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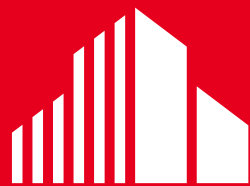


STOP-START

Open and shut case of global e-biz firm

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CONTENTS

VOL. 53, ISSUE 11

4 FEATURED CONTRIBUTORS

5 EDITOR'S DESK

Buying Bytes

C BRYAN JONES

7 SOCIAL MEDIA

Trending on the Web

8 RETAIL

Stop-Start

Open and shut case of global e-biz firm

BRANDI GOODE

14 FINANCE

Get Shorting

Japan Inc.'s potential corporate failures

RICHARD SMART

18 FINANCE

M-Commerce

Online vendors learn from brick-and-mortar

DR. FLORIAN KOHLBACHER AND
REHABYA WIJAYA

22 REVISION JAPAN

Dyer Straights

Fourth generation of traditional artisans

KIT PANCOAST NAGAMURA

24 ENTREPRENEUR

Breaking the Mold

Mio Yamamoto leads social entrepreneurship

JOHN AMARI

26 PARTNER CONTENT

Koike's Commitment

Tokyo's new governor promises openness

NIKKEI ASIAN REVIEW

27 J-MEDIA

Diet Dailies

- China proposes environmental classification
- Database discourages rise in vacant residences

TRANSLATION OF NEWS
FROM *KEIZAIKAI*

37 ACCJ MEMBER NEWS

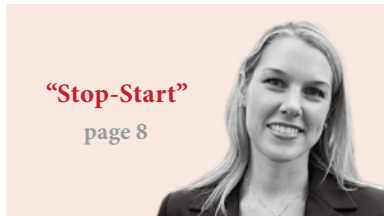
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BRANDI GOODE



Hometown: Lake Charles, Louisiana

Languages: English; Spanish; a smattering of French, Japanese, German

Years in Japan: Five; relocated to Manila in May 2016

Years in journalism? Nearly 10

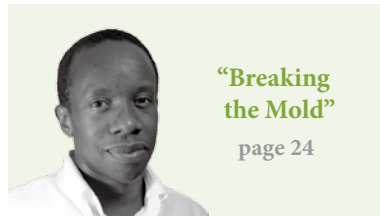
Most memorable interview? Rick Perry, governor of Texas, for *The Journal*

One change you would like to see in Japan by 2020? Significant improvement in the ratio of women to men in leadership roles

Thoughts on the importance of print journalism and its future? Nothing can replace the look, feel, and entertainment of a magazine. Plus, what would people read at the beach or during takeoff and landing if print were to vanish?

What are you currently reading? *Americanah*, by Chimamanda Ngozi Adichie

JOHN AMARI



Hometown: Oxford, England

Languages: English, Luo, conversational Japanese

Years in journalism? Five

Most memorable interview? Ari Horie, founder of Women's Startup Lab, and Akiko Naka, founder of Wantedly

Who inspires you? Entrepreneurs and freethinkers

One change you would like to see in Japan by 2020? More Japanese students majoring in English living in an English-speaking country for a year

Thoughts on the importance of print journalism and its future? If print journalism can adapt to the digital revolution then it will be fine.

What are you currently reading? *Thinking, Fast and Slow* by Daniel Kahneman

Favorite podcast that our readers should be listening to? *StarTalk Radio* by Neil DeGrasse Tyson

FLORIAN KOHLBACHER



Hometown: Rosenheim, Bavaria, Germany

Languages: German, English, daily Japanese; French and Spanish

Years in Japan: Close to 12

Most memorable interview? Seoul Mayor Won Soon Park, live on stage

Who inspires you? People who are passionate about what they do

One change you would like to see in Japan by 2020? Banning smoking in public spaces, especially indoors

What are you currently reading? *Moshi ino*, the sequel to *Moshi dora* by Natsumi Iwasaki

What projects are you currently working on? Writing a book on aging and business

What is one thing that you can't let go of right now? Finding the right school for my kids

How can people find you in social media? Twitter: @ecn_kohlbacher



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BUYING BYTES



Christopher Bryan Jones
chris@custom-media.com

Our November issue of *The Journal* takes you shopping—online—as we explore the evolution of electronic commerce into mobile commerce.

SHOP NOW

Those of us who have been in Japan for decades can recall how difficult it once was to access goods from back home. As the Internet became more integral to everyday life, and online shopping came into its own, walls fell and almost any product became available. Of course, we had to sit down at the computer to make the purchase. Today, even that limitation has disappeared as e-commerce is being supplanted by m-commerce—shopping from your mobile device. Virtually the entire world is now accessible while on-the-go. But the experience varies depending on what country one finds themselves in. On page 18, we take a look at the

current state of m-commerce in Asia and what online vendors can learn from their brick-and-mortar counterparts.

GO GLOBAL

To find an online shopper in Japan who is unfamiliar with Rakuten would be difficult. The Internet retailer guided by Hiroshi Mikitani has a pervasive presence across the country. From an online marketplace to brick-and-mortar cafés to sports—the company's Nippon Professional Baseball League club, the Eagles, is beginning its second decade of play—Rakuten is everywhere. But unlike competitor's such as Amazon, they aren't well known abroad. In recent years, Mikitani has sought to change this. On page 8, we check on the current status of Rakuten's European and Asian expansion.

GO HYBRID

While handheld technology powers m-commerce and other aspects of daily life, more sophisticated assistive technology is slowly becoming a part of who we are as individuals. On a path that seems to lead out of science fiction, mechanical body parts are changing the lives of the physically challenged. The prospects of Cyberdyne's Hybrid

Assistive Limb (HAL) once sent the company's stock soaring, but delays in bringing the tech to market have resulted in a sharp decline. On page 14, we explore this and other concerns, and how they are intertwined with the Japanese approach to corporate governance.

HELP OTHERS

Lastly, let's not forget that, while we're enjoying the benefits of technology, there are many who need our help. The ACCJ offers a wonderful opportunity to do this while having a great night out at the annual Charity Ball, which will take place on December 3 at the Hilton Tokyo Shinjuku from 6:00 p.m. to midnight. The theme for this year's event celebrates the 50th anniversary of Truman Capote's iconic Black and White Ball, which was held at the Plaza Hotel in New York City. In this issue, Charity Ball Committee Chair Barbara Hancock introduces you to some of the entertainment lined up for the evening. We hope you will come out and support this year's charities. ■

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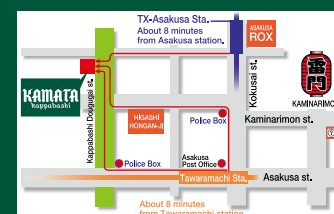


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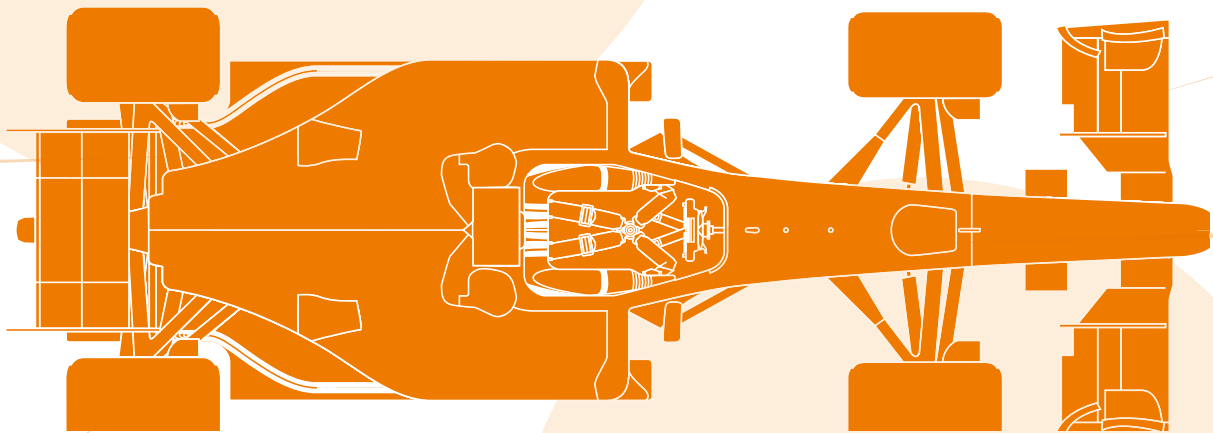
World cities compete for power and influence, and since 2008 the Global Power City Index has been measuring their performance. Mori Memorial Foundation Executive Director Hiroo Ichikawa talks to BIJ.TV about this year's results, and what they mean for Tokyo.

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The Japan News

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Japan to provide #Malaysia with two large patrol vessels

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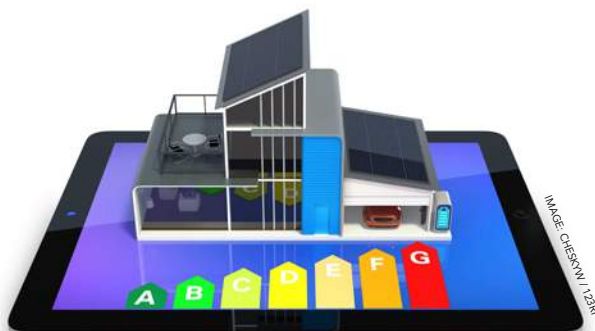
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Japanese utility urges all-electric homes to sell expected excess of electricity

<https://t.co/FlaeOEYsSq>



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- 4 #debate
- 9 #debatenight
- 18 #AMAs
- 23 #Trump

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- 広島のアシダ川で熱帯魚ピラニアが見つかる 放流か？ 河川国道事務所が注意呼びかけ。
- Wild piranha found in Hiroshima's Ashida River. Were they abandoned? Officials send out an alert.*
- * Translation of original content in Japanese



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Akash Chander, [in](#)fluencer
DiSC & Strategy Facilitator / Executive Coach

NURTURING LEADERS

Humans have a great capacity to learn new skills. We learn to walk, talk, and behave in a way that works for us. Leadership skills too can be developed. In fact, from an organization perspective, it's best to start early. Many companies overlook the need to invest in emerging leaders for success. The recipe for abundant leadership inventory lies in starting early.



PHOTO: IA64 / 123RF



STOP-START

Open and shut case of global e-biz firm

By Brandi Goode

IMAGE: GAJUS / 123RF

Rakuten and its charismatic CEO, Hiroshi Mikitani, are often-cited examples of progressive Japanese companies and their forward-thinking leaders. The Internet retailer is among a handful of domestic titans recognized as a global player, and consistently ranks among *Forbes Magazine's* annual list of “Top 20 Most Innovative Companies.” Often, it has been the only Japanese company listed.

Until 2016, Rakuten had been aggressively securing new overseas assets, with acquisitions having totaled about \$4 billion through 2015. Thus, the company's announcement in February that it would shutter operations in four Asian nations—Singapore, Malaysia, Indonesia, and Thailand—after proclaiming its focus in 2014 on the important Southeast Asian market, shocked many tech insiders. Further questions surfaced on the heels of a decision, in June, to exit three of Rakuten's five European markets: Austria, the UK, and Spain.

The closures are in line with Rakuten's 2020 Vision, also announced by Mikitani in February. Addressing the press, he said the vision is based on three main principles: “strong, smart, and speed.” Removing dead-weight operations with minimal growth potential is just part of the long-term strategy. Mikitani hailed the disruptive potential of mobile technologies such as messaging app Viber, video platform Viki, and shopping site Ebates, all companies acquired by Rakuten in the past three years.

Still, the company's disparate acquisitions and abrupt shifts in regional focus have left many investors and analysts wondering if it can effectively compete with international rivals.

“Rakuten's major weakness could be its initial scattergun approach to investment, such as its \$100 million investment in Pinterest in 2012. While it is creative and exciting to invest in businesses like Pinterest, unless Rakuten actually links purchasing or endorsement to visual pinning, then its past strategy feels more acquisition-based rather than truly leveraging potential,” Nicole Fall tells *The Journal*. Fall is the founder of innovation and trend forecasting consultancy Asian Consumer Intelligence.

When asked about Rakuten's global prospects versus e-retail giants such as Amazon and Alibaba, Fall says: "The bottom line is many Japanese companies do not know how to market effectively outside of Japan. There appears to be a real problem effectively communicating brand values to consumers. One of the core tenets of being a Japanese company is quality. In this digital marketing age, that is no longer enough."

NICHE MARKETS

Rakuten claims a 27% share of Japan's mature e-commerce market, with 44,453 sellers, 110 million members, and total sales of \$17 billion. Almost 90 percent of Internet users in the country are registered on Rakuten.

However, the company, which declined requests by *The Journal* for comment, is struggling to retain market dominance, with new entrants such as Yahoo! Japan and other competitors more adeptly responding to changing consumer preferences. Rakuten's profit in domestic e-commerce operations plunged 25 percent to ¥17.5 billion in the second quarter of 2016, even as revenue rose 7 percent to ¥72.5 billion.

With a baseball team, travel agency, financial services arm, and even an online beauty salon booking portal, the company's domestic reach is boundless. The current challenge is transplanting the Rakuten Ecosystem into new markets, as Japan's e-commerce reaches saturation point.

Since its first foray into international waters in 2008, with Rakuten Taiwan, the company has learned many lessons. The Taiwan site and business model were initially modeled on its Japanese parent, but management soon recognized the need for localization. Rakuten Taiwan is still thriving, in large part due to the company's dominance of a niche market: online sales of gourmet foods. The company says Taiwan continues to be a priority market for its global strategy, especially in the hotly contested Asian region.

