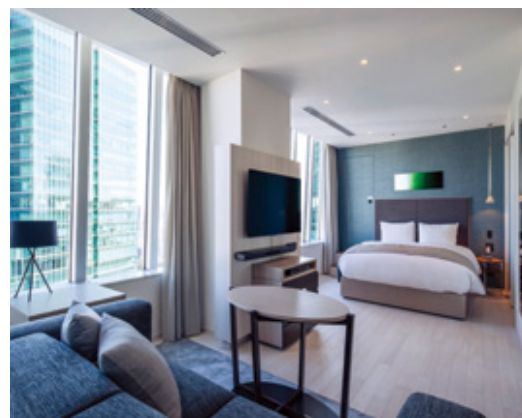
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