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THE AUTHORITY ON GLOBAL BUSINESS IN JAPAN

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CHANGING THE CHANNEL

A bricks-and-clicks approach to modern marketing





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Fove, Inc. posted a video on its website of a handicapped boy playing the piano using only his eyes, with the company's virtual-reality headset.

—Page 20

J. T. QUIGLEY



"Virtual Reality Revolution"

page 20

Hometown: Voorhees, New Jersey

Most memorable interviewee:

William Saito. Unimpressed with the generally risk-averse Japanese tech investors, William once told me that, here, "VC" stands for "very cowardly."

Favorite place in Japan: Asahikawa, Hokkaido. A snowboarder's paradise with incredibly friendly locals and delicious local cuisine. Big enough to have fun at the drop of a hat, but small enough to easily escape into the wilderness when you need to unplug. I'm determined to retire here one day.

Favorite author: A tie between Chuck Palahniuk and Haruki Murakami

Social media handles:

@jtquigley / jtquigley

Currently reading: S. by Doug Dorst and Tech in Asia website (of course).

Currently listening to: *RISK!* podcast and *This American Life* public radio show.

Secret skill: I was a choir boy and sang in a few garage bands, so I can hold my own in the karaoke box.

Thoughts on print journalism:

I definitely prefer turning the pages of a paper magazine over swiping a glass surface.

DR. NANCY SNOW



"Global Powers of Persuasion"

page 28

Home region:

The Deep South, USA

Hobbies:

Ping pong, Singing

Favorite place in Japan:

Hotel Okura (before the demolition)

Most memorable interviewee:

J. William Fulbright

Years in journalism:

25+ (both teaching and writing)

Professional mentors:

George Gerbner, Herbert Schiller

Favorite authors: Ellen Gilchrist and Louise Fitzhugh (among many others)

Social media handle:

drpersuasion

Currently reading: *Japan and the Shackles of the Past* by

R. Taggart Murphy and *Brand America* by Simon Anholt

RICHARD SMART



"Changing the Channel"

page 10

Hometown: Sheffield, Britain

Languages:

I speak and read English and Japanese.

Most memorable interviewee:

I've interviewed a number of prominent figures, but always found average people in absurd situations to give the most meaningful comments that create the best narratives for stories.

Years in journalism:

Living and writing in Japan since 2002

Currently reading:

I like to read the writers in nonfiction and fiction that point out the way the world works, or often doesn't. I currently have books open by Theodor Adorno, Gabriel Garcia Marquez, and Daniel Kahnemann. I may not finish any of them.

Currently listening to:

I am a regular listener to jazz DJ Gilles Peterson's show and podcasts such as *In Our Time*, which covers the thinkers that helped us get to where we are today.

Thoughts on print journalism:

I'm hopeful for the future of print media, but perhaps that's because I am excessively optimistic in a lot of situations.



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WELCOME TO YOUR **NEW JOURNAL**

FROM THE PUBLISHER

Simon Farrell



In this exciting but imperfect era of endless, prompt, and free online information, the agony of choice is what to consume and trust. But there's still much to be said for ink. Fresh and unique, *The Journal* will still arrive 12 times a year and be a permanent and high-profile record, as <http://journal.accj.or.jp> continues to develop to exploit the digital world.

The big difference is, in both print and online, *The Journal* now features two distinct sections: the journalism up front aims to be passionate and refreshingly objective. The American Chamber of Commerce in Japan (ACCJ) section, meanwhile, will also inform and entertain, while staying true to the key tenets of the organization—advocacy, information, and networking. Editor-in-chief Brandi Goode explains more on that in the text that follows.

The process has been very rewarding, long, and arduous—even onerous at times. It began in July 2014 over meals shared with the two relaunch architects, Jonathan Kushner and William Swinton. As leaders of the ACCJ Communications Advisory Council (CAC), their ambitious vision for the new two-part concept helped create what you see. Thanks Jon and Swint for your inspiration.

Often unsung but always there, a big thanks also to Custom Media's editorial, technical, and design teams, who diligently worked late many times to honor deadlines and exceed standards.

We look forward to your feedback so we can continue to develop *The Journal*.

EDITOR'S DESK

Brandi Goode



In its 52-year history, the ACCJ's flagship publication has gone through many iterations. You may notice some commonalities with versions past in this 2015 revamp, but most of what we're presenting is brand new. In line with the CAC's strategic mission (see page 49), in addition to feedback received in last year's chamber-wide survey, *The Journal* aims to provide informed analysis for both current and potential members.

Readers will see many new bylines in this and future issues. Each writer contributing articles in the first, long-format section has years of journalism experience. Regular columns beginning this month include The Third Arrow, Tech in Asia, Arti-sense, and Voices of Japan.

Though we'll continue to spotlight US-Japan ties, such as in our "Asia in Washington" feature (see page 24), we're expanding the magazine's scope to incorporate content relevant to all nationalities working in Japan and throughout the Asia-Pacific region.

Another exciting innovation is the inclusion of syndicated content from select partners. This month's article, from the *Nikkei Asian Review*, highlights the deflationary consequences of hoarding rising profits in lieu of reinvesting in investors and operations (see page 18). On a related note, in yet another novel *Journal* feature—translations from Japanese media—government advisor William Saito warns against hyper-conservative corporate behavior (see page 16).

As always, I'm curious to hear what you think. Without further ado, enjoy your new magazine; I hope you're as proud of it as we are. ■

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IN THE NEWS

Tweets from leading media outlets



FROM JAPAN

Tweets in Japanese from people and media



TOP HASHTAGS

This month: Most popular tags in Japanese



LINKEDIN

Discussions from global leaders



Mashable

@mashable

5 things Apple didn't say about the new MacBook

1. Low-res FaceTime camera
2. Better stereo speakers
3. MagSafe takes a hike
4. You'll probably need a dongle
5. The glowing Apple logo is no more

<http://on.mash.to/1F8rvMV>

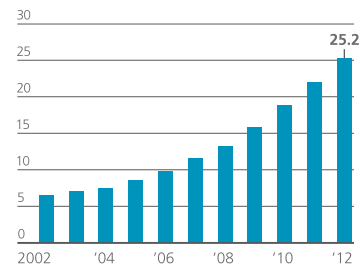
WSJ

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China tells thousands of state-owned enterprises to get ready to list on public markets.

<http://on.wsj.com/18zxIVb>

Assets managed by China state firms (in trillions of yuan)



Note: 10 trillion yuan = \$1.6 trillion
Sources: UOB Kay Hian; National Bureau of Statistics

Forbes

@Forbes

Massive store closings will reshape retail landscape as online newbies take over locations.

<http://onforb.es/1FGvNcD>

FAST COMPANY

@FastCompany

The smallest car in the world is back from the 1960s, and now it's electric.

<http://f-st.co/QXN4tmL>



コピーライター

@copy_writer

東北は元気です。ですが、じゃあもう大丈夫、というわけでは
ないのです。

Tohoku is vibrant. But that doesn't mean everything there
is alright now.*

NHKニュース

@nhk_news

復興に遅れ感じている人 計65%

65% of people feel there have been substantial delays in
disaster reconstruction.*

<http://nhk.jp/N4ID4CRh>

* Translations of original content in Japanese

#トレクル

1 Torekuru game app

#RTした人全員フォローする

2 I will follow everyone who retweets

#拡散希望

3 Please retweet

Hiroshi Mikitani, [influencer](#)

CEO, Rakuten Inc.

ALWAYS BE A CHALLENGER

- The challengers are the entrepreneurs.
- The challengers are the fastest.
- The challengers change the world.



Robert Herjavec, [influencer](#)

Shark on ABC's Shark Tank,
Founder of Herjavec Group

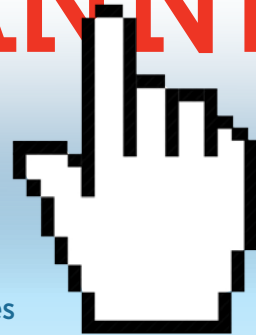
PIVOTING OR QUITTING?

People have a funny relationship with quitting. The way I see it, quitting isn't losing. It's simply changing direction.

The popular term used today is "pivoting." In the Shark Tank, we talk about looking forward and recognizing those pivot points in your business's development. Call it what you will, but quitting a strategy, or a job, should not be seen as failure.

CHANGING THE CHANNEL

Modern marketing involves more than communicating new products and services



● By Richard Smart

SoftBank staff faced their busiest days of the year on a sunny September weekend. The two new iPhone models, the 6 and 6 Plus, had just been released. Curious shoppers mingled with those that had reserved new devices. All had questions and all needed tending to. But this year, the responsibilities of retail staff have changed. No longer do they need to just sell phones; they also need to sell SoftBank.

Staff at CEO Masayoshi Son's stores are no longer required to just deal in matters relating to mobile phones. They also need to serve drinks. At many outlets, they need to deal with screaming kids in ball pits, mothers looking for a brew, and generally make sure potential consumers are as comfortable as possible. Omnichannel retailing has arrived at SoftBank.

Go to the store with a problem, and you learn the catch. SoftBank staff will often tell existing customers that they need to check for solutions to their device problems online. In addition, they often ask for official ID cards and apologetically explain that they are in no position to deal with customers' issues in-store.

"Japanese companies provide better telecom network infrastructure and greater customer satisfaction at retail stores," Son told the *Nikkei* newspaper last year. "US companies are ahead in Web-based services. Businesspeople in both countries should learn from each other."

DIFFERENT STROKES

Forrester Research, Inc. says that today, "consumers expect retailers to provide consistent and unparalleled service across all touchpoints." In other words, merely offering goods in stores is no longer enough for many customers. According to the Boston Consulting Group, "Fluid and dynamic ... boundaries between marketing and selling online and offline blur—and often disappear entirely."

Cutting through the jargon, customers don't care as much about in-store buying today because they can get products delivered after ordering online. Stores therefore need to offer services that put brand appeal above straightforward sales. Omnichannel marketing is an international phenomenon, but Japan's particular circumstances set the experience here apart.

"Japan is a pioneer in omnichannel retailing because the country's retailers and brands have had to entice consumers into stores in an economy that has largely been stagnant or on the low growth side for decades," says Nicole Fall of Asian Consumer Intelligence, a market research company.

"Stores such as T-Site, a modern interpretation of a book and DVD shop, in addition to fashion stores that utilize RFID [Radio Frequency Identification] technologies to create a seamless digital experience, are now fairly common in Tokyo," Fall added. RFID technology is similar to bar codes or magnetic strips on the backs of credit cards. Scanning an RFID-equipped device enables a retailer to identify and track their products with ease, which leads to more efficient inventory control.

T-Site, owned by the DVD and CD rental retail chain Tsutaya, is designed with the older generation in mind. "The young adults who came to us for lifestyle navigation

“Fluid and dynamic ... boundaries between marketing and selling online and offline blur—and often disappear entirely.”



[in the 1980s] are now 50-something and 60-something years old,” according to the company. “So we decided to reinvent lifestyle navigation for these adults.” The result is not so much a store as a complex. At the Daikanyama site in Tokyo, for example, there are spaces for dogs to play, a camera store, wine tasting counters, stationary sections, rooms for hosting talks and other events, and a cinema. Oh, and of course, a selection of books and DVDs.

“The difference between this place and normal Tsutayas is that we want to combine sales of books and other cultural products with a place to relax,” said Masahiko Oishi, a floor manager at T-Site. “We have people—concierges—all around the store to recommend books to people based on their interests. Japan used to say you were not allowed to read books in-store. We encourage it.”

It is clear that another influence—the Internet—has led to changes in store design. Books are no longer arranged in the way they traditionally were. For example, the travel section will have not only guides, but also photography books, manga and other related publications. Magazines are also dotted throughout the floors based on a categorization system that bears more likeness to Amazon than a bookstore.

“We built this as a place for people in their sixties and seventies to visit and feel at home,” Shohei Matsushita, a senior assistant manager at T-Site, said. “Our customers [at Tsutaya stores] in general tend to be in their twenties and thirties, but here we get more people in their thirties to fifties compared to other branches.”

The store’s broad selection of leisure-related goods also means that more people come through T-Site’s doors. “We have about 130,000 books and 100,000 DVDs, and around 250 staff working here,” Matsushita said.

BRICKS AND CLICKS

T-Site is perhaps Tokyo’s best example of an omnichannel marketing space, but there are plenty of others. It can appear in something as simple as a convenience store offering a Hello Kitty smoking room, as one such Lawson store around Tokyo Station does, or as complicated as the modern SoftBank customer service model.

In Japan, however, the deflationary environment further complicates matters for both physical retailers and their online equivalents. Consumers will often wait to buy durable goods, expecting prices to drop. If they wait just six months, an item may go down in price from ¥100,000 to ¥80,000—a notable revenue difference for a company. So how are brands coping?



Staff at SoftBank's Umedacho shop in Osaka serve drinks to customers.

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STEP 2



STEP 3



STEP 4



STEP 5

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We will prepare your 2D layout, photo collage and estimate. This will be sent later via email.

Finalize your plan, including delivery, assembly and other details via email. For added ease of shopping, sign up for an IKEA BUSINESS Account card and we can arrange all this and bill you for your order by email.



Many retailers such as this SoftBank shop offer children's play zones.

"Shopping is increasingly defined by user experience and return on buzz," said Fall, "not by traditional definitions. This movement to a seamless bricks and clicks environment across retail channels is largely being driven by digital natives, who have grown up shopping and communicating online and make little distinction between the physical and virtual worlds."

