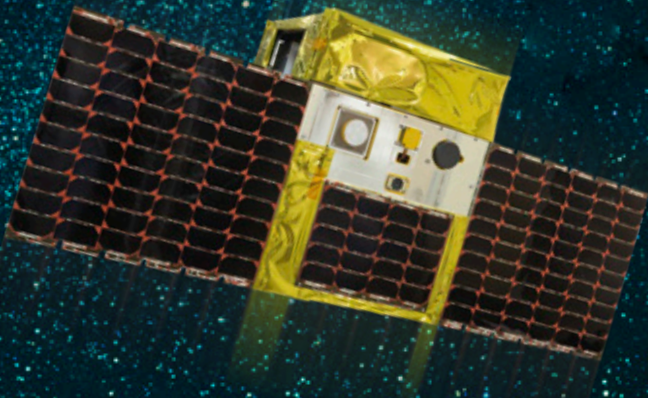




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STARTUP IN THE SKY

SME makes space for satellites [page 34](#)



THE TOLMAN COLLECTION'S TRIBUTE TO TOKO SHINODA AT THE ZOJOJI TEMPLE



Some exhibitions are staged to show an artist's progress, while others are meant to keep clients interested in the artist's work. This exhibition of paintings by Toko Shinoda, who has been an artist for almost 100 years, is quite special because it does not contain a single new piece,

but is instead a retrospective of some of her greatest works. Gathered by The Tolman Collection to be shared with the public for the first time, these works date from as early as the 1960s to as late as 2017 and are sure to capture your interest.

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Shinoda

A Lifetime of Achievement

“My desire—a desire that is difficult to realize—of giving form to those things that cannot be perceived by the eyes, such as the longing of the heart, and the spark of a thought.”

Toko Shinoda



Cadenza (1998) 127 x 97cm



Daybreak (1967) 202 x 156cm



Just Before Dawn (1960) 118.5 x 225cm



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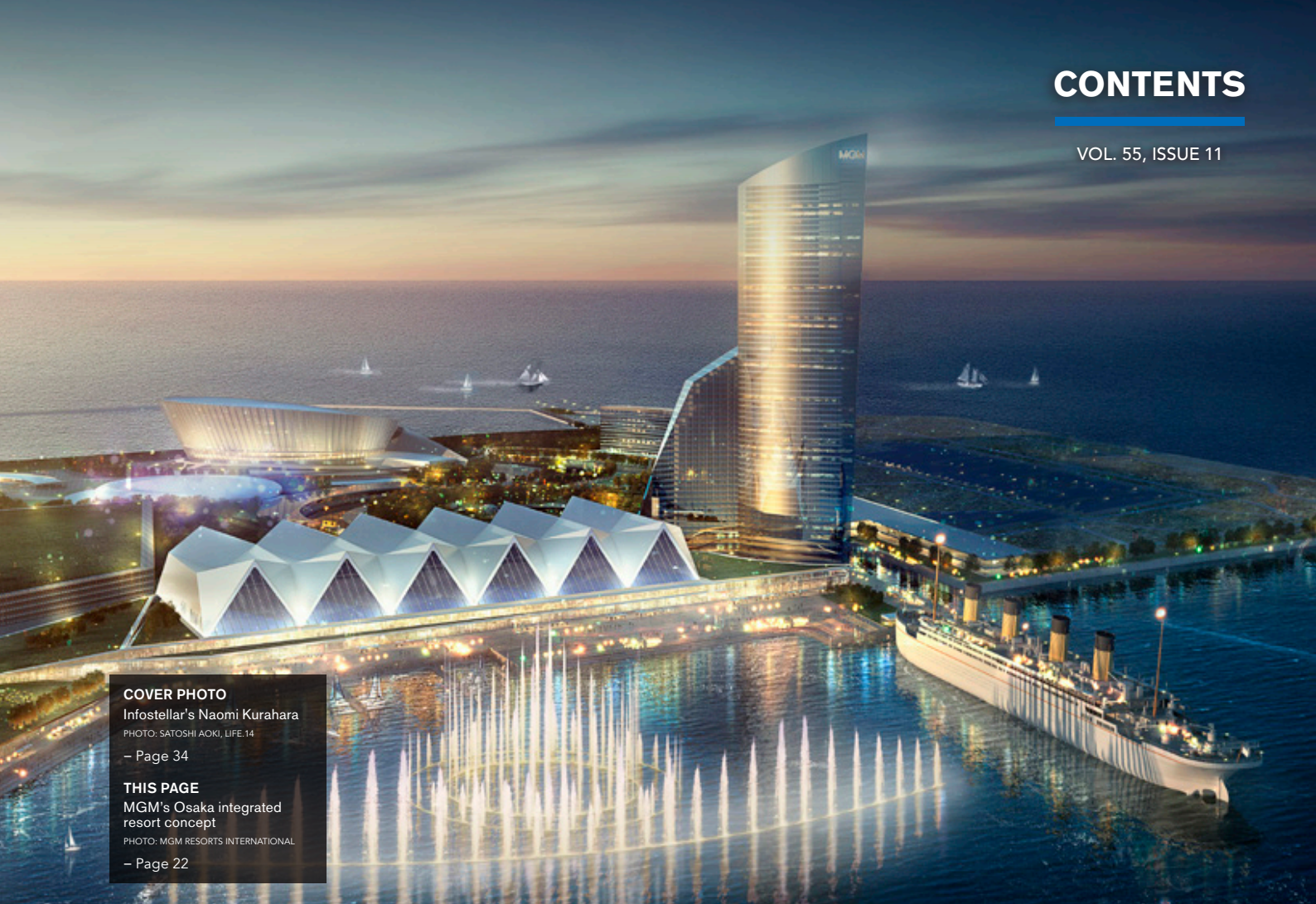
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PHOTO: SATOSHI AOKI, LIFE.14
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MGM's Osaka integrated resort concept
PHOTO: MGM RESORTS INTERNATIONAL
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SOCIAL SHIFTS



Christopher Bryan Jones
chris@custom-media.com

As my children grow up and I watch how they interact with friends and one another, I'm struck more each day by how technology has changed what it means to be social.

I'm no tech slouch myself. Having gotten my first computer in 1982 at the age of 10—a gift from surprisingly prescient great-grandparents—I've had a lifelong love of technology and am an early adopter of the latest gadgets and apps. But whereas my children are digital natives, I'm not. I've just learned to work new ideas and tools into my life as they come along.

Embracing change and new ways of doing things has, I feel, made my life better. This reminds me of how other changes now taking place in society will—once adopted and normalized—create a better environment for my children.

WORKING BETTER

The workstyle reforms that are now being championed by many member companies of the American Chamber of Commerce in Japan (ACCJ) are creating the type of environment that I have long felt is key to better productivity and results.

Going back to my opening observation, communication is the foundation of everything we do. How we all come together, whether in the same location or at a distance, shapes what is possible. It does this not only in the literal sense of what task we can undertake and complete to achieve a concrete goal for a company or client, but also figuratively in how we unleash potential.

I know that whenever I have worked for a company that places results over counting hours—something ACCJ Treasurer Nancy Ngou and Governor Ryann Thomas talk about in our interview starting on page 16—both what I personally and the team as a whole achieve has been far greater.

FEELING BETTER

Another key shift is happening in the area of inclusion. Since my days as a resident of

the Rotary International Student Center at the University of Alabama, this has been second nature to me. And as an expat of more than two decades, I've been at times puzzled and at others frustrated by the lingering divisions that hold back society and the workplace. It's great to see these walls coming down and for my friends who have felt like outsiders for one reason or another—because of their nationality, sexual orientation, or age—to be brought into the fold and valued more.

And this all brings me back to my children and my belief that the world in which they will work will be better than the one in which most of us built our careers. Thanks to the social shifts that are shaking us every day, their workplace will be one of greater inclusion, greater energy, and greater personal fulfillment—all of which will lead to more successful businesses. ■

A flagship publication of the American Chamber of Commerce in Japan (ACCJ), *The ACCJ Journal* is a business magazine with a 55-year history.

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Foundations for Relevant and Strong Advocacy



PRESIDENT

By Sachin N. Shah
ACCJ President

Seventy years ago, at a time when Japan and the world were rebuilding in the wake of World War II, the American Chamber of Commerce in Japan (ACCJ) was founded with 49 companies, five of which are still members today. Amid those challenging times, General Douglas MacArthur, who commanded the reconstruction effort, recognized the important role US business should play to support the much needed economic development and revival of the Japanese economy.

On August 31, 1948, our founding president, Dennis McEvoy, recounted in a letter to members his first meeting with MacArthur and how the General, “welcomed most enthusiastically the appearance of our organization and extends to it his approbation and support . . . as the body and spirit of American business in Japan.”

He also recalled how MacArthur “expressed the desire to avail himself of the mature business thinking of the members of the chamber, the [members] here today who represent major American . . . organizations.”

At that time, we had no committees, put on very few events, and represented a new, very foreign contingency on the Japanese economic landscape. What we did have, however, was a very clear mandate to furthering commerce between the US and Japan, supporting Japan’s economic rehabilitation and improving the international business environment in Japan.

TREMENDOUS GROWTH

Over these past 70 years, we’ve witnessed tremendous growth in the US–Japan economic partnership. The United States and Japan, which together represent 30 percent of global GDP, have forged an economic relationship that accounts for millions of jobs and thousands of long-standing partnerships.

Together, we’ve also established a set of shared values that foster leadership in and extend high-standard business practices across the region. The power of our economic partnership has also become a cornerstone of the US–Japan alliance and a source of strength and stability within our bilateral security relationship.

Throughout this journey, ACCJ members have—in the words of McEvoy—“subordinated our ambitions as businessmen to the greater call of our primary duties as citizens of the United States,” and in so doing also become an indispensable partner for Japan and its economy.

We should be proud of our mission and our values, which were instilled from the very beginning 70 years ago. Thanks to those before us, we stand upon a strong foundation and now have an obligation as members to ensure our actions are equally bold and visionary so that the relevance and strength of the ACCJ may endure for the next 70 years.

OPPORTUNE MOMENT

The approval by the Board of Governors on October 16 of the Membership Value Project (MVP) proposal underscores the chamber’s readiness for the future, addressing long-standing feedback from members by committing to invest in the upgrade and modernization of the ways in which the chamber does business. By being better able to harness the power of our members and our committees, we will ensure relevant and strong advocacy on the issues that affect member companies as a new chapter in US–Japan economic relations opens.

As always, let me thank you for what you do every day to represent the chamber. We continue to listen to you.

Please reach me with any comments or questions at sshah@accj.or.jp ■

We stand upon a strong foundation and now have an obligation as members to ensure our actions are equally bold and visionary



1



2



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5



6

- 1 More than 60 chamber members gathered for the ACCJ's Ordinary General Meeting at Tokyo American Club on October 23.
- 2 The Coriander Room at Grand Hyatt Tokyo was filled on October 16 with celebratory spirit as nearly 200 members and guests of the ACCJ gathered to celebrate 70 years of rich history and look toward the ACCJ's next 70 years.
- 3 Sachin N. Shah (center), CEO of MetLife Insurance K.K. and ACCJ President, was the guest for the interview-style event Success in Diversity: Sachin N. Shah on Winning in the Japanese Market, organized by the ACCJ-Kansai Business Programs Committee and held at the Ritz-Carlton Osaka on October 17. ACCJ-Kansai Women in Business Committee Chair Mary Anne Jorgensen (right) was the moderator and ACCJ-Kansai Vice President Stephen A. Zurcher made closing remarks and presented the certificate of appreciation.
- 4 Jakob Edberg (left), president & CEO of GR Japan K.K., gave a presentation entitled Positive Partnership Between Business and Local Governments in Osaka and Kansai, hosted by the ACCJ-Kansai Business Programs Committee at Knowledge Salon in Grand Front Osaka on October 10. Closing remarks were made by ACCJ-Kansai Women in Business Committee Vice-Chair Yoko Furuyama, who also presented Edberg with a certificate of appreciation.
- 5 Nancy Ngou (left), ACCJ treasurer and associate partner at EY Advisory & Consulting Co., Ltd., and Toru Ishiguro, director of Lawyers for LGBT & Allies Network (LLAN), were part of the panel that unveiled the joint-chamber viewpoint on marriage equality at the Third Annual LLAN Equality Gala at the Akasaka Prince Classic House on September 19.
- 6 From left: ACCJ-Chubu Independent Business Committee Chair Sean Gallagher, Cezars International KK President Christopher Zarodkiewicz, Nagoya Startup, Inc. CEO Masaki Wakameda, Kakuozan International Preschool President Nao Geisler, and Masanori Tanabe, attorney with Nagoya International Law Office, at the event How to Start and Grow a Business in Japan at Winc Aichi on October 4.

UPCOMING EVENTS

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

- **NOV 13**
Autumn Chambering
- **NOV 16**
The Startup Arms Race: How Japan's Tech Giants Are Staying Ahead
- **NOV 16**
The 2018 ACCJ / TJCS Champagne Ball and Awards Evening: Viva Las Vegas—A Night with the King (Chubu Event)
- **NOV 20**
[Kansai Networking] JASO—ACCJ Kansai Thanksgiving Party 2018

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View from Tokyo

The International Forum of Independent Audit Regulators

By Megan Casson



From left: IFIAR Senior Policy Officer Delon Abrams and Executive Director Carl Renner with ACCJ Financial Services Forum Chair Andrew Conrad

The International Forum of Independent Audit Regulators (IFIAR) was established in 2006 by independent audit regulators from 18 jurisdictions to serve the public interest and enhance investor protection by improving audit quality globally. Now comprising 52 jurisdictions representing Africa, North and South America, Asia, Oceania, and Europe, the group has become a global leader in driving audit quality and addressing challenges facing audit professionals.

