

EURO BIZ JAPAN

AUGUST 2019

➡ Following a new formula

Europe shakes up Japan's dairy industry

➡ Everything in balance

*Spanish Ambassador to Japan
Jorge Toledo Albiñana*

➡ Is it safe?

The monstrous tale of Japan's inheritance tax laws

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Edenred Japan

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The Mission of the European Business Council
To promote an impediment-free environment for European business in Japan.



Much more on the menu

By Toby Waters





First Focus

With a floor area of 45,000m² and ceilings 21m high, the National Art Center, Tokyo is Japan's largest exhibition space. Designed by renowned Japanese architect Kisho Kurokawa, the atrium incorporates two inverted concrete cones, one with a restaurant and the other with a café on top.

Since it is free to enter the atrium, it is an ideal place to get out of the summer heat. And the inverted cones may also put one in mind of another type of cone well suited to this sweltering season.

Photo by Yu Kato
unsplash.com



Writing in and about Japan since 2000, **Gavin Blair** contributes articles to magazines, websites and newspapers in Asia, Europe and the US on a wide range of topics, many of them business related.

➡ *“Those who were looking forward to the much-touted cheaper European cheese after the conclusion of the EPA are going to have to be patient as the tariffs will be coming down in stages over a number of years, the first of which only reduced it by a few percent. Still, it is moving in the right direction.”*



A British journalist, **Dean Irvine** has worked for The Times of London and CNN International. He is also a communications consultant and, most recently, was director of communications at Doctors Without Borders Japan.

➡ *“Japan’s inheritance and gift tax laws are not something most expatriates think about. Yet, over the last six years, it has been an area of great concern for many residing in the country. I unpack the key changes on inheritance tax for foreign residents and what they mean for those living and working in Japan today.”*



A former newspaper and wire service reporter, **Geoff Botting** has called Japan home for over a quarter of a century. He now works as a freelance journalist and translator, writing mostly about business, economics and travel.

➡ *“The automobile industry is on the cusp of profound change. The not-so-distant future promises the phasing-out of conventional gasoline-powered cars in favour of ones that can drive themselves and run on alternative fuels. The EBC wants to ensure that the technological innovations driving this transformation are globally harmonised, to make the industry more open, fair and efficient.”*



Yumi Ishikawa is an actress, model, writer and activist. She is the founder of the #KuToo movement and has submitted a petition to the Japanese government requesting that employers be banned from requiring women to wear high heels.

➡ *“After tweeting about how my pumps were making my feet hurt at work, I was so surprised by the overwhelming response from women who had the same experience that I decided to do something about it. Positive change is already taking place, and I am determined to help end this unnecessary requirement for women.”*

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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.



FROM EUROBIJ JAPAN

TEXT BY ANDREW HOWITT

Fitting conclusions

Giacomo Puccini died in 1924 before completing the final scene of his last opera, *Turandot*. It tells the story of the cruel Princess Turandot, who demands that her suitors solve three riddles or be beheaded, and of her refusal to marry Prince Calaf after he is successful. For decades, it was performed with a happy, but unrealistic ending — the sudden softening of Turandot's heart. Since the turn of the century, it has been given more convincing conclusions, including at its staging last month in Japan by the famed Spanish artistic director Àlex Ollé. In his version, Turandot kills herself so she doesn't have to go through with the marriage to Calaf.

In addition to mentioning this performance and other Spanish cultural events

coming to Japan, Ambassador Jorge Toledo Albiñana spoke with *Eurobiz Japan* about the appropriate conclusion reached on the communiqué at this year's G20, as well as how the "Toledo clause" brought a fitting resolution to negotiations on what would become the Lisbon Treaty. Find out more in "Everything in balance" (page 18).

After Japan changed its inheritance tax laws in 2013, many foreign residents were horrified to learn they would have to pay the government up to 55% on their overseas assets. The EBC

fought for change and assisted in bringing about a suitable end to the drama. Read the whole monstrous tale in Dean Irvine's "Is it safe?" (page 16).

In 1940, Chiune Sugihara, a Japanese diplomat serving in Lithuania, issued exit visas to Jews fleeing Europe, thereby saving the lives of thousands, right up until the moment the consulate closed. Learn more about Sugihara in my interview with Lithuanian Ambassador to Japan Gediminas Varvuolis, "Hi-tech and high ideals" (page 22).

Clearly, we should always strive for the best possible conclusions in everything we do. ●

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Edenred Japan

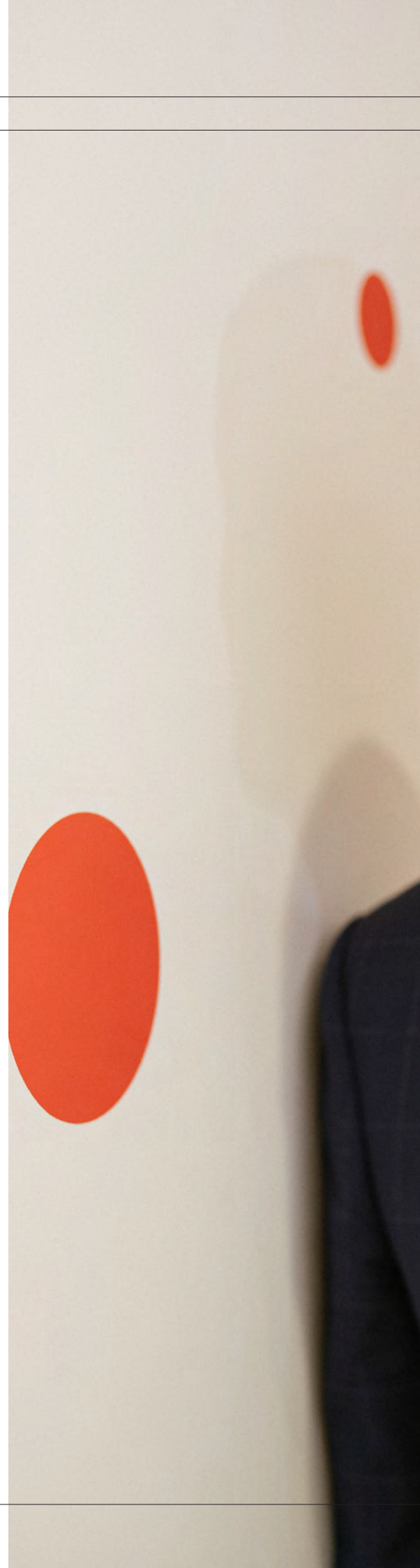
The traditional aspects of Japanese culture inevitably charm visitors to the country, but the traditional, paper-based processes still used at many Japanese companies inevitably frustrate those who work here. Edenred Japan has taken note and is moving quickly to modernise its business.

Edenred can trace its roots to France in 1962 with the creation of Ticket Restaurant, a corporate service that distributes meal vouchers to employees of client companies. These vouchers can be redeemed for lunch at participating restaurants. According to Edenred Japan's CEO Malik Roumane, this system, though simple, significantly benefits both employees and their companies.

"The office canteen is fantastic, don't get me wrong," he explains. "But the problem is

that you're always eating in the same place, the menus don't change very often, and you always know what you're going to get. You need to have more than that."

By giving employees the opportunity to purchase food at various restaurants or stores outside their work place — and not have to pay the full price of the meal themselves — they enjoy a greater variety of food in their diet, and get some exercise as they walk to and from their eatery of choice. It's certainly



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20 years ago,” he says. “This process of catching up is going very fast, but it’s something we want to do.”

Introducing digital services is also bringing new possibilities for employee satisfaction. One example is the Ticket Restaurant smartphone app, which shows both participating restaurants in the surrounding area and the remaining balance on an employee’s account. Soon, Roumane notes, it will have additional features, including the ability to give recommendations based on criteria set by the user.

As part of Edenred’s growth strategy, called the Fast Forward Plan, it is branching out to help companies provide benefits to employees well beyond their lunches. In order to accomplish this, it has acquired or partnered with several firms over the past several years. One important acquisition is ProwebCE, an employee engagement platform, which negotiates discounts for numerous companies’ employees on shopping, leisure and culture activities, and even vacations.

Changes such as these will ensure Edenred remains a leader in payment solutions for businesses. It will also help Japan become a country that is kinder to its workers.

“The government has decided to change the work place and make it more efficient, more friendly to women and the elderly, and one that will enable people to work from home,” Roumane says. “We really believe that solutions like the ones we have — and the desire to be the best companion company for the working world — help with this.”

Through the introduction of digital services at restaurants and other stores, Edenred is

supporting those on the other side of the counter.

“Everything has been designed to make the sales staff more efficient, faster, and, in a way, make their lives easier,” says Roumane.

The firm’s digital offerings also help to improve the customer’s in-store experience with its Smart InChain solution, which started in the APAC region earlier this decade. Using customer relationship management technology, sales staff can get algorithmically generated suggestions based on a customer’s previous purchases — while giving the personal face-to-face service that can only come from interaction with a real sales assistant.

“We enable staff to give an offline experience that is as good as the online experience,” Roumane says. “There’s also better results, better sales and better productivity for the sales advisor.”

Edenred Japan also has ambitions to make transactions between businesses smoother, faster, easier and more cost efficient. Its global group recently acquired US-based Corporate Spending Innovations (CSI), a specialist in automating and streamlining B2B payments.

To illustrate what the firm’s product can do, Roumane gives the example of a hotel that might have employees spending a great deal of time and energy invoicing and settling payments with numerous vendors, such as florists, butchers and brewers. CSI’s cloud-based corporate payment software automatically sorts and pays invoices, which frees up time for hotel employees to do what they do best: serve their guests.

For Roumane, the future of employment is this fusion of technology taking



By the end of next year,

100%

of Edenred Japan’s clients will be using a digital card solution

care of the processes and people taking care of the relationships.

“We have a deep conviction that the working world is changing fast, and we want to stay ahead of these changes,” he says. “By changing like we are changing, we are moving into the real 21st century.”

As it leaves paper behind — and invests in startups and new technology — Edenred Japan is helping to build a world of work that ensures people come first. ●

“We enable staff to give an offline experience that is as good as the online experience”





FEATURE

TEXT BY GAVIN BLAIR

FOLLOWING A NEW FORMULA

Europe shakes up
Japan's dairy industry

Japan's dairy sector is changing thanks to a combination of reforms to domestic regulations and the EU-Japan Economic Partnership Agreement (EPA).