SOUTHEAST ASIA, THE NEXT FRONTIER

E-commerce is still ripe for development in Southeast Asia, but competition is fierce, with China's Alibaba and Germany's Rocket Internet taking the lion's share.


110.44
million users


7.1 trillion
yen
on transactions


44,453
sellers

Rocket Internet, which operates the Lazada shopping site, has funneled more than \$1 billion into its two largest Southeast Asia players in recent years.

The rapid adoption of mobile platforms in the region is a promising avenue for business development. "This is very different from a winner-take-all environment," Mikitani told Bloomberg in a recent interview. "Consumer behavior tells us there is room for several players on the screens of smartphones."

In its February announcement, Rakuten indicated a new consumer-to-consumer business model in Southeast Asia, which replaces its traditional business-to-business-to-consumer (B2B2C) approach. The company has placed its bets on Rakuma, a flea-market-style app, where users can sell unwanted goods. In 2016, the app has grown 20 percent month-on-month in Japan.

ESTABLISHED MARKETS

While Rakuten may have some time to experiment in Asia's emerging markets, maintaining a presence in developed markets will be more challenging. Amazon has been heavily investing in its global distribution network. Rakuten, meanwhile, has little brand recognition outside Asia, as we see in the 2013 *Fortune* article "Rakuten: The biggest e-commerce site you haven't heard of."

The structure of Rakuten's site differs largely from that of Amazon. Rakuten operates a virtual mall, where each vendor pays the company to set up its own online shop, with a unique page design, shipping policies, and customer service. It is focused on providing a rich and personalized shopping experience. Amazon buys directly from vendors and centralizes customer service and inventory under its brand name and in its warehouses, focusing more on efficiency and convenience.

In the *Fortune* article, Mikitani describes the company's approach to e-commerce as characterized by traditional Japanese hospitality, *omotenashi*.

"In Japan, if you go to a local coffee shop, grocer, or any local business, you will find a very high level of personal service; the Internet should be that way as well."

Rakuten's Kobo e-reader competes with Amazon's Kindle.

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Mikitani says he is focused on linking his recent investments, which could provide more synergy and . . . specialized tie-ups



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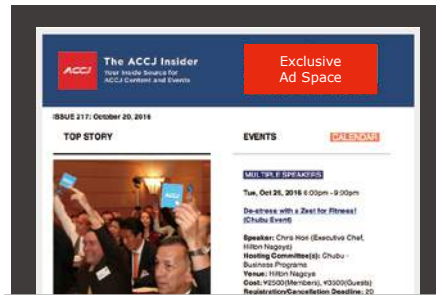
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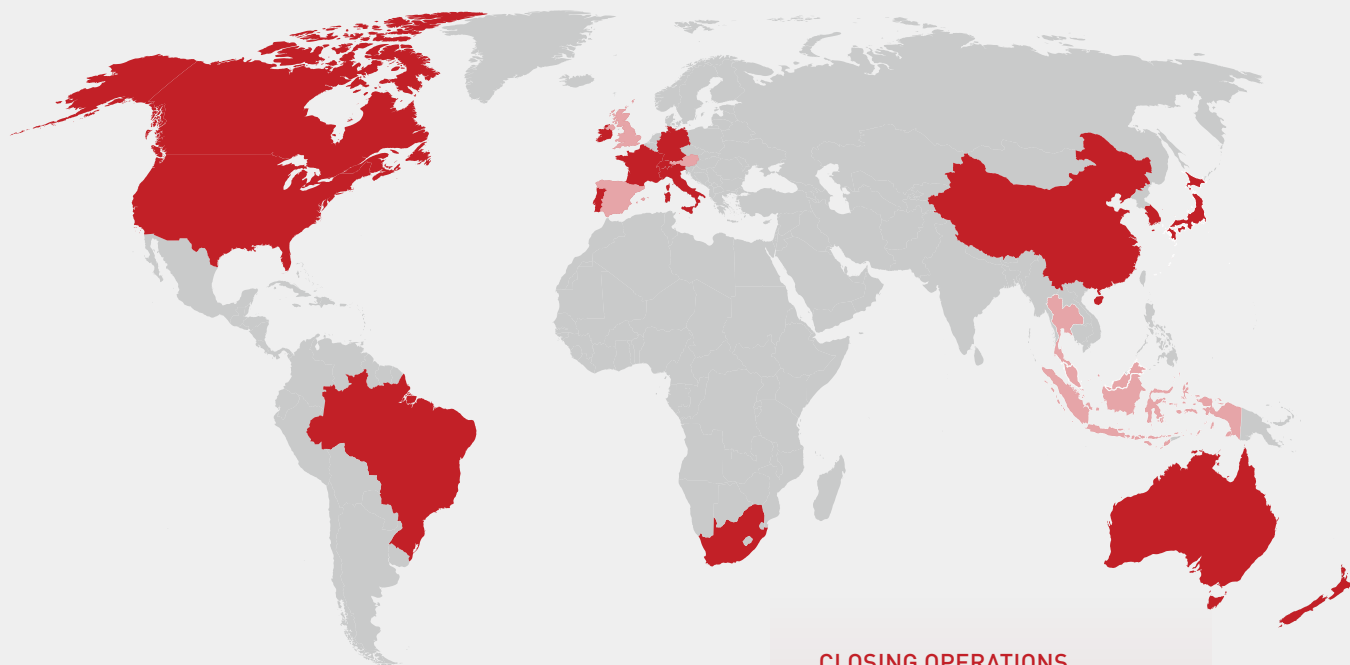


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- Italy
- Netherlands
- Portugal
- South Africa
- Australia
- New Zealand
- China
- Taiwan
- South Korea

CLOSING OPERATIONS

Southeast Asia

- Singapore
- Malaysia
- Indonesia
- Thailand

Europe

- Austria
- UK
- Spain

Rakuten’s practice of providing rankings for its vendors also makes it quite popular with sellers. “We are really an incubator, people trust our curation,” Mikitani adds. “We see our role as amplifying the characters of the shop.”

For Hokkaido Omiyage Tankentai, Rakuten has been a winning partner since the purveyor of the nation’s best-selling edible souvenirs joined the site in 2000. Although it also has a presence on Amazon.jp and Yahoo! Japan, the company says 70 percent of online sales come from Rakuten.

Like all Rakuten vendors, Hokkaido Omiyage Tankentai was assigned an e-commerce consultant (ECC), who acts as an advocate for the merchant. Because of a commission structure, there is a shared interest in the success of each store. Every week or two, the ECC calls their merchant

accountant to review site analytics and which products are selling best.

“The ECC is a vital part for our shop to approach our target,” a representative from Hokkaido Omiyage Tankentai told *The Journal*.

Rakuten’s approach to customer service could be crucial to survival in new markets. Linda Locke, former marketing director of luxury fashion retailer Club 21 eCommerce, says, “Going forward, more players will look to exceptional customer service and omni-channel presence, as well as omni media, to remain top-of-mind and be seen as exciting.

“A unique and differentiated product is still a must have, and is far too underestimated. There also need to be clever tie-ups to stimulate traffic and desire,” she adds.



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Rakuten hopes to use Lyft drivers to deliver Rakuten purchases.



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INTEGRATING ASSETS

For now, Mikitani says he is focused on linking his recent investments, which could provide more synergy and the kind of specialized tie-ups that bring success in the e-retail sphere. He wants to turn Viber into a mini-app store, selling games, e-books (through Rakuten-owned Kobo reading devices), music, and videos, and hopes to use Lyft drivers to deliver Rakuten purchases. Lyft is a user-driven taxi service competing with Uber, and was acquired by Rakuten in 2015.

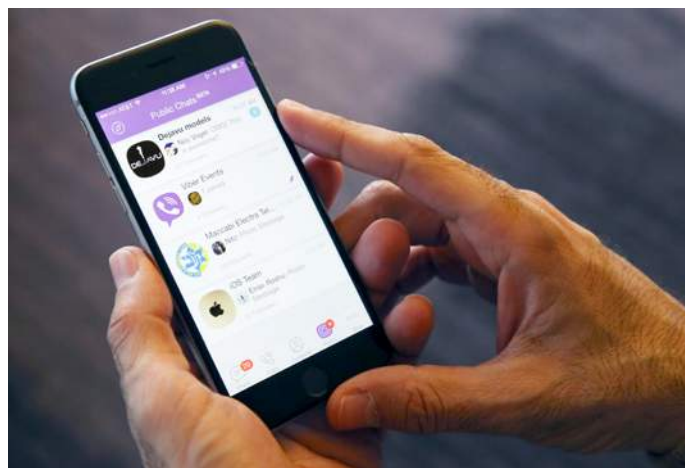
“You need to always have several alternatives,” Mikitani says.

Viber, which boasts more than 600 million users, seems key to the company’s future. Talmon Marco, the app’s founder, says, “Viber makes Rakuten instantly global.” Initially, Marco explains, he met with Mikitani in early 2014 to discuss an investment, but the Japanese billionaire persuaded him to sell.

Furthermore, the app opens doors to social commerce. Neeraj Gulati, managing director of ingenuity at IPG Mediabrands, says, “The new face of e-commerce is not just taking offline products and selling them online, but using data from the online space and customizing products and services for the user to make them relevant to that moment. It will become ‘data-commerce.’”

Gulati views Rakuten’s moves as simply “the next revolution in the e-retail space, where shopping will take a more contextual face.” He predicts that in the near future, data from chat apps such as Viber and Whatsapp will blend seamlessly into services and products for sale. If this holds true, Rakuten’s Viber acquisition positions the company well for the future.

In a video released earlier this year, Mikitani explains how his new acquisitions fit into the Rakuten Ecosystem.



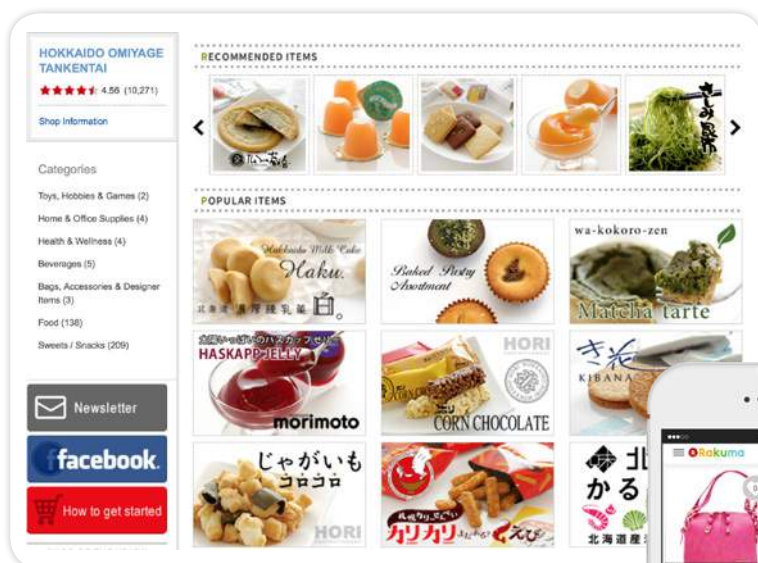
The Viber app could become a portal to Rakuten’s services.

“I built the original model for B2B2C, but now I think e-commerce is going to the next stage. We need to be more open, to become more like a cloud service, rather than an integrated marketplace. For the time being, Viber is a strong brand, and our e-reader Kobo is number one in Canada, the Netherlands, France, Italy, and Spain. Ebates is very popular among high net-worth individuals.

“The concept is, build a very strong membership program and maybe we can monetize it through our e-commerce service, media business, or fintech [financial technology] service,” he concludes.

Analyst Fall also views Rakuten’s scaling back as “part of a wider global business trend, reflecting a more cautious approach to what is effectively a post-recessionary world.”

“Rakuten is one of the few to make money in e-com, so I view its chances of continuing that success over the medium term as fairly high.” ■



For Hokkaido Omiyage Tankentai, Rakuten has been a winning partner since the purveyor of the nation’s best-selling edible souvenirs joined the site in 2000.



GET SHORTING

New breed of investor seeking out Japan Inc.'s potential corporate failures

By Richard Smart

Cyberdyne, a Japanese robotics maker that over the years has become a media darling, this summer found itself on the receiving end of brutal language from companies questioning its public and financial statements.

Well Investments Research was one of the first to question the company's claims. "[Cyberdyne's] current valuations on an earnings basis are potentially the highest we've seen since the Internet bubble burst in Japan in 2000. The valuations may make you think Cyberdyne is about to become the next big thing. The reality is, the company's never made a profit. It is not present in the world's biggest market for wearable robots and deliberately eschews the lucrative military sales on ethical grounds. Its products are not

covered by insurance in the US, and in Japan coverage is extremely limited."

Next came Citron Research, which released a report in August that grabs attention with its headline, "Cyberdyne is the most ridiculously priced stock in the world."

The problem, for Well Investments and Citron, is that Cyberdyne has been all talk and no action. In fact, a June 2015 request for an interview with the company's founder, Dr. Yoshiyuki Sankai by *The Journal* was turned down by Cyberdyne, which said its device, the Hybrid Assistive Limb (HAL)—the world's first cyborg-type robot that allows a wearer's bodily functions to be improved—"will launch it in [the] US market in the very near future." A year later, an interview request was turned down in an almost identical fashion. And a US launch remains elusive.