On September 11, IFIAR Executive Director Carl Renner and Senior Policy Officer Delon Abrams spoke to members of the American Chamber of Commerce in Japan (ACCJ) at an event hosted by the ACCJ Financial Services Forum at the Roppongi Hills Club.

THE SECRETARIAT

Renner leads and Abrams helps guide policy at IFIAR's newly established secretariat in Tokyo, which puts Japan at the center of audit leadership globally. "When IFIAR made the decision to establish a permanent secretariat, they asked the members who would like to host," explained Renner, who said that the two finalists were Switzerland and Japan.

"Switzerland may have seemed an obvious choice, given their experience and location, but the Japanese government was fully behind the Tokyo bid," he continued.

In light of the continuing development of audit oversight regimes throughout Asia, IFIAR believes they will benefit from having a permanent presence in Japan. This coincides with developments within IFIAR itself. "By setting up a secretariat and developing a governing board structure, the organization is well positioned to become more proactive."

Abrams said the secretariat is really working to support the infrastructure of IFIAR with the working groups that are completing the majority of the work to deliver IFIAR's strategic objectives.

The six working groups are:

- International Cooperation
- Investor and Other Stakeholders
- Inspection Workshop
- Standards Coordination
- Enforcement
- Global Audit Quality

The last, Renner said, is particularly important because it leads IFIAR's discussions with the Global Public Policy Committee network firms in relation to their initiatives to improve audit quality.

MISSION AND GOALS

Renner explained how, to achieve its mission of serving the public interest and enhancing investor protection by improving audit quality globally, IFIAR seeks to influence the global audit firm networks and audit standard setters to move in directions the group thinks will help improve quality. He added that, while it is solely the job of the network firms to improve quality, the contributions of IFIAR bring the experience of regulators from around the world to the table.

IFIAR's overall goals are to:

- Improve audit quality oversight globally
- Facilitate capacity building, learning, and cooperation among members
- Contribute to global financial stability and economic growth

Renner put emphasis on the last matter, saying: "That is something that some of

our members feel very, very strongly about. They want IFIAR to be cognizant of how we fit within the economic chain and how audit fits."

THREE-YEAR STRATEGIC PLAN

Renner and Abrams also spoke about IFIAR's three-year objectives. Boosting the membership numbers to strengthen our global reach is a key target for IFIAR. "In South America, we only have one member: Brazil. We need to grow there," Renner said.

"The interconnectedness and volatility of the global economy has grown in prominence recently, with attendant challenges to audit such as fees and margins—and even the relevance of audit," he added. "If you look at the press in the past year or so, I'd say the confidence in audit is the lowest it has been, probably ever." IFIAR responded to these challenges with a strategic shift: the development of a first Strategic Plan (2018–2021), which was approved by the members in April.

To develop a more proactive approach to shaping the future of dialogue on audit quality and oversight, IFIAR conducts an annual Inspection Findings Survey. This builds upon the individual inspections of audit firms that IFIAR members individually conduct, to observe trends in audit quality and the consistency in execution of audit inspections. The survey aims to give a clearer understanding of inspection themes and where improvement is needed. The most recent findings were made public in March of this year. ■

IFIAR brings the experience of regulators from around the world to the table.



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Integrating Global Best Practices

A conversation with PepsiCo Japan General Manager Ryo Tsutsumi

By C Bryan Jones



More and more businesses are going global. Great success at home often leads executives and managers to believe that their product and sales training strategy can be readily transplanted; but that is not always easily done. Adapting plans and processes to the local culture is important, and PepsiCo Japan General Manager Ryo Tsutsumi shared his advice on doing this with members of the American Chamber of Commerce in Japan (ACCJ) on October 4 at Tokyo American Club.

The speaker event, led by ACCJ Sales Development Committee Co-Chair Carlo La Porta, focused on integrating global best practices.

COMING HOME

Tsutsumi sat down with La Porta for a casual and candid conversation in which he shared how his experiences have helped him find success as a business leader in Japan.

"I see myself as probably 100- to 120-percent Japanese. I spent eight years growing up in the United States, where you actually reflect on what it takes to be Japanese. I had the opportunity to reflect and see that from the outside in. Therefore, when I talk to Japanese people, I think I probably pick up on a lot more Japanese things than most Japanese people."

After working at Rengo Co., Ltd., one of Japan's largest packaging companies, which Tsutsumi calls "very Japanese," he moved on to Johnson & Johnson K.K. in pursuit of a more global environment before landing at PepsiCo Japan Co., Ltd.

These stops allowed him to get a better feel for how business strategies should be adapted to different cultures—even within a single company—to realize greater success.

The biggest difference Tsutsumi found at Johnson & Johnson compared with Rengo

was the diversity of the organization and the difficulty of executing or implementing strategies and plans in a very diverse context.

HIDDEN LEADERS

One key to success in Japan that Tsutsumi discussed is finding a way to leverage the experience and knowledge of long-serving staff.

Recounting how he climbed the ladder at Johnson & Johnson, where he started as a sales representative and left as head of the sales division with a team of 130, he said: "The luxury I had was to be walking along with the team, to actually understand the team. But what I didn't understand in those days is that there is—in a Japanese sales organization—a big group of opinion leaders in their late forties to mid-fifties. They're an experienced bunch of people who have been proper employees, have all been in sales, and have a great deal of experience."

"The downside is that they have been with the company [a long time], so they are conservative. But they know the people within the organization, they know the customers. I noticed that these people are the hidden opinion leaders. I found that to be one of the key factors in moving a Japanese sales team."

FINDING CONNECTIONS

As the portion of the workforce comprising Millennials grows, finding a way to bridge the gap and create teams that work well together is a common challenge. Tsutsumi explained how he uses a two-generation scheme for training so that advice, experience, and

instruction are more easily accepted. This involves a train-the-trainer approach in which the younger generation is trained in how to train the generation above them.

"Those in their forties and fifties will never listen to a 20-year-old straight out of school. From their view, that person doesn't know anything about life. Seniority still does count in Japan—a lot. Rather than fighting it, you should appreciate it and utilize it. That has worked for me," he said, adding that a five to seven years age difference yields the best results.

A benefit of this approach is that things are not imposed from the top down, thus minimizing resistance, and there is also a track record of results by the time the information is delivered to the conservative elders.

But training isn't the only thing to consider. Speaking about multinationals looking for success in the Japanese market, Tsutsumi said that—in terms of product—it is important to focus on a target group rather than trying to appeal to everyone.

"If you're an FMCG [fast-moving consumer goods] company, you would not want to go broad because your domestic competitors are going to be a lot faster, so you want to be sure you compete in a very sharp area and secure that rather than go for the big one," he said. "And keep communicating that—the goal—to the corporate people."

The event was presented in collaboration with the Spanish Chamber of Commerce in Japan and Italian Chamber of Commerce in Japan, and co-hosted by the ACCJ Sales Development, Independent Business, Human Resource Management, Retail, and Food & Agriculture Committees. ■

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Nashville Nights

An evening in Music City

By Rambling Steve Gardner

Nashville—the capital of Tennessee and home to Davy Crocket and the Grand Ole Opry—is known as America’s Music City. It boasts a combination of Greek temples and Greek-Revival mansions, ethnic diversity, art of all kinds, universities, churches and denominational headquarters, printing and publishing houses, and even an NHL hockey team. It is also home to untold numbers of musicians, writers, producers, record labels, recording studios, talent scouts, halls of fame and museums, amusement parks, live-music venues, honky-tonks, and famous guitar maker Gibson Brands, Inc.

LONG HISTORY

Settled in the 1700s on the shores of the Cumberland River and named for John Nash, a general in the Continental Army, Nashville is now a modern metropolis and one of the 25 largest cities in the United States. There are seemingly unlimited choices of upscale and down-home restaurants, as well as the city’s own Prince’s Hot Chicken and Goo Goo Cluster candy.

The Fisk Jubilee Singers from Nashville’s Fisk University conducted the very first around-the-world music tour in the late 1800s to help fund the school’s mission of educating freed slaves after the Civil War. This also put Nashville on the map as a global music center. In fact, after they performed for Victoria, Queen of the United Kingdom of Great Britain and Ireland, she stated that they must come from the “music city.” The moniker stuck.

The gold star in Nashville’s crown came in 1925, with the establishment of radio station WSM and its launch of the broadcast that would be called the Grand Ole Opry. In 1943, the Opry moved out of the WSM studios and onto the stage of the Ryman Auditorium.

The Opry—still staged live every week—is the longest-running radio show in the



United States and has been in continuous production for more than 90 years.

Country Music Hall of Fame stars Hank Williams, Bill Monroe, Mother Maybelle and the Carter Sisters, Johnny Cash, Patsy Cline, George Jones, Dolly Parton, Charley Pride, and Elvis Presley—plus hundreds more—have all performed there.

The Grand Ole Opry ignited the careers of countless country stars and claims fans worldwide. Its continuous broadcast has been credited as one of the most popular means of introducing the best of US culture and music to the world.

DECEMBER DELIGHTS

The 2018 American Chamber of Commerce in Japan (ACCJ) Charity Ball is focusing on popular foods and drinks from Nashville

along with music from its deep Scottish–Irish roots. The evening will include Appalachian ballads, Fisk spirituals, bluegrass banjos, fiddles, pounding pianos, and twanging guitars. You will be treated to a sampling of the country music that was recorded in Nashville that would later become rock and roll and Americana. It’s music that changed the world.

But this evening is not just an exciting and fun social event; it’s a way for the ACCJ to give back to the community. We hope that you will support the Charity Ball by attending or becoming a sponsor and look forward to seeing you there! ■

Rambling Steve Gardner is a writer and musician from Mississippi. He has been based in Tokyo since the early 1980s.

2018 ACCJ Charity Ball: Nashville Nights: An Evening in Music City
Saturday, December 8, 2018, 6:00 p.m.–midnight
Hilton Tokyo Shinjuku Hotel 4F

Workforce Productivity

Why it matters for business

By C Bryan Jones



This year, the American Chamber of Commerce in Japan (ACCJ) has been aligning activities and advocacy with five cross-cutting themes aimed at unlocking Japan's growth potential. One of these is Workforce Productivity, which involves advocating for company and government labor reforms that increase focus on skill building, encourage efficiency through technological advancements, and empower diversity. The goal is to change the global mindset to create a more competitive and productive society. To learn more about these issues, The ACCJ Journal sat down with two members of the Workforce Productivity Pillar leadership: ACCJ Governor-Tokyo Ryann Thomas and Treasurer Nancy Ngou.

What do you see as the most pressing issue that, if addressed, could lead to improved workforce productivity?

Thomas: I don't think anybody would argue against the most pressing issue in Japan being the shrinking labor force and how to meet the need for workers—particularly now, at a time when it seems that the economy is showing positive indications.

Ngou: Yes. And I would add that, with so many changes around the world, Japan has become an even more attractive place for business investments. So, more businesses are coming into Japan, vying for the same scarce labor. The other overarching issue is that the traditional company culture and career structure don't foster a need or incentive to be efficient.

What structural reforms must Japan make to boost workforce productivity?

Thomas: The government has already started some of that process through the recent labor reform, and discussions are now underway on immigration rules and how to increase immigration in specific areas. But the changes need to be more wide ranging. Those being taken and discussed are probably short-term measures to address the issue of bringing more people into the workforce, but are not necessarily focused on how the existing workforce can be more productive.

In the long term, it's likely that they'll need to be more aggressive or make broader changes to really solve the problem: a lack of people to do all the work that needs to be done. So, if we're talking about structure from a government perspective—really bringing more people into the workforce—the current labor law probably needs to go further, and immigration needs to be expanded more broadly.

When I say the current labor law, I'm referring not only to a lot of the labor law focused on overtime and other issues but also labor law that addresses reemployment of older workers, employment of women, and flexible work practices. The labor reform really hasn't yet gone as far as it needs to in those areas.

Ngou: I agree. And to expand on the topic of diversity and flexibility, if you think about it, the traditional corporate work structure and labor laws were created when primarily men were

9.9

out of 10 are
a talent mismatch

HAY'S GLOBAL SKILLS INDEX 2017

86%


of companies in Japan
have difficulty filling roles

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in the workforce. A man worked for the same company until they retired, and their spouse stayed home and managed the family and household. Therein lies an inherent bias in the work structure and the labor laws built around this traditional arrangement.

Today, 62 percent of households are dual-income families. Thirty years ago, it was the opposite: about 62 percent were single-income families. Family dynamics and needs have changed, thus traditional work structures must also change to reflect today's diverse workforce and needs. The government can support this by providing more daycare and elder care options and services. This would better enable both men and women to work and to manage the work-life balance they need.

The other reform needed is to enable labor mobility. Even if a company recognizes the need to hire more people, they hesitate to do so because they are unable to flexibly manage the size of their workforce. Providing companies with the ability to manage their workforce more flexibly will help create a stronger experienced-hire market. One way to do this would be through a new type of employment contract, which we have described in an ACCJ viewpoint. An updated version of that viewpoint will be available soon on the ACCJ website.

Employees don't typically leave their job even if they are dissatisfied or unmotivated. Doing so can be risky given that the experienced-hire market is not very mature. If you can get the right people into the right jobs that match their skills—and if they match your company culture—these employees will have greater job satisfaction and can build specialization, which boosts productivity and innovation. Happy employees are productive, creative employees.

