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THE HUMAN TOUCH

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Dave West on saving your
business and community

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STUDY INTERRUPTED



Christopher Bryan Jones
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Life takes unexpected turns. Last September, while I was walking the Kumano Kodo pilgrimage trails in Wakayama Prefecture, I received a text message from my son. He told me that he had decided to go to London for study abroad, part of his requirements as a student at Gakushuin University. I thought it sounded like a great idea. Little did I know it would end with the two of us under 14-day quarantine.

His time in London had been going well and I was excited to hear about his experiences, which took me back to my first extended stay abroad in 1991, when I studied at Moscow State Conservatory. But when news of Covid-19 spreading in the UK began to break, and with a slow response that has become a theme around the world, excitement turned to worry.

FLYING HOME

My son was contacted by the Japanese government through the university about returning, and on March 23 he arrived at Heathrow Airport for a flight that would stop over in Abu Dhabi—the return leg of his original roundtrip ticket. But just before boarding, the airline barred passengers who did not live in the United Arab Emirates.

Stranded, he slept on a bench in Heathrow—imagine how I felt about that, with the potential of Covid-19 exposure. We were finally able to find another flight on Japan Airlines, but at a price of ¥182,000 for an economy seat. Getting him home right away was our top priority though, and he flew out 26 hours later than planned.

TO HANEDA AND BACK

What happened next really surprised me. We had been told that he would need to be picked up by car, driven directly home, and remain there for 14 days. That made sense.

What did not, however, is that he wasn't tested on arrival. At that time, they were only testing passengers from a handful of countries, and the UK—despite my son's departure coming at the same time Prime Minister Boris Johnson was on television announcing the lockdown of London—

was not one of them. So, I drove the long trip from Haneda to my house, way out in the hills of Kanagawa, knowing that we were starting two weeks of uncertainty.

FINE SO FAR

As I write this, we have just completed the 14-day quarantine. We are both fine. No fever emerged for either of us, and the slight throat and cough issues that I have are almost certainly due to pollen (my house is bordered by a forest).

Despite our successful run through quarantine, I remain nervous—and the whole experience has highlighted how quickly life can be turned upside down. It also echoes the chaos in which my first stay in Moscow ended, with Gorbachev's house arrest and the Soviet Coup of August 1991. These memories stay with us and help us grow.

I do hope that the final outcome of this pandemic finds us both—and all of you—safe, healthy, and in a better place. ■

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Come Together



PRESIDENT

By Peter Fitzgerald
ACCJ President

Less than three months ago, we gathered at the Imperial Hotel Tokyo to celebrate the start of a new year and look ahead to the promise of 2020. Since then, developments that we could not have foreseen have brought incredible challenges to our business community. And while, at moments, the future may look dark, I would like to say I am confident that these days of uncertainty also represent an opportunity to make a difference and build a path to greater success.

PLAN FOR PROGRESS

When I became president of the American Chamber of Commerce in Japan (ACCJ), I was certain of a few things. I was certain that we have a once-in-a-generation opportunity to make meaningful progress on a national level by leveraging global events and innovative technology to improve peoples' lives, the strength of the business community, and the ties between Japan and the United States.

I was also certain that the ACCJ had an important role to play in accelerating digital transformation in Japan, that our advocacy programs were making a meaningful difference in influencing the shape of trade negotiations, and that we were going to make important strides towards empowering women, achieving workstyle reform, and tackling health and retirement issues in Japan.

Despite the current situation, I'm still certain that we can make real progress on all these fronts in 2020.

PREPARE FOR TOMORROW

Alongside that certainty is a great deal of uncertainty. A global pandemic, such as Covid-19, has been part of the business continuity planning of large corporations for years. But as much as those plans have helped us, I don't think we fully accounted for the degree of uncertainty we'd face.

Uncertainty in businesses is a most stressful feeling, and we must prepare for things to get far worse while also planning for things to improve a great deal faster than we expect. As I write this, China appears to be slowly rebounding while the situation in Europe and the United States grows more serious. There, we've only just begun to see the impact of an unprecedented level of social and economic turmoil.

The antidote to uncertainty is participation and engagement.

In Japan, the economic impact isn't yet as obvious and immediate as in Italy, Spain, or the United States. But for many businesses, what has already surfaced is equally devastating; and the most difficult part of the journey may still lie ahead.

STRONGER TOGETHER

To overcome this once-in-a-generation challenge, we need to join together as a business community to find creative ways to help each other. And that's what the ACCJ does best. The administration of Japanese Prime Minister Shinzo Abe is preparing measures to soften the blow and help businesses and individuals survive the pandemic, but government intervention will only go so far. The rest is up to us.

We want the ACCJ to act as a catalyst and facilitator for members to help members, and I'm proud to say that a significant portion of our membership is looking beyond their own businesses to offer support to the broader community.

Our latest ACCJ Member Survey (page 17) reveals that members are already experiencing serious challenges, such as:

- Drop in consumer confidence
- Decreased spending
- Supply chain issues
- Shift to teleworking
- Travel restrictions
- Disruptions to business operations

All these are contributing to a general decline in revenues, and our members are looking to all levels of government—here in Japan and in the United States—for transparency in information sharing, economic stimulus, and assistance to the business community as a whole.

HELPING HAND

As a business organization, the chamber has an obligation and opportunity to find ways to mitigate the societal impact of Covid-19. By working together and advocating to raise the voices of those in need, the ACCJ can emerge from the coronavirus challenge with a stronger connection among our members—and to Japanese society—than ever before.

The antidote to uncertainty is participation and engagement. In a time of increasing isolation, let's come together—even as we practice social distancing—to tackle our shared challenges. We may not find certainty, but we'll at least find strength in numbers. And that's how we defeat the coronavirus and step into a bright and successful future. ■

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ACCJ Business Continuity Network

Members help each other navigate the challenges of Covid-19

By C Bryan Jones

In response to the Covid-19 pandemic and the incredible threat it poses to the survival of many companies, the American Chamber of Commerce in Japan (ACCJ) has launched the Business Continuity Network (BCN) at www.accj.or.jp/business-continuity-network.html. This service connects ACCJ members with one another to provide credible, real-time information from subject-matter experts. By gathering our collective knowledge, we can together navigate the coronavirus landscape.

The BCN comprises:

- Virtual events
- ACCJ vs. Covid-19
- Webinar summaries
- Economic stimulus
- Business continuity library
- Covid-19 member surveys
- Health and travel

These items and more leverage the strength of the ACCJ community and can help you ensure safe passage through this dangerous time for the market and the health of you, your team, and your customers.

WEBINARS AND ROUNDTABLES

Especially popular have been the nearly daily webinars, which started on March 4. These expert panels cover a wide range of topics, from communications best practices and healthcare concerns to legal matters and much in between. These events have become an invaluable source of information and advice for members, and guest speakers have included medical, legal, finance, and human resources professionals as well as staff from the Embassy of the United States, Tokyo. Most importantly, the lively roundtable discussions and Q&A sessions have created a forum for members to help members during these challenging times.

Without the ability to meet in person, the ACCJ has had to change our approach to knowledge sharing. Rather than hindering communication, however, this has been an opportunity to strengthen connections. In fact, registrations for events since we paused in-person gatherings on February 27 are tracking on par with the same period last year. The Understanding & Coping in a State of Emergency webinar on April 7 had more than 250 participants.

EXPLORE

The wealth of information already shared through the BCN is amazing, and there is more to come. While *The ACCJ Journal* cannot hold it all, you can explore examples in this issue, including a Q&A from the Legal Services & IP (Intellectual Property) Committee (page 12), tips for parents working from home (page 14), and survey results (page 17). ■

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The greatest strength of the ACCJ is the engagement and involvement of our members. If you have an idea to benefit our community during this time of heightened risk, we value your input. Share your thoughts at: www.accj.or.jp/business-continuity-network.html



Covid-19 Legal Challenges

By the Legal Services & IP (Intellectual Property) Committee

On Monday, March 30, the American Chamber of Commerce in Japan (ACCJ) Legal Services & IP Committee (LSIP) held a webinar as part of the chamber's Covid-19 virtual event series. More than 70 people attended to hear about challenges and solutions facing companies as to their employee's health data, role changes, and work-from-home issues. Also covered was how to handle contract delays and performance with customers and suppliers.

The panel, moderated by LSIP Co-Chair Catherine O'Connell featured Vice-Chair Chris Jacobson speaking on commercial contracts and force majeure, as well as Takuo Misaki addressing labor law. Additional comments were provided by Co-Chair Scott Warren.

As a caveat: this is not meant as legal advice for your specific issue, which likely will require a detailed review of the pertinent facts involved. Instead, this provides generic information that may help you understand and consider the overall legal landscape involved in handling Covid-19 effectively.

STAFF ISSUES

May I temperature-scan my employees and require them to submit their personal health data?

This question poses issues on two fronts: personal information and employment law. Regarding the personal information aspect, Japan's Act on the Protection of Personal Information (APPI) states that a business shall not obtain personal information by deception or other wrongful means. It does not require the consent of the subject in each event of personal information collection.

However, the same law (and its enforcement ordinance) states that, regarding certain health records, the consent of the subject is required. Therefore, it would appear the law considers health information as a more sensitive category of personal information. Accordingly, it is desirable to obtain consent prior to conducting a temperature scan to avoid any risk of giving raise to claims based on the APPI or perhaps even an invasion of privacy tort claim.

However, it is unclear specifically what form of consent is needed. For example, as a practical matter, an employer may issue an email to its employees, update its work rules, and perhaps post signs indicating its intent to temperature-scan employees for the express purpose of Covid-19 prevention. Unless the employee objects, it may be considered consent (keyword being "may," as it is unclear how a case would be decided).

Catherine O'Connell

Co-Chair
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If an employee refuses to consent, whether a disciplinary action is possible gives rise to an employment law issue and will be viewed, in part, by balancing the need to conduct temperature scans to protect the safety of the workplace against the need to protect the privacy of an employee. As the employer is obligated to procure the safety of its employees and its workplace—and as the severity of the Covid-19 crisis deepens—the balance may tip in the direction of allowing disciplinary action against a refusing employee.

In the United States, it has generally been accepted that, due to the current Covid-19 pandemic, employers may temperature-scan employees to ensure a safe working environment. This is in contrast to most countries in the European Union, which generally prevent an employer from collecting such data. Other countries will often have their own regulations.

No matter where the data is collected, it is important to ensure that such sensitive health data be properly collected, securely stored, visible only to essential employees, and kept for a shortened retention period.

What steps are required to shorten workers' hours and temporarily change employee roles during the Covid-19 crisis?

Unless there is an employment or labor agreement to the contrary, employees generally do not have the right to legally demand that employers allow them to work. Whether the employer shortens working hours or exempts an employee from working entirely is up to the discretionary decision of the employer (note: salary payment in such cases is a different issue discussed in the following answer).

Changing an employee's role will generally depend on the scope of labor set forth in the employment contract. If the employer is demanding that a chef work in accounting, that will likely be outside the boundary of what the employer can ask of its employees. (Even if there is no written employment contract, it is likely to be assumed that the contract with the chef involves cooking in a kitchen and not working a computer in an office).

Can employees' wages be lowered for shortened work hours?

Under Japanese law, unless the labor agreement specifies otherwise, this generally depends on whether the shortening of working hours is due to reasons attributable to the employer. The basic thinking is that, if an employee is being prevented from working due to reasons of the employer, the employee should not lose out on getting paid.

Chris Jacobson

Vice-Chair
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The Covid-19 crisis presents a conundrum in this respect. The situation in Japan has been that there is no government edict preventing people from going to work. So, if the employer refuses to allow its employees to work, this may be seen as a discretionary decision (i.e. attributable to the employer). With the April 7 declaration of a state of emergency by the government, the impossibility of labor may be seen as being due to such declaration and not the decision of the employer. (Again, the operative word is “may,” as it is not clear how this may be determined by the courts.)

