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PHARMA FOR ALL

AbbVie's James Feliciano on building a strong and innovative corporate culture

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James Feliciano

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HEALTH TECH



Christopher Bryan Jones
chris@custom-media.com

We've been talking a lot about digital at the American Chamber of Commerce in Japan (ACCJ) in recent months, not only in terms of how it has helped us continue events and advocacy efforts throughout the pandemic, but also the potential it has to advance healthcare.

Speaking of the pandemic, one impact it has had on me is weight gain. As a man rapidly approaching age 50, my midsection is quite susceptible to the reduced activity brought on by the need to stay home. And that's one reason many of the stories in this issue of *The ACCJ Journal* really connect with me.

WEARABLES

I'm a lifelong techie, so my smartphone and watch make battling the bulge easier. I'm predisposed to making tech part of my life, and the advances in these devices have really accelerated in recent years. They can be a powerful tool in managing health—especially as we look for ways to better monitor our condition while reducing in-person visits to crowded clinics. As the healthcare industry

works to advance telemedicine—a need laid bare by Covid-19—these gadgets can make a difference.

In fact, Dr. Yasuhiro Suzuki, former chief medical and global health officer for the Ministry of Health, Labour and Welfare, whom we hear from in a story starting on page 18, sees the monitoring of physiological data over the long term using wearable devices as a key part of future healthcare.

So, recognition of the benefit is there, but work remains in terms of availability.

EQUAL ACCESS

One obstacle I have found to applying the capabilities of these devices to my own health management is regulatory approval. In its Series 4 watch, Apple Inc. added electrocardiogram and other heart monitoring tools. That was enough to move me to upgrade from Series 3, given my father's history of heart problems—he had quadruple bypass surgery when younger than I am now. And while I am currently fine, anything I can do to keep tabs on irregularities is most welcome.

I was excited about the feature, but two years later it is still not available in Japan. The hardware is there. It's on my wrist at all times. The watch can do it, but the feature can't be enabled because its use has still not been approved.

The intricacies of review and approval are beyond my expertise as a writer, but I know that a common concern among

pharmaceutical companies is the time required for such processes in Japan. As a consumer, it is frustrating to have possession of technologies that could make a difference in my life but remain inactive due to red tape—and this could turn many who are less enamored with tech than I to lose interest. If we are to truly advance healthcare, we must find a way to transcend these barriers and make the latest technologies available to everyone.

BEYOND WEARABLES

Of course, these tools merely provide a snapshot of our physical state and alert us to potential problems that require consultation with a doctor. Also important are the innovative treatments being developed by pharmaceutical companies. One of the perks of my role as editor-in-chief of *The ACCJ Journal* is the chance to talk one-on-one with industry leaders in this sector, and this month I was able to catch up with AbbVie G.K. President James Feliciano to learn more about the current state of advances in medicine. Our discussion starts on page 22. Like all my talks with those in the ACCJ who are leading the charge for better health, it left me feeling upbeat about the future. ■

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People Business



PRESIDENT

By Peter Fitzgerald
ACCJ President

The American Chamber of Commerce in Japan (ACCJ) and its advocacy programs have had a higher-than-usual public profile these past few months, owing to the significant impact the Japan's travel entry ban is having on our community. While our advocacy efforts often feature in the business pages, issues that propel the ACCJ into the general news section are, perhaps thankfully, more rare.

The travel entry ban has achieved prominence not only because it's timely and topical, but also because it's a very human story. Separated families, lives put on hold, and people having to make very difficult personal decisions are more relatable than many of the more technical aspects of business that our advocacy usually involves.

REAL IMPACT

When we began our push to rethink the travel entry restrictions, we relied on member surveys to paint a picture of the economic impact the ban was having on our members. As with many of our key advocacy pillars, we framed the issue in terms of Japan's attractiveness as a place for foreign investment, its competitive ability to attract skilled workers from abroad, and the economic contribution of international businesses. A large percentage of our member companies indicated the ban had caused them to delay or reconsider planned investments in Japan.

We also leveraged the anticipated exodus of financial companies from Hong Kong and the resulting jockeying for position among prospective "next financial hub" cities as an opportunity to shine a light on the travel entry ban as a negative influence on corporate decision-making.

But none of these perspectives really caught on with the media. We received some coverage, but among all the human suffering, uncertainty, and immediate economic impact of Covid-19, our focus on the potential future business impact of the Japanese government's Covid-related decisions was deemed less newsworthy. Media outlets were more interested in the people directly impacted by the ban. Who was being affected and how?

SECOND TRY

So, we reached out to our membership again—this time not asking for a survey response, but for specific examples of how individuals were being impacted by the ban. We received a tremendous response, with members generously sharing their own situations, and we passed these stories along to our media contacts as on-the-record sources where permission was granted and anonymous anecdotal stories.

That's when our advocacy efforts really started to gain momentum. From the *Nikkei* to *The New York Times*, Japan's "double standard" in its treatment of foreign residents compared with citizens became a hot topic, fueled by the personal stories of ACCJ members.

Advocating for change as a foreign business group requires a delicate touch in any country, but especially in Japan. The ACCJ is fortunate to have a very skilled hand at the helm of our advocacy efforts in Chairman Christopher J. LaFleur. His adroit handling of the issue—both in media and direct talks with the Japanese government—has been made that much stronger by the human face put on the issue by our members.

GROUP STRENGTH

As a chamber of commerce, our member companies come together to form one voice that allows us to achieve things together than would be more difficult—or carry more risk—if we tried to do so on our own. But, as we've learned with the travel entry ban, we also benefit when a few of us step out from the relative anonymity of the group to tell our individual stories—especially when those stories help to go beyond the statistics and put a face on an issue.

As the ACCJ looks to advance its advocacy programs on other fronts, we also benefit from our focus on the real human impacts of business issues. When we pair our policy discussions with specific examples of how people are affected, our advocacy reaches a broader audience, and with greater impact. Across healthcare, retirement, gender equality, technology, taxation, and other areas, the ACCJ knows that the stories that matter most are those which improve the lives of people, not just our bottom lines. ■

From the *Nikkei* to *The New York Times*, Japan's "double standard" in its treatment of foreign residents compared with citizens became a hot topic, fueled by the personal stories of ACCJ members.

Covid-19 Impact on the Retail & Consumer Industry, and Plans for Recovery

By C Bryan Jones

Covid-19 is one of the most significant challenges for consumer-facing businesses to come along in recent history. The leisure and hospitality industries are among those hardest hit, but consumer packaged goods have also taken their knocks.

On September 3, the American Chamber of Commerce in Japan Retail Committee hosted a virtual event entitled Covid-19 Impact on the Retail & Consumer Industry, and Plans for Recovery. Speaking were Rakesh Mani and Takuro Okano, both directors at Strategy&, the strategy consulting business unit of PwC Consulting LLC. They were joined by Florian Kohlbacher, vice president of strategic business planning and business intelligence at Coca-Cola (Japan) Company, Limited, and Pascal Gerbert-Gaillard, Asia director at Bio c' Bon Japon Co., Ltd. Both served as panelists during the question and answer session to share some on-the-ground experiences of industry players.

SHIFTING MARKET

The challenges brought forth by the coronavirus pandemic have been compounded by marked shifts in consumer behavior. These include:

- Adoption of digital tools
- Changes in channel preferences
- Shifts in the size of purchases
- Trial purchases of new products

“There is continued uncertainty when we talk to people,” Mani said. “That’s largely driven by the path of the virus and what impact it is having, as well as by the underlying effect on the economy.”

He added that there is a set of learned behaviors, developed over the past six months during the worst periods of the pandemic, have put great pressure on supply chains, pricing, promotion, and customer management. “Some of those behaviors will likely persist, while others may dissipate over time,” he said.

In terms of how companies are being impacted, Mani said that some clear winners and losers are emerging. “A lot of that is driven by the extent to which businesses have been able to refine their value proposition, to make it line up more neatly with what is going on in the current market,” he explained. “There’s also a tremendous amount of investing—or thinking about investing—in capabilities going on.

“What started as an immediate response around safety, product availability, and shoring up the balance sheet has gravitated towards how to inoculate yourself,” he added.

Companies are now asking, “How do I invest in building the right kind of muscles to navigate what is going to be a tricky period going forward?”

RECIPE FOR SUCCESS

What Strategy& has seen among businesses that are having success is a willingness to move away from trying to predict



Rakesh Mani



Takuro Okano



Florian Kohlbacher



Pascal Gerbert-Gaillard

when things will return to normal, and what the path forward may look like at that time. Instead of trying to gaze into a crystal ball, these companies are accepting that we are likely to be living in a period of uncertainty for some time, and are working to manage their operations on those terms, adapting to the volatile realities.

As an example, Mani cited a retailer that has been heavily investing in digital capabilities to create tools that allow them to more effectively push out messages to consumers. Among these tools are an app that facilitates online purchases as well as the option of picking up items ordered remotely to be picked up in the store, thereby reducing the time spent around other shoppers.

Okano added that this investment in digital—which had been underway for some time prior to the coronavirus outbreak—has allowed the company to minimize the impact of the pandemic on its bottom line.

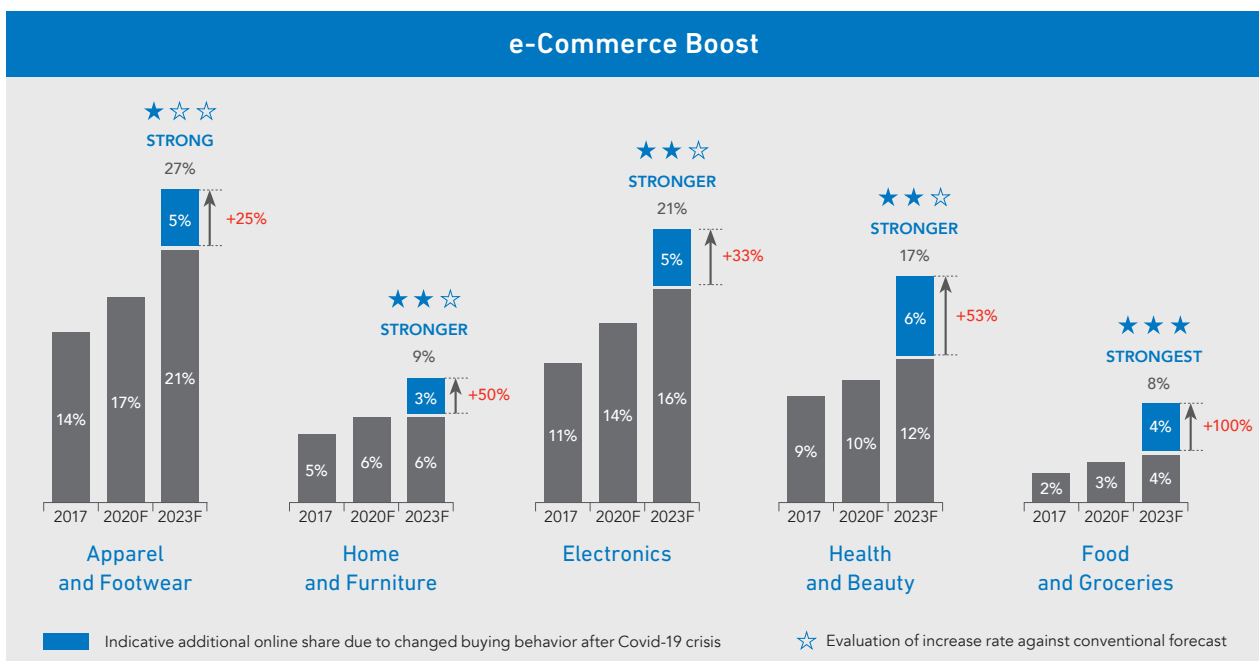
In another example, Gerbert-Gaillard shared the experience of French grocer Bio c' Bon, which entered the Japanese market

in 2016 and has a fifty-fifty tie-up agreement with retail giant Aeon Co., Ltd. The company operates small markets of 100–500 square meters and has 20 locations in Tokyo and Kanagawa Prefecture.

“What we have experienced is a very changing pattern, going through the different phases of Covid-19,” he said. “In Europe and Japan, there has been some panic buying at the beginning, but we have experienced this with other crises—last year we had the big typhoon, for example—and people tend to store products with long shelf lives. After that, you go back into purchases of normal, fresh products, and that has been the case once again.”

He explained that there has been a very sharp increase in sales at smaller stores closer to people's homes. Citing the company's European market as an example, sales have been up 35 percent, and reached almost 45 percent at the peak of the crisis.

“We're not out of the woods yet, but it's getting into a new normal consumption pattern, with people eating out less and



SOURCE: EUROMONITOR, MINISTRY OF ECONOMY, TRADE AND INDUSTRY "MARKET RESEARCH ON ELECTRONIC COMMERCE," STRATEGY& ANALYSIS



Bio c' Bon, which sells organic and healthy foods, has seen its sales rise by 35–45 percent.

more at home. And we're still above 30 percent compared with pre-Covid times. So it has actually had a huge positive impact on us, in terms of volume as well as brand recognition, since customers have been looking for healthier products to boost their immunity."