How does the structure of the current labor laws perpetuate low productivity?

Thomas: Because current labor laws are quite restrictive or inflexible, companies are often reluctant to hire workers—especially senior workers. If companies choose not to hire, then obviously that doesn't help their productivity. This is particularly true if they need a more experienced, senior person. Those people tend to be less mobile under the current labor law. So, even if you want to hire someone, you may have trouble finding them.

This lack of a middle market of experienced hires reinforces low productivity. If a company must hire someone, many will hire contract workers instead of an experienced person. Obviously, contract workers will be less experienced, may not be familiar with the company, and some—although certainly not all—may not be as invested in the company. So that may not help with productivity either.

Do you believe the recently passed workstyle reform bill will have a significant impact? Why or why not?

Ngou: Just the fact that the government was able to pass labor law reform sends a strong message that this is a very important topic. It shows that they are committed to addressing workstyle reform and the need to improve productivity—measuring workers based on their productivity as opposed to the number of hours worked. It's a good step forward.

Does the shrinking population and workforce have only negative potential for workforce productivity? Could there be positive effects on companies?

Thomas: I think most people would agree that it has positive effects. In fact, that's becoming clearer. Morgan Stanley just issued a report on this very topic called *Japan's Journey from Laggard to Leader*. Basically, the report highlights the opportunity for Japan to become a leader in increasing productivity in the workforce through the use of technology. This is because it has a well-educated population that is technologically literate. Even older people are not afraid of

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**Diversity
&
Inclusion**

Workforce Productivity Enablers

- Company control, culture
- Government control
- Company control, people, process, technology (PPT)



technology. In addition, most people understand the shortage of workers and are not opposed to the application of technology in the workplace. The report also highlights the positive impact that increased immigration and the participation of women in the workforce is having on efforts to counter the overall declining Japanese population.

Japanese Prime Minister Shinzo Abe is also focused on supporting older workers who wish to remain in or return to the workforce. This may fill some of the employment gap. I think the question is whether this can all be achieved fast enough to fill the gap before it starts having greater impact on the economy.

Ngou: I think another positive is the acceleration of change. We know that we need to get more people into the workforce, and this knowledge is accelerating change as companies do more to attract and enable women to participate in the workforce. Of course, more needs to be done in the area of female advancement, but Japan's female labor-participation rate rivals that of the United States—and this has happened in a short period of time. We also see immigration laws changing, with more focus on LGBT inclusion, attracting seniors back to the workforce, and embracing people with disabilities. So, I think the shrinking population is creating an urgent need to change and is therefore driving positive workplace action.

Does marriage equality impact workforce productivity?

Ngou: There are two main areas in which there is important impact. First is the global war for talent. Twenty-five countries have marriage equality. Japan is the only G7 country that doesn't recognize marriage equality or same-sex partnerships.

So, as we compete for global talent, if someone doesn't feel that Japan is LGBT-inclusive, they may choose to work elsewhere. This holds true for both non-Japanese considering a move here and LGBT Japanese in Japan.

I personally know several LGBT people who have left Japan because they wanted to marry their partner and have a family, but they could not do so here. I also know would-be expats who chose not to come to Japan because they didn't want to hide themselves again or had difficulty getting a visa for their partner. These are highly skilled individuals who are not here contributing to Japan because of the lack of marriage equality.

The second area is the general business case for inclusion. If your employees feel that they belong—that they are welcome, included, and are an important member of and voice in the company—they'll be happier at work, more loyal and dedicated, and will expend their discretionary energy to be more productive and creative. With an estimated 10 million LGBT individuals in Japan, an inclusive culture could result in 15–30 percent more productivity potential, according to the study *LGBT Diversity: Show Me the Business Case*, published by Out Now Global. That business impact is significant.

Thomas: All of this is in addition to the general benefits that a diverse workforce brings in terms of decision-making and how a business operates. I don't think there's any doubt that the more diversity there is in a company, the better the decisions are going to be and the better the business is going to be managed. This has a bottom-line impact and makes the company more profitable. While that may not necessarily be a productivity issue, it certainly brings overall benefits to companies. ■

Email your questions or ideas about workforce productivity to: ideabox@accj.or.jp



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Mid-Sized Aerospace

Lift off for Japan's hidden capabilities

By Ryan Locascio and Chad Musick



Japan's aerospace industry, with a current production value of more than ¥2 trillion, has long been known for quality and competence. Global interest is strong, as evidenced by the 812 companies and organizations from 31 countries and regions that exhibited at the 2016 Japan International Aerospace Exhibition at Tokyo Big Sight. The event's next gathering will take place at the same venue this month—November 28–30.

Another aerospace convention in the Chubu region—Aeromart Nagoya—also attracts players from around the globe looking to tap Japan's expertise. More than 300 companies from 20 countries are expected to attend the 4,000 business-to-business (B2B) meetings at the next Aeromart Nagoya, scheduled for September 24–26, 2019.

SPIN CONTROL

The prospects of growth are big, as are the opportunities for collaboration between aerospace manufacturers based in Japan and overseas companies seeking reliable suppliers.

Over the past few decades, large aerospace manufacturing corporations in Japan have partnered with local small and medium-sized enterprises (SMEs). This mirrors development in the Japanese automotive sector, where many intermediate-parts manufacturers are closely allied with larger automotive companies.

In some cases, these independent SMEs were spun off of parent companies to allow a keener focus on innovation and efficiency. In other cases, the SMEs were founded independently but have formed mutually beneficial relationships with larger multinational companies.

Aerospace SMEs possess the technical know-how and facilities to produce a variety of products.

HIDDEN GEMS

The situation in aerospace—particularly in the Chubu region—is analogous. Aerospace SMEs possess the technical know-how and facilities to produce a variety of products, from detailed parts and tooling to major aerostructure assemblies—or components of an aircraft's frame. But, unlike in the automotive industry, these SMEs are not typically offshoots of a larger company. In some cases, this has led to reduced capacity to take on the enormous work packages of the world's largest aerospace companies. Instead, they seek business with a variety of customers.

In recognition of this, the Japanese government has provided support by introducing global companies to these hidden gems of Japanese manufacturing. The aforementioned Aeromart Nagoya, a recurring event focused on B2B meetings, has received support from the city of Nagoya and other governmental and non-governmental organizations. A highlight of the year for manufacturers seeking new opportunities, Aeromart Nagoya features hundreds of aerospace companies, many of which are based in Nagoya and the surrounding Chubu region.

CHAMBER VOICES

Aerospace manufacturers of all sizes belong to the American Chamber of Commerce in Japan (ACCJ) and conduct activities through two committees. The ACCJ Aerospace and Defense Committee provides a venue for addressing issues of interest to member companies that are US aerospace and defense (A&D) manufacturers and US corporations that support the A&D industry. The ACCJ-Chubu Aerospace Committee provides a regional venue for industry news and knowledge sharing with the primary mission to make the Chubu region the world leader in aerospace manufacturing by building lasting relationships and facilitate sustained growth for member companies.

Both committees provide excellent platforms for companies looking to take advantage of Japan's high-quality manufacturing and to discover for themselves the economics of such arrangements. Member companies are already familiar with the Japanese environment and demonstrate an eagerness and capacity to do business with companies outside Japan—furthering the potential of Japanese aerospace expertise on the world stage. ■

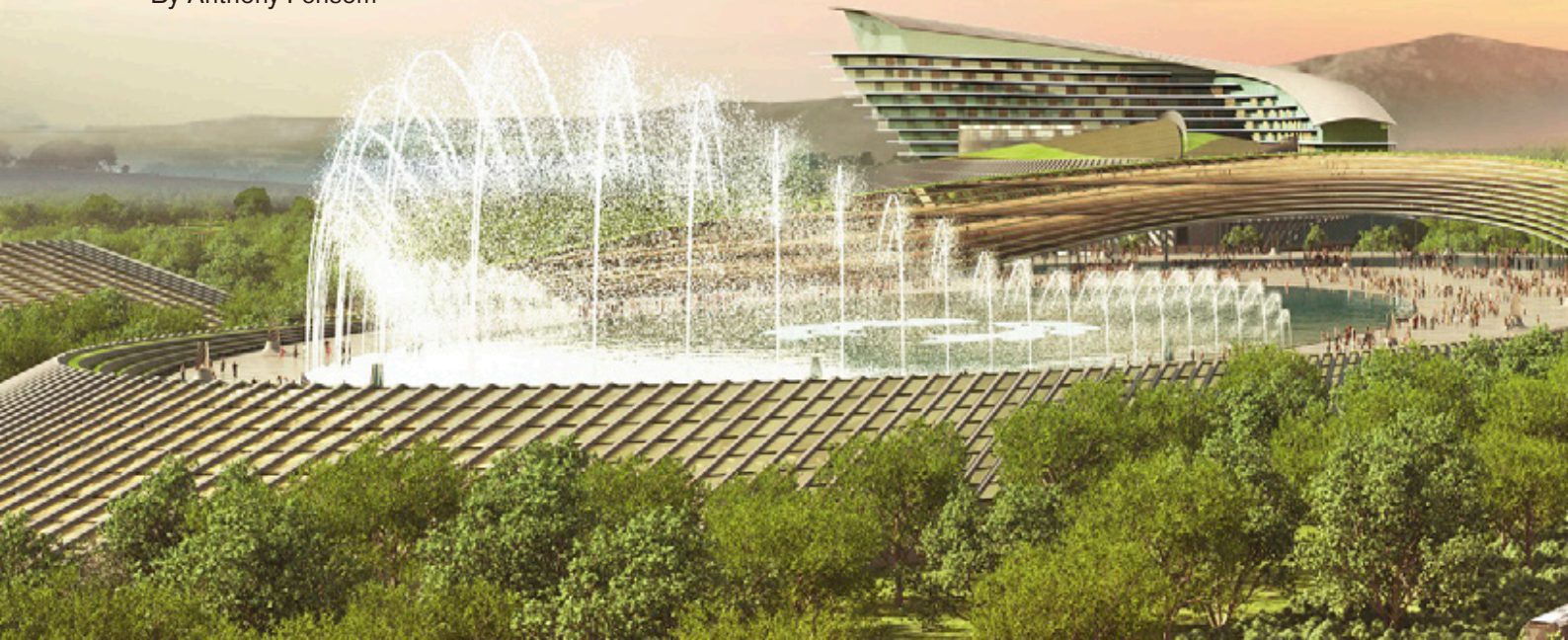
Ryan Locascio is a vice-chair of the ACCJ-Chubu Aerospace Industry Committee and senior manager, sales and marketing, in the Aircraft Manufacturing Division of Aero Inc

Chad Musick is ACCJ-Chubu treasurer and owner of Musick Analysis, Writing, and Explanation.

CASINOS: JAPAN JOINS THE TABLE

Devil in the details as global players hedge bets

By Anthony Fensom



Japan's government is betting on a multi-billion-dollar windfall from the newly legalized casino industry after having pushed through the necessary legislation in July. With US operators among those eyeing a seat at the table, will the new industry deliver its promised benefits?

Known as integrated resorts (IRs), because they combine casinos with hotels, entertainment, and conference facilities, the centerpiece of Japan's new industry can now take shape after two decades of debate.

Public opinion polls showed six in 10 Japanese opposed casinos, amid concerns over adding to gambling addiction and crime. The opposition made desperate attempts to block passage of what has come to be known as the Casino Law.

Yet, Japanese Prime Minister Shinzo Abe's push to create a "tourism-oriented country" ultimately won the day. It has delivered a potentially powerful tool for the administration to use in its plans to attract new investment and jobs—particularly for regional economies.

GROUND RULES

In what commentators described as "Singapore-style" legislation, the IR bill allows just three licenses to be issued initially while requiring that 30 percent of the gaming tax will be paid to the

central and local governments. The rate is higher than that in Singapore but lower than in Macau.

Gaming areas will be restricted to three percent or less of total resort floor space, allowing plenty of room for hotels, restaurants, and shops. Similar to Singapore, entry will be free for international visitors while locals will face a ¥6,000 (\$53) admission fee, will be restricted to 10 visits per month, and must present their My Number identification card.

Insiders polled by *The ACCJ Journal* were generally positive about the legislation, amid earlier concerns over potential restrictions—including tougher limits on casino size and calls for Japanese to be barred from entering.

"We were led to believe it would be Singaporean in its style—and it is. It's out-Singapored Singapore in some ways," said Andrew Gellatly, head of global research services at London- and Washington DC-based GamblingCompliance, which provides legal, regulatory, and business intelligence to the gambling industry.

Gellatly highlighted the entry fee for locals, saying that "the same sort of entry fee has been tried in Singapore and it's had an effect."

A bigger concern for companies eyeing one of the three licenses is the stipulation that they will be valid for just 10 years, then subject to renewal every five years providing the companies gain approval from the local legislature.

"Ten years is not a lot of time—including construction—to make money out of a casino. For example, Macau has 20-year



Caesars' Tomakomai Hokkaido concept

licenses.” Gellatly explained. “And the building process is not fast in Japan, since buildings have to be earthquake-proof and environmental impact assessments, which can take years, must be done.”

Operators will also be watching nervously as Tokyo bureaucrats map out some 300 regulations that will shape matters such as the amount of convention space available and tourism promotion.

“Like all Japanese legislation, the devil is in the interpretation and application, and we’re yet to see how a local government will handle it,” said an industry source.

