

# EURObiz JAPAN



## **Innovation alliance -**

Otsuka Pharmaceutical and H. Lundbeck tackle medicine's final frontier

## **Japan's immigration imperative -**

Q&A with Prof Ayumi Takenaka on who may cross the border and why

## **Radio-frequency ID -**

Tracking technology challenges the barcode in Japan

## **Let's do global -**

Reaching for the internationalisation panic button

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Masao Torii  
Boehringer Ingelheim Japan

# 09<sub>2013</sub>





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# East-West Connection

## *A global hub*

Once again, Turkish Airlines has garnered top honours at the 2013 Skytrax World Airline Awards, being named “Best Airline in Europe” for three years running. The Istanbul-based global carrier also walked away with “Best Business Class Catering”, which includes its unique “Flying Chef” service for Business Class passengers on long flights. Over a 10-month period, Skytrax surveyed more than 100 nationalities from more than 160 countries in determining the results.

“Very nice” is a turn of phrase that Temel Kotil, president and CEO, is fond of using and which he employs to describe the successes of his company. Some striking statistics state just how nicely.

Financial development has seen operating revenues rise from \$1.96 billion in 2002 to \$8.12 billion in 2013, says the airline, which forecasts the 2013 figure to rise to \$9.75 billion.

Similarly, during that period, yearly passenger numbers have risen from 10.4 million in 2002 to 38.5 million in 2012. And the airline predicts a further rise to 46 million in 2013.

Kotil, a former university academic turned airline executive, has a relationship with his staff resembling that of a professor with his students. “Communication is not ‘I say it, you do it’. It’s ‘let’s do it together,’” he explains. There is a very noticeable number of young people in senior positions working at the airline’s headquarters in Istanbul, in part a reflection of the age demographics of the Turkish population, but also Kotil’s trust in their ability.

“Surprisingly few people know about the reality that one of our main missions is to represent the Republic of Turkey, together with our embassies,” says Halil Gunay, Japan general manager. “People often come to us for information on Turkey, and

that mission – and taking tourists to Turkey – is often more important than making money.”

### **Business Class Catering**

The pleasure is in the details. On extended range flights, a hot towel is provided as soon as passengers are seated, and offered before and after meals during the flight. Vintage Champagne and fresh orange juice are served as a Welcome Drink. Menus are personalised for each passenger and have been specially designed for Business Class. Drinks and meals are provided according to the passengers’ choices, while the service components adapt to the time of day, and sensibly differ between daylight and night flights.

Passengers choose among Turkish mezze (selection of small dishes) and hors d’oeuvres prepared according to Turkish and World Cuisine recipes, followed by a soup service. There







are three choices for the main dishes, also drawn from the best of Turkish and World Cuisine. A wide variety of dessert selections includes ice cream, fruit and cheese. Turkish coffee, cappuccino, espresso and filtered coffee are complemented by hot chocolate and a variety of herbal and fruit teas.

On overnight flights, fresh fruit juices and smoothies are served after waking up, and are eye openers before breakfast, which consists of fresh fruit, cold cuts, cheeses, fresh yoghurt and muesli, as well as three hot meal choices.

Throughout the flight, there is available a wide variety of alcoholic and non-alcoholic drinks and beverages, including wines from exclusive Turkish and World cellars.

### Comfort Class Catering

Also on extended range flights, a special and unique service programme – unlike many other airlines’ standard economy meal in economy-plus sections – offers a specially designed upgraded menu. Passengers are welcomed with aperitif drinks or other beverages, nuts and Turkish mezze.

The restaurant-quality service includes fresh ingredients such as salad and green vegetables, with a choice of hot meals created from Turkish and World cuisine. The meal is topped off with dessert, fruit and cheese selections.

Before landing, a second meal service is offered with hot or cold options, and passengers may also choose lighter selections. During the entire journey, a full range of snacks is available. Accompanying the meals,

as well as throughout the flight, a full range of specially selected alcoholic and non-alcoholic drinks is offered.

### Genuine Hub

Turkish Airlines flies to 237 destinations in 104 countries, making the Istanbul-based global carrier number one in terms of countries served.

Gunay says the airline saw opportunities – firstly from the location of the country. “We could see clearly that Turkey could be a real hub, geographically. We always knew from the beginning the importance of the location,” he says. “On the one hand, we are in the middle of fire; it’s geographically challenging. But, even as we are taught in school, the location is very strategic – linking Asia, Africa and Europe. It is in the centre of everything.”

Kotil uses a mantra – “We are building a bridge [from East to West] using Istanbul as a hub” – to explain how the city’s position between Europe and Asia, as well as the Middle East and Africa, allows passengers to transfer in less time and at a lower cost than is possible elsewhere.



A STAR ALLIANCE MEMBER 



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# eURObiZ JAPAN

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Published by Paradigm  
6F West Park Osaki, 3-6-28 Osaki,  
Shinagawa-ku, Tokyo 141-0032  
Tel: 03-5719-4660 Fax: 03-349-1202  
[www.paradigm.co.jp](http://www.paradigm.co.jp)

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**The European (EU) Chamber of Commerce in Japan**

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Subscription is free for members of the EBC and national European chambers of commerce. Subscription rates are: one year ¥9,000; two years ¥15,000; three years ¥22,000; ¥800 per copy. Rates include domestic postage or surface postage for overseas subscribers. Add ¥7,500 per year if overseas airmail is preferred. Please allow eight weeks for changes of address to take effect. Subscription requests should be sent to [eurobiz@paradigm.co.jp](mailto:eurobiz@paradigm.co.jp)

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EUROBiZ Japan welcomes story ideas from readers and proposals from writers and photographers. Letters to the editor may be edited for length and style.

## Contributors

**Steve McClure** discovers the advantages of tracking by radio signal, page 24



Steve is a Tokyo-based freelance journalist and broadcaster. A native of Vancouver, Canada, he has lived in Japan since 1985. Until 2008 McClure was *Billboard* magazine's Asia Bureau Chief. In 1998 he

published *Nippon Pop*, the first book in English on Japanese pop music. In 2009 he launched [McClureMusic.com](http://McClureMusic.com) – an e-mail newsletter covering the Japanese and Asian music industries.

"When I was asked to write a story about radio-frequency ID in Japan, I had to go on a rather steep learning curve. Despite many years of writing and editing Japan-related business stories, RFID wasn't something I was familiar with. I discovered that RFID has had a low profile in Japan and is only now starting to come into its own."

Alena underwent business training in Tokyo on the Executive Training Programme, then began to write about business, culture, travel and people in Japan. A researcher at heart and by profession, she enjoys on-the-ground investigation and observation. She contributes articles to magazines and websites in Japan and in Europe.

"Despite prolonged governmental efforts, practical English-language skills seem a rarity amongst Japan's professionals. At least TOEIC scores are measurable, although they do not necessarily reflect real ability. How

**Alena Eckelmann** finds out what it takes to internationalise Japan, page 8



much more difficult will the acquisition of a global mindset be when there is no standard and no matrix to measure success? The challenge is on!"



**Geoff Botting** gets the lowdown on "personalised medicine", page 28

Geoff, a former newspaper and wire service reporter and copy editor, has been living in Japan for the past quarter of a century. He is now a freelance journalist and translator,

writing mainly about business, the economy and travel.

"The standard approach to therapy, that of developing a single drug that everyone takes for a single ailment, may well give way to 'personalised medicine'. This involves therapies tailored to the condition of the individual patient. The diagnostics industry is playing an important role in this exciting new paradigm, as members of the EBC Medical Diagnostics Committee explained to me."





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# Going global

Humans have long been a migratory species. These days, currents of humanity still flow between a multitude of regions, impelled by war, strife, opportunity and ambition. There are always departures and arrivals, and arrivals involve two issues. How well can the migrants adapt? How well will the locals adapt to them? Prof Ayumi Takenaka, in our Q&A this month (Japan's immigration imperative, page 12), provides fascinating insight into the migrations implied by Japan's relentless demographic squeeze and evolving economy.

Two pharmaceutical companies that have shown how to adapt to ferociously competitive global markets as well as starkly different local cultures are Japan's Otsuka Pharmaceuticals and Denmark's H. Lundbeck. Julian Littler (Innovation alliance, page 18) describes how and why these two have joined forces to ensure the continuation of

research in medicine's "final frontier" of central nervous system drugs.

Our Investing in Japan segment, also, features a standout pharmaceuticals specialist: the Japanese arm of Germany's Boehringer Ingelheim (Proudly independent, page 26). Boehringer Ingelheim Japan chairman Masao Torii reveals that science is far from the only driver of competitive advantage for his company. He is a strong advocate for developing talented young Japanese into global-minded, multicultural executives who can contribute directly and decisively to the leadership group at Boehringer Ingelheim's worldwide headquarters. Torii blames Japan's education system for failing to produce enough graduates with the communications skills and mental flexibility for top-flight international careers.

Alena Eckelmann (Let's do global, page 8) talks to management experts,

educators, consultants and coaches about what Japan must do to better equip its smartest youngsters for primary roles in international business.

Internationalisation is even coming to rural areas and traditional Japanese craft businesses. Nicolas Soergel (Culture shock, page 38) appeared in exactly the same segment of the July 2010 issue of EURObiz Japan as the Umeboshi Man. His model for revitalising and globalising one small, traditional Japanese craft business, it turns out, applies just as well to dozens, possibly hundreds, of other venerable craft businesses. He now aims to earn the larger title of Mr Japanese Culture. 

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Let's do  
global



*Reaching for the internationalisation  
panic button*

Text **ALENA ECKELMANN**



“GIVE PROFESSIONALS WHO VOLUNTEER TO WORK OVERSEAS AN OPPORTUNITY BY PLACING THEM IN A GLOBAL ENVIRONMENT”

Tomoya Nakamura



Internationalisation is not a new topic on Japan's agenda, but it is gaining in urgency.

"A much deeper level of engagement is needed now, which requires people with a global mindset," argues Andrew Staples, director of the Economist Corporate Network (ECN) in Japan. "This is what Japanese people are waking up to in education, in business and management – and even in society."

Japanese companies and industries have been active globally for decades.

"Japan is fully plugged into the global economy, as we see with the impact of financial shocks and the development of complex supply chains," says Staples. "The real challenge is a domestic one."

The Japan Exchange and Teaching (JET) programme was set up in 1987 to help teach English-language skills, a prerequisite in the international arena, at Japan's schools and to coordinate international relations at local government offices. The International Baccalaureate (IB) is also being promoted to globalise aspects of Japanese education. Currently 26 IB World Schools offer IB programmes in Japan.

Increasing the number of foreign students and workers in Japan is also part of the domestic process to internationalise.

In 2008, the Ministry of Education, Culture, Sports, Science and Technology launched the Global 30 initiative in an attempt to encourage Japan's universities to become more globally active by, for example, offering full degree courses in English and accepting greater numbers of foreign students. The government has also introduced a points based immigration system with the aim of making Japan an attractive and easy place for highly skilled foreigners to live and work, although the take-up rate has been embarrassingly low to date. At the local level, the mayor of Kyoto this year suggested offering permanent residence status to overseas students who graduate from Kyoto University.

With the introduction of the points system in immigration, someone with a Master's degree, at a certain salary level and with some years of work experience does not have a problem getting a work visa. The Mayor of Kyoto, Keiji Yamada, is

championing the idea of giving overseas students who graduate from Kyoto University the right to permanent residence in Japan.

"The aim of all this is to develop people from a young age to have a global mindset and who are familiar with, and comfortable in, a diverse international environment," says Staples.

Currently, many Japanese companies have separate domestic and global career paths, which limits options for recruits right from the start. To give employees who are on the domestic career path a taste of the global environment, companies should consider putting them through international MBA programmes in Japan.

"It is important to give professionals who volunteer to work overseas an opportunity by placing them in a global environment, to give them exposure to global business," says Tomoya Nakamura, dean of Globis University's Graduate School of Management.

Globis founder and president, Yoshito Hori, himself a graduate of Harvard Business School, has been championing a global mindset for years.

"Our students' global mindset is monitored by closely looking at their understanding of regions and nations, their appreciation of diversity and their communication sensitivity," says Nakamura.

There are executive training solutions other than an MBA that prepare young executives well for dealing successfully with global business situations. One is the Japan Market Expansion Competition (JMEC), a training programme that begins in November, with announcement of winners in June. Participants first take part in a six-Saturday lecture series about doing business in Japan and writing a business plan for the Japanese market. In January, they are placed into teams, with each preparing a business plan for an assigned international project client, which may be a large corporation or small to medium-sized enterprise.

"Think of JMEC as a crash course. It combines a real-world business situation with a multicultural conflict-prone environment," states JMEC vice-president Pekka Laitinen.



“ IF JAPANESE COMPANIES ARE TO BE **COMPETITIVE IN THE FUTURE**, THEY NEED TO ACQUIRE A GLOBAL MINDSET ”

Trond Varlid

JMEC aims to provide a stimulating environment whereby both participants and project clients are very diverse. In the 2012/13 business programme, for example, the 65 participants came from 20 countries and the 11 project clients represented five countries.

“You acquire a global mindset by doing and learning from globally minded people around you. It needs empathy to cross the cultural gap and self-confidence to get your ideas across to people with different backgrounds. The JMEC network helps participants get through the moments of doubt that are inevitable in situations of change,” says Laitinen.

Greg Story, president of Dale Carnegie Training Japan, would like to see people develop beyond requiring that everything be the way it is done in their hometowns.