Burger King, for example, successfully generated buzz last year with its Kuro (black) Burger. The unique-looking—and tasting—sandwich garnered attention on social media and a range of websites. Japan Real Time, the *Wall Street Journal's* blog on the country, did a report on the burger. No other story was more read on the blog in 2014. While Burger King does not publish sales results, it is rapidly expanding its Japan presence, capitalizing on both the black burger buzz and problems at rival McDonald's.

Companies such as Seven and i Holdings are taking a different approach. While some may say there is little to get excited about in the world of supermarkets and convenience stores, the company is taking advantage of its vast logistics network to get more goods to more people through the Internet. Customers can now place online orders from the company's large Ito Yokado supermarkets (another establishment in the Seven and i Holdings group) and collect them at nearby convenience stores.

"Because convenience stores in Japan are open 24-7 and are found throughout the country," Fall said, "[they] logically are becoming a natural delivery location for time-pressed individuals who find it more convenient to designate a store as a pick-up point than [having to wait at] home or the office for deliveries."

DEPENDENCE ON DATA

There is also a Big Brother element to many modern marketing experiences. Stores are using their point-of-sale data to interpret customer desires and change store layouts accordingly. If people, for example, are found to buy more apple juice than orange juice in February, convenience stores will rearrange shelves and inventory to more prominently display apple juice.

Kirin has taken the concept even further. Its Roomy alcoholic beverage was made in collaboration with the Lawson convenience store. The brewery got data on the drinks women were buying on their way home from work between 6pm and 10pm, information it used to design a drink to match their purchase preferences. In this case, that meant offering a sweet drink that conveyed the idea of relaxation. Roomy, claims Kirin, is a drink "for the end of the day, in the comfort of your home."

Upon its release, the beverage outperformed expectations, outselling original projections and capturing a larger proportion of the female market than other alcoholic drinks.

Given Japan's economic data, retailers will need to focus on diversifying their options and honing in on their target audience. Though the country still has a relatively low sales tax rate, currently 8 percent, the 3 percentage point hike last April sent the economy straight into a technical recession. This occurred despite massive monetary stimulus from the Bank of Japan, an improved stock market, and a government that uses every opportunity to talk up conditions. Domestic consumption, which had surged in the months before the rate hike, was largely responsible for the decline.

Retailers such as Tsutaya seem to have found part of the solution to countering thrift. "We sell more books than any other Tsutaya in Japan," said T-Site's Matsushita. Other organizations that pay attention to not only Japan's complex demographic situation, but also the digital habits of young consumers and the lessons generated by sales data, are likely to remain healthy whichever way the economic winds blow. ■

T-site in Tokyo's Daikanyama district is a lifestyle complex combining sales of products with a place for customers—and their dogs—to relax.



JURY HUNG ON ABENOMICS LABOR POLICIES

By Martin Foster

The jury is hung on whether the third arrow of labor policies under Prime Minister Shinzo Abe's economic recovery plan can deliver answers acceptable to companies, workers, and society. Japan urgently needs to secure a steady supply of skilled labor in the face of an aging population and low birth rate, with lifetime employment becoming increasingly unsustainable.

Labor skill is the most important—if not, perhaps, the only—resource Japan can boast in the absence of natural resources. It is no exaggeration to say that how Japan treats its labor force will determine the nature of the Japanese state in the 21st century.

“Labor policies contain the most important elements of Abenomics's third arrow,” said Kentaro Koyama, an economist in the Global Markets Research Group at Deutsche Securities Inc. in Tokyo. “They will have the most significant impact on the Japanese economy.”

It doesn't help that the Japanese labor curve is skewed between excess at the top end of the age group, and shortages at the lower end. A 2010 report from the Keizai Doyukai, the Japan Association of Corporate Executives, estimates that Japanese companies were employing more than three million excess workers. Based on an official unemployment rate of around 5 percent at the time, that meant there were nine million unemployed workers in Japan. In effect, Japan's real unemployment rate was 13 percent, well above the Organization for Economic

Cooperation and Development average of 8.3 percent.

The Doyukai report ventures that excess workers were being maintained partially as a labor reserve in preparation for a recovery in consumer demand, but also noted that a large number of such workers should be considered “chronic excess personnel.”

Professor Noriyuki Yanagawa, of the Faculty of Economics at The University of Tokyo, specializes in economic policy including labor issues. He is broadly positive on moves by the Abe government to introduce liquidity into the Japanese labor market by, for example, allowing companies to pay some high performers based on results and not seniority.

Yanagawa believes, however, that Abenomics has not gone far enough.

“Given that we must produce a labor market that allows for the right people to move into the right positions, it is clear that Abenomics is inadequate,” he noted.

Jesper Koll, managing director and head of research at JPMorgan Securities Japan Co., Ltd., focuses on labor shortages at the younger end of the Japanese market, and the need

to attract skilled non-Japanese labor. “The issue in Japan is a labor shortage and not excess labor. To be specific, if you are 25 to 35 years old, that age cohort will decline by 231,000 per year between now and the Tokyo Olympics,” he said. “Labor is getting scarce. The single most important issue is whether Japan has the ability to attract talent, and to retain it.”

Allowing in more skilled labor—dubbed the “A-team” proposal—is an obvious solution, but many non-Japanese may no longer find Tokyo a good place to build a career. “The A-team wants career advancement, opportunity, and responsibility,” Koll said. “The A-team is not about money, but about empowering who's best, not who's got seniority.”

But, Japan might lose out on attracting the cream of the labor crop.

Despite the need for measures to attract younger people and non-Japanese into the workforce, the vestiges of seniority-based pay and promotions mean that, before being able to make a meaningful contribution, many new hires will linger for years in low-paid positions that are not highly evaluated. “That's why young engineers from MIT and Stanford don't want to come to Tokyo,” Koll explained.

Deutsche Securities's Koyama believes shaking up the Japanese tax system to allow women to earn more, while still allowing their husbands to receive the spousal deduction, could bring more women into the labor force. “The system must change to encourage more female participation,” he said.

RADICAL PROPOSAL

Perhaps the most radical proposal for the Japanese labor market originates with Professor Yanagawa.

At present, Japan sets no legal limitation on the length of employment for fulltime employees, but those same laws restrict termination before mandatory retirement age. In his book *Nihon seicho senryaku, 40sai teinensei* (A Japanese growth strategy: a system of retirement at 40), Yanagawa proposes introducing three set contract periods, for those between the ages of 20 and 40, 40 and 60, and 60 and 70.

The number 40 in the title indicates the age at which the average employee looking to gain a full pension—which staff qualify for after having worked 40 years in Japan—reaches a halfway point in their professional lives. As they enter the second half, Yanagawa urges workers to use this critical juncture as an opportunity for education and skills training, to be able to respond better to a changing labor environment. He takes his cue from the labor policies of Scandinavian nations.

In what is referred to as flexicurity, a welfare state model based on flexibility and security, countries such as Sweden and Denmark make it relatively easy to dismiss workers. However, the government offers terminated workers generous handouts that are meant to be used for vocational training purposes, to hasten redundant staff's return to the labor market.

"If you want to work until you are 70 or 75, you need to acquire skills that respond to changes in the employment environment," he said. "If you don't do this, you will not be able to work."

While inertia suggests many workers in Japan may well be employed by a single company throughout their working lives, Yanagawa's proposal would present 40-year-old workers with the chance to review their job performance and consider what the future holds.

"If you want to work until you are 70 or 75, you need to acquire skills that respond to changes in the employment environment."

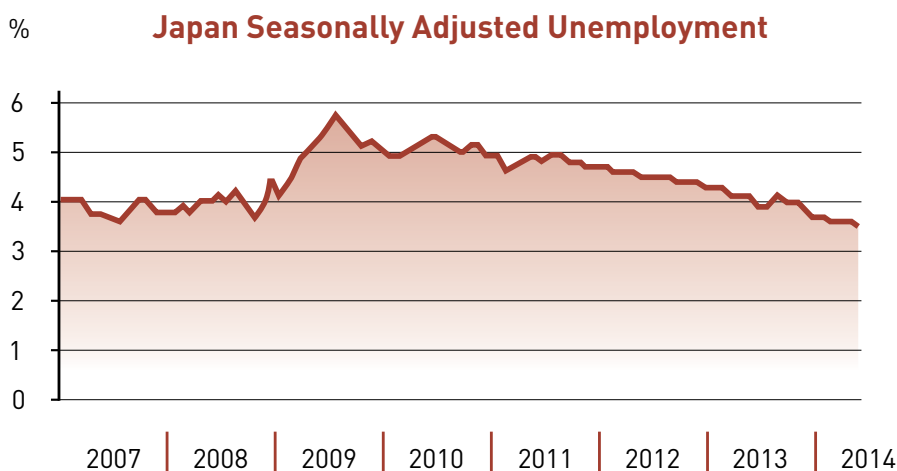
Workers with updated skills and inherent talents not immediately rewarded by mainstream Japanese companies could play a major role in adding liquidity to the Japanese labor market, by moving to smaller and, possibly, venture-like companies, as they opt to follow their career dreams.

Such a system would not only allow businesses saddled with costly excess

labor to remove it from the books, but would also keep workers gainfully employed against the backdrop of longer life expectancy and likely pension constraints. "Retiring at 40 should not be taken to mean workers stop work and do nothing," Yanagawa said. "This mechanism is designed to allow people to work until they are 70 or 75 amidst the rapid graying of Japan."

The three-arrow approach of Abenomics has been likened to the historical story of Motonari Mori, who taught his children the need for unity, by showing them that, while a single arrow easily can be broken, it is difficult to break a tightly gripped fistful of three arrows.

This concept has several phrases of similar meaning in English, one of which is, "United we stand, divided we fall." Against the backdrop of an increasingly unsustainable system of lifetime employment, it is a motto that the government, employers, and workers would be well advised to remember, particularly given the need for collaboration in seeking innovative ways to maintain a viable employment environment. ■



Source: Adapted from Japan Statistics Office information

FAIL FIRST

Japanese businesses must shed conservative character

Translation of article by William H. Saito

@whsaito



Last year's general election in Japan led to a deluge of coverage by Reuters, Bloomberg, and other foreign news agencies. Since December, I've received many inquiries, and gave numerous interviews during the World Economic Forum annual meeting in Davos, Switzerland. It is clear that foreign spectators are brimming with interest in Japan, specifically regarding what can be learned in their own countries from the successes and shortcomings of the Abenomics policies for economic growth.

Various TV networks in Europe have shown strong interest in the issues directly confronting Japan, such as how to halt deflation and manage the national debt. This probably stems from the fact that many EU nations, like Japan, are also facing rising debt levels and forecasts for prolonged deflation. I frequently encounter the phrase "Japanization," which is used to describe those European countries whose political and economic situations are becoming increasingly dysfunctional—much as in Japan.

While foreign media may portray this country as an example of failure from which one can learn, we can also take a different perspective: that Japan, just like other nations across the globe, is grappling with issues familiar to any mature economy. Thus, the world is watching with anticipation to see how Tokyo responds to the present economic challenges.

BOJ MODEL TO BECOME THE PARADIGM?

Many people may not realize that the term "quantitative easing" (QE)—which aims to eliminate deflation—originated in Japan.

The Bank of Japan announced its first QE policies in 2001. At the time, the policy was denounced by leading economists such as Paul Krugman. Fast-forward seven years, however, and the United States decides to implement its own QE program. Just last year, Europe also began its version of QE. Now, Professor Krugman openly approves of the Bank of Japan's quantitative and qualitative easing measures. In a column from *The New York Times* in October, he voiced strong support for the bank's recent easing measures.

Some pundits have expressed misgivings about Bank of Japan policies, but as more countries approach an economic precipice, the bank's QE measures may very well become the new paradigm.

I'm often asked how I would assess the three arrows of Abenomics.

I would evaluate the first arrow (bold fiscal strategy) quite favorably, since quantitative and qualitative easing have enabled share prices to rise and have also helped correct the previously inflated value of the Japanese yen. The second arrow, monetary easing, has also been reasonably effective. However, at this time it is difficult to give a high assessment to the third arrow: growth strategies intended to spur private-sector investment. Only time will tell whether this arrow yields tangible results.

The biggest hindrance to the growth strategy has been a lack of investment by businesses in Japan, which instead have retained their cash reserves. Though the Abenomics policies have been positive for business, general wages have not gone up; as a result, the anticipated trickle-down economic effect has not been realized.

What we need now is for companies and the public to maintain confidence. Since the collapse of the bubble economy two decades

ago, the Japanese people have become hyper-conservative. If ways are not found to reconcile this, it will be difficult to emerge from deflation.

According to the US third-quarter economic data released on December 24, covering the period from July to September 2014, actual GDP grew 5 percent over the previous quarter, representing the highest rate of growth in 11 years. Although the level of borrowing in the United States has not changed, when the economy improves, people's mentality changes, and they tend to spend and consume more. This is one major difference between Japan and the United States.

When Japanese companies lose confidence, they cut back on hiring, new R&D, and investments such as acquisitions of competitors. As a result, only a small number of Japanese corporations have been rated world-class. In a listing recently published in *MIT Technology Review*, of the "50 Smartest Companies" in 2014, not a single Japanese corporation was acknowledged. However, South Korea's Samsung and LG, as well as China's Baidu, were on the list.

LEADERS MUST FAIL NOW TO SUCCEED LATER

The main reason for Japan's conservatism is a culture that does not tolerate failure. While giving a lecture the other day, someone in the audience asked, "Major [Japanese] corporations won't tolerate failures; what can a person do to challenge such a mindset?"