A casino control commission to oversee the new industry is planned for 2019. Local governments are then expected to select operators by 2020, after which the central government will award licenses to the winning three bidders.

Allowing for a three-to-four-year construction period and potential environmental issues, and the first IR might not open until 2024 or 2025 at the earliest.

GOLDEN GOOSE

Estimates of the industry’s value vary, depending on the location and number of IRs established.

In September 2017, Fitch Ratings, Inc.—one of the Big Three credit agencies—predicted that Japan could generate gross gaming revenues of \$6–\$9 billion, “depending on the number of integrated casinos approved and their physical footprint.”

However, in May 2018, the agency slashed this forecast to \$6 billion due to its expectation that only one IR license would be awarded to a major city. The other two it saw going to smaller locations. Annual revenues of \$3 billion are predicted for the large metropolitan IR and \$1.4 billion each for the provincial resorts.

Goldman Sachs Japan estimates potential total gaming revenue of ¥1.75 trillion yen (\$15.8 billion) a year assuming the three IRs are located in Tokyo, Osaka, and Hokkaido. This would exceed the \$11.1 billion brought in by Nevada’s casinos in Las Vegas and Reno.

GamblingCompliance’s 2017 report noted the resorts’ potential to reinvigorate regional economies by making them hubs of tourist activity and employment opportunities, as well as boosting the nation’s meetings, incentives, conventions, and exhibitions (MICE) industry, which trails that in each of its Asian rivals. In 2014, Singapore hosted 142 MICE events and Beijing hosted 104. Tokyo hosted only 90.



ANDREW GELLATLY
head of global research services
at GamblingCompliance

Each IR is expected to ultimately generate up to 60,000 new jobs, which would be a game changer in a location such as Wakayama, with its relatively small population of 360,000. It would also boost larger cities such as Yokohama, which is looking to step up efforts to shore up its tourism industry.

Despite higher costs than other Asian markets for construction and labor, Japan is still seen as a highly profitable location for IRs. In fact, the country could potentially achieve the world's highest daily win-rate for slot machines.

"The casino industry in Japan still looks like a golden goose that could lay some golden eggs," said Gellatly. "But, right now, there are 300 regulations and two years of lobbying ahead to stop it becoming an ugly duckling."

OSAKA 2025?

November 23 looms large as a key date for Osaka, which is bidding against contenders from Azerbaijan and Russia to become the host city for Expo 2025.

Should the Kansai city win the bid, it plans to build the necessary facilities for the world exposition on Yumeshima, a man-made island in Osaka Bay that is also being eyed for Japan's first IR.

While building both simultaneously could cause construction delays, securing the expo might help Osaka get national funding for the required rail and road infrastructure to the island, which could cost up to ¥20 billion (\$177.9 million).

Declaring plans to open an IR in time for the expo, Osaka Governor Ichiro Matsui has said that he would seek to accelerate the process by gaining provisional authorization from the central government before the guidelines are finalized.

"If all goes well, a casino in Osaka could open by 2023 or 2024 at the latest," Matsui said.

Support from both the prefectural and city governments—along with a desire to strengthen the Kansai economy—have put the western Japan metropolis in pole position among potential sites.

Morgan Stanley has estimated that a casino in Osaka could generate some \$4 billion a year in revenue. A study by the UK-based Oxford Economics projected the creation of more than 77,500 jobs and annual tax revenues of \$3 billion. The prefecture expects a resort to attract 22 million tourists a year by 2030, including seven million from overseas.

Arthur Matsumoto, co-chair of the ACCJ-Kansai External Affairs Committee, believes Osaka will be the first to receive a license.

"Osaka is leading the pack, and our members are pretty positive about hosting an IR," he said. "There's available land,

the government is supportive, and the business community is onboard."

FRONT-RUNNERS

At least eight major operators are said to be courting Japan's third-largest city, including Las Vegas-based Caesars Entertainment Corporation, MGM Resorts International, and Las Vegas Sands Corporation from the United States, along with Hong Kong-based Melco Resorts & Entertainment Limited. MGM is considering a potential total investment of "up to and around \$10 billion."

"Of the major cities in Japan, Osaka is the only one that has formally raised its hand and expressed interest," Alan Feldman, executive vice president of MGM Resorts International, told *The ACCJ Journal*.

MGM Resorts Japan CEO Ed Bowers said that "MGM is focused on potential opportunities in the larger areas of Japan. Certainly those cities would include Tokyo, Yokohama, and Osaka."

And Feldman added that MGM "does not intend to go it alone. Our intention is to work with Japanese companies in a consortium."

Tokyo would represent the jewel in the crown for operators, with Odaiba in Tokyo Bay and Chiba Prefecture seen as potential sites.

But, Tokyo Governor Yuriko Koike has seemed less enthusiastic amid the

capital's focus on building infrastructure for the upcoming Tokyo 2020 Olympic and Paralympic Games.

"There are voices concerned with addiction and other problems," Koike told reporters at a news conference on July 20. "We need to consider the merits and the drawbacks."

Nearby Yokohama, Japan's second-largest city, is also facing political opposition despite support from the business community. An inquest into public opinion found 94-percent opposition to a proposed IR, while the city government has indicated that it will pull out if Tokyo bids.

In April, Yokohama Mayor Fumiko Hayashi suggested the project remained a "blank slate" and still faced issues, including gambling addiction.

Yukio Fujiki, chairman of the Yokohama Harbor Transport Association, has been a vocal opponent of the planned IR, which probably would be built at the port city's Yamashita Pier.

"People are saying one thing and doing another. Mr. Fujiki had a press conference recently saying he would present a master plan for the harbor that wouldn't include a casino, yet he had a couple of responsible gaming experts on his panel. So, if he's not planning a casino why is he worried about responsible gaming?" asked Gellatly.

Goldman Sachs Japan estimates potential total gaming revenue of ¥1.75 trillion a year.



ARTHUR MATSUMOTO
co-chair of the ACCJ-Kansai
External Affairs Committee



ALAN FELDMAN
executive vice president of
MGM Resorts International

REGIONAL REVITALIZATION

Apart from the three major cities, some 35 other municipalities reportedly have shown interest in hosting an IR. These include ones in Hokkaido, Nagasaki, and Wakayama Prefectures.

Among the towns and cities vying for a license, Hokkaido's port city of Tomakomai is seen as potentially the second favorite behind Osaka. Near New Chitose Airport, which offers direct flights across Asia, the city of 170,000 is eyeing an IR as a means of keeping its young people at home and preventing a further population decline.

In March, the city government projected that an IR would require an investment of up to ¥300 billion (\$2.7 billion) and could generate ¥150 billion (\$1.3 billion) in annual revenue. It is expected to provide direct and indirect employment for up to 44,000 people and to attract up to six million tourists a year.

"Casinos have a proven record of revitalizing local economies by increasing tax revenue and jobs," said Adam German, vice president of business development and marketing director at Housing Japan K.K. "The increased tax revenue—if managed well by city officials—can be used for infrastructure upgrades that are necessary to attract talent from other parts of the country. While this new talent may or may not work directly for or with the casino, the additional revenue their presence generates will help the city more than a casino might harm it."

German added that those who claim that a casino will create only temporary or part-time jobs aren't seeing the big picture. "This is too short a view, in my opinion. It doesn't take into account the secondary job creation that comes from entrepreneurs who choose to plant the roots of their companies in the city." This secondary job creation, fueled by better infrastructure thanks to increased tax revenues from the casino, will, in time, spur increased wage growth and higher household spending.

While Sapporo and Kushiro cities have also indicated their interest, Tomakomai appears favored due to strong backing from all levels of government as well as the local business community.

Further south, Nagasaki Prefecture's Huis Ten Bosch resort in Sasebo is seen as a strong contender. The Nagasaki prefectural government predicts an IR in Sasebo could generate economic benefits of at least ¥260 billion (\$2.3 billion), create 22,000 jobs, and attract 7.4 million visitors annually. But the city and prefecture would need to improve transportation links.

Similar to other favorites, the Huis Ten Bosch plan has the support of politicians and the local community—particularly young people—according to a May 6 story in *The Japan Times*.

While Osaka, Tomakomai, and Sasebo appear to be the most likely candidates, other local governments have also expressed varying levels of interest. Wakayama Marina City in Wakayama Prefecture, Echizen in Fukui Prefecture, and Aichi Prefecture's



ED BOWERS
CEO of MGM Resorts Japan

MAJOR PLAYERS



Caesars Entertainment



Crown Resorts



Las Vegas Sands



Melco Resorts & Entertainment



MGM Resorts International



Sega Sammy Holdings



Tokoname—home to Chubu Centrair International Airport—are all in the mix.

However, the latter three reportedly face various issues, including political differences and concerns over costs. In the case of Wakayama, the prefecture is competing with Osaka for attention in the Kansai region.

"Wakayama can't be ruled out due to the political power of Toshihiro Nikai, the Liberal Democratic Party's Secretary General who represents the Wakayama third district in the lower house, although it is a waterside location and suffers similar infrastructure issues [to Yumeshima]," Gellatly said.

"So, I think you'd say Osaka, Hokkaido, and one of the cities in Nagasaki or Wakayama would be the first three licenses. But, Tokyo emerging would immediately push all three down the list."

LOBBYING GAME

While city governments are eyeing potential economic gains, operators from the United States, Asia, Europe, and Australia—as

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well as local Japanese operators—are engaging in their own race to win favor ahead of the licensing decisions.

From intricate IR designs to donations to natural disaster recovery efforts and support for Japanese arts, the bidders are seeking to win the hearts and minds of politicians, governments, and the community.

Caesars Entertainment has promoted different themes for its IR concepts, including a wellness-themed IR for Osaka, an integrated eco-resort for Hokkaido, and an arts and culture park for Yokohama that would have a wave theme that reflects the city's history as a port.

Goldman Sachs sees seven main players among the foreign bidders: Las Vegas Sands; Hong Kong's Galaxy Entertainment Group; MGM; Wynn Resorts of Las Vegas; Macau's Melco; Genting Singapore; and Caesars Entertainment.

Other operators have emerged from Europe and the Philippines, while Australia's Crown Resorts Limited has also quietly continued its engagement efforts despite media reports to the contrary.

Gellatly suggested Genting was gaining a lot of traction at the political level.

"They've already put money aside for a development and have no negatives, in that they're not associated with Macau and have shown they can operate an IR of decent size in Singapore without the involvement of junkets [Chinese gambling groups], which is what would be required in Japan, too."

He also pointed to Las Vegas Sands, which has predicted an investment in Japan of "as much as \$10 billion" and has a track record of having built Marina Bay Sands in Singapore.

Among the locals, travel agency H.I.S. Co., Ltd., railway operator Keikyū Corporation, financial services group Orix Corporation, and trading house Sumitomo Corporation have all been linked to potential bids—although only gaming company Sega Sammy Holdings Inc. has previous industry experience, in South Korea.

"What's interesting is, as it gets to the beauty contest stage, we're now seeing 20 to 25 different groups emerging as

potential suitors. There is more discussion of Japanese bids. They'll find a Western gaming partner to do the gaming management, but will do the bid themselves," Gellatly said.

PROBLEM GAMING

Achieving the industry's ambitions will require greater community engagement along with measures to tackle problem gaming—a particular focus of current corporate social responsibility (CSR) efforts.

In one example, Caesars Entertainment has committed ¥50 million to a CSR fund to support responsible gaming initiatives in Japan.

"The government has made it clear that problem gambling is a significant concern, and we will make certain that the funds will be used to address government priorities to decrease problem gambling prevalence in Japan and create strong prevention campaigns," said Caesars President and CEO Mark Frissora.

Pointing out that problem gamblers exist in every country—regardless of whether it has a casino industry—MGM's Feldman suggested the industry could adopt new technological solutions in Japan such as facial recognition, and combine them with existing solutions such as self-limit or self-exclusion.

"Japan is going to have newer technology, in part because it's Japan and also because we're looking at building these programs in the 2020s and not the 1990s," he said.

"We're very actively engaged with companies in Japan and elsewhere in trying to determine the right combination of technology."

Yet, if the industry can successfully manage such issues and deliver on its promises, the potential exists for Japan's market to become "bigger than Singapore and likely end up being the second-biggest IR market in the world," MGM's Bowers said.

Should that occur, Abe's vision of a sustained boom in tourism is far more likely. Data released by the Japan National Tourism Organization on October 9 shows 21.3 million visitors for the year through August, and Abe's goal is 40 million per year by 2020. If the projected boost from IRs is correct, one of Tokyo's biggest political gambles in decades might just pay off. ■

Game machines at The Venetian Macao, the world's largest casino.



INSIDE KNOW-HOW

Local initiatives ease barriers
for setting up shop in Japan

By Julian Ryall

An increasing number of foreign companies are discovering that they don't need to be amid the bright lights and the hustle and bustle of Japan's big cities to be successful in this market. As they have learned, there is a lot to be said for establishing offices and production facilities in parts of the country that others have dismissed as being too small, too rural, or too far away from urban centers.

And these companies—such as Teradyne Inc., which is now based north of Boston, MA—are reaping considerable rewards as a result.

“I believe we made the right decision to invest our resources in the Kumamoto region, because it has been good for the company, our employees, and the local society,” said Yuzo Motomura, manager of the Kumamoto production facility of Teradyne KK.

LOCAL ADVANTAGE

Founded in 1960 in central Boston, the company manufactures test equipment for semiconductors, including diodes and transistors, and set up a sales support office in Tokyo in 1973. Twelve years later, the Japanese market had become a critical component of its business and the company took the plunge, starting product development and manufacturing here.