“Insularity of geography, language, education and culture work against this perception change, despite the fact we are in a totally interconnected world,” he explains. In the Dale Carnegie corporate training practice, Story has seen time and again that people can change, and be innovative and flexible. He says this means helping people expand their comfort zones.

“Doing new things in new ways is challenging because of the change required, but you cannot embrace change if you cannot move out of your comfort zone – where the same things are done in the same way and produce the same result,” Story says. “This is ‘nurture versus nature’. Give people the tools and they can break free of restraints. However, it must come from within – or it will never come.”

In order for Japanese companies to be truly global, a change in structure from a human resource point is necessary. Even at those firms operating internationally, many managers and decision-makers in their late fifties or sixties are caught in a

domestic mindset and do not want to take the risk of changing. In most Japanese companies, it is still impossible for people in their twenties or thirties – though they may have a global outlook – to become a manager or director.

“Companies should change the current practice of promotion by age and lifetime employment, and restructure the system little-by-little, starting from the younger generation or in a small division, and then work the global thinking into the whole company,” says Yohei Shibasaki, founder and CEO of Fourth Valley Concierge, a global consulting firm in recruitment.


Although Japanese decision-makers in many businesses understand the need for change, they do not know how to go about it. This is where Shibasaki sees opportunities for global HR consulting and for seminars aimed at senior management.

“We promote and raise awareness of a ‘different system’ and become a bridge between the domestic and a global mindset,” he says.

Trond Varlid, president at EMC Quest, which provides coaching programmes in careers and communications, sees a lack of global communication skills and behaviour among Japanese professionals.

“Without such a [global] mindset, it is difficult to keep on top of the global trends influencing their industries,” he says.

EMC Quest organises regular events in its “World Class Speaking System”, at which Japanese and foreign business professionals have discussions with thought leaders from a range of industries.

“If Japanese companies are to be competitive in the future, they need to acquire a global mindset and adapt to international best practices and trends,” says Varlid. 





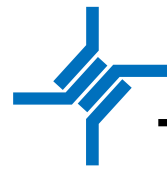
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# Japan's immigration imperative

*David C Hulme talks with Prof Ayumi Takenaka*

Photo **DAVID C HULME**

Ayumi Takenaka is an associate professor of sociology at Bryn Mawr College, a private women's liberal arts college in Pennsylvania. Recently, as a visiting instructor at the brand-new Nakano campus of Meiji University, she taught courses on immigration and multiculturalism. With research interests centred on the movement of people, ideas, goods and food, her fields of expertise include race and ethnicity, social inequality and the global competition for talent.

## **Does Japan have a coherent immigration policy?**

No. But very few countries have a coherent immigration policy. There are always internal struggles and disagreements, and it is very hard to pinpoint whose views are actually reflected in policy.

In Japan's case, there is a set of policies, but they are not formulated from a clear consensus. Worldwide, immigration has always been politicised. In Japan, the debates involve business organisations, the community and non-government organisations, as well as the various ministries.

The underlying issue to which policy-makers refer is Japan's skewed demographics and the size of the working-age population relative to the number of elderly people.

## **Is Japan competitive when it comes to attracting the right kind of talent?**

Japan has not fared well. There are shortages of people in some occupations, such as IT and high-tech specialists, teachers and nurses. Also, many universities are suffering from a shortage of students. They need more students just to survive.

Many countries are moving in the direction of importing people with

particular skills, and their immigration policies target specific occupations, according to the nation's labour market. It is a global trend. Competition has been going on for decades. Some countries are more successful than others. It is hard to attract the migrants that are needed. Japan has not done well.

Immigration is a good thing. No doubt about it. Nations and societies benefit. Of course there are costs, and sometimes conflicts, but the positives outweigh the negatives.

I believe Japan benefits from diversity, not only in economic terms but also culturally, including ethnic cuisine. Unfortunately, Japan is still in its own bubble to some extent.

## **Why are you concerned about how immigrants are faring in Japan?**

How immigrants fare relates to how long they stay in the country, because they may leave if they do poorly – as well as to how many and what kinds of people come in the first place. Unless immigrants fare well here, Japan will not attract and retain the kinds of immigrants they say they want. In order to succeed, Japan should provide immigrants with opportunities.

I believe Japan is losing out. We need

to be concerned. The future of Japan depends on it. Increasingly, countries are competing for the same categories of people.

## **What are the criteria for success?**

First of all, the meaning of success varies from one individual to another, and it changes over time as well. Also, what success means probably differs for policy makers, employers and so forth.

I have interviewed immigrants of various nationalities. I have learned that their aspirations change over time. Initially, they may have wanted to make money. Ten years later, the top priority may be the children's education.

Peruvians and Brazilians I have spoken to here say they are just happy to be living a peaceful, stable life, even though they may still be labourers.

They used to be aggressive about moving up the economic ladder, but now they are content just to be comfortable and live like their Japanese neighbours. They have assimilated and become a little more conformist.

## **In the bigger picture, is there a simple relationship between geographical mobility and social mobility?**

That's a big question. Yes, there is. Most





“INCREASINGLY, COUNTRIES ARE  
COMPETING FOR THE SAME  
CATEGORIES OF PEOPLE”

people cross national borders in the hope that they will achieve some kind of upward social mobility. Some achieve it and some don't. When people move to another country, especially from a poorer country to a richer one, they typically experience downward mobility initially – because they don't speak the language, or their credentials are not recognised by the host society. Later, they gradually move up the socioeconomic ladder.

Increasingly, I see that geographic mobility may be key to explaining social inequality, in the sense that there are people who are able to move more easily. People with more resources, better education and more information are more mobile. Geographic mobility is becoming more important for many of us to achieve upward mobility in the global economy – to such an extent that many countries are trying to entice skilled workers and are restricting the entry of unskilled workers.

Japan implemented a points system, emulating such countries as Australia, New Zealand, Canada and the UK, so as to effectively target certain kinds of immigrant.

**In general, is the volume of immigration increasing?**

Yes, but not fast. About 3% of the world population is migrants – including people fleeing conflict.

The standard definition of an immigrant is a person who resides in a country other than their country of birth

for 12 months or more. Other than that, definitions vary according to where each government wants to draw the line. Though it is hard to define who is an immigrant, the general trend is that immigration is increasing.

**Is Japan really trying to attract people of a global mindset?**

That is part of what they say they want, but it is difficult with the traditional Japanese companies.

It depends on the sense of urgency. There is a lot of talk, but not enough action. They talk about a possible crisis, but I am not sure they have a real sense of it.

**How important is it for Japanese to see Japan from the outside?**

Very important. But many people who leave Japan find it difficult to get back into the system, to be accepted or to get a job. Many sever ties altogether. Japan should encourage them to maintain ties. Unfortunately, the whole system would have to change for that to happen.

**How would Japan tap those resources?**

Many countries do this by allowing dual citizenship. India, for example, has policies that make it easier for Indian migrants and their descendants to invest in India, on the expectation that they will maintain ties and contribute to the economy.

Japan does not have a very large overseas population, but it is still a waste of resources to have a system that

excludes those who go overseas.

Dual citizenship may not be a realistic option for Japan at this point, so it is important for companies to open up more towards people of diverse backgrounds. Unfortunately, Japanese companies still prefer to hire fresh university graduates, who go through a uniform process. It is hard for outsiders to come in.


Many young people are reluctant to go abroad because of that. They feel they would be handicapped if they wanted to come back.

**Can European employers be agents of change?**

European companies could play a central role, because it is hard for Japanese companies to implement changes they say they want to make. European companies are more capable of setting an example regarding diversity of personnel – and hiring and promoting women – and of bringing Japanese employees into this setting.

External pressure sometimes works quite effectively in bringing about changes in Japan.

Personally, I would like to know more about how things work inside European companies and how they handle diversity issues. Perhaps those that have successfully managed diversity, and promoted it, should speak up more and let the Japanese public know they succeeded and what they gained from it.

Japan should open up to more foreign companies as well. 

## Live Long & Prosper

I'm sure you all have ideas about your retirement – the things you will do, the places you want to see, the people you will go and visit. However, a question I'm often asked is, "I need some ideas about my pension; what should I be doing?"

Records suggest that a male retiring in 1980 at age 65 had a life expectancy of 10 more years, or to age 75. In 2013, the average 65 year old can expect to live until age 85, a 100% increase over the previous generation. For a married couple aged 65 today, who are in good health, there is a 25% chance that one of them will reach 99. Given this greater longevity – coupled with historically low interest rates and increased stock market volatility – we all have to save more. Yet, we also can expect to retire later with a reduced standard of living unless we adopt different investment practices and take our financial planning more seriously.

Assuming we will all have extended lives, there is a very real risk that many will run out of money before they run out of life. While risk means different things to different people, what we cannot avoid – irrespective of age and nature of employment – is the threat of longevity and of inflation. In short, there will be decreasing spending power in the money in your wallet.

In 1982, a pint of beer in the UK cost approximately 62 pence; today it would cost £3.20 – a rise of over 400% in 30 years! This analogy also applies to property, where a three-bedroom, semi-detached house in London that sold for £28,000 in 1982 would amount to £375,000 today! Like it or not, your £, \$, ¥, € or any other currency will lose its value unless you invest in suitable

assets and asset classes that produce an inflation-beating return year-on-year. The return on cash is zero – irrespective of all major currencies – and, as most would agree, fixed income or bonds are expensive. Therefore, equities provide the best value for a long-term return on your capital. It is a fact that there has never been a 30-year period since records have been kept when the global dividend stream from companies had not risen. Between 1935–2011, the annualised inflation rate was circa 3% in the United States. In the same time period, the dividend return from the S&P Index was 5.1%, not including capital appreciation. It is also worth noting that the S&P 500 Index stood at 110 on 14 June 1982. And today? As of 1 August 2013, it stands at 1685.73!

Given recent events, it is perfectly normal to doubt the financial system – to have mistrust and a certain degree of antipathy. However, we have seen this happen before, and the world has recovered from previous economic and financial crises – as it will again. As investors, we have to look to the future with confidence and awareness, and try and overcome the day-to-day volatility driven by events, the central bankers and the politicians. It is better to accept the risk of volatility associated with equity-based investment when compared to the risk of longevity and inflationary risk brought about by the weapons of mass destruction such as cash and long-dated fixed-income investments.

So the good news is we are living longer and we have to plan accordingly. The bad news is that we are living longer, but no one can predict the future with any degree of certainty. Nonetheless, from our experience, we predict that a lot of



**“As investors, we have to look to the future with confidence and awareness”**

Trevor Webster ACSI,  
Area Manager, de Vere Group

investors will end up poor in their later life and left wondering where it all went wrong unless they take their financial planning matters seriously now.

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# Diversity and inclusion

*Not just a matter of political correctness*

In a globalised economy, it's important that we have some common understanding of the language we use to manage people and run businesses. However, the results of a recent event that I moderated for the Economist Corporate Network (ECN) suggests this is not always the case, but that some simple steps can remedy the matter.

One of the joys of my role is that I am able to reach out to people at the top of their game in terms of leadership, management, academia or public service and invite them to share their knowledge as keynote speakers or panelists. I recently put together such a panel around the theme of diversity and inclusion (D&I) management. The event was part of the Global Executive Programme run for ECN members. This programme seeks to support firms in their efforts to develop global talent. As such, the audience of 60 or so consisted mainly of mid- to senior-level executives (both Japanese and non-Japanese), predominately from foreign multinationals. The panel included senior D&I practitioners at major multinationals as well as a highly successful consultant – all positively bursting with a passion for their roles.

Diversity for many firms and managers in Japan, we learned, has until quite recently been understood mainly in terms of trying to address the gender imbalance and dealing with sexual harassment. Inclusion has been viewed in terms of a legal obligation to hire people with disabilities.

Diversity refers to gender, of course – but also to age, nationality, experience, education, religion and so on. Inclusion positively recognises diversity and seeks to create an environment in which individuals from diverse backgrounds feel respected and valued. If harnessed correctly, diversity can be a tremendous well of inspiration and creative thinking. Getting it wrong, however, can be expensive, destructive and messy.

Making diversity work requires commitment, leadership and much hard work.

A workforce comprising individuals of different nationalities and ages, with a variety of language skills, educational backgrounds and experiences can, for example, offer far more perspectives on a given problem or challenge than can a homogenous workforce. Managed poorly, however, the same team can collapse through a lack of mutual understanding and acceptance. That would be a failure to create an inclusive environment.

Yet these are not simply politically correct “touchy feely” terms that look nice when plastered all over corporate websites. Indeed, our panelists rejected the notion of D&I as a bolt-on to traditional HR policies. Instead, they suggested that D&I is better approached as a business strategy designed to permeate through an entire organisation so as to impact positively on the bottom line. Moreover, a D&I strategy can – and should be – measureable and related to a set of key performance indicators.

How so? Well, it is not difficult to agree that employees who feel valued and respected are more likely to be motivated and engaged than those who are not. As a result, they are likely to remain in post longer, have higher levels of job satisfaction, and contribute more to the organisation. All this is measureable. In engagement surveys, employees are asked to agree or disagree with statements around traditional D&I concerns such as gender, age and nationality. They may, for instance, be asked to agree or disagree with a statement that “this department values all employees regardless of gender”. If most male employees agree, but most female employees disagree, one may be sure that an inclusive environment has not been achieved. This, in turn, suggests that some employees are not as engaged, not as motivated, and not contributing

“IF HARNESSSED  
CORRECTLY, DIVERSITY  
CAN BE A  
TREMENDOUS WELL OF  
INSPIRATION AND  
CREATIVE THINKING”

as much as they could – or would like to. What manager would want an employee group like that?