In the aftermath of the Kumamoto earthquakes — which struck in mid-April 2016, killing more than 50 people, injuring thousands and leading to the evacuation of tens of thousands more — access to clean water was an issue for some survivors. This was a particular problem for parents feeding their infants with powdered baby formula.

Japan had a de facto ban on liquid baby formula because there were no safety regulations in place that covered it. However, during those difficult days, Finnish food company Valio donated more than 5,000 200ml packs of its Valio Tuuti liquid formula.

The usefulness of having ready-to-drink formula in such circumstances quickly became clear and prompted authorities in Japan to reconsider their position. In spring of 2018, then-Minister of Health, Labour and Welfare Katsunobu Kato announced that changes in the ordinances were on their way.

Following consultation with the Japan Dairy Industry Association, a set of safety regulations was decided upon and final approval given by the health ministry in August 2018,

allowing domestic manufacturers to develop their own products and permitting imports.

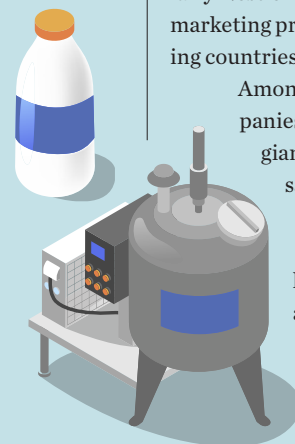
However, no European company has yet taken the plunge.

“Liquid infant formulas have received good feedback in Japan. We are currently investigating their introduction to the Japanese market with potential partners,” says Timo Pajari, senior vice-president of food solution sales at Valio, Finland's biggest food exporter. “However, no decisions on entering the Japanese market have been made yet.”

Swiss food giant Nestlé, a global leader in infant formula, is also absent.

“Although we sell liquid baby formula in a lot of countries, it is difficult to make it a viable business in Japan, which is very different to the global market,” says Tokuo Hosokawa, a spokesperson for Nestlé. “One of the main issues is that Japan is not aligned with the WHO Code, which we have to follow as a global company.”

The Code is the industry abbreviation



“liquid baby formula products ... [have a] potential usefulness in times of disaster”



Finnish food company Valio donated more than

5,000

200ml packs of its Valio Tuuti liquid formula

for the International Code of Marketing of Breast-milk Substitutes, created to ensure lactating mothers are not discouraged from breastfeeding. It was adopted by the World Health Organization in 1981 after an international campaign in the late 1970s against the baby food industry — particularly Nestlé — for its aggressive marketing practices in developing countries.

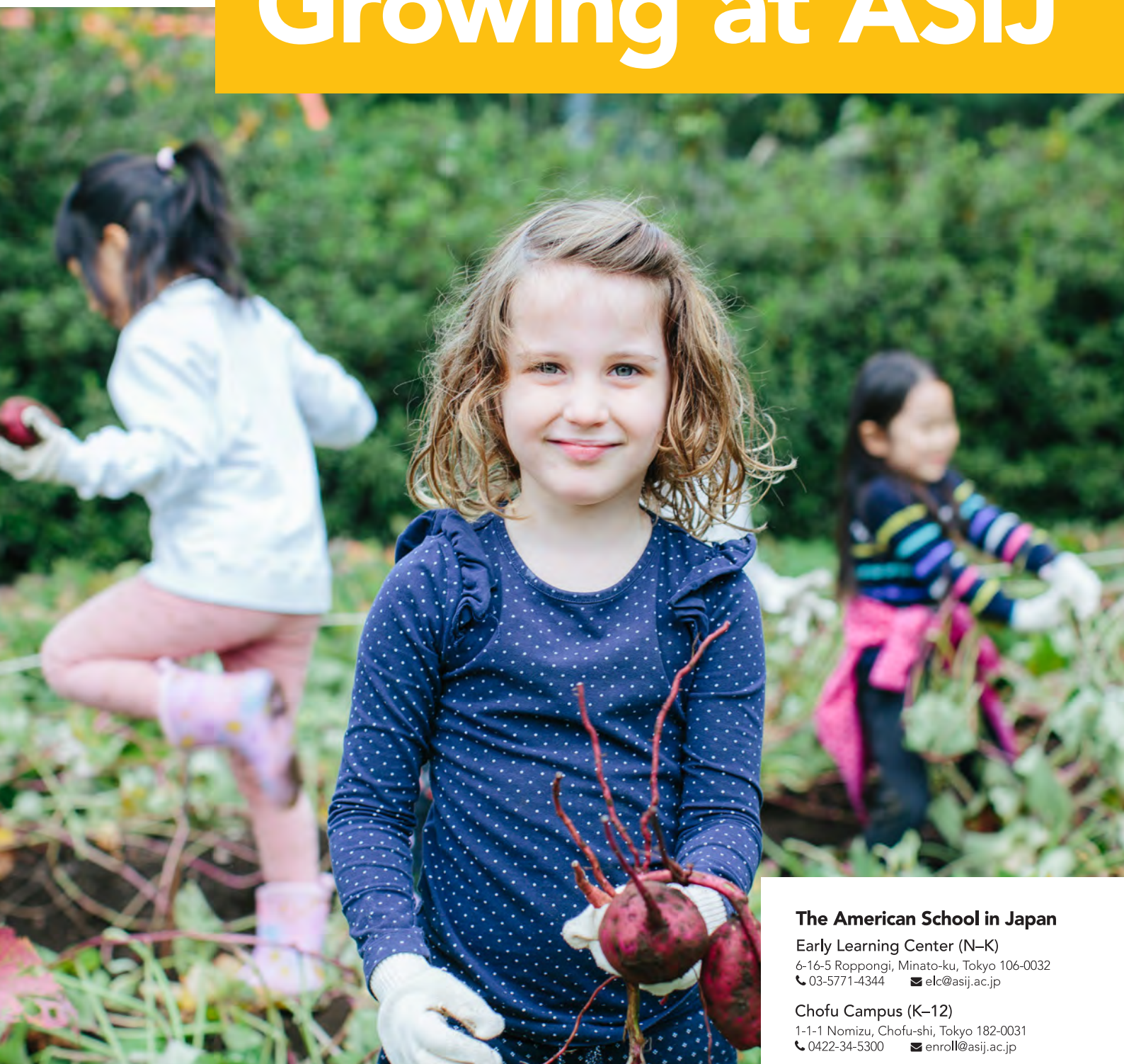
Among Japanese companies, dairy-product giant Morinaga is said to have been looking into a liquid formula, but has yet to release a product, leaving Ezaki Glico to take the lead.

“Even before 2016, we had been

aware of liquid baby formula products through their use in Europe, and their potential usefulness in times of disaster,” says Ezaki Glico spokesperson Masaki Ito.

Following the events in Kumamoto, the company began

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“there will be a shift to European cheese — there has already been a spike in imports since February”



Cheese tariffs under the EPA have initially been reduced from 29.8% to

26.1%

readying a liquid formula that could be brought to market as soon as possible after the ban was lifted.

Ezaki Glico launched ICREO Aka-chan Milk on 11 March this year, the anniversary of the 2011 Tohoku earthquake.

“Part of that was just due to the length of time it took to develop the product and receive approval,” explains Ito. “But it wasn’t a coincidence that we decided to release it on the 11th, because of its usefulness at the time of disasters.”

Seeing that there is a lack of awareness of liquid formula among parents in Japan, the company has been making efforts to get the word out about the product’s usefulness when disaster strikes or during other difficult times, according to Ito.

“Much of the initial feedback from customers was about disaster preparedness, but since

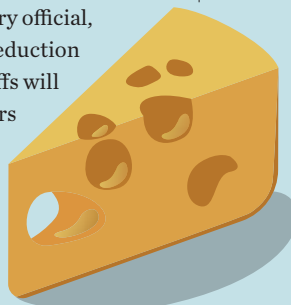
then we’ve heard more about people using it when they’re going out somewhere,” he adds.

The company isn’t releasing sales figures, but Ito says that they have exceeded internal projections for the first few months by a factor of 3.2.

Equally eye-catching figures are being posted by some European companies for jumps in their exports to Japan of a more conventional dairy product — cheese. The upward trend was already evident before the cut in tariffs under the EPA in February, so it is hard to measure its precise effect.

“I think there will be a shift to European cheese — there has already been a spike in imports since February,” says a dairy industry official, “though the reduction of import tariffs will take a few years as it is being done in stages.”

Cheese production is increasing in Japan, but consumption is rising faster, creating chances for European exporters. Few opportunities currently exist within the dairy industry outside cheese, according to the official, who says milk is a non-starter due to the difficulty in transporting it fresh.



“Whey is used instead of skimmed-milk powder for products such as cakes and drinks in Japan, and we had expected imports of it to really grow, but that hasn’t happened yet, though they may do from now,” added the official.

Athanasios Fragkis, owner of Nostimia, an importer of organic Greek food and drink to Japan, points out that February’s initial reduction in the cheese tariff — from 29.8% to 26.1% — is relatively small, but says, “The publicity around cheese and the EPA has been helpful.”

Fragkis adds that the Protected Designations of Origin regulations under the EPA are “good for feta cheese, as every stage of production must be in [one specific] zone, which is stricter than the rules for Geographical Indication.”

New regulations, lower tariffs and more adventurous consumers have been a winning combination for Nostimia, which has quintupled its cheese sales — led by feta — over the past five years.

“Consumers in Japan are more inclined to try new things,” suggests Fragkis. “With travel, the internet and exchange of information, people have got to know that there is more out there than natto and miso.” ●



Is it safe?

The monstrous tale of Japan's inheritance tax laws

The saga of Japan's inheritance tax laws over the past few years has been akin to the classic horror film *Jaws*: a community battles a monstrous predator that is able to attack anyone, anywhere, even when they thought they were safe.



The laws were introduced in 2013, primarily to target Japanese nationals who give up citizenship to avoid tax. But that move also put foreign residents — particularly high-earners — at risk of having a large chunk of their inheritance swallowed by the Japanese state.

For a time, the law stipulated that all assets held abroad by foreigners working in Japan, no matter their visa status and even if they had only spent one year in the country, could be taxed after their death.