AREAS OF IMPACT

Despite the positives for grocers, brands that rely more on bricks and mortar, or that have more high-ticket items, have been hit more severely. Store lockdowns led to a drop in sales of 70–100 percent for retailers of apparel, footwear, home goods, and furniture. And while food and groceries saw a surge in demand early on, and have recently been returning to a more normal situation, as Gerbert-Gaillard illustrated, the change in demand patterns and risk of supply chain disruptions have made stabilizing operations difficult for some.

Kohlbacher shared how changes in consumer behavior resulting from the pandemic have led Coca-Cola to come up with new approaches to retail, and noted that affordability, larger packages, and e-commerce are increasingly important.

As an example, he shared a change that both supports environmental efforts and advances e-commerce strategy.

"It's a big thing right now to have label-free packages, because it's a hassle to recycle PET bottles when you have to rip off the labels and throw them away separately," he said. "So, we are now offering more products without labels that we sell through e-commerce." This, he noted, is an example of how companies can react and respond to changing consumer preferences to boost sales.

He also talked about the company's "Act Now, Plan Now" approach, which it put into action immediately when the scope of the crisis became clear. "Act Now" means to take immediate actions to protect both employees and the business.

"Plan Now" means plan ahead for the next year, because we can clearly see this coronavirus situation is not something that is

just short-term," he explained. "We try to imagine what the new normal is going to be, and which of the trends we are seeing will last in the long term. How do we prepare for the next stage? What kind of innovation pipeline do we need to develop?"

Noting that consumers are likely to become more health conscious in an effort to reduce their susceptibility to serious illness, Kohlbacher talked about the potential for innovation in their product line.

"In Japan, traditionally, people love to drink sports drinks in winter to stay hydrated, and they also see them as a way of staying safe from the flu. If you stay healthy and hydrated, you're less likely to get sick with some common illnesses," he said. "In the post-Covid era, we see the opportunity to develop more products that have functional benefits and bring them to market."

For Coca-Cola, he said, the combination of an immediate response to what was happening in the market and an instant start on planning for the future—for what consumer needs may exist in the new normal—has allowed the company to adjust and grow stronger through the pandemic.

UNEXPECTED BENEFIT

The stoppage of inbound tourism has strongly affected economies across Japan, particularly hurting travel and hospitality sectors. But an area that has been unexpectedly affected—and perhaps in a positive way in the long view—is cosmetics. Visitors from overseas often buy large amounts of cosmetics when visiting Japan, and that isn't happening now.

In terms of domestic consumption, the cosmetics industry has also seen a major shift that may have long-term consequences. Fewer people are frequenting the counters of department stores, but that could be an opportunity for growth in digital.

"During the peak of the emergency, around April or May, there was a research survey which found that 65 percent of cosmetics consumers bought something online during that period; and about 90-odd percent of them said they would continue to do so even when restrictions were eased," Mani said. "The reason that

Reinventing Business



Consumer

Enhance analytic capabilities



Digital

Leverage data in sales and supply



Cost

Become leaner and reinvest



Supply Chain

Enhance flexibility and redundancy



Organization

Cultivate mindsets for rapid change

PLAN AND RESPOND

To explore how companies can navigate these uncertain waters, Okano talked about how people are adapting, what new behaviors are being seen, and the likelihood that these changes will become part of the new normal.

“Some people are taking a very conservative approach, staying home and trying to be very protective, but others are becoming more open and trying to behave as they did back in 2019,” he said. “So, for corporate management, I think it is getting much more difficult to foresee the future.”

Scenarios include:

- Severe wave of Covid-19 in winter
- Olympics and Paralympics in 2021
- The Games not taking place at all
- Increased natural disasters
- US–China geopolitical tensions
- Supply chain disruptions

“For all these incidents, you may have to look at the conservative scenario,” Okano said. “At least companies have to be prepared for what may happen—regardless of what could have been and what may be optimistic—because the consumers may be reacting to that, regardless of what could actually happen.”

What should companies look for when reinventing their business for the post-Covid-19 world? Strategy& has identified five areas:

- Consumer
- Digital transformation
- Cost
- Supply chain
- Organization

Okano said that, as consumers shift their buying preferences from one channel to another, it will become more necessary for retailers to engage with their customers. To do so, he suggests having first-party access to consumer data to better understand how consumer behavior is changing and to identify trends. “With that analytic capability and data, you can react more on R&D, on how you package and price your products, those kinds of things.” ■

is so striking is that the e-commerce penetration in cosmetics is about six to eight percent. I think we could see that trend play out across a lot more categories as we move forward.”

He expects to see significant jumps in e-commerce penetration across most categories over the next few years. “That is going to create a lot more questions and complexity for businesses in how they engage with consumers—not just on the commerce side, but also in related areas such as digital marketing and messaging.”

Mani concluded by saying that some significant uncertainty is likely to persist across various areas of demand, pricing, and consumer behaviors. This, he said, “is going to impact particular sets of functions for which businesses need to formulate responses to handle the uncertainty.”



Coca-Cola's label-free I LOHAS water bottles support ecological efforts.



ACCJ VIRTUAL EVENT

New World Order Led by Cutting-Edge AI Technology

ACCJ-Kansai series explores deep learning in industry

By C Bryan Jones | Takehiro Aoki contributed to this story

For the third in its series of events focusing on technology and leadership, the American Chamber of Commerce in Japan Kansai Business Programs Committee invited Naoki Kamimaeda, a partner at technology investor Global Brain Co., Ltd., to speak on July 30 about the use of artificial intelligence (AI) in various fields. During the session, presented in Japanese and entitled A New World Order Led by Cutting-Edge AI Technology, Kamimaeda explored how AI and machine learning is being used to develop deep-learning technologies and how these tools are gradually being put to use in products.

PURPOSEFUL TECH

Introducing the latest AI trends, Kamimaeda explained how the technology is being used in infrastructure and backbone systems, as well as powering the evolution of applications



Naoki Kamimaeda

It is especially important to accurately grasp the needs of the world and to quickly put new ideas that leverage AI into practical use.

such as emotion AI—technology, also known as affective computing, that is used to detect emotions and non-verbal cues when communicating with humans.

He also talked about examples in healthcare, such as AI-powered, patient-inspired biotech called Healx that can be used to accelerate the discovery of new treatments for rare diseases.

During the panel discussion, Kamimaeda said that, as the use of deep learning technology grows, it is especially important to accurately grasp the needs of the world and to quickly put new ideas that leverage AI into practical use.

From the investor's point of view, factors beyond just the financials must be considered. In addition to the technology and the scope of the social issues they want to solve, startups must nurture open-mindedness among teams and strong collaboration, as well as be willing to move things forward.

INVESTMENTS

Participants asked questions about differences in investment policies in regions such as the European Union, the United States, and Japan, a topic on which Kamimaeda could leverage Global Brain's experience that bridges Silicon Valley and Asia.

By actively investing in companies at all stages—mainly in the area of consumer internet services and products—Global Brain provides support and mentorship for US companies as well as other local startups looking to expand their business to Japan and other countries in Asia. They also support Japanese and other Asian companies eyeing US market entry.

ONGOING SERIES

This third installment in the webinar series was the second collaboration between the ACCJ-Kansai chapter and the Life Science Innovation Network Japan (LINK-J), who supported the second session on June 24 and helped bring to the ACCJ members the expertise of Dr. Masashi Matsunaga, senior consultant at Oxentia Ltd., a global innovation company started by the University of Oxford.

The ACCJ-Kansai Technology Series, which focuses on the intersection of tech and leadership, began on June 5 when Dr. Shotaro Funai of the Okinawa Institute of Science and Technology Graduate University explained his cutting-edge research on artificial intelligence. The goal is to bring together leaders who are committed to the challenging theme of connecting cutting-edge technology with business to create a better world.

Future installments will be announced on the ACCJ website at: accj.or.jp/accj-events ■

Takehiro Aoki is a member of the ACCJ-Kansai Business Committee and part of the Eli Lilly Japan K.K. team.



ACCJ Kansai Business Programs Committeeがホストするテクノロジーシリーズ。テクノロジーとリーダーシップに焦点を当て、第3回はイギリスよりグローバル・ブレイン株式会社の上前田直樹氏をお招きし、「最新のA.I.技術の織りなす新世界」というテーマで対談を行いました。

ディープラーニング技術の発達とともに注目を集めているAI/Machine Learning技術ですが、徐々に実際の産業・商品への導入が進んでおり、様々な分野での活用が進んでいます。

上前田氏は講演の中でヨーロッパにおけるAIへの投資の推移、EmotionAIといったアプリケーションへの実装、インフラやバックボーンシステムでの活用など、最新のAI技術のトレンドを紹介いただきました。その中で、希少疾患を標的としたドラッグリポジショニングに強みを持つHealxなど、ヘルスケアにおける事例についてお話しされました。

パネルディスカッションでは、グローバル・ブレインにおける最先端のAI技術・アプリケーションへの投資経験を踏まえ、ディープラーニングが幅広く利用されるようになり、IoTデバイスなどのいたるところにAI技術が実装されていく現状にあっては、世の中のニーズを的確に把握し、新しいアイデアを素早く実用に移していくステップが特に重要であると語りました。また、投資家の観点から、投資判断においては、スタートアップが持つ技術や解決したい社会課題の大きさに加え、チームのOpen mindや巻き込み力、物事を前に進める気概といったPeople要素も重視していると述べました。

参加者からは、EUや米国、日本といった地域における投資方針の違いについてなどの質問があり、上前田氏は、リードポジションの考え方など、具体的な方針を共有されました。

キャリアについては、自分に正直であることの重要性など、大事にされてきたキャリアポリシーや、自ら新しい産業を生み出していくことに対する強い思いをお話いただきました。

なお、本イベントはACCJとLINK-Jの2度目の協カイベントとして実施されました。





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Dale Carnegie

2020 Kansai D&I Summit

Driving Business: Inclusive Leadership in New Ways of Working

By Yuka Nakamura

The American Chamber of Commerce in Japan (ACCJ) Kansai Diversity & Inclusion (D&I) Committee is pleased to announce that the coronavirus pandemic will not stop its plans to highlight and explore the importance of diversity to business success.

The 2020 ACCJ Kansai D&I Summit Series will be held in three virtual sessions on October 21, 28, and November 5 from 4:30 to 6:30 p.m. Under the theme Driving Business: Inclusive Leadership in New Ways of Working, the event will focus on new ways of working. Not only will we examine new challenges, we'll also look at opportunities to create more diverse and inclusive workplaces.

NOW OR NEVER

Many people have something they've been thinking about doing, but haven't yet done—for various reasons. When it comes to D&I, now is the time to take action! If this is an area in which you have ideas and have been wanting to make a difference, now is the time to lean in on a personal and organizational level.

How we live and work has changed dramatically over the past six months due to Covid-19. And as the new normal that is taking shape puts pressure on companies, D&I is becoming more and more critical to maximize the contributions of diverse talents and build a sustainable business.

GET INSPIRED

At the Kansai D&I Summit Series, each day will offer a unique blend of two approaches—inspirational and practical—to provide an opportunity to learn from leaders and peers across industries. Together we will dive deep into critical topics such as building trust, as well as leveraging and appreciating differences. We will also practice inclusive leadership and share ideas in small networking groups.

Simultaneous translation is available for all sessions. Full details can be found at: www.accj.or.jp/di-summit ■

BEHIND THE SCENES: STRUGGLE AND COMMITMENT

The Kansai D&I Committee had rounds of virtual meetings from February to June to discuss whether we should cancel this year's summit or find a way to make it happen. After hosting the event for the past five years in a half-day, face-to-face format—as the Kansai Women in Business Summit—we certainly wanted to find a way to bring everyone together for this important gathering.

We explored several options, and there were many concerns and anxieties about moving away from the format that has been so successful in the past. As these discussions went on, there were positives happening around us, such as virtual events that showed how we could expand the opportunity for people outside Kansai to join. In the end, we decided to move ahead and to evolve the event into a completely new format of three virtual sessions, each running two hours. We also decided to change the name from the Women in the Business Summit to the D&I Summit Series.

Yuka Nakamura (below, fourth from left) is a vice-chair of the ACCJ-Kansai D&I Committee and part of the Eli Lilly Japan K.K. team.



Dates: October 21, 28, and November 5 | **Place:** Online



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Nothing Remote About It

Help our community and charities from your home

By the ACCJ Charity Ball Committee

The coronavirus pandemic may be continuing to restrict some activities of the American Chamber of Commerce in Japan (ACCJ), but we will still be ending the year with one of our most popular events!

This year's ACCJ Charity Ball, entitled Welcome to Remote Paradise, will be brought into your homes on December 5. And while it may be virtual, we hope to get everyone involved in supporting our local community and designated charities.