There is also an issue regarding whether 60 percent or 100 percent of a worker’s wages need to be paid. Generally, 100 percent is due when an employer decides to stop work even though work is possible, and 60 percent when work becomes impossible due to a reason which is not controllable for the employer, such as the failure by a supplier to deliver supplies, but is still within the scope of issues which the employer should manage.

CONTRACT ISSUES

How do I deal with delayed performance of my supplier?

In this unprecedented situation, the first thing you must do is read the terms and conditions of the agreement, purchase order, or other document you have with your supplier, assuming there is one.

If you have such, please identify if it has what is known as a “force majeure” provision. These provisions cover circumstances where performance of the contract is delayed or frustrated. Many such clauses cover “acts of war, terrorism, nature” and other similar situations. Some also have clauses that specifically mention pandemic, health, or governmental order relating thereto that prevents performance. Such a provision will be the basis for you to start discussions with your supplier.

Note that neither Japanese law, nor most US state or other countries’ laws, have explicit force majeure statutes. However, Japanese law provides for the freedom of contract and allows the parties to insert a force majeure provision in agreements.

California, for example, provides for the basic principle for force majeure in Cal.Civ.Code 3526: “No man is responsible for that which no man can control.” This recognizes that a force majeure event, sometimes referred to as an “act of god,” makes performance impossible or impracticable enough to be excused.

There are local-law variations interpreting these provisions. For example, New York law provides that specifying a force majeure event, such as earthquakes and tsunamis, precludes the inclusion of other force majeure events. California is not so strict and interprets force majeure to include a non-listed event that is “unforeseeable at the time of contracting.” You should ask your own attorney about your specific situation.

The potential remedies may include rescission of the order with your supplier or voiding of the contract, adjustment of the scope or steps for performance (such as timing and method of delivery and alternative products), forfeiture of some paid-in-advance costs or fees, release from a refund obligation, and excusing the breach or otherwise releasing a party of liability.

Takuo Misaki

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A few items to note:

- Of course, the force majeure provision may also benefit your supplier, who may be looking at it just as you are doing.
- You need to be careful not to abuse the right to assert a force majeure provision, and most jurisdictions will require reasonableness in handling and mitigation of the situation by both parties.
- Some force majeure clauses, or other parts of the agreement, may have specific notice and dispute handling provisions that must be followed. Please review the contract carefully to ensure you comply with all of the relevant obligations.

If you do not have an agreement with a force majeure provision, there are no detailed terms and conditions in the order or other document, or your transaction is orally based, consider the alternatives to force majeure discussed below.

What legal and practical options are available to me to cancel contracts in addition to force majeure?

Where there is no force majeure provision, or no contract, most jurisdictions may provide for other remedies.

In Japan, there are a few rules that may apply:

- Rule of impossibility
- Rule of exemption from breach of contract liability due to a reason not attributable to the breaching party
- Rule of significant circumstantial change

Note that, in general, the interpretation by a court in Japan will tend to be very strict, looking only to the wording of the provision (if a force majeure provision or other provision exists) or narrowly construing the fact situation causing the impossibility.

In the case of California, and most other US jurisdictions, the doctrines of impossibility and frustration of purpose will apply when a party’s contractual performance is made impossible or impracticable by intervening and unforeseeable events. Cal.Civ. Code 1511(2) states that performance can be excused “. . . when it is prevented or delayed by an irresistible, superhuman cause, or by the act of public enemies . . .” Again, the scope of application will differ by state and jurisdiction, so consult your own attorney about your specific situation.

An indirect, but important, concern is whether such an event may be covered by any business interruption or other relevant insurance you or your supplier may have. In general, such insurance is often based on physical property damage that prevents performance, not on contagion. After the spread of severe acute respiratory syndrome (SARS) from 2002 to 2004, some business insurers added provisions to exclude the effects of contagious diseases from coverage. However, it is important to review your insurance policies to see if such policies may provide some relief. ■

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TELEWORKING

Company and Family

Tips for working at home with kids

By C Bryan Jones

With social distancing being one of the most effective ways of slowing the spread of the coronavirus, working from home has suddenly become the norm. For some, it is a new experience. For others, it has been part of their routine for a long time. In my case, I worked from home exclusively for more than a decade, and during that time saw my kids through school. Luckily, I have a full studio in my house, separate from the living areas. But not everyone has such facilities—especially here in Japan, where space is at a premium.

To find out how others are adjusting to the self-isolation and teleworking brought on by the Covid-19 pandemic, I spoke with Yuka Nakamura, vice-chair of the American Chamber of Commerce in Japan (ACCJ) Kansai Chapter's Diversity & Inclusion Committee. Nakamura is senior brand manager in marketing at ACCJ President's Circle member company Eli Lilly Japan, K.K. and was named the 2019 ACCJ Leader of the Year for Kansai in recognition of her work organizing the annual Women in Business Summit. Like many women now teleworking, she is balancing the needs of family and kids with work while everyone is spending entire days together.

FAMILIAR, BUT DIFFERENT

"Working from home is not new to me," Nakamura said. "I've been doing this for quite a long time, especially since I work with a global team. What is new, however, is that the kids are home all the time."

While her children are old enough to keep themselves occupied—one in junior high and the other in high school—being home all day creates certain expectations for family routines.

"Before, it was only me, so I could eat lunch whenever I wanted. But now I have to fix lunch around noon, or at a certain time," she explained. "Sometimes I have lunchtime meetings, or back-to-back-to-back meetings that run through the whole day. So that's one challenge."

Overcoming this takes understanding on the part of the family, and also remembering that you can't do it all—and that's okay. "Don't try to do everything by yourself," she advised. "When it comes to meals, sometimes eat frozen food or leftovers. That's still good. And it's not forever, it's only for now. Be flexible and you can make it work."

COMPANY SUPPORT

Nakamura said that Lilly is extremely supportive, not only with work-from-home policies that were already in place well before Covid-19 but also with technical and emotional support.

"They're very supportive, from the high, senior-management level through to the working level. It's our culture. We receive very frequent update emails from senior management, such as the global president and the Japan president. They give us very transparent updates as well as clear guidelines and priorities," she said. "What I appreciated the most is that my big boss made it very clear that the first priority is the health and well-being of each person and the team."

Another thing that Nakamura finds helpful during this time of social distancing is the culture that exists at the team level. "Everybody is really encouraging each other to stay motivated and connected. We've started having virtual coffee. That's working quite well. Around 3:00 in the afternoon, we just grab coffee and have a quick chat about how things are going. We have this culture that, even though we are all working from home, we're still one team."

TECHNICAL MATTERS

Maintaining reliable and secure IT operations is a big job in any office setting and becomes more challenging when that controlled environment shifts to the cloud. But it is something Lilly has extensive experience with, and Nakamura feels at ease with the technical support.



PHOTO: C. BRIAN JONES

“Even before this happened, most full-time employees had a Wi-Fi router that could be used everywhere around the globe. And we already had meeting platforms such as Microsoft Teams, Skype, and Cisco’s Webex,” she explained.

“And most full-time employees have a company phone, so we can use it whenever we need to talk. We also have a VPN system for going into internal folders over the cloud. We have no technical issues.”

She said that the IT team has also expanded their support across channels and are on standby 24/7 on weekdays for calls and chat. “If I do have a technical issue, I can just contact them and get support. That’s one big thing that enables me to work from home efficiently.”

ENVIRONMENT

Of course, technical solutions are only one part of successfully working from home. As parents try to stay productive while also creating comfortable environments for their children, clear communication is important. Nakamura shared a story from a friend who has small children.

“My friend had to find a way to manage kids coming into the room while she was working. So, she came up with the idea of putting a sign on the door that is colored green, red, or yellow.

When she’s on a very important conference call and cannot be disturbed, she puts the red sign on her door. If it’s best to leave her alone unless the matter is urgent, she puts up the yellow sign. And if coming in is fine, the green one is up. This way, the kids easily know if it’s not a good time.”

Nakamura also has three tips for making your work environment better:

- A nice chair
- A good display
- Bluetooth earbuds

“I wanted a nice office chair, which I don’t have yet, but because I recently started to feel pain in my back, I’m planning to buy one. It’s important to be comfortable sitting for long hours,” she said.

“Another important thing is the monitor. It helps a lot to have an external one because working on the laptop for a long time makes my eyes really tired.”

And the last tip, getting a pair of Bluetooth earbuds, makes taking part in online meetings easier. “When you have back-to-back meetings, sometimes you need to move around a little, but you don’t want to miss the discussion.” You’ll sound better and can stay engaged with the conversation.

BENEFITS

We often talk about the challenges of working from home—especially with kids in the house—and it is easy to see it as a series of obstacles to overcome. But there are benefits as well, and the experience can strengthen families.

“On the bright side, I can spend more time with my kids, which is a happy thing. I can always get to see them and can have lunch with them every day,” Nakamura said. “And when it comes to keeping track of their studies and homework, I can know better what they’re working on.”

She said movie nights are more frequent as well since time isn’t being spent commuting. “Because we’re at home every night, we can watch Amazon Prime and Netflix and all these. It’s fun that we can talk about the movies and share some snacks. It’s fun family time.” ■

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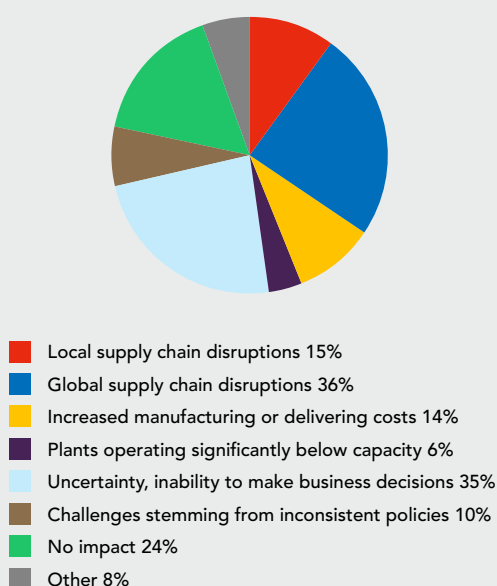
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Industry Pulse

Results of the ACCJ Covid-19 Member Surveys

How has your business been impacted in relation to supply chain, manufacturing, and service delivery?



Which area of your operations is being most impacted?

| | |
|---|-----|
| Supply chain/Manufacturing/Service delivery | 11% |
| Financial | 11% |
| Human resources | 8% |
| Travel | 24% |
| Most or all of the above | 36% |
| No impact | 3% |
| Other | 7% |

How long could your business sustain operations during a lockdown?

| | |
|-----------------|-----|
| Indefinitely | 19% |
| 6 months–1 year | 17% |
| 3–6 months | 25% |
| 1–3 months | 27% |
| Under a month | 10% |
| Did not answer | 1% |

As part of our efforts to support members and their businesses during the coronavirus pandemic, the American Chamber of Commerce in Japan (ACCJ) has been conducting a series of surveys since February. So far, four surveys have tracked the response to and impact of the coronavirus.

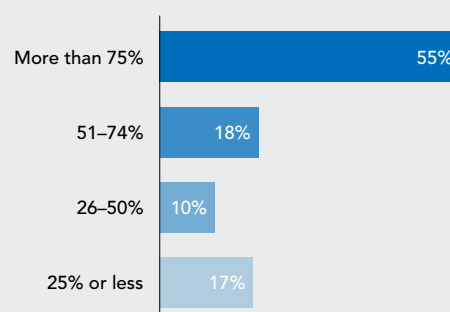
Of the significant challenges that have been thrust upon the business world, a sudden drop in revenues is one of the most troubling for many companies. Reduced funds make it more difficult to adjust to other side effects of the coronavirus and efforts to slow its spread, such as decreased consumer confidence and spending, supply chain issues, disruptions to business operations, travel restrictions, and a sudden need to shift entire offices to teleworking.

ACCJ members are looking to the US and Japanese governments for transparency in information-sharing, economic stimulus, and assistance. They are also looking beyond their own businesses to offer support to the broader community.