It caused a furore in the foreign business community and led to suggestions that foreigners couldn't afford to die in Japan, let alone live here. Yet most were simply oblivious of the threat. Like a shark swimming in the depths of the ocean, inheritance tax is out of sight and out of mind.

"Not many people were aware of it," says Marcus Wong, a partner at PwC. "But foreign nationals were quite shocked when they did hear of it, and

it was seen to be punitive, with a top rate of 55%. Even today many people are still not aware that Japan is quite different from their home countries. For example, there is no unlimited transfer between spouses, unlike in many other jurisdictions."

Business and trade representation groups, including the European Business Council in Japan (EBC), the American Chamber of Commerce in Japan (ACCJ) and the International Bankers Association of Japan (IBA), lobbied the government, citing how these laws deterred highly skilled workers from working and settling in Japan.

"We did it through coordinated efforts with the ACCJ and IBA," explains Hans-Peter Musahl, a partner with Ernst & Young and chair of the EBC Tax Committee. "We all agreed it made our voice better heard. Each was able to contribute individually. For example, letters were sent to Prime Minister [Shinzo] Abe from the German Chamber of Commerce, and it was talked about through embassies, which

was done on the American side, too. The IBA also brought the issue to the attention of Tokyo Governor [Yuriko] Koike."

The government heeded these warnings and, in April 2017, major changes to the laws were enacted. Was it safe to go back into the water? For some, yes — it depended mainly on your visa type and length of stay. For others, no. Plus there was an added new threat.

The good news for foreign nationals who had spent fewer than 10 of the past 15 years in Japan was that they were no longer subject to inheritance tax on non-Japanese assets. However, those with a Japanese permanent resident or spousal visa do not qualify for the 10-year exemption from

"foreign nationals were quite shocked when they did hear of [the changes]"



foreign assets were
subject to inheritance
tax of up to

55%

inheritance and gift tax on overseas assets. This remains the situation today.

“For all expats who live in Japan for up to 10 years, except for these two groups, the problem is solved, and it’s a fair solution,” says Musahl.

However, long-term residents who had spent more than 10 of the past 15 years in

Japan or had a spousal visa or permanent residency visa were still subject to inheritance tax on foreign assets, which for the top earners could be up to 55%. And just leaving Japan proved no escape.

The extraterritorial element to the laws stated that long-term foreign nationals’ assets would continue to be subject to Japan’s gift and inheritance tax for five years after they left the country.

Imagine the situation: you die (according to the law it didn’t matter where) and the house you bought in your hometown, which your spouse or family still lives in, has to be sold just to settle a whopping tax bill in Japan.

This was known as the dreaded “tail”, stalking you like Jaws’ fin scything through the waves. A former long-term foreign resident of Japan and member of the international banking community called the tail “utterly outrageous”.

In the end it only lasted one year, with the five-year-tail rule being repealed in 2018, contingent on the individual not returning and re-establishing their *jusho* (principle place of residence) in Japan within two years of their permanent departure.

Like previous efforts to reform the laws, Wong believes this is thanks in large part to the efforts of the tax committees from the EBC, the ACCJ and the IBA.

But what can be expected next? Wong is not aware of any major changes for foreigners, and there likely will not be any in the near future — that includes both good news and nasty surprises.

“We all agreed [coordinated efforts] made our voice better heard”

“The government generally likes to let the law settle to see how it’s working,” he says.

Also, increasing exemptions for high-income, high-net-worth foreign residents is a tough sell politically.

For Musahl, the issue does not have the same priority it did. However, he believes there could still be more clarity from the Japanese government on certain points, such as how Japan treats foreign trust funds that exist in the UK or the US, or family foundations in Europe.

“Foreigners usually settle matters according to rules in their own countries,” he states. “It would help other countries if there was something like a black and white list from the Japanese government.”

Another request among some foreign trade associations is for inheritance and gift tax laws to be closer aligned with exit tax laws, which apply only to foreign residents who have a permanent resident visa or who have held a spousal visa for five years or longer — making all other visa types exempt.

Regardless of any future changes, Wong’s advice to individuals in Japan is to plan well.

“I advocate for increasing awareness,” he says. “Once a person dies, the inheritance laws kick in, so there’s not much that can be done at that point.” ●





Everything in balance

Spanish Ambassador to Japan Jorge Toledo Albiñana

Part of Jorge Toledo Albiñana's 30-year career at Spain's Ministry of Foreign Affairs has been focused on the European Union and European affairs, including roles as director of the Department of European Affairs and G20 in the prime minister's office, and secretary of state for the EU in the Spanish government. He has also spent part of his career abroad, serving as economic and commercial counselor in India, as first secretary in charge of political and press affairs in Japan and, from 2008 to 2011, as ambassador of Spain to Senegal. He returned to Japan as ambassador in October of last year.

Could you tell me about your time in the cabinet of the secretary general of the European Union?

That was when we were negotiating the then-European constitution, which became the Lisbon Treaty. There was a lot of pressure to change from the Nice system — in which every country had a number of votes and where a certain number of votes constituted the qualified majority — to what is called the double majority system. This is where the weight of each country is defined both by its population and, to reach a qualified majority, you also need a majority of countries.

We were trying to devise a way that would allow us to more or less keep our weight in this new qualified majority voting system. And I came up with an idea, a clause that limits the blocking power of the largest countries in Europe. It says that, even if a country has the ability to block a decision based on the size of its population — a blocking minority is defined as countries with more than 35% of the EU population — you also need a minimum of four countries

to have blocking power. That substantially changed the power balance, and we would only accept the double majority system with that clause. It's referred to as the Toledo Clause on Wikipedia — but I promise you I didn't write the article.

What did Prime Minister Shinzo Abe and President Pedro Sánchez discuss at the G20 summit in Osaka at the end of June?

Spain is a permanent guest of the G20. President Sánchez had a very productive bilateral meeting with Prime Minister Abe. They talked about bilateral relations and reciprocal support for some international candidatures. I think it was an interesting and very constructive conversation.

They also spoke about the need to reach an agreement on

the communiqué — the G20 leaders' declaration presented at the conclusion of the summit — because the negotiations were difficult this time. In the end, there was consensus on the text, which was signed by all participants. And a part of the text, the climate change paragraphs, were agreed on by all but one. I think that formula was reasonable — we agreed not to go backwards from other summits. And this, in the current international context, is important.

Could you tell me about the strategic partnership agreement between Spain and Japan?

It was signed when Prime Minister Abe visited Spain last year. It involves a number of dialogues in almost every sector of our bilateral relations — including scientific, economic and commercial — and there are already regular meetings.

There are the different political dialogues, such as on Latin America. And we recently had a bilateral meeting on defence. So, it's a very intense political relationship, too.

How would you describe the relationship between Spain and Japan?

It's excellent. It has always been good, but I would say over the past 20 years, relations have improved because they have intensified — economically, politically and culturally. We are in a good moment in our 150 years of diplomatic relations.

We can see a good increase in Spanish investment in Japan, especially in very promising sectors



such as renewables, and also in car parts. Last October, a large Spanish car-part manufacturer, Gestamp, opened its first factory in Japan.

You can also see an increase in Japanese investments in Spain over the past several years. I've talked to CEOs of many large Japanese companies who have investments in Spain, and they all, without exception, say there is good potential for growth. They are also using those investments as a base, not only for the EU market but for other markets, especially Latin America.

What is happening this year in terms of cultural exchange?

Well, it's constant. There are plenty of Spanish cultural manifestations in Japan in music, painting, sculpture, dance. To give you a couple of examples, we had the premiere of Puccini's last opera *Turandot* last month, staged by the Spanish artistic director Àlex Ollé from La Fura dels Baus, which is a Spanish theatre company. We have a huge Spanish painting exhibition every year, and there is one on Joan Miró in preparation.

Would you like to highlight any specific collaborations between Spain and Japan?

There's the collaboration of Japanese cities with Spanish Olympic teams. These cities are hosting, or planning to host, Spanish Olympic teams before the Olympics next year to let them train here. Zushi will host the sailing team, and they are already training there now — in the same place and under the same conditions they will be racing in next year. Yamaguchi will host teams for four swimming sports and Nagasaki will host the handball team. It's a very interesting, and very nice, collaboration. ●



Spain

A model of healthy living

According to the Institute for Health Metrics and Evaluation, Spain is set to overtake Japan in terms of life expectancy by 2040, when Spaniards are estimated to live to an average 85.8 years and Japanese people to 85.7 years. This anticipated rise in longevity is attributed to the famed Mediterranean diet: rich in seafood, olive oil and vegetables, and coupled with moderate wine consumption.

However, as Spanish food and wine grows in popularity in Japan — thanks in part to the EU–Japan EPA — perhaps the nation may still manage to keep its lead. For a taste, visit Xiringuito Escriba in Shibuya, the first international branch of this popular Barcelona restaurant. You could also plan to attend the annual Paella and Tapas Festival in Hibiya Park in April, timed to coincide with the Seville Fair. ●



Trade with Japan

Exports to Japan: €2.5 billion
Imports from Japan: €4.1 billion

SOURCE:
EMBASSY OF SPAIN IN
TOKYO, 2018



Population

49,331,076 (July 2018 estimate)
Urban population: 80.3%
44.54% are 25–54 years of age (2018).



Main exports to Japan

Meat products, organic chemicals, pharmaceutical products, non-railway vehicles.



Did you know...?

- The Sobrino de Botín in Madrid holds the Guinness World Record for oldest continually operating restaurant, having been in business since 1725.
- The town of Buñol holds La Tomatina, an annual mass tomato fight, on the last Wednesday of August each year.





BUSINESSES FROM ...

SPAIN

A highlight from the region



CONDE DE CARALT

Conde de Caralt is a brand of the prestigious Spanish sparkling wine CAVA. It is produced using traditional Catalanian winemaking methods and delivers flavoursome Mediterranean freshness.



**Conde
de Caralt**
VINOS_Y CAVAS



Hi-tech and high ideals

Lithuanian Ambassador to
Japan Gediminas Varvuolis

Lithuanian Ambassador to Japan Gediminas Varvuolis joined Lithuania's foreign service in 1995. Among his postings, he has served as ambassador to Belgium, director of transatlantic cooperation and security policy at Lithuania's Ministry of Foreign Affairs, and deputy permanent representative for Lithuania to NATO. He was appointed ambassador to Japan in February 2018.

