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STRONG ADVOCATE

Interview with ACCJ President Peter Jennings

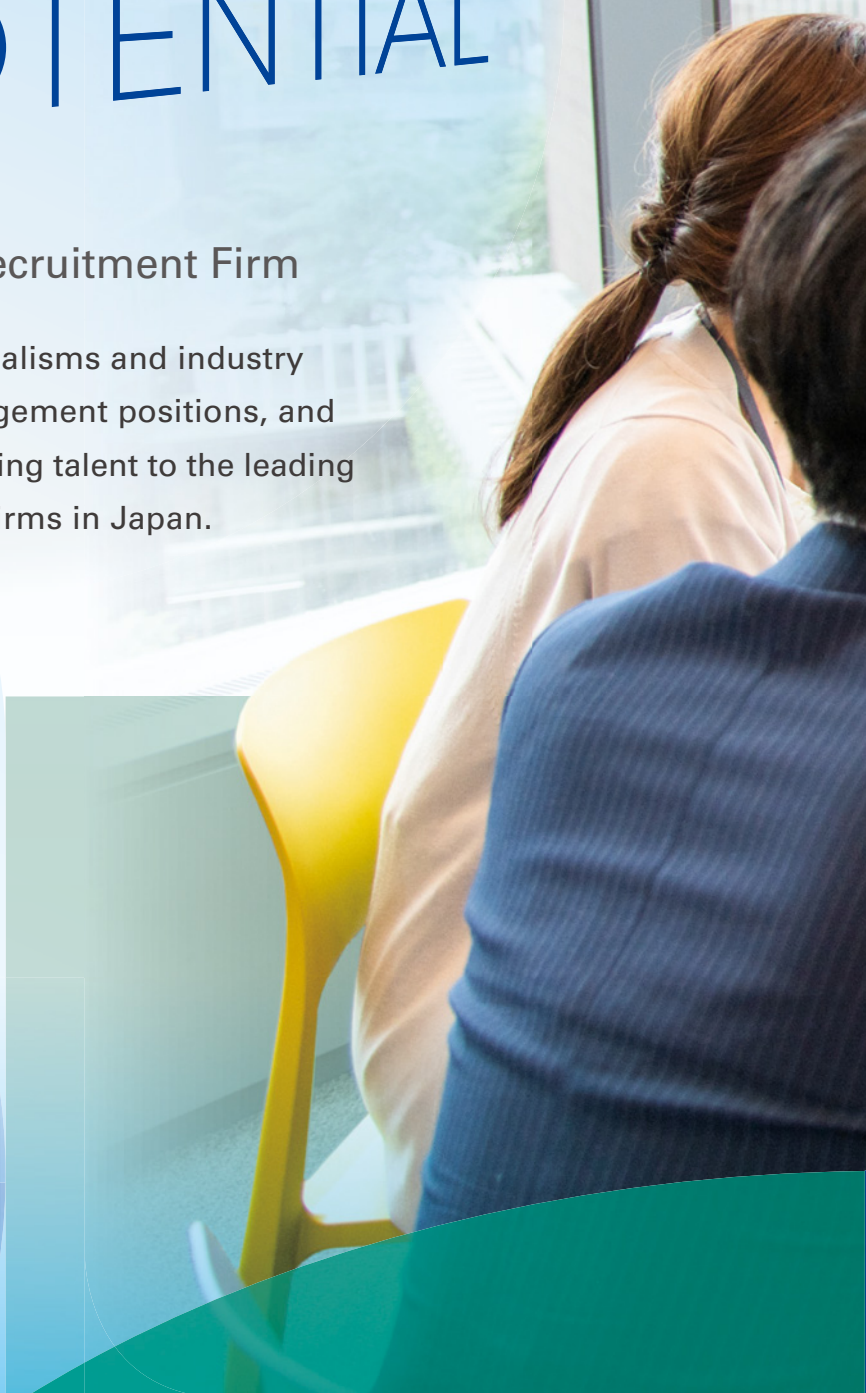
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AUTOMATIC FOR THE PEOPLE?



Christopher Bryan Jones
chris@custom-media.com

Last month, I explored an application of artificial intelligence (AI) that has made my job easier: machine transcription. This month, I look at another use of AI that raised a serious question: What would happen if I had to rely on the skills and choices of a machine to get my job in the first place?

SMART CODE

It's a situation that, once upon a time, would have been pondered in the science fiction stories of Isaac Asimov or Philip K. Dick. Today, it is reality. As AI infiltrates everything from modeling climates to washing dishes, we must assess whether it brings benefits or sounds alarms.

The latter is what happened when I began reading about the use of AI to screen job

candidates. Certainly, I can understand the benefits such automation offers companies. But on the flip side, the idea of an impersonal process in which my potential value is determined by "smart code" is not appealing. I also worry that diversity and inclusion (D&I) efforts—something I feel requires human intuition—might be undermined by automation.

PERSONAL BIAS

That was my first reaction. But given what I know about machine learning and unconscious bias, I wanted to ask experts about the true pros and cons of the technology. The results of that start on page 38 and, for me, were eye opening. The developer of one such system, Arik Akverdian of CVC Inc., explained the inner workings of this new way of identifying, communicating with, and analyzing potential job candidates. That helped me understand the issue from the tech angle.

What helped me see the human angle was talking to Nancy Ngou of EY Advisory and Consulting Co. Ltd. She is also a member of the American Chamber of Commerce in Japan (ACCJ) Board of Governors and a champion for D&I. During my years as

editor-in-chief of this publication, working with the ACCJ on advocacy D&I, women in business, and marriage equality, Ngou has come to be someone who I know can help me better understand these issues. The responses I got from her about AI and candidate screening were not what I expected, and they really changed my thinking.

LINGERING CONCERNS

Am I completely onboard? No. But I feel much better than I did. In reality, such applications of AI are going to happen, whether we like it or not. The benefits outweigh the risks, but I've read enough science fiction to know that dystopian outcomes can spring from well-intentioned ideas.

When it comes to AI and machine learning, we have some control over the results based on what we feed the system. If we teach machines to look past our own biases, maybe together we can create a fairer workplace that helps businesses thrive. We just need to remember that automation must be not simply for the company, but for the people. ■

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INTERVIEW

Strong Advocate

Interview with ACCJ President Peter Jennings

By C Bryan Jones

Photos by Aston Bridgman



On January 31, Peter Jennings, president of Dow Chemical Japan and Korea, took over from Sachin Shah as president of the American Chamber of Commerce in Japan (ACCJ). Previously a vice president on the ACCJ Board of Governors, Jennings looks to carry forward an agenda and process guided for the past 13 months by Shah, who has moved into a new role as CEO Asia Pacific Insurance at AIG and relocated to Singapore.

To find out more about Jennings' views of the chamber and plans for the year, *The ACCJ Journal* sat down with the Michigan native—well known as one of the ACCJ's strongest advocates—in his office at Dow Chemical Japan headquarters in Tokyo.

What has the ACCJ meant to you?

I came to Japan in 2012 without an expertise, really—certainly I was not an expert on Japan. I was the first American Dow Chemical Japan president in more than 25 years. The ACCJ was a very valuable resource for me because I was able to go listen to guest speakers and participate in the CEO Breakfast. I could actually sit down with other CEOs and ask, “How do you manage your groups? How do you learn about working in Japan?” So, the first few years here, it was absolutely a great indoctrination to the country and source of learning for me.

What do you intend to pursue as president?

First of all, I'd like to say that the tremendous amount of work that Sachin Shah did in one year is remarkable. His energy and enthusiasm are hard to follow.

He set the three main objectives—member centricity, relevant and strong advocacy, and operational excellence—that are now very clearly established. He deserves a tremendous amount of credit, as does Chris LaFleur, president before him. They are both remarkable guys, so super talented, who devoted a tremendous amount of energy and intellect to the ACCJ and the establishment of these three main objectives. I see no reason to pivot from these at this point in time. I think they are the right goals, and now it's time for implementation. We need a relentless focus on execution this year.

How can the ACCJ better serve its members?

In terms of member centricity, my goal is to do a lot of listening and learning. During the first 100 days, I'm planning to meet as many members as I can, one-on-one or in small groups, including through listening sessions or at town halls. The goal is for each member to be able to say, “Here's why I joined the ACCJ,” and for us to be able to fulfill the value proposition for them individually or for their company. Whether through a company membership or as an individual, if each member believes they can optimize their professional skills and that they are getting the most out of their membership, you're going to have dramatically different views of what the ACCJ is.

One idea that I plan to initiate, which builds on what we have already put in place, is a Membership Advisory Council. This will be an assembly of representatives from each membership category—big company, small company, individual member—and sit down together to talk about how we are attracting, retaining, and serving members.

Beyond member centricity, and the other two main objectives of operational excellence and relevant and strong advocacy, we also have five pillars:

- US–Japan Economic Partnership
- Digital Economy
- Health and Retirement
- Tourism, Sports, and Hospitality
- Workforce Productivity

I'm in strong agreement that these are the right things to focus on this year and will continue to pursue this agenda.

Among the pillars, what stands out as a major ACCJ success?

There are many, but the Women in Business Summit, which will have just taken place when this issue of *The ACCJ Journal* is published, really stands out to me. It's been the seminal event for some years now.

The ACCJ's focus on workforce productivity is very important. Womenomics is very important. And I think we've been a leader in that area. Nobody has been more passionate about that subject than me since I've been here. Inclusion and diversity is a big part of our philosophy at Dow, and I think it's the only way that Japan is going to continue to be the economically innovative country that it is. I wish the changes were happening faster, but, since I've been here, the majority of our hires at Dow have been women. That's across the spectrum of positions in the company, from administration to science. In every business and function, we have hired more women than men in Japan.

And the ACCJ, through the Women in Business Committee and the summits, has been the leading voice in this area. That needs to continue, and I know it will.

Where have you seen the strongest progress so far?

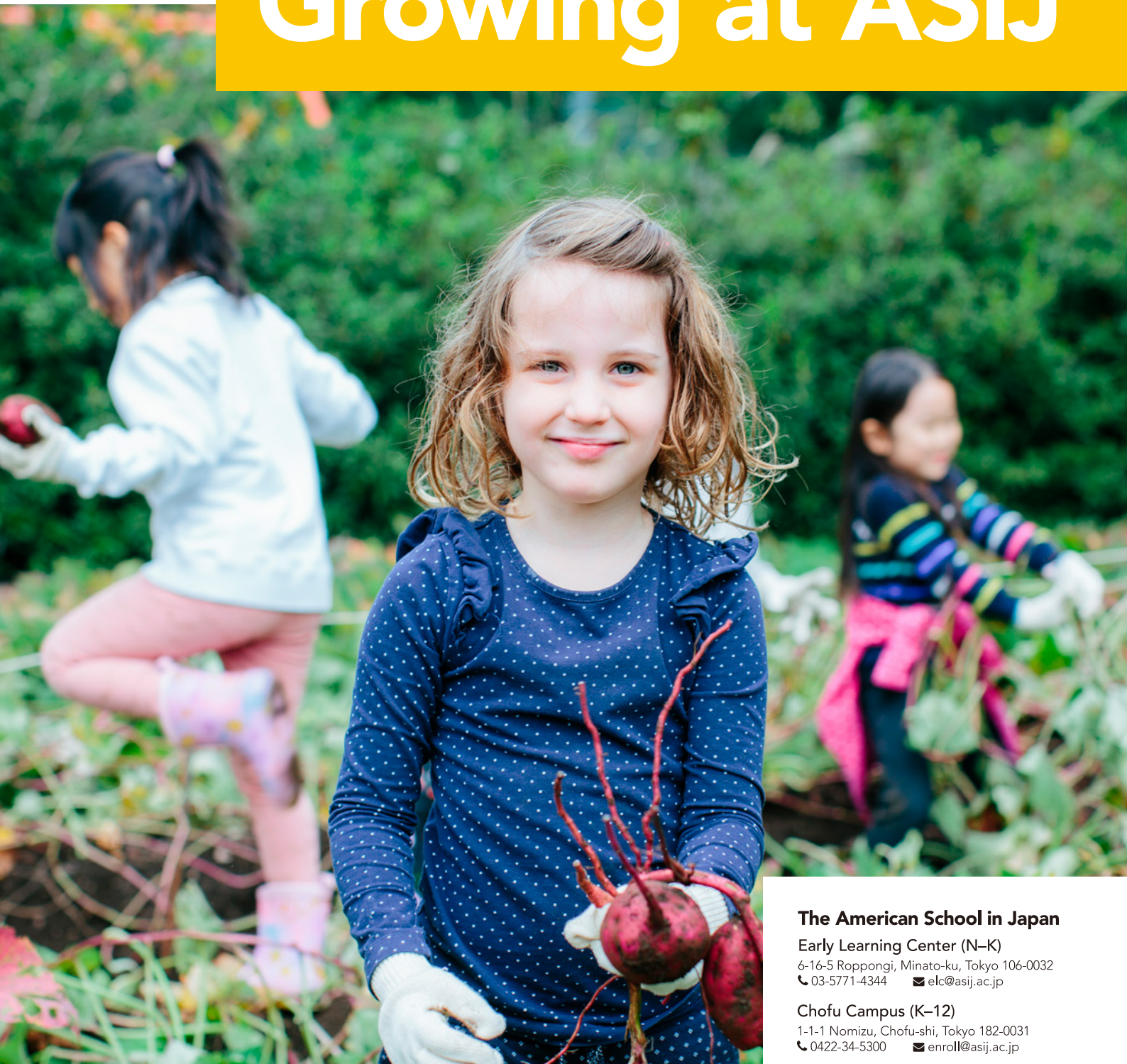
The ACCJ's primary purpose is to enable its membership to grow or enhance their businesses in Japan. So, it's really fostering that partnership between US and Japanese businesses that comes first, and I think Sachin was very good at refocusing the ACCJ in terms of being a business-focused entity.