FOOD, DRINK AND SONG

Working with area restaurants and our amazing wine vendors, we've come up with some options for you to enjoy while viewing the event. We hope you will take advantage of these offerings and support the establishments who have supported us. Watch for more details about how to order food and drink in upcoming ACCJ communications.

You may also be aware that the wonderful musicians who have performed for us through the years have not been able to work for months. Bringing these extraordinary talents into your home for an evening of special performances not only delivers an exciting night to you but also gives them the chance to do what they love most: sharing their talents.

CHARITIES

The ACCJ Community Service Advisory Council works closely with the Charity Ball Committee to identify the charities which we will support, and this year we have focused on those that have been there for the community during the pandemic. TELL, Second Harvest, the Sanyukai homeless shelter, and our long-established Mike Makino Fund for the Homeless, which supports the Franciscan Chapel Center and Tokyo Union Church rice programs, are all extremely worthy causes.

TELL has been on the front lines during this difficult period. In a recent conversation, TELL Lifeline Director Vickie Skorji said: "Since February, thanks to the fantastic support of the Lifeline volunteers, we have maintained 100 percent shift coverage by offering a combination of chat or remote phone support. Additionally, throughout this time, TELL has provided numerous resources and workshops to support schools, businesses, and community groups in coping and building resilience."



Second Harvest has had to adjust some of its programs to meet the needs of parents suddenly overwhelmed with food costs as their children learn remotely. The group has also supported homeless shelters with food and distribution when those centers were unable to gather the needed volunteers. Most recently, Second Harvest has been focusing on their project in Okinawa, Chief Executive Officer Charles McJilton explained.

"Okinawa was particularly hard hit because of its reliance on tourism. I saw shop after shop that was either closed or empty. The governor had been encouraging people to stay away from Okinawa because of concern over the spread of Covid-19. This made their economic situation more difficult, even though it was a wise choice given the alternative of having the medical system overloaded with patients." They are facing huge challenges, particularly at this time, so our support for Second Harvest will go to the Okinawa project.

There are so many good reasons to support this year's Charity Ball. This is our opportunity to come together and give back to the community in which we all live and work, helping businesses, artists, and charities that have been part of our lives. We look forward to seeing you all online! ■

Learn more about our charities and find out how to become a sponsor at: accj.or.jp/charityball
Sponsorship deadline: November 20

DIGITAL DIAGNOSTICS

Industry association turns to
virtual tech for annual event

By David Cortez



PHOTO: ARNAUD SARNIGUET/BOOMACHINE

The American Medical Device and Diagnostics Manufacturers' Association (AMDD), which is supported by many American Chamber of Commerce in Japan (ACCJ) member companies, held its Extraordinary General Meeting on September 14, but this year the event was entirely virtual. It seemed like an obvious decision as there are few industries more interested in acting responsibly during a pandemic than healthcare.

"We normally use our events as an opportunity to have special guests and provide a networking space for our members," said Makoto Kawai, the director of government affairs at Zimmer Biomet G.K. who also serves as head of the AMDD's Public Affairs Committee as well as vice-chair of the ACCJ Medical Devices and Diagnostics Subcommittee. "But this year, because we are part of the healthcare industry, it was important for us not to take any risk of spreading the virus and to set a good example."

Frustrated by some of the limitations of the usual online platforms, the AMDD opted for the services of Bespoke Live. The recently launched virtual event-planning service—jointly developed by ACCJ member Parthenon Japan Company Ltd., a strategic communications agency, and integrated creative agency Boomachine Inc.—represents a deeper shift in the future of business gatherings amid the current wave of advancements in communications technology.

VIRTUAL SOLUTION

The founders of the Bespoke Live brand, Parker J. Allen and Marc-Antoine Astier, recall having conversations with clients and colleagues about the flaws in products such as Zoom which led them to create a service that could tackle the kind of interactivity and quality the AMDD needed for its event.

"With the pandemic, there has been almost zero networking," said Kawai. "There is, of course, a move to hosting many discussions online, but the networking opportunities are not really a part of such events. The technology to completely recreate the feel and benefits of a traditional conference was something I was looking for."

Astier, who has a background in producing live events and popular YouTube series, manages the video and tech at Bespoke Live. For the AMDD event, he and his team filmed



DR. YASUHIRO SUZUKI
Former chief medical
and global health officer
Ministry of Health, Labour and Welfare



KAZUYA OGAWA
Chairperson, AMDD
President
Zimmer Biomet G.K.



MAKOTO KAWAI
Director of government affairs
Zimmer Biomet G.K.
Vice-chair, ACCJ Medical Devices
and Diagnostics Subcommittee

the speeches and interviews using top-grade equipment at a livestream-capable recording studio in Tokyo's Akihabara district. The content was to be used for the event's main video feed. They combined this with another new platform, Remo, for the interactive aspects of the event. Remo facilitates "all the in-between conversations" by using a digital conference room that allows participants to have side chats and move among virtual tables. It also provides live polling and question-and-answer features.

As many government officials were set to attend the AMDD event, Kawai said he was eager to facilitate a legitimate virtual networking opportunity for important discussions on healthcare.

"When I shared with the government health officers what was possible, they were very interested in the opportunity," he explained. "They are hungry to get the chance to casually exchange views with the medical industry."

We should also be proactively making investments in telemedicine and swifter information sharing technology.

FUTURE MEDICINE

The AMDD's general meeting was attended by 200 business leaders and participating officials in the healthcare and medical devices industries. They participated in a discussion with Dr. Yasuhiro Suzuki, former chief medical and global health officer for the Ministry of Health, Labour and Welfare, which was streamed to 72 virtual tables of four virtually "seated" attendees.

Suzuki delivered the keynote speech, entitled Novel Coronavirus and Future Medicine, in front of a well-lit white backdrop and surrounded by three cinematic cameras with switchers and top-level audio equipment, before being interviewed



PHOTO: C. BRIAN JONES

Wearables can help monitor physical condition.

by AMDD Chairperson and Zimmer Biomet G.K. President Kazuya Ogawa in the same studio setting.

Beyond sharing his thoughts on the initial spread of the virus, and data about why Japan's aging population has lower mortality rates compared with those of other nations, Suzuki had a lot to say about the lessons learned from the outbreak and what he believes is needed for the future. "There are some things that we know will be avoidable next

time something like this happens, like making sure that our access to protective gear is more diversified and better stockpiled, rather than relying heavily on importing from other countries," he said. "But we should also be proactively making investments in telemedicine and swifter information sharing technology, as these are the things that will really make a difference in our response capability," he added, referring to online doctor-patient screenings and a more modern way for national and local medical facilities to communicate.

"That means no more fax machines," said Suzuki, commenting on the criticism of sluggish data sharing that Japan



PHOTO: ARNAUD SARRIGUET/ROOMACHINE

Dr. Suzuki (left) and Ogawa participating in the virtual networking session.

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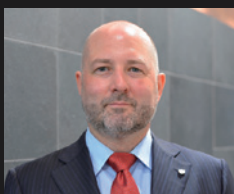


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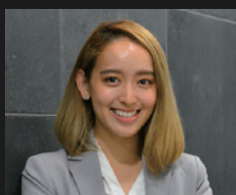
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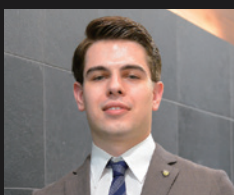
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LUKE EYES
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SHIN NAGAMINE
Associate Consultant

is known for—a sentiment shared by Taro Kono, the minister in charge of administrative reform in Japanese Prime Minister Yoshihide Suga's Cabinet, who expanded his crusade against *hanko* (personal seals) to the fax machine on September 25.

Ogawa was quick to agree. “This is where we see the medical device industry being a strong partner with the government's health agenda,” he said. “The future of medical data is related to digital platforms, not only to limit unnecessary physical interaction, but for exponentially increasing the speed of information sharing.”

When asked by a participant from Edwards Lifesciences Ltd. if we will ever be able to go back to the pre-Covid normal, Suzuki was optimistic that we will eventually attenuate the virus through vaccines and other measures, but said that “wearing masks and practicing higher sanitation will likely continue.”

TECH AND THE NEW NORMAL

Expanding on post-pandemic life, Suzuki and Ogawa both advocated for a future that is less focused on short interactions with a doctor, which tend only to reveal small slices of a patient's overall health, and more on sustained monitoring of a person's physiological data for long stretches of time through the use of wearable devices.

“In future healthcare, the kind of immediacy that such devices would provide is very necessary. We imagine a future where patients or citizens will be told when they need to go to a professional, or when a professional should come to them,” said Ogawa.

That the two speakers called for further use of technology while speaking virtually to the AMDD membership was significant, both for the healthcare implications and adoption of communications technology. During the proceedings, Bespoke provided live simultaneous interpretation in English and Japanese, while the Remo digital networking platform allowed guest speakers to drop by the virtual tables for an authentic networking experience—something that has been sorely missed in these online professional settings.

“It was amazing to have the real feeling of a conference and the dialogue we wanted in order to have a good discussion,” said Suzuki. “It was different at first, and there were some minor technical difficulties, but I was very pleased with the event.”

It was amazing to have the real feeling of a conference and the dialogue we wanted in order to have a good discussion.



PHOTO: ARNAUD SARINQUET/ROOMACHINE

Bespoke Live used the Remo platform to manage virtual tables.

EVOLVING TOOLS

Allen and Astier agreed that, as with any newly emerging technology and services, there is room for improvement in integrating all the platforms and devices needed to pull off such an event. It was occasionally necessary to scramble and fix a few behind-the-scenes issues.

“These things are to be expected with anything live,” said Astier. “The unique combination of technology is so new that the key is to learn each time you do an event to keep making the service better.”

If a slight unfamiliarity of such an experience can be felt by Astier, then seeing several of the participants not know exactly what to do at certain moments made it all the

more clear that users and attendees were also exploring new territory, and that growing with the technology is part of everyone's new normal.

Still, the AMDD general meeting can be seen as a milestone for the industry and its relationship with technology. The achievement speaks to the importance of the kind of digital advocacy that government and industry leaders are pushing as a result of the pandemic.

Kawai speaks highly of the fact that the AMDD was able to use new technology for its event, despite the current strained economic landscape and restrictions on social interaction. “We wanted our organization to be seen showing and using new ways to communicate and collaborate,” he said. “We believe that healthcare is very close to IT these days, and we wanted to keep this relationship going, especially in the current situation.”

The courage to use new technology is really the takeaway from the AMDD event, proving that the future of healthcare is likely a digital one. ■



PARKER J. ALLEN
Co-founder
Bespoke Live



MARC-ANTOINE ASTIER
Co-founder
Bespoke Live

A portrait of James Feliciano, a man with a beard and short dark hair, wearing a dark blue blazer over a light blue checkered shirt. He is sitting and looking towards the camera with a slight smile. The background is a blurred cityscape.

PHARMA FOR ALL

AbbVie's James Feliciano on building a strong and innovative corporate culture

By C Bryan Jones

When AbbVie G.K. President and American Chamber of Commerce in Japan (ACCJ) Governor James Feliciano took the reins of the young pharmaceutical company in 2016, he set into motion a 5-Year Focus that would help guide growth at a crucial time. The results speak for themselves. Today, AbbVie is among the world's leading players in pharma and has steadily climbed the ladder of great places to work. One year after *The ACCJ Journal* sat down with Feliciano to learn about the initiative, we catch up with him again as the 5-Year Focus winds down—amid the coronavirus pandemic—to find out what the company has learned and where the path to 2025 is leading.

Tell me about the 5-Year Focus.

This strategic plan, which we launched in 2016, has been all about how you bring together existing initiatives and priorities to create a framework that allows people to understand what the company is aiming for and around which we can communicate. Often, you're having tremendous success and moving forward as an organization, but you don't have the framework to track and record that success. The 5-Year Focus allowed us to decide what our priorities were going to be and to track our progress towards those goals.

We had two pillars:

- Business growth
- Employee engagement

A lot of the business growth focus was around internally improving our capabilities and the processes, frameworks, and systems we were using to capture and record information. Also how we set key performance indicators and create brand teams—all the nuts and bolts of being a successful business.

We knew that we were going to be launching multiple products every year, so we needed better processes for taking the learnings from previous launches and applying those so that we don't keep reinventing the wheel every time.

Employee engagement was about building the culture to do this. As a new company—we were spun off from Abbott Laboratories in 2013—how do we build the culture and grow very rapidly at the same time? In 2016, we had a team of about 1,000. Now, we're well over 1,250 and, if you include contractors, who I consider part of the team, the number is much bigger. How do you grow so quickly while still building that culture and sense that we're creating something together?

Over the course of five years, we have launched many new products and businesses—including our oncology business—and our sales have increased by 50 percent over that period. We had a goal of being a top-20 pharma company by 2020, but we achieved that in 2018. At one point, we had the number-one-selling pharmaceutical drug in Japan for the full year. It was the first time for the organization—and for me professionally—to achieve that. It shows how we're really having an amazing impact on patients' lives.

On the employee engagement side, we also created a strong employee value proposition that everyone in the organization believes in. This includes putting structures around work-life balance and creating a new office that is based on a work anytime, anywhere—or activity-based—model.