For its part, Cyberdyne believes the short-selling issue, which has seen the company's stock plummet from ¥2,600 on May 31 to around ¥1,600 today, is based on a misunderstanding. Citron sees the stock eventually falling to ¥300.

NEW ON THE BLOCK

What has happened to Cyberdyne would perhaps have been unimaginable a few years ago. International companies are looking through financial reports for discrepancies, missed problems, and plain old gobbledegook that could fool investors and lead to inflated share prices. Some of their clients then use this knowledge to make bets on declines in stock prices, cashing in once the firms go public with their information. This is not "the Japanese way."

Toward the end of last year, Well Investments was first to make public a report that targeted Marubeni for misstating earnings. This was followed in spring by a report on the company Jigsaw, which accused it of being "a high-tech forgery," which is little more than "a small server monitoring and maintenance company," despite grandiose claims of tie-ups with some of the giants of the technology industry. According to Bloomberg, shares in the three companies had declined an average 35 percent by the middle of September.

"In our three reports, first the companies attack us as an entity," says Yuki Arai, the Hong Kong-based lawyer that founded Well Investments. Arai has other business interests unrelated to the companies he targets



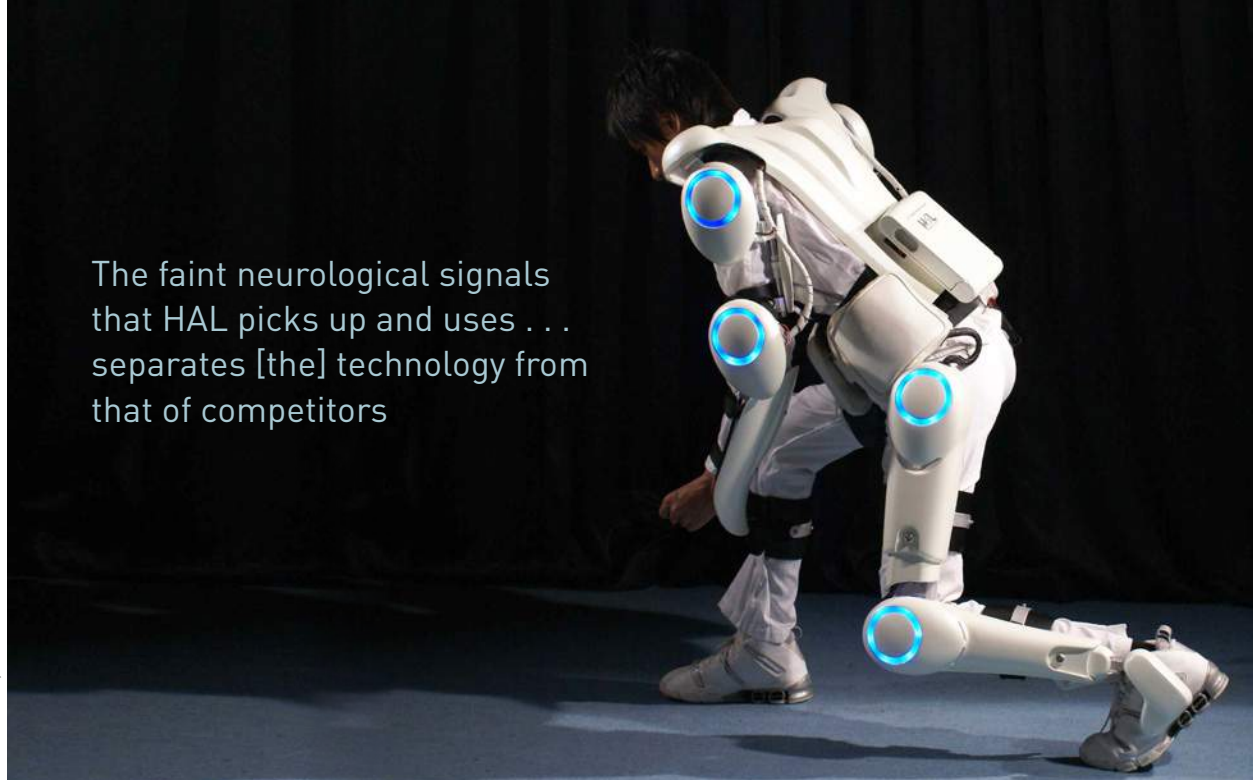
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The Cyberdyne Hybrid Assistive Limb (HAL)

The Hybrid Assistive Limb (HAL) . . . allows a wearer's bodily functions to be improved

The faint neurological signals that HAL picks up and uses . . . separates [the] technology from that of competitors

PHOTO: CYBERDYNE, INC.



The Hybrid Assistive Limb (HAL) assists physically challenged people, allowing them to move more easily.

and is, to all intents and purposes, running a one-man operation. “What [the targeted companies] need to do is counter-argue and explain to investors [why our claims are incorrect].”

Cyberdyne chose to attack. “We have even received comment that this may be a scheme backed by clients such as short-selling funds or activists who have commissioned the analysis,” the company wrote in an email to *The Journal* just after the Well Investments report was released in July.

“Their report has had no influence on Cyberdyne’s stock value today, and does not merit any comment. The report is based on a comparison with other robots that have completely different principles of motion and purpose of use, and suggests a lack of understanding of Cyberdyne’s technologies and potential.”

Arai says his clients include short sellers. “We provide our reports to clients in advance of their release.” He also said Cyberdyne was cynical in calling out his “misunderstanding” of their technology. “Not all investors understand the technology in detail,” he countered. He said that he had conducted thorough research on the company using publicly available information, as most investors have to do before choosing where to place their cash. “If they feel I am not knowledgeable about the technology, then that is their fault.”

Cyberdyne eventually granted *The Journal* an interview with Shinji Uga, its chief financial officer. He argued that the faint neurological signals that HAL picks up and uses—to move the device, which helps the brain’s “muscles” get stronger and patients recover from injuries faster—separates their technology from that of competitors, which creates movement with the primary aim of increasing mobility. “HAL is a device for treatment, not transport,” Uga insisted.

“Our business is not focused on selling devices, but on collecting data throughout society to help advance healthcare,” he said. “We are heading into a field that is new, and does not have a lot of regulations.” That, he says, has led to delays in getting technology to the market, as healthcare regulators have, in many countries, proved unable to keep up with innovations that could change lives.

“The HAL device that we have, and others that we have made public, probably constitute about 10 percent of the technologies we are developing,” Uga said. “We are eventually expecting a valuation of around ¥4 trillion.” In October, the company was valued at ¥221 billion.

Uga said that most investors in the company were institutional, and in it for the long haul. Whether those

investors choose to stay, put pressure on the company, or pull out is likely to define Cyberdyne’s future.

SPEAK NO EVIL

The problem for Cyberdyne is one that is shared by many companies in Japan. Communications departments tend to be weak. Akira Kiyota, CEO of the Japan Exchange Group, which runs the Tokyo Stock Exchange, earlier this year called short sellers “ethically questionable.” Many see things differently.

“There is not a lot of pressure from shareholders on management to explain what they are doing,” stated Rupert Sutton, a consultant and director working in the fast-moving consumer goods sector with companies such as Weben Asia Ltd. and Exigo Marketing Pte. Ltd. He pointed to incidents such as Calbee’s recent foray into China, which saw the company’s venture there achieve 3 percent of its sales target before being sold on after three years. “The coverage was minimal in the press and probably at the shareholder meetings nobody will ask questions,” Sutton said.

Dentsu is another case in point. This year, it has been implicated in scandals involving suspicious payments made in the buildup to Tokyo’s winning bid for the Olympic Games, and overcharging a multitude



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of companies for online promotion. It has also been accused of working a member of staff to death.

For Sutton, these scandals are part of a larger problem for Japan. Shareholders are quiet, but so are the media. “If the Dentsu overcharging scandal hadn’t been published overseas (Australia-based AdNews got the scoop) I don’t think anybody would have been any wiser,” he said. “Publishing that [in Japan] would have been rocking the boat, and [Japanese media] do not like to have the boat rocked.”

Major incidents have attracted serious attention. Over the past few years, Takata airbags have exploded, Toyota brakes have failed, Tepco nuclear reactors have melted down, and GS Yuasa batteries have burned in Boeing Dreamliners. But there are also minor incidents, and bookkeeping issues that have, in part, led to the rise of the short sellers.

A major issue is the reluctance of Japanese companies to meet international standards and become more intertwined with the global economy, Sutton said. Effectively, “the Japanese way” is leading to more sympathetic treatment of management and less competitiveness.

“If there was greater openness from management, more international staff, more joint ventures, and more willingness to transfer knowledge, we might see progress,” he added. “But

The problem for Cyberdyne is one that is shared by many companies in Japan. Communications departments tend to be weak.

we are talking about generational change here. Companies are top-heavy, delegation is not encouraged, and autonomy is not given, so business becomes very slow.”

ABE'S ANGLE

The criticisms are not unknown to Japan’s elites. Traditionally, the issues have been shrugged off, and discussion of them has been considered taboo. But that changed when Prime Minister Shinzo Abe came to power, promising to get the economy back on a growth track. His government saw corporate governance as a way of helping companies improve their behaviors and make Japan a more international place for doing business.

By September, nearly all listed companies had brought outside directors on board and a new stewardship code had been adopted by more than 200 institutional investors. “I have stressed many times that corporate governance reform is at the top of my agenda,” Abe said in New York last year.

“It is too early to make a decisive evaluation, but so far, from an investor’s perspective, the stewardship code is far from sufficient,” Arai of

Well Investments told *The Journal*. “Institutional investors need to be more aggressive, and we need to see people such as Daniel Loeb [founder of hedge fund Third Point LLC] become more engaged in the Japanese market. I expect there will be more lawsuits, so management will begin to feel more concerned about what it is doing.”

Short sellers are seen, by people such as Japan Exchange Group’s Kiyota, as cynics looking to make a fast buck by exploiting weaknesses in companies that could be internally resolved. Critics say that all the employees of these companies are put at risk by short-sellers’ reports in favor of allowing the wealthiest in society to make easy money.

But to their advocates, short sellers play an important role in the economy, weeding out the negligent, inefficient and untruthful. This makes for a more efficient economy, increases accountability and, in the end, is a social good. At base, short sellers see themselves as mopping up the problems that corporate governance may miss.

In that way, Abe has helped make the case for the short seller to come to Japan. Arai says Abe’s economic plans helped him decide to launch Well Investments. “If there had been no Abenomics,” he said, “I may not have started Well Investments. But in general, favorable winds are blowing, so . . .”

As for governance and stewardship, last year *The Journal* spoke with Nicholas Benes, representative director of the Board Director Training Institute of Japan, who said the Government Pension Investment Fund needed to take the lead in stewardship for reforms to really take hold. A year on, the fund has revealed its individual investments. Based on the most recent figures, it held 59,300 shares in Cyberdyne. ■



PHOTO: NATIONAL TRANSPORTATION SAFETY BOARD (NTSB) VIA WIKIMEDIA COMMONS
GS Yuasa batteries have burned in Boeing Dreamliners.

A mutual acquaintance recently recounted his experience purchasing shoes online from the UK. The shoes were delivered by an international courier service when the buyer was not at home, so he was surprised and irritated when he found he could not request another delivery attempt through the courier's website. Instead, he was obliged to call a number which connected him to an automated answering system. He had to wait two days for redelivery.

There are two takeaways from this anecdote. First, it is becoming increasingly easy to purchase goods from all parts of the world through the Internet. Second, despite its rapid growth and penetration, e-commerce around the world continues to provide different customers with differing experiences.

While such mobile devices as smartphones and tablets are making purchasing more convenient for consumers, m-commerce and related technologies are presenting vendors with a number of challenges—and opportunities. This is the result of the market being accessible almost anywhere and anytime.

RAPID GROWTH

The recent global growth of e-commerce has been remarkable. The market research company eMarketer estimates that in 2016, worldwide e-commerce sales will grow 23.7 percent to reach \$1.915 trillion, and hit \$4 trillion by 2020. Purchases of goods and services using the Internet then are expected to account for some 14.6 percent of retail sales worldwide.

Moreover, while sales of goods and services using mobile devices accounted for 20.8 percent of e-commerce sales in 2013, the ratio is expected to expand to 46.6 percent by 2018.

Asia is the center of this growth. In 2015, The Economist Corporate Network (ECN) published a report—Asia's Digital Disruption: How technology is driving consumer engagement in the world's most exciting markets—in which it identifies three digital trends in Asia. First, the number of mobile phone subscriptions—increasingly meaning smartphone usage—has been rising fast. By 2019, the ECN estimates Asia will have 4.3 billion mobile subscriptions, or 117 for every 100 people, meaning more people in Asia will have access to the Internet in the palm of their hands.

In 2010, for example, there was just one smartphone in India for every 100 people. Fast forward to 2015, and the number was 19 for every 100 people. Every three seconds, three more people in India experience the Internet for the first time and, by 2030, 1 billion people in the country will have access to the Internet.

M-COMMERCE: Back to basics

How online vendors can learn from brick-and-mortar stores

By Dr. Florian Kohlbacher and Rehabya Wijaya

The second digital trend concerns social media. The ease of going online has manifested itself very strongly in terms of the use of social media, especially in Southeast Asia, where about 80 percent of Internet users access social media sites. This has led to advertising and marketing through social media, and many businesses in the region exploiting the popularity of social media for targeted advertising. However, since social media penetration as a percentage of the total population remains relatively low despite the large number of users, there is still massive room for growth.