I went on a DC Doorknock, and that highlighted more to me that the ACCJ—because of the depth and collective strength of its members—is a very formidable, well-respected organization.

When we went to Washington, DC—it must have been in 2016—I was so overwhelmed by the respect that we got from 45 members of Congress. They agreed to the meetings. They listened. They knew all about the ACCJ and our members. They were totally engaged in the discussion.

During the first 100 days, I'm planning to meet with as many members as I can, one-on-one or in small groups, including through listening sessions or at town halls.

Growing at ASIJ



In a metropolis like Tokyo, space is a valuable asset. At ASIJ we have the space to play, run, jump, score goals, wrestle and swim. We have the space to grow sweet potatoes, take nature walks, launch rockets, build robots and make our ideas come to life. We have the space to sing and dance, perform comedies and tragedies and make movies and build sets. We have the space to collaborate, share our work with classmates and colleagues, host conferences and welcome speakers. We have space to grow and learn.

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I've not done the Diet Doorknock, but I understand it is the same case. When our members talk to Japanese officials and lawmakers during those sessions, they get the same feedback. So, I think that's progress as the voice of US business in Japan. We can have an impact. I think we can play an important role in the US-Japan bilateral trade negotiations to make sure there are strong economic ties. That partnership is important.

What role can the ACCJ play in the bilateral trade talks?

I'm totally aligned with what Ambassador [William F.] Hagerty said in his recent interview with the *Asahi Shimbun*. An agreement on removing tariffs and trade barriers between the world's largest and third-largest economies would absolutely benefit companies, producers, and consumers in both the United States and Japan. If you have enhanced trade between the two countries, absolutely everyone benefits from that.

What opportunities do you see surrounding the Olympics?

I have a vested interest in the Olympics. Dow is a Worldwide Olympic Partner and the Official Chemistry Company to the Tokyo 2020 Olympic Games. As Tokyo prepares for this tremendous opportunity, the ACCJ membership will continue to participate, as we see chances arise, to make sure that our

members are heard. Sports could become a leading piece of the tourism puzzle and have a huge economic impact for regions outside Tokyo. However it plays out, we want to make sure that our voice is heard.

Just as the 1964 Olympics were an opportunity for Japan, I think 2020 will be another. Tokyo can showcase what a wonderful international city it is, one of the top cities in the world. People from abroad will see a tremendously vibrant, great, efficient workforce. They will see a great place to live and work, a leading global business hub, and investment opportunities regardless of the industry.

What's next for the ACCJ?

It was great that we celebrated our 70th anniversary last year. That was important, because we have a tremendous amount to be proud of. At the same time, any organization must continually reinvent and renew itself. If it doesn't, it's going to get passed by.

Business changes so fast now, and membership changes very rapidly, too. People are continually pressed for time. We need quicker answers. We need real-time everything. So, the ACCJ has to continually take another look at itself to be sure we are meeting those needs and doing so at the pace that is expected. You have to be a continuous learner and be willing to make changes. You can't take anything for granted. That's part of my mission this year, to ask, "Are we 100 percent committed to our goals?"

I think this is something that must be done on an annual basis. Each year, the ACCJ needs to look to see if we are offering the right opportunities to our members. Are we being responsive to the changing membership, the changing demographics, the changing business climate in Japan? And the only way to do that is by listening very carefully.

Anything else you would like to share?

I'm very excited to have this opportunity to lead the ACCJ, and I am extremely grateful to Dow's CEO, Jim Fitterling, for his support in this endeavor. He did not hesitate for a millisecond when I asked about taking on the role of president. That is absolutely the Dow way, and I hope to bring that same understanding, encouragement, and support to my leadership of the chamber. ■





- 1 Dr. BT Slingsby, chief executive officer and executive director of the Global Health Innovation Technology Fund (GHIT), spoke about the finances of the pharmaceutical industry at the event "Catalyst for Pharmaceutical External R&D" at Tokyo American Club on February 13
- 2 Sadanori Ito, director of the Policy Planning and Coordination Division at the Ministry of Economy, Trade and Industry, spoke at the February 5 meeting of the ACCJ Government Relations Committee (GRC). Here he is joined by (from left) GRC Chair Mari Matthews and Vice-Chairs Yoshitaka Sugihara and Mark Davidson.
- 3 The 2019 Young Professional Mentorship Series kicked off at Hilton Nagoya on February 5. Julian Bashore, general manager and representative director of MacDermid Performance Solutions Japan K.K., was the speaker for this year's inaugural session.

- 4 The ACCJ Community Service Advisory Council (CSAC) provides millions of yen in support each year to needy causes across the country. On February 12, at an event held in the ACCJ Tokyo office boardroom, the CSAC presented ¥8.15 million in donations raised at the 2018 Charity Ball to the chamber's charity partners. Altogether in 2018, the ACCJ donated ¥21,913,706 across the country.
- 5 ACCJ Women in Business (WIB) Committee Chair Ryann Thomas introduces the new *WIB Toolkit: Untapping Potential*, during the WIB Shinnenkai at The Place of Tokyo on January 28.
- 6 ACCJ Alternative Investment Committee Chair Frank Packard (left) and Vice-Chair Christopher Wells (right) present a certificate of appreciation to Brendan Kalb, partner at Morgan Lewis, after his presentation entitled "Recent Regulatory and Compliance Developments for International Asset Management Companies" in the ACCJ Tokyo office boardroom on January 25.



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7 In a press conference at the Foreign Correspondents' Club of Japan on February 14, the Japan In-House Lawyers Association, Women in Law Japan, Mori Hamada Matsumoto, and Baker & McKenzie announced their support for marriage equality in Japan and endorsement of the ACCJ's viewpoint.

8 More than 40 participants celebrated Art for Charity Part V, the latest in a series of art-focused fundraisers held by the ACCJ-Kansai Community Service Committee. All proceeds from the event, held at ANA Crowne Plaza Hotel Kobe on February 2, go to Kansai Food Bank.

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*.

▪ MARCH 12

Japan's 2020 Problem: Sustainable Growth or Post-Olympic Bust? (Chubu Event)

▪ MARCH 15

59th Nomu-nication: African Nights with an Angolan Flavor

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TOKYO AMERICAN CLUB

Green Finance

Investing in the connection between climate change and business

By Lia Walsh



The average global temperature in 2018 was the fourth-highest on record and part of a trend that is sounding alarms. Climate change is becoming an important factor in business, and environmental sustainability is emerging as a theme in the world of finance.

On February 14, at an event co-hosted by the American Chamber of Commerce in Japan (ACCJ) Alternative Investment Committee and the British Chamber of Commerce in Japan, Theodore “Ted” Roosevelt IV, managing director of investment banking at Barclays and grandson of US President Theodore Roosevelt, spoke on the challenges and opportunities our warming planet presents. The morning session, entitled “Green Finance: Where We Are, and Why It All Matters,” took place at the Shangri-La Hotel Tokyo.

RISING RISK

As Roosevelt explained, we have been living in a period of unusual climate stability for the past 10,000 years. This has allowed agricultural advances, specialization in various areas, and metropolitan expansion.

One might say that the stable climate has allowed society to develop too far. At least that is what Roosevelt suggested as he painted a grim picture of growing CO₂ levels, increasing temperatures, and rising sea levels. “The amount of CO₂ in the atmosphere has risen by 36 percent since the Industrial Revolution,” he said, adding that the level is possibly the highest in the past two million years. Some scientists, he warned, believe the battle is already over—not something one wishes to hear over breakfast.

An increase of just four or five degrees correlates to a rise in sea levels of 10–60

meters. Such a development, Roosevelt added, could gravely affect what is known as the Third Pole—the snow-covered mountains surrounding the Tibetan Plateau. This area is the water source for the majority of Asia’s river systems. A change brought on by rising temperatures poses a large geopolitical threat, the effects of which would be felt across the globe.

“Most people think that India is going to continue 3.5–4 percent GDP growth. But if [changes to] the Third Pole happen . . . it’s going to become too hot and it’s going to impact agriculture, migration, and human health.”

Despite the danger posed by CO₂ emissions, Roosevelt predicts that, over the next decade, Asia will produce 2,000 gigawatts of power using coal. That’s more than 10 times the expected output of the European Union.

GREEN FINANCE

Roosevelt believes that many scientists and investors fail to see the connection between climate change and economics. But climate change and resource scarcity go hand in hand, and he believes financial companies have a stake in the outcome and responsibility to tackle the issue. Once investors see the value of climate science in predicting the future, he said, prices will change and society will be compelled to take notice.

Roosevelt, who is chairman of Barclay’s Cleantech renewable energy initiative, also spoke about the resistance to eco-friendly changes seen in Japan and around the globe. He initially experienced such

resistance at his own company, but today Barclay embraces an environmental, social, and governance (ESG) leadership role, participates in the green bond market, and uses securities to fund eco-friendly investment.

“We’ve got to be willing to take risks, to invest in green technologies that aren’t proven,” he said, urging financial players to invest early and to reap the benefits or bear the brunt of a much larger risk: intensifying climate change.

ROAD AHEAD

Roosevelt closed by looking at some areas of potential growth:

- Fourth-generation nuclear technology and fusion
- Battery storage R&D
- Capture of CO₂ waste materials

“If you look at ESG [efforts], they’re all over the place,” he said, commenting on the disjointed approach to addressing climate change. To accelerate individual efforts, policy reform is needed. He suggested a globally imposed pricing system for the carbon industry to cap profit potential, and also increased government funding for R&D in eco-friendly ventures.

“We are stewards and we have an obligation to carry this on.” ■

Lia Walsh is a writer at Custom Media, publisher of *The ACCJ Journal*.

Taxing Issue

Proposal to bring Japan
in line with global norms

By the ACCJ Taxation Committee



In the realm of Japan's corporate tax laws, extending the net operating loss (NOL) carry-forward period might encourage corporate innovation and increased investments. The American Chamber of Commerce in Japan (ACCJ) believes doing so would help boost the nation's economy, and this viewpoint from the ACCJ Taxation Committee outlines why.

RECOMMENDATION

The ACCJ recommends that the Government of Japan (GOJ) extend the NOL carry-forward period under the Japanese Corporate Tax Law consistent with the periods applied in other major economies. The current carry-forward period is 10 years (for tax years starting on or after April 1, 2018), compared with unlimited carry-forward periods in the United States and many European countries.

This change is consistent with the aims set out in the GOJ's Japan Revitalization Strategy 2016. The strategy paper states, "It is essential for companies in Japan to have positive determination on shifting their internal reserves into future investment on facilities, innovation, and human resources," to tackle the problem of revitalizing the Japanese economy. By extending the NOL carry-forward period, companies

would have the incentive and capacity to make long-term investments in growth and innovation—particularly for new business lines and innovative projects that often take many years to become profitable.

Overall, an extension of the NOL carry-forward period would signal to investors, whether foreign or domestic, that the GOJ is committed to increasing growth and revitalizing the economy through practical solutions.

BACKGROUND

The ACCJ applauds the GOJ's reduction in corporate tax rates from their historically high levels to rates more consistent with other member countries of the Organisation for Economic Co-operation and Development (OECD).

Yet, as important as bringing corporate tax rates in line with those of other countries is, the corporate rate is not the only tax condition that potential new market entrants will consider.

Growth companies—be they domestic startups or a result of foreign direct invest-

ment (FDI)—will likely have several initial years of losses while they invest to build up production capabilities, distribution infrastructure, and market share. Given this, such companies will look less at the corporate rate in those initial years—when they will have little or even no income to report—and more at the long-term return on their investments.

One of the significant factors in determining the return on investment during a startup period is the ability to apply those up-front losses in a tax effective manner over a long enough period to make the investment economically viable.

It has thus been the long-standing position of the ACCJ that extension of the NOL carry-forward period by Japan would stimulate both domestic innovation and FDI in growth industries, benefiting the overall Japanese economy. We have thus recommended that the GOJ lengthen the NOL carry-forward period from the 10 years under Japanese law (for tax years starting on or after April 1, 2018) to more

The corporate rate is not the only tax condition that potential new market entrants will consider.