For both Japanese and non-Japanese executives, the “value” added by this kind of event is that motivated and engaged individuals can come together in a neutral space to better grasp the meaning and understanding of key concepts relevant to business and management today. There is no ulterior motive or attempt to promote the “right” perspective on an issue. Rather, concepts such as diversity and inclusion, innovation, sustainability and so on can be explored with the help of highly experienced specialists, while participants are invited to reflect on the session with reference to their own firms and roles. In this way, individuals can come to their own conclusions through enquiry and discussion. At the very least, 60 or so executives got up for work the following morning with some common understanding of what D&I means and does not mean.

Neuroscientists have now largely refuted the claim that we utilise only a fraction of our brain power. It would seem to be a sound strategy also to be able to refute the claim that we only use a fraction of the “word power” of concepts like diversity and inclusion. ☺

**ANDREW STAPLES**  
Director of the Economist  
Corporate Network, Japan



# Global smoke-free worksite challenge: What your organisation can do

Tokyo American Club, 21 August 2013

Text and photo **JENNIFER ZYLINSKI-SPARGO**

**G**overnments, medical institutions and private companies all over the world are working to improve the health and productivity of employees by protecting them from the harmful effects of second-hand smoke. The Global Smoke-Free Worksite Challenge, launched at the Clinton Global Initiative of 2011, encourages employers worldwide to make their worksites smoke-free and to help nicotine addicts to stop using tobacco.

Taking part in a panel discussion to explain how businesses can get involved were three representatives of Leading Partners in the Challenge. They were Richard D Hurt, MD, founder and director of the Mayo Clinic Nicotine Dependence Center; Ross Rowbury, president and CEO of Edelman Japan; and Bruce Ellsworth, director of government affairs for Johnson & Johnson in Japan.

Global companies that aim to make their worksites completely tobacco-free include Edelman and Johnson & Johnson. Other Challenge leaders include the American Cancer Society; GBC Health (a New York-based coalition of more than 230 companies working to improve the health of their workforces and communities around the world); the Campaign for Tobacco-Free Kids; and the US Department of Health and Human Services. Besides sharing best practices on implementing smoke-free policies, they are also committed to supporting government efforts to extend 100% smoke-free policies to all indoor worksites, public transportation and indoor public spaces.

Hurt is one of the world's leading

researchers in how to help smokers quit, and serves as chair of Global Bridges: Healthcare Alliance for Tobacco Dependence Treatment, which has trained thousands of healthcare providers in more than 30 countries. He explained the process by which the Mayo Clinic became one of the first smoke-free medical centres in the United States over 20 years ago. He was in Japan to speak at the 10th Asia Pacific Conference on Tobacco or Health (APACT), an event held the previous day at Makuhari Messe in Chiba prefecture.

"Participation in the challenge is growing steadily," he said as a panelist at the Tokyo American Club (TAC).

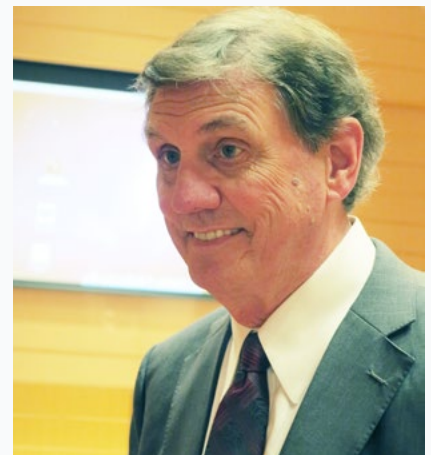
An estimated 6,000 people die each year in Japan due to second-hand smoke – which increases the risk of cancer, heart disease and stroke. Hurt said the figure almost certainly underestimates the true toll by a significant amount, since the fatality figure for the US (with a little over three-times Japan's population) is 50,000 per year.

He used the experience of Olmstead County, Minnesota, home of the Mayo Clinic, to illustrate the benefit to a community of going smoke-free.

"The implementation of smoke-free ordinances was associated with a 33% drop in heart attacks," Hurt said.

Fellow panelist Rowbury of Edelman said, "We seriously believe in assisting our employees to become more healthy. Helping them quit smoking is good for them, and we believe it is good for business."

Japan's Ministry of Health, Labour and Welfare (MHLW) plans to revise the Industrial Health & Safety Law in 2014 to require employers to take steps to protect employees from the harmful effects of second-hand smoke. Officials



**Richard D Hurt**

of the MHLW and Japan's National Cancer Research Center both expressed interest in joining Leading Partners in the Challenge, according to panellists.

The question remains as to whether the revised law will require employers to merely "make efforts" or actually achieve a goal, and whether the law will give employees of bars and restaurants, for example, the right to demand smoke-free working environments.

"People just don't realise the impact of passive smoking," says Ellsworth of Johnson & Johnson, relating a recent conversation with an employee of Hotel New Otani Tokyo who was completely unaware of the problem. While APACT conference participants were guests, the hotel went smoke-free for several days, but reverted as soon as they were gone.

TAC, a private membership club, has accommodated those keen to risk inhaling carcinogenic particulates by installing a Smoking Cabin, at which Hurt scoffed.

"Smoke particles are so energised that some of them will always escape," he said.



# Certified organic

## *Pioneers stay true to their origins*

Text **ALENA ECKELMANN**

While home delivery of fresh organic produce has recently become a battlefield for large Japanese organisations, the small, family-run niche suppliers have been around for years. Saitama prefecture-based Tengu Natural Foods and Gifu prefecture-based Warabe Mura have been delivering organic dry foods for 25 and 20 years, respectively.

Tengu Natural Foods is a nationwide mail order service that was created by American Jack Bayles and his Taiwanese wife Fay Chen, who is CFO. They set up Alishan as the importer and wholesaler.

At first, in the mid-1980s, the Bayleses had begun importing organic and natural foods for themselves and friends. Volume grew steadily throughout the 1990s, and the business now serves customers nationwide. There are approximately 400 items, 75% directly imported by Alishan, in the catalogue.

“We have a loyal [customer] following of regulars who appreciate our flexibility and willingness to accommodate individual requests, such as specific requirements for packaging and delivery,” says Briton Heather Takano, a long-term staffer at Alishan/Tengu.

“IT IS THE THRILL OF BEING ABLE TO OFFER HEALTHY FOOD AND THE JOY OF KNOWING WHO PRODUCED IT”

**Martin Hope**

Though the initial focus was on retail, the main business now is wholesale. Alishan-branded products are sold at retail outlets such as National Azabu, Nisshin, Gaia, Natural House and Meidi-ya, as well as at online importer Food Buyers' Club. Organic shops in Japan carrying imports invariably have Alishan products, which are also available via multiple online services, including Rakuten. The retail side of the business can be volatile, however.

“If a TV personality says that something is good for you, we get a surge in demand from retail customers, but it only lasts for a short time. Recent examples are dried apples to counter radiation and broccoli sprouts to fight cancer,” says Takano.

Warabe Mura has been offering organic foods to the general public through mail order since 1993. Turned into a nationwide business by Yuko Sakurai with help from manager Martin Hope, Warabe Mura mainly sells organic whole foods



**Alishan Cafe**

and macrobiotic foods. There are about 700 products in their English-language catalogue and over 1,000 in the Japanese-language catalogue.


“Mail order offers more variety to customers in certain locations in Japan where there are no large shops. Also, some of our customers are vegan, vegetarian, or have allergies. They know exactly what they will get if they buy from us,” says Hope, adding that, for him, a passion for food precedes the business aspect. “It is the thrill of being able to offer healthy food and the joy of knowing who produced it and who eats it,” he says.

Customers who want certified organic products rather than just organic will find the relevant information clearly spelled out in the Tengu Natural Foods and Warabe Mura catalogues.

“Some imported products are sold as ‘certified in the country of origin’ rather than ‘JAS certified organic’ – as the makers cannot be bothered with the separate certification needs of the Japanese market,” says Bayles, explaining that the word “organic” must not appear on certain categories of products from North America that are not approved as such under Japan Agricultural Standards (JAS).

“Our numerous EU-sourced organic products have it much easier in meeting Japanese standards, not due to their standards being stricter, but rather because of government-to-government agreements,” Bayles adds.

Despite the growth of Oisix, Radish Boya and similarly large home delivery operations, both Warabe Mura and Alishan/Tengu wish to avoid the more aggressive strategy that this type of expansion would entail.

The further impact of the worldwide web remains to be seen as packaged organic foods from abroad can be ordered online, then imported into Japan relatively cheaply using shopping sites like [iherb.com](http://iherb.com). 

# Innovation alliance

## *Otsuka Pharmaceutical and H. Lundbeck tackle medicine's final frontier*

Text **JULIAN LITTLER**

**A**s the pharmaceutical industry cuts back on research and development for central nervous system (CNS) drugs, two leaders in the field have formed an alliance to fill the void, where they see a multi-billion-dollar opportunity. The alliance, between Tokyo-based Otsuka Pharmaceutical and H. Lundbeck, headquartered in Valby, Denmark.

Otsuka is known in Japan for its range of holistic-health nutraceuticals, including soy-based health foods, as well as the increasingly successful pharmaceuticals business that it began in 1970. Otsuka Pharmaceutical's strengths are tied to the United States and Asian markets. Lundbeck, with a history of over 60 years building pharmaceutical expertise in Europe, is famous as one of the first to market anti-depressants and anti-psychotics.

An agreement committing the two companies to a long-term collaborative effort was signed in November 2011. They will share market knowledge and research experience to drive development and commercialisation of new products for 25-30 years.

The move bucks a trend of unimaginative acquisitions of foreign companies by Japanese companies flush with cash as the yen soared relative to other major currencies, following the global economic crisis.

The World Health Organization has pronounced that CNS disorders are one of the leading causes of disability worldwide. Yet, notes Klaus Abel, Lundbeck vice-president for the Otsuka Pharmaceutical alliance, disproportionately more research is being done worldwide on cancer than CNS because of difficulties associated with brain pharmacology.

Nobuyuki Kurahashi, Otsuka Pharmaceutical's vice-president for global CNS operations, emphasises the long-term nature of the agreement. His company reached out to Lundbeck due to respect for the Danish company's CNS work and the lengthy relationship between the two firms prior to formalising the agreement. The two companies had been working together for around nine years on various individual CNS projects before the idea of any alliance, according to Abel.

Kurahashi was one of three Otsuka Pharmaceutical researchers awarded the highly prestigious Imperial Invention Prize by the Japanese Institute of Invention and Innovation for synthesising the compound Aripirazole. This compound is sold in the EU and the US under the brand name Abilify for the treatment of schizophrenia and other disorders. It was among the 10 best-selling drugs worldwide in 2012.

According to Abel, the two companies manage to smoothly complement each other's strengths and expertise. One or

the other steps in whenever they have an edge that brings an advantage to the team. Of Lundbeck's 6,000 or so staff worldwide, upwards of 700 are working on projects related to Otsuka Pharmaceutical, he says.

"Basically, it is not so important who is working on it. All decision-making and priority-setting is done on a 50-50 partnership basis," says Abel. For now, the focus on the financial aspect is less than on the details of collaborating closely regarding every facet of joint research and marketing effort, he adds.

The two companies communicate regularly, having weekly face-to-face meetings for some projects. Other collaborations require monthly meetings, along with quarterly executive meetings. Teams with products closest to market-readiness currently meet in New York City, Copenhagen and London.

"It's all about the patients and coming up with innovations, because no one else is producing innovations in this area," says Abel in reference to the priorities of the alliance. Its size and intended length are unusual. "I think this is the largest within one disease area, as the collaboration will be 25 to 30 years at least," he adds.

Such protracted cooperation would commonly trigger merger talks in this industry. But Otsuka Pharmaceutical and Lundbeck believe in being different and building strengths from those differences.





O TSUKA PHARMACEUTICALS

“IF WE DON'T HAVE **DIFFERENCES IN OPINION**, THEN THERE IS NO INNOVATION”

Nobuyuki Kurahashi

“IT'S ALL ABOUT THE PATIENTS AND COMING UP WITH INNOVATIONS, BECAUSE **NO ONE ELSE IS PRODUCING INNOVATIONS** IN THIS AREA”

Klaus Abel



H. LUNDBECK

“Major companies usually embark on mergers and acquisitions, but that is more a vertical integration of two companies,” says Kurahashi. “Otsuka believes that difference in opinion is a driver for success. If we don't have differences in opinion, then there is no innovation.”

The first commercial breakthrough for the alliance came in March, with approval from the US Federal Drug Authority for distribution of Abilify Maintena. The new monthly-injection form of Otsuka Pharmaceutical's best-selling Abilify is currently distributed in the US by Bristol-Myers Squibb in tablet form. The injection dosage is an important development brought about by both companies using Otsuka Pharmaceutical's compound. Forgetting or avoiding medication is a serious problem for many sufferers of schizophrenia. The new form of medication is designed to increase the likelihood of reliable regular dosage.

The alliance is based on two Otsuka Pharmaceutical compounds for short-term commercial development and three Lundbeck compounds. From Otsuka Pharmaceutical's perspective, this will

lead to more long-term business. The collaboration also means that Lundbeck may have greater impact in the US market.