We created a system called “My Journey, My Choice” that gives employees a lot of flexibility, and we launched “Dress for Your Day,” which allows you to wear what you want and be who you want to be. Plus, in August, we announced that all LGBT and non-married partners in the AbbVie family now receive the same benefits and recognition as married couples. We are really working on diversity and inclusion in the organization.

Over the past five years, we’ve created this really strong base on which to build, and some of the metrics we’ve seen really reflect the success. In 2016, we were ranked 24th in Japan by the Great Place to Work Institute. This year, we placed 11th—and we’re the highest-ranked pharmaceutical company.

During this time, we’ve become the largest affiliate for AbbVie outside the United States, and our retention rate—the number of employees we keep—has improved dramatically.

We’re now in the low single digits in terms of annual turnover, so we’re hiring and keeping really good people. That’s a metric that we look at every month.

A big part of this is the office, which has really changed. We sit where we want, we go where we want. You don’t just sit in your department. At our previous office, we had about 650 people spread across five fragmented offices on different floors. Sometimes you would never see certain people. Now we all mix with each other.

We’re going to have reasonable rules around how we do our jobs, and we’re going to give a lot of responsibility and accountability to the employees.

We also have a really strong training program, and we spend a lot of time training all our people managers how to give feedback, to coach, and to drive engagement in the organization. These are now clear expectations of people managers. We’re all building this company together and we’re going to become the best company in Japan.

What is the path to 2025?

As we look towards the next five years, how do we take the base we have built and become great? Our goal is to become the best company in Japan as measured by Great Place to Work. We want our employees to be proud to be here and of the job we’re doing. We want them to be proud that we are contributing to society, that we’re bringing cutting-edge innovation and science to patients, that the healthcare professionals we interact with respect and trust us, that we have the patient and their needs in mind and in our heart first, and that we are a company where you can be you—from an LGBT or any sort of personal perspective.

And then, as a pharmaceutical company, there’s the heart of what we’re going to be doing: creating and developing innovative medicines to bring more smiles to patients in need. Right now, we have 80 clinical trials ongoing in Japan. We have one of the most robust pipelines in the industry. AbbVie now ranks as a top-five pharmaceutical company globally, so it’s time for us to be not only a pharma leader in Japan, but also a

global corporate leader. That’s our goal—to step up, to take that challenge and responsibility as an organization, and really contribute. We want to be a place where everyone enjoys working and where people want to come work.

What lies ahead in terms of medicines and treatments?

In immunology, we have the best portfolio and our goal is to be recognized as the undisputed number-one leader in the field, the partner of choice with a portfolio that meets the needs of many to most patients. Every therapy that a patient chooses is a discussion between them and their doctor—so it’s about choosing the right therapy for them. Our goal is to have as many options as possible that could potentially be one of those choices. And I think our portfolio certainly is that. We are definitely leaders in immunology, and we are the undisputed leaders in treatment of hepatitis C. Our goal over the next five years is to eliminate hepatitis C from Japan.

We are now launching our oncology business, and we’re looking to be the number-one hematological oncology partner.

We just did an acquisition on a global basis of Allergan, which, on the pharmaceutical side, has a very strong neuroscience portfolio focusing on things such as migraine

headache, for which there is a lot of medical need in Japan. Our goal is to bring a lot of that neuroscience pipeline to Japanese patients over the next five years.

How has the pandemic impacted the office?

Covid-19 has changed the office environment a bit. About 30 percent of employees are back to the office at any time during the week, but on a given day it’s about 15 percent. People are coming in when they need to, but we still have a very large percentage who are working fully from home. Return to the office is increasing every week, and it’s something that we’re tracking very closely. I think we’re starting to get a level of comfort, but, certainly, as an organization, we’re not demanding that anyone come into the office. We’re still without a vaccine, and there are crowded trains and long commutes. So, safety first: work from home as much as you need to. But the office is open, it’s viable, people are working here, and we’re starting to see a resurgence.

[Digital] will allow us to be more efficient because our teams don’t need to travel around the country all the time.



Has the corporate culture been affected?

Every year we hold a series of town hall meetings. In January, we have an all-employee meeting in Tokyo at which we gather the whole company. Then, in June and July, the management team goes to 12 to 15 locations around Japan for smaller sessions with people in their area. This year, obviously, we could not do the town hall meetings in a live setting; we had to do them virtually.

Using Zoom, we were able not only to get everyone together online, but also to do what we always do: have breakout sessions. People went into groups of four or five people, because we're trying to get feedback from the entire organization on what our priorities should be for Project 2025. We don't just have the management team go in the back room, we try to really get a bottom-up view so that when everyone sees this next five-year plan they say: "Yes, I remember that, I remember talking about it. Oh wow, my ideas—our ideas—are really included in that. We're all building this together."

We've found that two-way interaction works well with this technology and we have lots of opportunities for people to send in questions and then go into those breakout rooms. We didn't simply one-way deliver, where we, as management, just talk. There's a certain amount of that, of course, in terms of giving our updates, but we're also looking for feedback and to get people involved. I think that's what makes it valuable for everyone.

When we looked at our surveys following the town hall meetings—of course, we had about 98 percent of people complete the survey—more than 95 percent felt it was a meaningful two hours, and they understood what we are doing and walked away feeling motivated and informed about where the company is right now.

Everyone knows this is not an ideal situation, but if you put your heart into it—and people are genuine and try, and there's engagement—even when you're on a virtual system it can work.

Has the pandemic impacted strategy and operations?

Overall, the business has suffered a little bit. But there are two aspects when you talk about pharmaceutical products. One is that patients who are on treatment aren't switching as much, because they're not going to the doctor and are staying on their current medication. The other is interaction with doctors.

When it comes to clinical trials, we are part of global efforts. In general, we continue to move forward, although there have been some slight delays with the clinical trial portfolio development. But we're seeing that start to pick up again. I think Japan has done a good job with how they've managed Covid-19, and how the hospitals put people on a very separate track if they have symptoms. So, we're seeing things improve.

One area where we saw a big drop—but that is starting to return—is the ability of our sales reps to meet with doctors in the hospital. Especially at the peak of the pandemic, we did not want

our reps to be any sort of burden on the hospital system. So, we pulled back completely from visiting. We're now going back, but only on an appointment basis. Thankfully, when you have new products, doctors want to see you. So, we're seeing an increase in our interactions with them.

We've also moved more to digital. We're doing online meetings, symposia, and peer-to-peer events with a lot of success. That speaks to the portfolio, because doctors want to talk about innovation, and they want to understand the new data. We have a lot of new things to talk about with them.

All that being said, our overall interaction with doctors has definitely declined, but that's been industry wide, and we're about on par with the industry.

Are doctors in Japan adapting to virtual interactions?

Yes. I think that's been one of the silver linings of the pandemic experience. Doctors are feeling more comfortable with this

**Our biggest issue remains the same:
How will the Japanese government
recognize and reward innovation?**



medium and are interacting with sales reps and medical science liaisons through this digital format, which is great. As we're launching more and more new products, it will allow us to be more efficient because our teams don't need to travel around the country all the time. They can be more centrally located and use this format to interact with doctors—especially those in more rural areas. It also allows us to be more real-time. We're hopeful that this will be the genesis of a new way of interacting with doctors.

How might Covid-19 change healthcare?

Clearly this is going to make the Japanese healthcare system look at digital as a viable option. How do you remotely diagnose? How do you remotely treat? I had the experience in the United States, when I was home for Christmas, of having an online consultation, and then having the doctor send the prescription to a local pharmacy. I never had to go into the clinic.

That kind of telemedicine is not as developed here in Japan, but I think now, through this experience with coronavirus, we have to see it as an option. We go into hospitals and doctor offices now and there are incredibly long lines and waiting. Telemedicine should be an option in Japan. It needs to be seriously considered and reimbursed more broadly.

I think this experience has proven that there is a workaround. If you're sick, it's better to stay home. And if there's a way to interact with the doctor through a telemedicine-type portal, that's much better. If you have influenza, or you're feeling terrible, the last thing you want to do is get out of bed and go to a doctor's office. The Japanese government really needs to look at this moment and say, "Okay, how can we digitize this more?" It lowers the burden for everybody, it lowers the risk to society in general. You don't want sick people walking around; you want them to stay home.

What are the biggest challenges beyond Covid-19?

For pharmaceuticals, our biggest issue remains the same: How will the Japanese government recognize and reward innovation? That's always been the issue. When you look at the sustainability of the healthcare system in Japan, over the past five years, 75 percent of targeted social security system savings were generated by price cuts to pharmaceuticals. This is no longer a sustainable policy direction. We need to address the underlying causes of increasing healthcare expenditure, taking a holistic approach to generating savings—doing things such as expanding the use of telemedicine and reducing unnecessarily long hospitalizations—all around delivering care more effectively and efficiently.

But how innovation is going to continue to be recognized and rewarded is important. Right now, the transparency and predictability around the Japanese reimbursement system is becoming more and more cloudy. It's a challenge because we have long runways to develop our pipelines. We have to conduct very extensive clinical trials to get approval in Japan. For many products, the rules are such that we don't know—at approval, five years from now—how that product is going to be recognized and reimbursed.

As an industry, pharma is bringing a lot of amazing innovation to Japan, and we want to continue to do that. Our goal is to have a seat at the table. We want to work proactively with the Japanese government to create a system that is sustainable. We want to have those conversations.



We all want this healthcare system to be sustainable, and we all want Japan to have the best healthcare system in the world, for Japanese patients to have access to the most cutting-edge, innovative technology.

How can the ACCJ help?

On a number of levels, I think the ACCJ's leadership is both necessary and incredibly fruitful.

You look at the priorities of the chamber and you see the Healthcare and Retirement pillar. The healthcare and financial services industries are coming together to create very forward-looking proposals for how we can potentially unlock value in the financial services sector, as well as drive innovation in the healthcare sector to create that long-term sustainability that matches the demographics of Japan. Bringing these two industries together to have a shared platform is something only the ACCJ can do.

With our access to the Embassy of the United States, Tokyo and the US government—and as we look towards the next round of trade talks with Japan—we hope to have a broader discussion about these issues. Through the hard work we're doing right now—especially in terms of the Healthcare and Retirement pillar, and within the F500 CEO Advisory Council—we've had lots of interactions with some very influential decision-makers and thought leaders in the government. We get that access to have those conversations thanks to the ACCJ, and it's wrapped in a format that has a seal of approval.

The next initiative for the chamber is around digital, and how we can help Japan take that next step. A big part of that is how we identify digital opportunities and leverage those for healthcare. Japan has a great sense for data collection. We have a very centralized healthcare system that lends itself well to the consolidation of electronic healthcare data. If properly consolidated, the potential impact of using this data to develop better treatment algorithms—and to find the best paths forward for patients—is huge.

I always like to say that pharmaceuticals are not the end all and be all. We're not the silver bullet. There's everything around diet, exercise, and lifestyle—as well as all the other interventions we can make, in addition to the right treatment at the right time for the right patient—that creates a healthy society. Japan has tremendous opportunity to leverage data in a meaningful way to truly become global leaders in terms of providing a world-class healthcare system. ■

REAL ESTATE RETHINK

Will the virus force change in Tokyo's prime office market?

By Malcolm Foster



Servcorp's space in the Marunouchi Nijubashi Building

The dramatic shift to remote work prompted by Covid-19 raises huge questions for Tokyo's lucrative office market. Will we see a mass exodus of tenants? Will major downtown developments be put on hold? Could this also spur, at long last, the spread of company operations out of the city center to the suburbs and neighboring prefectures? What are offices for anyway?

Already, Fujitsu Limited has announced that it will halve its office space over the next three years. Grade A Tokyo office vacancy rates, which fell to near historic lows earlier this year, are starting to inch higher and rental rates have begun to plateau.

Global real estate broker Jones Lang LaSalle IP, Inc. (JLL), whose clients are primarily multinational companies, told *The ACCJ Journal* that it is receiving a flood of inquiries about how they might reduce rental space and costs. "We're seeing the large majority of our tenants saying, 'Hey, look, how do we save? What can we do to reduce occupancy costs in this market?'" explained Chris Buhrman, manager of tenant services at JLL.

Among Japanese companies, the same thing is happening with restaurants and retailers downtown, and to a lesser degree office tenants, said Kentaro Suzuki, a manager from the leasing and tenant relations department at Mitsubishi Estate Co., Ltd, one of Japan's biggest developers. The company owns major office properties in the Marunouchi and Otemachi areas near Tokyo Station, the most expensive part of Tokyo.

"The coronavirus has prompted businesses to take a hard look at what are the best, most cost-effective, and flexible options for offices," Suzuki said. "The traditional pattern of everyone coming to the central office will change."



CHRIS BUHRMAN
Manager of tenant services
Jones Lang LaSalle IP, Inc.



MASA YAMAMOTO
Senior manager, corporate communications
Mori Building Co., Ltd.