“Teradyne was working closely with Japanese semiconductor companies in Kyushu that were the leading suppliers of products for certain applications in the world,” Motomura said, as he listed the reasons for the company having chosen Kumamoto.

“There is a well-developed transportation infrastructure, with bullet trains and flights to other big cities in Japan,” he added, while also pointing out that the prefectural government has been a strong supporter of the company.

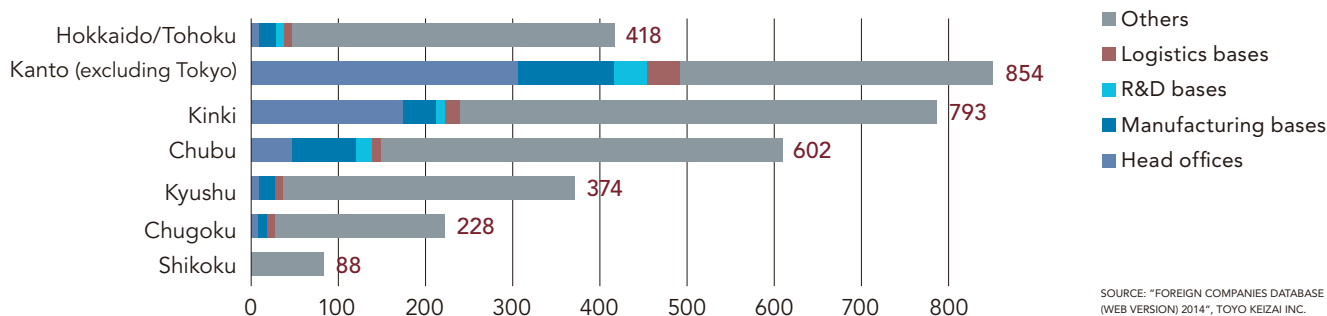
The local authority provided subsidies, applied a fixed asset tax deduction, and also came through with support when the production facilities were badly damaged by a major earthquake in 2016. Thanks in part to that help, the company opened its new building in January of this year.

“The language barrier was initially a hurdle—and remains so to a degree—but it is certainly improving as information technology advances, meaning that we have access to virtual meeting rooms, video chats, or sharing of documents on the computer network in real time rather than having to rely on analog phone calls or email,” Motomura said.

There are also several advantages in terms of the staff that the company has been able to employ, he added. The cost of living is significantly lower than in a big city, workers do not need to take a packed commuter train every morning, and local staff are able to stay in the area where they grew up.



Foreign Companies Based outside Japanese Urban Areas



ENGINEERING SUCCESS

Another long-term resident of one of Japan's more far-flung cities is UL LLC, which was founded in Chicago in 1894 to test, inspect, audit, certify, validate, and verify products, materials, and systems. The safety consultant and certifier arrived in Japan in the early 1980s as more and more local companies were seeking the UL Mark to apply to their products for export.

The company's Tokyo office was set up in 1993, and in 2003 UL acquired a leading Japanese testing and electromagnetic compatibility (EMC) measurement company in Ise, Mie Prefecture. Soon after, UL decided to move the headquarters functions to the Ise office, said Keita Shirafuji, head of commercial group marketing in the company's Consumer Technology Division.

"Since UL is an engineering-focused company, our equipment and engineering expertise are our most important assets," he said. "So, we took over the facilities and employees of the company that we acquired to minimize the capital investment and leverage the knowledge and expertise of the staff."

And, given Ise's location four hours from Tokyo, two hours from Osaka, and 90 minutes from Nagoya, "the geographical location is advantageous for covering our customers all over Japan," Shirafuji noted.

UL now has laboratories and facilities in Kanagawa, Chiba, and Aichi Prefectures. Shirafuji points to lower running costs and easier expansion due to lower land prices, rents, and taxes than in urban areas as key considerations.

"By setting up the Automotive Technology Center in the town of Miyoshi, in Aichi Prefecture, we are close to our customers and have been able to listen directly to voices that we previously have not been able to hear," he said. "By coming closer to our customers, we have been able to get better feedback because we can use our laboratories for testing with the customer and to get face-to-face consultations."

MARKET MATCH

A more recent arrival in Japan has been Space-Time Engineering LLC, which set up its Japan subsidiary in April 2008, less than one year after the parent company was founded in Los Angeles. The company develops evaluation simulation software for wireless communications systems and set up

a base in the town of Minami, Tokushima Prefecture, to complement its head office in Tokyo.

"We entered the Japanese market because there was a clear need for our products and there were clear prospects for success," said Takao Moriya, chief executive officer of Space-Time Engineering Japan.

"There are two major reasons why we did not expand in urban areas," Moriya told *The ACCJ Journal*. "The first concerns securing human resources. Competition for recruits is intense in cities such as Tokyo, where there are a lot of companies in a small area. But in Tokushima, our company has become well-known through our activities, and that has helped us to employ capable staff."

The second reason for the decision to operate an office in a city with a mere 7,000 residents is that the region is at a relatively higher risk of natural disasters, making it a close fit with the company's business aims.

Transport links mean it is still relatively easy to travel to Tokyo or other major cities, while the company feels it is witnessing firsthand the problems associated with the declining population in Japan's rural regions and, as a result, may be able to help develop solutions.

Teradyne's UltraFLEX test system for system-on-a-chip devices



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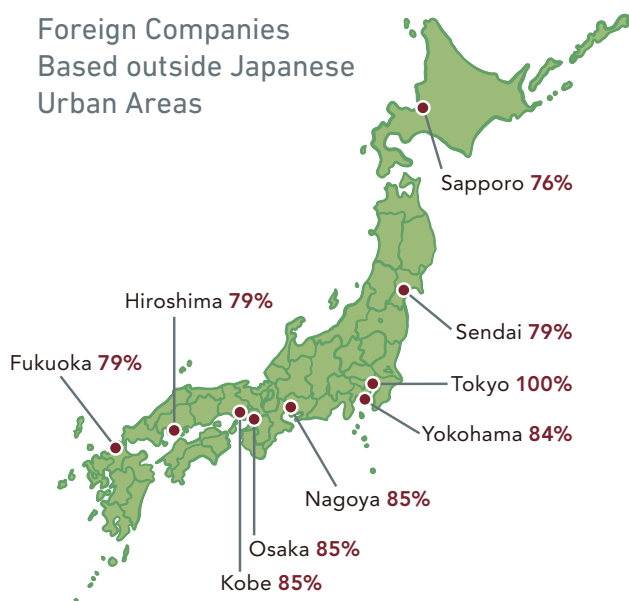
Salesforce set up its initial sales office in Tokyo in 2000, less than a year after the opening of its San Francisco headquarters, as it was clear to the company that Japan was going to be an important part of its business. A global leader in customer relationship management through advanced information technologies, Salesforce now has five offices in Japan. Four are located in major cities—Tokyo, Osaka, Nagoya, and Fukuoka—and a satellite office was opened in 2015 in Shirahama, Wakayama Prefecture.

“We wanted to take part in the Hometown Telework Promotion Project that had been initiated by the Ministry of Internal Affairs and Communications,” said Takao Yoshino, who heads the Shirahama office. “We chose this location for many reasons: its proximity to infrastructure, including the airport, support from the local government, and the scenery.

“The office is located in a resort area in the south of Wakayama Prefecture, and we are using it as a case study into workforce productivity, work-life balance, and cloud-based working styles through teleworking,” he said.

The results so far have been eye-catching, Yoshino said. Thanks to more time away from the office, less mental pressure, and a more relaxed and enjoyable working culture, the figures show a 20-percent increase in productivity compared with the Tokyo office. And employees say they are motivated to work.

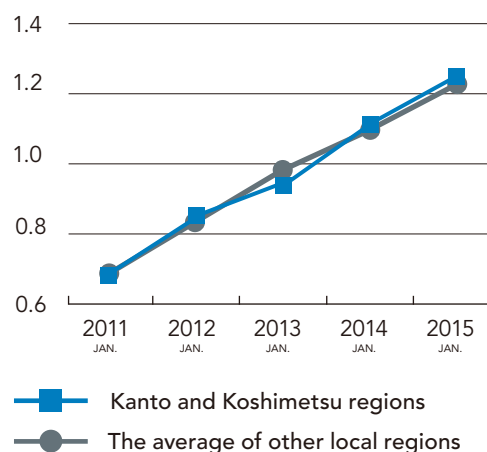
Foreign Companies Based outside Japanese Urban Areas



Estimated initial cost for foreign companies setting up in Japan (housing rent, office rent, cost of administrative procedures, recruitment costs, cost of buying office equipment, monthly communication fees)

SOURCE: “INITIAL COST ESTIMATION—MODEL CASE,” JETRO WEBSITE (AS OF JUNE 2015)

The jobs-to-applicants ratio



SOURCE: CREATED FROM “EMPLOYMENT REFERRALS FOR GENERAL WORKERS,” MINISTRY OF HEALTH, LABOR AND WELFARE

FINDING BALANCE

There has been a positive impact on the local community as well, with Salesforce helping to train some 400 students at local schools in computer skills and coding.

Yoshino said the move to Shirahama has had a deeply positive impact on both his professional and personal life, while the company is winning accolades for promoting new workstyles.

And that is precisely what the government is hoping to encourage among foreign companies that either want to start doing business in Japan or expand their existing presence in this market.

“I think that overseas companies tend to set up in Tokyo first because it is the heart of Japan’s business world. There are already a lot of multinational corporations here and it’s what they know,” said Matt Stephens of the Invest Japan Business Support Center at the Japan External Trade Organization (JETRO).

“But a part of the Japanese government’s intention has been to create jobs, to bring about innovation, to generate tax revenue for the regions, and to encourage economic rejuvenation outside the traditional metropolises.”

The task of Stephens’s division is to show companies just what is available and to work with them to find the perfect fit in terms of location, access, facilities, local workforce, and the support available from the district government.

And that sort of inside knowledge—along with assistance on everything from cost simulations to tax and legal regulations, introductions to potential partners, and smoothing the paperwork with regulators and ministries—has paid off. Since JETRO’s Invest Japan program was introduced in 2003, it has supported more than 1,800 projects that have led to direct investment in Japan, with US companies accounting for about 30 percent of that total. ■



Winds of Change

Will tax reform and global uncertainty help or hurt M&A?

By C Bryan Jones



In the first half of 2018, there were 8,560 reported mergers and acquisitions (M&A) transactions globally valued at \$1.9 trillion. Although this total comes to 1,069 fewer deals than during the same period in 2017, it represents an increase of 25.9 percent by value, according to Velocity Global LLC, a Denver, CO-based employment solutions company.

But the increase is relative as M&A value was down sharply in 2017 following a strong run from Q1 2016 to Q3 2016. Real recovery has yet to arrive. According to global advisory, brokerage, and solutions company Willis Towers Watson, the global M&A market underperformed for a fourth consecutive quarter in Q3 2018. *The Willis Towers Watson's Quarterly Deal Performance Monitor* study found median adjusted performance of -3.0 percentage points for share price returns over the past four quarters.

What might bring M&A activity, value, and share price returns back up? *The ACCJ Journal* talked to five legal experts to find out what they see as having shaped the market in 2018 and potentially impacting activity in 2019.

A MATTER OF POLICY

Many changes in the United States and elsewhere have made M&A more attractive in 2018. These include shakeups brought on by Brexit and the United States-Mexico-Canada Agreement (USMCA), a trade deal that replaced 1994's North American Free Trade Agreement (NAFTA).

But perhaps the biggest change is US tax reform. The Tax Cuts and Jobs Act of 2017, which US President Donald Trump signed on December 22, 2017, freed up money on the global landscape that can be used for such transactions.

"The recent US tax reform has made outbound M&A—including in Japan—more attractive for US companies," J. William Dantzer, a partner at New York City-based White & Case LLP said. "Under the old tax law, many US companies had large amounts of trapped foreign cash, which could not be accessed without paying US tax on it. Most of

that trapped cash is now released and available to be spent, including on M&A. What is more, the US tax law will not create future trapped cash, and profits earned by a Japanese subsidiary of a US company can be brought home to the United States free of US taxation."

The benefits also work in reverse. This reform has also made US targets more attractive to non-US buyers, such as Japanese companies, Dantzer explained. The new corporate income tax rate of 21 percent (down from 35 percent) represents a dramatic reduction in the cost of doing business in the United States.

For some companies, the tax reform has changed the approach to M&A. "An acquisition of the assets of a US business—as opposed to stock of a US company—is strongly incentivized by the tax law," said Dantzer. "In that situation, the portion of the purchase price that is allocable to depreciable tangible assets can be immediately deducted for US income tax purposes—a benefit that has never before been available under US tax law. In many M&A transactions, this is effectively a subsidy of the purchase price."

But all these benefits don't come without a potential catch. One provision in the new US tax law may counter both of the above trends. "There is a new limitation under which interest is tax deductible in the United States only up to 30 percent of earnings before taxes, interest, depreciation, and amortization (EBITDA)," explained Dantzer. "For highly leveraged private equity-type acquisitions, this limitation is significant. It is less significant for strategic acquisitions, such as a Japanese company buying a US company for strategic reasons, as those acquisitions have historically not been as leveraged."

Eric Sedlak, a partner at the Tokyo office of US-based global law firm K&L Gates LLP and special adviser to the American Chamber of Commerce in Japan (ACCJ) Board of Governors, is not certain that all companies will use the benefits of tax reform for M&A. "There was hope that the increase in free cash among US corporates would lead them to go on acquisition sprees, but much of the money has been spent on stock buybacks."