I responded, "Though you say you don't want to fail, aren't you failing at the macro level? To repeat failures because the reasons for a lack of success were never clearly

understood is a worse situation, if you consider the time lost [in repeating the failure].”

Consider the roster of executives in leading US corporations. I may be exaggerating, but nearly all of them have overcome failure at least once in their careers. A common characteristic among them is that they know their own strengths and weaknesses, which makes them more comfortable taking risks.

Meanwhile, if you look at the top leaders of Japanese corporations, you'll find they are among the people with fewest failures in their career trajectories. An expression currently popular in the United States is “fail first.” This means that, by failing at an early stage, a person is exposed to and learns to deal with challenges head on, and their experience and knowhow accumulate over time.

I wonder if Japanese companies can wean themselves from their conservative tendencies. Given that so many businesses here have now accumulated surplus funds instead of reinvesting their profits (see page 18), I believe the test of survival in the market will hinge on which of those companies succeed in putting that money to good use.

A prime example of this resource waste is reflected in the current state of Japan's job market. Despite the country's low unemployment rate, wages haven't risen. People outside Japan regard this conundrum as odd, and don't understand

the market forces at play. In a similar vein, observers from abroad fail to comprehend how people making mid-career job changes typically earn lower salaries in their new companies. In the United States, the greatest reason for a person to switch jobs is the expectation that their salary will increase.

Furthermore, since it is nearly impossible to dismiss regular, full-time staff in Japan (see page 14), the practice of employing non-regular staff or outsourcing workers keeps growing, which is not productive. In Japan, non-regular workers, such as staff outsourced from dispatch firms, now account for about 40 percent of total workers at companies. From a long-term perspective, this arrangement benefits neither employers nor workers. If companies seriously examine

and plan efficient investment in human resources, this situation should naturally self-correct.

Given the current circumstances, and the continuously changing economic environment, now, more than ever, management and staff must initiate bold actions, or they won't survive. A bright future is not feasible for Japan without harnessing the willpower to cast off conservative restraints. ■

The world is watching with anticipation to see how Tokyo responds to the present economic challenges.

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Flush with Cash

Japanese companies, thriving amid an upturn, are starting to court stockholders

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At a press conference on January 28 at the Tokyo Chamber of Commerce and Industry, Osamu Aoyama, president of business suit retailer Aoyama Trading, unveiled a three-year business expansion program that includes mergers and acquisitions. He also presented a plan to boost the company's return on equity, spending 30 percent more than net profit to pay dividends and buy back the company's shares. "ROE was very much on our minds as we devised our new business plans," Aoyama said.

The company's share price shot up 17 percent the following day.

ROE averages around 8 percent among Japanese companies, whereas the figure hovers around 15 percent among US and European corporations. The low ROE has been one reason many foreign investors have steered clear of the Japanese stock market.

INDEX ENVY

The JPX-Nikkei Index 400, made up of the stocks of companies whose ROE, earnings performances, and policies toward shareholders are highly rated, was launched in early 2014. Hoping to be included in the prestigious index, corporate managers began to give more thought to how to use their companies' capital more efficiently. Metalworking machinery maker Amada, stung by being left off the index, announced a plan last May to offer 100 percent of its net profit to shareholders.

In February last year, the Financial Services Agency devised a Japanese version of the stewardship code, to encourage dialogue between institutional investors and the managers of their investment targets. A growth strategy announced by the government last June called on companies to strengthen corporate governance and bring their ROE in line with international norms.

Shosuke Yasuda, CEO of interior decorating materials

marketer Sangetsu, visited Misaki Capital almost every week last fall, quizzing the investment service firm on how his company could improve its capital efficiency. Misaki, which has a stake in Sangetsu, is calling on its investment targets to take active measures to improve their businesses.

The ROE at Sangetsu, which is virtually debt-free, has remained low at just above 4 percent. After lengthy talks with shareholders, Yasuda announced in November that the

company will offer a sum equivalent to more than 100 percent of net profit to shareholders.

The sum of dividend payouts and share buybacks by the companies listed on the first section of the Tokyo Stock Exchange was estimated at a record ¥13.4 trillion in the year that ended in March, surpassing the previous high of ¥12.3 trillion in the year through March 2007, according to Goldman Sachs Japan. The figure looks set to rise in the years to come, the securities company said.

Besides sharing profits with stockholders, an increasing number of listed companies are spending some of the nearly ¥100 trillion they have stockpiled on new capital investment programs and M&As.

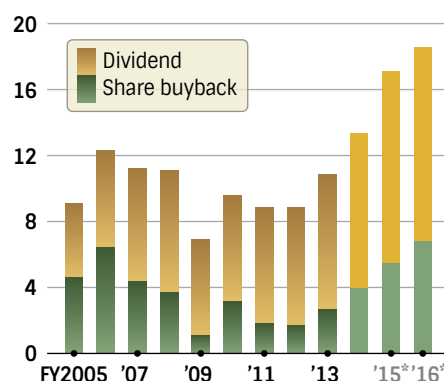
Canon, which has some ¥840 billion in cash at hand, aims to spend roughly ¥300 billion to acquire Swedish video surveillance company Axis. "We are constantly on the lookout for M&A deals to further our growth," said Canon Chairman and CEO Fujio Mitarai.

Automation equipment maker Fanuc, which has more than ¥900 billion in cash reserves, said it will spend ¥130 billion to open new factories in Japan. The company has been under pressure by US activist fund Third Point to buy back shares to benefit stockholders. But instead, it will use its cash to strengthen its core business.

DEFENSIVE TURN

Ever since deflation started sapping the Japanese economy of its vitality in 1998, many companies have

Dividends, Share Buybacks by Listed Companies in Japan
(in trillions of yen)



Fiscal years end in March; covers 1,656 companies listed on first section of Tokyo Stock Exchange

* Forecast as of Feb. 16. SOURCE: Goldman Sachs Japan



Corporate officials deliver earnings documents to the media at the Tokyo Stock Exchange.

turned defensive, focusing on cost reduction and sitting on their hoards of cash, thereby deepening the deflationary trend (see page 16).

The government is therefore trying to change the mindset of business leaders by calling on them to talk with shareholders and have outsiders sit on their boards.

More companies are taking advantage of their strong profits to expand their businesses. The net profits of listed companies are expected to hit an all-time high in the fiscal year ended in March, for the second consecutive year. The last time Japanese corporations were so profitable was in fiscal 2007. The global financial crisis plunged companies across the board into the red the following year. Even blue-chip companies such as Toyota Motor Corp. and Hitachi, Ltd., as well as major financial institutions, were hard-hit.

Now car and car-parts makers are doing particularly well. Automakers are doing brisk business in North America and other overseas markets. They carried out structural reforms when the yen was strong and are now reaping the benefits of such efforts as well as a weak yen engineered by the Bank of Japan's aggressive monetary easing program. Megabanks and other banking institutions have seen their earnings rise markedly. Their net profits are estimated to reach ¥3.47 trillion in fiscal 2014, some ¥1 trillion more than in fiscal 2007, when they were badly burned as US subprime loans went sour.

The forceful comeback of both manufacturers and banks is making up for the weak performance of steelmakers, shipping companies, trading houses, and petroleum companies, which are hurting amid the slowdown among emerging economies and low crude oil prices.

Now that the Nikkei Stock Average is nearing 19,000, market watchers are waiting to see if it will roar

The net profits of listed companies are expected to hit an all-time high in the fiscal year ended in March.

past 20,833, the high touched in April 2000 at the height of the information technology bubble.

In those days, investors snatched up shares in major tech companies such as Nippon Telegraph and Telephone (NTT) and Sony Corp., betting on their future earnings. Although their profits did not catch up with investor expectations, bullish sentiment pushed the estimated price-earnings (P/E) ratios of the 225 companies that made up the Nikkei index to an average of 300, and their price-to-book (P/B) ratio to nearly three. This time around, the average P/E ratio is about 17 and P/B ratio about 1.4, indicating that share prices are not overvalued.

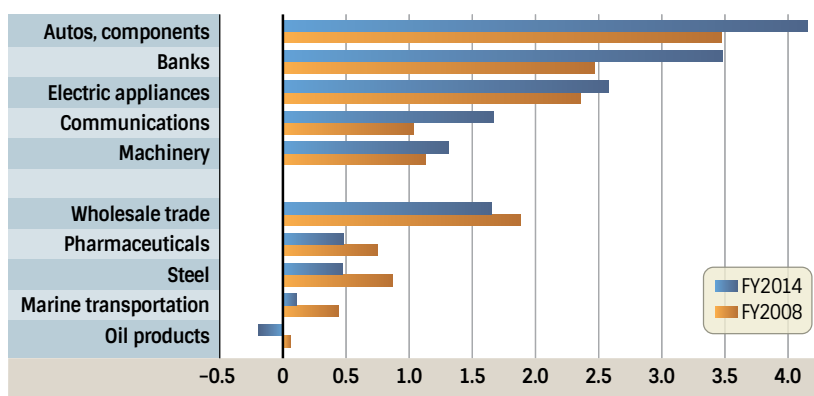
On a dollar basis, the Nikkei average has since the end of February surpassed the \$155 threshold, a high it last touched in 2006. Some market watchers predict this will prompt foreign investors who manage dollar assets to increase their Japanese stock holdings.

While their earnings improve, more companies are seeking to please shareholders and make more efficient use of their capital. The upward momentum of share prices could gather further strength if companies innovate more to come up with popular new products and services. ■

Article by Tetsuji Santazono, with contributions from Jo Kawakami and Kosuke Takeuchi, from the March 9-15, 2015, issue.

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Earnings of Companies on First Section of Tokyo Stock Exchange (in trillions of yen)



Note: Fiscal year ends in March.

Forget the cheesy movies from the 1980s and the failed attempts of the '90s—virtual reality (VR) is back, with current technology finally ready to make the stuff of science fiction into reality.

This resurgence, most often presented as portable headset technology, is being led by California-based Oculus VR. In 2012, the company launched a Kickstarter campaign for a gaming-focused development kit featuring its headset, dubbed the Oculus Rift. Its goal was to raise \$250,000. Backers ended up pledging more than \$2.4 million, and in March 2014, Facebook announced its plan to acquire the company for a staggering \$2 billion.

Oculus is not alone. Sony Corp. entered the budding headset space with the announcement of its Project Morpheus headset the same month as the Facebook revelation.

Just one month later, a stealth competitor to both set up its office at the University of Tokyo's Intellectual Backyard startup incubator. Fove—named after the fovea, the part of the human eye that enables the sharp central vision necessary for tasks like reading, driving, and playing video games—wants to revolutionize the industry by integrating advanced eye-tracking technology into its headset.

LITTLE CAMERAS

While headsets like Oculus and Morpheus display everything in the virtual environment in sharp focus—imagine a wrap-around HDTV—Fove's eye-tracking technology recreates

the depth of field that human eyes see naturally. For example, if a person holds his hand up to his face and focuses on his palm, everything behind the hand becomes blurry. This effect

is achieved in the Fove device through a graphics engine adjusting the display's focus based on where a user is gazing in real time. "There are little cameras looking at your eye, but they're not visible, and they track your eye movements," Lochlainn Wilson, Fove's chief technology officer, said.

The eye-tracking cameras are combined with orientation-sensing and head-tracking features, which allow a user to move their head to manipulate the 360-degree view while still controlling virtual interactions with their eyes.

Beyond boosting controls, Fove's eye tracking allows for deeper interaction with in-game characters. "Fove opens a whole new world for content creation, especially when you can make eye contact with characters," Wilson adds. "Now they will know if you're paying attention, and they'll also know where you're looking."

The potential for eye tracking to enhance VR gaming hasn't gone unnoticed. At last year's Game Developers Conference in San Francisco, Sony Computer Entertainment America's Magic Lab research and development team showed off an external infrared camera that enables players to scan the environment using their eyes and target enemies simply by looking at them.



Virtual Reality Revolution

Startup takes aim at bigger players in VR headset market

By J. T. Quigley

SensoMotoric Instruments, a German company that specializes in gaze and eye tracking, has designed an eye-tracking add-on for the latest Oculus development kit. The upgrade requires a client to send their headset to SensoMotoric for retrofitting and costs \$14,850—some 42 times more than the Oculus devices to which it attaches.

Razer Inc., a California-based, high-end gaming hardware maker with a cult following, recently announced its own VR headset, the OSVR (which stands for open-source virtual reality). Razer's CEO, speaking at the January Consumer Electronics Show in Las Vegas, said he hopes the headset will speed up the development of the virtual reality platform by allowing developers to hack it as they please. Eye-tracking technology was named as one potential addition.

Fove's Wilson isn't intimidated by bigger, better-funded firms such as Razer, Oculus, or Sony, however. "Fove is the amalgam of great technology," he says. "So long as [Oculus is] not actually innovating



A handicapped boy plays the piano using only his eyes.

"We give disabled people a private space that they are in total control of—so long as they have their eyes, or even one eye."



[its own hardware], the field is open. Nobody is doing what we are doing, at the price point we are aiming for. To be honest, without something like eye tracking, Oculus will be a non-starter for serious gamers—it's a passive experience."

CROSSOVER APPLICATIONS

Wilson, an Australian, started working with head-mounted displays in 2013, as a hobby. At the time, he was doing university research related to psychology; one project dealt with autistic people and eye contact.