The third trend concerns the growth of e-commerce, which is growing faster in Asia than anywhere else. In 2013, China overtook the United States as the world's largest e-commerce market.

The share of e-commerce as a percentage of total retail sales in many Asian countries is expected to double between 2013 and 2018. In China, about 13 percent of total consumer retail sales now are online, with more than half on mobile devices.

So what about Japan? In 2013, e-commerce accounted for about 4 percent of all retail sales—a higher share than in many countries, including Australia, Singapore, and Indonesia. Moreover, about half the sales involved mobile devices.

Interestingly, despite its high Internet penetration rate of 91%, Japan has relatively low social media usage; only slightly more than 60 percent of online consumers using social media. This contrasts with the 90 percent-plus social media usage rate in countries with much less Internet penetration, such as Indonesia, Thailand, and the Philippines.

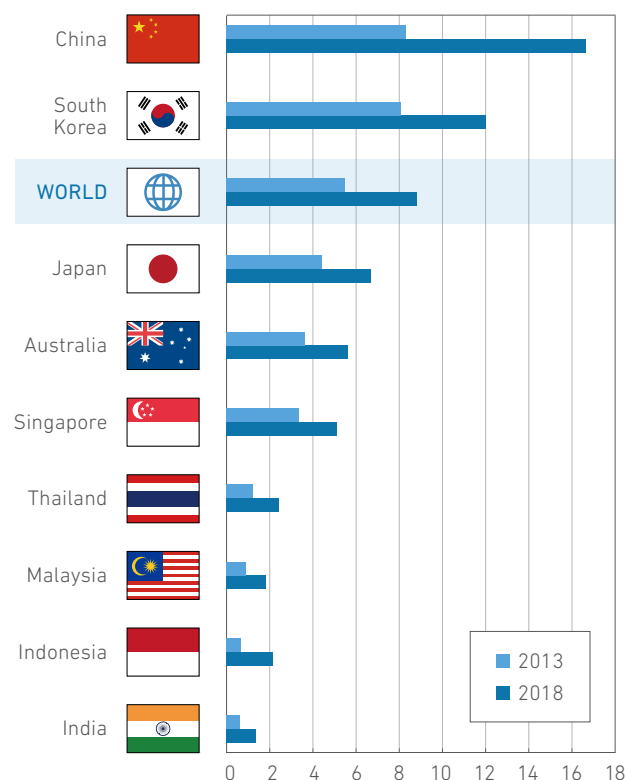
MOBILE COMMERCE EXPERIENCE

The rapid growth and deepening penetration of e-commerce and m-commerce has made it easier for people to browse, compare, and purchase goods and services anytime, (almost) anywhere. But e-commerce and m-commerce customer experiences vary widely.

Recall the earlier anecdote. In highly-connected Tokyo, our mutual acquaintance was able to buy shoes online from the comfort of his apartment. For residents of China's e-commerce villages, however, online shopping means going to a physical store to browse and order goods using communal computers or mobile devices shared by the community specifically for online shopping. Imagine a store without any items in stock, just a counter where one can place orders online.

Urban dwellers in high-income nations may find this sounds counterintuitive, but the fact that rural China has been able to adopt and catch up with e-commerce is impressive. How many villages or small towns in rural Japan or the United States have such an innovative approach to e-commerce? We believe it is closer to zero than in rural China where, as of 2014, the number of so-called *taobao* villages—with clusters of online entrepreneurs who have opened shops on the Taobao

E-commerce as % of total retail sales in 2013, and forecast for 2018



Sources: Euromonitor International, eMarketer, Economist Intelligence Unit.

In 2013, China overtook the United States as the world's largest e-commerce market.

Marketplace website operated by the Alibaba Group—is north of 70,000, according to AliResearch.

One of the main reasons

Japan and the United States do not have e-commerce villages is that their transportation and communication infrastructure, as well as the courier services, are far more advanced than those in China.

In the case of Japan, that is reflected in the country's e-commerce and m-commerce. According to a study published by Kurt Salmon in 2016, only about 25 percent of brands provide a buy-online pick-up in store (BOPIS) service. This is a low number, compared with 54 percent for the UK and 51 percent for the US.

There are two ways to interpret this comparison. First, we can conclude that Japan is behind in terms of delivery options, compared with the UK and the US. To us, more convincing is the second interpretation: Japan does not have a great need for BOPIS because its courier services are reliable.

Delivery in Japan is fast. The average total delivery lead time is 3.6 days, and continues to improve. By comparison, the average in the UK is 5.6 days and in the US 5.7 days. Moreover, courier companies in Japan offer very flexible delivery time options. Rescheduling of missed deliveries can also be easily arranged (unlike with the global courier service the UK shoe vendor used).



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Development of the Shimbashi/Toranomon area is growing ever more rapidly, and it is a new international urban centre. The TOKYO SHINTORA MATSURI will be the first major event to utilize the space created with the opening of Shintora Avenue between Tokyo's Shimbashi and Toranomon.

With the themes of "Tohoku x Tokyo" and "Tradition x Innovation", the TOKYO SHINTORA MATSURI is a declaration of the attractions of Japanese culture and the recovery of the Tohoku region from the Great East Japan Earthquake.

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But while Japanese courier services are advanced, not every vendor in Japan makes full use of them. Global and luxury brands in Japan lag behind local brands in terms of delivery time options. According to the Kurt Salmon study, while all local Japanese brands and online department stores offer delivery flexibility, only 50 percent of luxury brands and 57.1 percent of global brands in Japan offer such flexibility.

That said, e-customers and m-customers in Japan are lucky compared with their counterparts abroad. Separate Kurt Salmon studies found that no vendors in the UK, the US, Germany, or France offer delivery flexibility.

Yet Japanese vendors lag behind vendors in the UK and Germany in terms of their adoption of mobile apps. The same Kurt Salmon study found that only 22 percent of Japanese brands have mobile apps, while 73 percent in the UK and 49 percent in Germany do. However, Japanese brands lead in having websites that are responsive to mobile devices, with 92 percent, compared with 87 percent and 86 percent, respectively, in the UK and Germany.

IMPLICATIONS FOR BUSINESS

What does all this mean for businesses considering m-commerce in Japan? Harry Hill, CEO of Nagoya-based Oak Lawn Marketing, believes that m-commerce is more than just about sales. Increasingly, mobile devices are being used to research or inquire about products.

The question is, then, how do m-commerce vendors improve their conversion rates, making sure more people who browse their products actually buy them?

Faced with an abundance of competition and rapidly advancing technology, vendors are realizing that, whatever competitive advantage they may have at any given time, it will hold for increasingly shorter periods of time. They have thus begun to invest less in new product development and more in improving user experience. Increasingly, m-commerce vendors' mobile apps are being used for customer engagement, rather than for the purchase or sale of their products.

But vendors can improve their customer engagement by using new technologies. Hill spoke of the need to

understand how different customers may prefer different methods of engagement, and the possibility of using metadata to understand individual customer behavior and preferences.

He also mentioned the need to address barriers that often stop people from completing their online purchases, such as the need either to install an app before a purchase can be made, or to sign up to the website before or during checkout. A possible solution is offering m-customers the chance to sign up or install an app after they complete their purchase.

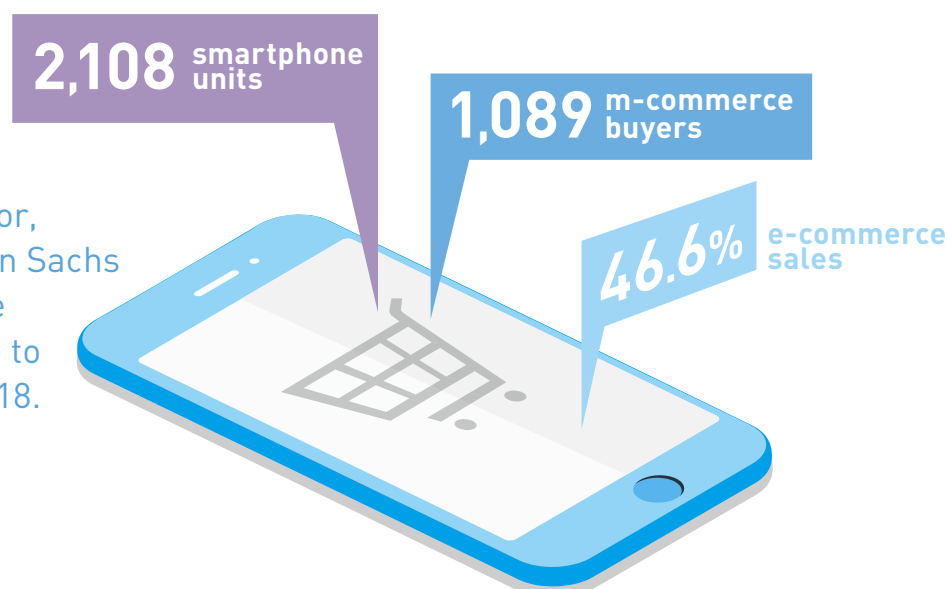
At the center of all this is the need to understand what the customer wants, in terms of products or services, as well as ways in which they are delivered, and the methods vendors use to engage with them. Given the rapid turnover of new technologies, the biggest challenge facing many businesses is keeping up. This requires that businesses have the right people with the right skills.

In Japan's case, according to Prof. Alfred Taudes of Vienna University of Economics and Business, one of the main issues is that many CEOs are not up to date with the latest IT and related technologies. He believes that today, all employees of businesses engaged in e-commerce and m-commerce need to have the skills to tackle IT issues. IT is no longer just for the guys in the IT department.

The need to understand customers and improve customer experience is not a new concept. It has long been recognized by brick-and-mortar vendors. Through the use of the Internet and other communication technologies, e-commerce has made shopping more convenient and accessible to many people. Yet, this has come at a cost. As the customer has become distant and abstract, the shopping and selling experience has become less personal.

But with the advent of m-commerce and the associated new technologies, a more personal online shopping experience is possible. M-commerce vendors will have to do what physical vendors do: get close to the customer and put themselves in the customer's shoes, albeit in a digital setting. ■

According to Euromonitor, eMarketer, and Goldman Sachs Research, global mobile commerce will continue to rise steadily through 2018.





Dyer Straits

Text and Photos by Kit Pancoast Nagamura

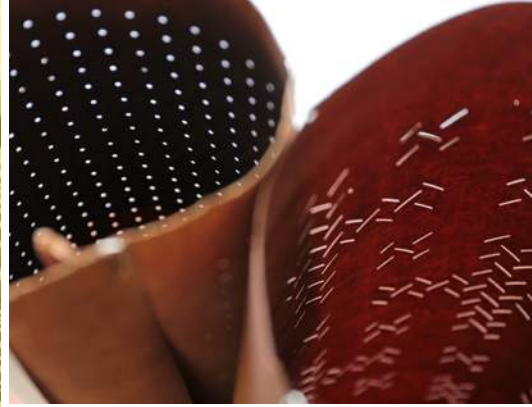
Back when Tokyo was known as Edo (1603–1868), the capital's main *konya-cho* (dyer's town) was located in Kanda, near an aqueduct. This made it convenient for the process called *mizumoto*, the unfurling of lengths of cloth to rinse clean in the natural downstream flow. However, as the city expanded, the dyers' water source grew increasingly sullied. Artisans began to eye the pristine rushing rapids upstream, at Ochia, an area at the confluence of the Kanda and Myoshoji Rivers. Between the Meiji and Taisho periods (1868–1926), some 300 to 400 dyers hung their shingles out in Ochia, creating a new dyer's center.

Today, few of these operations remain, and the rivers are no longer used for rinsing. But one dye works, Some-no-Sato Futaba-en (Dye town Futaba), is uniquely progressive and prospering.

Today, in Shinjuku Ward, the Myoshoji River still churns through what is now called Shimo-ochia. The waterway rushes past humble homes clinging to the river embankment, slicing through the soporific atmosphere of the neighborhood. In this setting, coming across Some-no-Sato Futaba-en is not unlike finding an iPad peeking out from

a stack of ancient paperbacks. The dye atelier's chic minimalistic concrete facilities, instructional display screens, and floor-to-ceiling windows that allow passersby to observe the dyeing process from outside, all resemble more a modern art museum than a production shop.

The somewhat camera-shy Motofumi Kobayashi, who represents his family's fourth generation of dyers, and is the representative director of Futaba-en, intentionally designed his atelier in this way. Noting the gradual shift in



modern sensibilities to inexpensive and virtually disposable clothing, Kobayashi understands that the survival skills of traditional dyers cannot but be sorely tested. He also believes, however, that showing people the techniques used in traditional Edo era dyeing processes would give them a deeper appreciation of the art.

Standing outside Futaba-en's windows, anyone strolling by can watch artisans Kengo Shibuya or Hanako Inoue applying dyes to 13-meter lengths of kimono fabric stretched and suspended from one end of the studio to the other like cirrus radiatus clouds. Producing both Edo Komon (a highly detailed resist-dyeing technique using handmade stencils developed during the Edo period) and Sarasa (a Japanese form of pattern dyeing evolved from Indian and Javanese techniques), the artisans pass deer-hair brushes laden with dye in a mesmerizing rhythm over the fabric. Next, they painstakingly examine



HAIKU

rinsing kimonos—
ocre and yellow leaves
in the river's fabric



every centimeter of the work with tweezers, picking out stray brush hairs that might mar the work's perfection.