This outreach includes donating medical supplies, offering technical expertise free of charge, and providing complimentary or discounted services in areas such as public relations and mental health.

While the Covid-19 situation is rapidly changing—and will no doubt have evolved during the weeks following the most recent survey, the results of which were released on April 3—the information gathered here provides a glimpse into this historic shake-up of the global economy and how businesses of all sizes are reacting. For full results, please visit the ACCJ Business Continuity Network at: www.accj.or.jp/business-continuity-network.html ■

What percentage of your employees are currently working remotely as a result of Covid-19?





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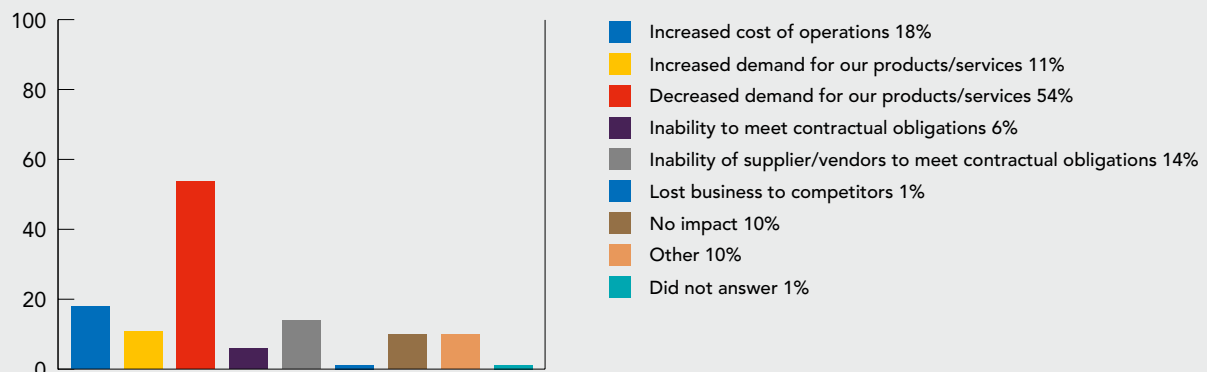
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How has your business been impacted financially?



How has your business been impacted in relation to HR?

| | |
|--|-----|
| Increased staffing shortages | 10% |
| Reduced employee headcount | 6% |
| Reduced productivity of staff or their ability to work | 50% |
| IT challenges of working remotely | 35% |
| No impact | 24% |
| Other | 4% |
| Did not answer | 3% |

When do you expect your operations to return to normal?

| | |
|--------------------|-----|
| Within 3 months | 21% |
| Within 6 months | 35% |
| Within 9 months | 6% |
| Within a year | 7% |
| Longer than a year | 3% |
| Too soon to tell | 28% |
| Did not answer | 1% |

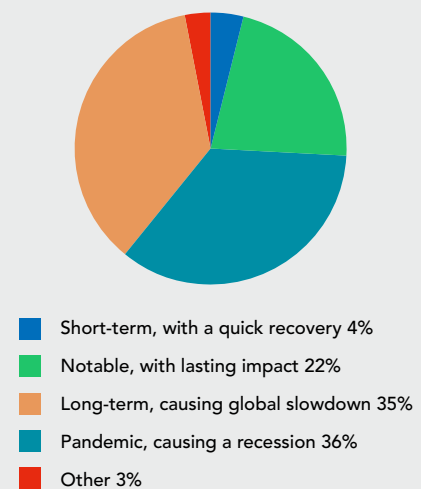
How has your revenue or profitability been impacted?

| | |
|--------------------------------------|-----|
| Reduced revenue significantly (>10%) | 29% |
| Reduced revenue slightly (>10%) | 25% |
| Reduced profit significantly (>10%) | 13% |
| Reduced profit slightly (>10%) | 13% |
| Increased profit or revenue | 4% |
| Does not apply to my company | 17% |

What steps are you taking to offset the financial impact?

| | |
|---|-----|
| Adjusting 2020 budgets | 21% |
| Cutting unnecessary costs | 35% |
| Freezing hiring | 6% |
| Finding alternative sources of supply | 7% |
| Suspending production | 3% |
| Setting up alternative production facilities | 28% |
| Increasing production outside affected areas | 1% |
| Looking for financial support from the government | 11% |
| Considering exiting the Japanese market | 0% |
| Taking no measures to offset financial impact | 26% |
| Other | 3% |
| Did not answer | 1% |

How would you describe Covid-19 and the potential economic impact?





MISSION MODE

To survive a crisis: plan, act, and tell with speed, skill, and ethics

By Julian Ryall

Six months ago, the clouds on the horizon for most businesses around the world appeared to be mild and relatively unthreatening. For foreign companies in Japan there were, of course, concerns about the lingering impact of the US–China trade war on top of the day-to-day worries over sales, revenue, staff, and other routine issues. But there was no inkling that anything was seriously amiss in the global economic order.

Even when the very first reports of a small outbreak of an unknown virus in the Chinese city of Wuhan began to emerge in late December, there was no sense that we were on the brink of the crisis we see unfolding around us now.

Today, those clouds are dark and towering thunderheads. They are directly above, and some experts say the tumult they bring threatens to turn the entire world economic order on its head and leave us facing a global recession that could be

deeper and longer than the Great Depression of the 1920s. For some companies, analysts have warned, it is already a matter of survival.

FORTY DAYS OR LESS

Michael Alfant, group chairman and chief executive officer of Fusion Systems Group in Japan, told *The ACCJ Journal* that this is an existential threat to many companies, particularly small and medium-sized enterprises (SMEs).

“Research shows that the typical SME in Japan or the United States has between 20 and 40 days of cash reserves on hand at any given time,” he said. This is a function of a company’s need to be nimble and to emphasize growth when an opportunity arises. But it is also cause for concern.

“There is a metaphor that I like to use. When the CEO of a large company will tend to talk about ‘weathering the storm,’ I have this image of a large ship in turbulent waters that will get through, even if it gets a bit choppy,” said Alfant, who is also chairman of the American Chamber of Commerce in Japan (ACCJ) Emergency Disaster Response Advisory Council.

“My image of SME CEOs in the same situation is that they are down at the bottom of the ocean with a limited supply of oxygen and wondering if it’s enough to get them to the surface.”



MICHAEL ALFANT
Chairman
ACCJ Emergency Disaster
Response Advisory Council



DAVID WAGNER
President
David Wagner & Company

Part of the problem, the experts agree, is that while companies operating in Japan will usually have a business continuity plan in place to deal with most contingencies that pose a threat to their operations, few predicted something such as the coronavirus.

“It was just not on people’s radar,” admits David Wagner, president of crisis and business communication specialists David Wagner & Company. “Since 2011, companies here are more prepared for an earthquake and the wider impact of something like that, but a global pandemic was not something that was considered.”

Typically, foreign companies in Japan have procedures in place for a major earthquake, and to deal with the fallout from a sexual harassment complaint, he said, while those in the food sector have guidelines for dealing with food safety. Other potential issues that companies face include the counterfeiting of products, disruption to supply chains, cybersecurity questions, or a public-relations problem with the potential to harm their reputation. Similarly, lessons were learned as a result of the global financial crisis triggered in 2007 and the coordinated terrorist attacks of September 11, 2001.

MUCH BIGGER

Debbie Howard, chair of Carter Japan Market Resource Network KK and a former ACCJ president, believes Covid-19 is different and arguably compounded by being:

- A health issue that poses a physical risk to anyone exposed
- Global, rather than geographically constrained

“This feels bigger than 9/11, the financial meltdown [of 2008], and Japan’s earthquake because it is a combination of all three at the same time,” she said. “And it affects all businesses, large and small. And we still do not have a firm understanding of how long it is going to last or just how much damage it is going to ultimately cause.”

Nevertheless, there are measures that companies can implement now that will serve to mitigate the fallout they suffer as a result of an event that will be remembered long after the virus has been defeated.

Alfant said: “For SMEs, every single decision comes back to cash flow. Clearly, the owners of these companies care deeply about the safety and well-being of their staff, but when it comes to survival, it’s all about cash, cash, and cash. Without it, they are deprived of oxygen.”



DEBBIE HOWARD
Chair
Carter Japan Market Resource Network KK
and former ACCJ president

WILL TO SURVIVE

Experience suggests that a company can survive for 60 days, at the outside, and that survival is often down to the willpower of CEOs and the teams around them, according to Alfant.

“The mistake that many SMEs make is to wait too long to cut,” he added. “A mitigation strategy is all about saving cash as quickly as possible. Cut the expenses, draw down bank credit, apply for government assistance, call in debts, and chase anything that is overdue. But you have to do it fast.”

Dylan Scudder, president and CEO of management consultants Milestone Inc., agrees that time is of the essence—in part because the situation surrounding the coronavirus crisis is evolving and diverging so rapidly.



PHOTO: MARION DOSS

The 9/11 attacks caused almost 3,000 deaths and \$10 billion in damage.



DYLAN SCUDDER
President and CEO
Milestone Inc.



JAMES FELICIANO
President
AbbVie G.K.
and ACCJ governor

“And because that is the situation, a team needs to be able to adapt quickly, decide whether the organization is going to stay with its traditional business model, whether it is going to reinvent itself, or whether its future is a combination of both these models,” he said.

BE READY FOR ANYTHING

ACCJ Governor and AbbVie G.K. President James Feliciano says that, as a pharmaceutical company, AbbVie’s core aim of helping patients has not changed, but the way that has to be done has to be able to endure “incredible disruption.”

“The first priority was how to ensure the health and well-being of employees in such a fluid situation,” he said. “The concept of ‘work from home’ or working remotely is not so engrained in Japan. Thankfully, we have a ‘work anytime, anywhere’ policy, so this was not as much of an issue for us.

“Other issues surrounded developing rules for engagement and whether or not to travel and so on,” he added. “These decisions have had to be made in a very fluid environment, while communicating with the company in a remote setting.

“Our mission does not change, but our tactics must adjust.”

Wagner emphasized: “For me, it’s not about the size of a business; it’s all about the agility of the management team and the ability to use resources to maximize the opportunity. But it is clear that an organization with a strong balance sheet has more flexibility. Others will have much less resilience.

“And what has happened has shown us that companies need to think the unthinkable and to have the teams ready to go when the worst happens.”

BE HONEST

Alfant said it is equally important to ensure that lines of communication with employees, customers, and business partners remain open.

“It is incumbent upon a business partner to have the moral high ground and cut their compensation,” he said. “And then you go down to your most senior staff and ask if they can voluntarily accept some pain before you get to your more junior employees.



PHOTO: WILLIAM SATO

The world’s costliest natural disaster was the 2011 Great East Japan Earthquake and Tsunami that killed about 16,000 people.



The typical SME in Japan or the United States has between
20 and 40 days of cash
reserves on hand at any given time

“Transparency is important, and you have to remember that people want to hear facts and the truth,” he said, adding that failure to be open will only compound problems down the line.

In addition, the boss being physically present—whether that be in the office, other facilities, or out speaking with creditors, customers, or the bank—sends another positive message.

Alfant also recommends writing to every client to reassure them that the company is doing everything in its power to avoid any disruption to its services, a proactive message that serves to reassure key partners. Suppliers need similar reassurances and “sincere, transparent discourse.”

Megumi Tsukamoto, executive director of Caterpillar Japan LLC and an ACCJ Governor, said it is important for a company to identify essential and non-essential business operations and then focus on the parts that are critical to survival. In the event that even critical operations are difficult to retain, plans must be introduced to “ramp down, with mitigating effects.”

Looking on the positive side of the current crisis, Tsukamoto said she hopes that the events of the early months of 2020 “might be a turning point for promoting Society 5.0 in Japan,” pointing to the government’s stated commitment to increasing its focus on education, healthcare, and e-government.

“If I can find one positive outcome of Covid-19, it is that it can be a trigger to fundamentally changing Japanese society and the economy, including business,” she said.

Transparency is important, and you have to remember that people want to hear facts and the truth.

company can continue to provide employees the employment, and customers the goods and services, they need.”