But, he added, the reduced federal corporate income tax rate and related adjustments will be key factors incentivizing selection of the United States as an investment destination.



J. WILLIAM DANTZLER
Partner, White & Case LLP



ERIC SEDLAK
Partner, K&L Gates LLP, and special adviser
to the ACCJ Board of Governors

“Our clients have successfully negotiated tailored incentive packages at the state and local level. Because every investor is different, those packages can have a significant impact on siting decisions,” he said. “Clearly, lowering the headline corporate income tax rate makes the United States a more attractive investment destination.”

LOCAL OUTLOOK

Changes in Japan are also having an impact on the M&A landscape. Scott Sugino, a partner at the Tokyo office of Los Angeles-based global law firm O’Melveny & Myers LLP and vice-chair of the ACCJ Foreign Direct Investment Committee, cites efforts to shore up frameworks and improve investment value.

“Japan has tried to be a steady hand in protecting the global trading system through its leadership in pushing through TPP11,” he said, referring to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which replaced the Trans-Pacific Partnership (TPP) trade pact and has been signed by the original TPP countries minus the United States.

The administration of Japanese Prime Minister Shinzo Abe, he said, has shown “general support for improved corporate governance in Japan, and more emphasis on shareholder return is making corporate Japan a more attractive place for global capital. Many listed companies in Japan now have a large US institutional shareholder base.”

However, M&A in Japan by US companies is still relatively rare, Sugino said. “Policy that encourages Japanese companies to divest non-core assets and continue to improve return on equity could lead to more inbound investment by US companies.”

Sedlak sees a number of things Japan can do to boost its appeal for M&A. “Lower corporate and individual tax rates would tend to attract more inbound M&A activity to Japan. Other key factors include regulatory streamlining, labor market reform, and some steps to offset the aging and shrinking of the population.”

TRENDS

Which industries have been hot, and which might become so in the coming year?

Looking back at 2018, White & Case saw movement in fintech focused on cryptographic tokens, a unit of account in a digital accounting system. “We followed a couple of trends for Japan in M&A in 2018: IT companies moving to enter the crypto space, including through acquisitions and

joint ventures, and financial services companies acquiring cryptocurrency exchanges,” said Nels Hansen, a local partner at the firm’s Tokyo office.

Sugino agrees: “Fintech is an incredibly active space. From blockchain to payments, there are many innovative startups that are challenging larger financial institutions. Large banks are increasingly working with fintech startups, and we may start to see more acquisitions of fintech companies by larger, more-established players.”

Meanwhile, Sedlak turned an eye to communications. “There has been a good bit of pushback both in the European Union and among US consumers against further consolidation in telecoms and media.” Looking ahead, a key driver in this space, he said, will be how competition regulators respond.

Ryan Dwyer, a partner at the Tokyo office of K&L Gates, expects to see more investment in second-generation artificial intelligence (AI) companies in 2019, particularly among those who roll out practical AI applications for consumers and the business-to-business market.

Without going into specific industries, Sugino warned that—although the tax frameworks are favorable for M&A—other factors could hold back potential. “There is a lot of uncertainty ahead in 2019, with Brexit looming as well as trade and political tensions escalating between the United States and China,” he said. “We could see a pause in cross-border M&A as people wait to assess the state of the world and how these big events will play out.”

In addition to uncertainty around Brexit and global trade disputes, Sugino cited stricter scrutiny of Chinese investments and changing trade rules, such as the renegotiation of NAFTA. “This all creates uncertainty in the market, which could put a damper on cross-border M&A.”

Sedlak also pointed to China but has a positive outlook. “National security concerns have increased in importance—see especially the increased focus on Chinese investments by the Committee on Foreign Investment in the United States—but we do not expect this to hurt Japanese investment as Japan is a strategic ally with whom the US values strong ties.”

As for Japanese companies investing in the United States, many rely on complex supply chains and have been relieved by the conclusion of the USMCA trade deal, he said. With new rules in place, uncertainty that had clouded their 2019 plans has been lifted.

And as a closing bit of advice, he added: “Executives considering an acquisition should ensure that they undertake a thorough diligence process. Cutting corners may save money but can lead to surprises during the post-merger integration process.” ■

Trapped cash is now released and available to be spent, including on M&A.



SCOTT SUGINO

Partner, O’Melveny & Myers LLP,
and vice-chair of the ACCJ Foreign
Direct Investment Committee



NELS HANSEN

Local partner,
White & Case LLP Tokyo



STARTUP IN THE SKY

SME makes space for satellites

By John Amari

Naomi Kurahara can't quite remember how her love of science, engineering, and space came about.

It may have originated from a book or article she read as a child. Or was it the shows and movies she watched at the time—Star Trek, Star Wars, and the Japanese sci-fi animation Space Battleship Yamato?

One moment she remembers clearly is the first visit to the International Space Station by a female Japanese astronaut, Naoko Yamazaki. That moment in 2010 left a lasting impression on Kurahara.

“I had an interest in science, but, more than that, I had a dream to work in space. I really wanted to be an astronaut. That’s why I became interested in science, and in particular astronomy,” she told *The ACCJ Journal*.

Kurahara’s dream to work in space remains just that: a dream. And yet, as cofounder and chief executive officer of Infostellar, a space communications startup, she has taken a massive leap toward that goal. And, in doing so, she has helped open up space as the latest frontier for startups and innovators.

At the same time, she is inspiring a new generation of entrepreneurs in Japan and abroad—especially women from science, technology, engineering, and mathematics (STEM) fields—to reach the stars.

SPACE SPIN-OFF

Born in Oita Prefecture, Kurahara studied electrical engineering at the Kyushu Institute of Technology in Fukuoka Prefecture.

While her PhD was in engineering, her research theme had a focus on space environments and spacecraft.

“I really wanted to study something space-related. So, I joined a laboratory that was researching spacecraft systems.”

It came as no surprise, therefore, that after completing her doctoral research she joined the University of Tokyo, where she worked on ground systems development for satellite operations.

Some three years later, she left academia for the private sector and joined Integral Systems Japan, Inc. (ISJ), which provides ground systems mainly for geostationary satellites. She worked there as a systems engineer.

But shortly after she found her footing in the corporate world and, in 2016, set off on her entrepreneurial journey and cofounded Infostellar.

DIGITAL CLOUDS

Infostellar’s main product is called StellarStation, a Cloud-based platform that allows sharing of antennas or ground stations.

The platform seeks to transform the space industry in two ways: to reduce the startup costs of developing ground stations; and to help satellite operators scale their businesses.

“The space and satellite business is not a mature industry; it’s a growing industry. These days, satellite operators are trying to create a main revenue stream, which means their budgets are limited.”

This presents a chicken-and-egg problem: satellite operators need to carry a lot of data to make revenue. However, to carry more data, they need more ground stations or antennas, which are expensive, Kurahara explained.

“That’s why I thought that a cost-effective ground segment service is needed. However, again, it’s difficult to have your own antenna network. Infostellar provides a Cloud-based platform to share ground stations or antennas among satellite operators.”

UBER FOR ANTENNAS

Infostellar’s target customers are Low Earth Orbit (LEO) satellite operators. LEO satellites travel at about seven kilometers per second, but they don’t always stay in the same location—say above Tokyo. This means they need a wide distribution of ground stations with which to communicate.

“If I want to ensure an extended communication period with the satellite, I need a distributed ground station network.”

But to put expensive ground stations in different countries is difficult for many reasons, such as prohibitive costs and reels of red tape.

To alleviate these challenges, Infostellar purchases the ground station services of third parties, allowing operators to leverage—via StellarStation—those moments in the day when their antennas would otherwise be idle and to share them with LEO satellite owners.

In doing so, ground station operators receive compensation, thereby opening up new revenue streams. This is a form of sharing economy—but for the space industry.

“The problem for the current space industry is a lack of a ground segment or infrastructure—which means ground stations. If you want to do a satellite business, you have to create your own ground stations, which is not cheap,” Kurahara explained.

What’s more, if you want to scale your satellite business, you will need many ground stations all over the world, because of the



This is a form of sharing economy—but for the space industry.

satellites’ orbit around Earth. Infostellar aims to tackle both challenges, and then some.

In addition to StellarStation, the company has an e-commerce platform

called Makesat that sells satellite components—including solar cells, transmitters, and kits—for building satellites.

GROUNDING IN THE SKY

Infostellar has been a going concern for some two years, but one wonders how an academic-cum-employee suddenly launches her own space industry startup.

It began in college.

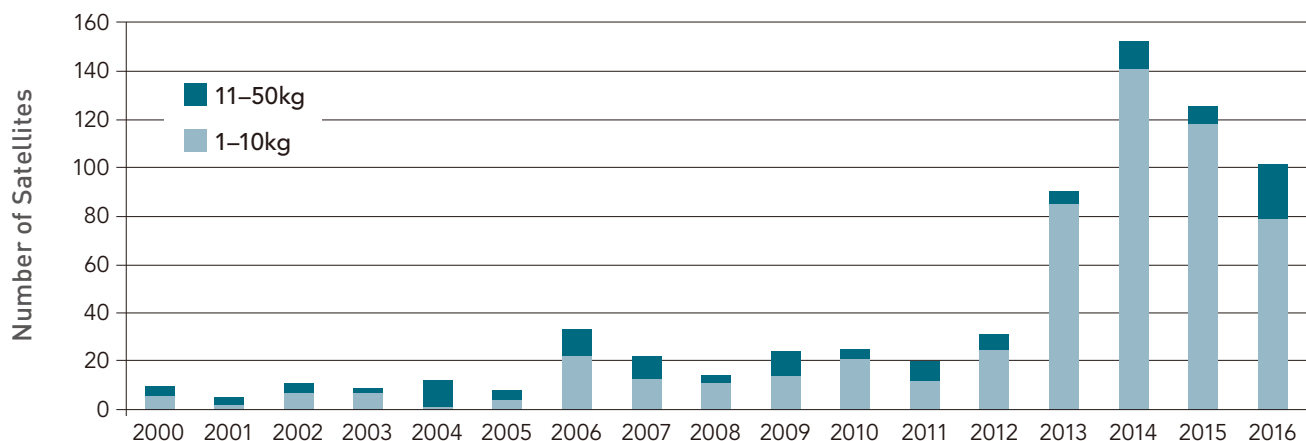
“I had started a research project while still at university with a goal of creating a commercial satellite,” Kurahara recalls.

“But there was a problem: universities often cannot create a commercial project, because their main objective is education and research, and that is not completely the same as the aims of business.”

During her time doing pure research, it became apparent that—if she wanted to create a commercial product with real-world applications—she ought to move to the private sector.

When she joined ISJ, Kurahara worked on a ground station network project. This harked back to a similar project led by

Historical Nano- / Microsatellites Launched



SPACEWORKS ENTERPRISES, INC. (ISEI), 2017



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Another challenge in the early days was to convince investors that her ideas were not entirely pie in the sky.

the European Space Agency (ESA), on which she had worked as a student.

When the ESA project ended, Kurahara discovered that, while there were other ground station network projects, none of them had a commercial focus, nor were they widely used.

This led her to wonder why, as it was clear to her that ground station networks were a necessary launchpad for commercial opportunities in space.

But she also understood that—in large companies such as ISJ—there is often a main line of revenue, and that makes it difficult to start new projects that don't feed the revenue stream directly.

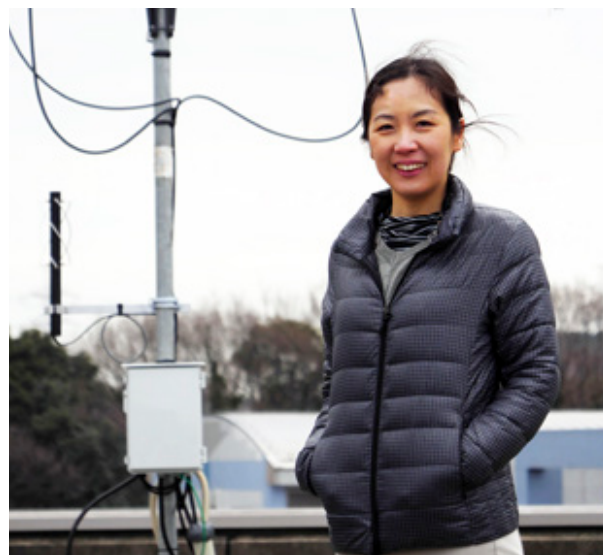
“So, I struggled to push the new project internally,” she confessed. Infostellar was her way of igniting a commercially focused ground station network project.

A NEW FRONTIER

That being said, one wonders whether it was an easy transition: to pivot from the mindset of an academic to that of an employee and then an entrepreneur. Did her scientific background help? It did.

“In engineering, my professors always taught me that the problem statement is really important. If that is not clear, then you can't know what you're doing.” The same principle, she believes, applies in business.

So, has the life of a founder been a walk in the park? No. Especially not in the very early stages, when she had to



reprogram her mind from that of a self-starting researcher to that of an executive who had to delegate.

Another challenge in the early days was to convince investors that her ideas were not entirely pie in the sky. Indeed, when she and her cofounders first approached investors, they didn't have a product or service. All they had was a pitch and a slide deck.

And then they had to explain space—an industry in which startups became engaged only recently, around 2010, and whose market size was then unclear. According to a 2017 industry report by SpaceWorks Enterprises Inc., commercial nano- and microsatellites were to account for more than 70 percent of such launches in the next two years.

