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EXCLUSIVE INTERVIEW

## URBAN RENEWER

Mori Building CEO shares  
his vision for Tokyo





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Shingo Tsuji, CEO  
and president of  
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PHOTO: ANTONY TRAN / LIFE14  
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An array of products  
adorn the lobby wall at  
Coca-Cola (Japan)  
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# FOR THE FUTURE GOOD



Christopher Bryan Jones  
chris@custom-media.com

*The ACCJ Journal November issue explores the future of cities as we bring you an exclusive interview with Mori Building Co., Ltd. CEO and President Shingo Tsuji, his first with an English-language publication. We also talk to new Coca-Cola (Japan) Co., Ltd. President Jorge Garduño about sustainability, work-life balance, and women in business, and investigate changes in real estate and banking technology.*

## FUTURE CITIES

The vision of Minoru Mori has transformed the Tokyo skyline over the past three decades, and continues to do so even after his passing under the leadership of Shingo Tsuji. Mori's Vertical Garden City concept can be found in Roppongi Hills and Toranomon Hills, and the upcoming Toranomon-Azabudai Project promises

to bring this vision to life like never before. On page 20, Tsuji shares the first public details about this project, along with what drives his leadership and his plans for expansion to Southeast Asia.

## FUTURE HOMES

The transformation of Tokyo is opening up new living options. Whether you are looking to rent or purchase, there are plenty of properties for any budget. On page 26, we look at changes taking place in mid-market real estate and why there is better value to be had from investing in Tokyo than in cities such as London and New York.

## FUTURE DRINKS

Coca-Cola is one of the most recognizable US brands in Japan. But the iconic soft drink is just one flavor in the company's massive local portfolio. In fact, Japan is home to the widest range of Coca-Cola products in the world—and the most profitable ones might surprise you. On page 30, we sit down with Jorge Garduño, newly arrived from Spain, to learn more about the brand's Japan operations, sustainability initiatives, and dedication to empowering women and young talent in the workplace.

## FUTURE BANKING

Anyone who has lived in Japan for long knows how complex banking can be. Whether opening an account or transferring money, the paperwork involved can be time-consuming—to say nothing of the transaction process itself. But that is about to change as Japanese banks trial new blockchain technologies. On page 36, we talk to industry experts about how the new processes make banking simpler and more, and turn days into minutes.

There's much more in this issue, including coverage of the ACCJ's welcome back luncheon for new US Ambassador William F. Hagerty (page 11), thoughts on turning hardship into success from McDonald's Company (Japan), Ltd. CEO Sarah Casanova (page 13), and the importance of US-Japan mentorships (page 19). And, join us next month for an exclusive in-depth interview with Ambassador Hagerty as *The ACCJ Journal* delves into the world of diplomacy. ■

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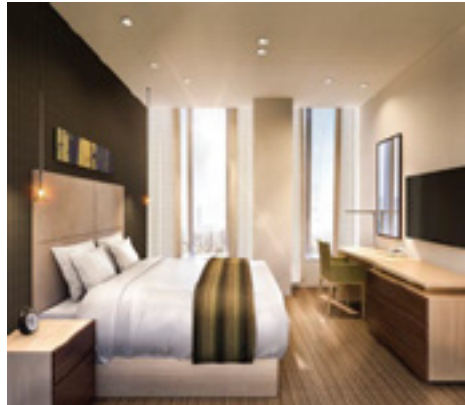
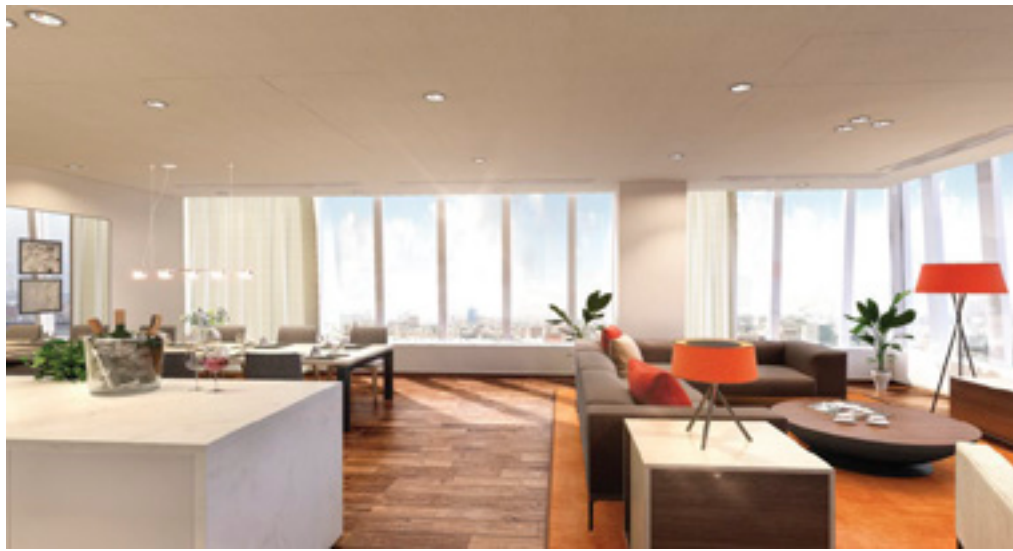
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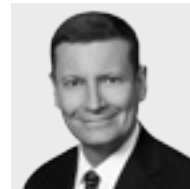
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# Our Aerospace Partnership: A Unique Legacy



FROM THE BOARD

By Brett Gerry

ACCJ governor—Tokyo and  
president of Boeing Japan K.K.

Since coming to Japan a year-and-a-half ago, I have been deeply impressed by the scope and depth of the partnership between the aerospace industries of Japan and the United States. And I have been impressed, too, by the many ways in which the American Chamber of Commerce in Japan (ACCJ) supports that partnership.

These impressions were shaped by Boeing's work in Japan, which dates back more than 60 years. That presence has grown from modest beginnings—a one-person office in Tokyo that opened in 1953, the dawn of the Jet Age—to become our largest international partnership. During that time, Boeing has sold about 1,000 airplanes to Japan's world-renowned airlines. Today, there are more 787 Dreamliners in service in Japan than in any other country. Japan is also Boeing's largest supplier outside the United States—we work with more than 150 excellent suppliers across the country.

## PERFECT PARTNERS

Boeing's example is illustrative of the broader partnership between the aerospace industries of the United States and Japan—and I know that several other ACCJ member companies can tell stories of their rich histories and meaningful relationships here, too. Aggregate financial figures never provide the full picture, but they at least give a sense of the scope of this partnership. Last year, commercial aircraft accounted for \$12.4 billion in trade of goods between the United States

and Japan—and it was the sector producing one of the most significant trade surpluses for the United States with Japan. But these numbers only scratch the surface. They do not, for example, account for: the value Japanese companies provide in helping US enterprises build superior aerospace products that compete around the world; the major investments Japanese partners have made in the United States; or the vital role that US aerospace companies have played in supporting Japan's Self-Defense Forces.

The future is promising for both the aerospace industry and the US–Japan partnership. Boeing forecasts that, in the next 20 years, the global fleet of commercial planes will nearly double, driving demand for 41,000 new aircraft. It has not escaped notice that this will create opportunities for growth and collaboration for US companies in Japan. I was in Nagoya—Japan's aerospace manufacturing heartland—in September to give a presentation sponsored by the ACCJ's Chubu chapter, and was encouraged by the number of small and mid-sized companies that came to listen. During the same week, there was a major aerospace supplier conference—also in Nagoya—and its organizers reported that twice as many companies participated this time compared with the last conference, held in 2014.

## CHAMBER KEYS

The ACCJ has long been an important contributor to the success of US companies in Japan. The ACCJ and its committees—Aerospace and

Defense; Transportation and Logistics; and Tourism Industry, for example—have provided great opportunities for dialogue and connectivity among the ACCJ's members, and have also provided a key platform for highlighting the importance of aviation and aerospace to Japan. This year, the ACCJ has sponsored terrific events featuring the president and CEO of ANA Holdings, and the director general and CEO of the International Air Transport Association, the world's leading airline trade organization, to mention just two.

Under the superb leadership of Christopher LaFleur, the ACCJ's advocacy efforts on behalf of the US business community in Japan have been effective and focused. For US aerospace companies, these efforts have included not only ensuring that the industry's interests are effectively presented to Japanese and US policymakers through issue-specific advocacy and doorknocks, but also through the promotion of broader policy priorities that improve Japan's business climate and enhance economic growth. Just one prominent example is the excellent work the ACCJ has done to promote policies to encourage international tourism in Japan—an increasingly important driver of Japan's economic growth that is, of course, of considerable importance to expansion in aviation and aerospace.

The United States and Japan have a unique legacy of partnership in aerospace and, as the industry grows, there are considerable opportunities ahead. And, as always, the ACCJ will be ready to help. ■

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- 1 US Ambassador to Japan William F. Hagerty (front, fourth from left) and representatives of the US government met with ACCJ-Kansai members on September 25 at the ANA Crowne Plaza Osaka to further the partnership between the chamber and the US Consulate General Osaka-Kobe.
- 2 The 2017 ACCJ Tokyo Women in Business Summit, featuring more than 50 speakers, took place at the Prince Park Tower Tokyo on October 17 and was attended by more than 500 delegates.
- 3 South African Chamber of Commerce in Japan (SACCJ) director Francois De Villiers, ACCJ Membership Relations Committee Vice-Chairs David Wouters and Robert Heldt, and Akihiko "Tiger" Oga announce prizes at the No-munication: A South African Adventure cruise held jointly with the SACCJ on September 22.
- 4 From left: Vice President-Chubu Ray Proper; Japan Intercultural Consulting Founder and Managing Principal Rochelle Kop; and ACCJ-Chubu Business Program Committee Chair Felix Busch at the event Successful Leadership in the Japanese Environment at Hilton Nagoya on October 10.
- 5 Attendees of the ACCJ-SACCJ No-munication: A South African Adventure on September 22 were entertained by the Oswald Kouame Band, which performed traditional African music, fusion jazz, and reggae during the Tokyo Bay cruise.
- 6 The 8th Annual Kansai International Meishi Exchange was held at the ANA Crowne Plaza Osaka on October 3. VIP guests, including US Consul General Karen Kelley (center), were on hand to meet and greet the more than 230 attendees.
- 7 The 3rd Annual ACCJ-Kansai Women in Business (WIB) Summit was held at the Hilton Osaka on September 19. Pictured with the planning team are WIB committee Chair Mary Anne Jorgensen (fifth from left) and Vice-Chair Yoko Furuyama (center), who led another highly successful event attended by more than 220 people.

## UPCOMING EVENTS

Please visit [www.accj.or.jp](http://www.accj.or.jp) for a complete list of upcoming ACCJ events or check our weekly e-newsletter, *The ACCJ Insider*.

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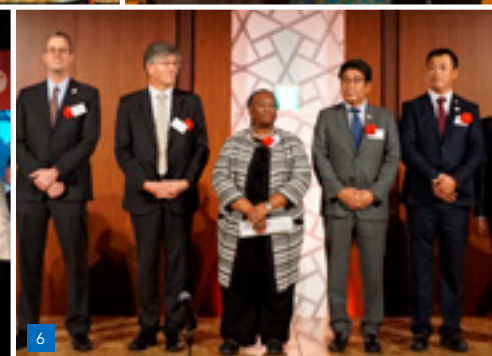
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# An Ambassador Homecoming

The ACCJ welcomes back William Hagerty

By Maxine Cheyney

**W**ith Japan undergoing political change—and facing economic and security challenges—there could be no better time to welcome new US Ambassador William F. Hagerty IV. This welcome took place at Grand Hyatt Tokyo on September 29, as the American Chamber of Commerce in Japan (ACCJ) hosted a luncheon at which ACCJ President Christopher J. LaFleur and Hagerty discussed priorities.

“I think it’s fair to say you bring to this position a truly unique experience and, of course, you are the only former businessperson serving as ambassador who lived in Japan as a businessperson. Most importantly,” LaFleur said with a smile, “you are the only US ambassador who was an ACCJ member.”

Next, LaFleur asked about priorities.