By extending the NOL carry-forward period, companies would have the incentive and capacity to make long-term investments in growth and innovation.

closely match OECD norms, such as the unlimited carry-forward periods that now prevail in the United States as a result of tax reforms in 2017 and in Europe.

VARIABLE

One issue that should be addressed is the inconsistency with carry-forward periods found in other major developed economies. As shown in the accompanying table, Japan, with its short carry-forward period, is already an outlier among its OECD trading partners.

Lengthening the period would not only bring Japan in line with its major trading partners, but would also:

- Facilitate FDI
- Strengthen incentives for investment in new industries and innovative startup companies
- Support companies that have invested in Japan in the recent challenging years since the global financial crisis and through the triple disasters of 2011
- Accelerate the growth and jobs connected with such investment

Significantly, in this period of fiscal consolidation, lengthening the NOL carry-forward period would have largely back-ended fiscal costs compared with other forms of tax stimulus. Investment incentives would be front-ended, contributing more quickly to growth and the tax revenues it would generate.

USAGE CAP

Another issue that should be addressed is the leveraging of the usage cap to manage

permanently loss-incurring companies. The ACCJ acknowledges that there are concerns that permanently loss-incurring companies can use the NOL system as part of a strategy to avoid paying their fair share of tax. To increase the incentives for companies to become profitable, the GOJ has reduced the current NOL annual usage cap to 50 percent and increased the carry-forward period to 10 years for tax years starting on or after April 1, 2018.

The ACCJ does not have a formal position on the annual usage cap. However, even assuming that such a reduction may be useful both to incentivize profitability and accelerate tax revenue—understandable goals in light of Japan's need for fiscal consolidation—this incentive will be most effective if the usage cap reduction is combined at the same time with a significant extension of the loss carry-forward period. Without that, Japan's short carry-forward period increases the risk that losses, even those incurred for valuable investment in growth and innovative technologies, will expire before they can be absorbed.

Moreover, Japan is a significant outlier among the countries compared in the table below, insofar as both its annual usage cap and carry-forward period are restricted. For the other jurisdictions shown in the table, either the annual usage cap may be low (e.g., Germany and France) or the carry-forward period may be short (e.g., South Korea and Taiwan). Only Japan is restrictive in both areas.

While the annual usage cap has been significantly reduced to 50 percent for tax years starting on or after April 1, 2018,












the ACCJ recommends extending the NOL carry-forward period significantly towards OECD standards, such as the indefinite periods available in the United States and Europe. This would allow Japan to avoid disincentivizing valuable and innovative investments in many economic sectors. While Japanese legislation creates exceptions for small and medium-sized enterprises and newly established companies to carry forward losses without the usage cap (although for the first seven years only), the ACCJ believes that extending the carry forward period indefinitely for all companies would be more effective in creating jobs and fostering innovation. Such a move would fuel exactly the kind of growth that is a core goal of the GOJ's Japan Revitalization Strategy 2016.

CONCLUSION

The ACCJ strongly supports all efforts to enhance the attractiveness of the Japanese economy for investment—particularly for growth companies and for FDI. As noted in the ACCJ's Growth Strategy Task Force white paper, *Charting a New Course for Growth: Recommendations for Japan's Leaders*, most new jobs in Japan are driven by a combination of foreign-invested companies and new startups.

Clearly, increasing the investment environment to expand exactly these kinds of job-creating enterprises must be a key part of the GOJ's revitalization strategy. Increasing the NOL carry-forward period is a critical component of encouraging such investment. ■

Global Net Operating Loss (NOL) Carry-forward Periods

Country	United Kingdom	Germany	France	Italy	Singapore	Hong Kong	Canada	United States	South Korea	Taiwan	Japan
											
C/F period	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited	20 years	Unlimited	10 years	10 years	10 years
Annual usage cap	50%	60%	50%	80%	No limit	No limit	No limit	80%	70%	No limit	50%

Special Presentation
to be held in Tokyo

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Experience in Japan



JINIS
Jinseki International School



Michael Rob Gray
Headmaster of
Le Rosey (Switzerland)

SATURDAY, MARCH 16, 3:00 – 5:00 P.M. (Reception desk opens at 2:30 p.m.)

Jinseki International School, which will be located in Hiroshima Prefecture and is scheduled to open in April 2020, will be the first of its kind in Asia: a European-style international boarding school for elementary school children.

For parents who would like to know more about this unique learning environment, Michael Rob Gray, headmaster of the prestigious Swiss boarding school Le Rosey, will be introducing Jinseki International School at a special presentation in Tokyo.

Gray will talk about the concept of international boarding and point out the specific features of the school. Attendees at the seminar can also find out about Jinseki Summer School 2019, which will be held at the same location where Jinseki International School is scheduled to open.



VENUE

The Japan Times, Kioicho Office
Gallery (open space)
14F Kioicho Bldg., 3-12 Kioicho,
Chiyoda-ku, Tokyo 102-0094

To register for this presentation, go to <https://peatix.com/event/607691>



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Beyond Tokyo 2020

How will events impact Japan's future?

By Chad Musick



Japan may be facing many uncertainties, but one thing that is certain is that Tokyo will host the 2020 Olympic and Paralympic Games. Against the backdrop of this global celebration of sporting excellence are debates over moves that may determine the long-term future of the country. Some, such as a second consumption tax rate hike, are likely but uncertain. Others, such as a boom in the birthrate, are unlikely but would be nice.

Analyzing the effects and accounting for the likelihood of these moves and trends is complicated and keeps a host of economists, sociologists, and businesspeople occupied.

The Games always lead to changes and upgrades to the host city's infrastructure, and the 2020 Games have been driving such projects in Tokyo. Whether these efforts will bring enduring benefit or be largely abandoned after the Games depends on the foresight and planning of those involved.

Historically, the results of hosting the Olympics and other major events

have been mixed. Some cities have been revitalized while others have languished.

A local Nagoya example is the 2005 World's Fair. Moricoro Park, which hosted the expo, has since become a popular venue for events. And, in the coming years, it will become Ghibli Park.

BEYOND BUILDINGS

As Tokyo prepares for the Olympics, more than just the physical infrastructure is being upgraded. Internet service, language support, and social infrastructure are also being shored up or expanded. This has the potential to spur additional advances in services—particularly for those who are not fluent in Japanese. For example, many train stations in Tokyo are now making announcements in Korean and Chinese in addition to Japanese and English.

Together with the new visa types available to workers from abroad, small changes such as this may have the effect of encouraging immigration. At a time when the government is devising incentive programs to entice people to move from

Tokyo to less densely populated areas, such immigration may help the capital.

BUSINESS BOOST

The 2020 Games will undoubtedly highlight Japan's engagement with the rest of the world and bring many visitors to Tokyo, but world politics and economics already have a large effect on day-to-day life in Japan. Many Japanese companies have offices abroad, and even those that don't may rely on foreign trade in an increasingly uncertain global economy. Politically, the G20 Summit will take place in Osaka in June, with plenary meetings planned for the rest of the year throughout Japan.

As the budgeting problems of nearly every Olympic committee in recent history has shown, predicting the outcome of the event is notoriously difficult. Anticipating how the confluence of events will play out is even more so. Economic modeling can achieve only so much without insight.

To help those interested in learning more about how the 2020 Games, innovation, and global engagement may influence the future of Japan, the Chubu chapter of the American Chamber of Commerce in Japan (ACCJ) has planned an event for March 12 at the Hilton Nagoya. Speaking will be Dr. Martin Schulz, senior economist at the Fujitsu Research Institute's Economic Research Center in Tokyo. The event, entitled "Japan's 2020 Problem: Sustainable Growth or Post-Olympic Bust?" will be hosted by the ACCJ-Chubu Business Programs Committee. ■

More than just the physical infrastructure is being upgraded. Internet service, language support, and social infrastructure are also being shored up or expanded.

Chad Musick is ACCJ-Chubu treasurer and owner of Musick Analysis, Writing, and Explanation.

REGIONAL **POWER**

How Osaka is setting itself up as a hub of innovation

By Alec Jordan



There is a local saying in Kansai: the ideal life is to “study in Kyoto, work in Osaka, and live in Kobe.” Although this phrase may not have a long history, the business aspects of Osaka do. Going as far back as the Middle Ages, known in Japan as the Classical Period, the city was recognized as a hub of commerce for the country.

This dynamic has continued well into the modern era. Japan’s first brokerage company, Nomura Securities Co., Ltd., was founded in Osaka in 1925. And one of the city’s best-known business successes was Konosuke Matsushita, founder of electronics giant Panasonic Corporation. He started the company, previously known as Matsushita Electric Industrial Co., Ltd., in Osaka in 1917 and had developed it into a multi-billion-dollar behemoth by the time he stepped down as president in 1961.

Even today, some of Japan’s best-known companies—such as Sharp Corporation, Takeda Pharmaceutical Company Limited, and Suntory Holdings Limited—have their headquarters in Osaka. In fact, of the 51 Japanese corporations that made the Fortune 500 list of the top 500 companies by revenue for 2017, seven are based in Osaka.

AIM HIGHER

Compared with Tokyo, however, Osaka is a distant second when it comes to economic and political might. And when foreign companies look to open their first locations in Japan, Osaka is usually not their starting point.

In response to this sentiment, the city of Osaka and the outlying prefecture have established a number of organizations and initiatives to help attract Japanese and foreign investment. The aim is to benefit not only Osaka but the Kansai region as a whole.

Kazuko Murai, Invest Japan coordinator at the Japan External Trade Organization (JETRO) Osaka, explained that one of the leading organizations is the Osaka Business and Investment Center (O-BIC), and that JETRO and O-BIC collaborate on bringing in foreign direct investment (FDI).

JETRO uses its global network of 70 overseas offices to invite foreign investment. It also encourages second investments into the Kansai region from foreign companies that already have locations in the Tokyo metropolitan area. O-BIC was jointly established by Osaka Prefecture, Osaka City, and the Osaka Chamber of Commerce and Industry in 2001. Its mission is to provide information to foreign companies that want to enter Osaka and to receive foreign investment.

The organization acts as a one-stop service center with a detailed support system that provides accurate advice, as well as business contacts with a wide range of Japanese companies. And it has made a difference: from 2015 to 2017, O-BIC, along with JETRO Osaka, drew more than 130 foreign companies to the city. Osaka Prefecture has venture incubation offices that focus on industries such as biotech and information technology (IT), as well as on research and development (R&D) for precision engineering and medical research. The offices are linked to several academic bodies to encourage venture enterprises for R&D.

DIVERSE DISRUPTION

Another endeavor is the Osaka Innovation Hub (OIH), an innovation creation base that brings together entrepreneurs and engineers who have their eyes on disruptive technologies. OIH was founded by Osaka City and operates under the theme “From Osaka to the World.” It hosts about 200 events and programs each year geared to the creation and scale-up of new projects. These events are recognized in the Kansai region as opportunities for diverse groups from around the world to gather, exchange information, and innovate.

OIH also runs the annual Hack Osaka conference, which brings together entrepreneurs—both those who have been brought up through OIH and those who are active overseas—with investors, large companies, and students.

One private center for entrepreneurial development is Global Venture Habitat (GVH) Osaka, where entrepreneurs can meet and develop new business ideas. GVH Osaka is operated by SunBridge Global Ventures Inc., a division of the





Osaka is rich in tradition, such as carrying portable shrines at the annual Tenjin Matsuri festival.

SunBridge Group that invests in seed-stage companies, and the Urban Innovation Institute, an organization that is designed to create networks between industry, government, and academia by providing co-working spaces, entrepreneur training, and business-matching services.

A representative of the Osaka Prefecture Commerce, Industry, and Labor Department's International Business and Business Attraction Section pointed out a few other organizations that are helping to support business growth in the region. The Monodzukuri Business Information-center Osaka provides assistance to companies involved in innovative manufacturing. These services include supporting companies with information about technology, management, IT, and patents; business matching and industry-academia consulting; and international business-to-business consultation.

GOVERNMENT SUPPORT

Through the Kansai Innovation Strategy Comprehensive Special Zone, a designation bestowed by the government of Japan to boost international competitiveness, Osaka is looking to support

businesses operating in a variety of areas: pharmaceuticals, advanced medical technology, preemptive medical care, medical equipment, batteries, and "smart communities." The concept combines next-generation transportation infrastructure, intelligent energy grids, and smart houses.

Meanwhile, the Osaka Bio Headquarters is an industry-academia-government collaboration based in the northern part of Osaka Prefecture. It promotes the creation of drugs, medical devices, regenerative medical products, and health-related products and services.

As Murai explained, Osaka has put its weight behind developing areas where innovative enterprises can thrive.

Through the Kansai Innovation Strategy Comprehensive Special Zone . . . Osaka is looking to support businesses operating in a variety of areas.

Perhaps the most significant example is the Umekita development area, located to the north of Osaka Station.