But, he cautioned, this is not an easy equation to solve in any crisis and will be particularly difficult in this one.

“Maintaining the confidence of all key stakeholders requires that owners and managers provide them the most complete, balanced, and open assessment of the challenges possible. In particular, communicate often and, whether the news is good or bad, get it out there quickly.”

He also echoed suggestions that stakeholders should be informed of your position, with reassuring messages such as, “US companies recognize this is a global crisis, that we are all in it together, and US companies will be doing their utmost to support their employees, customers, and partners in Japan.”

“Circumstances may vary for each individual firm, but the ACCJ and its members, as a group, will continue to do what we can—here in Japan—to act responsibly as good corporate citizens and to contribute to rapid recovery as the crisis recedes.”

FRONT LINES ARE EVERYWHERE

The global nature of the coronavirus crisis poses some unique challenges when dealing with a head office overseas, say the experts. While headquarters were concerned and made every effort to assist their Japan offices during the Great East Japan

Earthquake and Tsunami of March 11, 2011, for example, they were in a position to do just that because they were geographically distant and not immediately impacted. With a

global pandemic, that is no longer the case.

“A pandemic puts everybody on the front line,” said Scudder. “It is better to make decisions locally because they impact people locally, but headquarters can be your lifeline, so it is important to share what is happening.

“And the thing about this crisis is that it is reshaping the relationships between stakeholders,” he added. “You need to report back to head office, you need to stay on top of all these relationships.”

SELF-CARE

There is, however, more at stake than merely the survival of a company. Analysts warn that executives and business owners need to make sure that they are taking good care of their own mental and physical health, as failure to do so can also precipitate the collapse of a company.

SAFETY FIRST

ACCJ Chairman Christopher LaFleur, who is also senior director for Japan at McLarty Associates, concurs that business owners and senior executives face special responsibilities in time of crisis.

“They must focus on two things: first, how to best ensure the safety of their employees; and second, how to ensure that the



MEGUMI TSUKAMOTO
ACCJ governor



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PHOTO: THETAHAVEN

The largest bankruptcy in US history was Lehman Brothers' collapse with \$600 billion in assets in 2008.

"Of the long list of things that need to be considered in a situation like this, I'd put this right up there at the top," said Howard. "Business owners cannot help anyone if they're not looking after themselves."

Scudder agrees: "It's all about making sound judgement calls, and that is only possible if you are getting sufficient amounts of sleep, exercise, and quiet time. Leaders have to find ways to manage the stress that they will undoubtedly feel."

Deborah Hayden, managing director of strategic communications experts Finsbury in Japan and vice-chair of the ACCJ Alternative Investment and Women in Business Committees, goes even further, cautioning that, "a leader that visibly shows his or her stress is not going to inspire colleagues."

"If business owners have particular circumstances beyond their control that require attention, then choose a 'deputy' who can convey messages in a clear and concise fashion," she counsels. "Being worried about circumstances outside the realms of the office will only impair performance when leadership is needed."

And she similarly warns, "We are at a unique moment in history, one that will not be forgotten. Companies will be judged on their actions, not on their words," she said.

"Good company behavior will be remembered and rewarded. Bad behavior will be remembered and punished. Business leaders have a moral obligation to do the right thing by their employees and other key stakeholders. The world is watching. And companies need to make sure that their employees are kept informed of what they need to do, why decisions are being made, and what steps the companies are putting in place to support employment and keep businesses functioning as well as they can in this situation."

It is also heartening to remember, the experts point out, that one day this crisis will have passed. The toll—on people and on businesses—has already been horrific and will be worse by the time it has run its course, but we must heed the lessons.

"If leadership is about making decisions with imperfect information, limited resources, and time constraints, then this pandemic is the motherlode of lessons to be learned. But the process of extracting these lessons will be unique to each organization," said Scudder. "We know that we develop confidence through preparation, and we know what the alternative is. While responding to what's already happened, we still have a chance to prepare for what's to come." ■



CHRISTOPHER LAFLEUR
ACCJ chairman



DEBORAH HAYDEN
Vice-Chair
ACCJ Alternative Investment
and Women in Business Committees

THE HUMAN TOUCH

**Cisco Japan President
Dave West on saving your
business and community**

By C Bryan Jones



Covid-19 has turned the business world on its head, and technology has become the lifeline to keep society running as efforts to slow the spread of the coronavirus force people apart. Online collaboration and secure communication are especially important, and American Chamber of Commerce in Japan (ACCJ) President's Circle member company Cisco Systems G.K. is one of the world's top providers of such services. They are also a strong community partner and are putting their resources to work to help everyone cope with the outbreak. As we practice social distancing ourselves, *The ACCJ Journal* sat down with West virtually using Cisco's Webex platform to learn how the company prepares for crisis, has adapted to Covid-19, and is helping Japan get through the pandemic.

When did you recognize the need to act?

Cisco has a very robust business continuity process. We go through drills constantly, carrying out exercises to test our business continuity across the entire organization and our supply chain. But the red light here was seeing what was happening in my geo.

I'm on the Asia-Pacific, Japan, and China team, and Hera Siu, who is CEO for Greater China, is one of my peers. Talking to her, I got to see firsthand, from Japan, what was happening on the ground in China. As we watched what was going on, we quickly shifted to providing teleworking services to every employee to work remotely and began moving teleconferencing units into hospitals so that physicians could do remote consultation.

In the beginning, nobody knew what this really was. But it started to move—from China to Singapore to the *Diamond Princess* cruise ship sitting off Yokohama—and this was definitely an indication for us that it was serious.

How were you able to quickly shift the supply chain?

We began a massive supply chain redesign as the United States and China have been going through trade negotiations, just to minimize the impact on our supply chain. Those changes were already starting to go into effect, so as China began dealing with the coronavirus, and the supply chain for parts and materials started slowed down, we had to accelerate in Malaysia, Thailand,

Mexico, and other locations. We were always watching this. But I don't think any of us could have predicted how rapid and dramatic the impact would be around the world.

Many companies had already started to diversify their supply chain and to look at alternative locations for assembly and buying components. I think that will continue, but I think we've also learned through Covid-19 that there's no perfect answer anywhere in the world. No matter where you manufacture these days, there's no safe place. Companies will really need to think about how they distribute the supply chain and diversify where they get components to make sure they can continue to build, manufacture, and do all of the things they do. And I think many have been thinking about this for a long time and will continue to accelerate their planning.

None of us knows what the world will look like down the road. I do think it will be fundamentally different. How we work, the way we interact, maybe even our social values and beliefs will be a little bit different after Covid-19. And, I hope, for the better.

How has planning allowed you to provide support?

What we try to do is use our culture of planning, in which we are always thinking about business continuity and supply chain as part of our internal processes, to help offset some of the pain that we've seen from the start of this. The way that we're handling it is to make sure that we triage the things that are most important, and right now the highest priority for us is healthcare providers who need equipment to do rapid testing, assessment, and analysis, and governments that need to provide services. We have a methodology that we go through to make sure that we get equipment to the people who absolutely, positively need it today. Then we figure out how to make sure that we get equipment to others as they need it, to make sure that we focus our time and attention on the highest-priority customers so they can support those who depend on them.

It's not business continuity planning anymore. Now it's business continuity execution.

Was Cisco prepared for a sudden shift to teleworking?

It's something we do every day as part of our culture. Every one of our staff already had the ability to work from home. Before Covid-19, we would see at least 75–80 percent of employees come to the office. Not that they needed to, but I think people enjoy coming to the office. They like the culture, they like the environment.

But at any time, 50 percent of the organization will be doing workstyle reform during a week. Maybe they'll go see a customer and then they'll go home and work from there. Or they'll go to a remote facility or to a location that has Wi-Fi and work from there. Everybody has that flexibility across the organization.

It's just that it has now been put in full speed and it's not business continuity planning anymore. Now it's business continuity execution.

Even before Covid-19, we have been promoting flexible workstyles and we want people to work from home. I would love for people not to have to commute in the morning for 90 minutes during rush hour. Work from home and get on the train when it's easier, when there's less traffic, when they can get to the office more rapidly. Or go from home right to a customer. That's our culture. We promote that and have the tools and technologies to allow it.

Fast forward to today. Our entire company is working remotely. In fact, our CEO said he really wants everyone to work from home. And because we had seen clearly what was going on in China—and that there were pockets of issues arising in Japan and across Asia-Pacific—we started to really push it.

We're at the point where 95 percent of all staff are working from home. I would say it's 100 percent, but we may need people to go into the office to sign documentation. So, we still allow it for business-critical reasons or if a customer has an issue and we have to go address it.



PHOTO: CISCO

How has it been working out?

It's been fascinating to watch. We like to institute video during our calls, because we think it's much more engaging than an audio call. People have started out in coat and tie, just like they would in the office, and then moved to a little more of a relaxed style. Now we see children, family members, and pets on video calls, and we see people doing video calls at dinner. People are getting much more comfortable in a culture here in Japan that is generally less open to it. People are becoming much more vulnerable, and are sharing more, as all of us work in very close quarters, in smaller apartments and homes.

How are you helping everyone adapt?

We're doing fun things such as a virtual *kampai* (toast) at night. Last week, we did virtual chair yoga and brought in a yoga instructor on Webex. I thought we would have a few people join, but we had hundreds! Things such as this just to break up the day. When you're sitting at your desk all day, working from home, you need a break, you need an outlet. So, we're promoting all that across the company and trying new things that make it fun and interactive.

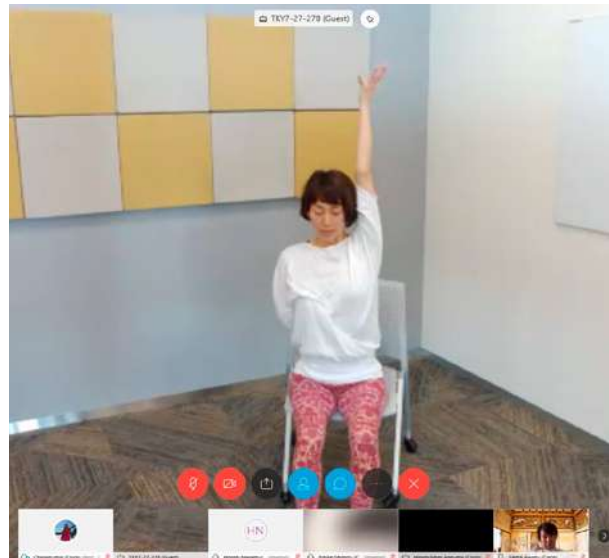
Everyone has to deal with the mental issues of sitting at your desk all day, every day. There are the fear issues of what the world might look like tomorrow. You need to find a way to introduce comfort, fun, and humor, and to engage people differently and let them do these things. It helps them be mindful, focused, and to concentrate. We're very into that and think it's really important—now more than ever—for our employees, customers, and partners.

What security issues need to be considered?

When you're working on a campus or in an office, all your devices probably adhere to a certain policy. Data flows are well known. But when you work from home, many of the applications you're pulling down are coming from the cloud.

Because you're going over the internet, how you secure data and how you grant access to information is important. You must make sure that each endpoint does not have malicious code that could cause issues for your organization.

You also must ensure privacy and make certain that people are secured as they access information either from your data



Cisco's chair yoga has been very popular with staff.

center or from the cloud. If you're going to use tools such as Office 365, Salesforce, or Box, then how do you make sure that—as people access their personal information on that same device—there's separation? This is important not only so that they adhere to the policies and procedures for business privacy and security requirements, but also so that people continue to have what they want in terms of personal privacy.

Did preparation for the Olympics play a role?

Over the past couple of years, we've been trying to promote telework in Japan, pointing out that the Olympics will force us all to work in different ways. With 600,000 people potentially coming to Tokyo for the Games, the staff of Japanese companies and multinationals wouldn't be able to commute into Tokyo anymore. How are you going to work? And how are you going to do it over a period of several months when mass transit is inundated with tourists?