Recounting Futaba-en's 96 years of history, Kobayashi reveals one of the secrets behind his company's longevity. His great-grandfather, Shigeo Kobayashi, learned all he could about both Edo dying techniques and corporate business management. In 1920, when building his first production plant along the Myoshoji River, Shigeo split responsibilities with a partner, and set up Futaba-en. The company's crest—of two interconnected arrows—reflects the respect the two men had for each other's strengths. Today, Kobayashi spearheads the business end of Futaba-en, "but I could get nowhere without the artisans who craft our wares," he says, "They are essential."

Kobayashi also attributes Futaba-en's prosperity, at least in part, to cutting out the middleman in sales. "For a long time, department stores handled our goods, and because we are local—not dyers from

remote areas of Japan—it wouldn't do for customers to discover they could come to us directly, just 10 minute's drive from Shinjuku, and get goods for reduced prices," he explains, "so, our existence was sort of kept under wraps. Now, I've decided that we need people to know we're here."

To entice visitors, Kobayashi has set up an attractive gift shop with unusual fabric goods—hair clips with fabric encased in acrylic, phone straps shaped like mini kimonos, pillow covers, etc. Futaba-en also offers classes in various dyeing techniques. But most significantly, Kobayashi intends to revive Ochia's pride in its colorful history.

In 2009, he was instrumental in organizing an annual three-day festival in the district, the Some no Komichi (Small streets of dyers). Last year,

Showing people
the techniques . . .
give them a deeper
appreciation of the art.

more than 15,000 people attended, and the entire town got involved; in 2017, Kobayashi anticipates even larger crowds at the February 24–26 event.

Between setting up festivals, managing sales, and holding exhibitions in Europe,

Kobayashi also sponsors events where the locals learn to concoct natural dyes from recycled onion skins, or bitter persimmons.

"You know, I heard that Ochia used to have a thriving persimmon-growing business," Kobayashi says with a gleam in his eye, "and looking around, I found that, sure enough, there are many very old persimmon trees everywhere here." Kobayashi's plan for the future includes having nearly every private balcony or roof in Ochia growing indigo plants for dyeing projects. Ambitious? Yes, but the man is dye-hard. ■



Breaking the Mold

By John Amari

Mio Yamamoto leads social entrepreneurship in Japan

When the Great East Japan Earthquake and Tsunami struck the Tohoku region in March 2011, Mio Yamamoto was relaxing at her home in New Jersey. As the scale of the disaster unfolded, Yamamoto was shocked to her core.

“I was in New Jersey when the disaster happened. We all sat there and watched the news streaming all these awful images,” she tells *The Journal*.

The next day, Yamamoto went to a nearby shopping mall, where she saw banners with the words “Save Japan” inscribed on them. There, countless volunteers manned donation boxes and collected funds to help those affected.

“There was a lot of support coming from around the world, and I was really grateful for that,” Yamamoto recalls.

In the immediate aftermath of the disaster, she came to realize that the people in affected areas would need a great deal more support—especially when the initial influx of aid and volunteers began to draw down.

With a background in business and social impact entrepreneurship, Yamamoto wondered how she could use her skills to help those in need. “Some of my friends and I realized that, after the initial passion to help and funding to support victims slowed down, there would be a need to aid the communities in a sustainable way.”

Many people in affected areas, for instance, may not necessarily have the skills required to maintain their activities. One way she and her

friends could help, she imagined, was to provide capacity building support—such as management skills and financial resources—for people on the ground. “That’s where we thought we could play a part.”

In the summer of 2011, Yamamoto and two co-founders created Word In Tohoku (WIT), a not-for-profit organization that works in disaster-affected areas of the Tohoku region. Yamamoto is the managing director at the NPO, originally called World In Asia.

Through WIT, she, her colleagues, and their supporters have helped over a dozen social ventures with their capacity building, market expansion, and sustainability needs.

SOCIAL IMPACT

Yamamoto and her co-founders have a long history in social entrepreneurship. “I was involved in a social impact venture fund in Tokyo, and my co-founders were involved in a similar organization in Thailand and as academics,” she says.

A graduate of international relations from the University of Tokyo, Yamamoto did an internship at a Malaysian orphanage in 2003, while still a student. There she taught English and math, gaining experience that proved instructional.

“I saw that they had a lot of skills challenges at the orphanage—they lacked the staff to provide proper care for the kids, many of whom had psychological problems.”

When Yamamoto suggested that more expert professionals should be hired to provide the necessary care, she met with a heartbreaking—but thought-provoking—response: the orphanage did not have the funds.

“The director told me that they did not have the money to hire more staff, which made me wonder about my own limited skills and what I could offer in such a situation. So I decided to go to business school, which would give me the skills needed to help social ventures such as this one.”

Following graduation, and wanting to increase her knowledge of business, Yamamoto followed a career in the private sector, at a chemicals company in Japan. When the opportunity arose for her to relocate to the United States, she did so, going to the Massachusetts Institute of Technology (MIT), where she graduated with a masters degree in business administration.

Today, Yamamoto relies on her experiences in Japan and the United States, where she lives most of the year, to recruit supporters for WIT. Her connections in both countries allow her to recruit human resources and raise funds to support the NPO and its beneficiaries.

POWER OF MENTORING

WIT's work involves three main pillars: matchmaking, capacity building, and mentoring. The latter is important for bridging knowledge gaps that inexperienced entrepreneurs face.

"Mentors are really important for social entrepreneurs, many of whom started their organization out of pure passion, but do not necessarily have all the skills needed to make it successful."

Access to such expertise allows ventures to broaden their perspectives, knowledge base, and skills, Yamamoto adds. It also allows a social entrepreneur to tap into a mentor's business networks and resources.

Mentors, meanwhile, benefit from such partnerships. In affected areas, they meet and work with people, many of whom they would not otherwise meet, broadening their skills and networks.

"WIT's community of mentors and social entrepreneurs has become something like a big family," Yamamoto points out. But, one may ask, what makes an effective mentor?

"Good mentors have the ability to listen to someone, understand their needs, provide insights from a different perspective, and provide the most effective support," Yamamoto explains.

DELIVERING CHANGE

To date, WIT's members, who are skills-based volunteers, have provided support for team building, leadership training, business-model development, corporate governance, market entry, and business-to-business matchmaking.

Over a dozen enterprises that provide services such as housing, education, elderly care, and assistance to support women, have received backing in this way. The result? Accelerated development,

access to new markets, and a pathway to sustainability.

One WIT beneficiary is an enterprise that aims to revitalize the traditional Japanese craft of lacquerware. Although based in Fukushima Prefecture, the company wants to enter the US market, an ambition that has received a boost from WIT mentors.

Another startup—called the Kizuna Mail Project—has created a knowledge-sharing service targeting pre- and post-natal mothers. The company bridges the information gap that sometimes exists in childrearing by providing up-to-date information via text messages and emails to those who are expecting and those who have recently become mothers. Having established a foothold in Japan, the company is looking to new markets around the world.

"After attending one of our sessions, one member from the United States decided to connect this social venture to the Japanese community in New York—where the service will be tested in the pre- and post-natal market there."

As Yamamoto says: "We try to figure out ways to help those enterprises grow. This means all the connections that we have created are leading to practical advice and concrete results, both in Japan and other places facing similar challenges."

BUSINESS MODEL

Yamamoto admits that WIT itself is still something of a startup. Since its founding, the organization has had to find new ways to be sustainable.

"Like many other NPOs, we initially relied on disaster relief funds that had been made available in the aftermath of the disaster," Yamamoto says.

But when that income stream ran dry, WIT had to pivot and find a new

business model. Today, the NPO maintains most of its operations through a membership scheme.

"What is unique about WIT is that our members—who are recruited from the business community—pay an annual fee to be volunteers. They are then matched up with social entrepreneurs in disaster-affected areas. Members bring their experience and skills to bear and act as mentors, coaches, or advisers for each venture," Yamamoto explains.

So, for instance, through the organization's Cross-border Learning Journey program—involving entrepreneurs from Japan and the United States meeting at a retreat in Tohoku—members are introduced to ventures that may benefit from their support.

Typically held over three days, the program allows participants—such as entrepreneurs, directors of social foundations, urban planners, business people, lawyers, journalists, and designers—to assess the vision and strategy of each venture. Participants then devise a support strategy.

Diversity has also been a hallmark of such retreats, with men and women aged 20–70 taking part.

WISE WORDS

Creating a social-impact NPO has not been without its challenges, however. In WIT's second year, for instance, Yamamoto was faced with becoming its executive director, the incumbent suddenly having been unable to remain in the post for health reasons.

Since at the time she was still in graduate school at MIT, her ability to manage her time and output was stretched to breaking point. That said, Yamamoto believes there are a number of benefits to starting a social venture.

"If you want to create value in society, and wish to do that in a challenging environment, then entrepreneurship—whether you want to call it social or not—is a good way to go."

And what makes for a good social impact entrepreneur? Aligning one's passion with one's career path is vital, she says. What is more, you sometimes have to be your own fan.

"Focus on your strengths," she says. "While I'm far from perfect, I tend to look at my weaknesses and then try to improve them. But it is impossible to eliminate them all, so I focus on what I'm good at." ■



KOIKE'S COMMITMENT

Tokyo's new governor promises openness

By Takanobu Iwamura



Yuriko Koike, Tokyo's first female governor.

A little more than two months after taking office as Tokyo's first-ever female governor, Yuriko Koike is pushing ahead with reforms to the metropolitan government at breakneck speed.

Her two immediate predecessors both resigned in disgrace over misuse of public funds before their four-year terms ended. A string of financial scandals has left voters in the capital cynical, but they have found new hope in Koike's vow to "make major reforms in Tokyo."

The new governor has shown no qualms about putting large projects on hold, if they were decided opaquely. She doesn't seem interested in Japan's traditional approach to consensus-building. But it is Koike's direct political style that helps explain her popularity.

To take one example, the Tokyo government had planned to relocate the capital's aging fish market at Tsukiji to the Toyosu district about 4 km to the southeast. Moving the 81-year-old fish market, one of the largest of its kind in the world, is a massive undertaking that is expected to cost around ¥580 billion (\$5.62 billion).

But at the end of August, roughly two months before the market's scheduled relocation in November, Koike announced a delay, citing lingering concerns over soil contamination at the Toyosu site. That upset wholesalers at Tsukiji and members of the Tokyo Metropolitan Assembly. When word got out that the previous administration had not fully carried out its pledge to remove and replace the contaminated soil, Koike's bold decision earned widespread praise.

YURIKO OF ARC

Tokyo is considering a major review of plans for the Tokyo 2020 Olympic and Paralympic Games, including canceling the construction of three venues and using existing facilities instead. Koike is keen to slash the cost of hosting the games, which may reach ¥3 trillion, and ease the burden on taxpayers.

When the Tokyo gubernatorial election was held in July, Koike vacated her lower house seat in the Diet, Japan's parliament, and ran as an independent without the backing of the Liberal Democratic Party's Tokyo chapter, to which she belonged. "It is as if I've already jumped off the cliff," she said. "In every way, I'm resolved to run."

Koike graduated from Cairo University and speaks fluent English and Arabic. After working as a TV news anchor, she entered politics in 1992, winning a seat in the upper house of Japan's parliament. She later served as environment minister and defense minister, and is well-versed in security issues. In recent years, however, Koike has not held ministerial or key party posts. Her decision to run for Tokyo governor hints at a desire to return to the political spotlight.

During the campaign, Koike cast herself as a heroine locked in a "one-person struggle" against a group of bullies. On the final day of campaigning she compared herself to Joan of Arc, saying, "I'm ready to go into the Tokyo Metropolitan Government office without fear of

being burned at the stake, and make the government more open and transparent to citizens." So far, Koike has made good on her vow, following her landslide victory.

Although Koike enjoys wide support from residents, questions remain over how she will manage her thorny relationship with the metropolitan assembly, given that she used it as a foil during the campaign. Because Koike lacks a solid support base in the assembly, it is unclear whether she will be able to work with members to push through her agenda.

In the near future, Koike plans to launch a private academy called Kibonno-jyuku ("classroom of hope") to teach the political arts to future leaders. Some LDP lawmakers have expressed worry that with an assembly election slated for next summer, the academy may become a political party, depending on trends in public opinion.

Koike's term as governor will end in 2020, just before the Tokyo Olympics open. Will she run for a second term, taking the opportunity to bask in Olympic glory, or seek a return to the Diet and perhaps a shot at becoming Japan's first female Prime Minister? How she performs over the next four years could determine her fate. ■

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DIET DAILIES

Japan policy updates translated
from *Keizai* magazine



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MINISTRY OF ECONOMY,
TRADE AND INDUSTRY

CHINA PROPOSES CLASSIFYING BICYCLES AS “ENVIRONMENTAL PRODUCTS”

The World Trade Organization has been trying to reach a general consensus on an Environmental Goods Agreement (EGA), according to which solar panels and other environment-related products will be accorded tariff-free status.

China came up with the surprising proposal, advocating that bicycles be included in the list of tariff-free items. Japan's domestic market faces a saturation crisis, and various countries have reacted negatively to the proposal, which is viewed as a coercive stance reflecting China's desire to expand exports.

Beijing's position is that bicycles “are a form of transportation that does not produce exhaust gases, nor do bicycles consume energy. Ergo, they should be treated as environmental products.”

China has also proposed that its bamboo products (such as flooring panels) be designated environmental products, since “bamboo grows quickly,

is easy to use in a variety of ways, and requires less thermal energy in production than does concrete.”