**Could you tell me about
Prime Minister Saulius
Skvernelis' visit to Japan in
October?**

Prime Minister Shinzo Abe paid a visit to Lithuania in January 2018, so our prime minister reciprocated later the same year. The main focus of his visit was on continuing political dialogue at the highest level. He had very likeminded meetings in Tokyo. Scientific

cooperation and people-to-people contacts featured very high on the agenda. A memorandum of understanding on scientific and technological cooperation was signed between Japan and Lithuania. It was the culmination of a long process of concluding specialised agreements with the leading science agencies in Japan, such as the Japan Society for the Promotion of Science and the Japan Agency for Medical Research and Development. Also, thanks to this visit, the bilateral working holiday agreement was concluded, which entered into force on 1 April.

Prime Minister Skvernelis also brought an impressive business delegation along: representatives from 18 Lithuanian companies. With the assistance of JETRO, we organised a business forum for those companies and B2B meetings to help them reach out to different business sectors here in Japan.

And then there was an aspect of the visit linked to paying tribute to the legacy of Chiune Sugihara. Our prime minister laid a wreath on Sugihara's grave in Kamakura and attended the opening of a new memorial in Zuiryo, Aichi Prefecture, where Sugihara went to high school.

Who is Chiune Sugihara and why is he important to Lithuania?

Chiune Sugihara is a Japanese hero, a hero to Jewish people, and he has become a Lithuanian hero, as well. We have streets and squares named after him. We say that he was the Japanese Schindler. He worked in Lithuania before the Second World War and was the head of the Japanese diplomatic mission in Kaunas, our provisional capital at that time. In the last weeks of his term,

he issued what are referred to as visas for life for Jewish refugees who were trying to escape the Holocaust. There were very few exit points left in Europe at that time and, guided by his conscience, Sugihara issued approximately 2,000 of those visas. Family members could travel on them, so some say he helped up to 6,000 people escape. He was one of the last foreign diplomats to leave Lithuania and witnessed the occupation of Lithuania by the Soviet Union. And what was remarkable is that he was issuing those visas until the very end, before he left.

He's a true example of humanity and has become a bridge between Lithuania and Japan. The importance of Chiune Sugihara to our bilateral relations cannot be underestimated. All our highest-level political contacts, meetings and conversations include him in one way or another.

What are Lithuania's major exports to Japan?

They are mostly agricultural products: tobacco, as well as manufactured tobacco substitutes, food items such as dairy products, bread, confectionary and deli meat. We also export medical devices, optical equipment and some home interior items — wooden furniture in particular.

Lithuania has one of the most advanced laser industries in the world, and we are very proud of this achievement. Every 10th scientific laser in the world is produced by a Lithuanian company. Our lasers are being sold in the Japanese market, not only for scientific purposes, but also some industrial lasers, and this accounted for at least half a million euros in sales last year.

Could you tell me about Lithuania's startup culture?

We have a very vibrant startup ecosystem. Over 600 startups operate in Lithuania, and they represent various sectors, including life sciences, health technologies, cybersecurity, ICT and fintech.

Fintech has really picked up quite dynamically. There are more than 170 fintech companies in Lithuania, and it has become a favourite destination for fintech companies for the simple reason that we have a very agile registration system for those firms. In

three months, you can complete the registration process — more than twice as fast as the EU average, and we were first to offer this. We also have a blockchain centre in Vilnius, which is quite famous on the world stage. It has partnered with blockchain firms in places such as Singapore and Melbourne.

Lithuania has one of the most advanced laser industries in the world

How has Lithuania changed since joining the EU in 2004?

I think becoming a member of the European Union and NATO really changed our lives; it brought us back into the European family. We have witnessed a major transformation of our state, our economy and our society.

If you just take the area of energy security, for example, we were 100% dependent on energy supplies from our eastern neighbour, but over the years, we managed to completely reorient our energy connectivity to western Europe. We were the first to build an offshore liquefied natural gas terminal in the Baltic Sea. It became functional in 2015. So, now we can buy our gas from the global market at the market price.

Last year, Lithuania joined the OECD, which symbolically completed our return to the liberal international community. And we intend to continue to contribute to various international efforts. Today, public opinion polls show that Lithuania is one of the most pro-European countries in Europe. ●



EBC PERSONALITY

TEXT BY TOBY WATERS

PHOTO BY KAGEAKI SMITH

Denis Lencou-Bareme

The art of perspective

One effective way to gain new perspectives on life, and have your eyes opened to the world, is through art.

“Art is the beauty of creation, a sharing of emotions,” says Denis Lencou-Bareme, representative in Japan for Eramet, a 140-year-old international metallurgy and mining company.

Since starting his career at the Paris-based Eramet in 1997, Lencou-Bareme has been fortunate to have had several opportunities to learn firsthand about the people and cultures of other countries. His first post was as a marketing analyst in the firm’s Pittsburgh office, he moved to Taipei as general manager of the Taiwan branch in 2004, and he has headed the Japan office since 2017.

However, given that it’s impossible to live and work in every country, Lencou-Bareme believes in art as a meaningful way to supplement his lived experiences. It presents the stories and viewpoints of countless people across both time and space.

“Visiting exhibitions is a good way to discover foreign cultures,” he says. “And the museums in Tokyo are really nice.”

Context is everything, and Lencou-Bareme thinks Japan is very good at creating spaces that enhance the viewer’s experience. He highlights the National Art Center, Tokyo — his favourite gallery in the city — for the way the building itself has been designed.

“The architecture is fantastic and that really magnifies the pieces of art that are exhibited,” he says. “Japanese museums are also very good at the way they regulate crowds. Compared to museums in Europe — where people can be noisy and it can be quite difficult to see the major works — I think in Japan, museums set a good atmosphere. Here, it’s very quiet, very zen.”

Lencou-Bareme was impressed by the Hakone Open Air Museum because of how it presents art in a naturalistic setting, putting its sculptures in a far more memorable context than most museums. He also cites as an example a recent exhibition at the Nezu Museum of the classic Japanese artist Ogata Korin. In addition to curating a display of the master’s greatest works, the gallery put a new perspective on his art by cultivating flowerbeds in its garden to mirror the scenes in Ogata’s paintings.

But it isn’t just the fine art of the gallery that can introduce people to other cultures or provide new insights into your own culture. One particularly popular art form in France is manga, or Japanese comics. Manga is so popular, in fact, that some Japanese artists become more renowned there than in Japan, including Lencou-Bareme’s favourite, the late Jiro Taniguchi (1947–2017).

“Art is the beauty of creation”

Although relatively unknown in Japan, Taniguchi was made a Knight of the Order of Arts and Letters in France in 2011.

“I think it may be that he tried to consolidate Japanese manga with European comics — that’s why he’s so successful in France,” says Lencou-Bareme. “He’s very impressive. He knows how to tell a story and is good at expressing feelings, like melancholy.”

Lencou-Bareme singles out *My Father’s Journal* as Taniguchi’s best. It concerns a young man who returns to his hometown after many years’ absence and, through his interactions, discovers a side of his recently deceased father he had never known before.

“It’s almost like reading a novel,” Lencou-Bareme says, “or poetry.”

He is curious to see if the context of living in Japan will give him a newfound appreciation for a Taniguchi manga he previously disliked, *Solitary Gourmet*. It’s about a salesman who tries a variety of Japanese food as he travels the country.

“It’s not one of my favourites,” he says, “but I think I want to read it again now that I’m in Japan. It discusses Japanese food and other things about Japan, so I think after a couple of years here, maybe it will be a different experience.”

It’s good to remember that perspectives can change. ●

Denis Lencou-Bareme is representative in Japan for Eramet and is a member of the EBC Materials Committee.

Do you like natto?

Time spent working in Japan:

Two and a half years.

Career regret:

I prefer to focus on the future, rather than look back on things that can’t be changed.

Favourite saying:

Fortune favours the brave.

Favourite book:

Letters to a Young Poet by Rainer Maria Rilke.

Cannot live without:

My smartphone. I recently left my phone at home and had a terrible day.

Lesson learned in Japan:

I like the practice of *nemawashi*, or laying the groundwork, as a way to prepare for meetings. It makes them very efficient.

Secret of success in business:

Dedication, engagement and passion. I think if your customers and your business partners, feel that you are really committed to them, it makes all the difference.

Favourite place to dine:

W omotesando. The cuisine may not be very sophisticated, but it has a great wine list at affordable prices.

Do you like natto?:

I’m not a big fan.



Automobiles

A yellow light down the road

After several years of incremental gains, foreign brands rose to account for 5.9% of all newly registered cars in Japan in 2018.

The slight uptick is welcomed by importers but still seen as woefully insufficient.

“We think the current share is still very low,” says Kintaro Ueno, chairman of the EBC Automobile Committee and chairman of the Japan Automobile Importers Association (JAIA).

His groups haven’t set a target number. Rather, their strategy is to focus on creating a level playing field, and then letting consumers decide.

“By harmonising regulations, and through the realisation of a fairer tax system, we hope this market share — in the near future — will exceed at least 10%,” Ueno says.

When it comes to buying foreign vehicles, Japanese consumers most often choose European brands. Germany’s Mercedes-Benz, Volkswagen and BMW alone accounted for almost half of all the newly registered foreign cars in Japan last year.

But the Europeans see far more room for growth. A big step forward in that direction is the EU–Japan Economic

Partnership Agreement. Under the deal, Japan pledges to abolish non-tariff barriers (NTBs) that the EBC has long advocated against.

“But we still have some issues,” says JAIA Vice Chairman and Executive Director Kenji Kobayashi. “We’re trying to get rid of all of the NTBs so we can realise true harmonisation.”

JAIA works in conjunction with the EBC Automobile Committee, as its members also belong to the association.

True harmonisation would be embodied in Japan adopting International Whole Vehicle Type Approval (IWVTA). Under this scheme, entire vehicles could be approved for each other’s markets, instead of just their components or systems.

“That means, if you have an IWVTA certificate in Europe, it would be valid to export the vehicle to Japan, automatically, without any additional documents,” explains Hiroshi Matsumoto, a director at JAIA.