So how did Kurahara and her co-founders convince investors? There were two ways: a solid business plan and the team, led by Kurahara herself. ■



DATA DOMINANCE

Toyota and SoftBank come together for next-generation mobility service

By Akihide Anzai and Jada Nagumo

NIKKEI
ASIAN REVIEW

The key to success for the tie-up in next-generation mobility services between Toyota Motor Corporation and SoftBank Group Corp. is the companies' ability to monetize such services by using Big Data.

On October 4, the two companies announced their agreement to establish Monet Technologies, a joint venture dedicated to the development of self-driving cars and other emerging services.

SENSORS ARE KEY

The automobile industry is shifting to an age in which vehicles carrying large numbers of sensors are connected across networks, producing massive amounts of data. Whether Toyota and SoftBank can establish dominance in this new world depends on their success in finding viable ways to profit from the data.

"SoftBank will give us the seeds to make mobility services a reality. How much data we can get is the key to making self-driving practical," said Toyota President Akio Toyoda at the October 4 news conference that was packed with Japanese and foreign media.

Internet companies and automakers in Europe and the United States have taken the lead in this burgeoning field. Toyota's disadvantage has been its delay in building a reliable software development ecosystem. The Japanese automaker is addressing this problem through its tie-up with SoftBank, which invests in a wide range of upstream services and software businesses.

SoftBank is a major shareholder in the world's leading ride-hailing companies, including Uber Technologies Inc. in the United States, Chinese market leader Didi Chuxing Technology Co., Singapore's GrabTaxi Holdings Pte. Ltd., and India's Ola Cabs. "These four companies have 90-percent market share in terms of the number of rides," SoftBank Group CEO Masayoshi Son emphasized at the conference. The data they gather will be a valuable resource for the two companies.

"It is crucial for automakers to have data . . . that can be used to add value to their services and to the company itself."

AUTOMATIC FUTURE

Toyota has also invested in Uber and Grab. They are in a separate deal for joint creation of a service using a multipurpose self-driving car being developed by Toyota. They are also participating in a joint project SoftBank subsidiary Yahoo! Japan Corporation to design a self-driving bus. SB Drive, another SoftBank subsidiary developing self-driving technology, increased new hires dramatically this summer after the group's tie-up negotiations with Toyota got underway in earnest.

According to a source knowledgeable about the talks, SoftBank seeks Toyota's participation in joint development projects with GM Cruise LLC, a subsidiary of General Motors Corporation

that handles self-driving technology in which SoftBank is an investor.

On October 3, Honda Motor Company, Ltd. announced that it will make a \$750 million equity investment in GM Cruise. There is a possibility that these companies may eventually form a major alliance to fend off the challenge from Waymo, a Google affiliate that leads in

self-driving technology development. At the press conference, Son said that "this partnership will involve many allies," hinting that other companies could join the autonomous car service project.

DATA DISTRIBUTION

Toyota has been working with telecom services companies KDDI Corporation and the Japan Telegraph & Telephone Corporation on networking between self-driving cars. In this particular deal with Toyota, however, SoftBank will not be acting as a telecom provider but as a fund that invests in various transportation services.

Toyota has a well-established development system and a global network of next-generation cars, in terms of development, management, and sales financing of the vehicles themselves.

But, even the large business group would not be able to effectively transform a huge amount of potentially useful vehicle-related data

into services on its own. To get a leg up on its rivals, it will be crucial to build a sound platform that is able to attract software development companies—just as Apple Inc. and Google LLC have done.

In that sense, Toyota lacks experience providing an environment to promote collaborations with talented startups for developing services such as insurance, advertising, and marketing based on positioning data, distribution of content to cars, and development of the mobility data market.

Online business specialists—including Amazon.com, Inc., Google, and Apple have already begun working on building the framework to distribute data services to self-driving cars. Leading US automakers, such as General Motors, are keen on strategies to build platforms that will make the most of vehicle-related data.

SoftBank, for its part, has a network of car-related services; but it does not have the ability to help the companies in which it invests improve their cost structure—for example in development, maintenance, and management of vehicles.

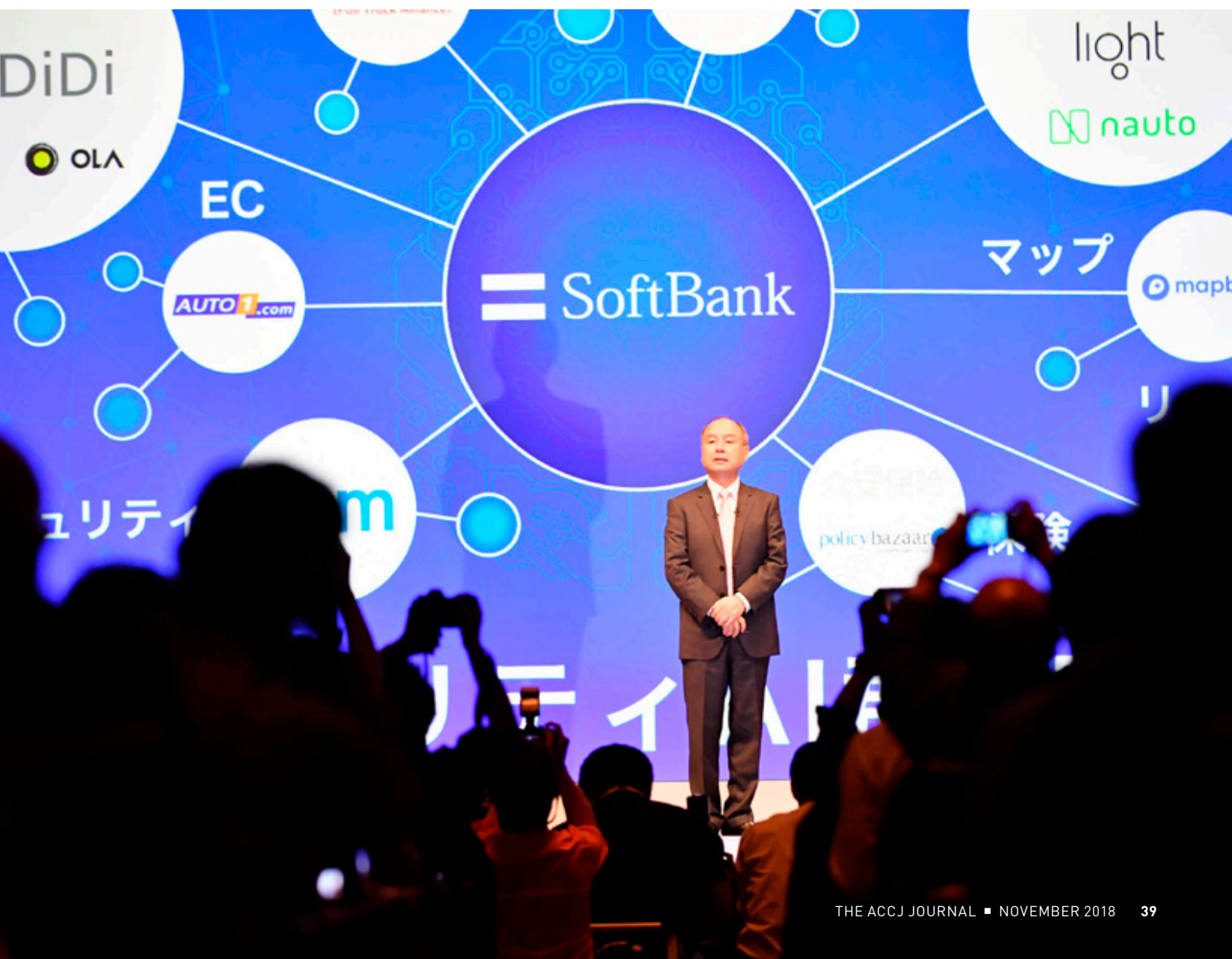
With its tie-up with Toyota, SoftBank now has access to the skills to increase the value of these businesses. Toyoda said, “While SoftBank has a great ability to find new startups, Toyota’s strong point is on the front line, such as manufacturing and sales.”

Son said, “The new Monet Technologies joint venture is just the first step of our partnership, I sincerely hope we will go to the second and third steps.”

The two companies have contrasting business styles—Toyota is more prudent while SoftBank does not hesitate to take risks. However, the auto industry’s business environment is changing dramatically, and this has created new fields from which the two companies can expect to find synergies.

Koji Uchida, chief fund manager at Mitsubishi UFJ Kokusai Asset Management Co., Ltd., said: “It is crucial for automakers to have data—for example, for autonomous cars—that can be used to add value to their services and to the company itself. Companies that have a vision for the future and are proactive in partnerships will receive higher esteem and are more likely to expand their business, which will enable them to survive in the industry.” ■

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MINISTRY OF INTERNAL AFFAIRS AND COMMUNICATIONS

JAPAN'S CELLULAR RATES IN QUESTION

When Chief Cabinet Secretary Yoshihide Suga remarked that Japan's mobile phone rates are too high—and that there is room for a 40-percent reduction in cost—it set off debate.

A number of expert advisory panels operating under the auspices of the Ministry of Internal Affairs and Communications are expected to issue comprehensive guidelines for competition in the mobile communications sector, in accord with the government's view that there is ample room for a reduction in mobile phone rates.

However, the figure of 40 percent raised by Suga is based on a comparison issued by the Organisation for Economic Co-operation and Development (OECD) of rates in other countries, in which mobile phone service in Japan was shown to be roughly double the OECD average. The ministry raised objections to this because, as one official put it, "Each country has its own user environment and

contract conditions, and no data is available to enable objective comparisons." This led to the strong counterreaction by the ministry over what it perceived to be hastily compiled data from the Cabinet Office.

Following Suga's remarks, stock prices took a major dive across the board. NTT DoCoMo, Inc.'s Tsutomu Taguchi, who heads the G5 Promotion section, showed his apprehension. "We shall accept [Suga's] suggestion sincerely, but doing so will have great impact on profits," he told reporters.

SoftBank Group Corp. Vice President Jun Shimba also voiced doubts, remarking: "Any comparisons should be based on the same conditions. There is also the matter of the quality of communications, and Japan has the highest-quality 4G network."

In support of his remarks about a 40-percent rate cut, Suga cited the expected rates from Rakuten, who will begin offering telephone service next year. However, experienced officials at the ministry regard a simple comparison as reckless, since initial investment in equipment by the three major providers was much greater. That is in addition to new investments in equipment as Japan prepares for 5G service, to be introduced in 2020, and does not take into account large outlays made for anti-disaster expenditures in the wake of the Great East Japan Earthquake and Tsunami of March 2011.

While it is desirable to reduce phone rates, industry players do not want to be coerced by the government. Before undertaking the major task of revamping its policies toward competition, the ministry must grapple with this problem.

MINISTRY OF LAND, INFRASTRUCTURE, TRANSPORT AND TOURISM

FIXED OFFICE SEATING TO BE ELIMINATED

The Land Economy and Construction Industries Bureau, recognizing trends in office environments and workplace reform, will be adopting a system in which staff no longer have fixed seating. The system, sometimes referred to as "free address," has become popular with major developers in the construction industry, which the bureau oversees.

The decision was made on the heels of a reorganization in July after it was determined that the existing office layout was no longer meeting space requirements. Because the bureau had no budget to obtain additional space, management decided to allow staff to work while standing or sitting rather than procure more desks.

In the work area, materials are tightly packed onto document holders and filing cabinets behind the chairs, making each desk resemble a personal fortress. But with the introduction of a free address system, these materials will be placed in staff members' personal lockers. This is also expected to reduce unnecessary paperwork and the number of photocopies made. The new office design will provide cubicles as well as seating areas for meetings and discussions.

Some 50 workers and a department head will be utilizing the free address system. It has been suggested that this may improve communications by lowering the barriers between staff and supervisor, enlivening conversations, and expediting decision-making.

The Ministry of Internal Affairs and Communications is the only other governmental office currently using a free address system and does so only on a limited scale. ■



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FIXING FRACTURES

G1 gathering seeks solutions to global problems

By Julian Ryall



The challenges facing our fractured world are numerous, complicated and—in some cases—worsening by the day. These range from the troubled political landscapes of the United States and Brexit-wracked Europe to burgeoning trade wars. Also factors are isolation on the part of some nations and expansionism by others, as well as concerns over cybersecurity, a fragile global economy, population fluctuations, and the state of the planet's environment.

The G1 Global Conference, held at GLOBIS University in central Tokyo on October 14, brought together several hundred of the world's foremost thinkers—drawn from government, business, academia, and think tanks—to consider solutions that can reconnect a fractured world.

THINK TANK

The annual gathering was first held in November 2011 to consider the ways in which Japan could rebuild and recover in the aftermath of the Great East Japan Earthquake and Tsunami. Since then, it has become more global in its outlook.

Yoshito Hori, chair of the G1 Summit Institute and the driving force behind the event, said the conference is designed to bring together “wisdom from various sectors around the globe” to discuss remedies to a world in dangerous flux. Hori emphasized that “new connections in politics, business, and society are needed.”

The opening session outlined some of the most pressing problems, with Heizo Takenaka, the moderator and a professor emeritus at Keio University, pointing to populism and isolationism, fractures within nations, and a trend of withdrawal from integration as some of the dramatic negative changes that have affected global society.

Jane Harman, a Democrat and former US Congresswoman who is now director, president and chief executive officer of the Woodrow Wilson International Center for Scholars, pointed to the negative impact the administration of US President Donald Trump has had on long-term US allies and trusted trading partners.