The EU's strong opposition to dropping tariffs reflects its position as a producer of such world-famous bicycle brands as Italy's Bianchi and Germany's Canyon. In 2011, the EU accused China of dumping bicycles and countered with an import duty of 48.5% for a five-year period, and other measures. In fact, 22 of the 28 EU member nations are opposed to elimination of the tariffs.

The previous round of EGA negotiations, which began in 2014, dropped tariffs on 54 items in the APEC region in 2012. The agreement is in the process of expanding to incorporate other items. They currently include electric generators powered by sources including biomass boilers, heavy-duty gas turbine generators, wind generators and their components, solar panels, and environment measurement instruments.

Considering the basis according to which such products are assessed, the EU believes that, “recognizing bicycles as an environmental product would represent a strained interpretation.”

MINISTRY OF LAND,
INFRASTRUCTURE, TRANSPORT
AND TOURISM (MLIT)

EXPANDED DISTRIBUTION DATABASE TO DISCOURAGE RISE IN VACANT RESIDENCES

The Ministry of Land, Infrastructure, Transport and Tourism had decided to develop a database that will enable lateral exchanges of information on properties to be registered in a vacant-residence bank, containing information on empty homes and vacant lots. The system is expected to cover some 70 percent of the nation's municipalities.

A growing number of houses and apartments are being left unattended or

abandoned. To help curb disasters and crime, as well as avoid eyesores that downgrade neighborhoods, the scheme is aimed at putting properties back on the market and promoting their utilization by the private sector.

Property owners will be encouraged to donate empty residences to local governments or other bodies. An official in charge remarked, “We have already studied similar systems, set up by Nagasaki City and Okutama Town [in western Tokyo].”

Until now, those in the market for a vacant property have had to obtain data from local governments on a piecemeal basis, since there has been no property bank to put potential buyers in touch with property owners.

Currently Japan is estimated to have some 8.2 million vacant residences, a 1.8-fold increase over the past 20 years. The 3.18 million properties that are being rented out or on the market aside, the ministry plans to reduce the number of vacant residences to 4 million by fiscal 2025.

Halting increases in vacancies, however, will not be easy. While the rate of home ownership among the postwar baby boomer generation is about 80 percent, the figure for the *dankai* junior (children of the baby boomers) generation is about 60 percent.

Recently, there have been instances of second-generation family members living in urban areas having neglected or abandoned homes they have inherited in rural areas, due to their inability to shoulder related costs.

To deal with the problem, the ministry's plan is to encourage donation of properties to local governments. The ministry expects that setting up the proposed new system to expand commercialization in the marketplace will make it easier for local governments to accept properties.” ■



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RI Awards 2016

Recognizing the best in recruiting

The world's biggest recruitment industry awards program, the RI Awards, were handed out on September 30 during a gala luncheon at Tokyo American Club. Recognizing innovation and best practice in the recruitment industry, the RI Awards are contested all over the world, including in the UK, China, the Middle East, Australia, Hong Kong, Singapore, and Japan. This year's Japan competition added two new categories: Consumer Recruitment Company of the Year and Industrial Recruitment Company of the Year. Congratulations to everyone who took home the coveted RI Awards trophy. ■



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US–Japan M&A

Five insights to help your business

Grant Thornton cooperates with, and provides extensive and distinguished services to, US companies pursuing merger and acquisition (M&A) transactions with Japanese companies or who are starting up in Japan. Here are some insights from our experience that may help you:

MANAGEMENT STYLE

Recently, public Japanese companies have been appointing external intellectuals as board members. However, the number of outside board members is still limited because there are circumstances in which internally promoted directors who operate the companies—similar to officers in the US—keep their seats on the board. Generally, the boards of public US companies are meant to be kept more independent from management teams compared with Japanese companies, which are typically controlled by operating directors. In addition, internal decisions are basically well supported by staff, therefore advanced negotiations with the staff of Japanese targets make projects go swiftly.

LEGAL PROTECTION

Although some Japanese manufacturers were investigated by US officials—resulting in anti-trust measures gaining popularity in Japan—US companies have worked within these regulations longer than Japanese companies. When it comes to anti-corruption measures, Japanese companies generally have insufficient knowledge of the regulations. Accordingly, due diligence should be carefully considered, if needed.

IT

Traditionally, large Japanese companies have developed computer software for internal use from scratch while small and middle-sized companies have used external software packages made in Japan. This externally produced software is normally used with limited customization, if any. Recently, large and middle-sized companies have begun implementing branded enterprise resource planning (ERP) packages, but small companies still use the local packages, which are generally reputable and reliable. For security, many Japanese companies obtained ISO 27001 certification, sometimes for development of internal control system required for compliance with J-SOX—Japan’s version of the US Sarbanes-Oxley Act. Protection of personal information is also attracting significant attention from Japanese companies due to public awareness rather than regulation.

ACCOUNTING

Japanese generally accepted accounting principles (GAAP) have recently converged with international standards, however there are still differences. Except for a famous rule of goodwill amortization, an accounting method for employees’ retirement benefits is unique and warrants attention. Employees who work for Japanese companies generally join plans with defined benefits rather than defined contributions, as is common in the United States, on the condition that they will be continuously employed until a certain age of retirement, typically 55–65. In addition, most Japanese companies establish

external funds for the employees’ retirement benefits by themselves or with other companies in the same industry. For this kind of fund, as well as all retirement benefit plans, prospect obligations arising from future payments to employees—or contributions to the funds—must be booked on balance sheets even under Japanese GAAP. However, Japanese GAAP provides a simplified accounting method for such obligations for small companies with less than 300 employees. Japanese M&A practice normally considers that companies with fewer than 300 employees possibly undervalue liabilities on their balance sheets, and treats the difference as a typical debt-like item.

FINANCE

The relationship with banking corporations is sometimes different in Japan than in the US. These companies are required to make many efforts to enter into new loan agreements with Japanese banking corporations, even if they have existing accounts. Therefore, Japanese companies intend to keep certain loan balances by renewing existing loan agreements, even if a company has sufficient cash to no longer need loans. Fully repaying loan balances can make it difficult to borrow funds for future cash needs. And, when loaning, Japanese banking corporations do not require borrowers to assign independent auditors for financial statements. But they certainly do require pledging sufficient value of collateral for loans, except in the cases of substantial blue-chip companies. ■



Toru Shirai is a senior manager at the Tokyo office of Grant Thornton Japan, where he provides assurance services to multinational companies. When he was seconded to Grant Thornton’s Chicago office for three years (2012–2015), he also supported cross-border business expansion. Shirai has 15 years of experience in public accounting and specializes in ICT and manufacturing.



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ORIGINAL STITCH

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The way that people purchase shirts has remained virtually unchanged for 100 years. In 2015, Jin Koh realized the time was ripe to inject technology into the equation.

His solution was Original Stitch, and just 18 months later the company has earned a reputation for delivering shirts that reflect the men that wear them. Each month, Original Stitch sells more than 3,500 custom-made shirts through its website—more than Nordstrom, Macy’s, or Isetan.

“I saw an opportunity to use software to innovate new purchasing behavior in consumers, and to disrupt the underlying business model,” says 35-year-old Jin.

The problem for traditional shirt makers has been a lack of technical insight combined with little ability to develop new business models to capitalize on new opportunities, said Jin, who is originally from Malaysia. He has lived in San Francisco—where he set up the company in 2015—since he was 15.

Today, 90 percent of his staff are engineers, and every one of his employees has a technical background, as opposed to a sales or tailoring one.

“We develop software that is based in data science, computer vision, and artificial intelligence to outperform traditional players,” said Jin.

“Our software is better at selling than your salesperson,” he said. “Our bots are better at understanding your style and preferences than your own stylist. Our sizing technology is more accurate than your tailor. Our distribution reaches further than all your retail stores combined.

“We can acquire a customer at one-tenth the cost and 10 times the speed that traditional companies can—and that is just with a team of 18 people in one year,” he emphasized. “Imagine what we can do to this industry in the next decade.”

Customers start by ordering all the unique components of their custom-made shirt—including numerous size requirements, colors, materials, and cut—through the Original Stitch website. The shirt is then handcrafted in Japan and delivered quite remarkably within seven days. Other online shirt makers take double the time to deliver, while retailers can take as many as 30 days.

And customers have been impressed with the service, the product, and the attention to detail.

Leon Houwelingen, 37, CEO at Tokyo-based premium food importer Daabon Organic, said that delivery, service, packaging, and product were excellent. “The fabric is very high quality and feels smooth and comfortable against my skin. At more than 2 meters tall, my biggest problem is

finding long enough sleeves. However, the automatic general length calculator for the sleeves worked perfectly for me.”

Simon Farrell, publisher at award-winning Tokyo-based creative agency Custom Media, has two Original Stitch shirts—one for the office and one Hawaii-style—and he is delighted with both. Farrell, 56, says that for many tall, large, or otherwise non-standard-sized expats in Japan, it’s a challenge to find quality clothes for work or leisure that look good, feel comfortable, fit properly, and are good value. “Add that they are custom-made, guaranteed and actually fun to order, and you have a winning combination,” he says.

“Original Stitch lets you order online after browsing dozens of fabrics, patterns, colors, buttons, collars, sleeves, pockets, and pleats at your own pace.”

Nervous about ordering online? Farrell says peace of mind is paramount: “As free services, you even get to change your design within a limited post-order period, or have it redone if the fit isn’t perfect upon delivery.”

Many others agree. Sales have grown 30 percent month over month, while third-quarter sales in 2016 were up 410 percent compared with the same period a year earlier.

Setting up your own company is not for the faint of heart, Jin agrees—he spent the nights during the first two weeks of operations sleeping on the factory floor—but the results have been worth it.

His next aim, he says, is to “create a zero-waste, sustainable ecosystem for the production of apparel goods, and a business model to capture profits at an Internet scale.” And, of course, to make men look extremely stylish. ■

For more, visit originalstitch.com or email jin@originalstitch.com



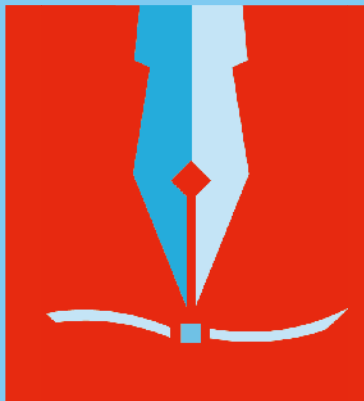
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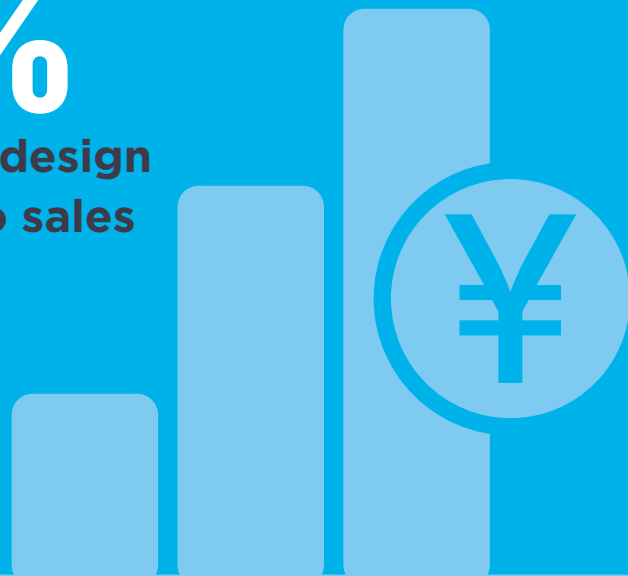
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Sales Stories

By Dr. Greg Story
President, Dale Carnegie Training Japan



動かす

In sales, storytelling is our ability to express ourselves in a way that is engaging and persuasive. We capture the attention of the buyer because we have taken the client to a world unexpected. This might be because the real essence of their problem has just been revealed to them. The salesperson who can marshal the discussion to elucidate the hidden insights for the client is the storyteller par excellence.

The content of the story can also be a description of a better place than where the client finds themselves today. This discussion shows the path forward for the client to realize their goals. To understand this better place requires the salesperson to set up a dialogue, where the questions asked elicit a story from the client about what success would look like. Examples of cases in which this solution has worked before must be brought to life if the storytelling is to have impact. The ability to vividly describe this better place is what separates the average salesperson from the master.

The delivery of this story is not just constant babbling, but rather a narrative that is punctuated by periods of silence. The client is given the chance to talk without having their sentences finished for them, or interrupted by a segue, observation, joke, or distraction. Often, salespeople are loquacious and ill-disciplined. They are in love with the beauty of their words. Counterintuitively, being a skilled storyteller also requires the salesperson's patience as they encourage the client to tell their own story.

The words chosen are important. The majority of the conversation should consist of the client speaking, thus the quota of words allowed for the master salesperson are limited. They only use clear and concise constructs because they know they need to give up the floor to the client as much as possible. Short sentences of inquiry, which draw out rich information, are the golden path to sales success. It sounds like a snap, but to do this takes a lot of practice.

When the client hesitates, pauses for more insight or information, or outright rejects what

they are being told, the salesperson's level of communication skill really becomes apparent. The balance between speaking to add light and employing silence to gauge reaction is a critical facility.