RETHINK EVERYTHING

Companies are taking a big step back to re-evaluate the purpose of their workplaces and their need for office space in the city, according to landlords, property brokers, analysts, and temporary office providers interviewed by *The ACCJ Journal*. “It’s created an opportunity for companies to reassess their space and shed some traditions,” said Buhrman. “It’s a hard reset.”

In less than six months, the pandemic has obliterated the traditional assumption—ingrained in Japan since the end of World War II—that staff must gather at a central office every weekday to do their work, often until late at night. Employees have found they can work from home, and companies have recognized that embracing workplace flexibility is a positive thing that can actually help them adapt to crises.

Meanwhile, corporate satellite offices and the use of temporary or shared workspaces offered by WeWork Companies Inc., Servcorp Limited, and others have become more common—a trend that’s here to stay, the experts agreed. While working from home has its perks, such as more freedom and personal time, and no commutes on crowded trains, it has also proved cramped and stressful, because most Japanese homes are small. Some employees have felt more productive at home, but others have felt isolated.

“More people are likely to work remotely in the future. However, I don’t necessarily see them doing it from home,” said Warren Pohl, Servcorp’s marketing manager. “Flexible workspace will take on greater importance as hubs for people to innovate, collaborate, and be productive.”

Given all the changes afoot, tenants of properties owned by major developer Mitsui Fudosan Co., Ltd. are flocking to the landlord for advice on workplace flexibility, saying they want to “rethink everything from scratch,” Chief Executive Officer Masanobu Komoda told the *Nikkei* newspaper in August.

OBSOLETE?

Is the office in central Tokyo becoming obsolete? No, it will remain an important hub for most major companies, but its function will likely change, industry experts said.

It will be less a place to get desk work done and probably serve more as a gathering spot for colleagues to brainstorm or cooperate on team projects, as well as a location to meet with customers or potential clients in person, a practice that is especially important in Japan.

Companies also need a place to nurture their corporate culture and train new recruits, both of which are extremely difficult—if not impossible—to do remotely.

Flexible workspace will take on greater importance as hubs for people to innovate, collaborate and be productive.

“Ultimately, we will still need offices—somewhere people can go to collaborate, share their corporate culture, where they can learn from each other, that sort of casual learning that takes place beside the water cooler. You don’t get that through online video calls,” said Gordon Hatton, vice president of Asia-Pacific development at Pembroke, which developed the Tri-Seven Roppongi office building.

Head offices may become smaller in the future, because it’s unlikely all employees will be coming in to work at the same time. “What we’re seeing with Covid-19 is that firms are exploring giving back space,” Buhrman said.

For example, a company with 100 employees, half of whom are sales staff, may only need space for 75 in a free-seating arrangement, or 85 to account for an increase at any given time,

he explained. File cabinets and lockers are placed along the sides of the room, and an overflow space, such as a coffee area with some sofas and tables, could be built into the design.

A survey in May by real estate services company CBRE Group, Inc. found that 23 percent of respondents said they had discussed, or were planning to discuss, concessions with landlords, with most asking for rental reductions.

WORKPLACE OPTIONS

The three-point structure that is taking shape—working from home, the office, and either a shared or satellite space—will be the way of the future, industry insiders said.



WARREN POHL
Marketing manager
Servcorp



Tri-Seven Roppongi, developed by Pembroke



Shared workspaces offer work-outside options with proper social distancing.

“Having flexible workstyles doesn’t mean having no office,” said Kumiko Hidaka, vice president of public affairs at WeWork, where inquiries about its temporary offices across Japan have nearly quadrupled during the third quarter compared with the previous quarter.

“The primary locations for work are going to be the office, home, and a third location with all the amenities of an office.”

And this third option may not be one place, but various workspaces scattered around the city. WeWork, for example, has 26 locations in Tokyo. Similar to a gym membership, members pay a monthly fee to access facilities at their convenience, Hidaka said.

In these uncertain times, that flexibility is appealing. “Right now, it’s a hard time to say, ‘I’m going to commit to a brand-new office space for five years.’ So that flexibility factor is coming more to the forefront, which has been a big tailwind for us,” Hidaka said.

Other options are emerging. Servcorp has seen demand jump for its “Virtual Office,” which gives customers a coveted prime downtown Tokyo business address that they can register, along with a variety of communications services as well as IT and secretarial support—even if they are working from home.

“It gives clients everything that a real office does, but without the private office space itself. Instead of this, clients can utilize our co-working spaces for three hours a day and access quality meeting rooms,” said Pohl. “It fits like a glove for these Covid-19 times, allowing clients to operate remotely but still access physical space when they need to and function as a professional outfit.”

CENTRAL LOCATION

This changing office landscape will force shifts in business strategy at Japan’s big developers, such as Mitsubishi Estate, Mitsui Fudosan, and Mori Building Co., Ltd., that control the prime office buildings in central Tokyo.

Mitsubishi Estate, for example, plans to offer more services in smaller flexible office spaces, said Suzuki. “Work will move toward splitting up between three locations,” he said. “Having that kind of flexibility will make us more competitive.”

Suzuki and others interviewed predict that demand for office space in Tokyo’s main business districts will likely soften over the next couple years, but not dramatically. Over the long haul,

the city’s office market will remain fairly strong for a mixture of practical and philosophical reasons.

In addition to the need for a central hub at which to meet clients, gather with colleagues, and nurture corporate culture, the geographic centrality of downtown Tokyo makes it the most convenient gathering spot for employees living all over the city and in surrounding bedroom communities.

“If your company employs only people living in Yokohama, then you can just set up a satellite office in Yokohama and be done with it,” said Hiroshi Okubo, head of research at CBRE. “But when you have employees scattered all around, which is generally the case, the cross point really is central Tokyo.”

HURDLES

Even if tenants want to reduce space or terminate leases, there are numerous hurdles that make such moves difficult in Tokyo—another reason the market isn’t likely to collapse.

For one, newer buildings usually have fixed-term contracts, lasting three to six years, that cannot be broken, unlike traditional two-year automatic renewal contracts, which allow for termination with six months’ notice. If tenants do break fixed-term leases, they are obligated to pay the rent for the remaining period of the contract, which can make a move cost-prohibitive.

OBSTACLES TO CHANGE

Rules and restrictions in Tokyo make downsizing or exiting space here harder and costlier than in other property markets. These include:

Subleasing

In Tokyo, in most cases, tenants cannot sublet their space, as is more common in New York, which would allow them to recoup some costs if they wanted to downsize.

Fit-out Costs

Occupiers in Japan also need to pay all their own fit-out costs, such as internal office construction—walls and meeting rooms as well as furniture—and Tokyo has the highest such costs in the Asia-Pacific region. In the United States, tenants typically get help with such investment from the landlord. Sometimes Japanese landlords will help to fill their space.

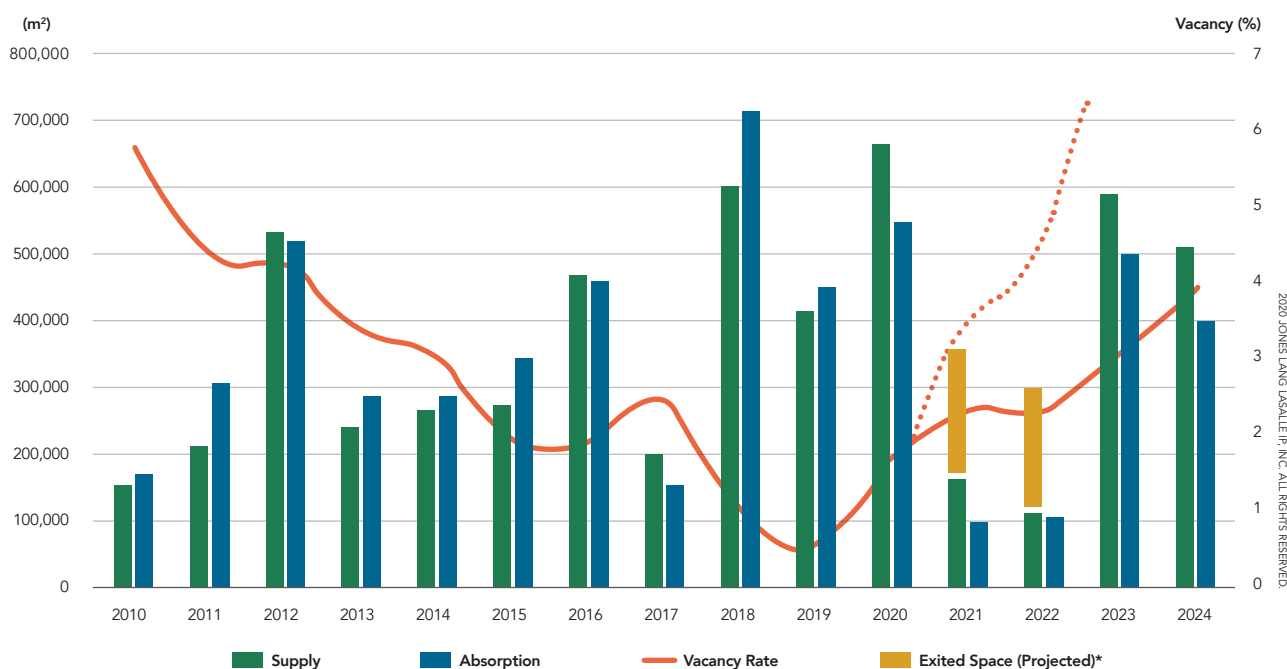
White Boxing

When they leave, tenants in Tokyo must return their office space to the original “white box” condition—or the minimal interior layout. In the US office property market, this is typically negotiated.

Security Deposits

Standard security deposits in Japan are 12 months’ rent, which is forfeited if the occupier wants to break the lease. In the United States, deposits are typically smaller and negotiable.

Grade A Supply, Absorption and Vacancy Rate in Tokyo



On the flip side, Japanese landlords generally don't raise rents sharply when tenants renew leases, even in a tight market, Buhrman said. "In New York, if the vacancy rate was less than one percent, as it has been in Tokyo, landlords would raise rent increases much more aggressively."

Other rules and restrictions in Tokyo make downsizing or exiting space harder and costlier than in other property markets such as New York, added Buhrman, who has worked in both cities.

Examining numerous options recently with a client who wanted to downsize their Tokyo office, he concluded that the most cost-effective option was simply to stay put and to reassess after the pandemic subsides.

HOT MARKET

Before Covid-19 struck, the Tokyo office market was the hottest it had been in more than a decade, since around the time of the 2007–08 global financial crisis. The market was easily able to absorb more than one million square meters of new Grade A office supply built in 2018 and 2019 combined in the five central wards of Chiyoda, Minato, Chuo, Shibuya, and Shinjuku.

The three-point structure that is taking shape—working from home, the office, and either a shared or satellite space—will be the way of the future.

The vacancy rate for Grade A office spaces in Tokyo—newer, taller buildings with bigger floor spaces, higher ceilings, and close proximity to train or subway stations—fell to a near-historic low of 0.7 percent in the first quarter, CBRE data shows. Average rents had risen to ¥39,000 per *tsubo* (¥11,800 per square meter) in the same period, the highest since early 2009. Now

both those rates have just started to soften.

When the coronavirus began to spread, the voracious appetite for office property among multinational companies suddenly vanished, Buhrman said. "The entire scope of the market went

from, 'What's in the market, we want new space, we want to expand,' to 'How do we cut costs, get out of this space, and start saving some money? What's our flexibility in this process?'" he explained. "Or it's a wait-and-see attitude, and it's been that way now for about six months."

BUMPER CROP

The immediate outlook for new office supply looks manageable, but longer-term that's less certain, analysts and market players said.

About 660,000 square meters of Grade A space is expected to be added this year, most of which tenants have pre-committed to.



MASANOBU KOMODA
Chief executive officer
Mitsui Fudosan



GORDON HATTON
Vice president of Asia-Pacific development
Pembroke

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14F, Hibiya Central Building
21F, Shiodome Shibarikyu Building
18F, Yebisu Garden Place Tower

32F, Shinjuku Nomura Building
8F, Nittochi Nishi-Shinjuku Building
11F, Aoyama Palacio Tower
27F, Shiroyama Trust Tower, Toranomom
27F, Tokyo Sankei Building, Otemachi
7F, Nihonbashi Wakamatsu Building
45F, Ikebukuro Sunshine 60
9F, Ariake Frontier Building Tower B

10F, Yokohama Huli Minato Mirai
18F & 19F, Umeda Hilton Plaza West
7F, Shinsaibashi/Honmachi Minami Garden
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KUMIKO HIDAKA
Vice president of public affairs
WeWork



HIROSHI OKUBO
Head of research
CBRE

In 2021 and 2022, new office supply will be much lower than in past years—about 280,000 square meters combined, according to JLL data, including one of Mitsubishi Estate's projects in the Tokiwabashi district, near Tokyo Station.