Development of the area, which covers nearly 60 acres, has been divided into two phases. The first was completed in 2013 and includes the Grand Front Osaka multi-purpose building complex, which is home to OIH's offices. The second phase is expected to be completed in 2025 and will create a combined green and urban landscape that city planners hope will attract corporations and researchers from around the world.

GROWTH POTENTIAL

Over the past few years, Osaka Prefecture's employment figures have shown promising developments. The unemployment rate has dropped from 5.4 percent in 2012 to 3.4 percent in 2017. During the same period, the rate for the Kansai region overall declined from 5.1 to 3.0 percent. The industries that have seen the greatest increase in employment between 2015 and 2017 are: manufacturing; food, beverage, and hospitality; as well as education and learning support.

Jiri Mestecky, special advisor to and executive committee member of the American Chamber of Commerce in Japan (ACCJ) Kansai chapter, believes that Osaka can best achieve its goals by focusing on tourism and hospitality, FDI, entrepreneurship, and cooperation with other local governments to promote the Kansai region as a whole. The hospitality industry, which is directly connected to tourism, can be a driver of employment development, he said.

This is a sentiment echoed by Arthur Matsumoto, co-chair of the ACCJ-Kansai External Affairs Committee as well as president and chief executive officer of LS7 Corporation, which specializes in helping companies develop businesses overseas and bring technologies from overseas to Japan.

**KAZUKO MURAI**

Invest Japan coordinator at the Japan
External Trade Organization Osaka

**JIRI MESTECKY**

Special advisor and executive committee
member of the ACCJ-Kansai chapter

He sees tourism as Japan's fastest-developing industry, but also one that is still not being exploited as much as it could be—Prime Minister Shinzo Abe's push for increased tourism figures notwithstanding. Events such as the Rugby World Cup 2019, the Tokyo 2020 Olympic and Paralympic Games, and the World Masters Games to be hosted by Osaka in 2021 could all help bring tourists to the Kansai region and drive growth.

Mestecky, who is also a partner at Kitahama Partners, an Osaka-based law firm, described tourism as something of a gateway industry that can attract not only regular tourists, but also young business leaders and entrepreneurs to Osaka and Kansai. This, he said, would “result in increased FDI and domestic investment, which in turn results in a stronger municipal and regional economy.”

KEEN ON COOPERATION

Mestecky also makes the case that Osaka can achieve many of its goals not just by working alone, but through collaboration with other prefectures and cities in the Kansai region.

“Osaka should continue to cooperate with other Kansai governments, such as those of Kobe, Hyogo, Kyoto, Shiga, and Nara, to promote the Kansai region as a whole. The creation in 2010 of the Union of Kansai Governments (UKG) was a very positive step in this direction. Kansai as a whole has many advantages over other regions of Japan—especially in the area of culture and tourism—and it is my hope that Osaka will continue to cooperate with other areas of Kansai in the commercial, government, academic, and cultural realms to attract young business people.”

The UKG is a coalition of eight prefectures—Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama, Tottori, and Tokushima—as well as the cities of Kyoto, Osaka, Sakai, and Kobe. In principle, the UKG seeks to create a system that allows member cities and prefectures to be less reliant on Tokyo, from an administrative point of view, and have greater autonomy in addressing the issues that most affect them.

The first areas on which the group is focused are:

- Disaster prevention
- Promotion of tourism, culture, sports
- Industrial promotion
- Environmental preservation
- Employee training
- Testing and licensing for various qualifications

Each year, the ACCJ and UKG hold panel discussions, a tradition that began after the publication of the ACCJ's “One Kansai” viewpoint in 2010. Since then, the ACCJ-Kansai External Affairs Committee has invited the ACCJ Board of Governors to hold their October meetings in Kansai alongside these annual discussions with the UKG.

KNOWLEDGE CAPITAL

Osaka's many organizations dedicated to nurturing innovation and high-tech industry share a singular focus. One of the rallying phrases for the city's development is “knowledge capital,” which can be interpreted in a number of ways.

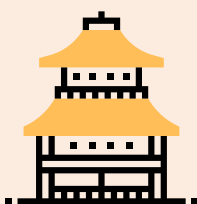
Mestecky suggested approaching it at the most basic level. “Focusing on knowledge capital reflects a recognition by the Osaka governmental authorities and business community

Kansai Advantages



Economic Strength

World's eighth-largest
economy by GDP



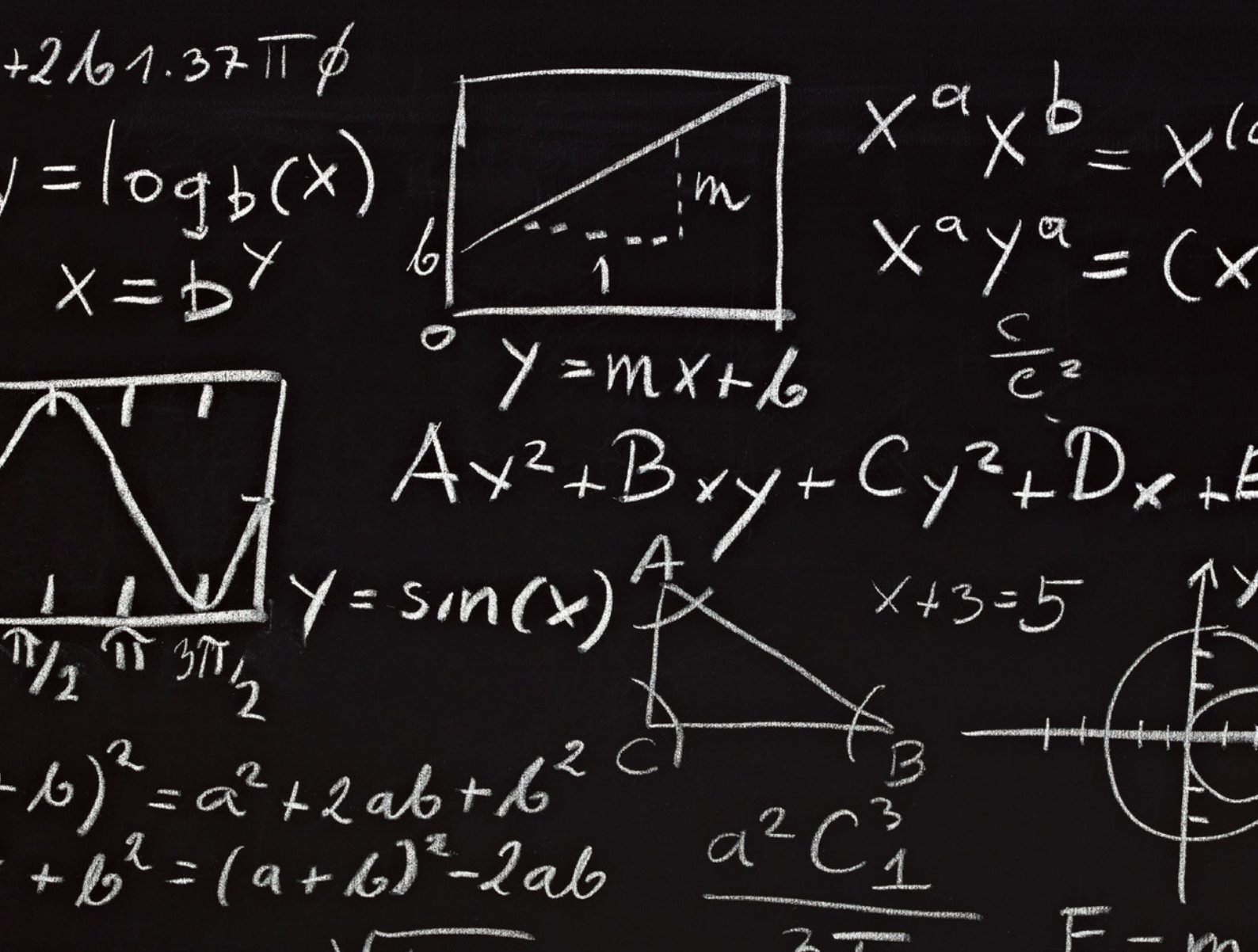
Cultural Significance

Most national treasures
and historical sites



Quality of Life

Shorter commutes and
cosmopolitan lifestyle



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that the world economy is becoming more information-based each day, and that information and knowledge—in the form of intellectual property and innovation—are going to be primary drivers of the local economy in the future.”

This concept is also brought to life at the Knowledge Capital, the core facility of the Grand Front Osaka. The space features showrooms, offices, laboratories, and centers for exchange. It also provides businesspeople, researchers, university staff, creators, and the public with the chance to experience cutting-edge technology firsthand.

FAMILY-FRIENDLY

While business growth is great, let's not forget one more way in which cities such as Osaka can help drive innovation and increase diversity: work-life balance. Specifically, supporting mothers and families by making it easier for women to enter and stay in the workforce is key. Japan cannot afford to miss out on their valuable skills and experience, and Mestecky says that he has noticed a certain level of progress on this front. In his capacity as an attorney, he has seen “an increasing number of local companies and other organizations which have made changes to their rules of employment and other internal policies to support working mothers.”

Coming back to Kansai's advantages, of which he spoke earlier, Mestecky added three key points:

- Economic strength—boasts the world's eighth-largest economy by gross domestic product.
- Cultural significance—has more National Treasures and historically significant sites than any other in Japan.
- High quality of life—offers an attractive cost of living, shorter commute times, and a cosmopolitan lifestyle.

All these factors, as well as the efforts the city and prefecture have made, and the foundation they have put in place, are setting the stage for a promising future for Osaka as not just a place to work, but a place to flourish. ■

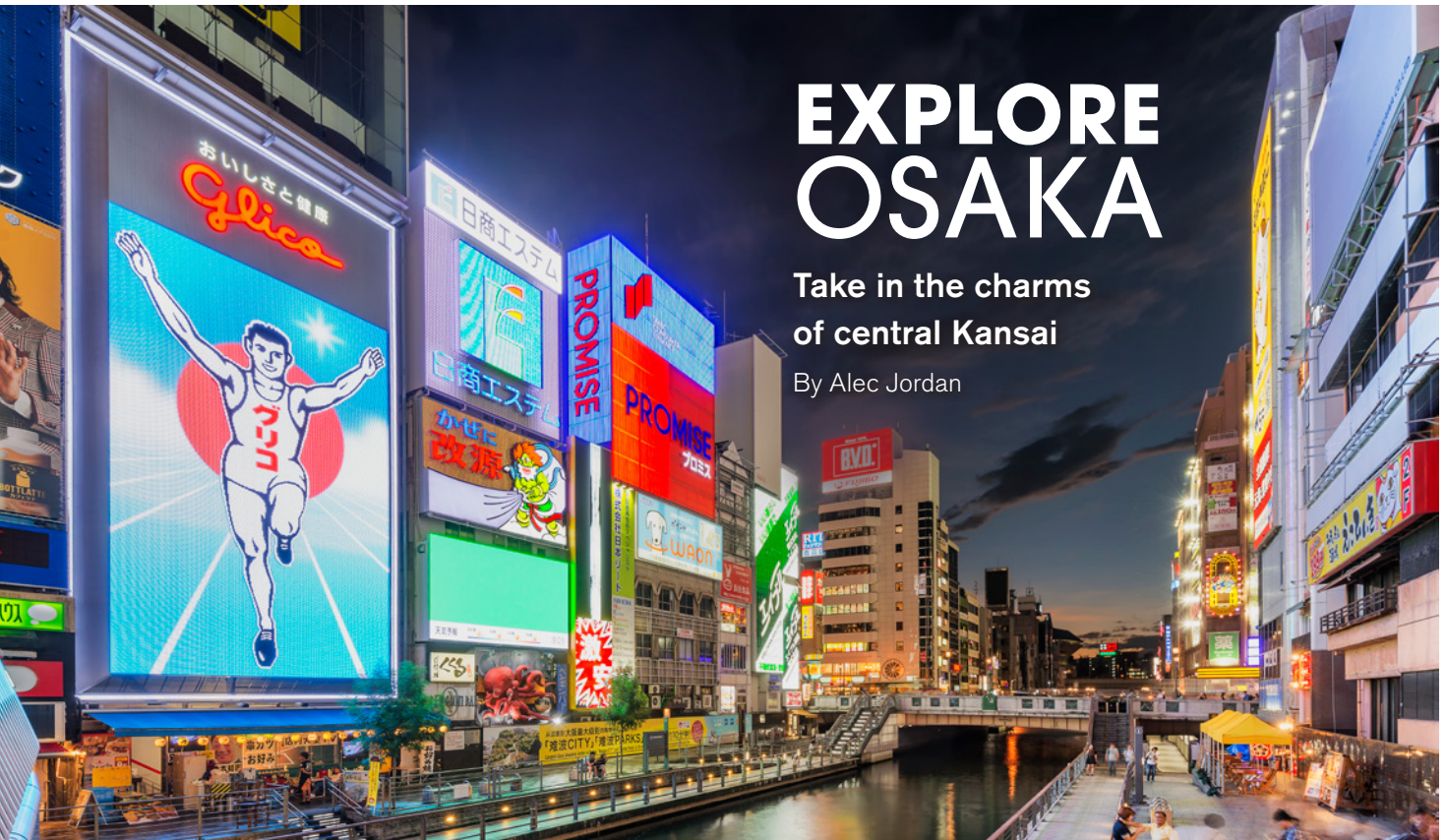


ARTHUR MATSUMOTO

Co-chair, ACCJ-Kansai External Affairs Committee, and president and chief executive officer of LS7 Corporation

The city of Osaka and the outlying prefecture have established a number of organizations and initiatives to help attract both Japanese business investment and foreign investment.