“They come from the president, quite simply,” Hagerty replied, naming three areas:

- national security
- US–Japan economic relations
- cultural connections.

Speaking about national security and the challenges presented by North Korea, Hagerty said: “I want to put it into context. We’ve tried dialogue . . . we’ve done it for more than two decades. The one consistent feature of all that effort is that the North Koreans have not stopped their effort to develop a nuclear weapon. I think—as Americans, as allies of Japan and South Korea—we can’t let this go further. So . . . we have moved to the next set of options, and those are diplomatic options.”

## SOUND LEADERSHIP

He added that discussions are also underway with the Russians and the Chinese, and that all options remain on the table. If a situation did arise where military action was needed,

he stressed that decision-makers in the administration are disciplined, thoughtful, and understand the consequences of war.

“So, when you see a tweet, or you see a headline—and I understand that raises a concern—I want you to think hard about what’s happening, about the three-dimensional chess game that’s going on.”

On strengthening and deepening the economic partnership between the United States and Japan, he looked to clarify the US position on the Trans-Pacific Partnership (TPP).

“I think we all know that 2016 was a unique election. Both candidates determined that they were going to withdraw from the TPP, and I want to make clear here today, to all of you, that does not mean at all that we withdraw our interest in being in greater, stronger economic partnership with Japan.”

## CULTURAL OUTREACH

Connections and activities related to culture are also very important to Hagerty. He emphasized that the embassy will look for ways to reach out through sports and music, and to boost the number of children and young adults going between the United States and Japan—whether for education or internships.

He said that the numbers concerned him when he saw that the high watermark of educational exchange came in 1997, when 55,000 Japanese students went to the United States. Today, that number is just 19,000. He described this change as one with significant implications, and hopes that it can be turned around to strengthen mutual understanding and connectivity between the two countries.

## ECONOMIC TIES

LaFleur outlined the challenging economic period that Japan has been going

through and the goals of Abenomics, and asked how the bilateral relationship might increase the opportunities for US businesses to help better stimulate the Japanese economy.

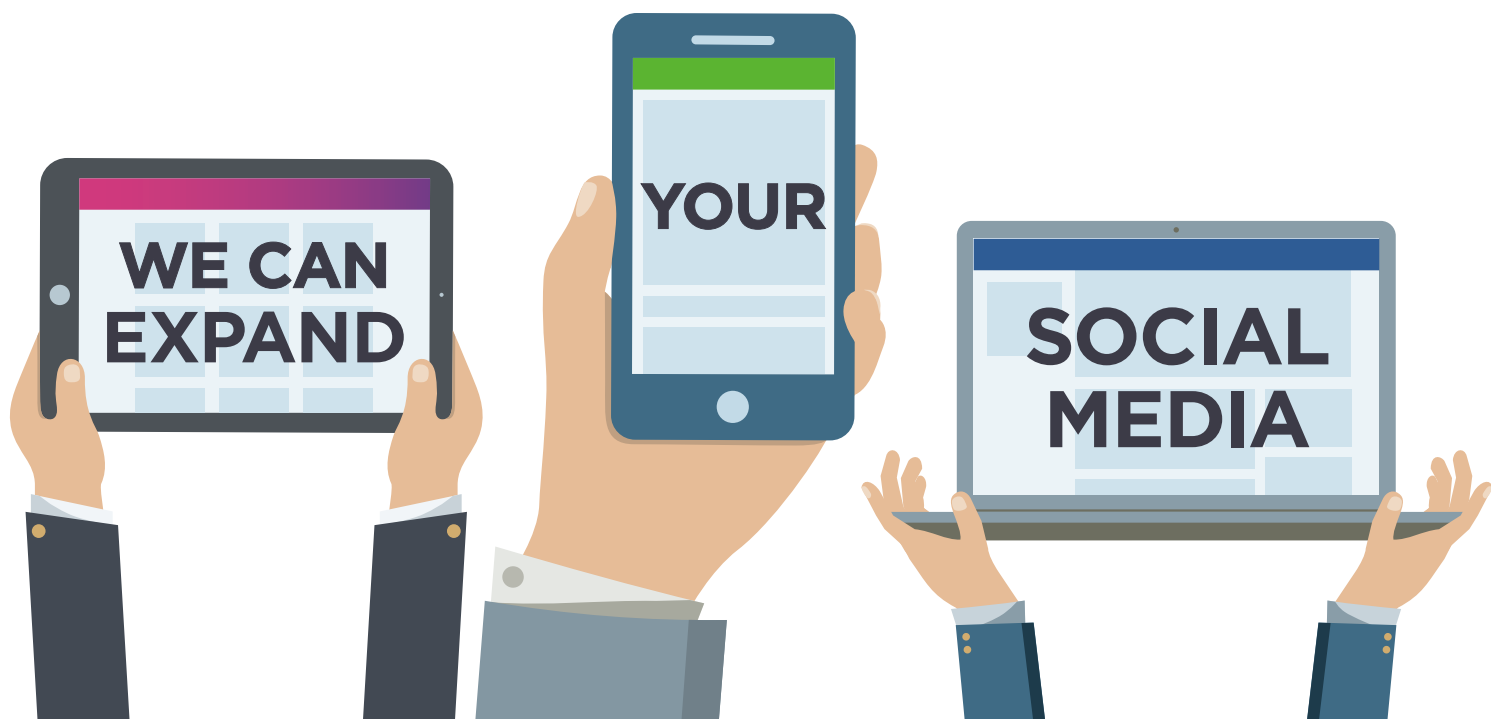
“I was delighted when the prime minister set the goal of doubling the foreign direct investment coming into Japan,” Hagerty said, reassuring the audience that he is putting much effort into bringing in more US investment and suggesting that success would come in places where innovation matters.

“The United States has a great history regarding innovation, and Japan is a country that respects intellectual property in its law, which is important for any business, but particularly when you think about innovation,” he said.

“I’ve spent a great deal of time meeting the Japanese companies who are foreign direct investors, and I want to continue to do that. I am going to be very focused on the capital investment side of the equation; but that doesn’t mean we won’t be focused on trade. We will work arm in arm with the Japanese to pursue measures together that can grow our economies and, hopefully, narrow the trade deficit at the same time.”

LaFleur closed the conversation by asking if there are ways in which the ACCJ can support Hagerty and the US government as they look to strengthen the relationship with Japan.

“We will be reaching out to you and your members to get your help, your advice, and your guidance on what the impact of a given policy might be on your business today, or what it might be if things were to change.” Hagerty also said he hopes anecdotal evidence and ideas from the chamber can help improve the US–Japan bilateral relationship on an economic basis. ■



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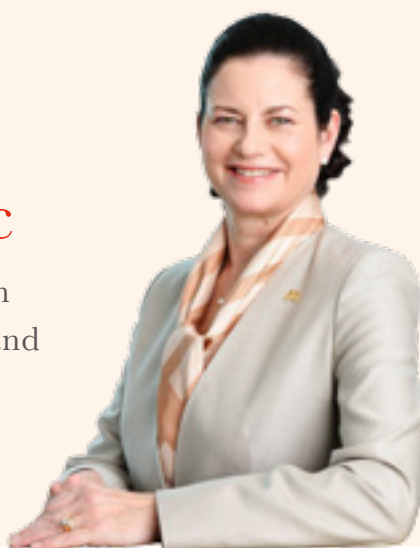
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# Mending Mac

McDonald's Japan CEO on  
how she turned around a brand

By Maxine Cheyney



**"It is our people that give  
our brand its personality."**

It has been nine years since Sarah Casanova joined McDonald's Company (Japan), Ltd. Beginning with five years in Japan learning about the local market, she then took on the role of managing director of McDonald's Malaysia before assuming the role of CEO for McDonald's Company (Japan) Ltd., four years ago. Casanova represents the growing number of women taking on leadership positions in some of the world's largest enterprises.

A lack of women in leadership is a prominent feature of business in Japan, and something the government and various companies are attempting to tackle.

"I don't think there is a silver bullet that is going to, all of a sudden, make leadership positions diverse," Casanova told *The ACCJ Journal* in an interview before speaking at a luncheon event on September 26. "I think it's going to take ongoing, combined efforts."

## GROUP CHANGE

It's not just the role of the government to make these changes, she explained. Companies and individuals also play an important role in encouraging women to seek leadership roles and change the status quo in Japan. She cited two major barriers for women attempting to re-enter the workforce: childcare and the prospect of long working hours.

"I know the government has been talking about how to increase the amount of daycare that is available, so that it is easier for women to re-enter the workforce; but there is only so much they can do," she said. "They can set aspirational targets, but that in itself is not going to be enough."

McDonald's offers work-from-home policies and a program that allows

women to re-enter the workforce, but "even with government and company efforts, it is not going to be enough if women won't step up to the plate."

"In 2008, when we embarked on this journey, about six percent of our restaurant managers were female," she explained. "Now, it is about 24 percent. In management, about six percent of our directors and above were female, and I think now it is 17 or 18 percent." But, simply reaching key performance indicators isn't enough, she said. Promoting men or women into positions they are not ready for does not work.

## KEYS TO CHANGE

Speaking to 246 members of the American Chamber of Commerce in Japan at Tokyo American Club, she detailed how she guided McDonald's Japan through the stormy waters of 2014 and 2015 and returned the company to growth.

"This is the story of a complacent giant, shaken awake before it was too late," she said. McDonald's entered the Japanese market in 1971, and by 2010 had grown to more than 3,300 restaurants and ¥542 billion in sales.

But then the company hit a speed bump, which Casanova pins down to a focus on expansion rather than reinvestment in its existing restaurants.

Quality issues put an uneasy spotlight on the famous brand just as Casanova was taking on her new role in 2014, and in 2015 sales dropped 30 percent from the record numbers of 2010 and McDonald's saw losses of ¥34.9 billion.

"I think the number-one challenge was getting the company focused on customer-oriented strategies—and listening to customers and doing what is good for customers—not just making

decisions that might be good for the company."

She also shared the four pillars of her business revitalization plan:

- Customer focused initiatives.
- Investing in upgrading the restaurant portfolio.
- Localizing business structure and operations.
- Achieving cost and resource efficiency.

The fourth pillar involved closing 131 loss-making restaurants, and empowering teams across the country was another crucial element.

## MARKET MATCH

The chain has also made strong efforts to adjust to the Japanese market. "Earlier this year, we launched Oishisa Kojo Sengen, our tastiness declaration. It is about working to make our regular menu even more delicious. We launched our new premium roast coffee in January, and in April—for the first time in eight years—we launched a new burger lineup created especially for the palates of Japanese customers."

Modernizing the restaurants was also a top priority. Rolling out the dual-point ordering and pick-up system, digital menu boards, Wi-Fi, and a points program were all important. Mobile apps such as the McDonald's Japan loyalty app and Kodo, a customer feedback tool, have proven very popular. With 39 million downloads and 7.3 million pieces of customer feedback to date, they are helping solidify relationships with customers.

And that's important to Casanova. "The one thing that differentiates McDonald's from our competition is our people. With restaurants, any competitor can copy most of the menu, the pricing, and the promotions; but they can't copy the people. And it is our people that give our brand its personality." ■



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# Sounding Off

Latin sounds bring Miami to Tokyo

By Barbara Hancock, Kevin Naylor, and Lori Hewlett

**D**ubbed the Magic City a little more than a century ago because of its rapid rise, Miami has a history that is as colorful as the town. Beautiful beaches, stunning art-deco architecture, and an amazing arts scene—plus creative cuisine and a dazzling nightlife—make it one of the most vibrant cities in the United States.

Miami is also home to more than 100 ethnicities, with residents speaking a multitude of languages. This diversity is echoed in the many neighborhoods that make up the city—from Little Haiti to Buena Vista to Little Havana. Many residents come from South America and the Caribbean.

## LATIN ENERGY

Another moniker given to Miami is Gateway to Latin America, and the city's cuisine, art, and entertainment reflect this rich heritage. We look forward to bringing you an evening of entertainment and dining as diverse as the city itself, and our theme for this year's Charity Ball focuses on these Latin American roots with the energy and talents of Cuban-born musician Alexander Laborde Padron.