When a salesperson hits resistance, there is a natural tendency to want to pour it on to overwhelm the client and their objection with a thunderstorm of data, facts, and statistics. They want to dominate the discussion through sheer force of personality. This is never going to fly. "A person convinced against their will is of the same opinion still" is an old saw that we salespeople forget at our peril.

Our way of telling the story makes a huge difference. We need to be matching the personality of the person we are talking to, including their energy level, pacing, the degree of detail they require. All of this must go into the mix of telling the story. If they are a very detail-oriented person, then we need to get with the program. If they are action-orientated, we must become the same. We like to do business with people we like and we like people who are on our wavelength.

In sales we need to foster the ability to be on as many wavelengths as possible. Our clients will be of various styles so we need to move graciously between each, without losing our core beliefs in what we are doing. The telling of stories draws out the situational truths needed to understand the correct and best solution for the client. It also means the capacity to package our solution in a way that it is highly appealing to our buyer. This storytelling skill separates the professional from the dilettante. By the way, nobody wants to buy from an amateur, so let's become more professional and tell our story well for the client.

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Our hosts are Escape Hunt Japan, Ltd. The firm celebrated its first birthday in August 2016 and, given the popularity of escape games worldwide, has big ambitions. These games are increasingly seen as the ultimate team-building activity: accessible, engaging and relying on grey matter rather than muscles.

As the only business in Japan with such offerings in English and Japanese, Escape Hunt has attracted global brands, such as Microsoft, Google, and Nike.

The Japan office of a luxury brand contacted the firm after a merger left departments fractured and staff anxious about their positions. Working closely with its human resources team, Escape Hunt created an event to relieve stress, unveil personality traits, foster understanding, develop teamwork, and communicate values.

Thought to have been started about 10 years ago, escape games have taken the corporate world by storm thanks to their value as a tool in supporting brainstorming, collaboration, creativity, trust, and feedback. ■



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1 Sachin N. Shah, director, representative statutory executive officer, chairman, president and CEO of MetLife Insurance K.K. speaks at a Young Professionals Forum Mentor Session on October 3.

2 The 25th Anniversary Chubu Walkathon donated ¥10 million to 30 local charities and another ¥10 million to the Chubu Children Fund at the Fund Distribution Ceremony at Nagoya International School on October 5. (PHOTO BY ANDY BOONE)

3 From left: US. Ambassador to Brunei Craig Allen, ACCJ President Christopher J. LaFleur, US Embassy in Tokyo Commercial Counselor Jonathan Heimer, and Deputy Chief of Mission Jason P. Hyland at the 2016 Japan International Aerospace Exhibition on October 12-15 at Tokyo Big Sight.

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CONTENTS

VOL. 53, ISSUE 11

- 39 **FROM THE BOARD**
Perfect for Pittsburgh
 The many benefits of TPP
 ERIC SEDLAK
- 40 **EVENTS**
ACCJ in pictures
- 41 **ACCJ 2016 CHARITY BALL**
That's Entertainment!
 What's in store for the evening
 BARBARA HANCOCK, LORI HEWLETT,
 AND KEVIN NAYLOR
- 42 **ACCJ EVENT**
Town Hall
 Get more involved in the ACCJ
 C BRYAN JONES
- 43 **REGION UPDATE**
Chubu Women in Business Summit
 ERIN SAKAKIBARA
- 45 **ACCJ EVENT**
On Message
 Hiroshi Nakaso on the Bank of Japan's
 current thinking
 RICHARD SMART
- 47 **ACCJ EVENT**
How Far Is Too Far
 Tackling the rising tide of financial regulations
 MAXINE CHEYNEY
- 49 **ACCJ LEADER**
Public Affairs in Japan
 JAKOB EDBERG



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Perfect for Pittsburgh

The many benefits of TPP



FROM THE BOARD

By Eric Sedlak
Vice president, ACCJ-Tokyo

We hope that when you read this, the Diet deliberations on Japan's ratification of the Trans-Pacific Partnership (TPP) agreement are well underway, with a clear path to passage.

A few weeks ago, I visited my native Pittsburgh where I spoke at our office on TPP, Abenomics, and opportunities for US companies in Japan to a group of local Fortune 500 executives and other internationally minded Steelers fans.

Thousands of Pennsylvania companies export directly or indirectly to future TPP member countries across a wide range of sectors, including chemicals and precision equipment. Close to 200,000 Pennsylvanians are employed in the production of exports by companies large and small.

The TPP's elimination of more than 18,000 tariffs will create enormous opportunity for those companies and their current and future employees.

Pittsburgh is known for its steel manufacturing, but the largest employers in the region are now in the new economy and healthcare. The complete elimination of tariffs on data transferred to Japan and

other member countries will create opportunities in telemedicine (and its interactions with medical devices and pharma), disruptive technologies, smart grid, virtual utilities, and demand management. Those innovators will seek more graduates in computer science, electrical engineering, physics, and artificial intelligence.

Abenomics' Third Arrow successes include corporate governance reform (which the ACCJ supports via our Director Database program), restructuring the JA agricultural cooperative system and price supports, and the disaggregation of Japan's electricity generation, transmission, and distribution system, until now controlled by Japan's regional utilities.

The reform of the electricity supply system creates opportunities for new market entrants. In response to Japan's attractive feed-in-tariffs, dozens—if not hundreds—of foreign renewable energy developers have entered the Japanese market, most notably in solar, not as widely as hoped in wind, but more recently in biomass, for which high quality fuel with a low life-cycle carbon impact can be imported from the US.

Electricity reform will create many opportunities for Japanese and foreign companies ranging from equipment and software suppliers to virtual utilities, power resellers, and service suppliers. The administration of Prime Minister Shinzo Abe plans to expand residential sector energy efficiency and demand response efforts will also create a range of opportunities for suppliers of a variety of innovative goods and services, leading to more high-value added, highly skilled jobs in the United States, Japan and elsewhere. Abe has put forward 11 pieces of legislation to implement reforms needed to meet the high standards required by the TPP.

If TPP ratification and Abenomics both stay on track, it seems likely that centers of technological excellence in Japan and the United States will continue to hire and to thrive, with follow-on benefits in the development of new technologies and the employment of technicians, scientists, and engineers . . . whichever football team they support. ■

The views and opinions set forth herein are the personal views or opinions of the author; they do not necessarily reflect views or opinions of the law firm with which he is associated.

THIS MONTH'S FEATURED VIDEO:

2016 ACCJ KANSAI WOMEN IN BUSINESS SUMMIT: OPENING PRESENTATIONS

Opening presentations from Yukari Inoue (managing director, Japan/Korea, Kellogg Japan G.K.) and Gerald Lema (managing partner and representative director, Cylon Capital, Global)

Visit <https://www.youtube.com/user/AmChamJapan> and subscribe today!



EVENTS



1



2



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4



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- 1 US Embassy in Tokyo Deputy Chief of Mission Jason P. Hyland speaking at the ACCJ's Disaster Preparedness Session on September 26 at Tokyo American Club.
- 2 ACCJ President Emeritus Allan D. Smith (right) with Alyssa Smith at the Wine Tasting for the ACCJ Charity Ball event on October 6 at Roti Roppongi.
- 3 Tsuneo Watanabe, senior fellow, The Tokyo Foundation, speaking at Let's Asakatsu: Understanding the US Presidential Election in the ACCJ Boardroom on October 13.
- 4 From left: Erin Sakakibara, Women in Business–Chubu chair; Patricia (Tish) Robinson, associate professor, Hitotsubashi University; Royanne Doi, corporate chief ethics officer, Prudential Financial, Inc.; Laura Younger, executive director, ACCJ; and Kaoru Kano, senior director, Human Resources, Eli Lilly Japan K.K. at the Westin Nagoya Castle on September 13. (PHOTO BY ANDY BOONE)
- 5 From left: Christopher J. LaFleur, ACCJ president; Sarah Casanova, president, CEO, and representative director, McDonald's Company (Japan), Ltd.; Mayumi Tateishi, executive vice president and member of the board, Oak Lawn Marketing, Inc. / senior vice President, NTT DoCoMo, Inc.; and Chris Zarodkiewicz, ACCJ vice president–Chubu at the Chubu Women in Business Summit on September 13.
- 6 ACCJ–Kansai 11th Walk-A-Thon “Better Workplace, Better Life for Working Mothers in Need” was held on October 15 at Canadian Academy. Donations raised through the event are used to support organizations helping these mothers through a variety of initiatives and programs.
- 7 Vice President–Kansai Stephen Zurcher accepts a certificate of appreciation on September 23 from US Department of Commerce Executive Director for Asia Jim Golsen, who was visiting from Washington, DC.

UPCOMING EVENTS

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

- **NOVEMBER 8**
Many Languages, One Message:
Marketing in Multiple Languages
(Chubu Event)
- **NOVEMBER 18**
Healthier Women, Healthier Economy

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That's Entertainment!

What's in store for the evening

By Barbara Hancock, Lori Hewlett, and Kevin Naylor

For this year's event, we wanted to recreate some of the vibes of the legendary Black & White Ball of 50 years ago, while adding some new twists. One of the groups to play at the original ball was the Detroit Soul Brothers, also known as the Funk Brothers. They were a Motown band who got everyone out on the dance floor. There is probably only one person in Tokyo whose roots go back to that source: Jett Edwards.

Most recently known for establishing the Japan Mass Choir—nominated for a 2016 GMA Dove Award for Best Traditional Gospel album—Edwards was born into a musical family. His parents were both gospel and opera singers, and his father taught his boys how to play instruments and perform. The Edwards home was filled with music, as it was frequently visited by gospel greats when they passed through his North Carolina hometown. It is not surprising, then, that Edwards wrote his first hit song at the age of 14. The song was called *Lonely Man*, and he laughs about that now saying, “what did I know about being a lonely man at age 14.”

From then to now has been a long and winding road. Jett was artist & repertoire director for Jackson Records and has managed, produced, and collaborated with artists such as the Five Blind Boys of Mississippi, Five Blind Boys of Alabama, Swan Silvertones, and Soul Stirrers, as well as Janet Jackson, Diana Ross, The Crusaders, James Brown, Dionne Warwick, Leon Ware, The Temptations, George Benson, and Motown Records. Who better could we ask to hook us up for this gala?

“On this night”, Jett says, “have your dance shoes on and your tux and tails ready to fly,” because he is going to bring those

sounds back. His description is “imagine a night where classical meets the street sound: on edge, mad, movin', groovin' music that you won't be able to get enough of.” To achieve this, Jett has reached out to some of the best of the best in Japan and put together Tokyo's Soul Funk Brothers.

And that's not all. Our evening reception will start with a great selection of solo jazz. Then our ballroom will open up to the Tokyo Hot Rollers, an all-star string band playing red-hot instrumentals on guitar, mandolin, fiddle, bass, and snare drum. This group will be led by veteran American roots and blues musician Rambling Steve Gardner from Mississippi.

We want to start off with a bang, but then we also know that you and your guests want time to socialize and relax during dinner. We hope you will enjoy our dinner trio who will keep our theme going with some great jazz standards and a few surprises that are akin to those enjoyed at the original Black and White Ball, while maintaining a level that doesn't intrude on your conversation.

In countless ways, our entertainers also give back to the community, as is part of that great American tradition. While they cannot survive working for free, they have all been most generous with their time in helping to make this evening unique for the ACCJ community and friends. ■



We hope that you will support the Charity Ball this year by attending or becoming a sponsor. The ball will be held on December 3 at the Hilton Tokyo in Shinjuku with a theme that celebrates the 50th anniversary of Truman Capote's iconic Black and White Ball, which was held at the Plaza Hotel in New York City. accjcharityball.org / charityball@accj.or.jp

We invite you to come dressed in the spirit of this legendary masquerade gala!

Town Hall

Get more involved in the ACCJ

By C Bryan Jones

On October 19, President Christopher J. LaFleur led the third American Chamber of Commerce in Japan (ACCJ) Town Hall in the boardroom of the ACCJ's Tokyo office. The gathering offered members an opportunity to catch up on the latest initiatives and to hear directly from the leaders who are guiding them. Attendees also had a chance to share their thoughts and ideas for getting more out of ACCJ membership.

Key topics discussed at the October session included the Diet Doorknock, the Chubu Women in Business Summit, the changing face of membership, the new ACCJ website, corporate social responsibility (CSR), and the upcoming Charity Ball.

ACCJ President Christopher J. LaFleur began the meeting by discussing the recent Diet Doorknock, the annual three-day outing conducted since 1994 during which teams of ACCJ members take their policy recommendations directly to the Diet through meetings with dozens of Japanese lawmakers, sometimes including cabinet members. He said this was the largest Diet Doorknock to date, and many feel the most successful.

Membership played an important role in the Town Hall discussion. The ACCJ currently has the most members in its history—more than 3,400—and the number of corporate sustaining members is also at its highest-ever level at 82.

Vice President–Tokyo Marie Kissel expanded on the topic of membership, talking about research being done to refine the activities of the chamber to better serve the changing composition of the membership. With a focus on the growth in Japanese members, women, and young professionals, member-facing committees have

been working on recommendations that will guide future programming and services.

Speaking of programming, LaFleur praised the work of the ACCJ–Chubu chapter in hosting a very successful Women in Business Summit on September 13. Pointing out that fewer women are represented by Chubu area industries, he said that the summit injected great energy into the region.

Barbara Hancock provided an update on another bit of upcoming activity: the ACCJ's annual Charity Ball. This year's theme will take you back to Truman Capote's iconic Black and White Ball, and members are encouraged to bring friends and guests to the event that will take place on December 3 at the Hilton Tokyo Shinjuku from 6:00 p.m. to midnight.