EXPLORE OSAKA

Take in the charms
of central Kansai

By Alec Jordan

As well as being a hub of innovation, Osaka is a top draw for tourists. More than 11 million people visit every year Japan's third-largest city to savor local delicacies, explore traditional culture, enjoy one of the country's most popular theme parks, and more. If you've got your sights set on Osaka for this year's Golden Week, here are a few things you should put on your itinerary.



CUP NOODLES MUSEUM

In 1958, the dried noodles that are now known around the world were created in Osaka by Nissin's Momofuku Ando. This museum, which was opened in 1999, features a recreation of a giant cup of noodles, a tunnel decked out with about 800 product packages, and an interactive presentation at the Cup Noodles Drama Theater. As a tasty souvenir, guests can make their own customized cup of instant noodles to take home with them.



OSAKA CASTLE PARK

The well-known Osaka Castle Tower is located at the center of the city on grounds that are home to more than 600 cherry trees, 1,270 plum trees, and an abundance of other plants and seasonal flowers. Surrounded by a wide moat and large stone walls, the tower is an example of historical beauty. Construction began in 1583, but the structure was attacked and destroyed in 1615 ... and again razed in 1665, when it was struck by lightning and burned down. The tower in its current state was completed in 1997. It's a breathtaking place well worth exploring.



OSAKA BY BIKE

Some of Osaka's best-kept secrets can be revealed through a bike tour. Cycle Osaka, the city's leading two-wheel excursion, guides visitors through the winding streets. While Osaka is packed with tourist must-dos, Cycle Osaka tours pedal past hidden eateries and friendly locals, helping you explore the personality and culture of real life in Osaka. Escape the bustle to places such as rose-lined Utsubo Park and Minoh Forest with its ancient trees and rushing water. This experience is recommended for travelers who wish to learn more about the character of the city and explore what separates Osaka from other parts of Japan.



UNIVERSAL STUDIOS JAPAN

Theme park fans will be in for a treat at this crowd-pleasing destination, which is packed with film-related rides, restaurants, and memorabilia shops. Some of the top attractions at Universal Studios Japan are the *Jaws* boat tour, the *Jurassic Park* ride, and Hello Kitty Fashion Avenue. However, the top draw at the park is the Wizarding World of Harry Potter, which brings together more than 16 activities related to everyone's favorite spellcaster.



HARUKAS

How often do you have the chance to step out onto the edge of a skyscraper? That's just the experience on offer at the Abeno Harukas building. At 984 feet tall, it's the tallest skyscraper in Japan. And if you're willing to take the challenge—and pay the ¥1,000 fee—you can get strapped into a harness, step out onto the two-foot-wide deck that goes around the top of the building, and marvel at an incredible view.



HIRAOKA SHRINE

One of the city's most picturesque locations, Hiraoka Shrine is the site of an array of activities and events that are held throughout the year. Some of the most beloved are a festival in January to predict the success of the coming year's harvest, the flowering of the shrine's more than 400 plum trees in February and March, the impressive Shugosai harvest festival in October, and the Owarai-shinji laughing ritual, which takes place in December.



DOTONBORI

Osaka is known as a food-lovers paradise, and the neighborhood through which Dotonbori Canal runs is full of restaurants where you can sample the city's favorites. Some best-known dishes are *kushikatsu* (deep-fried meat and vegetables), *takoyaki* (octopus dumplings), and *okonomiyaki* (a savory pancake made with a wide variety of toppings). It's also a great place for exploring—and photographing—as the quarter's bright neon and iconic Glico Running Man make for perfect pictures.



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ATTRACT TOP TALENT TO KANSAI

RGF Executive Search talks
recruitment in West Japan

By Megan Casson



When it comes to recruitment, the talent pool, job market, and trends differ from region to region. Kansai, an area whose name literally means “west of the border,” boasts huge historical, economic, and cultural significance and will soon play host to major global events. *The ACCJ Journal* spoke to Ken Shimabuku, senior director of RGF Executive Search Japan’s Osaka office, about how recruitment differs between Kansai and Kanto, where Tokyo is located.

IN THE MARKET

Shimabuku joined RGF Executive Search (then known as CDS K.K.) in January 2008 and established the company’s Osaka office. “At the time, there were very few bilingual specialist recruiting companies with a presence in the Kansai region,” he explained. “To effectively and efficiently serve our clients and candidates in the area, we believed it was important to have a physical operation with consultants who have a deep understanding of the local environment and direct market experience.”

The bilingual talent pool, he explained, is much smaller in Kansai compared with Kanto. “This imbalance is directly related to the ratio of foreign capital companies, as well as Japanese multinationals, headquartered in Tokyo rather than, for example, Osaka.” Core positions are mainly based at the head office, which means executive and management level roles will more likely be in Tokyo.

Attracting top talent to Kansai-based companies—and retaining them long term—is usually a recurring challenge, Shimabuku explained. “The challenge is that the Kansai region, and the companies based here may not be considered as high profile. Educating the market and promoting the opportunities that exist here can take a lot of effort. But there is still an impressive list of Fortune 500 companies, market-leading small and medium-sized enterprises, and incredibly exciting startups with headquarters in West Japan.”

OUTLOOK

The next five years are going to be crucial to the revitalization of the Kansai region. There are many upcoming high-profile events, such as the G20 Summit to be held in Osaka in June, the Rugby World Cup 2019, the Tokyo 2020 Olympic and Paralympic Games, the Kansai World Masters Games 2021, and the World Expo 2025, which will take place in Osaka.

Shimabuku sees much positivity and potential. “Osaka is also reportedly considered to be a front-runner to land Japan’s first integrated resort. The major cities of Osaka, Kobe, and Kyoto, along with the rest of the Kansai region, are riding a big wave of global coverage and PR,” he said. “And with the projected amount of economic contribution that these events and developments could generate, you will definitely see increased demand for talent.”

This increased demand is specifically in the hospitality and service industries. Shimabuku spoke about how companies are looking outside Japan to find qualified professionals. “There are simply not enough multilingual people available to take full advantage of the tourist boom that continues in Japan.”

EXECUTIVE EDGE

With advancements in tech and health, the search for talent abroad is not limited to just the hospitality and service industries. “Since many large electronics manufacturers and pharmaceutical companies have a strong presence here, there is always going to be a demand for top talent. More than ever, companies must look beyond Japan’s borders to find qualified professionals who fit.”

RGF Executive Search Japan understands the organizational structure and corporate culture of each client, and what it takes for a candidate to be successful in that environment. As Shimabuku explained: “Having the skills required to do the job is one thing, but being able to drive and add value to the goals of the overall organization is another level. We prefer to work with a smaller client base, establish a

trusting relationship with line managers, and become an extension of our clients’ talent acquisition efforts.”

The consultants at RGF Executive Search Japan are experienced professionals who understand Kansai and the development the region will undergo in the near future. “We take pride in knowing that, through our efforts, we can contribute to the advancement of our client organizations and the prosperity of the local economy.” ■

Attracting top talent to Kansai-based companies—and retaining them long term—is usually a recurring challenge.

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TALENT HUNT

Japan looks abroad to revitalize economy in a race against time

By Mitsuru Obe



NIKKEI
ASIAN REVIEW

A rusty hot-spring town in rural Japan is emerging as an unlikely hub for Asian business talent, spawning startups and workers who are ready to trot the globe on behalf of Japanese companies.

The transformation of Beppu, on the southern island of Kyushu, exemplifies a change that is gradually advancing at the national level. With Asia rising as a global center of growth, Japan aims to harness that energy and secure its own future as an economic power by attracting young international workers and innovators.

NEW HOME

Watcharainthorn Khamkherd, a 23-year-old videographer from Thailand, is among the ambitious Asians who have come to Beppu. Fluent in English, Khamkherd set up a video production company in April with a Vietnamese classmate at Ritsumeikan Asia Pacific University (APU), located in the town.

The company, called Steqqi, makes promotional videos for Japanese businesses seeking to expand into other Asian markets.

Japanese companies “want to promote their products,” he said. “We can do it for them because we have a lot of connections from APU students. That’s why we can do it in many languages. We also have different perspectives.”

Beppu seems to have embraced its new role as a landing pad for newcomers. Hoping to reverse the city’s economic decline, local residents welcome Asian students to their

apartment buildings as neighbors; to restaurants, hotels, and supermarkets as part-time workers; and, once they graduate, to local businesses as employees, managers, and future leaders.

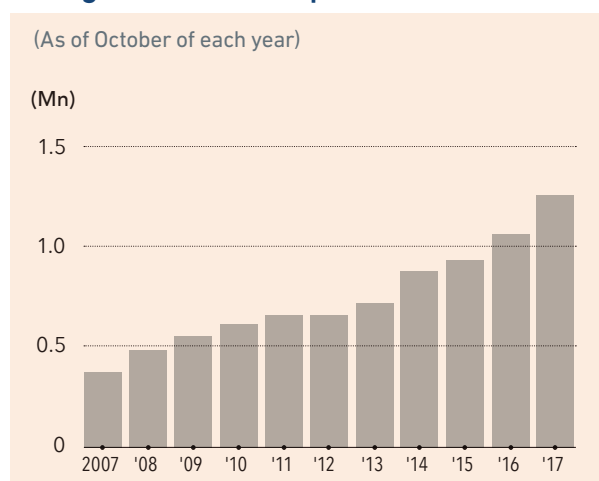
OPEN ARMS?

Is the rest of the country ready to do the same? Some deeply rooted attitudes and practices still stand in the way.

The improbable agent of change is conservative Prime Minister Shinzo Abe, who has taken steps to open the country to workers from abroad.

From 2012, the year Abe took office, to 2017, the number of foreign workers jumped from 0.7 million to 1.3 million, largely through trainee programs.

Foreign Workers in Japan



In 2017, Abe's government launched a "Japanese green card" scheme that grants permanent residency to highly skilled foreign workers. The process takes about a year. The idea is to attract more information technology engineers, investors, and entrepreneurs from around the world to create a global hub of financial and technological innovation.

In December, Japan passed legislation to welcome foreign blue-collar workers for the first time and to create a pathway to permanent residency. These workers will be issued visas to work in 14 selected industries for up to five years, provided they can demonstrate adequate command of Japanese and technical capabilities. Permanent status will be available to those with higher skill levels.

One major restriction is that the workers cannot bring their families during the five-year period.

INSPIRATION AND SUSPICION

Ambitious, hardworking employees from elsewhere in Asia are a godsend for sectors struggling with labor shortages—especially agriculture and construction. Not only is their presence helping to keep these industries alive, it is encouraging many businesses to start looking beyond the shrinking Japanese market.

"Having young and motivated foreign workers with the guts to work overseas helps inject new energy into the workplace," said Susumu Nagahashi, director at Business Co-operative Society MEC, a group that recruits foreign talent for small businesses in and around Tokyo.

Yet, the government's actions have raised anxiety that Abe was trying to pass a de facto immigration plan.

Opposition parties highlighted the poor working conditions some foreign workers face, noting that more than 100 have died in work-related accidents over the past 10 years. In an attempt to stop the vote on the legislation, the government's opponents even tabled no-confidence motions against the justice minister and the head of a parliamentary committee.

Unfazed, the ruling camp simply plowed the bill through.

EXPANDING OPPORTUNITIES

More initiatives are in the pipeline. Japan is looking to make it much easier for foreign students to start companies while enrolled in school in the country.

Abe thinks foreign workers will help put Japan back on a much steadier growth track. The economy shrank an annualized 2.5 percent in the July–September 2018 period. Given this loss of momentum, and petering inflation, the prime minister's goal of lifting the economy from ¥500 trillion (\$4.5 trillion) to ¥600 trillion (\$5.4 trillion) by around 2020 remains out of reach. The economy hovered at around ¥550 trillion in 2018.

One obstacle is the lack of human capital.

"The pace of hiring . . . has slowed further in recent months as there are too few workers available to fill existing openings," said Frederic Neumann, co-head of Asian economics research at HSBC in Hong Kong.

An increase in the number of foreign workers, "even if temporary, is thus important to maintain economic growth and address some of the structural challenges facing the economy, including high public debt and persistently low inflation," Neumann added.

Despite Abe's other efforts to bring more women and seniors into the workforce, the overall labor shortage shows no signs



of easing. In September, the ratio of job seekers to applicants hit 1.64. That translates to 164 jobs available for every 100 candidates—the most open positions in 44 years.