Much of the committee’s work these days is devoted to eliminating unique Japan regulations that can act as NTBs and therefore stand in the way of an IWVTA.

Members are keeping watch for the emergence of any new regulations in Japan that aren’t in line with global harmonisation efforts. It’s especially critical now as the automotive industry is at the cusp of a technological revolution. Sales of electric vehicles are expected to explode in the years ahead, thanks in part to government incentives, while autonomous vehicles seem

set to play major roles in public and private transport.

The Japanese government is keen to be on the leading edge. Officials want to approve level 3 autonomous driving — where the driver can safely take their eyes off the road — in time for the Tokyo 2020 Olympics next summer, an event they see as a great opportunity to showcase Japanese technology to the world.

That push is a cause of concern for the committee, as it fears Japan may roll out its own unique standards for the technology. The government has already established a regulatory framework for level 3, with the related bill approved by the Diet in May.

Although Japan is part of WP.29, a UN group drawing up global rules on autonomous driving, the process isn’t expected to be completed until well after the Olympics.

One specific issue involves data. Level 3 driving requires that cars be equipped with a data storage system, which records driving conditions and will be used for, among other things, analysing accidents. However, the system’s technical standards have yet to be determined.

“There is a risk that the Japanese government, under pressure from the Cabinet, will have to incorporate a not-yet internationally harmonised system or technology into Japanese regulations,” Kobayashi notes.

If so, Japan could end up with a potential NTB. And the EBC committee and JAIA would have even more work on their hands. ●

Kintaro Ueno is president and CEO of Mercedes-Benz Japan and chairman of the EBC Automobile Committee.

Advocacy issues

➔ Regulations

Japan should abolish its unique regulations.

➔ Harmonisation

Japan and the EU should work closely together to adopt International Whole Vehicle Type Approval.

➔ Taxes

Japan’s automobile tax should be reduced, and its tonnage tax abolished.



Networking in the age of trade diplomacy

The EBC attends the EBO WWN's general meeting

After joining the European Business Organisation Worldwide Network (EBO WWN) in March, the EBC attended the association's general meeting in Brussels from 17 to 19 June. It was the 19th consecutive year that the entire network gathered at the storied Breydel building, home of the EU's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (known as DG GROW). This directorate has given its full support to the network as it continues to attract members and improve its political representativeness. The EBO WWN now has 37 members — Japan and Benin being the most recent additions — and more organisations are set to join in the near future.

The mission of EBO WWN is to provide a platform at the global and regional levels that allows European business organisations to share best practices. The group also advocates for European businesses in third markets. Its activities include encouraging the production of position papers, assisting with the internationalisation of SMEs and microenterprises, and strengthening the links between EU institutions and European

business organisations in non-European countries.

The network usually meets twice a year to discuss the status of its members' activities, which are spread out across five continents. The first meeting takes place in Brussels in June when the annual general meeting is held, along with an intense programme of visits and discussions. The second is held late in the year and is hosted by one of the members of the network. Last year, it was held in Armenia and two years ago it was in South Korea.

This year, the first day began with a meeting between the EBO delegates and Eric Mamer, director of DG GROW. We discussed the slowing growth in the trade of goods and the reasons this was happening — including regionalisation of the value-creation process and opposition to globalisation — as well as the policies that the EU is trying to implement to revamp its industrial strategies and how it is working to enhance its instruments for the development of international cooperation and trade.

After a roundtable where all members gave a full report of their activities, the annual general meeting took place and a new board of the EBO WWN was elected for a one-year term.

After four terms as chairperson, Renato Pacheco Neto, representing Brazil, decided to step down. The new board elected Jason Collins, representing Australia, as the new chairperson. He previously chaired the EBO network for two terms, from 2012 to 2014.

On the following day of the general meeting, extensive time was dedicated to talking about the new direction of EU trade diplomacy. The EU is looking to expand its presence in Africa, South America and Asia with several new trade agreements in the pipeline, such as those with Australia, ASEAN, and the long-awaited one with Mercosur, as well as an important investment agreement with China. The delegates were also received by the cabinet of DG GROW Commissioner Elżbieta Bieńkowska. On the last day, the EBO WWN members met with representatives of the European Parliament Committee on International Trade, which is now being re-appointed with new members of parliament who were elected in May.

One big development that impacts the EBC was the request from the EBO network for us to organise the next general meeting in Tokyo. This will be a way both to mark the EBC joining the EBO network and to increase scrutiny of the implementation phase of the EU-Japan EPA. The EBC's board of governors welcomed this request and have agreed to host the network. The meeting — the first of its kind in Tokyo — will most likely be held at the beginning of December and will see about 40 EBO delegates from all over the world coming to Japan. ●

Francesco Formiconi is the executive director of the EBC.



RENANTO PACHECO NETO (CENTRE) AND OTHER EBO WWN MEMBERS





Dealing with disputes under the EPA

A panel of solicitors discusses two competing systems

Since the EU-Japan Economic Partnership Agreement (EPA) entered into force earlier this year, trade and investment between the EU and Japan have become easier and more active than ever before. But, as with any transaction, there is the potential for problems to arise — which could become the basis for a dispute.

On 12 July at Thomson Reuters' Tokyo office, a collective of professional associations — including the European Business Council in Japan, the Roppongi Bar Association, the Italian and Greek chambers of commerce, and the Japan Commercial Arbitration Association — hosted a panel discussion titled *Dispute Resolution in the Age of the Japan-EU EPA*. The panel devoted a substantial amount of time to the potential ways in

which investment disputes between states and businesses could be resolved.

Michael Mroczek, a partner at Okuno & Partners and chairman of the European Business Council in Japan, noted that the EPA does not give clear guidance on this issue.

"The investment chapter does not have investment protection provisions," he explained. "It only touches on the liberalisation of investment."

Investment protection was set aside during the EPA negotiations to expedite the process.

There are two competing frameworks for resolving investment disputes. The EU's preferred method is the Investment Court System (ICS), while Japan favours the current system of Investment Treaty Arbitration (ITA), which is dependent on arbitral tribunals.

Tony Andriotis, partner at Quinn Emanuel Urquhart & Sullivan and president of the Greek Chamber of Commerce, explained that the EU's preference for the ICS is partly due to a growing sense among EU citizens that the ITA system currently in place prioritises corporations over people.

"At the grassroots level, Europeans feel as if their rights as citizens are being taken away," he said. "They're told that big industries — Big Tobacco, Big Mining, Big Pharma — are able to successfully sue sovereigns and thus take funds away from taxpayers."

Andriotis then noted an ITA claim filed by Philip Morris International against

the government of Australia over its plain packaging laws for tobacco products as a prime example of a case that has generated international political uproar.

According to Andriotis, proponents of the ICS — which has been included in recently signed EU trade agreements — claim that the new system increases transparency while also setting up a more predictable precedential system. Japan — along with most practitioners — prefers a system of arbitration where parties are free to choose their own arbitrators, something that would be absent under the ICS.

However, as Lars Markert, a partner at Nishimura & Asahi, pointed out, the ICS could threaten investment.

"The European Commission proceeds from a view where all European courts are great. At the same time, in the spring of this year, the EU commenced proceedings against one of its member states because it says this member state is unduly influencing its judiciary," he stated. "It might not even be true that there is undue influence, but as an investor, I would not be confident."

Markert proposed that — at least for the time being — both the ITA and the ICS should be made available in parallel to investors under the EU-Japan EPA, and they should be able to decide which system they would prefer to use.

Reaching a decision on the best means of resolving investment disputes continues to be a challenge. But as Andriotis observed, the peace between EU member states that has emerged as a result of the European project is proof that even complex differences can successfully be set aside.

"Europe is a miracle," he said. "One we should reflect on." ●



TONY ANDRIOTIS, FRANCESCA BENATTI, MICHAEL MROCZEK, LARS MARKERT AND YOSHIFUMI FUKUNAGA



The Agenda

AUG.
30

FINNISH CHAMBER OF COMMERCE IN JAPAN

10th FCCJ Yakatabune Cruise

TIME: 18:30 to 21:00**VENUE:** Embarkation at Funayado Miuraya, Asakusabashi**FEE:** ¥9,000 (for members), ¥12,000 (for non-members)**CONTACT:** office@fcc.or.jpSEPT.
10

GERMAN CHAMBER OF COMMERCE AND INDUSTRY IN JAPAN

German Textile Machines Symposium

TIME: 10:00 to 17:00**VENUE:** ANA Crowne Plaza Osaka, Manyo Room**FEE:** Free**CONTACT:** de-events@dihkj.or.jpSEPT.
4

BRITISH CHAMBER OF COMMERCE IN JAPAN AND IRELAND JAPAN CHAMBER OF COMMERCE

Joint Networking Event

TIME: 19:00 to 21:00**VENUE:** Living Room Cafe Shibuya**FEE:** ¥7,500 (for members), ¥8,500 (for non-members)**DETAILS:** See BCCJ or IJCC homepageSEPT.
13

SWISS CHAMBER OF COMMERCE AND INDUSTRY IN JAPAN

Visit to Itoh Denki and Dinner at Swissôtel Nankai Osaka

TIME: Visit from 12:00; dinner at 18:45**VENUE:** Itoh Denki Plant (Kasai), and Swissôtel Nankai Osaka**FEE:** See SCCIJ website for details**CONTACT:** info@sccij.jpSEPT.
6

BELGIAN-LUXEMBOURG CHAMBER OF COMMERCE IN JAPAN

BeLux Business Talk on Real Estate in Japan

TIME: 12:00 to 14:00**VENUE:** Champ de Soleil restaurant, Kanda**FEE:** Pay for lunch**CONTACT:** info@blccj.or.jpSEPT.
13

SWEDISH CHAMBER OF COMMERCE AND INDUSTRY IN JAPAN

New Team Sweden Welcomes You Back to Tokyo

TIME: 19:00 to 21:00**VENUE:** Embassy of Sweden**FEE:** ¥4,000 (for members), ¥6,000 (for non-members)**CONTACT:** office@sccj.orgSEPT.
8

IRELAND JAPAN CHAMBER OF COMMERCE

The Irish Run the World

TIME: 11:00**VENUE:** Tamagawa Green Space**FEE:** ¥4,500 + ¥500 park fee**CONTACT:** japan-events@irelandfunds.orgSEPT.
19

SWISS CHAMBER OF COMMERCE AND INDUSTRY IN JAPAN

Leadership: Fundamental shifts in who, what and how

TIME: 12:00 to 14:00**VENUE:** Grand Hyatt Tokyo, Residence Basil, 2F**FEE:** ¥6,500 (for members), ¥8,000 (for non-members)**CONTACT:** info@sccij.jpSEPT.
10

GERMAN CHAMBER OF COMMERCE AND INDUSTRY IN JAPAN

Geopolitical Changes and Populism in Germany and Europe

TIME: 15:00 to 17:00**VENUE:** AHK Japan office, 5F**FEE:** ¥2,000**CONTACT:** events@dihkj.or.jp*Please note that this event will be held in Japanese.*SEPT.
27

SWEDISH CHAMBER OF COMMERCE AND INDUSTRY IN JAPAN

Swedish Crayfish Party 2019

TIME: 19:00 to 21:00**VENUE:** Embassy of Sweden**FEE:** ¥6,000 (for members), ¥8,000 (for non-members)**CONTACT:** office@sccj.org



Token gestures

How asset tokenisation is starting to transform business



Four hundred years ago, the Dutch East India Company issued shares on the Amsterdam Stock Exchange. Available to the general public, the shares represented a novel concept: ownership in the company itself instead of one of its ventures. By drawing on funds from many investors, the company had the kind of financial clout that previously only monarchs could command. It became the world's first joint-stock multinational corporation, lasted nearly two hundred years, and changed business forever.