Padron began singing and playing guitar at an early age, and his studies in Havana included instruction with the director of the Cuban National Opera and singing with the National Polyphonic Chorus. He has made Tokyo his home since 2004, and has been active in promoting

Latin music across Japan—often collaborating with Latin music stars when they visit. His own musical style varies from salsa to ballads, which he blends with unique guitar stylings and a voice that captures the hearts of the seasoned Latin-music fan and first-time listener alike.

With family in Miami, Padron knows the sounds of the street there, and is passionate about creating a real sense of the city for us through an evening of music that will bring Miami to Tokyo.

## FOLK FLAIR

Your evening will begin in the heart of South America, as our reception will be filled with the sounds of the Andes, performed by Winay del Peru. This folk style was made famous by Simon and Garfunkel's "El Condor Pasa," one of the best-known Peruvian songs in the United States, and is a sound you will hear often in the street festivals of Miami.

As we move through the evening, Afro-Cuban group Ventu Rumberos will invite us into the ballroom to kick off the night. Think rumba!

Padron's own band, Alexander LP and Havana Son, will take us through the rest of the evening from dinner music to dancing, quiet guitar to salsa, Latin jazz to the sounds of the Buena Vista Social Club—which famously revived the music of pre-revolutionary Cuba in 1996. When the band strikes up, you won't be able to stand still!

But this evening is not just an exciting and fun social event; it's a way for the American Chamber of Commerce in Japan to give back to the community. With this in mind, we hope that you will support the Charity Ball by attending or becoming a sponsor. We look forward to seeing you there and welcoming you to Miami! ■



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# Special Economic Zones and Entrepreneurship

By Yuji Suzuki

The gross output of Aichi Prefecture's manufacturing industry has grown to be more than the gross domestic product of the Netherlands or Austria. Nevertheless, the number of non-Japanese entrepreneurs in the area has not grown, and many barriers exist that must be overcome to change this—including local attitudes. It is often said that Japanese businesspeople in Nagoya tend to have a unique, hesitant temperament toward third parties, and do not easily accept them as business partners.

But, we now have the best opportunity yet to break through the barriers in Chubu for entrepreneurs from abroad. In April 2017, Aichi Prefecture was designated a Special Economic Zone (SEZ) in the fields of foreign entrepreneurs, education, aerospace, and agriculture by the administration of Japanese Prime Minister Shinzo Abe.

The SEZ project is focused on creating the best environment for foreign investment through deregulation, based on paragraph 5 of Article 16 of the National Strategy Special Zone Law. When looking at the details, we find

that each field has huge potential for those from abroad to start businesses and grow them in Chubu. The six-month visa program is particularly effective for enabling them to meet the requirements for establishing a corporation. However, this special arrangement is not well advertised, so the External Affairs Committee of the American Chamber of Commerce in Japan (ACCJ) Chubu chapter has decided to support the Aichi Prefectural Office and focus on the promotion of this visa program.

## HELPING HAND

We now must turn to the other point, which is that these entrepreneurs will face many difficulties in continuing their businesses in Japan.

For example, they may not be aware of some business rules and traditions regarding renting offices, and they may not know how to open a bank account. In that case, if the ACCJ can help them follow the necessary procedures, these entrepreneurs will receive great assistance and are sure to form a good impression of the Chubu area.

One year after the establishment of a corporation, the immigration authorities will check the state of its management over the past year and decide whether the company can continue to operate. In this case, if ACCJ members can help check the financial situation every month, entrepreneurs can correct the course of the company to enhance its performance, ensuring that they can stay in business.

Cooperation with Aichi Prefecture to promote the activities of the SEZ is important, and will certainly have a positive impact on the status of the ACCJ in the Chubu region.

By contributing to Chubu through growing the number of entrepreneurs from abroad, the ACCJ will build win-win relationships that benefit not only these entrepreneurs, but ACCJ members, too. And, of course, Aichi Prefecture will also benefit greatly in terms of individual and corporate revenue. ■

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**Yuji Suzuki** is co-chair of the ACCJ-Chubu External Affairs Committee



Aichi Prefecture's SEZ status makes Nagoya more attractive to businesses.



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# A Dent in the Universe

Zen and the art of mega-mentorship

The US–Japan relationship has been forged like a steel blade by a powerful history of mega-mentorships. This gives the American Chamber of Commerce in Japan (ACCJ) a rare opportunity and responsibility to find and foster the next great collaboration.

A mentorship is, of course, a relationship in which a more experienced or more knowledgeable person helps to guide a less experienced or less knowledgeable person. But this relationship has changed dramatically, and today the mentor may be either older or younger with regards to age and understanding of technology. This is known as a reverse mentor. They might also come from a completely different discipline. Regardless, the mentor must have a certain area of expertise, and both sides must stand to benefit from the relationship.

Another interesting aspect of US–Japan mega-mentorships is that they have occurred in an atmosphere of volatility, uncertainty, complexity, and ambiguity (VUCA). This military term came into use in the 1990s to describe the nature of the world after the end of the Cold War, and has been adopted for business, management, HR, and leadership training.

VUCA provides a framework for our fast-paced world that is continually disrupted by artificial intelligence, big data, and the Internet of Things. How we choose to respond to VUCA will affect our business outcomes, diplomatic relationships, and social well-being.

ACCJ members have a distinctive opportunity and the responsibility to engage people, empower business leaders, optimize operations, and transform business and service.

Success or failure in this endeavor hinges on our ability to find and foster



By Hiroshige Sugihara,  
ACCJ governor-Tokyo,  
chairman of Oracle Japan, and  
senior VP of Oracle Corporation

future mega-mentorships. Japan and the United States have a long, rich, and colorful history of collaboration in addressing the challenges and opportunities of the day for the greater mutual good.

In 1950, filmmaker Akira Kurosawa directed *Rashomon*, a movie that marked the entrance of Japanese film onto the world stage and won several awards, including an honorary Oscar for Most Outstanding Foreign-language Film at the 24th Academy Awards in 1952.

Considered one of the greatest films ever made, *Rashomon* is known for a plot device that involves various characters providing subjective, alternative, self-serving, and contradictory versions of the same incident to depict the perils of extreme egotism.

It is a classic example of US–Japan mega-mentoring, and had a profound influence on Western movie directors, their art, and the cultures in which their films are consumed.

Directors Steven Spielberg and George Lucas respected Kurosawa and were heavily influenced by his work. When you watch *Star Wars*, you can

clearly see the influence of *Rashomon* and the synergies that created a powerful artistic, economic, and cultural outcome.

The Japanese zen scholar Dogen Zenji, who lived from 1200 to 1253, wrote: “Don’t think about good or bad, right or wrong. Don’t give rise to the mind’s common concepts, the judging of thoughts and observations.”

This teaching, called *mufunbetsuchi*, has influenced many iconic US enterprise founders and executives, including Steve Jobs, the founder of Apple Inc. and Larry Ellison, a founder of Oracle Corporation. Both regularly visited Kyoto—the central home of both Japanese Buddhism and tea culture—and had a great love of Japanese art and cuisine.

Zen had a profound effect on Jobs, manifesting itself in his aesthetic sensibilities and sometimes ascetic lifestyle. Zen’s call for spartanism, coupled with Germany’s Bauhaus movement, found its way into the minimalist design of many Apple products, and Oracle engineered systems (Exadata) also draw on principles of *mufunbetsuchi* related to blurring the boundaries between traditional functional silos to deliver perfect solutions.

Now, it’s time to do it again, and we are tasked with creating, finding, and fostering the next world-changing US–Japan mega-mentorship. I challenge ACCJ thought leaders to look at their respective operations and strategies. Are we incorporating mega-mentoring into our plans? How can we do more to tap this innovation power source?

I’ll close with a quote from Steve Jobs: “We’re here to put a dent in the universe. Otherwise why else even be here?” Mega-mentoring may be our best, untapped power source for achieving our dreams and potential. ■

EXCLUSIVE INTERVIEW

# URBAN RENEWER

Mori Building CEO shares his vision for Tokyo

By Simon Farrell

Photos by Antony Tran

The Tokyo skyline of 2017 looks quite different from that of 2001—the year in which the twin towers of Atago Green Hills joined ARK Hills in the portfolio of Mori Building Co., Ltd. and kicked off a string of high-rise projects that have transformed Minato Ward. It was the vision of the late Minoru Mori to change the way we live and work through his concept of the Vertical Garden City. A year before his passing in 2012, Mori handed the torch to then-Vice President Shingo Tsuji. In this exclusive interview, his first with an English-language publication, Tsuji explains the importance of “Mori Buildingism” and outlines the developer’s plans for the next decade.





**In 2011, you took over as President and CEO from Minoru Mori. What has changed since then and how are you carrying his thoughts and philosophy forward?**

Mr. Mori had a very strong vision and philosophy—one in which I believe strongly. Since his death, we have continued to carry his philosophy with us in everything we do. I believe we must make sure that his vision is always with us.

I think it is important to express our philosophy and vision—which I call “Mori Buildingism”—to our employees and to others using simple words so that concept is easily understood.

It is our style, our philosophy, our attitude, and so I have coined this term. I think for something to be called an “-ism,” there needs to be a distinctive difference, and thus my message to my employees is to strive to be different—instinctively different.

Each year on March 8, the date of Mr. Mori’s death, we hold a ceremony called “A Day to Consider the Future of Cities.” We gather all employees and bring in a lecturer who is an expert on cities to think about the future of cities. Keio University Professor Heizo Takenaka and architect Tadao Ando have come to speak, and I speak as well.

Also, I have a personal column on our intranet website, and I publish articles there to communicate Mori Buildingism to our employees once or twice a month. I also organize a gathering with the younger employees a few times a year and directly exchange ideas face-to-face.

Being a developer, I think it is very important to keep a very bold, long-term perspective, with an eye always toward what is needed, 20 or 50 years from now, for Tokyo to remain competitive among global cities. And this is what Mori Buildingism is all about, which makes us totally different from others.

With that as our base, we then need to think about fluctuations in the financial and office markets, as well as in construction costs. Things change very quickly, so I need to consider how we can adapt to those changes, given the vision.



PHOTO: MORI BUILDING CO., LTD.

Greenery is a key part of Mori Buildingism.

**What are the biggest challenges Tokyo must overcome? What is important to survival in the competition among international cities?**

We have a think tank called The Mori Memorial Foundation, and every year since 2008 they have conducted research and compiled the Global Power City Index (GPCI), a comprehensive ranking of the world’s major cities. In the 2017 ranking—the latest to be released—London placed first followed by New York, Tokyo, Paris, and Singapore. There are 44 cities in the report. The uniqueness of this ranking is its comprehensive nature, with total points being based on many factors—such as economy, accessibility, or livability. The attractiveness of cities is not about each of the elements but the comprehensive power, and the ranking is based on this total score. What makes the ranking and scores very useful is that we know in which areas we rank low and in which we rank high, and that enables us to build on our strengths and overcome our weaknesses so that we can improve the city’s overall attractiveness.

Tokyo ranks highly for size of the economy. The GDP of Tokyo is very large, and the amount of office space is also very large. In these areas, Tokyo has a sizeable lead on the global competition. Good food and safety are also strong elements for the city.

Tsuji sat down with *The ACCJ Journal* at Mori Building Co., Ltd. headquarters in Roppongi Hills Mori Tower.



PHOTO: ANTHONY TRAN / LIFE14



We do face weak points, though. For example, London has direct flights to about 300 international cities. Tokyo has about 90. And while access from Haneda International Airport takes relatively little time, Narita International Airport is a bit far from the city. This is reflected in the weak score for accessibility. The level of corporate taxes and some of the difficulties international companies face when they're doing business here are also somewhat weak points for Tokyo.

As you know, Japan is an aging country with a declining population, so to overcome these weaknesses we must welcome people and resources from overseas. This is our challenge.

To attract non-Japanese to Tokyo, there must be spaces that can accommodate how they work and live—and that is something we are creating. You may notice that, in a Mori Building development, there is usually an international-style residential component. And our strategic domain of Minato Ward, unlike other business areas in Tokyo, is home to one quarter of the global companies in Japan, some 20,000 non-Japanese residents, more than half of the embassies, more Michelin-starred restaurants than Paris and New York, and so much greenery. All these elements are especially important for attracting non-Japanese people, and we believe that welcoming new companies and residents is key to making Tokyo competitive globally.