Jonathan Kushner, vice president–Tokyo, provided an update on the new website and its impending launch. The more streamlined, visually appealing, and responsive design will improve event registration, maintenance, and security, and will enhance the chamber's ability to communicate with members and the broader community.

LaFleur also spoke about CSR and the chamber's increasing activities in this area since the Great East Japan Earthquake and Tsunami of March 11, 2011.

The Town Hall meetings are open to all members, and we encourage everyone to join for drinks, networking, and fruitful discussion. Watch the ACCJ website at accj.or.jp and the Insider newsletter for upcoming dates. ■

The gathering offered members an opportunity to catch up on the latest initiatives



PHOTO: REIKO WHITFIELD

Chubu Women in Business Summit

By Erin Sakakibara

As Chair of the Chubu Women in Business (WIB) Committee, I'm pleased to report that on September 13, we held our third Women in Business Summit. Titled "Shifting the Culture of Organizations to Create Inclusive Workplaces," the Summit was held at the Westin Nagoya Castle with more than 150 people in attendance.

We were honored to have Sarah Casanova as one of our keynote speakers. Casanova highlighted the importance of effective communication and unpacked the strategies that she has utilized throughout her career on her way to becoming CEO of McDonald's Japan. Her talk was well received and provided concrete takeaways that were echoed throughout the rest of the day—and no doubt in the days since.

Mayumi Tateishi, executive vice president of Oak Lawn Marketing Inc. and senior vice president of NTT DoCoMo, then shared the experience of her career path, as well as the history and growth of Oak Lawn Marketing and the Shop Japan brand. This illuminated the corporate strategies in place at Oak Lawn Marketing that led to its diverse workplace, and that make the company an exemplary model for creating and implementing diversity. This is a particular point of pride for the Chubu area since the company was founded in Nagoya.

The plenary session was rounded out by a video message from US Ambassador Caroline Kennedy and a motivating speech by American Chamber of Commerce in Japan (ACCJ) President Christopher LaFleur. We were especially pleased that LaFleur highlighted the recently published WIB white paper, *Untapped Potential* and made sure that all participants received a copy.

After the opening plenary session, it was time to break out into smaller sessions. The goal was to allow



participants to really contribute and interact with the various professionals who came to share their talents and experience. Two "Strategies from the Frontline" roundtable discussions allowed various presenters to share advice, from mentorship to networking and beyond.

Other sessions on such important topics as unconscious bias and inclusive leadership—two very important concepts when considering the challenge of changing corporate culture—were very well received. In addition, two more hands-on workshops—one on taking charge of your career and another on speaking out and advocating for yourself—had the participants taking part in discussions and role playing to gain a better understanding of the solutions.

The evening ended with a chance to network over refreshments, and to solidify contacts that had been made throughout the day. Again, for the third year, the Chubu WIB Committee was pleased to bring not just a conversation, but tangible action strategies to Aichi. This is something that we feel is important to keep in the forefront, together with the Kansai and Tokyo WIB committees, and we appreciated the support of both chapters.

In addition, we'd like to thank Casanova and Tateishi, along with

LaFleur and Kennedy, for their contributions to the plenary session. Thank you also to all of our breakout session leaders and changemakers: Masako Arakane, Royanne Doi, Kaoru Kano, Patricia Robinson, Laura Younger, Rita Chhabra, and Tsukiko Tsukahara.

And, of course, all of this was made possible because of the sponsors who also believe in the importance of continuing this conversation, including Gold Series Sponsors Eli Lilly Japan and MetLife; Bronze Sponsors, H&R Group, KPMG, and Shop Japan; and Support Sponsors, Adjustment Guidance, Cezars International, the International Academic Forum (iafor), and the Tokai Japan Canada Society.

The ACCJ-Chubu office staff were also instrumental in making the summit happen, together with student volunteers from the community. The committee would like to recognize Noriko Kato and Masako Maeda for their hard work.

As we look to next year, we hope to see this event reach more participants, and to continue the momentum that we have created throughout Japan on these critical issues. ■

Erin Sakakibara is chair of the Women in Business Committee-Chubu



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On Message

Hiroshi Nakaso on the Bank of Japan's current thinking

By Richard Smart

It is becoming a ritual for investors, business leaders, and journalists. Once a month they wait with bated breath for the Bank of Japan (BOJ) to finish its policy meeting and announce the results. During his time in office, Governor Haruhiko Kuroda has sent the central bank on a daring course, surprising and shocking markets.

September's meeting was more intensely anticipated than any in the previous three years. A "comprehensive assessment" of what the central bank calls "quantitative and qualitative monetary easing" was announced. In layman's terms, this means increasing the overall amount of money in the Japanese economy, and placing some into specific institutions considered good for growth.

What did the BOJ have to say of its efforts, which began back in April 2013? "[Quantitative and qualitative easing] to a large extent has had the intended effects. Looking at financial and economic developments since the introduction of QE, real interest rates have declined, reflecting increased inflation expectations and a decline in nominal interest rates across the entire yield curve. Against this backdrop, Japan's economy is no longer in deflation, which is generally defined as a sustained decline in prices."

In essence, the central bank feels it has done its part for growth—although it could do more. Most important, the bank has failed to reach its target of 2 percent inflation—by a lot.

Significantly, the BOJ has in recent times appeared to change strategy. Kuroda has been known to surprise the markets: Earlier this year, days before introducing a negative interest rate policy, he publicly insisted the bank would be doing no such thing. But now market watchers are getting a clearer picture before announcements.

At a September ACCJ meeting, BOJ Deputy Governor Hiroshi Nakaso laid out the case for his institution's reasons to believe it had, by and large, succeeded in the past few years. He also made clear that there would be easing, which was unlikely to be wound back after the assessment.

"Through numerous discussions I have had with the leaders of financial institutions, I think I fully recognize the effects of the large-scale monetary policy on financial institutions and financial markets, and the likely impacts if the policy is to continue," Nakaso said. "Based on this recognition, we will take measures that we judge necessary for Japan's economy."

His speech made clear that Nakaso believed—as the bank also proved to do, after its meeting later in September—that the bank's actions had led to largely favorable circumstances for the Japanese economy.



From left: Nakaso with ACCJ President Christopher J. LaFleur and Vice President-Tokyo Andrew J. Conrad

"Based on a candid assessment, we will decide whether or not it will be necessary to make adjustments to the current policy framework and, if judged necessary, in what way it should be adjusted," Nakaso added.

After the assessment, the BOJ expanded its policies, giving the new platform the catchy title "Quantitative and Qualitative Monetary Easing and Yield Curve Control," explaining the meaning as follows: "The new policy framework consists of two major components: the first is 'yield curve control,' in which the bank will control short-term and long-term interest rates; and the second is an 'inflation-overshooting commitment,' in which the bank commits itself to expanding the monetary base until the year-on-year rate of increase in the observed consumer price index exceeds the price stability target of 2 percent and stays above the target in a stable manner."

Market reaction has been muted. The yen remains pegged at around ¥100/\$1; the Nikkei 225 is way below its Abenomics highs of more than 20,000 points; and consumers are turning against the economic project.

Some analysts have gone as far as to suggest that the new project is effectively a pullback on previous commitments to bring Japan back to inflation, and amounts to the beginning of the end of the radical Kuroda era.

Others, including one member of the audience, wonder whether we are entering an era of perpetual easing.

"We are technocrats, and we are always thinking about how we can normalize policy going forward," Nakaso responded. "The people at the BOJ are equipped with this capacity." ■

Richard Smart has been living and writing in Japan since 2002.



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How Far Is Too Far?

Tackling the rising tide of financial regulations

By Maxine Cheyney

In the wake of the 2008 financial crisis, systems were put in place to stabilize the economy. Multiple regulations were rolled out worldwide—mostly under the duress of banks—to address weak areas. In some ways these measures have achieved stability, but overregulation is a growing problem for some industries and markets.

On October 19, Paul Schott Stevens, president and CEO of Investment Company Institute, gave a thought-provoking speech to members of the American Chamber of Commerce in Japan. He asked: “Has the wave of financial regulation from Washington in the aftermath of the financial crisis gone too far?”

WHERE ARE WE NOW?

With four decades of experience in Washington, Stevens is no stranger to the ins-and-outs of regulatory politics. And from his perspective, the wave of regulations coming out of Washington will not ebb any time soon.

Many of the regulators appointed by Washington are bank lawyers. Stevens says this is a problem because “Everyone takes the limits of their own field of vision to the limits of the world,” and the constraint on financial institutions is unrelenting—not just in the United States, but in other jurisdictions.

Public perception of finance, capitalism, and free markets has shifted, and faith in the system has faltered. However, Stevens explained that implementing more regulations has a “direct bearing on other, more sweeping societal concerns.” In particular, he focused on growth, innovation, and opportunity.

“The time has come to pause and take stock.”

STABLE VS. ROBUST

Stevens suggested that a more robust system was the way forward. The idea of stability should be simply to return the system to its original state after the shock of the crisis.

Although not arguing against regulations, Stevens emphasized that the current approach is in need of an overhaul. Of course, regulation is needed to rebuild trust with investors, but there are limiting factors to consider.

The capital markets highlighted were those of the science, technology, and engineering industries. “They are all concerned with highly complex systems and are in contrast to stable systems,” he said.

A robust system is adaptable, and will allow the market to meet the changing needs of investors. Capital market participants will accept and manage risks based on “clear disclosure and the prospect of commensurate reward,” he said.

Further to this, robustness is what will encourage and endorse innovation and growth. “After all, banks don’t fund startups and ventures, and the creativity that we want within the economy,” he added.

Conversely, stable systems are bank-centric, which Stevens describes as being “rigid” and only providing a “one-size-fits-all” solution. These systems narrow down the sources of financing, creating dependence on large, highly leveraged institutions for funding. And this, he said, will hamper innovation and risk.

Stability should not be the goal itself; it should simply be a means to ensure sustainable growth rather than to eliminate risk and jeopardize growth.



Paul Schott Stevens

WHERE TO NOW?

Stevens explained that, in Japan, the system is beginning to witness change, turning “risk averse savers into risk-taking investors, therefore [spurring] economic expansion.”

Financial services are essential to economic growth, and many in the financial services sector view regulations that are being imposed as hampering prospects for their companies.

The banking system is becoming less important, while asset management is becoming more so. And the regulatory model that has been used in a banking context can’t simply be applied to asset management without very significant social cost.

The way forward, according to Stevens, is engaging in dialogue. Financial services companies should be looking to get involved in the regulations conversation, and “not accept this as fate. Voices need to be raised around this.” ■

Maxine Cheyney is a staff writer for *The Journal*

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Public Affairs in Japan

As the Diet gets back to work, Prime Minister Shinzo Abe could be forgiven for reveling in his fourth consecutive national election victory. July's election for the House of Councilors gave Abe's Liberal Democratic Party (LDP) a simultaneous majority in each house of the Diet for the first time in 27 years. While no new election is required until December 2018, there is talk of Abe calling a snap election for the House of Representatives in January to transform that lead in the polls into parliamentary seats. A fifth victory would keep the LDP in the driver's seat until at least 2021.

Japan is thus enjoying a rare period of political stability. With the United States having endured the most bruising presidential election in recent memory—and the European Union grappling with the implications of Brexit—Japan is like an island of democratic calm.

As businesses know, political stability matters. For Abe, the security of his position provides a firm base from which to take forward the policies set out in the Japan Revitalization Strategy and the LDP policy platform. His first priority will be passage of the giant FY2016 supplementary budget, with a headline figure of ¥28 billion—including several billion in new money. This will take place



By Jakob Edberg, president & CEO, GR Japan K.K. / vice-chair, Globalization Committee

in parallel with deliberation on the allocation of several billion more in the main FY2017 budget, which is to be disbursed starting next April.

LDP majorities in Diet committees should help the Abe administration enact a number of key policies, including deregulation of labor markets, controlled lifting of the ban on casinos, and national support for information and communications technology (including the sharing economy, Big Data, artificial intelligence, and the Internet of Things). Naturally, the Tokyo 2020 Olympic and Paralympic Games are increasingly becoming part of national policy and spending plans—a trend that will accelerate as the opening ceremony draws closer.

Even so, barring a major surprise, the highlight of the current Diet session should be Japan's ratification of the Trans-Pacific Partnership (TPP) agreement. If Abe succeeds in passing the deal, that will put

pressure on the administration of US President Barack Obama to do the same in its final days. If the United States fails to do so, it risks losing the best chance in decades to liberalize Japan's markets on US terms, and to bring 12 Pacific nations closer together. US businesses active in Japan (and other TPP member states) still have work to do. They must remind US policymakers how the TPP will help them expand and grow in the Asia-Pacific area, and how failure to ratify the deal would leave US companies in the region at a disadvantage.

Japan's public affairs are entering a vital period: a stable and empowered Japanese government with the means, motive, and opportunity to pursue its reform agenda; the allocation of not one but two multi-billion-yen public-spending packages; intensification of preparations for the Tokyo 2020 Olympic and Paralympic Games; and the tantalizing possibility of TPP passage during the last days of the Obama administration. The next few months will be critical for those companies and industries from the United States and elsewhere that have a stake in Japan and care about Japan's openness to foreign investment, goods, and services. ■

The highlight of the current Diet session should—barring a major surprise—be Japan's ratification of the Trans-Pacific Partnership (TPP).

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