The big question now is whether there will be enough demand for the bumper crop of new buildings scheduled for completion between 2023 and 2025. These include JR East's Shinagawa Station Kita development, the rebuilding of Nomura Securities' headquarters in Nihonbashi by Mitsui Fudosan and Nomura Real Estate, and two major Mori Building projects: the Toranomon-Azabudai development and Toranomon Hills Station Tower.

Developers have yet to find occupiers for nearly all that space. Some of those projects may get delayed by as much as a year, but most likely not beyond that, Okubo said.

Masa Yamamoto, senior manager of corporate communications at Mori Building Co., Ltd. said that the developer's view of the situation remains unchanged.

In June, he told *The ACCJ Journal* that "it is difficult to accurately forecast the future

effects of Covid-19, but, so far, there has been no effect on the construction schedules of our urban redevelopment projects, including the Toranomon-Azabudai Project."

Still, Okubo believes that developers won't have much trouble filling that surge of new Grade A supply because there has been a "flight to quality" ever since the Great East Japan Earthquake and Tsunami of March 11, 2011, which caused tenants to value the latest state-of-the-art construction. "As far as Grade A prime buildings are concerned, the situation is still more or less build it and they will come," he said.

However, landlords of slightly older office buildings may suffer because they'll lose tenants to the new buildings, he said.

Tokyo also remains a vital hub in Asia and may benefit from companies that want to leave Hong Kong amid civil unrest and the encroaching control of mainland China. "Where will they relocate? Japan is trying to put its flag down as the place to go," said Buhrman. "Stability-wise, Japan has a lot to offer, and international employees love to work here."

LESS THAN LEHMAN

Overall, Okubo believes the Tokyo market will suffer less from the pandemic than it did a decade ago in the aftermath of the global financial crisis, or Lehman shock as it is called here, when rents tumbled about 40 percent between 2008 to 2010.

During that crisis, it was predominantly financial institutions—which occupy a lot of centrally located office space—that were hit hard. "This time around, they aren't hurt that badly," Okubo

said. "The sectors hurt the most are tourism, retail, and wholesale, which account for a relatively small share of office space. That's why

we think this time it's going to be relatively moderate."

CBRE predicts that the Tokyo Grade A vacancy rate will rise to 3.4 percent in 2023—still quite low, and far below the 10 percent vacancy rate of 2012.

Office markets in other big Japanese cities are also expected to remain fairly resilient, because the supply of new office space is limited. "In Osaka, the standard for a long time was that people couldn't move," said JLL's Buhrman. "There's pent up demand but nowhere to go. There's no new space and rents still haven't come down."

Over the long haul, Tokyo's downtown office market will remain fairly strong for a mixture of practical and philosophical reasons.



Mitsubishi Estate's Tokyo Torch Tower will be at a prime location near Tokyo Station.

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PULLING OUT

JLL sees Tokyo's Grade A vacancy rate climbing to four percent by 2024, but warns that it could easily go higher if the economy slides into recession and companies aggressively give back office space.

For example, if 20 percent of Grade A tenants reduce their floor space by just one-tenth in 2021 and 2022, that would release about 200,000 square meters into the market each year, which could lift the vacancy rate to about six percent in 2023, Buhrman estimates.

Already, four deals that Buhrman was working on this year have evaporated. These were new location leases that were in the final stages. "We were negotiating LOIs," or letters of intent, he said, but "all four potential tenants decided to pull out. So, all those new lease spaces are gone."

At the moment, Tokyo market fundamentals remain strong, and landlords aren't showing any flexibility in lowering rents, said Buhrman. "We are not aware of any tenant-landlord negotiations where the landlord has agreed to reduce rent. But if large scale vacancies do occur, and the vacant space is not backfilled with replacement tenants, landlords will be forced to discount rent."

If one landlord agrees to lower rent, "there's a chink in the armor," and others may come under pressure to follow, he added. If that happens, "it could create a domino effect, turning an extremely landlord-favorable market into an environment where tenants get some real power." He predicts rental growth will continue to slow over the next three years.

NEED MORE SPACE

Conversely, with the new emphasis on social distancing, some tenants may actually want to expand their office space instead of reduce it, developers and analysts said.

"There is a risk that we will see new outbreaks in the future, so companies need to create offices with social distancing factored in," said Mitsubishi Estate's Suzuki. "Companies may need desks for only about 80 percent of employees due to the introduction of work-from-home, but they may need to spread them out more."

In recent years, some companies have tried to squeeze more workers into smaller office spaces. Free seating, sometimes called "hot desking," and open layouts are becoming more popular, but sometimes that has led to closer quarters and less-quiet working space, said Pembroke's Hatton.

"When you look at the photographs, it looks really good—a lot of happy people sitting on sofas with their laptops," said Hatton. "But, in reality, one of them is on the phone, another is typing too loudly. So, some people are pushing for more space."

Instead of simply offering standard office space, landlords and brokers predict that the market will move toward custom-designed office setups. "There's no one answer" to changing office needs, said Suzuki. "It will depend on the company and industry. Increasingly, we'll see tailor-made office solutions."

Instead of simply offering standard office space, landlords and brokers predict that the market will move toward custom-designed office set-ups.

New Grade A space
(square meters)

2020

660,000

2021–2022

about 280,000

DECENTRALIZE

The adoption of teleworking—whether at home or in shared offices—will probably help companies to spread out their operations somewhat, the experts said. But they were skeptical that it would prompt companies based in Tokyo to uproot their headquarters and move to a different prefecture, something the government has been pushing for on occasion to revitalize outlying regions struggling with depopulation and dwindling jobs.

Okubo predicts more decentralization across Tokyo's 23 special wards, but not much beyond that. "Not all the companies are

going to be in Marunouchi and Yaezu, all these traditional office areas," he said. "But does it mean there will be more companies based in Shizuoka or Kamakura or Hokkaido, for example? I don't see that happening, primarily because government offices are downtown. You still have to be physically close to these guys."

Clients and competitors are also mostly in central Tokyo, and that proximity is important for networking and decision-making, Okubo said. "In Japan, it's still very much about Tokyo."

"The idea of a retreat to the suburbs or countryside is probably not going to happen," said Hatton. Instead, companies may move toward a distribution or "hub-and-spokes" structure in which satellite offices become bigger and more important while still collaborating with a slimmed-down headquarters downtown, Hatton and others said.

"We may see more of a web," Hatton said. "Satellite offices will probably evolve into something meaningful." A typical employee may spend a couple days each week at the headquarters and a couple at an outlying office, where they can interact with colleagues or focus on projects together.

"That way you're not compromising health and proprietary information security in a completely open workplace casually shared with other companies," he said. "I think there's going to be a lot of experimentation and companies will test what works and what doesn't." ■

SPEND YOUR WAY OUT OF CRISIS

PR and marketing experts say
commit assets now for benefit later

By Julian Ryall



In a time of economic crisis—and there is little getting away from the fact that’s exactly where we find ourselves at the moment—a company’s spending is almost always on the chopping block. The feeling is typically that it’s best to hang on to your human assets and reduce outlays in less-essential areas—and marketing is often a target.

For companies that rode out previous threats to their survival, such as the 2007 global economic crisis or the Great East Japan Earthquake and Tsunami of March 11, 2011, the temptation might be to once again batten down the hatches to get through the coronavirus pandemic. But marketing experts, backed by plenty of compelling statistics, say companies need to take the counterintuitive route and actually increase their advertising and marketing budgets.

The bottom line, they say, is that out of sight is out of mind—and that equates to being off the shopping list.

HISTORIC HARDSHIP

Debbie Howard, chair of market research agency CarterJMRN K.K. and a president emeritus of the American Chamber of Commerce in Japan (ACCJ), said the present situation is arguably worse than any similar crisis in living history, as it combines a public health emergency and a sharp economic contraction—the former causing the latter by forcing businesses to curb activity and people to reduce consumption. Governments then must attempt to mitigate the damage through hugely expensive support measures—and all this is happening on a global scale.

“When we were in the middle of the [2008] economic crisis, and then when the Tohoku earthquake hit in 2011, I thought things were bad,” she told *The ACCJ Journal*. “But this is much worse. It’s all of those things at the same time, and the duration is much longer.”

Inevitably, the situation has impacted various sectors to wildly differing degrees, with companies in travel and hospitality among the hardest hit, along with some retailers.

Kevin McAuliffe, president of consumer products company Newport Ltd., said many personal care, food, and car-



DEBBIE HOWARD
Chair of market research
CarterJMRN
President emeritus, ACCJ



KEVIN McAULIFFE
President of consumer products
Newport



MARKUS WINTER
Founder and co-CEO
Yuzu Kyodai

related items were largely unaffected by the Lehman shock, and it only took a week after the March 11 tragedy before sales had recovered.

“This time, all of Japan is impacted—Tokyo the hardest—and it has lasted much longer,” he said. “Here we are, six months after the lockdown, and there is still lower-than-expected consumer spending.”

While sales of some products slumped 80 percent at the outset of the crisis, and others are still down by about 50 percent, McAuliffe said online sales are faring well and the company has shifted to “more focused promotions and heavier use of social networking services.”

Under the circumstances, with people being urged to stay home, limit their interactions outside, and follow social distancing guidelines, it’s a sensible approach. McAuliffe added, “With more and more retail now occurring online, it is important to build brand recognition and keep your products in front of customers.”

TURN THE TABLES

Howard agrees this is a good start, and insists that a crisis can also be turned to a company’s advantage.

“If your business is down, it’s a trigger point to make a longer-term investment,” she said. “Marketing in the middle of a crisis is probably not going to have much effect in the short term, but you are reinforcing the foundations so that when business recovers, your curve of growth will be higher than your competitors. If you’ve been doing your marketing properly in a downturn, then your product or service is going to be at the forefront of consumer minds when things pick up.”

The figures support this philosophy. A recent article in *Harvard Business Review* stated that the Reckitt Benckiser Group, which is behind such brands as Clearasil, Air Wick, and Dettol, defied conventional wisdom by ramping up advertising outlays by 25 percent in the aftermath of the 2008 financial crash. Revenues rose eight percent and profits climbed 14 percent while rivals that had reduced advertising spending saw profits decline 10 percent or more.

Markus Winter, founder and co-CEO of brand strategy agency Yuzu Kyodai, agrees the pandemic can be an opportunity—as have past challenges.

“In March 2011, the effect of marketing translated into two ways. First was, How can my company be seen as responsible, as in doing our part for society? This usually took the form of corporate social responsibility campaigns, such as convenience store chains offering free shipments to affected areas and so on,” he said.

“Second—and most critical for food companies—was, How can I show that my products are safe? This was a lot about sourcing and creating stories of origin to show that a company did not source from Fukushima, for example.

“Interestingly, those two questions—How can I be seen as responsible? and How can I show my product or store is safe?—are coming back again right now with Covid-19.”

Winter points to examples, such as Zero Contact Delivery by Domino’s Pizza Japan, Inc. and Uber Eats, as well as Kura Sushi, Inc.’s move to equip all plates with plastic covers at their conveyor-belt sushi bars.

“People do notice these things,” he said. “A study found that people are twice as likely to opt for a place with proper countermeasures than for one where they feel less safe. It’s about showing that you are being responsible, which requires more than just the bare minimum of wearing masks and providing hand sanitizer.”

Similarly, innovations have made some brands hugely popular. Uniqlo Co., Ltd. adapting its AIRism breathable fabric technology to facemasks is one example.



With more and more retail now occurring online, it is important to build brand recognition and keep your products in front of customers.



PHOTO: C BRIAN JONES

LIFE.14's Tran shooting photos of ACCJ President Peter Fitzgerald for *The ACCJ Journal* at the Google offices in Shibuya.

CRISIS COMMS

Ashton Consulting Limited's Brendan Jennings made the point that, in a time of crisis, communications strategies cannot afford to be purely outward looking. As people are forced to work from home, companies must get critical messages across to employees to compensate for the loss of physical proximity.

"Employees and investors are the two groups probably most sensitive to uncertainty, and clear messages, effectively communicated—even when the news is bad—improves confidence in leadership and the company's ability to get through the downturn," he said. "Health, safety, and employee welfare have been the focus of communications for all our clients for many months, in a way that even the 2011 earthquake and nuclear disaster did not necessitate."

Global companies understand the urgency of crisis communications, Jennings said. "But where they may struggle is grasping and responding to the expectations of local-market audiences. Companies that perform well during a crisis share two important characteristics: they have invested in building a core group of communications professionals who understand local audience expectations and they make these people part of the management team shaping the company's crisis response strategy."

The business world has adapted "remarkably quickly" to life online, he added, but companies need to "keep improving

fluency with virtual tools and the emerging new business and cultural norms."

ADAPT AND PROMOTE

Antony Tran, president of visual production agency LIFE.14 Inc., said his company had to be nimble from the outset of the crisis as international summits and other events were canceled with little notice.

"We worked from home and took advantage of the extra time to develop new products and services, such as our Live Webinar Package and Virtual Tours, by brainstorming how our knowledge and technology can be helpful in this situation," he said. Promotion work shifted almost entirely online, but Tran was proactive in reaching out to potential collaborators, an approach that worked and brought in contracts from national television programs and a number of embassies.