Otsuka Pharmaceutical will pay Lundbeck around \$150 million for development and commercialisation of Lu AE58054, a new Alzheimer's disease drug. There is the potential for up to \$675 million more upon reaching regulatory and sales milestones. While these R&D figures are large, the returns could be enormous. An estimated 36 million people in the world suffer from dementia today. Most of them are yet to be diagnosed, and dementia is a symptom of Alzheimer's disease.

“There is a huge potential, no doubting that,” says Casper Rose, a professor of law and business at Copenhagen Business School's Center for Corporate Governance. “But it is also very risky, and it needs a lot of money. That's really what this is about.” Rose says that, overall, the alliance between the two companies is positive, but he wants more open communication with investors about the goals and processes.

Lundbeck is 70% owned by the

Lundbeck Foundation, which funds research in the medical and biological sciences, with a focus on Danish research. Otsuka Pharmaceuticals is a wholly owned subsidiary of Otsuka Holdings. These ownership structures afford the alliance partners a high level of assurance when pursuing such costly research, even if returns cannot be expected in the immediate future.

Kurahashi cites as an example the story of an earlier expensive failure of an Abilify prototype. Otsuka Holdings, rather than simply scrapping the project, subsidised the R&D using funds from other sectors. Likewise, Abel notes, control by the Lundbeck Foundation means that H. Lundbeck can wait 10 years or more, if necessary, to realise returns on a billion dollar's worth of research.

“What others think of as risk is our vision. If no one does anything thought to be a risk, then there will be no future development,” says Otsuka Pharmaceutical president and CEO Dr Taro Iwamoto. “Our biggest risk as a company is having researchers and employees who stop looking towards the future.” 



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Text JENNIFER ZYLINSKI-SPARGO



Upon arriving in Japan in July 2012, the ambassador of the Republic of Poland to Japan, Cyryl Kozaczewski, hit the ground running, to the delight of the Polish Chamber of Commerce and Industry in Japan (PCCIJ).

"The new ambassador is very dynamic, and he has already travelled all around Japan," says PCCIJ chairman Piotr R Suszycki.

The Polish embassy and the PCCIJ work closely together, with each ambassador being the chamber's honorary chairman. The cooperation is crucial to one of the chamber's key objectives, which is to boost the image of Poland in Japan, where knowledge and awareness of Poland is limited.

"Fortunately, the image of Poland in Japan is neutral," says Suszycki. "We are able to make a good impression on Japanese visitors to Poland. They are surprised to discover this new and interesting place to go."

Ties between the two nations are getting stronger, he adds, and were given a significant boost in June by the visit of Japanese prime minister Shinzo Abe to Warsaw for a meeting with regional leaders.

"He was there for almost two days, and his wife spent almost four days travelling around the country," says Suszycki, who was deeply involved in preparations for the visit.

Further contributing to awareness of Poland in Japan was the opening last September of a Dom Polski (Polish House) in Toyama prefecture, followed by another in Okinawa in March. The purpose of both sites is to deepen

relations between Poland and Japan regarding business, culture, tourism and other areas.

"Dom Polski is a private business, combining a commodity shop and a small café. People can go there for a cup of coffee, learn something about Poland, have the opportunity to buy Polish goods or, in the evening, have a Polish beer," Suszycki explains, noting strong interest from local media in both prefectures.

A programme aimed at building relations on the local level began in 2010, he adds. "Besides the major cities, there are many great places in Japan and Poland that could be conducting exchanges, but they don't know about each other. So we are encouraging match-ups."

Laying the foundation for another relationship began in June, with an official visit by ambassador Kozaczewski to historic Ise city.

"We started very good communications with the mayor of Ise, the Ise Chamber of Commerce and Ise Shrine," says Suszycki. "We plan to add other Japanese cities in the future, but for now we want to build on relationships we have already started."

As he speaks, preparations are under way for the 27-29 September Polish Festival at Roppongi Hills, organised by the Trade and Investment Promotion Section of the embassy, and supported by the PCCIJ and the Polish National Tourist Office in Tokyo. This is the third such event, and it is still growing, says Suszycki.

The chamber continues to hold regular seminars and business luncheons,




There are many great **places in Japan and Poland** that could be conducting exchanges

and hopes to arrange a mission to Poland next year that will include some 20 Japanese business people, local politicians and some media.

Because there are just a few Polish companies in Japan, most PCCIJ members represent Japanese companies doing business with Poland.

"We help by matching them with companies in Poland," says Suszycki. "Developing new business is our most important function."

There is plenty of activity as the Cool Japan programme brings promotion of food and culture to Warsaw and other Polish cities. Suszycki notes that there are now over 300 sushi bars and other Japanese restaurants in Warsaw alone.

Reciprocally, the first Polish restaurant, named Polska, opened in the Nihombashi district last September. 



# Cross-border Solutions

Text **DAVID UMEDA**

The major issues that need to be addressed in the logistics sector as FTAs are put into effect “revolve around eliminating preferential treatment for Japan Post versus international express operators,” says Mark Slade, president and representative director of DHL Global Forwarding Japan. “We are seeking efficiencies through the FTA process on Japanese customs clearance rules and procedures – districting and standardisation of reporting requirements.”

FTAs represent excellent business opportunities to expand into new markets. “From a relocation perspective, companies face a wide range of often-unexpected challenges when entering a new location,” explains Dennis Muldowney, general manager, Japan, Crown Relocations. “Having on-the-ground support can help set realistic expectations, and streamline the process for registering a business and applying for the appropriate work visas.”

DHL is working with the relevant ministry through the EBC to see more common standards globally and clearer guidance from the Japanese government on security enhancements like known-shipper regulations.

“Without proper consulting and guidance, relocating to new markets can be time-consuming and costly for companies just starting out,” says Muldowney. After registration and filing for proper work visas, there is finding a new office location, home, schools for children. “If managed correctly and effectively, these have a positive return on investment for the company,”

Crown Relocations offers intercultural training. “There’s a big difference between going to work in another country and making your life work there. Companies that understand the importance of adapting to, and embracing, cultural change tend

to be far more successful in their host country,” adds Muldowney. “It helps put companies on a stable footing earlier, dramatically reducing the stresses of an international assignment and the risk that culture shock can pose to its success.”

## Advances

UniGroup Relocation is able to provide short-term and long-term storage services. “Our facilities are fully air-conditioned and climate-controlled, enabling a longer storage period and larger cargo volume,” says Aki Nitta, general manager and executive officer.

a.hartrodt (Japan) sees portable technology creating an environment where information is basically immediate, readily available via smartphone or portable devices. “Such a technological revolution is actually forcing the logistics service providers to shift from a pull condition to a push condition, whereby they send information directly to the customer, thereby improving communication while providing a leaner service,” explains Guido Ghiselli, managing director.

UniGroup Relocation offers personal assistance with visa application, orientation tour, housing service and concierge-like services to make relocations “borderless”. Their local living cost-analysis service helps corporate customers plan an employee’s assignment smoothly.

Asian Tigers Mobility focuses on communication. “Getting things clearly understood from both sides is a huge element of success on an international relocation,” explains Andrew Olea, director of sales & marketing, Japan, and country manager. They guide the process based on having relocated thousands of families. “This is something that cannot be replaced by ‘high tech,’” says Olea. “Our people are our CSM, who happen to use high-tech tools.”


The human part of the service remains behind the technology shield at a.hartrodt. “Nonetheless, a better IT-integrated logistics service will help to deliver needed information as the service progresses,” says Ghiselli. Operators focus on the execution of the service itself. “The result is reduced disruptions and lowering the possibility of mistakes that would otherwise arise due to a fragmented operational flow.”

The UniGroup Relocation network system enables electronic uploads and downloads of necessary paperwork, and timely sharing of all documents between their worldwide partners. Their timely cargo tracking system on international shipping lines and airlines keep customers updated. Keeping costs down keeps their most-valued customers happy.

## Around the corner

For 2014, Japan is likely to see a return of foreign expertise, with the weakening yen, and Abenomics fuelling confidence in the economy, says Muldowney. “We are well-positioned to support and partner with existing and new clients, and assist them with a wide scope of relocation services to ensure they hit the ground running upon arrival.”

According to Slade, “No logistics company has DHL’s scope of coverage or depth of expertise in the marketplace. Our value-added service portfolio is developing very nicely in Japan, as we move up the value chain and away from the traditional commoditised approach to logistics.”

More customers are looking to DHL for an intermediate speed and cost between airfreight and sea freight, especially on the trade lanes between Japan, China and Korea. The DHL Interactive web portal allows customers to book, track and manage their cargo flow, including customisable reports. 

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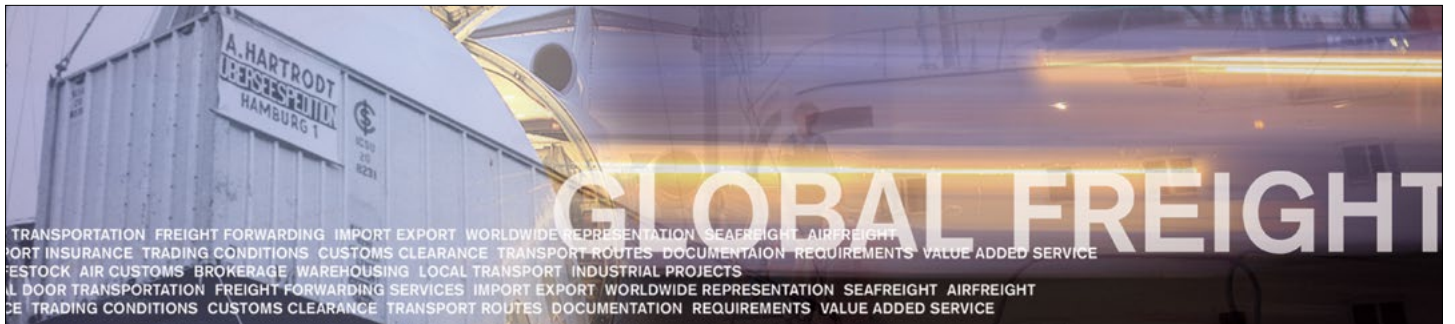
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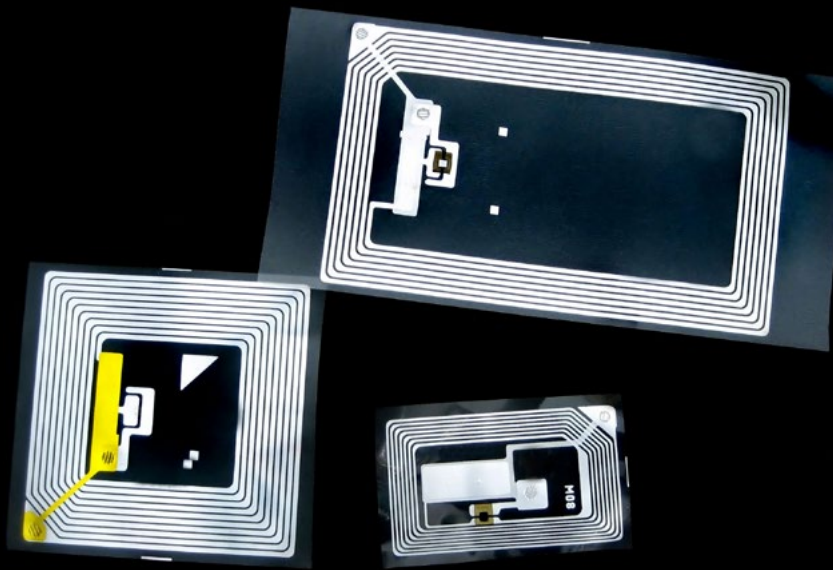
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# Radio-frequency ID

## *Tracking technology challenges the barcode in Japan*

Text **STEVE MCCLURE**

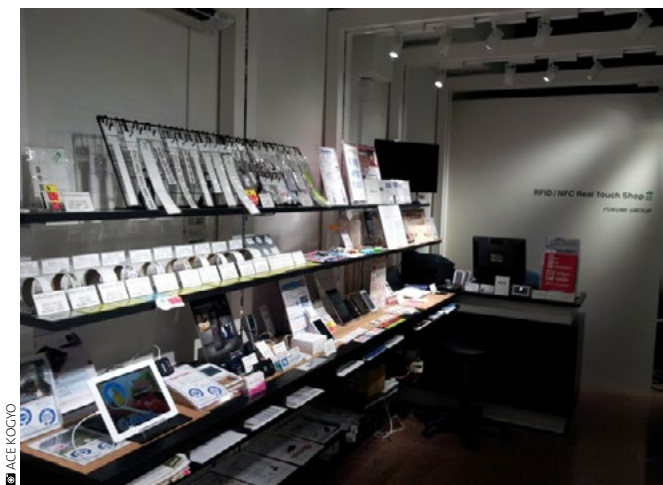
All of us have trouble keeping track of stuff. Where are my keys? Why isn't my wallet on the dining room table where I left it? Who moved my cheese and, more important, where is it? Factories, warehouses, retailers and just about every other type of business face the same problem. Keeping track of products and inventory can make the difference between success and failure.

This is where radio-frequency identification (RFID) technology comes in. RFID tags contain information that is stored

electronically and can be read by sensor devices. RFID tags have a big advantage over barcode-recognition systems because they can be embedded in the object that's being tracked. The tags are increasingly used to keep track of physical goods, including library books, train tickets, baggage, retail goods, factory and warehouse inventory – and even people.