"It's very important for Fove to go beyond gaming, because it has the potential to change lives," he explained. "We give disabled people a private space that they are in total control of—so long as they have their eyes, or even one eye. [Fove] could be used as a medical head-mounted display where surgeons use it for detailed camera work and could interact with the system, without requiring a nurse to do everything. There's also interactive cinema, productivity for finance and security, virtual market research,



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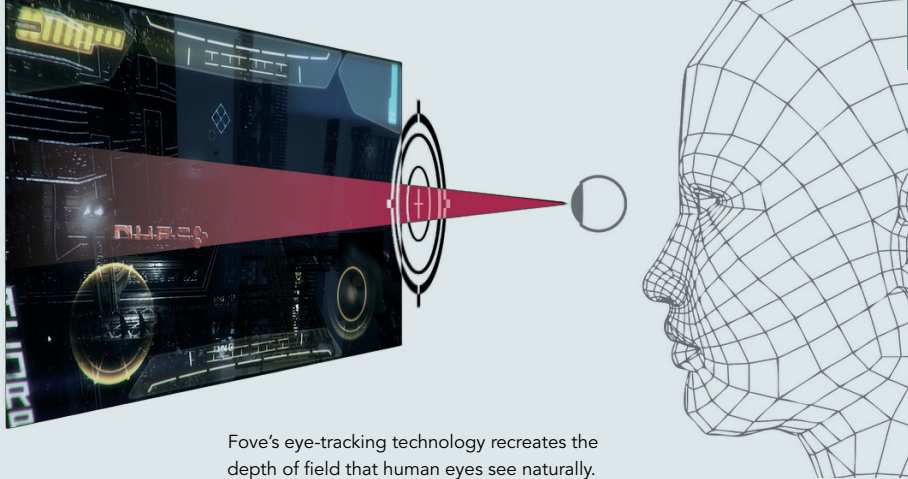
dangerous-situation simulation, and design studies—[gaming] is just a start [for the potential applications].”

The startup is currently working to provide headsets to schools for disabled children. In a heartwarming video the company posted in December, a handicapped boy plays the piano at a Christmas concert using only his eyes.

On the gaming front, Fove's CEO, Yuka Kojima, brings industry expertise to bear. She spent four years at Sony Computer Entertainment and then became a social gaming director at Japanese mobile gaming firm GREE, working directly on the hit title Driland, a card battle game that was earning the company \$26 million a month in 2012.

“Japan is the best place for a hardware startup,” Kojima explained. “There are huge companies making complicated electronics, and we're close to manufacturing centers in China, Taiwan, and elsewhere in Asia. Japanese hardware startups are rare, because they're seen as risky. I know how to monetize mobile games, so I want to do the same with a more complex, emotional experience.”

Though born in Tokyo, the startup has global ambition. Wilson said hardware development will remain based in Japan, but business development will be moving to the United States. The next step for Fove harkens back to the



Fove's eye-tracking technology recreates the depth of field that human eyes see naturally.

birth of its billion-dollar rival Oculus—a crowdfunding campaign on Kickstarter.

Wilson's team was aiming for a March debut on the online platform, though he admitted it “might be a little later.” As for the amount crowdfunding backers will have to pledge to secure a Fove headset, Wilson expects it to cost in the “low \$400” range—the same price the company is targeting for its future consumer version.

Fove secured an undisclosed amount of capital from Japanese angel investors last year, and one possible exit option has already appeared. It became the first Japanese startup to be invited to the Microsoft Ventures Accelerator in London in fall 2014. Many industry insiders speculated that Fove's invitation to the tech giant's accelerator was priming it for acquisition and, thus, potential integration with the company's Xbox One gaming console. Wilson left the possibility open, simply stating that he had “no updates—yet.” ■

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ASIA IN WASHINGTON

The value of a fresh approach to exerting policy influence

Custom Media

The race among Asian nations to win friends in Washington D.C. and to influence US foreign policy is constantly shifting and evolving. Along with the traditional route of accessing US leaders (via embassies), such entities as the media, think tanks, non-governmental organizations, lobbyists, and public relations firms are playing an increasingly important role in conveying the aims of Japan and its neighbors to Capitol Hill.

The problem for Tokyo, believes Kent Calder, is that Japan's rivals are lobbying more powerfully and effectively, crowding out Tokyo's voice.

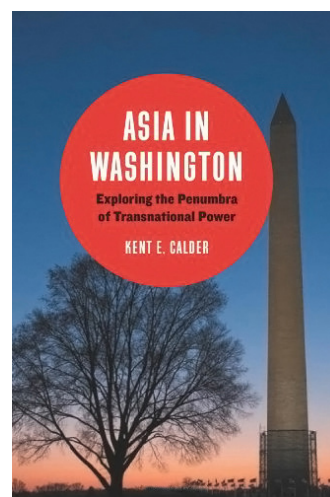
Professor Calder, director of The Edwin O. Reischauer Center for East Asian Studies, a division of the School of Advanced International Studies at Johns Hopkins University, has coordinated a multi-year international project titled "The Ideas Industry." It examines the way in which ideas emerge and are translated into official policy in Washington, Tokyo, and a number of other major cities around the world.

"It's not how large a country is or how many lobbyists you have that is decisive," he said. "It's a combination of flexibility, the ability to respond to rapid changes in the information revolution, and domestic policy-making."

Calder used as an example the number of South Korean leaders who have addressed the US Congress. He pointed out that, since the advent of a democratic system in Seoul, every South Korean president except one has spoken in one of the US chambers. Indian leaders have also been granted the honor of taking the podium in Congress.

But no Japanese leader has done so since former Prime Minister Hayato Ikeda in 1961—although there are suggestions that Prime Minister Shinzo Abe might break that spell when he pays an official visit to Washington this spring.

The two free-trade agreements that the US government has signed with Asia-Pacific states thus far are with South Korea and Singapore, while discussions on the Trans-Pacific Partnership agreement labor on. The signing of the free-trade pact with Singapore underlines Calder's belief that the effective routes used by nations to achieve their aims in Washington have changed, as Singapore has a mere 20 accredited diplomats in Washington. China has more than 200, while Japan has around half that number, Calder stated.



Calder's book examines the advocacy efforts of Asian countries.

INFORMAL NETWORKS

"I do not think enough weight is given to the informal networks that ambassadors have—where they went to school, who they speak with outside official discussions," said Calder. His most recent book, *Asia in Washington*, was released in 2014. The text examines the lobbying and advocacy efforts employed by Asian countries and non-state actors, such as the Korea Economic Institute of America, headquartered in the US capital. Calder then pointed out that Keidanren, the Japan Business Federation, closed its offices in Washington in 2009.

The media is another way of exerting influence, with Beijing particularly active in this area. State-run China Central Television has about 100 journalists based in Washington D.C., and it employs a number of high-profile Americans to present its key programs. In contrast, Japan's national broadcaster, NHK, has a staff of 17 in Washington.

Yoshihide Soeya, a professor of law at the Keio Institute of East Asian Studies, says the initial aim of Japan's public diplomacy immediately after World War II was "to recover from the past image of Japanese militarism." Soeya has written a book with the tentative title *Understanding Public Diplomacy in East Asia*, due to be published later this year.

There has recently been an emphasis on Japan's soft power and the government's Cool Japan export-driven campaign, although Soeya also notes a shift toward what he describes as competitive diplomacy.

"Japan is competing with South Korea and other nations in East Asia in its public diplomacy outreach," he said. "But this is exactly what traditional Japanese diplomacy has tried to avoid. The Japan Foundation, for example, was created in the 1970s to encourage cultural and intellectual exchanges, but also to avoid controversial issues."

Issues that generate friction between East Asian nations—such as differing interpretations of history or territorial claims—are now being placed firmly on the agenda in Washington by China and South Korea, much to Japan's discomfort.

JAPAN AS A "MIDDLE POWER"

The Japanese government does not openly refer to the nation as a "middle power," meaning a state that can stand on its own and exert international influence, but is not considered a great world power. Nevertheless, Soeya suggests that many of the ways in which Tokyo dispenses its approach to diplomacy, such as developing human resources, infrastructure and so on, fit the definition of middle power diplomacy. Projection of its influence overseas, however, has brought Japan into various degrees of competition with a number of its neighbors. Some of them these days are quick to recall history and use that to tarnish Japan's name.

If Tokyo can overcome some of the deep-seated differences with its neighbors, then a more cooperative approach to diplomacy might be brought to bear in Washington.

"The more we cooperate with other nations in the region, the more we will be able to create some sort of regional infrastructure in East Asia," he said, adding that Australia and the Association of Southeast Asian Nations (see page 30) are also important players.

Changes have not been confined to the lobbying nations of East Asia, Calder said, pointing to developments in the information industry in the US capital. "This began after World War II, when the growth of greater Washington began to accelerate beyond the beltway. Anyone who drives down Massachusetts Avenue and sees all the building cranes will appreciate what is happening there.

"Both the ideas industry and the penumbra of power in Washington are growing," he added, pointing to developments in the region such as the Baltimore-Washington Parkway

"Washington today is a dynamic entity that has grown in the last decade much more rapidly than the nation as a whole."



Kent Calder is director of The Edwin O. Reischauer Center for East Asian Studies.

north of the capital, Baltimore-Washington International Airport, the National Security Agency, and NASA. To the west, the Dulles Tech Corridor, a business cluster containing many defense and technology companies, leads to Loudoun County, Virginia, the richest per-capita county in the United States, also the founding location of AOL and the headquarters of *USA Today*.

"Washington today is a dynamic entity that has grown in the last decade much more rapidly than the nation as a whole. It now includes three of the wealthiest five counties in the United States," Calder elaborated.

A DIFFERENT APPROACH

If Japan wishes to once again gain the ear of a country that is still by far its most important ally, Calder believes it must change its approach.

Calder does not believe anyone in Japan "has been a culprit in this," but he believes that Tokyo has failed to formally articulate interest. Meanwhile, other nations have been engaging and influencing Washington far more effectively.

Tokyo, like many large Japanese companies, relies far too heavily on formal mechanisms of operating. It goes through official diplomatic channels such as the embassy in Washington. Japan needs to start thinking outside the box, Calder believes, and take a leaf out of South Korea's book.

The semi-governmental Korea Economic Institute has a high profile in Washington, along with the Federation of Korean

Industries and "a multiplicity of either informal or semi-governmental organizations."

"And it is interesting to note," Calder added, "that Seoul's sister city in the US is Washington Beijing's sister city is also Washington; Tokyo's is New York." ■

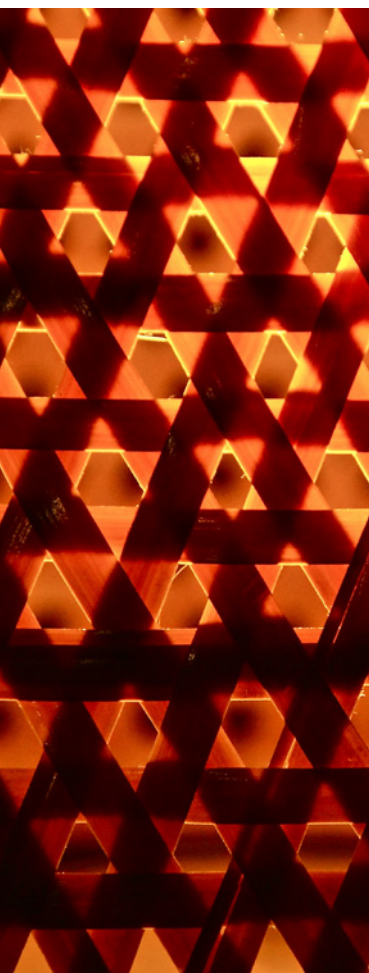


Yoshihide Soeya is a professor of law at the Keio Institute of East Asian Studies.

UPDATE

(*The Japan Times*, March 16)

The Japanese government has budgeted \$5 million each for the Massachusetts Institute of Technology and Georgetown University for fiscal 2015. The funds will support Japan studies at the schools, and are part of a \$15 million allocation to nine overseas universities.



The traditional artisans featured in this series have negotiated novel ways to survive, pushing their skills in new directions and devising methods to make their age-old products indispensable in a world of largely machine-made goods.



Shusaku Yagi, 39, sits on a *zabuton* (thin cushion), with stacks of braided bamboo strips to one side and, in front of him, a large tree stump that serves as his worktable. His set-up mimics that of his father and grandfather, who have created bamboo works at their company, Yagitake, in Kagoshima over the past 70 years.

Yagi, however, now fashions bamboo wares at Tokyo's chic 2k540 Aki-Oka complex, located between Akihabara and Okachimachi stations. Shoppers pause to watch him. "He's so handsome," one woman whispers. Yagi laughs shyly, continuing to work. "Moving to Tokyo was an important step," he confides minutes later. "When people see how things are made, they begin to understand them in a different way."

"Can you hear the bamboo?" he asks, bending the woven, moistened strips into the shape of a tiny basket. "The sound lets me know how far I can push it," he says. It's something one would never imagine, a tiny cry of limitation from a material; but once you hear it, it changes everything. Watching Yagi work, I realize how many things most people never know about bamboo.

Flexibility is one of the properties of Yagi's material, and judging the tensile tenacity of bamboo is a crucial skill. "That ability has helped me in my business, as well," he claims. "You have to know how much you can bend expectations." Yagi talks of his initiative to create new bamboo products, yet underlines the

necessity of continuing certain traditional items. What he is making as I watch is a tiny *oshibori* (moist hand towel) holder. "This is a large order for a long-term customer," he says. Does it make money? "No," he shook his head, "but long-term customers have earned our loyalty. It's part of where we came from."