Robert Heldt, president and co-founder of digital content creation and communication agency Custom Media KK, which publishes *The ACCJ Journal*, said the uncertainty surrounding the likely duration of the coronavirus pandemic makes it very challenging for businesses to plan their futures.

"But it is very important for companies to maintain marketing spend to ensure that they are communicating with and retaining loyal customers at the same time as reinforcing their core brand position," he said. "This also helps to maintain and



BRENDAN JENNINGS
Ashton Consulting



ANTONY TRAN
President
LIFE.14



ROBERT HELDT
President and co-founder
Custom Media



KUMI SATO
President and CEO
Cosmo
ACCJ chairman emeritus

build a strong brand that customers will recognize and trust, as well as the opportunity to reach new customers or segments that you were not previously servicing.

“Companies need to proactively engage in corporate social responsibility (CSR) to pay attention to social, ethical, and ecological consequences. When done well, with good intentions, CSR also creates goodwill with customers and inspires employees to help others,” said Heldt. His team recently won the Best CSR Award at the 2020 Best Business Awards for their Connect digital marketing platform, launched in March, to help SMEs, entrepreneurs, local businesses, and charities in Japan affected by Covid-19.

Kumi Sato, president and CEO of strategic communication consultancy Cosmo and ACCJ chairman emeritus, concurs with the need for a company to continue to build its brand and brand-recognition from a long-term perspective while simultaneously promoting CSR initiatives.

“You need to prioritize the message, partly because the public has a short attention span but also because there is a lot of competition out there, so it’s good practice to constantly disseminate your CSR message, which will be of help in the future even if it cannot help you immediately. Say those messages over and over again to make them sink in among consumers in an overcrowded information space.”

Howard said the United States appears to be faring better in terms of marketing, largely because companies have

embraced digital communication far more readily than their Japanese counterparts.

“Japan can turn very quickly when it needs to, but it doesn’t do that unless it has to. It’s almost as if it has to be forced to do things and people need to be in a crisis before anything changes,” she said, adding that the good news is that the change is happening and a complete return to the previous model is unlikely.

But, she admits, marketing is so much harder than it used to be.

“Obviously, there are lots of tools that make marketing easier, but they also make it easier for your competitors, so you really have to think about your messaging. It’s not just about people knowing who you are, although that will always be

important, it’s that you have to really stand for something value-wise, especially when the economy is in a deep recession,” she said.

“You have to stand for something that is highly relevant and that provides a very strong point of difference on value,” she added. “And the only way you can do that effectively is through marketing. Now, more than ever, it’s important to create a relevant promise.”

Winter said he’s certain that he is not the only consumer drawing up a bucket list of the places he wants to vacation, the restaurants he wants to visit, and the shops in which he intends to spend money as soon as conditions permit.

“Those lists are being made right now, not when some kind of post-corona is here,” he said. “A company wants to make sure that they’re on those bucket lists once this is all over.” ■

It is very important for companies to maintain marketing spend to ensure that they are communicating with and retaining loyal customers.

Revenue Impact after Lehman



Companies that **increased** ad spend saw double-digit gains.



But those that **decreased** ad spend saw revenue drop.



URBAN PRIVACY

Small Japanese towns look to lead world in smart-city tech

By Eiki Hayashi

Japan's regional towns are taking a new approach to smart cities, which use digital technology to improve functionality and livability.

In the United States and China, which lead the field, people's distrust of having personal information collected en masse is an obstacle to expanding smart cities. However, Japan is finding success in taking the opposite tack and making the provision of personal information optional.

Data is the lifeblood of smart cities, and new standards are developing in how data is handled.

Japan's leading smart city is being built in Aizuwakamatsu in Fukushima Prefecture, a region famous for its sake and samurai tradition. At Takeda General Hospital, a male patient was using his smartphone to pay his bill. The system is a trial for using QR codes in electronic payments. "We want to make things more convenient by using QR codes; not just for paying hospital bills, but also for taxes, transportation, and regular purchases," said Keisuke Kobayashi of TIS Inc., the company that developed the system.

TIS also wants to reduce the time people spend at hospitals by offering services such as online booking of appointments and medicine delivery. The company envisions preventive health services, like remote medical care and artificial intelligence-based diagnoses.

Other companies are also hard at work in Aizuwakamatsu, enhancing mobility, education, energy, agriculture, and manu-

facturing. These include NEC Corporation, Toppan Printing Co., Ltd., Coca-Cola (Japan) Company, Limited, SoftBank Group Corp. and Mitsubishi Corporation, all of which are collaborating under one roof at the AiCT innovation center.

TRUST MATTERS

With a population of only 120,000, Aizuwakamatsu is a surprise as a leader of urban development. This can be attributed to its unique model, in which residents choose if they want to provide personal information in exchange for smart services. "Unless you have an 'opt-in' model, in which each service is expressly given permission to collect personal data, you won't be able to gain trust," said Shojiro Nakamura of consultancy Accenture, which oversees the project. "Without the residents' trust, smart urban developments will fail."

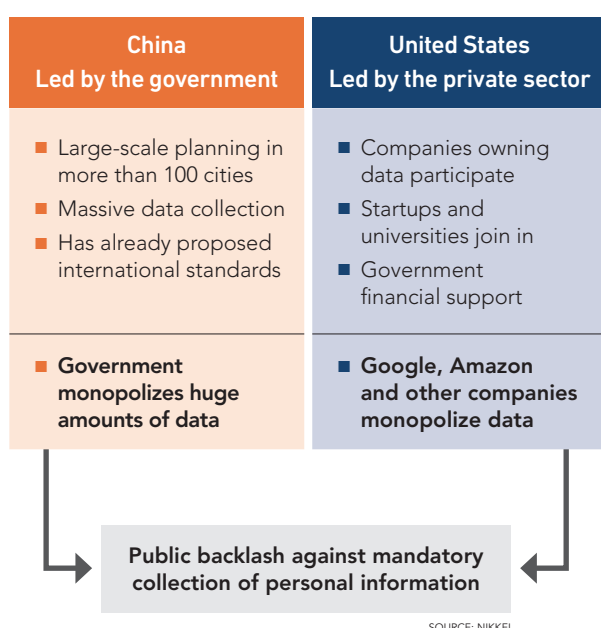
The city is working to win over residents by clearly stating the benefits of opting in. To increase transparency and assure people that personal information will not be misused, data management will be overseen by the community.

This year, for example, an idea was floated to install sensors in the parking lot of a local tourist attraction to determine if there might be a way to increase its appeal. But the city nixed the sensors, saying the technology might make residents nervous.

Still, about 20 percent have registered for some kind of smart service. This is expected to rise to 30 percent by the end of fiscal 2020.

"It's important that we deepen our understanding of smart cities," said Nakamura. When registration reaches 50 percent, the city will allow residents to opt in for all services as a bundle,

The United States and China have been criticized for their handling of personal information



rather than one by one. When it reaches 70 percent, the system will be considered to have gained residents' trust and will share personal data by default. But residents can still opt out of the arrangement.

The reason for the caution is that sloppy handling of personal information is causing problems for smart cities in the United States and China.

In May this year, a Google group company in Toronto announced that it would withdraw from a smart city project there. The company blamed growing uncertainty caused by the coronavirus pandemic and privacy concerns from residents, who described the project as a surveillance society "dystopia" and citizens as "lab rats" over fears personal information could be gathered and misused.

In China, Alibaba Group Holding Limited, Tencent Holdings Ltd., Baidu, Inc., and other companies are participating in the government-led planning of more than 100 smart cities. The government has already proposed international standards for smart cities to the International Organization for Standardization, but many Chinese are wary about the government's centralized data management.

OPEN ACCESS

Japan aims to take a more transparent approach to handling personal data. In May, the government amended a law to expand smart cities characterized by "open access."

By standardizing the urban operating system—the basic software for smart cities—multiple cities can be connected to data infrastructure that collects and organizes information. This eliminates the need for each city to build its own infrastructure from scratch, making it easier for less-developed towns to make the transition. As more cities become connected, greater amounts of data can be gathered, enabling better and more targeted services.

WHAT IF CHINA'S APPROACH GOES GLOBAL?

By Hiroyuki Akiyama

The Japanese government has grown increasingly concerned about China's proposed international standards for smart cities, worried about a competitive disadvantage as companies vie for business.

China has already submitted smart city proposals to both the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC), according to a source close to the Japanese government.

Three of the seven confirmed proposals from China are due to come up for a vote around year-end. A new standard needs a two-thirds supermajority to pass.

Should China's proposals become the international standard, this would have repercussions for not only Japanese and Western companies, but also national security.

China has independently submitted 16 proposals to establish committees within the ISO and the International Electrotechnical Commission (IEC) since 2014, a March survey shows, accounting for 25 percent of the total. Japan has submitted only two proposals. Normally, the country that proposes the committee takes its organizing post.

Japan is aligned with the United States, the United Kingdom, France, and Germany on the international bodies. But China can count on African and Middle Eastern support. If passed, Chinese standards will go into force after about three years of deliberation.

HEALTHY OPPORTUNITY

The contents of the Chinese proposals have not been made public but, based on the titles and the table of contents, appear related to residential surveillance systems in the context of the coronavirus pandemic.

The proposals deal with handling data tied to monitoring residents and tracking movements during public health emergencies, the Japanese government has said in an internal memo.

China is using "health code" apps to track people's movements and curb the virus's spread. An individual's infection risk is determined by analyzing GPS data and medical records. Visitors to shopping centers and transit stations are asked to show their color-coded health codes on their smartphone screens before entering.

Supporting the health codes is the Chinese government's strategic platform that collects data on citizens. China plans to construct more than 100 smart cities across the country, replete with facial recognition cameras and drones.

DANGERS

China is accused of using facial recognition to track residents of Xinjiang, home to the Uighur minority.

"China's Communist Party is building a surveillance state unlike anything the world has ever seen," US Vice



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Accenture will introduce the urban operating system developed in Aizuwakamatsu to the city of Kashihara, in Nara Prefecture, and may launch it in other cities. Toyota Motor Corporation and NTT are planning a smart development called “Woven City” in Susono, Shizuoka Prefecture. “It seems Woven City is also looking to work with other cities by providing connectivity among systems,” said Toru Hyakushima, a researcher at NLI Research Institute.

On August 26, US venture capital company Scrum Ventures and six Japanese companies, including Toyota Research Institute Advanced Development and East Japan Railway Company, announced SmartCityX, which will jointly create services to solve regional issues through smart cities.

According to a study by US-based market intelligence advisory International Data Corporation, global spending on smart-city technology will climb to ¥13 trillion (\$122.7 billion) in 2020, rising to ¥20 trillion in 2023. Japan’s open strategy aims to make it easier to implement international standards in urban planning. If the model becomes a global standard, Japanese smart-city services would be an easy sell to the rest of the world.

“Japan faces daunting social issues, such as a declining birth-rate, aging population, and frequent natural disasters,” said NLI Research’s Hyakushima. “If a series of groundbreaking services that help solve these issues is developed in smart cities here, Japan may catch up to the United States and China.” ■

President Mike Pence said in a speech last October. Authorities make ethnic minorities give up blood samples, fingerprints and iris scans, he said.

“China is now exporting to countries in Africa, Latin America, and the Middle East the very same technological tools that it uses in its authoritarian regime—tools that it’s deployed in places like Xinjiang,” Pence said.

Smart cities use artificial intelligence and Big Data to run urban centers in an energy-saving manner. But Japan and Western countries seek a balance between privacy and technological convenience. Global spending on smart-city initiatives will rise about 20 percent on the year to \$124 billion in 2020, according to International Data Corporation.

The World Trade Organization calls on members to craft their domestic standards based on the international standard. Should China’s proposals gain sway, Chinese companies would have a leg up even in such areas as government procurement.

Japan will seek to have a greater voice in setting international standards by creating a cabinet-level office in fiscal 2020. The idea is to actively install Japanese representatives on standards committees abroad and to map out a strategy at home.

Data is the lifeblood of smart cities,
and new standards are developing
in how data is handled.



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DIET DAILIES

FINANCIAL SERVICES AGENCY

IS NEW COMMISSIONER THE RIGHT MAN FOR THE JOB?

Ryozo Himino is the kind of person who, once you meet him, you'll never forget. Speaking in a measured pace with the accent of his native Mount Fuji foothills, he frequently weaves humorous asides into his speech as his gaze moves restlessly from behind his trademark round spectacles.

The newly appointed commissioner of the Financial Services Agency (FSA) spent three years in Basel, Switzerland, from 2003 to 2006. He was the first Japanese person to serve as secretary-general of the Basel Committee on Banking Supervision (BCBS), whose tasks include crafting global rules for financial institutions, and he used his tenure to develop a wealth of personal contacts. At the G20 Osaka Summit last year, he displayed his mettle and was the first to propose the drawing up of international rules for cryptocurrencies. He also addressed the problem of financial inclusion of the elderly.