So, we've always been thinking about this, and our belief is that every company needs to have a business continuity plan for workstyle. They need to enable their staff to work from home or from a coffee shop—to be able to continue to do business no matter where they are. It just so happens that Covid-19 put everything into fast acceleration. Even if you didn't want to do workstyle reform and flexible work practices, we're all forced to implement it and allow work from home.

Has postponement of the Olympics impacted Cisco?

It's been fascinating. We're the network equipment partner for the Tokyo 2020 Olympic and Paralympic Games, so over the past few years we have been preparing to support the most digitized Olympics in history. It was always necessary to be prepared to adapt, to make sure that, no matter what happened—if it was a virtual Games, if it was a physical Games, or if the Games were delayed—we'd have to be ready to support that.

Clearly, with Covid-19, things changed overnight. Now we must prepare not only to deliver the most digitized Olympic Games in 2021, but also think about new innovations and new capabilities that could potentially make the Games better a year from now instead of a few months from now.



IMAGE: CISCO

Free Cisco Webex confabs, meetings, and webinars will support education.

We want to give everyone the tools they need to feel as comfortable as possible in this environment and to have the mechanisms to win the fight.



PHOTO: CISCO

How are you helping the community?

First and foremost, our culture is about giving back. I think that's what makes Cisco the best place to work. It's about helping society by making a contribution to the world and making Japan a better place. Right now, that's what we're focused on—doing everything we possibly can to help businesses, students, teachers, and governments find a way through this. If technology can help create better connections as people are sitting alone and self-isolating, if it can help them collaborate and solve problems faster—and help make Japanese society better over the months ahead—we're going to do everything we can to contribute.

For example, since we don't have anyone in the office right now, we are sanitizing a lot of our telepresence and desktop units for video and making them available to our customers. So, as government needs video units to go interact, to have these rich conversations, as healthcare entities want to do remote screenings or testing using video to assess a patient's health, they can use these.

We're doing everything we possibly can to help society. It's a new world and we're in unprecedented times. We're in a battle. We want to give everyone the tools they need to feel as comfortable as possible in this environment and to have the mechanisms to win the fight.

What tools is Cisco making available for free?

During this crisis, and for the foreseeable future, we're making all our security software capabilities available to all our customers. So, whatever you need, go use it. Whether it's multifactor authentication, cloud security, or endpoint secu-

rity, we're making it all available. Customers are struggling right now to figure out how they keep the lights on, pay their employees, and make sure that business continues in this very challenging environment.

We want customers to be successful. We want them to continue to pay their employees, while we ease the technology burden on them. So, we're going to help them do that. We'll worry about the rest later. For right now, we want to focus on making sure that our customers can collaborate and are secure.

We're doing the same with Webex. We're making it available to every customer for free for the next 90 days. I hope, at the end, they love it and the experience was fantastic; but we just want them to be able to collaborate and be successful right now.

We're also making Webex available free to all education customers across Japan for 180 days. None of us know what the next six to 12 months will look like. Students need to continue to learn and teachers need to continue to teach. They may do it physically or virtually—especially in this new world.

And it's not about being a Cisco customer or not, it's about being a human being and helping society. It doesn't matter how big or small your business is, or if you're a Cisco customer or if you use somebody else. I don't care so long as we can help make Japan better, help solve problems, and help people interact. At the end of the day, I hope you will feel good about Cisco, but if you go back to what you were using before, that's fine. As long as, over this period of time, we help make life better in some way, shape, or form, we will have achieved our goal. We're just trying to reach out and give everybody access to these tools. And as customers come to us and ask for more, we'll do it. ■



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UNITING AGAINST COVID-19

3,100 chamber members take on coronavirus

American Chamber of Commerce in Japan (ACCJ) member companies are dedicated to working together to ensure business continuity and the well-being of the communities in which they operate.

Across Japan, these companies and their employees are contributing products, services, and skills to help everyone overcome the challenges brought on by Covid-19.

From the search for a vaccine to enabling the shift to teleworking and distance learning, our community is helping ensure business continuity and the well-being of Japanese society.

The following initiatives are being offered by some of our largest IT members. Members from all industry sectors are invited to add their initiatives at: www.accj.or.jp/accj-vs-covid-19.html

CISCO SYSTEMS G.K.

In these challenging and uncertainty times, Cisco is committed to providing viable solutions to the global community and supporting those in need. This includes free access to Webex and security services, as well as providing free use of equipment to government and health-care providers. For more details, see our interview with Cisco Japan President Dave West on page 26.

GOOGLE JAPAN G.K.

To help address some of the challenges of Covid-19, Google has made a new commitment of more than \$800 million to support small and medium-sized businesses, health organizations and governments, and health workers on the frontline of this pandemic.

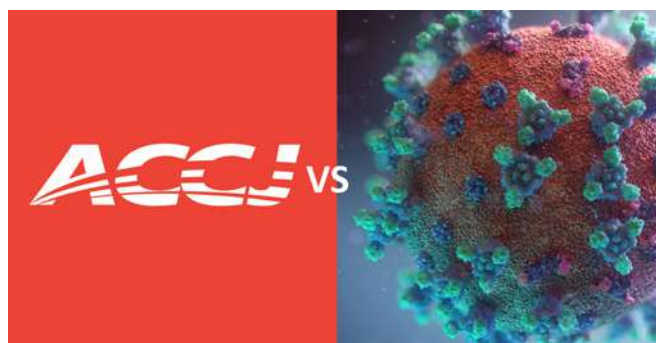
ADOBE SYSTEMS CO., LTD.

To help businesses during the crisis, the company is making web-based PDF services on Adobe.com free through May 31 and is extending the renewal grace period to 60 days for Creative Cloud and Adobe Document Cloud team and enterprise customers.

To help education, students now have free, personal in-home access to Adobe Creative Cloud in place of their schools' in-classroom licenses through May 31. And teachers can get a free three-month license of Adobe Captivate to create e-learning content that provides continuous learning opportunities.

IBM JAPAN, LTD.

IBM's Watson Health unit is working directly with health organizations around the world to better understand the nature of Covid-19, and the IBM Clinical Development system has been made available without charge to national health agencies to reduce the time and cost of clinical trials by providing data and analysis from web-enabled



devices. IBM's cognitive Operational Risk Insight tool has also been made available to not-for-profit organizations charged with information about the virus's spread.

AMAZON JAPAN G.K.

Online shopping and delivery of products is more important than ever as people stay home to slow the spread of the coronavirus. Amazon Japan has expanded default unattended delivery nationwide as of March 23. And to help anxious customers concerned that they are infected with Covid-19, Amazon launched a new feature on March 24 that allows the Alexa virtual assistant to recommend action based on Ministry of Health, Labour and Welfare guidance.

FACEBOOK JAPAN

In addition to ensuring accuracy of information, Facebook is supporting health and economic relief activities with a \$20 million matching donation to Covid-19 rescue operations, \$100 million of support for small businesses, and assistance for medical institutions through free advertisements.

Facebook is also keeping people connected through functions that are useful for providing and requesting community support, and by delivering information from public and emergency medical institutions to Facebook and Messenger users. Also being offered are free provisions of Workplace.

SALESFORCE.COM CO., LTD.

Helping customers and new users make an easier shift to working remotely is a task with which many companies are now faced. To make this easier, Salesforce has developed a number of initiatives that include real-time information sharing as well as online collaboration and management.

In Japan, the Salesforce team created a free cloud-service tool for Funabashi City's health centers that allows them to track and organize inquiries about Covid-19 to better serve citizens. The cloud service is already up and running in Funabashi City, and Salesforce is now working to release it to health centers throughout Japan. ■



CRISIS= OPPORTUNITY

When disaster strikes and cultures clash, we can become wiser and nicer

By Malcolm Foster

As multinationals with Japan offices scramble to respond to the Covid-19 pandemic, cultural clashes and misunderstandings are bound to crop up even more than usual between senior managers, who are often Western, and local Japanese staff. That can undermine team cohesion and performance at a time when unity is needed most.

Foreign managers are going to implement a corporate culture that may seem natural to them, “but Japanese staffers may have different expectations about what leadership looks like in a crisis,” said Royanne Doi, who teaches a course on cross-cultural leadership at Hitotsubashi University and is a member of the American Chamber of Commerce in Japan (ACCJ) Corporate Governance Task Force.

In fact, the spike in stress can even cause foreign managers familiar with Japan—and who pride themselves on being culturally sensitive—to make rookie mistakes, experts say. “When we are busy and distracted, we are not at the top of our cross-cultural game, and problems can and will occur at precisely the moment we can’t afford them,” said Leland Gaskins, author of *Step Up: Overcoming Cross-Cultural Differences Between Japanese and Western Businesspeople*.

The ACCJ Journal spoke with several chamber members and other longtime Japan experts to get their insights on potential pitfalls facing Western managers as well as their tips and best practices—practical and philosophical—to help navigate this unfolding crisis.

DEDICATION AT A DISTANCE

During the Great East Japan Earthquake and Tsunami of March 11, 2011, and the subsequent nuclear disaster, people banded together to overcome the tragedy. But this crisis differs from many in the past in that we need to create distance between people to reduce the spread of the virus. This is difficult in any culture, but especially in the Japanese work context, where togetherness, teamwork, and showing dedication to a common goal are highly prized.

In American culture, people are more comfortable operating individually. But in Japan, working from home can leave many feeling isolated and rudderless—something Western managers may not fully appreciate, the experts said.

That can have a big impact on emotional well-being. “What we know about neuroscience and the brain is that social distress—being pushed out of your group—lights up the same part of the brain as physical pain. So, social distress can be as painful as a slap in the face. Social pain is real pain—as real as physical pain,” said Doi, who is passionate about the intersection of employee ethical behavior and neuroscience.



ROYANNE DOI

Teacher
Hitotsubashi University
Member, ACCJ Corporate
Governance Task Force



LELAND GASKINS

Author
Step Up: Overcoming Cross-Cultural
Differences Between Japanese and
Western Businesspeople



DAVID WAGNER

President
David Wagner & Company

Effective communication—always a top priority for leaders in a crisis—therefore plays a particularly critical role in overcoming those distances in this emergency.

HOPE AND STRATEGY

In a nutshell, leaders need to provide both direction and reassurance, addressing employees' practical and psychological needs: "Clear guidance and a message of hope," said David Wagner, who heads his own media strategy and crisis communication company in Tokyo. "People need to feel hope."

Or, stated a bit differently, the leader's role in a crisis is two-fold: providing strategy—where we're going and why we're doing it—and looking after the people, said Dr. Greg Story, president of Dale Carnegie Training Japan. "You need to have broad brushstrokes of direction and giving people hope, reaching out to them individually."

But communication is also more complicated in this crisis because it's mostly not in person, which is the context Japanese prefer because it allows them to build trust and "read the air"—meaning to assess the speaker's body language and the reactions of others in the group. All of that is much more difficult when communicating by video, phone, chats, or email.

INCLUDE AND INFORM

To overcome those gaps and sense of isolation, "overcommunication is better than undercommunication," said Jesper Koll, senior advisor at Wisdom Tree Japan, who daily checks in with the eight members of his Tokyo office. His company's

chief executive officer also holds a weekly town hall-style video call with global employees. "To make everybody part of the team, you need to go out of your way to open up and include absolutely everybody."

Western managers will probably need to contact Japanese staffers more than they would in their home countries. It may seem like micromanaging, but Japanese team members may expect and even want it, said Gaskins. "I've seen situations where what seems like an appropriate level of communication and oversight to a Western manager is perceived by a Japanese colleague as being ignored or neglected," he said.

Still, managers need to be careful not to be too task-oriented; they need to be asking how their employees and their families are doing as human beings.

And at a time when people feel a loss of control, managers can focus employees' attention on things they can control: their work and shared goals. This can make

them feel that they are contributing to something larger than themselves and will boost their sense of teamwork, which is particularly important in the Japanese context. "When you can focus people on shared goals, it makes them feel like they're part of a team," Doi said.

Social distress—being pushed out of your group—lights up the same part of the brain as physical pain.