To stay financially viable, and to support the 12 employees working for him, Yagi has a three-pronged approach: collaboration, innovation, and revision.

Collaboration, Yagi said, has allowed him to push the limitations of his raw material into new spheres of usage. For example, teaming up with leather artisans, he produces a bamboo-woven siding for wallets and name-card holders. The striking bamboo addition is durable and adds panache to leather products. "By using a material that's not your own,

Bending Bamboo at Yagitake

Text and photos by Kit Pancoast Nagamura



ARTI-SENSE MONTHLY HAIKU

splitting bamboo
the artisan's thoughts travel
to Kagoshima

but made by another artisan, you suddenly find yourself with a product that has two stories behind it and the richness of two traditions. Your customer base also widens, as you tap into the other artisan's followers," Yagi said.

Yagi has also worked hard to expand the range of products he offers through the subtle innovation of daily and domestic items. His bestseller, a smooth, aesthetically pleasing cooking spatula (¥1,200) features the natural curve of bamboo culms. It's perfect for mixing and sautéing foods, but also facilitates serving up cuisine, or sneaking a taste test.

The artisan bends the concept one step further, producing spatulas made for left-handed cooks, as well. That tiny addition undoubtedly earns him the gratitude of southpaws, and nearly everyone takes note of his thoughtfulness, which is certainly good for business.

Among his most surprising products is a soap made from bamboo charcoal. Used in China since the Ming Dynasty (1368–1644) to draw out pollutants from the skin and to kill bacteria, bamboo charcoal is known as the "black diamond" of skin ailment remedies. The ingredients in Yagi's soap—charcoal, oils, and honey—are so gentle, he says, that the product is actually edible. Not a cheap meal at ¥2,500, the soap nonetheless sells well.

Yagi's final tactic is to take a mundane product—such as chopsticks—and, through revision, elevate it to a new standard. He pulls out an exquisite pair of *shifuku* (ceremonial) chopsticks, the upper side of which carries the natural green color of fresh-cut bamboo bark.

"Most bamboo chopsticks we use in Japan these days come from China. To keep them free of mildew and mold for shipping, they're soaked with chemicals. I want to offer chemical-free products." For the chopsticks to be commercially viable, Yagi knows he'll need to educate his clients, and convince them that local goods, even if more costly, are worthwhile.

Yagi's bamboo is raised and harvested, then cured in long kilns, down in Kagoshima. "I'm lucky," he says, "because bamboo is hardy, and it replenishes itself aggressively, so my job is mostly to figure out how to make it financially profitable for the people who grow it." When I learn that Yagi is the proud new father of a baby boy, currently with his mother in Kagoshima, I ask the obvious: will his son be the fourth generation at Yagitake? He nods and shrugs.

"He needs to start observing immediately," Yagi said, "and I'm not there." After speaking to this flexible artisan, it somehow seems likely he'll bend time to be in two places at once. ■

GLOBAL POWERS

By Dr. Nancy Snow

In terms of soft power among mega cities, Tokyo is the gold standard. Soft power isn't just about pop culture (i.e. the government's Cool Japan campaign) or cuisine (Tokyo's many Michelin stars). Fundamentally, it is based on government policies and societal values. Soft power rises and falls based on a nation or region's ability to attract others with the legitimacy of its policies and its underlying values.

The more formal institutional twin of soft power is public diplomacy. A recognized subfield of international relations, public diplomacy is now on the curriculum of highly respected advanced degrees at some of the best US institutions, including the University of Southern California and Syracuse University—where I've taught the subject. Japan offers no academic degree or advanced course of study in either public relations or public diplomacy, but both subjects would offer Japanese universities growth opportunities in response to the call for more global competitiveness in education.

The U.S. Department of State has an under secretary of state for public diplomacy and public affairs, whose mission is “to support the achievement of U.S. foreign policy goals and objectives, advance national interests, and enhance national security by informing and influencing foreign publics and by expanding and strengthening the relationship between the people and government of the United States and citizens of the rest of the world.” Both advertising legend

Charlotte Beers and Karen Hughes, senior communications advisor to President George W. Bush, served in the post, and former *Time* editor Richard Stengel is the current under secretary.

In Japan, the Ministry of Foreign Affairs (MOFA) remains the chief government ministry associated with the nation's public diplomacy,

along with the Japan Foundation, which carries out public diplomacy goals set by the ministry.

Since summer 2013, I have been living in Tokyo part-time and talking with hundreds of Japanese about public diplomacy. I ask many questions, such as:

- “What would be the Japanese answer to China's Confucius Institutes [government-run bodies to promote language and culture]?”
- “If you could lead public diplomacy, what would you emphasize?”
- “What are Japan's most important values?”

To the last question, a Japanese language instructor answered with the word *isogashii* (busy). Being busy and occupied gives him a sense of purpose and meaning. It makes him feel more valuable in Japanese society.

US public diplomacy leads with great promotion of our core values—freedom, democracy, open markets,

A 2012 public diplomacy meeting with Fukui City Mayor Shinichi Higashimura (right)



OF PERSUASION

and an open society. These values are reinforced using educational and cultural exchanges, cultural diplomacy, and the largest slice of the resource pie: US government-sponsored international broadcasting. These programs include many post-9/11 creations, such as Alhurra (The free one), a 24-hour Arabic language network launched on February 14, 2004.

NHK, founded in 1925 as a radio network and modeled on the BBC, is not an official public diplomacy broadcaster, but how NHK operates in the world and the stories it tells impact Japan's global image and reputation.

BRAND JAPAN

The nation-brand image of Japan is currently tied to Prime Minister Shinzo Abe. During his first term in 2006, Abe prominently emphasized public diplomacy in his inaugural speech to the Diet: "It is quintessential for Japan to present its 'country identity' to the world so that many countries and many people will regard Japan as a good model to emulate. Moreover, I will place emphasis on creating an environment that will attract such people to come to Japan."

Abe's plate has been full over the past two years with contested domestic and international policy issues. This year will be a political tightrope for not only Abe, but also any government official, private individual, or group involved in promoting Japan to the world. Japan's policies and politics have become an international focal point.

While speculation about policy pervades global headlines, Japan is testing its market share in other soft power attributes. This is why Japan may want to draw on its strengths in "desti-nation" branding, which fuses tourism with national interest goals. Tourism to Japan reached record levels in 2014, and the top sending countries, South Korea and China, have robust public diplomacy programs. Japan is seen as playing catch-up in regional public diplomacy (see page 24), but it doesn't have to stay in the shadows.

As my friend, former chairman of advertising agency DDB Worldwide, and founder of Business for Diplomatic Action Keith Reinhard once said, "Creativity often comes down

to changing 'what is' to 'what if.'" What if MOFA's Public Diplomacy Department held consultative meetings with tourism industry officials to discuss mutual goals?

THE STORIES WE TELL

Tokyo is one of the greatest city-states in the world, easily marketable overseas. While located in Japan, the capital seems to transcend the nation in tempo and temptations. I recall once telling my Japanese students at Sophia University that I had been invited to speak at a regional university in Fukui. They were bewildered; why would I want to leave Tokyo to go to Fukui? Conversely, when I met with the Japanese students in Fukui, they were perhaps more impressed that I had traveled from Tokyo than that I had originally traveled from the United States to Japan.

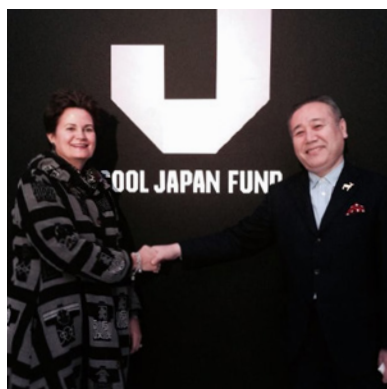
I realized then that Japan is challenged just as much with location branding internally as externally. Tokyo's young people can't imagine leaving the capital, except, perhaps, to spend some time overseas. Meanwhile, the young people in Fukui may come to Tokyo for a visit, but are quite proud of their own prefecture, with its strong arts and crafts heritage.

Every nation-state needs 360-degree vision and active-listening perspectives gleaned from its greatest asset: its people. I first met Tadashi Ogawa 21 years ago on my initial visit to Japan as an official of the U.S. Information Agency. Ogawa was my junior officer-equivalent at the Japan Foundation, and he is now director general of the Japan Foundation in Jakarta.

In 2008, Ogawa published a chapter about Japan's public diplomacy for my edited handbook on the topic. Therein he describes the Japan Exchange & Teaching (JET) Programme as one of the largest and most successful cultural

exchange initiatives in the nation. Everyone who lives in this soft-power superpower has a contribution to make in telling Japan's story, and I will introduce more of these key storytellers in upcoming columns.

In his new book, *Japan and the Shackles of the Past*, R. Taggart Murphy writes about a principle that rises above in Japan: no matter your pursuit, even if it's one you don't especially love, do it well. Given such an atmosphere, this country can be a most pleasant place to live. And in a place where people's everyday tasks invoke an excellence of spirit, the unifying personal story should become the global narrative, one that is equal to, if not more significant than, the political and economic debates that pervade today's headlines about Japan. ■



Snow (left) with Nobuyuki Ota, CEO of Cool Japan Fund Inc., at the opening night of the Cool Japan campaign in November 2013.

ASEAN Economic Community:

Global economic powerhouse in the making

By Tom Benner

Visuals from *The ABC of AEC: To 2015 and beyond*,
Deloitte Southeast Asia Ltd 2014

The unveiling of the Association of Southeast Asian Nations (ASEAN) as an economic community will take place on December 31. When the 10 countries that make up ASEAN join forces as a common market—the ASEAN Economic Community (AEC)—there will be inevitable comparisons to the European Union. As an integrated regional economy, the member states of the AEC—Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam—will comprise the world's seventh-largest economy.

Chief among the differences, when compared with the EU, is the AEC's lack of plans for a common currency like the euro. Though still behind the United States, China, Japan, Germany, France, and the United Kingdom, Southeast Asia presents enormous growth potential with its rapidly expanding consumer class, bustling international trade, youthful demographics, and strategic location at the intersection of China, Japan, and India. Already ASEAN is referred to as Asia's third pillar of growth after China and India, with a combined gross domestic product of \$2.5 trillion, and intra-regional trade of \$1 trillion.

The AEC vision is a single market and production base, where goods can be manufactured and distributed anywhere. Most regional import duties will be abolished, and trading laws will be harmonized. The AEC seeks to facilitate the free flow of goods, services, foreign direct investment, and skilled labor, as well as the "freer flow of capital."

The dream of economic integration was far off when ASEAN was formed on August 8, 1967. But decades of growth and relative harmony eventually led to talk of eliminating tariffs on goods traded within the region, and a larger vision emerged.

In October 2003, ASEAN committed to the creation of a single market. The AEC Blueprint, setting out specific guidelines and principles, was adopted in 2007. Despite having economies at vastly different stages of development, as well as distinct cultures, histories, languages, and currencies, the 10 member states of ASEAN are all focused on jobs and prosperity.

"Labor-force expansion and productivity improvements drive GDP growth—and ASEAN is making impressive strides in both areas," according to a McKinsey & Company report authored by Vinayak HV, Fraser Thompson, and Oliver Tonby.

"Home to more than 600 million people, it has a larger population than the European Union or North America. ASEAN has the third-largest labor force in the world, behind China and India; its youthful population is producing a demographic dividend."

EU COMPARISONS

Like the EU, the AEC will strive for greater regional ties, connections, and investment. But unlike the EU, the AEC will accommodate the region's diverse economies and political systems. There

will be no uniform ASEAN marketplace, regional economic policies, or governing authority, said Jayant Menon, an economist with the Asian Development Bank. While the EU has large-scale institutional machinery in Brussels, ASEAN maintains a relatively small secretariat in Jakarta.

Menon credits AEC framers with creating a bold vision. But the next big step, he said, is to increase public awareness, particularly among the business community, which will drive the AEC's growth.

"The ASEAN economic community is largely about businesses participating in this singular market idea, and all of the surveys conducted so far suggest low awareness, and even lower preparedness," he said. "Awareness of the AEC, what it is, what it might mean, is extremely low among the member countries."

That view is backed up by surveys in multiple ASEAN countries, such as one by the Singapore Business Federation released in January that found two out of five companies were completely unaware of the AEC. But the survey also showed that more businesses are looking for opportunities in Asia—particularly in ASEAN members and China—a finding that bodes well for the AEC's prospects.

	ASEAN	Japan
Nominal GDP (US\$ billions)	2,351	5,960
GDP per capita (US\$)	3,851	46,838
Real GDP growth	5.4%	2.0%
5-year CAGR on GDP growth	8.7%	4.2%
Total population (millions)	610	127
Median age (years)	28	45
Inward FDI flows (US\$ billions)	117.5	1.7
Outward FDI flows (US\$ billions)	53.83	122.6

One country in which the private sector is actively preparing for integration is Thailand, where the business community sees the AEC as an opportunity to further strengthen ties with neighboring Cambodia, Myanmar, Vietnam, and Laos, Menon said.

Industries likely to expand at least initially, thanks to the AEC, are sectors in manufacturing, such as electronics, car parts, chemicals, textiles, and clothing. The AEC is to create a single production base, enabling components to seamlessly travel throughout the region cheaply and quickly. The impact on services such as banking mergers and acquisitions as well as expansion to other ASEAN nations remains to be seen, Menon said.