NEEDED BOOST

Foreign workers are not just meeting employers' immediate needs. They also inject vitality into the economy, bringing fresh ideas and creating connections between their host and home countries.

Consider Song Tao, a 30-year-old responsible for developing overseas business plans for Kumamoto-based trading house Marubishi. A native of Shandong Province, China, Song studied management at APU before joining Marubishi in 2013. Now he is helping the company run its operations in China, South Korea, Malaysia, and Vietnam, as well as prepare for its entry into Indonesia and Thailand.

Other Asian countries have welcomed Japan's opening. South Korea sees a chance to ease its own unemployment pressures.

Joblessness in South Korea climbed to 4.2 percent in August, the highest level since 2010. The situation has since improved to an extent, but college graduates still face difficulty finding work and some now look for jobs in Japan.

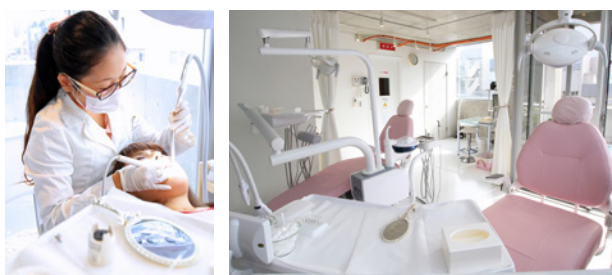
The government in Seoul has thrown its support behind them. In June, it started a campaign to help 10,000 young Koreans land positions in Japan over the next five years.

In August, the Federation of Korean Industries held an opening ceremony in Seoul for a training program for students aiming to work in Japan. The program includes instruction in the Japanese language as well as skills specific to Japan's travel and airline industries. The federation noted that, with the job seekers-to-applicants ratio hovering around 0.65 in South Korea, young Koreans are keen to give working in Japan a shot.

"You've chosen to work in Japan as a new challenge in your life," Kim Yoon, head of the Korea-Japan Economic Association, said at the event. "I hope you will become a good worker in your workplace, so that your employers will hire Koreans again and offer new chances to others."

Already, the number of South Koreans working in Japanese offices totaled 24,125 as of June 2018—up 14 percent on the year—according to data from Japan's Ministry of Justice.

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3		Norway
13		Singapore
14		Australia
18		Hong Kong
22		Malaysia
29		Japan
33		South Korea
39		China
42		Thailand

SOURCE: IMD WORLD TALENT RANKING OF 63 COUNTRIES/REGIONS

Still, job-hunting is not easy unless you speak Japanese fluently, and many students have difficulty with the language. In other cases, there is a mismatch between graduates' skills and what companies are looking for.

Of the 23,946 non-Japanese who graduated from four-year universities or graduate schools in Japan in the year through March 2017, only 36 percent landed jobs.

The Abe government wants to raise the ratio to 50 percent.

FUTURE PATHS

Getting a job does not necessarily mean settling in Japan for life. Visas for white-collar workers, for instance, allow them to bring a spouse and children but not parents. Many eventually return home to look after their relatives.

The even stricter rules for blue-collar workers and trainees may prompt many to look elsewhere; and the competition for talent in Asia is stiff.

Singapore counted 1.37 million foreign workers as of June 2018, including domestic workers and construction workers

from China, Malaysia, and several other countries. Migrants account for 46 percent of the city-state's population, compared with 5.2 percent for Thailand, 2.3 percent for South Korea and 1.8 percent for Japan, according to the Switzerland-based International Organization for Migration.

With its English- and Mandarin-speaking environment, as well as high educational standards and convenient public transport, Singapore appeals to foreign professionals and is a popular choice for multinational corporations setting up regional hubs.

Singapore ranks 13th out of 63 markets in terms of its ability to attract global talent, according to the International Institute for Management Development, a business school in Lausanne, Switzerland. That is the highest among Asia-Pacific economies and well ahead of Japan, which ranks 29th.

SENSE OF URGENCY

Experts say the talent hunt is a race against time.

Japan's higher living standards and salaries give it an advantage for now, but China is catching up rapidly.

Meanwhile, Japan is slow to evolve. Even the latest legislation is unlikely to produce "a significant increase in long-term permanent residents," predicts Tobias Harris, Japan analyst at New York-based risk consultancy Teneo Intelligence.

Analysts such as HSBC's Neumann voice hope that Japan will press on. "It is difficult," he said, "to see how growth could be maintained at its current pace without some expansion in the workforce."

Abe continues to bang the drum. "We need to break free of the conventional thinking," he said in a speech to the Diet. "I will create a Japan that can attract great talent from around the world." ■

Nikkei staff writers Kentaro Iwamoto in Singapore and Kim Jaewon in Seoul contributed to this article.

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BIAS BUSTER

Tackling blockchain and prejudice
in bid for a better world

By John Amari



After detailing her journey in academia and the tech industry—one marked by impressive highs and heart-wrenching lows—Ann Kilzer breaks into a broad smile.

“I always joked that I work at a company that is 33 percent women, 33 percent people named Jeff, and 33 percent people wearing a bow tie every day.”

Kilzer is referring to Curvegrid Inc., a Tokyo-based blockchain startup co-founded by former Goldman Sachs vice president Jeff Wentworth and computer scientist William Metcalfe—the latter known for his near-daily habit of wearing a bow tie.

About a year ago, Kilzer became Curvegrid’s first hire. She was taken on as a software developer to push forward their blockchain app development platform, MultiBaas, which facilitates the creation of decentralized apps and makes the Ethereum network easier to use. Ethereum is an open-source, blockchain-based distributed computing platform.

Today, as the company’s lead software engineer, Kilzer is in charge of a growing team of developers who are paving the way for deployment of MultiBaas later this year.

But she is not just leading Curvegrid’s foray into the brave new world of blockchain, the underlying technology for assets such as cryptocurrency. She is also a champion of the rights of underrepresented groups in the tech world.

KNOW YOUR WORTH

Speaking to *The ACCJ Journal*, Kilzer said she is happy about her work at Curvegrid and is proud of her position at the company, as well as the desire of its founders to support her as a woman in tech.

After all, it was at Curvegrid that she received her first promotion as a professional, an act that recognized her talent as a developer and a leader.

When she told Metcalfe that they were the first employer to promote her, he replied, “Oh, in that case, you’ve been undervalued.”

When she started at Curvegrid, Kilzer worked on backend, databases, and then front-end development while teaching herself blockchain-based technologies.

While the work itself is exciting, she really appreciates being part of a startup because of the opportunities it offers to shape the future and to do so in an industry that is full of promise.

“This is a once-in-a-lifetime opportunity to build something from the ground up with people I really believe in and trust. It’s been the best job I’ve ever had.”

Men, too, must make a genuine effort to find out what the issues are, and how biases—whether conscious or unconscious—affect colleagues.



DREAM BIG

Kilzer was born in St. Louis, MO, and raised in Missoula, a small town of some 70,000 in Montana. As a child, she dreamed of pursuing graduate research in math, a subject for which she showed an early aptitude.

When college beckoned, she chose Gonzaga University in Spokane, Washington, where she triple majored and earned two degrees—one a Bachelor of Science in Computer Science, the other a Bachelor of Arts in Visual Art and Mathematics, with a minor in German language.

She did her graduate research in computer science at the University of Texas in Austin, and during that time she interned at tech giant Google. Then, when she took the next step into the world of work, she was employed by a transport and logistics company.

After a stint as a software developer at a startup in Austin, TX, she transitioned to employment-related search engine provider Indeed, working in the company's Tokyo office.

And yet, she ultimately chose to return to work for a startup. Why?

"I really feel that, with startups, if you build a decent culture from the beginning that is caring, you're going to

Ultimately, change begins with hiring and empowering diverse teams.

get a very different culture than if you add it on later as a Band-Aid."

Kilzer is talking about endemic bias against women, an issue that plagued her early career in academia and the tech world.

Like many women in such fields, she struggled to be respected and recognized for her talent. That changed when she joined Curvegrid.

COMPETING COUNTS

Sadly, though perhaps not entirely unexpectedly, her struggle for recognition began as far back as childhood—and her first love: math.

"For me, math was like a game. It was like candy. It was just fun," Kilzer recalls, thinking back on how she took to the subject like a duck to water.

"When I was in first or second grade, I remember thinking, 'I'm going to go to grad school.'"

Kilzer enjoyed art and creativity as a child, but it was the ability she showed in math that pulled her into the gifted learning program in second grade. By junior high, she was the best math student in her school.

But even then, the scales seemed tipped against her. At a local competition of Mathcounts, a national program that provides students in grades 6–8 the chance to compete in-person alongside their peers, Kilzer was pulled aside by her teacher, who explained why she had finished second.

"My coach said, 'You've technically got first place, but one of the coaches for the student at the other school said he answered more questions.'"

Even though Kilzer had answered the more difficult questions, the names had been switched, and so she placed second. The other student, a boy, was placed ahead of her. Had the rules been followed, Kilzer would have been first.

Despite the ruling, Kilzer advanced to the state finals. Still, after all these years, a sense of having been wronged resonates deep in her voice.

"The part that really hurt was, the next day, the local paper published an article saying boys are better than girls at math. 'Oh, and a boy won at a math competition yesterday.'"

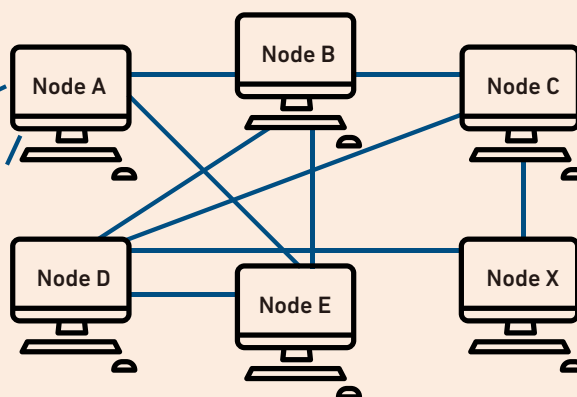
Curvegrid's MultiBaas helps Ethereum network management

Blockchain as a decentralized ledger

- Nodes are servers, desktops, or laptops
- Every node has a copy of the ledger
- Nodes communicate peer-to-peer over the internet to update the ledger

Ethereum Ledger

Block	Tx	Account	Debit	Credit



SOURCE: CURVEGRID INC.

This is a once-in-a-lifetime opportunity to build something from the ground up with people I really believe in and trust. It's been the best job I've ever had.



IMPOSTER SYNDROME

A consequence of having the scales tipped against her that day may have been Kilzer unwittingly internalizing a belief that she was not up to par.

One day, this manifested itself in computer science class. Ironically, the class was taught by a woman.

“I remember a bunch of 14-year-old boys talking about setting up LAN parties, or local area network gatherings, for video gaming. The way one of them was talking made me think, ‘This guy is a networking genius. I don’t know if I’ll ever be good at this.’”

But when the results of the class were posted, Kilzer had the highest grade—by a large margin. “I realized that a lot of guys in the class were just bluffing.”

In retrospect, her salvation may have been her math teacher in middle school, a woman who pushed students in the gifted learning stream to reach for the stars. “We had a nice teacher who was like, ‘Come in an hour early and I’ll teach you the eighth grade math.’ That put us ahead by a few years.”

As a result of her accelerated learning, Kilzer took Calculus II at the University of Montana while still a senior in high school.

What she enjoyed most about those classes was being treated like an adult, and having the autonomy and responsibility to follow her true passions.

THE GOOD, BAD, UGLY

When Kilzer began her PhD program in computer science at the University of Texas, it seemed that her childhood dream to attend grad school had come true.

The focus of her research was security and privacy. But the reality of doing graduate research as a woman in a largely male-dominated world proved to be very different from what she had imagined. It did not help that she found herself in a university with a student body as large as the small, close-knit town in which she grew up.

Looking back at her time as a researcher, Kilzer said, “It was not at all comforting; you are really on your own.”

So, it came as welcome relief when, during two summers in grad school, she interned at Google.

“Google is very encouraging, and it has lots of smart people. I found a wonderful culture there with a flat hierarchy where even interns were trusted and encouraged to contribute ideas.”

This stood in stark contrast to Kilzer's life as a researcher. One particular incident had a lasting effect on her.

"I remember being sexually harassed at this conference where I presented a paper."

Kilzer's interlocutor was a man who not only made inappropriate remarks about her private life, but was also intent on browbeating her on questions about computer science.

Kilzer discussed the incident with a peer at the time and reported it to the relevant authorities.

However, she believes the incident was not treated with the seriousness it deserved. Later, she found out that the man was a repeat offender. "I felt that things sort of unraveled in grad school for me after that point, and I've always kind of wondered if that had something to do with me dropping the PhD."

Kilzer confesses that there were other issues that, taken together, led her to leave the program.

After all, a PhD is as much about learning how to do research as it is about having the endurance to overcome challenges.