HUMAN NATURE

Some understanding of how our brains can react to the coronavirus outbreak is helpful, said Doi. This crisis scares us on many levels and can hijack the limbic system, starting with the amygdala—the region of our brain that activates the fight-or-flight instinct when we feel threatened.



Jesper Koll: "Empower everybody to come up with ideas to keep the company together."



DR. GREG STORY
President
Dale Carnegie Training Japan

In fact, Doi points out, this pandemic pulls all five levers in our psyche identified in NeuroLeadership Institute Co-founder David Rock's model known as SCARF (status, certainty, autonomy, relatedness, and fairness). SCARF is one way of measuring the threat or reward responses that we rely on for survival. In particular, Covid-19 rattles us in the areas of certainty (our ability to predict the future), autonomy (our sense of control over events), and relatedness (connections with others).

"So, flip it on its head, what smart leaders do to calm people down is to provide as much certainty and autonomy as possible," Doi said.

Managers can address certainty by creating expectations around communication routines. "Even if you don't have the answers, you can say as a leader, 'I will communicate with you twice a week,'" she said. And Story recommends keeping rituals such as morning meetings or creating an afternoon coffee time that anyone can join.

Autonomy can be addressed by helping employees feel like they have some control over an otherwise chaotic situation, Doi said. One way to do that is giving workers choices about how and when they want to conduct their work remotely. "Even in a Japanese or very controlled environment, you can help your employees feel like they have choices," she said.

Put another way, empower your employees to come up with solutions to problems, or ideas for connecting scattered staffers, said Koll. One idea proposed from New York that has been surprisingly popular among Wisdom Tree employees has been virtual yoga sessions conducted over Zoom.

"It may seem like a silly thing, but it worked very well," Koll said. "You need to find ways to empower your team, whether it's the mailperson or the newly hired associate or veteran partner. Just empower everybody to come up with ideas to keep the company together."

CREATE CLARITY

It is important that messages are clear and concise, said Wagner, and, if possible, present an expected timeline so employees have some idea of what the coming weeks will hold. Managers should also highlight that everyone needs to be flexible and policies may change—something that Japanese will likely respond to well given their desire to adjust to the group's greater goals.

"Make implicit things explicit," said Doi. "People are guessing, making assumptions based on their cultural background. So, if you want to add certainty to your employee's life, you want to make things more explicit. If you assume everybody knows, that leads to confusion."

In a recent episode that highlights this, Doi, who mentors dozens of people, said she was consulted by two individuals—a Japanese mid-level manager and his direct report, a twenty-something American—on opposite sides of a disagreement over how to handle this crisis.

The young staffer wanted to immediately know the company's policy on remote working and suggested the boss inform clients about it. But he didn't respond right away. Instead, he asked headquarters for its direction on the matter. His apparent inaction frustrated the American Millennial.

Doi, a Japanese-American who has lived in Japan since 1994, could understand both sides and gave them each some advice. She urged the young American to slow down and recognize that decision-making usually takes more time in Japan than in the West.

She told the Japanese manager that it is helpful to communicate openly and promptly with the entire team, even if he doesn't have a clear answer. "The Japanese boss failed to make



Podcasting is a key part of Dr. Greg Story's approach to communication and is especially helpful when people are working remote.

the implicit explicit—to say that he was waiting to hear from the home office,” Doi said. “He just assumed that his staff would know that he wasn’t setting policy by himself.”

And when you reach out, don’t forget to address the team’s anxiety, she told him: “Don’t be inauthentic, but, within your own leadership style, try to acknowledge their feelings and express some hopefulness.”

MUDDLED MESSAGES

Obviously, language and culture are hurdles that can muddle messages. Even if a Japanese person is working at an international company, they will tend to operate according to normal Japanese social dynamics. So, Western managers need to adjust their communication style to connect with their local staff, the experts said.

For example, Japanese are generally more indirect and formal in the way they communicate than Americans, and also tend to take more time to think over their responses before speaking—especially if they are operating in a second language, Wagner said.

And if communication occurs via video conference, that adds yet another filter. When speaking face-to-face, people can pick up from cues that the other person doesn’t understand. That’s much more difficult on video, said Story. “In the virtual environment, you need to be checking for understanding a lot more.”

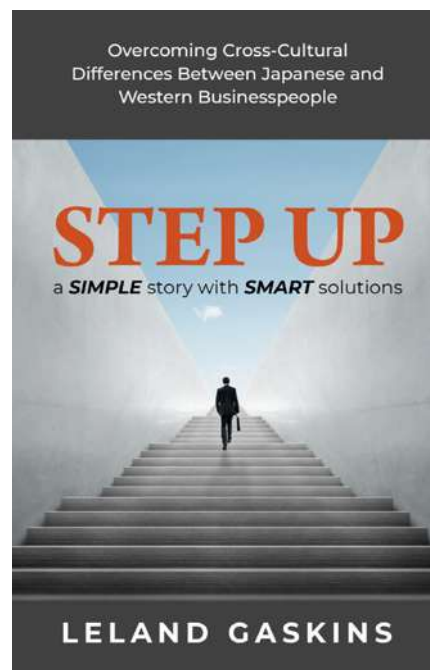
But when doing so, Story says Japanese generally don’t respond very well to direct questions such as, “Do you agree with me?” What generally works better is an indirect approach, such as acknowledging that you don’t know everything and asking for their input about things that need to be considered. This shows that you value their input, he said.

Managers may want to carefully consider who is the best messenger during these times—and it may not be them, Wagner said. Having someone with charisma is nice, but, most of all, you want a person who is perceived as trustworthy and transparent. In Japanese companies, the messenger is typically the head of the unit or company, but that person may not be a good communicator.

A better candidate may be a “sleeper”—someone who may not be in a senior role but is gifted in connecting with the target audience, he said.

Also, video as a medium can be tricky and will accentuate flaws in anyone’s presentation style. Mediocre communicators in person become “magnificently poor communicators in a virtual environment,” said Story.

Another seemingly minor issue on video calls—the time lag between when the speaker talks and when the audio reaches the listener—can also create problems. Westerners are typically



uncomfortable with gaps in conversations and try to fill the silence, giving their Japanese counterparts little time to think or respond. “You’ve got to learn to shut up and let them hear what you’re saying,” Story added.

SMALL HOMES

Western expats may live in large accommodations with many rooms, but they need to realize that most of their Japanese staff don’t—and that working from home can be stressful. Children are also at home due to school closures, and it may be hard to find a quiet place to concentrate or take video calls, Story said.

“You may be thinking your team is pumping out the work, but, in reality, they’re working under a lot of stress,” he said. “It’s noisy and they get interrupted. Our expectations about productivity have to be tempered.”

Many foreign executives simply don’t have a view of their Japanese employees’ lifestyles and how difficult this time is for them, said Nancy Ngou, an associate partner at EY Advisory and Consulting and

ACCJ Governor. “Many colleagues share their daily challenges: no daycare, spouse and young children all home together, both working and ensuring kids are doing schoolwork, all in a small space,” she said. “It’s just not as easy. Having proper space to work is a big challenge, let alone a quiet space for conference calls.”

GAMAN

Japanese generally have great reserves of *gaman*, or dogged perseverance to get through trials—a huge positive in these circumstances. “Japanese have the ability to *gaman* and tolerate more than Americans do, in my experience,” said Wagner. “They have a lot of experience with crises—especially earthquakes, tsunamis, and typhoons. Japanese are raised on crises.”

But decision-making in Japan—and therefore crisis-management—is generally slower than in the West, largely because of the need for consensus-building. Western managers may

You need to have broad brushstrokes of direction and giving people hope, reaching out to them individually.



JESPER KOLL
Senior advisor
Wisdom Tree Japan

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become frustrated by this and independently make decisions they expect everyone to follow. It may go down much better if they do some *nema-washi*, or consensus-building, among key players before making public announcements, Wagner said.

However, once the decision is made, implementation in Japan is usually rapid, he said. “America is the opposite. It takes a short time to make a decision, but implementation takes a long time.”

UNKNOWNNS

Seeking to do the right thing and being sensitive to cultural norms can be tricky, as reflected in another recent case in which a young Japanese woman reached out to Doi for advice.

The foreign boss of her small office decided that, absent a mandatory lockdown order from the government, everyone would continue to come into the office for work. The manager made this decision because a couple of employees had jobs that essentially could not be done from home. So that it was seen as fair, everyone should come in, Doi was told.

The young woman was worried about catching the virus in the small office and so was considering quitting. When she discovered that company policy allowed her to take unpaid leave at home, Doi counseled her to first try that—and show her boss how much she could accomplish even if she wasn’t being paid. “Be twice as efficient, show him that it’s possible not to lose any productivity,” she said.

Doi cautioned the young employee not to judge her boss too harshly, because she didn’t know what sort of pressures he was under. And the decision can’t be pinned on his foreignness; he was probably trying to do the right thing. “Maybe he had an experience in the past where Japanese people were very concerned about fairness,” she said. “You don’t know his situation. You don’t know if he can’t make payroll or if he has a sick mother dying.”

Assume that everyone is doing the best they can, Doi said.

FACE-TO-FACE

Interaction with clients and partners is another dimension to business in Japan that requires patience and understanding during this epidemic.



Will Covid-19 force Japanese to embrace online meetings?



NANCY NGOU

Associate partner
EY Advisory
and an ACCJ governor

As the crisis has unfolded, multinational companies in Japan have generally been quicker to shift to teleworking than domestic ones. This may be partly because many aren’t set up for remote work. A 2018 government survey showed that only 19 percent of companies had teleworking systems in place. The coronavirus is surely driving change in that area.

That means many Japanese businesses aren’t necessarily familiar with using video software such as Skype, Zoom, or Microsoft Teams. This has made it difficult to hold virtual meetings or training sessions, said EY’s Ngou. “Just getting one client set up to use a digital tool for a training session—both technologically and due to their information security policies—took a lot of time. Then, during the training, getting each person in the tool and settled, took time from the session and made the training more difficult. On the positive side, next time should be easier.”

Over the past few weeks, as Wisdom Tree has shifted to video client meetings, Koll said that, often, there were a couple of people in the room of Japanese clients who had never done a video conference before.

Meanwhile, the emphasis on face-to-face meetings is so strong here that some Japanese clients still want to meet in person, despite authorities urging everyone to minimize gatherings, Ngou said. “One Japanese leader keeps putting off a time-sensitive discussion because he wants to meet in person,” she said. “But we can’t put it off anymore.”

As a result, decisions are being delayed, Ngou said. “It’s such a high-context culture. Many times, individuals want to see the person in order to read each other.”

SILVER LINING

For many businesses, this slowdown offers opportunities to tackle projects that improve the company’s structural efficiency—such as installing trading systems or updating databases—but are difficult to execute during the normal busy-ness.

“This is a great time for that,” said Koll, whose company is integrating its client databases in Tokyo, London, and New York. “Normally, when you try to do that, you are kind of trying to fix a car driving 100 miles per hour. Now the car is going 20 miles per hour, so you can fix these things. You also have the IT capacity to do that.”

This can give workers a concrete project to focus on and a sense of purpose—they’re working toward a future goal that will help the company after the crisis passes.

“We’ll never get this much time and availability of staff to do this type of work in our lifetimes,” Story said. “Once things warm up, we’ll all be too busy again.”

Riffing off the Japanese business concept of *kaizen*—steady, continuous, incremental improvement—Koll says, “Now is the time for turbocharged *kaizen*. How can I turn a crisis into an opportunity?” ■

DON'T TOUCH, BUT STAY IN TOUCH

ACCJ leaders assess Covid-19's impact on events, networks, communications, and operations

By John Amari



On March 25, Tokyo Governor Yuriko Koike asked residents to avoid non-essential outings to help reduce the spread of the lethal Covid-19 coronavirus. Almost two weeks later, on April 7, Japanese Prime Minister Shinzo Abe declared a state of emergency under a law revised and passed by the Diet in March.