Something equally revolutionary is set to create new markets around the world and open up unimaginable opportunities for investors and businesses: asset tokenisation. Like distributed ledger technology, which is altering industries such as real estate, investing and fisheries, asset tokenisation is also based on blockchain technology — and it's relatively simple.

Tokenisation means issuing digital security tokens that can represent ownership in a piece of real estate, a fraction of a debt, shares in companies, or units in an investment fund. It allows owners of digital currencies to invest in real-world assets.

If a museum, for example, needs to raise money, but is unwilling to take out a high-interest bank loan, it could float digital tokens of ownership in some of its artwork. It would retain custody of the art, but the tokens could then be traded. The new funds would allow the museum to expand its collection, while letting ordinary investors skirt barriers to entry in the fine art market.

This is already happening. Maecenas is a startup with offices in London and Singapore that allows art owners to securitise their art. It charges a 6% fee to owners and a 2% fee to investors, making fundraising and investing cheaper than conventional financial institutions and auction houses. Last year, Maecenas tokenised 31.5% of Andy Warhol's *14 Small Electric Chairs* (1980). The painting is valued at \$5.6 million, and if that goes up, so will the value of the tokens.

"We don't need banks anymore ... That is what's crazy"

Real estate is another industry that tokenisation will change. Just imagine investing in property without all the time-consuming paperwork and middlemen. In 2018, developers of a newly built \$36 million luxury condominium in New York tokenised its debt to avoid taking on more loans.

"We don't need banks anymore," broker Ryan Serhant told Bloomberg. "That is what's crazy."

In March, German startup Brickblock said it tokenised the first property in Europe when it issued digitised shares in a €2 million residential property in Wiesbaden.

"Once a property, real estate fund, or financial instrument is tokenised, the real advantages come into play: subsequent transactions are instant, nearly free of charge, and, if done properly, without counterparty risk," said Brickblock CEO Jakob Drzazga. "This is an absolute game-changer for the industry."

Indeed, tokenisation offers the benefits of greater liquidity and transparency, quicker and cheaper transactions, and the chance to open up investments to a much larger pool of investors. The technology, according to Deloitte, has the potential of "possibly unlocking trillions of euros in currently illiquid assets, and vastly increasing the volume of trades."

If the old Dutch East India Company merchants were still around, they would surely be getting on the bandwagon. ●



A consuming tax

Japan still plans to raise its consumption tax to 10%

Third time lucky?

Prime Minister Shinzo Abe is holding firm on plans to increase the consumption tax from 8% to 10% in October, despite signs that an economic slowdown has begun.

Abe has already postponed the increase twice. While the government has made the disclaimer that if a “Lehman-type crisis” occurred it would indeed stand down again, even weak economic data and business confidence at a three-year low has not dented its confidence in the hike’s timing.

Falling real wages and a poor Bank of Japan *tankan* (business confidence) survey don’t seem to be enough to spark a third postponement, which would require passage of another law in the Diet. Signs that the US–China trade relations will not deteriorate any further may have been a deciding factor in staying the course.

The hike is baked deeply into fiscal plans this year, and failure to implement them would likely see Japan’s debt-to-GDP ratio climb above the current 226% — a record for an OECD nation, and staggering in comparison to Germany’s 71%. Promised social welfare and education programmes would need other funding streams, and the International Monetary Fund, Japanese business associations, and many Liberal Democratic Party (LDP) stalwarts have urged Abe to keep the planned increase.

Traditionally, elections after tax hikes have meant political pain for the ruling party, and while the opposition raised the impending hike ahead of the July upper house vote, final results may have been insulated as consumers were not yet feeling the pinch. Nonetheless, the LDP held off on calling a snap lower house vote at the same

time, probably with the sting of past hike-election drubbings still in mind.

Japan’s consumption tax — last raised from 5% in April 2014 — is comparatively low, as many European countries have rates of 20% or higher. To try to offset an economic downturn this year, the government has already earmarked ¥2 trillion in stimulus measures, including holding the tax rate at 8% for food and beverage takeout. The economy may see a mild spending spree ahead of the hike to avoid the extra percentage points, but this will likely be followed by waning demand and a further slowdown.

The hike is expected to make up a third of total tax revenues, helping to increase overall intake from a record ¥60.35 trillion in 2018 to ¥62.5 trillion, the highest since Japan’s “bubble economy”. When the Heisei era economy rapidly deteriorated as asset prices fell, debt issuance took off exponentially to cushion the shock, leaving Japan with the developed world’s worst fiscal position,

which even a record tax year could only slightly address.

Japan will still issue nearly ¥33 trillion in bonds this year, a small year-on-year reduction. In total, the world’s third-largest economy will have nearly ¥900 trillion in debt outstanding at yearend, which would take over 14 years of record taxes to match. To further address the shortfall, private economists have urged Japan to consider a tax rate of up to twice as much, and the OECD has suggested 26%.

Considering the political unpopularity of this hike, further increases are about as likely as Japan throwing open its immigration doors to fill job vacancies. Abe effectively ended the conversation on the issue in a Diet debate in July, saying another increase wouldn’t be needed for a decade.

Nonetheless, Abe has — albeit slowly — taken on a tax issue



that, without his political popularity, would have handcuffed any ruling party and, almost certainly, been kicked even farther down the road. Doubling the sales tax during his tenure may not have solved all Japan’s problems, but it didn’t contribute to them. That’s a start for the country, and a worthy finish for the man who will become the nation’s longest serving premier and undisputed tax king. ●

SUMMER DRINKING GUIDE

HOT DAYS, COLD DRINKS

The best ways to enjoy drinks
in the summer sun

TEXT BY TOBY WATERS



This summer got off to an inauspicious start, with a rainy season that never seemed to end, resulting in the longest cloudy spell since records began — casting shadows on many a plan to celebrate the season with a tippie. But now that the sun has risen once again, you can make up for lost time by visiting one of Tokyo's many bars, pubs, and beer gardens; attending a drinks festival; or even cracking open some cold ones at home. Let's toast the rising temperatures.

Baird Beer is a celebration of flavour, brewed with passion, painstaking care and a deep reverence for tradition. Visiting one of its taprooms is like visiting a friend's home. They make sure each of their customers fully enjoy every glass of Baird Beer. All their Tokyo area locations offer a variety of Baird Beers on tap, which can be paired with delectable dishes. Each location has its own unique menu. Raise a glass to great beer, tasty food and fun times!

The **Belgian Beer Weekend** (www.belgianbeerweekend.jp) returns to celebrate its 10th anniversary at Tokyo's Roppongi Hills Arena. It is sure to be a vibrant six days (11 to 16 September) in a superb setting — with 75 different Belgian beers to try, delicious food (their fries are world-famous!) and live music from some of Belgium's

Raise a glass to great beer, tasty food and fun times!

top bands, including Hooverphonic, Novastar, Blow 3.0 and De Beren Gieren. Don't miss one of Tokyo's finest outdoor events!

The **Mikkeller Beer Celebration** is taking over Tokyo on 14 and 15 September! Forty of Mikkeller's favourite breweries from across Europe, the US, and Asia will be serving 320 unique beers. World famous brewers — including Omnipollo, The Veil, and 3 Sons — will be sharing their rarest, craziest beers with you in Shibuya. This is a great chance to taste what's happening in the world of beer, right here in Tokyo. It's going to be an amazing party!

It was a long wait for these, hot sunny days — let's make sure not to waste them. Enjoy a beer while it's cold, and enjoy the summer nights while they're hot.

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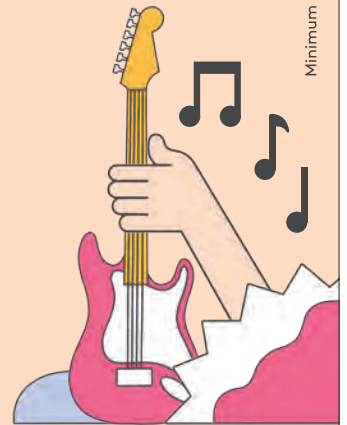
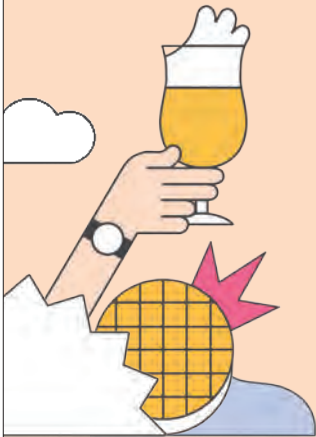
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Roppongi Hills Arena

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Japan's Achilles' heels exposed

Results of the #KuToo movement

At the funeral home where I work, pumps are part of the dress code, and I tweeted about how much they were making my feet hurt with the hashtag #KuToo — a play on the Japanese words for shoe (*kutsu*) and pain (*kutsuu*), and a nod to #MeToo. I found out from the comments I received that there are countless others who are suffering, so I decided that something needs to change. I started a petition on Change.org and have received support from thousands of people.