#### **What role does cultural exchange play in the projects Mori Building develops?**

We have the Mori Art Museum at the top of Roppongi Hills Mori Tower, and there is a concert hall—Suntory Hall—in our ARK Hills development. Our projects are typically large-scale, and in each we try to incorporate cultural and art elements. I believe that cultural exchange is very important for making Tokyo more attractive. The biggest gap between London and Tokyo in the GPCI ranking is the



The annual Bon Odori at Roppongi Hills brings the community together.

cultural interaction score. If we were able to overcome that weakness, I think we might even rank first overall.

#### **Tell us about the progress you're making with other urban renewal projects.**

They are going well. With large-scale redevelopment projects such as those we undertake, there are so many factors involved that the schedule is typically delayed. So, to be able to say that we are on schedule is good news.

We have a very aggressive plan for the next 10 years, and we have some 10 projects in a very concentrated area of Minato Ward, for a total investment of more than ¥1 trillion [\$8.8 million]. There is a plan and schedule that we have put forward to strengthen Tokyo's magnetism, and I'm happy to say that we are on schedule.

Mori Building projects are unique and create a compact city, where people can live, work, and enjoy themselves with everything they need within walking distance. With the Vertical Garden City concept, we build a super high-rise that opens to lots of greenery at the ground level. It also integrates all city functions and facilities—offices, residences, hotels, cultural facilities, shops, and restaurants—into that complex. So, all aspects of living and working in a city are realized. Our upcoming Toranomon–Azabudai Project will add a world-class hotel to the area, new residential units, and global-level offices. There are also elements of art, international schools, and an international supermarket, along with many retail shops, wellness centers, and other functions that will make this project one of a kind.

#### **With the Toranomon–Azabudai Project, the shape of the land is unusual. Will it feel as cohesive as Roppongi Hills?**

There are particularities of the Toranomon–Azabudai Project that make redevelopment challenging, and you are quite right that the shape of the site itself is unusual. But with eight hectares to work with, I feel we have the ability to propose something unique and very good, given the scale of this site. The plan that we are developing makes use of the uncommon shape and the height differences of the rolling



Toranomon Hills will be expanded greatly in the next five years.



hills. Ideally, you have a square site on which you construct buildings, and what is left you turn into plazas or parks—a building-led project. But the Toranomon-Azabudai Project, because of its shape and the rolling hills, puts the greenery and gardens front and center. The buildings then rise from the green landscape. I think this is probably the best approach through which we will be able to incorporate rolling hills, and the plan must take into account the difficulty of the site itself. But, when it is completed, I think it will create a new vision and a new awareness of the environment. It will very much be the realization of Mori Buildingism.

**Town Management plays a big role in Mori Building developments. What is it and how did it come about?**

Town Management is something we structured for Roppongi Hills. Because it is a very large-scale development, we often say it is a city within a city—integrating many different functions. This makes it challenging to maintain a cohesive feeling for the overall community. But, if you're able to operate it as a whole under one management, then you can leverage the complexity to create a town.

For example, the Christmas illumination at Roppongi Hills is produced by our Town Management Division. In a typical town, retail associations decide how the illumination should look, because Christmas is such a busy shopping time and that is their period of peak traffic for shops. But, at Roppongi Hills, the Town Management Division is able to maximize opportunity—because they are in charge of looking through all areas of Roppongi Hills, the plaza, the roadsides, and the parks—and make sure all illumination activity is well coordinated to achieve maximum effect for the whole complex.

So, there is a framework of rules that functions very well. The Town Management Division works with all parties at Roppongi Hills, such as the Office Business Department, Residential Department, and TV Asahi, to put together a summer festival that makes use of all parts of Roppongi Hills—and Town Management produces the whole event.

Before Roppongi Hills, I think there may have been a concept of Town Management—in terms of the word—but there was not a team or a structure that operated a town in a real world. But now, I think it has become an industry standard—you hear the terms “town management” and “area management” a lot throughout Japan.

So, if a person wants to do something at Roppongi Hills, the first point of contact is the Town Management Division. It's good for all the companies and all the people in that—because there are so many different functions in the town, and all these functions have different interests—having someone who looks at the total picture, and makes sure it is consistent and integrated as one single town, makes things easier.

**Our upcoming Toranomon-Azabudai Project will add a world-class hotel to the area, new residential units, and global-level offices.**



The Shanghai World Financial Center is Mori's largest overseas project.

**Let's talk global—you've had some success recently in China and now expanding to Southeast Asia. What do you think most deeply about and give priority to when expanding internationally?**

When you look at the percentage of international assets, I think we are probably relatively high for a Japanese developer in terms of net percentage. Because we have large volume in China—we have three properties there,

including the Shanghai World Financial Center, a 101-story high-rise—the ratio is high. So, the strategy we want is portfolio management in terms of managing the ratio between our projects here in Tokyo and other global developments.

In terms of how we go overseas, I think there are two possibilities. One is mergers and acquisitions, together with acquisition and disposition properties. The second is what we have done in Shanghai: developing something by ourselves. We really only have interest in the second—going to global cities and developing on our own. So, looking at a lot of the inquiries—in terms of investment overseas—we only choose the ones that we feel offer an opportunity to make a difference by applying Mori Buildingism.

We think Asian cities have a lot of growth potential, and it seems to me that they come to us with many inquiries, asking us to help them as they try to realize their economic growth. We have a project in Jakarta, Indonesia—a 59-story, 266m-high building in the center of the business district—and we are looking for other opportunities in major cities around the region in which we can expand our presence in Southeast Asia.

PHOTO: MORI BUILDING CO., LTD.

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**When dealing with so many foreign countries, communication is very important. How are your English lessons coming along?**

I skip some classes, but am continuing. We have quite a lot of bilingual staff, especially the younger staff. We have our International Business Department, and subsidiaries in China and Singapore. Also, our engineers and technical people understand English in their particular field. For example, an engineer understands engineering terms in English. It's something that I feel is very important to go global.

**What do you think about the future of cities, new technology, and the development of the next generation of technology?**

We are undertaking collaborative research with the MIT Media Lab at the Massachusetts Institute of Technology, and a large part of that research is to determine how a city should look 20 years from now. And we are also partnering with other cutting-edge corporations and institutions for demonstrative testing here at Roppongi Hills.

It took 20 years for the internet to change the way people behave, and I am told that artificial intelligence (AI) and biotechnology will change society again in the next five to 10 years. The speed of change is becoming more rapid, so I think it is important that watch very closely how technology changes.

For example, when it comes to AI, automobile makers think about self-driving cars, and security experts think about how it will affect security. For people like us, who manage how people live in the city, we need to cooperate and combine all those elements.

If we're not aware of how technology is developing and how it is impacting each one of the businesses, we are not able to coordinate. So, it is very important to be on top of it, watch it closely, and try to be very creative and use our imagination.

I think our property was the first in Japan to have Starbucks in the lobby of an office building; but now most have Starbucks or other stylish coffee shops on the first floor. The conventional way of thinking about an office building was that it is not appropriate for the lobby to smell like coffee.

Another first was displaying world news and weather reports on the screens in elevators. Before, you used to see Mount Fuji or a goldfish on the screen. So, we have turned those monitors into quite useful sources of news in the workplace.

We were also a pioneer in security. Gates have become the standard in any office building in Japan, but the first installed in an office building for lease was in our ARK Mori Building at ARK Hills. After the 9/11 terror attacks in the United States, we had—and still have—a lot of non-Japanese tenants who are quite concerned about security. Mori Building worked with a local manufacturer to invent and install gates.

So, we have a track record of being the first to deploy and test a lot of new technologies, and being able to imagine how the future of cities should look. This is Mori Buildingism, and we strive to remain a leader in urban renewal. ■

I believe we must make sure that [Mr. Mori's] vision is always with us.

# RENT VS. BUY

## The changing nature of Tokyo's mid-market

By Maxine Cheyney



Real estate prices in Tokyo can be notoriously high. The city is a mainstay on top-ten lists of the most expensive places to live, and when you do find a place to call home it is often akin to taking up shelter in a rabbit hutch.

As the Tokyo skyline is increasingly dotted with high-rise developments—many seeming out of reach for the average buyer—what options are there?

The high-end real estate market has been growing substantially and, for many, these developments offer ideal homes for those arriving from abroad. But they don't suit everyone's budget, so what about the mid-market?

*The ACCJ Journal* spoke to Robin Sakai, marketing manager at Housing Japan K.K., and Lloyd Danon and Martin Zotta, managing directors at Argentum Wealth Management about trends in secondhand properties.

### MIDDLE OF THE ROAD

"Prices are currently going up throughout Tokyo, but especially in the five central wards [Chuo, Chiyoda, Minato, Shibuya, and Shinjuku], which remain—both for Japanese and non-Japanese residents—the location of choice," Sakai explained.

Despite this, Danon suggests that value for the money in Tokyo is comparably better than what's available in other big cities.

"Here, everything works and is safe. Buildings are built to an amazing standard, to withstand almost any earthquake. Infrastructure is amazing and trains are always on time.

And, when you compare prices for what you can get for the same money here versus New York and London, I think it's still fairly priced."

Sakai also notes some trends for mid-market buyers when searching for the perfect property. "Typically, mid-market buyers focus on an up-and-coming location, for example Musashi-Kosugi or Kichijoji—areas that are close to a major landmark or with especially good rail and metro." This includes the lifestyle centers of Ebisu and Azabu-juban.

Areas such as Kichijoji add beautiful nature to city life.

But, as Sakai explained, "Staying in central Tokyo will mean sacrificing either size or modernity." Despite this trade-off, he says the resale value will be higher.

"Those planning to stay in Japan long term tend to look for size, comfort, and a location that meets lifestyle requirements such as proximity to schools. This might mean looking at areas outside the Yamanote circle. For professionals who may not stay long term, liquidity and resale value are more important. For them, buying in premium locations that are closer to the center will make it easier to sell or rent out the properties if they leave Japan."

### WINDS OF CHANGE

The Tokyo market has undergone considerable transformation over the past five years. With an improved economic outlook, low interest rates, and societal changes, things are looking up for potential purchasers.

"Real estate cycles have an emotional component. There have been a number of events in the past several years that no doubt influence people's thinking," said Gordon Hatton, co-chair of the American Chamber of Commerce in Japan (ACCJ)





Real Estate Committee. He named Abenomics and the Great East Japan Earthquake and Tsunami of March 11, 2011, as two influencers.

“Buying a home is now more affordable than renting, and developers are responding to these opportunities by investing in more and better homes to encourage ownership among Japanese,” Sakai said.

Hatton also believes that “the recent increase is primarily in condominiums for sale, not in rental properties. In some cases, buildings with mid-market rentals have been sold to condominium developers and renovated for sale, or demolished for redevelopment as condos to be sold.”

Japan’s declining population is another consideration, along with a migratory shift to the central areas of large cities such as Tokyo, Yokohama, Osaka, and Nagoya. Adding to this is an influx of non-Japanese from abroad as the government works to increase foreign direct investment.

“In Asia, Japan is one of the few countries where a foreigner has the ability to purchase not just the building but also the land,

and can access financing even without permanent residency,” Danon told *The ACCJ Journal*.

Sakai believes that the Tokyo 2020 Olympic and Paralympic Games will play a key role in turning Tokyo into a top travel destination, bringing in waves of foreign business investment that will stimulate domestic activity. However, there is another major

business investment Japan is looking to make that will have a larger impact: integrated resorts (IRs), properties that combine hotels entertainment, retail, and dining.