Multinational companies and investors stand to benefit from the financial savvy and capital of developed economies such as Singapore, and the competitive costs and abundant labor and resources of the less-developed member countries. With investments in infrastructure and human-capital development, ASEAN may increase its global competitiveness in a wide range of industries.

PROGRESS THUS FAR

The integrated economic region will stand on four pillars, according to the AEC Blueprint: (1) a single market and production base, (2) a highly competitive economic region, (3) a region of equitable economic development, and (4) a region fully integrated into the global economy.

Progress in developing those pillars has been mixed. There have been a number of noteworthy achievements in realizing a single market and production base, particularly in the areas of tariff reduction, trade facilitation and liberalization, and global integration, according to an analysis by Deloitte Southeast Asia. But work remains to be done on services, non-tariff barriers, capital flow, skilled labor flows, infrastructure, competition policy, and intellectual property rights protection, according to Deloitte.

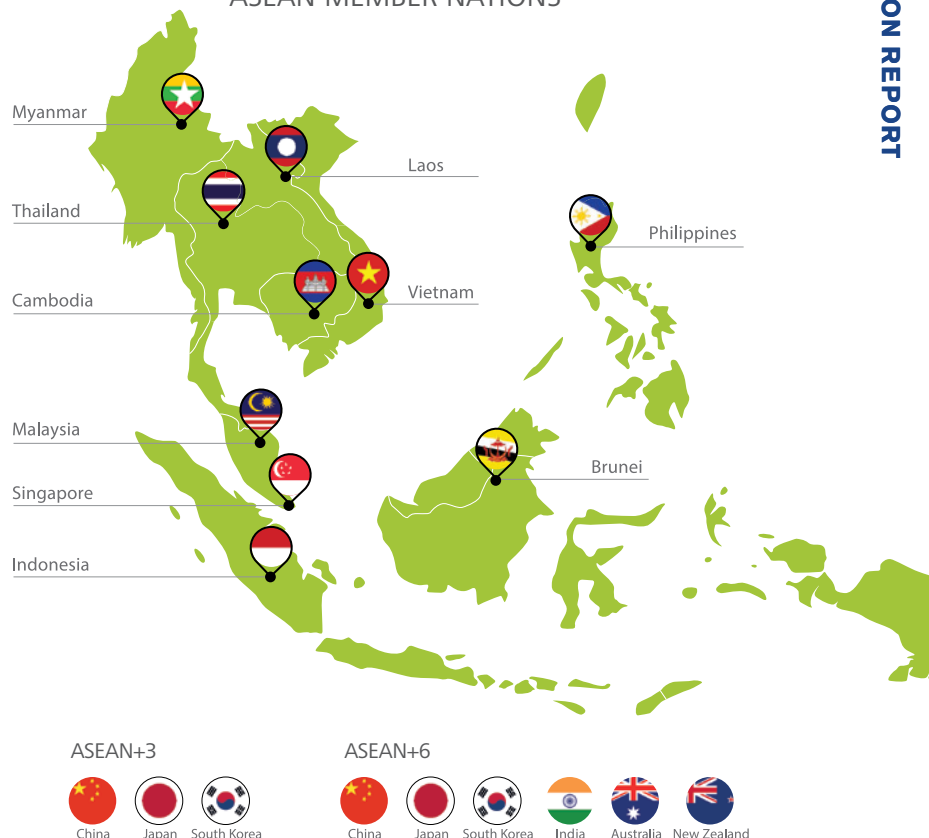
The ASEAN secretariat reports that more than 80 percent of ASEAN state government goals have been achieved but, by most estimates, the private sector is relatively unprepared for a freer movement of goods, services, capital, and people.

Obstacles to the AEC include economic nationalism and resistance to foreign-owned industries in some member countries, and geopolitical tension linked to maritime disputes in the South China Sea. Incidents of religious sectarianism from Myanmar to Indonesia have left some observers worrying that tension over faith and identity may undermine tolerance and harmony in the ASEAN community.

WHAT THE WORLD CAN EXPECT

Still, while it may begin with more whimper than bang, few doubt the possibilities that lie ahead for an ASEAN regional market and production base. Dr. Kazushi Shimizu, a professor at Kyushu University's Graduate School of Economics, sees the

ASEAN MEMBER NATIONS



AEC leading to increases in Japanese companies' trade and investment in ASEAN countries.

For example, Japanese carmakers, including Toyota, Nissan, and Honda, are producing vehicles in ASEAN countries, while auto parts makers including Denso and Aisin are exporting many components to carmakers in ASEAN countries. The free trade of vehicles and their components will improve Japanese companies' production networks and overall business, Shimizu said.

"Many Japanese corporations have several factories in the ASEAN region, and they are producing and selling many goods including cars and electronics there," Shimizu explained. "The region is one of the most important production bases and markets for Japanese corporations."

According to a Japan External Trade Organization survey, released in December 2014, of the operations of Japanese-affiliated companies, about 60 percent of the respondents said they planned to expand in ASEAN countries. The companies expressed confidence that the AEC would bring about simplified regulations and procedures concerning customs clearance, as well as other benefits.

US companies remain optimistic about business prospects in the region, as evidenced by a survey carried out by the U.S. Chamber of Commerce and the American Chamber of Commerce in Singapore. Respondents expressed support for ASEAN's efforts to more closely integrate the economies of its 10 member nations, with 53 percent saying their companies have strategies based on the goals of the AEC.

"This is still a work in progress," said Jeff Pirie, AEC Agenda Leader for Deloitte Southeast Asia. "Everyone is on a journey here." ■



The Brennan family enjoys all the recreational facilities at the club, including the bowling alley.

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■ www.tokyoamericanclub.org

One day the Brennan boys—Thomas, 13, and Andrew, 11—can be found playing soccer at Tokyo American Club's outdoor play area. Another day they might be in the full-size gymnasium shooting hoops with friends, or in a karate class, practicing their *kata* moves. Since moving to Japan last year, the whole Brennan family has embraced club life.

"We joined the club because it felt familiar to us, being very similar to our club back home, and we knew it would make the transition to Japan easier for us and our children," says Shannon Brennan. "Thomas and Andrew began playing squash several years ago and thankfully are able to continue taking lessons at the club. My husband is also an avid squash player and uses the courts regularly with our sons. He recently joined the Golf Group and is looking forward to playing golf when the weather gets warmer."

The Brennans are among dozens of families that have joined the club in the last year or so, as the organization's international membership has rebounded from the impact of the global financial crisis and the 2011 Tohoku disaster. Reduced entrance fee campaigns, which end on June 30, have helped boost member numbers to the current level of almost 3,800.

Like the Brennans, many members are drawn to the club by its world-class facilities, including a rooftop

pool, bowling alley, golf simulators, library, childcare center, and spa, as well as a host of other fitness, cultural, and educational programs. Members also enjoy access to five high-quality restaurants, a sports bar, as well as finely tuned business-related functions, events, and meetings, all located in downtown Tokyo.

But the club is also about being part of a vibrant community for families like the Brennans. Joining the club's Women's Group, for example, allowed Shannon to make new friends and settle into life in Tokyo.

"I have done various tours with the group, both on my own and with my family, as well as volunteered for things like the 'Tokyo: Here & Now' seminar to help others who are just arriving in Tokyo," she says. "I just started taking classes to learn various Japanese arts such as *ikebana* [flower arrangement]. It not only gives me something interesting to do, but it gives me the chance to learn about Japanese culture." ■

For more information about joining **Tokyo American Club** and the changes in entrance fees from July 1, contact the Membership Office at **03-4588-0687** or membership@tac-club.org



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Many Japan passengers traveling to the United States may not realize they can easily and expediently access the country through major Canadian cities. In 2014, Air Canada was named Best Airline in North America for the fifth consecutive year by Skytrax. Renowned for its “Canadian hospitality,” Air Canada offers several same-day connections to US cities, allowing passengers to clear US immigration in Canada and have their bags checked through to a final destination. Kiyo Weiss, general manager, Japan, spoke to *The Journal* about the company's services and future plans.



Kiyo Weiss
General manager, Japan

How many Japan–Canada flights do you operate?

We will operate a maximum of five non-stop flights per day in summer 2015: from Narita to Vancouver, Calgary, and Toronto; from Haneda to Toronto; and from Osaka to Vancouver. Since I joined the company in 2009, we've gradually increased our services and flight frequencies. Highlights have included the first and only service to Calgary from Asia, launched out of Narita in 2010, and the only daytime North America service from Haneda to Toronto, launched in July 2014. We will resume service from Osaka to Vancouver in May 2015 after a seven-year hiatus.

What routes have same-day flights on to the US?

Narita – Vancouver – Las Vegas/Portland
Haneda – Toronto – New York/Orlando/Boston
Narita – Calgary – New York

How does US border preclearance work in Canada?

For example, you can fly out of Haneda to New York via a transfer in Toronto. As long as your US connecting flight occurs on the same calendar day you arrive in Toronto, your bags will be checked through to New York. Passengers would first arrive in Toronto and clear US immigration there without going through Canadian customs. As there are a limited number of passengers using this service, you can complete the clearance process in a surprisingly short time. This means that when you land in New York, you will arrive at a domestic terminal, and can pick up your baggage to head directly into the city.

Does the process differ by nationality?

While the visa clearance facilities in Canada certainly ease international travelers' immigration woes, US citizens can also benefit by avoiding long lines at busy US airports. The process is the same for all nationalities, but US customs regulations differ by country.

What sets you apart from other carriers?

Air Canada always has and will continue to invest in product enhancement to meet the changing needs of our customers. Our business-class cabins on Asia–Pacific flights all have lie-flat seats. With other airlines flying many different kinds of aircraft, there is a chance you will not get a lie-flat seat on each flight. Also, our economy-class seats have more legroom than those of other carriers.

How do you inspire loyalty?

We are always looking for new ways to improve our customers' flight experience. Air Canada is one of the first five members of the Star Alliance, and miles can be earned on all affiliated carriers' programs, such as those of United and ANA. In addition, we have our own frequent flyer program called Aeroplan and an elite membership program called Altitude, both of which generously reward our loyal customers. For our Japanese clients, who often have limited travel time, we try our best to make available same-day connections to popular destinations.

Is Japan a growth market for Air Canada?

Air Canada's confidence in the Japan market is reflected in our doubling of service over the past six years. With economic conditions being what they are, we will strengthen our current service and continue to consider potential future moves. ■

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Interview with Charles Jack, The Westin Tokyo General Manager

Even after living in such exotic locations as Fiji and Brunei, Charles Jack is intrigued and enamored with Tokyo, particularly with the way business is conducted. After spending the past nine years in Bangkok, most recently as the general manager of The Westin Grande Sukhumvit, Jack has taken the helm at The Westin Tokyo. Upon arriving, he was immediately struck by the superb level of hospitality inherent in the Japanese culture. For example, when he asked someone where a certain office was, instead of gesturing or replying, the person simply walked him there.

"People are proud of the service they offer. Things just work here, and service goes smoothly. The whole world can learn from Japan," Jack shared.

This commitment to quality is paramount in the hotel business, especially for a top-tier brand such as Westin. "If our team agrees to a project, you can be assured the quality will be carried through to the end. We make a decision, start the process, and follow it through 120 percent to perfection. This is important, as in the customer's eyes, everything should be perfect.

"Japan is a refreshing change," he said.

Jack is a career hotelier, having entered Starwood Hotels and Resorts 26 years ago at Sheraton Hobart Hotel in Tasmania. His leadership philosophy has evolved over time, but people remain the focus—both hotel guests and the dedicated associates who look after them. When overseeing any operation, he endeavors to provide staff at all levels with the training and resources they need to get the job done, well.

"It's all about the welcome, the can-do attitude. That's what makes us more than bricks and mortar," he related. By taking care of your staff, he believes, you are indirectly taking care of valued guests.

Vision for the future

With an eye toward the 2020 Tokyo Olympic and Paralympic Games, and the event's significance for the development of the hospitality sector in the capital, Jack is mindful of the impact The Westin Tokyo can have on efforts to further globalize Japan. The hotel has been experiencing a rising rate of international versus domestic guests, especially over the past six months, as "Japan comes to the fore," he said.

Determining how best to manage this demographic shift, while retaining a homegrown, domestic feel—and delivering top-notch service to the many guests visiting from other Japanese cities—will be one of Jack's challenges in the months and years to come. He has suggested the possibility



General Manager Charles Jack has 26 years' experience with Starwood Hotels and Resorts.



The Westin Tokyo lobby, reflecting the hotel's classic European style

of changing the way The Westin Tokyo does business, or supporting the Japanese population with communication, language, and other global business skills.

As one of the capital's leading international hotels, The Westin Tokyo is uniquely placed to inspire the broader population, perhaps by placing influential, globally minded individuals in high-profile hospitality roles. The hotel also works closely with the board of Yebisu Garden Palace, and will continue to play a key part in the organization, to help attract more events to the area.

The Westin Tokyo's location reflects its positioning as a "green oasis in the heart of Tokyo." This oasis concept is further reinforced by the Westin Garden, a sprawling green space available to guests and the general public as a respite from the urban bustle. Currently the garden is used to host boutique functions, but Jack wants to do even more, suggesting the potential for more private dinners, events, and relaxation-oriented activities.