The global RFID market is estimated to be worth nearly \$7.5 billion. Seiichiro Toda, a spokesperson for major Japanese electronics company NEC, estimates the size of Japan's RFID hardware market at ¥20 billion, and that for the software side





ACE KOGYO

of the market at ¥60 billion (about \$800 million).

Industry sources point out that barcodes are still more widely used in Japan than in other markets, but it is not likely to stay that way.

“We think optical barcodes will gradually be replaced with RFID technology,” says Ikuhei Kimura of Kyoto-based Murata Manufacturing, a producer of electronic devices made from fine ceramics. “RFID technology is expected to create a new market for automatic recognition systems, which optical barcodes haven’t realised. We are devoting our energy to this field.”

Industry sources also say that while the technology of high-frequency band NFC (near field communication) has become fairly widespread in Japan, it’s still early days for band technologies of low frequency and ultrahigh frequency (UHF). Recent easing of Japan’s regulations concerning the use of UHF in RFID systems, in line with global standards, will likely spur growth. For European high-tech firms, that means more opportunities to get in on the action.

“European companies have already been active in the Japanese RFID market, having a certain level of market share and business presence,” says Kimura. “We expect more foreign companies to enter areas where they have a competitive edge in quality, cost and delivery.”

Murata Manufacturing’s flagship RFID product is Magicstrap, which adds RFID functions to printed circuit boards, enabling life-cycle traceability of electronic devices and components.

“Magicstrap is also very useful when ultra micro RFID tags are required,” adds Kimura, noting that their clients include Cisco Systems, Jabil Circuit, Schneider Electric, Systronic and Beta Layout.

While RFID has so far stayed mainly in the background to barcodes, one exception is the Osaifu Keitai (wallet mobile phone) launched in 2004 by Japan’s number-one mobile carrier, NTT DoCoMo. RFID enabled users to pay for everyday items such as subway and train tickets by passing their handsets over pads at a station’s electronic ticket gates. Other companies followed with similar applications.

More and more Japanese apparel companies are using RFID in their supply chain management systems. For example, RFID tracks consignments of clothing, as well as the returnable boxes in which they are shipped. Many local Japanese governments are using RFID at libraries, and equipment management companies are beginning to

“WE EXPECT MORE FOREIGN COMPANIES WILL ENTER AREAS WHERE THEY HAVE A **COMPETITIVE EDGE IN QUALITY, COST AND DELIVERY**”

Ikuhei Kimura

appreciate how RFID can help keep tabs on leased equipment. While it is still early days for RFID in the medical field, some Japanese hospitals have introduced the technology to help keep track of surgical equipment.

Helping to spread the word about application of RFID in Japan is a shop in central Tokyo’s Yaesu district. It is operated by Ace Kogyo, a company based in Chiba, east of the capital city, that markets packing materials, RFID tags and related products online. Ace Kogyo opened the RFID/NFC Real Touch Shop in January 2012 to take advantage of what the company believes is a growing potential for RFID and NFC technology among both industries and consumers.

A spokesperson for the shop – which had no customers when a reporter visited recently – says RFID faces an uphill struggle for acceptance in Japan because barcodes are so widely used. With applications such as RFID tags attached to clothes to prevent theft, the technology has already saturated the apparel industry, he adds.

“Unlike in the US, the market for RFID products in Japan is very limited so far,” he notes, adding that mobile carrier Softbank recently changed its signal frequency, making it quite compatible with RFID technology. “So RFID technology may grow in the cellphone market.”

Also helping to boost RFID’s profile in Japan is a store in Tokyo’s trendy Daikanyama district operated by Tsutaya, a well-known nationwide retail chain specialising in sales and rental of CDs, DVDs, books and other culture-oriented wares. Tsutaya introduced an RFID system using an inventory tracking Denshi-Tag (electronic tag) in November 2011. It is believed to be the biggest such system at any retail outlet in Japan.

“At first, RFID is expected to be used for in-house purposes,” says NEC’s Toda. “Companies will gradually begin to introduce RFID as the number of successful examples increases and positive effects on return-on-investment become evident. But RFID use for supply chain management is unlikely to increase rapidly.”

Japan’s rapidly greying society presents another opportunity for RFID technology. For example, Asahi Kasei, a Japanese technology conglomerate, markets an RFID device using Sony’s FeliCa IC card that allows doctors and paramedics to instantly access the owner’s medical data, such as blood type and allergies.

A spokesperson for the Tokyo-based Distribution Systems Research Institute says that consumer use of RFID tags won’t take off until some visionary company takes the lead in popularising the technology. But the trade body is bullish about RFID’s overall potential. “We think the Japanese market is expanding, and will become an attractive market for Western companies.”

# Proudly independent

Boehringer Ingelheim

Text **DAVID C HULME** Photo **IRWIN WONG**





**N**ippon Boehringer Ingelheim (NBI), the prescription medicine arm of Boehringer Ingelheim (BI) Japan, is climbing steadily up the

ranks of pharmaceuticals in Japan, from 16th in 2011 to 15th last year, and 14th as of July this year.

“NBI’s sales have doubled over the past seven years, to more than ¥200 billion,” says BI Japan chairman and representative director Masao Torii. “And sales have grown faster than the market in every month since July 2010.”

These facts illustrate why NBI is such an important part of global prescription operations for family-owned BI, which was founded in 1885 in Ingelheim am Rhein, Germany, and now has 140 affiliates worldwide, 20 production sites in 13 countries, and more than 46,000 employees. Sales in Japan are double the figure for Germany and account for 14% of BI’s global sales (even though Japan’s total pharmaceuticals market is only 10% of the world market).

The relative importance of NBI is no accident, as it was established in 1961, even before there was a BI subsidiary in the United States.

“It is typical for a foreign company to start in Japan with a Japanese partner. Ours was Tanabe Seiyaku. The partnership meant we had an established sales network, and it helped with product registration,” Torii explains. “Later, we developed our own distribution system and sales force, and began operating independently about 20 years ago.”

BI began working closely with, and investing in, local over-the-counter (OTC) drug producer SSP some 15 years ago, and made SSP a wholly owned subsidiary in 2010. The acquisition not only gave BI access to SSP’s formulation technologies and highly successful products such as the painkiller Eve, but also enabled SSP to develop OTC products from BI pharmaceutical ingredients.

Two outstanding recent successes in Japan are anti-allergic Alesion and western herbal medicine Antistax. The former is a switch OTC (a prescription drug that becomes an OTC drug), while the latter is a direct OTC. With Japan

gradually resolving a severe shortage of pharmacists, BI sees a big future for the OTC market here.

“We would like to establish SSP as a switch professional in Japan,” says Torii. “SSP has well-established brands. We will reinforce their brand and market position.”

With its research facility in Kobe being part of the BI worldwide R&D effort, BI Japan has a strong pipeline of compounds for the treatment of type 2 diabetes, cancer, hepatitis C and respiratory diseases. NBI plans to enter the oncology field in 2014, with lung cancer being the first targeted treatment area. There is much more to come after that.

“During the next five years we expect to bring 15 new launches onto the market,” says Torii. “Innovation is the key. Fortunately, Japan has a pricing system that is designed to reward innovation. In other markets, pricing is based on affordability.”

With innovation looming large in the BI culture, talent development has become a high priority for Torii, a native of Kanagawa prefecture who earned an MBA in International Business at Sophia University and completed the Advanced Management Programme at Harvard Business School. He has served the pharmaceuticals industry since joining Nippon Roche in 1971, before coming to NBI in 2010 and assuming his current position at the beginning of 2011.

“The shareholders and management of BI have high expectations of Japanese personnel. They ask me what I am doing to develop Japanese talent to eventually come and sit on the board in Germany,” he says.

For employees who want to work abroad, BI Japan runs an intensive programme that culminates in the employee making a presentation in English about what the company should change. Language is only a small part of the challenge, however.

“The key is diversity. Japan is not a diverse society,” Torii emphasises. He blames the Japanese education system for pumping information into young heads, rather than stimulating independent thought. One result is that many Japanese are too reserved to thrive in international business.

“We can’t expect people of diverse

backgrounds to read between the lines. Silence is not rewarded,” says Torii. “So we try to give employees exposure to different cultures while they are young.”

“WE KNOW THE  
FACES OF OUR  
SHAREHOLDERS. WE CAN  
CONCENTRATE ON THE  
ESSENTIALS”

Masao Torii

For a research-driven company such as BI, persistence is also important, and Torii sees BI’s status as the only non-listed company among the world’s top 20 pharmaceuticals as a distinct competitive advantage.

“We know the faces of our shareholders. We can concentrate on the essentials, without watching the stock price every day and being obsessed with quarterly profit,” he says. This means that BI can invest heavily in R&D and achieve steady organic growth, mainly from the work of its own laboratories at sites in Germany, Austria, the US, Italy and Japan.

Globally, BI dedicates over 20% of its sales of pharmaceuticals to R&D. That amounted to €280 million in 2012, up 11% over 2011.

Torii puts the huge investments in context by explaining that a new compound may take more than 10 years to develop, and that an average of only one in 30,000 molecules investigated ever becomes a viable product.

“That means a company might research 30,000 molecules and still not get a product,” he says.

Torii notes that BI’s values are summarised in four words: trust, respect, empathy, and passion.

“All these address how we interact with people. It’s not about commitment or performance. If people keep these values, we will have good results,” he says, reiterating that BI is proudly and determinedly independent. “BI has been family-owned for over a century, and will remain family-owned for the next century.”



# Medical Diagnostics //

*A solution to rising health care costs*

Text **GEOFF BOTTING**

The medical diagnostics industry has been busy working on a revolutionary approach that can dramatically improve medical treatments and lower healthcare costs over the long term. It's called companion diagnostics.

In short, this new paradigm examines a patient's biomarkers, including ones carrying genetic information, to determine a specific drug therapy for the patient's particular biological condition, in contrast to a one-size-fits-all approach. Conversely, the testing can be designed to preselect patients for a particular drug.

"Companion diagnostics holds the biggest potential for our industry," says Makoto Tamura, chairman of the EBC Medical Diagnostics Committee.

For Japan – which is desperately looking for solutions to the problem of rising healthcare costs tied to its rapidly ageing population – a tailored approach holds much promise.

"If you can select the most applicable patients for the drug, then maybe the side effects can be avoided, and there would be a savings in terms of cost," explains Tamura. "These are critical

## Medical Diagnostics Key advocacy issues

→ **Companion Diagnostics** – The MHLW should give consideration to the importance of timing when issuing approval for these products and their corresponding drugs.

→ **Product approval** – Both the EU and Japan should accept the approval of products in each other's markets as equivalent to approval in their own markets.

→ **Reimbursement** – The reimbursement price for in vitro diagnostics should reflect clinical value, taking into consideration quality, speed and overall contribution to patient care.

issues for the healthcare system in Japan."

However, the testing itself and the companion drugs tend to be considerably more expensive than those used in conventional approaches, which does not appear to sit well with cost containment within the healthcare system – a policy of the Ministry of Health, Labour and Welfare (MHLW).

Still, a breakthrough was recorded

recently with the approval of two companion diagnostics products and their corresponding drugs, a first in Japan. "We got the diagnostics approved before the target drugs, which was really good for us," the committee head says. "The reimbursement prices were also good."

The move came after an extensive and coordinated industry effort. In October 2011, the EBC Diagnostics Committee, the Japan Association of Clinical Reagents Industries (JACRI) and the American Medical Devices and Diagnostics Manufacturers' Association (AMDD) jointly submitted a proposal to the MHLW, as well as to the Cabinet Office and the Pharmaceuticals and Medical Devices Agency. The paper proposed what kind of "infrastructure" Japan would need to link the diagnostics equipment and reagents with the corresponding applicable drugs.

A key issue was the timing of the approval. Diagnostics systems should be approved before the corresponding drugs, as setting up and testing the equipment and training operators takes considerable time.

"The drugs, however, can be delivered to patients quite quickly," says Tamura.





The industry's fear was that the MHLW would grant approval without any consideration of such timing. However, the regulators appear to have heeded the industry's concerns on this, as well as for reimbursement fees.

"There used to be a ceiling of around ¥20,000," Tamura says, noting that reimbursement is ¥100,000 for one of the newly approved diagnostics systems and ¥65,000 for the other.

Diagnostics equipment makers in Japan now hope that the approval was no flash in the pan, and that the ministry will continue to issue similar approvals in a consistent manner.

"This was good for the industry," says Miwa Nishida, a committee member,

"But I'm concerned about whether the ministry will only find high reimbursement prices acceptable for niche markets, while keeping its low reimbursement prices in the case of large markets."

The medical diagnostics industry has long argued that cutting-edge diagnostics equipment and reagents, while generally more expensive than older or conventional systems, can save money over the long term. The new systems pinpoint a patient's condition earlier,

leading to the prevention of full-blown illness and ultimately lessening the burden on the healthcare system.

"Early detection and early treatment generally lead to good results," Tamura notes.

Reimbursement fees have long been a key issue of contention. The MHLW has tried to keep these fees as low as possible, while the industry has countered that the fees need to reflect the true value of cutting-edge diagnostics systems. One danger of low fees is that it will discourage innovation, according to the industry. In the worst scenario, foreign manufacturers may give up on the Japanese market altogether.

In recent years, the MLHW has come to appreciate the advantages of providing the Japanese with the latest diagnostics equipment and reagents available elsewhere, according to the committee members.