“We were a reliable trading partner with Asia until Trump—and now we are not,” she said. “There used to be regional alliances, but now there are question marks. The United States is fractured. It is clear that this did not all start with Trump; but it has certainly been amplified under his administration.”

Pulling out of the Trans-Pacific Partnership free trade agreement and the Paris Agreement on climate change within days of taking

office indicated the direction that the United States would be taking, Harman said.

SERIOUS THREAT

Yoichi Funabashi, co-founder and chairman of the Asia Pacific Initiative, said the world has faced numerous challenges in the years since the end of World War II—the Korean War, the oil crises of the mid-1970s, the Gulf War, and the Fukushima nuclear crisis to name but a few. Despite this, he considers the present situation to be the most serious threat to the liberal global order since the end of the world war.

But, he said, this can be considered an opportunity for Japan if Tokyo can emerge as a proactive stabilizer of that established global order and be at the forefront of shaping rules that serve to safeguard the future.

The event then broke up into a dozen sessions examining issues as diverse as how to complete the implementation of Abenomics to ways in which Japan can boost inbound tourism. Creating cities that are both livable and fun, new developments in the fintech space, and opportunities and challenges in the fourth industrial revolution were also explored.

POSITIVE OUTLOOK

Invitees reconvened for a final plenary session that put a more positive perspective on some of the day's discussions.

Tom Kelley, a partner with global design and innovation company IDEO, said it would be wrong to blame technological innovations for the problems we are experiencing. Instead we need to utilize technology to reconnect with people.

Sachiko Kuno, co-founder and president of the S&R Foundation, a non-profit organization based in Washington, DC, that supports talented entrepreneurs, said that a global vision needs to be forged for issues such as the environment. In that way, each of us can pull in the same direction to reduce the impact that humanity is having on the planet.

Jesper Koll, CEO of Wisdom Tree Japan KK and moderator of the final session, reiterated the belief that the problems the world is facing could be an opportunity for Japan.

“There is creative destruction going on,” he said. “The US elites have not been delivering on their promises, and disgruntlement led to a reaction against those elites. At the same, we have seen the emergence of China.

“If Trump is unwilling or incapable of leading, then it is up to the other powers to take on that role and I see Japan rising to that challenge,” he said. “The US has created a vacuum, but Japan can step forward to fill it.” ■

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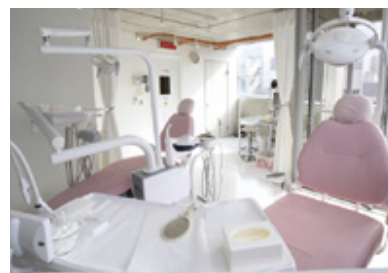
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LOCAL PARTNER

JETRO eases market entry and expansion for non-Japanese companies

By Julian Ryall

Without the advice and assistance of the Japan External Trade Organization (JETRO), Jin Ichiro Daikoku believes it would have been far more difficult for his company, Netskope Inc., to get a foot in the door of Japan's competitive and crowded information technology sector.

"Our biggest hurdles to entering the Japan market were in creating market awareness, developing a go-to-market strategy, and building up the infrastructure to execute—in particular hiring and enabling the critical first few team members and then providing them with a place to gather and collaborate," said Daikoku, who is country manager for the Los Altos, CA-based cloud access security company.

HELPING HAND

An initial meeting at JETRO's San Francisco office quickly reassured him that the needed support was available.

"JETRO reduced the friction and risk for us," he said. "They were friendly, approachable, and open to providing us with advice."

One service that Netskope has taken advantage of is free office space. JETRO provides this space for up to 50 working days at its headquarters in the Ark Mori Building in Tokyo's Akasaka district as well as five other major cities. Daikoku said this has enabled Netskope to focus on finding customers, employees, and partners before graduating to its own office space.

JETRO's suite of services—available both to market newcomers and to established companies who want to expand their presence in Japan—goes far beyond office space, explained Matt Stephens, who works in JETRO's Invest Japan Department.

"We offer comprehensive assistance designed to facilitate access to the market, ranging from market intelligence and regulatory guidance to cost simulations and consultations on tax and labor matters. We also introduce companies to potential partners in both the public and private sectors, liaise with relevant ministries and prefectural and city governments, compile data on available incentives, and provide networking opportunities," he explained.

"And all that assistance is free."

GLOBAL NETWORK

JETRO has trade and business experts in more than 70 offices in over 50 countries, as well as about 50 regional offices across Japan, and employs nearly 1,800 people globally, of whom more than 200 support foreign companies in the client's own language.

Stephens, an expat originally from Harrisburg, PA, spent 12 years at JETRO's office in San Francisco before moving to Tokyo and finds that US companies are pleasantly surprised to find an American at JETRO headquarters.

"There are a number of strategic sectors that have been identified as having the potential



The Netskope Japan team and Matt Stephens at JETRO's office

to bring significant benefit to Japan, such as the Internet of Things, artificial intelligence, robotics, life sciences, regenerative medicine, energy, and tourism," Stephens said. He added that the ideal investment involves innovative technology that will strengthen the domestic market and lead to mutually beneficial partnerships with Japanese companies.

The organization seeks solutions to the challenges that some foreign companies experience in Japan, such as securing capable, globally minded staff. JETRO has been collaborating with Japanese universities on programs to match clients with students in technical and non-technical degree programs that are compatible with the client's business.

TALK TO JETRO FIRST

JETRO also retains experts who can provide companies with the most up-to-date information on changes to visa requirements designed to make it easier for foreign nationals in designated industries to work in Japan.

JETRO plays an important part in Japan's efforts to attract foreign direct investment (FDI) by implementing programs and services aimed at achieving the policy goals set by the Government of Japan.

Since the Invest Japan program was formally launched in 2003, JETRO has supported more than 1,800 projects that have led to FDI in Japan. US-based companies account for about 30 percent of that total—the most for any single country—followed by China, Germany, and South Korea.

Many companies attribute a good deal of their success to JETRO's assistance. Plug and Play Japan KK, for example, is the local arm of the Silicon Valley-based technology startup accelerator, and it opened an office in Shibuya in July 2017. Philip Seiji Vincent, managing partner of the company's Japan operations, said JETRO's assistance was invaluable in introducing the market newcomer to other startups, large corporations, and municipalities that could become key partners for the company in Japan. ■



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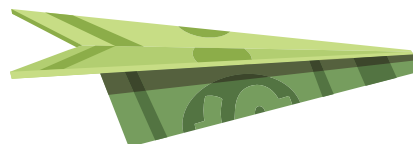
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Offshore Trusts

AND THEIR UNEXPECTED TAX CONSEQUENCES

Trusts have long been used outside Japan as a tax-efficient vehicle to protect family assets and preserve family wealth. In addition, where assets are to be passed to minors, trusts can be used to ensure that the assets are looked after until the beneficiary comes of age.

Japan's inheritance and gift tax law takes a different approach to trusts. Common transactions involving trusts include a settlor entrusting assets to a trust, naming beneficiaries, changing named beneficiaries, and winding up the trust. With each transaction, Japanese tax law seeks to determine whether one party has received beneficial ownership rights to assets from another party. If so, a liability will arise in Japan if either of the parties—or the assets—are within the scope of Japan's inheritance and gift tax.

UNEXPECTED RISK

Consider an overseas resident who, as part of their estate planning, puts a portion of their estate comprising of overseas assets into a trust that is irrevocable during their lifetime and names two of their children as the beneficiaries. In many countries, this would not give rise to any tax liabilities. But if one of the children resides in Japan, putting the assets into the trust risks passing beneficial ownership to them. This would be defined as a gift under Japanese tax law and, depending on the child's residency status, may be taxable.

The top gift tax rate is 55 percent, and it kicks in at a much lower threshold than the top rate of the inheritance tax. So, a rather unremarkable overseas transaction could possibly give rise to a rather remarkable tax liability in Japan. The same would apply if the trust were set up as part of a will—only the liability would arise under the inheritance tax instead of the gift tax.

We have seen a rise in the exchange of tax information between Japan and tax authorities in other countries

SHIFTING TARGET

More complicated trusts can involve no named beneficiaries at the time they are set up and a beneficiary can be added at a later stage. At the time of setup, the law would seek to identify whether the beneficial rights to those assets had been transferred to the trustees and, if so, to treat them as the taxpayer. If not, there is the possibility that the trust itself may be treated as a corporation and taxed accordingly. Further, if a beneficiary is named later, the trust may be treated as a gift or assets transferred from the taxpayer identified initially to this new person.

The key point is that, for residents of Japan, trusts are not effective vehicles for tax purposes. The potential taxation must be considered for each transaction, even if the particular transaction may not be seen as important or give rise to tax consequences overseas. This can be difficult for those residing in Japan if they are not the settlor or are not the driving force behind the estate planning.

INFORMATION EXCHANGE

With the new weapons that the National Tax Agency has in its arsenal, it is becoming easier to identify overseas assets belonging to resident taxpayers. The statement of assets and liabilities—as well as the overseas assets report—are some of the more visible ones, but we have seen a rise in the exchange of tax information between Japan and tax authorities in other countries to identify unreported assets belonging to expats.

The inheritance and gift tax laws in Japan are extremely complex and, in recent years, seem to be updated with alarming frequency. This has given rise to uncertain tax positions and unexpected liabilities. As always, it is important to seek professional advice if you are a party in any sort of transaction involving an overseas trust, whether it be as a beneficiary or as the one establishing a trust for your heirs. ■



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



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COMPANY COMMITMENT

RGF Executive Search holds keys to market entry success

By Megan Casson



To successfully enter the Japanese market, it is important to understand the aspects of Japan's business culture that differ from one's home turf. Equally important is finding the right talent to develop, deploy, and execute an effective local strategy. To do this, a deep understanding of the Japanese applicant market is a must, and RGF Executive Search Japan stands ready to help clients find the right candidates and enter the market on stable ground.

The ACCJ Journal spoke with Struan McKay, CEO of RGF Executive Search Japan, to find out what makes his company different from others in the space.

ACTIVE CANDIDATES

It all starts with acknowledging the challenges that are unique to the Japanese market. "A cultural resistance to change and unnecessary risk combined with relatively poor language skills have resulted in a drastic shortage of globally minded talent from which to choose," explained McKay. Most companies hoping to enter the Japanese market will face these types of issues, and RGF Executive Search assists them in overcoming the challenges using a broad pool of outlooks. "We use bespoke research and market mapping to generate passive prospects and evangelize the client offering to convert them in to active candidates."

The keys to successful market entry in Japan differ from sector to sector. In some areas, speed is important. In others, it should be avoided. As McKay explained: "Research, planning, commitment, and execution with the correct partners and talent are key. Clients who only test the waters of a market with a short-term approach are more often doomed from the start, as their customers, partners, consumers, and employees all expect to see a solid commitment from the beginning to make it worth their time and attention."



EXPERIENCE MATTERS

Value-add of placement is of high importance, and this is one way in which RGF Executive Search differs from competitors. "We partner with our clients and expect both sides to be committed for the long-term," McKay noted. "The variety of specialist consultants throughout all sectors—paired with actual industry hands-on experience—provides our clients with effective results."

Additionally, McKay spoke about the extensive experience of RGF's recruiters, each of whom has worked in Japan's recruitment sector an average of more than 10 years. "This allows us to differentiate ourselves in the market and provide clients with a better-understood, experienced strategy."

Assessing a candidate to ensure they match the needs and culture of a client is done through a careful process. "The first step is to accurately understand the client, the role specification, and the required success factors of the hire," said McKay. "We carry out assessments face-to-face—in both English and Japanese—and this allows for a more detailed, effective match. In this way, we can be sure the client's needs are thoroughly met before making a final placement."

ATTENTION TO DETAIL

Whether a company is looking to enter the Japanese market or is already successfully settled in, finding the right person for a job is extremely important. A successful hire is not always dependent on the longevity of the tenure. "Oftentimes, clients look for breakthroughs via interim change agents who move on after the job is done," McKay said. "The extent to which a hire is successful or not largely can be designed or mitigated by close attention to detail at all stages of the mandate from generation to subsequent execution—including due diligence on all sides."

RGF Executive Search has been a trusted partner on assignments for board members, country managers, and senior to mid-level management roles for more than 20 years. As McKay explained in closing, "We work in partnership with our clients to understand their needs, challenges, and unique value propositions while creating detailed and exciting search briefs that evangelize their business and attract top talent." ■

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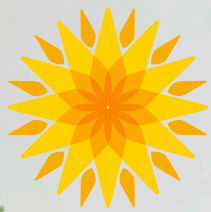


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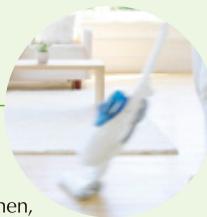
Dependable Housekeeping Service

Highly trained accredited Filipino staff with native level English speaking abilities.

Our services

Daily Cleaning

Cleaning duties such as vacuuming and scrubbing floors, cleaning windows, kitchen, bathroom, and toilet areas.



Laundry

Laundry using household washing machines, hanging, folding, ironing, and putting away clothes.



Tidying

Tidying rooms and various kinds of support before and after moving.



Cooking

Cooking and serving food, clearing and washing dishes.



Miscellaneous support

Shopping, dropping off and picking up dry cleaning and parcels.



- Business hours: 6am to 10pm, 7 days a week.
- Pairs of staff swiftly provide services.

- We provide the service on a per-hour basis.
- Express Plan is available on the same day as the reservation.

SUNNY MAID SERVICE (NICHIIGAKKAN CO.,LTD.)

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