What I want employers at Japanese firms to understand is that a lot of women injure their feet or experience pain when wearing shoes with heels. They also need to be aware that women's pumps put much more of a strain on feet and legs than men's dress shoes, and there's a greater risk of pumps causing work-related injuries. Most importantly, isn't it essential they recognise that women aren't like flowers on display

in the work place — only there for their appearance — but are equal to men as coworkers?

In Japan, the media has focused almost exclusively on heels as a potential health issue and has not treated this as gender discrimination. However, many overseas media outlets, from the very beginning, have seen this as sexist and covered the story from a feminist perspective. It has allowed me to see how far behind Japan is in its awareness of gender issues.

In response to the petition on Change.org, Japan's Minister of Health Takumi Nemoto stated in June that high heels are "necessary and appropriate in the work place". As a man, he clearly doesn't have much of a grasp of what high heels can do to your feet. Are shoes with heels necessary and appropriate for women to do their jobs effectively? And, if that's the case, why is it only women who have to wear them? People should really be asking, "When is it ever necessary and appropriate for women to wear shoes with heels?"

When is it ever necessary and appropriate for women to wear shoes with heels?

Nemoto also stated that it should be considered power harassment if employers required employees with injured feet to wear heels. But the reality is that many women are suffering every day, so I believe that now is the time for companies to

consider whether their current policies are, in fact, a form of power harassment.

There have already been many positive outcomes of #KuToo: some firms that have required women to wear pumps have begun to reconsider their regulations on footwear; there are some employers who have heard of our petition and told their employees that it's OK not to wear heels; and many women have shared with me that this campaign has given them the courage to speak with their bosses about not wearing heels — and have been given permission to wear other types of shoes.

Even if it becomes the norm that women don't have to wear pumps, it's often the case that shoe shops and department stores only sell formal, leather women's shoes that have a heel. As a next step for #KuToo, I am going to encourage the fashion industry to come in line with the changes taking place and help make flat leather shoes the standard for formal women's footwear in Japan.

It's great to see that, because of #KuToo, people aren't just starting to debate gender discrimination but also whether it's even necessary to work in the constricting suits and dress shoes we wear. While it may be gradual, I believe that we are changing from a society that thinks it's right to endure the conditions the work place imposes to one that thinks it's better to be comfortable at work — and that it is possible to have a work place where no one has to suffer. ●

Yumi Ishikawa is an actress, model, writer and activist. She is the founder of the #KuToo movement.



POTENTIAL ENERGY

Your child isn't just another face in the crowd

TEXT BY TOBY WATERS



Every parent knows that their son or daughter has huge potential and expects their education to nurture this. Many schools and educators successfully and consistently deliver the kind of dedicated education that challenges and develops their pupils' abilities.

"Potential is unlocked through a child's genuine sense of belonging, safety, and a feeling of value in our community"

ENCOURAGING ENVIRONMENTS

Poppins Active Learning

International School (PALIS) believes that a range of activities helps young children to grow.

"PALIS follows a curriculum based on the Reggio Emilia approach," explains Betty Shimozaki, school director. "Each student is given the opportunity to develop a variety of skills through music, drama, dance, yoga, art, karate and lifesaving. Our lessons are taught by inspiring specialist teachers who give students high quality and authentic experiences on a daily basis."

The encouragement young pupils receive from the teachers at

Aoba-Japan International School can be beneficial throughout their lives.

"To unlock potential, we create conditions for 'lifetime empowerment' as the underpinning philosophy driving the modification of the curriculum, pedagogy and learning spaces," says Ken Sell, head of school. " 'Lifetime empowerment', as conceived by our school's owner Mr Kenichi Ohmae, implies that 'learning' is an enabling mechanism, where individuals and/or groups acquire knowledge and skills that empower them."

Safe learning spaces are crucial for every child's development, says Margaret Griffiths, middle school



principal of the **International School of the Sacred Heart**.

"The philosophy of the International School of the Sacred Heart is to educate the whole child," she explains. "In a warm, safe and nurturing environment, our teachers help students to take risks, try new things and discover their talents. We were commended by the Council of International Schools in June 2019 as a 'lighthouse' for internationally-minded girls."

The American School in Japan creates a fun environment to help develop young minds.

"At ASI's Early Learning Center, we give children the opportunity to develop through play," says



Director Christy Carrillo. "Classrooms have been transformed into airplanes, restaurants and space-ships, depending on the children's interests, letting them develop social and emotional skills, as well as emergent literacy and numeracy skills in an authentic and joyous atmosphere."

Many schools carefully control class sizes to maximise teacher contact.

"Saint Maur International School intentionally keeps its enrolment below 500 students to create an environment that naturally facilitates focus, while supporting the whole individual with regard to their learning and well-being," says Deputy School Head Annette Levy. "Potential is unlocked through a child's genuine sense of belonging, safety and a feeling of value in our community."

Coding Lab agrees with this assessment.

"We keep our class sizes small, with only four to eight students. This gives students more direct access to teachers and also means teachers can closely track each individual student's progress," says Brian Love, director of technical education. "Teachers can then adjust the curriculum to spend more time helping them understand any concepts they're having difficulties with."

A diverse range of extra-curricular activities can also stimulate learning and growth.

"At **Hokkaido International School** [HIS] we are fortunate to be in an environment that enables us to expose our students to a variety of learning opportunities that unlock their potential," says Barry Ratzliff, head of school.

"Whether sailing on Hokkaido University's scientific research ship, leading winter camp excursions or performing at Kitara Hall, students are at their best when out in the real-world."

Benjamin Mankoff, school coordinator at **Daizawa International School** believes that letting a child develop their own learning style helps their development.

"Our school is organised into unique 'ateliers,' which act as purposeful learning centres for students," he explains. "These ateliers facilitate inquiry and allow students to further their understanding of their current project or study. This not only caters to different learning styles, but also allows each child to learn to the best of their potential."

TOP TEACHING TECHNIQUES

Within any environment, it's important to develop best teaching practices. **Gymboree Play & Music** specialises in play-based learning.

"We offer pupils the chance to develop their individual strengths, under the guidance of skilled instructors," says Nicole Yamada, Japan director. "Our variety of programmes allows children to participate in activities that interest them, inspiring social and intellectual growth. Gymboree has over 40 years of experience encouraging creativity in a play-based environment that motivates children to achieve their potential."

Gilma Yamamoto-Copeland, director of **St. Alban's Nursery**, takes a similar view.

"We provide purposeful and stimulating early childhood activities that enhance each child's growth and development," she says. "We believe that the early years are the most important time for exploration and discovery, and that to reach their full potential, children need opportunities to create, play, make friends and learn — all while having fun."

A teacher's ability to cultivate good relationships is also a priority in any learning environment.



"We believe that the early years are the most important time for exploration and discovery"

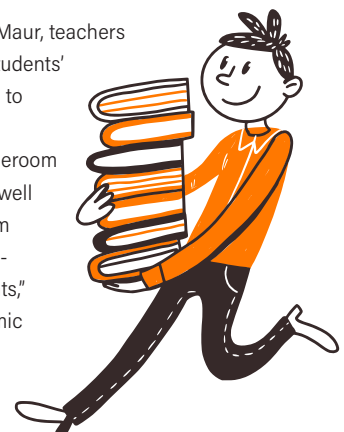
Carrillo highlights the premium ASIJ puts on care to set pupils on a lifelong path for learning.

"We find the most effective method for helping pupils achieve their potential is knowing, valuing and caring for each child," she says. "Through this approach, we nurture each child so that they develop holistically, and we lay the foundations for lifelong learning."

"Each member of our teaching staff is handpicked for their personal and professional qualities, which help create a rich, diverse and in-depth learning environment," says the headmaster at **JINSEKI International School** (JINIS), Nicholas James Gunn. "In our unique boarding culture, everyone on staff has the responsibility of teacher, caregiver and role model with the goal of unlocking pupils' potential. We also emphasise building close partnerships with parents."

According to Levy of Saint Maur, teachers must pay close attention to students' needs to help them get ready to succeed in life.

"Saint Maur provides a homeroom and pastoral care system, as well as an advisory support system where teachers actively monitor, guide and support students," she says. "Afterschool academic support and tutoring are also offered, and a





student support team supports academic, social and emotional growth so students can reach their full potential."

Sell notes that Aoba-Japan's focus on critical thinking sets their curriculum apart.

"We aim to enable our students to lead change by using a systematic, disciplined and developmental approach to our curriculum, teaching and learning spaces," he explains. "Our curriculum provides the basis for developing critical thinking; our teaching adopts an inquiry- and problem-based approach to learning; and our learning spaces are designed to encourage collaboration and active learning."

At Daizawa International School, the key to effective learning is independence and interest-driven education.

"A focus on project-based learning with thorough documentation allows our students to fully explore their interests and make relevant and rewarding discoveries," Mankoff says. "Shaping the direction and content of their own education helps students learn to become independent and self-motivated. This positive relationship with learning is the foundation for continuing success."

THE PERSONAL TOUCH

Tailoring education to suit the student can make all the difference

"we promote creativity and imagination"

to a child's future, observes Ratzliff of HIS.

"We personalise the learning experience, giving students choices in many areas of their schooling, such as the learning materials they use and what they wish to write about," he says. "These choices help students become more deeply invested in their learning. Also, one-on-one time with teachers provides students with the guidance they need to move forward in their studies."

St. Alban's Nursery encourages children to learn at their own speed.

"We treat our students as individuals and encourage them to explore and grow at their own pace. To help them develop fully, we promote creativity and imagination," Yamamoto-Copeland says. "We also focus on fostering kindness and empathy, because emotional awareness is important for each child. Cultural days and identity celebrations help broaden our students' minds in a global/international environment."

Gymboree follows a similar philosophy, as Nahid Sultana, preschool headteacher, explains.

"In both Gymboree's preschool and after-school programmes, children learn at their own pace. Our instructors prepare individualised education plans, usually based on English ability," she says. "We also evaluate pupils at every developmental stage to teach them according to their needs and abilities. This contributes to success in and out of the classroom."

JINIS' boarding-school structure makes it uniquely suited to personalised education.