"Right now, the ministry is receptive to our requests," Tamura says.

"Maybe they are going to put all the right measures in place," Nishida adds in agreement.

In contrast, there has been little progress regarding the time it takes for regulators to approve new diagnostics


“COMPANION  
DIAGNOSTICS HOLDS THE  
**BIGGEST POTENTIAL FOR**  
OUR INDUSTRY”

**Makoto Tamura**

products. For the past four years, JACRI and the AMDD have conducted annual surveys on approval periods and have so far detected no improvement.

One reason could be the sophistication of the latest systems.

"The current parameters are more complicated, so they're more difficult to review," says Nishida. "There are no clear regulatory requirements for these parameters."

Given the vast potential of medical diagnostics contributing to the sustainability of Japan's burdened healthcare system, it seems the task facing ministry officials has never been so important. That being the case, the MHLW will face many challenges keeping up with the industry's technological advances. 

# A Lifetime of Learning

## *International education shapes lives*

Text **DAVID UMEDA**

In Japan, international education engages multi-culturally experienced administration and faculty, and encourages students to become global citizens.

“Children learn to love learning – as long as its fun,” explains Gilma Yamamoto-Copeland, director at St. Alban’s Nursery. “It’s the time when a child develops a life-long foundation of confidence, creativity, sense of humor, values, respect and many other life skills.”

One of the goals at the American School in Japan (ASIJ) is “developing global citizens who have an understanding and respect for a variety of cultural points of view,” says Ed Ladd, head of school, “as well as the ability to empathize with other cultural perspectives.”

Firmly committed to internationalism and multiculturalism, St. Mary’s International School has a Philosophy and Mission whose ideals promote a spirit of tolerance, cooperation and understanding. Students from all nationalities and faiths are welcomed and valued. “The international nature of the school creates an education in itself,” states Saburo Kagei, headmaster. “Students are constantly exposed to cross-cultural issues, and classroom/co-curricular activities are designed to raise awareness of global issues and world citizenship.”

The different perspectives find their way into the classroom at Canadian Academy (CA). “The curriculum at our school offers multiple opportunities to investigate our students’ cultures,”

explains Kirsten Welbes, director of admissions.

Multiage education at New International School of Japan is done in the “Vygotskian” style using a thematic approach and the Scottish curriculum. “Diversity is what is wanted and appreciated in each class,” says Steven Parr, founding director and head of school. “This includes age, cultural, linguistic and proficiency diversity.”

According to Ladd, “We see cultural diversity as a strength that enables us to reflect the world at large within the classroom and engage students in developing a multicultural lens while recognizing the commonality of our humanity.”

At J. International School (J’s), the preschool years are very special. “It is well known that the first five years of life are the most formative,” explains Irene Koyasu, headmistress. “Personalities, friendships, academic, social skills, life-long habits are some of the many traits formed during this crucial time. J’s takes the responsibility of investing in these foundations seriously.” The teachers believe J’s loving home-away-from-home environment provides an important stepping stone from home life to school life.

St. Alban’s Nursery aims to meet each child’s individual needs. “This means creating an ordered, interest-filled environment, and exposing each child to various opportunities for discovery, adventure and social interaction,” explains Yamamoto-Copeland, “Each child develops their own

unique power of concentration, coordination, independence and self-confidence, as well as laughter and love.”

J’s teachers try to cater to each child’s needs especially in academics, points out Koyasu. “Many graduating students have been accepted and enrolled into the best international schools in Tokyo, sometimes being placed above their age grade.”

CA hosts a series of Headmaster’s Symposiums that seek a cross-cultural dialogue with students, faculty, parents and alumni. “We also host a traditional International Food Day that brings our community together to enjoy each other’s foods, drinks, entertainment and friendship,” says Welbes.

St. Alban’s Nursery is observant of the parents’ needs, explains Yamamoto-Copeland. “Parents learn daily with their children, and teachers should be their partners in this. Communication is essential.” There are individual parent-teacher conferences twice annually, and a popular Open House and Children’s Work Exhibition every spring. Firemen visit in summer, and policemen in autumn. They have seasonal parties and events which are all posted on the social media.

J’s families to come to introduce their country and foods, and wear their costumes. On graduation day, the whole school joins in to celebrate the occasion. “Grandmothers, grandfathers, cousins, aunts and uncles all come to see and enjoy the big feast with a delicious buffet lunch,” says Koyasu. “We also have school



field trips and picnics.”

The broad commitment to internationalism might appear through any combination of the following, explains John Searle, president of the Japan Council of International Schools (JCIS). “The member schools generally value the development of critical thinking skills and open mindedness that will be reflected in the curriculum.” Teachers will use various authentic assessments that can determine the extent to which concepts, skills, knowledge and attitudes have been learned. “Multilingualism will be explicitly encouraged and expected in many schools, as will discussions about culture and perspective.”

### Young adults

St. Mary’s Alumni Association members, who can be found worldwide, “play a significant role in the continuing life of their alma mater, and stay connected through chapters in several cities,” say Kagei.

Temple University, Japan Campus (TUJ) is specifically designed for Japanese students who have not only studied English but, more importantly, want to have an education that truly challenges their mind. “TUJ is the ideal place for those who want to pursue the type of rigorous American liberal arts education that will develop critical thinking and communication skills, as well as subject knowledge,” says Bruce Stronach, dean. “They can earn an American university degree that will put them on the path to graduate study or a professional career, while remaining close to their family in Japan.”

Formal business studies may include executive seminars and leadership workshops. “These activities keep managers on top of new developments in their fields,” explains Philip O’Neill, director, McGill MBA Japan Program, Desautels Faculty of Management of McGill University. “It also gives an opportunity for busy managers to step out of their day-to-day challenges and reflect on their work.”

The McGill MBA Japan Program is an outstanding way for companies to develop their future leaders in an international, English-language setting, while they are able to continue to contribute to their organization, says O’Neill. “I am happy to speak with companies, either HR managers or business managers, who are interested in sending their employees into our program. Small companies, in particular, can benefit from our weekend format program.”

Sakura House has been providing monthly apartments, share house rooms and dormitories to the foreign community in Tokyo since 1992. “Thanks to our 20-plus years of experience as one of the leading real estate agencies, Sakura House can now offer over 1,700 rooms in 167 locations in Tokyo, as well as an efficient service and reservation system,” says Masayo Namiki, sales manager of Sakura House and Sakura Hotel.

“Offering daily and weekly stays, Sakura Hotel is a great alternative for students on a short program,” she adds. The four hotels and hostel are all conveniently located in Ikebukuro, Hatagaya, Jimbocho and Asakusa. “Thanks to our multilingual staff, Sakura House and Sakura Hotel provide a friendly and personalized service,” Namiki says. “Our wide range of accommodations in numerous locations allows students to be close to their language school and university.”

### Online

“Technology has been one of the biggest catalysts for change in curriculum development over the past decade,” says Craig Coutts, head of Yokohama International School (YIS). International schools have been quick to respond through initiatives such as the “1:1 laptop provision” and use of handheld devices. “The most important consideration, however, is making sure technology enhances the learning that is happening in the classroom and beyond,” Coutts cautions. “Our Connected Learning Community places a lot of emphasis on this, helping to increase collaboration, enable flexible progression and differentiated instruction, and more actively reflect a real-world learning environment while fostering good digital citizenship.”

Instead of the three “Rs,” ASIJ teaches the three “Cs” – communication, collaboration, and creativity. “It is not only the amount of information available to students, but it is the constant accessibility to this information that is changing the face of education,” explains Ladd. “Teachers are no longer the font of information. Instead, the teacher is a coach or facilitator who helps students analyze information, synthesize it, and use it to solve problems.”

Technology provides St. Mary’s teachers with tools to enhance instruction and assessment, support school productivity, connect the school community, and help students achieve the school’s Schoolwide Learner Expectations. “Teachers integrate technology within the curriculum

to provide learning experiences that are engaging, relevant and challenging,” points out Kagei. “Students learn to use technology tools to communicate, collaborate, and improve their learning.”

JCIS president Searle says the use of technology is important in that it helps students to realize “the potential for new media to reach out beyond the classroom and help in the development of thorough research skills”.


### Challenges up ahead

Parr of New International School feels the challenge is to meet the needs of a more diverse student body. “This parallels the problems of the Japanese school system, as they are ill-equipped to handle the increasing cultural and linguistic diversity of their students.”

Regarding Japanese universities, “Japan still has a long way to go in creating a fundamentally sound and broad-based system for teaching English as a means to increase its international competitiveness,” says TUJ’s Stronach. “Although Japanese universities are aware of the problems they face – and have created some solutions for those problems – the challenge will always be changing their inner structures to implement those reforms.”

Coutts at YIS thinks one of the greatest challenges is “finding the right balance between keeping a global perspective, and still considering and celebrating each student’s personal identity and culture.” The IB program is very strong on this. “It is something we consciously address in our teaching and learning, as well as in how we operate as an organization.”

For JCIS in 2014, “We will all be interested to see how Japan’s economy develops through Abenomics, after the economic downturn and the effects of the tsunami,” Searle says. “In addition, as JCIS schools continue to strive to be at the cutting-edge of educational provision in Japan and the world, how we can work together to achieve this will be an important discussion.”

According to Welbes of CA, the challenge is in addressing the question of how to prepare students to enter a world of fast-paced change and cross-cultural understanding. No longer is it enough to acquire information. “Successful people today are adept, and are working and leading a group, problem-solving and offering analysis,” she says. “Education must also strive to instill a passion for lifelong learning.” 

# Japan Council of International Schools

The first school in Japan to include the word “international” in its name was founded in 1924. However, there has been a long history of international education in Japan, with schools offering an education in English and serving members of the expatriate community in Japan since 1872, and four current JCIS member schools can trace their origins to before the First World War.

Many more were founded in the 1950s and 1960s, and it was in October 1965 when representatives of such schools met formally for the first time to discuss mutual matters of administration and curriculum. The value of such meetings was immediately apparent, and schools started meeting on a regular basis.

On January 12, 1972, a number of schools met and founded the Japan Council of Overseas Schools (JCOS). It was originally decided that membership would be based on schools being in EARCOS, the East Asia Regional Council of Overseas Schools, and that school heads would meet regularly to exchange information and discuss matters of mutual interest. In 1982 a constitution was adopted that opened membership to schools offering an English-based curriculum, irrespective of membership in EARCOS. In 1987, the name of the organisation was changed to the Japan Council of International Schools (JCIS), following the lead of the European Council of International Schools (ECIS).

Schools applying for membership to JCIS must meet a number of important criteria including authority, stability, continuity, professionalism, and an explicit commitment to internationalism. Underpinning this is that the education must be offered in English. Beyond that, however, there are no requirements concerning curriculum, ethos or ownership; there is a variety of curricula and backgrounds. Some schools offer programmes of the International Baccalaureate. Others offer an education rooted to a greater or lesser degree in a national curriculum. Some schools offer a full “kindergarten to grade 12” education while

others specialise in certain age groups. Some are faith-based while others are strictly secular. The smallest JCIS member school has fewer than 100 students and the largest has more than 1,500.

Collectively, our schools currently enrol just short of 10,000 students from 109 countries. About half of the member schools are located in Tokyo or Yokohama. The others are spread throughout the country from Fukuoka in the west to Sapporo in the north.

The heads of member schools meet twice a year – usually in September and April. Meetings are held at member schools: once a year in the Kanto region and once elsewhere in Japan. A President (Chair), Vice President, Secretary and Treasurer are elected by, and from among, the heads of member schools.

JCIS schools network on collective issues such as changes in employment legislation, actions concerning pandemics and disasters, and advice about service providers.

JCIS also encourages professional development among member schools and faculty. Opportunities are taken to share the cost of visiting speakers or performers with neighbouring schools, to coordinate professional development initiatives, to bring together specialist staff, and to support schools introducing new educational programmes.

JCIS schools are being asked for their input into the developments within Japanese education. JCIS exists to create a forum for the continued development and improvement of international education in Japan and the enhancement of the school experience for all families seeking an international education.

**John Searle**  
**President, Japan Council of International Schools**  
[www.jcis.jp](http://www.jcis.jp)  
**Head of School, Osaka International School**  
[www.senri.ed.jp](http://www.senri.ed.jp)



## Japan Council of International Schools

Links to the member schools may be found at [www.jcis.jp](http://www.jcis.jp)

American School in Japan

Aoba-Japan International School

British School in Tokyo

The Canadian Academy

Canadian International School

Christian Academy in Japan

Fukuoka International School

Hiroshima International School

Hokkaido International School

International School of the Sacred Heart

Kyoto International School

Marist Brothers International School

Montessori School of Tokyo

Nagoya International School

New International School

Nishimachi International School

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We also have some new faces among our faculty and administrative team. We welcome the energy and fresh ideas they bring to make the school year more exciting and focused on the students, while maintaining our well-known boys' school traditions. Nowhere do we see this combination better exemplified than with our new headmaster, Mr. Saburo Kagei, who is nonetheless a familiar face as a St. Mary's alumnus and former principal.



Over the past three years, we have added a new surprise for the students each summer. Following the addition of playgrounds for the Readiness Program and Elementary School students, this year we have added a rooftop garden patio for the older students. Middle and High School boys can pick up a favourite book on their way through the library to the open air, where benches, patio tables and seasonal flower beds combine to provide a decidedly un-classroom-like atmosphere. It is the perfect place for a meeting of the minds while enjoying the sunshine and breeze.