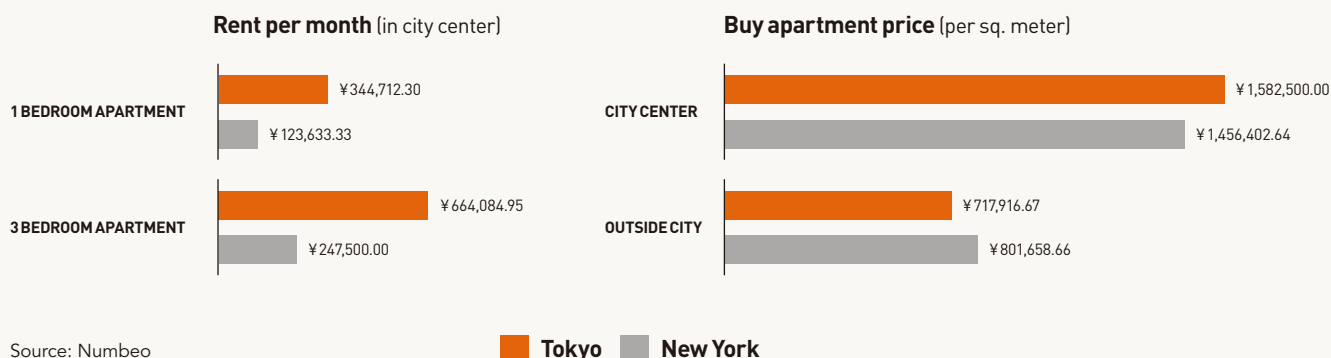
“The post-Games outlook is strong, and with the introduction of IRs—and continual space for the service sector to grow—the Olympic boost in Tokyo can

be expected to continue long into the future.”

Hatton agrees that the Olympics have sparked a sense of optimism in Japan. “It will be interesting to see if that continues or is extinguished along with the Olympic torch.”

Zotta and Danon agree that 2020 is not the price-driver or sole key economic indicator with regard to the rise and fall of property prices in Japan. IRs will also leave a lasting mark.

When you compare prices for what you can get for the same money here versus New York and London, I think it’s still fairly priced.





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Lifestyle centers such as Ebisu are very popular with mid-market buyers.

## SECONDHAND ROOMS

For those looking at mid-market options, there is also a lot to be said for pre-owned properties.

“When comparing new builds to secondhand properties, there can be a significant difference in price—even for something that is just five or 10 years old. This is why secondhand properties make a lot of sense, in terms of returns, depreciation, and what you get for the money.”

He added that acceptance of the secondhand market here is shifting more toward that found in the West, referring to the idea that, in Japan, only new things hold value. Older properties are now finding a place in the market, too.

Danon explained that this also has to do with design and construction, but the quality of the secondhand market has certainly gone up. “The quality, fittings, overall layout, and design of properties built after 2000 is much higher, compared with something from the 1980s. This makes these newer secondhand properties more desirable as they come on the market.”

Sakai echoed this, explaining that values on the secondhand market are affected by the age of a building, whether a bank will provide a loan based on that property, and the fact that the lifespan of apartment buildings and houses can vary greatly, from 24 years for a woodframe structure to 65 years for a concrete structure.

“Buildings from the sixties and seventies have largely been replaced in Tokyo already, so it depends on what happens with buildings built in the eighties. They often can be retrofitted with modern earthquake-resistant features.”

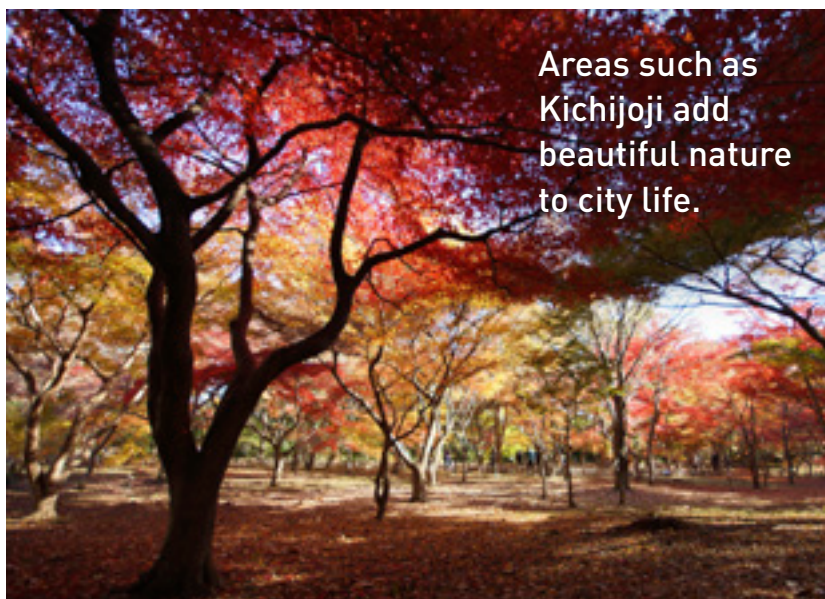
Another consideration is a new generation of buyers in Japan. “A younger Japanese generation with more opportunities is encouraging home ownership in a way that wasn’t

the case 10 or 20 years ago,” Sakai explained. “As younger Japanese come into the job market, they will benefit from more opportunities and growing wages.”

New regulations from the government in the secondhand market are also taking effect, with home inspections designed to make people feel more confident when participating in the market.

Zotta and Danon believe that Japan’s population is becoming more mobile. There is more liquidity in the market, and many are going abroad. This travel experience is changing how they approach their property investments in Japan.

Demand is increasing, and Tokyo’s population is increasing, too. Together with a candidate-short job market that requires companies to offer more generous compensation packages, these changes are breathing new life into the market and putting great property within reach for a new generation of prospective buyers—whether they come from Japan or abroad. ■





# INNOVATE & ENGAGE

New Coca-Cola Japan president outlines his vision

By C Bryan Jones | Photos by Antony Tran

One of the best-known brands in the world is Coca-Cola. The soft drink first served on May 8, 1886, at Jacob's Pharmacy in Atlanta, Ga. has bubbled to the top over the past 131 years. In 2017, Coca-Cola is the world's fourth most-valuable brand at \$69.7 billion according to Interbrand's *Best Global Brands* ranking.

Some may not realize the extent to which Japan plays a role in this success. *The ACCJ Journal* sat down with new Coca-Cola (Japan) Co., Ltd. President Jorge Garduño to find out why the local market is so important and how the company is making a difference in the community.

## CREATIVE MINDS

Japan is one of Coca-Cola's top three markets by revenue and—with 50 brands—is home to the company's largest portfolio. "Within the Coca-Cola system globally, Japan is seen as a center of innovation," Garduño explained. "Usually, in any given country, we offer 250 to 350 stock keeping units [SKUs]. In Japan, we are getting close to 800 and compete in most key beverage segments."

The annual launch of SKUs in Japan—about 250—matches the total number offered in many countries, where the annual release is just 15–20. As a result, Coca-Cola

operations in other countries are looking to Japan as a model to emulate when expanding their local product offerings.

The challenges of the Japanese market have driven this innovation and provided a boost for profits abroad. "Globally, The Coca-Cola Company owns 21 brands that are worth—in terms of retail sales—more than \$1 billion each," said Garduño.

"Four of those 21—I LOHAS water, Ayataka green tea, Georgia coffee, and the sports drink Aquarius—were developed in Japan for the Japanese market, and today are commercialized beyond Japan. That is local innovation, local investment, working with our local partners here, and it's a source of great pride."

But, Garduño thinks a lot of untapped potential remains.

"We have a very wide portfolio, but not wide enough. We want to compete in more beverage segments and we want to lead in every segment that we compete in," he told *The ACCJ Journal*. "We are very strong in some of the segments, but we definitely want to deepen our penetration in many of them. We also want to explore segments that we have not tapped into."

That means going beyond beverages. "We have the challenge of expanding our innovation—and our ability to innovate—not only on the product front but also on the packaging front. When you look at the packaging in Japan, it is not as sophisticated or as evolved as the product and beverage segments. I think we have an opportunity to step up the design when it comes to bottle shapes and labels, and the visual identity of our products and brands."



Materials are also ripe for innovation, according to Garduño. Should more glass be used? Perhaps more cartons would be better? These are questions being asked as Coca-Cola continues to adapt to the changing local market.

### INTERACTION

For Garduño, innovation doesn't stop with product and packaging. How Coca-Cola interacts with consumers is also open to evolution.

"We grew over the decades through delivering our products and building brands—mainly by investing in television commercials," he said. "And we will be doing that in the future. Television is still very relevant, and will remain a relevant way of connecting with consumers.

"But, today, it is not the only way. We need to be even faster in growing and adjusting to the changing media landscape—and we are doing great things. In Japan, we are leading the global efforts when it comes to digital advertising and connecting with consumers through these methods."

One example is the Coke ON app, which has been downloaded by more than 5.5 million consumers in Japan. "The app can be used to buy our products from a vending machine, but can do many other things, too," Garduño explained. "We interact with consumers through the app. They can collect points and redeem these points to get more products or promotional articles. It is a great way of interacting that we are still discovering and exploring. We really believe we are just taking baby steps with that app; but it looks very promising."

### LOCAL FLAVOR

Staying attuned to the local community is also a critical part of communication and success. Despite its small geographic size, Japan is home to some very distinct regional cultures stretching from Okinawa to Hokkaido. Coca-Cola stays in touch with local needs through a network of five bottlers: Hokkaido Coca-Cola Bottling Company; Michinoku Coca-Cola Bottling Company for

Iwate, Akita, and Aomori Prefectures; Hokuriku Coca-Cola Bottling Company for Nagano, Toyama, Ishikawa, and Fukui Prefectures; Okinawa Coca-Cola Bottling Company; and Coca-Cola Bottlers Japan Inc.—a new company formed on April 1, 2017, through the merging of Coca-Cola East Japan, Coca-Cola West, and Shikoku Coca-Cola Bottling—that covers the largest part of the country.

"The way they execute is partly driven by the market, because conditions are different depending on where you go in the country," explained Garduño. "If you go to Okinawa, for example, it could even feel like a different Japan. In Okinawa, the population is growing at a rate of three percent per year, which is larger than the growth in countries in Latin America. So, conditions are different from other parts of Japan, and our bottling partners help us keep very aware of the local sensitivities and local differences. This allows us to adjust our service models and our performance to those local realities."

Japan is one of Coca-Cola's top three markets and—with 50 brands—is home to the company's largest portfolio.

### SUSTAINABILITY

Involvement in the local community also spurs commitment to the environment, and this is an area in which the Japanese market inspired one of Coca-Cola's biggest successes: bottled water called I LOHAS. The name is a combination of the first three letters sung in the ancient Japanese ABC song—I, LO, HA—and also stands for Lifestyles of Health and Sustainability.

"Before 2009, a bottle that was soft and light was considered low-quality," Garduño recalled. "This team in Japan came up with a great plan to completely reshape that understanding of quality. They said it should be the opposite. The lighter the bottle, the lesser the impact on the environment. It is also easier to recycle."

It was the lightest bottle available at the time, and the company built an entire brand around the concept of the eco-friendly bottle. It soon became the market leader for bottled water.

"This concept, as simple as it sounds, didn't exist in the world," Garduño added. "So, it was created in Japan, and the beauty of this concept is that it travels easily and quickly



to other operations in other parts of the world. Businesses in the water segment replicate this model, and it's helping businesses save on the cost of plastic. It's helping the planet by using less petroleum-based material, and it's making it easier to collect and recycle bottles because they are crushable—something that no bottles were at the time.”

The project truly embodies Coca-Cola's sustainability efforts. “I believe that, in the case of I LOHAS, we didn't launch a brand—we launched a concept,” said Garduño.

When it comes to Coca-Cola's commitment to recycling, Garduño said that I LOHAS is just one example. “We started working on reducing the weight of the bottles we use in the 1970s. So, our efforts to drive tangible actions that help reduced environmental impact go back nearly four decades. We have reduced the weight of the bottles, and we continuously redesign the Coca-Cola bottle. We use less glass, less plastic, and even the cans get continuously redesigned to create the lightest packaging we can offer.

“We use polyethylene terephthalate [PET] in different proportions depending on products. Part of the plastic we use comes from the resin of recycled PET bottles, and we are increasing the proportion of recycled resin included in our packages.