With Abe's declaration, the governors of Tokyo and six prefectures—Chiba, Fukuoka, Hyogo, Kanagawa, Osaka, and Saitama—gained the authority to extend requests and set rules on social distancing. This includes the power to call for teleworking, shorter office hours, the closure of businesses, and the cancellation of events.

But even before the announcements by Koike and Abe, the effects of the Covid-19 pandemic were already being felt across the country. Many members of the American Chamber of Commerce in Japan (ACCJ) have experienced business disruptions, and their social lives—an important part of networking—have been upended as well. Despite this, they remain optimistic and have found ways not only to maintain connections but to grow them. To learn more, *The ACCJ Journal* spoke with chamber leaders.

CANCEL OR POSTPONE

For many ACCJ leaders, one of the first areas impacted was their event planning. Even before government recommendations for social distancing, the chamber began to postpone or cancel scheduled events out of caution.

These steps were in line with the ACCJ's own events contingency plan, implemented at the beginning of March.

"Events scheduled between now and March 31 are being postponed or canceled," the chamber noted on its website.

Events planned between the end of March and mid-April, such as working committee meetings, have been held remotely—a plan that will be extended given the declaration of a state of emergency that will last until May 6.

The chamber also activated its Business Continuity Network (page 11) "to facilitate sharing of knowledge and best practices among member companies." Part of this is a regular series of webinars covering a wide range of topics for business leaders worried about the operational, financial, health, and legal impact of the pandemic, among other concerns.

Participation in these sessions has been high, and registration is on par with in-person events for the same period last year. More than 250 people joined the Understanding & Coping in a State of Emergency webinar on April 7.

Speaking to *The ACCJ Journal*, Frank Packard, an ACCJ governor and chair of the Alternative Investment Committee,



FRANK PACKARD
ACCJ governor
Chair
Alternative Investment Committee



JENIFER ROGERS
ACCJ governor
Member, Election Governance Task Force



JOHN CARLSON
Chair
Healthcare Committee
Co-chair
Young Professionals Forum



The Young Professionals Forum Mentorship Series

noted that his group had a robust calendar of activities planned for the first half of the year, including seven events and two committee meetings. “From March, we decided to postpone all live events and to rethink our formats,” he explained.

Jenifer Rogers, an ACCJ governor and member of the Election Governance Task Force agrees. “From a leadership perspective, we’ve all gone virtual pretty seamlessly, and there has been more efficiency around board meetings—because they have been more compact than before.”

The traditionally face-to-face monthly breakfast meetings of the ACCJ Executive Committee, she added, have also transitioned to online.

FUTURE PLANS

John Carlson and Andrew Silberman’s committees have suffered a similar fate. Their events have been canceled or held virtually.

In Carlson’s case, it was in part because members were worried about the safety of meeting in person. He is chair of the Healthcare Committee and co-chair of the Young Professionals Forum.

Silberman, meanwhile, co-chairs the Membership Relations and Constitutional Membership Committees.

“We immediately went to virtual introductions of the chamber. It was very easy to go through a slideshow, with people coming in on the video to ask questions,” he said.

That being said, Silberman expressed concern that virtual events—including those such as nomunication (gathering over drinks)—cannot be a long-term solution to in-person, face-to-face networking, which is a key purpose of the chamber.

But keeping connections strong through virtual channels will help these events be even more successful when face-to-face gatherings resume.

Covid-19 pandemic has disrupted not just immediate events, but also those scheduled for much later in the year. Typically held in December, the ACCJ Charity Ball is a popular fixture that offers a chance to network, have fun, and support important social causes.

And yet Charity Ball Committee Chair Barbara Hancock and Co-Chairs Lori Hewlett and Kevin Naylor feel that this

The worst crisis creates the biggest opportunity to learn—because that’s when people are really focused.



ANDREW SILBERMAN
Co-Chair
Membership Relations Committee and
Constitutional Membership Committee



BARBARA HANCOCK
Chair
Charity Ball Committee



LORI HEWLETT
Co-Chair
Charity Ball Committee



KEVIN NAYLOR
Co-Chair
Charity Ball Committee



ACCJ-Chubu's annual Champagne Ball

year's fundraising for the ball will be challenging due to the disruption caused by coronavirus.

"While we hope that a large event can be held in December, we don't know at this point. And with the current global economic situation, it's hard to ask our members for the usual contributions in addition to attending a large gala," Hancock said.

JAPAN-WIDE CHALLENGE

But it's not just Tokyo-centric events that have been affected. Across Japan, including in the Kansai and Chubu regions, the ACCJ's events calendar is up in the air.

"We are currently in the middle of our annual five-session Leadership Series. It was originally scheduled to wrap up by April 16, but we have postponed three of the speakers until May or June, and we'll see what the situation looks like then," explained MaryAnne Jorgensen, chair of the ACCJ-Kansai Women in Business (WIB) Committee.

For her, there is already concern growing over organizing the annual Women in Business Summit, which is scheduled for September.

And Yuka Nakamura, who is vice-chair of the ACCJ-Kansai Diversity & Inclusion Committee (formerly Women in Business), also has concerns.



MARYANNE JORGENSEN
Chair
ACCJ-Kansai Diversity
& Inclusion Committee

"If we really want to have it in September, now is the time to identify speakers and start discussions about topics and speeches; but it's difficult to do so due to the Covid-19 situation."

In the Chubu region, the activities landscape is equally overcast. ACCJ-Chubu Programs Committee Co-Chair Mark Hosang explained: "Covid-19 has had a pretty big effect on the events we had planned. We initially asked our speakers for March and April if they would be willing to do an online event, or to postpone. Both opted to postpone.

"Another concern is that many companies have reduced their budget for attending ACCJ events for the remainder of the year." While that may lead to low attendance numbers, the success of virtual events shows that demand remains high.

FINDING ANSWERS

While the pandemic has clearly caused major disruptions to the chamber's events calendar, the strong engagement being seen right now is cause for great optimism.

Business leaders have seized the opportunity, and the remote seminars, webinars, and online meetings are making a difference in the Covid-19 response.

In Chubu, Hosang's committee hosted a Young Professional Luncheon Series—planned as in-person events for March and April—online.

Similarly, the Young Professionals Forum and the Alternative Investment Committee transitioned to online events, with the latter holding a webinar that "created strong interaction and engagement with the more than 50 members who joined," Packard said.

The annual Charity Ball is one of the ACCJ's biggest charity fundraisers.





YUKA NAKAMURA
Vice-Chair
ACCJ-Kansai Diversity
& Inclusion Committee



MARK HOSANG
Co-Chair
ACCJ-Chubu Programs Committee



Jorgensen shared similar sentiments from Kansai: “Per ACCJ guidelines, the committee is meeting virtually. Regarding postponed events, we will watch how the situation unfolds. If it is still difficult in June to hold face-to-face events, we will likely take some or all of the remaining Leadership Series sessions online via Zoom.”

Steve Iwamura agreed: “Thanks to ACCJ-Kansai Executive Director Keizo Yamada, the ACCJ External Affairs Committee has been including Zoom participation in our monthly committee meetings. Since the Covid-19 outbreak occurred, we have gone to full Zoom meetings.” Iwamura is the committee chair.

He and Jorgensen are referring to the remote video conferencing services provided by California-based Zoom Video Communications Inc.

WHAT'S NEXT?

A number of leaders noted that, previously, when people talked about business continuity planning in Japan, they usually meant planning for disasters such as earthquakes, tsunamis, or typhoons.

“But what the pandemic has done is to flip the script on that: What do you do when you can’t meet at all?” Rogers asked.

“For this generation, it’s going to be about life before and after the coronavirus. But, as a lawyer, I’ve learned that the worst crisis creates the biggest opportunity to learn—because that’s when people are really focused.”

Thomas Shockley, who chairs the Independent Business Committee, holds a similar view. “Those SMEs with the wherewithal to have an emergency fund—and the flexibility to invest in the change—will arrive on the other side by preparing to take on new challenges.”

Packard agrees: “One of the ways we will prepare for future crises will be to reinforce each member’s personal and team resilience during the current situation. By acting with mindfulness about what is working and what is not working right now, solutions for the future will present themselves.” ■



STEVE IWAMURA
Chair
ACCJ-Kansai External Affairs Committee



SADO ISLAND

Escape to nature, refresh your mind

For centuries, Sado was an island of exile, where politicians, artists, monks, and even emperors who incurred wrath were sent to be kept safely out of trouble. And while Sado retains its wild, remote feel, these days it is a place to which people come willingly to detox from the fast-paced lifestyle of the metropolis.

BEAUTIFUL RIDE

After stepping off the ferry from Niigata at either Ryotsu or Ogi Ports, pick up a rental car or, like the Knights in White Lycra, hop on your bike and take off to seek adventure along the coastal roads.

Sado has long held a certain cachet among cycling enthusiasts, who visit the butterfly-shaped island to zip along the coastline dotted with fishing villages, rice fields, and stretches of open beach. The yearly Sado Long Ride 210, held in mid-May, is known for the bragging rights that go to those who complete the full 210-kilometer loop around the island.

RICH PAST

But you don't need to be a speed demon to appreciate Sado's laid-back charm and hidden gems. The island offers a lot to explore, and the two ports are a good place to start your journey.

One of the most easily accessible spots from Ryotsu Port is Aikawa. Quite literally the treasure trove of the island, it is home to the Sado Kinzan Gold Mine—once the secret to the Tokugawa shogunate's economic power. Intricate animatronic figures still toil in the tunnels, showing what life was like for miners during the Edo Period (1603–1867). Pick up a gold-

flecked ice cream on your way out, or explore nearby Kyomachi Street, which is lined with well-preserved wooden houses, some of which have been transformed into cafés.

The Ogi area boasts a pleasant shopping street with a retro vibe and several cute dining options, such as Hiyoriyama, where you can grab lunch and a cup of coffee. Be sure to stop by the iconic red bridge across the rocks at Yajima Island on your way to the twisty streets of tiny Shukunegi, a photogenic fishing village with homes made from the dark wooden hulls of ships.





NATURAL GETAWAY

If you are looking to escape from civilization altogether, Mount Donden, the flower-lined cliffside of Onogame, and the terraced rice fields in Iwakubi are pleasant spots for stretching your legs on short hikes.

In summer, you can take a dip at Futatsugame Beach and swim out to the tiny island or relax on the golden shores of Sobama, one of Sado's few sandy beaches. The mountains at the center of the island shelter Chokokuji Temple, also known as the "rabbit temple" for the friendly critters who greet visitors and trim the temple's lawn, benevolently watched by a huge statue of the disconcerting Rabbit Kannon.

FLAVORFUL SPIRITS

While exploring the island, keep an eye out for Sado's five sake breweries. Along the route between Ogi and Aikawa is the Obata Brewery, where you can taste sake that has won accolades at the International Wine Challenge.

A 20-minute drive from Ogi is the Hokusetsu Brewery, which supplies sake for Nobu restaurants worldwide. Be sure to try the special variety that is aged in chambers to the sound of waves and a Sado folk song, a process that is said to create a smoother taste. The Kato, Tenryohai, and Henmi Breweries offer truly local tipples that bring out the fresh flavors of the locally caught seafood. So popular are these that most bottles don't even make it off the island.

WAITING FOR YOU

To get the most out of Sado, stay overnight and take a quiet morning stroll along the coast or through the rice fields. A few favorite accommodations are the Hananoki Inn, which is run by a potter, the Hotel Azuma along the coast, and Andante, a new retreat run by a wine-loving couple.

Sold on Sado? Just jump on the bullet train to Niigata, then catch one of the regular car ferries or quick jetfoils to the island. ■



DON'T MISS EARTH CELEBRATION 2020!

For three days in August, Sado reverberates with song, dance, and the sounds of taiko drums at Japan's longest-running music festival. Welcome to Earth Celebration, where the beats seem to rise through the soles of your feet!