Considering that the BCBS comprises member states that are all trying to advance their own agenda, most people would expect its secretary-general to be a sharp-eyed, tough negotiator.

"On the surface, Himino comes across as easygoing," said an FSA official. "However, he's mentally astute, and if you give him an incomplete explanation, he'll jump on you." Another manager at the agency said: "There is no other Japanese person who could hold the position of commissioner in Basel. He's a standout at getting to the essence of things."

Himino is also well versed on subjects unrelated to banking—to the extent that he published a biography in Japanese of French sculptor Aristide Maillol—and is quite adept at foreign languages.

To transform the FSA from a financial clearance agency to a financial nurturing agency, Himino's predecessor, Toshihide Endo, implemented a number of bold reforms, such as adopting Google's management philosophy.

While Himino is expected to follow the same path, he takes the reins while facing the major issue of reforming regional banks, and attention will be focused on how he grapples with this.

THE MINISTRY OF ECONOMY, TRADE AND INDUSTRY

COAL DEBATE HEATS UP BETWEEN AGENCIES

As part of the essentials that guide Japan's strategy for future infrastructure exports, the government places strict conditions on the export of coal-fueled power generators. For example, public funding will not be provided in cases where the recipient country's guidelines for reduction of carbon fuels cannot be confirmed. And, apart from coal-fueled power, the adoption of renewable energy or technology that collects and stores CO₂ will be included in environmental measures eligible for aid.

"Japan's at the head of the class when it comes to harnessing the most advanced technology," Minister of Economy, Trade and Industry Hiroshi Kajiyama said. "Amid the trend to halt the use of carbon based-fuels, it is necessary to directly confront how we can contribute to the world."

As criticism of coal-fueled generator exports grows, it was hoped that stricter conditions would be grudgingly accepted

by the international community. Still, Japan did not go so far as to ban exports outright, and its position is not likely to be accepted by Europe and other areas where coal-fired plants are being phased out.

The ministries and agencies of the Japanese government also disagree among themselves on the issue. The Ministry of Economy, Trade and Industry is responsible for overseeing the companies that develop and operate the generators, and Kajiyama has said, "We cannot divert our eyes from the reality that there are developing countries left with no option but to use coal as an energy source."

Minister of the Environment Shinjiro Koizumi has countered this position, however, saying that, in the future, it is realistic to believe that no new matters will be forthcoming, and that assistance will be ended. This rift between the two ministries raises concern that Japan will be criticized on the world stage when infrastructure projects are conducted in the future.

South Korea, which frequently takes an adversarial stance toward Japan, is reportedly mulling a bill in its national assembly that would ban entirely exports of coal-fueled power generators, thereby establishing a clearly different position from Japan. It's uncertain whether the South Koreans will pass the proposed law, but, should they do so, it would raise the likelihood of Japan's environmental measures being criticized at international forums. ■



TOKYO JOINS GO TO TRAVEL

Govt adds the capital to tourism discount scheme

Just in time for the beauty of fall, with blazing colors and cooler weather, the Japanese government's Go To Travel tourism campaign has been expanded. As of October 1, trips to and from Tokyo are now covered by the program that subsidizes up to 35 percent of travel costs.

Also added are coupons that can be used at participating restaurants, souvenir shops, and other stores to offset an extra 15 percent of travel-related expenses. Some 100,000 establishments have already agreed to honor the vouchers. The total investment by the government to jump-start tourism is ¥1.3 trillion (\$12.3 billion), with subsidies capped at ¥20,000 per person per night.

CAPITAL IDEA

Although the Go To Travel campaign is not new—it was launched in July—Tokyo had been excluded. Given the goal of boosting domestic tourism, which has been hard hit by restrictions and concern over the spread of Covid-19, the omission of the capital has been significant.

As of the end of August, 13.4 million people had taken advantage of Go To Travel incentives, according to figures from the Ministry of Land, Infrastructure, Transport and Tourism. But with more than 10 percent of Japan's population living in Tokyo, a significant number of travelers looking to book a trip under the scheme have been unable to do so. And those from rural areas wanting to visit the metropolis have also been locked out. The change should provide a strong boost to the government's revitalization efforts.

The Tokyo Metropolitan Government has its own plans to kick-start the economy, offering an extra ¥5,000-per-night for trips within the city.

ROADS LESS TRAVELED

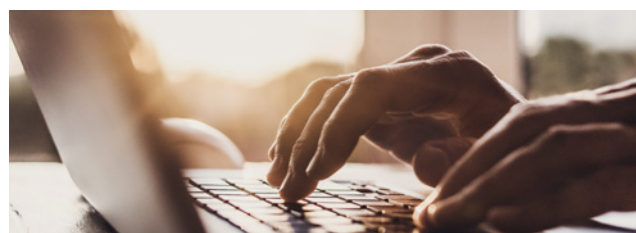
As the campaign's popularity grows, and with more than 12 million people gaining access, so-called "tier 2" destinations, such as Okinawa, Kyoto, Beppu, and Hakone, are quickly seeing their rooms fill up on weekends through the end of the year. If you plan to visit these spots, you should move quickly. Osaka and Tokyo have lots of capacity remaining, but if you're itching to get away from city life, there are many wonderful destinations to be found

off the beaten path. With total subsidies potentially cutting the cost of a trip in half, there's never been a better time to explore Japan.

GO DIRECT

While your first inclination may be to book through a travel agency, there are great deals to be had if you go directly to the hotel. Some hotels will have their own process for applying the subsidy, while others make use of the StayNavi platform, so be sure to ask.

StayNavi also allows you to search for available options from across the nation directly on its website. Note that the site is available in Japanese only, although you can use Google Translate to view automatic translations to English as you browse. Many hotels are also happy to help you with the process.



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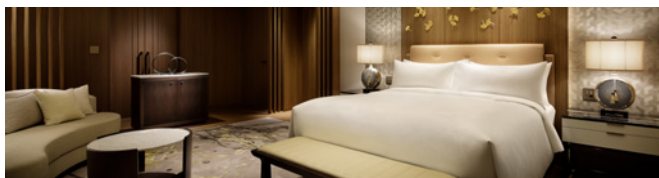
Following the July arrival of the JW brand in Japan—in the form of Nara Prefecture's first international luxury hotel—a new accommodation package covered by the Go To Travel campaign allows you to experience the JW Nara's distinctive level of service and hospitality, as well as luxuriate in the delectable creations of our talented chefs.

The JW Gourmet Stay Plan includes breakfast at Silk Road Dining, an open-kitchen restaurant that celebrates the legendary journeys of the ancient trading route. For dinner, delight your palate at Silk Road Dining or at Azekura, our specialty Japanese restaurant, where you can savor a traditional *kaiseki* course.

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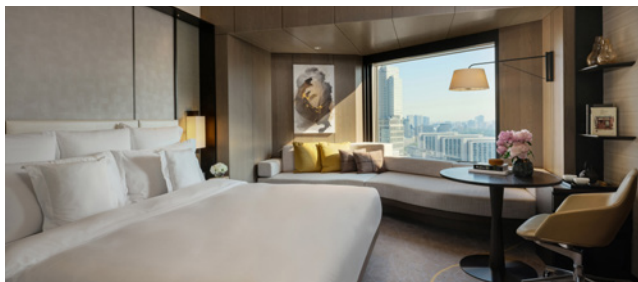


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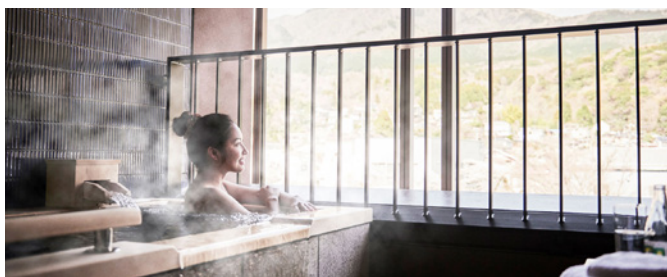
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Nestled along the banks of the cherry tree-lined Haya River in the Hakone neighborhood of Gora, Hotel Indigo Hakone Gora offers a captivating blend of traditional Japanese style and contemporary design, as well as guest rooms with private open-air baths. Thanks to its convenient location, it's the perfect destination for a quick escape from Tokyo and a chance to take in the beautiful fall leaves. For those looking to get away from it all on a weekday, for work or pleasure, the hotel has a particularly enticing offer as part of the Go To Travel campaign: book now and get 50 percent off breakfast and dinner for two—expertly prepared from the freshest local ingredients—during your stay.



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Conveniently located in a historic area of Higashiyama Shichijo, near Sanjusangendo and Kyoto National Museum, the Hyatt Regency Kyoto gives you the option of exploring the neighborhood and city on foot. Embark on a long weekend, weekday getaway, or a festive family adventure, which includes a complimentary third night when you book a minimum stay of three consecutive nights (valid from October 10, 2020 to March 19, 2021). Enjoy exclusive benefits with a ¥5,000 credit per stay and free parking. A healthy breakfast will kick-start your rejuvenating staycation filled with unique dining experiences at the hotel's restaurants.

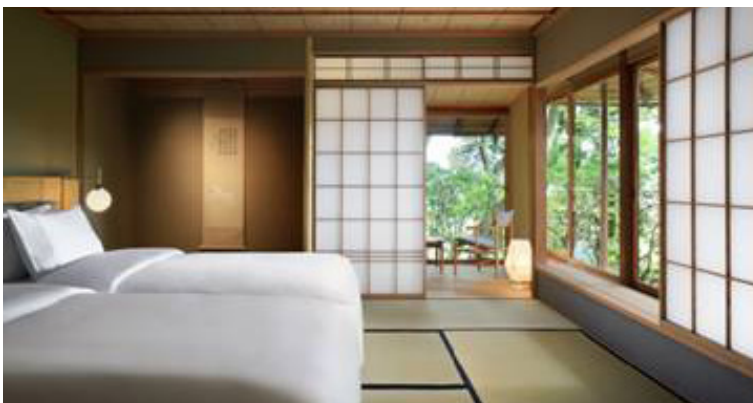


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The plan includes breakfast and dinner, featuring attractive dishes and a fascinating performance by the sushi chef, who will prepare his creations right in front of you. If you have any favorite foods—or any that you dislike—you can let the hotel know a week in advance to ensure that this culinary experience hits all the notes.



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COMMUNICATE BETTER

How to maintain relationships and efficient work during the pandemic

With a few months left in 2020, most of us are still working from home to reduce the spread of Covid-19. As auditors, this poses as a huge challenge due to the increased risk of fraud that can arise when relying so heavily on digital operations. Among the many things we have been doing remotely are:

- Audits
- Observing stocktaking
- Testing internal controls

All of these are being done from the comfort of our homes, which has been a blessing in disguise. Some of us have been able to spend more time with family. Others have had more time to pursue hobbies and interests.

STAY ENGAGED

While this extra time at home has benefits, we need to make sure that we are able to carry out our duties and responsibilities at work.

As a manager or supervisor, how can you ensure that staff remain effective and efficient? One way is to maintain regular communication. I'm not saying that you need to check on people every hour or every day. Judgment and understanding of your staff determine the frequency of communication. Our goal is not only to check if duties and responsibilities are being performed but also to know the status and condition of the staff.

I personally have experienced this. As a secondee to the Osaka office of Grant Thornton Japan, I have been living alone—apart from my family—for about two years. In addition, due to the pandemic, interaction with my colleagues has been significantly reduced.

Although I have already made local friends to whom I can turn, it is comforting to know that the boss is concerned with my well-being. Other secondees and I have a weekly online meeting with our boss. He normally asks if there are any concerns and how we are doing with our assigned tasks and Japanese language study. This allows him to establish rapport with us and ensures that things are getting done.

There are various ways to do this. Instead of relying solely on email, have online meetings. If you want a more consecutive approach, the good old phone call is also okay. And, if you

happen to be at the office at the same time as your staff, suggest having lunch or dinner together—while observing appropriate precautions, of course.

EXTERNAL AFFAIRS

Maintaining good communication is not only an internal task; you must also reach out to business partners, such as clients, suppliers, creditors, and debtors.

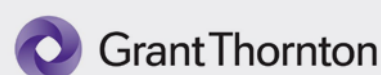
Since it is still difficult to meet in person, we should improve other methods of communication. Suggestions include:

- Always check your email for unread messages
- Make sure you reply promptly
- Don't let email go unanswered for more than a day
- Keep it short and get straight to the point
- Read what you've written before sending
- After sending an important email, call the recipient

These are only suggestions—everyone is different, and you might already have your own approach. For me, I try to make sure that I follow these rules every day. As the great Irish playwright and political activist George Bernard Shaw said, "The single biggest problem in communication is the illusion that it has taken place." ■



Kevin R. Manalo is secondee to the Osaka office of Grant Thornton Japan. He previously worked at Punongbayan & Araullo GT in the Philippines, where he was involved in financial statements audits for real estate and construction, retail, leasing operations, securities, business process outsourcing, manufacturing, trading, and non-profit organizations.



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