“We are also pioneers of a system that incorporates resin that doesn't come from petroleum, but instead from plants. We call it ‘plant bottle.’ In these bottles, a portion of the plastic that we use comes from plants, not oil. Ideally, we want to get to a level where most—hopefully 100 percent—of the resin we use is either recycled PET resin or plant-based resin. That's our aim.”

Another example of adapting to environmental needs is very specific to Japan, and stems from the Great East Japan Earthquake and Tsunami of March 11, 2011. “After the earthquake, the country went through this huge crisis of energy supply. Our research and development lab in Odaiba,

in a matter of months, came up with an improved version of our vending machines that saves up to 95 percent of the energy during the daytime, in summer.

“They redesigned the way the machine is isolated from external temperatures so that it better preserves its internal temperature. With that technology, we actually disconnect the machines during the day and sell the beverages cold, because they were refrigerated overnight. It was a very simple idea that is getting great results and was in response to this huge crisis that the country went through.

“Sustainability is really part of what we do, it's embedded in our programs. It's not an additional task or separate program that someone else is managing. Our marketing team is thinking how to develop concepts that helps us achieve not just business results, but also sustainability results.”

### **WATER NEUTRALITY**


Another initiative related to water that extends this care for the environment is Water Neutrality, an initiative launched in 2009 to reduce depletion of water resources.

“We offer beverages, so water is a key component of our products,” Garduño said. “In 2009, we decided to commit globally that we would send back to the world the same amount of water that we use in our products. The target for reaching equilibrium was 2020, but we achieved that target four years before the deadline.

“In Asia-Pacific today, we are sending back 200 percent of the water that we use. In Japan, we are already water neutral—100 percent of the water we use, we send back. That's already achieved. Now we are rethinking and reshaping the targets to continue this momentum.”

### **WOMEN IN BUSINESS**

The administration of Japanese Prime Minister Shinzo Abe has set an ambitious target for increasing the number of



We need to be even faster in growing and adjusting to the changing media landscape.



women in leadership positions, aiming for 30 percent of such positions to be held by women by 2020. Coca-Cola's aims are higher.

"One of our 2020 ambitions is for 50 percent of the senior managers in the company, in the different geographies, to be female," explained Garduño. "To do that, we have some rules while recruiting—internally or externally—for specific jobs. It's a rule, for example, that we must have at least one female candidate for each of the senior management roles.

"We also offer development programs specifically for women. There is one signature program called Women in Leadership, where—a few times a year—we invite a group of women to Atlanta or to other places in the world—the location changes every year—for them to share practices. Senior women share with younger women how they have managed to go through all the challenges that they go through on the professional and personal fronts.

"Reaching 50 percent is a tremendous challenge. It is not so easy, because the circumstances women go through in different stages of life make it way more challenging for them to reach those levels than men; but we are committed to it."

### BALANCING ACT

Another hot topic in Japan is work-life balance. What are the keys to business and career success in 2017?

"We call it engagement," said Garduño. "We believe that if people are engaged, really connected, and inspired by the purpose of their work, they will be able to deliver various solutions for the business, and for the communities that we work for.

"We apply a flexibility principle, as we believe each individual is different. Just like our consumers and customers are different, associates are also different. We offer flexibility in terms of schedules. We offer opportunities to engage in community programs and social programs. We invest a lot of time, energy, and money in developing our talent.

"We also offer opportunities to move across functions and companies within our system—even across countries. I am a living example of that. You can go anywhere you want to go in the world working with this company. If you are willing and open, you can go and explore the world. If you want to stay in Japan, you're welcome as well. We offer beautiful career opportunities for people who are not willing to move to other countries."

This flexibility creates a second key to success. "I would say, probably what really makes a difference is that we really believe in the sense of purpose. People in this building are not just selling beverages—they are pursuing higher

aspirations. We offer our associates opportunities to channel their energy to do well and to do good through our marketing programs, and through our social and our environmental programs. The sense of purpose is something we believe really makes a difference."

### NEXT GENERATION

"I got together earlier with our Millennial Voices, a group of under-30 professionals who work in this building," Garduño told *The ACCJ Journal*. "Because of the age gap and the hierarchy—especially in a country such as Japan—it is very difficult for the senior management to have access or visibility to that younger talent.

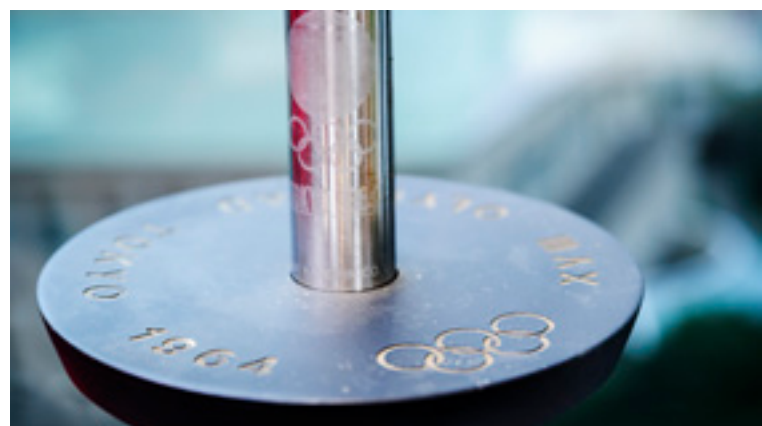
"This group of Millennials—about 15 guys and ladies—are working together to develop specific recommendations on different topics. One is market opportunity. What opportunities are we missing because we do not have the voices of Millennials represented when we develop business solutions?

"A second topic is internal engagement. Today, they were delivering some blunt opinions about the way we do things that we, the older people, don't realize. 'How come you force the employees to use a specific type of laptop?' is an example. They say that in their world that doesn't exist. They choose the equipment they want to work with, and usually they would not pick this.

"Development of Millennial talents is a third topic. The gap between them and older staff is so huge that they say they are just hidden under a table, and never seen. So, we are developing ways to make them more visible, to listen to them."

### EMPOWERING COMMUNITY

Coca-Cola's support of women and youth goes beyond the workplace, and is part of the company's investment in local



The original torch from the 1964 Tokyo Olympics at Coca-Cola headquarters in Shibuya.

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One of our 2020 ambitions is for 50 percent of the senior managers in the company to be female.



communities around the world—even in places that may not be at the top of its market list. The 5by20 Initiative is one example.

Garduño explained the name and goal: “We are committed to empowering five million women across the world by the year 2020. We are doing that through adapting ideas and programs to the local needs. For example, in Africa, we are helping women set up small shops where they sell our products, and we teach them how to run a small business. Through that, we help their family get a sustainable income.

“In other parts of the world, we work on education, financial education, or help women with training, depending on the local needs. That’s one more of our social commitments.”

Programs are tailored to each country, and activity surrounding one right here in Japan was taking place as *The ACCJ Journal* talked to Garduño. “Just today, we had a foundation from Hokkaido visiting us here at the office,” he said. “This foundation runs parks and camps for kids with severe illnesses, and we support that. In each part of the country, depending on local needs, we drive a specific effort.”

Sports is another area that has long been supported by Coca-Cola, and the upcoming Tokyo 2020 Olympics offers another opportunity for the company to do so locally.

“We believe that sports are a tremendous vehicle to develop healthy habits, especially among the youth,” said Garduño. “That’s the reason why we sponsor—and have sponsored for decades—the FIFA World Cup and the Olympic Games—both summer and winter. We sponsored the 1964 Tokyo Olympic Games, and will be proudly sponsoring again in 2020.

“Sponsoring the Olympics, sponsoring the FIFA World Cup, sponsoring football and rugby and baseball teams, has a specific purpose for us. We want to use those partnerships to inspire people—especially youth—to move and exercise, and to adopt healthy lifestyles. We want to highlight the values that those sports promote—not just physical health, but also the values, attitudes, and behaviors that those sports help instill.”

#### A PERSONAL NOTE

A native of Mexico, Garduño comes to Japan from Madrid, Spain where he was managing director also of Portugal, and Andorra at Coca-Cola Iberia. *The ACCJ Journal* asked how he is adapting to his new home.

“I am enjoying my time in Japan big time; it’s a beautiful country. We have a strong business and a very strong brand, so we have fascinating challenges ahead.

“But, the personal experience, which in the end is what you take with you—the personal experience of living in this country, working here, exploring this city, attending all those festivals across Japan—it’s been so far such an enjoyable experience. I feel lucky to be here.

“It’s different to visit Japan than to live here and getting to know up and close the texture, the culture, and the society. It is just a beautiful country, beautiful people, and the food is great. I’m enjoying my time.” ■



# BLOCKCHAIN

The next big thing in banking?

By Brandi Goode

Residents of Japan may soon be able to transfer money abroad in mere seconds, using only a mobile phone. For anyone who has suffered the current lengthy and costly international remittance process—which in most cases in Japan must be done in person—this is big news.

This summer, Thailand residents were able to receive funds in Thai baht, deposited in their local accounts, from family sending yen from Japan. The transfer happened in two to five seconds, a vast improvement over the standard two to five business days required for cross-border transactions. The service was launched as a collaboration between Japan's SBI Remit Co., Ltd. and Thailand's Siam Commercial Bank, and is one of the first commercial deployments of blockchain technology for payments in the region.

Blockchain, or distributed ledger technology, is based on an immutable store of records shared across an intricate network. Currently, banking across borders is a time-

consuming and expensive process because, at each stage of the transfer, a bank or clearing house must review a transaction through a network provided by the Society for Worldwide Interbank Financial Telecommunication, better known as SWIFT. Blockchain eliminates the middlemen and middle-stage checks, making instantaneous transactions not only possible, but essentially foolproof.

Research by consumer credit reporting agency Experian PLC shows that error rates in international banking transactions can reach 12.7 percent, as new risk is added each time a payment passes through a new party. Because alterations to a distributed ledger are updated in real time and visible to each party in the network, it is nearly impossible to falsify records. There is no central data center that can be hacked, no chance for a sleepy teller to omit a zero or enter a nine instead of a six on a statement. This built-in security factor is one of blockchain's greatest appeals.

Banks are taking particular notice, as the technology has the potential to dramatically improve the speed, efficiency, and scope of core banking functions such as import-export finance and derivatives trading.



## PAY-VING THE WAY

As the birthplace of cryptocurrency, Japan is uniquely poised to become a leader in this emerging field of financial technology (fintech). Alisa DiCaprio, a past vice-chair of the American Chamber of Commerce in Japan's Information, Communications, and Technology Committee notes: "We're seeing entrepreneurs—both foreign and local—who are based in or attracted to Japan taking advantage of what's seen as a regulatory structure that's conducive to start-ups in this space."

The government's approval of Bitcoin as an official payment vehicle in April 2017 was a catalyst for many fintech initiatives. The move also signals great progress in Japan's diversification of payment systems, explained DiCaprio, in an economy that is still largely cash-based.

Earlier this year, the Ministry of Internal Affairs and Communications revealed it is testing a blockchain-based platform to digitize the tender process for the fiscal year through March 2018. This would cut administrative costs and facilitate greater transparency in document exchange during the process.

Japan's Financial Services Agency (FSA) has been instrumental in its support of blockchain and improving the country's digital payment landscape. In a September 21 story, the *Nikkei Asian Review* reported that the FSA is helping spearhead a project using blockchain to simplify the process of opening accounts at multiple banks. At present, Japan's stringent identity verification requirements can result in a wait of one week or more to receive a cash card after completing the application process.

Under the new system, account applicants would provide their personal information to a bank only once and be issued a shared ID. They would then provide the ID to new banks or financial houses using a smartphone app, and verify their identity with a fingerprint or facial scan. Accounts could be opened in minutes instead of days.

Faced with the Bank of Japan's ongoing negative-rate policy and a shrinking domestic population—and the demand for credit resulting from this—Japanese banks have fallen on hard times. Blockchain technology offers a way to both modernize and cut costs, all while improving the customer experience.

## WAVES AND RIPPLES

One year ago, SBI Ripple Asia—a partnership between Google-backed Ripple, a global provider of financial settlement solutions, and Japan's SBI Holdings, Inc.—created the Japan Bank Consortium, a group of 61 institutions using Ripple's distributed ledger technology to improve digital payment systems. The consortium represents more than 80 percent of total banking assets in Japan, and includes the nation's three megabanks: Mizuho Bank, Ltd.; Mitsubishi UFJ Financial Group, Inc. (MUFG); and Sumitomo Mitsui Banking Corporation (SMBC).