That said, "If someone can support you through it, that is likely to lead to success." Some of that support—especially in the form of mentorship—was lacking.

In the end, she walked away with a Master's Degree in computer science, but with lingering questions as to what might have been.

MAKING CHANGE

Having a dream crushed, a career torpedoed, or personal advancement put on ice due to gender bias raises several issues about workplace culture.

One way to tackle such issues, believes Kilzer, who came to Japan before finding a job in Tokyo, is for companies to create executive-level positions for diversity and inclusion (D&I) professionals.

"But the person has to be empowered to do their job. They can't simply be a paper-pusher with no decision-making powers."

Men, too, must make a genuine effort to find out what the issues are, and how biases—whether conscious or unconscious—affect colleagues.

"There is a certain type of person in the tech world that, instead of just going out and reading up on 'Feminism 101,' expects you to teach them why it matters. I don't have the bandwidth to teach every man in tech, and to bring him along or to coach him."

For Kilzer, D&I education is not just about women. In the United States, at least, it's also about African Americans, the LGBTQ+ community, and Latinxs, a gender-neutral term that, in line with the goal of equality, has begun to be used in place of Latinos and Latinas.

It's also about intersectionality.

"All the challenges I might face as a white woman are going to be amplified for a black woman, a queer person, or someone who is non-binary."

Ultimately, change begins with hiring and empowering diverse teams, Kilzer believes. That's what they've started to do at Curvegrid. ■



PATTERNS OF BIAS

Columbia Business School professor Katherine W. Phillips, who is director of the Sanford C. Bernstein & Co. Center for Leadership and Ethics, and Erika V. Hall, assistant professor of organization & management at Emory University's Goizueta Business School conducted research into the issues women find most challenging in the workplace. Here are five major obstacles they uncovered.

1. Prove-it-Again

Two-thirds of women interviewed said they must prove themselves over and over, because their successes are discounted and their expertise is questioned.

2. The Tightrope

There is a double-standard when it comes to women in the workplace. They often must behave in a masculine way to be seen as competent, but are still expected to be feminine. As a result, women reported feeling they must walk a tightrope between the two, trying to find a balance between being seen as competent and as likable.

3. The Maternal Wall

When women professionals have children, they often find themselves running into a wall. Their commitment and competence are questioned, and opportunities start to dry up. In Japan, this may also make it difficult for women to reenter the workforce.

4. Tug-of-War

It was found that women who encountered discrimination early in their careers often distance themselves from other women. One side effect of this is that the support network breaks down and conflict may arise between women of different generations.

5. Isolation

Also connected to the support network is a feeling that socializing in the workplace damages credibility. The survey found that, in the United States, 42 percent of African-American women said they feel that socially engaging with colleagues may negatively affect perceptions of their competence. The same response was given by 38 percent of Latinas, 37 percent of Asian-American women, and 32 percent of white women.

SOURCE: HARVARD BUSINESS REVIEW

CANDID CAMERA

How AI and video are
changing the hiring process

By C Bryan Jones



Artificial intelligence (AI) is seeping into every aspect of our lives. From smartphone assistants and photo sorting to autonomous cars and medical diagnoses, code that is capable of adapting, learning, and improving itself is changing our world. If AI can help you do your job better, shouldn't it also be able to land you that job in the first place?

The eyes that assess you at your next interview might just be driven by ones and zeroes. If that sounds like science fiction, it's time to get up to speed on the state of AI. Since IBM's Watson stole Ken Jennings' crown on the US trivia show *Jeopardy!* in 2011, AI has advanced by leaps and bounds. Today, Watson is having a strong impact on numerous industries—including recruitment of players for sports teams.

Take that recruitment angle, apply it to the workplace, and you find a tool that could revolutionize the hiring process. Watson is just one of many AI projects, and ingenious researchers and programmers are applying the technology in diverse areas—including human resources (HR).

CHANGING CHANNELS

Smartphones, messaging apps, voice over internet protocol (VoIP), and video conferencing have ushered in a new era of communication. And with these technologies has come a shift in preferences. While older managers and candidates may still prefer to pick up the phone, younger generations do not. Text has become the dominant method of interaction, and it has opened the door to some clever ways for companies to automate and streamline contact with customers and job applicants.

"If we look at what is happening in the market, we will notice that communications are shifting to messaging apps, where they get automated with chatbots," said Arik Akverdian, chief executive officer of San Francisco-based VCV Inc., developer of a recruitment tool powered by AI.

Chatbots are AI-driven programs that can hook into messaging platforms and carry on conversations in ways that convincingly mimic human interaction. Their presence is growing rapidly, and a December 2016 survey of companies conducted by software developer Oracle found that 80 percent of respondents planned to use chatbots by 2020.

"In recruitment, communications with candidates is moving in this direction as well," Akverdian explained. "The number



ARIK AKVERDIAN

Chief executive officer of San Francisco-based VCV Inc., developer of a recruitment tool powered by AI



ALEXANDER JENNER

Sales team manager at Computer Futures

of candidates is greater than the number of recruiters in one company, so communications have to be automated.”

The earliest chatbot may have been ELIZA, the natural-language program developed by Joseph Weizenbaum at the MIT Artificial Intelligence Laboratory in 1964. The concept has come a long way since then, and modern versions have been in use since 2013, when chatbots were added to the popular messaging app WeChat. Facebook made the technology part of its Messenger app in 2016.

With text firmly established, sound is driving the next evolution.

“We have worked in this field for several years, and audiobots are one of the most popular formats among our clients today. This is a bot that calls a person, recognizes their speech, and asks and answers questions. HR has begun to use this format not only for external candidates, but also for internal employees who use it to conduct surveys.”

Alexander Jenner, sales team manager at Computer Futures, also cited the shift in communication preferences. “We often use chat messaging services such as LINE, Facebook Messenger, WeChat, and WhatsApp to establish initial contact and set up a meeting. But we still meet face to face or use the phone to communicate for the first meeting. This is an important part of building a connection, and I don’t see that changing.”

Computer Futures is part of the London-based SThree Group, a global recruitment organization specializing in science, technology, engineering, and mathematics industries.

Once establishing a more personal connection through a phone call or face-to-face meeting, Computer Futures relies heavily on messaging for ongoing communication.

How receptive a candidate is to this approach depends not only on age but also industry. “As you might expect, people hailing from the IT industry—especially tech startups—are very comfortable using chat to communicate,” Jenner said.

“And we communicate with many HR staff and chief technology officers using chat services rather than phone. It’s part and parcel of the shift in how we all communicate in today’s society.”

FACE FOR SUCCESS

AI can do more than take the conversational load off HR. When combined with facial recognition technology and machine learning, it can also be used to automate the initial phase of the interview process. By analyzing how a candidate answers questions on what are essentially recorded video resumes, this combination of technology can identify the

best candidates before human screeners get involved.

This is where Akverdian’s company comes in. The VCV AI-Powered Robot Recruiter, as they call it, can accomplish in 45 minutes what would take 21 hours using traditional methods. According to the company, the average recruiter spends 21 hours to select three people from 250 resumes for a face-to-face

interview. But VCV uses a four-step method to run through this process in less than an hour by:

1. Scanning hundreds of thousands of resumes in minutes.
2. Contacting matching candidates with a choice of chat or phone call.
3. Using an audiobot to call candidates and explain the details of the position.
4. Analyzing video responses using facial recognition and predictive analytics.

“The idea behind this technology is to evaluate several factors,” Akverdian explained. “What does the candidate say? How do they say it? How closely do they match the profile of a successful employee?”

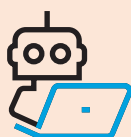
This is the same thing a person does when they watch a video or meet the candidate face to face. It’s a process that is often subjective. “Our task,” he added, “is to make the

In which situation is there a greater chance of selecting diversity? When one person evaluates another or when technology evaluates a person?

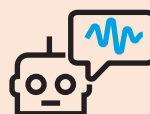
AI-powered Automated Screening Process



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2 Contact



3 Explain



4 Analyze



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technology evaluate the candidate objectively and, at the same time, use a hundred more criteria than a human can use.”

TOO IMPERSONAL?

The idea of removing the element of human intuition from the process may sound alarms. There’s a reason we talk about having a “gut feeling.” As AI systems such as VCV roll out, is there cause for concern? Can technology give everyone a fair shake?

Nancy Ngou, associate partner at EY Advisory and Consulting Co. Ltd. and a member of the American Chamber of Commerce in Japan (ACCJ) Board of Governors, thinks so.

“Being interviewed by an AI, rather than a human, while impersonal resulting in more stiff responses, could provide benefits beyond time saved, speed, and consistency,” she told *The ACCJ Journal*. “One benefit could be that a candidate is less nervous speaking to a machine, because they can avoid judgmental human facial reactions. An additional benefit is that bias based on someone’s appearance can be eliminated.”

Back at Computer Futures, Jenner finds some potential risk in recent findings. “There are obvious privacy and bias issues surrounding the use of AI in screening, and already tests conducted by Amazon have shown that automated systems can quickly develop screening biases,” he said. “So, as a society, we do need to proceed with caution. However, I think it’s inevitable that the technology will be used more and more in the screening process.”

As for facial recognition, Ngou warned that, if used in the screening of candidates, one of the benefits of using AI could be negated, depending on the purpose. “If facial recognition is used to measure a candidate’s reactions to questions, it could be beneficial,” she said. “But it should not be used to make a prediction about the candidate based on their facial features. Hiring should be based on an individual’s skills and abilities, not their appearance.”

DIVERSITY AND INCLUSION

If AI develops a screening bias, as has been found in some tests, could its use undermine a company’s diversity and inclusion efforts?

Ngou says that some ways to mitigate these potential risks “include being transparent about the data utilized and the logic behind the decision, conducting periodic bias reviews of the data and outcomes, and, importantly, ensuring that a diverse group of people design, develop, and test the system.”

Akverdian agrees that ensuring diversity is one problem that must be solved when developing AI for screening. “It is important to understand that the system will work as it is taught, and it is very important to incorporate the principle of diversity into the training model,” he explained. “But in which situation is there a greater chance of selecting

diversity? When one person evaluates another or when technology evaluates a person? I suppose it is the latter.”

That seems unlikely. The idea of intuition is a difficult one to shake, and we all like to think that we are free of bias. But that belief itself is a bias. Ngou believes AI can indeed do better than natural intelligence.

“AI can reduce the bias a human interviewer may have about things unrelated to the job or position. For example, a human interviewer may make assumptions about someone’s ability based on the candidate’s appearance, or may be biased towards a candidate who lived in the same town as they did,” she explained. “If the algorithm is written as such, it will make predictions based on the best available relevant data, not the irrelevant information a human interviewer may gather during an interview.”

At the same time, Ngou added, if the best available data is not reviewed for historical bias, AI will learn from the biased data and will exacerbate the historical bias. “If the hiring manager had historically hired individuals from their alma mater, the algorithm may favor people from that same school over other preferred schools.”

Jenner returned to his earlier statement about Amazon tests. “This is a sensitive issue, and we have already seen how AI built on machine learning inputs picks up the same biases that humans have. They are just reflecting what exists in the wider world.

“But I am sure that AI systems could be programmed to encourage diversity and reduce unconscious bias in screening and hiring, which would be a positive step.”

He acknowledges, however, that the technology is in an early stage and is controversial.

LOOKING AHEAD

How does it all come together? Christopher Reilly, director at the SThree Group, sees the tech as a way of ultimately improving relationships between recruiters and candidates rather than something that diminishes the human element.

“I hope that AI and machine-learning technology will give us, as recruiters, the ability to improve by automating time-consuming tasks such as resume sourcing, screening, formatting, and sending,” he said. “Instead of spending our time on these things, we can focus more of the consultative aspects ultimately leading to more placements for us and better experiences for our customers—whether they be candidates or clients.”

And as Ngou concluded, “With the recognition that AI is only as smart as the algorithm written, companies are looking to hire more diverse teams to better insulate the programming from inherent bias.”

When it comes to choosing the best person for the job, our artificial creations may know better than we do. At the least, they can help minimize bias and find the best matches of talent and company. ■



NANCY NGOU

Associate partner at EY Advisory and Consulting Co. Ltd. and a member of the ACCJ Board of Governors



CHRISTOPHER REILLY

Director at the SThree Group

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MINISTRY OF ECONOMY,
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CAN JAPAN THRIVE ON FREE TRADE?

The faceoff between the United States and China over trade policies is causing the frameworks of international accords to fracture. The unwillingness of the two countries to compromise brought the November 2018 Asia-Pacific Economic Cooperation (APEC) conference, held in Papua New Guinea, to an irregular end.

No joint statement was issued at its conclusion—a first since the meetings began in 1993. The administration of US President Donald Trump continues its criticism of China's unfair trade policies, and the draft of the US statement included an appeal for revision of the World Trade Organization. China, which accused the United States of unilateralism, countered by arguing that the statement contained language opposing such behavior.