To help students get serious about studies following the months of summer holiday, St. Mary's offers renowned fine arts and athletics programmes. Whether your son enjoys making music, expressing himself in writing, or kicking up his heels on the soccer field, we have the facilities, teachers and fellowship necessary to make a difference in his life, every day.

Please see the details at our website: [www.smis.ac.jp](http://www.smis.ac.jp)

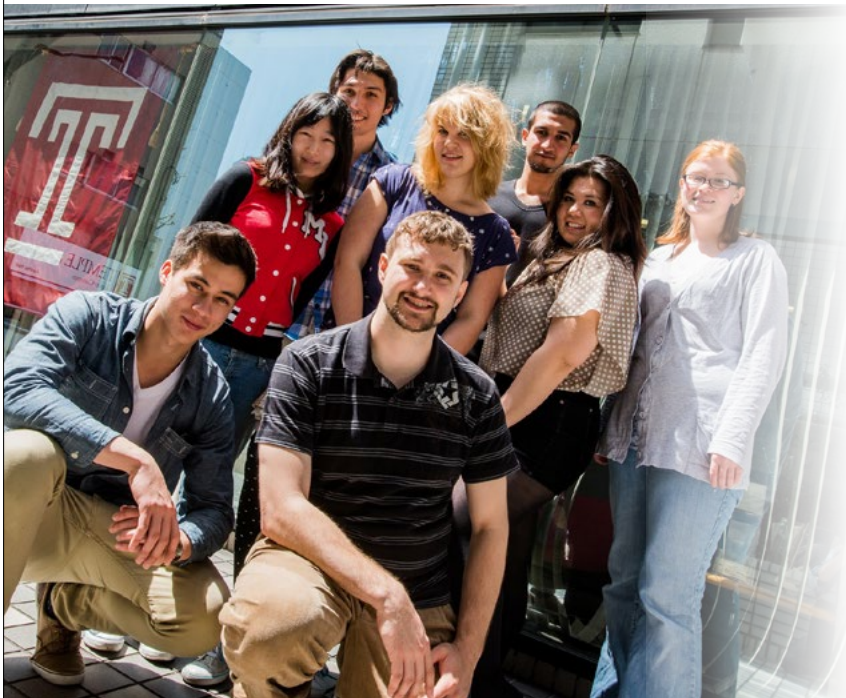








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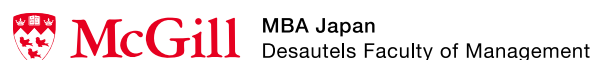
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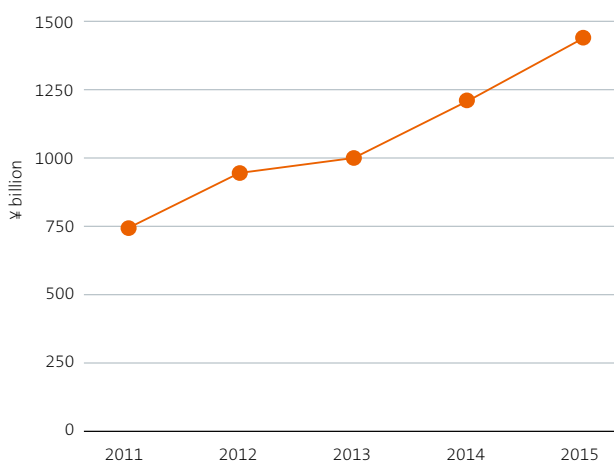






# e-dressing

Japanese online fashion sales climbing fast



The share of fashion sales taken by e-commerce in Japan is growing fast. So fast and so diverse is the field that there is a problem with measuring the market size. The Ministry of Economy, Trade and Industry (METI) says total online apparel sales hit ¥144 billion in fiscal 2011, but its analysis misses several key non-store retailers and is actually a serious underestimate. Yano Research Institute's estimate for fashion goods (apparel, accessories and jewellery) was ¥636 billion in fiscal 2011, rising to ¥702 billion in fiscal 2012, with a forecast of ¥950 billion for fiscal 2015. Yet, this is a conservative projection, given that the three largest online firms – Rakuten, Amazon and Zozo – sold a combined ¥480 billion in apparel and accessories in fiscal 2011.

JapanConsuming's estimate, on the other hand, which includes the main portals and brands as well as retailer-owned sites, suggests online apparel and accessory sales of ¥746 billion in fiscal 2011, rising to ¥872 billion in fiscal 2012. We expect online apparel sales to rise to between ¥1.3-1.4 trillion through year 2015, accounting

for around 8% of the entire apparel-and-accessories market in Japan.

There is real traction in both sales and investment to support this growth, not only from e-commerce firms and speciality retailers, but also from department stores, catalogue firms and TV shopping channels.

Isetan Mitsukoshi, for example, has invested around ¥1 billion to build a new distribution centre for online sales and has just merged the non-store operations of Isetan and Mitsukoshi.

The leading TV shopping firms, QVC and Jupiter, are expanding online broadcasts. QVC now takes a reported 10% of apparel sales from online and has just launched a new fashion brand, Chapter One, in a tie-up with online fashion store Yumetenbo.

Non-store retailers that have traditionally sold through catalogues now take much more share from e-commerce. Senshukai already garners more than 53% of sales through e-commerce, while Nissen takes 49%. Both are leaders in mobile commerce (orders over portable handheld devices). The mobile fashion market is set to see a further jump in activity following the takeover of Magaseek by NTT DoCoMo (the number-one mobile carrier) this spring and Rakuten's recent acquisition of Stylife.

Further M&A activity is expected as major players look to consolidate market share and buy in innovation. ☺



**ROY LARKE**

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For more information, please see [www.japanconsuming.com](http://www.japanconsuming.com) or contact Sally Bedown at [subs@japanconsuming.com](mailto:subs@japanconsuming.com)



Soergel chats with Kashiwagi Art Foundry operator Teroyuki Kashiwagi, descendant of a cast metal master who moved to Odawara in 1686



# Craft crusade

Text and photos JENNIFER ZYLINSKI-SPARGO

Take a deeply traditional Japanese craft business, lacking successors and struggling against the odds for survival in modern times, and launch it into the firmament of glittering global fashion brands.

Such is the ambition of Nicolas Soergel, managing director of Chinriu Honten and its online store Nihon Ichiban. Chinriu Honten, founded in 1871 in Odawara, south-west of Tokyo, is in the business of pickled plums, or umeboshi, and related products.

"What worked in the past will not work in the future," says Soergel. "For example, our products all go with rice, and rice consumption is declining. Also, many young Japanese are abandoning the tradition of seasonal gift-giving. The trends are against us, and the same is true for many Japanese traditional food-and-craft businesses."

French-German Soergel, whose wife is the family company's fifth president, discovered this firsthand as a member of the association of producers that exhibit at Takashimaya department stores' Aji Hyakusen (100 flavours) festivals.

"The owners all know each other. Over a beer or two we realised that many of us face similar challenges," says Soergel, who understood that, despite a stagnant domestic market, Japanese food and culture are becoming increasingly popular around the world. "There are very few authentic products, while in Japan there are producers with a wonderful heritage but with no idea how to tackle the overseas market."

Slipping back into an IT industry job for a couple of years, the former head of East Asia operations for Deutsche Telekom spent his spare time experimenting and developing his master plan: Make Chinriu Honten the exemplar for revitalisation and globalisation of dying local craft businesses.

Step one was to connect with some of the millions of non-Japanese

worldwide who take Japanese proficiency tests, on the assumption that they have at least some interest in Japanese culture. His language blog, nihongoichiban.com, gained popularity and led to step two, the Nihon Ichiban blog. This featured things to do, eat, drink and buy as gifts in Japan.

"Connected to Facebook, it worked extremely well," he says.

Step three was to build what is now one of the most complete directories for Japan-related blogs, with some 400 bloggers. With a total social media audience of about 65,000, Soergel quit his IT job and got to work on the online shop. To get suppliers, he began with the business owners he knew best. One of the first to join had one revealing stipulation.

"You can sell my product as long as no foreigner ever contacts me," the craftsman said, according to Soergel. "You take responsibility for all that."

Soergel visited companies all over Japan. A fortuitous introduction led to a tour of Sumida ward, with further introductions to local craftsmen, including a producer of Edo kiriko cut glass who had previously rejected Nihon Ichiban as superfluous, yet who responded positively to the personal contact.

Soergel emphasises the supreme importance of this element.

"When I visited the owner, I had a 95% success rate. With phone calls I had 100% failure," he says.

Some of the craftsmen, at first plainly disinterested, opened up when Soergel began asking questions.

"You have to show real interest in what they are doing," he observes. "They will be offended if you treat their work as just another product."

By the time of its mid-2012 launch, the online shop had 50 suppliers.

Membership received a boost through the Greater Nagoya Initiative, where officials recognised the value of matching Nihon Ichiban with local enterprises.

"They were extremely efficient, and

every company I visited became a member," says Soergel. "Twenty new ones joined in three months."

Part of the process that Soergel clearly relishes is learning from master craftsmen about the finer points of their craft.

"In order to write accurate product descriptions I had to figure out how to explain in English things that were difficult even for Japanese to understand in Japanese," he says.

It is impossible to predict the next hot product. Pickled cherry flowers were dormant among Chinriu Honten's offerings until they were covered by a popular US food blogger.

"Suddenly we were selling pickled sakura flowers throughout the year, by the hundreds," says Soergel.

He was amazed when sales of glass wind chimes took off. With the addition of other types of wind chime, sales swelled to over 100 units per month.

With improved presentation, more efficient shipping and a spreading reputation in Japan, Nihon Ichiban continues to gain momentum.

"We work in niches, but it works well because we have many of them, with little competition in each area," he explains.

Since December, Soergel has begun selling selected products through a growing list of local Amazon.com outlets, such as Amazon US, Amazon France, Amazon Germany and Amazon UK. This requires a bank account in the country of delivery and a barcode system.

"Japanese craftsmen don't have any of that. We have become an enabler for Japanese companies and designers so they can sell abroad," he says.

The online shop now lists about 1,300 items, from 60 suppliers. With food and craft well established, Soergel is working hard to add more designers.

"Craft is easy," he says. "With designers, you have to search for them."

Again, the rule is to expect surprises. The Vegetabrella, a cute umbrella that looks just like a head of lettuce,





Ishikawa Lacquer wood-turner Tomoko Suzuki explains her part in crafting a lacquer-ware cup

was available through small umbrella specialist Tokyo Noble, but not through Nihon Ichiban, when it was featured on Japanese TV last September. The owners knew Soergel, however, and they called him in panic.

"They had had 800 emails in two days, including many from overseas, and were totally at a loss," he recalls. Within a couple of hours he had provided the shop owners with an appropriate email response and added Vegetabrella to Nihon Ichiban.

With a background in finance and business administration, Soergel worked for Sony in Germany before teaming up with a friend to launch a successful startup there. He and his wife then moved to Osaka, where he spent two years re-integrating Boehringer Ingelheim into the German pharmaceuticals company's global structure. Next, he was jetting about Asia for Deutsche Telekom.

"I was unhappy," he remembers. "There is no emotion in IT services."

It seemed bizarre, even to Soergel,

to be dissatisfied with such enviable success, so he consulted with friends, visited a psychiatrist (who managed to assure him that he was not crazy) and undertook a rigorous reassessment of his private and professional objectives.

"It took me two years to figure it out. In the end, when I got rid of big financial goals, I found there was no separation between private and professional objectives," he says. "Now my mission in life is to become 'Mr Japanese Culture'."

As such, he sees the leveraging of French culture into stellar fashion brands as a model for his adopted homeland.

"Japan has a similarly rich heritage, but there is very little branding and almost no professional development of the brands," he notes.


A prime example (he draws it from his pocket) is Koshu Inden deerskin leather, made using techniques developed for the production of parts of samurai armour four centuries ago.

"It takes months to make a wallet like this. It's beautiful and extremely

“WHEN I VISITED THE OWNER, I HAD A **95% SUCCESS RATE.** WITH PHONE CALLS I HAD **100% FAILURE**”

durable," says Soergel. "The potential is there, but their bags look very old-fashioned to Western eyes. If that company could work with foreign designers it could be the Louis Vuitton of Japan."

Soergel even sees Chinrii Honten acquiring some companies now heading for oblivion and energising them enough to attract young talent.

"Young people will not join a craft company if it has no future," he notes. "And if craft companies are allowed to close down, the culture disappears." 