The technology has the potential to dramatically improve the speed, efficiency, and scope of core banking functions

Among the benefits of the consortium is sharing the cost burden for blockchain experimentation.

Ripple Director of Joint Venture Partnership Emi Yoshikawa said: "The consortium will utilize Ripple's solution to enable round-the-clock, real-time money transfers domestically and internationally at significant savings to both banks and consumers. It is currently building a production-ready version of RC Cloud, a next-generation payment platform, which will allow banks to transact domestically and internationally through a common interface. The consortium expects to launch RC Cloud within the next few months and see the first wave of banks in Japan go live with the platform."

Ripple's vision for the near future is the creation of an Internet of Value, wherein money is transferred as quickly as information over the internet. "The increased velocity of money will give rise to entirely new businesses and industries, as well as increase financial inclusion for millions of underbanked consumers," Yoshikawa said, citing the industry term for consumers who lack sufficient access to services such as credit cards and loans.

## PILOT PROJECTS

As a leader in the consortium, Tokyo-based MUFG announced its Re-Imagining Strategy in May. The megabank will focus on using fintech to add digital banking channels and streamline back-office functions. It hopes to boost profits by ¥200 billion through digitalization by 2023.

It also launched Japan's first fintech accelerator program in 2016. One of the winners was Zerobillbank, a start-up that is currently helping MUFG develop a blockchain-based rewards program for one of its subsidiaries. This incubator program is a prime example of the symbiosis that's possible between fintech start-ups and traditional banks. Working together means fintechs are granted access to big banks' scale and customer base, and banks can leverage fintechs' expertise in analyzing big data.





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Hirofumi Aihara, general manager of MUFG's Digital Transformation Division, told *The ACCJ Journal*: "Much of our blockchain work—be it with start-ups or even global groups—is currently at the proof-of-concept (POC) or pilot testing stage. The initial results have been promising, but we still need to work out various technical, legal, and practical considerations—both within the working groups as well as with the broader industry and regulators—before we can see anything concrete happen."

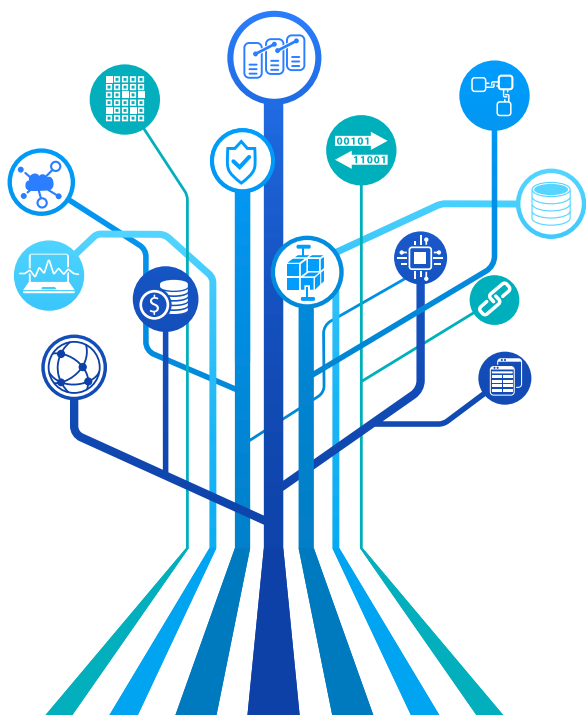
This seems to be the case for most banks experimenting with distributed ledgers. There is a lot of work underway at the POC level, but little to no production-level implementation.

Mizuho, another of Japan's banking giants, also has several blockchain initiatives in place to streamline operations in areas such as trade finance and syndicated loans. Its goals for the initiatives include improving customer service and cutting costs.

"Financial transactions are highly dependent on the network," said Toshimi Teranishi, senior manager of the Digital Innovation Department at Mizuho Financial Group. "If underlying technology streamlines the network systematically or operationally, it brings the benefit of cost reductions. It will also reduce the time needed for relevant operations, allowing us to allocate employees to consultative works with customers to provide better service, which is our ultimate goal."

Teranishi believes the adoption of blockchain systems will make Japanese banks more competitive. "When new services are developed, banks are better able to compete, not only with their direct peers but also with fintech companies." ■

Blockchain eliminates the middlemen and middle-stage checks, making instantaneous transactions not only possible, but essentially foolproof.



Though blockchain's applications in banking are now in the spotlight, many other areas stand to benefit from the technology.

Pina Hirano, CEO of Japan's Blockchain Collaboration Consortium (BCCC), highlights the following hotspots for blockchain applications:

- Food traceability—because falsification of products' origin is common
- Document management—to assure the original is retained despite changes and updates
- Voting—to ensure integrity of shareholder actions

Established in 2016, the BCCC includes 170 member companies from various industries. It works to popularize blockchain through three working groups—Financial, Smart City, and Risk Management—and organizes an annual half-day conference to share the latest blockchain applications. It also runs a blockchain university as an exclusive curriculum to educate engineers and planners.

Hirano notes that, while Japan's tech companies are often at the cutting edge of new systems adoption, the uptake of potential breakthrough technology such as blockchain by traditional industry players is often slower here than in other countries. He says that major barriers include reluctance on the part of large companies to take risks, as well as a lack of software engineers employed within such companies, as systems are often built and managed by outside specialists.

# YEN RISING

Global banks want Japan's cash

By Jun Tamaki and Shotaro Tani

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It was late September when Toronto-Dominion Bank (TD), one of Canada's largest financial institutions, held a lavish party at a hotel overlooking Tokyo's Imperial Palace. The event, which drew some 200 of the city's financial insiders, celebrated the reopening of TD's securities business in Japan.

TD's decision to return after an eight-year absence is partly attributable to a seismic shift in the financial market. The Bank of Japan (BOJ) took interest rates into the basement, creating a glut of cash and a hunger for alternative investment options.

"Interest rates in Japan are low, so people are looking again to buy securities, investments that are higher yield, or are of different currency," said Bob Dorrance, CEO of TD Securities, explaining the reasons for coming back. "Japan has one of the largest pools of savings in the [developed] world, and those savings are looking to earn a return and to be invested. Having a local presence with an experienced team will allow us to build and grow long-term relationships to provide a superior level of service to our clients."

Changing the mindset of Japanese investors remains a challenge—there is still a strong preference for domestic bets. But, TD is hardly the only Western financial institution that smells business opportunities in Japan. The UK's Standard Chartered Bank opened its own securities business last year, while Legal & General Group PLC, a British financial services company, will set up a Japan office this year. The common blueprint: to attract Japanese money that can be put toward projects and investments elsewhere with higher returns.

The Chinese are in on the action, too. Back in 2008, they gathered only about ¥100 billion (\$887 million at current rates) in Japanese deposits. As of the end of March 2017, they had 12 times that amount, at ¥1.2 trillion. One of China's four big state-owned commercial banks, Agricultural Bank of China (ABC), now has a branch in Japan. Interest rate differentials between the countries mean banks can reap quick rewards simply by taking yen deposits back to China, mostly through Hong Kong.

Two Taiwanese banks—E.SUN Commercial Bank, Ltd. and Taiwan Business Bank—also obtained banking licenses in Japan this year.

This is a sea change compared with a few years ago. Japan's two lost decades of low economic growth—coupled with the 2008 global financial crisis—prompted foreign financial institutions to leave the country in droves. The number of international players in Japan was 131 at the end of fiscal 2012, down 17 from two years earlier. The tally was back up in fiscal 2015 at 164.

As for foreign bank branches, data from the Financial Services Agency put the number at 55 as of the end of June, up by two from a year earlier. This marked the first increase in 10 years.



## BOND BLUES

For Japan's own banks and insurers, life used to be much simpler: All they had to do was invest in Japanese government bonds (JGBs). The investments did not bring in big returns, but they did the job. Japan's domestic banks held a record ¥117.8 trillion worth of JGBs as of March 2012.

That winning formula crumbled after Haruhiko Kuroda took charge at the BOJ in March 2013 and quickly launched monetary easing "of another dimension." The final nail was the central bank's negative interest rate policy, introduced in January 2016. Interest rates on JGBs plunged, making government bonds one of the least-attractive assets. The latest figures show banks now hold only ¥67.1 trillion worth of JGBs, roughly half the amount held in March 2012.

In this context, the decision last year by The Bank of Tokyo-Mitsubishi UFJ, Ltd. to cede its position as one of the primary JGB dealers is not surprising.

Mitsubishi UFJ Financial Group, Inc., the bank's parent, pinned the decision on a "reorganization of the operations at banks and securities companies." It was obvious, however, that the true reason was the difficulty of explaining to shareholders the rationale for investing in a loss-making asset.

For regional banks, the situation is even more complicated. At the end of May, they were holding a total of ¥86 trillion in dormant deposits, unable to loan or invest the money. The amount equates to just over 16 percent of Japan's real gross domestic product.

With Japan's financial institutions in a bind, foreign players are swooping in. Of course, the international heavyweights chasing Japanese money have their own pressing reasons for doing so.

**Japan has a choice: resign itself to lost decades and financial obscurity, or recapture its mojo as an important player in global finance.**

## FROM TORRENT TO TRICKLE

"He seems to be here again." This was the gossip in Tokyo's financial market recently—the "he" referring to Stephen Schwarzman, co-founder and chief executive of The Blackstone Group L.P., a US private equity firm. A source said Schwarzman, a close associate of US President Donald Trump, visited Japan twice in as many months for meetings with government officials and financial executives. His aim, apparently, was to market Blackstone's \$40 billion open-ended infrastructure investment fund.

Schwarzman has strong ties to Japan. Nikko Securities, now SMBC Nikko Securities, Inc., helped him through troubled times when he founded the private equity firm

in 1985. But his recent visits might also be an indication that he is struggling to drum up cash for the infrastructure fund.

Blackstone secured \$20 billion from the Public Investment Fund of Saudi Arabia, but the source said it had been counting on a much larger figure from the Saudis. Facing a

budget deficit in 2017 for the fourth consecutive year, Riyadh is not splurging like it used to.

Another apparent miscalculation on Blackstone's part relates to China. The source said, "China has become reluctant to move funds outside of the country, and the need to search for other investors became urgent."

For years, Chinese money was all the rage in global finance, exemplified by a string of high-profile business acquisitions and real-estate investments.

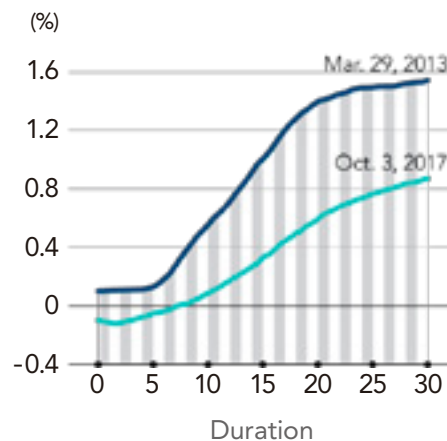
That began to change last year. In November, banks received guidance to tell the central government about any foreign exchange transaction worth at least \$5 million. The rule created an extra hurdle for funding overseas investments.



Foreign banks are once again flocking to Japan.

IMAGE: WELCOMIA / 123RF

## Japan's yield curve has fallen dramatically (in percent)



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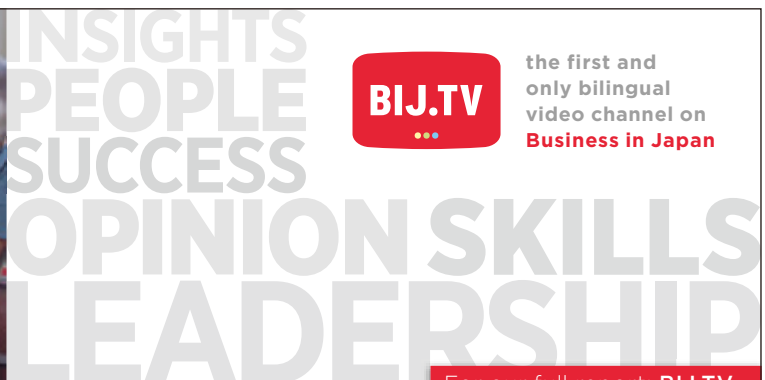


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## Women in Business Roundtable

The voices of women in business are growing louder in Japan, and Prime Minister Shinzo Abe has thrown his weight behind this with his "womenomics" agenda. But how far are initiatives to empower women actually being implemented?