The Statement of the Chair, issued five days after the conference, reaffirmed APEC's objective of promoting free trade; but wording that suggested opposition to protectionism and measures that distort trade were deleted.

At the conference, the United States refrained from imposing additional sanctions on China. But the current round of negotiations have seen US Trade Representative Robert Lighthizer, known to be a hardliner on trade, taking charge.

While the United States and China may have declared a temporary cease fire, the world stands to suffer more disruption this year due to the ongoing trade friction. Meanwhile Japan, if it can demonstrate effective global leadership by waving the banner of free trade, stands to boost its influence.

FINANCIAL SERVICES AGENCY

IS A CRYPTO CONTROL SYSTEM POSSIBLE?

With the conclusion on December 1 in Buenos Aires, Argentina, of the latest G20 summit, Japan, which will host the next meeting in Osaka on June 28 and 29, announced that one of the main pillars of discussion at the 2019 meeting will be cryptocurrency.

The ability to exchange cryptocurrency with others makes trading across international boundaries simple, but it also raises concerns.

The Financial Services Agency (FSA) has been progressing in its consideration of controls on domestic cryptocurrency operators. But, for trade that transcends international borders, additional controls are needed and this will require cooperation among the countries involved. Japan hopes to lead the discussions and obtain agreement on an effective system.

Cryptocurrency provides a breeding ground for money laundering, funding of terrorist groups, and other crimes, and these concerns will be among the main topics to be discussed in Osaka.

Cryptocurrencies are based on blockchain technology, and all transactions are recorded in a public digital ledger. However, there is no way of assuring the correct identity of a person performing a transaction. Therefore, a key measure to prevent money laundering is confirmation of identity at the time an account is opened.

In April 2017, Japan took the initiative to revise its laws on financing, making it compulsory for cryptocurrency traders to register and requiring identification confirmation when an account is opened.

Relatively few nations have imposed a registration system similar to that of Japan, and measures imposed by a single government face limitations. Even if some countries bolster their controls, lawbreakers may be able to evade the laws by utilizing exchanges in other countries. "We would like to debate the framework of international controls based on methods adopted by Japan, which are the world's most advanced," said a representative of the FSA.

Nevertheless, countries such as China have banned cryptocurrencies outright. Others are said to be considering the issuance of cryptocurrencies. This shows the wide disparity in thinking on the matter, and the differing levels of control discourages the formulation of any straightforward solution. While the FSA may have been the first to deal with this issue, doubts are being raised over the government's ongoing commitment to exercise leadership. ■





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RECRUITMENT 2.0

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Japan has long been considered one of the most challenging countries in which to recruit. There are many reasons for this, including unique cultural traits, an aging population, a decreasing birthrate, a shortage of talent, inadequate English-language education, and strict immigration policies. Year after year, companies experience difficulties attracting talent. It takes patience, money, and creativity to find not only great candidates, but to convince them to come aboard.

WENotech Co., Ltd., provider of HirePlanner.com, aims to support companies on all fronts with its Japanese bilingual software as a service (SaaS) platform for recruitment. *The ACCJ Journal* sat down with founder and chief executive officer Fabien Brogard Cipriani to learn more about how companies and their human resources (HR) departments have been benefiting from the system.

THE VISION

Before founding WENotech, Brogard Cipriani led the talent acquisition teams at Apple Inc. and Tesla Motors Inc. in Japan and South Korea. With such experience, he came to understand the intricacies of the Japanese market and the importance of adding speed and emotional intelligence (EI) to recruitment strategy.

"In a candidate-driven market, what determines recruitment success is your HR team's ability to save time. By leveraging new HR technologies, they can simplify and automate the hiring process and engage with potential candidates. They can build a closer connection with them, just as a salesperson would with a potential customer," he explained. "The key is for HR recruiters to keep their data organized and to remove as much friction as they can from the hiring process. By doing so, they can make things as easy as possible for hiring managers, candidates, and recruiting agency partners."

EMPLOYER OF CHOICE

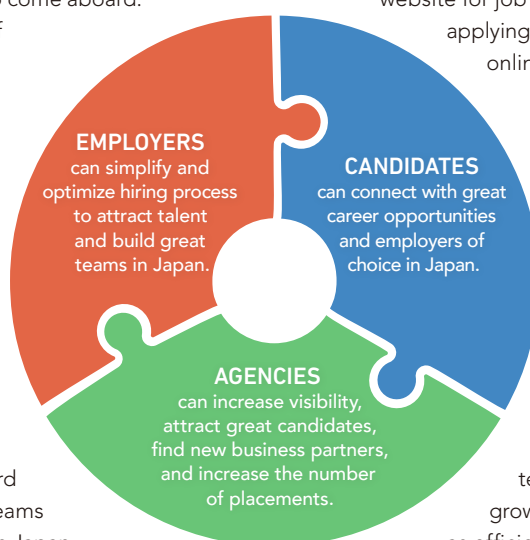
The scope of the recruiter's role is evolving rapidly. Gone are the days when HR recruitment was simply an administrative function. It now requires skills and expertise in areas such as branding, advertising campaign development, social media content strategy, and data analytics.

In Japan, 80 percent of job seekers check a company's website for job listings and career information before applying. This is true whether they apply directly online or through a recruitment agency.

Platforms such as Facebook, Twitter, Instagram, YouTube, and LinkedIn have become an essential part of people's lives, and companies frequently use these to promote career opportunities and brand themselves as an employer of choice.

As the scope of the recruitment profession evolves, companies and their leaders must make a continuous effort to empower HR.

To succeed, they must equip the HR team with tools designed to perform an growing range of tasks and responsibilities as efficiently as possible.



THE PRODUCT

This is where HirePlanner comes in. A web-based bilingual recruitment platform designed to help companies attract top talent in Japan, HirePlanner offers a complete set of recruitment solutions starting at just ¥25,000 per month. It has been built to simplify your hiring journey every step of the way by providing:

- Job postings
- Online advertising
- Branding tools
- Social media integration
- Website integration
- Interview scheduling tools
- Agency management tools
- Messaging system

Thanks to Hireplanner, numerous brands have drastically reduced their administrative workload and overall cost per hire while keeping data secure. They are also offering a much greater recruiting experience to both candidates and agency business partners. ■

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TAX HAVENS

DO UNEXPECTED PITFALLS AWAIT?

Japan's tax haven rules, also known as controlled foreign corporation (CFC) rules, have undergone many changes in recent years. The last major changes were announced in 2017 and took effect for fiscal years beginning on or after April 1, 2018.

Broadly speaking, if a resident of Japan—together with their related parties—controls a company located in a low-tax jurisdiction overseas, Japanese tax law will seek to attribute the taxable income of that company back, either fully or partially, to the Japanese shareholder.

LOCATION MATTER

A low-tax jurisdiction is one in which the headline corporate tax rate is lower than 20 percent (30 percent for certain types of paper companies, those which are properly registered but are essentially non-operating and have nominal or zero assets). These jurisdictions include the United Kingdom, Ireland, and Singapore, with others potentially being added to the list given the current business climate in which governments compete to attract multinational businesses.

The details of the regulations are too complex for an article of this nature, but the differences in business practices between Japan and other jurisdictions can create unexpected tax consequences.

PASS THE TEST?

The rules contain tests of economic activity to exempt otherwise bona fide companies from being subject to full attribution of their income. A company in a low-tax jurisdiction that passes all the tests will only be subject to attribution of certain types of passive income. But even this attempt to limit the scope can lead to unwanted surprises.

Take the United Kingdom, for example. A common structure is to have a holding company oversee a group of subsidiaries, with tax losses being transferred around the group according to the country's group relief system. A management charge is paid by the subsidiaries to cover the cost of maintaining the holding company. It is common for the directors of this holding company to also be officers of the subsidiaries, and for the office premises to be shared by companies in the group.

Although this is a typical arrangement in the United Kingdom, it can cause companies to fail the test for local management and control as well as the local business test under Japan's tax haven rules. A company that does not have its own separate directors will fail the local management and control test. And it will fail the local business test if only one company pays the office rent and the others are not charged, or do not use the office space for their own business purposes.

As a result, an otherwise unremarkable structure with bona fide operating companies can cause the full amount of a company's taxable income to be attributed to the Japanese shareholder.

COMPLICATIONS

Also, the treatment of losses through group relief is not specifically dealt with in the legislation. It is likely, however, that these losses will be added back and the taxable income—before group relief—will be attributed back to the Japan shareholder.

Finally, it should be noted that the 11 types of passive income subject to inclusion—for companies that meet the economic activities tests—include a final catch-all category labeled "excess residual profits." It is designed to catch companies that generate large amounts of income from relatively few assets and personnel.

This can create headaches for two reasons:

- Income that would not otherwise be classified as passive can suddenly fall within the scope for attribution.
- When calculating starting profits for this category, it is unclear whether Japanese or local accounting rules should be followed.

This grey area makes compliance with already-complex regulations more difficult.

GET ADVICE

Tax haven rules apply to Japanese resident shareholders, both corporate and individual. If you control an offshore company, you should seek professional advice from your tax advisors to ensure no unexpected consequences are lurking come tax season. ■



Adrian Castelino-Prabhu is a principal at Grant Thornton specializing in international inheritance/gift taxation for high-net-worth individuals as well as tax advice for corporations looking to enter the Japan market.



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BILINGUAL BOOM

RGF Professional boosts recruitment in Japan



In today's candidate-short market, skilled bilingual professionals are in great demand. RGF Professional Recruitment Japan (RGF PR) is a bilingual recruitment arm of Recruit Group, the largest recruiting and information service company in Japan and Asia and the fourth-largest in the world.

In January 2018, Recruit Global Family launched the Contract Business Division to offer complete staffing solutions to its clients. "Our goal is to become not only the number-one recruitment company in Japan, but also the number-one recruitment company in Asia," said Director Benjamin Cordier, who joined RGF PR specifically to launch the contract division.

RGF PR has achieved significant growth, leading to an increase in the number of consultants from 83 to 150 in one year. "I believe the job-changing market is getting richer and more prevalent. Younger people are more willing to change jobs now," said Manager Takuya Sakamoto, who also joined to establish the division.

GLOBAL MINDSET

RGF PR places bilingual Japanese professionals—as well as non-Japanese with excellent language and technical skills—in global companies and Japanese enterprises looking to expand overseas.

"Being part of the Recruit Group here in Japan is obviously a very strong advantage for us," said Cordier. "The fact that we are part of the Recruit Group earns us initial trust when people are looking to change jobs. We are also benefiting from the size of Recruit in terms of the number of candidates in our database, which is by far the largest advantage we have compared with our competitors."

In Japan, the Recruit brand is recognized for its credibility and trust, and access to Recruit's database allows RGF PR to provide highly qualified candidates to clients. Its international recruiting expertise—along with a network of 45 offices throughout Asia—allows RGF PR to reach many skilled bilingual and bicultural returnee candidates before competitors.

"RGF Professional Recruitment's objective is to become the number-one recruitment company in Japan; and we don't think we can achieve that by just doing permanent placement," said Cordier. "We have to offer clients our full, more flexible solutions. Permanent positions, contract positions, or *haken* [temporary staff], were the driving forces behind building the division."

BRIGHT OUTLOOK

Based on the first year's very strong growth, Cordier foresees that, with continued momentum, RGF PR will achieve in four years what took competitors 10. They plan to have a big summer party to celebrate this success with all of their *haken* staff.

"In terms of the number of placements made in the Japan market, contract is double that of permanent positions, which means big potential," said Sakamoto. Contract hires offer more-flexible, faster hiring options with reduced fallout from mismatches when the budget is temporarily tight. Some candidates tend to focus on permanent employment—especially in a strong economy—but "both the client and RGF PR need to understand the benefit of contract employment, which often pays better than permanent jobs or flexibility in terms of working hours or duration," he added.

Cordier also touched upon changes where some "people prefer to be contractors—especially in IT, where you may have a quite senior-level person who prefers to work three to six months to do system implementation, then take three months off and go surfing in Bali." They can do that, he said, because they know there will be offers upon returning, given their skills.

"Some people prefer the gig economy style of working," he continued, "and as consultants we need to educate our clients on the market and increasingly more-flexible workstyles for people such as working mothers. The way people work is changing, with more mobility and flexibility."

For two big upcoming sporting events—the Rugby World Cup 2019 and the Tokyo 2020 Olympic and Paralympic Games—RGF PR is already working with various clients on project-based hiring or contracts.

MARKET POTENTIAL

Lastly, Cordier mentioned the company tagline: Unleash Potential. It is something they strongly believe in. "We want to help our clients realize the potential in our market, but also want to help our candidates to achieve the potential within their careers."

Sakamoto shared an impressive story. "Usually we use our database when we look for bilingual candidates, but the database is not always how we find candidates. There was a convenience store clerk from Uzbekistan—fluent in Japanese with amazing customer service skills. I put him up for a job at a data center that needed bilingual engineers. He was hired and eventually became the center leader. It was a win-win situation. On top of using our database, we need to come up with creative ideas when searching for good candidates." ■

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