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# Upcoming events

► **Austrian Business Council**

[www.abc-jpn.org](http://www.abc-jpn.org)

## The Business of Soccer: Visiting Kawasaki Frontale

26 September, Thursday, 16.00-18.00 (18.00-20.00)

**Venue:** Kawasaki Stadium (optional bus at Shinagawa Station)

**Fee:** ¥5,000 (members), ¥6,000 (non-members). Fee includes networking reception.

**Contact:** [tokio@advantageaustria.org](mailto:tokio@advantageaustria.org)

► **Belgian-Luxembourg Chamber of Commerce in Japan**

[www.blccj.or.jp](http://www.blccj.or.jp)

## BeLux shop @ Mitaka International Exchange Festival

22 September, Sunday, 10:00-16:00

**Venue:** Inokashira West Park

**Fee:** free of charge

**Contact:** [info@blccj.or.jp](mailto:info@blccj.or.jp)

## Belgian Beer and Food Academy: food-pairing

1 October, Tuesday, 18:00-21:30

**Venue:** Hilton Tokyo, Shinjuku

**Fee:** ¥19,000 (members), ¥20,000 (non-members)

**Contact:** [info@blccj.or.jp](mailto:info@blccj.or.jp)

► **Finnish Chamber of Commerce in Japan**

[www.fcc.or.jp](http://www.fcc.or.jp)

## FCCJ Tour to Nissan

12 September, Thursday, 09:00-12:00

**Venue:** Nissan Oppama Plant, Yokosuka

**Fee:** ¥3,000

**Contact:** [fccj@gol.com](mailto:fccj@gol.com)

## Joint Nordic Luncheon Meeting

25 September, Wednesday, 18:30-21:00

**Speaker:** Pekka Vauramo, CEO, Finnair

**Venue:** Grand Hyatt Tokyo, 3F, Tarragon Room

**Fee:** ¥6,000 (members), ¥8,000 (non-members)

**Contact:** [fccj@gol.com](mailto:fccj@gol.com)

► **German Chamber of Commerce and Industry in Japan**

[www.japan.ahk.de/en/](http://www.japan.ahk.de/en/)

## PR Event in English "Closing Cultural Gaps for Bigger Business in Japan"

12 September, Thursday, 9:00-11:00

**Speaker:** Craig Saphin, president and representative director, en world Japan K.K.

**Venue:** GCCIJ, conference room, Hanzomon/Kudanshita stations

**Fee:** free-of-charge

**Contact:** [events@dihkj.or.jp](mailto:events@dihkj.or.jp)

## German Wine Festival 2013

22-23 October, Tuesday-Wednesday, 18:30-21:30 (Tokyo)

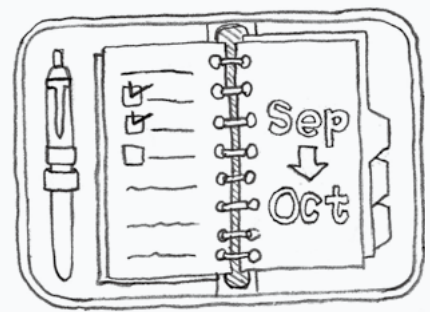
**Venue:** HAPPO-EN, Nait, Shirokanedai

**Fee:** ¥6,500 for each day

**Contact:** [events@dihkj.or.jp](mailto:events@dihkj.or.jp)

► **Ireland Japan Chamber of Commerce**

[www.ijcc.jp](http://www.ijcc.jp)



## SEPTEMBER

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15	16	17	18	19	20	21
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## OCTOBER

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27	28	29	30	31		

## IJCC & BCCJ Joint Chamber Networking Event

12 September, Thursday, 19:00-21:00

**Venue:** Irish ambassador's residence

**Fee:** ¥5,500 (members), ¥7,000 (non-members)

**Contact:** [secretariat@ijcc.jp](mailto:secretariat@ijcc.jp)



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► **Italian Chamber of Commerce in Japan**  
[www.iccj.or.jp](http://www.iccj.or.jp)

### Networking: Aperitivo della Camera

26 September, Thursday, 19:00-21:00

**Venue:** Panino Giusto Aoyama, Gaienmae  
**Fee:** ¥1,000 (members), ¥2,000 (non-members)  
**Contact:** [promo@iccj.or.jp](mailto:promo@iccj.or.jp)

► **Netherlands Chamber of Commerce in Japan**  
[www.nccj.jp](http://www.nccj.jp)

### Briefing and Drinks – A brief guide to Japanese rule-making procedure

17 October, Thursday, 18:00-21:00

**Speaker:** Takeo Nishitani, chairman, Weber Shandwick  
**Venue:** Randstad K.K., New Otani Garden Court, Akasaka-mitsuke  
**Fee:** ¥4,000 (members), ¥5,000 (non-members)  
**Contact:** [nccj@nccj.jp](mailto:nccj@nccj.jp)

► **Norwegian Chamber of Commerce in Japan**  
[www.nccj.or.jp](http://www.nccj.or.jp)

### NCCJ 10th Anniversary

11 October, Friday

► **Polish Chamber of Commerce and Industry in Japan**  
[www.pccij.or.jp](http://www.pccij.or.jp)

### Polish Festival 2013

27-29 September, Friday-Sunday, 11:00-19:00 (-20:00 Sat)

**Venue:** Roppongi Hills, Oyane Plaza  
**Fee:** free of charge  
**Contact:** [tokyo@trade.gov.pl](mailto:tokyo@trade.gov.pl)

► **Swedish Chamber of Commerce and Industry in Japan**  
[www.sccj.org](http://www.sccj.org)

### Crayfish Party

11 October, Friday, from 19:00

**Venue:** to be confirmed  
**Fee:** to be confirmed  
**Contact:** [office@sccj.org](mailto:office@sccj.org)

► **Swiss Chamber of Commerce and Industry in Japan**  
[www.sccij.jp](http://www.sccij.jp)

### September Luncheon: “Communication Challenges between Japanese subsidiaries and European headquarters”

19 September, Thursday, 12:00-14:00

**Venue:** Grand Hyatt Tokyo, 2F Anise Room  
**Speaker:** Prof. Franz Waldenberger, Munich School of Management  
**Fee:** ¥ 8,000 (members and non-members)  
**Contact:** [info@sccij.jp](mailto:info@sccij.jp)

► **Multi-chamber event**  
**Mercedes-Benz Japan Cup 2013 The North America – Europe Golf Challenge**

4 October, Friday, 08:00-17:30

**Venue:** Atsugi Kokusai Country Club, Kanagawa.  
**Fee:** ¥24,000  
**Contact:** [www.dccgolf-japan.com](http://www.dccgolf-japan.com)

► **European Institute of Japanese Studies**  
[www.hhs.se/eijs/](http://www.hhs.se/eijs/)

### Academy Seminar

#### “Papa no Shohi” (Fatherly consumption) – Ikumen\* and the rise of a new market opportunity

11 September, Wednesday, 18:30-21:00\*\*

**Speaker:** Dr Florian Kohlbacher, senior research fellow and head of Business and Economics Section, German Institute for Japanese Studies  
**Venue:** Alfred Nobel Auditorium, Embassy of Sweden, Roppongi  
**Fee:** ¥3,000 (payable at the door), free for students  
**Contact:** [eijsjap@gmail.com](mailto:eijsjap@gmail.com)

\* Ministry for Health, Labour and Welfare project: men who enjoy parenting or wish to do so in the future, and grow through it  
\*\* drink & snack followed by lecture & discussion (19:00-21:00)

# Upcoming meetings

#### → Animal Health

28 November, Thursday, 15:00, off-site

#### → Asset Management

27 September, Friday, 12:00 noon, EBC

#### → Automotive Components

10 October, Thursday, 16:00, EBC

#### → Energy

12 September, Thursday, 14:00, EBC

#### → Food

11 September, Wednesday, 09:00, EBC

#### → Human Resources

6 November, Wednesday, 19:00, EBC

#### → Legal Services

12 September, Thursday, 18:30, off-site

#### → Logistics and Freight

10 September, Tuesday, 17:00, EBC

#### → Materials

11 November, Monday, 17:30, EBC

#### → Medical Equipment

26 September, Thursday, 14:00, off-site

#### → Railways

21 October, Monday, 09:00, EBC

#### → Tax

17 December, Tuesday, 12:00 noon, EBC

#### → Telecommunications Carriers and Equipment

19 September, Thursday, 10:00, EBC

Committee meeting dates are subject to change. Please contact the EBC secretariat for confirmation.  
Tel: 03-3263-6222. E-mail: [ebc@gol.com](mailto:ebc@gol.com)



# John Mader

*Straddling borders*

Text and photo **DAVID C HULME**





John Mader's little brother, pushing his tiny toy car through a model city built of Lego blocks in the family basement, was oblivious to his error.

"Bob!" admonished the miniature city's builder. "You can't drive down that street. We're in the Renaissance. It's 1653!"

Mader, now senior project manager for Lend Lease Japan, uses the anecdote to explain his childhood fascination with both urban planning and history. Add to that a talent for draughtsmanship.

"I was drawing floor plans of houses at age six," he recalls.

Then mix in an aptitude for languages. Mader is able to conduct business in German, Dutch, French and Japanese as well as English. Born in Wilmington, Delaware, he spent a couple of summers in Germany with his grandparents, taught himself German grammar while still in primary school and began subscribing to the German weekly news magazine, *Der Spiegel*, around the age of 12.

"I was an odd child," he concedes, explaining the diverse and turbulent backgrounds of his immediate forbears that fuelled his interest in history.

He cites a large collection of love letters held by his German grandmother, written during WWI by his grandfather to a woman of his acquaintance in France. The relatives in Germany spoke mostly in Bayreuth dialect, and WWII had swept some in from as far afield as Ukraine.

Never interested in sports or in being popular in school, straight-A student Mader was comfortable exploring a nearby stream and forest, drawing houses, building miniature cities and obsessing about Noam Chomsky's theory of transformational-generative grammar.

"I was nerdy. All I wanted for Christmas was a renewal of my *Der Spiegel* subscription and a copy of *Der grosse Duden*, the nine-volume authority on the German language."

For his Harvard University Bachelor of Arts degree, he majored in government because the most interesting courses were in political science.

"I was into history, though, not power or politics," he says.

Then he picked up a book and taught himself Dutch, which helped him obtain a Harvard scholarship for thesis research in Europe. Three months in Holland

yielded a tome on the electoral decline of the religious parties in the Netherlands in the 1960s.

Uncertain of how to build a career on his arts degree, Mader contacted a Gallup-affiliated pollster in Amsterdam who hired him for his language skills (a knack for computer programming helped as well) and willingness to conduct research in five European countries. After moving to the Gallup Organization's Princeton, New Jersey headquarters, he continued a mix of market research and public opinion polling. He then enrolled at Princeton University to study for a Master of Public Administration degree in International Economics.

Graduating in 1983, Mader made the rounds of interviews at banks on Wall Street.

"I'm applying for jobs I don't want," he realised. "This is crazy."

Accordingly, and despite a thin design portfolio, he successfully applied to the University of California, Berkeley, and earned a Master of Architecture degree. He then worked for architectural firms for a decade or so in California before coming to Japan in 1995 with his wife, Susan Lawson.

"We brought our wedding date forward so Susan could get a spouse visa and we could come to Japan together," he explains.

"Susan's parents were artists and showed her *kokeshi* dolls and Hiroshige prints when she was a child," Mader recalls. "When working for a Japanese architect in San Francisco in the 1980s, on the design of a housing project for Nishi-Azabu, she decided she needed to learn Japanese to read the Tokyo building code."

Mader's own interest in Japan burned on several fronts. His mother had a particular interest in Japanese gardens, Japan was a hot topic when he was studying economics, and architectural school put him in touch with the country's foremost designers.

Having started learning Japanese at summer school in the United States, he won a grant from the Blakemore Foundation that allowed him to study Japanese at the Inter-University Center (IUC) in Yokohama.

"I arrived with no prospects," he relates. "All I had was the grant to pay for tuition and living expenses."

### **i Do you like natto?**

**Title:** Senior Project Manager, Lend Lease Japan

**Time in Japan:** "14 years"

**Career highlight:** "Shiodome City Center"

**Career regret:** "Could have competed harder for choice design work"

**Favourite saying:** "Economics is a social science"

**Favourite book:** "*La Méditerranée et le monde Méditerranéen à l'époque de Philippe II*, by Fernand Braudel"

**Cannot live without:** "Espresso"

**Lesson learned in Japan:** "More empathy"

**Secret of success in business:** "Always think first of how you can help the people you meet"

**Do you like natto?:** "No"

Toward the end of the IUC course, a Japanese friend introduced him to Tokyo-based architecture and engineering firm Nihon Sekkei. A Princeton-educated manager hired him.

"I had seven years of experience in San Francisco, so that helped. Even back then, a lot of the work was already in Asia. I had projects in Osaka, Shenzhen, Shanghai and Taipei in my portfolio," Mader reflects.

For most of his five years as a project architect for Nihon Sekkei he was involved with the Shiodome City Center project (43-story office tower and retail center) in Tokyo. He describes the project now as one of the most satisfying of his career.

"That is where I saw most of the process. It was a lot of fun," he says.

Mader adds a swarm of professional activities, such as public speaking and EBC committee work, to his demanding job. He maintains some artistic activities, including ceramics, and shares his wife's interest in calligraphy and Japanese painting.

"I do just enough at the health club to stop myself from falling apart," he laughs. "It is incredible how much we work in Japan. I don't even give the dogs a proper walk any more."

What drives him, he says, is not position or money, but interesting work. He has been at Lend Lease Japan since 2009, relishing the challenges and managing to straddle the borders between design, construction and real estate finance. **e**





# The Craft of the Japanese Sword

Yoshindo Yoshihara's family has been involved in the craft of sword-making for 10 generations. He began learning how to make swords at the age of 12 from his grandfather, and continued to become renowned as one of the world's finest practitioners of the craft. Along the way, he has garnered many prizes, co-authored *The Craft of the Japanese Sword*, and been named an Important Cultural Property of Tokyo. He now works with his son and trains five apprentices at his Tokyo workshop. Visit [www.samuraisword.com](http://www.samuraisword.com) to see Yoshihara's craftsmanship.



Photos and text **BENJAMIN PARKS**





# Loïc Réthoré

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Photo IRWIN WONG



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