Hosted by the globe-trotting taiko ensemble Kodo, this huge drum festival has brought music lovers from across Japan and the world to the butterfly-shaped island for 33 years. Visitors flock to the evening concerts to hear the "children of the drum" play their huge taiko up close and personal, and to explore the island by kayak, bike, car, and on foot.

But Earth Celebration goes beyond taiko. Each year, Kodo invites musicians from around the world to perform at the Harbour Market stage, bringing together artists and festival-goers through the power of music. For the 2020 edition, which runs August 21–23, the Kodo drummers will be collaborating with the Voices of South Africa acapella group.

Be sure to book your tickets quickly. Spots for the high-energy performances sell out fast!





COAST TO COAST

Knights in White Lycra head to Sado Island

By C Bryan Jones

Following the Great East Japan Earthquake and Tsunami of March 11, 2011, a few British men—plump men, as they described themselves at the time—were sitting in a Tokyo pub when the classic Moody Blues hit “Nights in White Satin” began to play. As they were discussing how they might get fit and also help those affected by the disasters, they decided to form a cycling group and adopted the title of that song as its name—adding a dash of chivalry—to create the Knights in White Lycra (KIWL).

Among them was Rob Williams, senior investment adviser at AP Advisers Limited. The ACCJ Journal asked the KIWL chair and co-founder for a brief history of the group and about this year’s special plans.

FIRST RIDE

Ten men cycled 330 kilometers to Minamisoma, Fukushima Prefecture, for the initial trip, in 2013, and raised ¥2.7 million for the Save Minamisoma Project, helping those in temporary housing, Williams recalled.

That first outing inspired another, and another, until KIWL became an important partner for groups needing to raise funds.

The journey became an annual event, and last year 42 riders completed a grueling ride along a different route that raised a KIWL record ¥14.5 million for YouMeWe NPO, which also received support from the American Chamber of Commerce in Japan (ACCJ) through funds raised at the 2019 ACCJ Charity Ball. Since its start, KIWL has raised ¥73.5 million for disadvantaged children in Japan.

DIVERSE GROUP

As KIWL has grown over the years, it has become more diverse. This year, 43 riders—both male and female ranging in age from their twenties to their sixties—will make the trip.

Ability levels differ, too. “Fifteen of those riders are attempting the KIWL 500 for the first time, and seven are taking up cycling just to do it! Seven Americans are joining the many British cyclists, and 12 countries are represented overall, including Turkey, Spain, Serbia, the Philippines, Malaysia, New Zealand, Russia, Germany, Australia, and, of course, Japan,” Williams said.

ISLAND TRIP

This year’s ride will include KIWL’s first visit to Sado Island. “We heard it is a beautiful place to cycle, and we always like to vary the route and experience so that riders are attracted to return each year,” Williams explained. “We have had to use trains





and automobiles on previous rides, but as we cannot afford a plane, we thought we would book a ferry instead!"

Having heard stories of the stunning natural beauty of the coastal landscape, KIWL knew that Sado Island would be a perfect addition to this year's route. The group will spend the second of four days there.

"The entire coastal road can be cycled in a day by more advanced riders, so it is a good workout. And the fairly gentle undulations of the road offer everyone a good, challenging ride that is not too severe," said Williams.

The residents of Sado Island are known for being very welcoming, but Williams wonders what they will think about 43 spandex-clad foreigners descending on their island in June. "It may mean they all run for the hills," Williams said with a laugh. "But before they do so, we hope they will flag us down along the route and offer us their local delicacies. Unfortunately, the local sake will have to wait until we finish our day's cycling!"

THE REST OF THE JOURNEY

The KIWL route varies from year to year, and a visit to Sado Island isn't the only change for 2020.

"This year is different again. We used to start from Tokyo, but because of the mundane nature of the ride through the Kanto plain, we decided to begin further north," Williams explained. "This year, we start from the ski resort of Echigo Yuzawa, in Niigata Prefecture, which is surprisingly only a one-hour Shinkansen ride from Tokyo. It is just as beautiful in summer."

The first day's ride from Yuzawa to the city of Niigata will wow cyclists with magnificent scenery as they ride through a valley



YouMeWe educates care home children, giving them employable skills for adult life. They offer support programs to allow a child to become a productive and independent young adult in their community. They develop language, financial literacy, and digital skills, such as programming and coding. In addition, help is given with career counseling and guidance on higher education. Attained skills, improved communication, and an understanding of options give the children a clearer future. Not only that, but the kids give back themselves by educating the elderly in their communities in the use of modern devices—a complete cycle of giving back!



lined on both sides with breathtaking mountain ranges, then on a riverside path that leads up towards the Sea of Japan.

KIWL will then move to Sado Island for the second day, and the third will take them inland to the east, over the spine of the country to Yamagata Prefecture and the lovely city of the same name, where many of the older buildings are preserved and newer ones are designed and constructed to blend in.

"Our last day takes us to Sendai, which we have visited on a few occasions during previous KIWL 500 rides. We are hoping the coastal areas will largely be repaired and rebuilt, and we don't have to again witness the results of nature's force at its worst," said Williams. "Overall, it is a very challenging ride, but one which should leave us with lifelong memories—especially those created at the end, when we visit the care facility and meet the children for whom we are raising funds." ■



GET INVOLVED

KIWL welcomes people of any age and ability with the desire to get fit and give back to join them in empowering fragile children to become successful young adults who also contribute to their communities. If you are interested in cycling visit www.kiwl.net. You can also make a direct donation to YouMeWe at youmewenpo.org/donate and arrange to volunteer time by contacting founder Michael Clemons at michael@youmewenpo.org



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RECESSION RISING

Economists see double-digit Q2 slide followed by slow rebound

By Mitsuru Obe

NIKKEI
ASIAN REVIEW

The declaration of a state of emergency in Japan has prompted economists to slash forecasts for three months from April to June.

Analysts from domestic and international banks now all expect an annualized double-digit contraction in the second quarter, before the Japanese economy returns to a pre-crisis level.

J.P. Morgan Securities forecasts the economy will shrink 17 percent in the quarter, BNP Paribas Securities sees a fall of 16 percent, and Dai-ichi Life Research Institute and Meiji Yasuda Research Institute project a contraction of more than 10 percent. Goldman Sachs is the most bearish, anticipating a 25 percent decline.

DEEP DIVE

The partial lockdown looks set to plunge Japan deep into a recession—technically defined as two consecutive quarters of contraction.

The economy shrank 7.1 percent in the fourth quarter of 2019 due to a sales-tax hike in October. And the average first quarter forecast of 34 private-sector economists surveyed by the Japan Center for Economic Research was for a 2.89 percent contraction in real terms.

The seven regions designated as areas of emergency include some of the nation's largest economic centers: Tokyo, Kanagawa, Osaka, and Fukuoka. Together they account for 46 percent of national gross domestic product.

While trains will keep running and roads will remain open, department stores, movie theaters, and shopping malls are being shuttered. Economists say private consumption will be the biggest casualty as residents of the designated regions will be asked to avoid unnecessary outings and dining out with others.

SHRINKING RETAIL

SMBC Nikko Securities, an investment bank affiliated with Sumitomo Mitsui Financial Group, predicts the economy will shrink at an annualized rate of 14.8 percent in the April–June period from the preceding quarter.

Junichi Makino, the brokerage's chief economist, said the calculation was made on the assumption that sales in April

will essentially fall to zero at restaurants, car dealerships, and appliance, furniture, and clothing retailers.

Makino added that business investment will also slow to a trickle as construction companies are expected to avoid large projects involving many workers, and deliveries of computer equipment will likely wait until offices return to normal.

Exports are expected to fall by around 50 percent, as key export markets—especially the United States—remain largely under lockdown, Makino said.

ROAD BACK

After the monthlong shutdown, a recovery will depend in part on how well the virus is contained but also on how quickly economic measures announced by Prime Minister Shinzo Abe are implemented. Funding for the stimulus program first needs to be approved by parliament.

The government hopes to start handing out cash in May to small businesses and households that have been hit by the shutdown. But Hideo Kumano, chief economist at Dai-ichi Life Research, notes that the number of households eligible for handouts will reach as many as 13 million, a quarter of the nation's total.

"It will be a huge logistical task," he said.

The Abe administration is hoping for a V-shaped recovery after the third quarter, but economists predict that the recovery of private consumption is more likely to be gradual.

"Consumers will start getting tired of staying at home. Once the outbreak becomes contained, they will start spending," said Yuichi Kodama, chief economist at Meiji Yasuda Research Institute. But he adds that some people, especially elderly, will remain cautious about going out.

Kodama pins his hopes on a quick recovery in the United States, as cases of new infections there flatten.

"If exports to the United States recover," Kodama said, "then business investment will also revive, as they tend to move together." ■

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FOREIGN TAX CREDITS AND INHERITANCE TAX

To reduce or eliminate double taxation, taxpayers who have overseas sources of income—and overseas income tax liabilities—often make use of foreign tax credits. However, in our experience, the use of such credits when it comes to inheritance tax is not as well understood.

During a recent seminar that we held on Japan's inheritance and gift taxes, a number of attendees were surprised by the scope and mechanism for claiming a foreign tax credit against liability for inheritance tax in Japan. A credit is available for foreign tax paid in the jurisdiction where the asset is located. As with income tax credits, a cap is applied so that the credit available is the lower of the Japan liability and the overseas tax paid. As a result, if the tax paid overseas is greater than the Japan liability, the liability is reduced to zero.

PLACE MATTERS

A key point to note is the location of the asset. In most cases, the location of an asset is where you might think it would be—real estate is located in its physical location, bank deposits in the location of the bank. A couple of quirks are the locations of loans and insurance policies. These are treated as being at the location of the borrower and the head office of the insurer, respectively.

For estates that span multiple jurisdictions, where the maximum foreign tax credit is further restricted, the credit for tax paid in each jurisdiction is capped at an amount determined by the following formula:

Japan inheritance tax due x (Property received located in the overseas jurisdiction / Total property received)

To understand how this works in practice, consider the estate of a UK decedent whose daughter in Japan meets the criteria to be subject to inheritance tax on worldwide assets. At the time of passing, the decedent owned a holiday home in France, valued at ¥100 million, and a main home in London, valued at ¥200 million. All assets were left to the daughter.

In the UK, both properties would be subject to inheritance tax. For the sake of this example, let's assume that the tax due in the UK is ¥100 million, no tax is due in France, and the inheritance tax due in Japan is ¥80 million. If the holiday home were located in the UK rather than France, a credit of

¥80 million—the lower of the UK and Japan taxes—would have been available to offset the Japan liability, reducing it to zero.

But as the inheritance tax on the France property is paid in the UK, the credit is restricted. It can be calculated using this formula:

$$\text{Maximum credit} = 80 \text{ million} \times 200 \text{ million} / 300 \text{ million} = \text{¥53.3 million}$$

Applying this credit would leave a final amount to be paid in Japan of ¥26.7 million.

DOUBLE TROUBLE

As can be seen in the chart below, even in this simple example spanning only two jurisdictions the dilution of the foreign tax credit can significantly increase the inheritance tax liability in Japan—as well as the total inheritance tax—paid in both countries.

| Assets | UK: ¥300 | UK: ¥200 France: ¥100 |
|--|----------|--------------------------|
| UK Inheritance Tax | ¥100 | ¥100 |
| Japan Inheritance Tax | ¥80 | ¥80 |
| Foreign Tax Credit Available for UK Tax Paid | (¥80) | (¥53.3) |
| Total Inheritance Tax Paid Worldwide | ¥100 | ¥126.7 |

(millions of JPY)

Although Japan has tax treaties with many countries to prevent double taxation, only its agreement with the United States covers inheritance tax. The treaty contains provisions to prevent the dilution of the tax credit that occurs when an estate spans two or more jurisdictions. However, in most other cases, advance planning is required to ensure estates are structured to reduce unnecessary double taxation.

In today's age, where estates covering multiple jurisdictions are not unusual, it is important for residents of Japan to be aware of not only their liability to inheritance tax, but also the small details that can give rise to additional tax and an unwanted surprise in the future. ■



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



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