To be featured on BIJ.TV, please contact: Anthony Head • [anthony@custom-media.com](mailto:anthony@custom-media.com) • 03-4540-7730



China also banned banks from selling more foreign currency than they buy. If a bank is doing this, it means it is supplying foreign funds to businesses. This, in turn, could contribute to capital outflows and the depreciation of the yuan.

The guidance and ban had immediate effects. Foreign direct investment by Chinese enterprises in the first six months of 2017 totaled \$48.1 billion, down 45 percent from the same period last year.

China watchers are not anticipating a dramatic recovery in the country's foreign investment any time soon. A notice the State Council issued in August appears to support their view—it restricts investments in real estate, hotels, entertainment facilities, and other targets while encouraging investments in countries that support China's Belt and Road Initiative.

In short, only invest in what Beijing approves of.

### YOUR MOVE, JAPAN

Since global financial institutions can no longer count on sponging up Chinese and Saudi money, they have turned to Japan by a process of elimination. Japanese money has not garnered this much international attention since the bubble days of the 1980s.

One might expect to see more urgency on the Japanese side.

In February, reports emerged that the Government Pension Investment Fund (GPIF)—one of the world's largest public pension funds—would invest in a US infrastructure fund on orders from the Japanese government. Yet GPIF President Norihiro Takahashi quickly refuted the reports.

The leader of a major financial institution visited by Blackstone's Schwarzman was also hesitant to open the vault. "We won't shut the door in his face, because he took the trouble of coming to see us," the executive said. "But seeing him does not automatically mean we will invest [in the fund]."

Still, the reality is that Japan is awash with money. Household financial assets exceed ¥1.8 quadrillion. Cash and deposits sitting in Japanese companies, excluding financial institutions, stood at a record high of ¥191.6 trillion at the end of June.

Playing ball with foreign institutions could be beneficial for Japan. Before tightening its capital controls, China dramatically increased its global influence with headline-grabbing foreign investments. Japan could do the same.

Some institutional investors are beginning to grasp the opportunity, namely trust banks and life insurers. Not long ago, they were bogged down with nonperforming loans and negative spread problems, respectively. Now players in both sectors are going on the offensive.

Mikio Ikegaya, CEO of Mitsubishi UFJ Trust and Banking

Corporation, has earmarked ¥1 trillion for acquiring asset management companies. Nippon Life Insurance Company, Japan's largest life insurer, is planning to invest ¥1.5 trillion over the next four years—mainly for acquisitions—and is in final negotiations to invest in US asset management company TCW Group, Inc. The question is whether other institutional investors will follow their lead.

Japan has a choice: resign itself to lost decades and financial obscurity, or recapture its mojo as an important player in global finance. ■

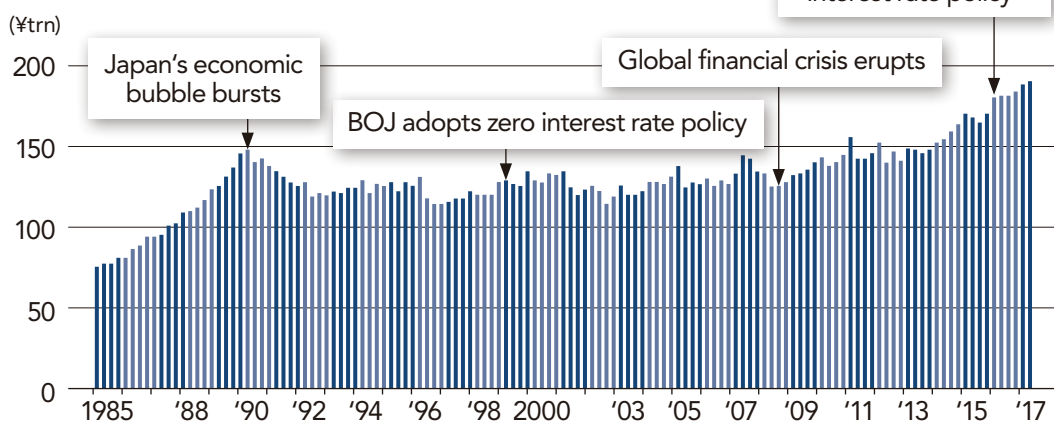


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Nikkei staff writer Yusho Cho in Shanghai contributed to this story.

### Japanese Companies Hoarding Cash

(cash, deposits at Japanese companies excluding financials\*)



\* Quarterly basis

Source: Ministry of Finance

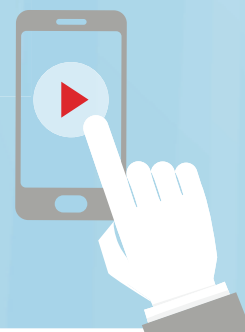
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# DIET DAILIES

## EXPERTS TO PONDER DEREGULATING DRONES FOR BUSINESS USE

At the beginning of September, the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) initiated an experts' conference jointly with METI. Discussion included the deregulation of drones to allow flight to positions not within the operator's range of vision. The ability of drones to legally fly for medium or long distances beyond the operator's line of sight will be essential for their use in transportation or resource distribution. The committee is expected to compile its findings and issue a report by next spring, opening the door to business use.

Currently, drones in Japan are mainly involved in crop dusting or surveying, and the domestic market accounts for less than 10 percent of worldwide use. Should flights beyond line-of-sight become possible, drones could also be used to reach places inaccessible to humans, such as disaster sites. Under current rules, advance permission from MLIT and the assignment of an assistant to the main operator are required.

Ways to facilitate advance permission—and revision of inspection standards based on the aviation law—will also be sought. During the current fiscal year, the main theme was requirements for drone operation in areas where other types of aircraft seldom fly, such as around small islands or mountain valleys. The next step will be to consider the rules for flight over private property.

Following the revision of inspection requirements, standards for evaluation of drone performance—including safety matters such as collision avoidance—will be determined. Another agenda item will be the establishment of “drone ports” by which drones can be guided to a landing via radio signals.



PHOTO: DREAMKON / 123RF

The government's growth strategy calls for implementation of goods shipments via drone to mountain valley areas to commence by next year, and plans call for full-scale drone operation by the start of the next decade.

## METI: SIFTING THROUGH TWEETS TO GRASP ECONOMIC TRENDS

The Ministry of Economy, Trade and Industry (METI) is moving ahead with development of new economic indices using artificial intelligence (AI) to mine Twitter posts and business sales data to better understand economic trends. The technique will allow economic activity to be tracked in small increments, hopefully leading to more rapid decision-making when it comes to economic policy.

The three indices are: sense of economic conditions; mining and industrial production forecast; and trends at mass retailers of home appliances. METI launched the initiative on an experimental basis on July 19.

Sense of economic conditions will be extracted from analysis of daily Twitter posts such as “I’m tired from overtime work” or “My wages didn’t go up,” and the values will be based on the positive or negative nature of the tweets. METI expects to capture change on a daily basis,

something not possible using previous methods of analysis.

Posts related to work or the economy will be applied to production forecasts in the form of so-called “open data,” and utilized by METI to project the mining and industrial production forecast. Both of these will make use of deep learning—a self-teaching form of AI—which elevates decision-making ability by analyzing the content or frequency of tweets.

Trends at mass retailers will be based on point-of-sale data from cash registers. At present, the data from sales at some 2,500 stores nationwide is compiled, with turnover broken down by product type. Beginning next year, sales data from supermarkets and convenience stores will be added.

The existing tabulation method for mining, industrial production, and commercial sales is time-consuming and takes about a month to complete. With the new methods, data can be issued on a weekly basis. However, as the capability to collect data and conduct analysis is still seen as insufficient, improving accuracy will be a future issue.

For its FY2018 budget, METI has requested a six percent increase to ¥1.42 trillion. The ministry has its eyes on a connected industries policy, emphasizing the utilization of big data, which will become a key factor in achieving technological improvements and boosting productivity. ■

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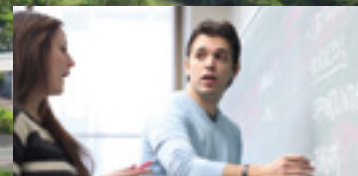
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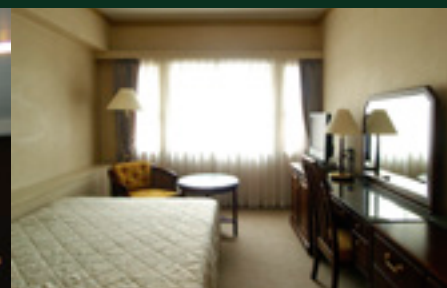
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## THE PRESENTATIONS JAPAN SERIES

# You Need 400 Faces When Presenting

By Dr. Greg Story  
President, Dale Carnegie Training Japan



動かす

Can we be successful as a presenter if we don't connect with our audience? Many presenters believe this simply is not needed, that this connecting lark is rather fluffy and irrelevant—because content is king. To them, the delivery is a sideshow, a trifle, a distraction from the main game. Solid, high-value information—backed up with verifiable data—is the mother lode. This is not true.

Solid, verifiable data delivered in a disinterested monotone while looking down at reams of notes on the podium is a communication killer. No matter how good the goods are, it is not much help if no one is getting your message. Why aren't they getting it? Because they are on Facebook, LinkedIn, Twitter, Instagram, Snapchat, and LINE instead.

## DAZED AND DISTRACTED

We cannot be so arrogant as to imagine our content can carry the day in this age of distraction. The younger generations are going to be the future business audience from hell. They are growing up totally distracted, with the concentration span of a dazed gnat. They have an addiction to being in touch with each other all the time and unapologetically reach for their escape vehicle—their phone—in a heartbeat.

If you are looking down at your notes, then you are missing the most valuable data. Watch your audience like a hawk. If you see them disappearing under the desk, scrolling through their devices, then you can kiss your message goodbye. Look them right in the eye. Do it for six seconds. Why six? Less is not enough time to connect. Any longer becomes intrusive.

The math on that calculation is simple. Six seconds means 10 people per minute. A 40-minute speech means we are constantly using eye contact to connect with 400 faces. Some will be the same faces, depending on the size of the audience. In a large audience, we may think we cannot connect with everyone; but we can. Those seated far from us will imagine we are looking at them. The actual person we are looking at—and the 20 people sitting around them—all believe we are talking directly

to them. Our object should be to speak one-on-one to every person in the audience.

## THE EYES HAVE IT

But, Greg! In Japan, we don't make eye contact! Not true. Sure, in a typical business meeting, continuous eye contact will burn out the retinas of our Japanese counterparts. But, a presentation is not the same thing. It presents a different role for us, and we need to play the bigger game of being persuasive. To do so means we must bring our full armory to the cause, to battle listener distraction and attempts to escape.

Divide the audience into as many as six sectors, depending on the size. A smaller audience might become just three. The point is to ensure that we visually rove across the audience and speak to every single person. We are not looking at the projection screen, our laptop monitor, the back wall, the front row, or only one side of the room. We are circulating in a random fashion around the

audience, trying to draw them into the web of our message.

We can read their faces for reaction to what we are saying. This allows us to respond by varying our delivery, by using tone of voice, questions, and silence to keep them in the room with us.

When we do this, the audience members feel more closely connected to us. They feel as if they are being spoken to directly, and they feel flattered.

## LEST THEY FORGET

If we have their attention, we have a chance of getting our message across. Even if they cannot remember all that we said, they will never forget us. Getting both would be a wonderful result, but getting one is better than being totally forgettable—like most speakers.

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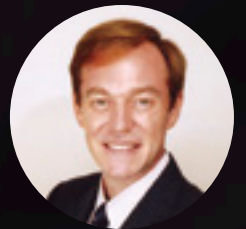
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