Though Starwood is a US brand, The Westin Tokyo sets itself apart by its classic European style, with the dramatic spiral staircase at the entrance an enduring brand symbol. Among the 200 Westin properties worldwide, it is the flagship Japan hotel. Because the location is somewhat residential, many clients of its eight food and beverage outlets live nearby, or are regular weekend visitors. Jack emphasizes the hotel's strong following from Japan residents, with many having visited the property since its opening over 20 years ago.

Well-Being Movement

Jack's experience has spanned the Sheraton and Le Méridien branches of Starwood, though he admits to a love of the Westin brand, because it's strongly positioned with a clear offering. The Westin Well-Being Movement is one global initiative that is being adapted for the Japanese market. Designed so that guests leave feeling better than when they arrived, the program has six pillars: Sleep Well, Eat Well, Move Well, Feel Well, Play Well, and Work Well.

According to Jack, Sleep Well tops the list for the brand. Those who have stayed at any Westin worldwide are likely familiar with the Westin Heavenly® Bed, which is sold online even in Japan. The company has also launched a canine version of its posh mattress, the Heavenly® Dog Bed.

Each pillar of wellness is represented in distinct ways at the Tokyo hotel, with components that suit local tastes and dynamics. In the Eat Well category, there is an emphasis on "SuperFoodsRX," such as almonds and blueberries, which are incredibly healthy for mind, body, and soul. The Westin Tokyo team is working on identifying Japan-specific superfoods from different regions of the country. In addition, juice programs have been launched in each hotel, with special juice mixologists on hand to custom-blend nutritious drinks.

For Move Well, the hotel lends out New Balance® gear, offers its own fitness studio and access to other venues, and provides local running maps to help keep you moving. Given The Westin Tokyo's green surroundings and quiet vicinity, joggers are treated to streets without much vehicular traffic, and can explore the labyrinth of alleys winding through the Ebisu district.

"I look forward to discovering more about Japan, especially its rich culture, fascinating history, and uncompromising commitment to quality,"
Jack concluded.



The Westin Garden is a "green oasis in the heart of Tokyo."

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Business Five-step Storytelling

By Dr. Greg Story

President, Dale Carnegie Training Japan



Best intentions, higher callings, righteousness—all good stuff, but without good communication, our efforts fail. Instinctively, we all know storytelling is a great communication tool, but the word itself is a problem. We associate it with bedtime stories and therefore the idea sounds a bit childish. In the modern era, Hollywood talks about the arc of the story; or in politics, the media punishes the lack of narrative. Actually, this is storytelling just dressed up in more formal attire.

The other problem with storytelling is that we are not very good at it. It seems too simple, so we gravitate to more complex solutions—frameworks, theories, models, four-box quadrants, pyramids, Venn diagrams—anything to appear more convoluted and pseudo-intelligent. If we present something complex, we must be smart. On the other hand, anyone can tell a story. Ah...but can they?

How many really good business stories have you heard lately? Have you been captivated by the speaker, as they have taken you into a story that has you emotionally and logically involved? In my observation, businesspeople are usually poor communicators. To ensure they never improve, they are invariably uninterested in “childish solutions” like becoming a great business storyteller. The business five-step storytelling process focuses on moving people to action. We might tell this story from the point of view of our own experience in the first person, or we may refer to the insights of someone else, told in the third person.

We begin by clarifying why this matters. The story should draw out for the audience the immediacy and relevance of the issue at hand. This is a critical step, because everyone is surfing through hundreds of emails, Facebook and Twitter posts, LinkedIn updates, Instagram messages, etc. They are dealing with family, work, financial, and health issues.

There is tremendous competition for the mind space of our audience. If we don’t have a powerful “why” to grab their attention, it’s game over right there.

The next step is to describe the “what”—the information our audience needs to know. This is knowledge they don’t already have or have not sufficiently focused on yet. This will bring forth data or perspectives that are pertinent, immediate, and grip our audience. Imparting key points each linked with evidence is essential today, because we are all card-carrying skeptics. There is so much false information floating around causing us to be permanently on guard against feeling cheated or foolish. We must communicate to the audience what they need to do. This might be our own recommendation or we may relay that of the third person in the story.

Having isolated the issue, and imparted some evidence to provide more compelling reasons to take this issue seriously, we now must tell the “how” to move forward. Explain in some detail what needs to be done, so that the listener can take immediate action.

Vanquish any potential doubts or concerns by exploring the “what ifs.” Join the listener in the conversation going on in their mind about the fears they might have about what is being suggested. Address these in the story, so that there are no, or at least few, residual barriers to taking action.

Finally, repeat the action steps succinctly and clearly, so that they stay fresh in the mind. Compressing the steps into numbers like three, five or seven work best, as they tend to be easily recalled. Few people can hold elaborate data points in their head. Keep it short, and keep it memorable.

Five-step storytelling incorporates the why, what, how, what if, and action steps needed to draw in your target audience. Let’s use rich stories to make our persuasion power more compelling. ■

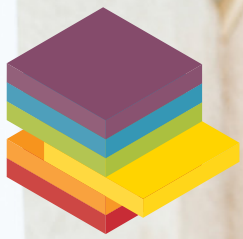
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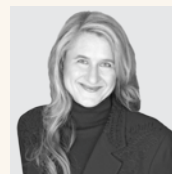
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Celebrating New Beginnings



PRESIDENT

Jay Ponazecki jponazecki@accj.or.jp

Please join me in celebrating the relaunch of *The Journal*. This is a key component of the ACCJ's communications mission to lead the conversation on global business in Japan. It is deeply connected to our ongoing efforts to enhance communications with members and the public at large and to expand our digital footprint.

Jonathan Kushner and William "Swint" Swinton, Co-Chairs of the Communications Advisory Council (CAC), have done a terrific job leading this initiative with invaluable support from all CAC members: Tim Brett, Timothy Connor, Ken Katayama, Ray Proper and Terry White. Please read "Leading the Conversation" on page 49 in which Jon explains the ACCJ's communications strategy, the key features of the new and improved *Journal* and the steps that are under way to transform the ACCJ's website so that it is a hub for ideas and conversation.

NEW TASK FORCE

The ACCJ Board of Governors recently approved the formation of the Japan Structural Reform Task Force. While considerable information is available on Prime Minister Shinzo Abe's Third Arrow economic policy, there are widely varying expert views on the potential impact of these reforms, their implications for US businesses and the degree and pace of their implementation.

This Task Force aims to: (i) provide a catalog of the structural reforms proposed under the Third Arrow, (ii) assess the significance of these reforms in relation to Japan's economic growth and to ACCJ member businesses and (iii) measure progress toward implementation.

We hope this will better ensure that we have a broad grasp of proposed changes to Japanese laws and regulations that could impact member businesses and assist members whose business decisions may depend in part on the success of the Third Arrow.

The Board also approved the piloting of an "ACCJ Fellows" program under which students at the Inter-University Center for Japanese Language Studies in Yokohama will have the opportunity—while assisting with the preparation of this catalog of reforms—to better understand the Japanese economy and Japanese government policies, regulations and practices that affect the economy as well as business priorities and practices. This is part of our ongoing commitment to develop and support the next generation of private- and public-sector leaders in the US-Japan relationship. Depending on their areas of interests, these students will work closely with members of the Task Force over the next few months.

Special thanks to Chris LaFleur and Arthur Mitchell for kindly agreeing to serve as Chair and Vice-Chair, respectively, of this Task Force. Please contact Chris and Arthur if you are interested in this Task Force or if you have any questions.

THIS MONTH'S QUESTION

Some members, before attending an ACCJ event, would like to know who has signed up for it, to increase networking and information sharing opportunities. It has been suggested that members could opt out if they do not want their name to be on the list of attendees. I welcome your feedback. Is this something you would find helpful? Or would you opt out? ■



TOO BUSY TO ATTEND AN EVENT?

To offer greater benefits to you, our valued ACCJ members, the ACCJ is offering **LIVE STREAMING VIDEOS** of some events at no cost. Please go to the following URL and login with your member number and password to participate: <http://accj.or.jp/en/events/live-streaming-events>. Feel free to email info@accj.or.jp if you need your login information.

LIVE THIS MONTH:

APRIL 22, 1pm

Takuya Shimamura, Asahi Glass Company CEO

Sake of the Gods: Visit to Hakutaka Rokusuien

Text and photos by Rose Tanasugarn

Hyogo Prefecture in the Kansai region produces over one-third of Japan's sake. To develop global talent and provide local university students with practical experience in marketing and public relations, the American Chamber of Commerce in Japan (ACCJ) Kansai chapter organized a pilot tour for foreign visitors to Hakutaka Rokusuien, an impressive multipurpose center owned by Hakutaka Sake Co.

Mark Kawai, ACCJ Kansai External Affairs Committee chair, and Tomoko Azuma, president of Nishinomiya City's Community Business Support Network, initiated the project, which aimed to educate foreign visitors about various aspects of sake, from the brewing process to suggested food pairings. Together they advised and closely supervised the students, who spent countless hours researching and gathering materials to make English handouts for the tour participants. The students also interpreted the tour into English while Sumiko Tatsuuma, vice president of Hakutaka and the general manager of Hakutaka Rokusuien, led the tour of the center and brewery.

PURITY AND PRIVILEGE

Hakutaka, which began brewing sake in Nishinomiya in 1862, is considered a relative newcomer to the sake industry. The company's philosophy includes combining pure, mineral-rich water (known as *miyamizu*, and drawn from a well in Nishinomiya City) with a premium variety of rice grown specifically for sake production. Together with its sourcing of the best materials for the equipment it uses, this has resulted in the birth of a sake that is considered fine enough to be offered daily to the gods at Japan's most sacred Shinto shrine, the Ise Grand Shrine in Mie Prefecture.

Hakutaka has been the sole purveyor to the shrine for over 90 years; a large stone from a river near the site has been engraved and presented to the brewery in honor of its donations of ritual sake.

As Hakutaka uses traditional methods to make limited quantities of sake, visits to the brewery are only possible in winter, and there is often a waiting list. The ACCJ group was very privileged to be shown the production room and the storage place for the sake destined for Ise shrine, in addition to tasting the day's batch of unprocessed sake.

HEART AND SOUL

As a fifth-generation brewery owner, Tatsuuma is just as passionate about her family's history and the preservation of Japanese culture as she is about sake brewing. She and her late father spent 10 years on the planning and design of Hakutaka Rokusuien, a structure based on original architectural drawings for the family's living quarters and compound. She also supervised the construction of the facility, and it is evident she put her heart and soul into the project.

To recreate the feel of the late Edo era, building materials were gathered and recycled from old houses around Japan. The bar counter is made from a single piece of giant cedar. In addition to a gift shop, sake bar, and restaurant, the multipurpose center features a gallery and event space, and often holds lectures and cultural performances.

Many of the family items in the gallery were taken from a warehouse that survived the fires and destruction of World War II.

Hakutaka has
been the sole
[sake] purveyor
to Ise shrine for
over 90 years.

Tatsuuma points to the cedar ball that signals that a batch of sake has been made.





Each set of *hina* dolls on display in the gallery was collected from a different generation of the family.

The ACCJ tour group admired three impressive sets of *hina* dolls on display for Hina Matsuri, the traditional Girls' Festival or Doll Festival. Each set of dolls was collected from a different generation of the family, and all were custom-ordered to include fine details such as the family crest on a doll's sword.

Hakutaka Rokusuien is open throughout the year, and cultural displays rotate to reflect the seasons. Most memorable was a panel of black and white family portraits, in which it was easy to see the resemblance between Tatsuuma and some of her female forebears.

Helen Hwang, principal commercial officer of the U.S. Consulate General, Osaka-Kobe, shared her impressions about the event: "What an honor it was to be among the first pilot group of international participants to take a tour of the visitors' center of Hakutaka Sake Co. The tour was beyond my expectations, as we learned not only about sake making,

but also about facets of Japanese culture and history that have been preserved through time. The on-site historical museum archives and maintains the old ways of making sake as seen through the eyes of the Tatsuuma family, master sake brewers for five generations.

"In addition, the impressive rebuilt architecture based on original designs in the gift shop, sake tasting area, and event rooms blended modern Japan with the image of traditional Japan international visitors may have in mind when they think of this country. I very much appreciated the research undertaken and effort made by the university students to launch this first tour for non-Japanese speakers, and the ACCJ-Kansai External Affairs and Living in Kansai committees for organizing this special tour. It is a must-see for visitors to the Kansai area, and I plan to share this boutique treasure in the Nishinomiya area with my own international visitors." ■



Tour participants sampled the day's batch of unprocessed sake.

Rose Tanasugarn serves on the ACCJ Kansai Business Programs, Women in Business, and Community Service committees.

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DEFINING THE INTERSECTION OF BUSINESS, POLITICS AND POLICY™

Collaborating in Healthcare IT

By Marc Fuoti

Important discussions are under way in Japan to determine what is needed to lower healthcare costs and improve outcomes. Such discussions are becoming more common in countries across the globe, and increasingly focus on greater utilization of healthcare information technology. This field includes tools and processes such as electronic health records, telemedicine, mobile health facilities, and, most recently, connected healthcare devices and the Internet of Things. Many healthcare professionals now believe these intelligent tools and further innovations will enable significant improvements in healthcare quality and clinical outcomes while simultaneously lowering costs.

The American Chamber of Commerce in Japan (ACCJ) Healthcare Committee, the ACCJ Healthcare IT Subcommittee, and the European Business Council (EBC) have been actively advocating increased utilization of healthcare IT in Japan, and are collaborating on key issues with other leading industry associations. One such collaboration is with the Japan Telemedicine and Telecare Association (JTТА), the country's most respected and influential organization dedicated to improving the quality of telemedicine and increasing its utilization in Japan.