"In a boarding community, children learn during work, rest and recreation," Gunn says. "We identify how each child can best develop their passions and strengths. We nurture personal, social and emotional growth while celebrating diversity and focusing on pupils' interests in each other, our local environment and the wider world."

PALIS highlights how a child's curriculum can be customised by the parents.

"PALIS students can take private lessons in Spanish, French, violin, piano as well as Japanese prep class — in addition to our group schedule — allowing parents to personalise their children's learning," says Shimozaki. "Although we have a set syllabus theme for each month, we allow room within that for an emergent curriculum based on children's interests."

Coding Lab's small class sizes make for easily personalised teaching.

"One of the objectives of our classes is to keep younger students engaged and excited about coding and STEM," Love explains. "Since our class sizes are small, we can more easily identify other areas that our students are passionate about, and we can then use these as the focus or themes for customised coding projects."

The International School of the Sacred Heart highlights how its creative curriculum brings out the best in each pupil.

"The International School of the Sacred Heart has a long tradition in creative design," says Kindergarten/Junior School Principal Ellen Yaegashi. "Advances in technology mean that students can learn in multifaceted ways and demonstrate that learning and creativity through formats such as coding, film, animation, robotics, storytelling, music and more. Our students actively innovate, solve problems and communicate using technology."

The right education can help children realise their limitless potential.





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The unbearable slowness of golfing

Japan's golf courses hinder a suitable pace of play

You would think that one of the advantages of starting a round of golf early would be that you would finish early. In Japan, that's often not the case. Like golf clubs overseas, clubs in Japan encourage members to play fast. But Japanese golf clubs are themselves impediments to a quick game.

If you start a round of golf in Japan at 7:00am, there's a good chance you'll finish the first nine holes in around two hours.

In the West, you could expect to play the second nine in a similar time whereas, in

Japan, you could still be waiting to tee off at the 10th hole while your counterpart overseas is nearing the end of their round.

As we all know, the system in Japan usually requires players to take a break for lunch, even if that "lunch" break is at 9 o'clock in the morning — and even if you don't want a break. The big problem

for the early starters is that if all the tee times for starting golfers are booked until

10:30am (the usual limit for morning tee times), then those who began early and are having "lunch" can't expect a tee time until after that. And if you're fourth in line, then you won't get out until around 11 o'clock, so even before you start your second nine, your round of golf has taken four hours.

But it gets worse. Any golfers who exceed the time they are expected to play nine holes will contribute to an accumulating delay for golfers wishing to play their second nine holes. For example, if the first 10 groups each add just three minutes to their allotted time for all nine holes, then the groups after them will have to wait an extra 30 minutes to start.

The United States Golf Association reported earlier this year that the number one source of annoyance for golfers on the course was other golfers taking too long to play. This problem is acutely felt in Japan where many golfers are obsessed with the rituals of the game: practice routines, the

lining up of shots, order of play, cleaning their balls, marking balls on the putting green, etc.

Unfortunately, Japanese golf clubs do little or nothing about it. Course marshalls are rarely seen, and even when they do appear, they rarely ask golfers to speed up their game. Golf clubs retain the belief that all golfers wish to maintain the status quo — i.e. have lunch and not play through — when clearly that isn't the case.

There is, of course, a simple answer. Golfers are usually expected to finish nine holes in two hours and 15 minutes, and there is nothing stopping golf clubs from keeping a tee time open for the second nine two hours and 15 minutes after they start. Those wanting to have lunch could still have lunch and an appropriate tee time could be reserved, as it is under the current system. Flexibility is the key.

even before you start your second nine, your round of golf has taken four hours

As Japanese golf clubs try to stay afloat financially, having a more progressive attitude to the way golfers play — and actually considering their needs — would help to improve the game and the golfing experience here. But don't hold your breath; the obsession with form over function remains strong. You must have lunch at breakfast time and sit around doing nothing for nearly two hours before starting your back nine. ●





Eager for -7°C temperatures

A look at the production and future of icewine



One year in the late 18th century, Germany experienced an early winter. It is said the cold was so unexpected that the wine-producing grapes froze on the vine before harvesters could pick them. Desperate to make ends meet, the winemakers pressed what little juice they could out of the hard, frozen grapes and waited to see what would happen. What resulted was the discovery of a naturally sweet dessert wine of incredible complexity and flavour that the Germans aptly named *eiswein*.

Today, the English-speaking world knows this sweet treat as icewine. While Canada has overtaken Germany as the world's top producer, many countries with sufficiently cold temperatures — such as Austria, the US and even Japan — dabble in production. To be called icewine, a wine must be produced from grapes that have been naturally frozen on the vine. Beware of deceptive labels, such as “iced wine”, in which grapes are frozen post-harvest.

That natural-freezing process is part of the reason

icewine is renowned worldwide, always comes in expensive little bottles, and is only made in select regions. Winemakers wait nervously for temperatures to drop to -7°C late in autumn, as birds, hail and rot threaten their delicate crop. When temperatures reach this point, most of the water in the grapes crystallises so that when they are pressed, they yield a mere 10% to 15% of the typical amount of juice, but which is rich in sugar. Because these grapes produce such little juice, it takes four to five times the number of grapes to make icewine than regular

table wine. After three to six months of slow fermentation, the icewine reaches around 10% alcohol by volume, with floral honey aromas and surprising acidity.

Climate change is one of the biggest risks to the future of icewine production. As global temperatures increase, places such as Germany are seeing conditions that could threaten the future of *eiswein* production in its birthplace.

Fake icewine, particularly in Asia, is also a major threat to the industry. China is one of the largest consumers of icewine in the world, and also a hub of wine counterfeiting. Some of the top producers of icewine have taken trips to China and lamented seeing their labels in liquor stores and on bottle lists — in places that don't carry their wine.

When picking up your next bottle of icewine, make sure it says icewine or *eiswein* on the label to ensure you're getting the real deal. Pair it with a dessert high in fat, such as cheesecake, panna cotta or crème brûlée, to balance its high acidity. And if you're ever in Furano, on Japan's northernmost island of Hokkaido, stop by the local winery to try their exceptionally low-production — yet authentic — Furano Icewine. ●

icewine ... must
be produced from
grapes that have
been naturally
frozen on the vine





DOWN TIME

TEXT BY ANDREW HOWITT



Masakazu Murakami

Company: KEBA Japan Co., Ltd.

Title: Representative Director

Originally from: Osaka, Japan

Hungry? Where do you like to go for a bite?

Negiyaki Yamamoto in Osaka. It's my favourite *okonomiyaki* restaurant.

What do you do to stay in shape?

I surf.

Name a favourite

movie: *The Endless Summer*, directed by Bruce Brown.

Favourite musician:

Paco de Lucía.

Favourite album:

Paco de Lucía's *En Vivo Conciertos España 2010*.

Favourite TV show: *Crazy Journey* on TBS.

Favourite book: *Let My People Go Surfing: The Education of a Reluctant Businessman* by Yvon Chouinard.



What's something a lot of people don't know about you?

I really enjoyed making a robotic milling system as an engineer at a former company.

Cats or dogs?

Cats.

Summer or winter?

Summer.

What's your ideal weekend?

Getting out on my surfboard on a sunny day, with some good wind and tall waves — and not too many people.

Where do you go for a drink after a busy week?

Pio Takanawa, a great Spanish bar near Shinagawa station.

What's your ideal weekend? "Getting out on my surfboard on a sunny day"



Sakie T. Fukushima

Company: G&S Global Advisors Inc.

(I currently serve as an independent board member of three Japanese companies.)

Title: President & Representative Director

Originally from: Chiba, Japan

Length of time spent overseas: I lived in the US for 13 years

Hungry? Where do you like to go for a bite?

The sushi bar at the Ark Hills Club, a private club in the ARK Mori Tower.

What do you do to stay in shape?

I regularly use our treadmill at home.

Name a favourite movie:

Annie Hall.

Favourite band:

The Rolling Stones.

Favourite album: The Beatles' *Sgt. Pepper's Lonely Hearts Club Band*.

Favourite TV show: I'm a fan of the Japanese mysteries *Kasoken no Onna* (The Woman of S.R.I.) and *Aibou*.

Favourite book: I love Agatha Christie mysteries. I've read all her books in the original English and like them all. It's difficult to choose a favourite.

What's something a lot of people don't know about you?

I taught Japanese at Harvard University for six years.

Cats or dogs?

Definitely cats.

Summer or winter?

Definitely winter.

What's your ideal weekend?

Relaxing with my husband.

Where do you go for a drink after a busy week?

I like unwinding at home with a glass of Champagne, wine, or whisky.



"I taught Japanese at Harvard University for six years."



WORK PLACE

TEXT BY TOBY WATERS

PHOTO BY KAGEAKI SMITH

NICHOLAS JAMES GUNN,
HEADMASTER

Jinseki International School

Set in the natural beauty of Jinsekikogen, Hiroshima Prefecture, Jinseki International School will be Japan's first primary boarding school when it opens in April of next year. It will combine an exceptional standard of education with individual care for every child who lives and learns there.

"This level of fulltime support can be the making of a child and lead to a profoundly successful life," says headmaster Nicholas James Gunn.

Though new in Japan, Jinseki International School will bring a boarding school experience, founded on tried and tested teaching methods, to help your child thrive. ●

CASINO NIGHT 2019

Don't miss out on the action and the auctions when Casino Night 2019 comes to The Ritz-Carlton Tokyo, featuring New Orleans cuisine by special guest chef Sohan Ahluwalia, free-flowing drinks all night, a close-up magician and live entertainment. Keep beating the house and improving your odds to walk away with some great raffle prizes. Raise the stakes at the Live and Silent Auctions to help raise awareness of breast cancer.

Friday, September 13, 2019
at The Ritz-Carlton, Tokyo

Games: blackjack, Texas hold'em poker, roulette, Big Six, craps and slot machines
Participation fee: 17,500 yen per person (buffet dinner, drinks included)

Incredible New Orleans Cuisine!

by Special Guest Chef Sohan Ahluwalia



*Register now at www.rftcjapan.org
or call Marco on 03-4520-8650*

Note: All proceeds from Casino Night will go toward Run For The Cure Foundation's mission to eradicate breast cancer as a life-threatening disease in Japan.



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