The ACCJ and EBC were invited to present their work in the healthcare IT sector to JTТА's members at the organization's annual Spring Conference on February 20. Over 100 doctors, nurses, academics, and healthcare professionals attended.

Professor Masatsugu Tsuji, PhD, a JTТА Steering Committee member, opened the session by stressing how important it is for entities with similar objectives to work together to address Japan's healthcare issues. He



Over 100 participants attended the JTТА Spring Conference.

introduced Eiji Sasahara, chair of the ACCJ Healthcare IT Subcommittee, and Danny Risberg, EBC chairman, each of whom described their respective organizations and the work being done in the healthcare sector.

Three ACCJ member companies—Qualcomm Inc., Philips Electronics Japan, Ltd. and Baxter Ltd.—showed the ways in which their companies are deploying and utilizing healthcare IT solutions and devices, both in Japan and globally. Hiro Kawabata of Qualcomm presented on how machine-to-machine technology and the Internet of Things are poised to dramatically impact healthcare IT by reducing the costs associated with monitoring healthcare data.

Baxter's Byron Segal and Philips's Yuriko Nagaoka described their companies' respective home healthcare solutions. Segal warned that the number of patients suffering from chronic kidney disease as a result of diabetes is on the rise, and said Baxter's home dialysis system will allow patients to undergo treatment at home, as a more comfortable and less expensive alternative to treatment in hospitals. Nagaoka presented Philips's comprehensive home care system, Hospital to Home, which provides integrated customized care that

leverages innovative telehealth solutions and allows clinicians to remotely monitor patients at home and prioritize them for intervention if necessary.

The talks were followed by a Q&A session, during which Tsuji asked the panel, "What are the key barriers limiting telemedicine in Japan?" Panelists unanimously replied: there are no clear-cut regulations for telemedicine, and reimbursements are either nonexistent or insufficient.

Tsuji ended by saying that the JTТА would like to collaborate more closely with international companies and associations such as the ACCJ and EBC, to develop the healthcare IT sector in general and telemedicine in particular.

As we prepare for the publication of our third ACCJ–EBC healthcare white paper this May, the issues related to healthcare IT are increasing in importance and prominence. Our ability to influence key decision-makers in the Japanese ministries and government will be enhanced by endorsements and support from well-respected domestic associations such as the JTТА. ■

Marc Fuoti is president of Big Picture International K.K. and a member of the ACCJ Healthcare IT Committee.



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ROBERT WALTERS

From ABCs to DEFs

Three Japan watchers discuss trends and issues

By Paul Kraft

As businesspeople, in our quest to keep current with the rapidly shifting corporate landscape, we are bombarded by facts, figures, trend reports, and even hashtags. Separating the wheat from the chaff is a constant struggle.

In October 2013, the American Chamber of Commerce in Japan invited three experts to discuss the observations and metrics they felt were most relevant to Japan now and in the future. The event, “Now You Know Your ABCs—Panel Commentary with Jesper Koll, Dave McCaughan, and Bill Hall,” proved very popular. This year’s sell-out sequel, “Now You Know Your DEFs,” was held at the Roppongi Hills Club on February 20. The agenda was fast-moving and wide in scope, followed by an interactive Q&A session. Here are the highlights.

D FOR DEMENTIA

Bill Hall, managing director of IPSOS Japan and an expert on healthcare trends and aging societies, shared the results of an eye-opening study. The report shows that, by 2025, 13 million people in Japan over the age of 65 will have Alzheimer’s or some form of mild cognitive impairment. Hall said this would have far-reaching effects on service businesses, such as consumer banking and food retailing, where the impaired may struggle to accomplish basic tasks. In 2012, the Japanese government introduced its “Five-Year Plan for Promotion of Measures against Dementia (Orange Plan),” with the goal of training eight million people on how to effectively aid Alzheimer’s sufferers in their daily lives.

E FOR ENERGETIC

Dave McCaughan, a Hong Kong-based brand consultant, discussed a separate study assessing current attitudes of different age groups in Japan. Many groups—unsurprisingly—reported anxiety and stress. However, respondents who are 55–70 years old defined themselves as “energetic.” McCaughan pointed out that this is one of the healthiest and wealthiest consumer groups in the entire world, calling it “Japan’s only true growth market.”

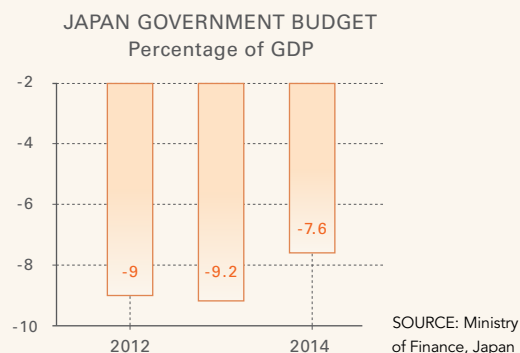


From left: Patrick Newell, Paul Kraft, Jesper Koll, Dave McCaughan, and Bill Hall

We invite you to visit the ACCJ YouTube channel to view the entire event, and stay tuned for the GHI event in 2016!

F FOR FISCAL DEFICIT

Though Jesper Koll is typically a Japan optimist, his update on the Japanese government deficit was less than rosy. The annual government budget deficit is currently 7.6 percent of national GDP. While this has improved in recent years, it is still far from ideal. Koll, who is managing director and head of research at a major financial services provider, said nominal wages would have to increase 7 percent and the value-added tax rate would have to be 19 percent for Japan to achieve a balanced budget and begin to repay its debt. Unfortunately, Koll was confident about one thing: taxes will increase.



Other interesting facts and figures presented include:

- When Japanese are asked which domestic brand they admire most, the majority cite Uniqlo. Interestingly, Uniqlo is also the international brand they most admire.
- Some 45 percent of Japanese over the age of 25 have no debt and own their home outright. This low level of debt and high rate of property ownership is extremely rare compared with the rest of the world.
- Car accidents are now more common among people over 65 years of age than among those 25 years of age and under.
- Japan has eliminated the “drug lag;” approval times are now as fast or slightly faster than the United States, and about six months faster than Europe. This demonstrates the determination of Prime Minister Shinzo Abe’s government to make Japan a healthcare leader.
- Japan has reclaimed its fame as the world’s top shipbuilder, due mostly to the efficient and clean-burning engines of vessels built here. ■

Paul Kraft is representative director and CEO of HoneyBaked Ham Japan and vice chair of the ACCJ Independent Business Committee.

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Leading the Conversation

Journal relaunch is one aspect of communications mission



By Jonathan Kushner
Vice President, ACCJ

This issue marks the launch of an improved *Journal* that has been in planning for months. Members of the Communications Advisory Council have, in consultation with other American Chamber of Commerce in Japan (ACCJ) leaders, worked closely with the publishers of *The Journal*, Custom Media, to bring you a refreshed magazine concept. Our revised concept for the publication—"the authority on global business in Japan"—emanates from the ACCJ's communications mission to lead the conversation on global business in Japan.

The Journal is emblematic of an ongoing effort by the ACCJ to enhance communications with members and the public at large, by becoming more interactive and relevant, as well as focusing on in-depth reporting, as we take advantage of new opportunities in the digital realm. This is part of a larger, strategic effort to transform the ACCJ into a more nimble organization that is responsive to the evolving needs of members, to Japan, and to the future of the US–Japan relationship, looking ahead to the opportunity for groundbreaking changes in 2020 to coincide with Tokyo's hosting of the Olympic and Paralympic Games.

The new *Journal* has been designed from the ground up, to delve into exciting, bold new areas, while also maintaining the traditions and historical content to which members have become accustomed. It builds on the ACCJ's prestigious reputation and the action-packed schedule of chamber news and events that we have come to expect, adding new

A key feature of *The Journal* is the magazine's integration with digital.

opinions, analysis, and cutting-edge content from professional writers and media organizations in high-quality, long-form journalism. It is essentially designed as two publications in one: the first section is devoted to insights on the issues facing businesspeople in Japan; the second provides highlights of ACCJ news and events with more concise, focused reporting on chamber activities that matter most to you.

Articles will include expert commentary by journalists with experience in media outlets such as *Bloomberg*, the *Nikkei*, and *Reuters*. Regular columns will appear in monthly installments on a rotational basis, and we're also adding syndicated content from select partners such as *Nikkei Asian Review*, *Fast Company*, and *The Diplomat*, together with translations from Japanese media sources. There will be coverage of social media highlights as well, in case you missed what's trending on Twitter or LinkedIn.

A key feature of *The Journal* is the magazine's integration with digital. Just as before, all articles in the print publication will be available

online. The chamber section of *The Journal* website (<http://journal.accj.or.jp/>) will also link to the ACCJ homepage, which is updated in real time. The ACCJ site offers summaries and take-aways from events, video

highlights, and an array of photos of members in action. We welcome members' contributions for the magazine or the ACCJ website, with potential content including

your opinions on topics related to Japanese and global business, finance, economics, sports, culture, and politics, as well as popular reviews of books, films, and restaurants.

Look for more changes in the coming year on the ACCJ's website, as we transform it into a content hub for ideas, moving our events and programs into a digital-friendly format. We aim to bring the wealth of great ACCJ content that has until now largely been shared only in meetings to a wider chamber audience. This will enable all members to access relevant information they might have otherwise missed—because of a schedule conflict or business trip, or because they were simply too busy to get across town.

As the ACCJ Board of Governors and the leadership continue their strategic planning to make the chamber even more relevant for members and society by 2020, communications will be key. We look forward to your thoughts and ideas, as well as your contributions. Drop a note into the virtual comment box at ideabox@accj.or.jp, or email me directly at jkushner@kreab.com. ■

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EVENTS



1 Adm. (Ret.) Dennis Blair (left), former US director of national security, receives a commemorative mug from ACCJ Aerospace and Defense Committee Co-chair Lance Gatling at "Can Cyber Threats be Thwarted?", held at the ANA InterContinental Tokyo on February 24.



2 Lawson Inc. CEO Genichi Tamatsuka poses with ACCJ Sales Development Committee Co-chair Thomas Shockley at "Lawson: The Convenience Store Story," held at the Tokyo American Club on March 9.



3 Monex Group CEO Oki Matsumoto speaks at "Return on Equity (ROE) Revolution in Japan," held at the Tokyo American Club on March 11.



4 Tim Brett (fourth from right), representative director and president, Coca-Cola (Japan) Co., Ltd., joined ACCJ Kansai leaders for a breakfast meeting at The Ritz-Carlton, Osaka on February 27.



5 Danny Risberg (second from left), CEO, Philips Electronics Japan, Ltd., spoke at an ACCJ Kansai CEO Series event held at the Hilton Osaka on February 5.



6 Patrik Jonsson, president, Eli Lilly Japan K.K., gave a presentation titled "Leadership & Impact on Engagement — My Experience" at the ACCJ Kansai Leadership Series 2014–2015 Closing Session, held at his company office on February 25.



7 Participants at the ACCJ Chubu Aerospace Industry Subcommittee Meet-and-Greet were challenged to a game of "Aerospace Trivia" at the Coat of Arms Pub and Restaurant on February 26.



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*.

▪ **APRIL 7**
Eyeing the Aging Problem

▪ **APRIL 16**
Terry O'Neill: The Man Who Shot the Sixties

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Laura Younger Executive Director

Information as of March 13, 2015

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Net of Opportunity

Interview with Palarp Jumpasut,
ACCJ director of administration & operations



Jumpasut began her role in February.

As one of the recent additions to the American Chamber of Commerce in Japan (ACCJ) staff, Palarp Jumpasut brings a wealth of expertise and enthusiasm to her newly created role.

What attracted you to this job and the ACCJ?

My role is a new one at the ACCJ. Historically, all my prior roles within organizations have also been new. With any first-time job, you can cast the net of opportunity as wide as you would like and stretch your skill set, all while delving into realms that existing roles may not provide. This really excites me.

The ACCJ is an exceptional organization that uniquely marries private- and government-sector needs. Members volunteer their time to create an effective, efficient working environment for all stakeholders, and I want to be a part of that story.

What does your new role encompass?

Essentially, my role is to ensure that the ACCJ office runs smoothly and that Executive Director Laura Younger has everything she needs to do her job. This includes developing and implementing policies, working with each department head to promote best practices and good governance, and assisting Laura with new strategies. I attend the monthly Board of Governors

and Executive Committee meetings, and make every attempt to attend as many ACCJ programs and committee meetings as possible.

What is your professional background?

Prior to arriving here in February, I worked at the World Bank Group in Washington D.C. for seven years, in the Financial & Private Sector Development section. During the last four years I worked closely with the vice president on reorganizing our section. Ours was the first vice presidency in the group to undergo an intensive restructuring, to reduce silos and encourage a greater flow of information and resources from staff in D.C. to staff in other country offices. Before the World Bank Group, I headed up the capital markets team at the financial information company SNL Financial in New York and Virginia.

What are your objectives over the coming years?

One of the key initiatives Laura and I have earmarked for the next five years is to set realistic, achievable goals for the ACCJ. As for personal objectives, I would like to explore Japan, namely its culture and heritage.

Describe your ideal weekend.

One of my passions is running. An ideal weekend would start with a run by the Sumida-gawa, followed by lunch with friends, perhaps a browse around some bookshops, and then drinks and dinner. ■



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